



beyond the headlines



California Housing Market Bounces Back in February

Source: World Property Journal

According to the California Association of Realtors, led by the San Francisco Bay region, California home sales registered healthy gains in February 2018 on both a monthly and annual basis after January's weak start.

Making sense of the story:

- Closed escrow sales of existing, single-family detached homes in California totaled a seasonally adjusted annualized rate of 422,910 units in February, according to information collected by C.A.R.
- The statewide annualized sales figure represents what would be the total number of homes sold during 2018 if sales maintained the February pace throughout the year. It is adjusted to account for seasonal factors that typically influence home sales.
- February's sales figure was up 3.3 percent from the revised 409,520 level in January and up 5.4 percent compared with home sales in February 2017 of a revised 401,060. The year-to-year increase was the largest since March 2017, and the month-to-month increase was the largest since June 2017.
- "February's solid market performance was likely fueled by rising interest rates, which motivated buyers to rush in and close escrow before rates move even higher as they're anticipated to do in the coming months," said C.A.R. President Steve White. "Despite losing ground in January, February's strong sales gain more than covered the loss, resulting in a 1.1 percent increase so far this year."
- While the statewide median price slipped from January, it continued to grow at a strong year-over-year pace and has remained above the \$500,000 mark for a full year. The \$522,440 February median price was down 1.0 percent from January's \$527,780 and was 8.8 percent higher than the revised \$480,270 recorded in February 2017. The year-over-year price gain has been growing at or above 7 percent for eight of the past nine months.

Read the full story:

<http://www.worldpropertyjournal.com/real-estate-news/united-states/laguna-beach/california-home-sales-report-2018-median-home-prices-in-california-los-angeles-home-sales-san-francisco-home-prices-california-association-of-realtors-10801.php>

In other news...

Federal Reserve raises interest rates for first time in 2018

Source: Housing Wire

As expected, the Federal Reserve announced Wednesday that it is increasing the federal funds rate for the first time in 2018.

Earlier this year, observers placed the likelihood of the Fed increasing rates by 25 basis points at the end of its March meeting at more than 75%.

And Wednesday, that's just what the Fed did.

Citing the strength of the economy, the Federal Open Market Committee voted to increase the target range for the federal funds rate to between 1.5% and 1.75%.

Previously, the target range was 1.25% to 1.5%.

"Information received since the Federal Open Market Committee met in January indicates that the labor market has continued to strengthen and that economic activity has been rising at a moderate rate," the Fed said in a statement.

Full story: <https://www.housingwire.com/articles/42806-federal-reserve-raises-interest-rates-for-first-time-in-2018>

Freddie: 'Adulging' Barriers Hold Back Housing

Source: Realtor Mag

"Adulging" is getting harder for younger generations, which is stymieing the housing market from reaching its full potential, according to Freddie Mac's latest March Insight report. The report compares young adults to previous generations and the impact to household growth.

"For today's young adults, 'adulging' is hard because the economic environment has been tough in recent years; wage growth has been weak and housing costs have risen rapidly," researchers note in the report. "On top of that, education and health care costs have skyrocketed."

Compared to 2000, the average annual expenditures of young adults in 2016 has jumped 36 percent. The average annual expenditures on health care and education have more than doubled, according to the report.

Housing costs and labor market outcomes are the two biggest factors behind the decline in household formation rates among young adults, according to the insight report. From 2000 to 2016, real median home prices rose by 29 percent. However, young adult per capita incomes increased by only 1 percent. Further, the labor force participation rate for young adults has seen a "substantial decline in recent years, particularly for men," researchers note.

Full story: <http://realtormag.realtor.org/daily-news/2018/03/20/freddie-adulging-barriers-hold-back-housing>

How the Rollback of Obama-Era Financial Regulations Could Affect You

Source: Realtor.com

A new banking bill won't just impact the big banks like Chase and Wells Fargo — if it becomes law, it will impact most Americans too.

The Senate approved a bill last week that will roll back some aspects of the Dodd-Frank banking reform bill, which was passed in 2010 after the financial crisis. It will make many small and midsize banks exempt from parts of Dodd-Frank. The bill was sponsored by Mike Crapo, a Republican senator from Idaho. It will now move to the House, where it could be amended further.

Under the new rules, smaller banks (those with less than \$250 billion) won't have to participate in yearly Federal Reserve "stress tests" that determine where they're equipped to handle economic and market downturns. Those smaller banks say they would get relief from restrictive rules and that will encourage more lending.

Full story: https://www.realtor.com/news/trends/rollback-obama-era-financial-regulations-affect/?iid=rdc_news_hp_carousel_theLatest

Republican tax bill derails plans of homeownership for some

Source: The Mercury News

Months after the GOP tax plan slashed certain breaks for property owners, some wannabe homeowners already report the changes have thrown their home-buying plans for a loop.

In a nationwide survey, 26 percent of people with plans to someday buy a home said they're putting off the purchase because of the tax changes, according to data collected by Apartment List. Small local samples showed 27 percent of Californians and 39 percent of San Francisco-area residents surveyed reported the tax plan prompted them to wait.

The numbers suggest the tax bill, which tightens restrictions on how much homeowners can deduct on property taxes and interest on their mortgages, is already discouraging some people who had once dreamed of closing on a house. But the impact appears to be moderate, despite some experts' initial worries. Nationally, 57 percent of potential home owners surveyed said the tax changes had no impact on their home-buying plans, while 51 percent of Californians and 48 percent of Bay Area residents said the same.

Full story: <https://www.mercurynews.com/2018/03/21/republican-tax-bill-derails-plans-of-homeownership-for-some/>

In Wake of California Drought, Listings Touting Water-Efficiency Evaporate

Source: Zillow

A relative flood of home listings advertising water-conservation features in the Golden State during the worst of the California drought appears to have dried up somewhat with the rains' return.

After spiking from just 0.4 percent of home listings in 2011 to 1.1 percent in 2016, the share of listings statewide advertising drought-resistant features[1] fell slightly in each of the past two years, an especially wet period that largely ended the half-decade California drought. The share of listings mentioning drought-resistance fell last year from 2015 or 2016 peaks in five of the seven major regions analyzed by Zillow.

The Far Northern and Inland Southern regions – Redwood forest and Mojave Desert country, respectively – were the only regions where drought-resistance was more likely to be touted in local listings last year than in prior years. The state's Central Coast had the highest share of listings (2.4 percent) that mentioned drought-resistance – somewhat unsurprising, given its lack of water infrastructure including dams, aqueducts and reservoirs compared to the rest of the state.

Full story: <https://www.zillow.com/research/california-drought-listings-2018-19013/>

What you should know

- Total mortgage application volume fell 1.1 percent last week from the previous week, according to the Mortgage Bankers Association.
- Refinances were behind the fall entirely. Volume fell 5 percent for the week and was nearly 19 percent lower than a year ago.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$453,100 or less) decreased to 4.68 percent from 4.69 percent, with points increasing to 0.46 from 0.45 (including the origination fee) for 80 percent loan-to-value ratio loans