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Existing Home Sales Distorted by Harvey

August was **yet another disappointing month** for existing home sales. The National Association of Realtors® (NAR) says those sales were down for the fourth time in five months, retreating 1.7 percent from July's estimate of 5.44 million to a seasonally adjusted annual rate of 5.35 million units. The August number still eked out a tiny 0.2 percent increase from the August 2016 estimate, but is the lowest rate of sales since then.

Analysts had been **expecting a slight increase** from July, probably based on a 1.5 percent increase in pending sales in July. Econoday reported estimates ranging from 5.350 to 5.550 with a consensus of 5.480 million.

Total existing home sales are completed transactions that include single-family homes, townhomes, condominiums and co-ops. Single family home sales were down 2.1 percent in August to a seasonally adjusted annual rate of 4.74 million from 4.84 million the previous month, but are still 0.4 percent above the 4.72 million pace a year ago. Condo and co-op sales improved by 1.7 percent, climbing to a rate of 610,000 units. Those sales however still lag the previous August by 1.6 percent.

Lawrence Yun, NAR's chief economist, says the slump in existing sales stretched into August **despite what remains a solid level of demand** for buying a home. "Steady employment gains, slowly rising incomes and lower mortgage rates generated sustained buyer interest all summer long, but unfortunately, not more home sales," he said. "What's ailing the housing market and continues to weigh on overall sales is the inadequate levels of available inventory and the upward pressure it's putting on prices in several parts of the country. Sales have been unable to break out because there are simply not enough homes for sale."

Yun noted that sales had **risen in the Northeast and Midwest**, but those gains were **offset by declines in the South and West**. "Some of the South region's decline in closings can be attributed to the devastation Hurricane Harvey caused to the greater Houston area," he said. "Sales will be impacted the rest of the year in Houston, as well as in the most severely affected areas in Florida from Hurricane Irma. However, nearly all of the lost activity will likely show up in 2018."

The median price for all types of existing homes in August was $253,500, a 5.6 percent gain from $240,000 a year earlier. It was the 66th straight month of year-over-year gains. The median existing single-family home price was $255,500, also a 5.6 percent increase, while median condo prices rose 5.4

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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percent to $237,600.

Total housing **inventory shrunk** again, declining 2.1 percent to 1.88 million existing homes available for sale. This is 6.5 percent lower than the 2.01 million existing homes available in August 2016. The inventory has fallen year-over-year for 27 consecutive months. At the current rate of sales, inventory is estimated at a 4.2-month supply compared to 4.5 months a year ago.

Properties typically stayed on the market for 30 days in August, which is unchanged from July and down from 36 days a year ago. Fifty-one percent of homes sold in August were on the market for less than a month.

"Market conditions continue to be stressful and challenging for both prospective first-time buyers and homeowners looking to trade up," said Yun. "The ongoing rise in home prices is straining the budgets of some of these would-be buyers, and what is available for sale is moving off the market quickly because supply remains minimal in the lower- and mid-price ranges."

The share of **first-time buyers** contracted to 31 percent in August from 33 percent in July and is the **lowest rate of participation** since last August when it was also 31 percent. NAR says the portion of first-time buyers through all of 2016 was 35 percent.

All-cash sales rose by 1 percentage points to 20 percent of transactions, but this was down from 22 percent a year ago. Individual investors, who account for many cash sales, purchased 15 percent of homes in August, up from 13 percent in July and 12 percent a year ago.

The role of distressed sales - **foreclosures and short sales** - continues to decline; those sales accounted for 4 percent of the total in August. Their share was 5 percent in July.

According to President William E. Brown, the housing market continues to recover from the depths of the financial crisis. However, the significant household wealth many homeowners have accumulated in recent years through rising home values could be at risk if any of the proposed tax provisions follow through with attempts to marginalize the mortgage interest deduction and eliminate state and local tax deductions.

"Consumers are smart and know that any attempt to cap or limit the deductibility of mortgage interest is essentially a tax on homeownership and the middle class," said Brown. He noted that a recent study commissioned by NAR found that under some tax reform proposals, many homeowners with adjusted gross incomes between $50,000 and $200,000 would see an average tax increase of $815, along with home values shrinking by an average of more than 10 percent. An even steeper decline would be seen in areas with higher property and state income taxes. Congress must keep homeowners in mind as it looks towards tax reform this year."

August existing-home sales in the **Northeast** jumped 10.8 percent to an annual rate of 720,000, and are now 1.4 percent above a year ago. The median price was $289,500, a 5.6 percent annual increase.

Sales in the **Midwest** were at an annual rate of 1.28 million, up 2.4 percent from July and 0.8 percent higher than a year ago. The median price in the Midwest gained 5.0 percent to $200,500.

There was a decline of 5.7 percent in the **South**'s existing-home sales. The seasonally adjusted number was 2.15 million, 0.9 percent lower than in August 2016. The median price in the South was $220,400, up 5.4 percent from a year ago.

Existing-home sales in the **West** fell 4.8 percent to an annual rate of 1.20 million in August, but are still 0.8 percent above a year ago. The median price in the West was $374,700, a 7.7 percent gain.

NAR's data on existing home sales are based on transaction closings from Multiple Listing Services nationwide. Census Bureau data on new home sales typically precede this report, but that report will not be issued until later in September.

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Who is Mid Valley Financial?

Since 1985, Mid Valley Financial has been a trusted partner for complex real estate financing solutions. We specialize in handling unique and challenging loan scenarios, including those with non-traditional income or asset documentation. Our expertise in hard money and private money lending offers quick funding and flexible terms for real estate investors, business owners, and agricultural operators. Whether you need funds for purchasing, renovating, or refinancing properties, our experienced team is here to help.

Beyond hard money lending, we offer a comprehensive suite of competitively priced home loan options, including conventional, FHA, VA, and jumbo loans. So whether you are a first-time homebuyer, looking to secure the family estate or vacation property, or have unique financial circumstances, our experienced team can help you find the best solution.

Our commitment to exceptional customer service and innovative financing solutions has made us one of the leading direct lenders and mortgage brokers in the California real estate market. With a proven track record of success and a focus on building long-term relationships, we're here to help you achieve your financial goals.

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