



beyond the headlines



Deadly California fires stretch an already tight housing market

Source: Bloomberg

Areas of California affected by wildfires may have an inadequate supply of emergency housing for victims because those markets were already facing severe inventory shortages, industry experts warn. The fires have torn through Northern California's wine country, destroying thousands of homes and businesses.

Making sense of the story:

- The fires continue to burn in California, with more than 221,000 acres of land and an estimated 3,500 homes and other structures destroyed, according to the California Department of Forestry and Fire Protection. At least 40 people have died in the wildfires.
- In particularly hard-hit Santa Rosa, rents are already among the highest in the country. Inventory shortages and skyrocketing home values there may leave displaced homeowners with few options while their houses are being rebuilt. Prior to the fires, the Santa Rosa apartment occupancy rate was 96.5 percent, according to RealPage data.
- Burbank Housing, Sonoma County's largest operator of affordable housing units, had 15,000 people on its waiting list for low-income apartments even before the fires began.
- Housing shortages have been common across the country, and a natural disaster can make it even worse, says Nela Richardson, chief economist at Redfin. "The housing system can't handle the shock," she says. "Any event—even a big rainstorm that floods out several basements in a neighborhood—something as trivial as that can overwhelm the system."
- Housing supply is short across the entire Bay Area. Displaced homeowners looking to relocate would find the most comparable home values to Sonoma County in Contra Costa County, to the east of San Francisco, Trulia's Ralph McLaughlin said. Renters may have to travel as far as San Benito County, south of San Jose, based on comparable rents. Meanwhile, the onslaught of permit applications and heightened demands on construction labor will likely lengthen the rebuilding process.

Full story

<https://www.bloomberg.com/news/articles/2017-10-13/wine-country-disaster-stretches-an-already-tight-housing-market>

In other news...

California home prices on track to hit a record high in 2018

Source: Orange County Register

California's five-year run of rising home prices is expected to last another three to five years, with median house prices on track to beat the record highs set during the housing bubble, a Realtor economist said.

The California Association of Realtors forecast home prices will increase an additional 4.2 percent in 2018, rising to \$561,020. If the forecast proves accurate, that existing single-family home price will exceed the record high of \$560,270 set in 2007. Prices, however, will remain well below pre-recession records when taking inflation into account.

Single-family home sales also are projected to increase in the state next year, but at a much more modest pace, the Realtor forecast said. CAR projected 426,200 houses will change hands, up 1 percent from this year's level.

Overall, the gains in both house prices and sales are lower than in past years, perhaps signaling the California housing market's "rate of acceleration has been slowing," said CAR Chief Economist Leslie Appleton-Young. "Southern California home prices are expected to rise at roughly the same pace in 2018 and to match the statewide median."

Full story

<http://www.ocregister.com/2017/10/12/realtors-forecast-modest-gains-in-home-prices-sales-in-2018/>

Parents helping kids compete in bidding wars

Source: Wall St. Journal

To help their adult children, more parents are reportedly taking out equity in their own home so their child can buy a home of their own.

More parents are finding that their adult children need the extra financial footing in order to compete in areas where bidding wars have become commonplace. The additional funds are helping adult children avoid making a deal contingent on financing and also helping to make their offers more attractive to sellers. Parents have several options for tapping the equity in their homes, such as cash-out refinances or a home equity loan.

Even millennials with high-paying jobs and sizable down payments have been losing out in some bidding wars due to high competition, particularly in markets like Washington, Boston, and Seattle, says Nela Richardson, Redfin's chief economist. By having a parent take out a home equity line of credit to give their child a full purchase price, some millennials are better positioned to then win against multiple bids.

Full story

<https://www.wsj.com/articles/millennialss-new-weapon-in-bidding-wars-a-parents-home-equity-1507645135>

Survey: American Dream varies by gender, age

Source: Hearth Insights

When it comes to the American dream, women are more concerned about affordability and financial security than men, according to a recent survey from Hearth, a financial tech startup focusing on home renovation loans.

In a survey of 2,000 Americans, both genders ranked owning a home they love as the most important element of attaining the American dream, with 46 percent of women and 42 percent of men putting it at the top of their list. However, women ranked “affording rent and living expenses without hardship” closely behind homeownership at 41 percent. This element of the American Dream ranked fourth at 27 percent for men, who put starting a family (34 percent) and finding a fulfilling career (33 percent) second and third.

Another area that men and women ranked differently was savings. Women said saving money to send their children to college (27 percent) is key to achieving the American dream, while men prioritized building retirement savings (23 percent).

Survey responses also varied by generations, with millennials being 77 percent more likely than baby boomers to see homeownership as a primary way to build wealth. However, all generations said creating a living space for family was the most important reason for owning a home.

Full story

<https://www.gethearth.com/american-dream-report-2017>

Rent price hikes are easing

Source: National Real Estate Investor

Renters may finally be getting some relief. Apartment rents are not increasing as much as they have in the last few years.

None of the major metro areas studied had seen annual rent growth of more than 10 percent. Rents rose 2.2 percent, on average, in the U.S. over the 12 months that ended in the third quarter, according to Yardi Matrix. That marks the slowest rate of increase in rental prices since April 2011.

The markets where rents increased the most quickly in 2016 have slowed down by the most in 2017, according to data from Axiometrics. Sacramento still has the strongest rent growth in the U.S., but apartment rents grew by 6.9 percent over the 12 months that ended in the third quarter of 2017. For comparison, a year ago rents rose by nearly 12 percent in that time frame.

Many of the markets that saw home prices plunge by the most during the housing crash are seeing some of the highest rent upticks still.

Full story

<http://www.nreionline.com/multifamily/apartments-rents-are-growing-most-former-housing-crash-cities>

Could YIMBY be the new NIMBY?

Source: Builder Magazine

Young adults are forming a new movement known as YIMBY—“yes in my backyard”—as they advocate for more affordable housing in their communities.

Young adults reportedly are turning out in bigger numbers to zoning, planning, town, and city board meetings to advocate for more affordable housing in their districts. Activist groups are gaining momentum, particularly in markets that have faced surging rental costs and home prices the last few years.

The housing industry expects the YIMBY movement to get louder as millennial advocates seek housing solutions to the affordability problem and beyond.

Now, though, builders and developers find themselves new allies of convenience, a new and progressively powerful force of people, who themselves are changing the narrative. Young voters, mostly renters who fear that if they don't speak up and act now in support of more plentiful, more attainable housing, they're going to have to move out.

Full story

http://www.builderonline.com/building/regulation-policy/could-yimby-be-the-new-nimby_o

What you should know

- A slight decrease in mortgage rates brought refinancers and home shoppers back to lenders last week.
- Total mortgage application volume for refinancings and home purchases rose 3.6 percent week-over-week on a seasonally adjusted basis, the Mortgage Bankers Association reported Wednesday. However, the volume still is nearly 19 percent below the same week a year ago. Interest rates were lower a year ago.
- Home purchase applications increased 4 percent last week and are up 9 percent compared to a year ago, the MBA reports.
- Applications for refinancing rose 3 percent, but remain down 36 percent from a year ago.
- The 30-year fixed-rate averaged 4.14 percent, down from 4.16 percent the week prior, the MBA reports.