beyond the headlines

Want to save up for a home? Say goodbye to 54 percent of your income for 6 years

Source: Housing Wire

It will take the average U.S. renter over six years to save up for a 20 percent down payment on a home, according to research from Zillow affiliate HotPads.

Read the full story:

- The median home value in the U.S. is $216,000, which means a 20 percent down payment would be $43,200.

- If a renter making the median income saves 20 percent of their income each month – as financial experts recommend—they would have enough for a down payment in 77 months, which is almost six and a half years.

- The median home value has been climbing for quite some time, and coupled with the cost of rent, the time it takes to save up for a home is ballooning quickly. The typical renter spends 34 percent of their income on rent, qualifying them as rent burdened.

- According to the report, in 13 of the 35 largest U.S. metros, it can take more than 10 years to save enough for a 20 percent down payment.

- In the most expensive markets like Los Angeles, San Jose and San Diego where renters spend more than 55% of their income on rent, it could take them up to 22 years to save for a 20 percent down payment. For many people in the U.S., the dream of one day owning a home is distant at best.

- It should be noted that Freddie Mac, Fannie Mae, and the Federal Housing Administration all offer mortgage programs that require much lower down payments, but saving up the traditional 20 percent down payment just keeps getting more difficult.

Read the full story: https://www.housingwire.com/articles/46061-want-to-save-up-for-a-home-say-goodbye-to-54-of-your-income-for-6-years

In other news…

Sacramento's housing market is 'healthier' this year than last, finance company says

Source: The Sacramento Bee

Sacramento now has the third-healthiest housing market among major cities in California, according to a new study by a personal finance company.

Creating a "Healthiest Markets Index," finance and real estate analysis website SmartAsset ranked Sacramento (77.4 on the index) behind only San Jose (88.6) and Fremont (94.8) for California on its 2018 list.

The five main categories factoring into the market index are: average years living in one home, average proportion of homes with negative equity, percentage of homes decreasing in value, average number of days on the market, and home costs as a percentage of income.

Of note, SmartAsset found that Sacramentans spend an average of 12.4 years living in a home, just shy of 6 percent of our homes are decreasing in value and our homes cost about 22.7 percent of our income. On average, a house for sale in Sacramento stays on the market 28 days.

Full story: https://www.sacbee.com/news/business/real-estate-news/article214987985.html

The Ideal Age for First-Timers to Buy

Source: REALTOR® Mag

Apparently the magic number for first-time home buyers is 28. That's the average age that most Americans think a person should be when they buy their own home, according to a new Bankrate.com report conducted last month among a sample of 1,001 respondents.

This may be a bit optimistic in practice, at least for buyers in today's market. The National Association of REALTORS®' 2017 Profile of Home Buyers and Sellers found the median age of first-time buyers was 32 years old for the second year in a row.

The Bankrate study did find some differences in opinion between genders and regions of the country. While a quarter of men think people should strive to buy their first home by age 25, just 12 percent of women say the same. Those who live in the Northeast appeared to have lower expectations for buying a first home than other survey participants. Nearly one in five living in this region responded that the right age to buy a home for the first time is 35 or older, twice as many as any other region.

Full story: https://magazine.realtor/daily-news/2018/07/18/the-ideal-age-for-first-timers-to-buy

Homebuilder sentiment, still high, stalls as tariffs, labor and land drive up costs

Source: CNBC

U.S. homebuilders are heartened by the strong demand and tight supply in today's housing market, but they still can't meet that demand as much as they might like. Consequently, their level of confidence is stuck in neutral.

A monthly sentiment survey from the National Association of Home Builders was unchanged in July, standing at 68. Anything above 50 is considered positive sentiment. The survey was at 64 in July of 2017 and hit a cyclical high of 74 in December.

But homebuilders are facing rising costs for land, labor and materials, especially with new tariffs on Chinese steel and aluminum in addition to duties imposed on Canadian lumber last year. The price of lumber spiked to a record high a few months ago and is still up over 50 percent in the past year.

Homebuilders today continue to focus on the move-up and luxury sectors, and not on the entry level, where demand is strongest. Sales of newly built homes are still not even close to their historically normal levels, but prices continue to rise. Builders should be benefiting from the severe shortage of existing homes for sale, but weakened affordability stands in the way of higher sales.

Full story: https://www.cnbc.com/2018/07/17/homebuilder-sentiment-stalls-as-costs-rise-on-tariffs-land-labor.html

Why home renovations could get more expensive this year

Source: The Mercury News

Home renovation projects could get more expensive this year, according to a survey conducted by home remodel and design website Houzz.

The ongoing tight labor market and increasing material costs are behind that trend, say many of the 3,378 U.S. residential renovation and design businesses that Houzz surveyed.

"With market fundamentals aligned in favor of the home improvement industry, 2018 is set to be another great year," said Nino Sitchinava, principal economist at Houzz, in a news release about the study. "That said, businesses are cautious about tightening local labor markets that may hamper growth in many regions, and apparent economic uncertainty on a national level."

Half or more of the architects, general contractors, design-build firms and landscaping professionals surveyed by Houzz expect that the problem of finding workers and the costs of paying them to increase in 2018, following what has been a trend for the last couple years.

On top of the labor costs, one in two companies in each of the groups surveyed — architects, interior designers, general contractors, design-build firms, renovation firms, landscaping and decorating —- expects product and material costs to rise, driving up the overall costs of doing business in 2018.

Full story: https://www.mercurynews.com/2018/07/12/why-home-renovations-could-get-more-expensive-this-year-2/

Plan to split California into three states barred by state Supreme Court

Source: Curbed

On Wednesday, the California Supreme Court issued an order removing from the November ballot a voter initiative to divide California into three new states. The measure was the brainchild of Silicon Valley capitalist Tim Draper.

The plan sought to divide California into three states: Northern California, Southern California, and California (coastal enclaves from Los Angeles County to Monterey County would fall within the boundaries of California; Orange County, San Diego, and southern inland counties would be in Southern California; and Santa Cruz County and northward would be Northern California).

The court made the decision in response to a lawsuit brought by the Sacramento-based environmental group Planning and Conservation League.

Critically, the decision neither spells the end of the suit, nor the end of Draper's Cal 3 campaign; however, it almost certainly means no one will be voting on it this year.

Full story: https://sf.curbed.com/2018/7/19/17590594/california-supreme-court-three-californias-cal3-split-divide

What you should know

- Mortgage applications dropped 2.5 percent last week, seasonally adjusted, according to the Mortgage Bankers Association.
- Total volume was 12 percent lower than the same week one year ago.
- Mortgage applications to purchase a home fell 5 percent for the week and were just 1 percent higher compared with a year ago.