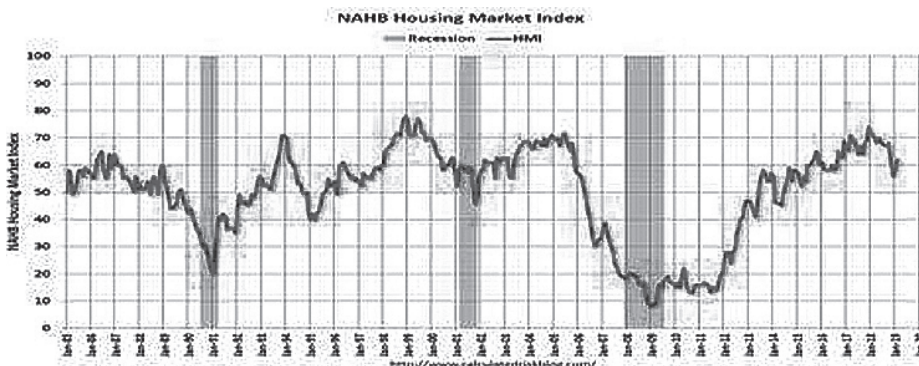




Economic VOICE

Housing Market Still Alive and Well!



By Harlan Green / Special to VOICE

THE BUILDER APPLICATIONS SURVEY DATA for January showed mortgage applications for new home purchases jumped by 43 percent from December, though was unchanged from a year ago, according to The Mortgage Bankers Association last week. This should silence the doomsayers who predict labor shortages and higher tariffs are sure to kill the housing market.

"After two lackluster months, new home sales surged... in January to the fastest pace in our survey, dating back to 2013," said Joel Kan, MBA Associate Vice President of Economic and Industry Forecasting. "Despite the jitters potential homebuyers felt in December from the volatility in the financial markets, the healthy job market and wage growth, moderating price gains and lower mortgage rates all helped home sales recover. Additionally, builders seem to be seeing improvement in their labor shortages, as recently released government survey data showed increases in construction hiring and openings in December."

Mortgage interest rates have indeed come down with a vengeance since December. The 30-year conventional fixed rate guaranteed by Fannie Mae and Freddie Mac is now 3.75 percent for a one-point origination fee, and the so-called high-balance conventional rate is 4.0 percent with one origination point for the most credit-worthy borrowers.

That's why home builders' confidence index jumped four points to 62 from 58 (percent of those surveyed), according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI), which is also good news.

So housing construction isn't about to die, which is a sign economic growth isn't gasping for air either in this full employment, low-interest rate environment. February marked the second consecutive month in which all the HMI indices posted gains. The index measuring current sales conditions rose three points to 67, the component gauging expectations in the next six months increased five points to 68, and the metric charting buyer traffic moved up four points to 48.

"Builder confidence levels moved up in tandem with growing consumer confidence and falling interest rates," said NAHB Chief Economist Robert Dietz. "The five-point jump on the six-month sales expectation for the HMI is due to mortgage interest rates dropping from about five percent in November to 4.4 percent this week. However, affordability remains a critical issue. Rising costs stemming from excessive regulations, a dearth of buildable lots, a persistent labor shortage, and tariffs on lumber and other key building materials continue to make it increasingly difficult to produce housing at affordable price points."

There is more to the jump in builder confidence and new-home construction. The millennial generation is forming more new households this year, and at least 50 percent have historically wanted to buy a home. Researchers at the San Francisco Federal Reserve have been finding such an increase.

"The shares of young adults heading households now are similar to rates seen at the start of the housing boom," said SF Fed researchers. "Moreover, while more young adults are living at home longer, data suggest they are continuing to transition to

higher headship rates as they get older... Given current 12-month annual headship rates by age group, the Census Bureau projections imply household formations averaging on the order of 1.4 to 1.5 million per year through 2020. That is much better than an average of a little less than 900,000 annually over the past five years."

MBA estimated new single-family home sales at a seasonally adjusted annual rate of 713,000 units in January, based on data from the BAS, an increase of 29.2 percent from the December pace of 552,000 units. On an unadjusted basis, MBA estimated 54,000 new home sales in January, an increase of 45.9 percent from 37,000 new home sales in December, a whopping increase.

Conventional loans composed 68.7 percent of loan applications, FHA loans composed 18.6 percent, RHS/USDA loans composed 0.5 percent, and VA loans composed 12.2 percent. The average loan size of new homes decreased from \$334,944 in December to \$334,532 in January.

The jump in finance applications and home building in January shouldn't be surprising. The U.S. economy continues to perk along, seemingly ignoring any bad news, such as the just-released FOMC minutes of the December meeting that sees cloudier skies ahead for the U.S. and world economies this year.

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Harlan Green has been the 16-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker. To reach Harlan call (805)452-7696 or email editor@populareconomics.com

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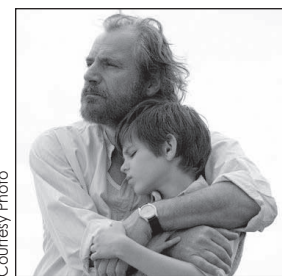
Spring 2019 Movies:

February 22: *Fugitive Pieces* (2007) | Director: Jeremy Podeswa | Writers: Anne Michaels (novel), Jeremy Podeswa | Stars: Rade Serbedzija, Rosamund Pike, Robbie Kay, Nina Dobrev, Stephen Dillane

March 1: *The Wife* (2017) | Director: Björn Runge (as Björn L Runge) | Screenplay by Jane Anderson based on the novel by Meg Wolitzer | Stars: Glenn Close, Jonathan Pryce, Max Irons

March 8: *Fire* (1996) | Writer/Director: Deepa Mehta | Stars: Shabana Azmi, Nandita Das, Karishma Jhalani

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
'11	80	94	146	119	135	140	147	156	160	128	126	170
'12	114	113	183	170	225	215	217	213	173	218	190	275
'13	141	146	189	197	265	209	217	216	181	178	138	167
'14	142	132	141	186	207	174	196	179	171	160	137	170
'15	142	113	235	202	226	210	207	217	155	149	124	150
'16	126	118	153	166	220	195	174	214	187	161	158	159
'17	142	132	164	149	189	257	193	224	178	173	172	170
'18	101	121	172	179	234	211	165	225	184	171	145	163

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