

The Mortgage Corner



Home Sales Soaring

By Harlan Green / Special to Voice

TOTAL EXISTING-HOME SALES, which are completed transactions that include single-family homes, townhomes, condominiums, and co-ops, rose 1.7 percent to a seasonally adjusted annual rate of 5.45 million in April from an upwardly revised 5.36 million in March. After last month's gain, sales are now up 6.0 percent from April 2015, said the NAR.

NAR Chief Economist Lawrence Yun reported that April's sales increase signals slowly building momentum for the housing market this spring. "Primarily driven by a convincing jump in the Midwest, where home prices are most affordable, sales activity overall was at a healthy pace last month as very low mortgage rates and modest seasonal inventory gains encouraged more households to search for and close on a home," he explained, adding, "except for in the West — where supply shortages and stark price growth are hampering buyers the most — sales are meaningfully higher than a year ago in much of the country."

Also good news was the 32 percent that were first time homebuyers, up from 30 percent, but nowhere near the 40 percent during more normal economic times. Alas, pricing and low inventories are the problem. Too many builders are not yet building the entry-level affordable housing that has to be below the new \$232,000 median price.

And there's just a 4.7-month supply of available inventory. That's why the Wells Fargo

Market Index is hovering just above 50 percent—i.e., 60 percent of buyers can now afford a median-price home, which isn't bad.

"This is the second consecutive quarter that we've seen a nationwide improvement in affordability due to favorable home prices and mortgage rates," said NAHB Chief Economist Robert Dietz. "These factors, along with rising employment, a growing economy, and pent-up demand will provide a boost for home sales in the second half of 2016."

New home construction will have to fill the void. Nationwide housing starts rose 6.6 percent to a seasonally adjusted annual rate of 1.17 million in April, according to newly released data from the U.S. Department of Housing and Urban Development and the Commerce Department. Overall permit issuance was also up 3.6 percent to a seasonally adjusted annual rate of 1.12 million.

"Though housing construction data is relatively flat for the beginning of 2016, we anticipate a ramping up of housing production during the rest of the year, given a strengthening job market, low mortgage interest rates and favorable demographics," said NAHB Chief Economist Robert Dietz.

Harlan Green has been the 11-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.