Market Minute: September 16, 2019

Housing/Real Estate Market

July home prices increased by 3.6% on a year-over-year basis: According to CoreLogic, July home prices rose 0.5% nationally from June, but 3.6% from a year ago. Suggesting that although home price appreciation continues, it is doing so at a much slower pace. Nevertheless, their HPI Forecast is somewhat optimistic and expects an annual price growth of 5.4% by July of next year (2020).

LA rents surprisingly trail behind the rest of the state and nation: Although rents in Los Angeles have grown 0.5% year-over-year (1% statewide), rents nationally have grown by 1.5% during the same time period. However, few other cities in the LA metro, have seen growth close to or more than the national average.

Upcoming Data Releases

- CA Aug. Sales & Price – 9/17
- Industrial Production – 9/17
- Home Builder's Index – 9/17
- Housing Starts – 9/18
- Building Permits – 9/18
- Weekly Jobless Claims – 9/19
- NAR Existing Home Sales – 9/19

Macro Economy

Consumer credit expands in July at fastest pace in nearly 2 years: Consumer borrowing picked up from 4.1% in June to 6.8% in July to a total of $23.3 billion. The growth in consumer debt was mainly attributed to a surge of 11.2% in revolving credit (credit cards, lines of credit, etc.) which was the highest rate in 20 months, as well as 5.3% increase in non-revolving (largely auto, student, and home loans). Consumers healthy spending and borrowing provides more evidence that consumers are the engine propelling the economy forward.

Inflation appears to be rising as it climbs to 2.4% in August: Americans paid 0.1% more for the same basket of goods and services they did last month. Overall, their cost of living went up 1.7% over the past 12 months, but after adjusting for inflation, hourly wages jumped 0.4%, which translates to a solid 1.5% increase over the last year. Nevertheless, Core CPI seems to suggest that inflation is increasing towards the Fed's target rate.

Small business optimism index fell to 5-month low: The NFIB optimism index fell 1.6 points to a seasonally adjusted 103.1 in August, which was the worst showing since March of this year. Much of the decrease was attributed to an 8% drop in those expecting the economy to improve and a 5% drop in those expecting real sales to increase. Although the uncertainty index rose 4 points, small business owners continue to invest, grow, and hire at historically high levels.

Retail sales increased 0.4% in August: U.S. retail sales were practically flat outside of a big boost from Auto sales, which had their biggest gain in 5 months of 1.8%. Despite gas prices slowing, sales at gasoline stations fell almost 1% and internet sales also suffered a setback, but consumers continue to drive the economy forward.

Businesses grew their inventories by 0.4% in July: After no change the prior month, business inventories in the U.S. rose 0.4% and 4.8% from last year. However, sales rose 0.3% which kept the ratio of inventories to sales flat at 1.4 from the month prior, but a bit higher than last year's 1.35 ratio. Growing inventories adds to the nation's GDP.

Wholesale prices inch up in August: The wholesale cost of U.S. goods and services rose slightly by 0.1%, while wholesale inflation rose a sharper 0.4% if food, energy and retail-trade margins are stripped out.

Job openings fell slightly in July to 5-month low, but labor market still strong: The number of open jobs slipped from 7.25 million the prior month to 7.22 million in July and while the share of people who left their jobs willingly, also known as quit rate, rose to 2.4%. This was the first increase in more than a year and an 18-year record high. The number of job openings is still quite high and easily exceeds the 6 million Americans officially classified as unemployed.

Jobless claims fell to nearly 5-month low: The number of people who applied for unemployment benefits fell sharply to 204,000. Actual and unadjusted jobless claims both fell the most in the largest states, including California. Even the more stable monthly average fell, although by a much smaller margin.

Real Estate Finance

Mortgage rates increased: The 30-year fixed-rate mortgage increased to 3.56% from 3.49% the week prior. Compared to last year at 4.6%, rates are now more than a full percentage point lower and it's also the first time rates remain under 3.6% for over 4 consecutive weeks since Q4 of 2016.

Mortgage applications increase from the week prior: Mortgage loan applications increased 2.0% from one week earlier, despite rates inching up for first time in several weeks. The refinance index increased by a scant 0.2%, yet it remains 169% higher than it was this same time last year. Purchase applications reported an increase of 5% from the previous week and a healthy 9% gain from last year, suggesting the recent bump in home sales could extend for the next few months.

Mortgage fraud risk in Q2 2019 decreased 11.4% on a year-over year basis: CoreLogic's risk index decreased for the first time since Q3 of 2016, mainly as a result of lower interest rates which caused a wave of low-risk refinances. While an estimated 0.81% of all applications in Q2 of 2019 contained indications of fraud, compared to 0.91% during the same time last year, the total number of risky loans has not decreased, but are smaller relative to the pool of overall loans.