

Housing/Real Estate Market

CA single-family home sales get a boost from low interest rates,

and median home price reaches a new all-time high: Home sales in California totaled 406,100 (SAAR) in August, which represent a 1.6% increase from a year ago. However, sales growth remains subdued and listings inventory in fact decreased for the second consecutive month by 8.9% on a year-over-year basis. Meanwhile, the median home price jumped by 3.6% from 12 months ago reaching a record high of \$617,410. However, while higher home prices represent an affordability challenge to buyers, lower rates have boosted their purchasing power as the monthly mortgage payment has decreased by 7.4% from last year.

Home-builder confidence grows and matches highest reading in a year: The NAHB monthly confidence index increased to 68 in September, an increase of one point after revising the August number up one point to 67. Home-builder confidence has steadily improved in 2019 likely as a result of mortgage rates have continued to drop to nearly three-year-low levels. A confidence index improving above 50, can be an indication of future home-building activity.

Home-building activity soars 12%, the fastest pace since 2007: As home-builder confidence grew, housing starts increased 12% to an annual rate of 1.36 million in August and housing permits to build new homes increased by 8% to a seasonally-adjusted pace of 1.42 million, the fastest pace for both in more than a decade. The 30% increase in the construction of multifamily properties was the main factor behind the overall growth of housing starts. However, despite single-family having a more modest 4% increase in new construction, it was the strongest growth rate this year.

Existing-home sales nationally rise 1.3% in August, as low interest rates provide buyers a bargain for their mortgage: NAR reported a seasonally-adjusted annual pace of 5.49 million existing-home sales in August, which was up from 5.42 million in July. This represented a 1.3% increase in sales from July and 2.6% increase from August of last year. On the other hand, total inventory of homes on the market has fallen 2.6% from last year and as a result of demand and less supply, the median price increased 4.7% from a year ago to \$278,200.

Macro Economy

Industrial production recorded largest gain in a year: The U.S. industrial production went up by 0.6% in August and July's reading was revised up from its prior estimate of -0.2% to -0.1%, reflecting a smaller decline. However, much of this month's increase was due to a surge in mining output and utilities, but it remains to be seen whether this high level of production can be sustained as the global economy lags and the trade war with China lingers.

Weekly jobless claims inch up in mid-September: After having a sharp decline, the number of people who applied for unemployment benefits inched higher by 2,000 to 208,000. However, layoffs remain remarkably low and there are no signs of immediate deterioration to the strongest labor market in decades.

Upcoming Data Releases

- Case-Shiller Home Price – 9/24/19
- Consumer Confidence – 9/24/19
- Weekly Jobless Claims – 9/26/19
- Q2 GDP revision – 9/26/19
- Pending Home sales – 9/26/19
- Durable goods orders – 9/27/19
- Consumer Spending – 9/27/19

Real Estate Finance

Mortgage rates jump: The 30-year fixed-rate mortgage increased to 3.73% from 3.56% the week prior. Rates remain significantly lower than last year at 4.65%, but this week's increase is the second consecutive increase after almost 9 months of decline. Nevertheless, despite the rise in interest rates, the housing market seem to have finally improved as sales improved, purchase applications increased, and home builders gained confidence and got to work at fastest pace in 12 years.

Mortgage applications flat, but purchase index up 15% from a year ago: Mortgage loan applications were practically flat as they decreased 0.1% from one week earlier. As rates begun to move up, the refinance index has decreased by 4%, although it still remains 148% higher than it was this same time last year. Purchase applications however, increased by 16% from the previous week and a very healthy 15% from last year, which is the third consecutive gain and the highest since July, suggesting that the demand for buying a home remains strong.