



beyond the headlines



How Much of the Homeownership Rate Decline from 2005-2015 is Due to Foreclosures?

Source: Harvard

The U.S. homeownership rate declined to 63.5 percent in the first quarter of 2016, a drop of 0.3 percent from the prior quarter and 5.5 percent from its peak in 2004, according to the new homeownership rate figures released in April. To what extent did foreclosures contribute to the decade-long decline in the homeownership rate? Research from Harvard University assesses the extent to which slowing foreclosures may ease downward pressure on the homeownership rate.

Making sense of the story

- While the number of completed foreclosures has declined from its 2010 peak, it remains elevated above its pre-crisis levels. According to CoreLogic data, a total of about 670,000 foreclosure sales, short sales, and deed-in-lieu transactions took place in 2015. This is down from a high of 1.4 million foreclosure completions in 2010 but well above the pre-crisis average of 228,000 foreclosure completions per year from 2000 to 2004.
- Understanding the contribution of foreclosures to homeownership rate declines is therefore necessary in forming expectations about the homeownership rate in coming years.
- Foreclosure completions, short sales, and deed-in-lieu transactions contribute to the decline in the homeownership rate to the extent that they displace homeowner households. However, precisely measuring the contribution of these transactions to changes in the number of homeowner households is hampered by data limitations.
- Comparing various data figures with the size of the decline in the homeownership rate suggests that foreclosures have played a role in the homeownership rate decline—and underscores the need for attention to continued foreclosure volumes.
- Experian data estimates that approximately 12.6 percent of homeowners who experienced a foreclosure or short sale between 2007 and 2015 have since re-entered homeownership.
- Applying this estimate, the “High” estimate of 5.8 million owner-occupied foreclosures would have reduced the number of homeowners in 2015 by 5.1 million, and the “Low” estimate of 4.8 million would have reduced the number of homeowners in 2015 by 4.2 million.
- Estimates suggest that foreclosure-related homeownership exits may explain about half or more of the decade-long homeownership rate decline. Second, and equally important, this means that foreclosures are likely to continue to put downward pressure on the homeownership rate until the foreclosure inventory clears and the volume of foreclosure completions returns to a normal level.

Read the full story

<http://housingperspectives.blogspot.com/2016/05/how-much-of-homeownership-rate-decline.html>



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In other news ...

High Rents May Force Buyers into the Market

Source: *DSNews.com*

One in four home buyers reported that it was the high cost of rent that prompted them to go hunting for a house—a substantial increase from the share reported last summer, according to a survey by Redfin. First time buyers drove the increase, with more than 50 percent of them citing high rents as the reason they were looking to buy a home—more than double the 25 percent reported in August. Rents have been on the rise for several months now as demand for rental housing has increased due to a short supply of homes for sale. Redfin Chief Economist Nela Richardson commented, “Though enticed by high rents and low mortgage rates to begin a home search, first-time buyers [still] face a number of obstacles in today’s competitive market. In many cities, starter homes have seen the largest price increases because the supply of affordable homes on the market is so low and the demand for these homes is so high.”

Read the full story

<http://www.dsnews.com/news/05-27-2016/high-rents-may-force-buyers-into-the-market>

The Newlyweds’ Guide to Buying a Home

Source: *realtor.com*

Thirty-five percent of married Americans purchased their first home together within two years of tying the knot, according to a study by Coldwell Banker, but there are a lot of factors that come into play when a couple pursues their first home together. A couple will have to discuss the unpleasant topic of credit scores, because if one person’s credit score is substantially lower than the other person’s, that could hinder the couple’s ability to qualify for a loan, or at least get an attractive interest rate. Considering future goals will also affect which type of home—and loan—is right for a couple, such as whether they will stay in a home short-term or plan to have kids soon.

Read the full story

http://www.realtor.com/advice/buy/newlyweds-guide-to-home-buying/?link=TD_REALTOR_image_4&cid=soc_editorial62230036&adbid=737799586626969600&adpl=tw&adbpr=17351940

U.S. consumer spending increase strongest in over six years

Source: *Reuters*

U.S. consumer spending recorded its biggest increase in more than six years in April, and spending is likely to remain supported by strong gains in house prices, as well as a strengthening labor market, which is steadily pushing up wages. The Commerce Department said consumer spending, which accounts for more than two-thirds of U.S. economic activity, surged 1.0 percent last month as households bought a range of goods and services. The strong consumer spending report joined data on goods exports, industrial production, housing starts, and home sales in suggesting the economy was regaining momentum after growing at a lackluster 0.8 percent annualized rate in the first quarter.



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Read the full story

<http://finance.yahoo.com/news/u-consumer-spending-increase-strongest-174559819.html>

US Home Prices Rise in March as Spring Buying Season Begins

Source: ABC

The Standard & Poor's/Case-Shiller 20-city home price index increased 5.4 percent in March compared with a year earlier, according to a report released this week. National home prices kept climbing in March as the spring home buying season began, but so far the higher costs haven't thwarted sales. Solid job growth, modest increases in wages and salaries, and low mortgage rates are fueling Americans' willingness to buy homes. Yet there is also a limited supply of homes on the market, which pushes up prices. Reportedly, the number of homes on the market is equal to less than 2 percent of U.S. households, the lowest percentage since the mid-1980s. Still, sales of existing homes rose 1.7 percent in April – the second straight increase – to an annual rate of 5.45 million.

Read the full story

<http://abcnews.go.com/Business/wireStory/us-home-prices-rise-march-spring-buying-season-39499538>

Where's Housing Headed? A Google City, Maybe

Source: RIS Media

Google has delved into such areas as virtual reality, self-driving cars, and solar mapping, so are homes of the future also on its agenda? One of the Google parent company's executives recently commented that it is exploring the possibility of developing a city "from the Internet up." The executive commented, "Technology, ultimately, cannot be stopped." It remains to be seen what Google's intentions are if a city were to be built by the company, and how a city built solely on technology would affect major issues like affordability and low supply.

Read the full story

http://blog.rismedia.com/2016/wheres-housing-headed-a-google-city-maybe/?utm_source=newsletter&utm_medium=email&utm_campaign=eNews



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What you should know ...

- Despite strong buyer demand in the housing market, mortgage applications decreased 4.1 percent last week from the previous week on a seasonally adjusted basis, according to the Mortgage Bankers Association.
- Despite the drop, mortgage applications are still 42 percent higher than the same week one year ago.
- Refinance applications decreased 4 percent from the previous week, seasonally adjusted, and purchase applications decreased 5 percent. Applications for government loans, which require very low down payments, fell 6 percent for the week to the lowest level since November.