



Realtor.com's Chief Economist Announces First Annual Forecast

Source: *HousingWire*

Since the recession of 2008-2009, America's economy experienced its best year in 2014, as the country's economic recovery continues to improve. Anticipating the growth ahead, Realtor.com's chief economist Jonathan Smoke has released his first forecast for the housing market in 2015. Below are his predictions for next year.

Making sense of the story

- Smoke believes that millennials will break out in 2015 as homeowners and drive household formation. Households headed by millennials will see significant growth as a reflection of economic gains. Millennials will also drive two-thirds of household formations over the next five years.
- Overall, both population and households have grown at a slightly higher pace in 2014, and this trend will continue in 2015 with modest improvement over 2014 increases.
- Smoke commented, "The story about millennials not forming households and getting into home buying is more of a 2012 and early 2013 story. It's outdated. Our view of 2015 is informed by strong trends and indicators of what's happening today with millennials."
- Existing home sales will grow as more buyers enter the market, motivated by a clear understanding that both rates and prices will continue to rise.
- Low inventory levels and demand driven by improved employment opportunities will push home prices up next year. While first-time home buyers have many economic factors working in their favor, increasing home prices will make it more difficult to enter the market.
- Mortgage rates will increase in the middle of 2015, as the Federal Reserve increases its target rate by at least 50 basis points before the end of the year. Thirty-year, fixed rate mortgages will reach 5 percent by the end of 2015.
- Affordability will decline in 2015 by 5-10 percent, based on home price appreciation and increasing mortgage interest rates. This decline will be somewhat offset by increasing incomes.

Read the full story

<http://www.housingwire.com/articles/32239-realtorcom-forecast-millennials-will-break-out-in-2015>



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In other news ...

Self-employed find it's not easy to get a mortgage

Source: *LA Times*

Self-employed borrowers have a harder time getting a mortgage than their salaried peers, according to a new study. This is despite the fact that many such borrowers often earn higher incomes. The self-employed receive 40 percent fewer loan quotes than the average would-be borrower. The reason for this percentage is lower credit scores and more complex paperwork to verify income.

Read the full story

<http://www.latimes.com/business/la-fi-mortgages-self-employed-20141204-story.html>

How Higher Gas Prices Can Shape Home Values

Source: *Wall St. Journal*

A new study finds that rising gas prices can change the value of your home, for better or worse, depending on where you live. Reportedly, a 10 percent increase in gas prices can boost home prices by around 2 percent in certain neighborhoods, while reducing prices by around 1 percent in others. In addition, the intensity of the relationship between home prices and gas prices may have weakened as the fuel economy of American cars have improved.

Read the full story

<http://blogs.wsj.com/economics/2014/12/04/how-higher-gas-prices-can-shape-home-values/>

Senate Confirms Nominee for HUD Deputy Secretary

Source: *DSNews.com*

Former Treasury Assistant Secretary Nani Coloretti has now been confirmed by the United States Senate to serve as the new deputy secretary of the U.S. Department of Housing and Urban Development. HUD Secretary Julian Castro commented, "Nani is a proven executive who has excelled at making government more efficient at the municipal and federal levels. Her breadth of experience and track record at the Treasury Department make her the ideal choice for a mission-oriented agency like HUD."

View video coverage:

<http://dsnews.com/news/12-02-2014/senate-confirms-nominee-hud-deputy-secretary>



GOP puts Fannie, Freddie in sights

Source: The Hill

Oversight of housing market regulators, rather than legislation, may be a top focus of congressional Republicans in 2015, according to housing industry experts. This is partly due to a lack of consensus on what to do with the government-sponsored enterprises Fannie Mae and Freddie Mac, and in the absence of legislation that would wind down the government's role, concerns will lead to a watchful eye on the actions of the director of the Federal Housing Finance Agency.

Read the full story

<http://thehill.com/policy/finance/225461-gop-puts-fannie-freddie-in-sights>

One in five housing markets less affordable

Source: HousingWire

One in five housing markets is less affordable than its historic norm, but almost half are still in line, according to analysis by RealtyTrac of 475 U.S. counties with a combined population of more than 221 million — accounting for more than 70 percent of the total U.S. population. Since one in five markets have now exceeded their historical affordability norms, RealtyTrac argues this is a strong sign that either a new home price bubble is forming in those markets or that home price appreciation will soon plateau until incomes can catch up.

Read the full story

<http://www.housingwire.com/articles/32234-one-in-five-housing-markets-less-affordable>

Sales Flat But Confidence Rising

Source: Eye on Housing

Inventories have been rising along with builder confidence. The November NAHB/Wells Fargo Housing Market Index of single-family builder sentiment rose four points to 58 due to promising long-run trends. Future sales should be supported by improving hiring in the economy and continued low mortgage interest rates. However, total housing starts were down 2.8 percent in October due to a 15.4 percent drop in the volatile multifamily apartment construction sector.

Read the full story

<http://eyeonhousing.org/2014/12/eye-on-the-economy-sales-flat-but-confidence-rising/>



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Talking Points ...

- Pending home sales in California picked up steam in October and rose for the second straight month, portending a pickup in closed sales for the remainder of the year, according to the CALIFORNIA ASSOCIATION OF REALTORS[®].
- California pending home sales were up in October, with the Pending Home Sales Index (PHSI) rising 2 percent from a revised 102.6 in September to 104.6 in October, based on signed contracts. October's increase was the first back-to-back increase since early this year, when pending sales rose for three straight months, starting in January.
- The share of equity sales – or non-distressed property sales – edged up in October. Equity sales made up 91.1 percent of all sales in October, up from 90.9 percent recorded in September. Equity sales have been more than 80 percent of total sales since July 2013 and have risen to or above 90 percent for five straight months. Equity sales made up 85.5 percent of sales in October 2013.