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Housing Market Slowing but Stronger than 2014

The housing market showed the signs of a typical seasonal slowdown in August, according to results from the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*. While purchase-mortgage lending could soften in the coming months, the home purchase market looks stronger than it was a year ago.

Tom Popik, research director of Campbell Surveys, said comments from a number of real estate agents across the country suggest that the housing market was slowing in the second half of August more quickly than what would be seasonably expected. There were reports of slow traffic, fewer offers and reduced listing prices.

"However, it will be several months before any diminished homebuyer demand is reflected in closed transactions," he said, adding that a number of metrics show a strong housing market.

The average number of offers on non-distressed properties – the dominant property type in the current market – peaked in June at 2.2, based on a three-month moving average. Non-distressed properties sold in August received an average of 2.1 offers, slightly outpacing the average of 2.0 offers in August 2014.

The cash share of homebuyer financing methods also increased in August after four consecutive monthly declines. Some 24.2 percent of homes purchased in August relied on cash financing. However, the cash financing share was down compared with a 25.7 percent share in August 2014.

Sales-to-list price ratios, another indicator of homebuyer demand, remained elevated in August. And the average time on the market for non-distressed properties continued to fall, remaining below levels seen a year ago. Non-distressed properties sold in August were on the market for an average of 7.9 weeks, down from an average of 8.2 weeks for properties sold in July and an average of 8.6 weeks for properties sold in August 2014.

The prospect of higher interest rates set by the Federal Reserve also continues to loom. However, industry analysts suggest that higher interest rates will not have a significant impact on housing affordability in the short term.

"While mortgage rates are set to rise, affordability should remain favorable for at least the next couple of years," said Matthew Pointon, a property economist at Capital Economics. "That should enable more mortgage-dependent buyers, particularly first-time buyers, to return to the market." ►