



What the Mortgage Market Reads



INSIDE MORTGAGE FINANCE®

November 25, 2016

Prices on Non-Distressed Properties Declined for Two Months with Slackened Demand from Homebuyers

Home prices on non-distressed properties declined in October for the second straight month, with demand from homebuyers diminishing somewhat as part of a seasonal pattern, according to the latest *Campbell/Inside Mortgage Finance HousingPulse Tracking Survey*.

Non-distressed properties sold last month had an average price of \$297,300, based on a three-month moving average. That was down 1.8 percent from September and off 4.1 percent from the average price of \$310,000 in August, which was the peak for the year.

While prices on non-distressed properties have declined recently, prices in October were up by 3.4 percent compared to October 2015.

Tom Popik, research director for Campbell Surveys, noted that the recent decline in home prices is part of a seasonal slowdown. In some areas, the typical decline in demand from homebuyers during the fall has resumed after years of relatively strong sales.

“Silicon Valley has had a hot seller’s market since 2013 and seems to have dropped off starting in about June,” said a real estate agent in California.

Economists at Freddie Mac note that house prices are more volatile in areas where buildable land is scarce. They cited the San Francisco area, which has physical land limitations and tight zoning laws, compared with Dallas, which has more room for building and looser zoning laws.

Between 1992 and the present, quarterly house price appreciation in San Francisco has been more than twice as volatile as in Dallas, according to Freddie. And the average rate of quarterly house price appreciation in San Francisco is 50 percent higher than in Dallas.

Regional trends in home prices also have an impact on borrowers’ home equity. From mid-2015 through mid-2016, homeowners with mortgages experienced an \$11,000 gain in home equity, on average, according to CoreLogic. However, the gains were far from evenly distributed.

California, Oregon and Washington had increases of nearly \$30,000 per average owner, while Connecticut, New Jersey, North Dakota and

7910 Woodmont Avenue
Suite 1000
Bethesda, MD
20814-1709
Tel. (301) 951-1240
Fax (301) 656-1709
www.imfpubs.com

Publisher
Guy D. Cecala

Executive Editor
John Bancroft

Managing Editor
Paul Muolo

Editors
George Brooks
Carisa Chappell
Brandon Ivey
Thomas Ressler

Statistics
Ben Bradshaw

Customer Service
Gwen Jones

Advertising
Mari Mullane

ISSN 8756-0003

Annual Subscription Rate: \$1,297.
Published weekly, 48 times a year.
Copyright©1984-2015 by Inside Mortgage Finance. While information and data are obtained from reliable sources, their accuracy cannot be guaranteed.

Regular copying or other redistribution of this publication in whole or in part violates U.S. copyright law, and is punishable by statutory damages of up to \$150,000 per infringement, plus attorneys’ fees (17 USC 504 et seq.). Without advance permission, illegal copying includes regular photocopying, faxing, excerpting, forwarding electronically, and sharing of online access. Site licenses and discounted bulk subscriptions are available.

Pennsylvania had no change or experienced a decline, according to CoreLogic.

Fluctuations in demand from foreign homebuyers also play a role in home price trends, with some real estate agents noting a recent decrease in demand from such buyers. An agent in Florida noted that the decline in buyer demand has been concentrated on higher-priced homes.

“Homes priced over \$350,000 are taking some time to sell,” the agent said. “Homes priced under \$300,000 are selling quickly and homes priced below \$200,000 always seem to have multiple offers driving the price higher,” the agent said.

The average number of offers on non-distressed properties continued to decline in October and the average time on market increased. Lawrence Yun, chief economist of the National Association of Realtors, suggested that the decline in demand in recent months is due to frustration among potential first-time homebuyers.

“Demand and sales slightly weakened over the summer as stubbornly low supply limited buyers’ choices, accelerated price growth and hindered some consumers’ belief that now is a good time to buy a home,” he said. ♦