

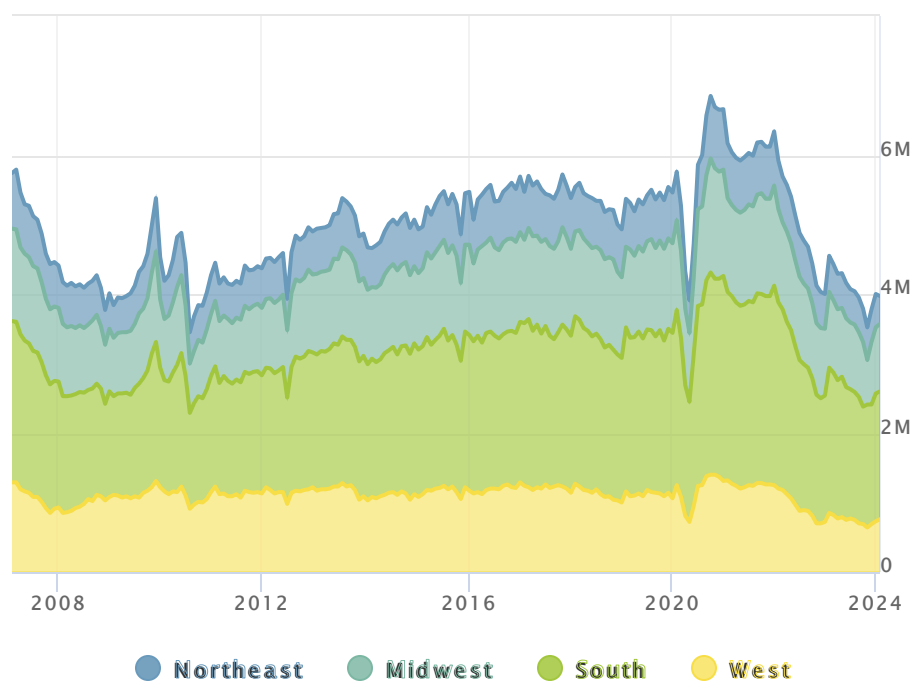


Springtime for Builders if not Sales

Existing home sales slowed in February and the National Association of Realtors® (NAR) said the **recent rise in interest rates may have already knocked some buyers out** of the market. Home builders, however, revved up their production as the spring market neared.

NAR said sales of pre-owned single-family homes, townhouses, condos and coop apartments were at a seasonally adjusted annual rate of 6.02 million units, a decline of 7.2 percent from January and 2.4 percent below the rate a year earlier. Single-family sales fell 7.0 percent to a 5.35 million annual rate and condo sales plunged 9.5 percent. Sales of the two subsets of housing were down 2.2 and 4.3 percent respectively from the prior February.

Existing Home Sales



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The median existing-home price for all housing types sold in February was \$357,300, a 15.0 percent markup from February 2021. The median price for a single-family home rose 15.5 percent to \$363,800 and condos sold at a median of \$305,400, a 10.9 percent gain. February brought the unbroken streak of appreciation to 120 months, the longest in NAR's records.

"Housing affordability continues to be a major challenge, as **buyers are getting a double whammy**: rising mortgage rates and sustained price increases," said Lawrence Yun, NAR's chief economist. "Some who had previously qualified at a 3 percent mortgage rate are no longer able to buy at the 4 percent rate."

"Monthly payments have risen by 28% from one year ago," Yun continued, "which interestingly is not a part of the consumer price index – and the market remains swift with multiple offers still being recorded on most properties."

Mortgage Bankers Association Chief Economist Mike Fratantoni had a slightly different take, contending that it was tempting to blame the monthly and annual decline on the recent run up in mortgage rates, “However, given that last month’s sales numbers represent closings, the decline in sales came at a time earlier this year when rates were lower. The more likely reasons for the drop in sales were the **ongoing lack of housing inventory and the resulting increase in home values** that priced some buyers out of the market. From a lending perspective, while the number of sales declined somewhat, with 15 percent home-price growth, the dollar volume of sales and purchase originations have increased over the past year.”

He added that the only real good news in the report is the 2-point increase (to 29 percent) in the first-time buyer share of sales. “The strength of the 2022 housing market is dependent upon the wave of millennial homebuyers reaching peak first-time homebuyer age and finding a way into this booming housing market,” he said. “We are hopeful that the small increase in inventory and slight slowing of home price growth seen in February will continue through this spring buying season.”

Housing inventory edged up by 2.4 percent to 870,000 available homes. This is a 1.7 percent supply at the current sales pace. Eighty-four percent of homes sold in February 2022 were on the market for less than a month.

Existing home sales fell in all four regions compared to January, ranging from -4.7 percent in the West to just over -11.0 percent in both the Midwest and Northeast. Only the South retained a year-over-year edge, 3.0 percent.

Yun said, “Employment is vital for housing demand. The Southern states are seeing faster job growth, and consequently, it’s the only region to experience a sales gain from a year ago.” The South also posted the largest year-over-year price bump, 18.1 percent.

The U.S. Census Bureau said residential construction numbers were mixed in February. Permits were down 1.9 percent to an annual rate of 1.859 million units compared to 1.895 million in January. The rate for housing starts, however, shot up by more than 100,000 units to 1.769 million, a **6.8 percent gain and 22.4 percent more than a year earlier**. Builders had a backlog of 265,000 permits at the end of the month.

Single family permits were relatively unchanged from the prior month at a rate of 1.207 million units and builders broke ground at a rate of 1.215 million, an increase of 5.7 percent. Multifamily permits dropped 4.5 percent but starts for those units were flat at just over a half-million units.

On an unadjusted basis there were 124,600 housing units started during the month compared to 119,200 in January and single-family starts numbered 83,600 and 80,100. So far this year builders have begun construction on 243,800 housing units, 12.2 percent more than by the end of February 2021 and 1.583 million units are currently under construction.

Completions rose 5.9 percent from January to a rate of 1.309 million units. There were 93,800 units completed during the month, up from 87,200 in January and nearly identical to completions the prior February but well below the 103,000 to 127,300 completions in each of the remaining 10 months of 2021 and the number of incomplete units is almost 300,000 higher than in February 2021. Perhaps these numbers are **illustrative of the supply chain and labor problems** builders have been complaining about.

Builders in the Northeast had a strong month with permitting up 22.7 percent and housing starts rising 28 percent. The Midwest and South saw permits fall from January but starts were up by low double digits. Year-over-year percentage gains in the three regions range from the 11.4 percent in the South to 29 percent in the Northeast. The West, however, has been struggling. Starts were down 11.3 percent for the month and are lagging the prior February by 8.1 percent. Permits, however, did grow 2.1 percent.