beyond the headlines

Freddie Mac: Boomers, Gen Xers less interested in buying a home

Source: Housing Wire

As affordability continues to be a growing concern, more segments of the population, especially Baby Boomers and Gen Xers, are showing less interest in buying a home, according to Freddie Mac Multifamily's Profile of Today's Renter report.

Making sense of the story:

- About 67% of all renters say renting is more affordable that owning a home, the report showed. And about 73% of Baby Boomer renters said renting is more affordable. And 67% of renters also said they will continue renting for financial reasons, up from 59% two years ago.

- That number is significantly higher when it comes to Millennials. About 74% of Millennials say they will continue renting for financial reasons, up a full 15 percentage points from 59% in 2016.

- What's more, about 50% of Baby Boomers who are currently renting do not think they will ever buy a home in the future. This is up eight percentage points from the survey taken just six months ago.

- Of those who say they will not own a home in the future, 35% say they have no interest in owning and 15% believe they will never be able to afford it. Another 31% of Gen Xer renters say they will never own a home, up from 28% six months ago. Among Gen Xers, 19% lack interest and 12% don't think they will ever be able to afford it.

- More and more renters continue to express they are satisfied with their rental experience at 66%, up from 60% in August 2017. Even among renters who experienced a rent increase in the past two years, 64% said they do not plan to move, up from 49% in August. And a full 70% of Baby Boomers who experienced rent increases say they do not plan on moving.

- About 54% of renters continue to believe renting is a good choice for them now, including 71% of Millennials. And about 31% of urban renters do not see homeownership in their future, up from 27% in August.

Read the full story:
https://www.housingwire.com/articles/43025-freddie-mac-boomers-gen-xers-less-interested-in-buying-a-home

In other news…

Data dig: Big investment firms have stopped gobbling up California homes

Source: Cal Matters

Astronomical prices are forcing a rising share of California families to postpone buying a house. As a result, the state's record-low homeownership rate has been a boon to one growing segment of California's housing market: single-family home rentals.

Between 2005 and 2015, the number of owner-occupied homes in California shrunk by nearly 64,000 units, according to the Public Policy Institute of California. Meanwhile the number of renter-occupied homes increased dramatically. California now has 450,000 more homes used as rentals than it did a decade ago. Compare that to the 1990s, when the number of rented homes grew by less than 120,000 while the state added 700,000 homes owned by the people who live in them.

The rising tide of single-family rentals has renewed attention on who actually receives the rent payments that nearly 2 million Californians make each month. Lawmakers and first-time homeowner advocates have been scrutinizing a relatively new form of landlord: private investment firms that snapped up thousands of homes during the foreclosure crisis and now rent them out. With nearly one in four California homes now purchased in all-cash, these well-financed institutional investors have also been blamed as unfair competition against families bidding on starter homes

So how much are institutional investors impacting California's housing prices? The data says not so much now.

Full story: https://calmatters.org/articles/data-dig-are-foreign-investors-driving-up-real-estate-in-your-california-neighborhood/

Cash-out mortgage refis are back — will homes become ATMs again?

Source: MarketWatch

As interest rates rise, fewer households refinance their mortgages. And the refinances that do get done are often very different than those initiated during low-rate periods.

"When rates are low, the primary goal of refinancing is to reduce the monthly payment," wrote researchers for the Urban Institute in a recent report. "But when rates are high, borrowers have no incentive to refinance for rate reasons. Those who still refinance tend to be driven more by their desire to cash out."

"Cashing out" is shorthand for taking out a new mortgage that's bigger than the remaining balance on the old one and using the money that makes up the difference for discretionary purchases.

As of the fourth quarter of last year, the share of all refinances that were cash-outs rose to the highest since 2008, according to Freddie Mac data. Rates have churned higher since the presidential election in late 2016, though they spent much of 2017 reversing the immediate post-election surge.

Full story: https://www.marketwatch.com/story/cash-out-mortgage-refis-are-back-will-homes-become-atms-again-2018-03-30?dist=realestate

Bay Area trend: Low earners move out, high earners move in

Source: The Sacramento Bee

New residents to the Bay Area are earning far more than the people they're chasing out, a new report says, pushing up home prices and highlighting the gap between owners and renters in Silicon Valley.

Lower income workers moving out of the Bay Area were being replaced by younger workers making about $12,640 more annually from 2005 to 2016, according to a national study released Wednesday by BuildZoom. The Bay Area income gap has accelerated from 2010 to 2016, with the average newcomer out-earning the typical former resident by about $18,700.

"In the Bay Area, you have a tremendous demand for housing," said Issi Romem, BuildZoom chief economist and author of the study. High housing prices, he said, make it almost impossible for many families to put down roots and push them away from the region.

Bay Area newcomers had a median annual household income of about $70,000, while those leaving had a household income of $57,400, according to the study. About 60 percent of the newcomers had at least a four-year college degree, while about 50 percent of the outgoing residents had that level of education.

Full story: http://www.sacbee.com/news/business/real-estate-news/article208000259.html

Home Buyers Are Blowing Their Budgets

Source: Realtor Mag

A recent survey found that buyers are spending more on their home purchase than they intended. A third of homeowners recently surveyed say that they blew through the upper limit of their home purchase budget by an average of $16,510, according to a new survey released by Owners.com of 1,214 Americans who purchased a home in the last four years.

A big part of the problem is the increasing costs of buying, particularly for starter homes. “Clearly, we’re in an environment of rising prices,” Daniel Maloney, national head of sales for real estate brokerage Owners.com, told USA Today.

Millennials are the most likely to overspend on their home purchase. Maloney says that is because they tend to be first-time home buyers and the least knowledgeable about setting a realistic price target that they can meet.

Full story: http://realtormag.realtor.org/daily-news/2018/04/04/home-buyers-are-blowing-their-budgets

These are the ways student loans stop people from buying a house

Source: CNBC

Student loan debt has become a major barrier to home ownership in America.

Some 45 million people in the United States carry student debt. The average borrower owes more than $30,000, according to Student Loan Hero, a website for managing education debt. Almost a fifth owe more than $100,000, according to the National Association of Realtors.

People's monthly student loan payments can eat up a large slice of their income, threaten to push down their credit scores and make saving nearly impossible — all huge impediments, of course, to landing in a house.

For every 10 percent in student loan debt a person holds, their chance of home ownership drops between 1 and 2 percentage points during their first five years after school, according to the Federal Reserve.

Full story: https://www.cnbc.com/2018/03/29/these-are-the-ways-student-loans-stop-people-from-buying-a-house.html

What you should know

- Total mortgage application volume fell 3.3 percent last week from the previous week, according to the Mortgage Bankers Association's seasonally adjusted report.
- Mortgage applications to purchase a home fell 2 percent for the week, the first decrease in a month. They were still 5 percent higher than a year ago.
- Applications to refinance a home were down 5 percent for the week, despite no change in interest rates. They were 11 percent lower than a year ago