beyond the headlines

Rent control, property taxes and taller apartment buildings: California considers major housing bills in 2018

Source: The Mercury News

The state's housing crisis is back on the agenda as California lawmakers return to work after a months-long recess. Proposals floated on the first week of the year would bring major changes to laws governing property taxes, rent control, and local zoning rules. Senate Democrats are also proposing a work-around for the recent GOP tax overhaul, which set a $10,000 cap on state and local tax deductions.

Making sense of the story:

- Deduction cap: A bill introduced Thursday would allow Californians to instead donate to the state, receiving a dollar-for-dollar tax credit, so they can — in theory — deduct the full amount from their federal taxes. There is no cap on deductions for charitable contributions.

- Rent control fight: Should California repeal a landmark 1995 law that keeps local rent control ordinances in check? The law, known as Costa Hawkins, blocks cities from applying rent-control policies to homes built after 1995 or to single-family homes. It is hugely popular among landlords, but some advocacy groups for renters are demanding that the state lift those restrictions, allowing cities to address runaway rents as they see fit.

- New tax breaks for homeowners? Proposition 13, passed in 1978, keeps annual property tax increases to a minimum, even if a house quadruples in value, until a property changes hands. The California Association of Realtors is gathering signatures to qualify an initiative that would let those over 55 take their low property tax base with them anywhere in the state, as many times as they move.

- Down payment help: Assemblyman Marc Steinorth is bringing back a revised version of a proposal he introduced last year: to help aspiring first-time home buyers save up for a down payment with a special savings plan. The money would be withdrawn, tax-free, as with a Roth IRA or 529 college savings plan.

- Homeowner Bill of Rights: Portions of this 5-year-old state law expired Jan. 1, and Senator Jim Beall has introduced legislation — Senate Bill 818 — to renew mortgage and foreclosure protections, such as the right to appeal when a loan modification application is denied.

- More apartment buildings: Senator Scott Wiener is set to introduce Senate Bill 827, which would require cities to allow denser housing developments to be built within a half mile of transit hubs.

Read the full story: https://www.mercurynews.com/2018/01/04/rent-control-property-taxes-and-taller-apartment-buildings-california-considers-major-housing-bills-in-2018/

In other news…

No end in sight: Housing market still has legs, economists say

Source: The Orange County Register

After nearly six years of rising home prices, what's next?

Will 2018 be the seventh year home prices go up? Or the year the market stalls? Will this be the year that tenants get the upper hand over landlords? Or will rent hikes just keep coming?

In other words, will the seller's market of the past 69 months continue in 2018?

We interviewed 10 economists and reviewed nine forecasts to find an answer to that question. It can be summed up in one word.

Yes.

Yes, home prices and home sales are projected to keep rising in the year ahead, although the gains will be smaller. Yes, the supply of homes for sale will fail to keep pace with demand, fueling more cutthroat bidding wars. And yes, rents will keep rising while apartment vacancies stay near all-time lows.

The economists all cite the same reason: "As long as the economy keeps growing, that's going to give a push to the housing market," said Anil Puri, director of the Woods Center for Economic Analysis and Forecasting at Cal State Fullerton.

Southern California home prices are expected to rise at about the same pace as California: 4.2 percent, according to the California Association of Realtors. That would put next November's median price of an existing house at about $525,000.

Sales have plateaued across the state and region, said California Association of Realtors Chief Economist Leslie Appleton-Young.

"The lack of inventory and affordability are really … keeping a lid on the California housing market," Appleton-Young said. "We have fewer transactions … today than when we had 10 million fewer people living in California."

Full story: https://www.ocregister.com/2018/01/04/no-end-in-sight-housing-market-still-has-legs-economists-say/

Here are the most valuable housing markets in the U.S.
Source: Business Insider

The value of the nation's housing stock grew by 6.5 percent to $31.8 trillion this year — with Los Angeles and New York City far outpacing the rest of the country's top-valued metro markets and Miami landing at No. 4.

The Los Angeles market's $2.7 trillion valuation topped that any other metro across the country after growing 5.7 percent over the past year. That's a smidgen higher than New York City's $2.6 trillion valuation, up 7.9 percent from last year. LA and NYC were the only two markets worth more than $1 trillion, with Washington ($996.7 billion), Miami ($865.2 billion) and Chicago ($821.3 billion) rounding out the top five.

San Jose saw the largest percentage growth — 13.5 percent — of the nation's top 10 markets, while Columbus, Ohio's 15.1 percent growth was the highest of the top 35 markets.

The nation's yearly growth is the highest since 2013, according to a Zillow report cited by Bloomberg. The $31.8 billion figure is 1.5 times the nation's Gross Domestic Product (GDP) and nearly three times the GDP of China.

Full story: http://www.businessinsider.com/here-are-the-most-valuable-housing-markets-in-the-us-2017-12

Ellie Mae: Millennial homebuyer credit scores decreasing
Source: HousingWire

The latest Ellie Mae Millennial Tracker report shows a slight decline in the average credit scores of closed loans to Millennials from the previous year.

The report, which covers November 2017, shows that the trend was most noticeable for FHA and VA loans.

According to Ellie Mae, in November 2016, the average FICO score on a closed FHA refinance loan to a Millennial borrower was 678, but that dropped to 669 in November 2017. On VA loans, the average FICO scores on closed VA refinance loans dropped from 725 in 2016 to 710 in 2017.

"With the average credit score dipping, lenders are extending credit to borrowers who may have had no previous access to the housing market," said Joe Tyrrell, executive vice president of corporate strategy at Ellie Mae. "While these scores are still significantly above the levels seen a few years ago, it is encouraging to see increased accessibility, especially as the millennial population continues to pursue home ownership."

Full story: https://www.housingwire.com/articles/42202-ellie-mae-millennial-homebuyer-credit-scores-decreasing

Tax Changes Could Hurt Affordability At High End Of The Housing Market

Source: NPR

The new tax law is forcing a lot of people to reconsider whether they want to buy a home and how much they can pay, and that could affect housing prices, says Mark Zandi, chief economist at Moody's Analytics.

By the summer of 2019, housing prices nationwide will be about 4 percent less than they otherwise would have been, Zandi predicts. Prices could actually decline for higher-priced homes in parts of the country such as the Northeast, South Florida and the West Coast, he says.

Homebuyers will take a hit in several ways.

Starting in 2018, homeowners can deduct interest on mortgages only up to $750,000. The previous cap was $1 million, with an additional $100,000 allowed for home equity loans. Interest on home equity loans and lines of credit will no longer be deductible.

Not many Americans have mortgages that large, so relatively few will be hurt, says Sam Chandan, associate dean and head of New York University's Schack Institute of Real Estate.

The doubling of the standard deduction on federal income tax will be much more consequential, he says.

Full story: https://www.npr.org/2018/01/02/573798749/tax-changes-could-hurt-affordability-at-high-end-of-the-housing-market

Hispennials? Hispanic millennials called the future of home buying

Source: The Orange County Register

Real estate professionals call them “Hispennials.” The label, a mash-up of Hispanics and millennials, defines a group of consumers, aged 20 to 36, which the housing industry is eagerly courting.

“If you look at the Latino population, their demographic is younger and they are just starting to buy homes,” said Rick Arvielo, CEO of Tustin-based New American Funding, a fast-growing lender with 35 offices in Southern California.

“Millennials and Hispennials are the biggest waves in home buying.”

Today, just 45 percent of Latinos in the U.S. own homes, 20 percentage points lower than the home ownership rate of non-Hispanic whites.

But that’s changing quickly. Last year, Latinos accounted for 75 percent of the net growth in overall home ownership. Their numbers grew by 209,000 to a total of 7.3 million, according to the National Association of Hispanic Real Estate Professionals.

Full story: https://www.ocregister.com/2017/12/22/hispennials-hispanicmillennials-called-the-future-of-home-buying/

What you should know

- Higher interest rates, attributed to optimism over the tax bill, sent total mortgage application volume down 2.8 percent in the last two weeks of 2017.

- Applications to refinance a home loan, which are most rate-sensitive, fell 7 percent during the two-week period.

- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of $424,100 or less remained unchanged for the last week of the year at 4.25 percent