



## Steve Chizmadia

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## Home Prices Continue to Outstrip Inflation

Home prices continue to **rise faster** than the rate of inflation and the increase speeded up again in September. The S&P/Case-Shiller U.S. National Home Price Index (HPI), recorded a slightly higher year-over-year gain in September, up 4.9 percent compared to the 4.6 percent annual increase posted across the nine U.S. census divisions in August.

The 10-City Composite **increased 5.0 percent** over the 12 previous months in September compared to 4.7 percent change in August while the 20-City Composite's year-over-year gain was 5.5 percent versus 5.1 percent. After adjusting for the Consumer Price Index (CPI) core rate of inflation, the National HPI rose 3 percent from September 2014 to September 2015.

On a month-over-month basis the National HPI **gained 0.2 percent** from August on a non-seasonally adjusted basis and 0.8 percent adjusted. The 10-City Composite and 20-City Composite indices both reported gains of 0.2 percent unadjusted for the month and 0.6 percent when seasonally adjusted.

The 20-City Composite **beat analysts' consensus expectations** for both the month and the year. Bloomberg reported an estimate of 0.3 percent on a seasonally adjusted basis month-over-month and 5.3 percent for the annual increase.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.43%	<b>+0.02</b>	0.00
15 Yr. Fixed	5.95%	<b>0.00</b>	0.00
30 Yr. FHA	5.82%	<b>+0.02</b>	0.00
30 Yr. Jumbo	6.62%	<b>0.00</b>	0.00
5/1 ARM	6.28%	<b>-0.01</b>	0.00

### Freddie Mac

30 Yr. Fixed	6.35%	<b>-0.51</b>	0.00
15 Yr. Fixed	5.51%	<b>-0.65</b>	0.00

### Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	<b>-0.06</b>	0.54
15 Yr. Fixed	5.88%	<b>-0.16</b>	0.68
30 Yr. FHA	6.36%	<b>-0.06</b>	0.85
30 Yr. Jumbo	6.75%	<b>+0.07</b>	0.39
5/1 ARM	5.98%	<b>-0.27</b>	0.65

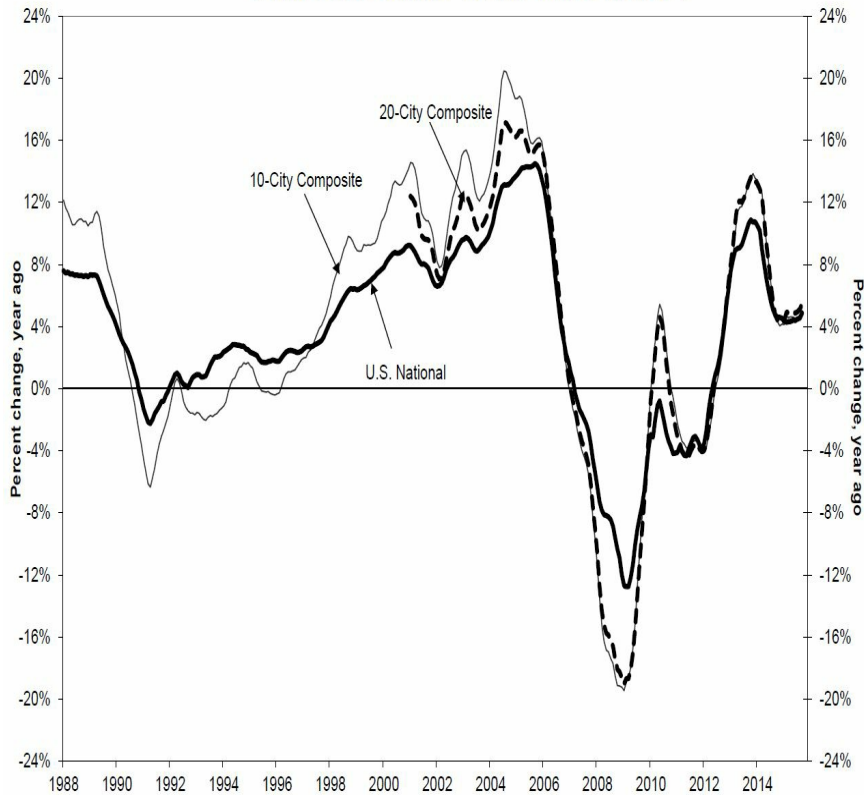
Rates as of: 8/30

## Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

		Value	Change
Builder Confidence	Mar	51	+6.25%

## S&P/Case-Shiller Home Price Indices



Source: S&P Dow Jones Indices & CoreLogic

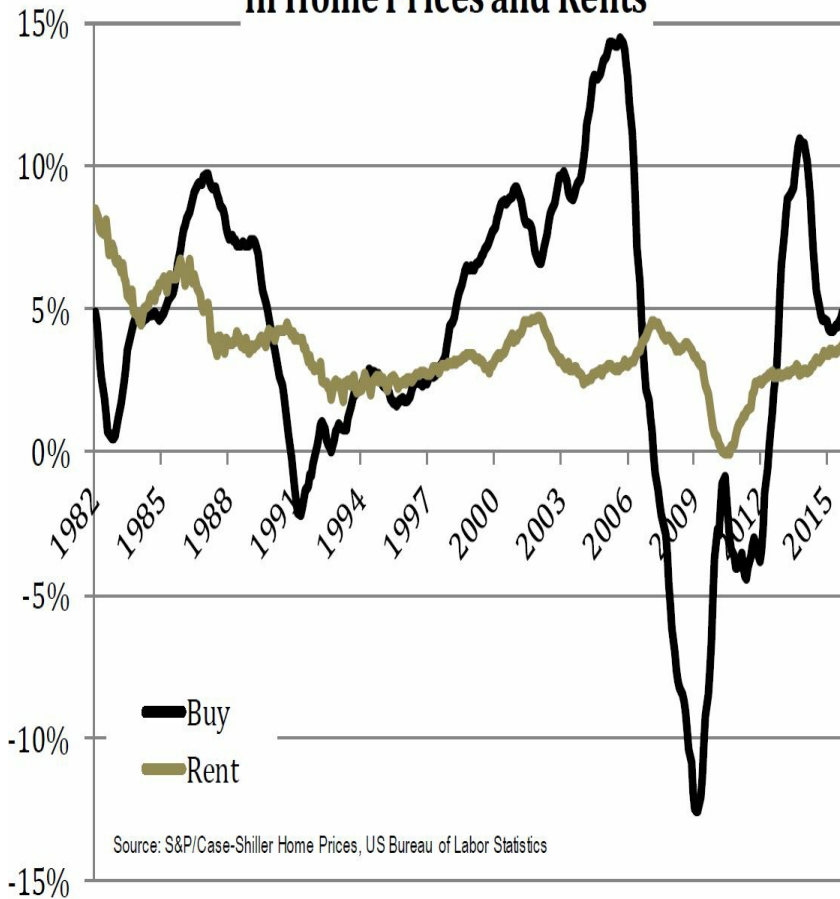
**Fifteen of 20 cities** tracked by Case-Shiller reported increases in September before seasonal adjustment. After seasonal adjustment, 19 increased for the month.

The **highest annual gains** were reported by San Francisco at 11.2 percent, Denver at 10.9 percent and Portland, Oregon at 10.1 percent. Price increases escalated on an annual basis compared to August in 17 of the Composite cities with Phoenix having the longest continuous streak of such gains, 10 months.

David M. Blitzer, Managing Director and Chairman of the Index Committee at S&P Dow Jones Indices said, "Home prices and housing continue to show strength with home prices rising at more than double the rate of inflation. The general economy appeared to slow slightly earlier in the fall, but is now showing renewed strength. With unemployment at 5 percent and hints of higher inflation in the CPI, most analysts expect the Federal Reserve to raise its Fed Funds target range to 25 to 50 basis points, the first increase since 2006. While this will make news, it is **not likely** to push mortgage rates far above the recent level of 4 percent on 30 year conventional loans. In the last year, mortgage rates have moved in a narrow range as home prices have risen; it will take much more from the Fed to slow home price gains.

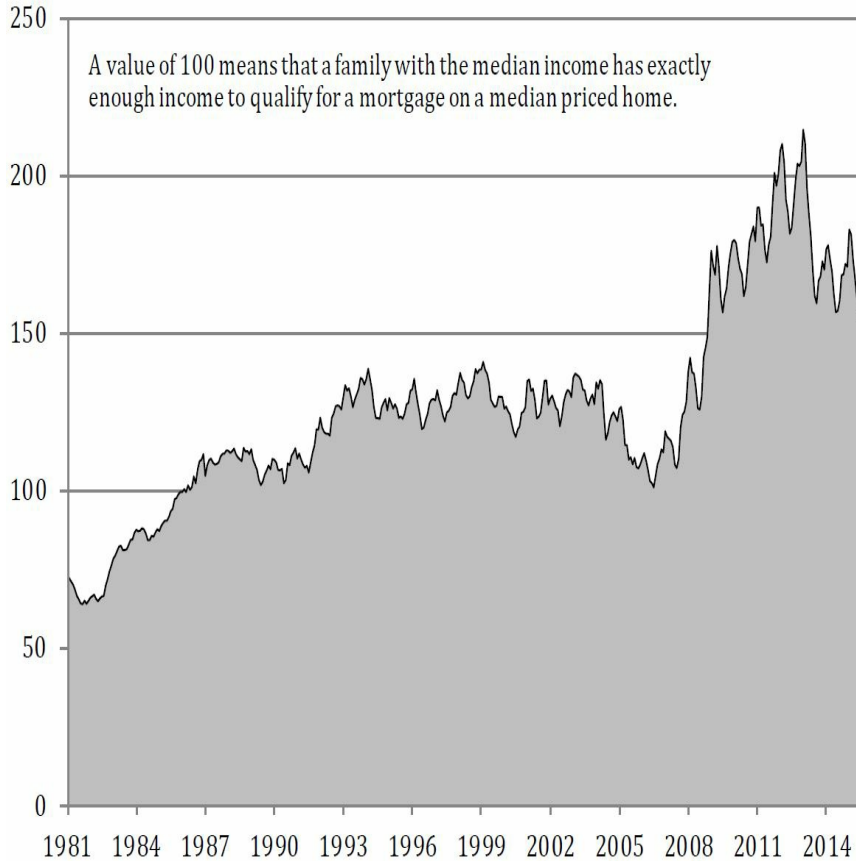
"The strength seen in home prices since the bottom in 2012 led some to wonder if we're **entering a new bubble**," Blitzer continued. "While bubbles can only be reliably identified in hindsight, one useful measure compares the increase in home prices to the change in rents. The first chart below shows the year-over-year change in the S&P/Case-Shiller National Home Price Index and the year-over-year change in the rent of primary residence series reported as part of the Consumer Price Index. Home prices are far more volatile. At the same time, the most recent data do not show a huge spread between the two series."

## Year-over-Year Change in Home Prices and Rents



"Another question raised by consistent real (or inflation adjusted) home price increases is whether the prices are **squeezing people out** of the market," Blitzer said. "One measure of affordability is based on median income, median home price, and mortgage rate; a value of 100 on the chart below indicates a home buyer at the median income can afford the median price home. As shown on the chart, affordability is more than adequate for a median income buyer now but has slipped a bit recently."

## Housing Affordability Index



Source: National Association of Realtors, St. Louise Federal

As of September 2015, average home prices for the metro areas within the 10-City and 20-City Composites are **back to their winter 2007 levels**. Measured from their June/July 2006 peaks, the peak-to-current decline for both Composites is approximately 11-13 percent and they the 10-City has recovered by 35.1 percent since its March 2012 low and the 20-City by 36.4 percent.

The S&P/Case-Shiller Home Price Indices are constructed to accurately track the price path of typical single-family home pairs for thousands of individual houses from the available universe of arms-length sales data. The S&P/Case-Shiller National U.S. Home Price Index tracks the value of single-family housing within the United States. The indices have a base value of 100 in January 2000; thus, for example, a current index value of 150 translates to a 50% appreciation rate since January 2000 for a typical home located within the subject market.

The 10-City Composite currently has an index level of 197.84 and the 20-City a value of 182.91. The National Index is at 175.51. Detroit is the city with the lowest index at 103.81 and Los Angeles has the highest at 238.91.

### Service oriented, responsive, competitive rates and an in depth knowledge of todays mortgage market

After completing my degree in finance at the University of Connecticut, I started in the mortgage business right out of college in 2004. With 15+ years of experience and a primary objective of thoroughly explaining all available loan options to my clients with what is typically the largest investment in their lives, I strive to always make myself available. I constantly educate myself with respect to the mortgage industry and underwriting guidelines for FHA, VA, conventional and jumbo financing. I deliver on the expectations discussed up front and provide the service level my clients deserve from day one. I will remain in touch throughout the process and continue to follow up with you after closing. My goal is to wow you and turn you into clients for life. I want you to be so impressed that throughout and after the process you share my information with your friends, family, neighbors and co-workers who may value from my services.

**Steve Chizmadia**

