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Five Features Will Mark 2017 Housing Market

Tis the season - for hearing from all the experts about what we can expect the coming year to bring. Today it is CoreLogic's Senior Vice President and Chief Economist Frank Nothaft's turn. Nothaft, writing in the company's December *MarketPulse* magazine, says **economic growth will be key** for the housing market in 2017 and projects that growth will be between 2 and 2.5 percent.

Along with that growth he expects we will see **five features.**

1. Interest **rates will be higher**. He is looking for fixed rates to average just over 4 percent for the year for both single- and multi-family loans. The Federal Reserve's rate hike last week and the three additional increases they have projected for next year will increase the cost of loans tied to short term rates such as home equity lines or HELOCs.

2. **Vacancy rates will remain low** for rentals and decline for owner occupied homes. The low level of construction will mean a continued under-supply of available homes for sale.

3. The **tight for-sale inventories** will support continued home price appreciation. CoreLogic's forward looking Home Price Index (HPI) is expected to rise about 5 percent although there will be areas with double-digit gains and areas where prices will drop. The low vacancy rate will put upward pressure on rents, but the rate of growth there will moderate. CoreLogic's Repeat Rent Index saw 3.3 percent growth in rents year-to-date through October but that should decline to 3.0 percent in 2017 as the large number of multi-family units started this year reach completion.

4. Rising mortgage rates will **reduce the incentive to refinance** so there will be a drop in those originations. This will be offset, at least partially, by higher purchase mortgage originations and by second liens - HELOCs in the case of single-family lending and mezzanine debt for multi-family.

5. New loans will continue to have relatively **low credit risk**. According to CoreLogic's Housing Credit Index, single family originations made during the first half of 2016 had lower risk attributes than loans made 15 years ago. Nothaft cautions however that the change-over to a higher share of purchase loans could increase the incidence of fraud "even though the attributes continue to look favorable."

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.82	+0.01
10 YR Treasury	4.9058	-0.0241
30 YR Treasury	5.2730	-0.0352

Pricing as of: 11/2 9:12AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Timothy Baron 

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