

Home Prices Rise Three Times Faster than Rents

By Gary Washburn, President, and David Walker
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A new analysis found that monthly costs of buying a home have risen by 14 percent over the past year, which is more than three times the 4 percent increase in monthly rental costs.



Realtor® Gary Washburn, 2018 SRAR President

Additionally, the analysis by realtor.com found that the number of places where it is cheaper to buy has significantly declined in the past year.

“Even setting aside big upfront expenses like a downpayment, rising month-by-month costs

are likely keeping many people from purchasing,” said Danielle Hale, chief economist at realtor.com. “Today only 41 percent of people live in a county where the median income family can afford to buy a home at the median list price, and affordability declined significantly over the past year.”

Since home ownership has historically been an important source of household wealth creation, it could be problematic if this trend continues for too long.

Still, even in places where renting is currently more affordable, rising home prices provide wealth building opportunity for home buyers.

Nationally, the cost to buy rose by 14 percent from July 2017 to July 2018, while the cost to rent increased by 4 percent.

In July, buying a home was cheaper than renting in 35 percent of counties, compared to 44 percent of counties last year.

The top five counties where purchasing a home was more affordable



than renting were: Clayton County, Ga.; Baltimore City, Md.; Wayne County, Mich.; Cumberland County, N.C.; and Madison County, Ill., with

Only 41 percent of the nation's population lives in a county where a median-income family can afford to buy a home

the share of income to buy being 4 percent to 14 percent lower than the share of income to rent. Renting remains much less expensive than buying in Manhattan, N.Y.; Brooklyn, N.Y.; Monterey County, Calif.; San Mateo County; and Santa Barbara County.

cost to buy a home was \$1,647, compared to the average cost to rent a home at \$1,267.

Over the last year, 289 counties have transitioned from being more affordable to buy, to being more affordable to rent.

The transition included 20 larger counties with more than 100,000 residents, of which eight counties were in the South and seven counties in the Midwest.

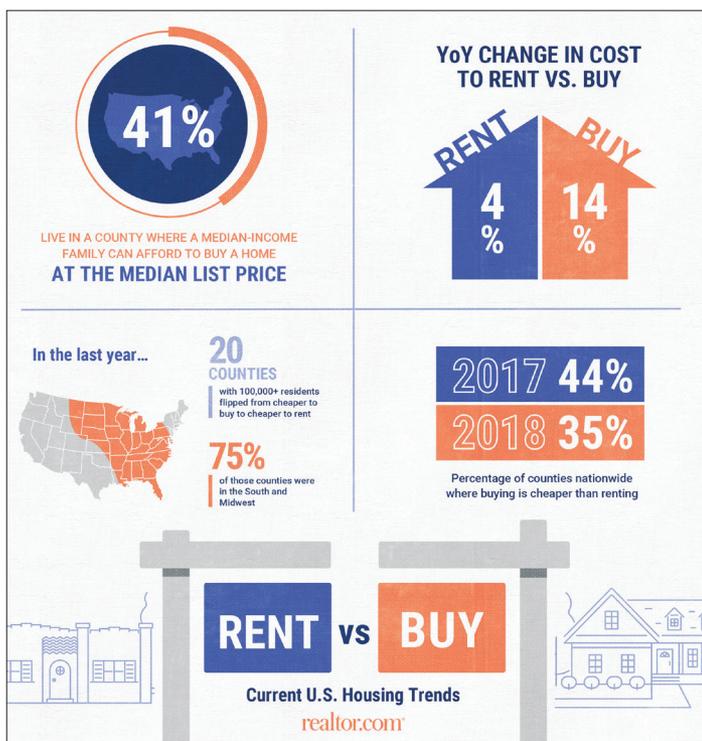
Northern California and New York each hold three of the top 20 counties with the largest increase in the rent-versus-buy gap over the past year (comparing the share of income necessary to do each).

The gap for counties in California was the largest in large part due to the recent substantial run-up in home prices.

In San Mateo, Santa Clara, and San Francisco counties, the costs to purchase a home now take up an additional 8 percent of income over renting when compared to last year.

In San Mateo, for instance, it costs \$8,405 per month to buy compared to \$3,471 to rent.

For more information about this analysis, please visit: <https://www.realtor.com/research/july->



In the last year, 20 counties with 100,000 plus residents flipped from being cheaper to buy to being cheaper to rent, three quarters of which were in the South and Midwest.

In July 2018, the median monthly

2018-rent-vs-buy-report-home-prices-rise-three-times-faster-than-rents

The Southland Regional Association of Realtors® is a local trade association with more than 10,300 members serving the San Fernando and Santa Clarita Valleys. SRAR is one of the largest local associations in the nation.

Home Price Cuts Increase, But Still Not Buyer's Market

The Los Angeles metropolitan area during August saw a 5 percent increase in the number of homes that reported a decrease in their list price.

The frequency of price reductions grew nationwide to include 39 of the 45 largest markets compared to a year ago, according to realtor.com.

Other Metro areas showing the largest increases in price cuts—reductions ranging from 5 to 8 percent—included Seattle; San Jose, San Diego; Riverside, and Indianapolis, Ind.

The median list price dropped \$4,000, the second largest monthly drop since August 2015. Part of the softening is due to the first year-over-year increase in inventory in four years. Inventory here in the San Fernando and Santa Clarita valleys has shown modest gains, though still well short of what is needed to satisfy demand.

“Sellers are starting to become more flexible, especially in pricey markets,” said Danielle Hale, chief economist for realtor.com. “Fierce competition and low inventory continue to push up prices. While buyers are gaining leverage in some markets, we are still far from a true ‘buyer’s market.’”

Wildfire Victims Could Qualify for Home Loan Relief

Single-family homeowners impacted by recent California wildfires are eligible to stop monthly payments on home loans for up to a year under guidelines released recently by Fannie Mae.

Loan servicers are authorized to suspend or reduce a homeowner's mortgage payments immediately for up to 90 days without any contact with the homeowner if the servicer believes the homeowner has been affected by a disaster.

Servicers must suspend foreclosure and other legal proceedings if the servicer believes the homeowner has been impacted by a disaster.

Loan payment forbearance of up to 12 months is available in many circumstances. During that time, the loan:

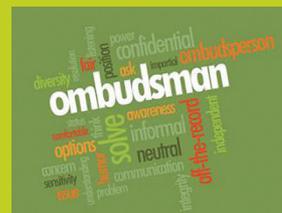
- Will not incur late fees during this temporary payment break.
- Will not have delinquencies reported to the credit bureaus.

“We encourage homeowners affected by the fires to contact their mortgage servicer for assistance as soon as possible,” said Carlos Perez, senior vice president and chief credit officer at Fannie Mae.

Contact Fannie Mae directly by calling 1-800-232-6643. For more information, please visit www.knowyouroptions.com/relief.

Settle Real Estate Disputes Quickly

Parties to real estate transactions can settle disputes quickly and informally by using a unique, free Ombudsman service provided by the Southland Regional Association of Realtors.



Anyone in a real estate dispute with a member of the Association who has not yet or does not want to file an official complaint can take advantage of the program.

An ombudsman will help resolve disputes in a timelier and less formal fashion, which benefits all parties.

For more information, contact Oscar Sol, SRAR's Professional Standards administrator, at 818-947-2226 or write via email at OscarS@srar.com.

With the Ombudsman Program, individuals seeking assistance can expect to be contacted by their assigned ombudsman within two business days. The Ombudsman Program uses trained volunteers who work with parties from the start to the finish of a dispute. An ombudsman will contact the other party on the complainant's behalf in an attempt to resolve the issue.

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www.SRAR.com | Real Estate Questions? E-mail Gary Washburn, SRAR 2018 President, c/o DavidW@SRAR.com

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