

Real Estate Market in the West is on Fire, and Spreading - Town for Sale in Nevada

By: Rob Chrisman | Wed, Apr 6 2016, 10:20 AM

What does \$1.45 million get you in Nashville? Well, if you don't mind buying a house from Kesha, [this is what you'd have](#).

The S&P/Case-Shiller 20-City composite index showed that home prices **rose 5.7% in January** in line with expectations. Zillow chief economist Svenja Gudell noted that lower-income buyers are having a harder time with the limited inventory. And despite limited economic growth, job opportunities are rising which should keep the housing market stable and healthy. The top cities for home price appreciation was Portland, Oregon (+11.8%), Seattle, Washington (+10.7%) and San Francisco, California (+10.5%).

([READ MORE: CoreLogic Estimates Large February Price Gains](#))

[NAR put out the list of the 20 hottest real estate markets](#). While some at the top are not surprising (San Francisco) some of the other names are more associated with the economic dumpster fires we saw as the collapse began. Cities like Stockton CA and Detroit MI are included in the 20 hottest markets.

And in the autumn Pro Teck's Home Value Forecast (HVF) for September reviewed trends in average sold home prices versus total mortgage in San Francisco and Detroit. Their results indicated that buyers have averaged **over 20 percent down** within the last 14 years with LTV ratios between 67-82 percent in San Francisco, whereas in Detroit, the average LTV is between 86-101 percent. In other areas like Phoenix and Scottsdale, average home prices are now 20 percent below all-time highs after declining 37.5 percent. The HVF also highlighted the 10 best and 10 worse performing metros, with some of the top metros to include, Bellingham, WA, Boise City, ID, Durham-Chapel Hill, NC and Phoenix-Mesa-Scottsdale, AZ. The worst performing metros include Detroit, MI, El Paso, TX, Jacksonville, NC and Midland, TX.

[Home Prices rose 0.84% in October](#) and at that point were up 5.5% YOY, according to the Case-Shiller Home Price Index. Portland, San Francisco, and Denver led the charge.

And in the autumn it was also noted that **home values had also increased by more than 10 percent** in six major metros to include, Denver, Dallas, San Jose, San Francisco, Portland and Miami. Despite an increase in home price appreciation, the number of homes for sale has declined and currently rests 6.8 percent below its level in October 2014. The pace of home value growth is forecasted to drop, growing 2.6 percent from October 2015 to October 2016. Over the next year, Las Vegas, Dallas, Seattle, Sacramento, Denver and Portland are expected to have home values grow by 5 percent or more. Despite the recent drop in rental appreciation, **rent prices are not expected to significantly decline within the next year**.

San Francisco is the City by the Bay, and home to the Golden Gate Bridge, sourdough bread, Alcatraz, and more recently, a lot of million dollar homes. Amongst the largest metros, San Francisco metro has the [highest share of million dollar homes in the country at 58%](#). And not surprisingly, the other two Bay Area metros rank #2 (San Jose) and #3 (Oakland). Within the city of San Francisco itself, more than 63% of homes are valued **above the \$1 million mark**. To find out where million dollar homes have spread the most in the City by the Bay, we calculated the value for every home in San Francisco between January 2010 and September 2015. We define a million-dollar home as any home - regardless of whether it's listed or not - with a value of \$1,000,000 or more. The number of homes worth more than a million dollars has grown exponentially in just five years.

Pro Teck Valuation Services published its Home Value Forecast (HVF), looking back at the last twelve months. Over the past year, San Francisco, San Rafael and San Jose metros top the list for current sales price, followed by Honolulu and Vineyard Haven. The HVF also examined the twelve-month active list price appreciation, with College Station-Bryan, TX leading the year with an active price change of 46.32 percent. The top markets for current months of remaining inventory, which shows how "hot" a market is, include San Jose and Santa Cruz with around two months of inventory. The HVF also identified the **top performing markets** this month which include, Bellingham, WA, Bend-Redmond, OR, Boise City, ID, Boulder, CO, Eugene, OR, Oak Harbor, WA, Portland, OR, Sacramento, CA, Seattle, WA and Stockton, CA. The metros on this list have remained quite consistent throughout the past year, but with rising rates expected in 2016, there will most likely be a change among the top performing metros list.

Zillow has published on [article](#) indicating that the share of homes **underwater** has been on the decline, as the U.S. negative equity rate has dropped to 13.4 percent in the third quarter from 14.4 percent the second quarter and 16.9 percent last year. The negative equity rate has dropped 14 consecutive quarters after its peak of 31.4 percent in the first quarter of 2012. Still, more than 6.5 million homeowners are underwater, as more than 30 percent of Americans with a mortgage are underwater, in negative equity or lack enough equity to sell their home and buy a new one. Negative equity does affect both the supply of homes for sales and the demand, as those underwater are unable

to sell their home and buy a new one. This also impacts first time homebuyers looking to buy, as available inventory becomes more strained. Homes that are listed for sale in markets where there is a greater share of households in negative equity often stay on the market longer as well. The areas where negative equity is most common include the Southwest, Southeast and parts of the Midwest. For example, Las Vegas (22.1 percent) and Phoenix (16.4 percent) have higher rates of negative equity, along with Chicago (20.6 percent), Atlanta (18.6 percent) and Orlando (16.1 percent). Whereas areas like San Francisco and San Jose have negative equity rates below 5 percent, which correlates to greater job opportunities and stronger income growth. Although the number of households underwater is dropping, there is still a strong presence of homes in negative equity, delaying many markets from recovering and reducing the share of available inventory even more.

But it seems that plenty of buyers, once again, are [heading north to places like Portland](#), Oregon. That happened several years ago, and once again appears to be a trend that those in Portlandia aren't wild about. "Come visit but then go home."

But hey, forget about a house in Oregon! You can [buy an entire town](#) in Nevada, near Las Vegas, for \$8 million.

Turning to the capital markets, the increasing Federal Reserve mortgage-backed securities holdings have driven the spread between Fannie Mae 30-year coupons and 5-year and 10-year Treasury notes to 108 basis points, [the tightest level since 2012](#). The Fed has indicated further asset purchases may be ahead.

In mildly interesting news yesterday was the JOLTS Job Openings report, which showed slightly fewer help wanted signs going up in February. And this morning we've had the MBA's application data from last week showing what lock desks already knew: locks were +2.7% over the prior week, and 3% over where they were a year ago. Refis were +7% and account for about 54% of all applications. That does it for scheduled news until later today when we'll have a chance to look at the March FOMC meeting minutes. Rate sheet-wise we closed the 10 year Tuesday at 1.73% and **this morning we're at 1.74% with agency MBS prices down/worse slightly**.

Jobs and Announcements

Catalyst Lending opened three more branches in Utah and is hiring. [Catalyst Lending](#), headquartered in Greenwood Village, CO is opening up branches in Ogden, Sandy and Spanish Fork. [Brant Hayward](#) opened Catalyst Lending's second branch in Ogden, UT and is acting as the Ogden Branch Manager. In his new role, he will focus on driving growth in the Ogden market. Catalyst Lending's third Utah branch, in Sandy, UT, was opened by [Jim Rogers](#). He will also be the Sandy Branch Manager. [Gregg Driggs](#) is the newly appointed Branch Manager in Spanish Fork, UT, Catalyst Lending's new fourth location. In reflecting on Catalyst Lending's recent expansion [Debbie Isaacs](#) VP, Utah Regional Manager said "One of Catalyst Lending's values is 'Excellence Always' and our new Branch Managers always go above and beyond to provide exceptional service to their clients." Catalyst Lending, Inc., founded in 2007, "is an Ellie Mae Hall of Fame Award Finalist for the 3rd year in a row for Exceptional Achievement in Loan Quality and Excellence in Compliance Automation. And, we were named a 2016 Top Mortgage Employer by National Mortgage Professional magazine." For more information, contact [Mary Murphy](#) VP, Marketing.

Sacramento's VITEK is searching for a Chief Information Officer. This is a new role, and this individual needs to be a true difference-maker for our team, playing a key role in helping improve scalability and productivity of all IT-related functions, and identifying and leading initiatives that support our growth. Ability to anticipate and translate mortgage banking business needs into system functionality, proactive communication with team members across the organization, and maintaining strong 3rd party vendor relationships are key elements of this role. While technical skills are a must, and a customer-centric focus is required, the most important personal attribute needed for success is to be forward-thinking and strategic - able to create, articulate, gain buy-in, and implement the vision. IT leadership and innovation are a given, and mortgage-specific experience is highly desired, though other financial/banking services background may fit the need. Interested candidates please contact [Libby Feyh](#), VP of HR.

As featured in The Mortgage Professional's Handbook, the chapter, Source, Train, and Assimilate New Loan Officers, is now available to download for free. Use this chapter to build and grow a productive sales team to ultimately increase your production. Written by Casey Cunningham, CEO and Founder of XINNIX, The Mortgage Academy, **this chapter provides incredible value for managers looking to grow their team's production.** [Download your complimentary copy now!](#)

My sympathies to any mortgage banker, or banker, who has heard of Stuart Delery. He is the Justice Department official that oversaw civil investigations of banks for conduct related to the financial crisis. He is [stepping down](#) April 14 to "explore options in the private sector."

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