

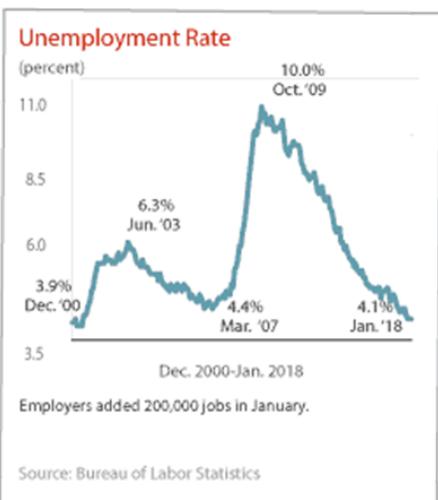
Assessment of Returns

There are many questions which have arisen because of the movements in the stock market and interest rates. For example, how high will interest rates need to go in order for investors to start thinking that they can achieve better returns than the stock market? That seems far-fetched because the stock market has done so well since the great recession, with the S&P gaining an average of over 10% per year. But, keep in mind that these gains have included a rebound from sharp losses during the recession and were fueled by record low interest rates.

And where would one go to achieve these better returns? One possible place would be real estate. One reason rates are rising is because recently, inflation has become a factor. Well, inflation has affected rents being paid and home prices for some time. If someone purchased a house five years ago, chances are they have done very well -- whether they are living in the home or it is an investment property.

As we have said, this year's wild ride has made it even tougher than normal to make predictions. It is possible that these gyrations could start affecting economic growth, despite the stimulus of the tax legislation. Investor and consumer confidence are really important factors -- and neither likes to witness the uncertainty that volatility brings.

The best news would be for the markets, rates and inflation all to calm down a bit as spring approaches. This month's jobs report could go a long way to convince the masses that everything is on-track and not overheating -- if we don't get a surprise on the low or high side of forecasts...



Tax Reform and Real Estate

Home sellers realized an average home price gain of \$54,000 in the fourth quarter, the highest profit since before the Great Recession, said ATTOM Data Solutions, Irvine, CA.

\$54,000

The Company's U.S. Home Sales Report said average home price gains rose from \$53,732 in the third quarter and from \$47,133 a year ago to the highest since Q3 2007. The home seller profit represented an average 29.7% return on investment, up from 28.8% in the previous quarter and up from 26.8% a year ago to the highest home seller ROI since Q3 2007.

At the same time, ATTOM reported homeowners who sold in the fourth quarter had owned their homes an average of 8.18 years, up from 8.12 years in the previous quarter and up from 7.78 years a year ago to the longest average home seller tenure as far back as data is available, Q1 2000. "It's the most profitable time to sell a home in more than 10 years yet homeowners are staying put longer than we've ever seen," said Daren Blomquist, Senior VP with ATTOM Data Solutions... Source: *The Mortgage Bankers Association*

Selected Interest Rates

February 22, 2018

- 30 Year Mortgages—4.15%
- 2017 High (March 16)—4.30%
- 2017 Low (Sept 14)—3.78%
- 15 Year Mortgages—3.62%
- 5/1 Hybrid ARMs—3.52%
- 10 Year Treasuries—2.64%

Sources—Fed Reserve, Freddie Mac
 Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Budget Deal Brings Good News

A shut-down has been averted, and there's good news for real estate in the budget agreement. The two-year, \$400 billion spending deal came as a result of a bipartisan group of lawmakers supporting the agreement. Congress now has until March 23 to write the legislation to accompany the spending deal that will fund the government for the rest of the fiscal year. Here are the details:

Flood insurance. The National Flood Insurance Program has been extended until March 23, giving lawmakers time to work out an extension that could last until September 30. The deal also adds \$27 billion in mitigation and resiliency funds to address issues arising from last year's hurricanes, and it makes \$12 billion available under the Community Development Block Grant program to fund U.S. Army Corp of Engineers flood mitigation projects.

Extension of tax provisions. The deal retroactively extends provisions for the 2017 tax year for mortgage debt forgiveness; mortgage insurance premiums and energy efficiency improvements in commercial buildings.

Tax Credit. The non-business energy property tax credit applies to 10% of the amount paid for qualified energy efficiency improvements such as energy-saving roofs, windows and doors — and 100% (with limits) for qualified energy products, such as high-efficiency water heaters and air conditioning units...
 Source: *REALTOR® Magazine*

Did You Know...

Despite the impact on homebuyers of the tax reforms, economists are confident it will benefit the housing market. That's because they predict the positive impact for businesses will mean a boost for the economy, bringing the housing market new entrants and confident consumers. "This added economic activity will bode well for housing," said NAHB Chief Economist Robert Dietz.

Compliments of Suzanne Smith

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