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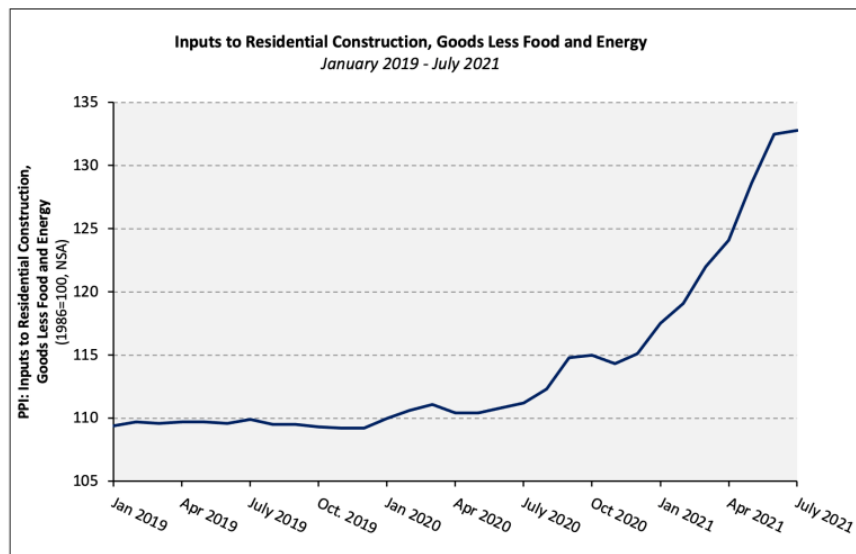
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Construction Material Costs are Setting New Records

Even though lumber prices have recently declined, the National Association of Home Builders (NAHB) says **builders are facing some of the fastest increases of other building material costs in history**. The latest Producer Price Index (PPI) from the Bureau of Labor Statistics (BLS) shows an 0.2 percent increase in the prices of goods used in residential construction (with the exception of food and energy costs) in July. Those costs had increased 3.0 percent in June.

David Logan posted in NAHB's Eye on Housing blog that the BLS index shows those building costs have declined only twice since December 2019 and have climbed by 19.4 percent over the past 12 months. As an aside, when food and energy are included, the index is up 22.3 percent year-over-year.



For the year-to-date (YTD), the index shows a 13 percent increase as compared with only 1.1 percent for the same period last year. The 2020 YTD figures **was apparently not a COVID-19 induced aberration**; Logan says the average change in the index for the same seven month period from 2015 through 2019 was 1.2 percent.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
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

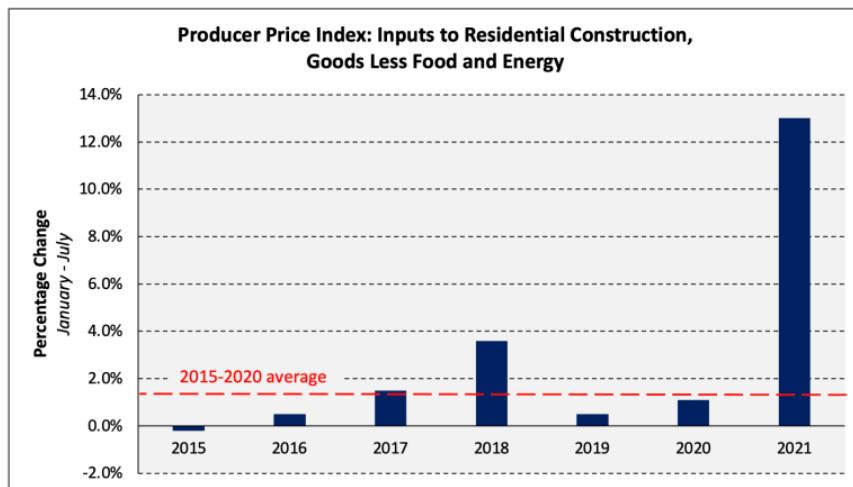
MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.81	-0.02
10 YR Treasury	4.9299	+0.0084
30 YR Treasury	5.3082	+0.0081

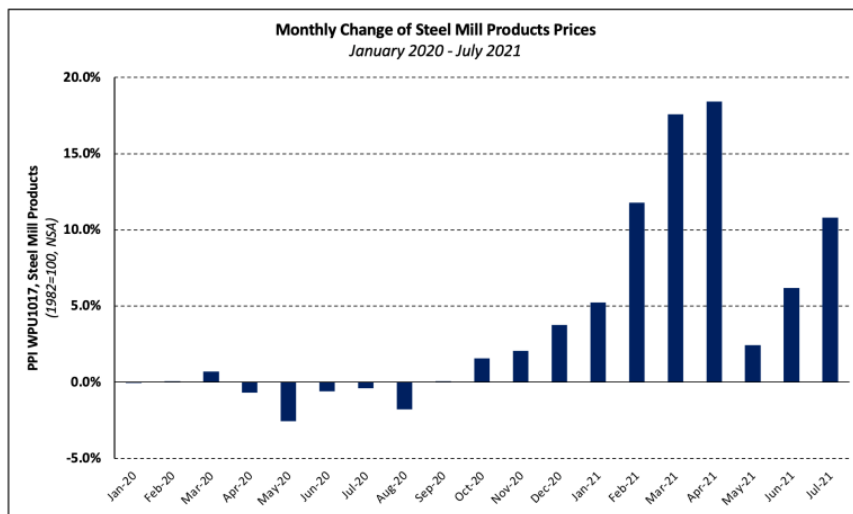
Pricing as of: 10/30 5:59PM EST

Recent Housing Data

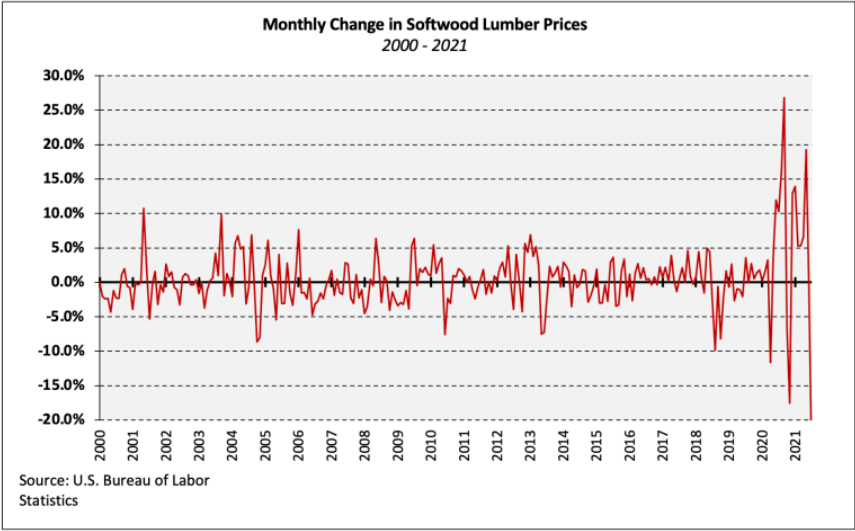
		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%



Prior to May, the PPI for steel products had accelerated each month for eight months. In fact, Logan says there were only three times in the 80 years ended in 2020 that steel mill prices increased by more than 10 percent in a single month. That has happened four times thus far in 2021. After the respite in May (with only a 2.4 percent increase) the climb resumed in June and July with gains of 6.2 percent and 10.8 percent, respectively.



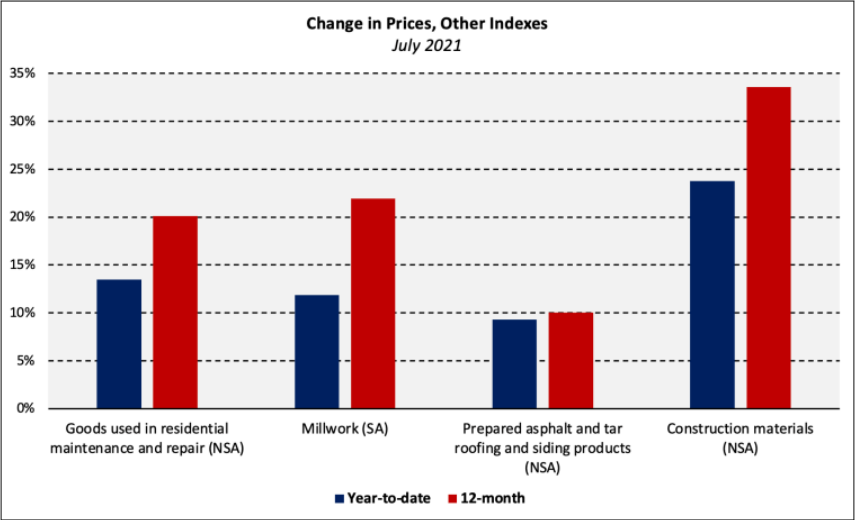
The increase in the price of lumber products has gotten most of the press, however the BLS says softwood prices fell 29.0 percent in July (seasonally adjusted), the largest monthly decline in records dating back to 1947 and nearly three times the previous record (-10.7 percent) in April 1980. Prices are still 71.9 percent higher than in January of last year and Logan says that the volatility of lumber prices is still a concern. **It remains at an all-time high for a 12-month period.**



Prices for other products have also increased. Gypsum products were up 2.5 percent in July, 15.8 percent YTD and 21.7 percent (non-seasonally adjusted) over the previous 12 months, the largest such growth since July 2006.

Prices paid for ready-mix concrete were unchanged in July (seasonally adjusted) after increasing 1.1 percent in June. Some of those increases, however, have been problematic on a regional basis. Regional changes have tended to balance out month-to-month but price gains in the Northeast and West have far outpaced those in the Midwest and South over the past four years. **Since July 2017, prices paid for ready-mix concrete have increased by roughly 20 percent** in those two regions but only 9 percent in the Midwest and South.

Logan recaps changes in other building products in the chart below. He notes that the Construction Materials index is particularly salient as Congress nears agreement on an infrastructure package. It is more heavily weighted with products used in large amounts in building "traditional" infrastructure like roads, rail, and bridges and that could drive prices higher for all construction projects.



About Your Los Angeles Mortgage Broker

Shannon's expertise in residential mortgage lending spans more than 20 years. Beginning on the ground floor of the wholesale side of lending, Shannon subsequently succeeded as a loan officer, account manager, and account executive while working for one of the nation's largest mortgage lenders. In contrast to those who chose to leave the mortgage industry when the Los Angeles housing market began to spiral in 2008; Shannon's passion for helping others to become homeowners remained firmly intact. In fact the changes in the market and new lending laws made her want to help homebuyers to navigate the new rules of real estate lending more than ever. As such, she chose to transition to the retail side of real estate financing in effort to work closer with families, veterans, and those who had previous financial hardships to achieve their goals of home ownership. As a homeowner and real estate investor, Shannon's personal experience in obtaining mortgage loans for her own purchases is extensive. She has bought and sold multiple properties and continues to invest in real estate throughout Los Angeles County. Shannon's specialization and breadth of experience in real estate purchase loans enables her to offer standard/conventional loans, government loans, hard money loans, and specialty/portfolio products.

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