This week’s chart shows data from MBA’s State Mortgage Activity Report (SMAR) that captures the year over year change in the number of home purchase applications for the US and three large states. As housing inventory remains tight, and mortgage rates and home prices continue to rise, we are seeing affordability challenges beginning to surface and hold down home buying activity, as can be seen by the slowing rate of purchase growth for the US and particularly for high cost areas in California and Florida.

While the US and Texas saw purchase activity increase 2 percent and 8 percent respectively in June 2018, California and Florida had decreases of 4 percent and 2 percent, respectively. California had seen YOY growth of up to 10 percent in the second half of 2017, but has now had decreases in four of the last six months. Florida’s had growth mostly through the first half of 2017 (not shown in the chart) but since the large September 2017 drop (due to the hurricanes), has seen mostly YOY declines in purchase applications. Texas continues to see YOY increases, but the pace of growth has eased over the past two months.

Additionally, according to data from the National Association of Realtors, California, Florida, and Texas are the top three states with the highest share of foreign buyers of homes. As the level of activity from foreign buyers has decreased lately due to accelerating US home prices, a strong dollar, and other factors, those states are likely being affected by that as well.

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