

First-time buyers face hurdles to homeownership this spring

By ALEX VEIGA and JOSH BOAK



In this May 11, 2015 photo, Brett Singley, upper right, poses for a picture in front of their condo with his wife, Angelynn, 28, Isla 5, middle, Isaiah 3, right, Ben, 2, and Aria 1 month, in Santa Clarita, Calif. Singley bought the three-bedroom home for just under \$300,000 — \$100,000 less than what he was prepared to pay for a house. CHRIS CARLSON — AP Photo

Young people aspiring to buy their first home are already facing disappointment this year.

Rising prices are putting more homes out of reach, and pickings are slim because few properties have come onto the market this spring, when sales are supposed to take off.

Millennials are also burdened by heavy school debt and depleted savings that hurt their ability to qualify for a mortgage. Until their incomes start to rise meaningfully, many will be forced to keep hunting for a home while delaying the dream of ownership. This has weighed on overall home sales and economic growth throughout the rebound in housing the past three years.

"People need to see more money in their paychecks before they'll take the plunge into homeownership," said Greg McBride, chief financial analyst at Bankrate.

If early signs are any indication, there won't a noticeable jump in new homeowners during the spring.

Amy Arnold and her husband began looking at listings in Denver late last year. The 28-year-old apparel buyer quickly found that the few homes in the couple's price range got snapped up for more than asking price, leaving her exasperated at how "crazy" the market seemed.

For now, the couple has decided to keep renting a two-bedroom, one-bath house for \$1,300 a month, hoping to have more money and find a better selection of homes once they jump back into the market.

"It's very discouraging," said Arnold. "Hopefully next year we will be able to buy, but there's a chance we may have to rent again."

Home prices nationwide have risen at more than double the pace of average hourly wages, making it harder for buyers to find the extra funds to save for a down payment.

In Denver, a limited roster of homes has fueled the rising prices and given sellers the upper hand. Forty percent of homes that sold in February went for more than the asking price, according to online real estate broker Redfin. That's up from 21 percent a year earlier. In addition, half of the homes on the market went under contract in eight days or fewer.

"Typically, January, February even March are not quite as highly competitive as when you go into the spring months," said Ilona Botton, a Redfin agent in Denver. "That's not how it was this year. It has been multiple offer situations every single month."

The limited supply of homes is widespread. In March, one measure showed it would take fewer than five months to sell all the previously occupied homes in the U.S. In a market more balanced between buyers and sellers, it would take about six, according to the National Association of Realtors.

What's more, heavy demand for low-priced homes means their prices are rising faster. Homes priced at \$135,000 or less jumped 9 percent for the year ending in February, according to data from CoreLogic. Homes that priced at \$226,800 or more climbed 5 percent over the same period.

Beyond offering more money, some buyers are willing to waive home inspection or give sellers several weeks to move out following a sale, said Redfin's Botton.

In general, areas with fewer homes for sale have stronger job growth that eclipses the pace of construction. Areas with larger inventories tend to keep the availability of housing in line with job growth.

In Columbus, Ohio, aviation company executive Ryan Holtmann had plenty of options. He and his wife started shopping for their first home at the end of last year. The couple visited about 15 to 20 houses before buying a three-bedroom home for \$154,900 at the end of February.

"I was really surprised at how much was out there for the time of year," said Holtmann, 33. "There were three or four we liked and would have been more than happy to go with."

One factor preventing more houses from hitting the market is that many homeowners still owe more on their mortgage than their home is worth. That's known as an underwater mortgage, or being in negative equity.

While millions of homes have returned to positive equity as values come back, some 5.4 million, or 10.8 percent of all homes with a mortgage, remained underwater as of the October-December quarter, according to CoreLogic. Nevada topped the list. Nearly a quarter of its homes with a mortgage were underwater.

More construction would help buyers, but activity has recovered slowly since 2010. That's one reason a recent report by mortgage buyer Freddie Mac forecast that the U.S. housing market will continue to see low levels of homes for sale for the next several years.

As a result, even successful buyers are settling for less.

Brett Singley, a first-time buyer in Los Angeles and a father of four, knew the kind of house he wanted and how much he could afford. But after six months of searching, the civil engineer shifted his sights to smaller and less expensive townhomes. In March, he bought one in Santa Clarita, a northern suburb. He got a three-bedroom for just under \$300,000 — \$100,000 less than what he was prepared to pay for a house.

"We were originally looking for a four-bedroom house," said Singley. "But we didn't have a lot of options."

Veiga reported from Los Angeles. Boak reported from Washington.