

Market Insights 2018



What's in store for the market in 2018? While it's impossible to know for sure, experts analyze current trends to predict what may happen.

Home prices and values are expected to rise modestly.

Home prices have been increasing around the country, with cities such as Dallas, Portland and Seattle experiencing the largest year-over-year price gains.¹ In fact, Washington has experienced the fastest rise in housing prices in the United States over the past few years.² While the National Association of Realtors anticipates 2018 home prices will rise by 3.5 percent, Freddie Mac predicts they'll increase 4.9 percent.³ This percentage may seem modest, but for cities such as Detroit, Las Vegas, Phoenix and San Diego, rising home prices may continue the 2017 trend of creating more pressure in the market.¹ The good news is home values in 28 states have risen to above pre-crisis peaks and are at an all-time high.²

Rental prices are no longer increasing at the rate of home prices in most areas.⁴ Although the leveling off of rental prices may take some financial pressure off renters, for those thinking of buying, it's a good time to turn their dream of homeownership into reality.

While the national market offers insight on overall trends in real estate, we can give you the scoop on what's happening in our local market. Whether you're thinking of buying or selling or you just want to know more about our local real estate market, give us a call!

Existing home sales have leveled off for now

Experts predict 2018 will spell more of the same for home sales. Many believe this is due to the increase in interest rates in 2017, which may have reduced the purchasing power of many homebuyers. Home purchases are expected to rise a modest 2.8 percent (5.8 million) in 2018.³

However, patience may pay off for potential buyers. While the combination of economic recovery, comparatively low mortgage interest rates and job growth may have brought more interested buyers to the market, inventory has been tight over the last few years. In response, homebuilding has been up and new homes are expected to hit the market this year, increasing inventory for potential buyers.^{5,6} Many experts are predicting 2019 will be a buyers' market in many areas.

Will 2018 be a banner year for new homes?

Many experts predict that new home sales will drive the market in 2018.³ A total of 1.33 million housing starts are expected for 2018, an increase from 1.22 million in 2017.³ While total home sales are expected to increase over two percent, new home sales are expected to increase eight percent, reaching 670,000 sales.³

What about mortgages?

Although mortgage rates may have increased slightly, over the last few years, rates have remained at historically low levels. Freddie Mac, the Federal Home Loan Mortgage Corporation, predicts an increase in the volume of mortgages, which follows other predictions that signal an increase in home sales.⁷

Freddie Mac predicts a cooling in refinance activity, which is expected to decline to 25 percent.⁷ In the past, refinancing has dominated the mortgage market, with borrowers most often refinancing to shorten the term of the loan to pay off the principal faster or to refinance out of an FHA loan and into a conventional loan. With the increase in home sales comes a shift to a purchase-orientated market.

The corporation also predicts that more borrowers will tap into their home equity.⁷ The increase in home values may prompt borrowers to use some of their equity to complete home improvement projects or pay off outstanding debt.

Sources: 1. Kiplinger
2. Home Buying Institute
3. NAR, Realtor.com
4. CNBC
5. First Tuesday Journal
6. Business Insider
7. Freddie Mac
8. Fannie Mae

Why learning about the real estate market matters. . .

(even if you're not currently in the market for a home)

- 1. The health of the local market influences the value of your home.** Higher home prices in your local area mean that your home may also be worth more. Since real estate is local and can vary from city to city—even from neighborhood to neighborhood in some cases—the more you know about the market, the better equipped you are to understand the value of your home.
- 2. Make the right decision if you're thinking about buying or selling later in the year.** People move for many reasons; one of the most common is a change in family situation, such as the birth of a child, aging parents moving in or adult children moving out. Staying up-to-date on the local market will help you better understand if it's the right time to buy or sell. Also, if you find yourself wanting to upsize or downsize sometime in the future, it'll help you decide whether you should turn your property into a rental.
- 3. Get the full economic picture.** It's no secret that real estate plays an important role in the health of the overall economy, but national statistics only give you a portion of the story. While staying up-to-date on national housing statistics is helpful for learning about overall market trends, learning more about the local market will help you understand the economic and market trends we're experiencing here. We can tell you if we're experiencing a buyers' market or sellers' market, what local economic trends may impact future housing prices, and how your home compares to similar homes in the area. **Give us a call and learn more about our local market.**

Is it a good time to buy or sell?

We've heard from the experts; now, what do Americans think about the housing market? Fannie Mae recently surveyed Americans for its monthly housing trends survey.^{8*}

59 percent of Americans say it's a good time to buy;
64 percent say it's a good time to sell.

50 percent of Americans feel home prices will go up in the next 12 months.

53 percent of Americans say mortgage rates will go up in the next 12 months.

67 percent of Americans would buy if they were going to move; **27 percent** say they would rent.

55 percent say it would be easy to get a mortgage today; **42 percent** say it would be difficult.

*Results are as of the time of print.

