

MARKET INSIGHTS

A look at the current real estate market.

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“The simple message is the economy is doing well.”

- Federal Reserve Chair Janet Yellen

If you want to know whether this year is going to be good for buyers or sellers or both we need to look at several factors. First, looking at the housing market we see a recent uptick in mortgage rates. Second, we are seeing home prices move upwards and third, low inventory does not appear to be changing anytime soon. This has made buying a home slightly less affordable than it was a couple of years ago, but that doesn't seem to be stopping the flood of buyers in the marketplace.

They may realize that mortgage rates, still at historically lows, means buying a home remains a very affordable choice. This does appear true when taken together with recent economic data.

According to the most recent outlook from Fannie Mae's Economic & Strategic Research Group, how things play out will depend largely on young Americans who are just beginning to enter the real estate market in greater numbers.

The National Association of REALTORS' Pending Home Sales Index is a good indication of where home sales will be a month or two down the road. Lawrence Yun, NAR's chief economist, says we may be seeing fewer contracts signed simply because of the lack of available listings. The number of buyers in the market is strong and hasn't abated, in spite of the inventory struggles.

What this means is the number of homes for sale isn't keeping pace with the number of buyers interested in buying homes.

The even better news from the housing sector, as the Commerce Department reported, is that housing starts hit a four-month high. Housing starts are measured from the time excavation begins on a new home.

The good news continues with starts on single-family homes rising to a near 10-year high, up 6.2 percent. These increases are a welcome sign for those in the market for a home, as it gives them expanding choices for purchases, again thanks to those ongoing inventory limitations.

Home prices are expected to match their 2006 high at some point later this year, according to CoreLogic's chief economist, Frank Nothaft. If this inspires more sellers to enter the market we could see a more balanced sales season than we've been witnessing so far.

And what's fueling the price increases? You can thank the combination of a stronger economy, population growth, low mortgage rates, and a lower-than-normal number of homes for sale in many markets.

As more homeowners respond positively to the continuing price gains, easing market demand by putting their starter homes up for sale and purchasing from the move up inventory we should see that helping to balance the market.

Now on the verge of the summer home buying season, this environment of historically low mortgage rates will help offset the pace of house price growth and keep a home purchase an affordable choice.