



# What's Ahead for Real Estate in 2019?

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As we begin another year, everyone wants to know: “Where is the housing market headed in 2019?”

It's not only buyers, sellers, and homeowners who are impacted. The real estate market plays an integral role in the overall U.S. economy. Fortunately, key indicators point toward a stable housing market in 2019 with signs of modest growth. However, shifting conditions could impact you if you plan to buy, sell, or refinance this year.

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## HOME VALUES WILL INCREASE

The value of real estate will continue to rise. Freddie Mac predicts housing prices will increase by 4.3 percent in 2019.<sup>1</sup> While the rapid price appreciation we witnessed earlier in the decade has slowed, the combination of a strong economy, low unemployment, and a lack of inventory in many market segments continues to push prices higher.

**What does it mean for you?** If you're a current homeowner, real estate proves once again to be a solid investment over the long term. If you're in the market to buy a home, act fast. Prices will continue to rise, so you'll pay more the longer you wait.

## SALES LEVELS WILL STABILIZE

In 2018, we saw a decline in sales, primarily driven by rising mortgage rates and a lack of affordable inventory. But experts predict sales will rise slightly this year and next. Freddie Mac forecasts homes sales will increase 1 percent to 6.08 million in 2019 and 2 percent to 6.20 million in 2020.<sup>1</sup>

**What does it mean for you?** If you've been scared off by reports of a market slowdown, it's important to keep things in perspective. A cooldown can prevent a hot market from becoming overheated. A gradual and sustainable pace of growth is preferable for long-term economic stability.

## MORTGAGE RATES WILL RISE

The Mortgage Bankers Association predicts the Federal Reserve will raise interest rates three times this year, resulting in a rise in mortgage rates.<sup>2</sup> Realtor.com Chief Economist Danielle Hale estimates that the rate for a 30-year mortgage will reach 5.5 percent by the end of 2019, up from around 4.62 percent at the end of 2018.<sup>3</sup>

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While mortgage rates above 5 percent may seem high to today's buyers, it's not out of line with historical standards. According to Hale, "The average mortgage rate in the 1990s was 8.1 percent, and rates didn't fall below 5 percent until 2009. So for buyers who can make the math work, buying a home is likely still an investment worth making."

**What does it mean for you?** If you're in the market to buy a home or refinance an existing mortgage, act quickly before mortgage rates rise.

## AFFORDABILITY ISSUES WILL PERSIST

The combination of higher home prices and rising mortgage rates will make it increasingly expensive to buy a home. "Buyers who are able to stay in the market will find less competition as more buyers are priced out but feel an increased sense of urgency to close before it gets even more expensive," according to Hale. "Although the number of homes for sale is increasing, which is an improvement for buyers, the majority of new inventory is focused in the mid-to-higher-end price tier, not entry-level."

**What does it mean for you?** Unfortunately, market factors make it difficult for many first-time buyers to afford a home. However, as move-up buyers take advantage of new high-end inventory, we could see an increase in starter homes hitting the market.

- Sources:
1. Freddie Mac Economic & Housing Research Forecast
  2. Mortgage Bankers Association Forecast
  3. Realtor.com Housing Forecast 2019

## We're Here to Guide You

While national real estate numbers and predictions can provide a "big picture" outlook for the year, real estate is local. We can guide you through the ins and outs of our market and the local issues that are likely to drive home values in your particular neighborhood. If you're considering buying or selling a home in 2019, contact us now to schedule a free consultation.

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