National Snapshot: How's the Real Estate Market?

The U.S. unemployment rate is at a 50-year low, and consumer confidence remains high. In fact, the University of Michigan's latest *Surveys of Consumers* found that Americans have their most positive personal finance outlook since 2003.[1]

However, if you follow national news, you've probably heard speculation that we could be headed toward a recession. Global trade tensions and a slow down in the GDP growth rate have sparked volatility in the stock market, leading to economic uncertainty.

Given these differing signals, you may be wondering: How has the U.S. housing market been impacted? Where is it headed? And more importantly … what does it mean for me?

MORTGAGE RATES ARE NEAR HISTORIC LOWS

In July, the Federal Reserve cut interest rates for the first time since 2008. Shortly after, the average 30-year fixed mortgage rate hit its lowest level since November 2016, falling to 3.6%, down a full percentage point from a year earlier. Freddie Mac predicts that low interest rates and a robust job market will help the housing market remain strong despite the threat of recession.[2]

What does it mean for you? If you're looking to buy a home, now is a great time to lock in a low mortgage rate. It will shrink your monthly payment and could save you a bundle over the long term. Or if you plan to stay in your current home for a while, consider whether it makes sense to refinance your mortgage at today's lower rates.

PRICES CONTINUE TO RISE AT A MODEST PACE

Nationally, housing prices continue to rise, but the pace is slowing.[3] While demand remains strong, buying a home has become unaffordable for many Americans. But what if we enter a recession? Will we see housing values plummet like they did in 2008? Economists say no. Given historic norms and the persistent housing shortage, a large decline in home values is unlikely.[4]

What does it mean for you? If you have the ability and desire to buy a home now, don't let the threat of a recession hold you in limbo. The market is cyclical, and it will experience ups and downs. But over the long term, real estate has consistently proven to be a good investment.

STARTER INVENTORY REMAINS TIGHT WHILE LUXURY MARKET SOFTENS

As we've seen in the past, it's become a tale of two sectors. The low-end of the market remains highly competitive as buyers compete for entry-level housing. A lack of new

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construction has led to an undersupply of starter homes that Americans can actually afford to buy. The luxury market, on the other hand, has softened. Economic uncertainty, changes to tax laws, and rising prices have slowed demand.

What does it mean for you? Move-up buyers, you're in luck! If you're ready to trade in your starter home for something more luxurious, you may get the best of both sectors. We're still witnessing strong demand for entry-level homes, giving sellers the upper hand. At the same time, buyers of high-end homes are finding a greater selection (and more negotiating power) than they've had in years.

INVESTORS ARE BUYING HOMES AT RECORD LEVELS

There's one group that hasn't been slowed down by lack of affordability or economic uncertainty: investors. Declining interest rates and an uncertain stock market have led them to real estate as they seek out greater stability and higher returns. According to CoreLogic, in 2018, investors purchased homes at a record pace, particularly small and individual investors focused on the starter-home segment.[5]

What does it mean for you? If you're looking for a way to "recession proof" your money, you might want to consider investing in real estate. People will always need a place to live, and (unlike the stock market) a rental property can provide a steady source of cash flow during uncertain economic times.

Sources: 1. University of Michigan 2. Freddie Mac 3. S&P Dow Jones 4. Forbes 5. CoreLogic

WE'RE HERE TO GUIDE YOU

As local market experts, we can guide you through the ins and outs of today's market and the issues most likely to impact sales and home values in your particular neighborhood. If you have specific questions or would like more information, contact us to schedule a free consultation. We're here to help you navigate this shifting real estate landscape.

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