What to expect from the 2018 housing market

National Association of Realtors (NAR) Chief Economist Lawrence Yun today announced the 2018 economic and housing forecast at the Association's Realtors Conference and Expo in Chicago.

Yun expects existing-home sales will finish at a pace of 5.47 million, a 0.4 percent year-over-year increase from 2016. In 2018, he says sales should increase 3.7 percent to 5.67 million. Furthermore, the national median existing-home price is expected to rise to around 5.5 percent in 2018.

When it comes to single-family housing starts, Yun expects a 9.4 percentage point growth to 950,000. Although this will help alleviate some pressure, Yun notes that it's still 250,000 shy of the 50-year average of 1.2 million starts.

Yun said strong housing starts will be the key to alleviating inventory issues and the untenable home prices that come along with it.

"The lack of inventory has pushed up home prices by 48 percent from the low point in 2011, while wage growth over the same period has been only 15 percent," said Yun.

"Despite improving confidence this year from renters that now is a good time to buy a home, the inability for them to do so is causing them to miss out on the significant wealth gains that homeowners have benefitted from through rising home values."

10 reasons most real estate agents fail

Tom Ferry: the main pitfalls that drive the huge failure rate among agents READ MORE

Resolving housing issues

Yun’s co-panelist Ken Rosen of the Rosen Consulting Group said a key to solving the affordability crisis will be convincing local legislators to revise zoning regulations to make building easier.

“A willingness to embrace new ideas will go a long way toward easing the constraints of low supply, student debt and weaker affordability that are currently suppressing homeownership,” said Rosen.

Specifically, Rosen said legislators need to override restrictive zoning laws, promote modular construction [to increase supply], implement down payment savings programs and tackle the burden of student debt.

As far as the federal government, Rosen said a nationwide counseling program for homeowners who previously experienced foreclosure and may be hesitant to consider buying a home again would be helpful.

Without these measures Rosen and Yun are concerned the already 50-year low homeownership rate will slip away and hurt the overall economy.

“Ownership rates are currently below their peak across the younger age groups and in cities that have seen sharp price increases, and it’s not a good thing,” said Rosen.

“A higher rate of homeownership makes sense. It is so important to the financial health of the economy. Homeownership helps households accumulate wealth over time, reduces inequality, increases investments in communities and boosts economic growth.”

When it comes to what 2018 will look like for homeowners, the duo is laser focused on Trump’s tax reform plans, which include a direct tax hike on homeowners in the form of a limited mortgage interest deduction.

The revised mortgage deduction impacts new and existing loans of $500,000 and under (down from $1 million) and caps property tax deductions at $10,000.

NAR says the plan could negatively affect home values by about 10 percent and raise taxes on middle-class homeowners by an average of $815.

Despite these challenges, Yun says 2018 is measuring up to be a better year than 2017: “An overwhelming majority of renters want to own a home in the future and believe it is part of their American dream,” he said.

“Assuming there are no changes to the tax code that hurt homeownership, the gradually expanding economy and continued job creation should set the stage for a more meaningful increase in home sales in 2018.”

Email Marian McPherson.

Source: click here