

Real Estate 2018: What to Expect



As we head into a new year, the most common question I receive is, “What’s the outlook for real estate in 2018?”

It’s not just potential buyers and sellers who are curious; homeowners also want reassurance their home’s value is going up. The good news is that a strong U.S. economy, coupled with low unemployment rates, is expected to drive continued real estate growth in 2018. However, changes on the horizon could significantly impact you if you plan to buy, sell or refinance this year.

HOME VALUES WILL CONTINUE TO RISE

Get ready for another strong year! U.S. home values and sales volume will continue to rise in 2018.

Experts agree that home prices will increase in 2018, but predict a slower rate of appreciation than 2017, which clocked in at nearly 7 percent nationwide. National Association of Realtors (NAR) Chief Economist Lawrence Yun [predicts a growth rate](#) this year of 5.5 percent,¹ while Freddie Mac’s [September Outlook Report](#) forecasts a rate of 4.9 percent. Either way, all indicators point towards continued growth in 2018.²

What does it mean for you? If you’re a current homeowner, congratulations! Real estate proves once again to be a solid investment over the long term. And if you’re considering selling this year, there’s never been a better time. Contact me to request a free Comparative Market Analysis to find out how much you can expect your home to sell for under current market conditions.



If you're in the market to buy this year, there's good news for you, too. Although prices continue to rise, the rate of appreciation has slowed. Still, don't wait any longer. Prices will continue to go up, so you'll pay more six months from now than you would today. Call or email me to setup a free, no-obligation property search and get notified about listings that meet your criteria as soon as (or before) they hit the market.

NEW CONSTRUCTION WILL MAKE REAL ESTATE MORE ACCESSIBLE

Lack of inventory in the housing market has been a primary impediment to homeownership for many Americans. "Ten years ago, the problem in the housing market was lack of buyers," [says Yun](#). "Today, the problem is lack of sellers. Inventory levels are near historic lows."³

Yun also notes, "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. Despite improving confidence [in 2017] 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."¹

The good news? Yun expects a 9.4 percentage point increase in single-family new home construction starts.⁴

Economists at Freddie Mac make a similar prediction. "Existing home sales are unlikely to increase much going forward. Limited inventory will remain a consistent problem ... Growth in home sales will be primarily driven by new home sales, which should continue to grind higher with single-family construction."²

[Robert Dietz](#), chief economist at the National Association of Home Builders, agrees. "The markets that are going to grow are ones where builders can add that entry level product."⁵

What does it mean for you? If you've been frustrated by lack of inventory in the past, 2018 may bring new opportunities for you to find a budget-friendly home that suits your needs. Give me a call to discuss options for new construction in our area.

MILLENNIALS WILL MOVE TO THE SUBURBS

The new entry-level construction will come with a catch though ... it will be located in the suburbs, where the availability of land and fewer zoning requirements make it more cost-effective to build.



Economists predict that's where millennials and first-time buyers will flock for the greater variety of homes at affordable prices.⁶

Rising home prices, a sluggish job market, and an increase in student loan debt made homeownership largely unattainable for many millennials in past years. However, there's significant evidence that this trend is turning around. For the fourth year a row, the National Association of Realtors' [2017 Home Buyer and Seller Generational Trends](#) survey found that millennials were the largest group of homebuyers.⁷

As millennials age, they are settling down and having families, which has prompted an increasing demand for larger but affordable homes. Thus, many are flocking to the suburbs, with 57 percent of millennial buyers opting for a suburban location.

What does it mean for you? If you're a millennial who has been priced out of urban living, or is looking for more space for your growing family, a number of suburbs in our area have a lot to offer. I can point you towards the communities that will best meet your needs.

And if you're a suburban homeowner with plans to sell, give me a call. I know how to market your home to millennials ... and can help you sell quickly for top dollar by appealing to this growing market segment!

BOOMERANG BUYERS WILL RETURN TO THE MARKET

“Boomerang buyers” comprise the nearly 10 million Americans who lost their homes to foreclosure or short sales during the housing recession of 2006 to 2014.

According to [MyFico.com](#), a foreclosure remains on a credit report for seven years. It takes many boomerang buyers at least that long to raise their credit score and save up enough cash to qualify for a new mortgage.⁸

With this “seven-year window” in mind, [RealtyTrac predicts](#) that the largest wave of boomerang buyers – more than 1.3 million – will be eligible to re-enter the housing market in 2018.⁹

Markets likely to see the highest influx of boomerang buyers are those that had a high percentage of foreclosures AND have remained affordable. The majority of boomerang buyers are middle-class Gen Xers or Baby Boomers. Expect to see even more competition for entry-level homes in those markets.



What does it mean for you? If you're a boomerang buyer, I understand your unique circumstances. I can help you navigate the real estate process and write competitive offers that will play to your strengths. Contact me to discuss your options.

NEW TAX LEGISLATION WILL IMPACT HOMEOWNER DEDUCTIONS

The "[Tax Cuts and Jobs Act](#)" passed at the end of 2017 nearly doubles the standard deduction, so far fewer Americans are expected to itemize this year. For those who do, however, it could mean less homeowner deductions are available than in the past.

Previously, homeowners could deduct interest paid on the first \$1 million of mortgage debt, but that threshold has been lowered to \$750,000 for new mortgages. (Existing mortgages will not be impacted.)

Additionally, taxpayers will no longer be able to fully deduct state and local property taxes plus income or sales taxes. The new legislation restricts this deduction to \$10,000. It also eliminates the deduction for moving expenses (except for members of the Armed Forces) and interest on home equity loans unless the proceeds are used to substantially improve the residence.¹⁰

It's yet to be seen how the tax bill will impact the real estate market overall. While some economists predict a price reduction in certain markets, Republican lawmakers project the bill will increase take-home pay and stimulate the economy overall. [According to Realtor.com Senior Economist Joseph Kirchner](#), "Some house hunters—particularly wealthy buyers—will see an increase in after-tax income, making an already tough housing market even more competitive. This increased demand could drive prices up even higher than they are already."¹¹

What does it mean for you? If you're an existing homeowner, be sure to consult a tax professional if you're concerned about the impact the new tax bill could have on you.

And if you're planning to buy or sell this year, I can help you determine how the tax bill could affect demand in your current or target neighborhood and price range.

INTEREST RATES WILL RISE

No one knows exactly what will happen with mortgage rates this year, but the [Mortgage Bankers Association](#) anticipates the Federal Reserve will raise rates three times in 2018, with Freddie Mac's 30-year fixed rate mortgage reaching 4.8 percent by the end of Q4, up from around 4 percent at the end of 2017.¹²



Kiplinger.com Economist David Payne also predicts interest rates will rise this year, with short-term rates outpacing long-term rates as the Fed aims to curb inflation in a tightening job market. He predicts the bank prime rate that home equity loans are based on will increase from 4.25 percent to 5 percent by the end of 2018. ¹³

What does it mean for you? If you're in the market to buy, act now. Rising interest rates will decrease your purchasing power, so act quickly before interest rates go up. Give me a call today to get your home search started.

And if you're a current homeowner who is considering refinancing or a home equity loan, don't wait. I can help you estimate your property's fair market value so you'll be prepared before contacting a lender.

2018 ACTION PLAN

If you plan to **BUY** this year:

1. *Get pre-approved for a mortgage.* If you plan to finance part of your home purchase, getting pre-approved for a mortgage will give you a jump-start on the paperwork and provide an advantage over other buyers in a competitive market. The added bonus: you will find out how much you can afford to borrow and budget accordingly.
2. *Create your wish list.* How many bedrooms and bathrooms do you need? How far are you willing to commute to work? What's most important to you in a home? I can set up a customized search that meets your criteria to help you find the perfect home for you.
3. *Come to our office.* The buying process can be tricky. I'd love to guide you through it. I can help you find a home that fits your needs and budget, all at no cost to you. Give me a call to schedule an appointment today!

If you plan to **SELL** this year:

1. *Call me for a FREE Comparative Market Analysis.* A CMA not only gives you the current market value of your home, it'll also show how your home compares to others in the area. This will help us determine which repairs and upgrades may be required to get top dollar for your property ... and it will help me price your home correctly once you're ready to list.
2. *Prep your home for the market.* Most buyers want a home they can move into right away, without having to make extensive repairs and upgrades. I can help you determine which



Stephanie Mitchell
REALTOR

ones are worth the time and expense to deliver maximum results.

3. *Start decluttering.* Help your buyers see themselves in your home by packing up personal items and things you don't use regularly and storing them in an attic or storage locker. This will make your home appear larger, make it easier to stage ... and get you one step closer to moving when the time comes!

I'M HERE TO HELP

While national real estate numbers and predictions can provide a “big-picture” outlook for the year, real estate is local. And as local market experts, I 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 have specific questions, or would like more information about where I see real estate headed in our area, please give me a call or send me an email! I'd love to discuss how issues here at home are likely to impact your desire to buy or a sell a home this year.



Stephanie Mitchell

Long and Foster Downtown Charlottesville

813 E Jefferson St

Charlottesville, VA 22902

540-292-1351

stephanie.mitchell@longandfoster.com

“Licensed to sell real estate in the Commonwealth of Virginia.”

Sources:

1. Inman News – <https://www.inman.com/2017/11/03/what-to-expect-from-the-2018-housing-market/>
2. Freddie Mac September Outlook Report – http://www.freddiemac.com/research/outlook/20170921_looking_ahead_to_2018.html
3. Marketplace.org – <https://www.marketplace.org/2017/07/05/economy/tight-inventory-slows-housing-market-down-0>
4. National Association of Realtors Press Release – <https://www.prnewswire.com/news-releases/existing-home-sales-to-grow-37-percent-in-2018-but-inventory-shortages-and-tax-reform-effects-loom-300549447.html>
5. Fox Business News – <http://www.foxbusiness.com/features/2017/11/27/entry-level-buyers-drive-solid-new-home-sales.html>
6. Zillow Research – <https://www.zillow.com/research/2018-predictions-17217/>



Stephanie Mitchell
REALTOR

7. National Association of Realtors' Home Buyer and Seller Generational Trends Report –
<https://www.nar.realtor/research-and-statistics/research-reports/home-buyer-and-seller-generational-trends>
8. MyFico.com -
<https://www.myfico.com/crediteducation/questions/foreclosure-fico-score-affect.aspx>
9. RealtyTrac -
<http://www.realtytrac.com/news/foreclosure-trends/boomerang-buyers/>
10. National Association of Realtors -
<https://www.nar.realtor/taxes/tax-reform/the-tax-cuts-and-jobs-act-what-it-means-for-homeowners-and-real-estate-professionals>
11. Realtor.com -
<https://www.realtor.com/news/real-estate-news/tax-cuts-survey/>
12. Mortgage Bankers Association Economic Forecast –
<https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary>
13. Kiplinger Economic Forecast –
<https://www.kiplinger.com/article/business/T019-C000-S010-interest-rate-forecast.html#iOf4mkSFvTmi2wr.99>



Stephanie Mitchell
REALTOR