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What is in Store for the Rest of 2016

Where have all the houses gone? That's the question economist and, more importantly, would-be homebuyers are asking themselves. Demand is healthy and home values are rising. Owning a home remains a better deal than renting one and mortgage rates are near records lows, meaning borrowing money to buy is cheap. Nevertheless, inventory is scarce and falling.

At a time when rising prices should be inducing inventory, exactly the opposite is happening. That has been the biggest story in the last six months and it will continue to be a story for the rest of the year. Inventory of low and middle-tier homes fell 8.9% and 9.7% respectively, compared to a year earlier. Top-tier inventory fell 0.5%.

Here is a glimpse how the rest of the year could play out:

Mortgage rates could reach all-time lows. Fitch Ratings expects U.S. mortgage rates to reach all time lows following the United Kingdom's vote to leave the European Union. This is because Brexit pushed the Treasury rates that serve as a benchmark for mortgage rates to new lows. The 30 year fixed-rate hit a record low of 3.31% in 2012 and is currently about 3.5%. Low rates could spur demand for homes, as well as a spat of current loan refinancing.

New construction remains slow. Recent groundbreakings stood at an annual rate of 1.1 million, below the 1.5 million needed to get back in line with demand. Adding to the pain, most of the homes that have been built in recent years have been for the luxury consumer, rather than lower price starter homes that are in such high demand.

Housing demand is still strong. Home values are currently appreciating an annual rate of 5%, well above the historical average of around 3% to 3.5% and a pick up from a year ago. The strength is from low inventory, low mortgage rates and a strong labor market.

Plus buying remains more attractive than renting. The current breakeven point for home ownership - the time you would have to live in a house before buying would be financially advantageous over renting - is 2 years. Interest rates would need to rise significantly for that dynamic to change.

If you are in the market to buy a home, be ready to move fast. Days on market is at the shortest time it has been in years and with no clear supply bump on the horizon this trend is likely to continue. Be prepared to pay asking or very close to it.

If you know of anyone looking to buy or sell Real Estate, referrals are always valued and considered the highest form of compliment.

Thanks again,

Chris

JUST LISTED



9258 Thoroughbred Way \$319,950

Elk Grove 4 Bed / 3 Bath 1843 sq. ft.

SALE PENDING



4705 37th Ave. \$199,950

Sacramento 3 Bed/1 Bath 951 Sq. Ft.

JUST SOLD



9011 Quail Cove \$850,000

Elk Grove 6 Bed/ 4 Bath 4977 Sq. Ft.

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