



Inventory is rising, home prices could flatten in 2019

But don't expect homes to get cheaper anytime soon with demand remaining high



BY [PATRICK KEARNS](#)

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Following years of steady appreciation, home prices could begin to flatten nationally in 2019, real estate economists told Inman.

Regionally, however, it's a different story.

"Price growth is slowing, but homes are still selling for more than they were a year ago," Redfin Chief Economist [Darryl Fairweather](#) told Inman. "With low unemployment and an overall strong economy, we don't expect prices to fall in 2019. There just aren't enough new homes being built or new listings to cause prices to drop below 2018 levels."

A [recent study](#) by the National Association of Realtors (NAR) found that existing-home sales had fallen to a nearly three-year low following six straight months of falling or flat sales. In the same report, the median home value had risen to \$258,100, which was up 4.2 percent year-over-year.

Inventory is starting to slowly rise as well. According to NAR's most recent existing home sales report, inventory was up to 4.4 months of supply in September, slightly above the 4.2 months of supply reported in September 2017.



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Year	Month	Months Supply
2017	August	3.9
	September	4.0
	October	3.8
	November	3.6
	December	3.7
2018	January	3.8
	February	3.7
	March	3.7
	April	3.8
	May	3.9
	June	4.0
	July	4.0
	August r	4.0
	September p	4.2

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Housing inventory, according to NAR.



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Windermere Real Estate Chief Economist Matthew Gardner said the lack of homes for sale in many markets has pushed prices to unsustainable levels, but that’s changing as more inventory hits the market, with sellers fearing that [rising rates](#) could slow demand.

“Across many parts of the country, we’re seeing a jump in the number of new listings as sellers attempt to time the market, fearing that rising interest rates will cause home prices to adjust down,” Gardner said.

A characteristic of the current market is that more homes are seeing price reductions as they hit the market, according to Gardner. Many homesellers have come to market with unrealistic expectations, which has led to a 15 percent increase in price reductions nationally, he said.

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“These price reductions are putting downward pressure on home prices at the moment but, as sellers’ expectations become more realistic, home prices should begin rising again, but at significantly slower rates as we move steadily back toward a more balanced market,” Gardner added.

Lending Tree Chief Economist Tendayi Kapfidze said he also expects a gradual deceleration in home-price gains, but the chance of national price declines is quite slim.

“The broader economic environment is still supportive for house prices with firm demand because of a strong labor market and still limited supply, although this is now improving,” Kapfidze said. “There are likely to be localized declines in home prices in areas where affordability is weakest and valuations have gotten the most stretched.”

Ruben Gonzalez, the chief economist at [Keller Williams](#), believes prices will increase again next year, but at a slower rate — around 4 percent.

“I don’t think we’re gonna see declines in the near future,” Gonzalez said. “Typically, when we’ve seen price declines, in the last three decades or so, usually we see inventory levels well above six months, usually in the eight- to nine-month range. We’ve got quite a ways to go in terms of inventory shifting before we start to see declines in home prices.”

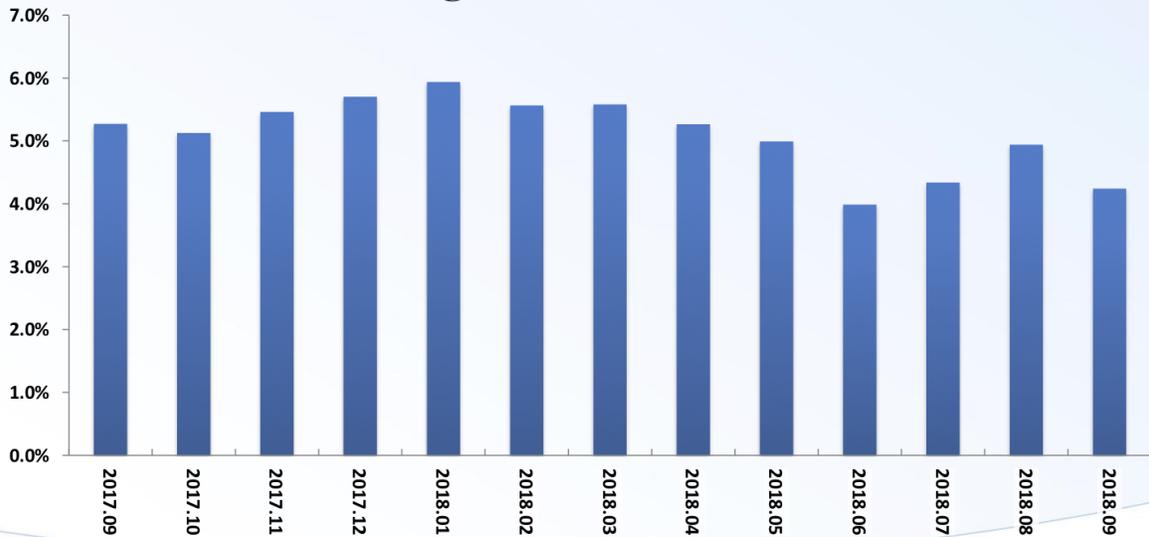
The year-over-year increase in the median price of existing homes continues to rise, but as the year progresses, the total percentage increase is slowing. The median existing home price was up 4.2 percent year-over-year in September, the third time in three months the year-over-year increase was under 5 percent. Earlier in the year and late last year, the year-over-year increase was routinely more than 5 percent, even nearing 6 percent.



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Existing Home Sales Median Price, Percent Change Year-Over-Year



Credit: NAR

The most recent data from the Federal Housing Authority found that home prices in August rose more than 6 percent, year-over-year, but only jumped 0.4 percent month-to-month and actually decreased by 0.7 percent in the Mid-Atlantic, month-over-month.

Danielle Hale, the chief economist at [realtor.com](https://www.realtor.com), thinks the market still has awhile to go before an unhealthy level of affordability pushes prices down.

“There is still some room for both home prices and mortgage rates to increase before we get to a level of unaffordability that has historically been cause for concern,” Hale said. “Aging millennials forming households will provide a strong boost to housing demand that should keep prices from slipping in the near future.”

“One potential caveat to this analysis is that higher levels of debt could prevent this millennial generation from buying homes at levels of affordability that were comfortable for previous generations,” Hale added. “If higher debt loads are an obstacle, the market may see demand (and housing prices) drop off before home prices rise another 10 percent and mortgage rates rise to 5.5 percent.”

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Chavi Holm, the team leader of Team Diva at Coldwell Banker Bain, said prices have actually already started to drop in Seattle, and next spring, the market will be flooded with new inventory in the condo and luxury market. Holm offered some advice for agents on the changing market.

“Many of the buyer’s agents are new to real estate and lack the follow-up skill set to encourage buyers back into the market to scoop up the deals,” Holm said. “Those with good follow skills will win in this market.”

James Clifford, a managing broker with Washington Realty Group in Sumner, Washington, said pricing will really vary depending on the regional market.

“Our area continues to have employment growth and population growth,” Clifford said. “As long as we have both of those prices will not go down. Locations with diminishing population and stagnate job numbers will most likely be price sensitive.”

Last month, a Redfin agent in Portland said she believed the market had hit its peak, in a news release about price appreciation [slowing](#) around the country.

“I don’t have a crystal ball, but I wouldn’t count on your home appreciating and being worth more in the spring than it is now,” Rebecca Walter, a Redfin agent said. “The [Federal Reserve] has indicated they will make one more rate hike in December, which would impact buyers’ purchasing power. We have this window before the market slows for the holidays, so the sooner the better if you’re planning to sell.”

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