Despite Slumping Sales, The National Real Estate Market Primed for Strong Growth in 2016

Despite existing-home sales dropping big in November, the biggest since 2013, the National Real Estate Market is primed for strong growth in 2016. *Here's why.*

Warmer and sunnier days in many parts of the country caused an increase in single-family and multifamily home construction. Also, the population of millennial homebuyers is expected to grow in 2016, and since mortgage lenders are beginning to loosen their credit standards, they will be more likely to get approved for loans. More homes and more eligible buyers means increased demand, which means a stronger housing market.

Many signs point to a stronger economy as well: unemployment is steadily decreasing, inflation has stayed level, and incomes are beginning to grow.

SELLERS STILL HAVE THE UPPER HAND

There's another reason not to be concerned about the decline in existing-home sales. Lawrence Yun, the chief economist at the National Association of Realtors believes slow existing-home sales in November resulted in a possible increase in closing timeframes that moved some transactions into December.

Properties stayed on the market for 54 days in November, which is down 31 percent from October. So, despite the slump in sales for November, homes still sold fast. And although the 5.1 month supply of homes is up from 4.8 months in October, it's still a seller's market (a 6-month supply of homes is considered a balanced market). In fact, at this pace, the housing inventory could be sold by the time the Masters golf tournament rolls around.

HOMEBUYERS IN A HOME SELLER'S MARKET

First-time homebuyers had only a 30 percent share in demand. However, this should improve in 2016. NAR's inaugural quarterly Housing Opportunities and Market Experience survey reported that a large majority of millennials between 25 and 34 years of age who rent want to own a home in the future.

Currently, affordability is a major factor preventing millennials from buying a home. However, Fannie Mae's fourth quarter 2015 Mortgage Lender Sentiment Survey™ shows that lenders expect to ease mortgage credit standards for GSE-eligible loans and government loans over the next three months. Therefore, in 2016, the first-time homebuyer will have mortgage credit options that were not available during the housing bust.

HOMEOWNERS AND REFINANCING

It appears you savvy homeowners anticipated the Federal Reserve's increase in interest rates: The Mortgage Bankers Association weekly survey shows that the Refinance Index increased 11 percent. But for those of you who haven't grabbed at the chance for a refi yet, never fear. Fannie Mae reports the refinancing applications increased 1.4 percent because the survey's 30-year fixed mortgage remained constant at 4.14 percent. This means that homeowners can lock into a low fixed rate before the Fed raises mortgage rates later in 2016.

We wish you a happy and prosperous 2016. Whether you're a homebuyer or home seller, we can help you reach all your real estate goals in 2016. For assistance buying or selling your home, contact us today.

Karen Cannon
Karen Cannon Realtors
770.352.9658
kc@KarenCannon.com