

THE MORTGAGE REPORTS

Housing Market Forecast : Experts Weigh In On 2017 Real Estate

Low Mortgage Rates, High Demand Fueled 2016
Housing Market

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The year 2016 proved to be a hot one for real estate.

[Home values](#), prices and sales showed some of their strongest numbers since before the economic downturn a few years ago.

And mortgage rates were downright cheap.

But there's no guarantee favorable conditions for buying and borrowing will continue in the months ahead.

Consequently, it's fair to ask the question: Will housing prices keep climbing into 2017?

Industry experts weigh in. Though no one can tell the future, their housing market forecast can help [first-time home buyers](#) make better decisions this year and next.

Should you buy now, or wait? Here is advice from leading experts.
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Home Prices Near Pre-Recession Peak

First, a closer look at the current climate on housing prices nationally. Home prices continue to post steady year-over-year gains and are nearly back to pre-recession highs, based on 90.6 million U.S. single-family homes and condos tracked by real estate data firm ATTOM Data Solutions.

In July, for example, the national median home price for single-family homes and condos collectively was \$226,500 – an increase of 7% from a year earlier and the 53rd consecutive month with a year-over-year increase.

This is within a half percent of the pre-recession peak price observed in July 2005, says Daren Blomquist, senior vice president for ATTOM Data Solutions.

But looking closer at market indicators reveals further truths.

“The strong national sales price numbers mask a shift in the market where we are seeing home price appreciation weaken in some previously high-flying and high-priced markets while continuing to strengthen in some of the secondary markets,” says Blomquist.

Case in point: In July, home price appreciation in San Jose and San Francisco was each 5%, the former down from 16% a year earlier. San Francisco was down from a high of a 32% rate of appreciation in July 2013.

Secondary markets like [Portland, Denver and Seattle](#), meanwhile, all experienced appreciation increases in 2016 versus one year ago. Nela Richardson, chief economist for Redfin, agrees that bullish real estate sales prices are decelerating.

“After several years of steady and steep price growth, we are seeing indications that price growth is slowing and the market is normalizing,” says Richardson. “Redfin housing market data indicate that home prices in August rose just 4.4% compared to 2015 -- the slowest pace of the year.”

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Prediction: Housing Market To Normalize

Based on these indicators, Richardson expects 2017 will bring a more normalized housing market -- one that still boasts a healthy number of sales but a moderate rate of price growth.

“According to a recent survey of Redfin agents, 54% predict prices

will rise somewhat next year and 36% predict prices will level off,” says Richardson.

Ask Rick Sharga, executive vice president of Ten-X (previously Auction.com), and he'll tell you that home price appreciation is likely to slow down next year, “although we're still likely to see at least a 3 to 4% year-over-year increase,” he says.

“In 2017, we're also projecting another modest increase in total home sales,” Sharga continues. “However, three headwinds continue to challenge the housing market's recovery -- tight credit, [limited inventory](#), and rising prices, which are beginning to create some affordability problems in certain markets.”

Home Appreciation Might Slow, But Not Stop

Blomquist anticipates home appreciation to slow nationally to approximately 5% in six months and to 3.5% in 12 months.

“Based on bellwether markets across the country, where sales volume has been decreasing often for several months, I would expect sales volume nationally also to slow down in 2017,” says Blomquist.

“That slowdown could be accelerated by rising [mortgage rates](#),” he says, “but even without rising interest rates I think enough markets are now hitting affordability and inventory constraints that demand will slow down. And as demand slows, inventory will gradually increase in 2017.”

Many parts of the country could see a small dip in property values over the next six to 12 months, predicts Brian Guth, regional vice president/branch manager for CrossCountry Mortgage, Inc.

“But real estate, for most people, should still be thought of as a long-term hold with a great tax write-off, forced savings plan, and long-term appreciation,” Guth says. “My home has doubled in value since I purchased it in 2002, even though it was hit very hard in 2009.”

Colby Sambrotto, president of USRealty.com, expects home sale prices to gradually increase in 2017 as more moderately priced homes ease into the market.

“There's a lot of demand right now for moderately priced houses that appeal to both first-time buyers and baby boomers who want to be in a right-sized house for aging in place. Across the country, most markets don't have enough houses at or just below the median price in that market,” says Sambrotto.

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Rising Rent Could Be Your Deciding Factor in 2017

Considering these housing market forecasts, many professionals say it's wise for prospective home buyers to think about purchasing relatively soon.

Mortgage interest rates remain low and housing prices are rising. "I think it's still a great idea for first-time buyers to purchase now, because most are paying high rents and need the tax write-offs that come with owning a home," says Guth.

Richardson agrees that rental affordability is one of the biggest factors driving first-timers into the market.

"With rates at historic lows, buyers may be able to find a home with a monthly mortgage payment that is less than or equal to rent," she says.

Richardson adds, "The conditions that challenged first-time and millennial homebuyers this spring are starting to ease. There are fewer bidding wars and less of a need to escalate significantly above the list price to get an offer accepted. And the pace of the market is also slowing, which helps buyers since they can now afford to be more patient."

Should Buyers Put Off Their Purchase?

Blomquist says purchasing sooner versus later can be smart -- so long as you view the home as a long-term investment.

"It's probably not the best time if you are counting on your home value going up by another 20 or 30% in the next three years," says Blomquist.

He also offers a [mortgage rate forecast](#): "The rock-bottom interest rates make it a good time to be a borrower, but I don't expect interest rates to rise dramatically in 2017."

Sharga warns that trying to time the housing market can be as frustrating as trying to time the stock market.

"For first-time buyers seeking a place to live and possibly raise a family, it's smart to have a long-term view on a home purchase," says Sharga. "In many markets, prices are still below peak pricing from the boom years, so there are many markets across the country with excellent affordability."

Additionally, waiting for the next real estate crash and prices to go lower really isn't a good strategy -- "it's much more likely that home prices will continue to go up over time and that interest rates will ultimately rise," Sharga adds.

What Are Today's Mortgage Rates?

If you are still on the sidelines of the housing market, today's mortgage rates make it a good time to finally enter. Rates are low, which has maintained home affordability despite rising prices. Check your home buying eligibility. There's no obligation to continue once you determine your qualification status.

[Show Me Today's Rates \(Oct 12th, 2016\)](#)