



**METRO-WEST**  
APPRAISAL CO., LLC

**FEBRUARY 2018**



# **THE MARKET'S EDGE**

**INSIGHTS AND PREDICTIONS FOR THE REAL ESTATE INDUSTRY**

[www.metrowestappr.com](http://www.metrowestappr.com)



# Home purchases

2017 was the best year for home sales in more than a decade.

## Looking back to 2016

At the beginning of 2016 we began to see fewer homes on the market, resulting in higher selling prices due to increased demand. While much of the same was observed in 2017, it was still the best year for home sales in more than a decade. Now with 2018 underway, we're predicting an 8% increase over the previous year in home sales. January home sales have started the year out on a high note, with an 8% increase in applications compared to the same period in 2017. While the demand for houses is still

driving up prices, inventory remains low. January 2018 officially marked 31 straight months of declining inventory.

**Based on the given patterns and statistics, we predict that 2018 will see \$1.3 trillion in purchase originations.**

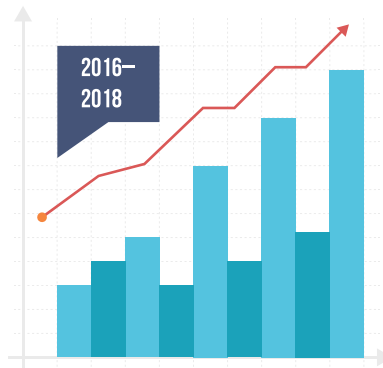


**\$1.3  
trillion**

## Home values



70 straight months\* of price gains  
\*Year over year



A steady increase in home values  
as the market tightens in 2018

**Our Prediction:**  
4% median gain  
in home prices

Interest rates are currently at 4.12%\* for a 30-year fixed mortgage—the highest they've been since 2013.

## Total mortgage originations

Home values will continue to increase this year, but so will interest rates. Interest rates are currently at 4.12%\* for a 30-year fixed mortgage—the highest they've been since 2013. Historically speaking, however, this is still a much better rate than the 18.5% homebuyers were paying in the early '80s, for example.

Consequently, affordability is still an issue; but we predict that housing starts will be better than expected due to good overall economic conditions.

\*At the time of publication

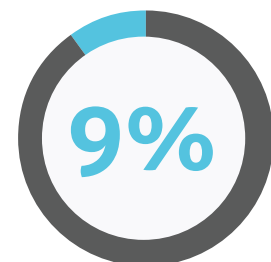
## Housing starts

**-8.2%**

Modest new construction gains in 2017 did not keep pace with demand. This is particularly true of December, as its percentage drop of 8.2 was the largest since November 2016.



The homebuilding decline in December 2017, during a time of high housing demand, is likely temporary.



**Our Prediction:** Homebuilders will surprise us, and housing starts will exceed 950,000 units this year—a 9% gain over last year.