

Single-Family Housing Supply Falls to Record Low, Tight Market Strengthens Apartment Demand

Developing Trends

- **The available existing** single-family homes for sale reduced to just 3.6 months of supply in December based on the current sales pace, an all-time low. With steady demand for homes and inventory tightening dramatically during the year, existing single-family home prices edged up 3.8 percent from 2015 to \$238,520 in December.
- **A competitive buying market** has kept many potential first-time home buyers on the sidelines. In December, first-time buyers accounted for 32 percent of sales, remaining flat from year-end 2015 and falling well below the long-term average of 40 percent.
- **Single-family home construction** remains limited, but multifamily builders are set to deliver a record number of apartments this year. After completing 284,000 units in 2016, new units will total 371,000. Though households continue to favor rentals over home ownership, 2017 vacancy will tick up 20 basis points to 4.1 percent as new supply is absorbed, remaining at a historically low level.

Wage growth and rising household formation are generating healthy demand for housing. The for-sale market is stuck in neutral, however, as tight supply, rising mortgage rates and upward pressure on existing home prices have muted growth. Limited for-sale inventory and lifestyle changes favoring renting are keeping many would-be owners in rental housing. This supported apartment vacancy falling 20 basis points in 2016 to 3.9 percent.

An increase in new home construction would help alleviate some pressure, but rising construction costs are keeping housing starts at bay, ending the year up 4 percent from 2015. The median price of new homes sold during December increased to \$318,850, due to an increased proportion of sales of homes being above \$300,000. This suggests that construction of entry-level homes is not occurring at a pace needed to jumpstart the housing market.



\$238,520 Median Price of Existing Single-Family Home in December 2016

3.6 Months of supply at current sales pace in December 2016

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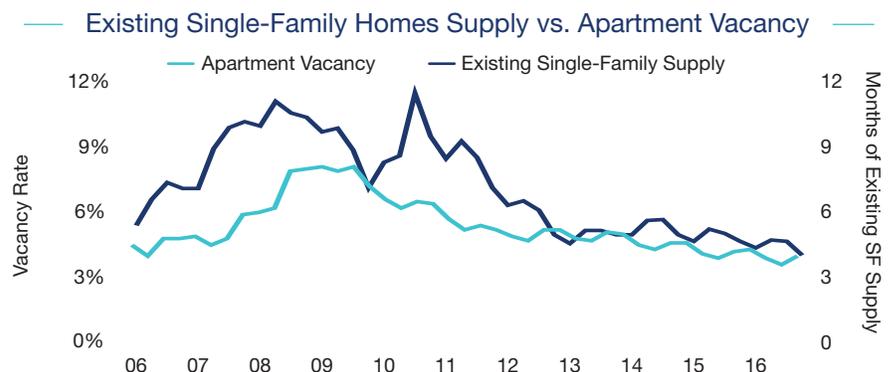
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