

Developing Trends

- **The annual uptick in existing-home sales** was driven by trading among higher-end homes as the inventory of affordable listings remained tight. The slowdown in sales of lower-cost properties presents challenges to first-time homebuyers, channeling many to new builds. Though developers face cost issues in building entry-level housing, new product is quickly sold.
- **Current demographics indicate** that the U.S. should be producing between 1.2 million and 1.3 million households per year. However, a tight residential market and a lagging pace of single-family development have resulted in a housing shortage. Though apartment deliveries will reach peak levels in 2017, a national housing deficit persists, restraining household formation. If single-family construction can rebound and stimulate the formation of these pent-up households, positive effects across an array of industries would ripple throughout the economy.
- **U.S. apartment vacancy reached** 4.6 percent in the first quarter as tremendous housing demand kept absorption in alignment with increased construction.

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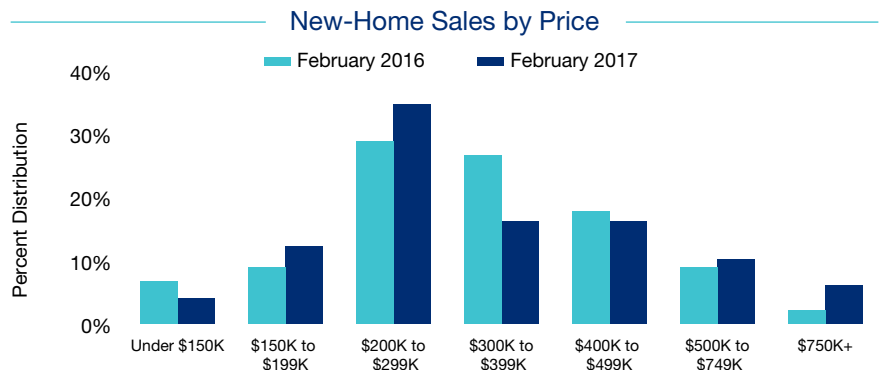


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New-Home Sales Building Momentum As Entry-Level Buyers Re-engage in Homebuying

Wage growth, rising consumer confidence and a pickup in entry-level buying contributed to a 12.8 percent annual gain in new-home sales in February. Purchases of lower-priced properties drove the overall increase, signaling the gradual return of first-time homebuyers. Demand exists for affordable product; however, increasingly high labor and land costs make entry-level home development difficult to pencil out in many major metros.

Healthy housing demand coupled with limited for-sale inventory drove the median sales price of existing homes up by 7.7 percent over the last year through February, the strongest gain in 13 months. Aggressive price appreciation and a shortage of affordable listings have restrained sales activity. Rising prices will act as a barrier to homeownership, keeping many households in rentals and sustaining underlying apartment demand.



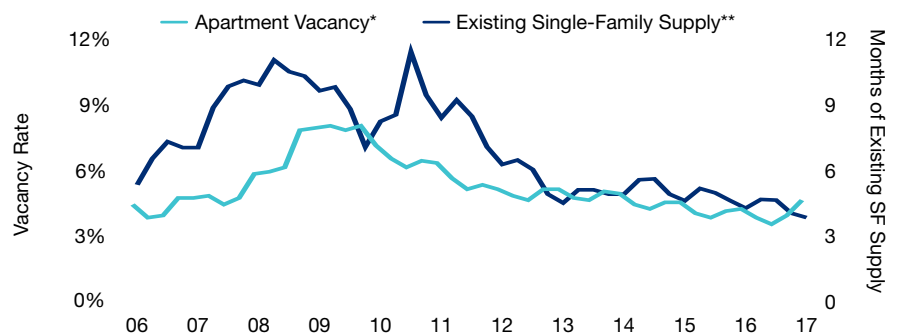
\$229,900

Median price of existing single-family home in February 2017

3.8

Months of supply at current sales pace in February 2017

Existing Single-Family Months of Supply vs. Apartment Vacancy



* Through 1Q17 ** Through February 2017

Sources: Marcus & Millichap Research Services; U.S. Census Bureau; MPF Research; National Association of Realtors; National Association of Home Builders