

Developing Trends

- First-time homebuyers accounted for 29 percent of sales in February**, down from 31 percent one year earlier. Rising interest rates could put additional strain on home sales this year. Limited for-sale inventory, especially in the entry-level home segment, will keep many would-be homebuyers on the sidelines.
- During February, new home sales reached the highest level since April 2009**, with more than half of all sales occurring in Southern states. Nationally, the median price of a new home increased nearly 10 percent to more than \$330,000 as sales remained concentrated in homes priced above \$300,000. A labor shortage as well as high land and materials costs continue to drive the building of larger, luxury homes.
- Apartment vacancy remained unchanged during 2017** despite deliveries reaching a 25-year peak as nearly 365,000 units came online. Demand will stay strong again this year, keeping the rate below the long-term average of 5.7 percent.

Home Price Appreciation Widens Affordability Gap, Sustains Strong Apartment Housing Demand

Robust housing demand spurred by steady employment gains and wage growth ticked up the homeownership rate by 60 basis points to 64.3 percent at the end of 2017. The increase was driven by a 220-basis-point advance in the homeownership rate for those under age 35 to 36.4 percent. Though it is encouraging that this age group is actively purchasing homes, this segment remains below its pre-recession rate of 40 percent, indicating there is still room for improvement.

levels, overall home prices are accelerating at a subdued pace as buyers remain on the sidelines by not providing offers on marketed homes. Housing needs are then directed to apartments. Last year, more than 340,000 units were absorbed, the highest level since 2000.

For-sale inventory has risen since the end of last year, but with approximately 1.6 million housing units listed, the number of homes available for sale in February remained nearly 1 million units below the long-term average. As a result, monthly home sales will struggle to gain traction in the near term following two years of little to no transactional growth. Despite tight inventory

In select metros, home prices have appreciated more than 50 percent since the prior peak, with household income growth failing to keep pace. This has driven a wedge in affordability in markets such as Denver, Portland, San Jose and Texas' four major metros. Of the 335,000 apartments slated for completion this year, more than 80,000 units are in these markets. With monthly rents averaging \$800 less than the mortgage payment on a median-priced home in these metros, renter demand remains healthy through 2018.

\$243,400 Median price of existing single-family home in February 2018

3.4 Months of supply at current sales pace in February 2018

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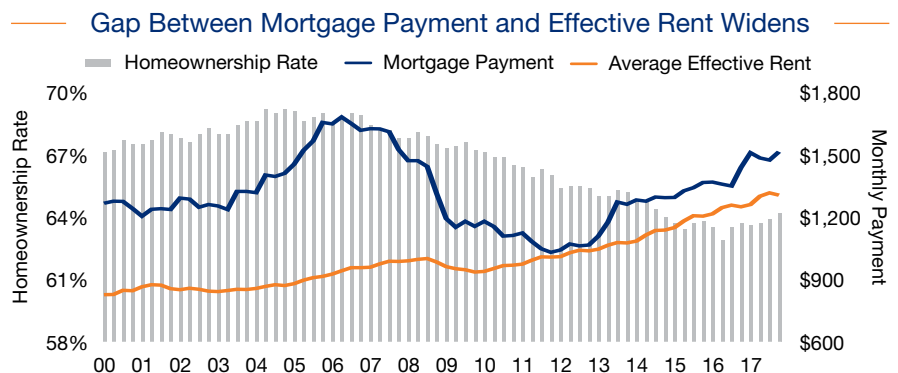
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