



2020 Outlook: Real Estate Market Forecast

We're in the midst of the longest economic expansion in U.S. history, and a recent survey found that experts believe the economy will remain positive throughout 2020.¹ Still, given that recessions are a natural (and necessary) part of a business cycle, we know this period of growth will eventually end.

Many Americans assume a recession would lead to a decline in home values. But ATTOM Data Solutions analyzed real estate prices during the last five recessions and found that, in the majority of cases, home prices actually went up. Only twice (in 1990 and 2008) did prices decline, and in 1990 it was by less than one percent.²

So what can historical precedent—combined with today's data—tell us about the future of real estate? Here's where experts predict the housing market is headed in 2020 and beyond.

HOME PRICES WILL KEEP RISING

Economists predict U.S. housing prices will continue to rise, regardless of a recession. In fact, CoreLogic forecasts a faster rate of growth for home prices in 2020 than we saw in 2019, with the biggest gains at the lower end of the market.³ “Low interest rates and a shortage of starter homes will continue to push up prices,” explains Arch MI Chief Economist Ralph DeFranco. “This is especially the case for lower price points, since builders have tended to focus on more expensive, higher-profit houses and less on replenishing low inventories of entry-level homes.”⁴

What does it mean for you? If you have the ability and desire to buy a home now, don't let a fear of recession or falling prices hold you in limbo. Economists expect home values, as well as rent prices, to continue rising. So you'll likely pay more the longer you wait.

INVENTORY CONSTRAINTS WILL CONTINUE

Americans are moving less often. In 2019, the average homeowner had resided in their home for 13 years, up from just eight years in 2010. That means there are fewer homes on the market for those who want to buy.⁵ It's possible that an increase in new construction could offer some relief. This year, the National Association of Realtors expects single-family housing starts to reach their highest level since 2007.⁶ However, it probably won't be enough to meet current demand. “In 2020, we expect inventory to struggle to grow and could instead reach a historic low level,” writes Realtor.com Senior Economist George Ratiu.⁷

What does it mean for you? If you're planning to buy a starter home, start your search early, and be prepared to compete for the best listings. We can help you assess your options, including those in new construction.

MORTGAGE RATES ARE EXPECTED TO REMAIN LOW

Low mortgage rates make homeownership more affordable. Fortunately, the Mortgage Bankers Association expects rates to remain low, at around 3.7%, through mid-2021.⁸ However, some experts caution that unforeseen factors could cause rates to rise unexpectedly. “We recommend borrowers with long-term plans of staying in their homes to lock in a low rate now because there's no telling how long these low rates will last,” warns Preetam Purohit, a capital markets trader at Embrace Home Loans.⁹

What does it mean for you? If you're looking to buy a home, act soon to lock in a historically low mortgage rate. It will minimize your monthly payment and could save you a bundle over the long term. And if you plan to stay in your current home for a while, consider whether it makes sense to refinance your mortgage at today's lower rates.

MILLENNIALS WILL DRIVE THE MARKET

Millennials are expected to account for more than half of all mortgages in 2020. In past years they flocked to city centers, but high prices and lack of space are driving them out to the suburbs as they begin to marry and have children. In response, a new model for suburban living has emerged. “Hipsturbias,” or mixed-use communities that bring the live/work/play concept to the suburbs, were recently named one of the top real estate trends for 2020 by the Urban Land Institute.⁴

What does it mean for you? If you're a millennial looking for more space and better schools, we can help you identify the best local communities to meet your needs. And if you're a homeowner with plans to sell, give us a call. We know how to market your home to millennial buyers.

Sources: 1. NBC News 2. Curbed 3. HousingWire 4. Forbes
5. Redfin 6. HousingWire 7. Realtor.com
8. MBA Mortgage Market Forecast November 2019
9. Dallas Morning News

WE'RE HERE TO GUIDE YOU

While national real estate predictions can provide a “big picture” outlook, real estate is local. If you're considering buying or selling a home, contact us to schedule a free consultation. We can guide you through the issues most likely to impact sales in our area, and we can help develop a plan to meet your real estate goals this year.

Donald G McGrath, Realtor
Equity Real Estate Pacific Coast
DRE#02051923 DRE#01932488
Phone: 858-207-3898
Email: donmcgrath@equity-usa.com

