

2018 Housing Market Forecast

C.A.R. releases its 2018 California Housing Market Forecast

Home sales and median price to increase in 2018 but at a slower pace

LOS ANGELES (Oct. 12) – With the economy expected to continue growing, housing demand should remain strong and incrementally boost California’s housing market in 2018, though a shortage of available homes for sale and affordability constraints will be a challenge, according to the “2018 California Housing Market Forecast,” released today by the **CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.)**.

The C.A.R. forecast sees a modest gain in existing single-family home sales of 1.0 percent next year to reach 426,200 units, up slightly from the projected 2017 sales figure of 421,900. The 2017 figure is 1.3 percent higher compared with the 416,700 pace of homes sold in 2016.

“Solid job growth and favorable interest rates will drive a strong demand for housing next year,” said C.A.R. President Geoff McIntosh. “However, a persistent shortage of homes for sale and increasing home prices will dictate the market as housing affordability diminishes for buyers struggling to get into the market.”

C.A.R.’s forecast projects growth in the U.S. Gross Domestic Product of 2.3 percent in 2018, after a projected gain of 2.1 percent in 2017. With California’s nonfarm job growth at 1.2 percent, down from a projected 1.6 percent in 2017, the state’s unemployment rate will dip to 4.6 percent in 2018 compared with 4.8 percent in 2017 and 5.5 percent in 2016.

The average for 30-year, fixed mortgage interest rates will increase slightly to 4.3 percent in 2018, up from 4.0 percent in 2017 and 3.6 percent in 2016, but will still remain low by historical standards.

The California median home price is forecast to increase 4.2 percent to \$561,000 in 2018, following a projected 7.2 percent increase in 2017 to \$538,500.

“This year’s housing market can be told as a tale of two markets – the inventory constrained lower end and the upper end that’s non-inventory constrained,” said C.A.R. Senior Vice President and Chief Economist Leslie Appleton-Young. “This trend is likely to continue into 2018 as active listings have declined across all price ranges for the past two years, but is most obvious at the lower end.”

“With tight inventory being the new ‘norm’ for the past few years and at least the upcoming year, we’ll continue to see fierce competition driving up prices, leading to lower affordability and weaker sales growth.”

2018 CALIFORNIA HOUSING FORECAST

	2012	2013	2014	2015	2016	2017 ^p	2018 ^f
SFH Resales (000s)	439.8	414.9	382.7	409.4	416.7	421.9	426.2
% Change	4.1%	-5.9%	-7.8%	7.0%	1.8%	1.3%	1.0%
Median Price (\$000s)	\$319.3	\$407.2	\$446.9	\$476.3	\$502.3	\$538.5	\$561.0
% Change	11.6%	27.5%	9.8%	6.6%	5.4%	7.2%	4.2%
Housing Affordability Index	51%	36%	30%	31%	31%	29%	26%
30-Yr FRM	3.7%	4.0%	4.2%	3.9%	3.6%	4.0%	4.3%

p = projected

f = forecast

