

REAL ESTATE NEWS

# Home Sales Expected to Soar Through 2018: What Buyers Need to Know

By Clare Trapasso | May 18, 2017



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By now just about every would-be buyer out there knows there simply aren't enough homes for sale these days to appease the hordes of competition. But despite the shortages, rising prices, and bidding wars, more homes are expected to be sold this year than in more than a decade.

In 2017, the number of sales of existing homes (which have previously been lived in) is expected to rise about 3.5%, to 5.64 million, according to the midyear forecast from the National Association of Realtors®. The group predicts that existing-home purchases will rise an additional 2.8% in 2018, to 5.8 million.

"The combination of the stock market being at record highs, 16 million new jobs created since 2010, pent-up household formation, and rising consumer confidence are giving more households the assurance and ability to purchase a home," NAR Chief Economist **Lawrence Yun** said in a statement. "However, prices are still rising too fast in many areas and are outpacing incomes."

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Sales of brand-new homes, which builders can't seem to put up fast enough, are expected to jump 10.7%, from 560,000 in 2016 to 620,000 this year, according to NAR. They're expected to rise an additional 8% in 2018, to 670,000 sales.

New homes are typically more expensive than existing homes, as builders must contend with shortages of land and labor, plus rising costs of materials and difficulty obtaining financing.

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The price tags of all homes are expected to keep rising. NAR predicts prices will jump 5% in 2017 and an additional 3.5% in 2018.

"As a result, buyers are compromising on the number of rooms, length of a commute, or other home qualities," says Senior Economist **Joseph Kirchner** of realtor.com®. "Meanwhile, builders are mostly building for the mid- to upper-price range. This mismatch in supply and demand is making affordability more acute for those with modest incomes."

In some white-hot markets along the coasts, prices are rising by double digits because of the dearth of homes. That's led many current homeowners who might be interested in trading up to a larger, nicer home in their area to hold off—because those homes are simply out of their price range.

Bidding wars have gotten so bad in Seattle that buyers are driving up prices 30% over asking in some cases, says local real estate broker **Chris Bajuk**, of HomeSmart Real Estate Associates. (Seattle prices were up 12.2% year over year in February, according to the latest S&P CoreLogic Case-Schiller report.)

"It is crazy," Bajuk says. "There's strong demand and lack of supply."

Buyers are coping by putting ever-higher percentages of their incomes toward homeownership—even when it means eating at home every night and doing without new clothes or annual beach vacations. Sometimes they're spending half of their take-home pay on housing, he says.

Others are purchasing homes farther from the city center where they work, settling for smaller homes or even purchasing residences in need of some work.

"They may need to spend more of their disposable income," Bajuk says. "Or they may need to lower their expectations on what kind of home they get."

*Clare Trapasso is the senior news editor of realtor.com and an adjunct journalism professor. She previously wrote for a Financial Times publication and the New York Daily News. Contact her at [clare.trapasso@move.com](mailto:clare.trapasso@move.com). [Follow @claretrap](#)*



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