

# Inventory has Continued to Tighten for the Beginning of 2015 !!!!!!!!!!!!!!!!!!!!!!!

Hi Guys and Gals, below is an article from CNBC NEWS !!!

## Inventory Levels Have Tightened in January

!!!!!!!!!!!!!! If You Know Anyone Interested in Selling, Buying or Just may have Questions about Real Estate Please let Me Know? Thanks,

## Low inventory may take bloom off spring home sales

Source: CNBC News

Home prices are beginning to grow at a faster pace again, which is not good for the spring market.

Sticker shock was behind weak sales in 2014, but as price gains began to ease, buyers came back. Now prices are heating up again due to severely weak supply.

There were nearly 9 percent fewer homes for sale in January of this year than there were a year ago, according to Realtor.com.

"January's inventory data suggest a continuation of the tightening trend we identified last month in the December data, and with a shortage of inventory typically comes increased home prices," said Jonathan Smoke, chief economist at Realtor.com. "Half of the 200 markets Realtor.com tracks experienced year-over-year price increases of at least 6 percent in January."



Daniel Acker | Bloomberg | Getty Images

Higher prices, coupled with weak supply, caused an unexpectedly large drop in January home sales, down nearly 5 percent from January of 2014, according to the National Association of Realtors.

"This is a notable speed bump," said NAR's chief economist, Lawrence Yun, who deemed the phenomenon, "puzzling," given a stronger economy and rising rents.

There is strong demand, but it is hitting a roadblock in supply. Listings are down significantly in parts of California and in formerly strong markets like Las Vegas and Denver, according to Realtor.com. Texas is also seeing a very tight market as well as Chicago and Boston.

According to running surveys by Realtor.com, potential buyers are saying they can't find a home that meets their needs and/or budget. Usually inventory drags are more localized, but today's market is behaving more nationally than in the past.

"Typically for a home seller in the past, they live in their home for seven years and then make a move," said Yun. "Now we're seeing home sellers are living in their home for 10 years."

Yun blames what he calls a "lock-in" effect—that homeowners today have such good mortgage rates that they don't want to lose that rate by moving. Others disagree.

"I think of the lock-in effect as mattering if rates are rising from low levels, so that the rate someone would get on their next home would be higher than the rate they've had on the home they're selling," said Jed Kolko, chief economist at Trulia. "However, rates didn't start their recent rise until February, and these inventory and sales data are for January."

More likely, people aren't selling because they can't afford a move up, or because they still owe more on their current mortgages than their homes are worth. Somewhere between 7 million and 10 million borrowers are underwater, and millions more don't have enough equity in their homes to afford to sell and move up.

As for first-time buyers, their share dropped in January to just 28 percent of homebuyers; this after a slight improvement in their activity last fall. Rents continue to rise, and ironically keep renters from seeking what is often more affordable homeownership.

"Widespread and rapid growth in rents, combined with stagnant wages, are keeping many would-be buyers stuck in rental housing, writing ever-larger checks to their landlords instead of saving for a down payment. Today's renters are tomorrow's buyers, and the longer these would-be buyers stay on the sidelines, the longer full recovery will take," said Stan Humphries, chief economist at Zillow.

Bethesda, Maryland, real estate agent Jane Fairweather expects to see a strong spring.

think demand will be greater than supply again this year. Low inventory keeps prices propped up."

Now, as home prices begin rising ever more quickly, homeownership lurches further out of reach. New supply would certainly help, but even the builders are still operating at an anemic pace. Newly built homes come at a significant price premium to existing homes, and therefore sales have not been as robust for the builders.