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Redfin Report: Housing Inventory Crunch Finally Subsides as Supply Posts First Annual Gain in Nearly Three Years

September Home Sales Slump, Prices Post Smallest Increase Since the Market Bottomed in 2012

SEATTLE, Oct. 19, 2018 /PRNewswire/ -- (NASDAQ: RDFN) -- U.S. home-sale prices increased just 2.1 percent in September compared to a year ago, according to Redfin (www.redfin.com), the next-generation real estate brokerage. The median home-sale price was \$292,000 across the 171 metros tracked in the latest analysis from Redfin. September saw the smallest increase in home prices recorded since February 2012, when the median home price bottomed out at \$168,000.



"Rising mortgage rates, paired with already high home prices, are giving pause to homebuyers in expensive West Coast markets," said Redfin chief economist Daryl Fairweather. "Some of these places are finally seeing the number of homes for sale surge after years of a supply drought. But buyers who earlier this year would have put in a bid on any home in their target neighborhood are now being more choosy. With home prices growing slowly, buyers want to be absolutely sure that the home they buy is a home they will stay in for years to come."

Fairweather noted that last month's low level of price growth was driven by the fact that the most expensive markets, including Seattle, Los Angeles and San Jose, California, posted double-digit declines in sales. As a result, inland metros with relatively affordable homes, like Pittsburgh and Grand Rapids, Michigan, contributed a greater share of sales to the nationwide total than they did last year, putting downward pressure on the national median sale price. In fact, 136 out of the 171 metros Redfin tracks experienced price growth greater than the national median of 2.1 percent, and half of the metros Redfin tracks experienced price growth at or above 6 percent.

For the first time in nearly three years, the number of homes for sale increased year over year, albeit slightly, up 0.2 percent from last year. National inventory growth was led by surges in softening Coastal markets like San Jose (82.7%), Seattle (54.5%), San Diego (30.7%), and Boston (9.1%).

"The number of homes newly listed in September rose 3.6 percent year over year, but buyers seemed reluctant to make offers and purchase that new inventory, as September sales fell 4.8 percent year over year," said Daryl Fairweather, Redfin chief economist.

Market Summary	September 2018	Month-Over-Month	Year-Over-Year
Median sale price	\$291,700	-3.2%	2.1%
Homes sold	217,600	-17.8%	-4.8%
New listings	259,700	-14.6%	3.6%
All Homes for sale	738,400	0.7%	0.2%
Median days on market	40	3	-2
Months of supply	3.4	0.6	0.2
Sold above list	21.7%	-2.2%	-2.1%
Median Off-Market Redfin Estimate	\$307,000	4.3%	8.8%
Average Sale-to-list	98.1%	0.1%	-0.2%

Home sales declined in 50 of the 71 largest metro areas that Redfin tracks. In metros where high home prices have already pushed buyers to their financial limits, rising mortgage rates may be dampening demand. As of last week, the average interest rate for a 30-year fixed-rate mortgage had crept up near 5 percent for the first time since 2011. Last year at this time, rates were still below 4 percent. The biggest sales declines were again in West Coast metros, including Seattle (-27.7%), Los Angeles (-21.5%), and San Jose (-20.8%).

Across Redfin metros, the typical home that sold in September went under contract in a median of 40 days, two days faster than last year. Still, competition was noticeably less intense than last year. This September, 21.7 percent of homes sold above the list price, down from 23.8 percent last September. Likewise, the share of homes that went under contract within two weeks fell to 23.1 percent this September compared to 24.1 percent last September.

A Tale of Two Markets: The Coasts and the Heartland

"Last year and earlier this year, Seattle, San Jose and Denver were the hottest markets with homes selling in days, not weeks. These metros have now been replaced by Grand Rapids, Omaha, Nebraska, and Indianapolis as the fastest markets in the country," said Fairweather.

In San Jose, the typical home that sold in September spent 26 median days on the market, 12 days longer than last year. In Seattle, the typical home is taking a full week longer to find a buyer, at 17 median days on market.

Meanwhile, metros in the heartland are kicking into high gear. Homes in Grand Rapids are going under contract in just 13 days, 15 days faster than they were last year. In Indianapolis, which is now tied with Boston as the third fastest market, homes are finding buyers in a median of 16 days, compared to 40 last year.

"This acceleration in Midwest metros is due to increasing demand, as new residents move inland in search of affordability, without an increase in homes available for sale," said Fairweather.

The number of homes for sale in Indianapolis has been falling by more than 10 percent each year since Spring 2015, and fell 19.7 percent this September compared to last year. In Grand Rapids, homes for sale fell 2.3 percent, which is a moderate decline compared to the 5.6 percent decline in September last year, and the 21.2 percent decline in September 2016.

In the third quarter of 2018, 42 percent of the people searching for homes in Grand Rapids on Redfin.com were searching from outside of the metro area, with the largest share coming from Detroit, Chicago, Los Angeles and Washington, D.C. Indianapolis is also attracting homebuyers from more expensive cities, including Chicago, Los Angeles and the Bay Area.

As homebuyers find themselves priced out of places like Seattle and Los Angeles, they are increasingly looking to cities in the Midwest and South with more affordable homes and lower cost of living. Redfin will soon release its quarterly migration report, which tracks these migration patterns in more detail.

September Highlights

Speed and Competition

- Grand Rapids, MI was the fastest market, with the typical home finding a buyer in just 13 days, down from 15 days from a year earlier. Omaha, NE was the next fastest market with 14 median days on market, followed by Indianapolis (16), Boston (16) and San Francisco (17).
- The most competitive market in September was San Francisco where 71.8% of homes sold above list price, followed by 58.8% in Oakland, CA, 58.1% in San Jose, CA, 39.6% in Buffalo, NY, and 39.4% in Tacoma, WA.

Prices

- San Francisco had the nation's highest price growth, rising 14.6% since last year to \$1,425,000. Las Vegas had the second highest growth at 12.9% year-over-year price growth, followed by Salt Lake City (11.7%), Worcester, MA (11.1%), and Philadelphia (10.4%).
- 3 out of 71 metros saw price declines in September: Honolulu (-2.2%), St. Louis (-1%), and Houston (-0.4%).

Sales

- Seattle saw the largest decline in sales since last year, falling 27.7%. Home sales in Orange County, CA and Buffalo, NY declined by 23.6% and 22.0%, respectively.
- In 7 out of 71 metros, sales surged by double digits from last year. The markets with the highest year-over-year sales growth were Miami (39.9%), Jacksonville, FL (28.1%) and Orlando, FL (26.2%). The strong sales growth in Florida this year is a response to last year's sales slump due to hurricane activity.

Inventory

- San Jose, CA had the highest increase in the number of homes for sale, up 87.2% year over year, followed by Seattle (54.4%) and San Diego (30.7%).
- Philadelphia had the largest decrease in overall inventory, falling 25.4% since last September. Montgomery County, PA (-22.2%), Indianapolis (-19.7%), and Rochester, NY (-18.2%) also saw far fewer homes available on the market than a year ago.

Redfin Estimate

- The median list price-to-Redfin Estimate ratio was 94.0% in San Francisco, CA, the

lowest of any market. This indicates the typical home for sale in September was listed at a price 92.7% of its estimated value. Only 7.3% of homes in San Francisco, CA were listed for more than their Redfin Estimate.

- Conversely, the median list price-to-Redfin Estimate ratio was 102.3% in Miami, FL and 102.0% in West Palm Beach, FL, which means sellers are listing their homes for more than the estimated value in those metro areas. In Miami, FL, 81.8% of homes were listed above their Redfin Estimate, the highest percentage of any metro.

To read the full report, complete with charts and market-level data, please visit:

<https://www.redfin.com/blog/2018/10/market-tracker-september-2018.html>.

About Redfin

Redfin (www.redfin.com) is the next-generation real estate brokerage, combining its own full-service agents with modern technology to redefine real estate in the consumer's favor. Founded by software engineers, Redfin has the country's #1 brokerage website and offers a host of online tools to consumers, including the [Redfin Estimate](#), the automated home-value estimate with the industry's lowest published error rate for listed homes. Homebuyers and sellers enjoy a full-service, technology-powered experience from Redfin real estate agents, while saving thousands in commissions. Redfin serves more than 80 major metro areas across the U.S. The company has closed more than \$60 billion in home sales.

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