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Redfin Report: Prices for the Most Affordable U.S. Homes Up 9% in June

Meanwhile, prices for the most expensive homes increased modestly, up 1% year over year

California's San Jose and Orange County markets buck the national trend, with prices for the most affordable homes falling this year

SEATTLE, July 23, 2019 /PRNewswire/ -- (NASDAQ: RDFN) -- Prices for the most affordable third of homes sold in June were up 8.7 percent annually, the second-biggest increase in more than a year, according to a [new report](#) from Redfin (www.redfin.com), the technology-powered real estate brokerage. For homes in the most expensive third, prices grew just 1.1 percent year over year. Price growth for the most affordable group of homes hasn't dropped below 4.5 percent in at least the last seven years.



The difference in supply changes between affordable and high-priced homes is more drastic. For the most affordable tier, supply was down 14.5 percent year over year in June. It was up by 9.7 percent for the most expensive tier.

For the most expensive tier of homes, supply has been rising on a year-over-year basis since mid-2013. For the most affordable tier, supply has been dropping since at least 2012, by double digits most months.

The fact that prices for the most affordable homes around the country are rising faster than they are for the most expensive homes is one sign of the housing affordability crisis that has taken hold of many parts of the country. Overall market conditions have improved for homebuyers: Home prices were up 3.4 percent in June, a modest growth rate compared to the 7 to 9 percent price jumps regularly seen in early 2018, and mortgage interest rates are lower than they've been in nearly two years. But the rampant home-price growth in the most affordable segment of the housing market is problematic for working- and middle-class buyers, the group of people who would have the most trouble affording any home.

"Now that the economic expansion is in its 10th year, some working- and middle-class Americans are finally starting to see wage increases significant enough to ready them buy their first homes," said Redfin chief economist Daryl Fairweather. "But economic growth is a

double-edged sword for the housing market. The increase in demand for low- and moderately priced starter homes is pushing up prices for the most affordable segment of the market. Over the next few years, prices for the most affordable homes are likely to continue growing rapidly, pushing homeownership further out of reach for people with lower incomes."

There were just three metro areas in Redfin's analysis where home prices for the most affordable homes fell in June. In San Jose, prices for the most affordable third of homes dropped 3.8 percent annually to an average of \$731,688 in June, the fifth consecutive month of declining prices in the category after six straight years of growth. In Orange County, prices for the most affordable third of homes dropped 2.6 percent year over year in June to an average of \$449,390. Home prices in that category have dropped four of the last five months in Orange County after four straight years of increases. In Memphis, home prices for the most affordable tier fell 6.6 percent year over year to an average of \$78,808.

In both San Jose and Orange County, among the most expensive areas in the country, supply of affordable homes has been rising since summer 2018 after nearly two straight years of year-over-year declines. Supply for the most affordable homes was up 94.1 percent annually in San Jose in June, and it was up 24.5 percent in Orange County during the same time period.

Dropping prices and rising inventory for the most affordable homes follow overall housing market trends in the two California metros, which have both been cooling slightly in recent months after years of rampant growth. San Jose saw its median home price fall 4.9 percent year over year in June, marking the fifth straight month of declines and the steepest decline posted by any metro area tracked by Redfin last month. Meanwhile, home prices in Orange County were up just 0.7 percent.

Prices for the most expensive third of homes dropped 1.6 percent in San Jose and rose just 0.5 percent in Orange County in June. Supply for the most expensive tier of homes was up 50.5 percent year over year in San Jose in June, and up 11.2 percent in Orange County.

"I've been feeling a slowdown in the Bay Area the past few months. The beginning of summer feels like the end of summer usually does, with prices coming down and inventory up," said Redfin agent Chad Eng, who specializes in the San Jose area. "The cooldown is more pronounced in specific parts of the area, specifically greater San Jose."

Methodology

For 90 major metro areas, Redfin divided each month's home sales into three equal-sized tiers based on sale price and calculated the average sale price of all homes within each tier. The cutoff for each of the price tiers varied by month and metro area. For statistics on inventory and inventory growth, analysts divided all homes that were newly listed in 2015 into three equal-sized tiers based on list price. They assigned all homes for sale in a given month to the 2015 price tiers to calculate inventory in each tier. The cutoff for each of the tiers varied by metro area. To be included in the metro-level reporting, a metro had to have at least 300 homes sold in June.

To read the full report, including a breakdown of the metro areas that stand out in terms of price and inventory change for the most affordable and most expensive groups of homes and a full methodology, please visit:

<https://www.redfin.com/blog/affordable-home-price-drop-san-jose-orange-county>.

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