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What Happens to the Real Estate Market When Supply Falls for 25 Straight Months?

Home Prices Rose 7.1 Percent as Home Sales Stalled in October

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — [Home price growth](#) was strong in October, up 7.6 percent compared to a year ago, according to Redfin (www.redfin.com), the next-generation real estate brokerage. The median sale price was \$288,000 across the markets Redfin serves. Sales were essentially unchanged from October of last year, down 0.1 percent. Home sales have declined year over year for the past four months.

“Despite strong buyer demand, sales are sputtering due to low inventory,” said Redfin chief economist Nela Richardson. “The last time we saw a substantial increase in the number of homes for sale, Donald Trump was a candidate in a Republican field of 11.”

Nationally, the number of homes for sale plunged 12.2 percent, the sharpest year-over-year decline in inventory since 2013. There was a 3.1-month supply of homes in October. Less than six months of supply signals the market is tilted in favor of sellers. We have not seen more than 6 months of supply in any month since January 2012.

The low-inventory situation is particularly stark in West Coast markets. The San Jose metro area saw the steepest year-over-year inventory drop and the sharpest corresponding price increase. There were fewer than half as many homes for sale in October as there were a year earlier, sending prices up 19.2 percent to a median of \$1.05 million. In San Jose the typical home that sold last month found a buyer in 12 days.

Just eight of the 74 metros Redfin tracks posted year-over-year increases in inventory. These rare supply gains were seen primarily in smaller markets in the Midwest and the South, including Austin, New Orleans, St. Louis, Dallas, and Nashville.

Nationally, the typical home spent 44 days on the market, five days fewer than last October. Last month, average sale-to-list price ratio was 98.2 percent, up from 97.9 percent a year earlier, and 22.5 percent of homes sold above their list price, compared with 21.5 percent in October 2016.

“The House of Representatives and Senate are debating tax reform proposals that could have a [significant impact on homeowners](#), particularly in states with expensive homes and high property taxes like California, New York and New Jersey,” said Richardson. Both the House and Senate versions of the tax-overhaul proposal include some reduction of the state and local income- and property-tax (SALT) deductions, and the House version of the bill proposes changes to the Mortgage Interest Deduction.

Nick Boniakowski, Redfin market manager in Northern New Jersey, reports that the uncertainty is leading some prospective homebuyers to take a step back from the market

while they wait to see what happens with the tax bill and how it could affect their budgets. Still, many are pressing forward with their home purchases, knowing the bills are subject to change and both the timeline and likelihood of passage are unclear.

“If either of the current bills were to pass, it’s likely that buyer demand would weaken in expensive, high-tax states, especially for homes at higher price points, though any market shifts will be gradual,” said Richardson.

Market Summary	October 2017	Month-Over-Month	Year-Over-Year
Median sale price	\$287,800	0.0%	7.1%
Homes sold	228,000	-3.0%	-0.1%
New listings	257,500	-1.3%	3.7%
All Homes for sale	706,500	-5.6%	-12.2%
Median days on market	44	3	-5
Months of supply	3.1	-0.1	-0.4
Sold above list	22.4%	-1.4%	0.9%
Median Off-Market Redfin Estimate	\$250,600	0.7%	NA
Average Sale-to-list	98.2%	-0.1%	0.3%

Other October Highlights

Competition

- Seattle, WA was the fastest market with the typical home finding a buyer in just 10 days, down from 13 days a year earlier. San Jose, CA and Boston, MA were the next fastest markets with 12 and 14 median days on market, followed by Oakland, CA (15) and San Francisco, CA (15).
- The most competitive market in October was San Francisco, CA where 78.6% of homes sold above list price, followed by 76.3% in San Jose, CA, 63.7% in Oakland, CA, 45.6% in Seattle, WA, and 42.8% in Tacoma, WA.

Prices

- 9 metro areas had double-digit increases in the median sale price. San Jose, CA led the nation in price growth, rising 19.2% since last year to \$1,049,000. Seattle, WA had the second highest growth at 16.5%, followed by Las Vegas, NV (14.6%), Oakland, CA (13.1%), and Salt Lake City, UT (12.6%).
- 6 metros saw price declines in October. Prices in Columbia, SC declined the most since last year falling 5.4 percent to \$139,000.

Sales

- 7 out of 74 metros saw sales surge by double digits from last year. Camden, NJ led the nation in year-over-year sales growth, up 31%, followed by Baltimore, MD, up 19%. Tacoma, WA rounded out the top three with sales up 18% from a year ago.
- Baton Rouge, LA saw the largest decline in sales since last year, falling 20.3%. Home sales in Fort Lauderdale, FL declined by 18.0%.

Inventory

- San Jose, CA had the largest decrease in overall inventory, falling 51.6% since last October. San Francisco, CA (-28.5%), Atlanta, GA (-27.8%), and Buffalo, NY (-26.7%) also saw far fewer homes available on the market than a year ago.
- Only 8 of 74 metros posted inventory gains, these were primarily smaller metro areas in the South and Midwest. Raleigh, NC had the largest increase in the number of homes for sale, up 16.1% year over year, followed by Baton Rouge, LA (12.9%), Austin, TX (8.8%), New Orleans, LA (7.5%), St. Louis, MO (4.8%), Dallas, TX (4.1%), Nashville, TN (2.7%) and Allentown, PA (2.5%).

To read the full report, complete with data and charts, please visit the following link:
<https://www.redfin.com/blog/2017/11/market-tracker-october-2017.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 \$50 billion in home sales.

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