

A Look at Real Estate Trends for 2016

The national real estate market is expected to continue at a strong pace in 2016, although it probably will not be quite as robust as it was in 2015.

Of course, the real estate market had a very solid year in 2015 – one of the best since the downturn started in the fall of 2005 – with the average price of homes increasing and the total sales volume being the best it's been in almost 10 years.

But the market has settled down in recent months.

According to Steven Murray, publisher of the national Real Trends newsletter distributed by South Metro Denver Realtor Association, the housing market has “already settled down both in terms of unit sales and average price hikes. 2016 will see more of the same.” Murray continued: “Most national forecasts indicate that 2016 will see milder unit sales increases than were the case in 2015 and that prices will continue to trend upward modestly in the low single digit range. There are, of course, markets that will be stronger or weaker.”

Of course, the Denver metro area has one of the stronger real estate markets in the country and is expected to stay that way, even despite the recent increase in interest rates adopted by the Federal Reserve in December.

As we look ahead to 2016, here are some key factors that Murray suggests could impact housing sales:

- Interest rates may start to rise, although they should have a modest to negligible impact.
- Household incomes have grown sluggishly for the past six years since the official end of the recession, coming in

less than 2% per annum. Should there be any softness in this key measurement, it may signal a slowdown in sales.

- Inventory at the entry price level will need to increase to have any sizable increase in housing sales. Any further tightening in this key segment of the market could have a negative impact on sales.
- Price increases have been tame on a national average, but affordability has been decreasing for several years now. Unless incomes pick up, further price increases will make purchasing harder for young families.

For a more detailed look at the Denver real estate market for December 2015:

<http://blog.recolorado.com/content/denver-area-housing-sales-december>

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