<u>A Look to 2014</u>

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December 29th, 2013

As we close out another year, it's time to beginning looking ahead to what's potentially in store for the real estate market in 2014. This past year has been a year of growth for the market across the country with median home prices rising 9.4% from 2012, according the NAR statistics. These rising prices can be contributed to a decrease in housing inventory nationwide. When looking ahead in 2014 there will be some variables in the market that could lead to more balance and which in the long term gives way to a healthy market.

Frank E. Nothaft, Chief Economist at Freddie Mac, projects that 2014 will be the best year for home sales since 2007. This conclusion can be drawn from rising homes prices leading to more sellers getting off the sidelines and putting their homes on the market to replenish the inventory. "For a sustainable recovery you want to see more balance between buyers and sellers," says David Stiff, chief economist at Core Logic Case-Shiller, which is forecasting a 6.8% rise in median home values for 2014. The increase in prices will give more sellers confidence in the market and the increase in inventory gives buyers more choices which leads to a "win win" for both parties.

In addition to supply and demand another huge factor in the real estate market is mortgage rates and lending requirements. Over the past year interest rates have increased one percent. Zillow is predicting that we will see mortgage rates surpass five percent for the first time since 2010. While this does lead to added cost for the buyers, this increase in rates is not out of character for the market. According to statistics gathered from Freddie Mac the average interest rate over the last ten years has been 5.41%. Also the good news is the increase in mortgage rates can be attributed to a strengthening economy. If you are considering buying a home in 2014, you want to consider doing it sooner than later to secure a better interest rate.

A bigger hurdle that buyers and lenders will have to face in 2014 is the new mortgage regulations that will go into effect between January 10th and 20th. The two most noteworthy regulations for borrowers will be the ability-to-repay rule and Qualified Mortgage rule. These rules establish new standards that lenders must follow. The QM rule is intended to shield banks from liability while creating more borrower requirements. Bob Davis, vice president of American Association of Bankers, about 20% of today's loans do not meet the Qualified Mortgage standards. The biggest change will be that the borrower's debt to income ratio cannot surpass 43% to obtain a Qualified Mortgage.

In closing, there will be opportunities and there will be challenges in 2014, and consulting with your REALTOR is the best way to be educated on the market and achieve your housing goals.