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## Housing Industry 2015 Mid-Year Update

[REAL ESTATE, SD MEDALLION SERVICES](#)

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Until the recent shake-up in the stock market, the economy seemed to be moving along pretty well during the first half of 2015, including the residential real estate market. Now that we are into the second half of the year, what can we expect to see in the residential real estate market?

According to [Forbes](#), the home ownership rate is currently 63.7%, which is the lowest it has been since 1993. However, it appears that demand for housing is back, which means increased housing prices. According to a study done by [Trulia](#) in the largest 100 markets in the nation, it is still cheaper to own than rent by approximately 38%. The improving job market is a big reason for increased housing demand. During 2014, the nation added approximately 3 million jobs.

One of the big stories in the first half of 2015 is the lack of housing inventory. One of the key reasons contributing to the lack of inventory (aside from increased demand) is that developers aren't building enough new homes. Through the first half of 2015, groundbreakings were at an estimated annual rate of 1.036 million, which is significantly below the estimated 1.5 million groundbreakings needed to get the supply in line with demand. The result of a lack of inventory is that homes are selling fast. According to the National Association of Realtors survey in April, homes are selling, on average, in 39 days, which is the second fastest sales time in the past four years.

Another trend noticed in the first half of 2015 is that builders are focusing on higher-end homes. On average, new homes sell for approximately \$25,000 more than previously owned ones. During 2015, new homes are selling for approximately \$75,000 more.

According to the [National Association for Realtor](#), in the first half of 2014, housing prices were up approximately 10% as compared to the prior year. So far in 2015, housing prices are up approximately 9% compared to the prior year, which is good for potential sellers.

Lastly, mortgage rates have remained steady during the first half of 2015. However, they are expected to increase. Experts are predicting interest rate increases in September and December and are estimating that a 30-year conventional mortgage interest rate to be approximately 5% by the end of 2015.

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