

Jen's
News & Views 

July 2021 Real Estate Update

Waiting for the housing bubble to burst?

You'll be waiting a while! Find out why in my latest market update video.



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JULY 2021

Waiting for the housing bubble to burst? You may be waiting a while.

I recently had a relative say they advised their son to wait until prices go back down before buying his first home. While this may seem like sound fatherly advice, it could be a big mistake for this young Millennial looking to make his first real estate investment.

There is much confusion out there about the current real estate market, but one thing looks clear to experts... specifically that prices are not going to ease for buyers anytime soon.

Those of you that track my newsletters may remember my discussion in December when I cited several factors that contributed to the demand side surge - including millions of Millennials entering the market in 2020 (which represented 38% of home purchases nationally) and the record low interest rates. This subject has garnered an abundance of

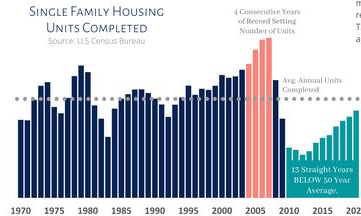
attention over the past couple of months as the statistics about the lopsided supply/demand equation continues to intensify. While these two factors have certainly contributed to the current market situation on the demand side, perhaps even more significant is the single biggest variable impacting the **supply side shortage**.

The long-term decline of the construction of new single-family homes after the great recession in 2008 has had a devastating impact on the current housing shortage. One of the most direct impacts from the 2008 crash was the termination of construction of new homes.

During the boom, a significant number of speculative homes were built (as captured by the red bars in the chart below), which took years to ultimately be absorbed. The current new home shortage has been compounded by severe building

material shortages and price increases, resulting in significant production delays. These trends are not expected to improve anytime soon.

SINGLE FAMILY HOUSING UNITS COMPLETED
Source: U.S. Census Bureau



According to the Wall Street Journal,

The residential real estate market is on the biggest tear since 2006, (just before the housing bubble burst and set off a global recession). Yet, in nearly every meaningful way, today's market is the inverse of the previous boom. In the mid-2000s, loose mortgage lending standards enabled borrowers with poor credit histories to purchase homes beyond their means, sometimes with mortgages that required low payments in the early years of the loan.

Lawrence Yun, Chief Economist for the National Association of Realtors has been quoted to say:

This is "not a bubble, it's simply a lack of supply."



Thanks for reading!



Thank you for taking the time to read our newsletter. As always, if you have questions about the real estate market, local happenings, would like a no-pressure home valuation, or just want to say hello - please reach out to me! I'd love to hear from you!

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