

Big Picture Market Update

Recently our clients have asked us more and more "Where are we in the current real estate cycle and do you foresee a correction in the near-future." This question is a valid considering the strong market that has persisted for years, rising interest rates and the new Tax Plan that reduced certain homeownership deductions.

Regarding interest rates, the Fed recently raised rates and signaled two more increases are coming before year-end. The latest rate increase was the second this year and the seventh since the end of the Great Recession. Another trend to keep an eye on is income growth rates and if they are keeping up with home price appreciation levels. According to Reuters, annual average income growth has remained below 3% even as home prices have risen on average more than 5% over the last few years. Historically and over the long-term housing growth moves in correlation to growth in income levels. In addition, the unemployment rate is now below 4% for the first time since 2000, stock markets are at or close to all-time highs, the Whitehouse is forecasting solid 4% GDP growth and political winds, while volatile, have recently calmed a bit.

In looking at the Lamorinda market, for homes below \$2M the market is as strong as ever due to limited inventory and rising incomes. For homes between \$2 – 3M the market remains unchanged as the strong economy and the demand for a remodeled home counter balances any negative impact from interest rates and tax ramifications. Homes above \$3M have recently shown some signs of softening as inventories are rising and switching costs are increasing for move-up buyers that currently have a \$1M tax basis and 3.5% mortgage on their existing home.

Given all this, we believe the Lamorinda market will remain strong for at least through 2019. While rising interest

rates are certainly something to watch, the gravitational pull of a strong economy, inventory shortages, and a robust stock market will likely offset any negative ramifications of rising interest rates.

For a more comprehensive discussion see the Insight section of our website at MartinHomesTeam.com.



ERIN & DARRICK MARTIN

Direct: 925-951-3817

Erin@MartinHomesTeam.com

Darrick@MartinHomesTeam.com

www.MartinHomesTeam.com

CalBRE# 01922810, CalBRE# 02006564



MARTIN
HOMES

COMPASS

Patti Camras

I believe in the art of living well.

Whether helping first-time home buyers & move-up buyers or downsizing empty nesters & seniors, I want my clients to live well at every stage of their lives. I'll do whatever it takes to help them enjoy a seamless transition from one of life's passages to the next. This is my promise.

THE
ART
REAL ESTATE



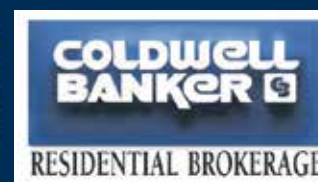
PATTI CAMRAS
REALTOR®

CalBRE# 01156248

925-899-9282

patti.camras@camoves.com
5 Moraga Way, Orinda

www.patticamras.com



©2016 Coldwell Banker Real Estate LLC. All Rights Reserved. Coldwell Banker® is a registered trademark licensed to Coldwell Banker Real Estate LLC. An Equal Opportunity Company. Equal Housing Opportunity. Each Coldwell Banker Residential Brokerage Office is Owned by a Subsidiary of NRT LLC. Real estate agents affiliated with Coldwell Banker Residential Brokerage are independent contractor sales associates and are not employees of Coldwell Banker Real Estate LLC, Coldwell Banker Residential Brokerage or NRT LLC. CalBRE License #01908304.