



## Market Demand Catches its Breath

I've seen a big change in our local north county coastal real estate market in the last couple of months. While we had a bullish start to 2014 with a record high 7.4% of Americans planning to buy a home in the next six months, since then it's plunged 1/3 to only 4.9%. And right in the middle of the summer selling season. So what happened?

It's driven by the mechanics of supply and demand as we return to normal from the bubble that burst in 2009. San Diego home prices rose 20% last year, and naturally that cooled demand. Meanwhile, 30-yr mortgage interest rates went up from 3.5% early last year to 4.5% now, and banks continue to raise the bar on what it takes to qualify for a loan (required credit scores are now the highest on record). So, it's much more expensive to own a home, while average wages haven't kept up.

Major forecasters were predicting continued strong home price increases at the start of 2014, but now they've cut their predicted price increases in half. The [Case Shiller Home Price Index](#) news out this morning shows continued price increases - but at a more normal rate of "only" 15% year over year. Those yearly increases should continue to decrease in months to come as this lagging indicator reports what I'm seeing in the market today.

It's still true that there are relatively few homes for sale. But now it seems there are even fewer buyers chasing them. Fannie Mae and Freddie Mac are both predicting a decline in the number of homes sold this year.



Nobody's saying this is another bubble starting to burst. It looks like another short-term fluctuation as the market continues to improve and normalize in the long run. The good news is that you no longer have to wait to buy or sell based on market timing. And, it's a reminder that real estate decisions should be made with a long term focus - especially if the focus is on San Diego north county coastal real estate!

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