

Subject: Housing Market: Buying and Selling
From: Richard Curtin, Director

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The University of Michigan surveys monitor how consumers assess home buying as well as home selling conditions in recognition of the fact that most home buyers are also home sellers. After consumers provide an overall assessment, they are asked to explain the reasons for their opinions of home buying and selling conditions. The data include only homeowners, showing yearly data from before, during, and after the Great Recession as well as the latest quarterly results. The main findings are that home buying conditions have remained largely unchanged over this period, with the housing market driven by variations in how consumers viewed conditions for the sale of their current residence. Changes in housing prices (along with low mortgage rates) have kept home buying conditions at very favorable levels among all households as well as among major demographic subgroups and across regions. Favorable home buying conditions were reported by 77% of homeowners in 2009, up slightly from 2005 and nearly equal to the current reading of 80%. This was the first time over the past half century that variations in home buying conditions were not a major determinant of home sales. Instead, trends in home sales were dominated by how homeowners viewed selling conditions. Selling conditions in contrast fell dramatically during the past recession, with the proportion holding favorable views falling from 72% in 2005 to just 5% in 2009, but since recovering to 66% in the 1st quarter of 2017. These sharp declines were recorded among all demographic subgroups and all regions. Needless to say, the recessionary decline as well as rebound were driven by changes in home prices. Negative price reactions that occurred were widespread across subgroups, with somewhat more extreme declines and subsequent recoveries among those with the highest incomes and those owning the most expensive homes. Importantly, the 1st quarter of 2017 data indicate more favorable views of selling prices, with net price references rising to +13 from just +1 in 2016.

The data suggest that increases in the number of available homes for sale will ease but not erase the inventory constraint on the housing market. Selling prices improved considerably by the start of 2017, although they remain well below the 2005 levels for most demographic groups—the only small positive gains were in the West and Midwest. Continued price gains will no doubt bring more sellers into the market in the year ahead, although rising home prices will continue to be a drag as sellers await higher prices. Importantly, trends in selling prices have not recovered their 2005 values; only trends in the West and Midwest have topped the 2005 levels. Nonetheless, home buying conditions have been increasingly justified by the rationale that it would be better to buy in advance of rising home prices and rising mortgage rates. Among all homeowners, 34% cited the advantage of buying before prices and interest rates rose in the latest survey, nearly twice last year's 18% and well above the 23% in 2005. Moreover, the gain was widespread across demographic subgroups and regions.

Housing Market Assessments Among Homeowners

	Good Time to Buy Home				Buy-in-Advance of Expected Prices and Interest Rates				Good Time To Sell Home				Net Price Trends as Reasons For Good Selling Conditions			
	2005	2009	2016	2017:1p	2005	2009	2016	2017:1p	2005	2009	2016	2017:1p	2005	2009	2016	2017:1p
All Homeowners	73%	77%	80%	80%	23%	2%	18%	34%	72%	5%	63%	66%	+22	-68	+1	+13
Age																
18-34	79	76	73	74	27	2	15	33	66	6	55	59	+11	-66	-6	+11
35-44	74	81	80	75	18	2	16	34	70	4	64	67	+19	-68	+4	+19
45-54	74	77	80	78	23	2	19	31	75	5	64	68	+24	-72	+7	+13
55-64	73	77	84	87	25	3	17	36	74	6	65	69	+24	-72	+2	+8
65+	66	73	81	80	25	2	22	35	73	5	63	68	+28	-64	+2	+13
Income																
Bottom Fifth	63	60	68	61	21	2	15	19	63	8	52	54	+12	-49	-9	0
Second	70	71	77	79	25	2	18	34	67	6	56	60	+18	-64	-9	+8
Middle Fifth	76	77	82	82	26	2	18	35	72	6	62	65	+19	-69	-1	+12
Fourth	77	83	84	85	25	2	20	35	76	4	68	74	+23	-74	+6	+14
Top Fifth	73	87	84	81	22	4	18	38	77	4	70	71	+30	-80	+12	+20
Region																
North East	61	78	83	84	17	1	19	32	77	6	56	58	+37	-68	-11	-7
Mid West	80	77	83	82	23	2	16	32	66	5	64	66	+8	-65	0	+12
South	77	74	79	80	26	3	18	33	72	6	60	67	+18	-66	-5	+9
West	66	79	76	73	27	4	19	38	75	4	72	74	+33	-78	+23	+34
Home Value																
Bottom Fifth	71	61	72	70	17	1	14	22	64	7	50	56	+9	-53	-15	-1
Second	76	75	82	85	28	3	17	31	72	6	60	62	+18	-64	-7	+8
Middle Fifth	81	80	83	81	25	2	18	34	76	4	62	65	+19	-70	+2	+11
Fourth	73	85	81	84	30	2	18	44	81	4	71	75	+43	-77	+12	+22
Top Fifth	57	86	84	79	18	4	23	35	76	2	71	74	+40	-85	+15	+21