

# REAL ESTATE UPDATE

Winter 2017



-The biggest story in the local real estate market over the past few weeks has been the uptick in interest rates. The current rate for 30 year fixed mortgage rates is about 4.4%. 4-6 weeks ago, the same rate was about 3.75%. While this change is not pleasing for home buyers, I think it's effect on the market will be minimal. For example, on a \$100,000 mortgage, this rate change results in an increase in the monthly mortgage payment of about \$37 (from \$463 to \$501). Sometimes a side effect of an increase in interest rates is a slight decline in house prices and so, as a result, the effect on the buyer's month to month costs of homeownership is reduced. 2017 may be a year of more volatility in rates than was 2016.

-2016 has to be one of the best years ever for our fine city. Cleveland was in the spotlight throughout the year (Cavs, Indians, RNC) and the momentum is all in the right direction. Public square is looking as good as it ever has. Severance Hall and the art museum continue to innovate and impress, the expansion and improvements to the natural history museum are amazing and productions at Playhouse Square remain world class. I have been a huge fan of this city my whole life and I am so happy and proud to live here as the city's bright future comes into focus. Did I mention the Browns? No, I didn't. Maybe next year...maybe not. Probably not.

-Millennials and houses...a recent article in the Wall Street Journal noted that in 2015, 40% of young Americans (18-34 years old) live with their parents, siblings or other relatives. This is the largest percentage since 1940 (the year after the end of the depression). This upward trend has been underway since 2005 when the percentage was closer to 30%. A very interesting stat mentioned in this story is that while the number of Americans under age 30 has increased by 5 million, the number of households created for this group has only increased by 200,000. Young people are staying home (or returning home) due to high rents, tough mortgage criteria and a challenging employment picture. Of course, as household income increases for this group, housing formations also increase. The number of household formations hits 50% for this group when the income range reaches \$25,000 to \$50,000 per year. This is not a good trend line, obviously. The image of millions of 30 year olds living in their parent's basement playing video games is depressing. This article draws on statistics that apply to the entire country. I can attest that in my 34 years of listing and selling real estate on the west side of Cleveland, these statistics do not hold up. The vast majority of the young people with whom I come into contact (not just in a real estate context) are responsible and ambitious. I am going to try to find the same set of stats as they apply to our local millennials...I expect the news will be better!

I hope you enjoy this month's issue and encourage you to contact me if you have any questions about our real estate market.

*-Bill Reilly*



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