

## Why home prices may not level off anytime soon

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Home sales aren't going up, and from time to time actually go down. So why is the price of the average home still going up?

It's a classic case of supply and demand. There has been no let-up in the demand for homes but the supply is now declining at double digit rates because homeowners aren't selling and home builders aren't building at nearly the same rate as in the past.

And as U.S. consumers are being priced out of the housing market, the National Association of Realtors (NAR) reports foreign buyers are increasingly stepping in to buy homes.

NAR's Danielle Hale, managing director of housing research, and Alex Nowrasteh, immigration policy analyst at the Cato Institute, recently appeared at a forum on housing. Nowrasteh said the growing number of immigrant households is transforming the housing market.

Immigration's impact on rents

"Immigration affects rents and home prices far more than it affects the labor market," said Nowrasteh. "An expected 1% increase in a city's population produces a 1% uptick in rents, while an unexpected increase results in a 3.75% rise."

In addition to U.S. immigrants who are buying and renting homes, Hale says an increasing number of foreigners are purchasing U.S. real estate, as a safe and productive place to put cash. She said total foreign buyer transactions increased from \$65.9 billion in 2010 to \$102.6 billion in the most recent survey.

"A majority of foreign buyers in recent years are coming from China, which surpassed Canada as the top country by dollar volume of sales in 2013 and total sales 2015," said Hale. "Foreign buyers on average purchase more expensive homes than U.S. residents and are more likely to pay in cash."

What it could mean for you

That means if you are trying to sell your home, there is likely to be strong demand, even as homebuilders eventually ratchet up their output and build more houses. In addition to the Millennial households that are still renting, there may be plenty of investors who could be buyers.

On the other hand, the challenge gets a bit steeper for people trying to enter the housing market for the first time. There are fewer distressed property sales and sellers are getting closer to their asking price.

Hale says the most recent NAR data show an increase in the number of Realtors who say they have worked with an international buyer, with China topping all countries in both spending and number of sales.