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In May, CoreLogic reported the median price for a home in Sacramento County had jumped to \$330,000.

REAL ESTATE NEWS

Will Sacramento home prices keep rising in 2018? Here are predictions from three experts

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Last year saw rising prices in Sacramento-area real estate as buyers competed for a tight supply of homes for sale.

What will 2018 hold? The Sacramento Bee asked three experts in different fields of real estate to help predict market conditions in the coming year.

Ryan Lundquist is an appraiser who tracks housing trends on his Sacramento Appraisal Blog. Pat Shea is president of Lyon Real Estate, the region's largest brokerage. And Dean Wehrli is senior vice president for John Burns Real Estate Consulting in Sacramento, advising builders and investors on industry trends.

Q: *What will happen to home prices in 2018 and beyond?*

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Lundquist: Prices have been trending upward since 2012. Last year they went up again by 8 to 9 percent. That's pretty consistent with the past few years, the way the market's behaved. We have a market trying to figure out, "What does normal look like?"

Shea: I'm predicting 5 percent price appreciation in 2018. With the restrictions on inventory and tax changes, I think there's some uncertainty. That's why I'm taking a more moderate position.

Wehrli: Home prices will go up. We have at least a couple of years of appreciation ahead.

Q: Where are we in the current housing cycle? How much longer will the upswing last? Is it a good or bad time to buy or sell?

Lundquist: The first and most important thing I'd say is, "My crystal ball is broken." When I ask people who bought in 2012, "Did you buy at the bottom of the market on purpose," they almost all say, "Nope, I just got lucky." Buying a home has so much to do with lifestyle. It's not just an investment. Are you comfortable with the mortgage payment, and does this house make sense with your lifestyle? There's no guarantee of what will happen in the future. I would advise someone (thinking of buying or selling) to be cautious. It feels like we're closer to the top of the cycle than we are to the bottom, but it's a guess about whether or how long home values will increase.

Shea: I think we have more runway in the housing market. There are more buyers willing to buy because the employment numbers are so solid. New construction is getting more traction. Interest rates will stay low this year. Absent something significant happening on the national or international level, the (upswing) should continue through 2018 and 2019.

Wehrli: Typically our housing cycles are six or seven years (which we're nearing). But I think we're in for a comparatively longer housing cycle. We have legs left in this cycle.

Q: Are we in another housing bubble?

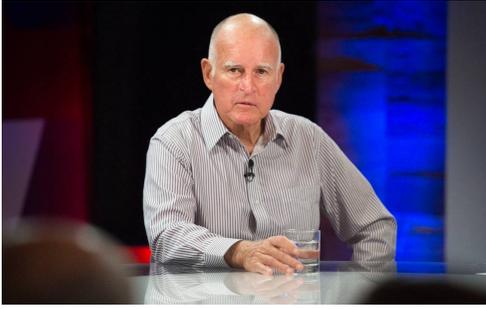
Lundquist: As prices increase, it's only natural to have those conversations. I've heard more and more talk this year (about a potential housing bubble). With Bitcoin being in a very clear bubble, it provides a natural platform to parlay that into real estate. If you compare the numbers now and in 2005, you see the price metrics are getting pretty close. If we have a normal year of appreciation, by the end of the year we'd be pricewise right about where we were at the top (of the market in 2005). It's only natural for people to see that. But we've had a lot of inflation for the past 10 years. It's such a different market today than in 2005. We don't have the ticking time bomb of variable-rate mortgages. Back then lenders were giving money to anyone with a pulse.

Shea: In my opinion, the answer is "no" because the previous housing bubble was fueled by bad loans. This time around, there's much more conservative financing, the interest rates are so low and the appreciation (has been steadily trending upward). There's no way people are going to lose these houses, especially with rents going up. You could rent for more than the mortgage payment. The housing market is built on a tremendously strong foundation.

Wehrli: I don't think we're in a housing bubble or anything approaching that. The 2012-13 appreciation was really rapid. The market caught up. The appreciation (since then) hasn't been extravagant. It's sustainable, and it's not completely out of whack with incomes, as it was in 2004-05. The supply is constrained. There's not easy credit or ginned-up demand. I don't see any of those things in the current market at all.

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Q: Is there any relief in sight for the Sacramento region's tight housing market? Will the supply of resale homes and new housing increase significantly in 2018?

Lundquist: A shortage of housing plays a huge role in the market being competitive. I hope inventory improves slightly this year. It's just going to take time. Unless something happens that we don't expect, it's just going to be a longer ride to see that play out. More new construction of single-family homes and apartments would help. It's not just all on the builders. Cities and counties need to cooperate and have a building-friendly environment. That's really the big solution to the housing crisis. We need more units, and those units have to be built.

Shea: I don't see any significant relief. Just enough keeps coming on the market to sustain us. That's a composite of individual decisions to move up, move down or move out of the market. Plus marriages, divorces, life changes always happen to people.

Wehrli: I don't see that alleviating. We still are in an undersupplied market. Where undersupply is greatest is in the entry level. The new home market has a hard time servicing that sector (because of rising construction costs). I don't see what the factor would be to release more supply onto the market. Single-family rental investors came here in a big way and bought up the supply (of low-priced homes in 2011 and 2012) that would have percolated into the resale market by now. That supply is not coming back into the for-sale sector soon, if ever.

Q: How will the Bay Area's economy influence Sacramento home values, whether it continues booming, or, as some suggest, hits a downturn?

Lundquist: I think what happens in the Bay Area can impact our market to a certain extent, but I don't think Bay Area home values are the main driver for Sacramento. If we have tech money coming in, and there's a tech bubble, that would remove buyers from our market, particularly those with cash or looking for an investment. But I don't think that's the number one driving factor in our market.

Shea: Sacramento's connectivity to the Bay Area is getting deeper and deeper. More Baby Boomers are going to come this way (to retire) and more young people, as they decide to start families, will find Sacramento an attractive place.

Wehrli: If Silicon Valley (were to slow down), it would have a marginal impact in Sacramento. There are some submarkets with newer housing - Elk Grove, North Natomas, West Sacramento - and upscale markets like El Dorado Hills that could be affected. But it's not going to have a huge impact on Sacramento. We'd feel it but not in a major way. The Sacramento market is driven internally.

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