



Annual Appreciation Leads To Concerns

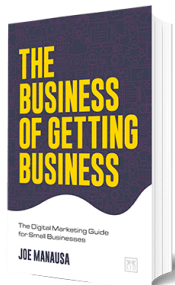


How Many Homes Are Available?

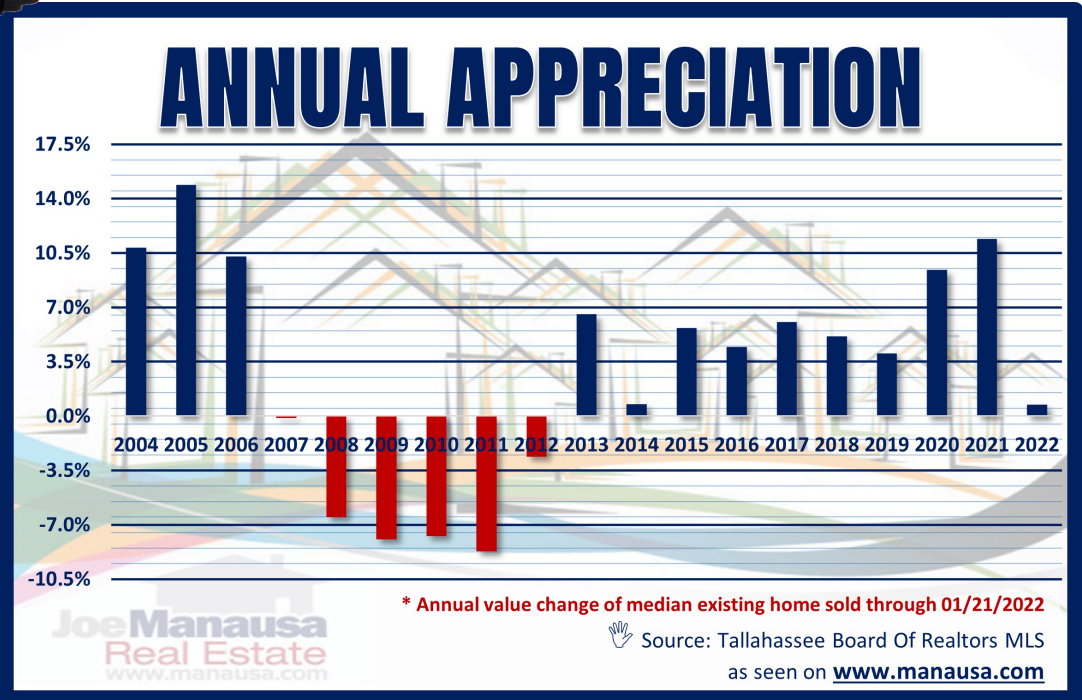


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One great method for measuring appreciation in the housing market is to evaluate the change in the median home value (price per square foot of the median home over time).

This graph plots the median home value each year and reveals the impact that the diminished inventory of homes for sale is having on home values. The market has been undersupplied since the end of 2016, so home values continue to move higher at an alarming and accelerating rate.

Prior to 2021, I forecast double-digit appreciation, and regrettably, the market met my expectation by posting an appreciation rate of 13.4%.

The demand for homes remains strong despite the rise in mortgage interest rates over the past month or so. In fact, rates are very close to the level we saw

two years ago.

Unfortunately, the number of new construction homes being built is far lower today than what the market has consumed so the supply of homes continues to trail demand.

The lack of inventory is going to increase the pressure on home values. When you consider the pricing pressure of the past two years, it's hard to understand how the market is going to handle it getting worse. There will be buyers paying nearly 50% more for a home this year than they could have paid in 2019. I'm worried that continued double-digit appreciation is going to destroy home affordability for both buyers and renters.

The relative supply of homes is going to reach new lows, extending bidding wars to additional price ranges. We need builders to step up the production and give the market the homes that we need

