

Here are five reasons more sellers may not be selling

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Q: I keep reading that it's a seller's market because fewer homes are available for sale than normal. And, home prices are going up, so it should be a really good time to sell. Why aren't more sellers selling?

A: You didn't tell us if you are thinking about selling, or thinking about buying, or asking because you're wondering whether you can sit back and laugh all the way to the bank.

This is a confusing real estate market, with both good news and bad news for almost everyone in the marketplace. Let's start with buyers, who are having trouble finding homes to purchase that they like and can afford. At the same time, home prices are rising steadily, and sometimes dramatically.

According to the National Association of Realtors (NAR), there's a paucity of homes for sale right now and because of this, existing home sale numbers dropped 3.2 percent in July and decreased slightly, year-over-year, for the first time since November 2015.

In commentary, Lawrence Yun, NAR chief economist, said that "severely restrained inventory" and affordability pressures are the primary reasons for the sales slump.

"Realtors are reporting diminished buyer traffic because of the scarce number of affordable homes on the market, and the lack of supply is stifling the efforts of many prospective buyers attempting to purchase while mortgage rates hover at historical lows," Yun said, adding that with new construction condos making up only a fraction of all multi-family construction, existing home "sales suffered last month as condo buyers faced even stiffer supply constraints than those looking to purchase a single-family home."

On the plus side, new construction home sales zoomed 12.5 percent last month, to an annualized rate of 654,000. New home sales are up 31.3 percent from a year ago, according to the Economics and Statistics Administration. That's good news for buyers, because some of the homes being built are now priced for the first-time buyer market. On the other hand, the country should be producing over a million new homes for sale every year. So, we're still about 33 percent below that level. That's the

not-such-good news.

For home sellers, little competition means homes are being snapped up in record time, and for record prices. According to the Realtor.com Hotness Index, the median number of days that existing homes sold was 51 or less in the top 20 fastest-selling markets. In the fastest-selling market, Vallejo-Fairfield, Calif., the median age of residential inventory was just 37 days (meaning that half of homes sold faster or slower than the median age).

(Realtor.com is now owned by NewsCorp, which also owns the Wall Street Journal and Fox News, among other media properties, and not NAR.)

So, why aren't sellers selling? After mulling it over and speaking with many experts and housing industry observers during these past few months, we've come to the conclusion there are five primary reasons sellers aren't selling:

1. They still need the space. Millennials and elderly parents are coming home to live in record numbers, according to Census data. Homeowners need the space.
2. They haven't retired yet. Baby boomers are still working and want to continue to live near their places of work.
3. It's cheaper to live there than elsewhere. With mortgage interest rates flirting with all-time lows, plenty of homeowners have refinanced their properties and are now living for less than they could in another, even smaller, property.
4. They're still functionally underwater. Depending on where you live, if you bought between 2004 and 2007, the high point of the housing crisis cycle, you may still be underwater with your mortgage, meaning your house is worth less than the mortgage amount. And even if your home value is now even with your mortgage, you may be functionally underwater after you factor in the costs of selling one property and moving to another property (even if you rent instead of buy).

5. They haven't found anywhere they'd prefer (or can afford) to live. Finally, we end where we began, with the paucity of homes for sale. For most sellers, when they sell, they usually need a place to buy. And, if they can't find a place to buy that they like or can afford, they might just stay put.

If you're a seller, now is a great time to sell. But until more people decide to do just that, housing prices will continue to spiral upward.

Thanks for your question.

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