

## Economics

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BUILDER

# 2018 Z'Expectations for Housing: Same As it Ever Was

Zillow panel of housing experts and economists sees dynamics carrying forward into next year, with the exception of interest rate rises. And that might be good.

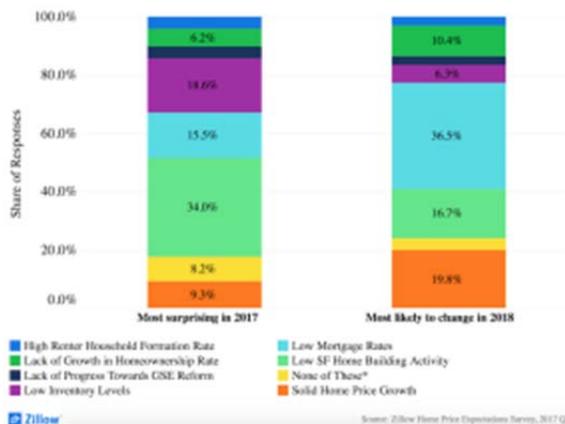
By [John McManus](#)

If you knew right now that the year ahead would be as good as this year, would you take that news as a positive?

Especially as an overhaul of tax code casts a big cloud of uncertainty over who can or would be a new-home buyer, and why, and how much they can or would pay, another year in a sequence of modestly improved 12-month frames might be welcome.

### Experts: Limited Construction Was Surprising in 2017 and Likely Won't Change in 2018

As you consider housing market trends that have persisted through 2017, which one do you find most surprising...and which one do you think is most likely to change significantly in 2018?



If that's the case, then a Zillow panel of housing observers bears modestly good news. Other than a consensus view that mortgage rates must be bound to rise during the 12 months ahead, expectations are for dynamics--solid demand on limited new and existing inventory leading to higher prices--to remain broadly what they are today. [The report notes:](#)

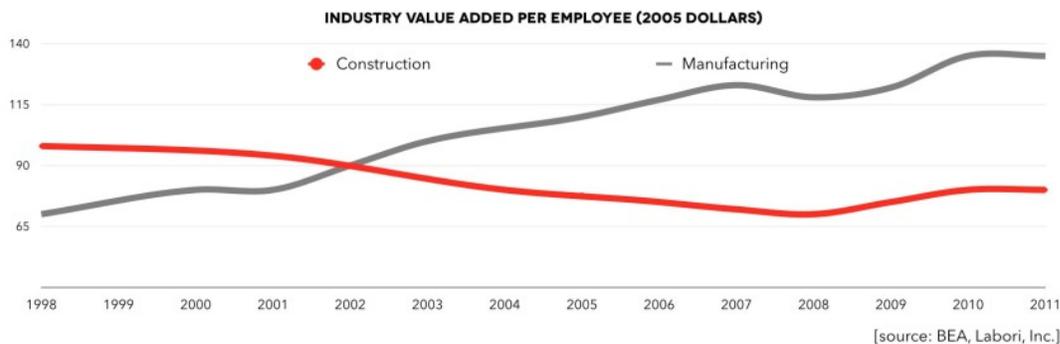
*Looking ahead into 2018, the largest group of panelists indicated the era of persistently very low mortgage interest rates the market has enjoyed over the past few years may be coming to a close – 36.5 percent of those with an opinion said low mortgage rates were most likely to change next*

year. Just 16.7 percent said low levels of building activity were likely to change in 2018, with only 6.3 percent saying low inventory levels were likely to significantly change.

As 2017 finishes up, we know two things more clearly.

One, is that assertions about the permanent demise of the young adult market for homeownership have proven both premature and wrong. Define "young" slightly differently and "adult" slightly less typically, and one can observe that the cohort many experts believed would never cotton to the allure of owning a home is doing it in wait-and-hurry-up droves, wherever and whenever he or she or they can find something in an attainable price range.

So, continuing to tap that marketplace--pent-up due to college debt, slower career traction, delayed household formation, etc.--an opportunity continues as long as new-home developers and builders crack the code of rising input costs for land, labor, and materials.



The second big take-away from 2017 from our vantage point is that builders may be on the verge, but are not quite there yet, of leveraging new technology and access to new filters of data to seize on a goal that's eluded them for years: [productivity improvement](#).

A business whose cost-revenue model hinges on an end-user's constant willingness and ability to pay more as direct expenses increase is ripe for disruption, but before the last few years, disrupters had yet to emerge.

They are now, and investment and strategic talent commitment and operational ramp up is underway. We believe that once offsite manufacturing truly integrates engineering, design, and workstreams into builders' models of using multiple on-site trade crews, tricky materials logistics, and external climate factors, the mapping of construction productivity will begin to change to a point of no return to the primitive, unnecessarily complicated and risky process that's currently the norm.

This is why we see a productivity inflection point coming in the next 12 to 36 months that will tip home builder business models toward greater agency, more accountability, and more opportunity based on their ability to use technology and data to go to market with offerings a bigger market can access and attain.

## About the Author



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John McManus is an award-winning editorial and digital content director for the Residential Group at Hanley Wood in Washington, DC. In addition to the *Builder* digital, print, and in-person editorial and programming portfolio, his accountability for the group includes strategic content direction for *Affordable Housing Finance*, *Aquatics International*, *Big Builder*, *Custom Home*, the *Journal of Light Construction*, *Multifamily Executive*, *Pool & Spa News*, *Professional Deck Builder*, *ProSales*, *Remodeling*, *Replacement Contractor*, and *Tools of the Trade*.