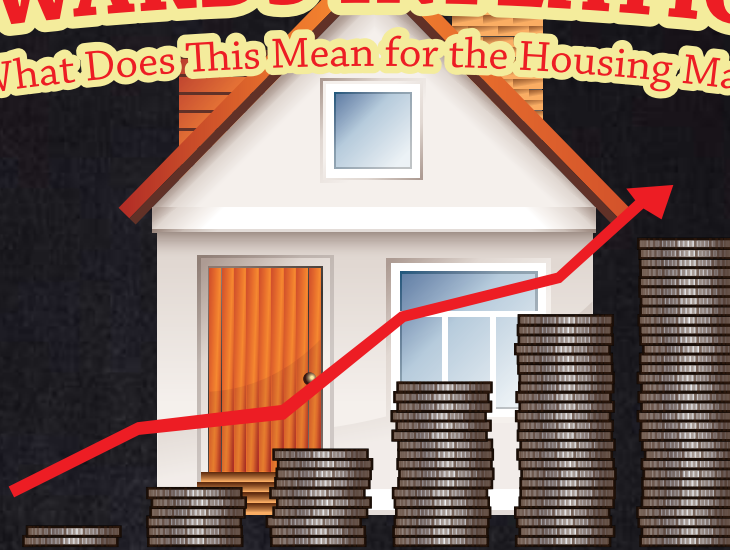




ARE WE HEADED TOWARDS INFLATION?

& What Does This Mean for the Housing Market



As we recover from this past year of financial and global uncertainty, it is normal to wonder if the rising price of goods and services will cause us to enter a new disequilibrium. More specifically it leads us to ask the question, 'Is America headed for inflation?' And for those in the industry, 'What does this mean for the housing market?'

What is inflation?

Inflation is the decline of purchasing power over time of any given currency. Inflation is caused by a cost-push and a demand-pull.

Cost-push inflation occurs when the cost of production increases, therefore increasing the price of goods and services for the consumers.

Demand-pull inflation occurs when demand is much greater than supply. This is common after a strong economy or a natural disaster, or in our case, a worldwide pandemic.

What Does this Mean for the Housing Market?

Generally, growing economies experience a moderate level of inflation annually. The Federal Reserve projects a rate of approximately 2% inflation for the year 2021.

Though the rise in demand for homes will bring with it an increase in home prices, interest rates will continue to remain low, suggesting the housing market will remain affordable.



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