



The New Normal: A Strong Housing Market Expected to Continue into 2021

Most of us would have expected the housing market to suffer from circumstances like a once-in-a-hundred-years pandemic and historic inventory shortages. But, rather than a slowdown, we are continuing to experience a surprisingly robust real estate market across the country. And experts estimate that these conditions are likely to last well into the new year.¹

Market conditions like fewer available listings, changing criteria for desired homes, and record-low mortgage rates are changing the way people buy and sell homes, most likely in a lasting way. But this sustained activity, even in the uncertainty that is 2020, proves that our country still views real estate as a sound investment.

The only question now is how you can take advantage of the housing market's "new normal."

FEWER LISTINGS EQUALS A SELLER'S MARKET

Inventory (e.g., number of homes for sale) has been dwindling in the country's top 100 metro markets since early 2020.² It is currently about 1.47 million units,³ which is a decline of 19.2% from one year ago—and the lowest point since 1982.⁴

Fewer listings creates an advantageous housing market for sellers right now because buyers have to act fast to snap up available homes. As a result, most properties only stay on the market for about 21 days before they are sold.⁵

And thanks to tough competition for homes (often resulting in bidding wars between buyers), sellers are enjoying higher net returns on their listings. The nationwide median home price in September rose to \$311,800, which translates to about \$40,000 (15%) more than just a year ago.⁶

LOW MORTGAGE RATES, BIGGER PLAYING FIELD BENEFIT BUYERS

People used to base their next home purchase on commute times and school districts. Now, thanks to the pandemic shifting the locus of jobs and work, they are free to consider how and where they truly want to live. Surveys show that quieter neighborhoods, home offices, updated kitchens, and access to the great outdoors are preferred.⁷

The search for these criteria is driving residents out of densely populated metropolitan areas and into the

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suburbs, which opens more inventory possibilities than buyers could consider pre-pandemic.⁸

Now that 30-year fixed-rate mortgage rates dropped to 2.81% in mid-October, buyers are afforded the opportunity to buy nearly \$32,000 more home than they could one year ago. Similarly, a 15-year fixed-rate mortgage can be had for as low as 2.35% compared to 3.15% a year ago.⁹ So even though home prices are high now, it's more affordable to buy a home now than it was last year.

RECORD-SETTING YEAR FOR HOME SALES IS JUST THE BEGINNING

Despite the seemingly adverse buyer conditions, 2020 experienced a 14-year high number of home sales, NAR reports. Existing-home sales (including single-family homes, townhomes, condominiums and co-ops) rose 9.4% across the nation in September to a seasonally adjusted annual rate of 6.54 million.¹⁰ That's a 21% increase from a year ago!

All of the aforementioned factors indicate that the housing market is poised to remain strong as we head into the new year. And experts believe they could “buoy the housing market for years to come.”¹¹

Sources: 1. Housing Wire 2. Forbes 3. NAHB 4. CNBC 5. National Association of Realtors
6. Business Insider 7. Realtor.com 8. Wealth Advisor 9. Washington Post
10. National Association of Realtors 11. Axios Media

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Today's housing market is competitive and strong, which makes it a sound investment for your future. If you're considering buying or selling a home before the new year or in early 2021, contact us now to schedule a free consultation.

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