



REAL ESTATE MARKET FORECAST:

Opportunities for Home Buyers and Sellers in 2024

Since the Federal Reserve began its series of interest rate hikes in 2022, the combination of higher borrowing costs and record-high home prices has fostered the steepest real estate market slowdown since the 2008 recession.¹

But there may be some relief in sight: In December, the Fed signaled that it was done raising interest rates—and suggested that it could cut rates by 0.75% over the coming year. While mortgages don't directly follow the federal funds rate, they typically move in tandem—so cheaper home loans may finally be on the horizon.²

Lower mortgage rates should bring some much-needed movement back into the real estate sector. But with a market this fluid, the home buyers and sellers with an edge will be those who proactively leverage a real estate agent's on-the-ground expertise and stay flexible so that they can quickly adapt to changes.

What does that mean for you? Read on to learn more about the current state of the U.S. housing market, the potential opportunities for buyers and sellers, and economists' predictions for the year ahead.

HOME PRICES WILL REMAIN RELATIVELY STABLE

Last year, a nationwide housing shortage helped prop up prices even amidst falling demand. In fact, on average, U.S. home values ended the year higher—with declines in some areas of the country offset by appreciation in others.³ This year, prices are expected to remain stable: Realtor.com predicts the median home price could decrease by 1.7% while Fannie Mae projects growth of 2.8%.^{3,4} However, if mortgage rates fall faster than expected, more buyers will enter the market—which could send home prices soaring higher.

What does it mean for you? There's no evidence that home prices are headed for a major decline. So if you're ready and able to afford a home, this is a great time to test the waters. Reach out so we can help you make an informed decision about the right time to buy.

MORTGAGE RATES SHOULD FINALLY TREND DOWN

The best news we've got incoming for 2024? The extra-high mortgage rates that have weighed down the market may finally be headed south. The average 30-year fixed mortgage rate has already declined from an October high of around 8%, and analysts at Fannie Mae and the Mortgage Bankers Association forecast that rates will end 2024 closer to 6%.⁵ However, it appears that the days of 3% mortgage rates are firmly behind us—so borrowers may need to adjust their expectations.⁶

What does it mean for you? Lower rates can help buyers lock in more affordable monthly payments. Sellers also have reason to celebrate: As the barriers to entry to the housing market decline, they could enjoy better offers. Reach out to discuss how we can help prepare for the changes ahead.

LOWER RATES WILL BRING SOME BUYERS AND SELLERS BACK TO THE MARKET

With so many buyers and sellers playing the waiting game, the real estate sector has slowed significantly. However, as financing costs tick down, sales volume is expected to rise. "Lower mortgage rates would help spur home sales activity, which [is] expected to increase in 2024 compared to 2023," explains Selma Hepp, chief economist at CoreLogic. "Declines in mortgage rates will drive more sellers to trade their existing home and help add much-needed inventory to the market, leading to more transactions."⁶

What does it mean for you? Buyers may want to act quickly. Pent-up demand could bring a flood of competition to the market as mortgage rates decline. And sellers: An increase in listings will make it harder for your home to stand out. Reach out so we can help you chart the best course.

THE HOUSING SUPPLY SHORTAGE WILL PERSIST

New homes have played an increased role in easing the supply crunch, accounting for around one-third of all homes for sale in 2023—which was twice the historical average.⁷ But according to First American Chief Economist Mark Fleming, the U.S. currently has a shortfall of around one million homes, and conditions won't ease until individual owners re-enter the market. "Only when more homeowners decide to sell, and then buy again, will housing supply and the pace of sales return to anything resembling normal."⁸

What does it mean for you? Buyers can benefit from the search expertise of a real estate professional. We can tap our network to access off-market listings while helping you explore both new construction and existing homes in our area. Sellers should be prepared to compete against brand-new homes. We can help you highlight the features most likely to appeal to today's buyers.

WE'RE HERE TO GUIDE YOU

While national real estate forecasts can give you a "big picture" outlook, real estate is local. And as local market experts, we know what's most likely to impact sales and drive home values in your neighborhood. If you're considering buying or selling a home in 2024, contact us now to schedule a free consultation. Let's work together and craft an action plan to meet your real estate goals.

Sources: 1. Goldman Sachs 2. CBS News 3. Realtor.com 4. Fast Company
5. NerdWallet 6. Bankrate 7. Marketplace 8. First American

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