

# Spring 2024 Housing Market Outlook

Greater Piedmont REALTORS®  
Economic Summit

March 22, 2024





# Back to Basics

## What Drives the Housing Market?

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- Demand

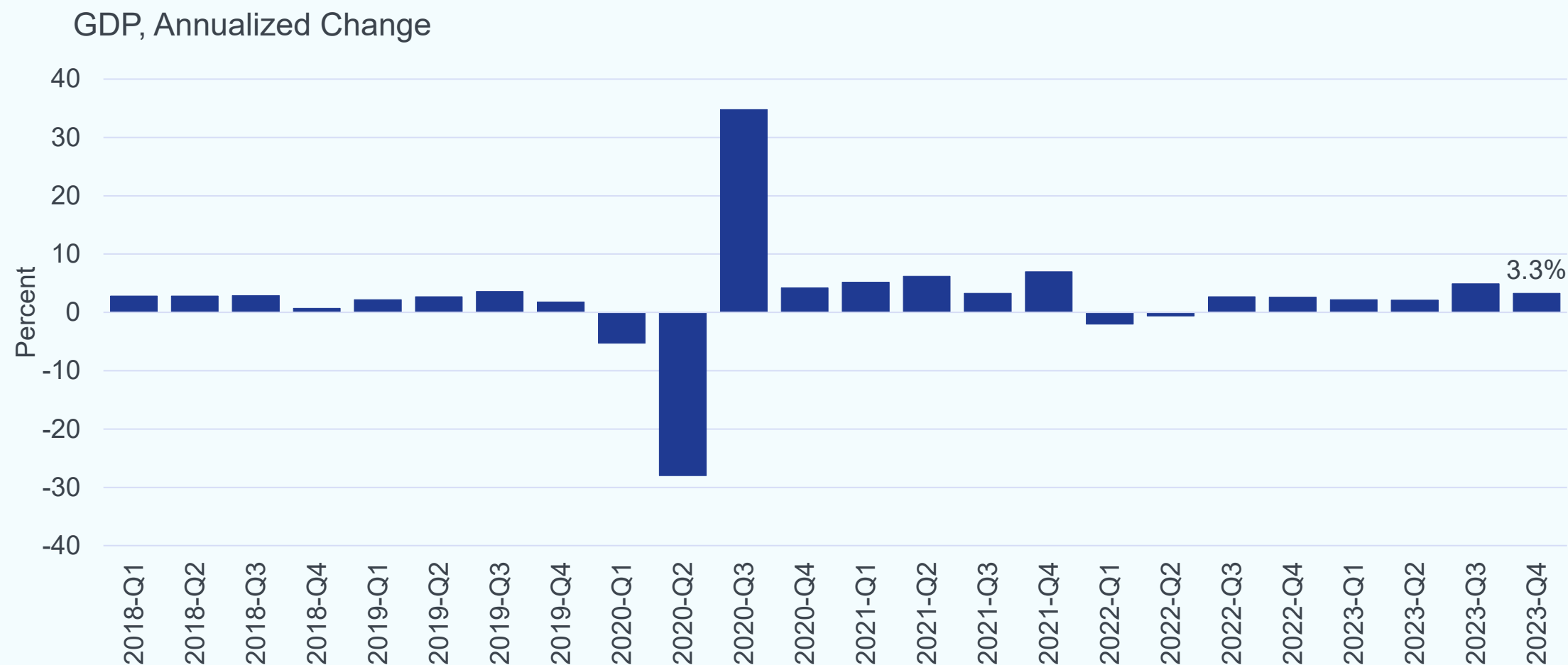
- Jobs
- Demographics
- Mortgage Rates

- Supply

- New Construction
- Demographics

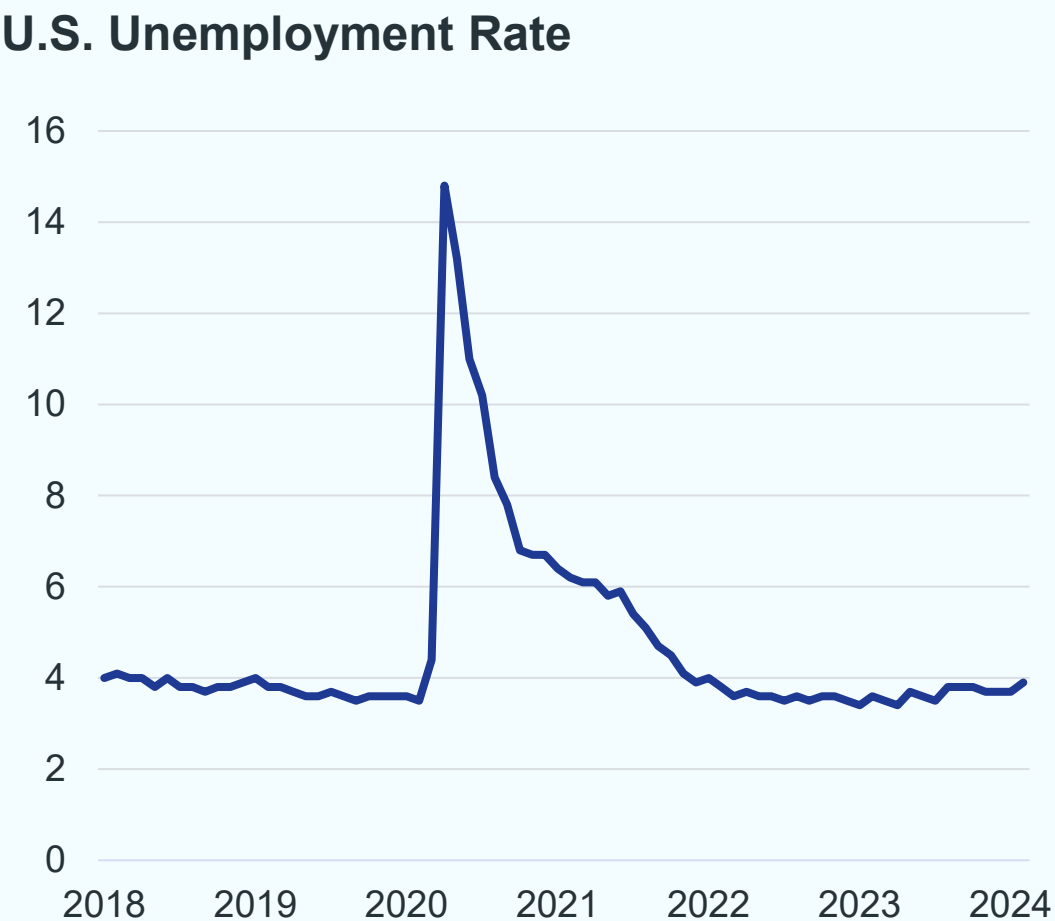
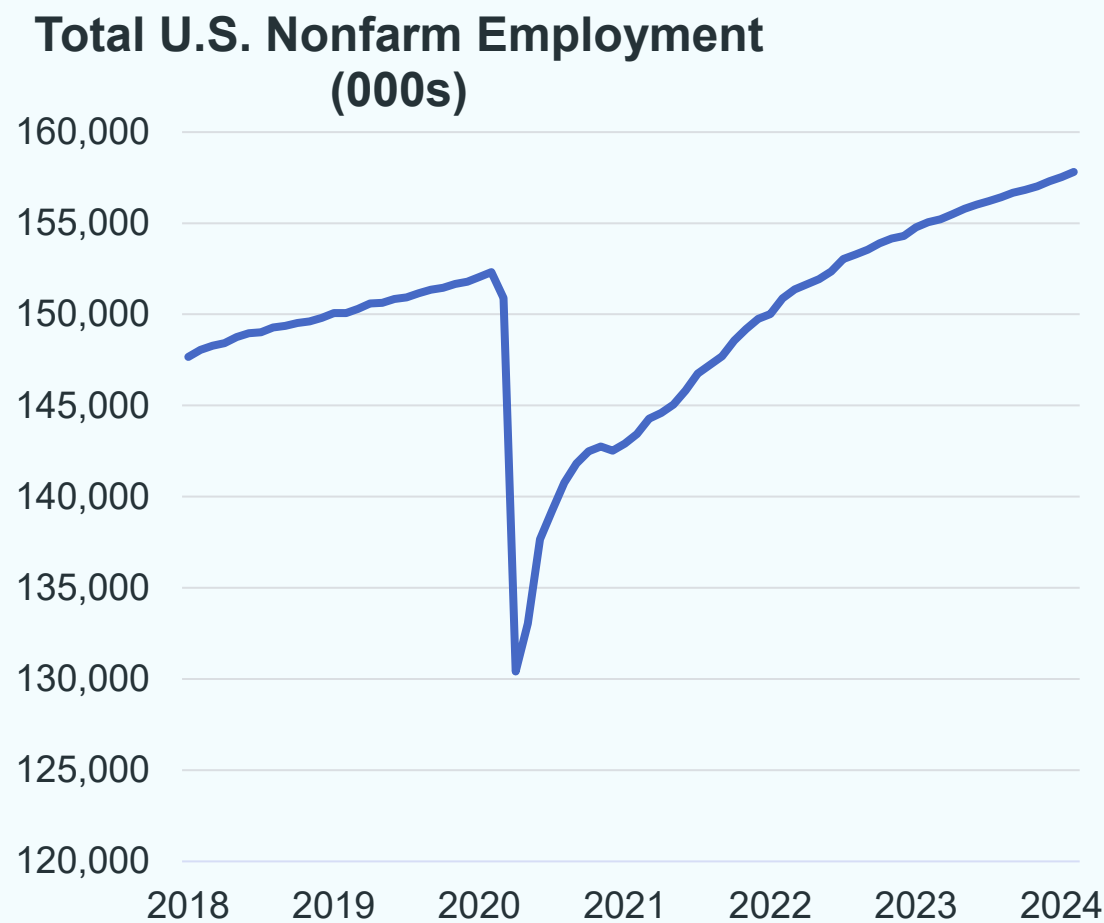
# Economic Trends

# The economy has been outperforming expectations



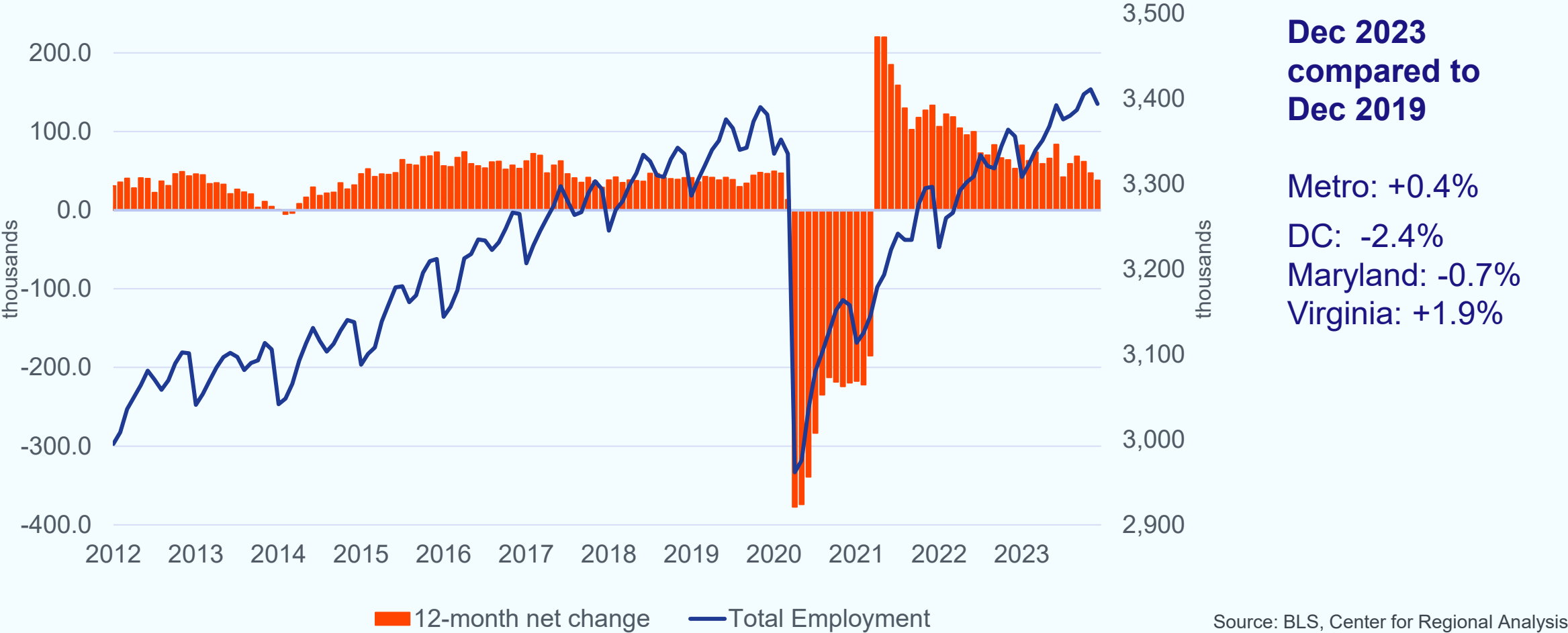
Source: U.S. Bureau of Economic Analysis

# The employment situation is still strong

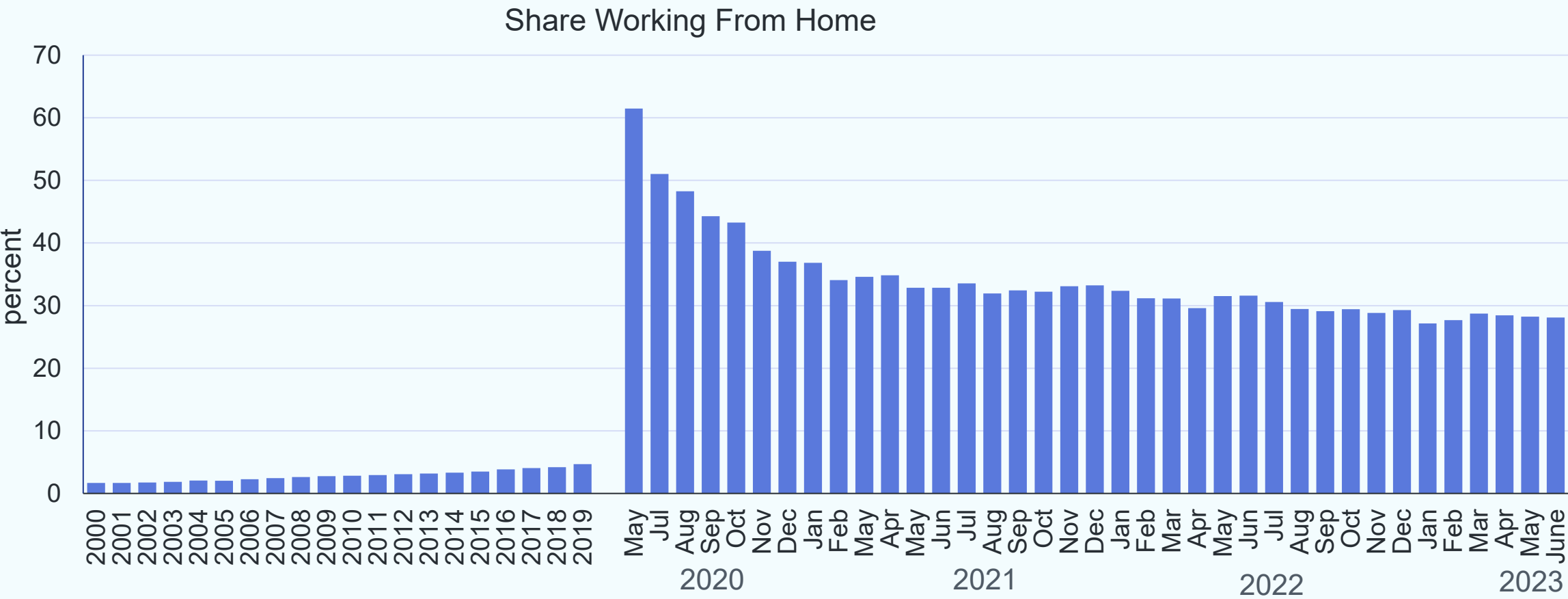


Source: BLS

# Employment back to pre-pandemic level in the DC metro area



# Working from home is here to stay...for some, in some places



Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.



# Working from home more common in larger metros

Share of Workers Regularly Working from Home, 2021

Metro Area	WFH Share
San Francisco	35%
San Jose	35%
Washington DC	33%
Austin	32%
Raleigh	31%
Seattle	31%
Denver	28%
Portland	27%
Boston	27%
Minneapolis	26%

Metro Area	WFH Share
Memphis	12%
New Orleans	12%
Oklahoma City	12%
Las Vegas	12%
Riverside	14%
Virginia Beach	14%
Buffalo	14%
Louisville	15%
Houston	15%
San Antonio	16%

Source: 2021 ACS Based on 50 largest MSAs

# Regional economy drives WFH share

## Most common for Professional Services Sector

Share of Workers Regularly Working from Home, 2021

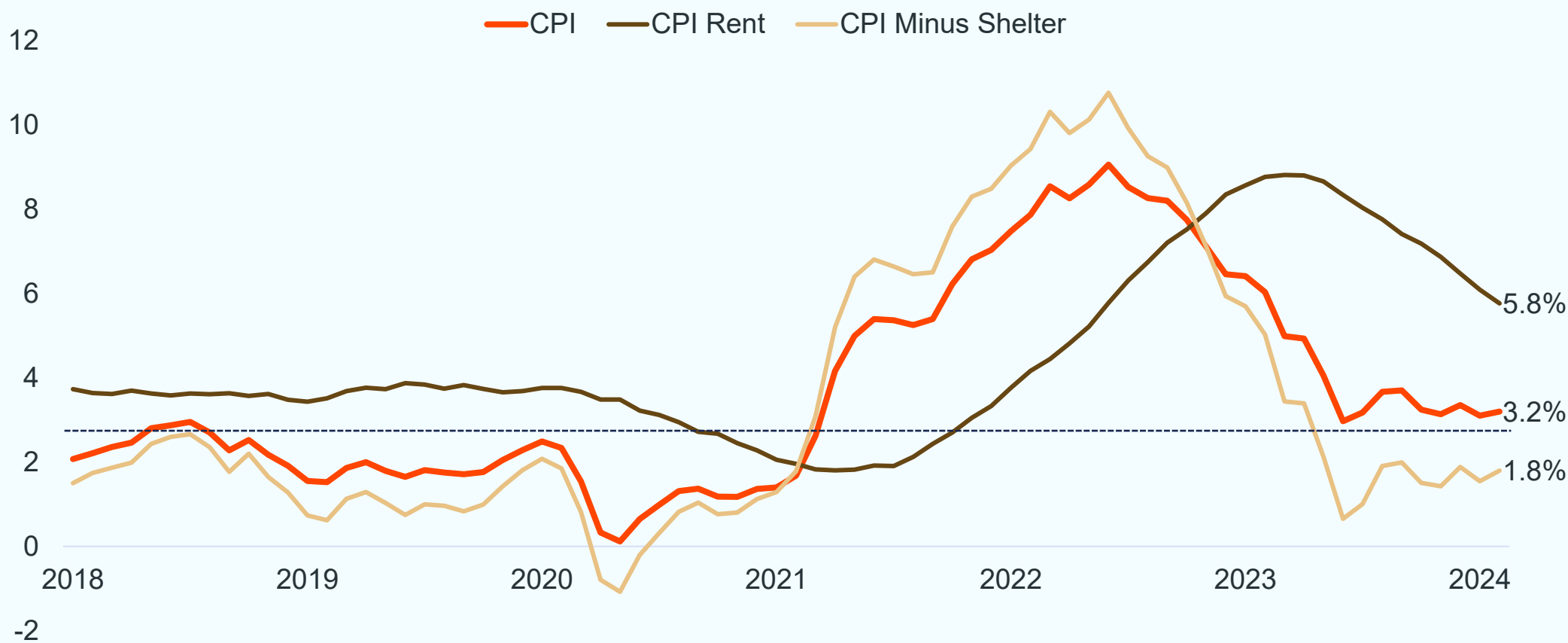
Metro Area	WFH Share	Top Industry*
San Francisco	35%	Prof Svcs
San Jose	35%	Prof Svcs
<b>Washington DC</b>	<b>33%</b>	<b>Govt</b>
Austin	32%	Mgmt
Raleigh	31%	Prof Svcs
Seattle	31%	Prof Svcs
Denver	28%	Info
Portland	27%	Manuf
Boston	27%	Prof Svcs
Minneapolis	26%	Mgmt

Metro Area	WFH Share	Top Industry*
Memphis	12%	Transp
New Orleans	12%	Acc & Food Svcs
Oklahoma City	12%	Govt
Las Vegas	12%	Arts & Ent
Riverside	14%	Transp
Virginia Beach	14%	Govt
Buffalo	14%	Educ Svcs
Louisville	15%	Transp
Houston	15%	Mgmt
San Antonio	16%	Mgmt

Source: 2021 ACS Based on 50 largest MSAs \*LQ industry analysis

# Rents (delayed in the CPI measure) keeping inflation elevated

Inflation (Consumer Price Index)



Source: BLS

# Federal Reserve raised rates to combat high inflation

## Will cut rates in 2024

Federal funds rate (%)



### 2024 Rate Cuts Expectations

June/July rather than March/May

Probably 3 cuts rather than 5 to 6 cuts

Source: Federal Reserve



# Mortgage rates have remained elevated

Avg. weekly rate, 30-year fixed rate mortgage



Source Freddie Mac

# Housing Market Trends

# In 2023, U.S. home sales were at their lowest level since 1995



Source NAR

# Why were there so few home sales last year?

## Mortgage Rates

In January 2023, mortgage rates were around 3.5%.

By November, they were nearly 8%.

*Avg. weekly rate, 30-year fixed rate mortgage*



Source Freddie Mac



# Why were there so few home sales last year?

## Affordability

Prices have been rising much faster than incomes in most places.

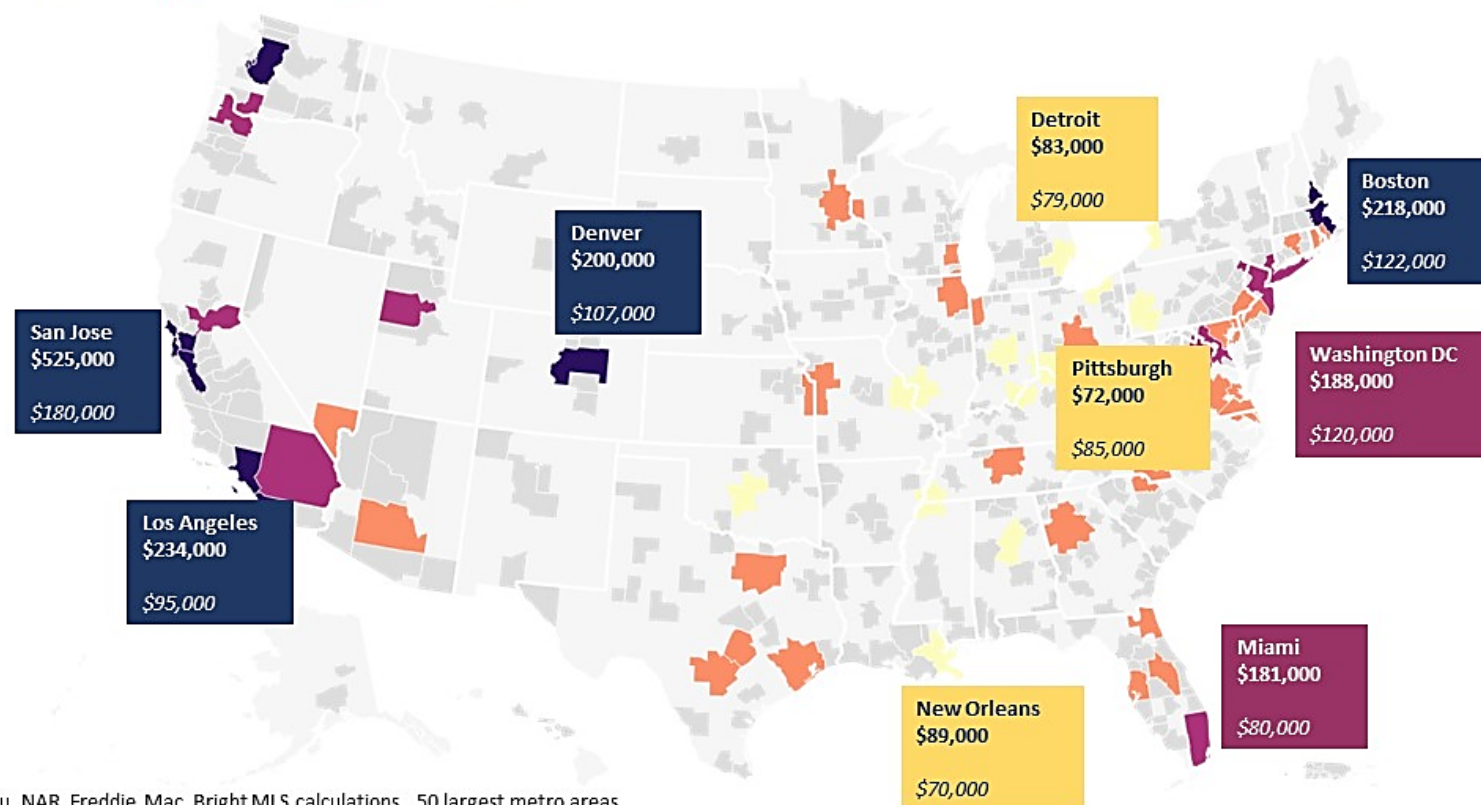
First-time buyers are being priced out in many markets across the nation.

### Household Income Needed to Afford the Median-Priced Single-Family Home (Q2 2023)

\$ Thousands

< 100 100–150 150–200 ≥ 200

*Median household income (ages 25 to 44) in italics*

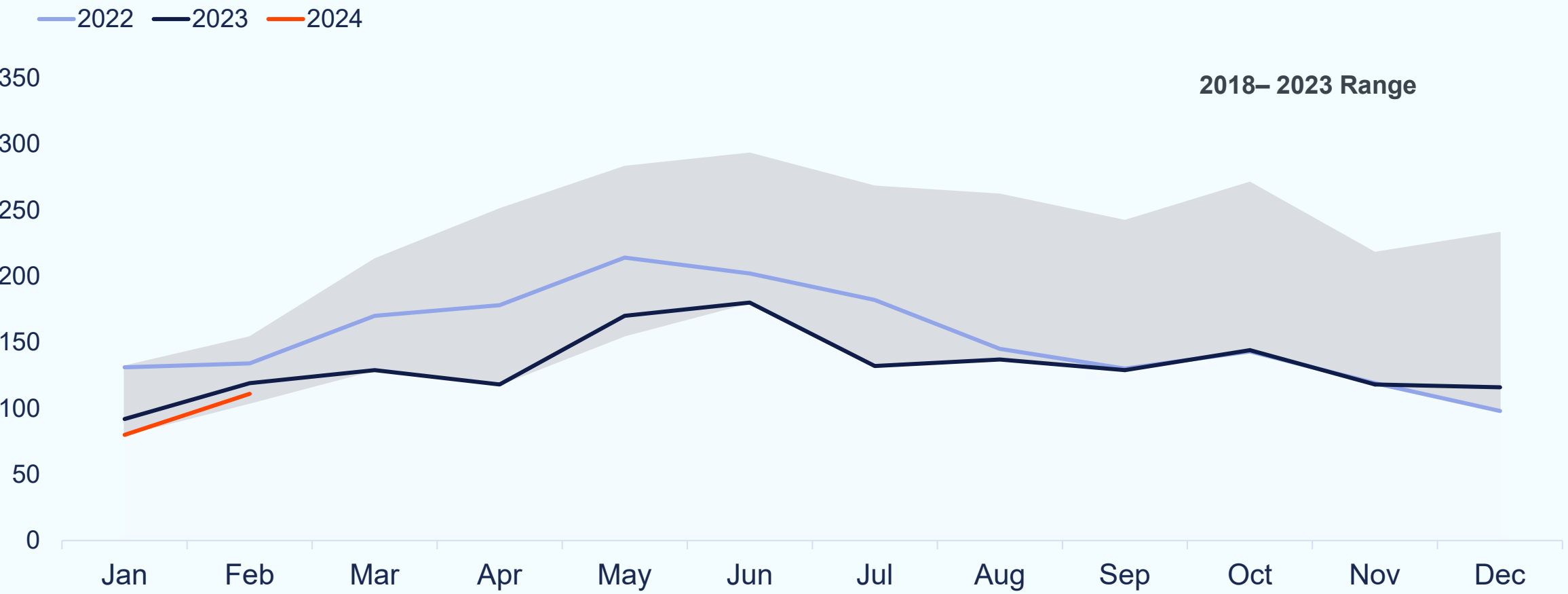


Sources: U.S. Census Bureau, NAR, Freddie Mac, Bright MLS calculations. 50 largest metro areas.

Calculations assume 10% downpayments and a 30-year fixed rate mortgage. Monthly payments include estimates of property taxes and homeowners' insurance. Income needed calculations assume monthly payment is no more than 28% of a household's income.

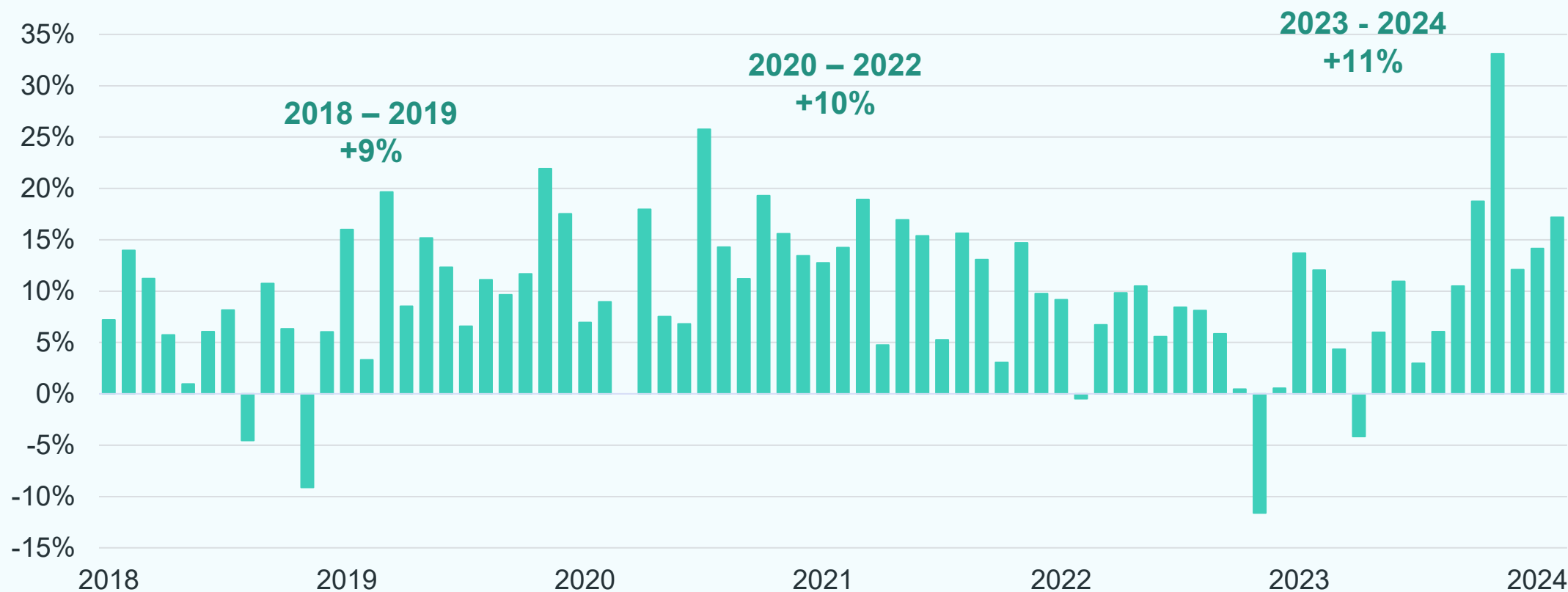
# Sales have been at record lows in the Greater Piedmont area

Monthly Closed Sales, GPR

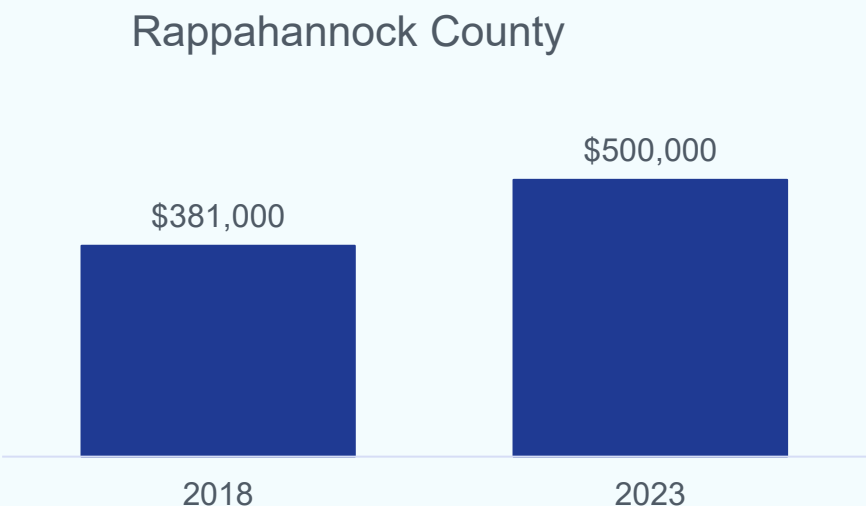
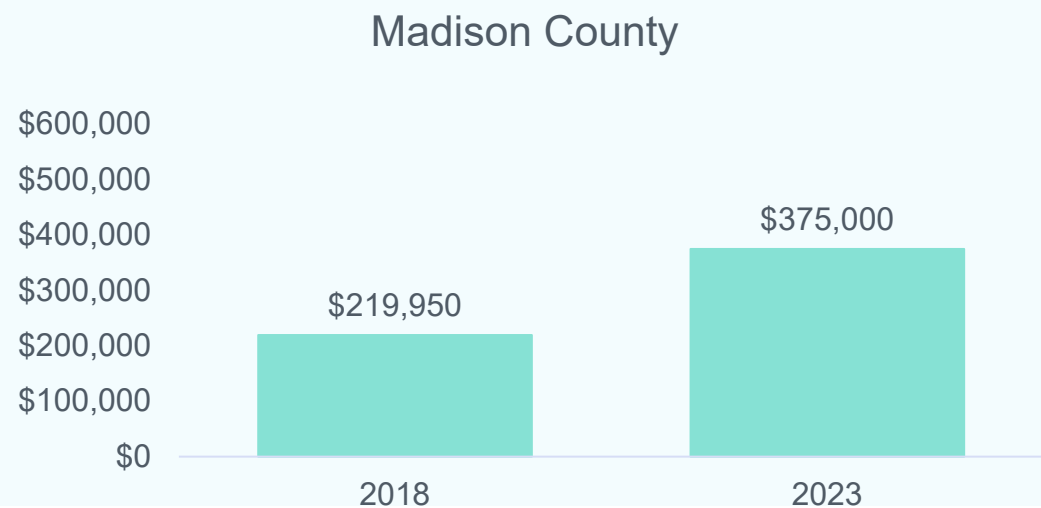
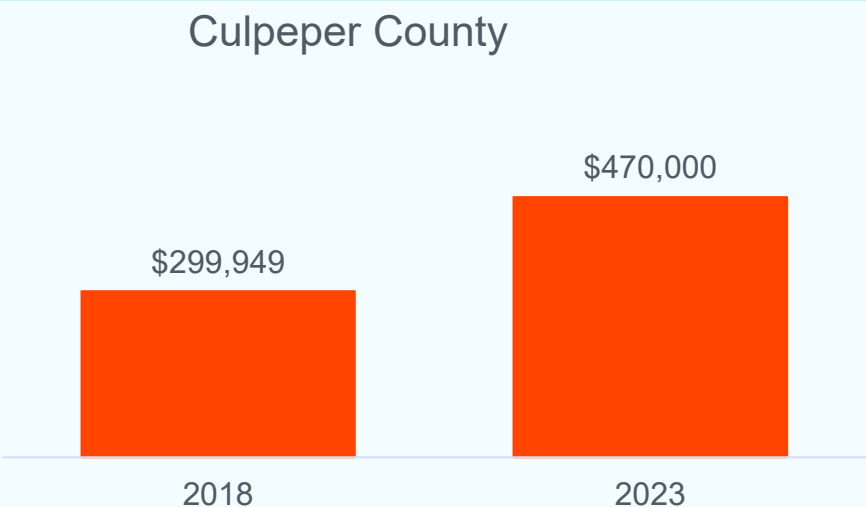
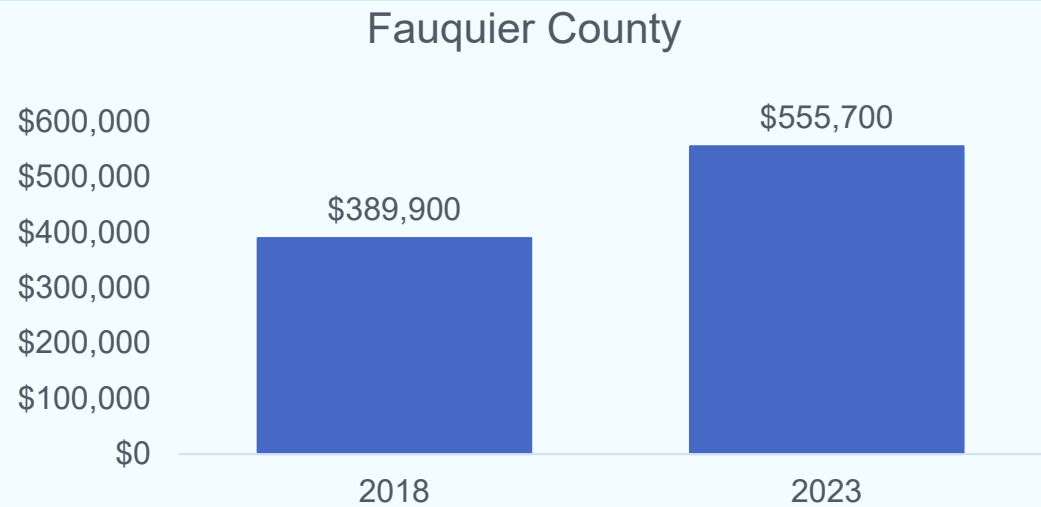


# Despite fewer sales and higher rates, home prices continue to rise

Median Home Price, Year-over-Year Change, GPR



# Home prices up faster in GPR than in other parts of the state





# Cash sales, \$1M+ home sales are up

Greater Piedmont Realtors®  
Share of Home Sales, All Cash

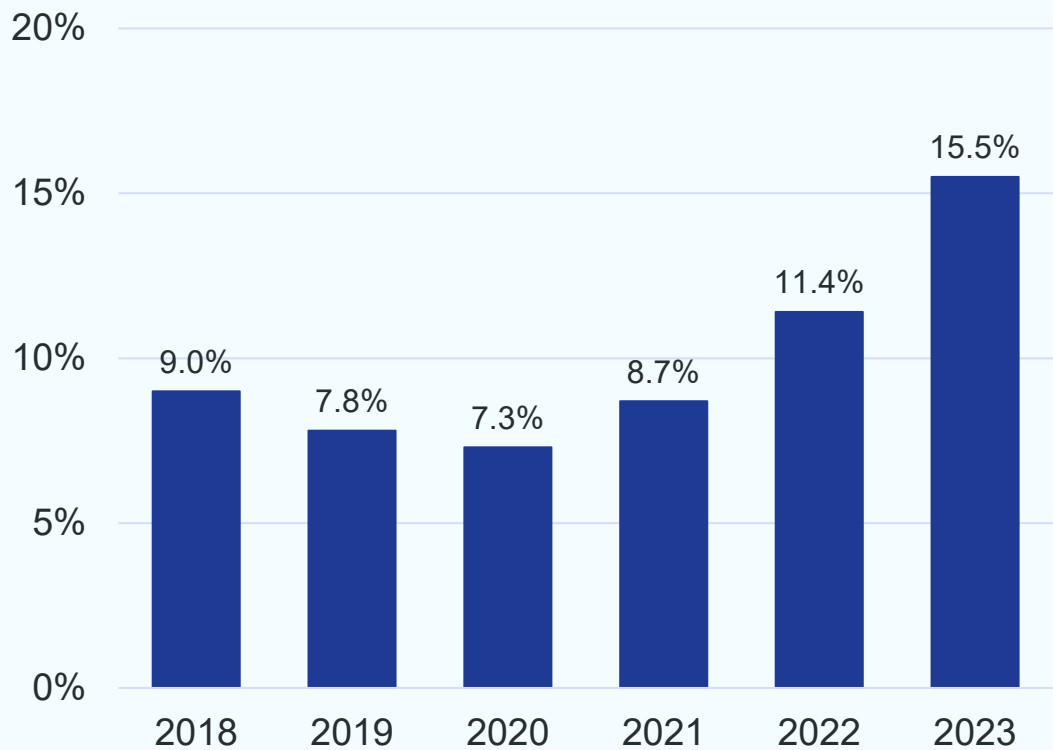


Greater Piedmont Realtors®  
Share of Home Sales, \$1 Million+

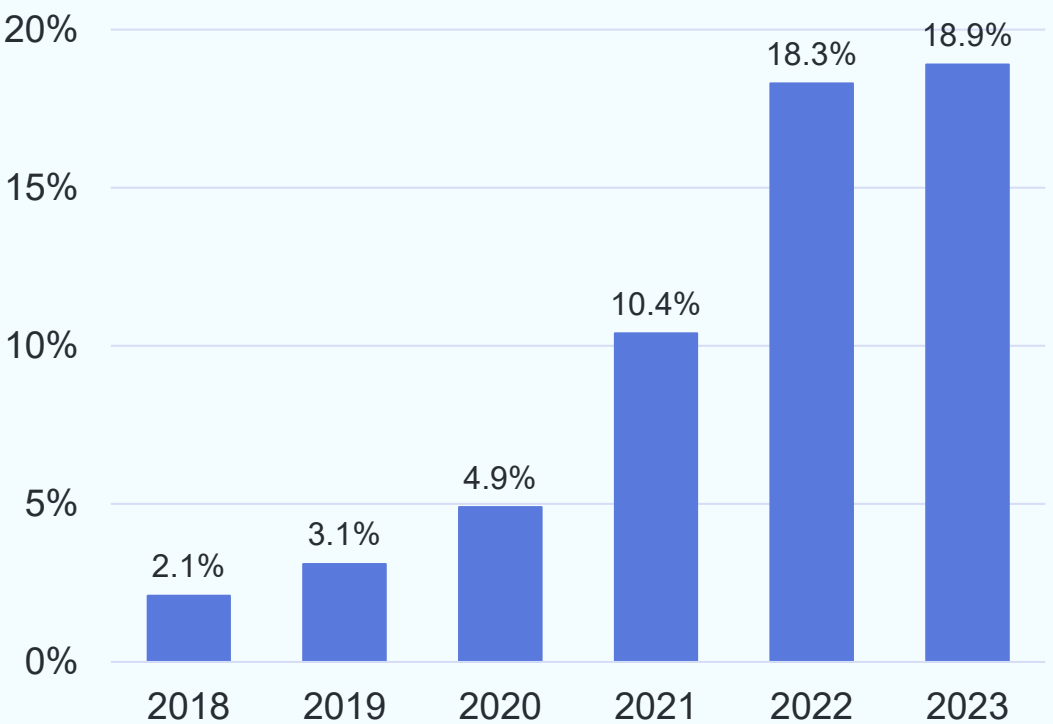


# Cash sales, \$1M+ home sales increased significantly in Loudoun

Loudoun County  
Share of Home Sales, All Cash

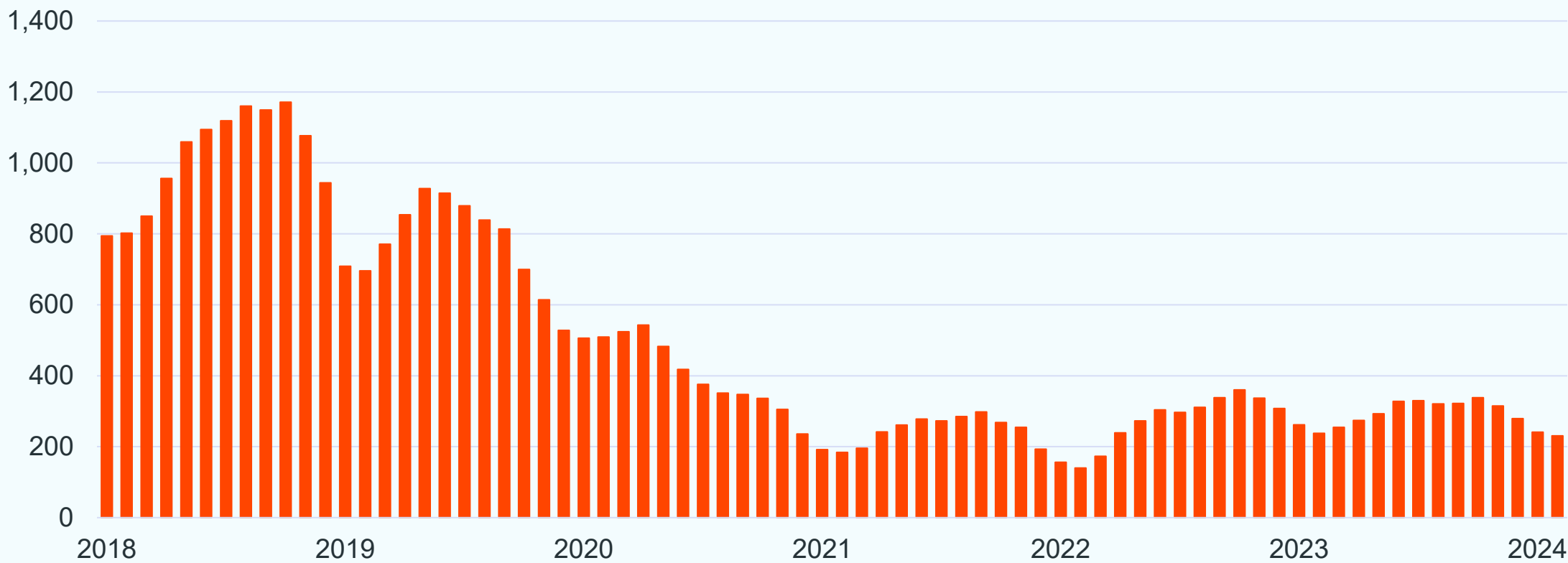


Loudoun County  
Share of Home Sales, \$1 Million+



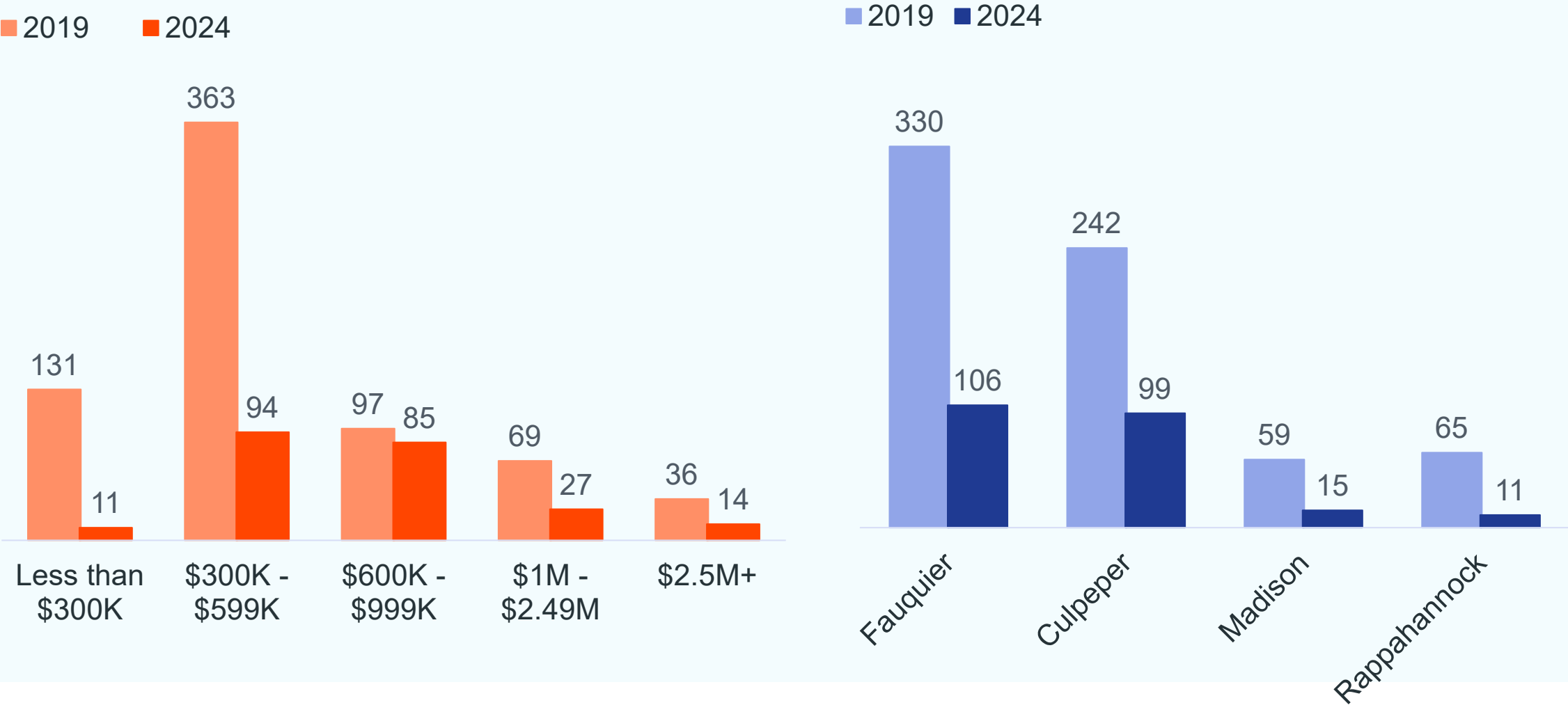
# Low inventory continues to be a constraint on the market

Active Listings (End of the Month), GPR



# Inventory is severely limited across price levels and markets

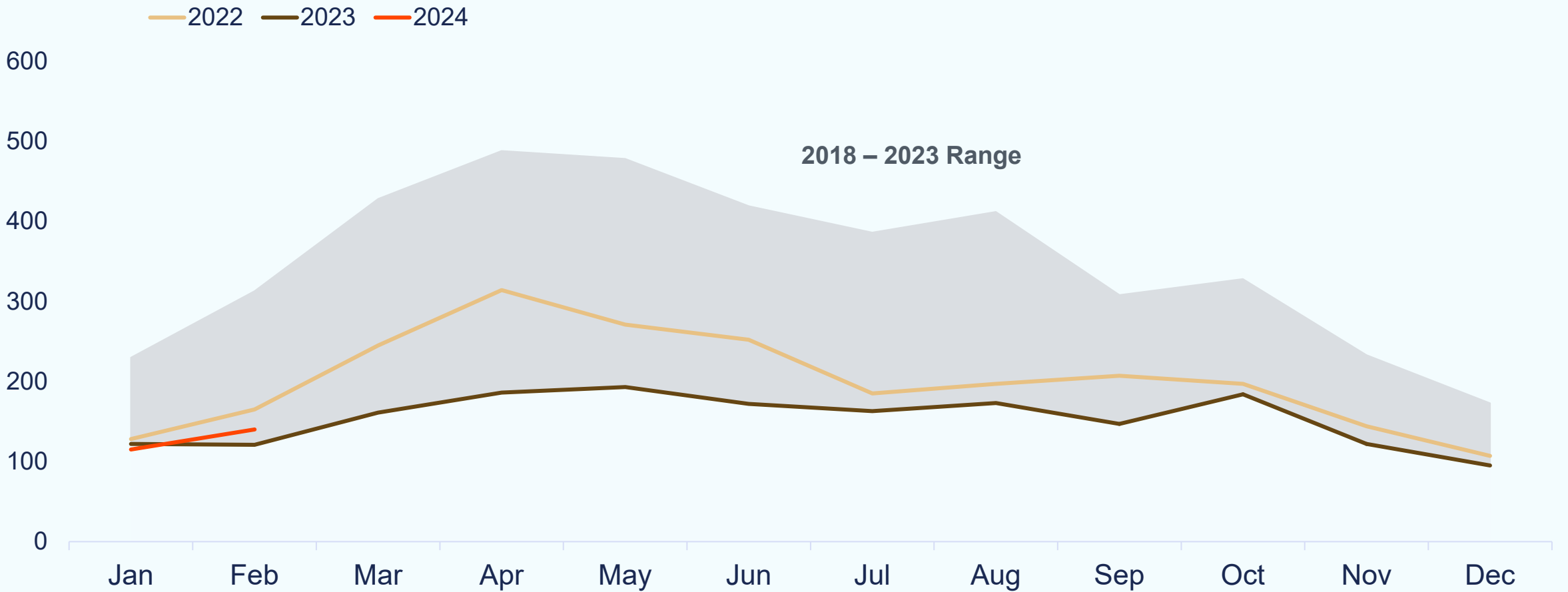
Active Listings, End of February GPR





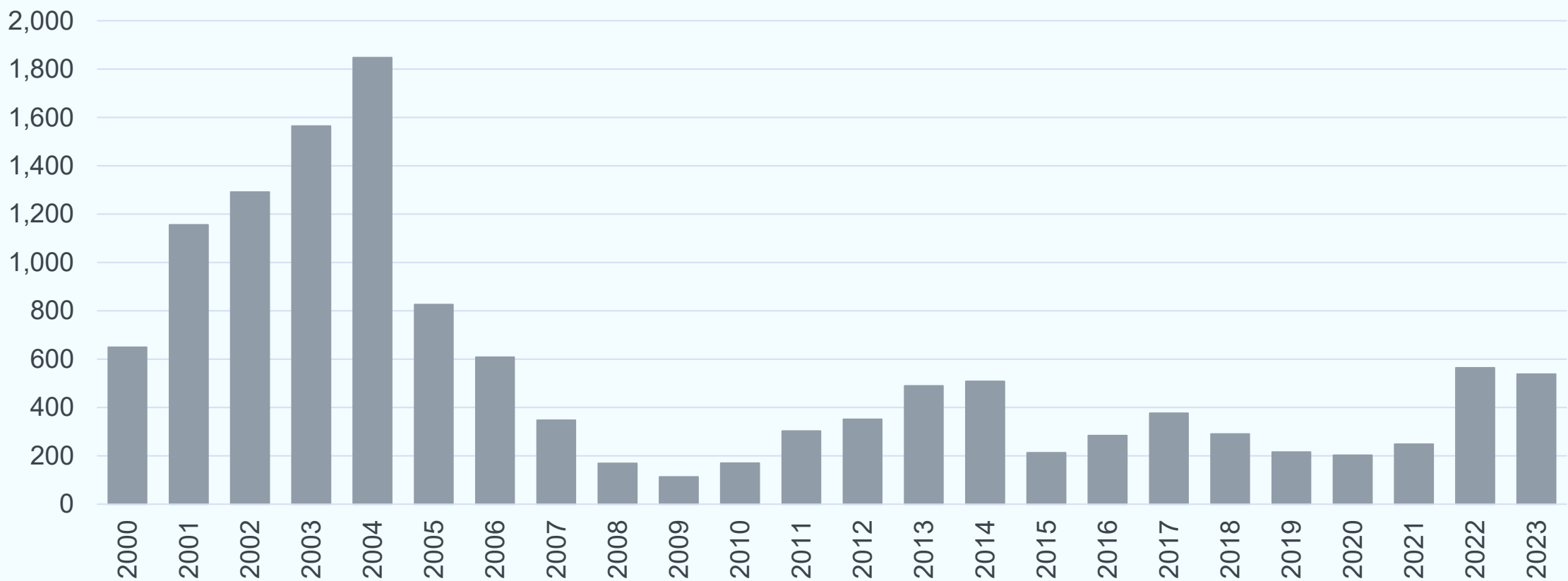
# New listing activity has been at a two-decade low but could be rising

Monthly New Listings, GPR



# New construction in the region has been down for years

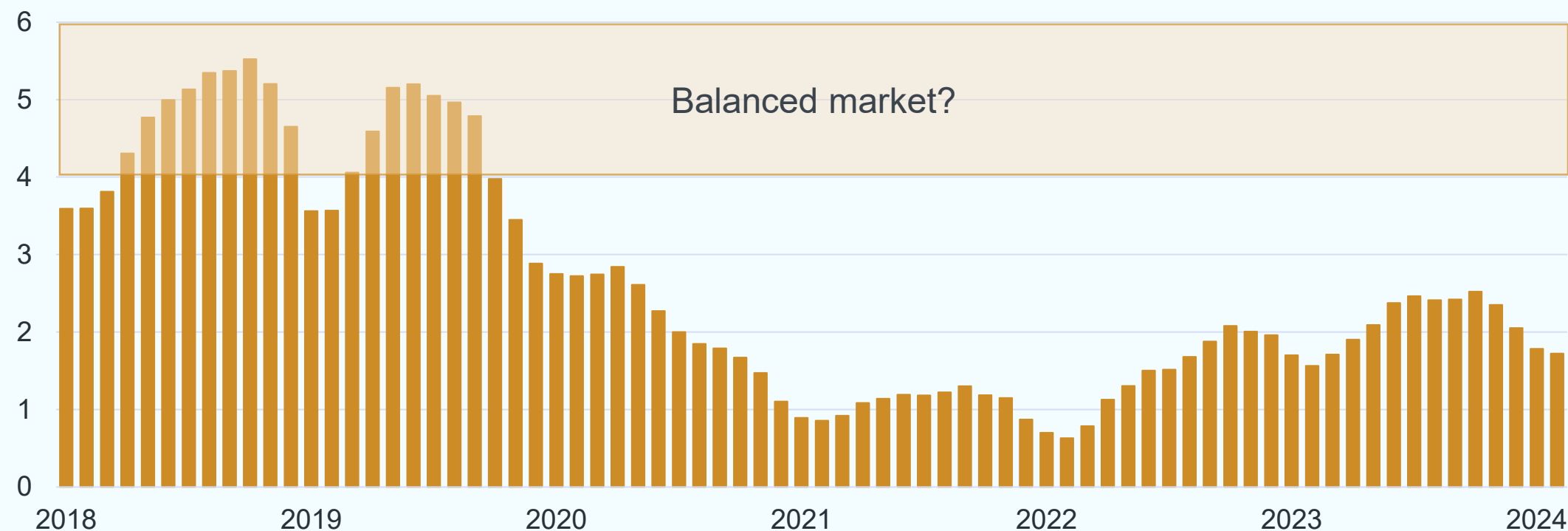
Building Permits Issued for the Construction of New Housing Units, GPR



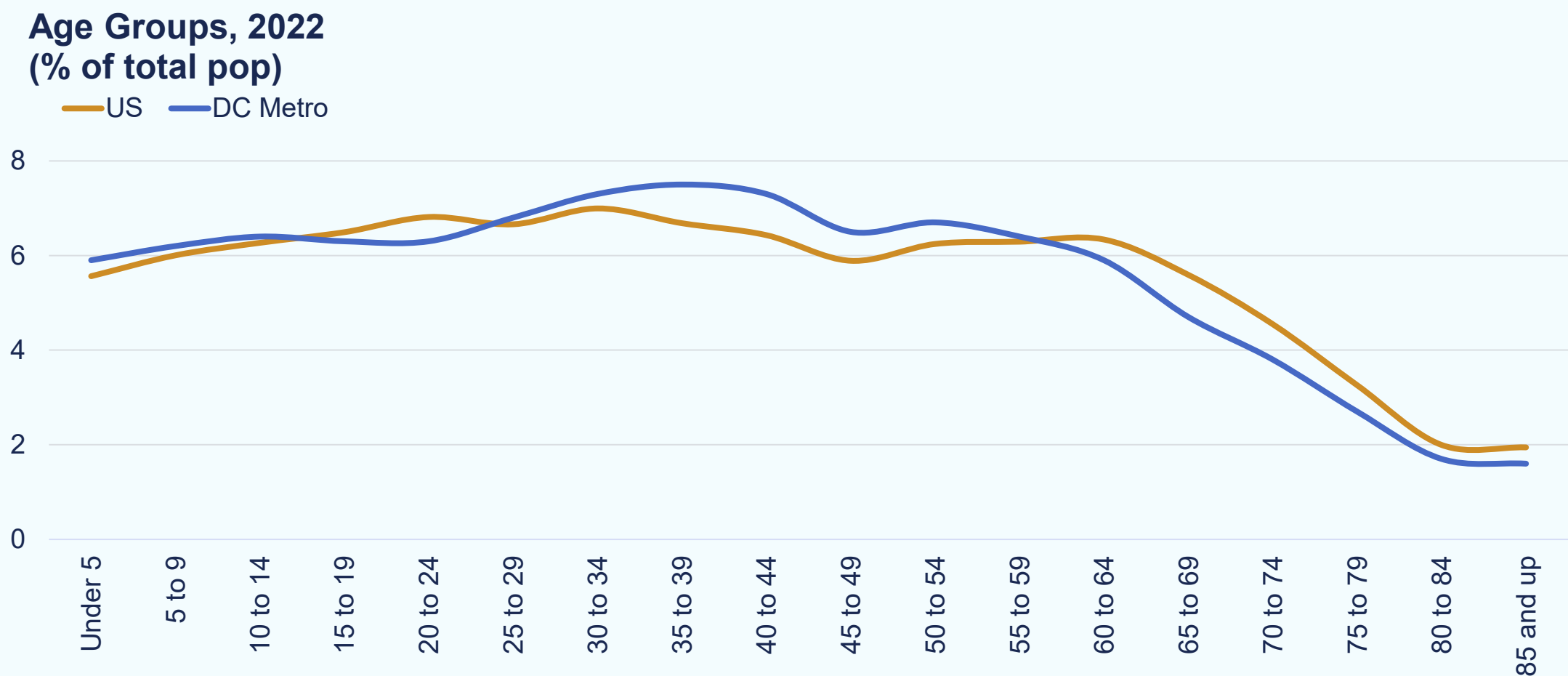
Source: U.S. Census Bureau

# Greater Piedmont has not had a balanced market in years

Months of Supply, GPR

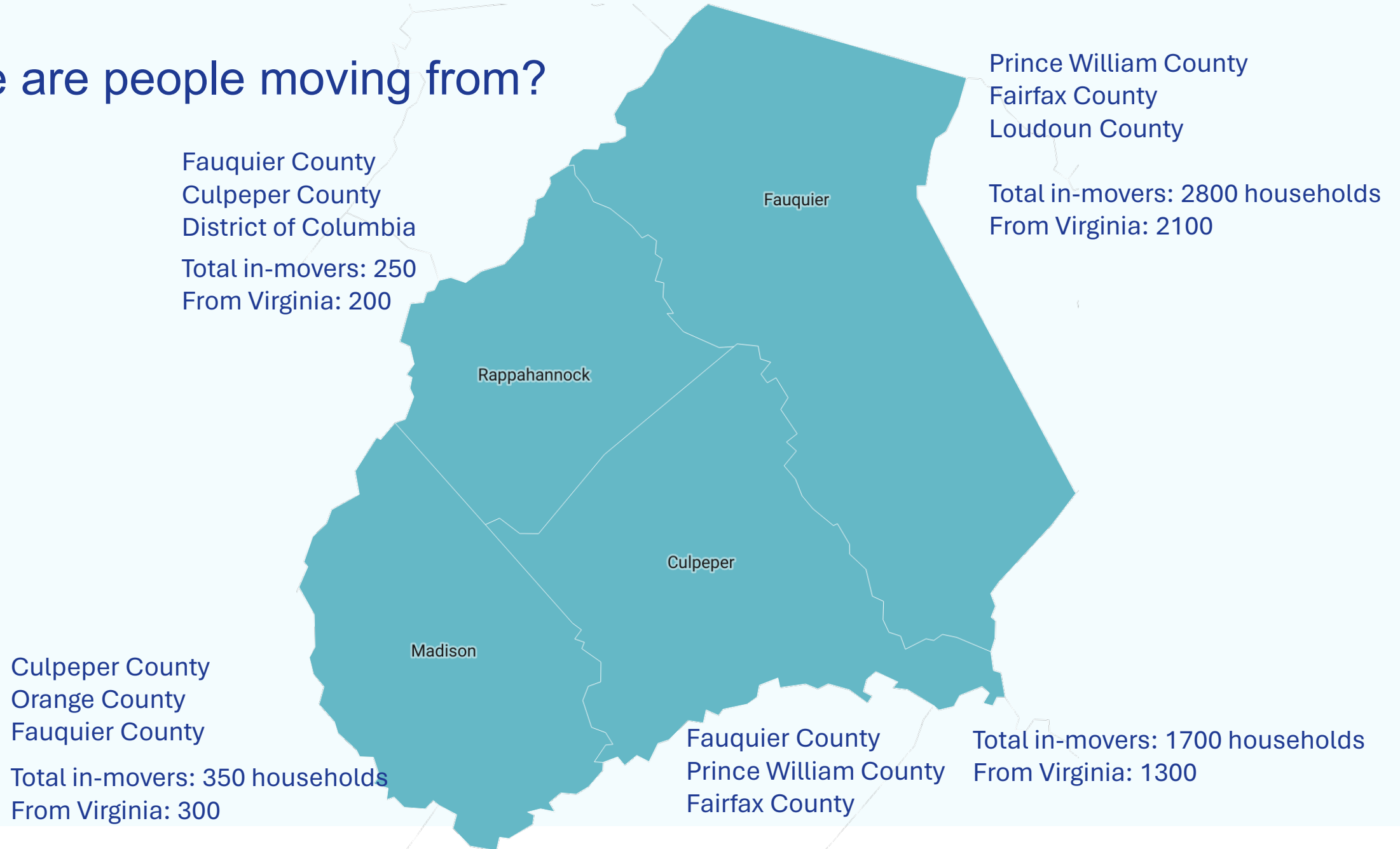


# Younger demographics fuel housing demand in the region



Source: U.S. Census Bureau  
2022 Population Estimates, 2022 ACS

# Where are people moving from?



Source: IRS, 2021 movers



# Outlook

# Outlook

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- Mortgage rates coming down, ending the year around 6%
- Strong local economy
- Persistence of work from home
  - Federal government remains a wild card
- Risks
  - Federal government shutdowns
  - Presidential election
  - Global conflicts
- **NAR Settlement**

# Mortgage Rate Outlook

## Expect rates to remain in the 6's in 2024



# 2024 Housing Market Outlook

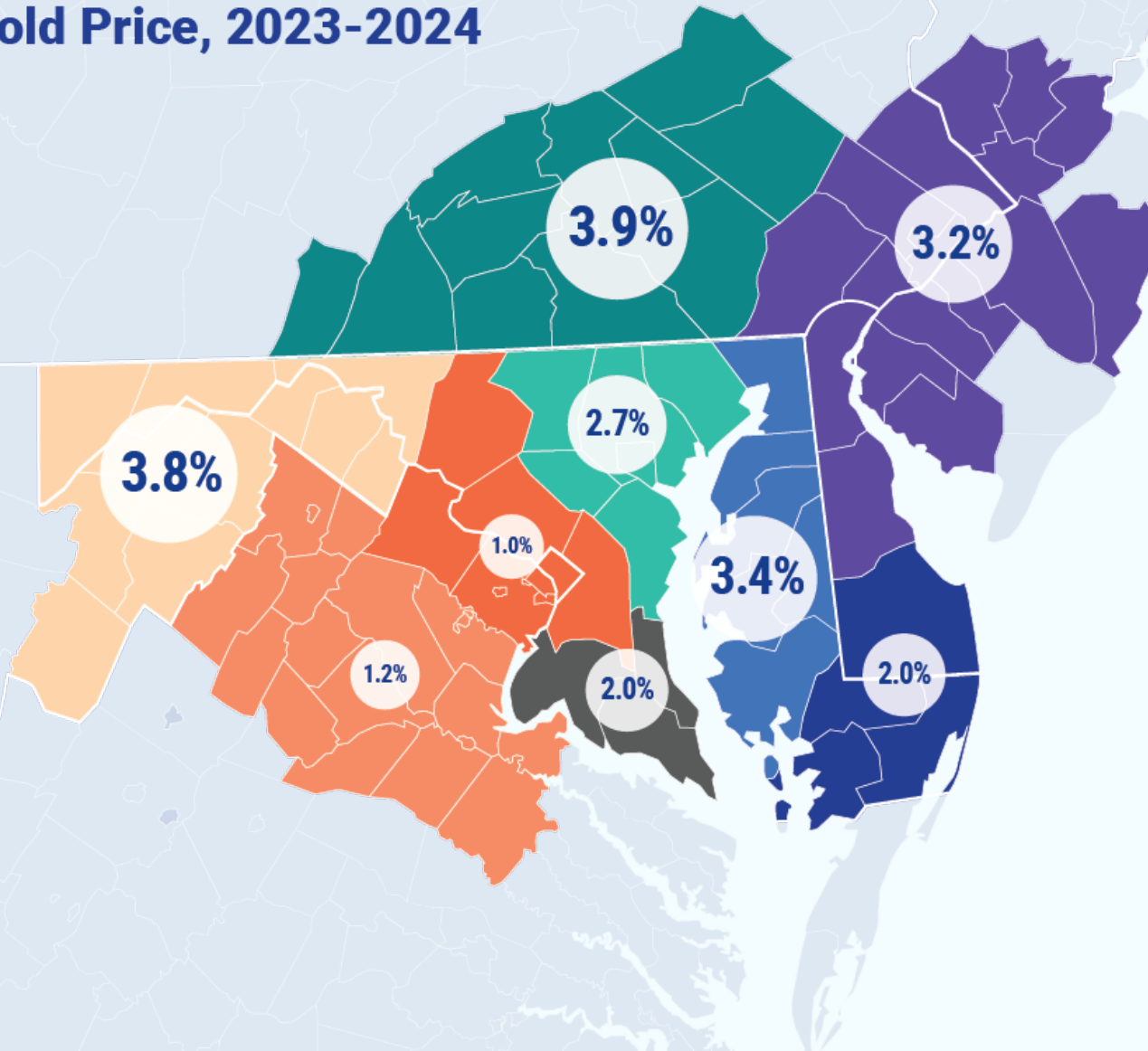
Existing Home Sales	2024 Sales	Change from 2023
U.S.	4.6 million	+12.1%
Bright MLS	239,300	+13.5%
Philadelphia Metro	69,700	+12.6%
Baltimore Metro	34,100	+11.8%
Washington, D.C. Metro	52,500	+11.2%

Year-End Inventory	2024 Inventory	Change from 2023
U.S.	1.28 million	+7.6%
Bright MLS	38,800	+9.3%
Philadelphia Metro	12,400	+10.7%
Baltimore Metro	5,000	+11.1%
Washington, D.C. Metro	7,900	+8.2%

## Change in Median Sold Price, 2023-2024

## Home Prices Rising Across the Bright Service Area

% = YoY Change in Median Sales Price



- MD/WV Panhandle
- North Central Virginia
- Washington, D.C., Metro Area
- Central Pennsylvania
- Baltimore Metro Area
- Southern Maryland
- Maryland Eastern Shore
- Philadelphia Metro Area
- Del/Mar Coastal

# Questions?

# NAR Settlement

## Big Questions

Will sellers pay less?

Will brokers make less?

Will financing options expand?

Will cooperation through the MLS change?

Will there be fewer real estate professionals and/or REALTORS®?

## Other Questions

What should I say to clients?

What will our contracts look like?

What if my buyer can't afford to pay a commission?

## What does the NAR settlement do?

- **Ends the lawsuits (mostly)**
- **NAR covers the settlement payments (mostly)**
- **New MLS rules**



# What does the NAR settlement do?

- **Ends the lawsuits (mostly)**
  - Deal still must be approved, which takes months
  - DOJ may weigh in, which may slow/alter things
  - Most cases likely to linger another year before being closed out
- NAR covers the settlement payments (mostly)
- New MLS rules

# What does the NAR settlement do?

- Ends the lawsuits (mostly)
- **NAR covers the settlement payments (mostly)**
  - Nothing due from REALTORS®, REALTOR associations, REALTOR-association-owned MLSs, nearly all brokerage firms
  - Opt-in payments due from others (non-NAR MLSs, top 100 firms)
  - BHHS must settle separately
- New MLS rules

## New MLS Rules: Buyer Rep Agreements

- Must sign before first home tour
- Must disclose that commissions are negotiable (also required for seller's rep agreements)
- Must agree on an “ascertainable” payment amount
  - ***This merits critical thinking & messaging***
  - Cannot use an “open ended” amount (e.g., “buyer broker compensation shall be whatever amount the seller is offering to the buyer”)

# New MLS Rules: Compensation

	<u>Can't</u>	<u>Can</u>
<b>Representing Sellers</b>	<ul style="list-style-type: none"> <li>• Can't make blanket offers through an MLS or other sites/apps to pay cooperating brokers</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to negotiate commissions</li> <li>• Make offer to share comp in negotiations, or on your website for your own listings, <u>if</u> client approves in writing in advance</li> <li>• Put in the MLS seller concessions that apply to closing costs (e.g., "x% of closing costs" or "Invite purchase offer to include closing cost concessions")</li> </ul>
<b>Representing Buyers</b>	<ul style="list-style-type: none"> <li>• Can't say your services are "free"</li> <li>• Can't filter listings based on offer to pay the buyer's broker</li> <li>• Can't be paid from any source without disclosure to the client</li> <li>• Can't be paid more than the amount agreed with the client</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to negotiate commissions</li> <li>• Can agree to offset fees based on purchase negotiations/concessions from the seller</li> <li>• Can agree with client to seek homes where the seller is willing to negotiate a concession to cover buyer costs</li> <li>• Include in a purchase offer a request for a credit towards buyer's rep fees</li> </ul>

***This will be challenging. And it also could be an opportunity to freshly think about the value of the REALTOR® and the MLS***

### **Updates to client forms and disclosures**

- What should these say about both sides of the transaction?
- How might these describe how to use concessions – for sellers and buyers?
- How could these emphasize the value of the agent?
- How could these describe the role of the MLS?

### **New MLS rules**

- How should the MLS describe concessions in the system?
- What should these say beyond what's in the settlement agreement?
- What other, new tools should the MLS add to enhance the process?

# Discussion

# Thank you!

Lisa Sturtevant

[Lisa.Sturtevant@brightmls.com](mailto:Lisa.Sturtevant@brightmls.com)

