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Experts: 2024 Home Prices Won't Decline

By Jeff Ostrowski

Despite predictions housing prices would come down, values keep rising in 2024. The reason? The tight inventory.

WASHINGTON – Much to the chagrin of would-be homebuyers, property prices just keep rising. It seems nothing — not even the highest mortgage rates in nearly 23 years — can stop the continued climb of home prices.

Prices increased once again in December, according to the National Association of Realtors (NAR), which reports that median existing-home prices were up 4.4% over last year — the sixth month in a row of year-over-year jumps. In another reflection of ongoing increases, the latest S&P CoreLogic Case-Shiller home price index showed a 4.8% jump in October that represented the ninth month in a row of gains.

So much for the idea that a “housing recession” would reverse some of the outsized price gains in homes. The U.S. housing market had finally started slowing in late 2022, and home prices seemed poised for a correction. But a strange thing happened on the way to the housing market crash: Home values started rising again.

NAR data shows that median sale prices of existing homes are near record highs. December 2023's median of \$382,600 is off the all-time-high of \$413,800, but not by much, especially for a typically quiet time of year. (Seasonal fluctuations in home prices make June the highest priced month of most years — the all-time-high was reached in June 2022.) "The housing recession is essentially over," says Lawrence Yun, NAR's chief economist.

Home values held steady even as mortgage rates soared to 8% in October 2023, reaching their highest levels in more than 23 years. (They have since dipped back down, falling below 7% in recent weeks.) The main culprit is a lack of housing supply. Inventories remain frustratingly tight, with NAR's December data showing only a 3.2-month supply.

"You're not going to see house prices decline," says Rick Arvielo, head of mortgage firm New American Funding. "There's just not enough inventory."

Skylar Olsen, chief economist at Zillow, agrees about the supply-and-demand imbalance. Her latest forecast says home prices will keep rising into 2024 — welcome news for sellers but not so great for first-time buyers struggling to become homeowners. "We're not in that space where things are suddenly going to be more affordable," Olsen says.

In fact, the trend is quite the opposite. According to Realtor.com's December 2023 Housing Market Trends Report, high mortgage rates have increased the monthly cost of financing the typical home (after a 20% down payment) by 6.1% since last year. That equates to \$123 more in monthly payments than a buyer last December would have seen.

Mortgage rates fell sharply in late December, a move that boosted affordability. However, lower mortgage rates also are pulling more buyers into the market. "The potential for a decline in mortgage rates intersects with the prime homebuying time of the year — if you can find one to buy, that is," says Greg McBride, Bankrate's chief financial analyst.

Taking all this into account, housing economists and analysts agree that any market correction is likely to be a modest one. No one expects price drops on the scale of the declines experienced during the Great Recession.

Is a crash coming? No. There are still more buyers than sellers, and that means a meaningful price decline can't happen: "There's just generally not enough supply," says Mark Fleming, chief economist at title insurer First American Financial Corporation. "There are more people than housing inventory. It's Econ 101."

Dave Liniger, the founder of real estate brokerage RE/MAX, says the sharp rise in mortgage rates has skewed the market. Many would-be buyers have been waiting for rates to drop — but if mortgage rates do decline, it could send new buyers flooding into the market, pushing up home prices.

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