



2024: A YEAR IN REVIEW

REPORTS ON HOUSING
ECONOMICS EXPLAINED

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TALES OF AN ANEMIC MARKET

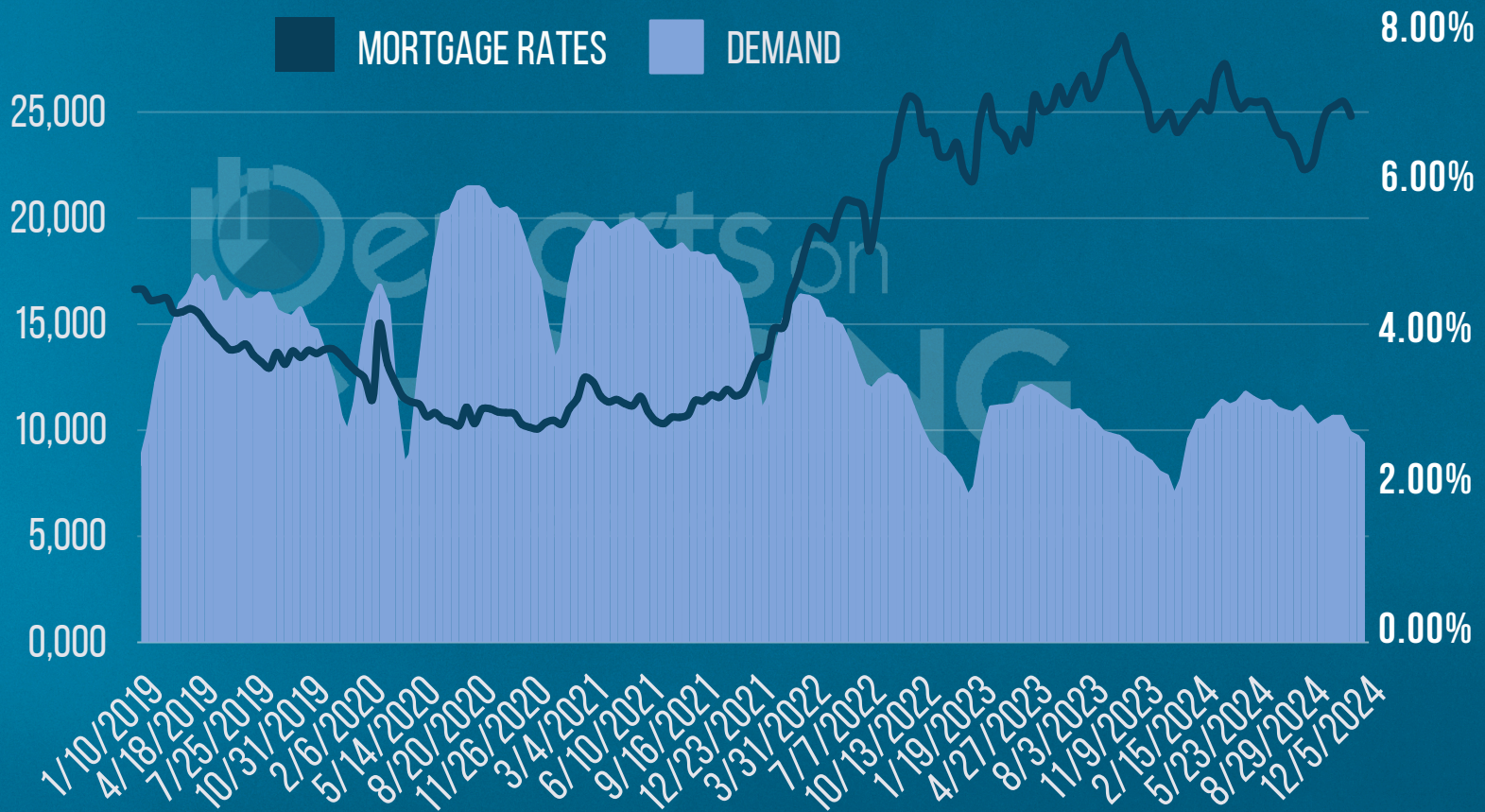
The 2024 residential real estate market was marked by stagnation, historically low sales volumes, and significant challenges for buyers and sellers. The year is projected to record just four million home sales—the lowest figure in nearly three decades—reflecting a nation frozen in place amid rising home prices, high mortgage rates, and a persistent shortage of housing inventory.

Affordability has emerged as a central issue shaping the real estate landscape. According to the National Association of Home Builders, 103 million American households were priced out of the housing market. Factors driving this crisis include:

- **High Mortgage Rates:** Mortgage rates remained stubbornly high throughout most of 2024, often exceeding 7% during the spring and summer markets. While rates briefly dipped below 6.5% in late August and early September—reaching a year-low of 6.11%—the reprieve was short-lived. Elevated rates continue to tax buyer demand and deter sellers from listing their homes.
- **The "Hunkering Down Effect":** Many homeowners with low, fixed-rate mortgages have been reluctant to sell their properties, constraining supply and limiting choices for potential buyers. This phenomenon has kept home prices elevated even in the face of reduced demand.

The housing crisis is fundamentally a supply crisis, exacerbated by both a lack of construction and the unwillingness of homeowners to sell. Depending on the source, the U.S. faces a housing shortage estimated at 3.7 to 4.5 million homes. Several factors have hindered new home construction, including higher costs for builders and a decline in housing starts. In October, single-family housing starts fell 6.9% compared to September, reflecting the challenges builders face in a high-interest-rate environment.

SOUTHERN CALIFORNIA DEMAND VS MORTGAGE RATES 2019 - 2024



The Federal Reserve's monetary policy has significantly influenced the housing market. In response to record-high inflation in 2022, the Fed aggressively raised the short-term Federal Funds rate, indirectly pushing up mortgage rates. However, as inflation slowed to 2.6% by October 2024, the Fed shifted course, reducing its benchmark rate by 100 basis points in the year's second half. Despite this progress, the lag between policy changes and their impact on mortgage rates has meant continued challenges for homebuyers and sellers.

The housing market began to show signs of life as mortgage rates briefly fell below 6.5% in late summer and early fall. Demand increased, and the Expected Market Time—the speed at which homes are sold—shortened. This period marked the most buyer-friendly market since late 2022, with more inventory available and sellers increasingly willing to negotiate.

While 2024 was a challenging year for the housing market, there were signs of potential improvement. Many experts project mortgage rates to decline further in 2025, which could enhance affordability and reignite demand. However, increased demand would drive home prices higher, perpetuating affordability challenges for many buyers.

The 2024 housing market reflected the complex intersection of economic conditions, policy decisions, and long-standing supply issues. While those challenges persist, the gradual easing of mortgage rates and the potential for increased new construction in the coming years offer hope for a more balanced and dynamic market. For now, buyers and sellers must navigate an environment defined by patience, negotiation, and strategic decision-making.