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Seasons of change in the real estate market - by Laurie Nichols

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The housing market in 2020 saw its share of ups and downs due to the onset of the COVID-19 pandemic. Changes in the real estate market were affected by the federal government's response to counterbalance the damage done to the economy by the coronavirus and the subsequent response to policy and monetary changes by the public.

Winter

It was the start of a new decade, winter was nascent, and the housing market was relatively strong. Housing saw substantial momentum for the first time in more than a decade; inventory of homes for sale were low and prices were high. At the time, the coronavirus was a distant concern, and the focus was more on affordability due to high prices, and the subsequent search for affordable housing in the suburbs.

Spring

The housing market for spring typically heats up and drives strong through summer as people seek to purchase and move over holiday weekends, or during the summer when children are out of school. While this is typically true, this year was affected by the advent of the coronavirus.

The crisis response to the virus was unprecedented. Many state governments ordered a shutdown of an estimated eighty percent of non-essential businesses. To counteract the economic turndown, the Federal Reserve set a target of fed fund rates to near zero, seeing mortgage rates plummet to all-time lows and a government stimulus package gave a much-needed boost to the economy. Although the government responded immediately to counteract the negative effect of the coronavirus on the economy, forecasts were still of a deep and uneven economic recession with an uncertain recovery.

Higher unemployment and lower mortgage rates changed previous attitudes towards housing. People sought to avoid social contact, which in turn made shared amenities a thing of the past, and remote work and remote schooling becoming the “new norm”.

Housing was also affected by a sudden surge of multigenerational living due to increased unemployment rates. Younger millennials returned to their parents’ homes, and couples with children either moved in with parents or invited their parents to move in to assist with childcare.

Also, the need for living close to work was no longer a factor in housing choice and the need for more room to accommodate a home office or a larger household became a driving force in home selection. Suburbs saw a spike in sales and became a growing trend as people took advantage of lower costs and more space.

Summer

The pandemic continued to limit economic activity, causing unemployment to hit an all-time high, second only to that of the Great Depression. The higher demand for housing drove up housing prices in the suburbs. The pandemic and economic uncertainty contributed to a slowdown of the typical summer high season for real estate transactions.

Adding to the constraint of home sales was the low inventory and diminished consumer confidence of the effects of the coronavirus on the market. Confidence eventually increased and housing sales picked up, seeing real estate activity grow at an unusual pace, and housing sales recovery became strong.

Economic activities are ramping up in all the sectors, mortgage rates trend at historic lows, and jobs are also recovering. Record low mortgage rates are providing opportunities for buyers to lock-in low monthly mortgage payments for future years. The latest housing market trends show that prices are rising in most parts of the country and most price segments because of the lack of supply.

Fall

As we move into fall, we typically see a decline in demand and an increase of inventory staying on the market. This year, the pandemic pushed the typical buying season further back as sales trends show an atypical active fall market. While the pandemic led to a shorter supply and higher prices, overall buyer demand remains strong. Overall, the housing market is showing signs that it is in the recovery phase with demand, supply, pricing, and sales growing to levels above the beginning of 2020. This increase in buyer activity can go on for the coming winter season and carryover into 2021 as long as mortgage rates remain low and jobs continue to recover.

2021 – A New Hope?

While everyone holds their breath to see if there is a surge of coronavirus cases over the holiday season and if the current administration approves another stimulus package, there is still hope that

the real estate market will prove resilient to the ongoing recession supportive of an eventual economic recovery. Home prices are predicted to rise, with growth expected to resume in spring and remain above pre-pandemic volume throughout the year, and the economy shows signs of bouncing back from the pandemic, the outlier being that coronavirus cases do not rise at a rapid pace.

The economy needs a figurative shot in the arm and that may well be reflected with the development of a vaccine for COVID-19, a literal shot in the arm, slated for distribution to the general public by spring. With good news comes new hope.

And with that, best wishes to all for a happy and healthy holiday season, and a speedy economic recovery.

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