

All Signs Point to 2024 Home Sales Reversing Negative Trends of 2023

By Michael Catarevas

January 19, 2024



When Bright MLS Chief Economist Dr. Lisa Sturtevant finished predicting 2024 mortgage rates, inventory levels, inflation numbers and more at RISMEDIA's Rocking in the New Year virtual event during her session titled, "The 2024 Economy: Are Things Finally Getting Better?" she made two points that REALTORS® nationwide could take to heart.

One was that many more homes will be sold this year than in 2023, and also that it's more important than ever for homebuyers and sellers to have real estate professionals help them navigate the market.

"In 2023, we had about 4.2 million sales," she said. "Part of the reason why sales were down and at their lowest level in a decade was higher mortgage rates. But

lack of supply was the primary driver of fewer sales. The forecast from Bright is that there will be 4.6 million home sales in 2024. That is below the long-term average, which is typically about 5 million sales a year, but it still represents a really decent uptick.

“One reason I’m optimistic for more transactions is because there is a significant amount of pent-up demand,” she added. “Another reason is that buyers are going to have more choices. Inventory is expected to increase, with more existing homeowners taking the plunge. It will still be below where we were prior to the pandemic, and the market will still remain really competitive. Frankly, I look for a really weirdly busy first quarter of 2024. As buyers are watching interest rates fall, some are deciding they need to get in the market now before the traditionally busy spring season.”

Sturtevant didn’t mince words when her talk came around to mortgage-rate percentages.

“We are in a new era,” she said. “We all know that we won’t see mortgage rates fall back to where they were during the pandemic. That is not going to happen in our lifetimes. We are going to be in a period of relatively higher rates, and I’m saying ‘relatively’ because I’m expecting that we’ll see mortgage rates kind of bump around here in the first quarter of 2024, but they will come down further as we head through the year.”

Sturtevant forecasts average mortgage rates will be in the low sixes, perhaps hitting 6% by the end of 2024, adding historical context that over the last 50 years, the 30-year fixed-rate mortgage has averaged around 7.75%. “So while we’ll be a little bit elevated, compared to where we’ve been, we are actually in a pretty good position.

“We know that mortgage rates hit a 23-year high back in October or early November of last year, but since then, we saw a pretty sharp decline over the last

eight weeks. Rates have been coming down very steadily, and that's because it became very clear that the Fed was truly done with rate hikes."

Inventory issues have been blamed on high mortgage rates over the past year, but Sturtevant sees things easing up for reasons other than pure numbers.

"We know that inventory has been the primary constraint on the market," she said. "We've heard that rate lock is keeping existing homeowners in their homes. People don't want to give up their super-low mortgage rates, but I believe that 2024 is going to be the year of 'life happens,' in which changing family and financial circumstances are going to lead more people to move and list their home for sale, even if it means giving up that 3% rate and taking on a rate closer to 6%. Home buying and selling is a financial decision, but it's also an emotional and a psychological and a family decision, and I think we're going to see more and more people who are going to be willing to list their home for sale despite the fact that rates remain in the sixes."

Regarding house prices, Sturtevant thinks they will remain about where they are now, give or take.

"Because both demand and supply are projected to increase in 2024, I expect that at a national level, home prices are going to be pretty stable in 2024," she said. "Prices were only up about 1% in 2023. But let's be very clear: there will be a lot of variation across the country, and it will be more important than ever for agents and brokers working with buyers and sellers to be paying attention to local market conditions, helping those prospective buyers and sellers wade through some of the noise about the national housing market, and to really be a resource to consumers on what's going on locally."

Other factors are also looking good for Americans in regard to inflation and unemployment, two key indicators for spending.

“Will the economy get better in 2024?” ponders Sturtevant. “Well, it’s been surprisingly good in 2023 and recession risks remain low for this year. It’s possible that the Federal Reserve will indeed be able to bring us in for that soft landing where inflation is able to come down while unemployment is not jacked up. In fact, the unemployment rate is still at 3.7%, which is incredibly low. The labor market is still really looking good. Wages are continuing to rise and will continue to rise this year. That’s particularly good news for lower and more moderate wage workers, who have seen the biggest wage increases over the last year or so. And as far as the housing market goes, buyers in 2024 will find mortgage rates lower than they’ve been over the past year. They’ll also find somewhat more inventory in the market. Sellers will still be in control in most markets, though they will have to negotiate with buyers more than they have in the past.”