

There are 4 shakeups coming for the US housing market in 2024

Jennifer Sor Tue, Dec 5, 2023

- There are several shakeups coming to the US housing market next year, according to Redfin.
- That comes amid a stagnant year for home sales, with sky-high mortgage rates deterring buyers.
- But buyers could see some improvement to affordability in 2024 as rates cool and inventory ticks higher.

The housing market could be headed for better days, as there are major shakeups taking place next year, according to Redfin's chief economist Daryl Fairweather.

Those changes could finally make conditions better for homebuyers, who have been slammed for the past past year by affordability challenges, the top housing economist said in a note on Tuesday.

High mortgage rates have deterred buyers and sellers from entering the housing market, but markets have dialed back expectations for interest rates.

"We're starting to see a shift toward a buyer's market as pandemic driven inflation takes its last gasps, mortgage rates come down, and more people list their homes for sale," Fairweather said.

Among Redfin's predictions for next year, these four shifts are set to emerge:

1. Home sales will pick up

Activity has stalled for much of the past year under high mortgage rates. But that should improve as rates continue to tread lower, with the average 30-year fixed rate falling to around 6.6% by the end of 2024, Redfin predicted.

Home sales are set to increase by 5% to 4.3 million in 2024, while home prices will fall by 1% after rising 3% in 2023.

"Home prices will still be out of reach for many Americans, but any break in the affordability crisis is a welcome development nonetheless," Fairweather said.

2. Home-buying fees will decline

Home-purchasing costs will decline as competition among real estate firms ramps up. Agents are more likely to slash their fees in a bid for clients. Firms are also displaying costs, like commission fees, more publicly, which could make buyers more inclined to push for a better deal.

"For the first time in Redfin's near-20-year history, our agents reported widespread discounting among our competitors in 2023, if not in the fee publicly offered to the buyers' agent, then in commission refunds or private listing agreements," Fairweather said.

3. Renting will become more popular

Demand for rentals is expected to increase, partly because more young Americans are losing hope of ever owning a home.

"Rather than shelling out cash on agent fees, interest on a loan, property taxes, insurance and maintenance, many will decide that renting and investing their money in other ways makes the most sense," Fairweather added.

While prices of large rental units will climb next year as supply falls short of demand, there will be downward price pressure for smaller units due to a big backlog.

4. 'Boomerang migration'

Redfin sees a wave of "boomerang migration," as workers who left expensive cities for more affordable places return to where they came from.

Americans are also likely to move away from coastal areas to escape climate-disaster risks, Redfin said. That could lead home prices to fall in places like Florida while rising in more "climate-resilient" inland cities.

In addition, Americans priced out of the housing market could even end up moving back in with their boomer-generation parents, Redfin said.