RUBIN REPORT

The monthly newsletter for real estate updates in the Baltimore metro area

In this Issue:

AUGUST UPDATE: MD MARKET COOLING!

Remember normal, seasonal market fluctuations? Demand is dipping this time of year, and that may signal a return to "normalcy" in the market.

MARKET TO PLATEAU (NOT POP)

The fever of rising home prices is decreasing, but we are a long way from "normal." Economists forecast a gradual, slow decline.

HOUSING SHORTAGE GAP IS SHOCKINGLY LARGE

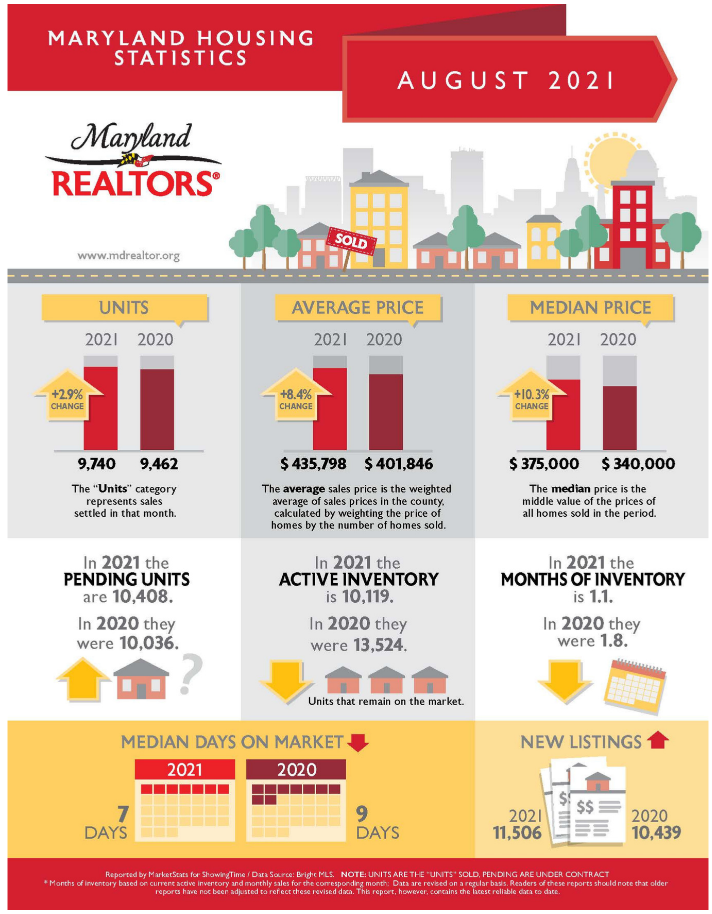
New, multi-year study shows Sellers may be sacrificing as much as 17% of the value of their home by going "off market."

AUGUST 2021 HOUSING NUMBERS ARE IN:

THE MARKET IS FINALLY STARTING TO COOL (SLIGHTLY)

Housing inventory has been increasing steadily since March of this year. August marked a bit of a plateau for inventory. So, we are enjoying some of the highest active inventory we've seen for a full year. Inventory remains critically low, but there are continued signs that people are increasingly more comfortable putting their houses on the market.

Meanwhile, the frenzy of Buyer behavior has definitely started to cool. Buyer demand in the Baltimore Metro Area, as tracked by the Bright MLS | T3 Home Demand Index, remained steady compared to last month. But the demand score has still dropped significantly since demand reached its fever-pitch in the Spring and early Summer of 2021. The demand score remains in the "Moderate" range in the Baltimore area (after being downgraded from "High" last month).



Importantly, demand figures change depending on your geography and price point. Demand within Baltimore City has remained lower compared with surrounding counties. In the City, the demand score fell in the "Steady" category with an overall demand score of 93. Meanwhile, in Baltimore Co, Anne Arundel, Howard, and Harford Counties, the score ranged from 138-191.

The overall cooling of the market can be felt across jurisdictions, with the chief indicator being average Days on Market. Baltimore County has been intriguing to watch, as the median days on market has increased by 1 Day each of the past 2 months. But, this trend is definitely most evident in the City. In Baltimore City, the median days on market is 12 days. That is up from 9 days just 1 month ago (a 25% increase). And this inventory is moving much slower compared to the market peak this past May.

A return to "normal" seasonality.
Real Estate is a wildly seasonal industry. That's what made 2020 so crazy - the market remained red-hot all year and ignored any of the normal "rules" of seasonality. So, it is reassuring to see some normal, seasonal fluctuations. But don't be mistaken - the market remains in tremendous imbalance in favor of Sellers.

FORECASTERS: MARKET TO PLATEAU. ANNUAL PACE OF HOMESALES TO TAPER THROUGH 2022

In addition to unprecedented competition and escalating purchase prices, the overall volume of home sales has also been astronomically high in recent months. However, Fannie Mae economists say that pace of sales is probably not sustainable, given that for-sale inventories remain near historic lows, and new listings aren't coming on the market fast enough to meet demand.

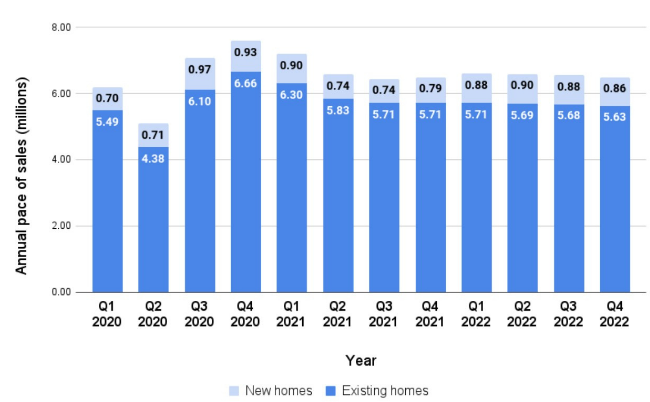
Next year, Fannie Mae is projecting that sales of new and existing homes will fall by nearly 2 percent. Fannie Mae economists expect new home sales will grow next year, but not by enough to offset an expected drop in existing home sales.

Homebuilders continue to face supply constraints, including a shortage of workers in skilled trades, that led Fannie Mae economists to push back some of the new housing sales they expected to see in the fourth quarter back to 2022.

Although Fannie Mae projects new home sales will grow by 11.5 percent next year, to 881,000, that would not be enough to offset a projected 3.6 percent drop in existing home sales, to 5.676 million.

All told, Fannie Mae economists project sales of new and existing homes will fall 1.8 percent in 2022, to 6.557 million.

Annual pace of home sales, by quarter



Annual pace of new and existing home sales, by quarter. Second quarter of 2021 and beyond are projected.
Source: Fannie Mae Economic and Housing Outlook, September 2021.

HOUSING MARKET NEEDS 1.5 MILLION MORE HOMES TO GET BACK TO "NORMAL"

Nationally, we have identified indicators that the market is cooling as inventory increases slightly. "We see inventory beginning to tick up, which will lessen the intensity of multiple offers," said Lawrence Yun, NAR's chief economist, in a press release. But any return to a truly balanced market remains a long way off.

As many have observed, the primary issue driving up prices is a historic shortage of available homes for sale. There are some signs that demand is tapering and inventory is increasing slightly. However, we are a long way from returning to a "normal" market where supply can reasonably meet demand. As one strategist wrote, "it is unlikely that we will find ourselves with an excess of supply at any point in the near future." In a note from Morgan Stanley, housing analysts say in order to get back to the housing market "normal" is an additional 1.1 million to 1.5 million homes. That is an enormous figure, and analysis are struggling to find a compelling source where inventory is primed to surge.

"IT IS UNLIKELY THAT WE WILL FIND OURSELVES WITH AN EXCESS OF SUPPLY AT ANY POINT IN THE NEAR FUTURE.

For instance, Fannie Mae forecasters aren't expecting inventories to swell dramatically because of foreclosures or new home construction. About 1.6 million homeowners who put their mortgage payments on hold during the pandemic will soon lose the protection of forbearance programs, and a moratorium barring foreclosure proceedings against homeowners with federally-backed mortgages expired at the end of July.

But Fannie Mae economists anticipate only "a modest increase in the number of homes placed on the market as the foreclosure moratorium ends," in part because of an improving labor market and high levels of home equity. "Of course, some share of homes in forbearance will likely end up listed for sale, but given existing supply tightness, we do not believe the end of the moratorium will fundamentally change the sales pace or the path of house price appreciation over the next year," Fannie Mae forecasters said.

It's not just the resale market, but also the building market that has been struggling and keeping these numbers from their normal ranges. "We are not building enough homes," Morgan Stanley strategists noted, pointing out that the net demand of shelter is around three years behind the annual growth the U.S. has seen and that there is a shortage of between 1.5 million and 5 million homes, depending on how you count.

"WE ARE NOT BUILDING ENOUGH HOMES

In addition, older people are staying in their houses longer and delinquent home sales have decreased as government programs to prevent foreclosure and help borrowers in distress during the pandemic have kept supply tighter. Homeowner vacancy rates, Morgan Stanley said, are the lowest since the late 1970s, at 0.9%.

In short, economists suggest that the inventory crisis, and accompanying housing appreciation, has possibly peaked. However, we are still a long way away from any kind of a balanced market. While increased new home construction and the end of the foreclosure moratorium will have a positive impact on housing supply, both of these factors have considerable lag time before they impact pricing, and their impact is unlikely to significantly shift the market in the short term.

ARTICLES THAT CAUGHT MY EYE THIS MONTH

MD - AUGUST SALES DATA

Click the link above to drill down into county-specific sales data for the month of August, 2021

HOME SALE TO COOL: THIS YEAR AND NEXT

Fannie Mae forecasters expect homebuyer demand to cool for the rest of this year and next, citing the lack of homes for sale as the primary impediment to sustained growth.

NEW HOME SALES REBOUND

Sales of newly built single-family homes hit an adjusted annual rate of 708,000 in July, up 1% compared to the revised June rate of 701,000, according to the US Census Bureau

FALL HOUSING OUTLOOK: COOLING PRICES, TIGHTER INVENTORY, LESS COMPETITION

As the weather cools, so too will competition and housing prices, experts told Inman for its 2021 Fall Housing Market Outlook. Still, agents can expect inventory to remain tight

BH HS BERKSHIRE HATHAWAY HOMESERVICES

BERKSHIRE HATHAWAY
HomeServices

Doug Rubin, Esq.
REALTOR®

Homesale Realty
53 W. Aylesbury Rd., Timonium, MD 21093
office 410-561-0044
cell 410-440-6279
fax 410-561-0049
drubin@homesale.com
DougRubin.Homesale.com