FINANCE · HOUSING

3 reasons why the frozen housing market of 2024 is actually more active than before the pandemic, Zillow says

BY SYDNEY LAKE
January 16, 2024 at 4:21 PM EST

The frozen housing market has more competition than pre-pandemic.
GETTY IMAGES/MATT CHAMPLIN

Low inventory levels, high mortgage rates, and rising home prices have left the U.S. housing market frozen for the past year. But a new Zillow report suggests that the housing market today is actually more active than it was before the pandemic—even with inventory levels bottoming out in late 2023.

Competition has cooled significantly since pandemic peaks, Zillow says, but it's still hotter than pre-pandemic norms, with homes selling at a faster rate. That's largely due to a lack of available inventory, Orphe Divounguy, Zillow senior economist, tells *Fortune*.

Related Video

"Inventory is slowly increasing, but remains relatively low," he says. "This means buyers have fewer options and homes are going under contract 50% faster than pre-pandemic norms." Today's 6% mortgage rate will "tamp down competition" for houses than when buyers were vying to purchase at sub-4% rates during the pandemic, he adds, but it won't completely eliminate it.

Although high mortgage rates and home prices are locking out some homebuyers, there are three ways that the housing market is still more active than it was before the pandemic, Zillow argues.

1 – Homes are selling much faster than before the pandemic

Remember the pandemic-era housing market when homes were flying off the market in just a number of days? While today's market isn't moving quite that fast, it's still going at a quicker pace than before 2020.

Listings that sell are going under contract in a median of 30 days, Divounguy says. That's one day less than last year and 50% faster than the pre-pandemic median of 45 days, he adds. In December 2021, buyers snatched listings in just 13 days.

Never miss a story about **Real estate**

FOLLOW

FOLLOW THE AUTHOR:

SYDNEY LAKE

MORE TOPICS:

CRYPTOCURRENCY

INFLATION

LEADERSHIP

VIEW MORE

"Homes are selling quicker than pre-pandemic norms largely due to low inventory levels and pent-up buyer demand," Divounguy says. But buyers who were "sidelined" by 8% mortgage rates are "likely to resume their search" as rates continue to drop this year, he adds.

2 – Limited inventory means stiffer competition

Around the time that mortgage rates peaked at 8%, existing-home sales plummeted a stunning 15% in September 2023 on a year-over-year basis to a seasonally adjusted annual rate of 3.96 million transactions, according to the National Association of Realtors (NAR). That was the lowest figure since the world economy and U.S. housing market were emerging from the Great Financial Crisis in 2010.

“Although supply has also improved somewhat, changes in mortgage rates have a larger impact on demand than on supply," Divounguy says. "As a result, competition among buyers remains stiff."

While purchases are happening at a faster pace than before the pandemic, the lack of supply means that there are fewer housing transactions overall, Divounguy says. In fact, inventory levels are 36% lower than pre-pandemic levels, "a shortfall large enough to keep competition relatively brisk," according to the Zillow report. That means that homebuyers trying to break into today's market are up against some pretty stiff competition—and have had to start making concessions to finally get a house.

"People are not entering the market expecting to get everything they want," Michael Martirena, a real estate agent with Compass Florida, tells *Fortune*. "This results in bids and offers on less desirable properties and keeps inventory tight at multiple price points." Plus, nearly 30% of all listings sold above asking price in December 2023, according to Zillow. Only 16% of listings had price cuts, which was the lowest share since April 2022.

3 – Increased home values and mortgage rates

Mortgage rates reached a multi-decade high late last year while home prices increased each month, according to the Case-Shiller index. In turn, the typical mortgage payment was up 7.5% year-over-year in December 2023, according to Zillow.

But what's even more striking is that the figure is 106.5% higher than the pandemic average. Today, the typical home in the U.S. is $344,000 and has a monthly mortgage payment of $1,790, assuming a 20% down payment, according to Zillow. But now that the Federal Reserve is slowing its roll on more interest rate hikes, mortgage rates are more likely to even out. In turn, this rate lock should loosen its grip on sellers, Divounguy says, bringing more activity back into the market.

"More than one in five homeowners are considering selling, compared to 15% one year ago," he says. "Homeowners are sitting on massive equity—home values are up 41% nationwide since 2019—and roughly 70% of sellers turn around and purchase another home."

Subscribe to the CFO Daily newsletter to keep up with the trends, issues, and executives shaping corporate finance. Sign up for free.

Sponsored

Sponsored Stories

outbrain

The Foundation Made For Fine Lines & Wrinkles (It's Miraculous)

Laura Geller Beauty

MONOPOLY GO!

Unpack the Fun!

This NEW Scarf Quickly Becomes Celeb's Most Wanted Item 2024

It's so soft and warm...

FashionInUSA

MONOPOLY GO! Is The Hottest Game In The World Right Now

MONOPOLY GO!

The Latest

5 hours ago

POLITICS - FLORIDA

An appeals court panel ruled against Ron DeSantis in a case Disney says touches on the ‘same values’ as its free speech fight

BY **MIKE SCHNEIDER** AND **THE ASSOCIATED PRESS**

January 16, 2024

5 hours ago

FINANCE - HOUSING

3 reasons why the frozen housing

market of 2024 is actually more active than before the pandemic, Zillow says

BY **SYDNEY LAKE**

January 16, 2024

6 hours ago

LEADERSHIP - WEALTH

The world's 5 richest people, from Elon Musk to Jeff Bezos to Warren

Buffett, doubled their wealth to $869 billion since 2020, report finds

BY **PAOLO CONFINO**

January 16, 2024

6 hours ago

SUCCESS - REAL ESTATE

Boomers' dominance of the housing market is so complete that empty nesters own twice as many large

homes as millennials with kids, Redfin analysis reveals

BY **ALENA BOTROS**

January 16, 2024

7 hours ago

FINANCE - ANTITRUST

JetBlue facing $470 million payment to Spirit Airlines after judge sides with government and blocks $3.8

billion merger

BY **MADLIN MEKELBURG** AND **BLOOMBERG**

January 16, 2024

7 hours ago

NEWSLETTERS - EYE ON AI

Microsoft CEO Satya Nadella is an AI winner. He doesn't like to talk about the potential losers

BY **JEREMY KAHN**

January 16, 2024

Rankings

40 Under 40
100 Best Companies
Fortune 500
Global 500
Most Powerful Women
World's Greatest Leaders
World's Most Admired Companies
See All Rankings

Sections

Finance
Leadership
Success
Tech
Asia
Europe
Environment
Fortune Crypto
Health
Well
Retail
Lifestyle
Politics

Newsletters
Magazine
MPW
CEO Initiative

Features

Commentary

Conferences

Personal Finance

Recommends

Coupons

Customer Support

Frequently Asked Questions

Customer Service Portal

Privacy Policy

Terms of Use

Single Issues for Purchase

International Print

Commercial Services

Fortune Brand Studio

Fortune Analytics

Fortune Conferences

Advertising

Business Development

About Us

About Us

Editorial Calendar

Work at Fortune

Behavioral Advertising Notice

Terms and Conditions

Site Map

© 2023 Fortune Media IP Limited. All Rights Reserved. Use of this site constitutes acceptance of our Terms of Use and Privacy Policy | CA Notice at Collection and Privacy Notice | Do Not Sell/Share My Personal Information | Ad Choices

FORTUNE is a trademark of Fortune Media IP Limited, registered in the U.S. and other countries. FORTUNE may receive compensation for some links to products and services on this website. Offers may be subject to change without notice.

S&P Index data is the property of Chicago Mercantile Exchange Inc. and its licensors. All rights reserved. Terms & Conditions. Powered and implemented by Interactive Data Managed Solutions.