

Introduction to Real Estate Market Trends

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Designed as a quick-reference guide for students, new agents, and anyone interested in understanding how the real estate market moves.

1. Why Track Market Trends?

Reason	What It Means for Stakeholders
Pricing Signals	Indicates whether homes are becoming more affordable or expensive.
Supply&Demand Balance	Shows if the market favors buyers (more inventory) or sellers (tight inventory).
Economic Health	Real estate activity reflects broader macro-economic conditions (employment, interest rates, consumer confidence).
Investment Decisions	Helps investors time purchases, sales, and portfolio re-balancing.
Policy Impact	Guides regulators and local governments on zoning, tax incentives, and housing programs.

2. Core Metrics & Data Sources

Metric	Definition	Typical Source
Median Sale Price	Middle price of all closed transactions in a period.	MLS, County Recorder, Zillow, Redfin
Average Days on Market (DOM)	Average time a listing stays active before sale.	MLS, Realtor.com
Inventory Levels	Number of active listings; expressed as months of supply.	MLS, NAR (National Association of Realtors)
Absorption Rate	Rate at which homes are sold in a market (units sold ÷ total inventory).	MLS
Price per Square Foot	Average price divided by total living area.	MLS, public records
Sales Volume	Total dollar value of transactions in a period.	MLS, local assessor

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Metric	Definition	Typical Source
Rental Yield	Annual rent ÷ purchase price (expressed as %).	CoStar, RentCafe
Foreclosure Rate	Percentage of properties in pre-foreclosure, auction, or REO status.	HUD, local courts
Interest Rate Benchmarks	Mortgage rates (e.g., 30-yr fixed) set by lenders.	Freddie Mac, Fannie Mae, Federal Reserve

3. Key Drivers of Market Movement

1. Interest Rates

- Lower rates → cheaper financing → higher demand → price appreciation.
- Higher rates → reduced affordability → slower price growth or decline.

2. Employment & Income

- Job growth and rising wages boost purchasing power.
- Unemployment spikes can depress demand.

3. Population & Demographics

- Migration patterns (e.g., Sun Belt influx) shift regional demand.
- Age cohorts (Millennials entering prime-home-buying age) affect volume.

4. Supply Constraints

- Land availability, zoning restrictions, and construction labor/material costs limit new inventory.
- Delays in permitting or shortages of skilled workers tighten supply.

5. Government Policy

- Tax incentives (e.g., mortgage interest deduction), first-time-buyer credits, and rent-control ordinances.
- Monetary policy (Fed rate decisions) indirectly influences mortgage rates.

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6. Consumer Sentiment

- Confidence indices (e.g., University of Michigan Consumer Sentiment) correlate with willingness to make large purchases.
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4. Typical Market Phases

Phase	Characteristics	Indicators
Expansion	Rising prices, decreasing inventory, low DOM, increasing construction starts.	? Median price, ? months supply, ? building permits.
Peak	Prices plateau, inventory starts to rise, DOM lengthens.	Price growth slows, ? months supply, ? foreclosure filings may appear.