



Understanding the Challenges and Opportunities of a New Year



Introduction

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Berkshire Hathaway HomeServices experienced a remarkable 2020 as the market shifted in ways none of us could anticipate. Our network of real estate professionals made the transitions look seamless as housing demand — and home prices — soared. And while 2020 was a year like no other, many couldn't help but compare the flurry of market activity to the real estate climate that led up to 2008's Great Recession.

To better understand these concerns, as well as other topics that are front of mind for potential buyers and sellers, we again partnered with *The Wall Street Journal* to deploy a custom study to their influential reader panel. We learned much from the research, notably that over half of prospective buyers are concerned with overpaying for a property in this market. The study also revealed that sellers continue to be worried about health and safety protocols in our COVID-19 world.

As real estate professionals, how do you help buyers and sellers navigate this unique and ever-evolving market? It's important to keep an eye on the horizon. Historically speaking, buyers should be very confident that regardless of any short-term corrections, the overall outlook for real estate appreciation is very favorable.

To the sellers wondering if now is the time to list, I think 2021 is the year to consult with one of our Berkshire Hathaway HomeServices network sales professionals and consider the options. It's hard to predict the apex of any market, but partnering with an experienced real estate agent is key to decoding what's best in your local area.

It's projected 2021 may have the highest number of sales seen in the industry in 15 years, so I hope you find the information that follows helpful as you guide your clients through what we expect to be another competitive year. With our knowledge, expertise and connectivity, anything is possible.

Best,
Chris Stuart
CEO of Berkshire Hathaway HomeServices

‘Is There a Real Estate Bubble?’ and Other Questions to Consider When Buying or Selling in 2021

Of all the real estate terms referenced in the media, “bubble” might be the most overused. Over the past few months, the word has seen a resurgence, with prospective buyers and sellers worrying that the white-hot markets of 2020 will lead to a proverbial burst in 2021.

Real estate experts in the U.S. and abroad, however, are cautiously optimistic, and don’t believe the activity of this past year has inflated a “bubble” to be concerned over.



“A real estate bubble is characterized and fueled by speculation, and that is not what we are experiencing now,” says **Scott Bradley, President, Berkshire Hathaway HomeServices Hawai’i Realty**. “The unprecedented market strength we are seeing today is driven by simple economic fundamentals: supply, demand, and the cost and availability of money. Current historically low interest rates are a prime catalyst driving sales. An imbalance of supply and demand is further fueling a hot market. There are 50% fewer homes on the market right now than there were a year ago, but demand for homes is strong.”

That demand means even tougher competition for the buyer pool, but with more and more projected sellers deciding to list this year, emerging inventory could lead to market shifts. “I would encourage everyone to recognize that this might be a very hot year in terms of real estate,” says **Chris Stuart, CEO of Berkshire Hathaway HomeServices**. “But I’d hate for anyone to be on the sidelines and miss out on an opportunity either on the buying or selling side of the transaction.”

To better understand those opportunities across the globe, we spoke with real estate insiders about their forecasts for the upcoming year. Their insights serve as proof points of real estate’s continued resilience and reliability—even during uncertain times.



Q: The headlines last year screamed that people were fleeing cities. Is there any evidence that urban areas are regaining strength now that vaccine rollouts are underway and COVID-19 restrictions are being lifted?

Diane Glass, CEO, Berkshire Hathaway HomeServices Chicago: January 2021 was an exceptionally strong month for property sales in center city Chicago. There was a 15.2% increase in sales compared with January 2020, which had been a very strong month. The median sales price increased 15.9%, even as the inventory of homes for sale was below last year. New construction is in demand, but supply is limited by the cost of materials and availability of buildable lots. We are seeing a resurgence of interest across the board in the city — from luxury downtown high-rises to starter condos in residential neighborhoods.

Q: Low interest rates are tempting those looking to purchase investment properties. What factors should they consider to get the best deal and return on investment?

Vince Leisey, CEO and Network Agent, Berkshire Hathaway HomeServices Ambassador Real Estate: I would recommend investors look at houses that have been on the market for a week versus those that have been on the market for a day and have 30-40 offers. Look at something that maybe needs a little work done, which investors are more willing to do. You'll have less competition from first-time home buyers — who are often searching in the same price range but are less willing to do that sort of renovation work. In Omaha, Nebraska, rents have gone up pretty much every year. The problem is, rents aren't going up as fast as purchase prices. That being said, in markets like Omaha, because there are low interest rates right now, I still believe there are plenty of houses out there that investors can buy and achieve positive cash flow on.

Q: What about those looking to invest in short-term holiday rentals abroad. Is now a good time to buy?

Dounia Fadi, CEO, Berkshire Hathaway HomeServices Gulf Properties: In Dubai, the trend is purchasing homes for short-term rentals more so than long-

55%

of delaying home buyers are concerned over overpaying for a home.

Source: "Responding to Today: 2021," Berkshire Hathaway HomeServices and The Wall Street Journal | Barron's Group Intelligence Group (Jan. - Feb. 2021), n=1,086

1.9 months

Average amount of U.S. housing inventory in January 2021, compared to 3.1 months in January 2020.

Source: National Association of Realtors, [Housing Snapshot](#), January 2021

term ones because the returns are much higher. The demand was very low for these types of rentals because of the pandemic, but recently from November through January, there has been an uptick in demand. Ultimately, there will always be demand for holiday rentals here because you have sun 365 days a year. The one thing investors of this type of property need to remember is just to be patient — there will be demand in the holiday home sector that will increase even more as travel restrictions are lifted. However, buying right now is still a good idea because prices are at their best. I'm seeing a recovery in prices every month. They are increasing.

Q: What is the biggest concern you have for the market as you look ahead in 2021?

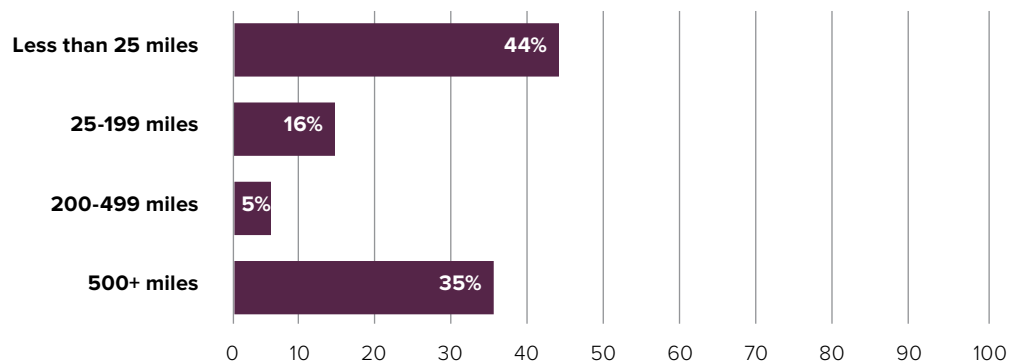
Carsten Heinrich, CEO, Berkshire Hathaway HomeServices Rubina Real Estate:

My biggest concern this year is that supply will not be able to keep up with the changes in the market. For example, in Berlin, prior to the pandemic, our most popular listings were micro-apartments in the city center. That changed a lot as people decided they'd like bigger apartments or houses to accommodate our changed lifestyle. Berlin is a city of singles and young couples who are now looking to buy, whereas before they were renting. For those buyers, I would recommend they pay attention to rising interest rates, which will impact their monthly charges. I'd also advise that they really take a look at the purchase and the long term. Is this a place they'll want to be in a few years, and if not, does it make financial sense to buy right now?



Future Relocation Distance from Primary Residence

More than 2 in 5 of primary residence buyers/sellers will move less than 25 miles, but more than 1 in 3 will move 500+ miles from their primary residence.



Source: "Responding to Today 2021," Berkshire Hathaway HomeServices and The Wall Street Journal | Barron's Group Intelligence Group (Jan. - Feb. 2021), n=94



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