



What's Next for the Real Estate Market?



Introduction

Shaping the Future of Real Estate

It's hard to believe that we're already closing the book on another extraordinary year for real estate. Though we could all use a moment to catch our breath after such a frenzied time, it's important to look toward the future—particularly with a strong buyer pool still hoping to land their dream home and many sellers still apprehensive about listing their properties. In an effort to give our Berkshire Hathaway HomeServices clients the best possible guidance in their real estate endeavors, we have to take this moment to ask ourselves, "What's next?"

None of us could have predicted the events of the past two years, but armed with the knowledge we've amassed since March 2020, Berkshire Hathaway HomeServices network of agents is more resourceful and flexible than ever before. Whether a client is looking to cash in on the demand surge for short-term rentals with an investment property, or just returning to their house hunt after losing out on a property earlier this year, they're looking to us for the most up-to-date information on how to proceed.

As we head into 2022, we expect another challenging year for real estate—one that will take thoughtful guidance and insights to navigate. We hope that the information below is helpful to you in the months ahead, whether you're buying, selling or simply curious about what the markets may hold.

Best,
Christy Budnick
CEO, Berkshire Hathaway HomeServices



What's Next for the Real Estate Market?

After another year of frenzied activity, experts weigh in on what buyers and sellers need to know.

For nearly two years, the incredibly dynamic housing market has left buyers and sellers wondering what will happen next. In the absence of a crystal ball, they've turned to experts who've studied trends and crunched numbers to best guide their clients through the landscape of what's to come.

But what will it take to chill a hot market? One word: supply. Across the board, the agents we spoke with want to see more listings come online to satisfy the people still hungry to make a purchase.

"Throughout the pandemic we were down to about one week of inventory in our entire market," says Tracy Kasper, broker/owner of Berkshire Hathaway HomeServices Silverhawk Realty, serving Idaho's Boise Valley and Sun Valley. "Six months is what we consider a balanced market. We're watching it and, finally, it's settling down. In the broader market, we're up to about a month of supply, but in the luxury category, we're at around four months of inventory. We still have a robust buyer pool, but buyers have a little more to choose from."

To gain a greater perspective on what's happening across the United States and globally, we spoke with real estate experts about what they expect from the months ahead. Their insights serve as a jumping-off point for anyone looking to navigate the market.

3 in 5

of delaying home sellers are doing so over concerns that once they sell their home, they will have difficulty finding a home to buy.

30%

of those buying a secondary residence in the next 6 months are considering making a purchase outside of the U.S.

Source: "Responding to Today: August 2021," Berkshire Hathaway HomeServices and The Wall Street Journal | Barron's Group Intelligence Group (August 2021)

Q: Is there any aspect of the current market that you think really benefits the luxury buyer?

Steve Fase II, President, Berkshire Hathaway HomeServices Michigan Real Estate, Northern Indiana Real Estate, Tomie Raines REALTORS, and Executive Realty: Even with a hot housing market, luxury buyers have the advantage of being able to afford more, and to that end, leverage their real estate purchases to answer any uncertainty they may have with other areas of their finances. We're seeing a lot of people who aren't sure what's going to happen with state taxes and tax plans moving into the next year, and they want hard assets. Real estate typically has a solid appreciation rate, especially if you're going to buy and hold that property for a while—in some markets up to 15% or 20%. There's so much money in the market when you consider the transfer of wealth happening between the generations right now, but no one wants to have a bunch of cash in the bank and be worried about inflation. You're seeing luxury buyers who want to deploy their capital in hard assets. Real estate is a really good play on that.



Q: What do you think buyers need to keep in mind when purchasing a vacation home or investment property?

Jim Bernard, President, Broker/Appraiser, Berkshire Hathaway HomeServices Bahamas Real Estate: I would advise buyers to take a long-term view. In addition to their desired lifestyle factors, they should look at areas that show signs of steady growth to maximize the appreciation of their investment. Accessibility is a paramount factor in how often buyers actually visit and enjoy their second homes. The same applies to how often a rental property might be booked.



70%

of delaying home buyers are concerned with overpaying for a home, up from **55%** in January 2021.

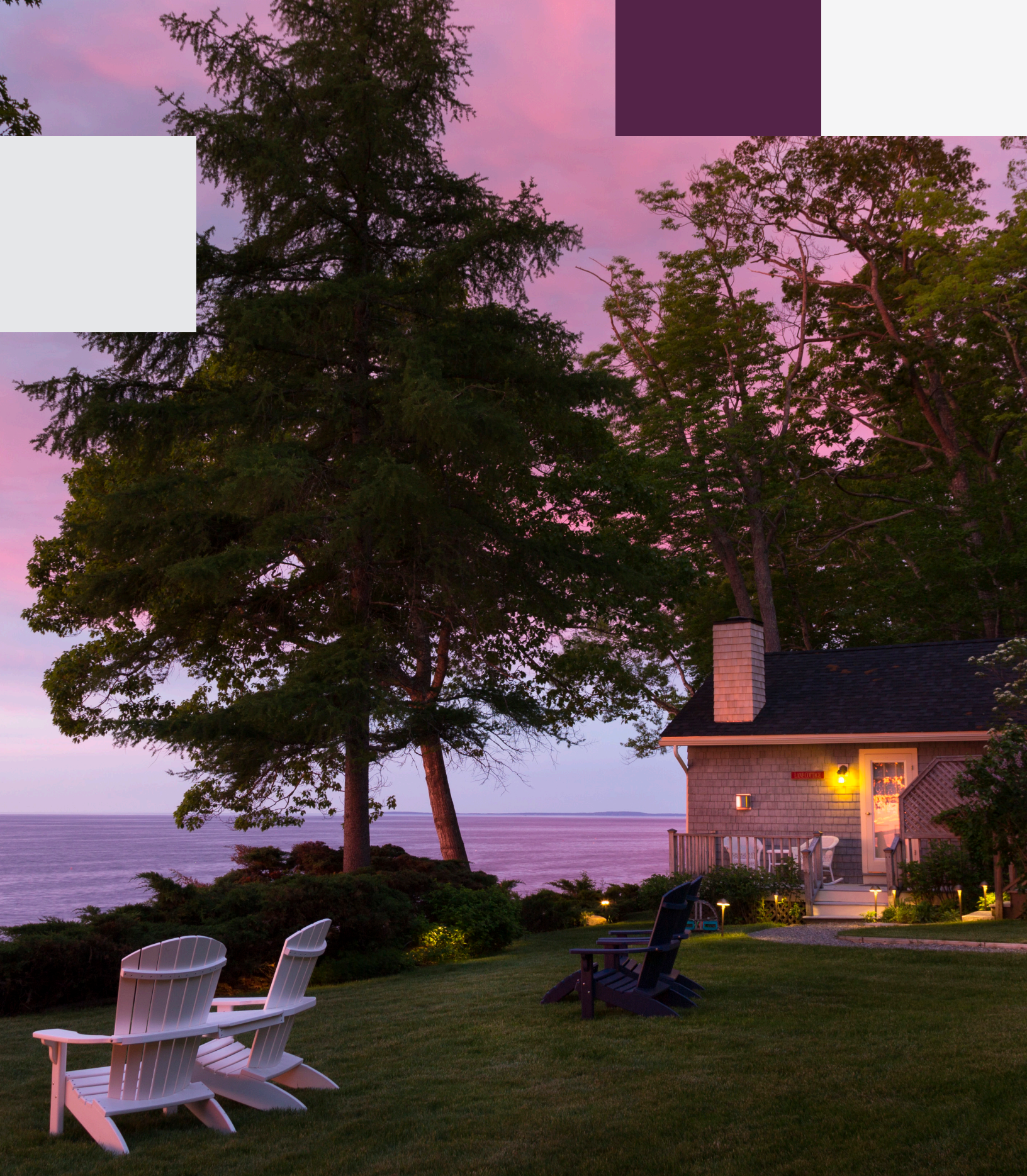
Source: "Responding to Today: August 2021," Berkshire Hathaway HomeServices and The Wall Street Journal | Barron's Group Intelligence Group (August 2021)

If someone wants to use the property for a portion of the year and rent it out on a short-term basis with the intention of generating income to cover costs, they should pay attention to individual community and subdivision rules. Certain communities have restrictions on short-term rentals, while other communities cater to them, with built-in management and leasing programs. These rental programs eliminate a lot of the headaches.

Q: No matter how many times the question is raised and answered, there's still that concern over whether or not the market is going to crash. What do you say to that?

Tracy Kasper: I think a lot of people are saying, "Oh my gosh, we've done this before. The lessons from 2006 and 2007 are telling us that we're going to come crashing down." We're really not. There are so many safeguards in place. The lending piece is one. If you look back at that era, that entire market was very speculative, including lending. Well, now that we've cured that over the course of a downturn and through all the things that we've done to correct it, we're sitting in a market that is completely about supply and demand. That interacts with itself very differently. I've seen articles that say this market is overvalued. No, it isn't overvalued. Current values are what the market has commanded—and that's what buyers are paying. In the coming months, the market may level and correct a little in a few places, but we're not in for a catastrophic crash by any measure.





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