

LOCAL

# 2024 real estate outlook: Demand for homes expected to increase as interest rates decrease



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Treasure Coast home prices are expected to increase steadily by a few percentages or stay stagnant over the next year, and affordability is expected to improve with declining interest rates.

The high demand for homes is still being driven by people moving into the region from South Florida and out of state, which continues to put pressure on the limited inventory. An increase in new home construction is expected to meet some of this demand, but not all.

The Federal Reserve hiked interest rates 11 times between March 2022 and July 2023 to combat high inflation. The 30-year fixed-rate mortgage peaked at 7.5% in October 2023, but had dropped to 6.62% as of Jan. 2, according to Freddie Mac's primary mortgage market survey.

The Fed is expected to cut rates three times this year.

"We do expect affordability to start to improve in 2024. We're not going to see a big turnaround, but I do think we're going to see a baby step in the right direction," Lawrence Yun, chief economist for the National Association of Realtors, said in a real estate forecast summit on Dec. 12.

The Treasure Coast's real estate market, which usually picks up at the start of the new year and into spring, is seeing more interest from buyers who are now getting back into the search for homes, according to many local Realtors.

"It took a while for people to understand that if you buy that house with a higher interest rate, but at a lower price point, you're not losing the money. Now that they are getting it, everybody's back out and we're showing homes like crazy," said Kristi Stewart, a broker for Coastal Home Real Estate in Port St. Lucie.

## South Florida residents moving to Treasure Coast

There is a lot of pent-up demand, especially from people moving up from South Florida due to the relative affordability of homes and the comparatively quieter lifestyle on the Treasure Coast, said JPaul Moore of Engel & Volkers Stuart.

This demand can add pressure on the already low inventory. And homes coming into the market through resales and new construction are not expected to fulfill the demand.

“The inventory problem is not going to get much better in 2024. If you're a homeowner with a 3.5% mortgage and you sell your house and buy another one for the same price, you've just basically doubled your monthly mortgage payments,” said Rick Sharga, a real estate analyst with CJ Patrick Co., a market intelligence and business advisory firm.

With a lot of new construction occurring across the region, newer homes are competing with resales due to the low inventory. Builders are also attracting buyers by reducing the sale price during closing to help them afford homes when interest rates are high, Moore said.

“Existing homes are seeing a hit on that end because there is so much construction of new homes. And builders are also offering incentives that regular homeowners cannot offer,” said Julia Kocovski, a Realtor with Baron Real Estate. This trend is expected to keep home prices from increasing dramatically.

“I think prices will either be flat or up by about 2% over the year. I don't think we're going to see dramatic change,” said Sally Daley, a broker and owner of The Daley Group at Douglas Elliman in Vero Beach.

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