**MARKET ANALYSIS**

The value of real estate is affected by the convergence of the ongoing changes in social, economic, governmental, and physical forces – which typically occur in a cyclical pattern. Real estate markets are dynamic and the typical life cycle includes the following stages:

* Growth—a period during which the market area gains public favor and acceptance
* Stability—a period of equilibrium without marked gains or losses
* Decline—a period of diminishing demand
* Revitalization—a period of renewal, redevelopment, modernization, and increasing demand

To determine the influence of economic forces on value, market participants analyze the relationships between current and anticipated supply and demand and the economic ability of the prospective purchasers. However, real estate markets differ significantly from the markets for other goods and services and have never been considered truly efficient markets. Real estate products are heterogeneous and changes in supply lag behind changes in demand for a specific real estate product because of the time needed to bring a new building to market. In a more efficient market, like a stock exchange, supply quickly reacts to changes in demand.[[1]](#footnote-1)

The coronavirus pandemic disrupted typical economic activity (growth) locally, nationally, and throughout much of the developed world. It had a transformative impact on several real estate market segments – particularly retail, office, and restaurants; but at the same time increasing demand for other property types – particularly industrial, warehouse/flex, and suburban residential.

**Federal Open Market Committee**

The Federal Open Market Committee (FOMC) is probably the most extensively used and most potent of the Federal Reserve’s credit-regulating devices. The FOMC buys and sells US government securities in the open market, thereby exerting a powerful influence on the supply of money and the interest rate. The FOMC consists of twelve members—the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The rotating seats are filled from the following four groups of Banks, one Bank president from each group: Boston, Philadelphia, and Richmond; Cleveland and Chicago;

Atlanta, St. Louis, and Dallas; and Minneapolis, Kansas City, and San Francisco. Nonvoting Reserve Bank presidents attend the meetings of the Committee, participate in the discussions, and contribute to the Committee’s assessment of the economy and policy options. In fact, through its daily operations, the FOMC maintains short-term money rates at selected target levels. In periods of economic crisis, the Fed supplies financial markets with necessary liquidity.

On September 18, 2024, the Federal Open Market Committee released a statement summarizing the key economic indicators of the United States: “Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the Committee's 2 percent objective but remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee has gained greater confidence that inflation is moving sustainably toward 2 percent, and judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.

In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage‑backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

**National Employment Data**

According to the U.S. Department of Labor (October 16, 2024), total nonfarm payroll employment increased by 254,000 in September 2024, higher than the average monthly gain of 203,000 over the prior 12 months. In September, employment continued to trend up in food services and drinking places, health care, government, social assistance, and construction.

This news release presents statistics from two monthly surveys. The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry. For more information about the concepts and statistical methodology used in these two surveys, see the Technical Note.

**Survey Data**

Employment in food services and drinking places, part of the leisure and hospitality industry, rose by 69,000 in September. This was well above the average monthly gain of 14,000 over the prior 12 months.

Health care added 45,000 jobs in September, below the average monthly gain of 57,000 over the prior 12 months.

Employment in government continued its upward trend in September (+31,000). Government had an average monthly gain of 45,000 jobs over the prior 12 months. Over the month, employment continued to trend up in local government (+16,000) and state government (+13,000).

Employment in social assistance increased by 27,000 in September. Over the prior 12 months, social assistance had added an average of 21,000 jobs per month.

Construction employment continued to trend up in September (+25,000), similar to the average monthly gain over the prior 12 months (+19,000).

Employment showed little change over the month in other major industries, including mining, quarrying, and oil and gas extraction; manufacturing; wholesale trade; retail trade; transportation and warehousing; information; financial activities; professional and business services; and other services.

**National Gross Domestic Product**

Real gross domestic product (GDP) increased at an annual rate of 2.8 percent in the third quarter of 2024, according to the "advance" estimate released by the U.S. Bureau of Economic Analysis. In the second quarter, real GDP increased 3.0 percent.  Please note the following chart from the U.S. Bureau of Economic Analysis:

A graph of a number of people

Description automatically generated with medium confidence

**Maryland Summary**[[2]](#footnote-2)[1]

Maryland payroll employment increased by 2,700 jobs (0.1 percent), on net, in September. The leisure and hospitality industry had the largest increase over the month (3,700 jobs) followed by education and health services (1,800 jobs). Those gains were partially offset by declines in professional and business services (1,200 jobs), trade, transportation, and utilities (1,000), construction (400 jobs), and manufacturing (300 jobs).

On a year-over-year basis, payroll employment in Maryland increased by 18,000 jobs (0.7 percent), on net. The most jobs were added over the year in education and health services (16,400 jobs), followed by government (11,900 jobs).

The labor force grew slightly in September and the number of people unemployed fell, but the state's overall unemployment rate was unchanged in the month at 2.9 percent.

Residential permits decreased by 10.4 percent from August 2024 to September 2024. Compared to a year ago, September 2023, Maryland has seen permits increase by 36.1 percent.

According to the Federal Housing Finance Agency, the value of homes in Maryland appreciated by 2.2 percent in Q2 of 2024 compared to Q1 of 2024. Also, home values appreciated by 5.2 percent in Q2 of 2024 compared to Q2 of 2023.

1. The Appraisal of Real Estate; 14th Edition; 2015 [↑](#footnote-ref-1)
2. [1] Federal Reserve Bank of Richmond: Maryland Economic Snapshot, July 2024 [↑](#footnote-ref-2)