**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 January 29, 2025, 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. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee 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 support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of 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**

Total nonfarm payroll employment rose by 143,000 in January, and the unemployment rate edged down to 4.0 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in health care, retail trade, and social assistance. Employment declined in the mining,

quarrying, and oil and gas extraction industry.

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**

Health care added 44,000 jobs in January, with gains in hospitals (+14,000), nursing and residential care facilities (+13,000), and home health care services (+11,000). Job growth in health care averaged 57,000 per month in 2024.

Employment in retail trade increased by 34,000 in January. Job gains occurred in general merchandise retailers (+31,000) and furniture and home furnishings retailers (+5,000). Electronics and appliance retailers lost 7,000 jobs. Retail trade employment had shown little net change in 2024.

Social assistance added 22,000 jobs in January, led by individual and family services (+20,000). Employment also rose in the community food and housing, emergency, and other relief services industry (+4,000). Employment in social assistance grew by an average of 20,000 per month in 2024.

Government employment continued to trend up in January (+32,000), similar to the average monthly gain in 2024 (+38,000).

Employment in the mining, quarrying, and oil and gas extraction industry declined by 8,000 over the month, following little net change in 2024. In January, the job loss was concentrated in support activities for mining (-8,000).

Employment showed little change over the month in other major industries, including construction, manufacturing, wholesale trade, transportation and warehousing, information, financial activities, professional and business services, leisure and hospitality, and other services.

In January, average hourly earnings for all employees on private nonfarm payrolls rose by 17 cents, or 0.5 percent, to $35.87. Over the past 12 months, average hourly earnings have increased by 4.1 percent. In January, average hourly earnings of private-sector production and nonsupervisory employees rose by 16 cents, or 0.5 percent, to $30.84.

The average workweek for all employees on private nonfarm payrolls edged down by 0.1 hour to 34.1 hours in January. In manufacturing, the average workweek was little changed at 40.0 hours, and overtime was unchanged at 2.8 hours. The average workweek for production and nonsupervisory employees on private nonfarm payrolls decreased by 0.2 hour to 33.5 hours.

The change in total nonfarm payroll employment for November was revised up by 49,000, from +212,000 to +261,000, and the change for December was revised up by 51,000, from +256,000 to +307,000. With these revisions, employment in November and December combined is 100,000 higher than previously reported. (Monthly revisions result from additional reports received from businesses and government agencies since the last published estimates and from the recalculation of seasonal factors. The annual benchmark process also contributed to the November and December revisions.)

**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 graph showing the growth of the rate

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

Maryland payroll employment increased by 200 jobs (0.0 percent), on net, in December. The largest job gains occurred in government (1,300 jobs) and financial services (1,100 jobs). The total gains were largely offset by declines in professional and business services (2,000 jobs), construction (400 jobs), and manufacturing (100 jobs).

On a year-over-year basis, payroll employment in Maryland increased by 38,400 jobs (1.4 percent), on net. The most jobs were added over the year in education and health services (21,400 jobs), followed by government (11,100 jobs) and leisure and hospitality (5,100 jobs).

Maryland's labor force declined slightly in December (0.1 percent) and the unemployment rate was unchanged at 3.1 percent.

Residential permits increased by 20 percent from November 2024 to December 2024. Compared to a year ago, December 2023, Maryland has seen permits decrease by 14.9 percent.

According to the Federal Housing Finance Agency, the value of homes in Maryland appreciated by 0.8 percent in Q3 of 2024 compared to Q2 of 2024. Also, home values appreciated by 4.9 percent in Q3 of 2024 compared to Q3 of 2023.

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