**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 July 31, 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 moderated, and the unemployment rate has moved up but remains low. Inflation has eased over the past year but remains somewhat elevated. In recent months, there has been some further progress toward the Committee's 2 percent inflation objective.

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 continue to move into better 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 5-1/4 to 5-1/2 percent. In considering any 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 does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage‑backed securities. The Committee is strongly committed to 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 (August 2, 2024), total nonfarm payroll employment edged up by 114,000, the U.S. Bureau of Labor Statistics reported. Employment continued to trend up in health care, in construction, and in transportation and warehousing, while information

lost jobs.

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**

Total nonfarm payroll employment increased by 142,000 in August, and the unemployment rate changed little at 4.2 percent, the U.S. Bureau of Labor Statistics reported today. Job gains occurred in construction and health care.

Construction employment rose by 34,000 in August, higher than the average monthly gain of 19,000 over the prior 12 months. Over the month, heavy and civil engineering construction added 14,000 jobs, and employment in nonresidential specialty trade contractors continued to trend up (+14,000).

Health care added 31,000 jobs in August, about half the average monthly gain of 60,000 over the prior 12 months. In August, employment rose in ambulatory health care services (+24,000) and hospitals (+10,000).

In August, employment in social assistance continued its upward trend (+13,000) but at a slower

pace than the average monthly gain over the prior 12 months (+21,000). Individual and family

services added 18,000 jobs over the month.

Employment in manufacturing edged down in August (-24,000), reflecting a decline of 25,000 in durable goods industries. Manufacturing employment has shown little net change over the year.

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

In August, average hourly earnings for all employees on private nonfarm payrolls increased by 14 cents, or 0.4 percent, to $35.21. Over the past 12 months, average hourly earnings have increased by 3.8 percent. In August, average hourly earnings of private-sector production and nonsupervisory employees increased by 11 cents, or 0.4 percent, to $30.27. (See tables B-3 and B-8.)

The average workweek for all employees on private nonfarm payrolls edged up by 0.1 hour to 34.3 hours in August. In manufacturing, the average workweek changed little at 40.0 hours, and overtime edged up by 0.1 hour to 3.0 hours. The average workweek for production and nonsupervisory employees on private nonfarm payrolls remained at 33.7 hours. (See tables B-2 and B-7.)

**National Gross Domestic Product**

Real gross domestic product (GDP) increased at an annual rate of 1.4 percent in the first quarter of 2024, after increasing 3.4 percent in the fourth quarter of 2023.  Please note the following chart from the U.S. Bureau of Economic Analysis:

A graph of a bar chart

Description automatically generated with medium confidence

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

Maryland payroll employment increased by 6,100 jobs (0.2 percent), on net, in July. Professional and business services (3,600 jobs) experienced the largest month-over-month increase in jobs followed by trade, transportation, and utilities.

On a year-over-year basis, Maryland payroll employment increased by 16,700 jobs (0.6 percent), on net. The most jobs were added over the year in government (17,500 jobs), followed by education and health services (10,000 jobs).

The unemployment rate in Maryland remained stable over the month at 2.8 percent in July and has risen 0.9 percentage point from its July 2023 reading of 1.9 percent.

Residential permits decreased by 15.1 percent from May 2024 to June 2024; however, compared to a year ago, June 2023, Maryland has seen permits increase by 13.3 percent.

According to the Federal Housing Finance Agency, the value of homes in Maryland appreciated by 1.5 percent in Q1 of 2024 compared to Q4 of 2023. Compared to Q1 of 2023, home values appreciated by 6.8 percent in Q1 of 2024.

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)