

## Weekly Market Thoughts and Insights to an ever-changing Market:

August 25 - August 31

On August 17, 2024 new rules kicked in concerning real estate practices nationwide, let alone in Colorado. The changes are the result of the National Association of Realtors settlement about transparency in real estate fees. The changes address how compensation (not commission) is earned and paid to Realtors representing sellers and buyers. It also removes any offers of compensation previously stated in MLS data bases. Lastly, it emphasizes that all compensation is negotiable.

Colorado sellers won't see significant changes, but buyers will. In order for a buyer to work with a Realtor, or agent, a signed agreement must be executed first before looking at any homes. This agreement between a buyer and Realtor will stipulate how much the Realtor is compensated and by whom.

Real estate practices across the nation are not "uniform" given 50 states and districts. In a few states like California, rules and practices may vary within its borders. Not so for Colorado – real estate practices are uniform here. So please remember that "What happens in Colorado stays in Colorado" vs what other states may do. . . or not.

In the new real estate changes and practices the key word is education. Realtors are required to educate sellers and buyers about the new practices. . . especially that all compensation fees are negotiable. Each Realtor must negotiate compensation on a case-by case basis not using one standard or practice.

Expectations vary on how these changes will affect residential real estate. Will it lower sales costs weeding out unproductive agents who cannot sell their value? Will it slow the pace of home sales because buyers are confused or scared about the new rules? And will it lower prices as unsold inventory grows waiting for more "motivated" sellers to drop prices?

The biggest factor in real estate activity is and will always be the economy. . . which is now being "talked" into a recession. The Fed has done an excellent reducing inflation, now at 2.9% for July 2024, so the hope is for a "soft-landing" vs. a crashed economy.

What happens if mortgage rates start to fall? Will it spur housing costs by increasing demand (more people buying) and thus "inflating" home prices? Will the Fed react to that?

What is the effect of employment jobs on housing? Are jobs more important than rates? If you are old enough to remember inflation in the early 1980s, home mortgages were 18%, but people were employed and buying homes. However, in the Great Recession of 2007-2009, rates were very low and unemployment was high. . . and home sales and prices dropped drastically.

From now on when you meet with a Realtor or agent, please expect to be "educated" about today's new practices vs yesterday's. These changes will ultimately be good for everyone, but getting there might be bumpy at first. Your home is probably your most important asset, so know that the real estate industry has prepared for this change. Through profession training and services, homes will be bought and sold as before but with a few new twists and turns.