Talk Smart!

A closer look at September 2022 sales throughout the Charlotte region.
All data is according to Canopy MLS.
Underlying messages:

Inventory is rising. Inflation is still an economic concern. Interest rates, though rising into 6% territory, is still historically low.

- The Charlotte region (16 county region) is seeing yet another month of year-over-year sales declines – making September, the 9th consecutive month of year-over-year declines. Sales contracted deeply in September, falling 21 percent compared to last September.

- **Pending sales**, which tend to be a good indicator of future sales and buyer demand, are sales that are under contract or in the pipeline, because they typically close within 40-60 days (or sooner based on more recent days on market stats) – continued to slide, falling 23 percent year-over-year. However, a look at September showing reports, indicates buyer interest is steady and averages 7.1 showings per listing across the Charlotte MSA.

- Interest rates are impacting buyers – but buyers, who are largely Millennials, should be educated regarding rates. Current rates of 6% should be seen as historically low, given this was a popular rate in 2007 and 2008 boom years. This rate was also popular in the early 2000s. A look at rates over time, shows that the parents of Millennials, had higher rates and their grandparents' generation, experienced double-digit interest rates – 10% or higher.

- A number of programs and strategies are available – like the 2-1 Buydowns, to help buyers with rates. According to Investopedia, there are several potential benefits for homebuyers with a 2-1 buydown. For one thing, it can help them afford a larger mortgage and a more expensive home than they might otherwise qualify for. For another, it buys them some time before their mortgage payments rise to the full amount, which can be helpful if their income is also rising from year to year.

- Contract activity continues to pick up in outlying counties – an indication that buyers are looking for affordability and are willing to commute, given current work-from-home and flex scenarios.

- **New listing activity** during the first half of 2022 –started to tell a different story – as of May and June -with new listing activity increasing year-over-year. Listing activity was down in August and September, but there has been a slow and steady build-up in supply. Supply was 1.5 months in August and has inched up to 1.6 months at report time in September. However, supply will have to build over the next couple of years in order to move the market back into balance and cool prices.

The positive: Inventory and supply showed increases at report time, for a fourth consecutive month. Inventory, which totaled 7,100 homes for sale has increased 35 percent compared to last year, pushing supply from 1.1 months in September 2021 to 1.6 months of supply this past September. The subtle but steady changes in supply will help to cool rapid price appreciation over time.

- Sales activity has been largely impacted by increased lack of affordability. Also, the median sales price has risen in large part due to the higher price point of homes that are currently selling.

Keep watching Orig. LP/SP ratio: The Original List Price to Sales price ratio continues to fall (It was 98.5% in August), and fell to 97.2 percent in September, which signals sellers beginning to lose their "hold" on the market, as price reductions – which have increased more than 153% since last September, continue to show buyers gaining in bargaining power. However, Days on Market, though increasing little-by-little, still showed homes averaging 22 days on market compared to 16 days this time last year.

- ***For the Charlotte Region, the original list price to sales price ratio topped 102.8% in April and 102.9%*** *in May 2022. However, it decreased a bit (-0.1%) to 101.9 percent in June. And in July 2022 it was 100.3%. August reports show this metric at 98.5%.* This still shows sellers in the market receiving over list price for their homes in August, but the continued decline could mean that the few buyers that are still shopping, are really scrutinizing price. This is a metric we will watch closely over the next few months.

- **Days on Market continue to cycle lower.** DOM averaged 22 days in September 2022,

- This tells us sellers are still driving the overall pace, giving buyers in the summer market little time to negotiate. Conversely, sellers should work with their Realtor® to plan for how quickly the home could sell.

The last two years of phenomenal sales activity were a result of several things:

- The low mortgage rate environment that carried over from 2019,
- The pandemic and lockdowns over the first half of 2020, caused pent-up buyer and seller activity to be pushed into 2021
- Consumers making significant lifestyle changes, i.e., remote work creating the ability to work anywhere, increased demand for larger homes and second homes.

- Buyers are increasingly frustrated by rising rates, rising prices, tight inventory and economic concerns. Even the National Association of Realtors® acknowledged that growing economic concerns would stall buyer activity.

- Sellers, like buyers, continue to be distracted by growing economic concerns and tensions in the country and abroad (in the EU). This month-over-month growth in new listings will do little to help the inventory situation in the short term, as homes are still being purchased as quickly as they're listed.

- However, long term, with buyer activity slowing because of rising rates and prices, should sellers continue to list, inventory will slowly increase and prices should also start to moderate.

- Buyers looking now are much more measured about their financial limits, though many are also pressed to act due to the rising rates. Rising rents are also a factor, as rent continues to outpace monthly mortgage payments.

- Buyers interested in the market, should start preparing now to determine their lending options and financial position, and they need to be flexible in terms of location and amenities, while also being mindful of how quickly the market is moving.

- A fast-paced market means buyers have less time for negotiation, as multiple offers in highly sought-after areas, will cause homes to close quickly. They should connect with a Realtor® to navigate the complexities of the market.

- Sellers also have to be mindful that homes have to be priced for the very local market – down to the neighborhood level to ensure that the home sales quickly and for the best market value.

Other Indicators

- Buyers, particularly work-from-home buyers, are seeking larger homes with dedicated offices and outdoor living spaces in suburban and rural settings, which means buyer interest should continue in the region's surrounding counties. Steady contract and closed sales activity throughout a number of outlying counties and areas continue to support this trend.

- Inventory/supply and rising rates will continue to impact prices this year, especially given the increased competition among buyers, pressed by rising rates. Inadequate housing stock is going to be the main issue that holds the market back in the coming year.

- Sellers who are ready to list have the opportunity to receive high visibility for their listings and spend less time on market. Days on market (DOM) continues to break records as it trends lower. Properties averaged 22 days on market in September. The Charlotte region's still tight inventory situation will continue to impact prices.

- The **median sales price**, which is the best measure of price over time (since it factors out extreme highs & lows of the market) dropped a bit to $380,000. (It was $385,000 in July 2022 and $388, 000 in August 2022).

- **Last month**, Canopy MLS reported that price reduction activity on listings throughout the Asheville and Charlotte MSA has started to increase. The Charlotte MSA saw a 126% year-over-year increase in price reductions in July, and in August, that increase was still significant, 157% year-over-year across the MSA. *In September price reductions increased 153% year-over-year.*

  What this means: Markets are slowly changing. Buyers may have more bargaining power now than at any point during the pandemic. This is evident in the downward trend seen in the Original List Price to Sales Price ratio over much of the summer. Buyers are more measured and able to shop with less competition and more supply. Pricing the home right is key for sellers in a quickly changing market.

- Price growth overall will continue, with some areas seeing increased volatility due to rapidly dwindling supply. Supply chain issues and rising prices continue to impact builders and the new construction market and how quickly inventory is developed.

  With buyer demand cooling and fewer contracts in the sales pipeline, we expect to see further sales declines, especially given housing affordability challenges due to rising rates.

Outlook ahead and reasons for concern:
Renters paying near mortgage prices monthly, run the risk of not being able to save for down payments. According to the National Association of Realtors® approximately 3 million renter households aged 25-40 years old, already **spend 50 percent of their income on rent,** which will make it even more challenging to save for future down payments.