Talk Smart!

A closer look at November 2022 sales throughout the Charlotte region.
All data is according to Canopy MLS.

Underlying messages:

- **Inventory is rising slowly. Inflation is still an economic concern. Mortgage rates, averaged 6.7 percent during the month, which is still historically low.**

- **2021's housing market was an anomaly and we can see that now as year-over-year sales declines over all of 2022, appear significant.**

- **Sales are still occurring, just not at the volume or pace of previous years. We are entering a time that is generally seen as a slower sales period (a return to seasonality).**

- **The good news about this slower pace of sales, is that inventory and supply will have a chance to build up. Inventory in November increased 49 percent at report time and had 7,300 homes for sale (2.2 months of supply). And as of Dec. 15, there are more than 7, 500 homes for sale.**

- **Buyers interested in purchasing, should strategize now with their Realtor® regarding their financial position (financing options and down payment) – so they are prepared.**

November 2022 Sales

The Charlotte region (16 county region) is seeing yet another month of year-over-year sales declines – making November the 11th consecutive month of year-over-year declines. Year-to-date figures suggest the region is on track to finish the year with about 50,000 sales, which is in alignment with 2019 (closings = 50,800 units)

- **Pending sales**, declined by 36 percent year-over-year and were down 13 percent when compared to the month of October. Buyers, are frustrated by rising rates, prices and tight inventory, and are distracted by dismal economic news and the upcoming holiday season. **The steep decline in contract activity means that future sales will continue to be weak and could trend lower over the winter selling season.**

- Interest rates are impacting buyers – but buyers, who are largely Millennials, should be educated regarding rates. Rates are averaging 6.7% which is still 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, endured higher rates and their grandparents' generation, experienced double-digit interest rates – 10% plus or higher.

- A number of programs and strategies are available – like the 2-1 Buydowns, to help buyers with rates. 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.

- Sales activity is still prevalent in outlying counties – an indication that buyers are looking for affordability and are willing to commute, given favorable work-from-home and flex scenarios.
- **New listing activity** started increasing in the region as of May and June. Listing activity was down in August, September and this past October. Lower demand has created a less frantic buying environment. for buyers still looking. But without new listing activity, inventory levels will stall and prices increases could continue as a result. Supply was 1.5 months in August and has inched up to 1.6 months at report time in September. October showed the region had 1.8 months of supply. At the end of November, supply had risen to 2.2 months. However, supply will have to build over the next couple of years in order to move the market back into balance (6 months of inventory) and cool prices.

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, and was 96.6 percent in October 2022. In November this metric ticked down to 95.7 percent, a sign that sellers are beginning to lose their "hold" on the market, as price reductions – which have increased consistently since April, continue to show buyers gaining in bargaining power.

Though we're still in a seller's market, the days of receiving well over asking price are behind and sellers need to reset their expectations. Accurately priced homes spend less time on market and tend to attract more buyers.

Days on Market are slowly increasing. Homes not selling as fast as last year. DOM showed homes averaging 34 days on market in November, compared to 21 days this time last year. DOM averaged 27 days in October 2022.

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 – particularly first time home buyers, which NAR announced in November, that the share of first time homebuyers has dropped, while the age of the first time buyer has gone up to 36.

- 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.

Sellers, like buyers, continue to be distracted by growing economic concerns, tensions, the negative election cycle and the upcoming holidays. 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.

- 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

- The **median sales price**, which is the best measure of price over time (since it factors out extreme highs & lows of the market) was $381,000 in November. ***Buyers will be relieved to see prices are starting to soften a bit; this past month Cleveland, Lincoln and Chester Counties along with Matthews and Waxhaw had median sales prices dip slightly, year-over-year, as more inventory came online.***

This summer Canopy MLS reported that price reduction activity on listings throughout the Asheville and Charlotte MSA has started to increase. *In September price reductions increased 153% year-over-year. In October reductions soared 180% year-over-year to 3,900 price reductions on active listings across the MSA. In November, there were approximately 3300 price reductions on active listings (YOY increase of 195%), however – this is down 15% compared to last month (Oct. 2022).*

- **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.**

2023 Outlook (realtor.com) - ***Difficult market ahead; consumers will need a Realtors' guidance. Buyers and sellers should have a plan of action.***

- After being overwhelmed in the housing frenzy of the recent past, homeowners, sellers, buyers, and renters may be underwhelmed in 2023. The slowdown in home sales transactions that began as mortgage rates surged in 2022 is expected to continue, leading to a moderation in home price growth and tipping housing market balance away from sellers.

- But with mortgage rates continuing to climb as the Fed navigates the economy to a soft-ish landing, a moderation in home price growth will not be enough for the housing market to be a buyer's bonanza. Instead, home shoppers will enjoy advantages such as a growing number of homes for sale, but costs will remain high, challenging affordability at a time when overall budgets continue to be squeezed.

- If home shoppers and sellers have unrealistic expectations, they could find themselves in a stale-mate in the year ahead. **The 2023 housing market could become a "nobody's-market," not friendly to buyers nor to sellers.**

- Consumers who are ready for the challenge will need to remain up-to-date on market conditions, creativity and flexibility to adjust, and a healthy dose of patience in order to create success.

Buying power on the decline – the typical mortgage payment will be higher (up 28% to $2,430) pricing many buyers out of the market.

Mortgage rates will remain elevated – 7.4% average mortgage rates will be higher than 2021's historic lows. Rates are predicted to fall to 7.1% by year end 2023.

Home prices – growing, but slowing. (Some price softening happening now within the region.) Home prices will continue to rise but at a slower rate – by 5.4% by year end.

Inventory is the silver-lining…and is predicted to continue increasing over the course of 2023.

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. Read more from realtor.com here.