Paul Dart's Real Estate Watch

Home Prices Have Surged 42% in the Last 3 Years

After three years of runaway home prices, buyers may soon find relief. In some markets, they may have already found it. The National Association of REALTORS®' latest quarterly housing report shows that home price growth is cooling—though that doesn't mean prices are falling. The national median price for a single-family existing home rose 4% in the fourth quarter of 2022, reaching $378,700. That's a much slower pace than the 8.6% increase in the previous quarter. Further, only 18% of metro markets posted double-digit price gains in the fourth quarter of 2022, compared to 46% in the previous quarter, NAR data shows.

"A slowdown in home prices is underway and welcomed, particularly as the typical home price has risen 42% in the past three years," says NAR Chief Economist Lawrence Yun. Still, "even with a projected reduction in home sales this year, prices are expected to remain stable in the vast majority of markets due to extremely limited supply. Moreover, there are signs that buyers are returning as mortgage rates decline, even with inventory levels near historic lows."

Still, about one in 10 markets saw home price declines in the fourth quarter of 2022. What's more, "a few markets may see double-digit price drops, especially some of the more expensive parts of the country, which have also seen weaker employment and higher instances of residents moving to other areas," Yun says.

Home buyers may be holding out for bigger price drops. Rising home prices have far surpassed median wage increases, and higher inflation and mortgage rates also are hampering home affordability. The typical monthly mortgage payment on an existing single-family home with a 20% down payment reached $1,969 in the fourth quarter of 2022—a 58% increase compared to a year earlier, according to NAR. That said, mortgage rates have been inching down since the beginning of the year.

The South had the largest share of single-family existing-home sales of any U.S. region and posted year-over-year price appreciation of about 5%, according to NAR. Prices climbed 5.3% in the Northeast, 4% in the Midwest and 2.6% in the West during the fourth quarter of 2022.

Overall, the 10 priciest markets in the fourth quarter of 2022 (which were mostly in California), according to NAR's report, are:

- San Jose-Sunnyvale-Santa Clara, Calif.: $1.58 million; down 5.8%
- San Francisco-Oakland-Hayward, Calif.: $1.23 million; down 6.1%
- Anaheim-Santa Ana-Irvine, Calif.: $1.13 million; down 1.6%
- Urban Honolulu, Hawaii: $1.1 million; up 3.4%
- San Diego-Carlsbad, Calif.: $857,000; up 1.4%
- Los Angeles-Long Beach-Glendale, Calif.: $829,100; down 1.3%
- Naples-Immokalee-Marco Island, Fla.: $802,500; up 17.2%
- **Boulder, Colo.: $759,500; down 2%**
- Seattle-Tacoma-Bellevue, Wash.: $708,900; up 1.3%
- Barnstable, Mass.: $668,100; up 4%

Melissa Dittmann Tracey - *Realtor Magazine* - 2023-02-09

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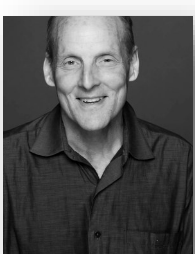

9421 N 63rd St
Longmont - $3,650,000

40 acres amid the rolling topography and peace of Boulder County. This working organic farm has a singular primary residence, 4-stall barn and water rights.

733 Nelson Park Cir
Longmont - $693,000

Superbly updated and maintained 3-bed, 4-bath home backing to a large park with a rare for the neighborhood 3-car garage.
A rare opportunity!

321 Mora Pl
Erie - $763,000

A new-built home for my first-time buyers. Started from bare dirt and ordered with all the great upgrades and special touches they wanted in their first home!

1961 Miranda St
Erie - $610,000

Assisted my client in buying a beautiful new-build home in Erie with everything she was looking for including a great location, wonderful features and appointments.

First Quarter 2023

The effects of the shift in the national economy are rippling through our real estate market. Many of my charts, metrics and trendlines tell conflicting stories which leads me to believe we are in for a volatile year. These disparate stories tell us where we've been, and suggest where we might be headed.

The current market slowdown was created by much higher mortgage interest rates than buyers had become accustomed to. Looking back at the last 50 years in the 30 Year Fixed Mortgage Rate chart though, you can see the present rate isn't close to historically high, just higher than most people have seen for a decade. Small comfort for buyers who are suddenly having to dramatically shrink their price range or inflate their possible monthly payment. The buyer activity in the market does seem to wax and wane as mortgages get slightly better or worse. The government reporting on mortgage rates is a week behind actual rate movements, leading to often difficult conversations with their lender quoting them the daily/hourly rate.

Showing Appointments, top left chart, started the year in the typical strong seasonal pattern, spiked then faded mid-February and into March. It is difficult to decipher if this is weather related, rate resistance, or a shift in the market trend.

Available Inventory, middle left, has moved off the historic lows of the last two years, but hasn't increased substantially. Why? In this economic climate, unless you have some pressing reason to sell, a very low interest rate and nice padding of equity gained since buying have you in a very comfortable position. Why not wait? And that has us in a unique moment in history where for the first time, we don't have enough sellers or enough buyers. Available home inventory would need to double or triple to cause prices to fall significantly. With no economic stress yet to force sales, available inventory will remain low.

Bottom left chart, the % of Homes Under Contract has hit a bottom, bumping along at around 30%, a balanced market between buyers and sellers. This chart is a 6-week average, and the 7-day average currently shows an improving trend. Previous years show a similar pattern. The direction it takes from this point will give us an indication of what the balance of 2023 may have in store. No one expects activity anywhere close to the experience of the last 10 years.

Annual Sales, bottom right, is another apparently conflicting story. In an active market, 2022 Boulder County Sales were lower than we had during the Great Recession. With such poor sales numbers, you would expect the market to be shedding value. But available inventory then versus now was dramatically greater. Supply limited demand in 2022, and continues to do so.

My outlook for 2023 starts with a decent early season market. Good properties will get good showings and offers. Properties with needs will languish until re-priced or the seller takes a lower offer. How active and how long this early season market lasts will be telling. By April we should have an indication of how the usually slower summer season will play out. An increasing interest rate environment will further decrease what buyers can afford, or drive them out of the market completely. Steady rates will at least keep the market moving, maybe better.