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Q3 2023 Real Estate Market Report

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Real Estate Market Regional Overview

2023 Q3

The regional housing market in the New York City metro area continued to slow in the third quarter of 2023, with sales falling even while low levels of inventory drove prices to more historic highs. Going forward, we believe that rising interest rates will finally start to impact prices by the end of the year, and do not expect meaningful price appreciation in 2024.

Interest rates have continued to rise, restricting inventory and hampering buyer demand. The big story of the past two years, of course, is the unrestrained spike in interest rates, which have gone up from about 3% in early 2022 to about 8% by the end of the third quarter of 2023. These interest rate increases have impacted the real estate market in several significant ways.

First, higher rates have severely restricted our available housing inventory. Why? Because many homeowners who might otherwise sell their homes cannot bear to give up their historically-low fixed-rate mortgage. Thousands of homeowners throughout our region currently have mortgages with interest rates below 4%, and in many cases below 3%.

Some of them purchased their homes in the past five or six years, when rates were at historic lows, while others smartly refinanced their existing loans to lock in those lower rates. Now, those homeowners have "golden handcuffs" keeping them in their current homes. Even the owners that might want to sell, perhaps because their home is now at its highest value in history, are thinking twice about it, because they are loathe to give up the attractive rate they have on their current home. Prices will stabilize near their current highs going into 2024.

If you think about it, this is an unprecedented situation in the modern housing market. Interest rates have generally been flat or falling since the early 1980s, over 40 years ago. During that whole time, homeowners never felt locked into their home because of a favorable interest rate, because they could always get a similar or much lower rate when they bought a new home, or just refinanced their existing home.

That dynamic played out year after year for 40 years. Now, for the first time in generations, virtually all current homeowners have mortgages with rates fixed well below the prevailing rate. And they're now thinking of those mortgages almost like financial assets that they don't want to give up.

You can see the impact of these "golden handcuffs" on the shortage of new listings that we're seeing in the market. Listings were down in every market in the region, falling around 20% for the quarter and down even more for the rolling year.

We've been seeing declining listings for four years now, and they just keep going down quarter after quarter.

As a result, our "Months of Inventory" is at an all-time low. In the real estate industry, we measure inventory by looking at the average number of homes that we sell each month, and then calculating how many months it would take to sell out the current stock of homes for sale. According to industry standards, six months of inventory marks a "balanced market" – anything less indicates a tight seller's market.

As you can see, we are at historic lows throughout the suburban region, with the months of inventory below 3.0 months. The only exception is Bronx County, which, like much of New York City's more urban markets, has been slowing much more rapidly than the suburbs over the past few years.

Second, rising interest rates have also started driving sales down. Simply put, rising interest rates are starting to have their normal dampening effect buyer demand. As rates go up, monthly payments go up, and buyer demand goes down. And when you combine lower levels of demand with historically low inventory, you're going to see sales continue to fall.

LISTINGS

	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
WESTCHESTER & HUDSON VALLEY	4,220	5,365	-21%	16,634	22,351	-26%
NORTHERN NJ	9,282	11,871	-22%	36,162	49,271	-27%
FAIRFIELD COUNTY	2,725	3,428	-21%	8,933	13,505	-34%
BRONX COUNTY	906	1,169	-22%	3,811	4,809	-21%

MONTHS OF INVENTORY

	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
WESTCHESTER & HUDSON VALLEY	2.5	2.5	0%	2.1	2.1	0
NORTHERN NJ	2.5	2.7	-7%	2.3	2.4	-4%
FAIRFIELD COUNTY	2.5	2.5	0%	2.2	2.1	5%
BRONX COUNTY	6.3	6.8	-7%	6.2	6.3	-2%

REGIONAL SALES

	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
WESTCHESTER & HUDSON VALLEY	4,198	5,388	-22%	14,321	19,260	-26%
NORTHERN NJ	7,897	9,210	-14%	28,215	37,985	-26%
FAIRFIELD COUNTY	520	670	-22%	2,087	2,654	-21%
BRONX COUNTY	1,884	2,563	-26%	6,439	8,988	-28%

Closed sales fell in almost every county within the report and were down sharply compared to last year's third quarter for each region – falling 22% in Westchester and the Hudson Valley, 14% in Northern New Jersey, 22% in the Bronx, and 26% in Fairfield County.

Similarly, pending sales, which measures the deals that were put into contract during the quarter, were also down pretty much across the board.

These lower levels of pending sales are a leading indicator for the closed sales in the fourth quarter, so we're likely to continue to see sales well below last year's levels through the end of the year.

Third, rising rates have also started to stabilize pricing. We've been waiting for this for a few quarters, since rising rates and falling sales eventually start to drive prices down. For most of the past two years, many buyers shrugged off rising rates, chasing that limited inventory and continuing to drive prices up even while transactions fell. Even though we no longer had, say, 10 buyers for every seller, like we did at the height of the 2020-21 seller's market, we still had 2 or 3 buyers per listing, which was enough to drive prices up. Well, now with rates even higher, those excess buyers who drive bidding wars are dwindling. We're not in buyer market territory, not with inventory this low, but we're moving in that direction.

As you can see, we still had some price appreciation in the third quarter, with prices up 5% in Westchester and the Hudson Valley, 8% in Fairfield, and 6% in Northern New Jersey. Again, the Bronx was an outlier, because most of New York City is further along into the slowdown than the suburban markets. But that appreciation is slowing, and we expect that by the end of the year prices will flatten out, with little reason to believe that we will see meaningful appreciation in 2024.

PENDING SALES

	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
WESTCHESTER & HUDSON VALLEY	3,659	4,463	-18%	14,589	18,669	-22%
NORTHERN NJ	8,080	10,346	-22%	30,424	40,982	-26%
FAIRFIELD COUNTY	2,164	3,027	-29%	8,066	12,196	-34%
BRONX COUNTY	660	642	3%	2,557	2,784	-38%

AVERAGE PRICES

	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
WESTCHESTER & HUDSON VALLEY	$816,010	$776,112	5%	$715,129	$705,315	1%
NORTHERN NJ	$1,079,682	$997,206	8%	$1,001,868	$986,946	2%
FAIRFIELD COUNTY	$723,372	$684,134	6%	$670,514	$636,306	5%
BRONX COUNTY	$553,456	$586,036	-6%	$556,828	$606,771	-8%

Going forward, we think that the market will continue to soften through the end of the year. With rates continuing to rise, we will likely see low levels of inventory and declining buyer demand, which will drive sales and eventually prices down.

Is there any way this trajectory might change? Maybe. We can see a couple of ways that the market might pull out of its decline:

First, homeowners might be willing to break through their golden handcuffs. With prices at historic highs, many long-time homeowners might reach the point where they become agnostic as to rate, because they have so much equity in their homes that they don't need to finance their next move. Others might just reach the point that they need to move for personal reasons, even if it means giving up their historically-low rate. And still others might see the recent stabilization, and in some cases decline, in average prices, and rush to get on the market before the music stops.

Second, buyers might start to price in and accept higher interest rates. For two years, buyers conditioned to declining interest rates year after year have had "sticker shock" as rates shot up and stayed up. Certainly, many buyers took to the sidelines in hopes of waiting out the rate increases. But now, they might start to adjust their expectations, and accept that these rates might be the new normal. After all, if they buy now, and rates continue to go up, they can feel good about buying when they did. And if rates do go down, they can just refinance to that lower rate, so long as their value holds. So there's no point in waiting, trying to time the market.

Third, and most importantly, rates could come back down. Predicting future interest rates is well beyond our abilities, but we will just point out that interest rates going down would solve a lot of the market problems. People measure interest rates not in absolute terms, but relative to where they have recently been. So if we saw rates go down even just a little – say, below 7% -- that might be enough to persuade sellers to give up their golden handcuffs. And it might be enough to make sellers feel better about getting back into the market.

Essentially, rising interest rates are no good for anyone in the housing market, because they make homes more expensive for buyers without any real added value for sellers. So unless they go down, or unless sellers and buyers start to accept the as the new normal, we'll likely see the market continue to soften through the end of the year and well into 2024.

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Q3 2023

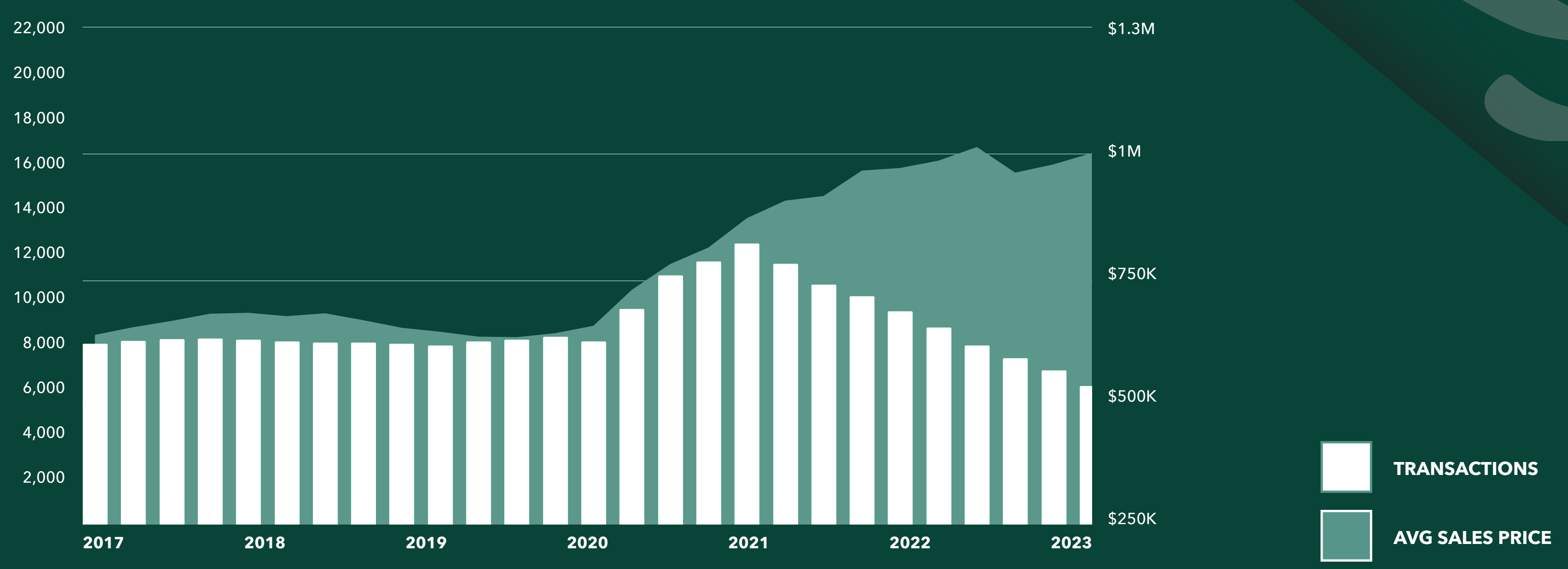
The State of **Connecticut** Real Estate Market Report

CT

Fairfield County
Real Estate Market Report

2023 Q3

Average Single-Family Home Sale Prices



ROLLING YEAR TRANSACTIONS AND AVERAGE SALES PRICES

Sales Down, Prices Hold.
Fairfield County Region

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CT Q3 2023 **Fairfield** County Real Estate Market Analysis

$1M + 1.5% AVERAGE SALE PRICE

$650K + 3.9% MEDIAN SALE PRICE

6,439 - 28.4% HOMES SOLD

100.7% - 0.6% LISTING RETENTION

47 - 3.4% DAYS ON MARKET

Fairfield County sales were down again in the third quarter, even while prices continued to reach all-time highs.

Fairfield closings fell sharply with single-family homes dropping 26.5% for the quarter and 28.4% for the rolling year. Condo results were a little odd, with sales exactly matching last year's third quarter at 872 transactions, but down 17.8% for the year. Similarly, pending sales, which are a leading indicator to future closings, were also down, falling 28.5% for both property types combined.

Even with sales falling, though, pricing continued to go up to all-time highs. Fairfield's single-family average price was up for the quarter, rising 8.3% on average and 2.6% at the median, and was also up for the rolling year, rising 1.5% on average and 3.9% at the median. Condo prices were flat for the quarter and mixed for the year, finishing up 6.7% on average but down 3.2% on average.

Why are sales down and mostly prices up? It's all about the inventory, which is at a stifling 2.5 months of homes for sale. We simply have too few homes for sale to meet the demand, so buyers are still chasing opportunities and pushing prices up. And we don't see relief in sight, with new listings down 2.5% compared to last year's third quarter.

Sales Slowing, Prices Hit All Time Highs.

Fairfield County Markets	Q3 2023	Q3 2022	% Change Quarter	Ending 2023 Q3 Rolling Year	Ending 2022 Q3 Rolling Year	% Change Year
SINGLE-FAMILY HOMES						
Total Closed Sales	1,884	2,563	-26.5%	6,439	8,988	-28.4%
Average Selling Price	$1,079,682	$997,206	8.3%	$1,001,868	$986,946	1.5%
Median Selling Price	$691,667	$674,250	2.6%	$650,279	$625,629	3.9%
Listing Retention	102%	101%	1.0%	100.7%	101.3%	-0.6%
Average DOM	38	41	-7.3%	47	48	-3.4%
Months Of Inventory	2.5	2.5	0.0%	2.2	2.1	6.0%
CONDOMINIUMS						
Total Closed Sales	872	872	0.0%	2,793	3,398	-17.8%
Average Selling Price	$439,764	$439,793	0.0%	$427,620	$400,846	6.7%
Median Selling Price	$360,833	$360,000	0.2%	$316,542	$326,878	-3.2%
Listing Retention	101%	101%	0.0%	100.6%	100.7%	-0.1%
Average DOM	43	43	0.0%	45	50	-11.5%
Months Of Inventory	2.7	2.2	22.7%	2.1	1.9	8.6%
ALL PROPERTIES TYPE						
New Listings	2,725	3,428	-20.5%	8,933	13,505	-33.9%
Pending Sales	2,164	3,027	-28.5%	8,066	12,196	-33.9%