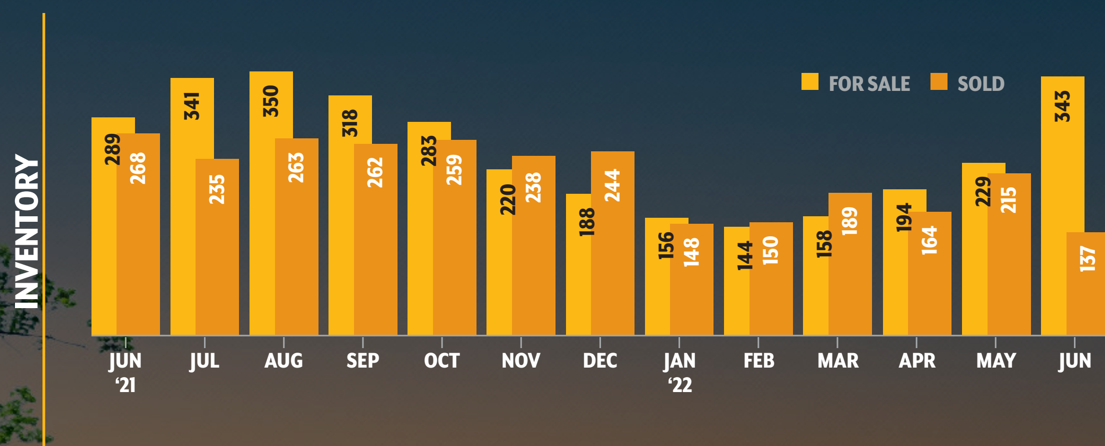
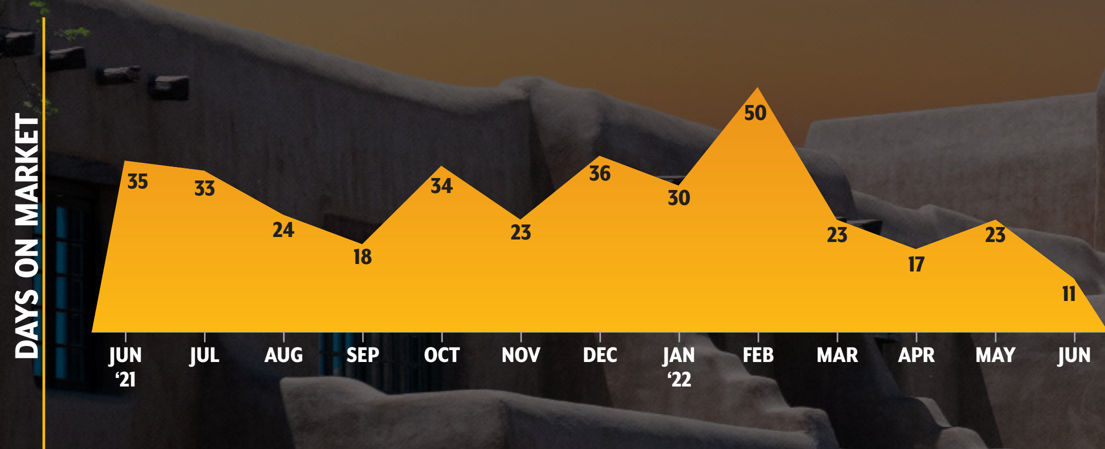




BARKER REALTY

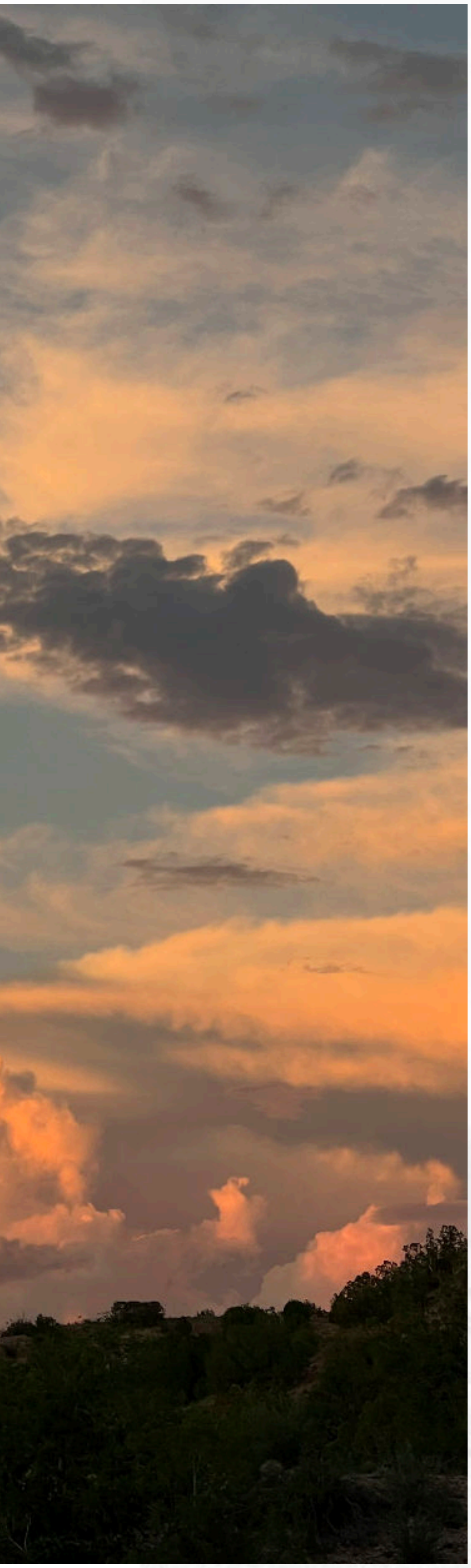
market digest

Santa Fe County Residential Market Report

Second Quarter 2022

A Shift In the Market

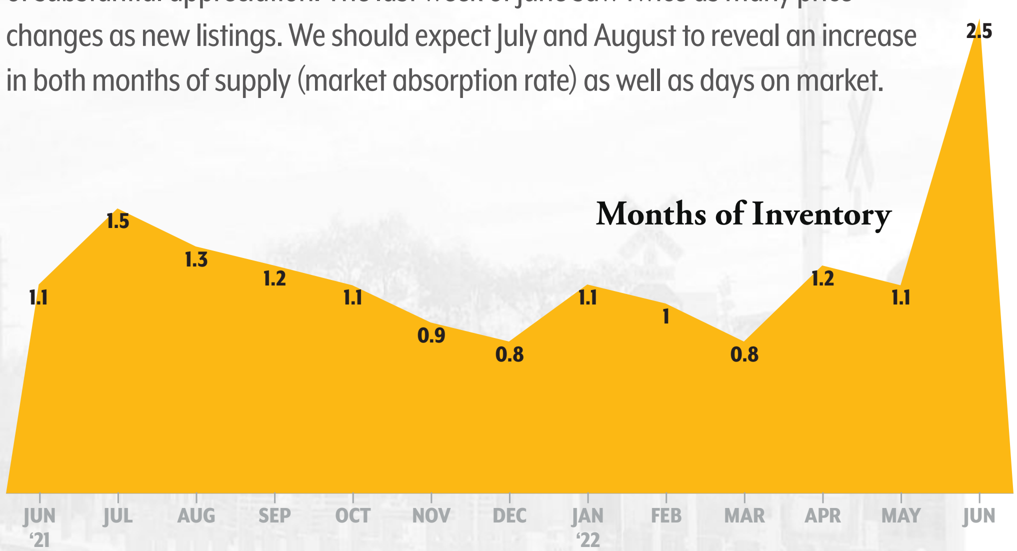
It's not your imagination; the real estate market is going through a transition. Like our dramatic swing from a hot and smokey June to a cloudy and wet July, we are seeing signs that the market is leveling off and recalibrating to the current economic climate. We are in unprecedented waters, however, and while we admit it is impossible to predict the future we can look at key indicators, historic data, and our brokerage's shared knowledge to try and make sense of the current market conditions. One could argue this shift is long overdue and will help bring needed balance to our market.

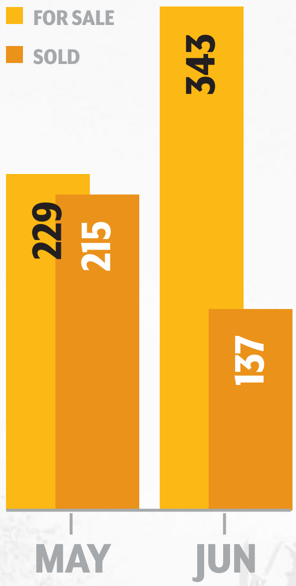


the big picture

Days on Market & Price Changes

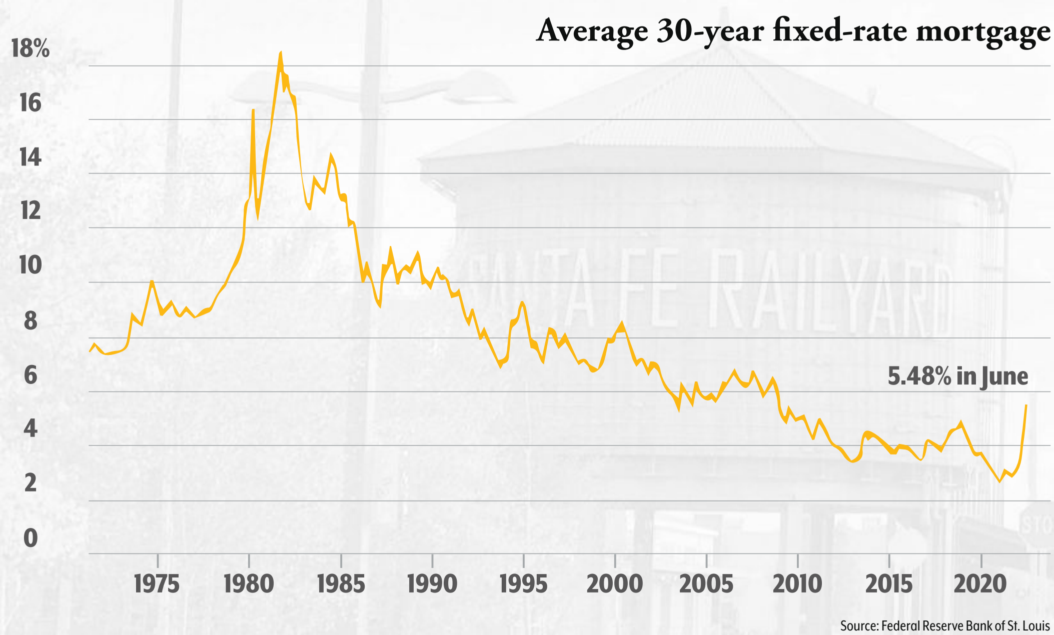
Our market data lags typically 30-45 days (the average duration it takes to close a property that goes under contract) so while the days on market look like it's still squeezing buyers to make quick decisions, we know from the past two weeks that the number of homes needing a price change to entice buyers has increased. Some sellers are struggling to adjust expectations after two years of substantial appreciation. The last week of June saw twice as many price changes as new listings. We should expect July and August to reveal an increase in both months of supply (market absorption rate) as well as days on market.





Inventory & Supply

The most dramatic change in the last quarter came in June when we saw an impressive increase in supply. The differential between new listings and properties sold is the largest we have seen since the beginning of the pandemic. This influx of inventory arrived at the same time the Federal Reserve raised interest rates by nearly 1.75% over the same period, which both forced buyers to recalibrate while simultaneously tempting buyers with many new properties to choose from.

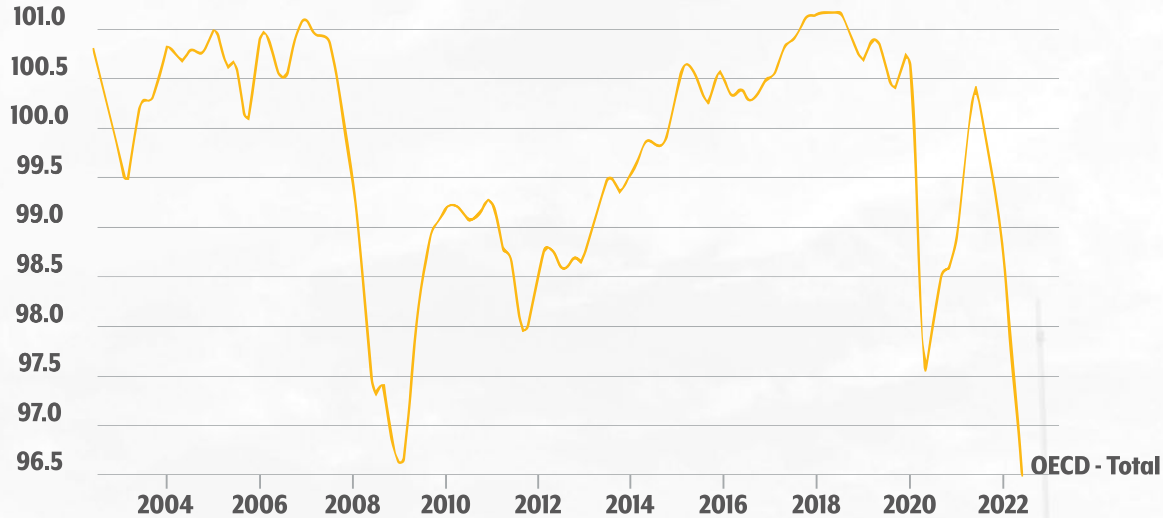


Buying Power

The continued increase in interest rates week after week has reduced potential homeowners' buying power. While looking at the last few decades, our current interest rates are far from 'high', but given the new price points, we are seeing buyers are still challenged to justify the increased monthly cost. Combined with the drop in the stock market where many buyers were leveraging their 401k or stock portfolio to fund purchases, many buyers are retooling their finances and adjusting their expectations.

Consumer confidence index (CCI)

Amplitude adjusted, Long-term average = 100, June 2002 - 2022



Source: Business tendecy and consumer opinion surveys

Economic Confidence

Looking back at the historic data from the last recession, we know that there was a precipitous drop in consumer confidence during the height of the housing crash. There are key differences this round, despite the consumer confidence seeming very similar. First, the change in lending practices has eliminated much of the over-leveraging that created the bubble, while second we continue to see upwards of 38% of purchases being cash. This pervasive demand across the board indicates any major value decline is unlikely.

Seller's Expectations

The biggest shift, however, may be in what a seller might expect when listing their property. We have seen fewer and fewer bidding wars and the sky-high over-asking offers have declined. With that said, buyers who have been dismayed by the competition and bidding wars have reentered the market after a two-year hiatus and are now pursuing homes. Prices have not gone down from their historic highs, but the immediate frenzy of activity has cooled.

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the upshot

Depending on your real estate needs much of this information will come as a relief or concern, and while both are valid we are seeing balance return to the real estate market. After two years of chaotic purchasing and aggressive appreciation, seeing some parity between buyers and sellers indicates the market is finding equilibrium once again.

Last quarter we talked about strong demand while also cautioning risk management. This still holds true – our median and average prices are the highest they have ever been, and while buyers have less immediate competition, well-priced homes are moving at a healthy rate.

Where are we headed for the remainder of 2022? Take a quick glance at the Wall Street Journal, Bloomberg, or the New York Times and you will get contradicting opinions and competing data. What we do know almost certainly is that Santa Fe continues to be a highly sought-after city and that should assure both buyers and sellers that their real estate goals should be achievable in the short and long term.

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