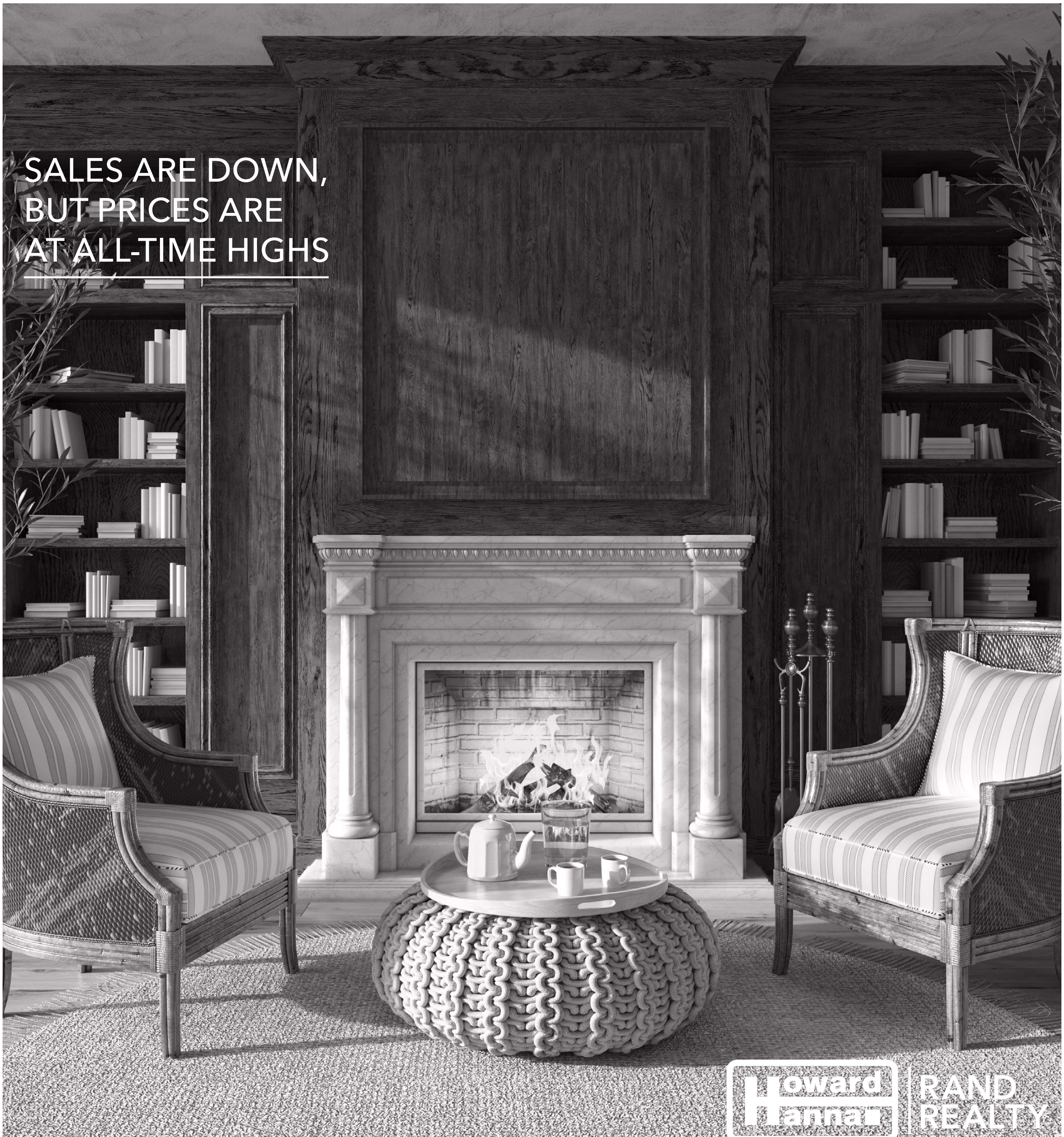
THE RAND QUARTERLY MARKET REPORT

FOURTH QUARTER 2022

FAIRFIELD COUNTY



REGIONAL OVERVIEW

After a torrid two-year spike in sales and prices in 2020 and 2021, the housing market in the New York metropolitan region downshifted in the fourth quarter of 2022. Sales fell dramatically from last year's all-time highs, hampered by a sharp rise in interest rates, "sticker shock" at home prices, and a lack of sellable inventory. But even with the market slowing down, prices continued to appreciate, reaching new all-time-highs throughout the region.

Introduction

When we analyze our regional housing market, we generally make comparisons to the prior year, because year-on-year changes are usually pretty reliable indicators. But when the market has been as volatile as our housing market has been over the past few years, we think it's important to take a bit of a longer view of what's going on. So in our Regional Overview, we're going to make comparisons not just to last year's fourth quarter and the full 2021 prior calendar year, but also to the 2019 calendar year. Why? Because 2019 was the last pre-Covid year, with a relatively "normal" housing market that we think provides a good model for where the market is going in 2023.

Accordingly, let's take a deep look into what's going on in the housing market in the New York metropolitan markets covered by Howard Hanna | Rand Realty: Westchester and the Hudson Valley, Northern New Jersey, Bronx County, and Fairfield County.

Analysis

Sales fell dramatically from their all-time-highs of 2021, but remained consistent with their pre-COVID-Boom levels. As you can see from Table #1 below, sales fell sharply over the past year, dropping about 26% in Westchester and the Hudson Valley, 31% in Northern New Jersey, 22% Bronx County, and 31% in Fairfield. But the story is more mixed if you look at the transaction levels in our 2019 "control year," before the market stalled during the COVID lockdowns and then surged in mid-2020 once those lockdowns were lifted. If you look at the 2019 sales, you can see that closings are basically similar to what we saw before the COVID Boom.

TABLE #1: Regional Sales

REGIONAL SALES	Current Quarter 2022Q4	Prior Year Quarter 2021Q4	Change from Prior Year Quarter %	Calendar Year 2022	Prior Calendar Year 2021	Change Prior Calendar Year	Control Quarter 2019	Change from Control Calendar Year 2019
Westchester and Hudson Valley	4,006	5,449	-26%	17,792	21,457	-17%	17,347	3%
Northern New Jersey	7,669	11,073	-31%	34,799	43,972	-21%	38,658	-10%
Bronx County	548	704	-22%	2,498	2,534	-1%	1,915	30%
Fairfield County	1,725	2,507	-31%	8,206	10,838	-24%	8,439	-3%

The central question is whether this downward sales trajectory will continue through 2023, or whether we'll see stabilization at those pre-COVID "normal" market levels. The bearish argument is that prices might have reached a height that scares away too many buyers, interest rates are still in the mid-6% range, and that inventory levels are still so low that we don't have enough "fuel for the fire" to keep the market going. According to that view, we'll continue to see sales fall another 10-15% in 2023, which would bring transactions down to 2014-15 levels.

The more bullish argument is that sales could level out at their current levels, for a couple of reasons: first, buyers might come back into the market with prices flattening out (or even declining in some markets), second, buyers might become more accustomed to the higher interest rates (and might enjoy rates coming back a bit this spring); and third, homeowners might build confidence that they can put their home on the market without worrying about having nothing to buy, which would help our inventory troubles. More importantly, recent economic news has been positive, with unemployment at all-time lows, inflation going down, and the economy continuing to grow. People who have jobs tend to buy homes.

So are we bulls or bears? One clue to the future comes from the "Pending Sales," which are deals that have gone into contract during the time period (either the quarter or the year). As you can see from Table #2 below, those pending sales are down dramatically from last year's highs, but are in the ballpark for what we saw in 2019, before the COVID Boom.

TABLE #2: Pending Sales

PENDING SALES	Current Quarter 2022Q4	Prior Year Quarter 2021Q4	Change from Prior Year Quarter %	Calendar Year 2022	Prior Calendar Year 2021	Change From Prior Calendar Year	Control Quarter 2019	Change From Control Calendar Year 2019
Westchester and Hudson Valley	3,757	5,593	-33%	17,972	21,514	-16%	20,016	-10%
Northern New Jersey	6,631	9,944	-33%	34,311	42,547	-19%	35,461	-3%
Bronx County	561	732	-23%	2,776	2,945	-6%	2,120	31

As you can see in the 2019 comparison, Westchester and the Hudson Valley pendings are down 10%, but Northern New Jersey is only down 3%, and the Bronx is way up (note that we don't have reliable data for Fairfield). So the message is a little mixed. Pending sales are our best predictor of future closed sales, so we think that transactions will probably stay close to but slightly below 2019 levels at least through the Spring.

Even with sales slipping, prices continued to hit all-time highs through the end of 2022. As you can see from Table #3, Westchester and the Hudson Valley prices were basically flat for the quarter, even with prices continuing to climb in Northern New Jersey, the Bronx, and Fairfield. But for the full calendar year, all the regions rose consistently throughout the region: Westchester and the Hudson Valley up 8%, Bronx up 12%, Fairfield up 11%, and Northern New Jersey up 8%.

TABLE #3: Average Prices

AVERAGE PRICES	Current Quarter 2022Q4	Prior Year Quarter 2021Q4	Change from Prior Year Quarter %	Calendar Year 2022	Prior Calendar Year 2021	Change Prior Calendar Year	Control Quarter 2019	Change from Control Calendar Year 2019
Westchester and Hudson Valley	$637,385	$638,403	0%	$710,891	$658,984	8%	$508,802	40%
Bronx County	$564,115	$561,069	1%	$610,293	$546,526	12%	$479,904	27%
Fairfield County	$888,981	$831,802	7%	$1,013,750	$917,209	11%	$639,027	59%
Northern New Jersey	$614,389	$583,374	5%	$646,457	$598,807	8%	$483,229	34%

The 2022 appreciation capped a three-year surge in prices that really started pre-COVID, but accelerated dramatically following the lifting of the COVID lockdown restrictions. If you look at the prices from that 2019 pre-COVID control year, prices are up sharply throughout the region: rising 40% in Westchester and the Hudson Valley, 27% in the Bronx, 59% in Fairfield, and 34% in Northern New Jersey.

So can that surge continue? Again, we have a bull-and-bear case. The bearish case is that the prices have already shown signs of plateauing in the latter half of 2022, and could even start to go down in 2023 with both high interest rates and "sticker shock" cooling off buyer demand. The more bullish case is that the underlying general economic fundamentals (jobs, economic growth, equities) are still doing well, which would weigh against any dramatic decline in prices.

Moreover, from a longer-term perspective, these price increases are only dramatic because they came over a short period of time. The bears forget that we didn't see much price appreciation from 2011 through 2020 – nine years where sales kept going up but prices stayed right where they were. Essentially, a 40% price increase over three years is unsustainable, but a 40% price increase over the course of a 12-year period isn't.

The best bullish case, though, has to do with the lack of available inventory: we still don't have enough available homes on the market, which should continue to prop prices up even if buyer demand slacks off.

Inventory came up a bit in the fourth quarter, but still remains near historic lows. As you can see in Table #4, inventory levels are currently at 1.8 months for single-family homes in Westchester and the Hudson Valley, 2.1 months in Fairfield, and 2.0 months in Northern New Jersey. The Bronx is an outlier with inventory at 6.0 months, because urban markets generally have not liquidated as much as more traditionally suburban markets.

TABLE #4: Months of Inventory

MONTHS OF INVENTORY	Current Quarter 2022Q4	Prior Year Quarter 2021Q4	Change from Prior Year Quarter %	Calendar Year 2022	Prior Calendar Year 2021	Change Prior Calendar Year	Control Quarter 2019	Change from Control Calendar Year 2019
Westchester and Hudson Valley	1.8	1.5	20%	2.1	2.1	0%	5.5	-62%
Bronx County	6.0	6.3	-5%	6.2	7.2	-14%	5.7	9%
Fairfield County	2.1	1.9	11%	2.1	2.3	-9%	7.1	-70%
Northern New Jersey	2.0	1.9	5%	2.4	2.6	-8%	5.5	-52%

Remember that we measure inventory by dividing the total number of available for sale and then dividing it by the average number of homes that sell every month. That tells us how many months it would take to liquidate the entire inventory of homes currently for sale. According to industry standards, six months of inventory represents a "balanced" market – indeed, if you look at the 2019 pre-COVID market, you can see that inventory was relatively close to that six-month level throughout the region.

But inventory has now fallen dramatically over the last three years, to the point that we only have about 2.0 months of homes for sale in most of our markets. That's incredibly low from historical standards. And that's why we are relatively bullish on prices. It's just basic economics. Even if buyer demand falls, this kind of restricted supply should prop prices up, and might even continue to drive appreciation throughout 2023.

Conclusion

As you can see, we are relatively bullish on the future of the market. Basically ,we think that the market is returning to a pre-COVID state and are projecting that 2023 sales will track near 2018-19 levels, but that prices will stabilize at current levels that are about between 25% and 40% higher than they were just three years ago.

We know that many of our clients, and even our colleagues, are anxious about the near future of the housing market. Much of that anxiety stems from the highly-charged media coverage we've seen over the past six months, which has amplified vivid narratives about (1) rising interest rates, (2) a dramatic sales decline, and even (3) industry layoffs by large public real estate and mortgage companies.

But we believe that this bearish case is overstated, and that these narratives are misleading. Here's why:

1. **Interest Rates.** Yes, interest rates have gone up, and that's a real problem for the market. But we might have already seen rates top out, and many buyers have adjusted to the new financing realities by opting for adjustable rate mortgages and putting more money down. Interest rates have certainly hampered the growth of the market, but they haven't been the dagger-in-the-heart that many media accounts seem to think.
2. **Sales Decreases.** When the media writes about sales figures, they generally (and naturally) make comparisons to 2021. But 2021 was just about the strongest real estate market in history! It's not a fair comparison. Yes, as we've shown here, sales are sharply down from their all-time-highs, but they're comparable to the "normal" pre-COVID market, which was not a market that sparked any real anxiety. If we track 2018-19 levels for the rest of the year, the market will be just fine.

3. **Industry Layoffs.** The media, particularly industry media, has been breathlessly reporting about layoffs in large, public real estate companies. Yes, those companies have been laying people off, but that has less to do with the housing market than the stock market – those companies have all seen dramatic declines in their share price, which has forced them into those layoffs. Moreover, many of the real estate companies laying people off are reliant on mortgages, particularly refinances, for their profitability, and the refi business has cratered this year.

Finally, we all know that the media (particularly social media) loves a scary story, and narratives involving the "collapse of the housing market!" make for good engagement and eyeballs. That's one of the reasons we've been putting out this Quarterly Market Report four times a year for over 20 years, because we think it's important for our clients, colleagues, and community get an objective, facts-based analysis of the housing market.

Accordingly, we hope that you found this Report helpful, and encourage you to reach out to your Howard Hanna | Rand Realty agent if you have any questions.

Yours,

Marsha Rand
Founder and President

Matthew Rand
CEO

Joseph W. Rand
Chief Creative Officer

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President of Home Services

COUNTY REPORTS

FOURTH QUARTER 2022 | FAIRFIELD

So what's going on in your local market? On the following pages, we break down the data for Fairfield County, providing a data table showing the hard numbers: sales, prices, and negotiability metrics like the listing retention rates, days-on-market, and the months-of-inventory. You can compare the numbers for the Fourth Quarter of 2022 versus the Fourth Quarter of 2021, or for the 2022 calendar year versus the immediately preceding 2021 calendar year. You can also find a graph showing the interplay of sales and prices going back as far as we have data. We hope you find this helpful. If you have any questions about your local market, please reach out to your Howard Hanna | Rand Realty agent.

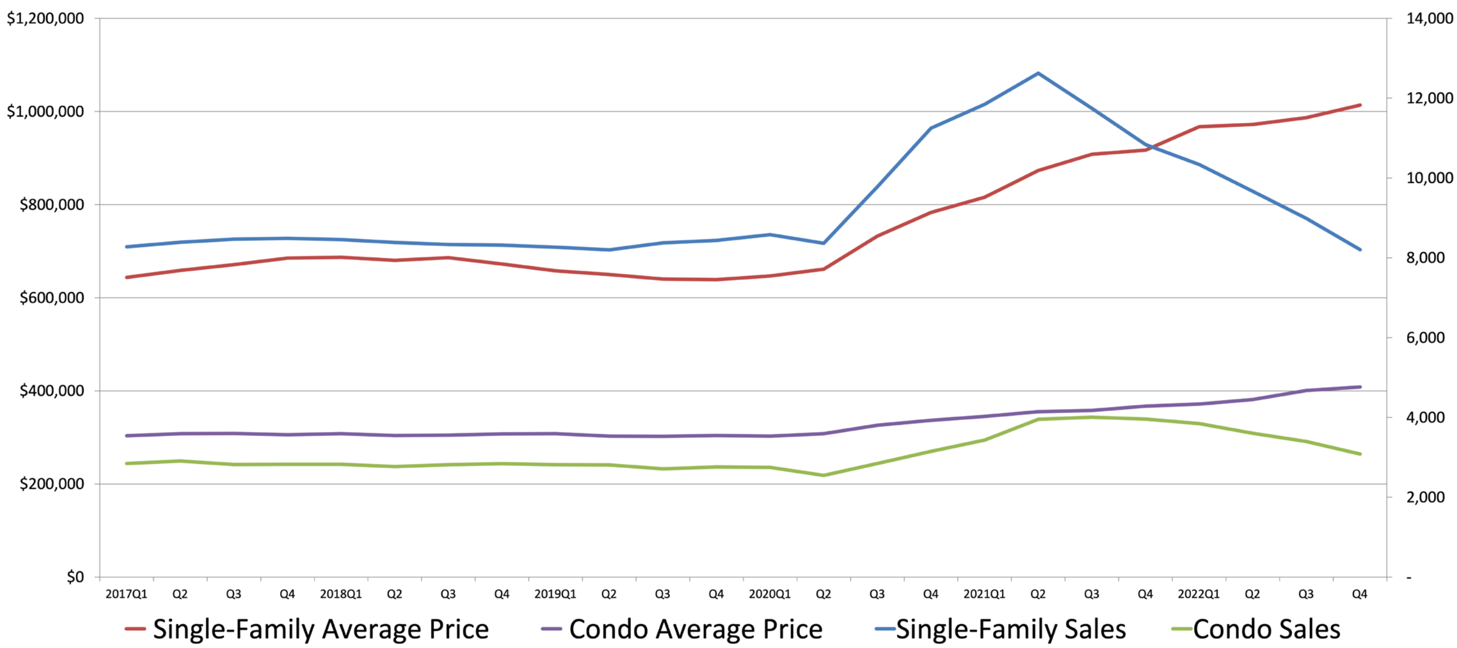
FAIRFIELD

AVERAGE SALES PRICE $1,013,750 ▲ 10.5%

CLOSED UNITS 8,206 ▼ -24.3%

FAIRFIELD COUNTY

FAIRFIELD SINGLE-FAMILY AND CONDO YEARLY SALES AND PRICES THROUGH Q4-2022



Graph courtesy of Howard Hanna | Rand Realty data courtesy local MLS systems

4TH QUARTER 2022
REAL ESTATE MARKET REPORT
FAIRFIELD
SINGLE-FAMILY HOMES | ROLLING-YEAR COMPARISONS

CLOSED UNITS	AVERAGE SALES PRICE	MEDIAN SALES PRICE	LISTING RETENTION	DAYS ON MARKET	MONTHS OF INVENTORY
8,206	$1,013,750	$638,504	101.2%	47	2.1
▼ -24.3%	▲ 10.5%	▲ 5.6%	▲ 1.1%	▼ -18.5%	▼ -6.4%

FAIRFIELD COUNTY MARKETS	Q4-2022	Q4-2021	% CHANGE (QUARTER)	ROLLING YEAR ENDING 2022Q4	ROLLING YEAR ENDING 2021Q4	% CHANGE (YEAR)
SINGLE-FAMILY HOMES						
TOTAL CLOSED SALES	1,725	2,507	-31.2%	8,206	10,838	-24.3%
AVERAGE SELLING PRICE	$888,981	$831,802	6.9%	$1,013,750	$917,209	10.5%
MEDIAN SELLING PRICE	$617,833	$566,333	9.1%	$638,504	$604,758	5.6%
LISTING RETENTION	99.0%	99.7%	-0.7%	101.2%	100.1%	1.1%
DOM	50	56	-10.2%	47	57	-18.5%
INVENTORY	2.1	1.9	10.5%	2.1	2.3	-6.4%
CONDOMINIUMS						
TOTAL CLOSED SALES	694	1,007	-31.1%	3,085	3,960	-22.1%
AVERAGE SELLING PRICE	$402,918	$379,847	6.1%	408,166	367,378	11.1%
MEDIAN SELLING PRICE	$223,333	$310,500	-28.1%	305,086	299,121	2.0%
LISTING RETENTION	100%	100%	0.3%	100.8%	99.4%	1.5%
DOM	45	57	-21.1%	47	60	-21.3%
INVENTORY	1.9	1.9	-2.2%	1.9	2.6	-25.8%

FAIRFIELD SINGLE-FAMILY ROLLING-YEAR SALES THROUGH Q4-2022

Graph courtesy of Howard Hanna | Rand Realty data courtesy local MLS systems

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