

FAIRFIELD COUNTY

FIRST QUARTER 2023

"SALES DOWN
SHARPLY, BUT PRICES
HOLDING STEADY"

THE RAND Quarterly Market Report



RAND
REALTY

REGIONAL OVERVIEW

The Regional housing market in the New York City metro area slowed considerably in the first quarter of 2023, with sales falling sharply throughout the region even while prices often continued to climb to historic heights. Going forward, we expect both sales and prices to stabilize near last year's levels for the spring market and for the rest of the year.

REGIONAL SALES	Current Quarter 2023Q1	Prior Year Quarter 2022Q1	Change from Prior Year Quarter %	Rolling Year Ending 2023Q1	Rolling Year Ending 2022Q1	Change from Prior Rolling Year
Westchester and Hudson Valley SF	2,762	4,009	-31%	16,444	20,624	-20%
Northern New Jersey (All)	5,235	7,856	-33%	32,183	43,120	-25%
Bronx County (All)	477	628	-24%	2,347	2,602	-10%
Fairfield County SF	1,118	1,676	-33%	7,648	10,336	-26%

PENDING SALES	Current Quarter 2023Q1	Prior Year Quarter 2022Q1	Change from Prior Year Quarter %	Rolling Year Ending 2023Q1	Rolling Year Ending 2022Q1	Change from Prior Rolling Year
Westchester and Hudson Valley (All)	3,606	4,753	-24%	17,293	21,982	-21%
Northern New Jersey (All)	6,941	9,157	-24%	34,718	42,233	-18%
Bronx County (All)	607	700	-13%	2,628	3,001	-12%
Fairfield County (All)	1,890	2,634	-28%	n/a	n/a	n/a

Sales continue to fall, dropping below pre-pandemic levels. Closed sales fell in every county within the report and were down dramatically for each region - falling 31% in Westchester and the Hudson Valley, 33% in Northern New Jersey, 24% in the Bronx, and 33% in Fairfield County. Similarly, pending sales that went into contract during the quarter, which provide a leading indicator of future closings, were also down, falling in each county and in each region.

These were disappointing, if not surprising, results. But we need to remember that at this time last year, we were at the tail end of the strongest housing bull market in the history of the region, so we are making comparisons against an unusually high baseline. Moreover, while rising interest rates have certainly impacted buyer demand since last year, sales are also down due to a persistently severe lack of inventory (more on that below).

So how should we characterize these kinds of sales totals? Last fall, we predicted that 2023 sales would fall to the levels we last saw in the middle of the 2010s, when the housing market was slowly recovering from the 2008-09 Financial Crisis. We believe that prediction is playing out, with first quarter sales throughout the region falling to the levels we last saw in 2013-15. That might seem a little alarming, but we would caution that we all considered those types of closing levels to be relatively strong at the time. It's not as if we're back to the sales totals of 2009, which were about 50% of what they are right now. This isn't a return to the Great Recession.

AVERAGE PRICE	Current Quarter 2023Q1	Prior Year Quarter 2022Q1	Change from Prior Year Quarter %	Rolling Year Ending 2023Q1	Rolling Year Ending 2022Q1	Change from Prior Rolling Year
Westchester and Hudson Valley (SF)	\$650,244	\$635,959	2%	\$719,565	\$676,745	6%
Northern New Jersey (All)	\$606,927	\$604,478	0%	\$650,498	\$608,117	7%
Bronx County (All)	\$538,975	\$595,866	-10%	\$599,659	\$561,470	7%
Fairfield County (SF)	\$857,936	\$1,140,324	-25%	\$963,235	\$967,343	0%

Even with sales falling, prices were mixed, reaching historic heights in some parts of the region but declining in others. Prices were up in most of the counties in the Westchester, Hudson Valley, and Northern New Jersey regions, but they were down in the Bronx and Fairfield County. We do want to caution that the 25% decline in the average price in Fairfield is probably an anomalous quirk based on some outliers in data, given that the median price was up a tick, and the rolling year price was also flat. But overall, we're clearly seeing the upward momentum on pricing come to an end, with prices at best stabilizing at their current levels.

MONTHS OF INVENTORY	Current Quarter 2023Q1	Prior Year Quarter 2022Q1	Change from Prior Year Quarter %	Rolling Year Ending 2023Q1	Rolling Year Ending 2022Q1	Change from Prior Rolling Year
Westchester and Hudson Valley (SF)	1.9	1.6	19%	2.2	2.0	10%
Northern New Jersey (All)	2.2	2.0	10%	2.4	2.5	-4%
Bronx County (All)	6.2	5.5	13%	6.4	6.6	-3%
Fairfield County (SF)	1.9	1.5	27%	2.2	2.1	5%

We continue to see a severe lack of inventory throughout the region. 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, and we're in a seller's market.

Well, we're way below that balanced market level, with 1-3 months worth of inventory in most of the counties in the region. That's a major reason for the current state of our market: sales are falling so much because we don't have enough homes to sell, and prices are still being propped up despite rising interest rates because we still have too many buyers chasing too few homes.

Will this change? Will we see some relaxation of the inventory? Basic economics tells us that when prices go up, supply also rises as sellers see an opportunity to take advantage. But one concern we have is that too many homeowners are locked into their current homes by "golden handcuffs" - a ridiculously low interest rate on their mortgage, either from when they bought the home or from refinancing when rates were down around 3%. Even if those owners wanted to move, they might not be able to afford the higher payment they'd have to make at today's higher rates. So, they might not be going to put their homes on the market, even if they want to take advantage of higher prices.

Going forward, we believe that sales and prices will stabilize near 2022 levels for the rest of the year.

We certainly think that we're seeing the last of these dramatic year-on-year sales declines that we've had for the last four quarters. That's not because we believe that the market is going to significantly strengthen, but only because we will be measuring off a much lower baseline, not off the strongest market in history. Accordingly, we believe that the market will hold to that 2013-2015 era level of sales, with low levels of inventories propping prices up near their current levels through the end of the year.

CLOSED UNITS	AVERAGE SALES PRICE	MEDIAN SALES PRICE	LISTING RETENTION	DAYS ON MARKET	MONTHS OF INVENTORY
7,648	\$963,235	\$638,917	101.1%	46	2.2
- 26.0%	- 0.4%	+ 5.0%	+ 0.8%	-15.1%	+ 4.8%

Fairfield County sales were down sharply in the first quarter, with mixed results for pricing.

Fairfield closings fell dramatically, dropping 33.3% for single-family homes and 21.5% for condos. The market has now clearly transitioned from the post-pandemic surge, with closed sales down for the rolling year – falling 26.0% for single-family and 23.8% for condos. Similarly, pending sales, which are a leading indicator to future closings, were also down, falling 28.2% overall. To be sure, we are measuring off last year's first quarter, which was at the tail end of a historic housing bull market, but it's also clear that the rise in interest rates has had a depressing effect on buyer demand.

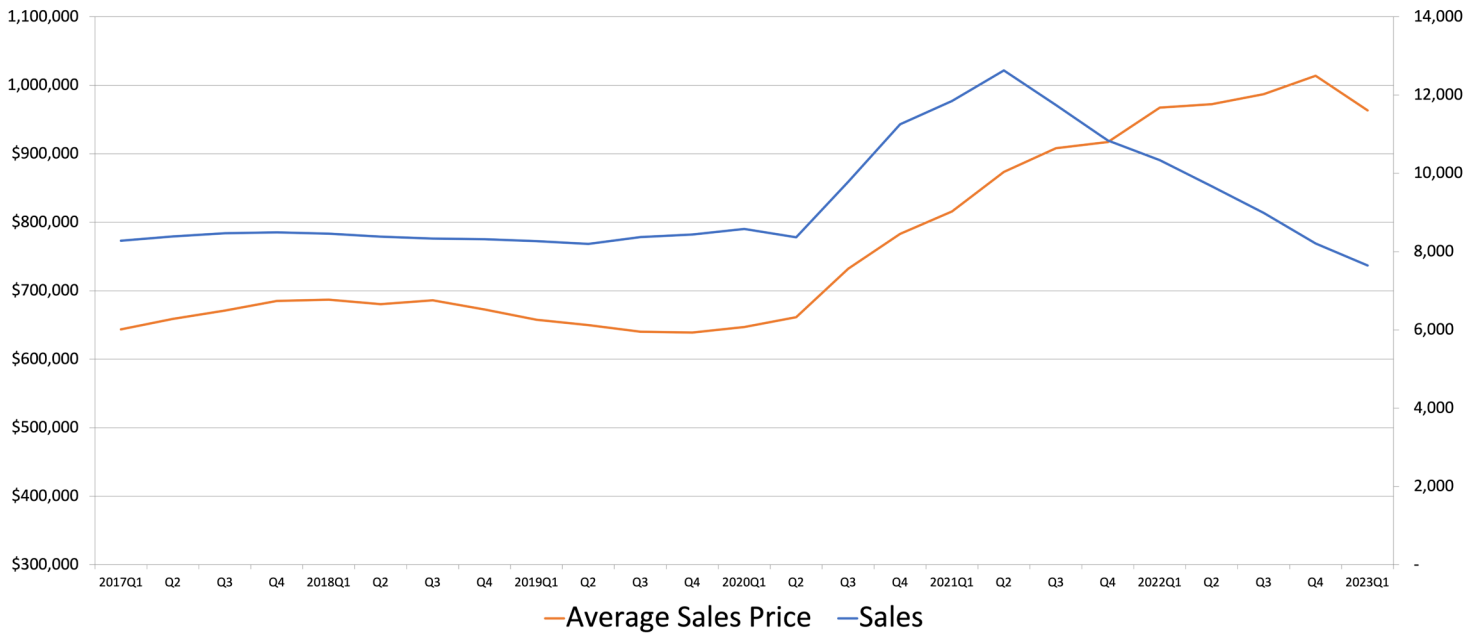
But pricing was a bit more mixed. We had an eye-popping

decline in the average sales price, which fell 24.8% for single family homes for the first quarter. But that result might be anomalous, because the single-family median sales price was actually up a tick. Moreover, the condo average sales price was up 19.1%, with the median up 11.3%. So, the single-family average price decline might be a reflection only of some weakness in the highest-end of the market, which changed the mix of properties. That might explain why the average was down while the median was flat and the lower-end condo market was up so sharply.

Going forward, we expect sales to rise a bit in a historically strong spring market, but we will be watching to see if prices stabilize after this surprisingly weak quarter.

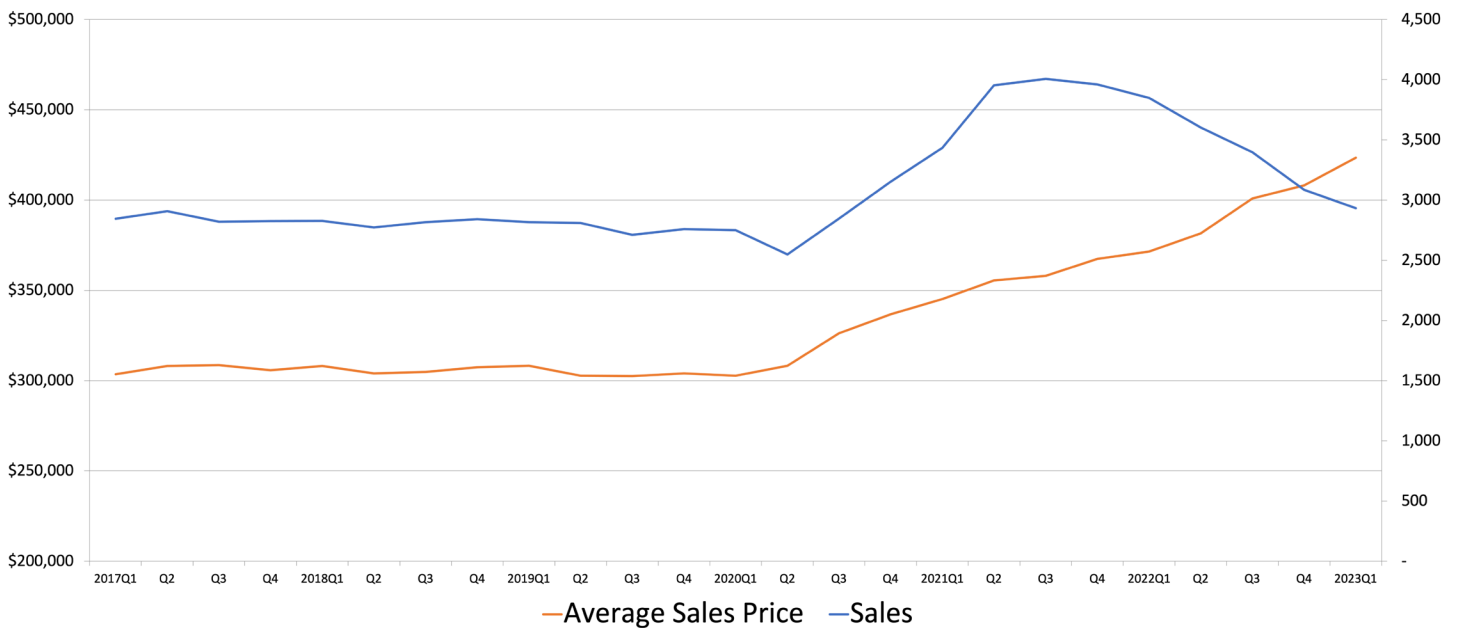
FAIRFIELD COUNTY MARKETS	Q1-2023	Q1-2022	% CHANGE (QUARTER)	ROLLING YEAR ENDING 2023Q1	ROLLING YEAR ENDING 2022Q1	% CHANGE (YEAR)
SINGLE-FAMILY HOMES						
TOTAL CLOSED SALES	1,118	1,676	-33.3%	7,648	10,336	-26.0%
AVERAGE SELLING PRICE	\$857,936	\$1,140,324	-24.8%	\$963,235	\$967,343	-0.4%
MEDIAN SELLING PRICE	\$578,317	\$576,667	0.3%	\$638,917	\$608,417	5.0%
LISTING RETENTION	98.0%	100.0%	-2.0%	101.1%	100.3%	0.8%
DOM	58	59	-1.7%	46	54	-15.1%
INVENTORY	1.9	1.5	26.7%	2.2	2.1	4.8%
CONDOMINIUMS						
TOTAL CLOSED SALES	554	706	-21.5%	2,933	3,848	-23.8%
AVERAGE SELLING PRICE	\$440,325	\$369,809	19.1%	\$423,473	\$371,467	14.0%
MEDIAN SELLING PRICE	\$330,333	\$296,750	11.3%	\$313,482	\$303,975	3.1%
LISTING RETENTION	100%	100%	0.0%	100.8%	99.8%	1.0%
DOM	52	55	-5.5%	46	55	-16.7%
INVENTORY	1.9	1.5	26.7%	2.0	2.2	-9.4%
ALL PROPERTY TYPE						
NEW LISTINGS	2,432	3,095	-21.4%	N/A	N/A	N/A
PENDING SALES	1,890	2,634	-28.2%	N/A	N/A	N/A

FAIRFIELD SINGLE-FAMILY ROLLING-YEAR SALES AND PRICES THROUGH Q1-2023



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

FAIRFIELD CONDOS ROLLING-YEAR SALES AND PRICES THROUGH Q1-2023



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



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