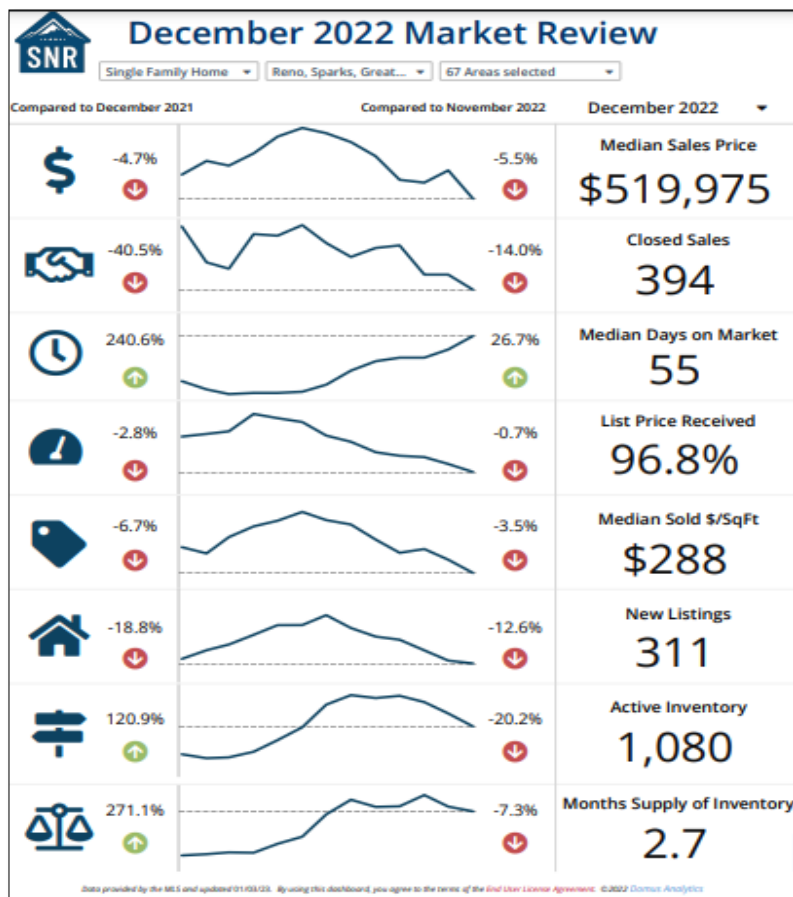


2022 Real Estate in Review

2022 was a turbulent year for residential real estate in Reno/Sparks. The year began with high demand, low inventory and a 3.2% average 30-year fixed mortgage interest rate. By mid-June rates had risen to over 6%. The market was wavering. Mid-October rates were over 7%. We are officially in a “real estate recession”. Dec. 2022 Market Review trend lines mirror the rapid rises in interest rates in reverse.

Behind the numbers in Reno & Sparks

- MLS reported a total of 3077 closed sales of homes priced <500k in 2021. In 2022 we saw 1786 closed sales in the same price range. Interest rates clearly hit this group the hardest with a 42% drop in sales volume. Historically low interest rates have masked our local affordability crisis. The reality is clear now. Investors will likely fill this gap in 2023.
- Analyzing homes sales in the \$600K- \$900K price range shows a slight uptick in volume from 2713 in 2021 to 2757 in 2022. A good portion of this trend is related to the move-up market. Buyers hoping to sell their current home while concurrently purchasing a more desirable home have been mostly locked out of the market for the past 2 years. This shift created an opportunity for them.
- Our luxury market (sales over \$1,500,000) took a bit of a hit with a 10% reduction in sales volume from 243 to 217 year over year. A deeper look into 2022 luxury home sales reveals that 96 of the 217 sales were “all cash”. These buyers are relatively immune to higher interest rates and likely got a better deal than they would have in 2021 due to the drop in overall confidence.



Rental & Vacancy Rates

Local press recently reported some gloomy news regarding rents and vacancy rates. Their info is largely unreferenced. Our most trusted local source for apartment is Johnson/Perkins/Griffin (<http://jpgnv.com/>). Their recent evaluation reveals an overall drop of \$26 per month in average rent and increased vacancy rate of 2.6% to 3.4% between quarter #2 and quarter #3 of 2022. With over 5,600 units coming onboard in 2023 we may see some rent relief for apartment dwellers this year. In a recent informal poll of single-family home property managers reported a slight drop in demand. Now it takes 7-10 days to fill a vacant rental rather than 48 hours. Of the dozen plus, none are reporting any major decline in monthly rent rates. Many are offering incentives for a signed 12+ month lease. Perhaps we have a good number of qualified, potential homeowners planning to ride the storm out in a rental home.

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If your property is listed with a real estate broker, please disregard. It is not our intention to solicit the offerings of other real estate brokers. We are happy to work with them & cooperate fully.

Navigating The Market Shift

Builders are wrapping things up quickly at this point; building permits and new starts are dropping dramatically. If you want to buy a new home this may be your time as builders pull back. We are currently almost 6,000,000 homes short of demand across the nation. Demand, labor and material shortages will drive the next run-up in new homes. When the home builders ramp up their production again it will likely be due to long lines at their sales offices.

- For sellers, we have migrated from a transactional market to a life-event market. Those that need to sell probably will. Those would like to or want to, mostly won't. You will likely sell your home for less than last year but if you frame the decision based upon the past 5 years of appreciation it's still a very positive equation.
- Buyers waiting for big drops in pricing or significantly lower interest rates: BE CAREFUL. Timing the market is difficult at best. We typically don't discover the bottom until it's well passed. While you may marry the home, you're only dating the interest rate. If you're an FHA or VA buyer that still qualifies-get that done this year. Many of you have been locked out of the market during the frenzy of the past 2 years. We're not sure when the market will recover, only that it will and when it does it will likely blow up as it did in 2020.

5 factors driving the run-up of 2020-2022 in our area:

- 1) Migration to working from home
- 2) Good jobs, low taxes and a healthy local economy
- 3) The Millennial Generation is the largest in history and entering the typical "home-buying" age now.
- 4) Northern Nevada is a pretty cool place to live.
- 5) Historically low interest rates. I'm doubtful that we'll ever see sub 4% interest rates again, but 4 of the 5 factors are still in play now.

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Margie McIntyre
REALTOR® | BS 55018
(775) 250-3181
Margie@margiemcintyre.com
www.margiemcintyre.com

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