



## Talk Smart!

Charlotte Housing Market  
February 2024

### Charlotte's outlook

The outlook is still positive, but this will be a year in flux until rates are stable.

### Let's Look at Rates:

- There are less than six weeks left until spring starts and the spring selling season. And at this point, the outlook is pretty good.
- The FED raised interest rates several times last year to help tame inflation. At the end of 2023 inflation had calmed enough that we saw predictions of the FED cutting rates in the spring...but news in early February indicated that we may not see rate cuts until mid-year...that's still pretty good news for buyers if that happens. Rates as of the 3<sup>rd</sup> week in February are hovering between 6.6%-6.8%.... still higher than historical rates, but relatively stable over the last two months.

### Buyers, Rates & Supply

- The sweet spot for buyers is rates in the 6 percent range – because last February and at the end of 2023, when rates moved into 6 percent territory, we saw a lot of buyer activity as a result.
- Contract activity continued to rise in February – up 4.6 percent YOY and up 7.1 percent when compared to January 2024. Contract activity has risen steadily each month since October 2023 and should the trend continue buyers could see more competition, including price increases and multiple offer situations.
- Closed sales were relatively on par with sales in February 2023 down less than a percent, but were up 26.7 percent compared to January's activity – the first double-digit gain since June 2021.
- **The Stability of mortgage rates continues to be key for buyers this year** – who are experiencing affordability and limited inventory concerns coming into spring. Take a look at buyer activity and foot traffic in the February 2024 Showing report. For example:
  - Showing reports in February indicated buyer interest was heavy in Matthews and Waxhaw, where listings received an average of 9.3 showings (or potential buyers) per listing and 8.6 showings per listing respectively.
  - Overall Mecklenburg County consistently ranks high with buyers, where homes received an average of 7.5 showings per listing this past month.

- The city of Charlotte’s properties also received high interest and averaged 7.6 showings per listing, followed by Union County listings, where properties received an average of seven showings per listing.
- But the challenge however has been and will still be, inventory and supply. Currently (as of the third week of February) the region has about 1.6 months of supply. That’s critically low. And when buyer demand rises, with inventory this low, prices increase. If rates fall, we will also see an increase in buyers and competition – creating the potential for multiple offer situations.
- Typically, we see sellers list in March, April, and May, and if this holds true this year, buyers may have more opportunities. With this scenario in mind, buyers should start exploring their options and consider getting pre-approved so they are ready.

### **Sellers, Rates, and rising home equity**

- Sellers continued to respond positively to the market in February, offering 4,180 new listings, a significant increase of 19.7 percent compared to last year when sellers listed just under 3,500 new listings.
- New listing activity increased 17.2 percent compared to January 2024, however, with inventory and supply already critically low across the region, supply remains unchanged compared to January 2024.
- Both supply and inventory increased compared to last year, rising 7.3 percent to 5,628 homes for sale, while supply increased 14.3 percent from 1.4 months of supply last year to 1.6 months in February.
- Rates moving down will also bring more sellers into the market and more seller activity will yield more inventory and supply. NAR’s fourth quarter stats showed that 86% of metro markets had home price gains, which means that homeowners are seeing more wealth gains from their most valuable asset.
- **This is the fourth consecutive month where new listings have increased compared to the previous year.** New listing activity only started rising in late fourth quarter in response to mortgage rates moving lower and increases in demand. However weak activity over the last two years has caused inventory and supply to be constrained, setting the stage for another seller’s market this year.
- We didn’t see the same volume of seller activity last year as in previous years – and that was largely because sellers were enjoying the low historical rates that we had before the pandemic.
- And the fast-moving market of 2021 kept a number of sellers from listing because once they list, they too become buyers –and because of limited inventory – many feared they wouldn’t be able to find a new home, especially if they were “move-up buyers” who still needed a home in this market.

## **First-Time Buyers and Challenges**

- However, there are serious challenges for first-time home buyers. With the national median sales price of \$391,000 and the typical 20% down payment, the monthly mortgage payment is about \$2,010. At yearend 2023 the median home price in Charlotte was a little lower than the national median at \$385,000 but that's still a hefty mortgage payment for first-time buyers. In February the median was \$385,000.
- However, first-time homebuyers are finding a way. Last year we saw more partnering with roommates to purchase and first-timers willing to move into older homes as well as willing to trade on commute to gain more affordability.
- Don't forget we now have Down Payment Assistance Resource tool in the MLS, with 72% of listings qualify.

Builder sentiment, which was down last year due to rates, rose in January, and when builders feel good about the market and conditions, new construction should rise as a result.

## **Why Sellers Should Consider Listing**

### **1. Low inventory**

It comes down to "Economics 101:" there is a shortage of homes for sale across the country and here locally, in relation to buyer demand. This creates a highly desirable atmosphere to attain the best possible price and terms for a home if the home is priced well.

### **2. Rising appreciation**

Home prices are on the rise. Many sellers are in an enviable position to sell and walk away with a nice profit that they can use on the next place they decide to call home. In the current market, sellers can expect their home to sell fairly quickly for the asking price, possibly above, and more likely with multiple offers. According to the National Association of Realtors®, homes sellers sold their home for a median of \$85,000 more than their purchase price, which is up from \$66,000 in 2020.

### **3. Fast days on market**

The time it takes to sell a home has started to fall, which means the sellers home is not on market as long as even a year ago. Homes averaged 44 days on market until sale in February compared to 48 days in February 2023

However, sellers definitely may need a solid plan of action to prepare. In a difficult market, where homes are selling quickly, talking with a Realtor® is key.

### **5. New Construction**

There are a number of new home communities that are being built across the region. Working with an agent who has knowledge of the new construction market can also yield options for sellers.

## **5. Technology & Marketing Tools**

There has never been a set of more powerful tools in an agent's arsenal to provide maximum exposure and reach for a seller's property. Predictive analytics, social media marketing, drones and the use of video and applications that allow buyers to see properties no matter where they are in the world. Realtors® can help sellers leverage these optimal selling conditions for a successful sale.

### **Advice for buyers in a highly competitive market**

#### **1. Get preapproval in place**

Talk with a lender and shop for the best rate. By having preapproval in place, the buyer will understand how much they can comfortably borrow. This allows the buyer to see what they'll spend on principal and interest for the loan each month. (And realize that HOA dues may also be a requirement in some communities. Also pay attention to property taxes as well.)

#### **2. Prepare for buyer competition**

Limited inventory means once the buyer finds a home they would like to buy, they may not be the only one interested. And that means they'll need to prepare for multiple offer situations and a bidding war. Your Realtors'® most important role is as negotiator. So, making sure you're represented by an experienced real estate agent is key.

#### **3. Be creative with your offers**

Increasing the earnest money, shows sellers the buyer is serious or perhaps consider covering seller costs. But talking with a Realtor® helps buyers come up with creative solutions to purchase. Realtors® are cautioning buyers regarding letters and videos to the seller, as this could cause some fair housing-related issues.

#### **4. Be Flexible with your Move-in date**

For example, if you're working with a seller who needs to move right away, be prepared to close quickly so they can be on their way sooner. OR -- Does the seller need a month or two—or six—to move out? If the buyer can be flexible and allow them to stay in their home for a while after closing (paying the buyer rent, of course), the seller may choose your offer over all the rest.

#### **5. Don't give up the search**

Because the market is so competitive buyer offers might be turned down – but giving up and not buying while rates are at historical lows could also cause you to pay more at some point in the future. So be

flexible and first-time buyers should understand that the first home may not necessarily be the “dream home”. But owning real estate is always a sound investment that allows you to build wealth over the long-term. The time it takes to sell a home has dropped significantly which means the seller's home is not on market as long as even a year ago. Homes averaged 19 days on market until sale, in 2021 compared to 35 days on market in 2020. Don't forget we now have Down Payment Assistance Resource tool in the MLS, with 72% of listings qualify.