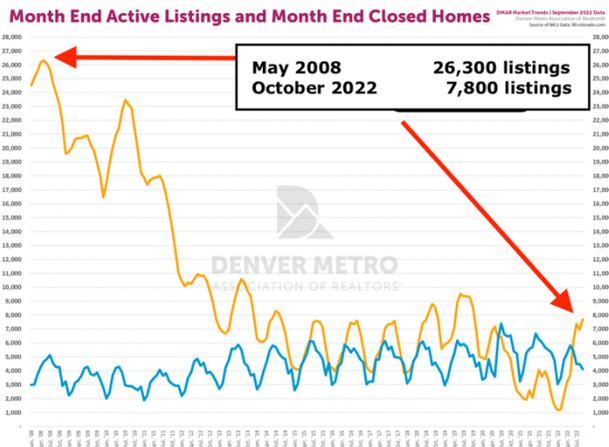


MARKET UPDATE NOVEMBER 8, 2022

#1 RATES....Why does it cost an arm and a leg to buy down a rate right now? Lenders make on the servicing side of the loan which is only valuable if the loan is held and not quickly refinanced. Bottom line, the 'investor lenders' think the rates are a temporary over correction and that buyers will refinance out of these loans sooner than later. Predictions are that rates will start to lower during the first half 2023 when we achieve a normal 180-200 basis point spread between inflation and mortgage rates. Currently the spread is about 300 which is considered overly reactive and expected to balance out.



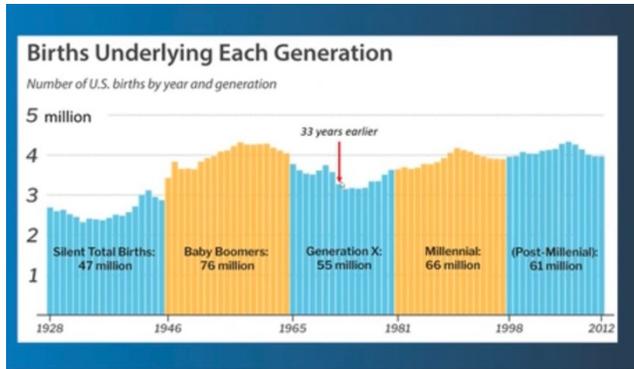
#2 SUPPLY...The news is painting a picture that we have an abundance of supply; however, that's not the truth. Although supply is higher than it was over the past 2 years, it is not yet back to pre-2020 levels. Locally, compared to the last recession, we have only a fraction of the supply available 7,800 vs 26,300 homes on the market.

#3 DEMAND...And then there's demand which really is the key to understanding the **leftover** amount of supply on the market that which actually determines price. Demand is a result of household formations which is typically generated when one



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why are buyers are the fence? It's a combination of a market shifting along with media painting a false fear narrative about 'recession' and 'foreclosures' that is causing a state of uncertainty about a looming recession and foreclosure crisis like we saw in 2005-2007. So let's tackle those two ideas.

becomes 33 years old and they buy their own home creating another unit. Year over year, household formations being created on a national level is 1.7 million while new homes being added is 1.4. That means there are currently more buyers creating demand than builders are creating supply which is opposite of a supply surplus. Then



#4 RECESSION...The news says the economy is crashing and inflation is the proof! The truth is that inflation is high, but that will not plummet real estate values. During the last 10 recessions, real estate was negatively affected only once. I repeat, only once. That means during every other recession in history, real estate values continued to rise – even amongst enormous inflation and interest rates. So what explains the 'one?' Birth rates that translates to household

formations and demand. The one recession that saw a decrease in real estate values was 2005-2007 which was exactly 33 years (remember that number?) after a law was passed in 1973 that would have a future effect causing birth rates to go down. The 2005-2007 recession was a result of a cause and effect that has now stabilized.

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#5 FORECLOSURES...The news says that foreclosures went up 150% last year – ach hum – after a year when there was a moratorium and you couldn’t even do it?!?!?! That’s probably not the best statistic, so let’s look at **any** other year there wasn’t a moratorium and you can see foreclosures are anything but up. Foreclosures are way down and it’s estimated that only 2.1% of all homes in America have negative equity vs. 26% in

2008.

#6 BOTTOM LINE...is it a buyer’s market or a seller’s market? Truth...it’s a **balanced market**. There are opportunities for both buyers and sellers. Buyers can purchase without waiving contingencies like inspections, appraisals and often times well under list price. Sellers are not getting contracts priced wildly over list, but are still selling in a normal time frame and with values still up 37-45% in the past 2 years. Waiting in the wings is a current deficit of buyers ready to pounce when rates start to slip which will cause a frenzy and prices will go back up. Meanwhile an incredible pre-frenzy opportunity exists right now to buy under list price and without harsh terms.

~Kyla Tyler, REALTOR
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