



We hope you and yours enjoyed a wonderful holiday season. One of the questions we are most often asked is “how is the real estate market?” and with the amount of information online there are many different opinions. As your trusted real estate advisors, we are excited to share a quick look back at 2020 and our forecast for the housing market in 2021. Whether or not you are in the market, this information is beneficial as your home is likely one of your largest investments, and we want you to have as much information about it as possible.

As you may remember, though it seems like it was years ago, March 2020 was a month that changed all of our lives. As Covid-19 shutdowns began to happen, there was a very quick halt to the real estate market. Showings dived to their lowest points since the Great Recession and pending contracts were also at the lowest they had been in years. What would soon happen in late April, May, and into the remaining months of the year is something that no economist could have ever predicted. The housing market, both nationally and especially locally, had a sharp V-shaped recovery and has seen little slowing since, making housing one of the segments of the economy that has thrived post-Covid. As one economist stated, “The U.S. Economy flipped from a service-based economy to a goods-based economy and, right now, the most desired ‘good’ is a new home.”

So, what were some of the differences we saw post-Covid versus pre-Covid? Here are a few:

- We noticed more “serious” buyers. Due to restrictions placed on showings, we noticed that there were fewer “lookers” and that the majority of people who viewed a home were serious, ready, willing, and able buyers.
- We noticed an increase in sales price. Nationally, homes that were sold prior to March, had an average price of \$270,000, homes that were sold after March had an average purchase price of \$339,400. 23% of buyers who purchased after March purchased a home that was \$500,000 or more.
- One of our biggest takeaways from post-Covid was the reason why people wanted to sell. Prior to April, the top reason for people to move was to be closer to friends and family. Post-Covid, the top reason for people to move was that their home was too small. We also noticed a trend for at-home amenities such as pools, exercise rooms, home offices, and larger yards.
- As we entered into the Fall months, we noticed another interesting trend as homes listed continued to increase but inventory continued to decrease. This means that homes were selling faster than they could be counted as inventory and we ended the year with 1 month of supply. Interestingly, this was the case in almost all price ranges, depending upon location, up to \$1,000,000.00.
- Record low-interest rates spurred a significant amount of buying power. Though we did see prices increase, interest rates offset the monthly payment of the buyer. In 2019, interest rates averaged around 3.5% versus 2.7% in 2020. That is a difference of \$118 per month. Prices would have to appreciate 11% in our market for the monthly payment to catch up to 2019 rates.

With our Southeastern location, favorable weather patterns, and low taxes, the Triangle continues to remain a hot spot for those escaping denser, urban areas and we noticed an increase in this post-Covid. However, while a “mass exodus” to suburban areas did exist, we also noticed quite a few “move-up” buyers in our market. These buyers had been in their homes for 5-7 years, seen a significant increase in their equity, and decided to purchase larger homes, with larger price tags.

Unfortunately, we did not see enough of those buyers to solve our affordability issue. Finding a detached, single-family home in Wake County under \$200,000 is extremely difficult and will soon become impossible as prices continue to rise. In December, there was a detached single-family home in Knightdale listed for \$185,000 that had over 50 showings scheduled in less than 24 hours.

Looking forward to 2021, we are pleased to share our thoughts on what we expect we will see in the local and national markets:

- We expect that record low-interest rates will continue. There may be slight bumps throughout the year, depending on positive economic news and positive vaccine news, but will still be low. The Mortgage Bankers Association is predicting an increase in rates to 3.3% in 2021 from 2.7% in 2020.
- After being named the top market in the country by the Urban Land Institute and PwC, we expect that the Triangle will continue to see a steady influx of population growth by those from more expensive and/or denser cities. This will lead to steady price increases as those buyers trade their more expensive homes for more affordably priced homes, equal or larger in size, in the Triangle area.
- As of this writing, we are expecting for 2021 to see around a 6-8% increase in median home prices, and 5.5% in 2022.
- Nationally, we expect that we will see 6,208,000 existing home sales for the year. Over the last three years, the Triangle market has seen an average of 21,000 existing home sales per year. We expect this number to remain the same or slightly lower due to the supply challenges we have experienced and expect to continue to experience for the foreseeable future.
- For newly built homes, we are expecting for 2021 to see around 850,000 transactions, about a 4% increase year over year. Locally, over the last 3 years, we have seen around 7,000 new homes sold each year. We expect this number to remain stable in 2021 as builders face extremely high demand but meet many challenges that are out of their control. Some of these challenges include: running out of lots to build on, increasing land prices, and supply/material challenges, including demand and decreasing supply. Favorable new trade policies could help in this supply/material cost factor. As expected, as land costs and material costs increase, builders will pass those costs on to the consumer.

Demographics for housing were fantastic heading in 2020 and after being propelled by a post-Covid world, we expect the housing market to continue to fare well for years to come. However, we would be remorse not to acknowledge that low inventory, affordability concerns, and national and global economic risks will play an even larger role in 2021.

As your trusted real estate advisors, please know that we will continue to monitor the market each and every day. If a need arises where we can assist you or a friend or family member, please let us know. We are happy to share data and stats about a specific area if it can help you in any way. If you need trusted vendors, please know that we have many and we continually evaluate that list so that we can provide you with the very best service providers.

We are so grateful for your support over the years. We wish you and yours a blessed 2021 and hope to see you very soon.

Warm regards,
Annette Holt & Davis Holt