

MARKET PERSPECTIVES

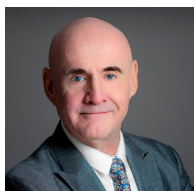
SUMMER 2022



The quarterly newsletter of Wohlfarth & Associates, Inc.



The second quarter of 2022 saw a major shift in the market, catching buyers, sellers and agents by surprise. At the end of the previous quarter, we were expecting the strong sellers' market to continue for the foreseeable future, but several factors contributed to the sudden change in activity and pricing. Inventory began to increase and buyers became wary of what may be coming.



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Here is what we observed during the second quarter:

- Factors contributing to the chilling of the market were a sudden sharp rise in interest rates, mainly due to actions taken by the Federal Reserve, a drop in stock prices, concern over war in Ukraine, fear of a possible recession, and a continuing pandemic.
- The slowing in the sales market was experienced in all categories, boroughs, and price points.
- Buyers who had set their budgets based on interest rates earlier in the year, and on the value of their investment portfolios, suddenly found themselves with less buying power.
- Competitive bidding slowed as many potential buyers decided to hold off.
- Inventory grew and the number of signed contracts fell.
- Properties that did not have accepted offers by the middle of May had to take price reductions of five to ten percent in order to sell. Sellers who held to their asking prices found little interest from buyers.
- Properties in need of renovation saw a renewed decrease in popularity, reversing a trend from the previous quarter.
- Rents continued to climb as inventory dropped. This shows no sign of slowing any time soon. Not only were tenants offering above asking rent, some were even offering gifts and other incentives to brokers and owners to give them an edge over other renters.
- The high rents have helped support the sales market to some extent. Even with the higher monthly costs resulting from increased interest, it can still be cheaper to buy than to rent, and there is a tax deduction on the interest.
- The luxury market (over \$4,000,000) slowed further, with 15 contracts signed, which is half the number for the previous quarter.
- In Manhattan, there were 6,350 new listings (a 20% increase from the previous quarter), 3,835 closed sales, 4,115 contracts were signed, and 1,167 listings went off the market, for a net increase in inventory of 1,068 and total inventory of 7,968. The average days on market stayed at 110 and average listing discount increased to 5.5%.