

# MARKET PERSPECTIVES

## WINTER 2022



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*The quarterly newsletter of Wohlfarth & Associates, Inc.*

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Looking back at 2022, we saw a shift in the spring from a strong sellers' market to a strong buyers' market. Sale prices typically fell by 6 to 8 percent in the first six months of the year. After that, prices and number of transactions continued to drop. In our last newsletter, we cited our expectation that this would likely continue into next year, but we are now cautiously optimistic. In December, we began to see small signs of a recovery.

Here is what we observed during the fourth quarter:

- Inventory continued to drop.
- Contract activity was about 40% lower than it was in the fourth quarter of 2021, but pending sales ticked up a bit at the end of December, indicating support for pricing.
- Mortgage rates dropped even further in December as two main factors became more favorable. The Federal Reserve switched to a smaller interest rate hike and the rate of inflation has peaked with more price stability.
- After a difficult period in recent months for home sales, the falling mortgage rates and net new job additions should help support housing demand going forward.
- Rents fell during the quarter, though they were still considerably higher than a year ago.
- Buyers continued to resist properties that need work, unless they were priced very low.
- The luxury market (over \$4,000,000) continued to grow, with expanding inventory and increasing prices. Foreign buyers returned to the market.



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