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## SELLER'S MARKET? BUYER'S MARKET? THE PENDULUM IS SWINGING





## **SELLER'S MARKET? BUYER'S MARKET? THE PENDULUM IS SWINGING**

*Homes are still selling, but the ongoing market shift is giving homebuyers more and more leverage daily, agents and economists told Inman this week.*

*Two and a half weeks ago, Nora Crosthwaite listed a home in a desirable suburb of Des Moines for \$275,000.*



*"It sold the first day," Crosthwaite told Inman.*

*A week later, Crosthwaite — an agent with Iowa's Home Sweet Des Moines — listed another home in the same price range, also in a well-established area suburb. It sold in three days.*

*In the context of the hyper-competitive last two years, these stories sound typical, even unremarkable. High demand and low supply mean homes sell quickly.*

*Nora Crosthwaite*

*But in both of these cases, Crosthwaite also saw something else going on: Each home only got one offer.*

*“We did a highest and best deadline,” Crosthwaite said of the second listing, “and then only one came in. Both of those homes, if they had gone on the market in January or February, we would have had five to 10 offers.”*

*These sales highlight the market shift that has been much-discussed and which has been ongoing for months now. But the relative dearth of offers the homes received also raises a question that has been burning through news headlines and confounding curious consumers: Are we still in a sellers’ market? Or have we entered a buyer’s market? And is this, ultimately, a good time to purchase a house?*

*The short answer is that generally, the seller’s market persists.*

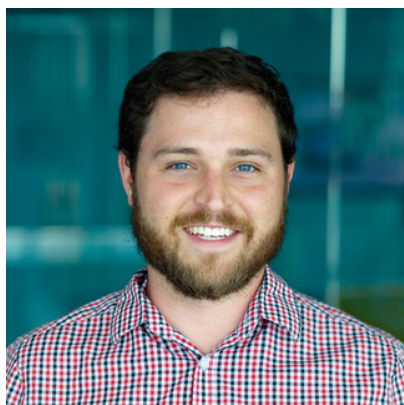
*But the longer answer is that the market is more complicated, with a pendulum that is swinging quickly toward buyers. At the same time, certain types of properties or regions are performing very differently, and some industry practices that ebbed during the heady pandemic years are returning as buyers gain more leverage. In other words, in some situations, buyers may indeed have taken the upper hand.*

### **THE SELLER’S MARKET PERSISTS, BUT THE PENDULUM IS SWINGING**

*The fact that the market is shifting is no secret, and just in the last several days, new data has shown that there is less competition for homes, that sales have fallen, and that the building industry is slowing down at a rapid clip, among other ripple effects. A recent report from Zillow indicated such conditions mean buyers are “gaining time and options as competition eases.”*

*That might sound an awful lot like a buyers market, but other factors complicate the picture. Notably, for instance, home prices have continued climbing, ultimately hitting a record high in June. And despite a lot of questions, a recent poll found that a majority of Americans still think this is a great time to buy a house.*

*So, it’s complicated.*



Jeff Tucker

*Jeff Tucker, a senior economist at Zillow, told Inman that it’s consequently “an open question whether we’re approaching a buyers market in some parts of the country.”*

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*“Right now,” Tucker continued, “what we see is that it is transitioning pretty rapidly from a seller’s market by any definition to a more balanced market.”*

*Tucker said the shift so far is most pronounced in markets such as Seattle, Austin, and other parts of the West — which saw major price appreciation during the pandemic.*

*Still, sellers today are nevertheless getting higher prices now than they were a year ago. And other regions, such as the Midwest, have seen less of a shift than pricier markets on the West Coast.*



*James Becker*

*James Becker, CEO of investment firm and business incubator Fusion Growth Partners, described something similar, saying that he sees a market that is “is definitely tilting toward buyers currently,” even if sellers are still getting multiple offers and some areas have less than two months of inventory.*

*“There’s not an overabundance of homes,” Becker added. “It’s certainly tilted in the buyer’s position, but this is still, as of today’s date, a seller’s market. If a seller wants to be able to sell their home they’re going to be able to sell it.”*

*What Becker and Tucker are both describing, then, is a trend in which buyers are gaining more leverage, even if the advantage hasn’t quite tipped entirely in their favor in every market. York Baur, CEO of real estate technology firm Moxiworks, described this trend as a “reversion to the mean, not a crash.”*



*York Baur*

*“I think it’s a market that is coming back into balance,” he continued. “The pendulum is coming back.” Agents are seeing this dynamic play out in their markets.*

*Crosthwaite explained that a seller’s market is typically defined as having less than three months’ worth of inventory. A balanced market would have between three and six months, while in a buyer’s market there would be more than six months of inventory. And even as the number of offers on properties dwindles, Crosthwaite said her area still has less than three months of inventory.*

*“We are still in a seller's market hands down,” she said.*

### **SOME PROPERTIES ARE MORE ATTRACTIVE THAN OTHERS**

*Andrea Geller, a Chicago-based agent with Berkshire Hathaway HomeServices, told Inman that there is still strong demand for condos in smaller buildings, and for suburban homes that are updated and in pristine condition.*



*Andrea Geller*

*“If they can close and move in, there’s still a premium for that,” she said.*

*But when it comes to homes with outdated fixtures or features, there are discounts to be had. Geller said that if two comparable homes hit the market, the one without updates might sell for more than \$50,000 less because “there is a smaller audience of people who want to do the work.”*

*“Crosthwaite observed something similar in her market.*

*“Houses that are not marketed or presented well do not get a look,” she said of buyers in the Des Moines area.*

*If this sounds like generally the normal state of affairs — strong properties get the most attention — keep in mind that during the coronavirus pandemic inventory was so low that even less desirable listings were flying off the proverbial shelf. And that was still true even earlier this year.*

*“Six months ago,” Crosthwaite said, “people were desperate because rates were 3 percent.”*

*In other words, the seller’s market persists, but buyers may be able to find specific properties or areas in which they have considerably more leverage.*

*“You could say a neighborhood is hot,” Geller added, “but it’s not necessarily the neighborhood. It’s the property.”*

### **THE RETURN OF BUYER-FRIENDLY ACTIVITY**

*Wherever the pendulum is right now, Crosthwaite also mentioned seeing the return of some practices in her market that had fallen out of favor when homes were selling themselves. Among other things, she described homebuilders who are starting to provide incentives to buyers’ agents, which was not a common practice over the past two years.*

*Crosthwaite also said open houses, including agent opens, are returning.*

*“I’m seeing agents who are begging for open houses,” she added.*



Nicole Beauchamp

Nicole Beauchamp, an agent with Engel & Völkers in New York City, described the mood in her area as “complicated” right now. But she also said that “we are definitely in a shifting market.” And that means buyers can ask for more right now than they might have been able to previously.

“There are ways you can find to negotiate,” she said. “What’s to stop you from insisting on concessions?”

Beauchamp specifically mentioned concessions on closing costs and asking for a seller to help buy down an interest rate as areas where it might now be possible to negotiate.

These are anecdotal stories, but they highlight the consequences of a market that is in flux and swinging in the direction of buyers.

### **THE WAIT AND SEE MENTALITY**

In some cases, consumers also appear to be waiting to see just where the swinging pendulum will end up. A recent report from Zillow, for example, noted that rising mortgage rates and concerns about affordability are “keeping demand on the sidelines and constricting home sales further than expectations suggested.”

Ben Kinney — co-founder of tech firm Place and owner of the Ben Kinney Companies — made a similar point while talking to Inman earlier this week.

“It’s that in-between time when markets are shifting when everybody tends to freeze and do nothing,” Kinney told Inman. “And that can last a month or it can last a year. And that’s what we’re coming up to, that kind of eye of the storm where it just feels like nothing is happening.”

### **THE MEDIA FRENZY OVER BUYING A HOUSE**

The fact that the pendulum is swinging and there’s some debate over who exactly has the upper hand right now has prompted a deluge of media coverage. For instance, just days ago Business Insider argued that this is a great moment to buy a home if you can afford it. On the other hand, the New York Post on Thursday suggested the housing market was headed for a “deep freeze.” Even BuzzFeed jumped into the fray, publishing a guide on how to decide if you’re ready to buy real estate.

The arguments in these pieces — and dozens more like them — aren’t mutually exclusive. More than anything else, they highlight a simmering level of anxiety about housing. Consumers, it seems, don’t know what to make of the current market.

So what do the industry insiders have to say? Is it a good time to buy?

*The consensus among those who spoke to Inman for this story was yes, take the plunge if you have a reason to do so. Becker, for instance, noted that home building has lagged for years, meaning there are still baked-in constraints on supply.*

*“I believe the value of homes is going to go up,” he said.*

*Baur said when people ask him the question about buying — which most recently happened just before he hopped on a call with Inman — he first tells them to talk to an agent in their area. But generally speaking, he also noted that housing tends to be a good hedge against inflation.*

*“What I would say is generally yes it is a good time,” he added.*

*Baur also pointed out that it’s difficult to time markets, and that for most people housing is first and foremost about shelter. The investment part of the equation is secondary. And for that reason, he suggested that when people need to move, they should go for it.*

*“Just buy the house if you need it,” he concluded, “and don’t look back.”*

**By** *Jim Dalrymple II*

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