



SEINSIDER

ADAPTING TO A NEW BASELINE

ECONOMIC INSIGHTS & MORTGAGE RATES

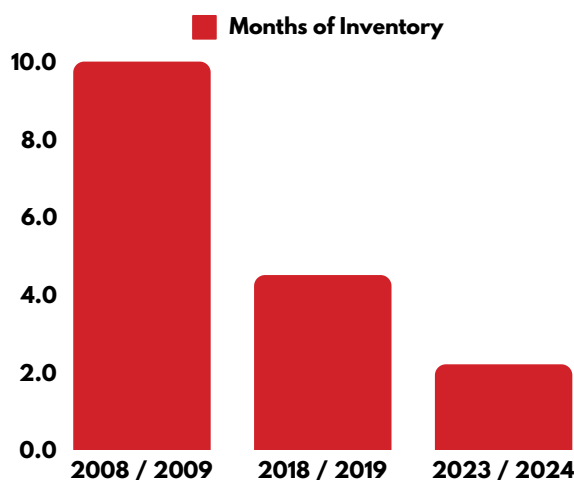
>>> COMPETITION IS FIERCE

As we delve into the Northern NJ real estate landscape, it's evident that our local market reflects a unique combination of national trends and specific regional dynamics. While some states in the U.S. see a normalization in the availability of homes and inventory levels, Northern NJ consistently showcases a strong seller's market. The supply of homes remains tight, and the competition among buyers is fierce. Fannie Mae's senior vice president and chief economist, Doug Duncan, provides insight into the current climate: "The housing market is likely to continue to face dual affordability constraints of high home prices and elevated interest rates throughout 2024." This statement underlines the ongoing challenge for both buyers and sellers in navigating the market.

>>> ADAPTING TO A NEW BASELINE

In Northern NJ, the situation is particularly pronounced. Unlike the broader trend of returning to pre-pandemic inventory levels—a balanced market typically characterized by about six months' worth of inventory—our local market is unlikely to see such equilibrium anytime soon. The concept of "normalizing" in our context means adapting to a new baseline that does not necessarily equate to more available housing.

Luxury properties in our area tend to linger longer in the market, yet the overall inventory remains significantly constrained. This scarcity is driven by a stark contrast in the number of new listings when comparing data from 2023/2024 with previous years. The current shortage of new properties entering the market is a critical factor shaping our housing landscape and steering market dynamics in unprecedented directions.



To illustrate these points, let's examine a chart tracking inventory trends in Northern NJ. **To contextualize these current trends, the stark contrast in the number of new listings between 2023/2024 and previous years is imperative to spotlight.**

The data signals key market indications that the trends we're observing—particularly the constrained inventory levels—may well continue without significant shifts in the foreseeable future. It's essential, however, to remain cognizant of unpredictable external factors that could arise, much like the unforeseen impact of COVID-19, which could again alter market dynamics in unprecedented ways.

The data goes beyond mere numbers; it reflects a substantial shortage of new properties entering the market—a drought of listings that has become a critical factor in shaping the housing landscape. This deficiency is a pivotal force behind the inventory levels we see today and is steering the market in directions we haven't witnessed in recent memory. We are reminded, as we consider these indicators, that the current market situation isn't just a transient phase, but potentially the new reality of our housing landscape.

ECONOMIC INSIGHTS

THE LOCK-IN EFFECT

>>> RISING DEMAND

In 2024, we've seen an influx of buyers re-entering the market, accompanied by a slight increase in available homes, likely due to a minor decline in mortgage rates and buyers simply unwilling to wait it out any longer and adjusting to the "new normal." As a result, 2024 seems poised for a surge in home sales compared to the previous year. It's important to note that last year, we experienced a housing crash—not in pricing, but in the availability of homes to buy and, consequently, in homes sold. When we see increases in homes sold from last year, therefore, it's not as significant as it may seem because we were starting from a low point.

According to Lawrence Yun, Chief Economist for the National Association of Realtors, "Housing prices continue to rise due to a shortage of new homes and increased demand for larger properties that accommodate remote work. The median price of a new home has climbed to \$485,000 from \$357,000 in 2021."

>>> THE LOCK-IN EFFECT

Examining the underlying economic factors is essential to grasping the current housing market conditions. The lock-in effect, driven by historically low mortgage rates, has contributed to inventory shortages and intensified buyer competition.

In 2022, we saw mortgage rates shoot up in rocket-like fashion. From January to October, they jumped nearly 4%, or 400 basis points in finance-speak. We started the year at a comfy 3.22% and ended up at a steep 7.08% by October. Back in 2021, comparatively, rates were hovering around 2.96%. The hike didn't stop there: by October 2023, rates hit a 20-year peak at 7.79%. All this chaos came as the Fed cranked up interest rates to fight inflation, coupled with higher benchmark rates and less help with mortgages. It's been a wild ride.

During the pandemic's peak, there was a significant drop in mortgage rates, resulting in a surge of loans with rates under 3% and 4%. At its highest point, 65.3% of outstanding loans were under 4%; that figure currently stands at 58.1%, while those with rates under 5% are now at 77% from a peak of 85.6%.

These remarkably low rates have made it financially challenging for many homeowners to consider selling their current homes and purchasing new ones. Transitioning would lead to a notable increase in their monthly payments—a key reason behind the continued low levels of existing home sales. Hence the term, "Golden Handcuffs."



"GOLDEN HANDCUFFS"



Our team is deeply involved in the local market, we are witnessing firsthand the challenges buyers are facing, including crowded open houses and intense bidding wars. These are our clients' real experiences, not just abstract market trends. We are committed to navigating these challenges and helping our buyers stand out in this competitive landscape.



MORTGAGE RATES

ANALYSIS AND PREDICTIONS

>>> ECONOMISTS ARE NOW SCALING BACK

It wouldn't be much of a housing newsletter if we didn't spend some time on mortgage rates. In late 2023, the atmosphere was optimistic among homebuyers and the real estate industry, fueled by hints from the Federal Reserve about possible rate cuts in 2024. Lowering these rates, however, has proven more challenging than many had hoped. Despite some positive signals, recent economic reports indicate that the overall situation is still quite robust. Prices continue to rise and jobs remain plentiful, which suggests that those anticipated lower rates might take longer to materialize, if they do at all.

>>> PREDICTIONS

Following the Fed's recent 0.50% rate cut, many were hoping for mortgage rates to drop significantly, but things didn't quite play out that way. The mortgage market had already priced in the cut, so we only saw a slight dip in rates. While further rate cuts could help ease borrowing costs a bit more, the housing market is still feeling the squeeze due to tight inventory. So, even though rates may slowly come down, buyers could still face challenges with limited options and plenty of competition.

Lawrence Yun, Chief Economist for the National Association of Realtors, echoes this sentiment, noting, "The American housing market is facing a new challenge as higher inflation persists, causing house prices and mortgage rates to rise once again."

>>> UNIQUE FOR NORTHERN NJ

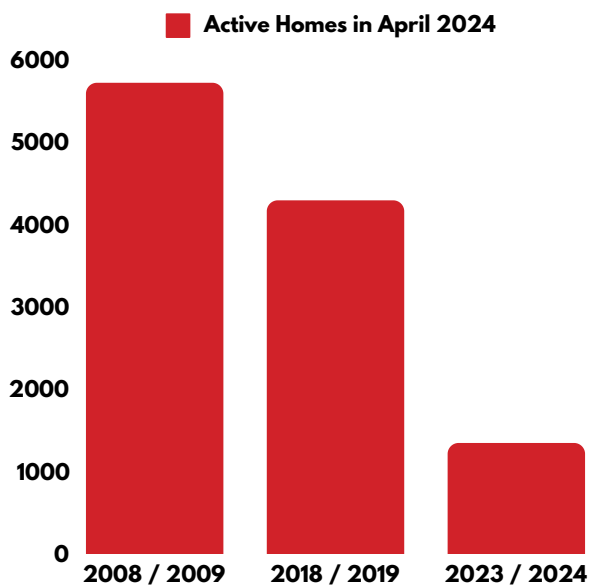
Living near NYC has always been a draw, but recent changes in how we work and live have truly highlighted the value of our homes here in Northern NJ. With the shift toward more hybrid work models and the importance of being closer to family, our homes have become even more central to our lives. Unlike areas with ample land for development, Northern NJ's limited space means we simply can't build endlessly. We've been feeling the pinch since the housing downturn in 2008 and still haven't caught up. Let's take a closer look at how these unique factors are influencing our local market today.

IMPACT OF THE HOUSING CRASH

THEN & NOW FOR NORTHERN NJ, NJ

>>> COMPARATIVE ANALYSIS

"If you don't know where you've come from, you don't know where you're going." By digging into three unique periods of Northern NJ housing market history we can get valuable insight into how our market has evolved and reacted to different economic climates.



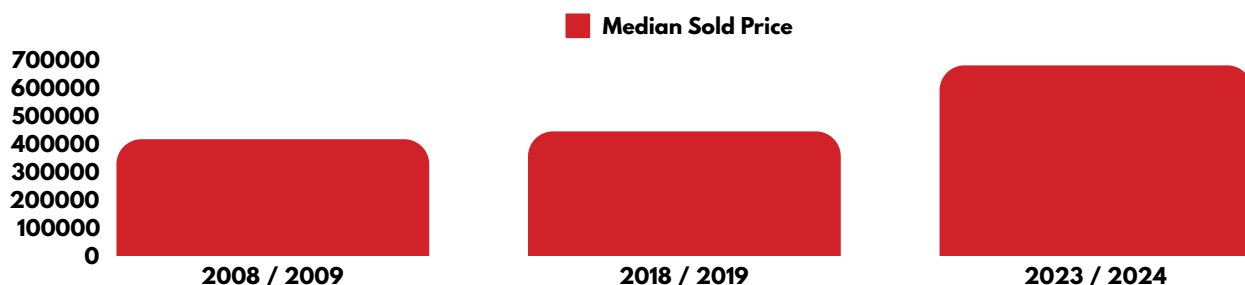
Let's first go back about 15 years to the tumultuous period following what many refer to as the "Great Housing Recession." The chart to the left shows active homes over 3 time periods. You can see the huge difference in active homes, specifically, in April 2009, we saw 5,716 homes actively listed for sale, representing about 10 months of inventory.

Now look at 2018/2019 Active Homes in Northern NJ, which represents the period preceding COVID-19, and you can see how our inventory levels dropped significantly. This is indicative of a strong market and a good rebound from an economic housing disaster. Fast forward to April of 2023/2024. With only 1,341 active homes for sale this deep plummet of homes to sell is indicative of the ongoing inventory crisis Northern NJ is navigating.

In terms of pricing, on the other hand, our homes appreciated only modestly during this 10-year period, with the median sold price increasing by 6.8% from \$415,000 to \$443,000.

That brings us to our present landscape, largely shaped by the pandemic period. With the peak of COVID-19, we saw a significant drop in mortgage rates, leading to a surge in loans with rates under 3% and 4%— a change that has driven up our median home prices by a staggering 53.2% since 2018/2019. Yes, that's a pretty hefty number, but let's consider this from another perspective.

Looking back from 2008/2009 to the present, homes in Northern NJ have appreciated around 63%. Broken down annually, that amounts to about +4% per year, which is fairly standard for our area.



While our historical data does provide important context, we must acknowledge that we are also in a truly unique moment. Though we are experiencing a housing crash, it's unlike what we've seen before. The current crash is characterized by the dwindling availability of homes and the number of homes sold; yet, paradoxically, we're seeing prices surge. We are in uncharted territory here.



Making Sense of the Impending NAR Settlement

**You've got
questions,
we've got
answers**



The real estate world is abuzz with NAR's proposed settlement to resolve nationwide claims brought by home sellers and clarify standards of practice in the industry. In advance of the court's expected ruling in July, our team has been in deep discussions with friends, neighbors, clients, and other industry leaders. How will potential shifts affect the way buyers and sellers do business? What would decoupling commissions mean for buyers? What prospective workarounds are available to sellers? We answer these and many other questions in our [latest article](#) designed to help you make sense of the developments ahead.

[TOPNJREALTOR.COM/NAR](https://topnjrealtor.com/nar)

NAVIGATING WITH CONFIDENCE

POTENTIAL SELLERS

All signs point to now being an opportune time to sell your home.



ON THE FENCE?

If you are on the fence about selling, remember to keep your home in tip-top shape. Additionally, taking exterior photos during the most scenic months can be beneficial for future use. We are always available to provide advice on which upgrades offer the best return on investment when you decide to sell.

CAPITALIZE

Demand remains strong despite higher interest rates. Many homes have finally seen strong equity appreciation post-COVID, presenting an opportunity for homeowners to unlock the value of their investment. While the current market favors sellers, the landscape could shift as economic conditions evolve. Timing the market can be dangerous and I don't advise that.

THE RIGHT PRICE

With buyers accustomed to competitive bidding, underpricing your home is nearly impossible. Strategically priced homes are selling swiftly—often within weeks and at or above the asking price. While you may not be in a rush to sell, the initial optics are critical: a home that sits on the market for too long may suggest potential issues to buyers.

PRO-TIP

Prep Slow to Sell Fast: Our clients see returns of over 200% on their investment with the Value-Up Method. This method is a proven strategy to get more money for your home in three simple steps. For more details check out ValueUpYourHome.com.

NAVIGATING WITH CONFIDENCE

POTENTIAL BUYERS

Patience may seem prudent in this market, but waiting can cost you.



FLEXIBILITY PAYS OFF

Considering homes that may need some updates can be a wise investment strategy in this market. With time and attention, these properties often yield significant returns, making them worthwhile considerations for savvy buyers.

EXPECTATIONS

Waiting for a significant drop in prices or mortgage rates could mean missing out on valuable opportunities. Given no signs that low inventory levels will let up, this market tends to favor those who act decisively. Now could be an opportune moment to secure a home before the competition becomes even more intense.

BEYOND LIST PRICE

The listed price is often just a starting point for negotiations. Instead, use recent sales data to more comprehensively assess a property's value.

PRO-TIP

With inventory at all-time lows, consider office exclusives—these are homes for sale that aren't listed on the MLS. To get access just visit [TopNJRealtor.com/Exclusives](https://www.TopNJRealtor.com/Exclusives).

>>> STRATEGY SESSION <<<

SUCCESS PLAN TO WIN

EXCLUSIVELY FOR NORTHERN NJ



LET US PERSONALLY CRAFT A SUCCESS PLAN TO HELP YOU WIN IN THE NORTHERN NJ MARKET

As your trusted real estate advisors, we are dedicated to providing the guidance, expertise, and support you need to navigate the real estate market successfully. Whether you're selling, buying, or just want some advice on your current home, rest assured that we are here to assist you every step of the way. Call or text us at 201-500-2212 with any questions or feedback that you may have! We would love to know what you thought of this newsletter and if there's something we didn't cover that you may have questions about. Looking forward to hearing back from you!

And for the first time ever, we are going to share all our secrets with you. Book a strategy call with any one of our team and walk away with a game plan to win in real estate. Following our call, we will send you a customized success plan with exactly the steps to take to WIN. This session is designed to equip you with the insights and strategies necessary to excel in real estate. Act now to secure your spot and start making informed decisions to maximize your results.

SCAN THE QR CODE TO BOOK

