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Graham Team Housing Market Update | Dec. 2021 / Jan. 2022



Top of mind for many consumers: How much will the basics in life be impacted by rising inflation, with food, shelter (HOUSING), health care, transportation?

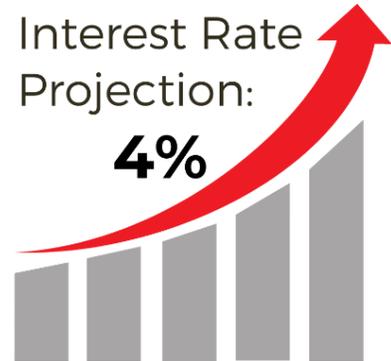
2021 Year End Results: Single-Family Home Median Sales Price (Nov. 2021): **\$420,000** – 21.7% Increase Year over Year. Inventory is at **0.9 months**.

| | | | |
|--|---|---|---|
|  Single-Family Units | # Units Sold 3,273 ▲+7.8% | # New Listings 2,851 ▲+3.1% | # Units Available 2,805 ▼-25.3% |
| | Median Price <i>Units Sold</i> \$420,000 ▲+21.7% | Median Price <i>New Listings</i> \$435,000 ▲+24.3% | Effective Availability 0.9 Months ▼-30.7% |
|  Condo/ Townhouse Units | # Units Sold 862 ▲+18.7% | # New Listings 715 ▲+6.4% | # Units Available 495 ▼-61.6% |
| | Median Price <i>Units Sold</i> \$240,000 ▲+20.2% | Median Price <i>New Listings</i> \$244,000 ▲+29.1% | Effective Availability 0.6 Months ▼-67.6% |

Where are home prices heading in 2022?

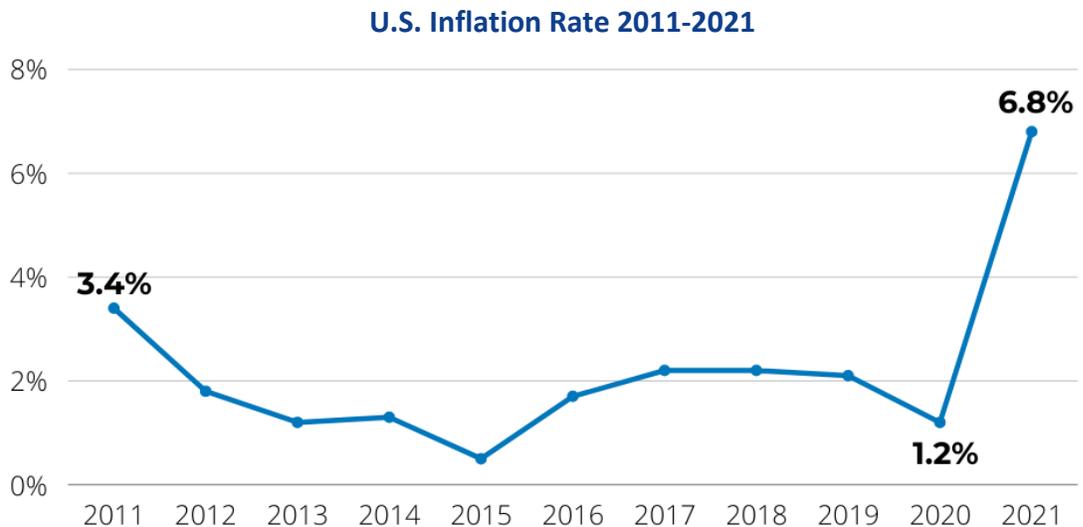
Factors: Inflation | Millennial Buyers | Interest Rates | Affordability | Construction Supplies & Labor Shortage

Interest Rates: Just announced as we are preparing this report, the Federal Reserve says they will not only dramatically taper the purchase of mortgage securities, but also anticipate **INCREASED** rates of 3x in 2022. Prior to the 12/15/21 Fed announcement, the experts in the mortgage industries were projecting 2022 rates to rise to the 3.5% - 3.6% range. However, most only predicted 1-2% federal reserve increase. Based upon the newest Fed announcement, rates could rise to 3.75% - 4% range. According to a senior economic analyst at Lending Tree, they anticipate rates to rise near 4% by year-end 2022.



Inflation: The U.S. inflation rate rose to 6.8% in November; this is the highest rise in CPI (Consumer Price Index). With the cost of every basic of life rising, people will have less in their pocket to spend on non-essentials. How does inflation directly affect housing prices? Historically, interest rates have risen during high inflation period. **Higher interest reduces the amount Buyers can qualify for on mortgages.** Inflation is the Federal Reserve's primary focus for 1st quarter 2022, they said in an announcement on December 15th.

| Year | Inflation Rate |
|------|----------------|
| 2011 | 3.4% |
| 2012 | 1.8% |
| 2013 | 1.2% |
| 2014 | 1.3% |
| 2015 | 0.5% |
| 2016 | 1.7% |
| 2017 | 2.2% |
| 2018 | 2.2% |
| 2019 | 2.1% |
| 2020 | 1.2% |
| 2021 | 6.8% |



Millennial Buyers: According to Realtor.com's 2022 National Housing Forecast, 45 million millennials are in their prime first-time homebuyer ages of 26-35. Homes below \$400,000 will have strong demand, therefore making it a challenge for these millennials to purchase their first home in 2022.

Construction Supplies & New Home Starts: National of Home Builders reported that 50% of all homebuilders are experiencing shortages on 21-24% of construction supplies. New home starts declined in 4th quarter 2021 not due to demand, but **due to supply and labor shortage**. Homebuilders are reporting 3 months of back log.

Lennar, the second largest U.S. homebuilder, announced December 15th that they will miss 4th quarter projections, NOT due to demand but DUE to “unprecedented supply-chain challenges” stalling production.

In Southern Nevada, we have seen home deliveries pushed back 30-60 days due to builders not being able to obtain product to finish homes. The supply shortage is expected to last into 1st quarter of 2022, perhaps 2nd quarter as well.

Affordability: Home price **rose 25.3%** in 2021. Interest rates are expected to rise 0.5% to 0.75%, and inflation taking \$\$ out of everyone’s pocket makes it extremely challenging for homebuyers to afford the home they desire. HOWEVER, Nevada has substantially lower cost of living then our neighboring state California, which has driven the cash buyers into our market. We have seen a larger than normal influx of California buyers due to the results of COVID-19 allowing more access to work from home.

**Interest Rate Increase
+ Moderate Price Appreciation**

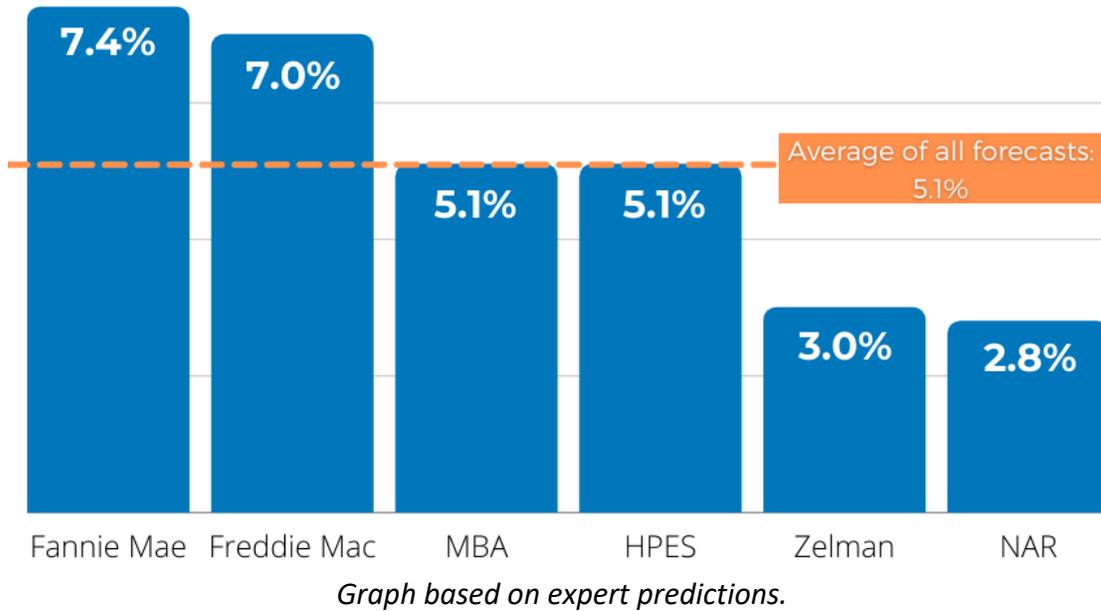
| Date | Purchase Price | Interest Rate | Monthly Payment | Purchasing Power |
|--------|----------------------|---------------|-----------------|------------------|
| Today | \$375,000 | 3.125% | \$2,224 | |
| 6 mos. | \$386,250 ↑3% | 3.50% | \$2,367 | -\$11,250 |
| 1 year | \$405,562 ↑5% | 4.25% | \$2,653 | -\$30,563 |

**Data is based off a 1,947 sqft home using a conventional loan. Down payment and closing costs will see slight increases as well.*

2022 Home Price Forecasts Based on Expert Projections

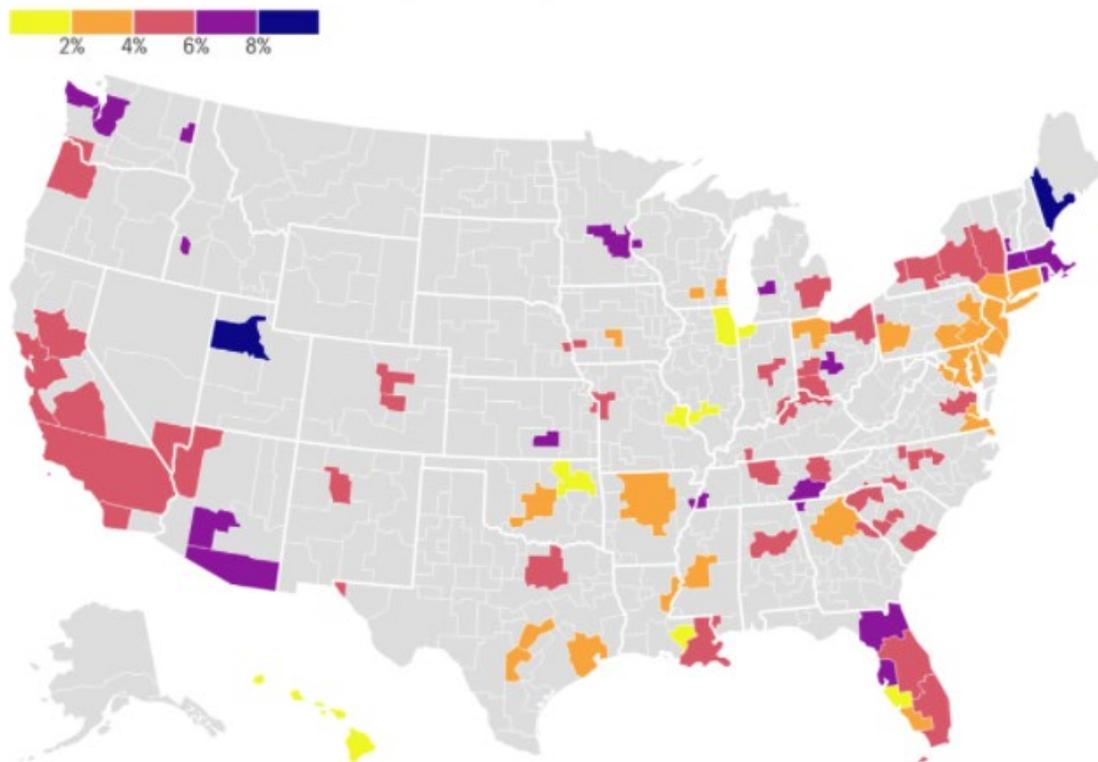
What does all this information mean for Housing Prices in 2022?

NONE of the most influential economists in the housing market are predicting a depreciation in 2022, but rather an **appreciation of an average of 5.1%**.



How much realtor.com predicts U.S. home prices will rise in 2022

Forecast for the nation's 100 largest housing markets



MAP: LANCE LAMBERT • SOURCE: REALTOR.COM

FORTUNE

How does Inventory in Las Vegas compare to the U.S.?

Inventory: The national housing inventory is at historical low levels. November 2021 saw a 23% decline from 2020 and 42% down from 2019 (pre-covid period). There is no indication that we will see a rise in inventory of any significance in 2022. In Southern Nevada, inventory was at 0.9 months; the lowest level was 0.6 in June 2021. Nationally, a Seller's market is below 6 months, however in Southern Nevada, above 2 months is considered neutral. Most experts predict inventory will remain below 2 months for all of 2022 in the greater Las Vegas Valley.

Months Inventory of Homes for Sale (U.S.)



Graph from NAR

Days on Market: Increased with 55% of homes selling 30 days or less compared to 70% in September.

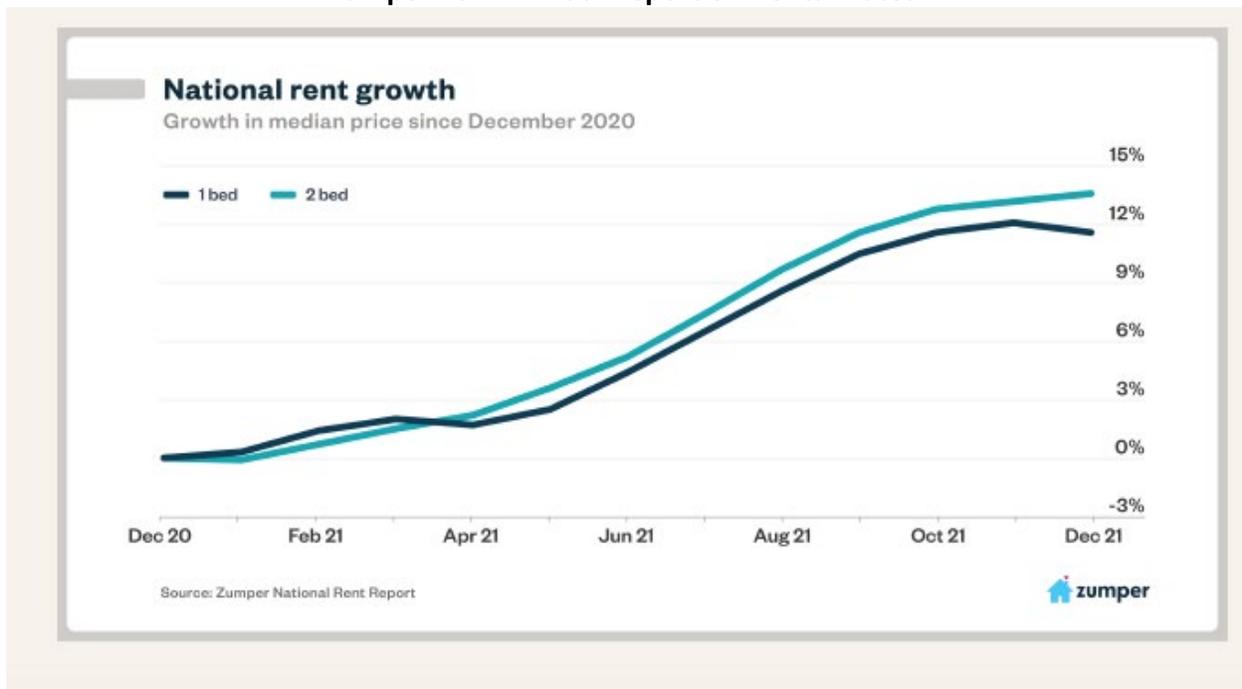


Days on market for 1st and 2nd quarter of 2022 are expected to remain close to the 2021 records. We may see past February and a slight uptick to 1 month, but still well within a Seller's market.

Exploding Rental Rates

Rental Rates: Both the national rental market and Southern Nevada have experienced exploding rental rates in 2021. **The rental rates are approaching a level of exceeding homeownership costs.**

Zumper 2021 Annual Report on Rental Rates:



According to CoreLogic, "Rent growth on single-family homes reached the highest ever recorded in the CoreLogic Single-Family Rent Index in 2021 and is projected to slow as additional rentals enter the market."

Large apartment builders have entered the single-family home rental market. Construction projects in 2022 will consist of numerous communities being built “for lease”. As the apartment market moves toward the single-family market, we could experience an oversupply in 2022.

The Graham Team's Takeaway

Graham Team's Takeaway for 2022: **Strong housing market ahead with slight increase in inventory.**

We expect to sell more homes in 2022 than in 2021, and we are in alignment with appreciation for 2022 to be in the 5% range.

The core foundations for **Buyers: When is the right time to purchase?**

- I can afford the monthly payment with the down payment funds I have.
- This home will meet my needs & wants for the next 2-3 years.
- With the help my Graham Team advisor, I have found the community/ area that best fits my lifestyle.
 - Where I want to live, where I work and where I play.
- I am comfortable with an appreciation of 4-5% over the next few years.
- I want to own my own home. I want the pride of homeownership.
- I see homeownership as a critical part of my future retirement savings, such as owning a home free and clear when I retire.

Sellers: The core foundation for a Seller in selling their home at the right time and at right price. Our advice is to **get ahead of the interest rate rise**. The pool of qualified buyers will decline as interest rates rise. The best price is achieved when there is the largest pool of buyer bidding competitively for your home.

- 85% of home buyers make their value decision from the online presence. Having a strong online presence is critical to achieve top market value and generating a competitive buyer condition.
- What repairs or remodel items will bring you the greatest return when it comes time to sell? What items should you focus on when getting your home ready to sell? To the Buyer, not all repairs & home improvements bring the Seller the same value. We have put together a guidebook that helps you prepare your home to sell outlining those home improvements that will bring you the greatest return. [Click here](#) for a free guide.
- Buyer Premium: Buyers pay a premium for remodeled and recently upgraded homes. We offer our 10X program which handles a complete remodel for our clients.