

Analysis of a Changing Residential Housing Market

BABEL STREET DATA

The real estate market fluctuated dramatically as a direct result of the COVID-19 pandemic. The shift to remote work left many Americans discovering that home is not only where the heart is but also where work is, and for those with children, often where school was as well. Whether needing more space or no longer having location requirements based on a daily commute, the real estate market saw increased demand and record sale prices from 2020–2021.

In 2022, many Americans returned to the office in some capacity and the Federal Reserve began to raise interest rates to help curb inflation, which subsequently raised mortgage rates. In this analysis, we look at real estate market data collected by Babel Street Data from 2019–2022 for a better understanding of how the market settled down post-pandemic.

Collection Details

Babel Street Data tracks residential property listings nationwide from multiple real estate listing websites. The data collected includes sale and rental prices, property type, status, location details, bedroom and bathroom counts, square footage, and listing URLs.

This collection allows users to leverage data to better understand the health, growth, and challenges of the housing and rental markets. The results also provide insight into brokerage performance and asset pricing on a localized basis.

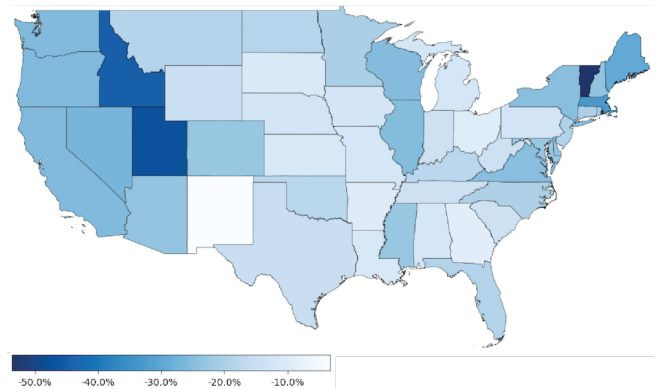


Sales Volume in 2022 Compared to 2021

After years of price increases in the housing market, followed by a sudden surge in 2020–2021, home sales finally decreased in 2022 in all states and regions.

A combination of skyrocketing prices in 2021 that bled into 2022 and increasing mortgage rates appears to have finally impacted the market demand for home ownership. While an overall decline in the number of homes sold in 2022 could be seen across the entire country, certain areas were affected more than others.

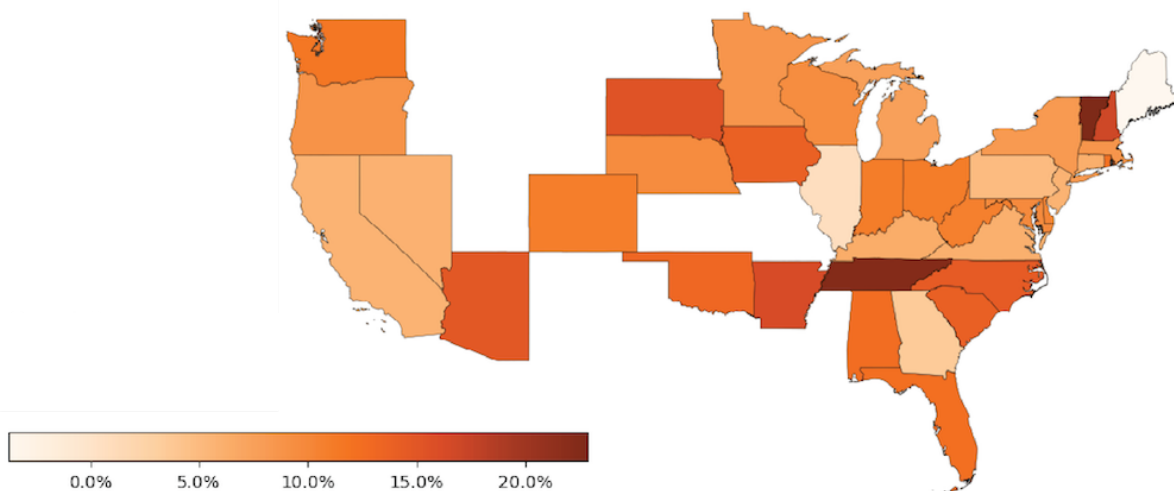
The most dramatic drops in sales volume were concentrated in areas and states that also saw the largest increases in home value in 2020 and 2021, such as the West and select states in the Northeast.



Volume of Home Sales in 2022 vs. 2021 [% Change]

Home Prices Continued to Rise in 2022

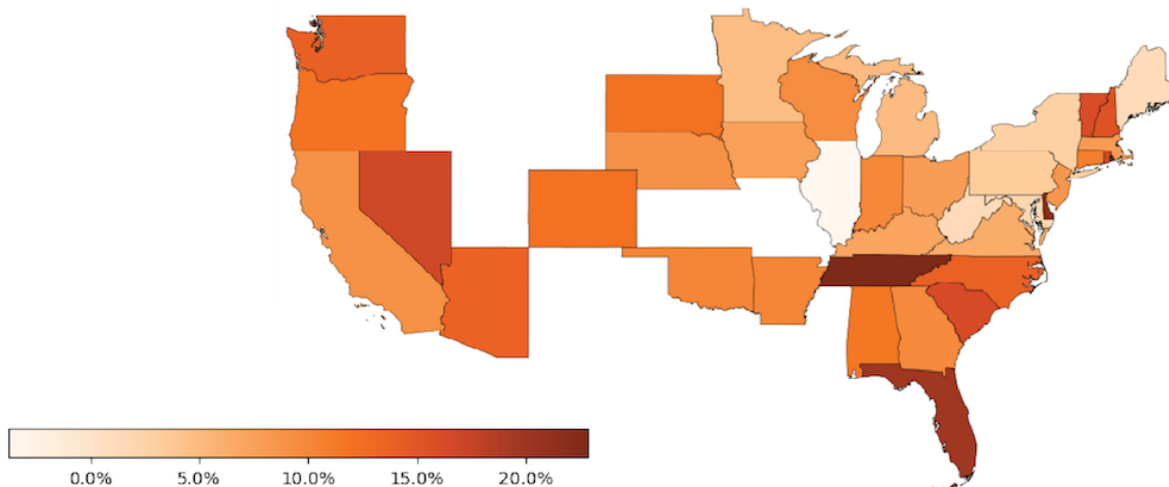
The market began to stabilize in 2022; prices continued to rise but at a slower rate. The nationwide average for home prices rose by 12%.



Average Home Sale Price* 2021 vs 2022 [% Change]



Looking at home prices over a longer timeframe, the overall market shift is apparent, with many states showing appreciation of home sale prices since the start of the COVID-19 pandemic in 2019.



Average Home Sale Price* 2019 vs. 2022 [% Change]

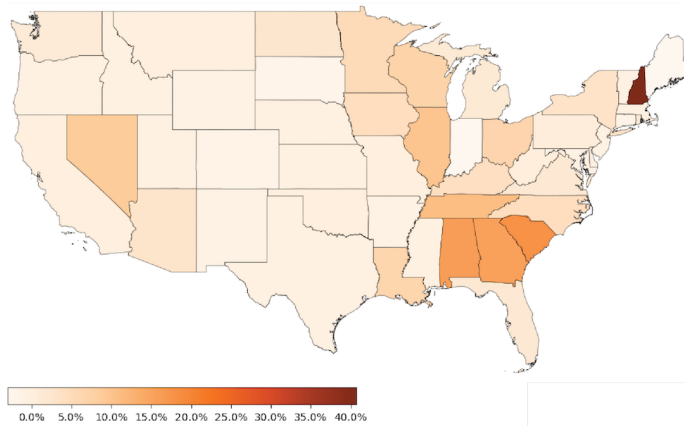
*Non-disclosure states are unable to be displayed due to inability to access final sale pricing.

Homes Continue to Sell Above Market Estimates

Although the market has begun to normalize, the market continues to report home values far above historical norms. Historical and algorithmic estimates of home values continue to lag current home values.

Warmer states such as Alabama, Georgia, and South Carolina saw a minimal decrease in sales volume, and homes also continued to sell well above market estimates throughout 2022. On the other hand, New Hampshire saw a significant slowdown in overall home sales in 2022. However, final sale prices were much higher than real estate market estimates.

States such as Idaho and Utah, which saw a drastic decrease in sales volume over 2022, had minimal deviation in final sale price from market estimates.

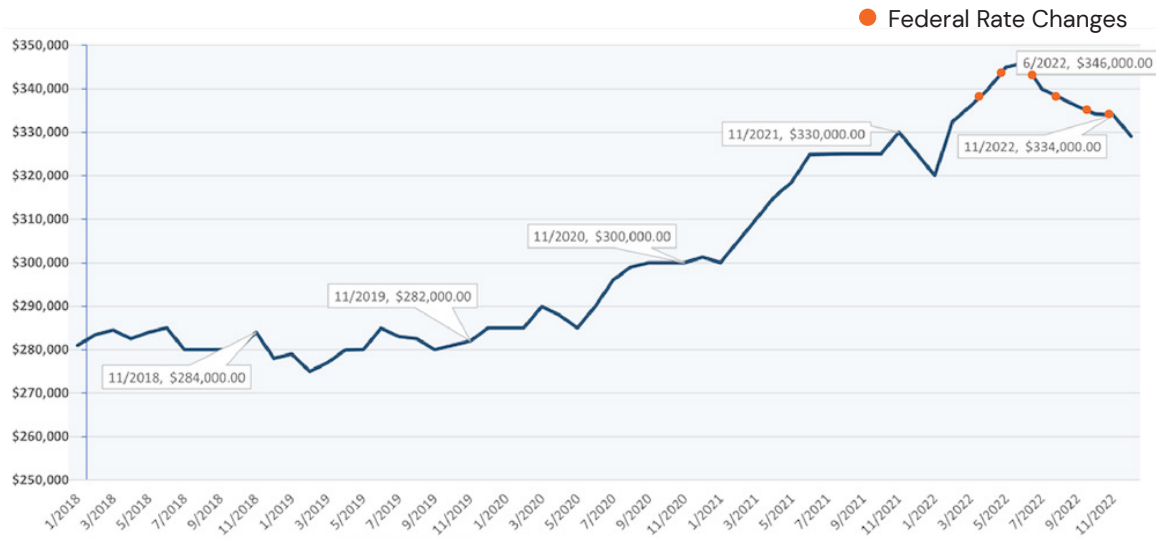


2022 Average Home Sale Price vs. Market Estimate

Median Home Sale Values

For the first time in five years, the median home sale price decreased in Q3 and Q4 of 2022.

After the median home sale price steadily climbed in 2020 and then exploded in 2021, the U.S. median home value peaked in June of 2022 around \$346,000. Shortly after that, the median home price began to fall nationwide in the second half of 2022 and into the start of 2023.

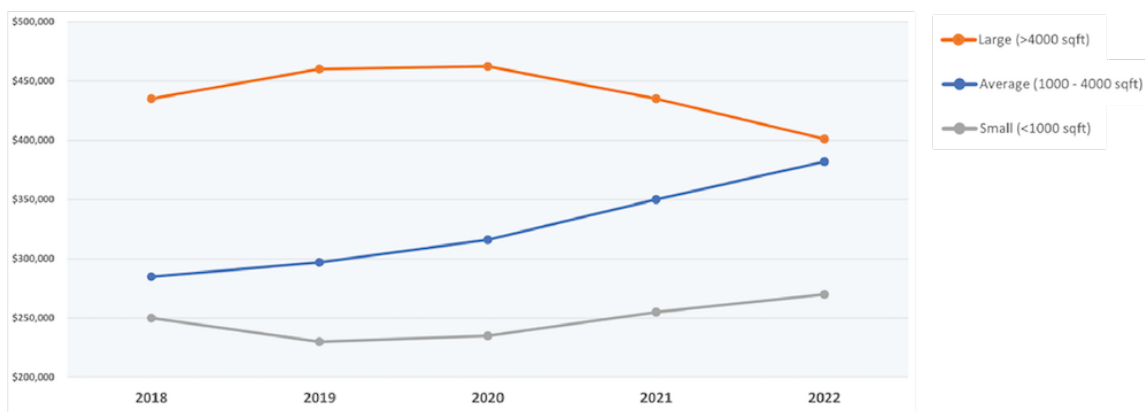


U.S. Median Home Sale Values - 5 Year View

Average-Sized Homes Had the Best Return

The median U.S. single-family home is estimated at around 2,600 square feet in size. We found that homes within the median were the most affected by market conditions, with a 28% increase in appreciation of the median value over a three-year period.

Smaller-sized homes (typically condos or townhomes) saw moderate increases in value during the 2021 and 2022 period, while large-sized homes saw a steady decrease in sale price.

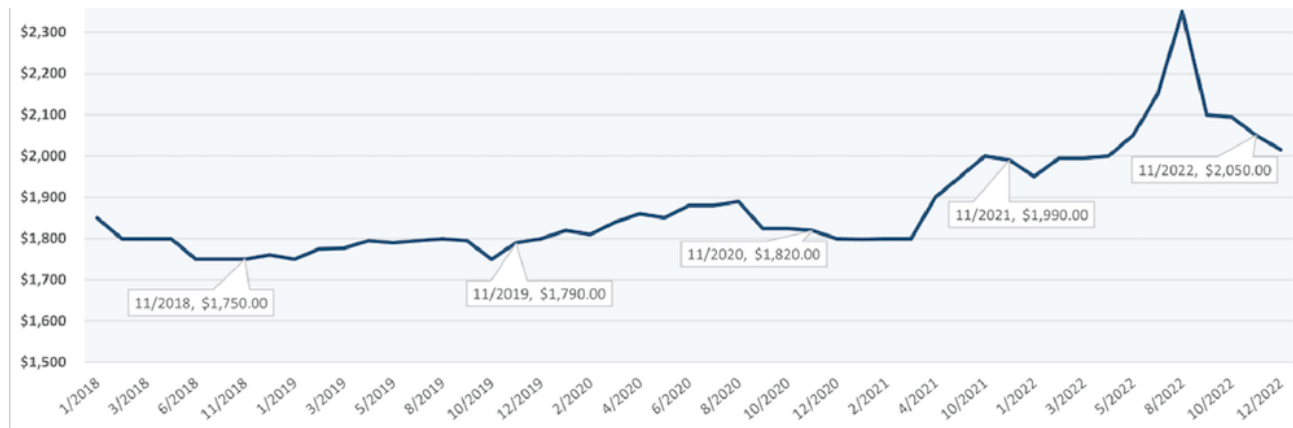


Historical Median U.S. Home Sale Prices by Size



Impact on Rental Housing

The national rental rate trend was reasonably flat throughout 2020 and the start of 2021. As home sale prices climbed over the course of 2021 by almost 20%, monthly rental rate increases began to rise, with around a six-month lag time.



Median U.S. Home Rental Rate for U.S. Single Family Home

By late 2021, the rental market began to see the effects of high home values pricing people out of home ownership, and a dramatic increase in rental rates started. Despite the lag in rental rates compared to increases in home value, rates now appear to be moving with much less latency after the market's peak. Rental rates dropped in line with home values over the last six months of 2022.

This analysis was derived solely based on Babel Street Data collections as an illustration of the power of the data to reflect real estate market trends accurately.

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