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BROKER BRINK'S

MONTHLY REAL ESTATE REPORT

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OWNER-BROKER

THE BUTTERFLY EFFECT

People ask me a lot of technical questions. Are we heading into a recession? How will a recession effect residential real estate? How is inflation of the costs of goods effecting the real estate market? How has the quick rise in mortgage interest rates effected residential real estate? My answer is the “Butterfly Effect”. If you are a home buyer that is seeking financing, your purchasing power is much lower than it was about a year ago. But if you are a cash buyer, it’s more about how your equity positions are faring in the down stock market. That’s why it is important for your Realtor to know if you need a mortgage or if you are paying cash for your next home purchase.

The Fed Chair, Jerome Powell, acknowledged that inflation has moderated since the middle of last year, but he cautioned that “the process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy.” So, the Fed hiked its benchmark Fed Funds Rate again by 25 basis points at its meeting last Wednesday despite ongoing turbulence in the banking sector. Yet both new and existing home sales beat expectations last month. The recent Fed hike marked the ninth hike since last March bringing it to a range of 4.75% to 5%. What does this mean for real estate sales in your neighborhood? Well, it really depends on what town you live in and several other factors such as the average home price in your neighborhood. Because real estate is very local. Down to the street you live on. If your neighborhood’s average price is in the multi-millions like many of the Sarasota area neighborhoods, mortgage interest rates do not matter as much because the average buyer in higher priced neighborhoods often pay cash. Cash buyers are more concerned with the equities markets. If their equities portfolio is down, the cash buyers tend to sit on the sidelines. However, if your home is located in a neighborhood with an average price of less than \$1M, the average home buyer is likely seeking mortgage financing to purchase a home.

From a 'macro' perspective, average home prices are lower than \$1M. Therefore, higher mortgage rates will begin to effect the number of home sales volume negatively. From a 'micro' perspective, it only depends on the price range of homes in the location you are buying or selling a home.

THE BUTTERFLY EFFECT ON LOCATION...

Real Estate is VERY LOCALIZED...down to the street in any given neighborhood.



This week my team put this multimillion dollar listing under contract in Parrish, FL. Our local comparable market analysis revealed that the Parrish real estate market was in decline and the number of sales in the specific neighborhood were much slower than last year. This study of numbers was a factor in how the price was negotiated with the Buyer's agent.

In another situation last week, we were helping a multimillion dollar home buyer in the “West of Trail” neighborhood that is located directly behind the Sarasota Memorial Hospital. This time, our analysis discovered that this particular area has registered a 14% price appreciation over the past 365 days, BUT the number of sales were 50% less than the previous 365 day period. Once again, it’s the “Butterfly Effect”. The prices in the “West of Trail” area are holding steady because the number of new listings coming onto the market are very low and buyer demand is still high in this location.

In summary, this is one of the most unusual real estate markets we have ever seen. If you are a serious buyer, this is a great time to make an offer. If you are a serious seller, you’ll need the best marketing to find the right buyer as time on market will continue to rise as we move back to a Buyer’s Market. Feel free to call me if you have questions or would just like to know more about the Sarasota Real Estate Market.

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