Salem Q1 2023 Housing Market Summary

Single Family Homes (SFH)

The median price of Single Family Homes (SFH) sold in Q1 2023 decreased 8% to the lowest level since Q2 2021, while sales were the lowest since 2012.

SFH	2019	2020	2021	2022	2023	Change
Q1	$445,500	$461,000	$527,410	**$600,000**	$550,000	-8%
Q2	$412,000	$480,000	$542,750	**$637,450**		
Q3	$437,500	$507,000	$584,000	**$615,000**		
Q4	$425,000	$495,000	$552,500	**$598,000**		
H1	$427,000	$472,850	$530,000	**$630,000**		
H2	$435,000	$503,000	$575,000	**$601,000**		
Year	$431,250	$490,000	$560,000	**$611,000**		
Q1 Sales	36	42	30	37	23	-38%

Condos

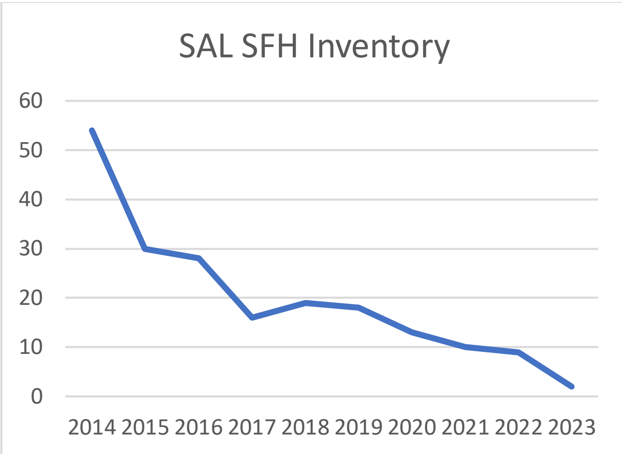
While the median Condo sold price posted a new quarterly record, sales dropped to the lowest level since 2014.

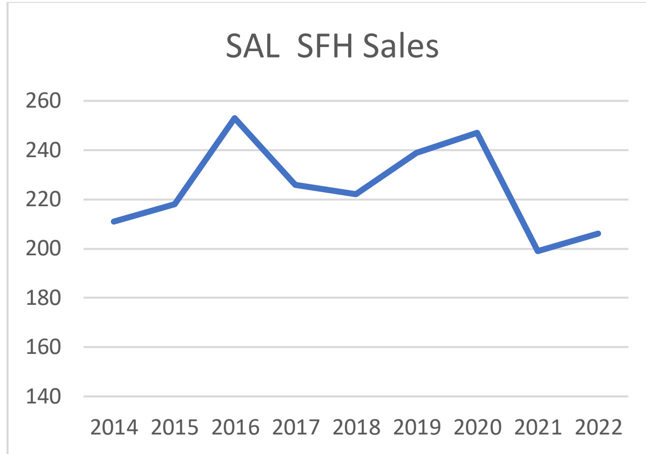
Condos	2019	2020	2021	2022		Change
Q1	$317,500	$362,500	$405,000	$402,500	**$477,500**	19%
Q2	$348,250	$359,000	$431,500	**$461,200**		
Q3	$357,000	$392,500	$417,500	**$450,000**		
Q4	$384,700	$395,000	$468,000	**$471,500**		
H1	$340,000	$360,000	$420,000	**$440,000**		
H2	$369,900	$395,000	$443,000	**$460,000**		
Year	$355,000	$385,000	$431,500	**$450,000**		
Q1 Sales	57	68	74	80	50	-38%

Inventory

One of the main topics in discussions about real estate has been the decline in inventory. In fact, as the next chart demonstrates, in Salem the decline has been dramatic over the last decade.

Sales were in the 220-240 range for several years before dropping in 2021 and 2022.





Mortgage rates

I have been writing since March 2021 about the risk that the Federal Reserve's continued pumping of massive amounts of cash into a rapidly recovering economy would trigger renewed inflation.

The Federal Reserve finally started to increase its interest rate (Fed Funds rate – FFR) rapidly during 2022 and 2023. The FFR affects banks' prime rates, used for setting interest rates on credit cards and auto loans. The 30-year Fixed Rate Mortgage (FRM) is determined by market forces and, in particular, is priced at a premium – or spread – over the yield on the 10-year Treasury (10T).

The Fed's determination to bring inflation under control, even at the cost of higher unemployment and causing a recession, led to a repricing of risks in 2022, with the FRM rate more than doubling during the year. In the first 4 months of 2023 the FRM has averaged 6.4%.

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