

HUDSON VALLEY REGIONAL HOUSING MARKET REPORT



Q3 2022

In partnership with



HUDSON VALLEY PATTERN *for* PROGRESS

HUDSON VALLEY REGIONAL HOUSING MARKET REPORT



Elka Gotfryd
Executive Director- Center for Housing
Solutions and Community Initiatives

To our Hudson Valley neighbors,

I recall an early lesson in supply-and-demand economics, sometime in elementary school, when a fellow classmate started trading her nacho cheese Doritos for other delicacies. I offered a green apple Sour Stick, only to discover that she already acquired a number of those, such that my abundant currency had insufficient purchasing power in a market where corn chips were scarce. My classmate refused my attempts to trade regardless of how many pieces of chewy candy I offered, and despite how I salivated over the possibility of licking cheese dust off my thumb and forefinger.

Approximately 200 years prior, Adam Smith published *The Wealth Of Nations*, in which he coined the metaphor “the invisible hand” to describe an intangible force that naturally drives our economy. Like many of his contemporaries, Smith wrote about the psychology behind economic activity. He posited that, although producers are driven by competition and self-interest, their dependence on consumer demand creates a mutually beneficial relationship through which consumer needs are met.

Smith was amongst a number of economic philosophers across the English-speaking world in the late-20th century who mused on the concepts of supply and demand. Theories of the time tended to align with the overarching theme that these two forces have an inverse relationship: when supply decreases or demand increases, the value or consumer price of goods will rise in response to relative scarcity.

Fast forward to today. This supply-and-demand framework still dominates conversations about housing, but the free market has not produced a scenario in which housing needs are met. Since the founding of the Center for Housing Solutions a decade ago by my predecessor, Joe Czajka, Pattern has published report after report demonstrating that housing access and supply in our region are insufficient to meet the needs of our residents. This quarterly report is no different.

When the free market fails to increase supply, the invisible hand may reveal itself to squelch demand. Recently, that hand has manifested in the form of the Federal Reserve, which increased interest rates six times this year in an attempt to control inflation across the United States. So far, although home sales are significantly diminished across the region this quarter, home purchase prices continue to rise. How will rising interest rates affect a market in which cash sales above the asking price are prevalent? Who suffers most from more expensive mortgages that exacerbate longstanding barriers to homeownership access? Are we being honest with ourselves about our own values when we approach our housing market with the same lens as a lunchroom snack trade?

The truth is that we all suffer when housing is out of reach in our communities. Even if home prices eventually respond to anti-inflation measures, homebuyers and renters will continue to be overburdened by the cost of housing. And, while Adam Smith assumed that producers are mostly self-interested, we at Pattern know that many realtors and developers are eager to help people access safe, stable, and affordable housing. Increasing supply to meet demand is not so simple when the rules of development - from zoning and building codes to lending practices and others - do not yet encourage the volume and type of housing production and access that might scratch the surface of our need.

Luckily, there is an abundance of dedicated people and groups in our network and beyond who are working toward a more equitable system. Many of us will gather on Nov. 30 at the annual Pattern for Progress Housing Conference to explore the leading policies and practices in equitable housing development, and to shape future directions in legislation and funding as a group of regional stakeholders. We hope you'll join us on Nov. 30, and in future, as we work toward equitable housing solutions for communities across the region.

HUDSON VALLEY REGIONAL HOUSING MARKET REPORT

The Center for Housing Solutions and Community Initiatives, a unit of Hudson Valley Pattern for Progress, is pleased to present the Q3 2022 edition of the Regional Housing Market Report.

MARKET SNAPSHOT

3RD QUARTER DATA

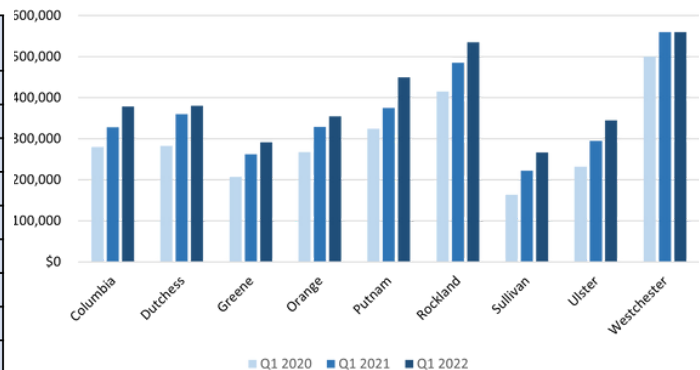
	New Listings				Closed Sales				Homes for Sale				Months of Inventory (Supply)			
	Q3 2020	Q3 2021	Q3 2022	% Change 2021-2022	Q3 2020	Q3 2021	Q3 2022	% Change 2021-2022	Q3 2020	Q3 2021	Q3 2022	% Change 2021-2022	Q3 2020	Q3 2021	Q3 2022	% Change 2021-2022
Columbia	521	305	294	-3.6%	290	223	165	-26.0%	678	455	344	-24.4%	9.1	6.1	5.6	-8.2%
Dutchess	1,822	1,216	1,143	-6.0%	1,012	1,033	853	-17.4%	1,690	1,109	954	-14.0%	6.1	3.4	3.6	5.9%
Greene	548	370	307	-17.0%	259	235	172	-26.8%	677	509	404	-20.6%	9.4	6.3	5.8	-7.9%
Orange	2,116	1,733	1,370	-20.9%	1,364	1,386	1,176	-15.2%	1,703	1,470	1,017	-30.8%	4.5	3.5	2.7	-22.9%
Putnam	695	515	402	-21.9%	405	430	379	-11.9%	545	381	289	-24.1%	4.5	2.8	2.7	-3.6%
Rockland	1,387	1,031	877	-14.9%	840	941	851	-9.6%	1,053	728	566	-22.3%	4.2	2.5	2.3	-8.0%
Sullivan	726	545	472	-13.4%	401	312	311	-0.3%	1,224	1,122	915	-18.4%	11.4	9.9	8.9	-10.1%
Ulster	1,326	814	751	-7.7%	691	574	525	-8.5%	1,147	835	739	-11.5%	5.5	4.2	4.5	7.1%
Westchester	4,718	3,351	2,693	-19.6%	2,864	3,452	2,972	-13.9%	3,808	3,094	2,188	-29.3%	4.8	3.3	2.6	-21.2%
HV Region	13,859	9,880	8,309	-15.9%	8,126	8,586	7,404	-13.8%	12,525	9,703	7,416	-22.5%				

Source: New York State Association of Realtors, Quarterly Report on the New York State Market Q3 2022

MEDIAN SALES PRICE

3RD QUARTER DATA

	Q3 2020	Q3 2021	Q3 2022	% Change 2021-2022	\$ Change 2021-2022
Columbia	\$355,000	\$359,900	\$413,000	14.8%	\$53,100
Dutchess	\$342,000	\$395,100	\$415,000	5.0%	\$19,900
Greene	\$242,000	\$288,000	\$330,000	14.6%	\$42,000
Orange	\$311,000	\$365,000	\$401,000	9.9%	\$36,000
Putnam	\$380,000	\$435,000	\$470,000	8.0%	\$35,000
Rockland	\$469,900	\$530,000	\$618,000	16.6%	\$88,000
Sullivan	\$199,300	\$258,500	\$277,000	7.2%	\$18,500
Ulster	\$305,000	\$355,000	\$389,500	9.7%	\$34,500
Westchester	\$689,500	\$680,000	\$680,000	-	-



Source: New York State Association of Realtors, Quarterly Report on the New York State Market Q3 2022

MARKET SNAPSHOT

Q3 2022 NEW LISTINGS

New listings in the Hudson Valley were down 15.9% compared to the third quarter of 2021. Every county saw fewer homes listed for sale. Orange and Putnam saw decreases of over 20% since last year. Compared to last year, the regional rate of decrease in new listings was 8.5% in the first quarter of this year, and 11% in the second quarter. The rate of decline from quarter to quarter indicates that the regional housing supply is dwindling not only consistently, but exponentially.

Q3 2022 HOMES FOR SALE

The number of homes for sale continues to trend downward in the third quarter of 2022, with 22.5% fewer homes for sale in the region as compared to the same time last year. Every county saw declines in the number of homes for sale at the end of the quarter, with the most significant decreases in Orange (-30.8%) and Westchester (-29.3%). The regional rate of decrease in homes for sale was -32.7% in the first quarter and -22.7% in the second quarter as compared to last year, indicating that this quarter's decrease is in line with the overall annual trend for 2022.

Q3 2022 CLOSED SALES

Every county had a decrease in closed sales in the third quarter of 2022, with the region showing a total decrease of 13.8%. The rate of decrease in closed sales this quarter is comparable to the rate of decrease in the previous two quarters (13% and 12.9% in the first and second quarters respectively), such that it is still too soon to speculate whether demand is being impacted by higher interest rates. The most significant decreases in sales volume were in Greene (-26.8%) and Columbia (-26.0%) counties.

Q3 2022 MONTHS OF INVENTORY

Months of inventory (supply) was down significantly across the region as compared to third quarter 2021. Sullivan County remains the only county with over 6 months of inventory, which is the common indicator of a balanced market. Overall, the availability of housing in the region is becoming increasingly scarce from year to year. Only Dutchess County saw a stagnation, rather than a decrease, in supply; however, supply there remains severely low, at 3.6 months.

Q3 2022 MEDIAN SALES PRICE

Despite increased interest rates, constricted housing inventory once again forced the median sales price up in every county of the Hudson Valley region, except Westchester County, where rates remained stagnant since last year. In most counties, the median sale price has surpassed \$400,000.

The most significant increase this quarter was in Rockland County with an \$88,000 gain in value, and a 16.6% increase since this time last year. Rockland had the highest home value increase regionwide last quarter, as well, with a \$60,000 average increase. Across the region, median sales prices continue to reach historic peaks.

Without a significant increase in access to homeownership, from production to policy, it is unlikely that increasing interest rates alone will lower the demand enough to make homeownership affordable for those who need or desire it. The severe lack of inventory we are seeing will likely continue to be more powerful than any intervention on the demand side in the near term. To decrease home prices and to ensure that households in our region have access to homeownership and equity-building opportunities, it is critical for inventory to increase. Policymakers will need to examine strategies and incentives that could increase housing production and access, as market forces alone have not achieved this end.

INVENTORY OF HOMES

Single Family, Condos, Townhomes | Q3 2018 - Q3 2022

	Q3 2018	Q3 2019	Q3 2020	Q3 2021	Q3 2022	# change 2021 - 2022	% change 2021 - 2022	# change 2018 - 2022	% change 2018 - 2022
Columbia	873	886	678	455	344	-111	-24.4%	-529	-60.6%
Dutchess	1,968	1,872	1,690	1,109	954	-155	-14.0%	-1,014	-51.5%
Greene	940	863	677	509	404	-105	-20.6%	-536	-57.0%
Orange	2,302	2,223	1,703	1,470	1,017	-453	-30.8%	-1,285	-55.8%
Putnam	655	711	545	381	289	-92	-24.1%	-366	-55.9%
Rockland	1,311	1,387	1,053	728	566	-162	-22.3%	-745	-56.8%
Sullivan	1,424	1,549	1,224	1,122	915	-207	-18.4%	-509	-35.7%
Ulster	1,561	1,562	1,147	835	739	-96	-11.5%	-822	-52.7%
Westchester	4,125	4,134	3,808	3,094	2,188	-906	-29.3%	-1,937	-47.0%
HV Region	15,159	15,187	12,525	9,703	7,416	-2,287	-23.6%	-7,743	-51.1%

Source: New York State Association of Realtors, Quarterly Report on the New York State Market Q3 2022

MONTHS OF INVENTORY

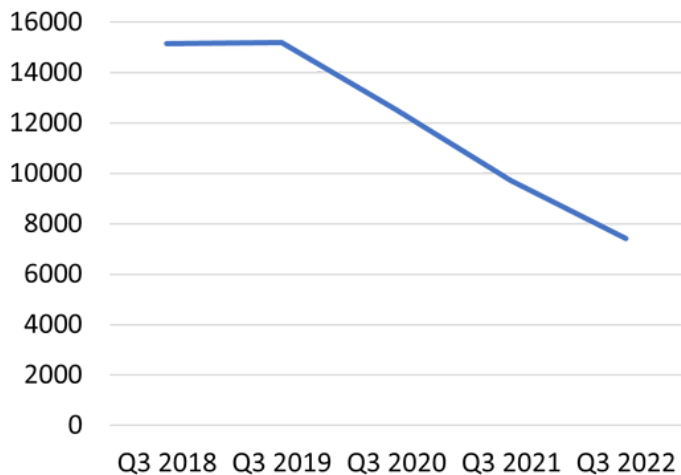
	Q3 2018	Q3 2019	Q3 2020	Q3 2021	Q3 2022	# change 2021 - 2022	% change 2021 - 2022	# change 2018 - 2022	% change 2018 - 2022
Columbia	13.1	15.2	9.1	6.1	5.6	-0.5	-8.2%	-7.5	-57%
Dutchess	7.4	7.1	6.1	3.4	3.6	0.2	5.9%	-3.8	-51%
Greene	13.8	12.9	9.4	6.3	5.8	-0.5	-7.9%	-8.0	-58%
Orange	6.2	6.0	4.5	3.5	2.7	-0.8	-22.9%	-3.5	-56%
Putnam	6.6	7.1	4.5	2.8	2.7	-0.1	-3.6%	-3.9	-59%
Rockland	6.2	6.2	4.2	2.5	2.3	-0.2	-8.0%	-3.9	-63%
Sullivan	14.5	18.6	11.4	9.9	8.9	-1.0	-10.1%	-5.6	-39%
Ulster	8.7	8.9	5.5	4.2	4.5	0.3	7.1%	-4.2	-48%
Westchester	5.4	5.5	4.8	3.3	2.6	-0.7	-21.2%	-2.8	-52%

Source: New York State Association of Realtors, Quarterly Report on the New York State Market Q3 2022

INVENTORY: MONTHS SUPPLY AND TOTAL HOMES ON THE MARKET Q3 2018 - Q3 2022

The real estate industry relies on supply-and-demand analyses to examine the health of the housing market. Six months of inventory is considered a "balanced supply," or an indication that inventory is sufficient to meet the needs of buyers while ensuring sellers are compensated adequately. This approach to market analysis considers fewer than six months of available inventory a seller's market, while more than six months of available inventory is considered a buyer's market. In a seller's market, lower inventory levels and strong buyer demand are thought to create upward pricing pressure and result in increased home values. In a buyer's market, supply is higher and interest rates are typically lower, increasing mortgage access.

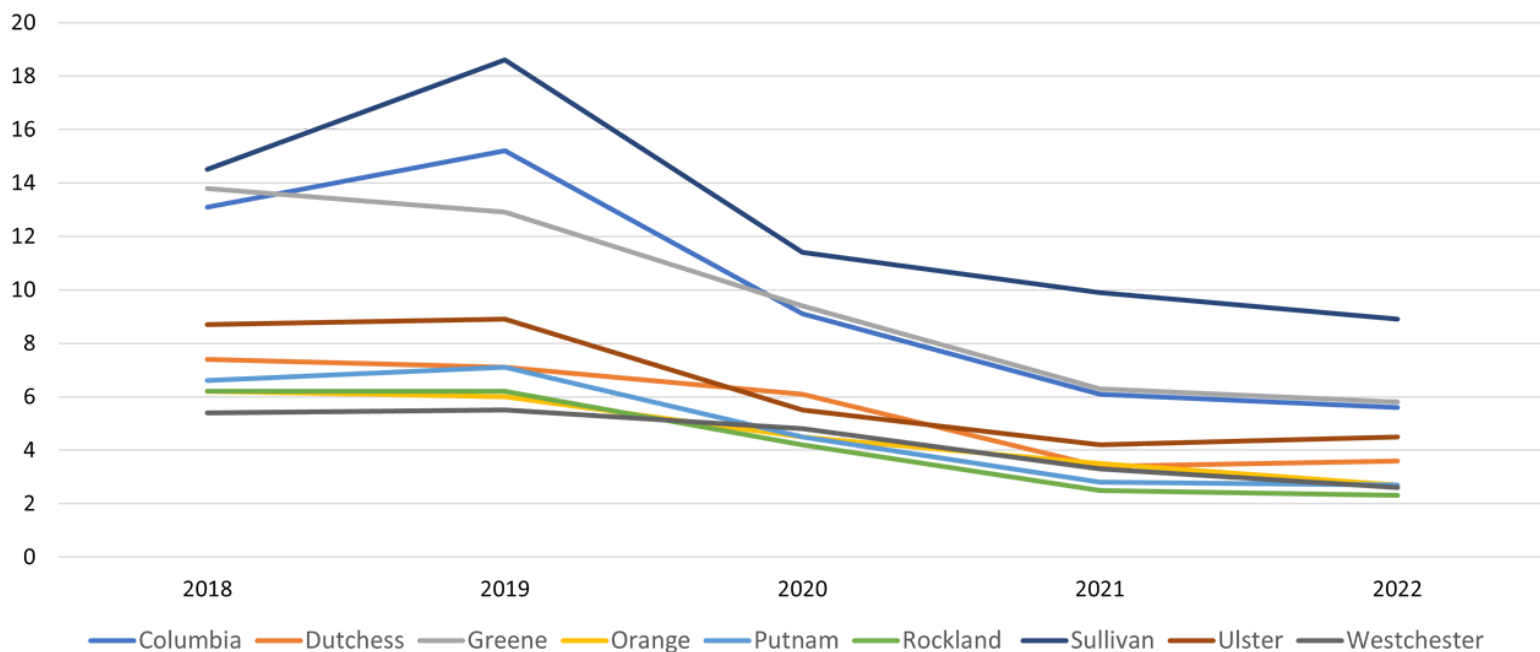
TOTAL HOMES ON THE MARKET (REGIONWIDE)



While this type of supply-and-demand analysis is standard, the market trends have shown that free-market economics alone do not satisfy the need for housing. That is especially true for households with average or below-average income. Even with declining populations in many Hudson Valley communities, home prices over the course of decades have increased and homeownership has become less and less attainable for the average household.

This quarter, inventory declined in every county across the region, as demonstrated both by the total number of homes on the market and months of supply. With inflation, supply chain disruptions, and labor shortages, the cost of construction continues to rise. While increasing interest rates may temporarily reduce demand for housing, they cannot and will not increase housing supply or access. It is unlikely that housing access will improve, or supply will increase, in the Hudson Valley without significant intervention, investment, or incentives.

MONTHS SUPPLY (BY COUNTY)



MARKET DATA 2018 - 2022

LOWER HUDSON VALLEY | TWO- TO FOUR-FAMILY HOMES

MEDIAN SALE PRICE

	Q3 2019	Q3 2020	Q3 2021	Q3 2022	# change 2021 - 2022	% change 2021 - 2022	# change 2019 - 2022	% change 2019 - 2022
Orange	\$205,000	\$245,000	\$310,000	\$325,000	\$15,000	4.8%	\$120,000	58.5%
Putnam	\$335,000	\$372,500	\$392,000	\$487,500	\$95,500	24.4%	\$152,500	45.5%
Rockland	\$425,000	\$458,000	\$445,000	\$587,000	\$142,000	31.9%	\$162,000	38.1%
Sullivan	\$71,250	\$75,000	\$195,900	\$230,000	\$34,100	17.4%	\$158,750	222.8%
Westchester	\$545,000	\$575,000	\$705,000	\$751,330	\$46,330	6.6%	\$206,330	37.9%

TOTAL CLOSED SALES

	Q3 2019	Q3 2020	Q3 2021	Q3 2022	# change 2021 - 2022	% change 2021 - 2022	# change 2019 - 2022	% change 2019 - 2022
Orange	60	39	82	63	-19	-23.2%	3	5.0%
Putnam	9	2	8	5	-3	-37.5%	-4	-44.4%
Rockland	24	13	28	30	2	7.1%	6	25.0%
Sullivan	10	8	9	14	5	55.6%	4	40.0%
Westchester	177	101	183	187	4	2.2%	10	5.6%

END OF QUARTER INVENTORY

	Q3 2019	Q3 2020	Q3 2021	Q3 2022	# change 2021 - 2022	% change 2021 - 2022	# change 2019 - 2022	% change 2019 - 2022
Orange	137	110	112	92	-20	-17.9%	-45	-32.8%
Putnam	17	8	9	13	4	44.4%	-4	-23.5%
Rockland	43	35	28	25	-3	-10.7%	-18	-41.9%
Sullivan	55	40	54	25	-29	-53.7%	-30	-54.5%
Westchester	208	181	190	185	-5	-2.6%	-23	-11.1%

Source: Hudson Gateway Association of Realtors, 2022 3rd Quarter Residential Real Estate Sales Report

Analyzing the real estate market data for two- to four-family homes provides a broader perspective of the real estate market. Small, owner-occupied, multifamily properties can provide additional income to offset a homeowner's housing expenses. Often, however, these properties function as investments. Rental housing is in high demand as single-family home values have increased. This demand for rental units drives up costs of multi-family properties, as well.

Sale prices of multifamily homes increased in every county regionwide. Rockland County showed the largest percentage increase in multifamily home values this quarter, up 31.9% from third quarter 2021, gaining \$142,000 in median sale price. Rockland showed the largest increase last quarter, as well, up 17.9% from second quarter 2021, gaining \$82,550 in median sale price.

Inventory of multifamily homes has decreased along with inventory of all types. This trend is especially noticeable in Sullivan County, with a rate of decrease in multifamily inventory exceeding 50%. That said, few multifamily homes are for sale compared to single family homes. More than anything, this could indicate relatively low development of multifamily homes in recent decades, although they offer greater affordability for both renters and owners.

HUDSON VALLEY REGIONAL HOUSING MARKET REPORT

STATE OF THE MARKET

Q3 2022



Joseph Rand,

COO, Howard Hanna Rand Realty
Executive Director, Broker Public Portal

Those of us who watch the housing market carefully thought we would have been deeper into the transition by now. We thought that the Hudson Valley and other New York City suburbs would have shifted more significantly from the hottest seller's market in history to something more balanced. From steadily soaring prices to something more steady, or even decreasing. From a meager quantity of homes on the market to a greater selection.

But the data show that our transition is taking longer than many expected. The rocket engine that drove this market hasn't cooled to the extent that we expected - especially on the price side.

The housing market in the suburbs surrounding New York City slowed dramatically in the third quarter of 2022, with regional sales down sharply. Still, prices continued to soar to record levels.

Sales throughout the region were down over 20% from the third quarter of 2021, falling in virtually every market. That decline was the result of at least two variables. First, the sharp increase in interest rates that began early this year, along with some concerns about the overall economy, clearly affected buyer demand. The lack of volume in our housing supply also drive down the number of sales. It's hard to move homes when the quantity of homes for sale is at a historic low.

We see the same decline in pending sales, which are deals that went into contract during the quarter, and which are a leading indicator for future closed sales. Regional pending sales were down over 17% from last year's third quarter. This indicates that we are likely to see closed numbers in the fourth quarter well below last year's levels.

Still, sale prices have not cooled down within our housing market. Despite lower demand and fewer sales, the Hudson Valley market still saw strong price appreciation this quarter. Regional average prices were up 8% from last year, increasing in every county. Even with higher interest rates, buyer demand was still strong enough to continue to drive meaningful price appreciation. There could be several factors at work here. For one, cash offers are not affected by interest rates. Also, some buyers rush the market when interest rates increase, as they hope to get a home before the rates push even higher.

Even with demand softening, sellers still have strong negotiating leverage over buyers. Homes in many of our regional markets are still selling above the asking price, with the listing retention rate above 100%. We expect that to change as the market shifts and corrects itself.

Our march toward a more "normal" market will likely speed up as we move into the end of 2022 and beginning of 2023. High interest rates, lingering economic concerns, and a lack of inventory will tap the brakes on sales. And even though low inventory could drive price appreciate in the near term, we believe that by early 2023 we will see prices level off and even give back a little of the historic surge that blanketed our region.

BE PART OF THE PATTERN!

Become a Pattern Supporter today!

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The Center for Housing Solutions & Community Initiatives thanks our investors:

