Home Listings Surge as Sellers Fear Recession

For the past few years, the real estate market has been ferocious. Inventory shortages and hefty price tags have changed the traditional way to buy real estate. Winning a bidding war has become as difficult as winning the lottery. Buyers have had to resort to virtual showings and often waive contingencies amid fierce competition, only to be shut out after bringing their highest offers to the table.

Recent numbers and several factors suggest that this strong seller's market may be losing some of its momentum. Earlier this year the impending increase in mortgage rates pushed some sellers to list their homes. The fear of missing out has caused many of these sellers to rush to market before the market cools off completely.

Sellers are eager to take advantage of the surplus of buyers still fighting for their chance of home ownership. According to SmartMLS, Fairfield County had an increase in inventory to 2,628 in May, from 2,075 new listings in March of 2022. Easton had an increase in inventory of 11% compared to May of 2021.

The supply of homes for sale surged 9% in May compared to same period last year, as recorded by Realtor.com. The real estate brokerage, Redfin, also reported an increase in new listings in May compared to May 2021. "Rising mortgage rates have caused the housing market to shift, and now home sellers are in a hurry to find a buyer before demand weakens further," observed Daryl Fairweather, Redfin's chief economist.

The market is slowly changing its pace. Home sales and contract signing have begun to soften. The number of closed sales decreased 25% in Fairfield County in May of 2022. The increase in inventory and lower demand are shifting the real estate landscape, forcing sellers to lower inflated price tags.

Sales are slowing due to the recent increases in mortgage rates. The average mortgage rate climbed from 3% to over 5% from the beginning of the year. The forecast for mortgage rates remains pessimistic. Fed policymakers just announced a 75-basis-point rate increase. The Fed's attempt to fight the 41-year record high inflation rate will reduce affordability and the opportunity of home ownership for many.

Soaring interest rates have also impacted financial institutions. The mortgage-application index fell to its lowest level in 22 years. "These worsening affordability challenges have been particularly hard on prospective first-time buyers," according to Joel Kan, Associate Vice President of Economic & Industry Forecasting for the Mortgage Bankers Association.

Record-high inflation, climbing mortgage rates, collapsing housing affordability and recession fears are reshaping the market. It's become a nightmare for both buyers and sellers.