

The 2023 forecast for Charleston's real estate market?

Normal

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Special to the Post & Courier

The turning point came in the late spring or early summer of 2022, when mortgage rates began to tick up as the Federal Reserve Bank tried to rein in inflation. Suddenly prospective home buyers, who had been purchasing at a furious and unprecedented rate for more than two years, started to pull back. And within a few weeks, Owen Tyler began noticing something that had rarely occurred since the early days of 2020, before the coronavirus pandemic hit and the Charleston real estate market lost its mind.



Tyler

"People started asking for changes in contracts," recalled Tyler, managing broker and partner at The Cassina Real Estate Group. During the crazed market that followed the lifting of pandemic lockdowns, prospective buyers became so desperate to secure available homes that they would forego inspections and accept any number a seller put out there. Asking for changes? You might as well have offered to pay in crypto. But then interest rates went on a gradual uphill climb, prices continued to escalate, homes began sitting on the market longer, and suddenly the madcap selloff that had produced two years of double-digit appreciation came to its inevitable end.

And now as the page turns into 2023, the real estate market in greater Charleston is—well, where, exactly? There's more inventory, but still not nearly enough. Prices are still going up, though not nearly at the rates they once were. Interest rates have begun to drop, and while they may seem high compared to the past few years, they remain low by



CARRIAGE PROPERTIES/PROVIDED

Fluctuations in interest rates tend to have less of an impact on homes in Charleston's luxury market, such as this residence at 12 Church St. which was recently listed by Carriage Properties.

historical standards. In recent months, closed sales in the region have been down 20 to 30 percent year-over-year, because they're being compared to historic sales figures that the market may never see again.

How do you describe a market like that? Charles Sullivan has a word: normal.

"I think we are normalizing," said Sullivan, a founding partner and broker at Carriage Properties, who is nearing the \$1 billion mark in career sales. "Some increased inventory is making our job



Sullivan

a little easier just by creating a more fluid market, where instead of panic buying, people are able to look at a couple of options and negotiate a price and negotiate inspections. That's the normalization that we welcome—the purchase process is the way it should be."

The Charleston market saw 1,367 homes sold in October, the most recent

months for which figures were available from the Charleston Trident Association of Realtors. That number was down 31.6 percent from the 1,998 homes sold in October of 2021, when the post-lockdown buying frenzy was still at a fever pitch. But it's essentially even with the 1,376 homes sold in October of 2019, before the onset of the pandemic drove lots of cash-rich buyers from more urban areas of the Midwest and Northeast to seek the sun and space that the South Carolina Lowcountry had to offer.

"We're more in line with 2019. That's

just it in a nutshell,” said Tyler, a past president of both CTAR and South Carolina Realtors. “The non-normal part, unlike 2019, is the lack of properties to buy. People may think, ‘Oh, there are so many more houses to buy today,’ but there really aren’t. It just seems that way because there were no houses to buy last year. We’ve gone from zero to a handful more. The number of properties available to buy is a real problem. It’s just too low.”

No drastic inventory increases

Available inventory is the engine that drives the real estate market. Having more houses for sale gives buyers more options, forces sellers to price their homes more competitively, and gives those thinking about selling a home the peace of mind that they can find somewhere else to live. And indeed, the 3,626 homes for sale in the Charleston market in October was 39.5 percent higher than the 2,338 available in October of 2021. But again, turning back the clock to the pre-pandemic days tells the story: in October of 2019, Charleston had 6,355 homes for sale—and even that wasn’t enough for the market to be considered balanced.

Inventory has become a chronic issue in the Charleston real estate market, the result of builders nationwide pulling back after the Great Recession of 2008 and 2009, and never catching back up. That same inventory shortage is certain to extend into 2023. “There’s no easy answer,” Sullivan said. “The residential real estate market is like a freight train. It takes a while to get going, and it takes a while to slow down.”

The relative lack of new construction, though, is only one part of the story. For inventory to increase, people also have to be willing to move. “And based on the fact that so many people refinanced in 2020 and 2021, I don’t think you’re going to have a lot of people who are willing to move unless they need to move,” Tyler said. An easing of supply chain hiccups is making building products more readily available and perhaps swaying some residents to renovate their homes rather than put them up for sale. And the small uptick in inventory the region saw when interest rates were raised quickly flattened out as more buyers jumped into the market once those rates stabilized.

“We’re seeing more people looking now that interest rates have dropped below 6 (percent) again,” Tyler said. “So for 2023, we expect a continual move-



NICK CANN PHOTO/CASSINA GROUP/PROVIDED

Population increases and a wealth of available jobs has helped insulate the value of homes in the Charleston market, where this residence at 968 Pitt St. in Mount Pleasant is listed by Robertson Allen of The Cassina Group.



NICK CANN PHOTO/CASSINA GROUP/PROVIDED

The pandemic drove many cash-rich buyers from more urban areas of the Midwest and Northeast to seek the sun and space that the South Carolina Lowcountry had to offer.

ment of interest rates up and down, up and down, up and down, and we have a great deal of hope that inflation is edging off. But I expect no drastic increases in inventory at all.”

Those trends are reflected to a degree in the luxury market in which Carriage Properties operates, where Sullivan said he’s seen prospective buyers become more selective, and willing to wait for other homes to come on the

market. But sales at the higher end of the Charleston real estate market have remained remarkably consistent over the last two years, through the end of the buying frenzy and into the beginning of this re-normalization. In the \$1 million-plus price range, 1,730 homes closed on-market in 2021 compared with 1,620 through the first 49 weeks of 2022.

In the \$2 million-plus range, those

figures were 506 and 508. And when it comes to the \$5 million-plus range, the 52 on-market sales recorded in 2022 well outdistanced the 39 sold in 2021. The higher the price range, the more issues that can affect other buyers—such as interest rates—become mitigated. And buyers in the \$4 million to \$5 million range are now predominantly local, Sullivan added.

“We predict as we get closer to the 2023 spring market that inventory levels within the ‘lux’ market will continue to increase, though not at pre-pandemic levels,” Sullivan said. “That’s a positive for us and for the market, with many buyers still in the pipeline and looking. Many sellers who want to make a move will welcome a few more choices, too. If mortgage rates continue to rise, the ‘lux’ range—particularly in the \$1 million to \$2 million segment of the market—could see higher inventory, as second-home buyers sometimes rely on debt to purchase.”

The activity in the luxury sector over the past two years is evidence that new segments of the Charleston market defy current trends. The same can be true in smaller, specific geographic areas where inventory numbers or sales figures can trend briefly upward regardless of what’s happening in the market at large. But inventory remains the great aberration in what feels like a return to normal in 2023—right down to real estate agents having to negotiate contracts again, after two years of sellers holding all the cards.

“Anybody could sell a house in 2021 and in particularly 2020. But part of the normalization in the market is, you just have to work harder as an agent to find something right for your client,” Sullivan said. “And it’s the same thing on the selling side, too. A lot of people don’t leave Charleston when they sell a home. So you’ve got to be able to find them a place to go to pretty quickly.”

Single-digit home appreciation?

The buying frenzy launched by the lifting of pandemic lockdowns proved a bonanza for home sellers, who from the spring of 2020 to the spring of 2022 were effectively able to name their price. In South Carolina, homes appreciated at a median rate of 14.3 percent in 2020 and 15.6 percent in 2021, according to S.C. Realtors. In the Charleston area, the median price increase in 2021 was nearly 17 percent,

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