

Have we reached the peak of the real estate market?

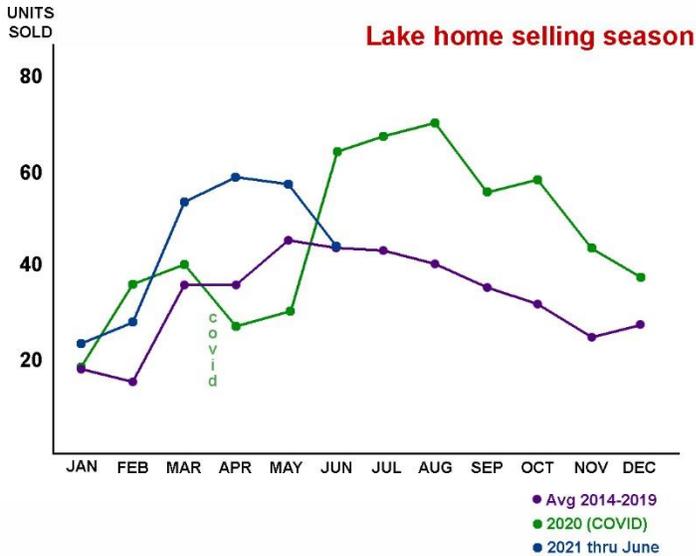
As you probably know, the last 18 months have seen a frenzy of real estate activity both nationally and locally. Many homeowners have enjoyed incredible gains in the values of their homes, and buyers have been frustrated by the lack of inventory as well as skyrocketing prices. The following information may help you decide whether to buy or sell in the near future.

National trends: Across the U.S., it has been an extreme sellers' market with high prices and limited inventory. Reports and prognostications vary, but overall it appears that prices are leveling off. After having risen at unprecedented rates in the past 18 months, home values are expected to make only modest gains, at best, through 2022. No real estate market can grow indefinitely. At some point, the cost becomes too high for the buyer pool. Inventory starts to grow, and prices decline. This has already started in markets such as San Francisco and New York City. During this period, there has been a significant migration from these declining markets to red-hot areas such as Boise, Idaho and Austin, Texas. Some markets are thriving, but there are some that are not. Factors that might affect the future of home values include the expected rise in interest rates, increase in inventory (homes for sale) and other general economic influences.

Lake Lanier is booming: Since the start of the pandemic, real estate on our lake has become more popular than ever. Since the world discovered that they can work from home, why not move to the beautiful, scenic lake? Without the commute, they gain a few hours a day to enjoy fishing, swimming, boating and other lake fun. Plus, the cathartic effect of lake living is a fantastic escape from the stress of the pandemic, big-city crime, traffic and politics. What does that mean for lake people, and what can we expect in the future?

The stats for 2020 were jaw-dropping. Between January and December, the price of lake homes rose an average of over 4% per month. The high demand meant many properties enjoyed multiple offers, great terms, and sales prices above list price. Part of that rise can be attributed to the improvement in the luxury market salability. Those high-priced homes, normally much harder to sell, definitely raised the average price. Many buyers sold their small vacation homes as well as their residences and combined those equities to buy a luxury lake home. By the end of the year, the average price was almost \$817,000, and the demand was off the charts.

The rise in prices does appear to be slowing down in the first six months of 2021. In the following graph, you'll see that in the period from 2014-2019, the lake sales season peaks in the summer then fades toward the end of the year. The year 2020 was already going strong until COVID hit. It dipped for two months then exploded and peaked in August with 70 units sold. This year has been very busy, but the number of buyers vastly exceeds the number of sellers. After a strong start, the sales stats dipped in June because there are so few lake homes on the market. Price growth has slowed considerably because we are reaching, or may have reached, the peak of what buyers will pay for Lanier property. The rate of price growth so far in 2021 has been 1.75% per month. Though that's still very high, it doesn't compare to the unprecedented 4% per month growth of 2020.



What to expect: If you read the predictions for the next year, it's clear that no one knows for sure. Some experts say that prices will decline, but the general consensus is that the market growth is simply hitting its peak and leveling out. It will still be a sellers' market through the end of next year, but many of the other factors will change by then. Since the selling cycle for Lake Lanier peaks in the warm weather months, it is likely to be less favorable to sellers by next summer; therefore, this may be the best opportunity in your lifetime to sell your lake house. Even if prices remain high in 2022, there will be more inventory next year and you probably won't get great terms such as "as-is" sales or appraisal protection. If you're worried about having a place to move, negotiate a "rent-back" arrangement in your sales contract so you have several months to find your next home. A good lake agent can help you with these strategies.

Bev Knight is the lead agent and founder of The Good Life Group, Lake Lanier specialists with Keller Williams Lanier Partners. You can see more articles or contact Bev through her web site at www.HousesOnLanier.net. Statistics were generated through the FMLS for Lake Lanier homes with some type of dock.