



What's ahead for Beaufort County's housing market in 2023?

Here's what the experts say

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Housing predictions for 2023. *Mary Dimitrov*

Last year, the Beaufort County housing market witnessed towering mortgage rates, soaring inflation, record-high prices and even a Zillow economist calling Hilton Head the “new Hamptons.”

For the past two years the market was largely fueled by a petrol pump of cheap debt, which ran out when mortgage rates hit 7% in October, and the newfound ability to work from home.

Nearly 1,400 fewer residential homes, condos and villas were sold through the Hilton Head Multiple Listing Service in 2022 than the previous year. The tally excludes December's data from each year since the December 2022 market report isn't out yet.

In 2023, experts say, Beaufort County's real estate market won't be able to rely on low interest rates or buyers' interest in working remotely.





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“When you remove an unprecedented factor, like COVID, that drove every market red hot, you come back into a mode where some markets simply do better than others,” Collins Group Realty owner Chip Collins said. “That begs the question of ‘What’s going to happen here?’”

The pedal isn’t to the metal, but the Beaufort County housing market should steadily accelerate, and almost no one expects a market crash, according to interviews with real estate agents, economists and mortgage brokers. They predict inventory will stay low, prices will moderately increase and properties will spend more time on the market — putting buyers in the driver’s seat.

Inventory is at “38% of pre-pandemic levels,” according to REsides CEO Colette Stevenson. REsides is the Hilton Head area Multiple Listing Service, largely including Hilton Head, Bluffton, Daufuskie and Hardeeville. Real estate agents use the MLS as a database to help buy and sell properties.

“I don’t see that our inventory is going to increase anytime soon,” Stevenson said. “We have people who currently live here and are not going to give up their home now because they see the value in it.”

A healthy housing market typically has a four- to six-month supply; in November 2022 the area had a 2.1-month supply, according to market reports. This number is up from the same time the previous year, when it was a 0.9-month supply. Pre- pandemic, that number normally sat between four and seven.

“I don’t think we’re ever going to see it go back up,” Stevenson said.

Buyers bore the impact of a lessening supply: The average price of these properties was nearly \$70,000 more than in 2021, according to the reports.

Renters didn’t fare much better, as the median monthly rent in Beaufort County for all property types in January 2023 is \$2,300, more than \$300 higher than this time last year, according to Zillow.





Agents, loan officers and economists in the area weigh in on housing prices, mortgage rates and more. Jaskaran Kooner Getty Images/iStockphoto

‘NOT 2008 BY ANY MEANS’

The housing market crash in 2008 was defined by questionable lending practices, falling house prices and little demand from buyers. Many of the area’s experts are adamant that Beaufort County won’t experience any of these.

“I don’t see any basis for it. There’s still strong demand. There’s no mass exodus. We have a ton of homeowners that have a ton of equity in their properties, with no real strong desire to sell,” Collins said. “This is not 2008 by any means.”

Since 2008, lending standards have changed. Nationally, precautions were made. The Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in 2010 to target financial system sectors believed to have caused the 2008 crisis.



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USCB Business Administration Chair George Smith isn't convinced lending standards will prevent a housing crisis.

"I think one of my big issues is when I look at people. Are people really different as they're making these decisions, or are we just simply hoping that the scaffolding put up there is going to protect people from themselves?" he asked. "U.S. consumers tend to have short memories, and they don't tend to retain many of the lessons from what happened before."

However, properties in Beaufort County also have among the highest down payments in the United States, meaning that buyers typically have higher equity in their homes and borrow less money to buy their homes.

"We're not leveraged by outdated questionable lending practices. People bought houses for the sake of 'I want to be there,'" Peter Geary of Geary Group Hilton Head Island said. "There are virtually no foreclosures, which was a hallmark of the 2008 crash."

In 2008, homeowners foreclosed when they owed more on their mortgage than what their home was worth. With Beaufort County homeowners having high equity, they're much less likely to walk away.



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A contractor balances on the trusses of a roof in the second phase of Cypress Ridge of a home being built along Lou Baris Mill Lane on Thursday in Bluffton. In 2017, Cypress Ridge was one of the fastest growing neighborhoods in the greater Bluffton area. Drew Martin
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Plus, when people move to Beaufort County, they're typically here to stay, according to Stevenson.

"We have people who moved here because this is their forever home," she said. "We have people who bought a second home here because it was their dream."

Beaufort County's warm beaches and mild winters drive demand from those looking to purchase a second home, retire or work remotely from a private section of the beach.

"It's just going to keep booming, and we don't have enough homes," Stevenson said. "As soon as they build them, they sell. It's a good thing, but we still we can't meet that demand. We really cannot meet the demand."

HOME PRICES

Since December 2019, home prices on Hilton Head Island and in Beaufort County have gone up 73% and 63% respectively, according to Zillow.

But many experts still think the market is undervalued, and the pandemic was a jump-start to appropriately pricing property. In 2023, they say, prices should only moderately increase.

"I think that what happened was people started to purchase properties at higher prices because the value was actually being seen compared to marketplaces that we compete with," Stevenson said. "Even though they were getting homes at a better price than some of the other resort areas or coastal-based areas, it was an increase for us, but we were catching up in some respects."

Geary said many communities on Hilton Head, like Sea Pines, "haven't even kept up with the pace of inflation, making it incredibly undervalued."

With properties predicted to stay on the market longer in the year ahead, 2023 should be a buyer's market, according to most experts.

"I see it becoming more of a balanced market. Good houses that are really valuable and that are priced right are going to go fast. Buyers are going to fight for the prices on houses that are overpriced or have something wrong with them," Geary said. "It's not going to be a sure thing anymore."

MORTGAGE RATES



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Interest rates doubled in 2022, leaving home buyers wondering whether rates will continue to climb or level off in the coming months.

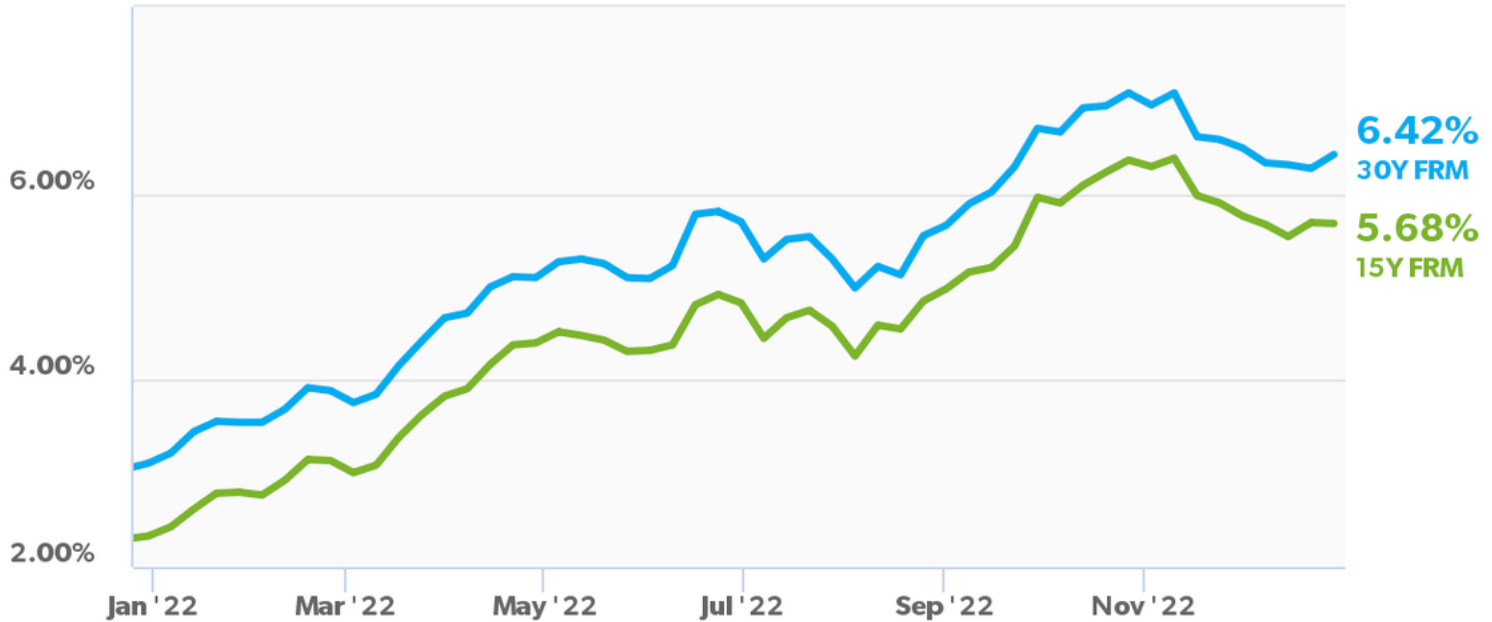
Some say they'll keep climbing despite recent decreases.

“They’re going to have to go up,” Smith said. “I’ve looked at the rates the other day, and I said, ‘They went the wrong way.’ There still has to be an adjustment in the market, and I think the way that that’s going to come about is the interest rates are going to have to go up.”



Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 12/29/2022



U.S. weekly average 30-Year Fixed-Rate and 15-Year Fixed Rate. Freddie Mac

Mortgage broker Jim Hess of Movement Mortgage leaned the opposite direction. “It’s all up to getting control of inflation. It should happen once we see (inflation)

numbers start evening out, then rates should start going with them,” he said.

Stevenson said mortgage rates don’t have too much of an impact in Beaufort County’s market.

“A lot of people who come to our marketplace are buying homes (at prices) way above the average home in the U.S. and generally have a lot more cash to spend,” she said. “So interest rates a lot of times don’t always affect someone’s purchase in our area.”



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This story was originally published January 4, 2023 4:38 PM.

