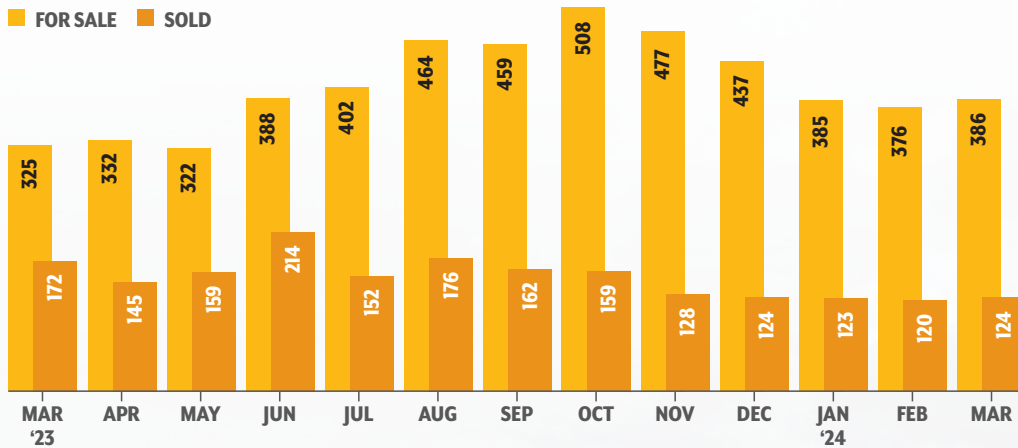
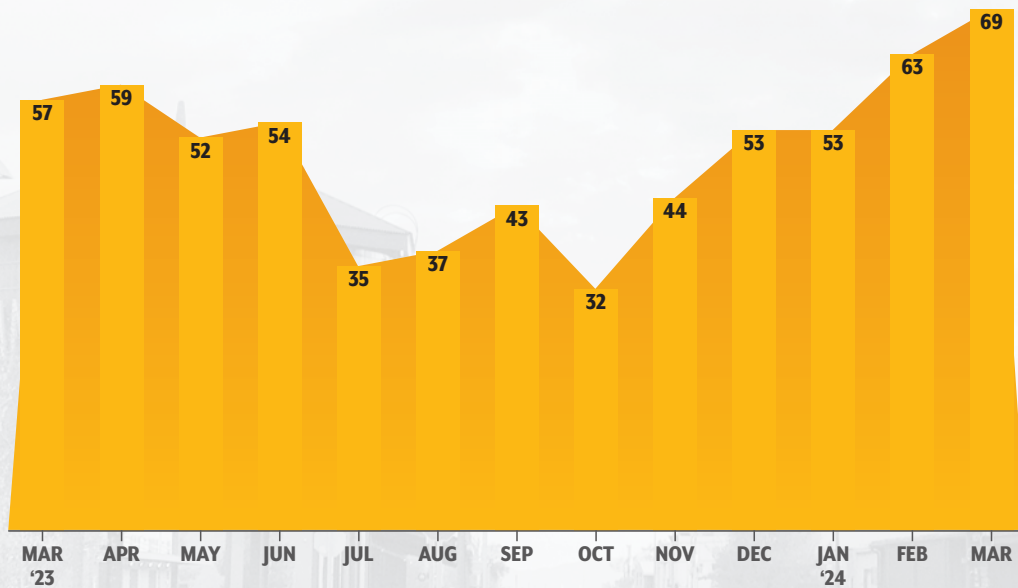


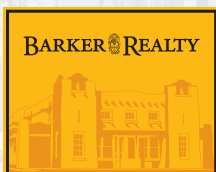
AVG SALE PRICE



INVENTORY



DAYS ON MARKET



market digest

Santa Fe County Residential Market Report

First Quarter 2024

the big picture

IN BRIEF

It's no secret that real estate has been in the news quite a bit recently so we thought it would be best to cover the major topics to keep you informed. While how we conduct a transaction might change due to these requirements, having a highly qualified broker to help you navigate potential challenges when buying or selling real estate in Santa Fe has never been more important.

HIGH-END PROPERTY EXCISE TAX

The City of Santa Fe recently provided a draft on how the excise tax on \$1,000,000+ homes will be enacted. Here is a brief summary of what you need to know:

- 3% tax that will be levied against buyers on any amount of purchase price above \$1M on residential properties within the City of Santa Fe only.
- This is not on the total amount, but rather 3% of anything above \$1M. For example, a sell price of \$1,500,000 would net a tax of $\$500,000 \times .03 = \$15,000$
- The effective date is May 28, 2024 assuming the courts uphold the bill.
- The non-taxable amount will be adjusted each May per the change in the consumer price index of the previous calendar year. For example, if the CPI increase 1.5%, the non-taxable amount will increase from \$1,000,000 to \$1,015,000.
- There is currently a lawsuit pending requesting an injunction against the implementation of this tax, which will be heard and decided prior to the effective date.

While voters likely imagined properties like those in Las Campanas or Tesuque would be subject to this tax, the tax is only on properties within the city limits. We hope the city can use the funds to invest in our community. We expect the cost of the tax to be another negotiating point amongst buyers and sellers.

DEPARTMENT OF JUSTICE AND NATIONAL ASSOCIATION OF REALTORS

In the Sitzer-Burnett case, the National Association of Realtors (NAR) settled with the Department of Justice (DOJ) to address antitrust concerns. The agreement includes revised rules on listing data, prohibition of certain anti-competitive practices, changes to buyer-broker commissions, enhanced disclosure requirements, and training on antitrust laws for NAR members. These measures aim to promote competition, transparency, and consumer choice in the real estate industry.

For Sellers this means:

- Sellers are not required to offer any compensation to a Buyer's Broker. If a seller elects not to compensate a Buyer's Broker, the Buyer's Broker negotiates compensation directly with the Buyer.
- All commissions are still negotiable, however lenders will not be able to finance any portion of the Buyer's commission expense. This will affect some Buyers' ability to pay a Broker directly and will therefore limit the possible homes they could buy.
- A listing broker (and also buyer's broker) is not required to be a member of the local MLS or member of NAR. This could mean they do not adhere to the same Code of Ethics or similar guiding conduct.

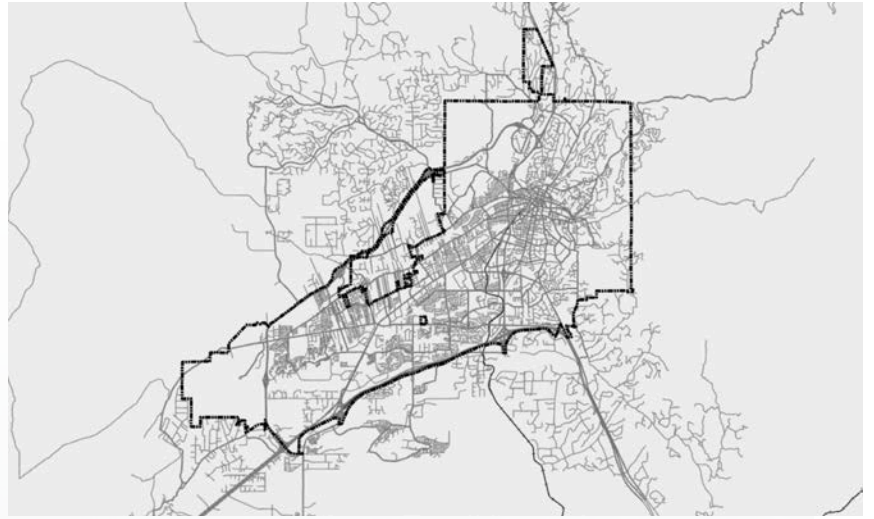
For Buyers this means:

- Brokers will be required to execute a Buyer's Broker Agreement with all Buyers prior to showing any property. This agreement will describe the amount of compensation paid to the Buyer's Broker, indicating that if the Buyer's Broker is unable to collect any portion of that amount from the Listing Broker or the Seller, the Buyer will be responsible for making up the difference at closing. In some cases the Buyer will be required to come up with the entire amount. This agreement also describes the Broker's duties and responsibilities.
- All commissions are still negotiable, however now any compensation offer made by the Seller to the Buyer's Broker is not to be presented in the MLS. It must be independently confirmed.

Considerations:

- There's a lot to unpack with these changes—should a seller be concerned about an unrepresented buyer? Will FHA loan, VA loan, or first-time home buyers be able to finance representation? Will negotiations become more complex or challenging? How will buyer-broker compensation be advertised or negotiated? Will sellers suddenly feel compelled to lower their asking price by 3%?
- The DOJ originally set out to make the process more transparent and decrease home prices. It's hard to see how these changes accomplish those goals without increasing the complexity and costs of purchasing.

WILDFIRE FALLOUT: HOMEOWNERS INSURANCE IN SANTA FE AREA



It is becoming increasingly more difficult for homeowners to get homeowner's insurance outside of Santa Fe city limits due to increasing wildfire activity in New Mexico. This includes existing homeowners receiving notice of cancellation or buyers discovering during the purchase of a home that it is expensive, difficult, or outright uninsurable at this time. In order to better assist our clients, please review the suggestions below.

Buyers:

- Start looking for insurance immediately upon execution of a Purchase Agreement
- If you are buying a home as a primary residence, consider using a local insurance broker who will have a good understanding of the local situation.
- If you are buying a second home or investment property, consider using your current insurer.
- Ask your insurance broker to provide an actual insurance binder and not just a quote. A binder is a commitment to provide insurance. A quote is just an estimate of cost and does not carry a commitment.

Our office is working diligently with local insurance agencies to provide a comprehensive list of options as well as working with the resources at the Office of Superintendent of Insurance to help provide guidance to homeowners in our area.

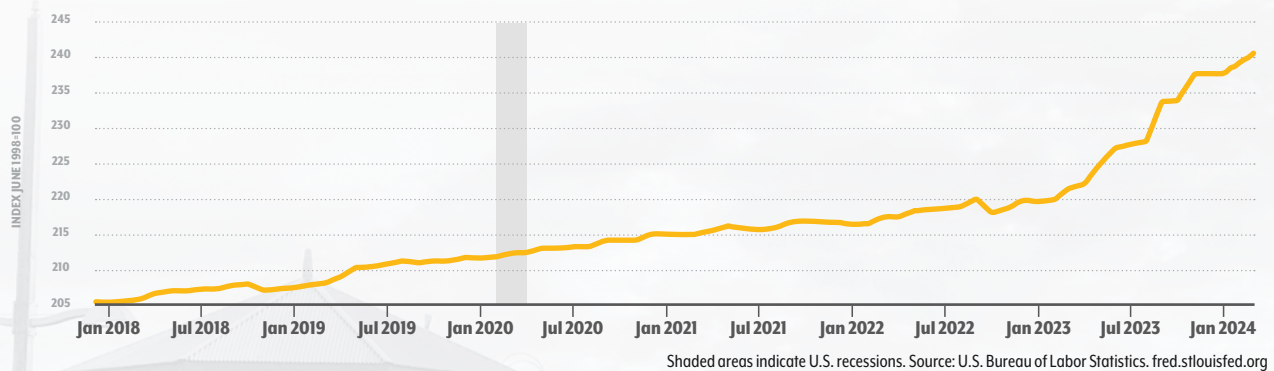
INFLATION AND INTEREST RATES FOR BUYERS

The most recent Consumer Price Index Report (CPI) might have put the final nail in the coffin for buyers hoping for lower interest rates this summer. While the Federal continues to tread water in an attempt to control inflation, home buyers are caught in the crossfire. Our previous prediction was by May of 2024 we would see a .25% decrease and unfortunately, that does not seem to be the case. There is even a chance the Federal Reserve will increase rates.

One of the drivers of the CPI report was none other than insurance increases. While automotive insurance has increased dramatically, Real Property insurance has also increased quickly, helping drive the overall inflation concerns. Buyers who are sensitive to the increased cost in their monthly mortgage payment will also face higher costs of insuring, reducing overall buying power for the near term outlook.

PREMIUMS FOR PROPERTY AND CASUALTY INSURANCE

PREMIUMS FOR HOMEOWNER'S INSURANCE

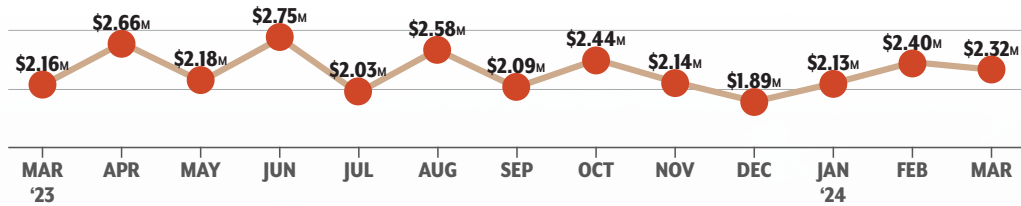


COOLING DEMAND, STARVED INVENTORY

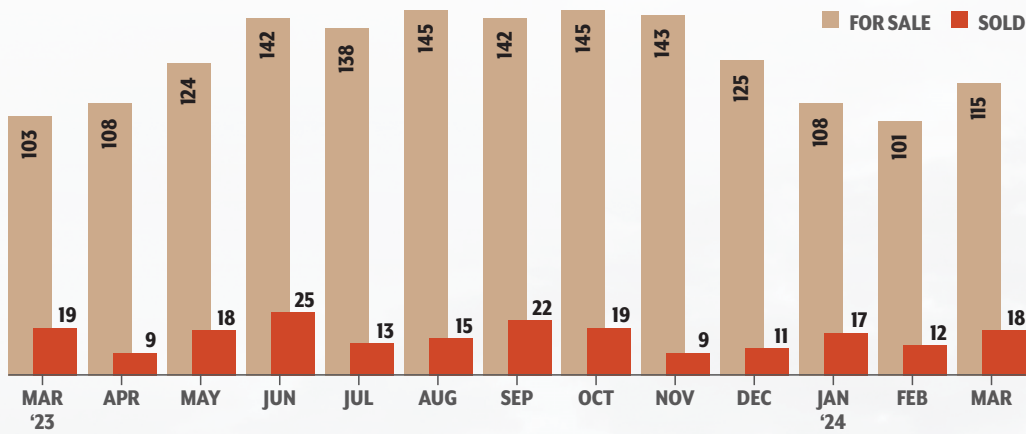
Can two things be true at the same time? For the past couple of years we have been beating the drum of limited inventory driving prices up. We continued to see some price appreciation at the end of 2023 and into the first quarter of 2024, however due to all the reasons previously mentioned, we are seeing pullback from buyers. Sellers, however, knowing there is still limited supply are holding tight on pricing—sometimes to their own disadvantage.

Our eyes are fixed on the increasing Days on Market (DOM) and increased terminations across all price points. Looking across the country, we see many of our feeder markets continue to cool with some achieving over 40% drop in sales (Austin, TX). Santa Fe has typically lagged behind the major markets when these shifts occur and in March we began to see the first signs of a cooling locally with homes staying on market longer than they have since before the pandemic sent real estate stratospheric. Just in March, year over year we saw Santa Fe County total units sold drop 28%.

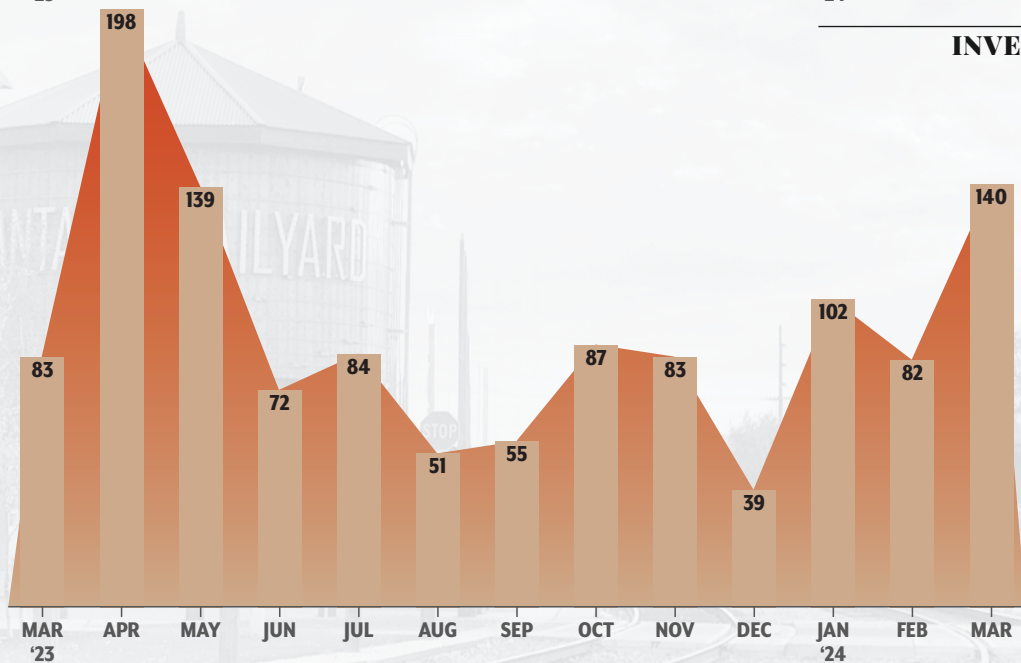
luxury



AVG SALE PRICE



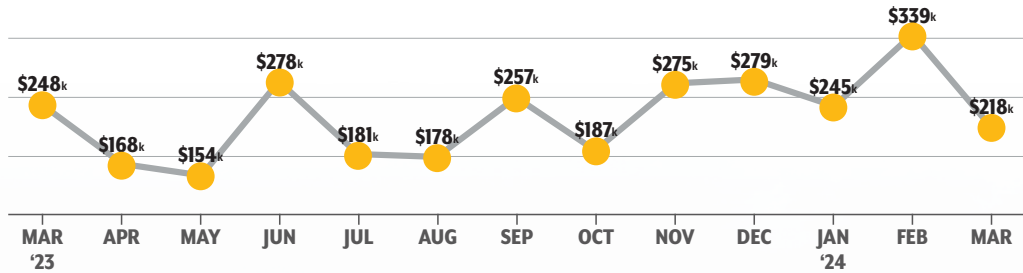
INVENTORY



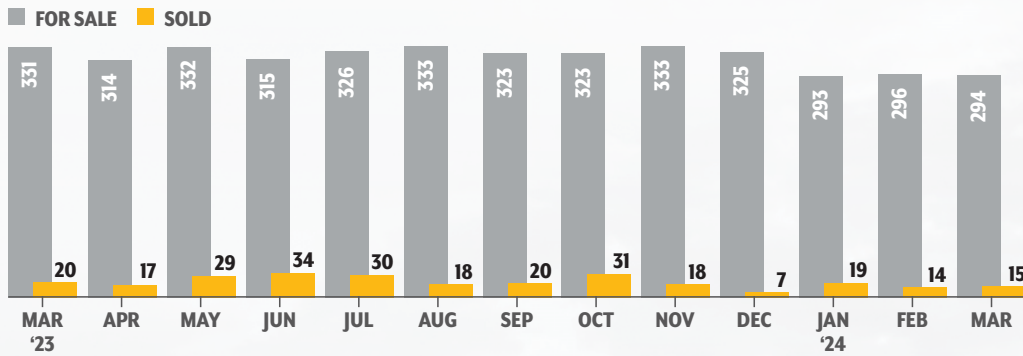
DAYS ON MARKET

Based on Information from Santa Fe Association of Realtors MLS for the period (MAR 2023) through (MAR 2024). This representation is based in whole or in part on data supplied by SFAR MLS. SFAR MLS does not guarantee nor is in any way responsible for its accuracy. Data maintained by SFAR MLS may not reflect all real estate activity in the market.

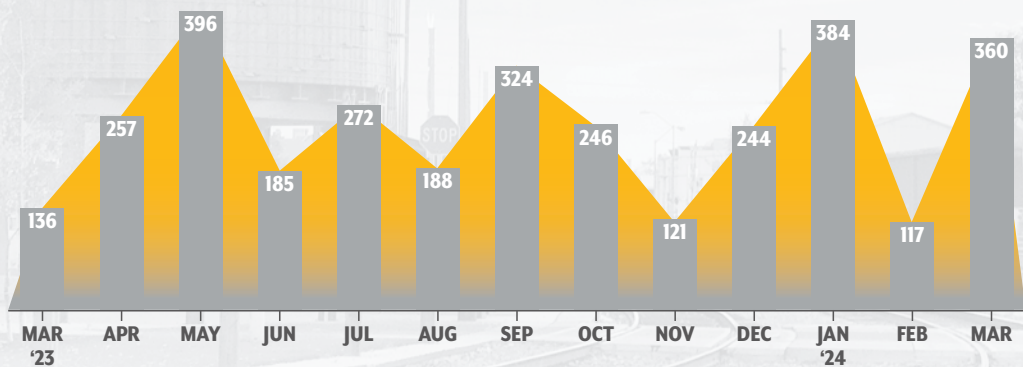
land



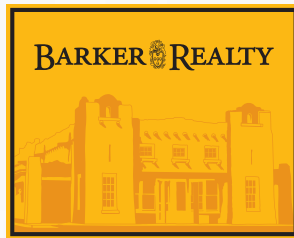
AVG SALE PRICE



INVENTORY



DAYS ON MARKET



the upshot

If you have read this far, you might be thinking: there's a lot going on! And you're right. There are a number of unique challenges facing home buyers and sellers in the current moment, which reinforces the need to stay informed. What we do know for certain is that we are seeing more homes come onto the market and they are taking longer to sell with new hurdles to overcome. However, it's not all doom and gloom; we are seeing our market resettle into a balance between buyers and sellers, negotiating once again, at a level we haven't seen since 2019. Turnkey properties and well-kept homes are still in high demand and for savvy buyers, there are some new opportunities hidden in the noise.

▲
18.8%
homes for sale

**March 2023
vs March 2024**

▼
-27.9%
homes sold