



## Slow Demand Moves Market Toward Neutral

### HOUSING MARKET CONDITIONS



Source: Tallahassee MLS Prepared for the Tallahassee Real Estate Website [www.manausa.com](http://www.manausa.com)

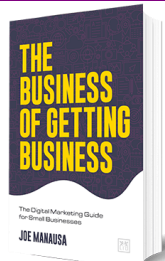


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The lock-in effect (from previous mortgage rates below 5%) has most discretionary homebuyers sitting out the market, slowing demand for homes in Tallahassee to it's the lowest rate since 2016.

Despite the cool down, the market continues to favor sellers as the inventory of homes for sale has plummeted as well.

The graph in this week's report shows the current supply of homes (measured in months of supply) currently sits at about 3.8 months, a number that all real estate market experts will tell you is a sellers' market.

Once supply exceeds four months of inventory, I believe the market achieves balance, allowing sellers and buyers to negotiate on equal terms. However, many real estate reports still use the outdated six-month supply to

measure equilibrium, overlooking how digital marketing has accelerated the home-selling process. Regardless, the market is moving toward neutral ground.

#### What To Expect Next

Positive developments on the horizon could unexpectedly harm the housing market. I fear that decreasing interest rates will stimulate demand while Tallahassee's housing supply remains limited, resulting in home prices soaring to exorbitant levels as observed in recent years.

If rates remain above 5%, I think we'll see the market rebound slowly over the next year or two, supported by non-discretionary buyers and homeowners who have existing rates above 4.5%. It really comes down to the pace of new construction and the change in mortgage rates, so keep checking in and we'll keep you informed.

