Tarheel Advisors Newsletter

Volume 17, Issue 3

July, 2025

Real Estate Market Update

For the average American, around 70% of their net worth is tied to the value of their home. With this in mind, it is impossible to ignore the health of the housing market when assessing the state of the overall economy. Mortgage rates have tripled over the past three years, which has led to a housing market that is best described as being frozen. Pundits, and even the President, frequently opine on high mortgage rates and the negative effect they are having on the housing market and economy. So, are things really that bad in real estate?

Since the post-COVID era hysteria, residential sales volumes have plummeted over the past two years. Now, we are slowly starting to see a market dethawing as more homes are coming up for sale. Active listings across the US are up 31.5% year over year — a large number, but keep in mind we are coming off of what was historically low inventory figures. Also, inventories for new homes have tripled from their 2012 lows and are now approaching 2007 bubble highs. There is plenty of inventory on the market, and that certainly had not been the case for most of this decade.

North Carolina has had one of the stronger housing markets in the country over the past few years, and it is currently fairly stable. As we review the major residential markets locally, more homes are coming onto the market and average times to sales have been increasing. Charlotte, Greensboro, and Raleigh are still considered seller's markets, but cracks are starting to show in the median sales price of higher-end homes. If you are trying to sell a larger property over $600k, you may need to have some patience and muted expectations.

City	Median Sales Price YoY	Avg Sales Time	Median Sales Price 3 Beds YoY	Median Sales Price 5+ Beds YoY
Asheville	3.8%	40 Days	2.0%	-12.4%
Banner Elk	16.1%	99 Days	-9.1%	-1.1%
Charlotte	2.4%	31 Days	0.7%	5.4%
Greensboro	4.3%	31 Days	3.8%	-7.2%
Raleigh	6.0%	35 Days	3.2%	2.7%
Topsail	-6.8%	153 Days	3.3%	-36.8%
Wilmington	5.0%	42 Days	9.5%	14.2%

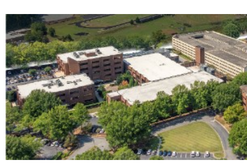
Source: Rocket May Market Reports

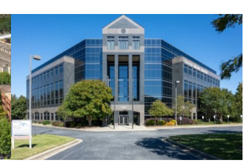
The data is less rosy for the vacation areas in North Carolina. Communities such as Banner Elk and Topsail have average sales times that are now over three months long. Many investors in these communities are having buyer's remorse over purchases that were intended to be profitable short-term rentals. Bookings have decreased for many, and higher insurance, maintenance and tax costs have killed what little expected cash flow remained. This has many investors looking for the exits. However, sellers have yet to completely throw in the towel in these communities and seem to be stubborn on prices. While there aren't many great deals showing yet, one may have some luck throwing out "low ball" offers.

If a real estate investor is looking for a real bargain, then commercial office space could be of interest. The current environment in office properties is nothing short of apocalyptic. A combination of the shift to work from home and continued economic deterioration in many inner city locations has caused a mass business exodus that has crushed the pricing in large scale office buildings across the country.

Buildings in many large cities are essentially being given away for free. This is especially prevalent in cities such as Baltimore, Chicago, and Detroit that have experienced decades of population loss leaving them with an excess of infrastructure. Without a large economic rebound, many of these buildings will eventually be bulldozed, so even a $0 price tag is likely still too expensive.

The real surprise in commercial office is that the bargains abound even in areas considered to be economically stable. Madison Park in Winson Salem recently went to auction with a starting bid of $4.2 million. The site consists of seven buildings and 483k square feet on 28 acres. In Greensboro, the old Oakwood Homes headquarters off I-40 is being auctioned with a starting bid of $1.3 million for 132k square feet. These prices come out to a mind boggling $10 per square feet which is likely 90% less than the cost of their construction 30+ years ago.





Commercial real estate isn't for amateurs, but if you have the cash and a solution for filling up 100k square feet of unloved and unwanted office space, then you may be looking at a deal of a lifetime.

-Ryan Glover, CFP®

2025 Market Update

S&P 500	**+5.5%**
DOW	**+3.6%**
NASDAQ	**+5.5%**
RUSS 2000	**-2.5%**
International	**+17.5%**
BONDS	**+3.9%**
GOLD	**+27.0%**

Mortgage Rates

15-Year	**6.0%**
30-Year	**6.8%**

Did You Know?

* Tarheel Advisors offers cash management services for clients who are tired of shopping local bank and CD rates. Short-term US Treasuries currently yield 4.3% and are state tax free.

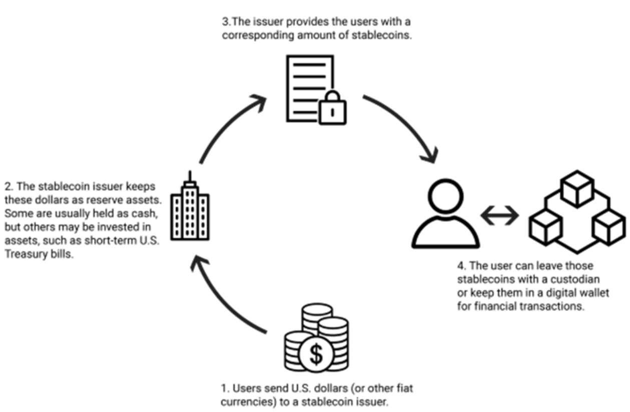
* Our Interns for the Summer are Ryan Campbell, a senior at NC State and Jameson Glover, a sophomore at UNC-W.

* After hitting a record high on February 19th, the S&P 500 dropped 20% by April 9th. From the "Liberation Day" tariff induced lows, the subsequent 90 day tariff pause induced a rally back to new all-time highs in just 55 days.

Stablecoins: Fad or Trend?

Cryptocurrency has become a major topic in the financial world and has led to the introduction of a new digital asset class. Understanding cryptocurrencies requires navigating a complex and evolving landscape of technologies of which the technical details are beyond the scope of this article. So, while the long-term legitimacy and staying power are still in doubt, there is no question that there has been more adoption as of late. Because of this progress, these "currencies" came under more regulatory scrutiny under the Biden administration. One of the goals of the more crypto-friendly Trump administration has been to take this industry from the Wild Wild West to being more mainstream by establishing better guardrails for the system as transactions become more commonplace. The importance of these standards is to protect investors from corruption as well as centralized risk in these cryptocurrency creators. One such example of this new legislation is the GENIUS Act, which largely addresses the digital currency called "Stablecoins".

What are Stablecoins? Stablecoins are a type of digital currency that is backed by a physical asset, such as a commodity or fiat currency. This "coin" or "token" is designed to be less risky or volatile than other cryptocurrencies. For example, there could be a certain stablecoin that is backed by the US Dollar; this means that for every amount of this stablecoin that is purchased, the equivalent amount of that stablecoin is held in US Dollars in some sort of reserve. This adds a layer of security for the average consumer who otherwise would be exposed to a potentially large price swings in a normal cryptocurrency that does not have this inherent backing.



Potential Risks of Stablecoins? There are a good number of risks that come with owning stablecoins. De-pegging can occur when a stablecoin's value deviates from its underlying asset. This could be caused by insufficient reserves, overall market uncertainty, or just technological issues with the stablecoin. There is also a liquidity risk where many holders of the coin may try to cash out or redeem the coins for the asset they are tied to, which can cause problems for the institutions involved in these transactions. One of the most well-known stablecoin failures was TerraUSD in 2022. Instead of being backed by real assets like dollars or gold, it used algorithms and investor incentives to maintain its value. When confidence in the system started to fall apart, the coin lost its pegged one-dollar value and collapsed, wiping out billions of dollars in the process. This specific incident shows that, unlike cash in the bank, which would typically be insured by the FDIC, the holdings of stablecoins are not protected and could vanish in an instant. As with any cryptocurrency, there is also a security risk where many of these coins can be exposed or vulnerable to hacking that could compromise the infrastructure as well as the token supply.

What is the GENIUS Act? The GENIUS Act, passed on June 18th, 2025, concerns the issuance and exchange of stablecoins. This bill puts in place regulations for the issuers of stablecoins designed to better protect the consumer. This legislation includes a requirement that issuers hold an equivalent reserve of assets that align with the cryptocurrency and must give owners priority if a bankruptcy occurs. Stablecoins will also be regulated under basic anti-money laundering rules, limiting major corruption. These regulations should lead to less volatility in the price of stablecoins, making them, in theory, a much safer option moving forward.

Why should you care about Stablecoins? Whether we want to admit it or not, Pandora's box has been opened in digital finance. Physical currencies are rarely utilized today, and the developed world hasn't exactly been a responsible steward of the purse. Stablecoins could be part of that solution if constructed properly to provide a medium of exchange between traditional and cryptocurrencies, and lead to more efficient and less costly cross-border transactions. Companies that sponsor stablecoins have also been in the news lately. Circle Internet Group, the company behind one of the largest stablecoins, (USDC), recently went public, and its stock has surged more than 600 percent. The excitement around the IPO also gave a boost to companies like Coinbase, which helps support the use and creation of stablecoins.

-Ryan Campbell, *Intern*

Privacy Policy—In the course of providing advisory services, we may collect, retain, and use client information for the purpose of administering our operations, providing client service, and complying with legal and regulatory requirements. This information may come from sources such as account applications, investment policy statements, electronic or verbal correspondence from your brokerage, attorney, accountant or other advisor you may employ. We do not sell, exchange, or disclose client information with outside organizations unless the third party is essential in administering our operations or except as required or permitted by law. To further safeguard client information digitally, we maintain password protected systems, updated anti-virus and anti-spyware software, and encrypted hardware and software firewalls. Our regulatory ADV 2 is available at www.tarheeladvisors.com/adv2.pdf.

2025 ADV Part 2 Changes— Ryan Glover no longer has any outside business interests. New account minimum has been raised to $250,000.