



2023

Real Estate Market Outlook (And What It Means for You)

Last year, one factor drove the real estate market more than any other: rising mortgage rates.

In March 2022, the Federal Reserve began a series of interest rate hikes in an effort to pump the brakes on inflation.¹ And while some market sectors have been slow to respond, the housing market has reacted accordingly.

Both demand and price appreciation have tapered, as the primary challenge for homebuyers has shifted from availability to affordability. And although this higher-mortgage rate environment has been a painful adjustment for many buyers and sellers, it should ultimately lead to a more stable and balanced real estate market.

So what can we expect in 2023? Will mortgage rates continue to climb? Could home prices come crashing down? While this is one of the more challenging real estate periods to forecast, here's what several industry experts predict will happen to the U.S. housing market in the coming year.

MORTGAGE RATES WILL FLUCTUATE LESS

In 2022, 30-year fixed mortgage rates surged from roughly 3% in January to around 7%.² This year, economists forecast a less dramatic shift. Nadia Evangelou of the National Association of Realtors (NAR), shares her vision of three possible scenarios:³

1. Inflation continues to surge, forcing the Fed to repeatedly raise interest rates. In that case, rates could reach as high as 8.5%.
2. Inflation decelerates and mortgage rates follow suit, averaging 7 to 7.5% for the year.
3. The economy falls into a recession, which could lead mortgage rates to drop closer to 5% by year-end.

WHAT DOES IT MEAN FOR YOU? No one knows for certain where mortgage rates are headed. Instead of trying to “time the market,” focus instead on buying or selling a home when the time is right for you. There are mortgage options available that can make a home purchase more affordable—and you can always refinance down the road. We’d be happy to refer you to a mortgage professional who can help.

SALES VOLUME WILL FALL AND INVENTORY WILL RISE

Many economists expect the number of home sales to continue to decline this year, leading to an increase in listing inventory and a longer sales timeline. Fannie Mae forecasts that sales will fall by 20% this year, while NAR projects a less extreme dip of 7%.^{4,5} Realtor.com estimates that this slowdown could cause listing inventory to surge by 23%, which would be a noticeable improvement for buyers but still fall short of 2019 levels.⁶

WHAT DOES IT MEAN FOR YOU? If you’ve been frustrated by a lack of inventory in the past, 2023 may bring new opportunities for you to find the perfect home. And if you’re hoping to sell, you may want to act fast; rising inventory levels will mean increased competition. Reach out to schedule a free consultation.

WE’RE HERE TO GUIDE YOU

While national real estate forecasts can provide a “big picture” outlook, real estate is local. And as local market experts, we can guide you through the ins and outs of our market and the issues most likely to impact sales and drive home values in your particular neighborhood. If you’re considering buying or selling a home in 2023, contact us now to schedule a free consultation.

HOME PRICES WILL REMAIN RELATIVELY STABLE

While some economists expect home prices to fall this year, many expect them to remain fairly stable. “For most parts of the country, home prices are holding steady since available inventory is extremely low,” said NAR Chief Economist Lawrence Yun at a November conference.⁵ The factors that caused home prices to plunge during the Great Recession—specifically lax lending standards and a surplus of listings—aren’t prevalent in our current market.⁷

WHAT DOES IT MEAN FOR YOU? It can feel scary to buy a home when there’s uncertainty in the market. However, real estate is a long-term investment that has been shown to appreciate over time—and the best bargains are often found in a slower market, like the one we’re experiencing now. And if you’re planning to sell this year, you’ll need to chart your path carefully to maximize your profits. We can help you make an informed decision about the right time to make a move.

RENT PRICES WILL CONTINUE TO CLIMB

Affordability challenges for would-be buyers, inflationary pressures, and an overall lack of housing could continue to drive “above-average” rent price increases in much of the country.⁷ “We forecast rent growth of 6.3% in the next 12 months, somewhat ahead of home price growth and historical rent trends,” writes Danielle Hale of Realtor.com in a recent report.⁵

WHAT DOES IT MEAN FOR YOU? Rent prices are expected to keep climbing. But you can lock in a set mortgage payment and build long-term wealth by putting that money toward a home purchase instead. And if you’ve ever thought about purchasing a rental property, now may be a perfect time. Call today to get your search started.

Sources: 1. Forbes 2. Bankrate 3. Bankrate 4. Fannie Mae
5. National Association of Realtors 6. Realtor.com 7. The New York Times 8. CNBC

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