

National Real Estate Market Update 2023



There's an old adage in real estate: location, location, location. But ever since the Federal Reserve began its series of inflation-fighting interest rate hikes last year, a new mantra has emerged: mortgage rates, mortgage rates, mortgage rates.

Higher rates had the immediate impact of dampening homebuyer affordability and demand. But this year, we're seeing further repercussions. While analysts expected listing inventory to swell as sales declined, instead, homeowners have been pushing off plans to sell because they feel beholden to their existing, lower mortgage rates.

So what impact is this reduced demand and low supply environment having on home values? And what can we expect from the real estate market in the coming months and years? Here are several key indicators that help to paint a picture of the current market and where it's likely headed.

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HOME SALES ARE EXPECTED TO PICK UP BY EARLY NEXT YEAR

Spring is typically a busy season for real estate, but the pace of home sales has remained well below last year's levels. Analysts attribute the slowdown to several factors, including near-record home prices, high mortgage rates, and low inventory. However, some believe that the market is poised for a comeback. Forecasters at the Mortgage Bankers Association predict that home sales will continue to fall through Q3 before rising in Q4 and throughout 2024.¹

What does it mean for you? If you hated the frenzy of the pandemic-era real estate market, now might be a better time to shop for a home. And if you plan to sell, it's crucial to enlist the help of a skilled agent who knows how to draw in buyers. Reach out for a copy of our multi-step Property Marketing Plan.

PROPERTY VALUES REMAIN RELATIVELY STABLE

While property values have fallen in some markets, the average national home price remains about 40% higher than it was in early 2020, according to the S&P CoreLogic Case-Shiller index.² A tight housing supply has helped to buoy prices amidst a slowdown in sales. "While it varies from region to region, home prices at the national level may fall 1% or 1.5% by the end of the year, so not much," Doug Duncan, senior vice president and chief economist at Fannie Mae, told Yahoo Finance.³

What does it mean for you? Prices have softened in certain market segments. We can help you find your next home and negotiate a great price. If you're a homeowner, the surge in home values has slowed, but you're likely still sitting on a nice pile of equity. Reach out for a free assessment to find out how much your home is currently worth.

LISTING INVENTORY IS LOW, BUT NEW CONSTRUCTION IS ON THE RISE

Existing home inventory remains tight despite the market slowdown because many would-be sellers are reluctant to give up their lower mortgage rates. But in some areas, new home construction is helping to fill the supply gap. "Currently, one-third of housing inventory is new construction, compared to historical norms of a little more than 10%," according to National Association of Home Builders Chief Economist Robert Dietz.⁴

What does it mean for you? Inventory remains low, but less competition means more choice and negotiating power for buyers. We can help you explore both new and existing homes in our area. Sellers are enjoying reduced competition right now, as well. However, the longer you wait to list, the more competition you're likely to face. Reach out to discuss your options.

MORTGAGE RATES MAY FINALLY COME DOWN

There are signs that rates could trend lower later this year. Lawrence Yun, chief economist for the National Association of Realtors, expects rates to fall below 6% by the year's end.⁵ Other leading economists agree. In its May forecast, Fannie Mae speculates that 30-year mortgage rates will continue to decline, averaging 6.0% in Q4 2023 and 5.4% by Q4 2024.⁶ Meanwhile, the Mortgage Bankers Association predicts rates will fall even faster, averaging 5.6% by Q4 2023 and 4.8% by Q4 2024.¹

What does it mean for you? Mortgage rates may finally fall, but a decrease in rates could correspond with an increase in competition and prices. If you start searching now, you'll be prepared to make an offer when the time is right. We can help you negotiate a great deal and potential seller incentives.

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, contact us now to schedule a free consultation.

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Sources: 1. Mortgage Bankers Association 2. New York Times 3. Yahoo Finance

4. National Association of Home Builders 5. National Association of Realtors 6. Fannie Mae