



**RE/MAX**  
PROFESSIONALS

Top ten predictions for 2023

**1. There is No Housing Bubble:** The fundamentals of this market are very different from The Great Recession, and while we expect some year-over-year price declines in 2023, we don't believe there will be a systemic drop in home values!

**2. Inflation has seen its Peak:** The rate of personal consumption over the last 2 years is unsustainable given the combination of a low personal saving rate and an elevated ratio of debt-to-personal disposable income among consumers. The worst should be behind us!

**3. 2023 Market will be a Mirror Image of 2022:** The first half of the year will have the greatest challenges, as prices remain flat or decline. Higher interest rates and affordability may pause affordability for buyers and hesitancy for Sellers to sell with their current lower mortgage rate. The second half of the year may see a substantial increase in activity!

**4. Mortgage Rates Will Drop:** As economic data is released this year, interest rates will be on a Roller Coaster for a while, but as we enter a mild recession rates will improve. Recessions are almost always good for lower interest rates and affordability. Real Estate is one of the most interest-rate-sensitive sectors of the Economy.

**5. Inventory Will Not Grow Significantly:** Demographics of our population entering their prime home-buying years will continue to drive demand, and Seller hesitancy to List their homes along with builders under-building for almost 15 years will keep Inventory at reasonable levels.

**6. No Buyer's Market, But a More Balanced Market:** Historically, we have defined a Buyer's Market as 6 months of Inventory, but with the lower inventory and buyer demands over the past 10 years, the new definition is closer to 2-3 months of Inventory. The market will be close to that in 2023, and that will create more balance for buyers and sellers.

**7. Sellers must become more Realistic:** The time of selling a homes As-Is or just throwing a price out there and seeing what happens are over! Sellers will need to be much more realistic on pricing, and when possible make their homes as presentable and updated as possible. Listings that price correctly, and don't have to reduce the price are selling in less than half the time of those that do.

**8. New Construction Activity Will Not Increase:** Permits for New home construction are down by over 17%, and Builder Sentiment or Confidence is down 54 points. We will see more aggressive pricing and incentives from Builders as they hate to sit on a finished home. May be some great Buyer opportunities, especially in the first half of the year!

**9. Employment and The Labor Markets Can Change Everything:** All of the Recession Flags are up right now signaling a Recession in our future. This may be mild if the growth rate of Inflation falls, but the key data line will be 2023 Jobless Claims. The critical level is over 300,000 on the four-week moving average. Expect more layoffs in the coming months, and some iBuyer Companies will close their doors in 2023!

**10. Affordability Will Be The Biggest Issue:** We will likely see price declines in the first half of the year, but this will not be enough to make housing more affordable. If Interest

rates remain above 6% in 2023 this will make it challenging for Buyers, especially First Time Buyers as rents will begin to decline as well. We believe interest rates will drop into the mid 5% range, and possibly lower 5% if the recession takes hold and inflation slows down. This would help affordability tremendously, and we will see a mini-boom of Buyer Activity in the second half of the year!