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March 23, 2023

2023 spring housing market predictions

The transition to spring is welcome news for Americans weary of winter's bite. Likewise, homebuyers, sellers, and folks keeping tabs on real estate are adopting a "hope springs eternal" philosophy as a new season emerges and, with it, perhaps a reason to be optimistic about the housing market in the months ahead.

Curious what the experts think when it comes to spring mortgage rates, home prices, inventory numbers and more? We've gathered housing market predictions from pros across the industry.

Recent housing market updates: Prices and trends
The real estate market remains in correction mode. The National Association of Realtors reports that sales of existing homes rose 14.5 percent in February, the first increase in 12 months and the biggest since 2020. Meanwhile, the median U.S. home price in February stood at $363,000, a tiny 0.2 percent drop from February 2022 that represents the first year-over-year home-price decline in more than 10 years.

On the mortgage side of things, stubbornly high interest rates offer little incentive to borrowers to purchase or refinance a home. Rates remain at or near 7 percent for the benchmark 30-year fixed-rate mortgage loan as of late March. A major contributor to rising rates over the past year has been Federal Reserve interest rate hikes. A year ago, the Fed initiated the first of its rate increases — we're now up to nine, and counting.

The uncertainty and volatility has some experts feeling doubtful about a major market rebound this homebuying season.

“The housing market is likely to struggle mightily this spring,” says Rick Sharga, president and CEO of CJ Patrick Company. “The combination of higher home prices and mortgage rates between 6.5 and 7.0 percent makes monthly mortgage payments up to 50 percent higher than they would have been on the same property a year earlier. A limited supply of homes for sale, coupled with poor affordability, will keep home sales relatively low.”

Case in point: A Mortgage Bankers Association survey from March 15 found that purchase loan applications increased 7 percent from the previous week, but was still a significant 38 percent down year-over-year.

Nevertheless, there is also some optimism that buyers and sellers will be more active now that spring — traditionally a time when housing activity peaks — has arrived.

“In the spring, median home prices tend to rise due to increased seasonal demand,” says Selma Hepp, chief economist for CoreLogic. “We see more competition among buyers, and higher-priced homes are usually listed. Housing supply also tends to grow during the spring months. And this is also the time of year when relatively more migration happens, as people graduate and move elsewhere looking for jobs.”

Predictions for spring’s housing market and inventory

Current indicators do not signal that the season will be a robust one, but there is still reason for hope, experts say.

“Home price growth rate will continue to decelerate and post annual declines this spring — nevertheless, depending on what happens to mortgage rates, median home prices should see some seasonal rebound,” says Hepp.

Dennis Shirshikov, a strategist for real estate website Awning, is a bit more hopeful. He believes home values will remain stable this spring, while buyers will hold increased leverage as more housing inventory gradually hits the market: “I expect supply to increase by 5 percent while the average days on the market will be reduced by up to 15 days.” Shirshikov says he anticipates the 30-year and 15-year fixed-rate mortgages to average 6.25 percent and 5.75 percent, respectively, this spring.

Ralph DiBugnara, president of Home Qualified and vice president of Cardinal Financial, foresees somewhat similar rates over the next three months. “I expect to see some reduction in interest rates, with the average 30-year mortgage rate hovering around 6.5 percent and 5.875 percent for the 15-year fixed rate,” he says. “With slightly lower rates, more buyers will be out shopping this spring. But what they will most likely find is a competitive market, including some bidding wars and a shorter supply of homes for sale than expected.”

Sharga envisions a short-term housing climate in which home prices likely decline further. “But local results will vary wildly,” he says. “Formerly high-flying markets, like coastal California, and cities like Las Vegas, Phoenix and Austin may see double-digit price declines, especially at the high end of the market. On the other hand, markets with strong population and job growth, like North Carolina and Florida, may well see slight price increases.”

Will there be a housing market crash?

One thing we likely won't have to worry about this spring? A real estate bubble or housing market crash.

Market conditions currently are far from what occurred 15 years ago, when the housing sector plummeted. Guardrails have been implemented since then that have resulted in more responsible lending and borrowing.

"I believe everything we are seeing right now in the housing market is more of a correction than a crash," says Scott Krinsky, a partner in the residential banking department with New York City law firm Romer Debbas. "Lender underwriting guidelines have continued to remain diligent and strict, and unemployment rates are still relatively low. So even if foreclosures do see an uptick, it shouldn't be anything significant."

Will there be foreclosures this spring?
Thankfully, foreclosure numbers remain near historical lows, although foreclosures did inch up 5 percent from the fourth quarter of 2022, according to ATTOM Data Solutions.

"Foreclosure activity is still only at 60 percent of 2019 levels, and mortgage delinquencies remain slightly below historically normal levels, so there's nothing to indicate a huge wave of distressed and repossessed properties," Sharga says. "Also, 92 percent of borrowers currently in foreclosure have positive equity in their homes, enabling them to sell their homes at a profit before a foreclosure auction."

Warning signs of a market crash
Even though a housing crash is highly unlikely, the pros like to keep an eye on indicators. Red flags that could signal a potential crash include:

- Increasing loan-to-income levels
- Overpriced properties that outpace affordability, inflation and economic fundamentals
- Higher mortgage rates
- Lower economic growth
- Escalating mortgage balances
- Climbing subprime mortgage loan numbers

Who bought houses in 2022?
Want to know who's likely to purchase homes this spring? For clues, take a peek at demographics tracked last year by the National Association of Realtors:

Homebuyer generation	% of 2021 buyers	Median age in group
Gen Z: 22 years and younger	2	18
Younger Gen Y/Millennials: 23 to 31 years	18	28
Older Gen Y/Millennials: 32 to 41 years	25	36
Gen X: 42 to 56 years	22	49
Younger Boomers: 57 to 66 years	17	62
Older Boomers: 67 to 75 years	12	70
Silent Generation: 76 to 96 years	4	79

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