

## REAL ESTATE

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The Real Estate and Home Guide sections in the Sunday editions are produced by Sentinel Media Services, a content provider, specifically for The Chronicle.

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## SOUND OFF

# What are your predictions for the 2023 real estate market?



**A:** I expect this year's real estate market to be a very similar to what we saw for much of 2022. Our market shifted to a level playing field between buyers and sellers in mid-2022. Multiple offers are no longer the norm.

The primary cause for the shift has been the Federal Reserve Board's monetary policy of increasing the Fed funds rate to slow the economy and decrease the high levels of inflation. This has resulted in mortgage rates that have doubled from a year ago.

The California Association of Realtors forecasts statewide home prices to decrease by 8.8% to \$831,500 statewide in 2023. I tend to concur with this view that housing prices for 2023 will drop statewide, as well as with our local markets. However, I remain bullish when it comes to our local housing markets. We still have a lot of high-tech and bio-tech jobs and more people than housing units.

Historically the Bay Area does not get hit as hard and bounces back quicker from a market shift than most areas in the state and nationally.

A recent study by the Federal Reserve found that homeowners' median net worth is 40 times higher than that of renters. Homeownership is the best way to create generational wealth. I tell my buyers if we find a house you like, buy it. You'll be glad you did.

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**A:** The California Association of Realtors' chief economist, Jordan Levine, said in his recent new year's forecast podcast that 2022 was a year unlike many others. The first half of the year saw huge buyer demand, fueled in part by low interest rates, limited inventory and the continuing trend to work from home. June of this year was the month during which prices peaked for the recent boom cycle, followed by softening prices, continued substantial interest rate increases, falling sales volume, etc. ...

Our 2023 market:

- The first and second quarters will evidence a modest recession, with prices softening by 8% or so.
- Sellers will continue to adjust to new market realities; continuing price reductions will be seen.
- The Fed will continue to raise interest rates as inflation will not drop to their 2% goal; buyers may learn to see 6.5% as a normal rate.
- Strategic pricing will be crucial as there may be less competition.

That being said, a saner market is truly best for all parties, and the long-run trend in California remains continued appreciation.

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**A:** When it comes to market predictions for 2023, the absence of a crystal ball does not preclude an abundance of opinions on the topic.

From armchair expert uncles to national news anchors, everybody has a scary headline to tout, which brings me to prediction one: Real estate news will continue to percolate in our collective psyche and discourse. In times of uncertainty and upheaval, many people turn to their living situation as something they try to control. For some, it's painting a room; for others it's buying or selling.

Prediction two: Interest rates may stabilize in 2023 after a few modest increases, and buyers should start to come out of the woodwork, especially those with nest eggs.

Prediction three: Another 8 to 10% cooling in Bay Area home prices, especially with condos. Courageous, cash-heavy buyers will find screaming deals. Reticent buyers will wait too long and miss out when the market heats back up.

Prediction four: Inventory will stay low and sales will be 5% to 8% fewer than last year, as choosier sellers and buyers hold off. Only the most committed buyers and savvy agents will fare well in this focused market.

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## Mortgage rates rise again after 6 weeks of declines

By Christopher Rugaber  
AP ECONOMICS WRITER

WASHINGTON — The average long-term U.S. mortgage rate rose this week after falling for six straight weeks, adding to the challenges potential homebuyers face amid higher home prices and a limited supply of available houses.

Mortgage buyer Freddie Mac reported Thursday that the average on the benchmark 30-year rate increased to 6.42% from 6.27% last week. That is more than double the year-ago average rate of 3.11%.

The long-term rate reached 7.08% in late October and again in early November as the Federal Reserve has continued to crank up its key lending rate this year in an effort to cool the economy and tame inflation.

The big increase in mortgage rates has torpedooed the housing market, with sales of existing

homes falling for 10 straight months to the lowest level in more than a decade.

While home prices are now dropping as demand has declined, they are still nearly 11% higher than a year ago. Higher prices and a doubling of mortgage rates have made homebuying much less affordable and a much more daunting prospect for many people.

George Ratiu, senior economist at Realtor.com, calculates that the monthly payment for a median-priced home is now about \$2,100, before taxes and insurance, up more than 60% from a year ago. The median is halfway between the highest and lowest figures.

Sales of new homes are also falling. Ratiu expects mortgage rates will remain above 6% next year and sales to stay low.

"All of these data are indicative of a market going through a major reset, which is the Fed's goal," he said.

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