

2023 Real Estate Outlook

In June 2022 there began a stark reversal in real estate from both the pandemic years and more broadly from the last decade or so of a seller's market. The housing market underwent an about-face as rapidly rising mortgage rates dramatically slowed home sales activity.

Home buyers and sellers are trying to make sense of a downturn that's full of contradictions. Demand has seized up but supply is still low; prices are sliding but not plummeting; and no one can agree on what comes next.

The frenzied pace of home sales activity during the pandemic was not typical or sustainable. A return to a slower market with more modest price growth is the direction of the industry in 2023.

Here are a few key factors likely to shape the real estate industry in the new year ahead.

Unprecedented Rapid Increase in Interest Rates

The Federal Reserve hammered both sides of the housing market in 2022 and will control the fate of the 2023 housing market.

In 2022 through mid-November the 30-year mortgage saw its largest percentage-point gain since 1972. To rise from 3% to 7% within an 11-month time frame is pretty drastic. Historically low mortgage rates and the home-buying frenzy have come to an end driven by rapidly increasing home loan interest rates. The real estate industry and consumers were not anticipating such a dramatic and fast rate of increase.

Industry reports vary widely on what lies ahead concerning inflation and interest rates. Some lean toward rates hovering in the 5 percent range by mid-2023. Others expect inflation to remain high with rates continuing to rise. Both of these economic factors will influence buyer and seller behavior come spring and beyond.

And unfortunately, rates have the potential to keep climbing. But while there's a chance mortgage rates could continue to climb in 2023, they're unlikely to jump at the rapid pace we saw last year.

Demand will continue to Buy and Sell Homes

People continue to get married, divorced, need to move or pass away, relocate for jobs, and so on. There is always a need to buy and sell despite higher interest rates or homes taking longer to sell. Buyers will figure out a way to purchase. There is too much pent-up demand, especially from millennials to purchase and baby boomers looking to "right-size." Savings will be tapped, parents will help children, and lenders will find a way to lower payments more easily with longer terms or more inexpensive buydowns. The consumer will focus on owning a home, realizing it is more than just dollars and cents. And for those people, it's less about the interest rate or mortgage rates that week and more about their present situation and whether they can afford a house that fits their needs.

Sellers were having a hard time coming to terms with how quickly the housing market changed. Pressure on pricing correctly in a changing market and homes taking a more typical timeframe to sell than in the past two years are the biggest seller adjustments. With large equity in homes from the recent increase in home prices, sellers are still obtaining strong net profits from their home sale. What's more common than cutting home prices right now is buyer incentives like offering a mortgage rate buydown, in which the borrower pays more money up front to get a lower interest rate.

Inventory will Remain Low

Homeowners who refinanced at historically low rates of 3 percent have little incentive to move and obtain a higher rate loan. This creates a continued low supply of homes for sale in all price ranges. Experts have repeatedly cited the low housing supply in the U.S. as a major difference between the current market and the

market during the 2008 housing crash. The low housing inventory is keeping prices in some areas more stable than you would think just because there's a scarcity.

Home Prices and Sales will Remain Hyper Local

Some markets are experiencing a decline in home prices, others are seeing a slow devaluation of home prices while some are seeing a modest increase due to demand. In our City of Glendale, the demand for housing continues to be very strong. Living in an independent city with its own fire, police, and school system has become even more attractive to buyers as the greater Los Angeles County continues to face significant issues such as ways to assist the homeless population. So home prices and buyer demand depend on the individual cities and even zip codes within those cities.

In 2023, expect the housing industry to continue its correction to a more normal market. Unlike the past decade of a strong seller's market, the year ahead will likely favor neither the seller nor the buyer.



*Leanne Reynolds,
REALTOR
eXp Realty of
California*

ROYAL, GREENBRIAR AND GLEN KNOLL CANYONS RECENT AREA HOME SALES

As of January 3, 2023

CURRENT HOMES FOR SALE

Address	Bedrooms	Baths	Sq. Ft. House	Sq. Ft. Lot	Listing Price	Days on Market	Status
905 Bonnybrook Terrace	3	3	2,044	10,744	\$ 1,695,000	153	Active
1664 Las Flores Dr.	5	5	3,510	10,374	\$ 3,199,000	7	Active
815 Moorside Dr.	4	3	3,093	31,972	\$ 3,450,000	15	Active
914 Whitehaven	4	3	2,448	14,901	\$ 1,995,000	82	Active

HOMES IN ESCROW OR SOLD SINCE AUGUST 3, 2022

Address	Bedrooms	Baths	Sq. Ft. House	Sq. Ft. Lot	Sold Price	Days on Market	Status
1501 Arboles Dr.	3	3	3,487	17,167	\$ 2,450,000	6	SOLD
1423 Del Monte Dr.	3	2	1,980	11,560	\$ 1,995,000	94	SOLD
1360 Greenbriar Rd.	4	5	3,099	8,183	\$ 2,195,000	23	PENDING
1110 Kildonan Dr.	4	3	3,677	21,836	\$ 3,145,000	15	SOLD
937 Misty Isle Dr.	4	3	2,227	13,658	\$ 1,875,000	0	SOLD
914 Rasic Ridge Rd.	5	3	3,078	8,735	\$ 2,235,000	14	SOLD
1130 Old Phillips Rd.	3	3	2,488	7,870	\$ 2,595,000	49	PENDING
1525 Princes Dr.	2	2	2,166	11,031	\$ 1,555,000	53	Cancelled

Prepared by Leanne Reynolds, Realtor, exp Realty. An area expert for over two decades.

Leanne Reynolds - Realtor®

DRE License No. 01423890

Information taken from MLS (Multiple Listing Service)

Definitions:

Cancelled = Seller removed home listing

Hold = Sellers have put sale on hold

Pending = Contingencies removed from purchase offer

Days on Market (DOM) = Number of days home has been for sale

Under Contract = Contingencies are not yet removed

Expired = Sale listing contract period ended

All information taken from Multiple Listing Service