

# REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

April 2023

## Can The Machine Keep Humming?

The employment sector of the economy has been nothing short of amazing. Close to full employment, we lost an amazing number of jobs during the pandemic – close to 25 million. By July of last year, we had recovered those jobs and it was expected that the pace of job creation would slow down from that point on. And the pace did slow down a bit towards the end of 2022, though the job market stayed stronger than normal.

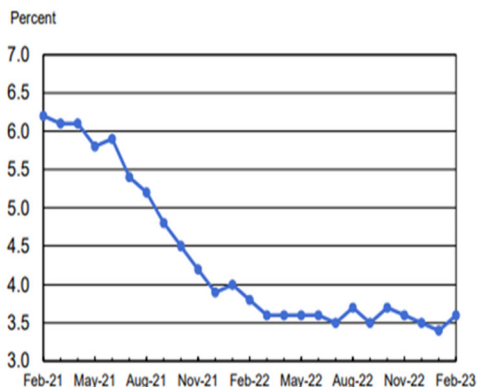


We turned the page to 2023 and what happened? The economy created approximately 800,000 jobs in the first two months of this year, significantly out pacing expectations. At this juncture, we have to ask this question—how long can the employment machine create these many jobs with the unemployment rate again nearing full employment levels? Logically, we should see job creation slow to the point that we are just replacing jobs lost and accommodating population growth.

Thus, the March employment report to be released the first Friday in April, will be watched with great anticipation – together with the measure of wage inflation. Again, logic says that wage inflation will not slow down until the jobs machine slows. And if wage inflation continues, the Federal Reserve will have no choice but to continue to raise rates and keep them higher for a longer period of time – which would be very problematic for them considering the current weakness in the banking sector. Very few times in our history we have been rooting for the economy to create fewer jobs. But if we want lower interest rates, this is the path we must follow... ▢

Source: U.S. Dept of Labor

Chart 1. Unemployment rate, seasonally adjusted, February 2021 – February 2023



## Ownership Tenure Rising

Redfin reported the typical U.S. homeowner has spent 12.3 years in their home, down from the peak of 13.4 years hit in 2020 and 12.9 years in 2021. But the typical American is still living in their home much longer than before, with median homeowner tenure sitting at 10 years in 2012 and 6.5 years in 2005.

## Homeowners

The report said older people aging in place are driving the general trend toward longer homeowner tenure. Most Americans 65 and older have owned their home for at least 23 years, and most Americans aged 35 to 64 have owned theirs for at least eight years. Compare that with homeowners under 35: Nearly half (49%) have owned their home for three years or less, and another 37% have owned theirs for 4 to 7 years.

Redfin said overall homeowner tenure has ticked down from its peak largely because so many people moved from one home to another in 2021 and the first half of 2022. Low rates and pandemic-fueled remote work prompted many Americans to relocate to a different part of the country, too. But Americans are staying put much longer now than in the past couple decades. There are several reasons why that's true, said Redfin Senior Economist Sheharyar Bokhari, and why homeowner tenure is likely to stay elevated in the coming decade, including the low rates they obtained when they bought their homes... ▢ Source: The Mortgage Bankers Association

## Selected Interest Rates

March 23, 2023

30 Year Mortgages	6.42%
2022 High (Nov 10)	7.08%
2022 Low (Jan 6)	3.22%
15 Year Mortgages	5.68%
10 Year Treasuries	3.45%

Sources—Fed Reserve, Freddie Mac  
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

## No Better Time Than Now

While it might be tempting to hold off on buying a property until a better deal arrives, there's no guarantee that mortgage rates will drop or that homes will become more affordable in 2024, say real estate analysts and economists interviewed by CNBC Make It. Despite forecasts of lower mortgage rates in 2024, don't expect them to bottom out to the record lows of the past decade, either, says Lawrence Yun, chief economist at the National Association of Realtors. "Returning to rates of 3% or 4% is not going to happen, in my view," says Yun — Plus, if "mortgage rates go back down to that level, people can always refinance their mortgages," says Yun.

As for home prices, a price correction is largely expected to be short-lived due to a chronic shortage of homes. Declining mortgage rates could also stoke demand, which would likely push prices higher. "I wouldn't necessarily wait around and see if you can get the best possible deal because timing the housing market is very difficult," says Cristian deRitis, deputy chair economist at Moody's Analytics. His firm predicts another 5% to 10% drop in home prices from their peak over the next 18 to 24 months, after which prices will start rising again. While professional house flippers might need to worry about short-term fluctuations in home prices and interest rates, regular homebuyers who plan to live in their homes more than five years should be less concerned about timing the market, he says. The short-term forecast for home prices is "a modest decline," he says... ▢

Source: CNBC

## Did You Know...

Zillow said home prices nationally should bottom out in 2023, then return to a more normal growth rate. Zillow surveyed economists and analysts for its Zillow Home Price Expectation survey. Respondents said they expect home prices to fall 1.6% through December. Starting next year, however, the panel foresees price growth picking back up, the report said.