

C.A.R. releases 2023 housing market forecast

2023 HOUSING FORECAST

- Existing, single-family home sales are forecast to total 333,450 units in 2023, a decline of 7.2 percent from 2022's projected pace of 359,220.
- California's median home price is forecast to decline 8.8 percent to \$758,600 in 2023, following a projected 5.7 percent increase to \$831,460 in 2022.
- Housing affordability* is expected to drop to 18 percent next year from a projected 19 percent in 2022.

LOS ANGELES (Oct. 12) – A modest recession caused by an ongoing battle against inflation will keep interest rates elevated to suppress buyer demand and contribute to a weaker housing market in 2023, according to a housing and economic forecast released today by the **CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.)**.

The baseline scenario of C.A.R.'s "2023 California Housing Market Forecast" sees a decline in existing single-family home sales of 7.2 percent next year to reach 333,450 units, down from the projected 2022 sales figure of 359,220. The 2022 figure is 19.2 percent lower compared with the pace of 444,520 homes sold in 2021.

The California median home price is forecast to retreat 8.8 percent to \$758,600 in 2023, following a projected 5.7 percent increase to \$831,460 in 2022 from \$786,700 in 2021. A less competitive housing market for homebuyers and a normalization in the mix of home sales will curb median price growth next year.

"With the market shifting as home sales and prices are predicted to temper next year, buyers and sellers are adapting to the new realities of the market," said C.A.R. President Otto Catrina, a Bay Area real estate broker and REALTOR®. "As sellers adjust their expectations, well-priced homes are still selling quickly. And for buyers: more homes for sale, less competition, and fewer

homes selling above asking price, all point to a more favorable market environment for those who were outbid or sat out during the past two years when the market was fiercely competitive.”

C.A.R.’s 2023 forecast projects a dip in the U.S. gross domestic product of 0.5 percent in 2023, after a projected uptick of 0.9 percent in 2022. With California’s 2023 nonfarm job growth rate at 1.0 percent, up from a projected increase of 4.9 percent in 2022, the state’s unemployment rate will edge up to 4.7 percent in 2023 from 2022’s projected rate of 4.4 percent.

Stubbornly high inflation and growing economic concerns will keep the average for 30-year, fixed mortgage interest rates elevated at 6.6 percent in 2023, up from 5.2 percent in 2022 and from 3.0 percent in 2021 but will remain relatively low by historical standards.

“As the housing market continues to cool, the U.S. economy will moderate further and is expected to slip into a mild recession in the first half of next year,” said C.A.R. Vice President and Chief Economist Jordan Levine. “High inflationary pressures will keep mortgage rates elevated, which will reduce buying power and depress housing affordability for prospective buyers in the upcoming year. As such, housing demand and home prices will soften throughout 2023,” Levine continued.

2023 CALIFORNIA HOUSING FORECAST

	2016	2017	2018	2019	2020	2021	2022p	2023f
SFH Resales (000s)	417.7	424.9	402.6	398	411.9	444.5	359.2	333.4
% Change	2.0%	1.7%	-5.2%	-1.2%	3.5%	7.9%	-19.2%	-7.2%
Median Price (\$000s)	\$502.3	\$537.9	\$569.5	\$592.4	\$659.4	\$786.7	\$831.5	\$758.6
% Change	5.4%	7.1%	5.9%	4.0%	11.3%	19.3%	5.7%	-8.8%
Housing Affordability Index*	31%	29%	28%	31%	32%	26%	19%	18%
30-Yr FRM	3.6%	4.0%	4.5%	3.9%	3.1%	3.0%	5.2%	6.6%

p = projected

f = forecast

* = % of households who can afford median-priced home