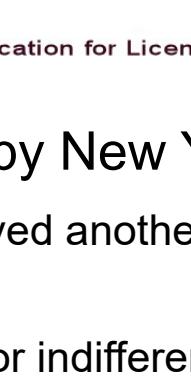


# The Sprocket



## Geared for Success

The Monthly Publication for Licensed Professionals

### Happy New Year!

We've survived another trip around the sun.

Good, bad, or indifferent, 2023 is history. I trust we're all better off for the experience.

Congratulations for what you've done and best wishes for what you're about to do.

All the best,

*Jim Rash*

### Market Review - 2023

2023 has ended its usefulness. Which has me wondering how useful it actually was.

It was certainly a serious year. Not a lot of laughs that I can recall.

- There was not enough inventory available to satisfy the market's demand.
- The first-time buyer market became an "I remember when" market.
- The market priced itself out of the reach of many people, especially those just starting out.
- Existing homeowners were unwilling to take on new higher-interest mortgages, so they weren't selling.
- Many first-time buyers couldn't find new construction to accommodate their housing needs or wishes.
- Builders couldn't keep up with demand. And it didn't help that every element involved with a newly constructed home from the two-by-fours to the dishwasher has gone up. Resulting in fewer qualified buyers.
- The people who were selling, in many cases, were dealing with lifestyle changes ... job change, work-related relocation, birth/death in the family ... and they have to move, so they have to land. They just want to get through it and many of them feel overwhelmed.

So, no ... not a lot of laughs.

#### **But it's a new year and hope springs eternal!**

Mortgage rates (30-year fixed) for the third week are below their 17-week run above seven percent.

Freddie Mac is showing the U.S. weekly average as of 12/28/2023. The 30-Year Fixed Rate Mortgage is 6.61%. That's down more than a quarter of a point from the average two weeks ago.

Should that downward trend continue, some potential sellers will become committed sellers, feeding the inventory supply and broadening the pool of consumers. That's a plus, plus.

According to Fannie Mae:

- Single-family home sales are expected to begin a recovery through the next year.
- Fannie Mae Economic and Strategic Research (ESR) Group expects mortgage applications to rise if rates continue to slide.
- ESR Group expects the home sales recovery to be meaningful but slow.
- Doug Duncan, Fannie Mae Senior Vice President and Chief Economist said, "(T)he combination of modest increases in home prices and still-elevated interest rates suggest a slow pace of recovery from previously recessionary levels of housing activity."

All that boils down to 2024 perhaps being a better year than the last one. Perhaps.

Mortgage rates have – for now at least – yielded their relentless assault on the market.

Home sales could get better at some point during the year.

If rates continue to trend downward, more buyers will enter the market.

The senior chief economist for Fannie Mae believes the market's housing activity has risen from "recessionary levels."

All good things.

But could that view be a little too rosy?

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- Realtor.com expects a 14% decrease in available housing this year. Realtor.com Chief Economist Danielle Hale predicted homeowners will not sell unless they are absolutely forced to.

All in all, my optimism leads me to believe 2024 will be a better year for you and me, although it may be measurable in inches.

Realtor.com's chief economist Danielle Hale said, "We've got a big hole to dig out of." She sees new-home construction's inventory shortage as a "multi-year problem" that will take "a few years to build out" of the current deficit.

Grant Cardone, private equity fund manager said, "I just want to say that we're entering the greatest real estate correction in my lifetime."

He backs up his claim pointing at the Federal Reserve for the interest rate hikes that have "single-handedly" killed the housing market.

Cardone's remedy? Get Fed Chair Jerome Powell to step aside and let the market correct. The fund manager believes that would bring down interest rates.

#### ***That leaves the economy.***

The condition of the economy is a perception. It's all about whether it's good or bad for you.

Of course, there are numbers and charts and graphs. All making the point of the study's author, whatever that may be.

But all those studies lead to one point ... what lies ahead?

Although studies' results differ, the forecast (wish?) I most often hear is that of a "soft landing" ... when inflation slows down enough that we avoid recession.

Freddie Mac's Economic, Housing and Mortgage Market Outlook – September 2023 report states: "The prospects of a soft landing, where the economy gradually slows but avoids recession and inflation settles back in around the long-run policy goal of 2%, appear much better than earlier this year. However, caution is still warranted as soft landings have been rare historically."

I'd call that an optimistic view with a warning: Don't get your hopes up. Not the worst forecast but one worthy of contingency planning.

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