

The DFW market for 2023

We have all heard the doom and gloom of today's mortgage environment. The media hype that the U.S. economy is heading into an almost certain recession this year, and for the housing market, the recession is here. Inflation is at a record high; the Fed anticipates continued rate hikes through the first quarter of 2023. This must mean a recession is inevitable, or is it?

Climbing inflation, aggressive Federal Reserve policies, the war in Ukraine, and fears of an impending recession have all muddled the current economic climate, making mortgage rate movements incredibly hard to predict. The Fed plans to let a recession cure inflation. The Fed does not have a surgeon's scalpel. They have a sledgehammer. The only way they know to stop and reverse inflation is by crushing demand. A short-term hit, like what we are currently experiencing will prevent a long-term recession.

A National recession won't wallop Dallas-Fort Worth as hard as it does other areas of the country, and that goes for the North Texas housing market as well as the broader economy. The Dallas Fort Worth area is projected to be one of the top real estate markets in 2023 with the majority of news outlets ranking DFW #3 or #4. There's a high chance on a year-over-year basis we might see falls in home prices, but only minor, because Dallas did not get as out of hand as places like Austin with an average home price of \$640,792 in July of 2022, or other cities across the country, and still there is massive economic growth in DFW. Dallas and Fort Worth is seeing a heavy flow of new incoming residents. If we do go through a recession, but have strong population growth working in our favor, that will offset much of the harms from a downturn.

The Mortgage Bankers Association forecasts **mortgage rates at the end of 2023 will likely settle around at 5.2%**, which will drive a slight uptick in refinance transactions and spur on new purchases. Inventory has been a challenge for the unsustainable pace of growth over the past two years. In Collin County, closed sales were down by 32 percent, and inventory had increased to 2.4 months, compared to about three weeks in November 2021. Closed transactions were down by almost 33 percent in Dallas County in November, where there is two months of inventory. Tarrant County's completed transactions are down by about 32 percent, and the county has about 2.2 months of inventory. Economists say that four to six months of inventory—a figure representing how long it would take for a region to sell all its available homes—is a sign of a balanced housing market. The 2023 Mortgage industry is projected to have \$2.2T in originations, which mirrors the 2019 totals.

If you made it through 2019, you can make it through 2023!! Per the National Association of Home Builders market survey, 13% of Americans want to purchase a home in 2023. Now, on the surface that number seems small. When you make it tangible and understand that 209 million Americans are over the age of 18, and 35% of this country (or 27 million) do not own a home, that leaves 9.5 million people who would like to buy this year. Go Get'em!!!!

