

REAL ESTATE

There will be growth: real estate expert forecasts end of mortgage rate crisis for 2023

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Mickey Alam Khan, president of Luxury Portfolio International, hosts expert panel discussing luxury real estate in the year ahead. Image credit: Luxury Portfolio International

By MARYBETH CONNAUGHTON

However personally devastating and disruptive the Covid 19 pandemic may have been, it preceded if not propelled a major uptick in real estate acquisitions in the period immediately following.

"Of course, Covid was a nasty virus, it interrupted our lives, but for real estate? A boom," said Lawrence Yun, chief economist at the National Association of Realtors.

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Mr. Yun was one of four guest experts to appear in the "Luxury Hour" segment of Luxury Portfolio International's third annual SOLRE 2023 digital event.

The Jan. 18 "Luxury Hour" was moderated by Mickey Alam Khan, President of [Luxury Portfolio International](#), New York.

Ups and downs

"It was truly the luxurious market," continued Mr. Yun, explaining the disparity in demand for houses at the \$1 million price point and above, versus those below it.

"People wanted larger sized homes, luxurious properties. We saw million-dollar-plus activity just skyrocket during the early months of the reopening of the economy after the lockdown."

Almost immediately following this boom, despite a promising start to the year, was the steady climb of the mortgage rate across the rest of 2022. This halted the sale of homes such that, though the last bits of data are still trickling in, annual existing home sales will have dropped by 16 percent.

Another positive observation noted by Mr. Yun was the continued upward trend in single family median home prices, and he reiterated that property is always one's best investment.

"I always try to point out to our realtor members that real estate always brings wealth over time."

Still, he acknowledged that every local market is different. Some are even bleak.

"One pessimistic area that I [see] is San Francisco," he explained, "Given the people fleeing from the area, the technology companies laying [employees] off, the office vacancy rate very high or ris [ing]San Francisco might experience a 15 percent price decline."

Nonetheless, even office vacancy rates benefit some. As more people continue to work fully remotely or adopt a hybrid model, many are looking to spend those out-of-office days at resorts, Mr Yun claimed.

He then spent a few moments dispelling what he considered the myth of an impending crash in home prices. He cited the eight million jobs that were cut within a very brief time period during the 2008 recession, versus the pattern he has observed of late.

"[In] the current cycle we are not seeing [a] net job cuts. Yes, there are some job cuts, but [they are] being outweighed by job gains."

Are you signed up for LPI's next Luxury Hour, "SOLRE 2023: State of Luxury Real Estate Market"? Learn more and secure your spot now for the digital event on January 18th at 10 a.m. CST here: <https://t.co/ANI0oF9pKI> pic.twitter.com/TMcFLbAjbw

LuxuryPortfolio (@LuxuryPortfolio) [January 17, 2023](#)

When down means up

Mr. Yun began his presentation discussing the crippling high mortgage rate that continued to climb throughout 2022. Before concluding, he posited that within the very week, that rate would reach the six percent mark from its seven percent peak in Nov. 2022.

While this is not the three or four percent lows enjoyed in previous eras, it is enough, he claimed, to declare the gates open for potential buyers to return to the market.

Mr. Khan followed up by asking him to advise those in the viewing audience, most of whom were real estate agents, how to best navigate the coming year.

"Recontact your past clients, Mr. Yun advised. "Homeowners are very happy [to] have locked in those low interest rates. Your business is coming from referrals, recommendations and repeat clients. You want to associate homeowners' happiness with your service."

Following Mr. Yun's appearance, three other guests spoke as part of "Luxury Hour."

Chandler Mount, founder and CEO of Affluent Consumer Research Company, Hoby Hanna, CEO Howard Hanna Real Estate Services, and Steve Walter, Realtor with Michael Saunders & Co. Walter Group Real Estate, also gave presentations. Impressions of these can be found in previous coverage ([see story](#)).