# 4 Positives about today's housing market

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Real estate and mortgage professionals must know a *lot* about what affects the real estate market — both locally and nationally. The stark reality is that true professionals in this space never stop learning. They also use historical information to guide their understanding of current and future marketing conditions and hence, the application of sound strategies.

Here are four things to know about real estate right now and into the near future.

*1. Rising interest rates can benefit sellers and buyers*

Home sellers are currently experiencing a real estate market with increasing interest rates. In fact, since January 2022, rates have risen as high as 6.2%. Though not a direct correlation, interest rates generally go down when there's a fear of recession.

This can stump the normal trajectory; since the beginning of 2022, rates rose from around 3% to nearly 6%. These rising rates typically lead to houses staying on the market longer.

As a result, sellers have begun to price their houses a bit more aggressively so the listing does not sit and go stale. Price drops have been rising rapidly as interest rates have increased.

*2. Low supply or inventory has an upside*

Though housing affordability has gone down quite a bit over the last year, we are also seeing historically low inventory. The good news for buyers is that inventory has been trending upward the last couple of months. That has led to less competition and given slightly more negotiating power to buyers.

While homebuyers have a limited supply of houses to choose from right now, buyers and sellers should not pull out of the market altogether. There are actually more opportunities now for buyers to negotiate on terms. Sellers have to be more willing to negotiate during this time, unlike during the pandemic.

While we still remain in a sellers' market, buyers have gained more leverage in this current real estate landscape compared to during the pandemic. Bidding wars are not as plentiful and fewer buyers are offering huge sums of money above list price.

Also, fewer buyers are removing home inspection and appraisal contingencies. With lower demand, there's more room to negotiate on listing prices, which means sellers have to be flexible during a time where they are inevitably seeing less buyer offers.

*3. Housing is expected to appreciate*

Though inventory is limited, few are predicting a crash like 2008. It's projected that housing will appreciate by ~7% to 8% in the next year. However, this is a bullish perspective because it is based on national statistics. Think locally and regionally, because appreciation rates will really vary across the country. More inventory is coming into the market, but this remains a seller's market.

Although inventory has gone up ever-so-slightly, listings are down 54% compared to pre-pandemic times (July 2019), and new construction housing permits have been dropping. Higher interest rates and the recently increasing inventory will not last forever.

All this could change if the economy goes into a recession. In that case, the Fed might be inclined to lower interest rates. Or, it may resolve on its own, without the Fed. One thing is for sure, changing interest rates could actually hurt the supply even more in the long term as builder sentiment sours and more builders pull back on construction.

*4. The solution for affordability is building more "starter" homes*

Since 2008, countless builders have gone out of business either because they bought too much land or built too many homes. Since then, they've been cautious to ramp up building activity resulting in under-building and a housing shortage. Ron says that "we need to change the affordability of housing, which can only happen by building more houses. Until that happens, upward pressure on pricing will continue. This will take several years to resolve—it simply does not happen overnight."

Though many housing statistics focus on the market as a whole, in general, people shouldn't forget to look at starter houses vs. luxury homes. This is important because the recent focus has been on luxury new home builds, creating a shortage of starter homes for new buyers trying to enter the market.

Very few builders are building inventory at the lower end of the market, which explains why smaller, more affordable homes are selling quicker than new construction to all cash investors or new homeowners.

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