

# Spring and summer 2023 will finally be a good time to buy a home

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A young family moving into a home. Getty Images.

Buying a home right now may feel like a pipe dream for many Americans — but good news could be on the horizon come spring 2023.

However, it comes at the expense of bad news for the economy overall. As economic volatility further seeps into the US real estate market, housing activity is fading fast. That's because inflation and interest rate hikes have dampened affordability for many would-be shoppers, leading to a steady decline in buyer demand.

The downturn has led to a decrease in home sales and ultimately home prices.

Ian Shepherdson, the chief economist at research consultancy Pantheon Macroeconomics says "the plunging trend in sales has further to go."

If home sales were to fall further, Shepherdson believes US home prices could take an even steeper nosedive — and that could mean buyers could see greater affordability return to the market.

"The very low level of inventory means that a headlong collapse in prices is unlikely, but we still expect a total decline of up to 20% by the middle of next year," Shepherdson said in a research note published last week.

Also at play in the housing market dynamic are mortgage rates.

The Federal Reserve's most recent rate hike, which was the third of five promised consecutive hikes, led to a rapid increase in mortgage rates that have helped to push housing affordability to a three-decade low. According to mortgage finance giant Freddie Mac, the average rate on a 30-year fixed-rate mortgage climbed to 6.29% last week. That is more than double the levels seen in 2021 and nearly three percentage points higher than where the benchmark rate stood at the end of last year.

Sam Khater, Freddie Mac's Chief Economist, told Insider that "impacted by higher rates, house prices are softening, and home sales have decreased."

"The increase in mortgage rates is coming at a particularly vulnerable time for the housing market as sellers are recalibrating their pricing due to lower purchase demand, likely resulting in continued price growth deceleration," Khater said.

However, despite the possibility of two more additional rate hikes in 2022, there is a chance that mortgage rates could come back to earth. It all hinges on the possibility of a larger economic recession.

Given the weaker outlook for economic growth, the Mortgage Bankers Association estimates that there is a "50% likelihood of a mild recession over the next 12 months," Forbes reported.

According to the organization's researchers, if a recession were to materialize in the first half of 2023, "mortgage rates would fall around 30 basis points from the baseline forecast level of 5.2%." That means rates are likely to return to levels seen during the early months of 2022 when 30-year fixed rates hovered around 4%.

This combination of cooling prices and declining mortgage rates could indicate the typically busy real estate seasons of spring and summer could ring in a more affordable housing market in 2023.