

# HOW TO TAKE BACK CONTROL OF THE REAL ESTATE MARKET CONVERSATION

By: Scott MacDonald

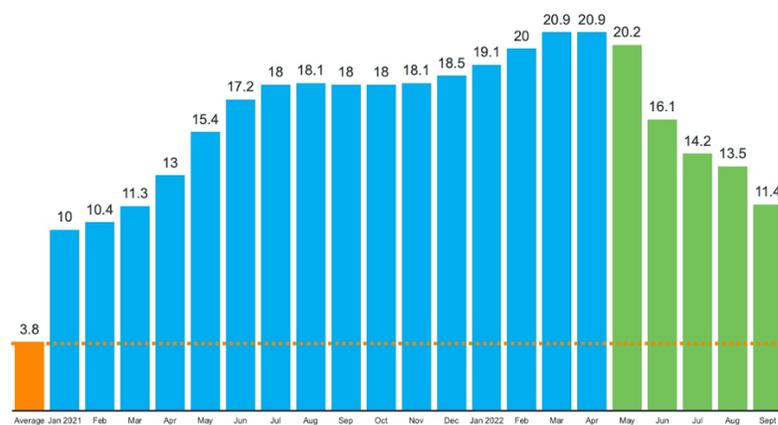
In the blink of an eye, this year is coming to a close. It has been a true whirlwind, to say the least, regarding the real estate market. The market had a fury of activity and sales at the beginning of the year with artificially low interest rates, escalating prices, and extremely high demand. Now we will finish the year with interest rates that doubled over the last year (though they are coming back down), stabilizing prices, and less demand. We are in a more balanced market, and it's nothing like it was earlier in the year.

This 'slowdown' has the media going crazy and they continue to put out sensationalized headlines to grab your attention. One topic we've all been reading about is the crash of housing prices. While there are some areas that will see price declines, most will see a decline in *price appreciation*. Areas where prices skyrocketed (and are now spiking in inventory levels) will indeed see prices decline - and decline rapidly. These areas saw the most benefit from the pandemic and remote working environments, and that was not sustainable.

*Chart 1* - Historically, price appreciation is 3.8% and the numbers far exceed those historical averages, even today. These declines are slowing down.

## CoreLogic Home Price Insight

Percent Change, Year-Over-Year

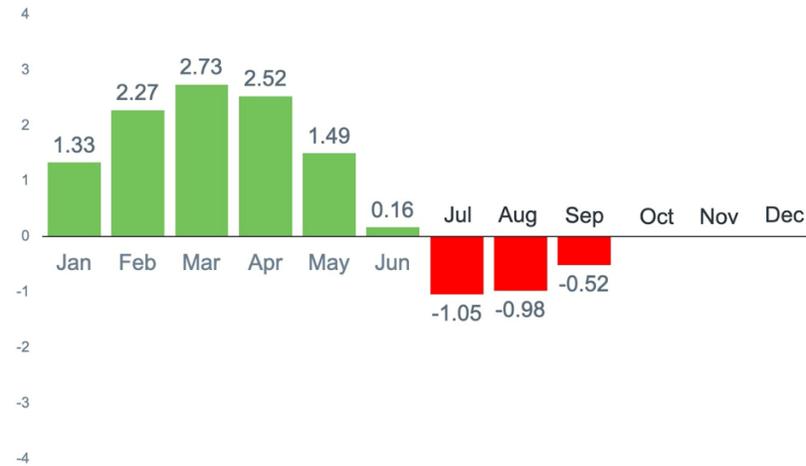


Source: CoreLogic

Chart 2 - Overall, prices are up year-over-year, but we have been seeing prices decline month-over-month.

## Have Home Values Hit Bottom?

2022 M-O-M % Change in Median Home Values from Black Knight



Source: Black Knight

As a result of the year-over-year price increases, the Federal Housing Finance Agency (FHFA) recently announced the conforming loan limit values for mortgages to be acquired by Fannie Mae and Freddie Mac in 2023 will be increased to \$726,200. This is an increase of \$79,000 over 2022. In Northern Virginia, where the area boasts prices that have higher median home values, they have a new loan limit for properties – that number is \$1,089,300. These are crazy numbers indeed, but the numbers show that prices may have hit the bottom. Price declines month-over-month have slowed, showing more realistic prices today than earlier this year, as noted in the second chart. The question is, would the FHFA increase the loan limit if they thought prices would decline substantially? I don't think so.

In my opinion, and as you can see, the media is not telling the whole story. The key of course is for you, as a trusted advisor to your clients and community, to use this information and data to draw your clients, prospects, and community to you as the local expert. Want to take it a step further? Create a monthly mailer about the market both nationally and locally or publish a blog about it now, and then consistently provide an update monthly. The topper? Close out your data rich mailer, post or newsletter with something like this:

***"To get a much more accurate story about housing, please rely on me, your trusted real estate advisor. Real estate is extremely local, so call me to learn more how this affects your current investment or if you are looking to sell or buy a home in the near future."***