

Seven Takeaways from January 2023:

New Year, New Housing Outlook

1

After crushing housing demand with anti-inflation rate hikes, the Fed may be easing up.

The Federal Reserve raised its target interest rate seven times in 2022, hitting the housing market harder than the rest of the economy as mortgage rates more than doubled from January through October. But the Fed is backing off with positive news on consumer prices, following four three-quarter percent rate hikes with a half-percent increase in December and a quarter-percent for January – a good omen for future home loans and housing demand.

2

We're turning the corner on inflation.

The Fed is slowing the pace of interest rate increases as the Consumer Price Index has improved for six straight months, with core inflation dropping to its lowest level since October 2021 – helping prospective homebuyers rebuild their savings and reevaluate their budgets for 2023.

3

Thirty-year mortgage rates have fallen nearly a full point since mid-November.

According to Freddie Mac's Primary Mortgage Survey, rates have decreased from 7.08% for the week ending November 11th to 6.09% on February 3rd (equivalent to \$120 on the monthly payment for a \$200,000 home loan) and have dropped four straight weeks to start 2023.

4

Sales aren't rebounding (yet) but may be stabilizing across Indiana.

Statewide home sales fell 27% in the last quarter of 2022 versus 2021, including a 30% decline in December. January 2023 sales are projected to finish 20-25% behind the average of January 2021 and 2022, a modest sign of stability after four months of widening year-over-year deficits.

5

Indiana is still gaining Hoosiers by choice (and potential homebuyers).

Indiana home sales held up better than the U.S. overall last year (falling 11% versus 2021 compared to an 18% national decline), and positive net migration is one reason – 26,000 new residents moved into the state from 2018-2021, driving demand for housing.

New Census data confirms that Indiana gained another 5,200 Hoosiers through domestic migration last year, bucking a negative Midwestern trend (Illinois, Ohio and Michigan lost more than 158,000 residents combined last year).

6

Price growth is positive, but homebuying conditions are also improving.

Indiana's current median sale price (\$210,000) remains above January 2022, but prices have been slowing year-over-year for ten straight months. Along with more appealing pricing and falling mortgage rates, homebuyers start 2023 with more options – active listings have nearly doubled from last January.

7

Help could be coming for long-term inventory challenges.

Monthly listings increased as the market cooled in 2022, but average inventory is still less than half 2017 levels and has fallen 80% since 2011 – limited housing supply has put homeownership out of reach for many Hoosiers. But the Indiana General Assembly is seriously considering solutions proposed by last year's Housing Task Force and supported by REALTORS®, including infrastructure financing tools to encourage new residential development at the local level (HB1005).