

# On The Horizon: Markets to Watch in 2023 and Beyond

National Association of REALTORS®  
Research Group



**NATIONAL  
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# On The Horizon: Markets to Watch in 2023 and Beyond

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# End-of-year recap

## 2022: The year of softening

After a year of the multiple-offer frenzy, the housing market has slowed down in 2022. Inflation and mortgage rates rose to 40-year highs, hurting affordability. Although the economy recovered all the jobs lost due to the pandemic, wages didn't keep up with the pace of inflation. The labor market has been robust, and the pace of wage growth has been the best in about 20 years, but inflation continues to run well above the Federal Reserve's 2 percent target. Within the last year, income has increased by 5 percent while inflation rose by nearly 8 percent.

Consequently, many buyers have been priced out of the market as both owning and renting have become more expensive. Mortgage rates have doubled from a year ago, raising the borrowing cost significantly. The typical family can no longer afford to buy the median-priced home. Buyers need to earn more than \$100,000 if they want to purchase the median-priced home without going beyond their budget. Meanwhile, for potential first-time buyers, it's not just mortgage rates. Rents continue to increase, making it even more difficult for them to save for a down payment. Thus, it's a double whammy for renters. In the meantime, nearly half of the renters are already cost-burdened. This means that these renters spend more than 30% on their rent.

With many buyers forced out of the market, the housing market has cooled in 2022. Existing-home sales have experienced the most prolonged slump in history, returning to 2011 levels near 4.4 million homes. NAR's 2022 *Profile of Home Buyers and Sellers* reported that the share of first-time home buyers shrunk to all time-lows at 26 percent in 2022 from 34 percent just a year ago.

Nevertheless, home prices are still higher than the previous year. Although fewer buyers are in the market, demand for homes continues to outpace supply. The current housing shortfall was created over decades. After the mid-2000s boom, the U.S. continues to underbuild compared to the historical average. Housing starts fell below the historical average of 1.5 million units indicating that inventory will remain tight, putting upward pressure on home prices.

**4.43 million**

from 6.1 million (2021)

Existing-Home Sales  
(as of October 2022)

**\$379,100**

from \$350,700 (2021)

Median Existing-Home Price  
(as of October 2022)

**1.2 million**

from 880,000 (2021)

Housing Inventory  
(as of October 2022)

**\$98,100**

from \$57,900 (2021)

Qualifying Income  
(as of October 2022)

**\$89,500**

from \$85,800 (2021)

Median Family Income  
(as of October 2022)

**91.2**

from 148.2 (2021)

Housing Affordability Index (HAI)  
(as of October 2022)

# Outlook

## 2023: The year of the turning point

Data shows that the housing market may turn around at the beginning of the new year.

Pending home sales – a leading indicator for home sales - fell again in October 2022. Nevertheless, contract signings fell slower than the previous month. While it takes one to two months for a home sale to complete, this could mean that we may see more housing activity in the new year.

In addition, mortgage rates have likely peaked. After surpassing the 7 percent threshold in the second week of November, rates are finally moving down as inflation is cooling. The higher federal funds rates are starting to tame inflation. Rates are still more than double those of a year ago, but if inflation continues to slow down, rates may stabilize below 6 percent. This could bring more buyers back to the market boosting demand for housing.

However, housing inventory will remain tight in 2023.

First, the number of housing starts will continue below the historical average of 1.5 million due to persistent building material bottlenecks. Single-family construction will be most impacted. While 2022 is the first year with a decline of single-family starts since 2011, single-family construction is forecasted to experience additional declines in 2023.

Meanwhile, fewer homeowners will sell their homes and purchase another as mortgage rates are substantially higher than in 2021. Typically, higher mortgage rates lead to lower mobility rates over time. Many owners may be locked into their existing homes as mortgage rates rise, while the three-percent rates from 2021 may not be back anytime soon.

Thus, home prices will continue to rise due to limited supply. This can assure homeowners that they will continue to build equity from their home purchase.

### 2023 NAR Forecast

**4.78 million**

Existing-Home Sales  
in 2023

**\$385,800**

Median Existing-  
Home Price  
in 2023

**5.7%**

30-Year Fixed  
Mortgage Rate  
in 2023

**1.44 million**

Housing Starts  
in 2023

**900,000**

Single-Family  
Housing Starts  
in 2023

**540,000**

Multifamily Housing  
Starts  
in 2023

# Markets to Watch in 2023 and Beyond

Since all real estate is local, the National Association of REALTORS® identified which markets will outperform in the new year. In identifying these markets, NAR considered a variety of indicators that it views to be influential to a metro area's market, including:

## 1. Better Housing Affordability than the national level

Weakening affordability is the primary reason for this year's housing market cooling. While many buyers have been priced out from the expensive markets, affordable areas continue to attract buyers' interest.

NAR calculated the Housing Affordability Index for 179 metropolitan areas. This index shows how much above or below the qualifying income the typical family earns. An HAI higher than 100 shows that the typical family earns more than the qualifying income. Also, an HAI higher than the national level indicates better affordability.

*Thus, areas with an HAI higher than the national level are expected to outperform.*

## 2. More renters who can afford to buy the median-priced home than the national level

Homeownership rate trends depend on the ability of renters to become homeowners. Among all renters, NAR computed how many of them can afford to buy the typical home assuming a 10% down payment.

*Areas with a higher share of renters who can afford to buy the median-priced home compared to nationwide indicates higher home-buying activity in those areas.*

## 3. Stronger job growth than the national level

A strong job market typically supports housing demand as household incomes continue to grow.

*Thus, areas with stronger job growth compared to the national level typically experience higher homebuying activity than other areas.*

## 4. Faster growth of information industry jobs than the national level

Information industry jobs are one of the most well-paid jobs. These workers are paid about 50% more than the average employee.

*Therefore, areas with fast-growing jobs in the information industry are expected to experience stronger housing demand than other areas.*

### National indicators

**91.2**

Housing  
Affordability Index  
(HAI)

**15%**

Share of renters that  
can afford to buy the  
typical home

**3.4%**

Job growth (Oct  
2022-Oct 2021)

**5.4%**

Job growth of  
information industry  
(Oct 2022-Oct 2021)

# Markets to Watch in 2023 and Beyond

## 5. Higher share of the information industry in the local GDP

The information industry is a rapidly growing part of the economy. When demand for this industry is growing in an area, that creates opportunities for the local economy to grow faster than in other areas.

*Thus, the economy is expected to grow faster in areas with a larger information industry.*

## 6. Migration gains

When more people move into an area compared to those who move out, this means that more people will look for a home in this area as they will need a place to live in.

*Thus, areas with migration gains are expected to experience stronger housing demand.*

## 7. Share of workers teleworking

Teleworking has a different impact on affordable versus expensive areas. Data shows that people continue to embrace teleworking. An affordable area with many remote jobs can attract more movers (positive effect). However, thanks to teleworking, many workers were able to move out from expensive areas to more affordable areas (negative effect).

## 8. Faster growing population than the national average

Population changes can lead to a changing demand for housing. When the population rises, housing demand does too, while a declining population leads to lower housing demand.

*Thus, housing demand is expected to be stronger in areas with a fast-growing population.*

## 9. Faster growth of active inventory than the national level

Increasing inventory translates to more options for buyers. This is also good news for a housing market that is dealing with a severe housing shortage.

*While inventory remains tight, areas with more homes available for sale can attract more buyers.*

## 10. Smaller housing shortage than the national level

In the areas where housing supply meets better housing demand, buyers have more options.

*Thus, people are more likely to find a home to purchase in these areas increasing home sales activity.*

### National indicators

**6.1%**

Share of information industry of local GDP (2021)

**17.9%**

Share of workers teleworking (2021)

**0.1%**

Population growth (2020-2021)

**33.5%**

Year-over-year growth of active listings (Oct 2022-Oct 2021)

**5.0**

Housing Shortage Tracker (October 2022)

# Markets to Watch in 2023 and Beyond

## Markets to Watch in 2023 and Beyond



**1. Atlanta-Sandy Springs-Marietta, GA**

**2. Raleigh, NC**

**3. Dallas-Fort Worth-Arlington, TX**

**4. Fayetteville-Springdale-Rogers, AR-MO**

**5. Greenville-Anderson-Mauldin, SC**

**6. Charleston-North Charleston, SC**

**7. Huntsville, AL**

**8. Jacksonville, FL**

**9. San Antonio-New Braunfels, TX**

**10. Knoxville, TN**

# Markets to Watch in 2023 and Beyond

## 1. Atlanta-Sandy Springs-Marietta, GA

Among 179 metro areas, this is the only area that meets all the above 10 factors. The Atlanta metro area continues to be more affordable than most areas across the country, with more than 20% of the renters able to afford to buy the typical home in the area. The job market is robust, with many major tech companies from the West Coast opening offices, such as Apple, Microsoft, and Visa. As a result, the area experiences substantial migration gains and fast population growth.

## 2. Raleigh, NC

Although this area is less affordable, more than 20% of the renters can afford to buy the typical home. The job market is robust, and it's not slowing down anytime soon. This area has been recognized as one of the fastest-growing tech hubs in the country. Data shows buyers have more options in this area as a single-family permit is issued for every 3 new jobs.

## 3. Dallas-Fort Worth-Arlington, TX

Dallas-Fort Worth has experienced a growing influx of tech workers. This is another emerging tech in the U.S., with many new start-ups moving in this area. Not only is housing more affordable than nationally, but this area provides more options to buyers.

## 4. Fayetteville-Springdale-Rogers, AR-MO

This is one of the emerging tech hubs where the typical family can still afford to buy the typical home. Among renters, one in three renters can afford to buy a median-priced home. Within the past year, jobs in the information industry rose twice as fast as nationwide.

## 5. Greenville-Anderson-Mauldin, SC

Job growth is robust in this area, but job growth in the information industry is even stronger. Housing supply can keep up with housing demand better than nationally, as a single-family permit was issued for every 4 new jobs within the past year.

## 6. Charleston-North Charleston, SC

This is another area in the Carolinas that is expected to boom well into 2023. Although the typical family earns about 10% less than the qualifying income for the median-priced home, this area continues to experience strong migration gains due to the fast-growing job market.

## 7. Huntsville, AL

This is the most affordable area among the top 10 areas. The typical family earns 20% more than the qualifying income (\$80,300) to purchase a mid-priced home. Growing job opportunities and low cost of living attract even more movers.

## 8. Jacksonville, FL

While Florida is one of the most popular destinations for movers, the Jacksonville metro area is more affordable than other areas statewide. The qualifying income to purchase the median-priced home is about \$98,000, whereas it exceeds \$100,000 in most of the other large metro areas across the state, such as in the Miami metro area, where the qualifying income is \$140,000. Meanwhile, Jacksonville's job market is very strong, and this area also provides more options to home buyers as a single-family permit is issued for every 2 new jobs.

## 9. San Antonio-New Braunfels, TX

Another popular destination for movers is Texas. While this state is comparatively tax-friendly, San Antonio is also more affordable than other areas statewide. The qualifying income for a median-priced home here is about \$85,000 compared to \$130,000 in Austin. With a growing influx of tech workers, this is another area that is expected to outperform in 2023.

## 10. Knoxville, TN

Better affordability and a fast-growing job market are the main reasons that the Knoxville metro area attracts many movers from California. Housing is about 10% more affordable than the national level in this area. One in four renters can afford to buy the typical home.



# Markets to Watch in 2023 and Beyond

	Atlanta-Sandy Springs-Marietta, GA	Charleston-North Charleston, SC	Dallas-Fort Worth-Arlington, TX	Fayetteville-Springdale-Rogers, AR-MO	Greenville-Anderson-Mauldin, SC	Huntsville, AL	Jacksonville, FL	Knoxville, TN	Raleigh, NC	San Antonio-New Braunfels, TX	United States
NAR Housing Affordability Index (HAI) October 2022	100.7	88.3	95.7	102.2	91	120.1	85.1	97.2	92.4	94.6	91.2
Share of renters who can afford to buy the typical home	21.3%	17.5%	22.9%	34.0%	25.5%	29.0%	22.2%	24.1%	20.6%	27.0%	15.1%
Job growth (Oct 2022-Oct 2021)	5.4%	6.5%	6.5%	4.6%	5.3%	2.1%	4.8%	4.5%	5.1%	4.6%	3.4%
Growth of information jobs (Oct 2022-Oct 2021)	11.2%	6.8%	4.6%	10.0%	9.1%	0.0%	1.1%	0.0%	2.9%	5.2%	5.4%
Share of information industry of GDP (2021)	11.0%	3.9%	6.5%	1.5%	3.5%	2.2%	4.6%		7.9%	4.8%	6.1%
Population change (2020-2021)	0.7%	1.3%	1.3%	2.0%	1.1%	1.8%	1.6%	1.3%	2.0%	1.4%	0.01%
Share of inbound moves (January-September 2022)	53.7%	53.7%	53.2%	52.3%	52.2%	53.7%	53.2%	51.1%	54.2%	52.5%	
Change of active listings (Oct 2022-Oct 2021)	60.0%	55.2%	111.0%	72.7%	73.7%	181.4%	89.4%	54.8%	167.4%	80.1%	33.5%
Share of workers working from home (2021)	24.2%	16.1%	20.7%	17.0%	12.6%	18.0%	17.9%	13.3%	31.0%	15.8%	17.9%
NAR Housing Shortage Tracker (Oct 2022)	5.6	4.1	5.6	2.3	3.5	1.3	2.4	4.3	2.6	4.6	5.0

Sources: NAR, U.S Census Bureau, U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, USPS, realtor.com®



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