2023 NVAR Region 2023 Residential Market Forecast

The Northern Virginia Association of Realtors® (NVAR), in conjunction with the Center for Regional Analysis at George Mason University (GMU-CRA), issues a consensus forecast for the NVAR region's housing market. The association convenes a panel of key experts from differing sectors of the real estate industry to review preliminary forecasts developed by GMU-CRA economists and offer their insights into current and near-future market conditions. The following represents the forecast team's outlook for 2023. This forecast arrives at a time of market upheaval caused by a rapid acceleration of mortgage rates since the spring of 2022 as the Federal Reserve Bank aggressively increases interest rates to combat inflation. Continuing trends we found in the 2022 forecast mid-year update, the economy and equity markets are delivery mixed signals about the performance of the U.S. economy in 2023. The majority of observers expect the U.S. to enter into a recession sometime in mid-to late-2023, but there is little agreement on the depth or duration of an economic downturn. The one thing we can clearly see is that rising mortgage rates are depressing overall residential real estate market activities across all product types and in all Northern Virginia jurisdictions and this will continue throughout 2023.

As we enter winter, the war in Ukraine has devolved into a slog that now looks like a stalemate that could endure for years. This will keep pressure on energy and food prices. Wages, even adjusted for inflation, are rising according to the most recent data from the U.S. Department of Labor. While this is good for individual households, it likely means that inflation pressures on the costs of goods and services will remain elevated, which will keep the Federal Reserve in tightening mode longer than many analysts thought just a few weeks ago. However, supply chain issues are easing and both consumer and producer price indices are slowly ticking down. The coming year is still a transition period from the old, pre-pandemic, model of working to whatever will become the new normal. Return to office continues to rise, but with a few notable exceptions hybrid and even remote work looks like the driving force in labor markets. It seems that mortgage rates are coming off of 7+% highs but will likely average in the mid-6s for at least the next year. With all of that in mind, here's our overall outlook for the NVAR housing market in 2023:

- Demand will remain soft compared to the last two years as some households are priced out of the market due to elevated mortgage rates and others recover from the shock of missing out on 3%, or lower, 30-year fixed rates. Still, there is so much pent up demand that, by historical standards, this will continue to be a sellers' market.
- Inventories will get tighter, even with less absolute demand, as current owners bask in the joy of having very low mortgage rates. It will be hard to justify leaving a home with a refinanced loan below 3% for another home with a higher price and a loan rate that would be doubled.
- Unit sales will decline, on average, though the drop off will not be as sharp as what we have seen in the third quarter of 2022. This will not be a particularly good year for realtor or broker revenues. On average, expect unit sales for 2023 to decline in the low double digits compared to 2022.
- Prices will remain stable, with general expectations of modest rises. This reflects the conflicting effects of affordability and lessening demand with continuing tight availability of homes and a resilient labor market. On balance, expect prices to rise by less than 1% on average.

Forecast by Jurisdiction

Fairfax County (view charts)

After almost two years rapidly rising prices, the market for single family homes in the region's largest jurisdiction will be effectively flat in 2023 with a 0.4% price gain in December 2023 versus December of 2022. Total unit sales will drop 9.7% for the year as inventories remain very tight, but don't really worsen in 2023.

The forecast team expects inventory losses of almost 10% on average in townhomes located in Fairfax County, mostly related to existing owners staying put. This will drop total unit sales by 15% on an annual basis, but will support pricing stability with a small expected increase in medians prices of 0.4%.

The Fairfax condominium market will continue to prices remain flat in 2023 with unit sales decreasing by 11% on the year. Different than other sectors, condo inventories are expected to rise continuing recent trends. The forecast team expects that there are labor market forces starting to influence some condo owners that are boosting an interest in selling.

Arlington County (view charts)

Single family home prices have been aggressively rising over the several years, but overall affordability and mortgage rates will soften the rate of price gains in Arlington. December 2023 median prices for Arlington single family homes will be 3% higher compare to the previous year. Unit sales will decrease by about 6% and inventories will continue their multi-year drop. The average number of units for sale will decrease by 14% in 2023. New and existing residents will continue to be hard pressed to find options for single family homes in Arlington.

Prices for Arlington townhomes will remain effectively flat for 2023 on dropping inventories. This somewhat conflicting result reflects mortgage rate expectations. Interestingly, the forecast team is seeing the potential to a slight uptick in unit sales reflecting a market rebound from an unusually low third quarter of 2022. However, Arlington is a small market, so a 7% increase in units represents a handful of sales.

The Arlington condo market saw a dramatic increase in inventories during the pandemic compared to the Amazon HQ2 influenced market of 2018 and 2019. However, not that condo dwellers are again willing to ride in small, sometimes packed, elevators, unit inventory will drop throughout 2023. Average month-end units for sale could drop 61% in 2023, but the population of condo buyers in Arlington are more sensitive to mortgage rates. Therefore, prices will be flat to small decline of about 1.5% at year end 2023.

Alexandria City (view charts)

Referring to the chart for median prices of Alexandria single family homes shows extraordinary month-to-month volatility over the past two years. This makes forecasting very difficult. The forecast team's collective judgment is that price volatility will decline to more normal seasonal variations and will be mostly flat at the end of 2023 on a month-over-year basis. Inventories will continue their long run trend of decline and total unit sales will decline modestly.

Alexandria townhome inventories will be effectively flat in 2023, but sales activity will drop substantially after a pretty wild ride in 2020 through the summer 2022. Total unit sales in 2023 could drop 18%, which will make for a challenging year.

Similar to Arlington, the condo market in Alexandria will see more normal levels of activity compared to pandemic influenced selling over the past two years. Average month-end inventories will decline by almost 20%, which will lower total unit sales by 14%. Affordability concerns will keep prices in check with the market median price for Alexandria condos being essentially flat in 2023.

Learn more at cra.gmu.edu and NVAR.com/stats.

Fairfax County – Single Family
2023

Key Market Statistics

Prices – Single Family

- Housing Prices (Dec 2023): $827,976
- Median Price in Peak Month: May, $870,000
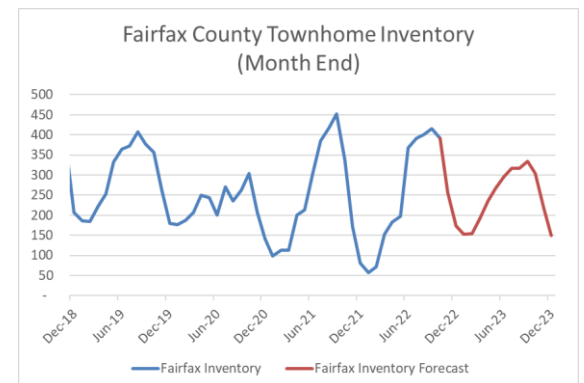- Avg. Year-over-Year Change (Dec – Dec '23): +0.4%
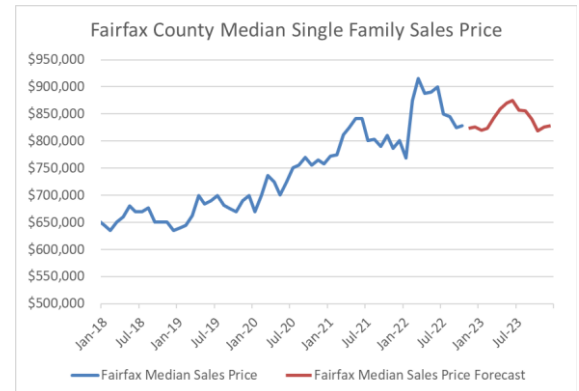
Sales – Single Family

- Unit Sales (2023 annual): 6,370
- Number of Sales in Peak Month: June, 811 units
- Year-over-Year Change (2022 – 2023): -9.7%
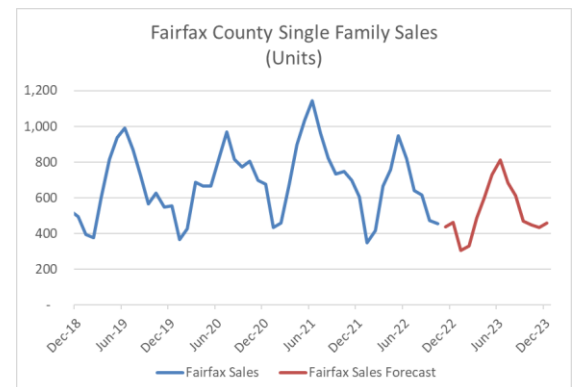
Inventory – Single Family

- Units on Market Avg (Month End): 629
- Inventory in Peak Month: June, 770 units
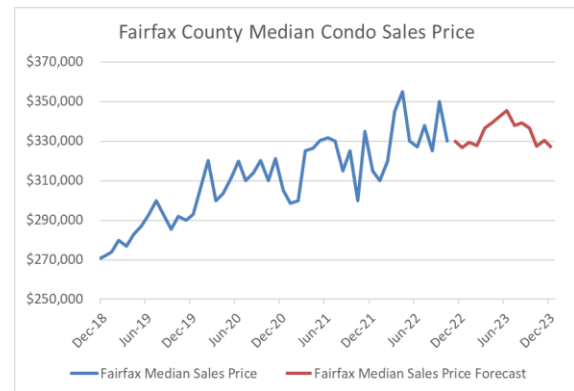- Avg. Year-over-Year Change: -0.4%
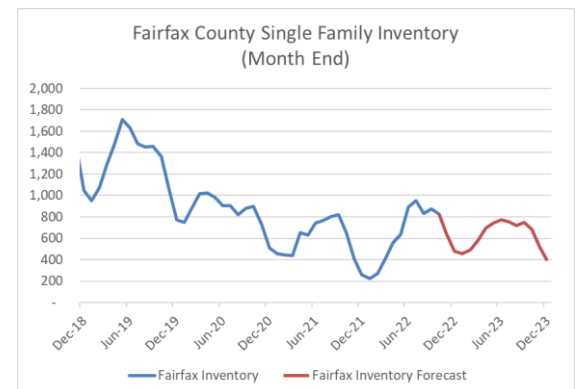
Fairfax County – Townhome
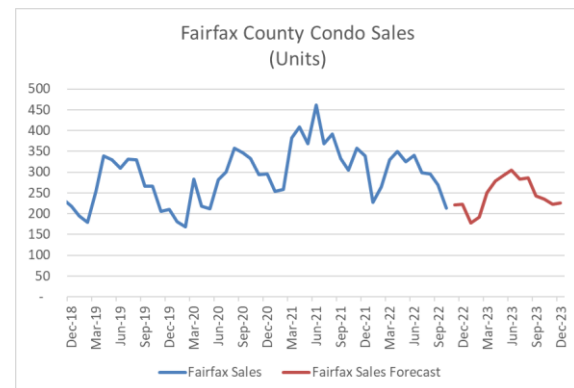# 2023

Key Market Statistics

Prices – Townhome

- Housing Prices (Dec 2023): $559,145
- Median Price in Peak Month: June, $584,679
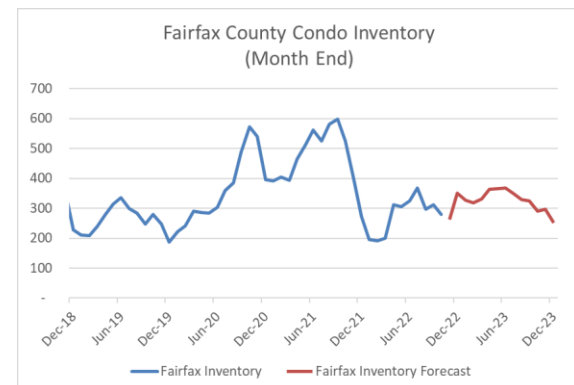- Avg. Year-over-Year Change (Dec – Dec '23): +0.4%

Fairfax County Median Townhome Sales Price
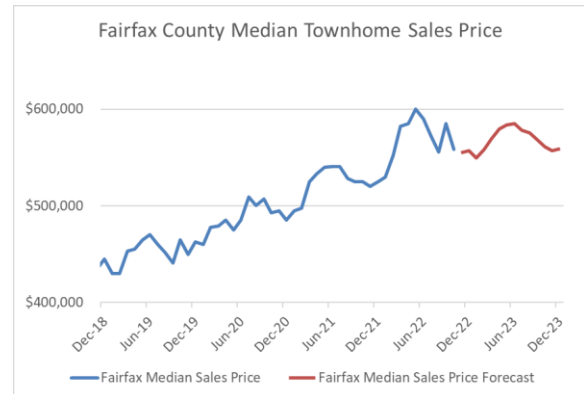
Sales – Townhome

- Unit Sales (2023 Annual): 3,379
- Number of Sales in Peak Month: June, 378 units
- Year-over-Year Change (2022-2023): -14.9%

Fairfax County Townhome Sales (Units)
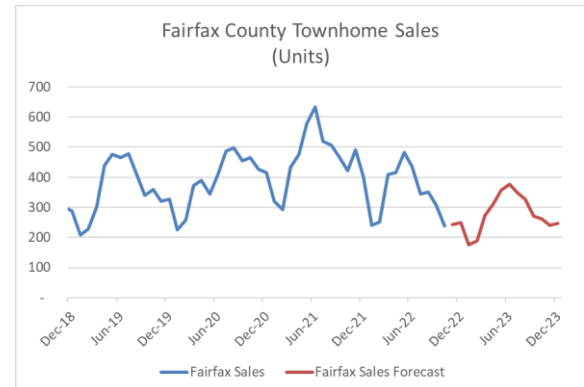
Inventory – Townhome

- Avg on Market (Month End): 245
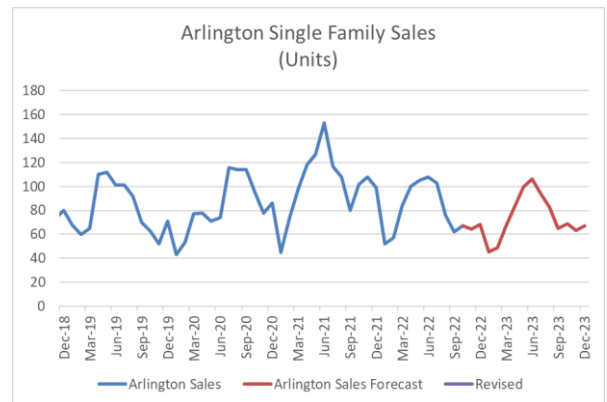- Inventory in Peak Month: Sep, 335 units
- Avg. Year-over-Year Change: -9.9%

Fairfax County Townhome Inventory (Month End)

Fairfax County – Condo
2023

Key Market Statistics

Prices – Condo

- Housing Prices (Dec 2023): $326,737
- Median Price in Peak Month: June, $345,547
- Avg. Year-over-Year Change (Dec – Dec '23): +0.0%

Sales – Condo

- Unit Sales (2023): 2,991
- Number of Sales in Peak Month: Jun, 305 units
- Year-over-Year Change (2022-2023): -11.0%

Inventory – Condo

- Avg Units on Market (Month End): 326
- Inventory in Peak Month: June, 367 units
- Avg. Year-over-Year Change: +18.4%

Arlington County – Single Family
2023

Key Market Statistics

Prices – Single Family

- Housing Prices (Dec 2023): $1,173,567
- Median Price in Peak Month: May, $1,245,333
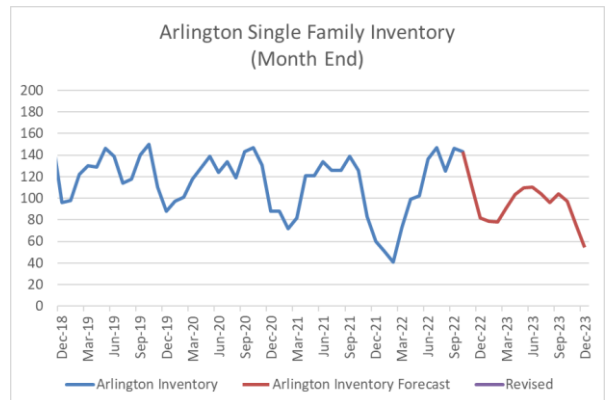- Avg. Year-over-Year Change (Dec – Dec '23): +3.0%
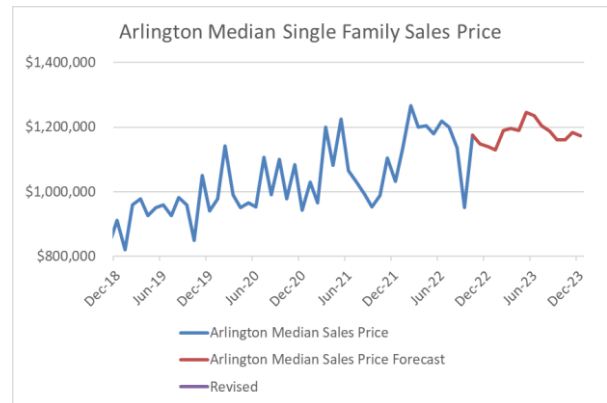
Sales – Single Family

- Unit Sales (2023): 892
- Number of Sales in Peak Month: June, 106 units
- Year-over-Year Change (2022-2023): -6.0%

Inventory – Single Family

- Avg Units on Market (Month End): 92
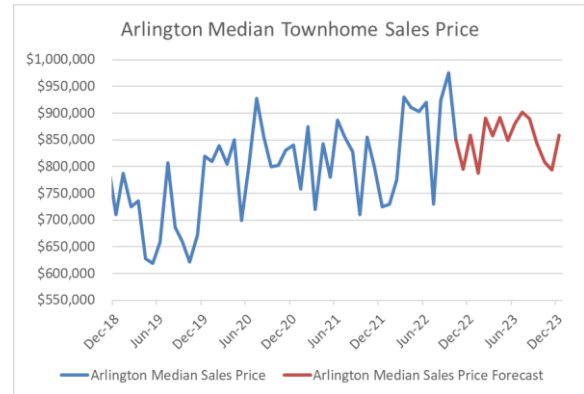- Inventory in Peak Month: June, 110 units
- Avg. Year-over-Year Change: -14.5%

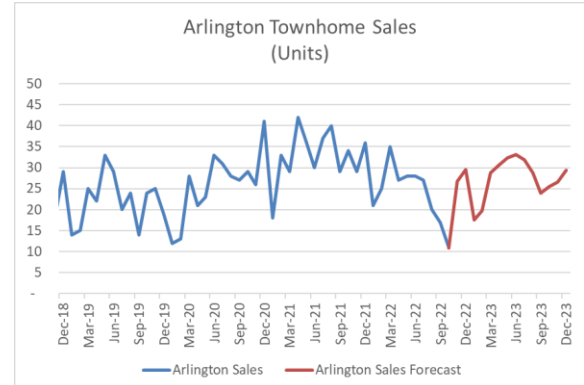# Arlington County – Townhome
2023

Key Market Statistics

Prices – Townhome

- Housing Prices (Dec 2023): $858,285
- Median Price in Peak Month: June, $880,606
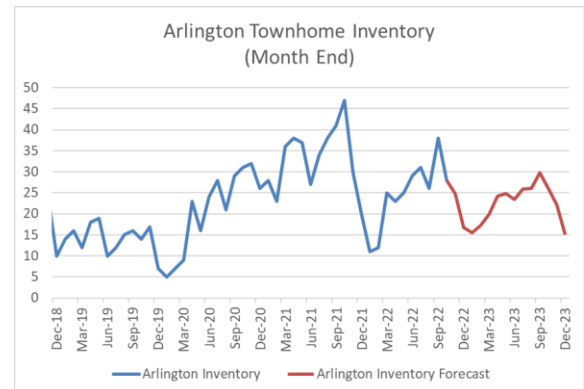- Avg. Year-over-Year Change (Dec – Dec '23): -0.1%

Sales – Townhome

- Unit Sales (2023): 328
- Number of Sales in Peak Month: June, 33 units
- Year-over-Year Change (2022-2023): +7.2%

Inventory – Townhome

- Avg Units on Market (Month End): 23
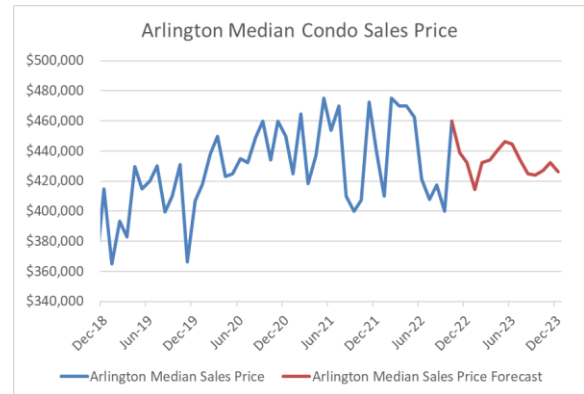- Inventory in Peak Month: Sep, 30 units
- Avg. Year-over-Year Change: -8.6%

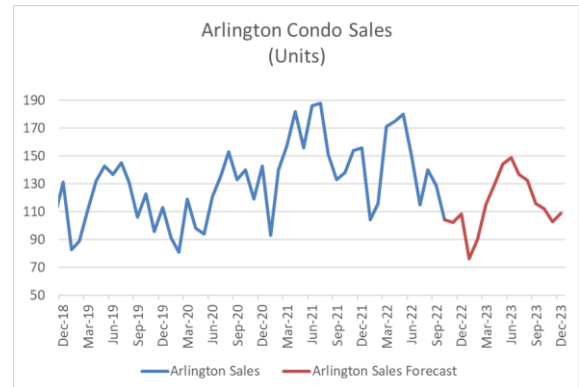# Arlington County – Condo
2023

Key Market Statistics

Prices – Condo

- Housing Prices (Dec 2023): $426,188
- Median Price in Peak Month: Feb., $475,000
- Avg. Year-over-Year Change (Dec – Dec '23): -1.5%

Sales – Condo

- Unit Sales (2023): 1,414
- Number of Sales in Peak Month: Apr, 144 units
- Year-over-Year Change (2022 – 2023): -11.5%

Inventory – Condo

- Avg Units on Market (Month End): 133
- Inventory in Peak Month: May, 157 units
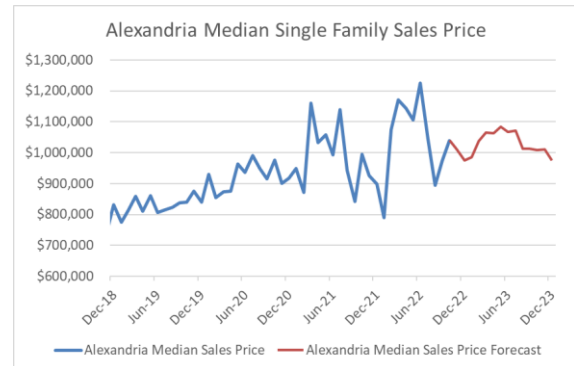- Avg. Year-over-Year Change: -61.2%

Alexandria – Single Family
2023

Key Market Statistics

Prices – Single Family

- Housing Prices (Dec 2023): $975,233
- Median Price in Peak Month: May, $1,083,730
- Avg. Year-over-Year Change (Dec – Dec '23): +0.1%

Alexandria Median Single Family Sales Price

Sales – Single Family

- Unit Sales (2023): 368
- Number of Sales in Peak Month: June, 49 units
- Year-over-Year Change (2022-2023): -1.2%

Alexandria Single Family Sales (Units)

Inventory – Single Family

- Avg Units on Market (Month End): 26
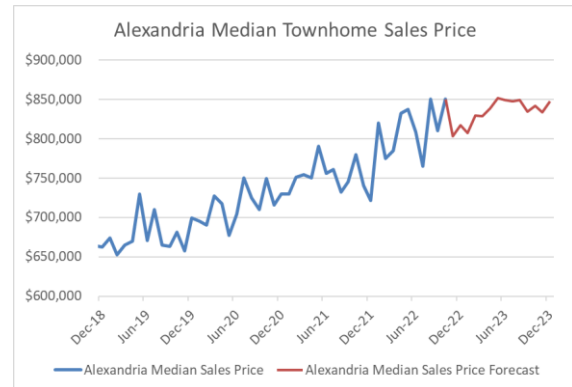- Inventory in Peak Month: May, 31 units
- Avg. Year-over-Year Change: -10.5%

Alexandria Single Family Inventory (Month End)
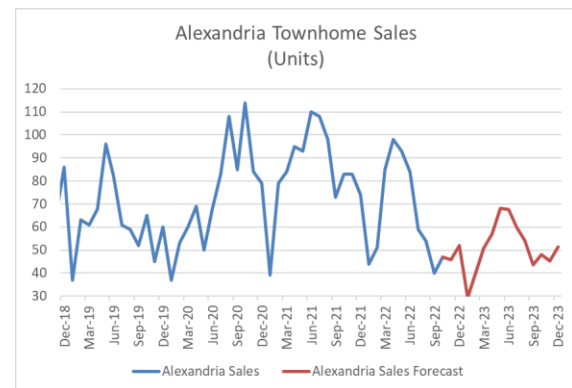
Alexandria – Townhome
2023

Key Market Statistics

Prices – Townhome

- Housing Prices (Dec 2023): $847,288
- Median Price in Peak Month: July, $849,117
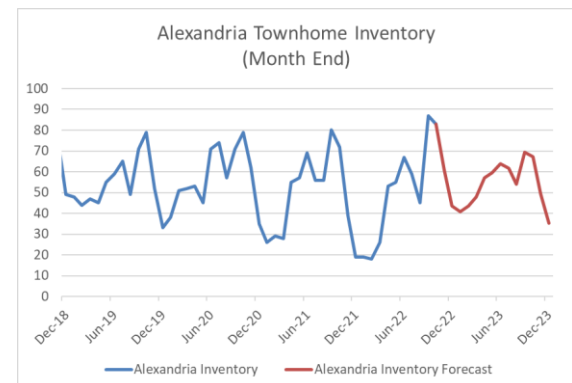- Avg. Year-over-Year Change (Dec – Dec '23): +3.7%

Sales – Townhome

- Unit Sales (2023): 615
- # of Sales in Peak Month(s): June, 68 units
- Year-over-Year Change (2022-2023): -18.2%

Inventory – Townhome

- Avg Units on Market: 54
- Inventory in Peak Month: Oct, 67 units
- Avg. Year-over-Year Change: +0.6%

Alexandria – Condo
2023

Key Market Statistics

Prices – Condo

- Housing Prices (Dec 2023): $344,799
- Median Price in Peak Month: May $360,926
- Avg. Year-over-Year Change (Dec – Dec '23): -0.5%

Sales – Condo

- Unit Sales (2023): 1,219
- Number of Sales in Peak Month: June, 128 units
- Year-over-Year Change: -14.4%

Inventory – Condo

- Avg Units on Market (Month End): 101
- Inventory in Peak Month: June, 112 units
- Avg. Year-over-Year Change: -19.8%