

# Housing market will continue to slow in 2023 despite lower rates: Fannie Mae

Total home sales are expected to decline from 5.72M units in 2022 to 4.57M in 2023, according to Fannie Mae economists

December 20, 2022, 1:13 pm By [Flávia Furlan Nunes](#) – *HousingWire*

---

The economy improved in the second quarter of 2022, but don't fool yourself. The housing market will continue to slow down in 2023, even though mortgage rates have declined recently.

That's the takeaway from a group of economists at **Fannie Mae**, who slashed their forecast for 2023 this week.

According to the Fannie Mae's Economic and Strategic Research Group, the real gross domestic product (GDP) is expected to grow 0.4% in 2022 and drop 0.5% in 2023, a slight improvement from the previous forecast, which predicted a 0.6% decline next year.

"The economy caught its breath in the second half of 2022, but that doesn't change our expectation that it will run out of air in early 2023 via a mild recession," Doug Duncan, Fannie Mae's senior vice president and chief economist, said in a statement.

Duncan said that "while uncertainty still exists, a growing set of signs, including an inverted yield curve, weakness in the Conference Board's Leading Economic Index, and a slowdown of manufacturing activity, support our ongoing contention that the economy is likely to contract next year."

So what does it mean for the housing market?

Due to long-run interest rates pulling back over the past month, the latest forecast projects total home sales to be 5.72 million units in 2022, up from 5.67 million in the prior forecast. However, total home sales for next year will decrease to 4.57 million – up from 4.42 million previously projected by the economists.

Total mortgage origination activity is expected to be at \$2.35 trillion in 2022, declining to \$1.70 trillion in 2023 — unchanged compared to the previous forecasts.

"Home purchases remain unaffordable for many due to the rapid rise in rates over the last year and the fact that house prices, though certainly slowing and in some places declining, remain elevated compared to pre-pandemic levels," Duncan said. "Of course, refinancing is still not practical for the vast majority of current mortgage holders, which we expect will also continue to constrain mortgage origination activity."

However, the landscape seems better for 2024.

According to Fannie Mae's economists group, the real GDP will recover in 2024, expanding at a 2.2% annual growth rate. Meanwhile, home sales will rebound 14.7% to 5.24 million and mortgage origination will increase to \$2.11 trillion.