

Macro Roundup Article

Headline: [Has Housing "Bottomed"?](#)

Article Link: <https://calculatedrisk.substack.com/p/has-housing-bottomed>

Author(s)	Bill McBride
Publication	Calculated Risk
Publication Date	January 27, 2023

Tweet: [@calculatedrisk](#) argues housing prices in real terms will be under pressure for some time as the bottom in prices can lag the bottom in investment by years. He expects at least 10% decline in nominal prices from peak with 2.4% already having occurred.

Summary: My expectation is residential investment will decline further in 2023, although the largest percentage decline was in 2022. If we look at the most comparable period to the current cycle, the 1978 to 1982 period, we see that real house prices bottomed several years after activity bottomed. Activity bottomed in 1981 or early 1982, but house prices didn't return to the previous peak (inflation adjusted) until mid-1986. The timing and extent of nominal price declines is difficult to predict. I've guessed that we will see 10%+ in nominal price declines nationally. We've already seen national price declines of 2.4% seasonally adjusted (Case-Shiller National Index) as sellers appear to be willing to give back some of the extraordinary gains over the last two years (not completely "sticky"). The bottom line is that there will be two bottoms for housing: one for activity and the other for prices. Existing home sales may have already bottomed, but we will see further declines in residential investment. Prices - especially in real terms - will be under pressure for some time.

Primary Topic: Housing

Topics: Business Cycle, GDP, Housing, Op-Ed/Blog Post, Theory

Permalink: <https://www.edwardconard.com/macro-roundup/calculatedrisk-argues-housing-price-s-in-real-terms-will-be-under-pressure-for-some-time-as-the-bottom-in-prices-can-lag-the-bottom-in-investment-by-years-he-is-expecting-at-least-10-decline-in-nom?view=detail>

Featured Image

Link: <https://www.edwardconard.com/wp-content/uploads/2023/01/Real-Home-Prices.png>