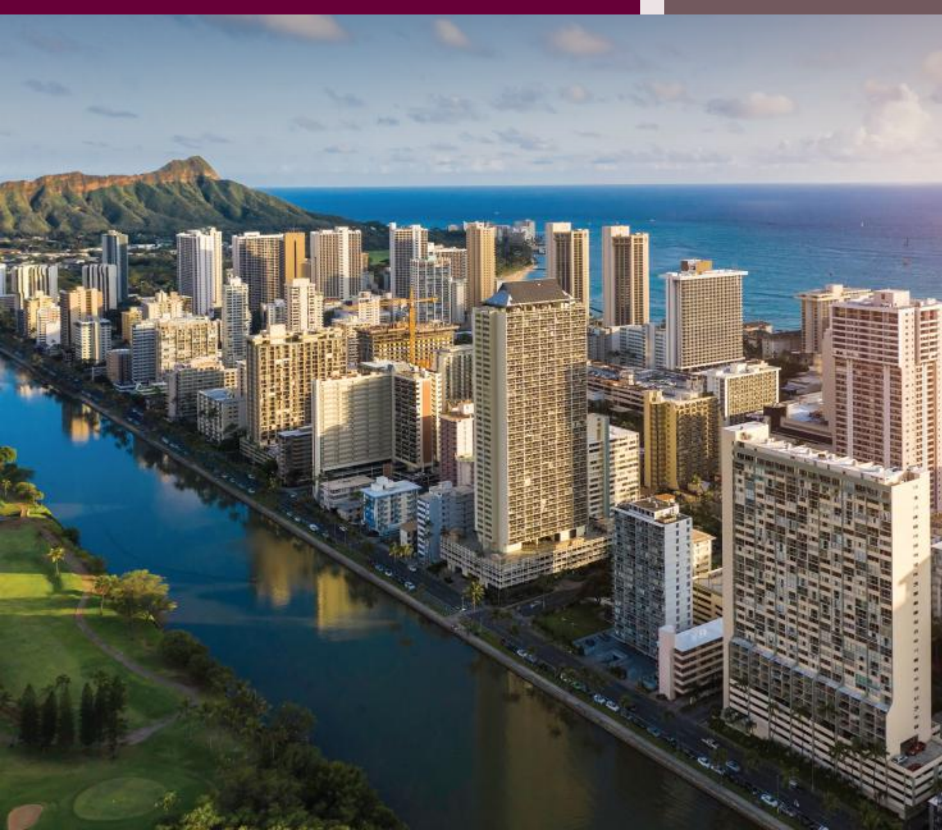



BERKSHIRE HATHAWAY HOMESERVICES

CNY REALTY

2023

Real Estate REPORT




Welcome

Welcome to the Berkshire Hathaway HomeServices 2023 Real Estate Report, where we'll be sharing expert insights and predictions for the year ahead as told by professionals throughout our global network.

Real estate is cyclical, and, as expected, the frenzied market is steadying, as the economy slows and interest rates remain in flux. But while the real estate market is undoubtedly changing rapidly, there's no cause for panic. Rather than free-falling, we have now returned to a more normalized market. As such, we believe most fears of a significant downturn are unwarranted.

Typically, when there is downward pressure on a market, we see substantial growth in inventory, but that's simply not happening. The reasons are multifold (and include seller hesitance, a shortage of new-builds and baby boomers aging in place, among others factors), leaving inventory relatively tight and keeping prices from falling significantly. Sure, some in-demand locales, which saw unsustainable growth—in the 25% to 50% range—over the past few years may see more significant falls in home prices, but homeowners in those areas have still seen their equity grow substantially since the pandemic began.

At the same time, buyers and prospective buyers—acutely aware of the transitioning market conditions—do want to negotiate. And they often want help compensating for the rise in climbing interest rates, employing more creative ways to borrow money but spend less paying it back each month.

And there are still lots of opportunities for buyers and sellers, with parts of the world, from India to Toronto to Athens, showing sustained growth and bright futures. There's much changing, and we explore it all in the pages ahead.

Christy Budnick
CEO, Berkshire Hathaway HomeServices

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Mediterranean and contemporary design styles combine in this nearly 6,000-square-foot home in Lutz, Florida.

Sellers Adjusting Expectations Amid Changing Market

SELLERS ARE COMING TO TERMS WITH THE NEW REAL ESTATE market climate as prices rebalance and some homes remain on the market longer than they did a year ago. Expectations are adjusting and they are understanding they may not get the price they envisioned, perhaps even from just a few months ago.

But this new way of thinking is not necessarily happening overnight.

"Sellers are taking a little bit of time to get used to what is happening now to our price points," said Candice Schott, senior partner and broker of record, Berkshire Hathaway HomeServices Toronto Realty. Some sellers are about six months behind "where the market is now, which is not unusual. Some have not adapted and their houses are staying on the market longer than they should."

Sellers are slower to adapt to a transitioning market—remaining hopeful that their property will not be subject to the new market influences and still fetch a peak of the market pricing. Rather than look at neighboring houses' listing prices, they should pay close attention to the most recent closing prices and comps, which are a more accurate reflection of the current market, Ms. Schott said.

"This is a really strange market that we're in," said Christy Budnick, CEO, Berkshire Hathaway HomeServices. "Typically, when we see a decline in the market, we're not also dealing with low inventory, but that's what's happening now," she said. "Currently, we're seeing that sellers are nervous about the economy in general. They don't want to make a move—partly because it's a low inventory market and they're worried they won't find a home they want, and partly because higher interest rates mean their next home will cost more."

"I do expect we may see an increase in inventory in spring," Ms. Budnick said.

30-60 DAYS

The market in Omaha, Nebraska, is normalizing, **with homes taking 30-60 days to sell, on average.**

Berkshire Hathaway HomeServices Florida Properties Group

In central Florida, "seller sentiment is moderate," said Casey Bryan, president, Berkshire Hathaway HomeServices Florida Properties Group. "Our market did not begin to normalize" until late in the summer of 2022, so house prices have remained relatively stable, she said.

"Sellers are certainly not expecting to have the buyer frenzy we've had for the past 30 months," said Ms. Bryan, who is based in Trinity, Florida, just north of Tampa. She credits this to the communication and advice provided by agents and the receptive nature of consumers.

Most sellers understand that they need to make concessions, she added.

These concessions are being used, in some cases, to do interest-rate buydowns. "Therefore, the increased rate is not having a devastating impact on many sellers' buying power."

This plus the buyer's ability to contribute a larger down payment from the proceeds of their previous home helps many, Ms. Bryan added. "With that said, there are some sellers choosing to stay put as they don't want to risk losing their current rate or the new rate has truly affected their ability to purchase."

Many homeowners in her markets have tremendous equity in their homes, "even if they bought 12 to 18 months ago," she said. "This equity has been a driving force in some sellers choosing to move." These sellers are using a portion of the equity in their existing homes toward a larger down payment on their next home, thereby reducing their monthly expenses, she said. "We are also seeing sellers reinvest some of the equity to fix up their next home."

Interestingly, some sellers are choosing to sell even when it's not necessary, Ms. Bryan said. "Many want a change of scenery and feel there is not as much competition as in the previous two years."

In Omaha, Nebraska, the "market is normalizing," said Todd Bartusek, real estate agent and principal, All Metro Real Estate Group, Berkshire Hathaway HomeServices Ambassador Real Estate. "We've seen the days on market increase, to the point that it's now taking 30, 45, even 60 days to sell a house."

In general, sellers are getting more realistic, he said. "I explain to my team that you need to set expectations and tell sellers not to think that their house will sell in a day."

"I tell my sellers that it's like selling a car," he said. "You have to detail your house to get it to sell."

In Mexico, sellers have been slower to acknowledge the shifting market downturn currently occurring in the U.S., said Greg Gunter, broker and owner of Berkshire Hathaway HomeServices Colonial Homes San Miguel. Further, Mexican owners seldom

A Slight Slowdown

A survey of Berkshire Hathaway HomeServices network agents found that the market activity has slowed across the board.

Source: Berkshire Hathaway HomeServices 2023 Real Estate Report Survey

Berkshire Hathaway HomeServices Colonial Homes San Miguel

This three-bedroom home was the first house built in the gated community of Rancho Los Remedios in San Miguel de Allende, Mexico.

carry mortgages. "In my 14 years here, I've only done two deals with a mortgage."

"So sellers are sitting on a debt-free home, and carrying costs are low here," he said. "They run from $3,000 to $5,000 a year for everything," so there is not a lot of incentive for a seller to sell a house quickly. Their house may sit on the market for a year or more.

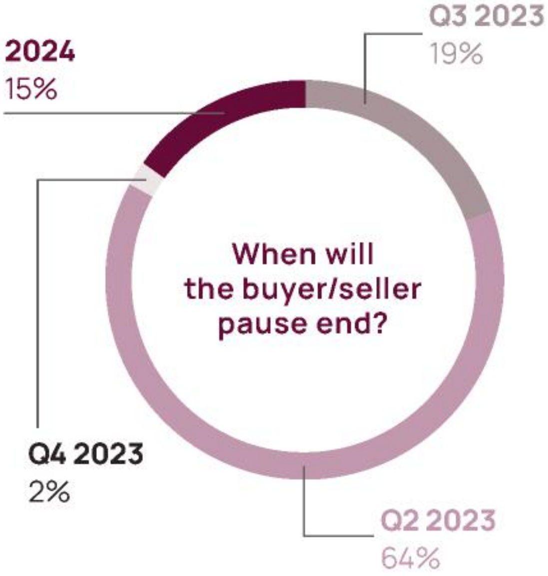
Another factor is that Mexico has no effective multiple listing service or online sites like Zillow or Realtor.com for sellers to get a feel for the market and how their home should be priced, Mr. Gunter said.

"Sellers don't really understand that we have started to slow down and we're seeing price negotiation," he said, mentioning one of his recent transactions, in which a seller put her house on the market 10 months ago for $600,000, the price that an adjacent house had just sold for.

After several incremental price reductions, it just sold for $500,000, Mr. Gunter said. "I thought it would be a 2% or 3% negotiating range, not 12% or 14%."

Market Predictions

A survey of Berkshire Hathaway HomeServices network agents showed that most experts think the second quarter of 2023 will see a pick-up in the market.



Source: Berkshire Hathaway HomeServices 2023 Real Estate Report Survey

In Toronto, Canada, tight inventory and low rates are set to keep the market busy.

Getty Images

Like Mr. Bartusek, he advises his sellers to stage their homes. "Home staging is an almost unheard-of concept in Mexico, but it often proves even more invaluable than in the U.S.," said Mr. Gunter, who is also a designer and architect.

SPOTLIGHT ON: TORONTO, CANADA

Driven by an extreme lack of inventory, virtually all sectors of the Toronto market experienced record price growth in 2021, with some regions showing increases as high as 30% or even 40%.

Detached and semi-detached properties in the city core and the surrounding areas and suburbs "have performed incredibly well," said Blair Johnson, president and owner, Berkshire Hathaway HomeServices Toronto Realty. Condos in the downtown core, which were hardest hit by the pandemic, quickly rebounded during the summer of 2021 when the city began to reopen. "We are now equal to the record average price seen in early 2020," Mr. Johnson said, adding that the units average just under C$750,000 or C$1,000 per square foot.

In the luxury market, homes that sell in the C$4 million and higher category were up by 275% through the first half of 2021, when a total of 414 properties were sold. The price escalations are a continuation of a decade-long increase in all regions and for all property types.

"Our 10-year compounded growth for detached homes is 9%, and our five-year compounded growth for condos is 10%," Mr. Johnson said. "This has been driven by historically low interest rates in the 1% to 2% range as well as the massive amount of immigration into Toronto and the surrounding areas."

Noting that the city's population grew by 92,000 in 2020 and 127,000 in 2019, Mr. Johnson said, "We simply can't build enough new homes to keep up with the demand. Our average days on the market for all property types is 13. Our months of inventory in the Toronto core is 1.3 for houses and 1.6 for condos."

While all of Toronto's markets are hot, the lack of inventory has been felt acutely in the most sought-after neighborhoods. The 905 areas,

those outside the city's core, have seen the largest price growth.

"These areas offer larger properties and land at slightly lower prices," he said. "Unlike the city, there has been a lack of new construction for a number of years, which is being amplified by the sudden new demand from people who are looking to move out of the city."

The pandemic-driven demand for vacation homes also has caused a supply shortage so severe that "finding a waterfront property within two hours of the city is next to impossible," Mr. Johnson said.

"We expect the market to remain extremely strong given that supply is set to remain extremely tight, interest rates are expected to remain historically low and Canada has set an aggressive policy that will see us take in a record number of new immigrants," Mr. Johnson said. "The only factor that could potentially hold prices back is an increase in interest rates, which are expected to rise in the first half of 2023." ●

10 Ways to Prepare Your Home for Sale

SELLERS NEED TO MAKE SURE THEIR HOME IS IN TIPTOP SHAPE BEFORE PUTTING THAT 'FOR SALE' SIGN in the front yard.

"The fish are no longer jumping into the boat," said Christy Budnick, CEO of Berkshire Hathaway HomeServices. "A year ago, if a property didn't have proper staging or a fresh coat of paint, you could get away with it. But now it needs to be picture-perfect. You need to declutter; any maintenance needs to be tackled; curb appeal needs to be there. You want to make sure their first impression is that it's a beautiful property and they can see themselves there." Below, ways to do just that:

Fresh Coat of Paint. Now is not the time to begin a major renovation, but a fresh coat of paint will go a long way toward dressing up your home. If budget doesn't allow for the whole house, concentrate on the main-level public rooms. Pick neutral colors, and hire professional painters to do the work. Don't forget the front door—and you can go with a bolder color here.

Declutter. Get rid of any stacks of paper and make sure that any surfaces, especially kitchen counters, bedroom dressers and bathroom surfaces are tidy and clean.

Depersonalize. Buyers don't want to see a living room piano covered with your family photos. And no children's artwork on the fridge—or anywhere in the house. You want buyers to imagine their family in your home and all the happy memories they will create there.

Edit, Edit, Edit. Take a hard look at your furnishings and edit them down if things seem crowded. Consider arranging for a storage unit for these items while your home is on the market. "You want to have open traffic patterns," said Todd Bartusek, real estate agent and principal, All Metro Real Estate Group, Berkshire Hathaway HomeServices Ambassador Real Estate in Omaha, Nebraska. "Be as minimalist as possible from a furniture standpoint. You want buyers to imagine their own furniture in your house."

Make Minor Repairs. Think about what may turn up in the buyer's inspection and fix those things now. "Do a thorough walk-through to look for any blemishes and then make them go away," Mr. Bartusek advised.

Organize Closets and Cupboards. Buyers will be opening them. You want everything to look neat and clean—and spare, so that their stuff will fit comfortably in your home.

Freshen Up Kitchens and Bathrooms. If cabinetry and vanities seem dated, consider painting cupboard doors and change up the handles and other hardware for a modern look. New bath mats and shower curtains can go a long way.

Yep, Curb Appeal Matters. Clean up the yard and garden: replace any shabby-looking shrubbery and tidy up flower beds, especially ones near doors and walkways. A new pot of flowers or perennials can really dress up an outdoor porch. "In the winter months, even just putting out a potted plant helps, just to give a little bit of color," Mr. Bartusek said.

Clean. Hire a professional cleaning company to thoroughly clean. Make sure they concentrate on the kitchen appliances and bathrooms. And hire professional carpet, gutter and window cleaners, too.

Consider Hiring a Professional Stager. "Home staging is really critical," said Greg Gunter, broker and owner of Berkshire Hathaway HomeServices Colonial Homes San Miguel. Sometimes he even adds his own accent pieces and furnishings to clients' homes for staging and photos. ●

What Pricing Trends Mean for Buyers And Sellers

San Diego's famed Balboa Park features the iconic California Tower landmark on the campus of the Museum of Us.

Getty Images

DESPITE RISING INVENTORY AND INCREASING MORTGAGE interest rates, prices are simply not falling precipitously. In some markets, prices are not only holding their own, but they actually are continuing a slow, steady upward climb.

In this new adjusting market, the median national list price was $400,000 in January 2023, down from the all-time high of $449,000 in June, but up 8.1% from the same time in 2022, according to Realtor.com's January 2023 Monthly Housing Trends Report. The share of homes with price reductions increased from 6% in January 2022 to 15.3% in 2023.

Markets in the Midwest and Northeast that offer buyers more affordable deals gained the most popularity from out-of-market shoppers at the end of 2022, a trend that Realtor.com expects to continue in 2023.

With the exception of certain super-charged markets, such as Miami and areas of California that saw up to 50% price appreciation during 2021 and 2022, "most of our markets are not seeing a decline in prices," said Christy Budnick, CEO of Berkshire Hathaway HomeServices. "For the most part, we're seeing declines in units and volume of sales." Issues like inflation, construction delays and labor shortages are leading to a lack of new inventory, which is helping to keep prices somewhat stable, she said.

Although prices may decline, she said, it will most likely be only a 1% to 5% adjustment in most markets, a miniscule amount compared with the pandemic upturn, when house prices rose 25% to 50% in value. "It won't be anything like [what happened during the residential real estate crash] of 2008," she said.

Below, a snapshot of pricing across the U.S.

San Diego County

As mortgage interest rates rose in the middle of 2022, the San Diego County market experienced a slowdown that led to a decrease in specific price points.

Although year-over-year prices were still up 11.9% to 15.6% in all price ranges in November 2022, the average sales price for attached houses fell 2.9%, from $690,681 to $670,957, yet still was up 3.1% for detached residences, according to the San Diego Association of Realtors.

"From the height of home prices, which occurred in the middle of 2022, we have seen prices fall $50,000 to $100,000 for condos and $60,000 to $300,000 for single-family detached houses," said Joel Blumenfeld, team leader/Realtor® for Berkshire Hathaway HomeServices California Properties in San Diego Central.

This five-bedroom house in Brentwood, Tennessee, was built as the community's model home.

"Listings are down, and sales transactions are down as well," Mr. Blumenfeld said. "Most sellers feel like they missed the boat and believe home prices will further decline. The transactions that we still see are the job-relocation transferees, sales due to probate, divorce and some first-time buyers entering the market."

Higher interest rates "may make the buyer drop from a single-family home to a condo or town home," Mr. Blumenfeld said. "And many buyers are on the fence about buying now because they are thinking that prices will continue to decline."

Mr. Blumenfeld predicted that by the second quarter of 2023, prices will, in fact, fall even more. "I see mortgage interest rates coming down in mid-year, the market becoming more or less a stable, fair market with more months of inventory, bringing more first-time millennial buyers to the forefront."

Plus, he added, "I see it being a healthy, balanced market in 2023-25."

Tennessee

Although the buying frenzy of the pandemic that made bidding wars standard has all but disappeared in Middle Tennessee, prices and prices per square foot have continued their steady rise.

In South Nashville, the average home price was $1.193 million in 2022, a 24.6% increase since January 2021, according to Realtracs, the largest multiple listing service in the state, and in Williamson County, the average price, $1.03 million, was 23.7% higher.

"Our number of sales has decreased as our inventory has decreased, but prices are increasing," said Suzan Hindman, a Realtor®/broker with Berkshire Hathaway HomeServices Woodmont Realty, adding that "we are seeing a decrease in the percentage of sales price to list price as sellers are having to come off their list price instead of the multiple bids going way above list price. Also, days on the market are increasing."

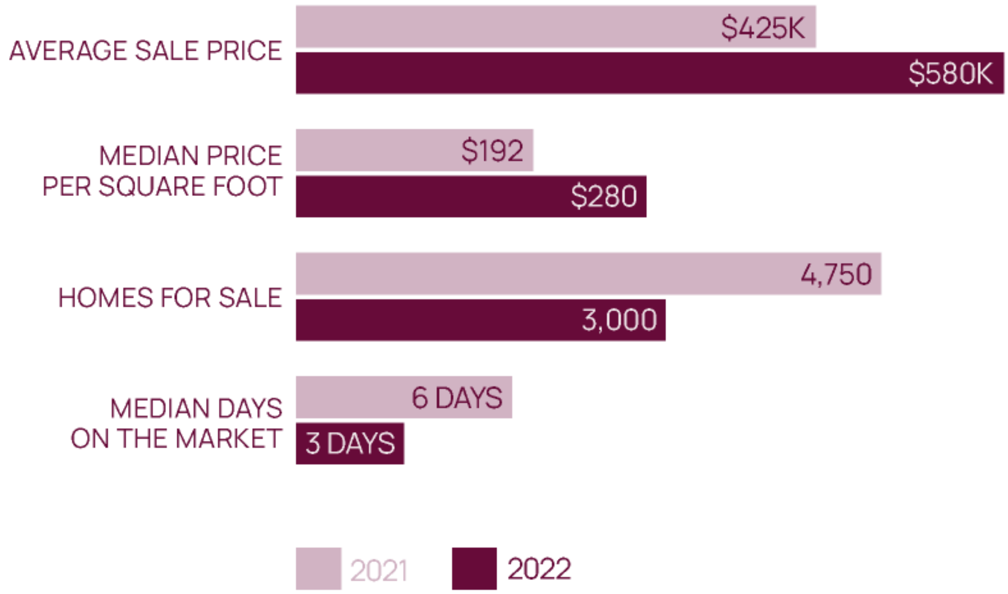
The new reality is impacting both buyers and sellers, albeit in different ways.

"Buyers are bolder and more confident," Ms. Hindman said. "They are asking for the normal contingency items—inspections, repairs, appraisal and financing. And they are also making offers lower than list price."

Sellers, she added, are still transitioning—and even resisting—the changing market. "They have not fully accepted that they missed the multiple-offer crush, but they are still getting good prices for their houses," she said.

Tennessee Market Trends

Davidson County, Tennessee, which includes Nashville, saw a busy—and expensive—2022.



Source: RealTracs®, 2022 InfoSparks© 2022 ShowingTime

Inventory remains an issue, she said. "Local buyers are nervous about being able to find a place to move if they sell their house, and builders are trying to catch up with the demand we had early in 2022."

Ms. Hindman expects 2023 to be a "more normal market of more inventory and a gradual increase in prices with sellers understanding better what to expect as well as buyers being more confident of their purchase."

Hawai'i

Although Oahu prices have declined in the wake of higher mortgage interest rates, many buyers still have been pushed out of the market or down the price-range ladder.

The 2022 price decrease for single-family houses, from an average high of $1.57 million in April to $1.387 million in November, according to figures compiled by the Honolulu Board of Realtors®, has changed the dynamics between buyers and sellers.

"Homes are sitting on the market—days on market jumped from 11 to 18 days over a 12-month period—and sellers are beginning to negotiate prices down with buyers," said Kalama Kim, president of Berkshire Hathaway HomeServices Hawai'i Realty. "Buyers have now been requesting and sometimes successfully negotiating credits, repairs and concessions."

He noted that according to the Honolulu Board of Realtors®, in November 2022, with only 682 properties on the market, buyers paid an average of 98% of the list price; early in 2022 and in 2021, they were paying 100% or more.

Although condo sales have dropped, prices have not—units average $594,444, which is 6.3% higher than in 2021—and inventory is at 1,244, which Mr. Kim calls "stable."

It's likely, he noted, that buyers priced out of the single-family-home market shifted their sights to the lower-priced condo market.

"Because real estate trends tend to continue for months before they shift again, we may continue to see downward pressure on prices until interest rates drop," he said.

SPOTLIGHT ON: JOHNSON CITY, TENNESSEE

Last year brought an influx of transplants to Johnson City, many of them families drawn by the Tennessee city's proximity to mountains, the Boone Lake reservoir, and the small-town feel. The city has managed to maintain that feeling, even as it grew between 2000 and 2020 from 55,000 to 71,000, an increase of 29%.

"With the influx of transplants to our area, and even before, we have a shortage of housing and it will take quite a bit of time to catch up with demand," said Kelly Hixson, owner of Berkshire Hathaway HomeServices Greg Cox Real Estate. "We are still under two months of inventory in our area, and it will probably take years for that to stabilize."

As inventory increases slowly over the next year, the median price for single-family homes is expected to remain flat at around $289,000.

"Our prices have flattened over the last quarter, and are expected to pretty much stay that way through 2023," Ms. Hixson said.

Decreasing demand means buyers who still are out searching will be able to take their time and perhaps have more negotiating power. "It's a less frustrating market for buyers, which is a positive for people moving in," Ms. Hixson said. ●

How Buyers Overcome The Mortgage-Rate Challenge

WITH MORTGAGE RATES ON THE UPSWING—RISING FROM A record-low of under 3% in 2021 to nearly 7% as of the beginning of 2023—lenders and sellers have stepped up with creative solutions, since one thing we're not seeing, for the most part, is a significant reduction in home prices.

"There continues to be a shortage of housing, especially in Denver, which means prices are staying high even as mortgage rates have gone up," said Ryan A. Schulz, managing broker and luxury division manager of Berkshire Hathaway HomeServices Colorado Real Estate in Denver.

But a little creativity from lenders and sellers keeps the housing market moving despite higher mortgage rates. (Note: Be sure to seek advice from financial professionals.)

Adjustable-Rate Mortgages

Adjustable-rate mortgages (ARMs) are especially popular for jumbo loans, which are for amounts above the loan limits in a housing market, explained Justin Messer, CEO of Prosperity Home Mortgage in Chantilly, Virginia.

The most popular ARMs now are fixed for seven or 10 years, said Steven James, president and CEO of Berkshire Hathaway HomeServices New York Properties.

"An ARM is a slight gamble since it depends on where you think markets will go, but a 10-year ARM

Berkshire Hathaway HomeServices Vincent Properties

This 27-plus-acre estate in North Carolina is tucked away on a gated drive.

seems reasonable to most people," Mr. James said.

Recently, a 10-year ARM was fixed at 5.87% for the first 10 years, compared with a 30-year fixed-rate loan at 6.125%. On a jumbo loan—above conforming loan limits—the 10-year rate was 5.25%, compared with 5.375% for a fixed-rate loan.

ARMs are typically capped, but borrowers must have a plan to afford potentially higher rates in the future.

Seller-Paid Rate Buydown

In markets that are balanced or favor buyers, sellers can offer to buy down the mortgage rate for their purchasers with a closing cost credit.

"It's a great strategy for the sellers because it's usually less money than a significant price reduction and it can make the payments more affordable for buyers," Mr. Messer said.

For example, a 3/2/1 buydown if current rates are 7% would mean the buyers would pay 4% in the first year of their mortgage, 5% the second year, 6% the third year and 7% for the rest of the loan unless they refinance.

"It's much more palatable mentally and financially for sellers to do a buydown," said David Rickel, a senior vice president and regional manager for Berkshire Hathaway HomeServices Fox & Roach REALTORS® in Central and South New Jersey. "Instead of a price reduction of 5%, 10% or 15%, they can offer a 3% closing cost credit and say they got full price for their home."

Permanent Rate Buydown

Some buyers prefer a more permanent buydown of their rate, Mr. Messer said.

"If you want to be one-and-done and not worry about your rate changing, you can pay points to discount your rate for the entire term," he said. "That's nearly always a better long-term scenario for buyers who intend to stay in their home for a long period. The savings aren't as big in the beginning of the loan as a temporary buydown, but over the long term the savings in interest are significant."

For example, a $300,000 loan at 7% would have a monthly principal and interest payment of $1,996. At 6.5%, the payment would be $1,896. The savings on interest over 30 years from this lower rate would be more than $36,000. The cost of a buydown depends on the borrower and loan, but often borrowers pay 1% or 2% of the loan amount to buy down the rate.

FHA/VA Loans

"FHA and VA loans typically have lower mortgage rates than conventional loans, and they have low or zero down-payment requirements," Mr. Rickel said.

Assumable Loans

Assumable loans disappeared from everyone's radar when rates were historically low, but now buyers are asking if sellers have them, Mr. James said.

An assumable loan is one that can be transferred to the buyer at the same rates and terms as the seller currently has. Buyers must ask their seller to check their loan documents to see if their loan is assumable.

Buyers typically need significant cash to assume a loan depending on how much of a gap there is between the sales price and the loan balance, said Mr. Schulz. For example, on a $500,000 house with an assumable loan of $300,000, the buyers would need to pay $200,000 in cash.

Seller or Family Financing

Parents can do an intrafamily loan to finance a purchase for their adult children, Mr. James said.

The IRS establishes minimum interest rates for intrafamily loans that are typically much lower than market rates. For example, the IRS rate for a loan of more than nine years was 4.34% in December 2022, compared with the average rate for a 30-year fixed-rate loan of 6.6%.

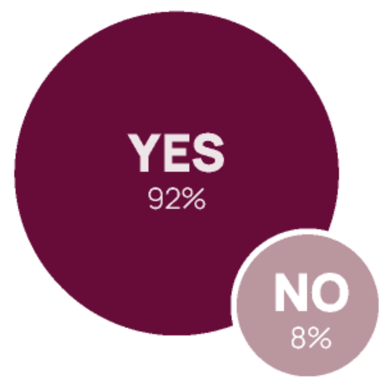
"Seller financing is also available in some cases, typically with the buyers making a substantial down payment of 35% to 40%," he said.

In that case, the sellers would agree to a written loan agreement specifying monthly payments that the buyer would pay directly to the sellers. ●

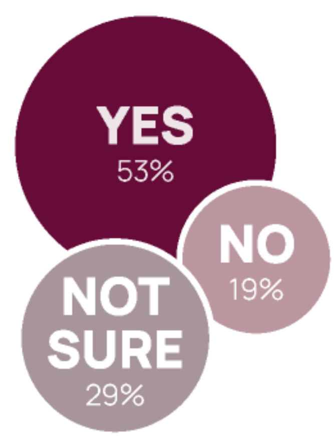
Interest Rates & Buyer Confidence

A survey of Berkshire Hathaway HomeServices network agents found that interest rates are of utmost importance to clients.

Do rising interest rates affect your clients' willingness to buy?



Do you expect more interest-rate increases?



Source: Berkshire Hathaway HomeServices 2023 Real Estate Report Survey

Supply and labor shortages continue to impact home building despite the fact that more inventory is needed almost across the board.

Builders to Pump Brakes On Housing Starts in 2023

DESPITE LOW INVENTORY ACROSS THE COUNTRY, HOME BUILDERS are expected to pull back on new construction in 2023.

"New homes are down because of supply and labor shortages," said Christy Budnick, CEO of Berkshire Hathaway HomeServices. "A lot of the bigger builders have decided to pause."

In fact, 2022 was the first time the U.S. had seen a decline in housing starts in 11 years, according to the National Association of Home Builders.

As of December 2022, privately owned U.S. housing starts were 1.4% below the November estimate and 21.8% below the December 2021 estimate, according to the U.S. Census Bureau.

Housing starts are expected to drop further in 2023. A December home-building industry forecast released by Fitch Ratings predicted a 13% drop in housing starts in 2023, and 5% in 2024.

Yet builders haven't completely stopped activity. Many accumulated large order backlogs when the market was still at its peak. Even as sales slumped in the last half of 2022, many builders are still delivering homes that were ordered in the first half of the year.

Home builder Toll Brothers, for example, recently said in an earnings report call with analysts that it has a backlog of 8,000 homes, and plans to deliver about 8,000 to 9,000 homes in 2023.

Over the past few years, disruptions in the supply chain have also led to delays and increased costs for home builders. Construction prices are up 11.9% over last year, according to the Associated Builders and Contractors' latest analysis of information provided by the U.S. Bureau of Labor Statistics. Construction supply chains may continue to be impacted by the energy crisis in Europe and continuing Covid-related delays in China.

Getty Images

This house in Dakota Dunes, South Dakota, sits across two lots, and features a wine room and cigar room.

Berkshire Hathaway HomeServices Sioux Falls Real Estate

Skilled labor shortages have also impacted housing starts. The number of open, unfilled jobs in the overall construction industry totals 300,000 to 400,000 positions, according to a June 2022 report by the Home Builders Institute.

Still, there are differences across the U.S. On a regional and year-to-date basis, housing starts are 1.3% higher in the Northeast, 0.8% higher in the Midwest, 0.6% higher in the South and 7.0% lower in the West.

According to the Home Builders Association of Central Arizona, new-home permits were down 17% in 2022. That's due more to a supply problem than a demand one, said Troy Reierson, CEO of Berkshire Hathaway HomeServices Arizona Properties.

"The volatility of prices and availability of building materials and infrastructure has slowed down new construction. Lumber, cement, appliances and other basic building materials have experienced supply-chain disruptions along with the price volatility," he said. "Additionally, basic infrastructure items such as electrical distribution transformers, fiber optic and/or cable internet installations often lag behind new home starts."

Not all markets in the Phoenix area are down, though. Mesa and Avondale, two suburbs with more affordable prices than Phoenix, both saw slight increases in 2022 over 2021.

Mr. Reierson expects that as the economy stabilizes through 2023, the Phoenix market will start to make headway on the supply-chain issues.

In downtown Boston, where new housing is already restrained by a lack of available space, most new units coming online in 2023 will be in the form of mid-rise and high-rise condos.

"In Boston, where things are so tightly compact, you just don't have the opportunity for new construction," said Nick Warren, founder and CEO of Berkshire Hathaway HomeServices Warren Residential.

Still, the Boston region has been building more condos and apartments in recent years, compared with the early 2010s.

That follows a larger trend across the country. Despite the slowdown in single-family construction, there are currently 932,000 units under construction, the highest number since December 1973.

The epicenter of Boston's construction boom is Seaport, a redeveloped area of South Boston along the waterfront that glistens with the glass of newly constructed buildings.

"Fifteen years ago, it was all just parking lots, and now it's an entirely new city," Mr. Warren said.

Meanwhile, areas that saw major booms in housing construction in 2021 and 2022 are expected to see the biggest slowdowns, too. Markets like Phoenix and Las Vegas will back off from building new homes, as home builders sit on the supply of new homes they had built in anticipation of continued in-migration. Las Vegas has gone from building 1,279 new single-family homes in January 2022 to 572 units in October 2022, a drop of 55%. In Phoenix, the number has gone from 5,727 to 3,871 in the same time span, a 32% decline, according to data from the Federal Reserve.

According to a survey by the National Association of Home Builders, about one-third of home builders reduced their prices in December, with an average reduction of 8%, up from the 5% and 6% reductions seen earlier last year. About two-thirds are using incentives such as premium finishes or designs and rate buydowns to help motivate buyers.

"In this high inflation, high mortgage-rate environment, builders are struggling to keep housing affordable for home buyers," said Jerry Konter, chairman of the National Association of Home Builders, in a news release.

It might not be until next year that we see home building pick back up again across the country, with members of the NAHB predicting that single-family home building will lead to a rebound for housing in 2024.

SPOTLIGHT ON: SIOUX FALLS, SOUTH DAKOTA

After pandemic-induced activity in the Sioux Falls market, 2023 is expected to see the real estate market normalize.

"Low inventory growth in Sioux Falls will keep home prices steady," said Jacob Benedict, a real estate agent with Berkshire Hathaway HomeServices Sioux Falls Real Estate. Sales will likely stay strong in 2023, driven by the metro's growing population, which is expected to increase 53.5% by 2060, he said.

Inventory in Sioux Falls is lower than average, with under three months of supply, as fewer sellers look to put their homes on the market and risk giving up their locked-in mortgage rates.

The median sales price was $289,900 as of November 2022, a 12.6% increase year over year, according to the Realtor Association of the Sioux Empire. The median number of days on the market was down 10.5% to 68 days, which remains higher than the national median of 37 days, according to Redfin.

"Inventory and pricing will remain hurdles to sales in 2023 as it relates to the general economy, but growth is strong in South Dakota and Sioux Falls specifically which will translate to housing," Mr. Benedict said.

Areas popular with buyers include McKennan Park, with historic homes located near some of the city's best hospitals and schools, and Southern Sioux Falls, which includes more new construction not far from the expensive Yankton Trail Park.

SPOTLIGHT ON: DALLAS, TEXAS

Not unlike its counterparts around the U.S., the major metropolitan area of Dallas-Fort Worth saw a moderate slowdown throughout 2022. As of the end of the year, closed sales over the 12 rolling months were down 14.2%, with the majority of that change beginning during the second quarter. By November 2022, closed sales were down 30% year over year, a significant fall.

"We're experiencing 2.4 months of inventory," said Marvin Jolly, regional senior vice president at Berkshire Hathaway HomeServices PenFed Realty Texas. "We consider this to be a normalizing effect." Inventory began to grow during the first half of 2022, he said.

In the Dallas market, buyers can expect to find average sale prices in the mid-$400,000 range. The higher above that number you go, specifically above $600,000, there's a larger inventory of available homes, Mr. Jolly said.

During the coming year, Mr. Jolly predicted that buyers are going to make strategic decisions like buying smaller, or buying properties that may need updating or modifying.

"We're seeing a lot of buyers from the local area as well as people coming from California, the Northeast and a lot internationally, specifically from Asia," Mr. Jolly said. In addition to the fact that there's no state income tax, "there's so much that's attractive about this market, including the fact that we have two strong airports, we have good schools, it's affordable here and we have really good infrastructure for transportation. The weather is very good in Texas, too," he said. ●

Berkshire Hathaway HomeServices Vincent Properties

There are Blue Ridge Mountain views from this home on Green Mountain Farm in North Carolina.

Buyers Breaking Geographical Boundaries

WITH REMOTE AND HYBRID WORKING HERE TO STAY, AND BUYERS searching for lifestyle shifts and more affordability, they're moving further afield.

In fact, in the fourth quarter of 2022, nearly 55.5% of inbound listing views on Realtor.com from the top 100 metros came from prospective buyers in other metropolitan areas, according to its cross-market report, "indicating Americans are on the move," according to Realtor.com.

According to the report, with 63% of out-of-metro views, home shoppers from the West were most likely to search for out-of-metro homes.

The pandemic ushered in the great migration—whether from one part of a city or state to another or to a vacation spot abroad—and it's still a trend, said Christy Budnick, CEO of Berkshire Hathaway HomeServices, one that's likely to "remain in place for people who don't need to report to their office on a regular basis."

In Houston, Texas, for one, "the suburbs became the place to live," said Stacy Mathews, broker/owner of Berkshire Hathaway HomeServices Premier Properties Texas. "They wanted large lots, pools, schools that reopened, and outdoor kitchens."

Newcomers chose to live in the suburbs of Cypress, Sugarland, Katy, the Woodlands, and Lake Conroe, added Tracy Mathews, the chief financial officer and owner of the office. "Prices, according to the Houston Association of Realtors® multiple listing service, rose 15% to 25% in all these areas," he said. "These increases were based not on value, but on the buyers' hysteria that they would not get the house."

The Mathews brothers consider the prices unsustainable and believe they will decline.

Up north in Vermont, newcomers have flocked to the state seeking a safe, more rural life. These new residents, who are more affluent and have more purchasing power than the locals because they are leaving urban areas, have pushed housing prices up, according to Jim Feinson, chief growth officer, Berkshire Hathaway HomeServices Vermont Realty Group.

"Homes have been selling quickly with multiple offers although time on the market is increasing and the number of offers is decreasing as mortgage interest rates go up," he said. "While there has been an increase in construction, it is still insufficient to meet demand."

The influx of out-of-state work-at-home newcomers has helped spur start-up businesses in the state, he said.

The state's smaller and more rural communities, which had been losing residents pre-pandemic, have also seen increases in population.

"The lack of more affordable smaller homes meant that older residents cannot sell their appreciated

"Le Ciel" in Lyford Cay, Bahamas, is a 6,203-square-foot, five-bedroom canal-front home with a guest cottage.

Berkshire Hathaway HomeServices Bahamas Real Estate

homes as they cannot find alternative housing for downsizing," Mr. Feinson said. "This is creating a logjam."

Because of the higher costs of new construction and the pressures on housing prices, so-called starter homes have been harder to find—and their price points have risen.

"There is movement to ease development restrictions and streamline the development process, and there is state participation in affordable housing projects," Mr. Feinson said.

City expats who wanted a better lifestyle may have ventured even further away—to the Bahamas. In fact, the Bahamian island capital of New Providence is transitioning from a prime winter address for second-home owners to a coveted spot for primary residences.

Although the pandemic's work-from-home movement ignited the relocation trend, there are a number of other factors, notably the Bahamas' tax-friendly environment (residents and resident aliens do not pay taxes on personal income, inheritance, gifts or capital gains), stable government, a currency that's pegged to the strong U.S. dollar, and proximity to airports that offer flights to major cities.

While there are starter condos without a view for US$200,000, similar single-family houses for US$250,000 and entry-level three-bedroom houses with canal frontage for US$750,000, homes, estates and private islands can reach US$100 million, according to Jim Bernard, president/broker of Berkshire Hathaway HomeServices Bahamas Real Estate.

Low inventory and high demand from these new full-time residents have only raised prices.

"There are single-family homes being built by developers but not at a fast enough rate to fulfill the demand," he said. "There is a lot of condominium inventory currently under construction at various price points."

Demand, Mr. Bernard added, is likely to remain strong, at least into the foreseeable future. "The qualities that make the Bahamas appealing are not going away," he said, adding that the area is particularly popular among buyers from the East Coast of the U.S. and Canada. "Demand will fluctuate a bit with the economy, but overall, I imagine we will see continuous upward trends in demand and real estate values."

Baja California Sur, Mexico, is another traditional vacation destination attracting more long-term visitors and full-time residents, primarily from North America and Latin America.

"There has been a significant shift from the second/third home market to a second primary residence for many residents," said Ian Gengos, broker and owner of Berkshire Hathaway HomeServices Baja Real Estate.

Metro Areas Lose Popularity

Among home hunters from the top 100 U.S. metros, interest in out-of-metro homes grew most in Chicago, New York, Phoenix, Los Angeles and Washington, D.C., according to a fourth quarter 2022 cross-market report from Realtor.com.

Chicago metro area

New York metro area

Phoenix metro area

Los Angeles metro area

Washington, D.C., metro area

Source: Realtor.com 2022 Q4 Cross-Market Demand Report

One of the reasons for the trend, he said, is that although condos average US$400,000 to US$600,000 and single-family houses command US$1 million to US$1.3 million, "from off-the-grid beach casitas to ultra-high-end trophy estates, there really is something for everyone."

Mr. Gengos said the influx of new residents has led to a spike in construction and a growth of amenities.

In the beginning of 2022, when houses were selling in record time and at record prices, the number of pre-construction offerings outweighed available inventory and days on the market dropped.

By the middle of that year, the market had shifted to favor the buyer, but the "significant depletion" of inventory, he said, buffered the impact.

With the market on more normal footing, Mr. Gengos said that the area "is about to see another boom in commercial development and investment. Los Cabos in particular will become a commercial hub for Baja California Sur, and other areas that resemble what Cabo was 20 years ago will see more significant growth."

SPOTLIGHT ON: BURLINGTON/SOUTH BURLINGTON, VERMONT

Vermont's Burlington/South Burlington market, where sellers held the upper hand throughout 2022, appears to be in transition.

"Although there was a noticeable drop-off in market activity in the fourth quarter of 2022, there continues to be a low inventory of single-family homes, which has kept prices up," said Jim Feinson, chief growth officer of Berkshire Hathaway HomeServices Vermont Realty Group.

In Crittenden County, where the two neighboring cities are located, the average sales price for a single-family house, $505,000, was up 20% in the first six months of 2022 compared with the previous year, and the median price during the same period rose 17% to $427,000, according to the New England Real Estate Network-MLS.

"The county is the population and economic driver for the state," Mr. Feinson said.

In Burlington, the state's largest city, and in South Burlington, which has a more suburban character, the robust rental market, where rates are high and the vacancy rate was only 4% in the first half of 2022, means renters are being forced to become purchasers.

Yet higher mortgage interest rates have cooled the sales market in the two cities considerably, with time on the market increasing, offers per property declining, and prices on suboptimal and overly aggressively priced properties dropping.

These factors are balanced, Mr. Feinson said, by an influx of pandemic-era residents, many of them from the Northeast, who sold their homes in higher-priced areas. "These high-cash/all-cash buyers are putting pressure on housing prices," he said.

The newcomers, he added, have bolstered the economy, creating more demand at the area's restaurants and resort areas. "We also are seeing new retail concepts and experiences opening weekly," he said. "There has been the emergence of a lot of start-up business activity, with deeper funding from in-state resources and the emergence of a new start-up culture."

Mr. Feinson expects the Burlington and South Burlington markets will remain strong.

"The combination of Vermont's assets and the ability for people and businesses to work remotely should combine for continued growth," he said.

SPOTLIGHT ON: CARMEL, INDIANA

Consistent job growth in Central Indiana is keeping consumer confidence high in Carmel, despite declining prices and sales volume.

Carmel, one of Indianapolis's most noted suburbs, draws families in search of older, walkable neighborhoods with mature foliage, as well as newer neighborhoods with homes on larger lots.

While it's been a seller's market throughout the pandemic, Central Indiana will in 2023 become a "transitioning market," said Craig West, CEO of Berkshire Hathaway HomeServices Indiana Realty.

"We are seeing in select markets sellers including concessions for closing costs and other related items," he said. "But, in most markets with remaining inventory pressures, we're seeing offers continuing at or near list price without concessions."

In 2022, as the market reacted to increasing interest rates, Central Indiana experienced a 12% decrease in closings to date year over year.

"The real estate market in Central Indiana will stay active through 2023," he said, reiterating that normalization is likely. He predicts inventory in Central Indiana will increase steadily in 2023 and prices will decline slightly—by 2%—across the Indianapolis metro, with a median price of $280,000, with some modest growth in home values in the popular northside of Indianapolis.

SPOTLIGHT ON: FARGO, NORTH DAKOTA

The Fargo market is expected to remain strong this year, even as it loses some of the frenzy from 2022. Inventory is expected to stay tight, as homeowners hold onto their locked-in interest rates.

"Due to low inventory, we do not expect pricing to decrease, rather increase, but at a much slower rate than we saw earlier [in spring 2022]," said Maureen Bartelt, a broker with Berkshire Hathaway HomeServices Premier Properties in Fargo.

The median home price in Fargo finished out 2022 at $265,000, according to Realtor.com, trending up 6% year over year. "The biggest impact the extremely low rates had on our market were the steep increases in price based on the high competition among buyers," Ms. Bartelt said.

With interest rates expected to normalize in late 2023, buyer activity is likely to increase again, with multiple-offer scenarios becoming prevalent, she added. Even as sales have slowed, her brokerage has continued to see multiple offers on homes that are well-marketed and priced.

SPOTLIGHT ON: DOTHAN, ALABAMA

Despite the turbulence in the real estate market nationwide, Dothan, Alabama, is holding steady.

"We tend to be sheltered from the extremes, unlike those of the major markets," said Tim Vierkandt, owner, Berkshire Hathaway HomeServices Showcase Properties.

Sales in Dothan in November 2022 decreased 11.3% year over year (a softer decline compared with October's 25% decrease), though average sales prices for the market were still up 12% in November, compared with 2021.

Inventory in Dothan was up year over year in November 2022 by 55%.

"Inventory is creeping back up," Mr. Vierkandt said, adding that the average home price is $230,000, with a small portion of homes, mostly new construction, in the high $400,000s. "Sellers are having to make some concessions and be a little more aggressive on pricing."

Dothan is a hub for those living in southeast Alabama, it boasts two large hospitals, an osteopathic medical college and a temperate climate that appeals especially to retirees, many of whom are moving from Oregon and Washington.

"This is a unique market and a cool spot with low property taxes and a lower cost of living than most places in the U.S.," he says. "We're really close to Florida and we're an evacuation site for hurricanes, since we're usually just out of reach of a major weather event." ●

A three-bedroom, two-bathroom dormered cape in Waterbury Center, Vermont, has been lovingly cared for by its owners.

Berkshire Hathaway HomeServices Vermont Realty Group

Amid Price Uncertainty, Strong U.S. Dollar Continues to Drive Purchases In Europe

THE U.S. DOLLAR ROSE TO A 20-YEAR HIGH AGAINST THE EURO and briefly hit an all-time high against the British pound in 2022. The strength of the currency has significantly advantaged buyers from North America, Latin America and parts of the Middle East seeking properties in Europe, resulting in a significant uptick in sales that's considered likely to continue in 2023.

Buyers from dollar-based economies took advantage of savings averaging around 15% year over year based on the exchange rate alone. With properties in some European cities now estimated to be slightly overvalued, according to the UBS Global Real Estate Bubble Index, price corrections in 2023 may further advantage buyers holding U.S. dollars for as long as the exchange rate remains advantageous.

"Business is booming," said Michael Vincent, CEO of Berkshire Hathaway HomeServices Portugal Property. "U.S. clients have made up 35% of our buyers here in Portugal. We have seen a drop-off in U.K. clients, but the U.S. buyers have more than replaced them."

Prices across Portugal start at $300,000 for a condo or $550,000 for a detached villa with a pool, and buyers who choose to rent out their properties in the future "would very often make a profit over the mortgage payments," he said. "The stronger the dollar, the further our U.S. clients will go."

In Spain, too, buyers have made the most of a historic opportunity to purchase property at a significantly reduced price. "Customers with dollars can buy in Spain spending up to 20% less than a year ago, but there are also many advantages in terms of financing," said Bruno Rabassa, CEO of Berkshire Hathaway HomeServices Spain. Local mortgage rates are frequently lower than those in the U.S., he said. And the launch of a direct flight between New

U.S. buyers are attracted to countryside homes in Italy, like this one in Val Tidone, about an hour from Milan.

Berkshire Hathaway HomeServices MAGGI Properties Agency

This home, set in a seaside town in Greece, offers a pool and lots of room to roam—all attractive to those armed with U.S. dollars.

York and Palma de Mallorca resulted in an increase in in-person visits to properties of over 400%.

Transactions from Latin American buyers have also increased significantly across Spain, with many clients who already own a home in Spain now looking for a second property. "Previously, they used to invest in cities such as Madrid or Barcelona, but the trend is now to buy in coastal or island areas," he said.

In Italy, American buyers have also been snapping up discounted properties. "The exchange rate is extremely advantageous for U.S. buyers," said Marcus Benussi, managing partner and general counsel at Berkshire Hathaway HomeServices MAGGI Properties Agency, who estimated that buyers are paying 10% to 15% less than they would have paid for the same property at the end of 2021.

Many U.S. buyers are seeking countryside properties in vinicultural regions including Tuscany, Umbria and Prosecco. "For the same money you'd spend in Napa Valley or Sonoma County you'd get at least 10 times more over here," he said. If the strength of the dollar persists, he said, "we are at the beginning of the curve."

Despite its distance from the U.S., Greece has also seen a significant uptick in sales. "We have seen an increase in customers with U.S. dollars at the level of 15% to 20%," particularly in the €1 million and above market, said Kyriakos Xydis, managing partner at Berkshire Hathaway HomeServices Athens Properties. Properties in Greece were discounted around 20% in U.S. dollar terms, he said, adding that properties priced between $150,000 and $500,000—between one- and four-bedroom apartments—are also in high demand.

Prices in Greece remain accessible. "It's a very viable market for midrange buyers because the prices are still quite low compared to neighboring countries," he said. "If we compare Greece with Spain, Italy, the South of France, even with Turkey and Cyprus, the price of real estate is significantly lower."

In Britain, "a lot of U.S. buyers who have maybe been relocated here who would typically rent are actually buying, because fundamentally it's unlikely that they'll ever have an opportunity to buy so competitively again," said Martin Bikhit, managing director of Berkshire Hathaway HomeServices London Kay & Co. He has also seen an increase in Canadian and Middle Eastern buyers taking advantage of historic savings.

London's housing market is in overvalued territory, the UBS Bubble Index found, but "overall, the structural

35%

U.S. buyers make up 35% of his clients in Portugal, said Michael Vincent, CEO of Berkshire Hathaway HomeServices Portugal Property.

imbalance between strong demand and restricted supply growth supports London's housing prices," with the risk of a real estate bubble having decreased. In some areas of London, properties cost more than 45% less in dollar terms than they did in 2014, Bikhit said. "It's almost like a once-in-a-lifetime opportunity."

SPOTLIGHT ON: ROME, ITALY

Property prices in Rome increased very slightly year over year in 2022, but the city remains an attractive proposition for international buyers, with accessible prices and a ramp-up in urban regeneration ahead of World Expo 2030, which the Italian capital hopes to host. "Rome is in the same situation as Milan was before the 2005 Expo, so you have major refurbishments in the city center," said Marcus Benussi, managing partner at Berkshire Hathaway HomeServices MAGGI Properties Agency. "Plus, wherever you turn you see history and heritage."

Demand in Rome comes not only from second-home buyers but also from those wishing to make Italy their primary residence, he said, in part thanks to Italy's flat-tax regime, under which residents can opt to pay €100,000 annually on all non-Italian sourced income. "It's incredibly advantageous for high-net-worth individuals," he said. Although American buyers are still required to file taxes in the U.S., "you have a smaller percentage of Americans who are looking at Rome as a pure investment, and I expect this number to increase."

Prices in Rome are expected to rise, leading some current homeowners to upgrade, a trend set to continue in 2023.

SPOTLIGHT ON: MALLORCA, SPAIN

In Mallorca, "prices have been increasing for the last five years and are now in a stabilization phase," said Jorge Forteza, CEO of Berkshire Hathaway HomeServices Nova Mallorca. "Mallorca is a very attractive island with a limited supply and high demand."

Prices vary widely depending on the region and the property type, but in areas of high demand they average between €4,000 and €8,000 per square meter (or 11 square feet), he said. Buyers from economies tied to the U.S. dollar will find prices particularly accessible. "Those willing to buy today will find around a 20% discount," he said.

International demand is set to remain high, but the demographic of buyers may shift in 2023, if the U.S. dollar remains strong. "At the moment, the majority of international buyers come from Europe," he said. But the percentage of buyers from North America and Latin America is set to increase. "Last year we had many visits from potential American clients that we hope will come to fruition this year."

SPOTLIGHT ON: ATHENS, GREECE

Greece's rental market is expected to continue its boom in 2023 and beyond, due to high demand and a shortage of supply. Short-term leases are in high demand, helping to boost prices, said Kyriakos Xydis, managing partner at Berkshire Hathaway HomeServices Athens Properties. But in Athens, a shortage of long-term rentals has also sent prices skyrocketing. "In 2022, year on year we had an increase on the price of long-term rentals that exceeded 20%–mainly in the center of the city," he said.

Increased demand from buyers with U.S. dollars and those seeking to take advantage of Greece's Golden Visa program have added to pressures on housing caused by a slowdown in the rate of new construction. "The appreciation of the U.S. dollar, the oil prices and the prices of all the materials have affected construction companies, and they are afraid to expand their businesses," he said. "They have slowed down production significantly," he said.

If inventory increases, "we may see some small decrease in the prices in the suburbs out of Athens' center, but on the long-term rentals in the center of Athens we don't expect to see a reduction," he said. "We do expect that the market will stabilize at the current levels, at least for the coming year, but after that point we don't expect prices to cool down." ●

The Puerto Portals complex in Palma, Mallorca, offers pool and sea views.

In Jumeirah Park, Dubai, this four-bedroom villa is Mediterranean in style.

Reopening Asian Housing Markets

AS TRAVEL RESTRICTIONS AND PANDEMIC-RELATED CLOSURES ease in Asia and around the world, housing markets are experiencing renewed activity. Foreign buyers are taking the opportunity to invest in overseas properties, and as such, markets such as India and the United Arab Emirates (U.A.E.) anticipate a strong 2023.

"With pandemic-related travel restrictions lifted and Covid-19 under control, the real estate industry in India is making a remarkable recovery from the plunge it reached during the lockdown," said Shrey Aeren, managing director and country head for Berkshire Hathaway HomeServices Orenda India. "Property registrations are on the increase and developers have resumed stalled projects as well as kick-started new ones."

In addition to the resumption of travel, the increasing number of people working from home and from remote destinations impacted the housing market in India and elsewhere.

"Home buyers are looking for luxurious and spacious homes that can accommodate their work styles and preferences," Mr. Aeren said. "The trend of moving out of rented or smaller properties to larger gated societies in search of a healthier lifestyle, built-in amenities and large green spaces has been on a surge."

The U.A.E. received a boost from international investors in part because of its handling of the pandemic, said Phil Sheridan, CEO of Berkshire Hathaway HomeServices Gulf Properties in Dubai, United Arab Emirates.

"The U.A.E. has been internationally praised for its handling of Covid, such that international property investors have flocked to acquire a stake in a global city viewed by many as offering comparable value to other destinations," Mr. Sheridan said. "Dubai's immediacy in ensuring all residents were

85%

Expatriates make up 85% of the U.A.E. population, with more choosing to buy rather than rent.

Berkshire Hathaway HomeServices Gulf Properties; Opposite: Berkshire Hathaway HomeServices Mallorca

Investors in India are increasingly putting their money into both commercial and residential projects.

Returns on Investment

A survey of Berkshire Hathaway HomeServices network agents around the world showed that it will usually take 3-5 years to make a sound return.

Source: Berkshire Hathaway HomeServices 2023 Real Estate Report Survey

vaccinated sent a signal to visitors that they could go about their business and their life with a semblance of normality."

Foreign Buyers Impact Luxury Markets

The global reputation of Dubai and Abu Dhabi, which have two of the busiest airports in the world, fueled the real estate market in the U.A.E., Mr. Sheridan said.

"We saw a surge in interest in acquiring property to record levels of both secondary homes and off-plan [new construction] primary sales," he said, particularly over the past year or two. "As a consequence, there's been a noticeable change in expatriates, who make up 85% of the U.A.E. population, choosing to buy rather than rent. We've seen a flight of capital from international high-net-worth investors in other locations that has particularly benefited the luxury market in prime areas in the U.A.E."

Investors recognize real estate as a financially reliable asset that offers steady returns in comparison to other more volatile options, Mr. Aeren said, leading nonresident Indians (NRIs) to invest in luxurious properties such as second homes in India in unprecedented numbers.

"Low borrowing costs, stamp duty cuts in key markets, anxiety created by the pandemic, attractive offers and lucrative payment plans are some of the key reasons compelling NRIs to buy property in India," Mr. Aeren said. "The strengthening U.S. dollar gives an added advantage to NRIs while purchasing properties in India."

Berkshire Hathaway HomeServices Orenda India

Indian Buyers Looking Overseas

Indian buyers are increasingly showing an affinity for buying properties overseas, particularly in the U.A.E., Singapore and the U.S., Mr. Aeren said. Easy global financing options, liberal government policies and excellent rental returns make overseas purchases an appealing proposition, he said.

"The drive to cross shores is no longer limited to just doing business, but also gaining permanent residency," Mr. Aeren said. "Residency by investment programs such as investment immigration and golden visas are becoming increasingly popular among Indians. The property may serve as a vacation home, accommodation for children studying abroad or simply an ideal place for their retirement."

Growth Anticipated for 2023

The U.A.E. property market is expected to continue to strengthen with double-digit home value increases, particularly as the population grows amid a shortfall of supply, Mr. Sheridan predicted.

"Buyers and investors are drawn to the U.A.E. by several factors, including the favorable tax benefits, ease of establishing a business, safety, infrastructure and general elevated quality of life," Mr. Sheridan said.

India's real estate market has a similarly positive prognosis.

"It is anticipated that the demand for residential real estate is projected to skyrocket with the introduction of new launches and attractive offers from developers in 2023," Mr. Aeren said. "Cities like Delhi-NCR, Mumbai, Pune, Hyderabad, Chennai, and Bangalore are witnessing a spike in residential property prices and the same is expected to continue in the coming years."

In addition, secondary and tertiary cities in India are becoming attractive to real estate investors.

"Increasingly, investors are parking their funds in commercial real estate," Mr. Aeren said. "Office leasing is expected to experience significant growth, driven particularly by tech, IT and retail firms."

On the residential side, policy intervention, stamp duty reductions, lowered home loan rates, the rising economic status of buyers and technological advancements are creating a conducive environment for home buyers and boosting demand, Mr. Aeren said.

"2023 will be an exciting year for the real estate industry, with positive growth in terms of quality and quantity," he said. ●

Foreign Second-Home Buyers Fueling Dubai's Hot Market

WHILE THE U.A.E. THRIVED DURING THE START OF THE pandemic, property sales continued to heat up in 2022. In November, more than 10,000 sales transactions were recorded in Dubai for a total of AED30.5 billion ($8.30 billion), the highest sales volume since 2011, according to Property Finder.

Buyers in Dubai are primarily foreign, according to Phil Sheridan, CEO of Berkshire Hathaway HomeServices Gulf Properties in Dubai.

"They're driven by global issues, a downturn in their home markets or exposure to a penal tax environment, which has driven considerable interest in second homes," he said.

While the headline news has been record luxury sales in Dubai in neighborhoods such as Jumeirah Bay, Palm Jumeirah and downtown Dubai, nearly all properties are selling, Mr. Sheridan said.

"The 'stronger money' is drawn to branded residences, of which there are more than 30 in Dubai, such as Six Senses, Four Seasons, SLS and Bulgari," he said. "Price growth has been significant, but from a low starting level. Investors still view that these are 'value add' investments given the zero capital-gains tax and no income tax on rental yields."

In some areas, such as villas in Palm Jumeirah, properties have doubled in value over the past two years, Mr. Sheridan said. ●

"We saw a surge in interest in acquiring property to record levels of both secondary homes and off-plan [new construction] primary sales, over the past year or two."

PHIL SHERIDAN
Chief Executive Officer
Berkshire Hathaway HomeServices Gulf Properties

What $500,000 Can Get You Around The World

CHESAPEAKE, VIRGINIA
4 bedrooms, 3 bathrooms, 2,977 square feet
$500,000

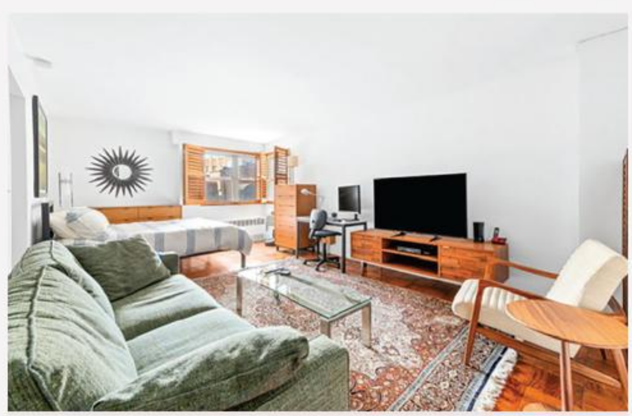
Built in 1990, this home in the sought-after Brittany Woods community has a newly renovated kitchen, custom built-ins, a wood-burning fireplace, and a large deck. The primary bedroom has a walk-in closet and an attached office or craft room. A room over the garage has tall ceilings, for an extra entertaining space or a bedroom.

DENVER, COLORADO
4 bedrooms, 3 bathrooms, 2,339 square feet
$525,000

Situated in the Country Hills neighborhood of Denver, this home has hardwood floors throughout its lower level, a kitchen with granite countertops, a deck and large backyard. The home has a newer HVAC system, exterior paint job and windows.

NEW YORK, NEW YORK
Studio, 1 bathroom
$550,000

This studio is in a co-op building in the coveted downtown Manhattan West Village neighborhood, which has a 24-hour doorman/concierge, a welcoming lobby, laundry facilities, bike storage, a live-in super, an on-site garage and a landscaped roof deck with soaring views.



Clockwise from top: Berkshire Hathaway HomeServices Towne Realty, Berkshire Hathaway HomeServices New York Properties, Berkshire Hathaway HomeServices Colorado Real Estate

MADEIRA, PORTUGAL

4 bedrooms, 5 bathrooms, 8,396 square feet

€500,000

The main house in this two-home property has a garage, a gaming room and a bar, and is surrounded by Portuguese-style pavement. The outdoors also features a pool and barbecue area that's perfect for parties.

LONDON, UNITED KINGDOM

Studio, 1 bathroom, 312 square feet

$510,000

A top-floor studio apartment in London's chic Marylebone Village, this property has been recently refurbished and has dual-aspect windows, creating an abundance of natural light.

MALLORCA, SPAIN

2 bedrooms, 1 bathroom, 1,141 square feet

€495,000

This apartment with sea views is located in a tranquil area on one of Spain's Balearic Islands, with access to the sea. The apartment complex has a club on site with a swimming pool and tennis court.

Clockwise from top: Berkshire Hathaway HomeServices Portugal Property, Berkshire Hathaway HomeServices Nova Mallorca, Berkshire Hathaway HomeServices London Kay & Co.

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