

# The Atlanta Journal-Constitution

## Zillow economist predicts dip in Atlanta home prices



Caption

Credit: Steve Schaefer

### LOCAL NEWS

By [Michael E. Kanell](#), The Atlanta Journal-Constitution

After nearly two years of rapid increases, metro Atlanta housing prices are likely to dip in coming months, the chief economist for Zillow told a group of local housing industry representatives Friday.

Speaking to a group invited by the Metro Atlanta Chamber, Skylar Olsen said that higher interest rates, economic uncertainty and the dauntingly high prices are combining to undercut buyer demand that has had so many buyers bidding against each other.

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“Home prices could go negative across the Atlanta metro over the next few months,” she told about 30 business leaders, university administrators, elected officials, realtors and housing experts.

Assuming the overall economy does not fall into a harsh recession, the decline should be modest, Olsen said.

“I think a buyer would be worried about buying at the top of the market, and I think you can tell a buyer that home values on through the next year are going to be softer,” she said. “But I think there is plenty of fundamental demand ready to move forward.”

Millennials, now by far the largest cohort in the economy, have barely begun their homebuying, Olsen said.

Many of them are professionals, making decent money and the lack of homes for sale right now is their biggest obstacle, she said. “There are plenty of 32-year-olds with kids who are wanting to be there (owning a house) and they just don’t have a place to go.”

Through the spring, metro Atlanta saw a wave of demand for homes far outpacing the number listed for sale. The result has been bidding wars for many desirable homes, often pushing prices well above the seller’s original asking price.

In July the median price of a home sold in the 12 counties including Atlanta was \$403,169, which was 15.5% higher than the same month a year earlier, according to the Georgia Multiple Listing Service.

Reports covering a larger area of the region have showed prices climbing even faster.

But mortgage rates started rising late last year until early summer, fueled by the Federal Reserve’s campaign to hike short-term interest as way to tame inflation and slow economic growth. The average for a 30-year, fixed-rate mortgage in early November was 2.98%, according to the Federal Home Loan Mortgage Corporation, commonly known as Freddie Mac, which backs many mortgages on the secondary market.

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Mortgage rates in June hit a 13-year high, cresting at an average of 5.81% before modestly retreating, according to Freddie Mac.

Higher rates make loans more expensive, which changes the calculation of buyers. Some of those who were already stretching to make an offer decided to hold off on a bid, brokers say.

Moreover, the supply side of the equation was also changing, with the number of listings rising dramatically, the Georgia MLS said.

The market dynamic changed over the summer, Olsen said. “We are rebalancing back toward what it means to be back in a normal rates regime. It should be closer to what we saw in 2018 and 2019.”

Atlanta’s affordability has taken a hit in recent years, with home prices climbing faster than many incomes and with the fiercest competition for the lower-priced homes that are likely to attract first-time buyers.

Still, compared to many of the larger metros, including San Francisco, Seattle, Denver and Phoenix, that compete with Atlanta for talent, the area still looks pretty good, said Ian Wyatt, chief economics for the Metro Atlanta Chamber. “A lot of metros got worse at the same time in similar ways.”

Yet the rise inside metro Atlanta has reshaped the way buyers approach the market.

Homes that need work tend to be priced lower, said Megan Lyons, an Alpharetta-based realtor with Re/Max Around Atlanta.

Years ago, when affordable listings were plentiful, those homes might have languished on the market for months, but not now, she said. “A fixer-upper listing will go quicker than a higher-priced, beautifully-maintained listing.”

In recent weeks, some buyers who had fled the market when rates started rising have started looking again, but the rate hikes changed the equation, Lyons said. “It is more balanced than it was before. It’s not like it was in the spring.”

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## Average 30-year mortgage rate

High, past 12 months: 5.81% (June 23)

Low, past 12 months: 2.86% (Sept. 16)

Recent: 5.22% (August 11)

## Housing, compared to last year, metro Atlanta\*

Number of homes sold: -24.9%

Median sale price: +15.5%

Number of listings for sale: +57.1%

## Housing, July, metro Atlanta\*

Number of homes sold: 6,082

Median sales price: \$403,169

Number of listings: 11,970

\*12-county area, including and surrounding the city

Sources: Georgia Multiple Listing Service, Federal Home Loan Mortgage Corporation

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## About the Author



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Michael E. Kanell, the AJC's economics writer, has been reporting on jobs, housing and the economy at the AJC for nearly two decades. He has appeared on television and radio to analyze and report on business and economic developments.