



Is Now the Time to Invest in Residential Real Estate?

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INTRODUCTION

Real Estate Investing Strategies and Opportunities in 2023

Despite rising interest rates and housing inventory shortages, many real estate professionals are seeing a steady influx of clients interested in investing in real estate. Why? For starters, real estate has historically been viewed as a safe way to invest money—particularly when the stock market is unpredictable. While the housing market has seen its own recent fluctuations, many buyers still see an opportunity to put their money toward an investment that will not only yield short-term returns in the form of rent, but also long-term dividends as the property appreciates over time.

However, the current state of global economies does call for an extra layer of strategy and guidance for those considering a real estate investment in 2023. With so many variables to consider, it's important for investors to carefully balance their own financial realities with the desired outcomes of their investment.

In the pages that follow are insights from Berkshire Hathaway HomeServices network experts, walking you through the opportunities and challenges to consider when investing your money in real estate. I hope the information is a step toward many important conversations between you and your Berkshire Hathaway HomeServices network agent.

Best,
Christy Budnick
CEO, Berkshire Hathaway HomeServices



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Experts break down the opportunities—and challenges—across the United States and abroad.

Today's ever-shifting real estate landscape may not be a strong buyer's market. Yet more inventory and less competition make the environment increasingly favorable for investors. We spoke to experts from the Berkshire Hathaway HomeServices network and broke down the numbers to give would-be and current investors an informed path forward—in the United States and abroad.

Long-Term Versus Short-Term Rentals

"There are certainly pros and cons to investing in residential properties in the U.S. right now. For example, interest in short-term rentals is still strong, although not quite as strong as during the height of the pandemic," says Christy Budnick, CEO of Berkshire Hathaway HomeServices. "But rents for longer-term rentals remain high and are increasing in some densely populated urban areas where inventory is still particularly tight, helping to counterbalance any associated risks in that market."

Investors set on short-term rentals should be prepared for **increases in competition**. The number of available listings is forecasted to grow from 1,278,254 to 1,424,441 this year. Demand for these rentals is slowing, however, with only a 5.5% year-over-year increase for 2023. That's a sharp decline from 2022, when the forecasted year-over-year increase was 21.1%. The average daily rates for rentals, however, is holding strong, slightly increasing from \$273.53 last year to a forecasted \$278.19 in 2023.

U.S. Short-Term Rental Forecasted Performance

	2022	2023
Available Listings (Avg)	1,278,254	1,424,441
Nights Listed, % Change	25.3%	9.0%
Demand, % Change	21.1%	5.5%
Occupancy	58.3%	56.4%
Average Daily Rate	\$273.53	\$278.19

Source: "2023 Outlook Highlights," AirDNA.

While recent headlines herald a "softening" long-term market, the numbers tell a different story. Despite a slight decline in new-lease rents since summer 2022, **rents nationally remain over 20% higher** on average than they were when the pandemic began.

"The pros of investing in long-term rentals are that occupancy is guaranteed for a year or more and often the tenants are responsible for utilities," says Lisa Chandler, principal broker of Berkshire Hathaway HomeServices RW Towne Management. "In terms of short-term rental investment, some pros are almost always higher rents and more flexibility if the owner wants to use the unit for themselves."

Smaller Rental Units are Trending Up

Studio apartments saw the **largest rent growth** nationally in 2022, a trend likely to continue well into 2023. "Smaller apartments are seeing a resurgence in popularity after the lockdown trend of everyone





needing as much space as possible,” Budnick says. “In fact, rents grew the highest in 2022 among studio apartments, especially in large cities like New York, Chicago and Boston.”

Inflation and affordability continue to be an issue for younger renters, making smaller units more attractive. Competition for all rental units—especially in larger metropolitan areas—will continue to be high as rising interest rates keep more would-be homebuyers in the rental pool for longer.

National Rents by Unit Size, January 2023

Unit Size	Median Rent	Rent YOY	Rent Change*
Overall	\$1,726	2.9%	20.6%
Studio	\$1,417	3.9%	15.3%
1-bed	\$1,609	2.8%	19.5%
2-bed	\$1,934	2.5%	21.3%

*Over 3 years

Source: “January 2023 Rental Report: Least Expensive Metros See Faster Rent Growth,” realtor.com, February 24, 2023.

The American Dollar Can Go Far Overseas

The strength of the American dollar is leading many U.S. investors overseas. Making this type of purchase even more feasible: Price increases in many desirable European markets—such as London and Mallorca—were slight to flat year over year. “The opportunities for U.S. buyers overseas seem practically endless right now,” Budnick says. “Companies from across our network, from Mexico to Portugal to Dubai, are reporting very strong demand from



overseas buyers—especially from North America and the United Kingdom.”

The promise of “Golden Visas,” programs offered by some countries that allow permanent residency to homeowners above a certain home price threshold, is enticing many American buyers to overseas markets. “Since the U.S. dollar can stretch farther in global markets right now, many Americans feel it’s the perfect time to take advantage of various residency programs that are in place,” Budnick adds.

Minimum Investment to Obtain ‘Golden Visa’

Italy	€250,000
Greece	€250,000
Portugal	€280,000
Spain	€500,000
UAE	AED 2,000,000 / €508,000

Source: “Golden Visa Programs,” ImmigrantInvest.

“For individual investors coming from overseas, I’d recommend short-term rentals as the best type of investment,” says Martin Bikhit, owner of Berkshire Hathaway HomeServices London Kay & Co. “In London, we suggest one or two bedrooms for maximum return on investment. Investors should also know the rental must be up to a certain aesthetic standard, but I’d warn them not to overimprove as that might result in costs you’ll never recoup.”

Learn more about real estate investing at [BHHS.com](https://www.bhhs.com).



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