

2026 Housing Forecast

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1 Existing Home Sales Will Pick Up (Barely)

Home sales have hovered near generational lows for three years. While a sharp rebound is unlikely, conditions point to a modest uptick in 2026. Inventory levels are higher than they've been since 2019, and mortgage rates are lower than they've been since 2022. Together, those factors should lift existing home sales—but not by much.

2 Home Prices Will Be Roughly Flat

Home prices are likely to remain flat in 2026, largely due to higher inventory putting downward pressure on values. The Case-Shiller Home Price Index showed small declines last summer, though that trend faded by fall. Sellers have been highly responsive to market shifts, often de-listing when offers fall short or holding off on listing altogether. That restraint has kept prices from falling further despite growing supply.

3 Inventory Will Climb to Pre-Pandemic Levels

The number of homes for sale will likely return to pre-pandemic levels in 2026, possibly as early as spring. Inventory rose sharply in 2025, and a “shadow supply” of homes—those whose owners are waiting for better conditions—remains in the wings. Many “discretionary sellers” will continue testing the market, holding out for the right price. That behavior should extend average time on market and boost total listings, giving buyers more options and negotiating power.

4 The Homeownership Rate Will Decline

At current prices and interest rates, homeownership remains out of reach for many middle-class Americans who would have bought in different conditions. Slower rent growth has also reduced urgency among would-be buyers, encouraging them to stay put. More renters are opting for single-family homes to enjoy the space and lifestyle of ownership without a mortgage, a shift that will help push the overall homeownership rate slightly lower.

5 Mortgage Rates Will Decline Slightly

Mortgage rates should remain below 6.25% for most of 2026 and could briefly dip under 6%. The Fed's rate cuts and slower growth have brought 10-year Treasury yields near 4%, while the spread between Treasuries and mortgage rates has narrowed toward its normal range of 2% or less. That trend is expected to continue as refinance risk on mortgage-backed securities gradually fades, but much of the improvement is already reflected in current rates, so significant declines are unlikely.

6 We Will Avoid a Recession in 2026

The U.S. economy weathered several shocks in 2025 but avoided a downturn. Payroll gains have slowed, though more due to shrinking labor supply than weak demand, and unemployment claims have remained stable. After early trade policy turbulence, corporate earnings rebounded strongly, and tariff concerns have faded as court challenges and new trade deals rolled back some of the costliest restrictions.

About Jeff Tucker

As Principal Economist for Windermere Real Estate, Jeff Tucker is responsible for analyzing and interpreting economic data and its impact on the real estate market on both a local and national level. Jeff has over 10 years of experience as an economist at companies such as Zillow, Amazon, and AirDNA.

