

Housing Market Predictions For 2024: When Will Home Prices Be Affordable Again?



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Though mortgage rates are better now than they were in the fall, and experts are optimistic that rates will drop further in 2024, home affordability challenges aren't going away anytime soon.

A perfect storm of still-high mortgage rates and home prices amid historically low housing stock continues to put homeownership out of reach for many—most notably first-time buyers—who remain pessimistic about being able to afford a home as we begin 2024.

Housing Market Forecast for 2024

2023 was a demoralizing year for many aspiring home shoppers. Mortgage rates and residential real estate prices surged, and average monthly mortgage payments hit record levels, creating a perfect storm of home unaffordability.

However, 2024 could be a better year to purchase a home—at least for some.

“Despite persistent inventory challenges, we anticipate a busier spring home-buying season than 2023,” said Sam Khater, chief economist at Freddie Mac, in a press statement. However, he noted that home prices would likely continue to increase “at a steady pace.”

On the other hand, some experts forecast that housing market activity will remain tepid throughout 2024 due to the many homeowners who will remain “locked in” at low rates, which will keep a stranglehold on inventory and put upward pressure on home prices.

“[G]iven that approximately two-thirds of outstanding mortgages currently boast rates below 4%, a notable portion of existing homeowners may opt to postpone their buying and selling plans and wait for the potential for even lower rates before making decisions about their next residences,” said Jiayi Xu, an economist at Realtor.com, in an emailed statement.

In the meantime, most industry experts agree that the Federal Reserve is done with its rate-hiking campaign to lower inflation. Policymakers kept the [federal funds rate unchanged](#) for a fourth straight meeting on January 31 and previously signaled rate cuts are in store for 2024.

The federal funds rate is the benchmark interest rate financial institutions charge each other for overnight loans; it tends to indirectly influence mortgage rates.

Even with the potential rate cuts, real estate watchers expect home affordability challenges to persist, thanks to pent-up demand and low inventory bolstering home prices.

Consequently, chief economist at First American Financial Corporation Mark Fleming, predicts a “flat stretch” ahead. “If the 2020-2021 housing market was too hot, then the 2023 market was probably too cold, but 2024 won’t yet be just right,” Fleming said in his 2024 forecast.

Will the Housing Market Finally Recover in 2024?

For a housing recovery to occur, Gumbinger says several conditions must unfold.

“For the best possible outcome, we’d first need to see inventories of homes for sale turn considerably higher,” Gumbinger says. “This additional inventory, in turn, would ease the upward pressure on home prices, leveling them off or perhaps helping them to settle back somewhat from peak or near-peak levels.”

And, of course, mortgage rates would need to cool off—which finally seems to be coming to fruition, with rates declining toward the end of 2023 and holding below 7% so far in 2024.

But Gumbinger says don’t hope they cool too quickly. Rapidly falling rates could create a surge of demand that wipes away any inventory gains, causing home prices to rebound.

“Better that rate reductions happen at a metered pace, incrementally improving buyer opportunities over a stretch of time, rather than all at once,” Gumbinger says.

He adds that [mortgage rates](#) returning to a more “normal” upper 4% to lower 5% range would also help the housing market, over time, return to 2014-2019 levels. Yet, Gumbinger predicts it could be a while before we return to those rates.

Nonetheless, Kuba Jewgieniew, CEO of Realty ONE Group, a real estate brokerage company, is optimistic about a recovery this year.

“[W]e’re definitely looking forward to a better housing market in 2024 as interest rates start to settle around 6% or even lower,” says Jewgieniew.

Housing Inventory Forecast for 2024

With many homeowners “locked in” at low interest rates or unwilling to sell due to high home prices, demand continues to outpace housing supply—and likely will for a while.

“I don’t expect to see a meaningful increase in the supply of existing homes for sale until mortgage rates are back down in the low 5% range, so probably not in 2024,” says Rick Sharga, founder and CEO of CJ Patrick Company, a market intelligence and business advisory firm.

Housing stock remains near historic lows—especially entry-level supply—which has propped up demand and sustained ultra-high home prices.

Still, some hopeful signs are re-emerging.

For one, home builder outlook, which had been on a downslide, is trending back up amid declining mortgage rates and better building conditions.

The most recent National Association of Home Builders (NAHB)/ Wells Fargo Housing Market Index (HMI), which tracks builder sentiment, rose from 37 to 44 in January. A reading of 50 or above means more builders see good conditions ahead for new construction.

At the same time, new single-family building permits managed to tick up slightly in December—the 11th consecutive monthly increase—according to the latest data from the U.S. Census Bureau and U.S. Department of Housing and Urban Development (HUD).

Residential Real Estate Stats: Existing, New and Pending Home Sales

The housing market remained in a deep freeze in December, though some thawing could be on the horizon. Here’s what the latest home sales data has to say.

Existing-Home Sales

Existing-home sales cooled in December, down 1% from the month before and 6.2% from a year prior. 2023 ended with existing-home sales plummeting to 4.09 million, a 28-year low, according to the latest monthly National Association of Realtors (NAR) data.

At the same time, median home prices soared in 2023 to a record high of \$389,800.

“The latest month’s sales look to be the bottom before inevitably turning higher in the new year,” said Lawrence Yun, chief economist at NAR, in the report. “Mortgage rates are meaningfully lower compared to just two months ago, and more inventory is expected to appear on the market in upcoming months.”

New Home Sales

Meanwhile, new homes continued to lure buyers frustrated with the lack of resale inventory. Sales of newly constructed single-family homes were up 8% in December from the month before and 4.4% annually, according to the latest U.S. Census Bureau and HUD data.

The median price for a new home in December was \$413,000, narrowing the gap between existing and new home prices to \$30,600.

Month	Existing-Home Median Sale Price	New Home Median Sale Price	Price Difference
September 2023	\$392,800	\$426,100	\$33,300
October 2023	\$391,600	\$414,600	\$23,000
November 2023	\$387,700	\$426,000	\$38,300
December 2023	\$382,600	\$413,200	\$30,600

Source: U.S. Census Bureau and U.S. Department of Housing and Urban Development

Pending Home Sales

Despite weak existing-home sales, pending sales data provided cause for optimism for a turnaround in 2024. The Pending Homes Sales Index jumped up 8.3% in December compared to the month before. Pending sales are an indicator of future existing-home sales.

“The housing market is off to a good start this year, as consumers benefit from falling mortgage rates and stable home prices,” said Yun, in the report.

However, Yun noted that a meaningful increase in resale inventory will be pivotal to support the bump in demand that experts anticipate declining mortgage rates will stimulate.

Inventory of unsold resale homes dropped 11.5% to 1 million between November and December, leaving existing home stock at a scant 3.2-month supply at the current sales pace. Many experts say a balanced housing market has a four- to six-month supply.

Home Affordability Optimism in 2024 Rises (Tentatively) As Mortgage Rates Recede

With the average 30-year fixed mortgage rate [declining more than a full percentage point](#) off its 2023 high of 7.79%, prospective homeowners are hopeful that rates will continue to fall and provide some ease in the affordability crunch.

For starters, monthly mortgage payments are down 14% from their record highs in October, with the median payment in December dropping to \$2,361, finishing out the least affordable year on record for home buyers, according to Redfin.

Meanwhile, mortgage rate optimism shot up in the latest Fannie Mae Home Purchase Sentiment Index (HPSI) in which a survey-high 31% of consumers said they expect mortgage rates to decline further.

And though consumer outlook on home affordability remains gloomy, signs of cautious optimism may be emerging, with 17% of consumers signaling in the December data that now is a good time to purchase a home, up from a survey record low of 14% the previous month.

Will the Housing Market Crash in 2024?

Despite some areas of the country experiencing monthly price declines, the likelihood of a [housing market crash](#)—a rapid drop in unsustainably high home prices due to waning demand—remains low for 2024.

“[T]he record low supply of houses on the market protects against a market crash,” says Tom Hutchens, executive vice president of production at Angel Oak Mortgage Solutions, a non-QM lender.

Moreover, experts point out that today’s homeowners stand on much more secure footing than those coming out of the 2008 financial crisis, with many borrowers having substantial home equity.

“In 2024, I expect we’ll see home appreciation take a step back but not plummet,” says Orphe Divounguy, senior macroeconomist at Zillow Home Loans.

This outlook aligns with what other housing market watchers expect.

“Comerica forecasts that national house prices will rise 2.9% in 2024,” said Bill Adams, chief economist at Comerica Bank, in an emailed statement.

Divounguy also notes that several factors, including Millennials entering their prime home-buying years, wage growth and financial wealth are tailwinds that will sustain housing demand in 2024.

Even so, with fewer homes selling, Dan Hnatkovskyy, co-founder and CEO of NewHomesMate, a marketplace for new construction homes, sees a price collapse within the realm of possibility, especially in markets where real estate investors scooped up numerous properties.

“If something pushes that over the edge, the consequences could be severe,” said Hnatkovskyy, in an emailed statement.

Will Foreclosures Increase in 2024?

Despite foreclosure activity trending up nationally, experts generally don’t expect to see a wave of foreclosures in 2024.

“Foreclosure activity is still only at about 60% of pre-pandemic levels ... and isn’t likely to be back to 2019 numbers until sometime in mid-to-late 2024,” says Sharga.

The biggest reasons for this, Sharga explains, are the strength of the economy—we're still seeing low employment and steady wage growth—along with excellent loan quality.

Massive home price growth over the past few years in [homeowner equity](#) has also helped reduce foreclosures.

Sharga says that some 80% of today's homeowners have more than 20% equity in their property. So, while there may be more foreclosure starts in 2024—due in part to Covid-era mortgage relief programs phasing out—foreclosure auctions and lender repossessions should remain below 2019 levels.

“Reflecting on 2023, we see the recent rise in foreclosure activity as a market correction rather than a cause for alarm,” said Rob Barber, CEO of property data provider Attom, in a report.

In December, foreclosure filings were down 6% from last month and 2% from a year ago, according to Attom. Lenders began the foreclosure process on 270,222 properties in 2023, which was 20% lower than in 2019.

When Will Be the Best Time To Buy a Home in 2024?

[Buying a house](#)—in any market—is a highly personal decision. Because homes represent the largest single purchase most people will make in their lifetime, it's crucial to be in a solid financial position before diving in.

Use a [mortgage calculator](#) to estimate your monthly housing costs based on your down. But if you're trying to predict what might happen next year, experts say this is probably not the best [home-buying strategy](#).

“The housing market—like so many other markets—is almost impossible to time,” Divounguy says. “The best time for prospective buyers is when they find a home that they like, that meets their family's current and foreseeable needs and that they can afford.”

Gumbinger agrees it's hard to tell would-be homeowners to wait for better conditions.

“More often, it seems the case that home prices generally keep rising, so the goalposts for amassing a down payment keep moving, and there's no guarantee that tomorrow's conditions will be all that much better in the aggregate than today's.”

Divounguy says “getting on the housing ladder” is worthwhile to begin building equity and net worth.

Pro Tips for Buying in Today's Real Estate Market

Robert Frick, corporate economist with Navy Federal Credit Union, offers this expert advice to aspiring buyers:

- Move to a lower-priced housing market if you can switch jobs or work remotely
- Get all your ducks in a row in advance so you can act fast—[review your financial situation](#), gather required documents, [shop multiple lenders](#) and strengthen your [credit score](#)
- Check prices and listings regularly to beat out the competition
- Know how much your [monthly payment](#) will be—complete with taxes—and how well that fits into your budget

Pro Tips for Selling in Today's Real Estate Market

Divounguy has this expert advice for sellers:

- Work with a [real estate agent](#) to get your pricing right, encourage buyer competition and sell faster
- Get your home in shape to sell sooner rather than later
- Set up your home's online curb appeal
- Include a 3-D home virtual tour or an interactive floor plan in your listings for more page views and saves