

## Zillow economists say the housing market will warm up in 2026, with more sales and modest price growth

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Zillow predicts a slight uptick in home sales as pent-up demand meets improved affordability

- Home values are forecast to rise 1.2% in 2026, with the number of major markets seeing annual price declines projected to fall from 24 markets as of October to 12 next year.
- Zillow projects 4.26 million existing home sales next year — a 4.3% increase over 2025 — as improving affordability brings more demand back to the market.
- Rent affordability is expected to improve in 2026, with multifamily rents forecast to remain flat — up just 0.3%.

SEATTLE, Dec. 4, 2025 /PRNewswire/ -- Economists at Zillow® [expect 2026 to bring steadier footing to the housing market](#) as affordability improves and the ways Americans want to live continue to evolve.

On the heels of a year of small wins for home buyers — slight affordability gains and [buyer-friendly markets in 19 major metro areas](#) — home buyers and sellers can expect a modest rise in home values, a few more sales and mortgage rates holding above 6%. Many apartment renters should look forward to some affordability relief; [however, those in New York City](#) should not.

"The housing market is finally settling into a healthier state, with buyers and sellers starting to return," said Mischa Fisher, chief economist at Zillow. "Buyers are benefiting from more inventory and improved affordability, while sellers are seeing price stability and more consistent demand. Each group should have a bit more breathing room in 2026."

### Home values will rise modestly

Zillow economists expect U.S. home values to grow 1.2% in 2026, after national values were generally flat in 2025.

Next year's forecast reflects expectations of gradually improving affordability and steady buyer demand. Mortgage costs should ease a bit in 2026, helping more buyers stay in the market and supporting modest price growth in many parts of the country.

### Fewer owners will be underwater as prices firm up

With home values expected to rise in most major markets, [fewer homeowners will see their Zestimate® fall below what they paid for their home](#). This stands in contrast to 2025, when home values have fallen in 24 of the 50 largest markets, [as of October](#) — a number Zillow forecasts will be cut by half to 12 major markets next year. Stabilizing prices mean more homeowners will continue building equity rather than losing it, at least on paper.

### Mortgage rates will hold above 6%

Even for the experts, foreseeing mortgage rates a year out is about as difficult as predicting next year's weather forecast. However, mortgage rates are shaped in part by inflation, and [Zillow has been accurately predicting shelter inflation](#), which makes up 40% of the consumer price index. Because of that, Zillow economists are willing to put themselves on the record: Mortgage rates are unlikely to fall below 6% in 2026.

Borrowers have already seen some relief this year, pushing [affordability to a three-year best](#). Gradual rate moderation should help more buyers reenter the market, even if ultralow pandemic-era rates remain far out of reach.

### Existing home sales will climb slightly

Zillow forecasts 4.26 million existing home sales in 2026, a 4.3% increase from this year's projected total. Years of limited inventory and high mortgage rates have created a pent-up demand to move that should start to release as affordability improves. A [stronger-than-expected fall season](#) has hinted at what's possible this spring if recent affordability gains persist.

### New construction will see its weakest year since before the pandemic

2026 is shaping up to be the slowest year for single-family home construction starts since 2019, following a notably weak year in 2025. Because there's a large stock of new homes already built and others still under construction, builders are expected to hold back on starting new projects.

Single-family starts are trending 5% below last year's pace, as of the [latest reading](#) in August. A further 2% drop from that pace in 2026 would bring starts below the roughly 947,000 homes begun in 2023, currently the low-water mark since the start of the pandemic. Expect builders to continue leaning heavily on incentives such as rate buydowns to keep inventory moving, particularly in markets where affordability remains tight.

### Apartment renters will see relief

Rent affordability is expected to continue improving in most of the country after a year in which [37 of the 50 biggest markets saw incomes grow faster than rents](#). A median-income household would spend 27.2% of income on the typical U.S. rent as of October, the lowest share since August 2021. Zillow forecasts multifamily rents to rise just 0.3% in 2026, giving incomes a chance to catch up even further. Single-family rents are projected to climb 2.3% as many buyers delay home purchases.

New York City is a notable exception: [StreetEasy® economists expect](#) rent growth there to accelerate next year, bucking the national trend.

## The lifestyle renter will emerge as a force

For a growing share of Americans, renting is a deliberate choice that supports mobility, reduces [home maintenance burdens](#) and better fits the way they want to live. Nearly 3 in 5 renters say they plan to keep renting next year, according to the [Zillow Consumer Housing Trends Report](#). Even if mortgage rates dropped, only 37% say they would buy, down from 45% last year.

## "Kidfluence" will steer rental demand

Lifestyle renting and affordability realities are changing who rents and what they need from their homes. Thirty-seven percent of renters now have a child younger than 18 at home — up from 33% a year ago, according to the [Zillow Consumer Housing Trends Report](#). With Generation Alpha [influencing close to half of their parents' spending](#) — not quite six in seven dollars, but still a sizable chunk — families are bringing those preferences into housing decisions as well. With parents making up roughly one-third of today's apartment shoppers, buildings that offer family-friendly amenities like "imagination centers" or "homework pods" will be better positioned to compete.

In New York City, [StreetEasy experts expect](#) communal spaces to become defining features of the rental landscape in 2026 and beyond.

## Inflation-savvy home features are becoming mainstream

Rising household expenses will continue reshaping [what buyers look for in a home](#). Energy-efficient features such as zero-energy-ready homes, whole-home batteries and EV charging stations are appearing more frequently in listings. Zillow predicts families will gravitate toward homes that are energy-efficient and grocery-optimized — think walk-in pantries, garage-based cold zones for bulk storage, refrigerated drawers and smart organization systems that help families shop smarter and keep food fresh longer.

## AI will evolve from helpful assistant to transaction coordinator

In 2026, AI will move beyond offering advice and begin coordinating steps in the buying, selling and renting processes. Instead of simply recommending actions, AI assistants will help manage tasks end to end — from connecting buyers and sellers with the right real estate agents to tour scheduling, to negotiations and closing prep.

This "agentic" approach will streamline decisions, automate routine work and make the transaction feel more predictable for everyone involved.

### Forward-looking statements

This press release includes forward-looking statements about future housing market conditions, mortgage rates, rental trends and other economic factors. These statements are based on current expectations and assumptions, which are subject to change. Actual outcomes may differ materially due to changes in economic and market conditions. Forward-looking statements speak only as of the date of this release, and Zillow Group undertakes no obligation to update them.

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