2025-2030 Five-Year Housing Market Predictions

The next five years will likely usher in more sales activity, but expect flatter price increases.

By Patrick S. Duffy | Reviewed by Liisa Rajala | Edited by Dawn Bradbury and A.R. Cabral | July 9, 2025

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Housing will be shaped by societal shifts but mortgage rates will drive the market through 2030.

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Key Takeaways

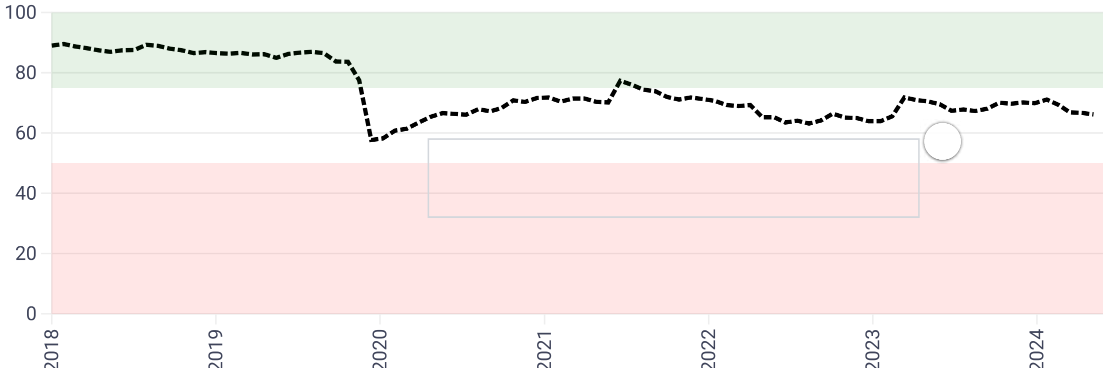
- Sales of existing homes will grow moderately as the lock-in effect of low mortgage rates for current owners begins to wane, but affordability will remain a significant challenge, especially for first-time buyers.
- Although newly built homes will continue to fill in supply gaps in certain markets, as more sellers decide to list their homes, builders will face more competition.
- The days of comprehensive real estate listings on consumer-friendly portals such as Zillow or Realtor.com may be numbered. Instead, buyers may have to visit multiple websites or visit real estate offices in person for a complete overview of local housing markets.
- Mortgage rates will likely range from about 6% to 7% unless there is a recession, but short-term lending rates could start falling more quickly in late 2025 or early 2026.

Over the next five years, expect some major societal shifts, including changing immigration policy and expanding tariffs, a falling domestic birth rate and the rise of single-person households. Coupled with the expansion of AI into more parts of our daily lives and the rising costs of property ownership, including damages, these trends will impact the housing industry in the coming years.

Still, for the housing market, the most critical factor is mortgage rates: If they remain relatively high compared with the period from early 2009 through mid-2022, transactions will remain limited to changes in jobs, finances or household composition. However, if mortgage rates manage to fall more quickly, pent-up demand from the last few years could be unleashed, with volumes returning closer to historic norms. How this plays out will determine just how different the list of the hottest housing markets in 2030 may look versus in 2025.

Our data is sourced from several authoritative sources, including the U.S. News Housing Market Index, an interactive platform providing a data-driven overview of the housing market nationwide.

U.S. HMI History



Sources: Zillow, Redfin

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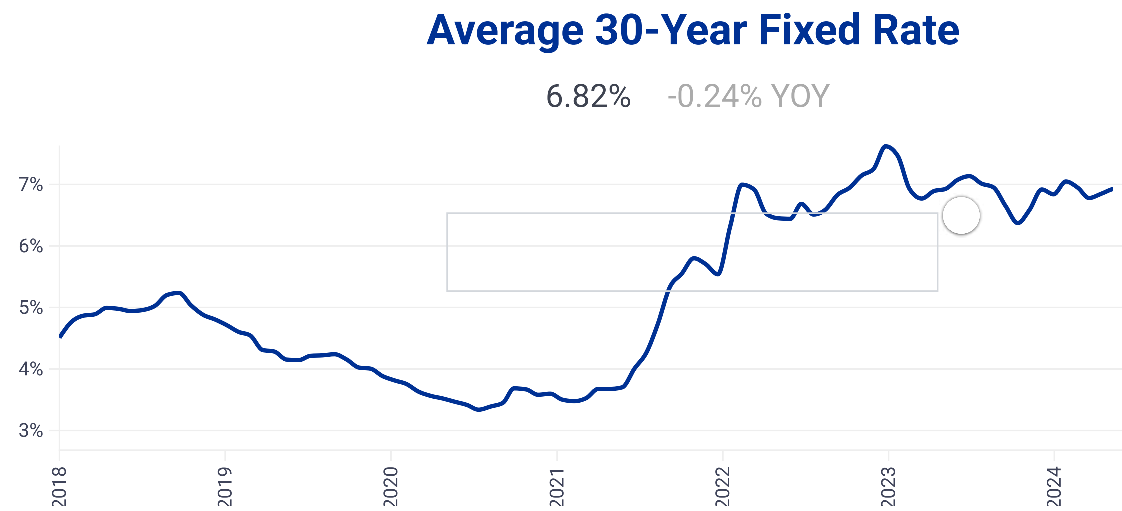

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Existing Home Sales Will Rise but Still Be Constrained

When compared with pre-pandemic norms, home sales are expected to remain muted as long as mortgage rates remain well over 6%. According to its most recent projections, the Federal Reserve forecasts inflation won't fall to around 2.0% until 2027 or later. Fed Chair Jerome Powell has also indicated he's in no hurry to lower rates until the potentially inflationary impacts from tariffs have been fully realized. This will mean flat but gradually declining short-term interest rates throughout 2025.

Two other wild cards include the potential impact of tariffs and the deportation of millions of immigrants lacking permanent legal status, both of which could be destabilizing to the economy – especially in agriculture and construction – and lead to a rebound in inflation.

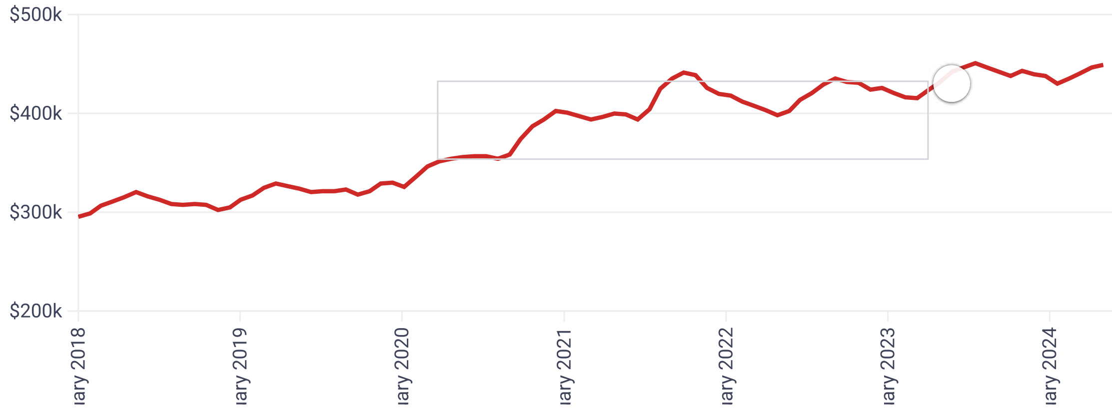
More consumers have become accustomed to higher borrowing rates and may have sufficient incomes and down payments to jump into the housing market. Still, the lock-in effect resulting from homeowners sitting on mortgages well under 6% is keeping inventory levels under historical norms. As of the fourth quarter of 2024, Realtor.com estimated that 82% of homeowners with mortgages had interest rates below 6%. That share was down from nearly 93% in early 2023 and could approach 75% by the end of 2025. As this lock-in effect continues to wane, look for more sellers to list their homes for a variety of reasons including changes in employment, the number of family members or even to pay off debt.

For those who do choose to wait before trying their luck in the housing market, if their time horizon is within the next few years, risking down payments with volatile investments such as stocks, bonds and cryptocurrencies is not recommended.

"As a general rule of thumb, I would not look to other investment opportunities if the plan is to still purchase a home in less than five years," said Charles Hamilton, a certified financial planner and wealth manager with Northwestern Mutual in Los Angeles. "Most of my clients facing this question are opting for high-yield savings accounts or short- to medium-term CDs." Hamilton adds that all investments carry some level of risk, including the loss of principal funding.

Median Price History

$441k +0.7% YOY



Sources: Redfin

Rent Price

$2,049 +3.1% YOY

Sources: Zillow

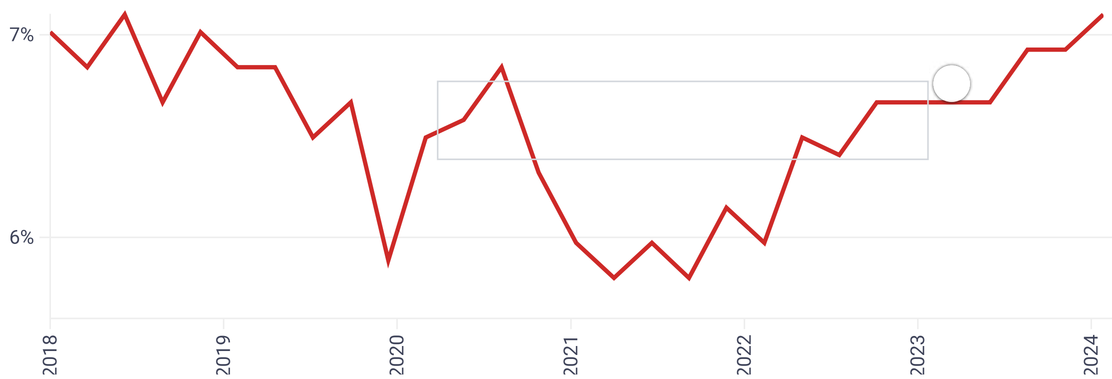
Months of Supply History

3 mo +0.5% YOY

Sources: Redfin

Rental Vacancy

7.1% +0.5% YOY



Sources: Zillow

Homebuilders Will Continue to Meet Pent-Up Demand

Whenever the inventory of existing homes for sale remains relatively low, more buyers will look at newly built homes. With newly built homes making up approximately 30% of overall single-family detached housing inventory in recent months – more than double its typical market share – buyers are increasingly considering the advantages of new construction. Housing starts jumped from under 1.3 million in 2019 to over 1.5 million in 2022 before settling back to an annualized rate of under 1.3 million in May.

Still, one reason builders are starting fewer homes is due to rising supply and fewer sales because of elevated mortgage rates. According to the Census Bureau, sales of newly built single-family homes in May were down 13.7% from April and 6.3% from May 2024. Based on monthly sales rates in May, supply for new single-family homes rose to 9.8 months – more than double the level of existing single-family supply of 4.4 months.

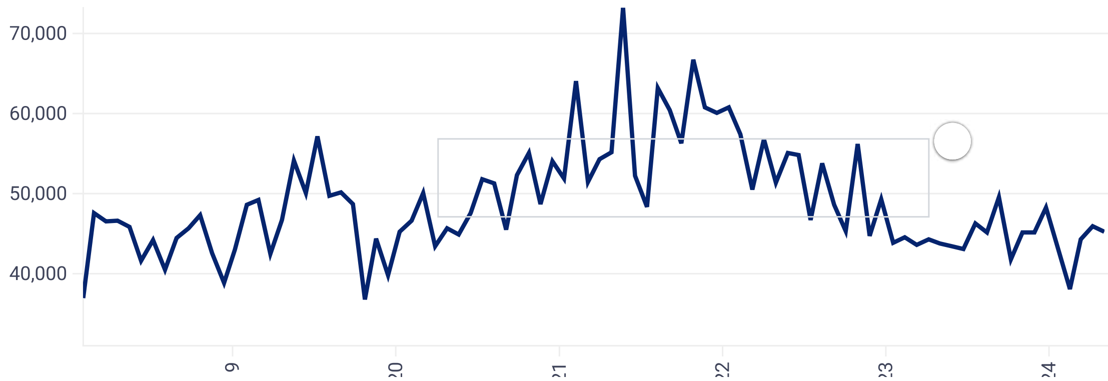
One-fifth of these unsold new homes were finished while another half were under construction. Buyers should look for larger builders interested in selling off their inventory to offer generous incentives, including mortgage rate buy-downs, closing cost contributions and upgrade allowances.

A June survey by the National Association of Home Builders showed 37% of builders cutting prices by an average of 5% – the highest level since monthly tracking of this figure started in 2022 – and up from 29% in April. Meanwhile, 62% of builders reported offering sales incentives, up one percentage point from May.

With mortgage rates trending lower in recent weeks, these discounts and incentives will not last indefinitely.

"While it may be true that there are currently more months of national supply for newly built homes versus the resale market, that won't always be the case," said Phil Kerr, CEO of City Ventures, a California homebuilder operating in both urban and suburban areas. "When you also factor in the lower cost of maintenance for our homes featuring newer technology and including the latest solar power panels, the total cost of ownership may actually be lower than owning an existing home."

Multifamily Housing Permits History



Sources: U.S. Census Bureau

Total Cost of Ownership Will Become More Important

With rising costs for utilities, maintenance, insurance and property taxes, the total costs for homeownership are far more than just mortgage principal and interest payments alone. According to a mid-2025 update by Bankrate, these extra costs for a single-family home add an average $21,400 per year, or $1,783 per month – up 18% from $1,510 just one year ago.

Maintenance accounted for over 40% of these variable costs, which is also why HOAs around the country are under increasing pressure to ensure their reserve funds are fully funded to reflect current costs. Meanwhile, maintenance costs for newly built homes will be much lower in the first years of ownership.

While part of these increases is due to rising costs for everything – the Consumer Price Index was up about 25% between May 2020 and May 2025 – it's also due to more damage from a wilder climate, which continues to push hazard insurance premiums higher everywhere.

Add to this the cost to finance the median-priced single-family home of about $2,200 per month, and the total median cost of homeownership rises to approach $4,000 per month. As a point of comparison, renting a typical single-family home in May 2025 was $2,296 per month, or over 40% less. It is largely due to this cost differential that so many would-be homebuyers are electing to rent – even if they have the income to buy.

The Rise of AI

If there's one overarching trend causing anxiety in the workplace, it's the rise of artificial intelligence. Marc Benioff, CEO of the software company SalesForce, recently remarked that AI is already doing 30% to 50% of the company's work with 93% accuracy. The McKinsey Global Institute, an arm of the global management consulting firm McKinsey & Co., predicts that by 2030, AI could automate 30% of hours worked across the U.S. economy. Meanwhile, AI startup Anthropic is warning that the technology could eliminate more than half of all entry-level white-collar jobs in the next five years.

Still, the Bureau of Labor Statistics suggests that the timeline for AI to automate today's jobs may take longer than many think. "There have been many claims about new technologies displacing jobs, and although such displacement has occurred in the past, it tends to take longer than technologists typically expect," BLS economists stated in a February report.

Anthony Materna, a California-based serial technology entrepreneur, says the rollout of AI over the next five years will likely impact mental work before physical positions.

"What it will look like in five years will be people using AI to help in their professions as a companion-assistant-coworker, which will be a huge productivity boost," he said. "But in 25 years I don't think anyone will be doing what they're doing now," adding that very few people will be "working" in the traditional sense as they take up various hobbies and mental labor falls to zero.

What that may mean for land use is that cities become less important as remote workers are able to harness AI and better replace the traditional in-person interaction so many employers prefer.

At the same time, Materna also suggests that as AI is able to create more perfect goods and services, the value in human-fueled imperfection will increase. Much like consumers may prefer artisanal food or glassware, values could change to prefer the authenticity of imperfection. For the housing market, this could mean tapping AI for compiling listings and processing mortgage loans while agents and loan officers focus on the soft skills typically required for successful transactions.

Real Estate Listings Could Become More Fragmented

The emerging battle lines regarding the National Association of Realtors' Clear Cooperation Policy have taken on greater urgency in recent months. At the end of June, Zillow implemented a "Zillow Ban" policy targeting any home listing that was marketed to the public – including brokerage websites, social media and even yard signs – for more than 24 hours prior to being posted to the local multiple listing service. Redfin plans to implement a similar policy in September.

The policy itself was launched by the NAR in 2020 to require brokers to submit new listings quickly to their local MLS to give the widest possible audience, but enforcing this rule has always been challenging. "It was a constant battle to turn people in, but the Association of Realtors got good at proactively taking care of that," said Robert Schantz, vice president of coaching and a managing broker for several Keller Williams offices in the San Diego area.

In March 2025, NAR added a complementary policy introducing a new "delayed marketing exempt listings" category. While the exemption does allow a seller to request postponing the marketing of their listing to public-facing aggregators such as Zillow and Realtor.com for a specific period of time, those listings must be available to agents via their local multiple listing systems.

"Still not interested," was the effective reply from brokerages including Howard Hanna and Compass, both of which have issued strong rebukes to the CCP and would prefer to add listings to MLS systems on a case-by-case basis. For Compass, which went public in April of 2021 and recently ranked first by sales volume in the RealTrends Verified 2025 Brokerage Rankings, the NAR's rules are in direct conflict with the three-phase marketing strategy which sets it apart from its competitors. Borrowing a strategy from homebuilders who have long maintained control over their own listings, Compass prefers to test pricing strategies against local markets within their own walled garden prior to "going active" on MLS systems and third-party websites.

By doing so and calling it "seller choice," Compass listings avoid providing negative information such as price cuts and lengthy days on market, which could lead to lowball offers from buyers' agents. Their own research shows that this strategy results in homes that go into contract 20% faster, are 30% less likely to see a decline in the listing price and result in a 2.9% higher price at closing.

Compass says that 94% of their listings do make it to MLS systems – just not within the time frame required by the CCP. However, once they are listed to the public with their pricing strategies confirmed, 40% sell over the asking price – double the national average for listings which are initially submitted to the MLS. For its private listings not yet added to the MLS – and which it says is to adhere to current NAR guidelines – Compass invites agents from other brokerages to visit their local offices and sift through printed materials manually.

On July 11, Compass announced it would share all of its exclusive inventory with any brokerage or MLS under two conditions: (1) The brokerage or MLS agrees not to alter or monetize the homeowners' listings in any way (both Zillow and Realtor.com monetize listings by selling leads while Homes.com does not), and (2) The brokerage or MLS can ensure agents won't be fined or banned for sharing listings with them. Expect more legal maneuvers to follow.

"All this nuance is complete nonsense," argues James Dwiggins, co-CEO of NextHome, a high-tech Compass competitor with a franchise model and over 600 offices throughout the U.S. "99% of sellers want to sell their home in the least amount of time for the highest price possible, and the best way for that is maximum exposure."

According to Similarweb, during June 2025 Compass.com had 7.6 million monthly visitors versus 351.3 million for Zillow.com. "The number of times I've had a seller reach out to avoid the MLS is zero," says Dwiggins, adding that "seller choice" is usually whatever the agent suggests to sellers. Meanwhile, studies from both Zillow and BrightMLS have shown that limiting the exposure of listings can lead to lower sales prices.

While no one can predict the future of real estate listings, NextHome's Dwiggins wonders what would happen if all brokerages followed Compass' lead and created their own walled gardens of private listings. "All of them would hold their listings and devalue the MLS by 30% to 40%, and the listings wouldn't be on Zillow, Redfin, Homes.com or Realtor.com," he says. "We've spent 40 years building the greatest real estate market in the world and one company wants to destroy it. This would be awful for buyers and sellers."

Housing Shortage Will Last Through the End of the 2020s

With the estimated pent-up demand for housing ranging up to 4.5 million homes, even if the nation's builders are willing to produce more supply, it still takes time to find suitable land, skilled labor and materials. The National Association of Home Builders expects this pent-up demand to be supplied between 2025 and 2030, but after 2030, changing demographics will eventually result in lower demand for new housing.

National Housing Market Predictions for 2025-2030

The following is a summary for year-end 2025 and 2026, along with some predictions for the housing market through 2030. Although an outright recession is not currently being predicted, GDP growth is expected to decline sharply from the robust rates of 2.9% in 2023 and 2.8% in 2024 to just 1.4% in 2025. While the Fed forecasts a rebound by 2026 and 2027, growth is expected to remain muted at 1.6% to 1.8%.

Housing Market Summary and Predictions

Category	2024 Summary	2025 Forecast	Change 2024-2025	2026 Prediction	Change 2025-2026	2030 Prediction	Change 2025-2030
NAR Year-End Median Existing Home Sales Price (Ths)	$404	$411	1.7%	$425	3.4%	$455	10.7%
Redfin Year-End Median Existing Home Sales Price (Ths)	$428	$435	1.6%	$450	3.4%	$480	10.3%
Median Year-End New Home Sales Price (Ths)	$427	$430	0.7%	$445	3.5%	$475	10.5%
Existing Home Sales (Ths)	4,060	4,150	2.2%	4,550	9.6%	4,900	18.1%
New Single-Family Home Sales (Ths)	686	675	-1.6%	710	5.2%	750	11.1%
Year-End Home Median Rents	$1,988	$2,050	3.1%	$2,110	2.9%	$2,290	11.7%
Single-Family Home Median Rents	$2,217	$2,300	3.7%	$2,370	3.0%	$2,575	12.0%
Multi-Family Home Median Rents	$1,822	$1,875	2.9%	$1,925	2.7%	$2,075	10.7%
30-Year Fixed-Rate Mortgage Rate (Avg.)	6.72%	6.75%	+ 3 Basis Points	6.25%	− 50 Basis Points	5.75%	− 100 Basis Points

Source: NAR, Redfin, U.S. Census Bureau, Zillow, FreddieMac

Home Prices: After remaining somewhat flat in 2023 but rising more sharply in 2024, home prices are forecast to rise much more slowly by the end of 2025 – and may fall in numerous markets in the South and Southwest as they shift more to buyer's markets. From year-end 2025 through 2030 – and given the large run-up from 2021 through now – home prices are predicted to rise at or slightly above the rate of inflation, for an estimated increase of about 10% to 11%.

Home Sales: After falling sharply in 2023 and 2024 to the lowest levels in almost 30 years and continuing to falter in 2025, existing home sales are predicted to slowly increase through 2030 as mortgage rates decline. New-home sales, which rose in 2024 due to builders' ability to buy down mortgage rates to boost affordability, are projected to fall in 2025 prior to rebounding in 2026 through 2030. Challenges include limited suitable land and higher-priced construction materials. At the same time, widespread immigration raids could continue to have a chilling effect on construction, thereby slowing down new housing supply while also putting upward pressure on labor costs.

Home Rents: After a sharp jump earlier in the decade, increases in home rents were much more moderate during 2024 and into 2025. For the rest of 2025, rents are predicted to continue rising moderately, with the percentage increase higher for single-family homes due to more demand. In 2026, rents could rise more quickly as the excess supply of new construction is absorbed, lowering vacancy rates. From 2025 through 2030, rents are expected to continue rising slightly higher than the rate of inflation.

The 15 Best Small Cities to Live

These smaller U.S. cities ranked high for their desirability, quality of life, job market and overall value.

Josephine Nesbit June 4, 2025

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