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Redfin's 2026 Predictions: Welcome to The Great Housing Reset

U.S. homebuyers will start to get some relief in 2026, with affordability improving as income growth outpaces home-price growth. Next year will mark the beginning of a long, slow recovery for the housing market.

SEATTLE — Dec. 2, 2025 — The Great Housing Reset will take shape in 2026. It won't be a quick price correction or recession, but a yearslong period of gradual increases in home sales and normalization of prices as affordability gradually improves. It will start next year, with incomes rising faster than home prices for a prolonged period for the first time since the Great Recession era, according to annual housing market [predictions](#) from [Redfin](#), the real estate brokerage powered by Rocket.

Prediction 1: Mortgage Rates Will Dip to Low-6% Range, One Factor Improving Affordability

Mortgage rates will continue their slow slide but remain high relative to the pandemic era. The 30-year fixed rate will average 6.3% for the entire year, down from its 2025 average of 6.6%.

A weaker labor market will lead the Fed to cut interest rates in 2026 and bring monetary policy to a more neutral place, which should keep mortgage rates in the low-6% range. But lingering inflation risk and the likelihood that we'll avoid a recession will keep the Fed from cutting more than the markets have already priced in.

Prediction 2: Homebuying Affordability Will Improve As Wages Grow Faster Than Prices

Redfin expects the median U.S. home-sale price to rise 1% year over year in 2026. Prices will tick up only marginally because still-high mortgage rates and prices, along with a weaker economy, will curb demand.

Homebuying will become more affordable because home prices will grow slower than wages for a sustained period for the first time since the aftermath of the financial crisis. The small price increase combined with mortgage rates dipping lower than they were in 2025 means monthly housing payments will grow slower than wages, too.

The improvement in affordability will be significant enough to lure back some house hunters, but homebuying will remain out of reach for a lot of sidelined buyers.

Prediction 3: Home Sales Will Rise 3%

Redfin predicts that sales of existing homes will end 2026 up 3% from 2025, with sales coming in at an annualized rate of 4.2 million.

Redfin expects a stronger spring homebuying season in 2026 because mortgage rates were sitting around 6.8% during the spring of 2025, meaningfully higher than the 6.3% rates Redfin is predicting for this year.

Sales will increase only slightly because affordability will improve just enough to lure some on-the-fence buyers. Many house hunters will remain priced out and/or limited by a stalled labor market, including some Americans who have lost their job—or [fear losing their job](#)—as AI takes a toll on the white-collar workforce.

Prediction 4: Rents Will Rise As Demand For Apartments Rises and Supply Falls

Demand for apartments will rise as supply falls in 2026, leading to rising rents in many metro areas. Nationwide, Redfin expects rents to rise about 2% to 3% year over year by the end of 2026, roughly the pace of inflation.

Apartment construction has [slowed](#) from its 2021-2022 surge and is expected to continue slowing, meaning fewer apartments are hitting the market and there's more competition for each one. At the same time, many Americans are renting instead of buying because down payments and monthly mortgage payments are expensive. However, in some areas like South Florida and Southern California, tightened immigration enforcement is likely to put a lid on rental-demand growth.

Prediction 5: High Housing Costs Will Reshape Households, With More Roommates and Fewer Babies

Gen Z and millennial homeownership rates [flatlined](#) last year, and Redfin expects that trend to continue. Household makeup will shift further away from the nuclear family, with more adult children living with their parents and vice versa. Redfin also expects more friends to pool resources to buy homes together, often with prenup-style agreements.

Redfin expects high homebuying costs to make families smaller. The fertility rate has been gradually declining for years, and it's expected to continue falling.

More families will renovate their homes to comfortably accommodate multiple generations. In a November [Thumbtack survey](#) of more than 100 home renovation professionals, multigenerational features, like separate suites for extended family, were the most commonly cited response when asked to predict the most popular design trend of 2026.

Prediction 6: Affordability Crisis Will Unite Policymakers Across Party Lines

Voters in the November election—especially young ones—made it clear that lowering housing costs is their top priority.

President Trump may declare a national housing emergency to help more Americans afford homes, and other politicians on both sides of the aisle will introduce more policies to help alleviate the housing affordability crisis. The YIMBY (Yes In My Backyard) movement will pick

up more supporters across party lines, opening the door for initiatives that increase housing supply: A bipartisan congressional caucus has already proposed legislation including the Yes in My Backyard Act, and the Build More Housing Near Transit Act is making its way through the government.

Other housing proposals will include zoning changes to make it easier to build ADUs and home additions. These policies may start to chip away at the housing affordability crisis, and quixotic proposals like the 50-year mortgage may capture attention of politicians who want a quick housing fix. But the only thing that will make homes more affordable is time.

Prediction 7: More Americans Will Refi and Remodel

Redfin expects U.S. mortgage refinance volume to increase more than 30% annually in 2026, ending the year at a total of \$670 billion. More Americans will refinance largely because 20% of mortgaged homeowners have a [rate above 6%](#), and those who bought recently with an elevated rate are chomping at the bit to bring their monthly payments down.

Redfin also anticipates more homeowners tapping home equity to fund renovations. Strong home-value appreciation over the last several years means many homeowners have sizable equity; the typical mortgaged homeowner had [\\$181,000](#) in untapped equity as of mid-2025. That allows homeowners to take out a HELOC or do a cash-out refinance to fund remodels. For many people, renovating their current home is more appealing and less costly than moving.

Prediction 8: NYC Outskirts, Great Lakes Region Will Be Hot ... Zoom Towns Like Nashville and Austin Will Not

Areas close to New York City will attract people who need to commute to the office. The Midwest and Great Lakes regions have wide appeal because they're fairly affordable and provide relatively safe havens against climate-related events like wildfires and floods. Small and mid-sized cities are luring recent graduates with affordable rents and opportunities to build stable careers in blue-collar fields, as AI replaces some entry-level white-collar jobs.

On the flip side, homes will languish on the market in coastal Florida, along with Texas, due partly to natural disasters and surging insurance costs and partly to pandemic-era remote workers moving back to where their office is located. People who need to sell may be forced to [take a loss](#).

Please see the full report for specific metros expected to heat up or cool down.

Prediction 9: Climate Migration Will Go Hyperlocal

As climate-driven events like hurricanes and wildfires become more frequent and intense, climate will become a more popular reason to move. But people won't necessarily make big moves, like from coastal Florida to the Midwest.

Instead, Redfin expects some people living in especially vulnerable neighborhoods to move to less vulnerable parts of the same metro area. For example, Los Angeles Redfin agents say some people plan to leave places like the hills surrounding Malibu or the [Pacific Palisades](#) (or not *return* to places like the Palisades and [Altadena](#) after the 2025 wildfires) in favor of flat coastal neighborhoods like Santa Monica or Long Beach.

Prediction 10: NAR Will Let Local MLSs Call the Shots, Sparking Consolidation

NAR will step out of the role of industry rule maker and let local branches create rules about how homes are listed in their markets, something that has already started happening. NAR, for its part, will focus on advocacy. Putting local MLSs in the driver's seat will accelerate consolidation with many smaller branches joining bigger networks. This creation of larger, regional MLSs will bring clearer rules, faster innovation, cleaner data, and better experiences for real estate brokers, home sellers and buyers.

Prediction 11: AI Will Become a Real Estate Matchmaker

Generative AI will increasingly help people decide where to move, identifying cities, towns, neighborhoods and homes that fit users' budgets and lifestyle criteria. Instead of a typical geographic search, homebuyers will search for precisely what they want and have a [back-and-forth conversation](#) with search sites, giving feedback to tailor their search results.

These tools will allow house hunters to find homes with niche features. Redfin agents expect wellness features to become a defining feature of next year's high-end housing market; generative AI will help luxury house hunters find homes equipped with advanced air-filtration systems, whole-house water purification and amenities like meditation rooms.

To view the full report, including charts, please visit:

<https://www.redfin.com/news/housing-market-predictions-2026/>

About Redfin

Redfin is a technology-driven real estate company with the country's most-visited real estate brokerage website. As part of Rocket Companies (NYSE: RKT), Redfin is creating an integrated homeownership platform from search to close to make the dream of homeownership more affordable and accessible for everyone. Redfin's clients can see homes first with on-demand tours, easily apply for a home loan with Rocket Mortgage, and save thousands in fees while working with a top local agent.

You can find more information about Redfin and get the latest housing market data and research at [Redfin.com/news](https://www.redfin.com/news). For more information about Rocket Companies, visit [RocketCompanies.com](https://www.rocket.com).

Contact Redfin Journalist Services:

Isabelle Novak
press@redfin.com

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