

## Home prices are poised to drop as the frozen housing market thaws, 2 top experts say

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House prices may be headed lower, dealing a blow to sellers but providing relief to buyers, two experts say.

"The only way out of the box, the only way to get sales back up is mortgage rates have to come down, incomes have to continue to improve, we have to avoid a recession, and I suspect we'll have to see some house price declines at some point here," Moody's chief economist, Mark Zandi, told Yahoo Finance this week.

Redfin CEO Glenn Kelman made a similar call in a Fox News interview this week. Asked about Morgan Stanley's latest forecast of a 3% drop in home prices next year, he replied that a decline "seems not just possible, but likely."

The housing market **ground to a halt** this year, as the Federal Reserve's inflation-fighting hikes to interest rates have **boosted mortgage rates to two-decade highs**.

Homeowners who locked in much cheaper rates have balked at selling up and paying heftier monthly payments for their next place. Meanwhile, prospective buyers have been priced out, and many are waiting for rates to fall instead of settling for a worse home than they wanted.

"Housing's taken it on the chin, particularly demand," Zandi said. He pointed to **new data** showing **annualized sales of previously owned homes fell below 3.8 million units in October, the lowest figure in 13 years. "You have to go back to the teeth of the financial crisis to find sales that low,"** he said.

## **Heating up**

The pandemic-fueled surge in house prices, coupled with much steeper mortgage rates, have fueled an **affordability crisis** that has caused transaction volumes to tumble — and Zandi warned there's no immediate relief on the horizon.

"I don't expect the housing market to come roaring back here, certainly not in 2024," he said. "Probably won't be until 2025, 2026 before we see sales levels that are more consistent with what we've enjoyed historically."

Redfin's Kelman struck a more optimistic tone, suggesting the housing space is already heating up.

"There has been a change in the market, a disturbance in the force," he said, highlighting that the amount of housing inventory has started to increase.

The real estate brokerage chief explained that more people are listing homes, and many owners who failed to sell their homes this summer are relisting them at lower prices.

"The market has just been frozen because buyers and sellers can't agree on a price," Kelman said. "For the first time, there's a break in the logjam where we might see a real drop in prices, and that is going to spur sales."