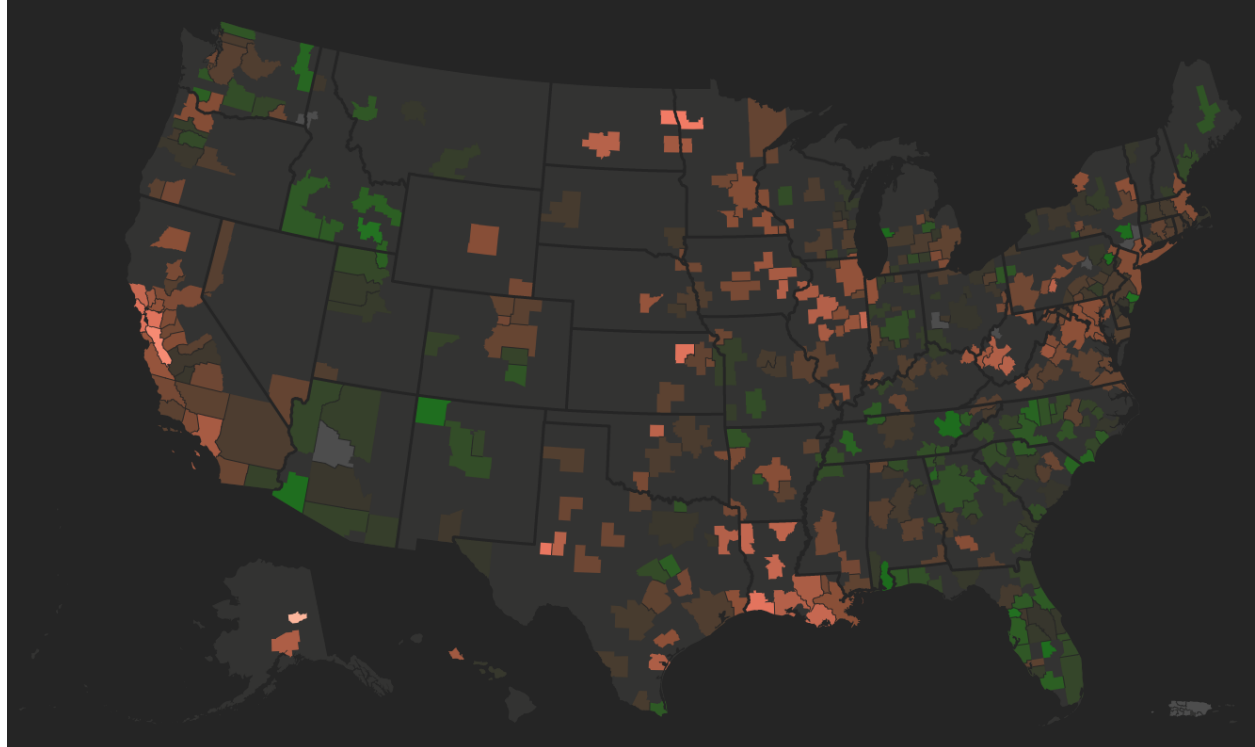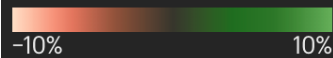# Zillow says the home price correction is winding down—here's what 28 other forecast models have to say

BY **LANCE LAMBERT**

February 14, 2023 at 1:18 AM EST

How regional home values are expected to shift over the coming year, according to Zillow

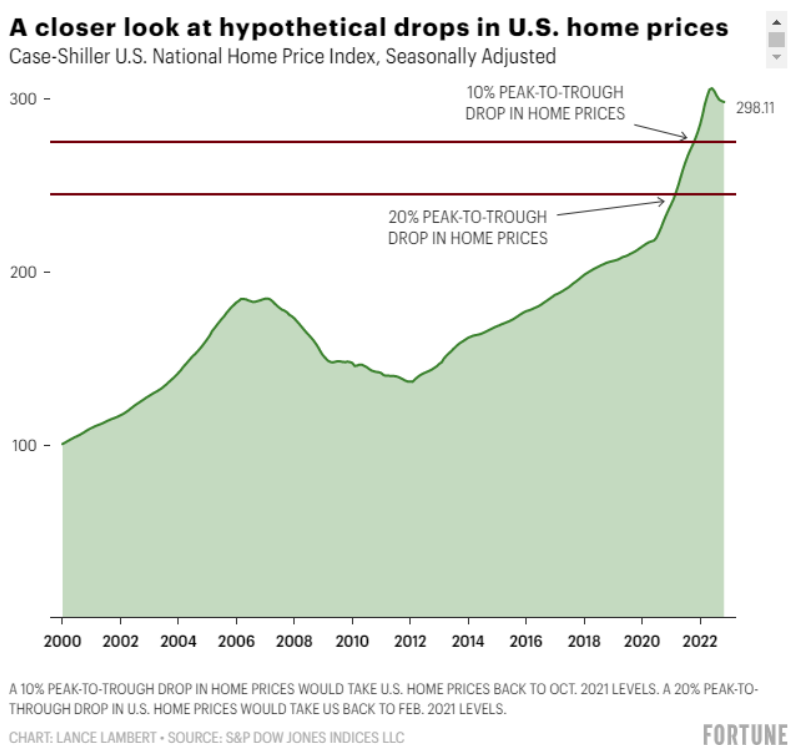Expected shift between November 2022 and November 2023

Almost every month for the past year Zillow has revised its 12-month home price outlook downward. That finally changed on Monday.

Heading forward, Zillow economists now expect U.S. home prices to rise 0.5% between January 2023 and January 2024. That's slightly improved from its previous 12-month outlook of a 1.1% decline.

This upward revision by Zillow, coupled with slightly improved mortgage purchase application data, is why *Fortune* once again tracked down the latest home price forecasts from 29 of the nation's leading real estate researchers. Among those forecasters, six expect U.S. home prices to grow or remain flat in 2023, while the other 23 believe U.S. home prices have further to fall. (You can find our prior forecast round-up here).

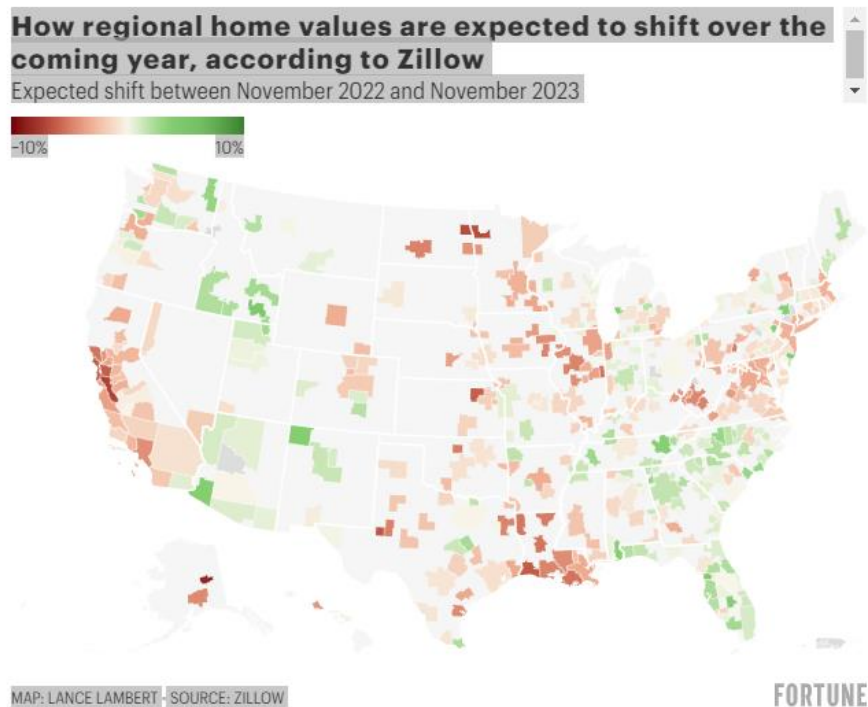Let's take a closer look at the housing forecasts.

A closer look at hypothetical drops in U.S. home prices
Case-Shiller U.S. National Home Price Index, Seasonally Adjusted

10% PEAK-TO-TROUGH DROP IN HOME PRICES

20% PEAK-TO-TROUGH DROP IN HOME PRICES

298.11

A 10% PEAK-TO-TROUGH DROP IN HOME PRICES WOULD TAKE U.S. HOME PRICES BACK TO OCT. 2021 LEVELS. A 20% PEAK-TO-THROUGH DROP IN U.S. HOME PRICES WOULD TAKE US BACK TO FEB. 2021 LEVELS.

CHART: LANCE LAMBERT • SOURCE: S&P DOW JONES INDICES LLC

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Realtor.com: The economics team at Realtor.com predicts that the median price of existing homes will rise 5.4% in 2023 while mortgage rates average 7.4%.

Home.LLC: The firm predicts U.S. home prices will rise 4% in 2023.

CoreLogic: The real-estate data firm predicts that U.S. home prices will rise 3% between December 2022 and December 2023. (Here is CoreLogic's latest risk assessment for the nation's 392 largest regional housing markets.)

NAR: The trade group projects that existing home prices are poised to rise 1.2% in 2023 while mortgage rates will average 6.3%.

Zillow: Economists at the home listing site forecast that U.S. home values will rise 0.5% between January 2023 and January 2024. Below is their regional outlook.

How regional home values are expected to shift over the coming year, according to Zillow
Expected shift between November 2022 and November 2023

MAP: LANCE LAMBERT · SOURCE: ZILLOW   FORTUNE

Freddie Mac: The firm's forecast model has U.S. home prices falling 0.2% in 2023 while mortgage rates average 6.4%. "We expect house prices to decline modestly, but the downside risks are elevated," write Freddie Mac economists.

Mortgage Bankers Association: The trade group's latest forecast has U.S. home prices, as measured by the FHFA US House Price

Index, falling 0.6% in 2023 and another 1.2% dip in 2024. The group also forecasts average mortgage rates of 5.2% in 2023 and 4.4% in 2024. "While we would still characterize the path for the national home price index as flat, we are now forecasting several quarters of year-over-year declines in the level of national home prices. We had already been expecting some pretty significant declines in the West and Mountain regions of the country," write researchers at the Mortgage Bankers Association.

Fannie Mae: Economists at the firm predict that U.S. home prices, as measured by the Fannie Mae HPI, will fall 1.5% in 2023 and another 1.4% dip in 2024. Fannie Mae is currently modeling an average 30-year fixed mortgage rate of 6.3% in 2023 and 5.6% in 2024.

Redfin: The firm's baseline forecast predicts that the median U.S. home sales price will fall 4% in 2023. "Prices would fall more if not for a lack of homes for sale: We expect new listings to continue declining through most of next year, keeping total inventory near historic lows and preventing prices from plummeting," writes Redfin.

HousingWire: Logan Mohtashami, HousingWire's lead analyst, forecast that U.S. house prices in 2023 will see a decline between -5.9% to -7.4% if mortgage rates remain above 5.875%.

Amherst: The real estate investment firm, which owns a massive portfolio of single-family homes, tells *Fortune* that its forecast model has U.S. home prices falling 5% between September 2022 and September 2025. "Incomes are the other side of the seesaw from mortgage rates in setting home prices. We saw no middle-income wage gains for decades. Now it's happening big-time. Higher rates are a headwind, but rising incomes are a huge support and tailwind," Sean Dobson, CEO of the Amherst Group, tells *Fortune*.

Wells Fargo: The bank's forecast model has U.S. home prices falling 5.5% in 2023. "Markets where home prices shot the highest are now vulnerable to a disproportionate swing to the downside, notably in previously white-hot markets in the Mountain West which saw an influx of remote workers at the onset of the pandemic. Home prices in desirable locations with comparatively tighter supply are likely to hold up much better," write Wells Fargo researchers.

Goldman Sachs: On Monday, the investment bank revised its U.S. housing market outlook upwards. It now expects U.S. home prices to fall just 2.6% in 2023. That'd take us, Goldman Sachs says, to a 6% peak-to-trough decline. "We expect a peak-to-trough decline in national home prices of roughly 6% and for prices to stop declining around mid-year. On a regional basis, we project larger declines across the Pacific Coast and Southwest regions—which have seen the largest increases in inventory on average—and more modest declines across the Mid-Atlantic and Midwest—which have maintained greater affordability over the past couple years," writes Goldman Sachs researchers.

How regional home prices are expected to shift in 2023 and 2024, according to Goldman Sachs
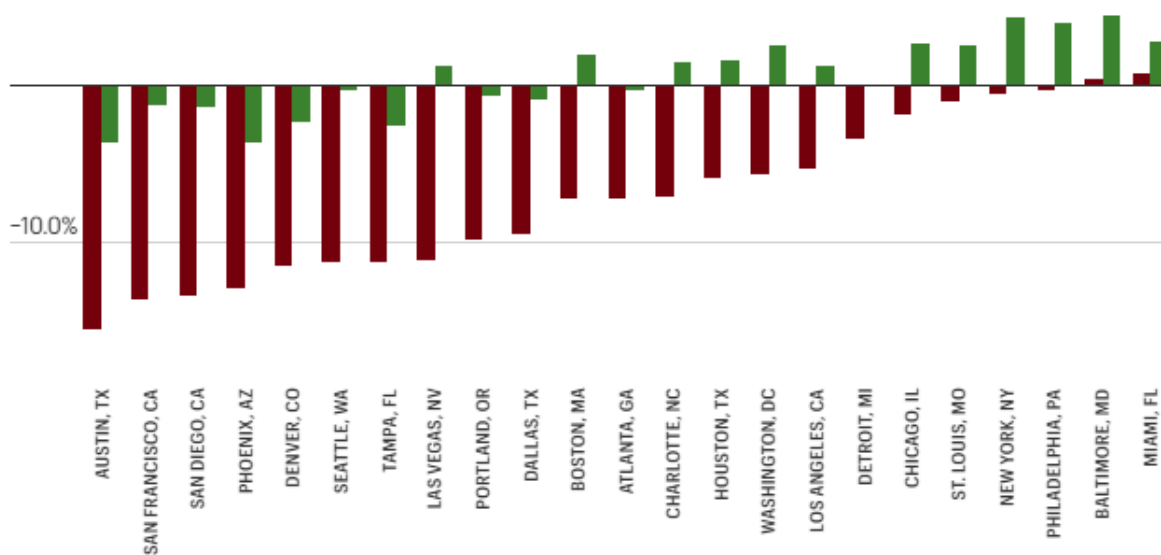
CHART: LANCE LAMBERT • SOURCE: GOLDMAN SACHS   FORTUNE

Capital Economics: Peak to trough, the firm's forecast model has U.S. home prices falling 8%.

Bank of America: The investment bank expects U.S. home prices to decline by around 10% peak-to-trough. "We expect a home price correction (down 10%) rather than a crash (down 15-20%)," wrote researchers at BofA in their Jan. 11 report.

ING: Peak to trough, the Dutch bank tells *Fortune* it expects U.S. home prices to fall between 5% to 10%. However, the multinational lender says U.S. home prices could possibly decline by as much as 20%. "The housing market downturn, triggered by rapid increases in mortgage borrowing costs, continues to cause us significant concern. Prices have risen hugely over the past couple of years as demand vastly outstripped limited supply of homes, but this process is going into sharp reverse with mortgage applications for home purchases falling by nearly 50% on the 3Q 2020 peak. At the same time there is more supply appearing on the market and the risk we see a steep correction in prices," writes James Knightley, chief international economist at ING.

Bill McBride: McBride, a housing analyst and author of the Calculated Risk blog, expects U.S. house prices to fall by around 10% from the 2022 peak. "Since national house prices increased very quickly during the pandemic—up over 40%—it seems likely that some of the usual stickiness will not apply. I think the most likely scenario now is nominal house prices declining 10% or more from the peak, and real [adjusted for inflation] house prices declining 25% or so over the next five to seven years," writes McBride.
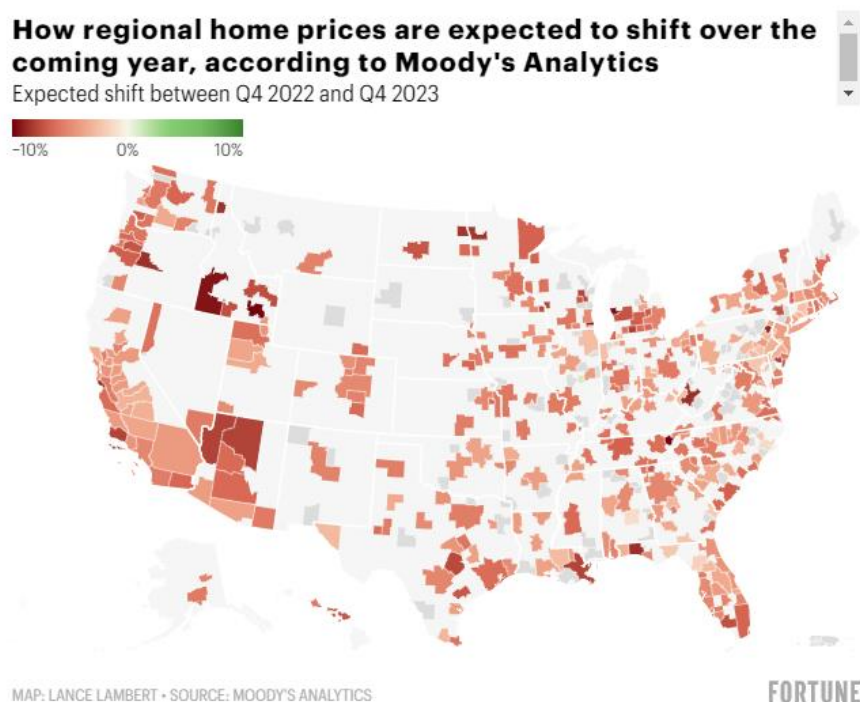
Keller Williams Realty: Ruben Gonzalez, the chief economist at Keller Williams Realty, expects median home prices as tracked by NAR to fall 10% from top to bottom. "I suspect we will see the trough in the first half of [2023]. Perhaps March or April but that is dependent on the path of interest rates which have been quite volatile recently," Gonzalez tells *Fortune*.

TD Bank: The bank is forecasting that U.S. home prices will fall by around 10% from peak to trough. That includes a 5.7% drop in 2023 and another 2% drip in 2024. "We see home price growth finding firmer footing soon after the start of 2024," Admir Kolaj, an economist at TD Bank, tells *Fortune*.

Morgan Stanley: The Wall Street bank expects home prices to fall by around 10% between June 2022 and the bottom in 2024. If

mortgage rates fall by more than expected, Morgan Stanley researchers say that the peak-to-trough decline will come in closer to 5%. However, if a "deep" recession manifests, Morgan Stanley predicts U.S. home prices could crash 20% from top to bottom, including up to an 8% home price decline in 2023 alone.

Moody's Analytics: The firm expects a peak-to-trough U.S. home price decline of 10%. If a recession were to manifest, Moody's would expect a top-to-bottom home-price drop of 15% to 20%. "This is necessary to re-establish housing affordability, given expected weak household income growth (even without a recession) and mortgage rates that average 6.5% this year before moderating back to 5.5% by mid-decade. If mortgage rates turn out to be lower and/or household income growth stronger, then the house price declines won't be as severe. I have revised the length of time it will take for house prices to reach their trough, which will likely be 2-3 years from now," Mark Zandi, chief economist at Moody's Analytics, tells *Fortune*.

How regional home prices are expected to shift over the coming year, according to Moody's Analytics
Expected shift between Q4 2022 and Q4 2023

MAP: LANCE LAMBERT • SOURCE: MOODY'S ANALYTICS   FORTUNE

Zelman & Associates: Back in the summer, the boutique housing research firm forecasted that U.S. home prices would fall 4% in 2023 and another 5% in 2024. According to the *Wall Street Journal*, the firm now

expects U.S. home prices to fall 12% between the 2022 top and the 2024 bottom.

Zonda Home: Peak-to-trough, the real estate analytics firm tells *Fortune* that its forecast model foresees U.S. home prices falling 15%. "There has been an uptick in traffic (can change that to say buyer interest if better for your audience) since the beginning of the year related to three key things: seasonality, acceptance, and discounts...We still expect prices to be down in 2023 compared to 2022, but how deep of a decline will depend on: how quickly sellers find the market with price cuts, what happens with mortgage rates, how inventory levels trend, and what happens related to a US economic recession," Ali Wolf, chief economist at Zonda, tells *Fortune*.

AEI: Ed Pinto, director of AEI Housing Center, tells *Fortune* that his "base case prediction" is that U.S. home prices will end December 2023 down between 0% to -10% from their June 2022 peak, and he expects home prices in December 2024 to range from -5% to +5% from their June 2022 peak. (Back in December, had been expecting U.S. home prices to fall 15% to 20% from peak to trough. However, he revised it upwards as the outlook for mortgage rates improved).

CoStar: Peak to trough, CoStar CEO Andy Florance expects U.S. home prices will fall by around 20%. "People who think a 10% drop [in home prices] are dreaming... 20% is more comfortable," Florance tells *Fortune*.

KPMG: The Big Four accounting firm expects U.S. home prices, as measured by the Case-Shiller home price index, to fall 20% between the fourth quarter of 2022 and the fourth quarter of 2023. ""The interesting thing to me is how quickly some of these markets are correcting with still very tight inventories... Once you start the process of prices falling nationally, there is a self-fulfilling momentum to it, because no one wants to catch a falling knife," Diane Swonk, chief economist at KPMG, tells *Fortune*.

John Burns Real Estate Consulting: Peak to trough, the real estate research firm's revised forecast has U.S. home prices falling 20% to 22%. That forecast is based on the assumption that mortgage rates stay relatively close to 6% through 2023.

Yieldstreet: By the third quarter of 2023, Yieldstreet expects U.S. home prices to be 20% below its 2022 peak. "Markets that'll be more impacted are the ones where you have a lot of inventory of new homes, like Phoenix, Las Vegas, Dallas, and Boise. There will be some markets in the Northeast, which haven't had a lot of new construction, where home prices are expected to fare better in terms of declines," Tejas Joshi, director of single-family residential at Yieldstreet, tells *Fortune*.

Pantheon Macroeconomics: The firm expects U.S. existing home prices to fall by around 20%. "A 15-to-20% drop in prices is needed just to bring the price-to-disposable income ratio for single-family homes back to the pre-Covid level," Ian Shepherdson, chief economist at Pantheon Macroeconomics, tells *Fortune*.