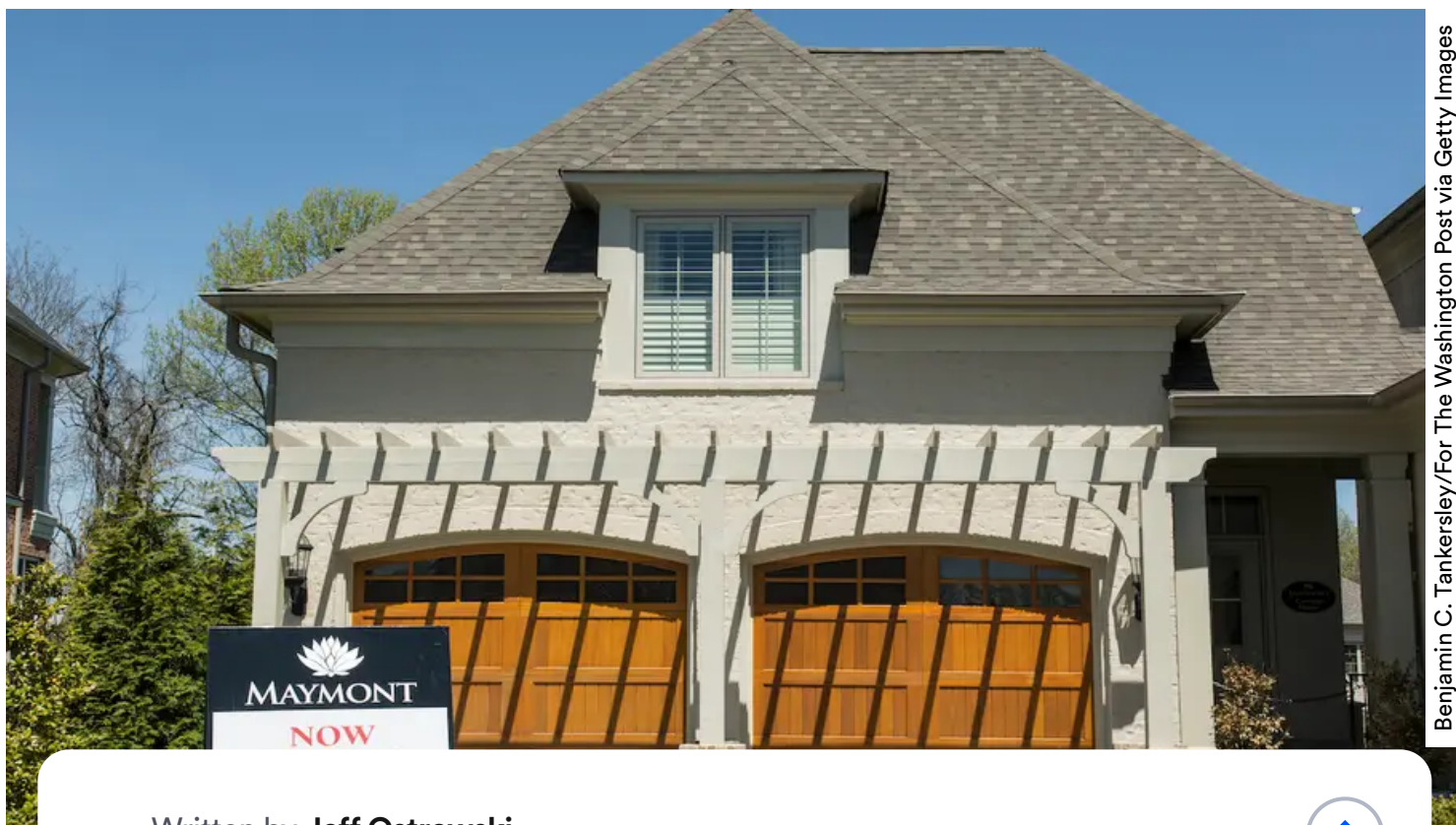




# Is the housing market about to crash? Here's what the experts say



Benjamin C. Tankersley/For The Washington Post via Getty Images

Written by **Jeff Ostrowski**



✓ Edited by **Michele Petry**

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The U.S. housing market is on fire. Double-digit [appreciation](#) is the rule. Giddy sellers are sifting through multiple offers, and frantic buyers are forced to [pay more than asking prices](#) — sometimes by \$100,000 or more.

May 2021 to May 2022 — and [topped \\$400,000 for the first time ever](#). Prices are up a whopping 45 percent since the coronavirus pandemic began in March 2020, according to NAR data.

## Is the housing market going to crash?

The last time the U.S. housing market looked this frothy was back in 2005 to 2007. Then home values crashed, with disastrous consequences. When the real estate bubble burst, the global economy plunged into the deepest downturn since the Great Depression.

## Need help on your house hunt?

Get support and guidance from our network of trusted real estate agents in your search area.

What location are you looking in?

33431

Boca Raton, FL 

What is your target budget?

\$214,000

Find an agent

“

**We don't have a bubble, we just have unhealthy home price growth.**

— Logan Mohtashami

Lead analyst at HousingWire

Now that the housing boom is threatened by soaring [mortgage rates](#) and a potential recession, buyers and homeowners are asking a familiar question: Is the housing market so hot that it's about to crash?

“The one thing that I keep getting asked over and over is, ‘Is this a bubble?’” says Phil Shoemaker, president of originations at mortgage lender Home Point Financial. “If you look at what’s going on with home price appreciation, it feels bubble-ish. But if you look at the fundamentals behind it, it’s hard to say it is.”

Indeed, the foundations of this housing market look far more stable than those of 15 years ago. The supply of homes for sale remains near all-time lows, and borrowers are more creditworthy than ever.






### Key housing market statistics

- A total of 30,881 U.S. homes had foreclosure filings — default notices, scheduled auctions or bank repossessions — as of May 2022, [according to ATTOM Data Solutions](#).
- Illinois had the highest foreclosure rate of any state in May, at one foreclosure filing for every 2,000 housing units, according to ATTOM. It's followed by New Jersey, where one in every 2,346 homes are in some stage of foreclosure.
- Lenders repossessed 2,857 U.S. properties through completed foreclosures — known as “real estate owned,” or REO — in May 2022. Illinois had the most REOs at 350, followed by Michigan's 249, according to ATTOM.
- Home sales fell 8.6 percent from May 2021 to May 2022, the National Association of Realtors says. The median house price reached \$407,600 in May 2022.
- Homes' rate of appreciation, per NAR, was 14.8 percent from May 2021 to May 2022.









For months, housing economists have been predicting that the housing market would eventually cool as home values become a victim of their own success. Home prices have risen far more quickly than incomes, creating an affordability squeeze, and mortgage rates have doubled since August 2021.

## Current Mortgage Rates for July 5, 2022

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<b>Purchase</b>	Refinance	Zip Code <b>33431</b> Boca Raton, FL 	Property Value <b>\$ 406,250</b>
Loan Amount <b>\$ 325,000</b>	Percent D... <b>20</b> %	Loan Term <b>30 year fi...</b> 	Credit Score <b>740+</b> 


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Lender 	APR 	Rate 	Mo. payment 	Sort by 
15 Year Fixed NMLS: #2113062 ★★★★★  (4.9)	<b>3.91%</b> Jul 5, 2022	<b>3.63%</b> Points: 1.445	<b>\$2,343</b> Fees: \$6,241	Next
15 Year Fixed NMLS: #1374724 ★★★★★  (4.8)	<b>4.04%</b> Jul 5, 2022	<b>3.75%</b> Points: 1.928	<b>\$2,363</b> Fees: \$6,307	Next
15 Year Fixed NMLS: #2890 ★★★★★ 	<b>4.18%</b> Jul 5, 2022	<b>3.88%</b> Points: 1.734	<b>\$2,384</b> Fees: \$6,630	Next

15 Year Fixed  
NMLS: #240415



(5)

 (877) 390-5114

**4.37%**

Jul 5, 2022

**4.00%**

Points: 1.516

**\$2,404**

Fees: \$7,927

Next

1 - 4 of 14



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## Existing home prices

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The median price of homes sold by Realtors has soared since March 2020.

Source: National Association of Realtors

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Share

the first quarter of 2021 to the first quarter of 2022, according to the National Association of Realtors. Other fast-appreciating markets include Ocala, Florida, up 33.8 percent, and Ogden, Utah, up 30.8 percent.

## Experts say price appreciation is ‘worrisome’

The nightmarish memories of the last boom and bust remain fresh in the minds of homeowners, economists, lenders and Realtors. With home prices rising sharply in the past year, the latest boom is creating no shortage of concern.

“Prices are clearly accelerating at a pace that could become worrisome,” says Ken H. Johnson, a housing economist at Florida Atlantic University.

Doug Duncan, chief economist at mortgage giant Fannie Mae, acknowledges concerns about the stability of the housing market. In the past, big run-ups in home prices have been a recipe for trouble.

“Our view is that house prices are somewhere in the 15 percent range above what the long-term fundamentals suggest,” Duncan says. “So it’s a reason to ask, ‘Is there a problem?’”

Meanwhile, [Greg McBride](#), CFA, Bankrate chief financial analyst, says a price plateau is more likely than a sharp fall.

“While the recent pace of home price appreciation isn’t sustainable over the long run, that doesn’t mean prices are at risk of a sharp drop,” says McBride. “Real estate prices can move in big spurts — like now — and then show relatively little change over a period of years. A plateauing of prices is the more likely outcome.”

However, because mortgage rates have essentially doubled since August 2021, some housing economists expect a modest decline in prices. Matthew Pointon, senior

The culprit? [Mortgage rates rising above 6 percent](#). Still, Pointon sees a slowdown rather than a collapse for the housing market. “The prevalence of fixed-rate mortgages, tight credit conditions and a relatively healthy labor market still rules out a price crash,” Pointon wrote.

National Association of Realtors Chief Economist Lawrence Yun agrees that no crash is imminent. There’s just too much of an imbalance between supply and demand for home values to crater.

“I would not be surprised if some markets do see some minor price declines,” he said in late June.

However, Yun said any declines are likely to be small — and healthy for a market that has seen intense pressure on affordability. Yun pointed to Phoenix as a place where price appreciation has defied gravity, and where a minor correction wouldn’t cause widespread economic pain.

“Could it fall 5 percent? Certainly yes,” Yun said. “Even if prices were to decline, say, 5 percent in Phoenix, is that a concern? Absolutely not.”

## 5 reasons the housing market is not about to crash

So are we headed for a housing crash? Housing economists agree that no painful crash looms on the horizon.

“We don’t have a bubble,” says Logan Mohtashami, lead analyst at HousingWire. “We just have unhealthy home price growth.”

Duncan agrees that the sharp rise in home values, while unusual, isn’t a sign of a bubble. “It’s hard to find an argument that says it will fall apart,” he says.

be mindful of this condition.”

Housing economists point to five compelling reasons that no crash is imminent.

1. **Inventories are near record lows:** The National Association of Realtors says there was just a 2.4-month supply of homes for sale in September. In February, that figure fell as low as a tiny 2.0-month supply. The lack of inventory explains why buyers have little choice but to bid up prices. And it also indicates that the supply-and-demand equation simply won't allow a price crash in the near future.
2. **Builders can't build quickly enough to meet demand:** Homebuilders pulled way back after the last crash, and they never fully ramped up to pre-2007 levels. Now, there's no way for them to buy land and win regulatory approvals quickly enough to quench demand. While they are building as much as they can, a repeat of the overbuilding of 15 years ago looks unlikely. “The fundamental reason for the run-up in price is heightened demand and a lack of supply,” McBride says. “As builders bring more available homes to market, more homeowners decide to sell and prospective buyers get priced out of the market, supply and demand can come back into balance. It won't happen overnight.”
3. **Demographic trends are creating new buyers:** There's strong demand for homes on many fronts. Many Americans who already owned homes decided during the pandemic that they needed bigger places, especially with the rise of working from home. Millennials are a huge group and in their prime buying years. And [Hispanics are a young, growing demographic keen on homeownership](#).
4. **Lending standards remain strict:** In 2007, “liar loans,” in which borrowers didn't need to document their income, were common. Lenders offered mortgages to just about anyone, regardless of credit history or [down payment size](#). Today, lenders impose tough standards on borrowers — and those who are [getting a mortgage](#) overwhelmingly have stellar credit. The typical credit score for mortgage borrowers in the third and fourth quarters of 2021 stood at a record high 786, [the Federal Reserve Bank of New York says](#). “If lending standards loosen and we go back to the wild, wild west days of 2004-2006, then that is a whole different animal,” McBride



5. **Foreclosure activity is muted:** In the years after the housing crash, millions of foreclosures flooded the housing market, depressing prices. That’s not the case now. Most homeowners have a comfortable equity cushion in their homes. Lenders haven’t been filing default notices during the pandemic, pushing [foreclosures to record lows in 2020](#).

All of that adds up to a consensus: Yes, home prices are pushing the bounds of affordability. But no, this boom shouldn’t end in bust.

“I’m not worried about a housing bubble,” says Ralph McLaughlin, chief economist at financial technology firm Haus.com. “The fundamentals are all there — low supply combined with growing demand for homeownership — to suggest the overheating we’re seeing in the housing market is not based on animal spirits but on an unfortunate and coincidental series of market forces over the past year.”

## FAQs

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**When will the housing market crash?**



**When will housing prices drop?**



**How much house can I afford?**



**What is a good credit score to buy a house?**



Written by

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[Read more From Jeff](#)

Jeff Ostrowski covers mortgages and the housing market. Before joining Bankrate in 2020, he wrote about real estate and the economy for the Palm Beach Post and the South Florida Business Journal.

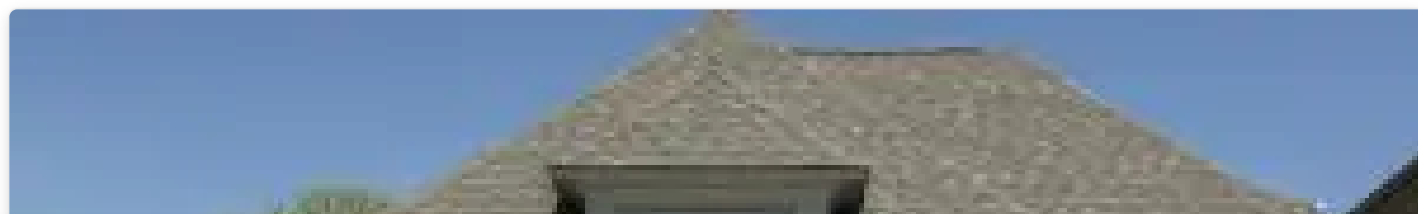
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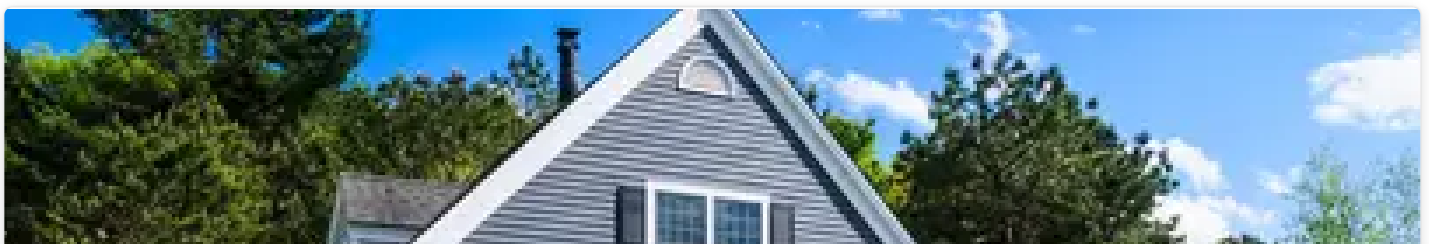




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