

# The spring 2022 housing market will absolutely crush buyers—Zillow says home prices to spike 22%

 [fortune.com/2022/02/17/spring-2022-housing-market-will-crush-buyers-zillow-home-prices-spike-22-percent/amp](https://fortune.com/2022/02/17/spring-2022-housing-market-will-crush-buyers-zillow-home-prices-spike-22-percent/amp)

Heading into 2022, there was a wide consensus among real estate firms that the annual rate of home price growth—which peaked at 20% in August 2021—would steadily decelerate this year as some normalcy began to return to a housing market that had boomed during much of the pandemic. But now some experts aren't so sure.

Back in December, Zillow forecast that the 12-month rate of home price growth would decelerate to 11% by the end of the year. Then in January, Zillow revised that figure—saying that we would finish 2022 up 16.4%. On Wednesday, Zillow once again shifted its forecast upward: It now expects the year-over-year rate of home price growth to peak at 21.6% in May and to close the year at 17.3%. Simply put: Instead of decelerating, Zillow sees the 2022 spring housing market getting even hotter.

What's going on? Instead of inventory levels beginning to normalize this year, the situation is getting worse. In January 2021, the number of homes for sale was 26% below the level hit in January 2020. Last month we were 42% below January 2020. That lack of inventory means buyers will once again be forced to bid up prices if they hope to land a home.

“Monthly home value growth is expected to continue accelerating in coming months...The robust long-term outlook is driven by our expectations for tight market conditions to persist, with demand for housing exceeding the supply of available homes,” write the Zillow researchers.

If the year-over-year rate of home price growth does hit 21.6% in May, it would mark the highest since the data was first calculated in the 1980s. It would also be more than five times greater than the average annual rate (4.2%) notched over the past four decades—and well above the peak 12-month price jump (14.4%) recorded in the years leading up to the 2008 housing crash.

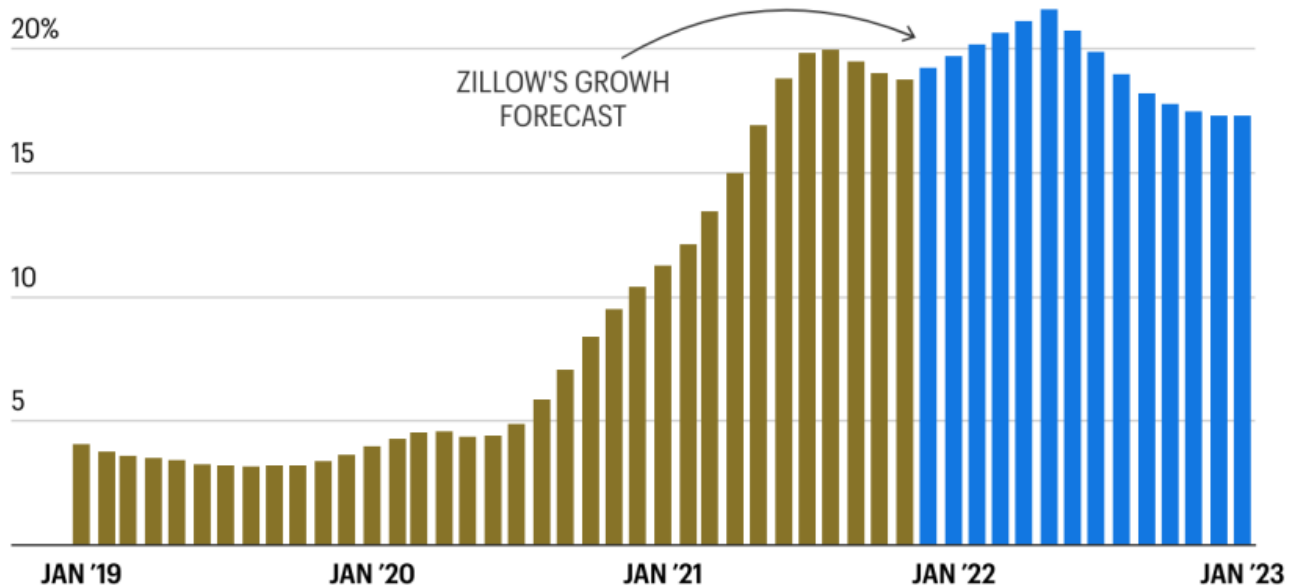
But not everyone agrees with Zillow.

Over the coming 12 months, CoreLogic foresees home prices climbing just 3.5%. Meanwhile, Fannie Mae predicts home price growth of 7.6% this year. If either CoreLogic or Fannie Mae respective forecasts come to fruition, it would mark a significant deceleration from the levels of price appreciation we've seen over the past year.

Why is there so much uncertainty when it comes to price growth? It boils down to mortgage rates, which are beginning to spike now that Federal Reserve rate hikes look all but certain. In December, the average 30-year fixed mortgage rate issued was 3.11%. According to the

# Rate of U.S. home price growth

Year-over-year change in home prices



GOLD REPRESENTS ACTUAL 12-MONTH GROWTH AS MEASURED BY THE S&P CASE-SHILLER U.S. HOME PRICE INDEX. BLUE REPRESENTS ZILLOW'S 12-MONTH HOME PRICE FORECAST.

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

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Mortgage Bankers Association, as of this week that rate is up to 4.05%. As rates rise, it could let some steam out of the market as some buyers get priced out altogether. Normally this big of a mortgage rate hike would cause an immediate cooling effect on the market. However, not all housing economists are certain it will dampen the 2022 spring market: There are so many sidelined homebuyers that even if some are priced out by rates, there will be others waiting to replace them.