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Housing market could remain ‘stuck’ until 2026

The latest economic and housing data suggests that home sales will continue to plod along at a slow pace as buyers and sellers wait for more certainty.

 **Dave Gallagher**

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Key points:

- Inflation remains a concern even as the Federal Reserve continues to hold rates steady.
- 30-year fixed-rate mortgages ticked down this week, but so did mortgage applications. Fewer pending sales also point to waning demand.
- Home price growth continues to soften, but a big drop is unlikely due to broader market conditions.

Despite a key interest rate decision and the release of several economic and housing reports, this week has yielded few surprises for the real estate industry — which means the housing market is unlikely to pick up momentum anytime soon.

Sticky inflation and an 'unclear' outlook

The Federal Reserve's July 30 decision [to hold short-term interest rates steady](#) was based primarily on concerns about inflation, and the latest data backs that up: Consumer prices rose in June, with core prices rising 2.8% year-over-year, according to a July 31 report from the [U.S. Bureau of Economic Analysis](#).

While the Fed will have new data to assess before its September meeting, the June consumer price report reinforces the difficulty of getting inflation down to the 2% goal. For now, it's hard to say whether the Fed will begin cutting rates in September, according to Lisa Sturtevant, chief economist at Bright MLS.

"The outlook is still unclear. While inflation expectations remain higher than the Fed's 2% target, there are growing signs that the labor market is weakening and the statement for the FOMC indicates more concern about a slowing economy," Sturtevant said.

[The upcoming jobs report on Aug. 1](#) and the [Aug. 2 tariff deadline](#) may provide some clues about where the economy is headed.

Mortgage rates, applications tick down

Meanwhile, the 30-year fixed-rate mortgage inched down for a second week, [according to Freddie Mac](#), averaging 6.72%. Rates have stayed above 6.5% for nine months and are nearly identical to levels seen a year ago.

Mortgage applications, [which had been climbing](#), declined week-over-week, [according to the Mortgage Bankers Association](#). The unadjusted MBA purchase index was down 6% compared to the week before but remains 17% higher than a year ago.

"Mortgage applications fell to their lowest level since May, with both purchase and refinance activity declining over the week. There is still plenty of uncertainty surrounding the economy and job market, which is weighing on prospective homebuyers' decisions," said Joel Kan, MBA's deputy chief economist.

Home price growth easing

Price growth continues to slow, with median home sale prices falling in 14 of the 50 largest metro areas this week, according to a [Redfin report](#). Oakland, California, had the biggest year-over-year drop at 6.8%, followed by two metros in Florida and two in Texas.

Nationally, however, home prices are up 2% year-over-year.

List prices are showing a similar trend, declining in 33 of the nation's 50 largest metros, according to [Realtor.com's July market report](#). The biggest dips were in the South and West, regions where inventory is growing the fastest, the report noted.

But prices aren't likely to plummet given "the underlying fundamental conditions of the national housing market," said Odeta Kushi, deputy chief economist at First American. Instead, Kushi expects to see "a natural moderation of house prices rather than a sharp decline."

Market 'stuck' until next year

Pending sales data also points to a slow market. Signed contracts were down 0.8% in June compared to May and off 2.8% year-over-year, [according to the National Association of Realtors](#) — an indication that completed home sales in July and August will remain sluggish.

"As a result, I think it is likely that 2025 will continue to be a 'stuck' housing market with both buyers and sellers waiting until 2026 for more certainty," Sturtevant said.

Write to [Dave Gallagher](#).

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Fed resists pressure to lower rates at July meeting

Despite increasing calls for cuts, Fed Chair Jerome Powell held steady on rates as inflation remains elevated, and he has made "no decisions about September."