REDFIN: REPORT REFLECTS ON HOUSING COSTS RETURNING TO 'NORMAL'

Housing costs could hypothetically return to "normal" within the next five years if mortgage rates drop to 6 percent and home-price growth holds steady around 2.1 percent, according to Redfin's latest report.

Alternatively, housing costs could return to normal in just a slightly longer timeline, within about six years, if mortgage rates stay where they are today, about 7.5 percent, and home-price growth flattens.

If mortgage rates were to drop to the lowest bounds of Redfin's expectations, 6 percent, and price growth were to flatten, housing costs could return to normal by February 2029, which is just over two years from now. That's unlikely, but possible, Redfin states.

On the flip side, it could take 10 years or more for costs to return to normal if mortgage rates remain high, between 7 percent and 8 percent, and prices keep growing at their current annual rate of 2.1 percent.

That's also unlikely but possible: If rates stay that high, home-price growth would be difficult to sustain without a further decline in home sales.

Redfin's analysis explores hypothetical scenarios for home-price growth, mortgage rates and income levels, and uses those scenarios to estimate when housing costs could return to "normal."

For this report, "normal" means housing costs, defined as the mortgage-payment-to-income ratio, have returned to August 2018 levels. At that time, the national median monthly mortgage payment-to-income ratio was 30 percent, meaning the typical homebuyer would need to spend 30 percent of their household income on their monthly mortgage payment. This 30 percent threshold is a widely recognized benchmark for housing affordability.

But at the metro level, "normal" does not necessarily mean "affordable;" rather, "normal" means the metro has returned to its 2018 level of home prices relative to incomes, even if the median home in some expensive metros remains out of reach for the typical household.

Redfin stipulates that the analysis is theoretical, and the hypothetical scenarios should not be read as predictions. But they do represent real trends in home-price growth, mortgage rates and income growth, and any of them are possible.

"Many house hunters feel stuck between two bad options: Stretch themselves to buy at today's rates or wait for lower rates only to see prices climb further out of reach," Redfin Senior Economist Asad Khan said in a report. "But prospective buyers shouldn't get hung up on timing the market. These hypothetical scenarios should give would-be buyers and sellers some hope that the market can normalize with only modest changes in rates or prices. "For buyers and sellers, that means the best time to make a move is when it makes sense for your finances and your life," Khan added. "If you're a buyer who needs more time to save for a down payment, take more time. If you're a buyer who has the means to buy at current costs and you find your dream home, don't let today's rates stop you."

Furthermore, Redfin points out that the timeline for a return to normalcy varies by region.

Housing costs are closest to returning to normal in San Jose, Calif. San Jose's declining home prices (-3.2 percent year-over-year), combined with the fact that Redfin expects strong future wage growth (6.5 percent), mean housing costs could return to normal in just over one year, even with today's 7.5 percent mortgage rates.

If rates were to fall to 6.5 percent, San Jose's housing costs could return to normal by the end of this year. That's largely due to stronger-than-average income growth, thanks to the Bay Area's tech-fueled economy.

After San Jose, Austin, Texas is the closest to returning to normal housing costs.

With 7.5 percent mortgage rates, costs could return to normal by early 2028. That's because home prices are down 2.9 percent year-over-year in Austin, while Redfin projects wages to post annual growth of 4.9 percent.

Additionally, prices have fallen in Austin because of slow homebuying demand combined with lots of supply, which is largely the result of pandemic-era overbuilding.

Next comes another Bay Area metro, Oakland, where housing costs could return to normal by spring 2028 with 7.5 percent rates.

MARKET DATA - FRIDAY, OCTOBER 16, 2026



PROVIDENT TITLE COMPANY

CORPORATE OFFICE
6345 BALBOA BLVD, BLDG 4, SUITE 285 · ENCINO, CA 91316

EL SEGUNDO OFFICE
300 N. PACIFIC COAST HWY #1075 · EL SEGUNDO, CA 90245

ORANGE COUNTY OFFICE
2200 W. ORANGEWOOD AVE #140 · ORANGE, CA 92868

OFFICE 1.800.794.8094
WWW.PROVIDENTTITLE.COM
CS DEPT 1.800.794.0223