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Economic Report: Insights into Today's Housing Market

FMLS Market Intel Report

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There is no shortage of forecasts for what 2026 holds for the broader economy and housing market. Notably, investor sentiment is nearly uniform in its optimism. Expectations for stronger economic growth are driven by productivity gains from artificial intelligence and reduced policy uncertainty, both of which are helping restore consumer confidence.

Housing analysts largely align around a “most likely” scenario characterized by:

- **Increased home sales**
- **Positive but muted price appreciation**
- **Slowing, yet still expanding, inventory**

When averaged across major forecasts, expectations for 2026 include:

- **9% growth in home sales**
- **2% increase in home prices**
- **10% increase in housing inventory**

After three years of below-trend activity and significant pent-up demand, improving affordability is expected to draw more buyers into the market. At the same time, life events and growing willingness among homeowners to relinquish low-rate mortgages are likely to bring more sellers off the sidelines.

Affordability: The Central Driver

Improving affordability—driven by the interaction of mortgage rates, home prices, and wages—is the foundation of the 2026 outlook. The National Association of Realtors’

Housing Affordability Index (HAI) measures whether a typical family can afford a typical home based on median income and prevailing mortgage rates.

- The HAI stood at **170 in 2020**, indicating strong affordability.
- By **2023**, the index fell below **100**, signaling that the typical family could no longer afford a median-priced home.
- Elevated mortgage rates combined with rising prices pushed homeownership out of reach for many households, a condition that has persisted into recent years.

Mortgage Rate Outlook and Impact

Mortgage rates are currently nearly a full percentage point lower than they were one year ago and may decline further in 2026. Forecasts from the Mortgage Bankers Association, Fannie Mae, Freddie Mac, and other institutions project year-end mortgage rates in the **5.9% to 6.1% range**, well below the **6.6% average rate in 2025**.

According to NAR:

- A **1% decline in mortgage rates** expands the pool of households eligible to purchase a home by **approximately 5.5 million**.
- Historically, about **10% of newly qualified households** proceed to buy.
- This dynamic alone could generate **up to 500,000 additional home sales in 2026**.

There is also potential for rates to fall below current forecasts. On January 8, President Trump announced that Fannie Mae and Freddie Mac would begin purchasing up to **\$200 billion in mortgage-backed securities**, with the objective of narrowing the spread between mortgage rates and the 10-year Treasury yield. Additionally, continued pressure on the Federal Reserve to lower rates—combined with upcoming leadership changes—could accelerate rate relief. While uncertainty remains, one outcome is clear: lower rates improve affordability and support higher sales activity.

Implications for the Greater Atlanta Market

Year-end data for the Greater Atlanta Market Area indicates that these national trends are likely to materialize locally. Forecasts suggest:

- **Home sales reaching their highest level since 2021**
- **Average home prices setting new record highs**
- **Inventory levels approaching pre-pandemic conditions last seen in 2019**

These projections align with Redfin's assessment of the broader housing market:

“The Great Housing Reset will take shape in 2026. It won't be a quick price correction, and it won't be a recession. Instead, the Great Housing Reset will be a years-long

period of gradual increases in home sales and normalization of prices as affordability gradually improves.”

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