

WHERE ARE WE IN THE HOUSING CYCLE?



THE CURRENT PHASE OF THE MARKET

At the beach, watching the ocean crash into the sand is always relaxing. However, if you take a closer look, there's a lot more going on than meets the eye. With enough wind over the ocean and the right combination of factors, waves are created. When a wave crashes onto the shore, it spreads quickly, reaches its peak, then loses energy and rushes back into the sea. It's an endless cycle.

Similarly, the housing market has different stages in a cycle. There are five phases to the housing cycle: Recovery, Expansion, Peak, Slowdown, and Correction. Before delving into where housing stands today, it's crucial to understand each stage of the cycle and the period of time it has been there.

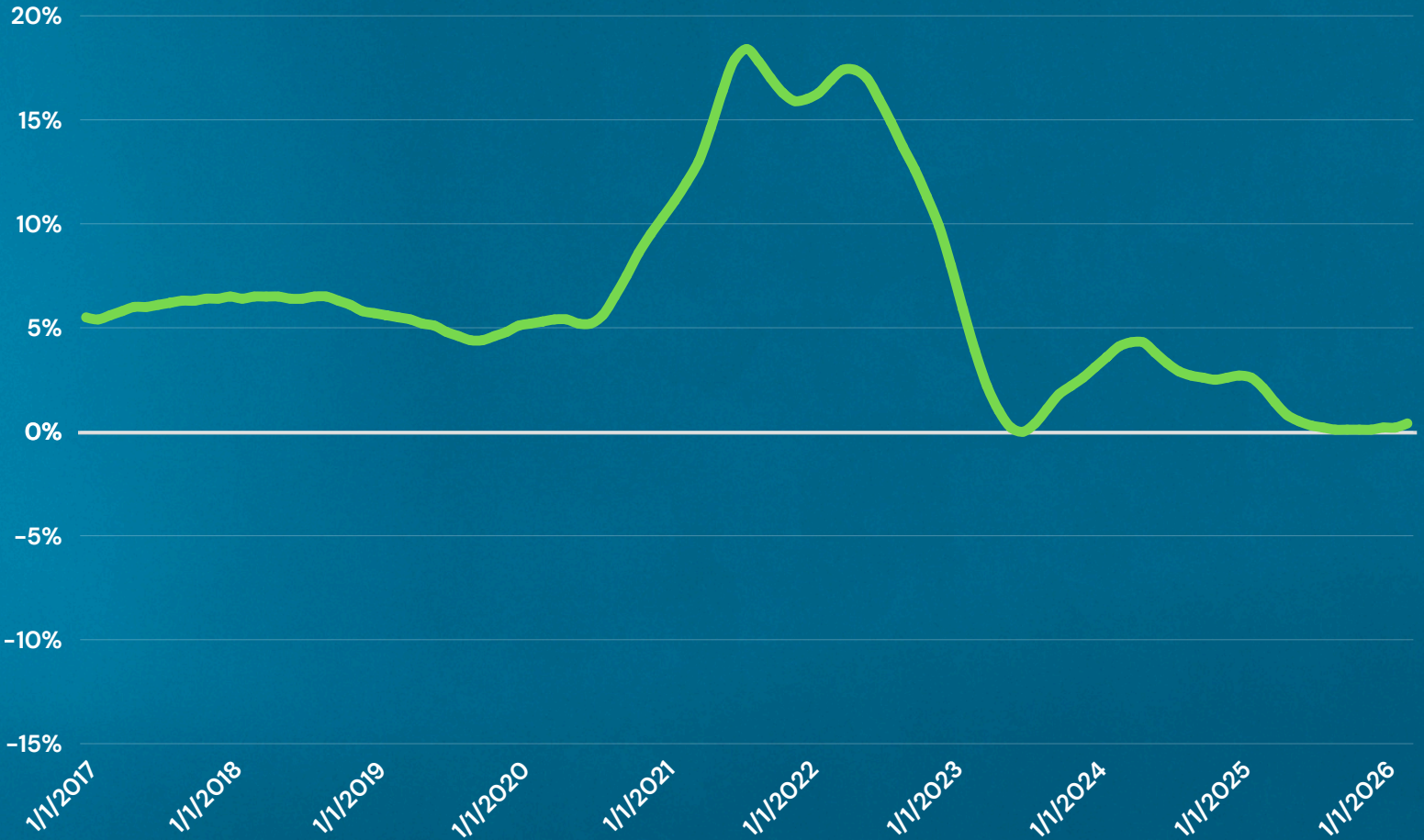
Recovery: A period of time following a downturn or correction in the housing market, often characterized by an elevated level of supply, weak demand, and prices relatively flat. The last time the housing market was there was following the Great Recession, from 2010 to 2014. Laws were passed to prevent a repeat of the Great Recession, and the housing market began to heal.

Expansion: A period of time known for growth, characterized by strengthening demand, falling inventory, and rising prices. The expansion stage is often referred to as a **seller's market**. The last time the housing market was there was after COVID-19; it surged, propped up by historically low mortgage rates and an ultra-low level of inventory.

Peak: A period of time where the market is at the highest level of activity and price growth. It is characterized by strong demand and very low inventory levels, which cause home prices to rise rapidly. The last time the housing market was there was in 2021, when the inventory struggled to develop as demand was stronger. Home prices rose at unhealthy paces.

Slowdown: A period of time known for a deceleration in the housing market, often characterized by demand

ZILLOW HOME VALUE INDEX UNITED STATES - YEAR-OVER-YEAR COMPARISON



SOURCE: ZILLOW RESEARCH, ZILLOW HOME VALUE INDEX (ZHVI)

weakening and supply rising. Home price appreciation slows. This stage of the housing cycle is often referred to as a **balanced or slight buyer's market**. The last time the market was there was in 2024, characterized by demand stuck at lower levels and inventory starting to climb. Prices began to cool steadily, not falling sharply.

Correction: A period of time known for weakness in the market. It's characterized by supply far outpacing demand, leading to declining home prices. People sometimes mistake this stage of the cycle for a housing crash, but that's not always the case. The last time the housing market was in a correction was 2022 through 2023, when mortgage rates soared to levels not seen in years, the inventory climbed, demand crumbled, and home prices began to soften. Instead of entering the recovery phase in 2024, it entered a slowdown as the market began to stabilize.

It's important to note that the housing cycle isn't always linear. That said, the housing market in 2026 is mixed, and unfortunately, it boils down to mortgage rates. It can be classified as both a **Recovery** and a **Slowdown** stage, because prices have begun to rise, demand is somewhat improving (not significantly), and affordability is still stretched. This is why some markets in the U.S. are considered buyer's markets, while others are seller's markets. In the United States, according to the Zillow Home Value Index, home prices rose 0.4% in March, up from four consecutive months of near-0% price growth.

Today's housing market is tricky, but understanding where it stands right now provides clarity. As 2026 continues, mortgage rates will dictate where things are heading next.