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## Homeowners get worrying prediction for 2026

Story by Giulia Carbonaro 2026-2-18

Homebuilders who have been slashing prices for the past year in an attempt to beat buyers' reluctance believe that individual sellers will soon have to curb their expectations as well if they want to close a deal.

*Note*  
"We expect in most markets this year, resale prices to go down in order to improve affordability conditions, because existing homeowners now have to do the price discovery that builders have been doing since 2022, and they haven't done it yet," said Robert Dietz, the chief economist at the National Association of Home Builders (NAHB), during the International Builders Show in Orlando, Florida, on Tuesday.

*Note*  
"So we think that's happening in 2026 and of course, it's needed, because when we look at the home price to income ratio. This, to me, sums up the affordability challenge," he added as he pointed at a chart showing that the typical home price in the U.S. was now 4.9 times higher than the typical household's income.

Historically, the typical home price has been about three times higher than the typical household's income. *- Note*

"Home prices to incomes, the 3 to 1 ratio, that was a well-understood rule of thumb that had been around for a while," Dietz said. "When the price-to-income ratio is 5 to 1, it's harder for those younger households to save up, whether it's the 3.5 percent for an FHA mortgage or a 10 percent down payment on a conventional mortgage."

### What Are Homebuilders Doing?

While the country is still in the throes of a shortage of homes, especially in markets in the Northeast and Midwest, homebuilders do not have much of an incentive to build new homes. *Note*

For the past couple of years, demand has shrunk as a result of skyrocketing home prices and historically elevated borrowing costs, combined with higher property taxes, homeowners' insurance premiums and growing uncertainty over the economy. *]*

This has left homebuilders in a bit of a pickle, forcing them to slash prices and offer all kinds of incentives to offload their new properties as they compete with growing levels of inventory across the country, including existing homes.

Note

According to the NAHB/Wells Fargo Housing Market Index released on Tuesday, 36 percent of builders cut prices in February, down from 40 percent in January.

Note

This adjustment, which marks the lowest level of price-cutting since May 2025, can be traced back to homebuilders' reducing their expectations for future sale as buyers continue struggling with affordability issues. The average price discount was 6 percent.

Note

Their willingness to cut prices has led to the newly built homes often costing less than older homes. In October 2025, according to Census Bureau data, the median price of a newly built home was lower than the median asking price of an existing home, at \$392,300 against \$409,200.

Note

Partially it is because many new homes are being built slightly smaller than existing homes, but partially it is because homebuilders are reacting to buyers' demand for affordable options faster than individual sellers.

-Note

Many homeowners, especially those who bought their home at the peak of the pandemic, are reluctant to accept less for their properties than what they spent then—essentially, they do not want to sell at a loss. Many would rather take their property off the market altogether.

-Note

A recent report by Realtor.com found that 19.3 percent of new homes were selling at a discount in the fourth quarter of 2025, compared to 18 percent of existing homes.

-Note

### **Will Sellers Adjust Their Expectations and Cut Prices?**

Dietz firmly believed sellers would have to give up on their peak pricing expectations if they wanted to offload their properties in a market that is increasingly shifting in favor of buyers.

But other experts are skeptical. Realtor.com Chief Economist Danielle Hale expected home prices to continue rising through 2026, even if at a slower pace than in the previous years.

"Looking at asking prices, our expectation is that they'll be up slightly for the year," she said while speaking at a conference in Orlando, pointing at data showing that the share of listings with price discounts had declined in recent months.

Note

"That suggests to me that sellers are pricing right up front and trying to avoid having to make asking price reductions as they move to 2026," Hale said. But in those markets where inventory has risen the most in recent years, especially former pandemic darlings, home prices are

expected to continue falling.