MARKETS & ECONOMY

Why millions of Americans WANT the housing market to crash

Some renters think a crash would help them buy a home. But a surprising number of homeowners also think a major downturn would be a good thing, LendingTree survey finds



Image by: Getty Images

BY MATT CARTER
December 17, 2024

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Elevated home prices and mortgage rates have nearly four in 10 Americans thinking that the housing market is at risk of crashing in 2025 — and more than one in three are hoping it will, according to a recent LendingTree survey.

Economists think that it's increasingly likely that the economy will pull off a "soft landing" in 2025, rather than plunging the nation into a recession. While home price appreciation is expected to decelerate, prices aren't expected to come down by much, if at all, in many markets.

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But the LendingTree survey — fielded online in mid-October by QuestionPro to 2,049 U.S. consumers ages 18 to 78 — provides surprising insights into homebuyer and seller psychology.

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While 38 percent of consumers surveyed by LendingTree thought the housing market is at risk of crashing in the next year, that's down from 44 percent a year ago.

Also keep in mind that 35 percent of those surveyed by LendingTree in 2023 were hoping the housing market would crash this year. It didn't. As mortgage rates eased from post-pandemic highs, home prices kept going up this year.

In the latest survey, 36 percent of those polled said they were rooting for a housing crash next year — an indication that more than 90 million American adults see a major downturn as a good thing.

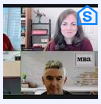

Jacob Channel

But as LendingTree Senior Economist Jacob Channel points out, "those eager for a housing crash would almost certainly be in for a rude awakening if one happens."

"As evidenced by the Great Recession, a cratering housing market would likely bring down the economy with it," Channel wrote of the survey results. "This would result in unemployment rising, wage growth weakening and lenders becoming much pickier about who they lend to."

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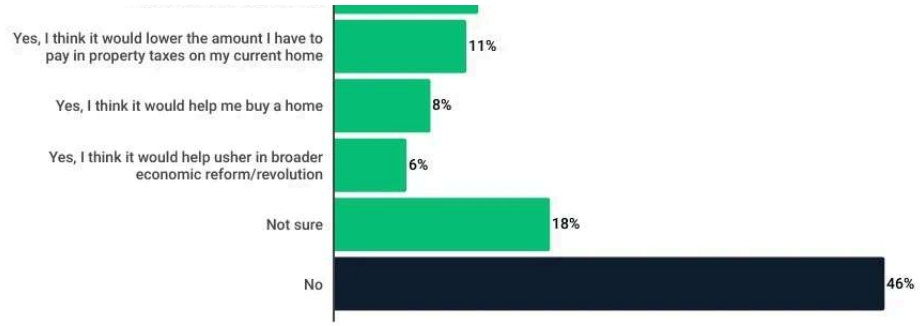

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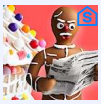
Given that a housing crash would arguably bring more pain than relief, why are so many Americans hoping for one?



Source: QuestionPro online survey of 2,049 U.S. consumers from Oct. 14 to 15, 2024, commissioned by LendingTree.

The answer, it turns out, is not necessarily that they think it would help them buy a home — a reason cited by only 8 percent of those surveyed.

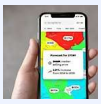
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At $806,500, the 2025 conforming loan limit for mortgage giants Fannie Mae and Freddie Mac is up 66 percent from 2019, a reflection of soaring home prices during the pandemic when mortgage rates hit historic lows.

Even more revealing was that many who are rooting for a crash are already homeowners. The second most popular reason for wanting the housing market to crash, held by 11 percent, was a belief that it would lower property taxes on the respondent's current home.

Another 6 percent were hoping a housing market crash "would help usher in broader economic reform" or even a "revolution."

But when the survey results are segmented by renters and homeowners, 29 percent of renters say they think a housing crash is the only way they can afford to buy.

Ask renters what worries them about the housing market, and 42 say high home prices and 33 percent say high mortgage rates. Tellingly, 34 percent say homelessness is a worry.

Among homeowners, the biggest concerns are rising property taxes (43 percent), high home prices (38 percent) and mortgage rates (34 percent).

Hopes that mortgage rates will drop

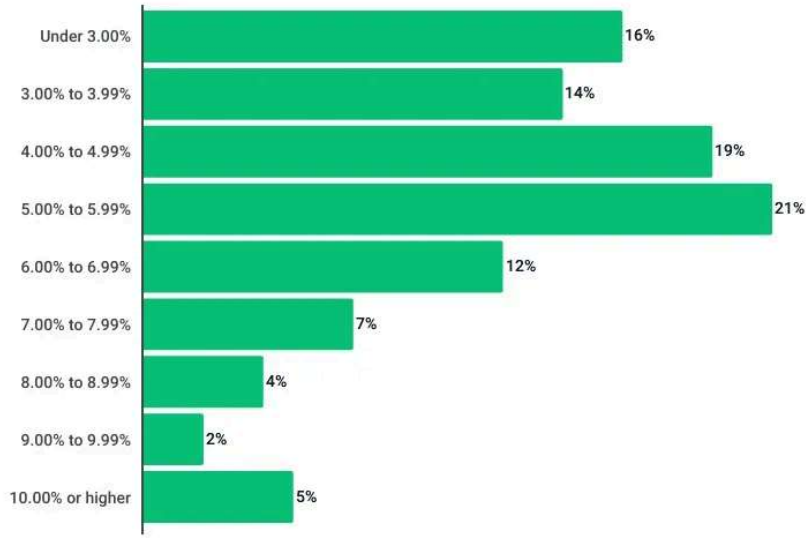
Mortgage rates plummeted below 3 percent in 2020, as the Federal Reserve slashed short-term interest rates to zero and bought more than $1 trillion in mortgage-backed securities to keep the economy from tanking during the pandemic.

But as the Fed reversed course to fight inflation, mortgage rates soared to a post-pandemic high of 7.83 percent in October 2023, according to rate lock data tracked by Optimal Blue.

This year, rates had retreated to 6.03 percent by Sept. 17, on expectations for Fed rate cuts. But once the Fed started cutting, mortgage rates bounced back to a fourth-quarter high of 6.85 percent on Nov. 20 — leaving many homeowners who bought or refinanced their homes when rates were low feeling locked in to the rate on their existing mortgage.

The Fed has cut rates twice this year and is expected to do so again on Dec. 18. But bond market investors who fund most mortgage loans remain concerned that inflation hasn't been tamed and that the central bank will take a more cautious approach to rate cuts next year.

With many economists forecasting that mortgage rates won't drop below 6 percent in 2025, the LendingTree survey suggests more than two-thirds of Americans are likely to be disappointed if rates do remain elevated.



Source: QuestionPro online survey of 2,049 U.S. consumers from Oct. 14 to 15, 2024, commissioned by LendingTree.

LendingTree found that 70 percent of Americans expected rates for 30-year fixed-rate mortgages to drop below 6 percent in the next year, and 49 percent think they could see mortgage rates under 5 percent.

Nearly one-third of those surveyed (30 percent) think mortgage rates could drop below 4 percent in the next year — an unlikely scenario unless there's a recession.

While many Americans are expecting or even rooting for a housing market crash, LendingTree found more than half (55 percent) think home prices will increase next year.

That's in line with forecasts by economists at Fannie Mae, who expect annual home price appreciation to decelerate from 6.7 percent during the first quarter of 2024 to 3.6 percent by Q4 2025.



Mark Palim

"From an affordability perspective, we think 2025 will look a lot like 2024, with mortgage rates above 6 percent, home price growth easing from recent highs but staying positive, and supply remaining below pre-pandemic levels," Fannie Mae Chief Economist Mark Palim said when releasing the mortgage giant's latest forecast.

Fannie Mae's monthly National Housing Survey provides more recent insights into consumer sentiment, with only 38 percent of Americans polled in November saying they expect home prices to go up in the next 12 months.

With the percentage who expect prices to fall increasing to 25 percent, and 36 percent expecting prices to remain stable, the net share who expect home prices to go up over the next year fell to 12 percent, down from a 2024 high of 28 percent in June.

Close to half of consumers surveyed by Fannie Mae in November (45 percent) said they expected mortgage rates to go down in the next 12 months, up from 39 percent in October.

"Over the past year, we have seen a significant improvement in general consumer sentiment toward the housing market, largely driven by increased optimism that mortgage rates will fall and improved

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