

The housing market has boomed during the pandemic. What should we expect in 2022?

Home prices will grow, interest rates will rise, and more homes will be available for sale. Home sales could hit record levels.



Signs advertise two homes for sale on the 2200 block of Delancey Street in Philadelphia on Dec. 20. Home sales are predicted to increase in 2022 in the Philadelphia region and across the country. ALEJANDRO A. ALVAREZ / Staff Photographer

by Michaele Bond
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The housing market nationwide and across the Philadelphia region has remained robust during the pandemic, a trend expected to continue into the new year.

Leaders in the real estate industry feel better about the future now than they did last year, according to a report by the Urban Land Institute and the accounting and auditing firm PwC US.

Despite the [uptick in COVID-19 cases](#) that emphasizes that the pandemic is not ending, “I still think it’s going to be a great year for real estate,” said **Christopher Sample, associate broker with Able Real Estate, based in West Philadelphia, and president of the Philadelphia Metropolitan Board of Realtists.**

So just what can home buyers and sellers expect in 2022? An unprecedented health crisis makes the future even more uncertain. But economists and housing experts are fairly optimistic about the year ahead.

Home prices will continue to grow

Home buyers in 2020 and 2021 have had to navigate [increased competition, bidding wars](#), and inadequate housing supply, which helped push home prices to record levels. Prices will continue to rise in 2022, but compared with 2021, they are expected to grow more slowly — from double-digit to single-digit growth.

Annual home price growth nationwide set a record at 24% in May 2021, according to Redfin.

Across the country, median home prices will increase 5.7% in 2022 compared with 2021, according to a survey of more than 20 economic and housing experts by the National Association of Realtors.

Danielle Hale, chief economist at Realtor.com, anticipates that nationwide, prices will grow at a slower rate — about 3%. That's in line with Redfin's forecast. Hale predicts the same price increase in the Philadelphia metropolitan area, which includes Camden and Wilmington.

U.S. Median Existing-Home Sale Price



Chart: JOHN DUCHNESKIE / Staff Artist • Source: National Association of Realtors

Housing affordability will continue to be a concern, and without intervention by the government and the private sector, housing gaps based on race and socioeconomic status will widen, according to the Urban Land Institute and PwC US.

“Affordability is going to be the factor that really drives a lot of housing decisions,” especially for younger, first-time buyers who have less money saved and no funds from a home sale, Hale said.

And although prices will continue to climb, more potential home buyers will be employed, incomes will inch upward, and employees can choose to live in more affordable areas because of workplace flexibility, she said. The Philadelphia area will remain attractive.

“Relative to major markets on the East Coast,” she said, “it is much more affordable.”

But city residents will continue to have a hard time. Sample, of Able Real Estate, said he's seen homes in West Philadelphia going for about \$260,000 that could have been purchased for \$90,000 in 2000.

Prices “are moving at a pace that's just unbelievable,” he said.

For owners, Zillow predicts that the [median-priced home will increase in value by about 14%](#) next year — down from a record of about 19% this year, but among the strongest years the company has tracked. The median home in the Philadelphia metropolitan area is valued at \$311,614, which is 15% higher than a year ago, according to Zillow economists.

Interest rates will rise, too

Mortgage [interest rates dropped in 2020 to record lows](#) and then fell further early this year. But they've been edging up. As of Dec. 16, the average rate was 3.12%, up from 2.65% the first week of 2021, according to the government-sponsored [mortgage financier Freddie Mac](#).

30-Year Fixed-Rate Mortgages in 2021

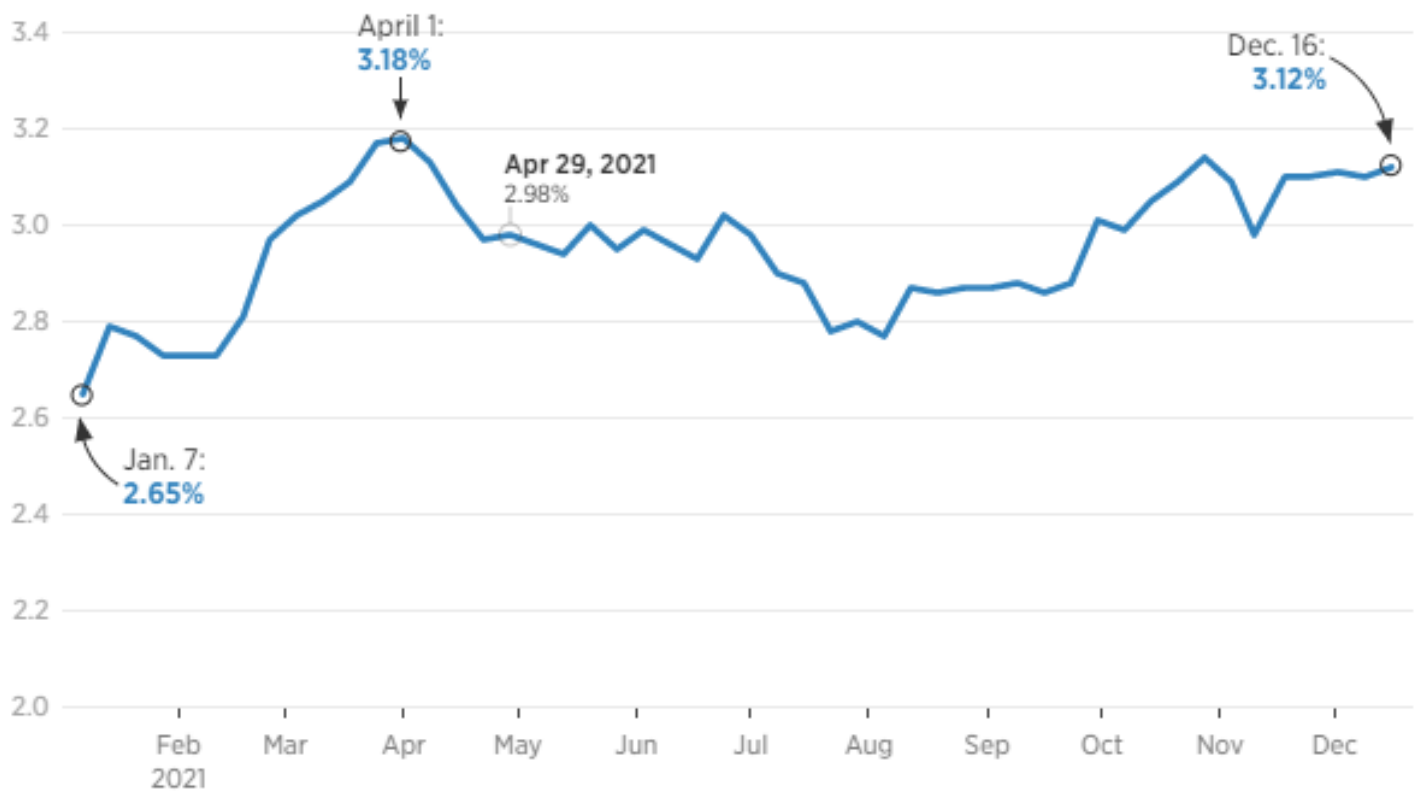


Chart: JOHN DUCHNESKIE / Staff Artist • Source: [Freddie Mac](#)

And rates will likely continue to increase in 2022, because the Federal Reserve plans several interest rate hikes to try to tame inflation. Economists anticipate that the average rate will increase to 3.5% or 3.6% by the end of next year. That's lower than the pre-pandemic rate of 4% and still a historical low.

The increase in rates will mean about \$100 more per month in mortgage payments for the median-priced home, according to Daryl Fairweather, chief economist at Redfin.

She said that rising rates will help slow home price growth, which will give first-time buyers a better chance to succeed in the market.

Home sales will continue to be strong

Sales have been vigorous during the pandemic, and that trend will continue. In 2022, sales in the Philadelphia metropolitan area are projected to grow 4.7% over 2021's sales, according to Realtor.com.

Low interest rates and the pandemic have ramped up demand among members of this generation, who continue to enter their prime first-time home buying years. More than 45 million millennials are ages 26 to 35, a key range for the purchase of a first home, Hale said.

U.S. Annual Existing-Home Sales

In millions; figure for 2021 is a forecast.

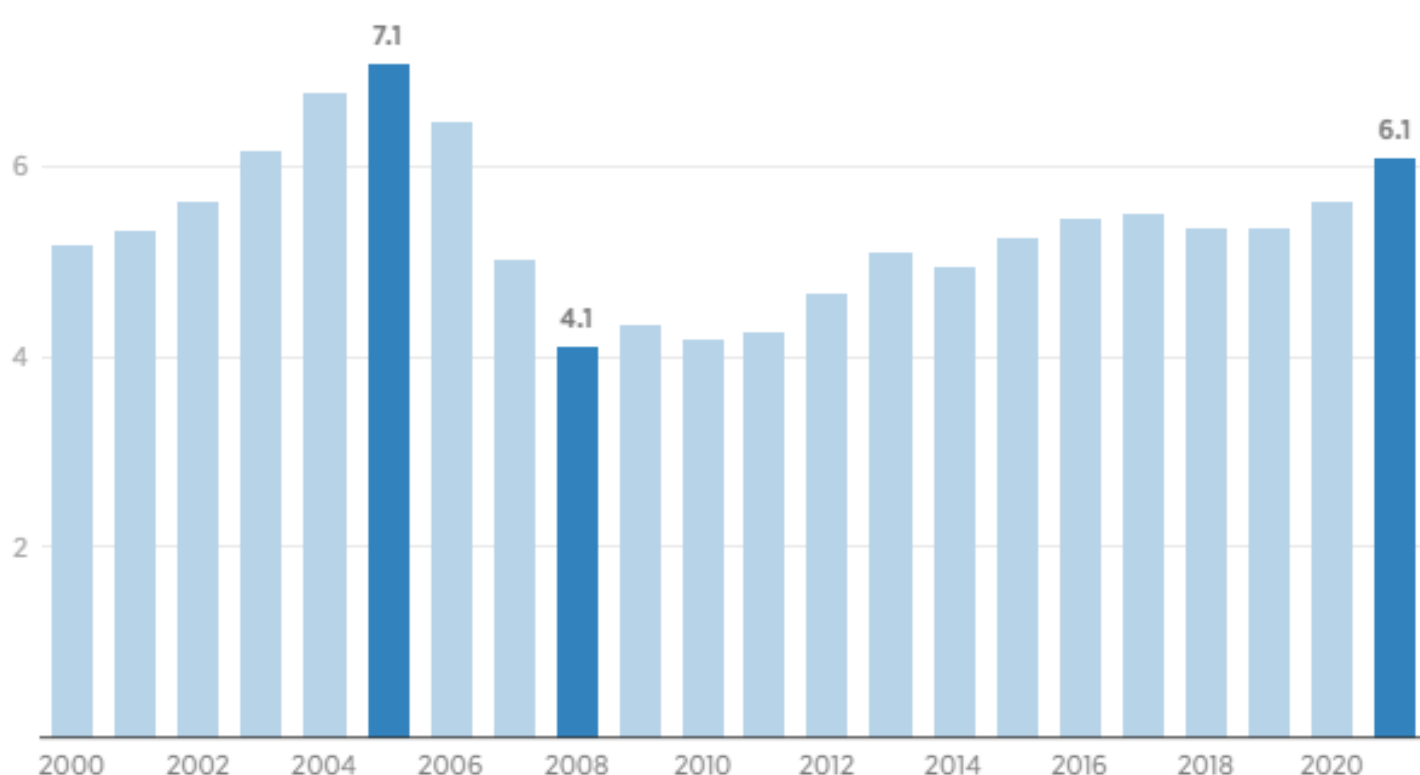


Chart: JOHN DUCHNESKIE / Staff Artist • Source: National Association of Realtors

Although the housing market should be more balanced in 2022 than this year or last, the strong sellers market will carry through next year, thanks to persistently tight supply and increased demand because of remote work, demographic trends, and historically low mortgage rates.

Lisa Y. Risco, associate broker at RE/MAX Access based in Philadelphia, said sales will depend on how confident consumers feel about the economy and their own finances as inflation increases and pandemic-era financial incentives and protections, such as the suspension of student loan payments, end.

“People fail to realize the economy has a direct correlation to the housing market,” she said. “As long as the economy across the board is sustaining, jobs are being created, money is being funneled in, people are getting incentives, then confidence is up.”

U.S. Annual New-Home Sales

In thousands; figure for 2021 is a forecast.

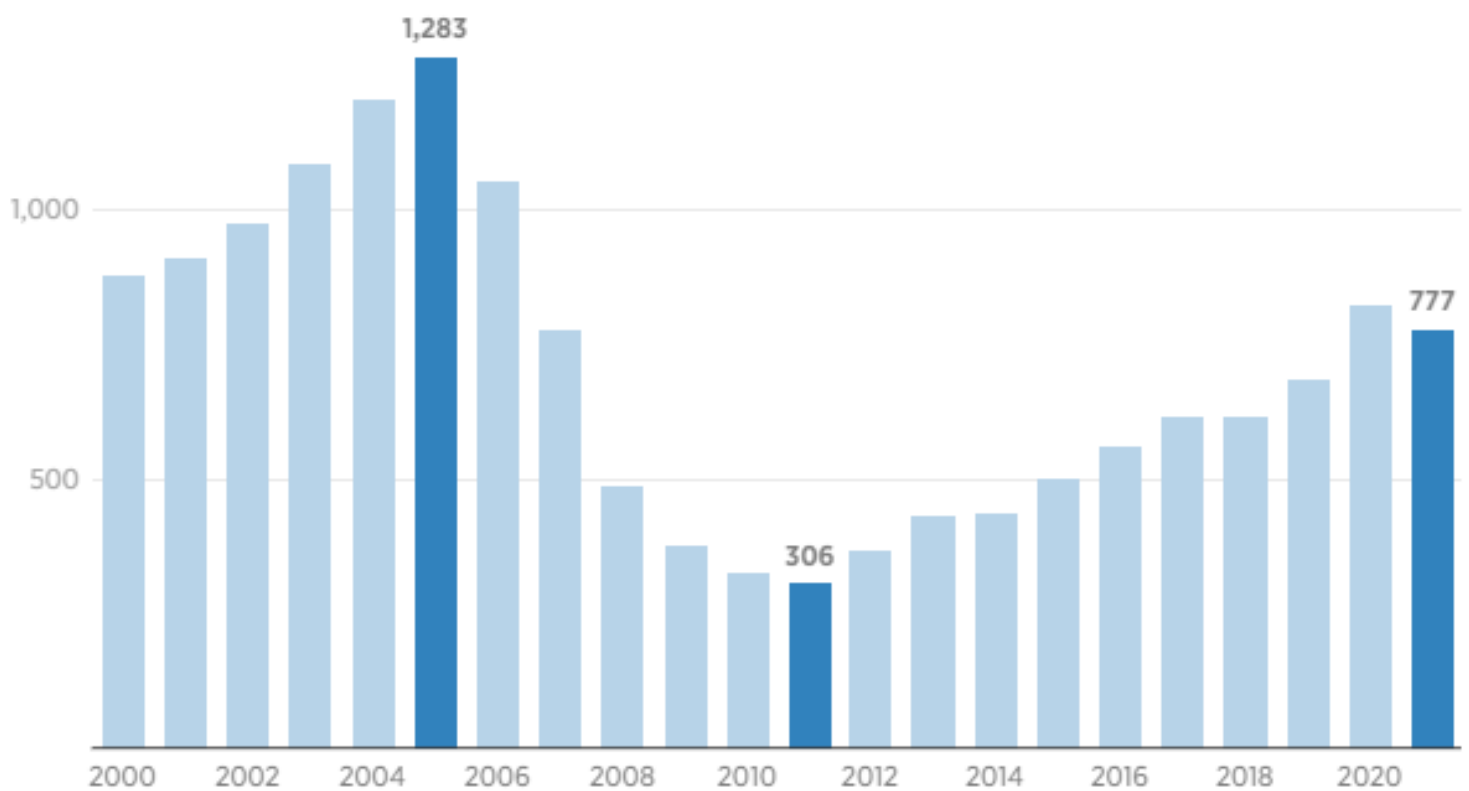


Chart: JOHN DUCHNESKIE / Staff Artist • Source: National Association of Realtors

So far, the economy has bounced back beyond expectations, and economic output is expected to hit a decades-long high by 2022, according to the Urban Land Institute and PwC US.

Home buyers have remained interested in living in cities, including Philadelphia, despite predictions early in the pandemic that buyers would reject urban areas because of the health crisis. But Risco did say she is seeing a large share of people “flocking” to Delaware and Bucks Counties for their school systems and out of the belief those places are safer than Philadelphia.

Hale, at Realtor.com, said that nationwide, the suburbs will continue to draw outsized interest in a trend that predated the pandemic and accelerated during it.

Housing supply will remain tight but will increase

“The housing shortage we’re experiencing was a long time in the making,” Hale said. So the problem won’t go away quickly.

The [housing supply hit record lows in 2020](#) and [stayed low in 2021](#), thanks to a decade of slower-than-normal home construction, potential sellers worried about finding a new home after they sell, and increased buyer demand.

The 35 largest housing markets, including Philadelphia, issued permits for a total of 1.35 million fewer homes since 2008 than if permitting had kept pace with historical norms, according to Zillow.

But buyers can expect some relief in 2022. Builders nationwide are constructing homes at a pace not seen in 15 years, which is “pretty impressive in light of all the difficulties” they face in accessing materials and labor, Hale said. She anticipates that single-family housing starts will be up 5% in 2022 compared with this year.



A "for sale" sign outside 4261 Griscom St. in Philadelphia in December.
ALEJANDRO A. ALVAREZ / Staff Photographer

There are 28% more single-family homes under construction than a year ago, said Robert Dietz, chief economist at the National Association of Home Builders.

And although sellers still will face some difficulty finding a home to move into, more homeowners plan to jump into the market next year. During the fall, Realtor.com surveyed 1,300 consumers across the country and found that one in four homeowners said they [planned to sell their home within the next 12 months](#). That's up from one in 10 in the spring.

Fairweather at Redfin predicts that new listings will hit a 10-year high next year, surpassing 2018's high of 7.6 million homes placed on the market. Homeowners should find listing their home while at the same time looking for one to buy less daunting as the market becomes more balanced, she said.

That doesn't mean buyers will be out of the woods in 2022. Record high listings are no match for the housing supply shortage, Fairweather said. For example, members of swelling younger generations just starting out and older generations who are living longer and downsizing both are competing for the same sized homes.

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Michaelle Bond [✉](#) [🐦](#)

I'm an urbanism writer covering how people live in their homes, how the market directs choices, and how policies shape communities.