CPA Practice Advisor

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The online home and real estate website Zillow is expecting home values across the U.S. to rise about 3 percent next year, and has made additional predictions for 2014. The company also offers its advice on which housing markets will likely be the hottest this coming year.

2014 Predictions:

U.S. home values will increase by 3 percent. Mortgage rates will reach 5 percent by the end of the year. It will be easier for borrowers to get a mortgage in 2014. Homeownership rates will fall to their lowest point in nearly two decades.

2014's Hottest Housing Markets

To determine which markets will be the hottest in 2014, Zillow combined data on unemployment rates, population growth and the Zillow® Home Value Forecast.1 The list is intended to give an early view into housing markets that are likely to experience heavy demand for homes, as well as increasing home values.

1. **Salt Lake City**
2. **Seattle**
3. **Austin, Texas**
4. **San Jose, Calif.**
5. **Miami**
6. **Raleigh, N.C.**
7. **Jacksonville, Fla.**

8. **San Diego**

homeowners and more new construction. For buyers, this is welcome news, especially for those in markets where bidding wars were becoming the norm and bubble-like conditions were starting to emerge." – Dr. Stan Humphries, Zillow chief economist

The 30-year fixed mortgage rate will reach 5 percent by the end of the year.
"As the economy improves and Federal Reserve policies change, mortgage interest rates will rise throughout 2014, likely hitting 5 percent for the first time since early 2010. While this will make homes more expensive to finance – the monthly payment on a $200,000 loan will rise by roughly $160 – it's important to remember that mortgage rates in the 5 percent range are still very low. Because affordability is still high in most areas relative to historical norms, rising rates won't derail the housing recovery. Unfortunately, this isn't true in all areas – affordability is starting to become an issue for some markets, particularly some of the booming California markets." – Erin Lantz, Zillow director of mortgages

It will be easier for borrowers to get a mortgage than it was in 2013.
"The silver lining to rising interest rates is that getting a loan will be easier. Rising rates means lenders' refinance business will dwindle, forcing them to compete for buyers by potentially loosening their lending standards." – Erin Lantz, Zillow director of mortgages

Homeownership rates will fall below 65 percent for the first time since 1995.
"The housing bubble was fueled by easy lending standards and irrational expectations of home value appreciation, but it put a historically high number of American households – seven out of ten – in a home, if only temporarily. That homeownership level proved unsustainable and during the housing recession and recovery the homeownership rate has floated back down to a more normal level, and

we expect it to break 65% for the first time since the mid-1990s.” – Dr. Stan

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