

5 Housing Market Predictions for 2025

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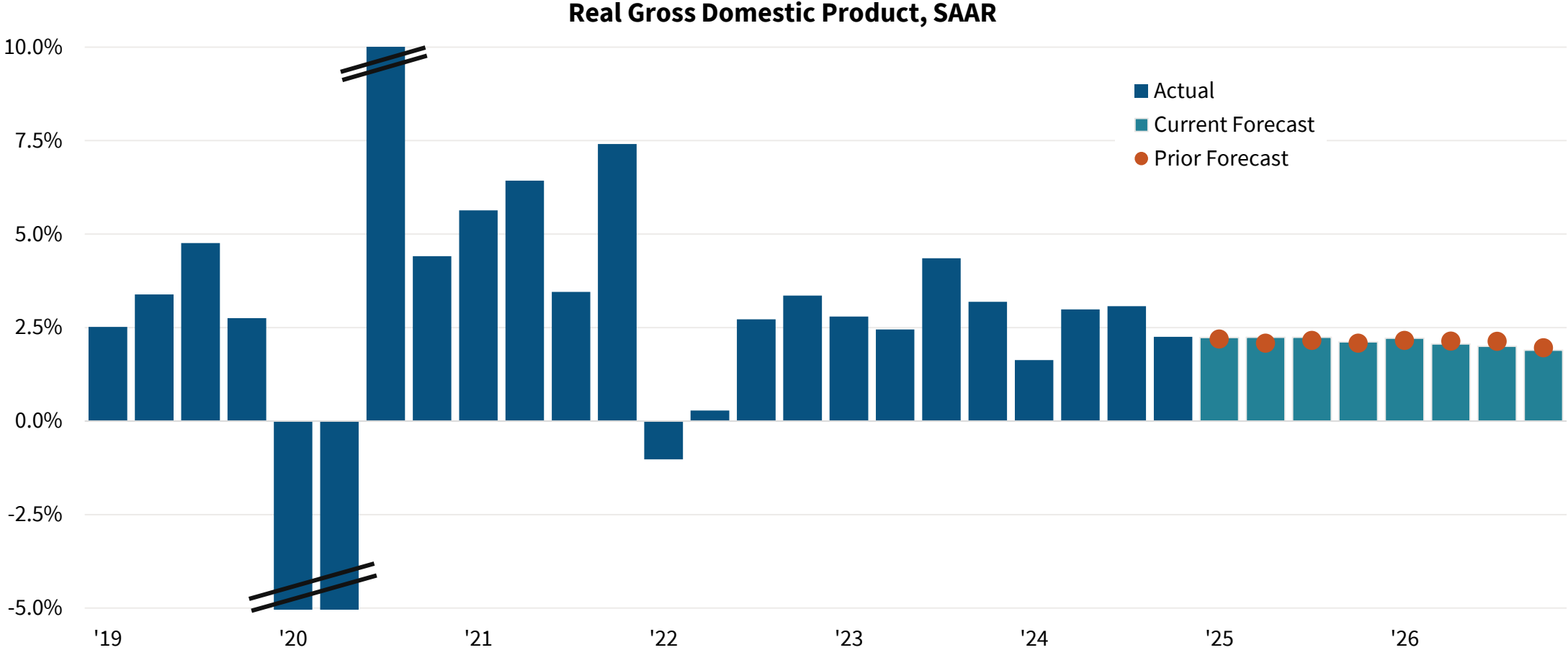
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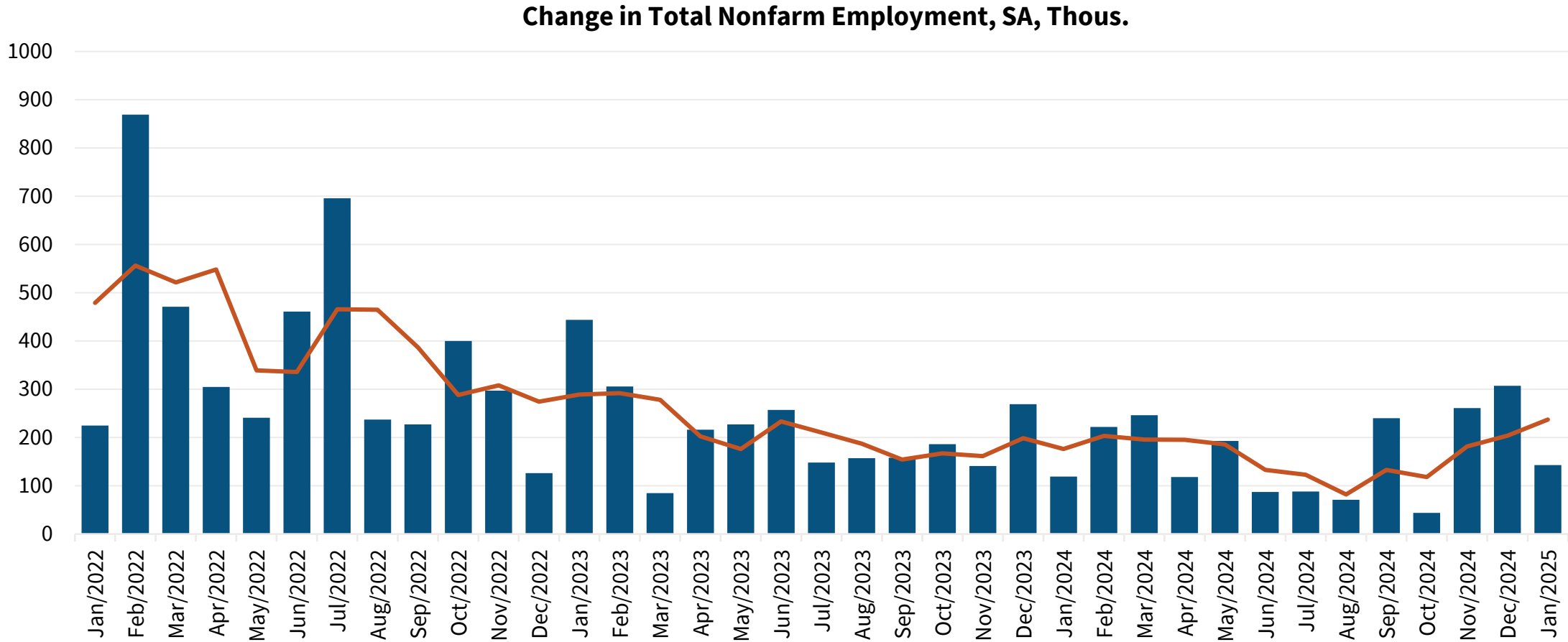


Macroeconomic Backdrop

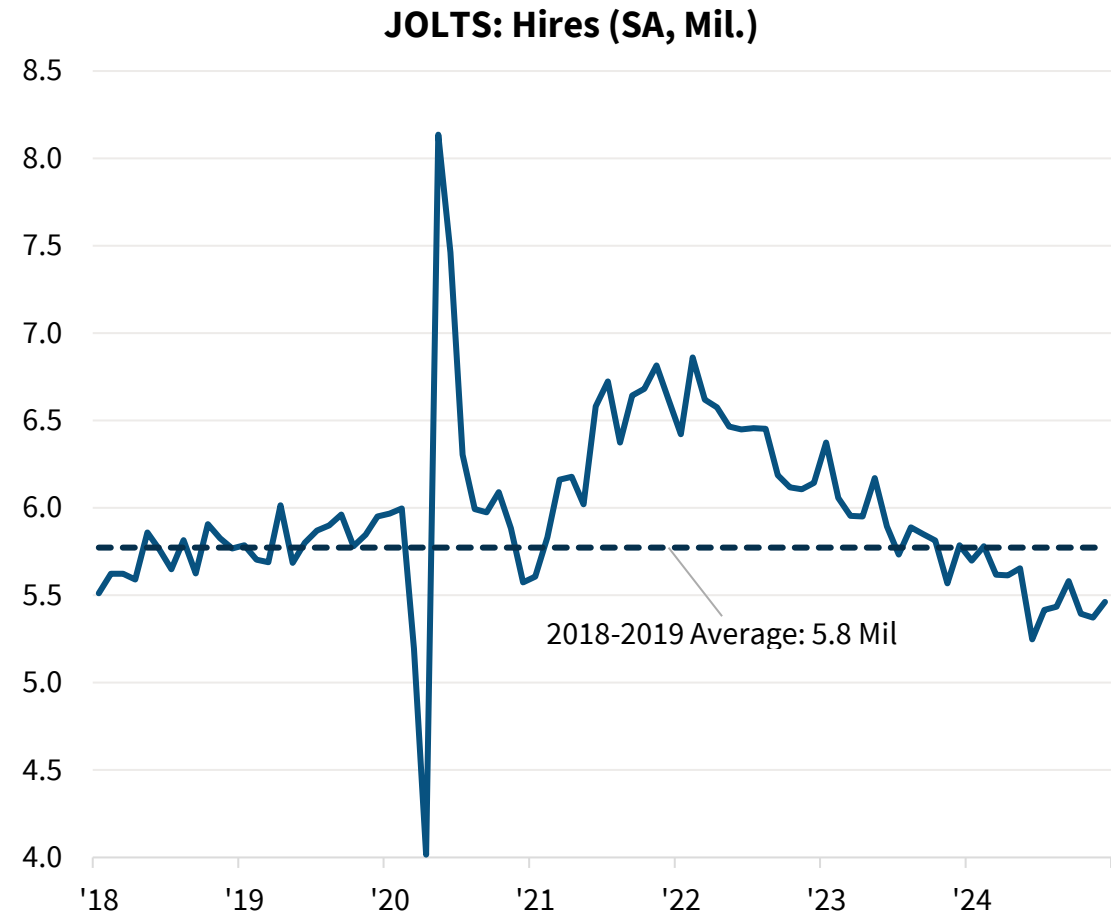
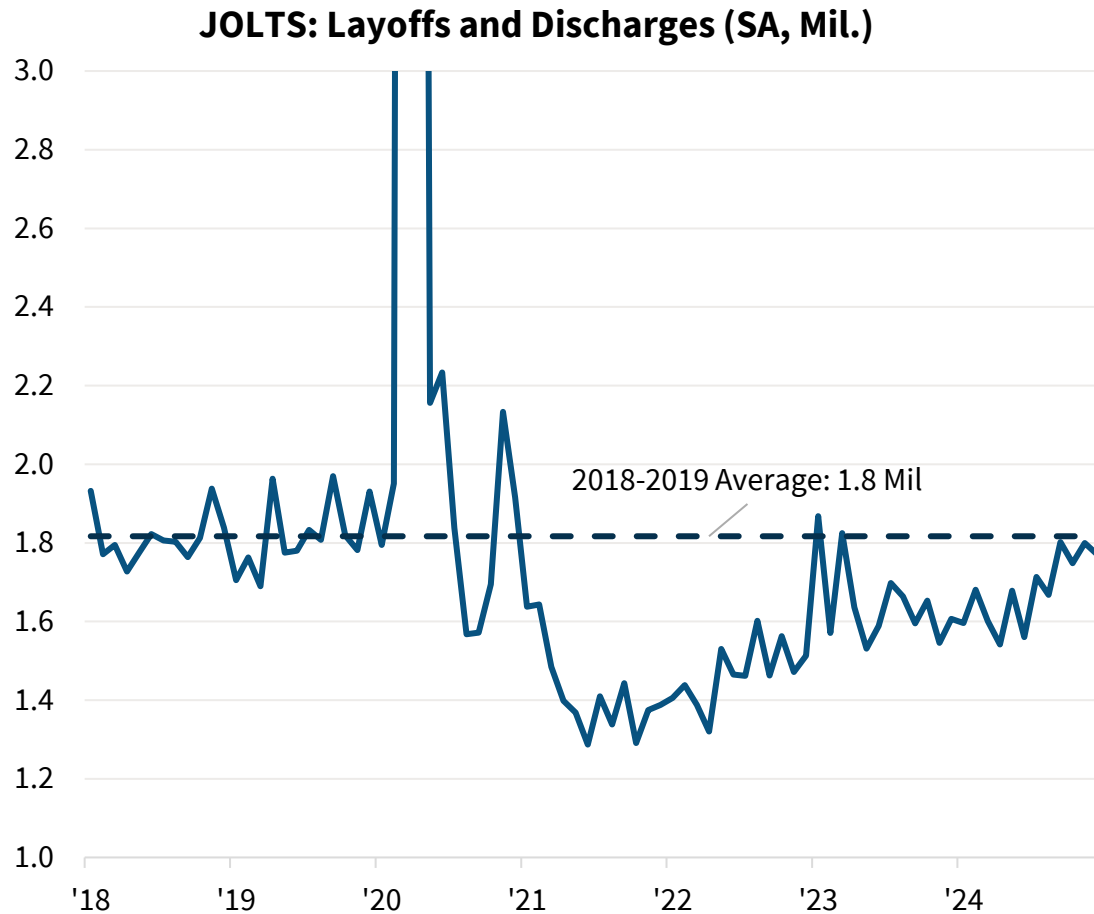
Growth has remained strong, but slowing is likely



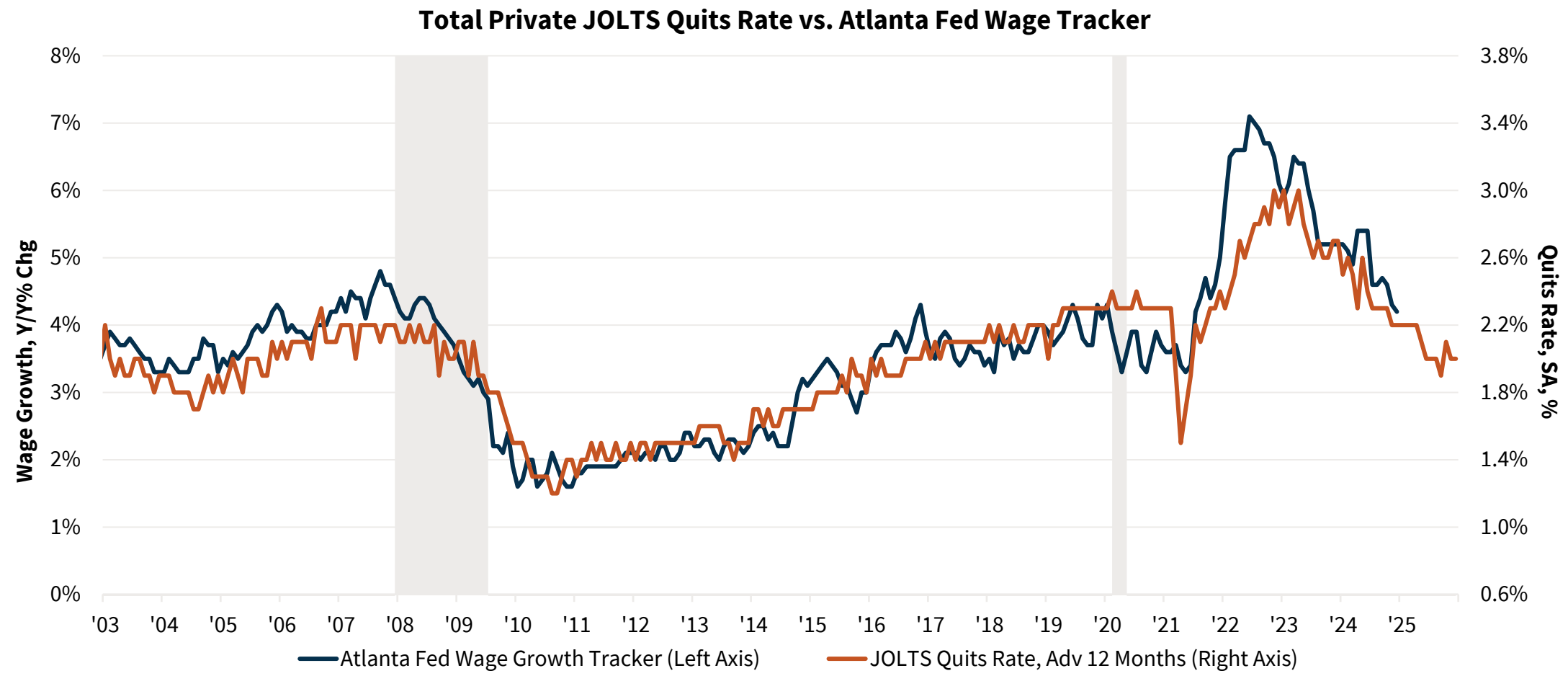
After a summer slowdown, employment gains have accelerated



Firms have not been laying off workers, but they're not hiring them either



Wage growth was strong during the pandemic but is now on a more sustainable path

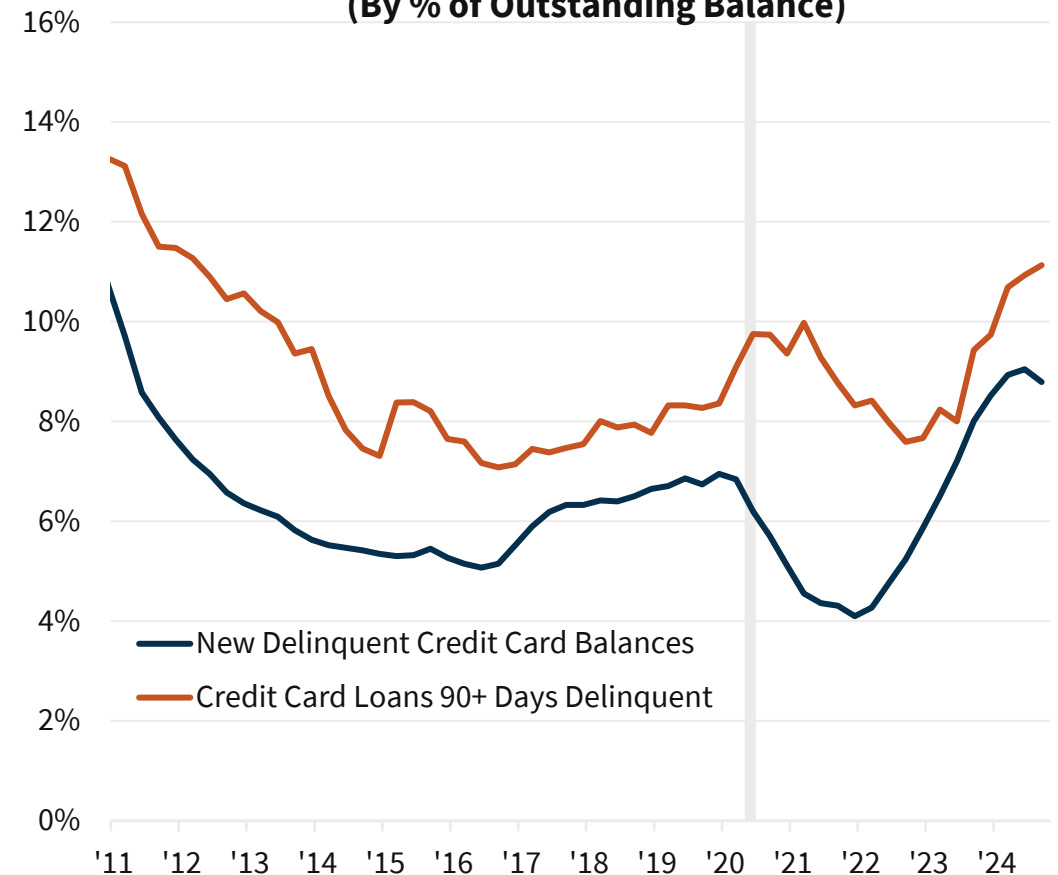


While aggregate balances are not out of line with incomes, there are signs of stress in credit card performance

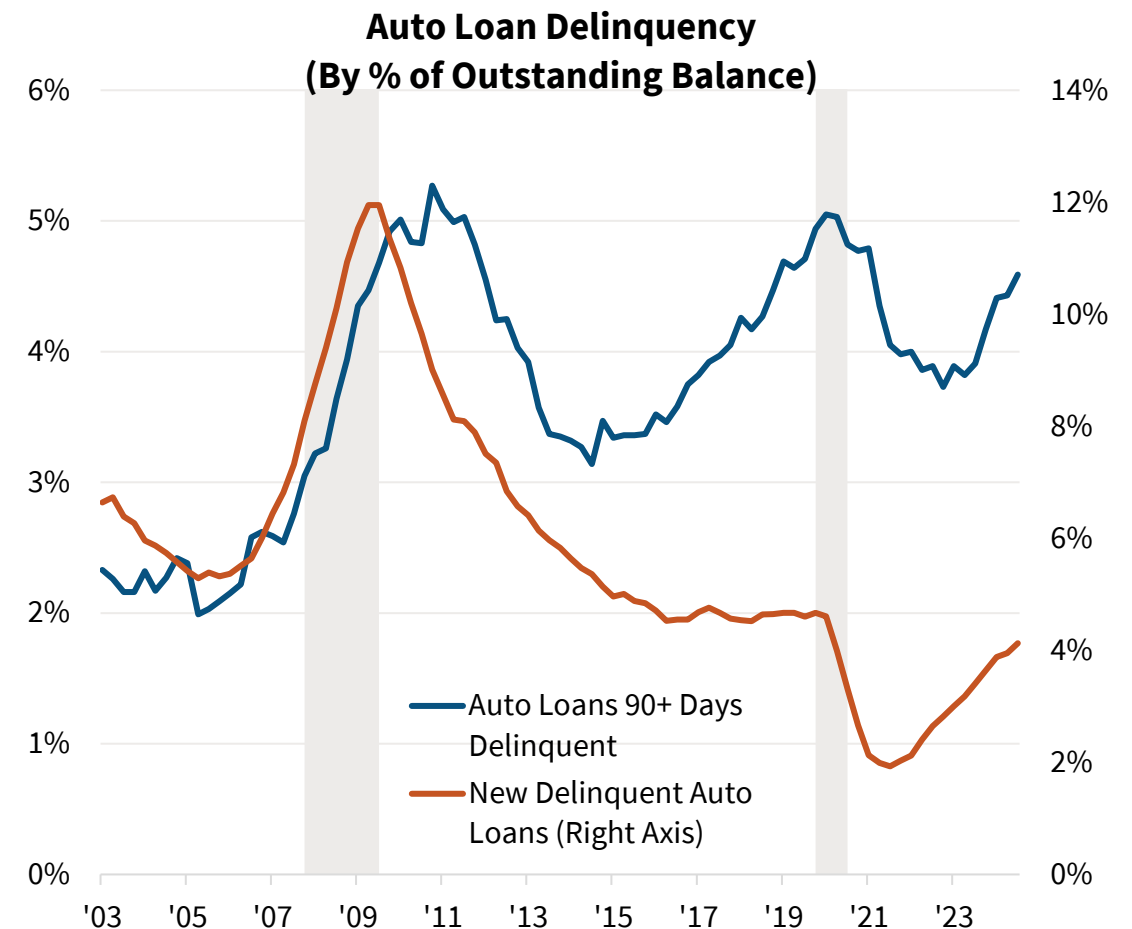
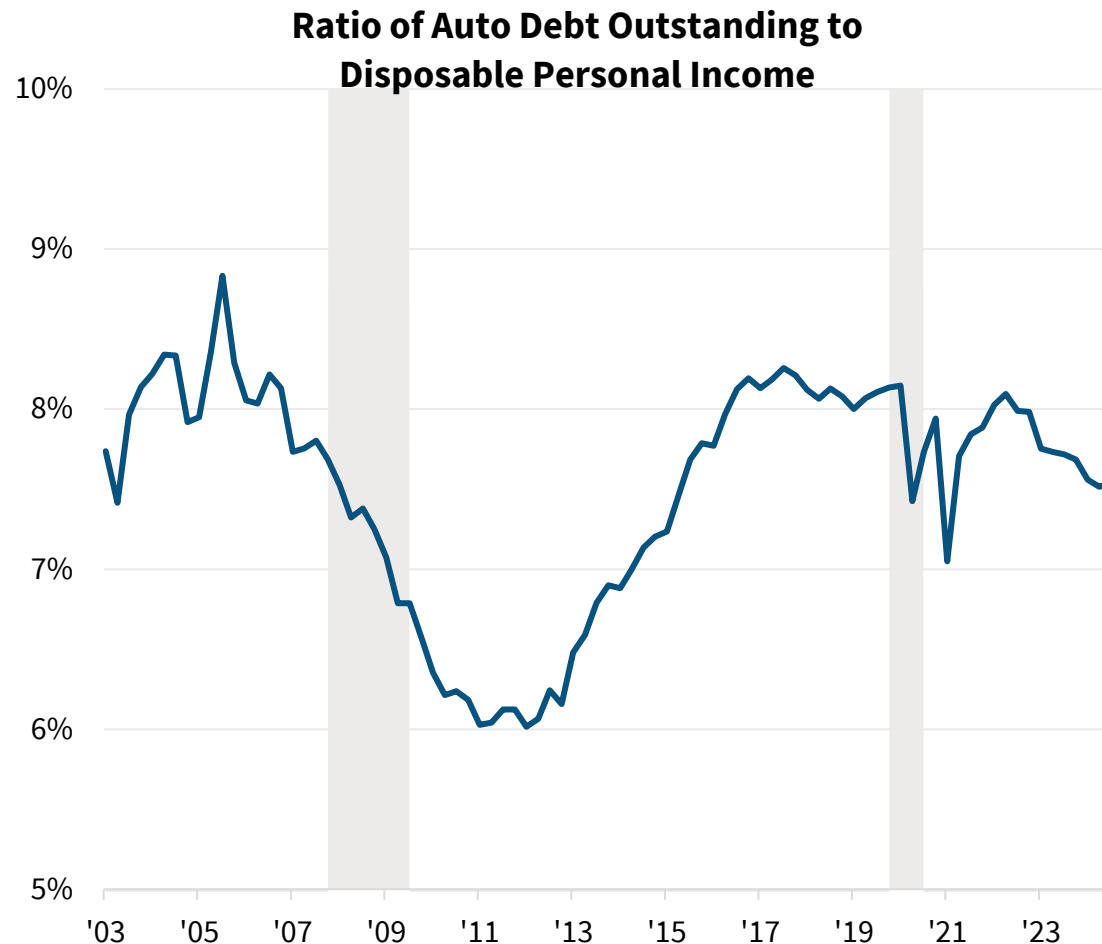
Revolving Consumer Credit Outstanding to Disposable Personal Income



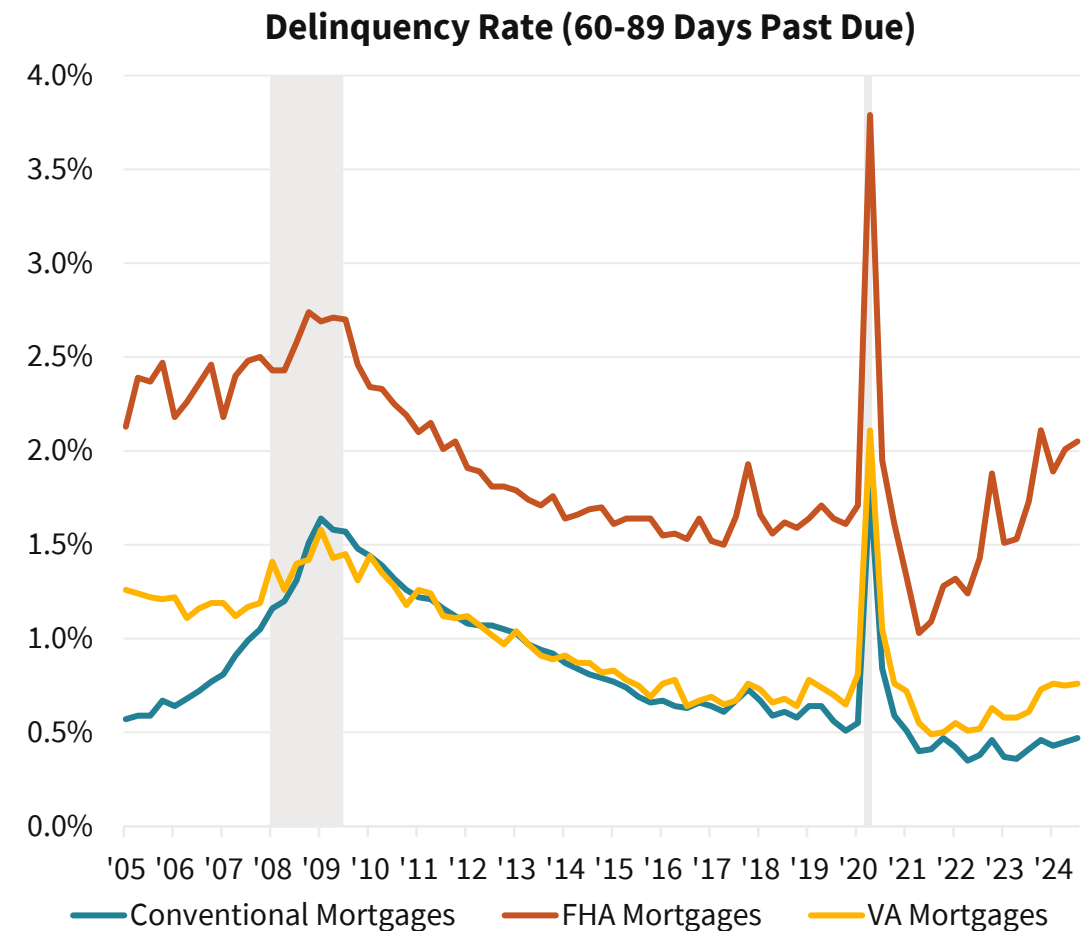
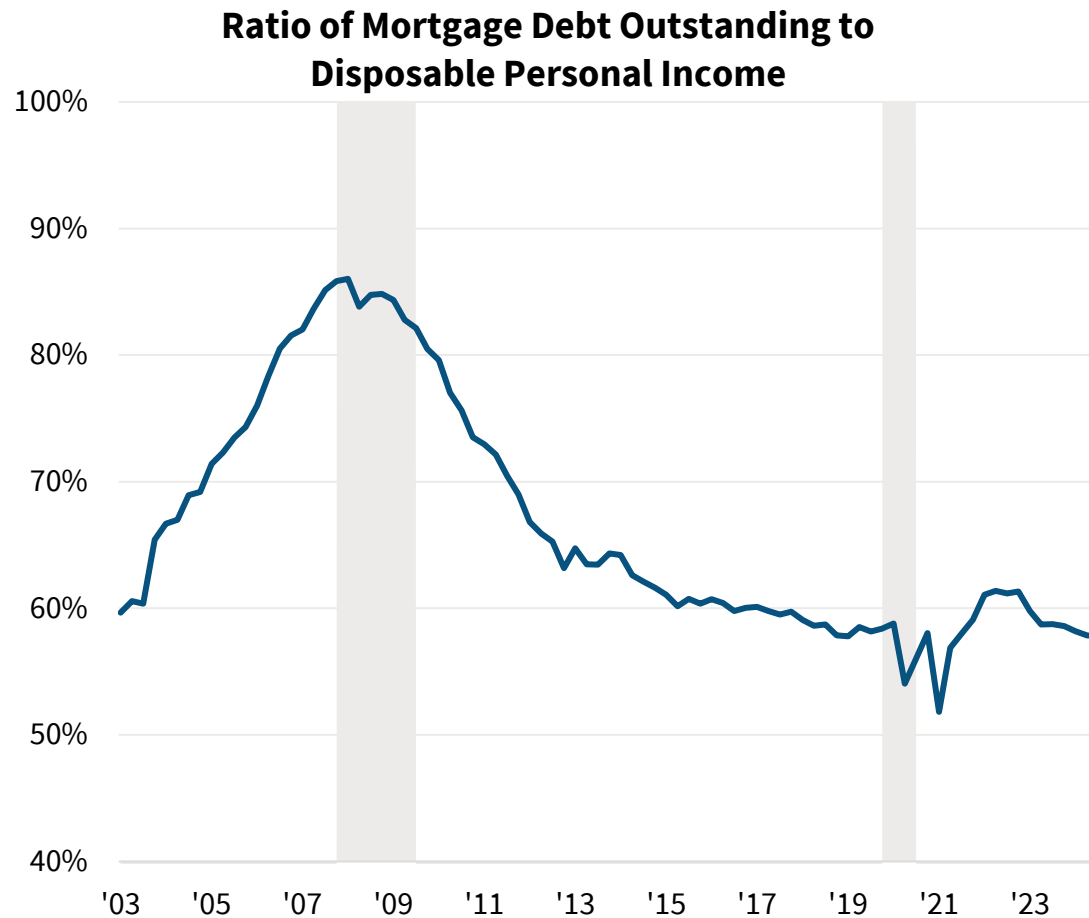
Credit Card Delinquency (By % of Outstanding Balance)



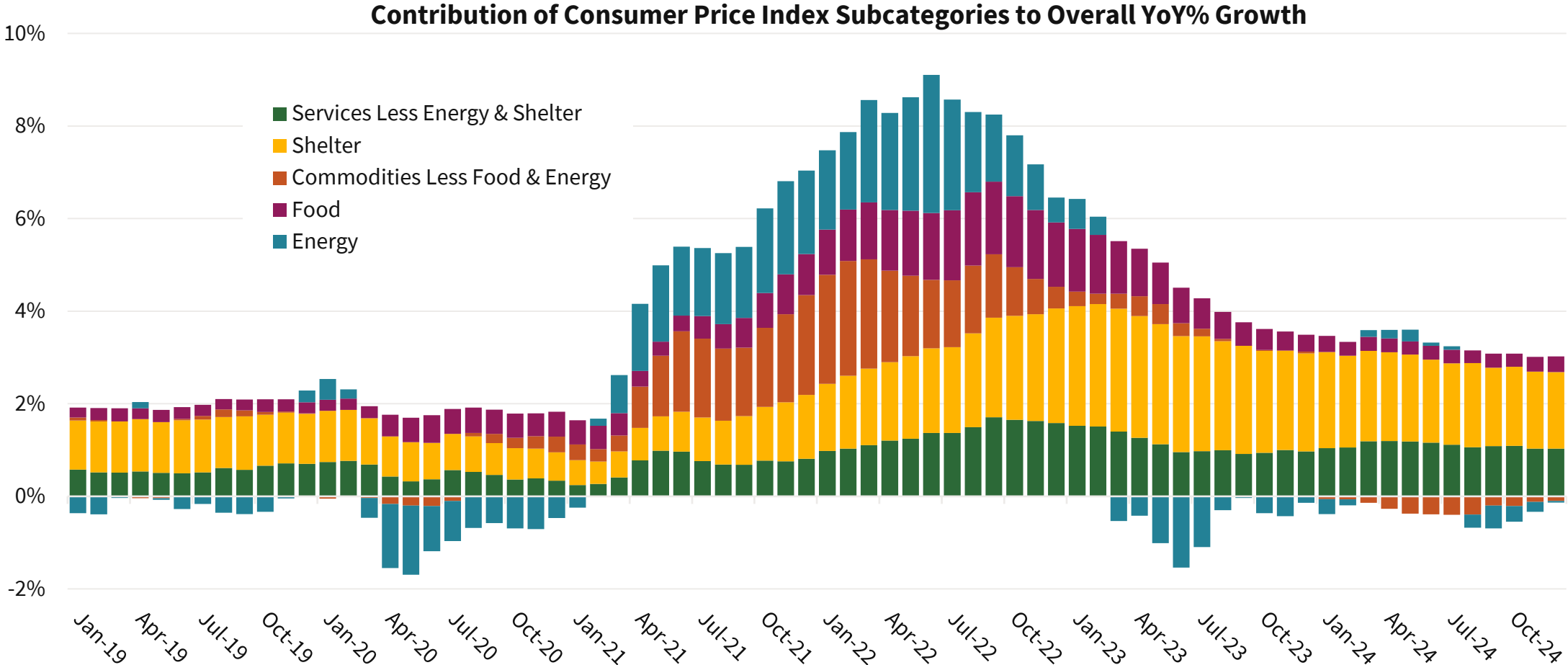
Auto loan debt as a percentage of income is below pre-pandemic levels, though delinquencies are growing



Despite run-up in home prices, mortgage debt as a share of disposable personal income remains low



Shelter costs continue to be primary driver of inflation, but other services are also above target



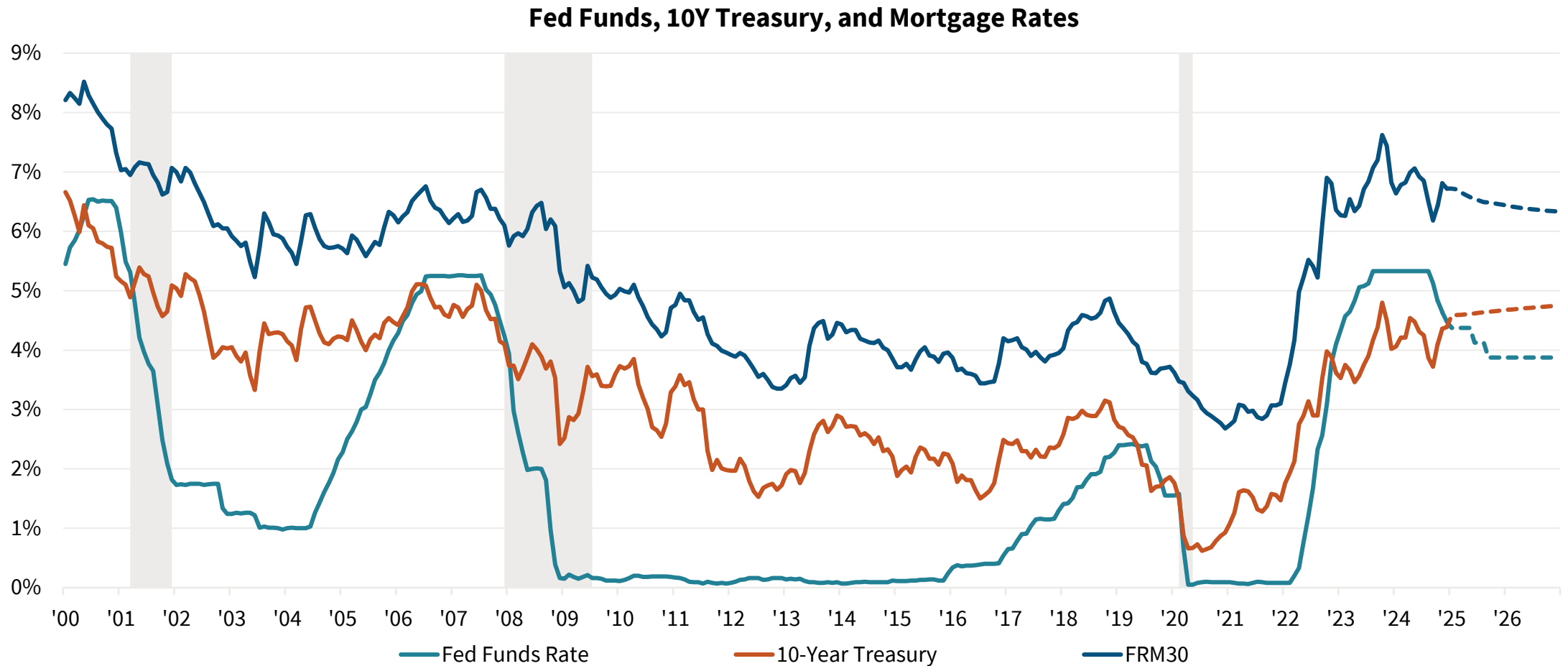
5 Housing Market Predictions for 2025

1. Average mortgage rates will decline modestly but remain above 6 percent, with likely bouts of volatility
2. Existing home sales will remain near 30-year lows, but location matters
3. New home sales will remain a bright spot in the housing market (where they can be built)
4. National home price growth will decelerate
5. Multifamily housing will remain in a holding pattern

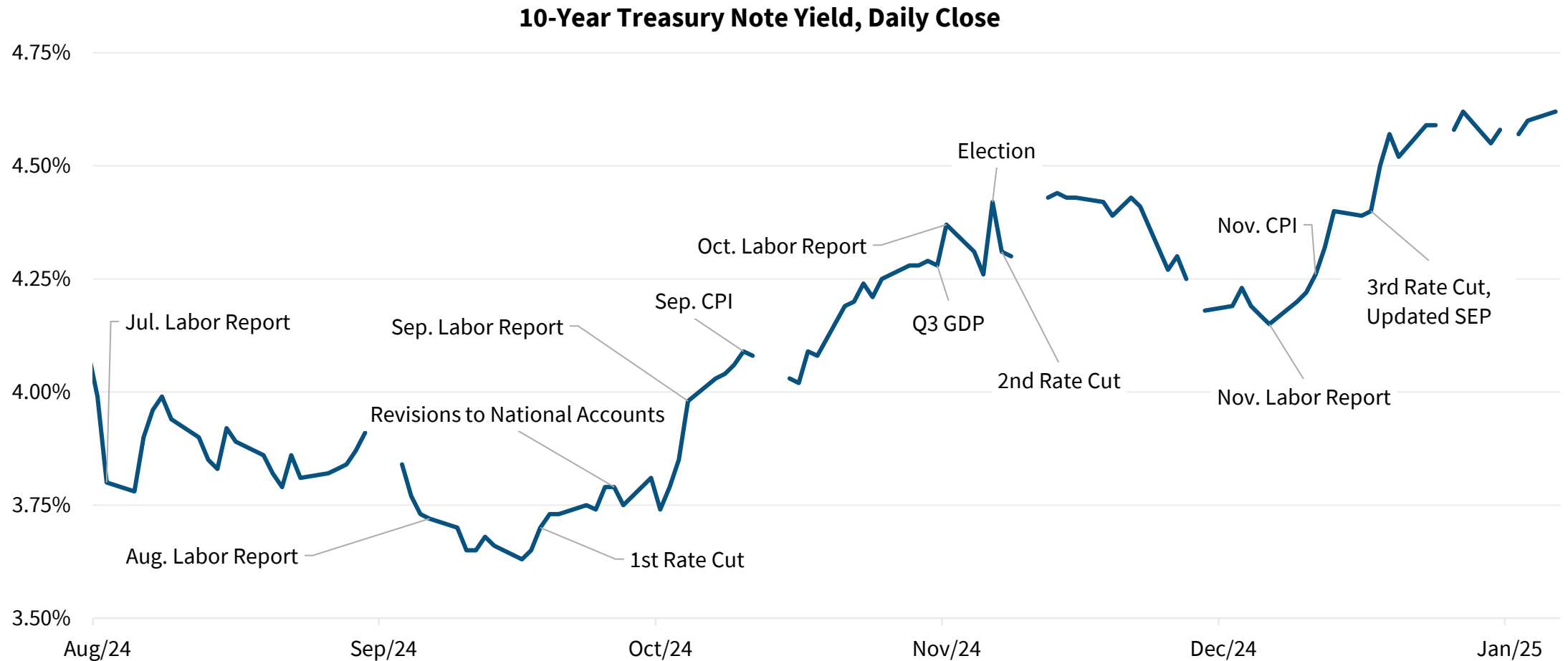


1. Average mortgage rates will decline modestly but remain above 6 percent, with likely bouts of volatility

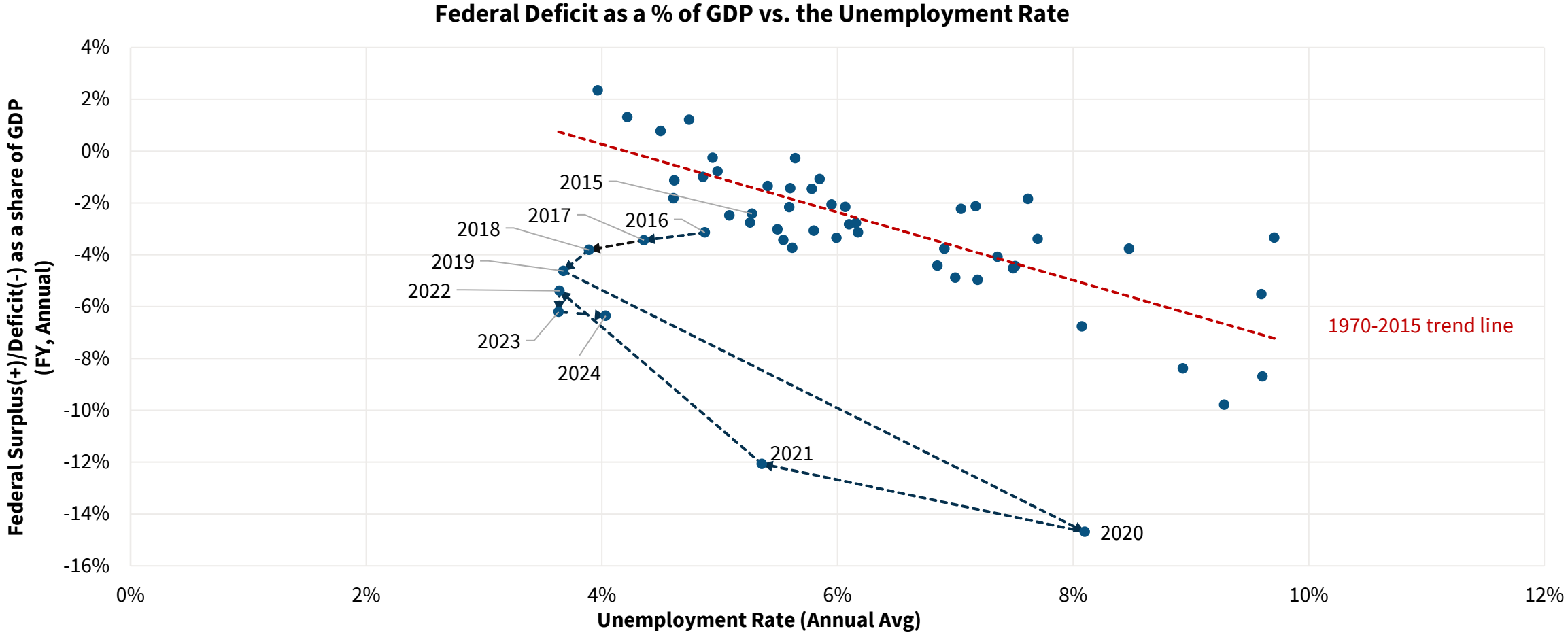
Even as the Fed cut rates, the 10-year Treasury and mortgage rates have risen



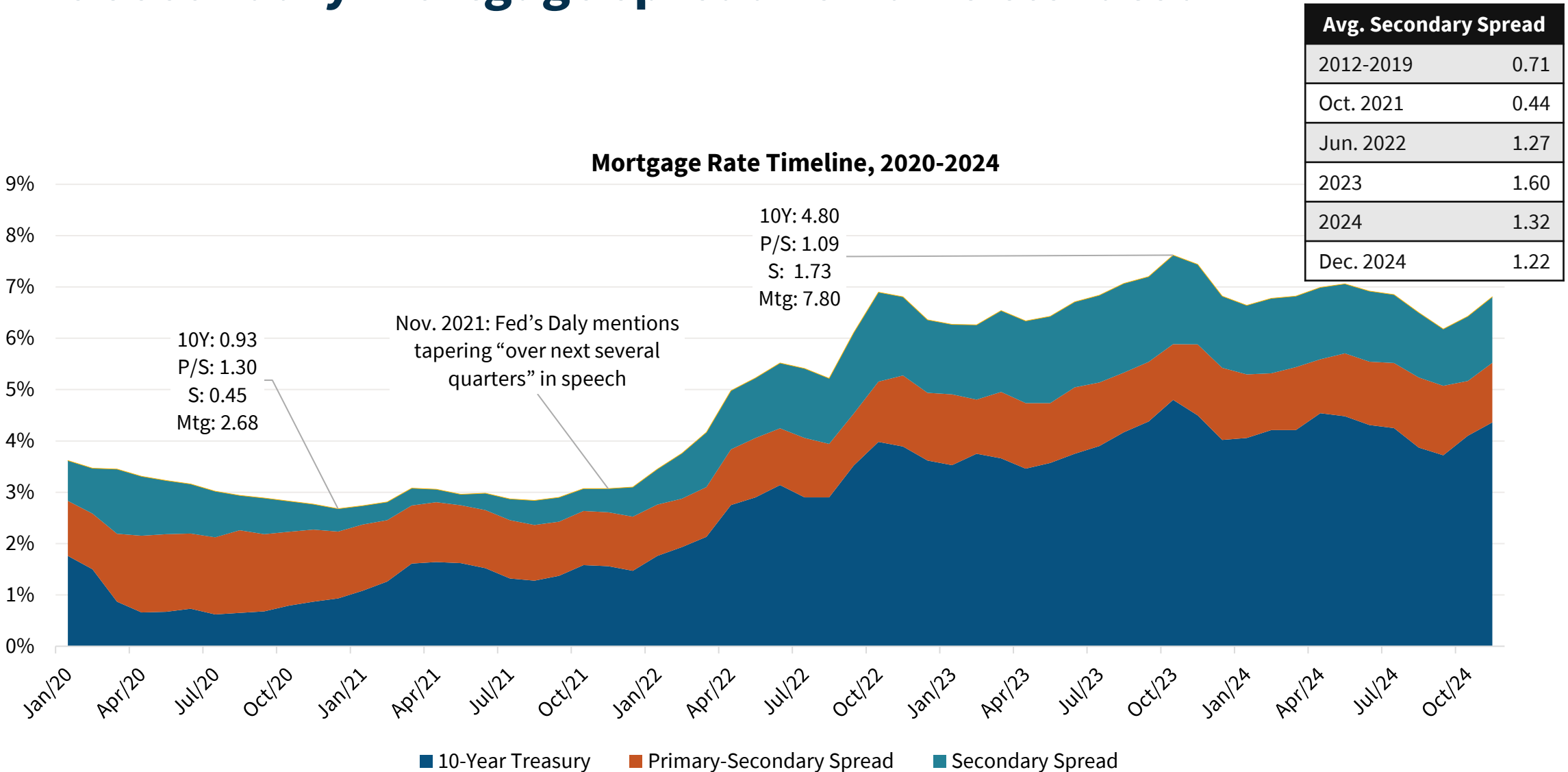
Bond markets have pushed 10-year yields up and down following data releases, election results, and Fed guidance



Federal deficit as a share of GDP is now structurally deviated from prior trend



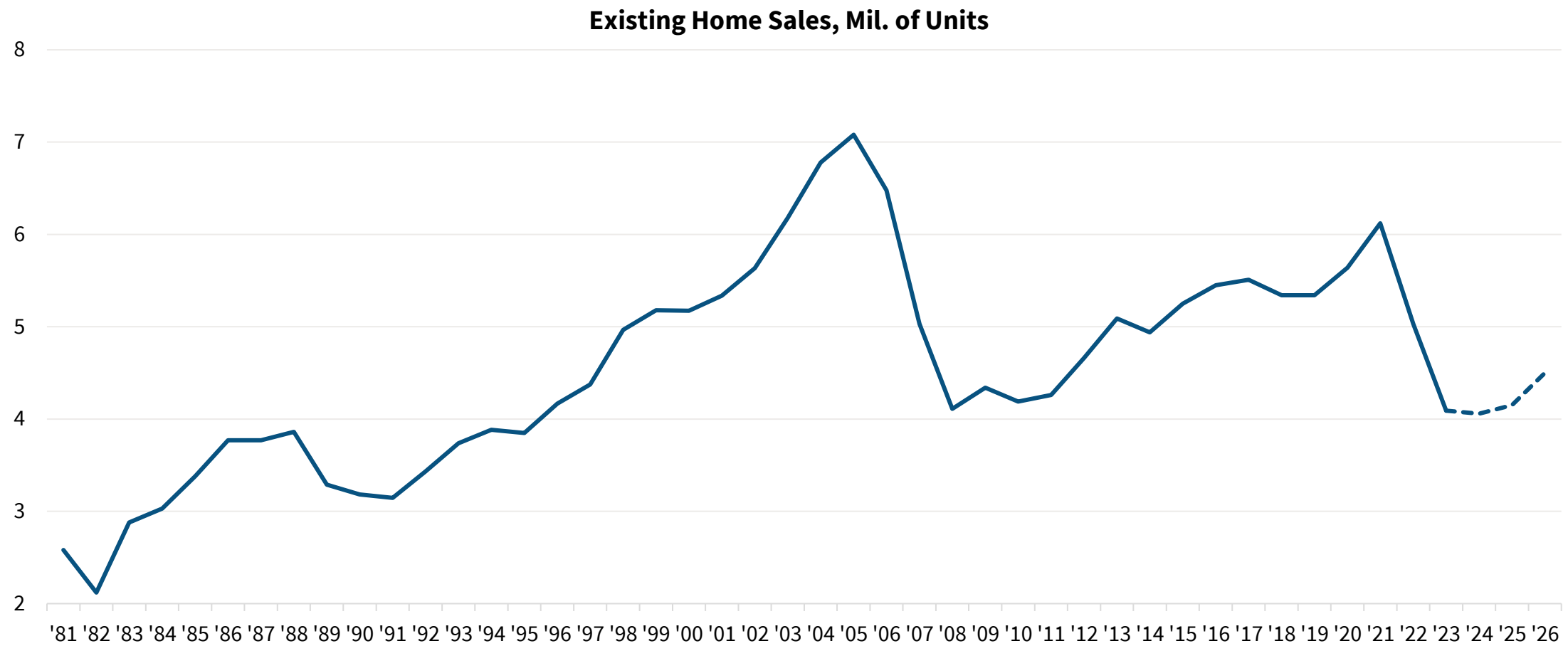
The secondary mortgage spread remains elevated



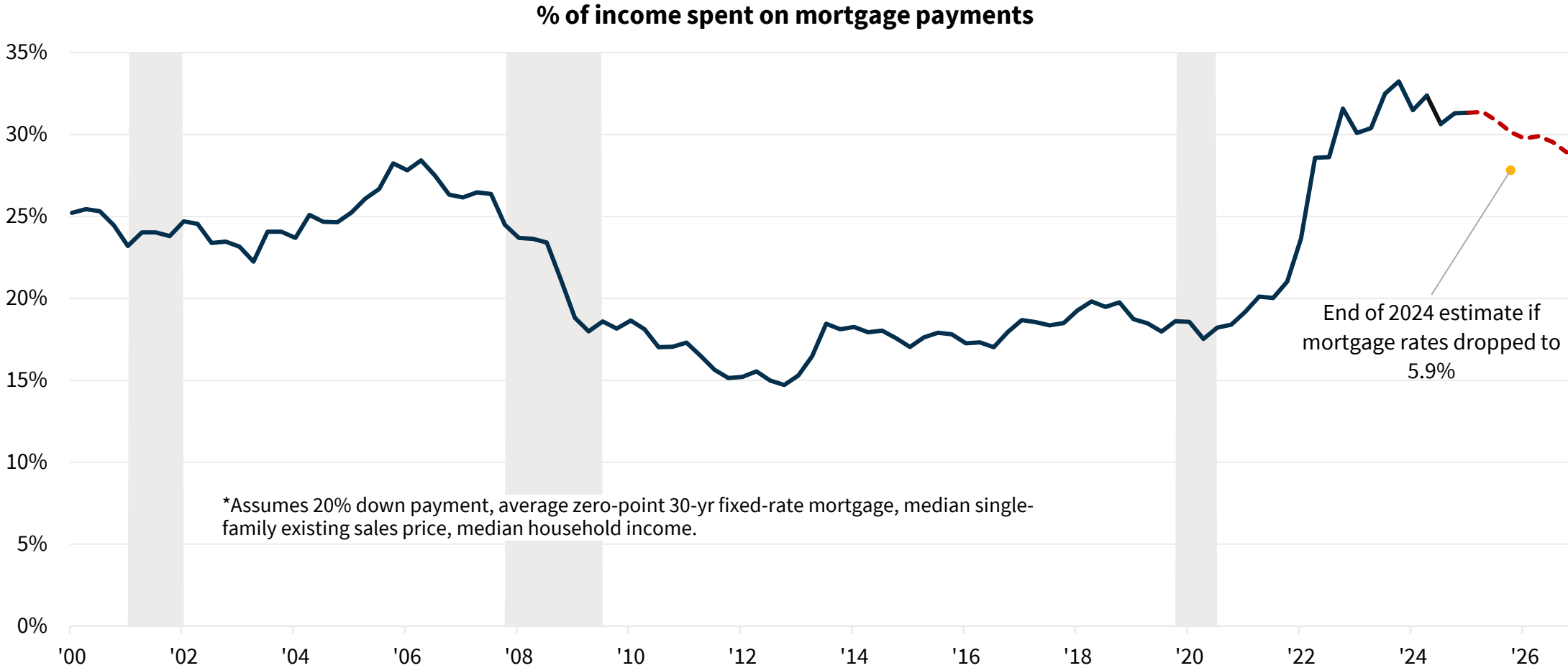


2. Existing home sales will remain near 30-year lows, but location matters

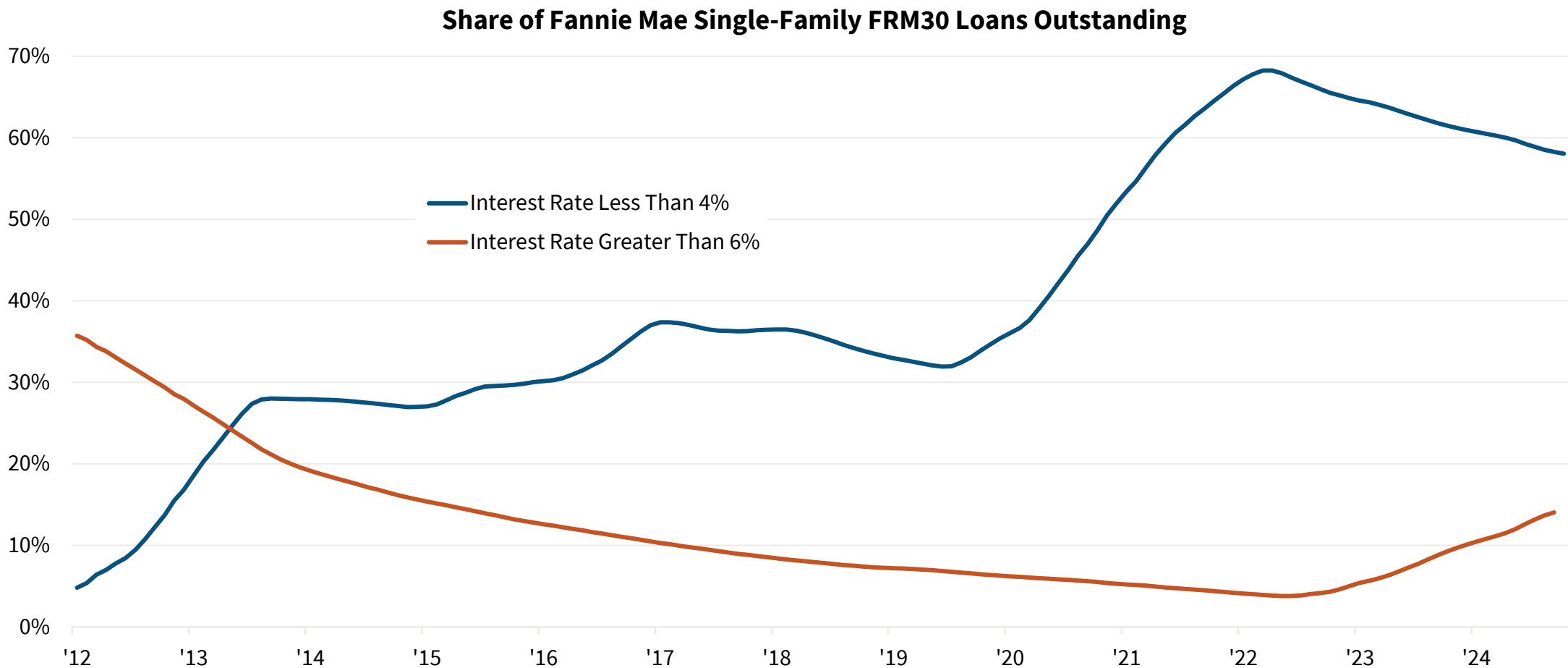
Existing home sales are expected to rise 2 percent from 2024 but remain 22 percent lower relative to 2019



Affordability expected to improve modestly, but is unlikely to return to pre-pandemic levels anytime soon

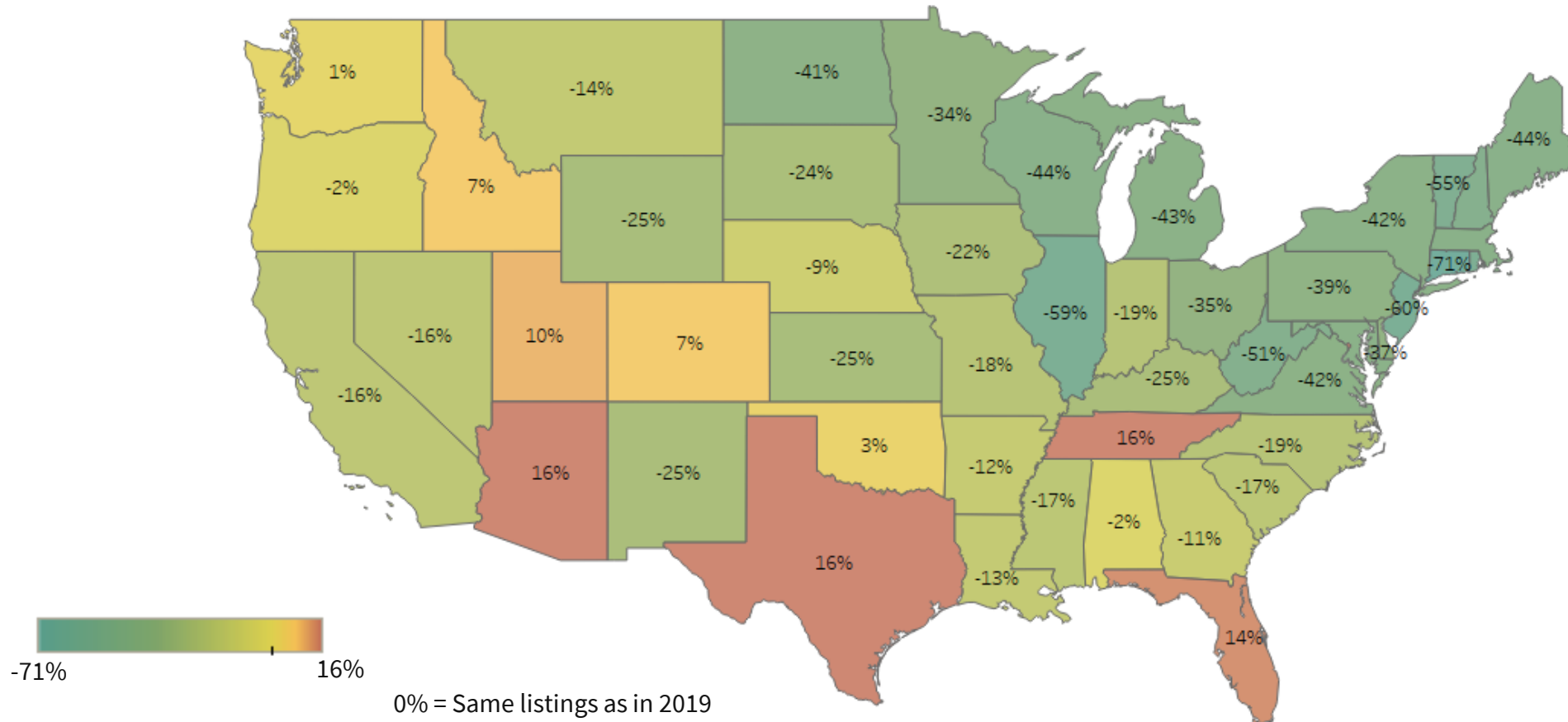


The majority of mortgage holders remain locked-in with an interest rate below 4%

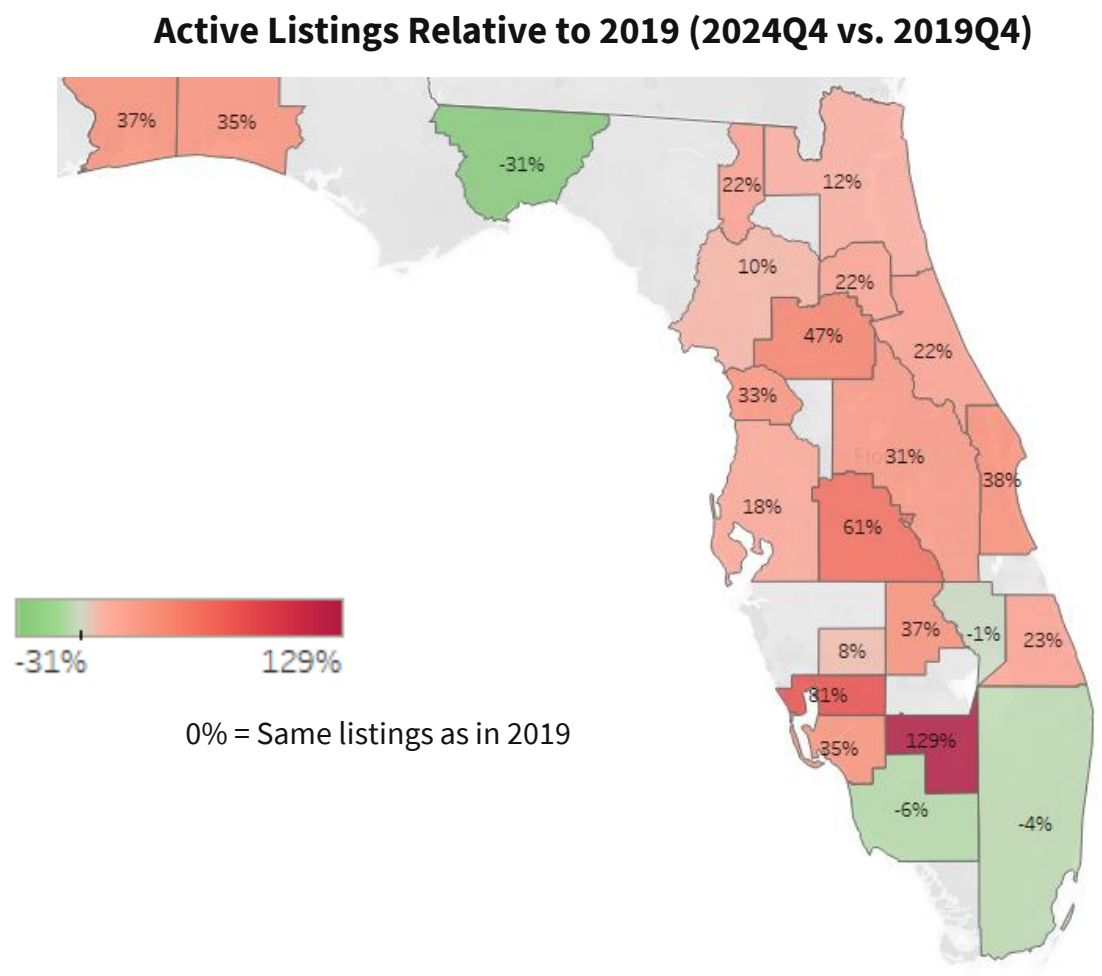


Sun Belt and Mountain West states have the highest share of listings, while Midwest and Northeast remain tight

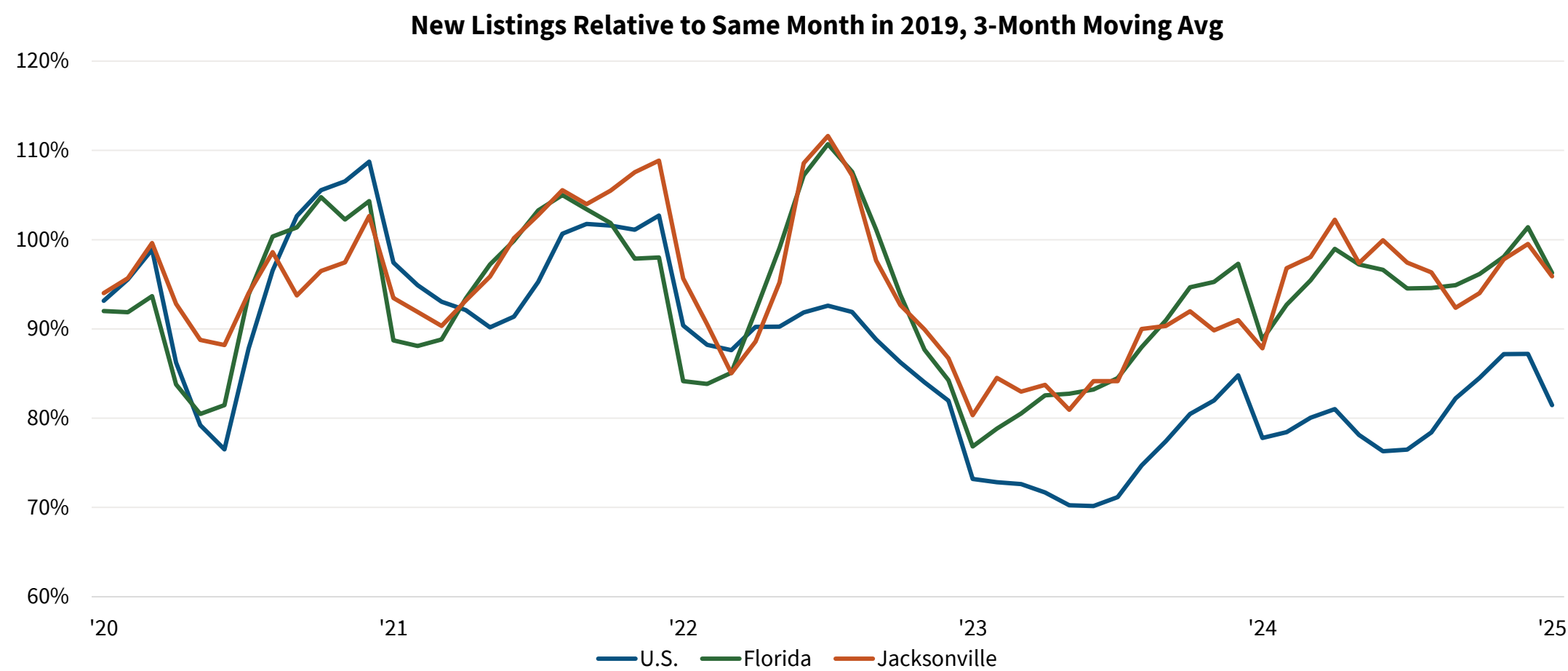
Active Listings Relative to 2019 (2024Q4 vs. 2019Q4)



Most Florida metros have more listings now than they did in 2019



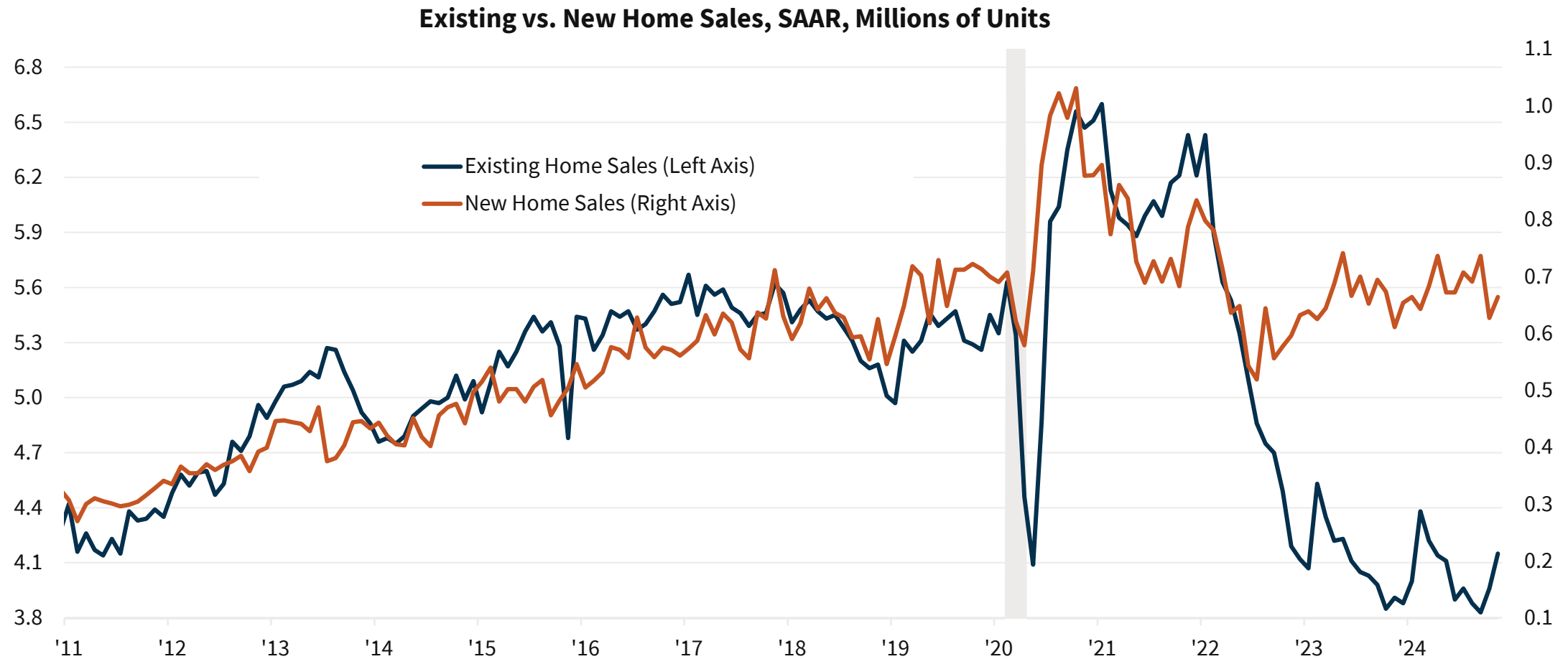
The flow of new listings in Florida is now similar to the flow in 2019



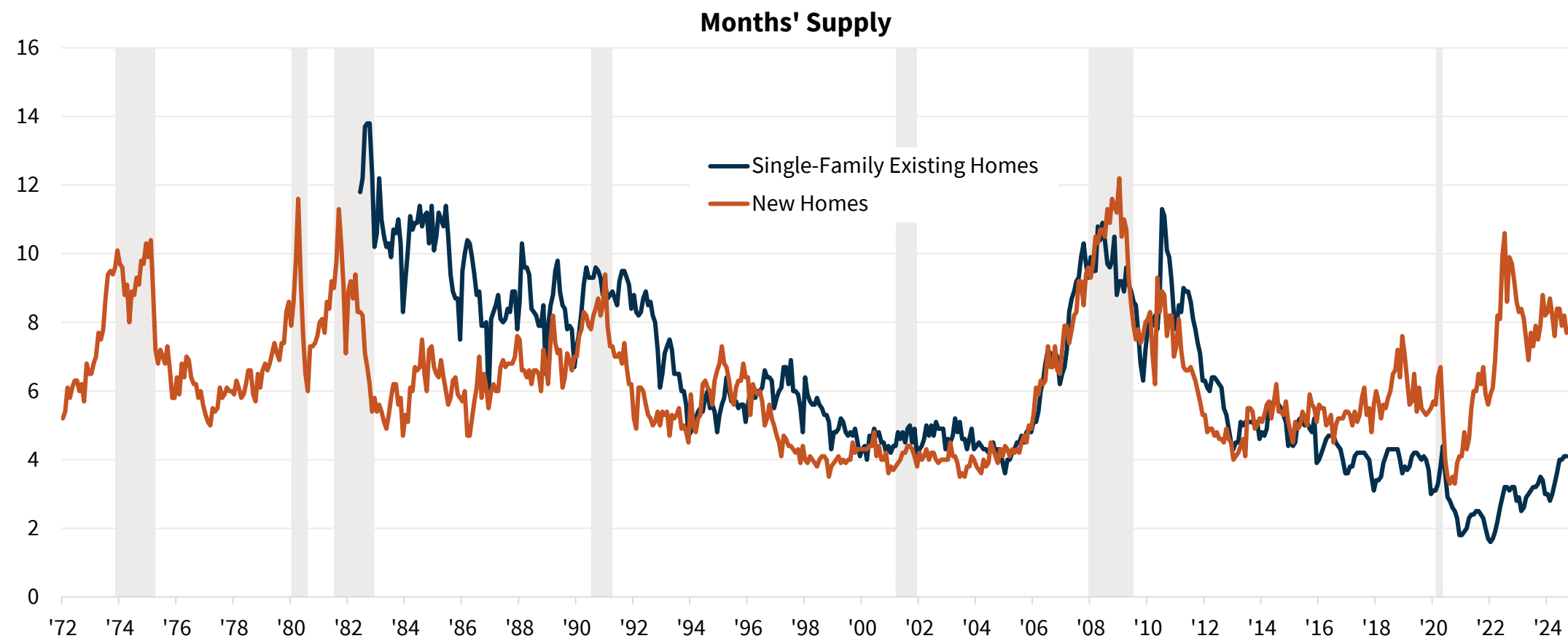


3. New home sales will remain a bright spot in the housing market (where they can be built)

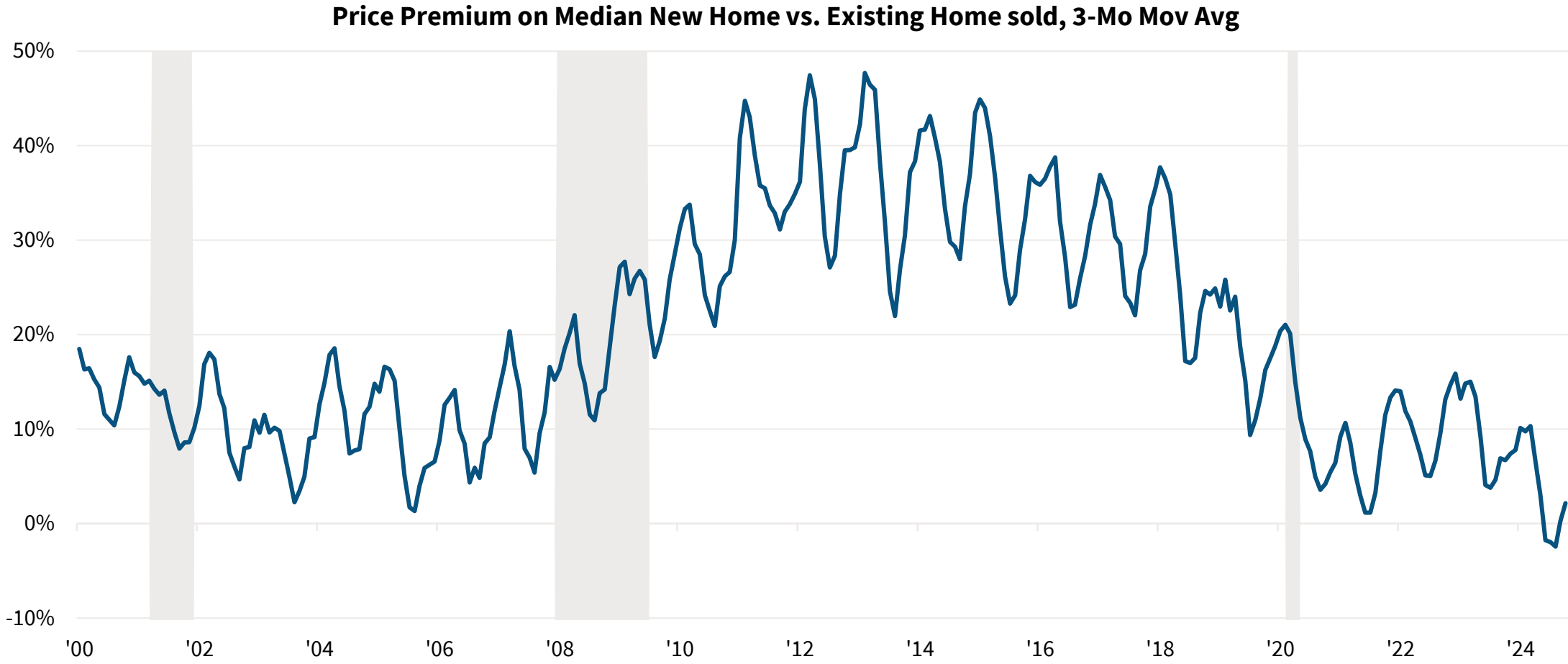
New home sales have outperformed existing sales in recent years, a trend that is expected to continue



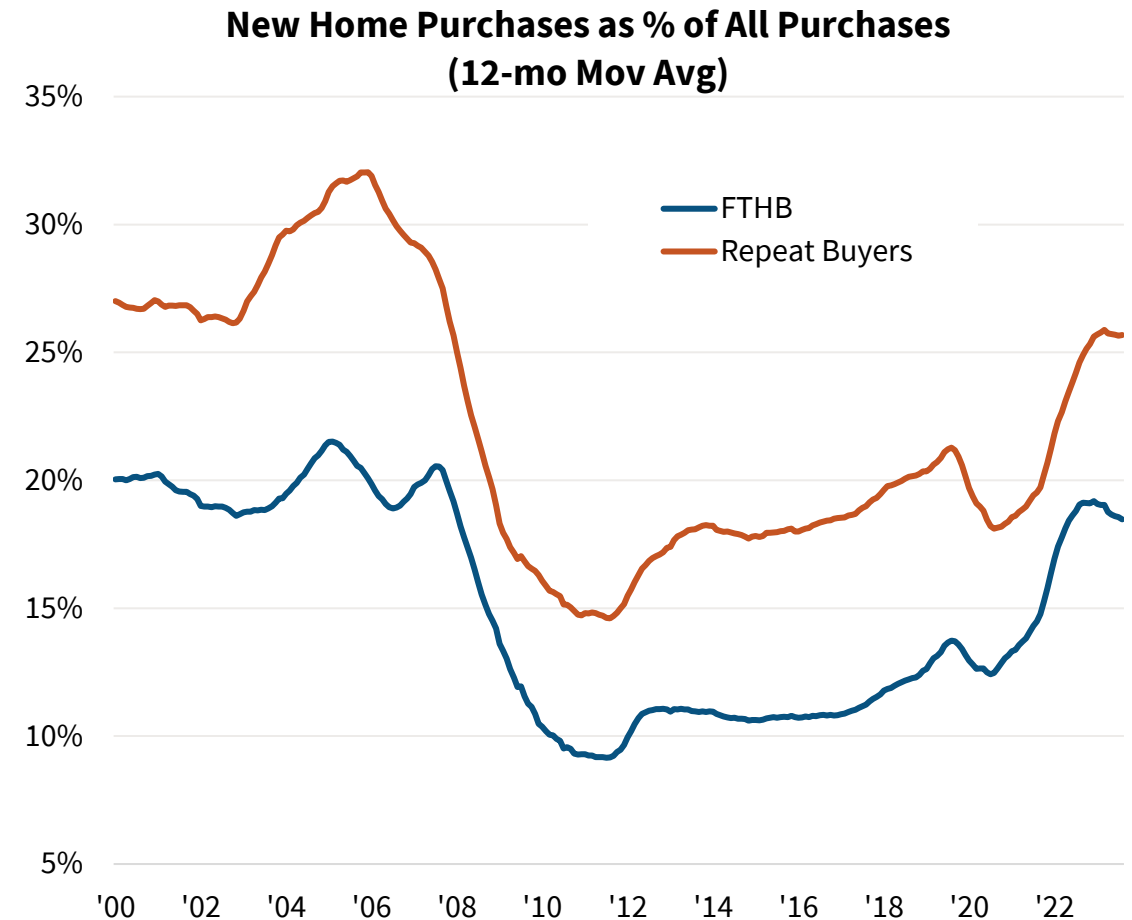
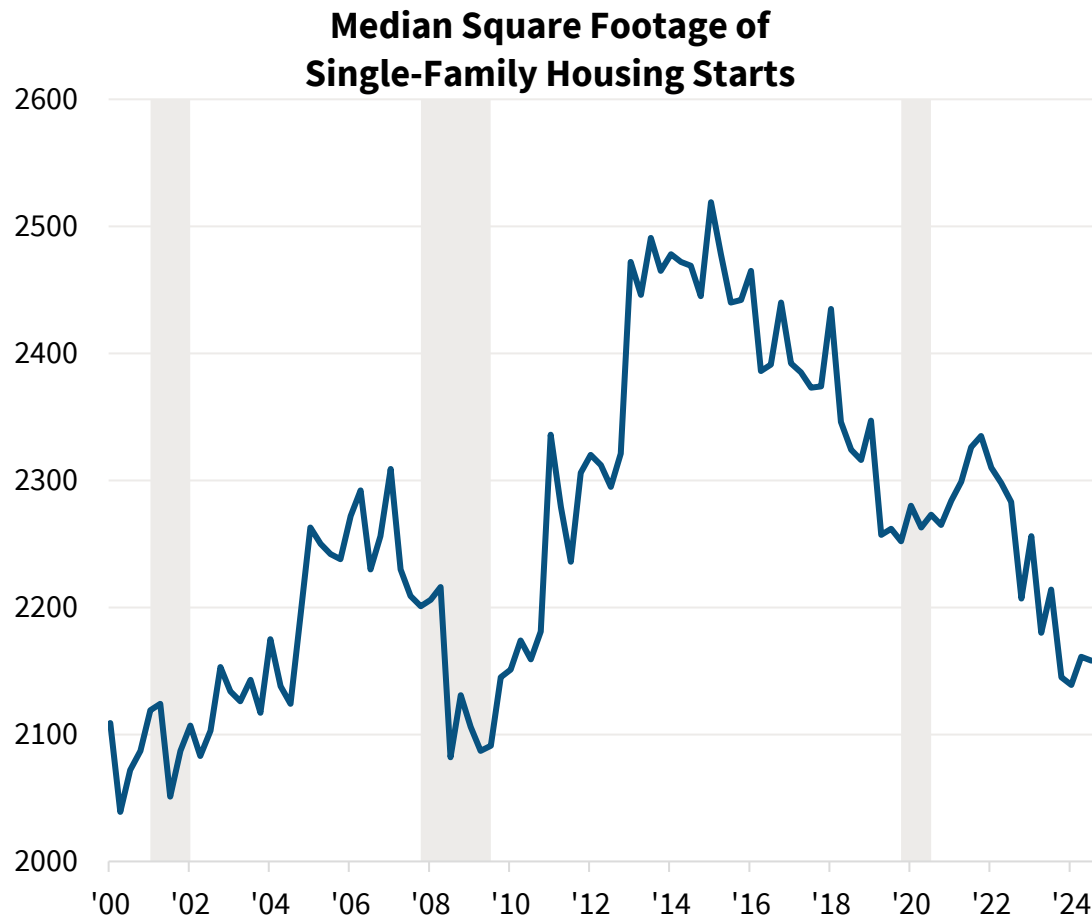
The months' supply of new homes remains elevated, while existing home inventory rises from historic low



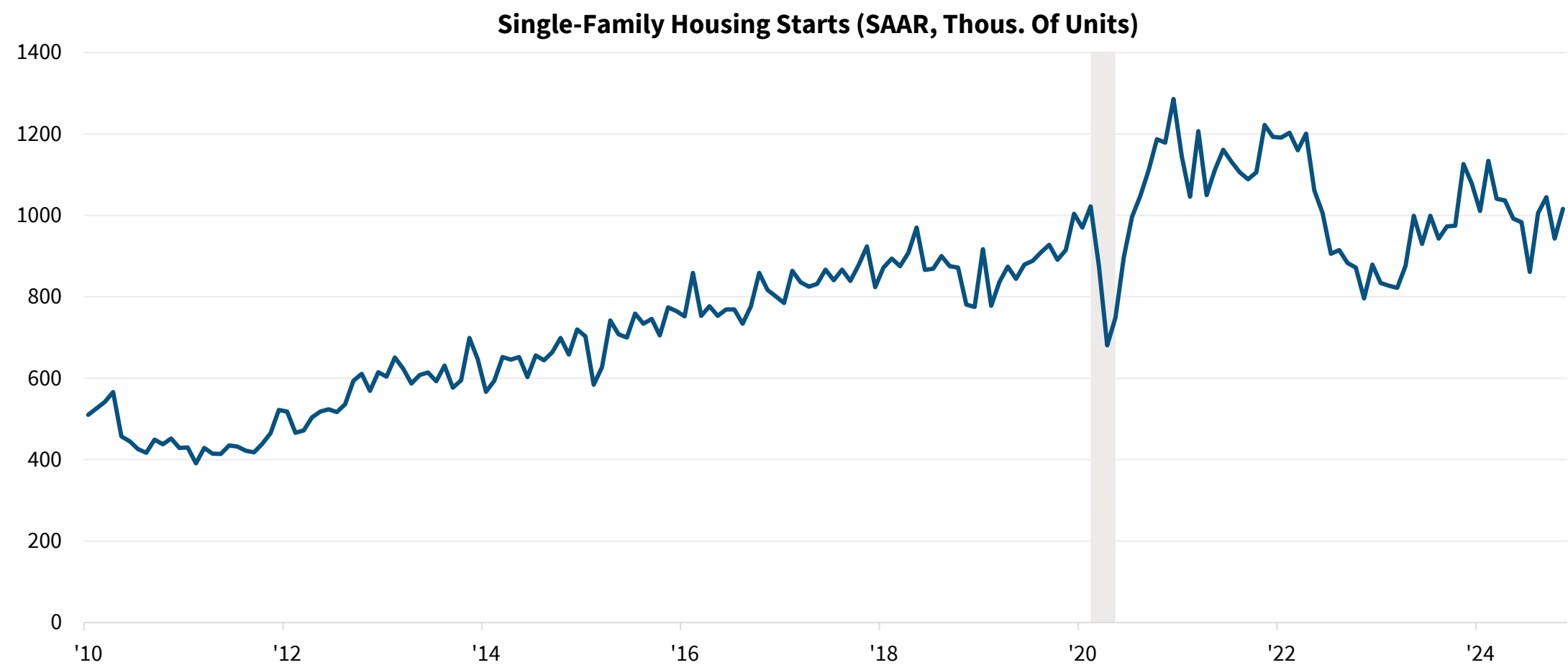
The median sales price for a new home is now similar to that for an existing home



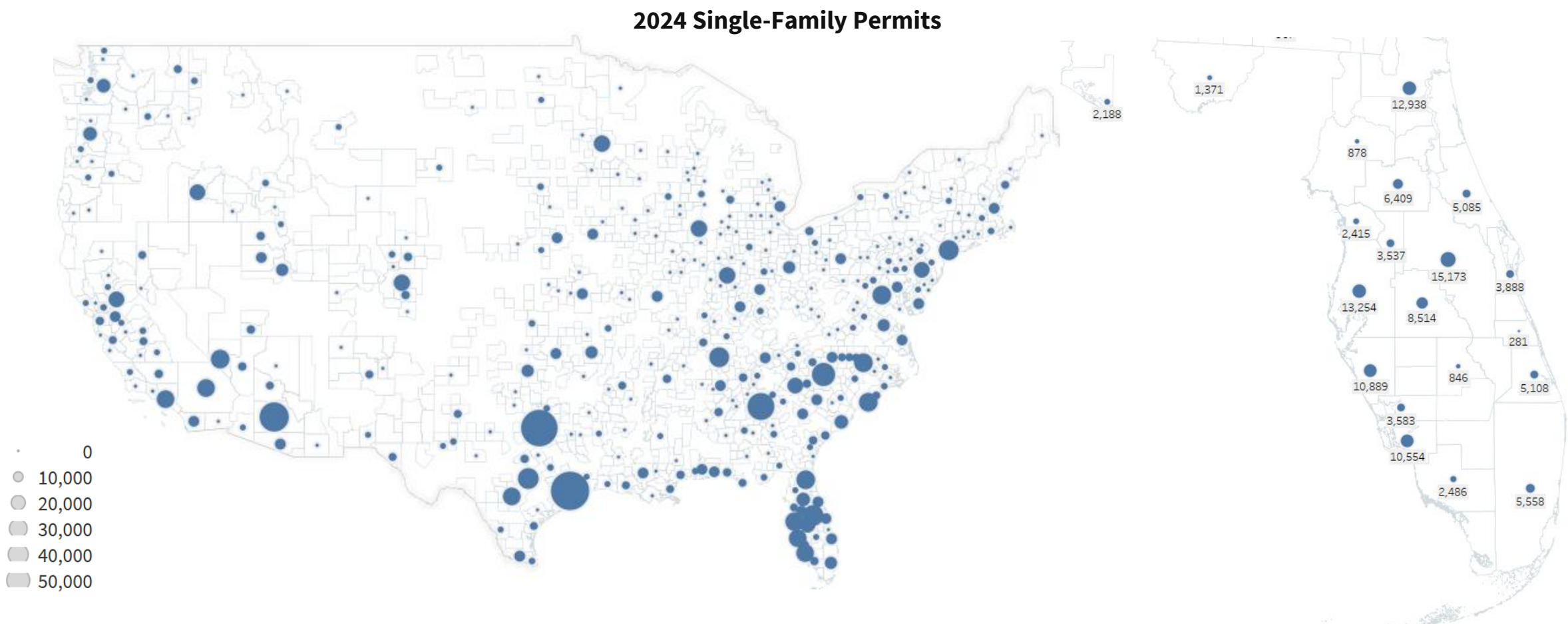
Homebuilders have been downsizing their offerings, attracting both first-time and repeat buyers



Single-family starts remain near highest level since the great financial crisis



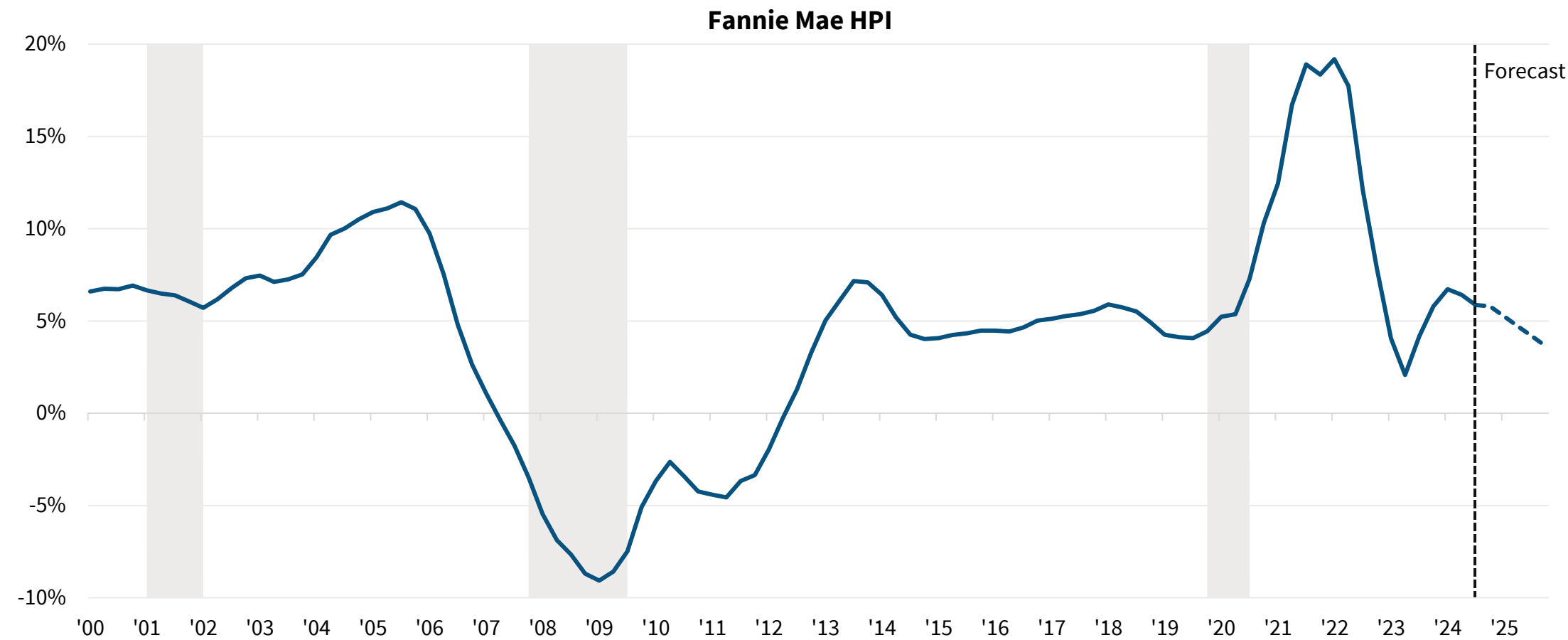
Single-family construction is concentrated in Sun Belt metros



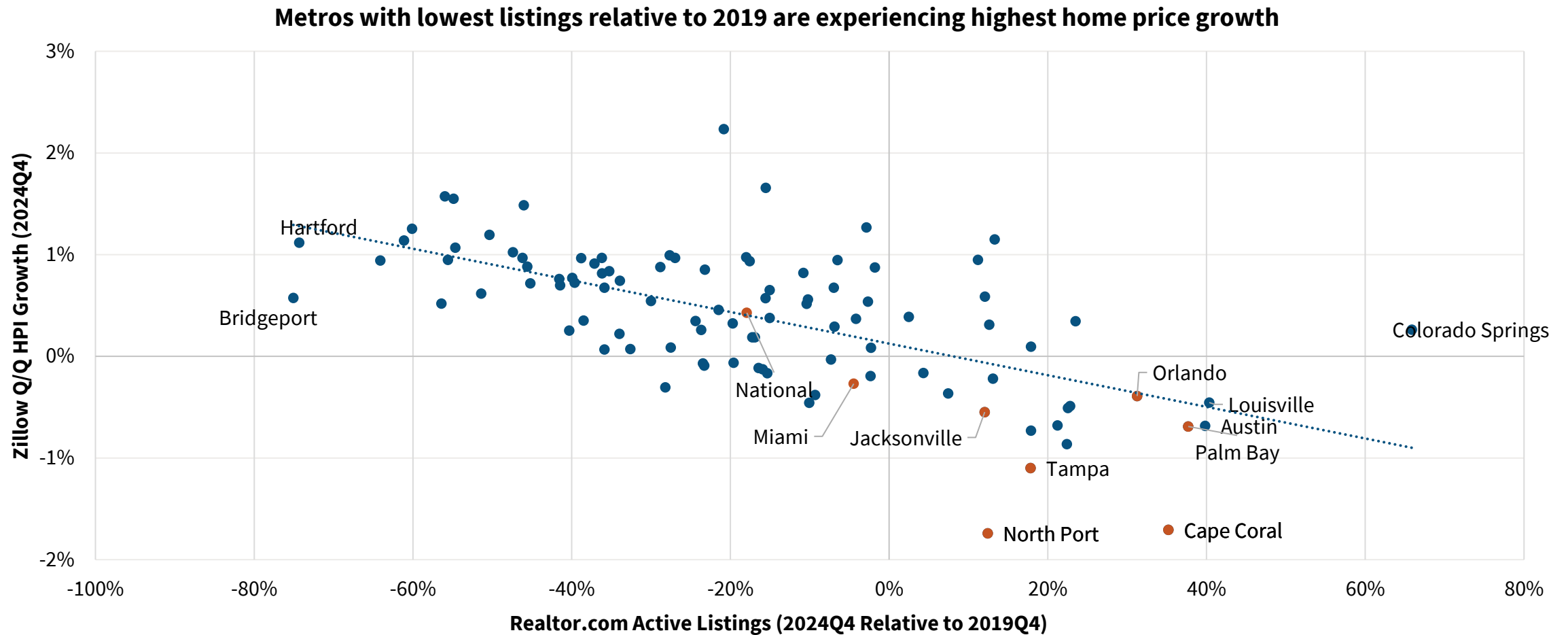


4. National home price growth will decelerate

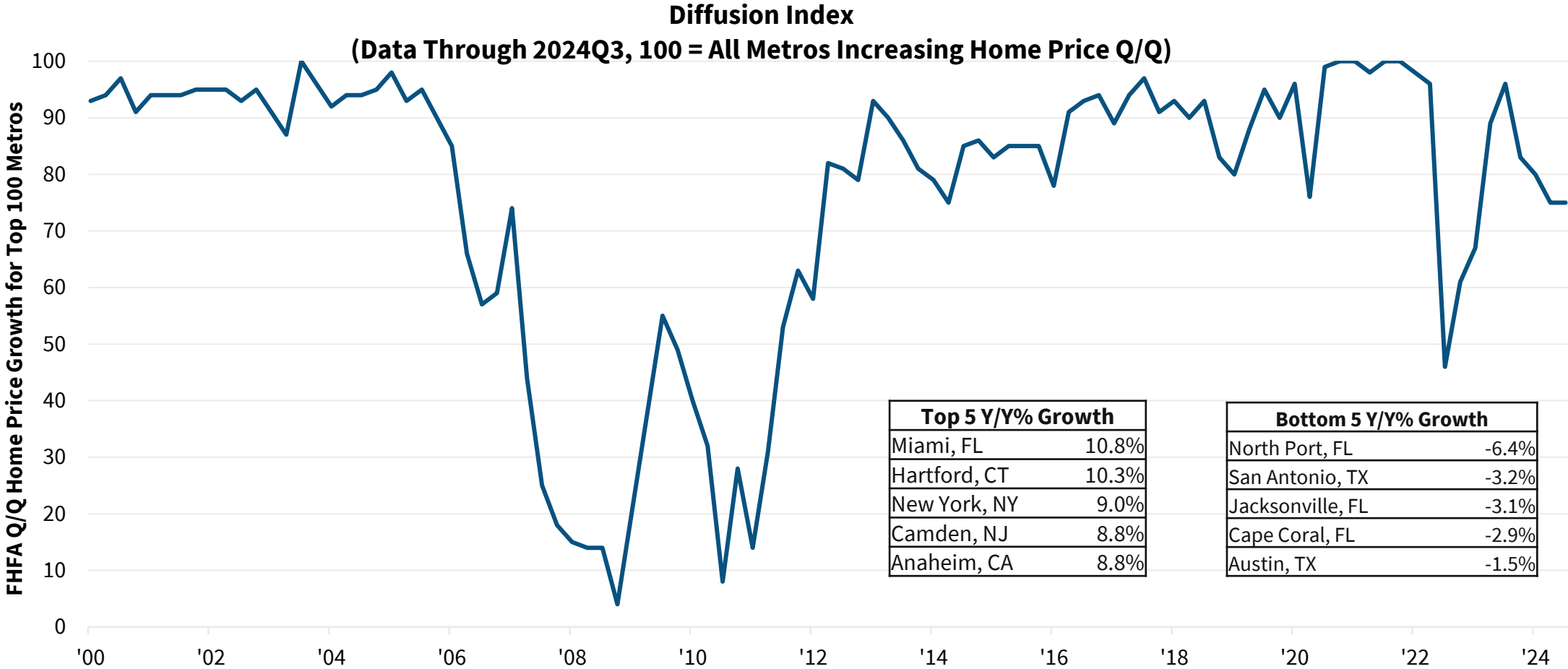
National home price growth is expected to decelerate, but the story varies depending on the metro



For top 100 metros, there is a strong relationship between listings and price growth

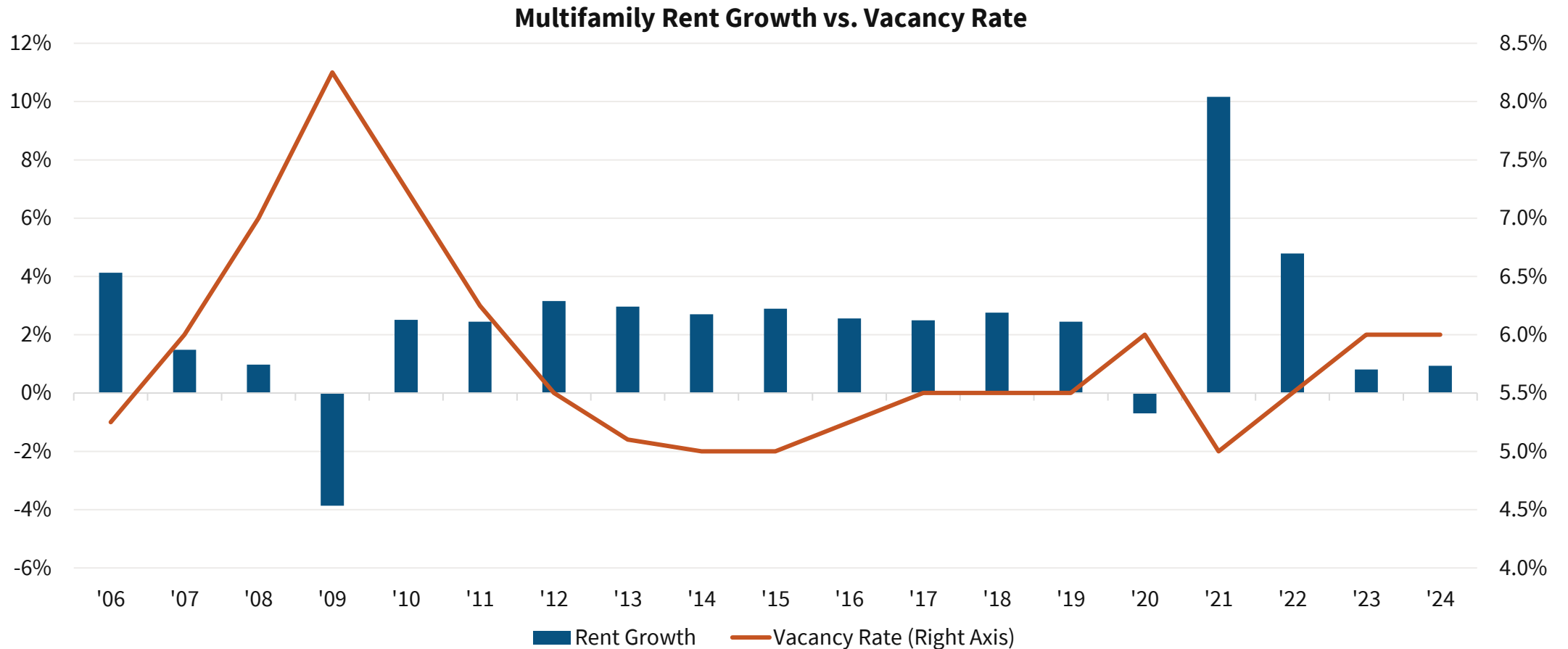


Home price growth has become uneven across top 100 metros

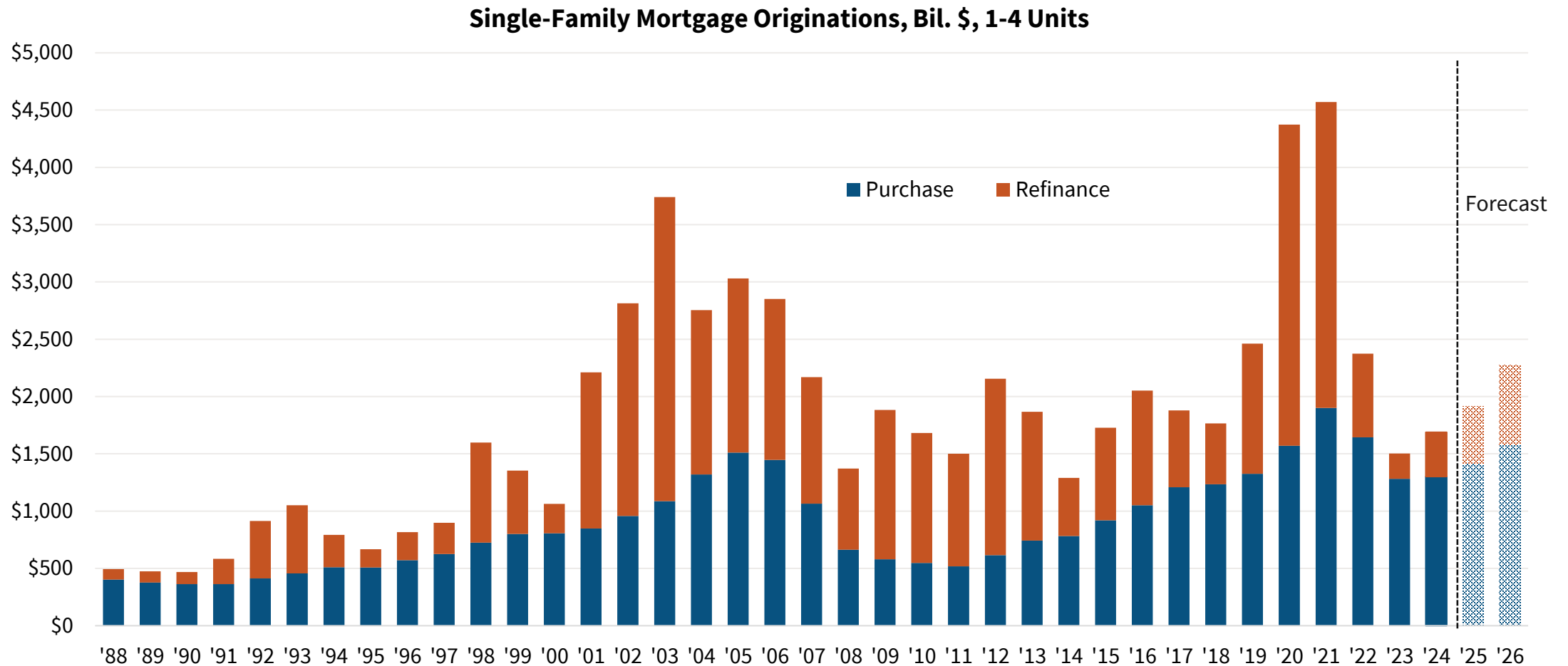


5. Multifamily housing will remain in a holding pattern

Rent growth has slowed as the vacancy rate rose



Mortgage originations have remained suppressed due to higher interest rates



Macroeconomic outlook

			Forecast		
	2022	2023	2024	2025	2026
Real GDP annual growth (% Q4-over-Q4)	1.3	3.2	2.5	2.2	2.0
Unemployment rate (% , Q4)	3.6	3.8	4.1	4.3	4.2
Core CPI (year-end, % year-over-year)	6.0	4.0	3.3	2.5	2.2
10-year Treasury bond yield (%, Annual average)	3.0	4.0	4.2	4.6	4.7
30-Year Fixed-Rate Mortgage (%, Annual average)	5.3	6.8	6.7	6.6	6.4

For the full forecast and economic commentary, visit: <https://www.fanniemae.com/research-and-insights/forecast>



Housing and mortgage market outlook

	2022	2023	Forecast		
			2024	2025	2026
10-Year Treasury (Annual Average)	3.0%	4.0%	4.2%	4.6%	4.7%
30-Year Fixed-Rate Mortgage (Annual Average)	5.3%	6.8%	6.7%	6.6%	6.4%
Single-Family Housing Starts (Percent Change Year-Over-Year)	1,005 thousand -10.8%	948 thousand -5.7%	1,005 thousand 6.1%	993 thousand -1.2%	1,005 thousand 1.3%
Multifamily Housing Starts (Percent Change Year-Over-Year)	547 thousand 15.5%	472 thousand -13.7%	342 thousand -27.6%	319 thousand -6.9%	355 thousand 11.4%
New Single-Family Home Sales (Percent Change Year-Over-Year)	641 thousand -16.9%	666 thousand 3.9%	689 thousand 3.4%	738 thousand 7.1%	745 thousand 1.0%
Total Existing Home Sales (Percent Change Year-Over-Year)	5.030 million -17.8%	4.090 million -18.7%	4.058 million -0.8%	4.150 million 2.3%	4.500 million 8.4%
Fannie Mae HPI (Percent Change Q4/Q4)	7.8%	5.5%	5.8%	3.5%	1.7%
Single-Family Purchase Mortgage Originations (Percent Change Year-Over-Year)	\$1,644 billion -13.5%	\$1,282 billion -22.0%	\$1,302 billion 1.5%	\$1,420 billion 9.1%	\$1,581 billion 11.4%
Single-Family Refinance Mortgage Originations (Percent Change Year-Over-Year)	\$730 billion -72.7%	\$221 billion -69.7%	\$387 billion 75.1%	\$496 billion 28.1%	\$693 billion 39.8%
Total Single-Family Mortgage Originations (Percent Change Year-Over-Year)	\$2,374 billion -48.1%	\$1,503 billion -36.7%	\$1,689 billion 12.3%	\$1,916 billion 13.4%	\$2,274 billion 18.7%

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