

A LOOK AHEAD

REPORTS ON HOUSING
ECONOMICS EXPLAINED

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MORE HOMES ON THE HORIZON

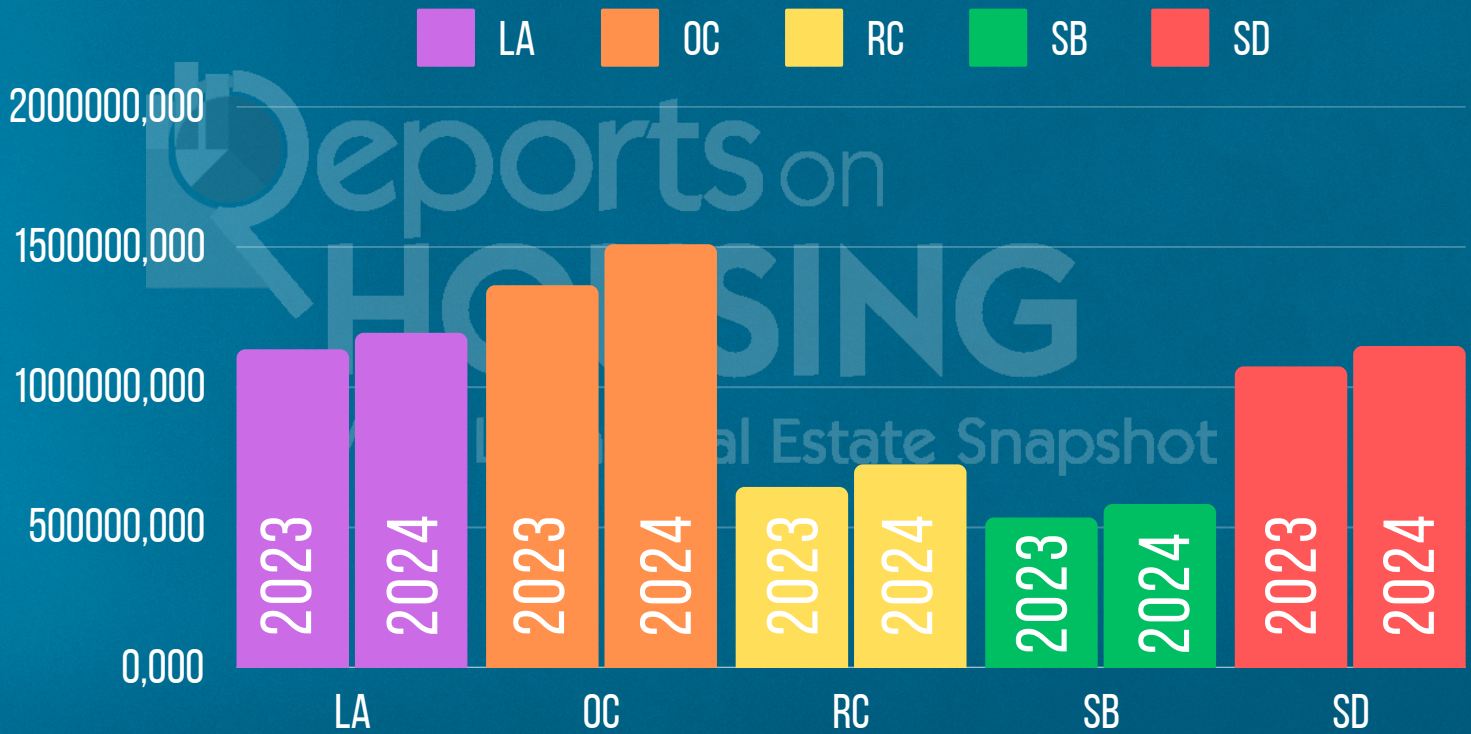
The housing market in 2024 faced significant challenges due to high mortgage rates and limited housing inventory. As 2025 begins, these factors continue to influence market dynamics, although some shifts offer cautious optimism.

Mortgage rates remain a central concern for buyers and sellers alike. According to Mortgage New Daily, in December, the average 30-year mortgage rate dropped to 6.68%, but by mid-January, it climbed to 7.08%. Rising rates occurred despite three Federal Reserve cuts in the Federal Funds rate since September, the most recent in December. Earlier projections of declining rates have been tempered, with experts now predicting only moderate stabilization rather than significant drops. As a result, affordability is expected to remain a significant obstacle throughout the year.

On a positive note, housing inventory has shown signs of improvement. The National Association of Realtors (NAR) reported a 3.8-month supply of homes in November 2024, a 17.7% increase from the previous year. However, this is still below the 5-6 month supply necessary for a balanced market. While this growth provides buyers with more options, many regions still favor sellers.

NAR Chief Economist Lawrence Yun highlighted growing momentum in home sales, attributing it to job growth, expanding inventory, and buyer adaptation to mortgage rates in the 6-7% range. Nonetheless, affordability challenges and the lock-in effect—where current homeowners are reluctant to sell due to lower existing mortgage rates—are expected to constrain market activity. Selma Hepp, Chief Economist at CoreLogic, predicts that these issues will keep many potential sellers out of the market in 2025.

AVERAGE SALES PRICE - LAST 30 DAYS PENDING SALES YEAR-OVER-YEAR COMPARISON



Home prices are likely to remain elevated throughout the year. In the U.S., the median sale price for existing homes peaked at \$426,900 in June 2024. Although median prices have slightly receded, they remain above last year's levels. CoreLogic forecasts a slower 2% home price appreciation in 2025, down from 4.5% growth in 2024. This deceleration may offer some relief to buyers but won't fully resolve affordability issues.

Housing supply challenges persist due to both demographic trends and construction slowdowns. Many baby boomers are holding onto their homes longer, reducing the turnover of existing housing stock. Meanwhile, the construction of new single-family homes continues to lag, primarily due to long-term underbuilding and ongoing supply chain recovery issues. This shortfall particularly impacts the availability of affordable, entry-level homes.

Despite these challenges, recent increases in home sales suggest that some buyers are no longer waiting for lower mortgage rates. This growing activity could signal a more active market in 2025.

Given the complexity of today's housing market, working with an experienced local real estate agent can provide valuable insights and guidance. Whether buying or selling in 2025, professional expertise can help navigate market conditions and make informed decisions.

In summary, 2025 is shaping up to be another demanding year for buyers and sellers. Persistent high mortgage rates, elevated home prices, and limited inventory continue to present hurdles. However, gradual improvements in inventory and steady buyer activity hint at potential opportunities for those prepared to engage with the market strategically.