

## Will mortgage rates and home prices go down next year? Your 2025 real-estate road map.

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The housing market has been exceptionally challenging for both home buyers and sellers. Will it turn the corner in 2025?

Many of the same pressures will continue to drag real estate. High mortgage rates, fewer homes for sale and record-breaking home prices are all limiting home sales.

Against that backdrop, whether the housing market will recover next year is "hard to say," Glenn Kelman, chief executive and president of Redfin a real-estate brokerage, told MarketWatch.

Even if home buyers are showing signs of returning — as evidenced by an uptick in traffic to the company's site and a recent increase in mortgage applications — the path ahead is hazy. One looming question for the real-estate industry is how disruptive the second Trump presidency could be. ?

"It's a very volatile time," said Kelman, who has run Redfin for nearly two decades.

### The housing market's biggest problem

The biggest problem the real-estate industry faces is that many people in the U.S. are not selling their homes. The number of existing-home sales in 2024 is expected to be at the lowest level in nearly 30 years. As of October, only 20% of Americans believed it was a good time to buy a home, according to Fannie Mae's Home Purchase Sentiment Index. \*

As would-be buyers grow frustrated with an expensive market, they are renting for longer, Mark Palim, chief economist at Fannie Mae FNMA, said in a statement. The good news for renters is that rent price growth is expected to remain modest in 2025. (1)



"More consumers may be seeking — and finding — attractive deals in the rental market," he said, "as they continue saving toward a future home purchase."

### What home buyers and sellers can expect in 2025

Here's what home buyers and sellers can expect in 2025, according to experts MarketWatch spoke to.

#### Will mortgage rates drop below 6% in 2025?

Mortgage rates are expected to stay over 6% well into next year.

The 30-year rate is expected to average 6.5% in early 2025, and finish the year at 6.3%, according to Fannie Mae's newly-released monthly forecast. Fannie Mae is a government-sponsored enterprise which backs 1 in 4 residential mortgages in the U.S.

That's an improvement from where rates are today. The average rate on a 30-year fixed mortgage was over 7% as of mid-November, pressured upward by financial markets' uncertainty about the future of the U.S. economy. \*

Once the markets feel more certain as the Trump administration settles in, expect the 30-year rate to fall to the 6% range, Vishal Garg, founder of Better Home & Finance an online mortgage lender, told MarketWatch.

And as rates fall, "you're going to see a very strong home-buying season in the summer of 2025," Garg said.

Beyond 2025, expect mortgage rates to stay at the 6% handle, Lawrence Yun, chief economist at the National Association of Realtors, an industry group, said during a recent conference in Boston.

"Are we going to go back to 4%? Per my forecast, unfortunately, we will not," Yun said. "It's more likely that we'll go back to 6%. That will be the new normal, bouncing around 5.5%-6.5%."

To be sure, Trump's proposed tariffs could fuel inflation in the U.S. economy, which could prompt mortgage rates to stay elevated, experts previously told MarketWatch.

When inflation is high, the Federal Reserve keeps interest rates high so it can maintain the rise in prices at a level it finds reasonable.

Mortgage rates don't directly follow the direction of the federal funds rate; they tend to rise and fall in tandem with the yield on the 10-year Treasury note If the government borrows more money, it must pay higher interest rates to attract buyers of its debt. A bigger federal deficit would then lead to higher mortgage rates for buyers. \*



**See also:** [Why one economist says Elon Musk could hold the key to lower mortgage rates](#)

Will home prices fall from record highs in 2025?

Home prices are expected to keep rising next year, albeit at a slightly slower pace.

Home buyers today are facing an expensive market. The typical resale home sold in October went for \$407,200, according to the NAR on Thursday. Prices are at the highest level ever for that month.

But the silver lining is that prices have been growing at a slower pace over the last few months.

Home prices keep rising despite the fact that buyers are pulling back from the market because inventory is low, Ed Pinto, a senior fellow at the right-leaning American Enterprise Institute, told MarketWatch.

Prices are expected to grow 5.5% in 2025, as compared to this year, according to the AEI's forecast, Pinto said. The AEI publishes a monthly analysis about the housing market.

Some buyers have faced a more challenging market than others. "All of the strong house-price growth is in the Midwest and the Northeast," Pinto noted. In September 2024, the highest growth in prices were reported in Louisville, Ky.; and Cincinnati and Cleveland. ]

While details of his proposal are scant, Trump's proposed tariffs and his plans to curb immigration and deport millions of people have the potential to increase the cost of construction of a new home, experts have previously told MarketWatch.

**See also:** [Why economists think Trump's immigration crackdown could hike prices on groceries, housing and day care](#)

Will there be more homes for sale in 2025?

Home buyers could see more for-sale listings next year.

There are signs that inventory is increasing. In October, the number of homes actively for sale rose by nearly 30% compared to a year ago, Realtor.com found in a [recent report](#). (Realtor.com is operated by News Corp subsidiary Move Inc. MarketWatch is a unit of Dow Jones, which is also a subsidiary of News Corp.)

Some buyers in southern metro areas are seeing waves of new listings. In markets like Austin, Texas; Memphis, Tenn. and Orlando, Fla. inventory has surpassed pre-pandemic levels, and prices have adjusted downward accordingly, Realtor.com said.

In the Austin-Round Rock-Georgetown area in Texas, the median listing price in October was down 5.4% from a year ago, to \$520,000.



Buyers have also found refuge in new homes, which builders are eager to supply. And with the Trump victory in November, home builders have grown more optimistic about the future of new home sales.

Builders are expressing confidence in the market as Republicans have gained more power in Washington, D.C. A more Republican political apparatus could lead to "significant regulatory relief for the industry that will lead to the construction of more homes and apartments," Carl Harris, the chairman of the National Association of Home Builders, said recently.

**Read more: [Builder-confidence index jumps to 7-month high after Trump win](#)**

To be sure, inventory levels overall remain lower than before the pandemic in 2019, according to Realtor.com. Even though the number of home listings has grown significantly, most metro areas still have low inventory compared to before the pandemic. \*

That's partly because homeowners find little reason to sell, since mortgage rates and home prices have surged since they last purchased a home.

But as the years go by, the lock-in effect — which refers to people unwilling or unable to sell their home because they don't want to give up their relatively low mortgage rate — will gradually fade as buyers accept 6% mortgage rates, experts told MarketWatch.

"We're talking to people already who just say, 'I know the rates have gone up, and I've been trying to time the market, and I just need to move on with my life,'" Redfin's Kelman said.

**Read more: [Mortgage rates are dropping, but the housing market is still stuck. Here's why.](#)**

Nonetheless, it will take time. In general, people are staying in their homes longer. Homeowners typically owned their home for 10 years before they sold, according to a recent report by the NAR, which looked at transactions between July 2023 and June 2024. \*

Between 2000 and 2008, homeowners tended to spend only six years in a property before selling.

Will there be more incentives for home buyers in 2025?

Home buyers can expect builders to continue offering sales incentives to make homeownership more affordable.

In the current high-interest-rate environment, builders have thrown cash at buyers by paying money up front to lower their mortgage rate, or offered to pay tens of thousands of dollars in closing costs. The tactic to lower a buyer's mortgage rate, known as a builder buydown, makes homes more affordable.



"The biggest challenge that we have with the first-time home buyer is affordability is strained," Ryan Marshall, CEO of PulteGroup said in a recent [podcast](#) by Walker & Dunlop. PulteGroup is the third-largest home builder in the U.S.

"We're using that really powerful incentive of mortgage-rate buydowns to help that buyer get into their first-time home," he added.

Will home-insurance costs keep rising in 2025?

Homeowners' insurance premiums are expected to continue rising next year.

Over the last few years, insurance premiums have skyrocketed, as the insurance industry and homeowners grappled with natural disasters from hurricanes to wildfires and the growing costs to repair and rebuild homes.

This year, annual insurance rates are expected to rise 6% to the \$2,522 mark — and even further in 2025, according to Insurify, an insurance comparison-shopping site. The company has yet to issue its latest price forecast for next year.

"We've endured hard markets due to a combination of extreme weather events and inflationary conditions before and, unfortunately, will again," Rick McCathron, president and chief executive of Hippo, a home-insurance company, told MarketWatch.

A hard market is where premiums become more expensive, but insurance is harder to obtain. With several insurers pulling out of states like California and Florida, homeowners in those states are finding it harder to obtain affordable homeowners insurance.

But insurance price hikes in 2025 may not be as dramatic as they were in prior years, as the industry adjusts. "Consumers may still see rate increases in 2025, but not to the extent they saw over the last two years," McCathron said, "as we all benefit from falling interest rates and a growing economy."

**Read more: [Where home-insurance costs are rising the fastest in the U.S. — it's not California or Florida](#)**

Will rents go up in 2025?

Rent prices are expected to stay stable next year.

Though wage growth has yet to catch up to the increase in rent prices, affordability for renters should improve in the coming months, Orphe Divounguy, a senior economist at real-estate platform Zillow told MarketWatch.

"Absent a recession, wage growth should continue to outpace rent growth," he explained, particularly as a record number of housing units are under construction, which should increase the supply of rentals available.





Renters in the Sun Belt might see more deals on rentals. In October Zillow found that rents fell year-over-year in Austin and San Antonio, Texas, and barely increased in Dallas; Raleigh, N.C.; and Phoenix.

On the other hand, rents rose the most in October in Hartford, Conn.; Cleveland; and Louisville — all more than 6% from a year ago.

High interest rates are causing people to delay buying a home, according to Divounguy. In 2021, the median age of a renter in the U.S. was 33. In 2024, that renter is typically 42, he said.

Renters on the hunt for a new lease are also more likely to see good deals on apartment leases than with single-family units. "Rent growth was just 2.3% higher than a year ago for multi-family units," Divounguy said, "and that slowdown is continuing." Rent growth for single-family units, on the other hand, was 4.3% in October.

"People are waiting in the wings for housing affordability to improve," Divounguy said, by renting a single-family unit.

But there aren't enough single-family rentals to meet demand, which could push rents on those homes up, David Howard, chief executive of the National Rental Home Council, told MarketWatch.

Investors want to build more single-family rentals and more housing generally, but high rates are keeping a lid on activity, he added, which could increase prices.

But under the next Trump administration, renters could also see fewer protections against landlord practices that can cost tenants extra money, like imposing junk fees, one advocate warned.

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