

# 2025 REAL ESTATE REPORT

Experts Predict Home Values to Increase 1.5% to 3.6% in 2025.

Top housing experts and economists give a glimpse of what mortgage rates, home values and the national real estate market will do in 2025.



## KEY TAKEAWAYS

- Mortgages are forecasted to remain higher for longer; but there are things you can do to lower your rate.
- Home values are predicted to increase incrementally on a national level; and there are projects you can do to increase your home's value.
- The national market will slightly favor sellers in negotiations; however, real estate is driven by local dynamics and may favor either buyers or sellers.

*Note: real estate is a dynamic market and forecasts made in this article will change as the year unfolds.*

## MORTGAGE RATES WILL AVERAGE 6.4% IN 2025

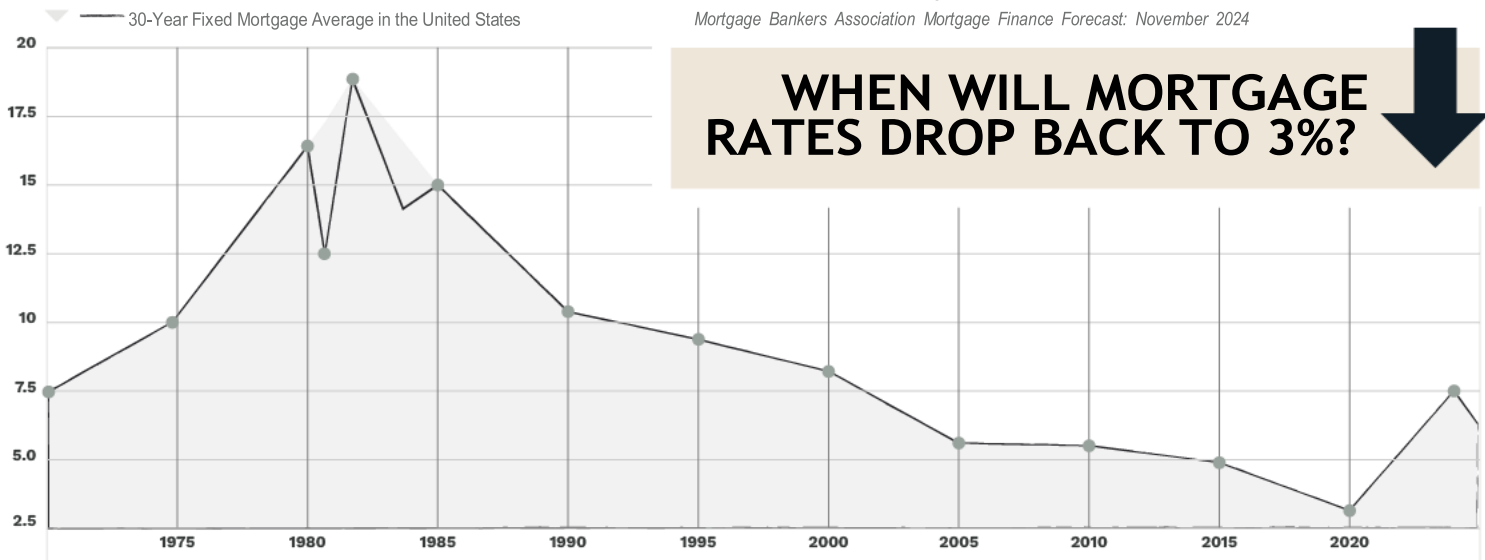
In 2023, the average 30-year mortgage peaked at 7.79% following the pandemic. Rates came down from that peak in 2024. What will mortgage rates do in the next year?

The Federal Reserve is predicted to lower the federal funds rate 6 to 8 times in 2025; but mortgage rates are not set by the Federal Reserve and may not drop significantly ([National Association of REALTORS®](#)). [Fannie Mae](#) predicts mortgage rates to average 6.4% in 2025. [Mortgage Bankers Association](#) also predicts mortgage rates to average 6.4%, but with slightly higher rates compared to Fannie's forecast.

### Mortgage Rate Forecast 2025

2025	Q1	Q2	Q3	Q4
Fannie Mae	6.5%	6.4%	6.3%	6.3%
<b>MBA</b> MORTGAGE BANKERS ASSOCIATION	6.6%	6.5%	6.4%	6.4%

Sources: Fannie Mae Housing Forecast: November 2024 and Mortgage Bankers Association Mortgage Finance Forecast: November 2024



Source: Federal Reserve of St. Louis

**WHEN WILL MORTGAGE RATES DROP BACK TO 3%?**



Historically, rates have never been as low as the pandemic era interest rates. 30-Year mortgage rates averaged between 4% and 6% during & after the housing crisis and Great Recession. A return to a 3% range is very unlikely.

## TIPS TO GET A BETTER MORTGAGE RATE...

While we can't affect the average 30 year mortgage rate, you can improve your credit and get the best possible rate. Here's an example of recent mortgage rates by credit score:

### APR Based on Credit Score

Credit Score	620-639	640-659	660-679	680-699	700-759	760-850
APR	7.813%	7.687%	7.577%	7.525%	7.414%	7.167%

Source: myFICO.com

If you're thinking of making a move, the earlier you talk to a mortgage finance professional, the more time you have to work on improving your credit to get a better rate.

## HOME VALUES WILL INCREASE BY 1.5% TO 3.6%



Since 2020, the average sales price of a home has gone up by \$97,000 or 29.7% (Federal Reserve of St. Louis). Which indicates homeownership to be a great investment. But, what will home values do in the next year?

On a national level, home price growth is predicted to slow down from 2024. However, home prices are predicted to increase in 2025. Fannie Mae predicts

home prices to increase on average by 3.6%. MBA is predicting an average increase of 1.5%.

Home values are influenced by local market dynamics. If you want to understand what home values are forecasted to do locally, consider talking to a real estate professional.

### Forecast Year-Over-Year Change

2025	Q1	Q2	Q3	Q4
 Fannie Mae	+5.0%	+4.6%	+4.1%	+3.6%
 MBA MORTGAGE BANKERS ASSOCIATION	+2.9%	+2.1%	+1.7%	+1.5%

Sources: Fannie Mae Housing Forecast: November 2024 and Mortgage Bankers Association Mortgage Finance Forecast: November 2024



### WILL HOME VALUES CRASH IN 2025?

For home values to drop significantly, a major influx of homes for sale would have to hit the market. Freddie Mac estimates the U.S. housing stock is 3.7 million units below what's needed to meet demand. It will take time to build up inventory to meet demand. Which is why a major drop in home values and prices is unlikely.



### WILL 2025 BE A HOME BUYERS OR SELLERS MARKET?

Who will have the advantage in the 2025 housing market, buyers or sellers? One measure of the market is Months Supply and it shows who has the advantage.

Months Supply is calculated by dividing the total number of homes for sale by the average number of homes sold each month. For example if there are 500 homes for sale in a particular area and an average of 100 homes are selling each month, the Months Supply is 5 months.

6 Months Supply is considered a balanced market. *Over* 6 months supply is considered a buyers' market. *Below* 6 months supply is a sellers' market. At 4 months supply on a national level, the market slightly favors sellers; however, local markets will differ.

IF YOU WANT TO KNOW IF YOUR AREA FAVORS BUYERS OR SELLERS, SEND US A MESSAGE.

**Josh and Hadley Ott, REALTORS**  
**Discover Realty Group**  
**(720) 253-9495 direct/text**  
**HadleyOtt@gmail.com**  
**www.DiscoverRealtyGroup.com**