

Americans buying homes may see major housing cost changes in 2025

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For the past year, cautious homebuyers have been on the sidelines, waiting for mortgage rates to come down and inventory to increase. While many hoped that two consecutive interest rate cuts from the Fed would jumpstart the process, mortgage rates have consistently increased since the end of September. Homebuyers and sellers alike are eagerly awaiting the housing market's outlook in the new year under a new presidential administration.

Markets are bracing for the impacts of regulatory changes and supply-side housing policy — both positive and negative. While some proposed Trump policies may help increase housing supply, they could worsen inflation, keeping interest rates high and continuing the market gridlock.

Realtor.com recently released its 2025 Housing Forecast, and the results indicate that there may be some relief for buyers who have been hoping for market movement. However, it may not be as pronounced as initially anticipated.

What should homebuyers expect in 2025?

Mortgage rates are expected to decline next year, albeit slowly and modestly. Realtor.com economists anticipate rates averaging 6.3% in 2025 and inching towards 6.2% by the end of the year. While this is an improvement, it's similar to the mortgage rates of 6.35% in early September 2024.

Housing prices will increase slightly, but inventory is expected to increase drastically. The number of new single-family homes on the market will increase by 13.8%, and existing houses for sale will grow by nearly 12%, which is expected to balance the market for the first time in nine years.

These figures indicate that disappointed buyers may start to see tangible changes in the market from market inventory reaching the highest levels since 2019. Competition will likely lessen, and almost 20% of homes are expected to see price cuts.

However, sellers may not be motivated thanks to stubborn mortgage rates, potentially extending market holdout.

The uncertainty around the incoming administration's approach to addressing the housing crisis is adding to the unpredictability of the 2025 market.

How will Trump's policies impact the 2025 housing market?

Trump has promised to slash regulation and federal spending during his second term, but the proposed policies could affect the housing market in different ways.

His suggestion to free up federal lands could bolster the housing supply, and reducing building regulations could cut new home prices by over \$93,000. However, the market may not see the results of a deregulated land use initiative for several years, and it would likely only affect regions in the American West.

McLaughlin highlights how the Trump administration's policies will play a key role in shaping fiscal policy, housing supply, and subsequent mortgage rates.

"President-elect Donald Trump is a developer at his core," he said. "There's been some speculation that he would attack onerous or excessive land use regulations as preventing housing supply from hitting the market.

"And housing supply has been one area that has contributed to the large increase in home prices over the last couple of decades. So that potentially could free up the logjam in the Homebuilding sector," McLaughlin added.

However, Trump's aggressive stance on immigration and deportation could also crater the construction labor market, driving new home prices up.

"He's also said things that could hurt homebuilding in the interim reducing foreign-born immigration," McLaughlin explained. "The Homebuilding sector relies a lot on foreign-born labor.

"He's also suggested implementing tariffs on things like lumber and other raw materials that home builders use. Those tariffs could potentially drive up the cost of housing to the extent that would be passed down to home buyers."

Overall, proposed policies from the Trump administration may both help and hinder the housing market. Buyers may not see a significant change in mortgage rates, but inventory levels, competition, and pricing will likely improve.