

Will home prices crash in 2025? Here's what experts say.

By Aarthi Swaminathan 12/4/2024

Trump campaigned on promises to lower housing costs. Here's what real-estate economists say about where home prices will go in 2025.

Frustrated home shoppers might be wishing for the housing market to crash so they can get a foot in the door.

But a housing crash is highly unlikely, and home prices are only expected to go up further from the record highs they hit this year, experts told MarketWatch.

The silver lining for buyers is that their incomes will grow faster than home prices as compared to prior years, Ralph McLaughlin, a senior economist at Realtor.com, said at a press conference.

"We really haven't had periods like that for several years, since pre-pandemic," he added, where wage growth outpaced home-price growth. "So that's actually good news for consumers."

In October, the median price of a resale home rose 4% from last year to \$407,200, the 16th straight month of year-over-year increases, according to the National Association of Realtors. Prices were at the highest level ever for the month of October.

Here's what experts are forecasting for home prices in 2025:

Realtor.com expects home prices to grow by 3.7% in 2025, according to a forecast released Wednesday.

"Limited inventory and strong demand in many areas could mean that sellers still have the upper hand in terms of negotiating prices, especially in desirable locations," the company said.

But buyers should face a less competitive housing market, they added, in the face of high mortgage rates and home prices.

Bright MLS, a real-estate listings database, expects home prices to grow by 3.1% in 2025.

"Home prices [are expected] to rise, but at a slower pace," the company said.

More for-sale listings are expected to hit the market in 2025, and with more inventory, home prices will grow less rapidly, Bright MLS said. The more homes there are for sale, the less pressure and competition buyers face as they converge on a few properties on the market.

And to be sure, though "there are no risks of a major nationwide price decline, a surge in inventory and historically fast price growth will dampen price expectations in 2025 in some markets," Bright MLS added.

Fannie Mae (FNMA), a government-sponsored enterprise, expects home prices to grow by 3.6% in 2025.

Fannie Mae made a major revision to its mortgage-rate forecast in November. While they had previously expected the rate on the

30-year fixed mortgage to fall to 5.6% by the end of 2025, they now expect it to end the year at 6.3%.

But they did not alter their home-price forecast. The company expects prices to grow 3.6% in 2025 on a year-over-year basis.

The National Association of Realtors, an industry trade group that also publishes economic data on sales of previously-owned homes, expects home prices to grow by 1.8% in 2025.

The NAR expects resale home prices to rise to a median of \$410,700 in 2025, up from \$403,400 in 2024, according to its October forecast.

Home prices are falling in some markets

To be sure, home prices have already begun to fall in some markets due to a surge in housing supply.

Home prices are falling in parts of the South, where home builders ramped up construction. Among the largest 50 markets in the U.S., prices fell the most, by 0.3%, in Memphis, Tenn. and Austin, Texas, in October compared to the month before, according to data from Intercontinental Exchange (ICE).

In San Antonio, home prices fell 0.1% in October from the previous month. Home prices in those cities were also lower in October than they were a year ago, the data revealed.

Trump policies expected to affect home prices

Some economists also expect President-elect Donald Trump's proposed policies to potentially push both home prices and mortgage rates higher.

"The American people re-elected President Trump by a resounding margin giving him a mandate to implement the promises he made on the campaign trail, like lowering housing costs for all Americans. He will deliver," said Karoline Leavitt, spokeswoman for the Trump-Vance transition.

Trump's plan to impose tariffs is expected to increase the cost of building materials imported by home builders, which could in turn raise the price of newly-built homes. Trump has proposed big tariffs on products imported from Canada, Mexico and China. The Biden administration has maintained tariffs on Canadian lumber.

Further hikes on lumber, or other building materials, could impact home prices. According to Bank of American Global Research, the most expensive component in a new house is framing lumber, which is estimated to cost around \$17,000, followed by concrete for the foundation, which is around \$12,600, followed by windows and doors, which cost about \$11,400.

Trump's proposed migrant deportations could also increase the cost of labor, which could raise prices of remodels and homebuilding, as the shortage of construction workers is set to intensify.

Immigrants form a significant chunk of labor in the construction industry. In 2023, the share of immigrants in construction reached a new record high of 25.5%, according to a blog post by the National Association of Home Builders. In the trades, such as in plumbing or roofing, the share of immigrants is even higher, the trade group noted, with "one in three craftsmen coming from outside of the U.S."

The homebuilding industry "is particularly sensitive to immigration, and despite the surge in immigration, it has still

been struggling with labor shortages," Richard de Chazal at William Blair wrote in a Nov. 19 note.

"Any future plans, therefore, to deport anywhere from 8 million-11 million will not be greeted with open arms," he continued.

At the same time, home builders expect the second Trump administration to remove some of the road blocks to new home construction.