

Residential Real Estate Market Snapshot Report

February 2025

National Association of REALTORS®
Research Group

Overview

The Housing Market in January 2025

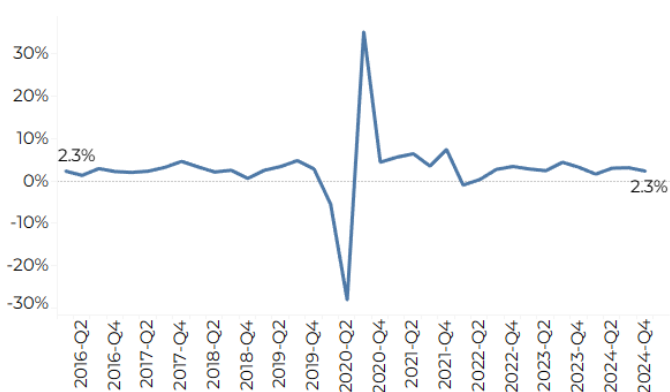
The year 2025 started with notable changes in the U.S. economy. Inflation rose faster than expected to 3.0%, prompting a halt to further cuts to the federal funds rate following the last reduction in December 2024. Despite the multiple rate cuts, which began in September 2024, mortgage rates didn't decline as hoped. This is because mortgage rates are more closely tied to the 10-year Treasury yield, which is expected to decrease below 4% in the coming months. If mortgage rates decline and the labor market continues to add jobs, activity in the housing market is likely to increase.

The housing market typically slows down during the cold months, as seen in January's lower sales and contract signings. Although both existing-home sales and pending sales have declined, the MBA index suggests that sales activity is expected to improve over the next 6-8 weeks, as more people are anticipated to look for homes in the spring. Additionally, the median sales price decreased, while affordability improved. With more new listings added that month and a larger pool of available inventory, more homes will become affordable to potential homebuyers.

Notably, the U.S. labor market has been consistently strong, with growth continuing since January 2021. In January 2025, the number of unemployed people decreased, keeping the unemployment rate essentially unchanged for the last 8 months. The steady increase in jobs, combined with mortgage rates in the 6%-7% range, provides some optimism for the outlook of the U.S. housing market.

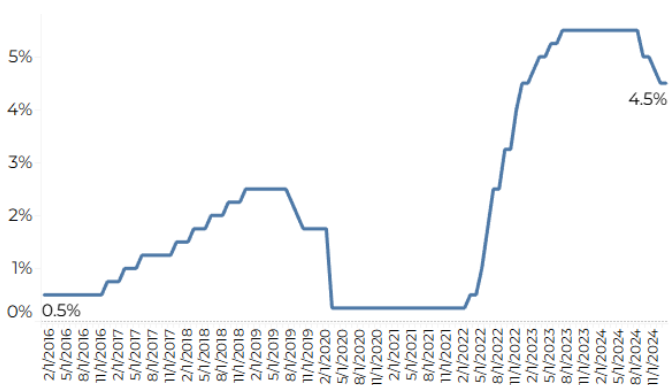
Economic Activity

Gross Domestic Product



Percent Change, Annualized Rate
Source: U.S. Bureau of Economic Analysis

Interest Rates



Effective Federal Funds Rate, Upper Limit
Source: Federal Reserve Board

Q4 2024: **2.3%**

Q3 2024: **3.1%**

Q4 2023: **3.2%**

According to the second estimate from the Bureau of Economic Analysis (BEA), the real gross domestic product (GDP) increased 2.3% in the fourth quarter of 2024. Compared to the third quarter, the decline in GDP in the fourth quarter reflected declines in investment, exports. Imports, which are a subtraction in the calculation of GDP, decreased as well.

January 2025: **4.5%**

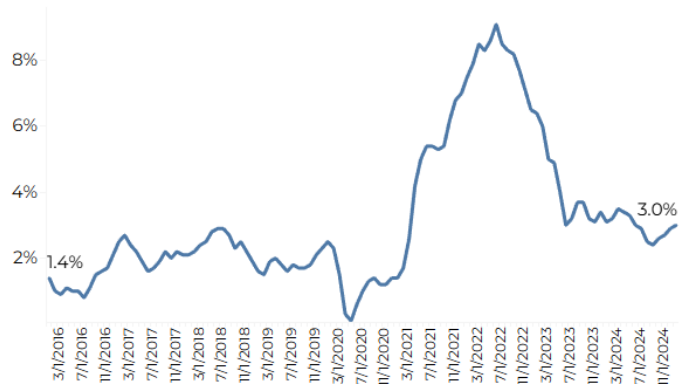
December 2024: **4.5%**

January 2024: **5.5%**

In January 2025, the Federal Reserve set the upper limit of the Federal Funds Rate at 4.5%. Although the Fed began cutting the short-term rate in September 2024, inflation continued to rise above its target. Consequently, the Fed announced it would maintain a range of 4.25%-4.50% for the rate until inflation decreases.

Economic Activity

Inflation

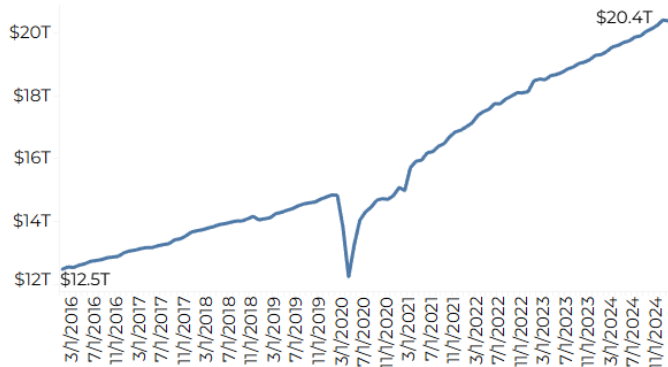


CPI Year/Year Percent Change, Seasonally Adjusted
Source: U.S. Bureau of Labor Statistics

January 2025: **3.0%**
December 2024: **2.9%**
January 2024: **3.1%**

In January, the Consumer Price Index increased 0.5% to a rate higher than the Federal Reserve's target of 2%. The index for shelter (housing) rose 0.4%, accounting for nearly 30% of the monthly increase in the price of all items.

Consumer Spending



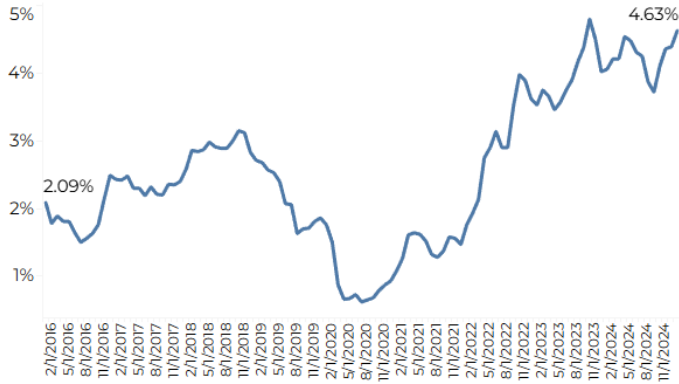
Personal Consumption Expenditures, Seasonally Adjusted
Source: U.S. Bureau of Economic Analysis

January 2025: **\$20.4 trillion**
December 2024: **\$20.4 trillion**
January 2024: **\$19.3 trillion**

Personal consumption expenditures decreased by 0.2% in January. The \$30.7 billion decrease in current-dollar spending reflected a decrease of \$76.7 billion in spending for goods and an increase of \$46.0 billion in spending for services.

Economic Activity

10-Year Treasury Yield



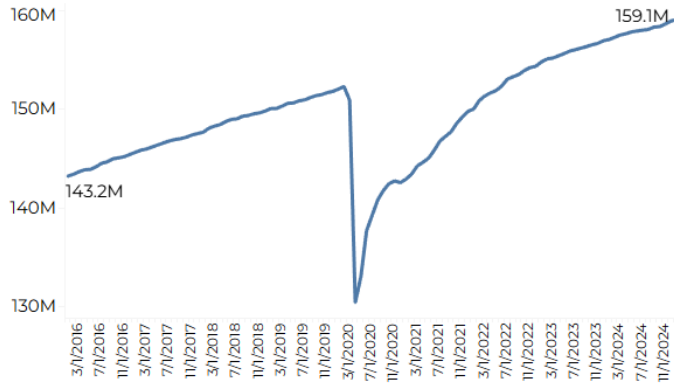
Percent
Source: U.S. Treasury

January 2025: **4.63%**
December 2023: **4.39%**
January 2024: **4.06%**

The 10-year Treasury rate experienced another increase from the previous month, now hovering around 4.63%. However, NAR predicts that the yield will decrease to stay below 4.0% in the coming months.

Employment Situation

Employment

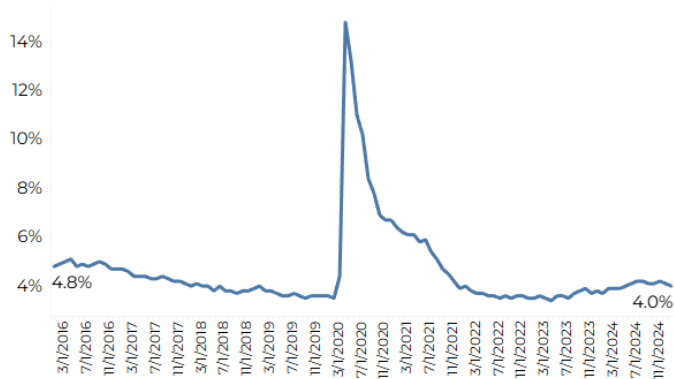


Payroll Employment, Seasonally Adjusted
Source: U.S. Bureau of Labor Statistics

January 2025: **159.1 million**
December 2024: **159.5 million**
January 2024: **157.0 million**

The U.S. labor market added 143,000 jobs in January, mainly in the health care, retail trade, and social assistance industries. In the construction industry, employment changed little from the previous month. In 2024, the average monthly gain was 166,000 jobs.

Unemployment



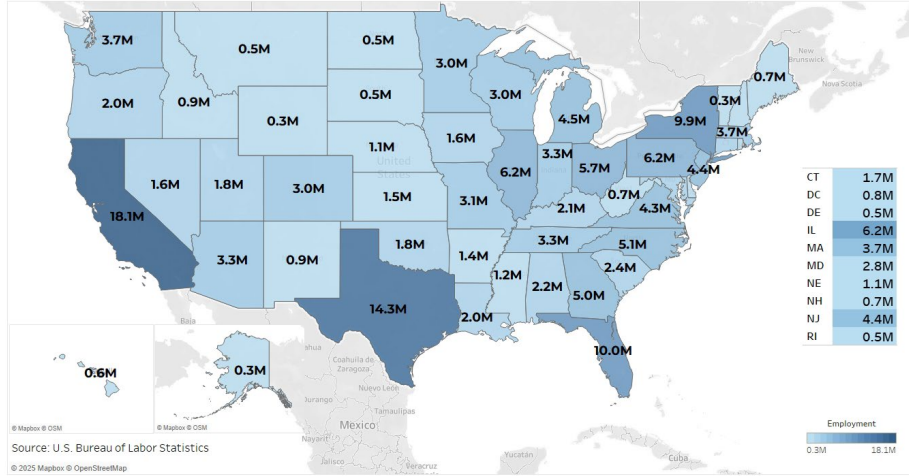
Unemployment Rate, Seasonally Adjusted
Source: U.S. Bureau of Labor Statistics

January 2025: **4.0%**
December 2024: **4.1%**
January 2024: **3.7%**

In January, the unemployment rate decreased to 4.0%, and the number of unemployed people changed little over the month, reaching 6.8 million. After increasing in early 2024, the unemployment rate has hovered around 4.1%-4.2% for the past 8 months. The January rate is higher than a year earlier when it was at 3.7%.

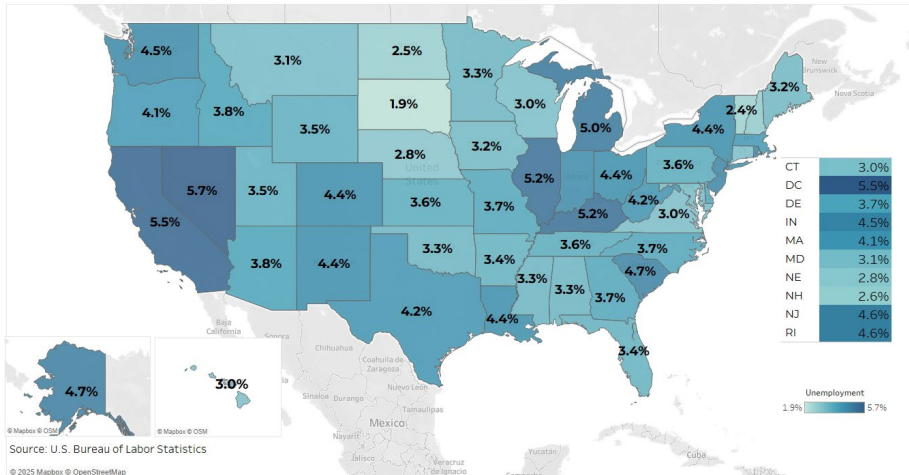
Employment Situation

State Employment December 2024



In December of 2024, only Texas (+37,500) and Missouri (+11,200) recorded significant monthly job gains. The other forty-eight states and the District of Columbia saw little to no change in employment that month. Compared to December 2023, the largest job increases were in Texas (+234,200), California (+180,500), and Florida (+147,900). The highest percentage increases in employment were observed in Idaho (3.6%), Missouri (2.8%), and South Carolina (2.8%).

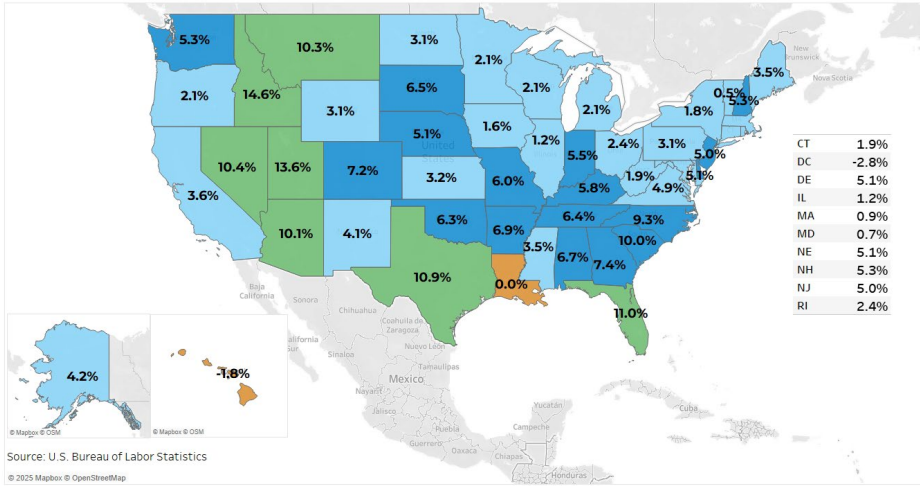
Unemployment as of December 2024



The unemployment rate increased in six states, with the largest increases in Alabama (+0.2%) and Mississippi (+0.2%). Only two states saw a decrease in unemployment: Minnesota (-0.2%) and Montana (-0.1%). The remaining forty-two states and the District of Columbia had stable unemployment rates. Due to the rate increases in December, Nevada (5.7%), California (5.5%), and the District of Columbia (5.5%) had the highest unemployment rates. Twenty-one states had rates lower than the national average of 4.1%, with South Dakota having the lowest rate at 1.9%.

Employment Situation

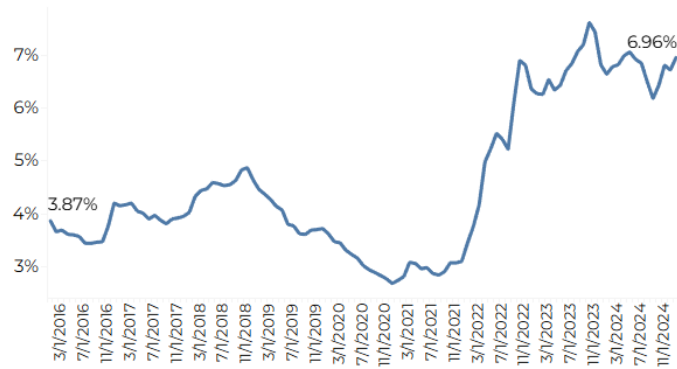
Employment % Change from pre-COVID-19 to December 2024



The employment situation has undergone significant changes and challenges since the onset of the COVID-19 pandemic. Between March 2020 and December 2024, Idaho (14.6%), Utah (13.6%), and Florida (11.0%) saw the largest gains in employment. Concurrently, the smallest gains were seen in Vermont (0.5%), Maryland (0.7%), and Massachusetts (0.9%). However, the District of Columbia (-2.8%), Hawaii (-1.8%), and Louisiana (0%) have yet to recover the jobs they lost during the pandemic, with employment levels still below or equal to March 2020.

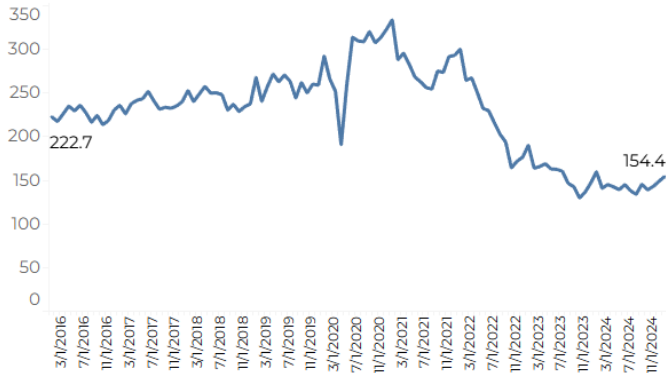
Housing Market

Mortgage Rates



30-Year Fixed Mortgage Rate, Monthly Averages
Source: Federal Home Loan Mortgage Corporation

Mortgage Purchase Index



MBA Purchase Index, Monthly Averages
Source: Mortgage Bankers Association of America, Haver Analytics

January 2025: **6.9%**
December 2024: **6.7%**
January 2024: **6.6%**

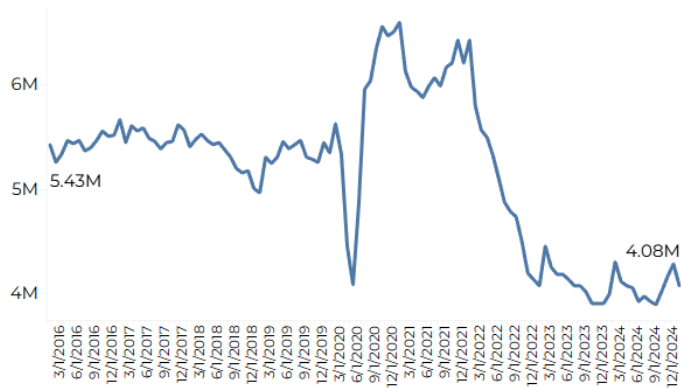
Mortgage rates saw a slight increase to 6.9% in January but remained significantly below the historical average of 7.7% since 1971. Despite several Federal Funds rate cuts, mortgage rates have not seen a significant downturn yet. However, NAR expects rates to remain stable in the coming months.

January 2025: **154.4**
December 2024: **148.8**
January 2024: **160.0**

The Purchase Index, which measures mortgage applications for single-family home purchases and leads home sales by four to six weeks, increased to an average of 154.4 in January. The increase coincides with the stable mortgage rates and suggests stronger housing demand in the coming weeks. From 1990 to 2024, the Index averaged 247.6 points.

Housing Market

Existing Home Sales



Annualized

Source: National Association of REALTORS®

Pending Home Sales



PHS Index, Seasonally Adjusted

Source: National Association of REALTORS®

January 2025: **4.08 million**
December 2024: **4.24 million**
January 2024: **4.00 million**

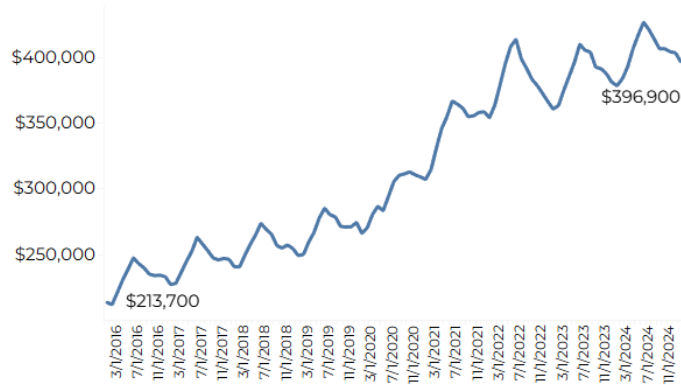
Existing-home sales in January showed that housing market activity declined by 4.9% from December 2024 but rose 2.0% from January 2024. Compared to last year, three of the four regions recorded declines in sales. The Southern region accounted for 44.9% of all national sales in January 2024.

January 2025: **70.6**
December 2024: **74.2**
January 2024: **74.5**

In January, pending home sales decreased 4.6% from the previous month. Compared to one month ago, contract signings dropped in the Midwest, South, and West, but rose in the Northeast. Year-over-year, signing activity declined in all four U.S. regions, with the South showing the largest reduction.

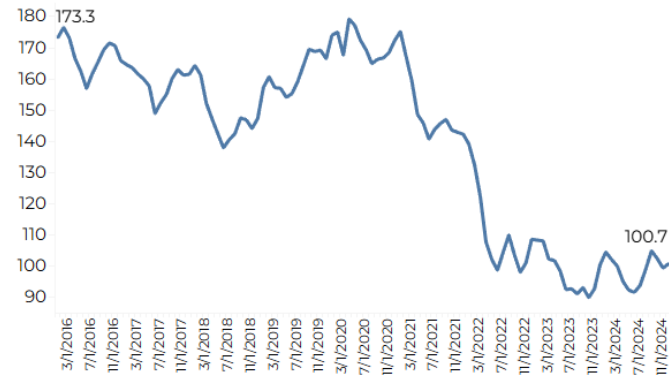
Housing Market

Median Sales Price



Existing Single-Family Homes
Source: National Association of REALTORS®

Housing Affordability



HAI Index, Seasonally Adjusted
Source: National Association of REALTORS®

January 2025: **\$396,900**
December 2024: **\$403,700**
January 2024: **\$378,600**

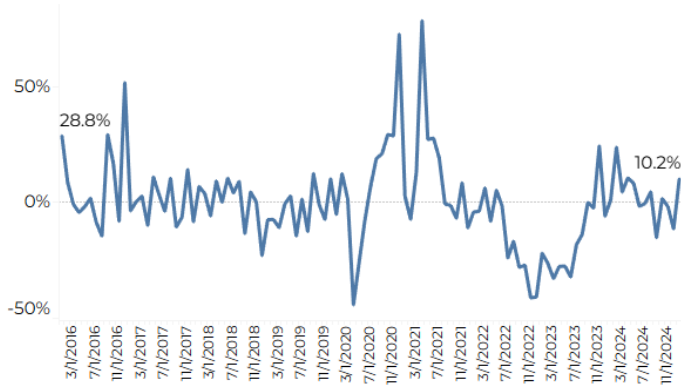
The national median existing-home price for all housing types rose to \$396,900 in January, reflecting a 4.8% increase compared to the same month last year. Across the U.S., all four regions experienced year-over-year price growth, with the Northeast leading with a notable 9.5% increase from January 2024.

December 2024: **100.7**
November 2024: **99.0**
December 2023: **100.5**

In December, affordability improved as the Housing Affordability Index increased to 100.7, after falling below 100 in the previous month. An index above 100 indicates that the typical family earns enough income to qualify for a median-priced home purchase across the country.

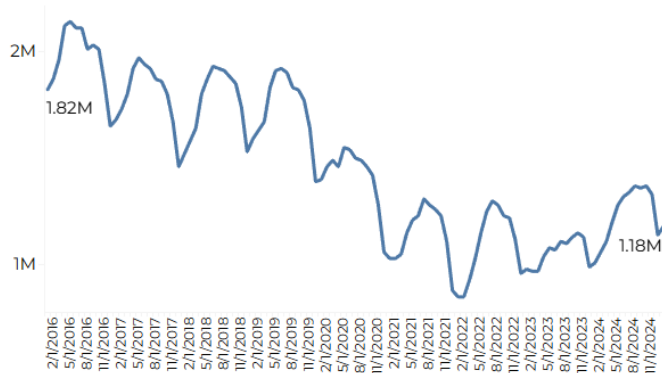
Housing Market

New Listings



Year/Year Percent Change in New Listings
Source: National Association of REALTORS®

Inventory



Total Existing Home Sales Available for Sale, Unadjusted
Source: National Association of REALTORS®

January 2025: **+10.2%**
December 2024: **-5.1%**
January 2024: **+1.2%**

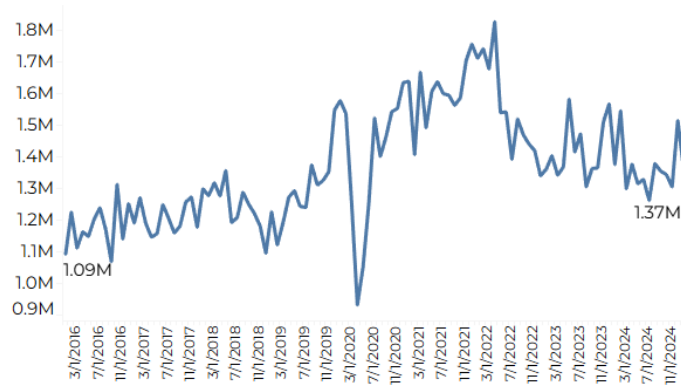
In January, new listings saw a year-over-year increase of 10.2%. This was a notable improvement from the 5.1% decrease in the previous month.

January 2025: **1.18 million**
December 2024: **1.15 million**
January 2024: **0.99 million**

January's inventory of unsold listings was 1.18 million, up 3.5% from last month. Compared to January of 2024, inventory levels were up 16.8%. The available inventory is equivalent to 3.5 months' supply at the current monthly rate.

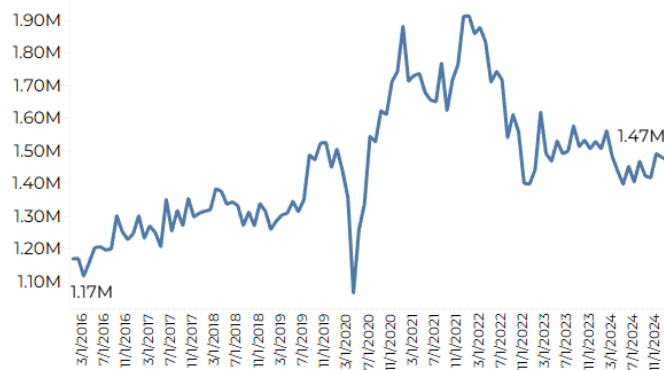
New Residential Construction

Housing Starts



Annualized
Source: U.S. Census Bureau

Building Permits



Seasonally Adjusted
Source: U.S. Census Bureau, Haver Analytics

January 2025: **1.37 million**
December 2024: **1.50 million**
January 2024: **1.57 million**

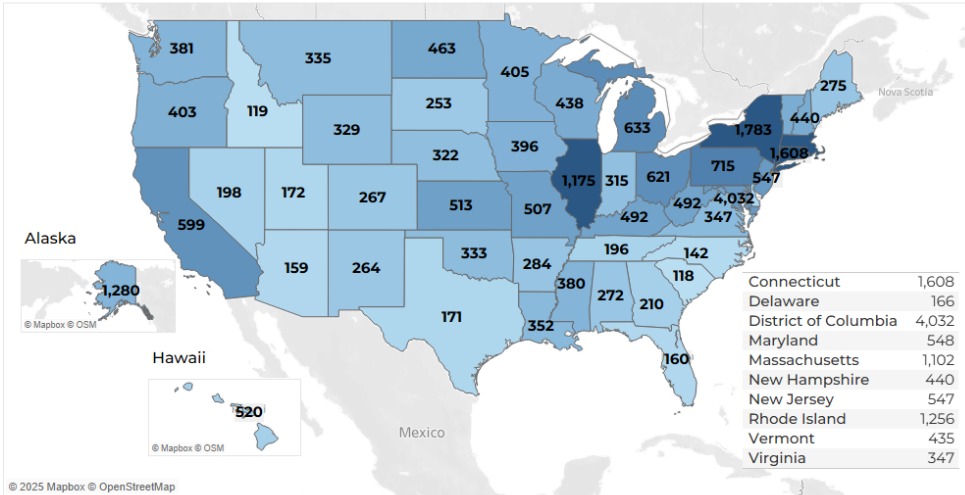
In January, privately-owned housing starts decreased to a seasonally adjusted rate of 1.37 million. This is 9.8% below the revised December 2024 estimate and 0.7% below the revised January 2024 rate.

January 2025: **1.47 million**
December 2024: **1.48 million**
January 2024: **1.50 million**

Respectively, another measure of housing construction, building permits issued, decreased to 1.47 million in January.

New Residential Construction

Population Per Single-Family Building Permit by State
January 2025

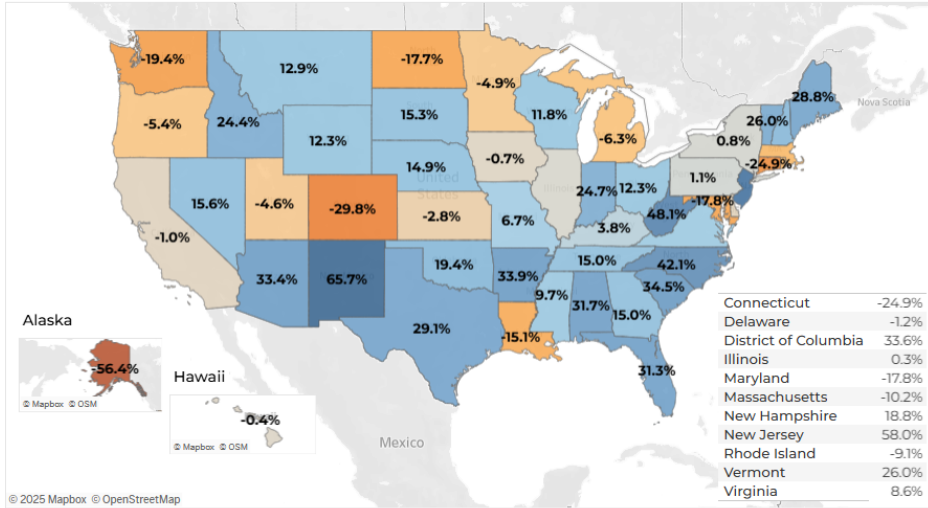


* The ratio is calculated by dividing the number of a state's population by the number of single-family building permits issued in the state within one year.
Source: U.S. Census Bureau, NAR Calculations

In January, Idaho, which had the highest number of permits issued per resident at the end of 2024, moved to second place with one permit issued per 119 residents. Instead, South Carolina took the lead in new residential construction, issuing one permit per 118 residents, becoming the state with the highest number of permits issued. The two states were followed by North Carolina (142) and Arizona (159). In contrast, the District of Columbia remained at the bottom of the list, with one permit issued per 4,032 residents, an improvement from the previous month. D.C. was followed by New York (1,783), Connecticut (1,608), and Alaska (1,280).

New Residential Construction

State Percentage Change of Single-Family Building Permits
Between Pre-COVID and January 2025



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Source: U.S. Census Bureau, NAR Calculations

At the start of 2025, New Mexico continued to lead as the state with the largest increase in single-family permits issued over a 12-month period since 2019. Between January 2019 and January 2025, the Western state saw an increase of 65.7% in building permits. It was followed by New Jersey (58.0%), West Virginia (48.1%), and North Carolina (42.1%). The smallest increases were seen in Illinois (0.3%), New York (0.8%), Pennsylvania (1.1%), and Kentucky (3.8%). In contrast, Alaska continued to experience the largest decrease in permits, with a drop of 56.4% from the pre-pandemic period. Following Alaska were Colorado (-29.8%), Connecticut (-24.9%), and Washington (-19.4%). Among the most populous states, Florida increased its permit-issuing activity by 31.3% and Texas by 29.1%.

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