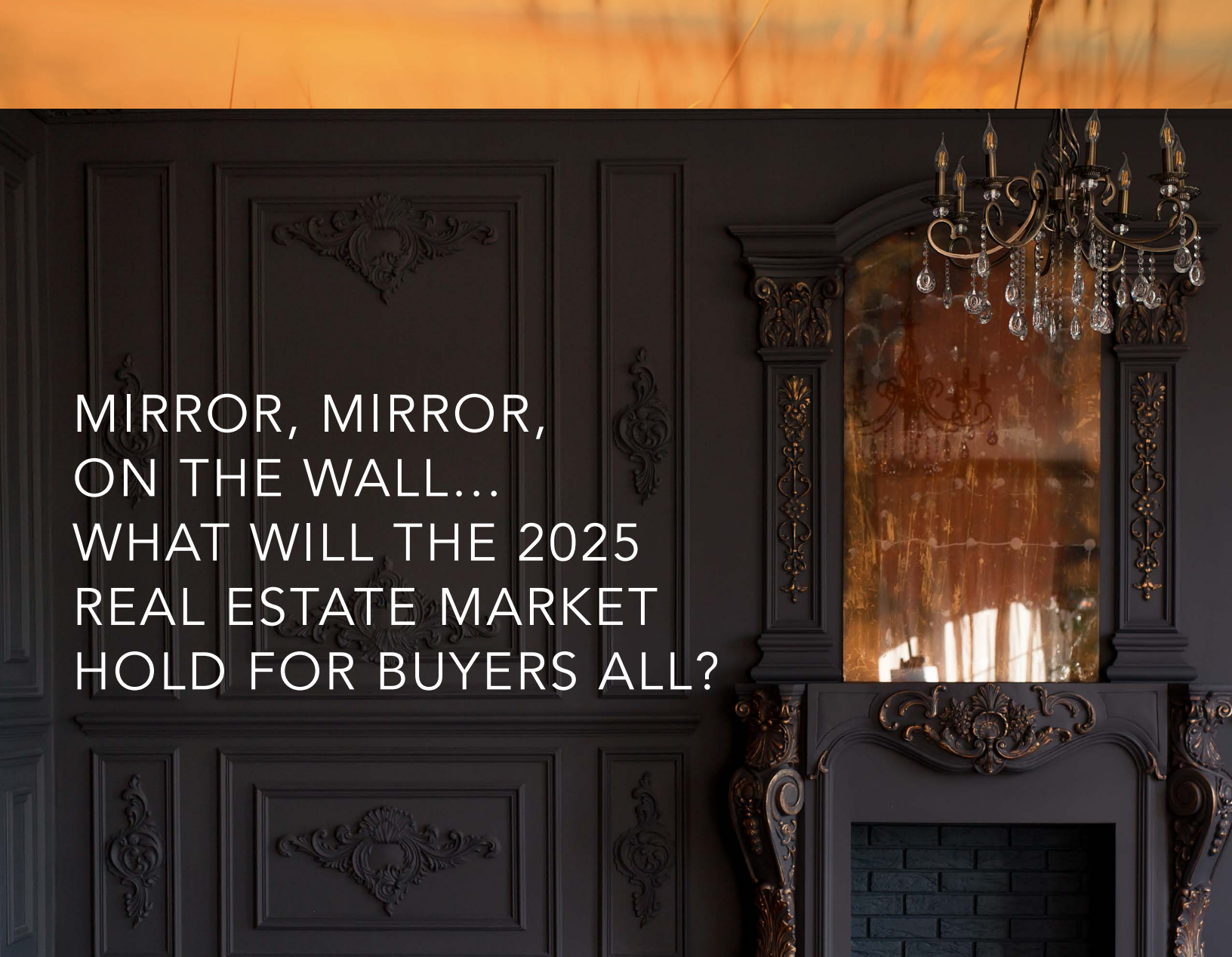




WHAT WILL 2025 HOLD?

A VIEW ON REAL ESTATE

The background image shows a dark, ornate wood-paneled wall. On the right side, there is a large, arched mirror reflecting a chandelier with multiple lit candles and hanging crystals. Below the mirror is a fireplace with a dark wood mantel and a brick interior. The overall aesthetic is classic and elegant.

# MIRROR, MIRROR, ON THE WALL... WHAT WILL THE 2025 REAL ESTATE MARKET HOLD FOR BUYERS ALL?

Based on our own findings from trend monitoring of past/current demographic shifts, consumer trends and of course, looking at post-election industry predictions, here's a view on what 2025 could hold for the industry.



# THE “LOCK-IN” EFFECT COULD FINALLY UNLOCK. (OR NOT)

Supply couldn't keep up with sky-high demand for real estate during the pandemic, a challenge compounded post-COVID by the “the lock-in effect” — sellers waiting on the sidelines for interest rates to decline, keeping supply low and prices high. The 30-year mortgage rate spent much of 2024 above 6.5%, sometimes creeping up to 7% — a big change from the 3% rates many buyers enjoyed just a couple years ago. Since the election, forecasters have begun anticipating that rates will remain above 6% in 2025.

Higher mortgage rates, coupled with ongoing affordability challenges, kept many potential home buyers on the sidelines as recently as October, **when sales of newly built, single-family homes declined 17.3%** to a 610,000 seasonally adjusted annual rate. The pace of new home sales in October is down 9.4% compared to a year earlier.

However, in more positive news, October new home sales are up 2.1% on a year-to-date basis. This may be an indication that the market may be accepting a “new normal,” despite the likelihood of continued high interest rates.

This acceptance, along with a anticipated slight deceleration in prices, might make 2025 the year when buyers and sellers finally come off the sidelines, leading to an increase in inventory that might put us on the brink of a “buyer's market.” In fact we may already be seeing it in some key markets in Texas and Florida, with competition between new build and resale due to a steady delivery of new construction after pandemic-induced supply snarls, leading to more inventory and lower prices.

The outlook will get murkier if the President-elect makes good on promises to impose tariffs, which could mean higher prices for imported goods, increased construction expenses and higher home prices. His promised mass deportations could also heavily impact the construction labor market, as undocumented immigrants **made up 23% of the workforce in 2021.**



## OUR PREDICTION...

Interest rates remain high, but prices continue to decrease. Buyers and sellers will decide it's time to play, leading to a bump in inventory and price deceleration across the board. Political pressure from key business leaders reduces the threat of tariffs and mass deportations, and we'll see a pull-back on those promises due to their potential negative effects on what is currently a fragile inflation situation.

Regardless, home builders selling new construction would do well to tailor the specific benefits of living in their communities, as marketing to differentiate product will become critical in a more saturated resale and new build environment where buyers have abundant choice.

**(Ahem, we can help with that.)**

# THE HOTTEST MARKETS WILL INCLUDE SOME COLDER PLACES.

Prior to and during the pandemic, Americans flocked to booming hotspots in the South and West — especially Florida and Texas — in search of lower cost of living, less regulation and sunnier climes.

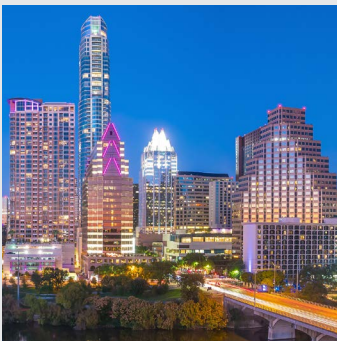
Today, Florida in particular is seeing demand level out. Hurricane events drove up insurance costs in the highly-populated coastal areas by as much as 400% over the past five years. Shoddy 80's construction resulting in disasters like the 2021 Surfside condo collapse are also increasing costs in the condo market, with new HOA fees on old buildings pricing out retirees. After doubling

between 2017 and 2022, home prices in most of the state have been mostly flat since March 2023.

The Texas story is different: 473,000 new residents moved in 2023 alone, among the highest rates of incoming migration in the country. It's a boom largely attributable to a younger, diverse audience enticed by home ownership, lower cost of living and more possibilities for career advancement. Millennials and Gen Z accounted for 71% of new Texas movers from 2021-2022, and nearly 51% of these groups represent people of color.

## WHAT'S HOT MIGHT ALSO BE A LITTLE COLD.

While it's difficult to find consensus amongst the various real estate sources predicting or following other "hot" or trending markets, we are seeing more attention and activity in mid-sized markets in the Northeast and the Midwest in addition to Florida and Texas. The influx is driven by new movers seeking affordability and inventory, as well as proximity to large metropolitan centers.



Austin, TX



Kansas City, MO



Springfield, MA



Manchester, NH

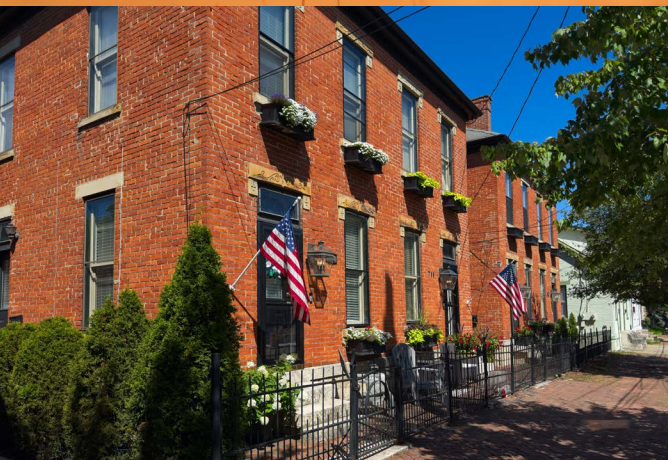
*U.S. News and World Report* touts these five metros as being "hottest" on a scale of "frozen" to "blazing" on a scale of 1-100:

- Austin, Texas – 72.8 (Tie)
- Kansas City – 72.8 (Tie)
- Philadelphia – 72
- Omaha, NE – 71.9
- Houston – 71.8

Realtor.com's "hotness" index includes smaller East Coast and Midwest metros:

- Manchester, NH
- Oshkosh, WI
- Rockford, IL
- Springfield, MA
- Concord, NH





And another report developed by **realtor.com** identified popular markets across the U.S. based on sources of online traffic. These markets were identified as being the most popular markets people are looking to move to, with Columbus, OH topping the list.

Rank	Markets	Traffic Share	View per Property vs. US	Traffic by Region			
				Northeast	South	Midwest	West
1	Columbus, OH	0.9%	2.4	13.7%	15.4%	67.3%	3.6%
2	Knoxville, TN	0.5%	1.7	12.9%	67.3%	10.8%	9.1%
3	Louisville/Jefferson County, KY-IN	0.5%	1.5	12.2%	61.4%	21.5%	4.9%
4	Detroit-Warren-Dearborn, MI	1.3%	1.2	12.3%	12.7%	70.5%	4.6%
5	Pittsburgh, PA	0.9%	1.5	72.4%	18.0%	5.4%	4.2%
6	Portland-South Portland, ME	0.4%	3.2	80.0%	12.2%	3.4%	4.4%
7	Tampa-St. Petersburg-Clearwater, FL	1.9%	1.1	17.7%	69.1%	8.9%	4.3%
8	Charleston-North Charleston, SC	0.4%	1.2	23.4%	60.7%	8.9%	7.0%
9	Hartford-East Hartford-Middletown, CT	0.6%	3.5	86.9%	9.4%	1.4%	2.3%
10	Asheville, NC	0.3%	1.7	15.3%	71.4%	6.9%	6.4%

## OUR PREDICTION...

The “hot” markets cool down a bit, with activity leveling out or even declining in some of the pandemic-era hotspots. For Florida specifically, its cost of living increases might put it beyond reach for younger people and retirees on a fixed income. Life in a (mostly) sunny paradise still has its draws, though, so luxury/resort communities should enjoy continued interest and activity. In general, new home builders in the state would do well to focus on messages of safety and quality in new construction. We see Texas staying active, especially as it may attract buyers who are priced out of Florida but looking for the same benefits Florida provides. For Texas home builders and developers, highlighting quality of life, community cultivation and affordability will be important messages in marketing real estate to prospective buyers.

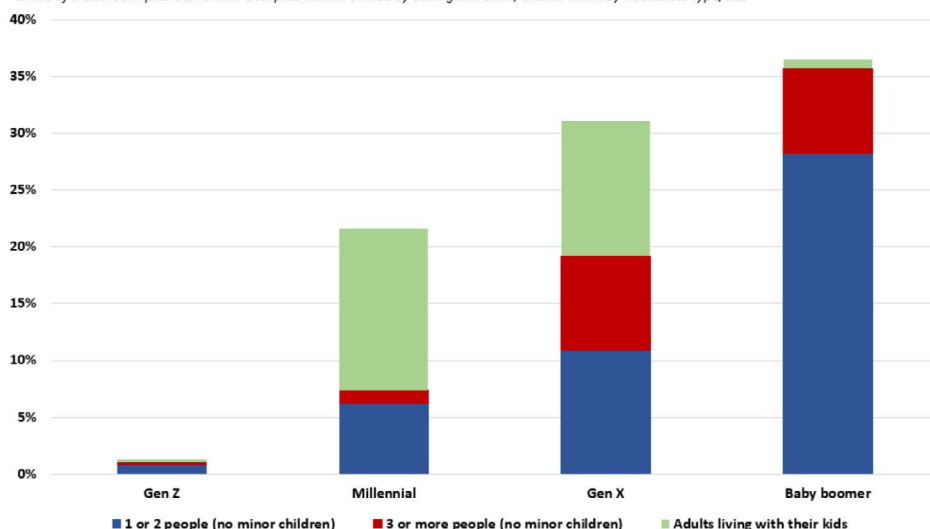
Other, historically less “hot” markets will see a resurgence in interest and activity. There is a real consumer mandate for work/life balance across age groups, and regions that allow for better commutes, vibrant community, wellness/reduced stress and of course, affordability and inventory will gain popularity. Highlighting the unique benefits of living in these emerging popular regions, as well as the amenities in the communities themselves, will be key in driving home buying decisions across age groups.

# TRADITIONAL SINGLE FAMILY HOMES WILL REMAIN DESIRABLE, BUT ACCEPTABLE REPLACEMENTS MAY BE ON THE WAY

Single family homes are the holy grail in home ownership, but many are still owned by older people who are not downsizing yet due to high interest rates. Younger buyers and families are stuck in waiting mode for single family inventory to loosen again (going back to that “lock-in” effect we talked about earlier in this report).

## Empty Nesters Own 28% of Large Homes; Millennials With Kids Own 14%

Share of 3-bedroom-plus U.S. owner-occupied homes owned by each generation, broken down by household type/size



IN THE MEANTIME, HOUSING REMAINS AT THE FOREFRONT OF A NATIONAL CONVERSATION ABOUT **ATTAINING THE AMERICAN DREAM**, AND NEW NARRATIVES ARE EMERGING AROUND HOW TO BUILD HOUSING MORE QUICKLY AND MAKE IT **MORE AFFORDABLE** AND **MORE ACCESSIBLE**.

There has been particular focus on loosening regulations for manufactured housing; encouraging more modular building and putting up more townhouses. None of these home types fits the bill as a traditional single-family home in the classic sense, but they may just be a near-term solution to building the 6.5 million homes that realtor.com estimates the U.S. needs.



## MANUFACTURED HOUSING

Subject experts recently called for Congress to remove the permanent chassis requirement on manufactured homes to improve safety and reduce stigma

- Safer from severe weather risks such as tornadoes, as they are much more easily ripped off a chassis than off a permanent foundation
- More acceptable in traditional neighborhoods
- Mortgaged as homes rather than moving vehicles to facilitate financing

## MODULAR HOUSING

We're also seeing a focus in the media on "industrialized housing" and how it has worked for other countries

- Nearly all construction in Japan now is industrialized with 15% of homes prefabricated in steel
- In Sweden, 45% of construction is industrialized, and a recent *New York Times* piece even highlighted how Lindbäcks, a family-owned construction company in Sweden, was inspired to visit the factories of Toyota and Volvo to and borrow ideas for their housing factory

## THE "MISSING MIDDLE"

- Townhouses could be the "sweet spot" for developers and buyers because they are cheaper to build, face less NIMBY resistance, cost less to buy, are lower maintenance and comprise great neighborhoods for fostering community

MAKE IT MANUFACTURED



MAKE IT MODULAR



BUILD THE "MISSING MIDDLE"



## OUR PREDICTION...

If mortgage rates continue at the 6% range and inventory remains limited, the public clamor about housing will continue and get louder. The President-elect is already hinting that he may open up federal lands to build housing, but in the meantime, creative developers will look for ways to build new homes that are not just affordable, but are easier and quicker to build and more likely to secure approval and permitting from municipalities.

We predict that townhouses will increase as a hot commodity: there is no stigma attached to townhouse neighborhoods, and they are a house type that work for the two biggest generations seeking to move right now: younger families (Millennials) looking to upgrade from apartments and Baby Boomers looking to downsize from single family homes.

# GENERATIONAL REASONS TO BUY VARY, BUT MASTER-PLANNED COMMUNITIES WILL CONTINUE TO HOLD BROAD APPEAL

The National Association of REALTORS® put out an interesting study earlier this year breaking down reasons to buy and important attributes among generations in the home buying process. Motivations and reasons to buy real estate vary across generational divides and are characterized by **life phase** and **lifestyle needs**.



## SILENT GENERATION

- Smallest share of buyers at 4%
- Retired, they have the second lowest median HHI and purchased second smallest homes at 1,800 sq. ft.
- They purchase to be closer to family and friends, and are most likely to purchase senior-related housing (33%)
- They are also second most likely to purchase new construction at 18% and choose neighborhoods based on convenience to health facilities
- They have a high % of military veterans
- They are least likely to make compromises on their purchased homes and had shortest search length at a median of six weeks



## BABY BOOMERS

- Make up 31% of buyers and 45% of sellers (largest %)
- Baby Boomers continue to dominate the home-selling market as they make pivotal decisions regarding their retirement living situations, whether it's right-sizing or moving closer to loved ones... boomers approach these transactions with substantial equity, enabling strategic housing trades
- Buy to be closer to friends and family and because of retirement and desire for a smaller home
- More likely than other groups to purchase in a small town, with younger Boomers in particular likely to buy rural homes
- They tend to move about 50 miles from their previous residence
- Typically owned homes for about 15 years before selling

SOURCE: The National Association of REALTORS®







## GENERATION X

- Comprise 24% of home buyers
- The highest-earning group, with median income of around \$127k in 2023
- Purchase the second-largest homes at 1,940 square feet
- 24% are first-time homebuyers, with 36% having previously rented their home
- They have the highest percentage of buyers among generations who purchased because of a change in family or marital situation (11%) and highest percentage among generations stating that a reason to buy was that they “did not have much choice, had to purchase” (27%)
- 58% are married couples with dual incomes
- Most likely to purchase a multigenerational home or a new home for a job relocation/move
- Ethnically diverse, with 24% identifying as a race other than Caucasian



## MILLENNIALS

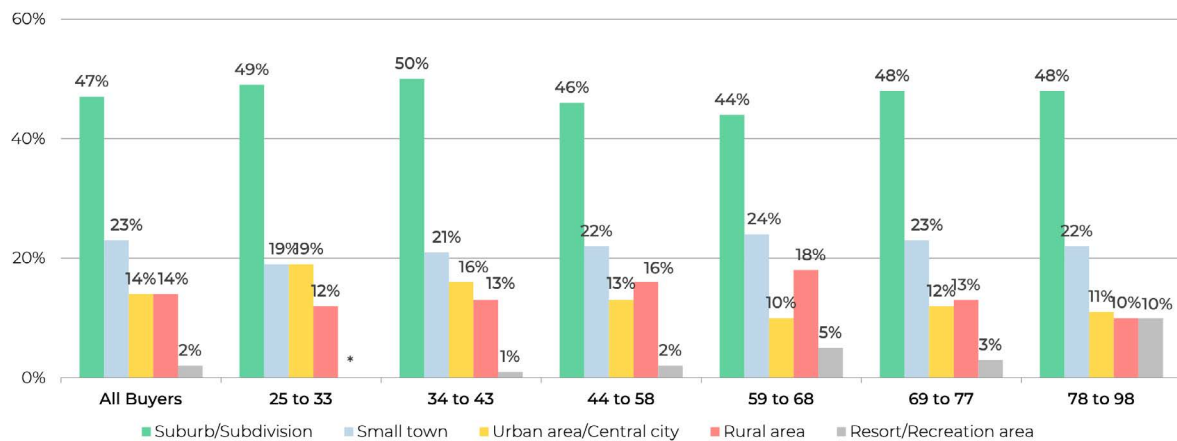
- Comprise the largest group of home buyers among generations at 38%, a notable rise attributed to both younger Millennials (25-34) stepping into homeownership for the first time and older Millennials (35-43) transitioning to larger homes that suit their evolving needs
- Older Millennials (35-43) have highest numbers of married couples at 66%, while younger Millennials (25-33) had highest share of unmarried couples buying (19%)
- Younger Millennials are the most educated group with 80% holding at least a Bachelor's degree or higher
- 24% of younger Millennials moved directly from a family member's home to buy
- Convenience to job and commuting costs were both very important to members of this group



## GENERATION Z

- At the start of their careers or possibly still in school, this cohort only accounted for 3% of all buyers
- But of that group, an impressive 31% of Gen Z purchasers were single females — a proportion significantly higher than that observed in any other generation
- More than half are single buyers, outpacing all age groups of single men and single women, and they are also most likely to identify as LGBTQ+

Looking at neighborhood preference by generation, Boomers have the highest percentage of movers who settle in small towns, and young Millennials have the highest percentage of those living in urban areas or central city areas. However, the vast majority of buyers across all age groups buy into suburbs or subdivisions.



\*Less than 1 percent



We see Master-Planned Communities continuing to be incredibly popular with buyers across age groups and demographics, with several trends continuing with strength into 2025. In addition to the classics like proximity to good schools, shops and healthcare, as well as outdoor connectivity via bike paths, walking trails and parks, we see additional factors holding high appeal for prospective buyers:

- **Active Adult:** with the 65+ population expected to rise 31% from 2020-2030, adding 17MM people, the popularity of 55+ communities will not abate anytime soon. **We're also seeing an increase in themed 55+ communities that bring people together around a common shared lifestyle**

- **Social programming:** we see physical gathering will take on perhaps more importance than it held before the pandemic. Games, clubs, sports, anything that can bring people together will be important
- **Work hubs:** with so many people working remotely, and working well past the typical retirement age, dedicated work spaces within the community will be a draw for people who have flexible commuting situations
- **Family-friendly amenities:** water parks, pump tracks, mountain biking trails all hold appeal for active families who want to get out and play together



## OUR PREDICTION...

Despite the possibility of new construction sales declining vs. last year (as discussed earlier in this report) document, master-planned communities will continue to be sought-after places to settle across age groups. The key will be differentiating the lifestyle offered by MPCs. MPCs that include family-friendly programming and amenities will hold specific appeal for younger families.

And as the Baby Boomer audience continues to swell in population (and stay healthy well into older age), Active Adult communities aimed at the 55+ market will gain even more popularity as the older crowd seeks strong community, opportunities for continuing education/ personal growth and built-in ways to continue following their passions (think mountain biking and skiing in addition to the more common pickleball and golf).

# CONCLUSIONS

- We'll start to have more clarity about the direction of the market by the second half of 2025, but in the meantime, the industry is in a state of balance: interest rates and prices will probably stay higher, but buyers and sellers will be less likely to put off until tomorrow what they need to do today
- In hot markets, especially those where resale is competitive with new home sales, it's critical to differentiate communities based on lifestyle and amenities. And in markets like Florida that are seeing cost of living increasing due to higher insurance rates or repair costs, it will be very important to focus on messages of construction quality and modern, climate-proof construction
- We're keeping our eyes on markets around the country that are seeing heightened activity and interest from buyers. We're particularly interested in the activity we're seeing in the Midwest
- Generational differences across demographics call for highly articulated messages about amenities and lifestyle based on audience life stage. Trends like the explosion of the 55+ category and the high percentage of Gen Z female buyers need to be monitored and considered in both development and marketing

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