



Redfin's 2025 Predictions: Pent-Up Demand Will Lead to More Home Sales, But Many Would-Be Buyers Will Opt to Rent

Rental prices should stay flat while wages increase, improving affordability for renters, as the cost of buying a home rises

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — Redfin's economists expect there will be more home sales in 2025, largely due to pent-up demand. But some would-be homebuyers will still be priced out, with home prices climbing and mortgage rates remaining near 7%. That's according to annual housing market [predictions](#) from Redfin ([redfin.com](#)), the technology-powered real estate brokerage.

Prediction 1: Home Prices Will Rise 4%

Redfin expects the median U.S. home-sale price to rise steadily throughout 2025, ending the year 4% higher than it was in 2024. Prices will rise at a pace similar to that of the second half of 2024 because there will not be enough new inventory to meet demand. Rising prices are one factor that will keep homeownership out of reach for many Americans, leading some would-be homebuyers to rent instead.

Prediction 2: Mortgage Rates Will Remain Near 7%

Mortgage rates are likely to remain in the high-6% range throughout 2025, with the weekly average rate fluctuating throughout the year but averaging around 6.8%. Investors are anticipating that if President-elect Donald Trump implements a significant portion of his proposed tax cuts and tariffs, and the economy stays strong, the Fed will only cut its policy rate twice in 2025, keeping mortgage rates high. Tariffs could be inflationary, and enacting more tax cuts would increase the U.S. deficit, both of which would push mortgage rates up. High mortgage rates are the second part of the equation that will keep homebuying unaffordable.

However, mortgage rates could drop to the low-6% range if the economy weakens and/or if plans for tariffs and tax cuts are dialed back. Any year in which the presidential administration changes is unpredictable, and this one may be especially unpredictable.

Prediction 3: There Will Be More Home Sales in 2025 Than 2024

Redfin expects existing home sales to tick up next year, ending 2025 at an annualized rate of between 4.1 million and 4.4 million. That represents a year-over-year increase of between 2% and 9%. Redfin is presenting an unusually wide sales range this year because while high

housing costs may price out some would-be buyers, there's also a fair amount of pent-up demand in the market.

If sales post just a small increase, it will be because of high mortgage rates and low inventory, as homeowners continue to [hang onto](#) their homes.

Sales may post a bigger increase if mortgage rates decline more than expected, and/or if the recent [burst](#) in homebuying demand continues. Homebuying demand jumped in the weeks after the November election despite mortgage rates sitting around 7%. That was partly because buyers were waiting for uncertainty to pass before making a big purchase, and partly because many people felt more financially confident with the promise of a Republican-led administration. Even before the election, Redfin's [data](#) showed that rising mortgage rates didn't deter buyers as much as expected, likely in part because many Americans have grown accustomed to high mortgage rates. If the economy stays strong and enough people can afford next year's high housing costs, that would push up sales.

Prediction 4: 2025 Will Be a Renter's Market

Many Americans will remain renters or become renters. While the cost of buying a home will increase, rental affordability will improve. Redfin predicts the median U.S. asking rent will remain flat year over year in 2025. That will make rent payments more affordable to the typical American because wages will rise.

There will also be [more new rentals](#) coming on the market, with many of the units builders started working on during the pandemic apartment-building boom coming to fruition. This will create more supply than demand, motivating landlords to offer concessions like free parking, a free month of rent, more amenities or a hiatus on rent increases in order to retain residents.

Prediction 5: Fewer Construction Regulations Will Lead to More Homebuilding

Redfin predicts homebuilders will construct more single-family homes in 2025, though it will take a few years for the increase in homebuilding to make buying a house significantly more affordable. The Republican sweep of the White House, Senate and House has improved builder confidence by bringing renewed optimism that regulatory burdens may ease. Builders will also bank on the fact that the mortgage-rate [lock-in effect](#) will put a lid on the amount of existing inventory competing with new builds.

Easing regulations should also lead to a rebound in multifamily housing starts. That will be a reversal from 2024, when builders pulled back on apartment starts because of the glut of supply.

The caveat is that there are a few headwinds for builders. One, interest rates are likely to stay high. Two, the incoming administration has said it will cut back on immigration, which would likely lead to less residential construction, as immigrants make up about 30% of the country's construction work force.

Prediction 6: Wealthy People Will Pay Less to Buy and Sell Homes As Commissions Decline Slightly

In the first full year under the new National Association of Realtors (NAR) commission rules,

Redfin expects real estate commissions to come down slightly. That's true especially for luxury homes where agents have the most room to reduce their fees, and in competitive housing markets, where fees are increasingly a point of negotiation in a bidding war. It remains to be seen how much antitrust enforcers in the incoming administration will press additional real-estate industry reforms. The Department of Justice said in a recent filing that it "continues to scrutinize policies and practices in the residential real estate industry that may stifle competition," but it's unclear if it will take any formal action.

Prediction 7: The Real Estate Industry Will Consolidate

Under the new administration, the Federal Trade Commission will be more likely to approve mergers and acquisitions among large companies. Unlike other industries with a few dominant players, the U.S. real estate industry has long been fragmented with multiple real estate search sites and brokerages of all sizes and business models competing for agents and customers. While it's not uncommon for larger brokerages to have affiliated mortgage or title services, we're likely to see more roll-ups of brokerages, lenders and title companies looking to generate more business from every customer.

Prediction 8: Climate Risks Will Be Priced Into Individual Homes, Especially in Coastal Florida

The risk of natural disasters will start pushing down home prices or slowing price growth in climate-risky places, like coastal Florida, wildfire-prone parts of California and hurricane-prone parts of Texas. Homebuyers and their agents will, by necessity, get more knowledgeable about the riskiness of each individual property. More homebuyers will move to comparatively affordable places in the Midwest and Northeast, which offer relative protection from climate-driven disasters.

Hurricane Helene and Hurricane Milton were a turning point for many middle- and lower-income Florida homeowners. More homebuyers looked to leave Florida this fall than a year earlier, and fewer out-of-town buyers looked to move into the state. Coastal Florida could become a place where only wealthy people who can pay sky-high insurance premiums or have the cash to rebuild can afford to live. Redfin predicts the coastal Florida luxury market will stay strong.

Prediction 9: Mayors in Blue Cities Will Help Reverse the Flight From Urban Centers

San Francisco elected a pro-business Democrat as its new mayor this year, Portland, OR elected a mayor who pledged to end unsheltered homelessness, and several other big cities in blue states are enacting tough-on-crime policies to revive their downtowns and retain residents. Those political factors, along with many big companies—including tech firms—bringing their workers back into the office, may start a reversal of the flight from big coastal cities.

This will be especially true in California. Many Golden State residents will be motivated to stay because housing supply will continue to improve, curbing price growth; specifically, the ADU building boom in places like Los Angeles and the Bay Area should continue to provide more housing. Additionally, it no longer makes as much sense to chase housing affordability in the desert, as home prices in places like Phoenix and Las Vegas have gotten higher while climates have gotten hotter.

Prediction 10: Gen Z Will Rewrite the American Dream, Cutting Homeownership From the Script

Lower-priced homes will boom in 2025 compared to higher-priced homes, but that won't be because young Americans or working-class people are breaking into homeownership. Instead, affordable homes will be snapped up by older buyers who are priced out of higher price tiers. Gen Zers, meanwhile, will keep living with family or renting until well into their 30s, opting to build wealth in other ways.

To view the full report, including charts, please visit: <https://www.redfin.com/news/housing-market-predictions-2025>

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Contact Redfin

Redfin Journalist Services:

Ally Forsell, 206-588-6863

press@redfin.com

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