

## Happy New Year Predictions

We hope you all are having a great holiday season. With the new year we are always looking to bring the latest predictions concerning the real estate market and the general economy. Of course, this also comes with our annual warning – predictions are futile (adapted from Star Trek). No one can predict the future – but the economists of the world certainly give it a good try every year. So, what do they have to say this year? Let's start with home prices.



Looking at predictions from Fannie Mae, Red Fin, Fitch Ratings, HousingWire and the National Association of Realtors – it appears that the consensus for home price growth is 3.0% to 4.0% on an annual basis for 2025. This is slightly lower than we are seeing in 2024, but the trend for appreciation is definitely easing. We did not see a single prediction for housing prices to fall in 2025. With regards to home sales, HousingWire sees continued sluggish growth in existing home sales and slightly better growth in new home sales.

Mortgage rates are universally predicted to fall –but not by that much. Most predictions seem to have 30-year fixed mortgage rates nearing 6.0% by the end of 2025. This seems to be conservative as we were close to 6.0% at the beginning of fall this year – though they bounced back quickly towards 7.0% even though the Fed lowered rates one more time. Originations of mortgages are expected to rise as rates fall due to rising refinance applications. As for the economy, most are predicting economic growth in 2025 to be in the 2.5% to 3.0% range—fairly close to the results of this year. Again, these are just predictions—so take them with a grain of salt!... ☐

### CONSUMER PRICES RISE AS FORECAST IN NOVEMBER

Annual inflation rate since 2019



## Trends: Cozy And Efficient

The housing trends that will shape our homes in the coming year have been revealed by Zillow based on new statistics. In 2025, home purchasers and homeowners will design cozy, environmentally friendly, and climate-resilient homes by fusing the newest technology with vintage, rustic beauty. This implies that 19th-century sculleries, antique fittings, and comfortable home libraries will coexist with amenities like EV chargers and whole-house batteries.



“Technology has enabled homeowners to live more sustainably and more affordably, which is a growing priority for prospective buyers,” said Amanda Pendleton, a Home Trends Expert at Zillow. “Energy-efficient and climate-resilient home features are quickly gaining popularity as homeowners look to keep costs down, including insurance costs. Homeowners and buyers today are looking to the past to create a sense of warmth, character and comfort in even the most high-tech environments.”

In order to live up to their ideals, today's homebuyers are looking for properties with eco-friendly and sustainable amenities. The fastest-growing feature in this year's analysis is whole-home batteries. Nowadays, “cozy” is a desirable design feature rather than a derogatory real estate word. The number of listings that mention “cozy” has risen by 35% over the previous year!... ☐

Source: Zillow

## Selected Interest Rates

December 19, 2024

- 30 Year Mortgages—6.72%
- 2024 High (May 2)—7.22%
- 2024 Low (Sept 26)—6.08%
- 15 Year Mortgages—5.92%
- 10 Year Treasuries—4.57%

Sources—Fed Reserve, Freddie Mac  
 Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

## Office Space: The Solution?

Nearly a fifth of office space across the country sits empty, a record high vacancy rate that's expected to keep growing. Seeking both to boost their economies and ease their housing shortages, cities are taking steps to encourage the conversion of unused office space into much-needed housing. They include reductions in approval times, exemptions from affordable housing rules and changes in building code requirements. Some cities and states also are providing tax incentives or subsidies to developers. “Cities need to focus on making conversions feasible by removing unnecessary regulatory barriers,” said Alex Horowitz, project director of the Housing Policy Initiative at The Pew Charitable Trusts. “The U.S. is short millions of homes, and office vacancy rates are at record highs. It makes all the sense in the world to convert underused commercial space into housing, but the cost per square foot is just too high.”

Regulatory hurdles — such as outdated building codes, minimum unit sizes and natural light requirements — push up costs. Cities are trying a variety of ways to overcome these obstacles. “All Americans, particularly underserved communities, need homes they can afford,” said Pew's Horowitz. “But outdated rules make it harder to create deeply affordable housing.”... ☐

Source: Minnesota Reformer

## Did You Know...

RentCafe reported that approximately 24 million Americans moved in 2023, the lowest in 25 years. Housing was the most-reported reason, with 14.6% of movers looking for a new or better home. In addition, 13.2% of movers were relocating for a new job or transfer.

The CoreLogic Homeowner Equity Report (HER) for Q3 indicated that home equity for U.S. homeowners with mortgages—who own about 62% of all properties—rose by \$425 billion since the third quarter of 2023, representing a 2.5% annual gain and reaching a total of over \$17.5 trillion.

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