

THE RECAP

FEBRUARY 2025



The RECAP is SitusAMC's monthly Real Estate Commentary, Analytics and Perspectives on the residential real estate market.

Our team of experts aggregates the latest trends and perspectives across residential real estate finance to help you stay up to date on market developments and make more informed decisions. Here are the key developments in February 2025.

WHAT YOU NEED TO KNOW

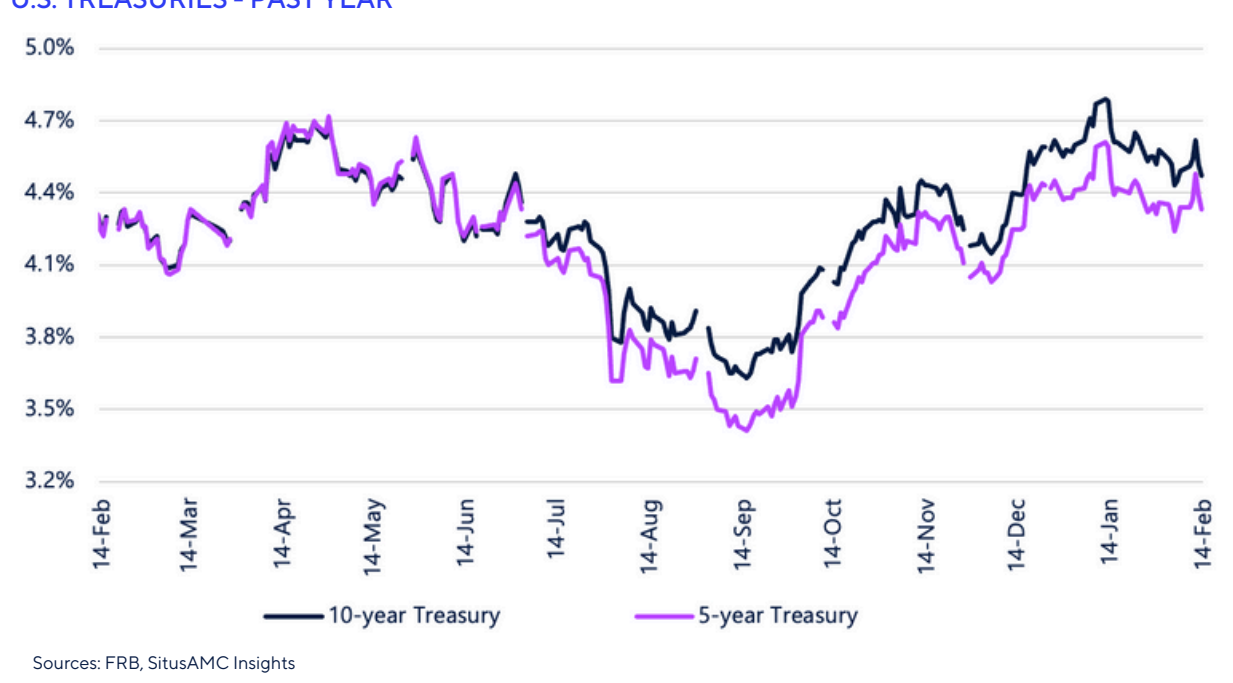
Treasuries continue to seesaw on mixed economic data. Residential mortgage rates have declined modestly over the past month and purchase and refinancing activity grew. Existing home sales grew for the third consecutive quarter in December, reaching the highest level since February. Agency RMBS issuance reached a two-year high in 4Q 2024.

OUR ANALYSIS

SitusAMC's analysis in THE RECAP leverages current data, our bespoke research and exclusive surveys of leading institutional and regional residential real estate executives.

TREASURIES CONTINUE TO SEESAW ON MIXED ECONOMIC DATA

U.S. TREASURIES - PAST YEAR



The rate on the 10-year Treasury has been seesawing, from a three-month high of 4.8% on January 13 to 4.5% on February 14. While a spike in the yield followed January's employment and consumer price index (CPI) reports, increases were short-lived. The CPI report showed hotter-than-expected inflation, but other economic reports revealed slowing wholesale producer prices and a slump in retail sales, leading to the expectation of softer personal consumption expenditures (PCE) inflation--the Fed's preferred measure.

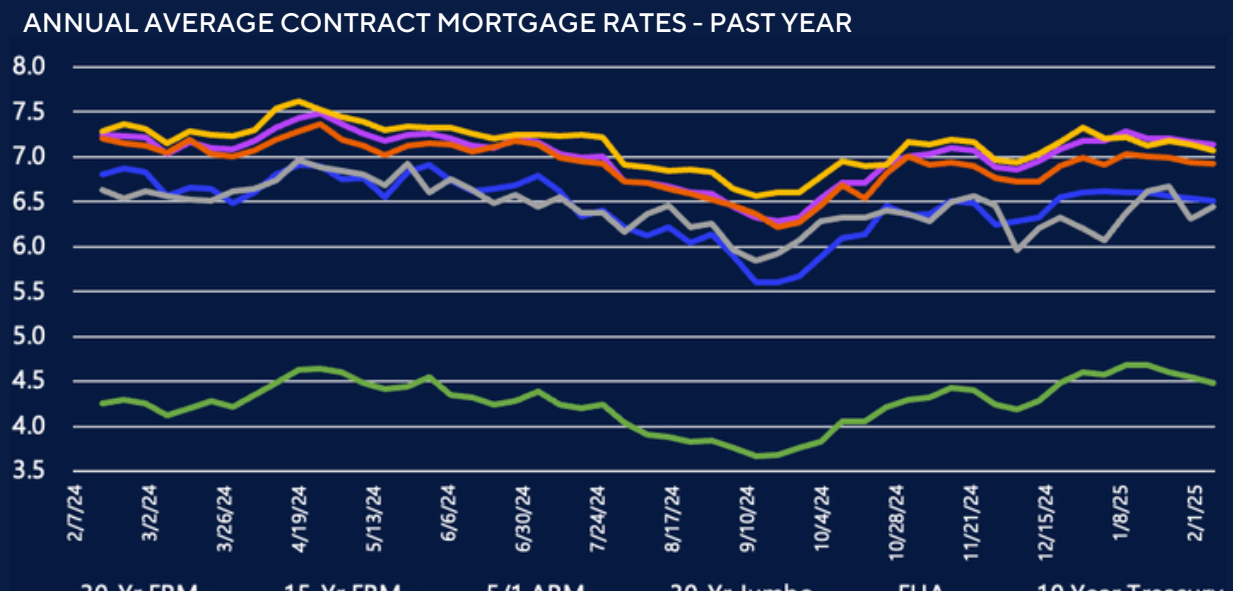
Currently, the markets are not expecting any rate cuts until the second half of the year.

PETER MUOIO, PHD
Head of SitusAMC Insights

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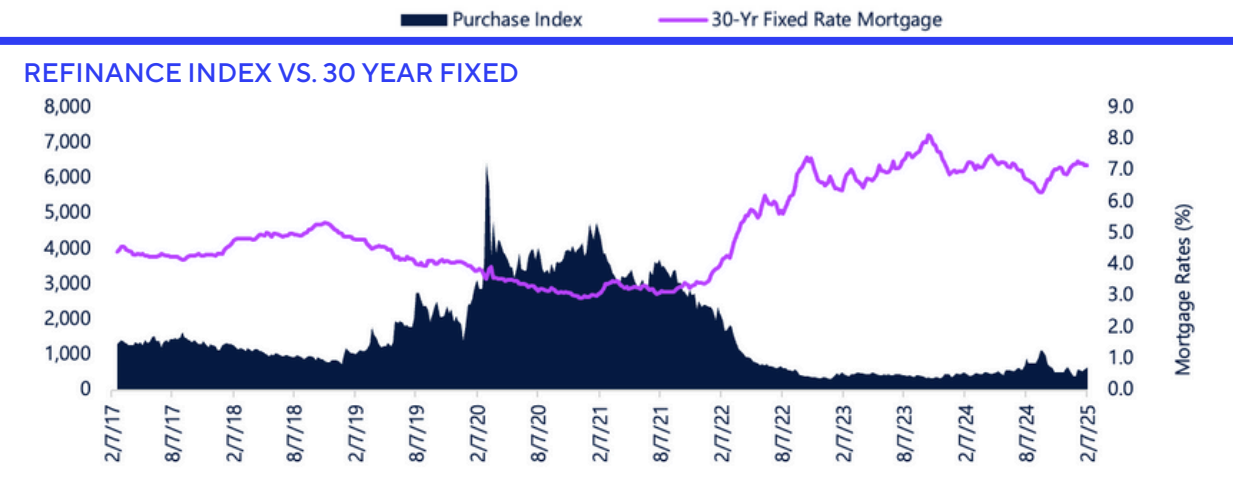
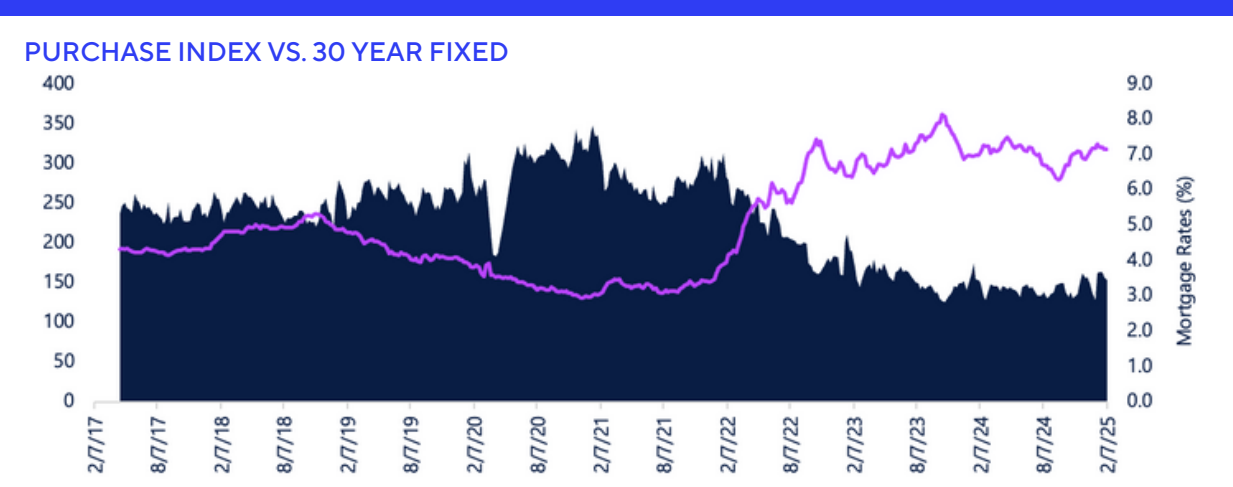
10-YEAR TREASURY - FEBRUARY 14TH

MORTGAGE RATES DECLINED AND SPREADS NARROWED



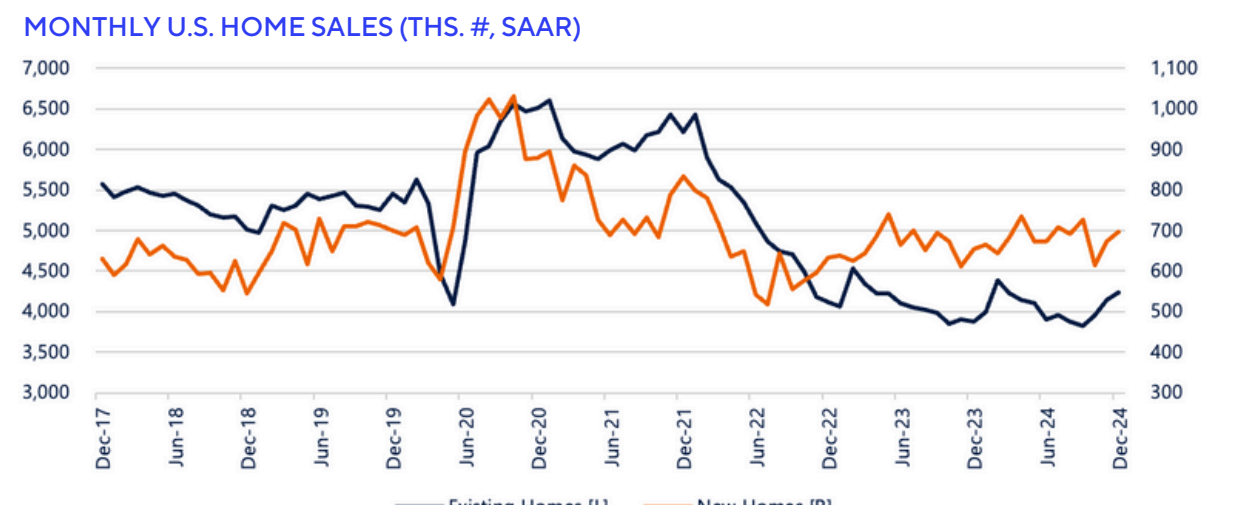
Residential mortgage rates have declined modestly over the past month. The 30-year FRM declined nearly 15 bps to 7.14%, according to the MBA. Despite the dip, mortgage rates remain significantly higher than historical averages and above the 7% mark that spurred buying activity last year. Meanwhile, rate spreads over the 10-year Treasury rate have narrowed over the past month, despite the Treasury rate being unchanged. Increased investor confidence in the housing market and reduced risk perception of defaults, given the relatively strong economic environment, have led lenders to price mortgages closer to the underlying Treasury rate.

PURCHASE AND REFINANCING ACTIVITY ROSE



Purchase and refinancing activity grew - but from an already low level. The purchase applications index was up about 15% and the refinancing application up about 27% over the past three months as of early February. However, both are still significantly below their long-term averages. Given that many homeowners locked in low mortgage rates early in the pandemic, and that home prices remain elevated, it is unlikely that purchasing and refinancing activity will increase materially in the near term.

EXISTING AND NEW HOMES SALES INCREASED MODESTLY



Existing home sales rose for the third consecutive quarter, reaching the highest level since February. New home sales also increased modestly in December but are just returning to the level of late summer before the dip in the fall. Sales remain historically weak, but given recent modest declines in mortgage rates since the beginning of 2025, this momentum may persist. However, data from the National Home Buyer's Association (NHBA) released February 18 points to souring sentiment among homebuilders -- particularly expectations of new home sales over the next six months -- citing policy uncertainty, especially for tariffs and cost factors.

AGENCY RMBS ISSUANCE REACHED A TWO-YEAR HIGH IN 4Q 2024



Newly released fourth-quarter data shows rising agency RMBS issuance, but declining non-agency RMBS issuance. Agency RMBS issuance reached a two-year high following a 9% increase in the fourth quarter. Non-agency RMBS issuance fell 36% over the quarter to the lowest level in a year. However, because of extremely sluggish activity in 2023, non-agency issuance is up considerably year over year.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of residential real estate finance. THE RECAP is our monthly snapshot that aggregates the latest trends and perspectives across residential real estate finance in an easy-to-digest format.

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