

THE RECAP

MARCH 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 March 2025.

WHAT YOU NEED TO KNOW

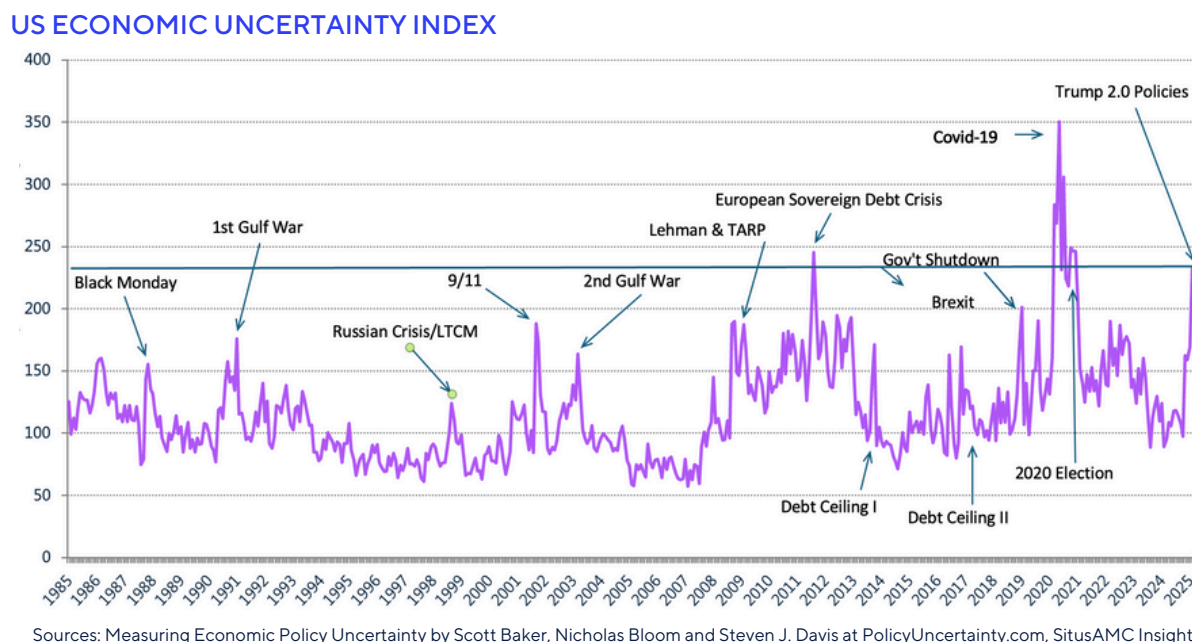
The uncertainty index hit the third-highest level in decades and the 10-year Treasury dropped sharply amid uncertainty over looming tariffs, immigration and other Trump administration policies. A budding oversupply of newly built homes has emerged, but the trend differs significantly by state. Refinance activity rose as homeowners who borrowed when rates were above 7% are incentivized to refinance. Median home prices hit a record high.

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.

UNCERTAINTY HAS SKYROCKETED

US ECONOMIC UNCERTAINTY INDEX



Ever-changing Trump administration policies have led to great economic uncertainty. In February, the U.S. Economic Policy Uncertainty Index almost doubled from the prior month to the third highest level on record, just behind COVID-19 and the European sovereign debt crisis in 2012. The index represents a combination of news coverage of policy-related economic uncertainty, tax code uncertainty and economic forecaster disagreement. We expect uncertainty to continue to build, as evidenced by the equity and bond markets so far in March. Risk of recession/stagflation is also growing as a result of the policies, uncertainty surrounding the policies, and the market reaction to both.

Uncertainty is the enemy of forward movement.

PETER MUOIO, PHD
Head of SitusAMC Insights

4.35

10-YEAR TREASURY
MARCH 13TH

THE 10-YEAR TREASURY RATE DROPPED SHARPLY

10-YEAR TREASURY PAST YEAR



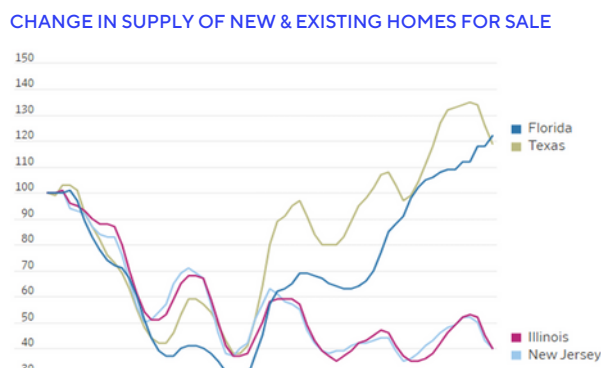
Federal policy uncertainty jolted stock and bond markets, and the 10-year Treasury rate dropped sharply to 4.33% on March 13, down 27 bps from the start of the year. January's jobs report was cooler than expected. The consumer price index (CPI) rose 2.8% in February -- a slight easing from January but still above the Fed's 2% target -- and the producer price index (PPI) came in flat in February, though January was revised up 0.6%. But the potential impact of whipsawing tariff movements remains a key uncertainty and would not be registered in the inflation statistics yet. As of March 11, the average 30-year fixed-rate mortgage (FRM) was about 6.7%, the lowest since October. The drop is a good news/bad news situation: While demand may rise, the uncertainty and underlying fear of recession driving rates down could impede borrower activity.

AN OVERSUPPLY OF NEWLY BUILT HOMES IS EMERGING IN CERTAIN REGIONS

BUILDER INVENTORIES, UNSOLD, COMPLETED HOMES



CHANGE IN SUPPLY OF NEW & EXISTING HOMES FOR SALE

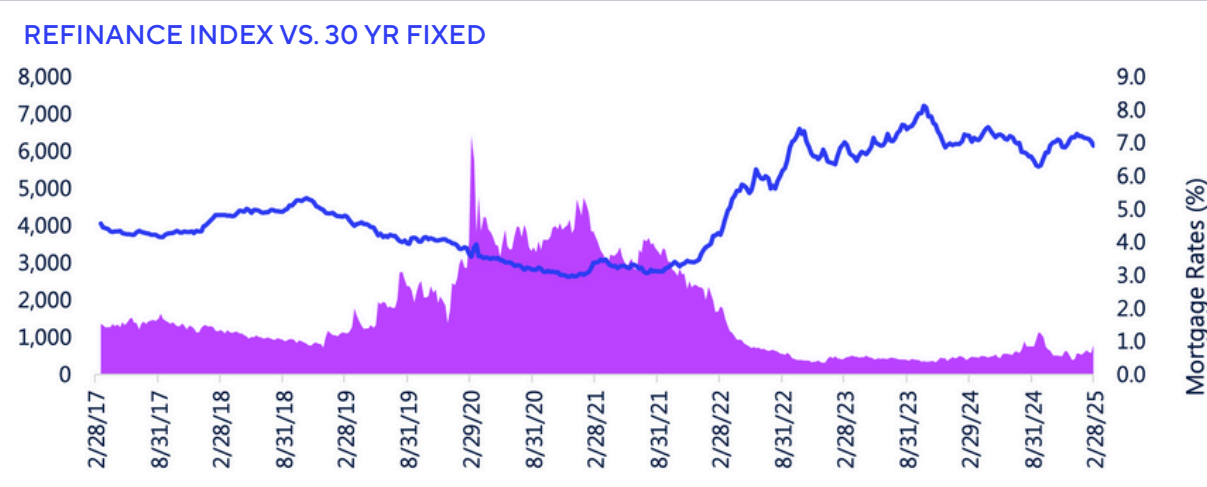


Sources: National Association of Homebuilders (NAHB), Realtor.com, WSJ, SitusAMC Insights

Last December, builders had 118,000 ready-to-occupy single-family homes sitting unsold, the highest level since August 2009, according to the National Association of Home Builders. As home prices and mortgage rates remain high, demand has declined, leading to a glut of new supply. With permits and starts rising in January to the highest level since June, new-home inventory is likely to grow this year. Meanwhile, existing inventory jumped to the highest level since the early months of the pandemic, as sellers tired of waiting for big mortgage-rate changes. But supply trends differ by state: For-sale homes surged in the Sunbelt, with Texas and Florida up 20% from pre-pandemic levels, according to Realtor.com. Strong southern migration during the pandemic inflated home prices, and would-be buyers are waiting as properties appear overvalued. However, supply in 15 states, including Illinois, New Jersey and Pennsylvania, are less than half of pre-pandemic levels, as stricter zoning and elevated building costs hinder new construction. Barring a nosedive in mortgage rates, home prices in oversupplied markets will likely decline, while those in supply-constrained markets rise.

REFINANCE ACTIVITY INCREASES ON RATE DECLINES

REFINANCE INDEX VS. 30 YR FIXED

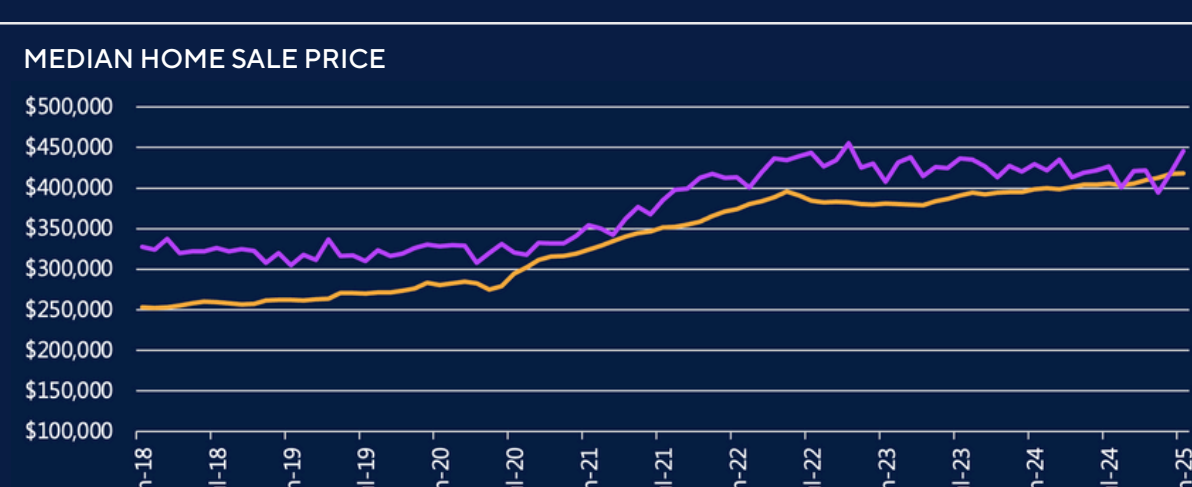


Sources: Mortgage Bankers Association (MBA): Weekly Mortgage Applications Survey

Refinance activity grew over the past three months as homeowners who financed when mortgage rates were above 7% took advantage of lower rates. Purchase activity declined over the past three months as high home prices and historically limited supply kept many would-be homebuyers on the sidelines. Both the refinance and purchase indexes are still significantly below their long-term averages. Home equity loan activity (by number of accounts) has grown over the past quarter, but remains slightly below pre-pandemic levels and well below historical averages. Overall demand for mortgages could be stymied amid economic uncertainty and shrinking stock portfolios.

MEDIAN EXISTING HOME PRICE REACHES A RECORD

MEDIAN HOME SALE PRICE



Sources: National Association of Realtors; U.S. Census Bureau; Moody's Analytics

As existing home prices reached a record high in January and mortgage rates remained stubbornly high, existing home sales were down over the month and are considerably weaker than the historical average. January's new home prices were the second highest on record, behind October 2022 levels after the sharp run-up in prices earlier in the pandemic.

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.

situsamc.com/RRErecap