

THE RECAP

OCTOBER 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 October 2025.

WHAT YOU NEED TO KNOW

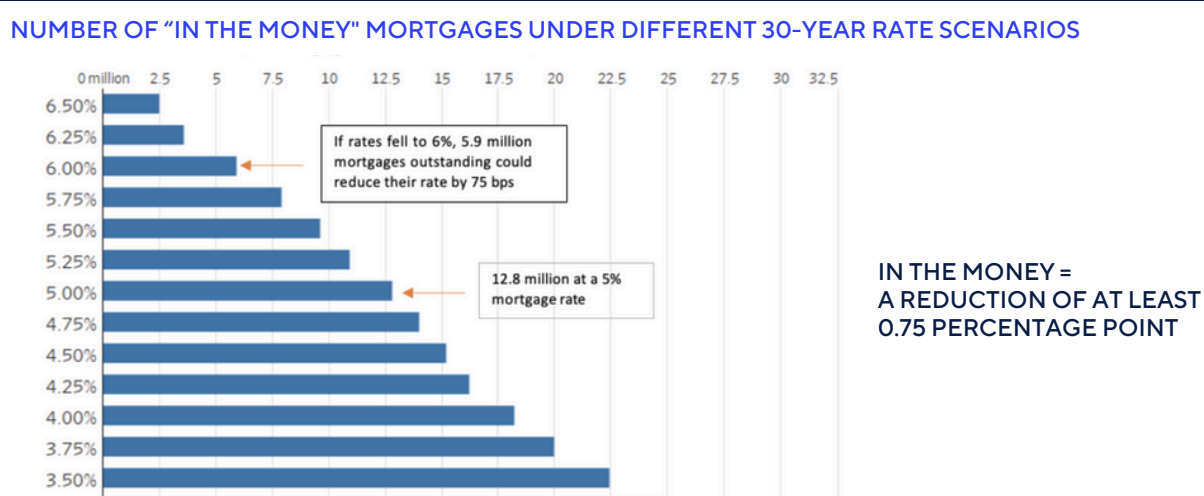
Refinancing activity spiked 80% as mortgage rates tumbled in late August and early September. The U.S. Economic Policy Uncertainty Index fell to the lowest level since President Trump took office. Mortgage rates would need to fall to at least 5.5% to make it more affordable to buy a home than rent an apartment. Construction materials costs reached a new high. New home sales soared in August, driven in part by builder incentives.

ABOUT SITUSAMC INSIGHTS

SitusAMC is the leading provider of data, research and analytical tools supporting the lifecycle of real estate finance. Leveraging proprietary and third-party data, our tools and research support smarter investment and portfolio decisions with expert-driven insights. [LEARN MORE](#) →

RATE DROP DRIVES REFI BOOM

NUMBER OF "IN THE MONEY" MORTGAGES UNDER DIFFERENT 30-YEAR RATE SCENARIOS



Source: ICE Mortgage Technology

Borrowers reacted quickly to the modest drop in mortgage rates last month. Activity spiked 80% when the rate fell to 6.26% in the three weeks ending September 17 — the lowest rate in 11 months. But refinancing activity quickly faded when rates rose again. The recent wave was driven by “marry the house, date the rate” buyers—those who purchased homes in the last three years, expecting mortgage rates to fall. In the second quarter, 90% of rate-and-term refinances were for loans originated in 2023–2024, mostly by borrowers with large mortgages and limited equity. Refinancing helped reduce their debt-to-income ratios to 34% — the lowest since March 2022 — easing household budget pressure. At current mortgage rates, 3.1 million homeowners could reduce their rate by at least 0.75 percentage point and save \$399 on their monthly payment on average.

“There is pent-up demand to transact.”



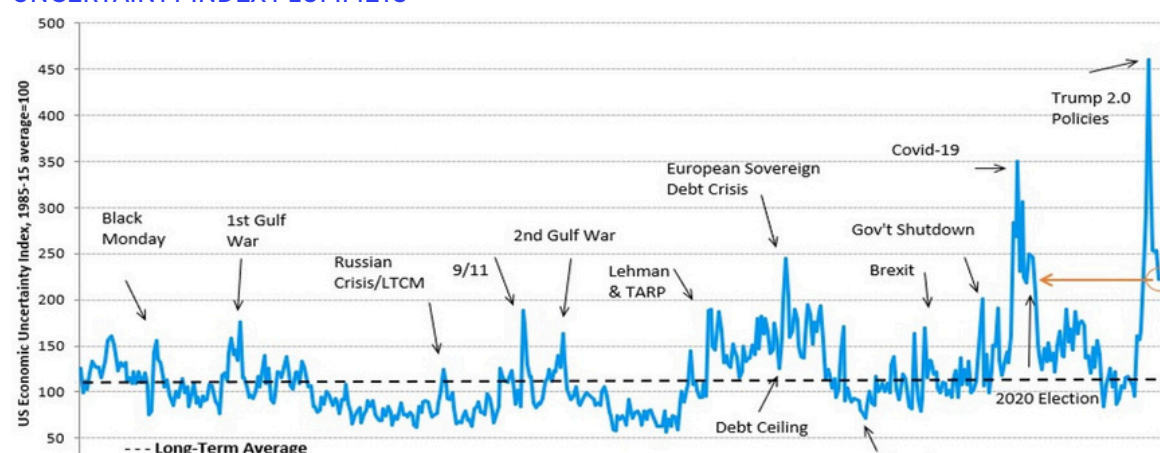
PETER MUIOI, PHD
Head of SitusAMC Insights

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10-YEAR TREASURY
OCTOBER 3RD

US ECONOMIC POLICY UNCERTAINTY

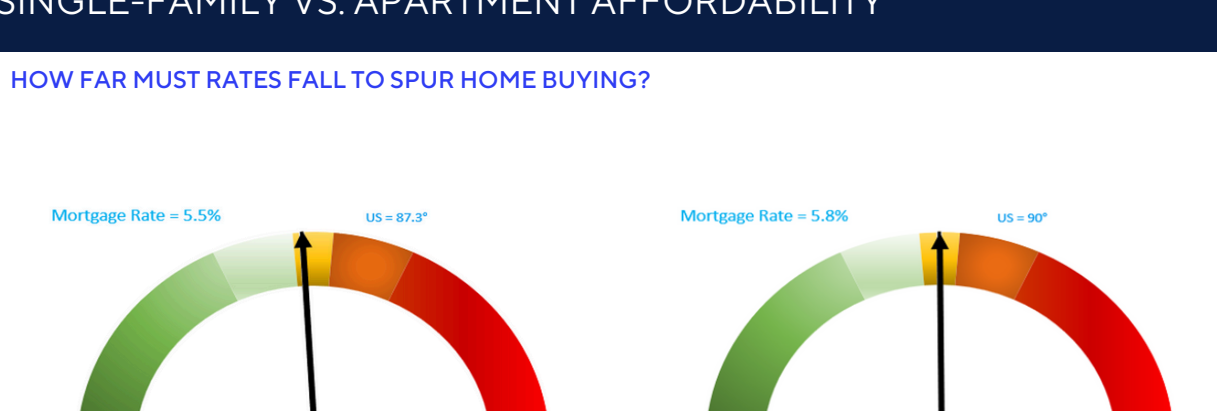
UNCERTAINTY INDEX PLUMMETS



The U.S. Economic Policy Uncertainty Index fell 12% MoM in September to the lowest level since President Trump took office. The index has tumbled more than 50% since April, when it reached new heights amid tariff announcements. Uncertainty levels are roughly on par with those around the time of the 2020 election. (The index represents a combination of news coverage of policy-related economic uncertainty, tax code uncertainty and economic forecaster disagreement.)

SINGLE-FAMILY VS. APARTMENT AFFORDABILITY

HOW FAR MUST RATES FALL TO SPUR HOME BUYING?



The mortgage rate at which renting and homeownership are equally affordable can indicate a more normalized market. Our analysis shows an equilibrium in single-family and apartment affordability when the mortgage rate hits 5.8%, and homeownership becoming more affordable at 5.5%. But even if rates fall to 5%, only 21 of the 82 markets we cover would see normalized-to-hot single-family markets (as indicated by a dial angle of 90 degrees or less). Separately, a plurality of economists surveyed by Fannie Mae said a mortgage rate of between 5% and 5.5% is needed to spark significant home sales. That level not been seen for more than three years, and is about 100 to 150 bps below current mortgage rates.

CONSTRUCTION COSTS

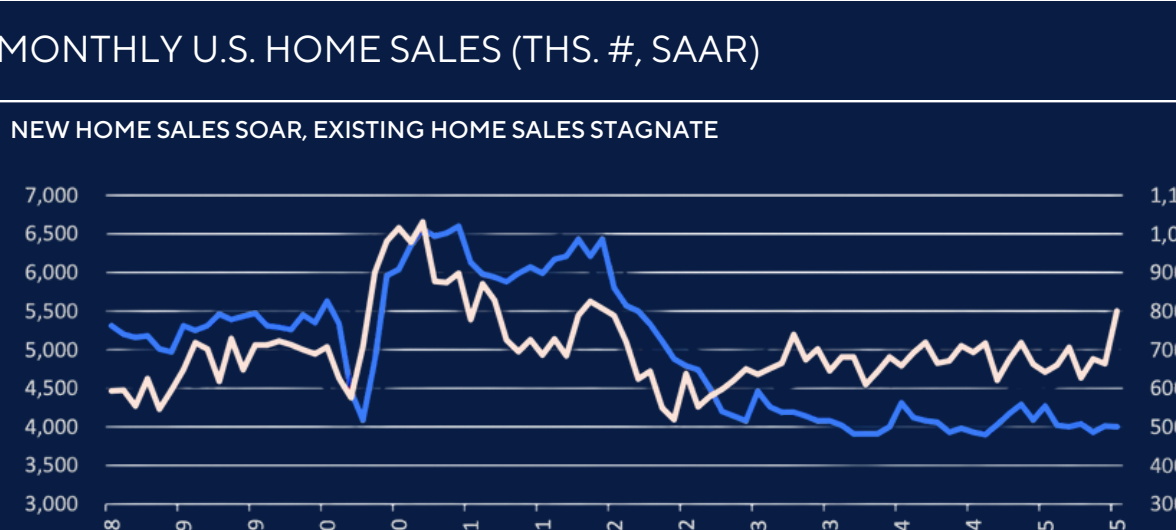
PRICES FOR CONSTRUCTION MATERIALS HIT A HIGH



The price of residential construction materials hit a new high, based on data from the Producer Price Index, while labor costs sit about 10% below their March 2022 peak. Prices spiked during the early pandemic years, due to supply constraints caused by labor shortages, as well as higher demand from the real estate and home-improvement boom. Increases have been more modest since mid-2022, as the labor market eased slightly and the housing market slowed. Softwood lumber prices have fluctuated wildly, driven by supply-chain disruptions. The U.S. announced an increase of the countervailing duties rate on Canadian softwood lumber imports to 14.6% from 6.7%. Coupled with the anti-dumping rate of 20.6%, tariffs on Canadian lumber will now reach 35.2% (up from the current 14.4%).

MONTHLY U.S. HOME SALES (THS. #, SAAR)

NEW HOME SALES SOAR, EXISTING HOME SALES STAGNATE



Existing home sales remained sluggish in August, largely due to elevated mortgage rates and ongoing affordability challenges. Despite the slowdown in existing home transactions, new home sales saw a significant uptick, driven in part by builder incentives. Meanwhile, limited housing inventory continues to push median prices upward, albeit at a modest pace.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of residential real estate finance. Our comprehensive services and technology supports comprehensive mortgage originations, warehouse lending, secondary market executions, and ongoing portfolio management.

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