SitusAMC

RESIDENTIAL REAL ESTATE

THE RECAP

SEPTEMBER 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 September 2025.

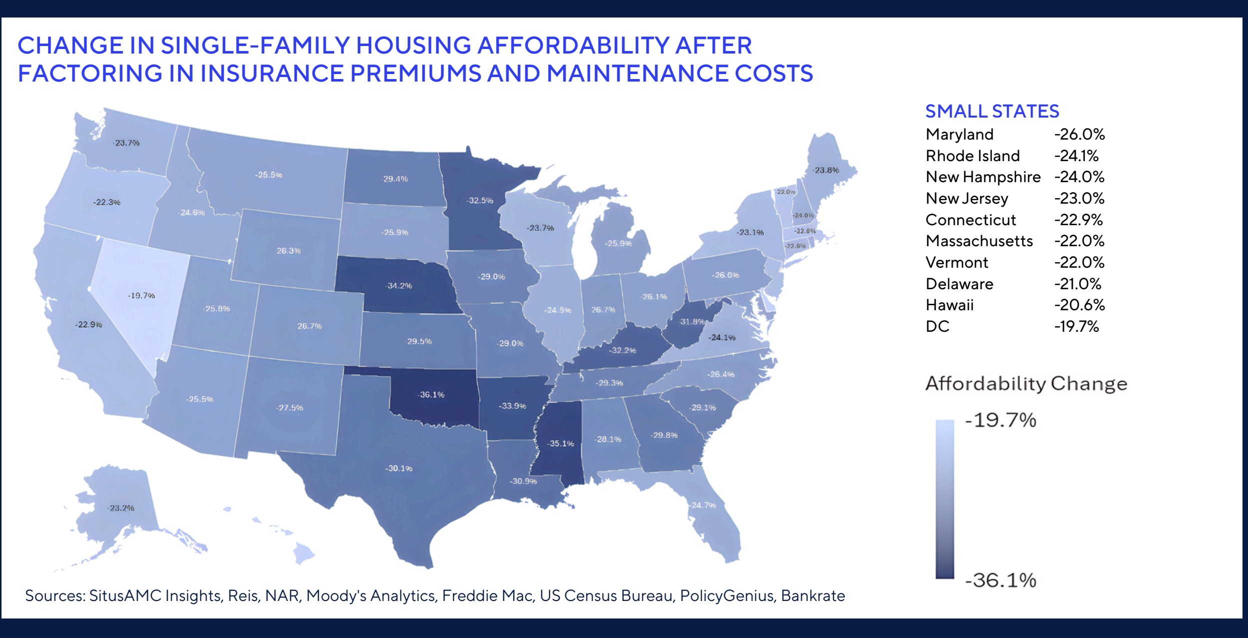
WHAT YOU NEED TO KNOW

Our exclusive analysis shows single-family housing affordability drops by 26% when factoring in insurance premiums and maintenance costs. Declining land demand could lower prices, which would benefit build-to-rent investors. Treasuries slid on news of a weak labor market, though August inflation came in hotter than expected. Mortgage rates followed, sparking a flurry of activity, particularly in refinance.

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 →

INSURANCE AND MAINTENANCE COSTS HIT HOUSING AFFORDABILITY



Sources: SitusAMC Insights, Reis, NAR, Moody's Analytics, Freddie Mac, US Census Bureau, PolicyGenius, Bankrate

Our exclusive analysis shows single-family housing affordability drops by 26% when factoring in insurance premiums and maintenance costs. We added these two factors to our base calculation, which factors in state-level family income, taxes, home price, and mortgage rates. Oklahoma saw the worst loss in affordability (-36%) with the highest insurance premium of all states. Mississippi (-35%) and Nebraska (-34%) rounded out the top three affordability declines. Washington, D.C., Nevada and Hawaii had the smallest decreases in affordability, with each falling about 20%. Hawaii has the highest home maintenance cost of all states, but it was offset by a relatively low insurance premium and relatively high family income.

The weak August employment report, along with big downward revisions in May and June, has raised fears of economic slowdown.

PETER MUIOI, PHD
Head of SitusAMC Insights

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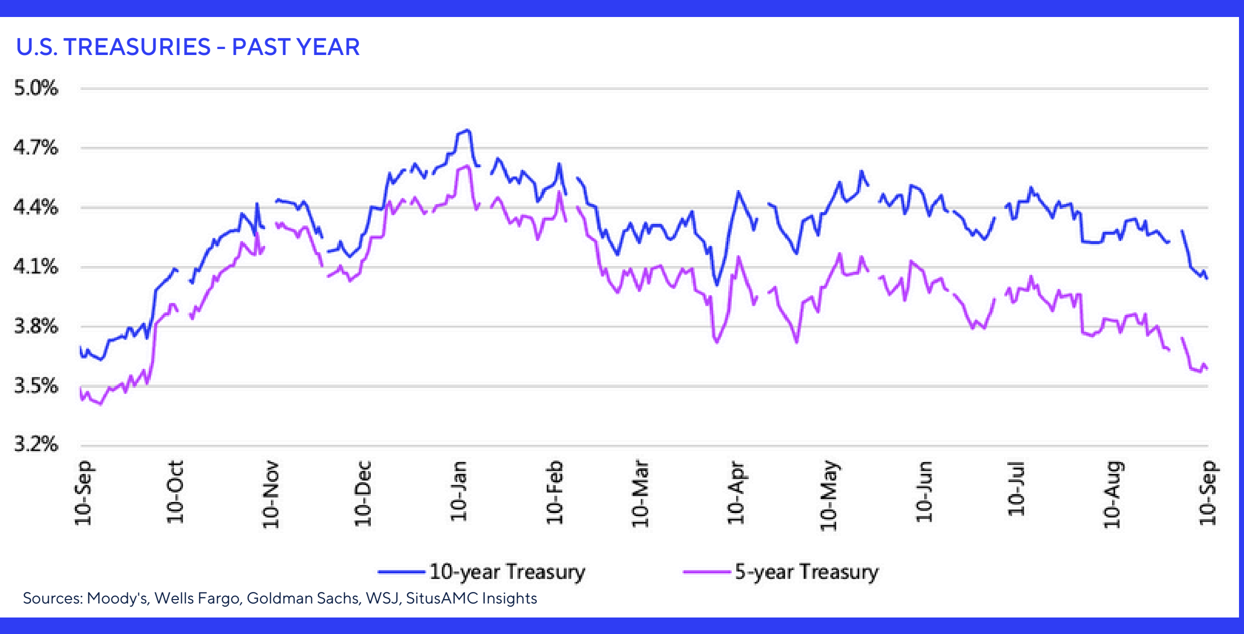
10-YEAR TREASURY SEPTEMBER 10TH

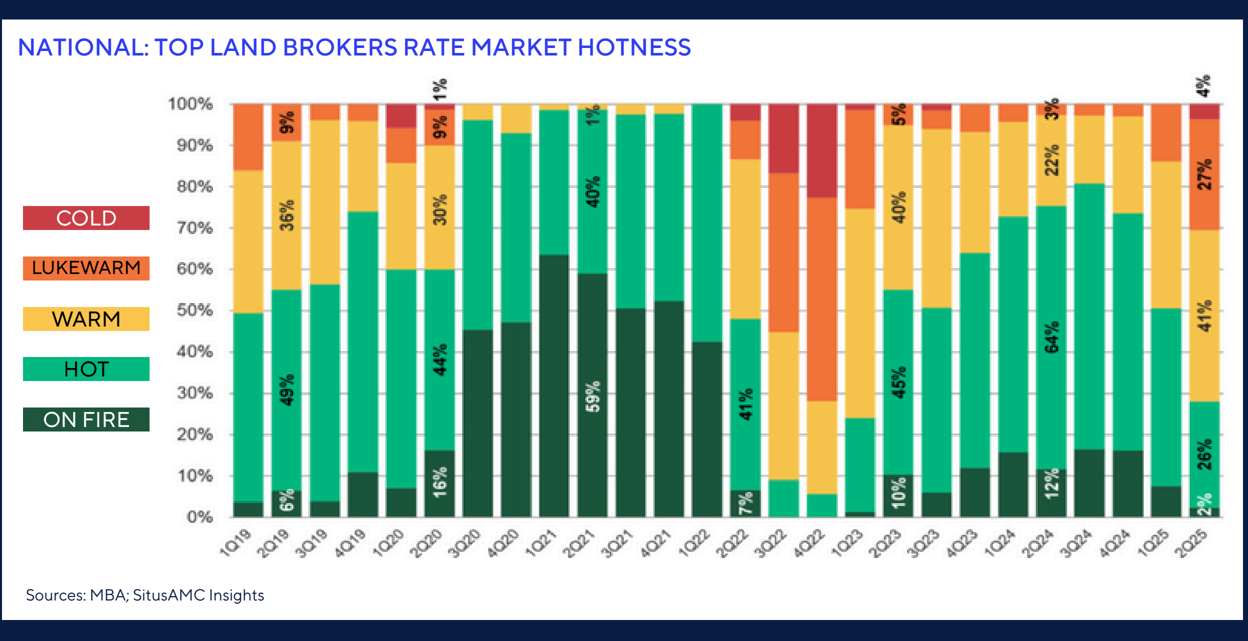
TREASURIES SLIDE ON WEAK LABOR MARKET



Sources: Moody's, Wells Fargo, Goldman Sachs, WSJ, SitusAMC Insights

Treasury yields dropped to around 4% -- near the levels seen last October — on the September 9 news that the economy added 911,000 fewer jobs than originally thought for the year ending in March. That's the largest annual revision on record. While August inflation came in hotter than expected at 2.9% (CPI) and 3.1% (Core CPI), producer prices fell in the month. Fears of stagflation have resurfaced. Mortgage rates similarly declined following the inflation and jobs reports, with the 30-year FRM falling to 6.8% at the end of August and again to about 6.5% through September 4 (based on Freddie Mac data), the lowest levels in about 11 months. The Federal Reserve will announce its decision on a potential interest rate cut on September 17.

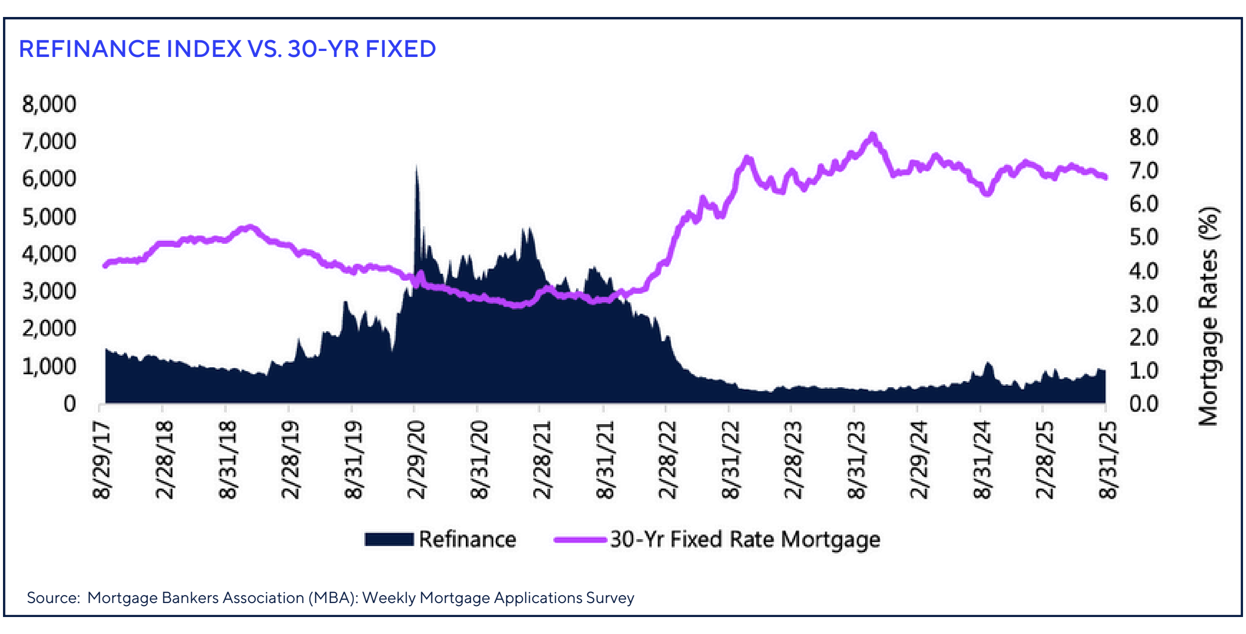
DECLINING LAND DEMAND COULD BENEFIT BUILD-TO-RENT



Sources: MBA; SitusAMC Insights

As of 2Q 2025, demand for land has waned, with only 28% of land brokers reporting strong demand vs. 76% the previous year. This could mean softer prices, which favors land buyers and opportunities for build-to-rent operators to capture land as builders cancel and renegotiate deals, due to declining new home sales prices. In fact, BTR operators are growing their market share: Their share of finished lot purchases in 2Q was 8%, compared to 5% a year earlier. The price of land during Covid-19 rose faster than housing and now comprises about 40% of the share of property value, according to the FHFA. In a growing number of U.S. cities and metro areas, land prices constitute more than half of property value. In areas such as San Jose and Los Angeles, they make up around three-quarters of property value.

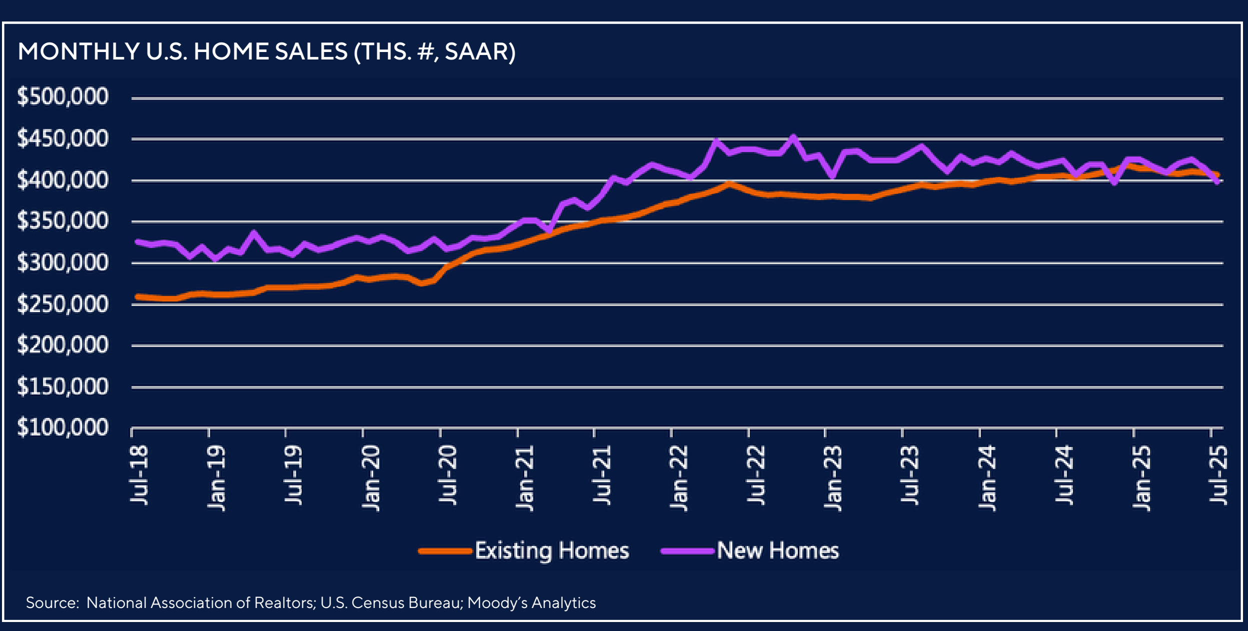
REFINANCING TICKS UP AMID LOWER INTEREST RATES



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

Homebuyers and homeowners took advantage of the better rates, with purchasing – and particularly refinancing – up over the last three months and over the year. Looking at the weekly numbers, mortgage applications rose 9.2% in the week ending Sept. 5, according to the Mortgage Bankers Association. The Refinance Index was up 12% from the previous week and 34% from the year-ago period. However, lending activity remains well below the historical average. If the Treasury remains near or below the current level, we could see a decided uptick in both gauges in coming weeks.

HOME PRICES FELL TO THEIR LOWEST LEVEL SINCE LAST SEPTEMBER



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

New and existing home sales were little changed over the month, but existing home prices dipped to their lowest level since last September and home prices were at their lowest since last November. New and existing home inventories both tightened slightly, returning to levels seen earlier this year. With homebuilder sentiment near the lowest level since the beginning of Covid, permitting activity continues to cool, retreating to 2023 levels. Housing starts were also among the lowest over the past year.

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 residential mortgage originations, warehouse lending, secondary market executions, and ongoing portfolio management.

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