

The Wright Report: Q3-2025

Summary - Residential Real Estate Explained



The Wright Report covers key information on markets relating to residential real estate.

Introduction: The Confusing Housing Market

The U.S. housing market right now is full of confusing signals. On one hand, **home prices are still incredibly high and keep going up**. On the other hand, many people can't afford to buy, and more homeowners are starting to struggle with their payments. The Wright Report for the third quarter (Q3) of 2025 dives into this tension, showing that the market is strong for wealthy buyers but nearly impossible for first-time buyers.

1. The Economy's Foundation and the Affordability Crisis

The overall U.S. economy is doing well, which usually supports high housing prices. GDP (Gross Domestic Product - a measure of the total economy) grew strongly, suggesting stable jobs and consumer confidence. However, this economic strength is clashing with the high cost of buying a home, creating a severe **Affordability Crisis**.

The Barrier for First-Time Buyers

The biggest problem revealed by the report is that housing has become too expensive for young or new buyers:

- **The Cost is Too High:** The average monthly mortgage payment for a first-time homebuyer now eats up **37.4% of their entire family income**. For most banks, households spending more than 25% of their income on housing is considered a huge financial strain.
- **Historic Lows:** Because of this cost, the share of first-time buyers in the market dropped to a historic low of **only 21%**. This means most sales are going to repeat buyers or investors who already have money (equity).
- **The Age of Buying:** The median age of a first-time buyer has jumped to **40 years old**, showing that younger generations must wait much longer to afford a home.
- **All-Cash Dominance:** The wealthiest buyers are now dominating the market, with **26% of all sales being all-cash**. These buyers don't need a mortgage, so they don't care about high interest rates, giving them a huge advantage.



2. Price Increases and Shifting Supply

Despite the major affordability issues, home prices are still rising, which is the definition of "Price Resilience."

- **High Prices Maintained:** The national median price for an existing home (not newly built) reached **\$415,200** in September 2025. This marks the 27th month in a row that prices have gone up compared to the previous year.
- **Inventory is Improving:** The good news for buyers is that there are slightly more homes on the market than before. Total inventory has increased to a **4.6-month supply**. While this is still not enough (a "balanced" market is closer to six or seven months), it suggests that high prices are finally causing some sellers to list their homes.
- **New Construction Steps-Up:** Since the existing home market is so tight, builders are stepping in. New home sales are strong, running at an annual rate of **800,000 units**. This new supply is crucial for reducing pressure on the overall market.

3. Hidden Signs of Financial Stress

While most homeowners are sitting on high equity (meaning their homes are worth more than they owe), the report notes that financial stress is starting to emerge in certain areas.

- **Foreclosure Filings Up:** Foreclosure filings—the legal process where a lender tries to take back a home—**increased by 17%** year-over-year. While the total number of foreclosures is still low compared to the 2008 crisis, this increase shows that more borrowers are starting to struggle with mortgage payments.
- **Lending Remains Tight:** Getting a loan is difficult. Banks are strict about Debt-to-Income (DTI) ratios, generally limiting total debt payments to no more than 43% of a borrower's income. Coupled with high interest rates (the 30-year fixed rate averaged **6.35%**), these rules lock out many buyers who are already paying high rent.

4. The Rental Market Connection

The problems in the ownership market have a direct impact on the rental market. Because it's so hard to buy, more people are forced to rent.

- **Rents are Cooling Down:** While rent costs are still high - the national median asking rent is about **\$1,703** - the growth rate is finally slowing down. Rents for apartments are declining year-over-year in many large cities, offering a bit of relief for renters.
- **The Rent Trap:** Even though rents might be stabilizing, the average renter still spends about **30% of their income** on housing. This huge financial burden makes it extremely difficult for them to save the large down payment needed to eventually buy a home, keeping them stuck in the rental cycle.

Conclusion: A Market Divided

The Wright Report shows a market divided into two groups: those with cash who can buy homes at record prices, and those trying to save up who are being pushed out of the market entirely. Home prices are proving resistant to change, and while more new homes are being built, the financial barriers for first-time buyers are at a historic high. The rising number of foreclosures is a warning sign that needs close monitoring.

For full report got to www.GobbiWright.com and click the link: <https://gobbwright.com/wrep-2025-q3/>