The Wright Report: Q3-2025
U.S. Markets Review

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

Key Takeaways:

- **Affordability Crisis Deepens** in Q3 2025: First-time homebuyers' mortgage payments ate **37.4%**[1] of their income, causing their market share to drop to a historic low of **21%**.[2]

- **Price Resilience Maintained:** The national median existing-home sales price reached **$417,600** in September 2025 [4], marking the **27th consecutive month** of year-over-year price increases.[4]

- **Borrower Strain Emerged** as foreclosure filings increased **17%** year-over-year[6], totaling **101,513** properties in Q3 2025. [6]

- **New Home Sales Strong**, registering an annual rate of **800,000 units** in August 2025. [8]

Executive Summary: Market Dynamics Through Q3 2025

The U.S. residential real estate market through the third quarter of 2025 continued to exhibit strong, counter-intuitive price stability despite softening demand from the critical first-time buyer segment. Macroeconomic forces remain supportive, with robust GDP growth and stabilizing interest rates providing a firm floor. However, the market structure is defined by widening accessibility gaps, record-high prices sustained by equity-rich buyers, and an expanding supply pipeline, signaling a complex transition toward normalization.

The end of the third quarter confirmed a market balancing itself on high prices and low transaction volume. Simultaneously, the share of first-time homebuyers dropped to a historic lows over the past year[2], confirming that current pricing and financing structures are fundamentally excluding new buyers.

The market tension between price and supply is acute: total housing inventory reached a **4.6-month supply** in September [4], a 14.0% increase year-over-year [4], pushing the market closer to a balanced environment (historically defined near a 6-7 month supply).[9] This inventory increase signals that high prices are finally testing demand elasticity. This ratio highlights the extreme affordability strain compared to the conventional underwriting standard of a 25% qualifying ratio.[10]

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I. Macroeconomic Forces and Core Influencers

1.1. Economic Growth and Stability Metrics

The foundational U.S. economy displayed considerable strength through the summer months. Real Gross Domestic Product (GDP) increased at an annual rate of **3.8%** in the second quarter of 2025. This follows a minor contraction of 0.6% in the first quarter.[11] This robust growth trajectory supports employment stability and consumer confidence, indirectly bolstering high housing prices.[12]

1.2. Demographics and Affordability Constraints

Affordability metrics indicate severe stress on the market which forced the typical first-time homebuyer's monthly payment to require **37.4%** of their family income.[1] This is compounded by high rental costs—the U.S. median asking rent was approximately **$1,703** in September 2025—which divert income away from essential down-payment savings, a challenge noted in earlier cycles as well.[9] This pressure contributes to the long-term trend of declining age-specific headship rates, where younger generations delay forming independent households due to rising housing costs.[13]

The composition of the buyer pool reflects this financial strain:

- **First-Time Buyer Share:** Fell to a record low of **21%** over the past year. The share of first-tme buyers in the market has contracted by 50% since 2007 – right before the Great Recession.[3]
- **Median Age of First-Time Buyer:** Rose to a record high of **40 years old**.[3]
- **All-Cash Share:** Reached an all-time high, averaging **26%** of sales over the past year.

1.3. Expert and Institutional Observations

Institutional data and expert commentary largely support the view of a constrained but resilient pricing environment driven by high wealth and regional segmentation.

- **John Burns Real Estate Consulting (JBREC)** noted that home selling conditions are **less favorable than one year ago**, primarily due to the increased supply of new and resale homes entering the market, coupled with mortgage rates hovering above 6%. JBREC stressed that market trends **vary significantly by location**, observing that key Sunbelt markets such as Nashville, Orlando, and Tampa are entering a **"Plateauing"** phase of the long-term housing cycle following aggressive price increases fueled by in-migration. This perspective aligns with the observed deceleration in national price growth (2.1% YoY) despite high demand.[4]
- **Federal Housing Finance Agency (FHFA)** data supports the persistence of national housing values. The seasonally adjusted monthly House Price Index (FHFA HPI®) for the U.S. showed continued upward momentum, reaching **435.30 points** in August 2025, up from 433.60 points in July 2025. This index confirms that, on a broad national level, the appreciation trend, although decelerating, continues its multi-year run.

II. Residential Sales Trends and Market Health

2.1. Pricing and Volume Dynamics

The national median existing-home sales price for all housing types reached **$417,600** in September 2025. This marked the 27th consecutive month of year-over-year price increases [4] and represents a **2.1% increase** from September 2024. For comparison, the last housing cycle peak reached **$230,900** in July 2006.[9]

Total Existing-Home Sales (SAAR) in September 2025 reached **4.06 million** units, increasing **1.5%** from the previous month. While sales volume saw a modest rebound, the annual sales rate remains significantly depressed compared to the **5.5 million** total home sales recorded in 2017.[9]

2.2. Inventory and Liquidity

Market inventory continued its upward trend, indicating shifting dynamics. Total housing inventory (unsold units) was **1.55 million units** in September 2025, translating to a **4.6-month supply** of inventory. This supply level is near a five-year high [4] and up significantly from the critically low **3.6 months** recorded at the end of 2018.[9]

III. Distressed Property Segment

Foreclosure activity serves as a critical indicator of emerging borrower strain, even as overall distressed sales remain historically low due to strong equity positions.

3.1. Foreclosure Activity and Borrower Strain

Foreclosure filings showed a definitive increase in Q3 2025. The total number of U.S. properties with a foreclosure filing during the third quarter reached **101,513**, marking a **17% increase** compared to a year ago. Concurrently, foreclosure starts—properties entering the formal process—totaled **72,317** in Q3 2025, up **16%** from the previous year. Nationwide, this translates to **one in every 1,402 housing units** carrying a foreclosure filing during the quarter.

Despite this annual growth, the overall rate of distressed property remains low compared to the nearly **2.9 million** annual peak reached in 2010.[9] Current borrower strain is localized rather than systemic, with high equity buffers still allowing most struggling owners to sell before the foreclosure process is completed. The NAR notes the market experiences "very few distressed properties and forced sales".

3.2. State-Level Distress Pockets

The increase in filings is concentrated in specific states. The table below illustrates the states with the highest (worst) and lowest (best) foreclosure rates in Q3 2025, revealing pockets of borrower strain.

Table: U.S. Foreclosure Filings Rates by State (Q3 2025)

States with Highest Foreclosure Rate (Worst)	Rate (1 in every X Housing Units)	Source	States with Lowest Foreclosure Rate (Best)	Rate (1 in every X Housing Units)	Source
Florida	814	[7]	Hawaii	2,260	[7]
Nevada	831	[7]	Idaho	2,427	[7]
South Carolina	867	[7]	New Hampshire	3,083	[7]
Illinois	944	[7]	Nebraska	3,521	[7]
Delaware	974	[7]	Montana	5,127	[7]

IV. New Construction and Housing Supply

New supply generation remains critical for long-term affordability, demonstrating strong volume despite underlying labor and cost constraints.

4.1. New Residential Sales Volume and Annual Rate

New home sales maintained strong momentum in the late summer. Sales of new single-family houses in August 2025 were estimated at a seasonally-adjusted annual rate (SAAR) of **800,000 units**. This output is particularly favorable, representing a **15.4% increase** over the August 2024 rate. This rate substantially exceeds the 619,000 units sold during the entire year of 2018.[9]

The median sales price of new houses sold in August 2025 was **$413,500**, while the average sales price reached **$534,100**.

4.2. Construction Permits and Costs

Forward indicators of new supply show deceleration. The total SAAR for privately-owned housing units authorized by building permits in August was **1,312,000** [37], with single-family authorizations specifically at a rate of **856,000**.[37] Privately-owned housing starts (SAAR) reached **1,307,000** in August.[37]

New construction inventory carries a higher structural risk than the existing home segment. At the end of August 2025, new houses for sale represented a **7.4-month supply**, significantly higher than the 4.6 months observed in the existing home market. The industry continues to face structural challenges, including persistent skilled labor shortages and high costs associated with buildable land and permitting fees.[9]

V. Mortgage and Lending Environment

Mortgage financing conditions dictate the speed and accessibility of the housing market, directly affecting borrower capacity and investor behavior. Information provided by industry leaders, such as the Mortgage Bankers Association (MBA), is key to assessing trends.

5.1. Interest Rate Status and Trends

Interest rates are the single most direct driver of housing affordability and sales activity.[12] The 30-year fixed-rate mortgage (FRM) averaged **6.35%** as of September 11, 2025. This rate represents a crucial softening trend, which immediately translated into suppressed demand rebounding (sales volume up 1.5% MoM). Historically, the 30-year rate has averaged 7.7% since 1971.

5.2. Loan Origination Volume and Mix

The mix of loans originated confirms a tight lending environment dominated by conventional and repeat-buyer activity.

Looking ahead, the Mortgage Bankers Association (MBA) forecasts that total single-family mortgage origination volume is expected to rise from **$2.0 trillion in 2025** to **$2.2 trillion in 2026**.

5.3. Credit Accessibility Challenges

Lending standards remain rigorous following post-recession regulatory changes.[9] The implementation of Qualified Mortgage (QM) rules strictly limits the debt-to-income (DTI) ratio, with a maximum DTI of **43%**.[9]

These stringent requirements, coupled with high purchase prices, make it increasingly challenging for median-income buyers to qualify. This has contributed to **all-cash purchases** (averaging 26% [2]) and the lowest first-time buyer share (21% [2]) since tracking began.

VI. Residential Rental Market Dynamics

The robust performance of the rental market is a direct consequence of affordability barriers in the ownership sector, though signs of cooling are emerging.

- **Median Rent Trends:** The national median asking rent stood at approximately **$1,703** in September 2025.[30] Rent for 0-2 bedroom properties across the 50 largest metropolitan areas dropped by **2.1% year-over-year** through September.[30] This signals a tempering of rental market acceleration.
- **Affordability Burden:** Renters continue to face severe financial pressure, with the average renter spending roughly **30% of their income on housing costs** [1], severely limiting their ability to save for the large down payments required for homeownership.[9]
- **Build-to-Rent (BTR) Growth:** The **Build-to-Rent (BTR)** sector, defined as professionally managed single-family rentals or townhomes operated by a single entity, continues to expand. This model caters to the demographic shift where Millennials delay purchases due to economic pressure and Baby Boomers seek flexible, high-quality alternatives, viewing it as a robust investment strategy.

VII. Data Register of Referenced Metrics (Mandatory Requirement)

The following tables summarize the quantitative data supporting this report, drawing exclusively from the most recent available figures through September 2025. All metrics are sourced within the report and cited below.

Table 1: Current US Macroeconomic Indicators (Q3 2025)

Metric	**Value/Rate**	**Reporting Period**	**Source**
Real GDP Growth (SAAR)	3.8%	Q2 2025	[35]
30-Year Fixed Mortgage Rate	6.35%	September 11, 2025	[35]
FHFA House Price Index (Points)	435.30	August 2025	[35]

Table 2: Existing and New Residential Market Snapshot (Q3 2025)

Metric	Value/Rate	Reporting Period	Source
Existing Home Sales (SAAR)	4.06 Million	Sept 2025	[34]
Existing Median Sales Price	$417,600	Sept 2025	[33]
Existing Inventory (Months' Supply)	4.6 Months	Sept 2025	[33]
Existing Inventory (YoY Increase)	14.0%	Sept 2025	[33]
New Home Sales (SAAR)	800,000 Units	Aug 2025	[39]
New Home Median Sales Price	$420,700	Aug 2025	[33]
New Home Inventory (Months' Supply)	7.4 Months	Aug 2025	[39]
Total Building Permits (SAAR)	1,312,000 Units	Aug 2025	[40]
Single-Family Building Permits (SAAR)	856,000 Units	Aug 2025	[35]
Housing Starts (SAAR)	1,307,000 Units	Aug 2025	[40]
Existing Median Sales Price (YoY Increase)	2.1%	Sept 2025	[33]
Existing Home Sales (MoM Change)	1.5%	Sept 2025	[33]

Table 3: Shifting Buyer and Rent Dynamics (2025)

Metric	Value/Rate	Reference Period	Source
Q3 Median Home Price (All Housing Types)	$426,800	Q3 2025	[29]
FTHB Mortgage Payment Share of Income	37.4%	Q3 2025	[29]
First-Time Buyer Share	21%	Annual (Latest)	[32]
All-Cash Buyer Share	26%	Annual (Latest)	[32]
National Median Asking Rent	$1,703	September 2025	[30]
Rent YoY Change (0-2 BR)	-2.1%	September 2025	[21]
Median Age of First-Time Buyer	40 years old	Annual (Latest)	[3 & 32]
Conventional Loan Origination Share	53.2%	2022	[41]
Portfolio Loan Origination Share	23.7%	2022	[41]
FHA/VA Loan Origination Share	28%	2025	[32]

Table 4: Distressed Property Activity (Q3 2025)

Metric	Value/Rate	Year-over-Year Change	Source
Total Foreclosure Filings	101,513 Properties	+17%	[31]
Foreclosure Starts	72,317 Properties	+16%	[31]
Foreclosure Rate (Housing Units)	1 in every 1,402 Units	Q3 2025	[31]

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