



# THE STATE OF THE NATION'S HOUSING 2025

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## New Report Highlights Unease in the Housing Market Amid a Worsening Affordability Crisis

*Harvard Joint Center for Housing Studies releases The State of the Nation's Housing 2025 report*

CAMBRIDGE, MA – This year, the US housing market is shrouded in uncertainty, with little indication that record-high levels of unaffordability will ease anytime soon. High home prices and interest rates have pushed sales to their lowest level in 30 years, according to [The State of the Nation's Housing 2025](#), a new report out today from the [Harvard Joint Center for Housing Studies](#). Insurance premiums and property taxes are on the rise; high rents have left record numbers with cost burdens and contributed to a sharp rise in homelessness; and devastating wildfires have highlighted the growing dangers of climate disasters. Amid concerns about diminished federal supports, state and local governments are ramping up efforts to tackle the affordable housing crisis, but the increasing possibility of an economic downturn threatens to deepen these challenges.

### 8 TAKEAWAYS FROM THE NEW REPORT

#### 1. Renter Cost Burdens Hit Another Record High

For the third consecutive year, in 2023, the number of cost-burdened renters (those spending more than 30 percent of their income on housing and utilities) reached a record high at 22.6 million renters (50 percent). [\[INTERACTIVE\]](#) This includes more than 12.1 million (27 percent) who are severely burdened, spending more than half of their income on housing. While households with lower incomes constitute the bulk of burdened renters, the strain is creeping up the income ladder: burden rates were over 70 percent for renters earning \$30,000 to \$44,999 and rates doubled to more than 45 percent for renters earning \$45,000 to \$74,999.

#### 2. Rising Costs Encumber Homeowners, as Insurance and Property Taxes Continue to Increase

Homeowners are increasingly burdened by rising housing costs as well. In 2023, the number of cost-burdened homeowners rose by 646,000 to 20.3 million, representing 24 percent of all homeowner households. The rising costs are partially explained by steep increases in insurance premiums and property taxes. Home insurance premiums jumped 57 percent from 2019 to 2024, with the sharpest increases in areas with the greatest risk of a climate-related disaster. The scale and frequency of climate disasters has prompted private insurers not only to raise premiums, but in some cases to reduce coverage or pull out of markets entirely, as in California, Florida, and Louisiana. Property taxes also increased an average of 12 percent between 2021 and 2023.

#### 3. As Home Prices Grow, Sales Drop to a 30-Year Low

As of early 2025, home prices are up 60 percent nationwide since 2019 and still rising at a rate of 3.9 percent year over year. Consequently, the median existing single-family home price hit a new high of \$412,500 in 2024. “This is a shocking five times the median household income,” says Daniel McCue, a Senior Research Associate at the Center. “This is also significantly above the price-to-income ratio of 3 that has traditionally been considered affordable.” [\[INTERACTIVE\]](#) As prices rose, existing home sales dropped to a 30-year low.

#### 4. Builders Respond with Smaller Homes and Mortgage Rate Buydowns

New home sales, however, increased by 3 percent last year. Contending with the same affordability pressures as existing

home sellers, many builders responded by producing homes that were smaller or had fewer amenities. The median size of a new single-family home declined for the third consecutive year in 2024 and many builders cut prices or offered mortgage rate buydowns to facilitate sales.

### **5. US Homeownership Rate Falls as Barriers to Homeownership Rise**

Last year, monthly mortgage payments on the median-priced home rose to \$2,570, under terms typical to first-time homebuyers (30-year loan with a 3.5 percent downpayment). This record-breaking mortgage payment is 40 percent higher than it was in 1990 and a buyer would need an annual income of at least \$126,700 to afford it and the associated taxes and insurance costs. [\[INTERACTIVE\]](#) “Only 6 million of the nation’s nearly 46 million renters can meet this benchmark,” says Alexander Hermann, a Senior Research Associate at the Center. “Amid this, the US homeownership rate fell in 2024 for the first time in eight years.” Additionally, the difference between white and Hispanic homeownership rates inched up to 25.2 percentage points in 2024, while the white-Black gap remained stuck at 27.7 percentage points.

### **6. Rental Demand Remains Strong But Construction Largely at High-End of the Market**

As fewer households have been able to become homeowners, the renter population has grown, jumping by 848,000 in 2024. This demand is absorbing the wave of new multifamily rental units: in 2024, multifamily developers completed 608,000 new units, the most in nearly four decades. However, much of this construction was at the upper end of the market; the number of higher-rent units has increased dramatically while the number of lower-rent units has fallen substantially. [\[INTERACTIVE\]](#)

### **7. Reductions in Federal Supports Put Households at Risk**

Proposed reductions in federal resources for crucial housing supports come at a time of record-high homelessness. [\[INTERACTIVE\]](#) In January 2024, fully 771,480 people were homeless, a 33 percent increase since January 2020. Some places, including Houston and Milwaukee County, have successfully reduced homelessness using housing first principles, a strategy that houses individuals and then provides supportive services to address other needs but delayed grant disbursements to homeless services providers are threatening this work.

### **8. Tariffs, Reduced Immigration, and Diminished Federal Support Create an Uncertain Future**

The outlook for housing is inextricably linked to that of the economy and federal policy. As such, much of its future is uncertain. Homebuilders estimate that the newly imposed tariffs on construction materials will increase new home prices by \$10,900 apiece, and reduced immigration could shrink the already-thin labor pool. [\[INTERACTIVE\]](#) Roughly a third of construction workers are foreign-born, about twice the rate of the overall labor force. Additionally, reductions in federal staff and funding threaten to exacerbate an already-unprecedented housing crisis.

“There must be a concerted effort to do more to address the affordability and supply crises,” says Chris Herbert, Managing Director of the Center. “The potential consequences of inaction are simply too harmful to the macroeconomy and the millions of households striving for a safe, affordable place to call home.”

**The State of the Nation’s Housing 2025** will be released today at 2pm ET at the **Federal Reserve Bank of Boston**. [Agenda & registration information](#) (in person and online).

[Download the full report along with interactive maps and data](#)

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