9-5-25

America's homeowner population just shrank for the first time in nearly a decade as affordability woes bite

Story by jsor@businessinsider.com (Jennifer Sor) • 9-5-2025

- The number of American homeowner households contracted in the second quarter.
- It marked the first decline in nearly a decade.
- A new report from Redfin attributed this largely to affordability issues holding back buyers.

The housing market has offered another sign that the American dream is getting further out of reach.

The number of American homeowner households shrank in the second quarter, the first year-over-year contraction since 2016, according to a new Redfin analysis of data from the US Census Bureau.

At the same time, America's population of renters is swelling. The number of renting households in the US climbed 2.6% year-over-year last quarter.

The shift is largely being driven by affordability issues and uncertainty lingering over the economy, which are holding back prospective buyers, Chen Zhao, Redfin's economics research head, said in new research.

"People are also getting married and starting families later, which means they're buying homes later—another factor that may be at play," Zhao added.

Housing's deep-freeze

The US housing market has been frozen over for a while. Homebuyers are still hesitant to dip their feet into the market, in part due to high mortgage rates and near-record home prices.

-Note

The average 30-year fixed mortgage rate hovered around 6.5% in the week ending August 28, according to Freddie Mac data. The rate has cooled from its peak in 2023, but remains elevated compared to levels during the pandemic, when the number of US homeowners rose sharply.

Home prices also remain elevated when compared to levels leading up to the pandemic. The median sales price of homes sold in the US clocked in at $410,800 the last quarter, up 29.5% over the last five years.

The high barrier to entry is evident in how many homes are piling up on the market. Active existing home inventory rose to 1.5 million in July, according to data from the National Association of Realtors, up from a trough of 1.1 million in December. The market also looks to have 34% more sellers than buyers in the market, Redfin said in a separate analysis in May.

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The 10 housing markets with the highest turnover, where homes are likely to go on sale faster©Getty Images; Chelsea Jia Feng/BI

- Homeowners are staying put for much longer periods of time, reducing available inventory.
- It's contributing to the lock-in effect and sending home prices surging.
- These are the 10 least locked-up housing markets, according to Redfin.

Americans are holding on to their homes for longer, and it's becoming a big issue for prospective homebuyers.

From 2005 to 2024, the median homeowner tenure rose from 6.5 to 11.8 years, according to a Redfin analysis . Longer homeowner tenure, alongside higher mortgage rates, is contributing to a lock-in effect where fewer homes are being listed on the market. Note

However, there are still some attractive markets where homeowners aren't holding on for decades, the Redfin analysis showed.

Why aren't people moving?

If you bought a home before 2022, you probably secured a mortgage rate of around 3% But for the last three years, the 30-year mortgage rate has hovered between 6-8%, disincentivizing homeowners from selling into a market that would result in higher mortgage payments.

Mortgage rates aren't the only reason homeowners are staying put. Local regulations also play a part, the Redfin report said. For example, homeowners in California pay a 1% tax rate on their home's assessed value, and state laws limit tax increases to 2% a year. As a result, those who bought a home before prices spiked during the pandemic are incentivized to stay put instead of moving and paying higher property taxes. Note

As a result, cities like Los Angeles and San Jose top Redfin's list of markets with the longest median homeowner tenure, at 19.4 and 18.3 years, respectively. Note

The aging US population is another factor sending the average homeowner tenure up. According to Redfin, older homeowners are less likely to move than younger ones. Many boomers are aging in place instead of moving and downsizing. Others are holding on to their homes to avoid federal capital-gains taxes on a sale.

While it's a financially savvy move for homeowners, staying in place is causing serious affordability issues, especially for younger generations.

"Tight inventory only pushes home prices up more, and adds to the generational homeownership divide," Redfin Senior Economist Sheharyar Bokhari wrote in a recent note.

Louisville, KY©Flickr / Peter Dedina

2024 median tenure: 8 years

Las Vegas, NV©Wikimedia Commons

2024 median tenure: 8.4 years

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2024 median tenure: 8.7 years

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2024 median tenure: 8.8 years

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2024 median tenure: 9 years

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2024 median tenure: 9.1 years

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2024 median tenure: 9.2 years

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2024 median tenure: 9.2 years

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2024 median tenure: 9.7 years