

'It's a raw deal': The ugly truth about America's homebuying outlook

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- It's a tough market for homebuyers given the economic uncertainty and high prices.
- Yet house hunters also enjoy more options — and bargaining power — than they've had in years.
- This is the second installment in BI's six-part series on making major life decisions during this period of massive change from Washington.

Here's a fact you may find either comforting or dismaying: Even a housing economist can't tell whether it's a good time to buy a home.

Chen Zhao, the head of economics research at the popular real estate marketplace Redfin, is still trying to figure it out for herself. When I called Zhao recently to get her take on America's real estate market, she had just spent the morning touring a home in Manhattan. Walking out of the apartment, she was left with a gnawing question.

"I was like, 'Should I be buying a house right now?'" Zhao told me. "The answer is complicated."

It's a weird time for buyers — even the ones armed with Ph.D.s and reams of housing data. Mortgage rates recently spiked after sliding for several months, pouring cold water on dreams of cheaper monthly payments. President Donald Trump's tariffs have thrust the economy into chaos, and recession fears are back with a vengeance. It should come as no surprise that people are second-guessing the homebuying plunge when they feel shaky about their stock portfolios or, more importantly, their jobs.

While it's an especially bad time to be a buyer in some respects, there are green shoots. With the number of homes for sale on the rise, house hunters enjoy more options than they've had in years. Home prices are flattening, offering some relief for buyers. And the traditional draws of homeownership — the stability and comfort of a place to call your own — haven't gone anywhere.

"I think those benefits always exist," Nick Gerli, the founder and CEO of the real estate analytics firm Reventure App, tells me. "The question is, 'Does the financial math make sense?'"

For the second installment in BI's six-part series on making major life decisions in periods of policy-driven change — the first piece covered best practices for starting a business — I've tried to answer the question of whether now is a good time to buy a house. I've spent weeks talking to real estate agents and housing economists to build a framework for thinking through the current homebuying quandary.

It's impossible to answer the question in broad strokes, of course, since real estate is local and the reality on the ground can differ starkly from one market to the next, but the insiders I spoke with mostly suggested waiting. That said, plenty of people need to move and can't wait for a

better economy. In these instances, there are still ways for buyers to come out ahead: They can take their time, haggle over the home price, and push for other concessions like repairs or extra money for closing costs. Here's a road map for sorting through the mess that is our current real estate market.

The challenges for homebuyers

There's no sugarcoating reality for prospective buyers: The affordability picture is grim. Sticker prices for homes are still elevated around most of the US, with the median sale price up almost 43% from the start of the pandemic, data from Redfin shows. The other major cost consideration — the typical rate for a mortgage — plays an arguably bigger role in luring people off the sidelines. After soaring in 2022 and 2023, the average rate for a 30-year mortgage dipped last year to a low near 6%, making it easier for buyers to stretch their budgets and stirring hope that more people would get moving during this year's spring homebuying season. But this was not to be: Economic turbulence has propelled the average rate for a home loan back to about 6.8%. The consensus among people I spoke with was that while rates may come down from their current levels, this is more or less the new normal — the days of ultralow 3% mortgages are over.

This leaves buyers in a tough position. The median home now costs about \$360,000, data from Zillow shows. The typical US household would have to spend more than 35% of their monthly income to afford payments on such a home, assuming they already paid a hefty down payment of 20%, or about \$72,000. This is especially troubling since anyone shelling out more than a third of their gross income on housing is generally considered "financially burdened."

Gerli's data crunching puts the mortgage payment-to-income ratio closer to 39%, matching the height last seen in 2006, near the housing bubble's peak. "A lot of people can't even qualify to buy a house, and if they can, it's at the top end of their budget, and they're feeling really financially stretched," Gerli says. He frames the homebuying calculus bluntly: "To just be perfectly honest, it's a raw deal in most markets."

This raises the question: Is renting a better bargain? With lots of new apartment buildings opening their doors around the US, the situation for many renters has indeed improved — apartment hunters these days are likelier to see concessions such as a month or two of free rent, and landlords are mostly focused on keeping tenants in place rather than jacking up rents. Granted, Zillow found that the median renter household still spends 29.4% of its income on housing, toeing the line on the affordability threshold. But tenants don't have to scrounge together a down payment, and they typically pay less in rent each month than they would for a mortgage, insurance, HOA fees, and the odd broken dishwasher or roof repair. Many people may understandably be drawn to renting given the cost tradeoffs and economic anxiety, Zhao tells me.

"Rent prices are pretty cheap compared to mortgages or purchase prices right now," Zhao says. "And renting has the benefit of giving you flexibility, not tying up all of your capital in one place. If your economic situation changes, you can scale up or scale down more easily in a rental."

How buyers can still win

OK, but let's say you can afford to make those home payments while leaving yourself some breathing room. Or maybe you simply have to move for life reasons: You get a new job, have a kid, get married (or divorced). The next thing you need to consider is how long you want to stay there. Plunking down money on a home that you may stay in for only a few years, with a floorplan you're bound to outgrow quickly, or in an area you feel iffy about, may not be a good idea at a time when so much is in flux. Zillow recently said it expected home prices to fall 1.7% over the next year, a sharp reversal from its January outlook, when the company projected prices to rise almost 3% over the following 12 months.] Note

Rushing to secure a place that's only a way station to something bigger or better could mean selling at a loss down the road. But the longer you stay there, the more likely you'll be able to ride out the ebbs and flows of a market to your benefit. And given the potential for sliding prices, buyers who aren't pressed to make an immediate purchase may prefer to bide their time. Note

Despite the affordability challenges and general tumult, buyers have some factors working in their favor. With a larger pool of homes to choose from and sellers more willing to slash sticker prices to get a deal done, home shoppers can afford to take their time and flex some negotiating muscle. There were almost 1 million homes on the market in April, or about 31% more than at the same point last year, Realtor.com found (that's still down about 16% from pre-pandemic levels, but hey, it's a start). And about 18% of homes listed on the site took a price cut in April, the highest share for that time of year since at least 2016. Buyers around the country won't enjoy this shift equally, of course: Inventory is generally higher in the South and Southwest, also known as the Sunbelt, giving house hunters in those places more power than their counterparts in the Midwest and Northeast, where tighter inventory is fueling more competition. *

Bottom line: Shop around for basically everything. Shake the trees to find the best rate on a mortgage, or maybe seek out an assumable loan if you want to score one of those bygone 3% rates. Some buyers are also finding agents who will work for less than the typical commission rate, saving thousands of dollars and using the lower fees as an extra bargaining chip with sellers.

The word on everyone's lips right now is "uncertainty" — pretty much the last thing you want to hear before making what is likely one of the biggest transactions of your life. But the data and clear-eyed advice of these experts offer a steady hand in shaky times. And if you find yourself wallowing in the unprecedentedness of it all — well, you're not alone.

"We're operating in a different world right now," Zhao tells me. "Everything before this seems pretty quaint."

