# The State of U.S. Homeownership:

## Challenges and Opportunities for Prospective Homebuyers

## Table of Contents


| | |
|---|---|
| Introduction | 02 |
| Homeownership by the Numbers | 03 |
| Homebuyer Characteristics | 04 |
| Key Trends and Challenges | 06 |
| Economic Outlook | 07 |
| Housing Prices in 2025 | 08 |
| The Future of Homeownership | 11 |
| Conclusion | 12 |


**What does the "American Dream" look like in 2025?** For generations, a white picket fence and a place to call your own have been central to this vision, embodying the rewards of hard work, the security of financial stability, and the deep satisfaction of belonging.

And while the fundamental allure of owning a home remains strong in 2025, the landscape for aspiring buyers is filled with both exciting possibilities and considerable hurdles. Developed in recognition of National Homeownership Month, this white paper directly addresses these realities with the goal to equip you with the insights necessary to make confident decisions in today's ever-changing real estate market.

# Homeownership by the Numbers

The homeownership rate – the percentage of households that own their home – is a key indicator influenced by factors like housing costs, the number of homes available, mortgage rates, and the overall economy.

**Where We Stand Now:**
As of April 2025, the U.S. homeownership rate stands at **65.1%**, a slight dip from the end of 2024 (65.7%).[1]

**Historical Context:**
While the current rate is notable, it's helpful to look at the bigger picture. The highest homeownership rate on record was **69.2%** in mid-2004, and the lowest was **62.9%**[2] in mid-1965. The 25-year average homeownership rate is **66.3%.**[3]

A significant trend emerges when we examine homeownership by age; the likelihood of owning a home generally increases with age. For instance, nearly four out of five (**79%**) individuals aged 65 and over are homeowners. This rate gradually decreases in younger age groups: **75.2%** for those aged 55 to 64, **70.6%** for the 45 to 54 group, **60.3%** for those aged 35 to 44, and **36.6%** for individuals under 35.[4]

**65.1%**

The U.S. homeownership rate as of April 2025[1]

# Homebuyer Characteristics

In 2025, homebuyers are likely to seek out budget-friendly options due to the ongoing fluctuations in interest rates and the anticipated moderate home price increases of 1.3-4%.[5] As potential homeowners navigate the housing market, they may focus on smaller, more energy-efficient properties or seek out neighborhoods that offer a lower cost of living while still providing essential amenities such as schools, proximity to workplaces, and shopping.

**Homebuyers by Generation**

In its 2025 Home Buyers and Sellers Generational Trends Report, the National Association of REALTORS® reported the share of homebuyers by generation in 2024. At 42%, the combined share of Younger Baby Boomers (ages 60-69) and Older Baby Boomers (ages 70-78) represented the largest generational group of homebuyers.

The second-largest generational group of buyers is Gen X (ages 45-59) at 24%, followed by Older Millennials (ages 35-44) at 17%, and Younger Millennials (ages 26-34) at 12%. Buyers aged 79-99 (The Silent Generation) represented one of the smallest shares of buyers (4%), followed by Gen Z (ages 18-25) at 3%.[6]

**First-Time Homebuyers**

First-time buyers accounted for 24% of all homebuyers. Among first-time buyers, 71% were Younger Millennials, 62% were Gen Z, and 36% were Older Millennials.[7] Next, 62% of recent homebuyers were married couples, 20% were single females, 8% were single males, and 6% were unmarried couples.[8] This distribution reflects a diverse range of buyer profiles, reflecting varying relationship dynamics and financial strategies in the pursuit of homeownership.

**42%**

The combined share of Younger and Older Baby Boomers represented the largest generational group of homebuyers[6]

**24%**

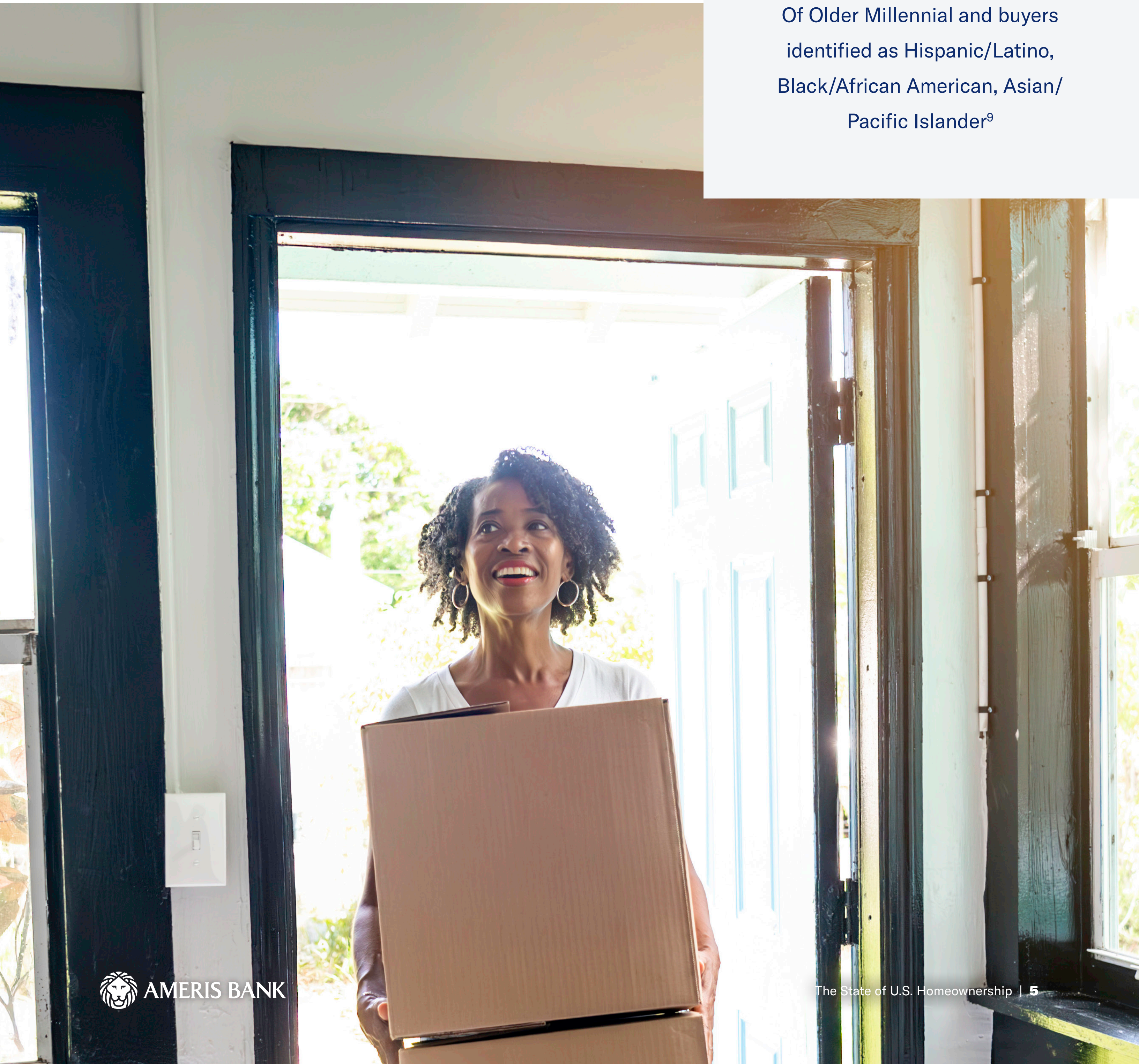
Of all homebuyers were first-time homebuyers[7]

## Homeownership Among Diverse Communities

Last year, Older Millennials, Younger Millennials, and Gen Xers were the most racially diverse groups of homebuyers. Among these groups, 29% of Older Millennials and 25% of both Younger Millennials and Gen X buyers identified as Hispanic/Latino, Black/African American, Asian/Pacific Islander, or from another category.[9]

**29%**

Of Older Millennial and buyers identified as Hispanic/Latino, Black/African American, Asian/Pacific Islander[9]



# Key Trends and Challenges

As the real estate landscape continues to evolve in 2025, prospective homeowners face a mix of emerging trends and challenges that shape their buying decisions. In recent decades, trends show a noticeable increase in the age of the average first-time homebuyer. In 1991, the typical first-time homebuyer was 28 years old.[10] By 2024, this age had risen to 38 years.[11] Repeat homebuyers are also waiting longer to buy a home. The average age for a repeat homebuyer went from 42 in 1991 to 61 in 2024.[12]

Another notable trend in the real estate market involves the increasing prevalence of cash purchases for homes. Over one in three homes (34.5%) were bought with cash in 2024.[13] This shift is driven by investors and financially stable buyers who prefer to bypass mortgage financing, allowing for quicker transactions and often a stronger negotiating position.

### Interest Rates

Regarding the challenges facing homebuyers in 2025, fluctuating interest rates are a leading concern. Interest rates, which can vary due to many factors, including economic conditions and monetary policy adjustments, are crucial in determining home affordability. The historically low average interest rate of 2.65% that we experienced in January 2021,[14] aimed at stimulating the economy during the pandemic, is now in the rear-view mirror. However, interest rates in 2025 are comparable to levels seen in previous years, making homeownership affordable for many buyers.

### Housing Inventory

Housing inventory is another challenge facing homeowners in many regions of the country, but positive signs are emerging that may alleviate these issues. In April 2025, the inventory of homes for sale increased by 30.6% compared to the previous year.[15] This marks the 18th consecutive month of growth in inventory levels.[16] Additionally, the current housing inventory has surpassed the levels recorded in April 2020, reaching a new post-pandemic high.[17]

### Demographic Shifts

Demographic shifts in the U.S. population are influencing the composition of the homebuyer pool and the number and types of housing units demanded, supplied, and purchased. Factors such as aging populations, increased urbanization, and changing family structures are redefining the homebuying arena.

### Single-Person Households

There has been a significant increase in single-person households, leading to a growing demand for housing that meets these preferences. For over 40 consecutive years, single women have surpassed single men in homebuying. In 2024, single women represented 20% of all homebuyers in the country, while single men accounted for 8%.[18]

# Economic Outlook

The economic outlook for the U.S. in the remainder of 2025 is marked by a blend of promise, cautious optimism, and lingering uncertainties. As the economy navigates potential challenges, prospective homebuyers should recognize the various economic factors that can influence interest rates, home prices, and the overall costs of homeownership.

### Inflation

Inflation rates are one key factor that is crucial in shaping the housing market. The annual inflation rate in the U.S. was 2.4% for the twelve months ending March 2025, down from a previous rate of 2.8% in 2024.19 This marks five consecutive years of declining annual inflation rates and is a significant improvement compared to the pandemic years, when annual inflation rates peaked at 7% in 2021 and 6.5% in 2022.[20]

### Fluctuating Interest Rates

In 2025, the fluctuations in mortgage interest rates resemble a rollercoaster ride with frequent ups and downs. This unpredictability creates challenges for potential homebuyers who must stay on top of the cost of home loans, which can shift from month to month.

### Employment Statistics

Another economic factor that will shape the housing market in 2025 is employment statistics. Job growth, unemployment rates, and employee wages affect consumer confidence and purchasing power. The seasonally adjusted unemployment rate in April 2025 is 4.2%, up from 3.9% one year ago.[21] Most economists generally agree that the natural rate of unemployment, which reflects full employment, is between 4% and 5%.[22]
A low unemployment rate increases housing demand as people have greater financial stability to purchase homes. Conversely, high unemployment can decrease housing demand and lead to potential loan defaults.

### Employee Wages

Employee wages are another economic factor influencing homebuying confidence and purchasing power. For the 12-month period ending in March 2025, wages and salaries increased by 3.5%,[23] indicating that wage growth was outpacing inflation. Robust wage growth can stimulate demand in the housing market and help strengthen the economy.

Potential homebuyers who receive wage increases are more secure in their financial situation. Their higher income levels may enable them to qualify for larger mortgages, afford down payments, and cover ongoing homeownership costs such as property taxes, maintenance, and utilities.

# The American Homebuyer in 2025

A recent homebuying survey reveals that 47% of respondents plan to purchase a home in 2025.[24] This trend indicates a growing optimism among potential buyers despite current market challenges. What's more, the profile of the typical American homebuyer has become increasingly diverse. Today's buyers span a wide range of generations, including millennials, many of whom are now in their 30s and are actively seeking to buy their first homes.

Additionally, members of Generation Z are starting to enter the housing market for the first time, bringing fresh perspectives and unique needs. On the other hand, older generations are also part of this dynamic landscape, with many looking to downsize or relocate to different areas that better suit their current lifestyles. This blend of age groups and experiences shapes a vibrant, multifaceted homebuying market.

**47%**

Of respondents plan to purchase a home in 2025[25]

# Housing Prices in 2025

Predicting housing prices is challenging since they are influenced by interest rates, inflation, and the overall health of the economy, among other factors. However, based on current trends, home prices are expected to rise at a modest pace in 2025, with an annual gain of 4.1% noted in January this year.[25] The average sales price of a home in the U.S. in the first quarter of 2025 was $503,800. The Northeast had the highest average home sales price, at $870,000, followed by the West ($609,000), South ($450,800), and Midwest ($424,900).[26]

Advances in technology and changes in workplace culture resulting from the pandemic (i.e., remote work) have made homebuying popular in rural areas, which offer more affordability than homebuying in urban areas. For example, the average price of a single-family home built for sale in nonmetropolitan regions of the U.S. is $245,552, 33% less than single-family homes built for sale in urban areas.[27]

In 2025, the trend of relocating to suburban areas continues to gain momentum. This shift is driven by increasing urban costs, the flexibility of remote work, and a growing desire for more space and family-friendly amenities. However, the average price of a suburban home in the U.S. is $505,340,[28] which presents challenges for many potential buyers.

### Housing Affordability Concerns

Concerns about housing affordability have become prevalent across the U.S., with 76% of Americans believing housing affordability is a growing problem.[29] This sense of the "housing affordability crisis" resonates with individuals from all demographics, regardless of political identification, race, age, gender, or education. Factors contributing to this crisis include the cost of housing, limited housing supply, and economic pressures such as inflation and interest rates.

One statistic that supports America's housing affordability concerns deals with purchasing power. Right now, one in three households (33%) can buy a median-priced home without exceeding 25% of their income on mortgage payments.[30] In 2021, this number was significantly higher at 55%.[31]

**$503,800**

average sales price of a home in the U.S. in the first quarter of 2025[29]

**76%**

of Americans believing housing affordability is a growing problem.[30]

### Debt-to-Income (DTI) Ratio

The income needed to buy a new or used home depends on home prices in the area, current interest rates, and the amount of money the buyer can allocate to the down payment. Banks and mortgage lenders typically prefer borrowers with a debt-to-income (DTI) ratio below 45%. The DTI compares monthly debt payments to monthly gross income.

To better illustrate this, let's consider a married couple with a combined pre-tax income of $7,000 monthly and no significant debts. In this situation, the couple could potentially afford a monthly mortgage payment of $2,520, which is 36% of their monthly income ($7,000 x 0.36).

### Interest Rates and Mortgage Affordability

Interest rates usually align with inflation rates, meaning the cost of borrowing can vary. When inflation rates are low, interest rates tend to be lower, making mortgages more affordable. However, this scenario can lead to increased demand in the housing market, often driving up home prices as more buyers compete for available properties.

On the other hand, rising inflation can lead to higher interest rates, affecting mortgage affordability. Higher rates can also result in a housing market slowdown, as fewer buyers can afford homes at the available rates.

### Down Payments and Closing Costs

When purchasing a home, understanding down payments and closing costs is crucial for buyers. A down payment is an initial upfront payment made by the buyer, typically expressed as a percentage of the home's purchase price. This amount can vary widely based on the type of mortgage and the lender's requirements. Making a larger down payment can help reduce monthly mortgage payments and may eliminate the need for private mortgage insurance (PMI).

Closing costs encompass a variety of fees associated with finalizing the purchase of a home. These costs can range from 2% to 5% of the home's purchase price and include items such as loan origination fees, title insurance, appraisal fees, home inspection fees, and prepaid expenses (i.e., property taxes).

### Homebuyer Assistance Programs

Several government-backed loans and mortgage assistance programs are available to help individuals and families move forward with a home purchase. One example is Federal Housing Administration (FHA) loans, which offer advantages such as a lower down payment and increased flexibility when qualifying for a mortgage. FHA loans are available from FHA-approved lenders like Ameris Bank.

Low-income individuals and families may participate in the Housing Choice Voucher (HCV) homeownership program, which enables them to use their voucher to buy a home and receive monthly assistance with homeownership costs. The HCV program is limited to first-time homeowners, and qualified participants must meet specific criteria.

For more information, visit the U.S. Department of Housing and Urban Development website at https://www.hud.gov/helping-americans/public-indian-housing-hcv-homeownership.

There are also state-level programs in all 50 U.S. states to support low- and middle-income homebuyers in achieving their dream of homeownership. State Housing Finance Agencies (HFAs) develop and manage these programs based on their specific affordable housing needs.

For more information, visit the National Council of State Housing Agencies website at https://www.ncsha.org/housing-help/.

# The Future of Homeownership

Myriad shifts are emerging that could reshape homebuying in 2025 and beyond. For starters, homebuyer preferences are changing due to hybrid and remote work flexibility. Many people are no longer tied to urban centers, and there is increasing interest in suburban and rural areas, where home prices may be more affordable.

Next, people who still wish to experience the excitement and vibrancy of city life are increasingly looking towards condominiums and townhomes in urban locations. Homes in mixed-used spaces close to work, shops, restaurants, and entertainment centers are also gaining popularity.

Several home trends are also reshaping homebuying, one of which is the growing emphasis on sustainable living. Many buyers seek homes with eco-friendly features that offer savings and environmental benefits. These include energy-efficient appliances, solar panels, sustainable building materials, and landscaping that incorporates native plants and promotes water conservation.

**Economic Uncertainties and Global Events**

Potential homebuyers need to understand that home prices and interest rates are influenced by various factors beyond their personal decisions and even beyond the influence of the U.S. government. Economic indicators such as inflation rates, employment data, and overall market trends can cause housing cost and interest rate fluctuations.

Plus, shifts in global interest rates, currency exchange rates, international trade policies, import and export tariffs, global events, and foreign nations' economic stability/instability can impact U.S. home prices and interest rates.

# Final Takeaway

The path to homeownership is never a straight line but your dream of owning a home is closer than you think. And when it comes to financing that dream, Ameris Bank is fiercely yours, here to provide the personalized support you need. We offer a range of mortgage options designed to fit your unique situation and budget. Take the first step towards your new home today! Learn more about our mortgage types for qualified borrowers by clicking here: https://www.amerisbank.com/Personal/Mortgage/Loan/Mortgage-Financing

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