Real Estate

Sound Off: Predictions for the market in 2025. J2

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Timeless colonial in Del Rey

Sprawling home designed by famed architect J.J. Blick J6

ANDREW BRAMASCO

The six-bedroom, four-bathroom colonial estate was built in 1910 by architect J.J. Blick.

Craig Bernardi Photography

Getaway

55290 Forest Haven Dr., Idyllwild is a masterpiece of organic architecture.
J15

Shutterstock

Market Insight

As interest rates ease, the market is about to heat up, and buyers should be ready.
J17

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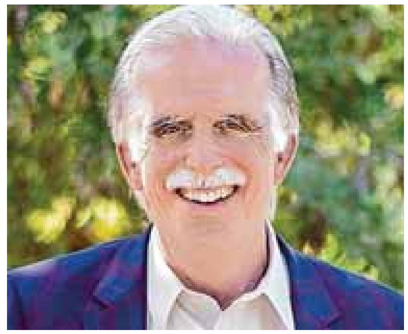
INSIDE

SOUND OFF

What are your predictions for the Bay Area's real estate market in 2025?



A: Lots of people and not enough houses. A key factor that drives our real estate market is the imbalance between supply and demand. This persistent imbalance will remain in 2025, which will put upward pressure on home prices.

What has led to the lack of supply? We have not been building enough homes in the Bay Area; the current federal capital gains tax structure discourages home sellers from putting their homes on the market; and homeowners with low mortgage rates of a few years ago don't want to lose their lower mortgage rates.

At the same time, I do expect demand for housing to remain strong in Bay Area in 2025, driven by continued good job creation in the hi-tech, bio-tech, and medical sectors of our economy and good schools, mild climates and safe communities.

I preach to my buyer clients that the best way to build generational wealth is to buy a home. Recent studies have shown that homeowners have 40 times the net worth of renters.

The California Association of Realtors has forecast an increase of 4.6% in the statewide median home price and a 10.5% increase in the number of homes sold in 2025. I project the increases in the Bay Area will outpace the statewide forecasts.

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A: Here are some predictions for 2025.

HomeX. Maybe Elon Musk will partner with Airbnb to rent out rooms in his many residences while he takes up home in D.C. Tweet if you're interested.

Urban living is cool again. Autonomous-driving cars and the mandate for many to return to the office will make moving back to San Francisco and other urban locations popular again.

The median interest rate has been 7.7% for the past 50 years. The current median interest rate is around 6.886% nationally and lower than 2024. Expect some further softening in 2025, but don't let a fraction of a percentage keep you from a property that you plan to enjoy for the next decade.

Insurance companies and government officials will continue to look at new ways to make homeowner's insurance policies easier and more affordable to obtain.

AI is the new-new in 2025. AI will reduce some jobs while increasing better-paying jobs as companies retool for AI. A strong job environment in the Bay Area is always a positive for home values.

The pets of COVID are back. Sixty percent of renters have a pet. Pro-pet friendly homes can make or break a sale.

Later 2025, Trump adds his own residences to Airbnb.

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A: The unexpected bump in the fourth quarter of my Piedmont, Oakland, Berkeley 2024 market, combined with the uptick in calls I'm receiving, has me excited for what looks to be a dynamic 2025.

Several key factors seem to be driving this renewed energy.

Both buyers and sellers have adapted to a more stabilized mortgage rate environment, expected to hover around 6% to 6.5%. This predictability is encouraging hesitant buyers to enter the market and motivating sellers to move on from their low locked-in rates.

Expected federal policies focused on income growth and reduced taxation are aimed at boosting market confidence, while the ongoing AI boom continues to drive demand in residential and commercial sectors, reinforcing the Bay Area's role as an innovation hub. Additionally, the strengthening return-to-office trend is reshaping housing preferences, with increased demand for homes near top-rated schools and within a 30- to 45-minute commute of major employment centers — including my favorite town, Piedmont.

While many of us hoped to see these trends materialize last year, I'm cautiously optimistic and excited about 2025. I expect continued growth in new listings and closed sales, approaching pre-pandemic levels, with home values projected to appreciate by 5% to 7%.

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Average rate on a 30-year mortgage creeps up to 6.91%

By Paul Wiseman
AP ECONOMICS WRITER

WASHINGTON — U.S. mortgage rates rose this week to the highest level since July.

The benchmark 30-year fixed rate loan rate rose to 6.91% from 6.85% last week, according to mortgage giant Freddie Mac. It was at 6.62% a year ago.

The uptick in the cost of home loans reflects a rise in the bond yields that lenders use as a guide to price mortgages. The increase is occurring with the price of homes rising steadily.

The average rate on a 15-year fixed-rate mortgage, popular with homeowners seeking to refinance, climbed to 6.13%, up from 6% and also the highest since July. It was at 5.89% a year ago.

"Inching up to just shy of 7%, mortgage rates reached their highest point in nearly six months," said Freddie Mac chief economist Sam Khater. "Compared to this time last year, rates are elevated and the market's affordability headwinds persist. However, buyers appear to be more inclined to get off the sidelines as pending home sales rise."

Interest rates have been climbing since the Federal Reserve signaled last month that it expects to raise its benchmark rate just twice this year, down from the four cuts it forecast in September.

The reason the Fed is tapping the brakes is that inflation remains stubbornly above the cental bank's 2% target, even though it's fallen from the heights it reached in mid-2022. Economists also worry that President-elect Donald Trump's economic policies, notably his plan to vastly increase tariffs on imports, could fuel inflation.