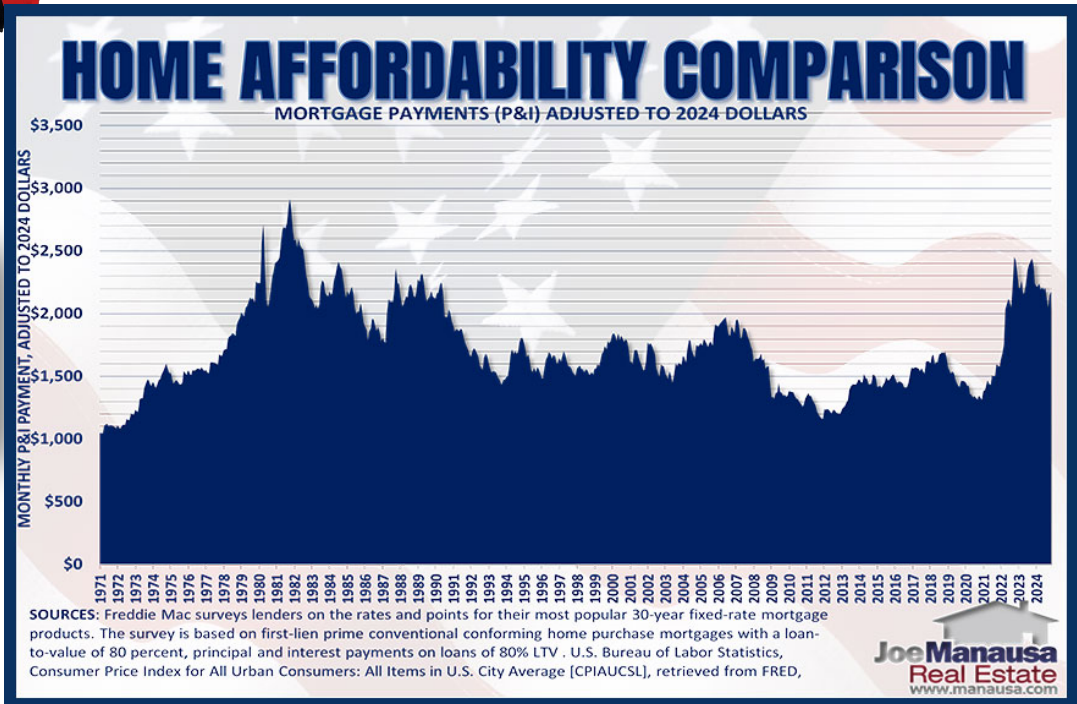




## Will Affordability Improve In 2025?

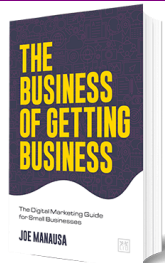


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The home affordability crisis continues to be the biggest news in housing, though there has been a slight improvement over the past year.

The graph in today's report shows inflation-adjusted principle and interest payments on a thirty year loan since 1971. Inflation data was used to adjust all past years to 2024 levels and only in the late 1970s/early 1980s were homes less affordable than they are today.

I suspect if we had the data to include taxes and insurance, we might be approaching the lowest affordability level for the entirety of the data.

### Housing Shortage Will Ease

The housing shortage will ease in Tallahassee next year, but not in the way we would like to see. In 2023, more apartment units were permitted than in

any year since 1974, so we see rents soften as more of them come on line and many would-be home buyers will choose to rent instead of jumping in (or back in) to homeownership.

As the years go by, expect to see the homeownership rate in Tallahassee, like the rest of the US, begin to decline unless a major effort is pursued at all governmental levels. Construction costs, like all things in our economy, will continue to rise, pushing the cost of new homes higher than most of our residents can afford.

### Keep An Eye On Mortgage Rates

Mortgage interest rates will be the primary driver of the housing market in 2025. If we see rates soften below 6%, there is enough pent-up demand to see home sales flourish. Alternatively, if rates remain above 7%, it might be another down year.

