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## Starter Homes Gain Momentum as US Buyers Seek Affordable Alternatives Amid Market Slowdown

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– Categories: Real Estate



The United States housing market is cooling as affordability concerns push potential buyers to the sidelines, but one sector is defying the trend: starter homes. A new report from real estate brokerage Redfin reveals that while most of the housing market is facing a slowdown, demand for smaller, lower-priced properties is rising.

In June, sales of starter homes climbed 3.9 percent compared to the same time last year—the highest level since June 2023. In contrast, transactions for all other home price categories declined, showing a clear shift in buyer focus toward more affordable entry-level housing.

Across the broader housing market, buyers are feeling the pinch of several financial pressures. Soaring home prices, persistently high mortgage rates, and added costs like homeowners association (HOA) fees and rising insurance premiums make traditional homeownership harder for many Americans.

Meanwhile, homeowners who have been holding out for more favorable market conditions are beginning to list their properties, leading to a significant rise in inventory. However, with fewer qualified buyers, these listings are sitting longer on the market.

Amid this growing disconnect between sellers and buyers, the starter home segment has become a focal point for those determined to buy despite the odds.

## Market Imbalance

According to the report, San Diego, California, led the country in the surge of starter home purchases, with an 18 percent year-over-year increase in June. Other notable gains were recorded in Providence, Rhode Island (up 17.4 percent), and Sacramento, California (up 14.3 percent).

Starter homes, with a median sale price of \$260,000 in June, were the only category to register an increase in sales. Mid-tier homes, priced at a median of \$370,784, saw a 0.9 percent dip in sales. High-tier homes, with a median price of \$577,117, declined by 3.6 percent, and luxury properties, averaging \$1.29 million, dropped by 6.7 percent.

Starter homes also saw the fastest inventory growth compared to other segments. Listings were up 19 percent in June year-over-year, surpassing the 15.1 percent rise in mid-tier inventory and the 13.2 percent increase in high-tier homes. Despite having the most expensive properties, even the luxury market only saw a 9.1 percent increase in listings.

Las Vegas, Nevada, saw the largest jump in available starter homes for sale, with a 53.6 percent increase. San Diego and Phoenix, Arizona, followed with 44.1 percent and 43.1

percent increases, respectively. San Antonio, Texas, was the only major metro area to experience a drop in active starter home listings, falling 2.2 percent.

The surge in starter home sales comes down to affordability. Though often smaller and more modest, these homes are proving to be the most realistic path to homeownership for many Americans.

“In a market where it’s difficult for most Americans to afford a dream home, many are turning toward starter homes,” said Sheharyar Bokhari, Senior Economist at Redfin. “They’re typically smaller and more modest, but starter homes remain within reach for some buyers who have been priced out of higher tiers. First-time buyers are especially apt to go for starter homes, as they don’t have equity from a previous home sale to help with their payments.”

The popularity of these lower-cost homes is beginning to push prices upward. The report found that the median price of starter homes rose by 3.1 percent in June from the previous year. That increase outpaced mid-tier home prices, which rose 2.1 percent, and high-tier homes, which saw a 2.7 percent gain. Despite starter home prices nearing record highs, the pace of growth has slowed for six straight months.

As long as traditional homeownership remains financially out of reach for many Americans, starter homes may continue to play a central role in sustaining activity within an otherwise stagnant housing market.