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## US Housing Market Shows Signs of Stress Amid Rising Rates and Rental Crunch

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The American housing market is showing alarming signs of strain in 2025, as rising mortgage rates, slow-moving home sales, and a deepening rental crisis draw comparisons to the conditions that led to the 2008 financial collapse. While most experts agree that today’s financial safeguards are stronger, regional economies and lower-income households may not escape unscathed if current trends remain unchecked.

According to *Realtor.com*’s July 12, 2025 Weekly Housing Trends Report from Realtor.com, key real estate markets are cooling sharply. Homes in cities like Miami are now sitting on the

market for a median of 83 days, more than twice as long as last year. Similar slowdowns have hit Orlando, Tampa, and New Orleans, where housing supply is now outpacing demand in areas that surged during the COVID-19 pandemic.

Home prices are increasing modestly across the country, but that doesn't mean they're becoming more accessible. The average U.S. home now costs \$355,328, 2.7 percent higher than a year ago. Mortgage rates have climbed to 6.82 percent, a dramatic increase from the 2.99 percent average in mid-2021. These higher rates and years of inflated home values have made it difficult for new buyers to enter the market. In May alone, 15 percent of pending home sales were canceled, a record high signaling growing buyer fatigue and financial pressure.

## Housing Divide

Affordability is now at its lowest point in a generation. The National Association of Home Builders (NAHB) reports that only 43 percent of U.S. households can afford a home priced at \$300,000. This means roughly 76.4 million households are effectively priced out of ownership.

At the same time, renters are experiencing even greater strain. The Daily Upside recently revealed a national shortage of more than 7.1 million affordable rental units. For every 100 extremely low-income renter households, only 35 suitable units exist. About 75 percent of these renters are spending more than half of their income on rent, creating enormous stress and pushing more Americans toward homelessness. Last year saw the biggest spike in homelessness since the Great Recession.

Builders face a difficult environment as well. In southern states like Florida and Texas, pandemic-era housing booms have become oversupply concerns. Meanwhile, cities still struggle with underbuilding. Housing starts are down 10 percent from last year, and builder sentiment has dropped to its lowest level since 2012.

Market speculation, which distorted prices in tech-heavy regions, is adding to the turbulence. Investors, crypto wealth, and online influencers helped drive rapid home appreciation during 2021 and 2022. Today, many of those areas are seeing sharp corrections, evoking memories of the post-2008 downturn.

The 2008 housing crisis began when risky subprime mortgages were bundled into complex financial products and sold globally. When borrowers defaulted, the whole system collapsed, sparking a massive wave of foreclosures and a worldwide financial meltdown. Millions of Americans lost their homes, and the economy spiraled into its worst slump since the 1930s.

Though lending standards today are stronger, some experts warn the nation is not immune to broader housing market damage. The combination of high costs, slow activity, and growing financial pressure could trigger real trouble in vulnerable parts of the country. The housing market may not crash as conditions worsen, but it could grind to a painful halt.