Housing Demand Retreated Again in the Week Ending October 10

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Headlines

- **Mortgage applications fell again in the week ending October 10,** the third straight decline.
- The **average loan size remained flat at around $400,000 after retreating from an all-time high in September.**
- **PNC expects housing affordability to improve later this year and in 2026** with weak house price growth and lower mortgage rates.

Details

Mortgage applications fell for a third straight week in the week ending October 10 after seasonal adjustment, down 1.8%, according to the Weekly Mortgage Applications Survey from the Mortgage Bankers Association (MBA). This is down from a three-year peak three weeks ago but remained one of the highest readings since 2022. Mortgage application volumes have moved higher over the past few months as the 30-year fixed mortgage rate fell to an 11-month low at the end of September 2025, according to Freddie Mac. After falling to a 25-year low in October 2023 and then holding steady through 2024, the volume of mortgage applications has been on an upward trend this year. **Mortgage applications in the week ending October 10 were up 38% from the same week in 2024.**

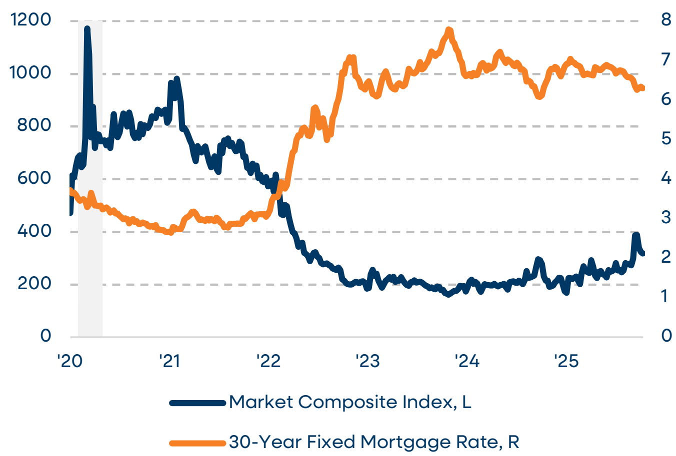
The volume of refinancing activity slipped 1.0% after a steeper drop of 7.7% in the previous week. Purchase-only mortgage applications were down 2.7%, a sharper decline compared to the previous two weeks. Fixed-rate mortgage applications fell 1.6%, whereas demand for adjustable-rate mortgages dropped 4.1% as rates were up slightly from late September.

The average loan size reached an all-time high of $452,000 before seasonal adjustment in the week ending September 12, but has fallen since then. The S&P CoreLogic Case-Shiller U.S. National Home Price Index fell for a fifth straight month in July, the latest data available. **Conditions for homebuyers remain unfavorable heading into the end of 2025, weighing on housing demand. The 30-year fixed mortgage rate is at 6.3% currently**, the lowest rate since October 2024, but still up significantly from sub-3% rates a few years ago. Strong house price appreciation since the pandemic combined with high mortgage rates have dramatically reduced housing affordability.

Meanwhile, the U.S. labor market has softened in mid-2025, with average private-sector monthly jobs gains at just 23,000 over the three months through September, according to the ADP National Employment Report. Private-sector employment fell in September, according to the ADP report; the federal government shutdown has delayed the release of the September jobs report from the Bureau of Labor Statistics. Housing demand will remain soft under these conditions, and PNC expects flat house prices in the near term.

Housing affordability should improve in the coming months with flat prices and somewhat lower mortgage rates due to easing inflation and fed funds rate cuts, supporting a recovery in the housing market in 2026. However, the forecast is for the 30-year fixed mortgage rate to remain above 6%, much higher than it was during the COVID-19 pandemic and early recovery. PNC's September baseline forecast calls for two more 25 basis point cuts in the fed funds rate in 2025, with an additional 25 basis point cut in early 2026.

Figure 1: MBA Market Composite Index (SA) and Mortgage Rate (%)



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