Synovus Market Update

June 5, 2025

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Stuck Between the Sticks and Bricks: 2025 U.S. Housing Market Assessment

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In March of 2000, my bride-to-be and I found a cute starter home in the charming Woodstock, Georgia suburbs. It was a three-bedroom, two-and-a-half bath in a cul-de-sac for $149,000. My wife and I qualified for our first FHA loan at 8.5%. I remember having the excitement of being a homeowner tethered to a fear of taking on a large financial obligation at the age of 24.

Fast forward to 2025. That same home would sell for $420,000 in today's housing market. This is one of many stories by other Gen-Xers and baby boomer homebuyers, who can tell tales of purchasing their house for the same price of what two burrito bowls at Chipotle might cost today. All kidding aside, home affordability has become a growing concern for young homebuyers in today's economy. This month's writing will examine the current state of the U.S. housing market, the imbalance of median household income compared to the current median home prices, and the buyers that can still afford to purchase a home in the current housing market.

Why Are Prices Still So High?
Though recent home availability numbers are starting to normalize, we are just coming out of a three-year trend of low housing inventory coupled with historically low mortgage rates. That allowed many homeowners to lock in their new mortgages between a 3%-4% rate and some even in the high 2% range, making mortgage loans virtually free money.

According to Ivy Zelman, housing analyst and Executive Vice President at Zelman Associates, more than 75% of homeowners are locked into a mortgage rate below 5%, with about half of those households below 4%. The American Community Survey from the U.S. Census Bureau estimates that 38.8% of U.S. homeowners own their home outright with no mortgage loan.

Existing homeowners are not willing to give up their low 3% to 4% mortgage to up-size their square footage for their growing family needs. Essentially, they are stuck. As a result, this reduces overall existing home inventory across the U.S. in an already historically low inventory housing market. A high demand for housing for one of our largest U.S. demographic populations — would-be buyers, millennials (ages 25 to 43) and older Gen Z (ages 21 to 24) — find themselves also stuck in an affordability trap as home prices started to skyrocket in 2020. The state of U.S. home affordability has pushed the median age to a record high 56-years-old in 2024, up from 49 the prior year, while the first-time homebuyer's age averaged 38, up from 35 the prior year.

Affordability
Home affordability started taking a turn for the worse starting in 2020. The median price of homes sold in Q2 2020 was $317,100, according to the U.S. Census Bureau.

NAR Chart Age of Homebuyers

SOURCES OF DOWN PAYMENT

Exhibit 5-4 *(Percent of Respondents Among those who Made a Down Payment)* AGE OF HOME BUYER

	All Buyers	26 to 34	35 to 44	45 to 59	60 to 69	70 to 78	79 to 99
Savings	49%	71%	60%	47%	41%	37%	35%
Proceeds from sale of primary residence	45	18	38	45	53	62	57
Gift from relative or friend	8	27	13	6	2	1	2
Sale of stocks or bonds	7	10	9	7	6	4	6
401k/pension fund including a loan	5	4	7	8	4	2	1
Inheritance	4	5	3	5	4	3	2
Individual Retirement Account (IRA)	3	3	2	2	5	3	3
Proceeds from sale of real estate other than primary residence	3	1	2	2	3	3	4
Loan from relative or friend	2	6	4	1	2	1	3
Equity from primary residence buyer continues to own	2	1	2	2	2	2	1
Tax Refund	1	3	3	1	1	*	*
Community/Government down payment assistance program	1	4	1	1	1	*	*
Loan or financial assistance from source other than employer	1	1	1	1	1	*	1
Sale of crypto currency	1	1	1	*	*	*	*
Loan from financial institution other than a mortgage	1	1	1	1	1	1	1
Loan or financial assistance through employer	*	1	*	*	*	*	*

*Less than 1 percent

2025 NAR Home Buyers and Sellers Generational Trends

Source: National Association of Realtors

★ Read the full article.

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What Does the Recent Technology Sector Earnings Reveal?

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With a large amount of the 'Bellwether Technology' names reporting 1Q25 results, what conclusions can Investors make in regard to the health of the sector?

• Monster CapEx budgets continue to expand. Will the massive CapEx commitments to AI by the hyperscalers yield the ROI that investors will demand to drive Tech stocks higher? Time will tell! "We anticipate our full year 2025 capital expenditures will be in the range of $64-72 billion (an increase from $60-65 billion)," said by Meta during its recent 1Q25 earnings call, and has led to an upward revision to hyperscalers' CapEx estimates. The top four hyperscalers — Amazon, Microsoft, Meta and Alphabet — are collectively estimated to spend north of $330 billion (+38% Year-over-Year (YoY)) in CapEx in 2025 to build out their AI presence. This compares to a combined CapEx estimate of $240 billion spend rate in 2024. (Meta 2025 earnings CapEx guide to $64-72 billion; Google 2025 earnings CapEx guide to $75 billion; Amazon 2025 earnings CapEx guide to $100 billion; and Microsoft 2025 earnings CapEx guide to $80 billion).

• Data Center revenue growth is decelerating. Many investors, taking the new tariffs into consideration, expect the percentage of customers to reduce their FY25 budget. The thought is that enterprise decision-makers are likely to be hesitant while assessing the economic impact before redeploying their data center capital.

★ *Read the full article.*

Personal Trust Corner: A J.D.'s Perspective

Smart Legacy Moves: How Business Owners Can Minimize Taxes with SCINs and Grantor Trusts

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In our series, "The Personal Trust Corner: A J.D.'s Perspective," we aim to spotlight one planning strategy each month in response to the ever-changing Estate Tax Laws. This month, we turn the spotlight on Self-Canceling Installment Notes, and Installment Sales to Grantor Trusts.

Self-Canceling Installment Notes (SCINs)
When it comes to estate tax planning strategies, Self-Canceling Installment Notes (SCINs) offer a powerful tool for transferring assets to family members while minimizing tax liabilities. Unlike traditional installment sales, SCINs come with a unique feature that cancels the outstanding note balance upon the Payee's death, providing a tailored approach for estate planning.

Structuring SCINs for Optimal Benefits
To ensure the forgiveness feature of the note is excluded from gift tax assessment, a risk premium is typically added to either the interest rate or principal of the note. This adjustment accounts for the possibility of the note being canceled before full repayment, thereby avoiding any gift implications. The Applicable Federal Rate (AFR), compounded semi-annually, serves as the minimum interest rate benchmark for SCINs between related parties.

★ *Read the full article.*

We're here if you have questions.

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