FMLS
MARKET INTEL

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Economic Report: Insights into Today's Housing Market

FMLS Market Intel Report

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Executive Summary

Recent economic and geopolitical developments have introduced heightened uncertainty into what initially appeared to be a strengthening spring housing market. While early-year indicators showed modest improvement, emerging macroeconomic pressures—particularly inflation, interest rates, and global conflict—are tempering optimism and reshaping market expectations.

Housing Market Performance (February Snapshot)

- **Closed Sales:** ↑ 1.5% year-over-year
- **Inventory:** ↑ 5.9%
- **Months of Supply:** Increased
- **Average Sales Price:** ↑ 3.1% year-over-year
- **Pending Sales:** Slight decline

At its most recent meeting, the Federal Reserve faced a complex policy tradeoff:

- **Inflation:** Remains above the 2% target (PCE index trending upward)
- **Labor Market:**
  - Unemployment rate increased
  - 92,000 jobs lost in February

- Weakening labor market → favors **rate cuts**
- Persistent inflation → favors **rate hikes or holding steady**

Outcome:
The Fed opted for **no action**, maintaining the federal funds rate at **3.5%–3.75%**, reflecting a cautious, wait-and-see approach.

Geopolitical Risk & Energy Markets

The conflict involving Iran has introduced significant uncertainty:

- **Oil Prices:** Surged above $110 per barrel at peak
- **Gas Prices:** ↑ over 30% nationally
- **Georgia Impact:** Temporary relief via suspension of state gas taxes

While some projections suggest even sustained oil increases may not trigger a recession, the broader economic implications remain unclear. As emphasized by the Fed, uncertainty is the defining factor.

Interest Rates & Mortgage Trends

- **10-Year Treasury Yield:** 4.39% (highest since July 2025)
- **30-Year Mortgage Rate:** 6.22% (as of March 19)
  - ↑ ~0.25% in two weeks

Rising yields are directly impacting borrowing costs, reducing affordability and dampening buyer demand.

Consumer Sentiment & Behavior

- **Consumer Sentiment:** ↓ ~2% in March (lowest of the year)
- **Gas Price Expectations:**
  - Pre-conflict: +10%
  - Post-conflict: >40%

Initial optimism earlier in the month was fully reversed following geopolitical escalation, highlighting the sensitivity of consumer confidence to external shocks.

Emerging Concern: AI & Economic Anxiety

A recent national survey reveals growing concern about artificial intelligence:

- **60%** of Americans believe AI will:
  - Eliminate jobs
  - Make homeownership less affordable
- **Only 30%** view AI as a positive economic force

This perception is contributing to:

- Increased job insecurity
- Hesitation among prospective homebuyers
- Broader anxiety around cost of living and housing affordability

Market Outlook

The housing market is currently in a **precarious position**, characterized by:

- **Long-term positives:**
    - Gradual inventory growth
    - Income gains
- **Short-term risks:**
    - Rising interest rates
    - Inflation persistence
    - Geopolitical instability
    - Declining consumer confidence

Even under a best-case scenario, a return to stability is expected to be **gradual**, with uncertainty continuing to weigh on both consumers and market activity.

As the market approaches the traditionally strong spring selling season, conditions are notably more volatile than just a month ago. Stakeholders should prepare for continued fluctuation and closely monitor both macroeconomic indicators and local market data.