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FMLS Market Intel Report - Second Quarter 2025

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Executive Summary

The U.S. economy faces growing uncertainty as indicators point toward a potential recession. Despite relatively stable mortgage rates and a typically strong spring season, the housing market has shown surprising weakness. At the same time, consumer sentiment is plummeting, inflation expectations are rising, and the financial markets have erased trillions in value. This report outlines the key economic developments and their implications.

Economic Sentiment and Inflation Pressures

Consumer confidence is sharply declining. The University of Michigan's Consumer Sentiment Index dropped from 74 in January to 52.2 in April—its second-lowest reading on record. Consumers are increasingly worried about inflation, job stability, and the potential for a recession. Inflation expectations for the coming year jumped to 6.5% in April, up from 5.0% in March, the highest level since 1981.

This unease is reflected in consumer behavior. A recent Clover survey found that one in four potential homebuyers and one in eight sellers are delaying transactions, signaling widespread caution in response to economic uncertainty.

Market Wealth and Economic Indicators

Since January, U.S. financial markets have lost between $4 trillion and $9 trillion in value. These losses are weighing on consumer confidence and eroding household wealth.

The GDPNow model from the Federal Reserve Bank of Atlanta, which offers real-time estimates of GDP growth based on incoming data, currently forecasts a 2.5% contraction for Q1. While not an official projection, the model is closely watched and suggests that a technical recession could be approaching.

Housing Market Breakdown

The March report from the National Association of Realtors (NAR) showed that existing home sales fell to an annualized rate of 4.02 million—the lowest March total in over two decades. After posting a modest 2% year-over-year gain in January, March sales declined 2.4% from the prior year and a striking 5.9% from February.

This drop runs counter to typical seasonal trends. Historically, home sales increase by 15–20% from February to March, driven by factors such as tax refunds, warmer weather, and school-year planning. Instead, all regions experienced declines, including the South, where existing-home sales fell 5.7% month-over-month and 4.2% year-over-year.

Mortgage Rates and Affordability

Mortgage rates remain elevated, continuing to strain affordability. As of April 24, Freddie Mac reported the 30-year fixed mortgage rate at 6.81%, following a 21-basis-point jump the prior week.

According to NAR Chief Economist Lawrence Yun:
“Home buying and selling remained sluggish in March due to the affordability challenges associated with high mortgage rates.”

These high rates have led to sharp weekly declines in mortgage applications, further dampening housing activity.

Future Outlook and Policy Uncertainty

Former Fed economist Claudia Sahm captured the broader uncertainty when she asked:
“Will rates fall because we are heading into a severe recession? Will they rise due to larger budget deficits, more uncertainty or higher inflation expectations?”

The outlook is clouded by trade tensions, fiscal policy questions, and inflation risks. Markets are likely to remain volatile in the coming months as policymakers and consumers respond to new economic developments.

Final Thoughts

All signs point to a bumpy road ahead. With weakening data across sentiment, housing, and financial markets, the U.S. economy appears increasingly vulnerable to recession. Stakeholders should monitor developments closely and prepare for more volatility in both rates and market behavior.

For up-to-date local insights, visit FMLS Market Intel, where market statistics are refreshed weekly.

This has been your Market Intel update — I'm Leslie Appleton Young. See you next time.