



FMLS Market Intel Report: Preparation Rather Than Prediction

Prepared by: Leslie Appleton Young, Chief Economist, FMLS

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Executive Summary

The Federal Reserve has raised its benchmark federal funds rate for the first time in more than three years, approving a unanimous quarter-point increase in September. Policymakers acted in response to persistent inflation, a strong labor market and resilient consumer spending. The August Consumer Price Index showed little progress toward the Fed's 2% inflation target, employers added 162,000 jobs, unemployment held steady at 4.1%, and retail sales increased 1.2%, the strongest monthly gain in five months.

Financial markets anticipated the move. The 10-year Treasury yield crossed 5% on September 15 for the first time since 2007, and the average 30-year fixed mortgage rate climbed to 6.97%. With at least one additional quarter-point increase expected before year-end, "higher for longer" has become the working assumption for interest rates. Lawrence Yun, Chief Economist for the National Association of REALTORS®, advised homebuyers to view 7% as the new normal for mortgage rates.

Housing activity continues to feel the pressure. National existing-home sales declined in August, and Greater Atlanta closings fell 8.6% from a year earlier. Yet home prices remain firm and inventory has increased only modestly. Many sellers remain anchored to earlier price expectations, while buyers are adjusting to current financing costs.

The most useful response is preparation rather than prediction. Buyers, sellers and real estate professionals should base decisions on current rates, actual financial capacity and several plausible scenarios.

Why the Federal Reserve Raised Rates

The Federal Open Market Committee's September decision reflected strength as well as concern. Inflation remains above the Fed's 2% objective and has persisted longer than policymakers would like. At the same time, the broader economy appears capable of absorbing tighter financial conditions.

The labor market added 162,000 jobs in August, and unemployment remained at 4.1%. Consumers also continued to spend, with August retail sales rising 1.2% from the previous month. These indicators suggest that employment, income and demand remain strong enough for the Fed to focus on restraining inflation without creating an immediate threat to economic growth.

Another quarter-point increase is expected before year-end, although future decisions will depend on inflation, employment and consumer data.

Long Term Rates Signal Higher Financing Costs

The bond market had already incorporated the likelihood of a Fed increase. On September 15, the 10-year Treasury yield moved above 5% for the first time since 2007. That milestone reflects more than one policy decision. Investors are also responding to persistent inflation, heavy government borrowing and intense global competition for capital.

Mortgage borrowers compete for funds with governments and other issuers around the world. When debt supply increases and investors see greater inflation or repayment risk, they demand higher yields. Those higher Treasury yields flow into mortgage-backed securities and raise the cost of home financing.

The latest Freddie Mac average for a 30-year fixed mortgage reached 6.97%, placing rates firmly near the 7% range. The phrase “higher for longer” captures the current outlook: borrowing costs may remain elevated even if week-to-week rates fluctuate.

If tighter Fed policy convinces investors that inflation will return to 2%, longer-term yields could eventually ease. The timing and scale cannot be predicted with confidence.

National Housing Sales Weaken

The National Association of REALTORS® reported that August existing-home sales fell to a seasonally adjusted annual rate of 3.98 million units. Sales declined 2.0% from July and 1.2% from August 2025. Year-to-date sales were up just 1.6%, well below the revised forecast of 4% growth.

Inventory increased to 1.62 million homes, giving buyers more options and, in some markets, more negotiating leverage. Additional supply did not push prices lower. The national median existing-home price rose to \$429,100, an increase of 1.6% from a year earlier.

Many homeowners remain reluctant to sell because they have low mortgage rates or expect values associated with the stronger 2021 market. Buyers face high prices and financing costs near 7%. The gap between seller expectations and buyer affordability is limiting transactions even as inventory improves.

Greater Atlanta Housing Results

The Greater Atlanta single-family detached market also slowed in August. FMLS recorded 3,287 closings, down 8.6% from a year earlier. The median sales price was \$449,450, up 0.5% year over year. Inventory reached 14,856 homes, 1.6% above the previous year and just below the August 2019 level.

The \$1 million-plus segment remained more resilient. Sales were flat compared with August 2025, while the median price increased 3% to \$1.36 million and inventory rose 4.1%. These results are consistent with the K-shaped housing market seen throughout 2026. Affluent and asset-rich households remain better positioned to absorb higher borrowing costs or purchase with cash, while buyers in lower price ranges face greater affordability pressure.

Conditions continue to vary by location, price range and property type, making current local data essential when advising a buyer or seller.

Preparation Is More Reliable Than Prediction

No one knows with certainty where rates, prices or sales will move next. Broker-owner Aida Dimejian described the practical lesson from her experience during the 2008 housing crisis: “confident forecasts often fail, so client decisions should rest on preparation. That means understanding the client’s actual timeline and finances and testing the plan under several possible outcomes”

Buyers who remain anchored to the 3% mortgage rates available earlier in the decade need a more realistic planning assumption. Using 7% allows them to evaluate monthly payments and purchasing power based on current conditions.

For buyers, preparation may include comparing loan programs, setting a comfortable payment limit and considering seller concessions. Sellers should evaluate recent comparable sales, current competition and the financing burden facing likely buyers. Real estate professionals can help clients distinguish between a decision that works now and one that depends on an uncertain forecast.

Market Outlook

The near-term market will likely remain constrained by elevated mortgage rates and the gap between buyer affordability and seller expectations. Inflation remains too high for the Fed to declare victory, and strong employment and consumer spending give policymakers room to maintain restrictive rates. At the same time, limited transaction volume is not producing broad price declines because supply remains relatively tight and market performance differs across price segments.

The current environment calls for realistic assumptions and local analysis. A buyer or seller does not need to predict the exact path of rates to make a sound decision. The decision needs to fit the household's finances, timing and tolerance for different outcomes.

FMLS members can access the latest housing statistics through Market Intel on the FMLS website. Data is updated weekly, with local-market resources that help professionals evaluate conditions across the Greater Atlanta region.