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## **FMLS Market Intel Report**

*Presented by Leslie Appleton Young, Chief Economist, FMLS*

As 2024 draws to a close, the housing market has experienced a year marked by fluctuating mortgage rates, rising inventory, steady yet moderate sales activity, and a slowing rate of price appreciation. Looking ahead, 2025 housing market forecasts are largely characterized by continuity—projecting a familiar trajectory of gradual recovery and stability. Key expectations for the coming year include increased inventory, moderate price increases, and a modest uptick in sales.

### **Economic Outlook and Mortgage Rate Projections**

The foundation for these market predictions rests on a favorable economic environment. Inflation is anticipated to remain under control, stabilizing around the Federal Reserve's target of 2%. At the same time, the labor market is expected to remain strong, with unemployment stabilizing around 4%. This dual outcome provides a relatively stable economic backdrop for the housing market.

In terms of housing costs, while overall prices in November saw a slight uptick of 2.7%, the pace of housing cost increases has slowed. Rent and homeownership expenses, which make up a significant portion of the Consumer Price Index (CPI), showed signs of moderation. This trend is expected to continue into 2025, as inflation remains subdued.

The Federal Reserve, having started its rate-cutting cycle in September 2024, is poised to continue reducing the federal funds rate. Currently at 4.6%, the target rate for a neutral monetary policy (which neither stimulates nor contracts economic activity) is estimated at 2.9%. This gap suggests room for further rate cuts in the coming months, which is expected to support the housing market by improving affordability and easing the so-called "rate lock-in" effect, where homeowners are hesitant to sell due to the higher mortgage rates they would face on a new home.

As a result, mortgage rates, currently hovering around 6.6%, are expected to decline to approximately 6% by the end of 2024. This decline is likely to improve affordability, stimulate housing market activity, and gradually unlock some existing home inventory, providing opportunities for both buyers and sellers.

### **Inventory and Market Activity**

In December 2024, active listings in the FMLS market area rose by 16.7% compared to the same period in 2023. Year-to-date, inventory of single-family detached homes has increased by 38% compared to the previous year. While inventory levels remain below pre-pandemic norms, this uptick reflects an encouraging response to the changing mortgage rate environment and broader economic conditions. Projections for 2025 suggest a continued increase in inventory, with gains of around 10%.

Sales activity has also shown signs of recovery. While year-to-date sales are largely consistent with 2023 levels, November data revealed a 2% increase in single-family detached home sales. Weekly closings also saw a notable 4.6% year-over-year increase, with pending sales rising by 6.3%. These indicators suggest a renewed momentum in the market, which is expected to carry over into 2025.

Nationally, the National Association of Realtors (NAR) forecasts home sales will increase from 4 million units in 2024 to 4.5 million in 2025. While some market analysts remain more cautious, Georgia's housing market is expected to continue outpacing national trends, driven by strong demand and favorable local conditions.

### **Price Trends**

As of 2024, the average sales price for single-family detached homes in the Greater Atlanta area stands at \$547,938, reflecting a 4.4% annual increase. This price growth is noteworthy given the increased inventory levels, which would typically exert downward pressure on prices. However, ongoing affordability challenges have kept many potential buyers on the sidelines, limiting overall price corrections.

In contrast, the average sales price for attached properties, including condominiums, has seen a slight decline of 2.2% from the previous year, with the current average price at \$406,664. The price difference between detached and attached homes underscores the importance of condos in meeting the demand for affordable housing, particularly for first-time buyers and those seeking more flexible living arrangements.

Looking ahead, NAR forecasts a national median home price increase of 2% in 2025, with the median expected to reach \$410,700. These projections suggest that price growth will remain moderate, with housing markets in many regions stabilizing as inventory levels rise and economic conditions improve.

## **Conclusion: 2025 Housing Market Expectations**

The 2025 housing market is set to offer more opportunities for both buyers and renters, with increased inventory, moderating prices, and a more stable economic backdrop. The broader economic environment, characterized by low inflation, steady employment, and lower mortgage rates, is expected to support housing market recovery. Despite ongoing affordability challenges, the increased inventory and favorable financing conditions should unlock more activity in the market.

For local markets like Atlanta, demand for housing remains strong due to favorable job growth, affordable housing options, relatively low taxes, and a high quality of life. These factors will continue to position Georgia as a desirable location for homebuyers, with the potential for further market outperformance.

Ultimately, the future of the housing market in 2025 will be shaped by a combination of economic factors and individual market dynamics. It is essential for buyers, sellers, and investors to closely monitor local market data and trends, which are updated regularly on the [FIRSTMLS.COM/INTEL](https://www.FIRSTMLS.COM/INTEL)