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FMLS Market Intel Report

Overview:

Recent data continues to offer a mixed but encouraging economic outlook. Mortgage rates have been experiencing a downward trend over the last three weeks. As of today, the rate stands at 6.89%, down from 7.04% in mid-January, reflecting a decrease of 15 basis points. This shift indicates more favorable conditions for potential homebuyers, though rates remain above historical lows.

In terms of overall economic activity, the Federal Reserve has described the economy as "expanding at a solid pace." This is supported by January's jobs report, which showed an addition of 143,000 jobs. While this figure fell slightly below expectations, it still signals continued labor market strength. The unemployment rate has dipped to 4.0%, signaling overall stability in the job market.

Inflation and the Federal Reserve's Stance:

Turning to inflation, the Consumer Price Index (CPI) saw a 2.9% year-over-year increase in December, up from 2.7% in November. Notably, gasoline and eggs were significant contributors to this increase. However, core inflation—excluding food and energy—rose by just 0.2%, marking a slowdown from previous months' 0.3% monthly gains.

The gradual decline in inflation is encouraging, but the outlook for future Federal Reserve rate cuts remains uncertain. The Federal Reserve has indicated that it will likely hold off on reducing the target range until there is greater confidence that inflation is on a sustainable path toward its 2% target.

Homeowners Insurance and Climate Impact:

A timely issue in the current economic landscape is the rise in homeowners insurance costs. Last year, insurance premiums increased by 23% nationally, and in Georgia, the average annual cost is now approximately \$2,345—equating to \$195 per month. Several factors are driving this increase, including a rise in severe weather events, the growing costs of rebuilding after natural disasters, and a demographic shift that sees more people moving into regions highly impacted by such events.

While homeowners insurance has traditionally been a relatively minor part of the total cost of homeownership, this is no longer the case. Despite premium increases, the insurance industry is facing difficulties and, in some instances, even canceling policies.

In Georgia, climate-related events such as flooding, hurricanes, and wind damage are showing a similar upward trend. Studies have also examined how climate change could impact home values, particularly in vulnerable areas. For example, a study found that homes at high risk for a 0-3 feet sea-level rise sell at a 3.1% discount compared to properties in less vulnerable areas. This underscores the growing influence of climate risks on property values, particularly in coastal regions.

Atlanta's Favorable Position on Climate Risk:

On a more positive note for Atlanta, a report from Realtor.com on housing and climate risk shows that nearly 45% of homes nationwide are exposed to severe or extreme climate risks, including heat, wind, and air quality issues. However, Atlanta stands out as one of the areas with very low climate risks. According to First Street, a climate research firm, Atlanta is positioned as a region where climate threats are minimal, further boosting its appeal to potential homeowners and investors. This favorable positioning, alongside other factors, makes the Atlanta metro area an increasingly attractive destination for out-of-state movers.

Market Insights and Resources:

For those interested in tracking the latest trends and data points in the real estate market, the FMLS website offers up-to-date market statistics that are refreshed weekly. This is a valuable resource for anyone looking to understand local market dynamics and make informed decisions.

Conclusion:

While economic indicators present a somewhat mixed picture, the steady decline in mortgage rates, positive job growth, and relatively low climate risks position the Atlanta metro area for continued housing demand. However, challenges such as inflation and rising insurance costs remain areas to watch.

For the most current market information and deeper insights into local market trends, visit the FMLS website.

This concludes the FMLS Market Intel report. Stay tuned for future updates.