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FMLS Market Intel Report - First Quarter 2025

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Welcome to the FMLS Market Intel Report.

As we move through the first quarter of 2025, it's clear that the housing market continues to face challenges. A few months ago, forecasts for the year ahead were more optimistic, but those expectations have since been adjusted downward due to several persistent factors. Higher mortgage rates, rising home prices, and growing uncertainty surrounding future inflation are all contributing to a two-year-long slowdown in the housing market.

National Market Overview

The National Association of Realtors (NAR) reported that January 2025 sales were up 2% compared to January 2024, although they showed a 4.9% drop from December 2024. This decline was nearly double what analysts had anticipated.

The national median sales price reached \$396,900 in January, marking a 4.8% increase year-over-year. This represents the 19th consecutive month of price growth. However, it's worth noting that while home prices are still rising, the inventory of unsold homes has also increased. As of January, there were 1.18 million unsold homes, representing a 3.5% increase from December. The total supply equates to approximately 3.5 months of inventory, indicating sluggish sales combined with rising prices and an increase in available homes.

While higher inventory levels typically lead to more competition among buyers, today's market remains stymied by the overall high cost of purchasing a home. As mortgage rates remain elevated, many buyers are unable to fully capitalize on the increase in inventory.

Greater Atlanta Area Market Overview

Turning to the Greater Atlanta Area, we see a similar trend.

- Closed sales: There were 2,319 closed sales in January 2025, a 1.1% decrease compared to January 2024.
- Median sales price: The median sales price reached \$420,000, representing a 1.2% increase year-over-year and marking an all-time high for any January.
- Days on market: Homes are staying on the market longer. The average days on market increased by 33%, from 24 days in January 2024 to 32 days in January 2025.
- Inventory levels: Inventory in the Greater Atlanta Area rose by 43.8%, with 10,926 homes for sale, compared to January 2024.

As inventory continues to rise and homes take longer to sell, the sales price as a percentage of the list price has slowly declined. Since July 2024, this figure has been gradually falling, and it now stands at 98.9% for the Greater Atlanta Area. A notable trend reported by Altos Research in February showed that 33% of homes on the market nationwide have experienced price reductions.

Implications for Sellers

With more inventory available and homes staying on the market longer, sellers are facing increased competition. Realistic pricing is crucial in today's market, as "testing the waters" with an overpriced listing is no longer a viable strategy, especially when buyers have a greater selection of properties to choose from. Additionally, affordable housing remains at a premium, making smaller homes, townhomes, and properties further away from job centers more attractive to potential buyers.

Consumer Confidence and Economic Outlook

Shifting gears, let's discuss consumer sentiment. The current economic uncertainty surrounding inflation and mortgage rates is affecting future buyers and sellers. Mortgage rates have remained relatively stable for the past five weeks, staying just below 7% with fluctuations of less than 20 basis points. However, uncertainty still looms, and future rate hikes are a possibility.

In February 2025, the University of Michigan's Consumer Sentiment Index dropped by 10%, marking its second consecutive decline. A significant part of this decline stems from concerns over future price increases, partly due to anticipated tariffs. As a result, expectations for inflation surged by 1%, reaching 4.3%, the highest level since November 2023. This shift in sentiment suggests that forecasts for mortgage rates around 6% may be overly optimistic.

Conclusion

As the market adjusts to rising mortgage rates, home prices, and inflation concerns, the dynamics of both national and local housing markets continue to evolve. The current outlook indicates a more challenging environment for both buyers and sellers, with realistic pricing and a focus on affordability becoming increasingly important.

For more up-to-date market data and resources, visit the FMLS website, where market statistics are updated weekly. Stay informed on local market trends and dynamics, and feel free to explore the latest insights into the Greater Atlanta Area. This concludes the FMLS Market Intel Report.

See you next time.