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FMLS Market Intel Report - Spring 2025

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Executive Summary

The economy faces a complex set of challenges, characterized by inflationary pressures, labor market uncertainty, and the possibility of stagflation. Concerns about a potential recession have intensified, yet recent data from the Federal Reserve and economic indicators suggest that the U.S. economy remains in a relatively strong position. In the housing market, while inventory levels are rising, home prices in many regions—including the Greater Atlanta Area—continue to increase, though at a slower pace. A balance between supply and demand is key to understanding these trends and the outlook for the housing market.

Economic Outlook: Is a Recession on the Horizon?

There has been growing concern that the U.S. economy may be heading into a recession, fueled by several persistent issues, including:

- **Sticky inflation:** Prices continue to be high in several sectors, leading to elevated costs of living.
- **Uncertainty in the jobs market:** While job growth has been consistent, the future trajectory remains uncertain.
- **Slowing economic growth:** GDP growth has slowed, with early readings indicating a potential contraction in the first quarter of 2025.
- **High stock market valuations:** Many major stock indices are in correction territory, with substantial declines from previous peaks.

Adding to these challenges, the uncertainty surrounding international trade policies and tariffs has caused significant market volatility. A recent sell-off in the stock market led to a loss of \$4 trillion in value, as tariff-related tensions with major trading partners escalated.

Despite these headwinds, the Federal Reserve's Chairman, Jerome Powell, has maintained that the U.S. economy remains in a "good place." Key indicators such as GDP growth (Q3 3.1%, Q4 2.3%), job creation (151,000 jobs added in February), and inflation (February CPI at 2.8%, down from 3.0% in January) point to resilience in the economy. Wages are growing faster than inflation, which signals a strengthening of consumer purchasing power.

However, a shift in market psychology has been noticeable. The "wealth effect"—the tendency for consumers to increase spending when their financial assets are growing—has been dampened by stock market volatility. Businesses are now rethinking their future spending and hiring plans, with major financial institutions like JP Morgan Chase and Goldman Sachs increasing the likelihood of a recession in 2025.

While a recession is not a certainty, the probability has risen due to changing market conditions and increasing uncertainty.

Housing Market Trends: Is a Price Correction on the Horizon?

For home prices to decline significantly, supply must outpace demand. Historically, this has only occurred during extreme market conditions, such as the aftermath of the 2008 financial crisis, when national housing prices dropped by as much as 33%. In Georgia, prices peaked in 2006 and fell by 31% by 2011.

Today, inventory levels are rising, but they remain well below pre-pandemic levels, which suggests that a significant price correction is unlikely in the near term:

- **National Inventory Trends:** As of February 2025, there were 847,825 homes for sale nationally, which represents a 145% increase from the low of 346,511 in early 2022. However, this remains 42.3% below the 1.47 million homes for sale in February 2020.
- **Greater Atlanta Area Trends:** In Atlanta, there were 15,832 properties for sale, an increase of 43.9% from the previous year, yet still 13% below pre-pandemic levels.
- **Regional Variations:** The only states where inventory levels have surpassed pre-pandemic numbers are Texas, Florida, and Louisiana, where home prices have recently fallen (e.g., Miami prices dropped by 9.9%, Austin by 7.7%).

Despite rising inventory, housing prices in many regions, including the Greater Atlanta Area, continue to increase, although at a slower pace. In February 2025, the average home price in Atlanta rose by 4.6%. This is largely due to the “stickiness” of home prices—when sellers don’t have to sell, they often choose to hold off, resulting in higher-than-expected inventory and fewer price reductions.

In fact, cancellations of homes listed for sale have risen sharply. Nationally, 73,000 homes were delisted in December 2024, up 64% from the previous year. Similarly, the Greater Atlanta Area saw about 1,000 delistings in December, marking a significant year-over-year increase.

Conclusion: While the pace of housing price growth is slowing, it is not expected to reverse dramatically, particularly in markets where inventory levels remain constrained. The combination of strong consumer incomes and relatively low supply will continue to support price growth in the Greater Atlanta Area.

Looking Ahead: Economic and Housing Market Outlook

While the economic landscape presents a complex set of challenges, key data points suggest that the U.S. economy is not yet in a recessionary state. The housing market, although facing rising inventory, remains resilient, particularly in markets such as Atlanta, where strong demand continues to support home prices.

For more detailed and up-to-date insights into the housing market, visit the FMLS Market Intel website. We provide weekly updates on local and national market conditions to help you stay informed about the dynamics shaping the real estate landscape.

For FMLS Market Intel, this is Leslie Appleton-Young. See you next time.

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