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**Economic Report: Insights into Today’s Housing Market**

**FMLS Market Intel Report
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**Executive Summary**

The first half of 2025 has unfolded under a cloud of tempered expectations and increasing economic uncertainty. Macroeconomic indicators signal a mixed economic environment—neither robust enough to inspire confidence nor weak enough to drive decisive monetary easing. The result has been stagnation across consumer sentiment, financial markets, and housing activity.

If a single word encapsulates the current economic landscape, it is “disappointment.” Below, we **explore the key indicators** shaping this outlook and consider their implications for the housing market for the remainder of the year.

**Macroeconomic Overview**

Economic data released in recent months paint a portrait of an economy that, while still fundamentally resilient, is showing signs of strain. Most notably:

* Inflation: Consumer prices increased 2.4% in May, up marginally from 2.3% in April, largely reflecting the early effects of newly imposed tariffs. Inflation remains near—but still above—the Federal Reserve’s 2.0% target, complicating prospects for interest rate cuts.
* Labor Market: Job growth in May totaled 139,000, exceeding expectations but continuing a pattern of moderate gains. The unemployment rate held steady at 4.2% for the third consecutive month, suggesting a stable, yet not overheated, labor market.
* GDP Growth: Real GDP contracted by 0.2% in Q1 2025, a sharp reversal from the 2.4% growth posted in Q4 2024. The Federal Reserve has since revised its 2025 GDP growth forecast downward from 2.1% to 1.7%, citing the dampening effects of tariffs on both trade volumes and consumer/business spending.

**Monetary Policy and Interest Rates**

Mortgage rates remain elevated, albeit slightly off their recent peaks:

* The average 30-year fixed mortgage rate declined marginally to 6.84%, from 6.85% the previous week.
* This is the second decline in five weeks, though rates remain over 20 basis points higher than in early 2025, offering only minimal relief to prospective homebuyers.

This limited movement underscores the Federal Reserve’s cautious posture. While markets anticipate rate cuts, the Fed is unlikely to move decisively until inflation demonstrates sustained moderation.

**Consumer Sentiment and Market Behavior**

* The University of Michigan Consumer Sentiment Index fell to 52.2 in both April and May, down from 74 in January. This represents the second-lowest reading on record, underscoring the public’s heightened uncertainty about the economic outlook.
* Consumer caution is translating into weaker housing activity and increased inventory. While more listings are becoming available, demand remains tepid.

**Housing Market Update**

The housing market is undergoing a transition marked by a rising supply and subdued sales:

* Active listings in May exceeded 1 million, the highest since December 2019—a 31.5% increase year-over-year.
* Despite this increase in inventory, sales volumes are trailing 2024 levels.

As Selma Hepp, Chief Economist at Cotality, aptly stated:

“Yes there is more inventory, but it’s almost like too little too late.”

Forecasts and Forward-Looking Indicators

* The National Association of Realtors (NAR) projects existing home sales will rise 6% in 2025, with median home prices increasing 3%, and mortgage rates falling to 6.4% by year-end.
* These forecasts hinge on continued economic slowing, which would give the Federal Reserve the leeway to reduce interest rates without reigniting inflation.

However, more immediate indicators suggest a sluggish second half:

* NAR’s Pending Home Sales Index declined 6.3% month-over-month in April, an unusual pattern for the peak spring season.
* Pending sales were also down 2.5% year-over-year, with Atlanta’s May pendings down 11% from the prior year.

Together, these figures point toward housing activity in 2025 remaining flat or only marginally above 2024 levels.

**Risks and Uncertainties**

Tariff policy, monetary uncertainty, and geopolitical instability continue to weigh on economic expectations. With no clear path forward on key policy decisions, businesses and consumers alike are exercising caution, leading to restrained investment and consumption.

Until more clarity emerges—especially regarding interest rates and global trade—the housing market is likely to remain in a state of cautious limbo.

**Conclusion**

The U.S. housing market in 2025 is navigating a complex macroeconomic environment. While the fundamentals remain intact, the overlay of policy-driven uncertainty and fragile consumer confidence is dampening both buyer enthusiasm and seller expectations. While forecasts suggest improvement in the second half, this will depend heavily on a cooling economy and corresponding rate relief from the Federal Reserve.

For real-time updates and in-depth local market insights, please visit the FMLS Market Intel platform. We update our data weekly to help you stay informed and ahead of the curve.

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