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Economic Report: Insights into Today's Housing Market

FMLS Market Intel Report

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Overview

Two weeks ago, financial markets closely watched the Federal Reserve's much-anticipated ¼-point cut in the Fed Funds rate. While the move was designed to provide relief, mortgage rates have instead edged higher. Freddie Mac reported the average 30-year fixed rate at 6.30% for the week ending September 25, up from 6.26% the week prior.

This unexpected rise reflects investor expectations and the complex relationship between short-term Fed policy, long-term bond yields, and mortgage markets.

Market Dynamics

The modest increase in mortgage rates was not a contradiction but a reflection of anticipated policy. Markets had priced in the Fed's move weeks in advance, so little reaction followed the actual announcement.

- Treasury Yields as Benchmark – Mortgage rates track closely with the 10-year Treasury yield.
- Risk Premium – The spread between Treasuries and mortgage-backed securities reflects the additional compensation investors demand to take on homeowner risk.
- Investor Sentiment – If cuts are seen as supporting growth, yields fall. If viewed as inflationary, investors require higher returns, pushing long-term rates higher.

The Fed's Dual Mandate and Policy Uncertainty

The Fed must balance employment stability with inflation control. The current environment complicates that task:

- Labor Market – Weakening indicators point to cooling employment.
- Inflation – Persistently above the 2% target and trending higher.

The September ¼-point cut moves policy toward neutrality but provides little clarity on the Fed's path forward. Upcoming reports will be critical:

- Jobs Report (October 3) – Expected to show further labor market trends.
- CPI Report (October 15) – Key measure of inflationary pressures.

If job growth slows and inflation stabilizes, another cut is possible. If inflation rises and jobs strengthen, cuts may be delayed. As Chairman Powell stated, “it's challenging to know what to do.”

Housing Market Outlook

With mortgage rates still in the low 6% range, buyers may find renewed incentive to enter the market. Realtor.com's “Best Time to Buy” report highlights favorable conditions:

- Nationwide Best Week: October 12–18
- Atlanta-Sandy Springs-Roswell MSA Best Week: September 28–October 4

Key Drivers for Buyers

- Higher Inventory – Peak seasonal listings offer more choices.
- Lower Prices – Homes priced below seasonal highs provide potential savings.
- Less Competition – Affordability challenges have reduced buyer demand.
- Price Reductions – More listings feature cuts, improving negotiating leverage.
- Slower Market Pace – Extended time on market allows for thoughtful decisions.

In short, early fall represents the most favorable buying window of the year.

Conclusion

The interplay between Fed policy, bond markets, and housing activity underscores the current economic uncertainty. While interest rates remain volatile, the early fall housing market offers unique opportunities for buyers seeking value.

Stay informed with FMLS Market Intel, where weekly updates provide the latest market data and insights across the Atlanta region.

For FMLS Market Intel,

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