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Economic Report: Insights into Today's Housing Market

FMLS Market Intel Report

Prepared by Leslie Appleton Young, Chief Economist, FMLS

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The U.S. economy showed resilience over the past year despite slower growth, labor market softening, and policy uncertainty. Consumer spending, artificial intelligence investment, and easing financial conditions helped offset headwinds. Looking ahead to 2026, forecasts call for stronger growth nationally and moderate expansion in Georgia, even as housing affordability and weak consumer confidence remain key risks.

Economic growth came in at 1.9%, respectable but the slowest pace since 2021. The labor market cooled into a “no-hire, no-fire” environment, with weakening job growth and unemployment rising to 4.4%, up 0.4 percentage points year over year.

Despite these shifts, consumer spending—nearly 70% of GDP—remained the primary growth driver, sustaining overall economic momentum even as households expressed growing unease.

The economy navigated notable headwinds from tariffs and immigration policy uncertainty. These pressures were counterbalanced by a significant tailwind from artificial intelligence, as investment in data centers, server farms, and related infrastructure surged. Rising equity markets amplified this impact through a strong wealth effect.

Monetary policy provided additional support. The Federal Reserve delivered three quarter-point rate cuts, and mortgage rates declined roughly 100 basis points, reaching a three-year low. While this eased some pressure on affordability, existing home sales remained stalled near 4 million units for the third consecutive year, highlighting persistent structural challenges in housing.

Consensus forecasts for 2026 project GDP growth between 2.0% and 2.4%, signaling a firmer expansion. A major contributor is fiscal stimulus from legislation passed last year, which includes:

- Broad tax cuts and targeted tax incentives
- Direct economic development incentives

- Increased government spending

Financial markets anticipate at least two additional Federal Reserve rate cuts, though policymakers held rates steady at their January meeting.

Georgia continues to benefit directly from technology-led growth. Atlanta ranks among the top 10 U.S. markets for AI job postings, reinforcing its position as a major tech hub.

The state will also receive a near-term boost from the 2026 FIFA World Cup, with Atlanta hosting eight matches, including at least one semi-final, at Mercedes-Benz Stadium. The event is expected to draw 300,000 visitors, generate \$500 million in out-of-state visitor spending, and deliver an estimated \$415 million in net economic benefit to the Atlanta economy.

Economists at Georgia State University project:

- 71,000 net new jobs in 2026
- 5.4% personal income growth this year

Overall, Georgia's economy is expected to expand at a moderate pace, constrained primarily by below-trend housing sales and subdued construction permit activity.

A central contradiction defines the current cycle: solid economic growth alongside deeply pessimistic sentiment. In January, the Conference Board reported a sharp 9.7-point drop in consumer confidence to 84.5, the lowest level since May 2014.

This disconnect reflects a "wind chill economy," where conditions feel worse than headline data suggest. The strain is uneven, consistent with a K-shaped economy: lower-income households face sustained pressure, while higher-income households continue to benefit from strong equity markets and elevated home equity.

This divide was underscored by McDonald's leadership, which reported nearly double-digit declines in traffic among lower-income consumers, contrasted with similarly strong growth among higher-income customers.

How consumers feel matters. Historically, falling confidence has often preceded recessions, though that relationship weakened after the pandemic. Whether today's economic wind chill fades—or signals deeper trouble—remains an open question.

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For FMLS Market Intel, this has been Leslie Appleton-Young.

