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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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Economic Snapshot: Mixed Signals Persist

- **Labor Market:** January added 130,000 jobs, beating expectations. However, benchmark revisions reduced total 2025 job gains to just 181,000—the slowest growth since 2023. Job creation remains narrowly concentrated in health care and social services.
Bottom line: Labor market softness remains a risk.
- **Inflation:** The PCE index (the Fed's preferred inflation gauge) rose to 2.9% YoY in December and averaged 3.1% over the past three months—still above the Fed's 2% target.
Bottom line: Inflation pressures limit near-term rate cuts.
- **Economic Growth:** Q4 real GDP grew at a 1.4% annual rate, well below the 2.8% consensus forecast.
Bottom line: Slower growth, but not weak enough to prompt immediate Fed action.
- **Interest Rates:** Markets overwhelmingly expect the Fed to hold rates steady at the March meeting. CME MarketWatch assigns a **97% probability** that the policy rate remains in the 3.5%–3.75% range.

Housing Market Conditions: Opportunity Meets Resistance

- **Mortgage Rates:** As of February 19, the Freddie Mac 30-year fixed-rate mortgage averaged **6.01%**, notably lower than a year ago.
- **Home Prices:** December Case-Shiller data shows more markets posting modest year-over-year price declines, particularly in Texas and Florida—markets that saw outsized pandemic-era gains.
- **Inventory:** Supply is relatively ample, while the buyer pool remains smaller than the number of sellers.
In theory: These conditions should be improving affordability and releasing demand.

Why Sales Haven't Rebounded

Despite improving affordability, January home sales declined more than expected nationally and locally.

Contributing factors:

- Weather disruptions
- Locked-in homeowners with ultra-low mortgage rates
- Ongoing affordability challenges
- Economic and policy uncertainty

Primary driver: A K-shaped housing market.

- **Top of the “K”:** Equity-rich, long-time homeowners—often buying with cash or large down payments.
- **Bottom of the “K”:** First-time buyers priced out by higher rates, prices, and down payment requirements.

According to the National Association of Realtors’ *2025 Profile of Home Buyers and Sellers*:

- First-time buyers accounted for just **21%** of purchases (vs. 44% in 1981).
- Median age of first-time buyers reached an all-time high of **40**.
- Only **24%** had children at home (down from 41% in 1981).
- Median down payment hit **10%**, the highest since 1989.
- Nearly **one-third of repeat buyers paid all cash**, fueled by years of equity gains.

Market reality: The housing market is increasingly split between cash-enabled repeat buyers and first-time buyers struggling to enter.

What This Means for Brokers & Agents

- Expect **continued uneven activity** across price points and buyer segments.
- Higher-income, higher-cost markets may continue to see firmer price growth.
- First-time buyers will require **more education, creativity, and patience**—especially around financing and expectations.
- Sellers may need **realistic pricing strategies** and flexibility as buyers gain negotiating leverage.

Affordability is improving but not evenly. Until the divide between first-time buyers and equity-rich homeowners narrows, transaction growth is likely to remain constrained despite better inventory and lower mortgage rates.

For the latest data and local insights, visit [firstmls.com/intel](https://www.firstmls.com/intel) on the FMLS website. Market statistics are updated weekly.

