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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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Executive Summary

Assessing the near-term direction of the U.S. economy remains highly uncertain. Forecasts are rapidly evolving with limited durability, reflecting heightened volatility across labor markets, inflation expectations, and geopolitical risk. While recent economic data points to resilience, emerging headwinds—particularly global conflict and rising interest rates—pose meaningful downside risks.

Labor Market & Consumer Activity

The March employment report exceeded expectations, signaling continued labor market strength. The U.S. economy added **178,000 jobs**, rebounding from a revised loss of **133,000 jobs in February**, while the unemployment rate declined to **4.3%**.

Consumer activity also demonstrated resilience:

- **Retail sales increased 0.6% month-over-month in February**
- **Year-over-year growth reached 3.7%**
- First monthly gain since November

These indicators suggest underlying economic momentum remains intact—for now.

Rising Risks: Inflation & Geopolitical Uncertainty

Despite positive economic signals, the macroeconomic outlook is increasingly shaped by external risks.

The ongoing conflict involving Iran introduces significant uncertainty, particularly through energy markets:

- **Gas prices surged 35% in March**, exceeding \$4 per gallon
- Elevated fuel costs are placing pressure on household budgets

Inflation concerns have also reemerged in financial markets:

- The **10-year Treasury yield rose from 3.97% to 4.38%** between late February and March-end
- This marks the highest level since July 2025

Recession risk is rising accordingly. Leading economists suggest that, absent a near-term resolution to geopolitical tensions, the probability of a downturn in the **second half of the year is elevated**.

Mortgage Rates & Housing Market Impact

Mortgage rates have trended upward for five consecutive weeks:

- Reaching **6.48% as of April 2**
- An increase of approximately **50 basis points**

Rate direction remains highly uncertain and is closely tied to:

- The duration and scale of geopolitical conflict
- Resulting impacts on global energy prices

This volatility complicates both buyer decision-making and broader housing market forecasts.

Housing Market Conditions

The anticipated momentum of the spring homebuying season has not materialized. Market conditions are best described as **subdued, with potential stagnation**.

Key dynamics:

- Buyers currently hold more leverage compared to recent years
- However, **affordability constraints and rising rates** are limiting demand
- Home sales growth is expected to remain modest if mortgage rates persist near **6.5%**

A recent Federal Reserve Bank of St. Louis study highlights the growing disconnect between income growth and housing costs.

National Trends (2000–2024)

- **Income growth:** +155%
- **Home price growth:** +207%

This widening gap underscores a structural affordability challenge.

Metro Atlanta Insights

Housing affordability has deteriorated significantly across key counties:

- **Fulton & Cobb Counties:** Index of 174
- **Clayton County:** Index of 121 (least impacted, but still negative)

(Index benchmark: 100 = no change; above 100 = worsening affordability)

The data confirms that **home prices have significantly outpaced income growth**, contributing to:

- Reduced first-time homebuyer access
- Increased reliance on housing as a wealth-building asset among existing homeowners

Outlook

The economic outlook remains highly fluid. While labor market strength and consumer activity provide near-term support, rising interest rates, persistent inflation pressures, and geopolitical instability introduce significant downside risks.

The trajectory of:

- Mortgage rates
- Housing demand
- Broader economic growth

will depend heavily on external developments, particularly energy markets and global conflict resolution.

For the most up-to-date housing market data and local insights, visit www.Firstmls.com/Intel.

