



FMLS Market Intel Report: Despite Mixed Economic Signals, Georgia Retains Its Business Advantage

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Date: October 7, 2026

Executive Summary

The bond market has become the central force shaping mortgage rates and the housing outlook. Treasury securities have sold off since March as investors weigh rising energy costs, government borrowing, artificial intelligence infrastructure investment and resilient economic data.

On September 30, the yield on the 10-year Treasury reached 5.3%, its highest level in 24 years. Mortgage rates followed. Freddie Mac reported that the average 30-year fixed mortgage rate rose to 7.28% on October 1, an increase of 25 basis points in one week. Bankrate measured an even higher rate of 7.53%. For a new \$400,000 mortgage, the latest increase adds approximately \$3,000 to annual payments.

The economic picture became less clear with the September employment report. Employers added only 29,000 jobs, far fewer than expected, and the previous month's total was revised lower. Unemployment edged higher. Investors interpreted the weaker report as a reason for the Federal Reserve to delay another increase in short-term rates and as a possible sign that inflation pressure may ease.

Consumers are also becoming more cautious. Consumer confidence fell to 81.9 in September, its lowest level since 2014. The sharpest decline occurred among households earning \$125,000 to \$150,000, raising concern that weak confidence may be spreading from first-time buyers into the trade-up market.

Georgia provides an important counterweight. Area Development magazine named Georgia the nation's No. 1 state for business for the 13th consecutive year, supporting the state's long-term outlook for investment, jobs and housing demand.

Why the Bond Market Matters

Mortgage rates are linked more closely to the bond market than to any single Federal Reserve decision. The yield on the 10-year Treasury provides a benchmark for long-term borrowing costs. Mortgage rates generally trade above that yield by a spread, or risk premium, that historically has been approximately 1.5 to 1.75 percentage points.

When investors sell Treasury bonds, bond prices fall and yields rise. Higher Treasury yields usually increase the return investors require on mortgage-backed securities, which pushes mortgage rates higher. This connection is why Dr. Selma Hepp, Chief Economist at Cotality, described the bond market as today's most important housing story.

The 10-year Treasury yield has risen approximately 122 basis points since February. Its move to 5.3% on September 30 reflected several concerns: higher energy prices, expanding government debt around the world, extraordinary capital needs for artificial intelligence infrastructure and economic growth that had appeared resistant to higher borrowing costs.

These pressures extend beyond housing by increasing borrowing costs for businesses and governments and limiting household purchasing power.

September Employment Changes the Rate Outlook

The September jobs report challenged the assumption that growth remained uniformly strong. The United States added only 29,000 jobs, the previous month was revised lower and unemployment edged higher.

The report does not indicate that the labor market is collapsing. Claudia Sahm, Chief Economist with New Century Advisors, characterized it as stable but not gaining momentum. That distinction matters. Slower hiring may reduce wage and demand pressure without signaling an immediate recession.

Softer labor data may make the Federal Reserve less likely to raise short-term rates in the immediate future. Slower growth could also reduce inflation pressure and eventually help long-term yields, although the path remains uncertain.

Mortgage Rates Move Above 7 Percent

Whatever happens next, housing has entered a period of higher borrowing costs. Freddie Mac's October 1 average for a 30-year fixed mortgage was 7.28%, up 25 basis points from the prior week. Bankrate reported a rate of 7.53%.

The payment effect is substantial. The recent increase adds approximately \$3,000 per year to payments on a new \$400,000 mortgage. That additional cost reduces purchasing power and can change the price range a household can afford.

Affordability is under pressure from income trends as well. Workers' pay has not kept pace with inflation since March, so household budgets are absorbing higher costs without equivalent growth in real earnings. Buyers face the combined burden of elevated home prices, mortgage rates above 7% and weaker purchasing power.

Consumer Confidence Raises a New Housing Concern

Consumers are feeling the strain. The Conference Board's Consumer Confidence Index fell to 81.9 in September, the lowest reading since 2014 and well below the consensus forecast of 89.2. Consumers' assessment of current business conditions became negative for the first time since September 2024.

The income distribution of the decline is especially relevant to housing. The largest drop in confidence occurred among households earning \$125,000 to \$150,000. Until now, weakening confidence had been concentrated mainly among low- and middle-income households.

If caution is spreading to higher-income households, housing demand could weaken beyond the first-time buyer segment. Households in the \$125,000 to \$150,000 range often have the income to participate in the trade-up market, but confidence affects whether they are willing to take on a larger payment, move from a favorable existing mortgage or make another major financial commitment.

A broader decline in confidence could reduce listings, buyer activity and transaction volume until households feel more certain about employment, inflation and financing costs.

Georgia Retains Its Business Advantage

Georgia received encouraging economic news when Governor Brian Kemp announced that Area Development magazine had named the state the nation's No. 1 state for business for the 13th consecutive year.

The ranking is influential in business recruitment and reinforces Georgia's appeal for corporate investment and expansion. Business development can create jobs, attract workers and support household formation. Those forces contribute to housing demand over time.

The ranking does not remove the immediate challenge posed by mortgage rates and consumer caution, but it strengthens Georgia's long-term economic foundation.

Market Outlook

Housing faces a difficult near-term combination: long-term interest rates are elevated, mortgage rates have moved above 7%, real wage growth has weakened and consumer confidence has fallen sharply. The September employment report may cause the Federal Reserve to pause, but a pause in short-term rate increases does not guarantee an immediate decline in mortgage rates. Treasury yields will continue to reflect inflation expectations, government borrowing, energy costs and global demand for capital.

For buyers and sellers, current financing conditions should be treated as the starting point for decisions rather than a temporary number that will necessarily reverse soon. Buyers should evaluate payments and purchasing power using realistic rates. Sellers should consider the affordability constraints facing their likely buyers and price against current competition.

FMLS members can follow the latest housing statistics through Market Intel on the FMLS website. Data is updated weekly, with local-market resources that help real estate professionals evaluate changing conditions across the Greater Atlanta region.