

An aerial photograph of a residential neighborhood with several houses, green lawns, and trees. A large blue diagonal banner is overlaid on the bottom half of the image, containing text.

# HaMMR Digest

Stay current with economic and mortgage market trends.

February 3, 2025

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## The Art of the Deal

- **Key Takeaway:** Solid economic data briefly overshadowed by weekend tariff announcement, but everything is negotiable.
- **Macro Implications:** Uncertainty reigns supreme (again); growth headwinds bigger concern than inflation if tariffs ultimately implemented.
- **Housing Implications:** Trade war drag on growth will bias interest rates modestly lower, but any upside for housing is blunted by uncertainty.

### Macro: What Could Go Wrong?

- Consumer spending growth accelerated in Q4, led by durable goods.
- Proposed tariffs on hold for one-third of U.S. trade for 30 days.
- Consumer strength would be challenged but not derailed by tariffs.

### Rates: Finally Settling In?

- 10-yr UST yield down 8bps last week to 4.54%, down ~25bps since Jan. 13.
- Fed meeting kept door open for a Mar. rate cut; contingent on inflation path.
- Markets increasingly confident on two 25bps rate cuts in '25, in June & Sept.

### Mortgage Market: Stuck at 7%

- Interest rates in a holding pattern, awaiting certainty on inflation & Fed.
- Annual mortgage purchase application growth back into positive territory.
- December pending sales declined by -5.5% m/m and -2.9% y/y.

### Existing Home Sales: Looking Good ...

- Existing home sales rose 2.2% m/m in December and 9.3% annually.
- Inventory rose 37% annualized in Q4 compared to a 50% rise in sales.
- Months' supply up 6% y/y to 3.8 (sa), slightly above 2019 levels.

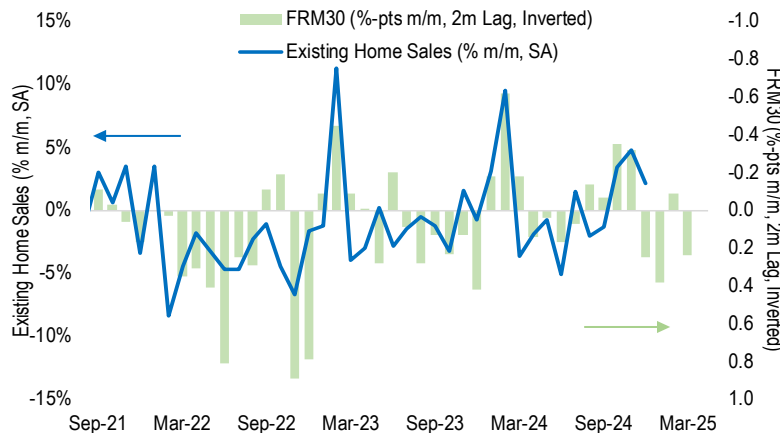
### New Home Sales: ... For Now

- December new home sales rose 3.6% m/m and 6.7% y/y.
- Months' supply of completed homes up to 4.3 months, 11-year high.
- Builders remain focused on managing affordability with incentives.

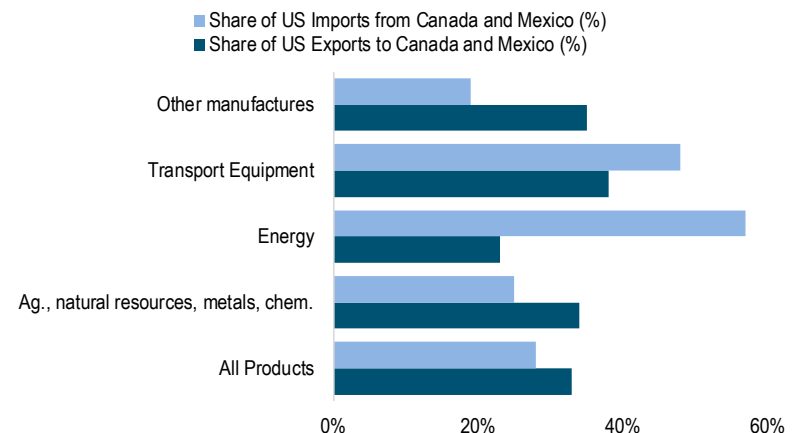
### Personal Income & Spending: Household Wallets Still Open

- Real disposable income rose 2.7% SAAR in 4Q and 2.4% y/y.
- Real spending rose 4.2% SAAR in 4Q, the strongest pace since 1Q23.
- Despite solid income gains, the savings rate fell to a multi-year low.

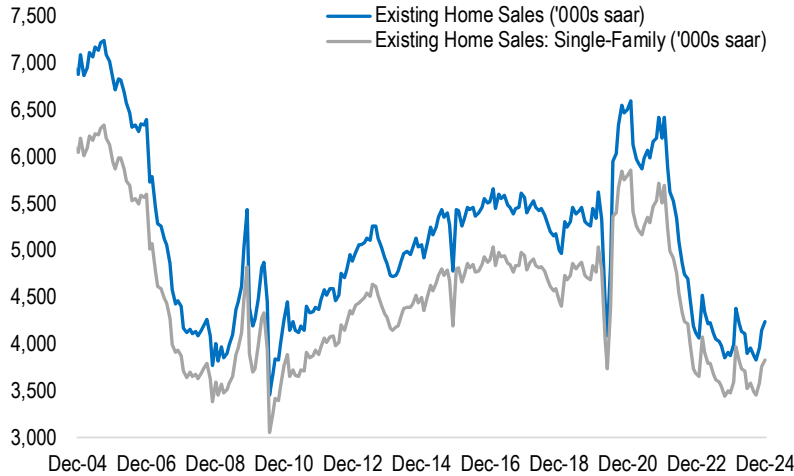
## Rates Giveth, Rates Taketh; Home Sales Outlook for Early 2025 Not as Rosy as Late 2024



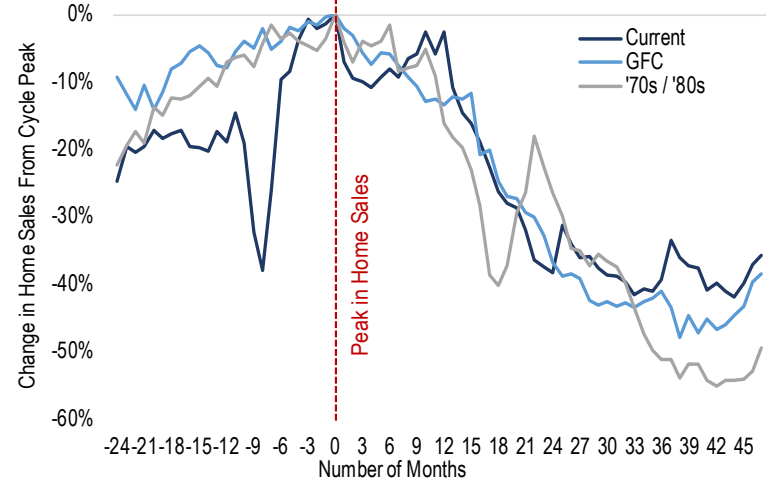
## Nearly One-Third of U.S. Trade Activity Impacted if Postponed Tariffs on Canada and Mexico Go into Effect



**Existing Home Sales Finished 2024 Strong, but Further Improvement Unlikely to Start 2025**



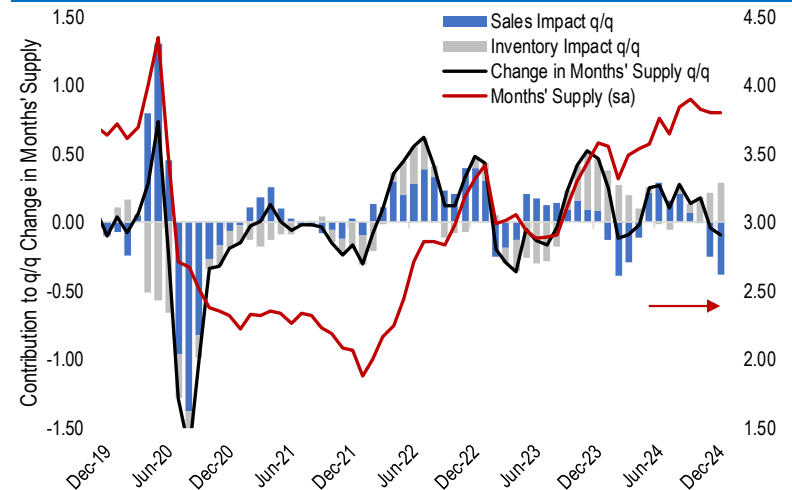
**The Rebound in Mortgage Rates Will See Sales Pivot Lower Once Again**



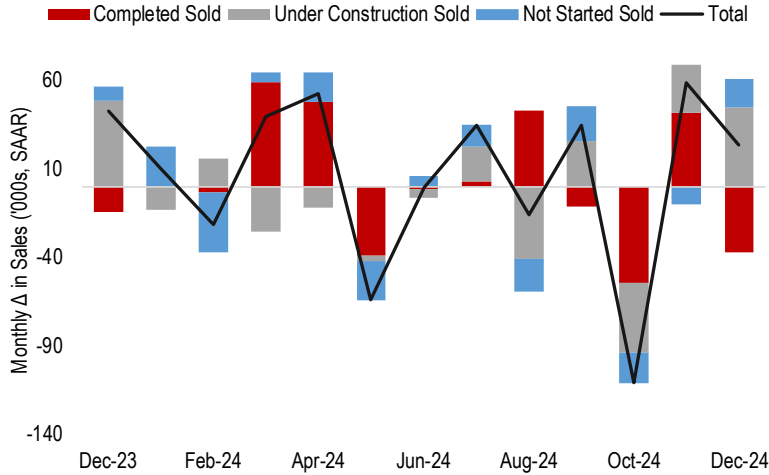
**Inventory Inched Higher in December, but Absolute Level Remained Historically Low**



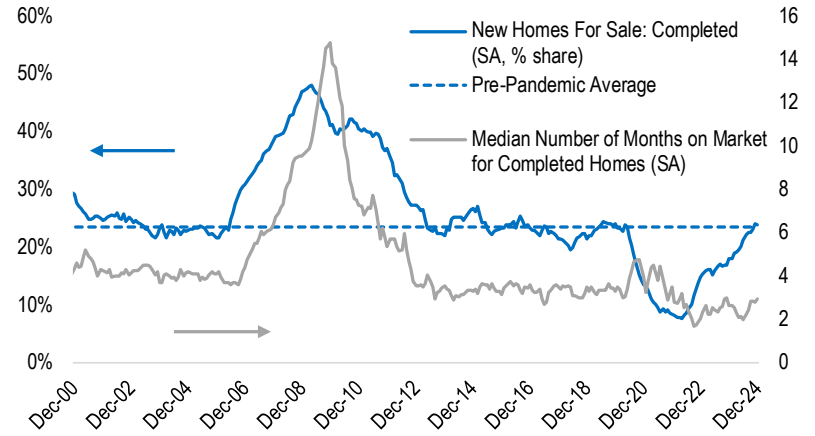
**In the Three Months to December, Sales Outpaced Inventory Growth to Drag Months' Supply Lower**



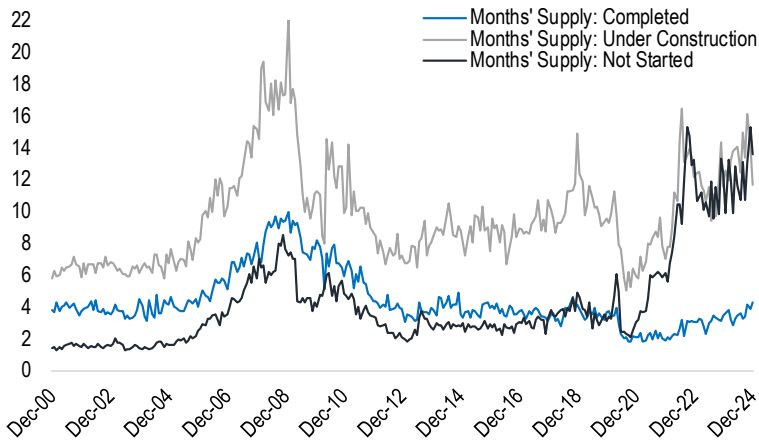
**New Home Sales Slowed in December amid Large -10% Drop in Completed Home Sales**



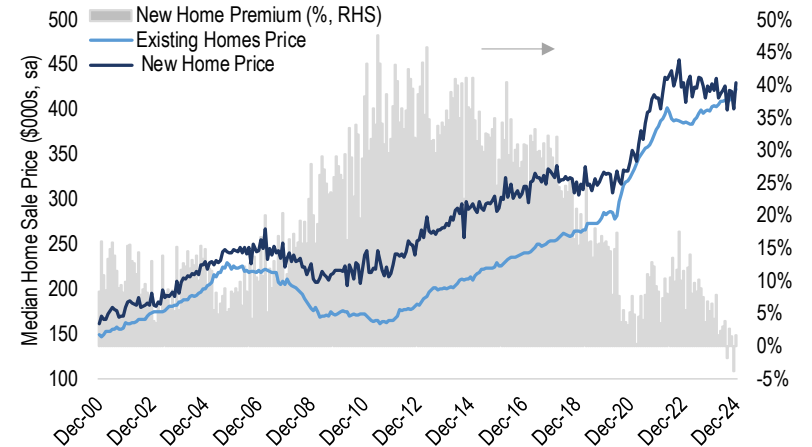
**Completed Homes Rose as Share of New Homes for Sale and Finally Crossed above Pre-Pandemic Norm**



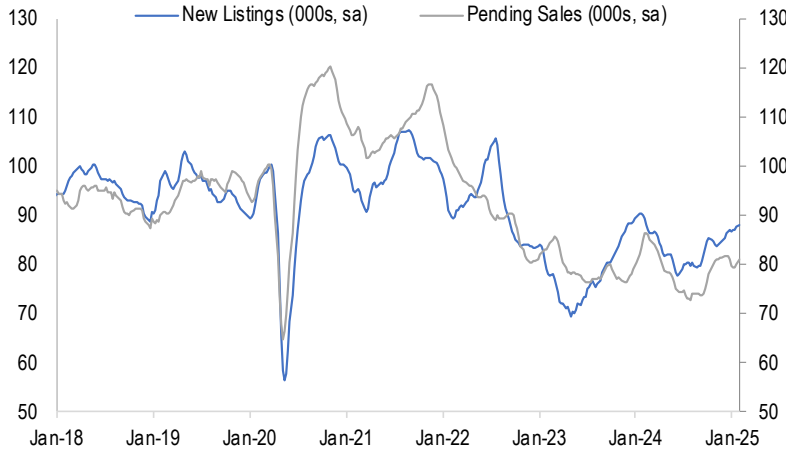
**Months' Supply Rose Only for Completed Segment While Other Segments Improved**



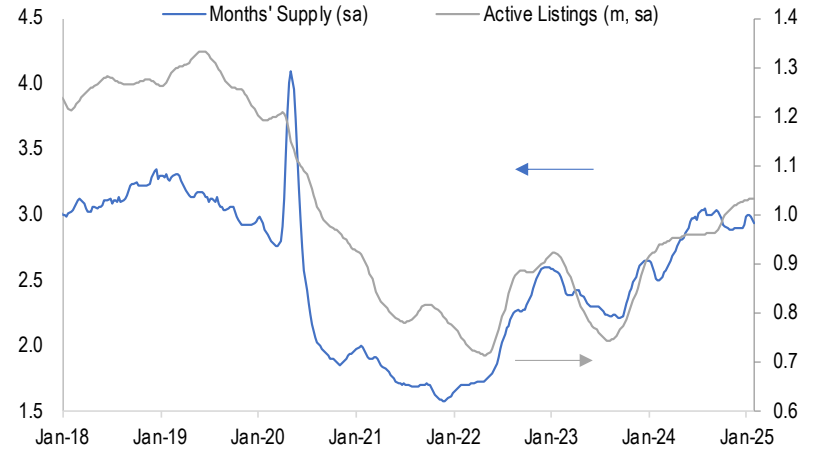
**National New Home Premium over Existing Just Barely Positive after Turning Negative in Prior Months**



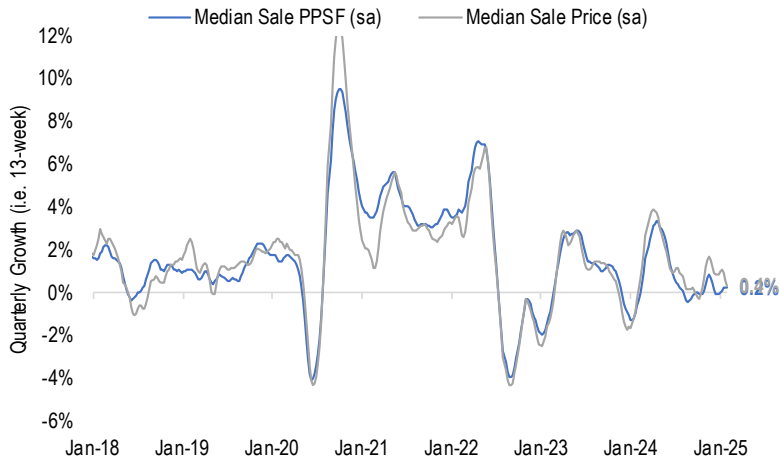
**Pending Home Sales Inched Higher near End of Jan. While New Listings Continued to Trend Higher ...**



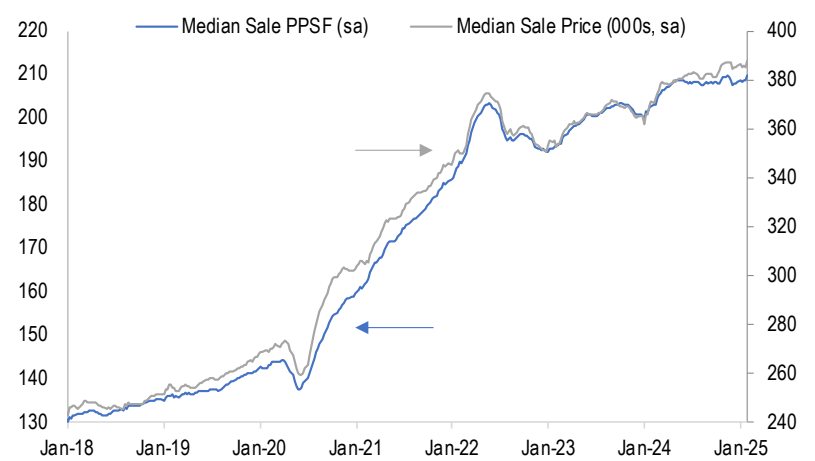
**... Which Kept Months' Supply in Check as Inventory Increase Has Cooled**



**Pace of Seasonally Adjusted Home-Price Growth Remained Modest to Start the Year**



**Majority of Recent Growth in National Median Sales Price/SF (SA) Occurred at the Start of 2024**

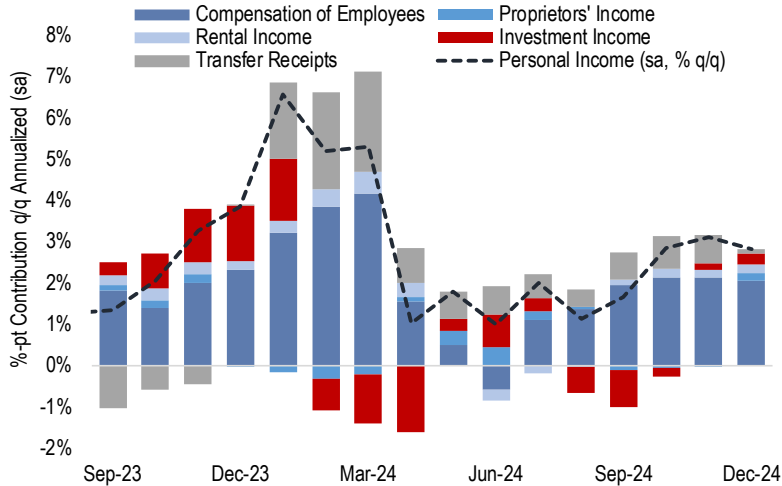


## Some Housing Markets Still Softening Even as Most Have Stabilized in Recent Months

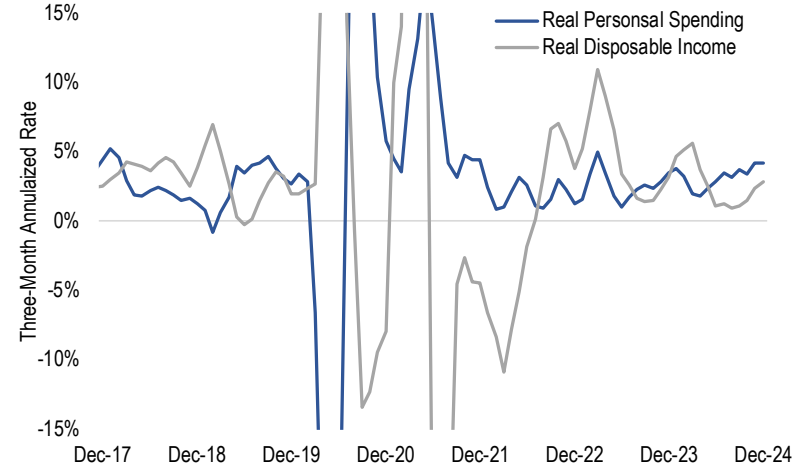
| Metro             | Median Sale Price Per Square Foot (y/y) |              | Median List Price Per Square Foot (y/y) |              | Active Listings with Price Drops |              | Average Sale-to-List Ratio |              | Median Days on Market vs Pre-COVID |          | Total Active Listings (y/y) | Months' Supply vs Pre-COVID |          |
|-------------------|---|--------------|---|--------------|----------------------------------|--------------|----------------------------|--------------|------------------------------------|----------|-----------------------------|-----------------------------|----------|
|                   | Current                                 | (Δ q/q, ppt) | Current                                 | (Δ q/q, ppt) | Current                          | (Δ y/y, ppt) | Current                    | (Δ y/y, ppt) | Current                            | Year Ago |                             | Current                     | Year Ago |
| All Redfin Metros | 3.6%                                    | 0.5%         | 5.5%                                    | 2.1%         | 5.3%                             | 0.9%         | 98.0%                      | -0.1%        | -10.6                              | -17.1    | 11%                         | -12%                        | -16%     |
| Atlanta           | 1.1%                                    | -0.6%        | 2.9%                                    | 2.4%         | 5.4%                             | 1.4%         | 97.8%                      | -0.1%        | 14.9                               | -4.3     | 14%                         | -15%                        | -21%     |
| Austin            | -2.4%                                   | -0.3%        | 2.9%                                    | 5.7%         | 6.5%                             | 0.9%         | 96.8%                      | -0.1%        | 45.5                               | 35.1     | 5%                          | 47%                         | 51%      |
| Baltimore         | 4.0%                                    | -0.2%        | 3.9%                                    | 0.1%         | 4.9%                             | 0.4%         | 100.2%                     | -0.1%        | -12.6                              | -18.3    | 3%                          | -39%                        | -32%     |
| Boston            | 9.6%                                    | 6.1%         | 3.6%                                    | -1.7%        | 3.9%                             | 0.8%         | 100.1%                     | -0.2%        | 1.3                                | -2.2     | -3%                         | -21%                        | -11%     |
| Chicago           | 9.5%                                    | 3.7%         | 5.6%                                    | 0.3%         | 3.1%                             | 1.1%         | 98.7%                      | -0.2%        | 13.0                               | 7.5      | -8%                         | -32%                        | -17%     |
| Dallas            | 0.2%                                    | 0.7%         | 2.1%                                    | 1.5%         | 7.1%                             | 1.6%         | 97.2%                      | -0.4%        | 23.1                               | 8.5      | 25%                         | 30%                         | 3%       |
| Denver            | 1.1%                                    | 0.4%         | 2.1%                                    | 2.3%         | 6.7%                             | 1.1%         | 98.4%                      | 0.0%         | 26.2                               | 16.0     | 25%                         | 46%                         | 38%      |
| Houston           | 1.8%                                    | 0.6%         | 1.7%                                    | -1.3%        | 6.6%                             | 1.8%         | 96.6%                      | -0.4%        | 3.0                                | -2.0     | 14%                         | -2%                         | -7%      |
| Los Angeles       | 3.0%                                    | 0.5%         | 8.3%                                    | 6.0%         | 2.9%                             | 0.2%         | 99.6%                      | -0.1%        | 5.0                                | -2.4     | 17%                         | 18%                         | -2%      |
| Miami             | 5.2%                                    | 1.6%         | 5.0%                                    | -3.3%        | 4.2%                             | 1.0%         | 95.4%                      | -0.6%        | 17.6                               | -0.9     | 23%                         | 21%                         | -13%     |
| Minneapolis       | 2.5%                                    | 0.6%         | 4.0%                                    | 2.3%         | 5.1%                             | 1.3%         | 98.8%                      | 0.0%         | -1.8                               | -5.0     | -2%                         | -11%                        | -1%      |
| Nashville         | 2.1%                                    | 1.7%         | 2.4%                                    | 0.7%         | 4.4%                             | 1.6%         | 97.7%                      | -0.2%        | 16.0                               | 8.6      | 9%                          | 22%                         | 17%      |
| New York          | 8.7%                                    | 1.7%         | 6.0%                                    | -4.4%        | 3.2%                             | -0.1%        | 99.4%                      | 0.2%         | -53.6                              | -45.0    | -3%                         | -34%                        | -27%     |
| Phoenix           | 1.6%                                    | 1.6%         | 2.9%                                    | 1.3%         | 6.9%                             | 0.6%         | 97.9%                      | 0.0%         | 12.8                               | 2.6      | 23%                         | 27%                         | 18%      |
| Portland          | 1.6%                                    | 1.9%         | 3.1%                                    | 3.0%         | 6.3%                             | 2.3%         | 98.8%                      | 0.0%         | 19.2                               | 6.8      | 5%                          | 21%                         | 34%      |
| Riverside         | 4.9%                                    | 0.1%         | 6.6%                                    | 3.7%         | 4.4%                             | 1.0%         | 98.7%                      | -0.3%        | -4.9                               | -12.6    | 22%                         | 1%                          | -14%     |
| San Diego         | 3.0%                                    | -1.7%        | 4.4%                                    | 2.2%         | 4.5%                             | 1.1%         | 98.9%                      | -0.5%        | 3.3                                | -9.5     | 17%                         | -12%                        | -24%     |
| Seattle           | 3.6%                                    | 0.4%         | 4.7%                                    | -1.9%        | 5.2%                             | 1.9%         | 99.3%                      | 0.1%         | 4.0                                | 3.9      | 26%                         | 19%                         | 6%       |
| Tampa             | -1.8%                                   | 2.1%         | 1.4%                                    | 4.6%         | 8.4%                             | 0.7%         | 96.5%                      | -0.5%        | 7.8                                | -0.5     | 16%                         | 15%                         | 13%      |
| Washington DC     | 7.4%                                    | 1.8%         | 6.7%                                    | 2.6%         | 3.5%                             | 0.3%         | 99.6%                      | 0.3%         | 3.3                                | -0.5     | 6%                          | -13%                        | -9%      |

Data as of Jan. 26, 2025, and reflects 4-week averages.

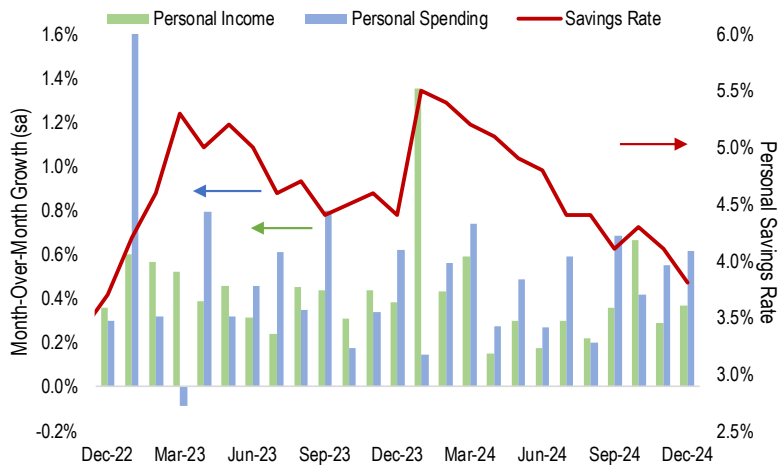
**Labor Income Growth Accelerated for Third Consecutive Quarter Offsetting Cooling Government Transfers**



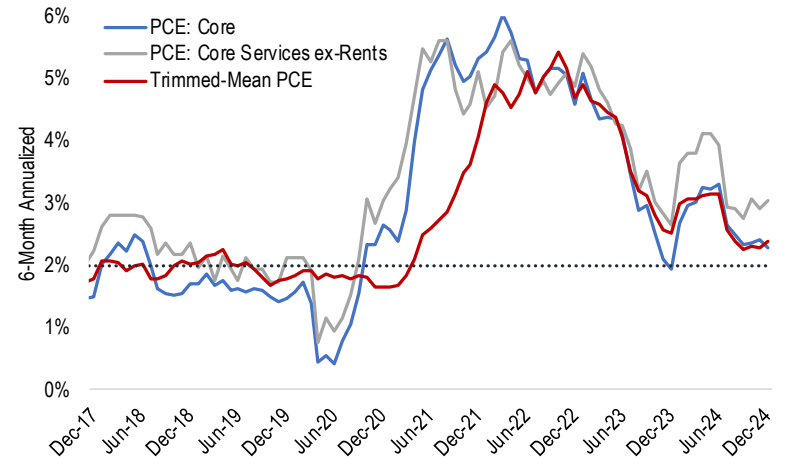
**Spending Growth Rebounded Further, Continued to Outpace Income Growth ...**



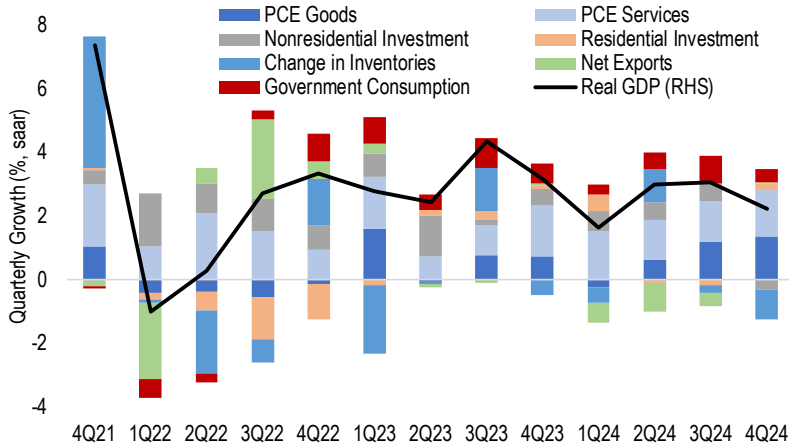
**... Pushing Savings Rate to a 24-Month Low; Not Alarming Yet Given Solid Household Balance Sheets**



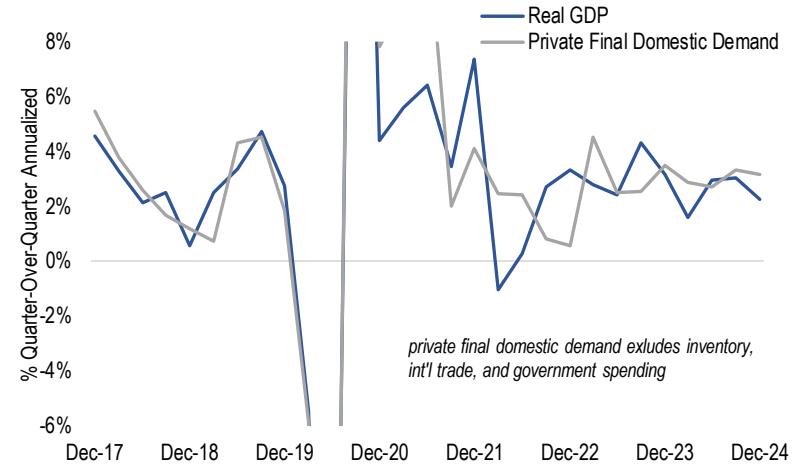
**Fed Patience Justified by Still Above-Target Recent Inflation Despite Recent Progress**



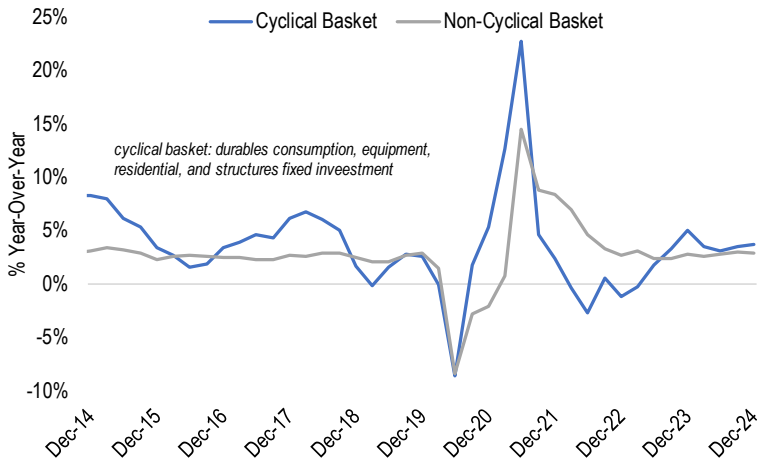
**Growth Remained Firm in Q4 as Consumer Spending Accelerated for Third Straight Quarter**



**Private Final Domestic Demand, Key Gauge of Underlying Momentum, Remained Firm**



**Cyclically-Sensitive Economic Output That Tends to Slow When Rates Rise Has Proven Resilient This Cycle**

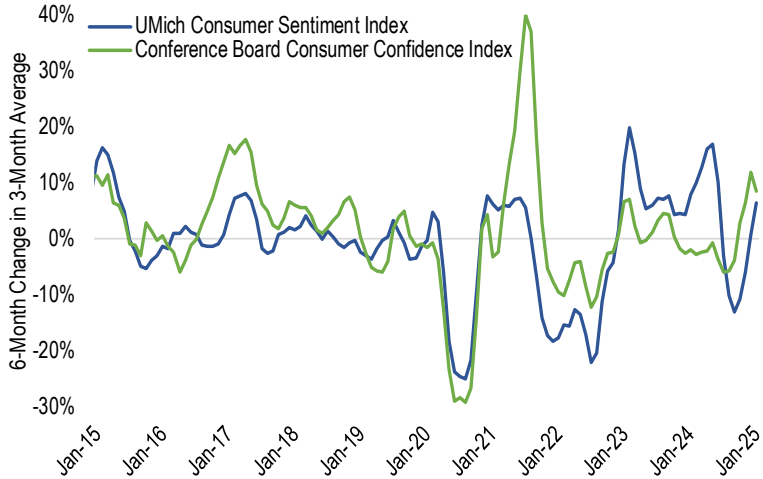


**First Decline in Retail Inventories Since 2022 Aided by Surge in Household Autos Consumption**

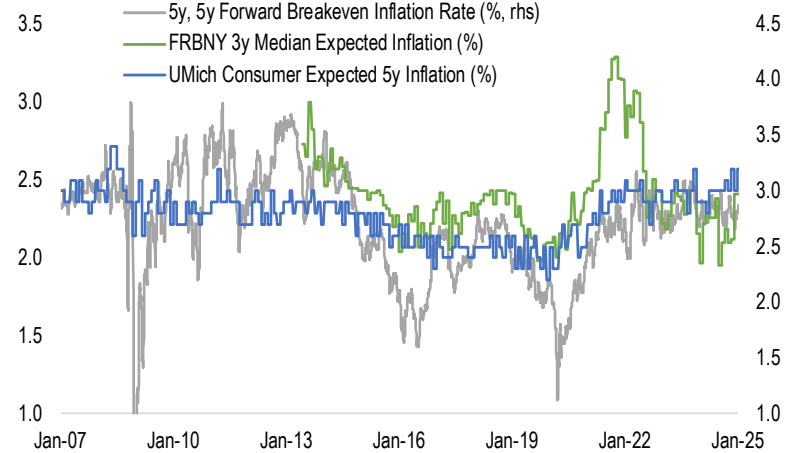




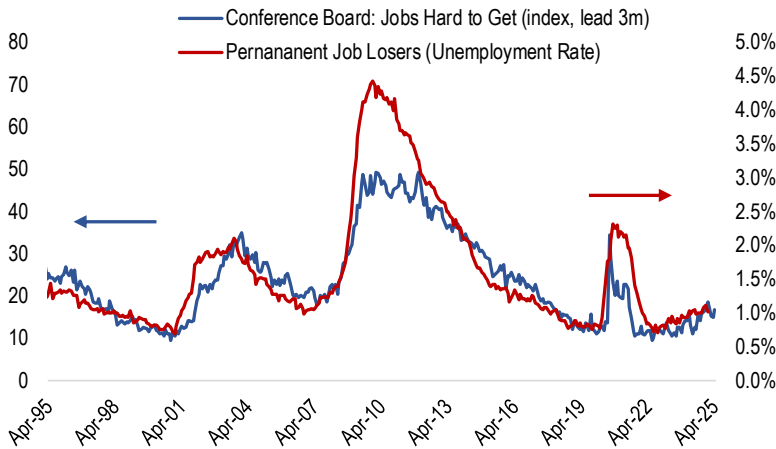
**Consumer Confidence Trends Positive, but "Future Conditions" Show Signs of Turning on Tariff Talk**



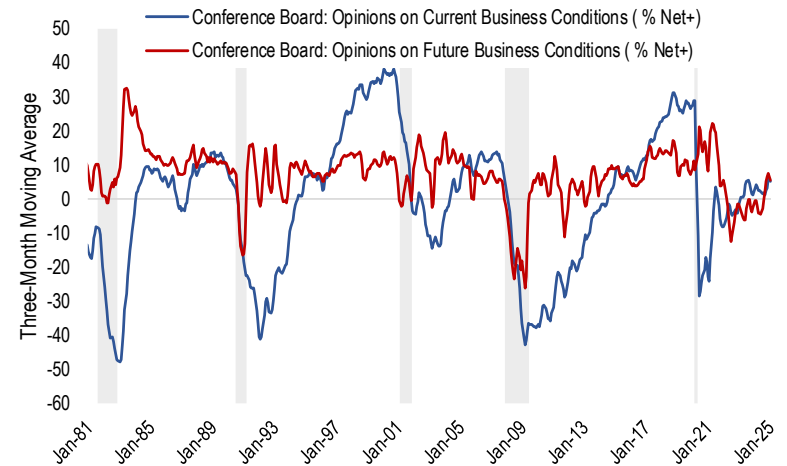
**Medium-Term Inflation Expectations Have Picked Up Recently Amid Rebound in Energy Costs**



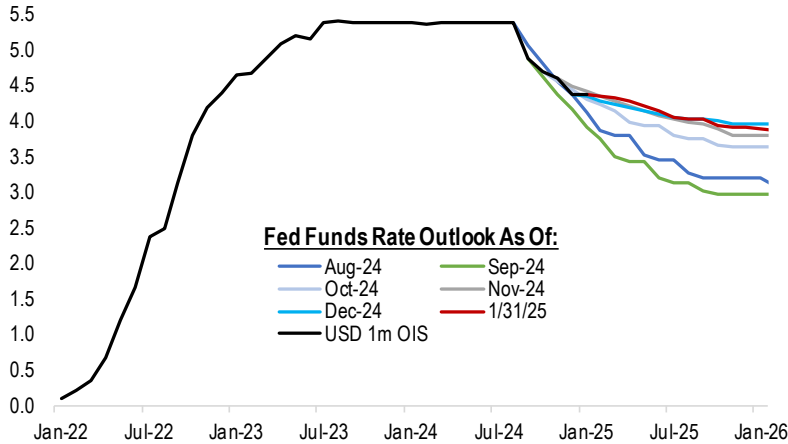
**Conference Board Measure of Job Market Health Does Not Suggest Labor Market Re-Tightening**



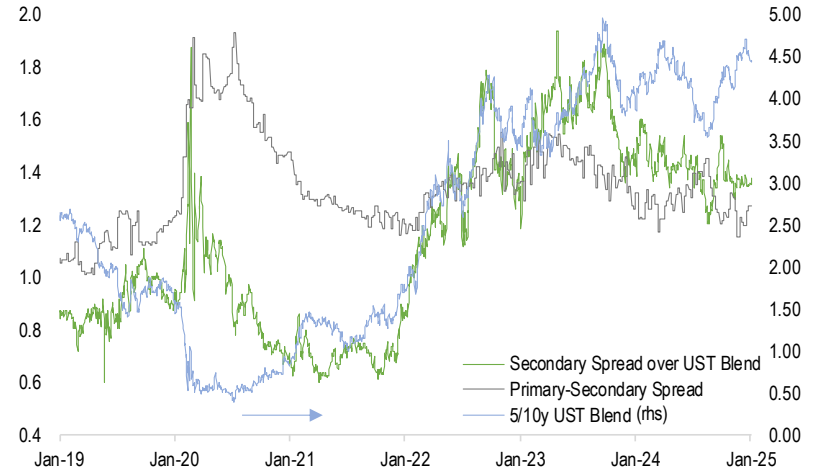
**Households' Perceptions of Current Business Conditions Remained Low as Future Conditions Pulled Back**



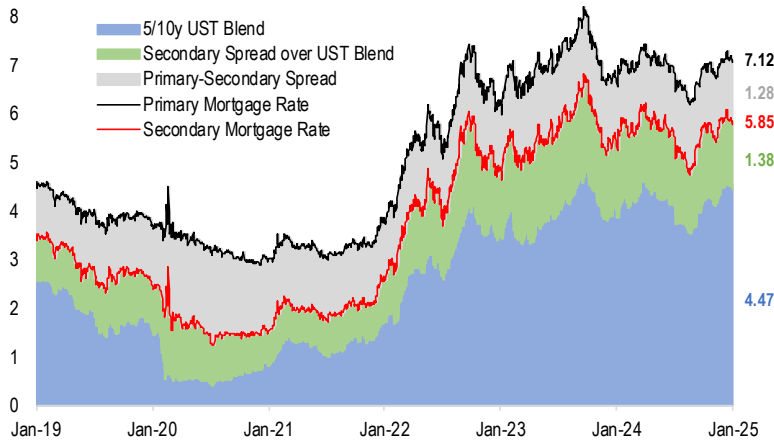
Two Cuts in 2025 Now Seen as More of a Certainty (~90% odds) vs. a Toss-Up Last Week



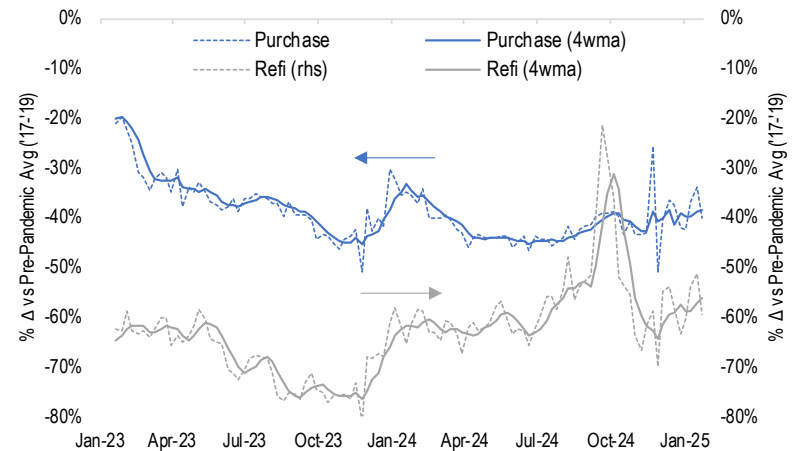
UST Yields Down 9bps Last Week While Mortgage Spreads Were Roughly Unchanged ...



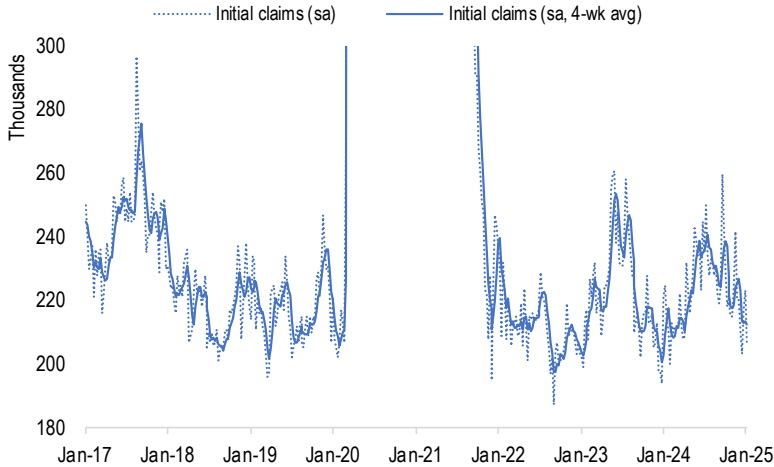
... Pulling Down Implied Mortgage Rates Back toward 7% after Touching an 8-Month High



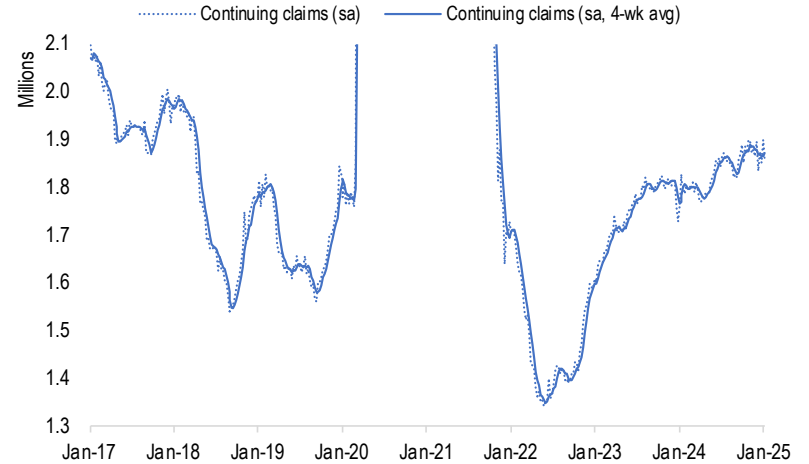
Mortgage Applications Gradually Trending Higher as Mortgage Rate Ascent Has Cooled



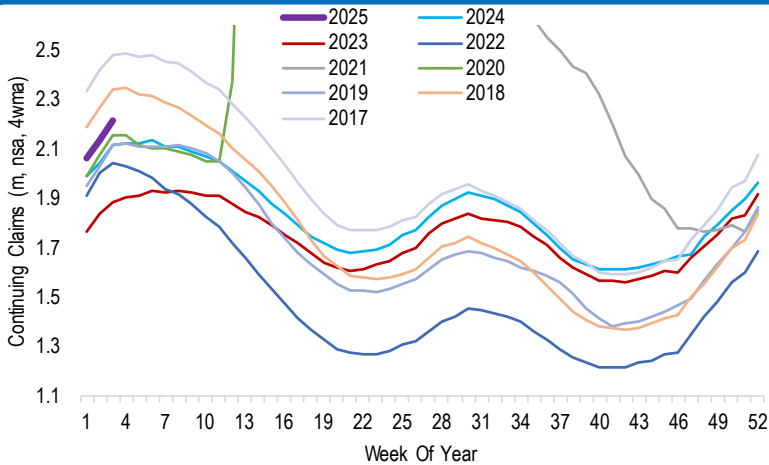
**Initial Claims (SA) Resumed Decline as Los Angeles Fire Effects Faded**



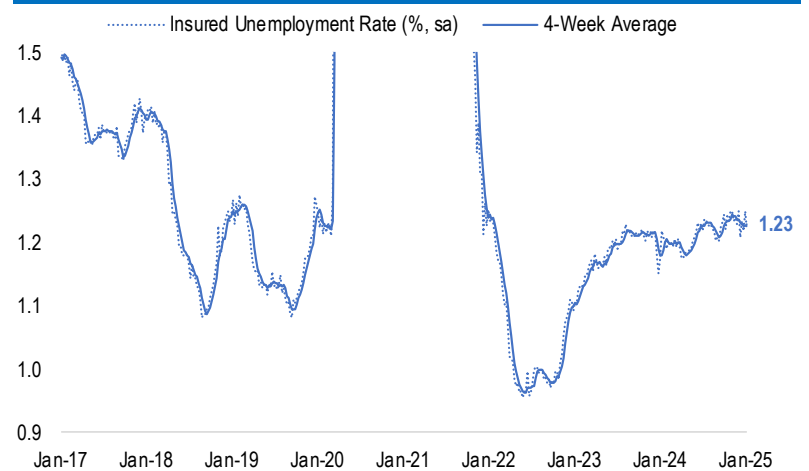
**Continuing Claims Remained near Multi-Year Highs as Unemployed Workers Struggled to Find New Jobs**



**Unadjusted Continuing Claims Started 2025 at Highest Level Since 2018**



**Normalizing for the Size of the Labor Force, Insured Unemployment Continued to Trend Modestly Higher**



## Upcoming Data Releases

Key economic and housing data releases for the coming week:

| Date   | Time     | Indicator                          | Period  | Actual | Consensus | Revised | Prior | Note       |
|--------|----------|------------------------------------|---------|--------|-----------|---------|-------|------------|
| 2/3/25 | 9:45 AM  | S&P Global US Manufacturing PMI    | Jan F   | 51.2   | 50.1      | --      | 50.1  | index, sa  |
| 2/3/25 | 10:00 AM | ISM Manufacturing                  | Jan     | 50.9   | 50.0      | 49.2    | 49.3  | index, sa  |
| 2/3/25 | 10:00 AM | ISM Prices Paid                    | Jan     | 54.9   | 54.2      | --      | 52.5  | index, nsa |
| 2/3/25 | 4:36 PM  | Wards Total Vehicle Sales          | Jan     | 15.6   | 16.0      | --      | 16.8  | m, saar    |
| 2/4/25 | 10:00 AM | JOLTS Job Openings                 | Dec     | --     | 8,000     | --      | 8,098 | k, sa      |
| 2/4/25 | 10:00 AM | Durable Goods Orders m/m           | Dec F   | --     | -2.2      | --      | -2.2  | %, sa      |
| 2/4/25 | 10:00 AM | Cap Goods Orders Nondef Ex Air m/m | Dec F   | --     | 0.5       | --      | 0.5   | %, sa      |
| 2/4/25 | 10:00 AM | Cap Goods Ship Nondef Ex Air m/m   | Dec F   | --     | 0.6       | --      | 0.6   | %, sa      |
| 2/5/25 | 7:00 AM  | MBA Mortgage Applications w/w      | 1/31/25 | --     | --        | --      | -2.0  | %, sa      |
| 2/5/25 | 8:15 AM  | ADP Employment m/m                 | Jan     | --     | 150       | --      | 122   | k, sa      |
| 2/5/25 | 9:45 AM  | S&P Global US Services PMI         | Jan F   | --     | 52.9      | --      | 52.8  | index, sa  |
| 2/5/25 | 9:45 AM  | S&P Global US Composite PMI        | Jan F   | --     | 52.5      | --      | 52.4  | index, sa  |
| 2/5/25 | 10:00 AM | ISM Services Index                 | Jan     | --     | 54.0      | --      | 54.1  | index, nsa |
| 2/6/25 | 8:30 AM  | Nonfarm Productivity q/q           | 4Q P    | --     | 1.2       | --      | 2.2   | %, saar    |
| 2/6/25 | 8:30 AM  | Unit Labor Costs q/q               | 4Q P    | --     | 3.4       | --      | 0.8   | %, saar    |
| 2/6/25 | 8:30 AM  | Initial Jobless Claims             | 2/1/25  | --     | 213       | --      | 207   | k, sa      |
| 2/6/25 | 8:30 AM  | Continuing Claims                  | 1/25/25 | --     | 1,870     | --      | 1,858 | k, sa      |
| 2/7/25 | 8:30 AM  | Nonfarm Payrolls m/m               | Jan     | --     | 170       | --      | 256   | k, sa      |
| 2/7/25 | 8:30 AM  | Private Payrolls m/m               | Jan     | --     | 150       | --      | 223   | k, sa      |
| 2/7/25 | 8:30 AM  | Average Hourly Earnings m/m        | Jan     | --     | 0.3       | --      | 0.3   | %, sa      |
| 2/7/25 | 8:30 AM  | Average Hourly Earnings y/y        | Jan     | --     | 3.8       | --      | 3.9   | %, nsa     |
| 2/7/25 | 8:30 AM  | Average Weekly Hours All Employees | Jan     | --     | 34.3      | --      | 34.3  | sa         |
| 2/7/25 | 8:30 AM  | Unemployment Rate                  | Jan     | --     | 4.1       | --      | 4.1   | %, sa      |
| 2/7/25 | 8:30 AM  | Labor Force Participation Rate     | Jan     | --     | 62.5      | --      | 62.5  | %, sa      |
| 2/7/25 | 10:00 AM | U. of Mich. Sentiment              | Feb P   | --     | 71.8      | --      | 71.1  | index, nsa |
| 2/7/25 | 10:00 AM | Wholesale Inventories m/m          | Dec F   | --     | -0.5      | --      | -0.5  | %, sa      |
| 2/7/25 | 10:00 AM | Wholesale Trade Sales m/m          | Dec     | --     | 0.5       | --      | 0.6   | %, sa      |
| 2/7/25 | 10:00 AM | U. of Mich. 1 Yr Inflation         | Feb P   | --     | 3.3       | --      | 3.3   | nsa        |
| 2/7/25 | 10:00 AM | U. of Mich. 5-10 Yr Inflation      | Feb P   | --     | 3.2       | --      | 3.2   | nsa        |
| 2/7/25 | 3:00 PM  | Consumer Credit m/m                | Dec     | --     | 18.0      | --      | -7.5  | \$B, sa    |

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

## Recent Data Releases

Key economic and housing data releases over the prior week:

| Date    | Time     | Indicator                                   | Period  | Actual       | Consensus | Revised | Prior | Note      |
|---------|----------|---|---------|--------------|-----------|---------|-------|-----------|
| 1/27/25 | 7:46 AM  | Building Permits                            | Dec F   | <b>1,482</b> | --        | --      | 1,483 | k, saar   |
| 1/27/25 | 7:46 AM  | Building Permits m/m                        | Dec F   | <b>-0.7</b>  | --        | --      | -0.7  | %, sa     |
| 1/27/25 | 10:00 AM | New Home Sales                              | Dec     | <b>698</b>   | 675       | 674     | 664   | k, saar   |
| 1/27/25 | 10:00 AM | New Home Sales m/m                          | Dec     | <b>3.6</b>   | 1.7       | 9.6     | 5.9   | %, sa     |
| 1/28/25 | 8:30 AM  | Durable Goods Orders m/m                    | Dec P   | <b>-2.2</b>  | 0.6       | -2.0    | -1.2  | %, sa     |
| 1/28/25 | 8:30 AM  | Cap Goods Orders Nondef Ex Air m/m          | Dec P   | <b>0.5</b>   | 0.3       | 0.9     | 0.4   | %, sa     |
| 1/28/25 | 8:30 AM  | Cap Goods Ship Nondef Ex Air m/m            | Dec P   | <b>0.6</b>   | 0.2       | 0.4     | 0.3   | %, sa     |
| 1/28/25 | 9:00 AM  | FHFA House Price Index m/m                  | Nov     | <b>0.3</b>   | 0.3       | 0.5     | 0.4   | %, sa     |
| 1/28/25 | 9:00 AM  | S&P CoreLogic CS 20-City m/m SA             | Nov     | <b>0.4</b>   | 0.3       | 0.4     | 0.3   | %, sa     |
| 1/28/25 | 9:00 AM  | S&P CoreLogic CS 20-City y/y NSA            | Nov     | <b>4.3</b>   | 4.2       | 4.2     | 4.2   | %, nsa    |
| 1/28/25 | 10:00 AM | Conf. Board Consumer Confidence             | Jan     | <b>104.1</b> | 105.7     | 109.5   | 104.7 | index, sa |
| 1/29/25 | 7:00 AM  | MBA Mortgage Applications w/w               | 1/24/25 | <b>-2.0</b>  | --        | --      | 0.1   | %, sa     |
| 1/29/25 | 8:30 AM  | Wholesale Inventories m/m                   | Dec P   | <b>-0.5</b>  | 0.2       | -0.1    | -0.2  | %, sa     |
| 1/29/25 | 8:30 AM  | Retail Inventories m/m                      | Dec     | <b>-0.3</b>  | 0.2       | 0.0     | 0.3   | %, sa     |
| 1/29/25 | 2:00 PM  | FOMC Rate Decision (Upper Bound)            | 1/29/25 | <b>4.50</b>  | 4.50      | --      | 4.50  | %         |
| 1/30/25 | 8:30 AM  | GDP Annualized q/q                          | 4Q A    | <b>2.3</b>   | 2.6       | --      | 3.1   | %, saar   |
| 1/30/25 | 8:30 AM  | Personal Consumption q/q                    | 4Q A    | <b>4.2</b>   | 3.2       | --      | 3.7   | %, saar   |
| 1/30/25 | 8:30 AM  | Core PCE Deflator q/q                       | 4Q A    | <b>2.5</b>   | 2.5       | --      | 2.2   | %, saar   |
| 1/30/25 | 8:30 AM  | Initial Jobless Claims                      | 1/25/25 | <b>207</b>   | 225       | --      | 223   | k, sa     |
| 1/30/25 | 8:30 AM  | Continuing Claims                           | 1/18/25 | <b>1,858</b> | 1,902     | 1,900   | 1,899 | k, sa     |
| 1/30/25 | 10:00 AM | Pending Home Sales m/m                      | Dec     | <b>-5.5</b>  | 0.0       | 1.6     | 2.2   | %, sa     |
| 1/30/25 | 10:00 AM | Pending Home Sales y/y                      | Dec     | <b>-2.9</b>  | 4.2       | 4.9     | 5.6   | %, nsa    |
| 1/31/25 | 8:30 AM  | Employment Cost Index q/q                   | 4Q      | <b>0.9</b>   | 0.9       | --      | 0.8   | %, sa     |
| 1/31/25 | 8:30 AM  | Personal Income m/m                         | Dec     | <b>0.4</b>   | 0.4       | --      | 0.3   | %, sa     |
| 1/31/25 | 8:30 AM  | Personal Spending m/m                       | Dec     | <b>0.7</b>   | 0.5       | 0.6     | 0.4   | %, sa     |
| 1/31/25 | 8:30 AM  | Real Personal Spending m/m                  | Dec     | <b>0.4</b>   | 0.3       | 0.5     | 0.3   | %, sa     |
| 1/31/25 | 8:30 AM  | PCE Inflation m/m                           | Dec     | <b>0.3</b>   | 0.3       | --      | 0.1   | %, sa     |
| 1/31/25 | 8:30 AM  | PCE Inflation y/y                           | Dec     | <b>2.6</b>   | 2.6       | --      | 2.4   | %, nsa    |
| 1/31/25 | 8:30 AM  | PCE Core Inflation (ex Food and Energy) m/m | Dec     | <b>0.2</b>   | 0.2       | --      | 0.1   | %, sa     |
| 1/31/25 | 8:30 AM  | PCE Core Inflation (ex Food and Energy) y/y | Dec     | <b>2.8</b>   | 2.8       | --      | 2.8   | %, nsa    |

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

**Green** = beat expectations; **Red** = worse than expectations; (compared vs. prior if no consensus estimates available)