

A photograph of a row of colorful, multi-story houses with green shutters and yellow trim, set against a backdrop of trees and a blue sky. The houses are in shades of red, blue, and white.

HaMMR Digest

Stay current with economic and mortgage market trends.

February 24, 2025

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Déjà Vu

- **Key Takeaway:** Inflation accelerated yet again to start a year. Despite potential seasonal adjustment issues, price pressures are far from comforting.
- **Macro Implications:** Persistent price pressures alongside economic policy uncertainty raises risk of Fed waiting beyond June to cut again.
- **Housing Implications:** The ascent in mortgage rates took a pause but remained too restrictive for a material rebound in home sales.

Macro: Souring Mood?

- Sentiment indicators showing early signs of caution amid tariff risks.
- Consumer inflation expectations are rising but not cause for concern, yet.
- Poor retail sales in January will likely prove a blip in otherwise solid trend.

Rates: Upward Momentum Halted

- 10-year UST fell 11bps w/w to 4.42% amid weaker macro data.
- Fed commentary supporting a prolonged pause puts a floor under rates.
- Market back to pricing in two 25bps cuts in '25 with the first in June.

Housing: Mind the Inventory Trends

- Mortgage rates hovering just below 7% will likely cap sales volumes.
- Despite headwinds, purchase application resiliency is encouraging.
- Rising inventory could support sales should economy remain solid.

Consumer Inflation: Inauspicious Beginnings yet Again

- Headline CPI inflation rose 0.47% in Jan. after a 0.36% bump in Dec.
- Core inflation spiked to strongest pace (0.45%) since Feb. '23.
- Broad-based acceleration led by rebound in core goods and services.

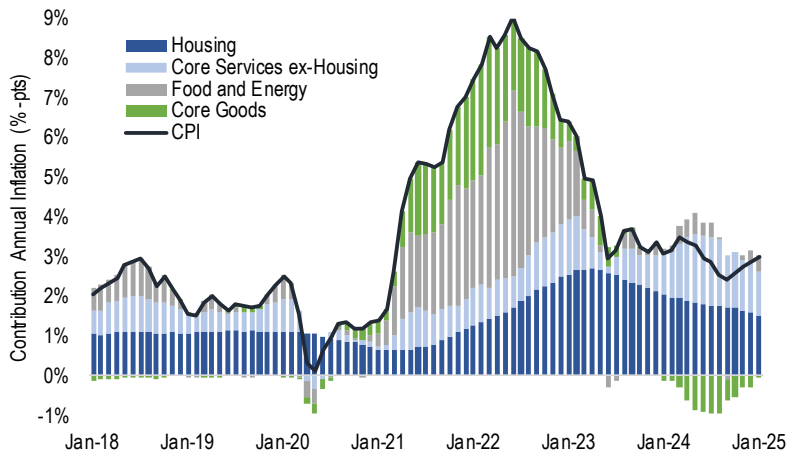
Existing Home Sales: Nosedive

- Existing home sales fell -4.9% m/m in January but are up 2% y/y.
- Inventory rose for the sixth straight month, by 4% m/m and 17% y/y.
- Months' supply up to 4.1 (sa) from 3.6 a year ago, slightly above '19.

Home Construction: Uncertain Times Ahead

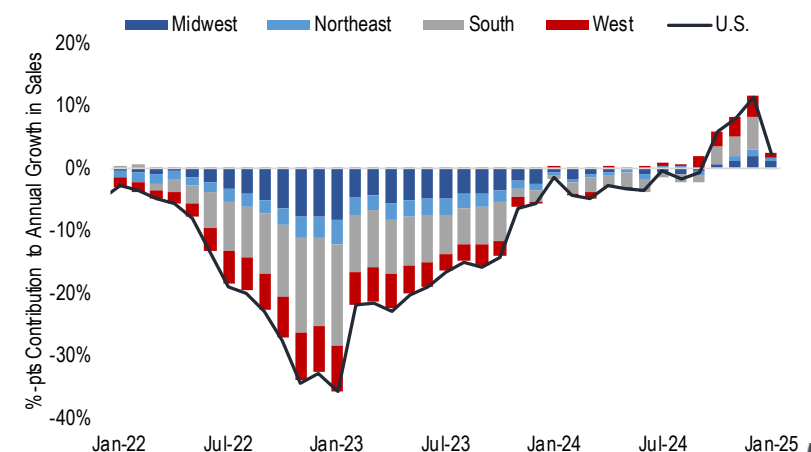
- Single-family starts fell -8% in Jan., likely reflecting poor weather.
- Permitting trailed the pace of starts, implying a slowdown near-term.
- Elevated rates, higher costs and slower migration are outlook risks.

Potential Seasonal Adjustment Issues Aside, Inflation Remains Too High, Keeping Fed in "Wait and See" Mode

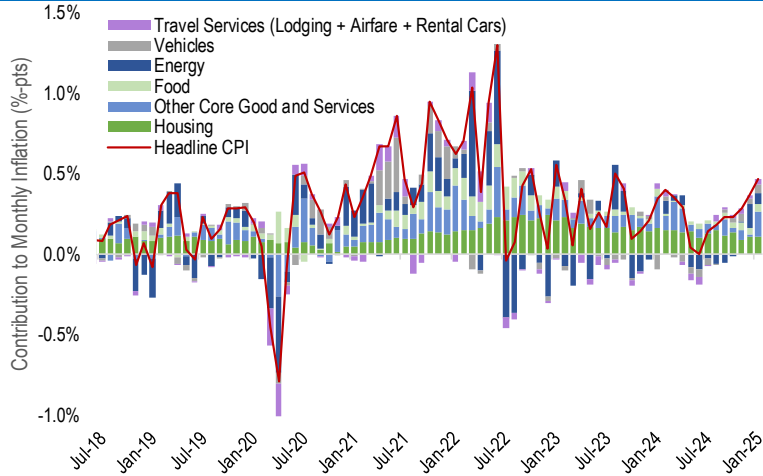


Sources: U.S. Bureau of Labor Statistics, Census Bureau, Arch Global Economics

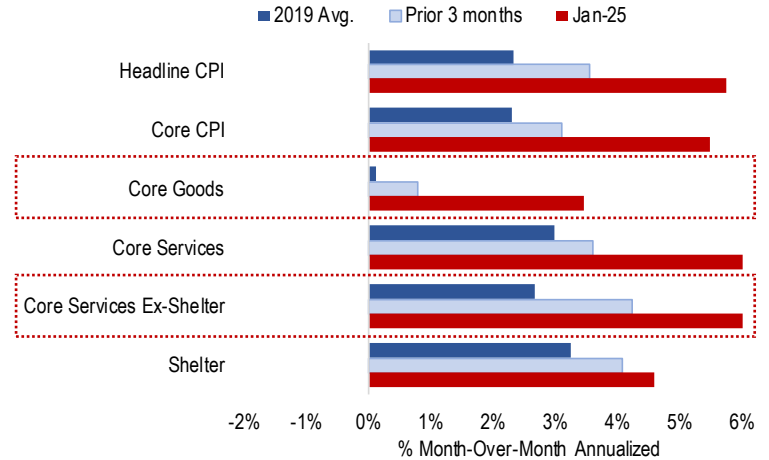
4Q24 Existing Home Sales Momentum Fizzled, Dragged Down by Headwinds in the South and West



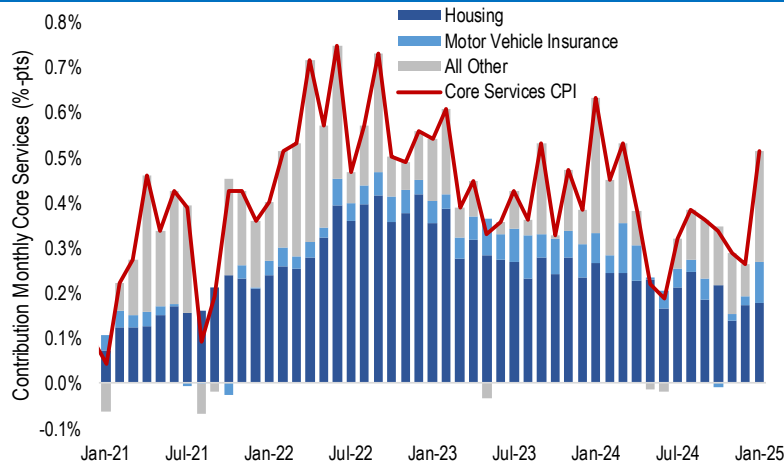
Jan. Consumer Price Inflation Rose Further Primarily Due to Food, Core Goods and Services



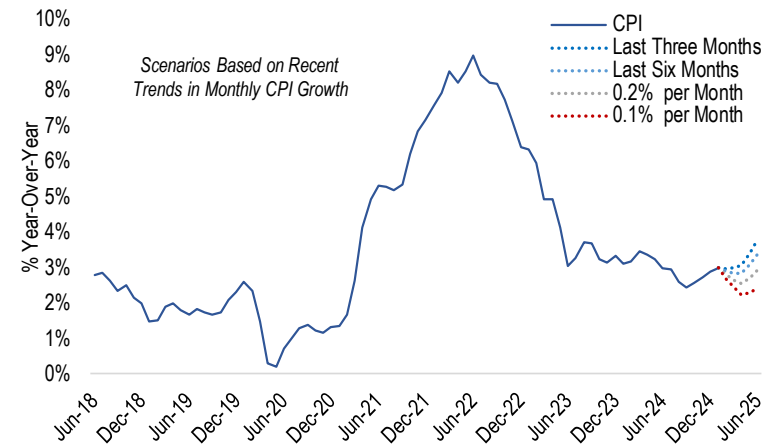
Broad-Based Acceleration in Jan. Core Inflation, Led by Strong Rebound in Core Goods and Services



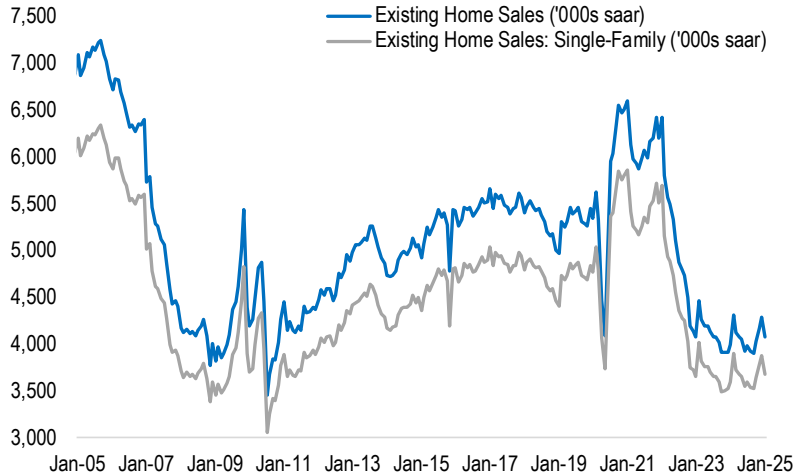
Housing and Motor Vehicle Inflation Reaccelerated, Along with Many Other Core Services



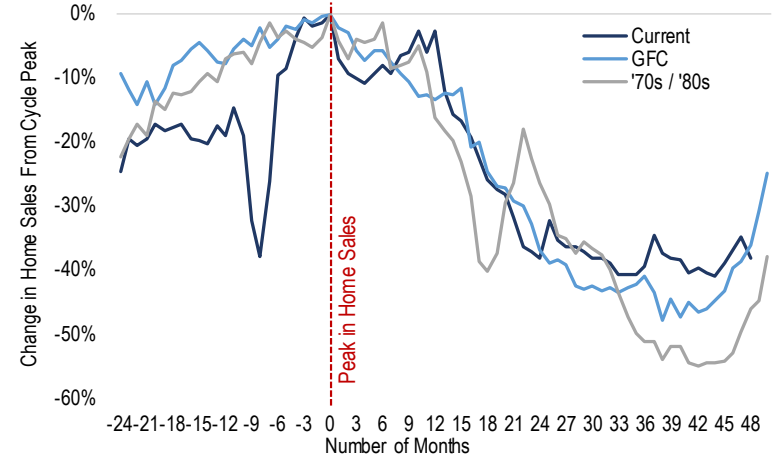
Path Forward for Annual Headline Inflation a Bit Precarious Given Recent Developments



Aside from Bouts of Volatility, Existing Home Sales Have Been Roughly Flat Since 2023



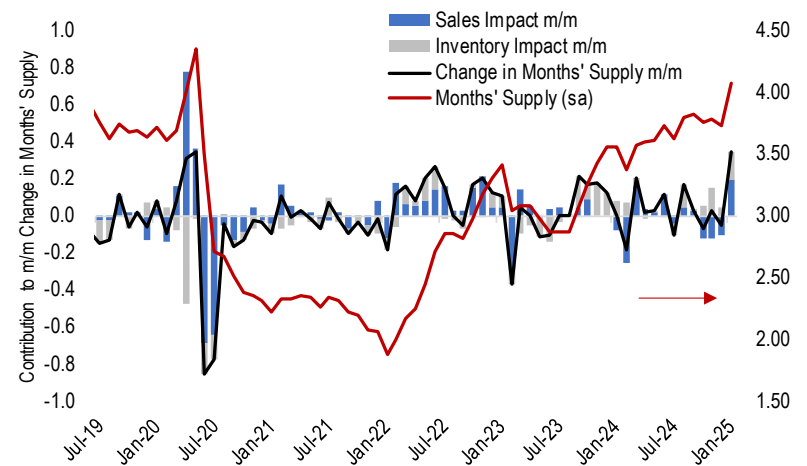
With Mortgage Rates Likely to Remain Elevated in 2025, Big Bounce in Sales Activity Is Unlikely



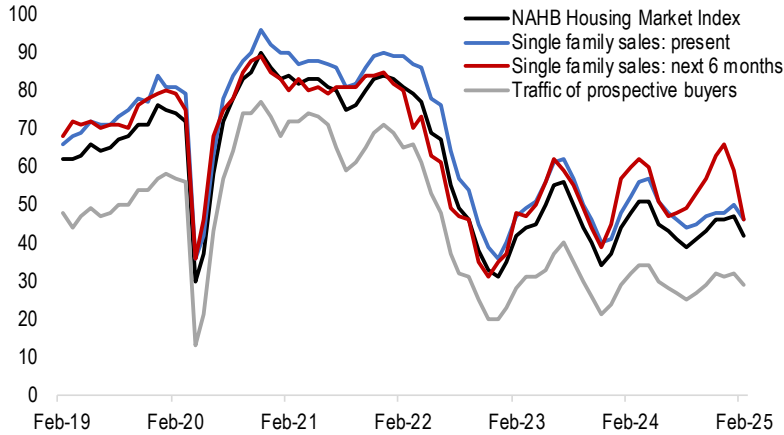
Inventory Continued to Climb Higher in January, but Absolute Level Remained Historically Low



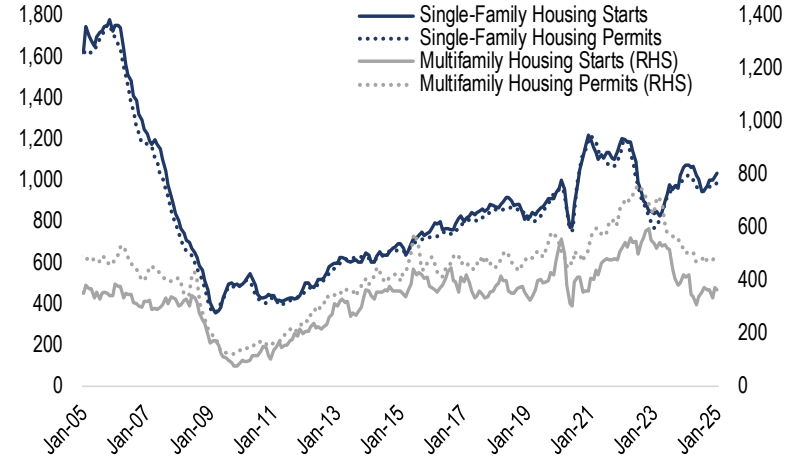
The Simultaneous Drop in Sales and Pickup in Inventory Saw a Significant Increase in Months' Supply in Jan.



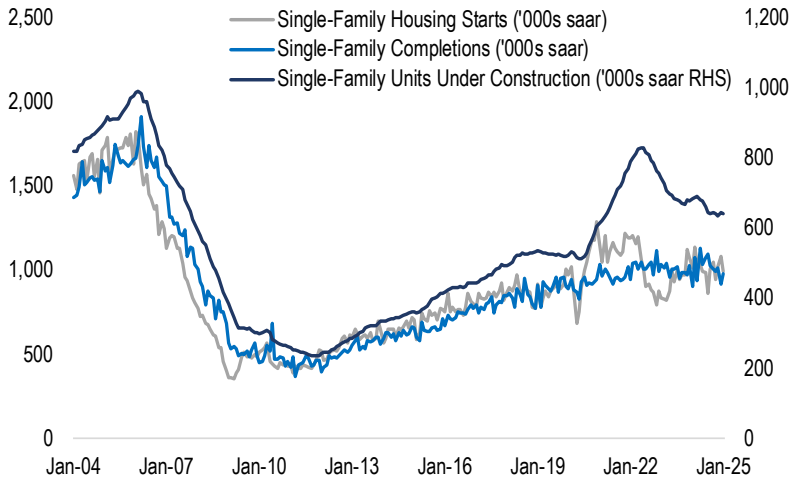
Builder Optimism Fell to Lowest Since September 2024, Led by a Large 13-pt Drop in "Future Sales" Component



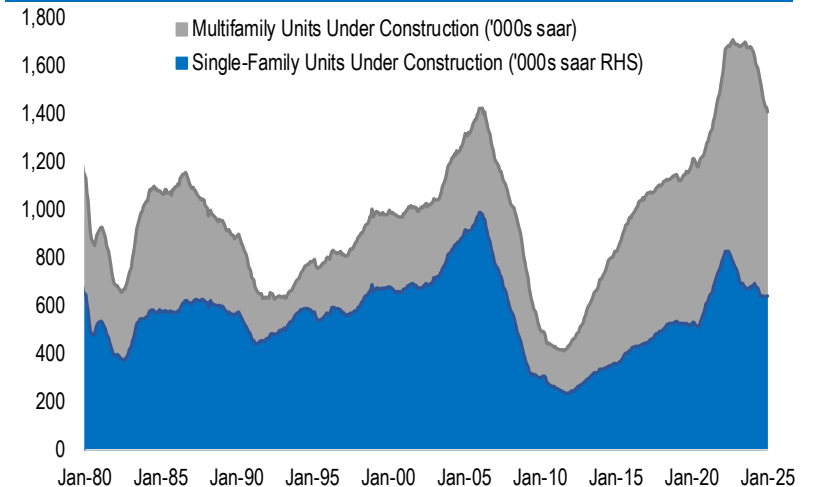
Single-Family Construction Activity Improved in Recent Months but Unlikely to Strengthen Further



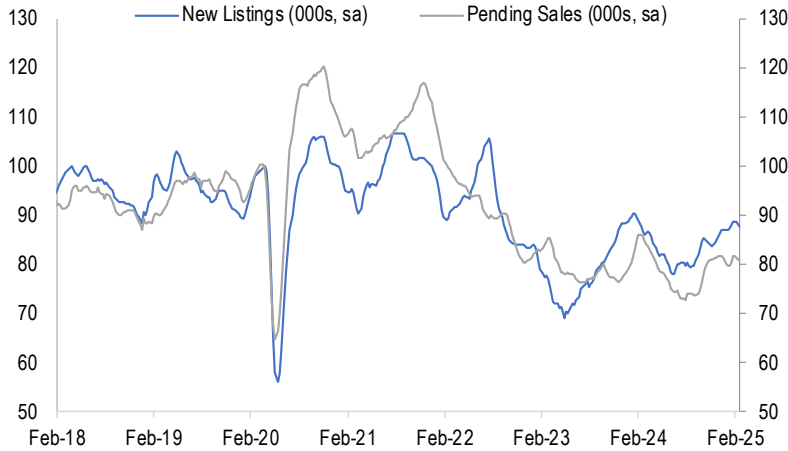
Single-Family Completions Have Cooled in 4 of the Last 6 Months, Back Near 2019 Pace



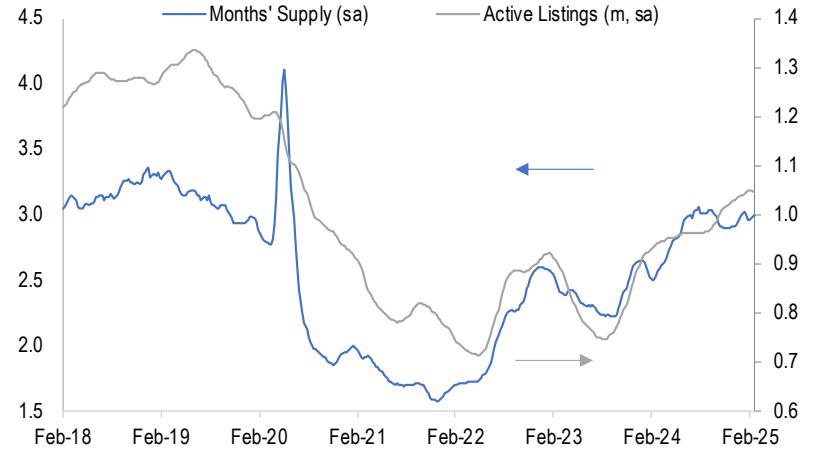
Units in the Pipeline Have for Single-Family Have Trended Sideways, While Multifamily Is Still Shrinking



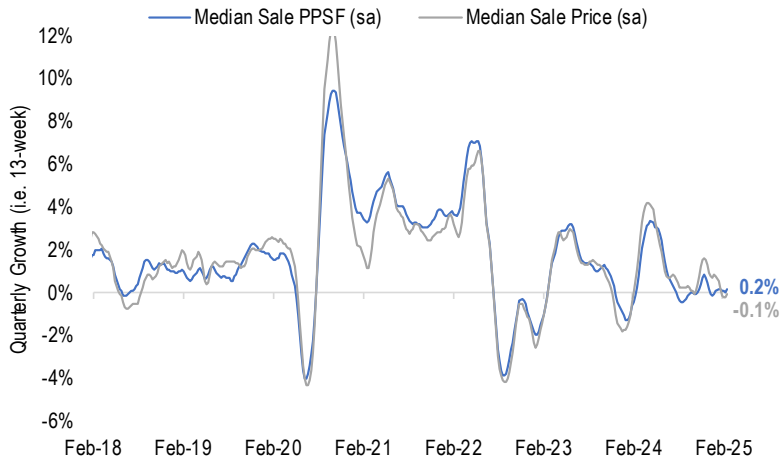
Pending Home Sales Cooled Midway through Feb., alongside Slower Pace for New Listings ...



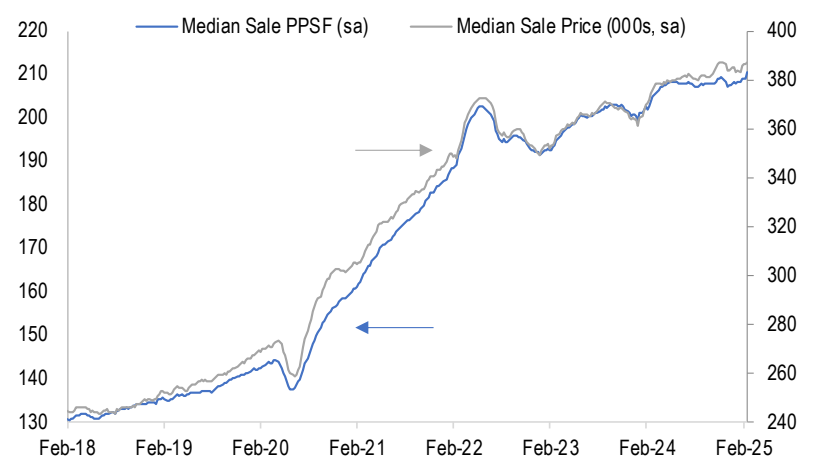
... Which Kept Months' Supply Relatively Unchanged as Inventory Increase Has Cooled



Pace of Seasonally Adjusted Home-Price Growth Has Slowed to a Crawl



Majority of Recent Growth in National Median Sales Price/SF (SA) Occurred Back in Early 2024

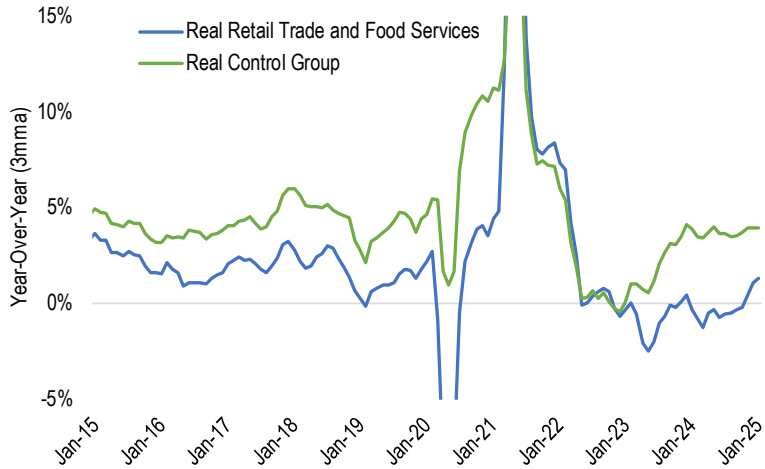


Most Housing Markets Have Become More Balanced in Recent Months, While Some Softened Further

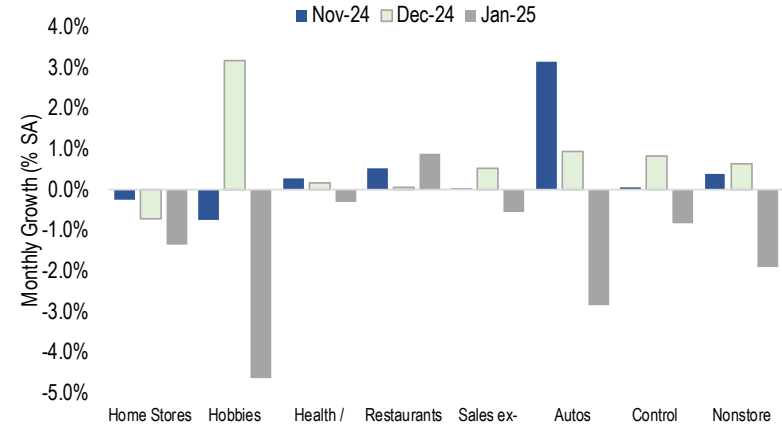
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.3%	-0.4%	5.7%	2.0%	5.9%	1.1%	98.0%	-0.2%	-10.1	-17.6	11%	-5%	-23%
Atlanta	-0.4%	-1.6%	2.3%	2.2%	6.4%	2.2%	97.9%	-0.2%	13.3	-4.5	16%	4%	-27%
Austin	-3.4%	-1.1%	4.3%	6.3%	6.9%	1.3%	97.1%	0.3%	44.4	37.9	7%	67%	36%
Baltimore	3.5%	-0.4%	5.2%	0.7%	5.6%	1.3%	100.1%	-0.2%	-15.0	-21.0	5%	-30%	-39%
Boston	3.7%	-1.9%	6.8%	2.3%	3.3%	0.7%	100.2%	0.0%	-3.3	-6.3	0%	-7%	-10%
Chicago	8.7%	2.1%	5.5%	-1.3%	3.1%	1.0%	98.9%	-0.1%	8.4	5.2	-4%	-23%	-24%
Dallas	-1.6%	-0.6%	1.5%	0.4%	7.7%	2.1%	97.2%	-0.4%	24.8	8.0	27%	39%	-3%
Denver	-1.3%	-2.7%	1.7%	1.9%	8.1%	2.1%	98.6%	-0.3%	30.4	16.2	33%	62%	11%
Houston	0.9%	-0.2%	2.9%	1.1%	7.2%	1.9%	96.6%	-0.5%	2.0	-0.4	15%	18%	-11%
Los Angeles	3.1%	0.4%	11.3%	8.8%	4.7%	2.0%	99.6%	-0.5%	7.3	-5.9	9%	-4%	-6%
Miami	4.9%	-1.3%	5.1%	-0.1%	4.9%	1.3%	95.3%	-0.6%	21.9	-0.7	22%	37%	-14%
Minneapolis	1.7%	0.2%	3.0%	1.2%	4.6%	0.9%	98.8%	-0.3%	3.4	-6.5	-2%	-9%	-18%
Nashville	1.5%	-0.4%	4.3%	2.1%	4.8%	1.4%	97.9%	-0.3%	22.9	7.2	14%	30%	-7%
New York	7.0%	0.6%	6.5%	-5.8%	3.3%	-10.6%	99.4%	0.6%	-54.6	-48.0	-3%	-28%	-28%
Phoenix	1.9%	2.4%	3.6%	2.3%	8.0%	1.3%	98.0%	0.0%	13.5	3.8	25%	35%	2%
Portland	0.8%	0.2%	1.4%	-0.4%	5.8%	1.3%	99.2%	0.1%	18.5	10.9	8%	29%	24%
Riverside	3.1%	-1.5%	6.0%	0.8%	6.2%	2.4%	98.8%	-0.3%	-6.4	-16.1	13%	-4%	-21%
San Diego	1.5%	-3.9%	4.7%	3.3%	6.1%	2.8%	99.1%	-0.7%	-0.2	-14.3	16%	-10%	-32%
Seattle	3.1%	-2.0%	4.7%	0.6%	4.8%	1.6%	100.2%	-0.1%	-0.4	-5.3	28%	22%	-8%
Tampa	-1.3%	1.2%	3.8%	1.6%	9.2%	0.9%	96.5%	-0.6%	5.6	0.3	17%	31%	4%
Washington DC	5.9%	0.4%	7.7%	3.1%	4.2%	1.0%	100.0%	0.1%	-5.0	-6.7	8%	-5%	-19%

Data as of Feb. 16, 2025, and reflects 4-week averages.

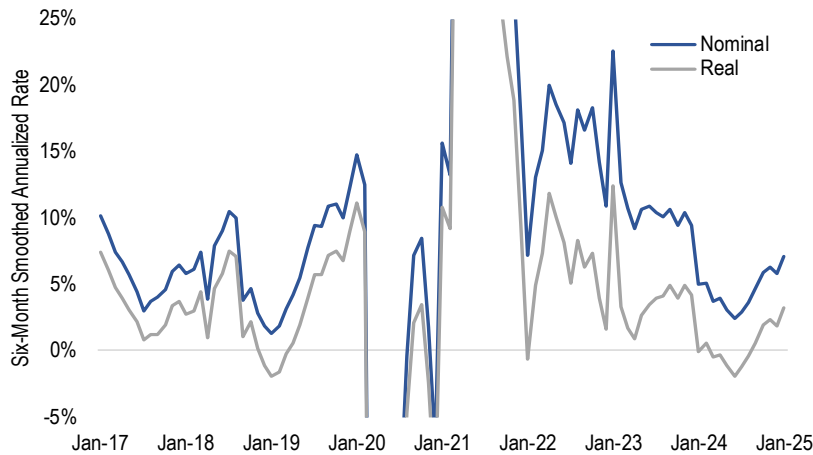
Retail Sales Cooled Sharply in January, but Annual Trend Remained Solid



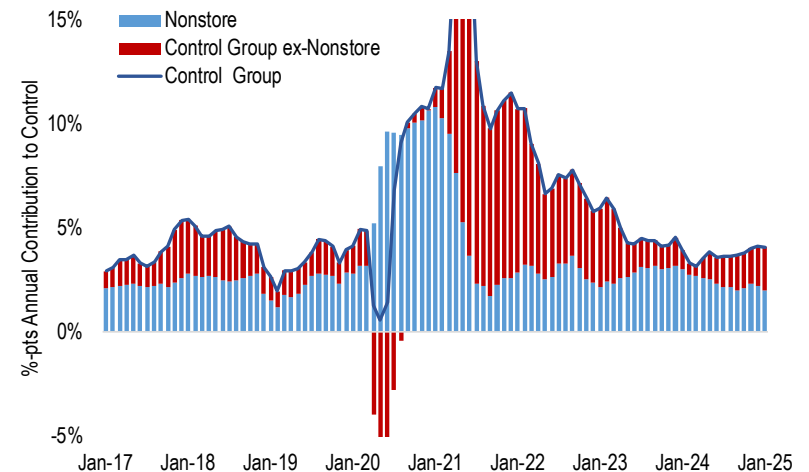
Poor Weather Partly to Blame, but Some In-Person Categories Were Solid as Online Sales Plunged



Restaurant Sales Showed Unexpected Strength, Considering Weather and Weakness in Other Categories

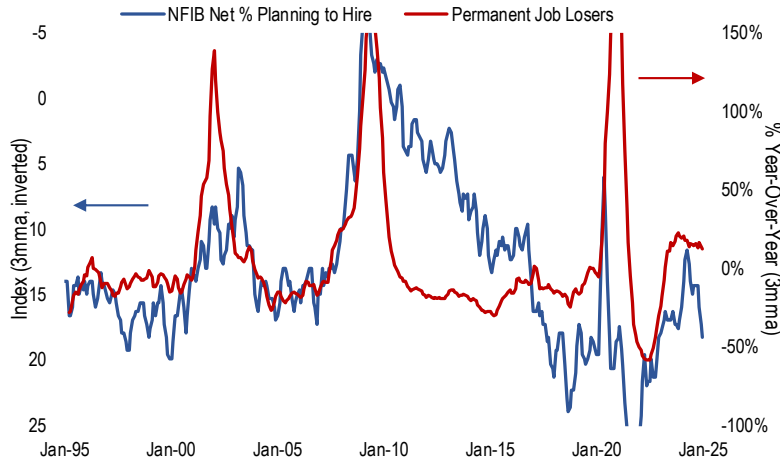


Jan. Contraction in Online Sales (i.e., Nonstore) Sharp Enough to Pull Down Annual Growth Rate, For Now

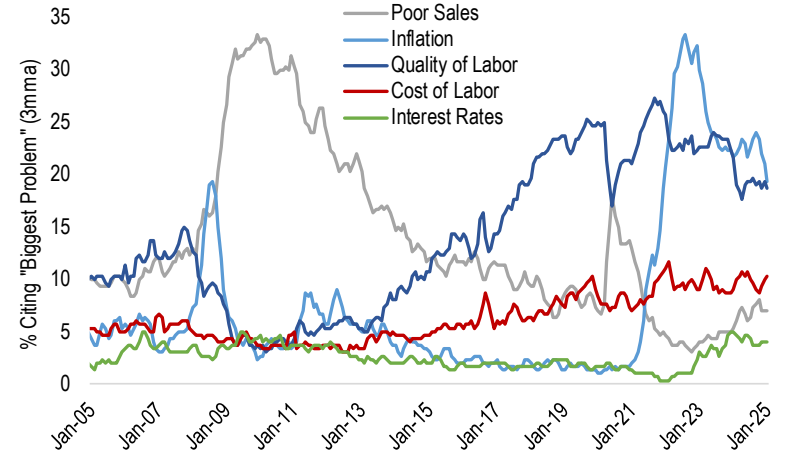


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

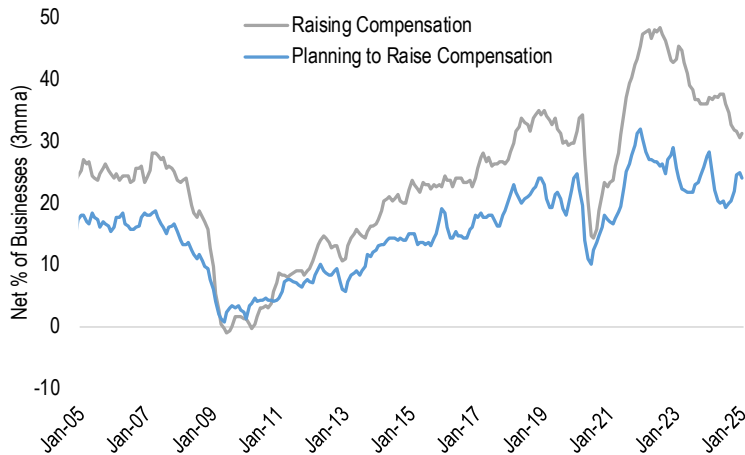
Small Businesses Say They Are More Eager to Hire, Boding Well for Unemployed ... if Words Turn into



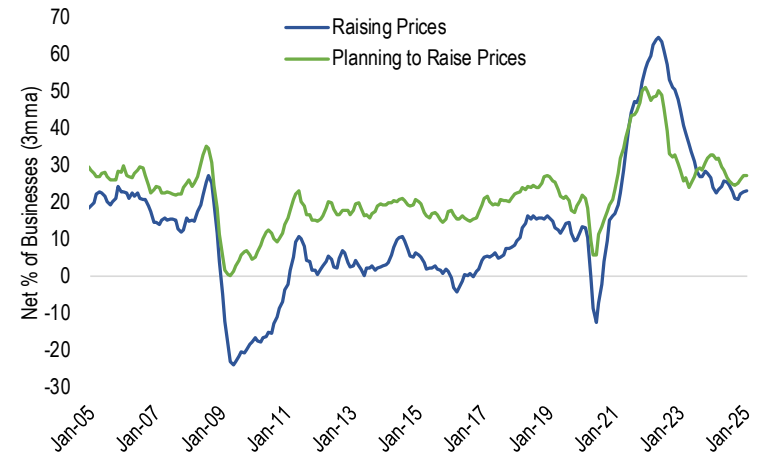
"Inflation" and "Quality of Labor" Tied for Small Firms' Top Concern, While "Poor Sales" Stabilized



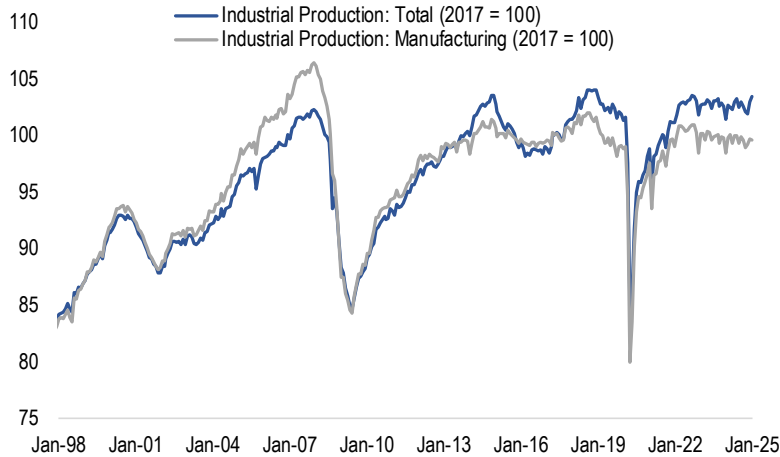
Wage Pressures Have Cooled to Near Pre-Pandemic Levels Based on Firms Raising/Planning to Raise Wages



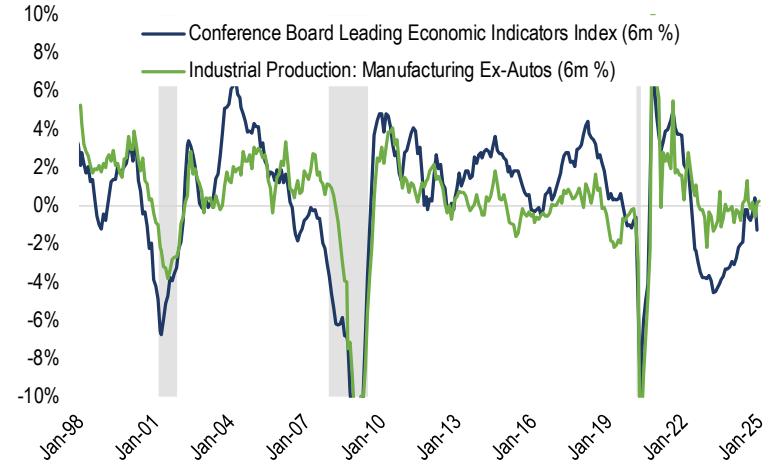
Share of Firms Raising/Planning to Raise Prices Has Levelled Off a Bit above Pre-Pandemic Norms



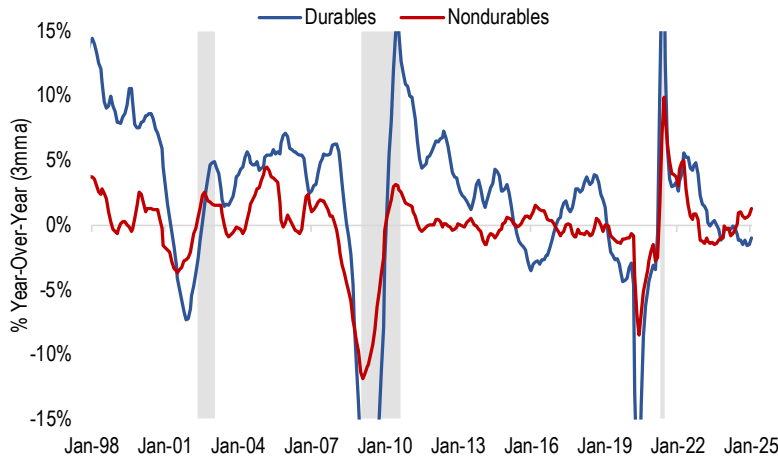
Total Industrial Production Picked Up in January Mostly Due to Robust Growth in Utilities Output



Manufacturing Ex-Autos Remained Soft, Despite a Solid Pickup in Aerospace Production

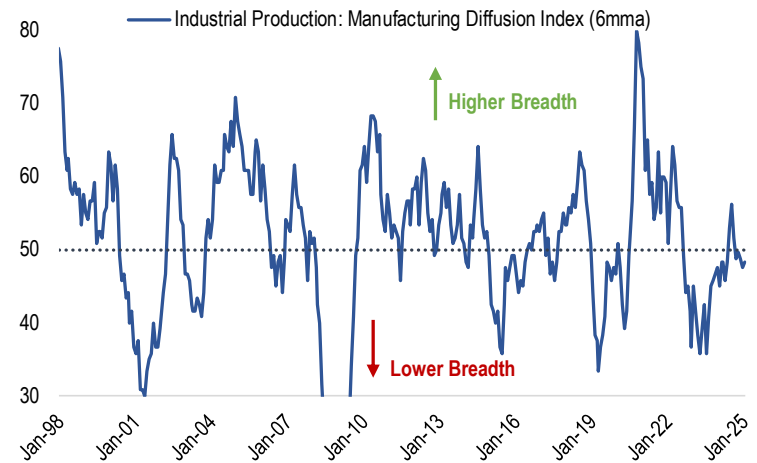


Nondurables Continued to Account for Rising Share of Manufacturing Production Activity

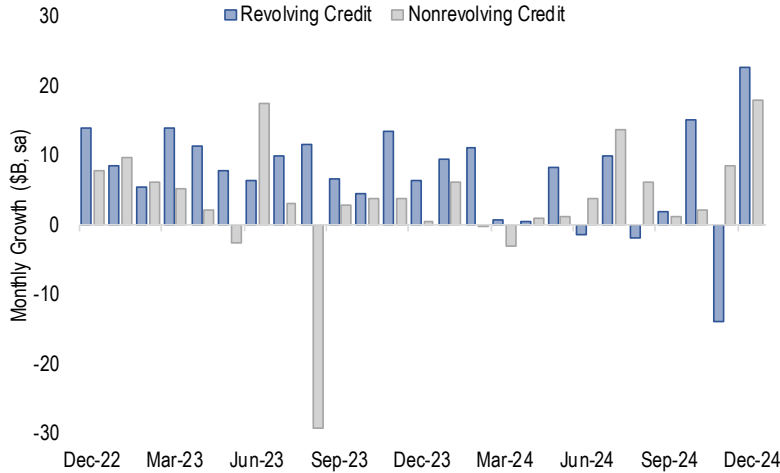


Durable goods are products that can be inventoried and have an average life of at least 3 years

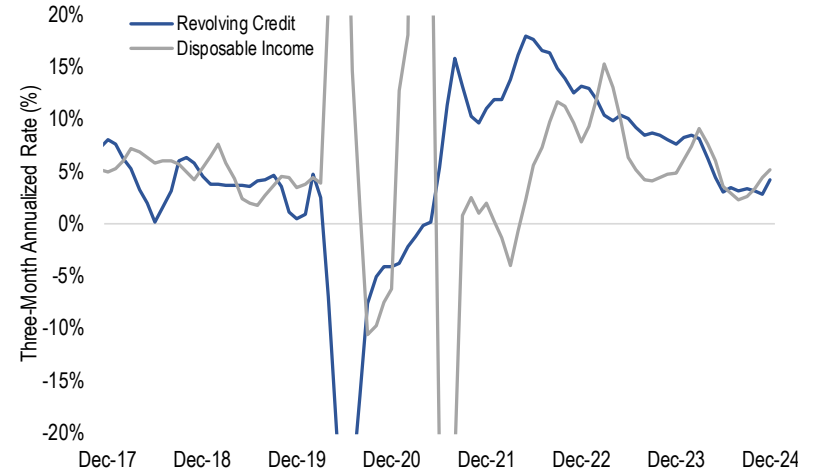
Breadth of Manufacturing Industries Declining Remained High as Sector Continued to Face Headwinds



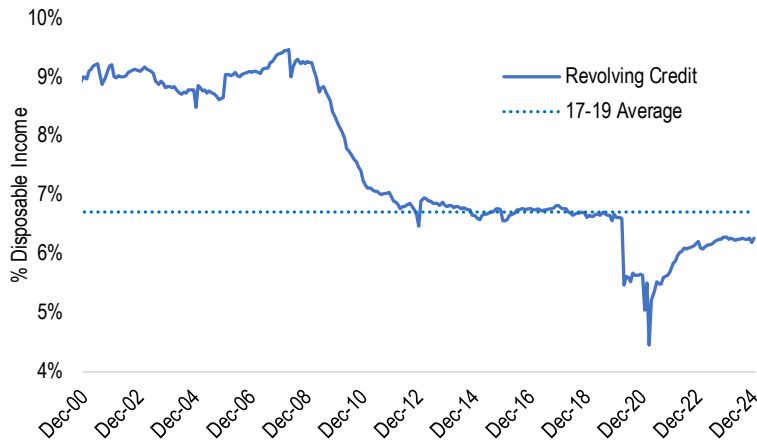
Dec. Consumer Credit Surged as Both Revolving and Nonrevolving Credit Rose at Fastest Pace in Years



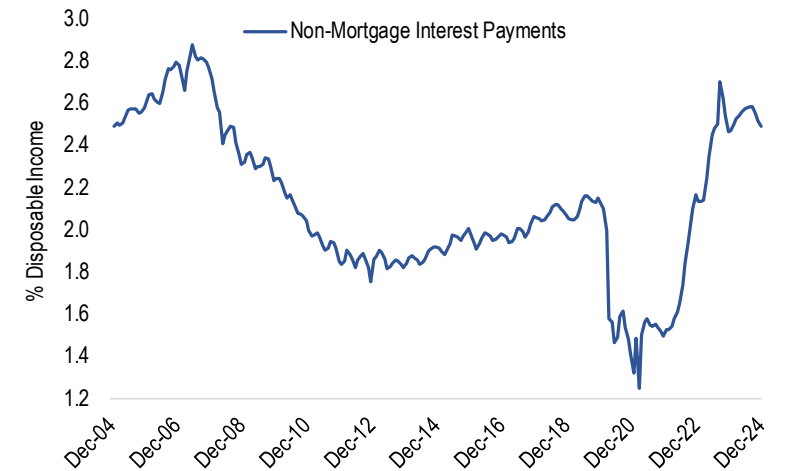
Annual Growth in Revolving Credit Still Muted amidst Modest Real Income Growth and Squeezed Budgets



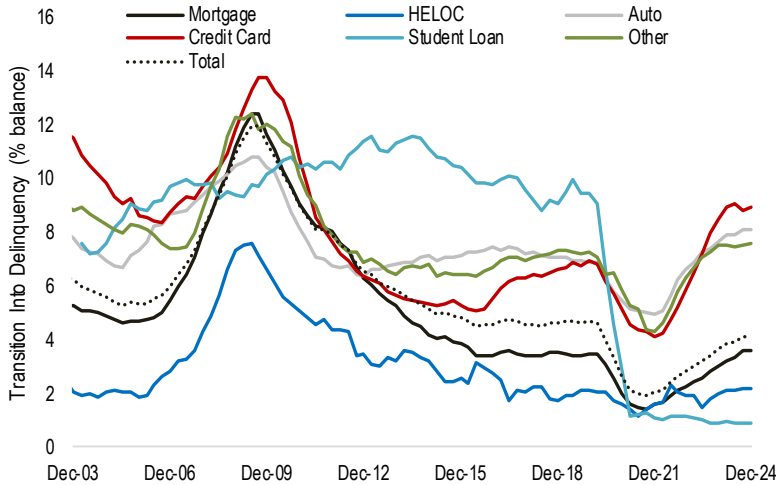
Revolving Credit Also Remained below Pre-Pandemic Norm Relative to Disposable Income



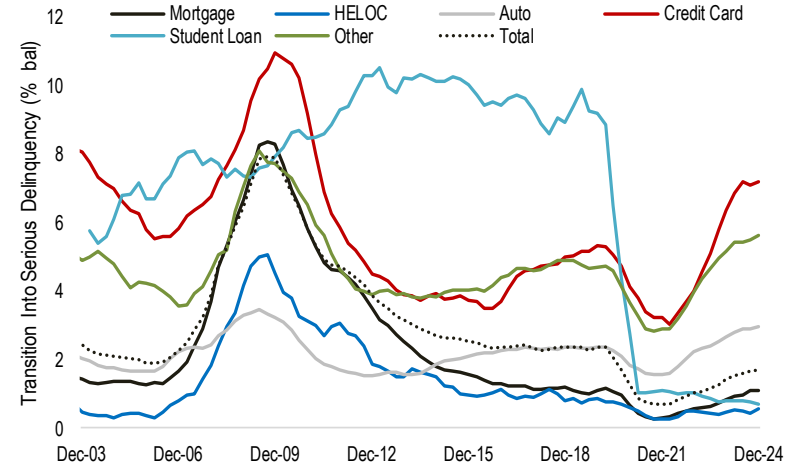
Non-Mortgage Interest Payments Will Remain Elevated as Rates Remain Higher for Longer



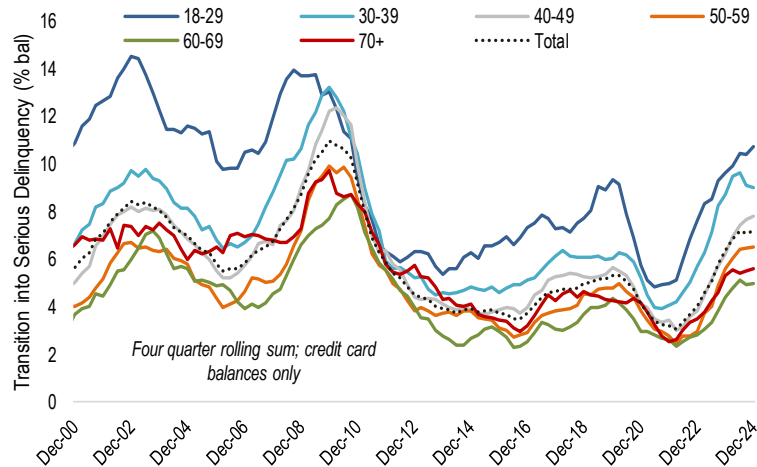
Early Delinquency Transition Rates (30 Days) Levelled Off for Most Categories as Credit Cards Pivoted Higher



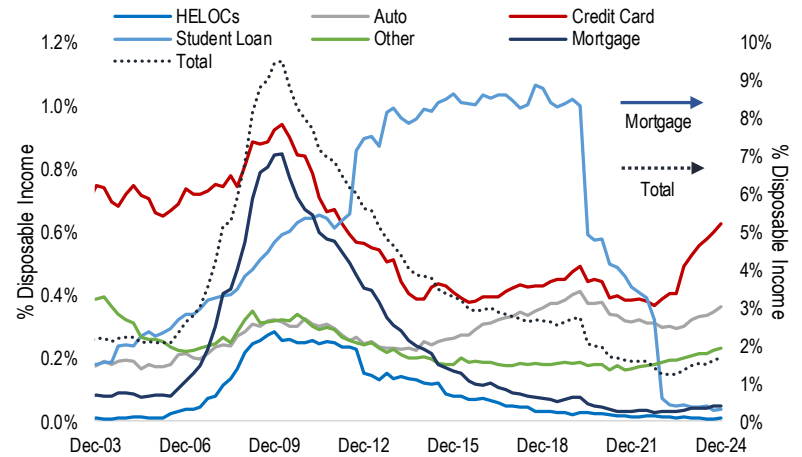
Transition Rates into Serious Delinquency (90+ Days) Showing Moderating Trends for Most Categories



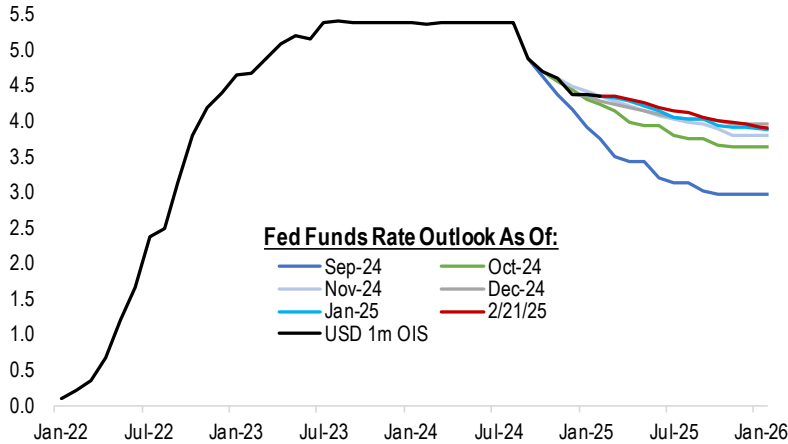
Credit Card Seriously Delinquent Transition Rates Cooled Ascent across Most Age Groups except Youngest



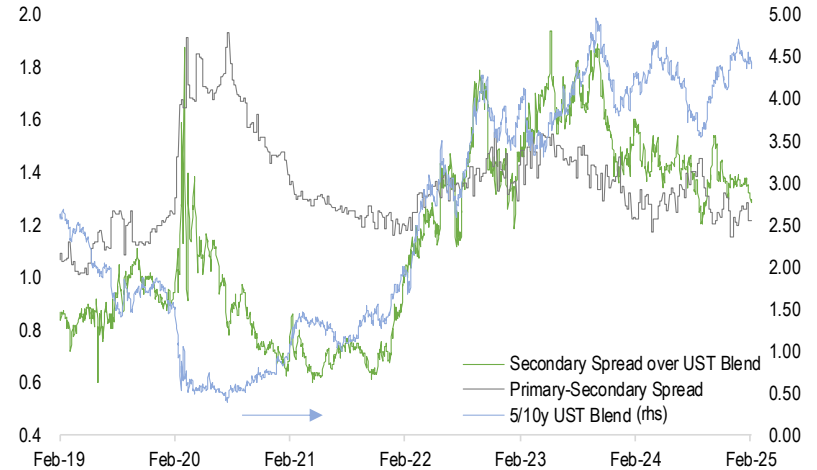
Delinquent Consumer and Mortgage Debt Remained Low Relative to Income aside from Credit Cards



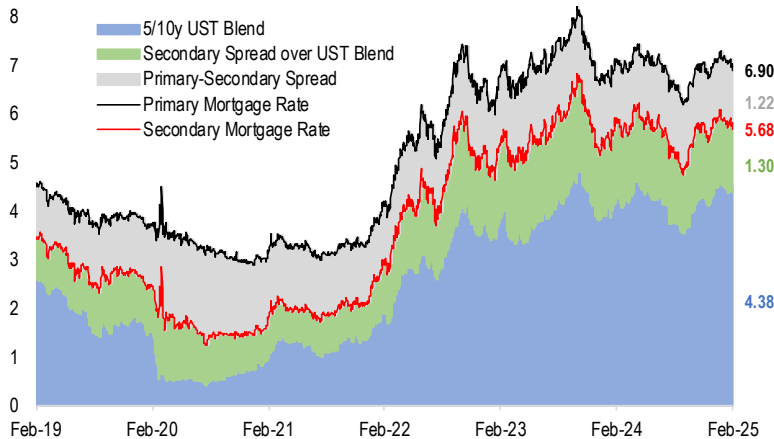
Two Cuts in 2025 Back to a Near Certainty after Being Viewed as Less Than a Toss-Up the Prior Week



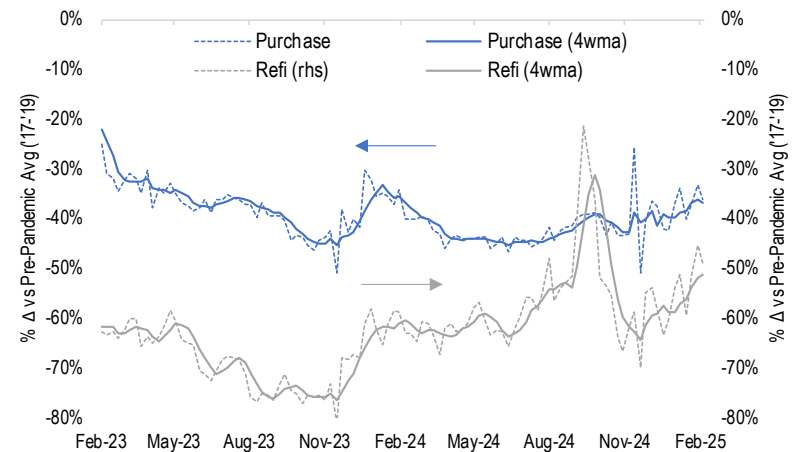
UST Yields Inched Down by -5bps Last Week alongside a -3bps Narrowing of Mortgage Spreads ...



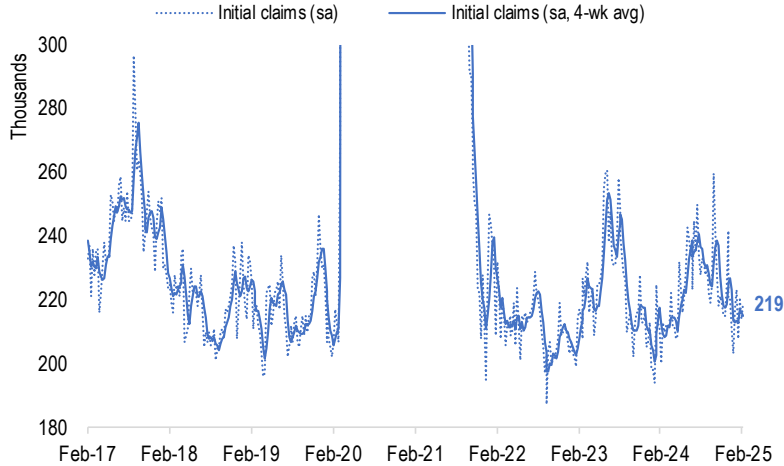
... Pulling Down Implied Mortgage Rates Back Below 7% for the First Time Since Mid-December



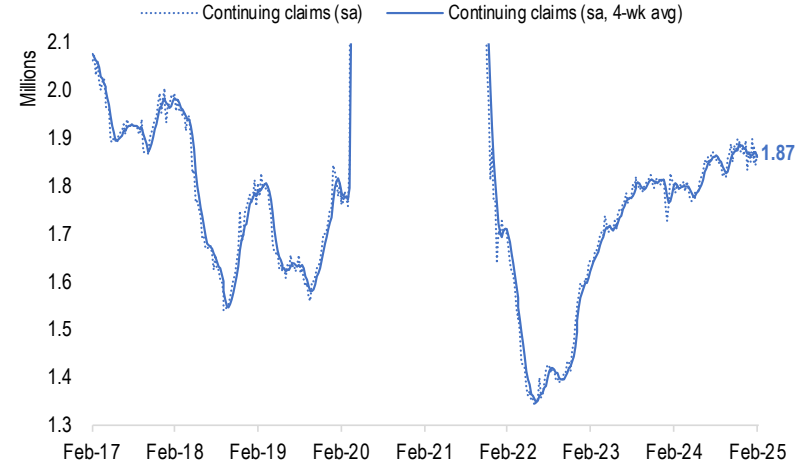
Mortgage Applications Gradually Trending Higher as Mortgage Rate Ascent Has Cooled



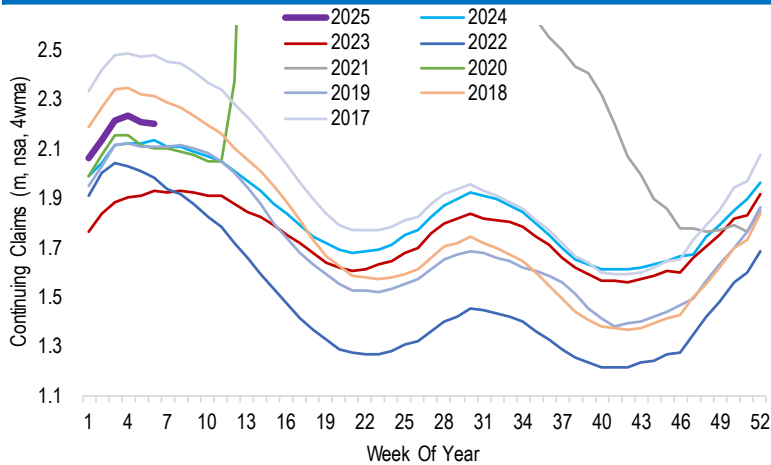
Initial Claims (SA) Remained near Recent and Historical Lows, Suggesting Little Labor Market Stress



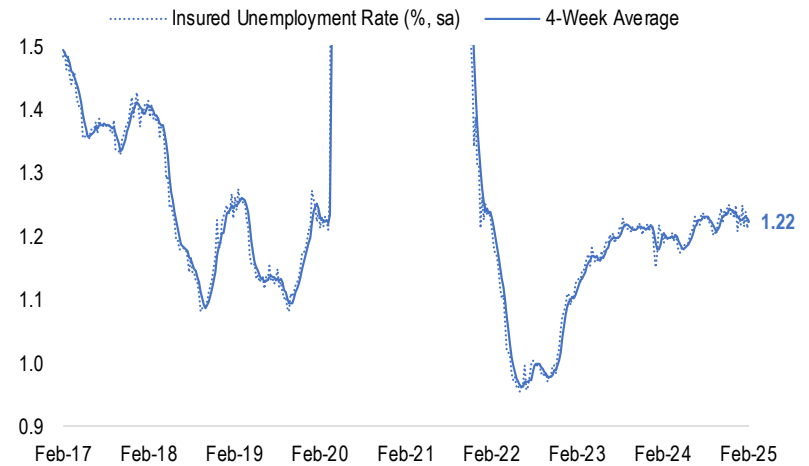
Continuing Claims Remained near Multi-Year Highs as Unemployed Workers Struggled to Find New Jobs



Unadjusted Continuing Claims Remained at Highest Level Since 2018



Normalizing for the Size of the Labor Force, Insured Unemployment Still Modestly above Pre-Pandemic



$$\text{Insured Unemployment} = \frac{\text{Continuing Claims}}{\text{Employed Population Eligible for Unemployment Insurance}}$$

Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
2/25/25	9:00 AM	FHFA House Price Index m/m	Dec	--	--	--	0.3	%, sa
2/25/25	9:00 AM	S&P CoreLogic CS 20-City m/m SA	Dec	--	0.4	--	0.4	%, sa
2/25/25	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	Dec	--	4.5	--	4.3	%, nsa
2/25/25	10:00 AM	Conf. Board Consumer Confidence	Feb	--	102.7	--	104.1	index, sa
2/26/25	10:00 AM	Building Permits	Jan F	--	--	--	1,483	k, saar
2/26/25	10:00 AM	Building Permits m/m	Jan F	--	--	--	0.1	%, sa
2/26/25	7:00 AM	MBA Mortgage Applications w/w	2/21/25	--	--	--	-6.6	%, sa
2/26/25	10:00 AM	New Home Sales	Jan	--	675	--	698	k, saar
2/26/25	10:00 AM	New Home Sales m/m	Jan	--	-3.3	--	3.6	%, sa
2/27/25	8:30 AM	GDP Annualized q/q	4Q S	--	2.3	--	2.3	%, saar
2/27/25	8:30 AM	Personal Consumption q/q	4Q S	--	4.1	--	4.2	%, saar
2/27/25	8:30 AM	Core PCE Deflator q/q	4Q S	--	2.5	--	2.5	%, saar
2/27/25	8:30 AM	Durable Goods Orders m/m	Jan P	--	2.0	--	-2.2	%, sa
2/27/25	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Jan P	--	0.3	--	0.4	%, sa
2/27/25	8:30 AM	Cap Goods Ship Nondef Ex Air m/m	Jan P	--	0.3	--	0.5	%, sa
2/27/25	8:30 AM	Initial Jobless Claims	2/22/25	--	221	--	219	k, sa
2/27/25	8:30 AM	Continuing Claims	2/15/25	--	1,872	--	1,869	k, sa
2/27/25	10:00 AM	Pending Home Sales m/m	Jan	--	-0.8	--	-5.5	%, sa
2/27/25	10:00 AM	Pending Home Sales y/y	Jan	--	--	--	-2.9	%, nsa
2/28/25	8:30 AM	Retail Inventories m/m	Jan	--	0.2	--	-0.3	%, sa
2/28/25	8:30 AM	Personal Income m/m	Jan	--	0.4	--	0.4	%, sa
2/28/25	8:30 AM	Personal Spending m/m	Jan	--	0.2	--	0.7	%, sa
2/28/25	8:30 AM	Real Personal Spending m/m	Jan	--	-0.1	--	0.4	%, sa
2/28/25	8:30 AM	Wholesale Inventories m/m	Jan P	--	0.1	--	-0.5	%, sa
2/28/25	8:30 AM	PCE Inflation m/m	Jan	--	0.3	--	0.3	%, sa
2/28/25	8:30 AM	PCE Inflation y/y	Jan	--	2.5	--	2.6	%, nsa
2/28/25	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Jan	--	0.3	--	0.2	%, sa
2/28/25	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Jan	--	2.6	--	2.8	%, nsa

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
2/18/25	10:00 AM	NAHB Housing Market Index	Feb	42.0	46.0	--	47.0	index, sa
2/19/25	7:00 AM	MBA Mortgage Applications w/w	2/14/25	-6.6	--	--	2.3	%, sa
2/19/25	8:30 AM	Housing Starts	Jan	1,366	1,390	1,515	1,499	k, saar
2/19/25	8:30 AM	Housing Starts m/m	Jan	-9.8	-7.3	16.1	15.8	%, sa
2/19/25	8:30 AM	Building Permits	Jan P	1,483	1,460	--	1,482	k, saar
2/19/25	8:30 AM	Building Permits m/m	Jan P	0.1	-1.5	--	-0.7	%, sa
2/19/25	2:00 PM	FOMC Meeting Minutes	1/29/25	--	--	--	--	
2/20/25	8:30 AM	Initial Jobless Claims	2/15/25	219	215	214	213	k, sa
2/20/25	8:30 AM	Continuing Claims	2/8/25	1,869	1,868	1,845	1,850	k, sa
2/20/25	10:00 AM	Conference Board Leading Index m/m	Jan	-0.3	-0.1	0.1	-0.1	%, sa
2/21/25	9:45 AM	S&P Global US Manufacturing PMI	Feb P	51.6	51.4	--	51.2	index, sa
2/21/25	9:45 AM	S&P Global US Services PMI	Feb P	49.7	53.0	--	52.9	index, sa
2/21/25	9:45 AM	S&P Global US Composite PMI	Feb P	50.4	53.2	--	52.7	index, sa
2/21/25	10:00 AM	U. of Mich. Sentiment	Feb F	64.7	67.8	--	67.8	index, nsa
2/21/25	10:00 AM	U. of Mich. 1 Yr Inflation	Feb F	4.3	4.3	--	4.3	nsa
2/21/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Feb F	3.5	3.3	--	3.3	nsa
2/21/25	10:00 AM	Existing Home Sales	Jan	4.1	4.1	4.3	4.2	m, saar
2/21/25	10:00 AM	Existing Home Sales m/m	Jan	-4.9	-2.6	2.9	2.2	%, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

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