

# *Should We Heed The Ominous Signs From Housing?*

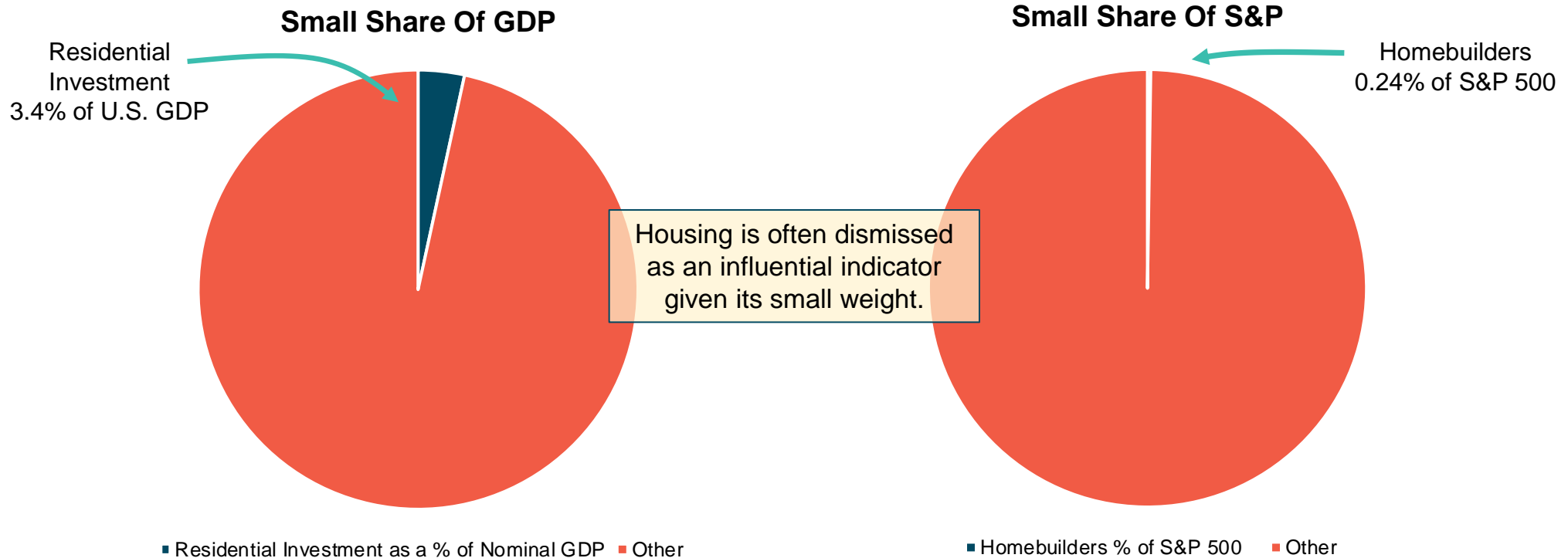
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**February 2025**

## Why Does Housing Matter So Much Anyway?

### A Small Segment With A Disproportionate Impact On The U.S. Economy



## Why Does Housing Matter So Much Anyway?

### Leamer's Seminal Paper Emphasized Housing's Link To The Economy

#### The Housing Sector Is Largely Underemphasized By Economists But Critically Important

NBER WORKING PAPER SERIES

HOUSING IS THE BUSINESS CYCLE

Edward E. Leamer

Working Paper 13428  
<http://www.nber.org/papers/w13428>

NATIONAL BUREAU OF ECONOMIC RESEARCH  
1050 Massachusetts Avenue  
Cambridge, MA 02138  
September 2007

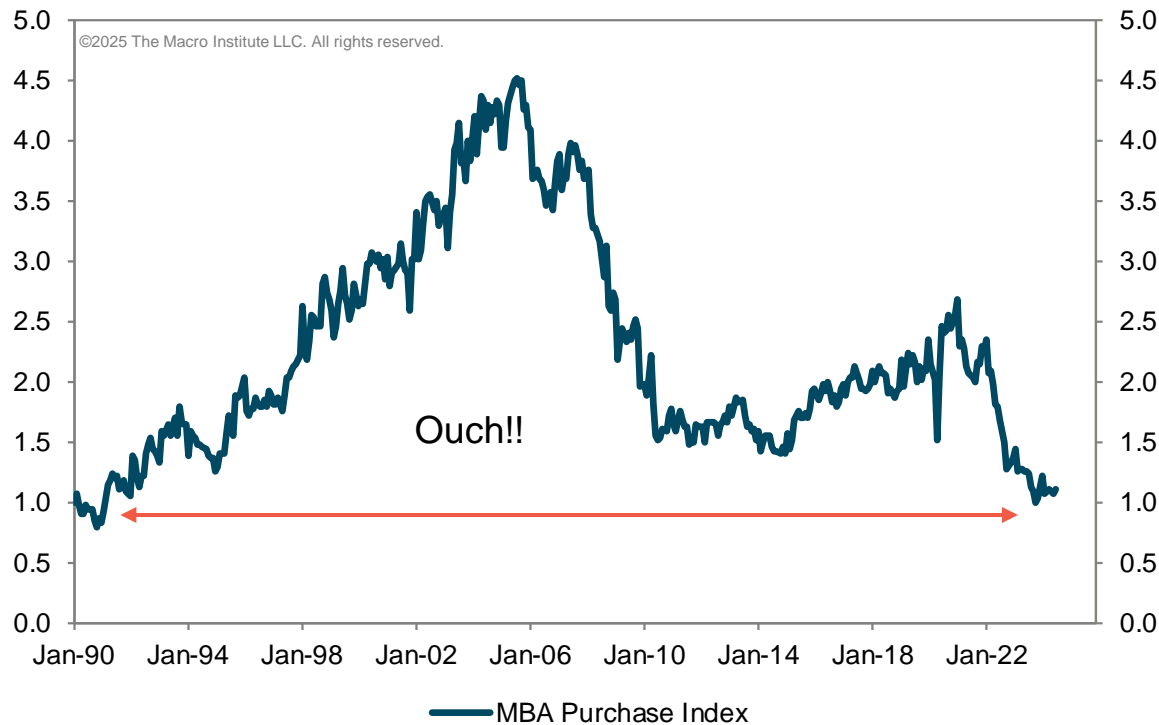
"I have not been able to find any macroeconomic textbook that places real estate front and center, where it belongs."

"Of the components of GDP, residential investment offers by far the best early warning sign of an oncoming recession."

"Our market system relies on price flexibility to assure that labor and capital are productively employed, but house prices are very inflexible, and when demand softens we get very little price adjustment but a huge volume drop."

## Home Purchase Activity At Its Lowest Levels Since The 1990s

### Home Purchasing Activity The Lowest Seen In Decades



*“2024 was a sluggish year for home sales because of **weak affordability conditions** throughout the country.”*

-Mortgage Bankers Association,  
January 2025

## A High-Level Overview Of Housing In 2025

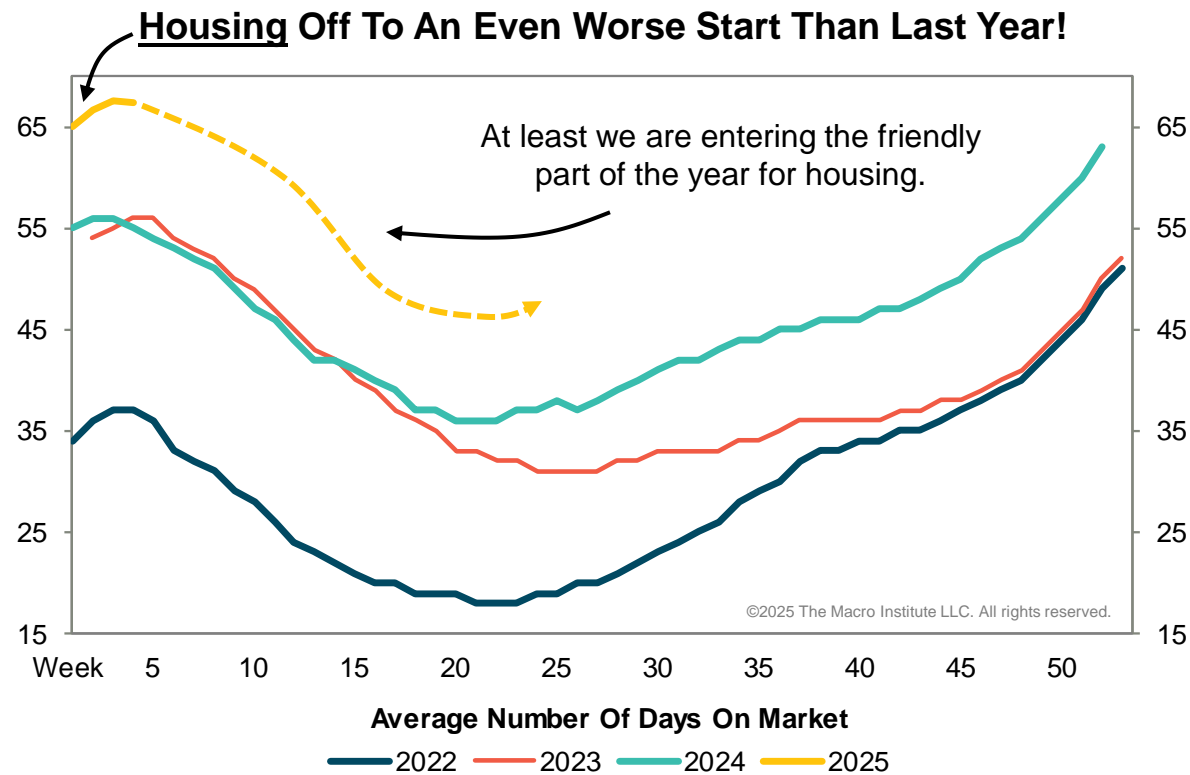
### This Is About As Bad As It's Ever Been For U.S. Housing Activity

#### Home Sales Have Reached Historical Crisis Lows



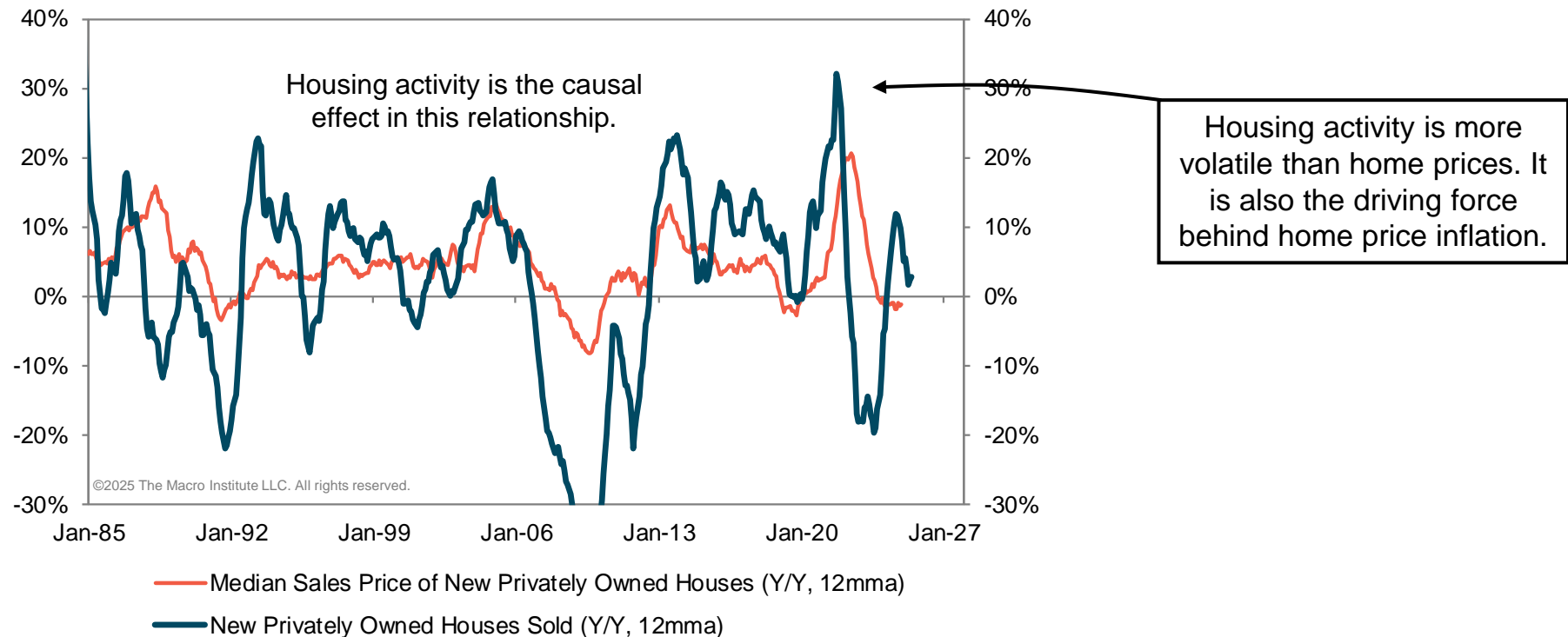
## A High-Level Overview Of Housing In 2025

### Housing Trends Still Deteriorating As 2025 Kicks Off



## Housing Industry At The Mercy Of Supply & Demand Dynamics

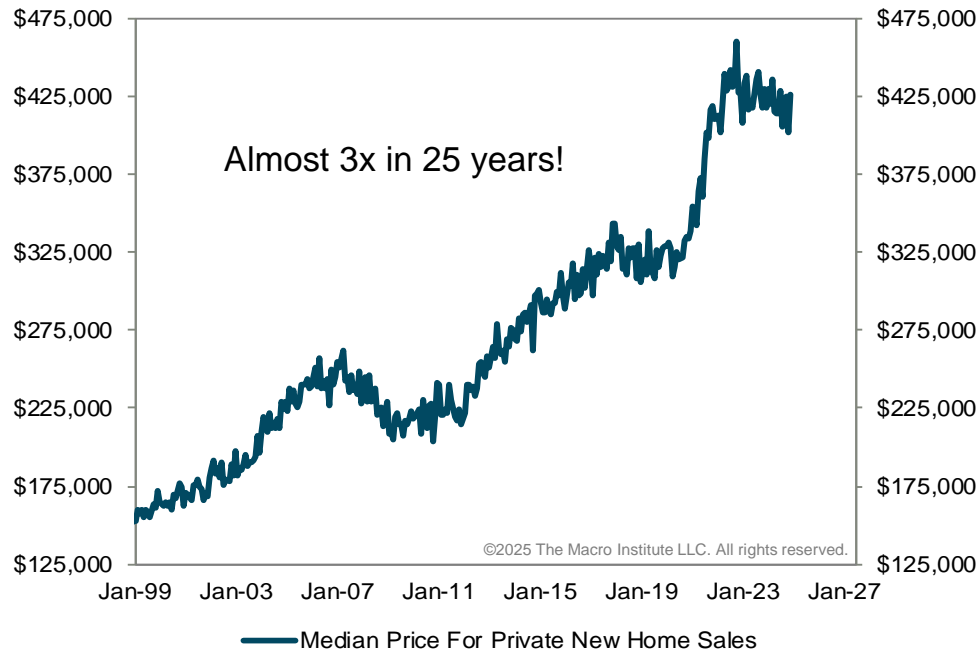
### Intersection Of Supply & Demand Main Driver Of Home Price Trends



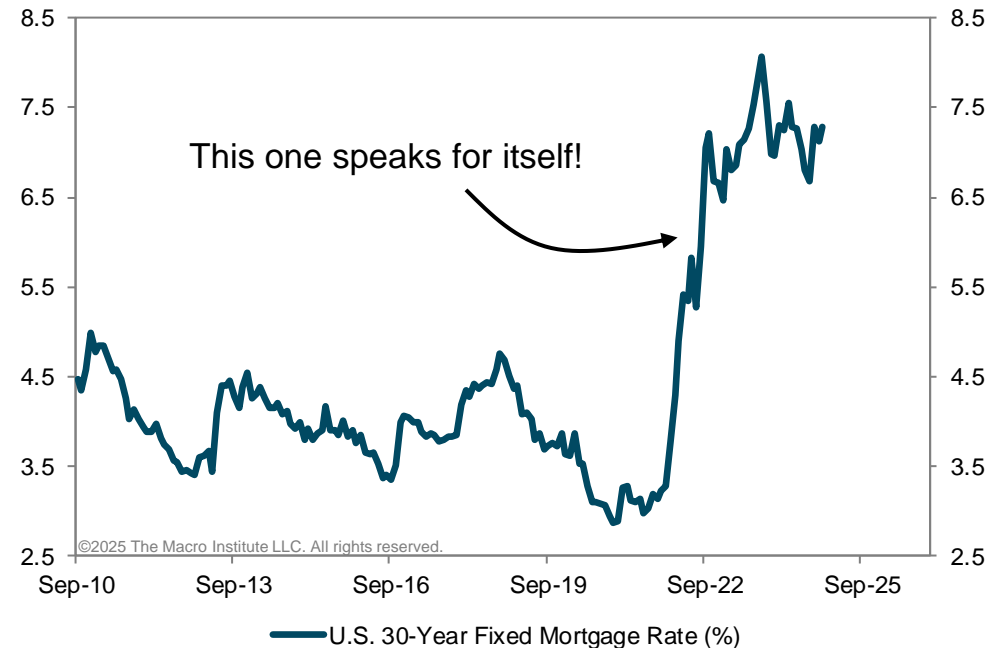
## A Few Thoughts On Housing Demand

### A Bad Combo For Housing Affordability: Higher Prices + Higher Rates

#### A Leveling Off In Home Prices ...



#### ... With Mortgage Rates Still At Generational Highs

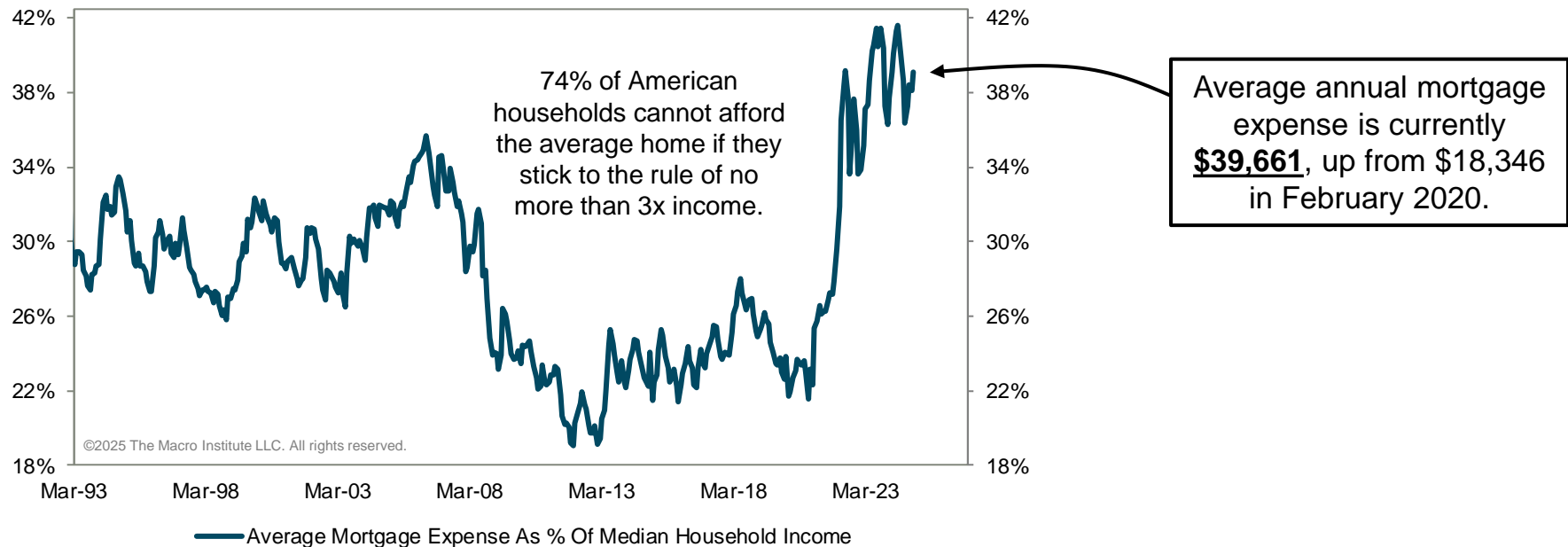




## A Few Thoughts On Housing Demand

### Prices + Mortgage Rates Have Priced Out A Large Number Of Potential Buyers

#### Housing Unaffordability The Main Issue With Housing Demand



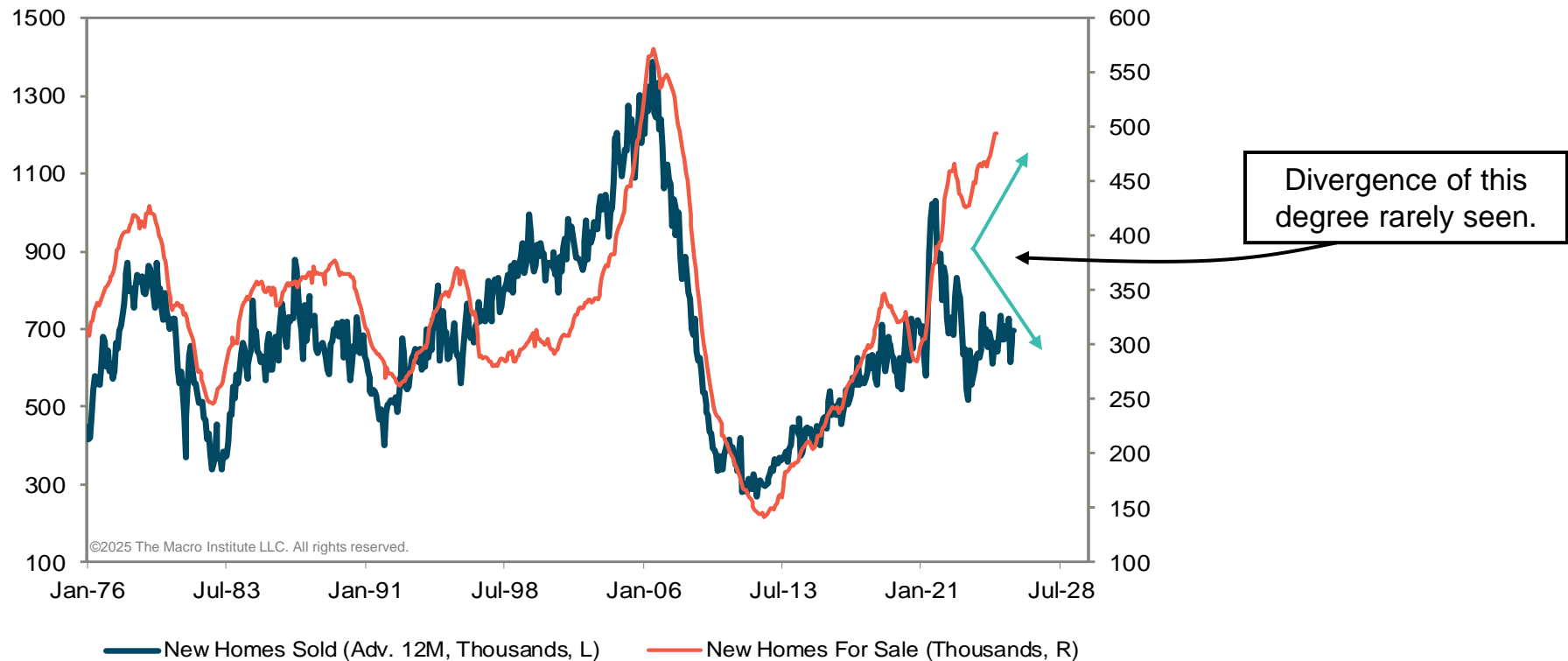
## Increase In Housing Supply Simply Not Enough To Bring Down Home Prices

**Dearth Of Supply Playing A Role In The Housing Equation**



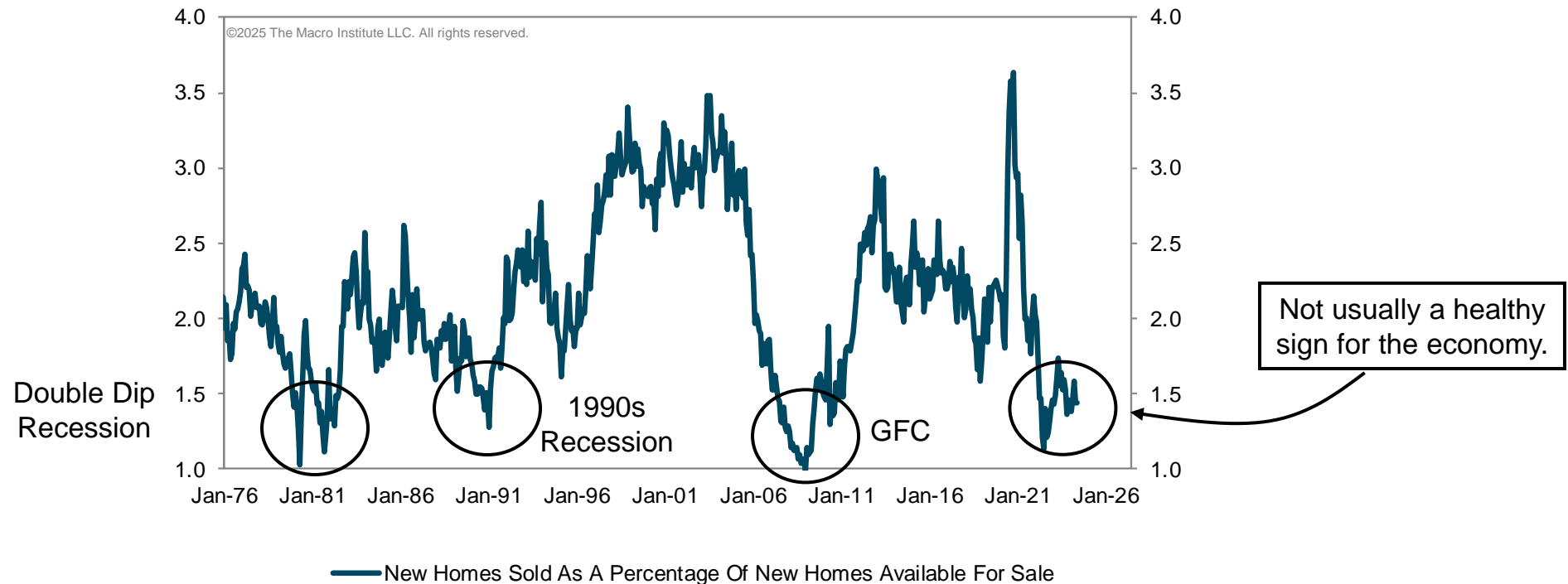
## Homebuilder Inventory Intensifying Rapidly

### Gap Between Homes For Sale And Homes Sold Widening



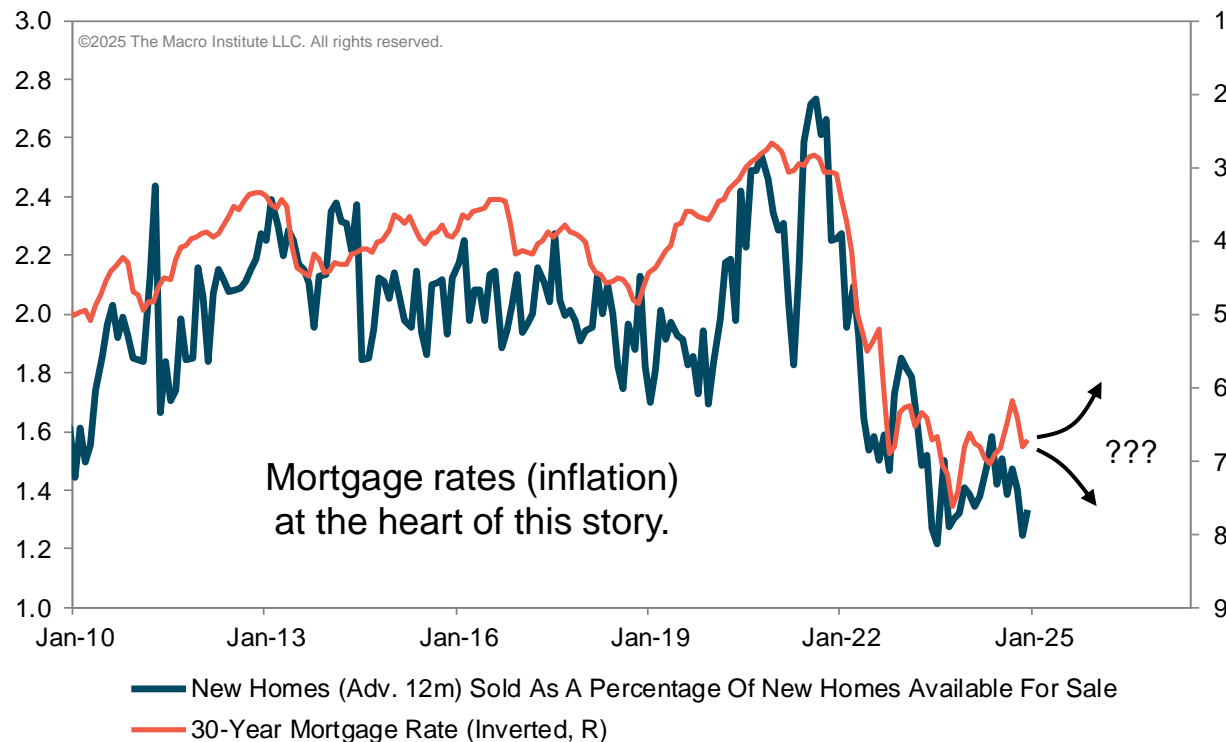
## An Unusual Supply & Demand Dynamic For U.S. Housing In 2025

### Strange To See Home Prices Holding Given This Unhealthy Dynamic



## Mortgage Rates Remain Primary Driver Of Housing Dynamics

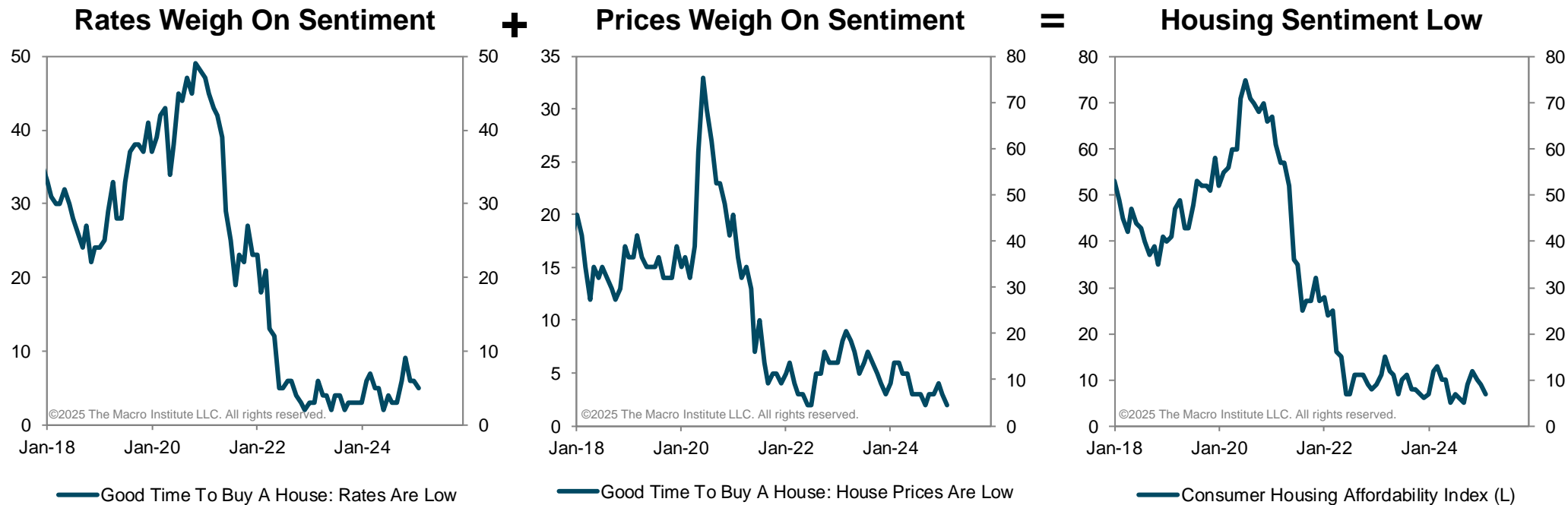
### Lower Mortgage Rates Necessary For Housing Industry Revival



Learn Why We Think  
Rates Are Headed Higher  
In 2025 By Reading  
[Last Week's Report Here.](#)

## Housing Affordability At Odds With Labor Market Trends

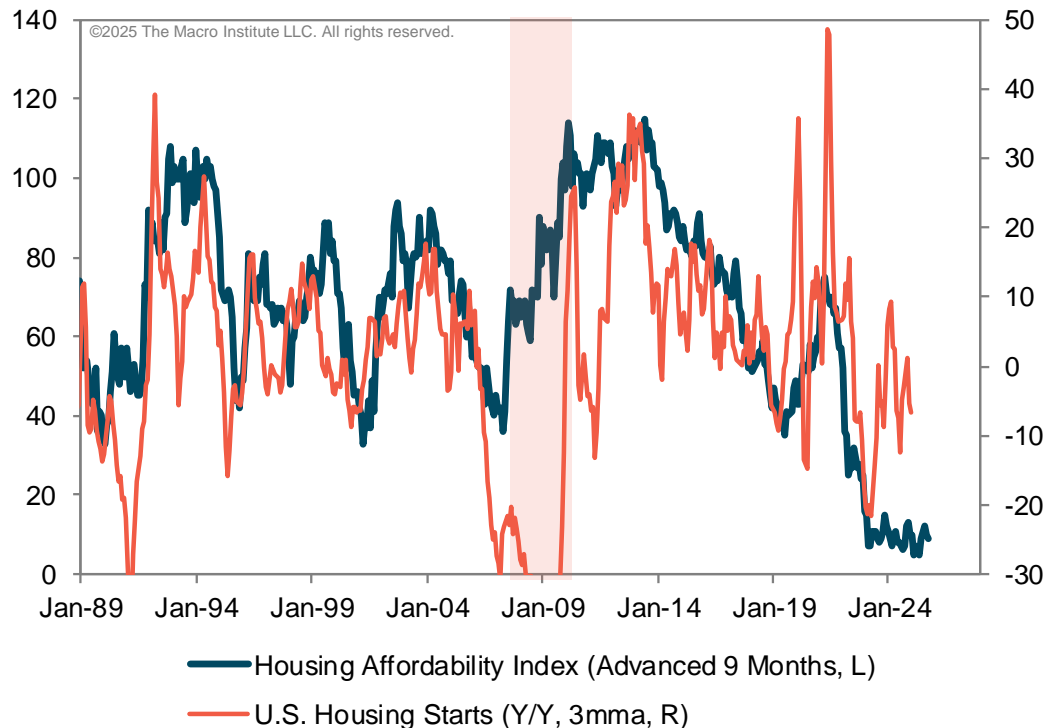
### Household Sentiment Toward Housing Has NEVER Been This Bad



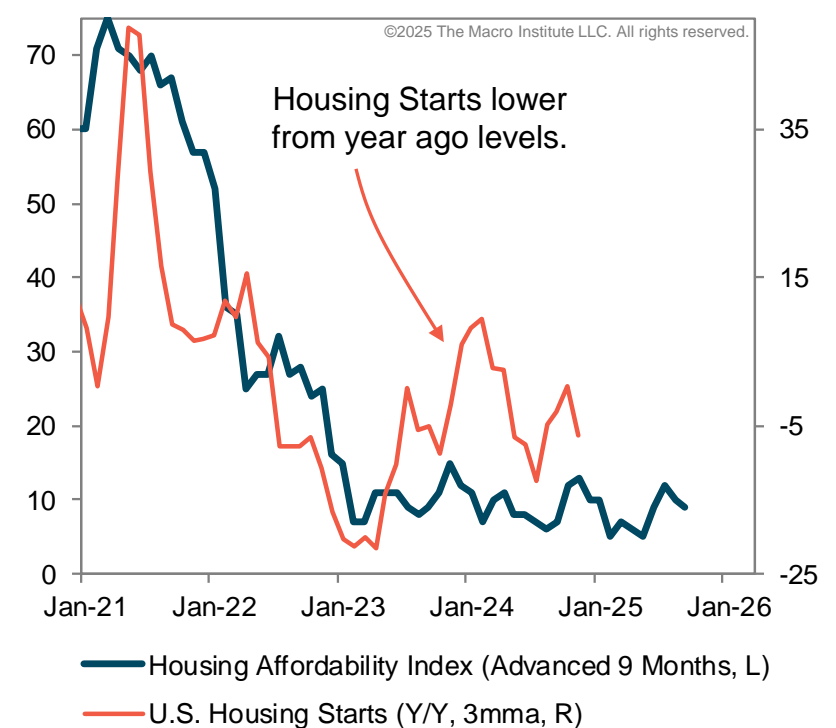
## Housing Affordability At Odds With Labor Market Trends

### Lower Mortgage Rates = More Affordable Housing = Broad Housing Recovery

#### Housing Affordability Leads Housing Activity



#### Slowdown In Starts Has A Way To Go



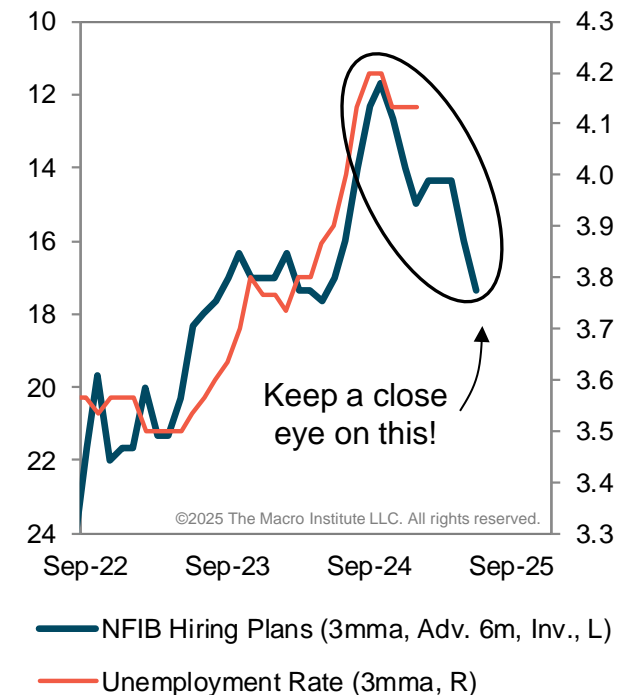
# Housing Affordability At Odds With Labor Market Trends

## Housing Recovery Largely At The Mercy Of Labor Market Trends

### Housing's Love/Hate Relationship With Employment Trends



### Lower Unemployment Ahead?

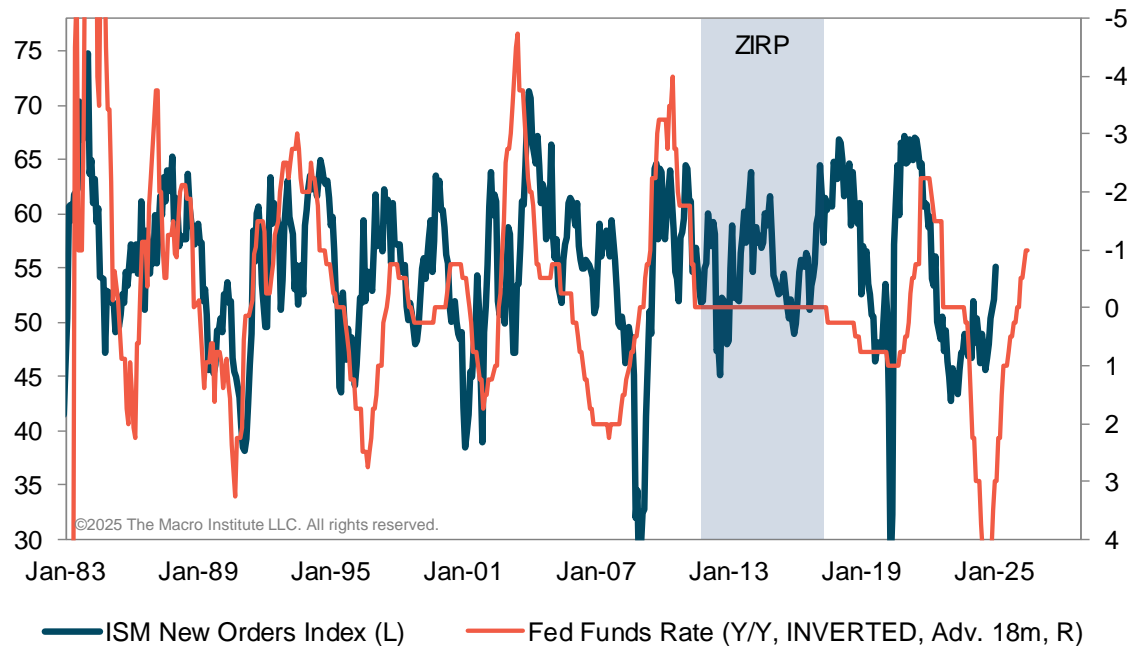




## Conclusion: Housing Trends At Odds With Economic Outlook

### Monetary Policy Becomes Supportive Of The Economy In 2025

#### LEIs Usually Start To Recover ~18 Months After Last Rate Hike



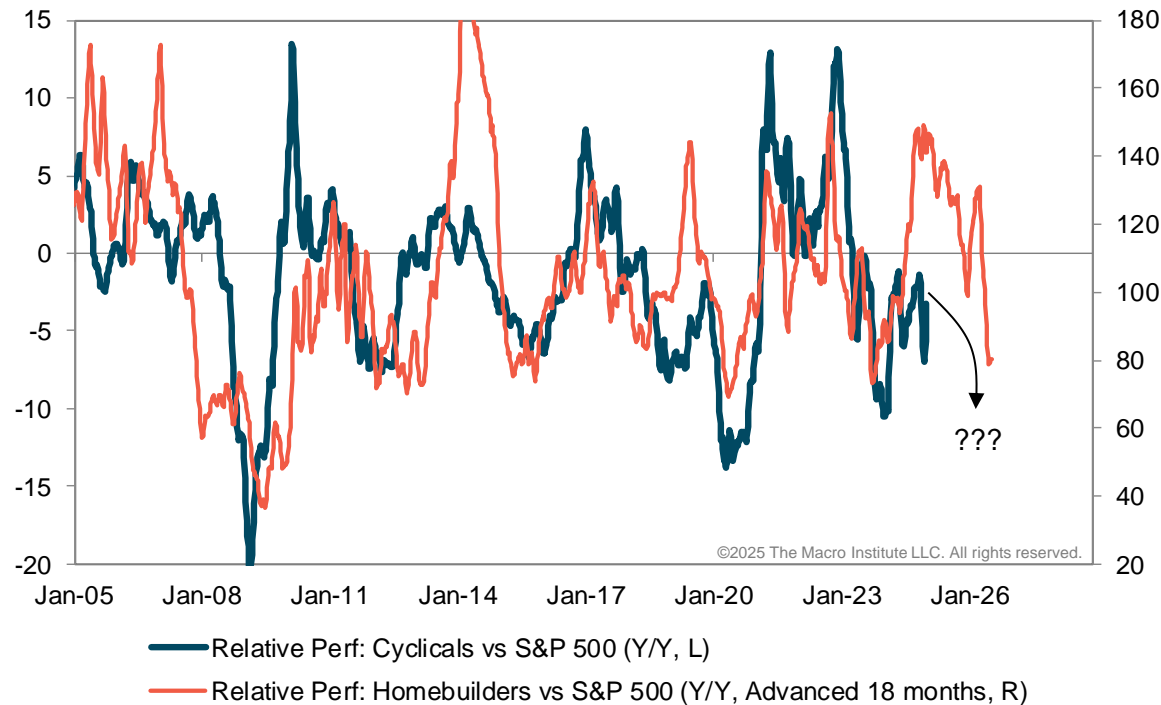
#### Rising LEI's Should Benefit EPS



## Conclusion: Housing Trends At Odds With Economic Outlook

### Housing's Red Flags For The Cyclical Recovery Trade In 2025

#### Homebuilders Not A Fan Of Cyclical Recovery For The Road Ahead



## Why Does Housing Matter So Much Anyway?

For any additional questions:  
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