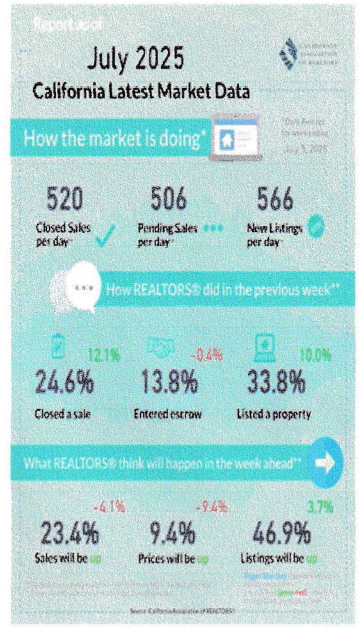
July 07, 2025 – Couple news from last week provides some positives to the economy and the housing market as we enter the second half of 2025. The U.S. job market demonstrated resilience with nonfarm payrolls increasing by 147,000 in June and surpassing consensus expectations. President Trump's One Big Beautiful Bill Act was signed last week, and the SALT deduction cap was raised to $40,000, which could potentially make owning a home more attractive. Meanwhile, housing sentiment dipped slightly last month but more consumers believed that it is a good time to buy. Results from a newly released survey also suggest that homeownership aspirations remain strong, but financial barriers such as low income and high home prices continue to discourage buyers.

U.S. job growth continues at a steady pace in June: U.S. job growth came in stronger than expected with nonfarm payrolls increasing 147k in June, surpassing consensus expectations of 110k, according to the latest report released by the Bureau of Labor Statistics. Along with upward revisions for both April and May, last month's solid hirings suggest that the labor market has remained resilient in 2025. The unemployment rate also fell to 4.1% in June from 4.2% in May and reached the lowest level since February. The dip in the jobless rate, however, was due primarily to a decline in those working or looking for jobs. In fact, the labor force participation rate fell to 62.3%, which is the lowest level since late 2022. Health care and social assistance (+59k) continued to provide support to the overall job gains, but government employment (+73k) also pushed hirings up last month. The growth in the government sector was due entirely to solid boosts in state and local government hirings, as the federal government payrolls continued to decline by 7k. Average hourly earnings increased month-to-month and year-over-year, but the annual growth rate of 3.7% has been declining and hit the lowest level since late last summer. The slowdown in wage growth suggests that the labor market is currently not a source of inflationary pressure. With the latest report not showing any sign of immediate concern for the job market, the Fed may wait until the September meeting to cut the federal funds rate.

Housing sentiment dips but more think it is a good time to buy: The Home Purchase Sentiment Index (HPSI) released by Fannie Mae pulled back in June after reaching a six-month high in May. The decrease of 3.7 points from the prior month dragged the index down to 69.8 and the level reached last month was lower than the year-ago level by 2.8 points. Consumers who believed now is a good time to buy, on the other hand, climbed to 28% from 26% in the prior month and reached the highest level since February 2022. Those who believed now is a good time to sell dipped month-over-month by one point to 60% but remained six points below its 12-month level. The slide in HPSI in June was due primarily to respondents' concern about the labor market conditions, as 29% of those who were employed said that they were concerned about losing their job in the next 12 months, the second highest level since at least early 2011.

Homeownership desire remains strong but financial hurdles discourage buyers: A new survey released by NeighborWorks America/Morning Consult finds that homeownership aspiration is still strong across the U.S., but many believe buying a home is out of reach due to financial reasons. Latest survey results from the nonprofit foundation show that nearly half (49%) of U.S. adults are interested in buying a home but a third (31%) of them believe it is unattainable. Financial barriers most commonly cited by respondents include low income (33%), high home prices (22%), low credit scores (22%), economic or job uncertainty (22%), and saving for a down payment (21%). For those who are planning to buy in the next year, many of them are doing prep work such as saving for a down payment (72%), reducing non-essential spending (53%), and taking on additional work (34%). As for information resources, REALTORS® (41%) were ranked as their first choice to seek homebuying information, followed by family and friends (19%), and online sources (19%).



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SALT deduction cap raised after bill signed: President Trump signed into law last week the One Big Beautiful Bill Act, a budget reconciliation package that includes a wide-ranging tax reform plan. Among the most closely watched provisions is a revision to the State and Local Tax (SALT) deduction cap. Working with California Representative Young Kim and NAR, C.A.R. helped secure language in the House bill that would have permanently increased the SALT cap to $40,000 for households with incomes below $500,000. The final bill passed by Congress will increase the SALT cap to $40,000 for individuals and married couples with incomes below $500,000 but expires after a five-year period. Following that, the cap reverts back to the current $10,000 limit. With a higher SALT cap, many homeowners in California may get a larger tax deduction, which would make homeownership more attractive from a financial standpoint.

Construction spending continues to fall in May: U.S. construction spending in May declined for the seventh straight month as high interest rates and lingering economic uncertainty continued to weigh on both the demand and the supply sides of the housing market. According to the latest Commerce Department's monthly report, total outlays dropped 0.3% month over month in May as residential construction spending dipped 0.5% from the prior month and was down 6.5% from the year-ago level. The $901.1 billion pace in May was the lowest level in 19 months, and the softening in spending was due partly to the drop of 1.8% in outlays on new single-family housing projects in May. Multifamily construction outlay was essentially unchanged from April but continued to pull back from 12 months ago with a drop of 10.9%. With negotiations not making much progress between the U.S. and many of its trading partners, building material costs are not expected to decline in the coming months. Construction activity and spending, as such, will not likely see any meaningful bounce back in the months ahead.

Note: *This summary report gets updated every Monday by 6:00 pm PST. Feel free to email us at* **research@car.org** *if you have any questions and/or feedback.*