STAGFLATION

"The reality is this—our economy is no longer a stagflationary mess, but it isn't roaring, either."

~ Kelly W. Milligan

After a strong third quarter and some positive movment by the Federal Reserve Board to lower rates, many went into October thinking it might turn out to be a forward step towards a strong end to the year. What we got instead was rather underwhelming. The performance of our market in October was, to employ an overused one-word idiom, "meh."

Sales were up in just 19 of 44 areas surveyed (compared to 35 in October of 2024), with dollar volume up in 18 (down y-o-y from 34). When you look at specific zones, it's kinda hard to pick a thread through it all. At every price point, and in each of the counties that make up our market area, there were winners and losers. In some cases, the juxtaposition leaves one scratching one's head. Rowlett, for example, sees a 24% increase in sales while neighboring markets (Rockwall, Sache) were notably off. In the luxury sector, Fairview and Highland Park had a very lackluster month by all measures, yet we saw positive price data in Colleyville, Southlake and University Park. Collin County had a solid month, with sales up in Allen, Celina, McKinney, Plano, Princeton and Wylie, but numbers were down in Anna, Melissa, Frisco, Lucas and Murphy. Denton County saw positive numbers in Little Elm, Highland Village and Lewisville, while The Colony, City of Denton anfd Flower Mound were less than spectacular. Two trends worth noting—the more-established suburbs in all counties seemed to fare well, as we've noted, but also this--communities near DFW International Airport (Hurst, Irving, and sort of Coppell) all had decent numbers last month… Make of that what you will.

But here's the thing--those of you who were watching the news probably saw a lot of this coming. As you may have noticed, there was this government shutdown, which had the legacy media scaring pretty much everyone in the nation with dire predictions of calamity (pro-tip—if you're reading this, it didn't kill you…). Most of it was nonsense, but it clearly didn't make consumers any more eager to go buy six-figure properties. And though mortgage rates are down at least a little due to the two recent federal funds rate cuts, the Fed's easing didn't help as much with home mortgage rates as many had hoped because the two 25bp cuts were largely baked into the market in advance of the Fed's announcements. And on that front, the most recent press conference by Jerome Powell as he announced the September rate cut did nothing to comfort the bond markets (talking about a risk-management rationale for the cut, but leaving the Fed's next move very much a guess), and we actually saw rates spike in the immediate aftermath. Thanks, Jerome.

The reality is this—our economy is no longer a stagflationary mess, but it isn't roaring, either. Consumer confidence is responding to the barrage of negative media, and on a downward trend the past three months. The Fed is still worried about inflation (much improved over what we saw in 2022 and the first half of 2023, but doesn't seem to want to stay below 3%) and the labor market, and nobody knows that the circus that was our 40+ day government shutdown will do to GDP numbers. But even with that, our market is holding steady. It remains to be seen whether we get another rate cut in 2025—the predictions are pretty evenly split. Probably best not to count on it, and prepare yourselves to storm through headwinds to the end of 2025. We'll hope for better, but whatever we get, we'll just be glad we're working in this market, and not somewhere cold and grey. Let us know what we can do to help you through it.

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