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# United States Economic Map

Research Report – February 2025

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# Key Highlights



- \_ The U.S. economy defied expectations last year for a marked slowdown.
- \_ The outlook for the U.S. economy in 2025 is one of more moderate growth, although the roll-out of President Trump's policies adds an element of uncertainty.
- \_ Consumer spending, which comprises about 70% of U.S. GDP, is underpinned by a resilient labor market, which is churning out solid wage gains.
- \_ The U.S. housing market remains challenging for homebuyers.

# 2025 U.S. Economic Outlook: Moderating Growth



DWS expects GDP growth to decelerate to 2.0% in 2025 from 2.8% in 2024. The roll-out of President Trump's policies adds an element of uncertainty

## U.S. economy continues to look relatively sound

- The U.S. economy defied expectations last year for a marked slowdown as consumers hung tough in the face of persistent inflation and high borrowing costs.
- Consumer spending is being underpinned by a resilient labor market, which is churning out solid wage gains.
- The Conference Board Leading Economic Index (LEI), declined by 1.3% over the second half of 2024, slightly less than its 1.7% decline over the first half of the last year. Moreover, the LEI's six-month and twelve-month growth rates were less negative, signaling fewer headwinds to U.S. economic activity ahead.
- Inflation closed out 2024 on a stubborn note: the Fed's preferred gauge, core PCE, registered a 2.8% year-over-year increase, well above its 2% target, albeit down from 5%-6% reading in 2022.
- The bond market appears to have recognized fiscal and inflationary risks, which could slow the pace of Fed rate cuts. DWS expects the Fed funds rate to be in a range of 3.75%-4.0% by the end of 2025.
- The residential market remains challenging for homebuyers: sales for all of 2024 reached the lowest since 1995, when the U.S. had about 70 million fewer people. While sales volume declined, the median sale price climbed 6% over the past 12 months to \$404,400.

## Real Estate Spotlight: Demand Drivers

### Population Shifts

- Regionally, the South experienced the largest population gains from April 2020 to July 2024, driven by states like Florida (up 8.5%, 1.8 million) and Texas (7.3%, 2.1 million).
- Conversely, the Midwest and Northeast saw comparatively lower growth, with New York experiencing the most significant decline (-1.7% or 336,524) from outmigration.
- California, New York, Illinois and New Jersey have endured 10 consecutive years of population decline, although the rate of negative migration has recently slowed.

### Demographics: Youth-driven migration trends

- Millennials (born 1981 to 1996) are highly attracted to states such as Texas and Florida, which are financially attractive to young newcomers.
- Generation Z (born 1997 to 2012) mostly favor states such as the two Carolinas and Arizona, which offer dynamic job markets and comfortable lifestyles.
- Illinois and New Jersey face a consistent challenge: Over a third of those leaving each state are Gen Zers.
- Millennials accounted for the largest share of those leaving California.

Sources: DWS CIO View, Conference Board, U.S. Bureau of Economic Advisors, U.S. Bureau of Labor Statistics, Congressional Budget Office, U.S. U.S. Federal Reserve, U.S. Census Bureau, Moody's Analytics, Reuters, CNBC, National Association of Realtors, StorageCafe, Newgeography, Pew Research. As of January 2025.  
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# UNITED STATES ECONOMIC MAP

February 2025

## U.S. ECONOMIC HIGHLIGHTS AND PERSPECTIVE

- U.S. payrolls surged by 256,000 jobs in December, up from 212,000 in November – the final two months of 2024 showed a labor market still operating at strength as the Fed contemplates its next moves on monetary policy.
- GDP increased at a 2.3% pace in the 4th quarter of 2024, down from 3.1% growth in the 3rd quarter. Consumer spending grew at a 4.2% rate – the first time since late 2021 that spending has exceeded 3% in consecutive quarters.
- After falling steadily since 2022, core PCE inflation ticked up slightly in the second half of 2024 to 2.8% in December.
- Despite Federal Reserve rate cuts, mortgage rates increased late last year in tandem with U.S. Treasury yields.

## EMPLOYMENT GROWTH: 2025 – 2026F

Below national average

Near national average

Above national average

**Seattle:** With its growing artificial intelligence cluster and strong talent pool, tech companies are continuing to expand in the area.

**San Francisco:** For all the chatter about the decline of San Francisco, data consistently shows that the **SF Bay Area** is still the best place for venture-backed startups.

**Los Angeles:** Approximately 11,200 structures are believed to have been damaged or destroyed in the LA fires; preliminary estimates put the economic losses at \$250-\$275 billion.

**Hollywood:** Headcounts are shrinking across the entertainment industry as firms adjust to the new demands of a streaming-dominated industry.

**San Diego:** Dozens of life science companies raised mega rounds of venture capital in 2024, furthering the region's status as a top biotech hub.

**Las Vegas:** Reliance on tourism and gaming revenue is gradually being supplemented by a more diversified economic base.

**Phoenix:** Advanced manufacturers, joining a well-established cluster of aerospace, defense, and medical device manufacturers, are fostering an ecosystem of high-tech assembly.

**Austin:** Benefitting from an enviable post-pandemic recovery, total employment has soared nearly 17.5% since February 2020, solidifying Austin's spot as the fastest growing metro area in the U.S.

**Salt Lake City:** Construction continues on the \$4.1 billion Salt Lake International Airport (SLC) expansion that will support an estimated 34 million visitors annually.

**Denver:** Denver's economy has lost ground although a pickup in finance & professional / technical services provides hope for a turnaround.

**Chicago:** Fiscal challenges continue to bedevil the city, as two ratings agencies downgraded its municipal bonds.

**Boston:** Hoping to overcome a post-pandemic slump, Gov. Healey unveiled an economic development package that includes a \$500 million investment in the life sciences industry.

**New York:** Big banks posted blowout fourth-quarter earnings, led by a growing appetite for corporate financing, institutional trading, and dealmaking – trends that could boost Wall Street hiring in 2025.

**East and Gulf Coast Ports:** Operators and union leaders reached an agreement on a new 6-year contract intended to avoid a strike that threatened to disrupt billions of dollars' worth of cargo shipments.

**Washington DC Region:** NOVA's Reston-Herndon Corridor has become the prime landing spot for companies relocating closer to the nation's capital.

**Raleigh-Durham:** The Research Triangle continues to benefit from high-profile tech investments.

**Charleston:** The trend of southern states netting larger numbers of one-way customers continued in 2024, with South Carolina topping the U-Haul Growth Index for the first time.

**Nashville:** The Music City has benefited from several high-profile corporate relocations and expansions.

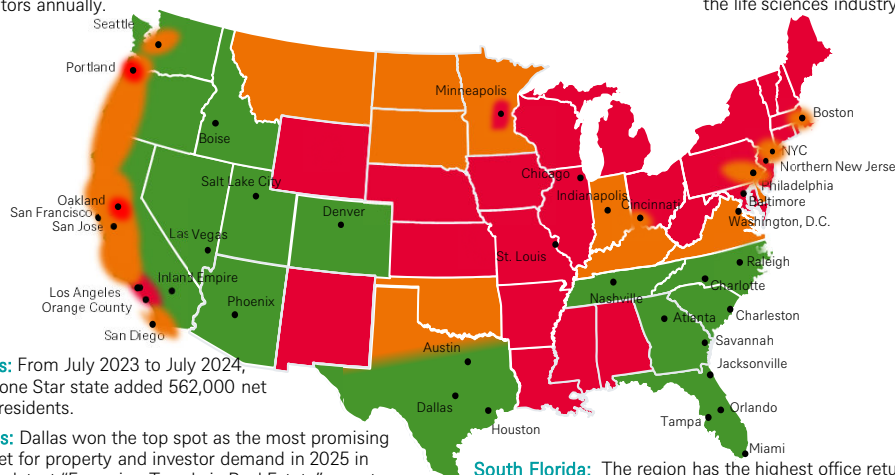
**Atlanta:** Atlanta is a major regional and national distribution hub that benefits from its robust road and rail infrastructure and proximity to the fast-growing **Port of Savannah**.

**Orlando:** "The City Beautiful" again earned the top spot in Cvent's ranking as the Top 50 Meeting Destinations in the U.S. due to its diverse range of options for event planners.

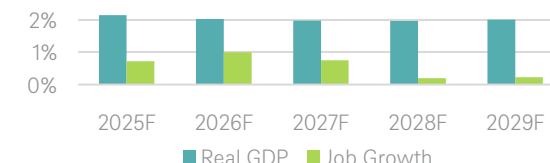
**Texas:** From July 2023 to July 2024, the Lone Star state added 562,000 net new residents.

**Dallas:** Dallas won the top spot as the most promising market for property and investor demand in 2025 in PwC's latest "Emerging Trends in Real Estate" report.

**South Florida:** The region has the highest office return rate in the U.S. at 90%, 20% above the national average.



## REAL GDP & JOB GROWTH



Source: Moody's Analytics (Consensus View), DWS, February 2025.

Sources: DWS, U.S. Dept. of Commerce, U.S. Census Bureau, U.S. Dept. of Labor, U.S. Bureau of Economic Advisors, U.S. Conference Board, Moody's Analytics, Wall Street Journal, Business Insider, Bloomberg, CNBC, Reuters, CBRE, CoStar, Bisnow, ULI/PwC, NY Post, Real Page, CoreLogic, Los Angeles Times, GlobeSt, slcairport.com, FTL DDAdata from Placer.ai, Chicago Tribune, AccuWeather, FilmLA, Redfin, crunchbase, atlwire.com, Orlando-news (Cvent) Connect's Venture Capital Funding Tracker, U-Haul, StorageCafe.

As of February 2025. F- forecast.

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