

U.S. Economy, Housing & Mortgage Market

Recent Developments

November 2024

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Spotlight



U.S. Housing Shortage

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Economy: U.S. economy continues to expand though showing signs of slowing consistent with a soft landing

- Q3 economic growth strong at 2.8%
- Labor market cooling with unemployment remaining at 4.1% and job growth moderating
- Inflationary pressures are abating

Housing & Mortgage Market: Homebuyers continue to wait for rates to decline further

- Mortgage rates increased throughout October after reaching 2-year lows in September
- Existing home sales at lowest level since October 2010
- House price growth moderated further to 3.6% in September

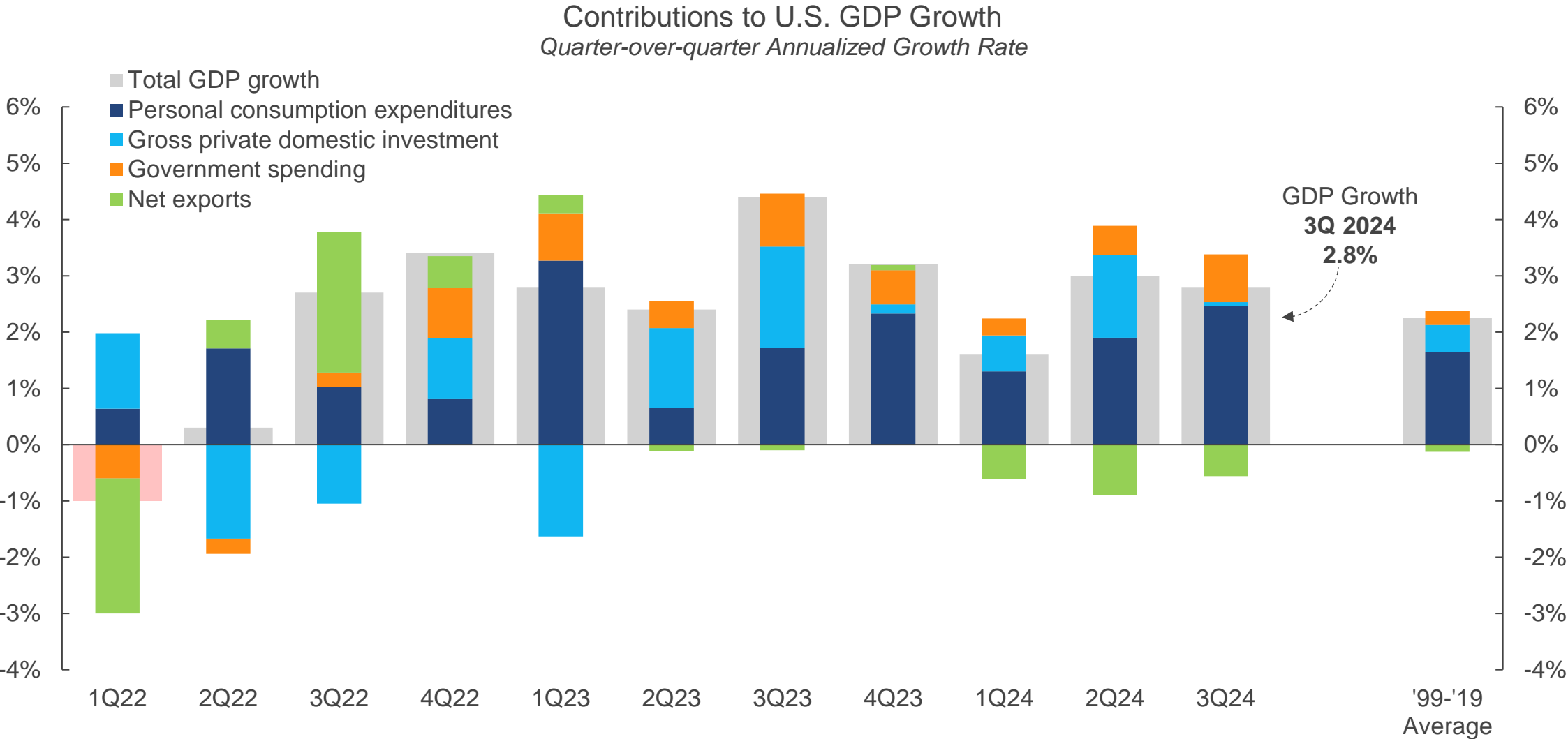
Spotlight:

- Housing market continues to be plagued by a shortage of housing units for rent and for sale. We estimate the national housing shortage is 3.7 million units as of the third quarter of 2024



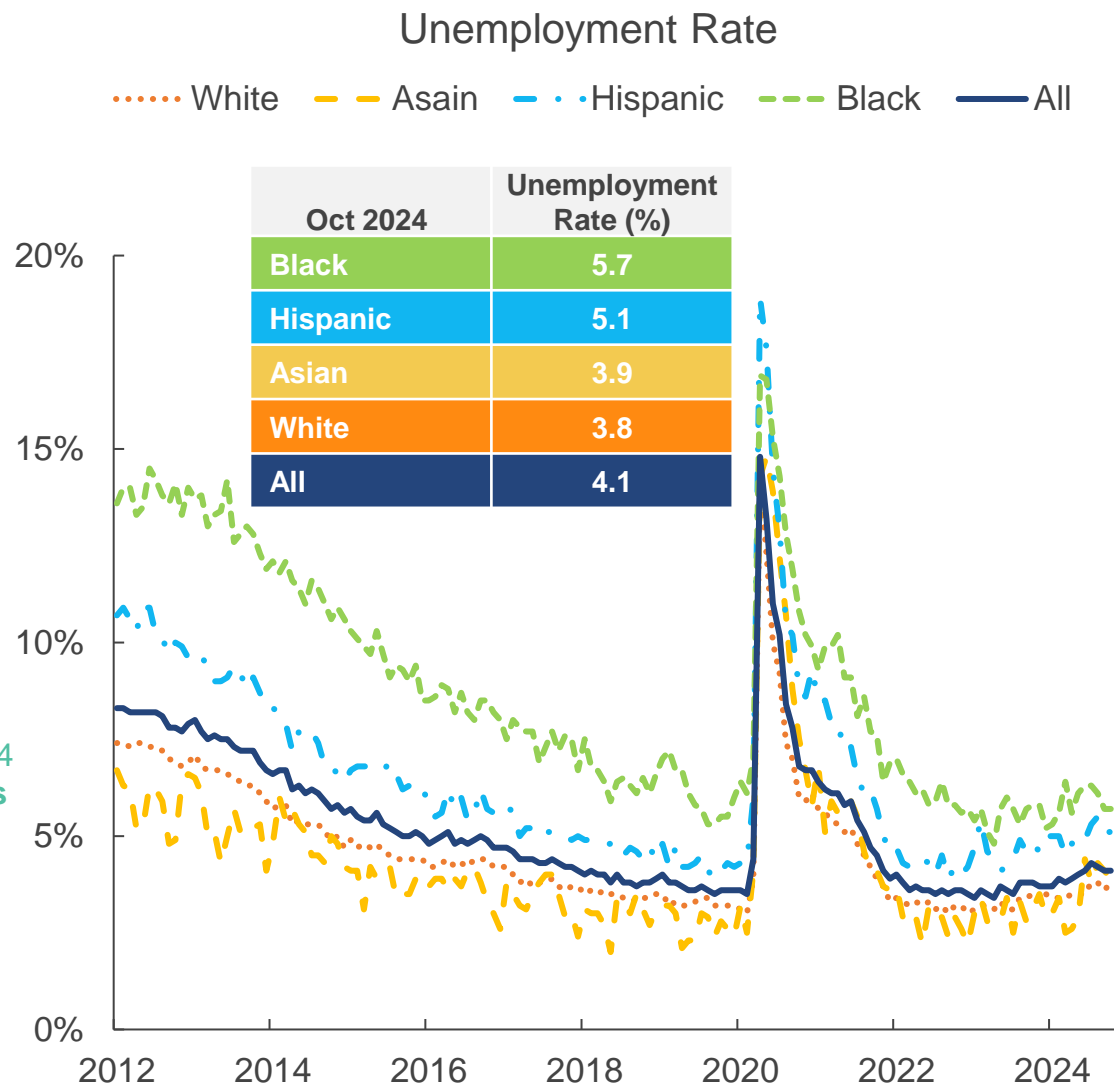
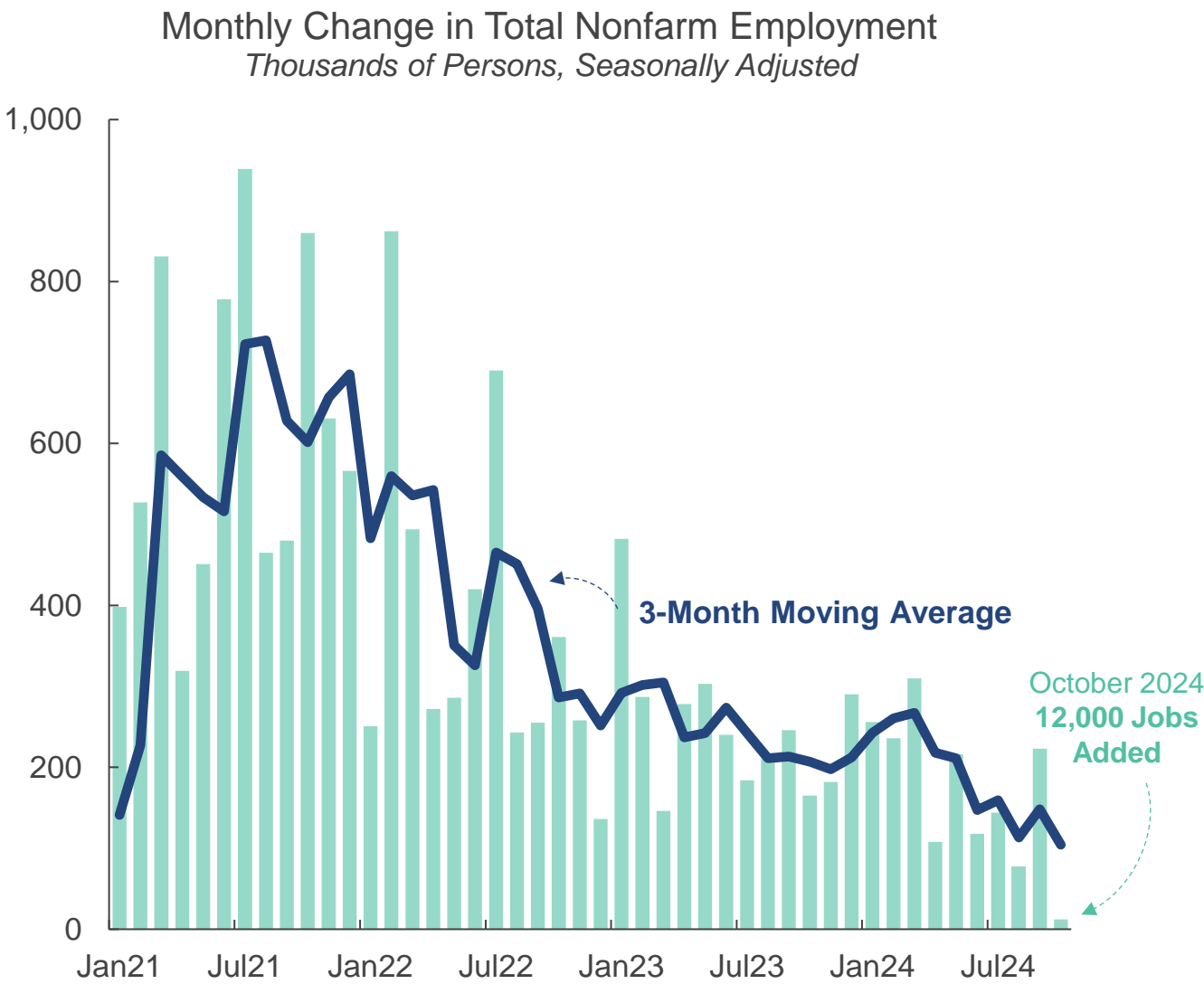
Economy

GDP Increased at an Annual Rate of 2.8% in Q3 2024; Growth Driven by Consumer Spending and Federal Government Spending



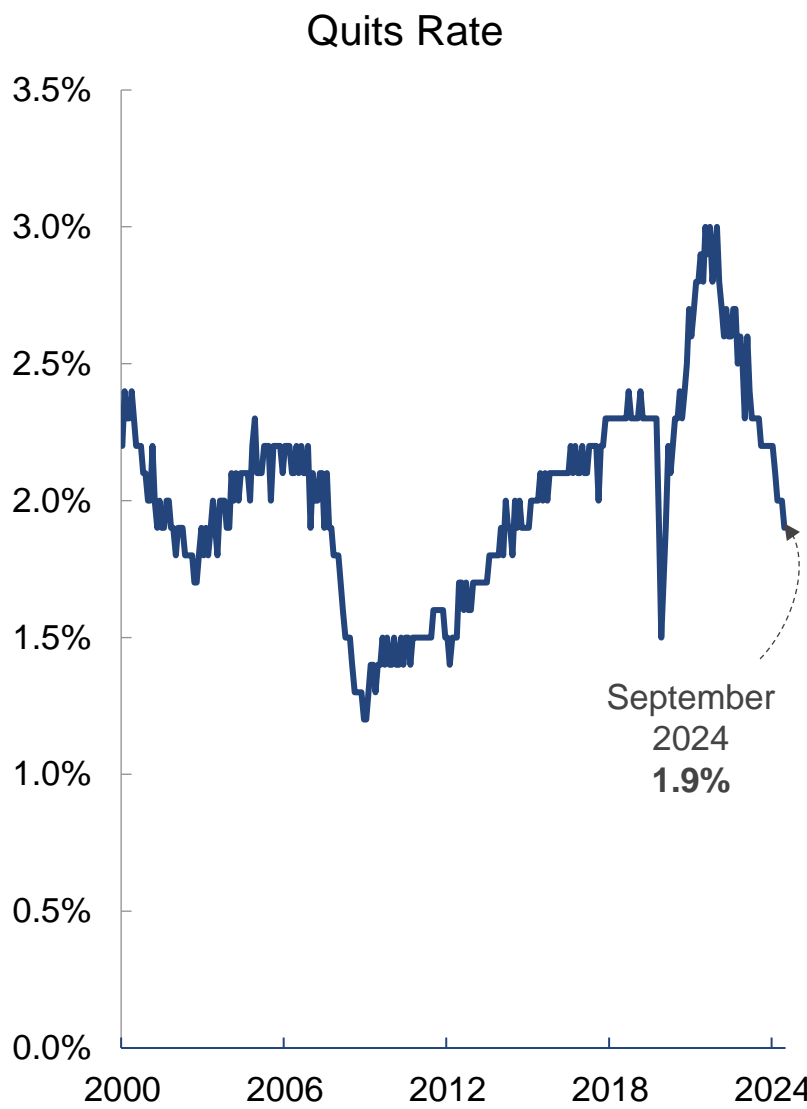
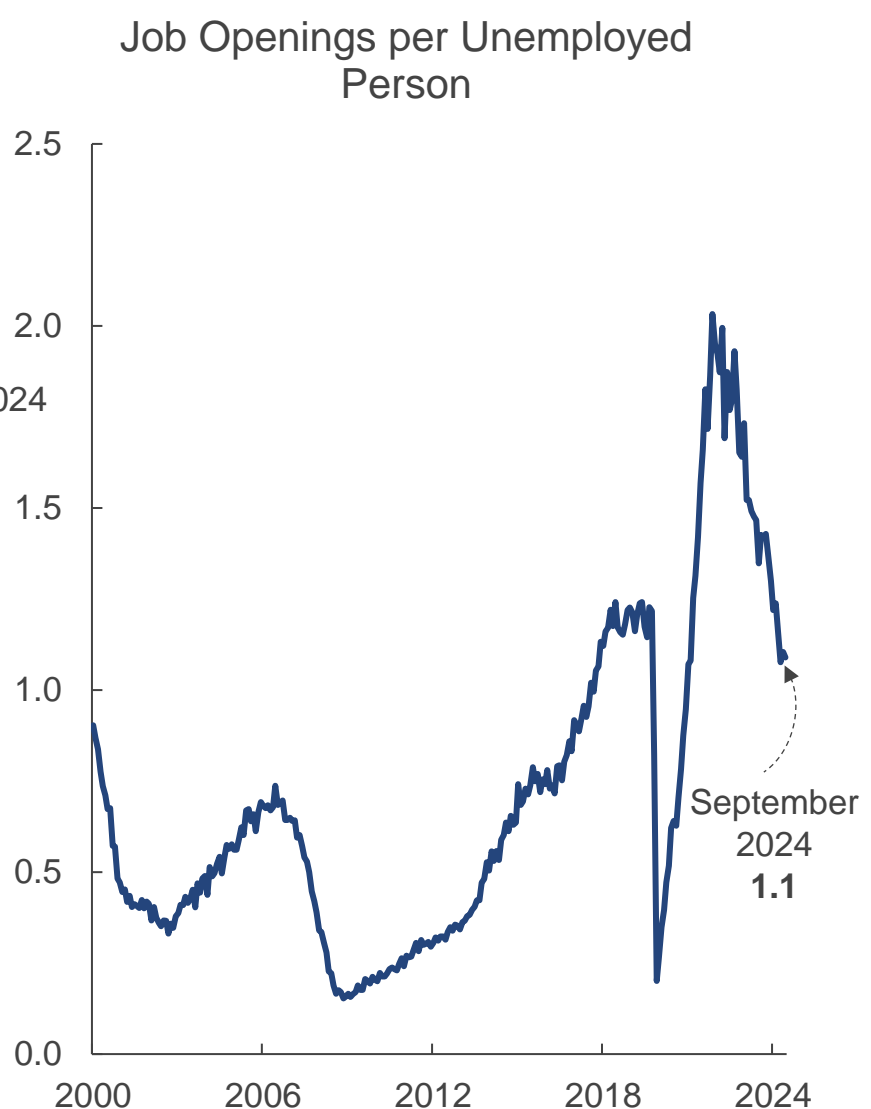
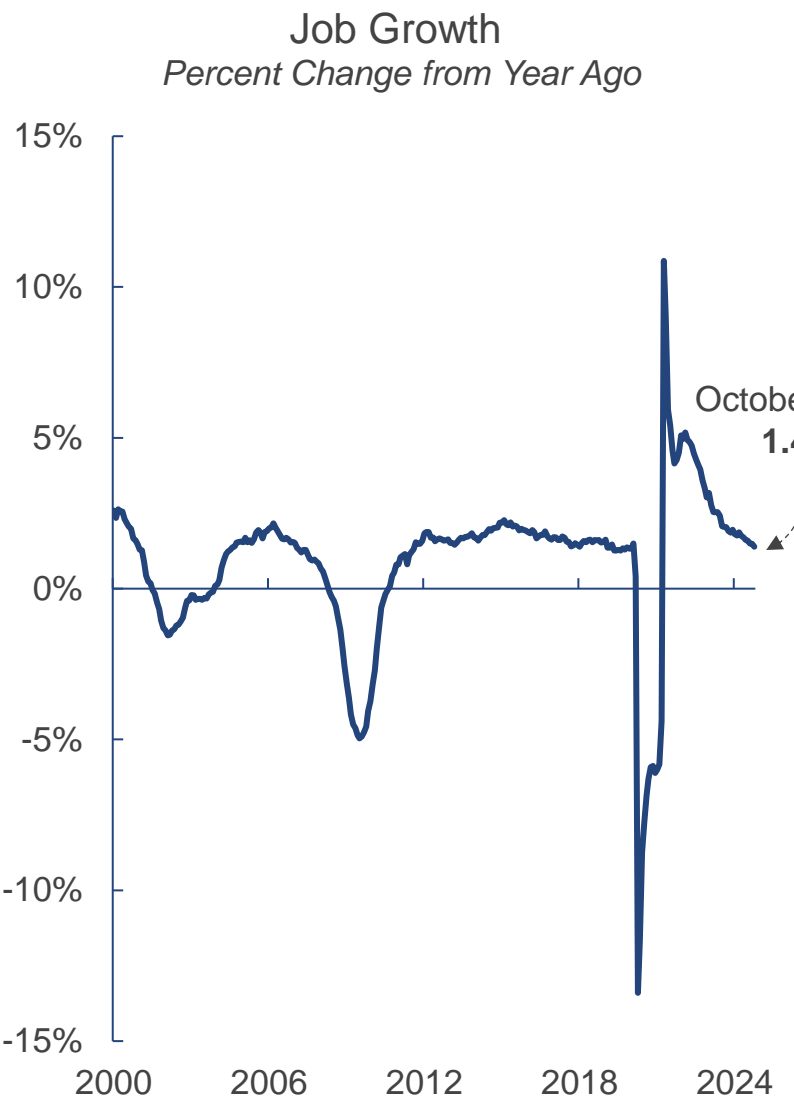
Source: U.S. Bureau of Economic Analysis (BEA)
Note: Data through Q3 2024

U.S. Labor Market is Cooling with Unemployment Remaining at 4.1% and Job Growth Moderating



Source: U.S. Bureau of Labor Statistics (BLS)
Note: Data through October 2024

Even Though U.S. Labor Market Is Cooling, it Remains Tight Compared to Prior Decades

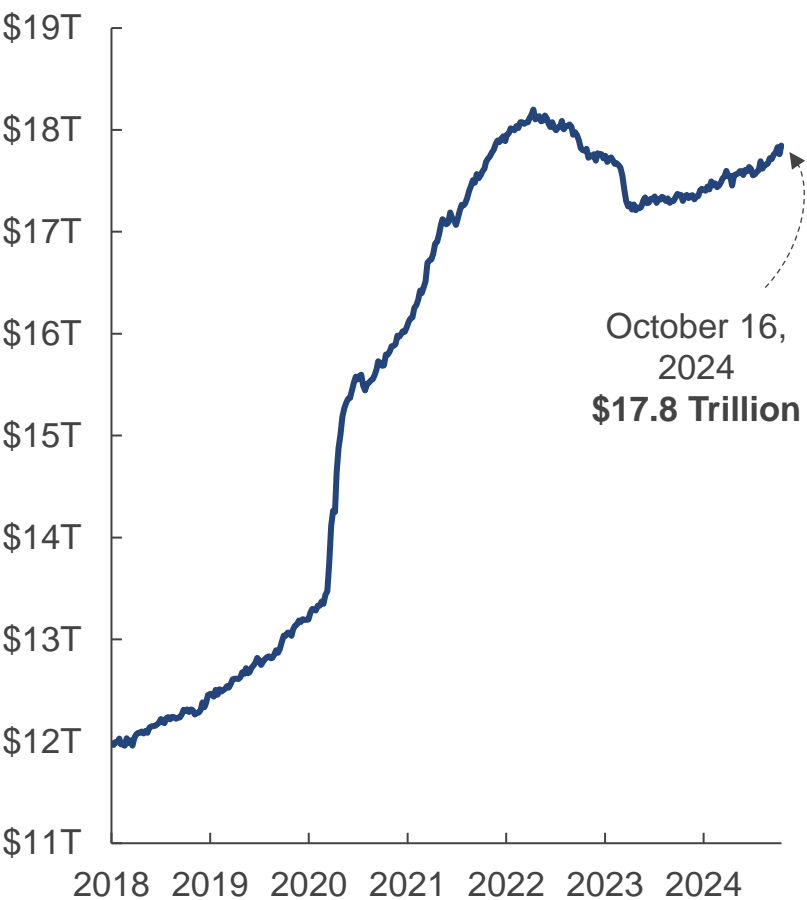


Source: U.S. Bureau of Labor Statistics (BLS)

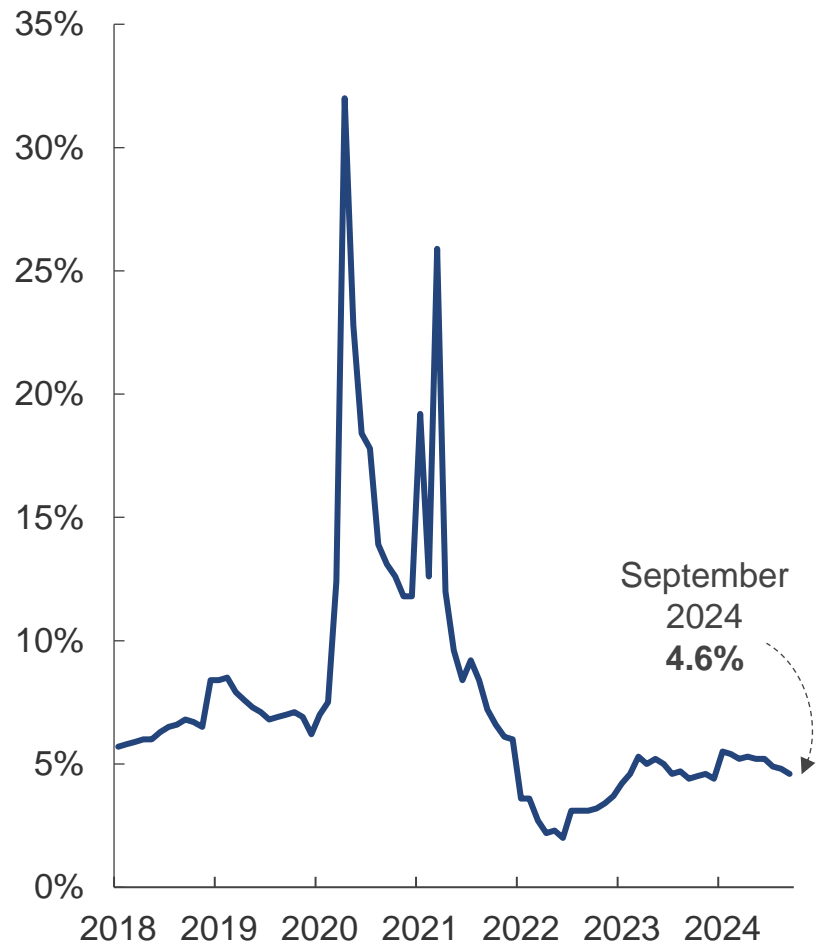
Consumer Balance Sheets Improved Significantly Due to Stimulus, But They Have Weakened as Credit Demand Surged During the Last 18 Months



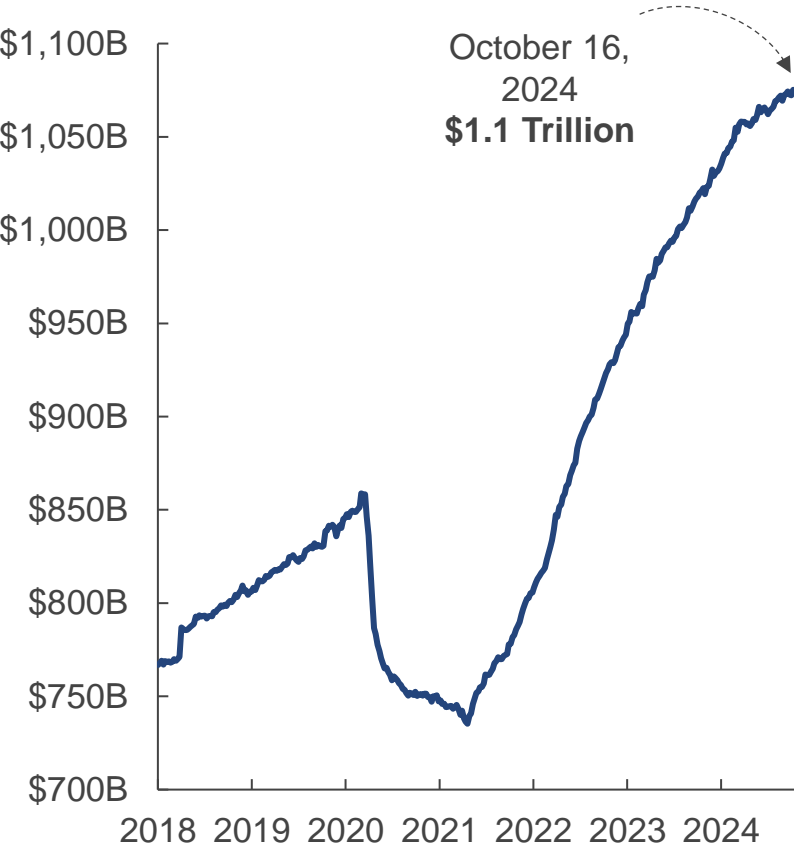
Consumer Bank Deposits
\$Trillions



Personal Savings Rate

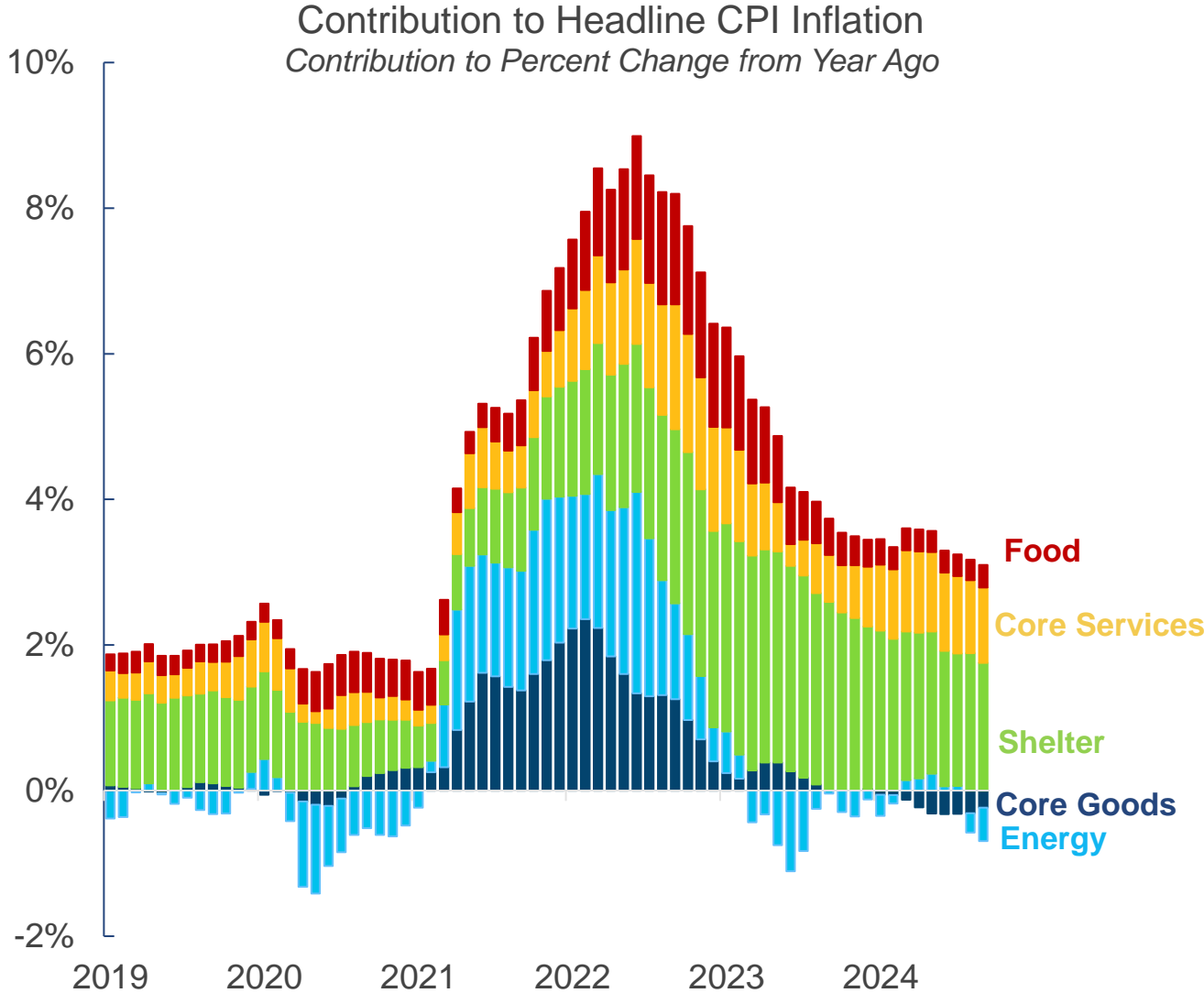
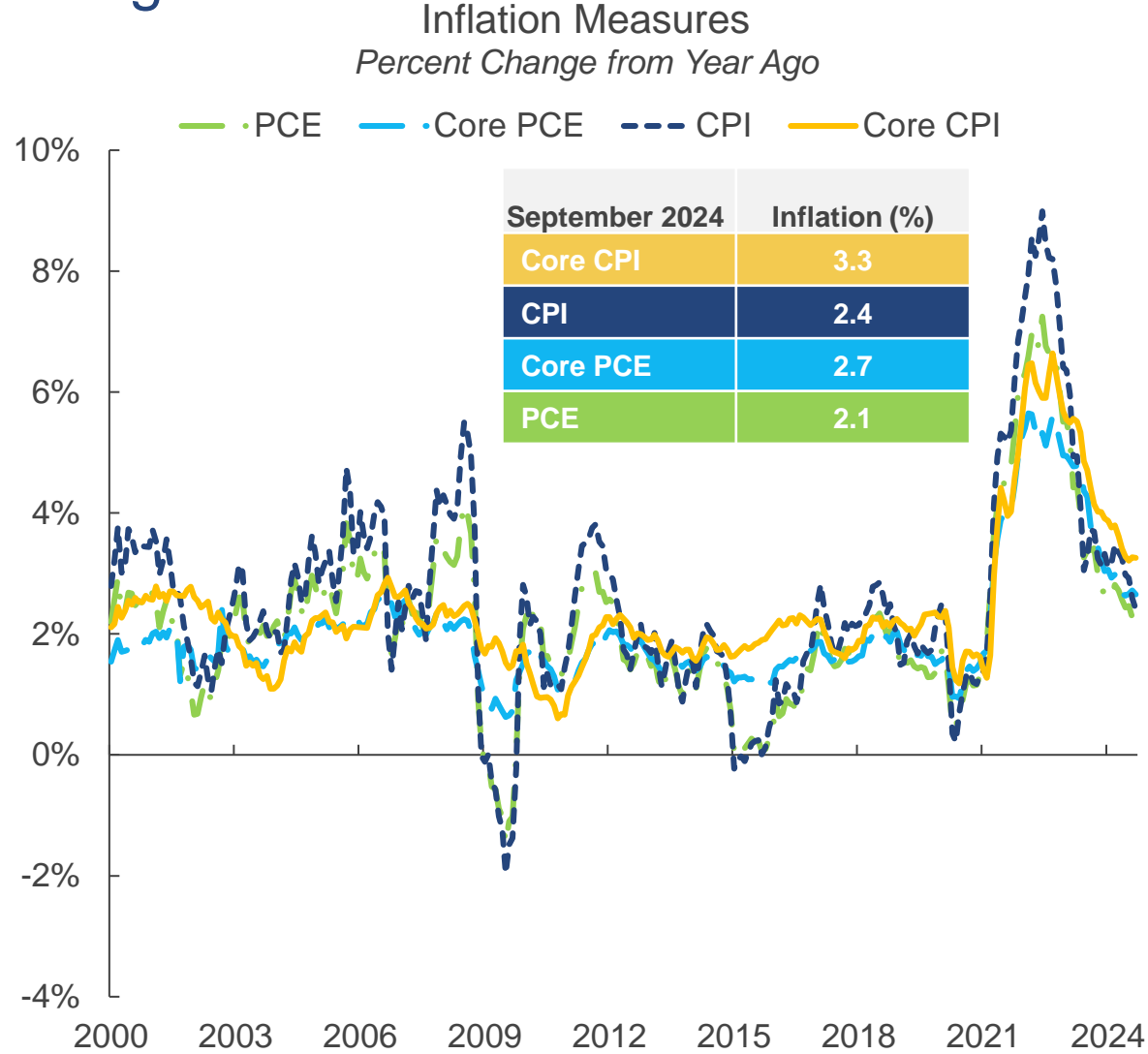


Consumer Loans
Credit Cards and Other Revolving Plans,
All Commercial Banks
\$Billions



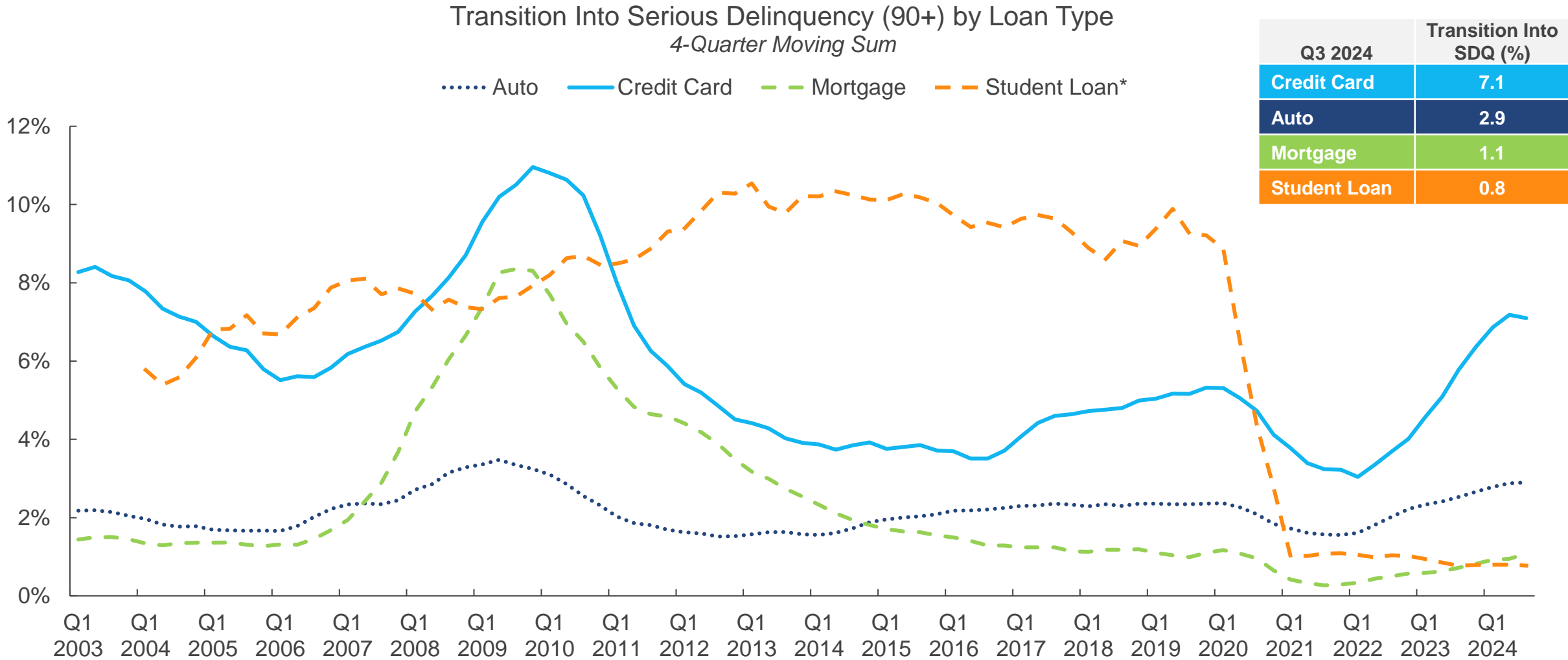
Source: Federal Reserve, U.S. Bureau of Economic Analysis (BEA)

While Moderating, Inflation in the U.S. Remains Slightly Above Federal Reserve's Target



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA)
Note: Data through September 2024

Serious Delinquency Rate for Credit Cards and Autos Continue to Increase, But Mortgage Performance Remains Solid

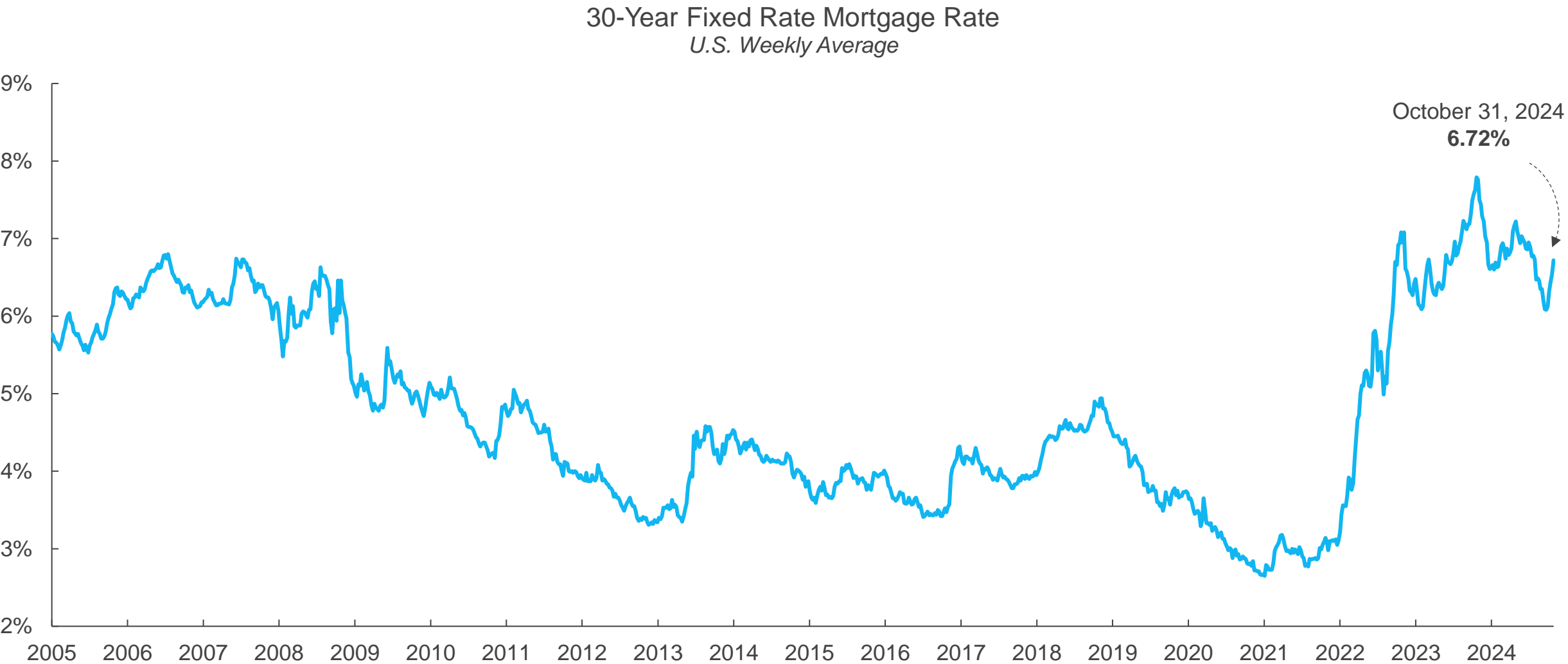


Source: New York Fed Consumer Credit Panel/Equifax;
Note: Data through Q3 2024
*Student loan data are not reported prior to 2004 due to uneven reporting



Housing & Mortgage Market

U.S. Mortgage Rates Rising Again After Federal Reserve Interest Rate Cut

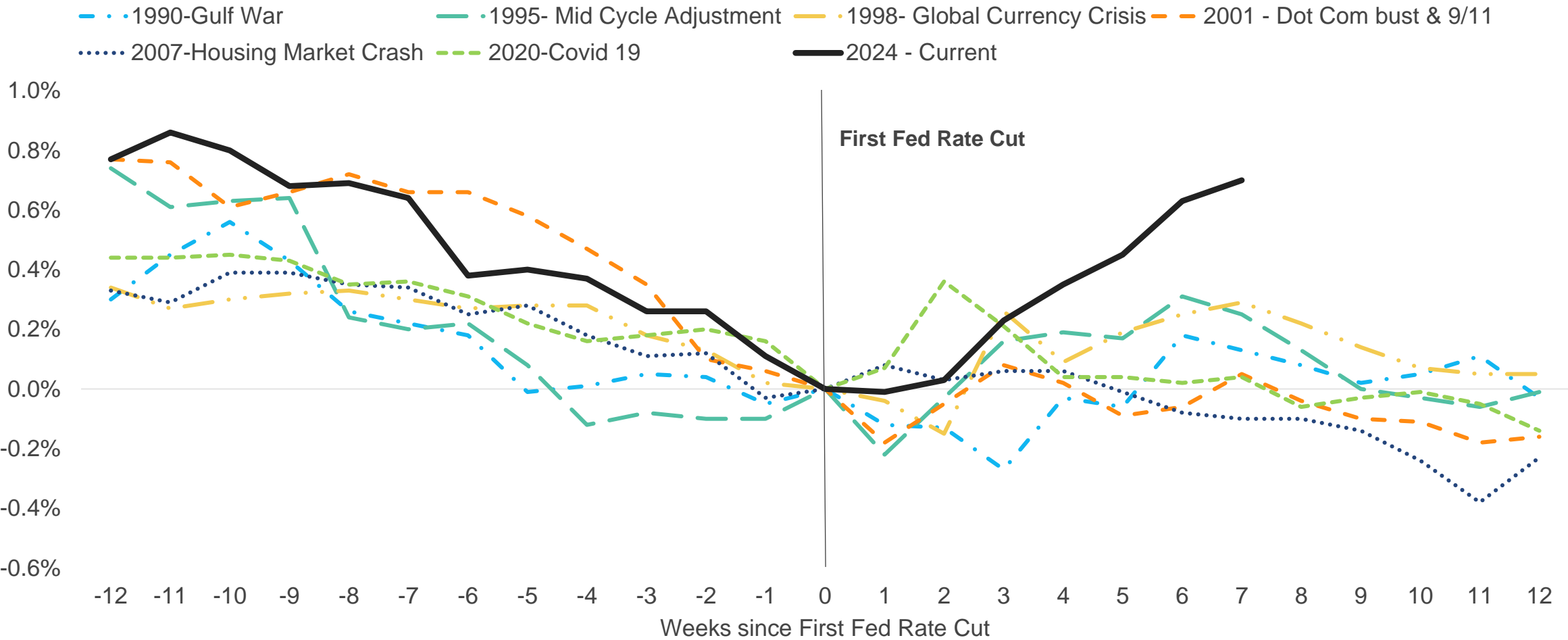


Source: Freddie Mac Primary Mortgage Market Survey (PMMS)
Note: For latest data, visit <https://www.freddiemac.com/pmms>

U.S. Mortgage Rates Decline in Anticipation of Fed Rate Cuts



Change in Mortgage Rates Since First Fed Rate Cut

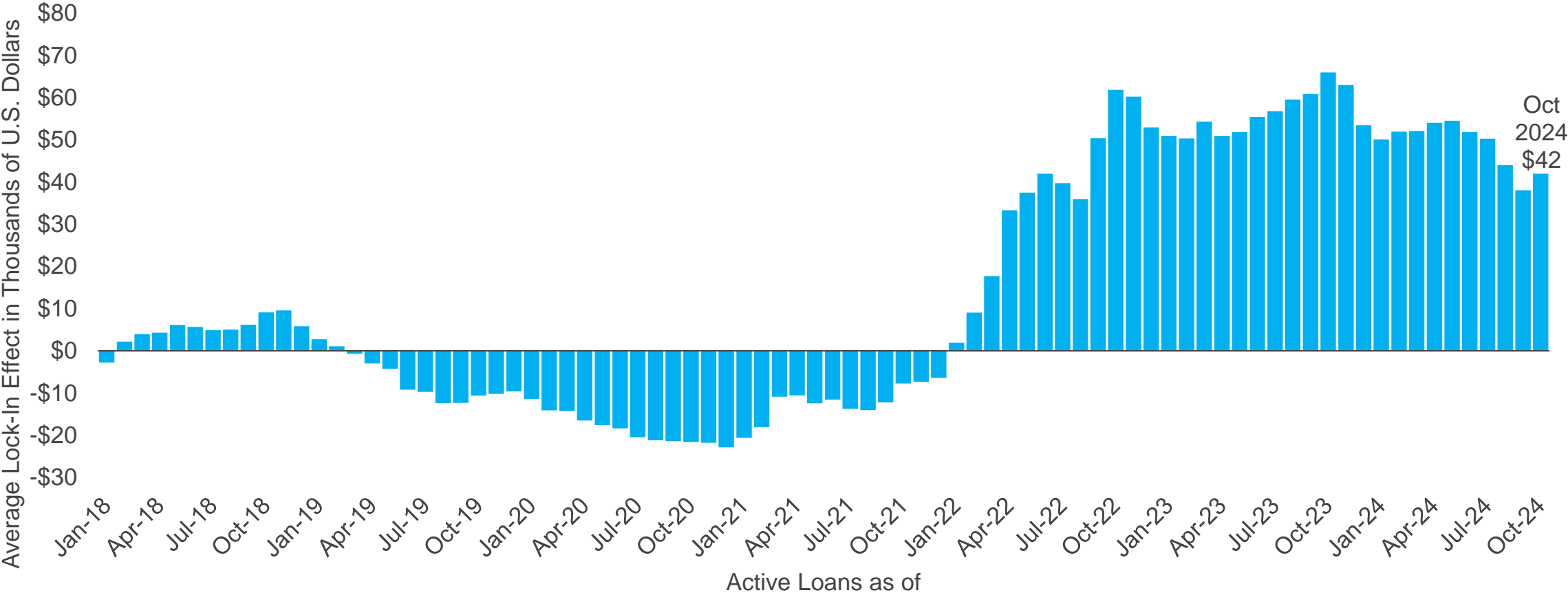


Source: Freddie Mac Primary Mortgage Market Survey (PMMS), Federal Reserve
Note: For latest data, visit <https://www.freddiemac.com/pmms>

Average Mortgage Rate Lock-In Effect



Average Mortgage Rate Lock-In Effect
Freddie Mac active 30-year and 15-year fixed mortgages; Thousands \$

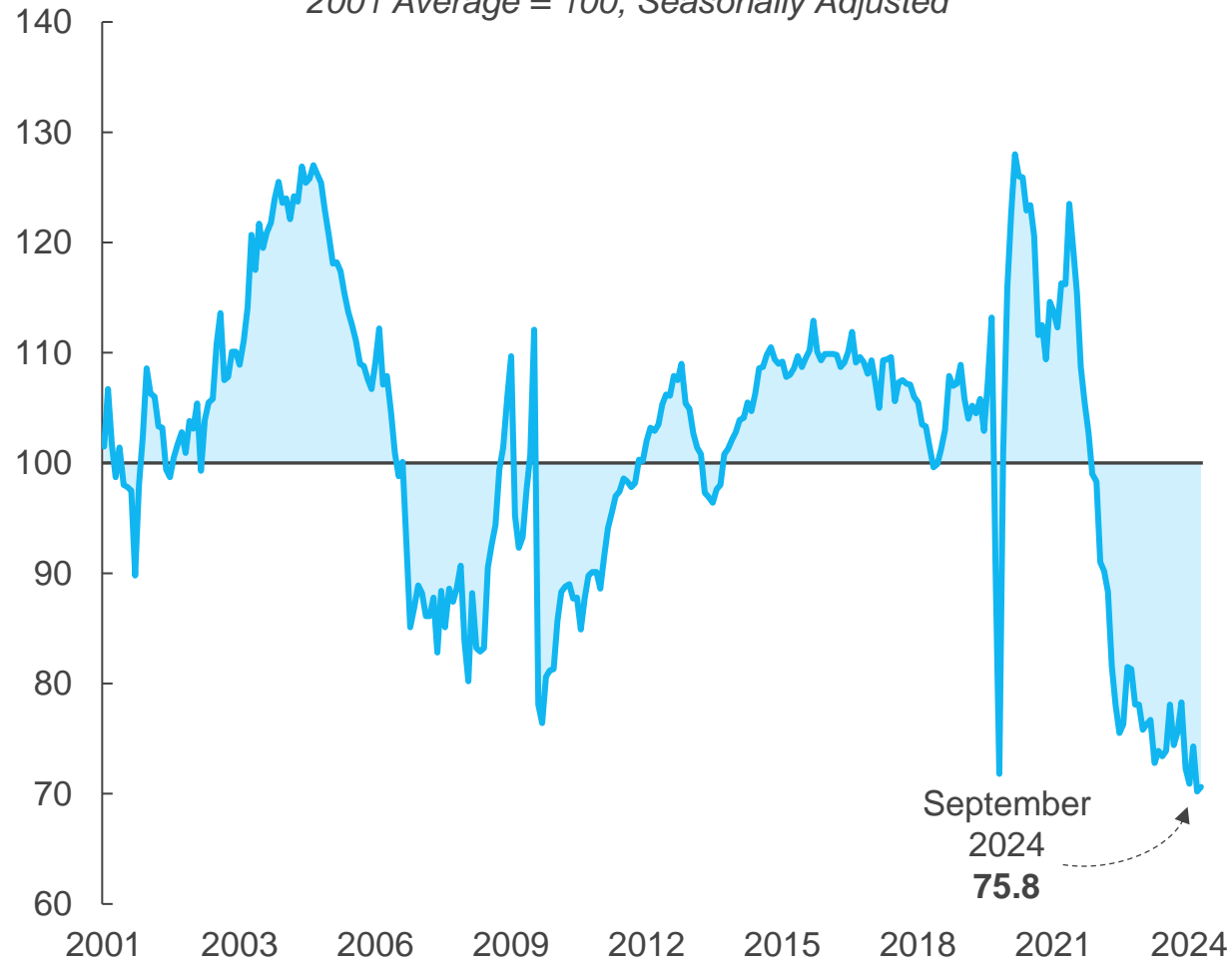


Lock-in computed by the formula $V = B - \sum_{i=1}^n \frac{P}{(1+r)^i} - \frac{F}{(1+r)^n}$ where B is the current outstanding mortgage balance, P is the monthly principal and interest payment, r is the current prevailing 30-year/15-year mortgage rate in the PMMS, n is the remaining months left on the mortgage and F is any partial payment due after n periods due to curtailment.

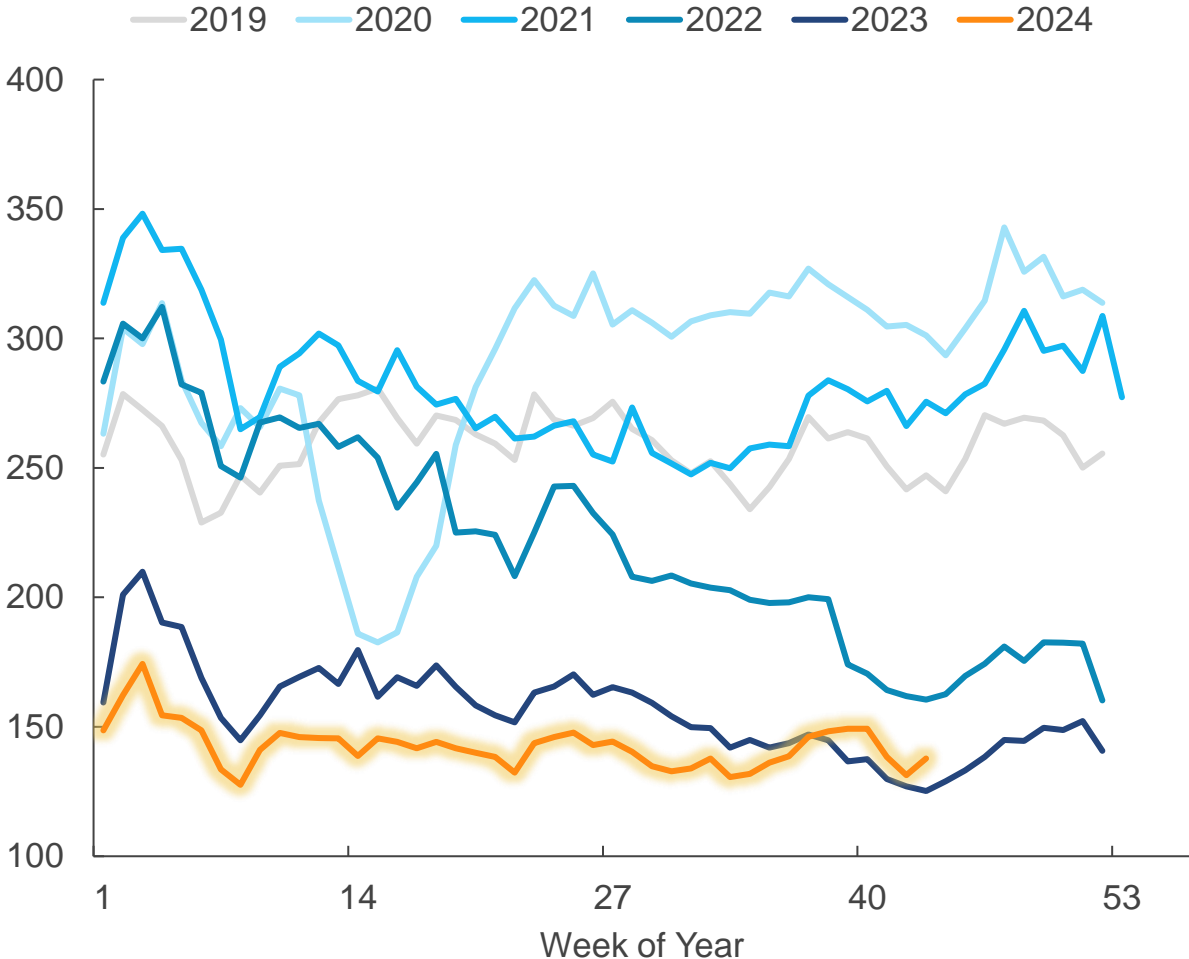
Rapid Decline in Housing Affordability Has Led to a Contraction in U.S. Housing Demand



Pending Home Sales Index
2001 Average = 100; Seasonally Adjusted

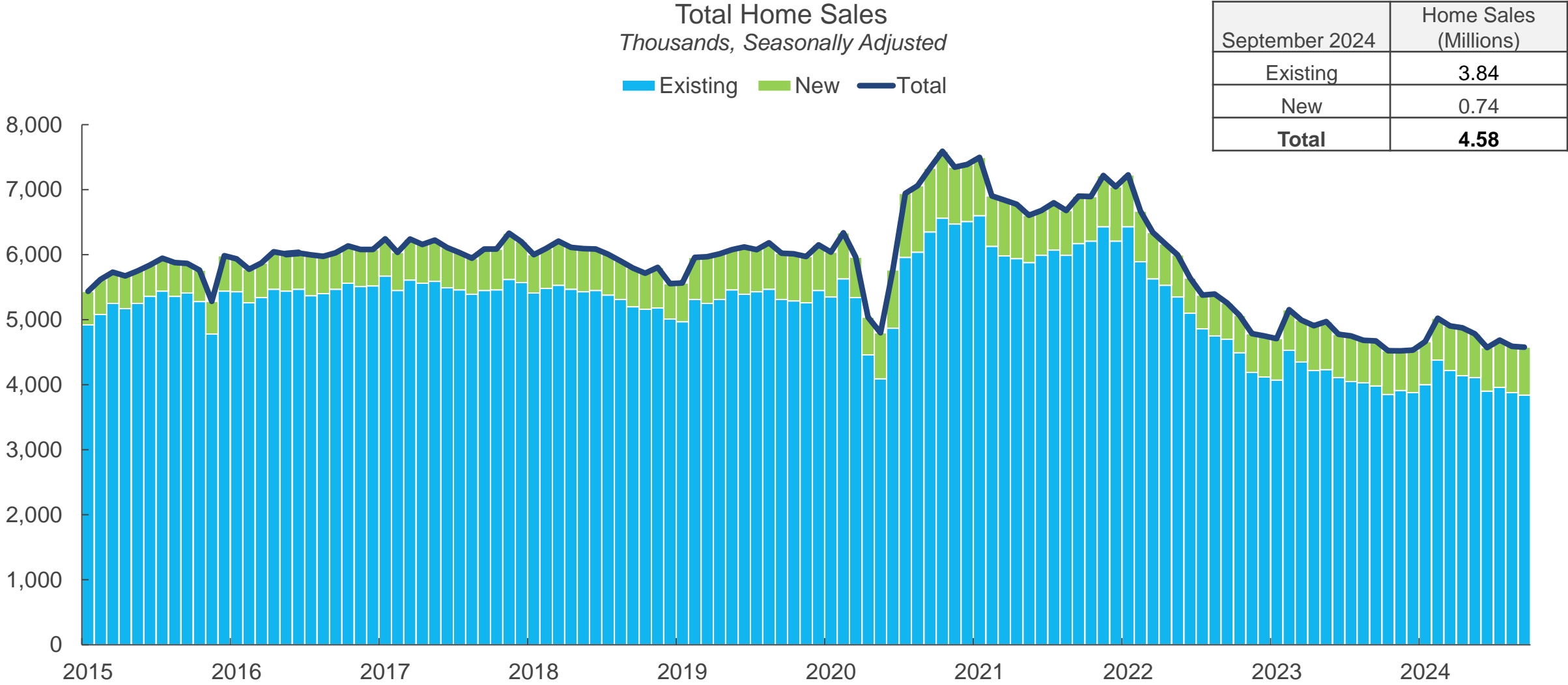


Total Market Purchase Index
16Mar1990 = 100; Seasonally Adjusted



Source: National Association of Realtors, Mortgage Bankers Association
Note: Pending Home Sales data through September 2024; Purchase Apps Data through October 25, 2024.

U.S. Home Sales Remain Low



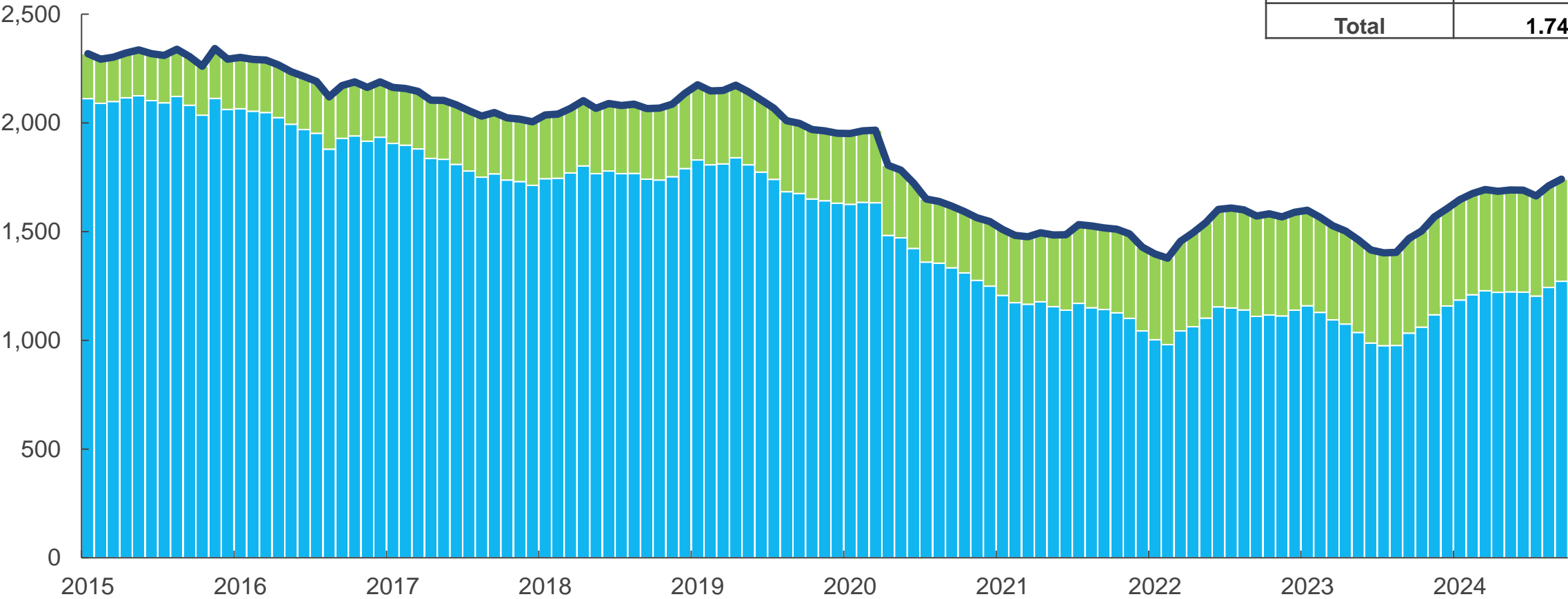
Source: National Association of Realtors (NAR); U.S. Census Bureau
Note: Data through September 2024

Despite Weak Sales, U.S. Housing Supply Remains Low as Market is Dominated by Chronic Undersupply of Resales

Total Homes for Sale
Thousands, Seasonally Adjusted

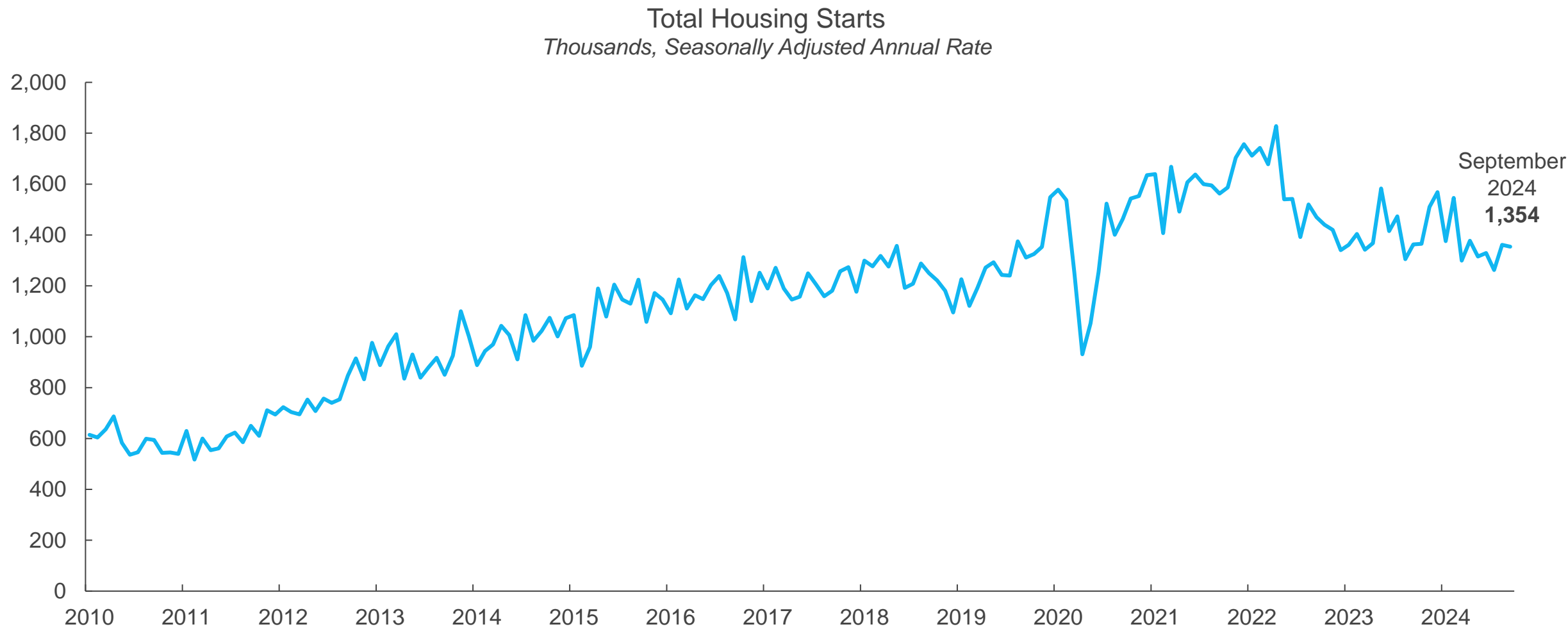
Existing New Total

September 2024	Home for Sale (Millions)
Existing	1.27
New	0.47
Total	1.74



Source: National Association of Realtors (NAR); U.S. Census Bureau
Note: Data through September 2024

U.S. Housing Starts Ticked Down Due to Rising Mortgage Rates

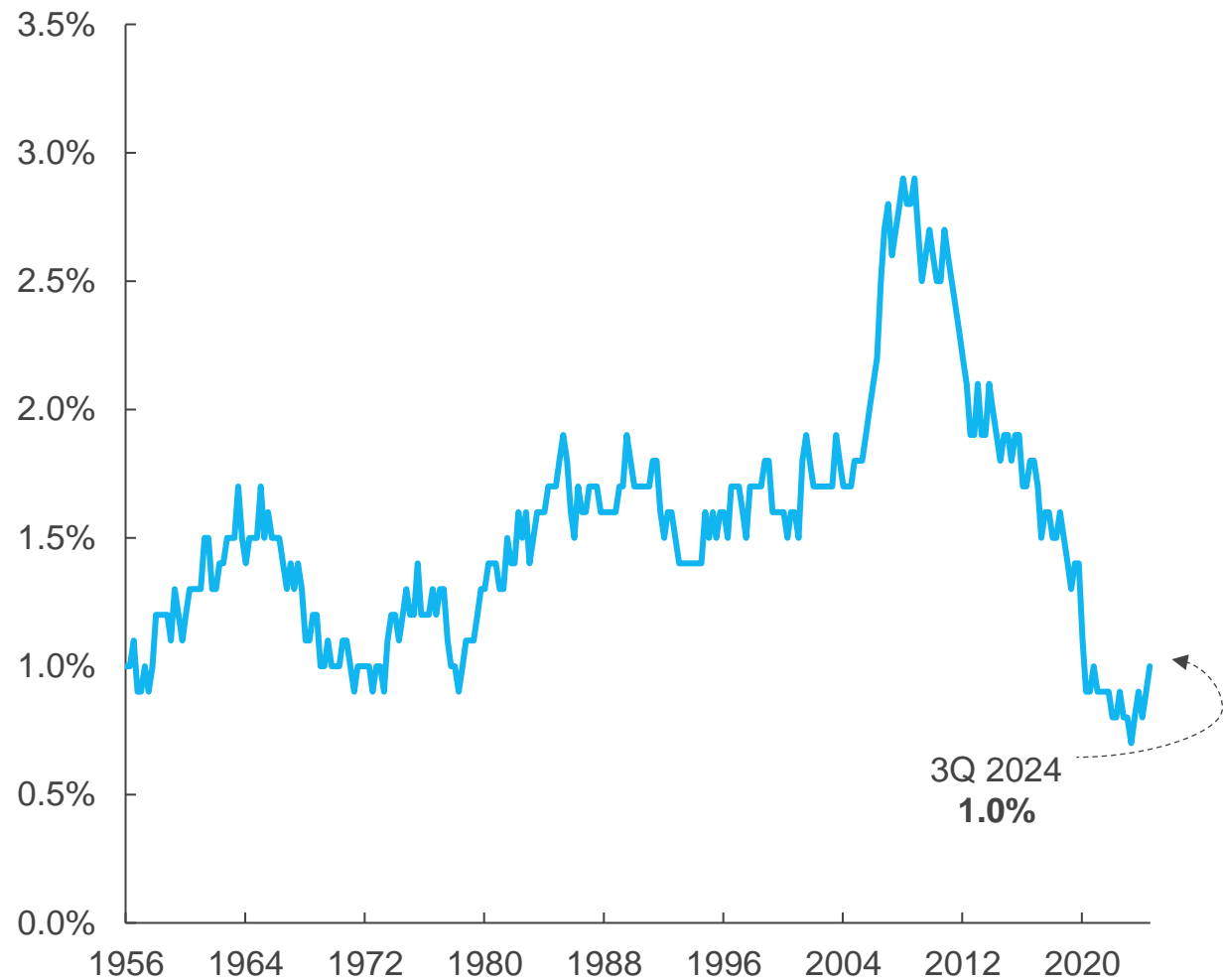


Source: U.S. Census Bureau
Note: Data through September 2024

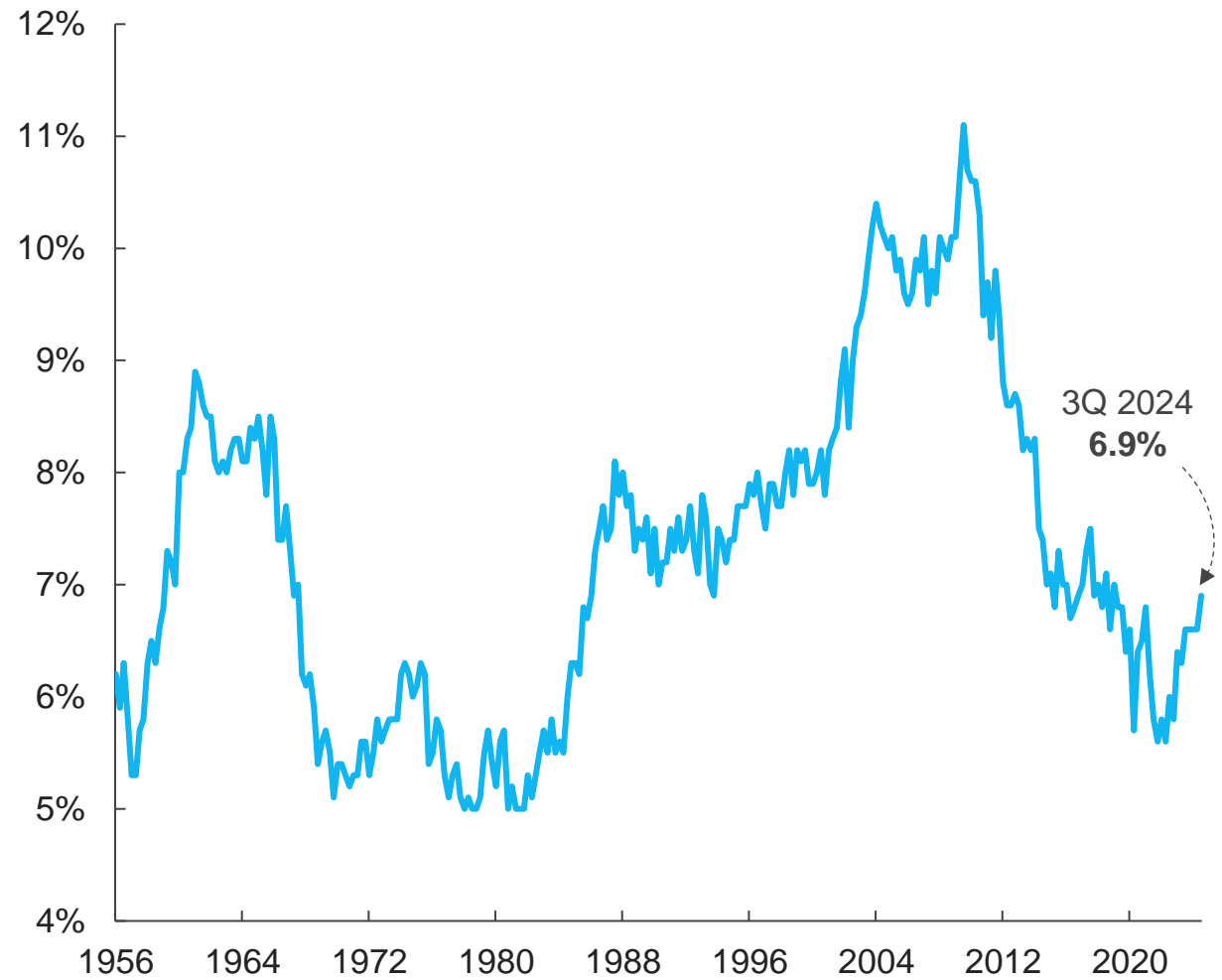
Lack of Housing Supply in U.S. Caused Vacancy Rates to Collapse to Historic or Near-Historic Lows



Homeowner Vacancy Rate



Rental Vacancy Rate

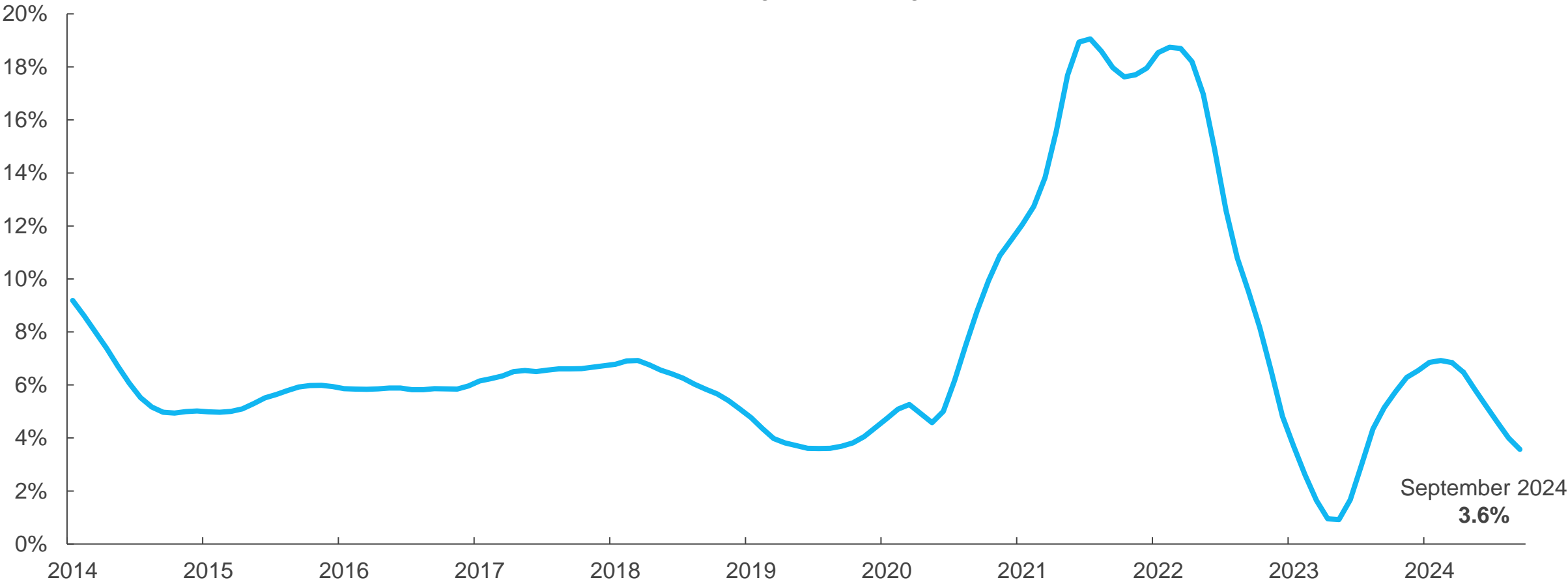


Source: U.S. Census Bureau
Note: Data through Q3 2024

U.S. Home Price Growth is Rising Although at a Slower Pace; Home Price Growth Expected to Slow in 2025



Freddie Mac House Price Index
Percent Change from Year Ago

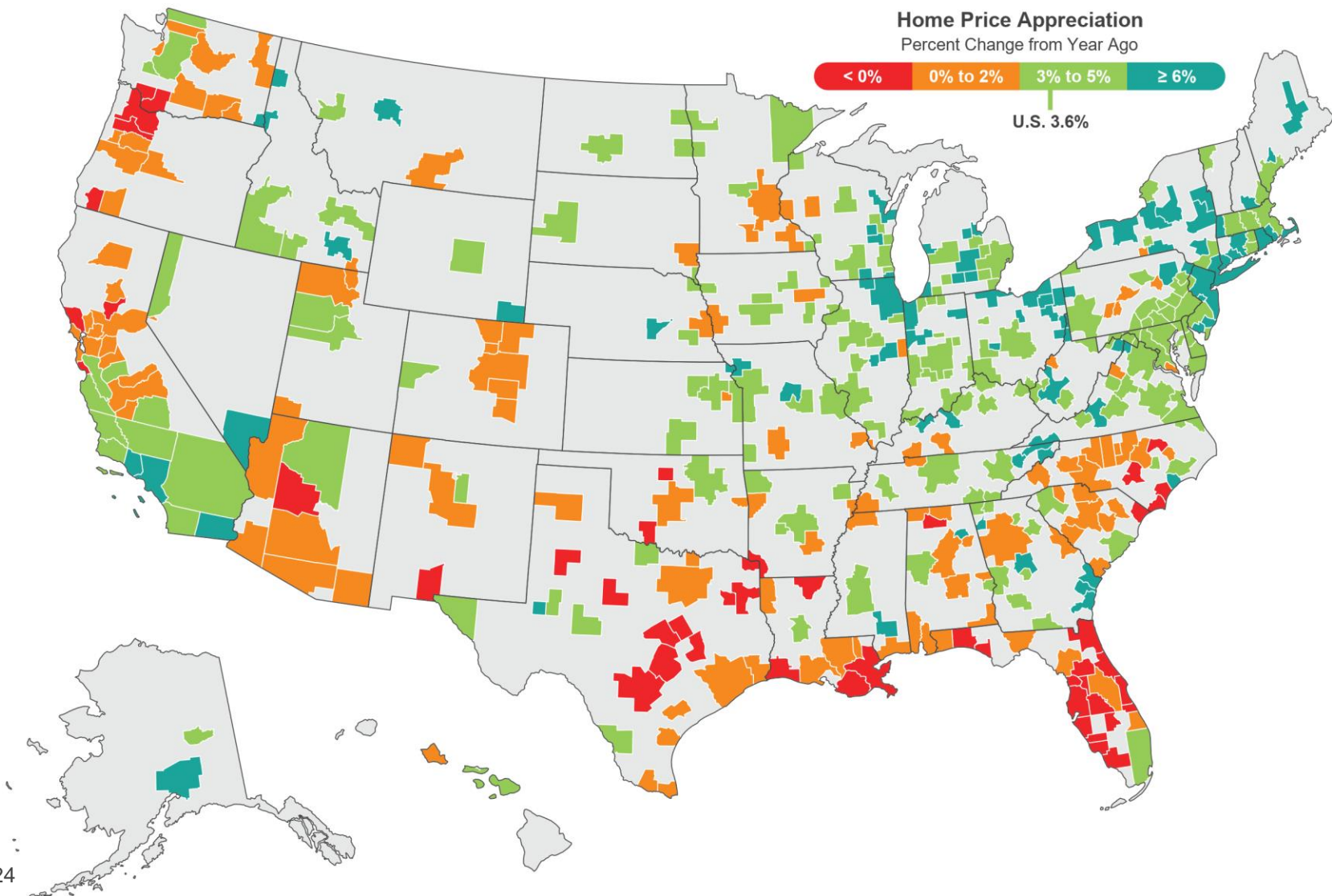


Source: Freddie Mac
Note: Data through September 2024; For latest data, visit <https://www.freddiemac.com/research/indices/house-price-index>

Home Price Growth is Rising the Most in the Northeast and Midwest



September 2024 Freddie Mac House Price Index
Percent Change from Year Ago

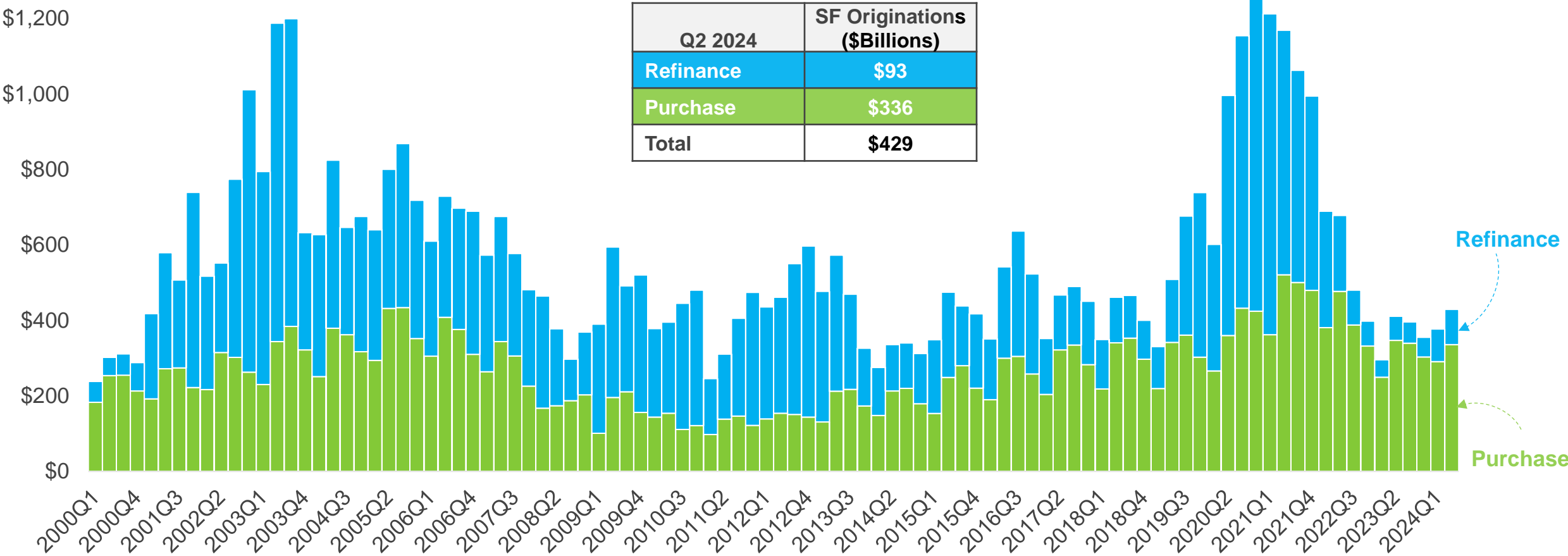


Source: Freddie Mac
Note: Data through September 2024

Total U.S. Mortgage Originations for 2023 at Lowest Level Since 2014 Led by Lower Refinance Volumes



Quarterly Single-Family Mortgage Originations
\$Billions, Not Seasonally Adjusted



Source: Freddie Mac, MBA. Last point 2024Q2



Spotlight

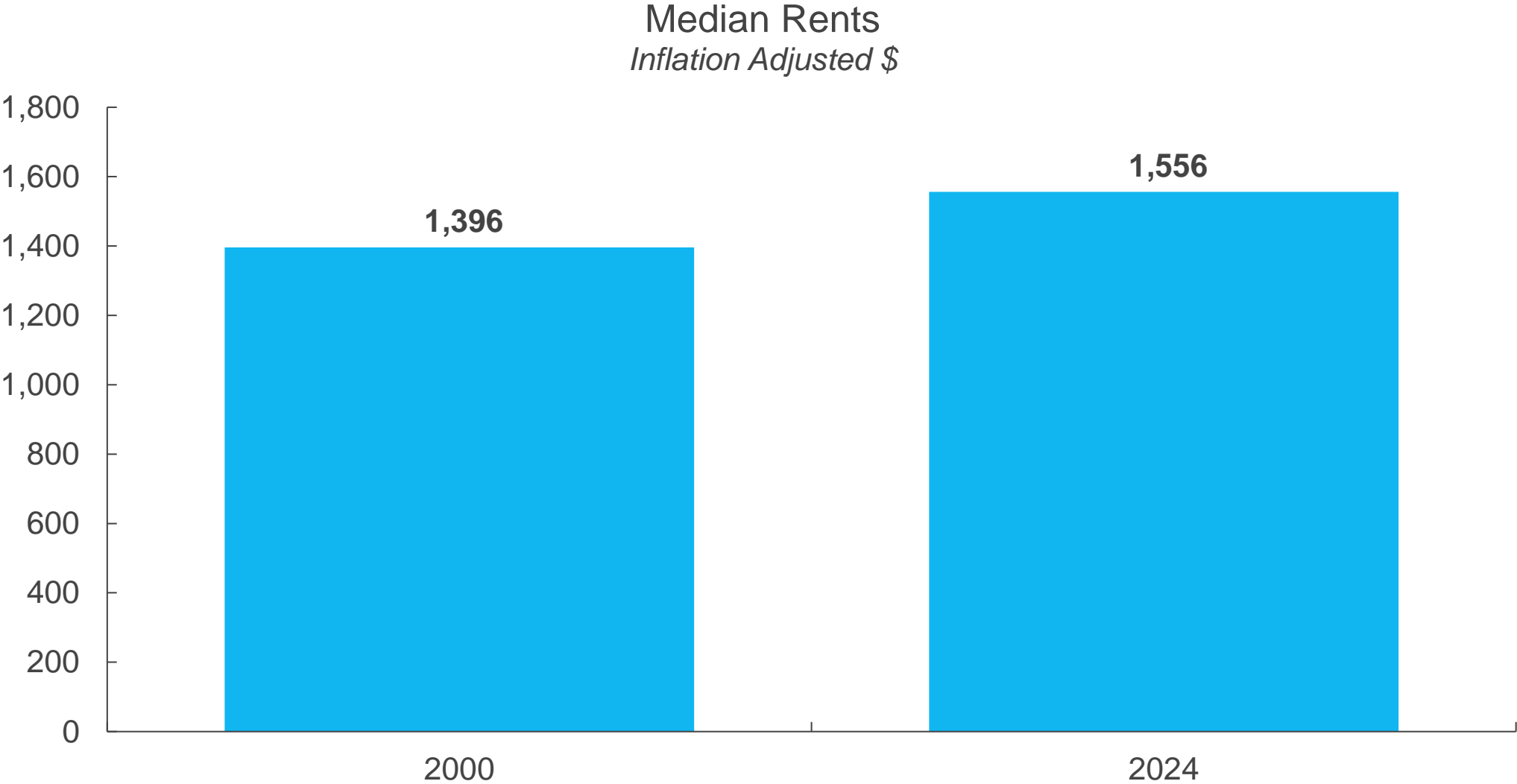
U.S. Housing Shortage at 3.7 million as of Q3 2024



		Q2 2018			Q4 2020			Q3 2024		
	HVS, Millions	Actual	Target	Gap	Actual	Target	Gap	Actual	Target	Gap
1	Households	121.2	122.5	1.3	125.8	126.2	0.4	132.1	133.1	1.0
2	Vacant Units	17.0	18.3	1.3	15.4	18.9	3.5	14.9	17.6	2.7
3	Housing Stock	138.3	140.8	2.5	141.2	145	3.8	147.0	150.8	3.7

Source: Freddie Mac Economic and Housing Research calculations based on the U.S. Census Bureau, Current Population Survey/ Housing Vacancy Survey

Rents Have Increased Around 11% Between 2000 and 2024



Source: RealPage

Additional Vacant Units Needed by Type of Vacancy



Vacancy Rates				
	Current 2024Q3 Vacant Units (Millions)	Current 2024Q3 Vacancy Rate (%)	Benchmark 1994-2003 Vacancy Rate (%)	Additional Vacant units needed (Millions)
Vacant	14.9	10.1%	11.7%	2.7
Year-round vacant	11.5	7.8%	8.9%	1.9
For rent	3.4	2.3%	2.7%	0.7
For sale only	0.9	0.6%	1.0%	0.6
Rented or sold	1.0	0.7%	0.7%	0.1
Held off market	6.2	4.2%	4.5%	0.6
Seasonal	3.4	2.3%	2.8%	0.8
Memo: Housing Stock	147.0			

Source: Housing Vacancy Survey