

# U.S. Economy, Housing & Mortgage Market

## *Recent Developments*

November 2024

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### 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

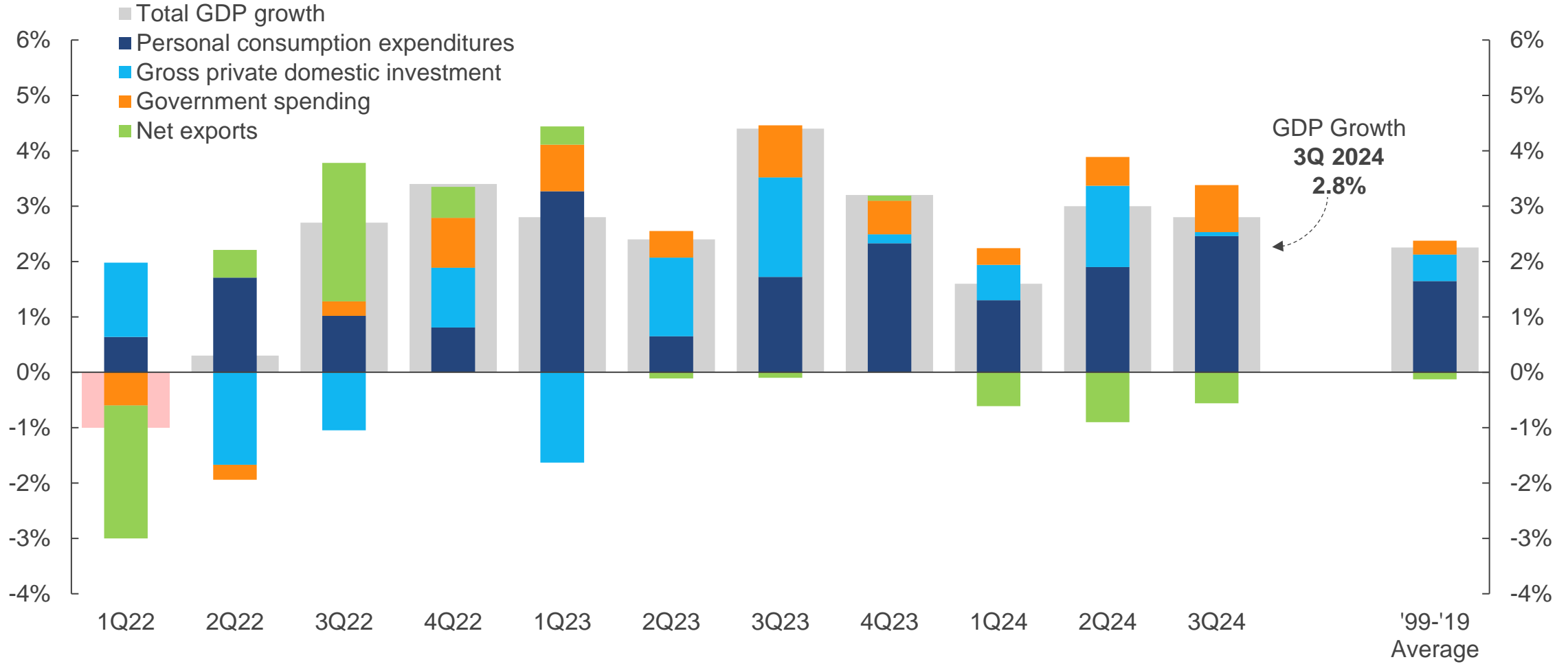


# Economy

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



Contributions to U.S. GDP Growth  
Quarter-over-quarter Annualized Growth Rate

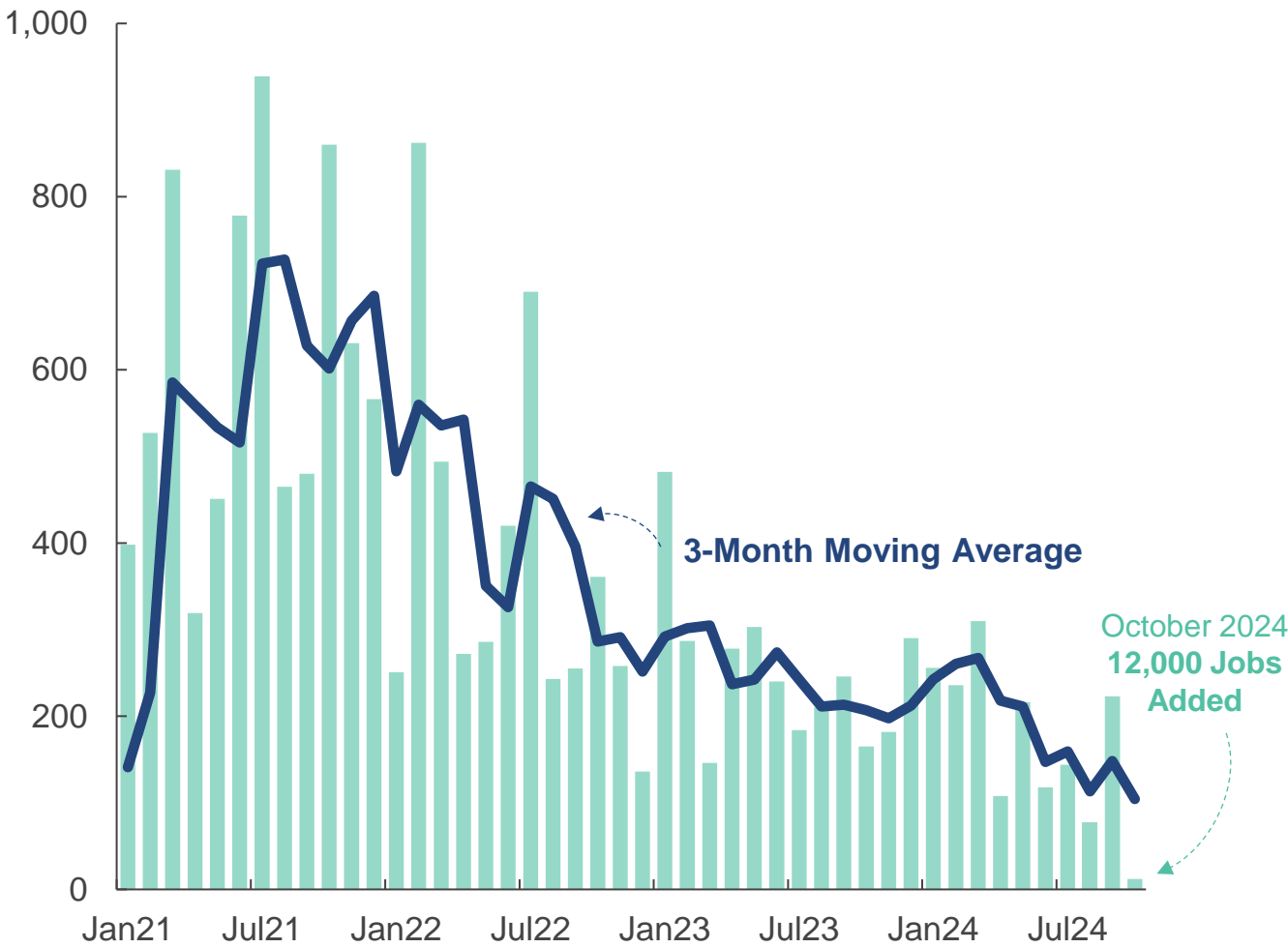


Source: U.S. Bureau of Economic Analysis (BEA)  
Note: Data through Q3 2024

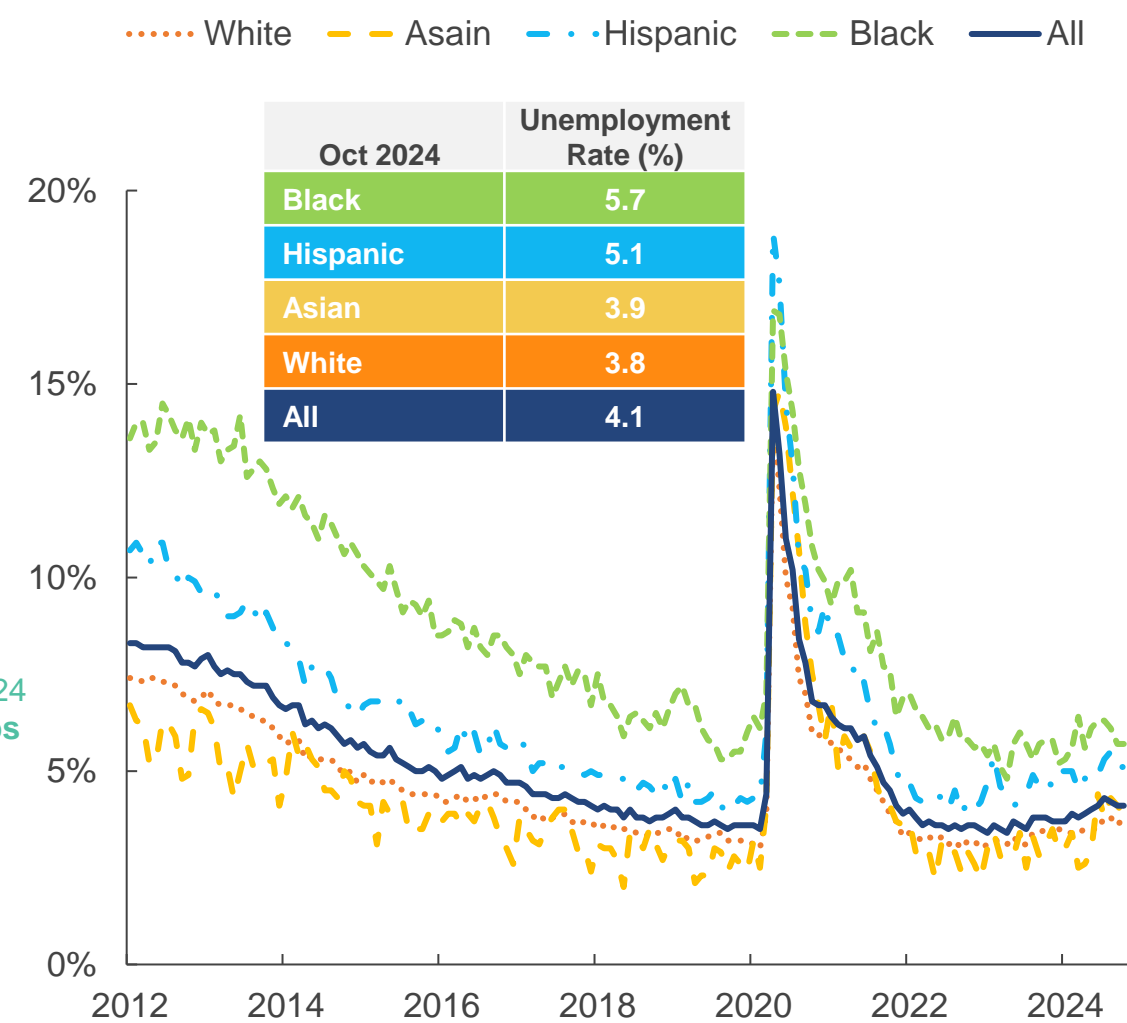
# U.S. Labor Market is Cooling with Unemployment Remaining at 4.1% and Job Growth Moderating



Monthly Change in Total Nonfarm Employment  
Thousands of Persons, Seasonally Adjusted



Unemployment Rate



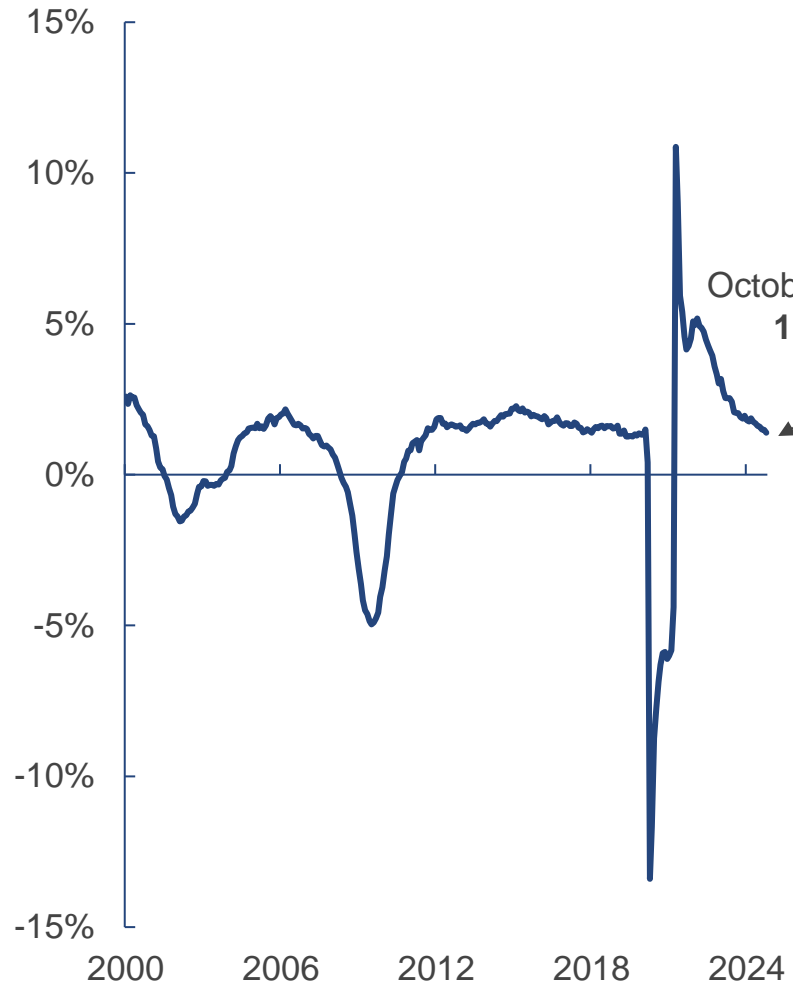
Source: U.S. Bureau of Labor Statistics (BLS)  
Note: Data through October 2024

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

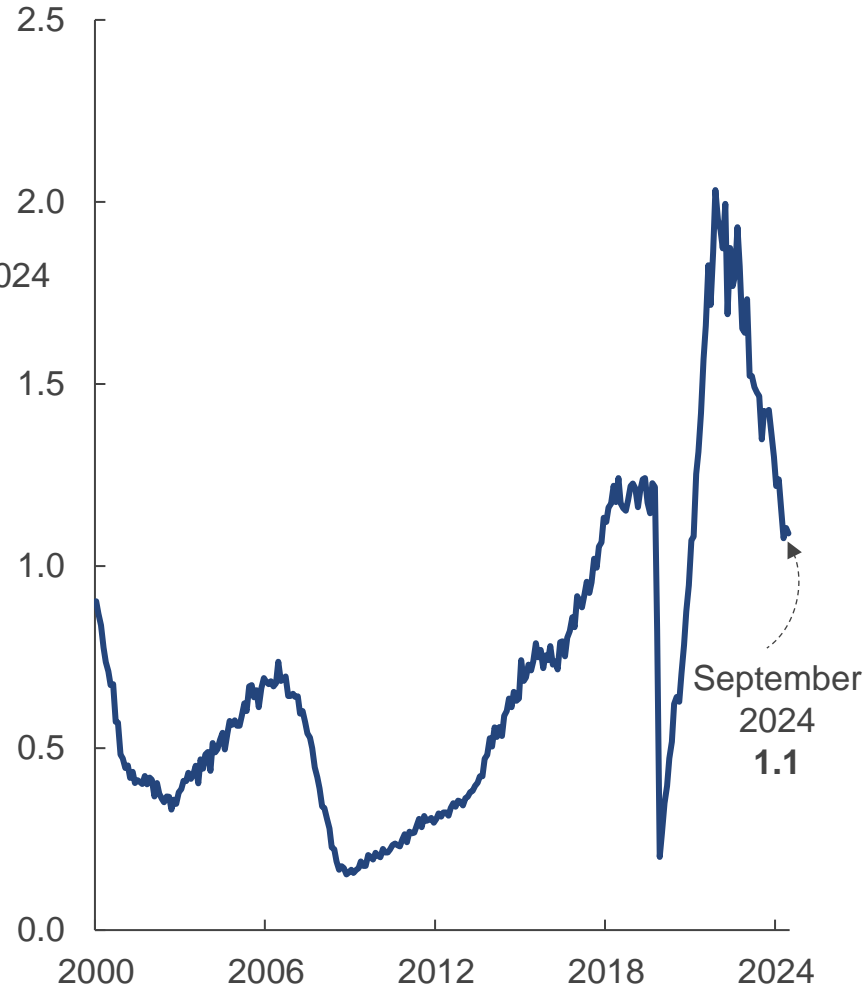


### Job Growth

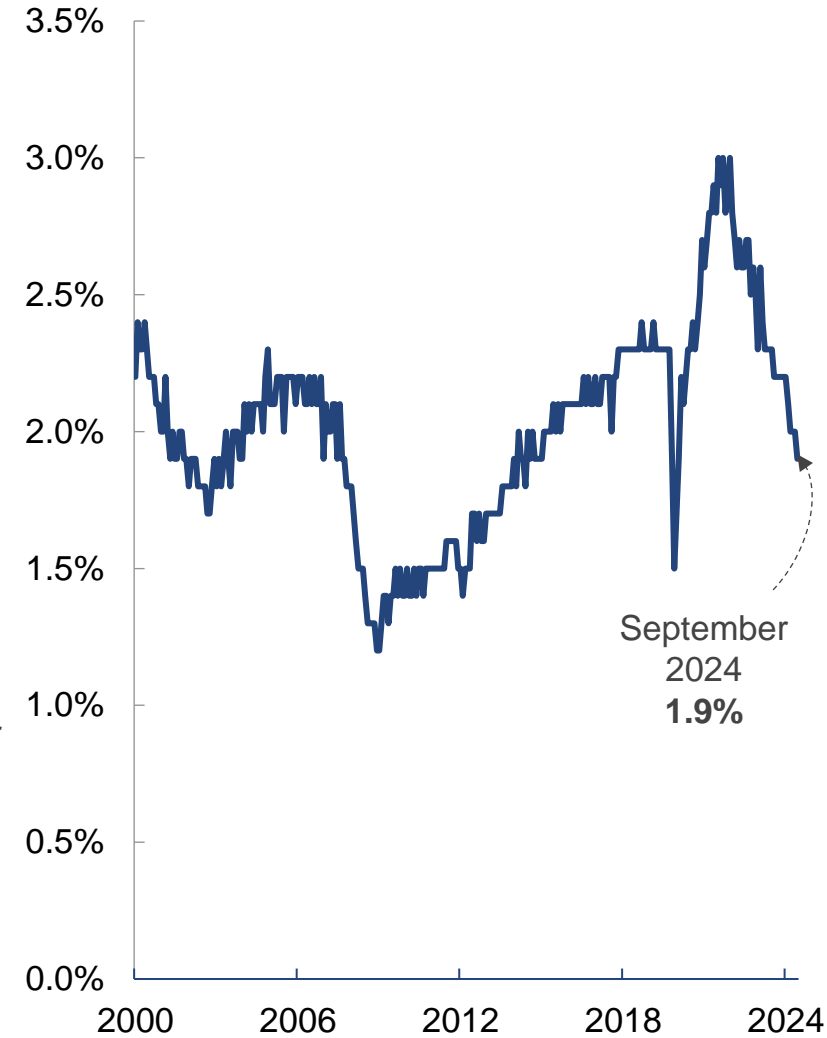
Percent Change from Year Ago



### Job Openings per Unemployed Person



### Quits Rate

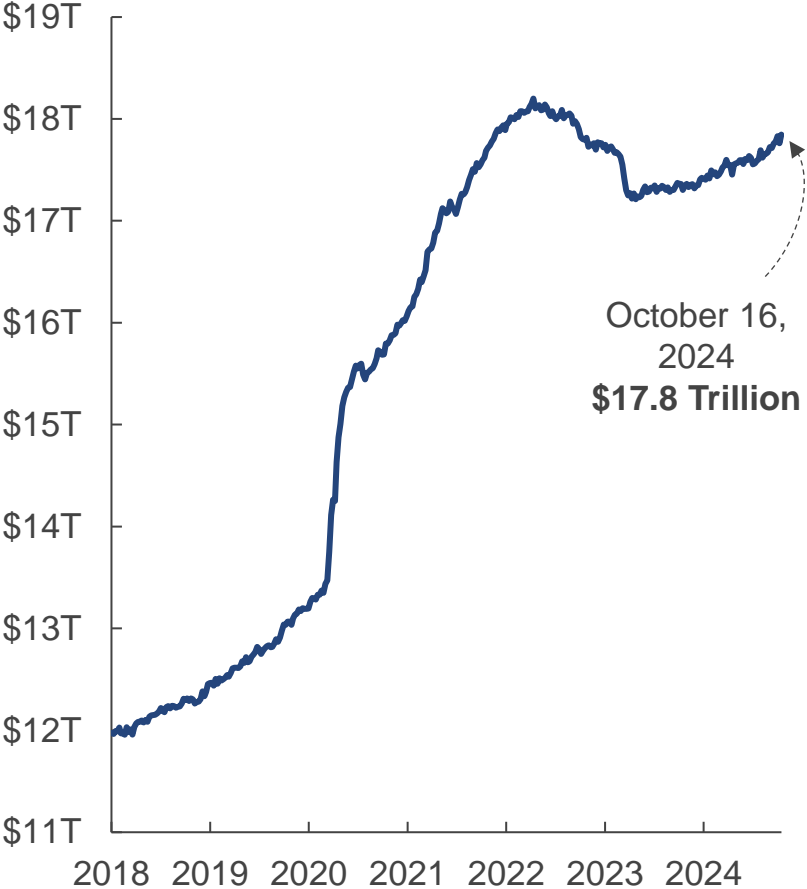


Source: U.S. Bureau of Labor Statistics (BLS)

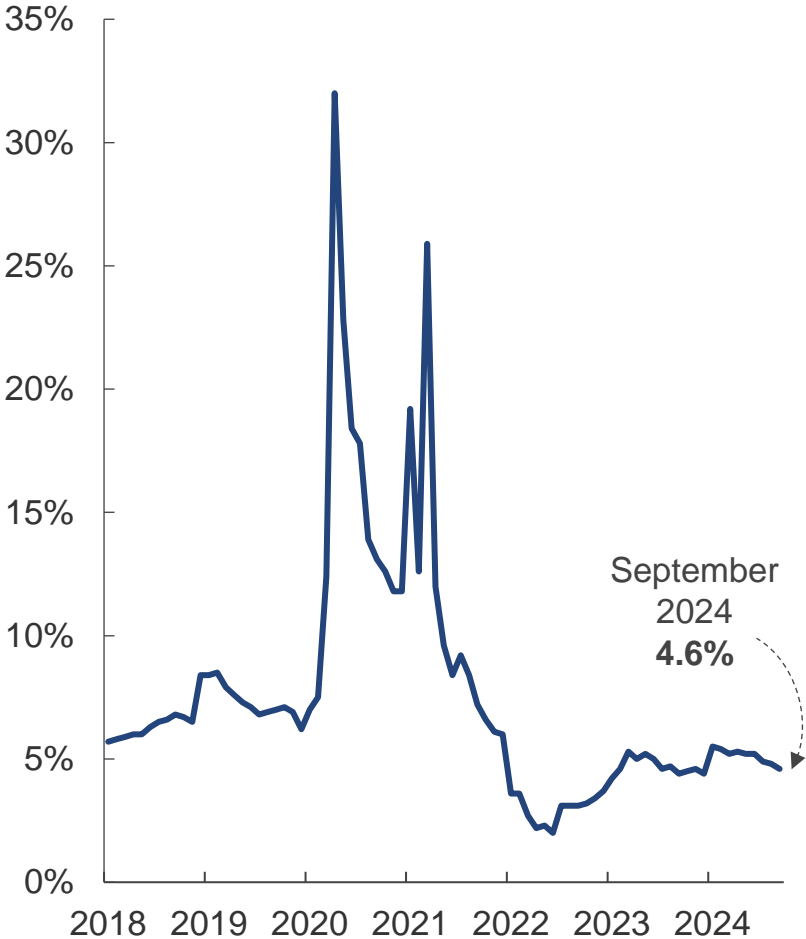
# Consumer Balance Sheets Improved Significantly Due to Stimulus, But They Have Weakened as Credit Demand Surged During the Last 18 Months



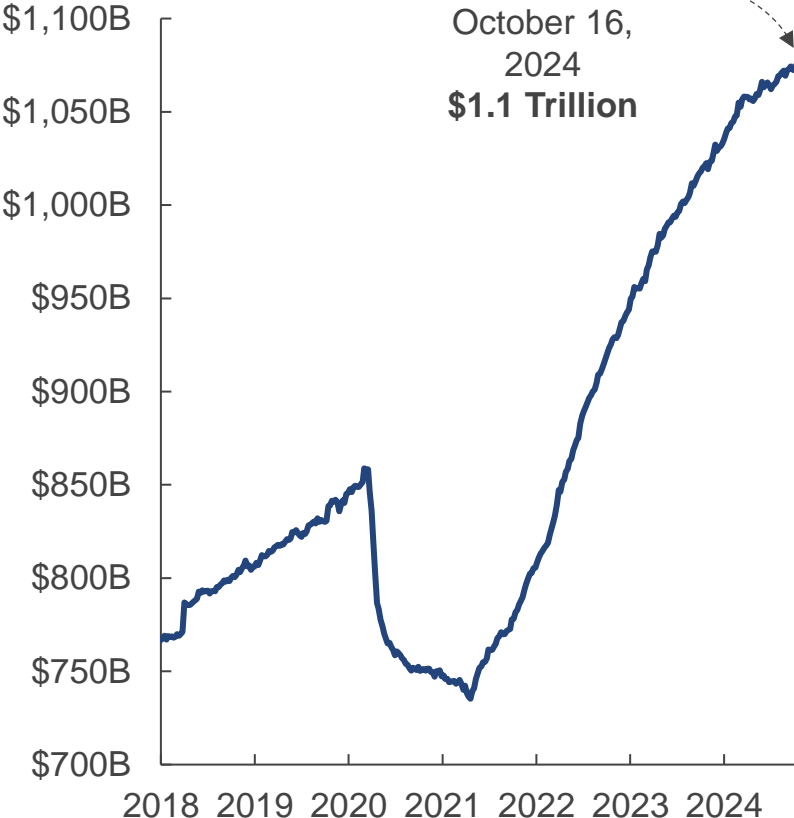
**Consumer Bank Deposits**  
\$Trillions



**Personal Savings Rate**



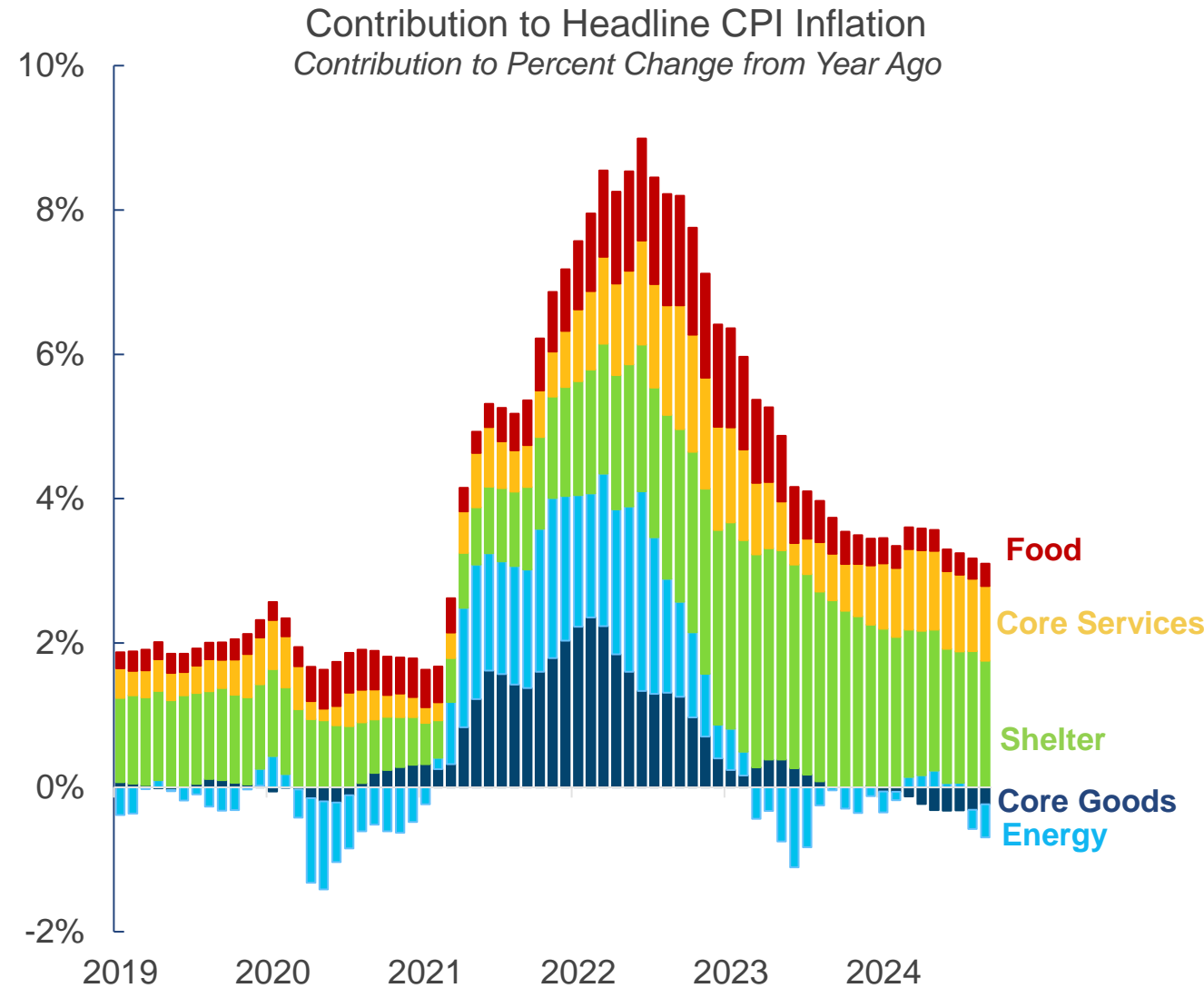
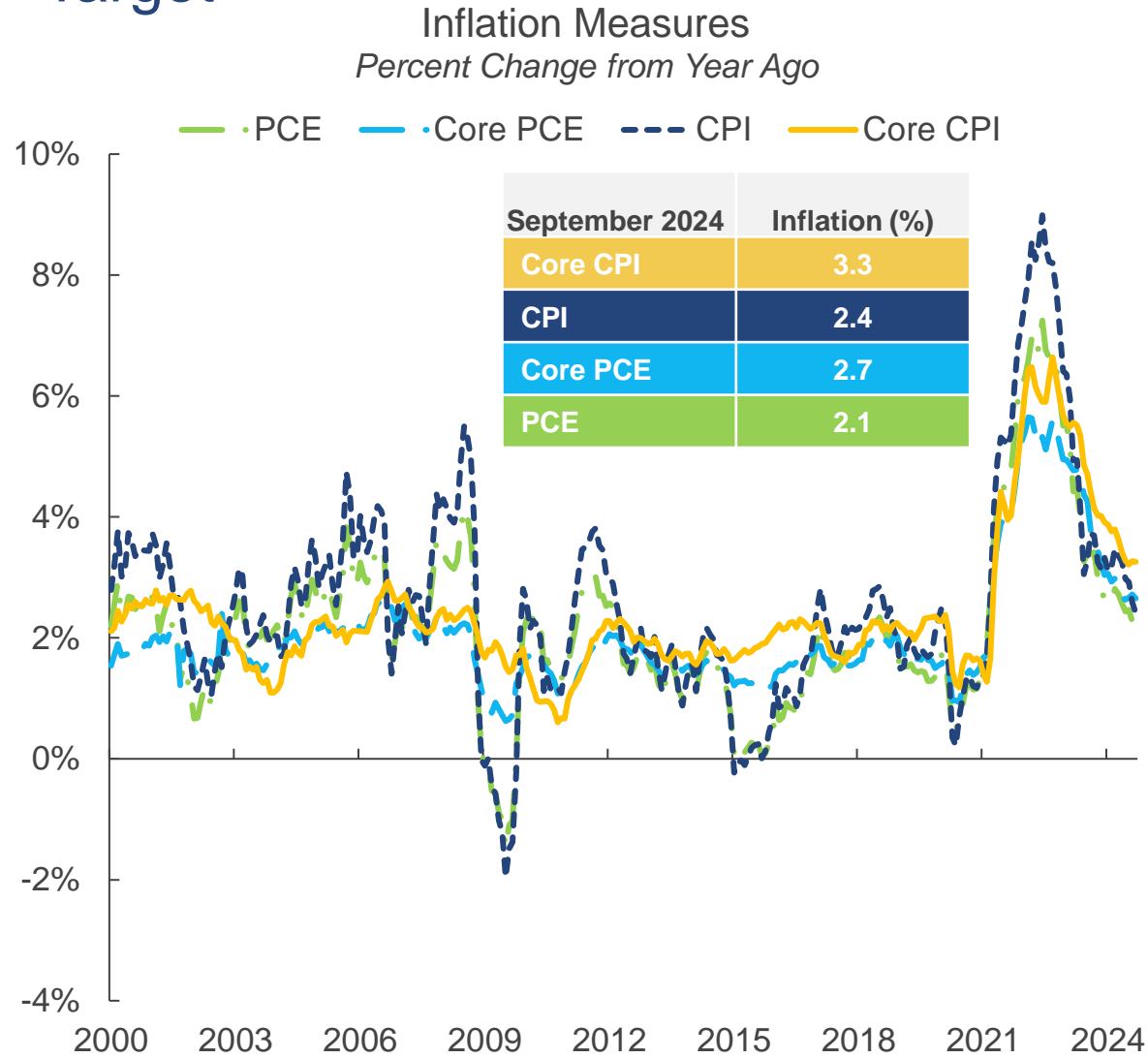
**Consumer Loans**  
*Credit Cards and Other Revolving Plans,  
All Commercial Banks*  
\$Billions



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



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

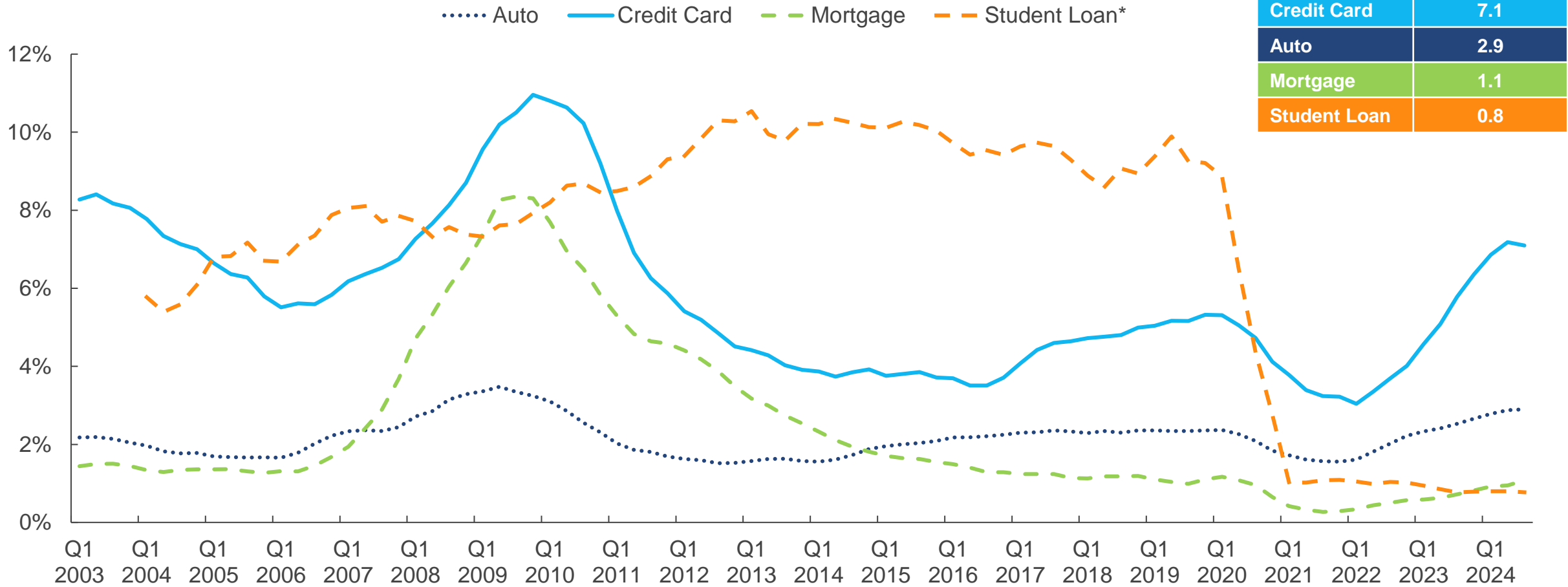


**Source:** U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA)  
**Note:** Data through September 2024

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



Transition Into Serious Delinquency (90+) by Loan Type  
4-Quarter Moving Sum



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



30-Year Fixed Rate Mortgage Rate  
*U.S. Weekly Average*



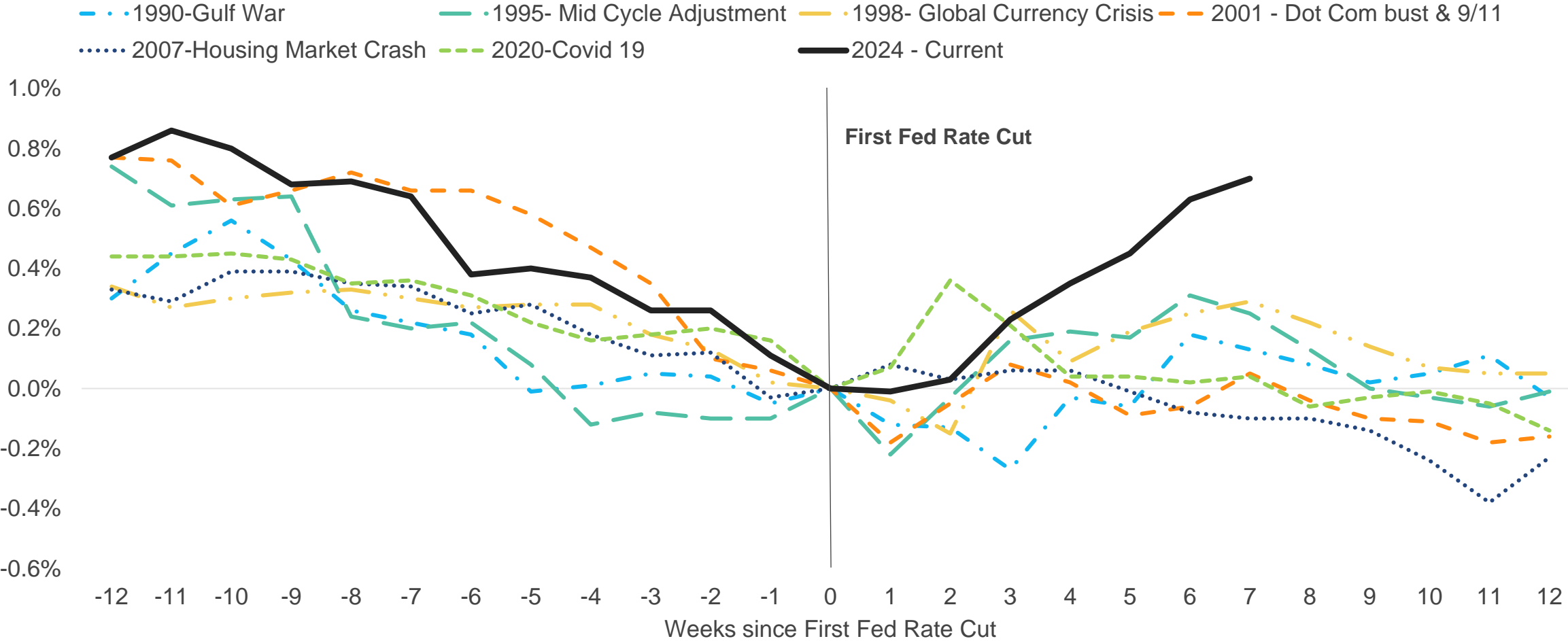
October 31, 2024  
**6.72%**

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

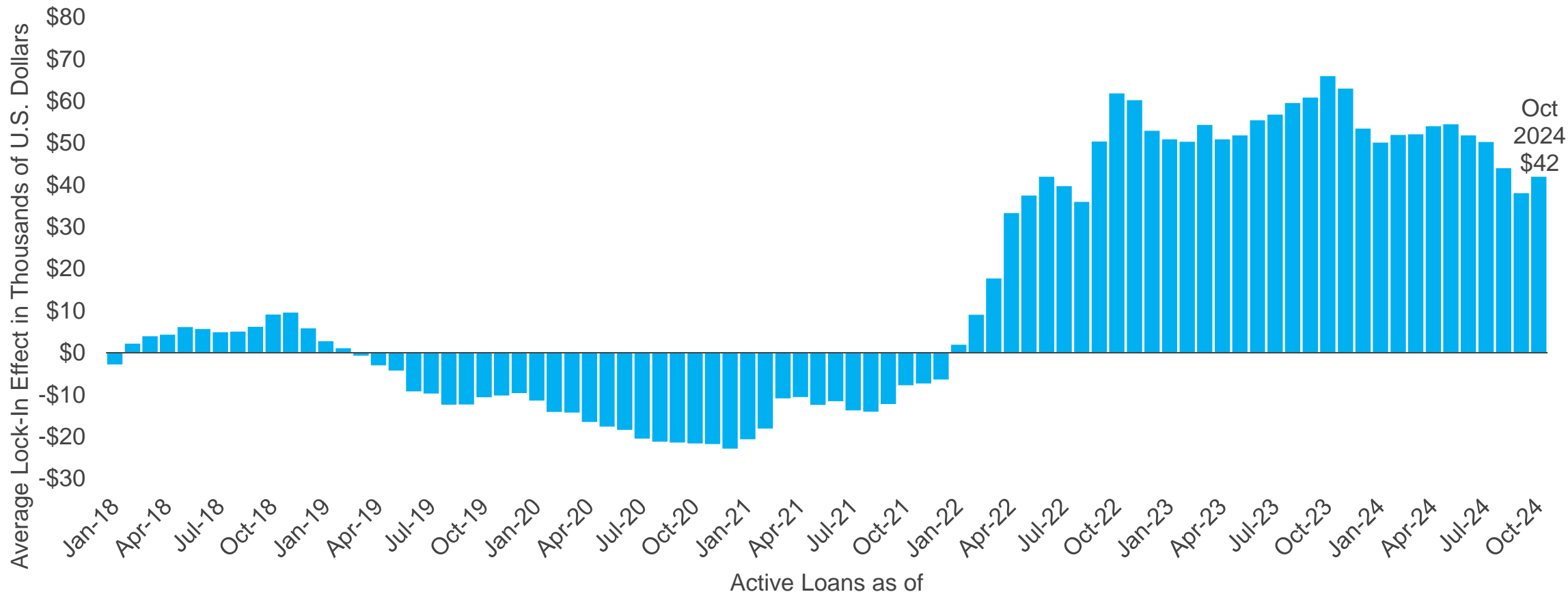


Source: Freddie Mac Primary Mortgage Market Survey (PMMS), Federal Reserve  
 Note: For latest data, visit <https://www.freddiemac.com/pmms>

# Average Mortgage Rate Lock-In Effect



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

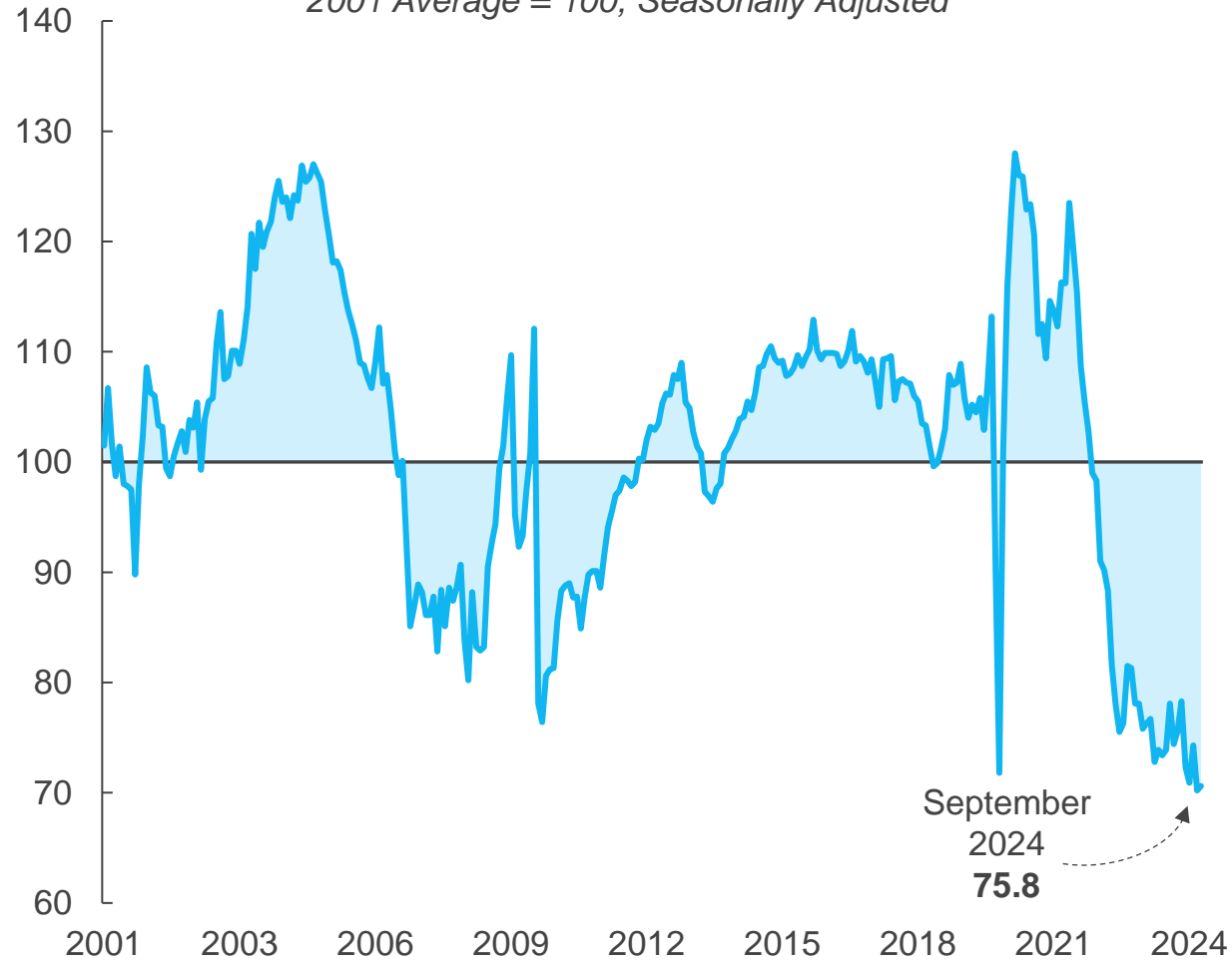


Lock-in computed by the formula  $V = B - \sum_{i=1}^n \frac{P}{(1+r)^i} - \frac{F}{(1+r)^n}$  where B is the current outstanding mortgage balance, P is the monthly principal and interest payment, r is the current prevailing 30-year/15-year mortgage rate in the PMMS, n is the remaining months left on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

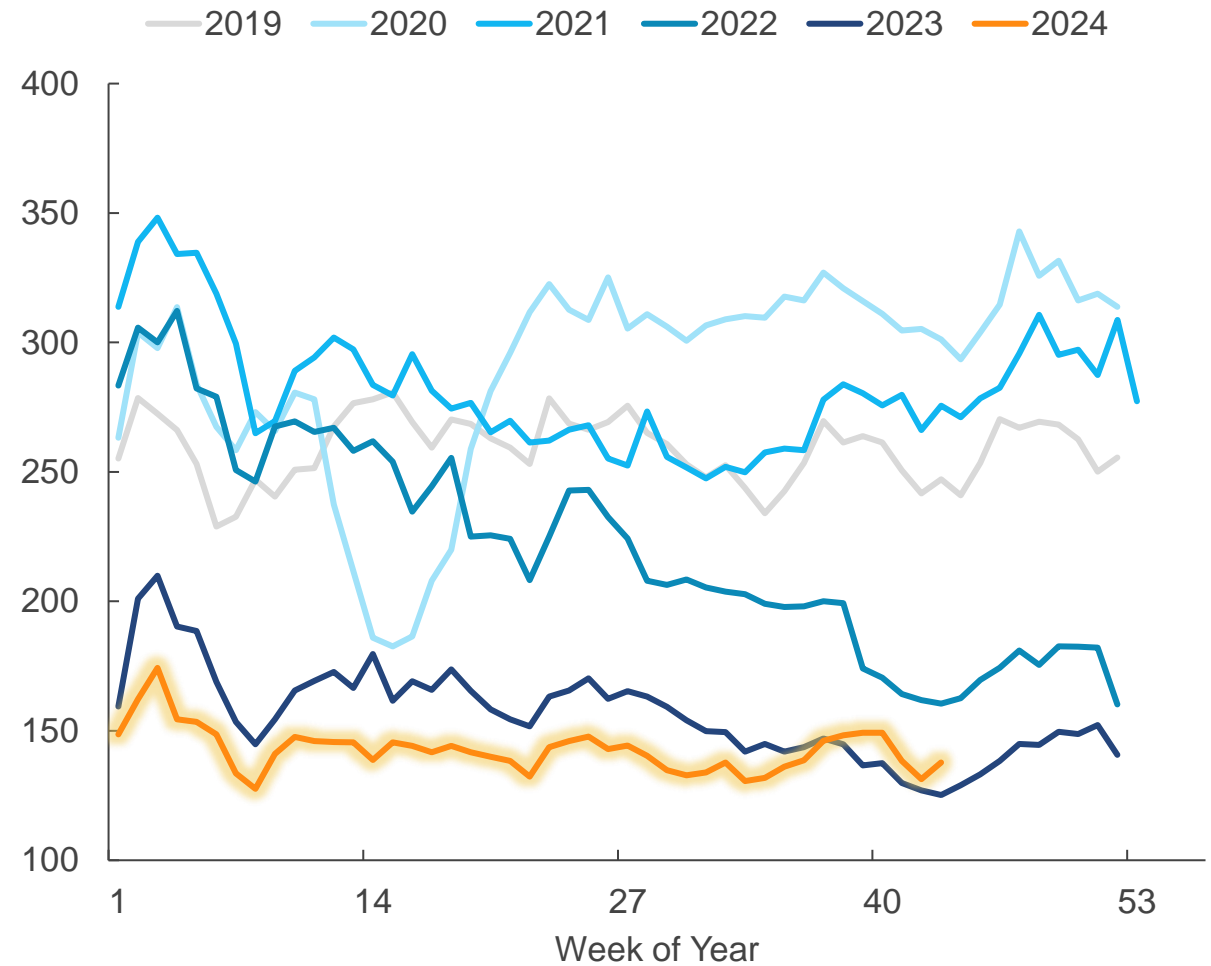
# Rapid Decline in Housing Affordability Has Led to a Contraction in U.S. Housing Demand



**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.

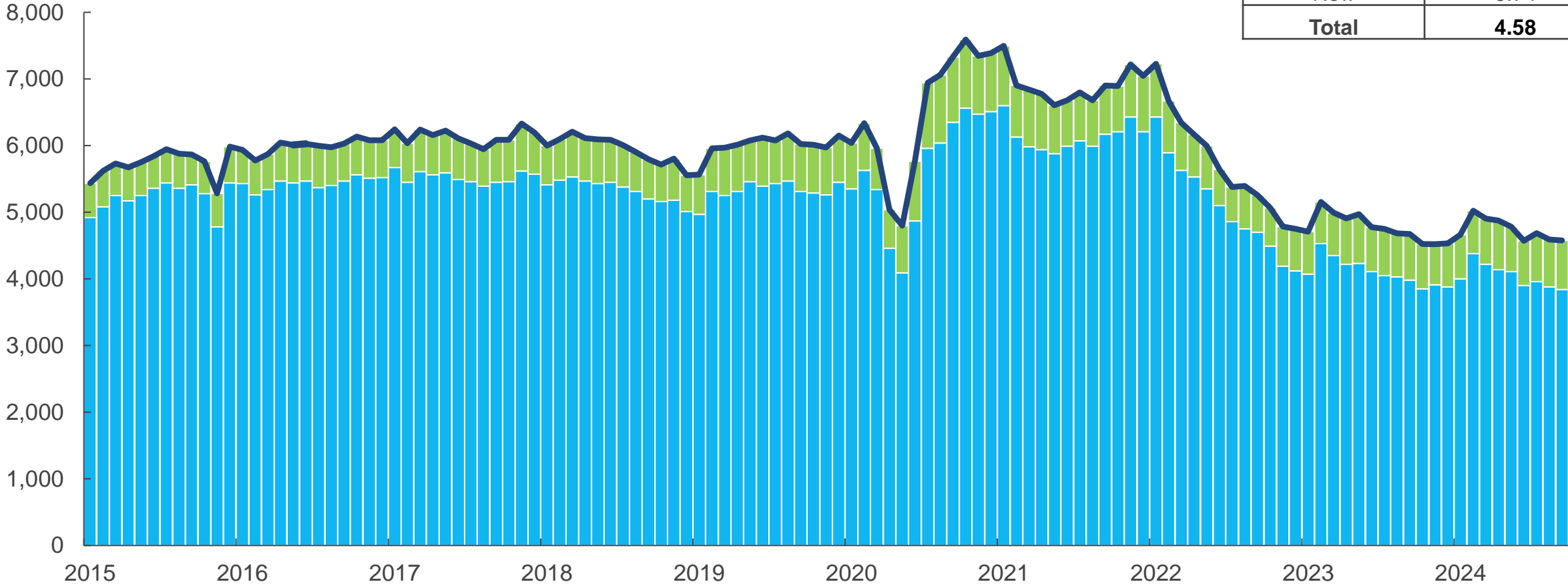
# U.S. Home Sales Remain Low



**Total Home Sales**  
*Thousands, Seasonally Adjusted*

Existing    New    Total

September 2024	Home Sales (Millions)
Existing	3.84
New	0.74
<b>Total</b>	<b>4.58</b>



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

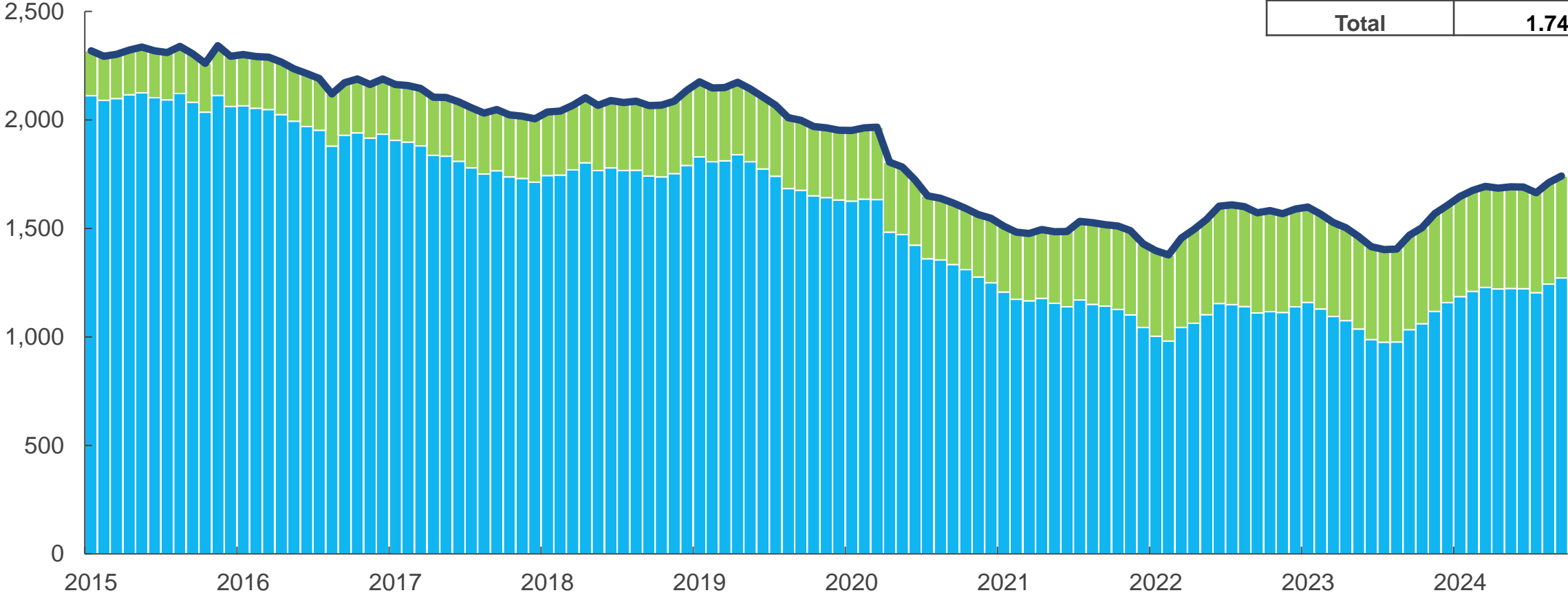


# Despite Weak Sales, U.S. Housing Supply Remains Low as Market is Dominated by Chronic Undersupply of Resales



Total Homes for Sale  
Thousands, Seasonally Adjusted

Existing New Total



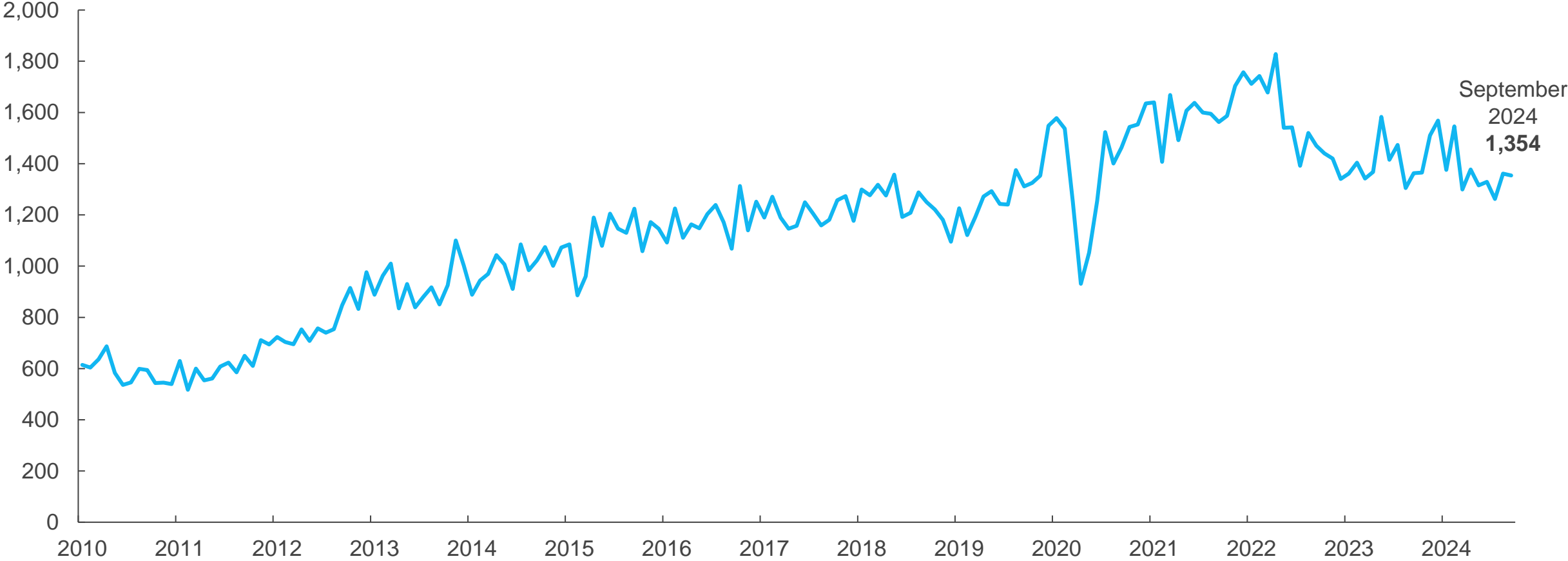
September 2024	Home for Sale (Millions)
Existing	1.27
New	0.47
<b>Total</b>	<b>1.74</b>

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



Total Housing Starts  
Thousands, Seasonally Adjusted Annual Rate

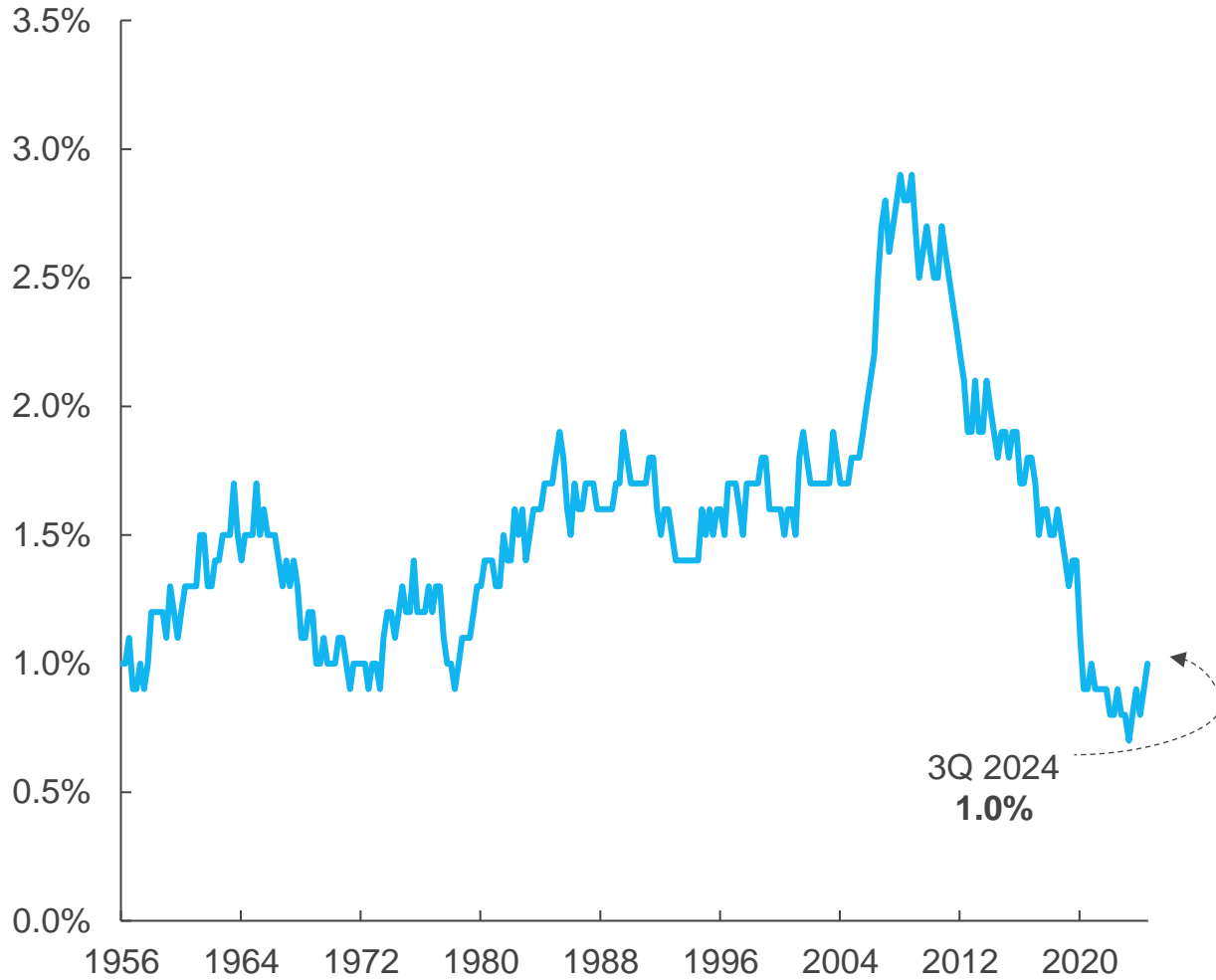


Source: U.S. Census Bureau  
Note: Data through September 2024

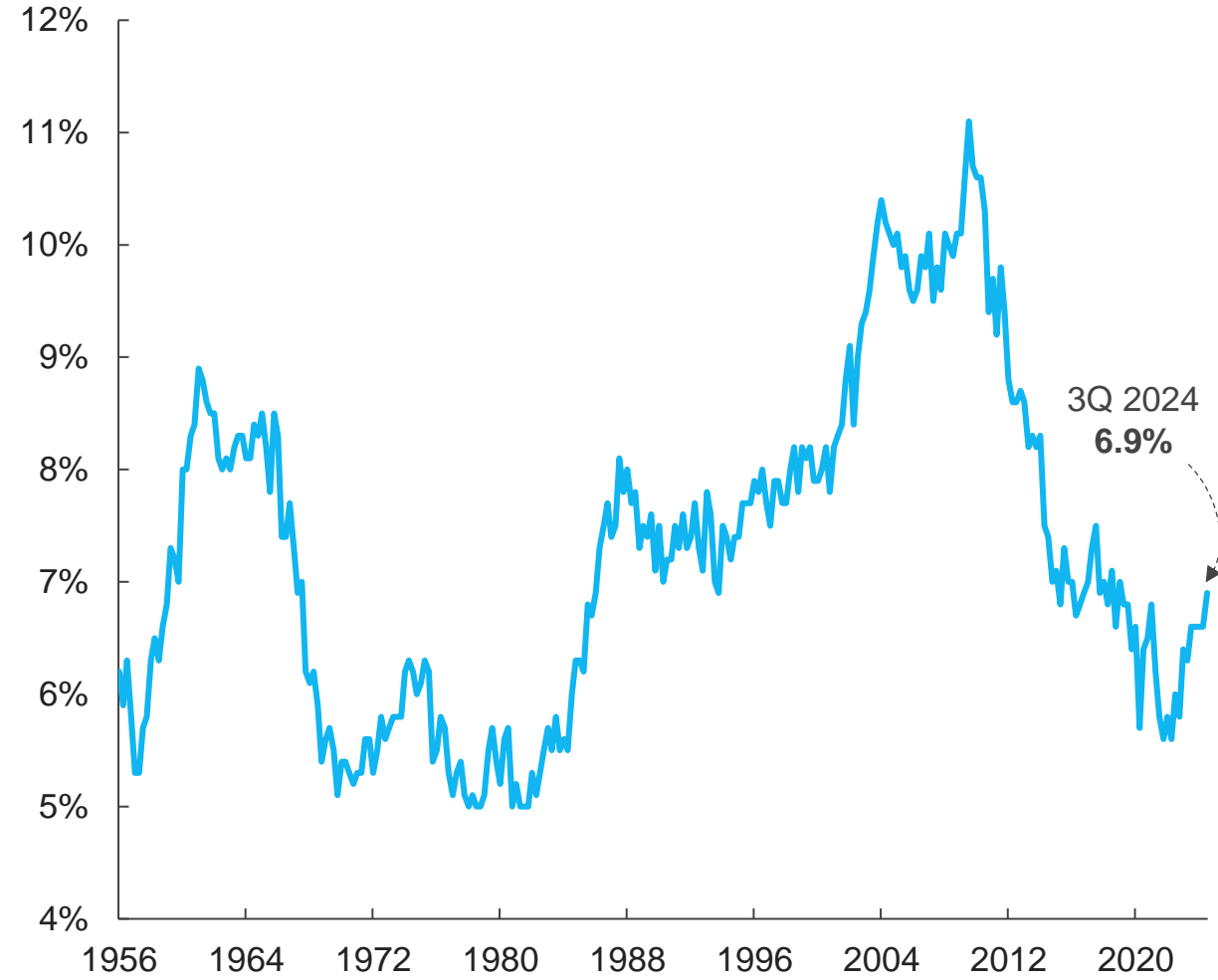
# Lack of Housing Supply in U.S. Caused Vacancy Rates to Collapse to Historic or Near-Historic Lows



### Homeowner Vacancy Rate



### Rental Vacancy Rate

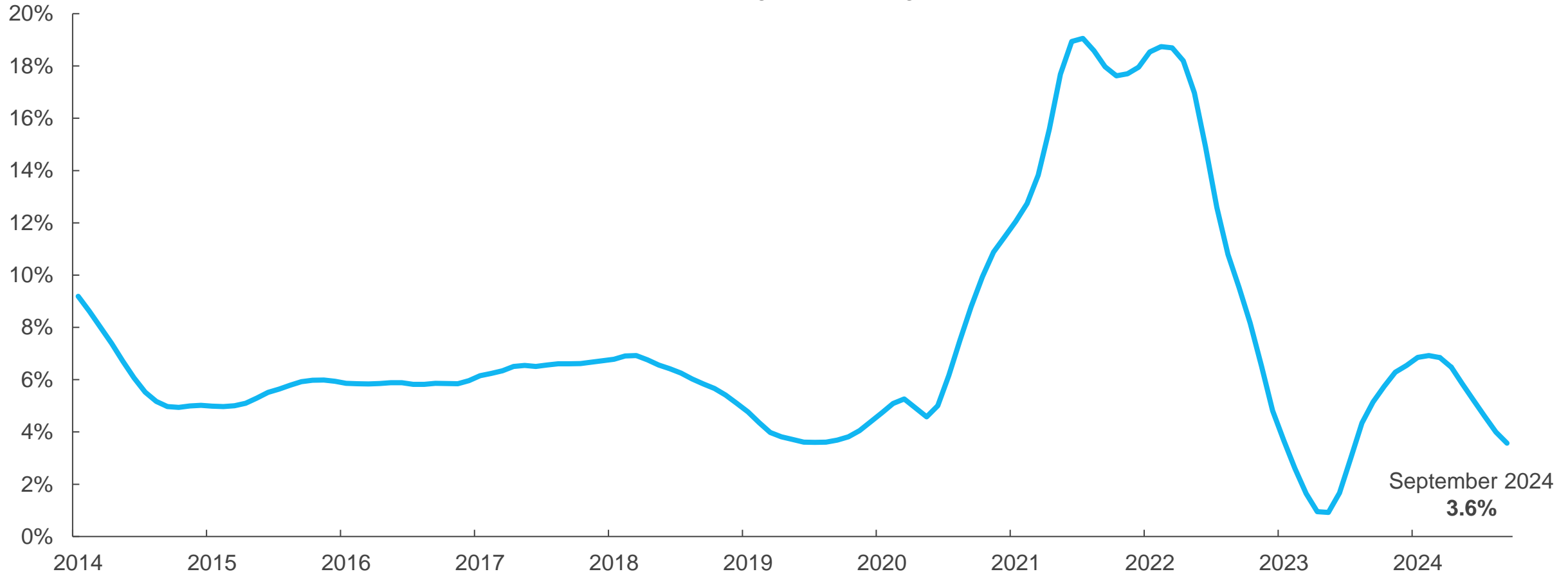


Source: U.S. Census Bureau  
Note: Data through Q3 2024

# 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



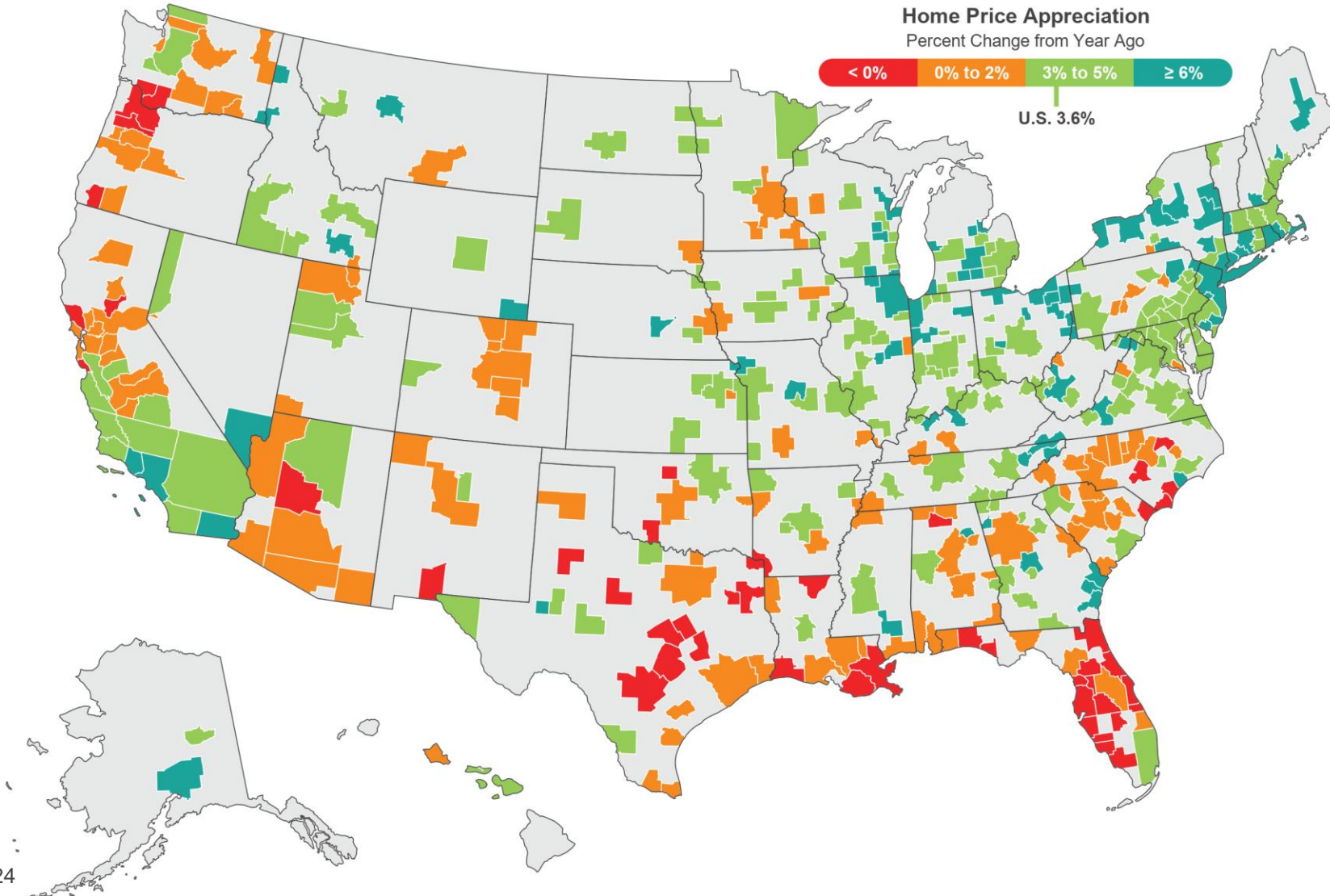
Source: Freddie Mac

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

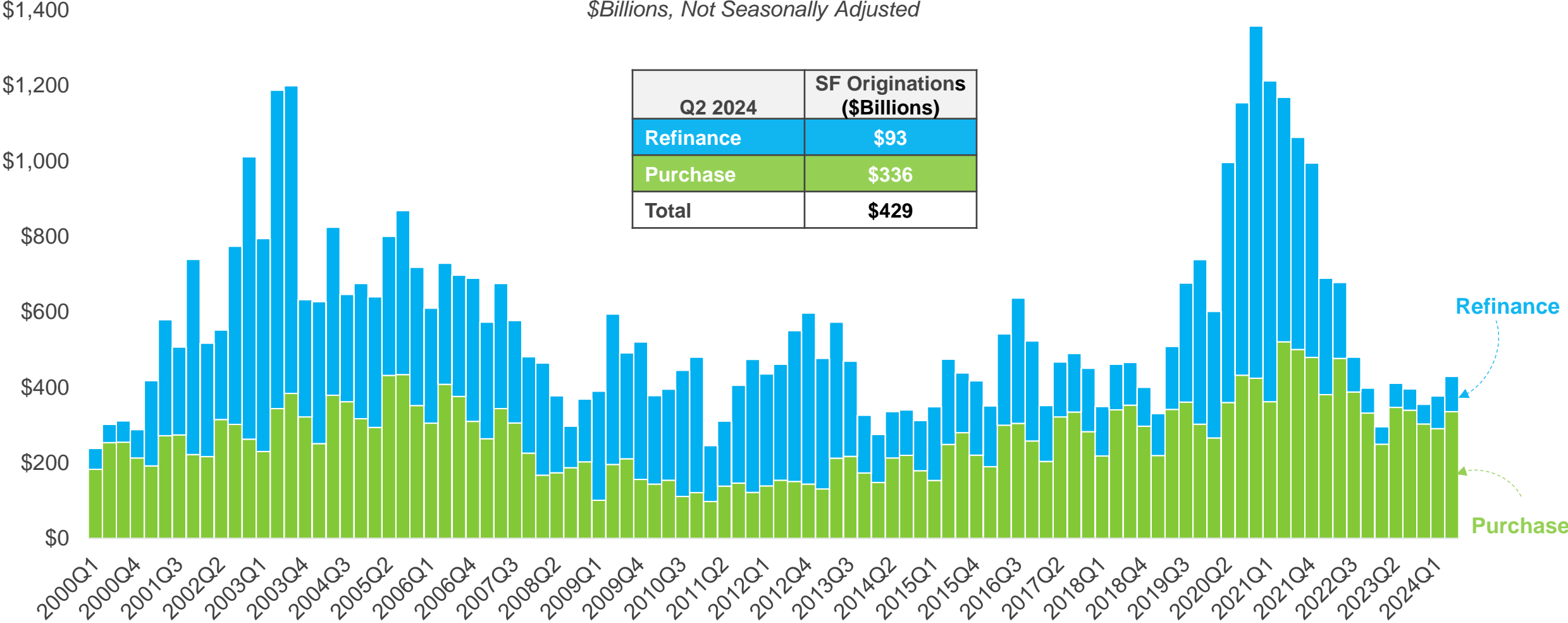


Source: Freddie Mac  
Note: Data through September 2024

# 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

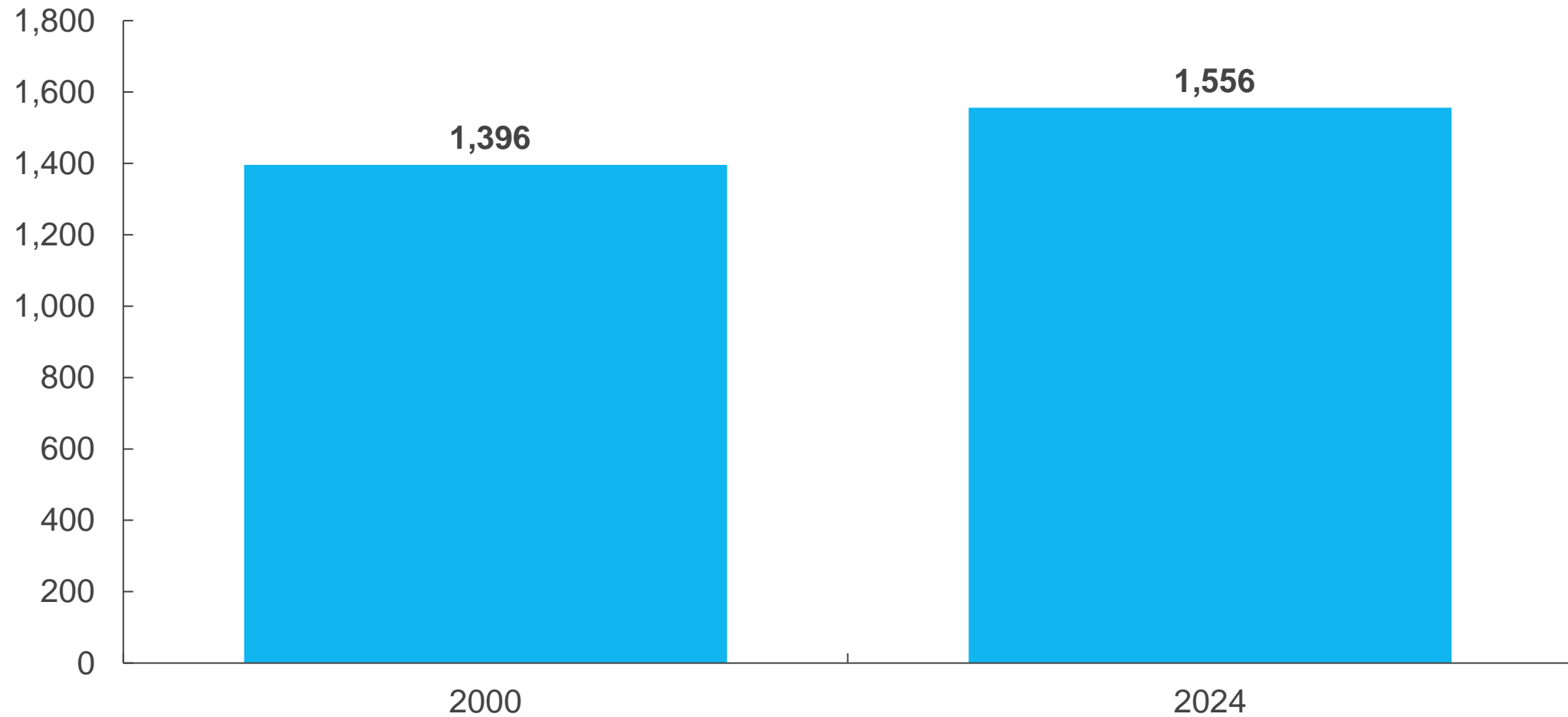
Source: Freddie Mac Economic and Housing Research calculations based on the U.S. Census Bureau, Current Population Survey/ Housing Vacancy Survey



# Rents Have Increased Around 11% Between 2000 and 2024



Median Rents  
*Inflation Adjusted \$*



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)
<b>Vacant</b>	14.9	10.1%	11.7%	2.7
<b>Year-round vacant</b>	11.5	7.8%	8.9%	1.9
<b>For rent</b>	3.4	2.3%	2.7%	0.7
<b>For sale only</b>	0.9	0.6%	1.0%	0.6
<b>Rented or sold</b>	1.0	0.7%	0.7%	0.1
<b>Held off market</b>	6.2	4.2%	4.5%	0.6
<b>Seasonal</b>	3.4	2.3%	2.8%	0.8
<b>Memo: Housing Stock</b>	147.0			

Source: Housing Vacancy Survey