

# U.S. Economy, Housing & Mortgage Market

## *Recent Developments*

September 2024

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

- Labor market cooling with unemployment up and job growth moderating
- Inflationary pressures are abating

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

- While mortgage rates declined in August, homebuyers continue to wait for rates to decline further.
- New home sales increased at its highest pace in over a year as homebuyers are faced with a limited supply of existing homes for sale
- Housing construction continues to remain low
- Home prices declined slightly in June, which could be due to elevated mortgage rates and a higher inventory of homes for sale.

## **Spotlight: Natural Disaster & Decision Making**

- Our analysis of the SHED survey suggests that threat of natural disasters is likely to affect location choices particularly among renters and those affected by natural disasters are more likely to invest in improving homes to reduce risk.

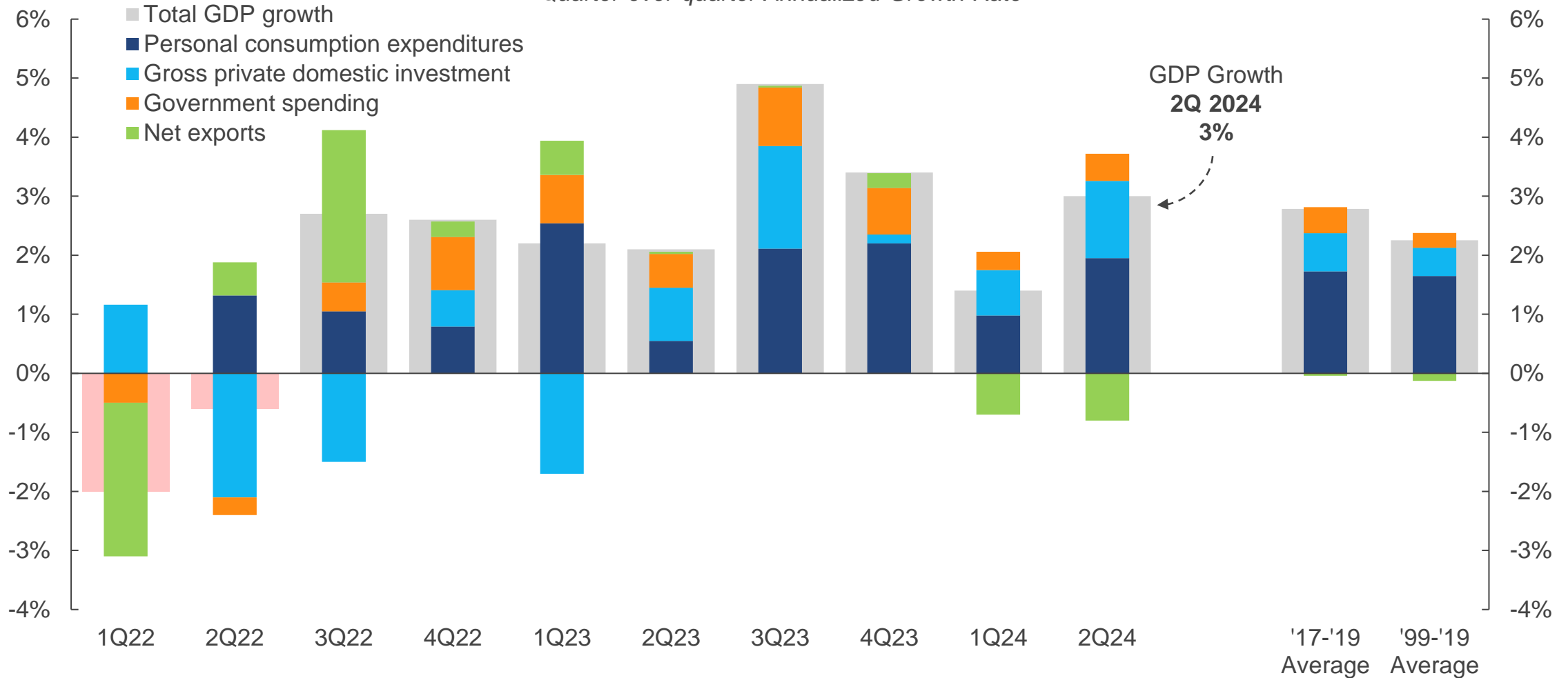


# Economy

# GDP Increased at an Annual Rate of 3% in Q2 2024; Growth Driven by Consumer Spending and Investment



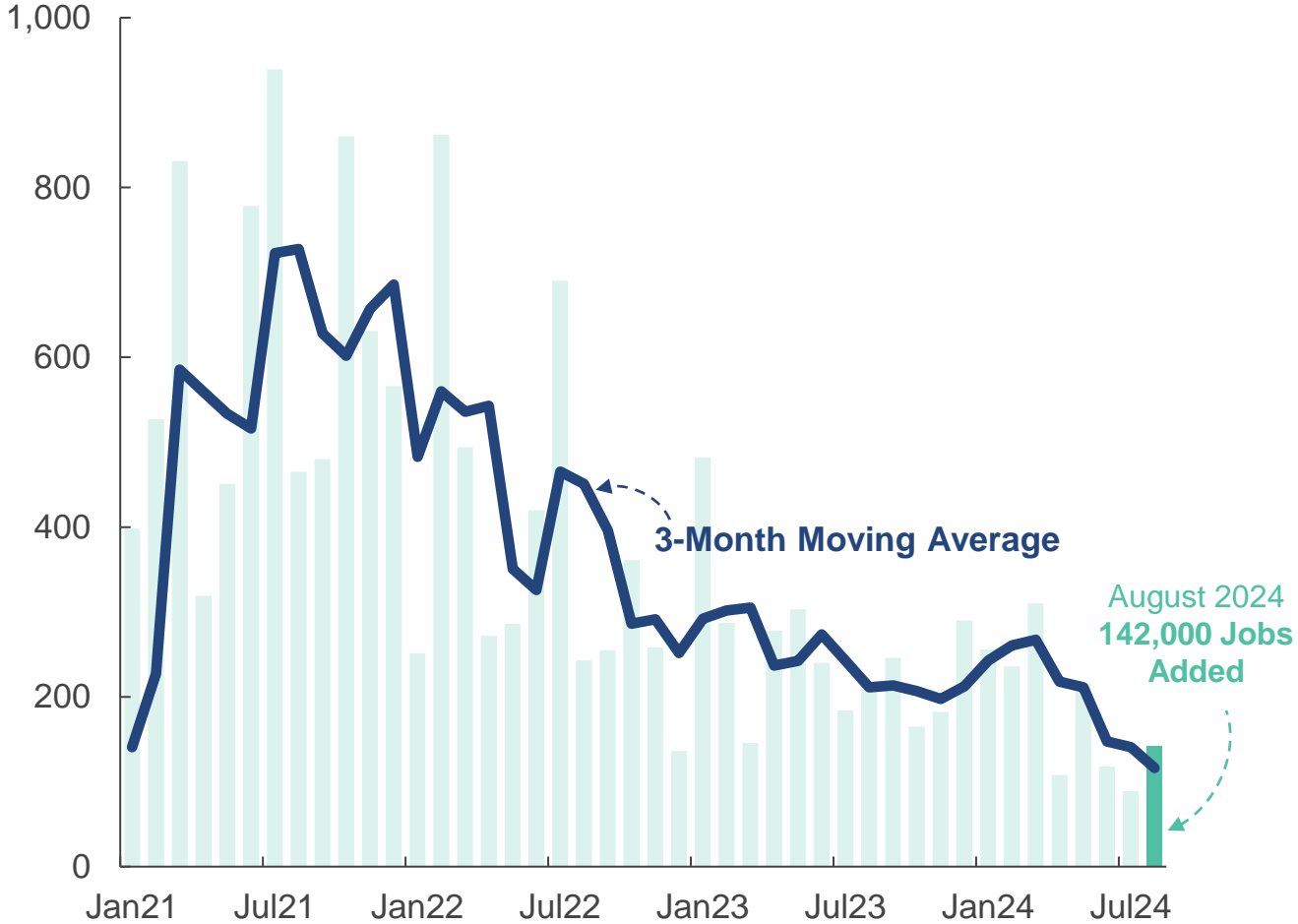
Contributions to U.S. GDP Growth  
Quarter-over-quarter Annualized Growth Rate



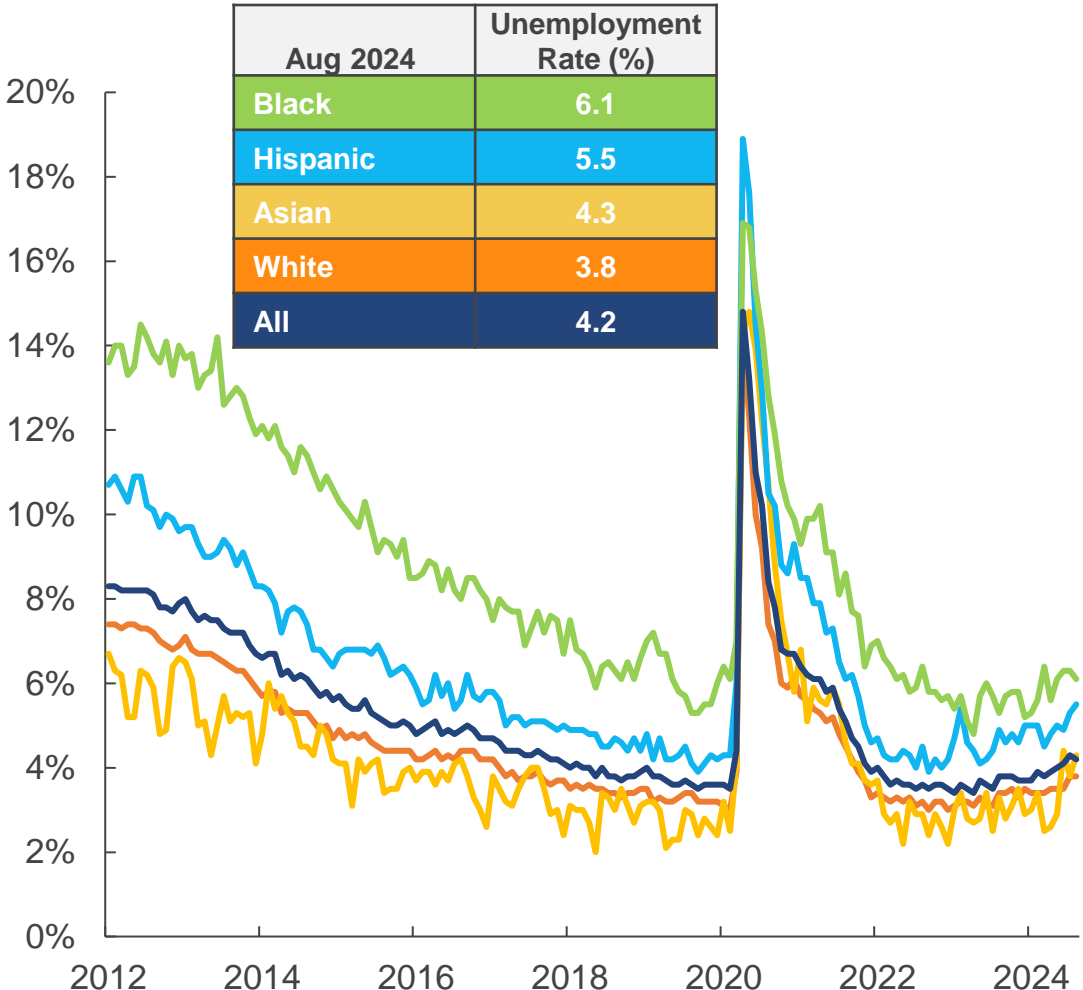
Source: U.S. Bureau of Economic Analysis (BEA)  
Note: Data as of Q2 2024

# U.S. Labor Market is Cooling with Unemployment Up and Job Growth Moderating

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



Unemployment Rate



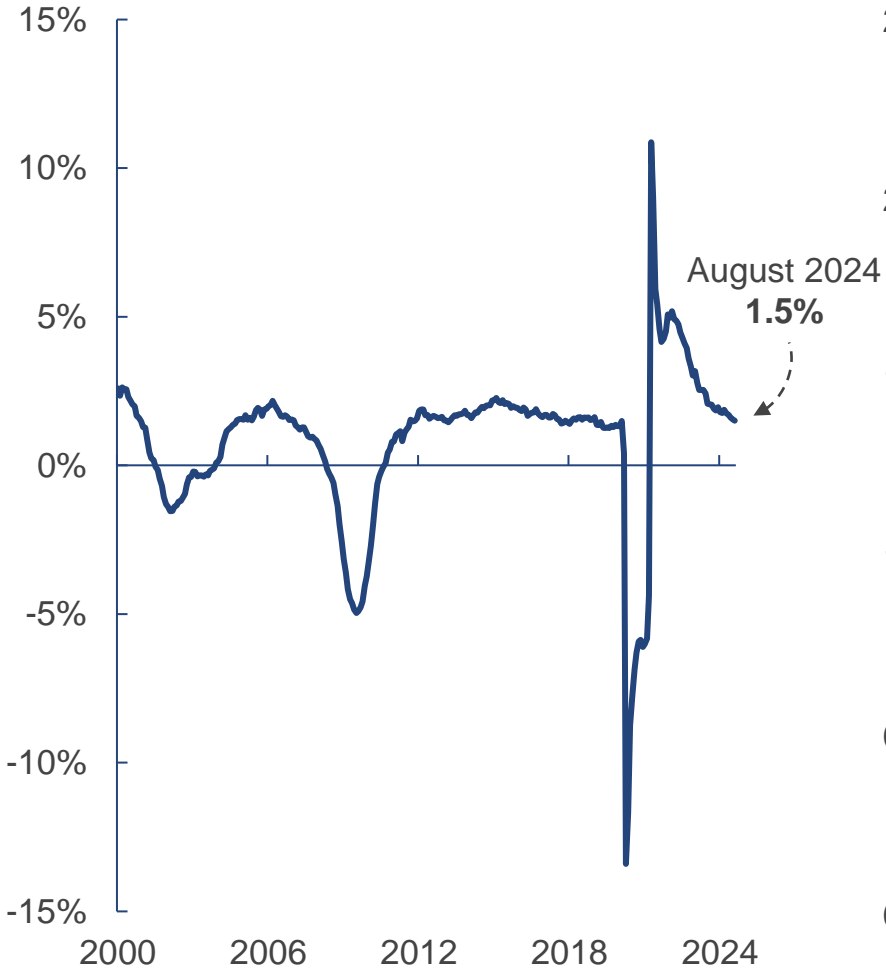
Source: U.S. Bureau of Labor Statistics (BLS)  
Note: Data through August 2024

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

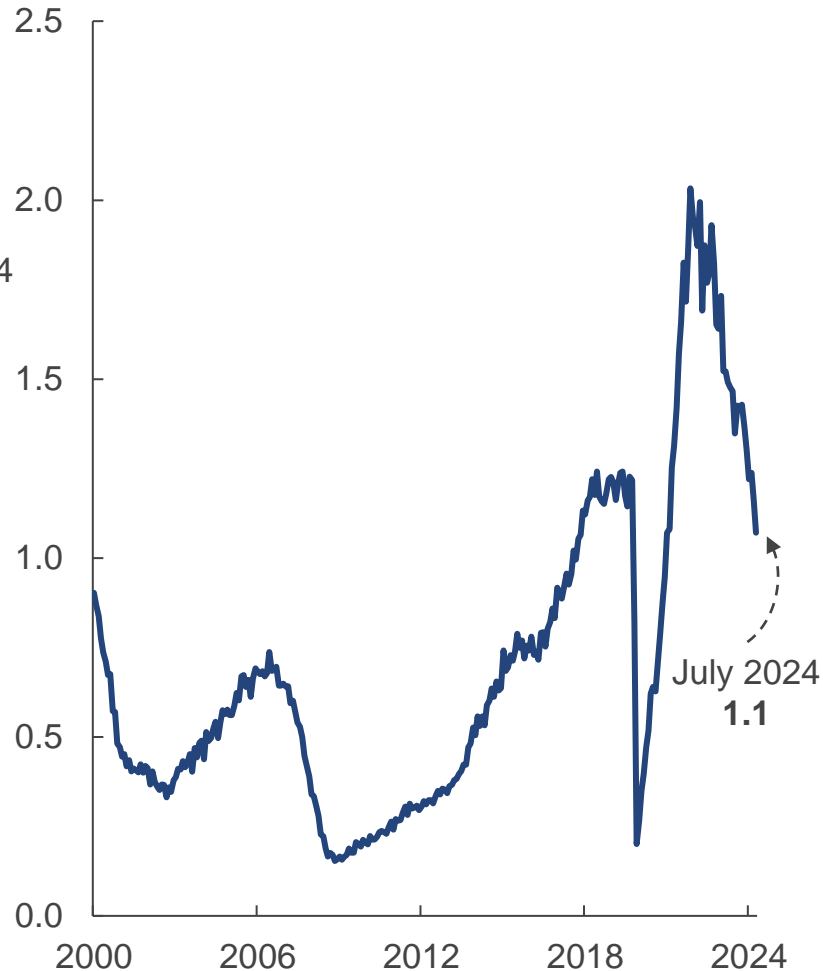


### Job Growth

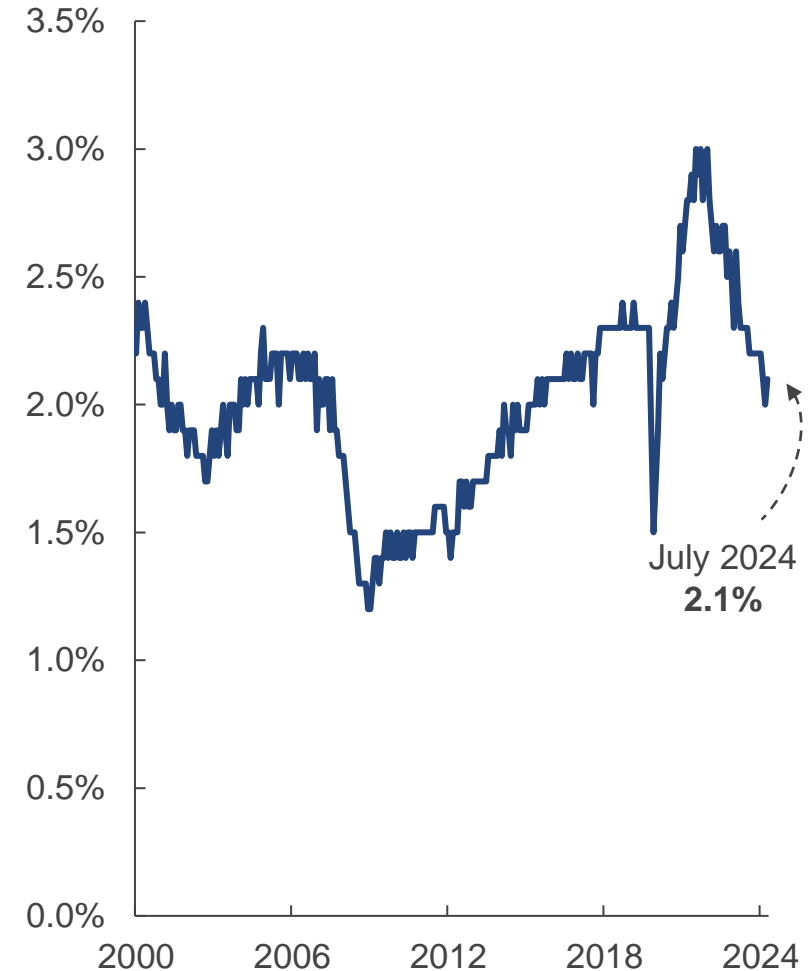
Percent Change from Year Ago



### Job Openings per Unemployed Person



### Quits Rate



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

Note: Data through Aug 2024; Job Openings to Unemployed and Quits Rate are Through July 2024

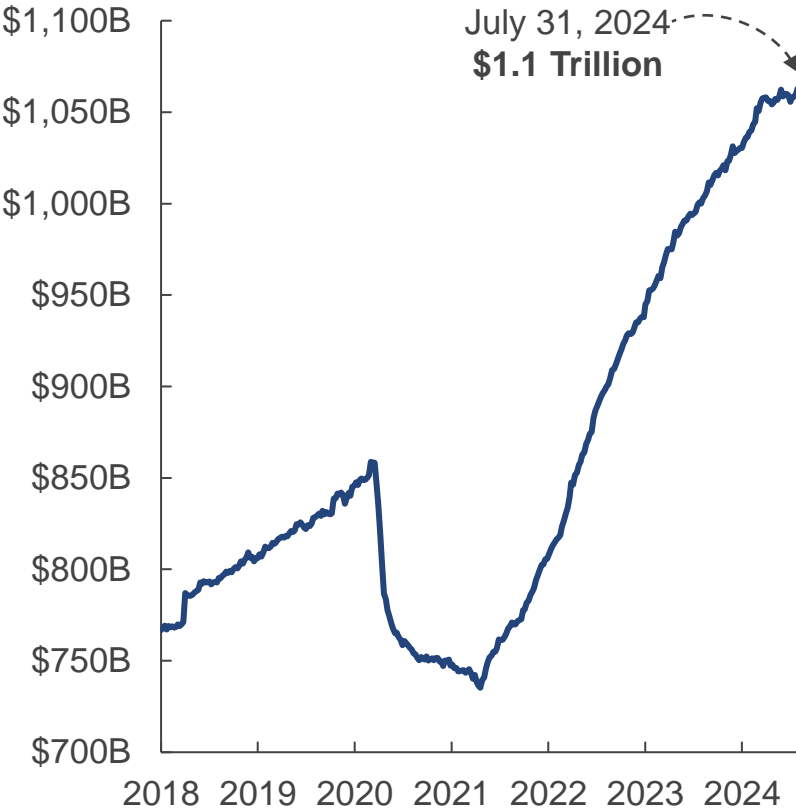
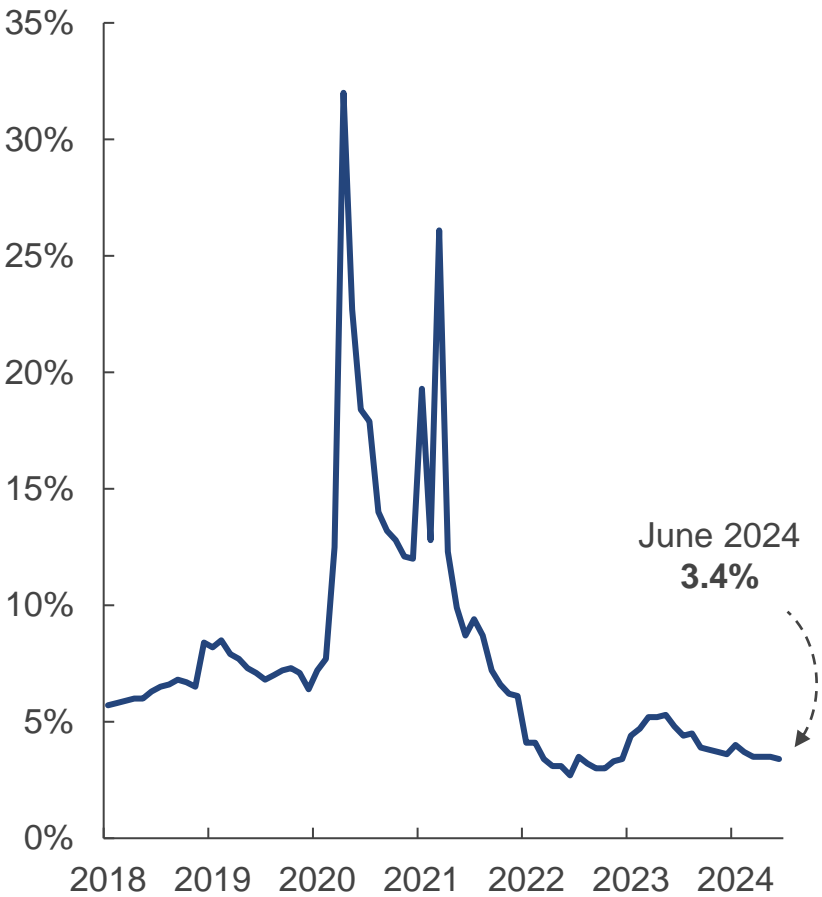
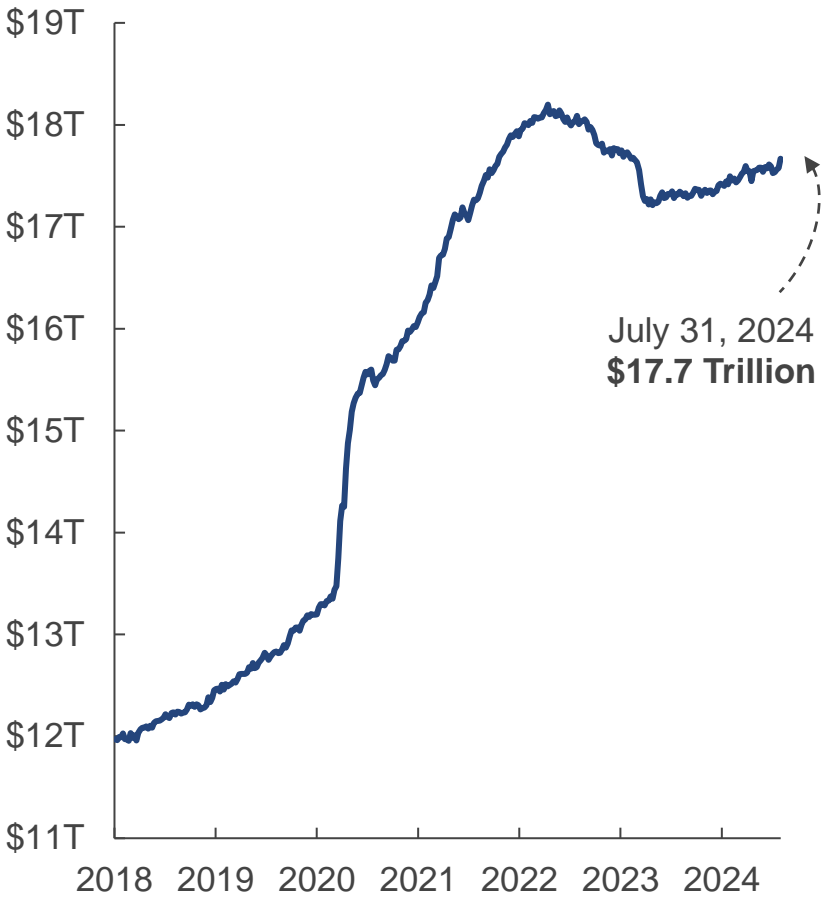
# Consumer Balance Sheets Improved Significantly Due to Stimulus, But They Have Weakened as Credit Demand Surged During the Last 18 Months



Consumer Bank Deposits  
\$Trillions

Personal Savings Rate

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



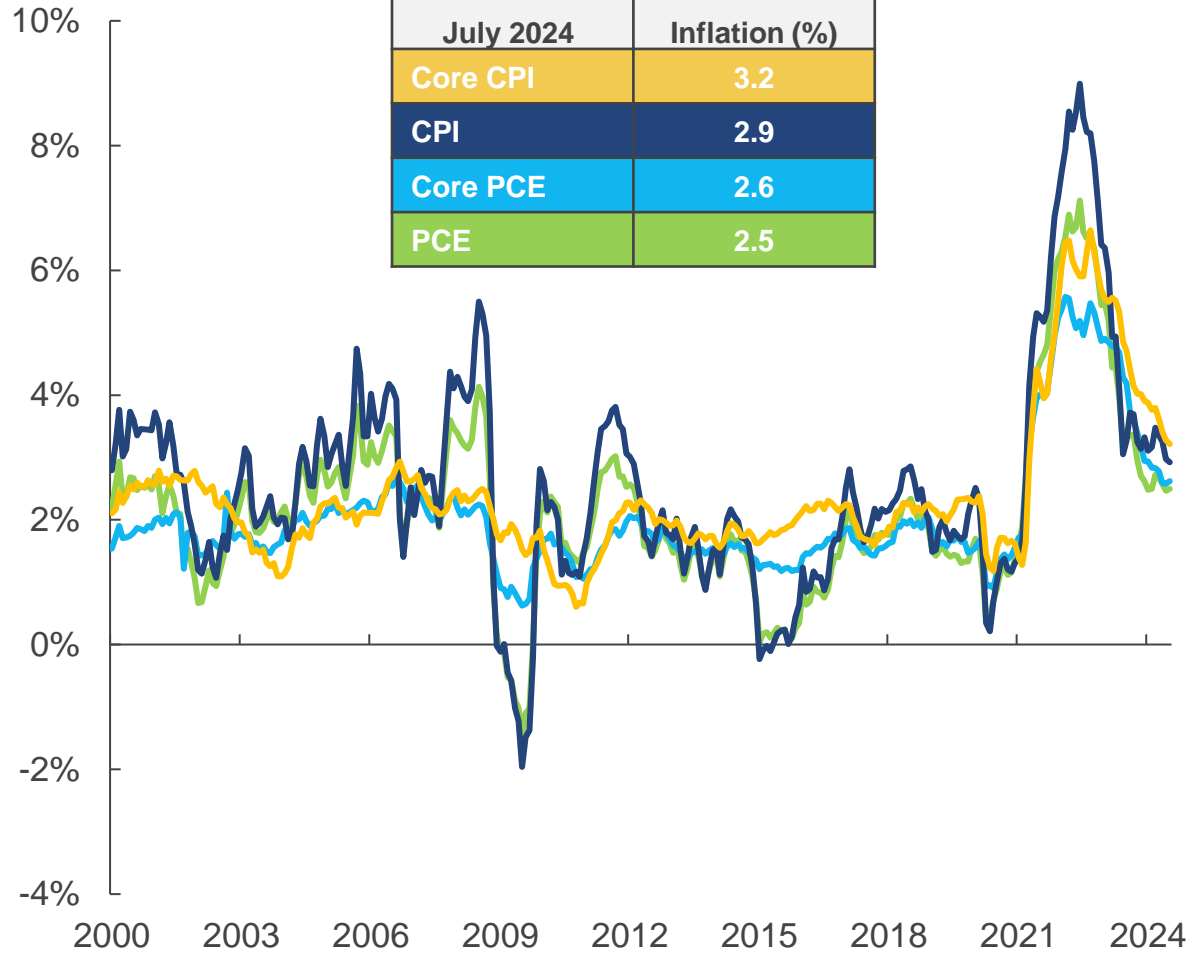
Source: Federal Reserve, U.S. Bureau of Economic Analysis (BEA)



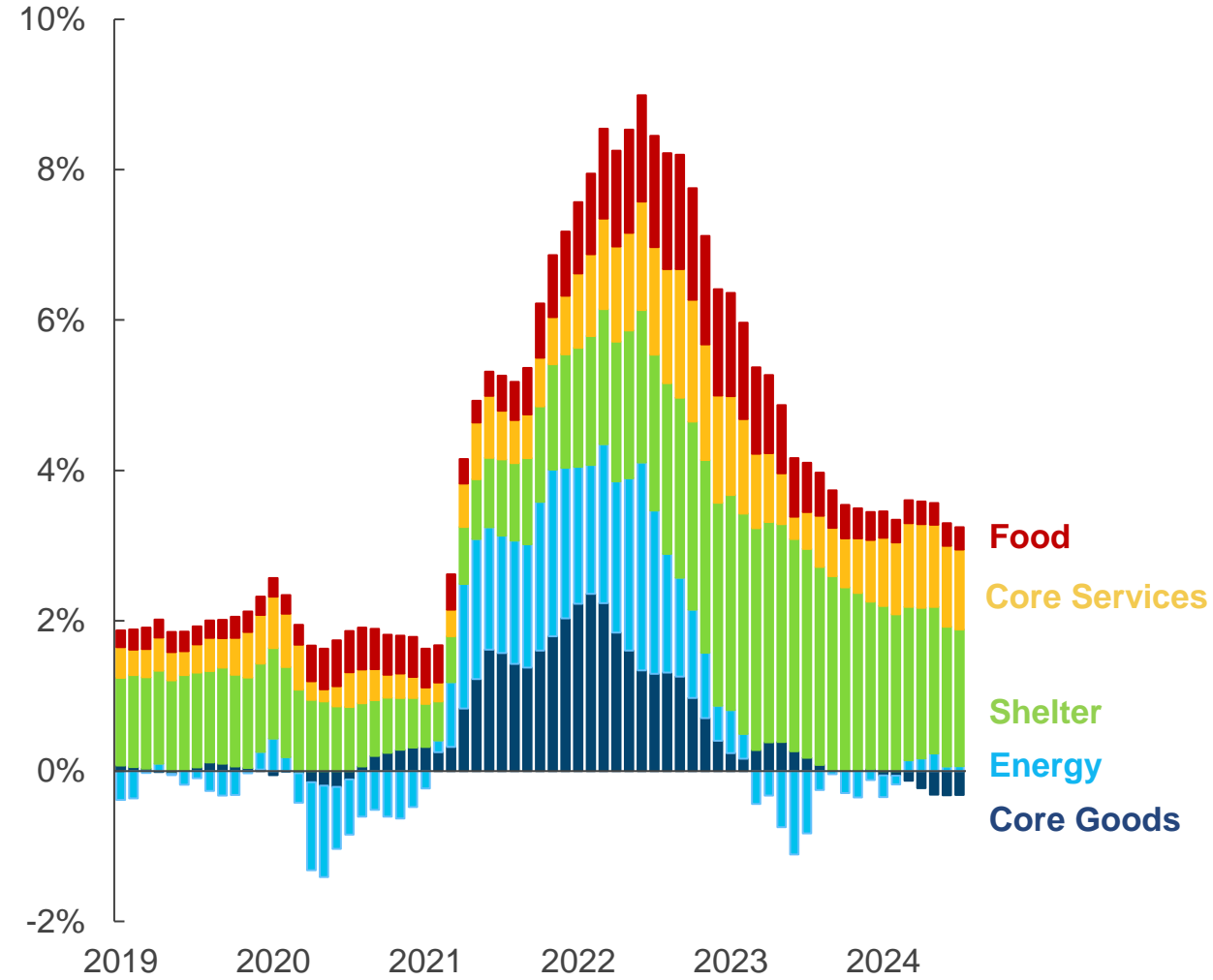
# While Moderating, Inflation in the U.S. Remains Above Federal Reserve's Target

**Inflation Measures**  
Percent Change from Year Ago

July 2024	Inflation (%)
Core CPI	3.2
CPI	2.9
Core PCE	2.6
PCE	2.5



**Contribution to Headline CPI Inflation**  
Contribution to Percent Change from Year Ago

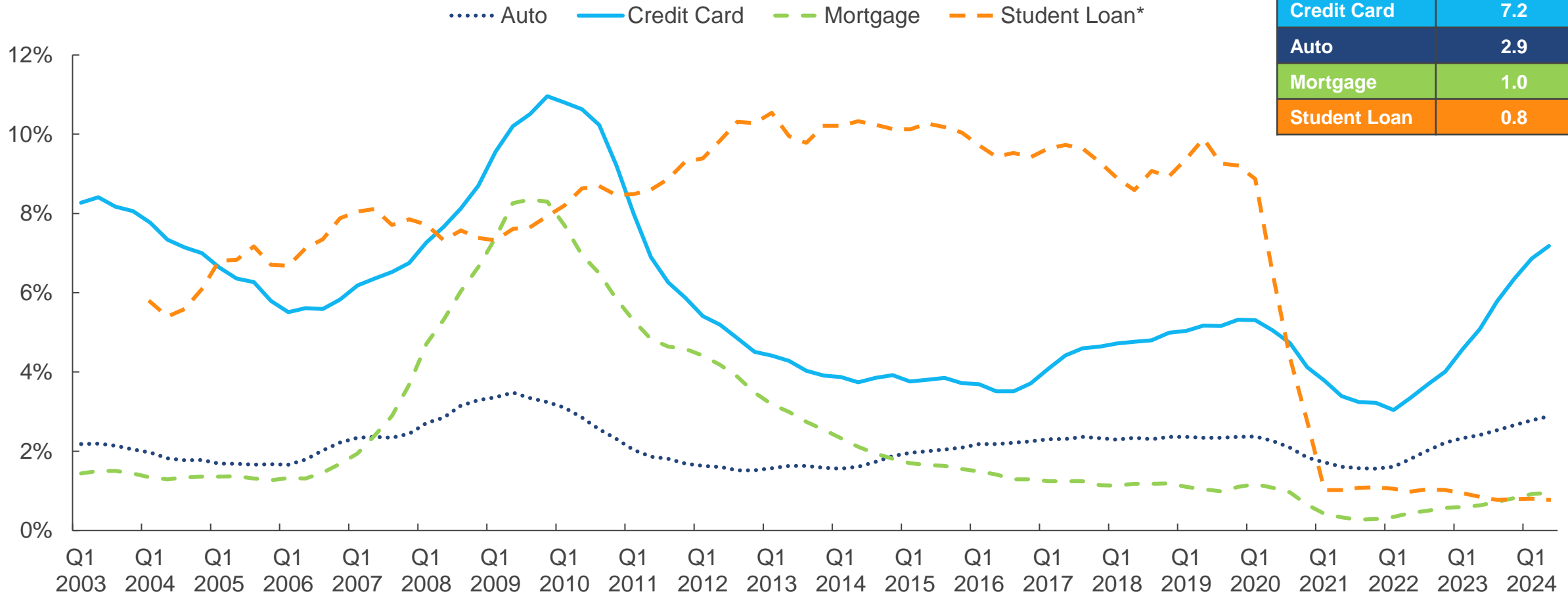


**Source:** U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA)  
**Note:** Data through July 2024

# 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



Q2 2024	Transition Into SDQ (%)
Credit Card	7.2
Auto	2.9
Mortgage	1.0
Student Loan	0.8

Source: New York Fed Consumer Credit Panel/Equifax;

Note: Data through Q2 2024

\*Student loan data are not reported prior to 2004 due to uneven reporting



# Housing & Mortgage Market

# U.S. Mortgage Rates Declining on Expectations of Federal Reserve Interest Rate Cuts



30-Year Fixed Rate Mortgage Rate  
*PMMS Weekly Average*



August 29, 2024  
**6.35%**

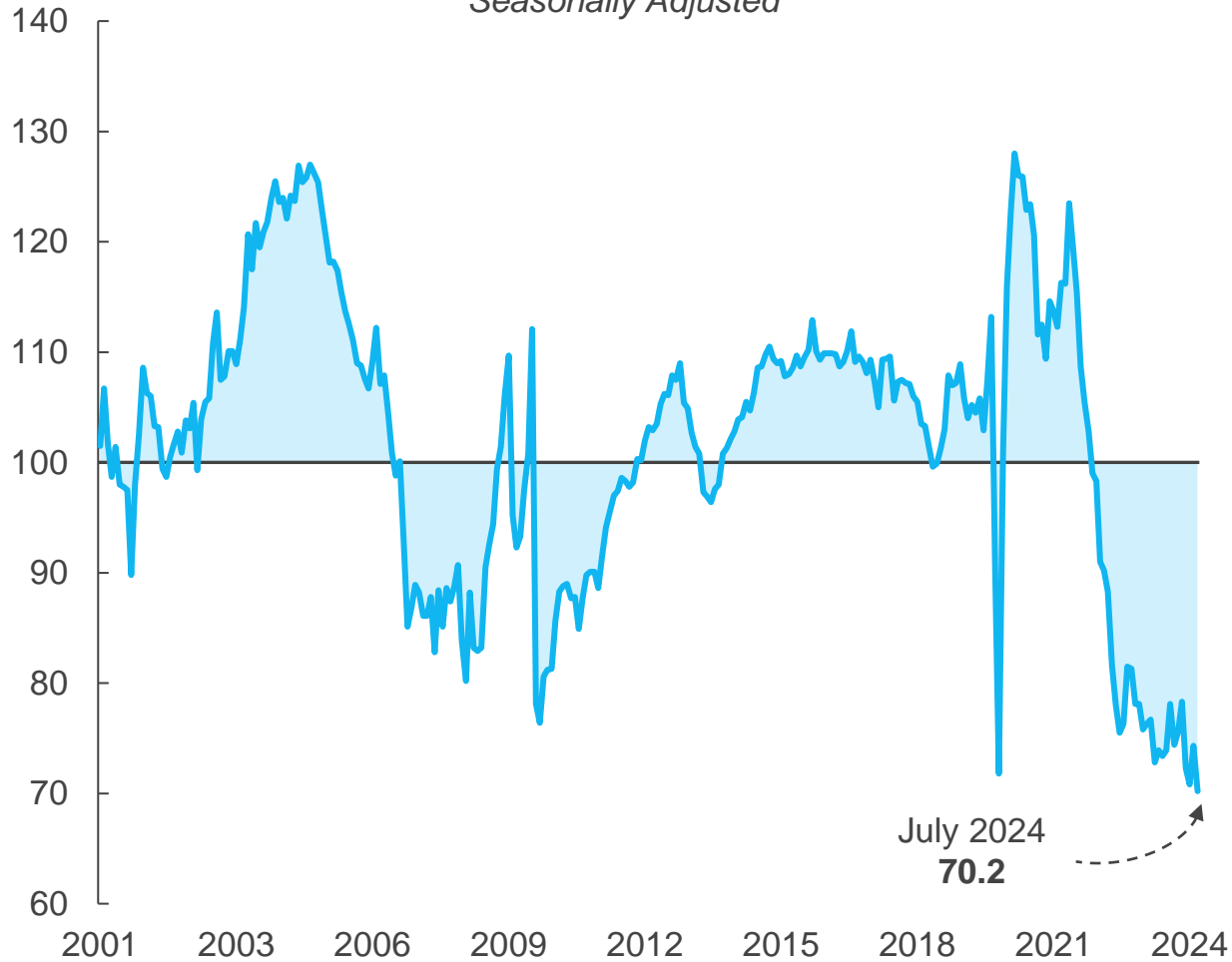
Source: Freddie Mac Primary Mortgage Market Survey (PMMS)

Note: Data as of Aug 29, 2024

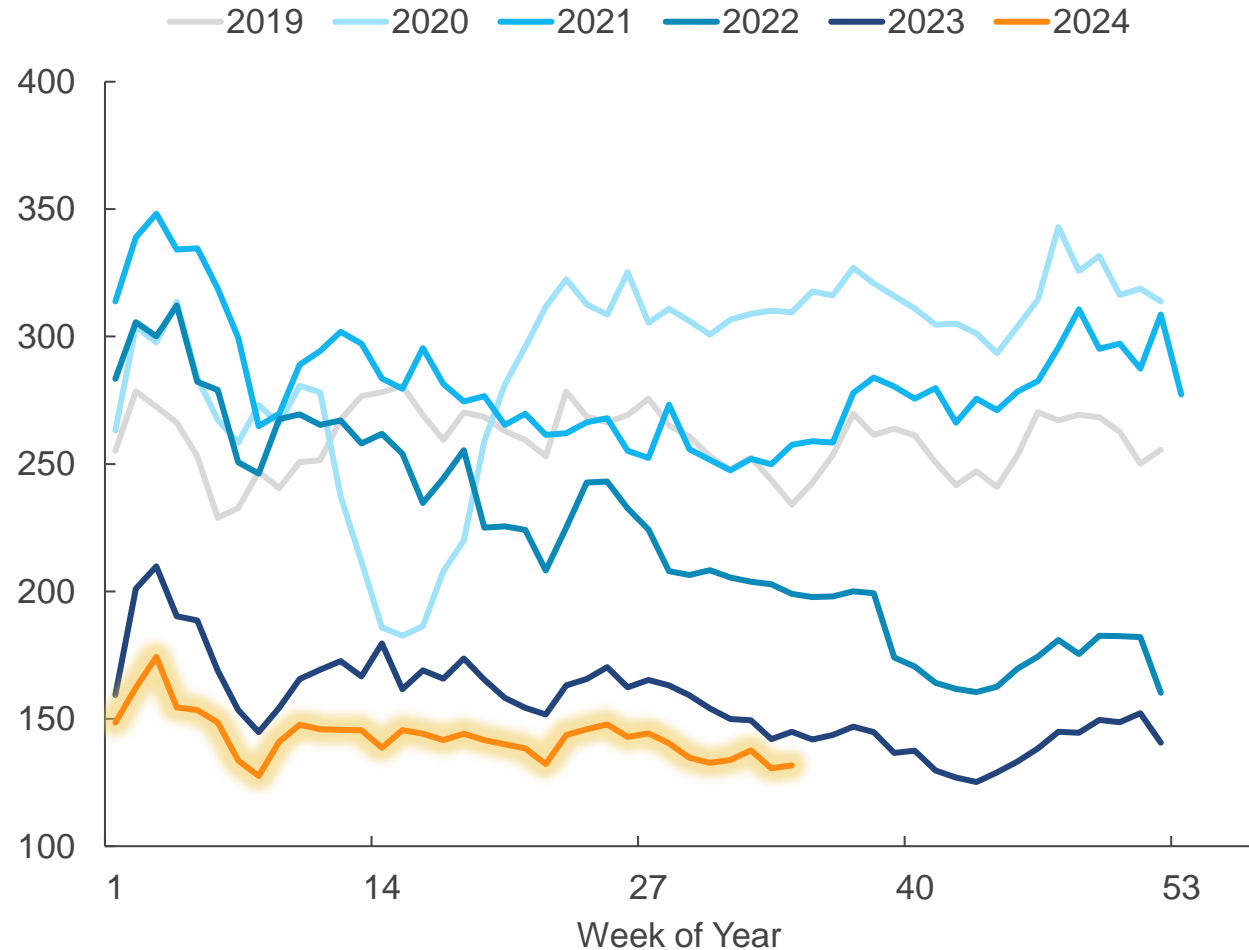
# Rapid Decline in Housing Affordability Has Led to a Contraction in U.S. Housing Demand



Pending Home Sales Index  
Seasonally Adjusted



Total Market Purchase Index  
Seasonally Adjusted



Source: National Association of Realtors, Mortgage Bankers Association  
Note: Pending Home Sales data through July 2024; Purchase Apps Data through Aug 28, 2024.

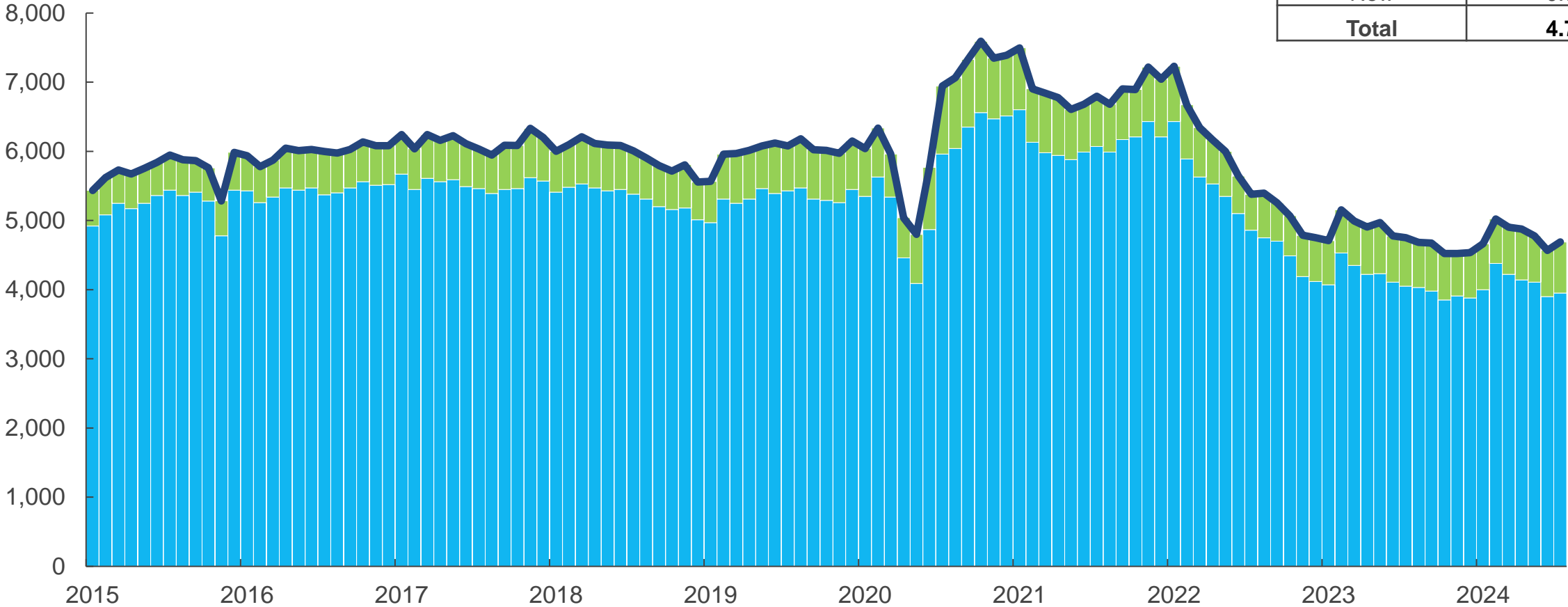
# U.S. Home Sales Remain at Multi-Decade Lows



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

Existing    New    Total

July 2024	Home Sales (Millions)
Existing	4.0
New	0.7
<b>Total</b>	<b>4.7</b>



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

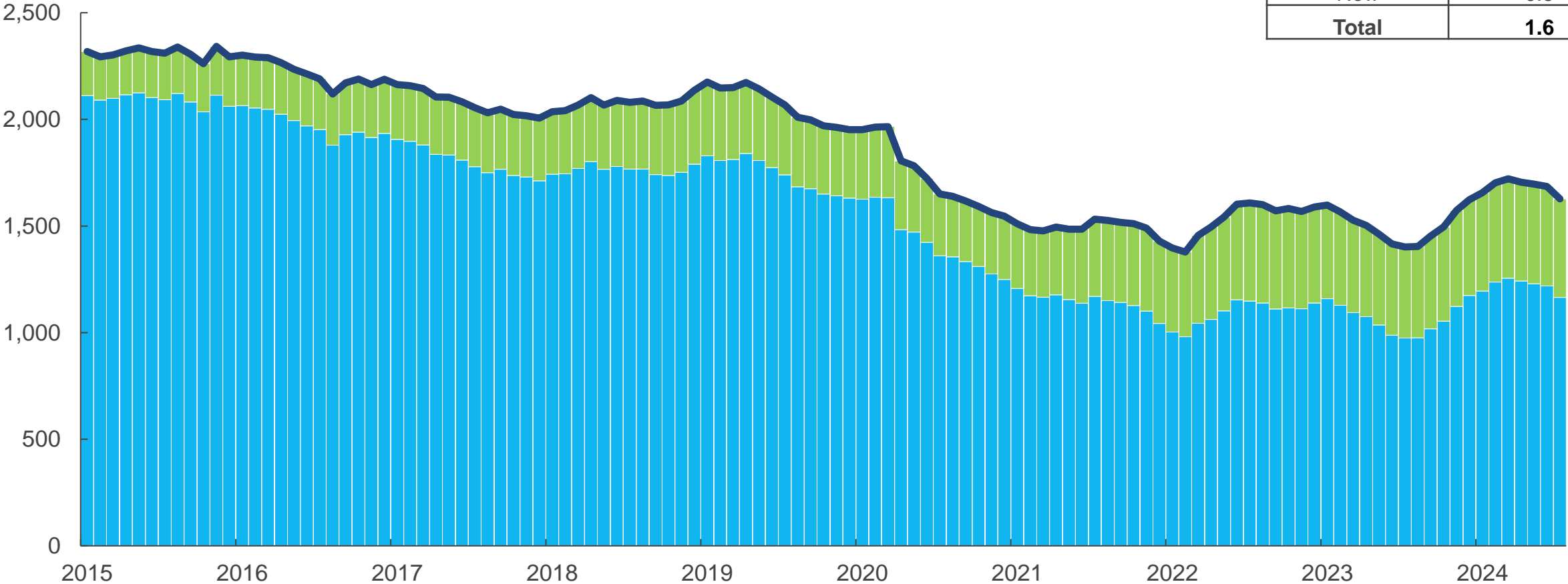
# Despite Weak Sales, U.S. Housing Supply Remains Low as Market is Dominated by Chronic Undersupply of Resales



Total Homes for Sale  
Thousands, Seasonally Adjusted

Existing New Total

July 2024	Home for Sale (Millions)
Existing	1.2
New	0.5
<b>Total</b>	<b>1.6</b>

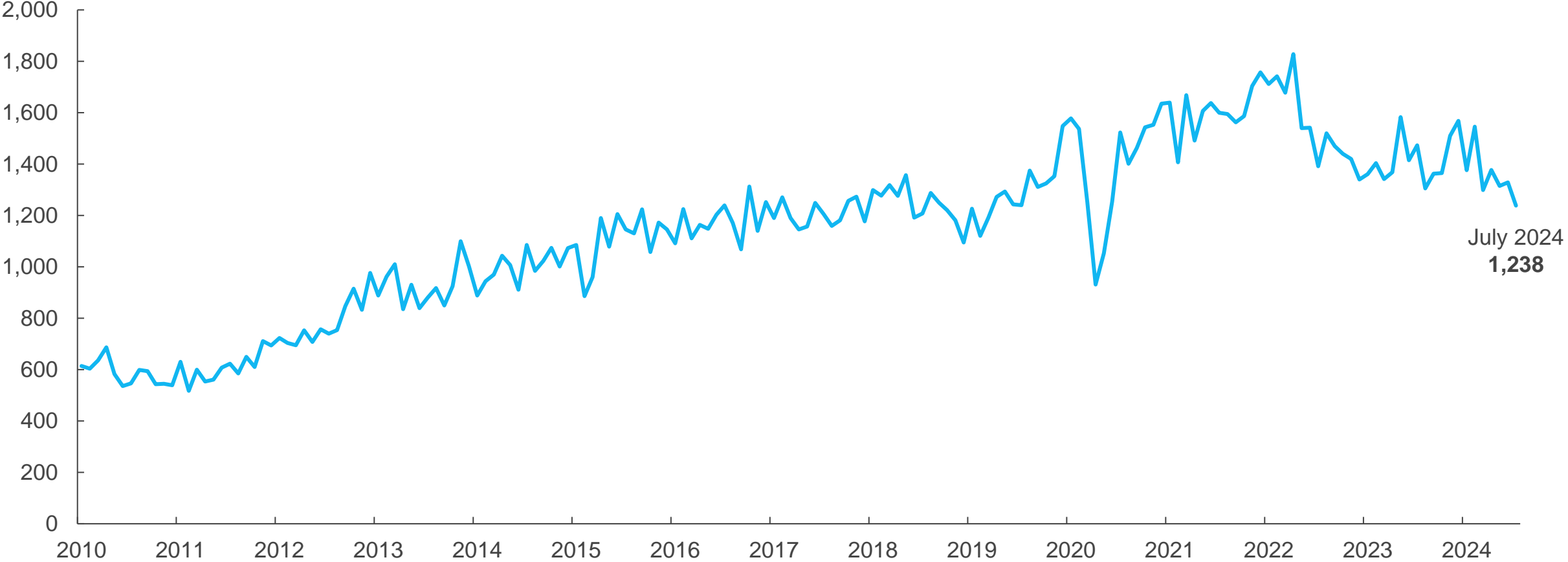


Source: National Association of Realtors (NAR); U.S. Census Bureau  
Note: Data through July 2024

# U.S. Housing Starts Continue to Decline Due to the Higher Rate Environment, Labor Shortages and Higher Prices of Raw Materials



Total Housing Starts  
Thousands, Seasonally Adjusted Annual Rate



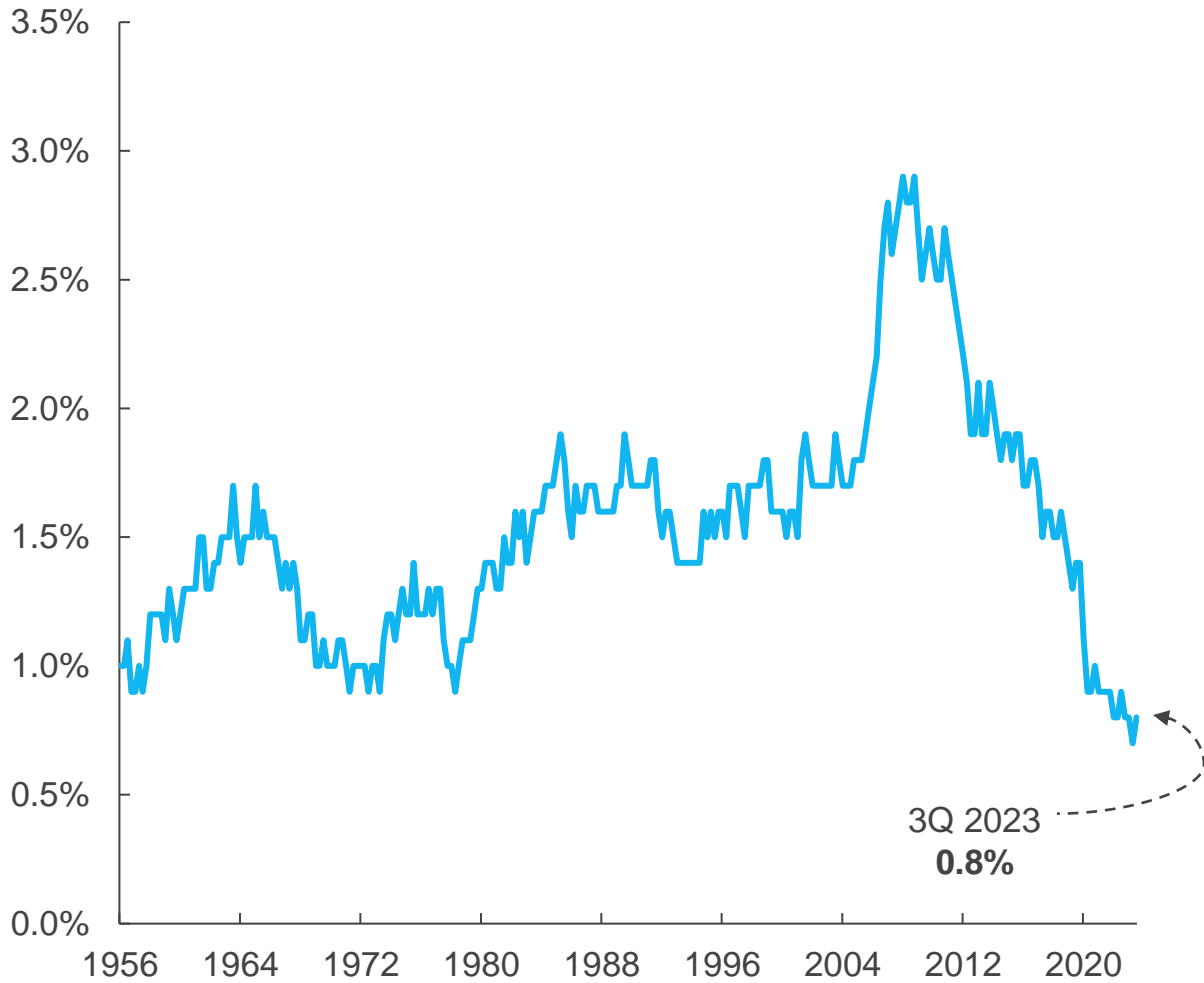
Source: U.S. Census Bureau  
Note: Data through July 2024



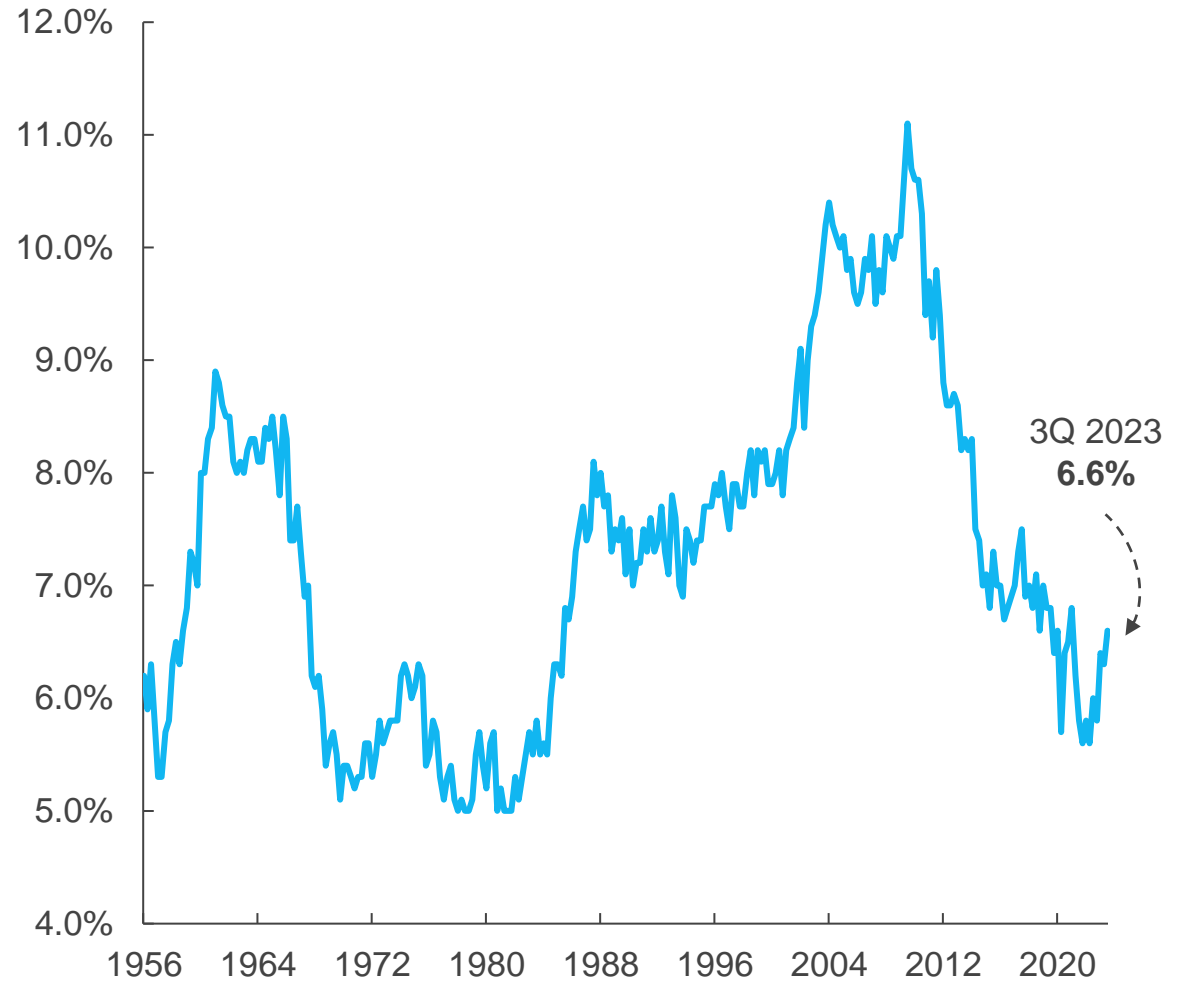
# Lack of Housing Supply in U.S. Caused Vacancy Rates to Collapse to Historic or Near-Historic Lows



### Homeowner Vacancy Rate



### Rental Vacancy Rate

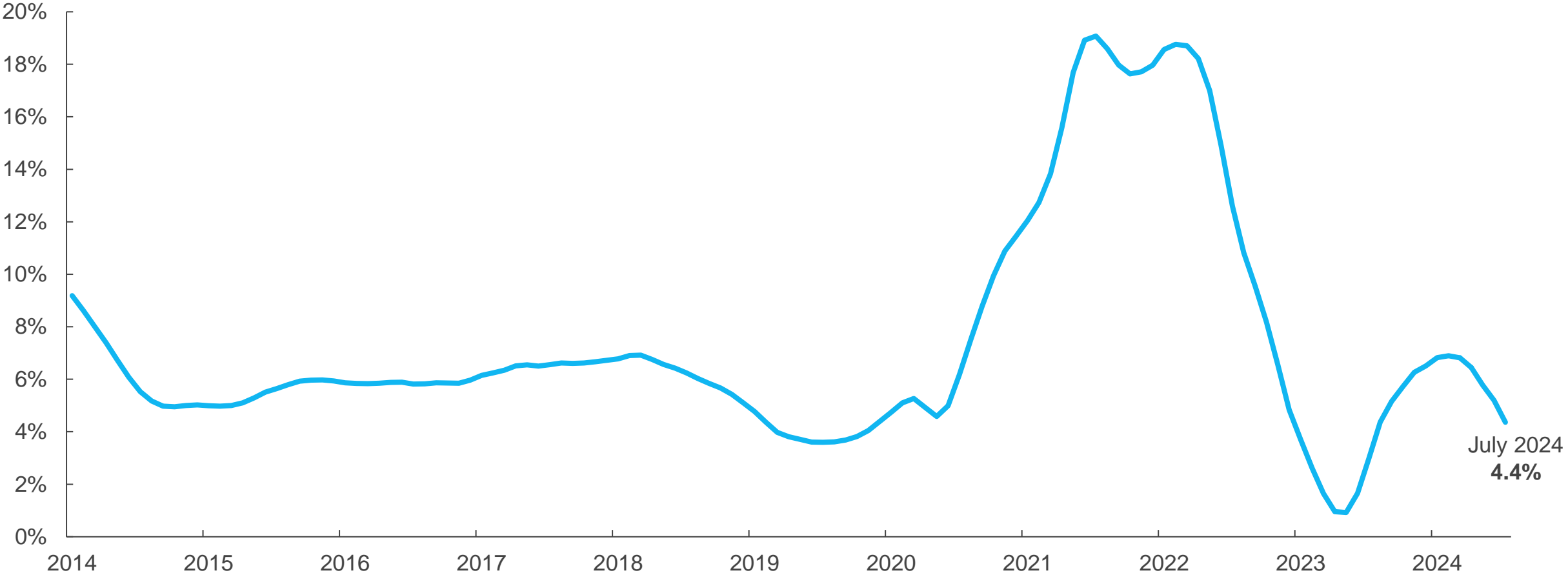


Source: U.S Census Bureau  
Note: Data through Q2 2024

# 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*

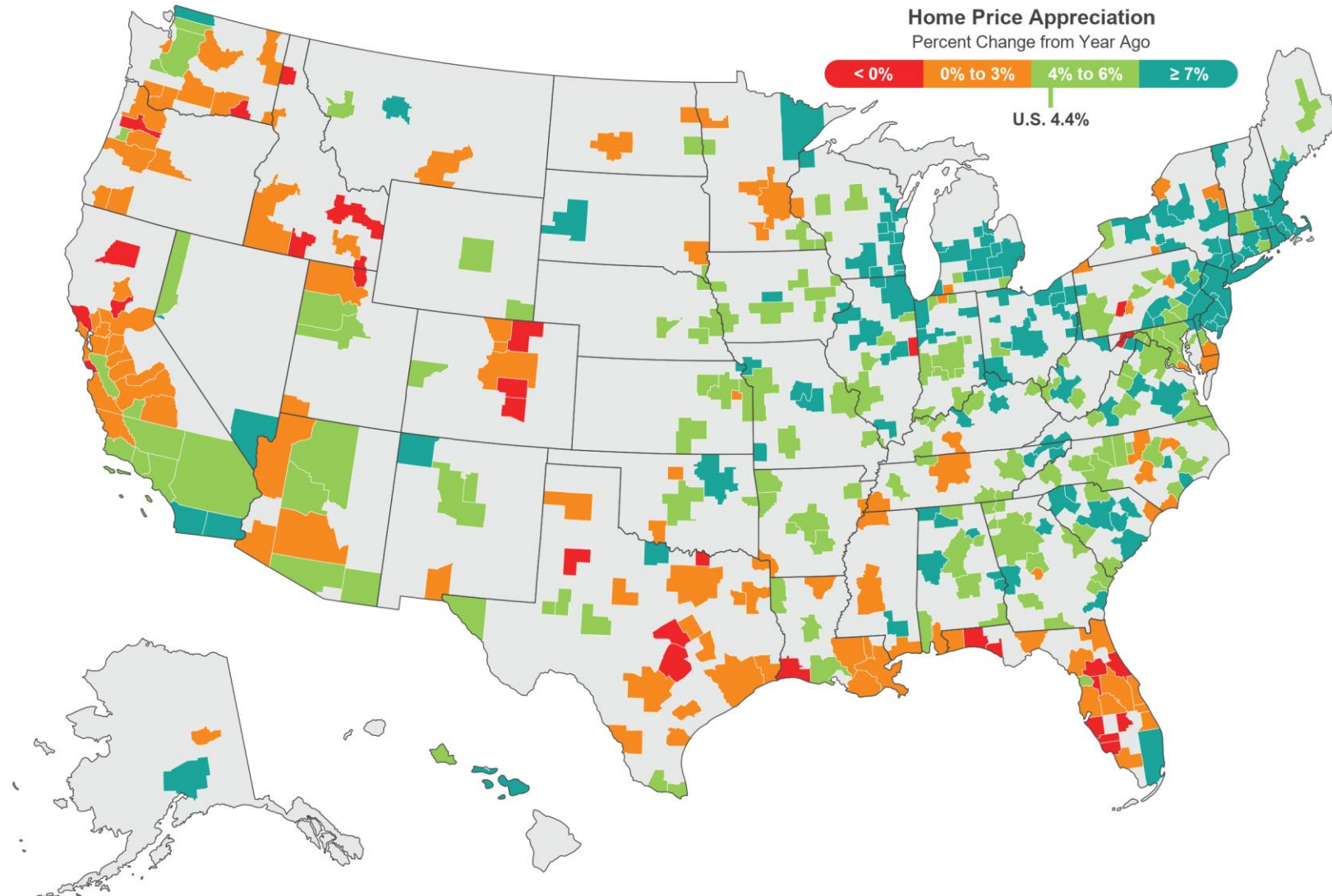


Source: Freddie Mac  
Note: Data as of July 2024

# Home Price Growth is Strongest in Northeast & Midwest & Price Growth is Softer in Coastal Gulf of Mexico



## July 2024 Year-over-Year House Price Appreciation by Metro

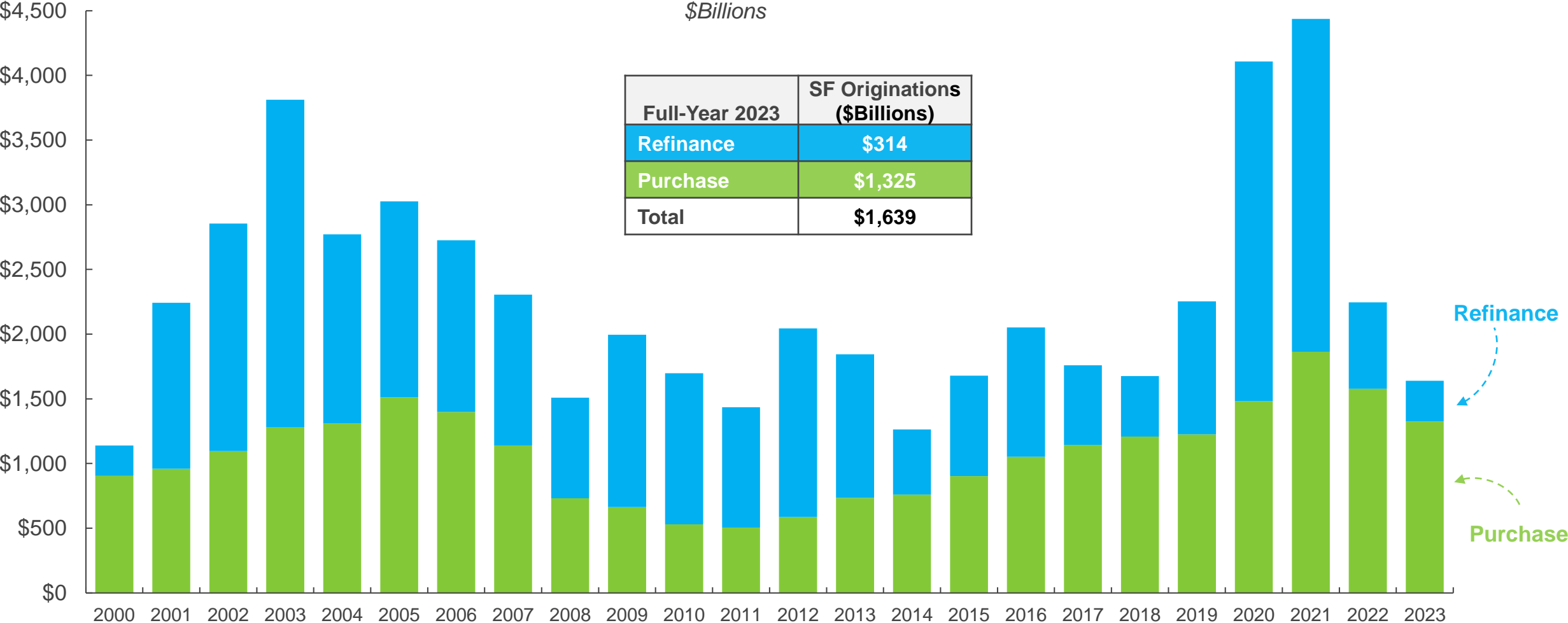


Source: Freddie Mac  
Note: Data as of July 2024

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



Annual Single-Family Mortgage Originations  
\$Billions



Source: Freddie Mac



# Spotlight

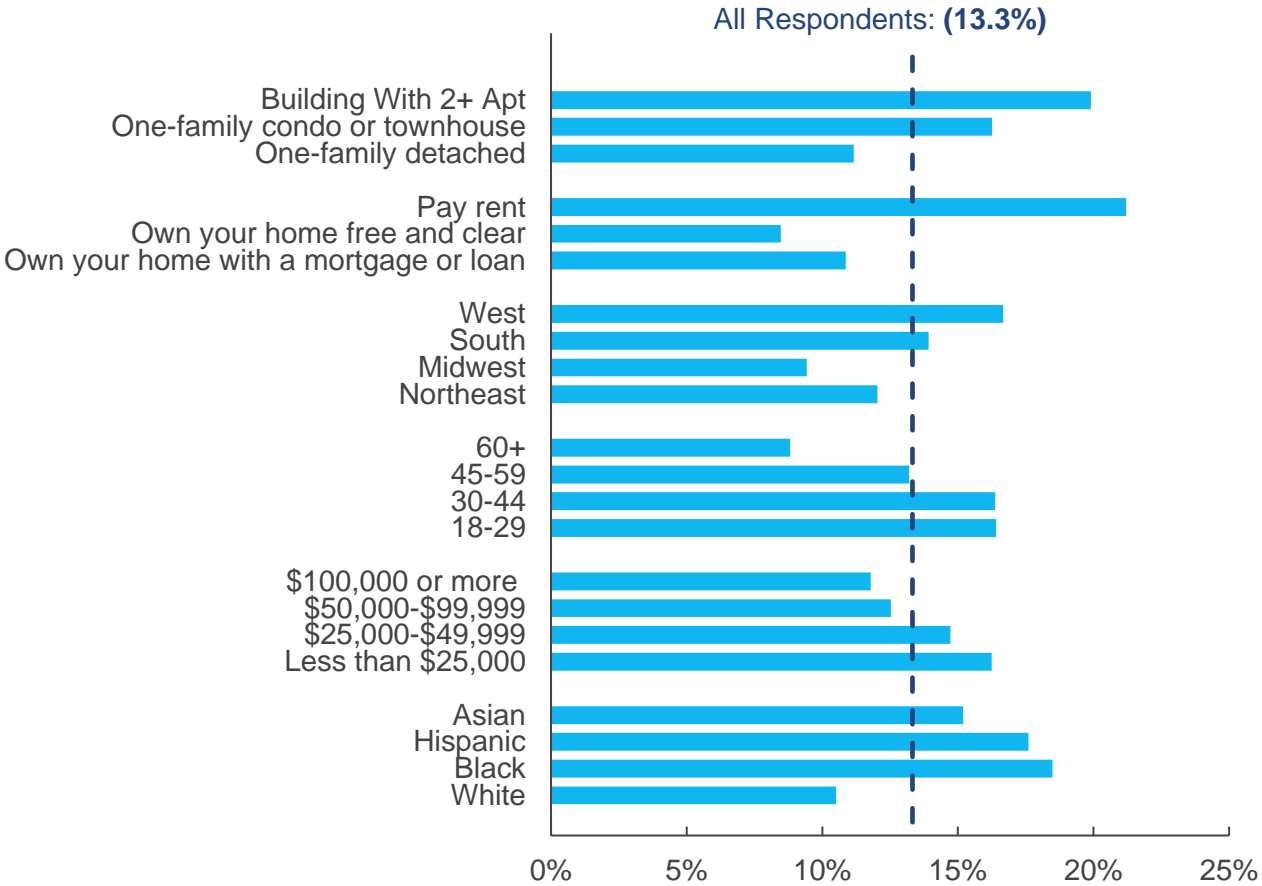
# Spotlight – Natural Disasters & Decision Making



*Natural Disasters Are Likely to Affect Location Choice, Particularly Among Renters; A Small Share of Households Purchased Additional Insurance Because of the Threat of Natural Disasters*

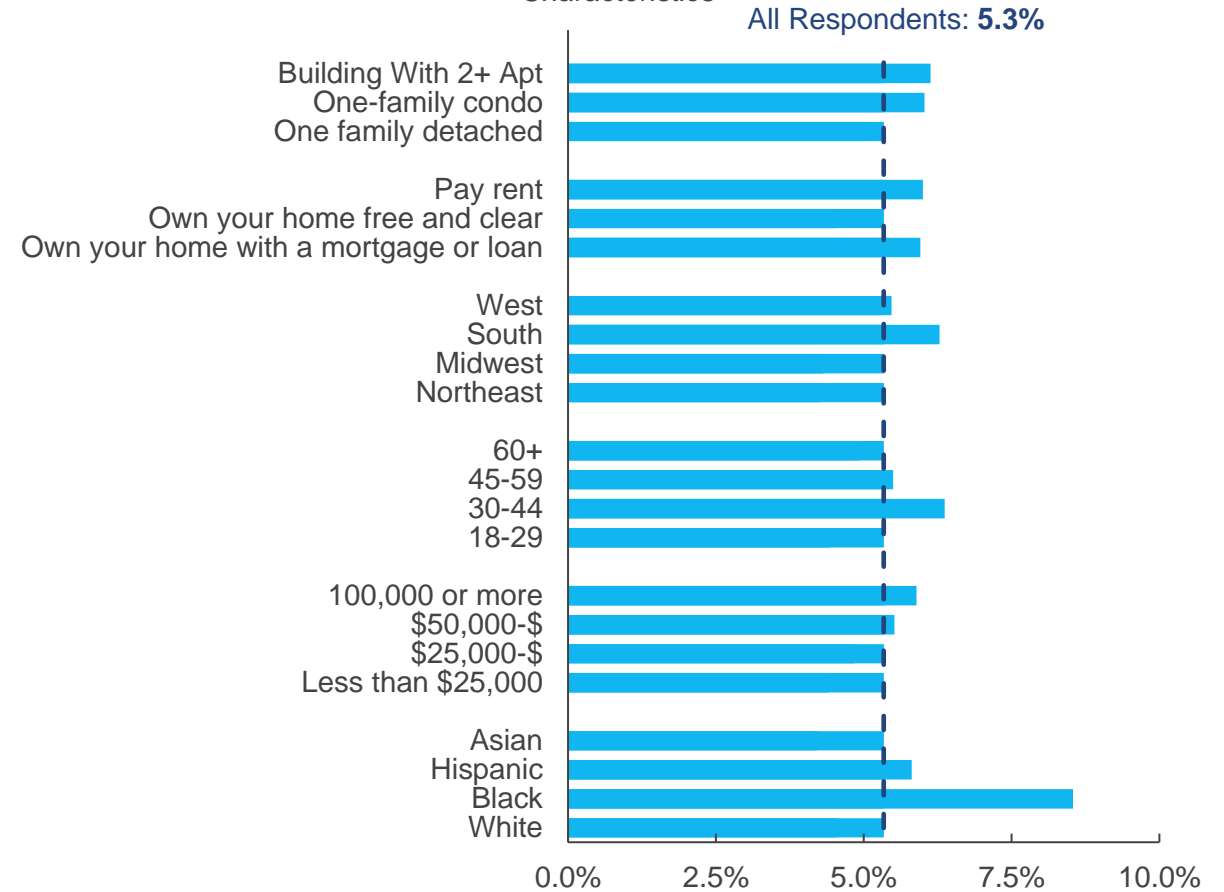
## Investigated Other Places to Live

% Respondents; By Tenure and Demographic Characteristics



## Purchased Additional Insurance

% Respondents; By Tenure, Housing Type and Demographic Characteristics



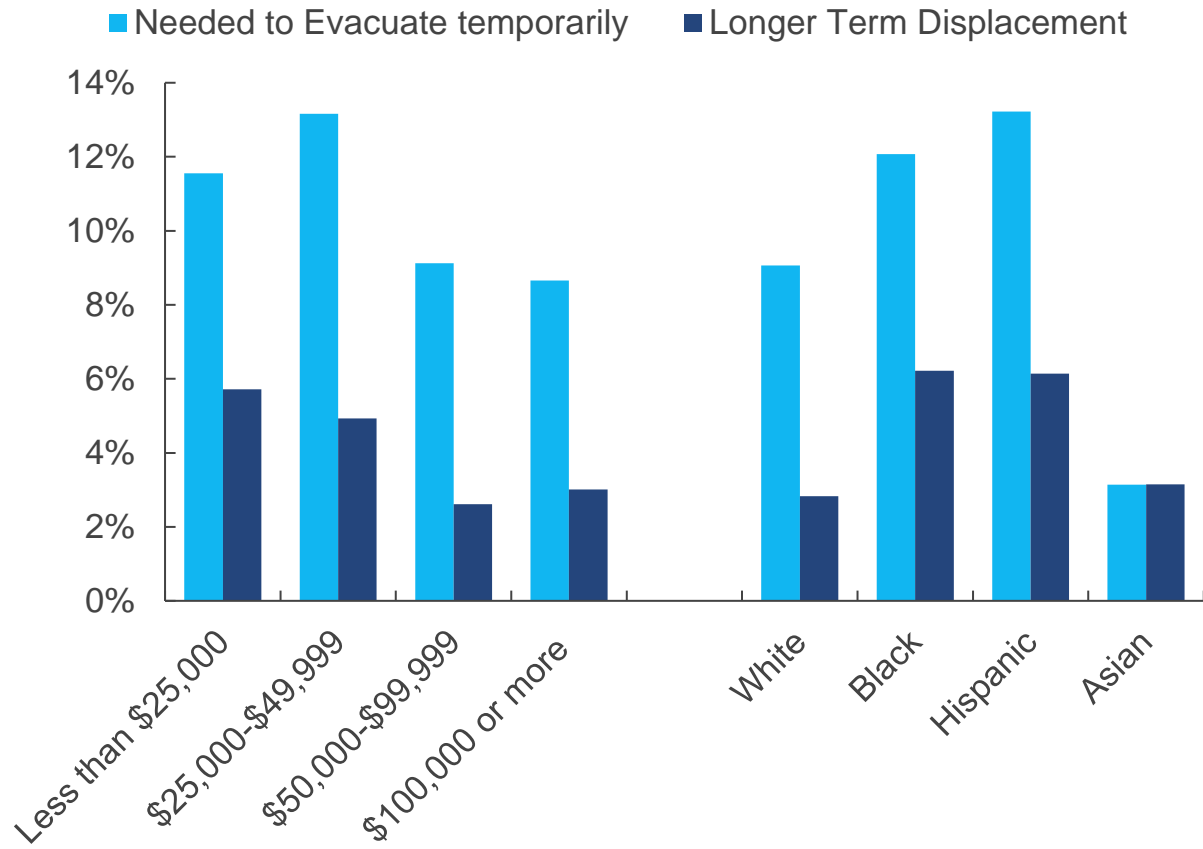
Source: Freddie Mac calculations based on SHED data

# Spotlight – Natural Disasters & Decision Making



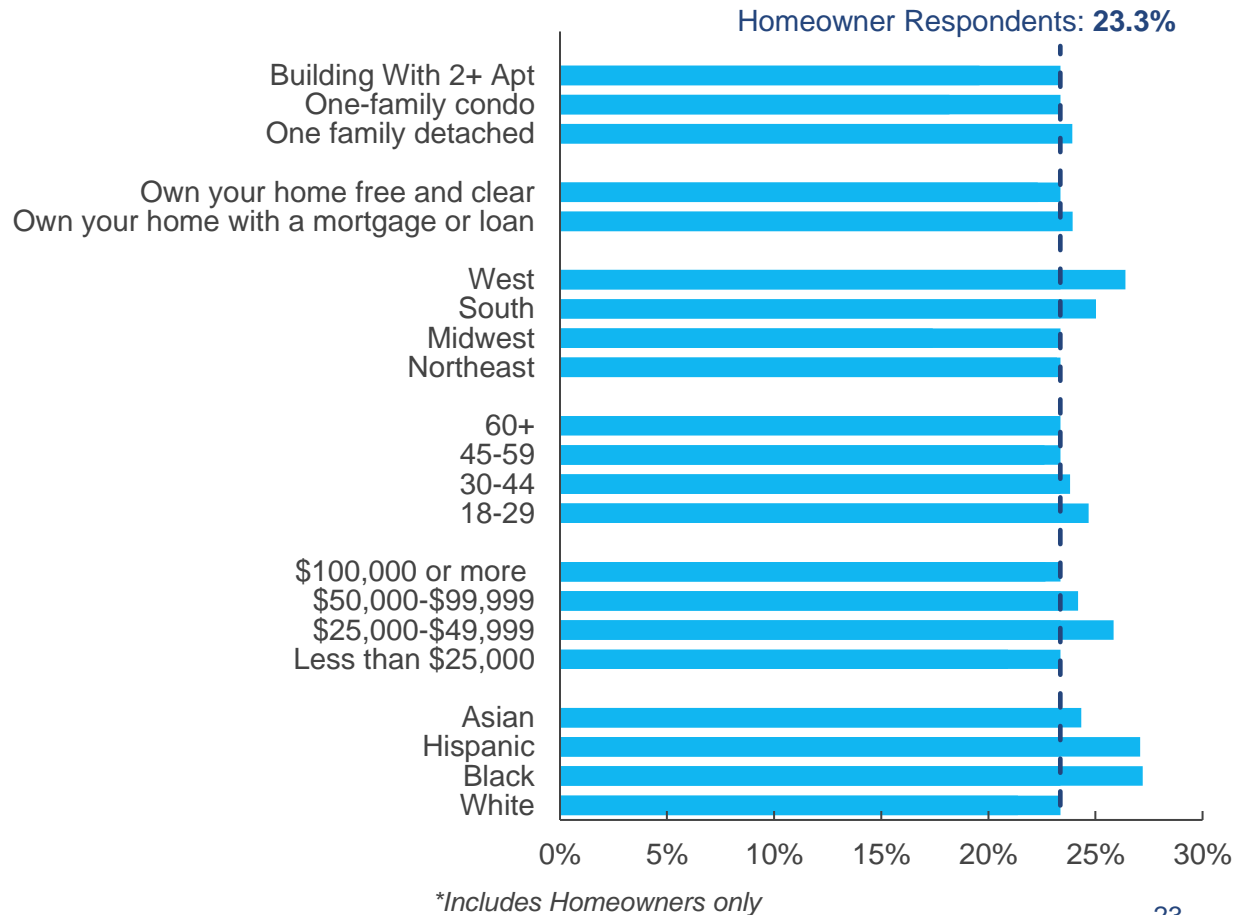
Households Directly Impacted by Natural Disasters are More Likely to Improve Their Property to Reduce Risk

### % Homeowner Households Directly Affected By Natural Disasters in 2023



### Improved Property to Reduce Risk\*

% Respondents; By Housing Type, Tenure and Demographic Characteristics



Source: Freddie Mac calculations based on SHED data