Freddie Mac July Forecast: Home Sales Could Grow if Inventory Improves

July 23, 2018

MCLEAN, Va., July 23, 2018 (GLOBE NEWSWIRE) -- Exceptionally low housing supply and weaker affordability slowed the housing market in the first half of 2018, but total sales activity should still slightly top year-ago levels, according to Freddie Mac's (OTCQB:FMCC) July Forecast.

In most of the country, the healthy U.S. economy and robust labor market fueled considerable interest in buying a home during the busy spring buying season. However, strengthening demand did not create a boost in sales activity because listings were scant, home price growth remained swift and higher mortgage rates squeezed the budget of many would-be buyers.

Heading into late summer, Freddie Mac expects market conditions to slightly improve, with added new home construction helping to alleviate some of the current supply shortage. Total home sales (new and existing) for the year are now forecasted to increase 2.5 percent, and home prices are expected to grow 6.7 percent.

“Home sales have mostly moved sideways for much of the year, but given the sizeable demand for buying in most markets, there’s hope for a small breakout in the months ahead,” said Freddie Mac Chief Economist Sam Khater. “Mortgage rates have stabilized in recent months, and in some high-cost markets, price appreciation is showing some signs of easing. If new and existing housing supply can increase meaningfully, sales will follow.”

Forecast Highlights

- The U.S. labor market continues to be robust, which in turn is bringing more people into the workforce, increasing wages and spurring consumer spending and business investment. Gross Domestic Product (GDP) growth is forecasted to be 3.4 percent in the second quarter and 2.7 percent for the year.
- Mortgage rates fell in recent weeks because of declining long-term Treasury yields, which continue to be pushed down by investor anxiety surrounding the potential of a long-term global trade war. The 30-year fixed-rate mortgage is forecast to average 4.6 percent this year.
- Total (new and existing) home sales are forecasted to increase 2.5 percent in 2018 to 6.27 million. Even with this year’s higher mortgage rates, home prices are expected to grow 6.7 percent.
- Total single-family first-lien mortgage originations[1] are expected to slide around 7 percent this year to $1.69 trillion, driven by decreased refinance activity due to higher borrowing costs.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we’ve made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac’s blog FreddieMac.com/blog.

[1]Starting this month, our single-family mortgage origination estimates will include only first-lien, single-family mortgage originations (excluding home improvement loans). This adjustment more closely aligns our estimates with others in the industry. Total single-family originations have been re-estimated back to 2004 using this new approach, and the revised estimates can be found in Exhibit 6 in this month’s forecast.

MEDIA CONTACT: Adam DeSanctis
703-903-2786
Adam_DeSanctis@freddiemac.com

A photo accompanying this announcement is available at http://www.globenewswire.com/NewsRoom/AttachmentNg/790ead62-ea07-4365-96f6-add931c828b4