Freddie Mac November Forecast: Expect Modest Housing Market Growth in 2019

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MCLEAN, Va., Nov. 27, 2018 (GLOBE NEWSWIRE) -- According to Freddie Mac's (OTCQB: FMCC) November Forecast, the biggest unknown about the housing market next year is whether current negative trends, such as lack of housing supply, will persist or the market will adjust to the shock of higher mortgage rates and resume modest growth.

Sam Khater, Freddie Mac's chief economist, says, "Almost all the trends in the U.S. housing market have been negative in recent months as housing market activity continues to adjust to higher mortgage rates."

Khater added, "If new home sales are to resume growth in 2019, builders may have to shift their focus to more modestly priced homes and smaller sized homes to help offset housing affordability concerns. But with cost pressures pinching profitability, this will be a significant challenge."

Forecast Highlights

- Expect GDP growth to average 3 percent in 2018 before slowing to 2.4 percent in 2019 and 1.8 percent in 2020.
- Expect total home sales to decrease 1.6 percent to 6.02 million in 2018 before slowly regaining momentum and increasing 1 percent to 6.08 million in 2019 and 2 percent to 6.20 million in 2020.
- Expect home prices to increase 5.1 percent in 2018 with the rate of growth moderating to 4.3 percent in 2019 and 2.9 percent in 2020.
- Expect single-family mortgage originations to decline 9.9 percent year-over-year to $1.63 trillion in 2018, falling slightly to $1.62 trillion in 2019 and dropping once more to $1.60 trillion in 2020. This is the result of shrinking refinance activity.
- Adjusted for inflation in 2017 dollars, an estimated $14.2 billion in net home equity was cashed out during the refinance of conventional prime-credit home mortgages in the third quarter of 2018, down from $18.3 billion a year earlier and substantially less than the peak cash-out refinance volume of $102 billion during the second quarter of 2006.

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