Freddie Mac Forecasts A Steadily Growing Housing Market

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Cash-Out Refinance Volumes Remain Low

MCLEAN, Va., May 16, 2019 (GLOBE NEWSWIRE) -- According to Freddie Mac's (OTCQB: FMCC) May Forecast, steady housing market growth is expected due to the positive impact of low mortgage rates, a strong labor market, low unemployment, and modest wage growth.

Sam Khater, Freddie Mac's chief economist, says, "Our outlook for the housing market remains largely unchanged. We still expect stronger home sales and housing starts in the coming months due to favorable market conditions and accelerating wage growth."

"Additionally, our quarterly report on refinance activity shows that few U.S. homeowners are choosing to tap into their largest source of wealth despite having a record $16 trillion in home equity available to them. Most homeowners remain reluctant to increase their mortgage balance, whereas we continue to see balance increases on auto loans, credit cards, and student loans," added Khater.

Forecast Highlights

- Expect the 30-year fixed-rate mortgage to average 4.3 percent for 2019 below last year's average of 4.5 percent.
- Expect total home sales to surpass 2018 levels and reach 5.98 million units in 2019. As was noted in last month's forecast, most of the increase is expected to come from existing home sales.
- Unfortunately, the housing starts forecast remains unchanged. Downward revisions to January and February data effectively lower the 2019 annual forecast to 1.26 million units.
- The house price appreciation forecast ticked up and is expected to grow to 3.6 percent for 2019.
- Single-family mortgage originations are expected to increase for the remainder of 2019. Expect the refinance share to increase from 30 percent of all originations in 2018 to 33 percent in 2019.
- Adjusted for inflation in 2018 dollars, an estimated $16.6 billion in net home equity was cashed out during the refinance of conventional prime-credit home mortgages in the first quarter of 2019, down from $19.1 billion a year earlier.
- "Cash-out" borrowers represented 76 percent of all refinance loans in the first quarter of 2019. That's down from 82 percent at the end of 2018.

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, investors, and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac, and Freddie Mac's blog FreddieMac.com/blog.

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