Freddie Mac: Rapidly Rising Rates and Declining Demand Driving a Housing Market Slowdown

October 21, 2022

Company Releases Quarterly Forecast

MCLEAN, Va., Oct. 21, 2022 (GLOBE NEWSWIRE) -- The current deceleration of the housing market given declining demand is likely to continue, Freddie Mac (OTCQB: FMCC) said today. In a new Quarterly Forecast, the company's Chief Economist points to mortgage rates that have more than doubled in the last year as the key driver.

"Mortgage rates have increased at the fastest rate in four decades, quickly taking the wind out of the sails of the housing market," said Sam Khater, Freddie Mac's Chief Economist. "Caused by stubbornly high inflation and higher mortgage spreads, the rise in rates has created affordability challenges that have forestalled many consumers' decision to buy a house."

Khater continued, "As housing market activity continues to contract, we expect a gradual increase in the supply of homes available for-sale, as compared to historically low levels last year. The combination of much lower demand and higher supply will cause home prices to decrease during the next year."

Specific findings include:

- The 30-year fixed-rate mortgage (FRM) is expected to average 5.4 percent in 2022 and 6.4 percent in 2023. In 2021, the 30-year FRM averaged 3.0 percent.
- House price growth is averaging 6.7 percent in 2022, slowing to -0.2 percent in 2023. House price growth was 17.8 percent in 2021.
- Home sales are expected to be 5.8 million in 2022, decreasing to 5.1 million in 2023. Home sales were 6.9 million in 2021.
- Home purchase mortgage originations are expected to be $1.9 trillion in 2022 and $1.6 trillion in 2023. Originations were $2.0 trillion in 2021.
- Refinance originations are expected to continue softening, declining to $747 billion in 2022 and $310 billion in 2023. Originations were $2.8 trillion in 2021.
- Overall, annual mortgage origination levels are expected to be $2.6 trillion in 2022 and $1.9 trillion 2023, down from $4.8 trillion in 2021.

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.

MEDIA CONTACT:
Angela Waugaman
703-714-0644
Angela_Waugaman@FreddieMac.com