



## Freddie Mac January 2018 Outlook

January 18, 2018

### Maintaining Momentum: 2018 and Beyond

#### Forecast Snapshot (January 2018)

Summary (annualized)	2017	2018	2019
30-year PMMS (%)	4.0	4.5	5.1
Total home sales (M)	6.17	6.35	6.45
House price growth (%)	6.7	5.7	4.6
Total originations (\$B)	1,820	1,740	1,780

MCLEAN, VA--(Marketwired - Jan 18, 2018) - [Freddie Mac](#) (OTCQB: FMCC) today released its monthly [Outlook](#) for January, which discusses some of the biggest risks to the U.S. economy and housing markets, including declining affordability, obstacles to millennial homeownership, and the possibility of another recession on the horizon.

#### Outlook Highlights

- Home sales (6.35 million), housing construction (1.3 million starts), and house prices (5.7 percent increase) are all expected to be modestly higher in 2018 relative to 2017.
- While economic growth will remain positive (expected to be 2.5 percent for 2018, compared to 2.6 percent last year), we don't expect it to be strong enough to generate income gains that keep pace with house prices, resulting in declining affordability that can slow housing market activity.
- As of 2016, 15 percent of young adults aged 25-35 were living in their parents' home, which is five percentage points higher than in 2000. With modest income growth, the high cost of living and high student debt, young adults are struggling to move out of their parents' homes and form their own households.
- Although a recession does not appear imminent, we will keep an eye on potential recession indicators, including the flattening (and potential inversion) of the U.S. Treasury yield curve and the current rate of unemployment (4.1 percent in December 2017). History has shown that an inverted yield curve and an unemployment rate below the natural rate usually leads to a recession in two-to-three years.

**Quote:** Attributed to Len Kiefer, Deputy Chief Economist, Freddie Mac.

"Starting off the year, things are looking pretty good for the U.S. economy and housing markets. Mortgage rates are low, economic growth has accelerated in recent quarters, and housing is coming off its best year in a decade. Although housing markets have been improving year-after-year for nearly a decade, there's still room for improvement. We forecast moderating growth in U.S. housing market activity through the next two years.

"However, there are factors worth keeping an eye on in 2018, namely, is another recession on the horizon, how will housing markets respond to declining housing affordability and how will young adults move the housing market—more are living at home with their parents today than in 2000."

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](#).

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