



Freddie Mac July 2017 Outlook

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What is Causing the Lean Inventory of Houses?

MCLEAN, VA--(Marketwired - Jul 27, 2017) - [Freddie Mac](#) (OTCQB: FMCC) today released its monthly [Outlook](#) for July, which analyzes the reasons that residential construction is falling behind the housing demand. Yet, despite the lean inventory of homes for-sale, the housing market is expected to improve.

Outlook Highlights

- Housing starts have fallen 14 percent since the end of last year, exacerbating an inventory shortage. The main reasons that builders are not increasing production appear to be a shortage of skilled labor and an increase in development costs including land costs and more burdensome land-use regulations.
- The number of open construction jobs has been on the rise since the recession. As of May 2017, the number of open construction sector jobs stood at 154,000. The current labor shortage can be attributed to skilled workers not returning to construction after the recession, a difficulty attracting Millennial workers, and the increases in the enforcement of immigration laws.
- Expect housing starts to remain well below their long run average ending the year around 1.27 million.
- Despite house price growth that's expected to be above 6 percent for the year, house demand remains strong. Low mortgage rates are helping to fuel strong housing demand and are expected to stay around 4 percent for the rest of the year.

Quote: Attributed to Sean Beckett, Chief Economist, Freddie Mac.

"A decade after the Great Recession, the housing market is rebounding. House prices today are higher than they were at the peak in the summer of 2006, near-record-low mortgage rates have boosted housing demand, and sales volume is robust. The spoiler is the lean inventory of houses for sale. Nationally, just over five months of supply is for sale and hot markets are much tighter than the national average. So far, residential construction is not doing much to fill the gap."

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