



Freddie Mac November 2016 Outlook

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Interest Rates Headed Higher; What that Means for Housing

MCLEAN, VA--(Marketwired - Nov 30, 2016) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Outlook](#) for November examining how the recent spike in mortgage rates is likely to affect the U.S. housing market in the coming year.

Outlook Highlights

- If some sort of fiscal stimulus is passed in early 2017, which includes infrastructure spending and tax cuts, it is likely to result in higher real economic growth, but higher growth from expansionary fiscal policy will be at least partially offset by higher interest rates. The economy should do modestly better in 2017, posting 1.9 percent year-over-year growth annualized.
- The recent slower pace of hiring is consistent with a labor market at full employment. Expect the unemployment rate to decline slightly over the next year-and-a-half, ending 2017 at 4.7 percent.
- With the labor market at full employment and inflation showing signs of picking up, the FOMC is likely to push short-term interest rates higher more than once in 2017.
- Expect long-term rates on the 30-year fixed-rate mortgage to end 2017 just above 4 percent. Higher mortgage rates will slow the pace of housing starts to about 1.26 million.
- Total home sales will decline about 220,000 units from 2016 to 2017. And new homes sales will rise, but not enough to offset declines in existing home sales.
- Forecasting house prices will grow at a 4.7 percent annual rate in 2017.

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

"Much like in 2013, we expect housing markets to respond negatively to higher mortgage rates -- they will drive down homebuyer affordability, dampen demand and weaken home sales, soften house price growth, and slow the growth in new home construction. And mortgage market activity will be significantly reduced by higher mortgage rates, especially refinance originations, which are likely to be cut in half."

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports communities across the nation by providing mortgage capital to lenders. Today Freddie Mac is making home possible for one in four home borrowers and is the largest source of financing for multifamily housing. Additional information is available at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

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