



## Freddie Mac November 2016 Insight

November 16, 2016

### Three Trends That Are Shaping the Future of Housing

MCLEAN, VA--(Marketwired - Nov 16, 2016) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Insight](#) for November looking at how three long-term trends are likely to shape the U.S. housing market: increasing income inequality, the rising share of land costs and the increase in land use restrictions.

#### Insight Highlights

The long-term impacts of these three trends include:

- A potential boost to the homeownership rate may occur if future changes in income distribution are similar to changes over the last four decades;
- An increase in housing inequality, especially within cities versus between cities;
- An increase in the volatility of house prices most notably where buildable land is scarce;
- The return of homeownership as an effective means of wealth creation will be most pronounced in richer states and is likely to be especially high;
- The reduction in the share of lower- and middle-income households and the increase in the share of upper-income households -- is likely to shift the shares of mortgage finance supplied by the FHA/VA, GSE, and private sector over the next few decades.

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

"These three long-standing trends -- ones that have been building quietly over decades -- ultimately will have more influence on housing than the week-to-week oscillations of mortgage rates or any of a host of other short-term indicators of housing activity. These three trends affect housing and mortgage markets through their influence on both the demand for and the supply of housing. The change in income distribution shifts the demand for housing -- both the total demand for homeownership and the demand for different types of housing. The rising share of land costs shifts the supply of housing -- houses cost more than before because of the higher cost of the land component of the house. And land use restrictions limit the supply of more-affordable housing in richer states. No analysis of the future housing market is complete without considering them."

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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