THE WEBINAR WILL BEGIN MOMENTARILY
PLEASE MUTE YOUR PHONES
Restoring Neighborhoods Task Force

January 21, 2020
WEBINAR AGENDA
January 21, 2020

• Welcome and Introductions
• Outlook for the 2020 Housing Economy
  Sam Khater, Freddie Mac
  Lawrence Yun, National Association of REALTORS
  Mike Fratantoni, Mortgage Bankers Association
• Q&A
Join NHC!

Member benefits include:

- Discounted registration for Solutions convenings
- Early notice of NHC publication releases
- Members-only email newsletters with regular updates on policy and the housing field
- Participation in policy and issue working groups
- Gala tickets and table discounts
2020 Session Topics include:

Advocating to end homelessness: How communicators can spur action, gain support & counter opposition

GoodComm: Messaging for affordable housing

The future of housing news

Register for #SolutionsComms at www.nhc.org/solutionscomms
Outlook for the 2020 Housing Economy

Sam Khater, Freddie Mac
Lawrence Yun, National Association of REALTORS
Mike Fratantoni, Mortgage Bankers Association
Economic and Housing Market Outlook

Sam Khater, Chief Economist
January 2020
Summary

- Economic Growth is Slowing Due to Weaker Investment and Global Growth

- But Strong Job Market Leading to Solid Consumer Spending

- Lower Rates Led to a Rebound in Home Sales But Supply Shortage is Limiting Sales Rebound

- Lack of Supply is a Major Obstacle to Proper Functioning House Market Causing Many Downstream Ripple Effects
  - Lower Household Formations and a Failure to Launch for Young Adults
  - High Number of Renters Scramble for Shrinking Inventory
  - Intense Competition Drives Up Entry Level Home Prices Much More than Luxury Prices
  - Older Affordable Homes Being Raided by Higher Income Households
  - First Time Buyers Move Further Out
Economic Growth is Decelerating…

Real Gross Domestic Product

Source: US Bureau of Economic Analysis
Driven by Contraction in Investment but Consumer Spending Remains Firm

Source: US Bureau of Economic Analysis, 4 quarter moving average
Business Confidence Declines, but Consumers Remain Firm

Source: Conference Board and OECD
Consumers are Confident Because Unemployment at 50 Year Lows and There Are More Job Openings Than Unemployed

Initial Jobless Claims  
(3-Month Moving Average)

Number of Unemployed vs Job Openings

Source: ETA and BLS
Economy on Solid Ground But Some Warning Signs are Emerging

Source: FDIC, Conference Board, BLS and BEA
Existing Home Sales Regain Some Momentum in 2019, But Have Already at the Speed Limit

Source: National Association of Realtors
New Housing Supply Still at Recession Levels

Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety
Impact of Supply Shortage #1: Slower Household Formations and More Young Persons Living at Home

Percent of 23 to 25 Year Old’s Living at Home

Percent Change in Households from Year Earlier

Source: U.S. Census Bureau
Impact of Supply Shortage #2: Renters Scramble for Shrinking Inventory

Number of Renter Households per Home Available For Sale

Source: National Association of Realtors, U.S. Census Bureau, IPUMS - CPS
Impact of Supply Shortage #3: Entry-Level Home Prices Rising Much More than Other Segments

% Change in Home Prices From Year Earlier

-6% 0% 2% 4% 6% 8% 10% 12%

% Change in Home Prices from Year Earlier, November 2019

-6% -4% -2% 0% 2% 4% 6%
Entry-Level Home Prices
Overall Home Prices
Luxury Home Prices
Impact of Supply Shortage #4: Older Homes are Being Raided by Higher Income Households (or Filtering Up)

Source: Freddie Mac
Impact of Supply Shortage #5: First Time Buyers Moving Further Out Due to Affordability Pressures

Distance From City Center for Inner Ring Quartile First Time Buyers

Source and Note: This is using Freddie Mac first time homebuyers. Each loan was geocoded and we computed the Euclidean distance to city center for each property. The analysis was done for the 50 largest metros.
The End!

Tweets: @TheSamKhater

Economic and Housing Research: http://www.freddiemac.com/research
Lawrence Yun
Chief Economist | Senior Vice President, Research
National Association of REALTORS
Economic and Mortgage Market Outlook

Prepared for NHC

Presented by:

Mike Fratantoni
Mortgage Bankers Association
### MBA Forecast: Slowing Growth in 2020, Job Market Weakening

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP Growth</strong></td>
<td>2.5%</td>
<td>2.2%</td>
<td>1.2%</td>
<td>1.8%</td>
<td>2.2%</td>
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<tr>
<td><strong>Inflation</strong></td>
<td>2.4%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>3.9%</td>
<td>3.7%</td>
<td>3.9%</td>
<td>4.0%</td>
<td>4.0%</td>
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<tr>
<td><strong>Fed Funds</strong></td>
<td>2.375%</td>
<td>1.625%</td>
<td>1.625%</td>
<td>1.875%</td>
<td>2.125%</td>
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<tr>
<td><strong>10-year Treasury</strong></td>
<td>3.0%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>30-year Mortgage</strong></td>
<td>4.8%</td>
<td>3.7%</td>
<td>3.7%</td>
<td>3.8%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: MBA Forecast
Forecast of Originations Volume: Return to a Purchase Market

Recent Originations and Forecast

Source: MBA Forecast
Homeowners’ Equity Has Exceeded Its 2006 Peak

2005Q4, 14,415,566
2007Q4, 1,138,004
2019Q3, 18,672,461

Source: Federal Reserve
Housing Demand to Drive Purchase Growth

Annual Change in Owner-Occupied and Renter Households

Source: Census
Uneven Growth by Purchase Loan Size

Home Purchase Applications by Loan Size
Non seasonally adjusted, year over year percent change

Source: MBA Weekly Applications Survey
First Time Home Buyers – Shift Toward Higher Income Buyers

First Time Homebuyer Median Income Distribution

Source: Harvard Joint Center for Housing Studies
Number of Owner and Renter Households, by Real Income and Level of Housing Cost Burden, Selected Years (millions)

Source: MBA and Harvard's Joint Center for Housing Studies
While the Number of Cost-Burdened Homeowners Has Receded...

Owners with Cost Burdens (Millions)

...The Number of Cost-Burdened Renters Remains Close to Peak Levels

Renters with Cost Burdens (Millions)

Source: Harvard Joint Center: State of the Nation's Housing 2019
Contact Information and MBA Resources

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www.mba.org/research

RIHA:
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QUESTIONS?

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