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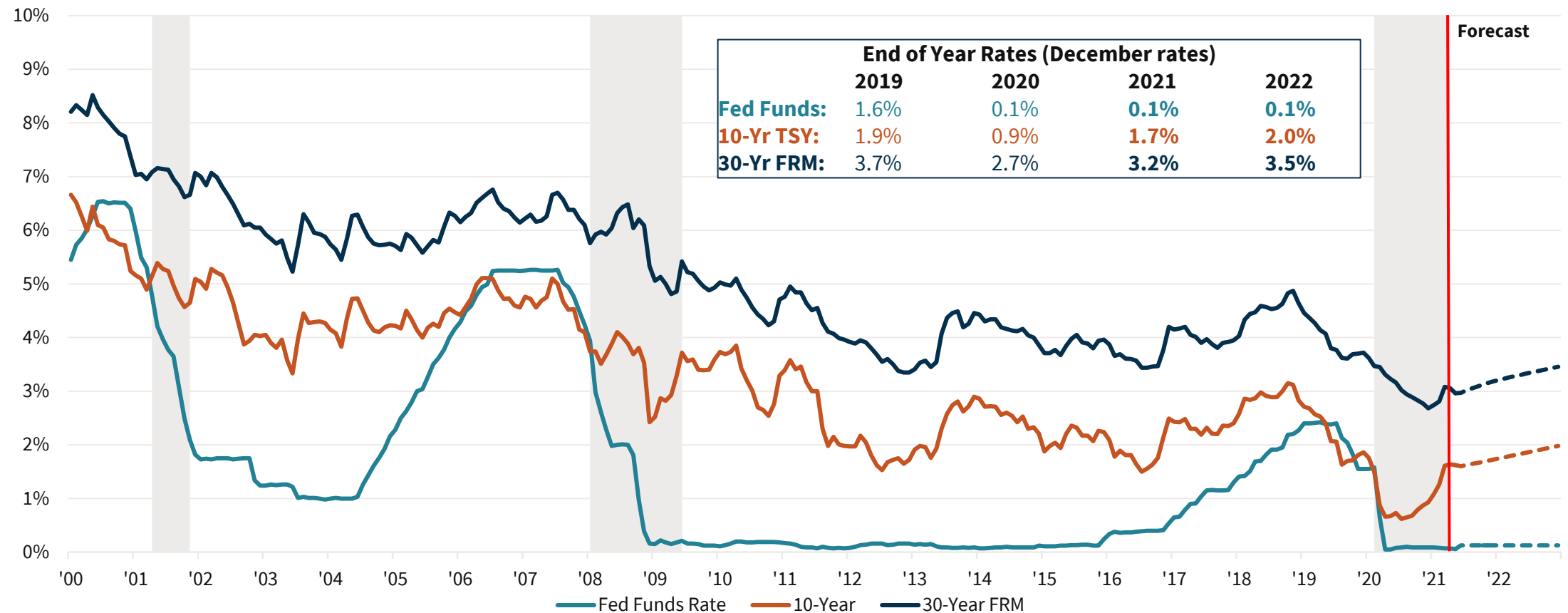
Housing Outlook

Doug Duncan

June 23, 2021

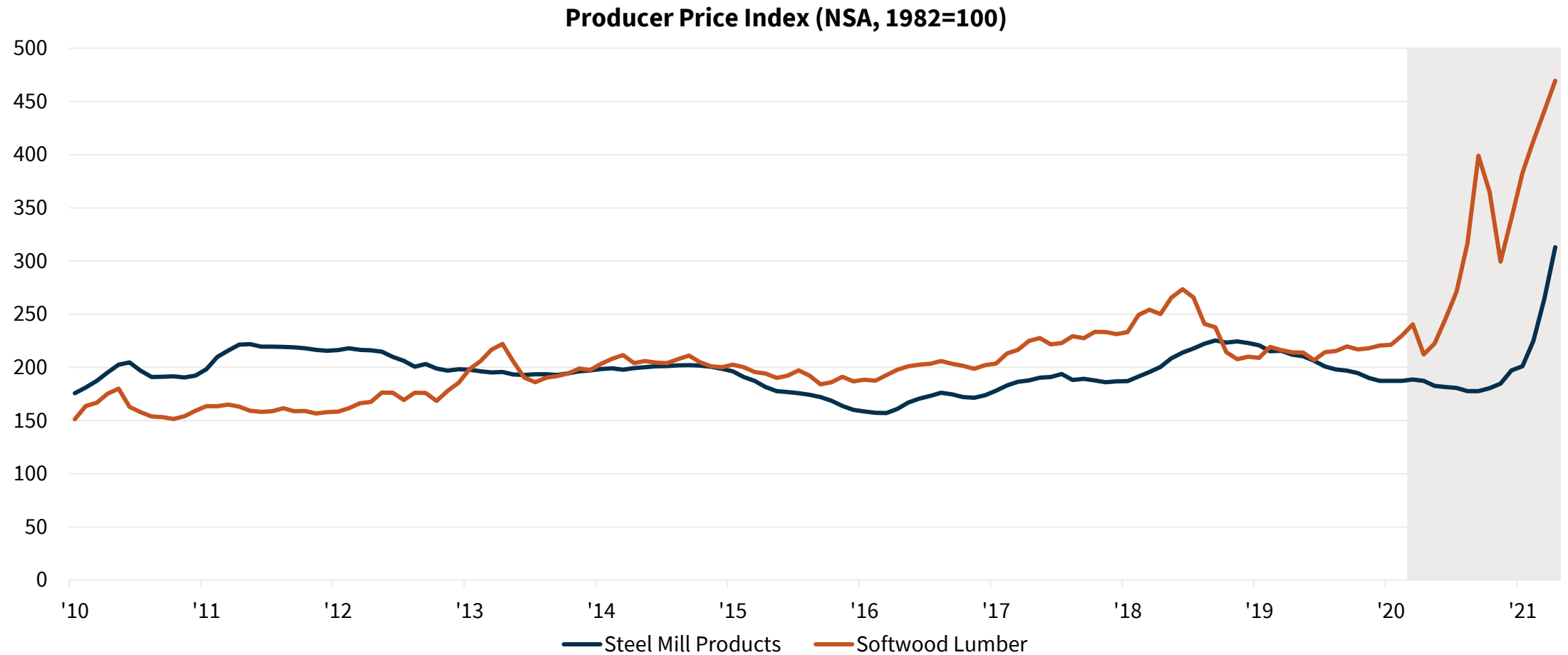
Rates increase amid accelerated growth and inflation concerns

Fed funds rate, treasury rates, and mortgage rates



Material costs for homebuilding have surged

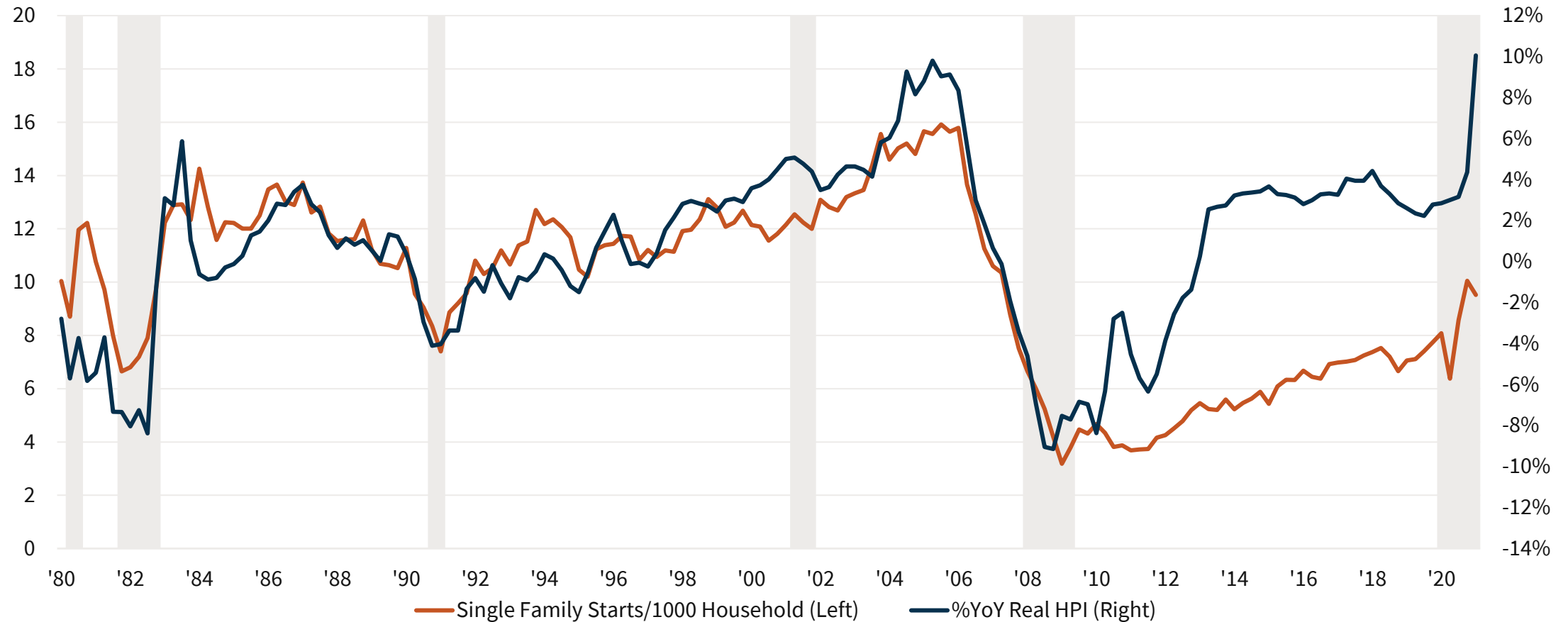
So far, strength in demand has allowed builders to pass on costs to consumers



Housing construction has lagged HPI growth

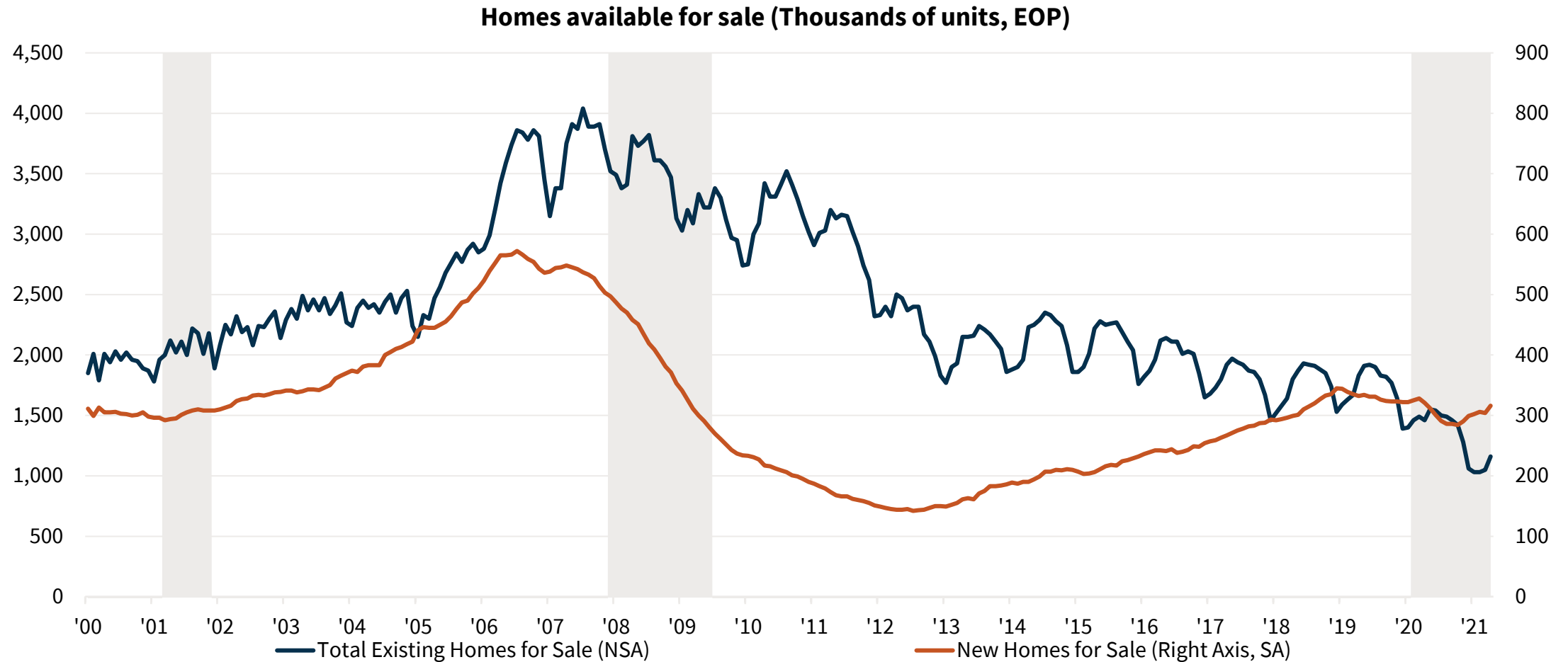
Supply response has been weaker than historical relationship, leading to a lack of available homes

Single-Family Housing Starts per 1000 HH and Annual Change in Real House Prices



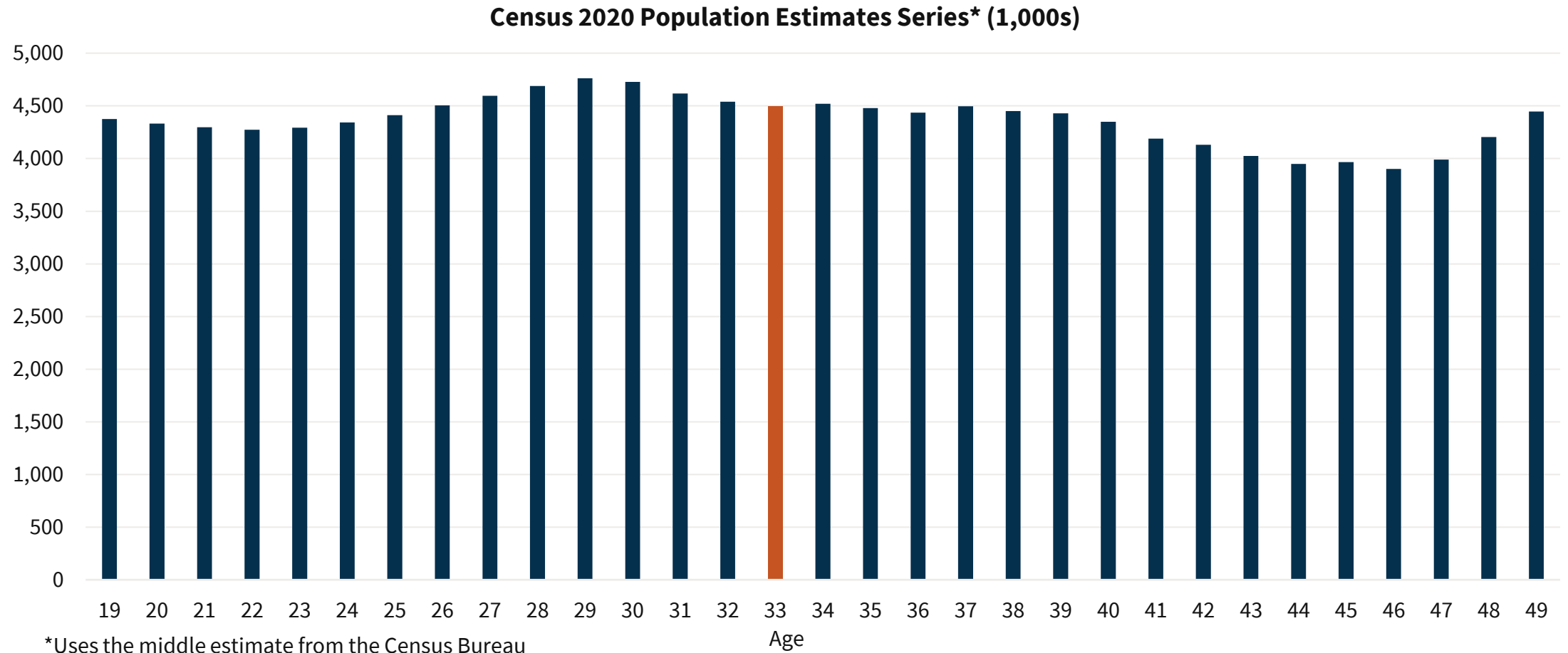
Inventory of existing homes increases in April

Inventories of new homes also increased as new construction comes online



Millennial peak still a few years away

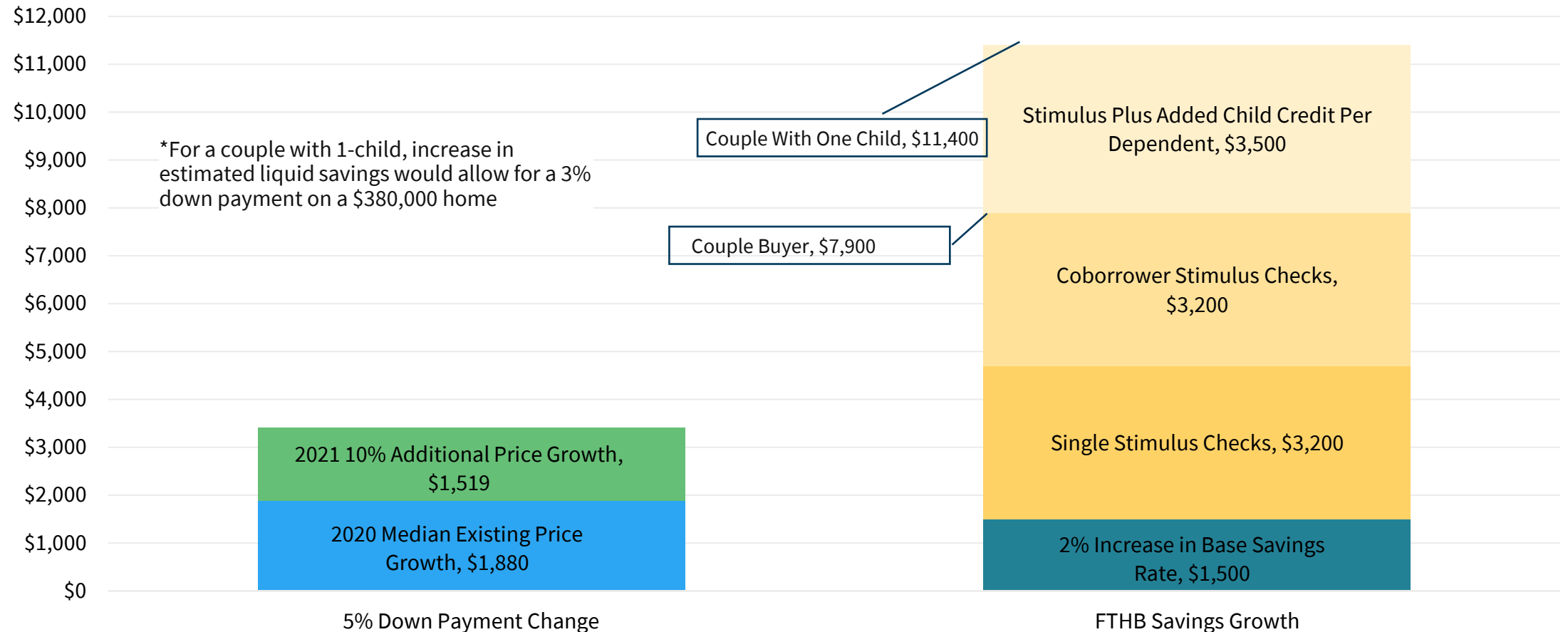
Suggests further demographic demand pressure still to come



Demand has also benefited from elevated household savings

The past year's stimulus checks have likely supported down payments

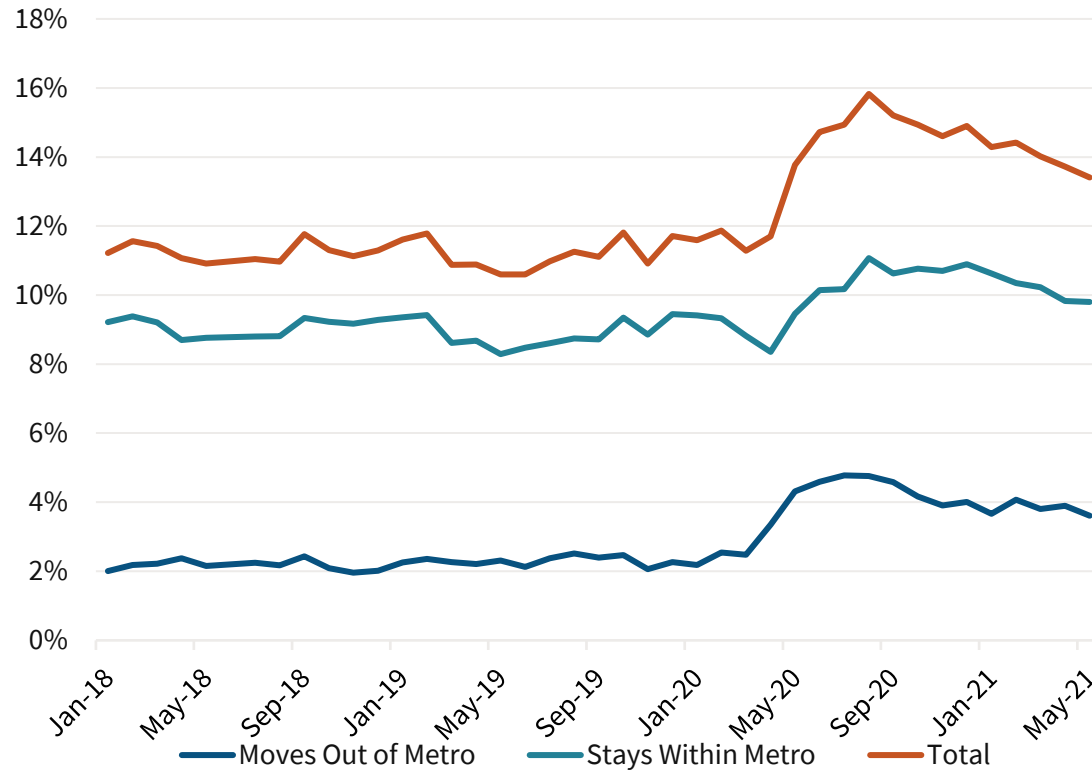
Illustration of change in down payment requirement vs increase in liquid savings



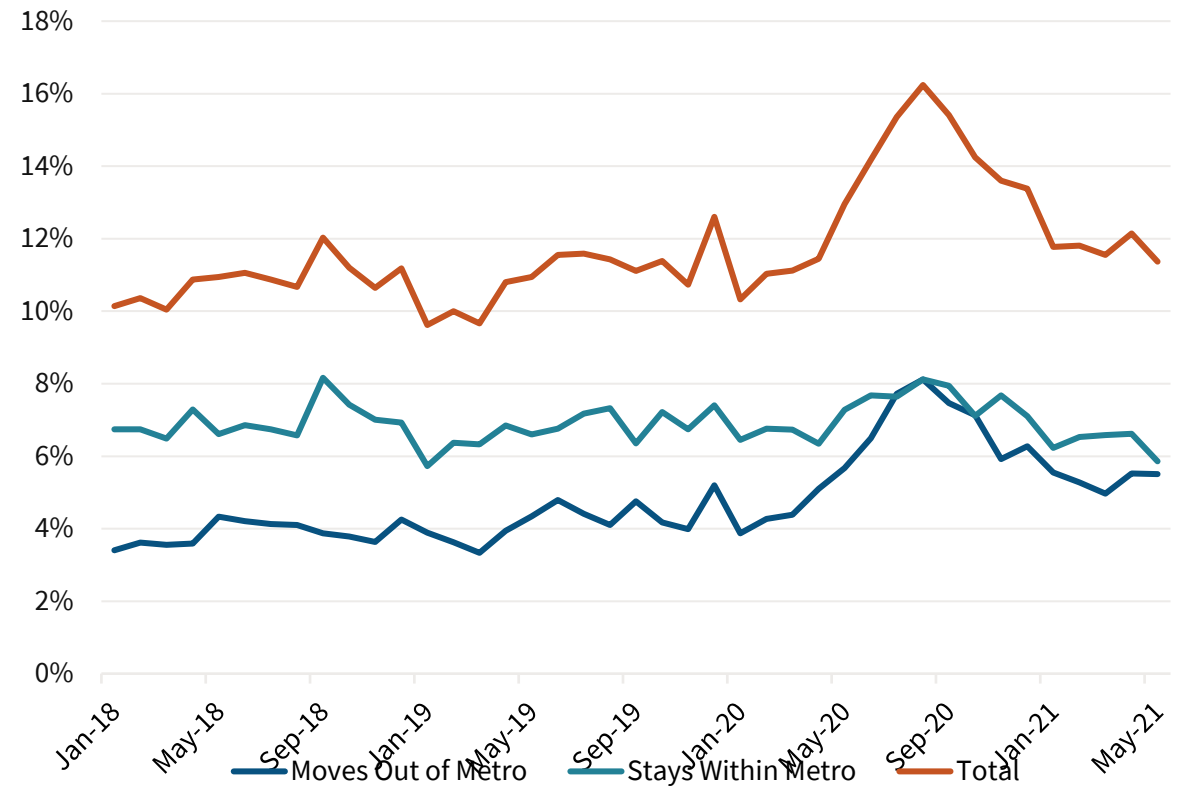
The move away from density may have plateaued

Pickup post-COVID in New York City and San Francisco in net moves to lower density

NYC borrowers moving from high density* to low density zip codes as a % of all observations



San Francisco borrowers moving from high density* to low density zip codes as a % of all observations

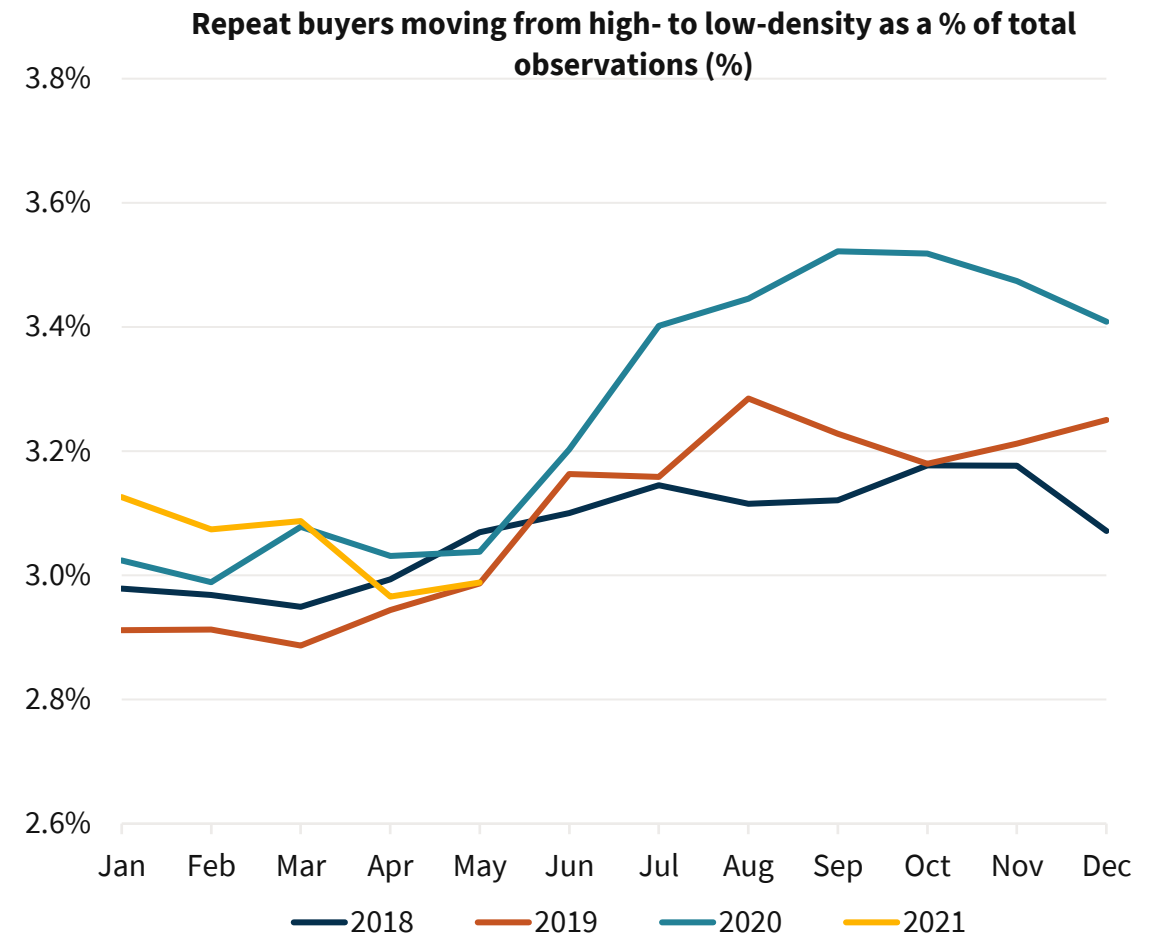
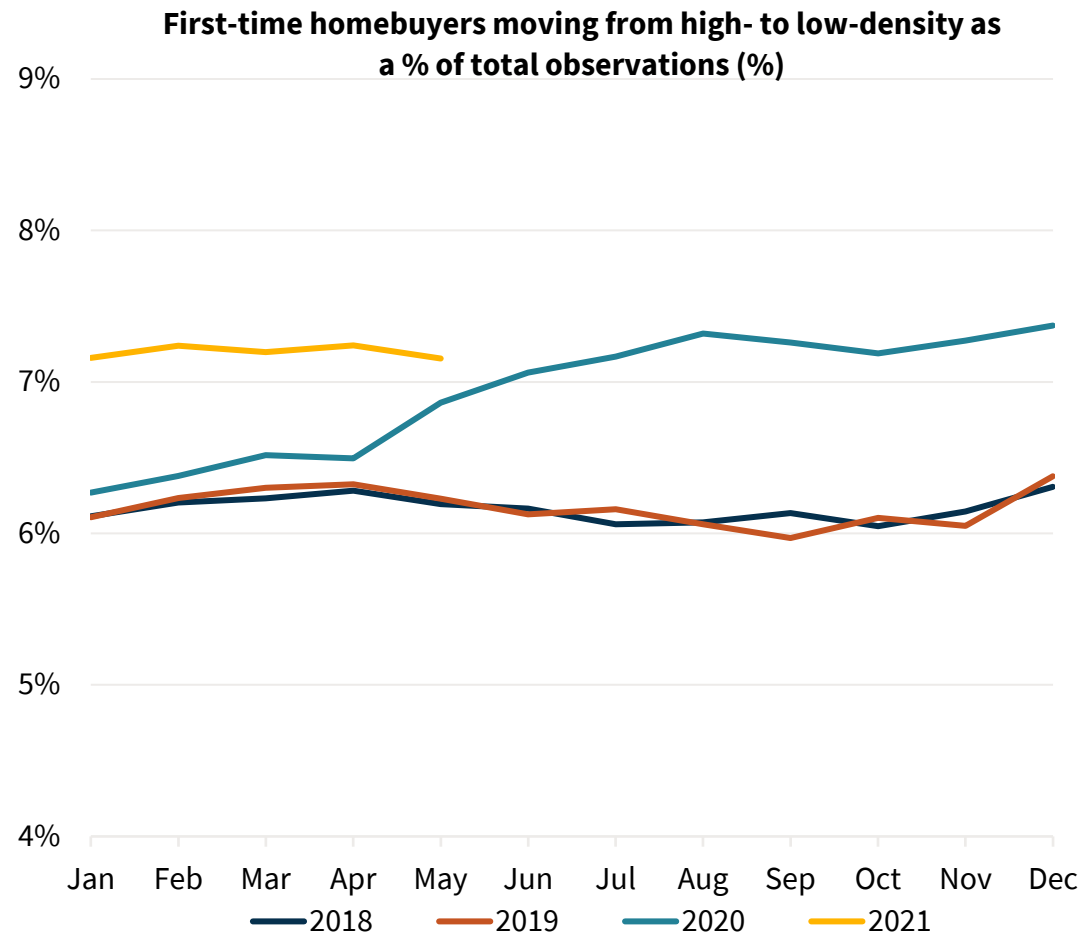


*High-density is defined as zip codes within the top 20th percentile of people per square mile for each CBSA.



First-time homebuyers have continued to leave high density

Share of repeat buyers moving from high to low density has pulled back from September highs

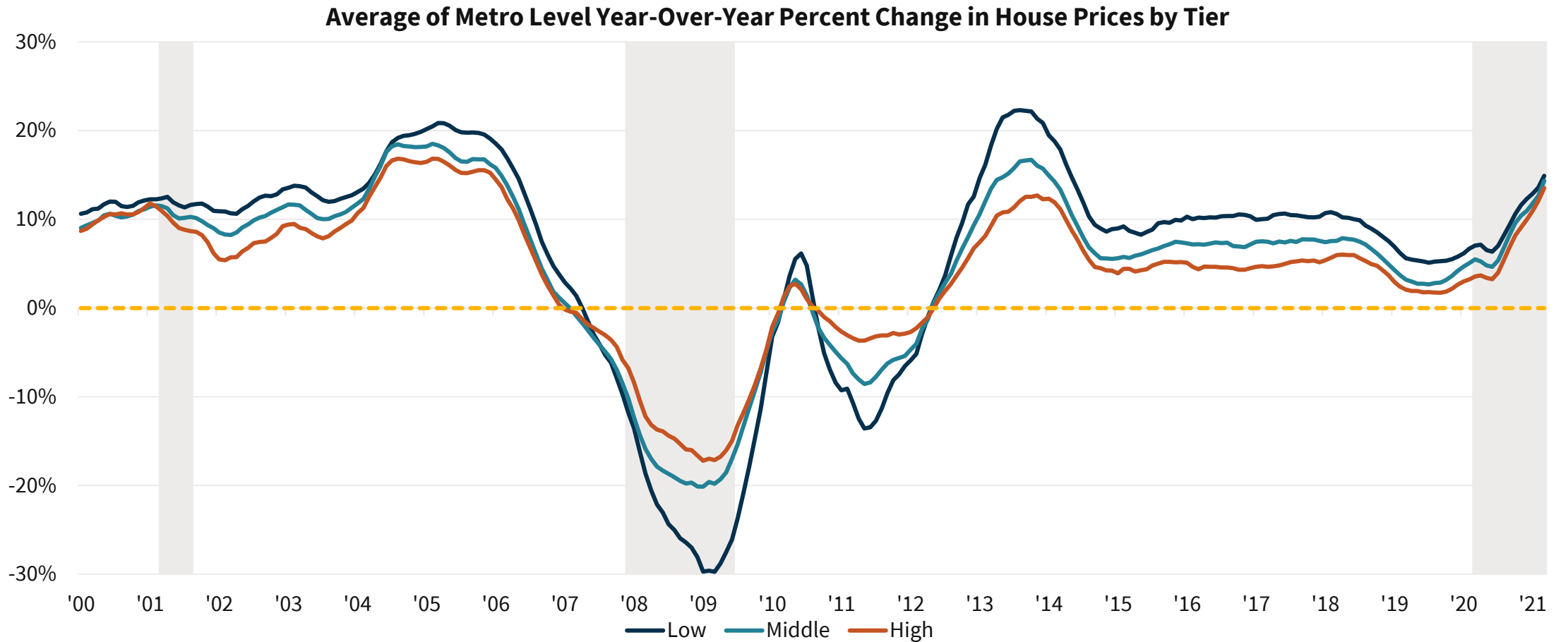


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 10 Source: Desktop Underwriter, Fannie Mae ESR Analysis



House price growth by price tiers

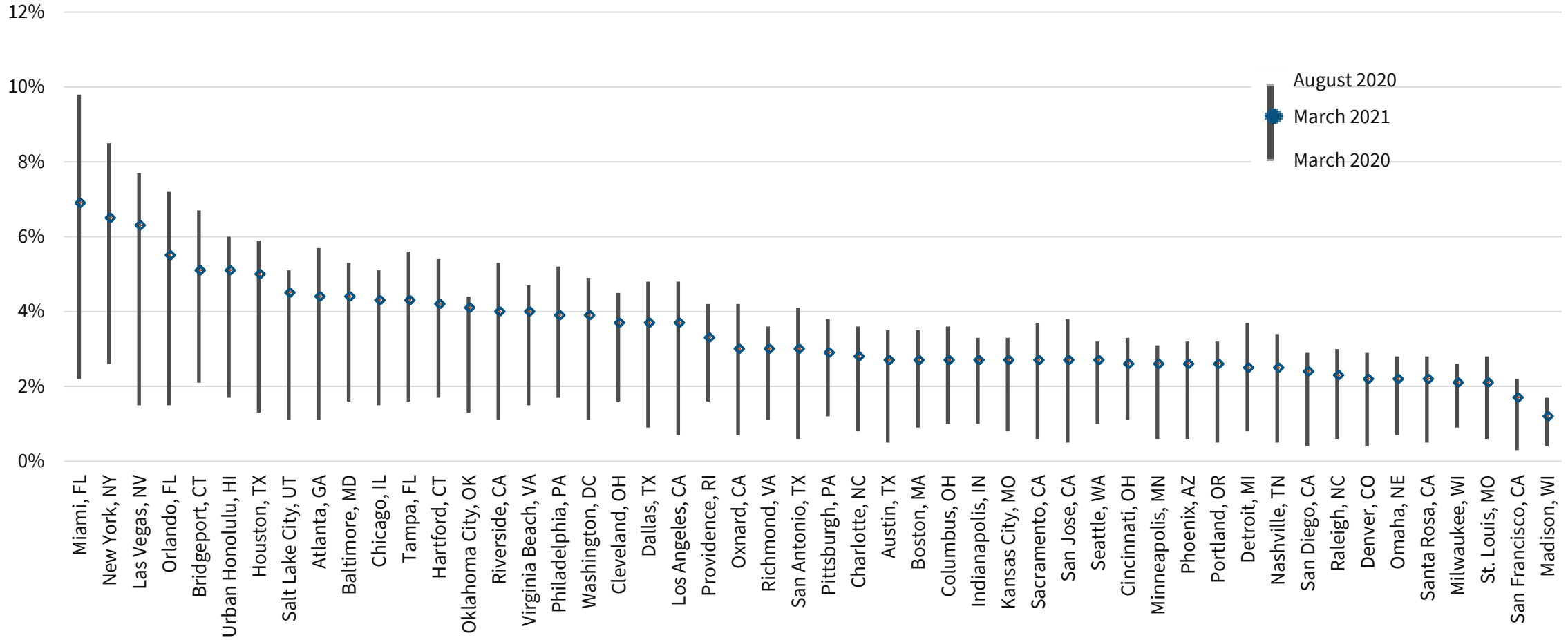
Growth remains stronger for lower-priced homes as available affordable supply remains low



Seriously delinquent rates remain elevated

Though improvement from peak across all major metros

+90 Days Market Wide Delinquency Rate (Pre-Covid Rate, Peak, and Current)



Housing and mortgage market outlook

	2019	2020	Forecast	
			2021	2022
Housing Starts (Percent Change Year-Over-Year)	1.290 million 3.2%	1.380 million 6.9%	1.616 million 17.2%	1.539 million -4.8%
New Single-Family Home Sales (Percent Change Year-Over-Year)	683 thousand 10.7%	822 thousand 20.4%	919 thousand 11.8%	887 thousand -3.5%
Total Existing Home Sales (Percent Change Year-Over-Year)	5.340 million 0.0%	5.640 million 5.6%	5.813 million 3.1%	5.638 million -3.0%
FHFA Purchase-Only Index (Annual Percent Change Q4/Q4)	5.5%	10.9%	8.0%	2.9%
Purchase Mortgage Originations (Percent Change Year-Over-Year)	\$1,326 billion 7.4%	\$1,645 billion 24.1%	\$1,808 billion 9.9%	\$1,889 billion 4.5%
Refinance Mortgage Originations (Percent Change Year-Over-Year)	\$1,136 billion 113.5%	\$2,891 billion 154.5%	\$2,293 billion -20.7%	\$1,165 billion -49.2%
30-Year Fixed-Rate Mortgage (Annual Average)	3.9%	3.1%	3.0%	3.3%
10-Year Treasury (Annual Average)	2.1%	0.9%	1.6%	1.9%

