

# Economic and Mortgage Market Outlook Prepared for NCST

January 2025

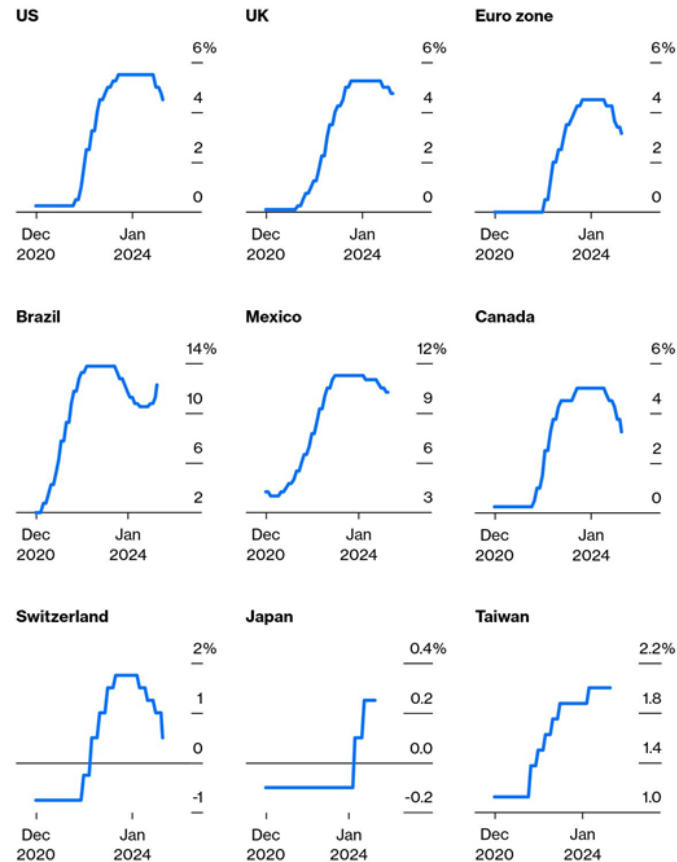
## Presented by:

Mike Fratantoni, Ph.D., Chief Economist and Senior Vice President



# Central Banks Around the World Are Cutting Rates

Central Banks Avoided Table Mountain  
But there are no interest rate Matterhorns

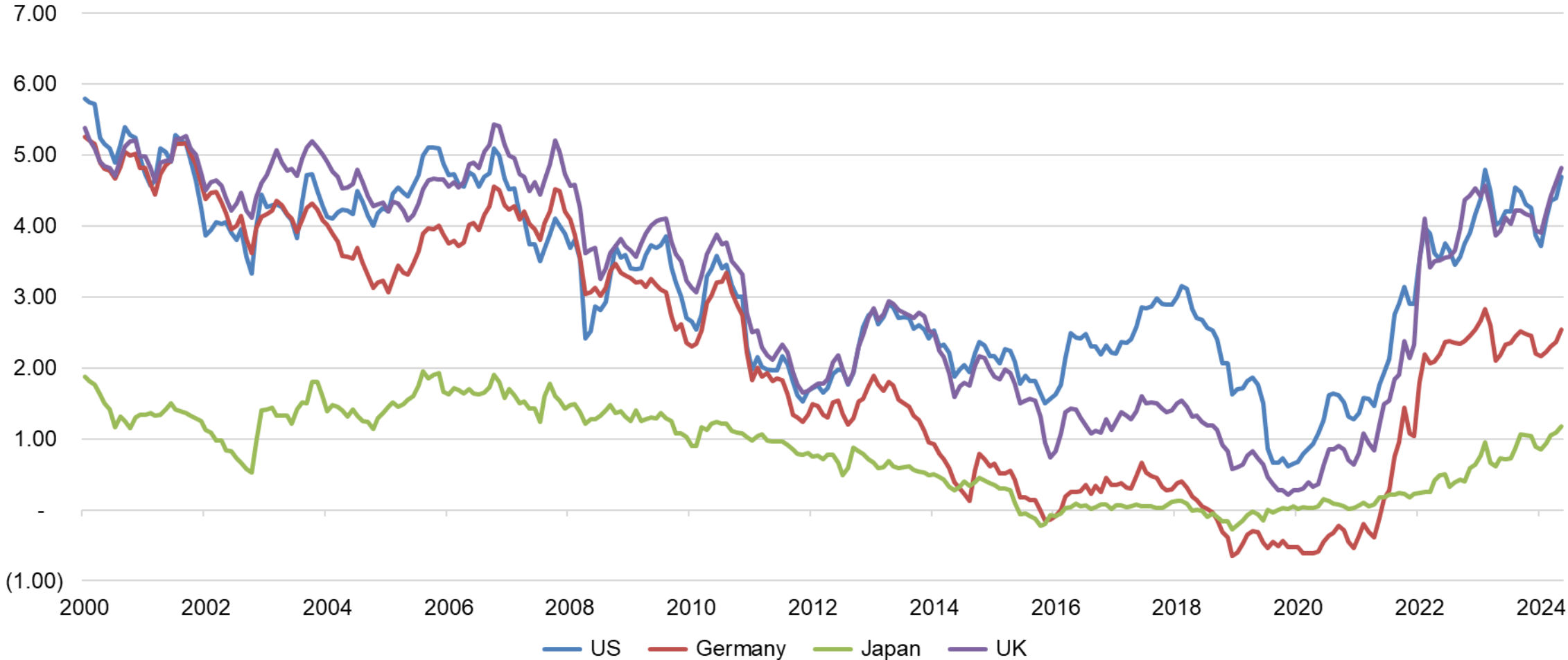


Source: Bloomberg  
Note: Data as of Dec. 18, 2024.

Bloomberg Opinion

# Global Yields Have Turned Higher

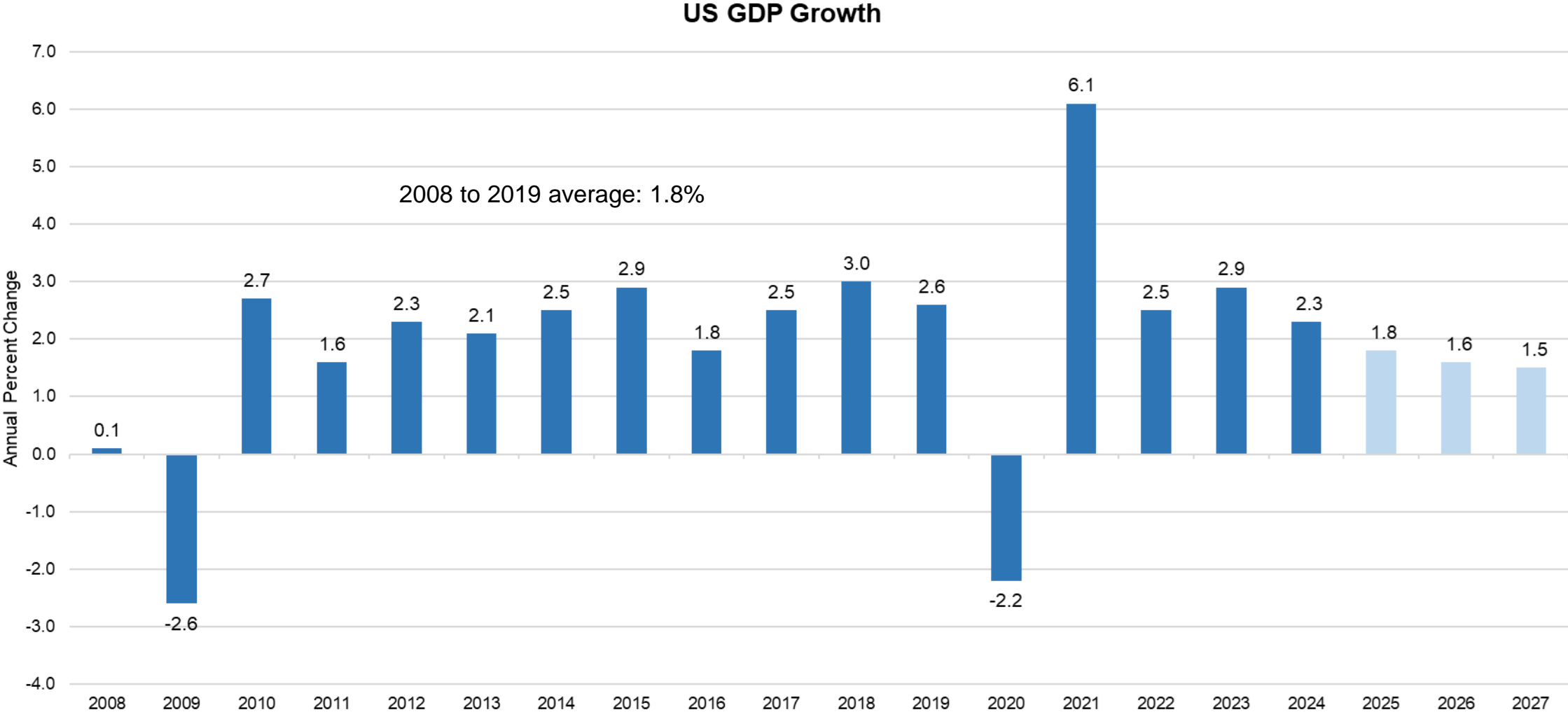
### Comparison of 10-Year Bond Yields



Source: Federal Reserve Bank of St Louis FRED

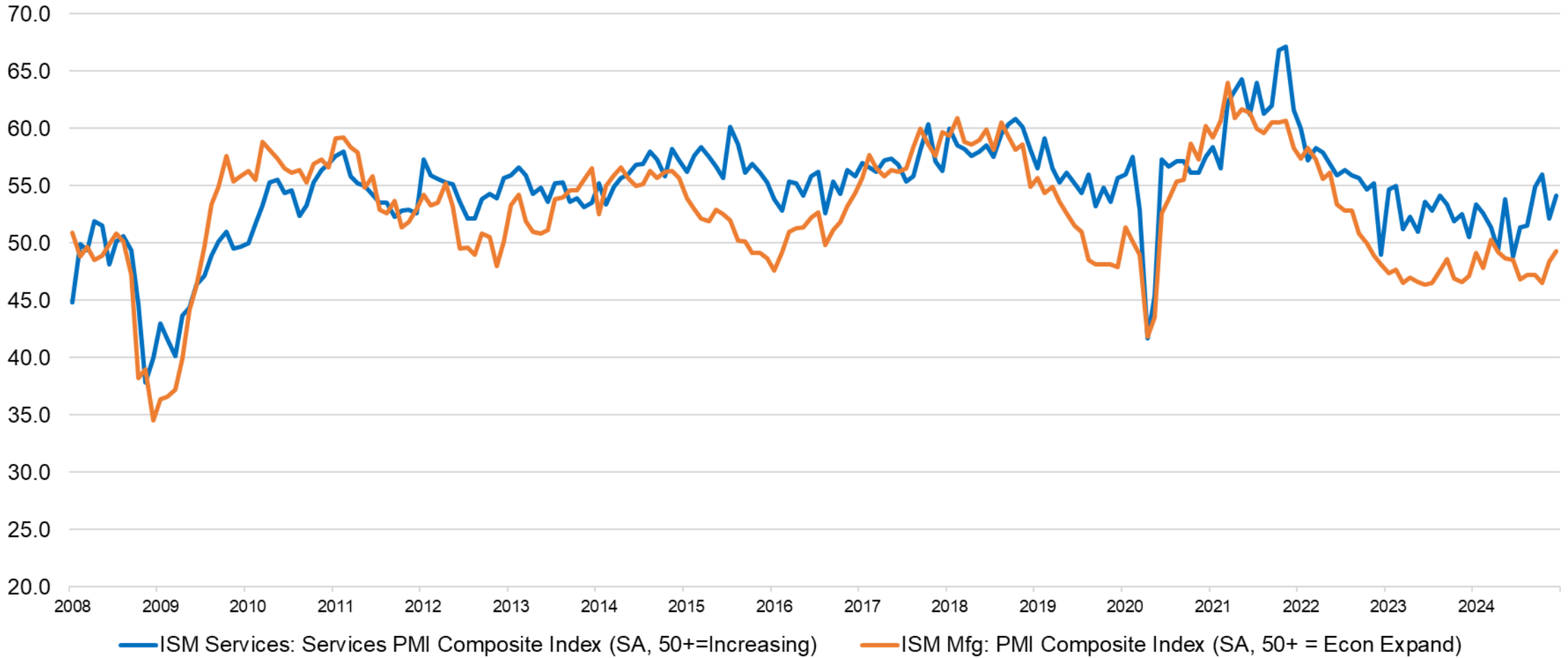


# US GDP Historical and Forecast



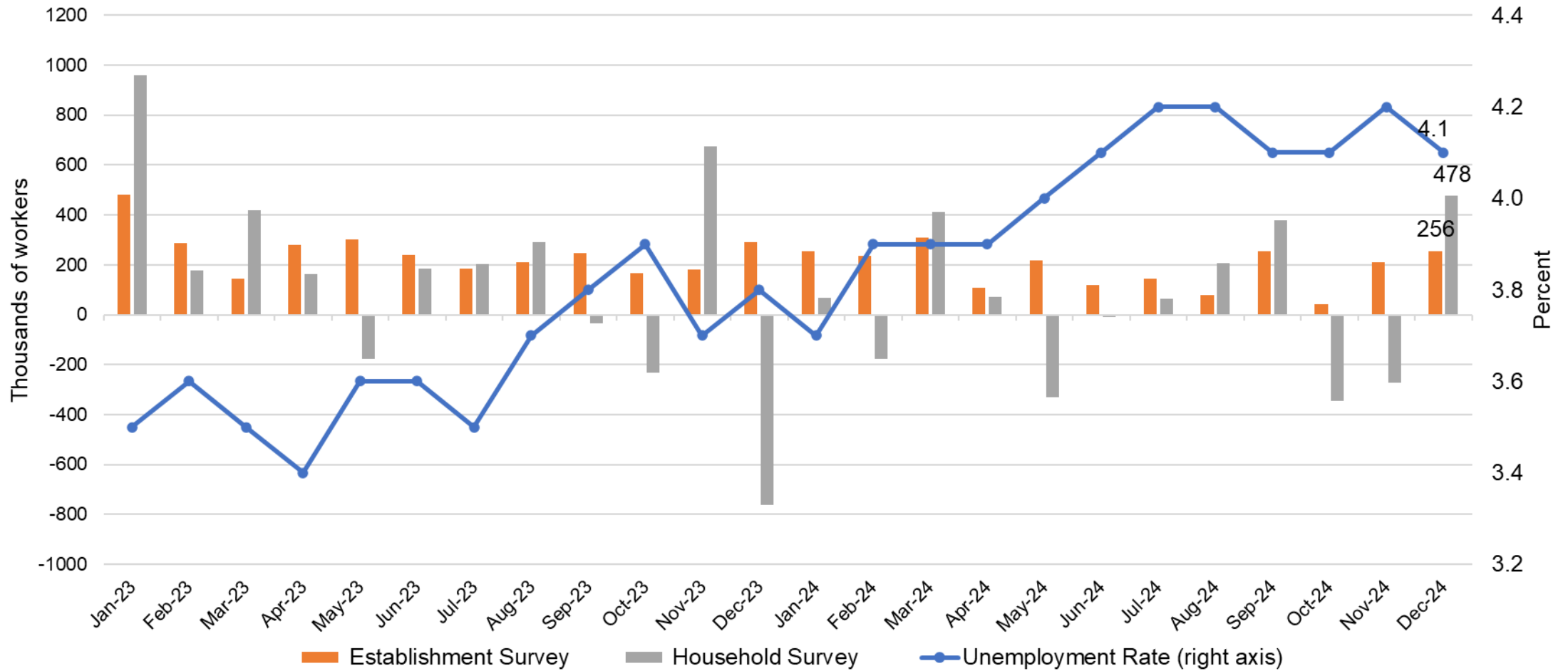
# Manufacturing Still Sputtering

## ISM Manufacturing and Services

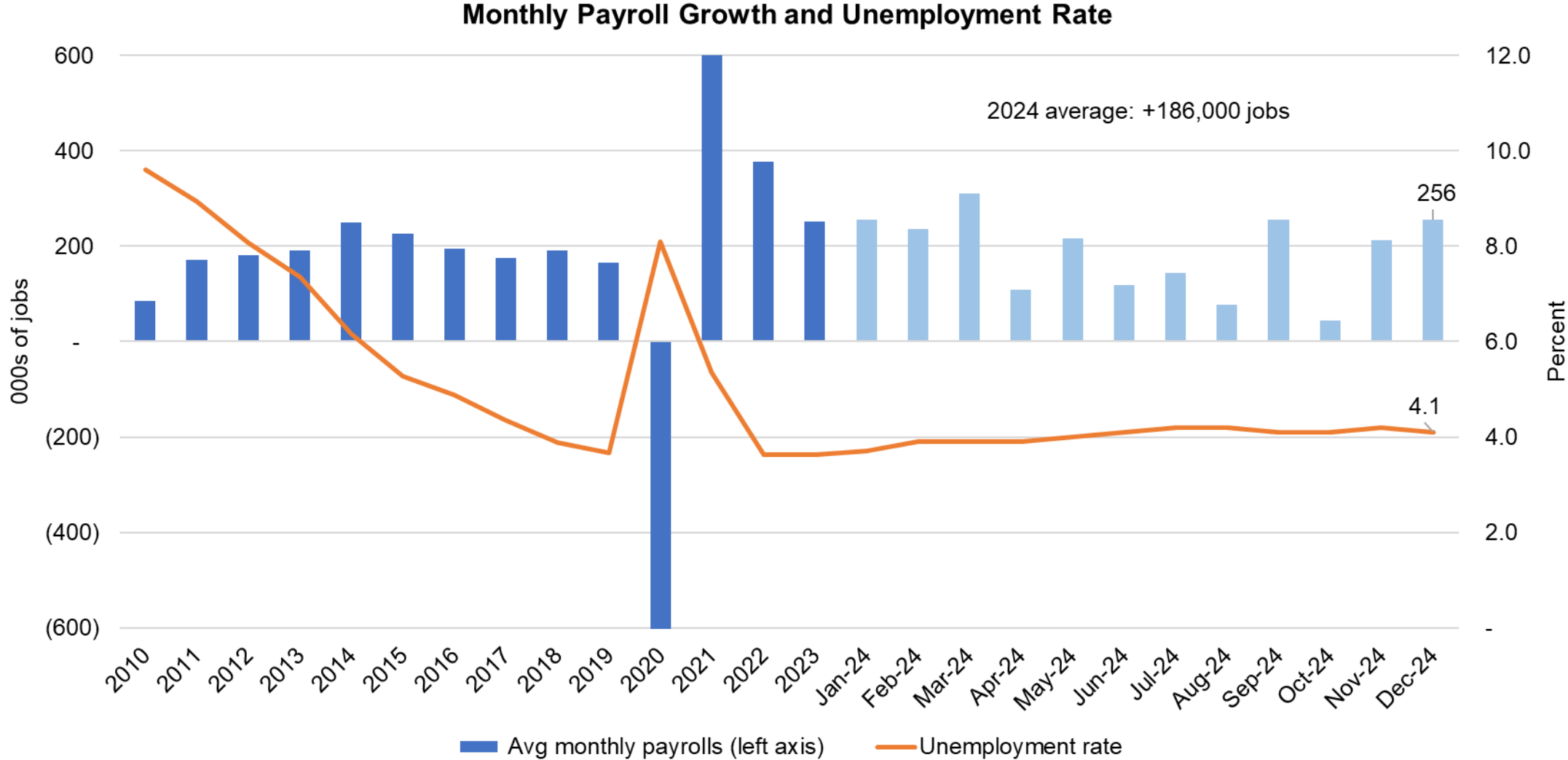


# Strong December Employment Jobs Report

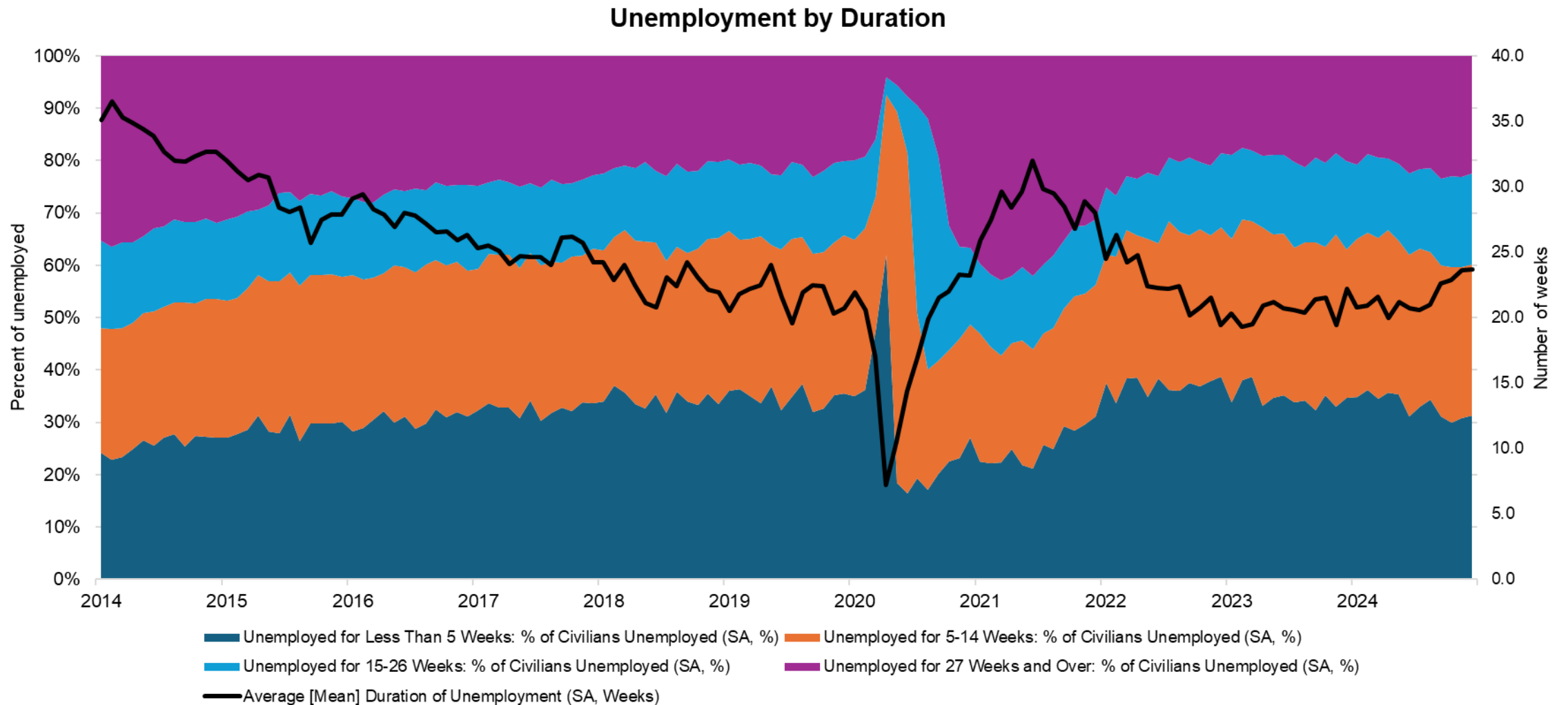
## Monthly Employment Changes and Unemployment Rate



# U.S. Job Market: A Changing Picture?



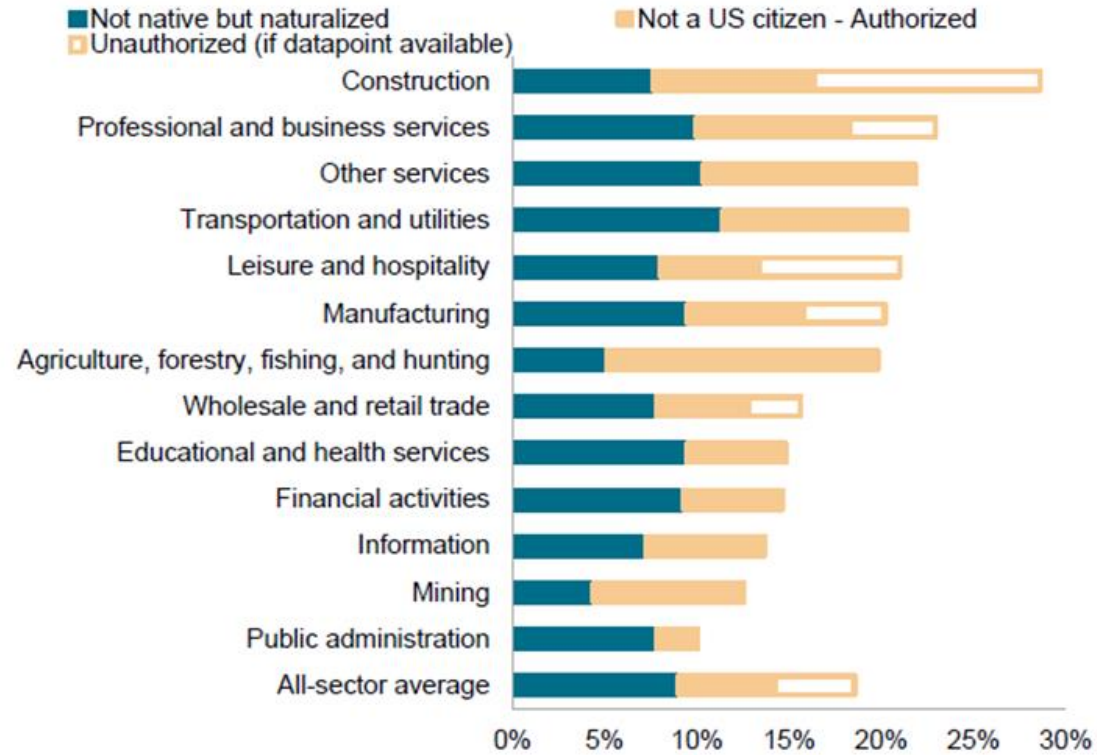
# More Workers Unemployed for Longer





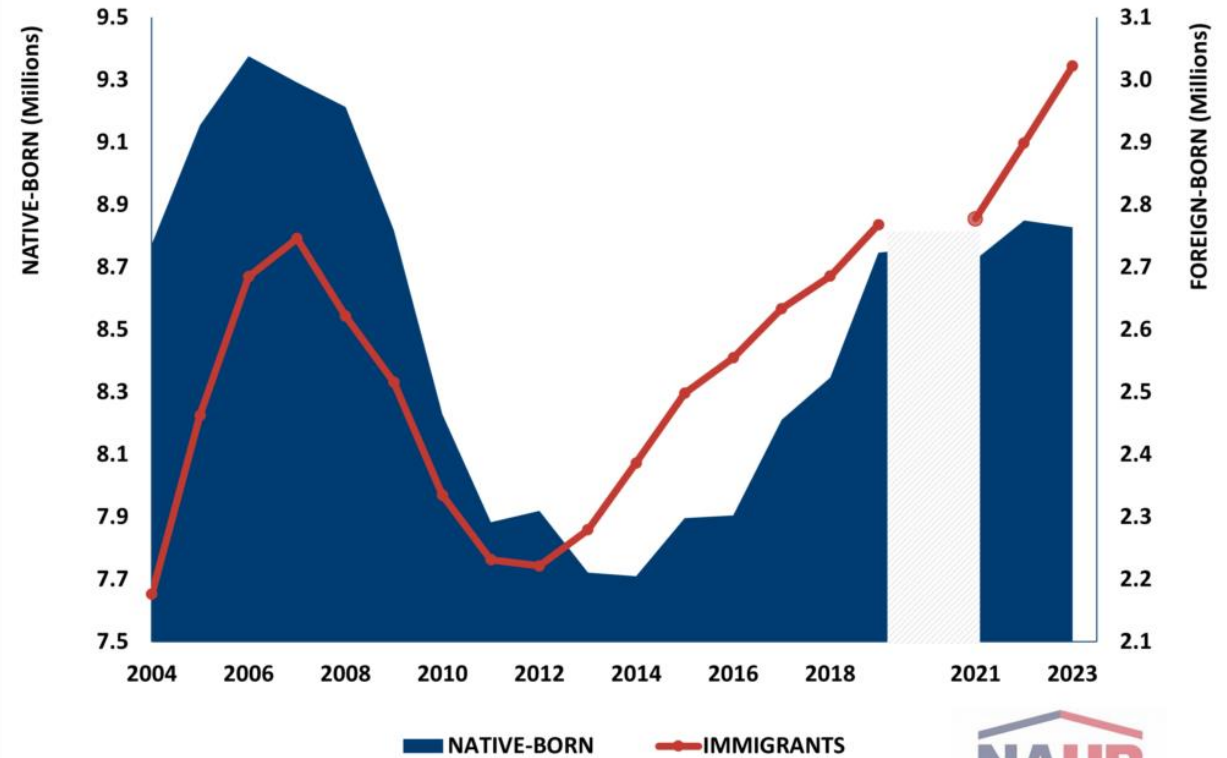
# Industries Dependent on Foreign-Born Employment

United States - Share of foreign-born employment by industry 2023



As of Jan. 2024.  
Source: US Census Bureau.  
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U.S. CONSTRUCTION LABOR FORCE



Source: 2004-2023 ACS PUMS; NAHB analysis



<https://eyeonhousing.org/2024/11/immigrant-share-in-construction-sets-new-record/>

# Fiscal Picture is Grim

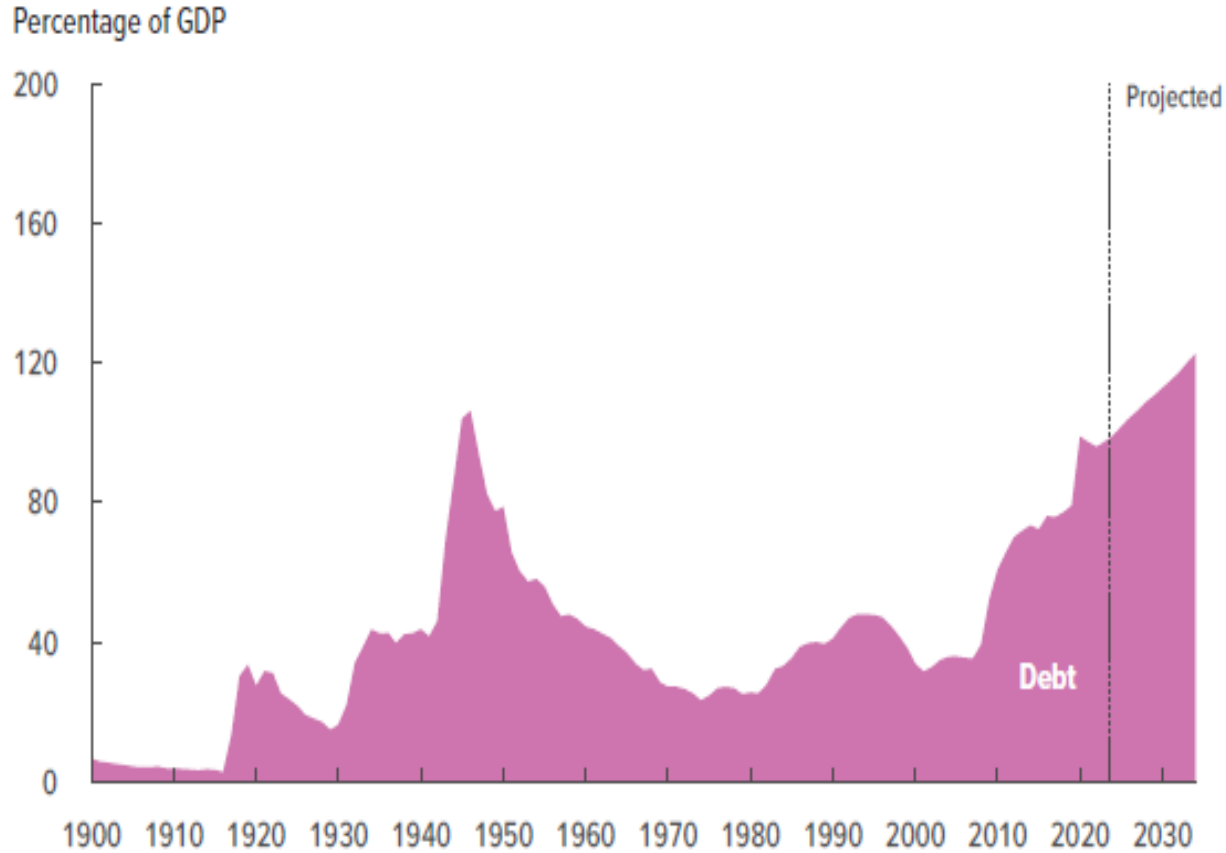
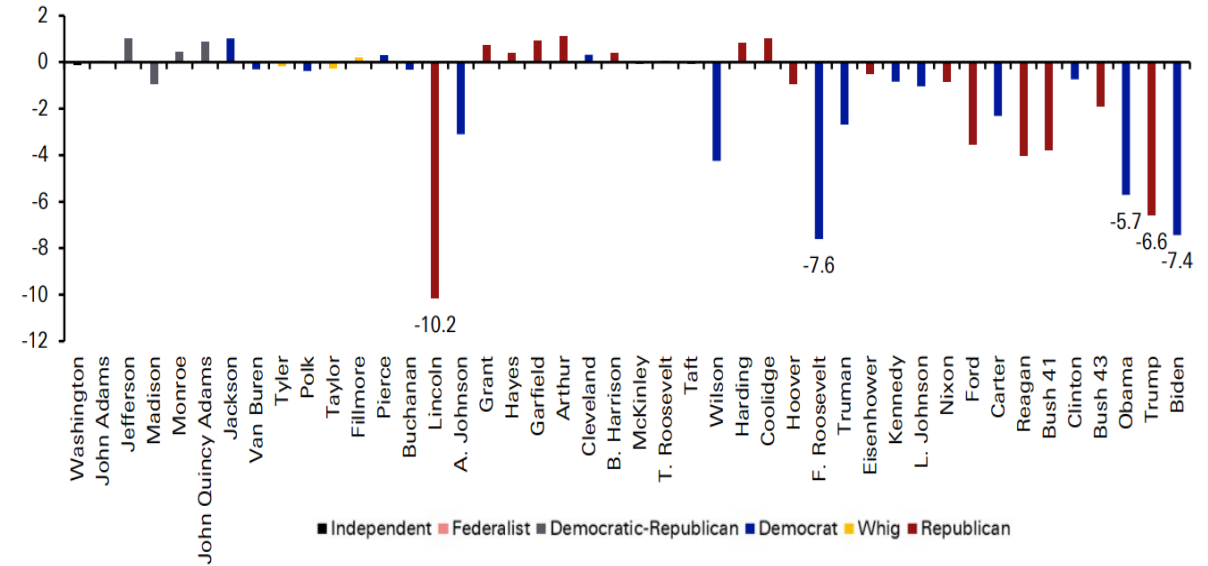


Figure 1: Average annual US budget deficit (% of GDP) under each President since George Washington. Colour coded by party and with top 5 annotated

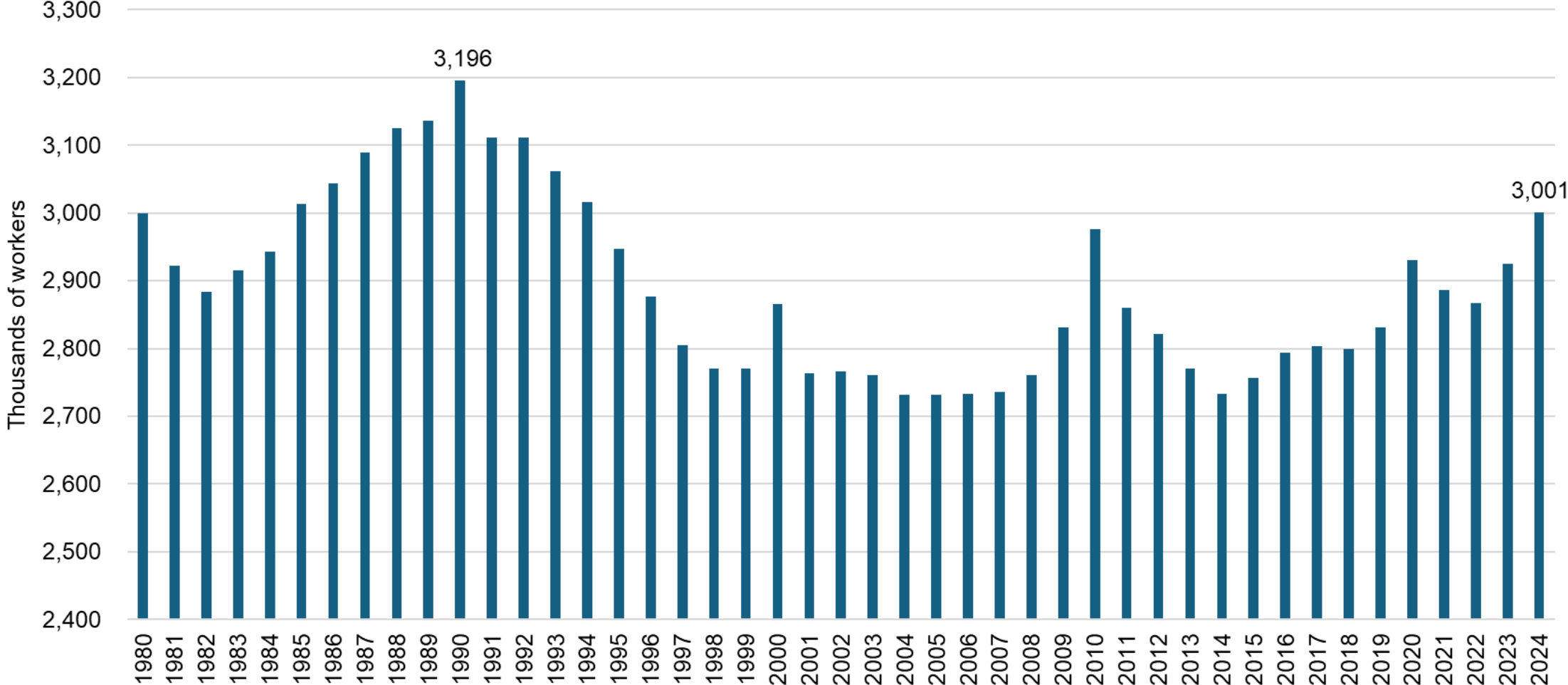


Source : GFD, FRED, Deutsche Bank

Note: Each year's annual deficit assigned to the President who was in office for the largest part of that year. William Henry Harrison excluded as President for only 31 days. Grover Cleveland's non-consecutive terms both included as one. Data for George Washington only available from 1791.

# Federal Govt Employment

## Federal Government Employees

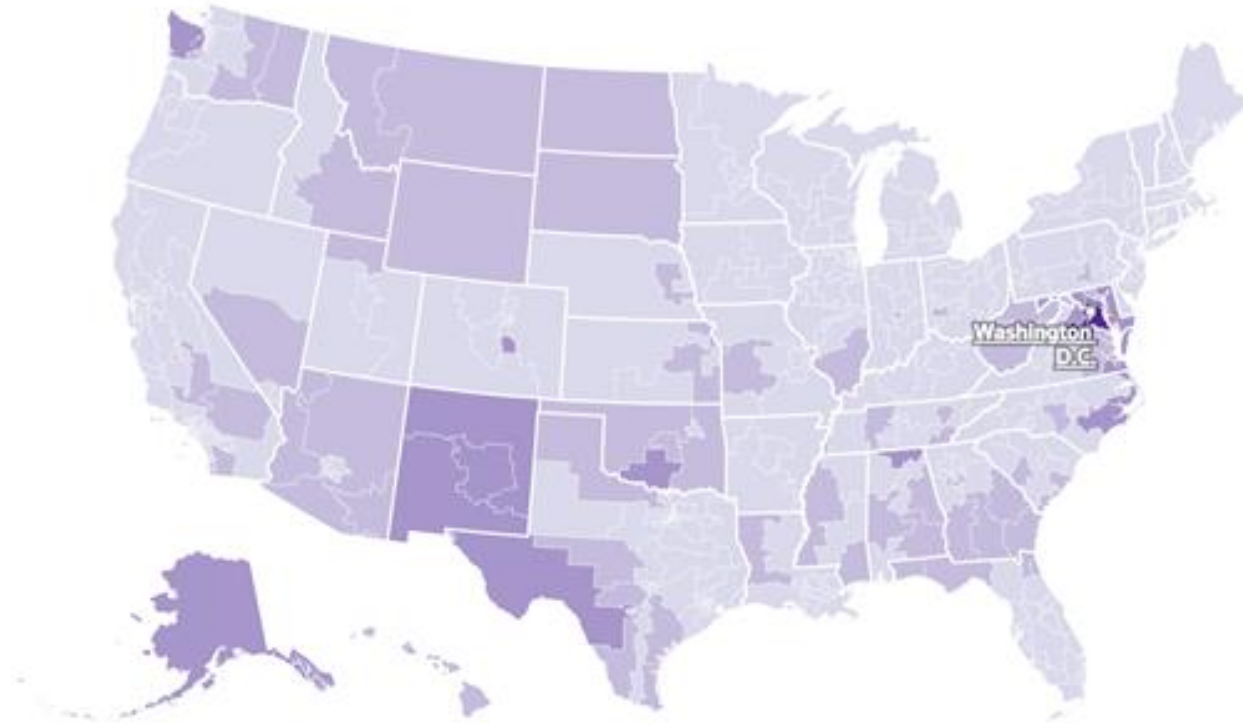
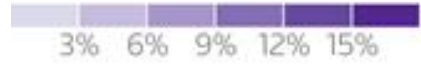


Source: Bureau of Labor Statistics



## US civilian federal workers are spread across the country

Share of all employed individuals in congressional districts in 2023



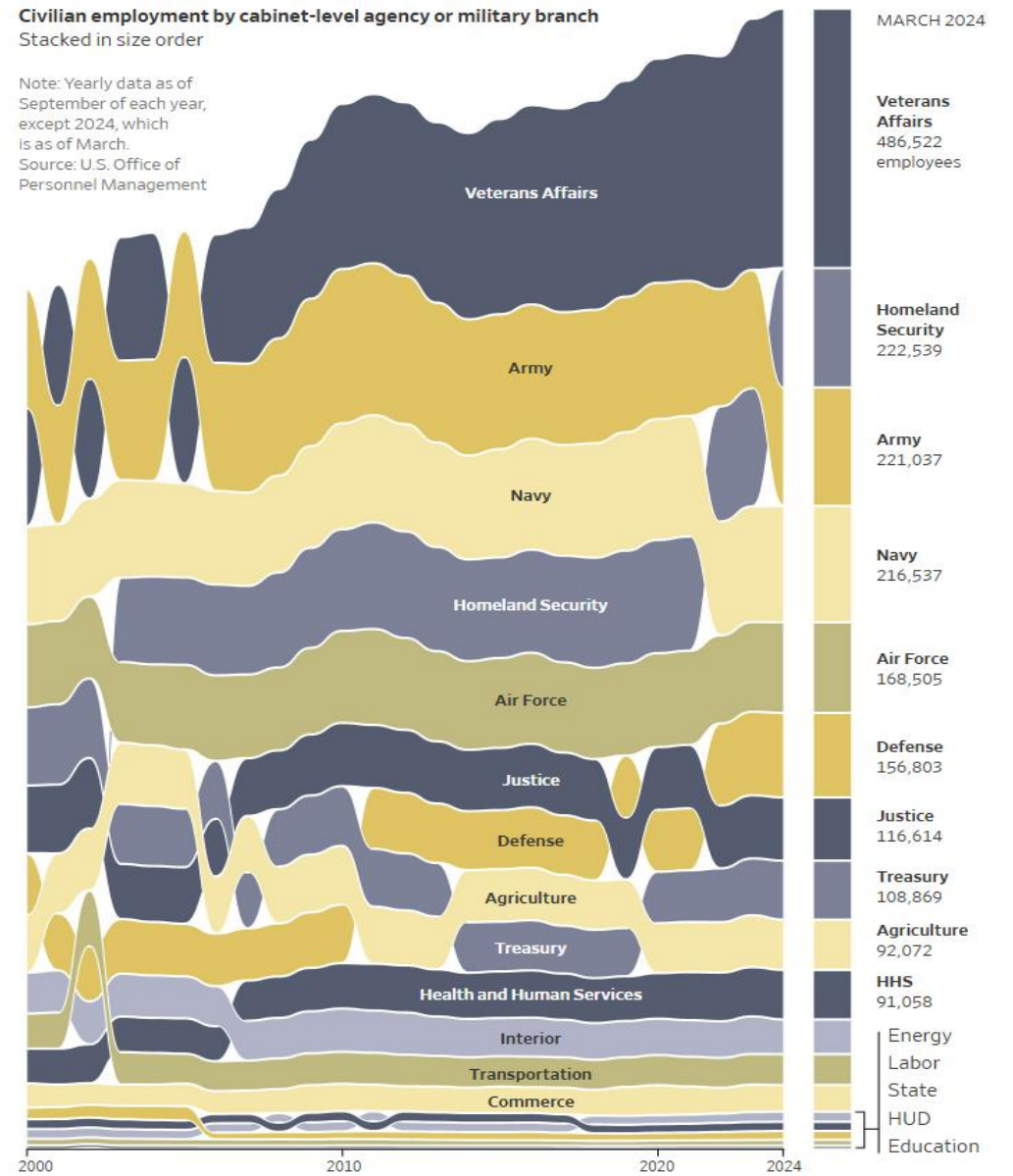
Note: Estimates are based on the U.S. Census Bureau's American Community Survey.

Source: Congressional Research Service | REUTERS Nov. 18, 2024

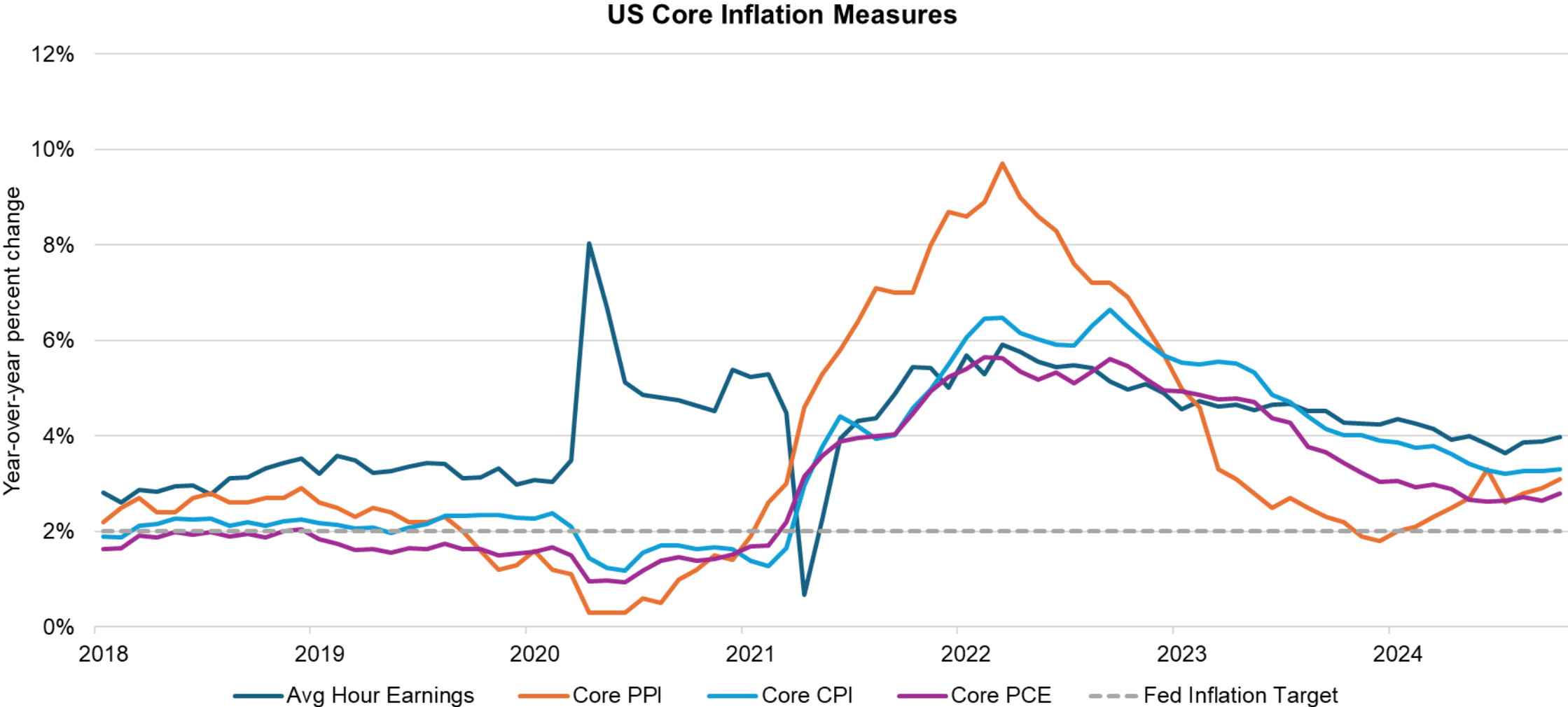
## Civilian employment by cabinet-level agency or military branch

Stacked in size order

Note: Yearly data as of September of each year, except 2024, which is as of March.  
Source: U.S. Office of Personnel Management



# Latest Inflation News...

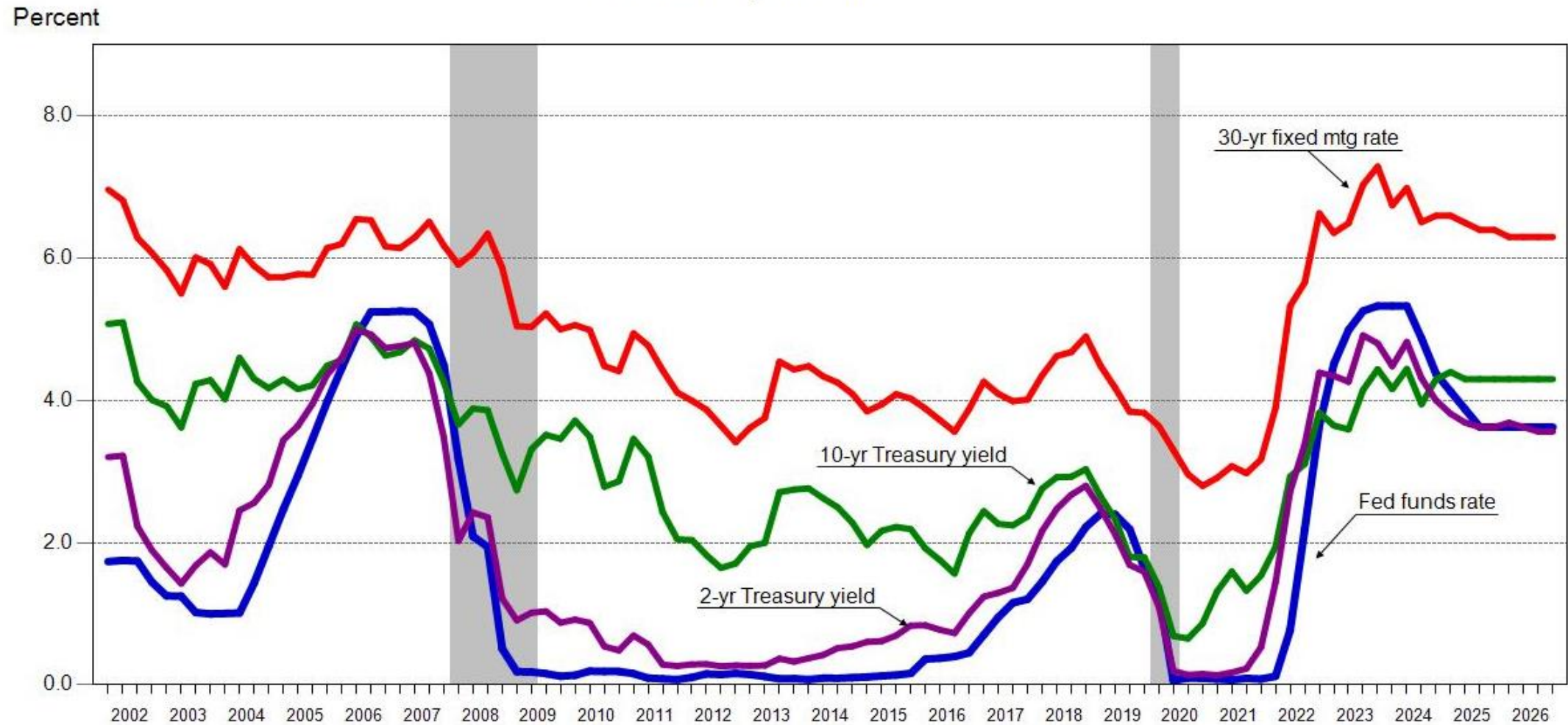


Source: Bureau of Economic Analysis, Bureau of Labor Statistics

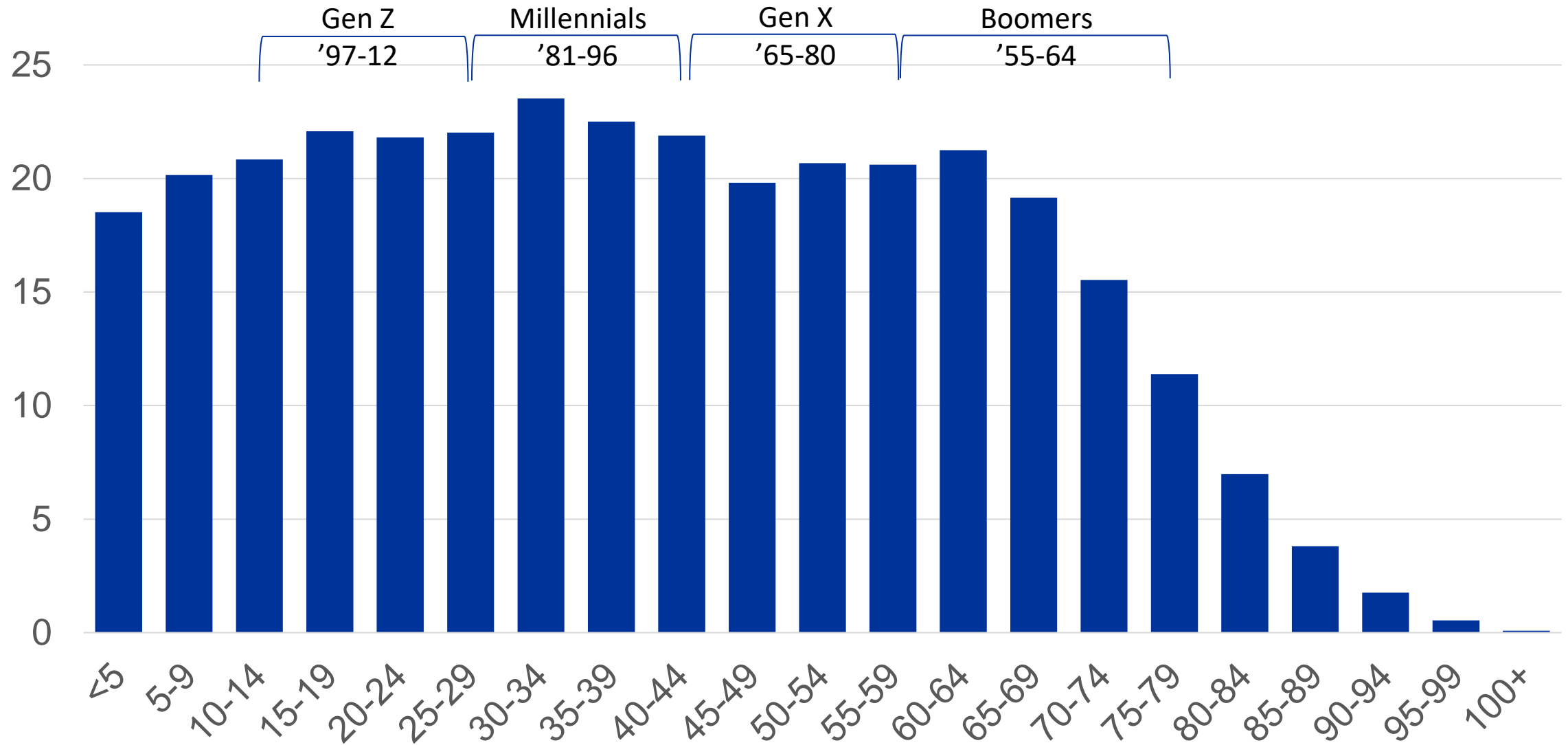


# Rate Outlook: How Much More Will the Fed Cut?

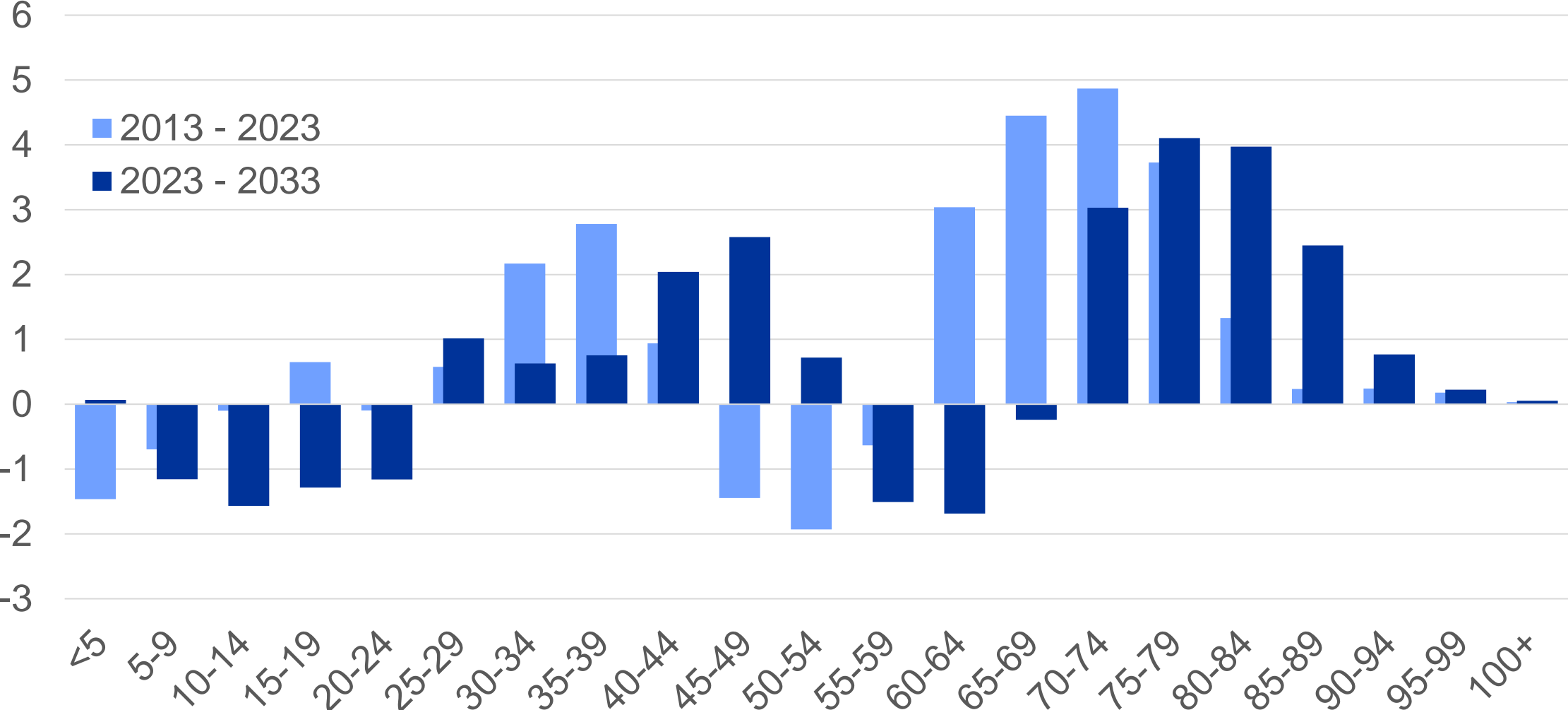
Rate History and Forecast



# US Population by Age (millions)

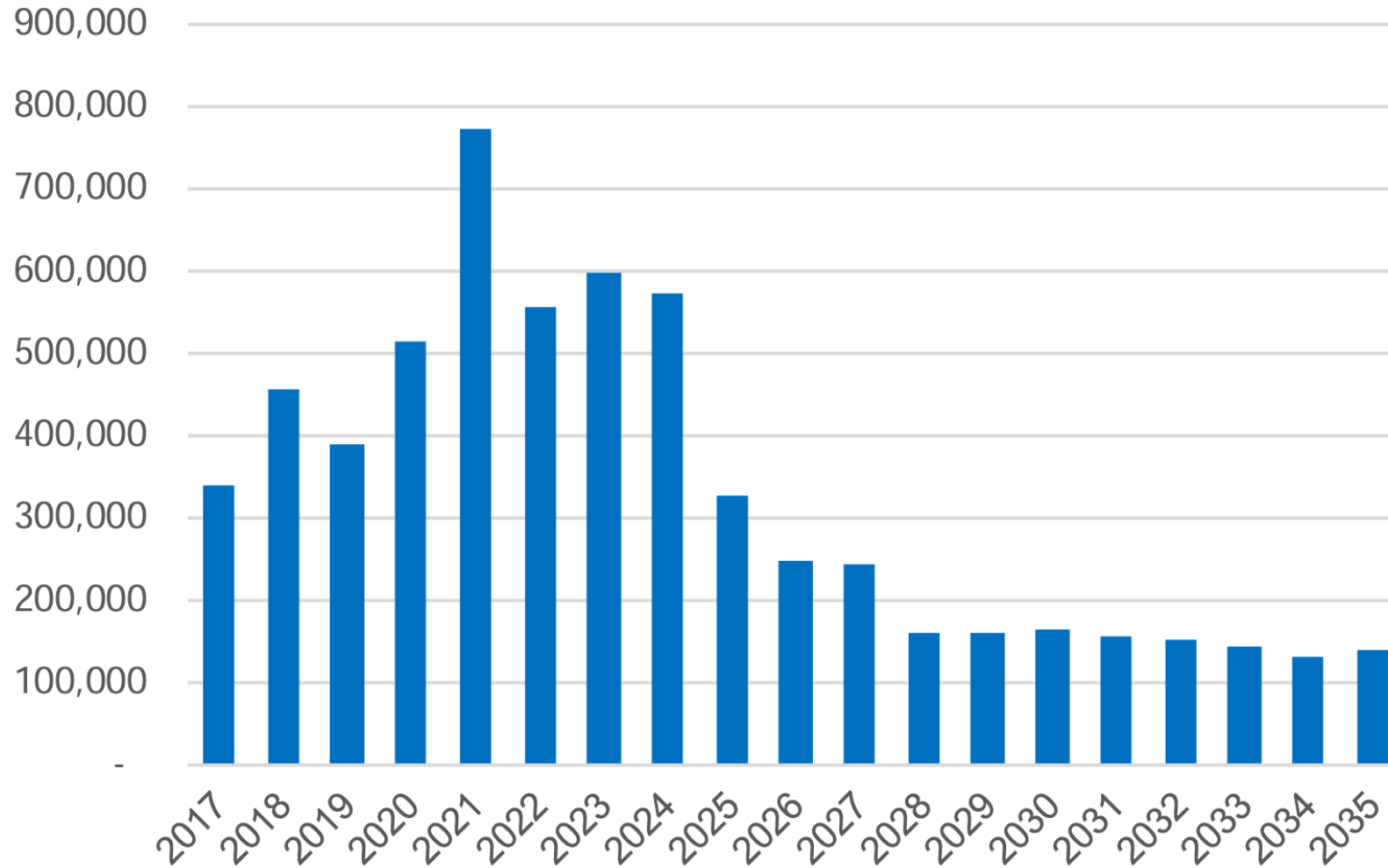


# Change in US Population by Age, 2013 – 2023 and 2023 - 2033 (millions)



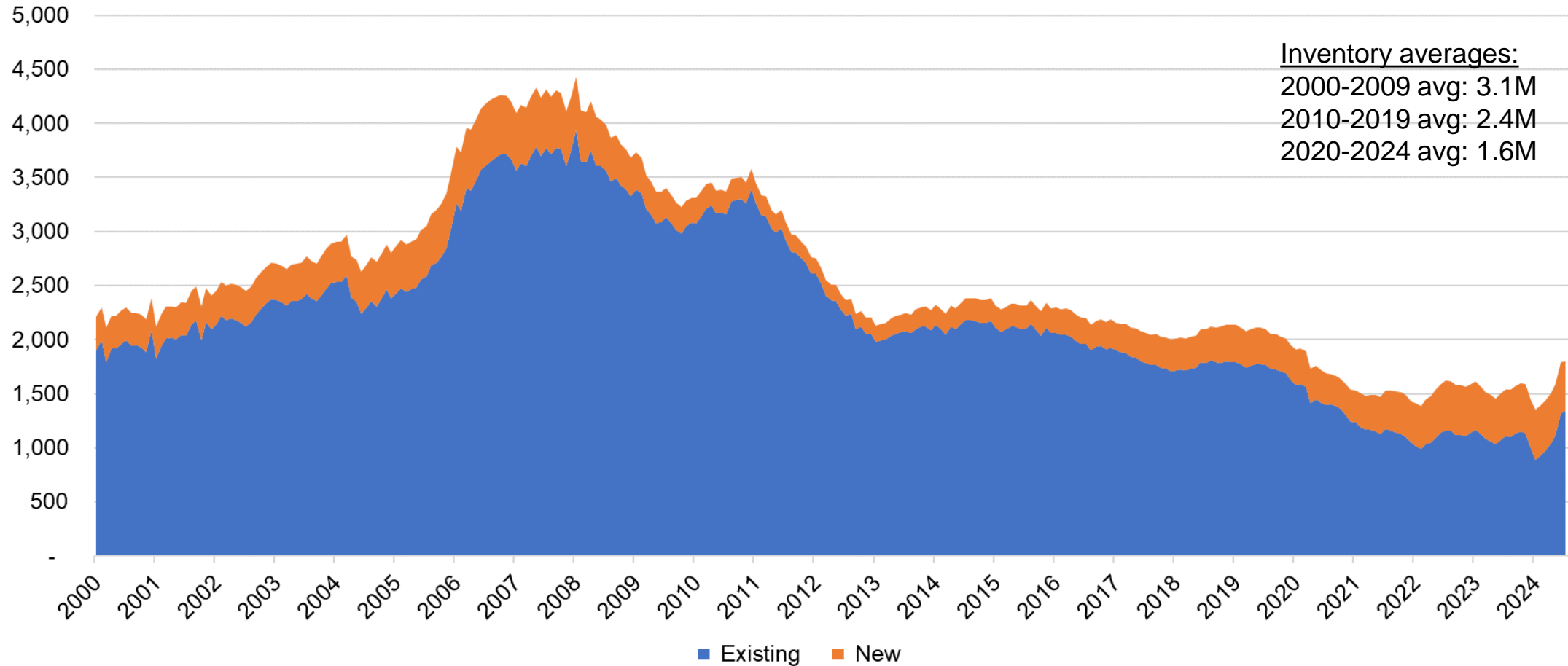


# NMHC/Hoyt Estimates of New Multifamily Units Needed Per Year



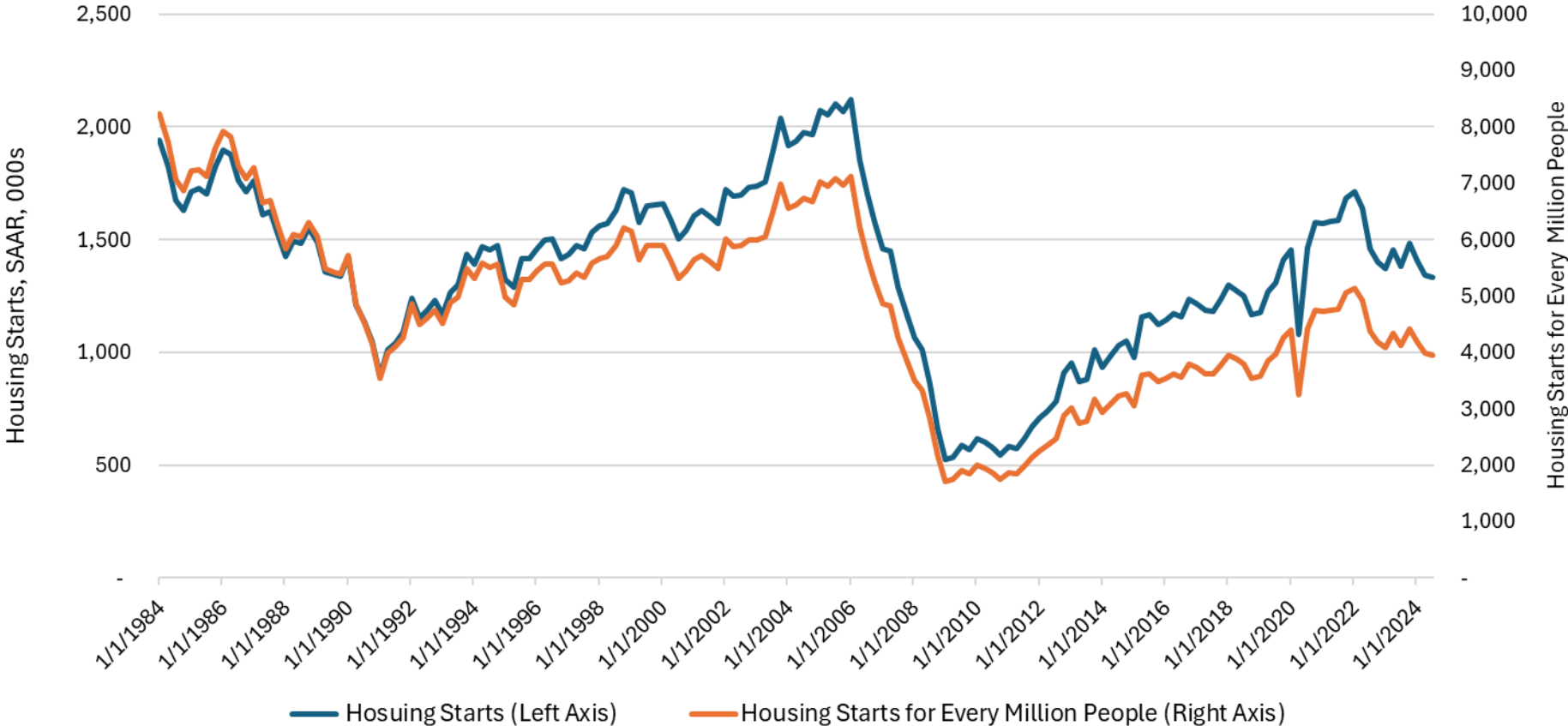
# Housing Inventory Still Tight, But Growing

**Housing Units Available for Sale**  
Seasonally adjusted, thousands



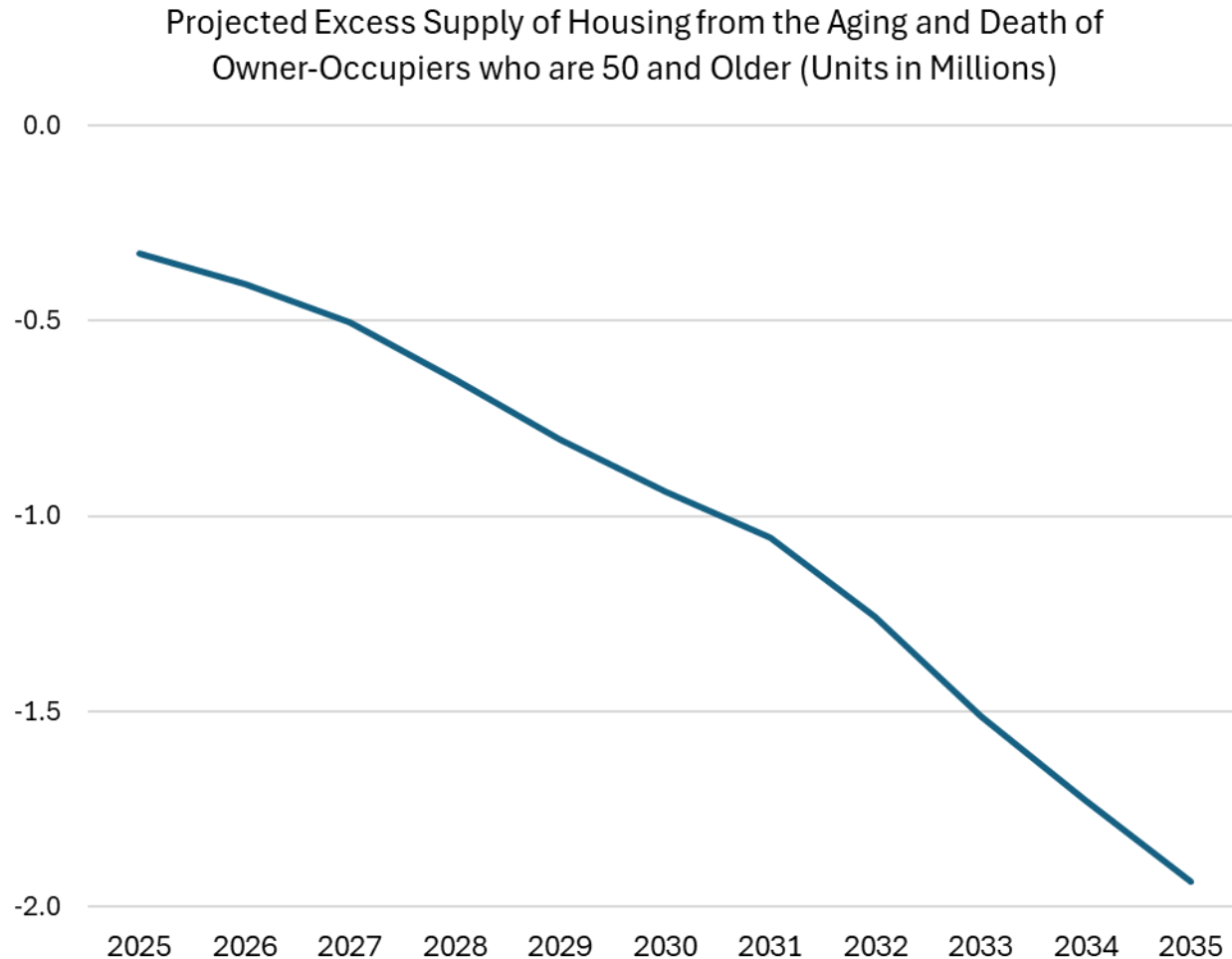
# Builders Have Increased the Number of Units They are Building Since the Residential Construction Lows in the Early 2010s

Housing Starts and Housing Starts for Every One Million People  
(Seasonally Adjusted Annual Rate )



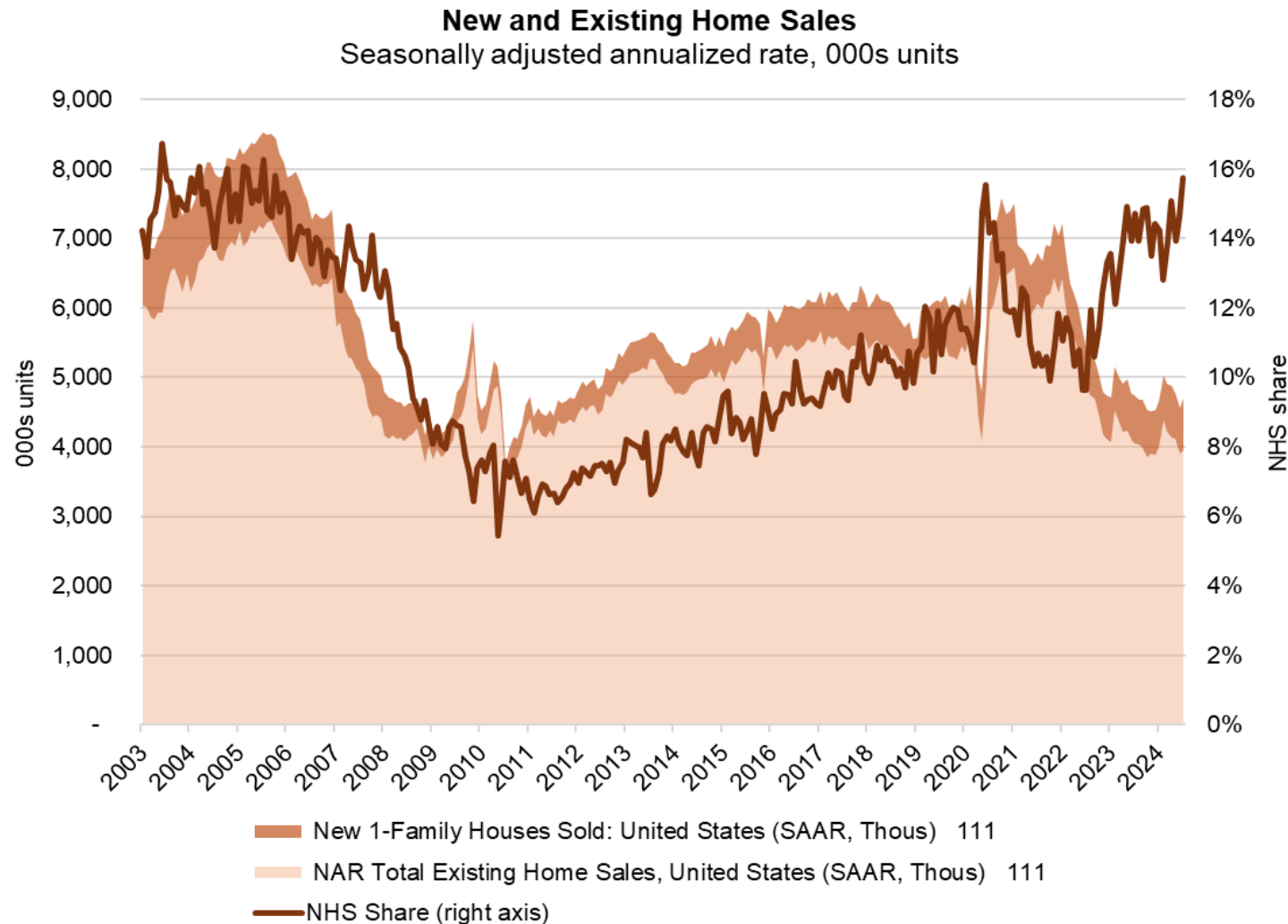
While housing starts have been trending up since the lows in the early 2010s, the number of starts for every million people is less than half of what it was 40 years ago.

# Will Boomers Exiting Homes Provide Supply to Younger Cohorts? Unfortunately, Not



- If younger cohorts behave like previous ones, their homeownership rate will increase by 25 points.
- With limited construction, will this demand be met by older Americans exiting their homes?
  - Recent research shows that more older Americans want to age-in-place and their supply of homes to the market will be less than the aggregate demand for these homes.
  - This negative excess supply is projected to increase from 1/3 million in 2025 to almost 2 million in 2035.

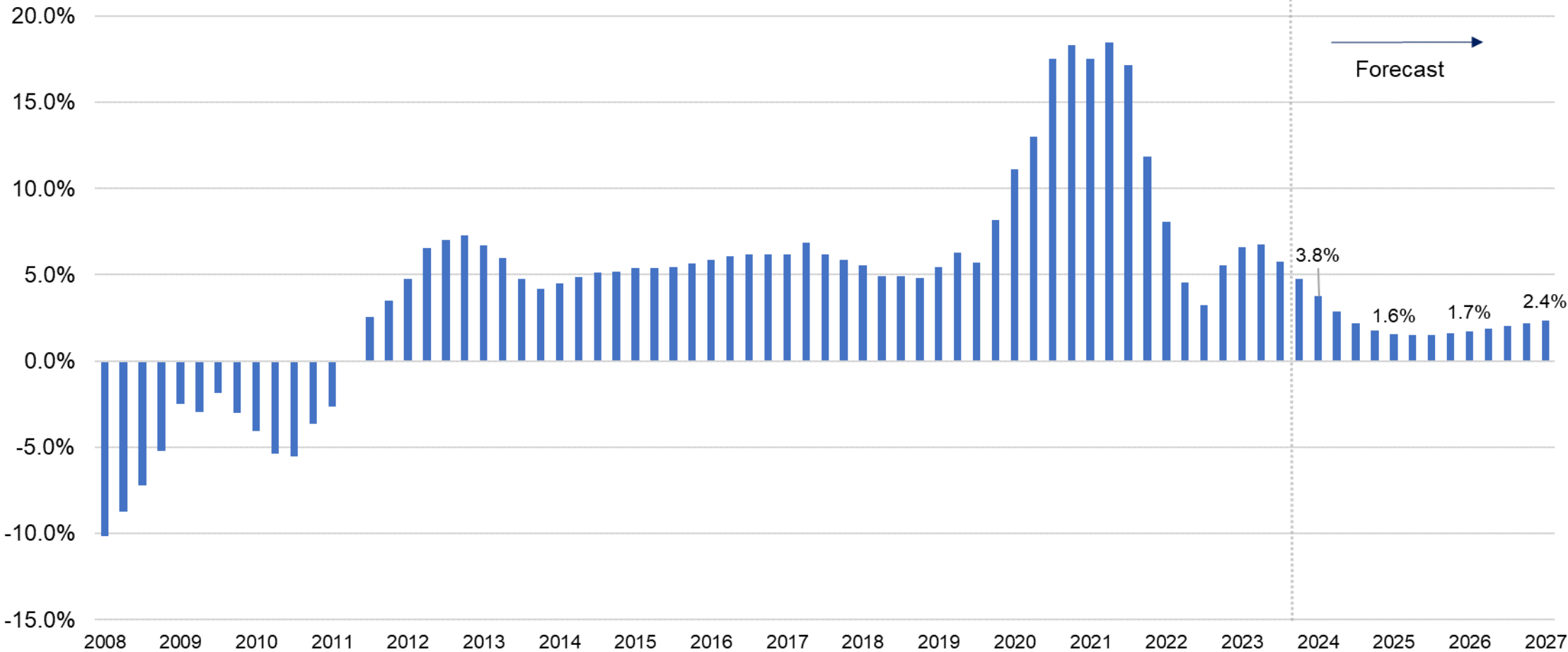
# Home Sales Remain Lower Than Any Point Since the Great Recession



- Existing home sales remain low at approximately 4.0 million.
  - Why? Many homeowners have mortgage rates well below prevailing rates—they're “locked-in.”
  - Lock-in prevented [1.72 million transactions](#) from 2022Q2 to 2024Q2.
- New home sales have reached almost 16% of sales as builders have stepped up.
  - Building remains, among other factors, by constrained by [zoning restrictions](#), land availability, construction labor availability, and raw material prices.

# House Price Appreciation Moderating But Expected to Remain Positive

FHFA Purchase Only House Price Index, MBA Forecast  
Non-seasonally adjusted, year over year percent change

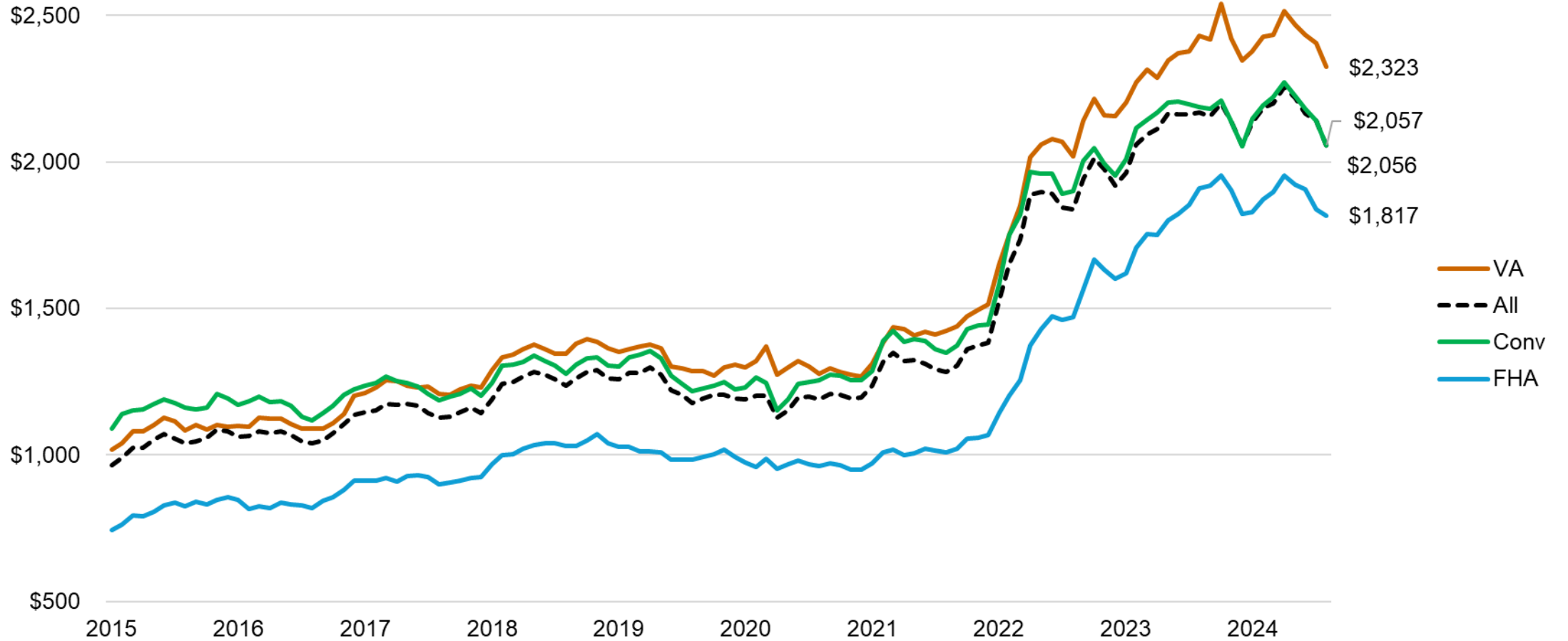


Source: Federal Housing Finance Agency, MBA Forecast: [www.mba.org/forecasts](http://www.mba.org/forecasts)



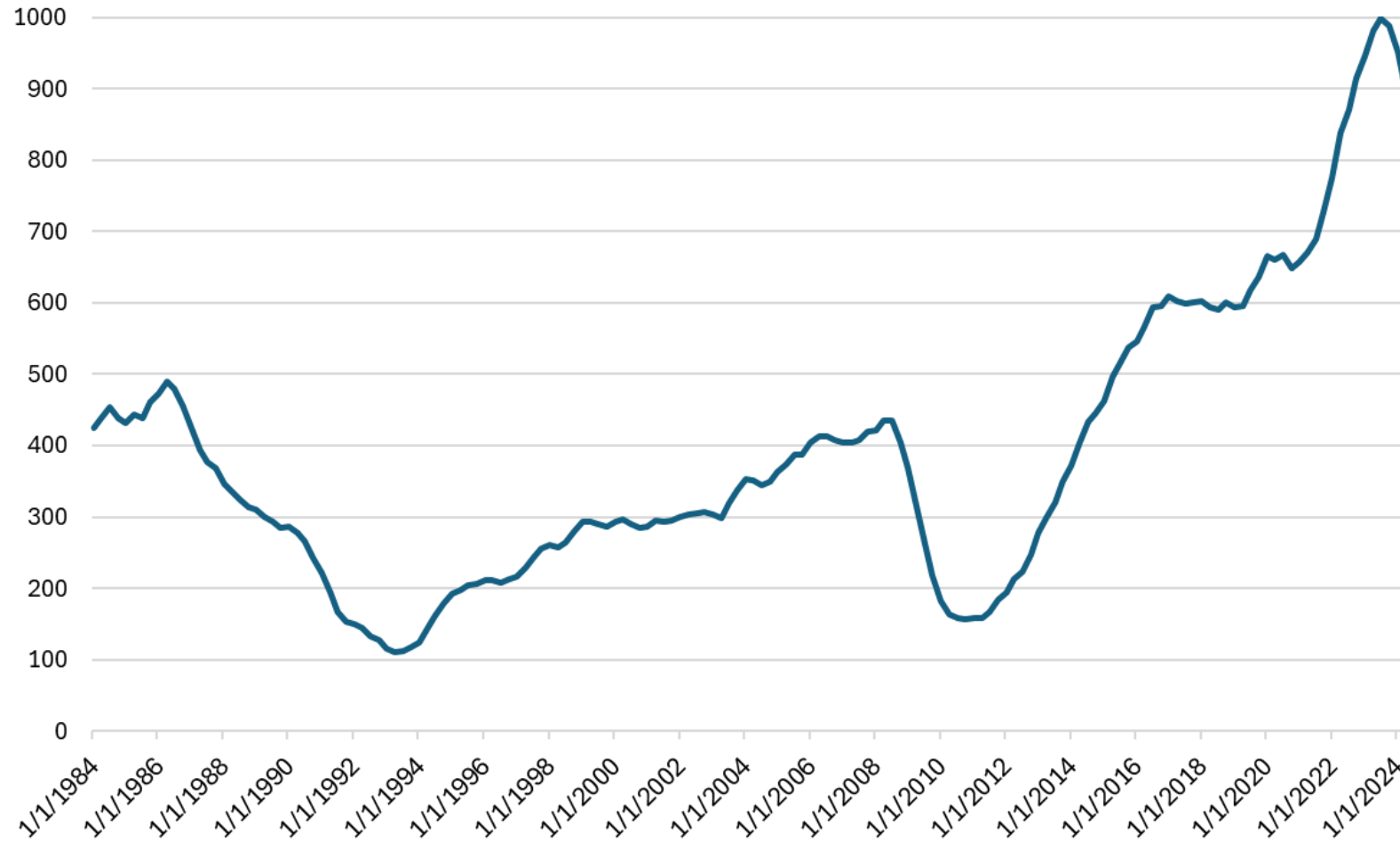
# Affordability Still A Challenge

## Median Home Purchase Payment by Loan Type



# Multifamily Construction has Picked-up Dramatically

New Privately-Owned Housing Units Under Construction in 5+ Unit Buildings  
(Seasonally Adjusted, Thousands)

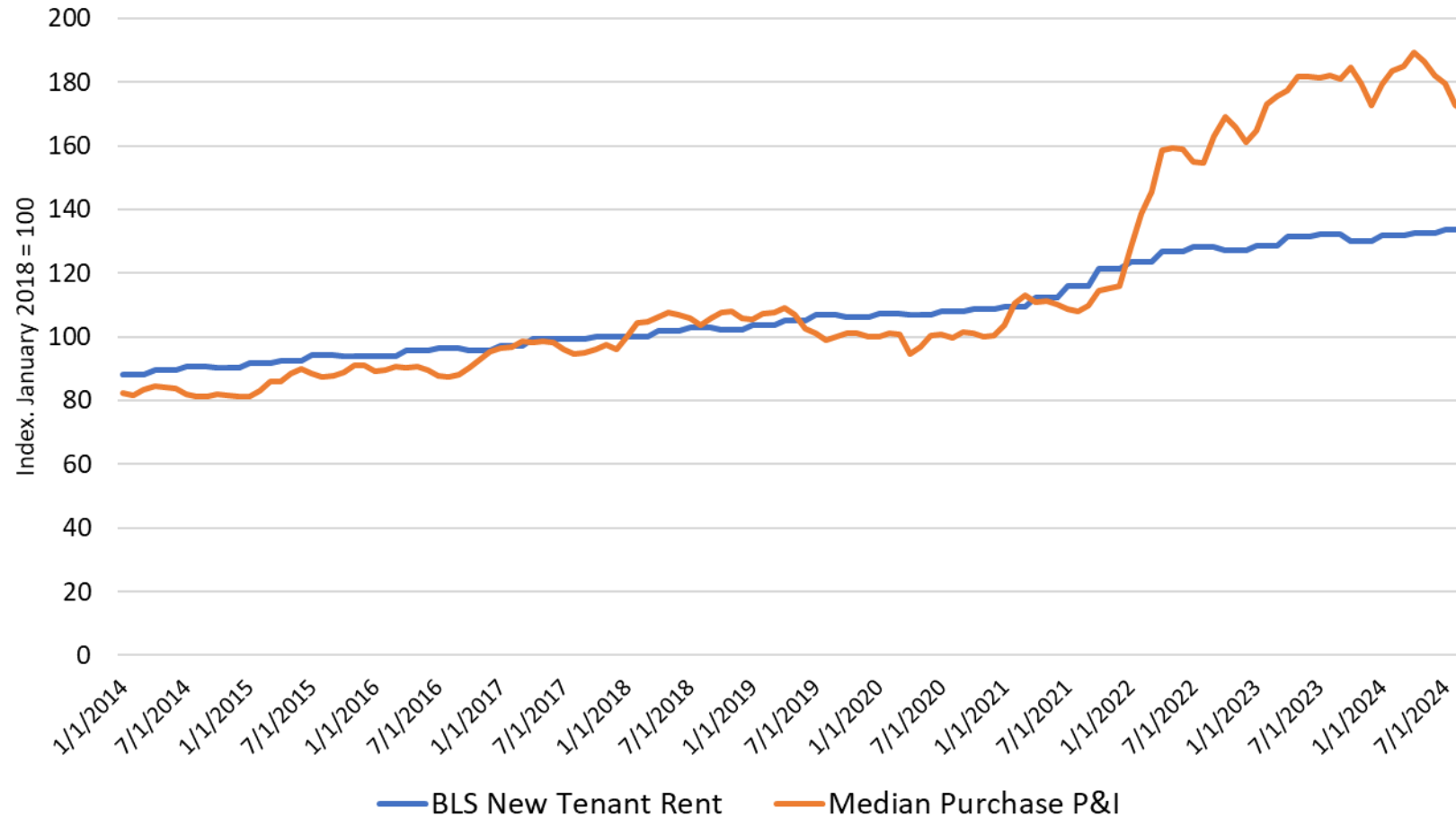


- The pick-up in production has led directly to moderation in rent increases.
- However, affordability challenges remain most concentrated among lower-income households.



# Mortgage Payments are Elevated Relative to Rents

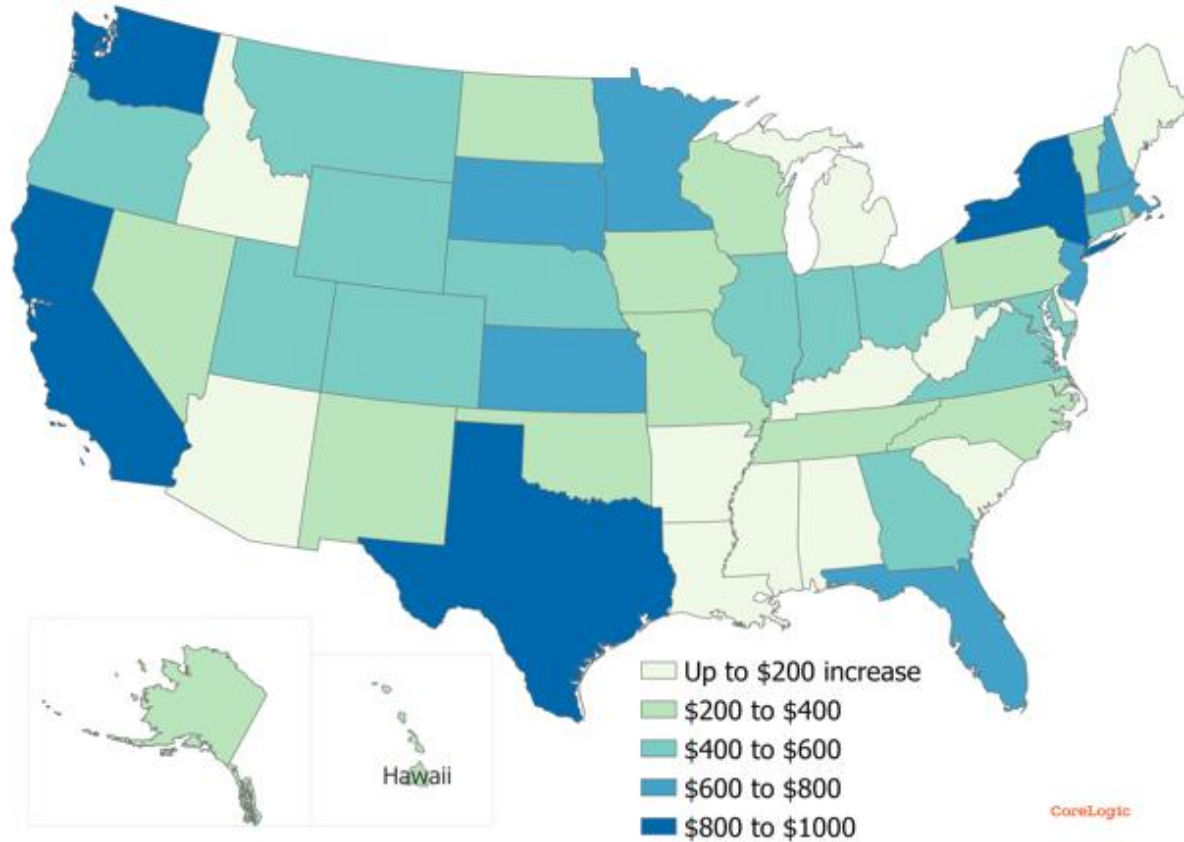
Median Monthly Mortgage Payment Index Versus New Tenant Rent Index  
(January 2018 = 100)



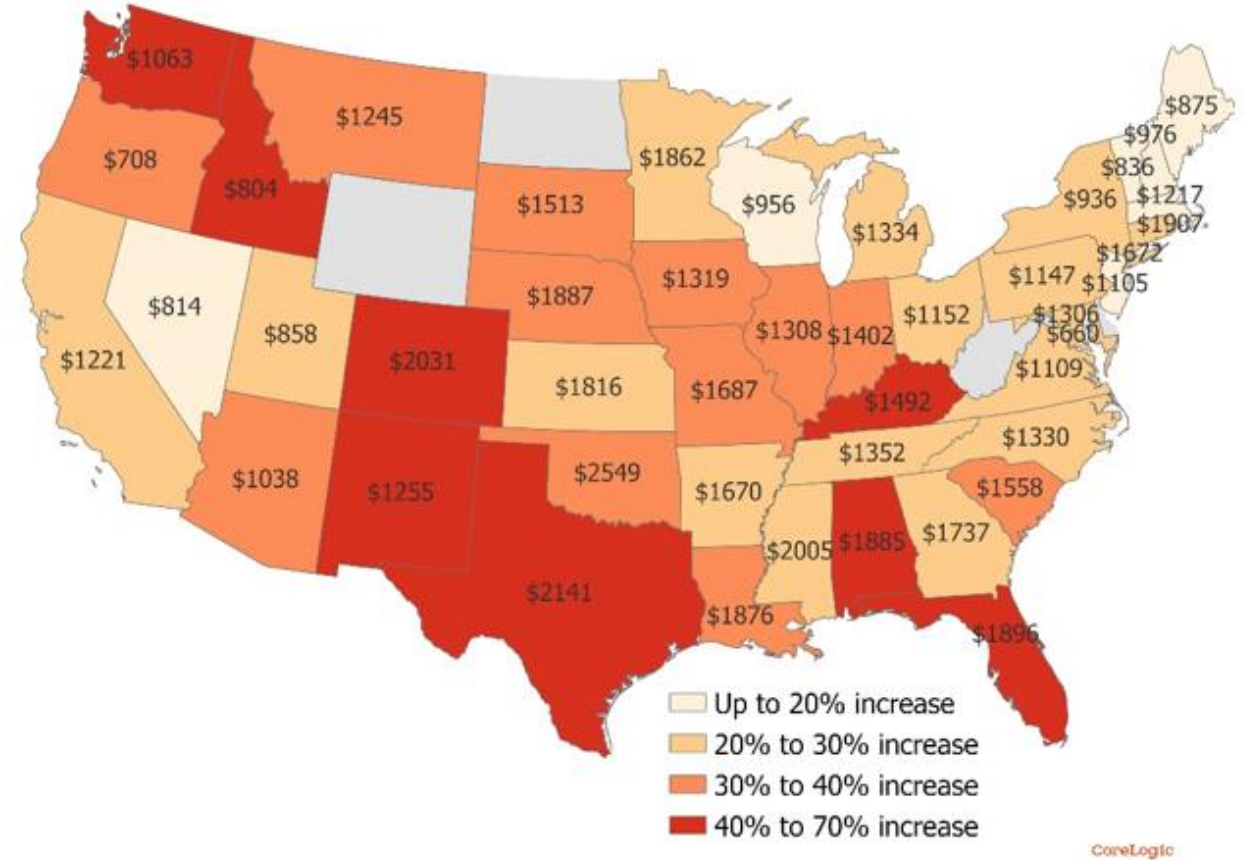
- The mortgage payment to rent ratio is elevated relative to where it was in the years leading up to the pandemic.
- While new tenant rents increased by 15% over the last two years, median mortgage principal and interest payments increased by 56%.
- Rent growth has moderated. From 2023 Q3 to 2024 Q3 it grew by 1%.

# Taxes and Insurance Impacting Affordability for Owners

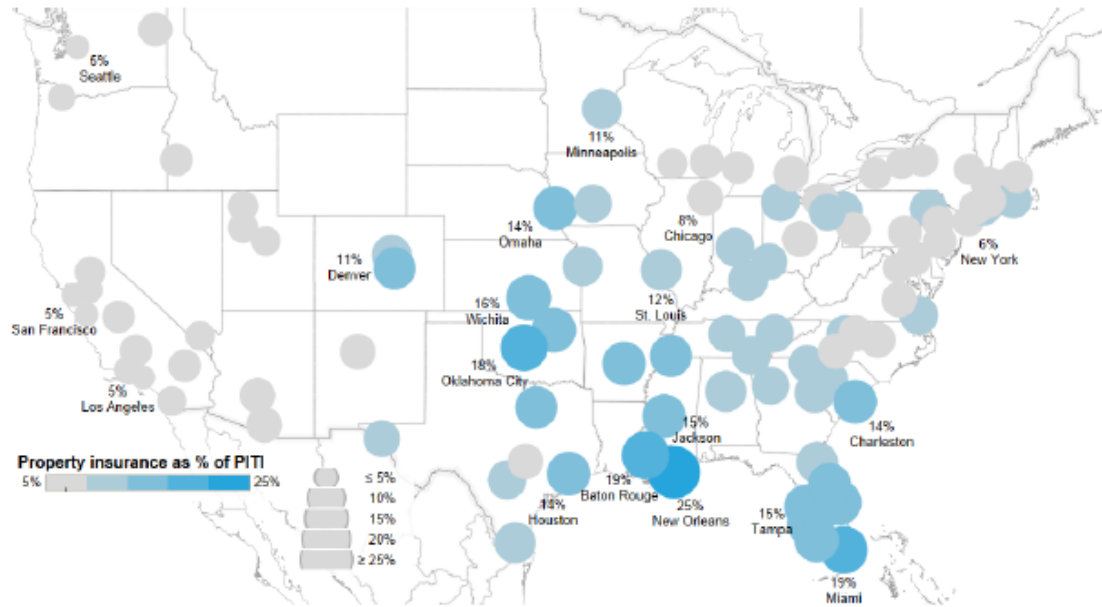
Change in Median Annual Tax Obligations from 2019



Homeowner Insurance Premium and change from 2021



### Property insurance share of average monthly mortgage payment (PITI)



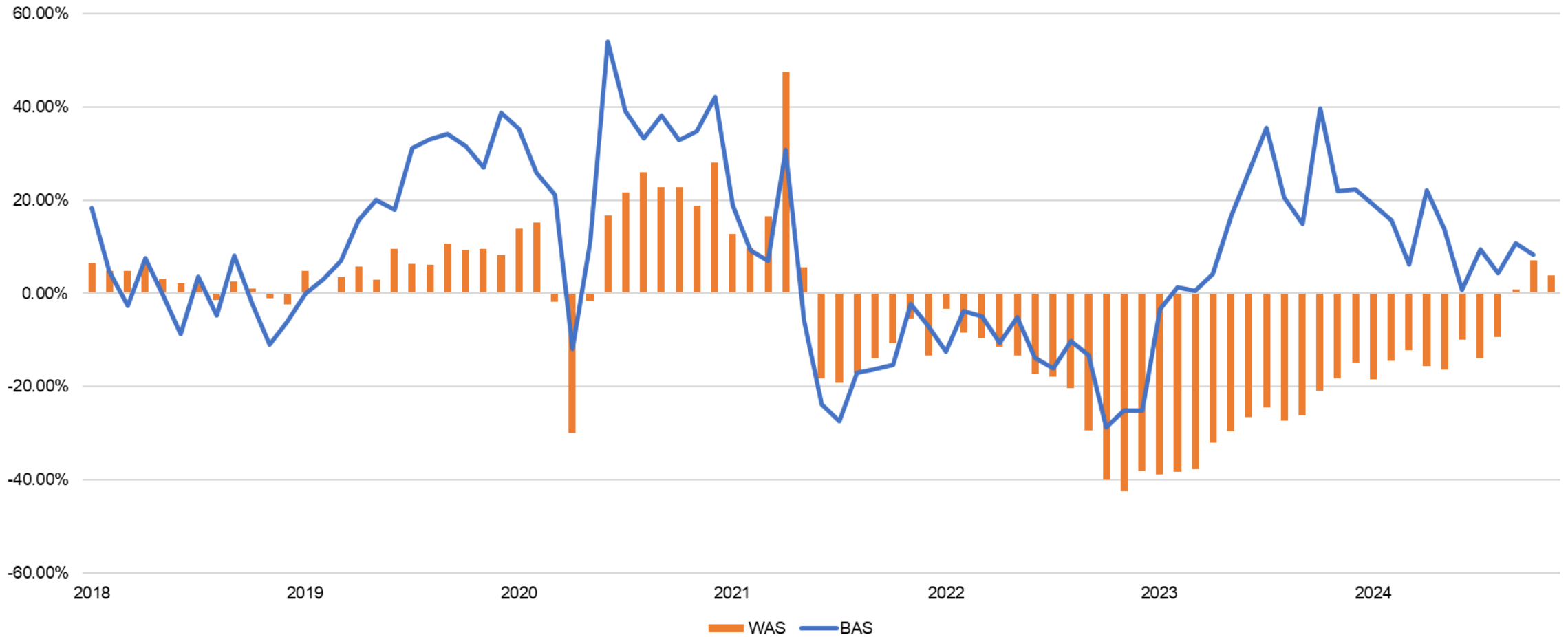
### Average monthly property insurance payment (Mortgaged single family residences)



Source: ICE McDash +Property Insurance

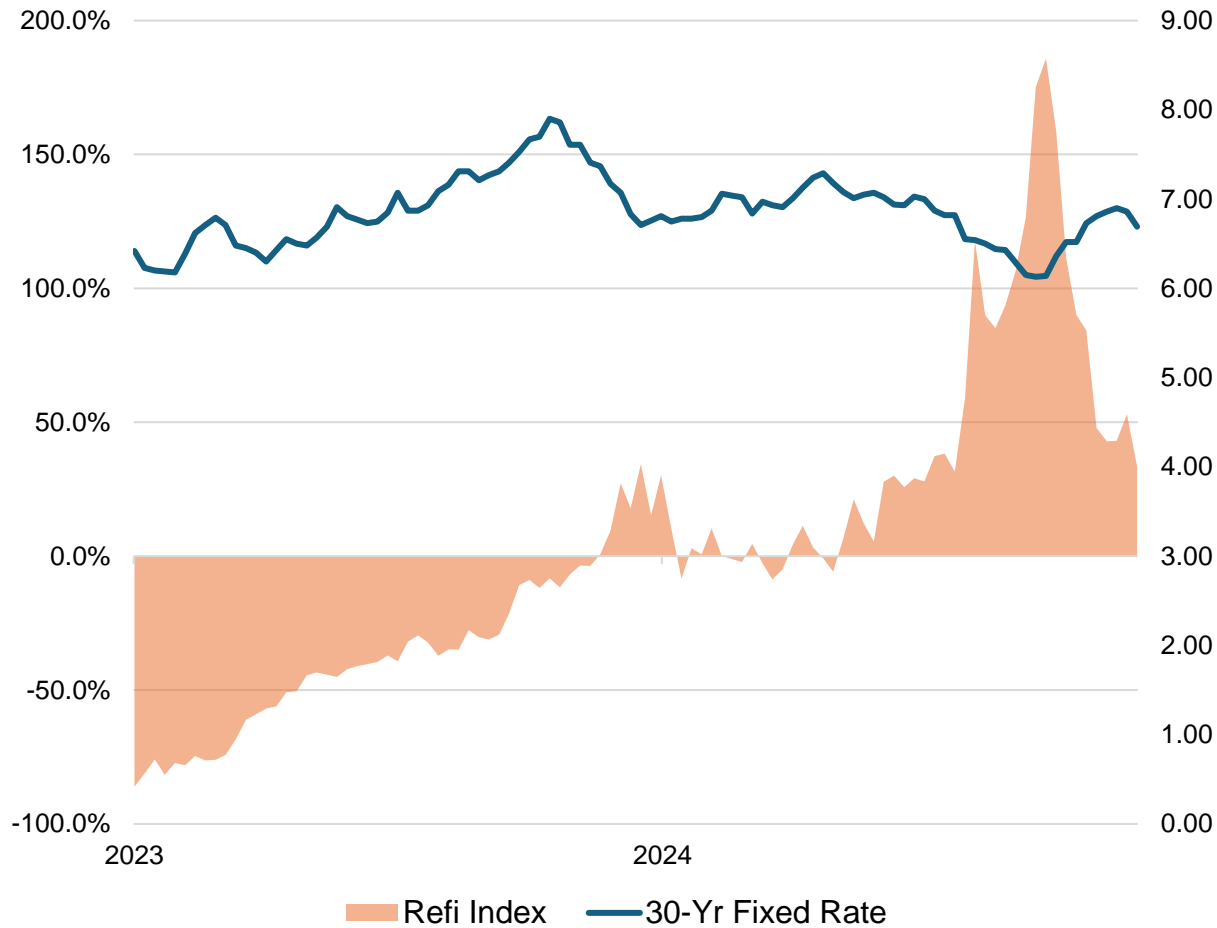
# Purchase Applications: Green Shoots?

**Builder Applications Index vs Weekly Purchase Applications Index**  
Non-seasonally adjusted, year over year percent change

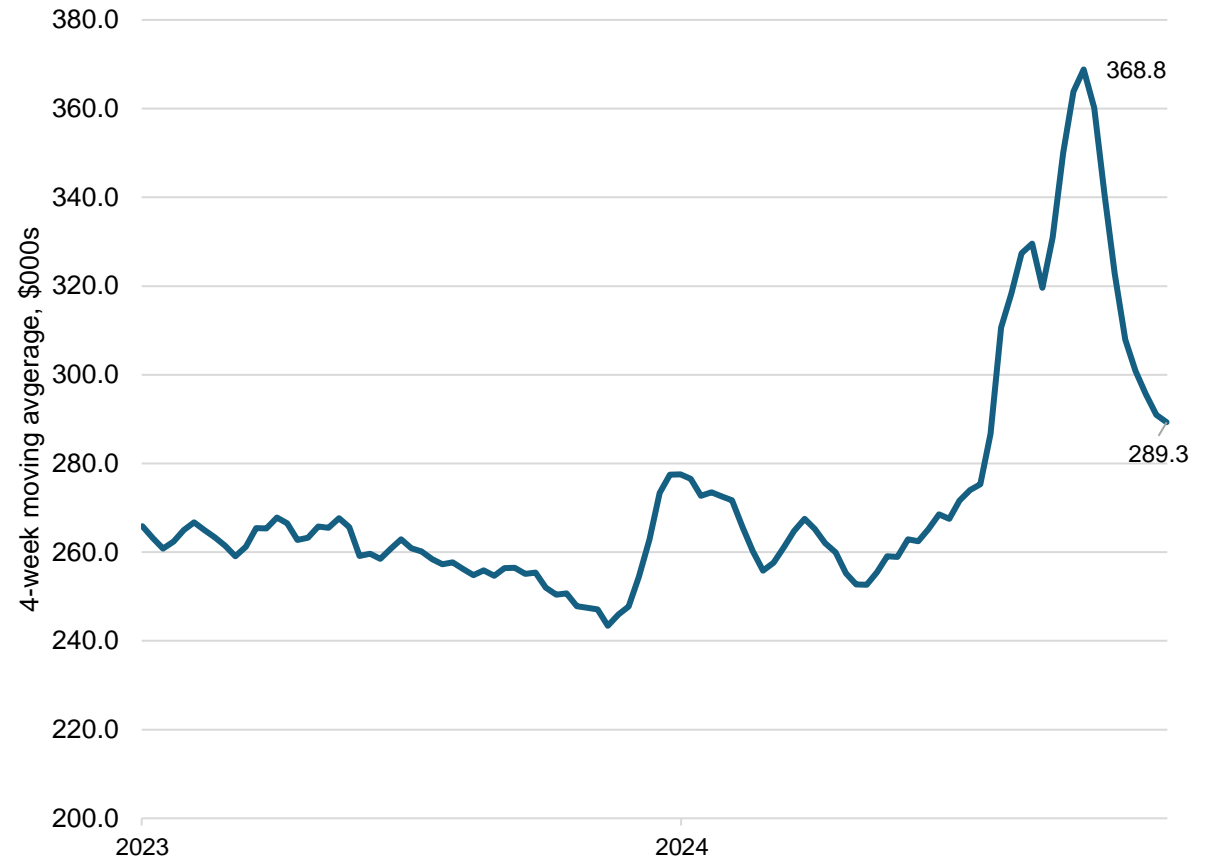


# Refinance Applications: Moments of Opportunity

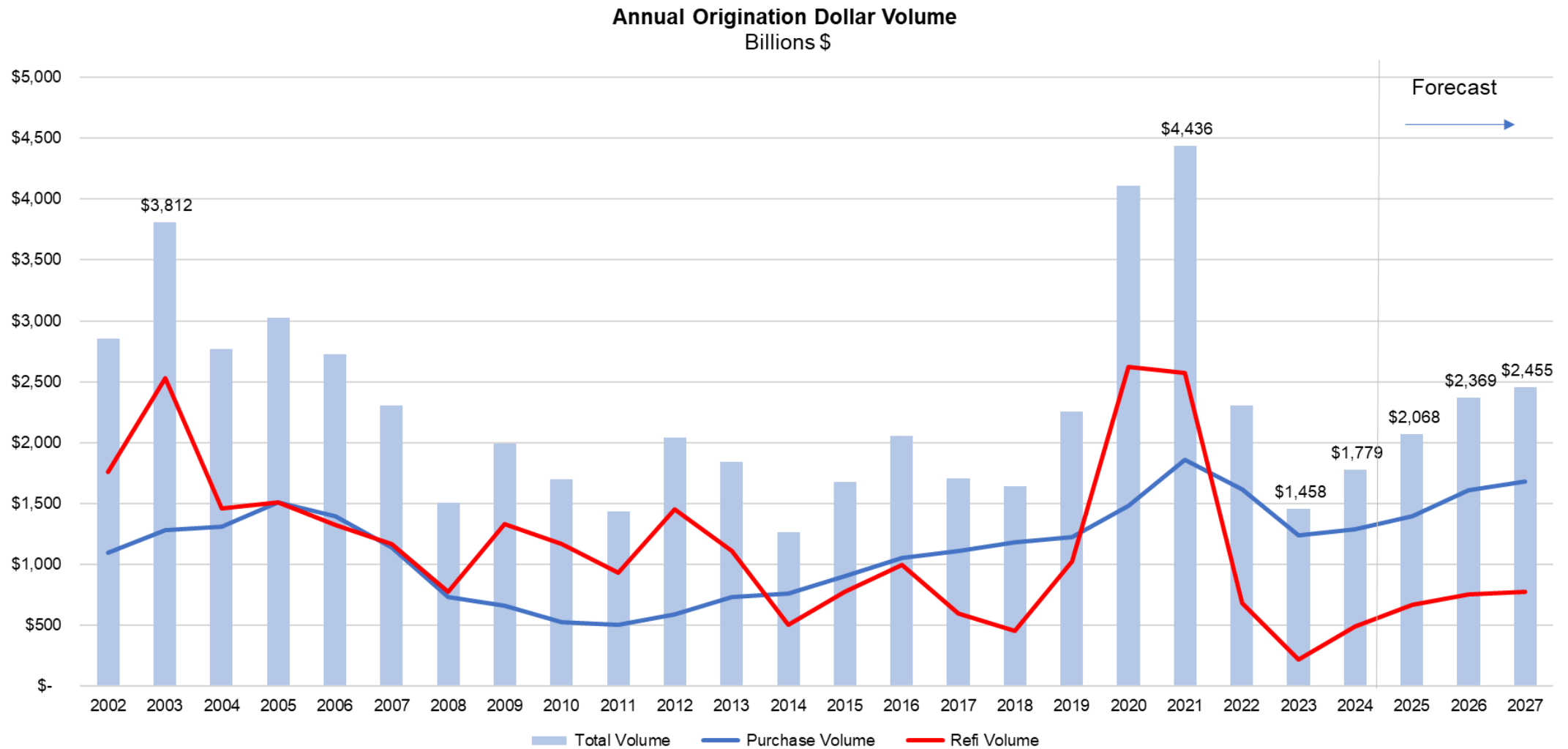
**Refinance Applications**  
YOY pct chg, based on # loans



**Refinance Applications - Average Loan Size**

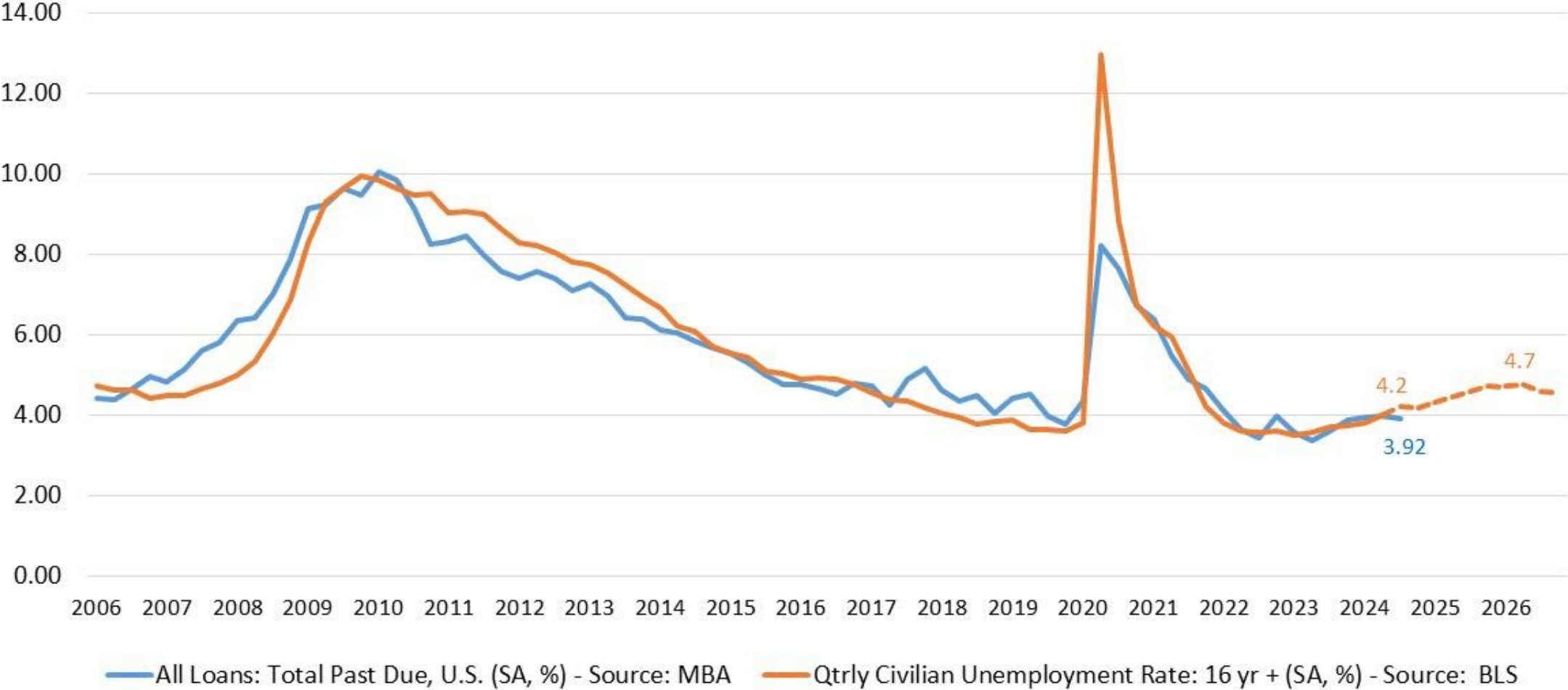


# Origination Forecast – December 2024



# Mortgage Delq. Rate Tracking with Unemployment Rate

Mortgage Delinquency Rate and Unemployment Rate  
Seasonally adjusted, percent

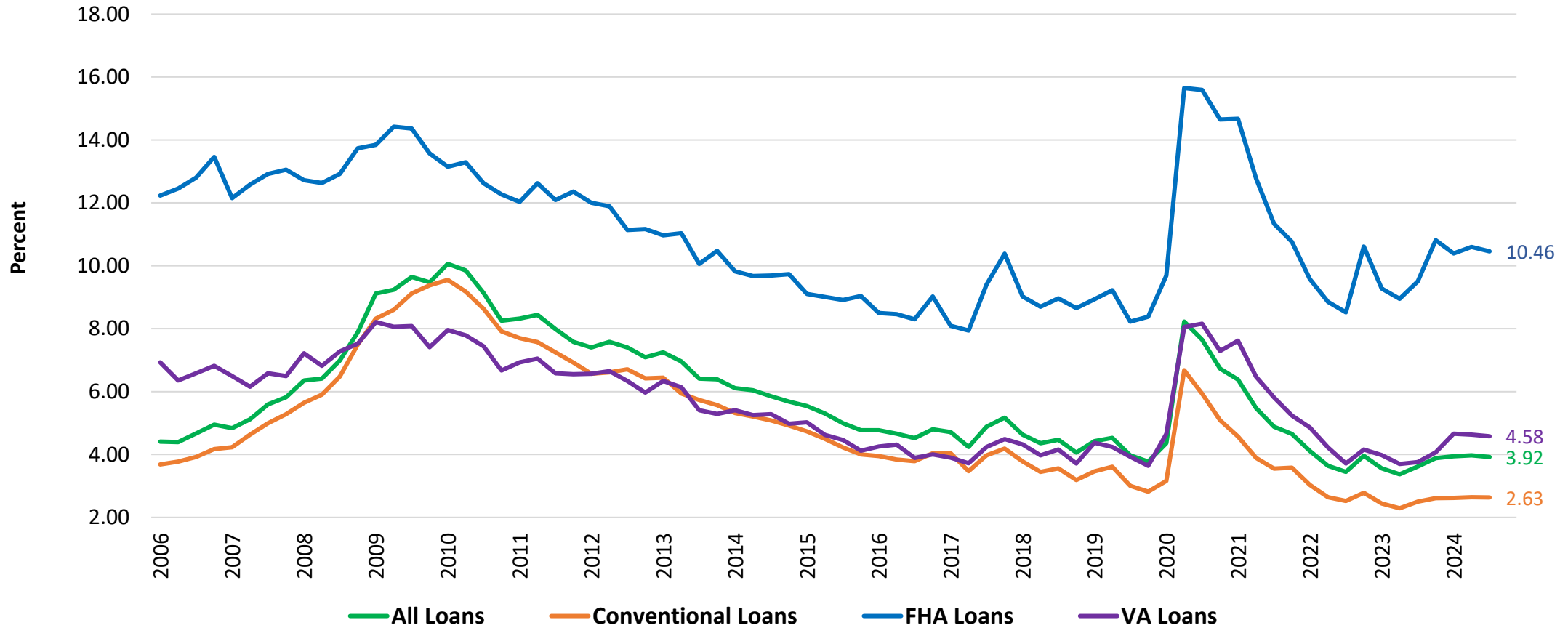


Source: MBA's National Delinquency Survey: [www.mba.org/nds](http://www.mba.org/nds); BLS



# FHA DQ Rates Above Pre-pandemic Level

**Mortgage Delinquency Rates by Loan Type**  
Seasonally adjusted, based on loan counts, excludes loans in foreclosure





# Contact Information and MBA Resources

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**MBA Research:** [www.mba.org/research](http://www.mba.org/research)

**Research Institute of Housing America (RIHA):** [www.housingamerica.org](http://www.housingamerica.org)

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