

Economic and Housing Market Update

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A Better Freddie Mac

...and a better housing finance system

For families

...innovating to improve the liquidity, stability and affordability of mortgage markets

For customers

...competing to earn their business

For taxpayers

...reducing their exposure to mortgage risks

Economic Update

- The U.S. economy has rebounded to its pre-pandemic level
- Labor market is struggling to add jobs although job openings are rising
- U.S. consumer inflation is surging

Housing Market Update

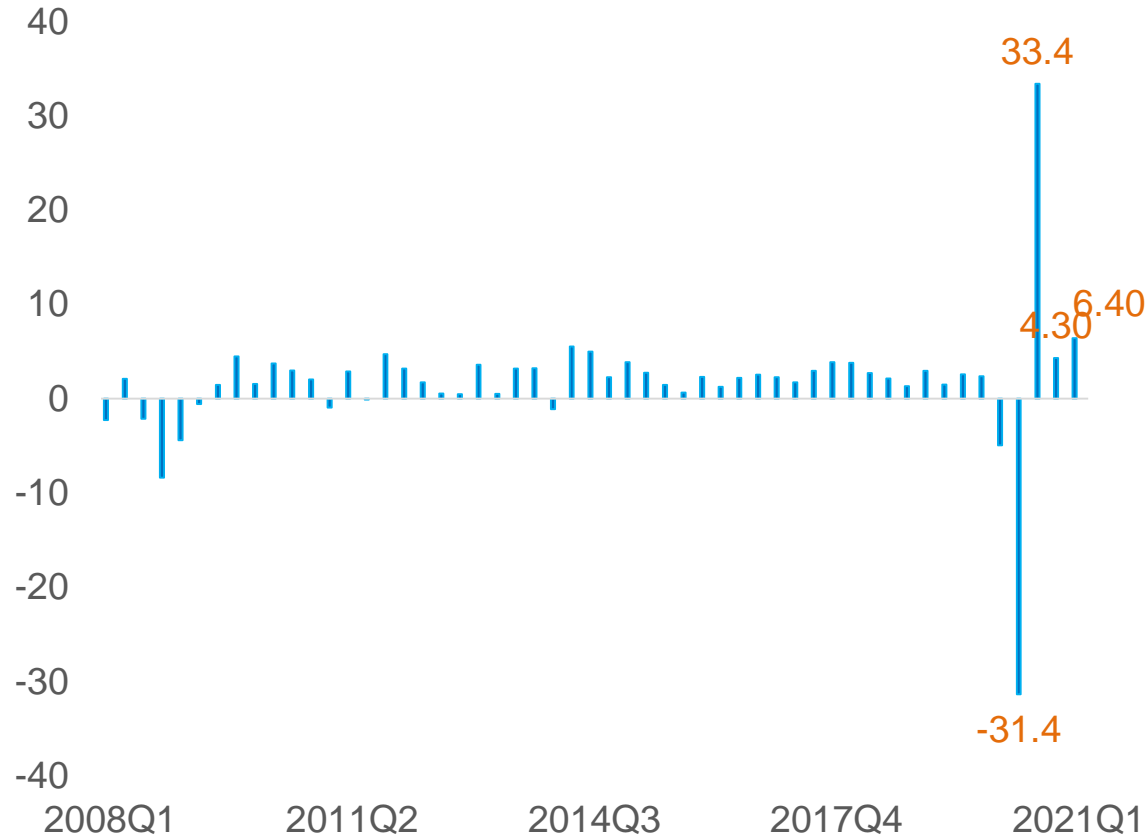
- Housing market remain strong on low rates; but we are seeing some signs of slowdown
- Housing supply is tight; New home construction activity is lagging behind
- Home prices are significantly up on low inventory
- Homeowners are building equity on high home prices while affordability challenges are growing for prospective homebuyers

01 | Economic Update

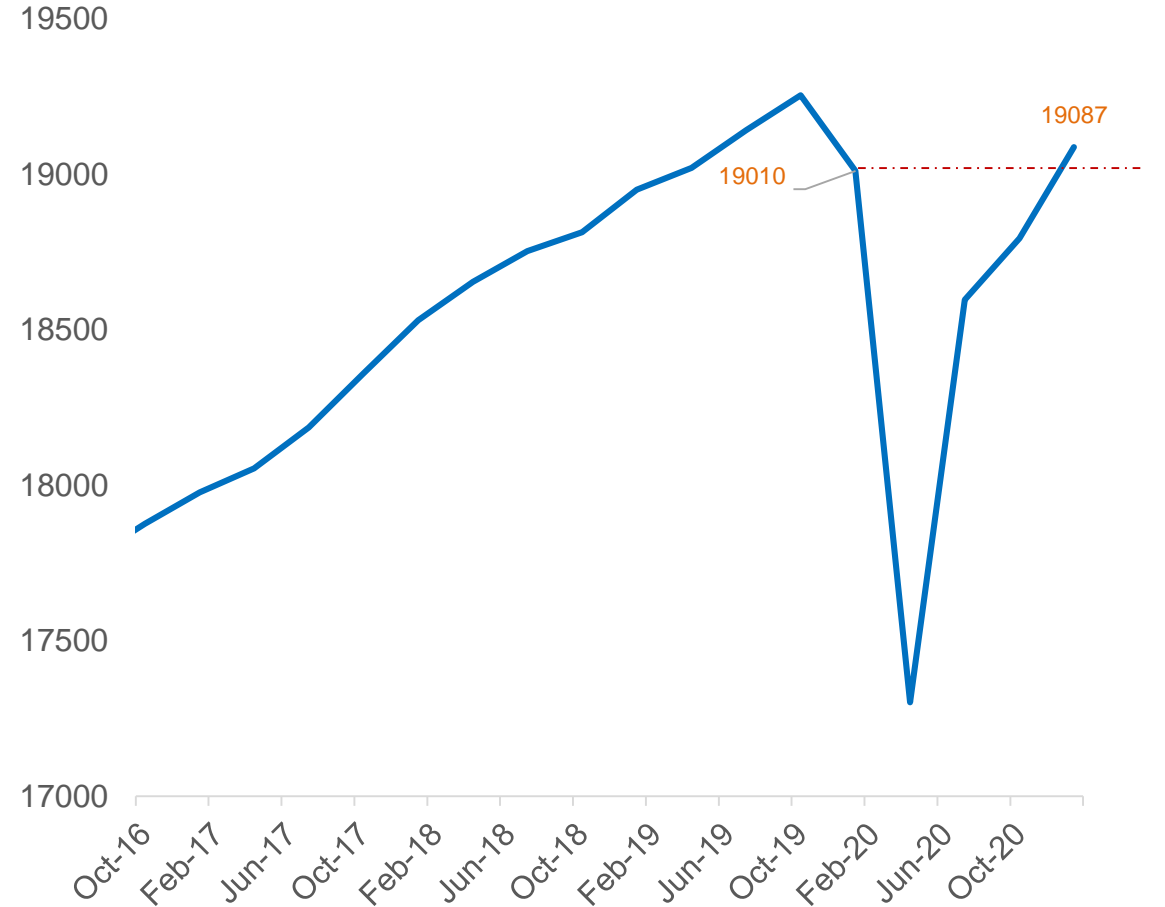
The U.S. Economy Has Recovered to Its Pre-Pandemic Level



Real GDP Growth (Annualized %)



Real GDP (Billions of Dollars, Quarterly, SAAR)



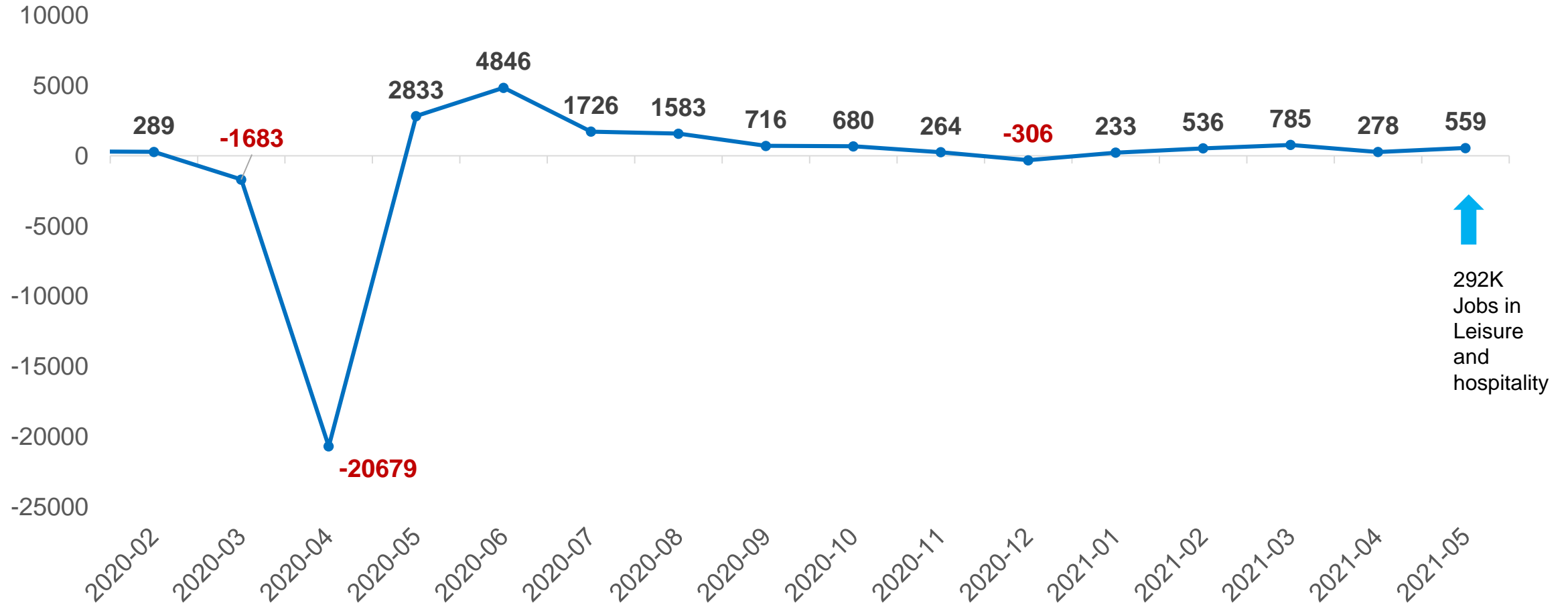
Source: Bureau of Economic Analysis; Fred Data



Labor Market Has Not Fully Recovered Yet – Still 7.6 Million Remain Unemployed



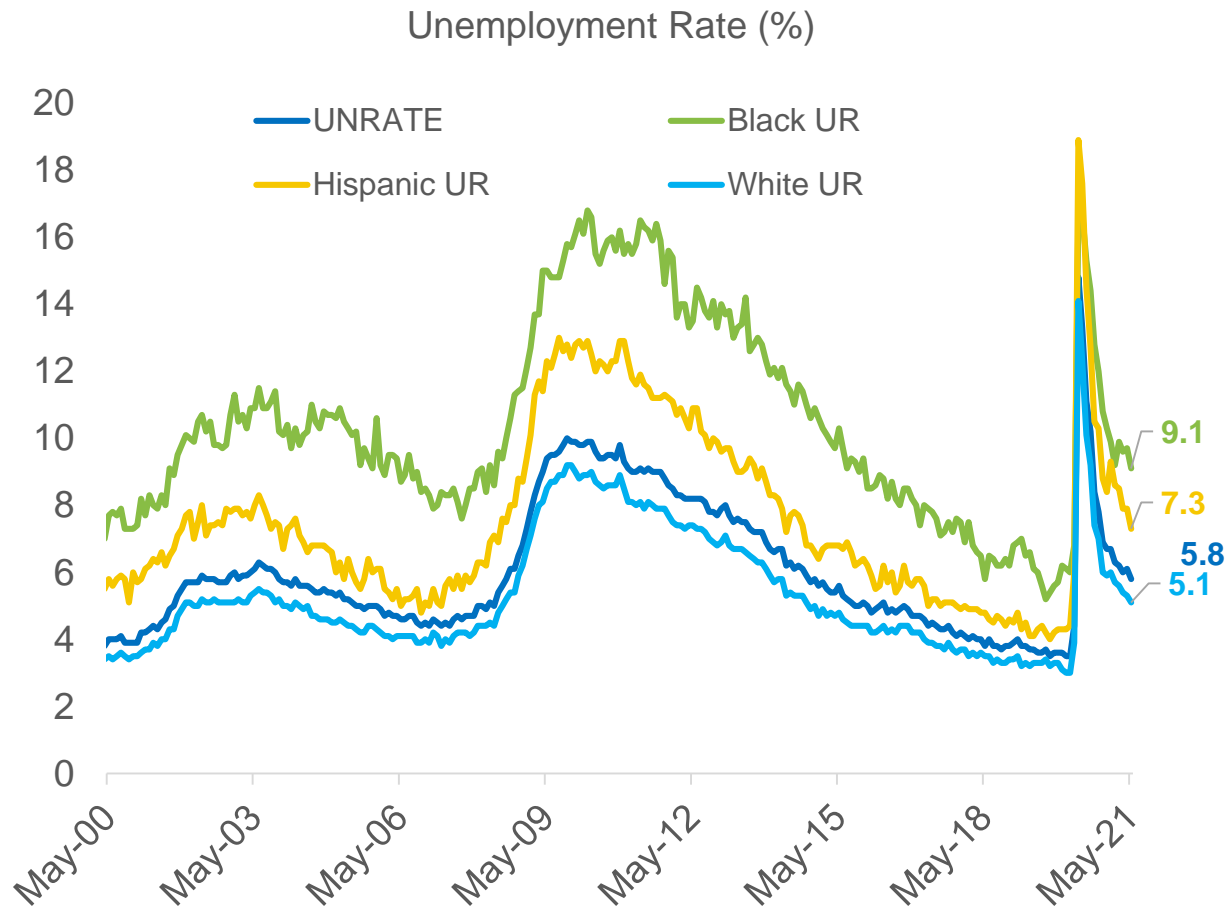
All Employees, Total Nonfarm, Change, Thousands of Persons, Monthly, Seasonally Adjusted



Source: Bureau of Labor Statistics

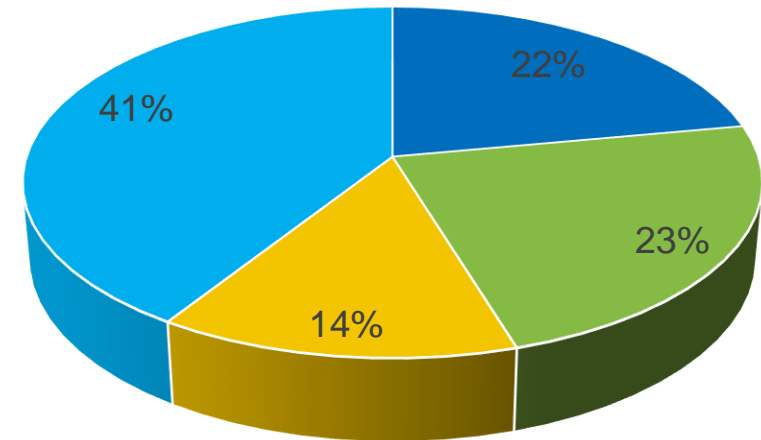


Labor Market Recovery is Uneven Across Race and Ethnicity and 41% are Permanently Unemployed



Source : BLS

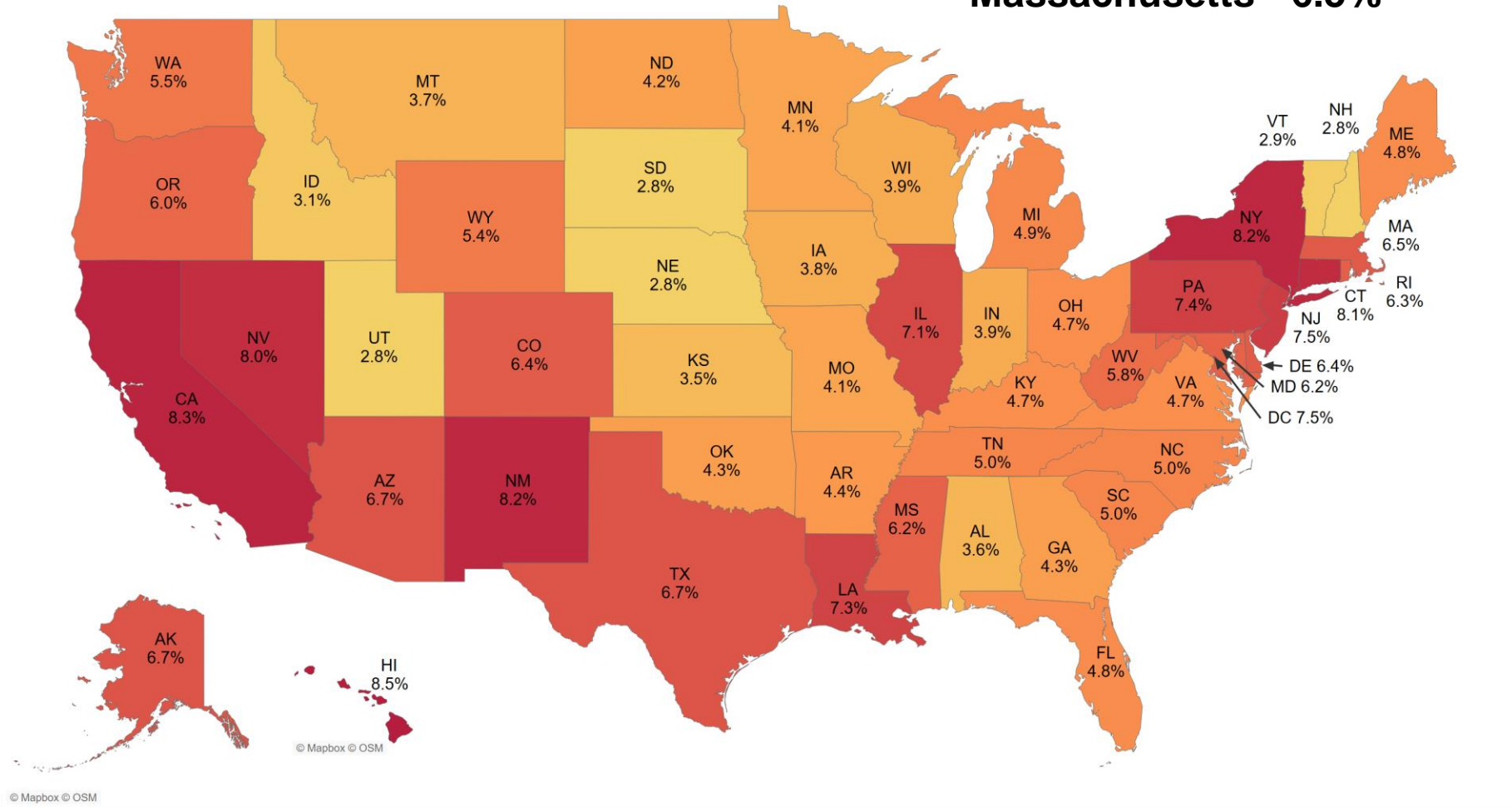
Share of unemployed by duration – May 2021



- Less than 5 weeks
- 5-14 weeks
- 15-26 weeks
- 27 weeks and more

Labor Market Recovery Varies Across States- Massachusetts Have Unemployment Rate Above The National Average

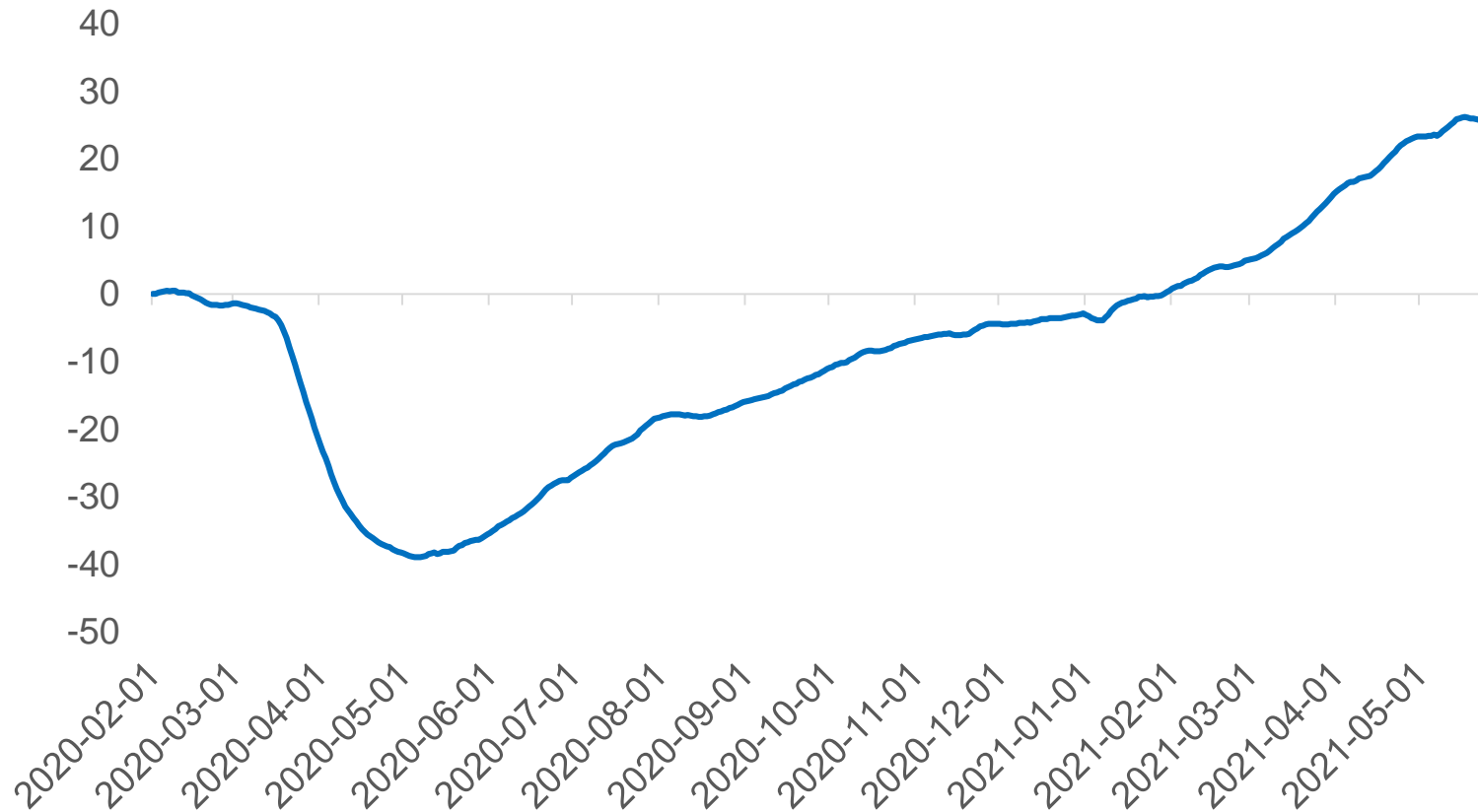
April 2021 Unemployment Rate National – 5.8%
Massachusetts- 6.5%



Massachusetts MSAs	UR
Barnstable Town, MA	6.9%
Boston-Cambridge-Newton, MA-NH	5.4%
Pittsfield, MA	7.6%
Providence-Warwick, RI-MA	5.3%
Springfield, MA	7.6%
Worcester, MA-CT	6.0%

Joblessness is Prevalent Although Job Postings are Surging

Job Postings on Indeed in the United States, Percent Change from Feb 01, 2020, Daily, Seasonally Adjusted



Source: Indeed, Fred Data

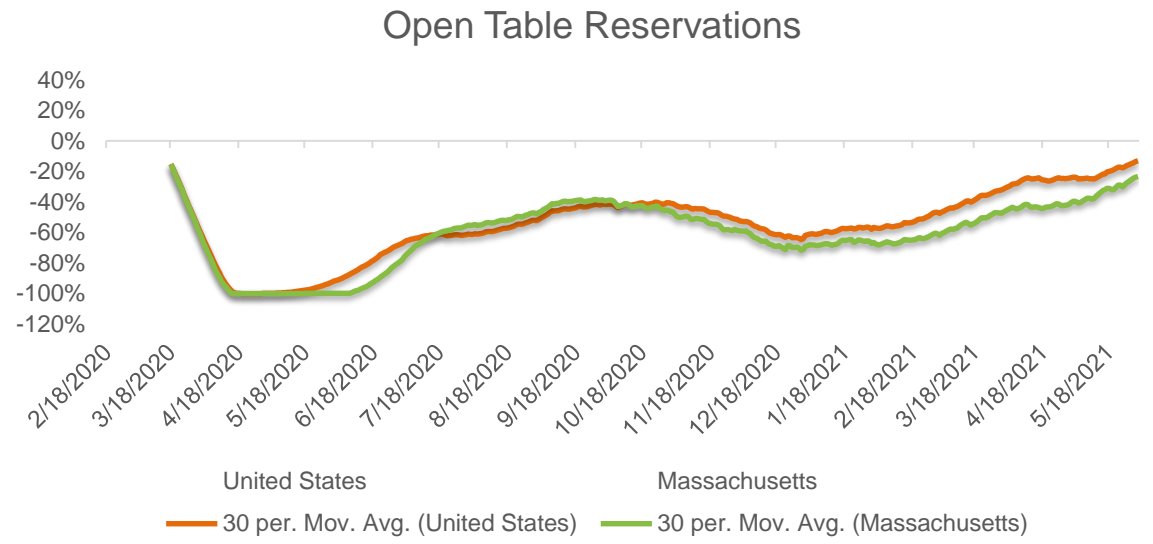
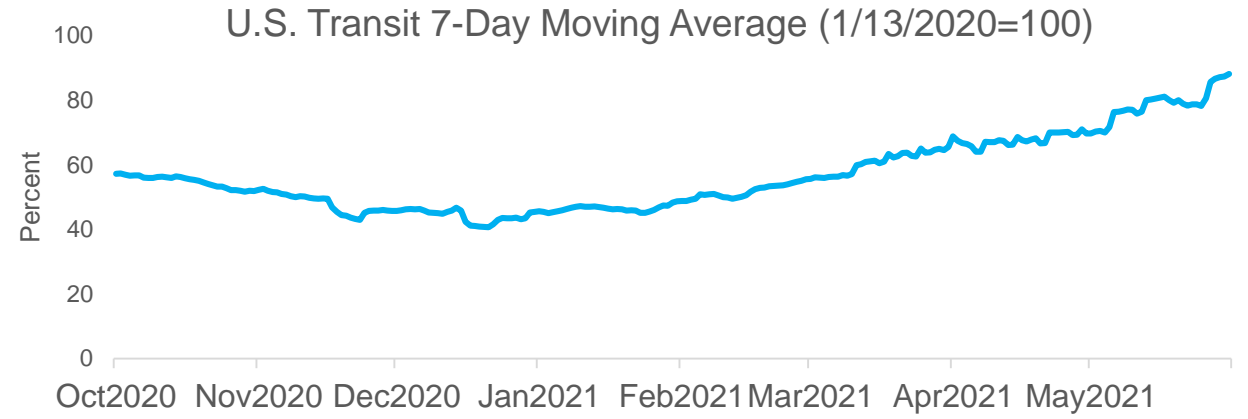
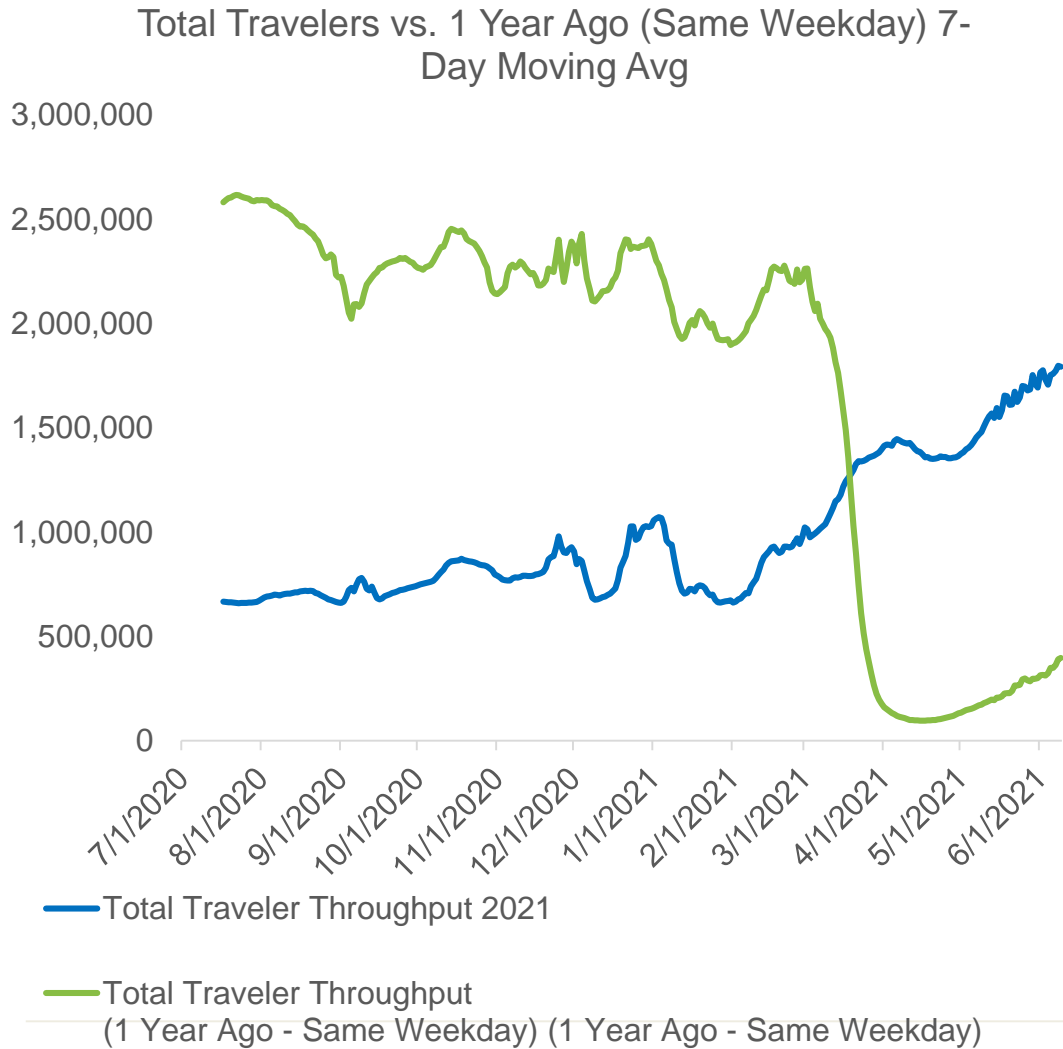
1. **Childcare** – schools are re-opening !
2. **Fear of Virus** - vaccinations increasing by day !
3. **Generous Unemployment Benefit** - 25 States plan to cancel jobless benefit starting this month – not MA
4. **Gap in Skilled Workers** – Long term !

Stimulus Led to Growth in Personal Income; Consumer Confidence is Bouncing Back



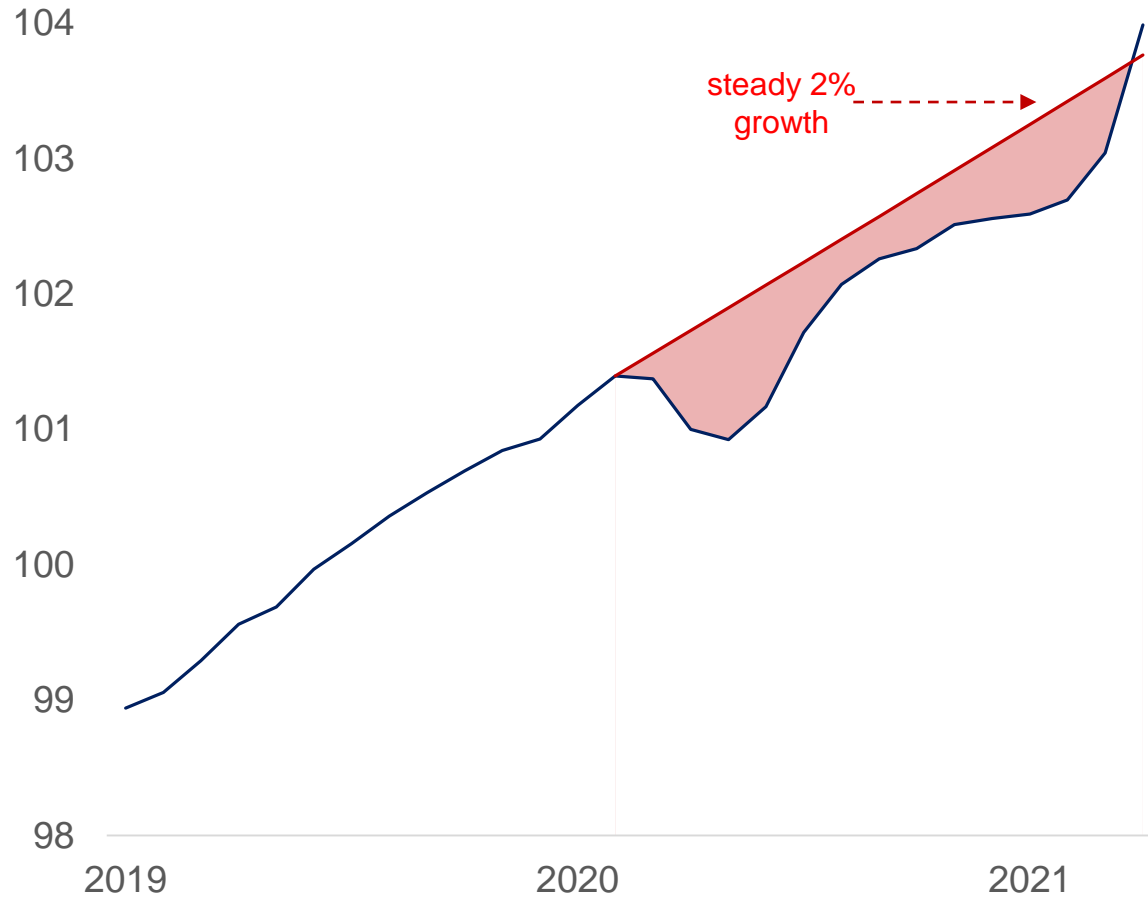
Source : BLS, Conference Board, Fred Data

Many Signs That The Economy is Coming Back to Life...



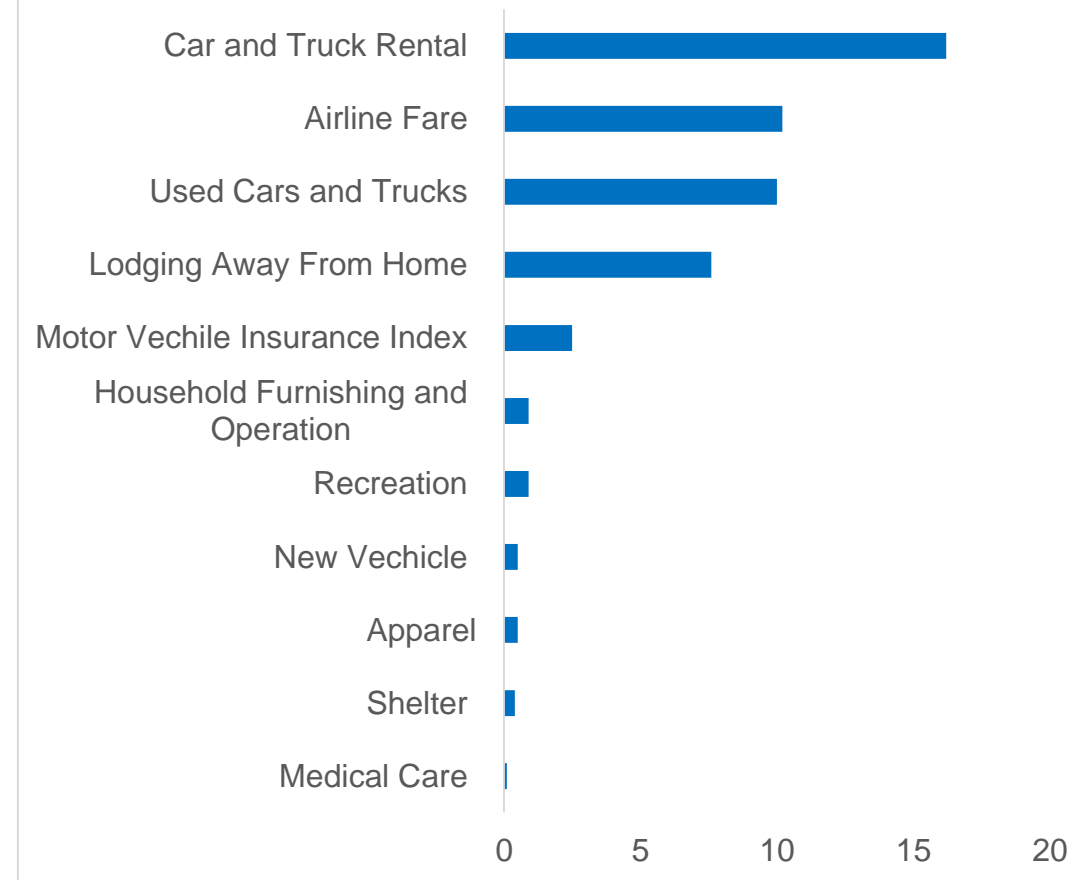
But Inflation is Too...

CPI Less Food and Shelter (Index, 2019 Avg = 100)
Source: BLS



Source: BLS

Percent Increase In April

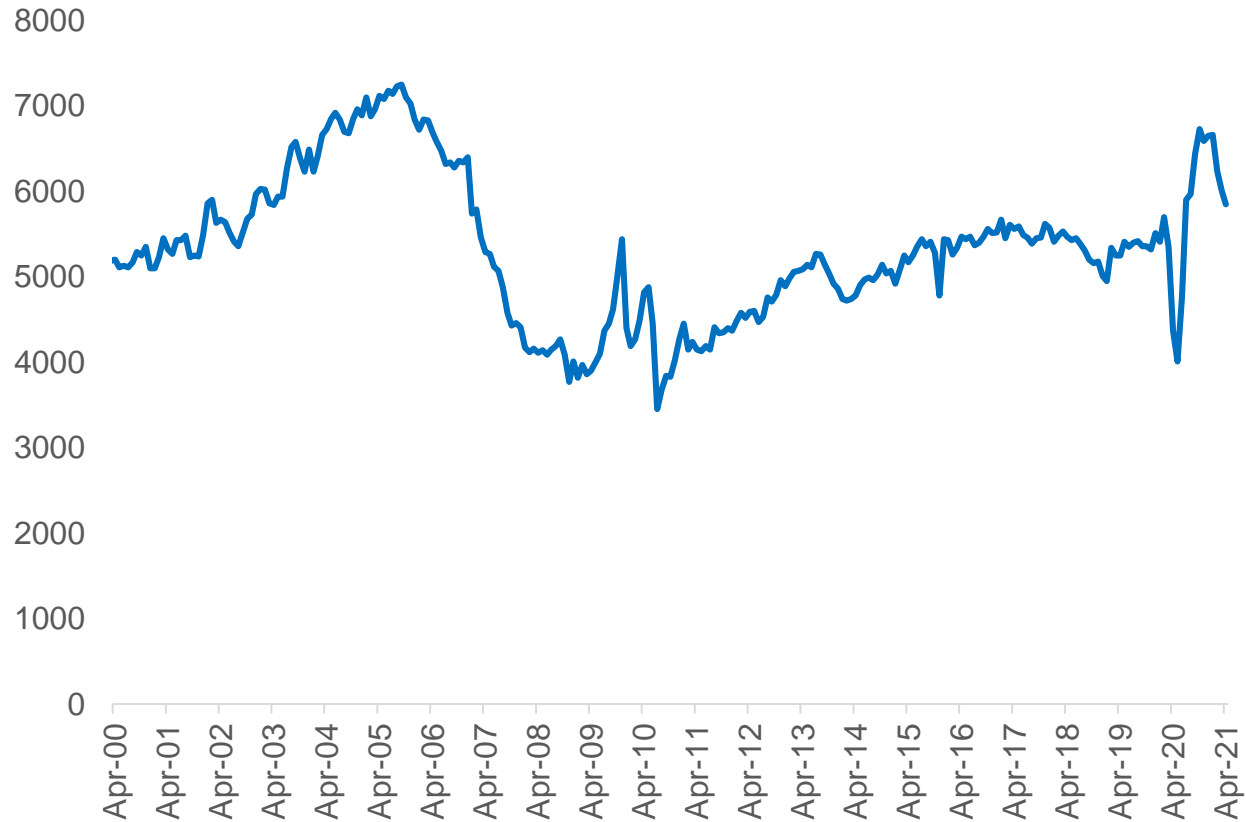


02 Housing Market Update

Home Purchase Activity is Still Remain Strong



Existing Home Sales: Single-Family & Condo & Co-op,
(Ths. #, SAAR)



New home sales: New single-family houses sold,
(Ths. #, SAAR)



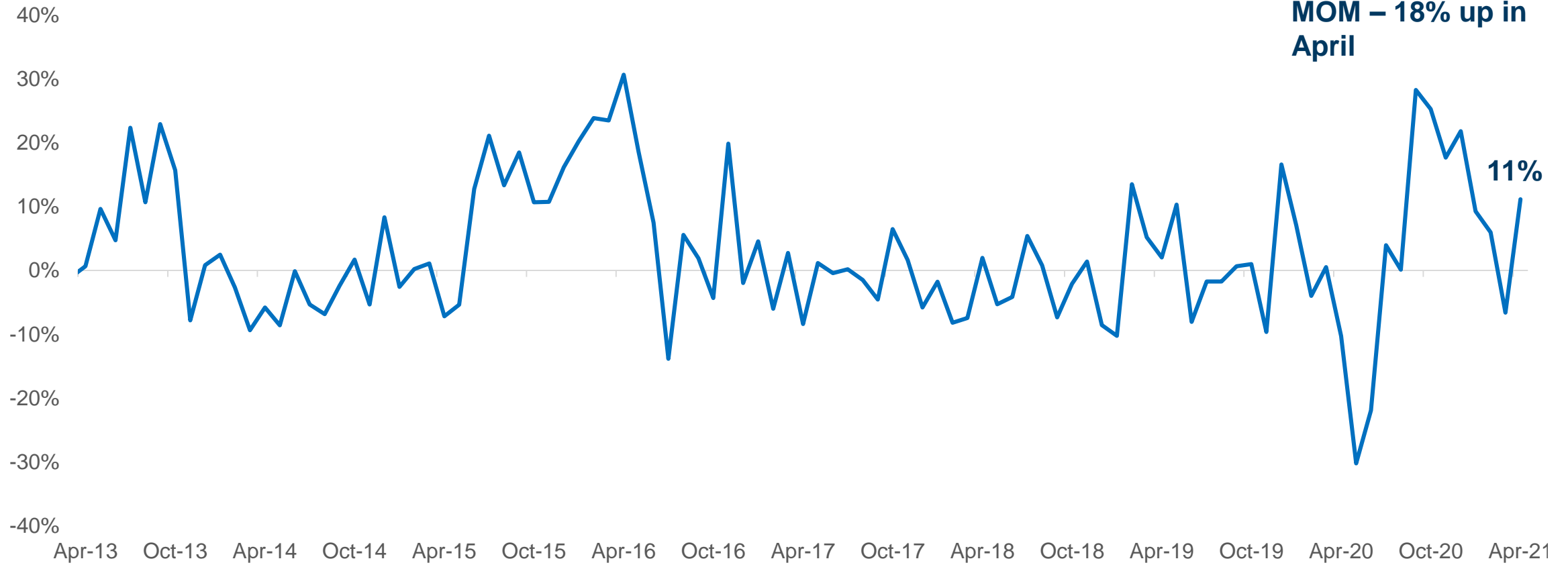
Source: National Association of Realtors (NAR), U.S. Census Bureau



Like Rest of the Country, Home Sales Are Remain Strong in Massachusetts As Well



Home Sales year-over-year % change - Massachusetts

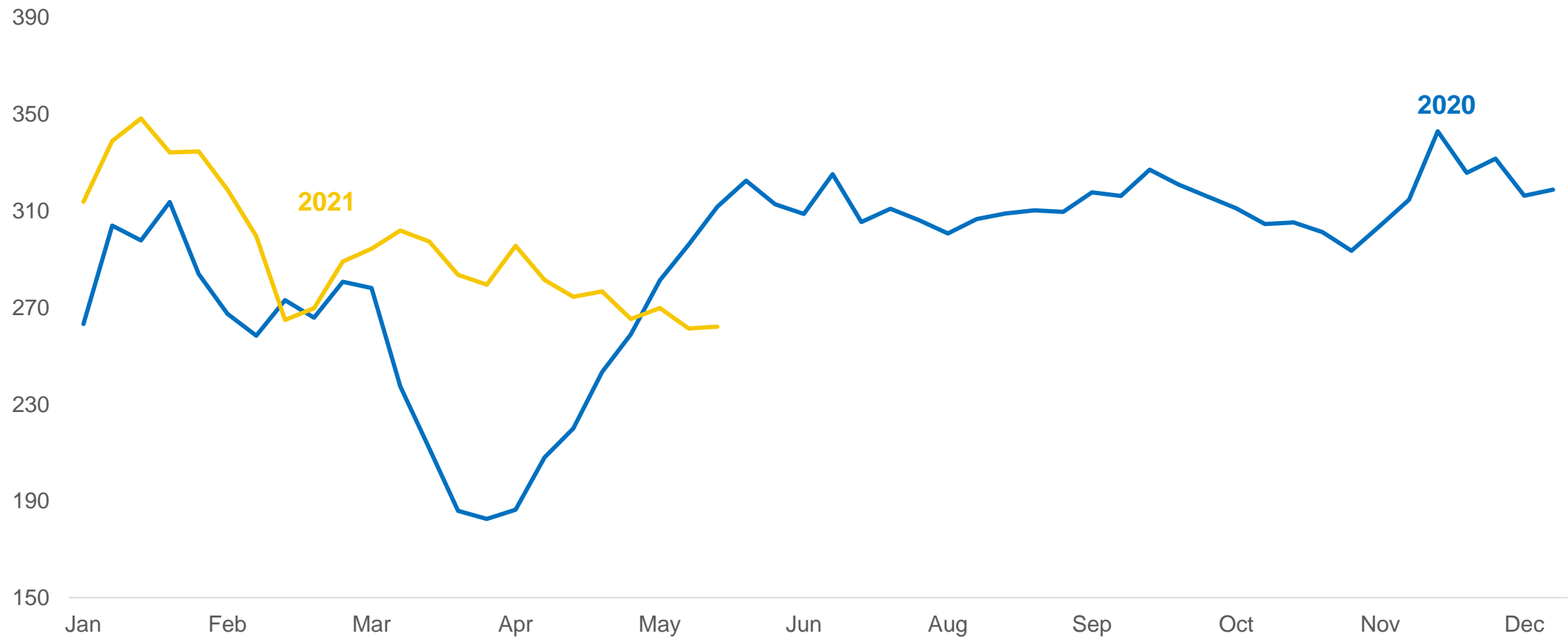


Source: Redfin

Purchase Application Activity Retreating to Pre-pandemic Levels



Purchase Application Index, SA
(Weekly)



Source: MBA, Purchase Mortgage Application Survey

Rates Have Risen From the Historic Lows ...Buyers More Sensitive to Rate Increase Now Than in The Past



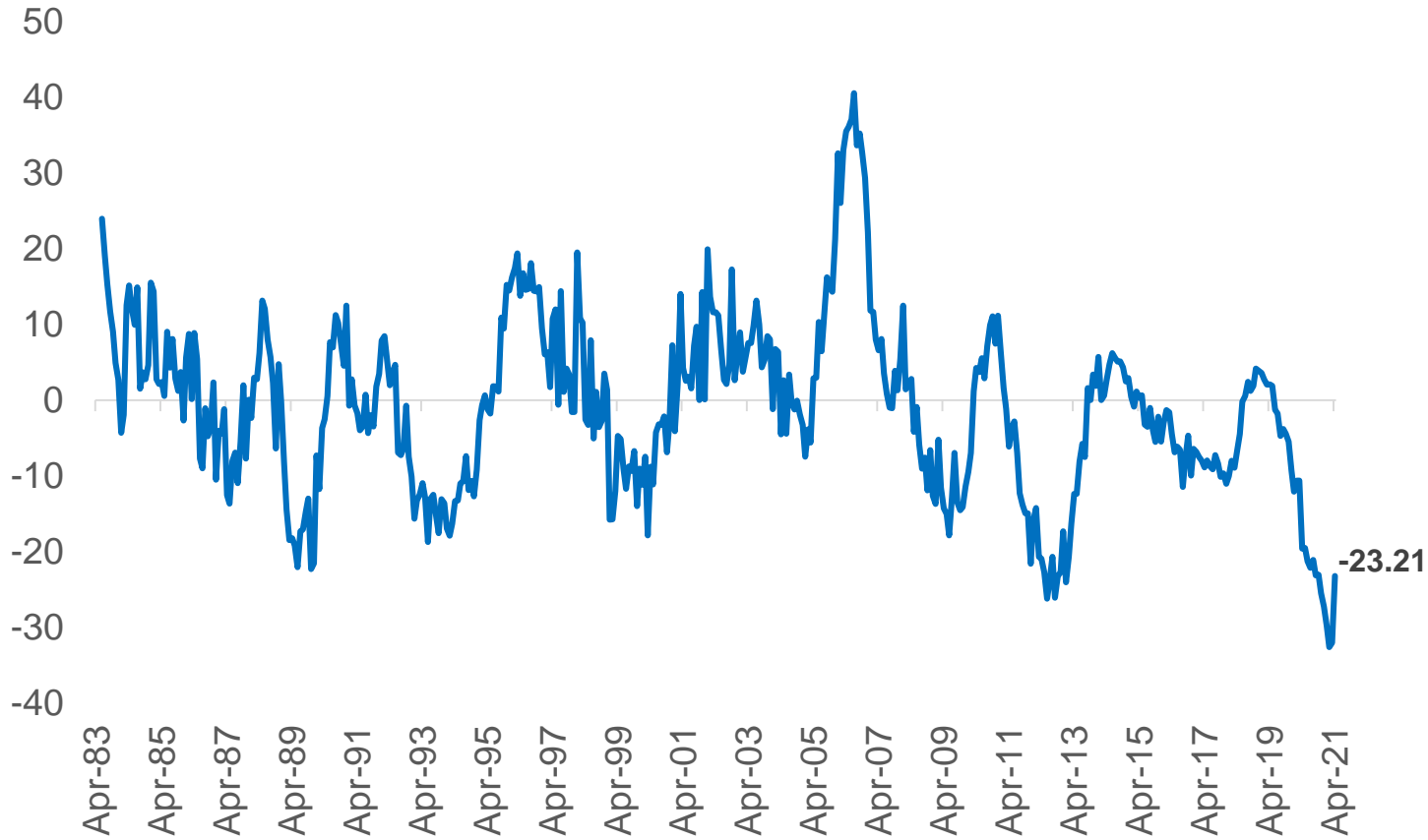
30-Year Fixed Rate Mortgage Rate
U.S. weekly averages as of 6/10/2021



Source: Freddie Mac Primary Mortgage Market Survey

Inventory for Sale has Reached the Lowest Levels Since the 80's

Single-family homes available for sale, (yoy % change)



Inventory YoY - Massachusetts

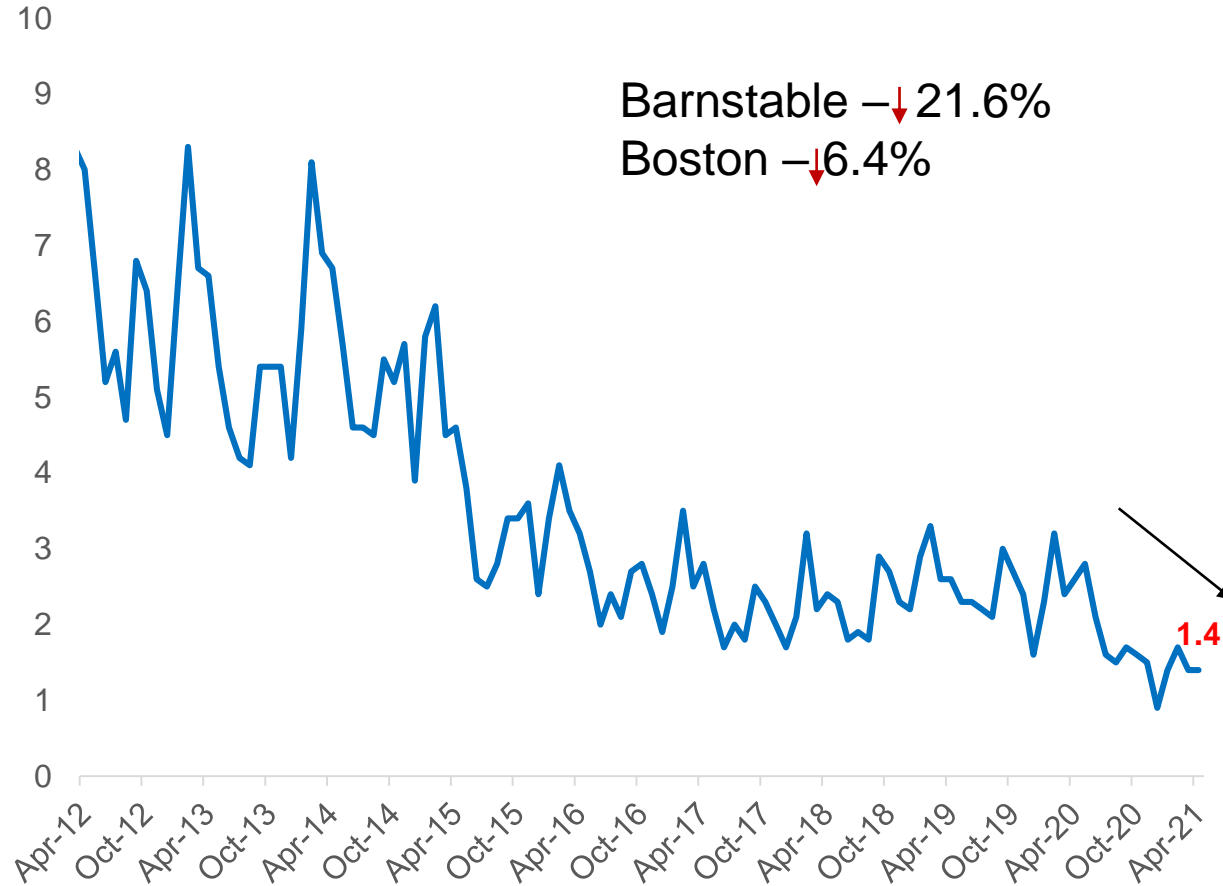


Source: NAR, U.S. Census Bureau
 Note: Excludes condo and co-ops

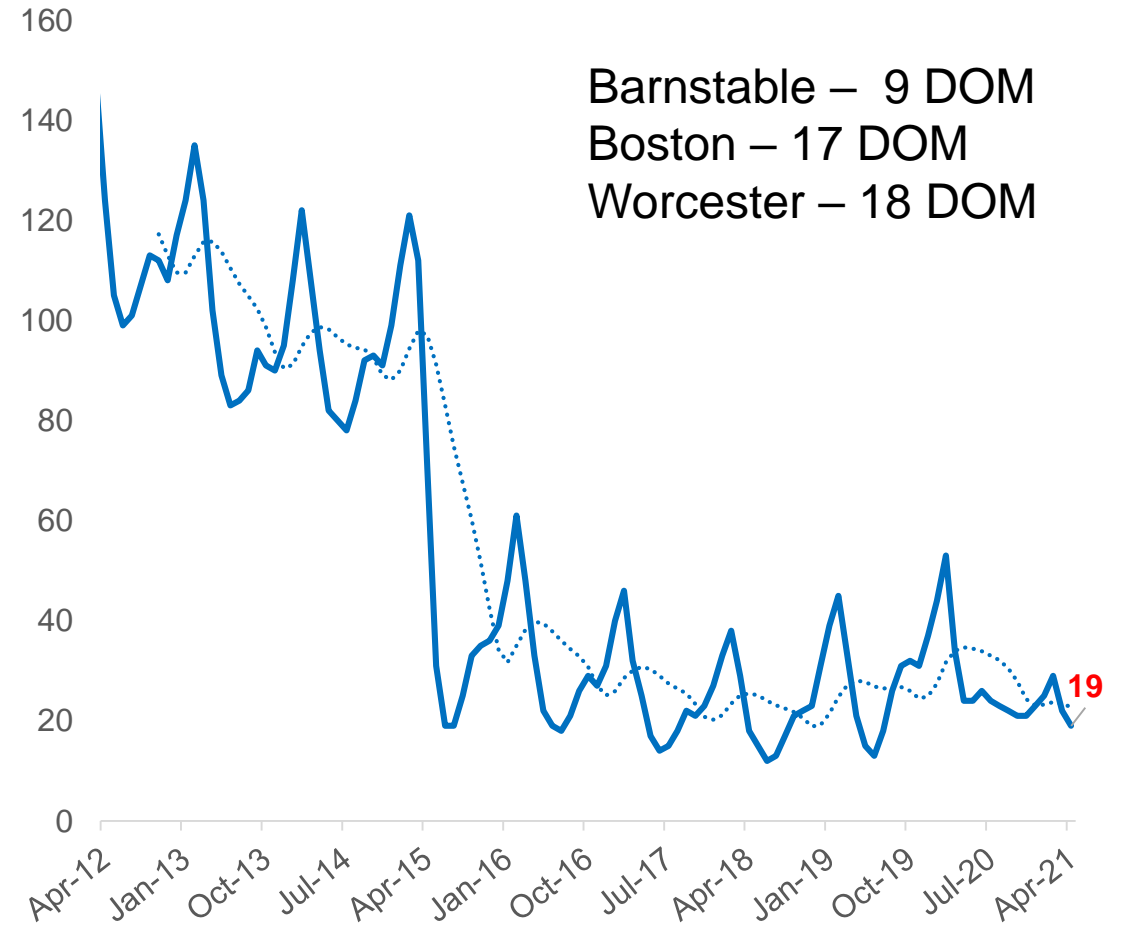
Massachusetts Has Less Than Two Months of Supply and Days On Market is At Less Than Twenty



Massachusetts - Month's Supply



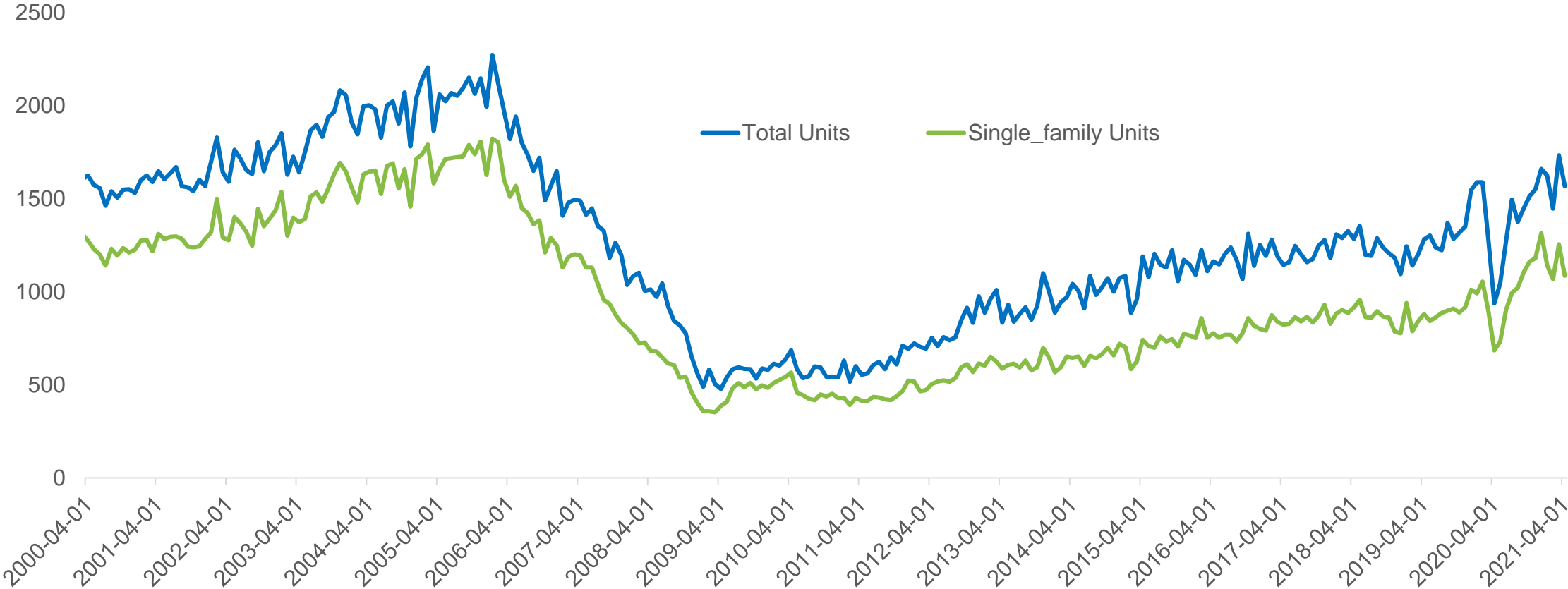
Massachusetts- Days on Market



New Home Construction is Lagging Behind



New Privately-Owned Housing Units Started: Thousands of Units, Monthly, Seasonally Adjusted

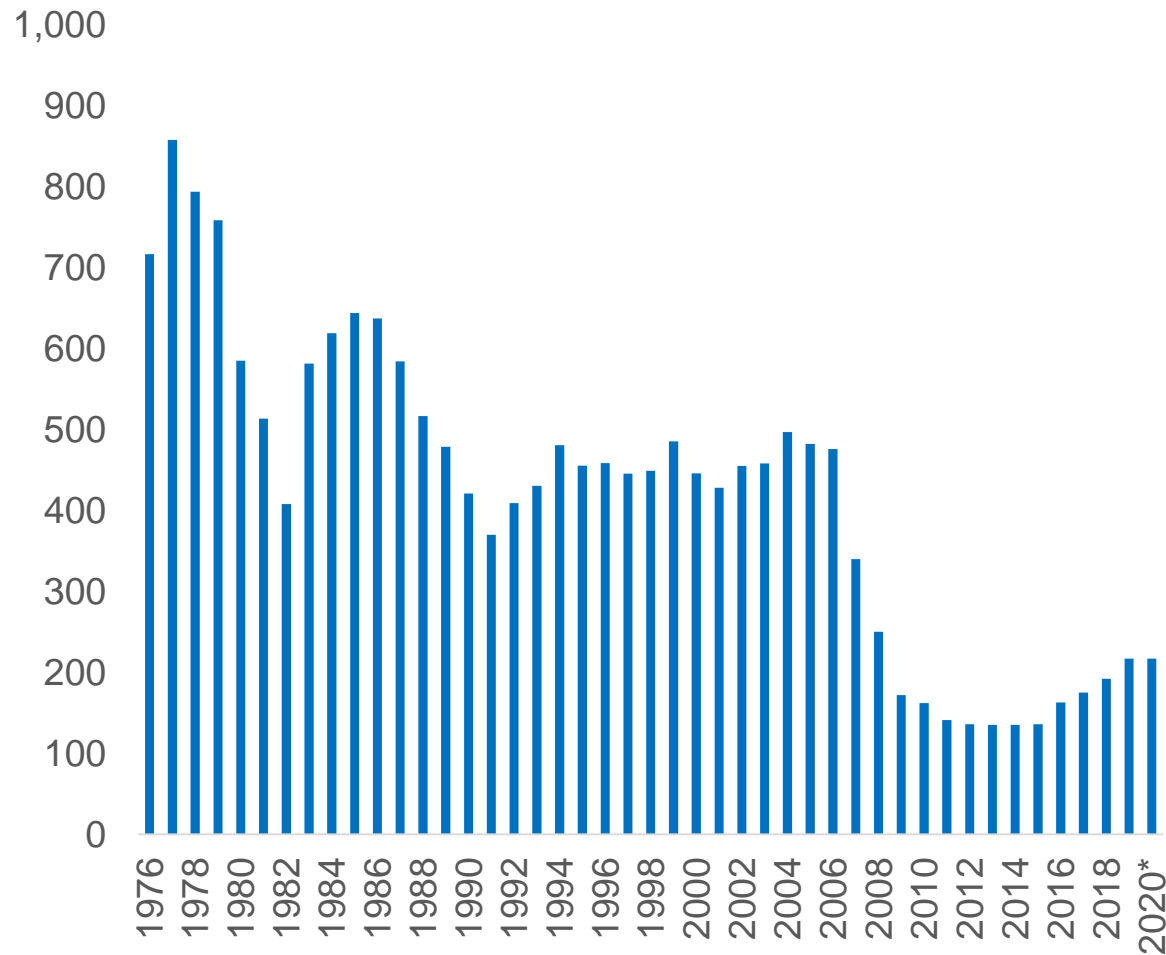


Source: US Census Bureau; Fred data

Construction of Entry Level Homes at Near 45 Year Lows

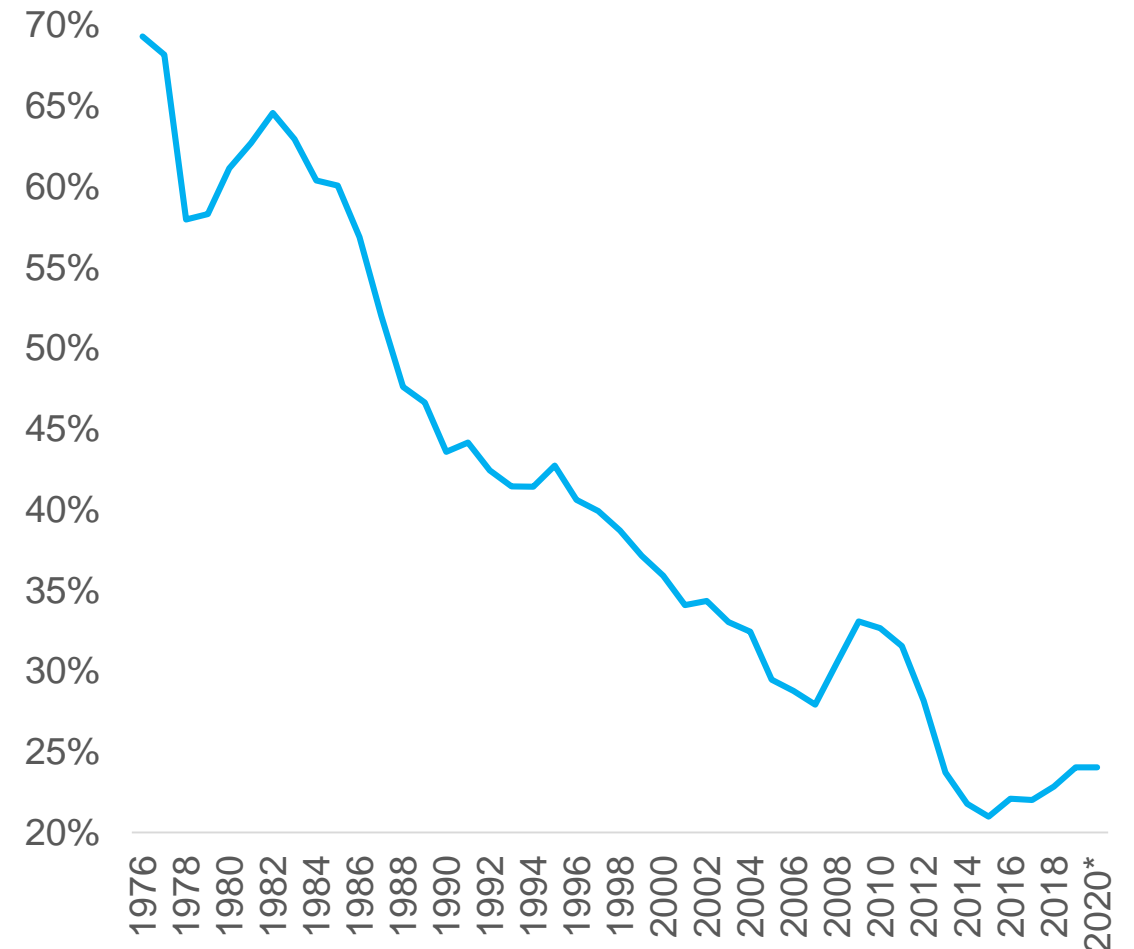


Entry-Level Home Construction (Number in Ths.)
Number of New Homes Constructed Below 1,400 Square Feet



Source: US Census Bureau

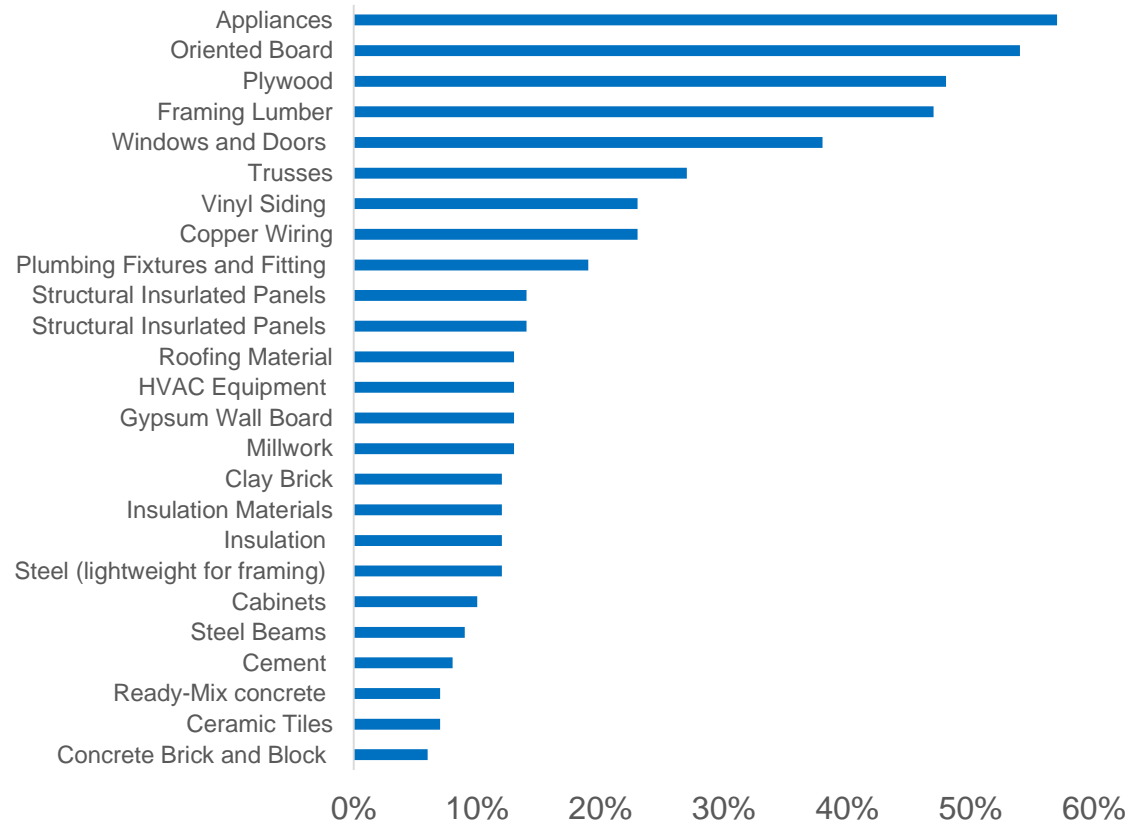
Entry-Level Construction (Percent)
Percent of New Homes Below 1,400 Square Feet



Builders Reporting Material Shortages and Prices Taking Off

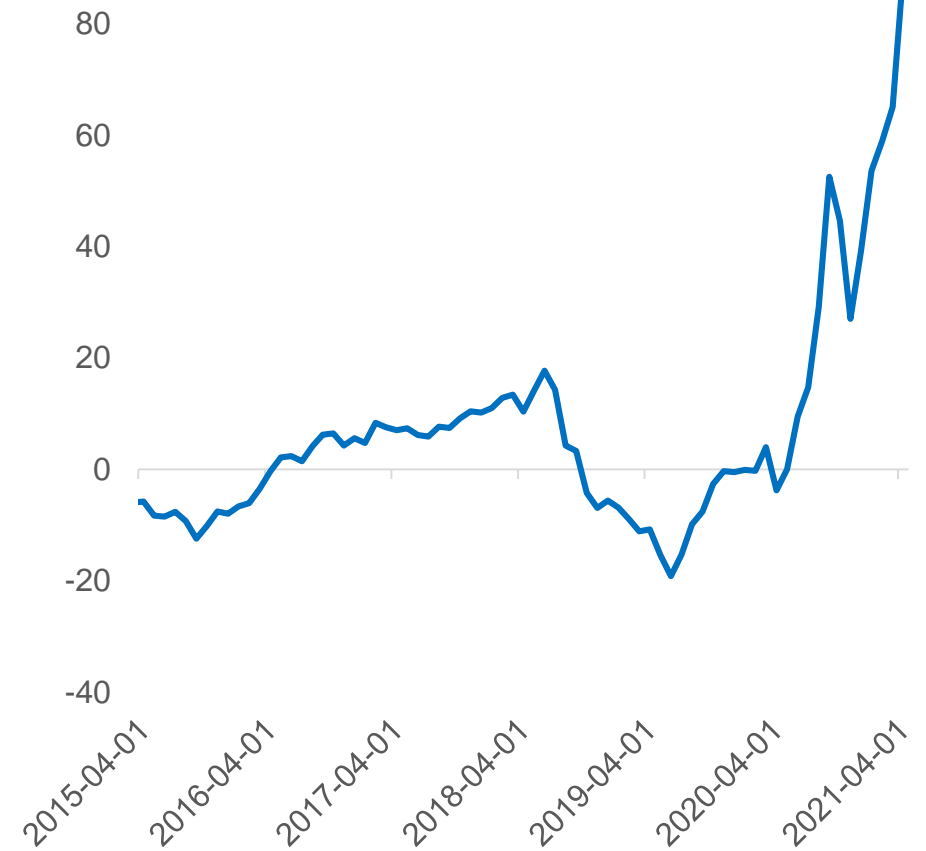


Builders Reporting Serious Shortage in May
(percent of Builders who purchase the material)

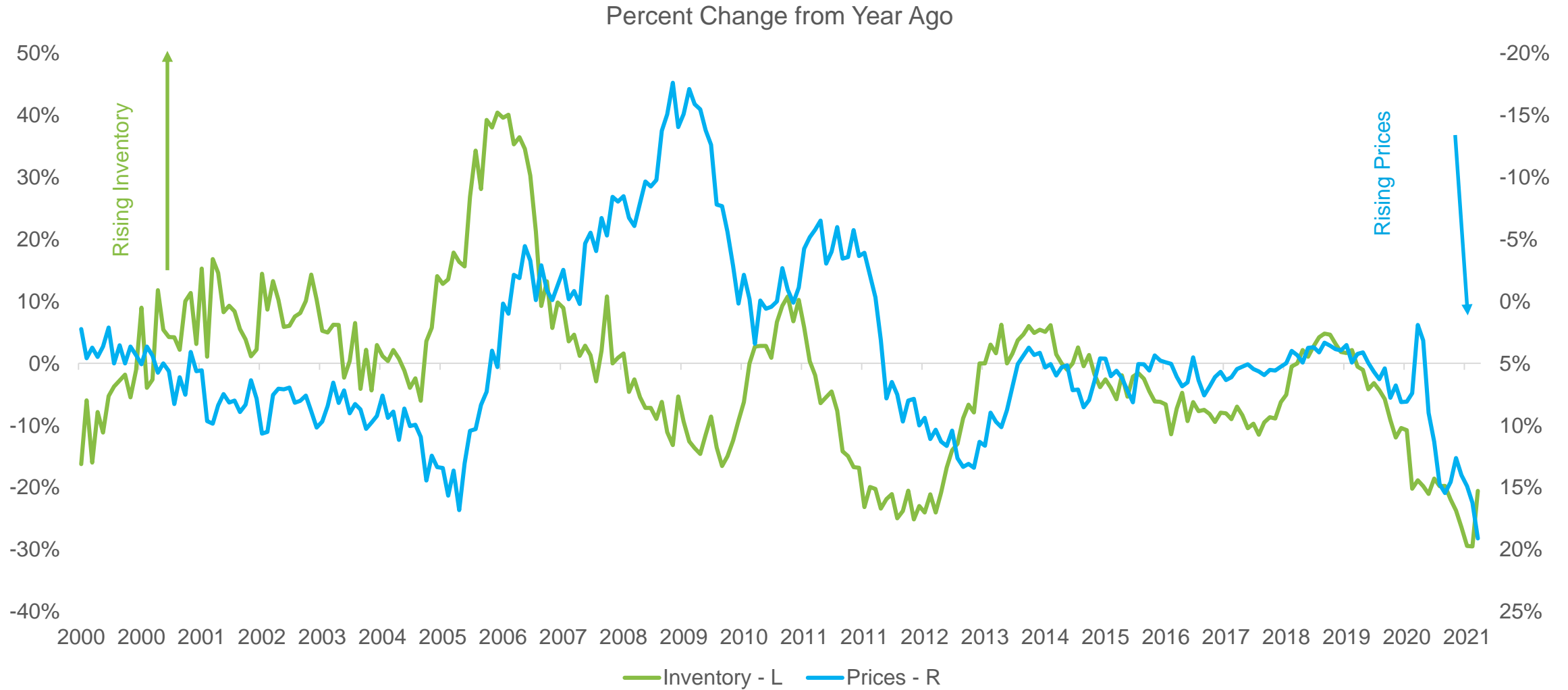


Source: NAHB

Lumber and Wood Products: Percent 100 Change from Year Ago, Monthly, Seasonally Adjusted



Rapidly Declining Inventory Causes a Surge in Prices

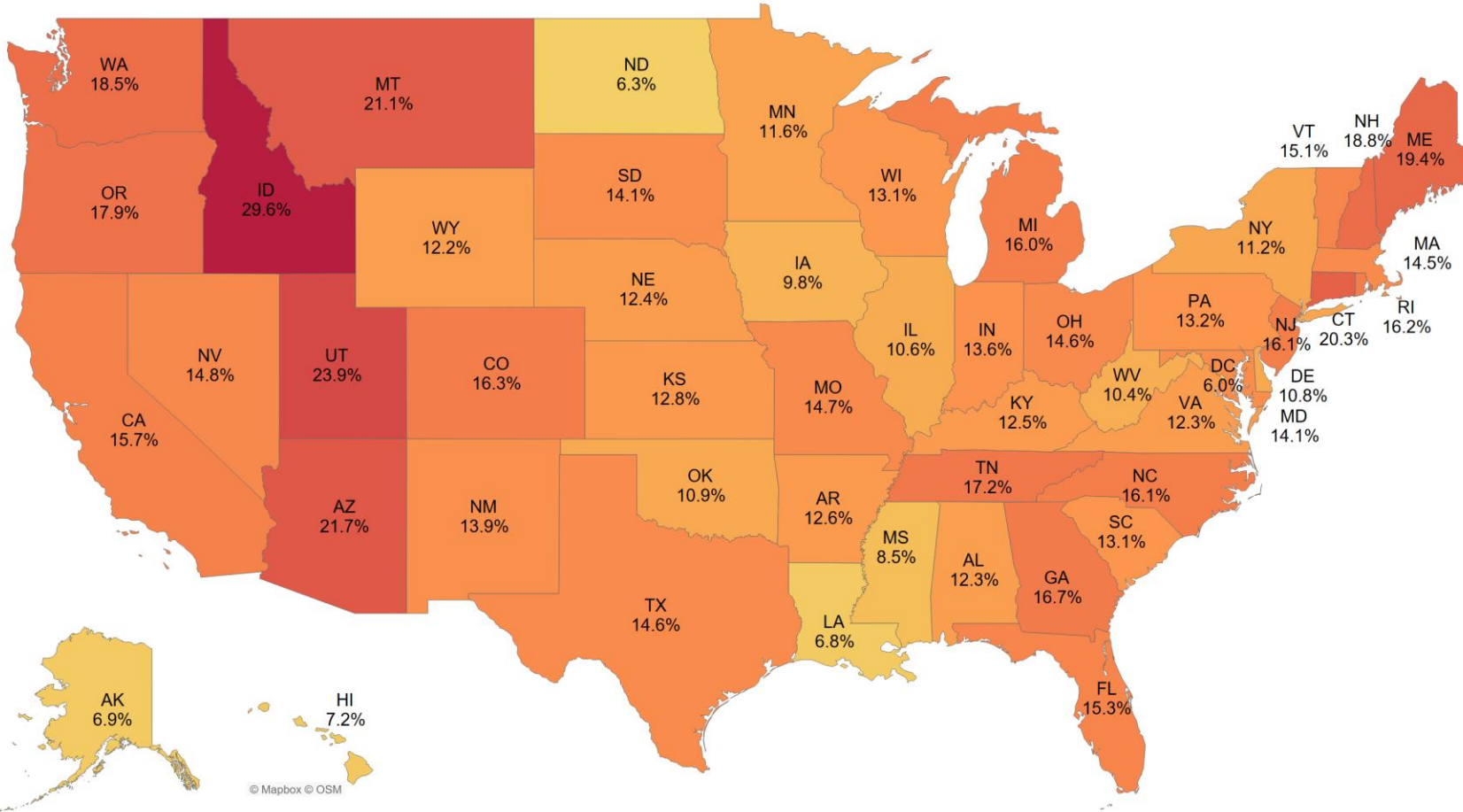


Source: Freddie Mac and NAR

Home Prices Are Up Significantly on Tight Inventory



April 2021 FMHPI YoY Growth - National 15.3%

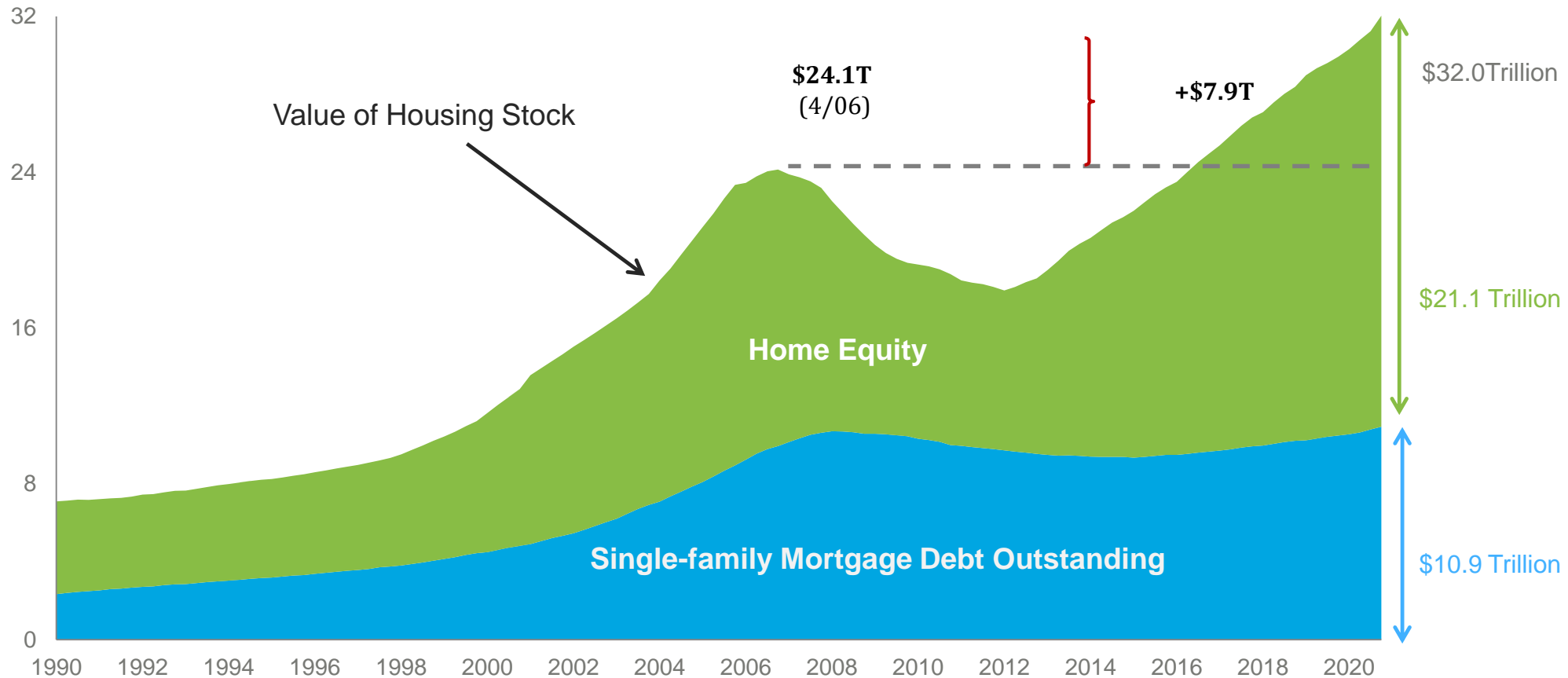


Massachusetts MSAs	YoY HPA
Barnstable Town, MA	16.8%
Boston-Cambridge-Newton, MA-NH	13.8%
Pittsfield, MA	16.7%
Providence-Warwick, RI-MA	16.8%
Springfield, MA	15.4%
Worcester, MA-CT	17.8%

Rising Home Prices Help Build Equity For Homeowners But For Prospective Buyers Affordability is Exacerbated



Total housing value now \$7.9T above previous 2006 peak



Note: Value of U.S. housing stock includes homes with and without underlying mortgages. U.S. home equity is the difference between the value of the U.S. housing stock and the amount of U.S. single-family mortgage debt outstanding.

Source: Federal Reserve Board's Financial Accounts of the United States, Table B. 101. Data as of Dec 31, 2020.

- Economy has recovered to pre-pandemic level, but labor market is still struggling
- Fear of inflation is growing
- Housing market remain hot but seeing some signs of slowdown in purchase application
- Home prices are up on low inventory which is adding equity to homeowners but affordability challenges to prospective buyers

Thank You !