

Top Market Themes Q1 2022

Market Research and Insights

April 2022





Macroeconomic Outlook

- Covid cases subside, but risks remain
- Economic growth to moderate on waning stimulus and geopolitical uncertainty
- Labor market continues to remain strong
- Inflation hit 40 years high and show no signs of a slowdown; will likely remain elevated



Housing & Mortgage Market Outlook

- Rates up 1.5% over the last one year; had the largest one year increase this century
- Refinance volumes set to decline on rising rates
- Purchase demand remains stable as we enter spring home buying season
- Home prices remain high as the housing inventory shortage continues



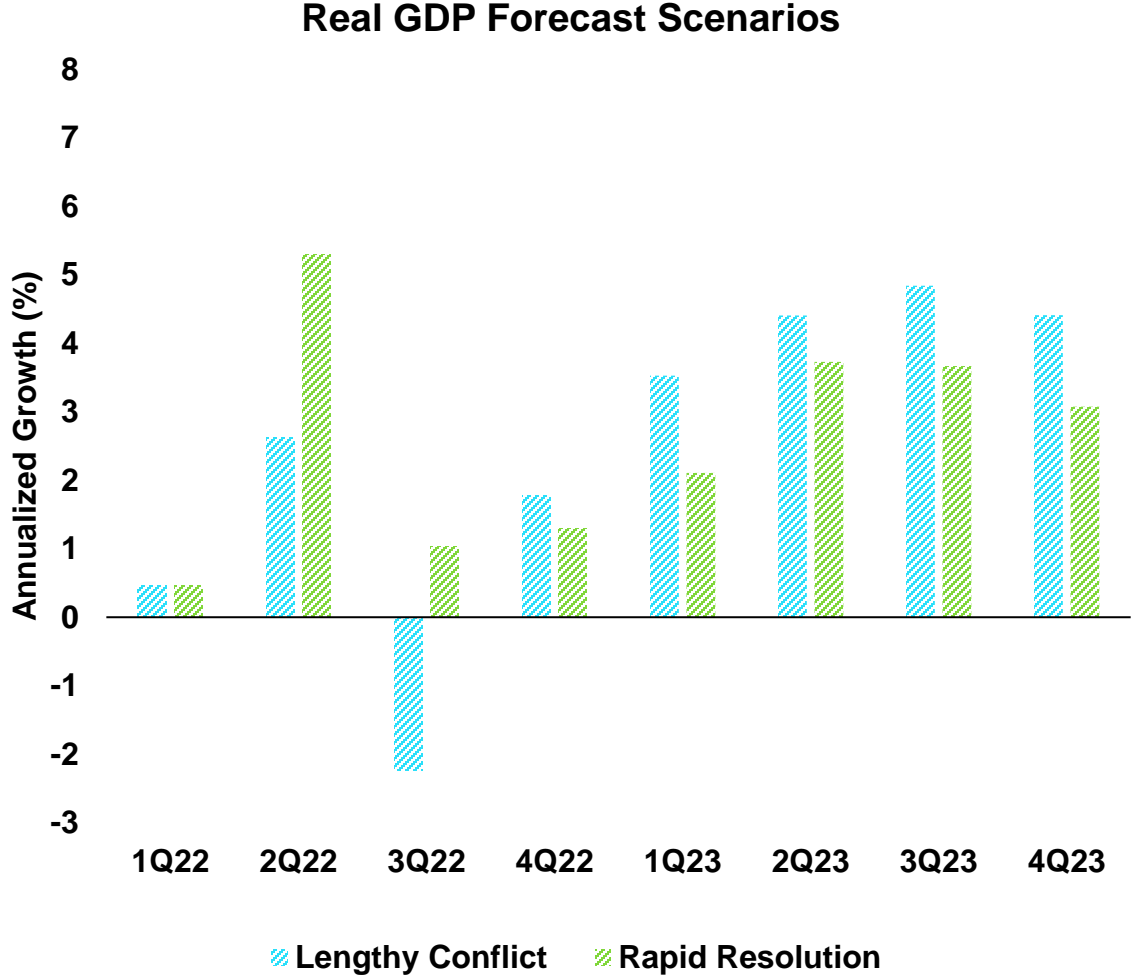
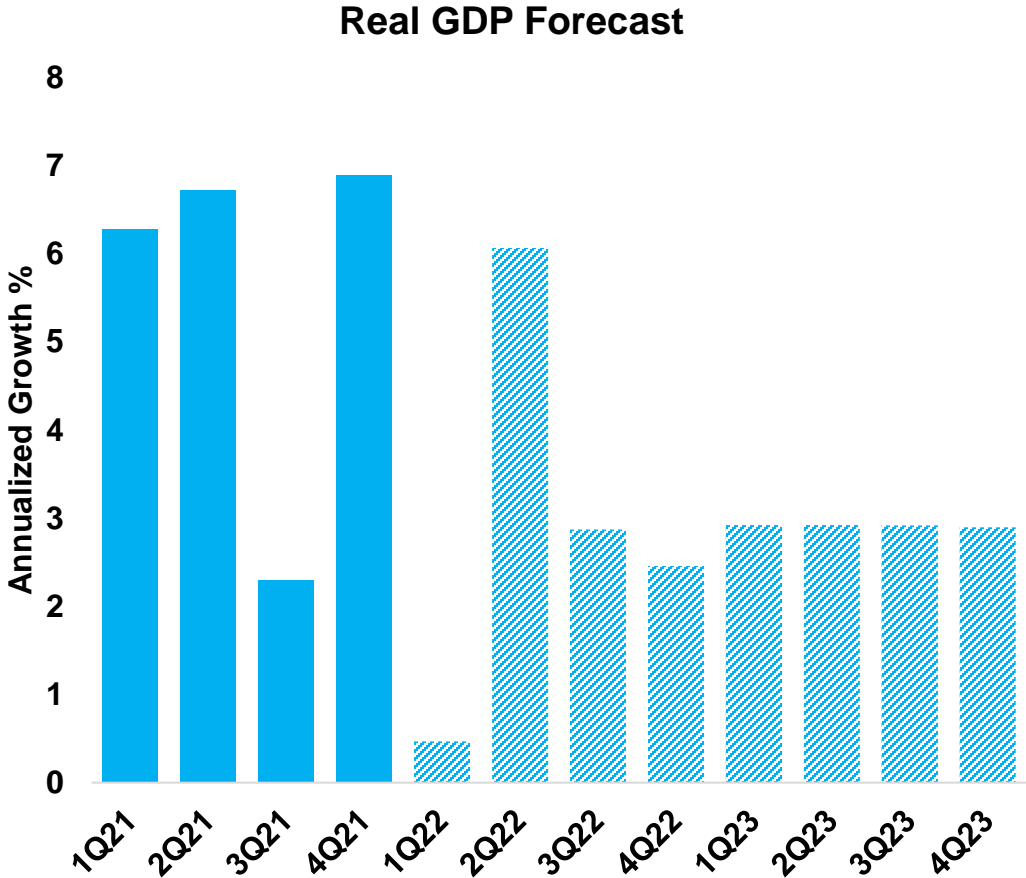
Delinquencies & Foreclosures

- Delinquencies remain low
- Forbearance and other policies have eliminated foreclosures



Macroeconomic Outlook

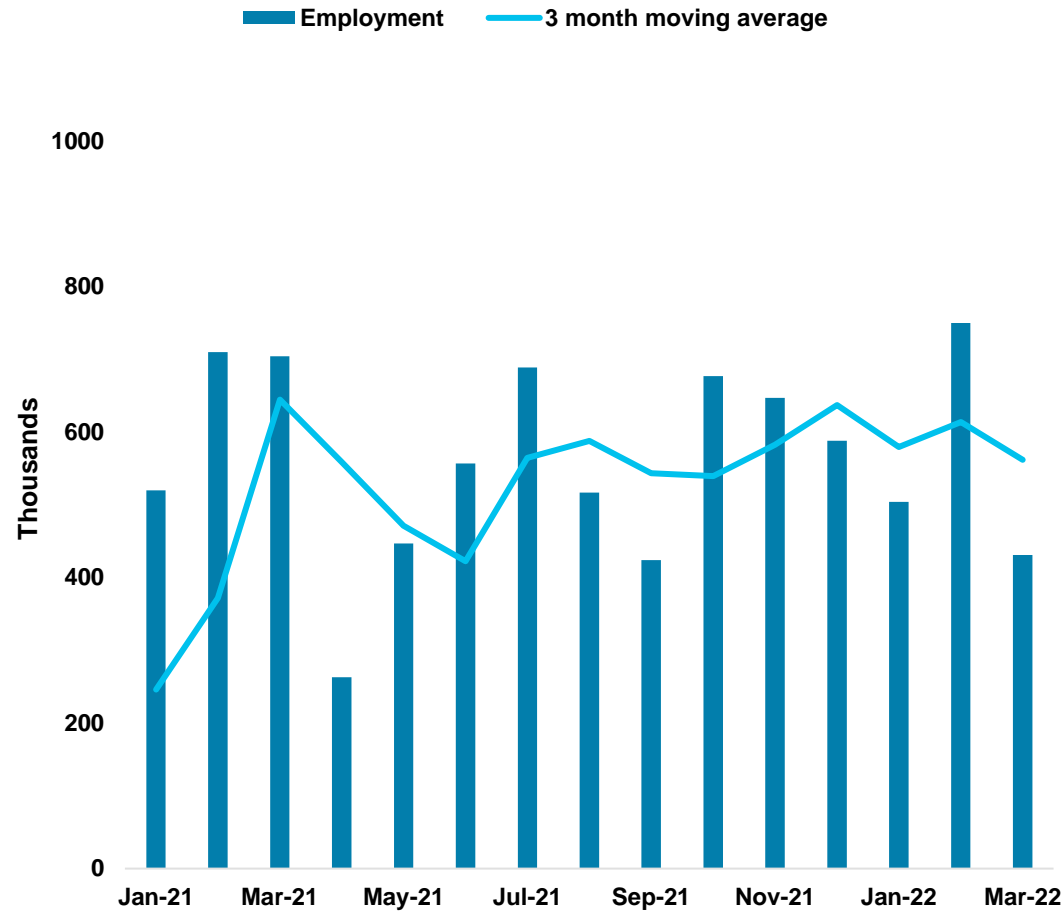
Economic Growth Expected to Moderate in 2022 as Stimulus Wanes



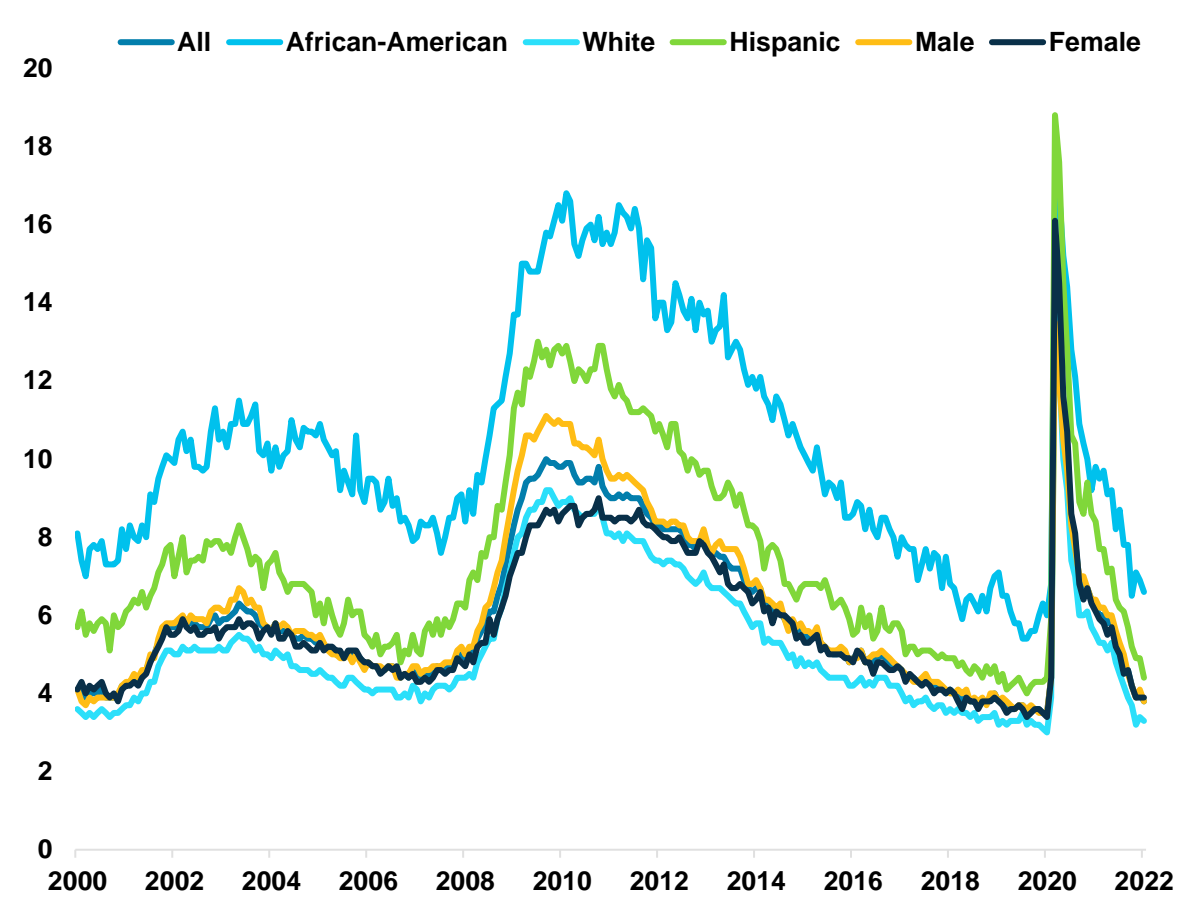
Source: BEA; Moody's Analytics, Bloomberg
 Note: Shaded bars are forecasts from Moody's Feb baseline

Labor Market Recovery Strong; Unemployment Rate at 3.6%

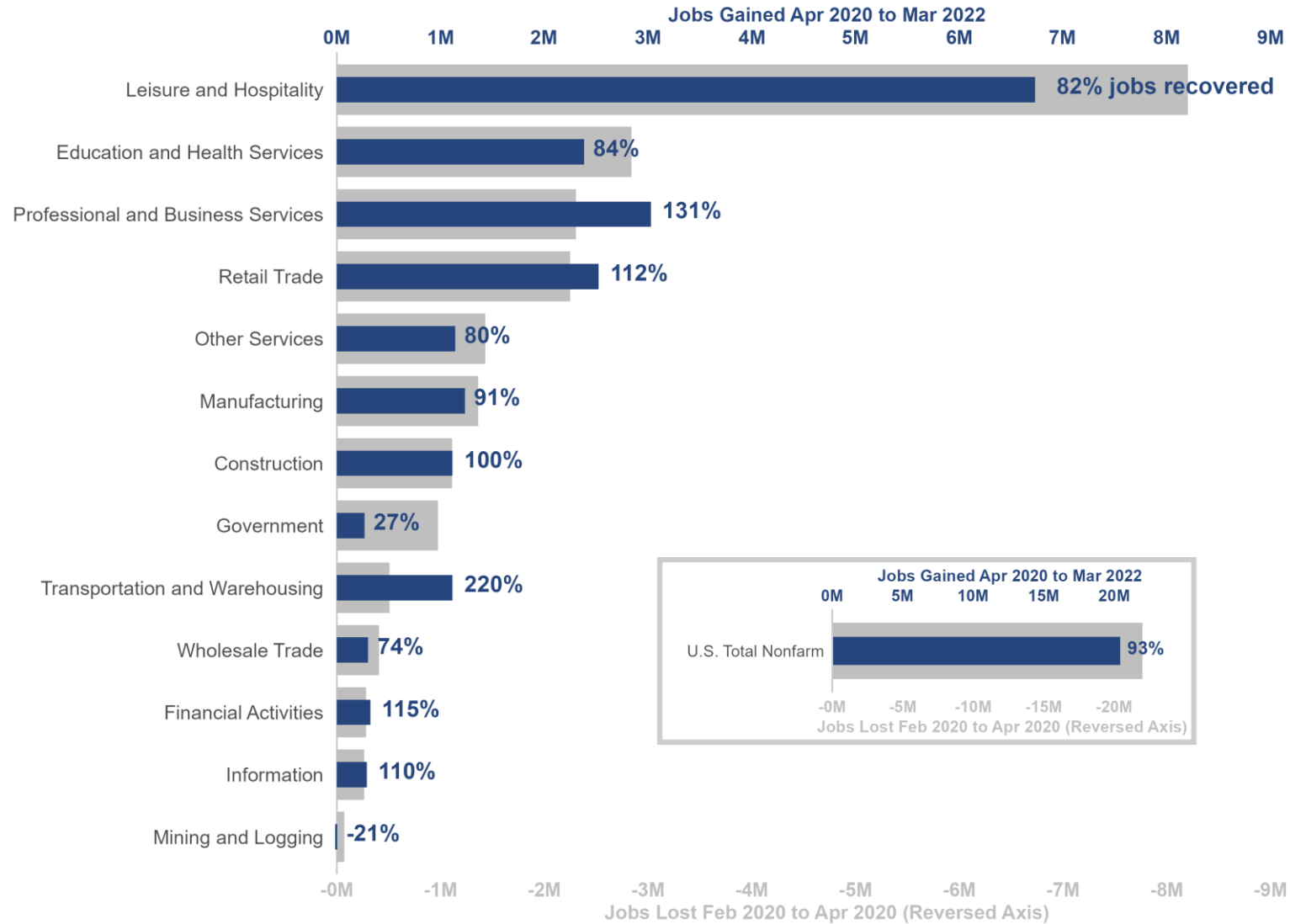
Nonfarm Payroll Jobs (Monthly Change M's)



Unemployment Rate (%) by Race and Ethnicity



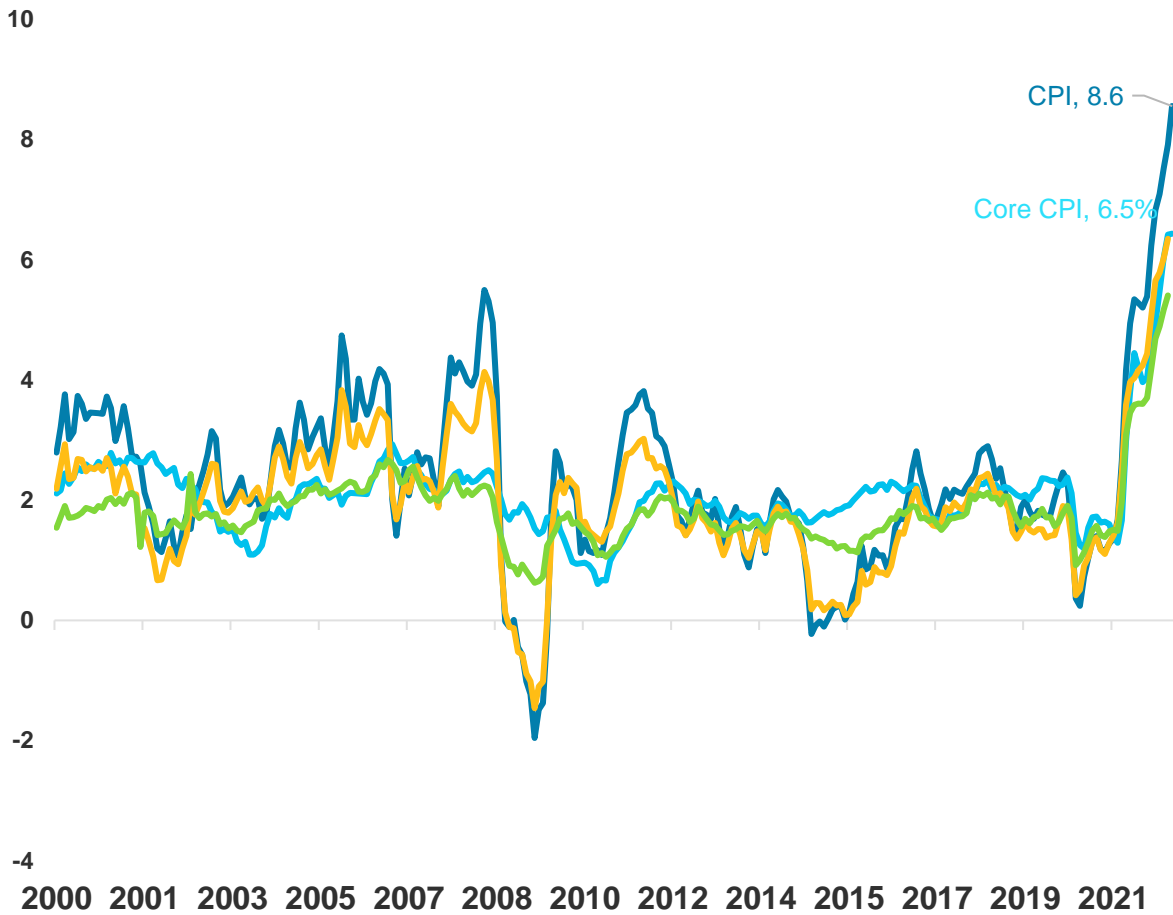
1.6 million still out of work even as 93% of jobs have been recovered so far



Inflation is Rapidly Rising with No Signs of Cooling Down

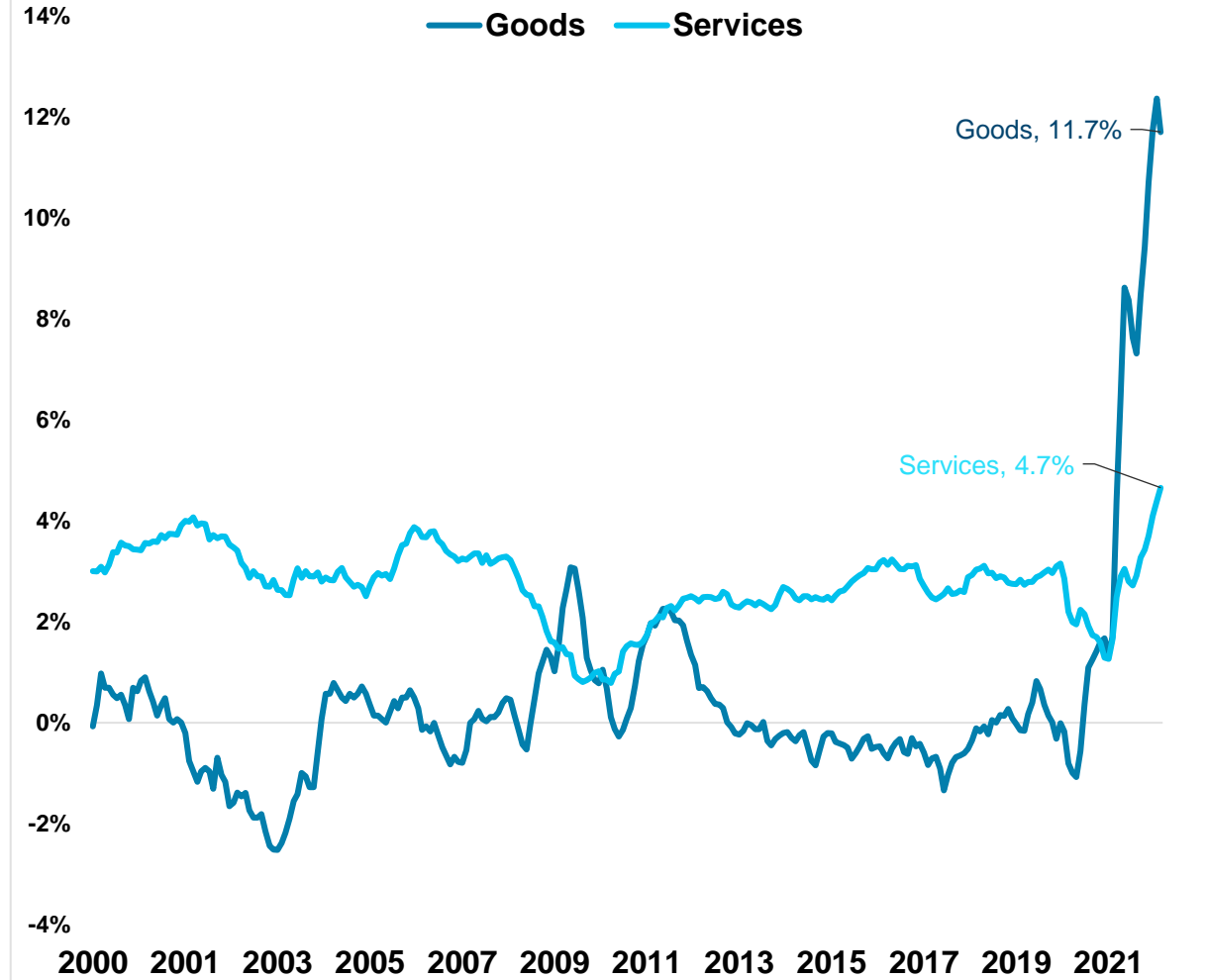
Inflation (YoY % Change)

— CPI — Core CPI — PCE — Core PCE

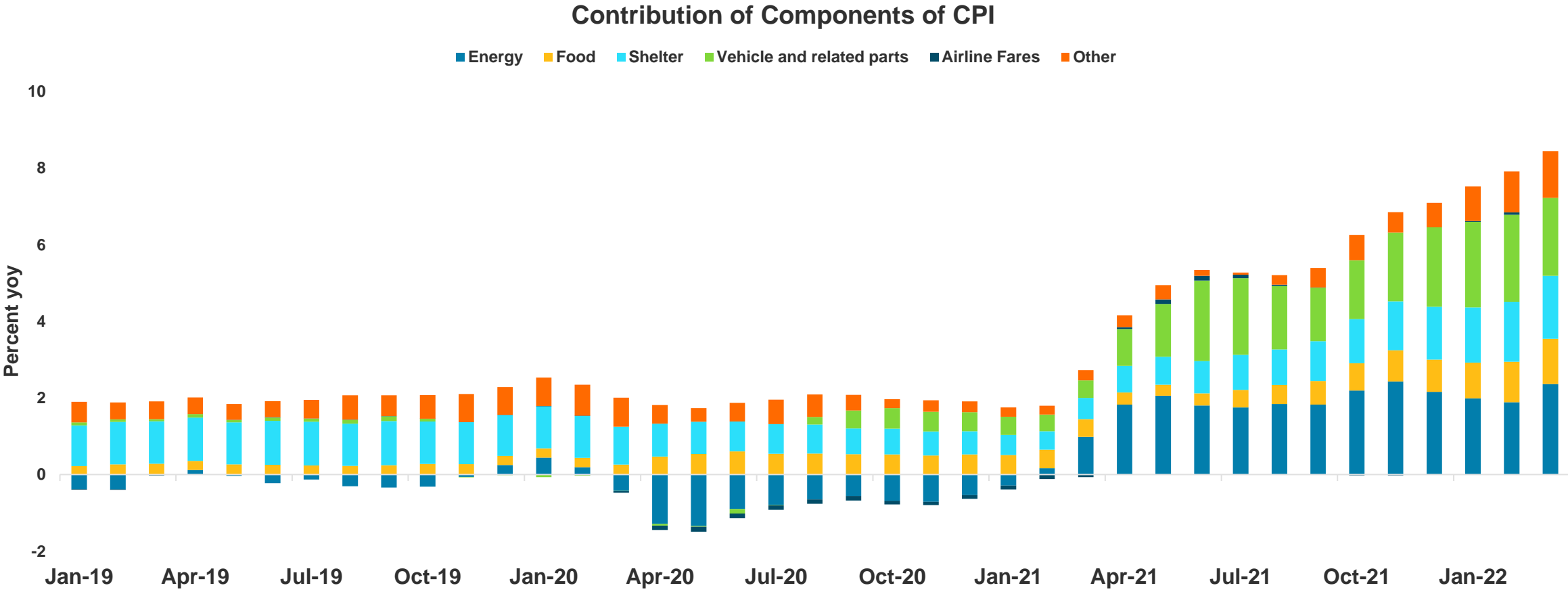


Goods vs Services Inflation (Core CPI yoy%)

— Goods — Services



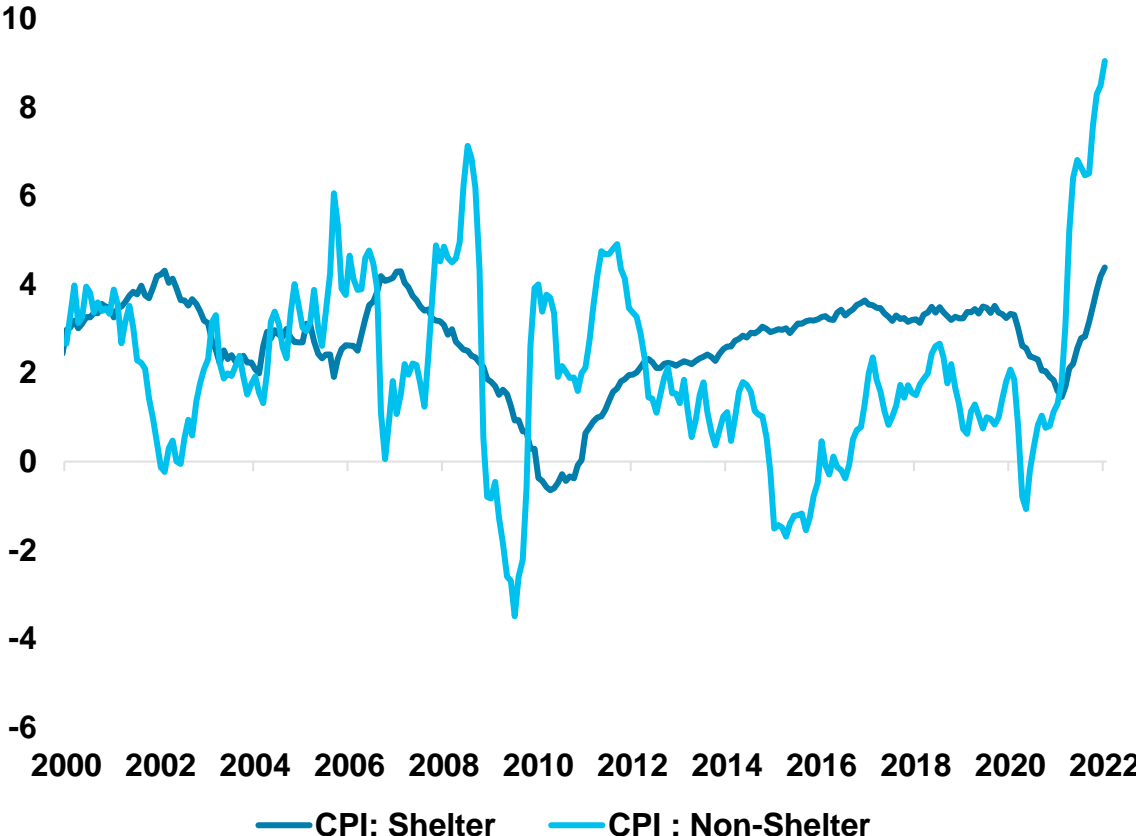
The Top Three Contributors of CPI are Vehicle & Related Parts, Energy, and Shelter



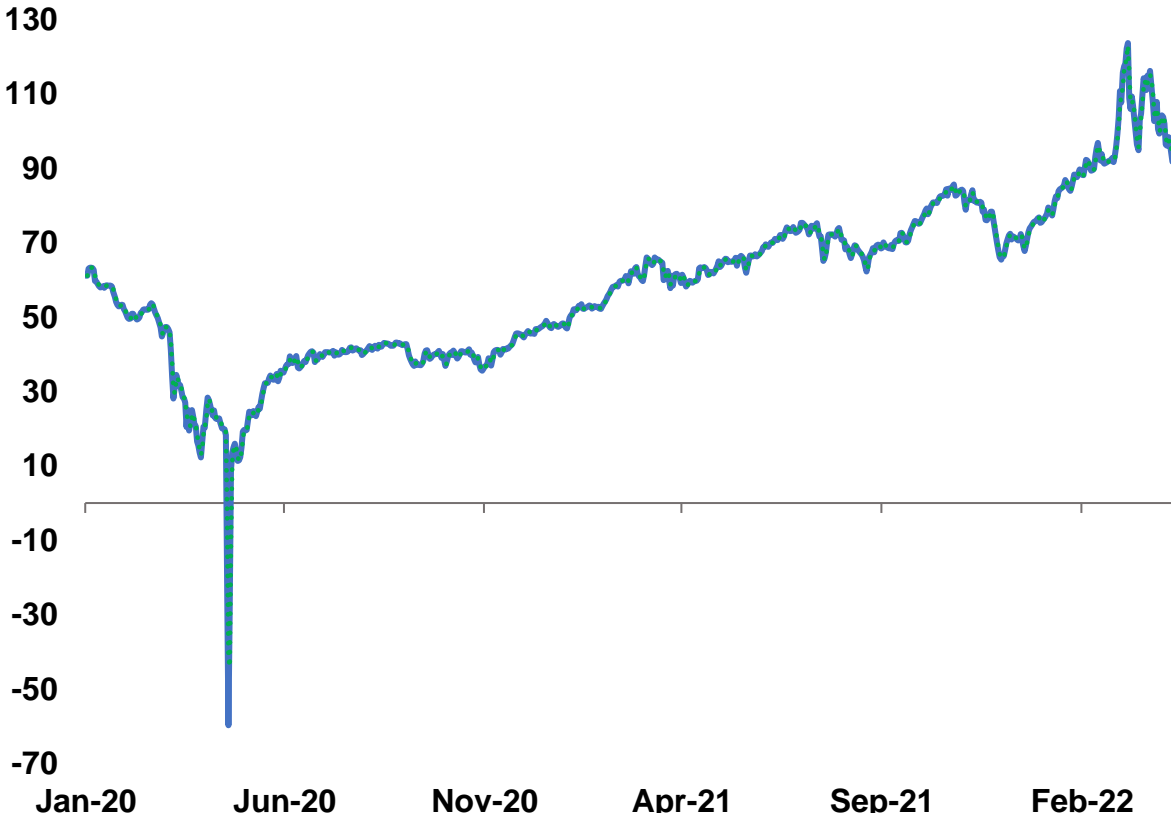
Source: BLS

Shelter Inflation and Pressures on Energy Prices Likely to Keep Inflation Elevated Longer

Shelter Vs. Non-Shelter Inflation (yoy % change)



Crude Oil Prices: West Texas Intermediate (WTI) Dollars per Barrel, Daily, NSA



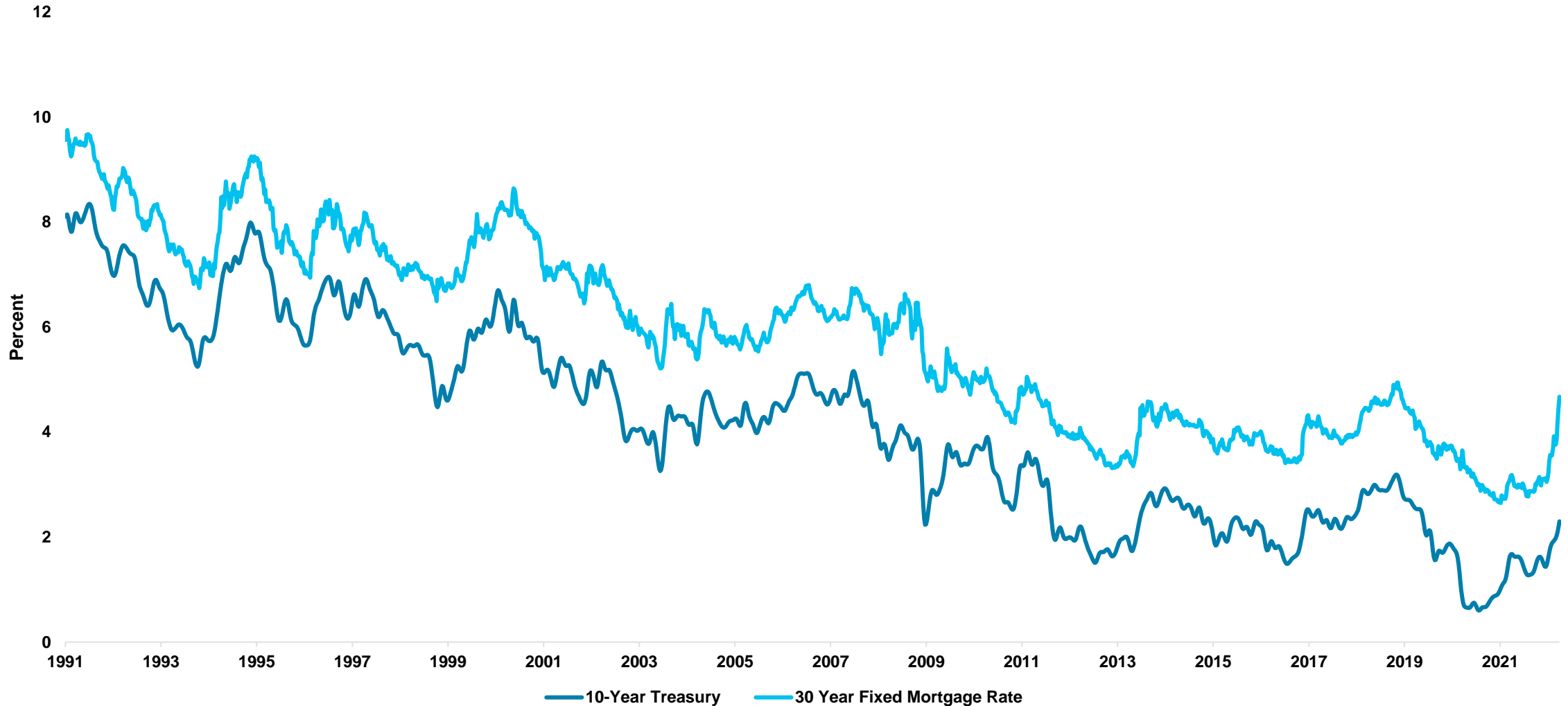
Source: BLS: Consumer Price Index for All Urban Consumers



Housing & Mortgage Market Outlook

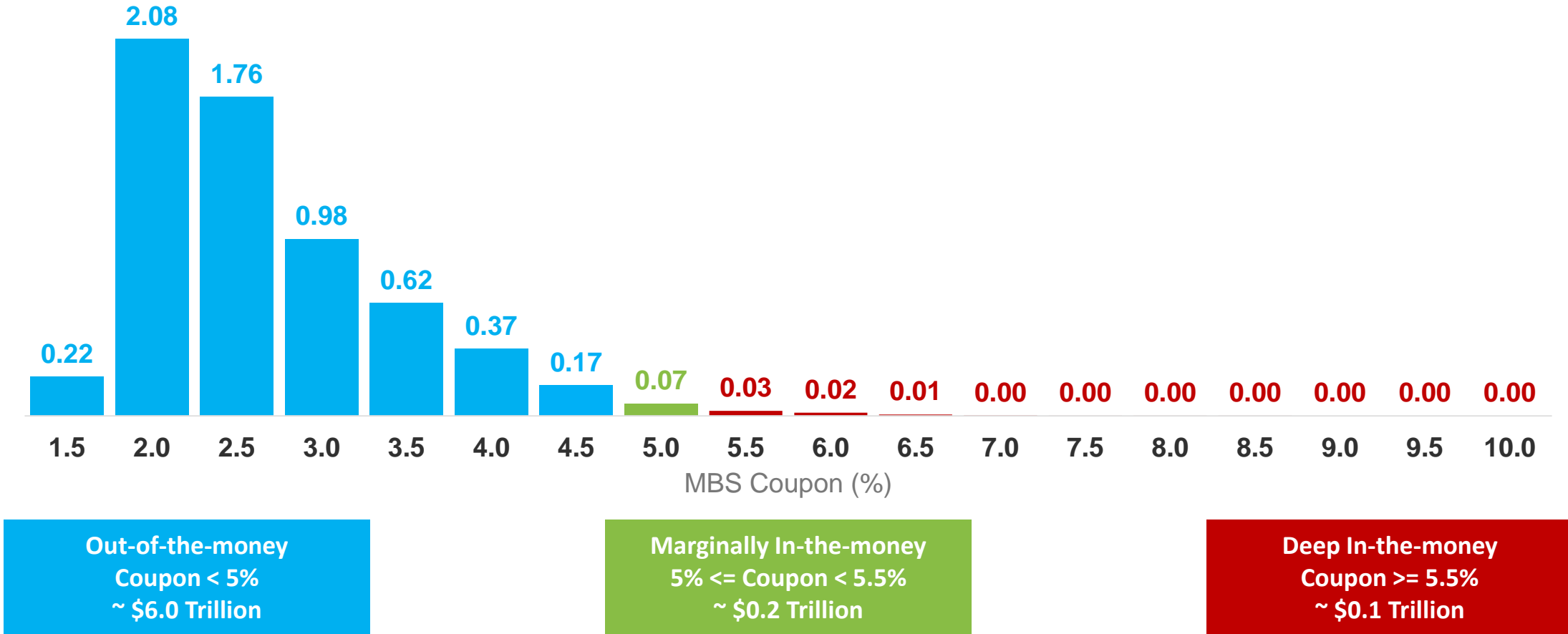
Mortgage Rates Up 1.5% - the Largest One Year Increase This Century; Expected to Increase Further

Mortgage Rate vs. 10-year Treasury Rate (%)



Jump in Rates Means Only \$121B in the Money for a Refinance

Outstanding 30-year Conforming Balance by Coupon (\$T's)

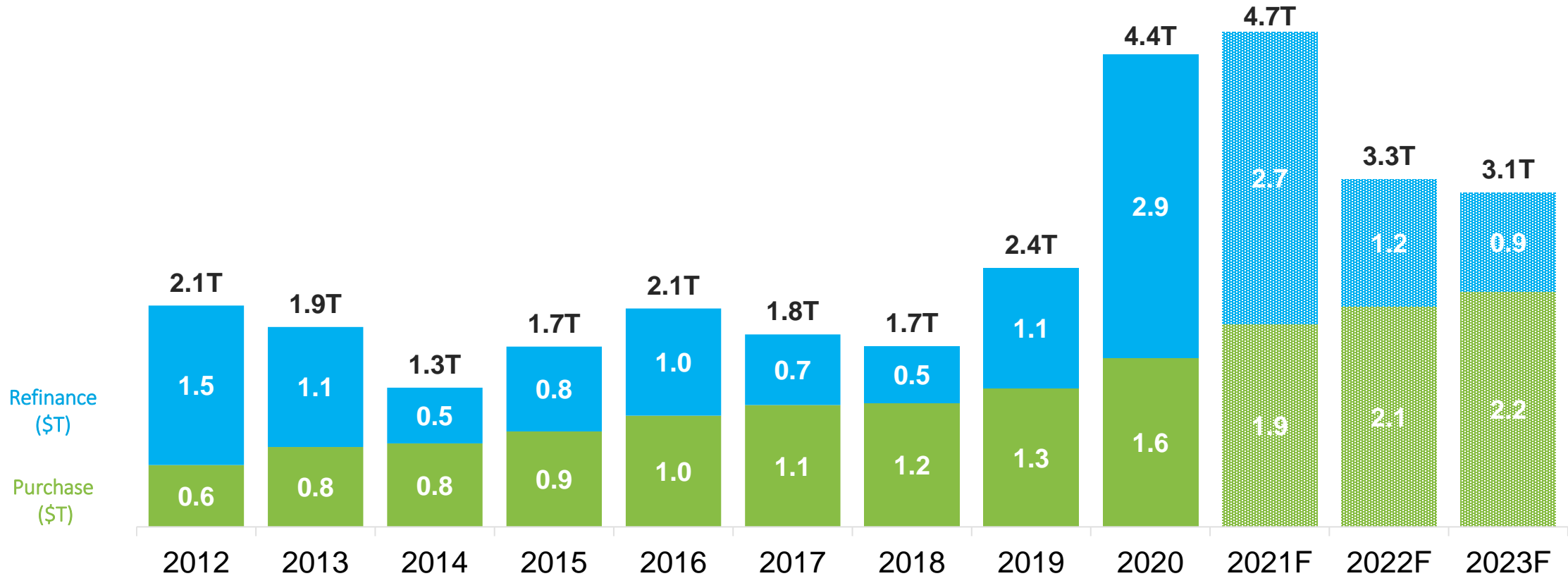


Source: Bloomberg as of 4/8/2022
Conforming includes Freddie Mac, Fannie Mae, Ginnie Mae 30-year fixed MBS Outstanding (UMBS, GNMA1, GNMA 2)

Mortgage Originations Hit a Record High in 2020, Set to Decline as Refinances Fade



Annual single-family mortgage originations (\$Trillions)

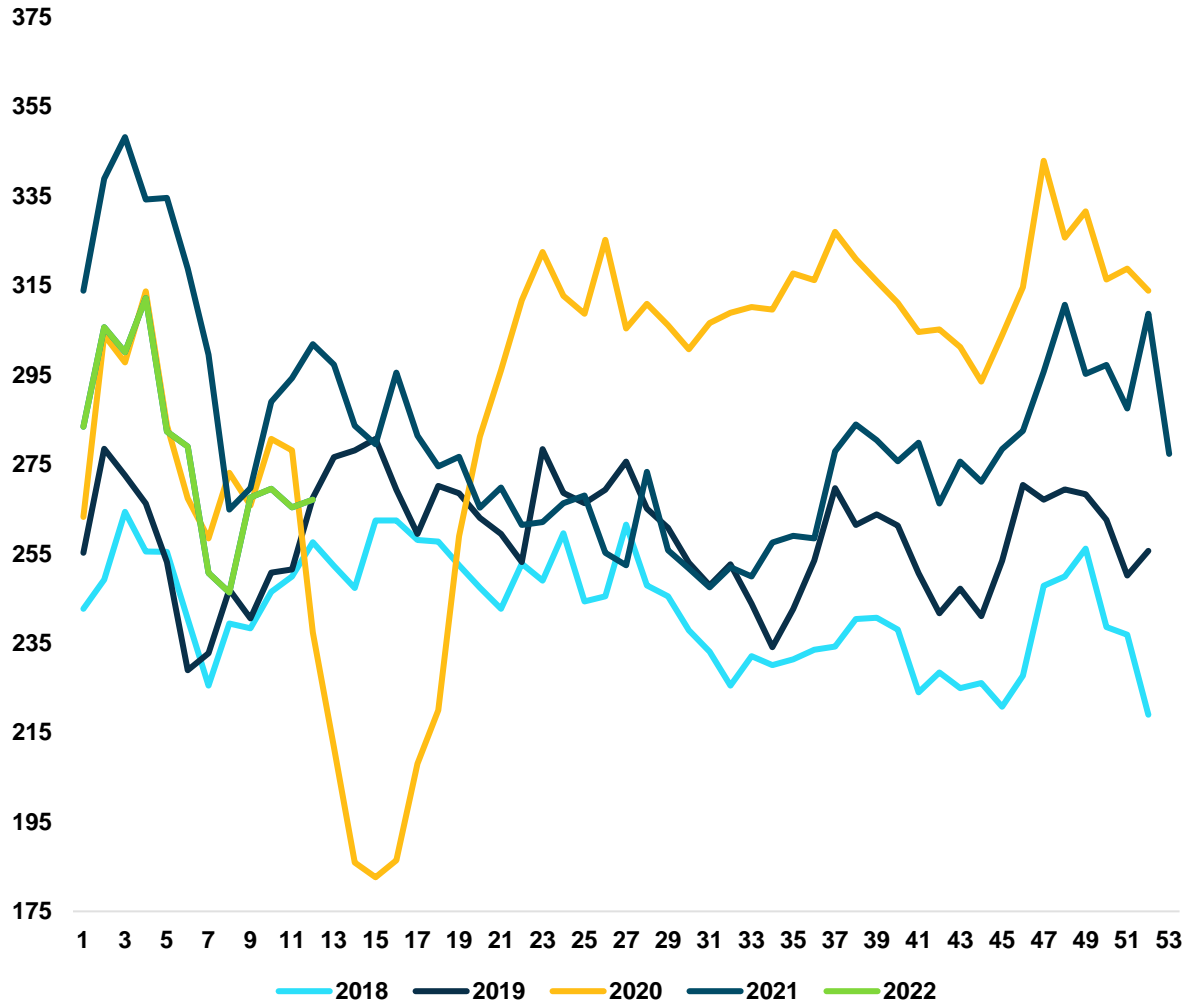


Source: Freddie Mac Q12022 Economic and Housing Research Outlook
 Note: Totals may not add due to rounding ; * Includes only 1st liens

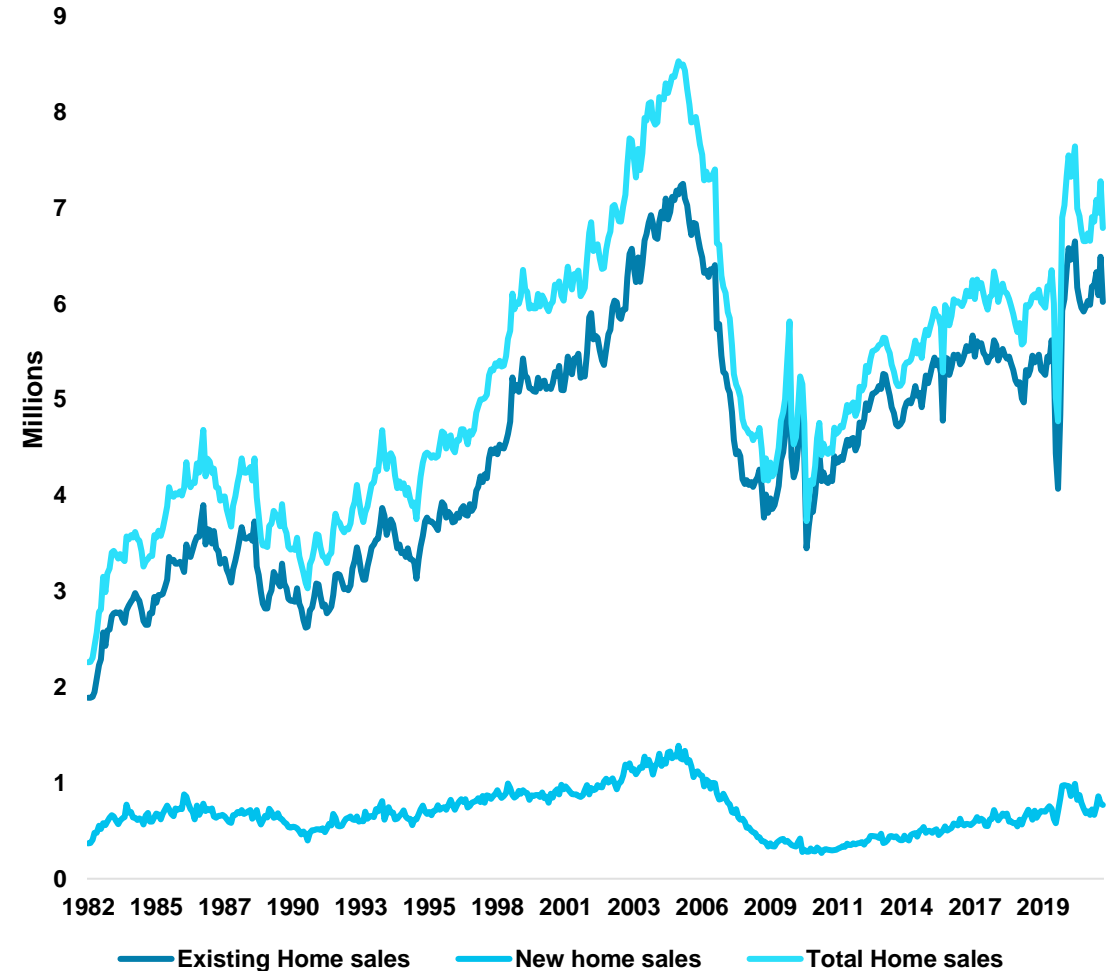
Housing Demand Stable as we Enter Spring Homebuying Season



Total Market Purchase Index, SA



Total Home Sales

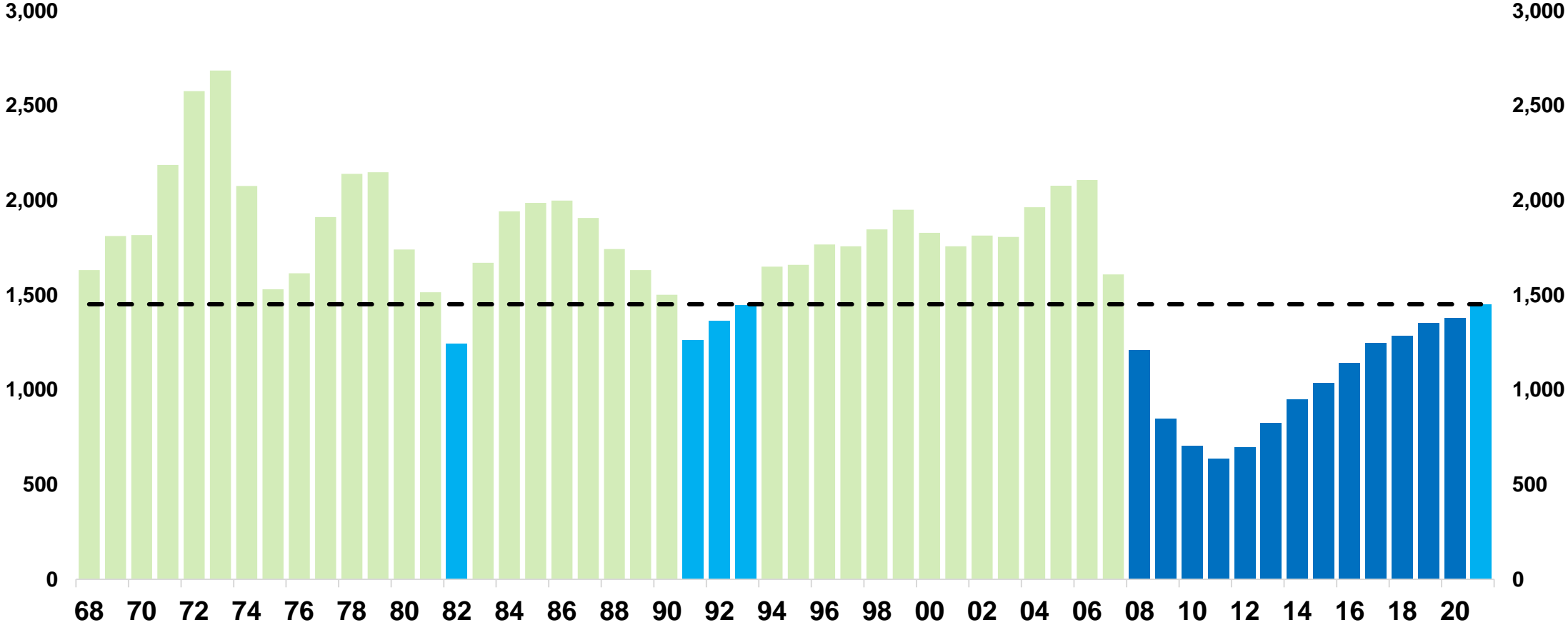


Sources : National Association of Realtors (NAR); U.S. Census Bureau

Housing Supply Continue To Be At Historically Low Levels

U.S. New Housing Supply Low Relative to History

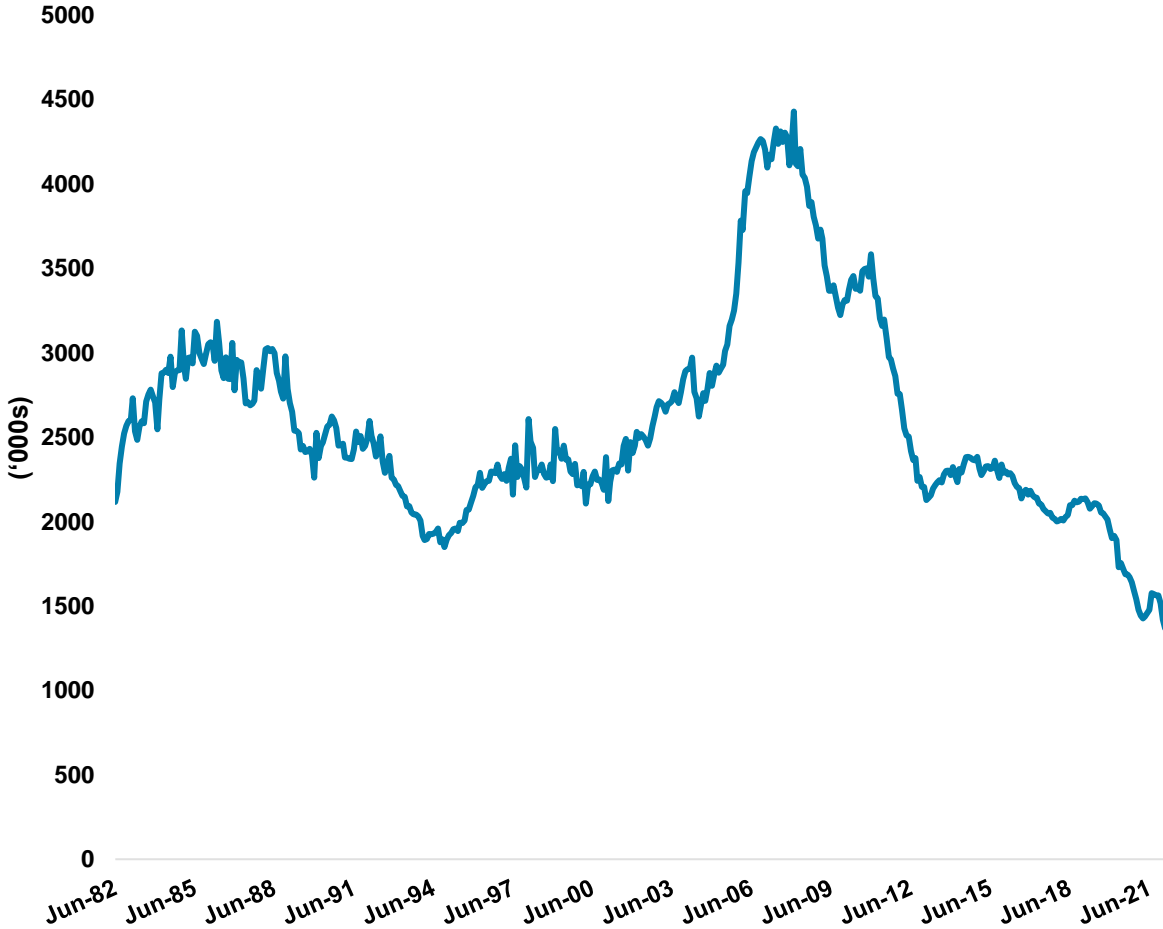
U.S. annual housing completions and manufactured home shipments (1000s)



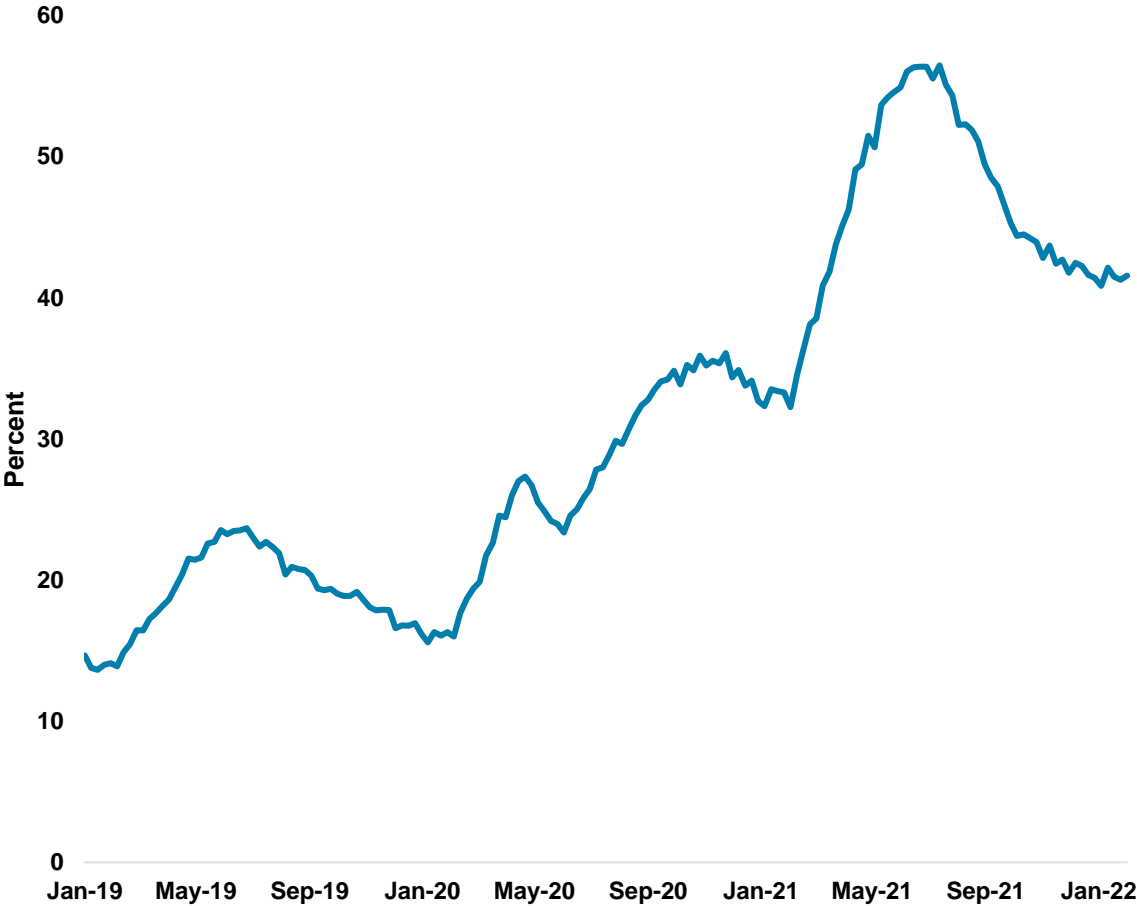
Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety, Freddie Mac Estimate of Housing Shortage

Homes Available For Sale Continue To Be At Historically Low Levels

Homes Available for Sale ('000s)

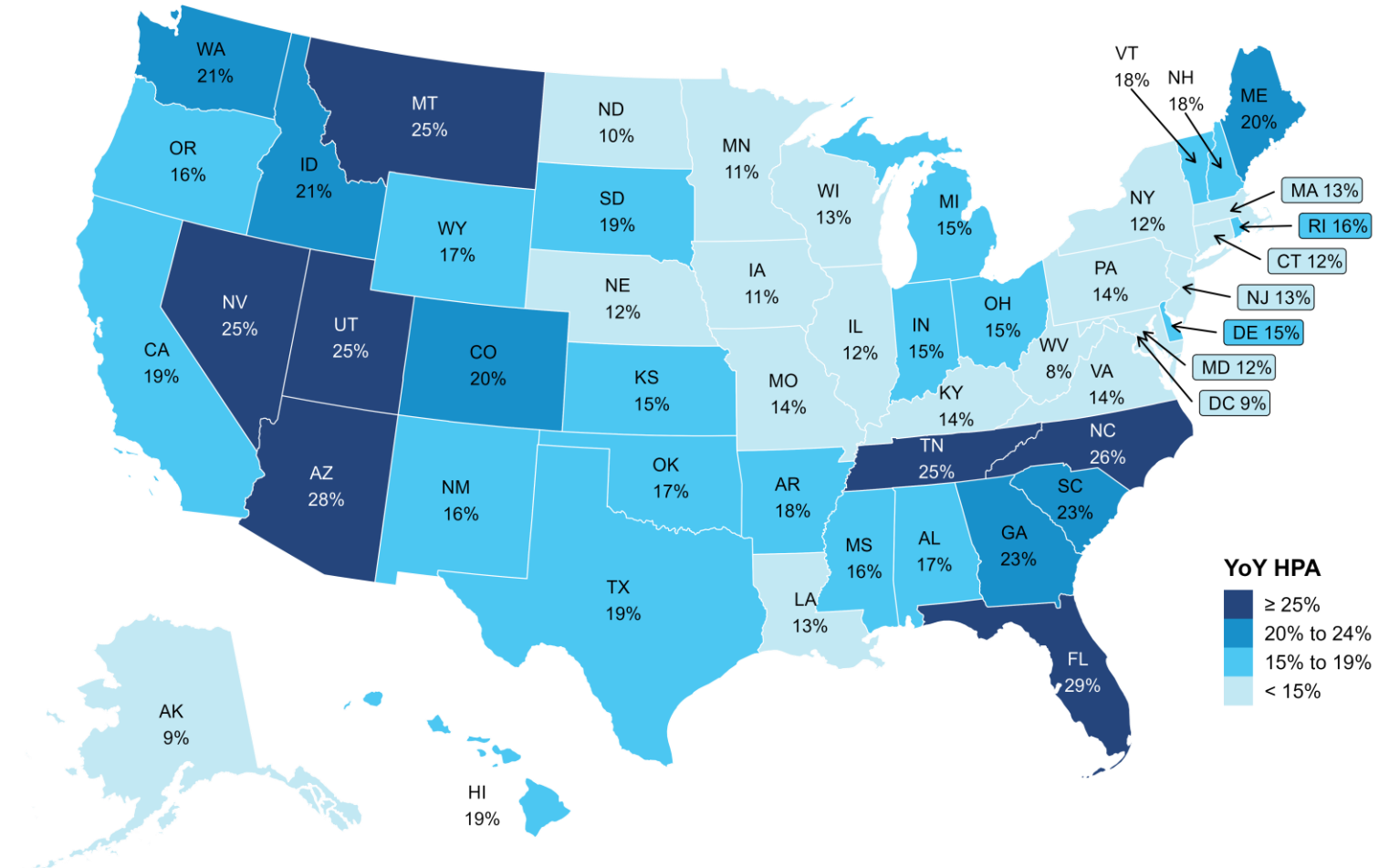


% Sold Above List Price



Source: US Census Bureau, Freddie Mac Estimate of Housing Shortage

House Price Growth at Historical Highs – 18% in February 2022



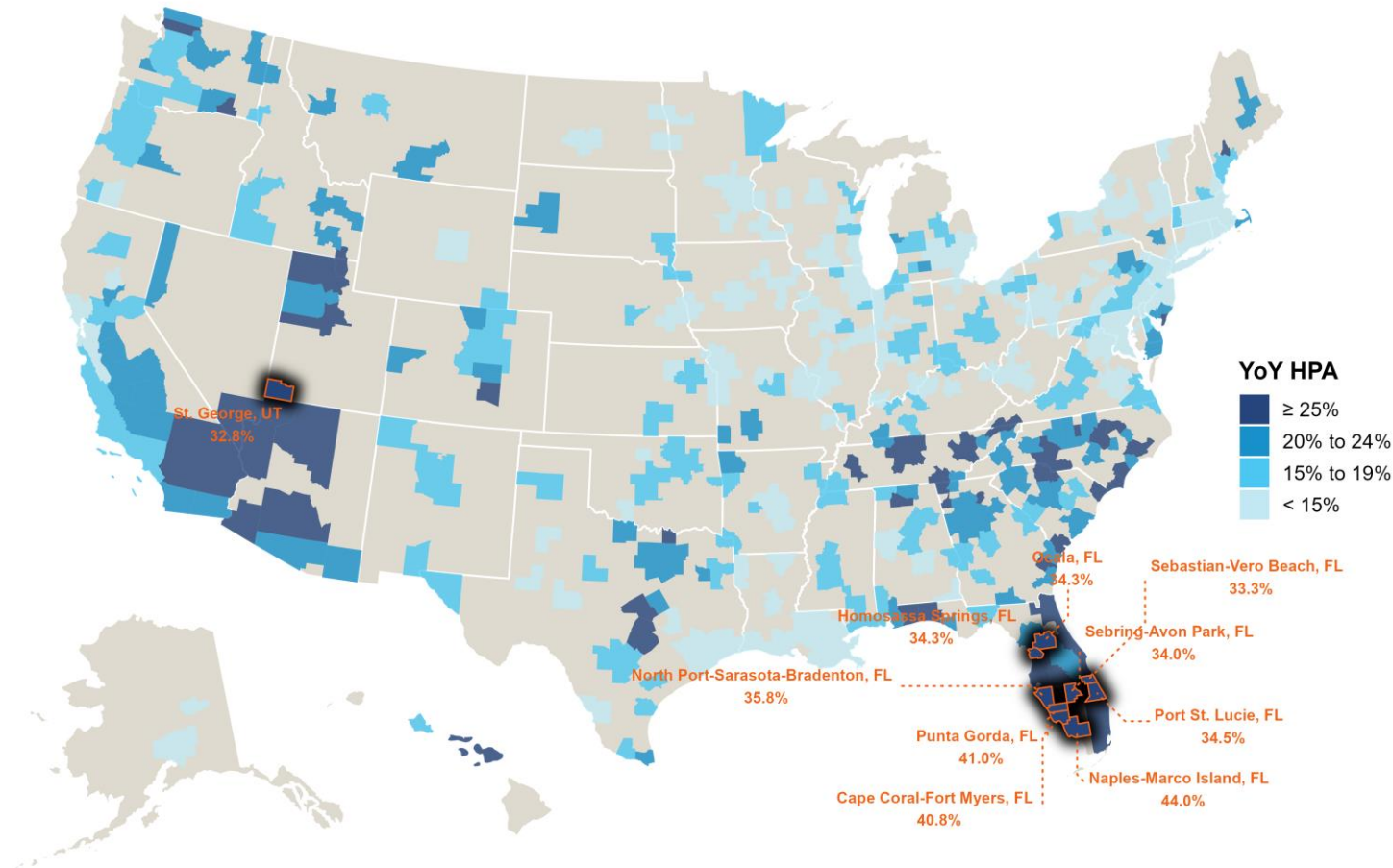
The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guarantee portfolio. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point

9 of top 10 Hottest Markets Are In Florida



MSA YoY House Price Growth for February 2022

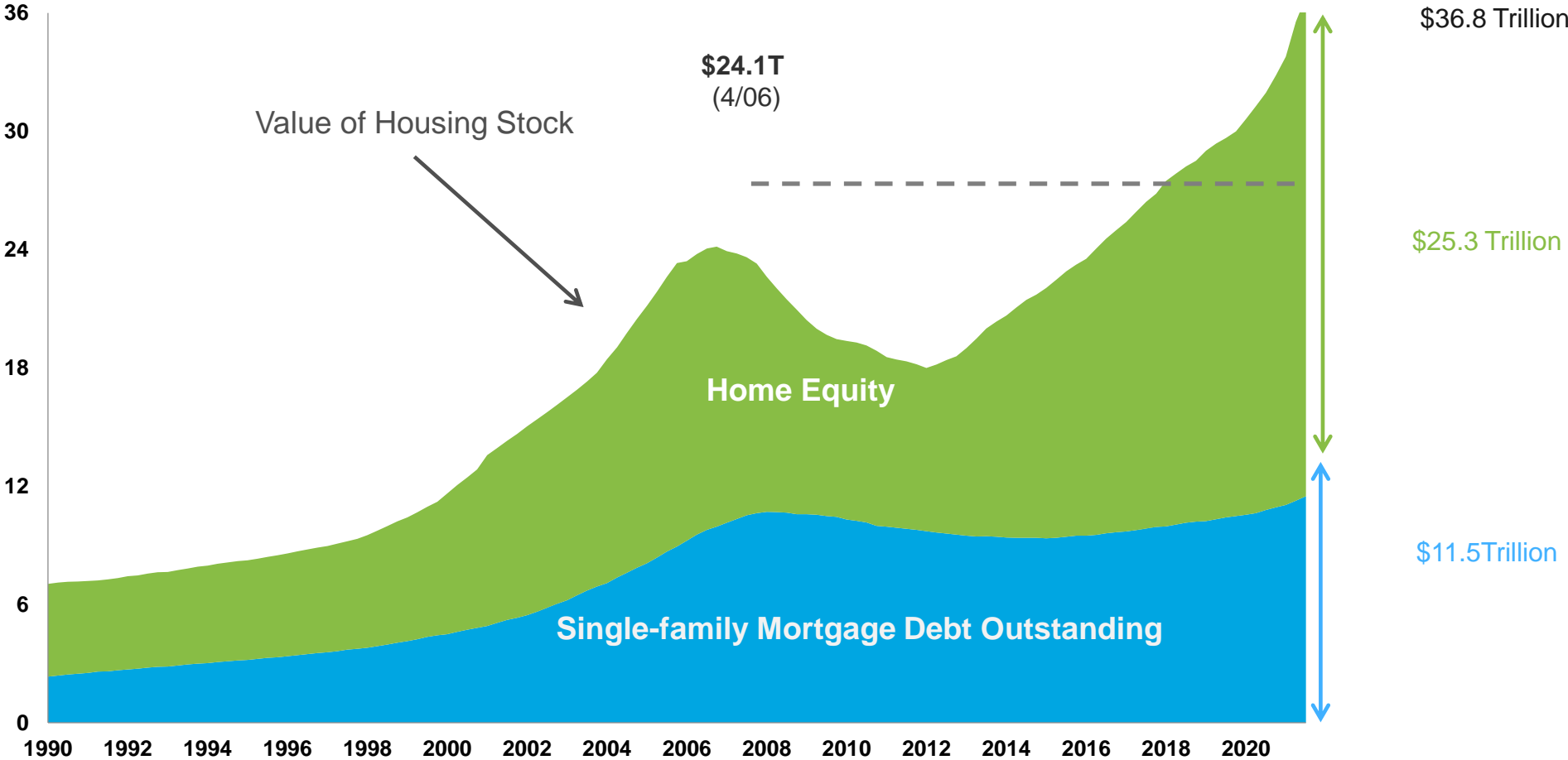
Top 10 Fastest Growing MSAs Labeled



Source: Freddie Mac House Price Index, SA

The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guarantee portfolio. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point

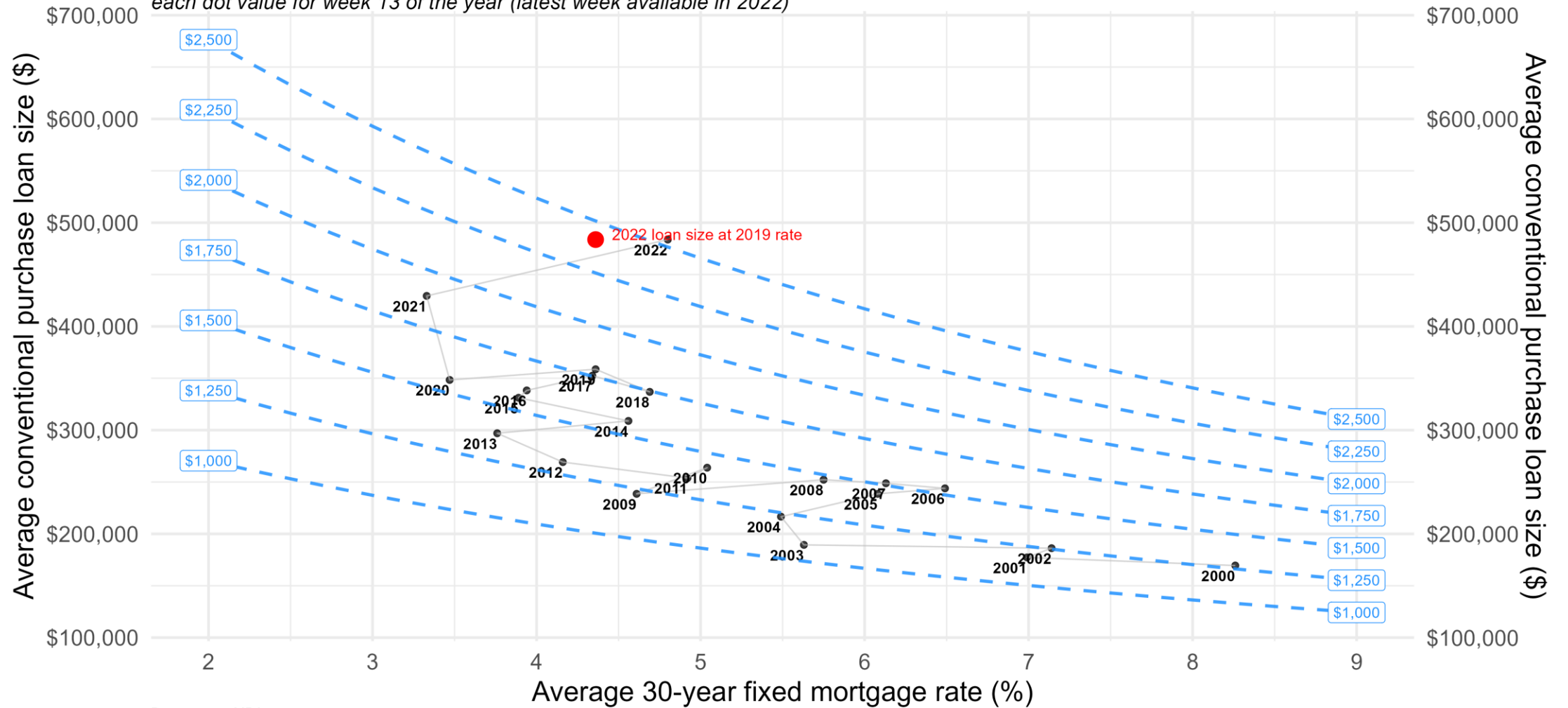
High Home Price Increases Have Led to Rising Homeowner Equity in Real Estate...



Source: FRB

Higher Mortgage Rates and Home Values Reduce Affordability

dotted line shows equal payment combinations of rate and loan size
each dot value for week 13 of the year (latest week available in 2022)



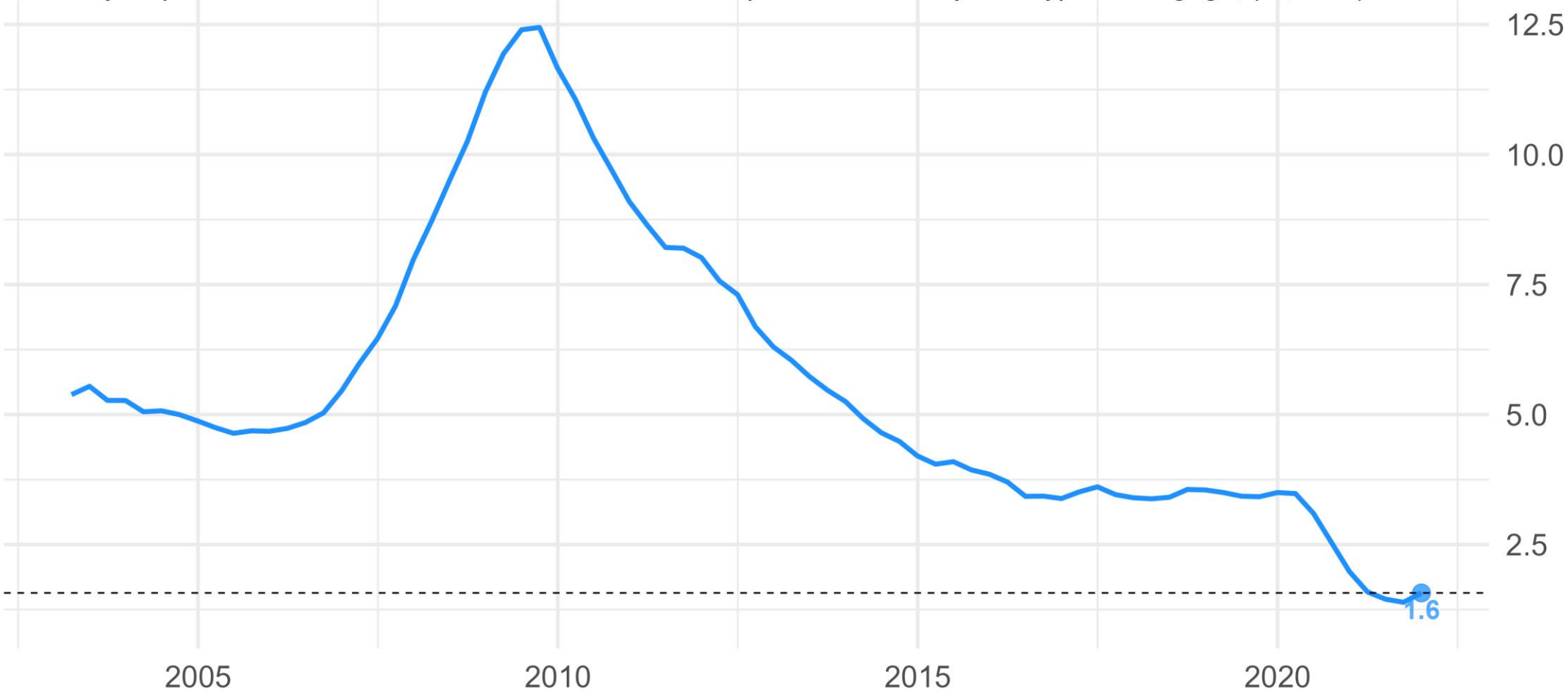
Data source: MBA
payments principal and interest (P&I) for 30-year fixed mortgage



Delinquencies & Foreclosures

Historically Low Rate of Newly Delinquent Mortgage Borrowers

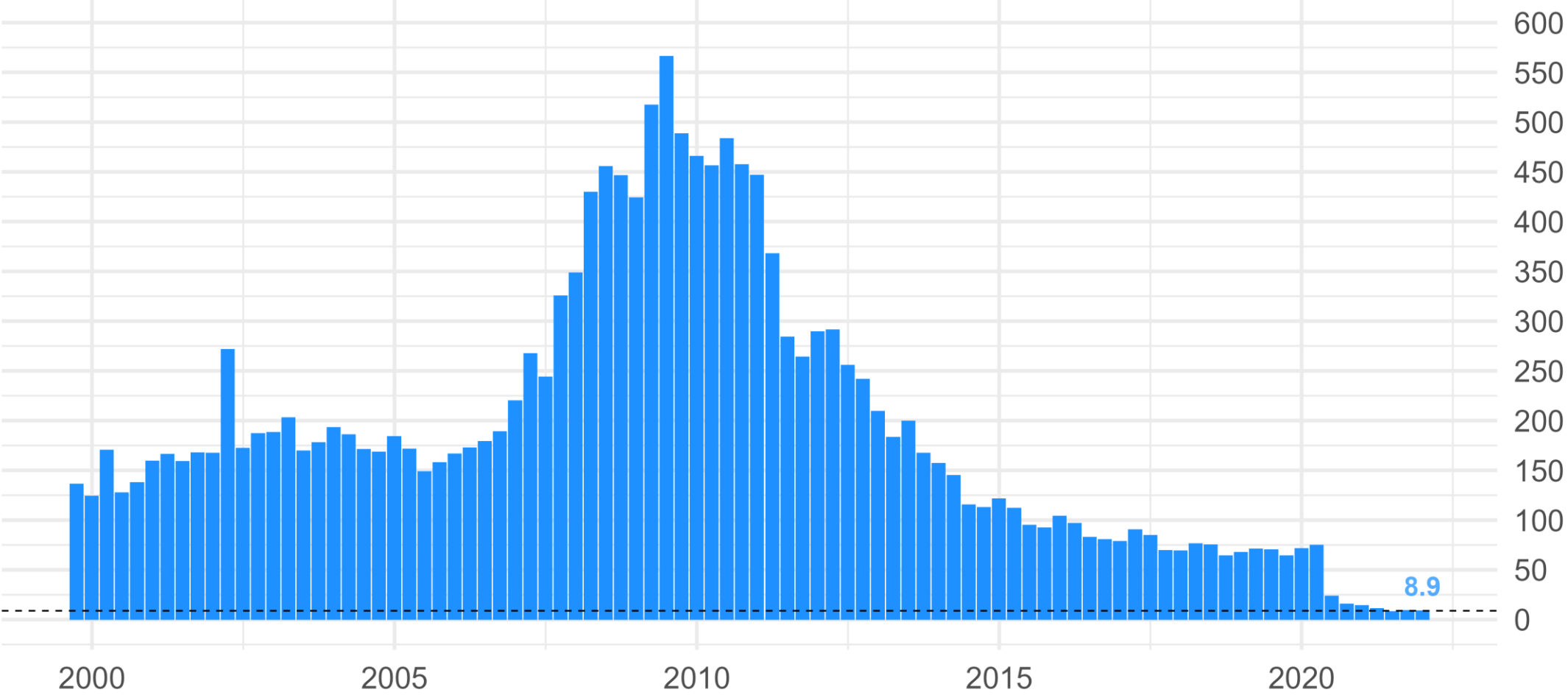
Quarterly Report on Household Debt and Credit: New delinquent balances by loan type - Mortgage, (% , NSA)



Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - New Delinquent Balances by Loan Type

Forbearance and other policies have nearly eliminated foreclosures

Quarterly Report on Household Debt and Credit: Consumers with new foreclosures and bankruptcies - Foreclosure, (Ths. #, NSA)



Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - Number of Consumers with New Foreclosures and Bankruptcies

To Conclude

- Economic Growth to moderate in 2022 as effect of stimulus wanes as well as due to the geopolitical tensions
- Labor market remains strong even as 1.6 mn are still out of work
- Inflationary pressures continue on supply side bottlenecks and are expected to remain high for the rest of the year
- Mortgage rates had the largest 1-year increase
- Home sales constrained by tight inventory
- House price appreciation continues at remain high
- Delinquencies and Foreclosures remain low

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