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Freddie Mac August Forecast: Housing Affordability Challenges Slowing Home Sales Growth

MCLEAN, Va. (August 27, 2018) – Ongoing supply and demand imbalances and weakening affordability conditions, particularly in markets out West, are expected to keep a lid on home sales growth through the rest of the year, according to [Freddie Mac](#)'s (OTCQB: FMCC) August [Forecast](#).

The U.S. economy in the second quarter grew at its fastest pace in nearly four years, but housing activity played a limited role in the expansion. New home construction, existing-home sales and sales of new homes all declined last quarter, as homebuilder challenges, limited inventory and steady price gains created headwinds for the housing market.

Looking ahead to fall, Freddie Mac expects market conditions to remain mostly the same, with a modest rise in housing starts slightly easing inventory constraints. Total home sales (new and existing) for the year are now forecasted to increase 0.2 percent, and home price growth – which has softened somewhat in recent months – is still anticipated to rise 6.0 percent.

“The housing market hit some speed bumps this summer, with many prospective homebuyers slowed by not enough moderately-priced homes for sale and higher home prices and mortgage rates,” said Freddie Mac Chief Economist Sam Khater. “These challenges were predominantly seen in expensive markets out West, where demand and sales are beginning to dampen because of weakening affordability.”

Added Khater, “The good news is that the economy and labor market are very healthy right now, and mortgage rates, after surging earlier this year, have stabilized in recent

months. These factors should continue to create solid buyer demand, and ultimately an uptick in sales, in most parts of the country in the months ahead.”

Forecast Highlights

- The robust labor market and healthy U.S. economy, forecasted to grow 2.8 percent this quarter and 2.7 percent for the year, should continue to boost consumer spending and business investment.
- Mortgage rates jumped earlier this year, but have remained mostly flat since late May. Looking ahead, they are expected to gradually trend higher and average 4.60 percent for the year.
- Limited inventory continues to affect home sales and prices. Total (new and existing) home sales are now forecasted to increase only modestly this year to 6.14 million, while prices are expected to moderate, but still at a pace well above inflation.
- Slower home sales growth, as well as decreased refinance activity due to higher mortgage rates, are expected to cause single-family first-lien mortgage originations to slide around 8 percent this year to \$1.66 trillion.

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