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Freddie Mac March Forecast: Lower than expected mortgage rates and house price moderation to help spring homebuying

MCLEAN, Va. (March 22, 2019) – According to [Freddie Mac's](#) (OTCQB: FMCC) [March Forecast](#), the mortgage market is expected to see modest growth in 2019 buoyed by lower mortgage interest rates.

Sam Khater, Freddie Mac's chief economist, says, "The real estate market is thawing in response to the sustained decline in mortgage rates and rebound in consumer confidence – two of the most important drivers of home sales. Rising sales demand coupled with more inventory than previous spring seasons suggests that the housing market is in the early stages of regaining momentum."

Forecast Highlights

- Owing to the decline in residential fixed investment and consumer spending, as well as the effects of the government shutdown in January, we have lowered our GDP growth rate forecast for the first quarter of 2019 to 1.2 percent. We forecast GDP to regain its strength during the rest of the year but expect overall GDP growth to decelerate to 2.0 percent in 2019 and 1.8 percent in 2020.
- Recent labor market reports emphasize the growing chasm between job openings and available labor, as well as the slow increase in nonfarm payroll – indicating a tightening labor market. We forecast unemployment to drop slightly to 3.8 percent in 2019 before increasing to 3.9 percent in 2020.
- The 30-year fixed-rate mortgage rate is expected to average 4.5 percent in 2019 before increasing to 4.8 percent in 2020.
- Due to the recent increases in building permits, we anticipate that total housing starts will gradually increase over the next two years with most of the growth coming

from single-family housing starts. Total housing starts are expected to increase to 1.27 million units in 2019 and to 1.33 million units in 2020.

- With mortgage rates down significantly from last fall, we expect to see existing home sales bounce back and trend higher for the rest of the year. We expect total home sales (new and existing) to reach 5.94 million in 2019 before increasing to 6.14 million in 2020.
- Single-family mortgage originations are expected to increase by 1.6 percent to \$1.67 trillion in 2019 and remain at a similar level in 2020.
- We have lowered our home price growth forecasts to annual increases of 3.5 percent and 2.5 percent in 2019 and 2020, respectively.

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