

U.S. Economy, Housing & Mortgage Market

Recent Developments

December 2024

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Economy:

- The U.S. economy remains resilient with strong Q3 growth driven by consumer spending.

Housing and Mortgage Market:

- Rebounding mortgage rates weighed on housing and mortgage activity reflected in lower new home sales and construction activity.

Spotlight:

- Homeowners were able to lock themselves into low mortgage rate and shield themselves from rising interest rates and house prices, whereas renters did not have this advantage.

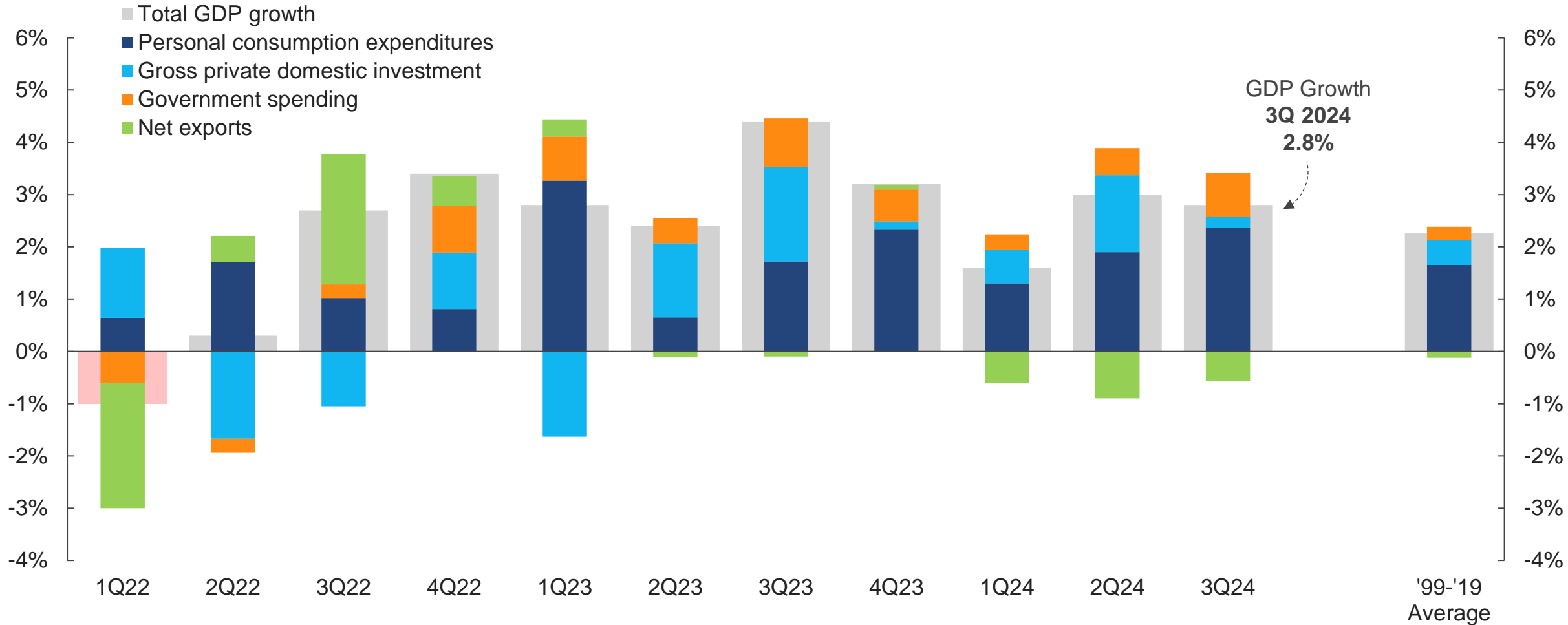


Economy

GDP Increased at an Annual Rate of 2.8% in Q3 2024; Growth Driven by Consumer Spending



Contributions to U.S. GDP Growth
Quarter-over-quarter Annualized Growth Rate

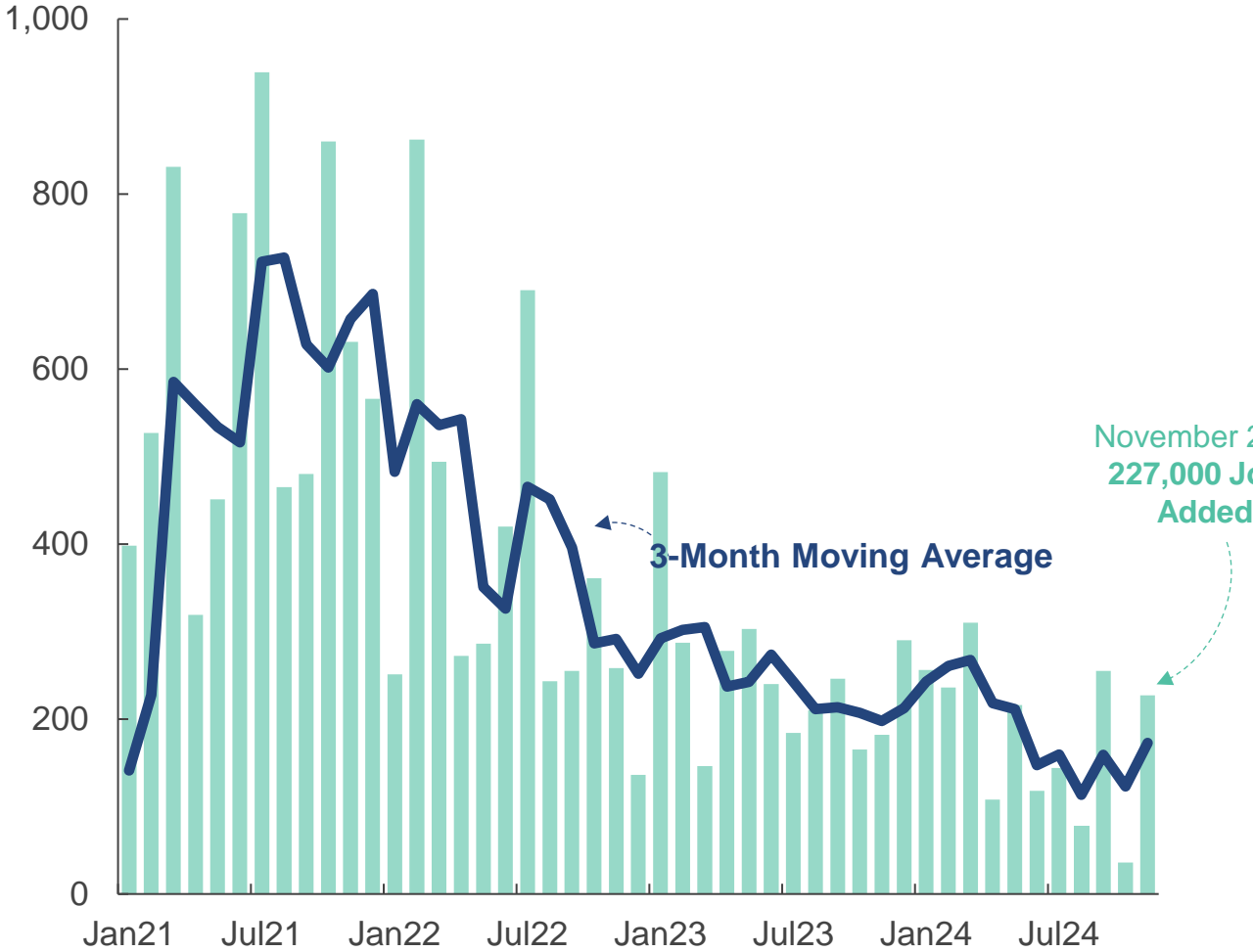


Source: U.S. Bureau of Economic Analysis (BEA)
Note: Data through Q3 2024

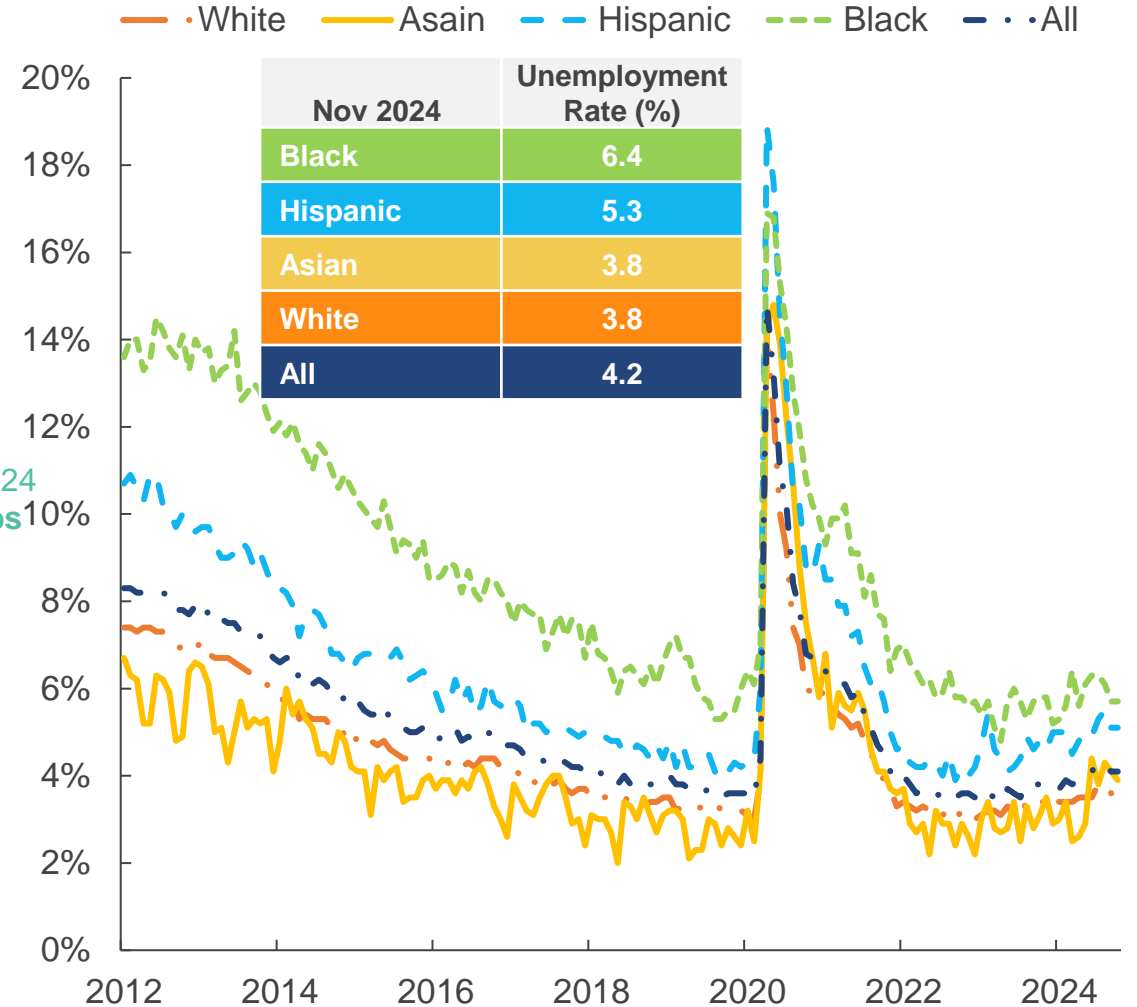
U.S. Labor Market is Cooling with Unemployment at 4.2%



Monthly Change in Total Nonfarm Employment
Thousands of Persons, Seasonally Adjusted



Unemployment Rate

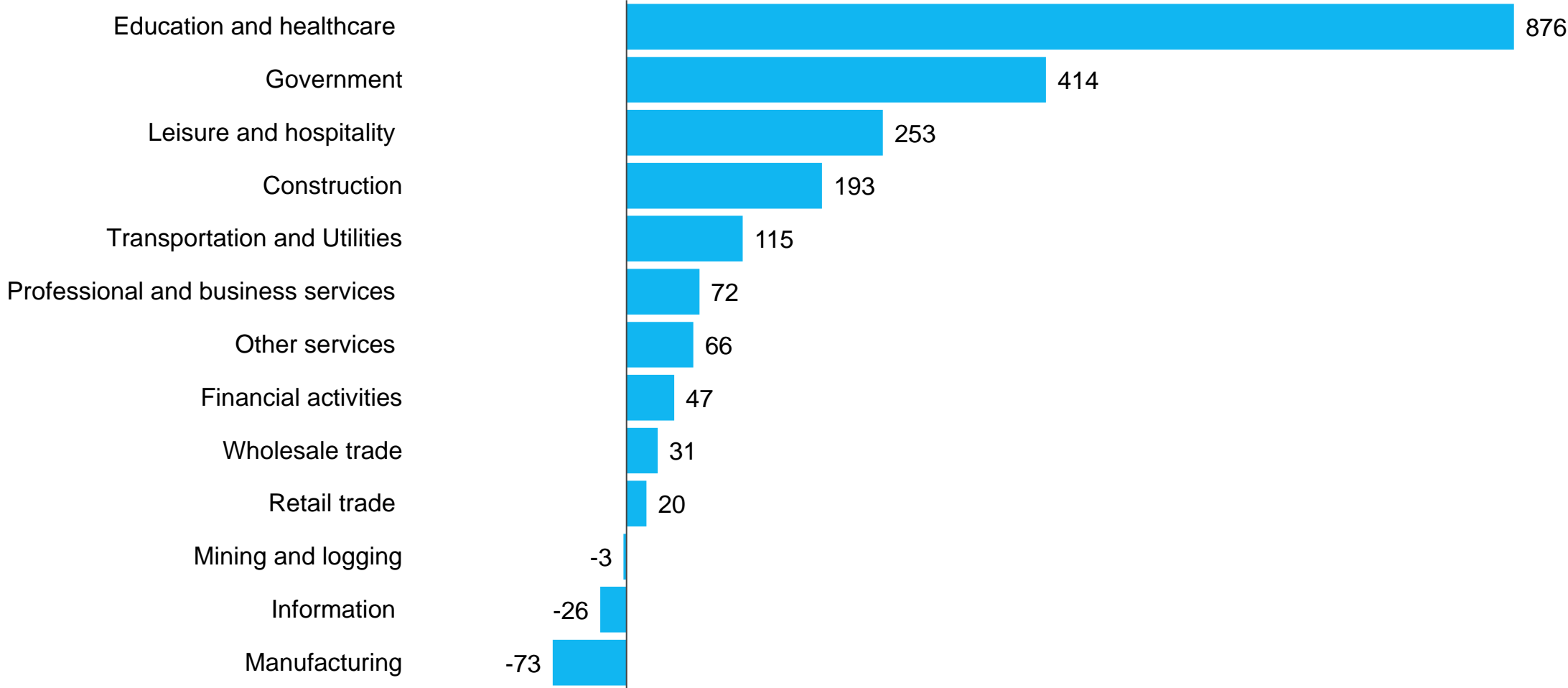


Source: U.S. Bureau of Labor Statistics (BLS)
Note: Data through November 2024

Education and Healthcare Added Largest Number of Jobs in 2024

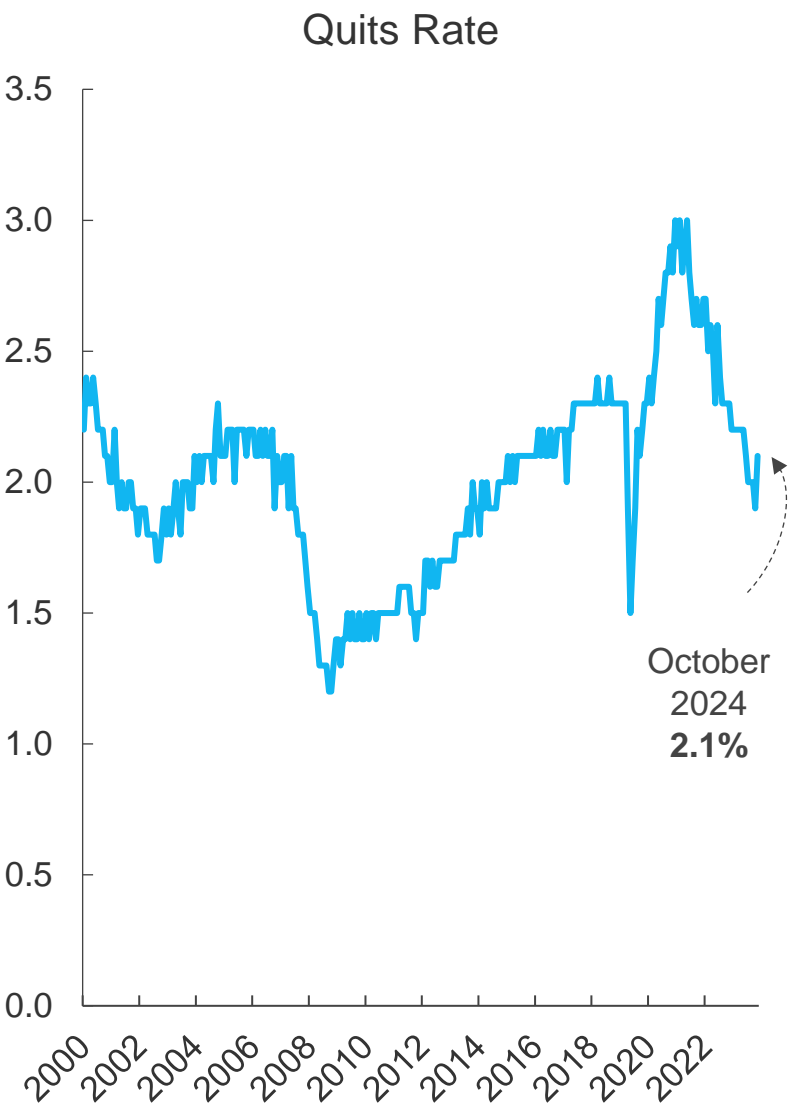
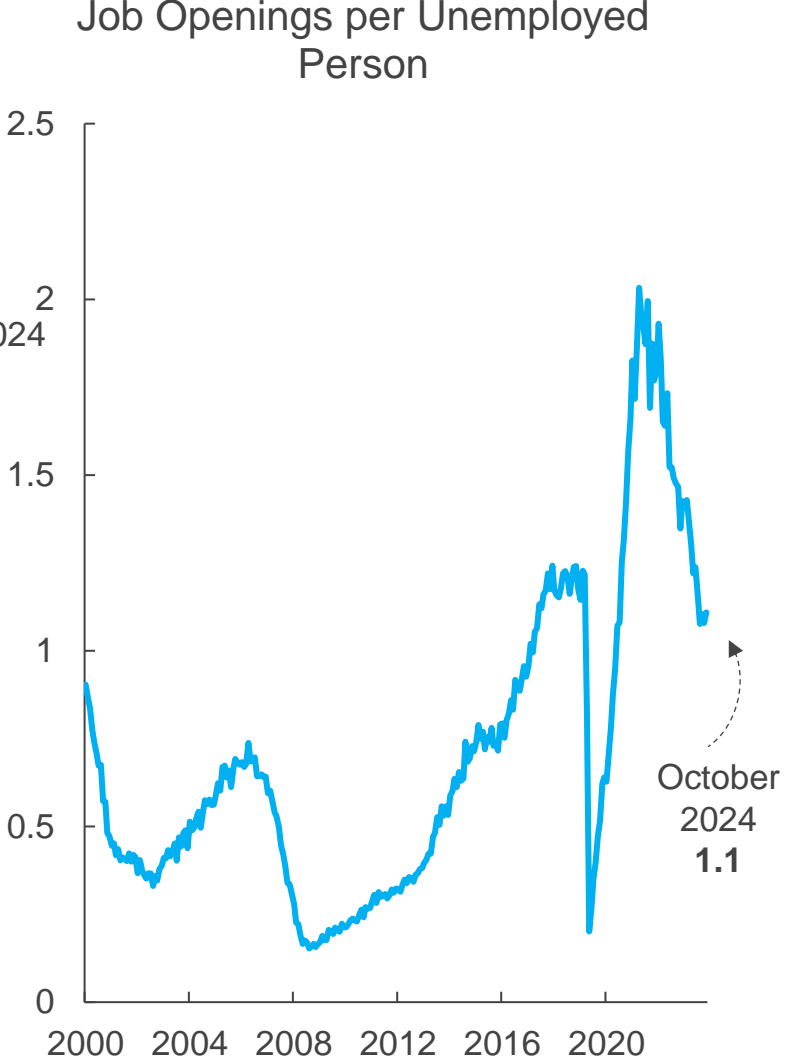
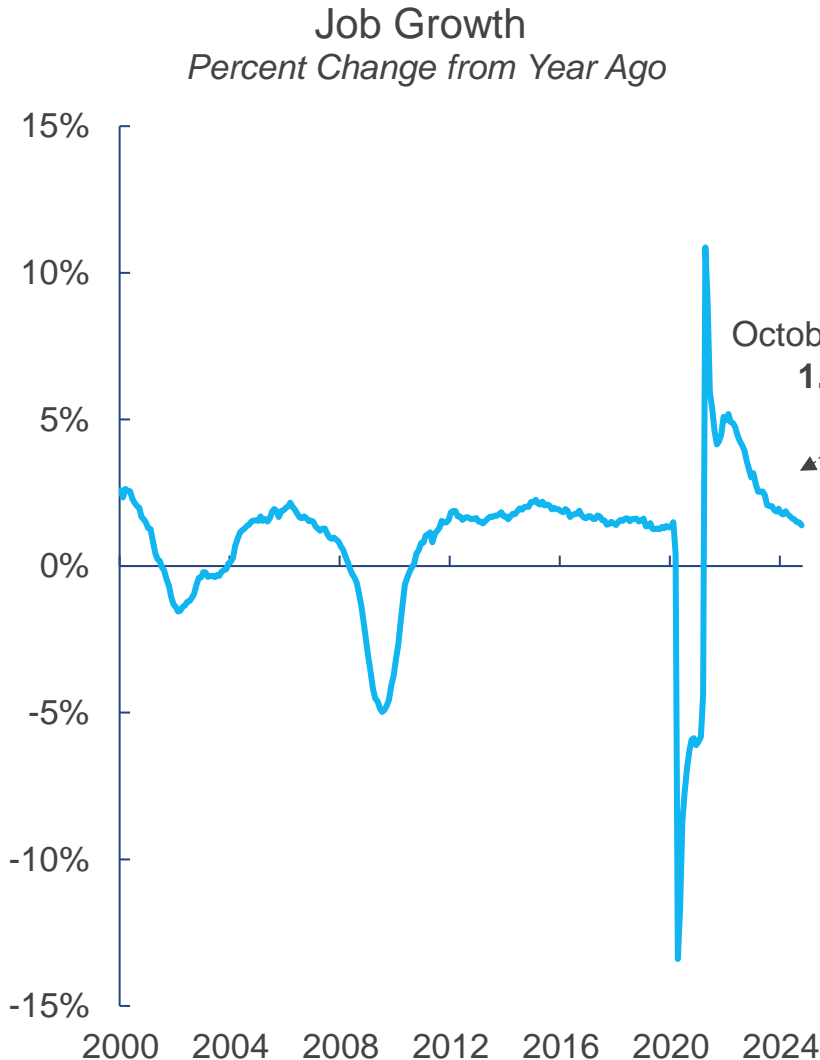


Total Jobs Added in 2024 (Ths, SA)



Source: U.S. Bureau of Labor Statistics (BLS)
Note: Data through November 2024

Even Though U.S. Labor Market Is Cooling, it Remains Tight Compared to Prior Decades

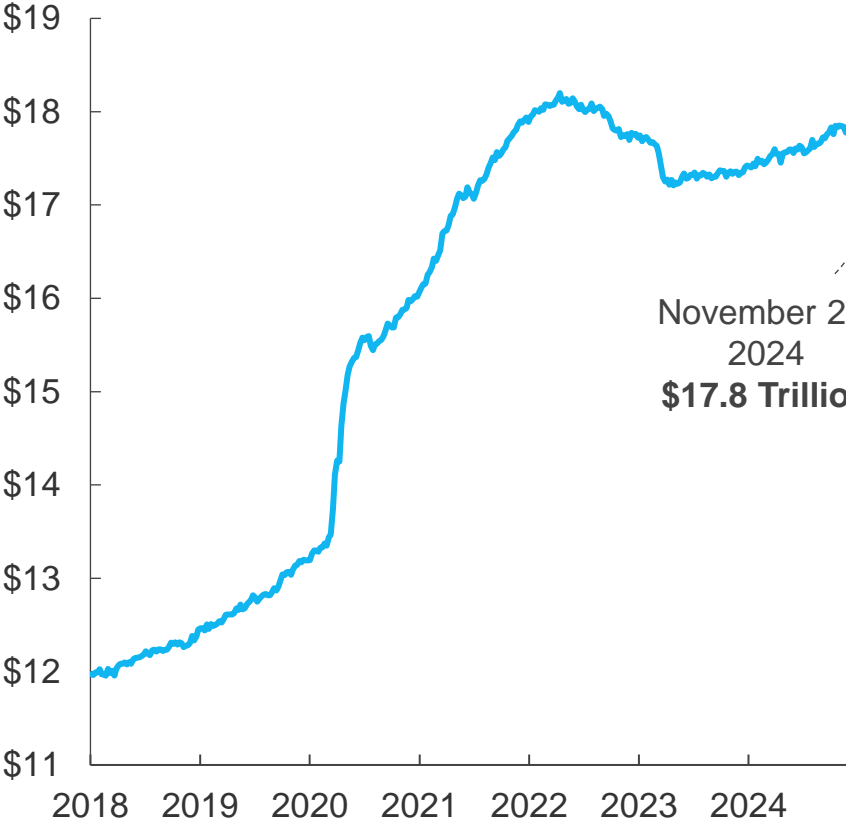


Source: U.S. Bureau of Labor Statistics (BLS)

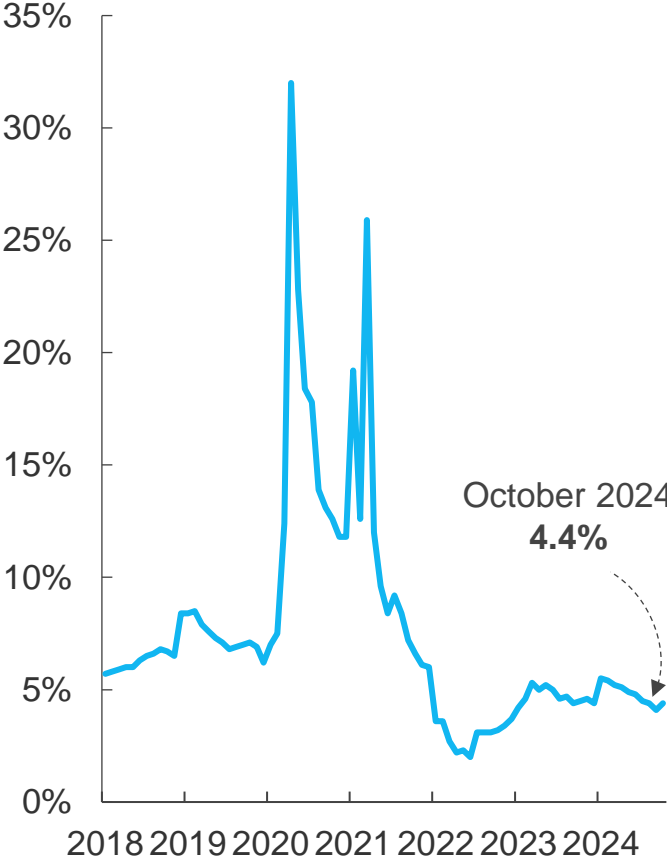
Consumer Balance Sheets Improved Significantly Due to Stimulus, But They Have Weakened as Credit Demand Surged During the Last 18 Months



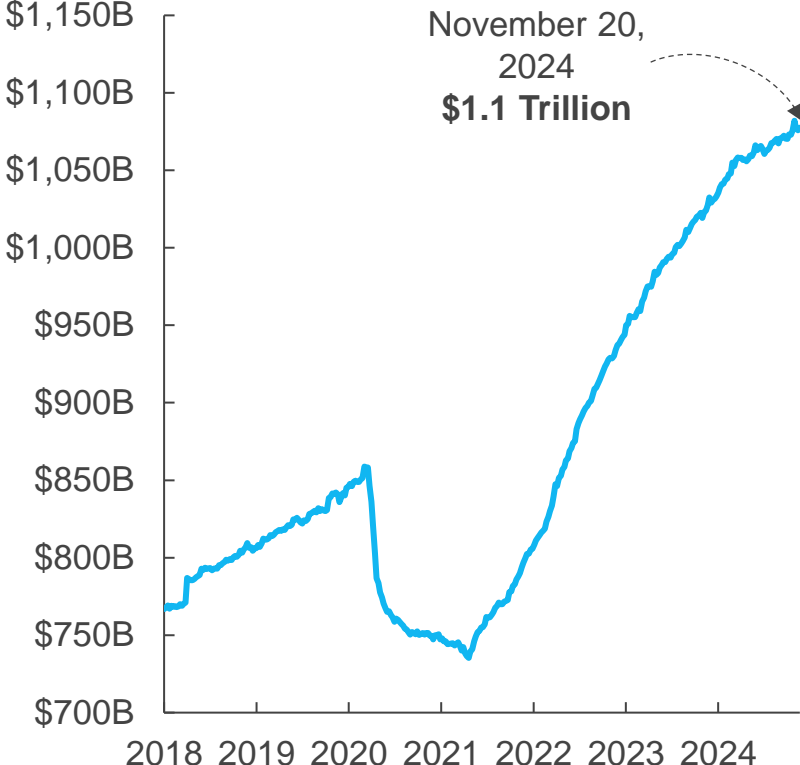
Consumer Bank Deposits
in trillions



Personal Savings Rate

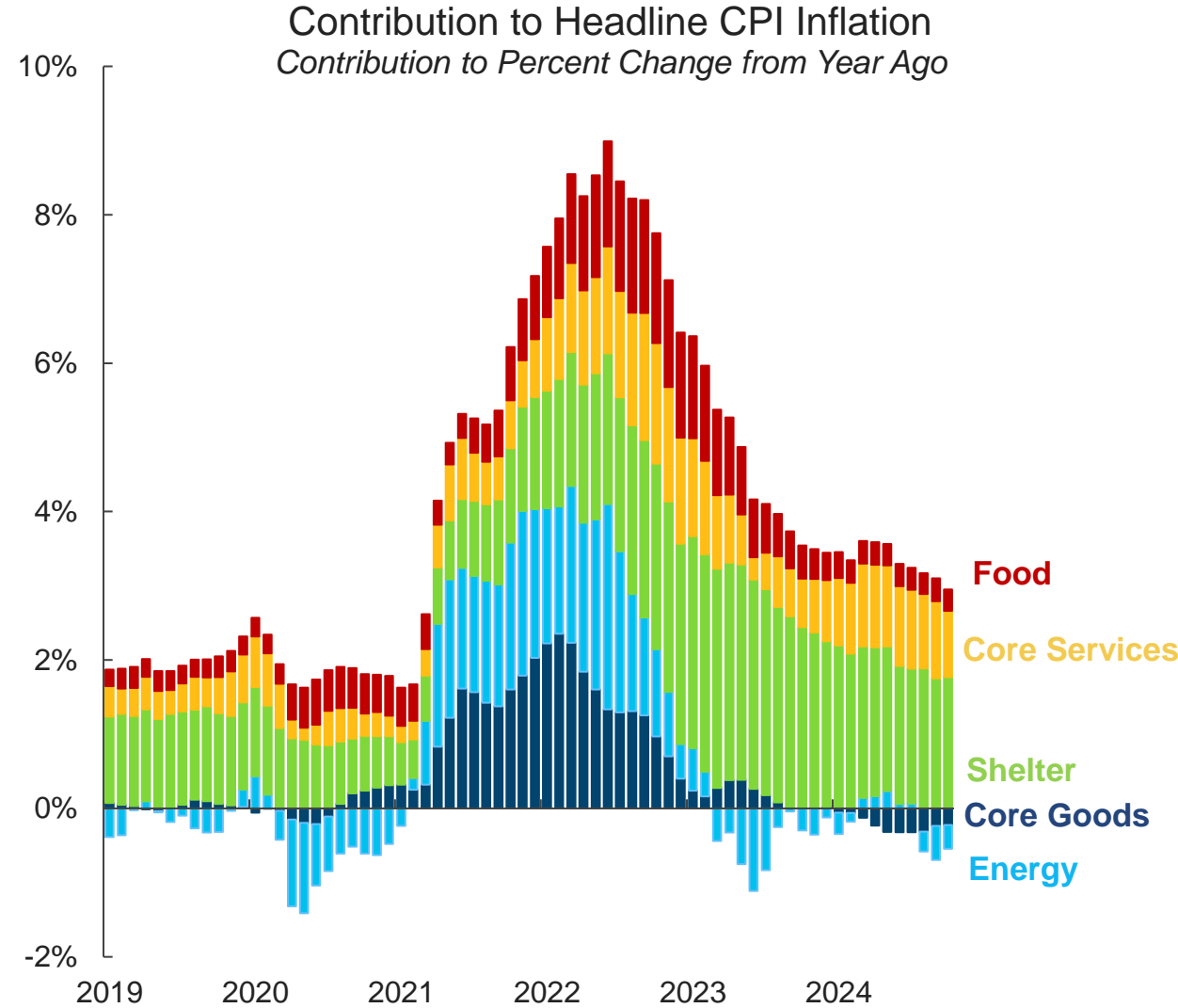
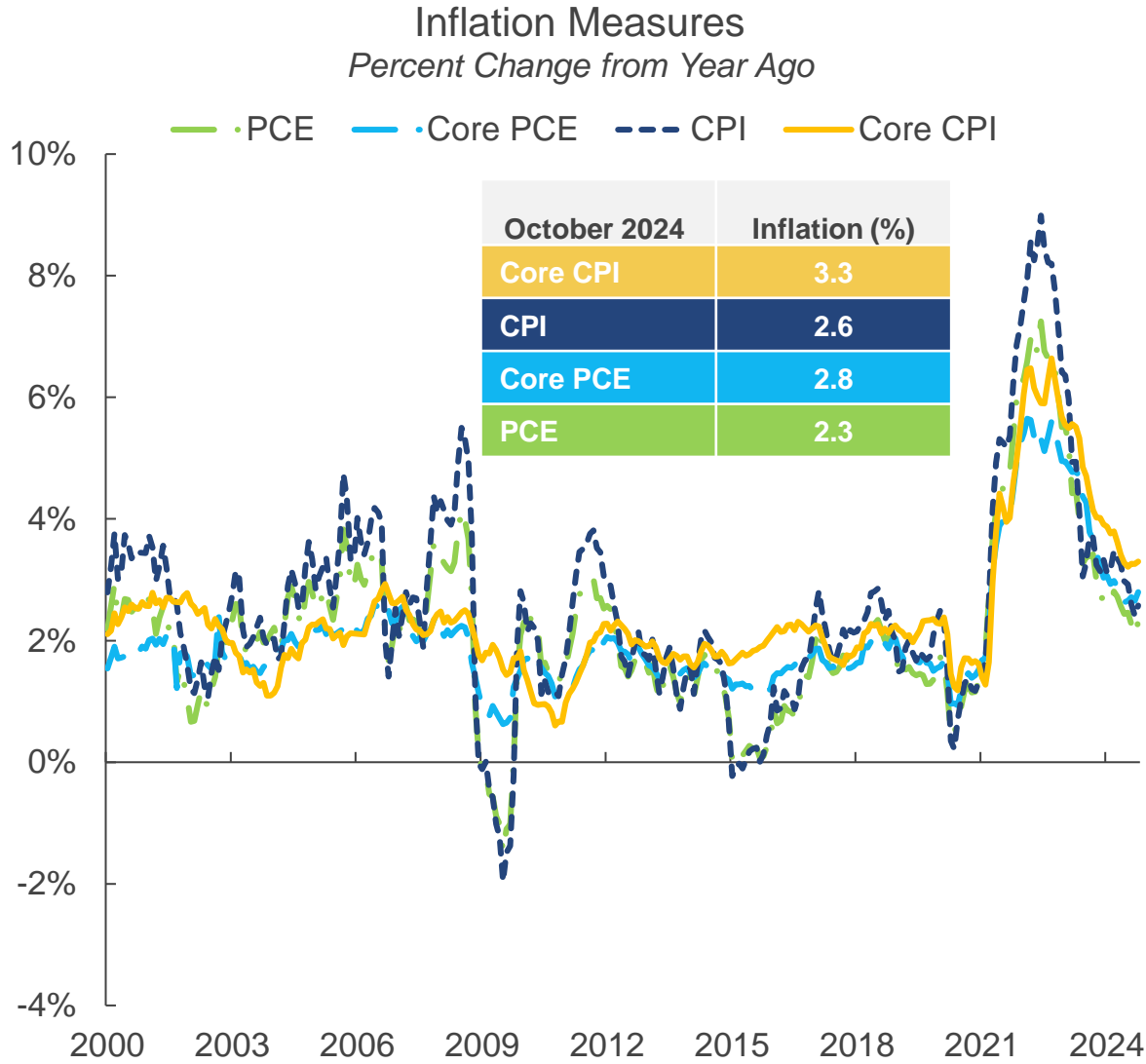


Consumer Loans
*Credit Cards and Other Revolving Plans,
All Commercial Banks*
\$Billions



Source: Federal Reserve, U.S. Bureau of Economic Analysis (BEA)

Inflation in the U.S. Still Remains Above Federal Reserve's Target



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA)

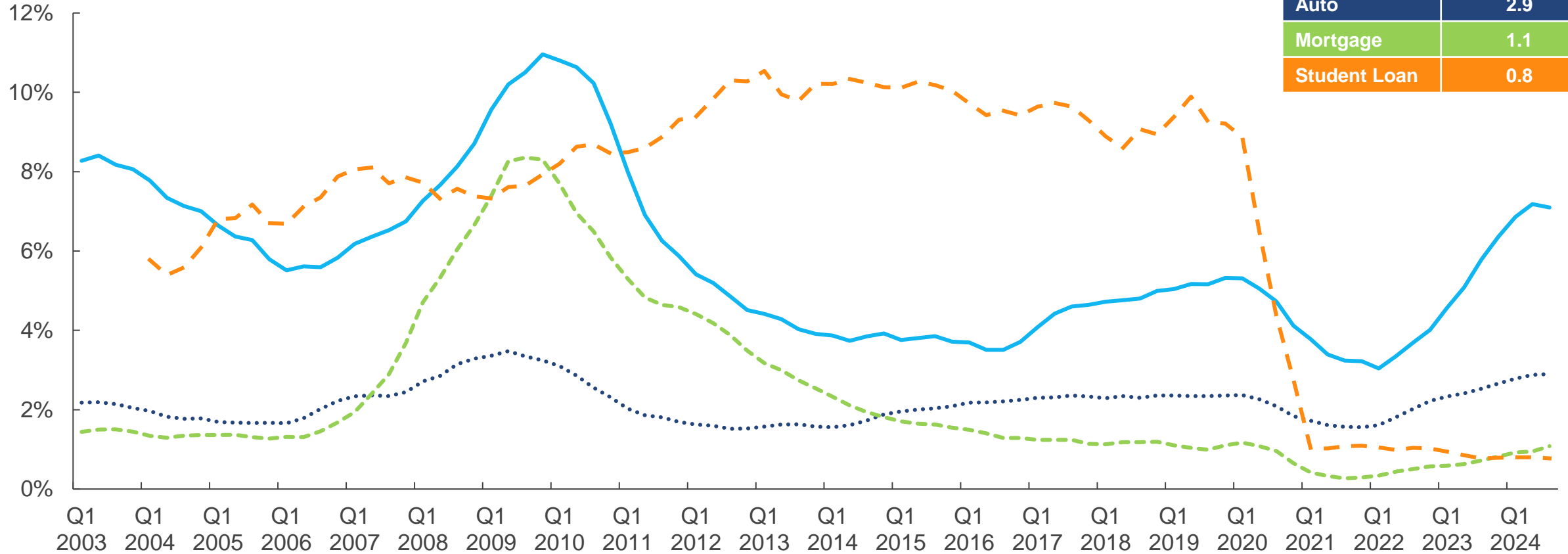
Note: Data through October 2024; "Core Services" is Services less energy and shelter. "Core Goods" is goods less food and energy

Serious Delinquency Rate for Credit Cards and Autos Continue to Increase, But Mortgage Performance Remains Solid



Transition Into Serious Delinquency (90+) by Loan Type
4-Quarter Moving Sum

..... Auto — Credit Card - - - Mortgage - - - Student Loan*



Loan Type	Q3 2024	Transition Into SDQ (%)
Credit Card	7.1	7.1
Auto	2.9	2.9
Mortgage	1.1	1.1
Student Loan	0.8	0.8

Source: New York Fed Consumer Credit Panel/Equifax;

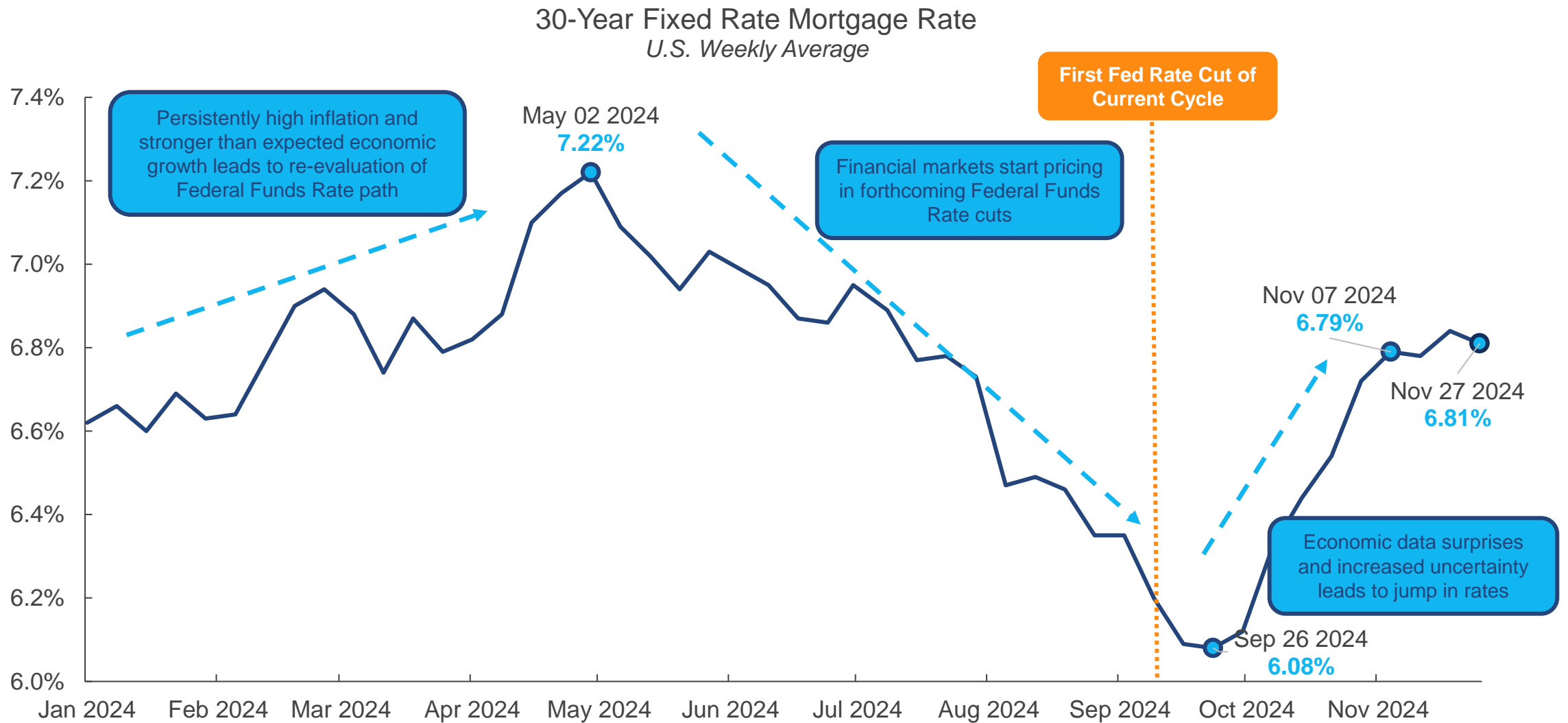
Note: Data through Q3 2024

*Student loan data are not reported prior to 2004 due to uneven reporting



Housing & Mortgage Market

Mortgage Rates Have Been on a Roller Coaster Ride This Year

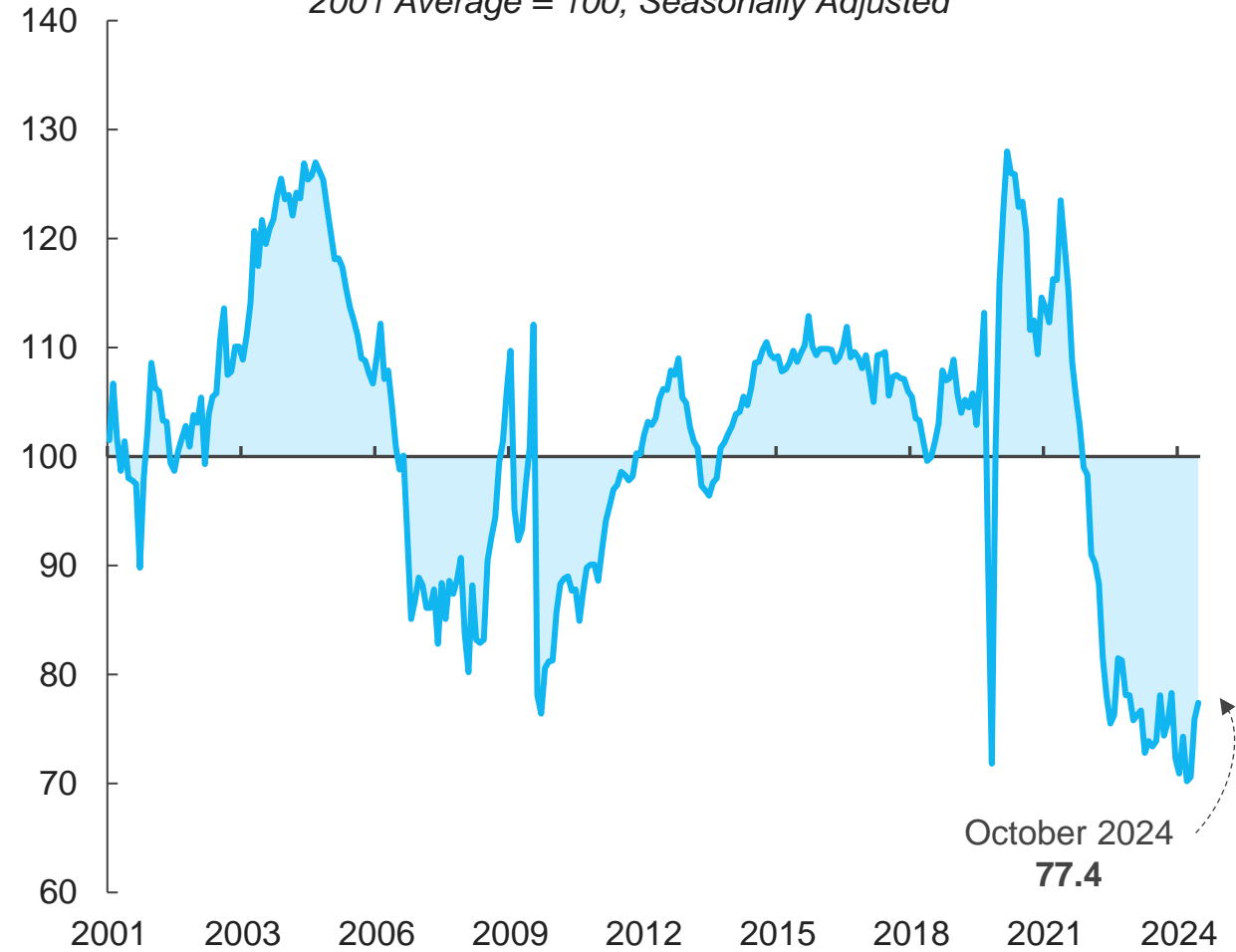


Source: Freddie Mac Primary Mortgage Market Survey
Note: Data through last week of November 2024

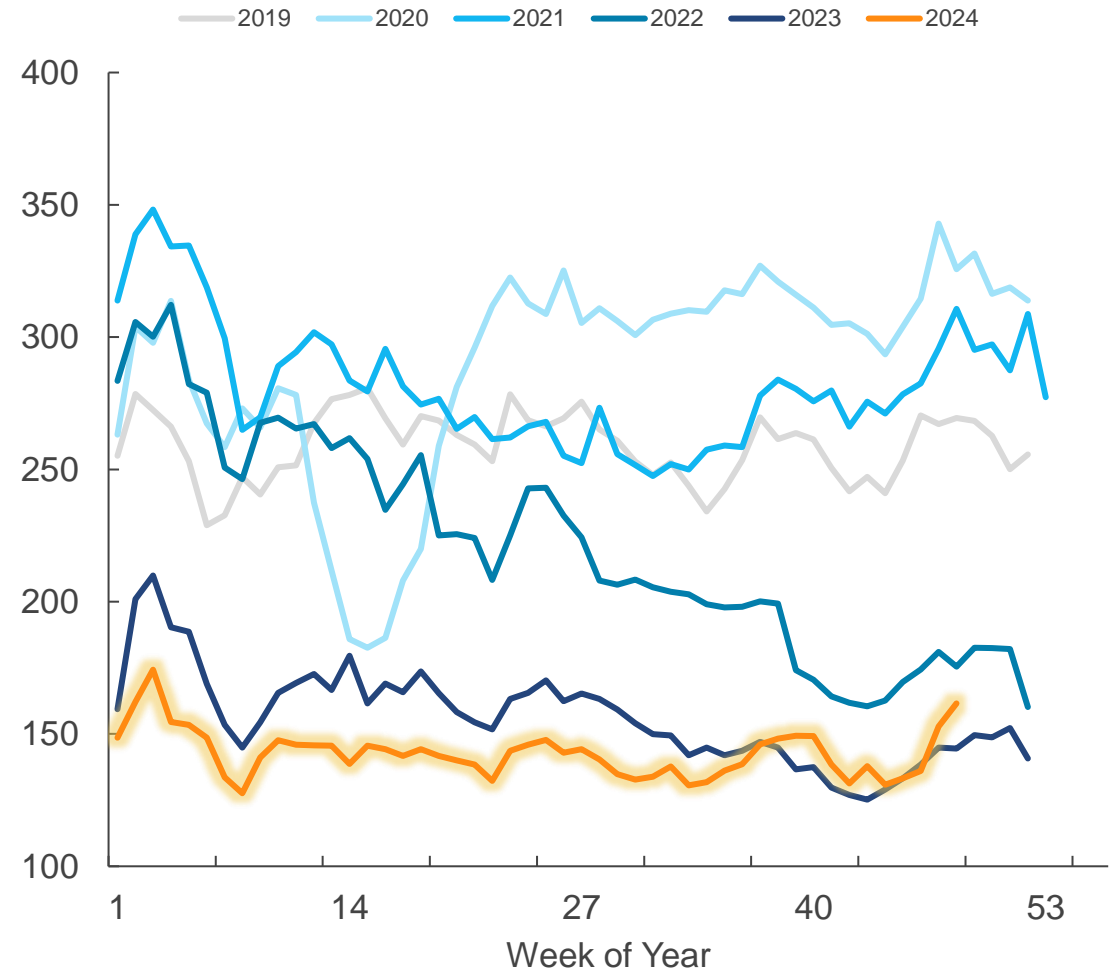
Purchase Demand Rebounding as Mortgage Rates Moderate



Pending Home Sales Index
2001 Average = 100; Seasonally Adjusted



Total Market Purchase Index
16Mar1990 = 100; Seasonally Adjusted



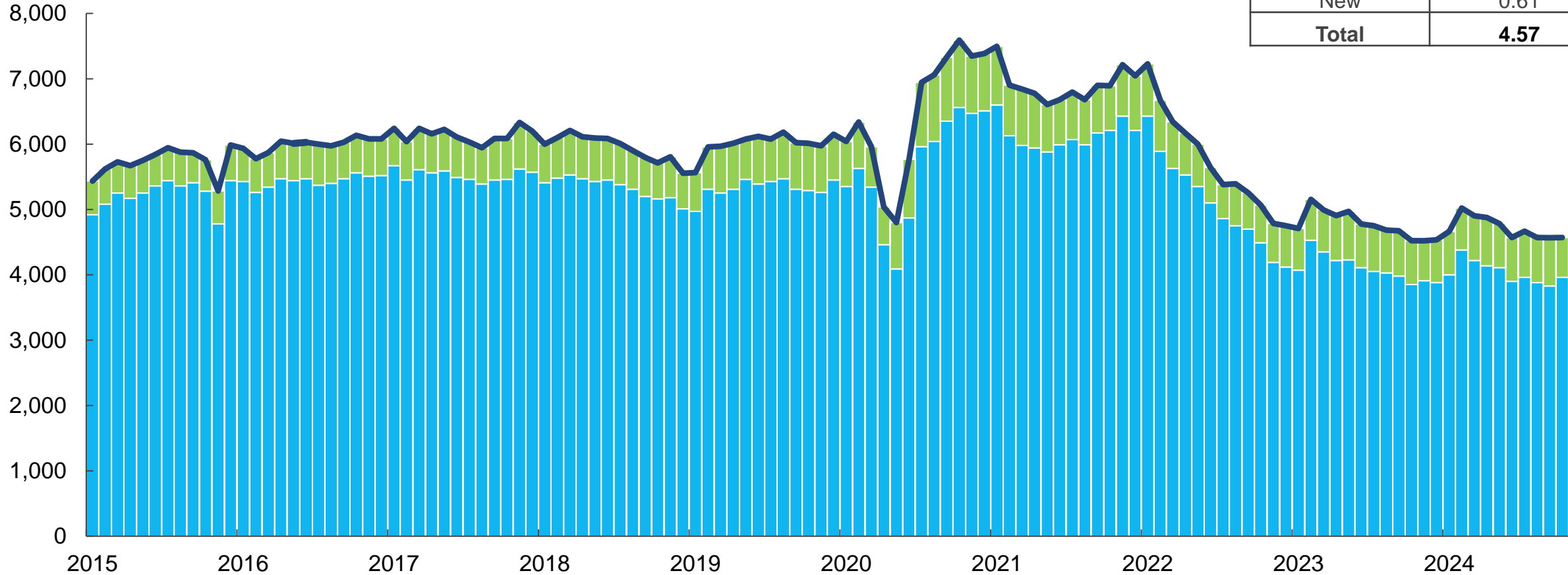
Source: National Association of Realtors, Mortgage Bankers Association
Note: Pending Home Sales data through October 2024; Purchase Apps Data through November 29, 2024.

U.S. Home Sales Remain Low



Total Home Sales
Thousands, Seasonally Adjusted

Existing New Total



October 2024	Home Sales (Millions)
Existing	3.96
New	0.61
Total	4.57

Source: National Association of Realtors (NAR); U.S. Census Bureau
Note: Data through October 2024

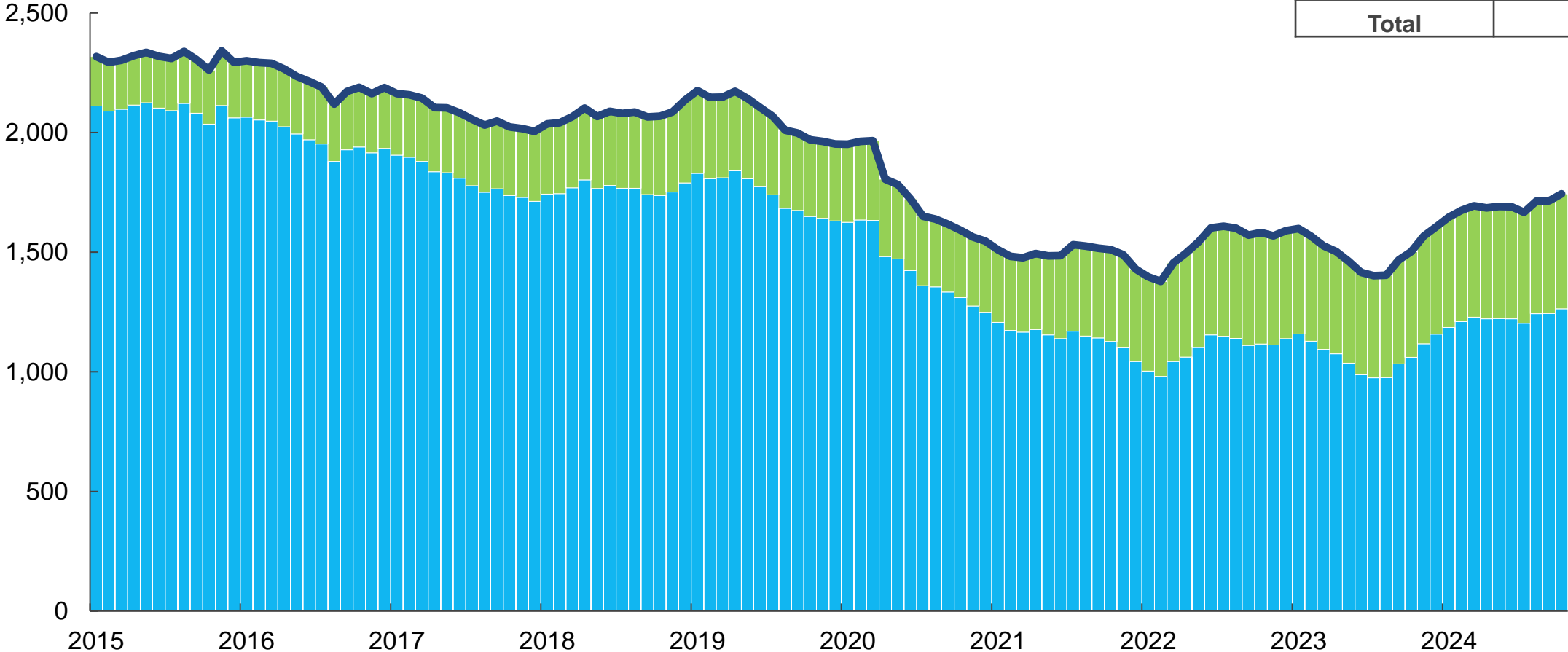
Despite Weak Sales, U.S. Housing Supply Remains Low as Market is Dominated by Chronic Undersupply of Resales



Total Homes for Sale
Thousands, Seasonally Adjusted

Existing New Total

October 2024	Home for Sale (Millions)
Existing	1.26
New	0.48
Total	1.74

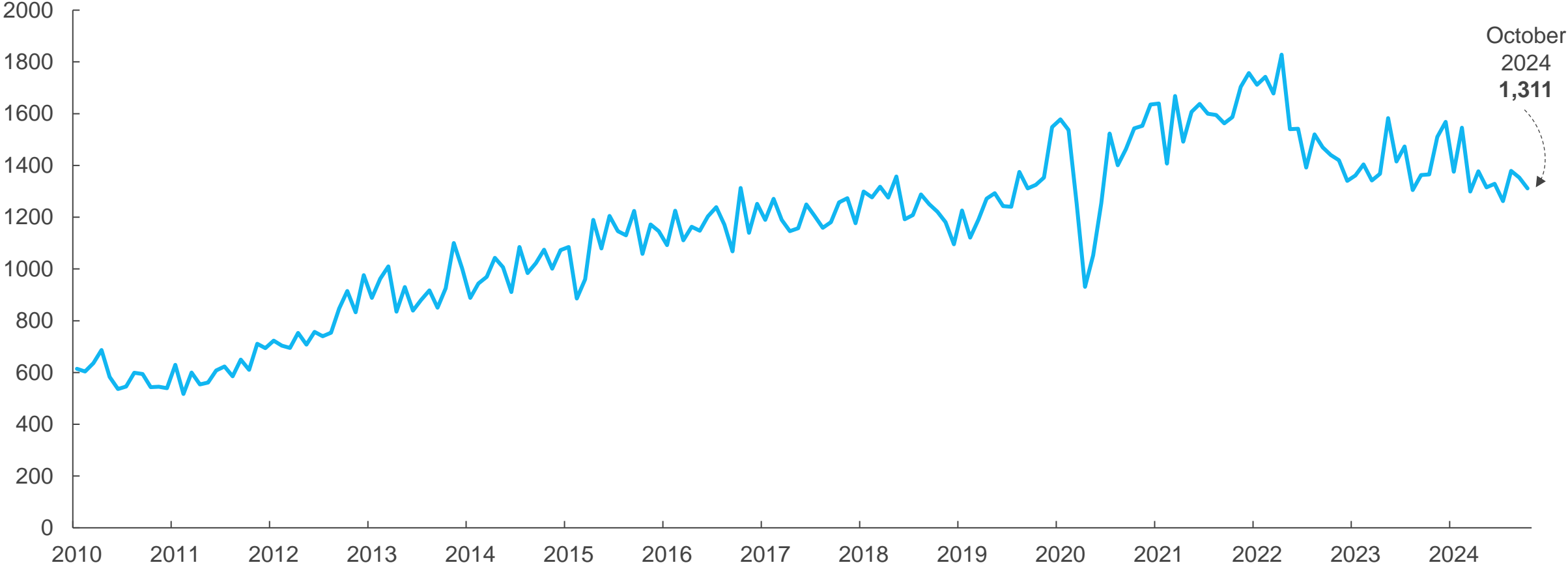


Source: National Association of Realtors (NAR); U.S. Census Bureau
Note: Data through October 2024

U.S. Housing Starts Ticked Down Due to Rising Mortgage Rates



Total Housing Starts
Thousands, Seasonally Adjusted Annual Rate

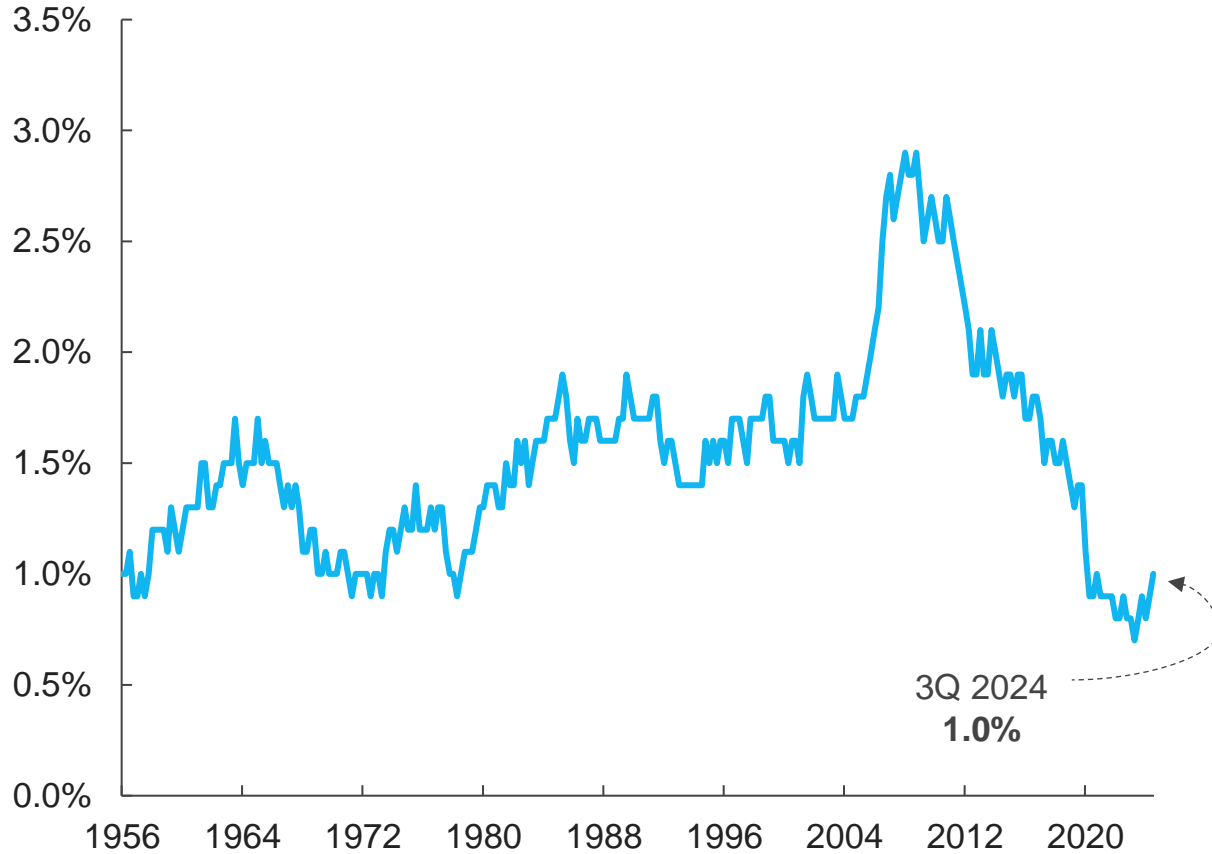


Source: U.S. Census Bureau
Note: Data through October 2024

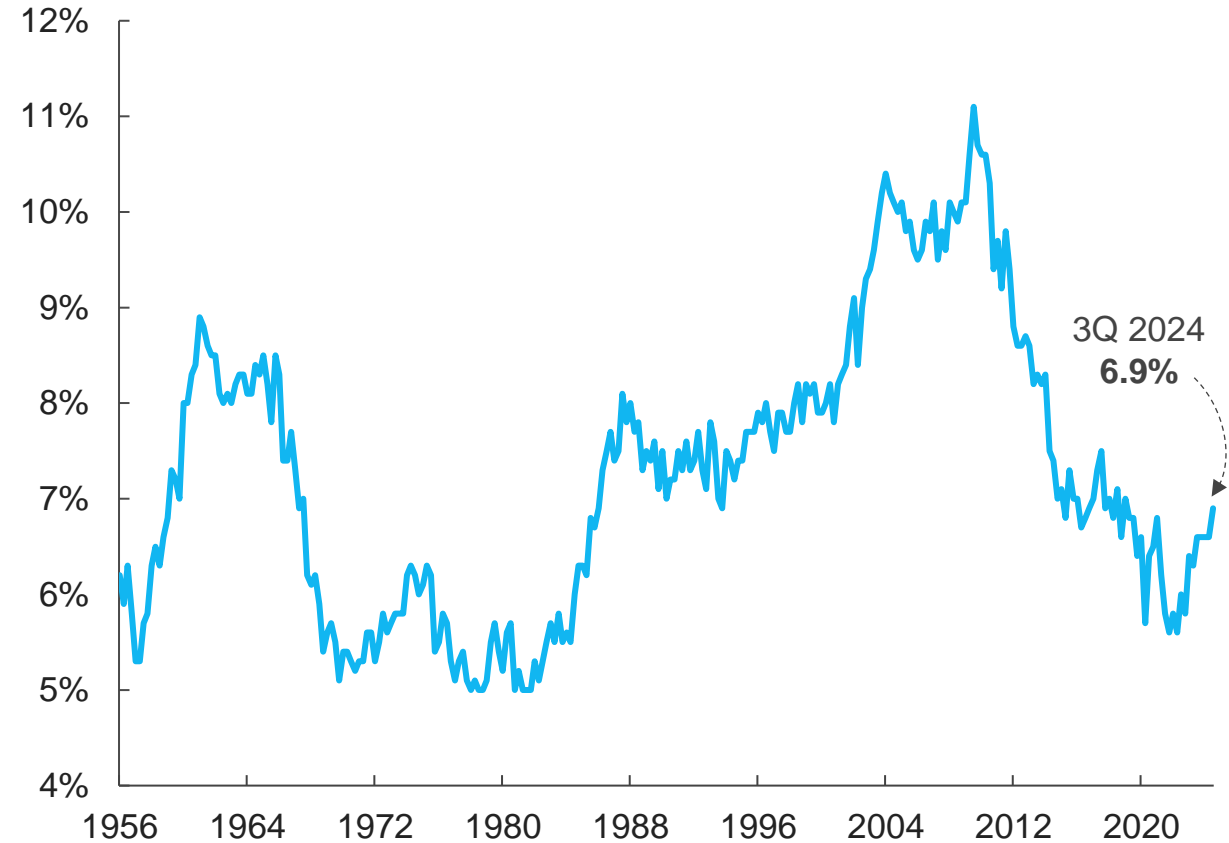
Lack of Housing Supply in U.S. Caused Vacancy Rates to Collapse to Historic or Near-Historic Lows



Homeowner Vacancy Rate



Rental Vacancy Rate

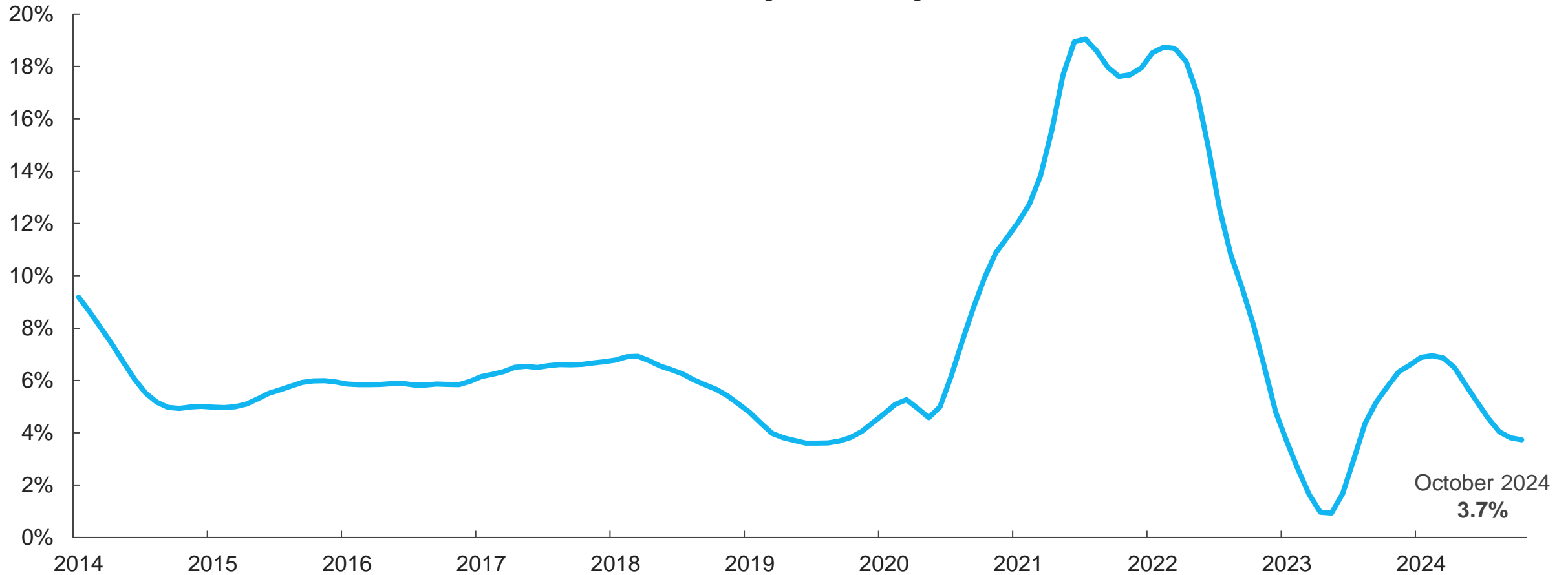


Source: U.S. Census Bureau
Note: Data through Q3 2024

U.S. Home Price Growth is Rising Although at a Slower Pace; Home Price Growth Expected to Slow in 2025



Freddie Mac House Price Index
Percent Change from Year Ago



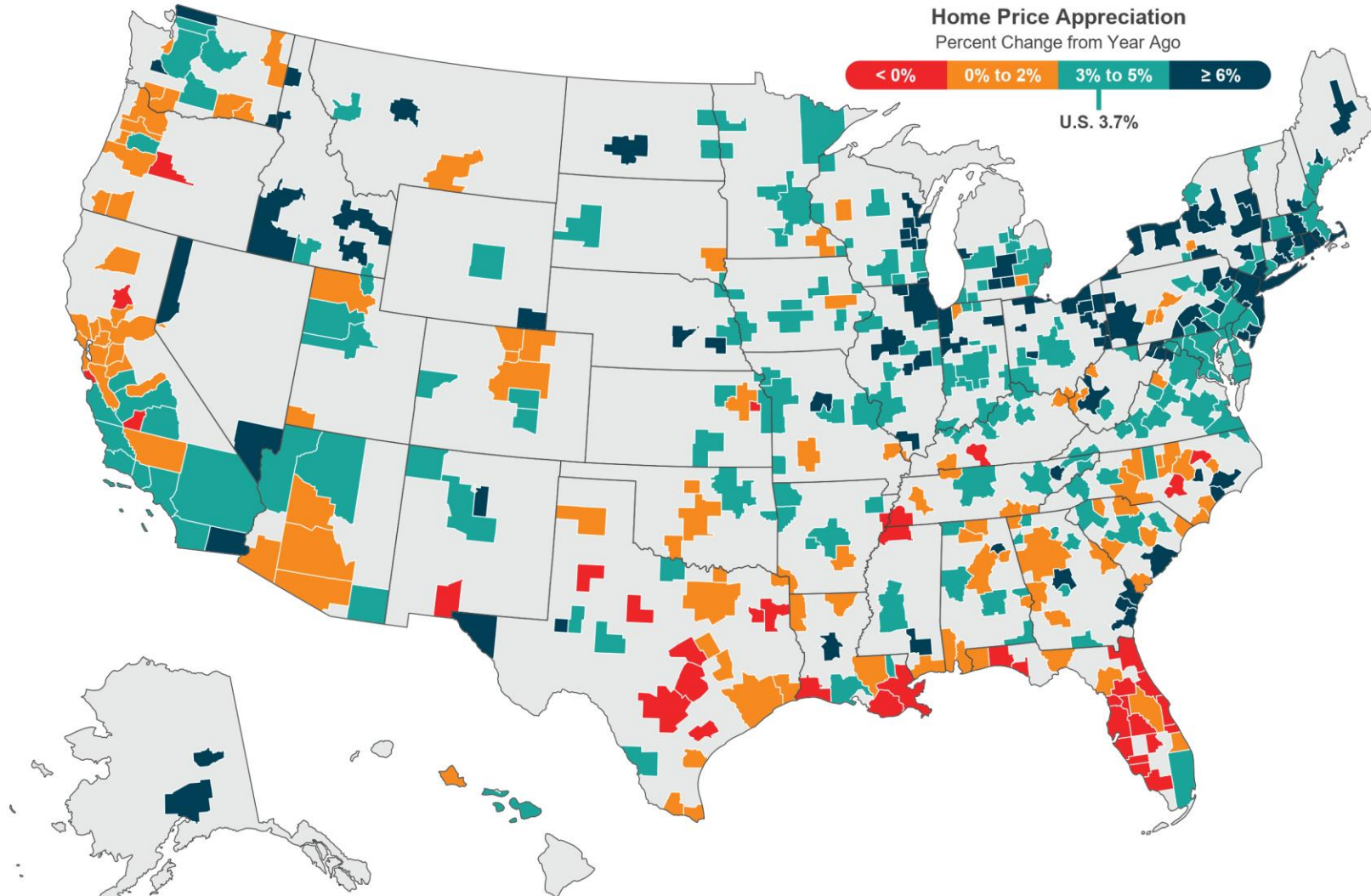
Source: Freddie Mac

Note: Data through October 2024; For latest data, visit <https://www.freddiemac.com/research/indices/house-price-index>

Home Price Growth Continues to Rise the Most in the Northeast and Midwest



October 2024 Freddie Mac House Price Index
Percent Change from Year Ago



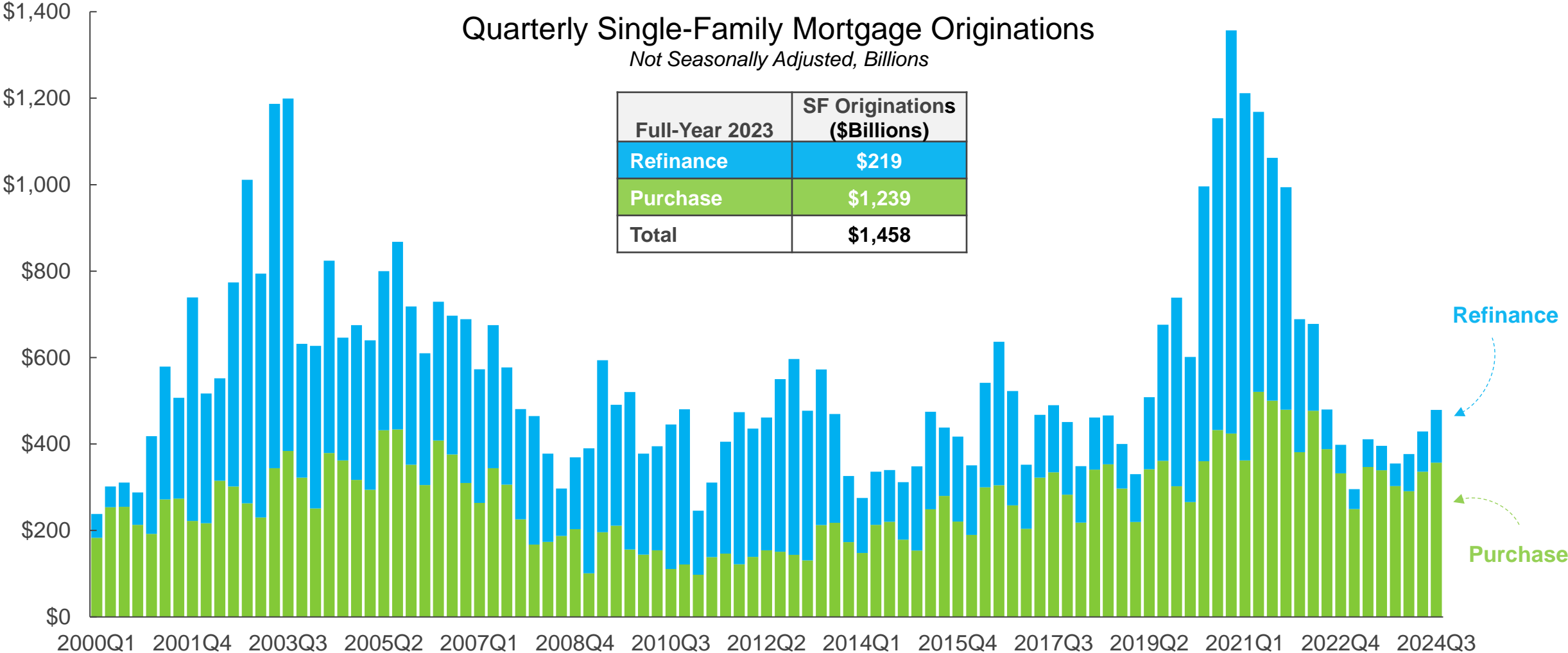
Source: Freddie Mac
Note: Data through October 2024

U.S. Mortgage Originations Pick Up in Q3 Led by Purchase Originations



Quarterly Single-Family Mortgage Originations
Not Seasonally Adjusted, Billions

Full-Year 2023	SF Originations (\$Billions)
Refinance	\$219
Purchase	\$1,239
Total	\$1,458



Source: Freddie Mac. Last point 2024Q3

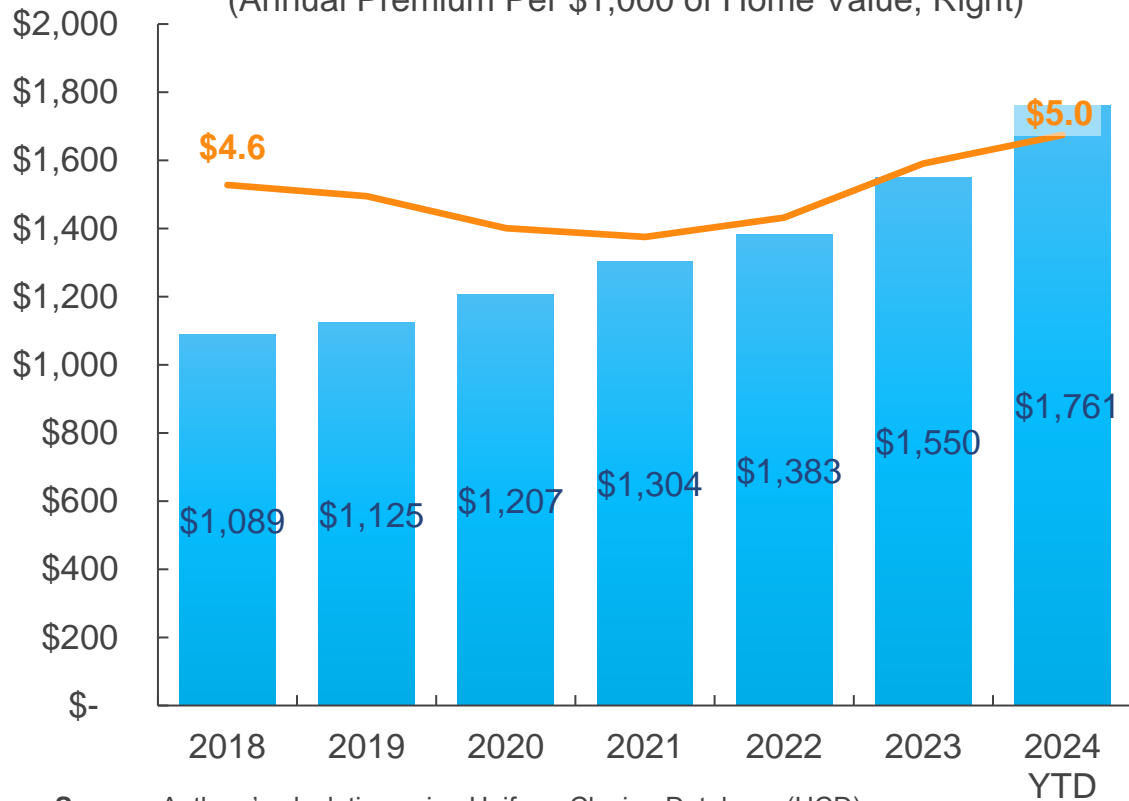
Homeowners Insurance Cost Has Increased For the Average Borrower With Variation Across Different States



Homeowners Insurance Premium & Effective Rate

■ Average Annual Homeowners Insurance Premium (Left)

— Average Homeowners Insurance Effective Rate (Annual Premium Per \$1,000 of Home Value; Right)



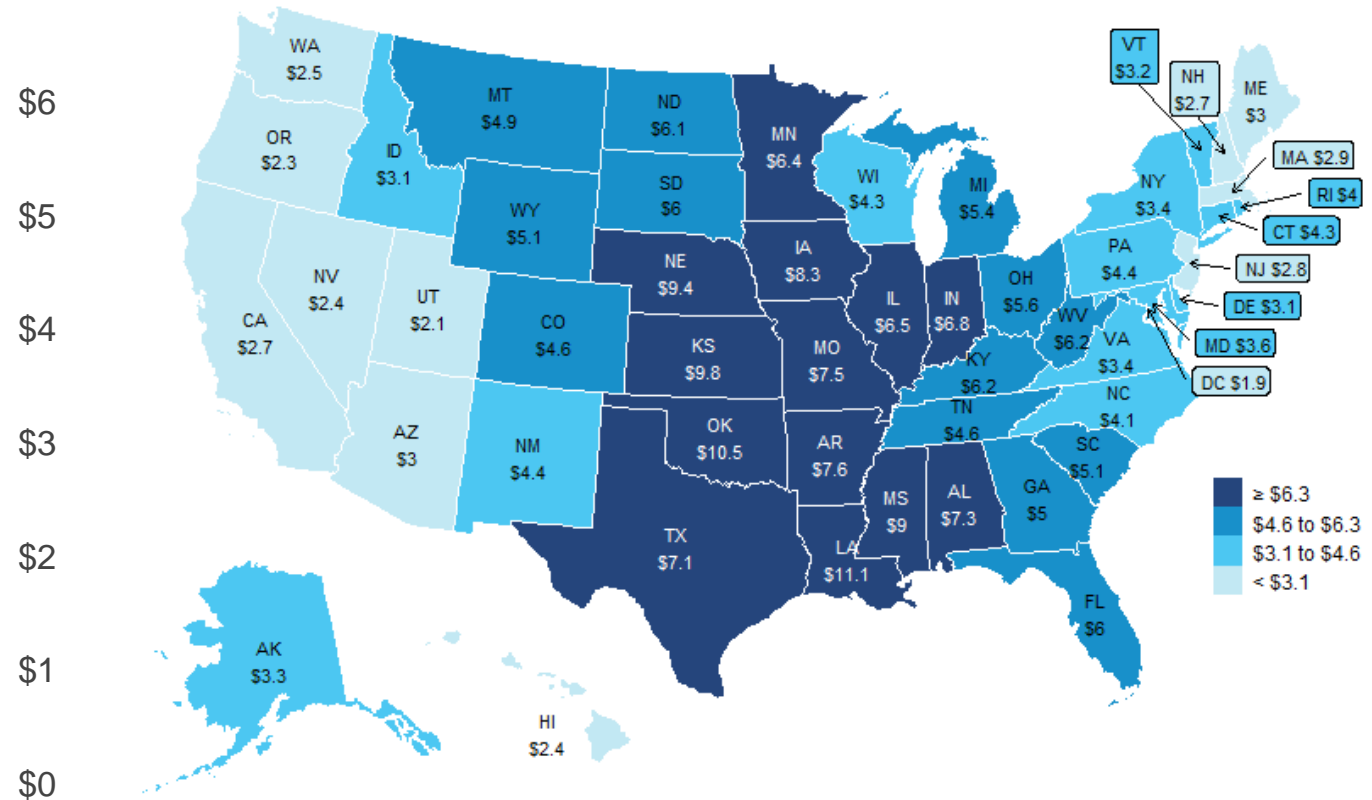
Source: Authors' calculation using Uniform Closing Database (UCD).

Note: Single-family owner-occupied property with a fully amortizing 30-year fixed-rate mortgage funded by Freddie Mac.

*2024 YTD as of August 2024.

2024 YTD* Homeowners Insurance Effective Rate by State

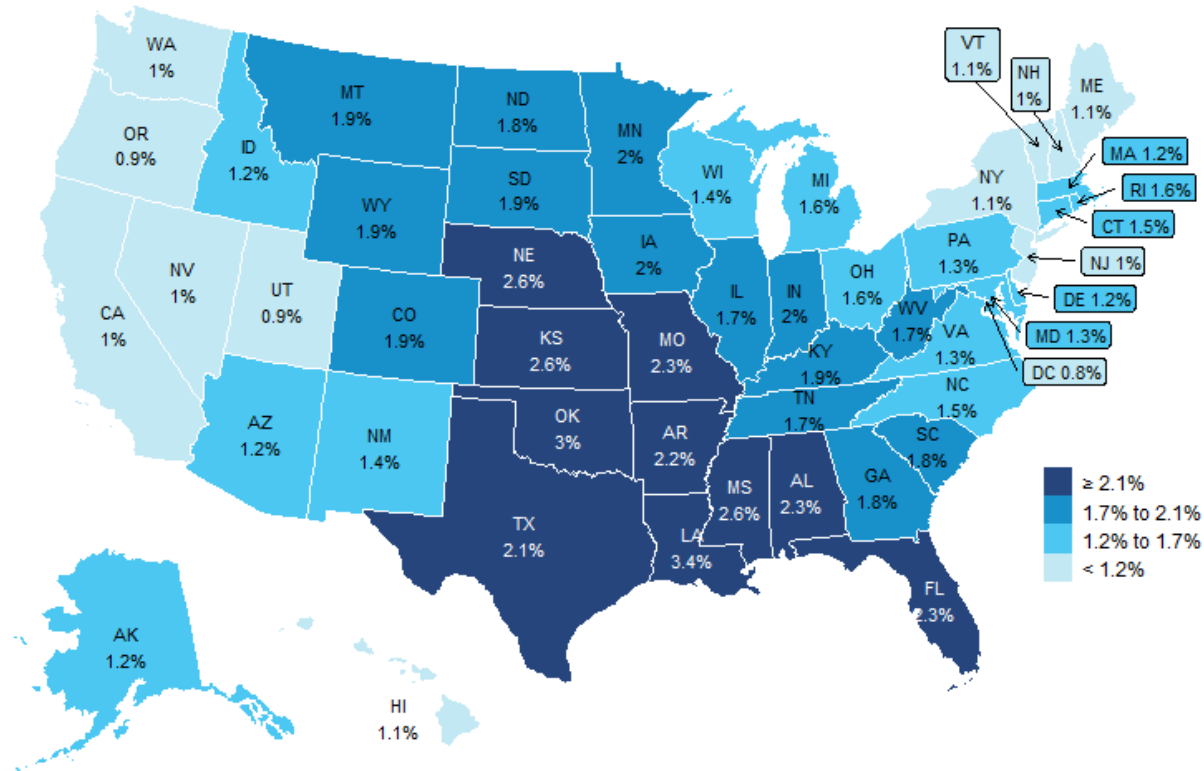
Average Annual Premium Per \$1,000 Home Value



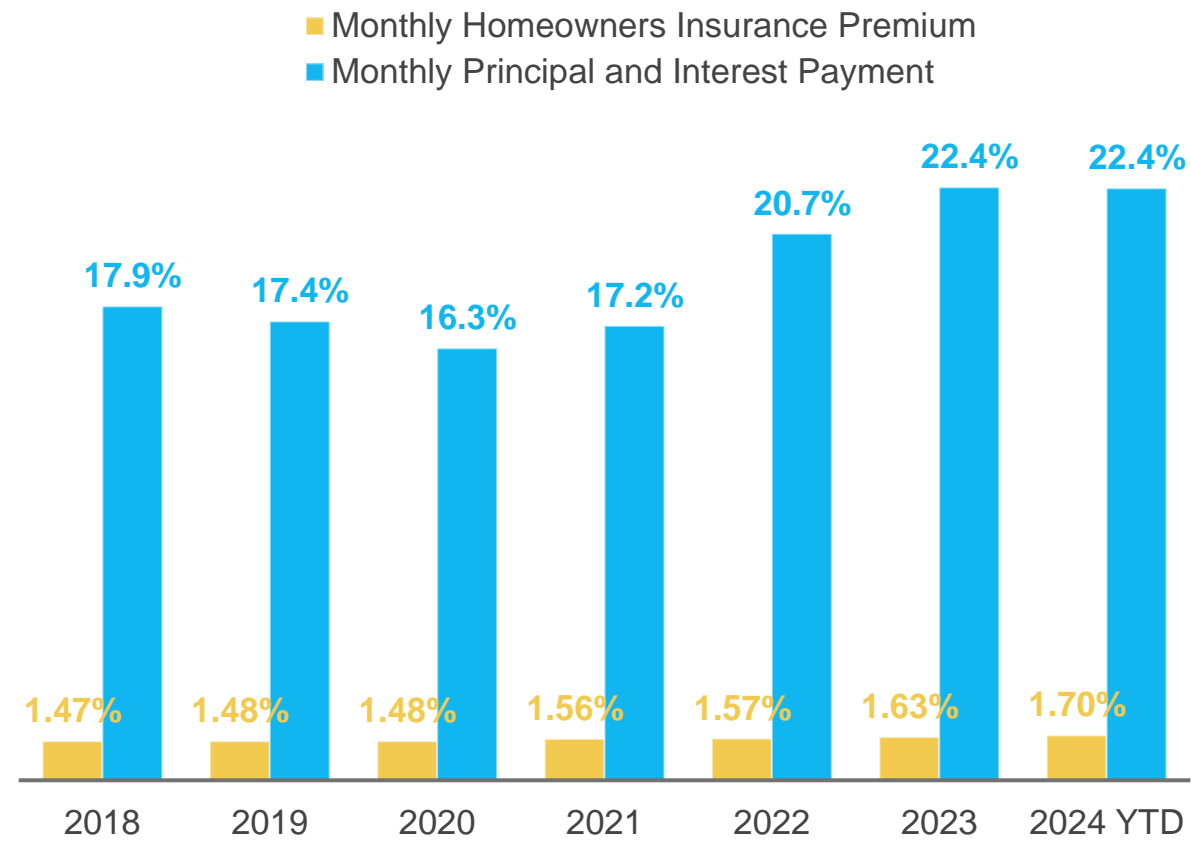


While Insurance Costs Have Added to Cost Burdens, the Net Impact is Much Smaller Than the Impact of Higher Mortgage P&I Payments

2024 YTD* Homeowners Insurance Cost Burden
 Percent of a mortgage borrower's monthly income that was paid toward homeowners insurance premiums



Average Housing Cost (% of Monthly Income), 2018-2024 YTD*



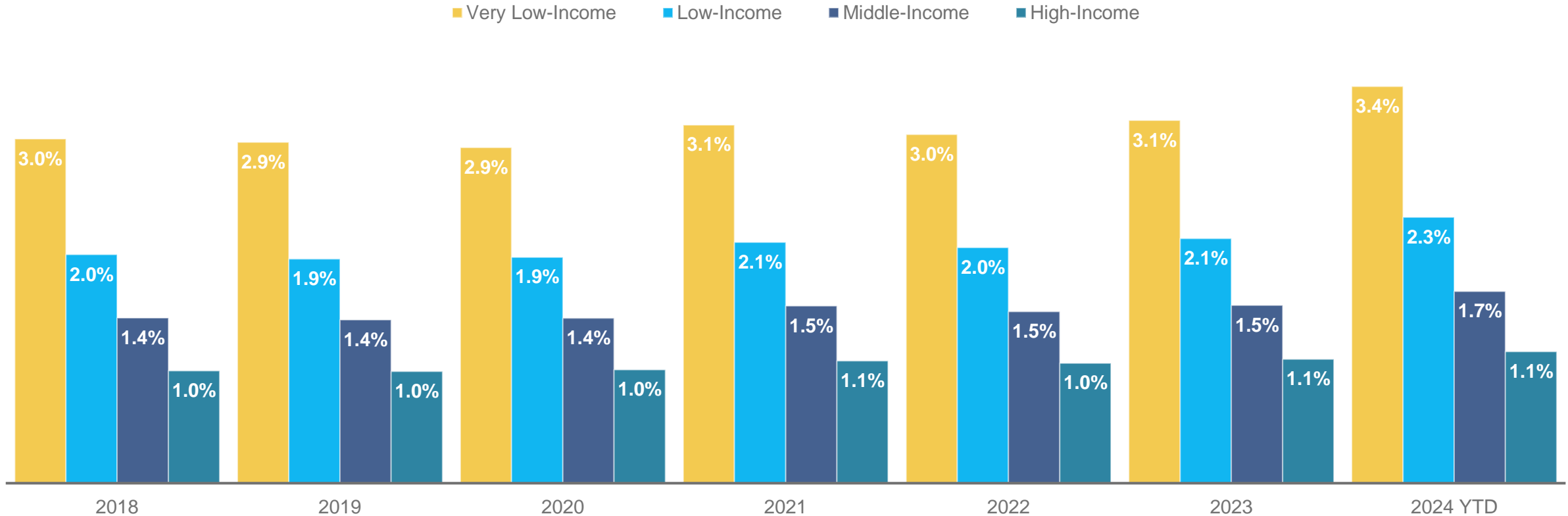
Source: Authors' calculation using Uniform Closing Database (UCD).
Note: Single-family owner-occupied property with a fully amortizing 30-year fixed-rate mortgage funded by Freddie Mac.
 *2024 YTD as of August 2024.

Lower Income Borrowers Are Affected More by the Rising Cost of Homeowners Insurance



Homeowners Insurance Cost Burden, 2018 to 2024 YTD*

Percent of a mortgage borrower's monthly income that was paid toward homeowners insurance premiums



Source: Authors' calculation using Uniform Closing Database (UCD).

Note: Single-family owner-occupied property with a fully amortizing 30-year fixed-rate mortgage funded by Freddie Mac. Very low-income borrowers are those with an income no greater than 50% of area median income. Low-income borrowers are those with an income that is at least 50% and less than 80% of the area median income. Middle-income borrowers are those with an income that is at least 80% and less than 120% of the area median income. High-income borrowers are those with an income above 120% of area median income. Includes all single-family owner-occupied property with a fully amortizing 30-year fixed-rate purchase mortgage. *2024 YTD as of August 2024.

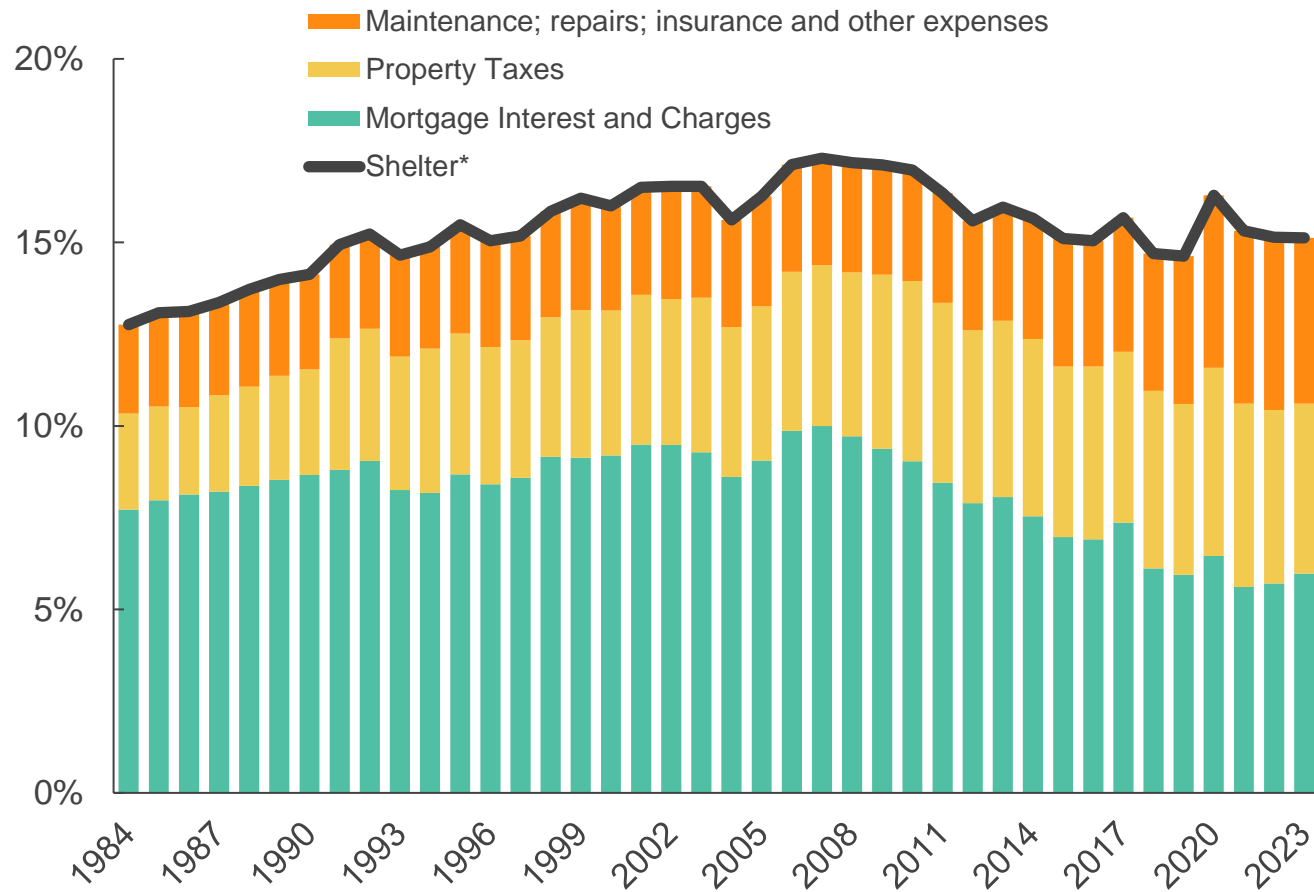


Spotlight

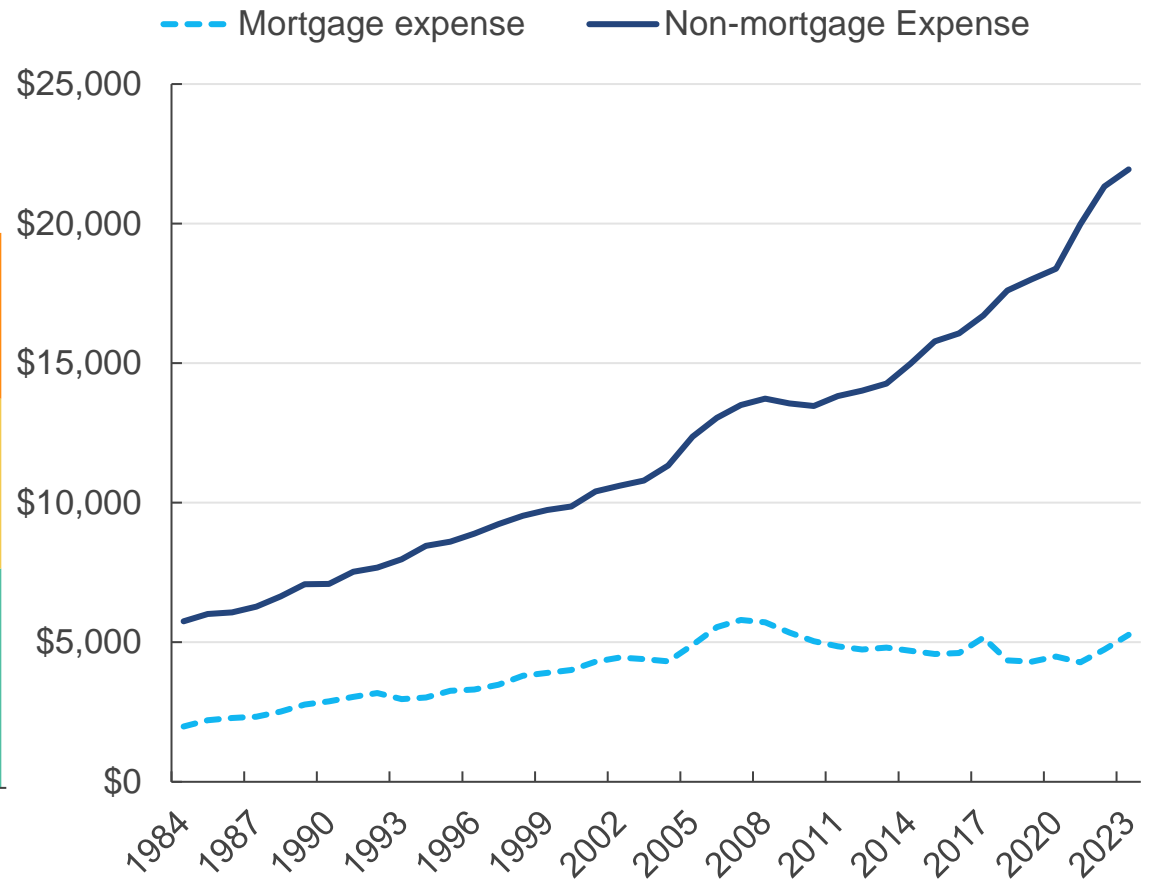
Average Non-Mortgage Expenses Increasing More Than Mortgage Expenses for Homeowners



Average Shelter Expenses as a Share of Total Expenses
Homeowners



Average Mortgage and Non-mortgage Expense
Homeowners

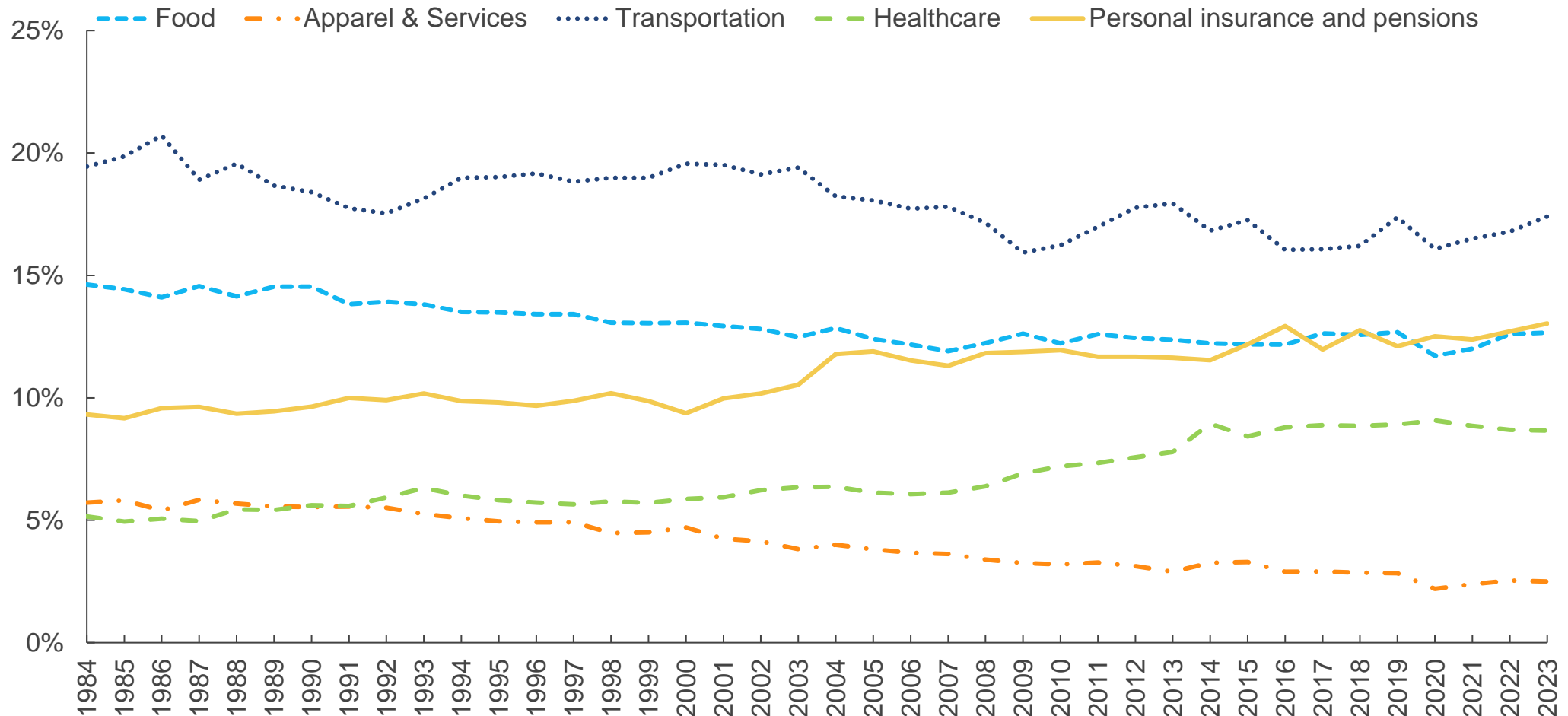


Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023
 Note: "Other Lodging" is removed from the calculation of shelter expenditure share

Average Food, Apparel, and Transportation Expenditures Saw Largest Decline Among Homeowners

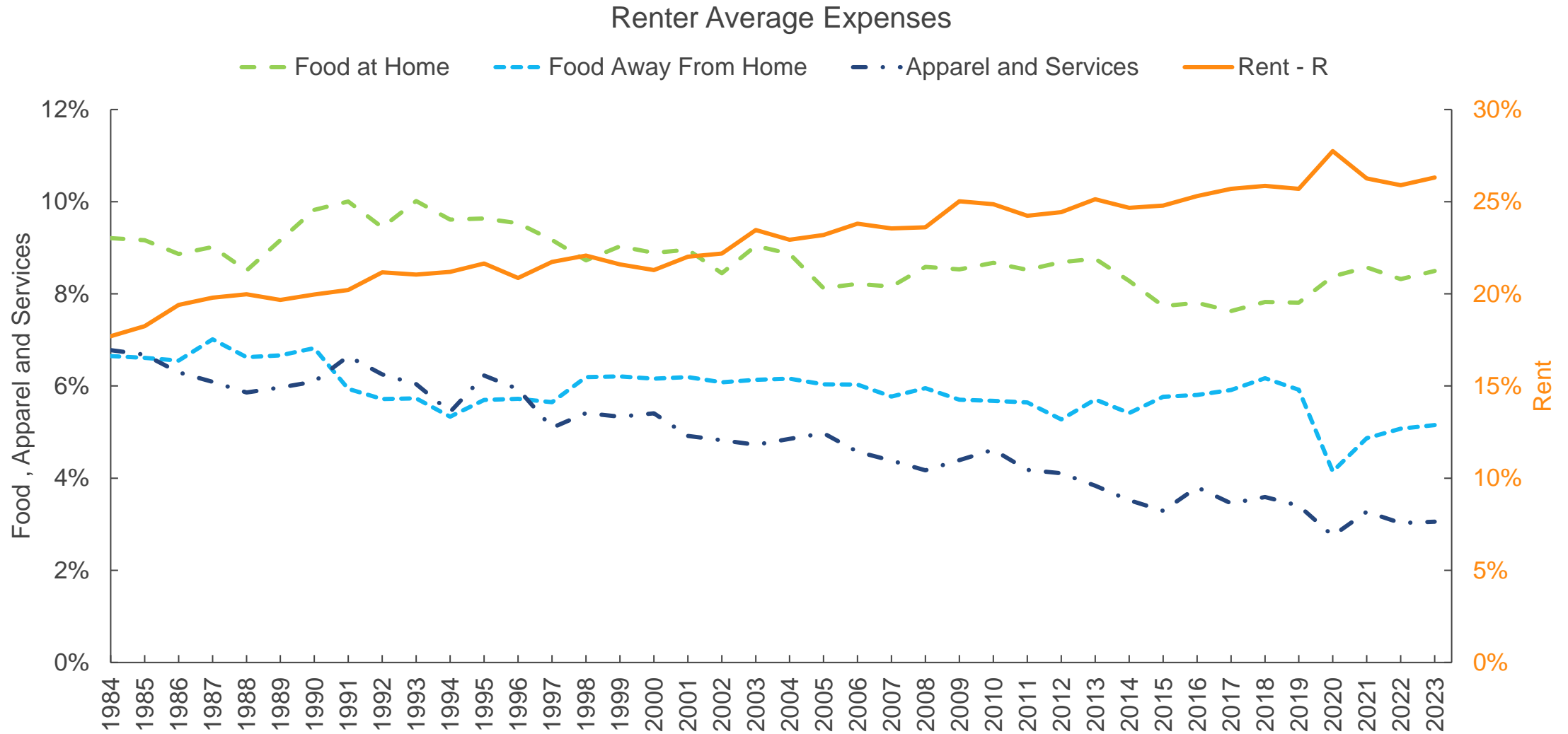


Homeowner Average Expenses



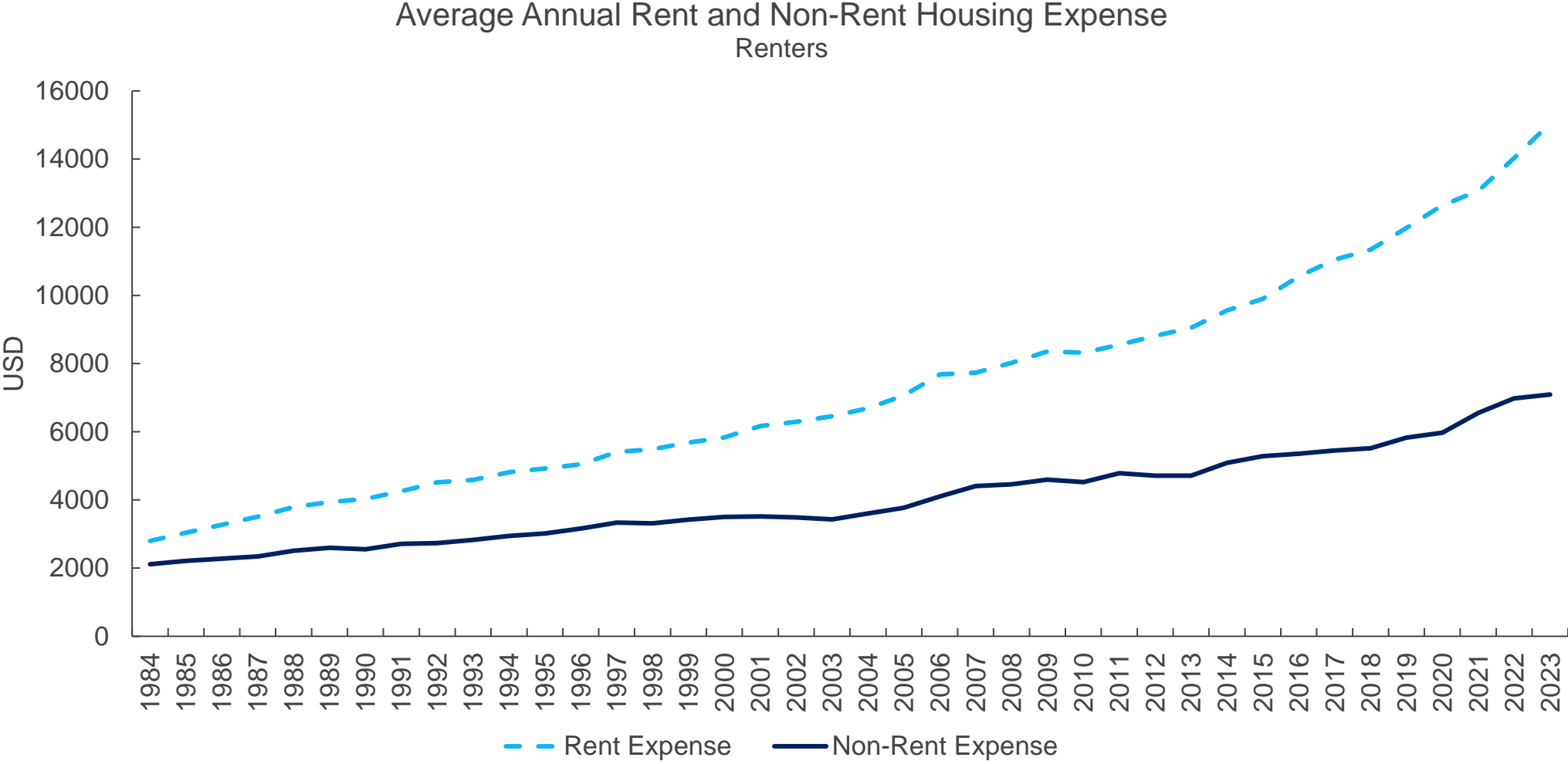
Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023

Renters Must Cut Back on Other Expenses as Rent Costs Increase



Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023

Average Rent Expense Increasing More Than Non-Rent Expense for Renters



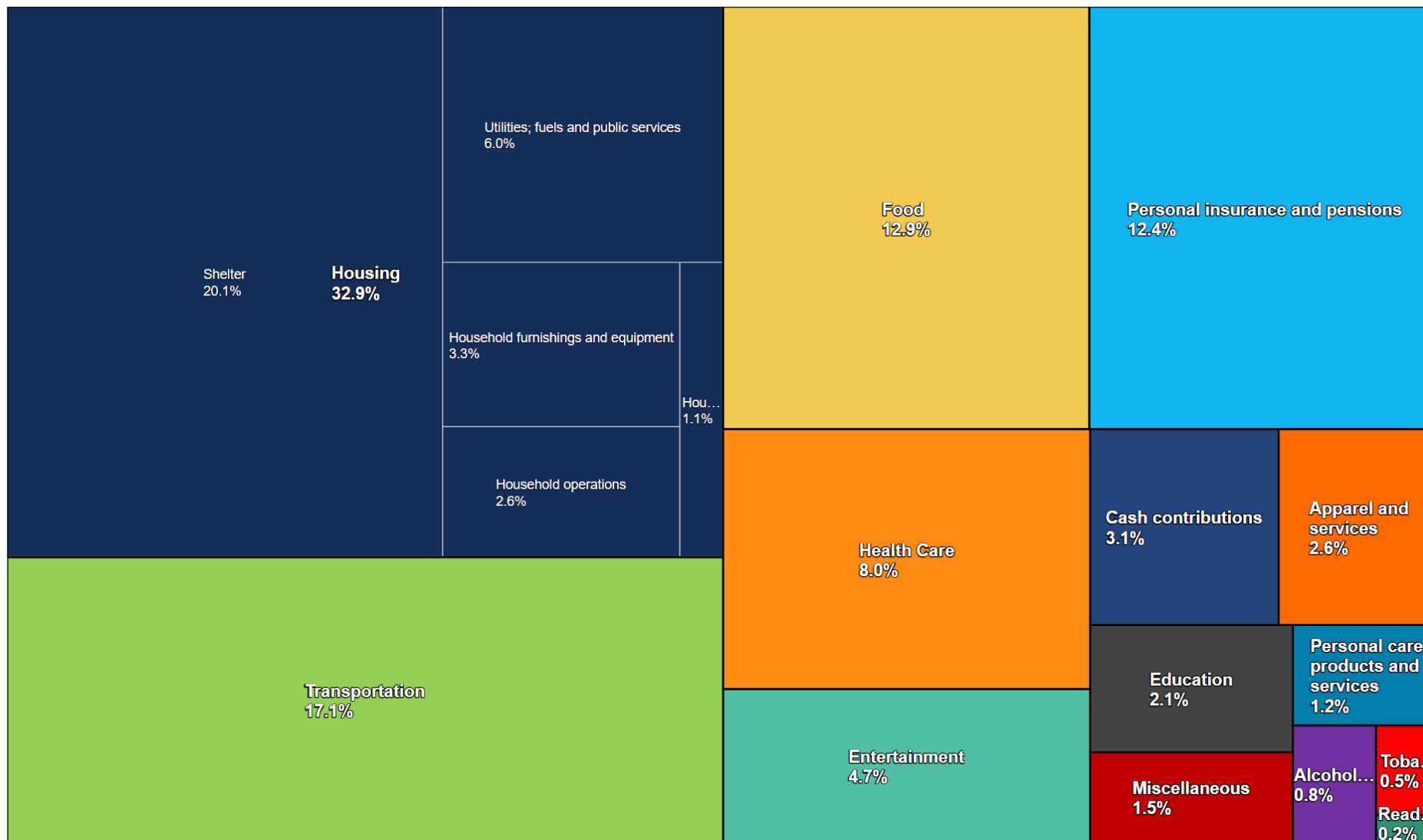
Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023

Average US Consumer Expenditures in 2023

Total = \$77k , about 1/3 on housing, 1/5 on shelter (rent/user cost)



2023 Total Consumer Expenditure Share



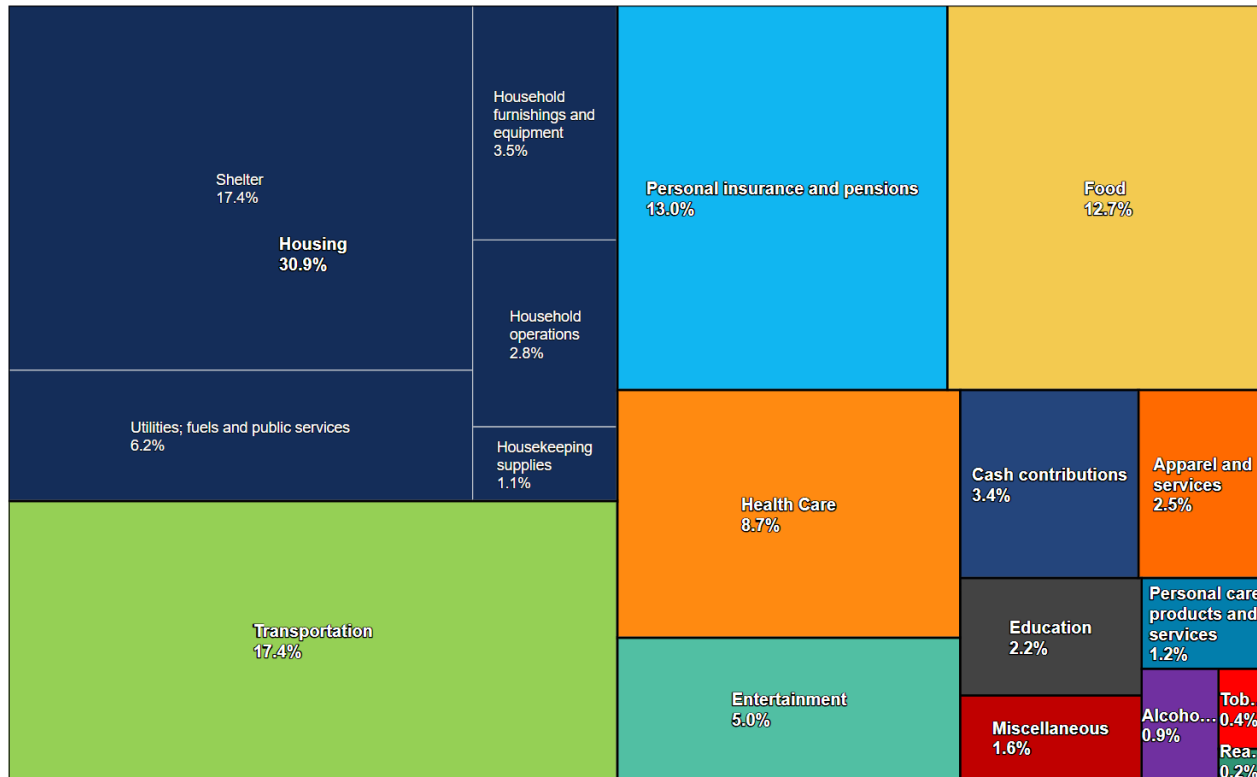
Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023

Average US Homeowner/Renter Expenditures in 2023

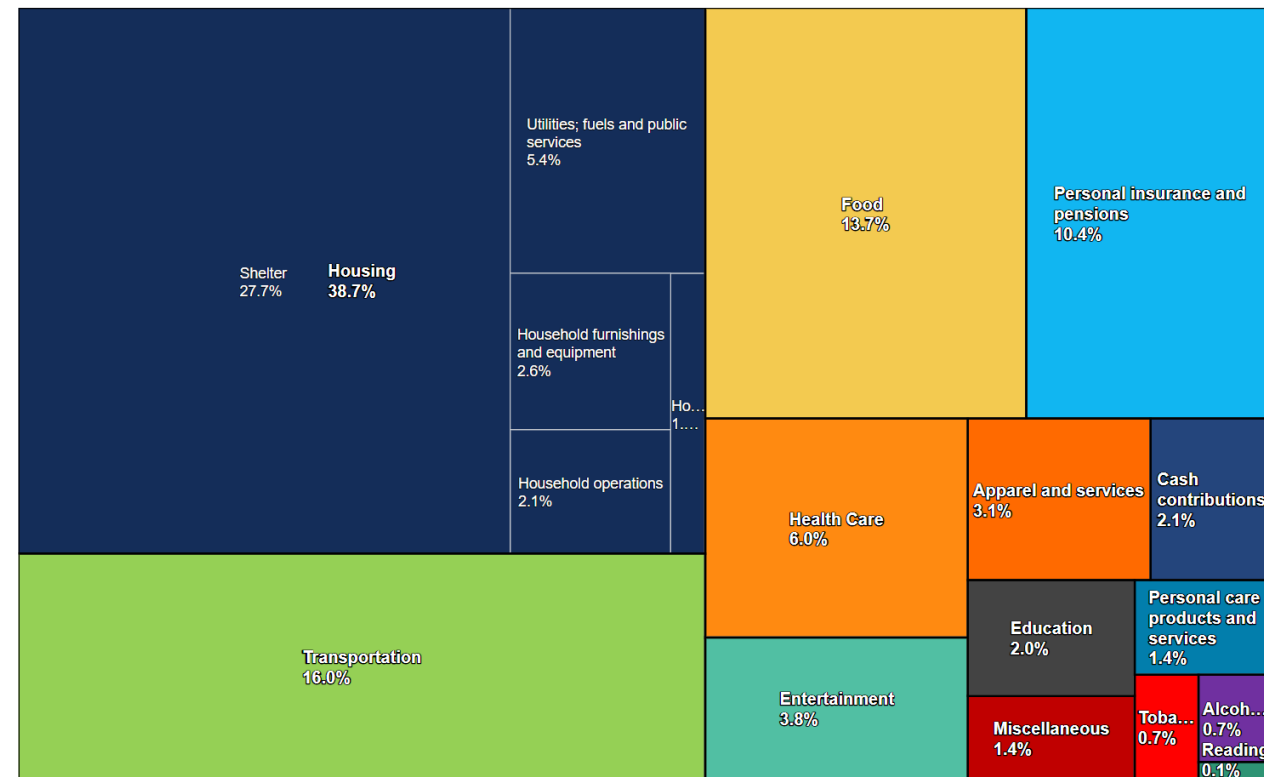
Homeowner = \$88k, Renter \$57k



2023 Homeowner Consumer Expenditure Share



2023 Renter Consumer Expenditure Share



Source: U.S. Bureau of Labor Statistics (BLS), Consumer Expenditure Survey for 2023