

# Economic and Mortgage Market Outlook

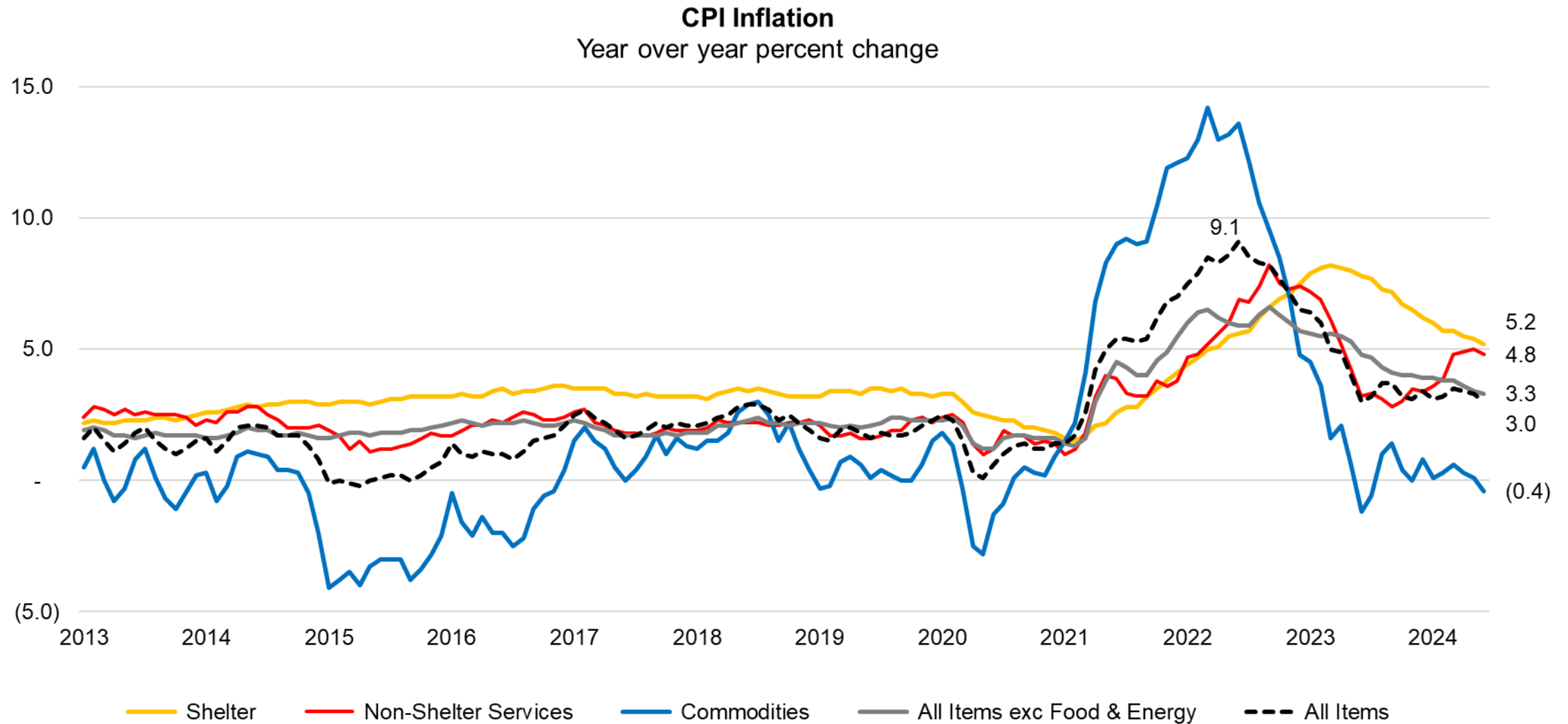
## Prepared for the MBA of Central Florida Luncheon

February 12, 2025

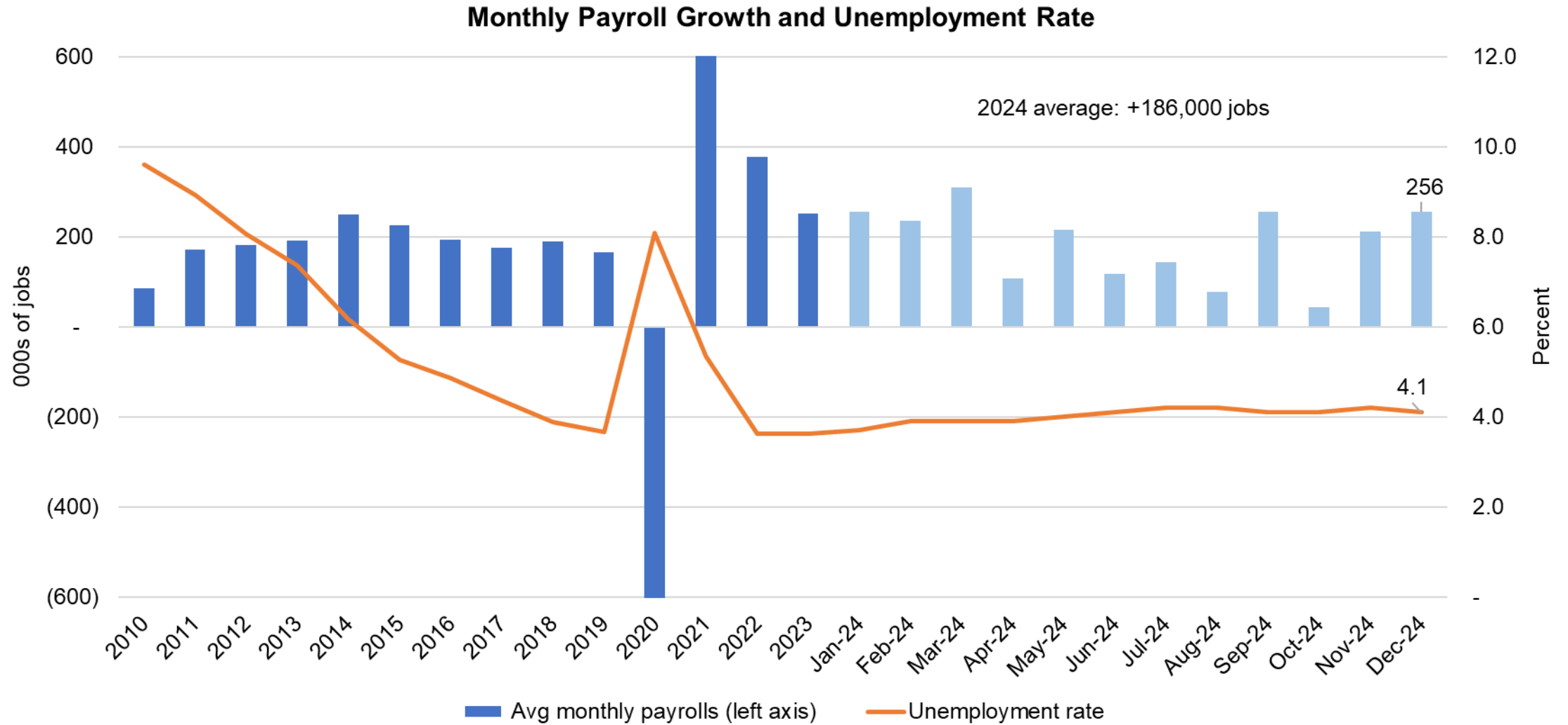
Presented by: Eddie Seiler, Ph.D.



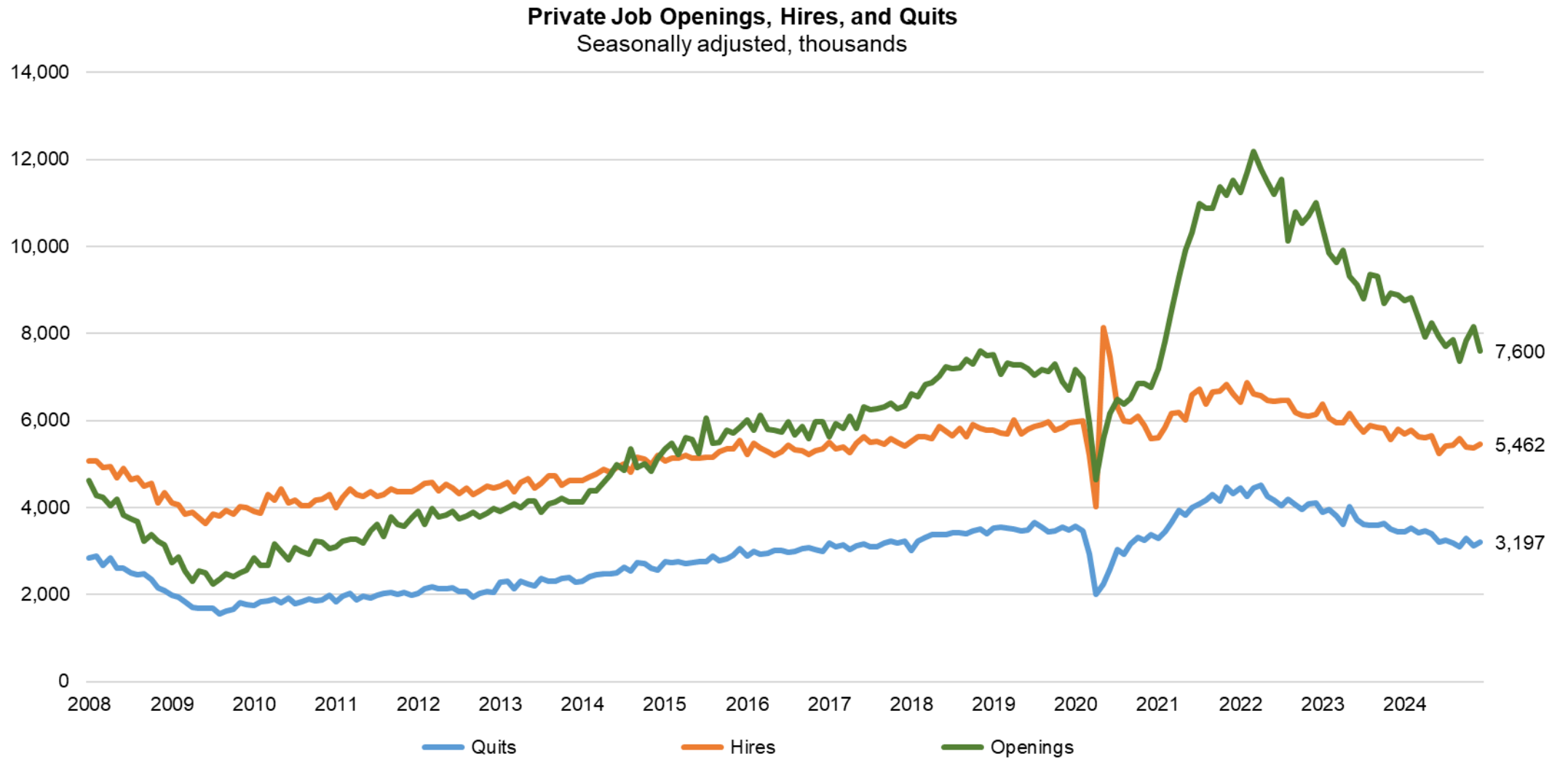
# Latest Inflation News...



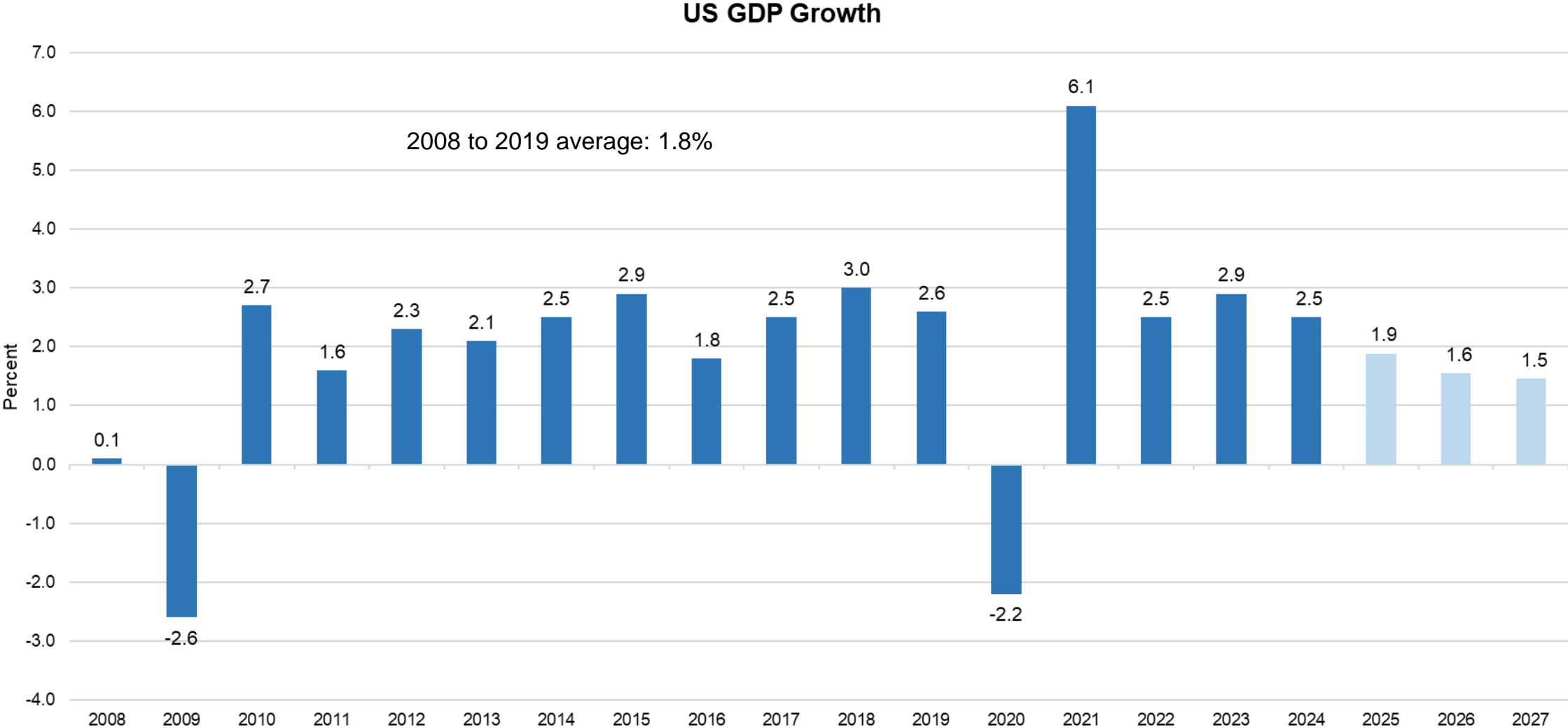
# U.S. Job Market Is Still Cooling



# Openings, Hiring, and Voluntary Quits Declining



# US GDP Historical and Forecast

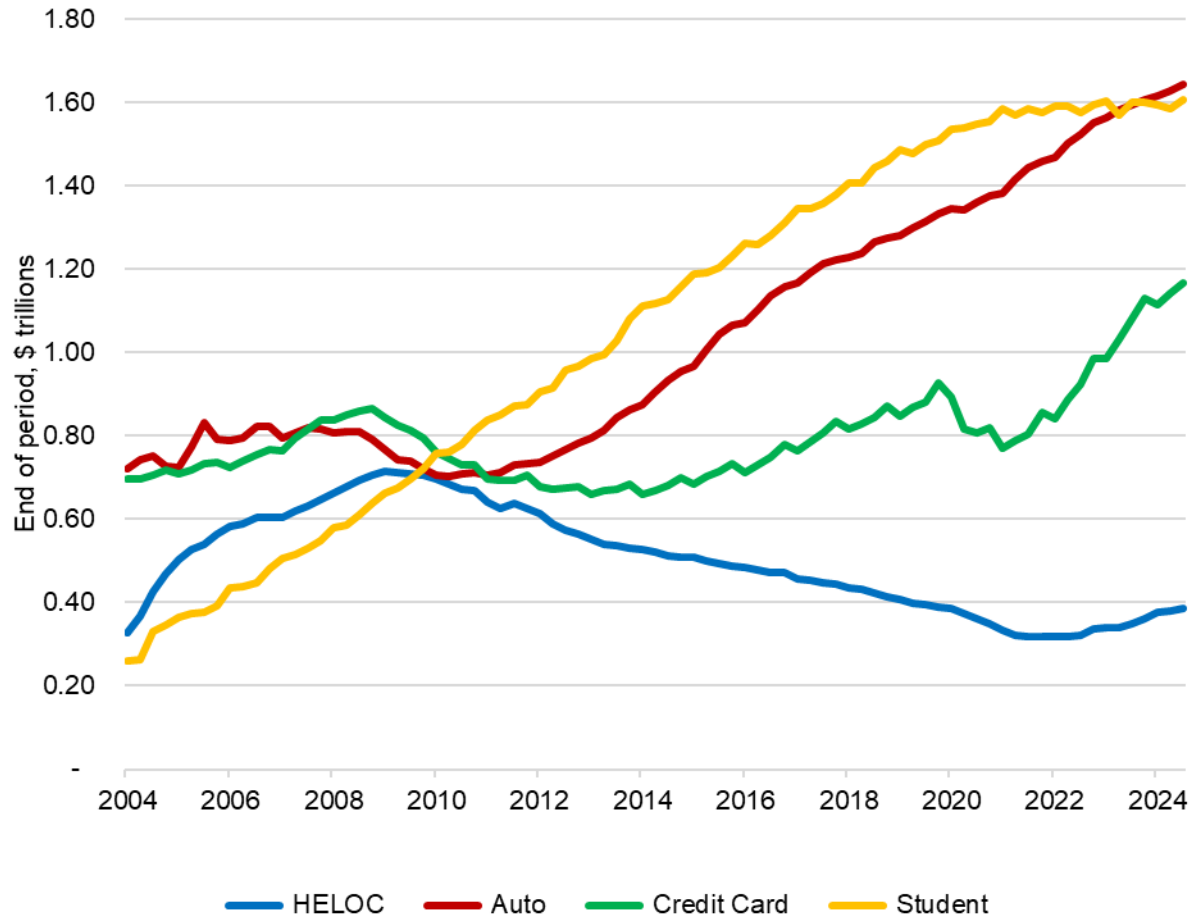


Source: BEA, MBA Forecast

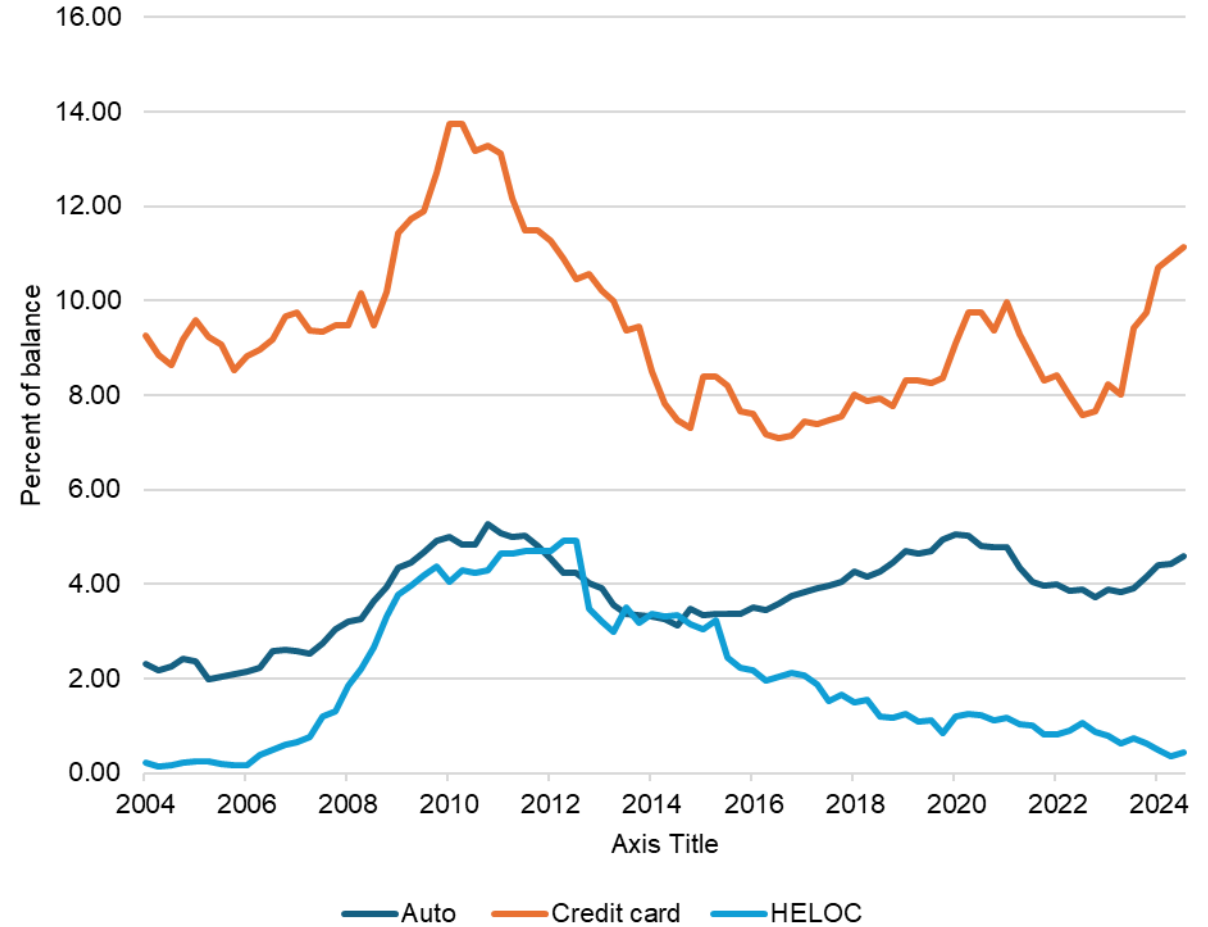


# Households Facing Financial Strains...

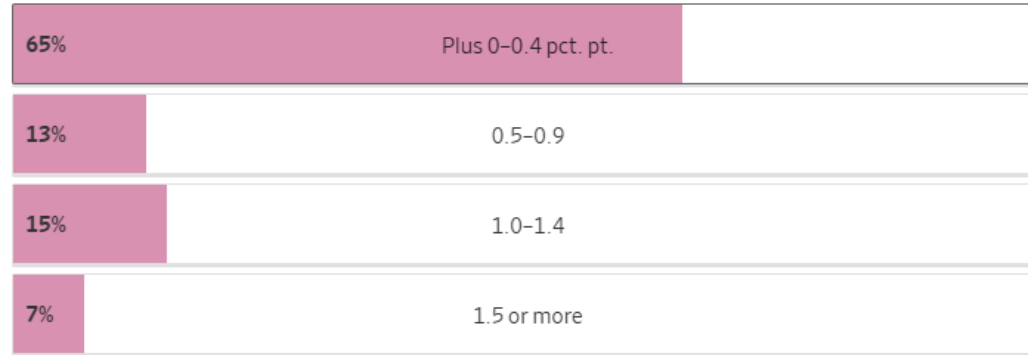
## Consumer Credit Outstanding Balances



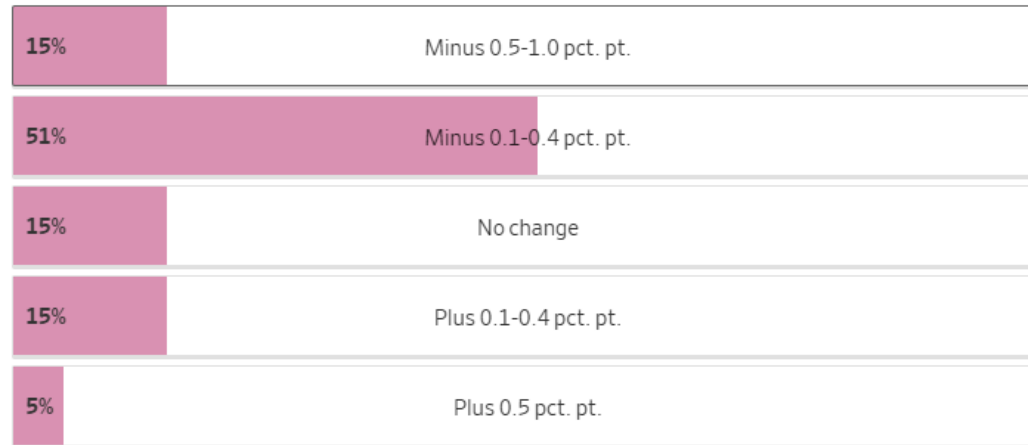
## Consumer Credit Delinquencies (90+ Day)



Assuming Trump implements tariffs on most countries, how much do you expect tariffs to add to or subtract from—in percentage points—year-over-year (4Q/4Q) headline CPI?



How much do you expect those tariffs to add to or subtract from year-over-year (4Q/4Q) GDP growth in percentage points in 2025?



The survey was conducted Jan. 10-14. For both questions, each respondent was asked to supply a single value, not a range. The average value for inflation was an increase of 0.47 percentage point and for GDP, a decline of 0.16 percentage point. The responses to the GDP question add to 101% due to rounding. For complete results, visit the [survey archive](#).

Source: Wall Street Journal survey of economists

# Fiscal Picture is Grim

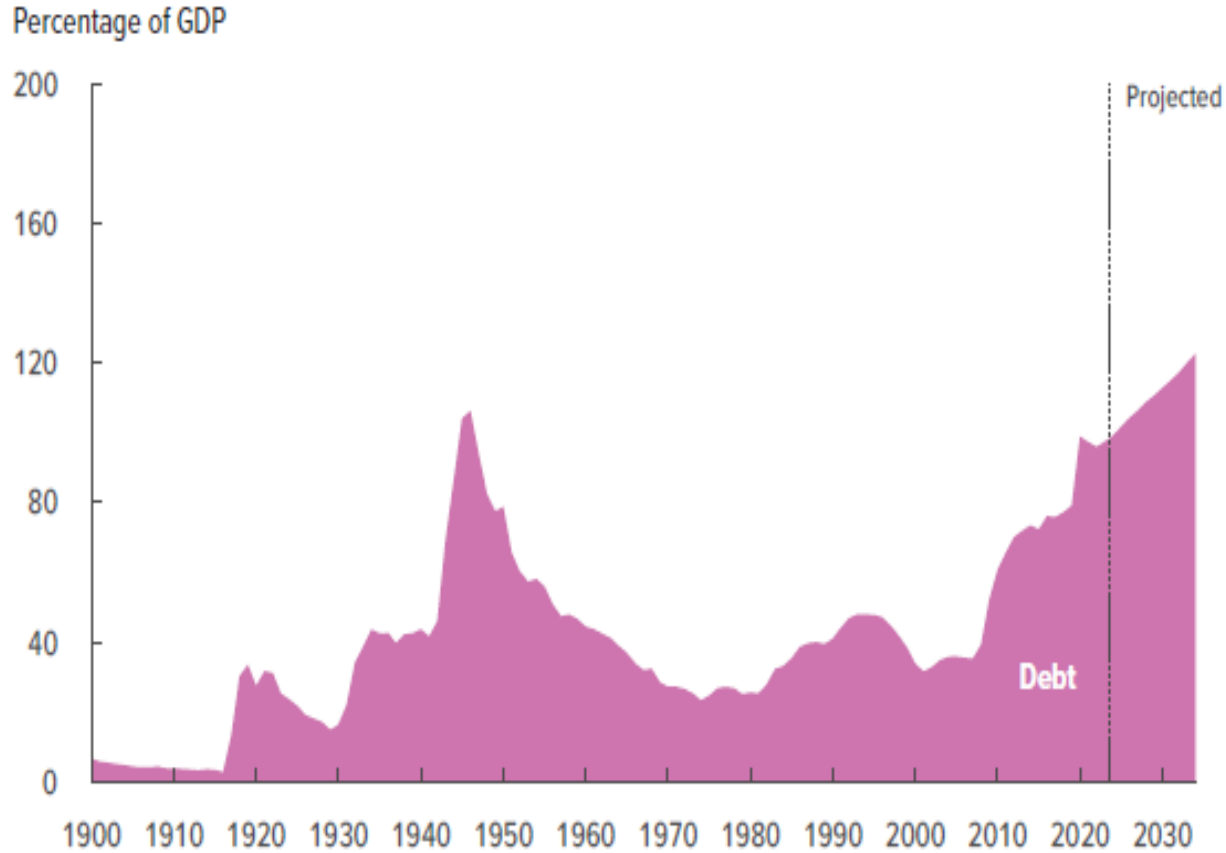
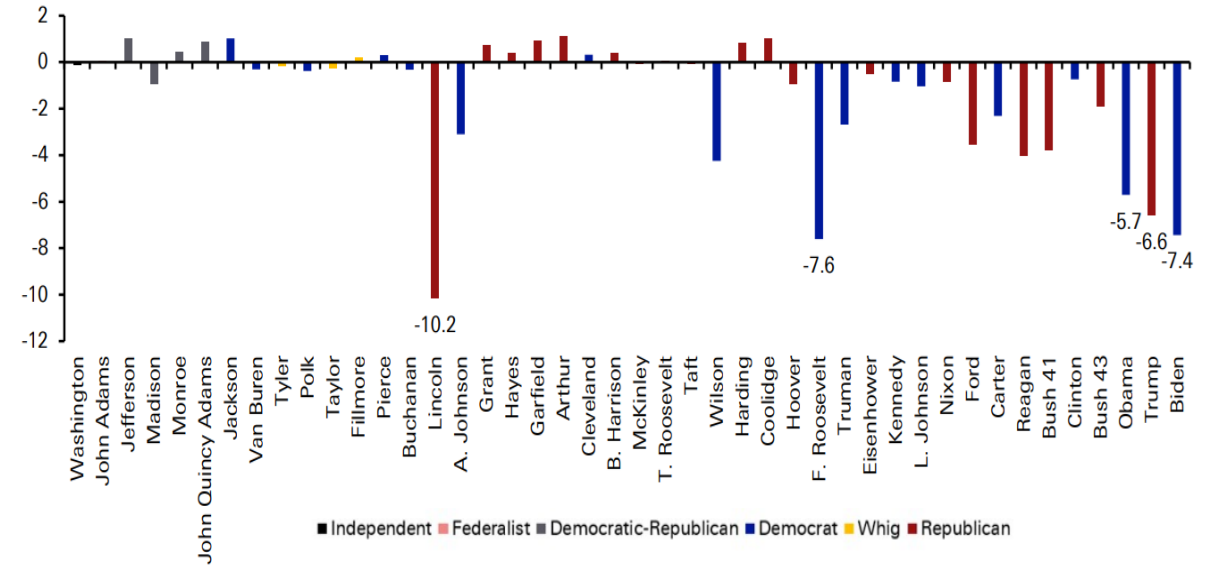


Figure 1: Average annual US budget deficit (% of GDP) under each President since George Washington. Colour coded by party and with top 5 annotated

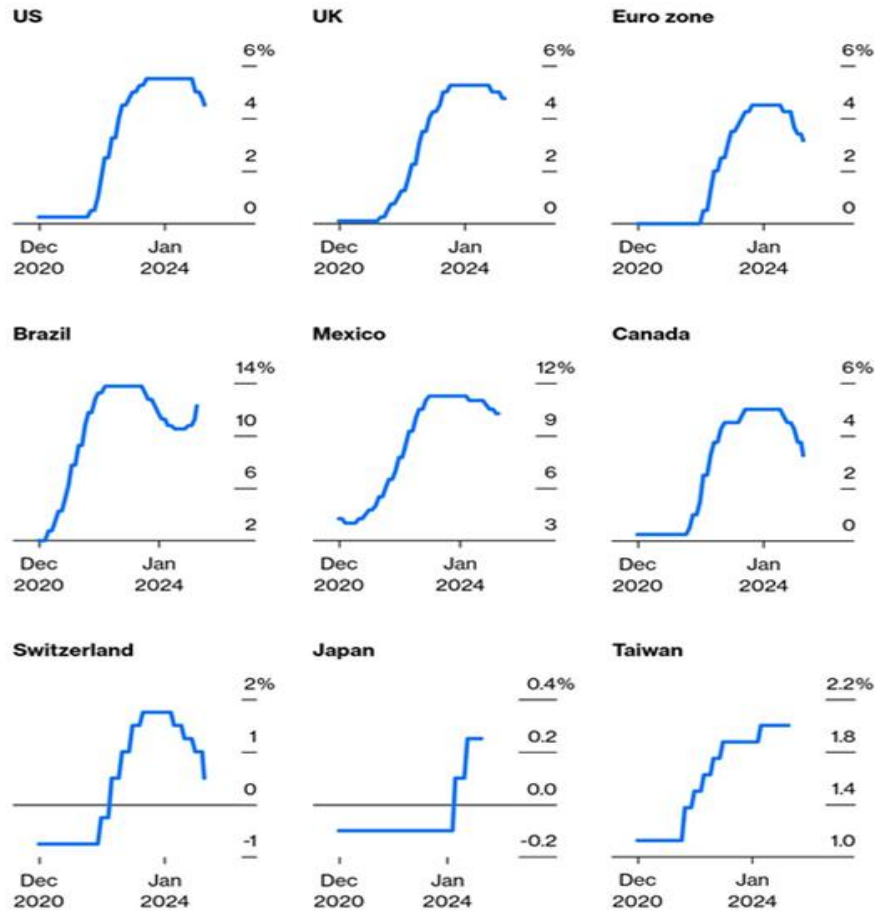


Source : GFD, FRED, Deutsche Bank

Note: Each year's annual deficit assigned to the President who was in office for the largest part of that year. William Henry Harrison excluded as President for only 31 days. Grover Cleveland's non-consecutive terms both included as one. Data for George Washington only available from 1791.

# Central Banks Cutting Rates, Global Yields Have Turned Higher

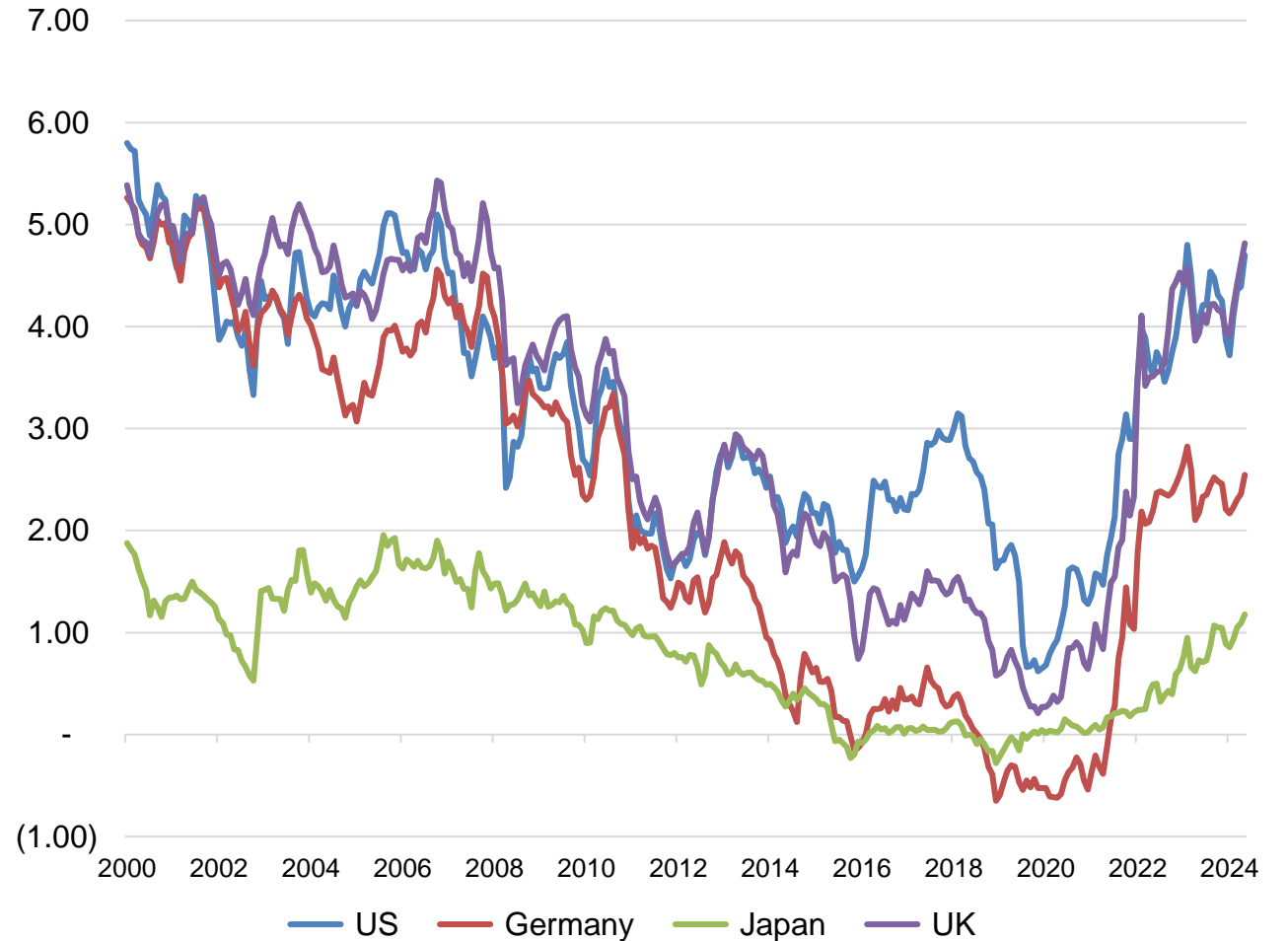
Central Banks Avoided Table Mountain  
But there are no interest rate Matterhorns



Source: Bloomberg  
Note: Data as of Dec. 18, 2024.

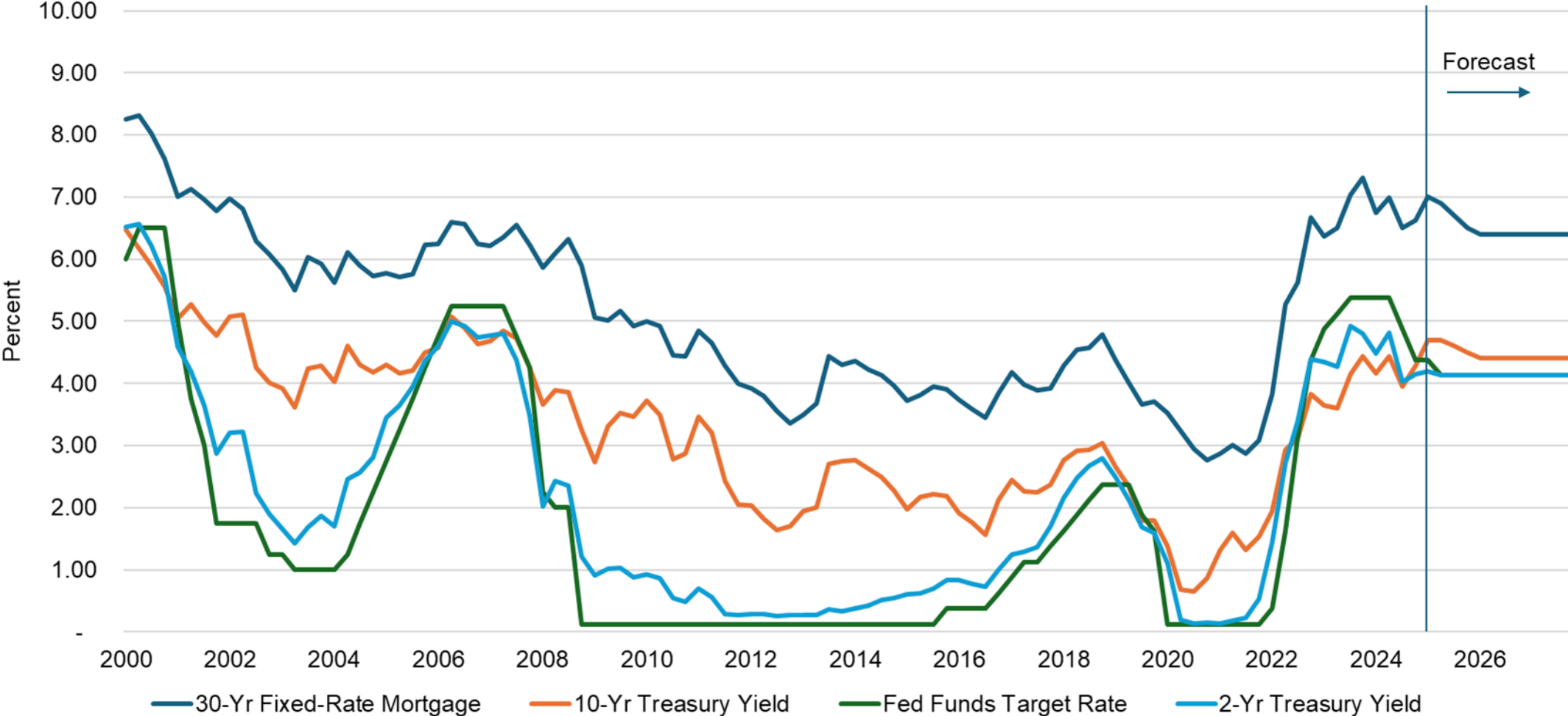
Bloomberg Opinion

## Comparison of 10-Year Bond Yields



# Fed Funds Rate: Fewer Expected Cuts in 2025

History and Forecast of Key Interest Rates

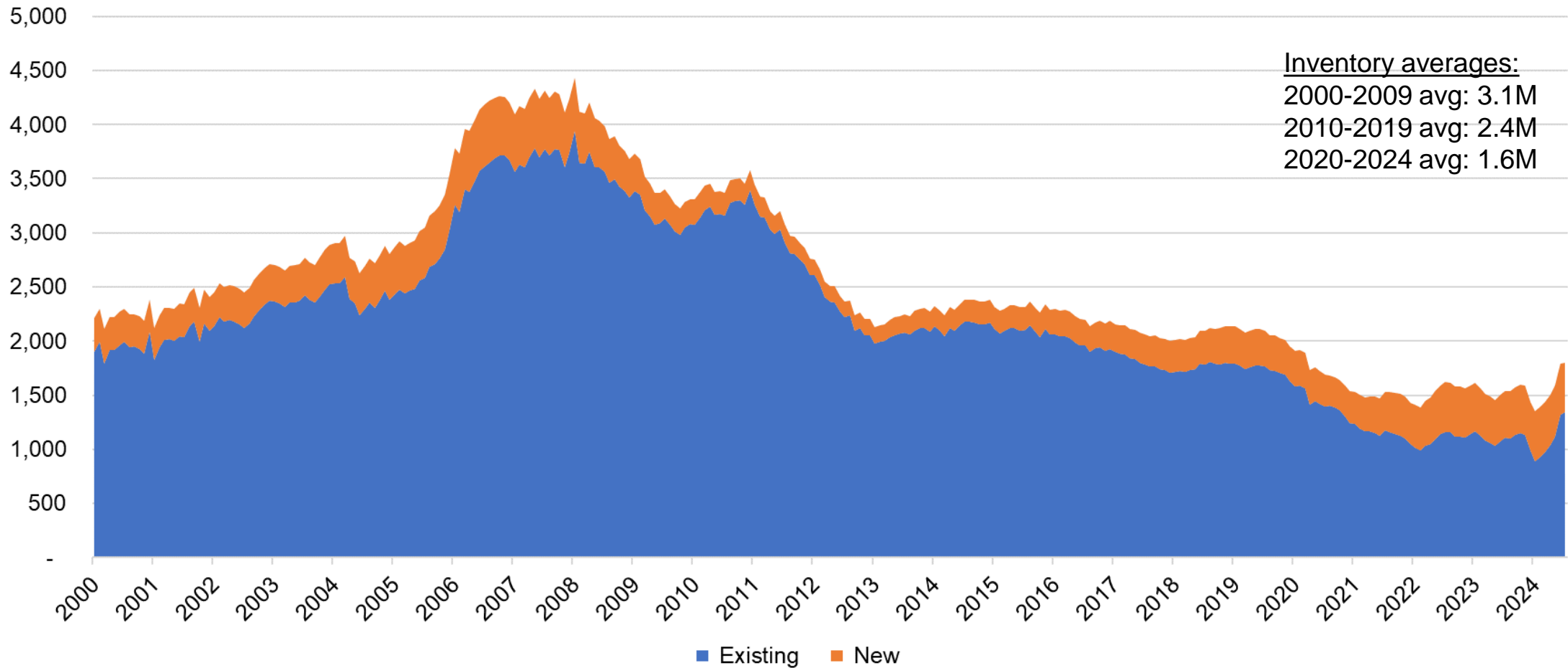


Source: Federal Reserve Board, Freddie Mac, MBA Forecast: [www.mba.org/forecasts](http://www.mba.org/forecasts)

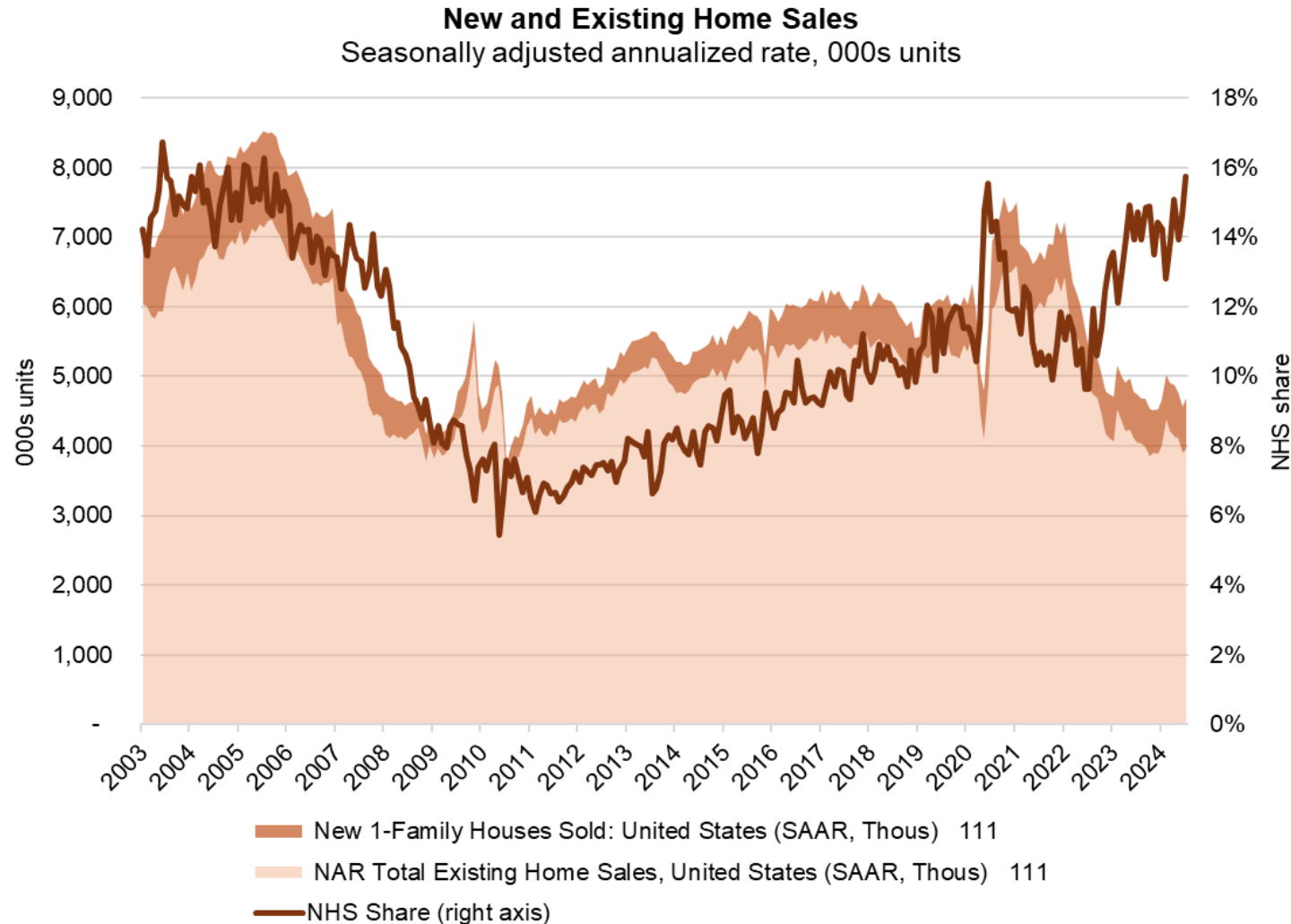


# Housing Inventory Still Tight, But Growing

**Housing Units Available for Sale**  
Seasonally adjusted, thousands



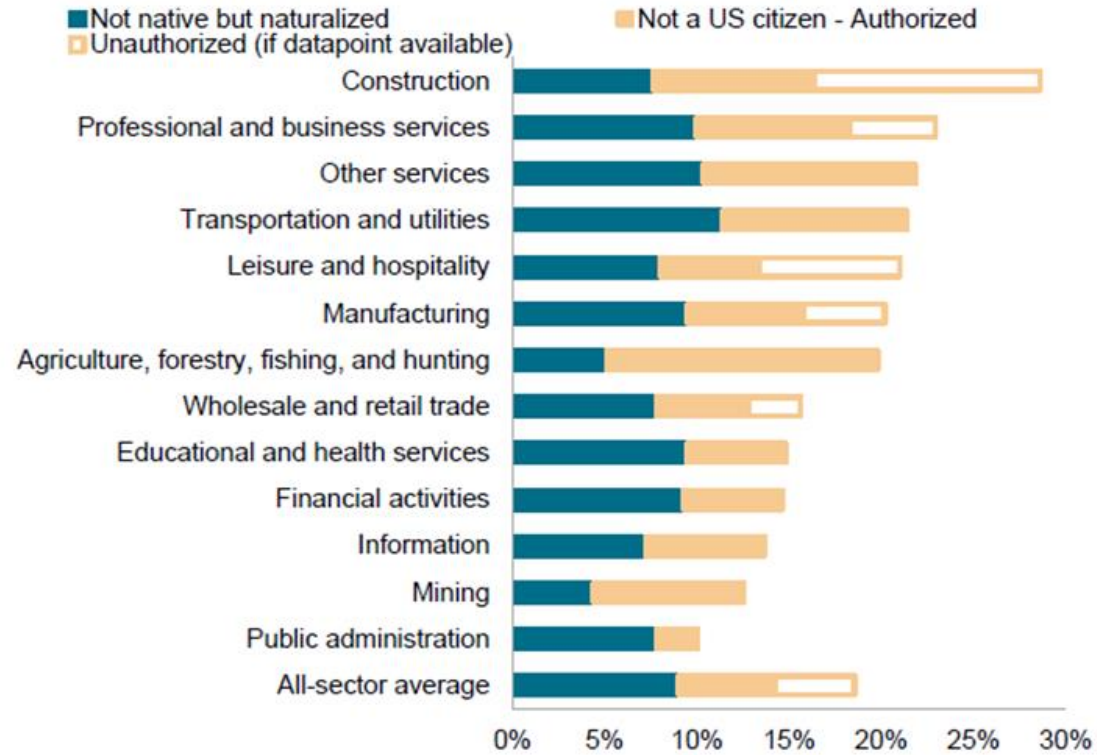
# Home Sales Remain Lower Than Any Point Since the Great Recession



- Existing home sales remain low at approximately 4.0 million.
  - Why? Many homeowners have mortgage rates well below prevailing rates—they're “locked-in.”
  - Lock-in prevented [1.72 million transactions](#) from 2022Q2 to 2024Q2.
- New home sales have reached almost 16% of sales as builders have stepped up.
  - Building remains, among other factors, by constrained by [zoning restrictions](#), land availability, construction labor availability, and raw material prices.

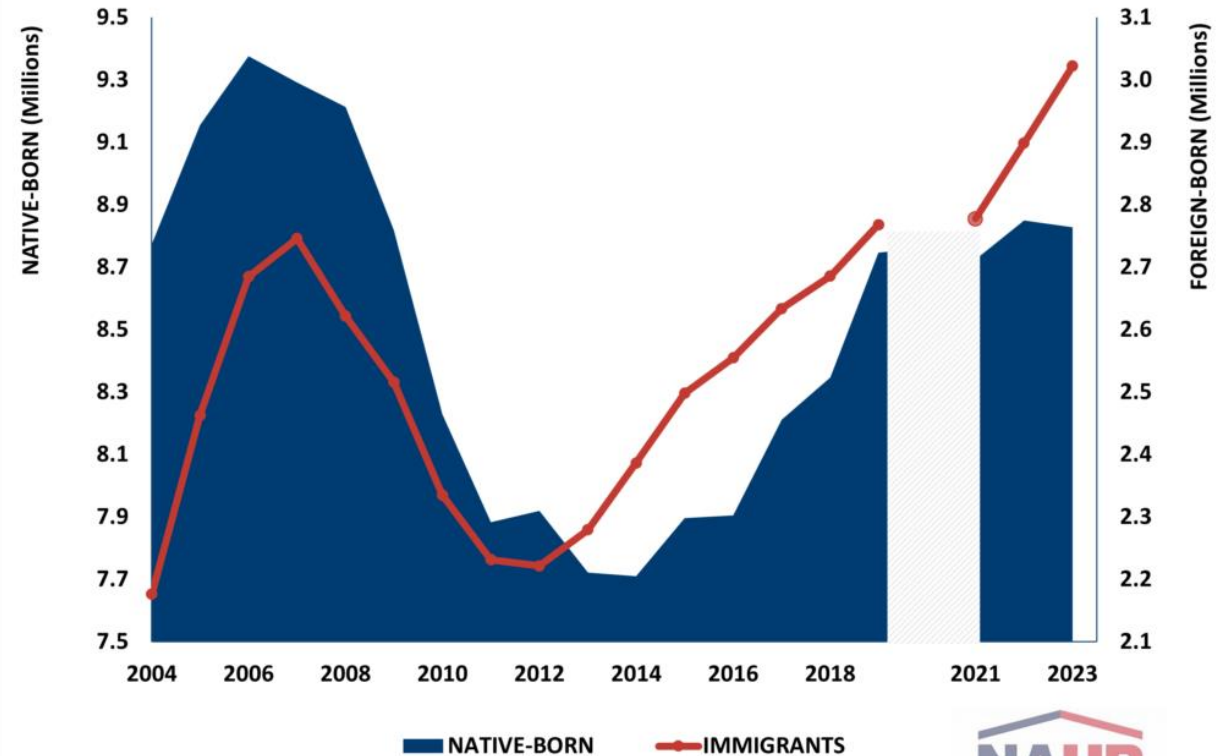
# Industries Dependent on Foreign-Born Employment

United States - Share of foreign-born employment by industry 2023



As of Jan. 2024.  
Source: US Census Bureau.  
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U.S. CONSTRUCTION LABOR FORCE

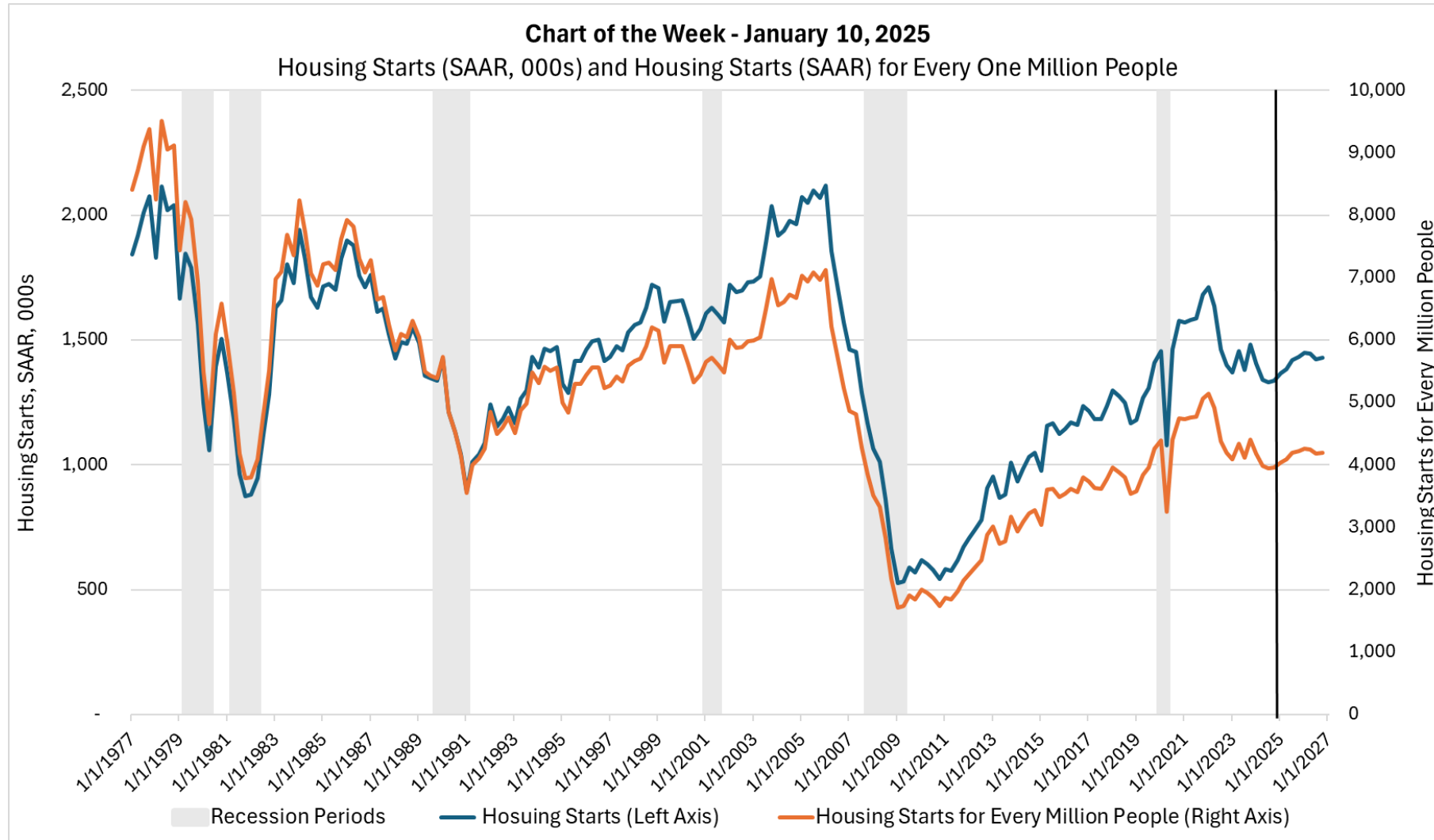


Source: 2004-2023 ACS PUMS; NAHB analysis



<https://eyeonhousing.org/2024/11/immigrant-share-in-construction-sets-new-record/>

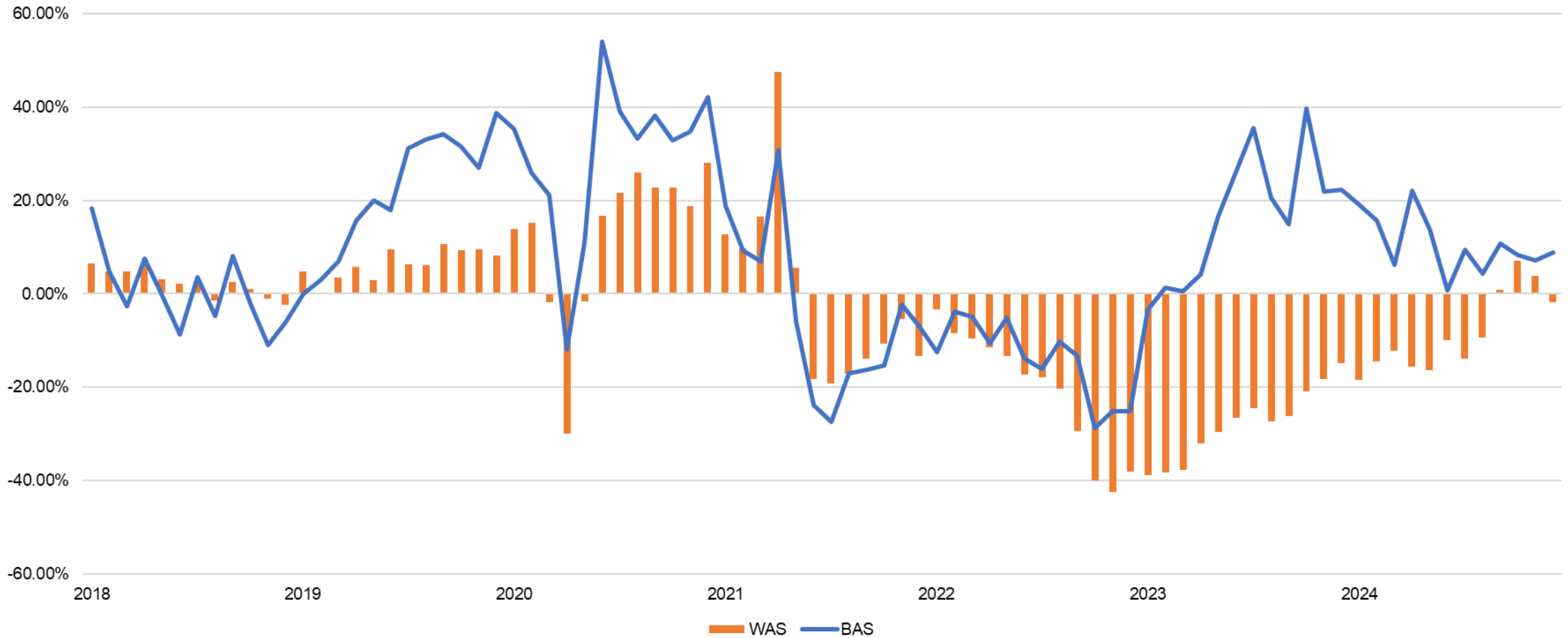
# Builders Have Increased the Number of Units They are Building Since the Residential Construction Lows in the Early 2010s



While housing starts have been trending up since the lows in the early 2010s, the number of starts for every million people is less than half of what it was 40 years ago.

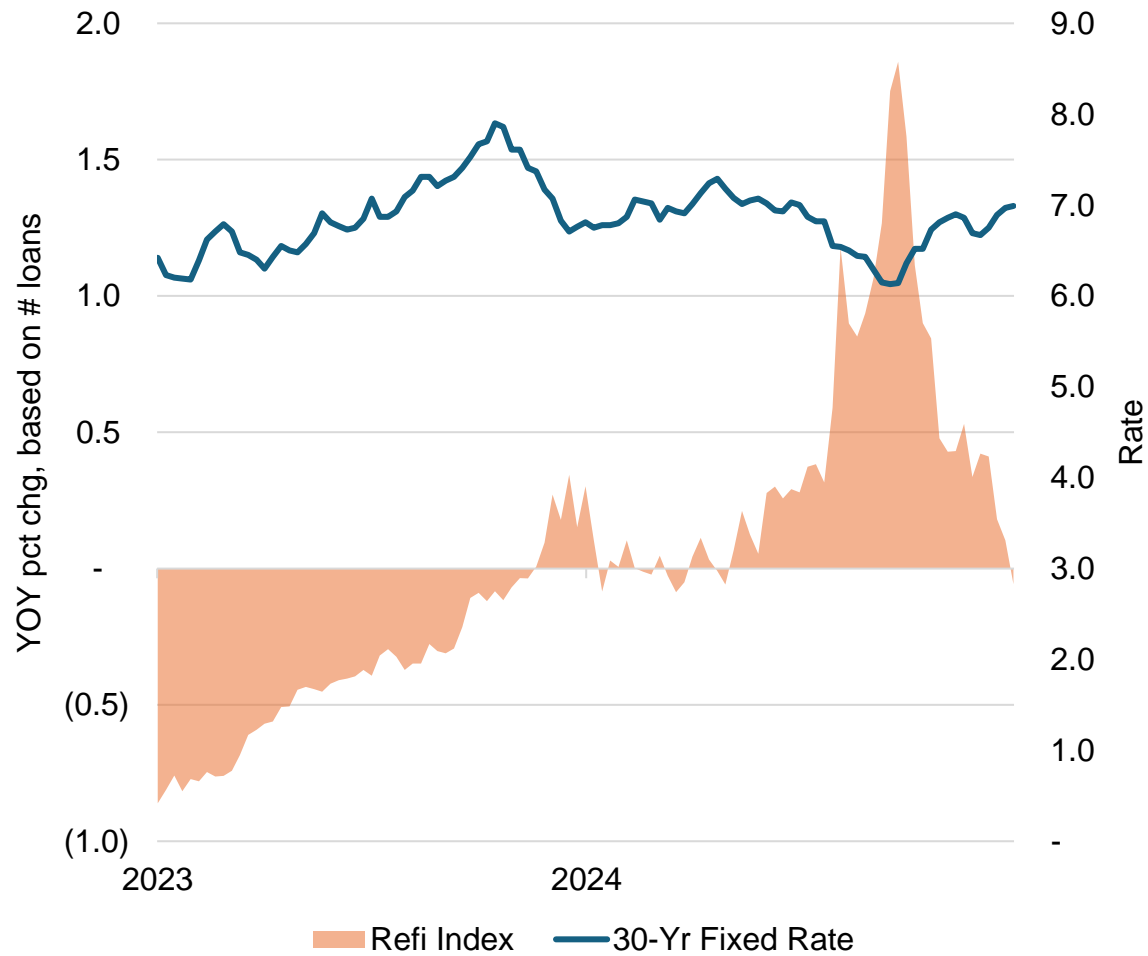
# Purchase Applications: Green Shoots?

**Builder Applications Index vs Weekly Purchase Applications Index**  
Non-seasonally adjusted, year over year percent change



# Refinance Applications: Moments of Opportunity

## Refinance Applications

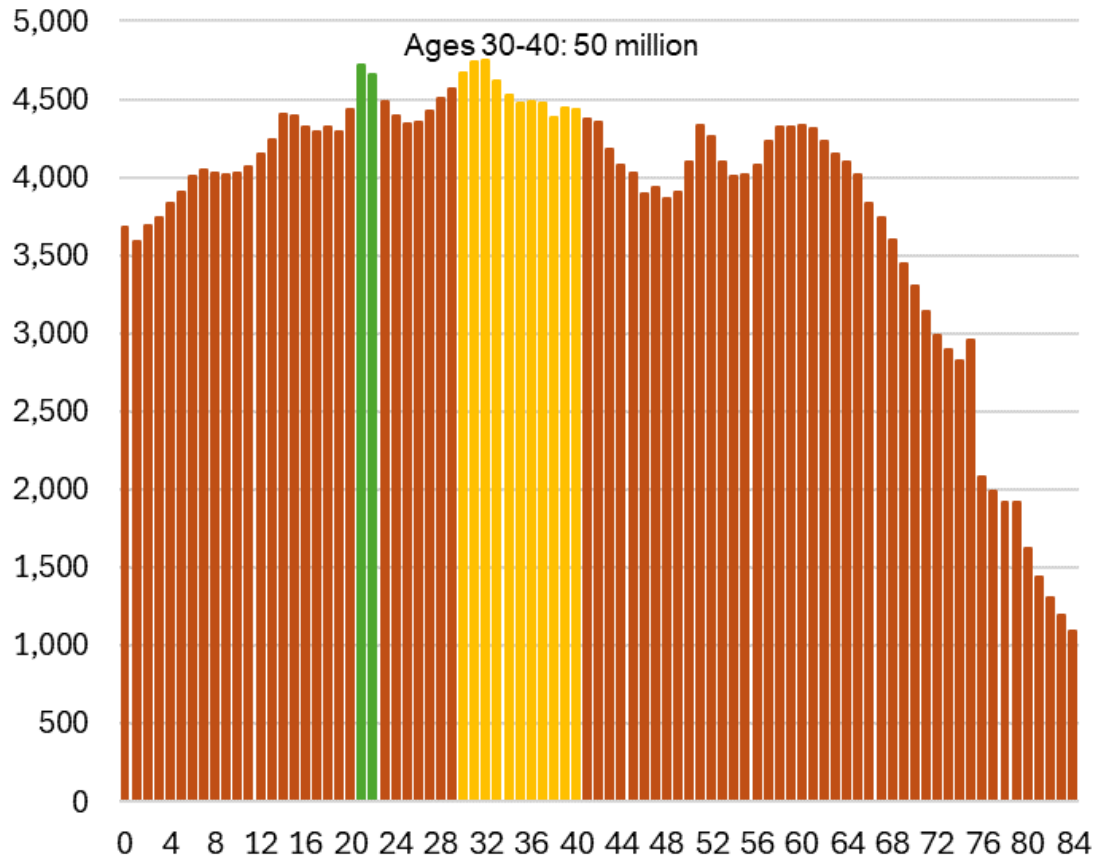


## Refinance Applications - Average Loan Size

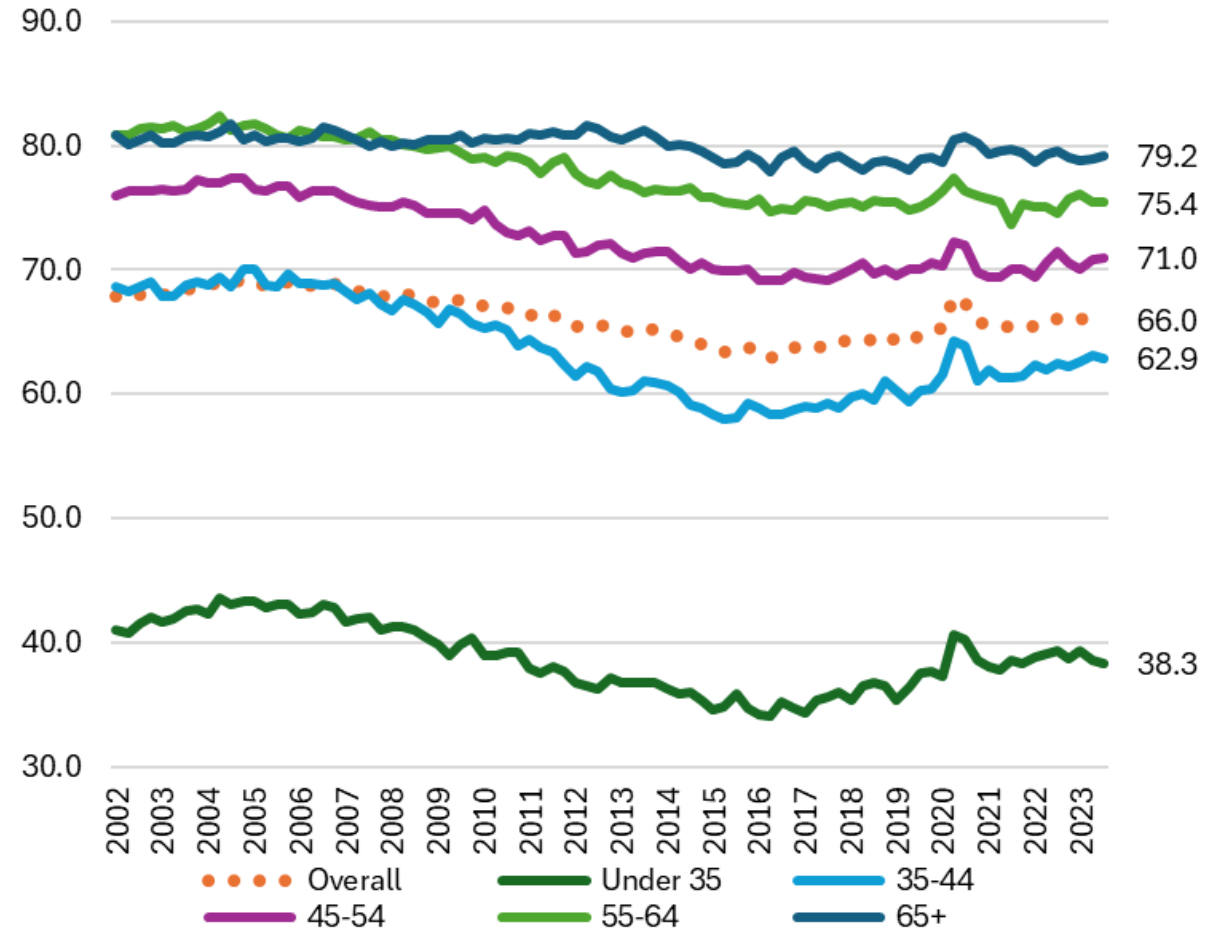


# Demographic Support for Large Demand for Home Purchases

Population by Age: Census Bureau 2022 Estimates (Thousands)



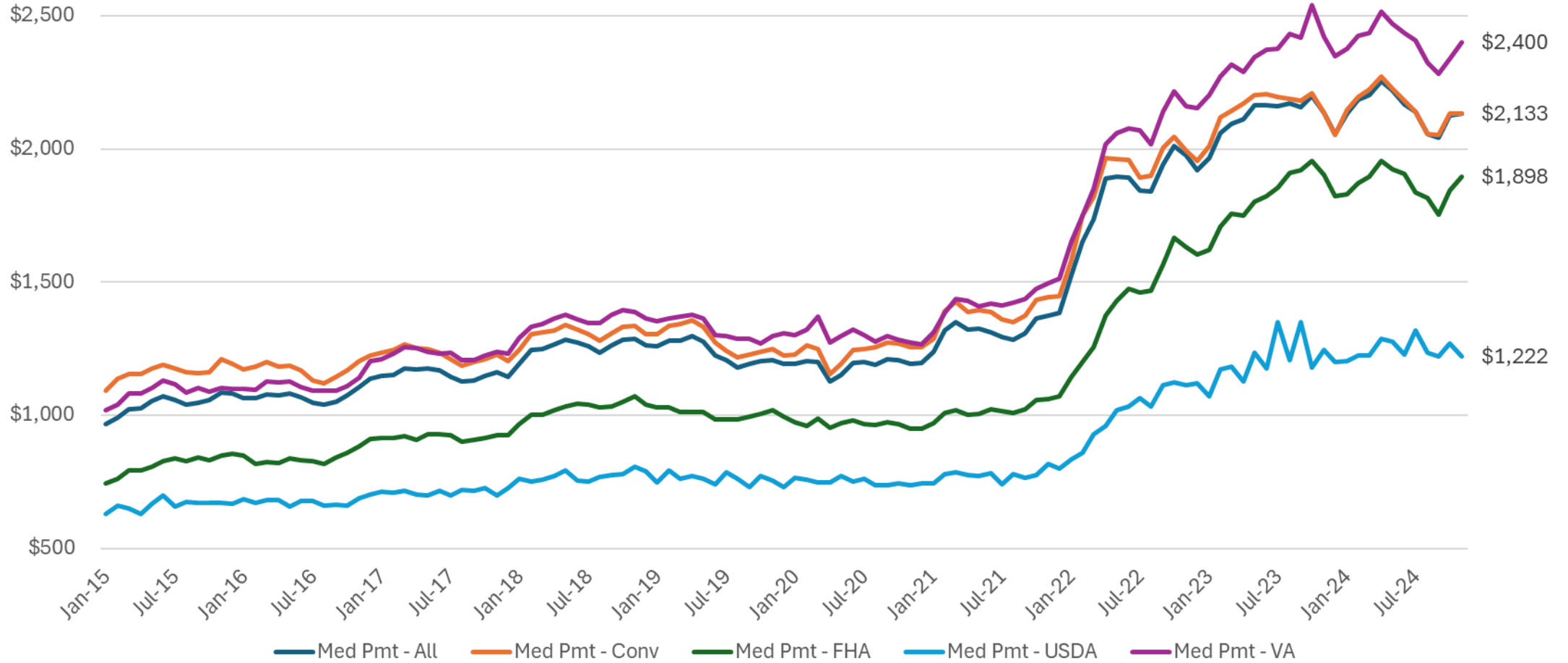
Homeownership Rate by Age (Percent)



- There are large cohorts of younger Americans who are in or approaching prime first-time homebuyer ages.
- If millennials behave like previous cohorts their homeownership rate will increase by 25 points (from 38% to 63%).

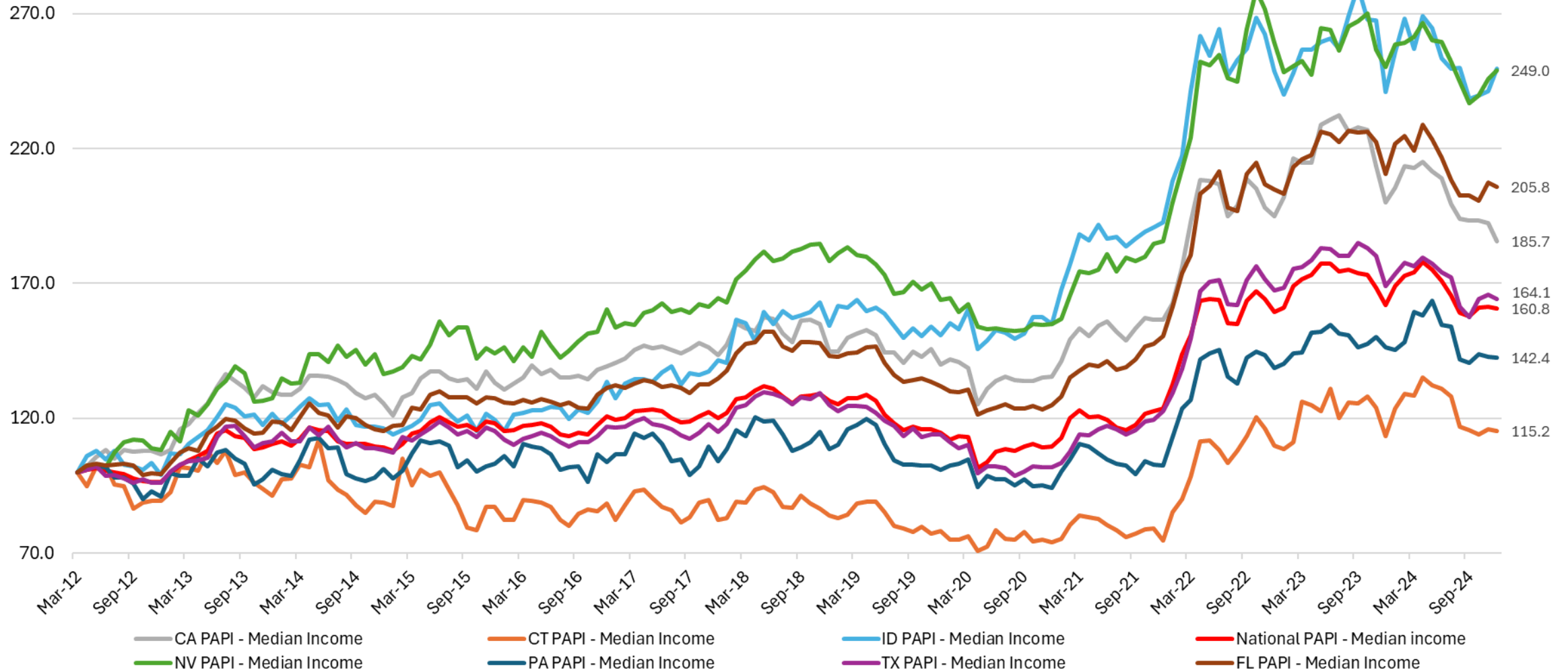
# Affordability Still A Challenge

Median Payment by Conventional/Government Loan (\$)



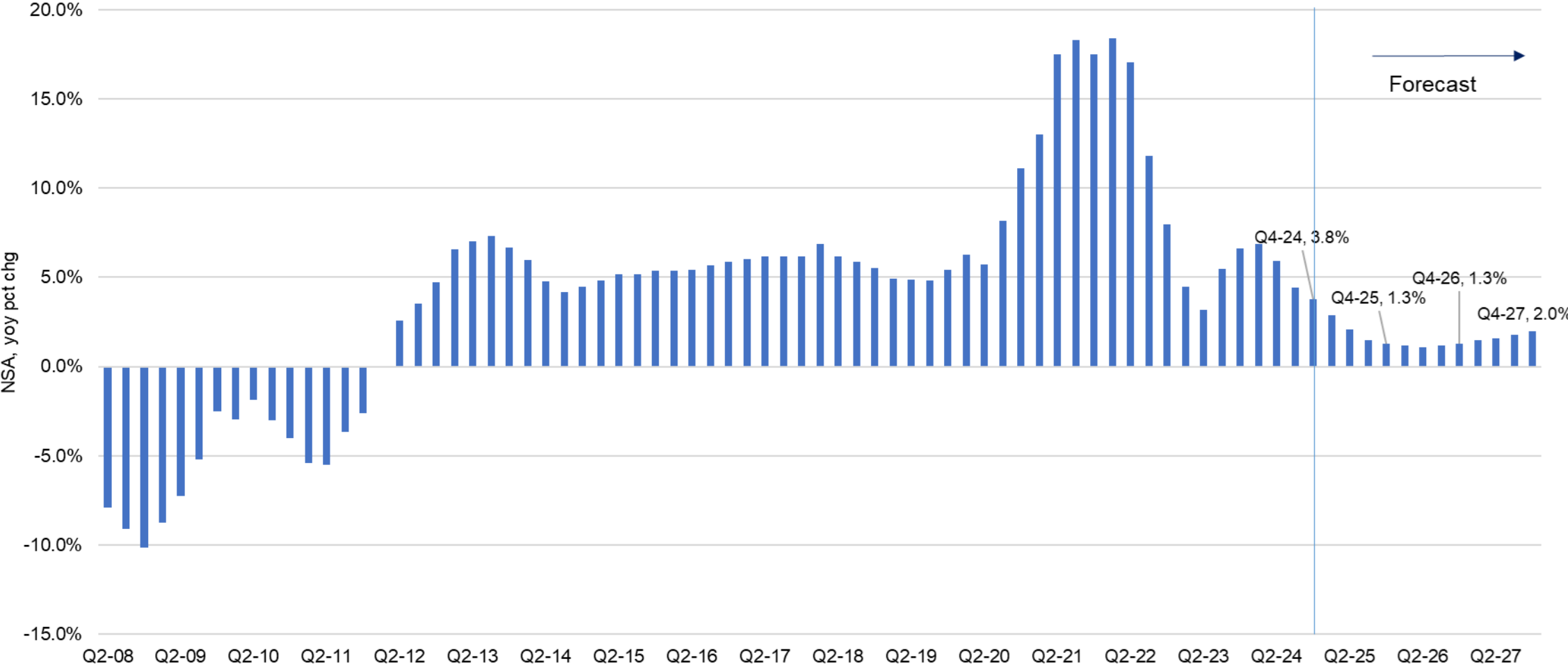
# ...Across All States

Purchase Applications Payment Index for Selected States (March 2012 = 100)



# House Price Appreciation Moderating But Expected to Remain Positive

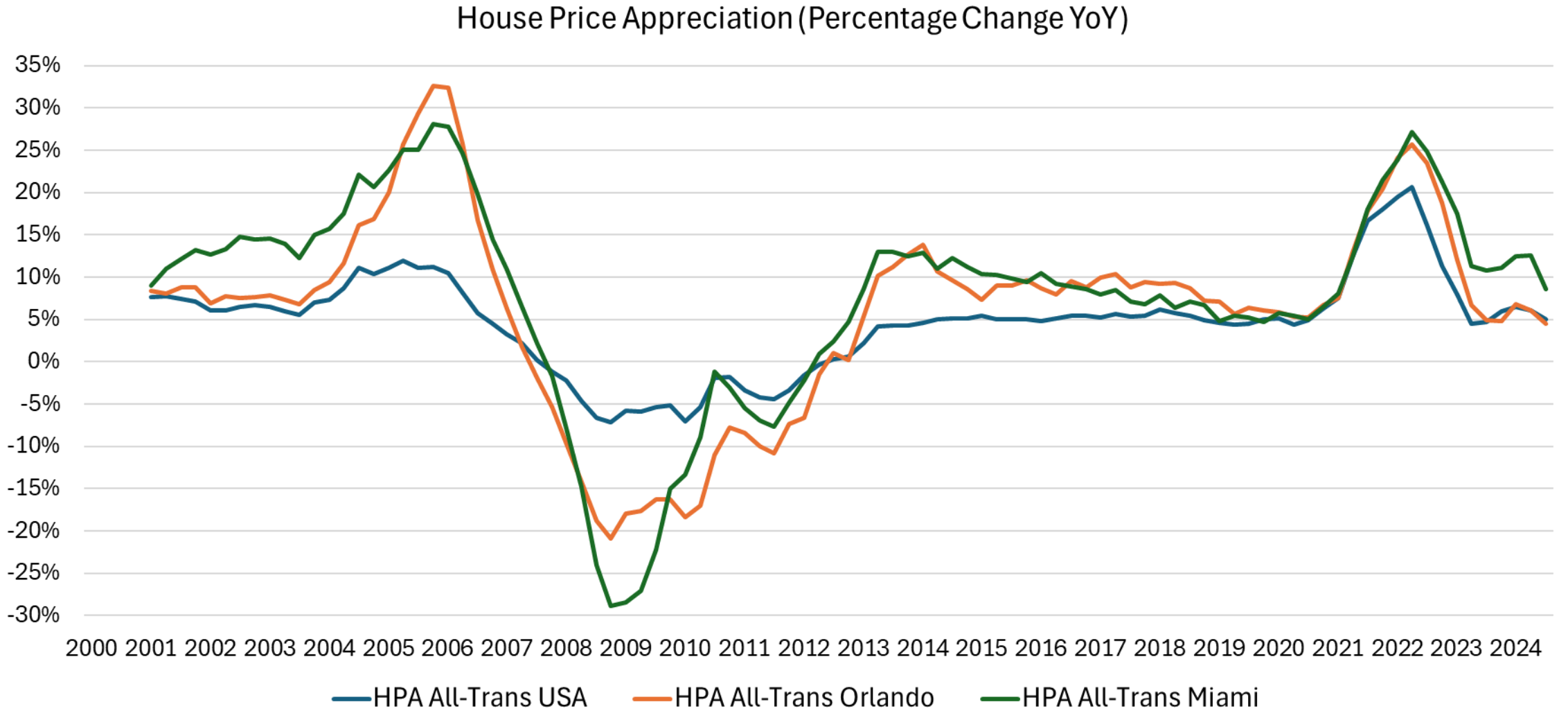
FHFA Purchase Only House Price Index, MBA Forecast



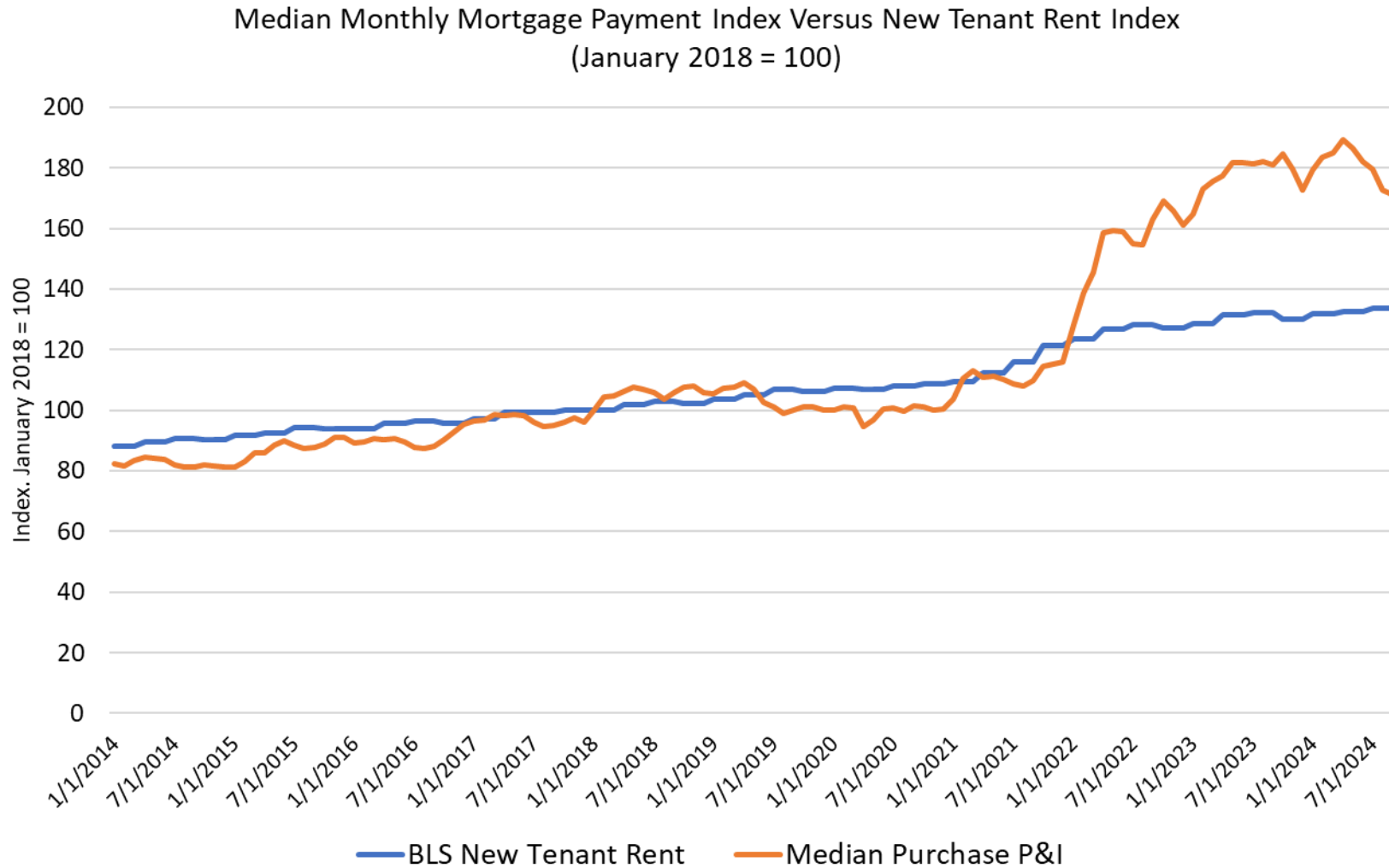
Source: Federal Housing Finance Agency, MBA Forecast: [www.mba.org/forecasts](http://www.mba.org/forecasts)



# House Price Appreciation – Drilling Down to a Couple of FL MSAs

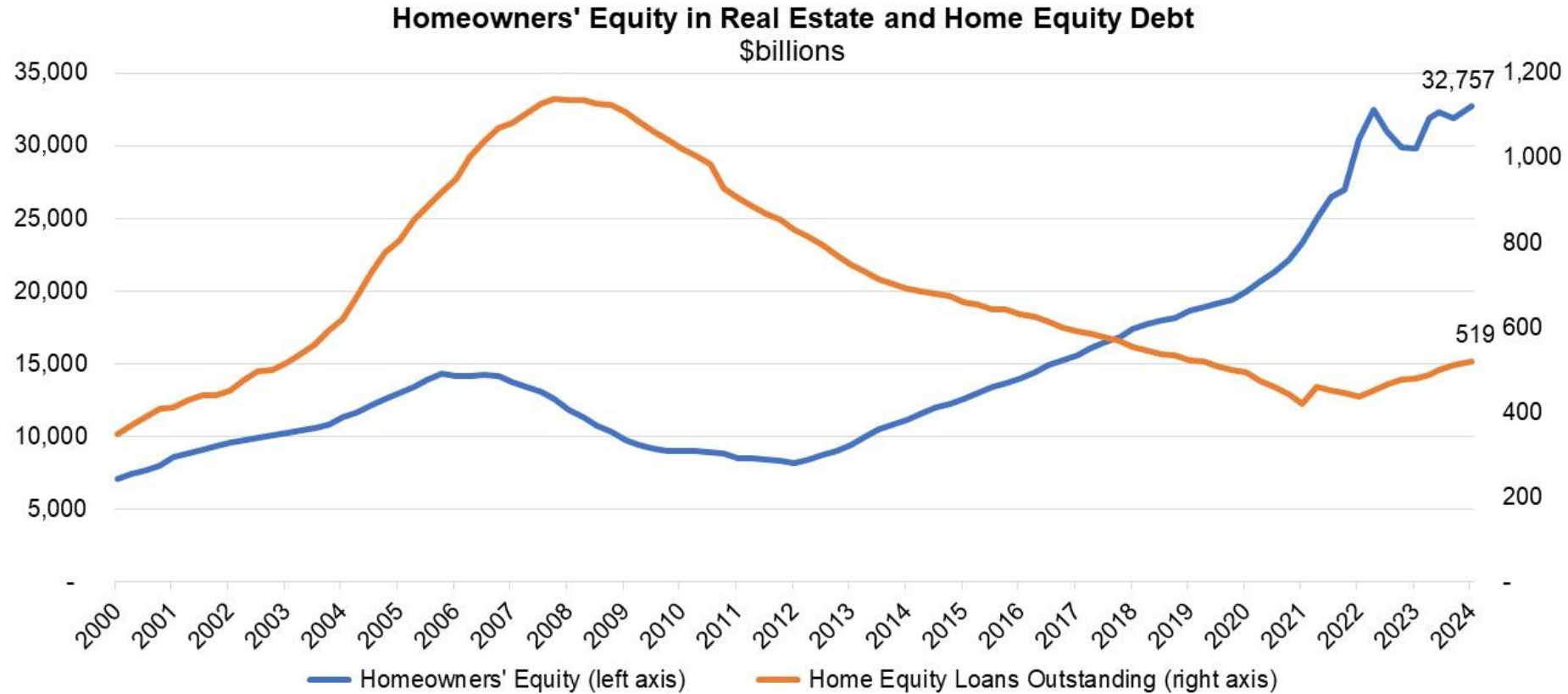


# Mortgage Payments are Elevated Relative to Rents



- The mortgage payment to rent ratio is elevated relative to where it was in the years leading up to the pandemic.
- While new tenant rents increased by 15% over the last two years, median mortgage principal and interest payments increased by 56%.
- Rent growth has moderated. From 2023 Q3 to 2024 Q3 it grew by 1%.

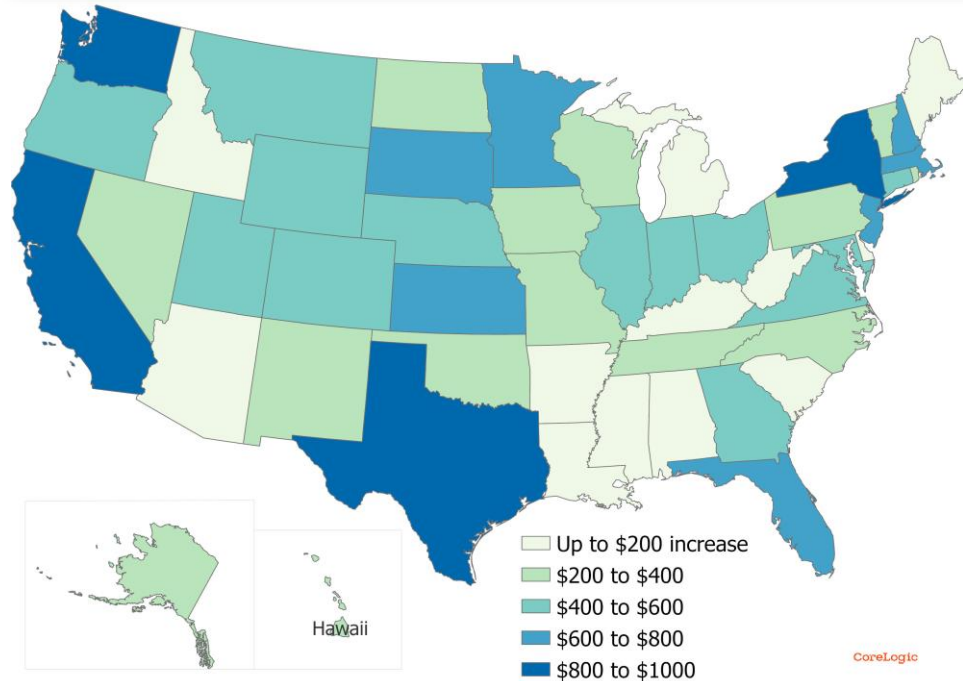
# Home Equity Reaching New Records; Home Equity Lending Inching Up



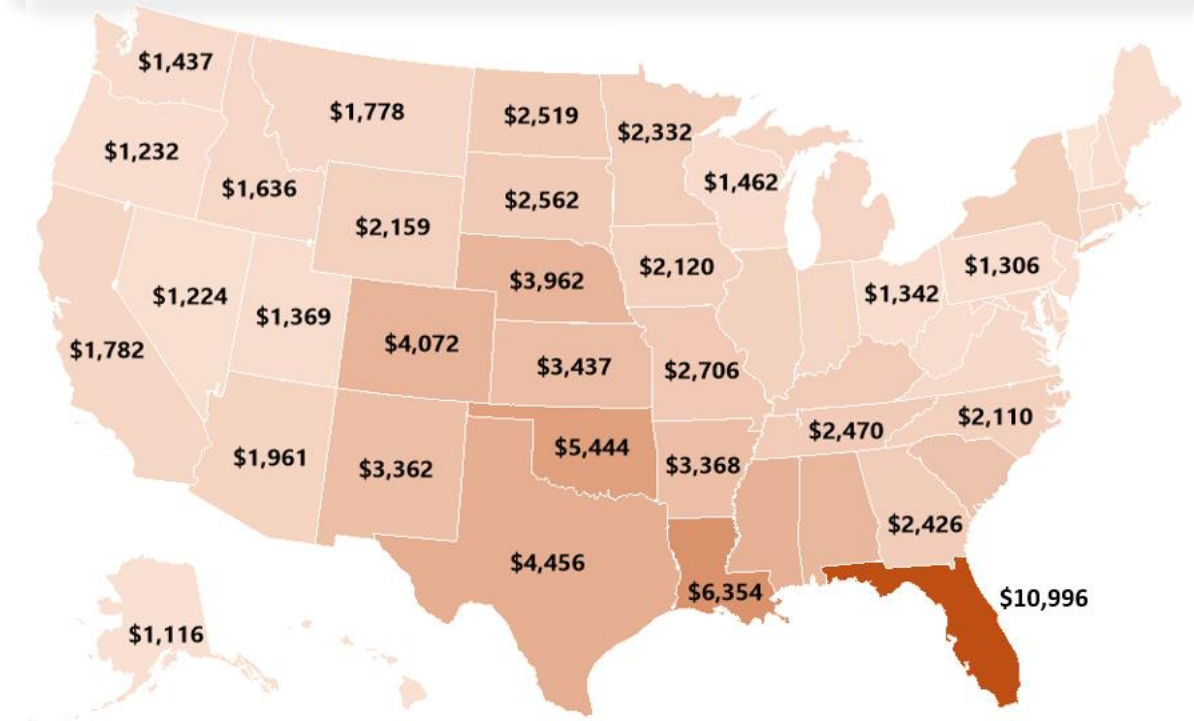
- While accessibility is tough for new homebuyers, many existing homeowners benefitted from the low interest rates in 2020-2021 and refinanced into lower monthly mortgage payments.
- They have also benefited from over a decade of house price growth—aggregate home equity is at a record \$32.8 trillion.
- Given the lock-in effect, home equity lending has been inching up, although homeowners have borrowed less than 2% of their accumulated equity.

# Taxes and Insurance Impacting Affordability for Owners

Change in Median Annual Tax Obligations from 2019



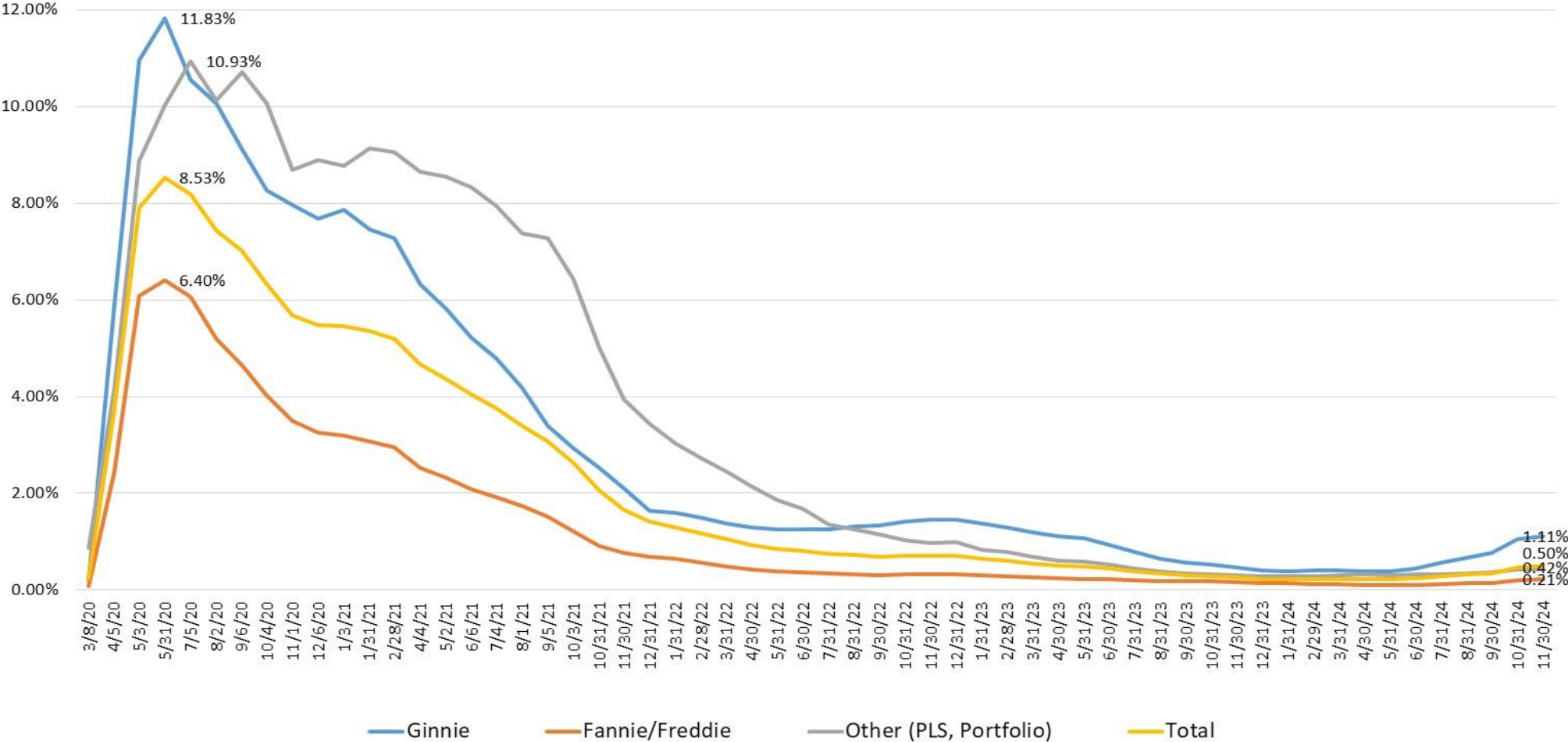
Average Cost of Home Insurance in 2025 by State (Insurify.com)



- While existing owners have benefited from low interest rates and accumulating home equity, real estate taxes have increased.
- Moreover, as natural disasters and climate related events have increased in frequency and severity, homeowners' insurance premiums—both for hazard and flood insurance—have added to the burden of homeownership.

# Forbearances Are Still Low Compared to the COVID-19 Era

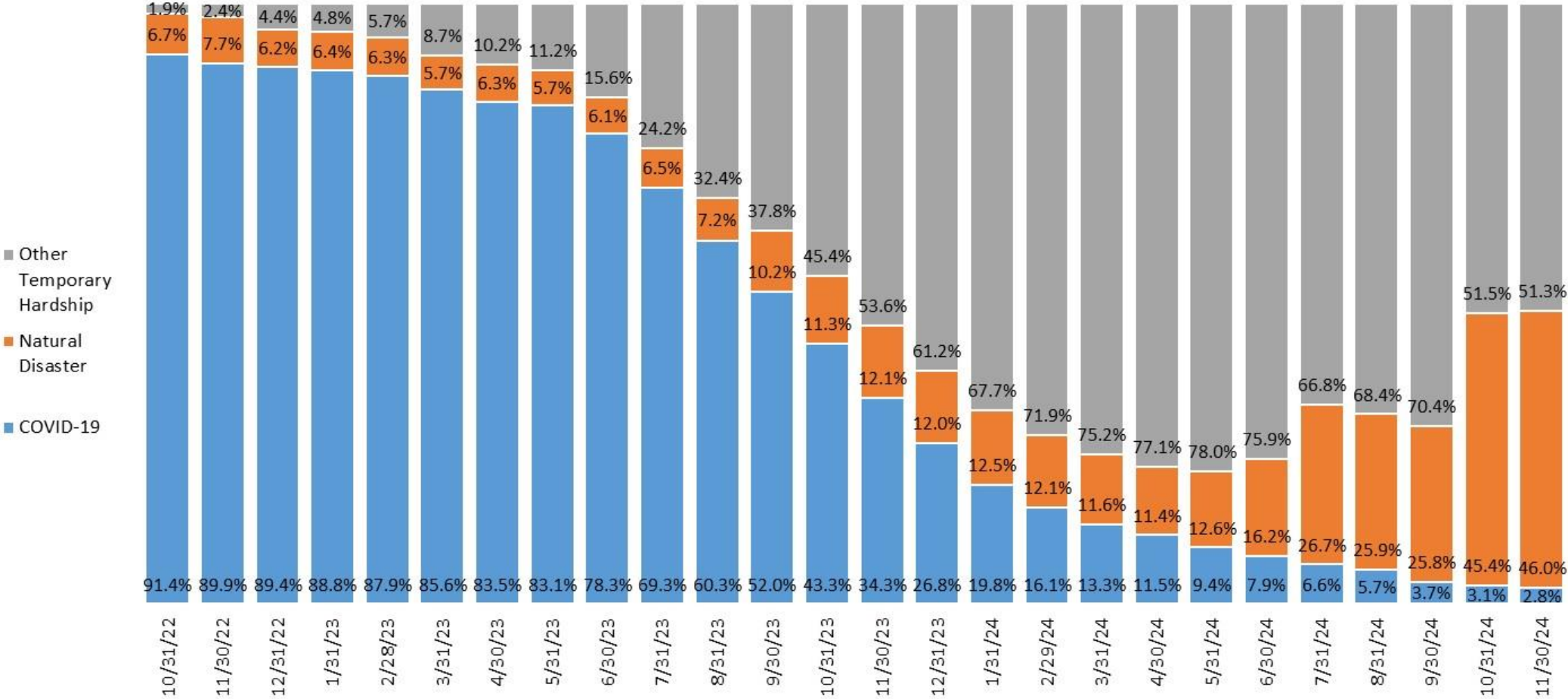
Percent of Servicing Portfolio (#) in Forbearance by Investor Type



Source: MBA's Monthly Loan Monitoring Survey; [www.mba.org/lms](http://www.mba.org/lms)

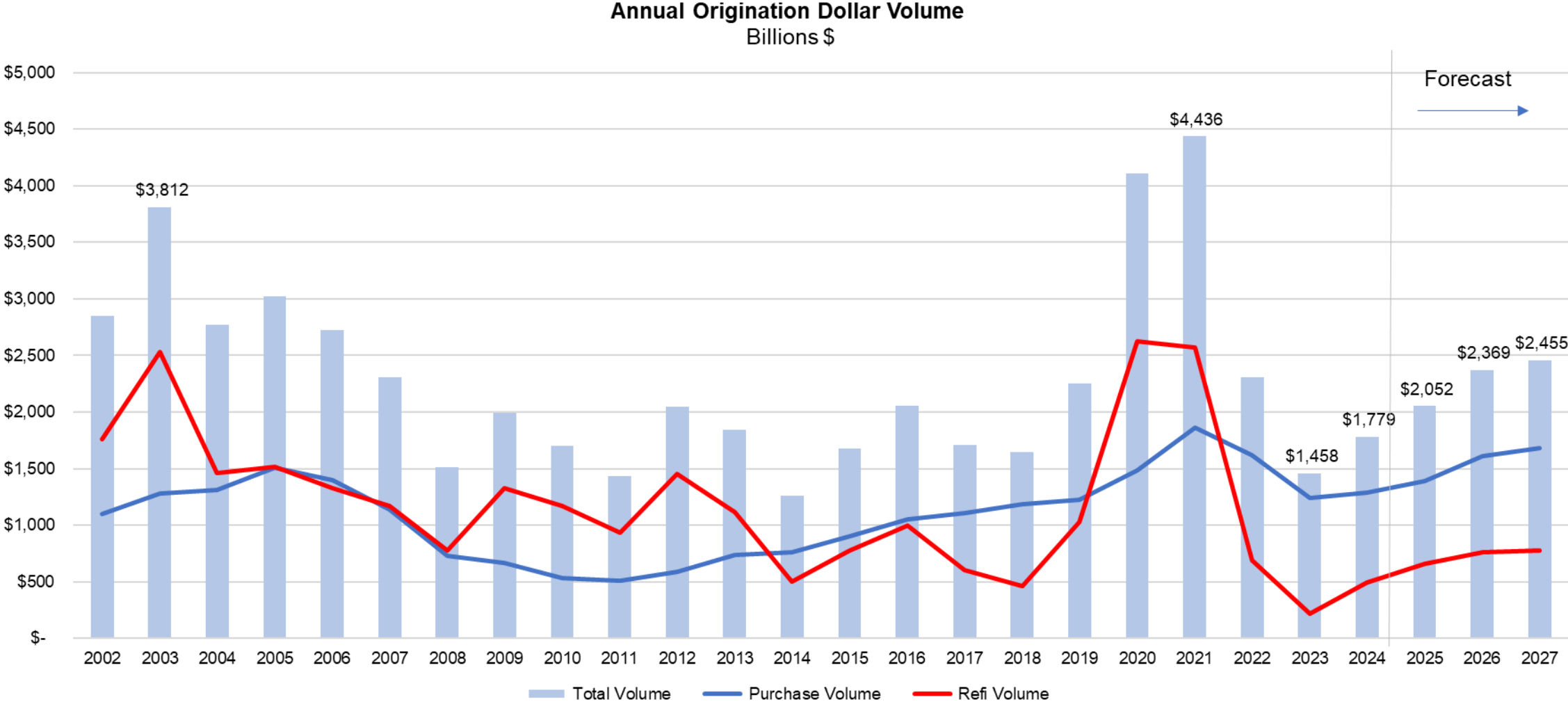


# Mortgage Forbearance by Reason: Movement to Natural Disasters



\*Includes servicers reporting at least 1 forbearance due to natural disasters or other temporary hardships

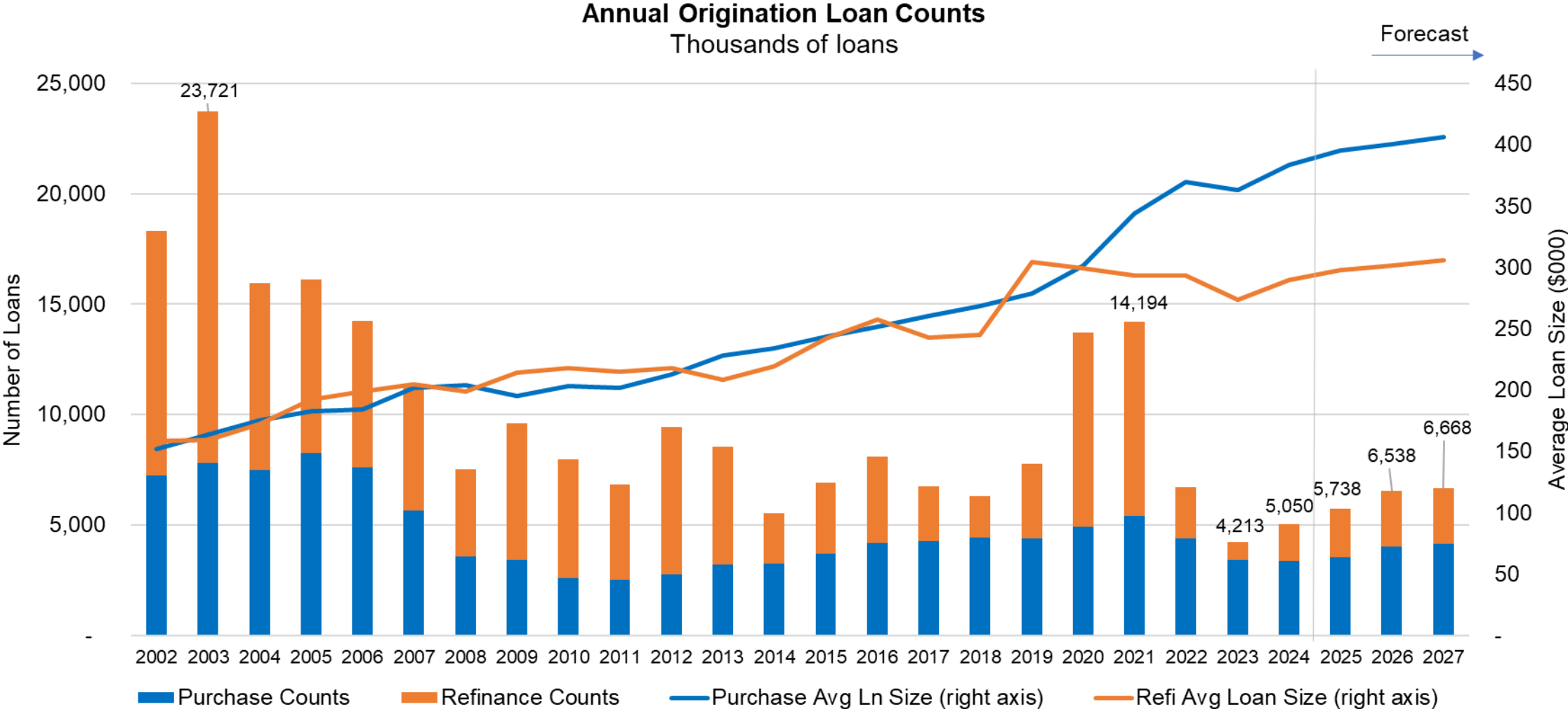
# Originations Dollar Volume Expected To Increase 16% in 2025



Source: MBA Forecast



# Origination Units Forecast To Increase 14% in 2025



Source: MBA Forecast

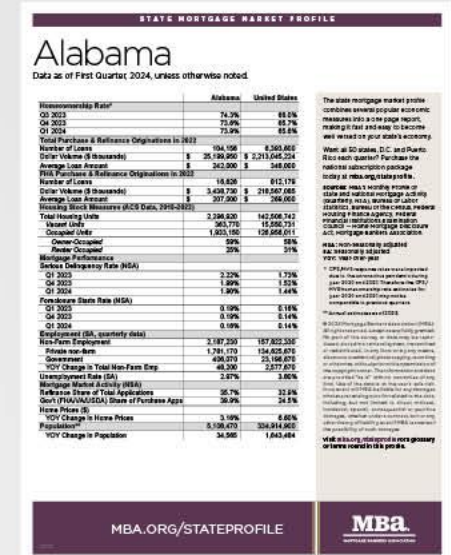
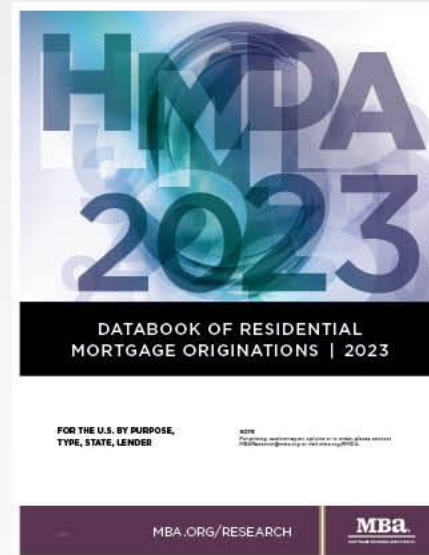


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