

Housing and Mortgage Market Update


Views from the Top

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Vice President and Chief Economist

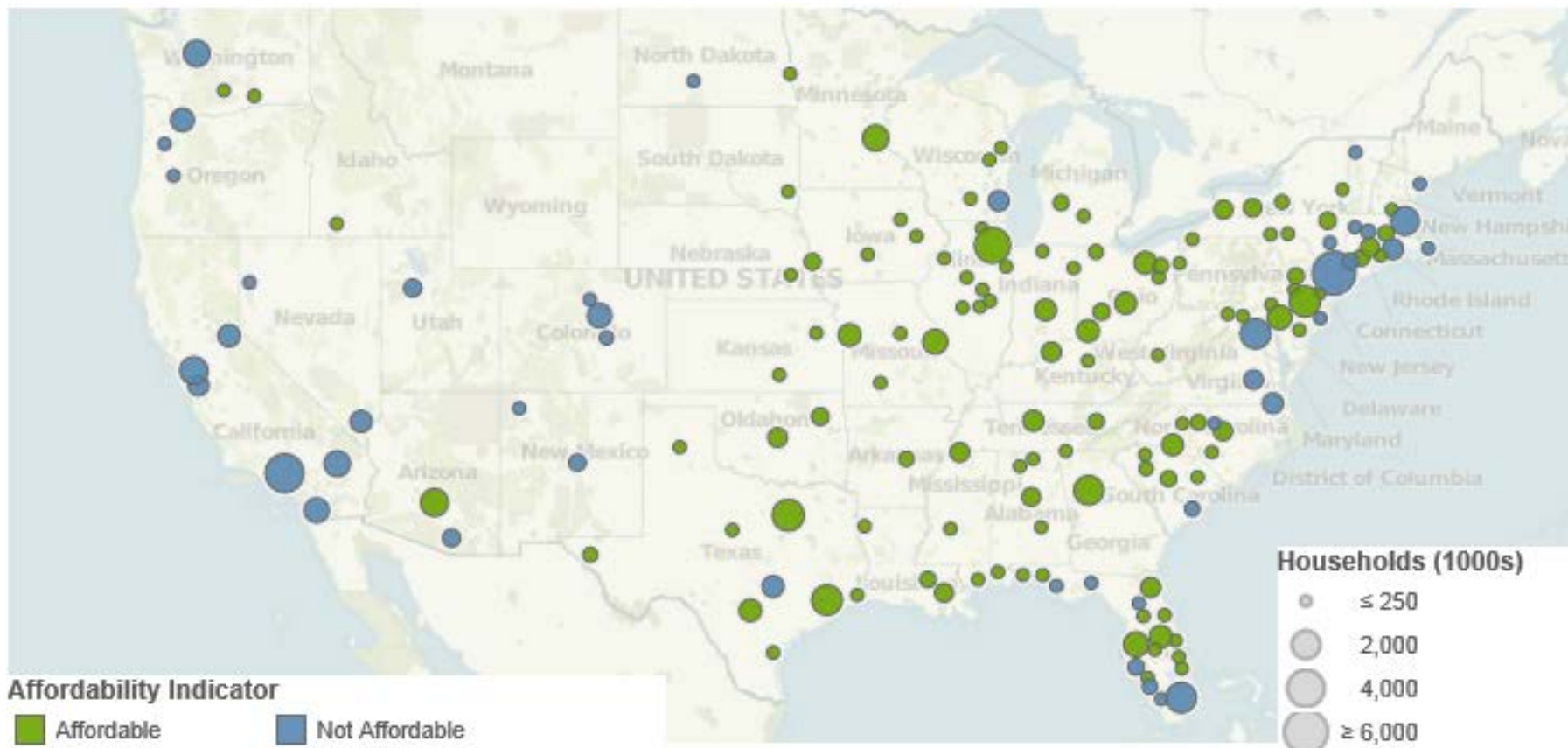
January 8, 2015

Summary:

Housing & Mortgage Market Outlook for 2015

- Interest rates expected to rise.
 - » 30-year FRM projected to rise slowly to 4.8% by end of 2015.
 - » Economic growth (3.0%) in 2015 drives borrower income gains.
 - Buyer affordability will remain strong in most metro areas.
 - Home sales: 2015 expected to be best since 2007.
 - » Inventory-for-sale remains low.
 - Home values projected to rise in most metro areas.
 - » U.S. house-price index projected to be up 3% in 2015.
 - Originations: More Single-family Purchase, less Refi; and more Multifamily
-  Our Multi-Indicator Market Index (MiMi) can be a local market gauge.

Most Metro Areas Are Affordable Today (Mortgage Rate at 4¼%)

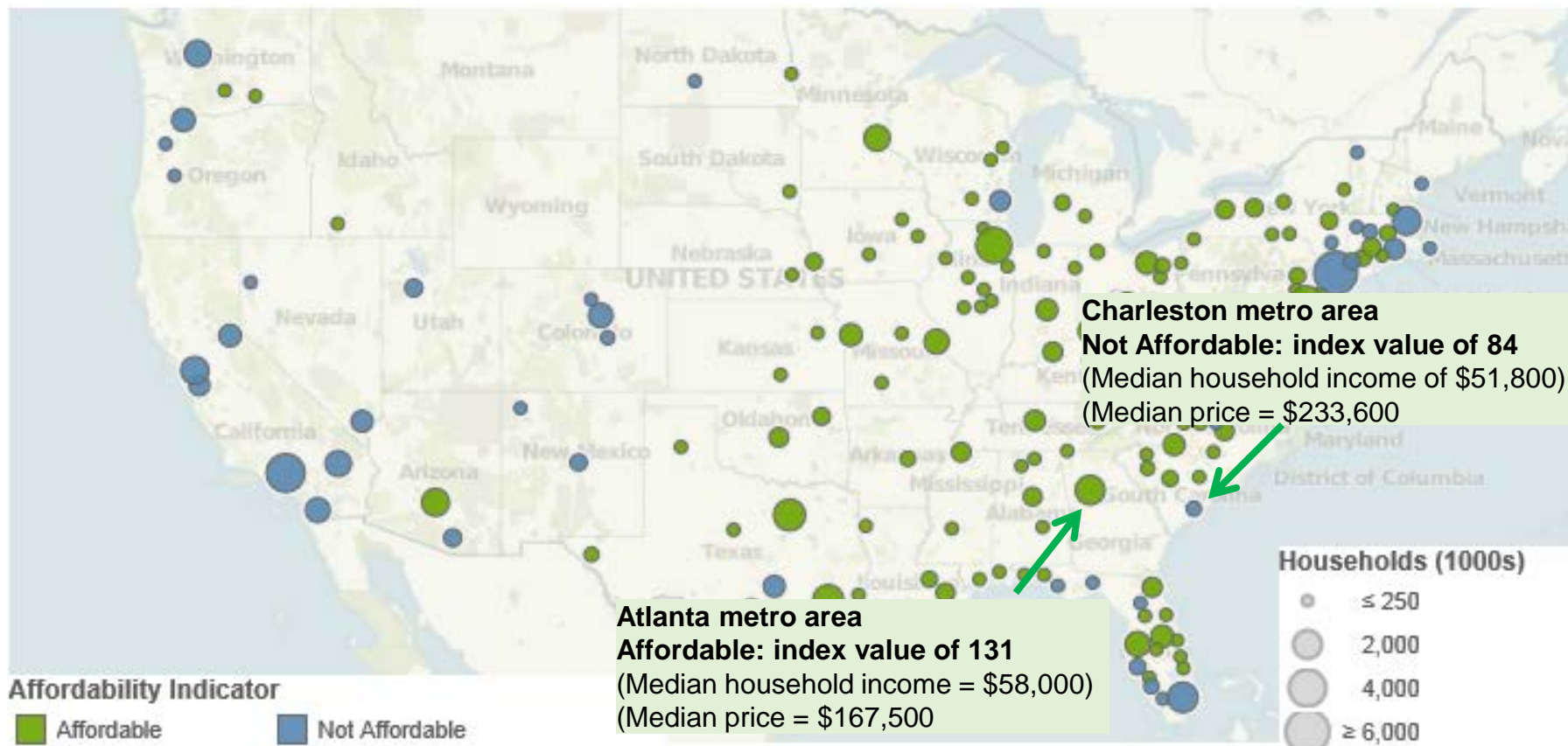


Source: Moody's Analytics (2014Q2 median household income), National Association of Realtors® (2014Q2 median price), Freddie Mac, American Housing Survey. Calculations assume a family earning the median income purchases the median priced home with a 10% down payment and a 30-year fixed-rate mortgage of 4.25%. Affordability is calculated by requiring that principal, interest, taxes, and insurance not exceed 28% of gross monthly income. We estimate annual taxes and homeowner's Insurance based on the American Housing Survey to be 1.68% of the purchase price and private mortgage insurance to be 0.5% per annum. (<http://www.freddiemac.com/finance/ehforecast.html>, "Metro Affordability" tab)

At 4¼% Rate:

Green Affordable
Blue Not Affordable

Most Metro Areas Are Affordable Today (Mortgage Rate at 4¼%)



Source: Moody's Analytics (2014Q2 median household income), National Association of Realtors® (2014Q2 median price), Freddie Mac, American Housing Survey. Calculations assume a family earning the median income purchases the median priced home with a 10% down payment and a 30-year fixed-rate mortgage of 4.25%. Affordability is calculated by requiring that principal, interest, taxes, and insurance not exceed 28% of gross monthly income. We estimate annual taxes and homeowner's Insurance based on the American Housing Survey to be 1.68% of the purchase price and private mortgage insurance to be 0.5% per annum. (<http://www.freddiemac.com/finance/ehforecast.html>, "Metro Affordability" tab)

At 4¼% Rate:

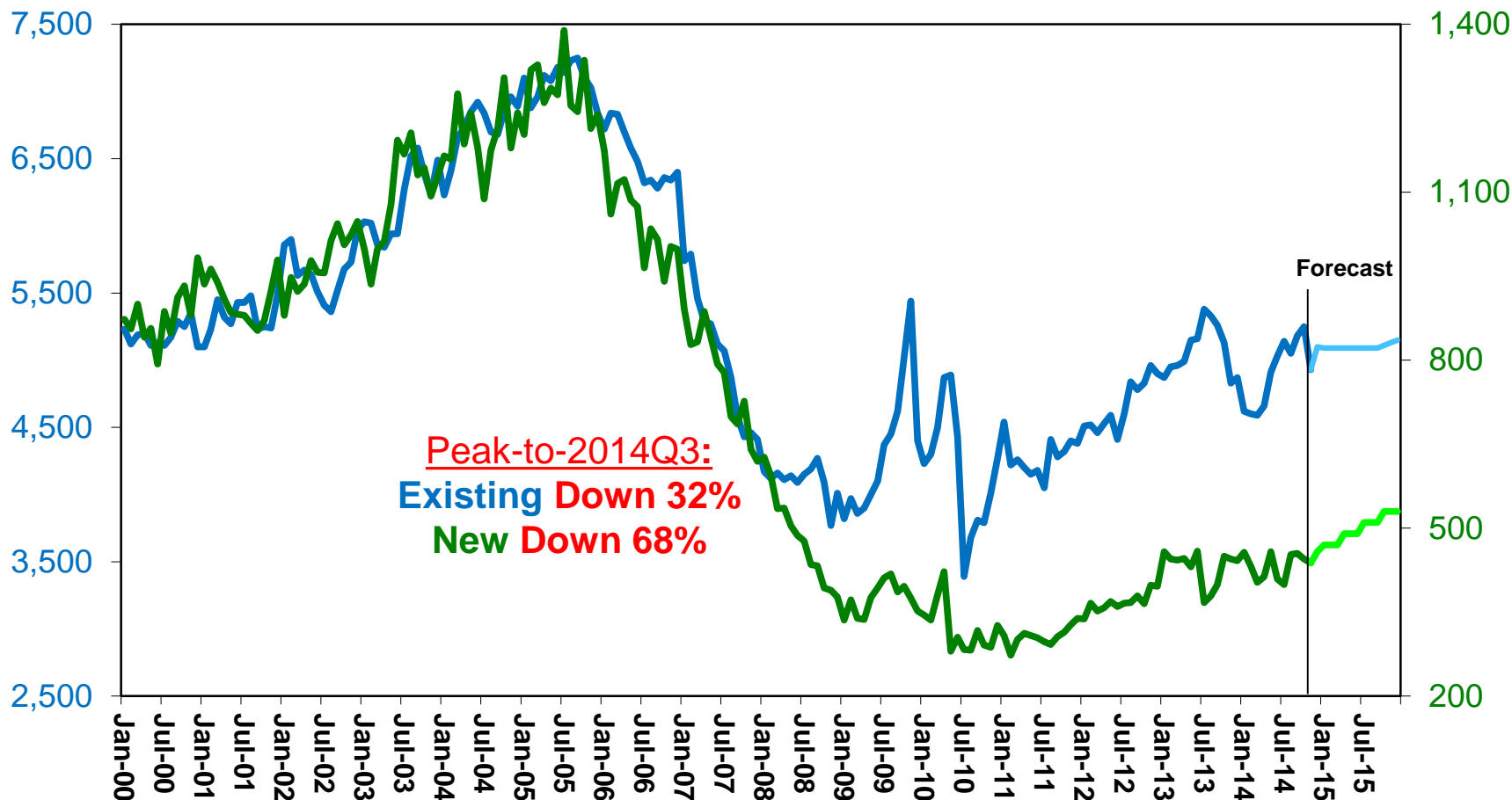
■ **Affordable**
■ **Not Affordable**

Home Sales: 2015 Projected Up 4% from 2014 (2015 Expected to Have Most Sales Since 2007)



U.S. Existing Home Sales (Thousands)

U.S. New Home Sales (Thousands)



Sources: US Census Bureau, National Association of Realtors®; "Peak" is 2005Q3.



October Home Sales Up Compared to Last Year

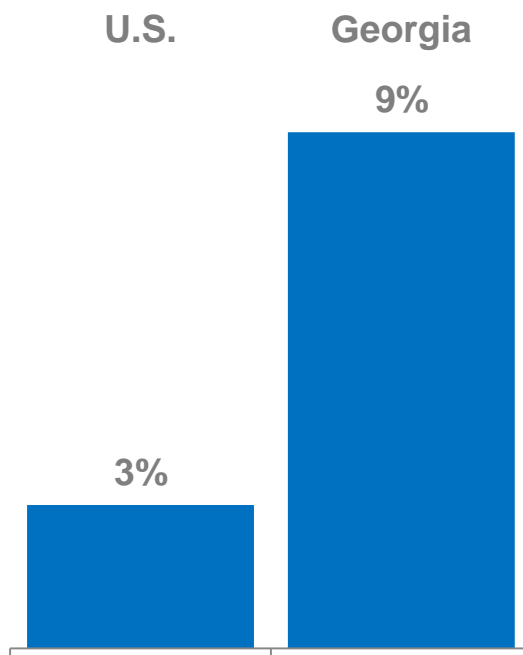


Home Sales Rebound

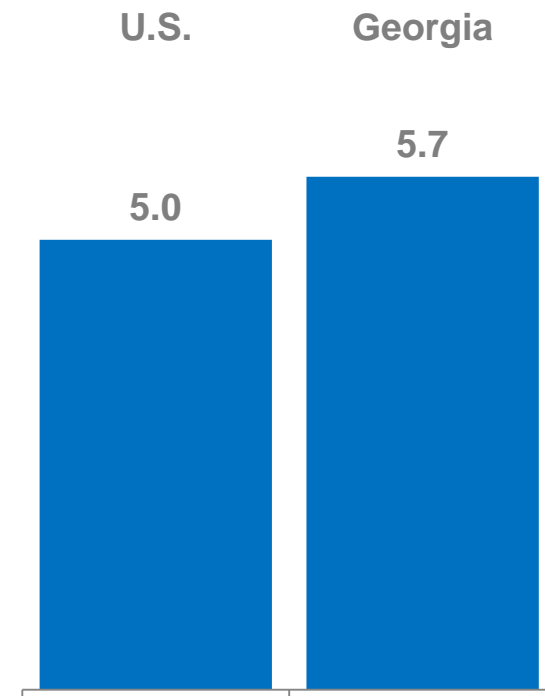
Home sales picked up October over October in Georgia at a 9 percent clip, outpacing U.S. growth of 3 percent.

Georgia also has about 0.7 months more inventory than the rest of the country as of October 2014.

Single-Family Home Sales
Year-Over-Year Percent Change



Months Supply of Inventory

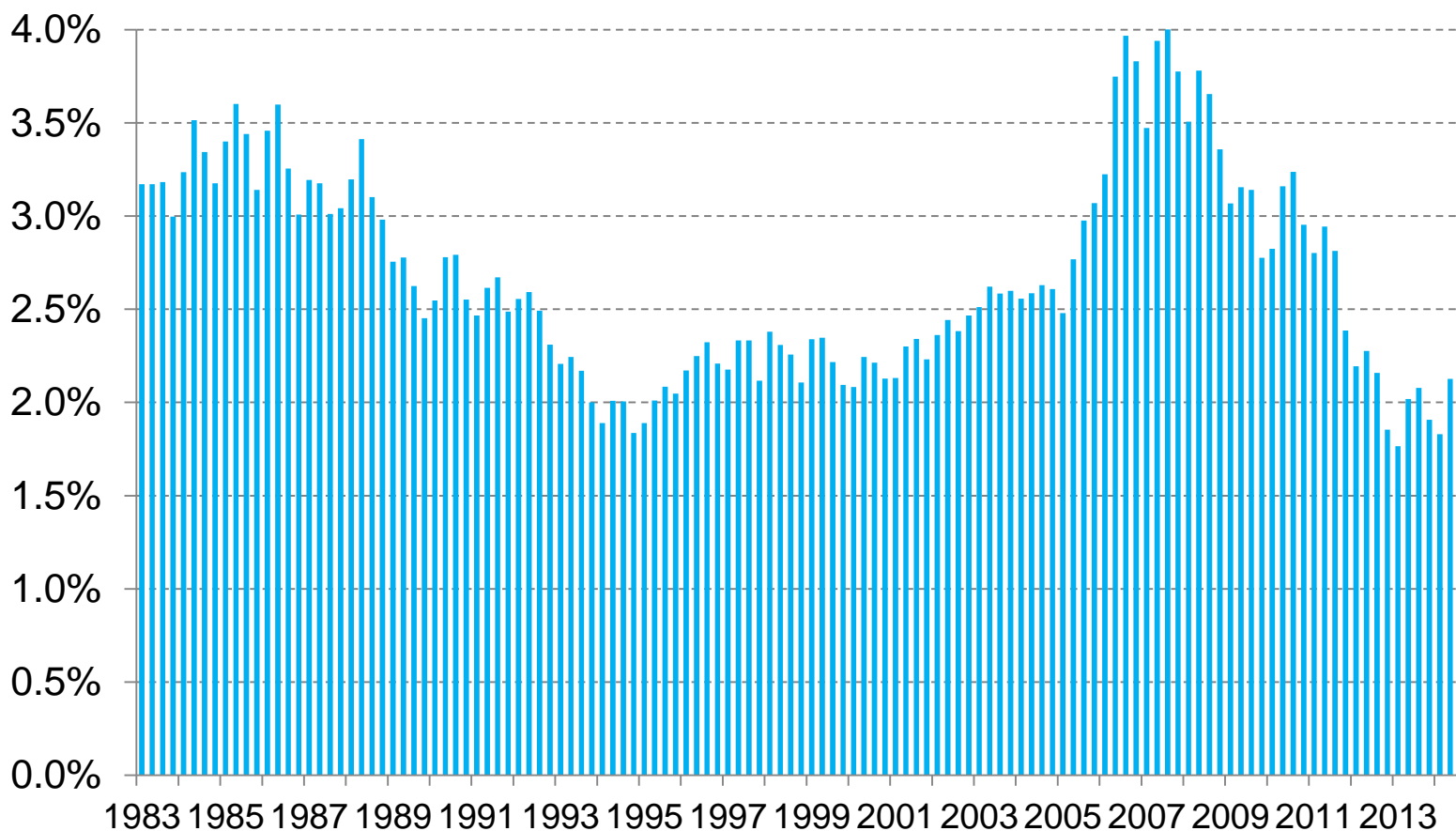


Sources: National Association of Realtors®, Georgia Association of Realtors

For-Sale Inventory of Homes Has Recently Been Very Low



Homes-For-Sale Inventory as a Percent of Households

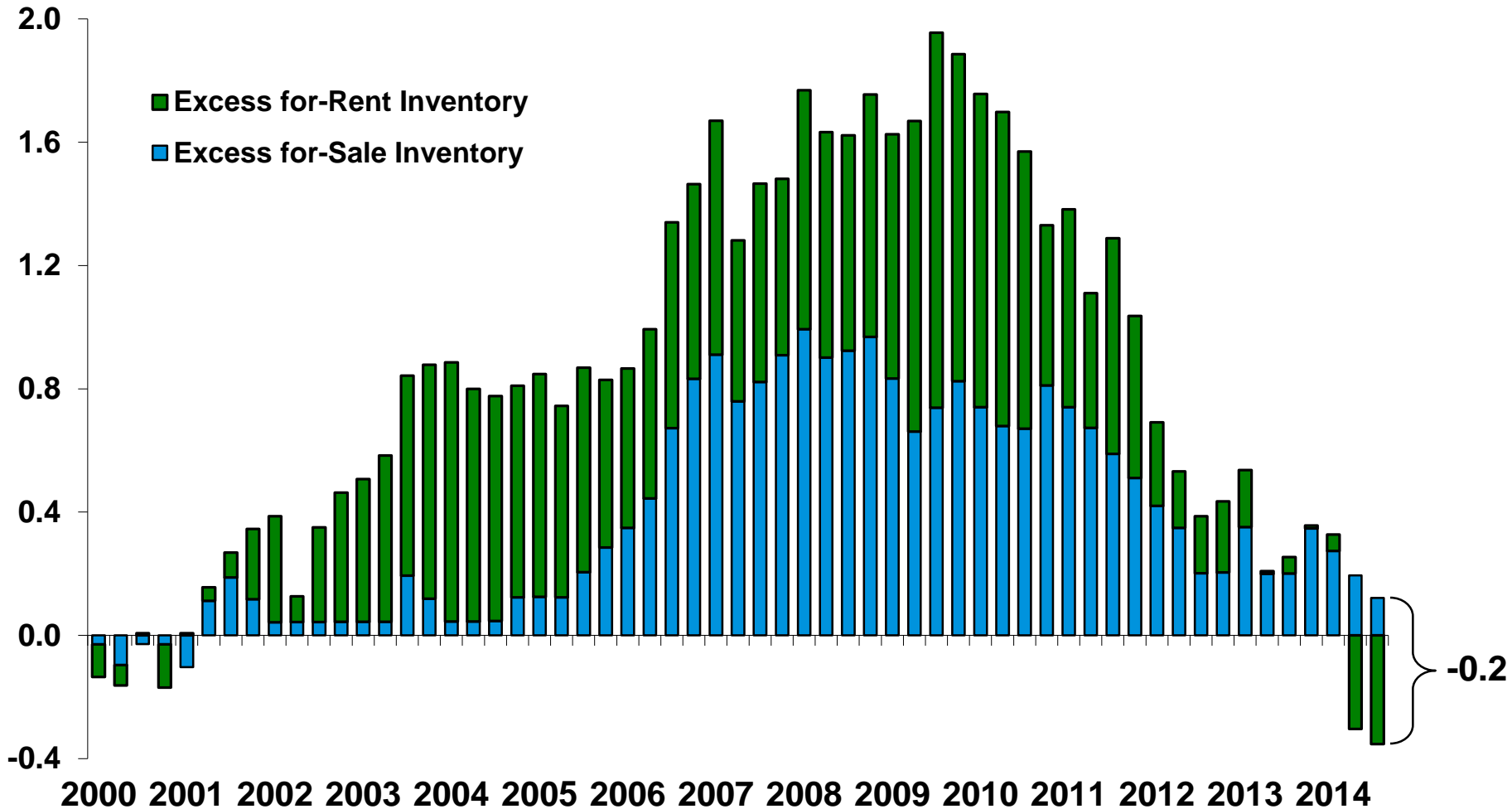


Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey)

Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.

Vacancy Rate Back to 'Normal' – Rental is 'Tight', For-Sale Close to 'Average'

Excess Vacant Homes (Numbers in Millions)

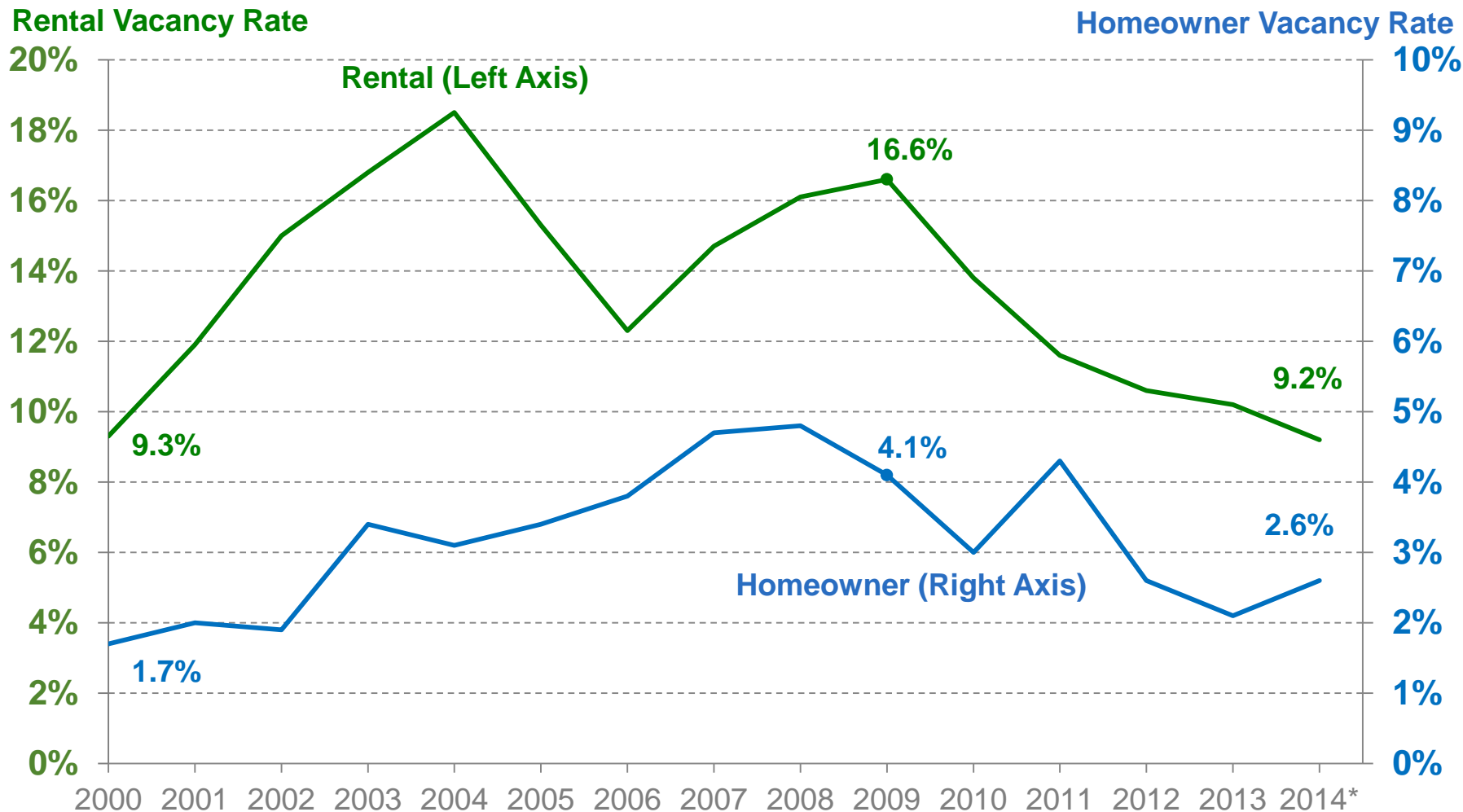


Source: Freddie Mac calculations using U.S. Census Bureau data. Negative values reflect undersupply. The under/oversupply of vacant housing was estimated based on the average vacancy rate from 1994Q1 to 2003Q4.

Rental Vacancy Rates in Atlanta Lowest Since 2000; Owner Vacancy Rates Remain High



Vacancy Rates in Atlanta Metropolitan Area (Percent)

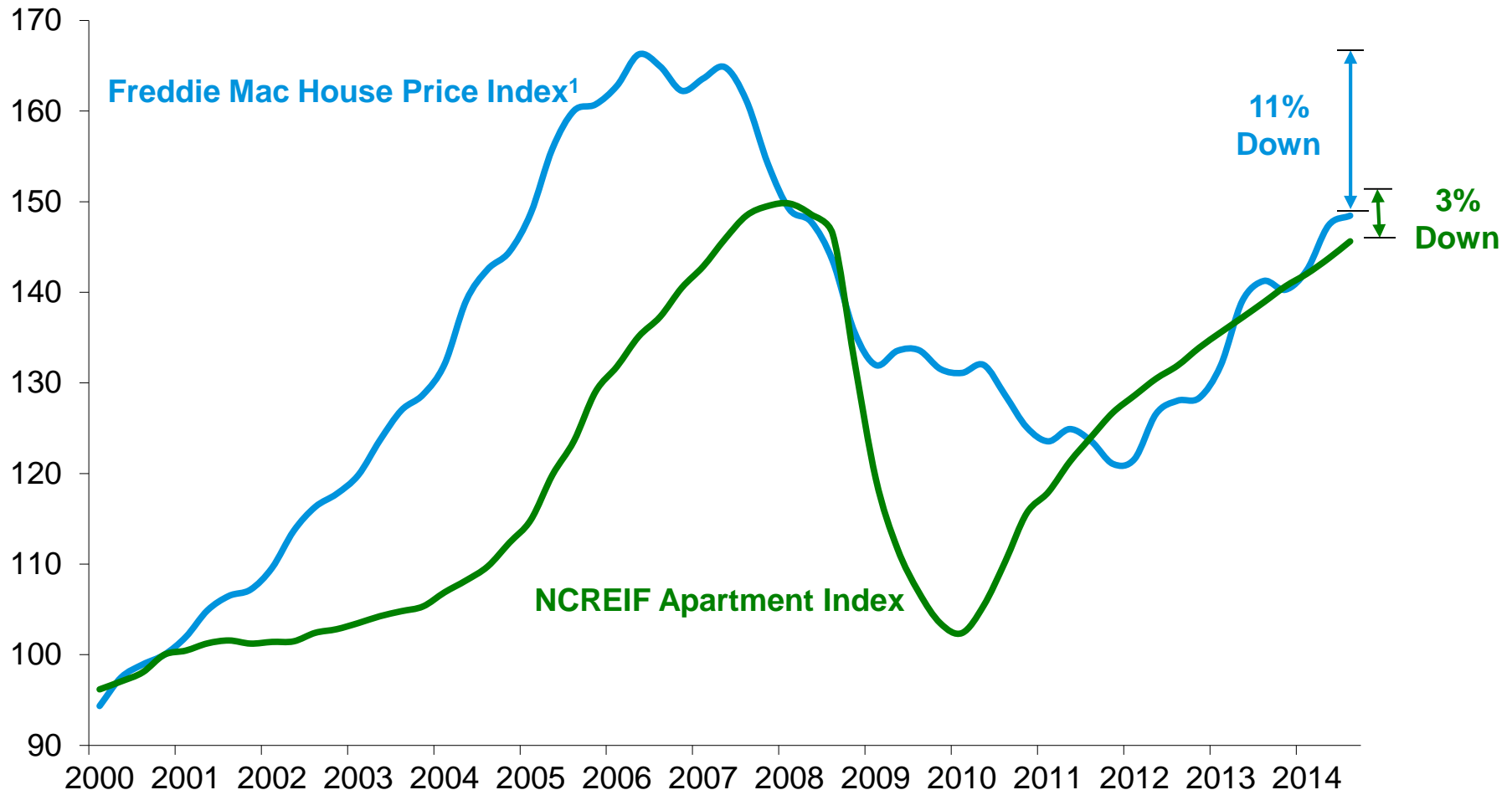


Source: U.S. Census Bureau: Current Population Survey (CPS) - Housing Vacancy Survey NSA; Data through 2004 are based on 1990 metropolitan definitions and from 2005 are based on 2000 metropolitan definitions.

*Average of first three quarters

Apartment Building Values Near Prior Peak, House Values Remain Well Below

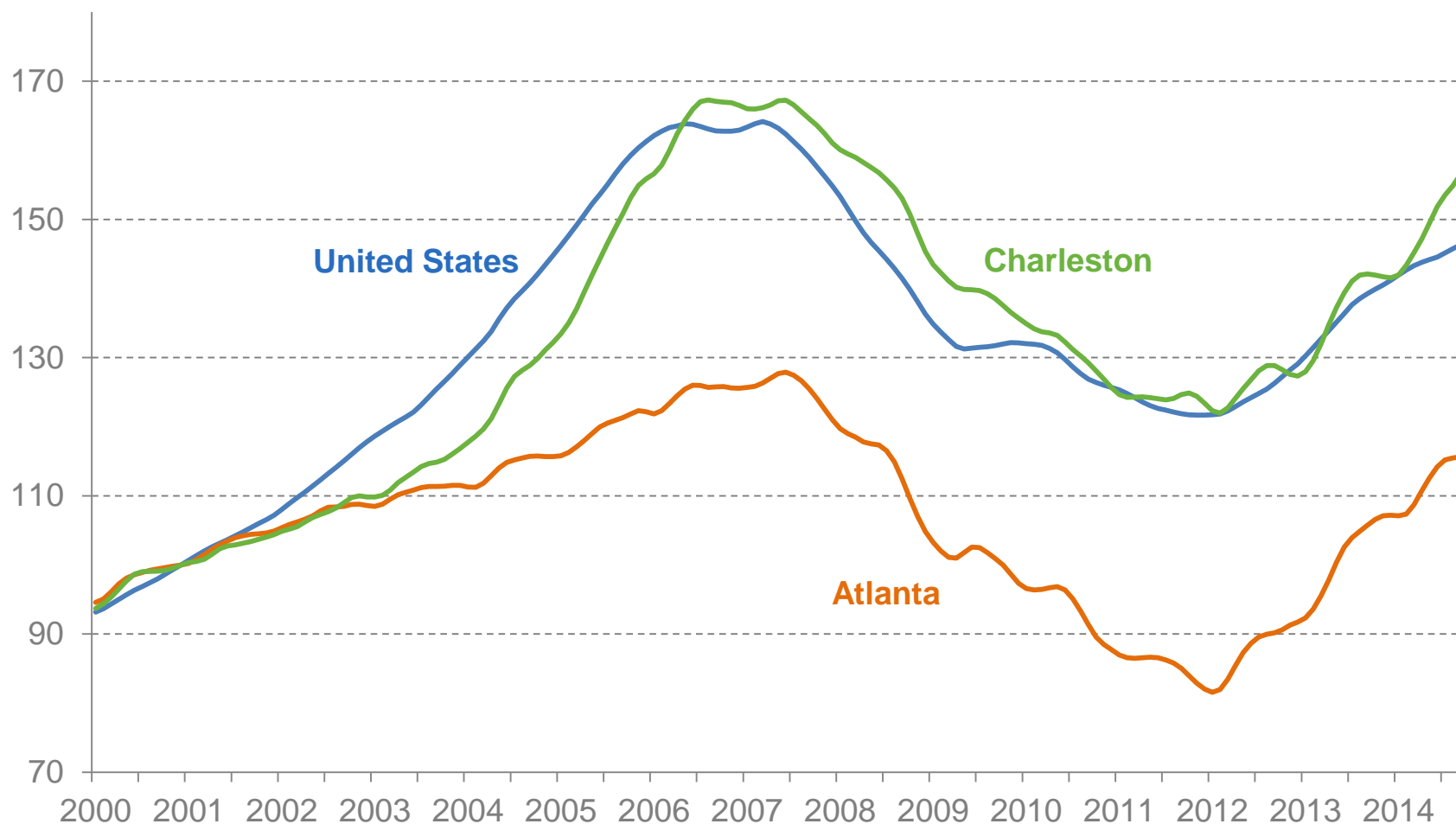
U.S. Property Value Index (December 2000 = 100)



¹ 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. Source: Freddie Mac House Price Index, National Council of Real Estate Investment Fiduciaries. 2014 data as of September 30, 2014.

Atlanta and Charleston: House Price Boom, Bust, and Recovery

Freddie Mac House Price Index (December 2000=100)

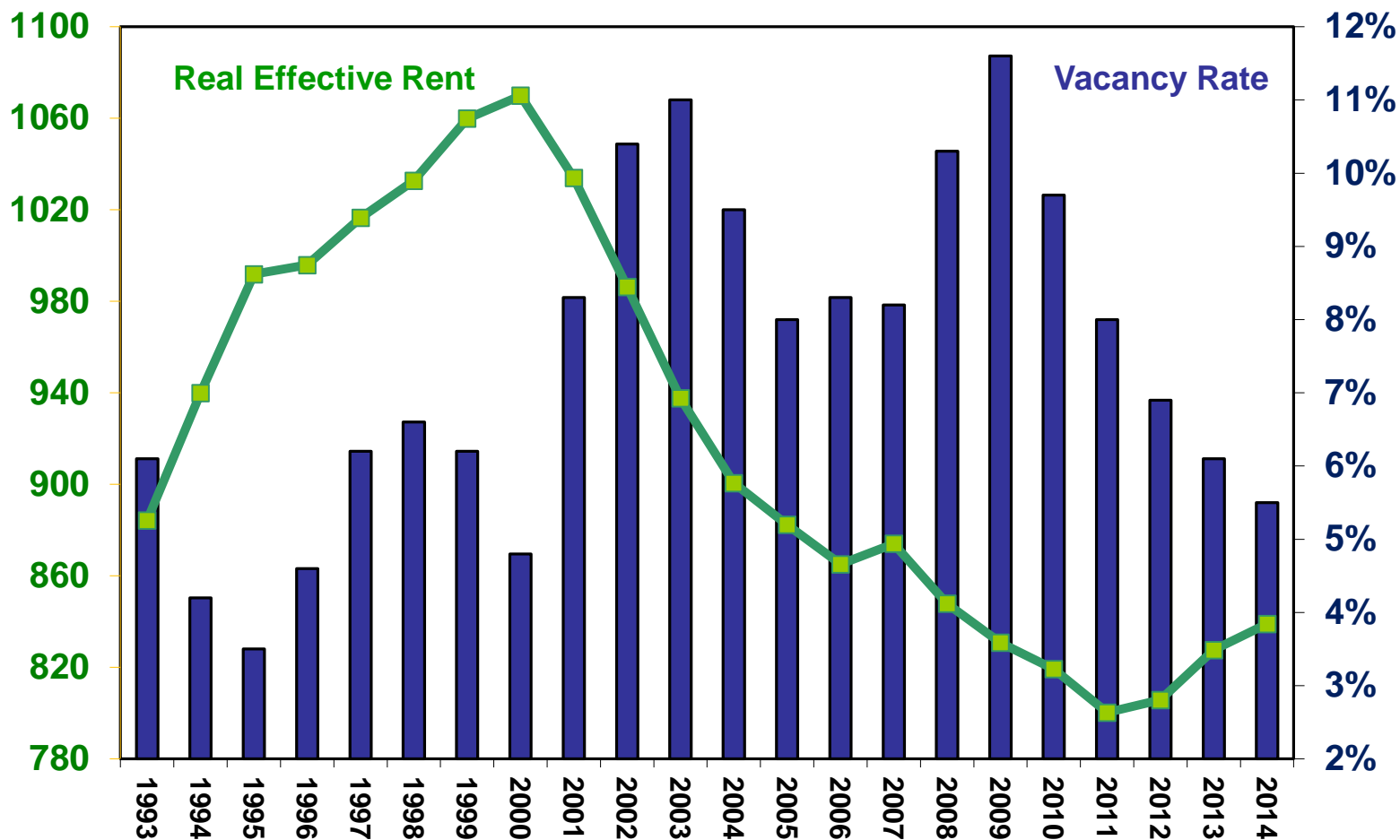


Source: Freddie Mac House Price Index (January 2000-September 2014)

Vacancy Decline Has Led to Real Rent Growth in Atlanta

Rent (in 2013 Dollars)

Vacancy Rate

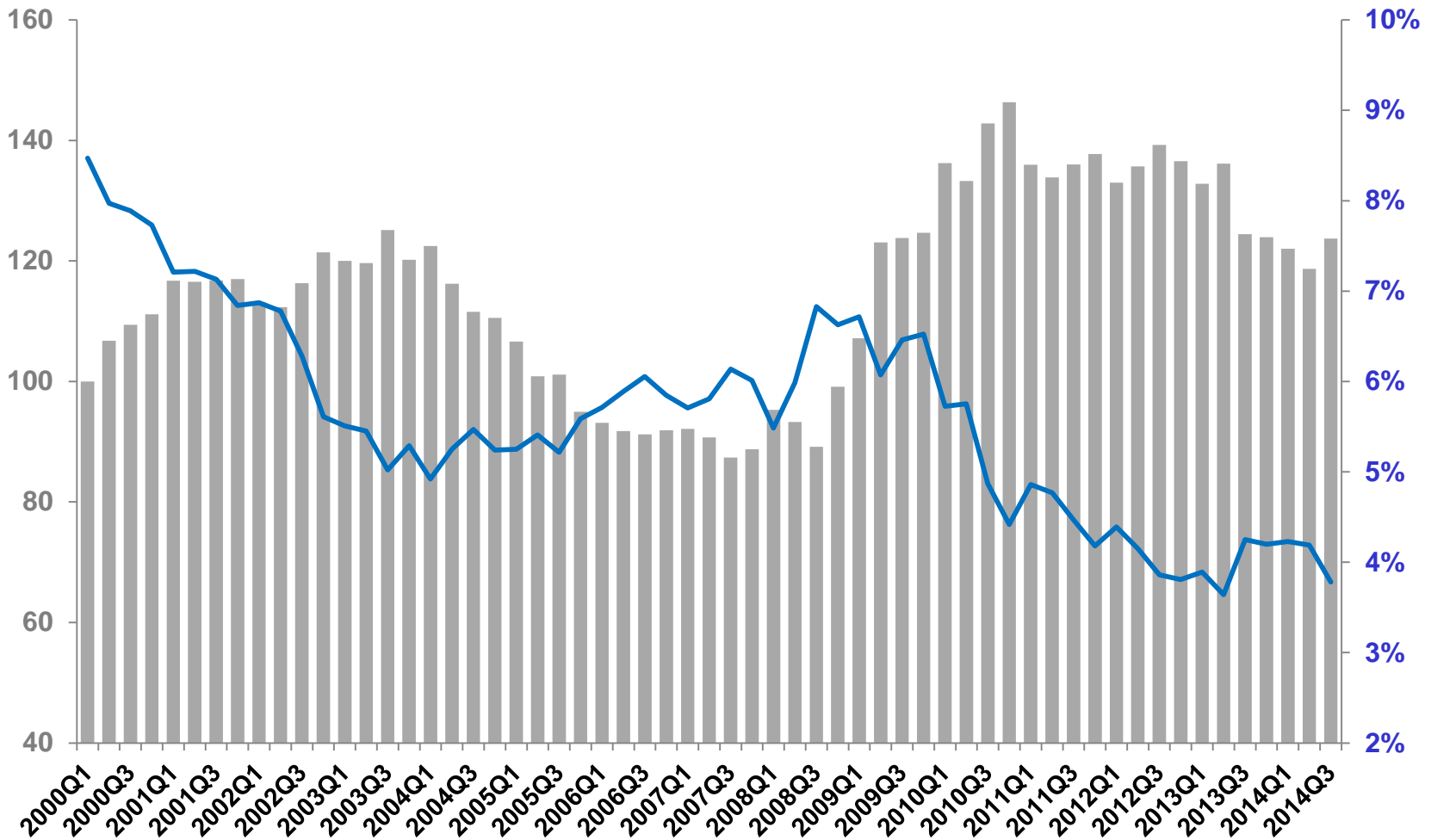


Sources: REIS (Atlanta Metro), Bureau of Labor and Statistics (CPI-Less shelter – annual average, NSA. 2014 Q3 data.

Multifamily Properties Remain An Attractive Investment

Multifamily Investment Index for U.S. (2000Q1=100)

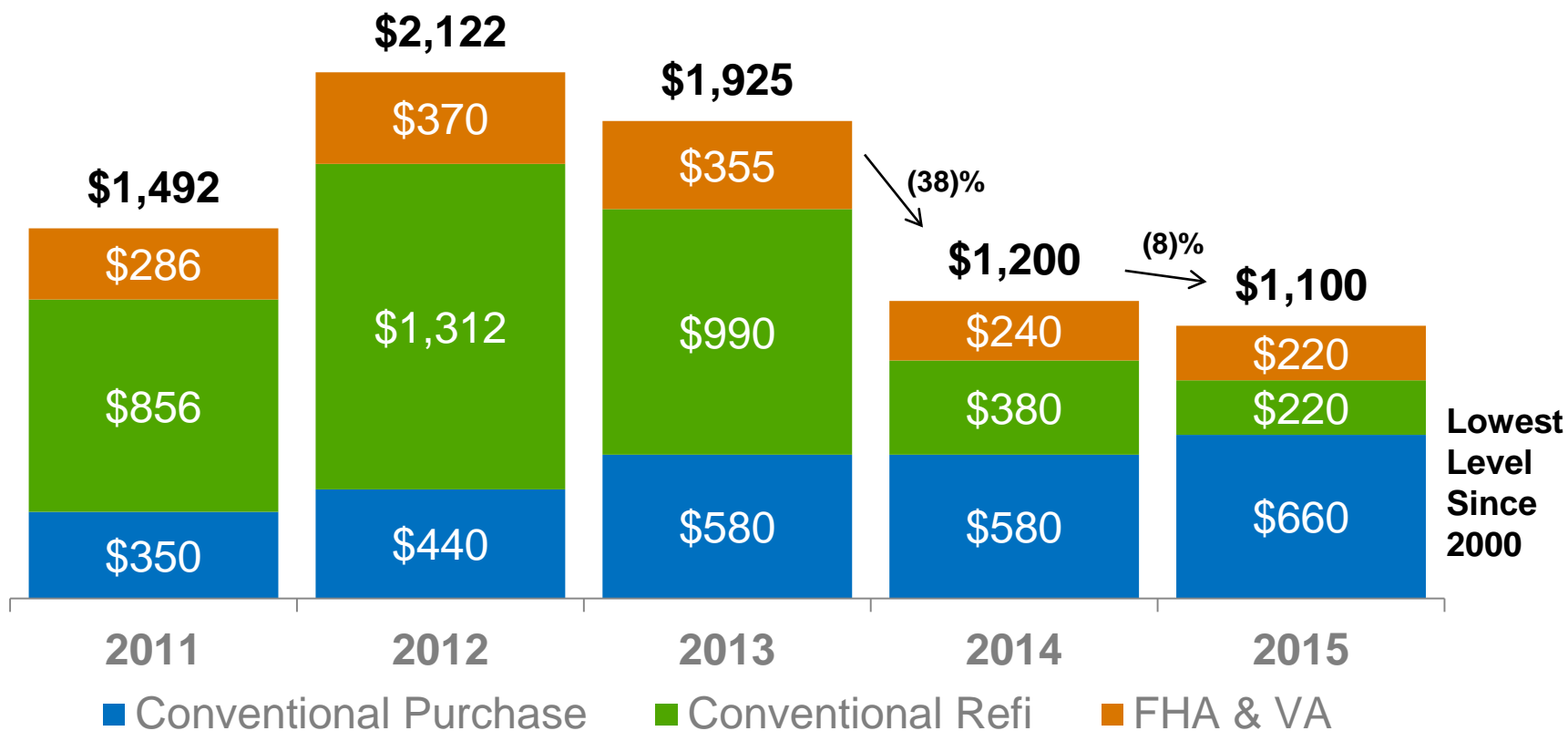
Multifamily Mortgage Rate (percent)



Source: Freddie Mac, American Council of Life Insurers

Purchase-Money Will Dominate Origination Mix

Single-Family Mortgage Originations (\$ Billions)

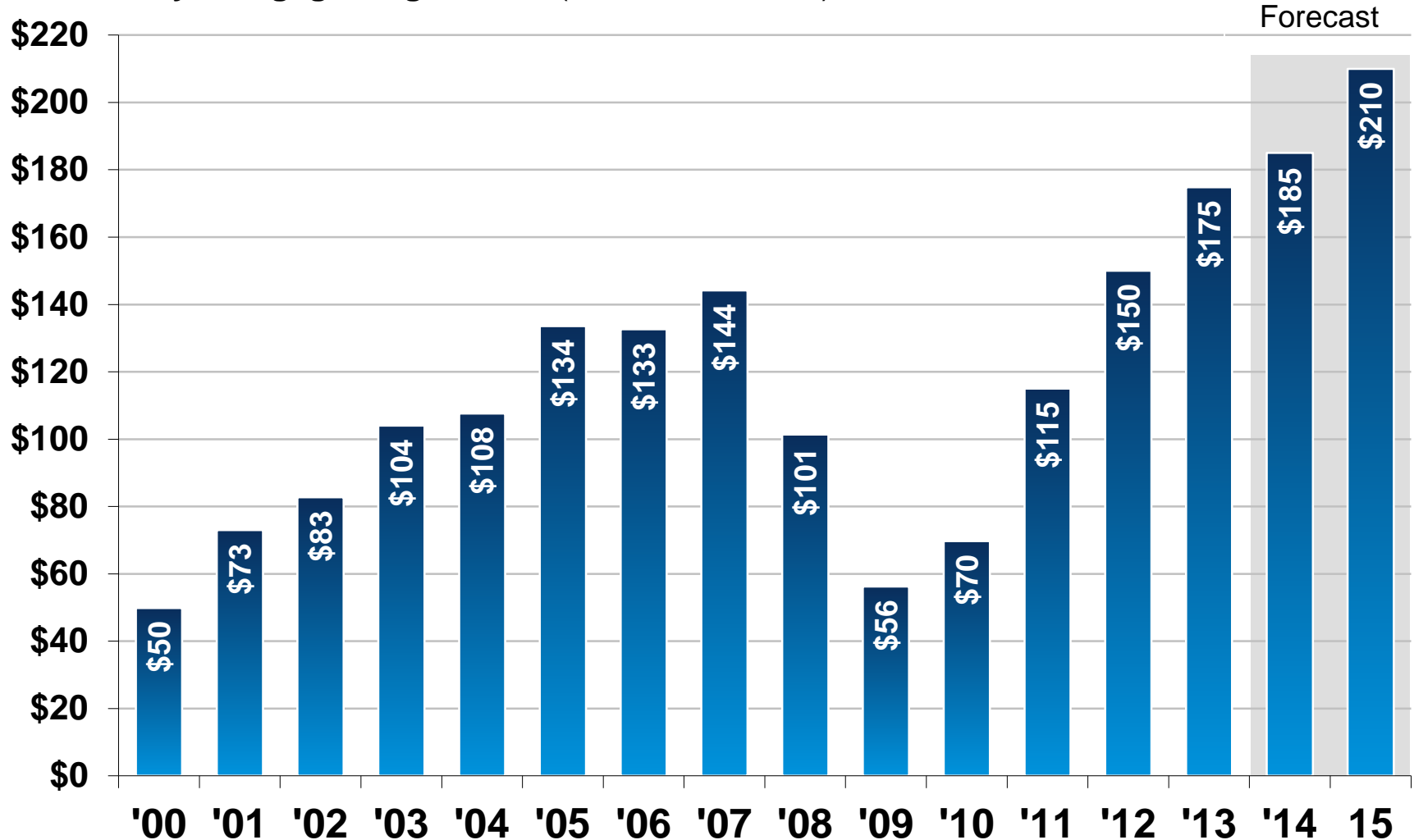


Origination Activity Projected to Decline by Almost One-Half 2012 to 2015

Sources: Freddie Mac's November 2014 Economic Outlook, HUD, VA

Multifamily Mortgage Originations

Multifamily Mortgage Originations (Billions of Dollars)



Sources: FFIEC (HMDA), OTS Thrift Financial Report, ACLI Investment Bulletin, MBA Commercial Mortgage Banker Origination Survey, Freddie Mac.

What is MiMi?

The Multi-Indicator Market Index (MiMi) provides monthly insights into the stability of the housing market

Available at:

www.freddiemac.com/mimi



Freddie Mac
**Multi-Indicator
Market Index**

Purchase Applications

- Solid home sales that match demographics

1

Current on Mortgage

- Few defaults
- Less foreclosures

3

Payment-to-Income

- Mortgage payments in-line with income

2

Employment

- Low unemployment
- More jobs
- Rising salaries and wages

4

Unemployment Rate Remains Elevated

	October 2014 Unemployment Rate (%)	Average Unemployment Rate (1990-2004)	Percentage Points Above Average
United States	5.8	5.6	0.2
Georgia	7.7	4.8	2.9
Atlanta	6.9	4.3	2.6

Source: U.S. Bureau of Labor Statistics

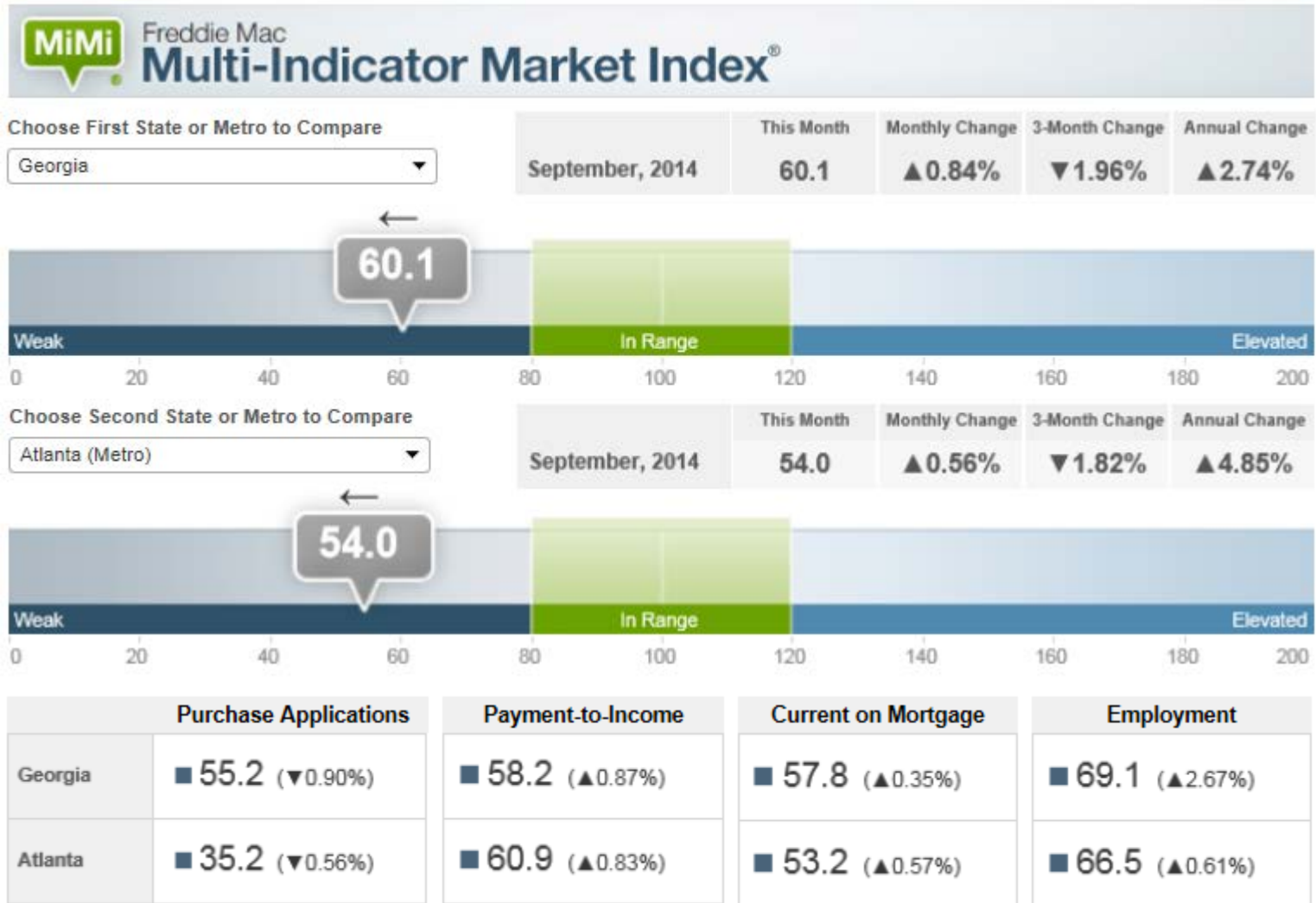
Four Indicators Drive Monthly Composite MiMi



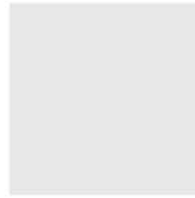
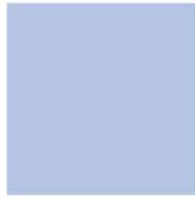
MiMi is the average of the four indicators

“Of the MiMi indicators, zero is in range and four are weak. Atlanta is declining largely due to the 7.89% decrease in the Employment indicator over the last three months...”

MiMi Allows Pairwise comparisons of Metros and/or States



Source: Freddie Mac Multi-Indicator Market Index (MiMi) for September 2014



Where to Get More Information

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Contact us at chief_economist@freddiemac.com

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