



The Daily Dish

Tracking the Housing Market

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Eakinomics: Tracking the Housing Market

AAF's Director of Financial Services Policy Thomas Wade has posted the most recent version of his [housing chart book](#), providing an up-to-date survey of mortgage rates and originations, housing permits and starts, construction, vacancies, and prices. Now, you might say to yourself, "Self, I have no interest in over 45 pages of charts." But you would be wrong. Housing lies at the center of two of the most important policy challenges at the moment.

The first is the near-term outlook for macroeconomic growth, and the related need for monetary easing by the Federal Reserve and fiscal stimulus by the administration and Congress. Will economic growth continue to slow? Will the United States fall into a recession? Or, will the growth slowdown prove transitory and top-line growth rates again hover near 3 percent? The pace of residential construction is central to the answer.

It used to be that fluctuations in housing markets were a big cause of business cycles, and construction swings mirrored recessions and recoveries. In 2017, however, housing contributed 0.16 percentage points (at an annual rate) to quarterly growth in gross domestic product. As the economy heated up in 2018, residential construction subtracted 0.18 percentage points, a headwind that fell to 0.08 percentage points in the first half of 2019. If residential construction continues to rebound and provides 0.2 or 0.3 percentage points to growth, the outlook for 2020 will be considerably brighter. A continued housing slump would add to the trade-related headwinds and weaken the economy further.

The other major policy issue is the future of Fannie Mae, Freddie Mac, and the Federal Housing Administration. The Treasury and Housing and Urban Development departments recently released their [blueprints](#) for housing finance reform. While the timing of the process is completely opaque, the end game of reforms confined to

administrative action appears clear: Fannie and Freddie build enough capital and a supervisory regime becomes adequately developed to release them from conservatorship. The first steps in that process — eliminating the 100 percent profit sweep and allowing them to retain some of their earnings, and putting in place a prudential rule for holding capital — will take place this year. But the remainder will evolve as fast as policymakers have confidence in the fallout in housing markets.

See, 50 pages of charts are not only fun but also informative.