The Daily Dish

Tracking the Housing Market

DOUGLAS HOLTZ-EAKIN | JUNE 18, 2019

Eakinomics: Tracking the Housing Market

The chatter on the future of Fannie Mae and Freddie Mac has risen recently, making it a good time to check in on the status of U.S. housing and housing finance markets. Fortunately, Thomas Wade has produced the latest edition of AAF's housing chart book, providing an up-to-date survey of mortgage rates and originations, housing permits and starts, construction, vacancies, and prices.

How is the housing sector doing? The short answer (again): not so good. Looking first at real activity, housing permits and starts remain below recent, post-recession highs. (The only region showing any signs of life is the West.) This slump persists despite recent declines in the interest rates on 30-year (and 15-year) fixed-rate mortgages. Measures of housing prices continue to rise, albeit at a slower rate, and when combined with stable vacancy rates, this fact yields steady increases in the value of housing equity. The bottom line is a drop-off in the rate of homeownership in the near past.

Finally, Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA) continue to have substantial shares of the residential mortgage market. To my eye, at least, the heavy involvement of these government agencies means that any changes will have a large impact for good or bad, reducing the odds that Congress will legislate to reform the fundamentals of housing finance — it is too risky of a proposition to touch these institutions when the housing market is somewhat weakened. This congressional reluctance makes it more likely that the needed reform will be done administratively through the Federal Housing Finance Agency and U.S. Treasury, as the administration has promised. Their blueprints are due out soon; stay tuned.