SitusAMC

RESIDENTIAL REAL ESTATE

THE RECAP

JANUARY 2025

The RECAP is SitusAMC's monthly Real Estate Commentary, Analytics and Perspectives on the residential real estate market.

Our team of experts aggregates the latest trends and perspectives across residential real estate finance to help you stay up to date on market developments and make more informed decisions. Here are the key developments in January 2025.

WHAT YOU NEED TO KNOW

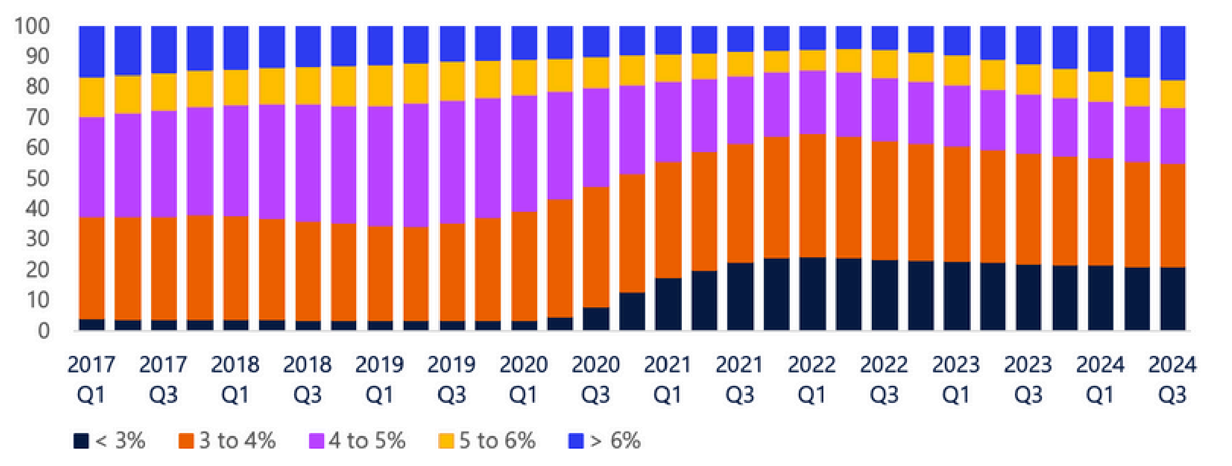
The housing market shows signs of stress as mortgage delinquencies and forbearances spike. Existing home sales rebounded, but the market remains weak. GSEs and depository institutions dominate the single-family debt market with decreased shares. Pension funds decreased their holdings.

OUR ANALYSIS

SitusAMC's analysis in THE RECAP leverages current data, our bespoke research and exclusive surveys of leading institutional and regional residential real estate executives.

SHARE OF MORTGAGES WITH RATES OVER 6% APPROACHING 20%; REFI RECOVERY POSSIBLE DOWN THE LINE

PERCENT SHARE OF OUTSTANDING MORTGAGES BY CONTRACT RATE



Source: National Mortgage Database (NMDB) Outstanding Residential Mortgage Statistics

Updated quarterly data for Q3 show an increase in the share of mortgages with a greater than 6% contract rate while most other tranches lost share, similar to the trends seen in the previous quarter's data. The share of mortgages over 6% is approaching 20%. With the 30-year FRM above 6.25% in the third quarter, it makes sense for the share of mortgages on the top end to grow. With mortgage rates even higher in the fourth quarter and Treasury rates rising at the start of 2025, we would expect a continuation of the trends seen this quarter. This does set up a potential recovery in refis down the line if Treasury and mortgage rates recede once again.

The share of mortgages with rates over 6% is approaching 20% and growing with new originations, setting up a potential recovery in refis if rates trend downward."

PETER MUOIO, PHD
Head of SitusAMC Insights

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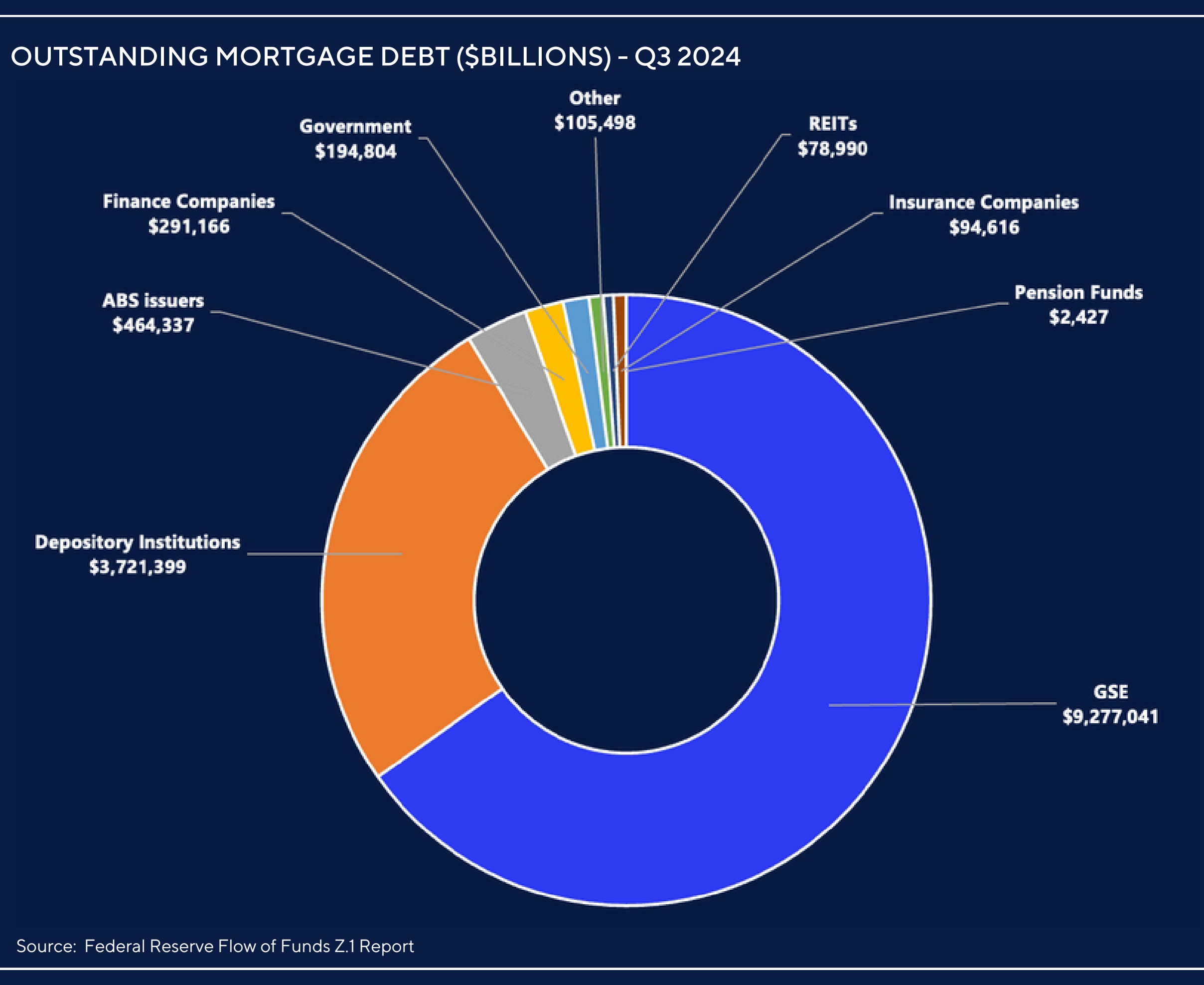
10-YEAR TREASURY - JANUARY 08

GSES AND DEPOSITORY INSTITUTIONS STILL DOMINANT IN SINGLE-FAMILY DEBT MARKET DESPITE DECREASE

OUTSTANDING MORTGAGE DEBT ($BILLIONS) - Q3 2024

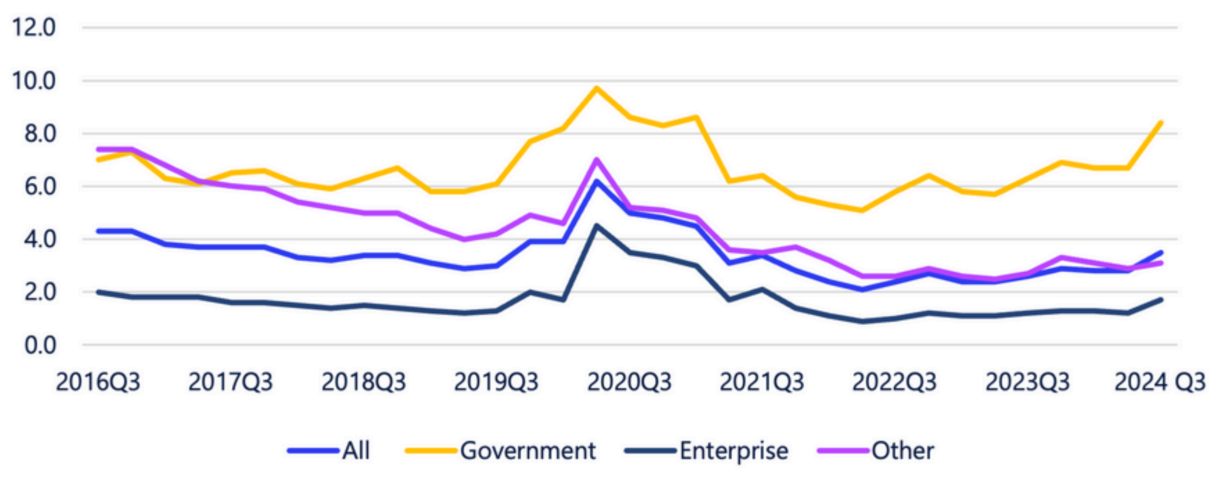


Source: Federal Reserve Flow of Funds Z.1 Report

GSEs and depository institutions comprised 91.3% of the single-family debt market in the third quarter, a 20 bps decrease in their shares from the previous year. On a YoY basis, all entities, except finance companies and pension funds, increased their holdings of single-family debt. Though representing just 0.02% of the total single-family debt market, pension funds decreased their holdings by almost 20% YoY. At significantly higher rates, pension funds have shifted to taking on less risk to achieve their target return.

MORTGAGE DELINQUENCIES AND FORBEARANCES SPIKE TO HIGHEST LEVELS SINCE PANDEMIC ONSET

MORTGAGE STRESS BY LOAN TYPE: % OF LOANS IN DELINQUENCY/TOTAL LOANS

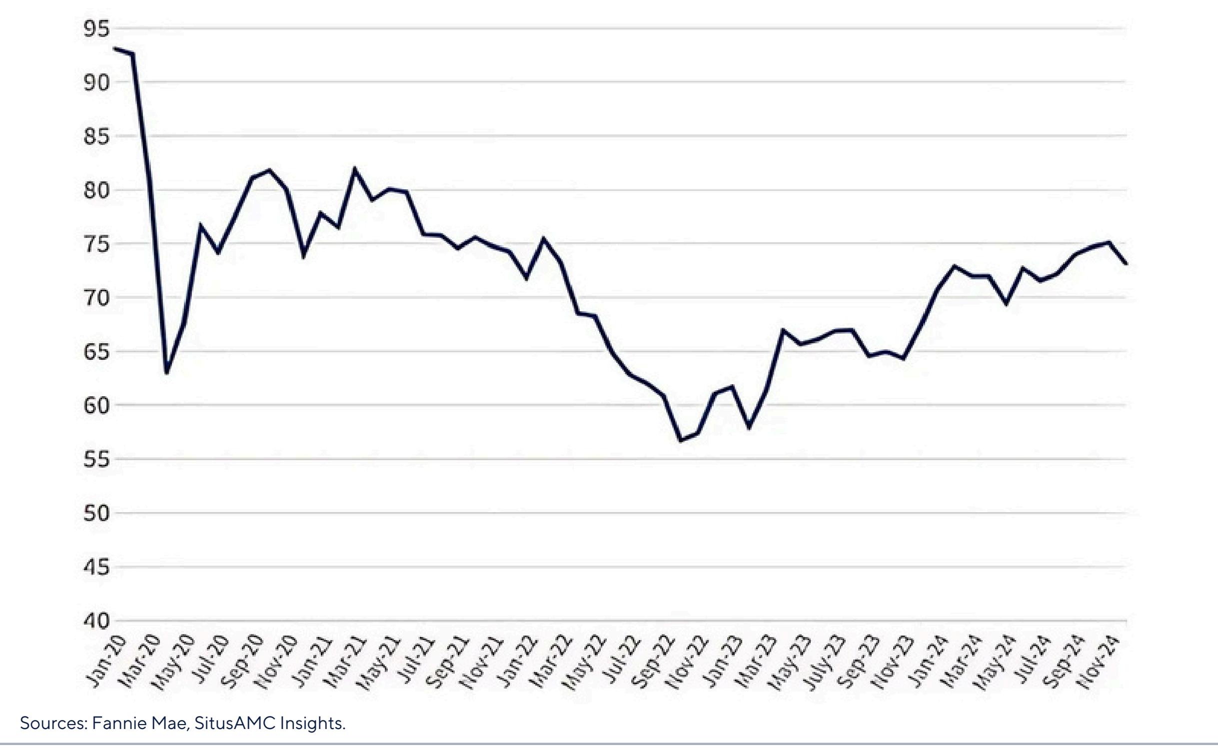


Source: National Mortgage Database (NMDB) Residential Mortgage Performance Statistics

The percent of mortgages past due ticked up in the most recent data to the highest levels since the onset of the pandemic. The percent of mortgages in forbearance reached the highest level in almost three years. All types of loans (government, enterprise and other conventional) experienced quarterly increases in mortgage stress. The most notable increase was for government loans, which reached the highest level in over three years and were historically elevated.

HOME PURCHASE SENTIMENT INDEX FINISHES 2024 HIGHER DESPITE DECEMBER DIP

FANNIE MAE HOME PURCHASE SENTIMENT INDEX (HPSI)

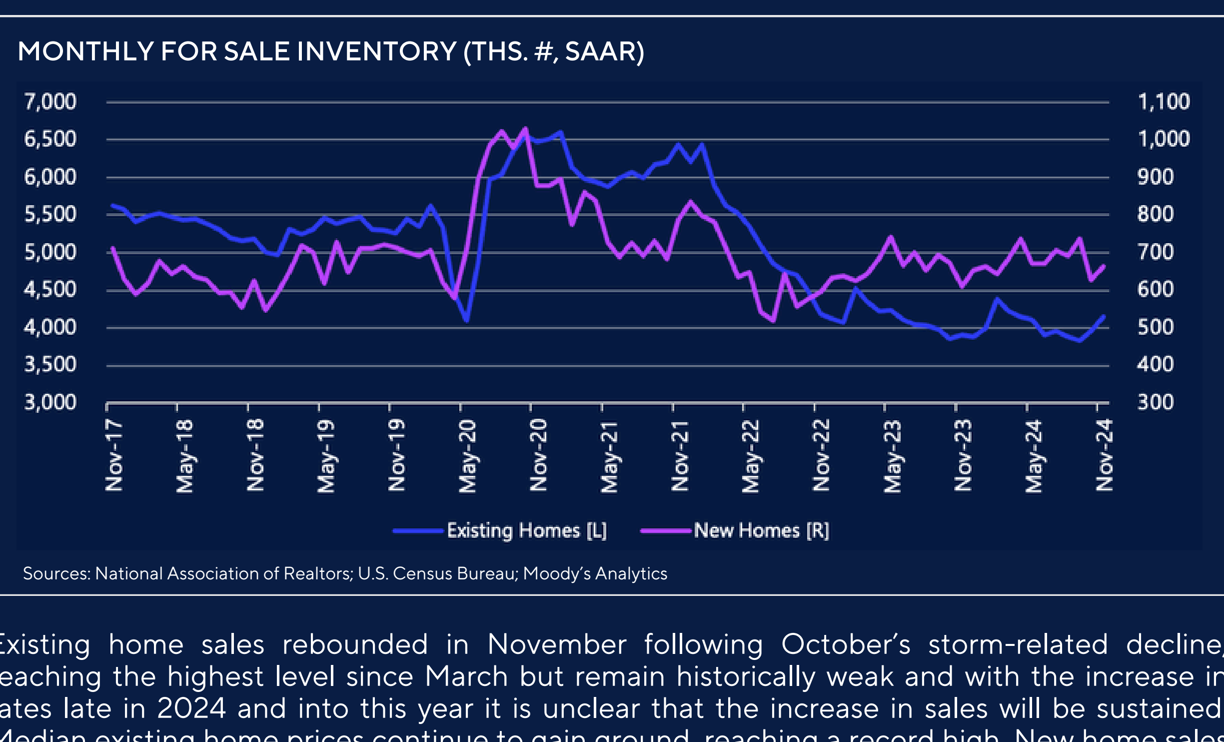


Sources: Fannie Mae, SitusAMC Insights.

Fannie Mae's Home Purchase Sentiment Index (HPSI) finished 2024 higher despite a December dip. Though the Index dipped by about 2 points MoM in December, consumer sentiment toward the housing market was up 6 points YoY, mainly attributable to respondents' ongoing expectations that mortgage rates will decline. However, just 20% of respondents believe now is a good time to buy a home, discouraged by the pandemic-era run-up in home prices and mortgage rates. This is up from the record low of 14% one year ago.

EXISTING HOME SALES REACH HIGHEST LEVEL SINCE MARCH, MEDIAN PRICES HIT RECORD HIGHS

MONTHLY FOR SALE INVENTORY (THS. #, SAAR)



Sources: National Association of Realtors; U.S. Census Bureau; Moody's Analytics

Existing home sales rebounded in November following October's storm-related decline, reaching the highest level since March but remain historically weak and with the increase in rates late in 2024 and into this year it is unclear that the increase in sales will be sustained. Median existing home prices continue to gain ground, reaching a record high. New home sales were up over the month but are also historically weak. Median new home prices dipped over the month but are almost 10% higher than the long-term average. As a result of limited resale inventory and measures by home builders to increase housing affordability, the median price for an existing home was higher than that of a new home.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of residential real estate finance. THE RECAP is our monthly snapshot that aggregates the latest trends and perspectives across residential real estate finance in an easy to digest format.

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