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NEWS & MEDIA



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Fannie Mae: 2024 Homes Sales to Slowly Recover

By Amy Connolly

Fannie Mae economists suggest "a modest downturn in 2024, followed by a return to growth in 2025."

WASHINGTON – Fannie Mae economists expect single-family homes to begin a "meaningful but slow" recovery in 2024, partly due to the decline in mortgage rates.

The Fannie Mae Economic and Strategic Research (ESR) Group said purchase mortgage applications rebounded about 15% from their trough in November, a trend that the ESR Group expects to continue if mortgage rates continue to slide.

However, the same dynamics that kept 2023 home sales at their lowest level since the 2007 economic crisis, including affordability challenges, the lock-in effect and a lack of homes available for sale, will likely persist in 2024. As such, the ESR Group expects the home sales recovery to be meaningful but slow.

The ESR Group also continues to forecast a modest downturn in 2024, followed by a return to growth in 2025, noting that many of the underlying business cycle dynamics that contributed to last year's recession call remain. While the likelihood of a soft landing has certainly improved over the last few months, engineering it while avoiding a resurgence in inflation will likely be a difficult task.

"Last week's comments by Chairman (Jerome) Powell, as well as the Federal Reserve's updated Summary of Economic Projections, suggest increased Fed confidence that a soft landing has been achieved and inflation is headed sustainably to 2%," Doug Duncan, Fannie Mae senior vice president and chief economist, said.

"Clearly, the many economic forecasters who previously forecasted a recession beginning in 2023 were wrong, including us. However, we continue to think there are reasons for concern that will likely lead to a mild economic downturn, including stretched consumer spending relative to personal incomes and the continued effects of restrictive monetary policy still working through the economy. Although we expect headline growth to clock in at 2.6% in 2023 – above what is generally considered to be the economy's long-term growth potential of 1.8% – we're also forecasting slightly negative growth in 2024."

Duncan continued: "Notwithstanding the recent mortgage rate rally, housing and mortgage markets will enter 2024 at approximately the same level as they entered 2023. Thus, while we think home sales will start to rise over the new year, the combination of modest increases in home prices and still-elevated interest rates suggest a slow pace of recovery from previously recessionary levels of housing activity."

Visit Fannie Mae's Economic & Strategic Research (https://www.fanniemae.com/research-and-insights/forecast) site to read the December 2023 Economic Outlook.

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