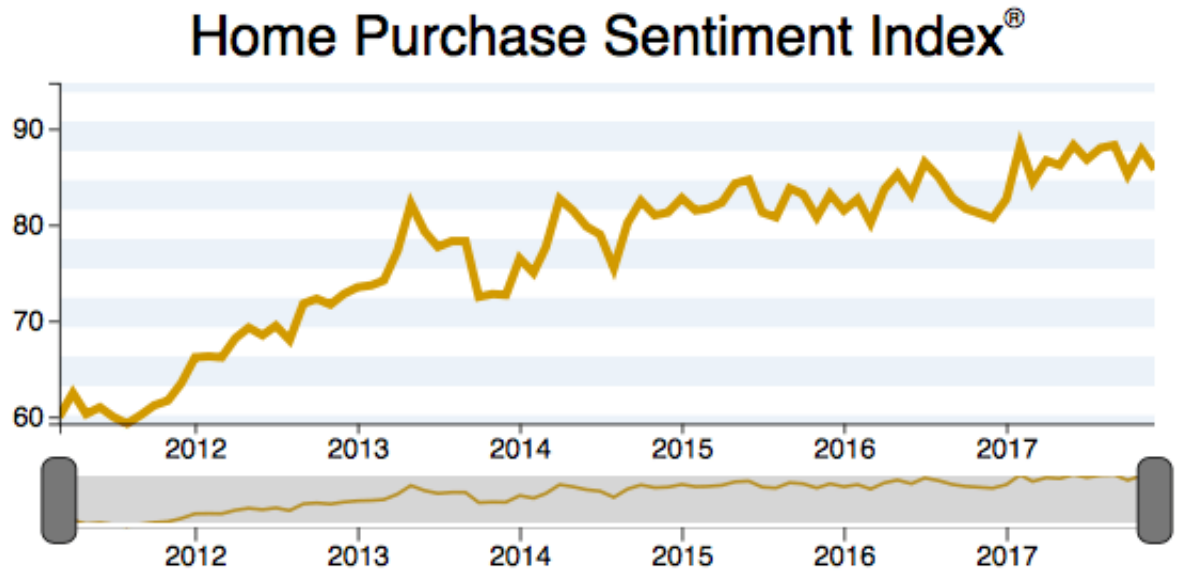
Consumers losing confidence in housing, job security

In December, Fannie Mae's Home Purchase Sentiment Index (HPSI) decreased 2.0 percentage points month-over-month to 85.5 — a reversal from November's 2.6 percentage point gain which neared September's all-time high index score of 88.3.

Despite the month-over-month decrease, the HPSI is still 5.1 percentage points above December 2016.



According to Fannie Mae, the decrease is due to waning confidence in a number of areas, including a 5 percentage point decrease in consumers saying it's a good time to buy (24 percent), a 1 percentage point decrease in consumers expecting mortgage rates to decrease in 2018 (52 percent) and 6 percentage point decrease in the number of Americans who aren't concerned about losing their job (68 percent).

Moreover, consumers have remained flat in their confidence about whether or not it's a good time to sell (34 percent), which may be connected to the 2 percentage point decrease in consumers saying home prices will go up (44 percent).

Beyond mortgage rates and personal finances, Fannie Mae senior vice president and chief economist Doug Duncan says consumers are concerned about how the Tax Cuts and Jobs Act will impact them in the coming year.

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“Consumers remained cautious in their housing outlook at the end of 2017, as tax reform discussions continued,” said Duncan in a press release. “In December, mirroring the other major consumer sentiment benchmarks, the HPSI reflected this caution and declined slightly.

“Entering 2018, housing affordability remains a persistent challenge, particularly in rental markets, where consumer expectations for price increases over the next 12 months reached a new survey high.”

Fannie Mae’s HPSI results mirror other consumer indexes released in the last month of 2017 that revealed concerns about the economy, tax reform and booming home prices.

The National Association of Realtors (NAR) Q4 Housing Opportunities and Market Experience (HOME) survey ended on a soft note with a 3 percentage point decrease in buyer confidence, and Redfin’s Housing Demand Index dropped 6.2 percentage points as well.

Both indexes revealed that concerns about affordability and low inventory are keeping buyers cautious as they go into the new year.

“The trifecta of faster economic expansion, robust hiring and low mortgage rates should be generating a surge in optimism and home sales as 2017 winds down,” said NAR chief economist Lawrence Yun. “Sadly, this is not the case. While overall demand remains high, it is not translating to meaningful sales gains.

“Too many prospective first-time buyers see few options within their budget and home prices that are rising much faster than their incomes,” he added. “Until we start seeing a steady increase in new and existing inventory, sales will fail to deliver on their full potential and many would-be first-time buyers will be forced to continue renting.”

About the HPSI

The Home Purchase Sentiment Index (HPSI) distills information about consumers’ home purchase sentiment from Fannie Mae’s National Housing Survey (NHS) into a single number. The HPSI reflects consumers’ current views and forward-looking expectations of housing market conditions and complements existing data sources to inform housing-related analysis and decision making. The HPSI is constructed from answers to six NHS questions that solicit consumers’ evaluations of housing market conditions and address topics that are related to their home purchase decisions.

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