



United States

Credit  
Securitization

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## Mortgages

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### Slow motion housing

The slow rebound in US housing since the 2008 crisis at some point has to put a limit on MBS supply. Although this year is still likely to put up more net supply than last, it all starts with housing where a lingering overhang of supply, weak demand and tight lending have made it hard to get things started.

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#### Punching below its weight

The contribution of housing to US GDP continues to run at some of the lowest levels since the end of World War II (Figure 1). New construction of single- and multi-family homes, renovations, broker fees and the like still only make up a bit more than 3% of current GDP, well below the post-war average of 4.7%.

Not only has the level of lift from housing come in low, but it has bounced out of the last official recession slowly, too. Housing on average has contributed a half a percentage point to GDP a year after the end of every post-war US recession (Figure 2). This time around, housing added only 7 bp. And the contribution of housing in the second and third years after the recent recession also has fallen well below post-war averages.

#### Housing supply hangover

The slow motion in housing has to be due in part to supply. The last decade created a lot of owner-occupied units. US homeownership started the decade at 66.9%, peaked in 2004 at 69.2% and ended at 66.5%. It has since dropped to 64.0%. The exodus of owners initially threatened to leave a lot of extra houses behind and reduce the need to build new ones. But investors have come in to pick up the keys, and many houses have found a new home in the market for single-family rentals. This has helped reduce the supply of distressed homes, although it's still higher than the levels that prevailed in the early 1990s when homeownership last ranged around 64% (Figure 3). The supply hangover isn't done but should be in the next two or three years. And although multi-family housing is booming, it's clearly not enough per unit to replace the building of new single-family detached houses. The single-family market has to clear before housing overall gets back to normal.