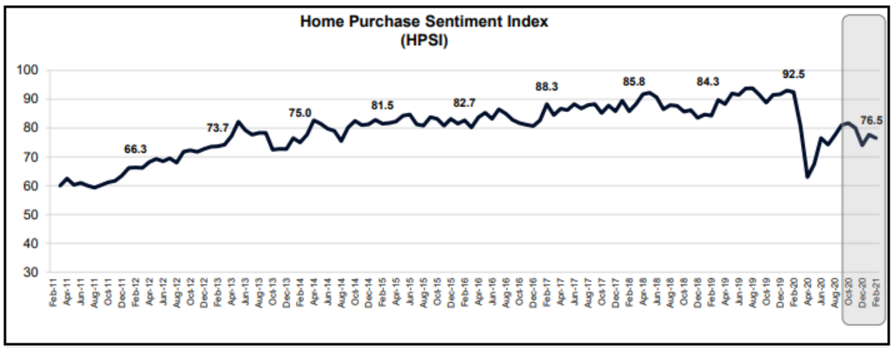
HOUSING CONNECTION
Mortgage and Real Estate News That Matters

February Homebuying Sentiment Declines, Despite Stronger Job Market

Fannie Mae's Home Purchase Sentiment Index (HPSI) declined slightly in February as did four of its six components. The Index, based on a sample of answers to the company's monthly National Housing Survey, **dipped 1.2 points to 76.5. It is down 16 points from its level in February 2020.**



Consumer sentiment **soured significantly on the question of whether it is a good time to buy a house**. Forty-eight percent of respondents called it a good time and 43 percent a bad time for a net positive of 5 percent. This is **down 10 points compared to January and 23 points lower year-over-year.**

Attitudes toward selling a home fared a little better. Those who say it is a good time to sell decreased from 57 percent in January to 55 percent, while the percentage who say it's a bad time to sell increased from 33 percent to 35 percent. This left a net 20 percent who said it was a good time, a 4 percent downturn for the month and 25 percent lower than a year earlier.

Few respondents see interest rates declining further, the net who expect lower rates was a negative 39 percent, down 3 points from the prior month. The net of those reporting a higher income over the previous 12 months also turned negative, with 17 percent reporting an increase and 19 percent lower income. The remainder reported no or little change.

The two questions that netted gains, however, did so decisively with a 5 percent net positive increase in those who expect home prices to go up (47 percent) against those who expected a decline (18 percent). This net, however, was 10 percent lower than in February 2019.

Eighty-two percent of respondents said they were not concerned about losing their jobs while 17 percent said they were. The net of 65 percent who were unconcerned was a 14 point monthly increase although it was down 7 points from the net positive number before the pandemic emerged.

"As we expected, the HPSI remained relatively flat in February, but underlying data indicate growing job-related optimism among consumers, especially among lower-income and renter groups," said Doug Duncan, Fannie Mae Senior Vice President and Chief Economist. "With the growing likelihood that lockdown restrictions will continue easing as vaccination efforts ramp up, and with warmer weather on the horizon and another round of fiscal stimulus pending, these two segments of consumers may have good reason to feel more positive about the labor market.

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"This optimism appears to be well-placed, too, given Friday's jobs report from the Bureau of Labor Statistics, which showed the strongest net gain in payroll employment since October, although the unemployment rate remains quite high by historical standards. However, other components of the index remain well below pre-pandemic levels, **so we believe there may still be room for improvement in housing and economic attitudes in the coming months,** depending in part on the future path of mortgage rates."

The National Housing Survey from which the HPSI is constructed, is conducted monthly by telephone among 1,000 consumers, both homeowners and renters. In addition to the six questions that are the framework of the index, respondents are asked questions about the economy, personal finances, attitudes about getting a mortgage, and questions to track attitudinal shifts.

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