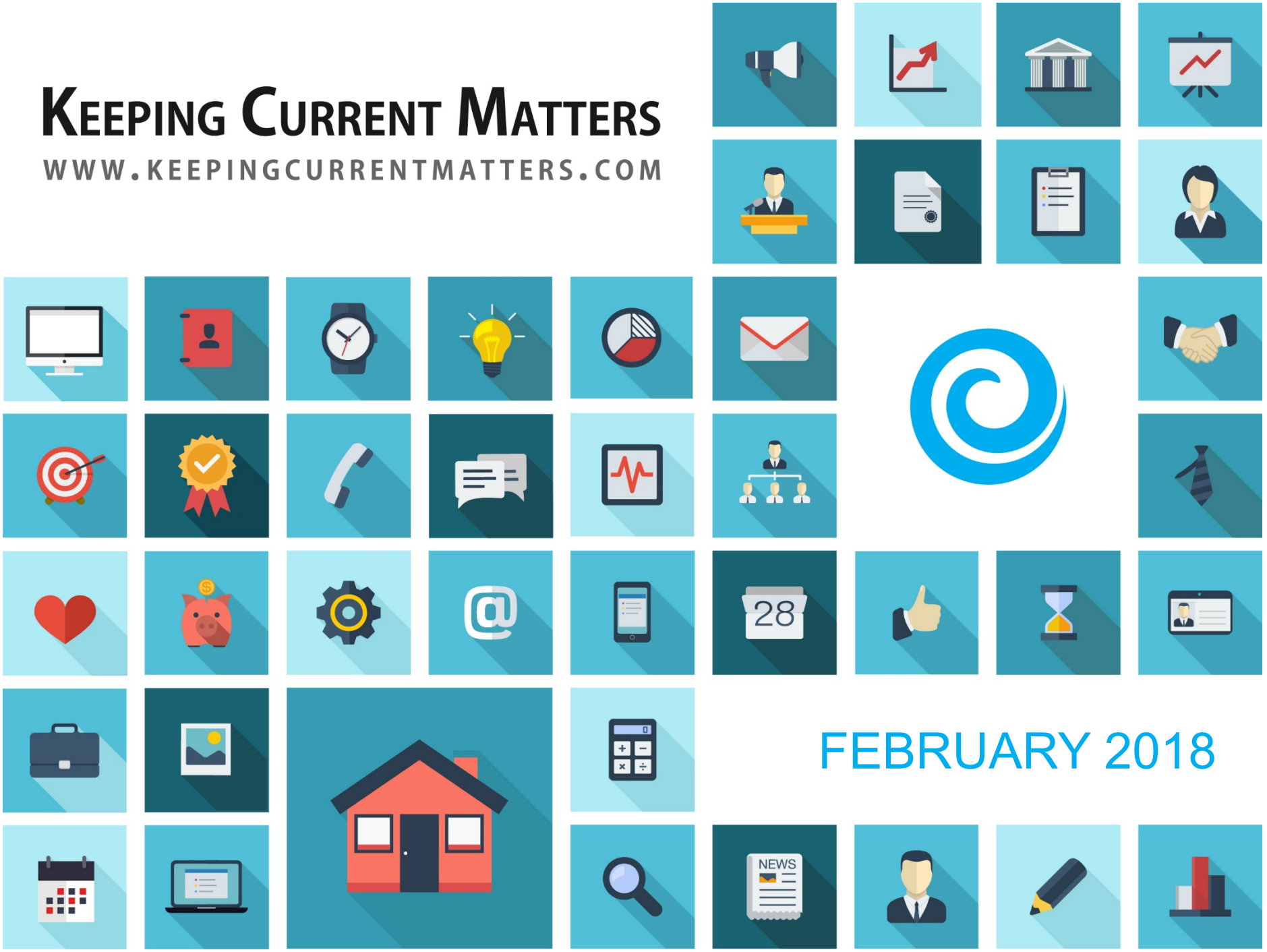
KEEPING CURRENT MATTERS

WWW.KEEPINGCURRENTMATTERS.COM



FEBRUARY 2018

KEEPING CURRENT MATTERS

NEWS

“The pool of interested buyers at the end of the year significantly outweighed what was available for sale.”

Lawrence Yun

NAR Chief Economist

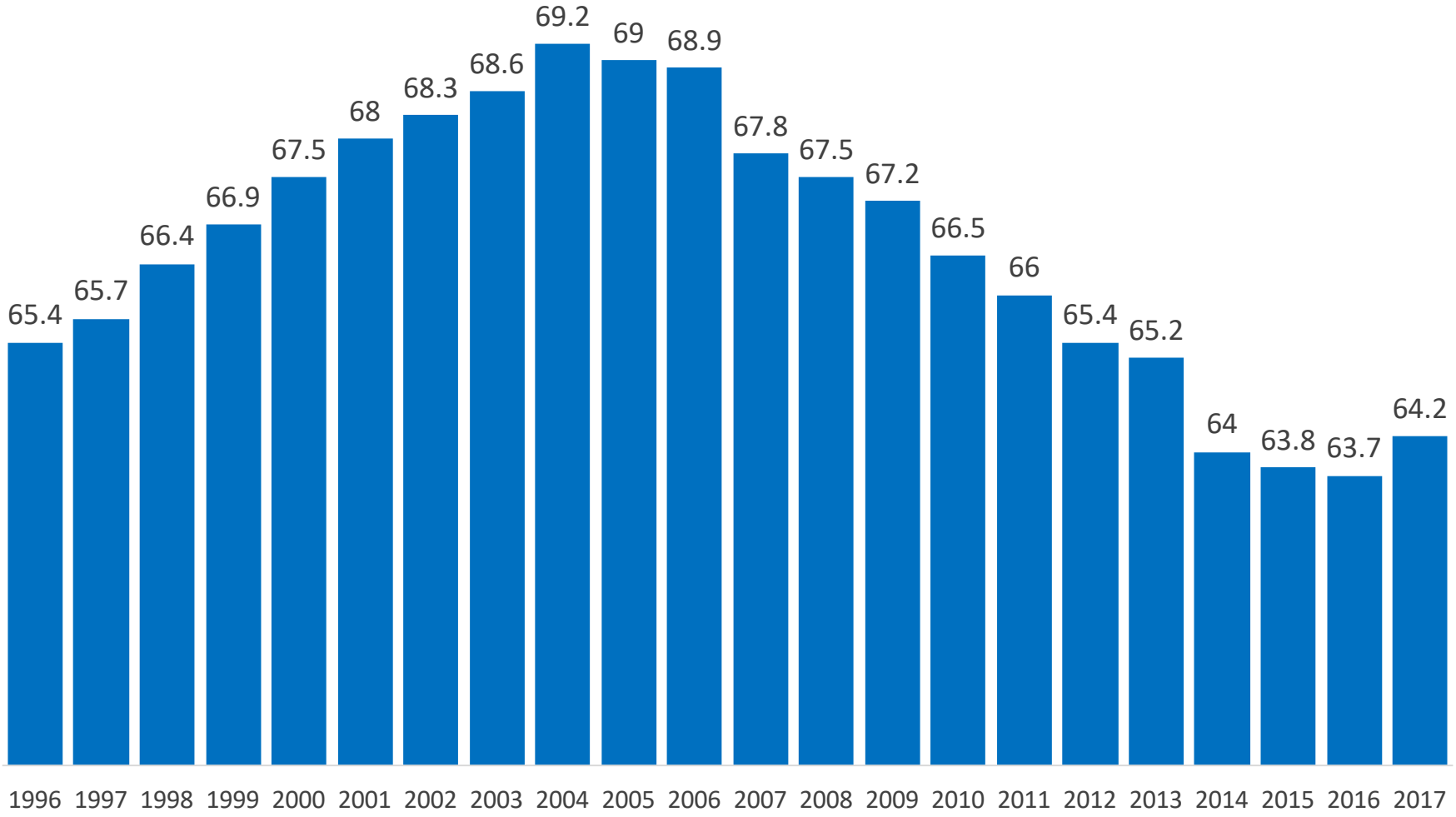
“The U.S. homeownership rate rose in 2017 for the first time in 13 years...

The annual increase marks a crucial turning point because it comes after the federal government reined in bubble-era policies that encouraged banks to ease lending standards to boost homeownership.

This time, what’s driving the market is a shift in favor of owning rather than renting. ”

Wall Street Journal

U.S. Homeownership % Rates



Census

“Undoubtedly, the recession had a great impact on homeownership…

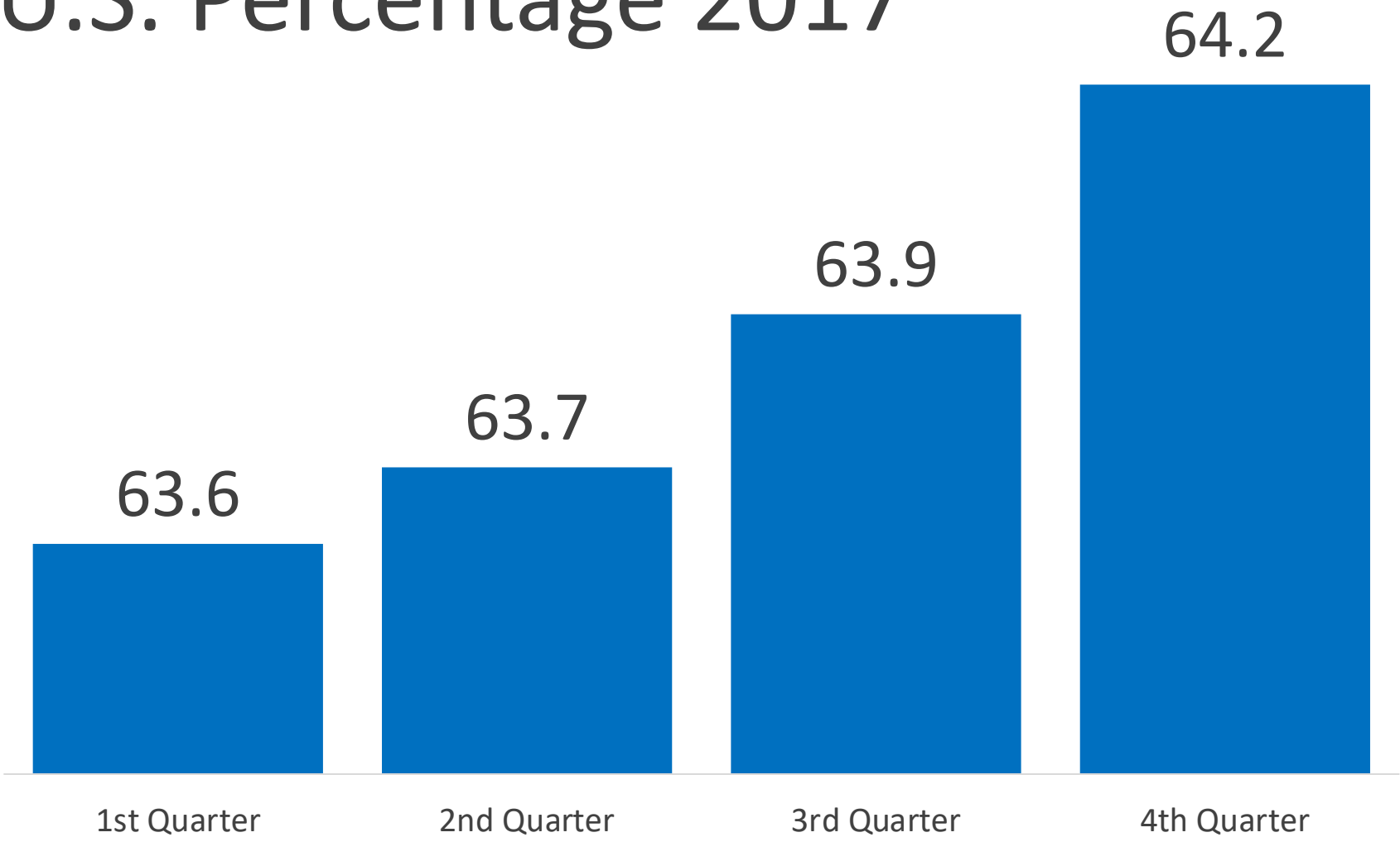
However, it looks like it takes more to discourage Americans from buying a house than that.

As the years go by, it seems more and more certain that the fact that renting has seen a sudden gain in popularity is more a reaction to the economic crisis than a paradigm shift in the Americans’ attitude toward housing.”

Rent Cafe

Homeownership Rates

U.S. Percentage 2017

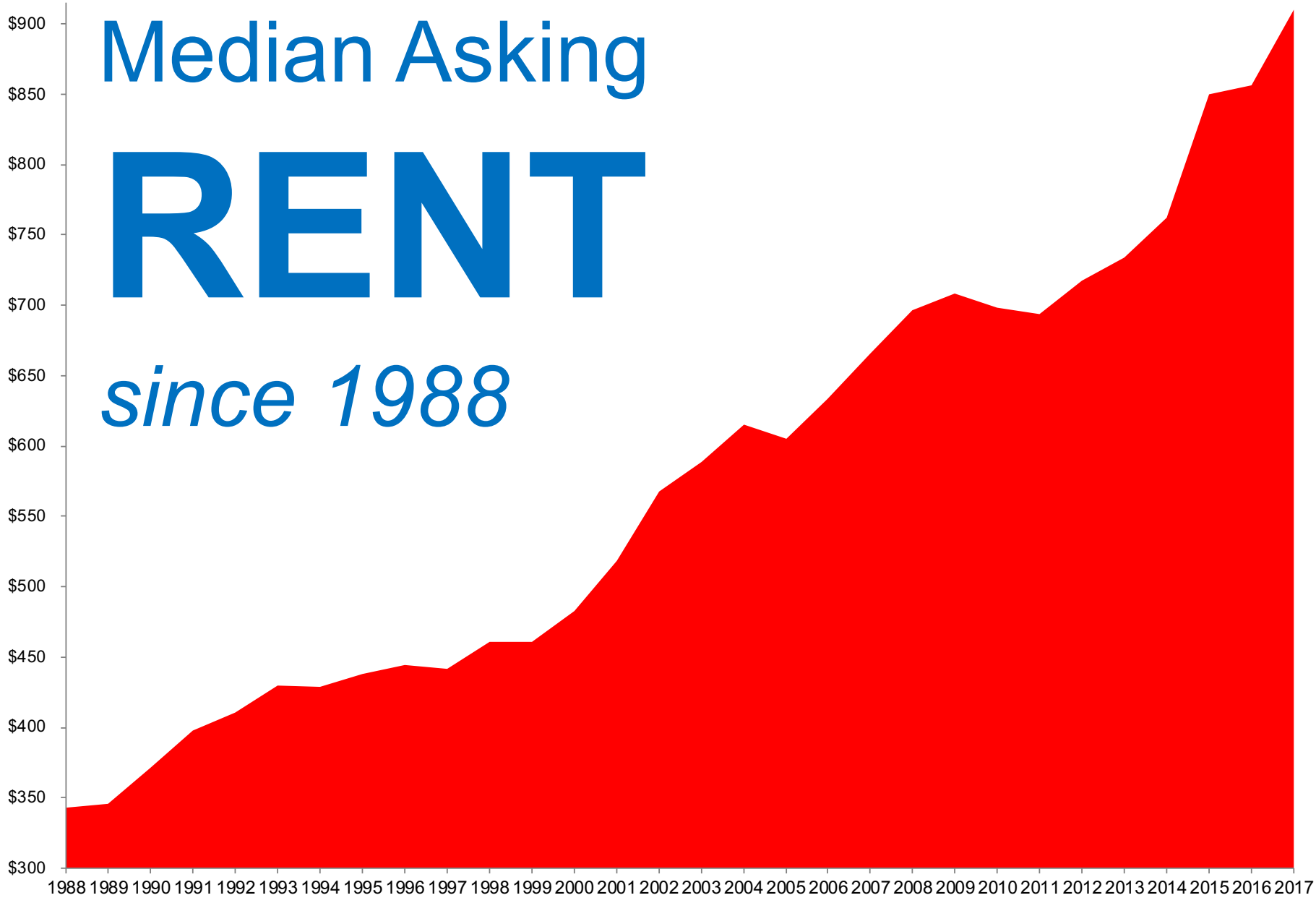


Census

Median Asking

RENT

since 1988



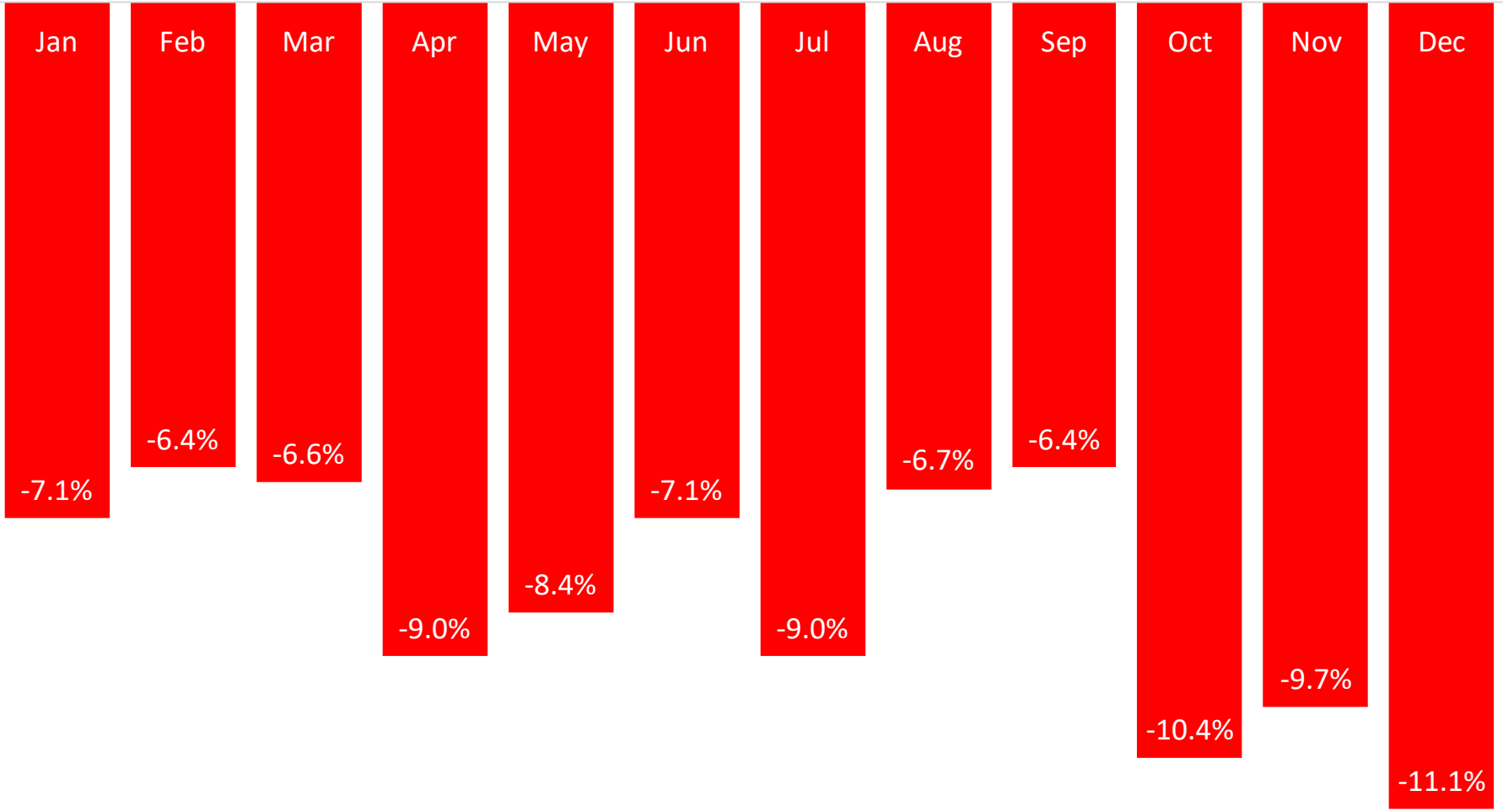
Census

“Inventory should remain the most important housing market trend in 2018. With homeownership tenure on the rise and homebuilders facing challenges with construction costs, even an uptick in inventory will not provide much relief to the current shortage.”

Peter Muoio

Chief Economist, Auction.Com

HOUSING SUPPLY *Year-Over-Year*

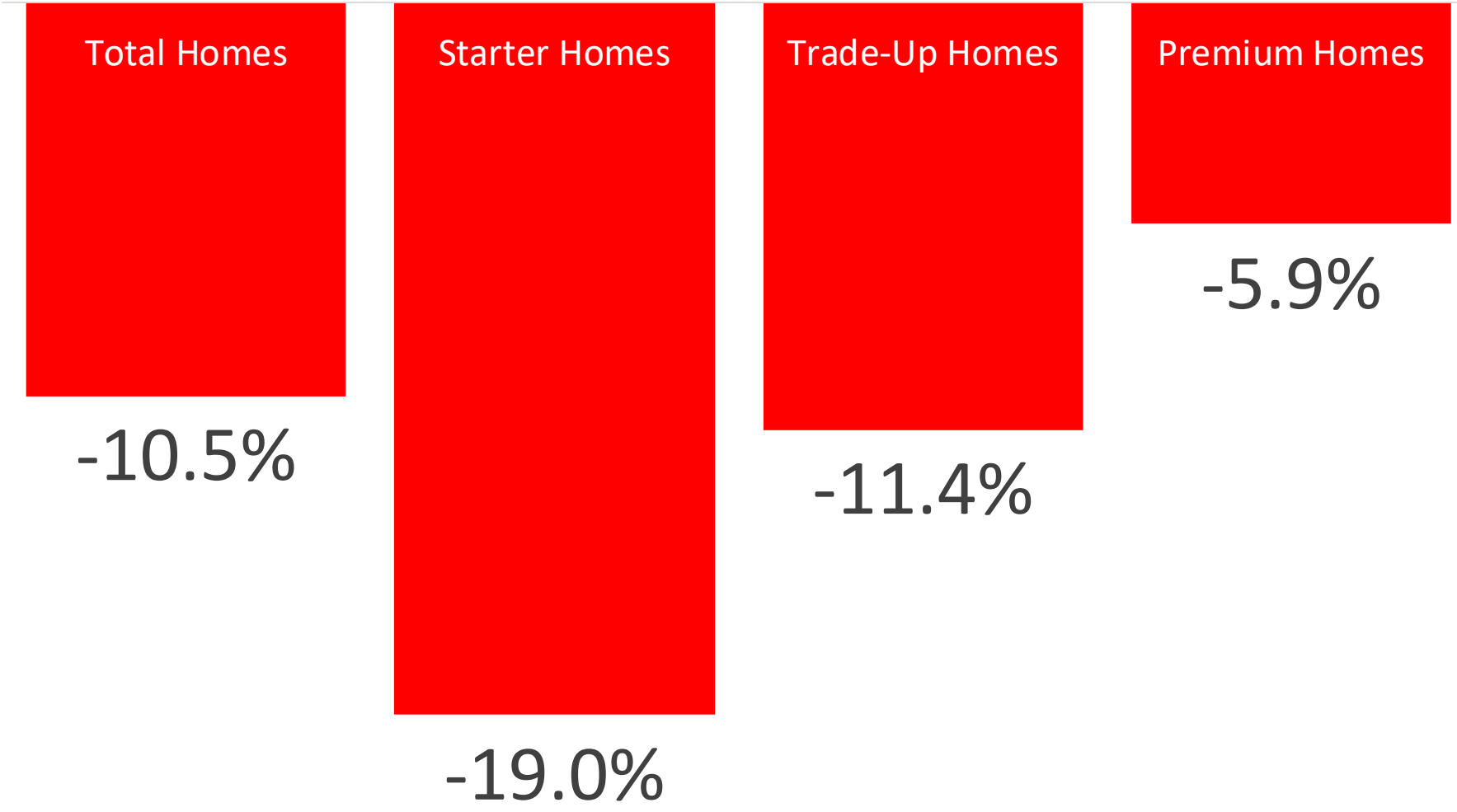


Last 12 Months

NAR 2/2018

% Change in Inventory by Category

2017 4th Quarter compared to 2016 4th Quarter



“For-sale inventory is stuck at crisis levels in some of the nation's hottest housing markets…The number of homes for sale nationwide has declined on an annual basis for the past 35 straight months.”

Zillow

“Homeowners received the gift of added equity this holiday season.

With several years of growth, owners may have more equity than they realize. Many consumers use the tax season at the beginning of the year to reevaluate their entire financial life. It also provides a good opportunity for them to consider how best to take advantage of their equity while mortgage interest rates and borrowing costs are still near record lows.”

Bill Banfield

VP of Capital Markets at Quicken Loans

HOUSING

Affordability

“Despite the increase in home prices, affordability in most areas of the U.S. remains relatively strong by historical standards. Nationally, the price-to-income ratio is near the 25-year average.”

Fitch Report

“Overlooked in the comparison of income growth and unadjusted house price growth is that a change in household income is not the only factor that influences how much home one can afford to buy.

A consumer’s house-buying power, how much one can afford to buy, is also based on changes in mortgage interest rates.

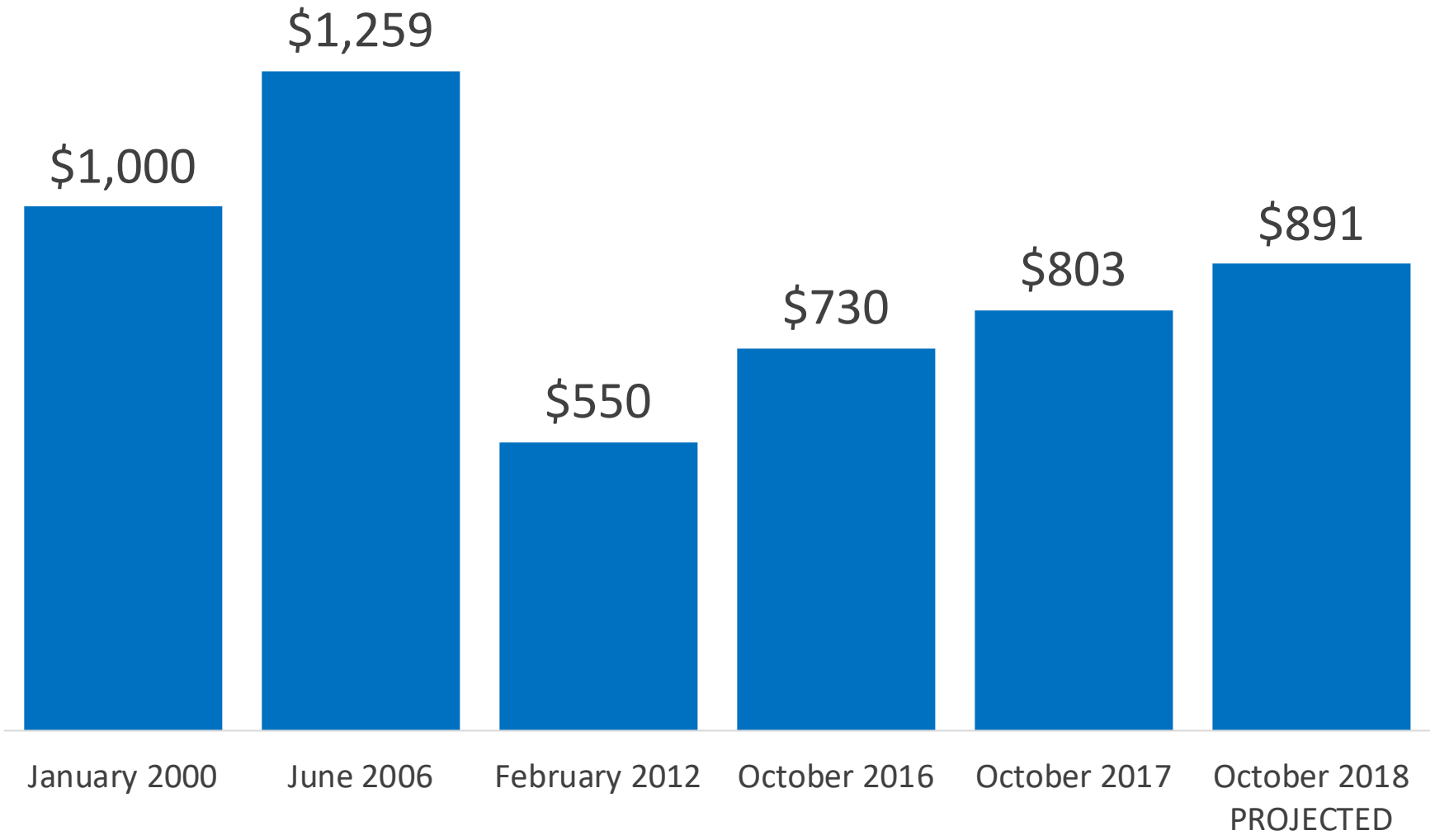
Even if one’s income doesn’t change, but interest rates go down, house-buying power increases.”

Mark Fleming

First American Chief Economist

National Homebuyers' "TYPICAL MORTGAGE PAYMENT"

Inflation-Adjusted Monthly Mortgage Payment That Buyers Commit To



CoreLogic

“Home buyers today have historically high levels of house-purchasing power and that’s one important reason why **the talk of an affordability crisis is over-stated for now**.”

Mark Fleming

First American Chief Economist

“It can be misleading to simply focus on the rise in home prices when assessing affordability... while the inflation adjusted typical mortgage payment has trended higher in recent years, in October 2017 it remained **36.2 percent below** the all-time peak of $1,259 in June 2006.

That’s because the average mortgage rate back in June 2006 was about 6.7 percent, compared with an average rate of 3.9 percent in October 2017.”

Andrew LePage

CoreLogic Research Analyst

Mortgage Rates

Freddie Mac

30 Year Fixed Rate

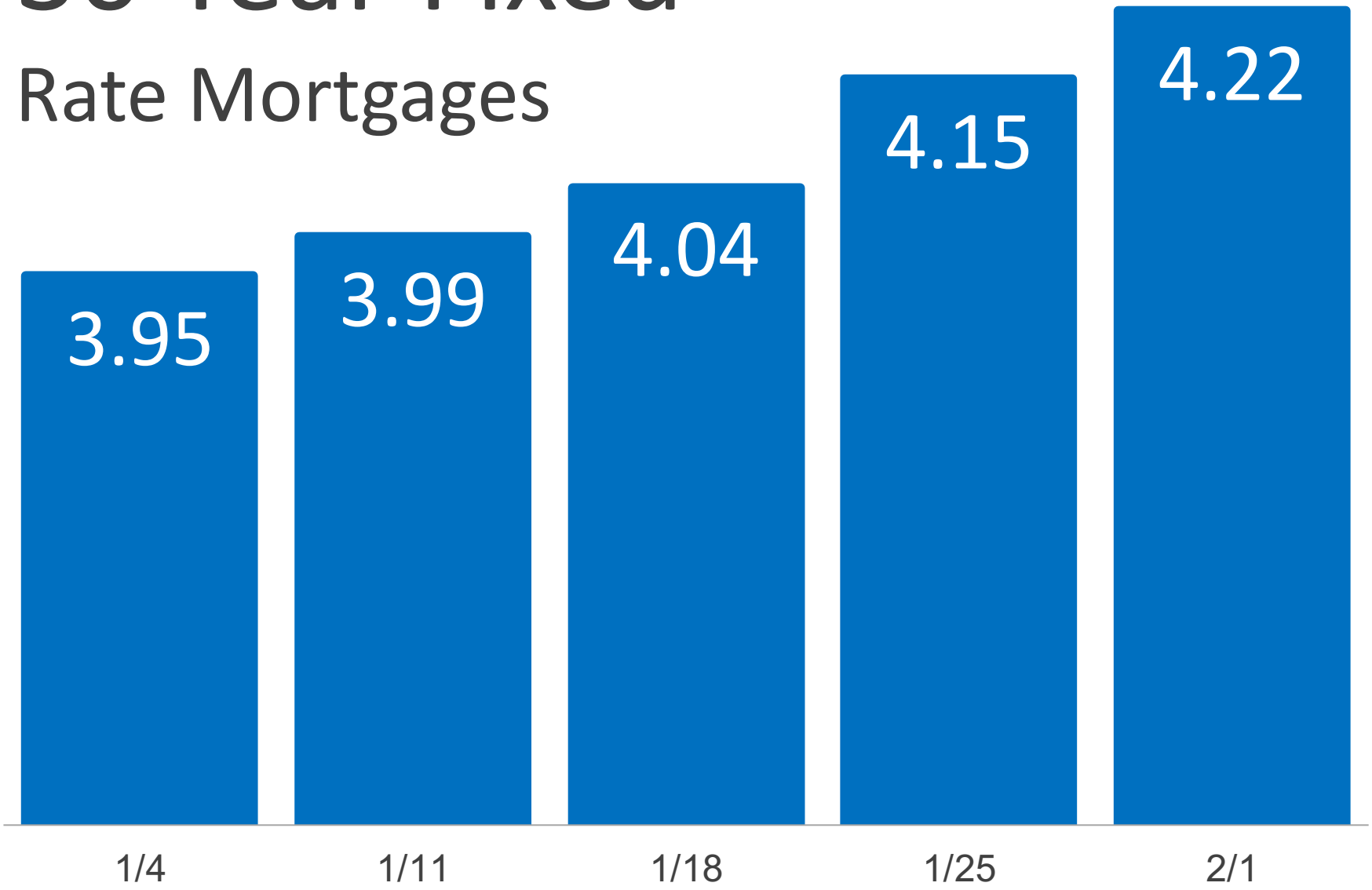
“Some may be wondering if this is the last time we'll see a three handle on the 30-year mortgage rate…Never say never, but inflation is firming, the Federal Reserve’s Beige Book indicates broad-based economic growth and labor markets are tightening. This means upward pressure on long-term rates, like the 30-year fixed-rate mortgage, is building.”

Len Kiefer

Freddie Mac, Deputy Chief Economist

30 Year Fixed

Rate Mortgages

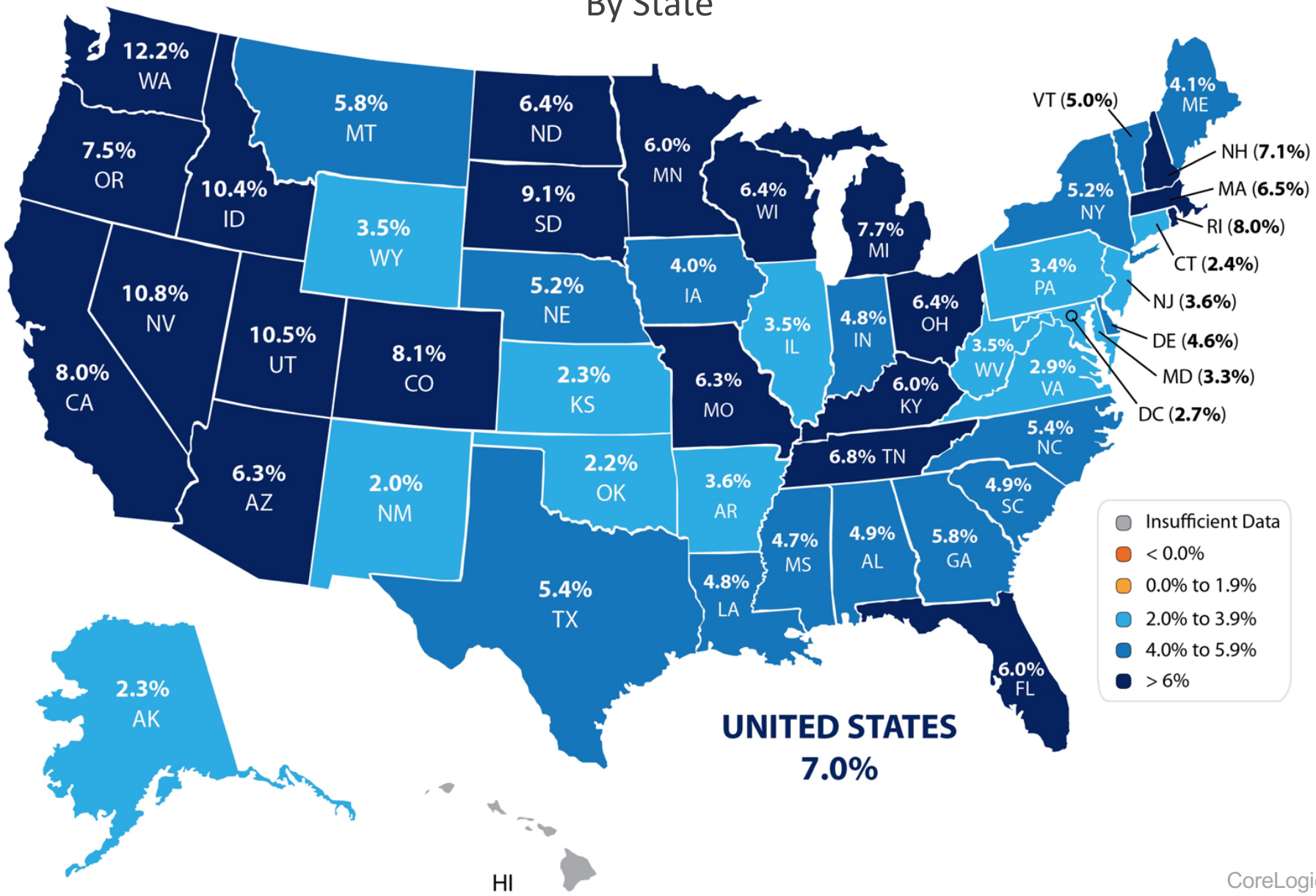


Freddie Mac 2/2018

The New Tax Code and its Impact on Residential Real Estate

Actual Year-Over-Year % Change in Price

By State

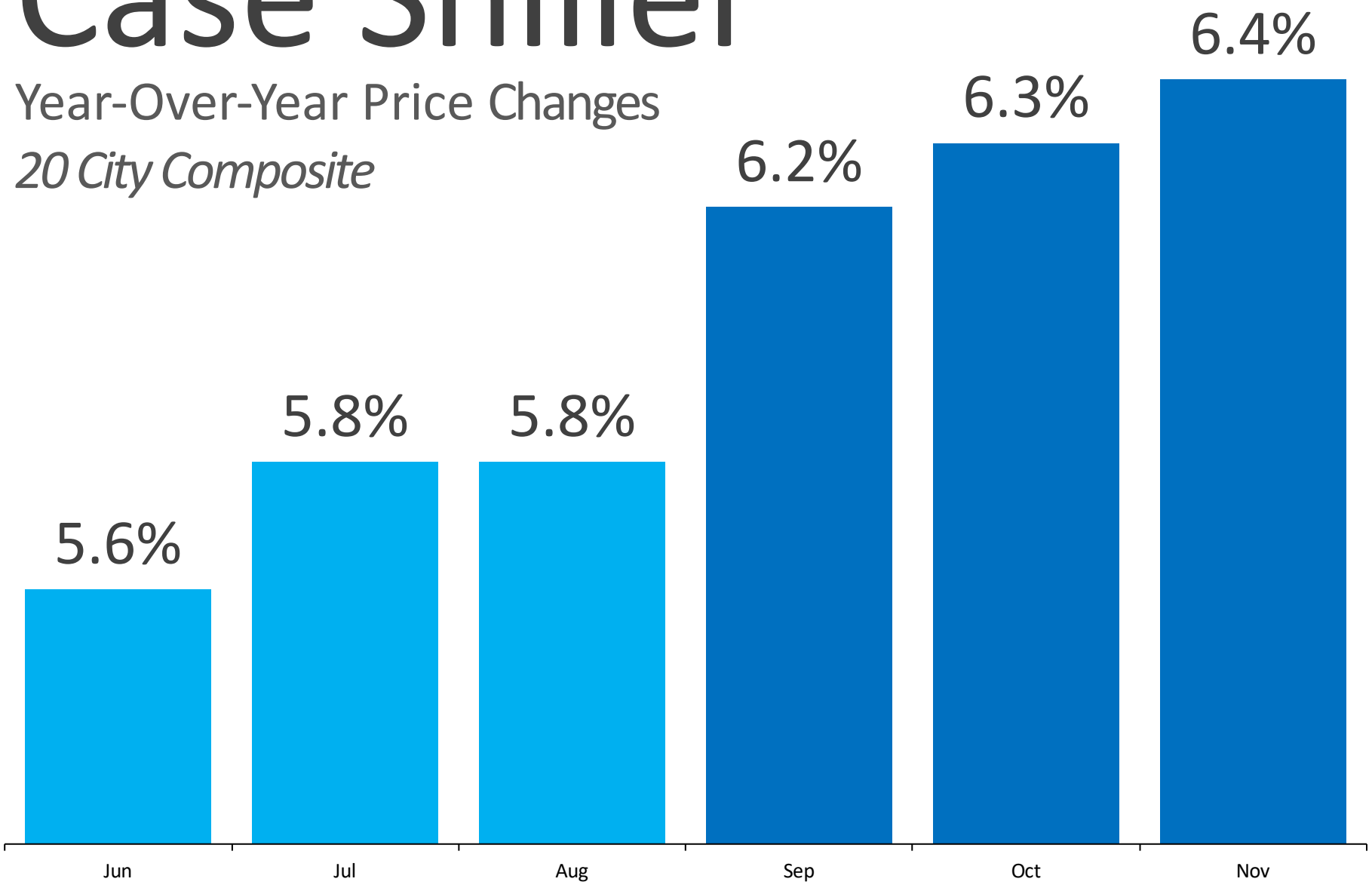


CoreLogic

Case Shiller

Year-Over-Year Price Changes

20 City Composite



S&P Case Shiller 2/2018

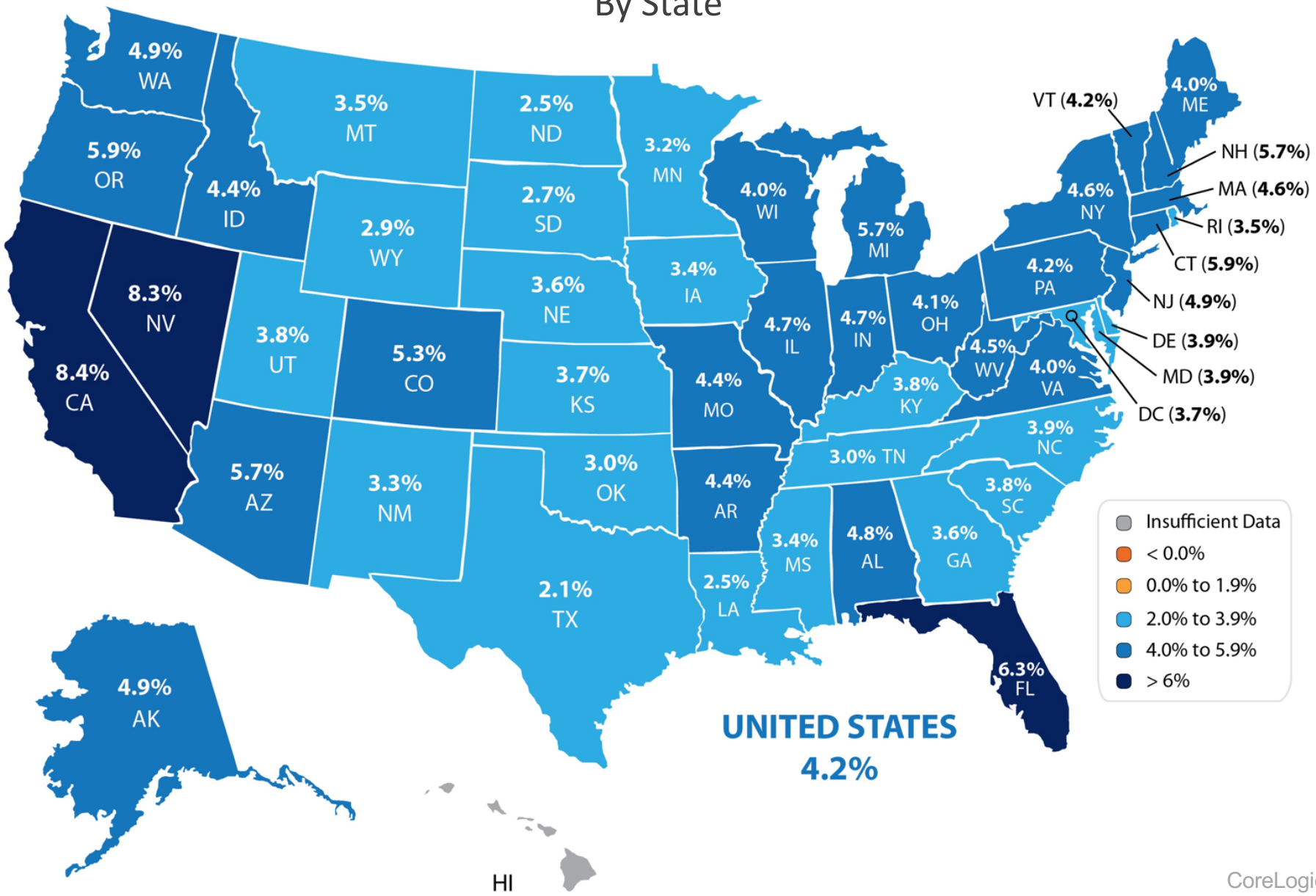
“While tight inventories are still expected to put upward pressure on prices in most areas this year, we expect overall price growth to shrink, with some states experiencing decline because of the negative effects of the changes to the mortgage interest rate deduction and state and local deductions under the new tax law.”

Lawrence Yun

NAR Chief Economist

Forecasted Year-Over-Year % Change in Price

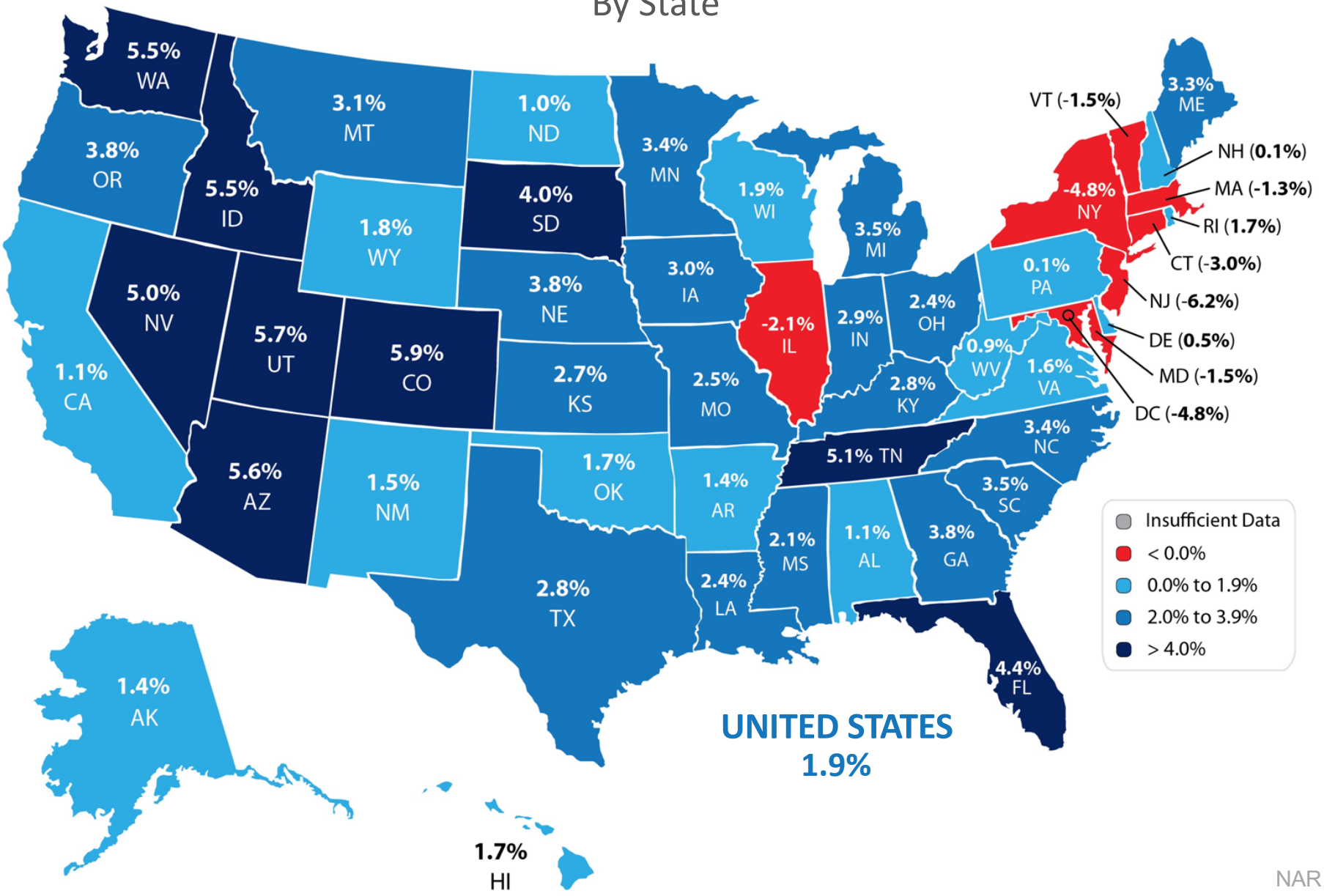
By State



CoreLogic

NAR's 2018 Projected Price Changes

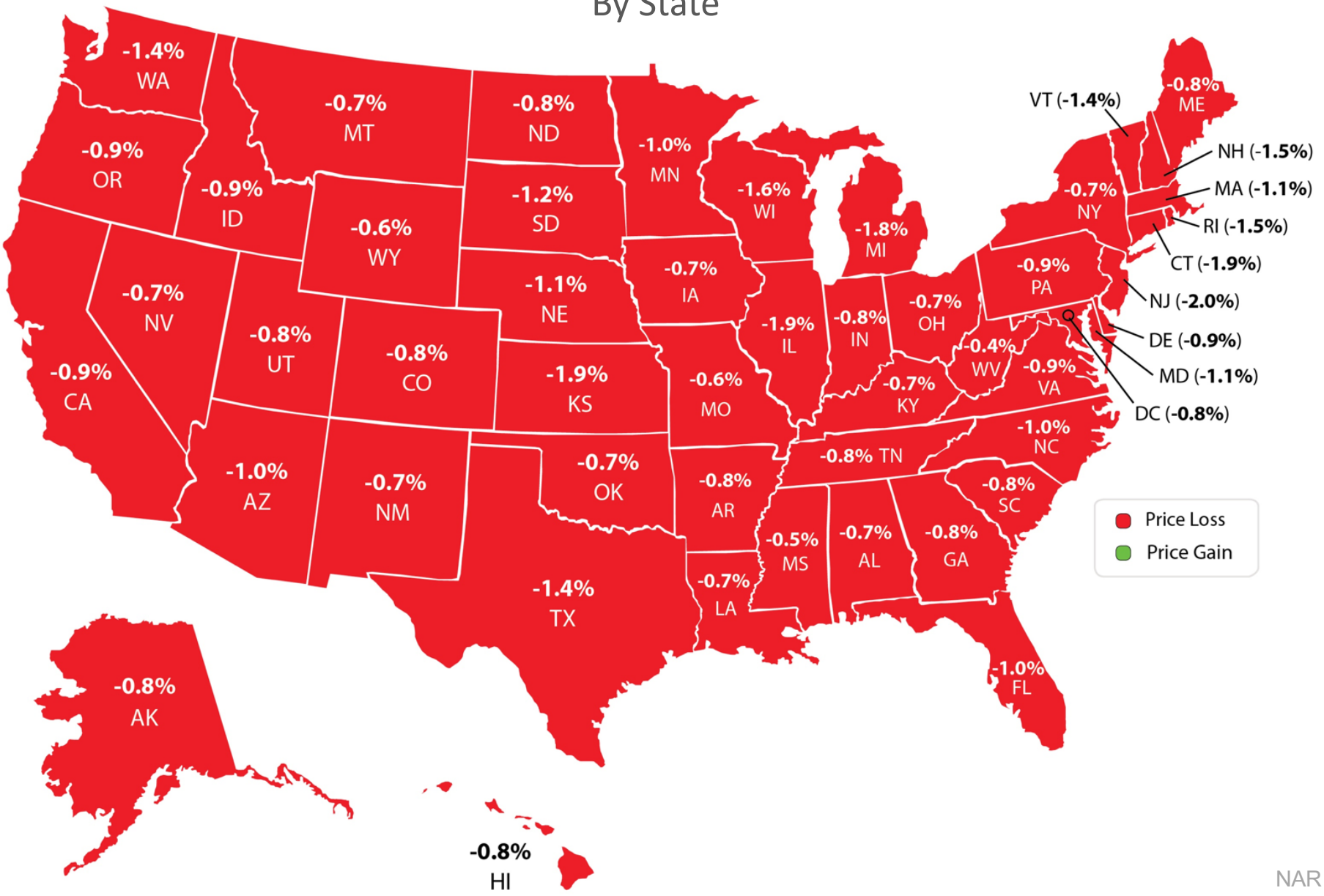
By State



NAR

NAR's Projected Tax Reform Impact on Prices in 2018

By State



NAR

Liu-Down, Genworth Mortgage Insurance Chief Economist

What is causing disagreement about the net effect of the new tax law among housing economists?

1.) What will be the strength of the income effect from the tax cut?

2.) How much of the savings will go to housing?

3.) How much tax incentives change people's choice between owning and renting?

“It’s premature to worry about a housing bubble. The typical warning signs – excessive debt levels, poor quality loans, exponentially increasing home prices, rising vacancy rates and/or poor affordability compared to the past, and a high number of internet searches on house flipping – are not present.”

Ralph DeFranco

Chief Economist, Arch Capital Services Inc.

“My thoughts on many recent discussions of ‘housing bubble’ - the bar for a housing bubble is higher than just prices being above some fundamental value.

There must be widespread behavior change as well such as higher levels of fraud and speculation.”

Liu-Down

Genworth Chief Economist

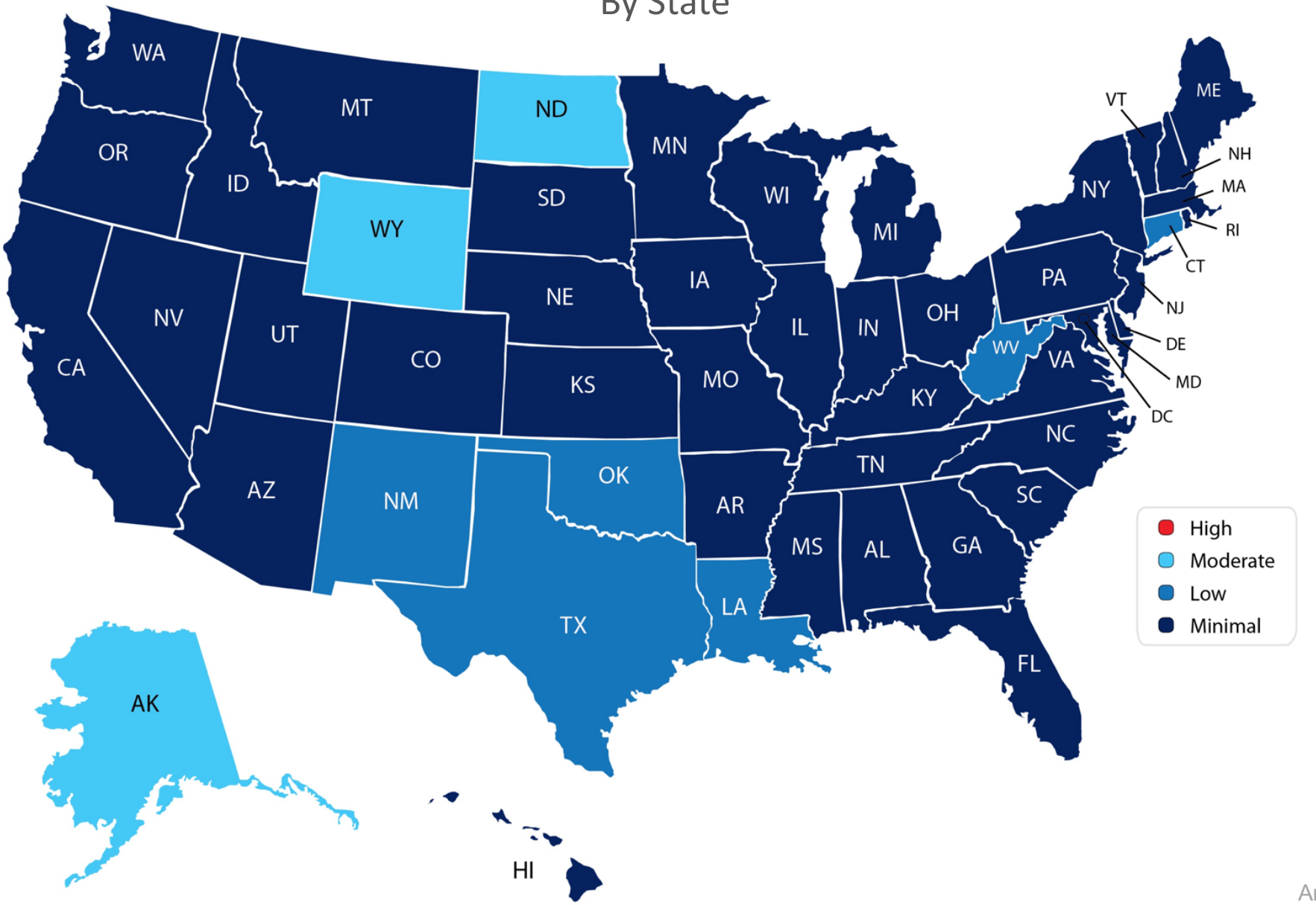
“US home prices are on track for a 5% nominal gain for the 4th consecutive year, returning national prices to their highest level since 2007. The growth has been driven by historically low mortgage rates and unemployment plus solid population and personal income growth rates.

Fitch views several Western cities as overvalued, but a meaningful correction should only be triggered by an unexpected economic shock.”

Fitch Report

Average Probability of Home Price Declines

By State



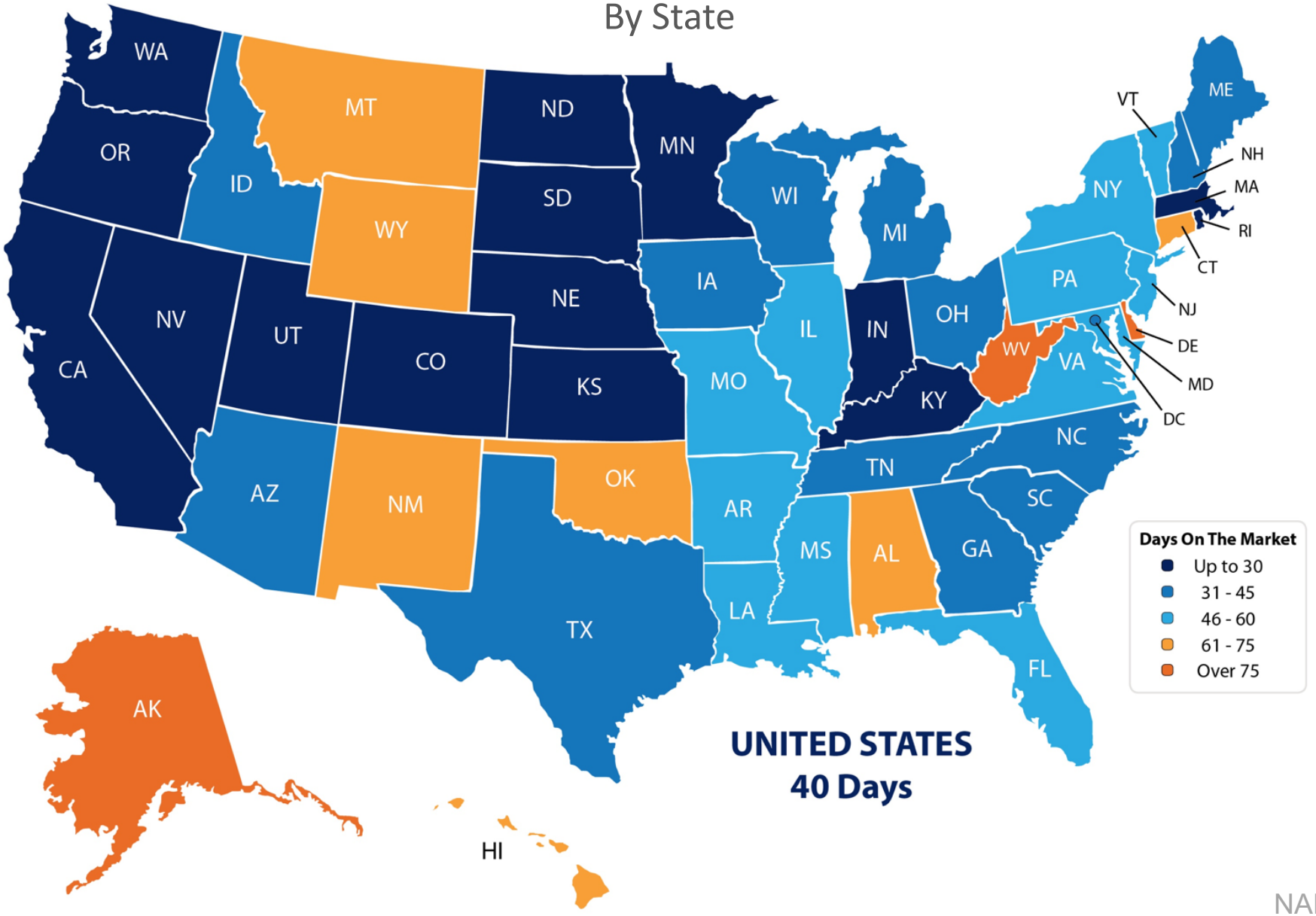
Arch

UPDATE

SALES

Average Days on the Market

By State



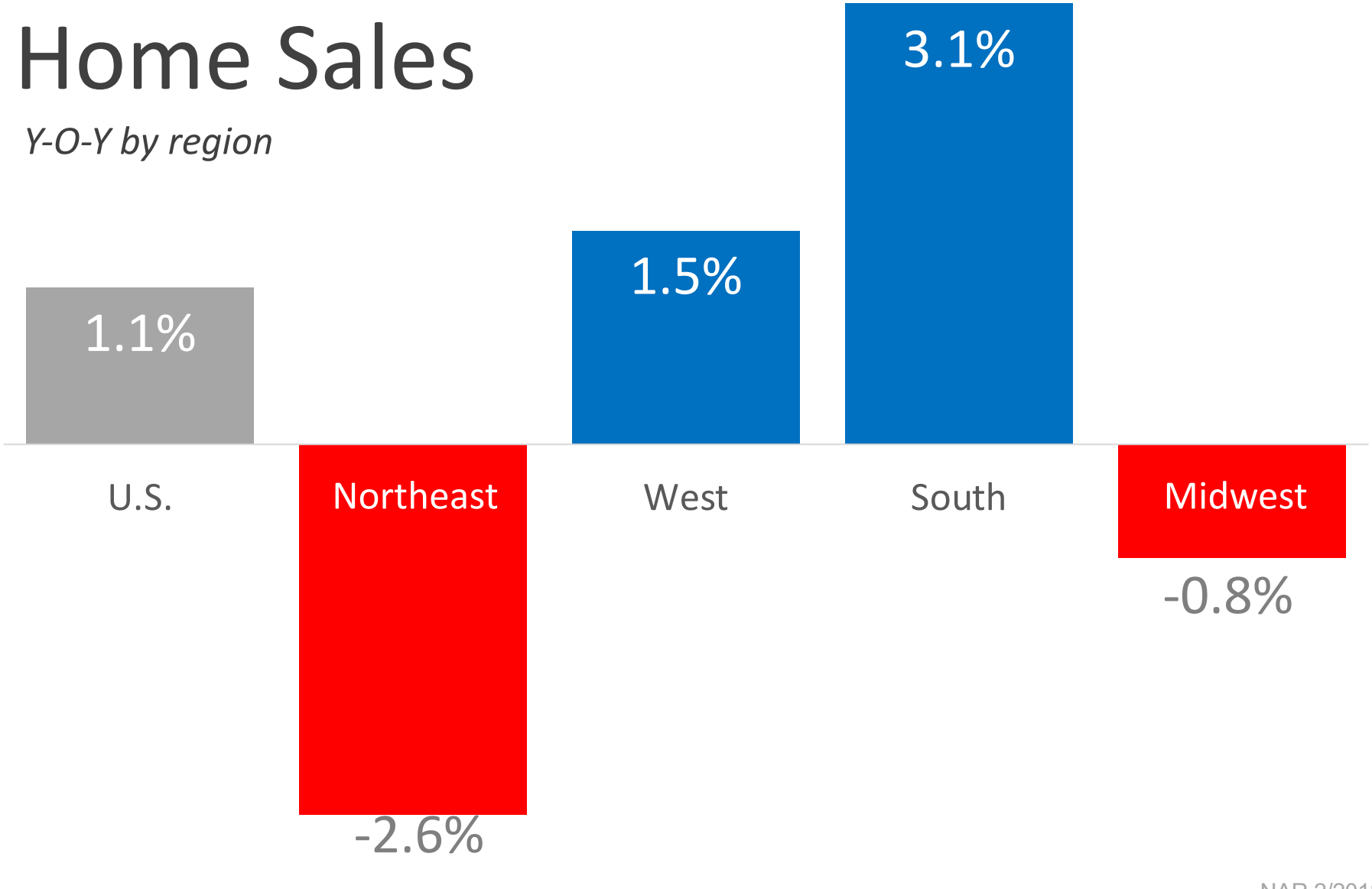
NAR

EXISTING
Home Sales

NAR 2/2018

EXISTING
Home Sales

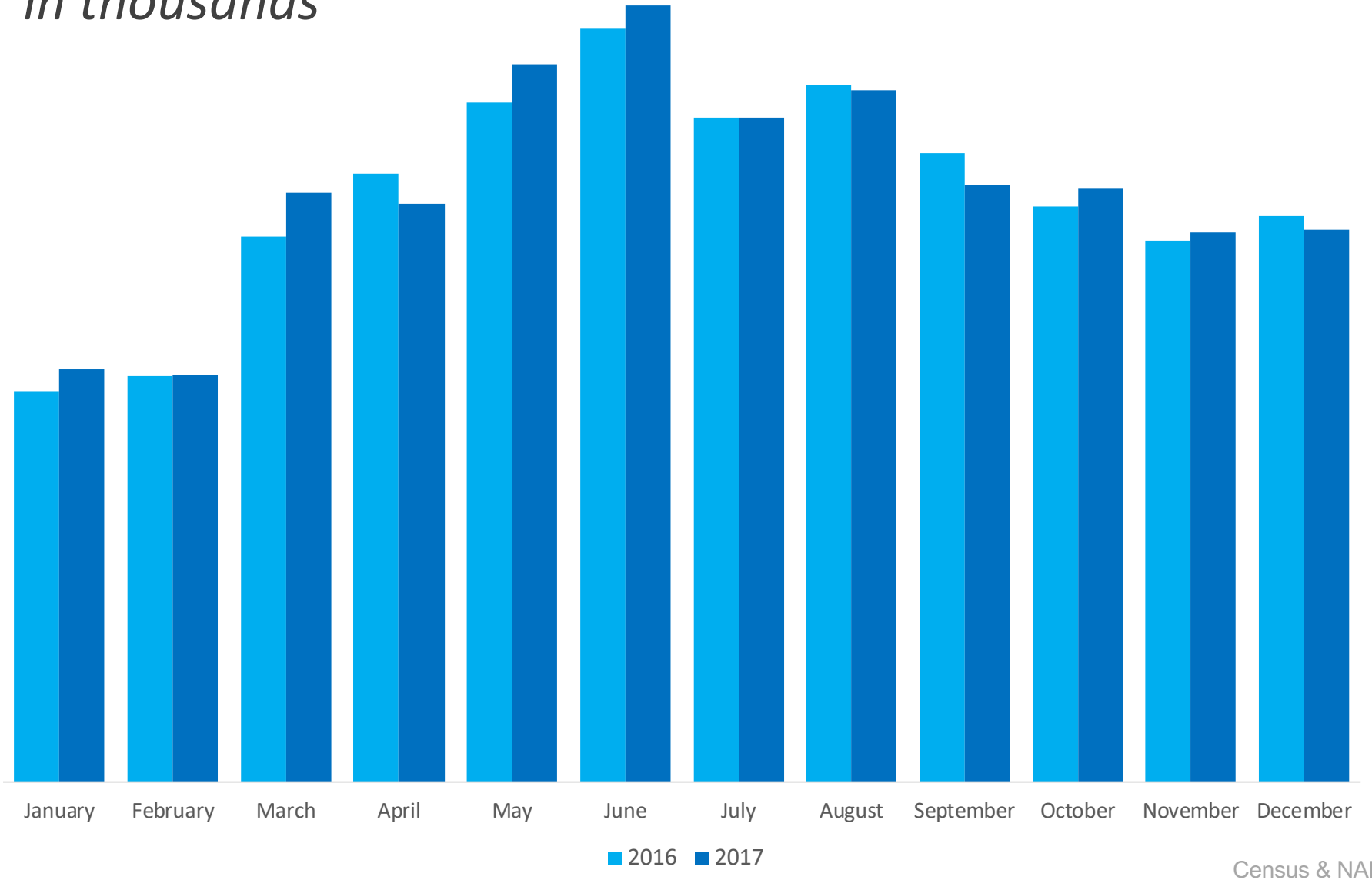
Y-O-Y by region



NAR 2/2018

Existing Home Sales

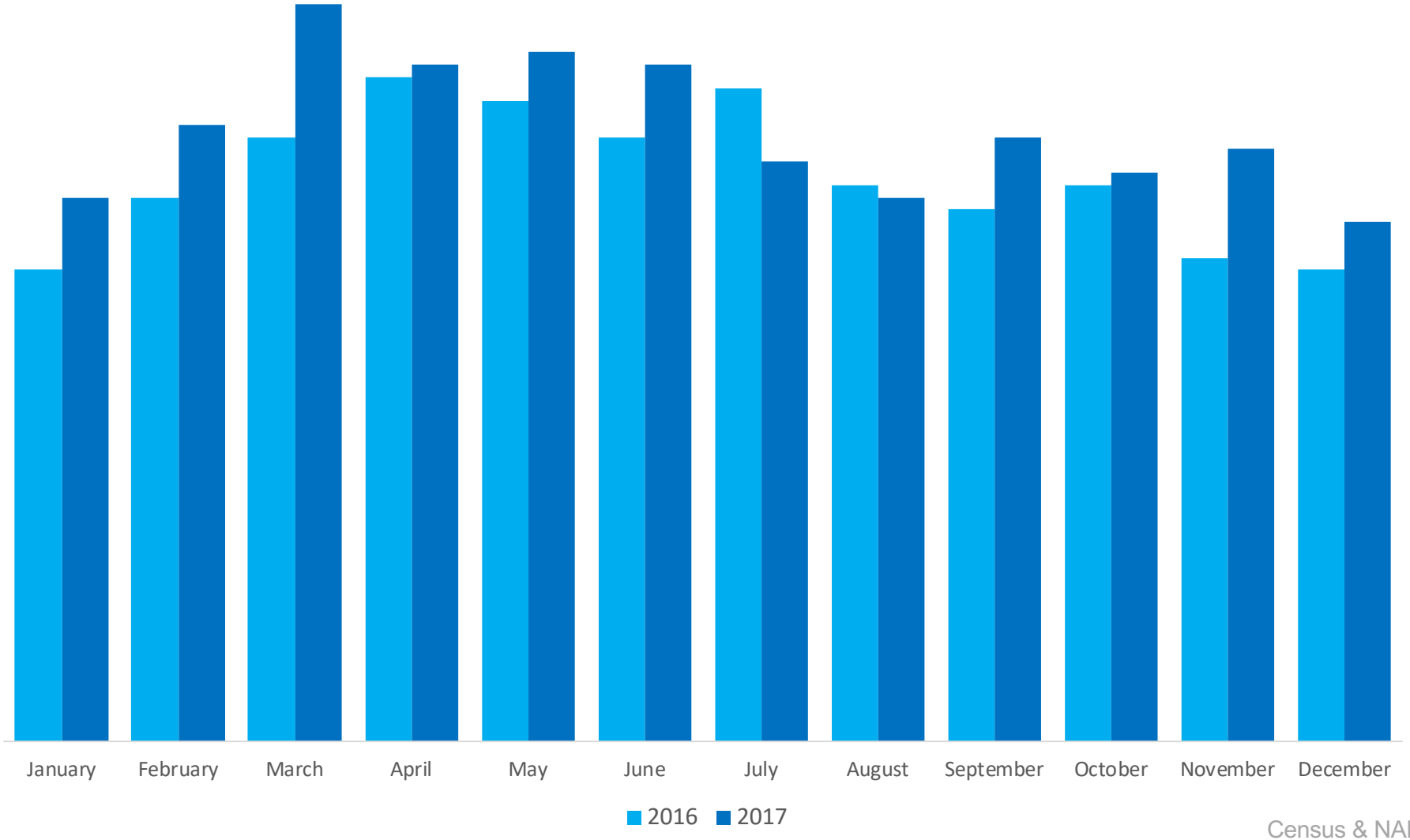
in thousands



Census & NAR

New Home Sales

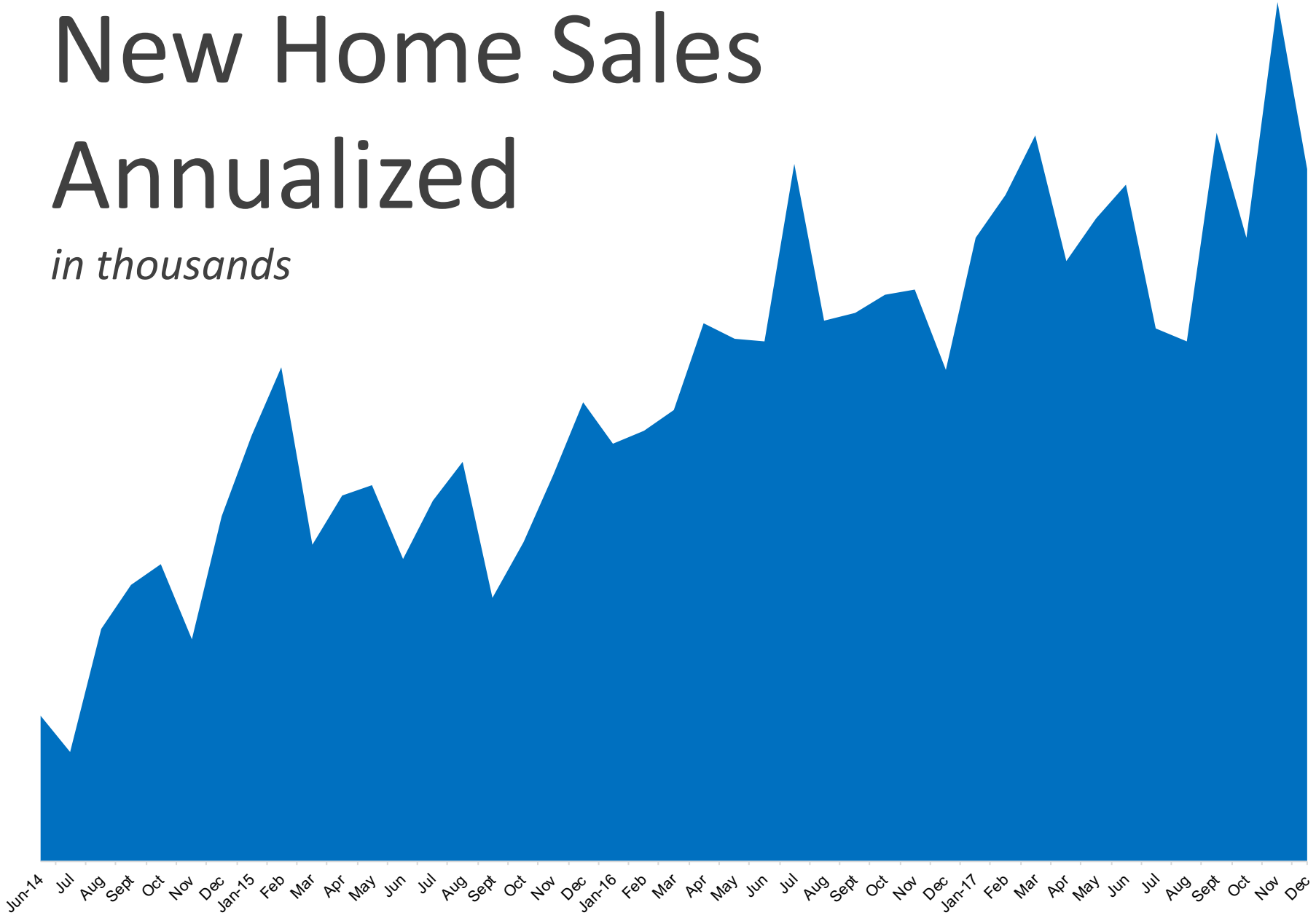
in thousands



Census & NAR

New Home Sales Annualized

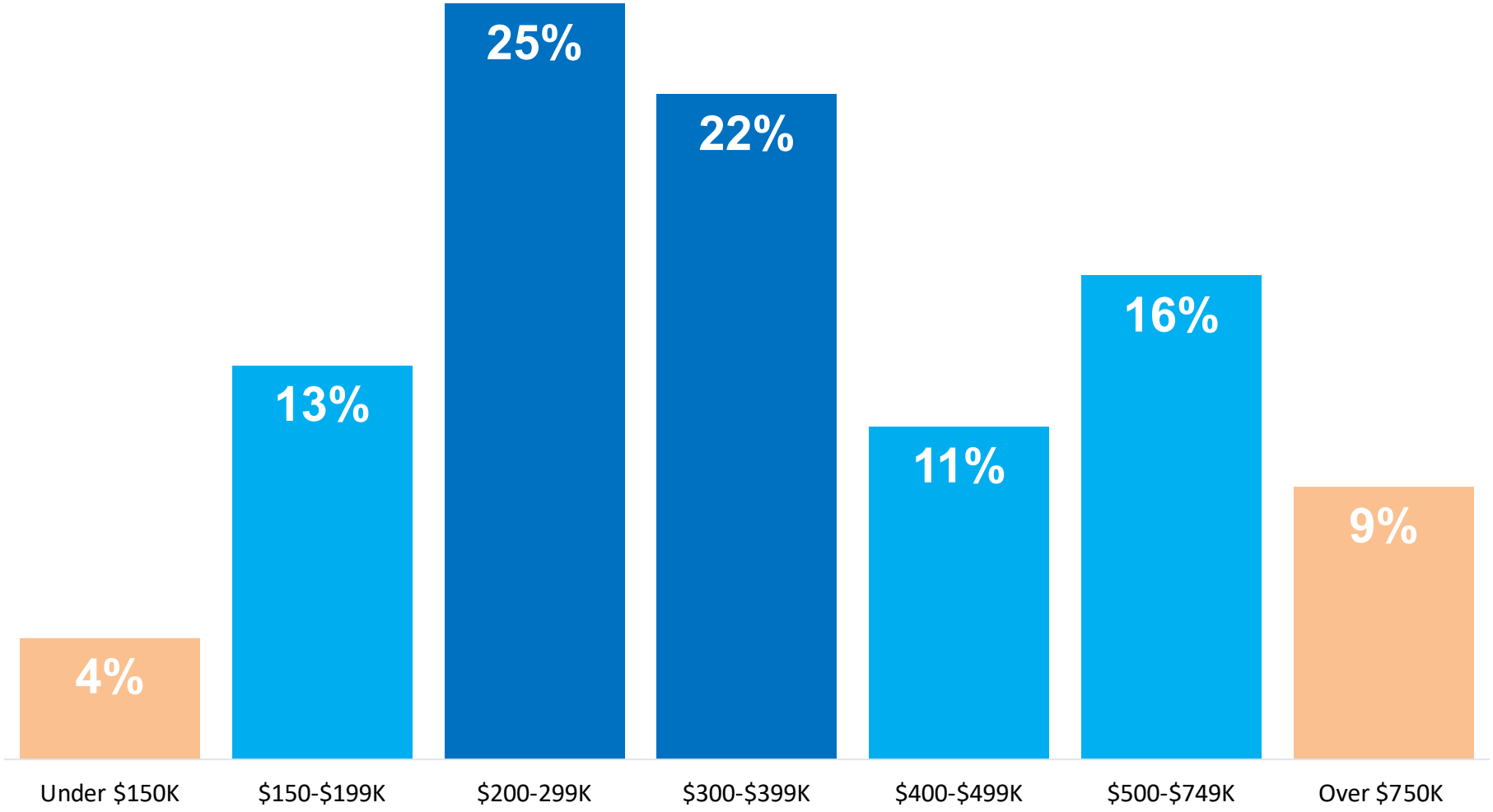
in thousands



Census

New Home Sales

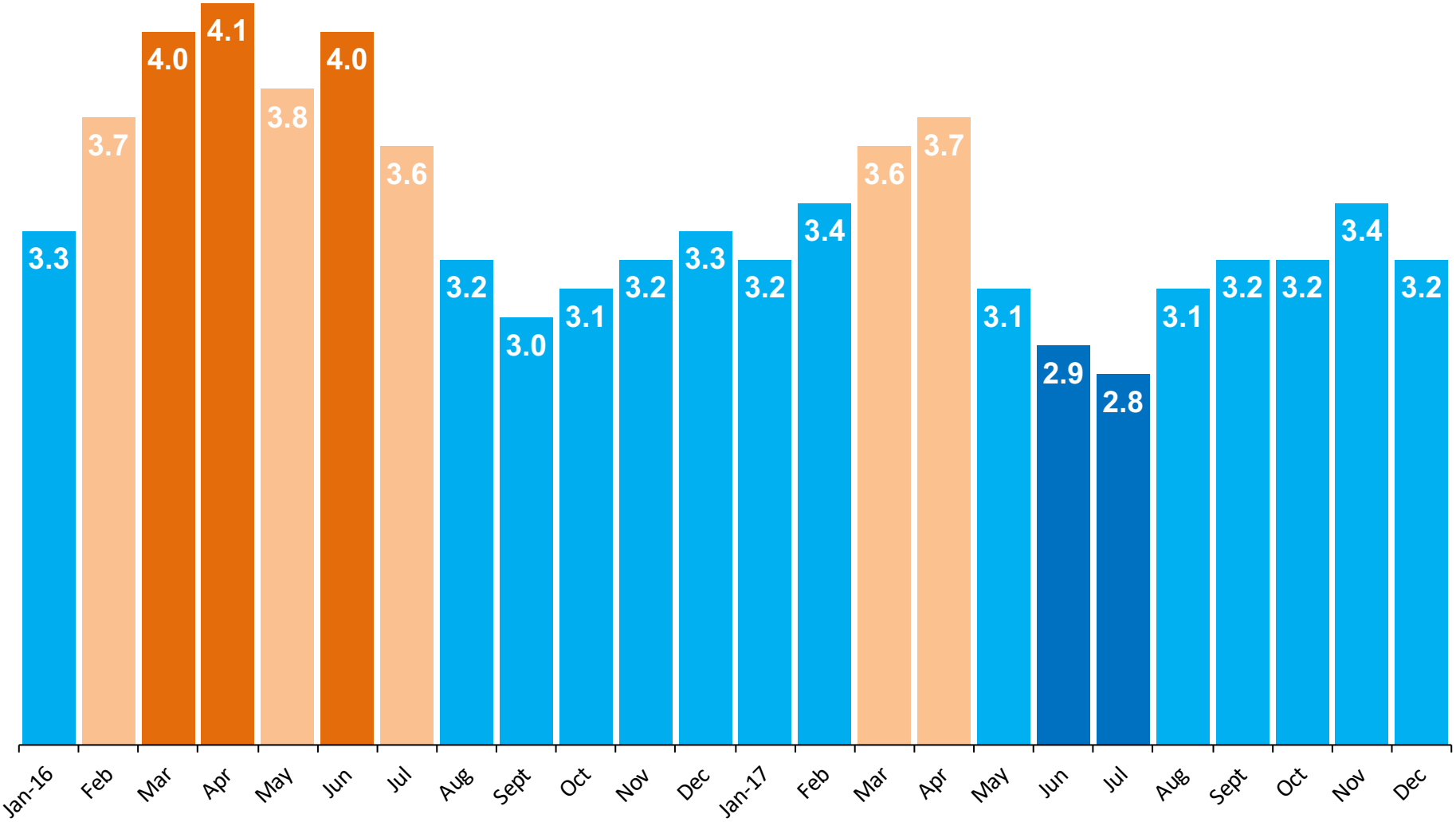
% of sales by price range



Census

New Homes Selling Fast

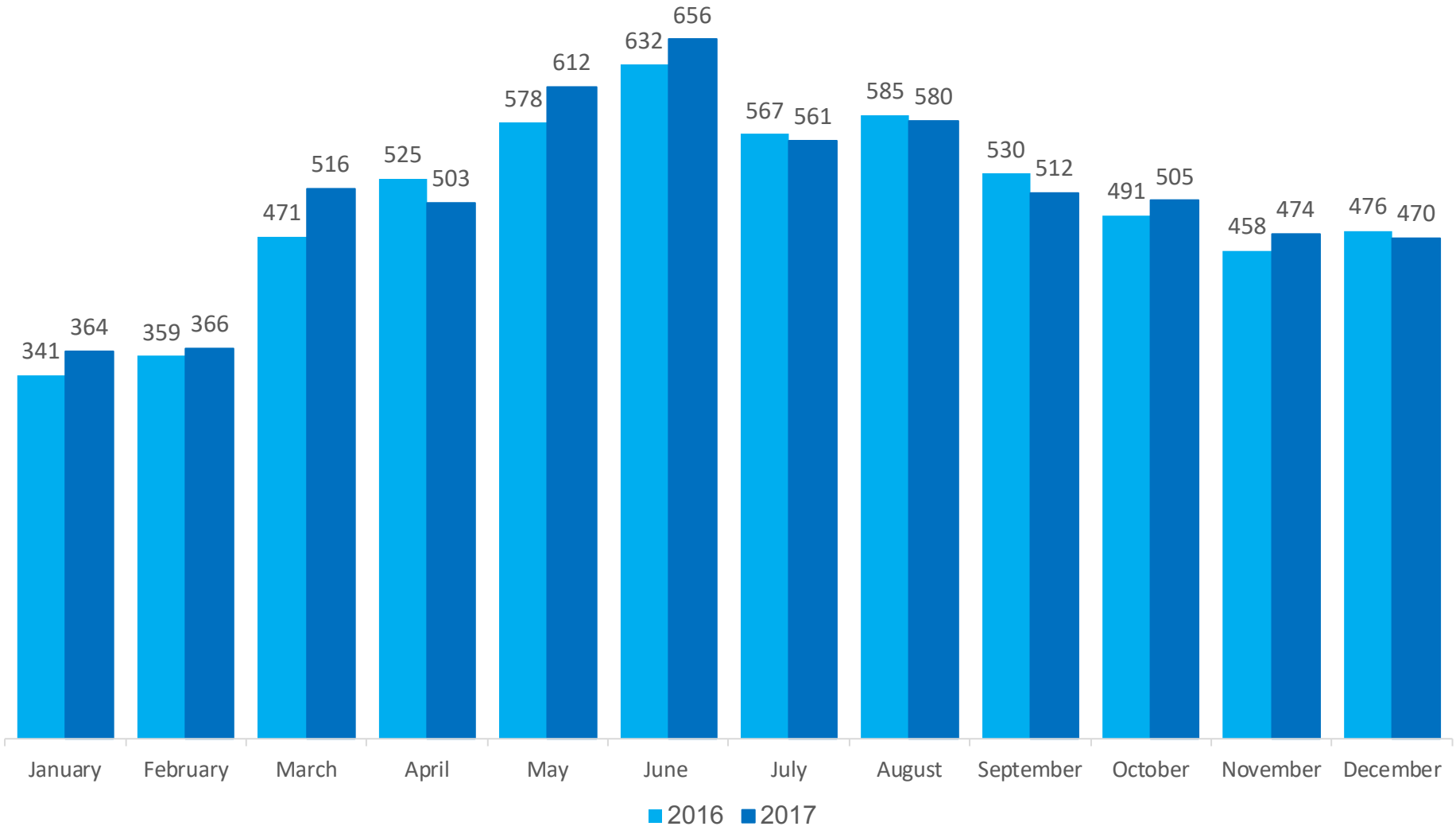
(median months from completion to sold)



Census

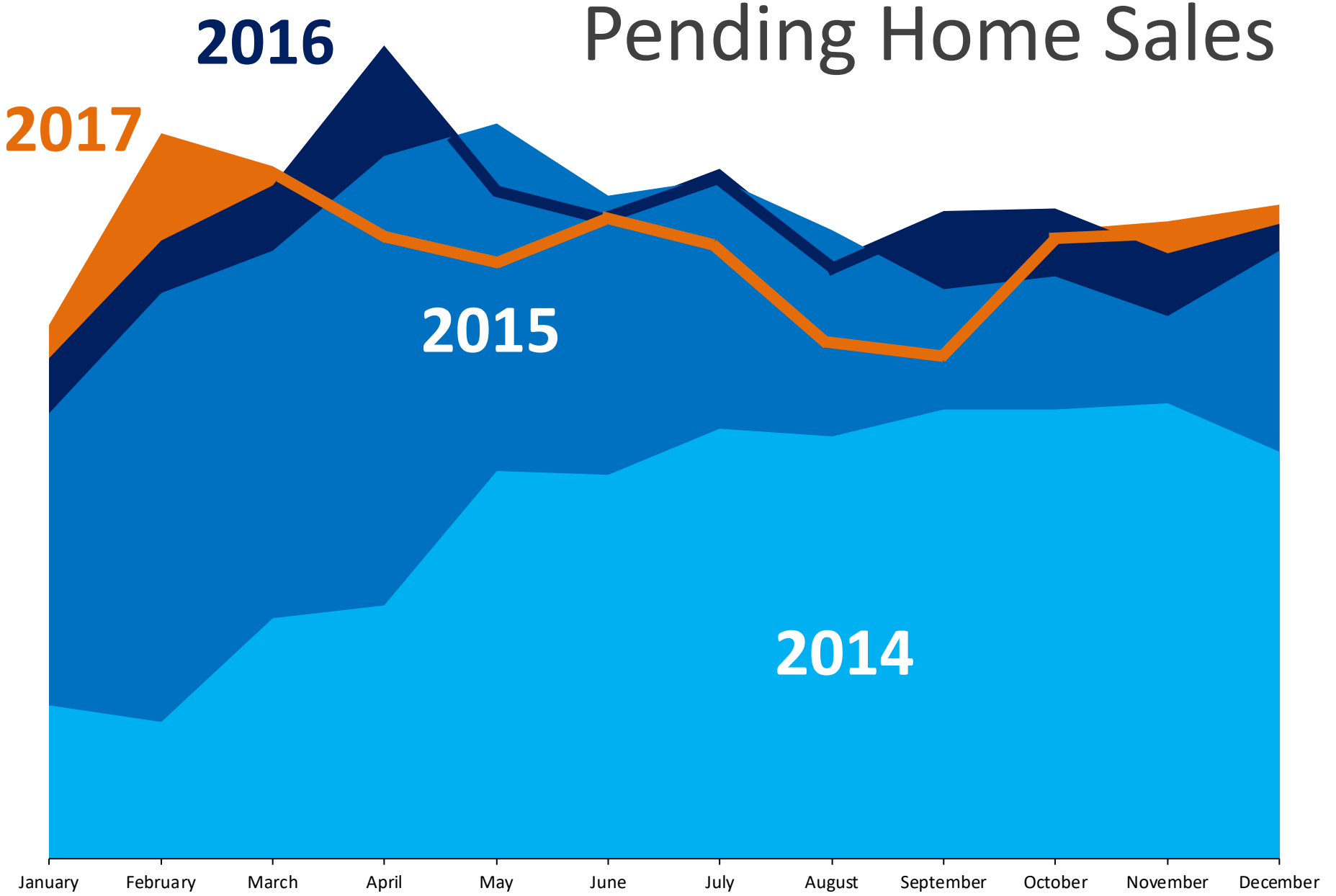
Total Home Sales

in thousands



Census & NAR

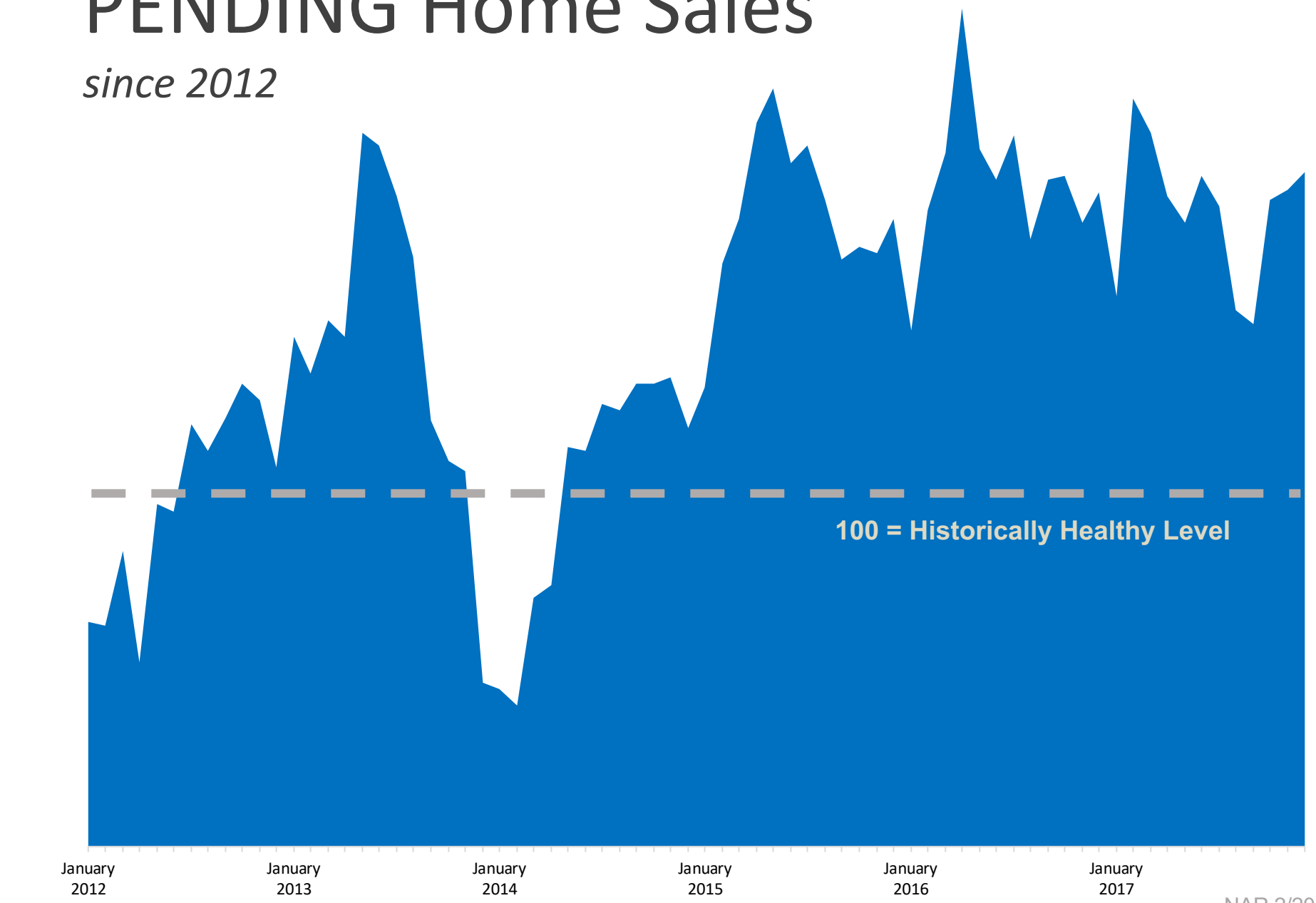
Pending Home Sales



NAR 2/2018

PENDING Home Sales

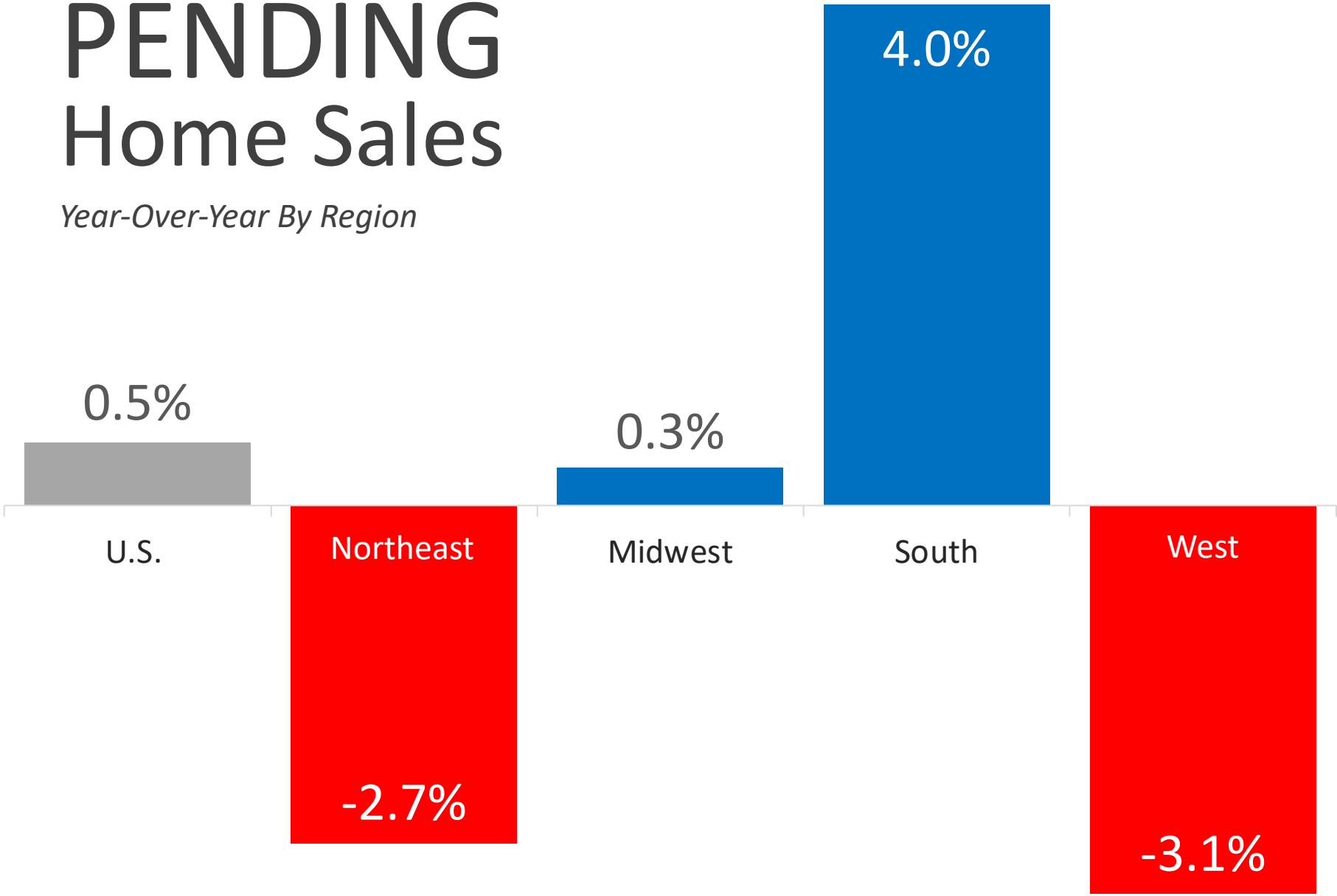
since 2012



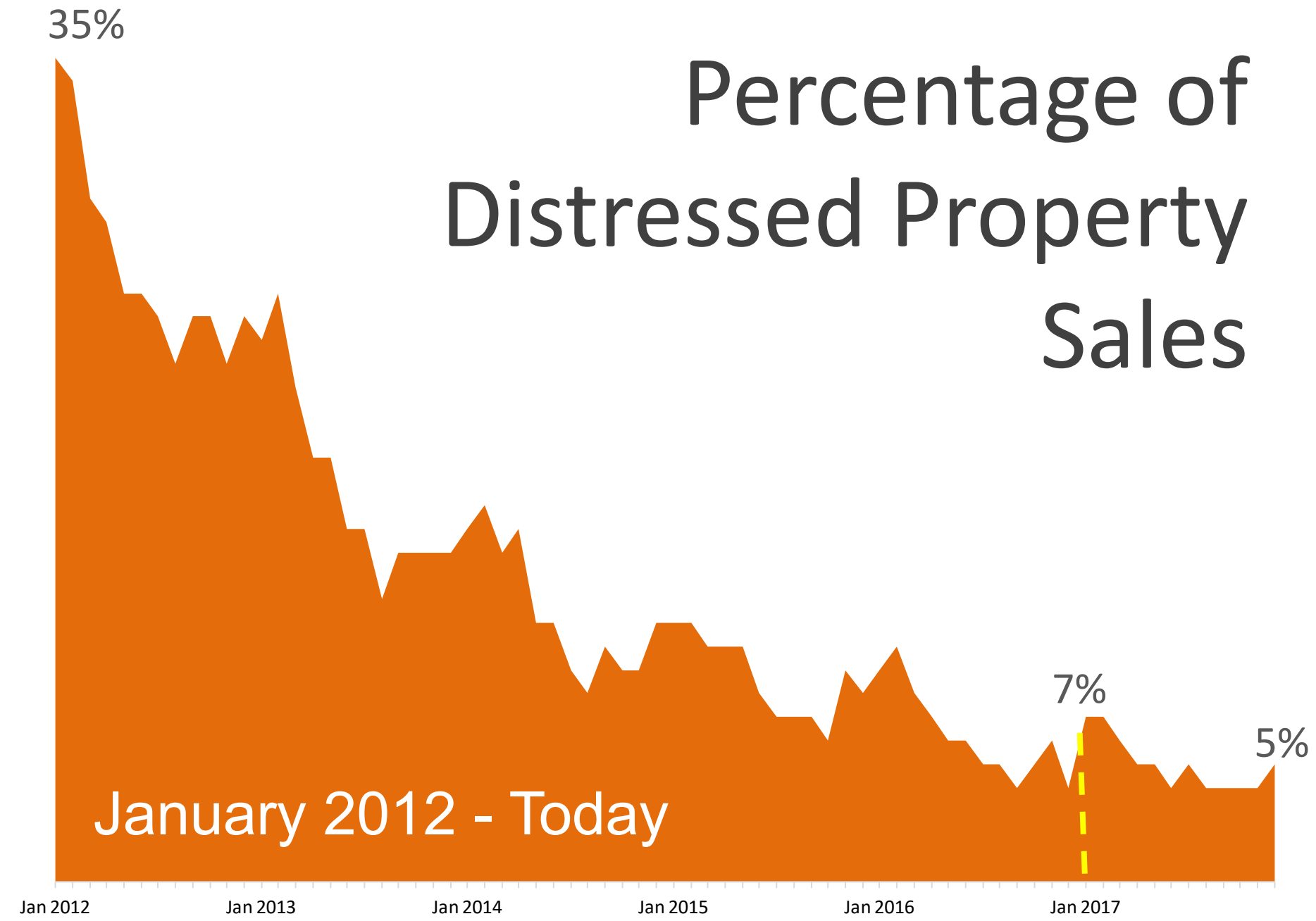
NAR 2/2018

PENDING
Home Sales

Year-Over-Year By Region



NAR 2/2018

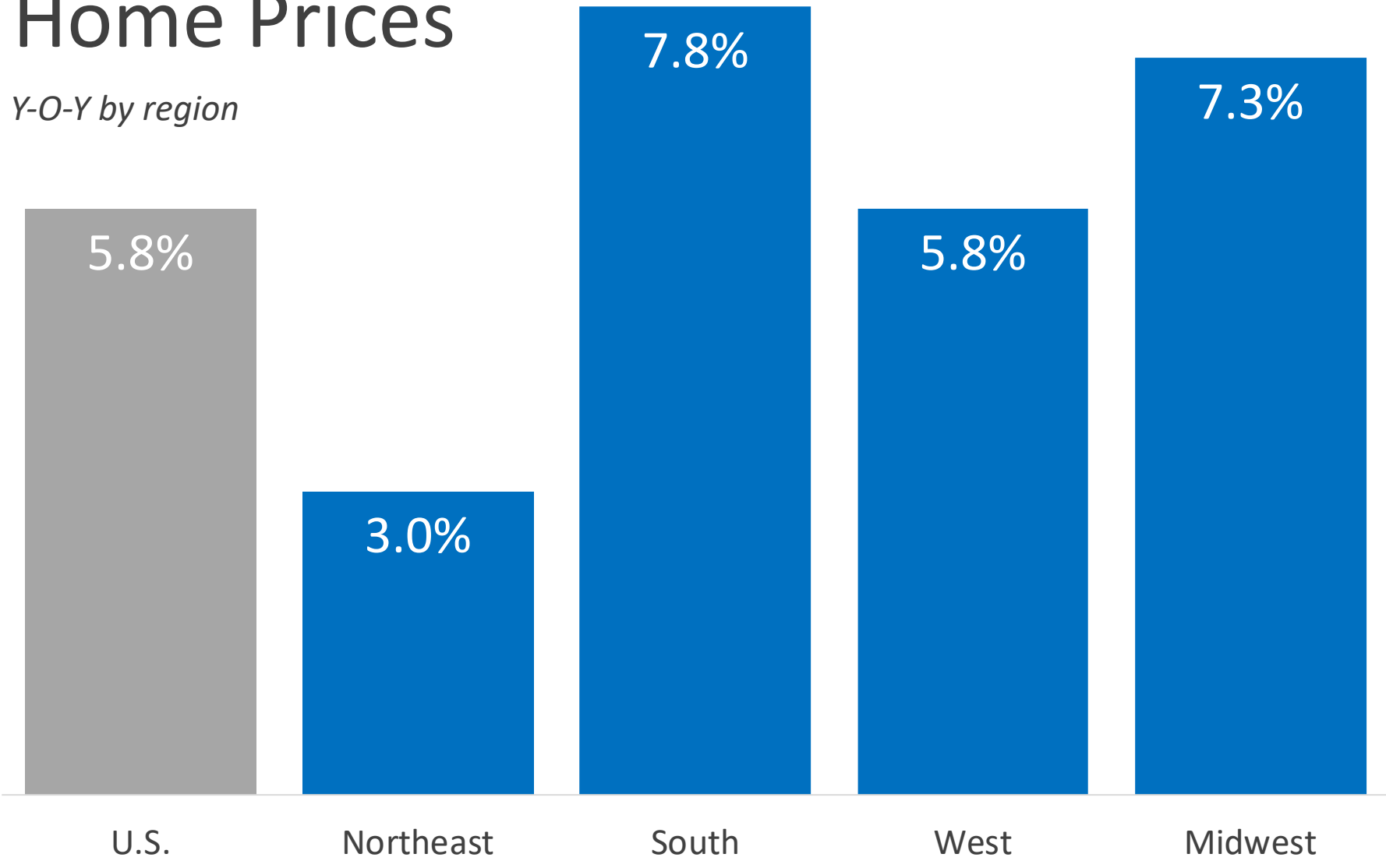

35%
Percentage of Distressed Property Sales
7%
5%
January 2012 - Today
Jan 2012
Jan 2013
Jan 2014
Jan 2015
Jan 2016
Jan 2017

NAR 2/2018

Home Prices

EXISTING
Home Prices

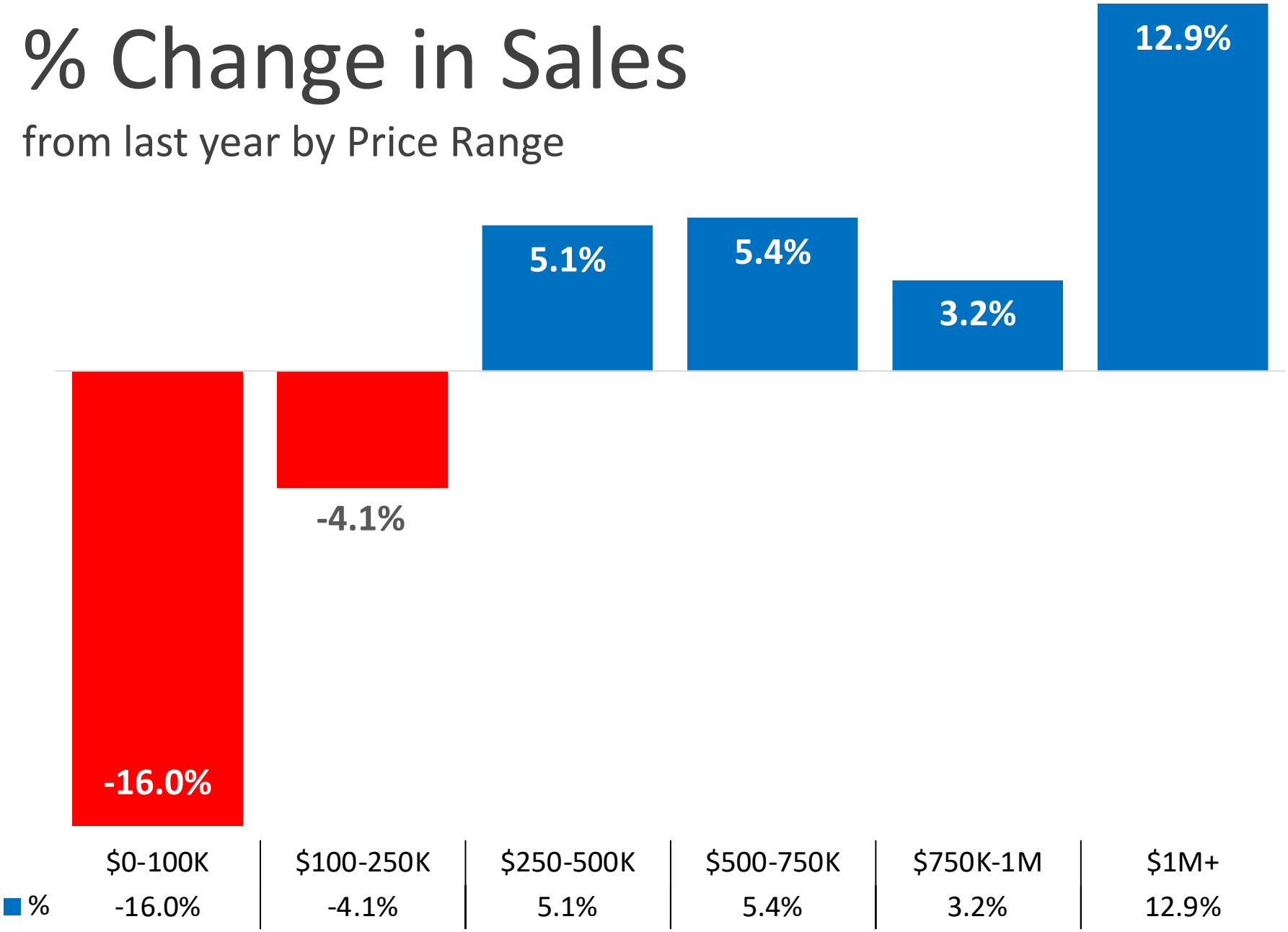
Y-O-Y by region



NAR 2/2018

% Change in Sales

from last year by Price Range



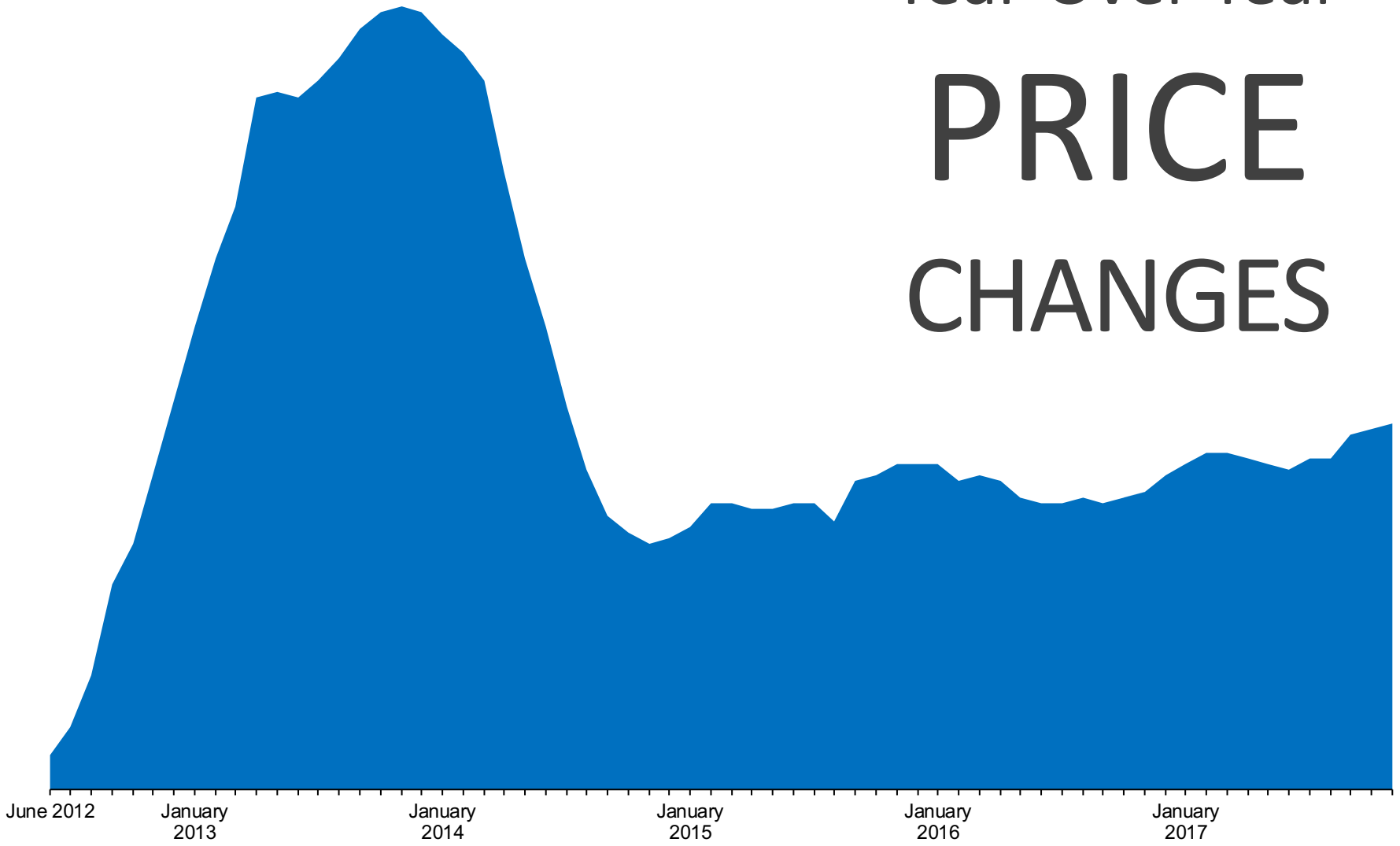
NAR 2/2018

Case Shiller

Year-Over-Year

PRICE

CHANGES

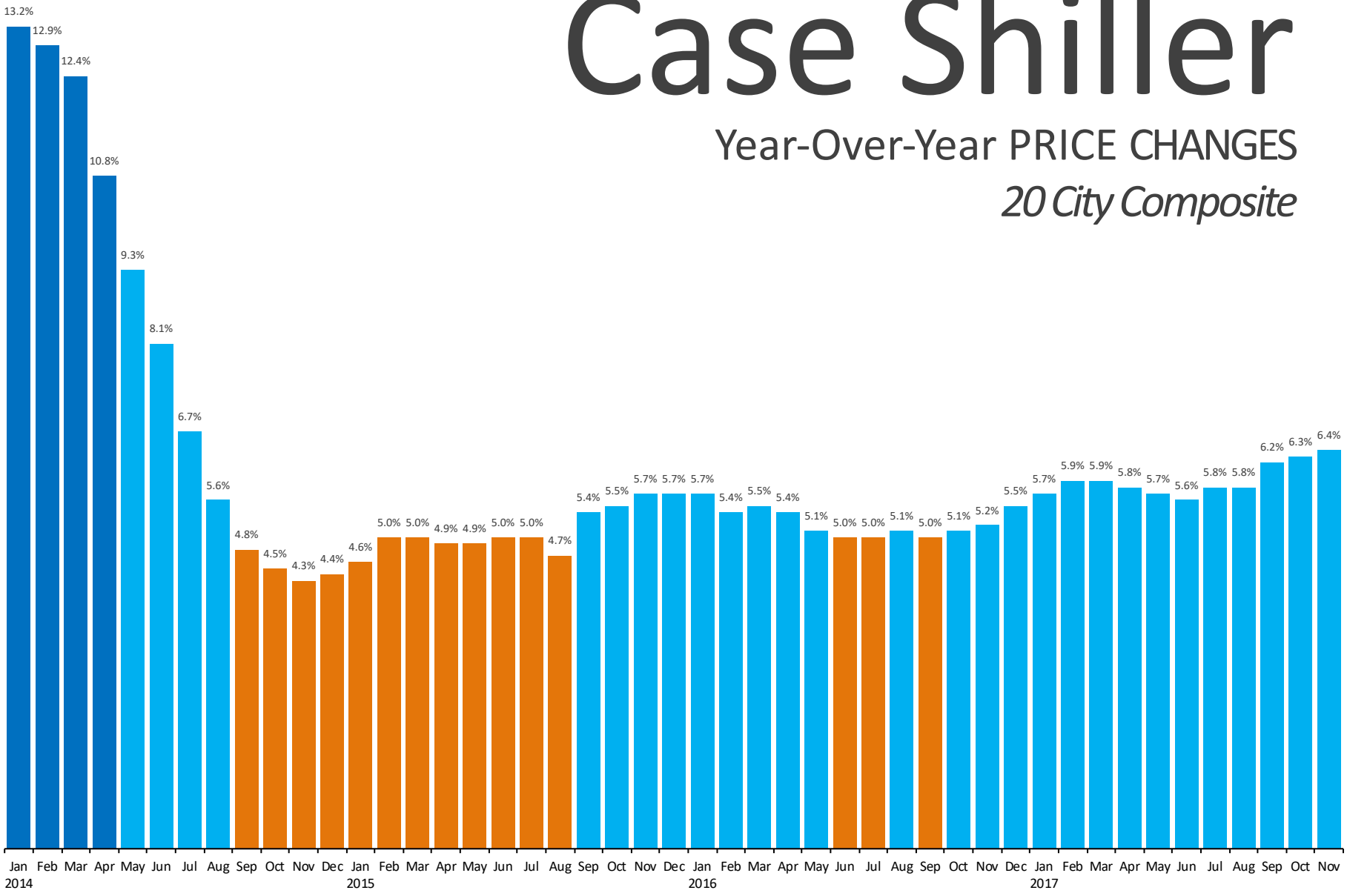


S&P Case Shiller 2/2018

Case Shiller

Year-Over-Year PRICE CHANGES

20 City Composite

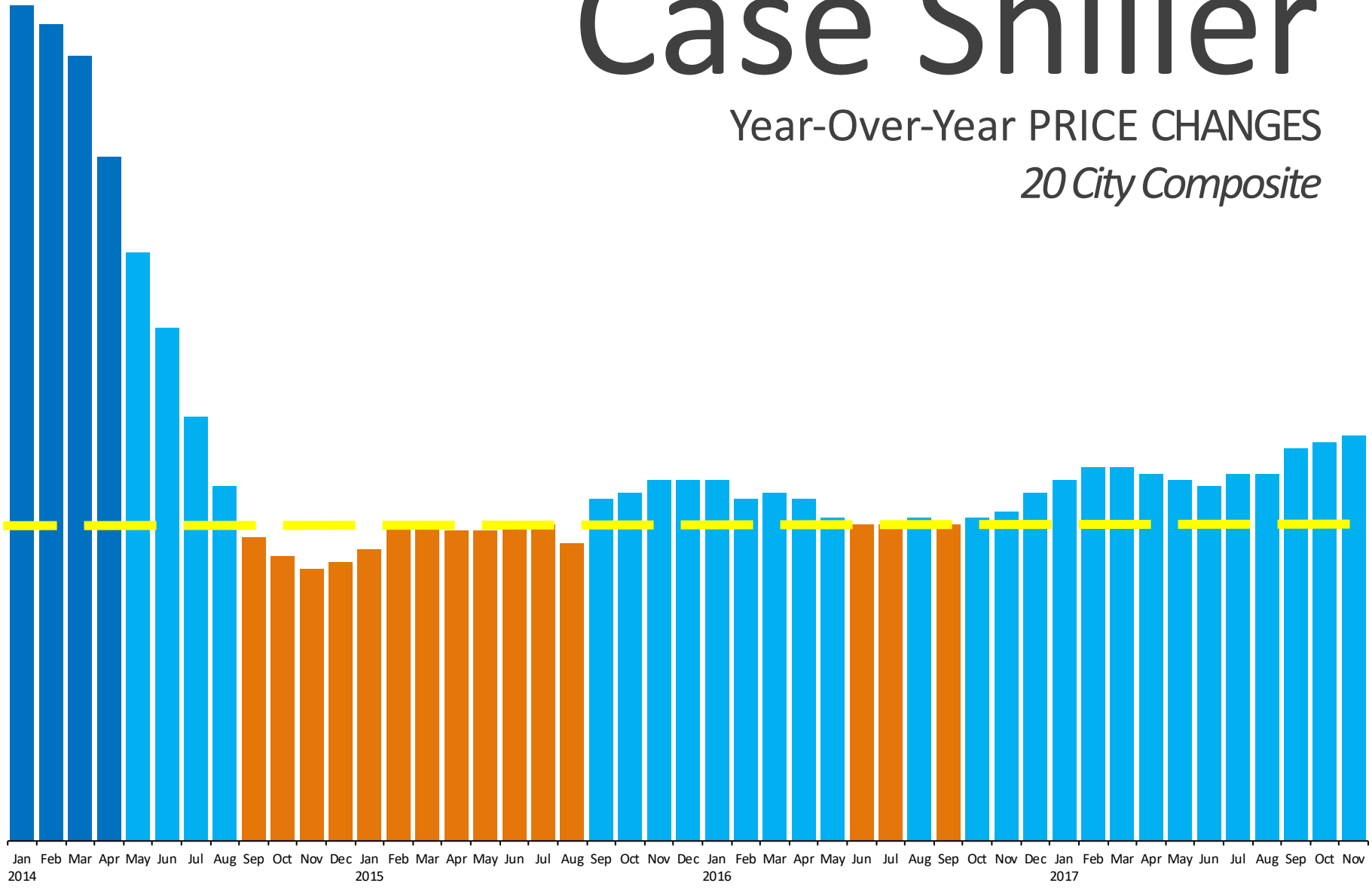


S&P Case Shiller 2/2018

Case Shiller

Year-Over-Year PRICE CHANGES

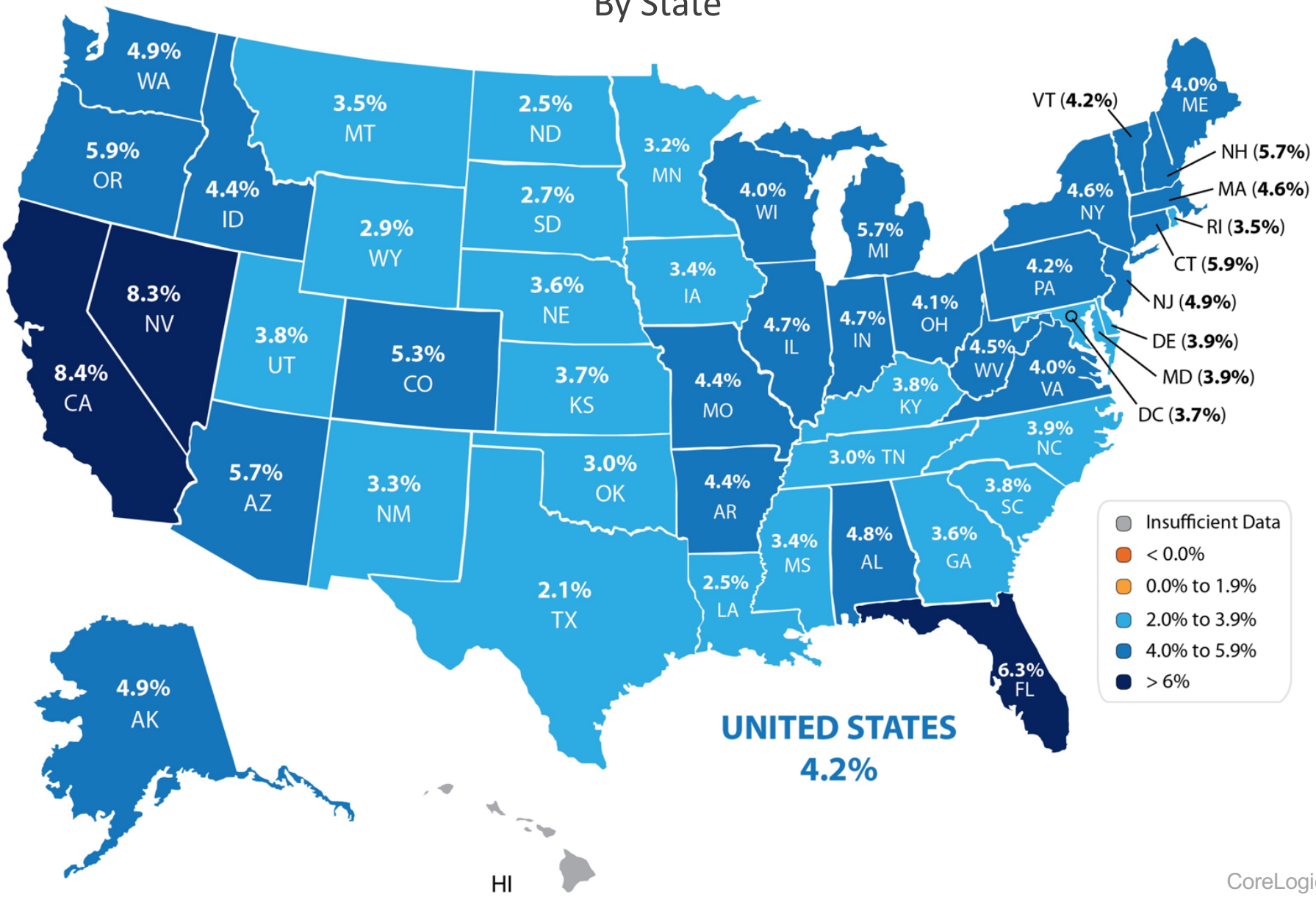
20 City Composite



S&P Case Shiller 2/2018

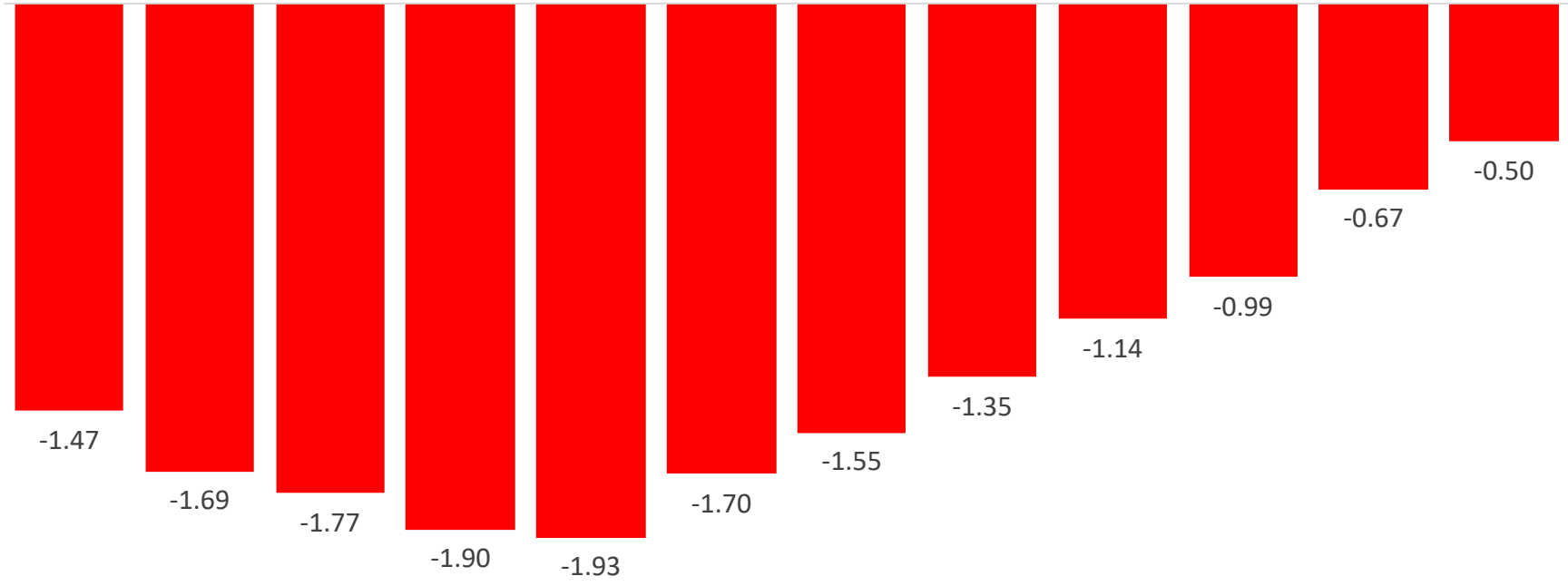
Forecasted Year-Over-Year % Change in Price

By State



CoreLogic

Appraiser Home Value Opinions Compared to Homeowner Estimates



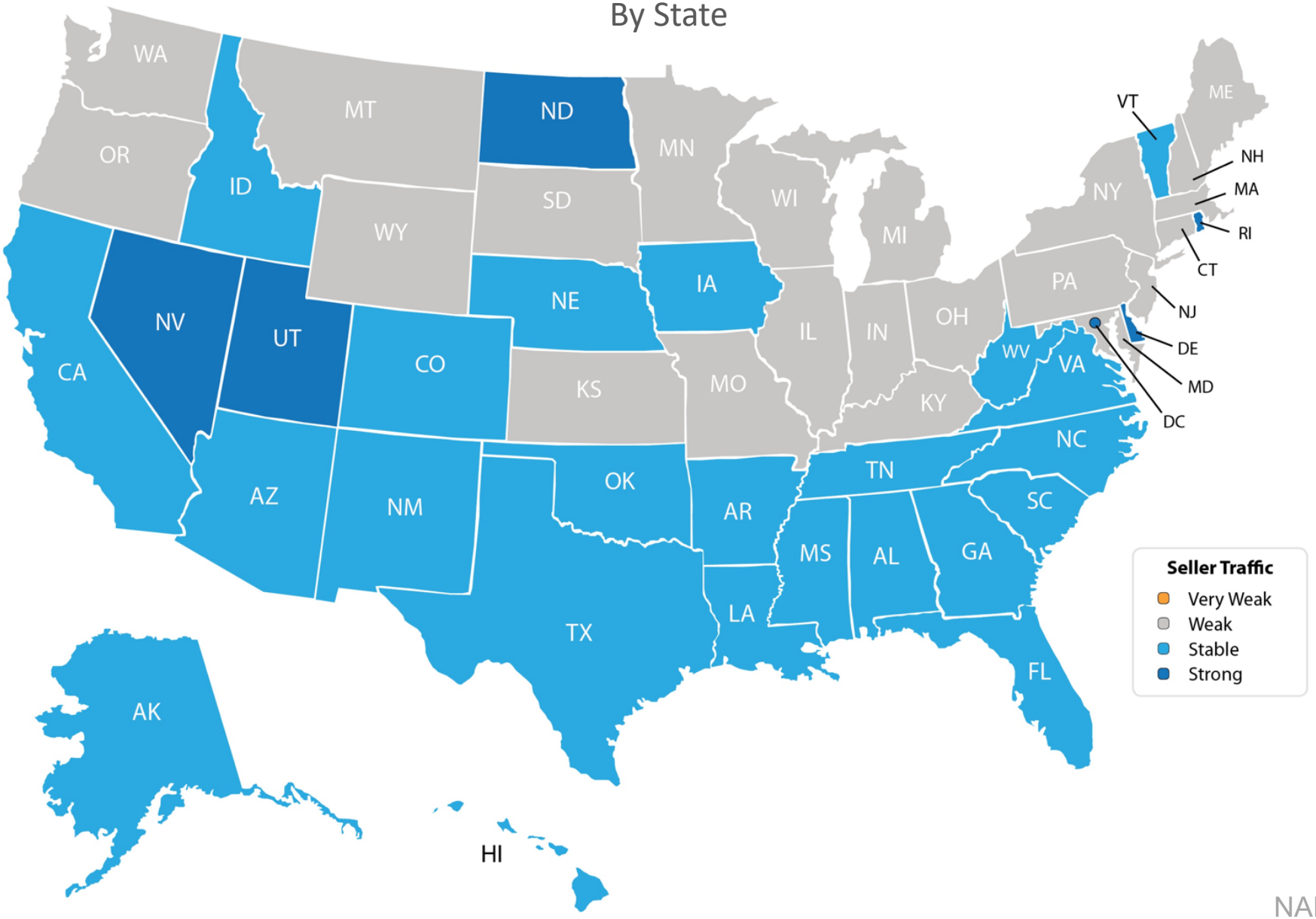
Last 12 Months

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
%	-1.47	-1.69	-1.77	-1.90	-1.93	-1.70	-1.55	-1.35	-1.14	-0.99	-0.67	-0.5

HOUSING INVENTORY

Seller Traffic

By State



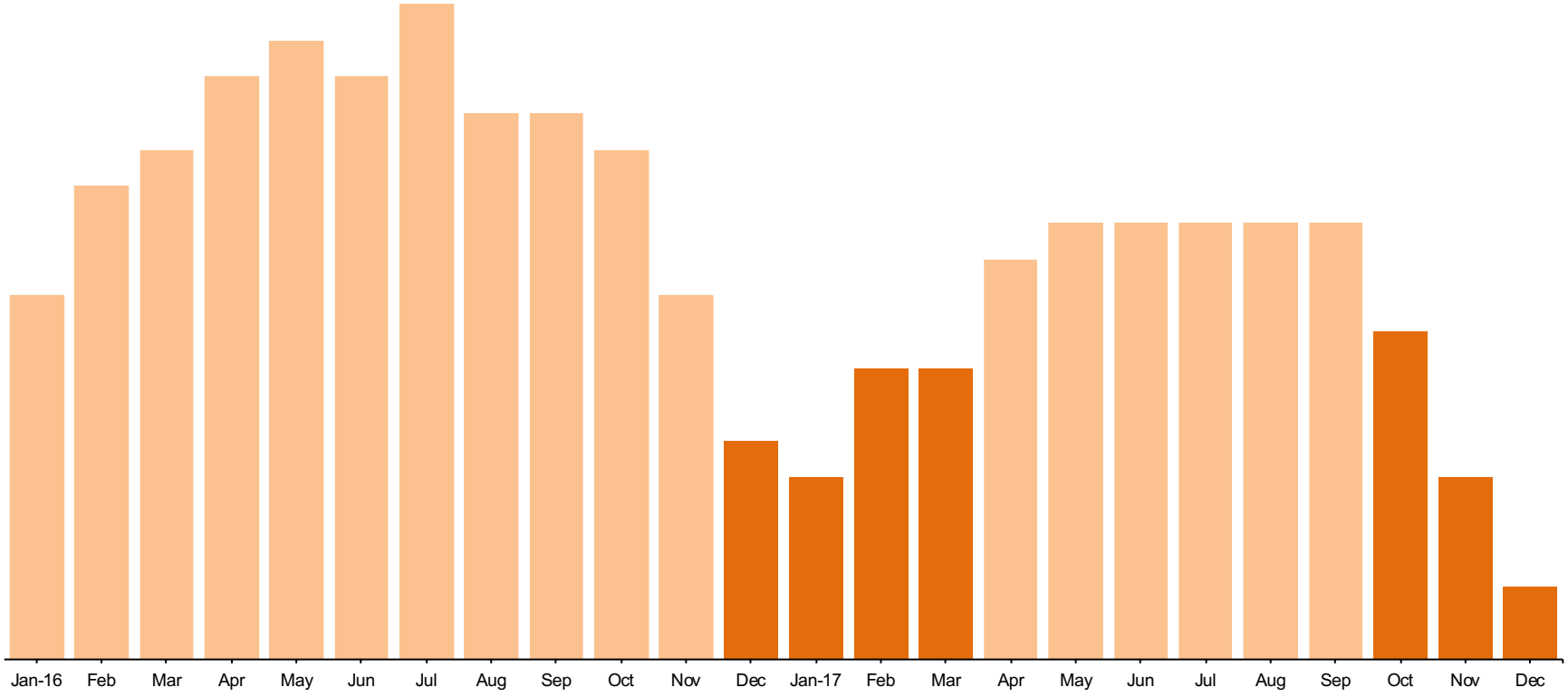
NAR

Months Inventory of
HOMES FOR SALE
2011 - Today

NAR 2/2018

Months Inventory of HOMES for SALE

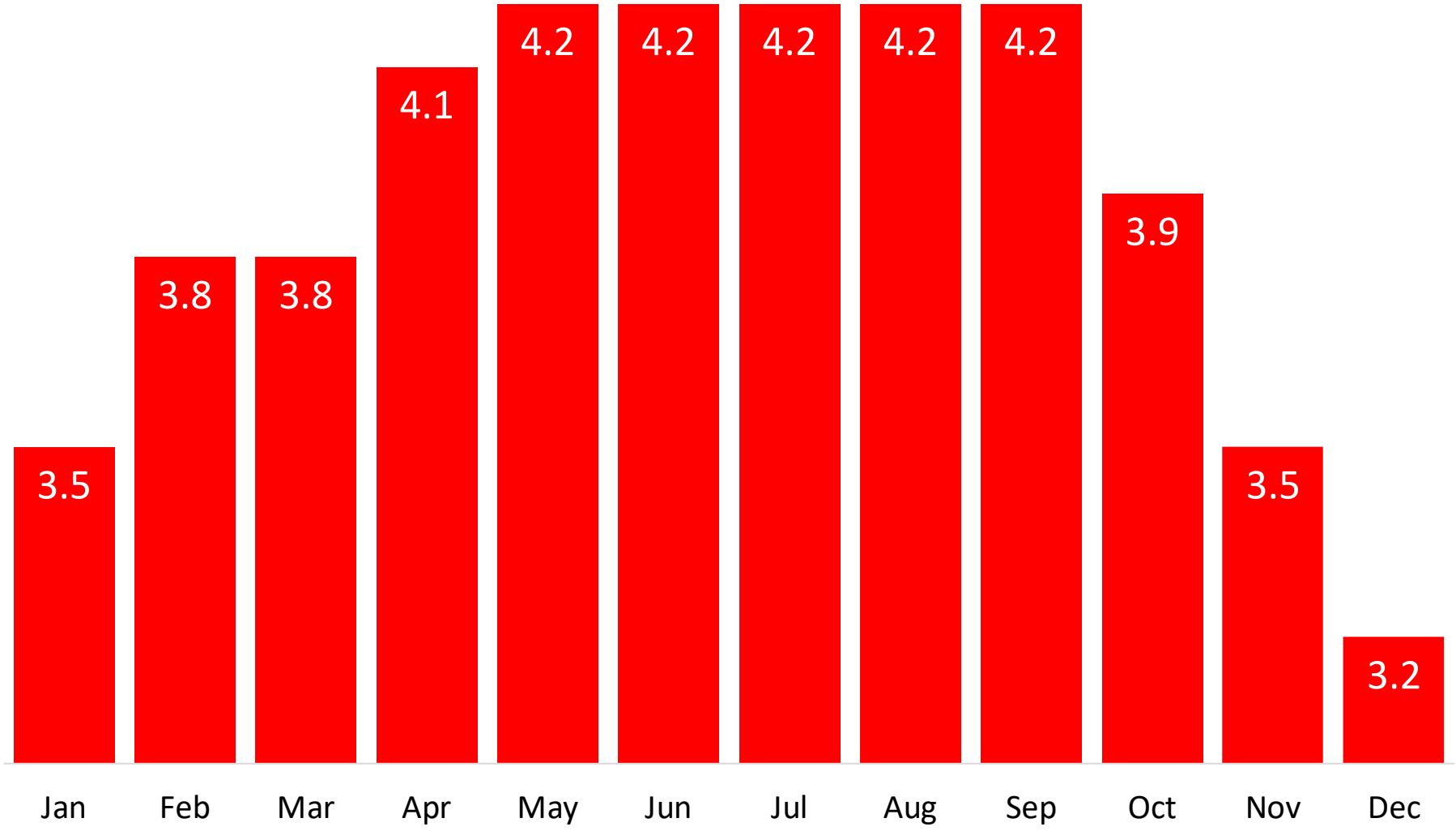
last 2 years



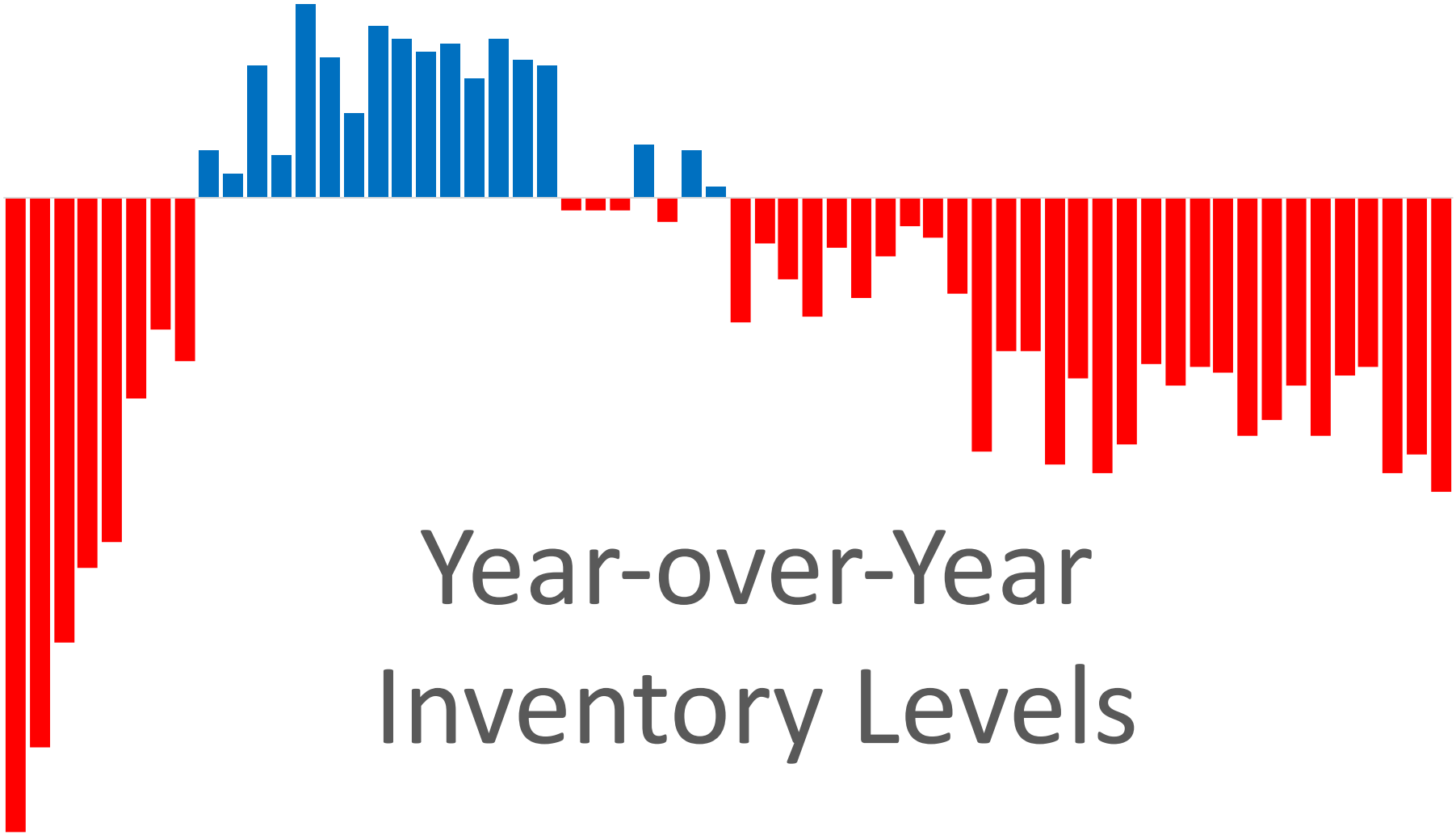
NAR 2/2018

Months Inventory of HOMES FOR SALE

Last 12 Months



NAR 2/2018



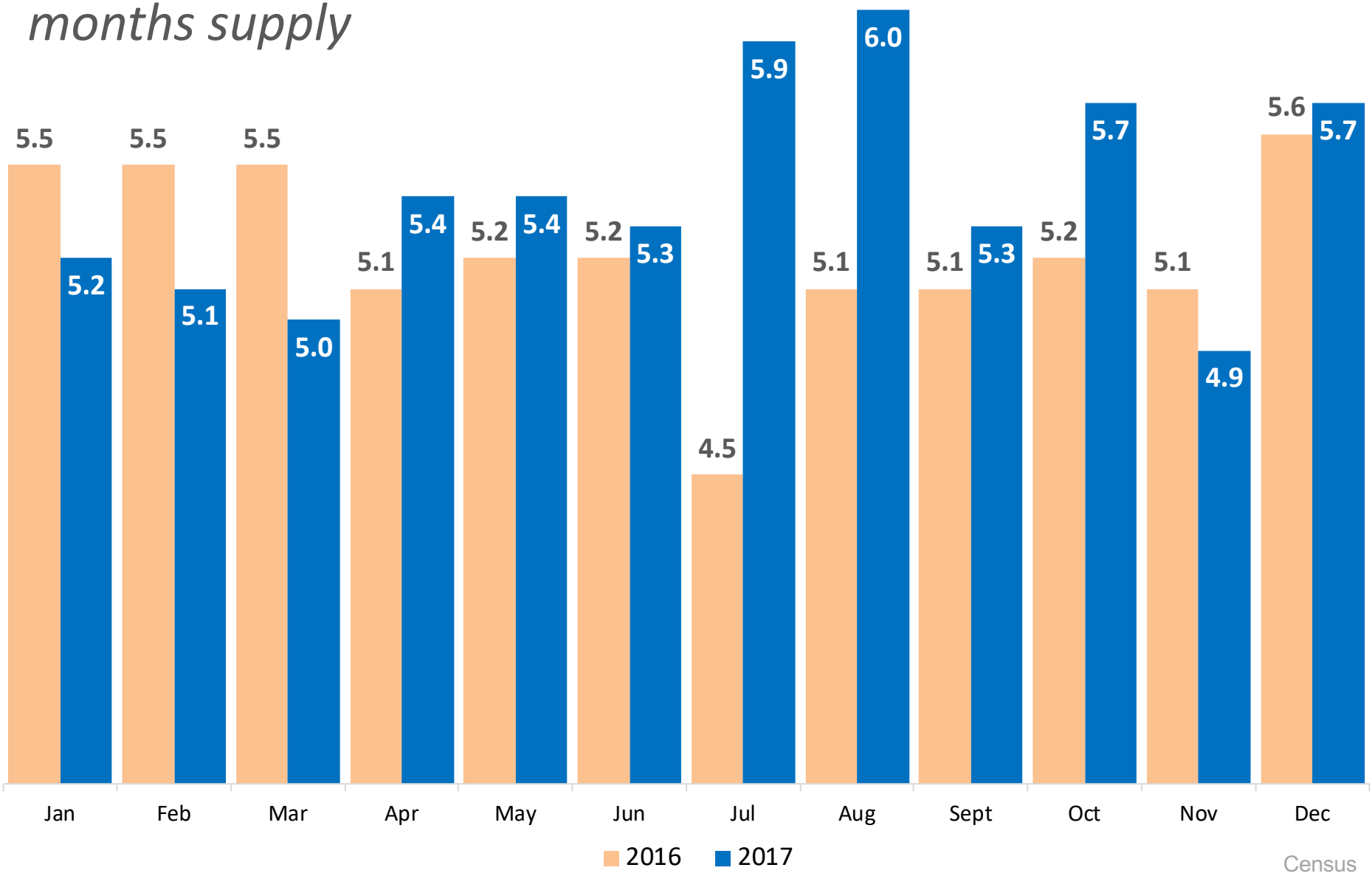
Year-over-Year Inventory Levels

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
%	-	-20.	-16.	-	-	-7.6	-5%	-6.2	1.8	0.9	5.0	1.6	7.3	5.3	3.2	6.5	6%	5.5	5.8	4.5	6%	5.2	5%	-0.5	-0.5	-0.5	2.0	-0.9	1.8	0.4	-4.7	-1.7	-3.1	-4.5	-1.9	-3.8	-2.2	-1.1	-1.5	-3.6	-9.6	-5.8	-5.8	-10.	-6.8	-10.	-9.3	-6.3	-7.1	-6.4	-6.6	-9.0	-8.4	-7.1	-9.0	-6.7	-6.4	-10.	-9.7	-11.

NAR 2/2018

New Home Inventory

months supply

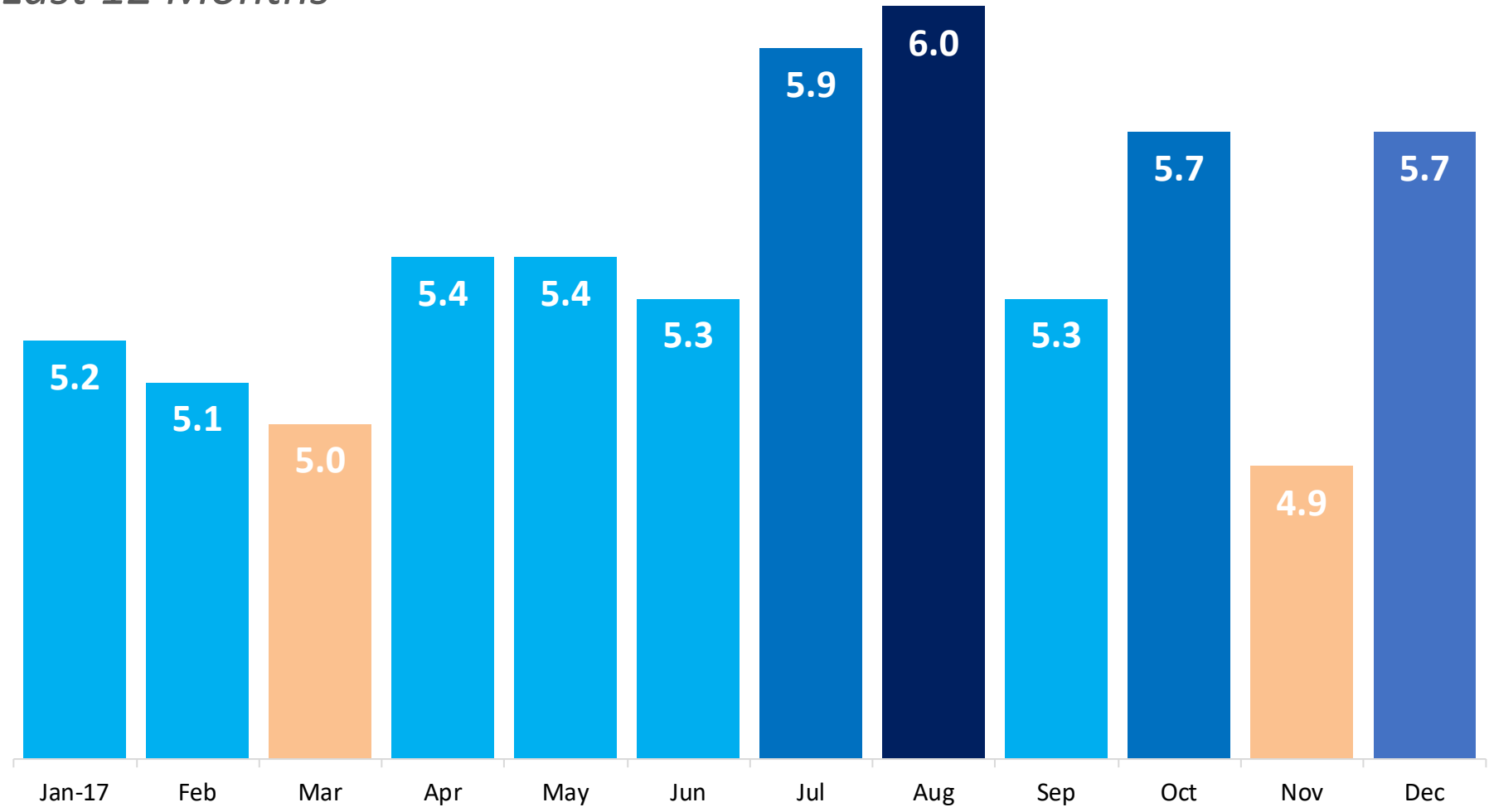


Census

New Home Inventory

months supply

Last 12 Months

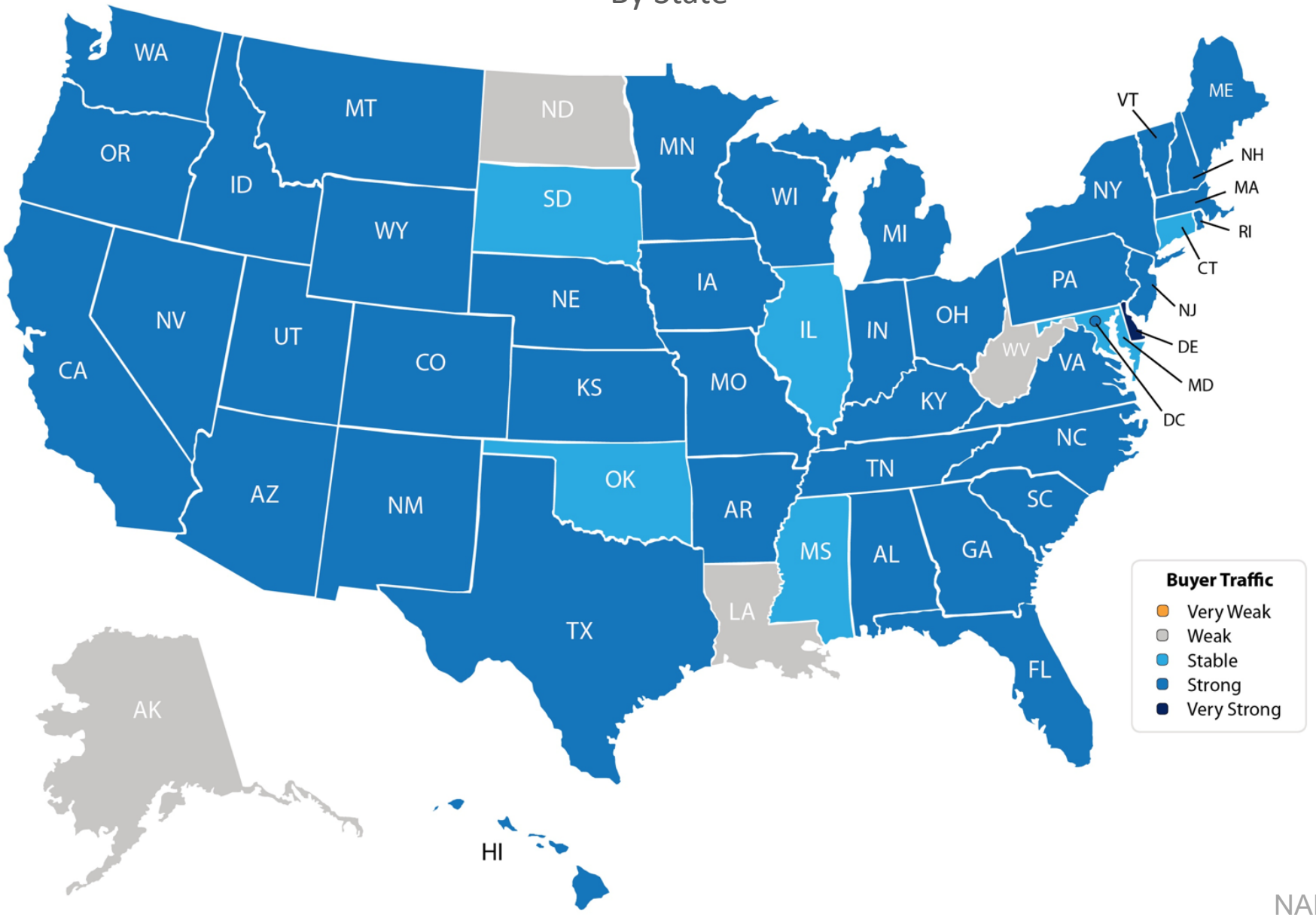


Census

BUYER
DEMAND

Buyer Traffic

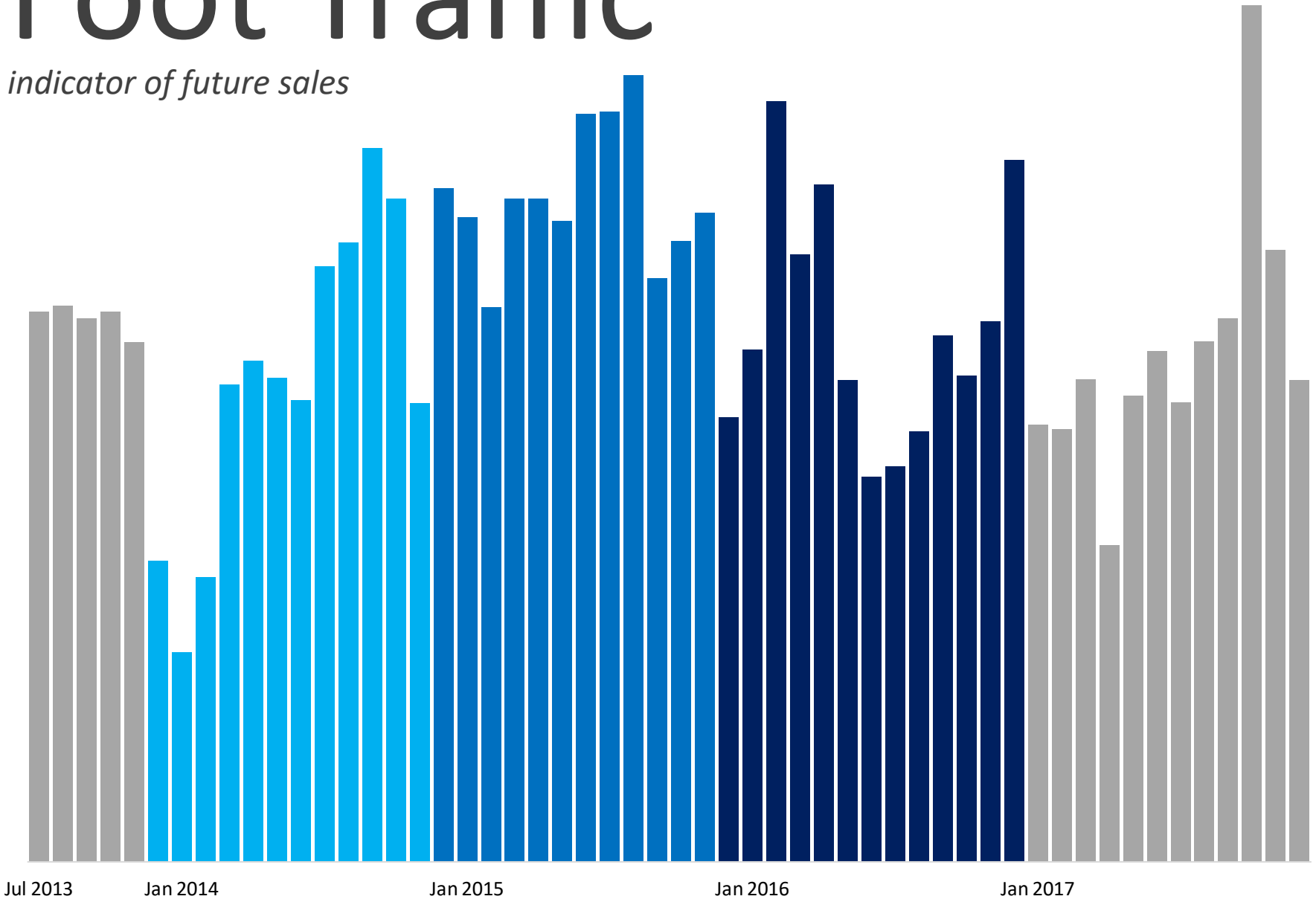
By State



NAR

Foot Traffic

indicator of future sales

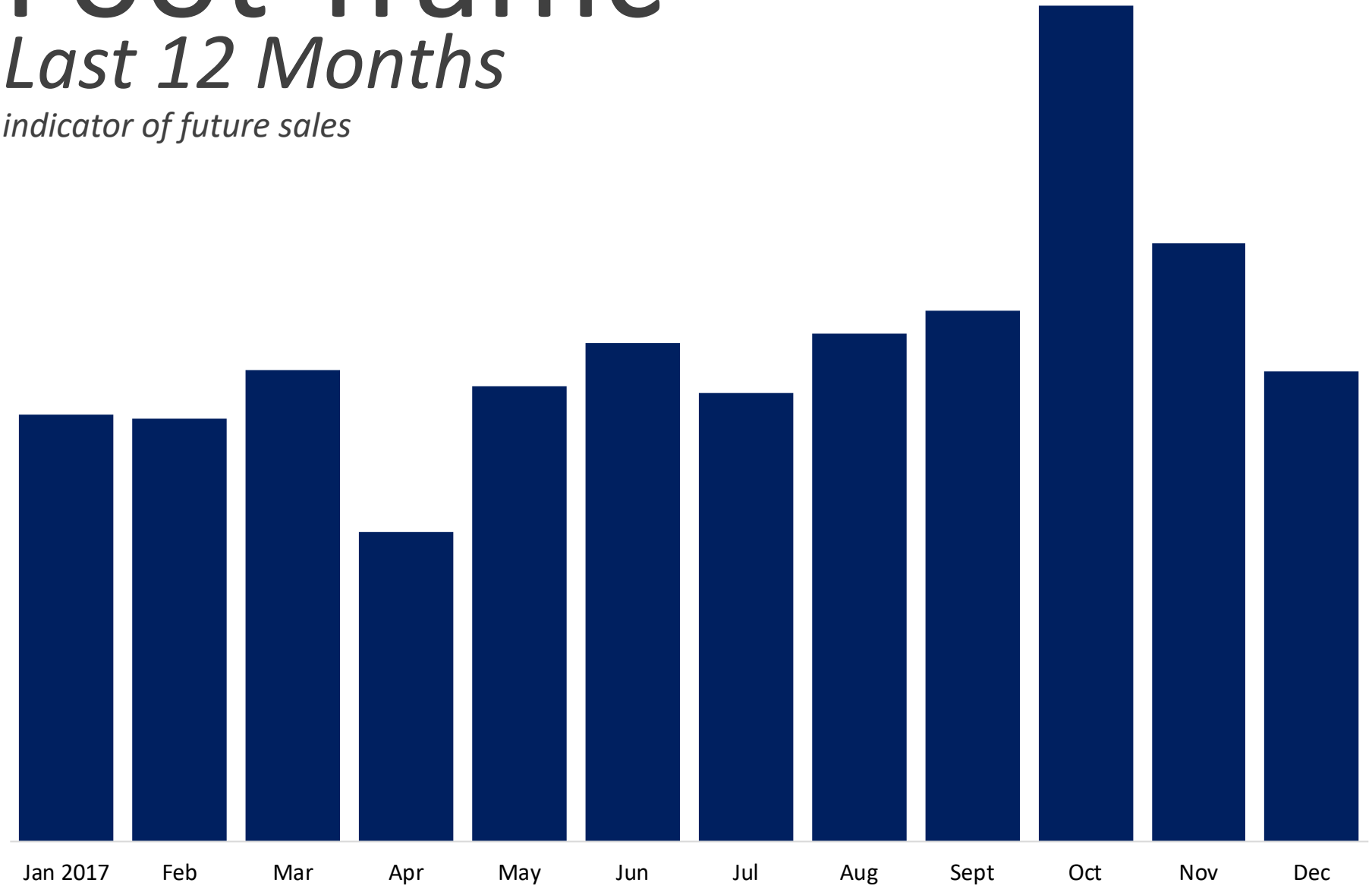


NAR 2/2017

Foot Traffic

Last 12 Months

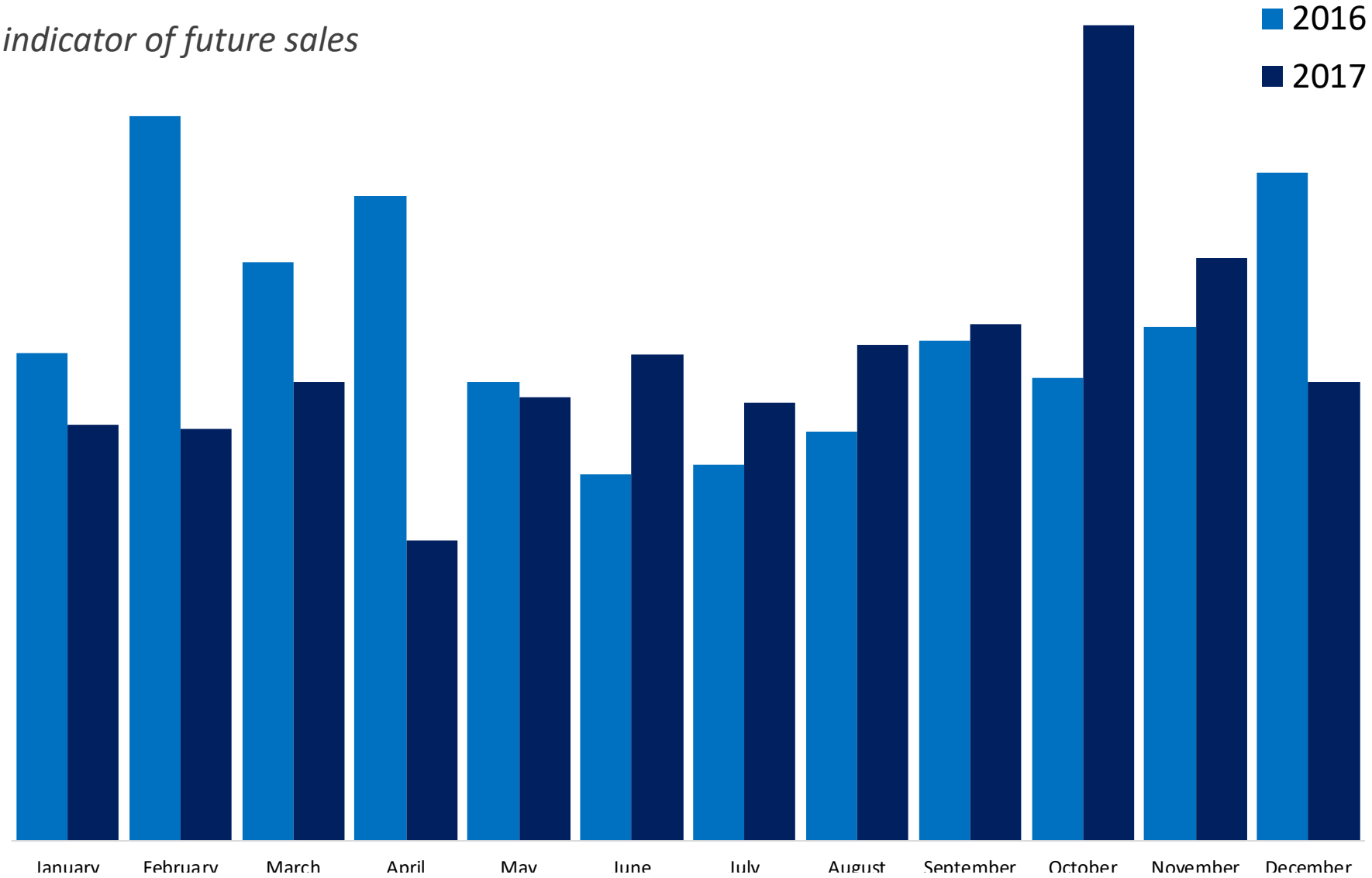
indicator of future sales



NAR 2/2017

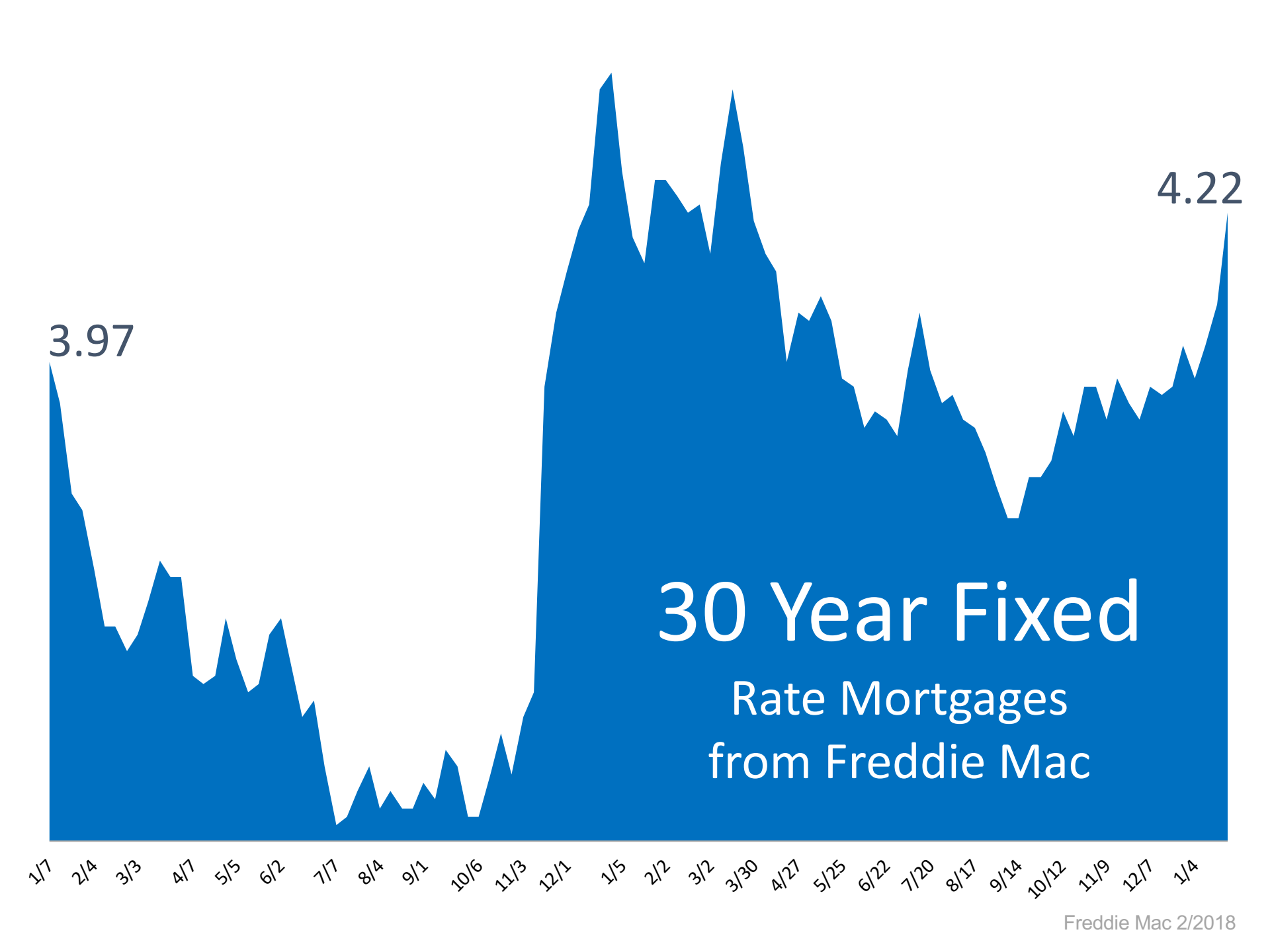
Foot Traffic

indicator of future sales



NAR 2/2017

INTEREST RATES



Freddie Mac 2/2018

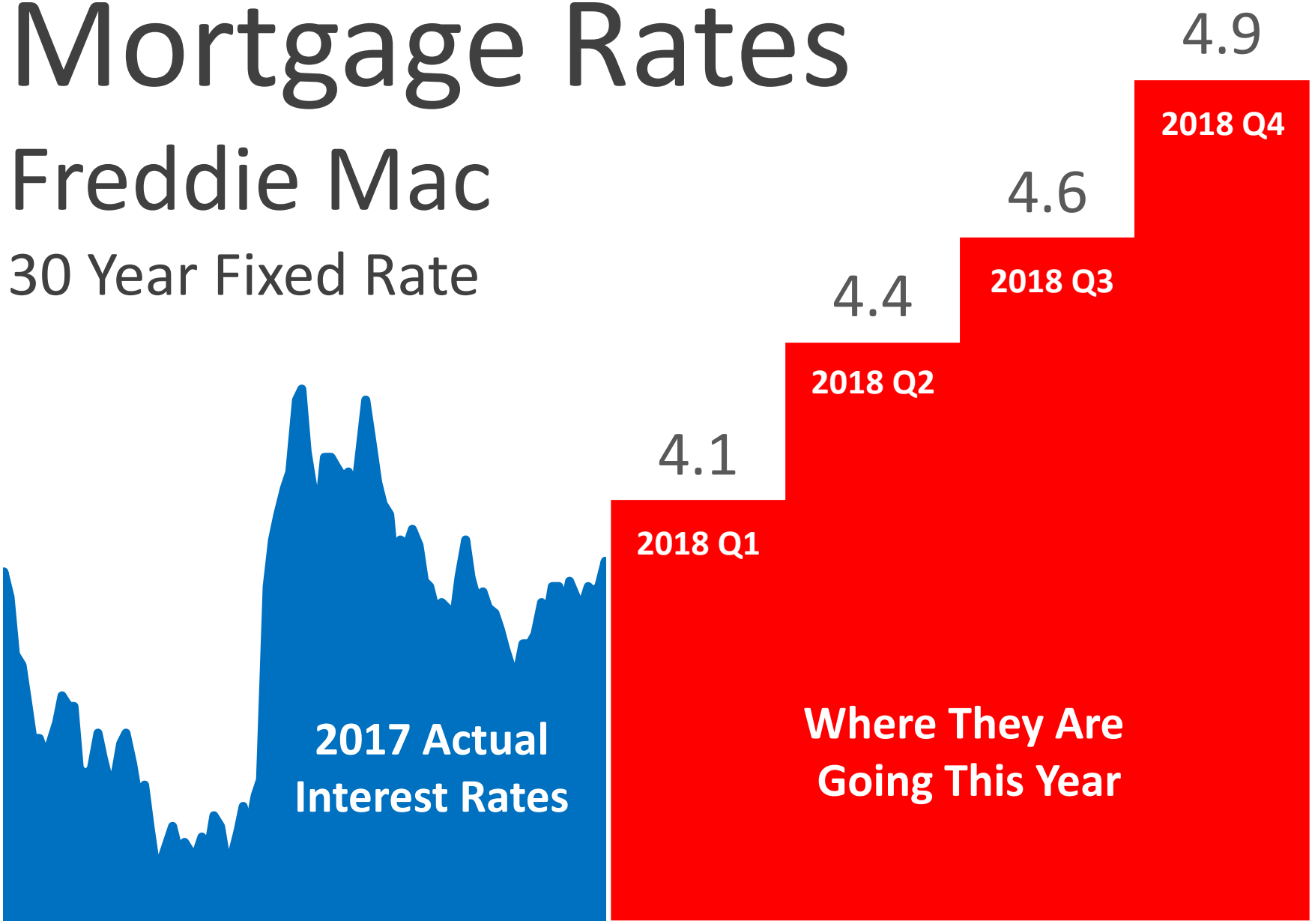
Mortgage Rate Projections

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2018 1Q	4.1	4.0	4.2	4.2	**4.13**
2018 2Q	4.4	4.0	4.4	4.3	**4.28**
2018 3Q	4.6	4.1	4.6	4.4	**4.43**
2018 4Q	4.9	4.1	4.8	4.5	**4.58**

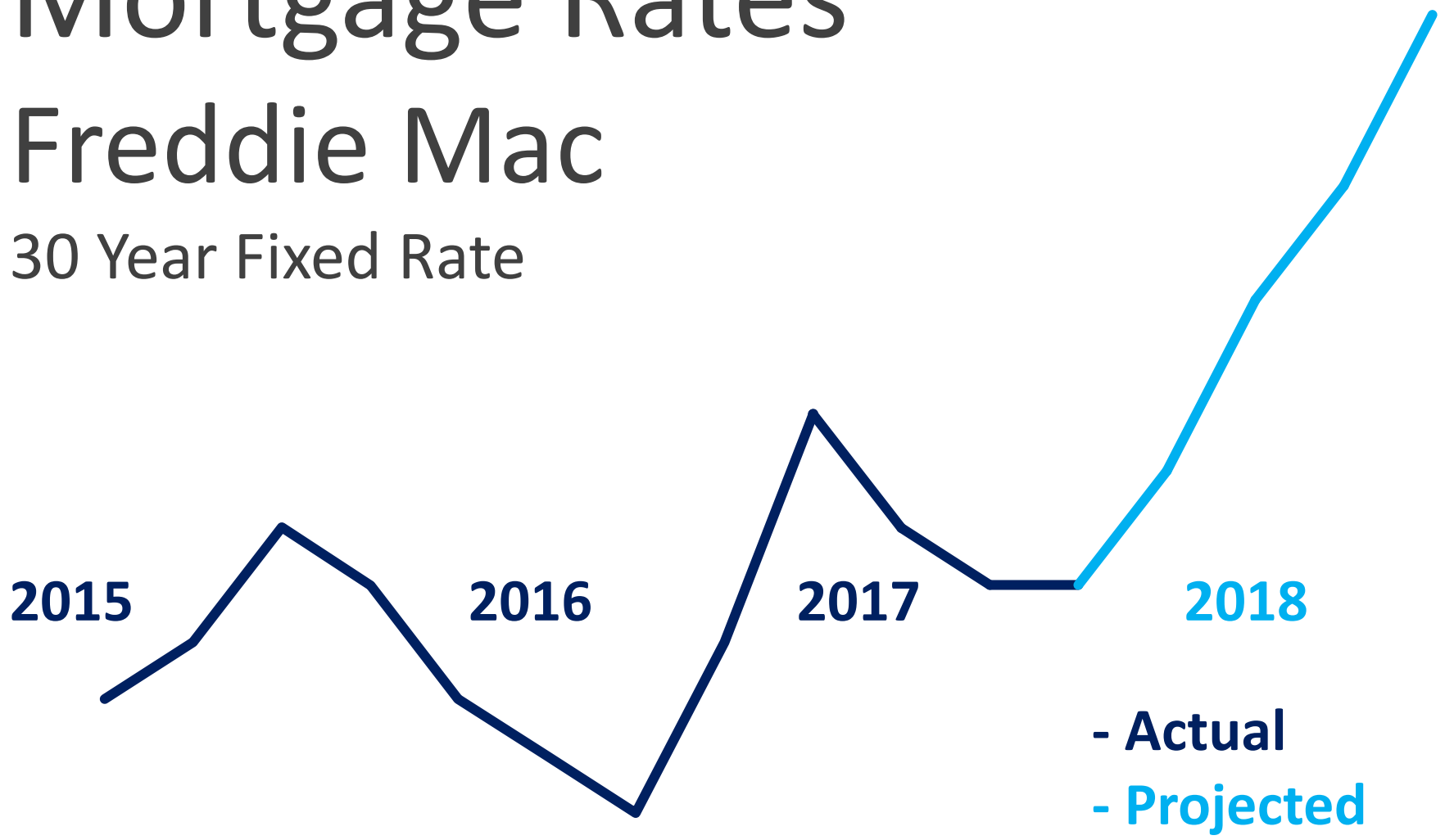
Mortgage Rates

Freddie Mac

30 Year Fixed Rate



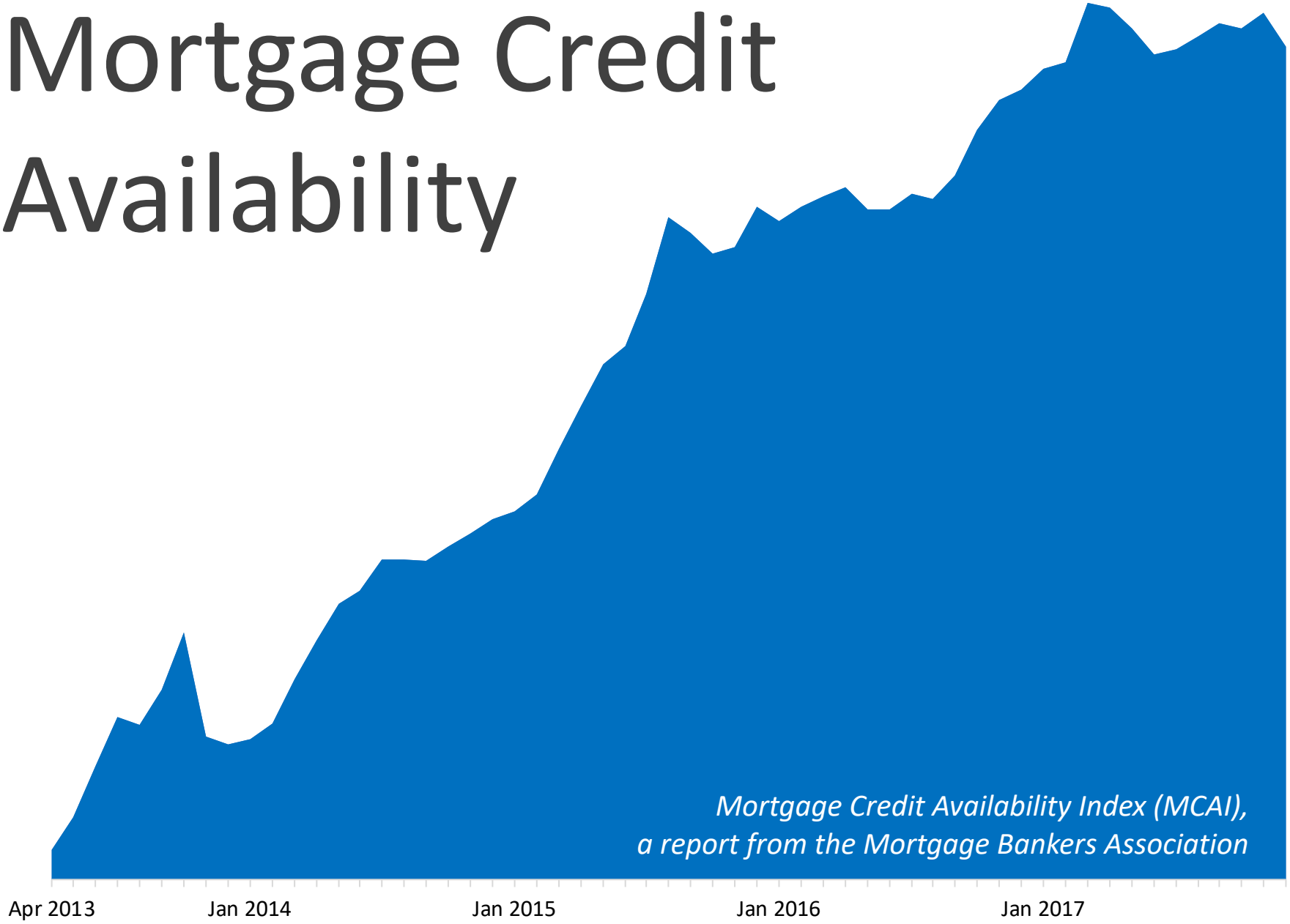
Mortgage Rates
Freddie Mac
30 Year Fixed Rate

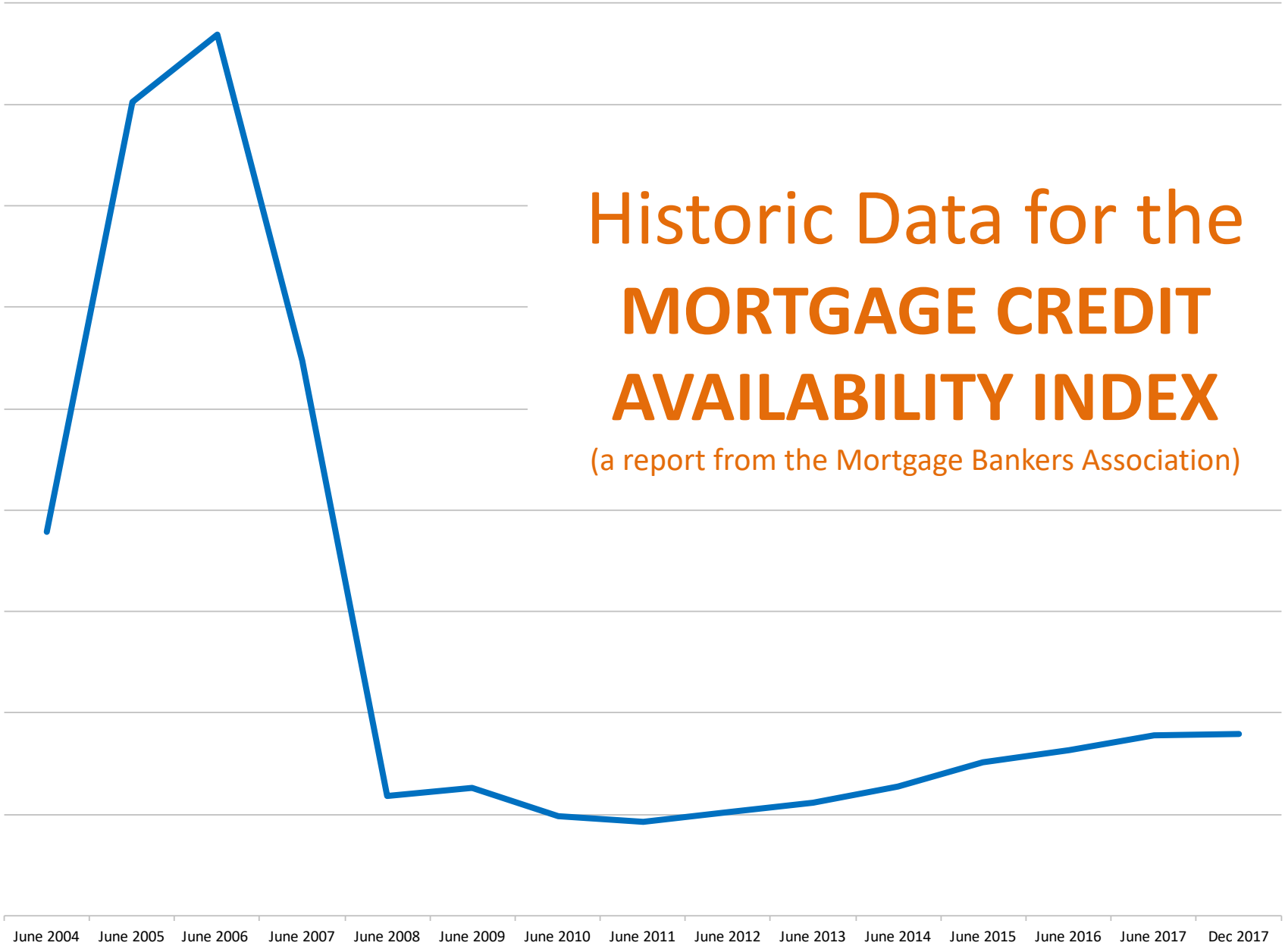


	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Rate	3.7	3.8	4.0	3.9	3.7	3.6	3.5	3.8	4.2	4.0	3.9	3.9	4.1	4.4	4.6	4.9

Mortgage Credit Availability

Mortgage Credit Availability



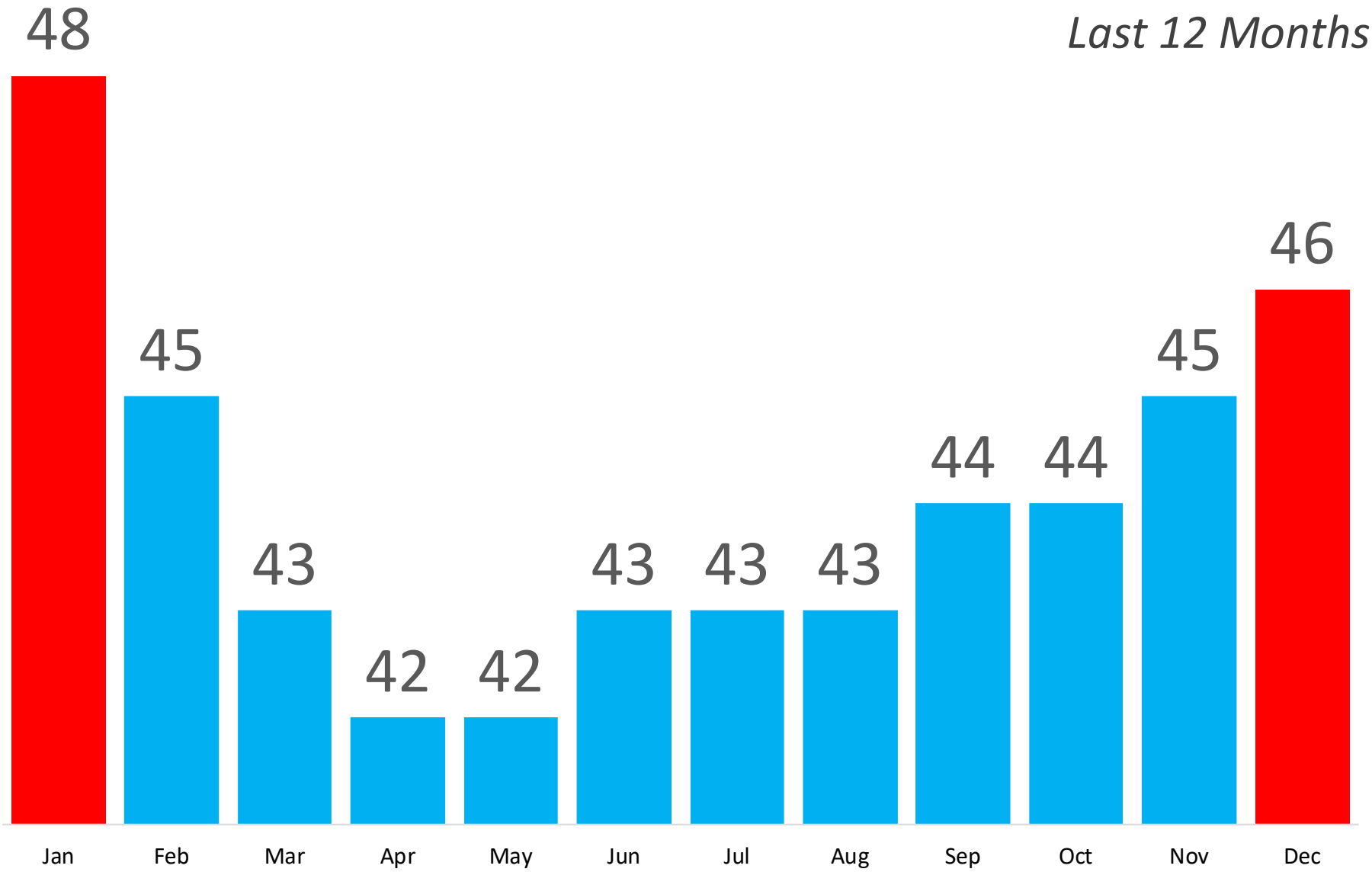


Historic Data for the **MORTGAGE CREDIT AVAILABILITY INDEX**

(a report from the Mortgage Bankers Association)

Average Days To Close A Loan

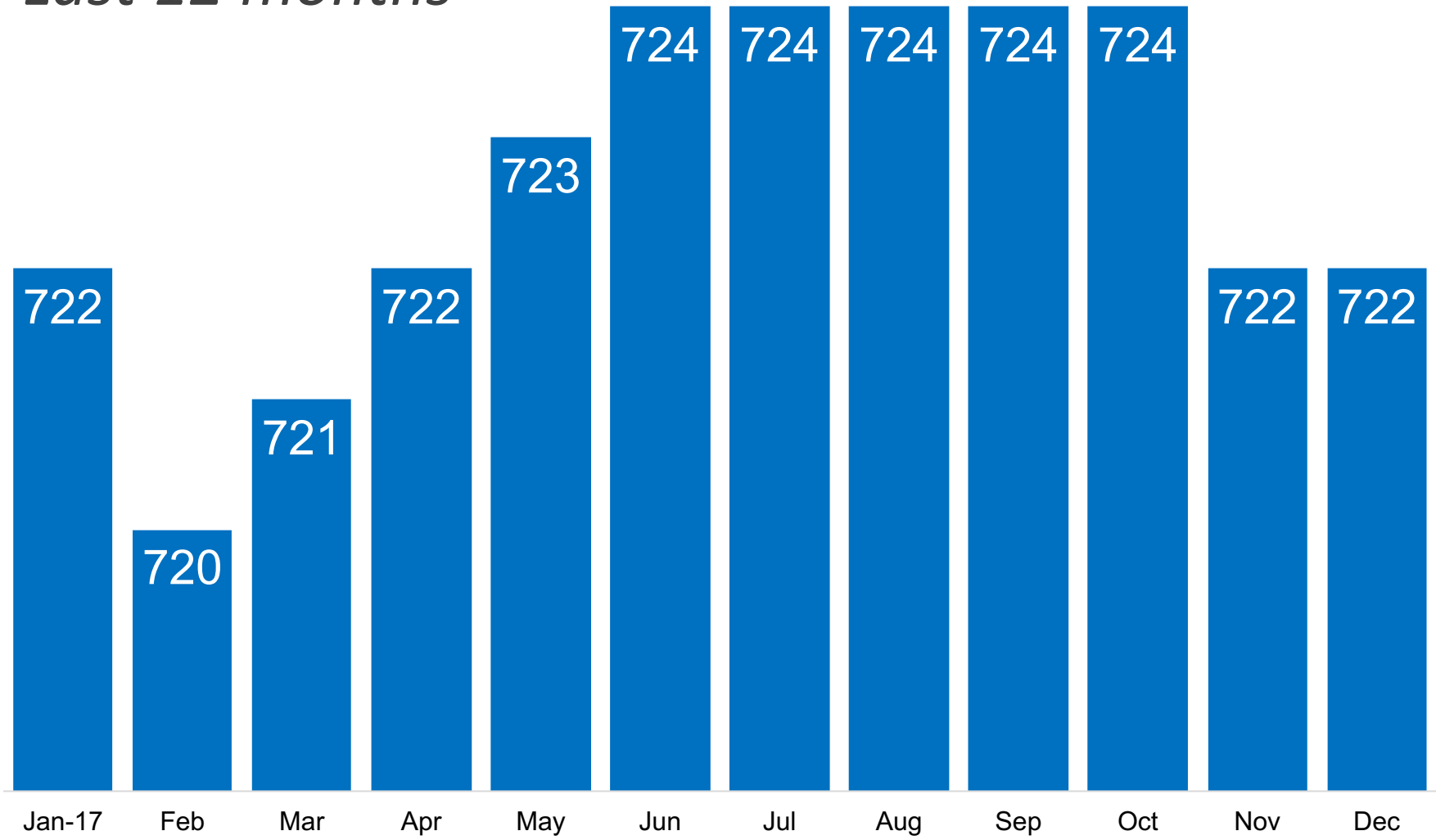
Last 12 Months



All Closed Loans as per Ellie Mae

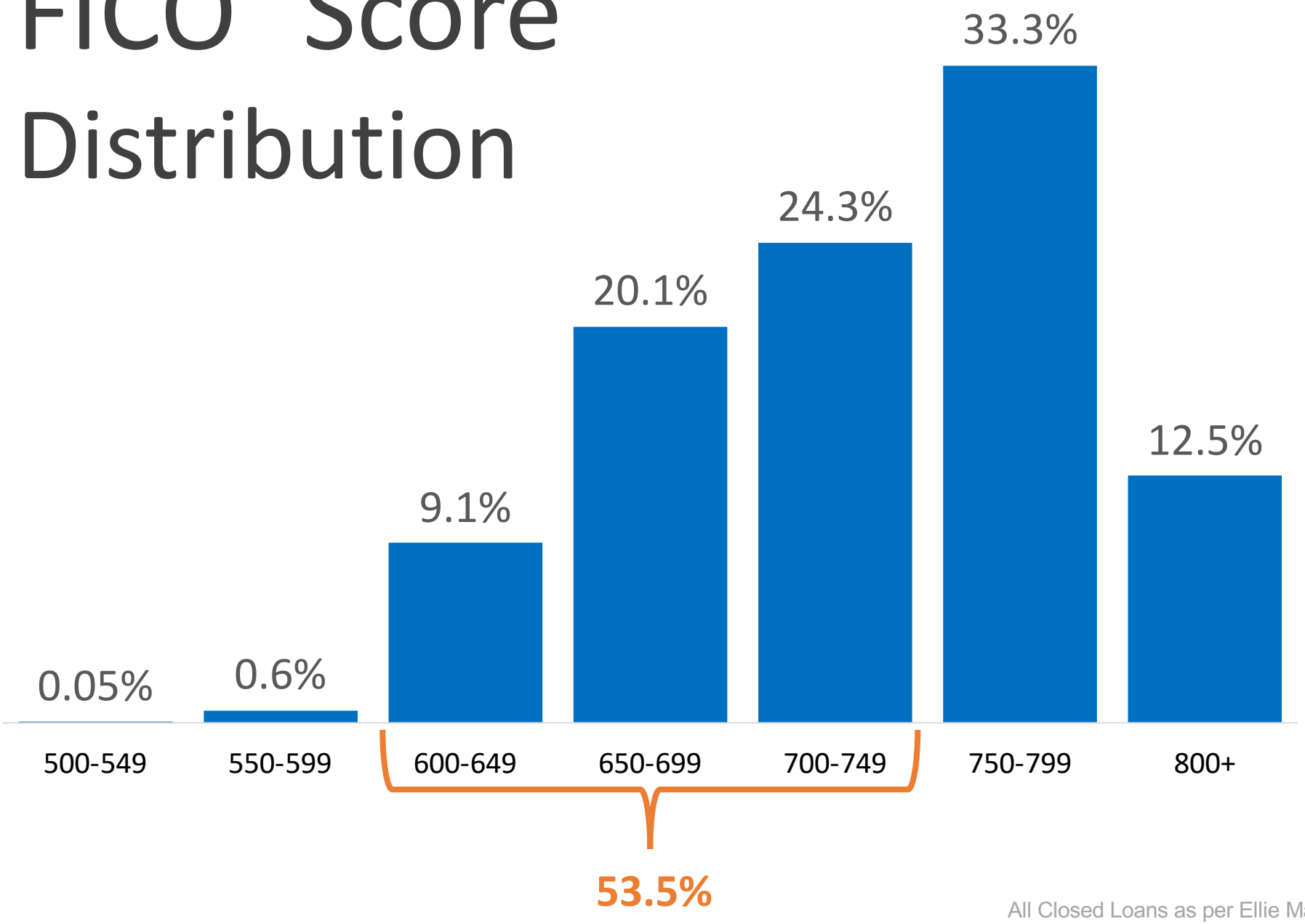
FICO® Score Requirements

Last 12 months



All Closed Loans as per Ellie Mae

FICO® Score Distribution

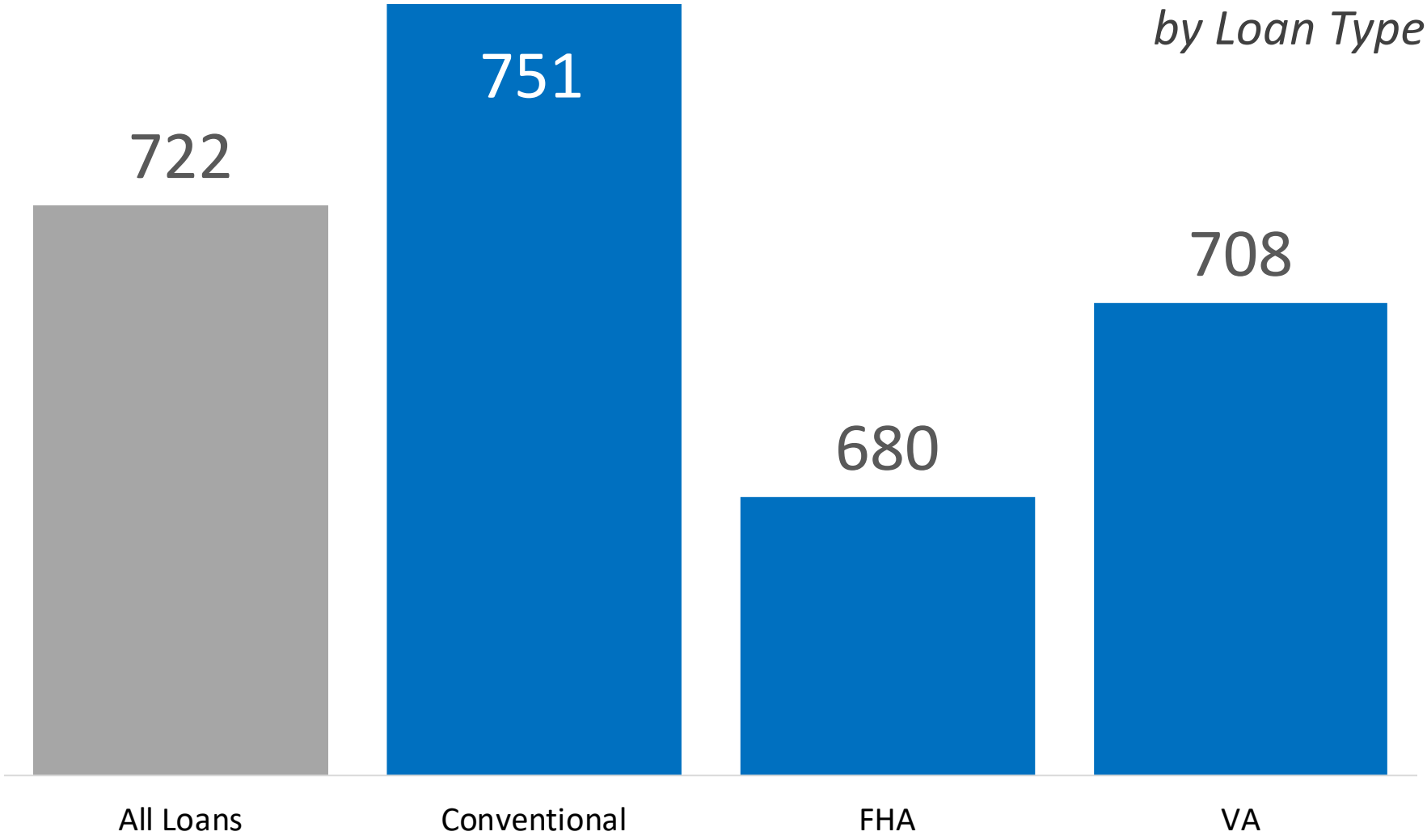


All Closed Loans as per Ellie Mae

Average FICO® Score

for Closed Purchase Loans

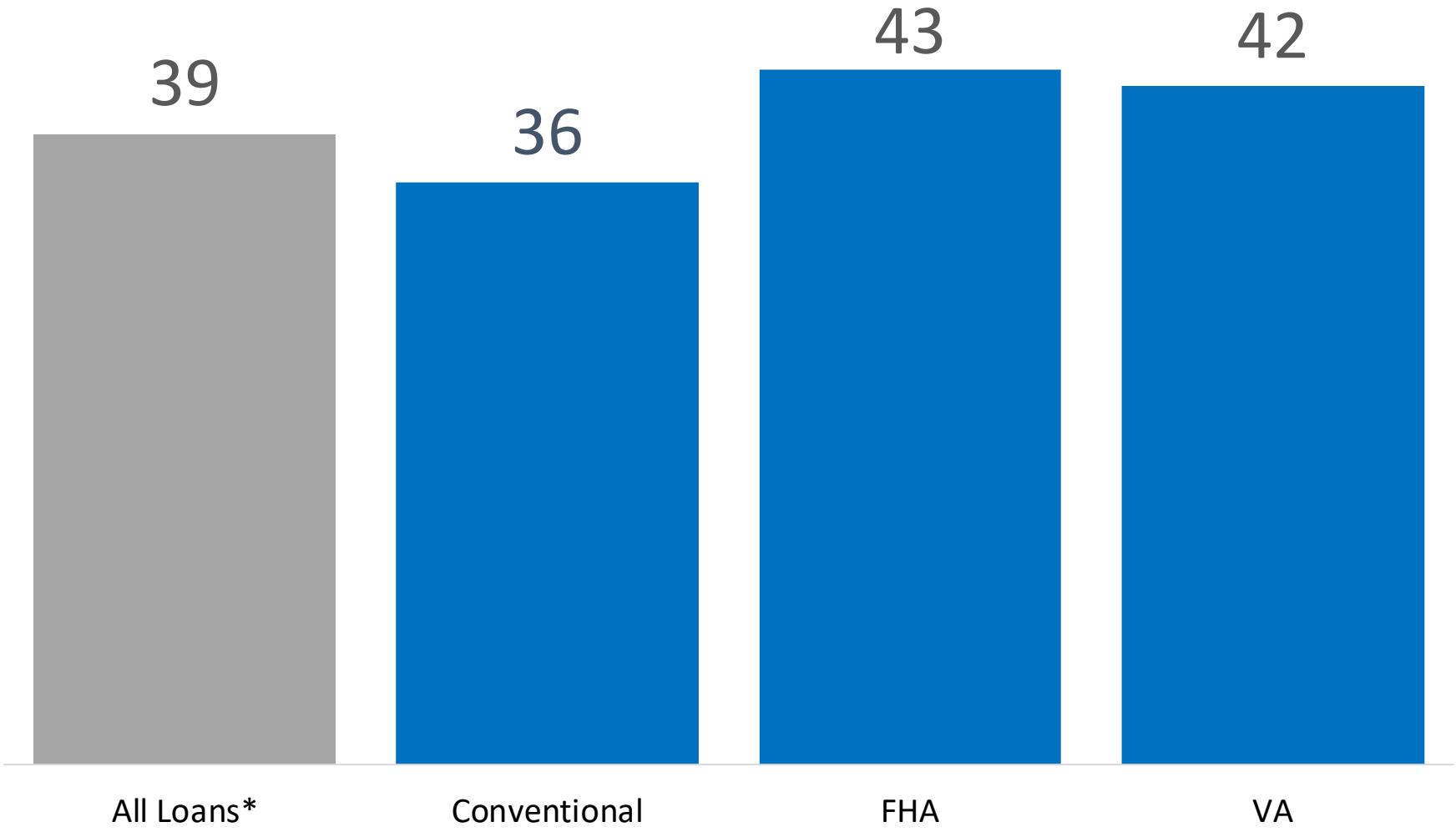
by Loan Type



All Closed Loans as per Ellie Mae

Average Back End DTI

for Closed Purchase Loans *by Loan Type*



All Closed Loans as per Ellie Mae

Resources

Slide	Slide Title	Link
4, 27	Lawrence Yun Quote	https://www.nar.realtor/newsroom/existing-home-sales-fade-in-december-2017-sales-up-11-percent
5	Wall Street Journal Quote (subscription required)	https://www.wsj.com/amp/articles/homeownership-rate-rises-in-2017-for-first-time-since-2004-1517334537 (
6, 8, 9	Homeownership Rate, Median Rents	https://www.census.gov/housing/hvs/files/currenthvspress.pdf
7	Rent Café Quote	https://www.rentcafe.com/blog/rental-market/market-snapshots/change-renter-vs-owner-population-2006-2016/
10	Peter Muoio Quote	http://www.foreclosurenewsreport.com/ (subscription required)
11, 62-65	Housing Supply	https://www.nar.realtor/topics/existing-home-sales
12	Change in Inventory	https://www.trulia.com/blog/trends/inventory-q42017/
13	Zillow Quote	http://zillow.mediaroom.com/2018-01-18-Inventory-Shortage-at-Crisis-Levels-in-Nations-Hottest-Housing-Markets
14, 59	Bill Banfield Quote, Appraisals	http://www.quickenloans.com/press-room/2018/01/09/end-of-2017-sees-homeowners-and-appraisers-more-in-agreeance-than-in-the-past-two-years/
16, 35	Fitch Report	https://www.fitchratings.com/site/re/914286 (registration required)
17, 19	Mark Fleming Quotes	http://blog.firstam.com/economics/the-affordability-crisis-that-isnt
18, 20	Typical Mortgage Payment, Andrew LePage Quote	http://www.corelogic.com/about-us/researchtrends/the-marketpulse-report.aspx
21,23,76,77	Interest Rate Projection	http://www.freddiemac.com/research/outlook/20180118_maintaining_momentum.html
22	Len Kiefer Quote	https://www.housingwire.com/articles/42316-freddie-mac-mortgage-rates-exceed-4-for-first-time-since-july
25	CoreLogic Appreciation	http://www.corelogic.com/about-us/researchtrends/corelogic-home-price-insights.aspx
26, 55-57	Case Shiller	http://us.spindices.com/indices/real-estate/sp-case-shiller-20-city-composite-home-price-index

Resources

Slide	Slide Title	Link
28	CoreLogic Price Changes	http://www.corelogic.com/about-us/researchtrends/corelogic-home-price-insights.aspx
29, 30	NAR Projected Price Changes	https://www.nar.realtor/research-and-statistics/tax-reform-impact-and-home-price-outlook
31, 34	Liu-Down Tweet	https://mobile.twitter.com/LiuEcon/status/956286171449053185
33	`Ralph DeFranco Quote	https://mi.archcapgroup.com/Portals/1/Documents/hammr/HaMMR_Winter2018.pdf
36	Average Home Price Declines	https://mi.archcapgroup.com/News-Resources/Housing-and-Mortgage-Market-Review
39, 61, 69	Average Days on Market, Buyer & Seller Traffic Maps	https://www.nar.realtor/reports/realtors-confidence-index
40-41, 51, 53-54	Existing Home Sales Report	http://nar.realtor/
42, 43, 47	Freddie Mac Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf http://nar.realtor/
44-46,	New Home Sales, Inventory	http://www.census.gov/construction/nrs/pdf/newressales.pdf
48-50	Pending Home Sales Report	http://nar.realtor/
58	CoreLogic Price Changes	http://www.corelogic.com/about-us/researchtrends/corelogic-home-price-insights.aspx
70-72	Foot Traffic	http://nar.realtor/
74	Freddie Mac Rates	http://www.freddiemac.com/pmms
75	Mortgage Rate Projections	http://www.freddiemac.com/research/outlook/20180118_maintaining_momentum.html http://www.fanniemae.com/resources/file/research/emma/pdf/Housing_Forecast_012218.pdf https://www.mba.org/Documents/Research/Mtg%20Fin%20Forecast%20Jan%202018.pdf https://www.nar.realtor/sites/default/files/documents/forecast-02-2018-us-economic-outlook-01-31-2018.pdf
79-80	Mortgage Credit Availability	https://www.mba.org/news-research-and-resources/research-and-economics/single-family-research/mortgage-credit-availability-index
81-85	Ellie Mae Report	https://static.elliemae.com/pdf/origination-insight-reports/Ellie_Mae_OIR_DECEMBER2017.pdf

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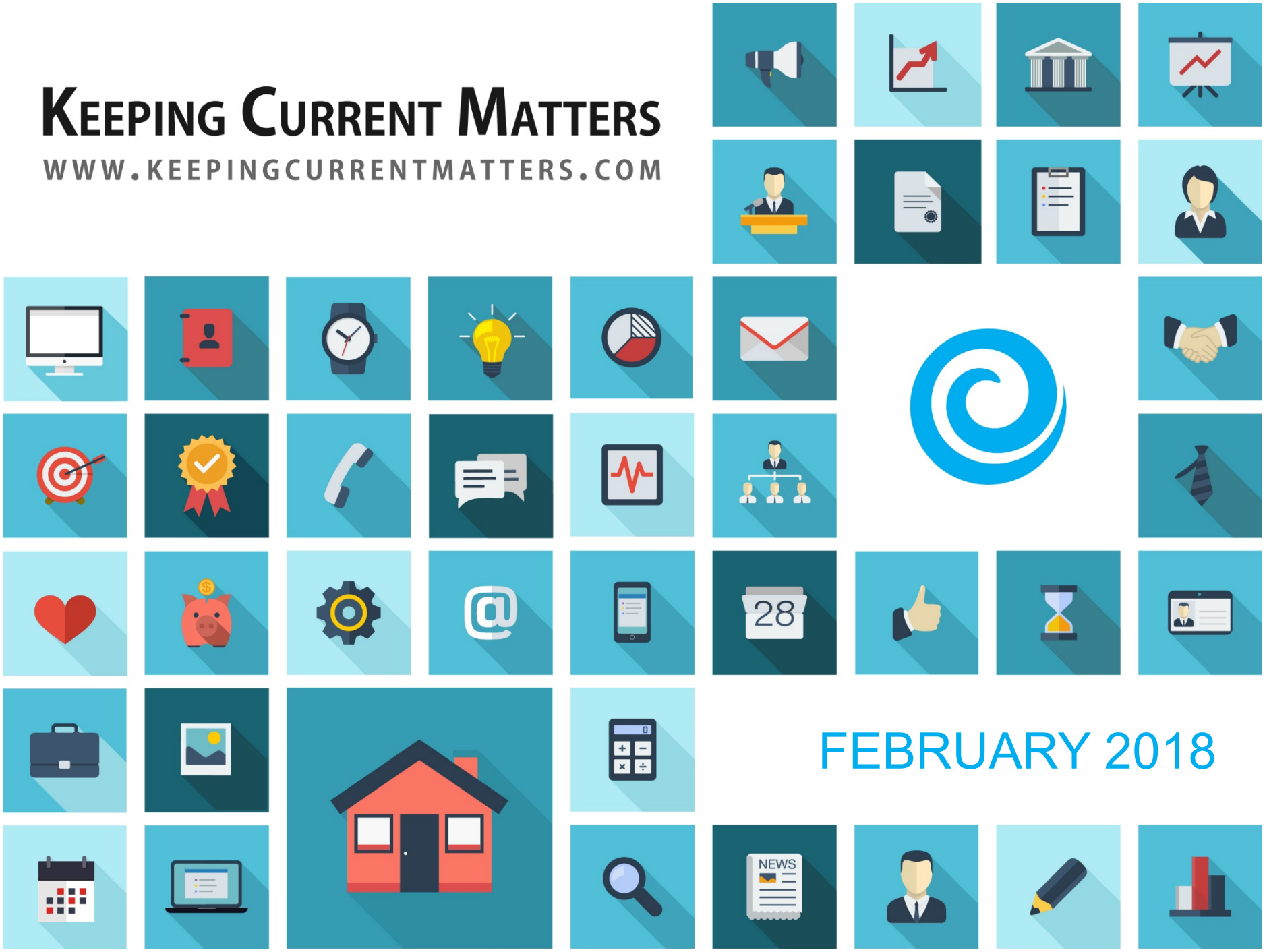

FEBRUARY 2018