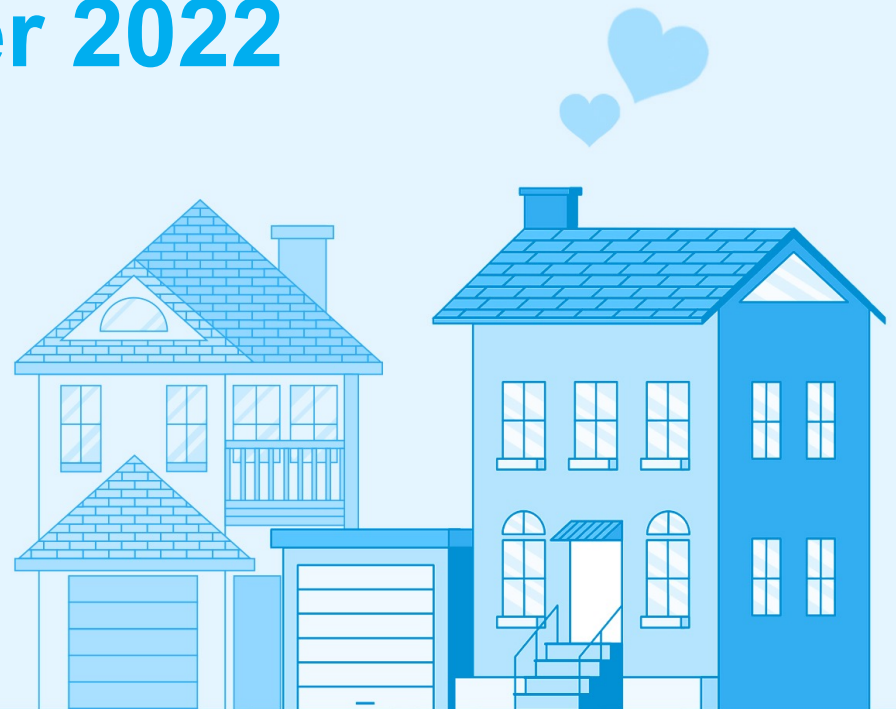


KEEPING CURRENT MATTERS

October 2022





When the **economic uncertainty** dust settles, those buyers and sellers who were on the sideline will jump back in the housing game. Demographic trends support elevated purchase demand in the years to come, so it's a question of when, not if, for the housing market.

- **Mark Fleming**, Chief Economist, First American

...fiscal fantas... credit rating will fall Shock Economy: Fears of a new recession are rising
...brink Uncertainty certain Another loss And now, a downgrade? Recession fears
...om Look out below What happened? downgrade debt
...ebt deal FALLING Stock market falls Now what? Drop-off
...ebt deal failure U.S. credit rating lowered Average investors suffering
...fall Debt disaster Street takes a plunge debt Mark
...est sea of red in plung

IN TIMES OF UNCERTAINTY
PEOPLE FOLLOW THE CERTAIN

...ebt DOW SUFFERS STEEP DROP with it ever
...sink WORST ONE-DAY POINT DECLINE SINCE 2008 IN BUSINESS Market decline far cry from being over
...Roller More grief uncertainty Big banks vow no '08 repeat
...coaster Market Markets: Fears financial meltdown Apprehensions de
...is anywhere Economy taking toll Debt Economic distress De

Will Mortgage Rates Keep Rising?



FINANCE · HOUSING

The U.S. housing market stares down an even bigger economic shock—mortgage rates near 7%

BY LANCE LAMBERT

September 26, 2022 at 5:29 PM EDT

Mortgage rates reach highest level since 2008



By [Anna Bahney](#), CNN Business

Published 10:24 AM EDT, Thu September 8, 2022

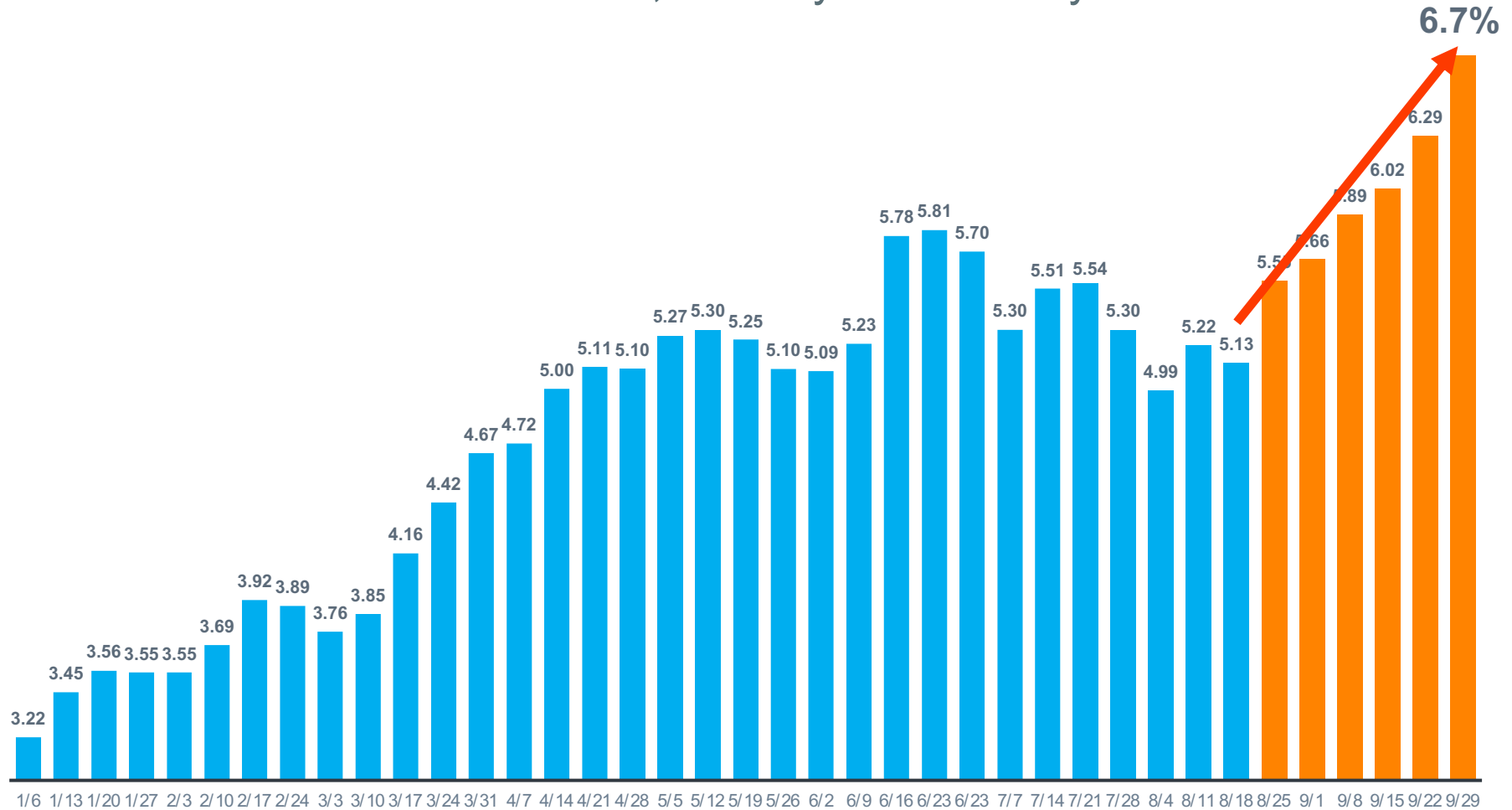
THE EXCHANGE

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30-year fixed-rate mortgage jumps over 7 percent

Mortgage Rates Rise for the 6th Consecutive Week

Freddie Mac 30-Year Fixed Rate, January 2022–Today



Source: Freddie Mac

Mortgage Rates Rise for the 6th Consecutive Week

September 29, 2022

Sam Khater, Chief Economist, *Freddie Mac*:

The uncertainty and volatility in financial markets is heavily impacting mortgage rates. Our survey indicates that the range of weekly rate quotes for the 30-year fixed-rate mortgage has more than doubled over the last year.

Primary Mortgage Market Survey®					
U.S. Weekly Averages As Of 09/29//2022					
30-Yr FRM		15-Yr FRM		5/1-Yr ARM	
6.70%	^0.41 1-Wk	5.96%	^0.52 1-Wk	5.30%	^0.33 1-Wk
	^3.69 1-yr		^3.68 1-yr		^2.82 1-yr
0.9 Fees/Points		1.3 Fees/Points		0.4 Fees/Points	



The aim of Fed tightening is to curtail demand in an effort to tame inflation, & when it comes to the housing market, the Fed's actions are working.

Home sales, both new and existing, are falling, builders have cut back production in response to rapidly declining affordability . . . and annual house price growth has slowed from the peak of nearly 21% in March of this year to 16.7% in July.

- **Odeta Kushi**, Deputy Chief Economist, First American



While even two months ago rates above 7% may have seemed unthinkable, at the current pace, we can expect rates to surpass that level in the next three months.

- **George Ratiu**, Senior Economist, [realtor.com](https://www.realtor.com)



There is no doubt that the increasing mortgage rate will make homebuying even more challenging, . . . **buyers may still find opportunities, as these changes coincide with the time of the year when buyers have historically found the best market conditions to obtain more bargaining power.**

- Jiayi Xu, Economist, realtor.com



While mortgage rates are expected to continue to drift higher over the coming months, **much of the rapid increase in rates is likely behind us. . . .** Nationally, while month-over-month house prices may decline, **annual house price declines are not expected**, given the ongoing supply-demand imbalance and continued strength in the labor market.

- **Mark Fleming**, Chief Economist, First American

What's Ahead for Home Prices?



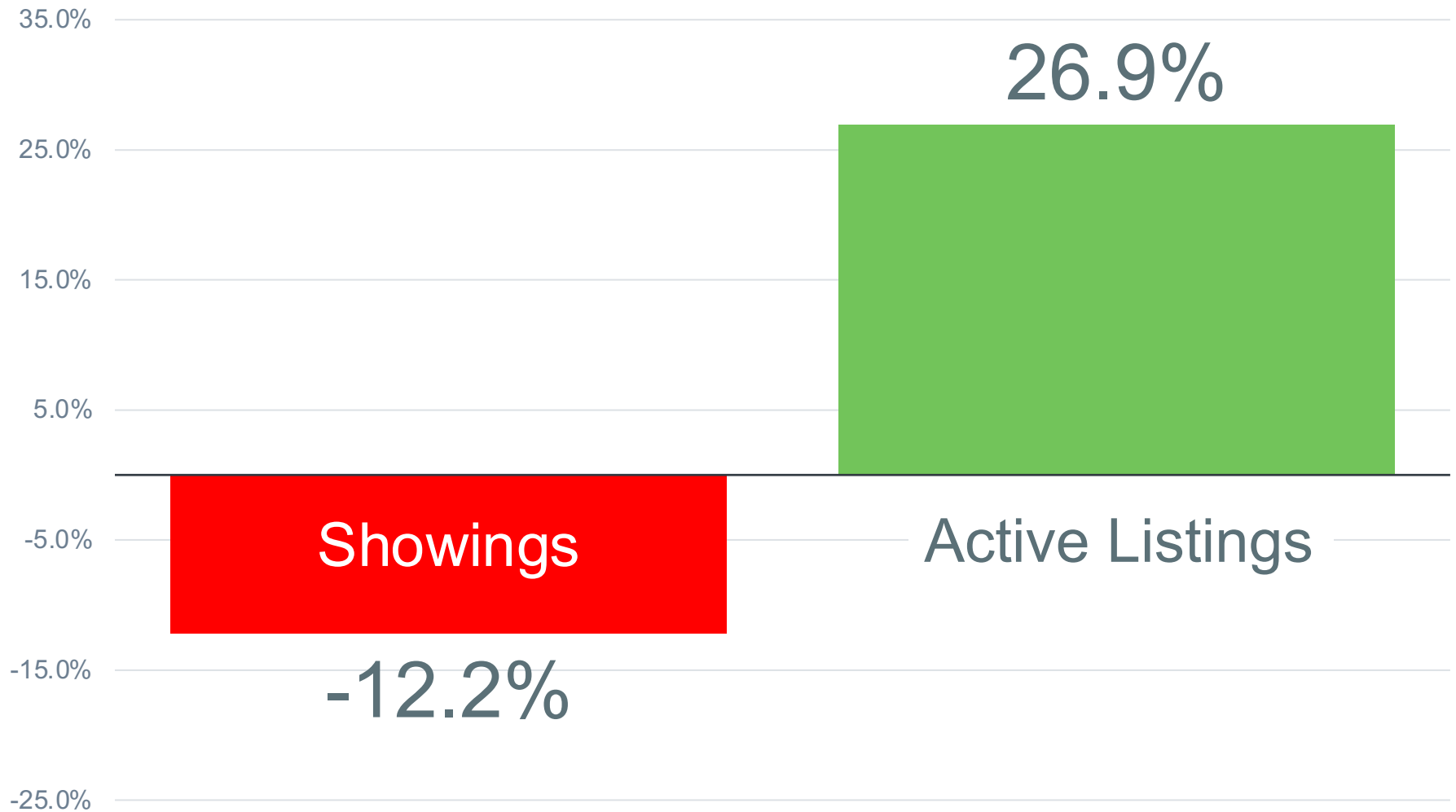


The root issue of what drives house prices almost always is **supply and demand . . .**

- David Ramsey, Personal Finance Personality

Supply & Demand Ratio Changing Quickly

Year-Over-Year Comparisons



**What Are Experts
Saying Right Now?**



Ivy Zelman projects U.S. house prices will fall 4% in 2023, and then another 5% decline in 2024.

- Ivy Zelman, CEO, Zelman & Associates



Not surprisingly, deals are not getting done, with sales of new and existing homes declining for over half a year. Given that demand is cooling due to high borrowing costs, incomes falling behind inflation and the still-limited supply pipeline, **it is becoming increasingly clear that prices have to decline to restore market liquidity and balance.**

- **George Ratiu**, Senior Economist, [realtor.com](https://www.realtor.com)



While the markets considered overvalued may need to adjust to the not-so-new reality of higher mortgage rates, **housing market fundamentals still support a moderation of annualized house price appreciation rather than a sharp decline.**

- **Mark Fleming**, Chief Economist, First American



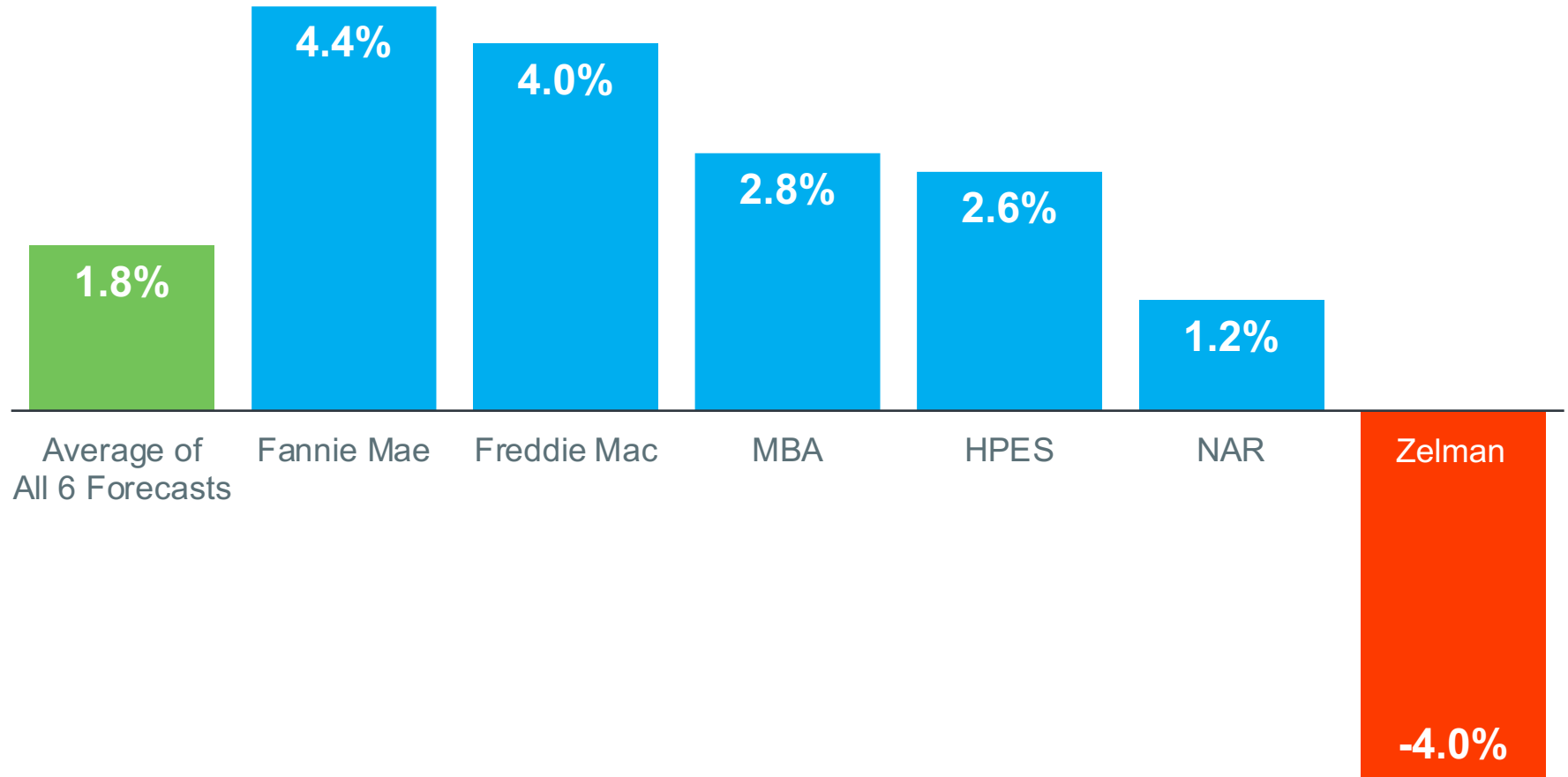
We're not at risk of a collapse today in the financial system like we were before. It's true - housing may be a little frothy. So housing prices may come down or they may plateau but not to the extent it happened.

- John Paulson,
Billionaire Hedge Fund Manager Who Called 2008 Crash

2023 Home Price Forecast

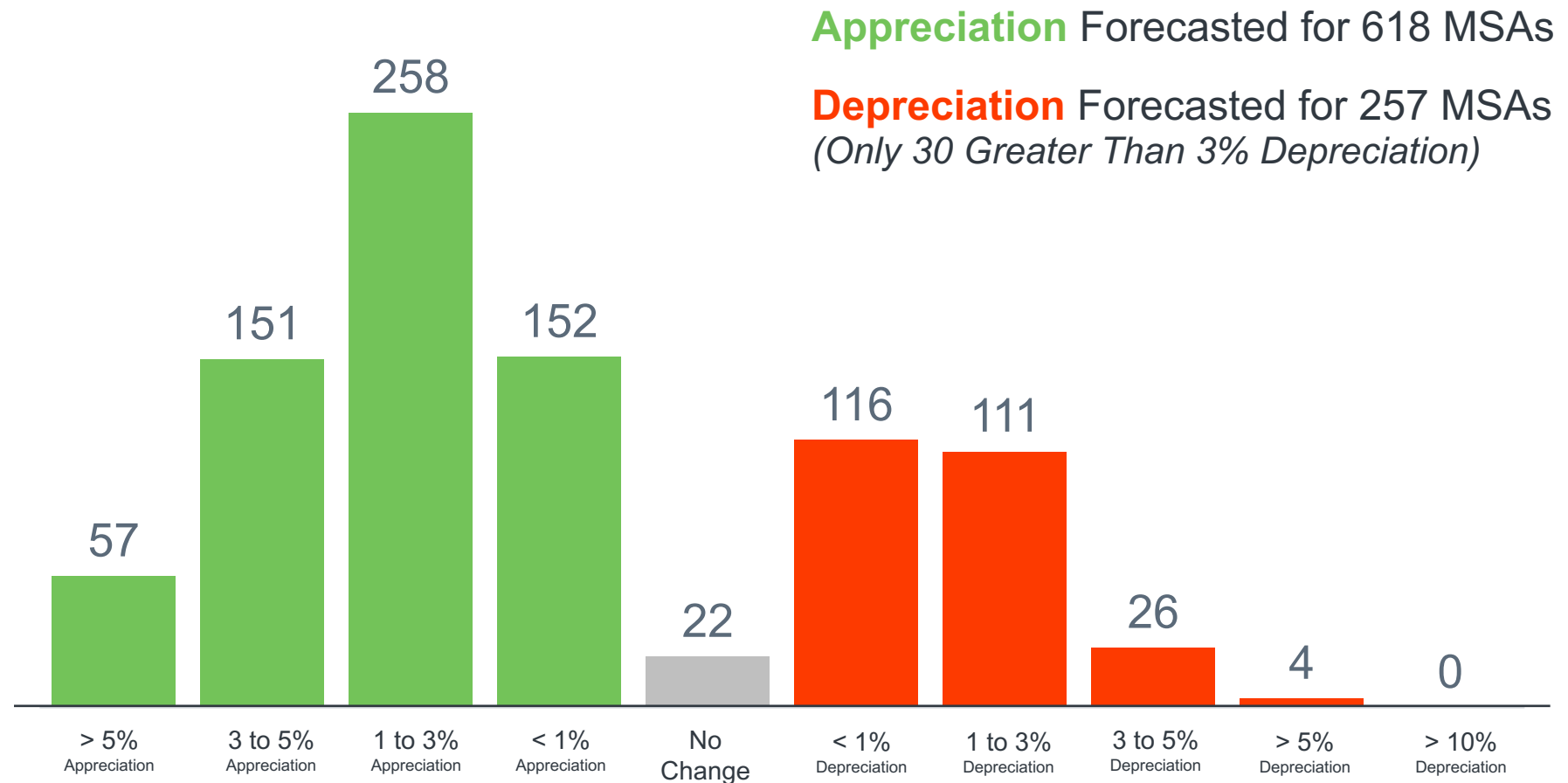
Home Price Forecasts for 2023

Latest Forecasts from Each Entity



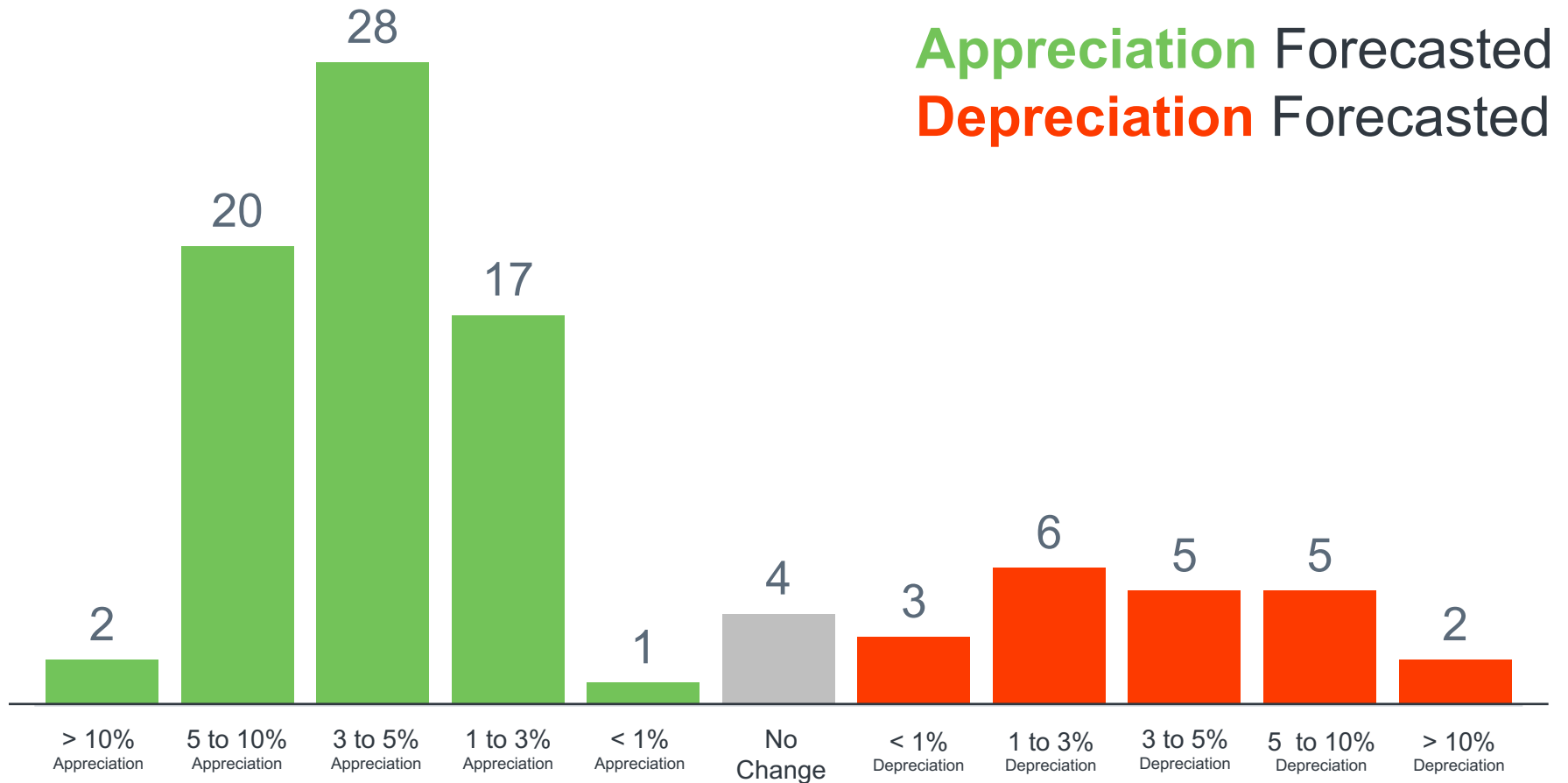
Appreciation/Depreciation Forecast 8/2023

Number of MSAs Forecast for Levels of Price Change



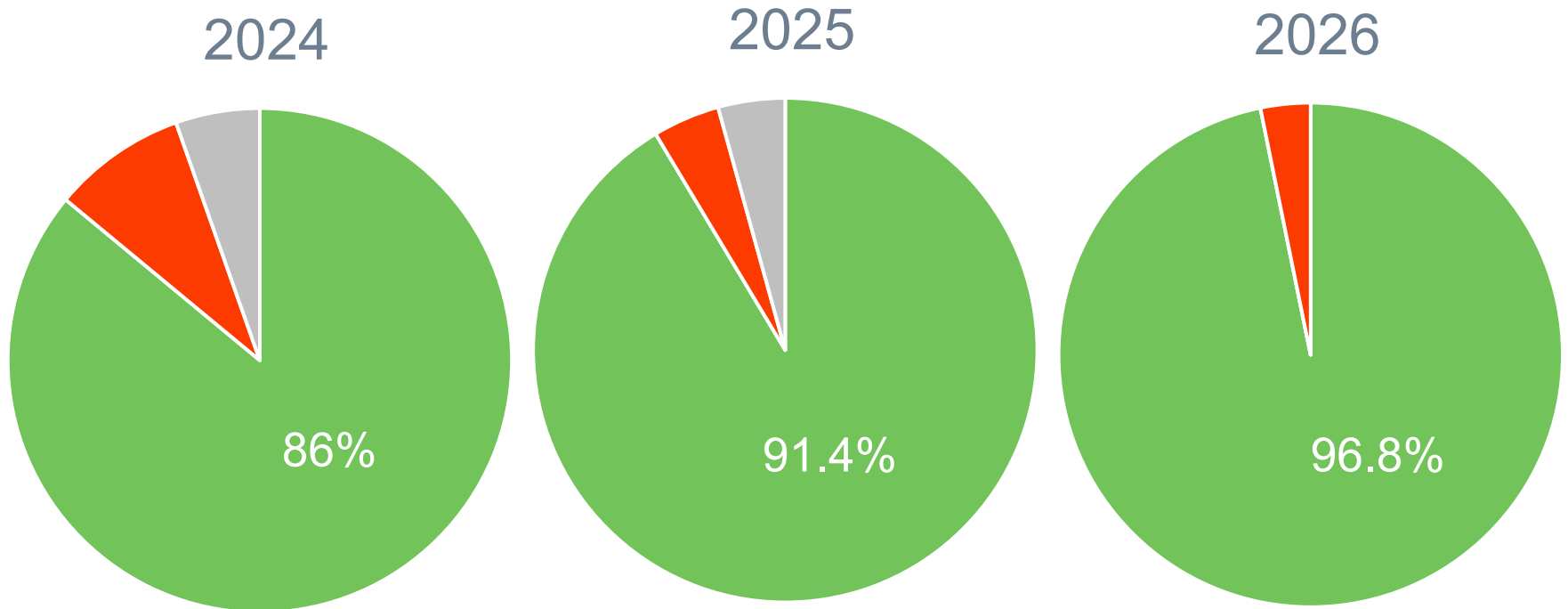
Appreciation/Depreciation Forecast 2023

Number of Analysts Forecasting Levels of Price Change



Forecasts 2024 Through 2026

Percent of Analysts Forecasting Appreciation or Depreciation



Appreciation Forecasted **Depreciation** Forecasted **No Change** Forecasted

What's your story?



Why Equity Is the Shining Star of the Housing Market





U.S. households own \$41 trillion in owner-occupied real estate, just over \$12 trillion in debt, and the remaining ~\$29 trillion in equity. The national "LTV" in Q2 2022 was 29.5%, the lowest since 1983. . . . **Homeowners had an average of \$320,000 in inflation-adjusted equity in their homes in Q2 2022, an all-time high.**

- **Odetta Kushi**, Deputy Chief Economist, First American

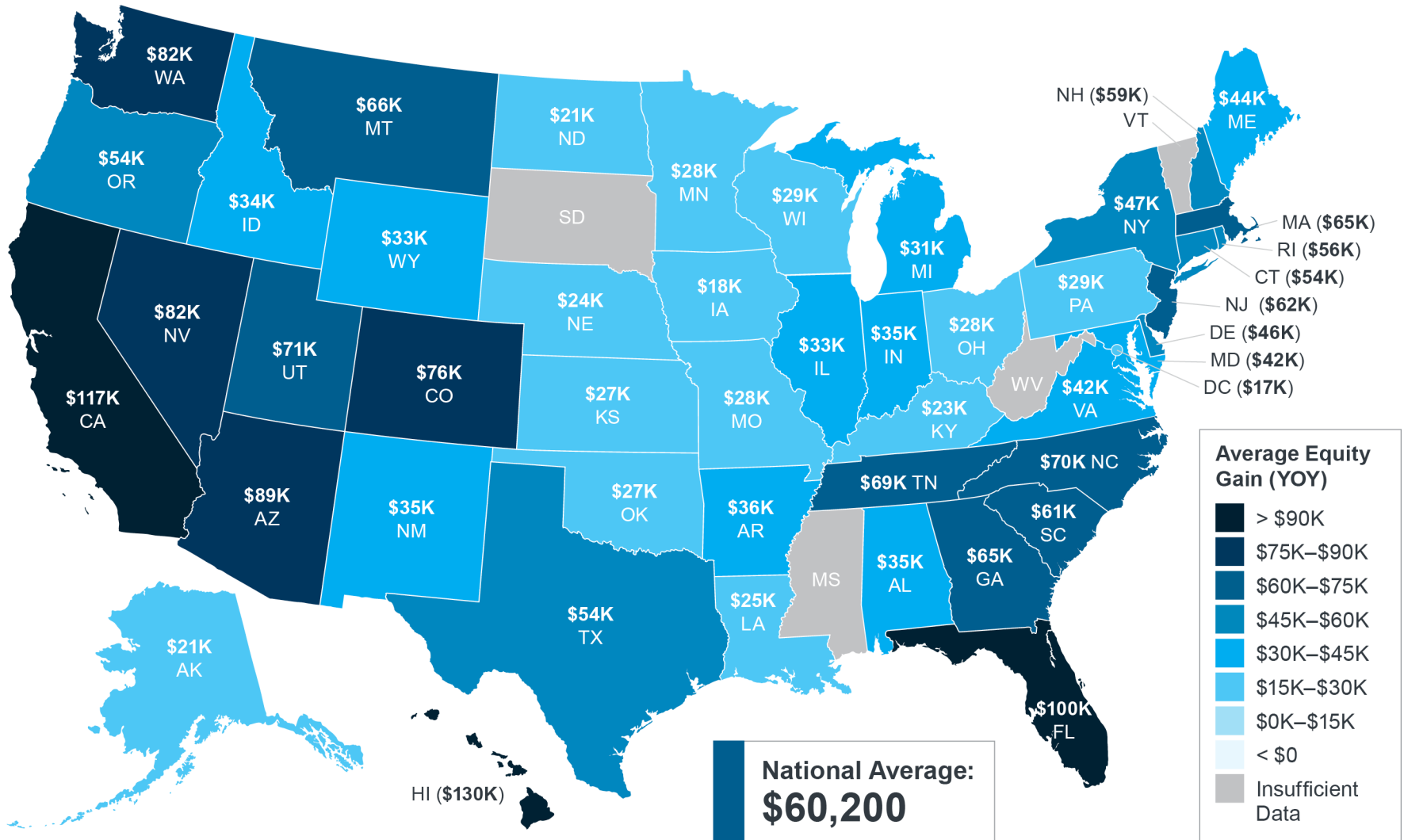


For many households, home equity is the only source of wealth creation. **As a result, recent record gains in equity and record declines in loan-to-value ratios will provide many owners with a financial buffer in case economic conditions worsen.** In addition, record equity continues to provide fuel for housing demand, particularly if households are relocating to more affordable areas.

- **Selma Hepp**,
Interim Lead of the Office of the Chief Economist, CoreLogic

Homeowner Equity Gains

Year-Over-Year, Q2 2022



CoreLogic 2022 Q2 Home Equity Report

\$60.2K

Average equity gain
for U.S. homeowners
with mortgages

27.8%

Year-Over-Year percentage
increase in equity for U.S.
homeowners with mortgages

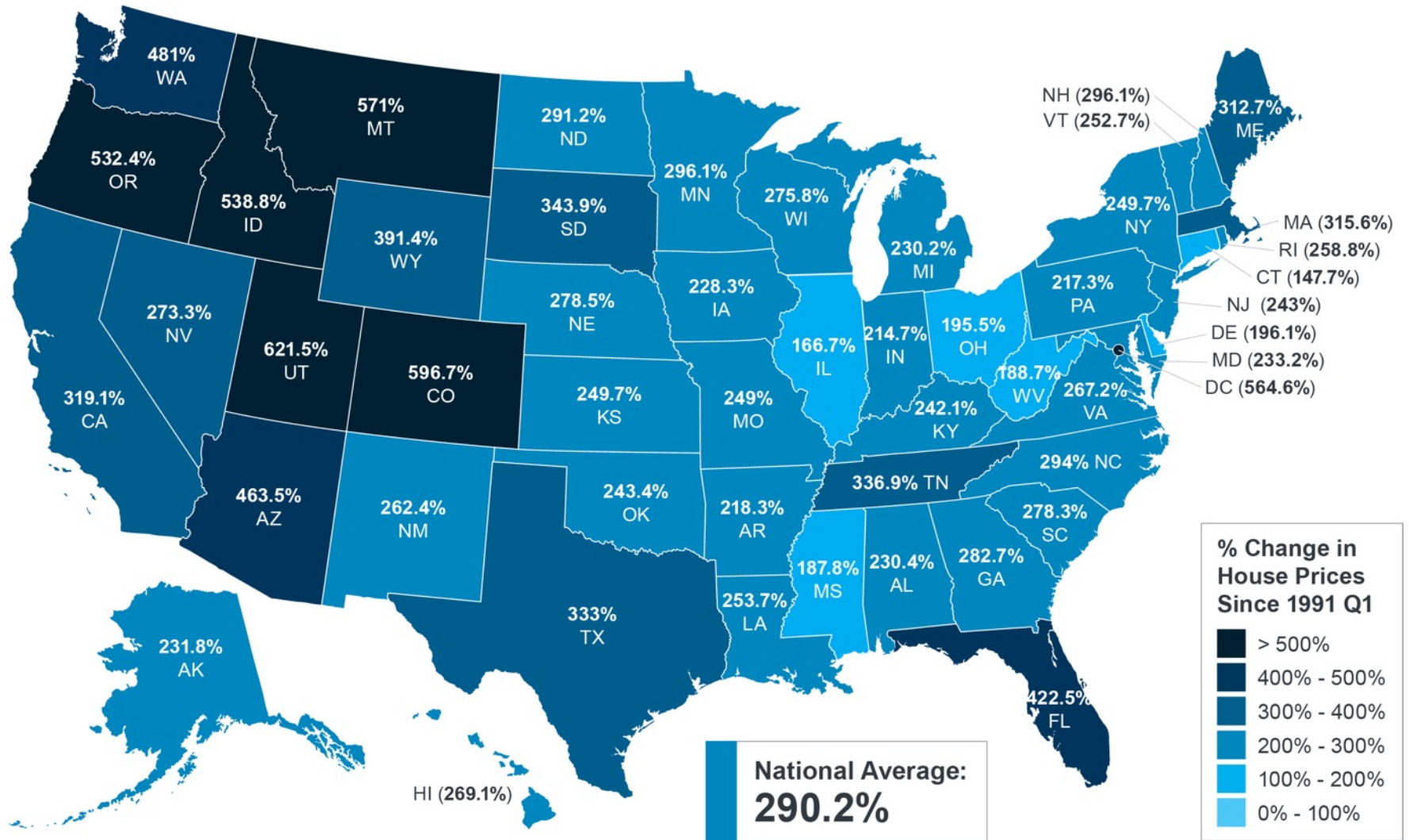
\$3.6T

Year-Over-Year total
increase in equity for U.S.
homeowners with mortgages

*“The total average equity per borrower has now reached almost **\$300,000**, the highest in the data series.”*

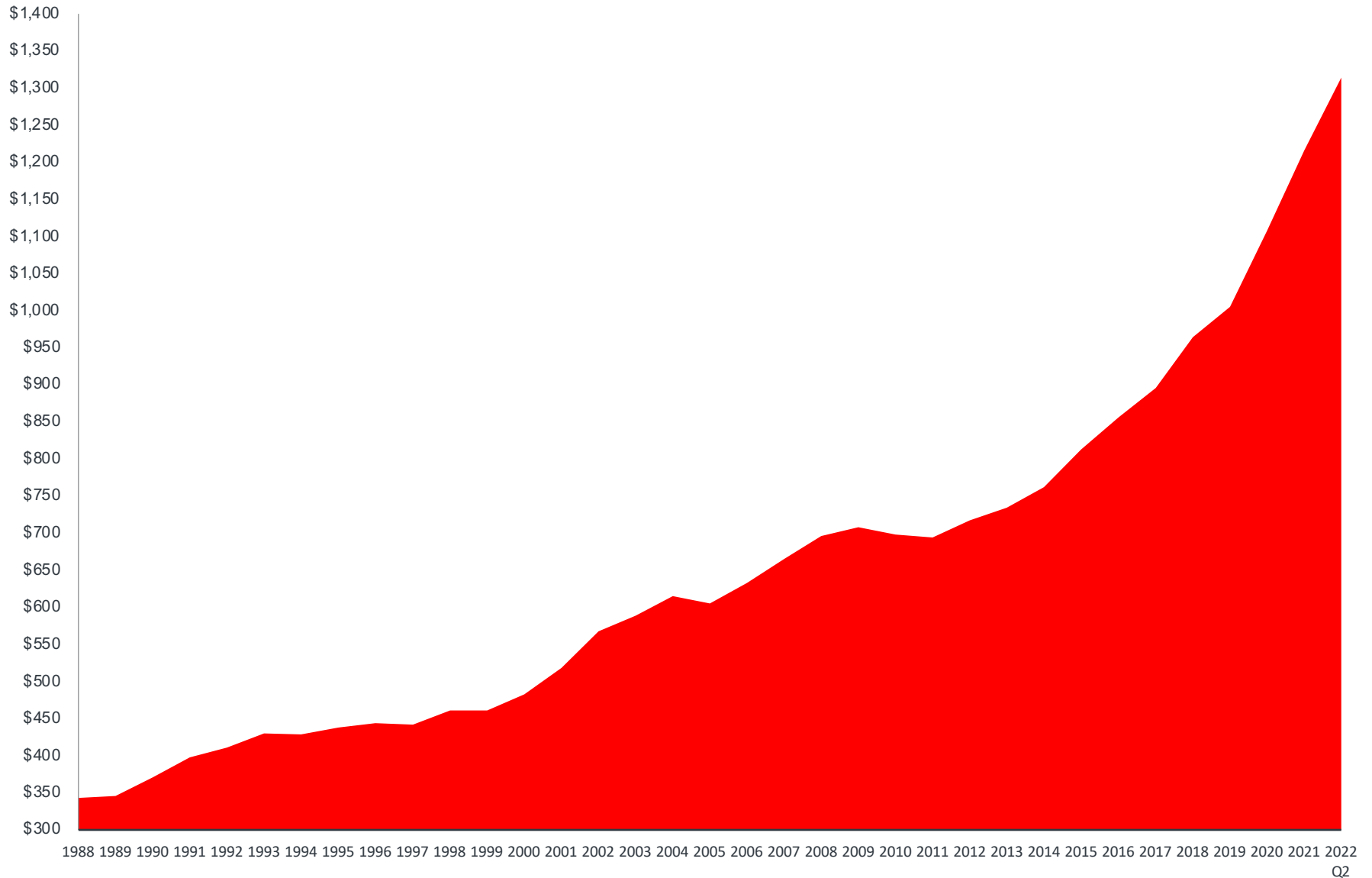
Percent Change in Home Prices

Since Q1 1991, Q2 2022



Source: FHFA

Median Asking Rent Since 1988



Source: Census

Homeownership Changes Lives



Security & Stability



Privacy



**Personalization &
Home Improvements**



Health Benefits



Financial Education



Civic Participation

Resources

Slide(s)	Description	Link(s)
2	Fleming Quote, Economic Uncertainty	https://blog.firstam.com/economics/author/mark-fleming
5	Headlines	https://twitter.com/awealthofcs/status/1574742023965446144 https://fortune.com/2022/09/26/housing-market-real-estate-prices-interest-mortgage-rate-highest-since-2002/ https://www.cnbc.com/video/2022/09/27/30-year-fixed-rate-mortgage-jumps-over-7-percent.html?&qsearchterm=mortgage%20rates https://www.cnn.com/2022/09/08/homes/mortgage-rates-september-8/index.html
6	Mortgage Rates Graph	https://freddiemac.gcs-web.com/node/25916/pdf http://www.freddiemac.com/pmms/
7	Khater Quote	https://freddiemac.gcs-web.com/node/25961/pdf
8	Kushi Quote, Housing Market	https://twitter.com/odetakushi/status/1572651388135669760 https://twitter.com/odetakushi/status/1572651390090248192

Resources

Slide(s)	Description	Link(s)
9	Ratiu Quote, Rates	https://www.cnn.com/2022/09/29/homes/mortgage-rates-september-29/index.html
10	Xu Quote	https://www.realtor.com/news/trends/column-homebuyers-have-hard-the-bad-news-heres-the-good/
11	Fleming Quote, Forecasting	https://www.firstam.com/news/2022/overvalued-markets-increasing-20220927.html
13	Ramsey Quote	https://www.youtube.com/watch?v=NDDwGqTVAdU
14	Supply & Demand Graph	https://www.showingtime.com/blog/august-2022-showing-index-results/ https://news.move.com/2022-09-29-Realtor-com-R-September-Housing-Report-Fall-Home-Shoppers-Find-More-Options-Amid-Still-High-Listing-Prices
16	Zelman Quote	https://macrohive.libsyn.com/ivy-zelman-on-the-coming-us-housing-crisis
17	Ratiu Quote, Prices	https://themreport.com/daily-dose/09-27-2022/cost-homeownership-prohibitively-high

Resources

Slide(s)	Description	Link(s)
18	Fleming Quote, Housing Market	https://blog.firstam.com/economics/where-is-housing-overvalued
19	Paulson Quote	https://twitter.com/NickTimiraos/status/1574458786214948865
21	Price Forecasts Graph	https://www.fanniemae.com/media/44466/display https://www.freddiemac.com/research/forecast/20220720-quarterly-forecast-market-slowdown-will-continue-high-rates-and-prices-exacerbate https://cdn.nar.realtor/sites/default/files/documents/forecast-q4-2022-us-economic-outlook-09-28-2022.pdf https://pulsenomics.com/surveys/#home-price-expectations https://www.zelmanassociates.com/ (subscription required) https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-sep-2022.pdf
22	Appreciation/Depreciation Forecast Graph, MSA	https://www.zillow.com/research/data/
23, 24	Appreciation/Depreciation Forecast Graphs	https://pulsenomics.com/surveys/#home-price-expectations

Resources

Slide(s)	Description	Link(s)
27	Kushi Quote, Equity	https://twitter.com/odetakushi/status/1569338892830265344 https://twitter.com/odetakushi/status/1569338906604359685
28-30	Home Equity Report	https://www.corelogic.com/intelligence/homeowner-equity-insights/
31	Change in Home Prices Since 1991 Map	https://www.fhfa.gov/DataTools/Tools/Pages/House-Price-Index-(HPI).aspx
32	Median Asking Rent Graph	http://www.census.gov/housing/hvs/files/currenthvspress.pdf
33	Homeownership Changes Lives	https://contentimages.prod.unison.com/images/press/2021-Unison-SOTAH-Report.pdf https://www.fortunebuilders.com/benefits-of-homeownership/



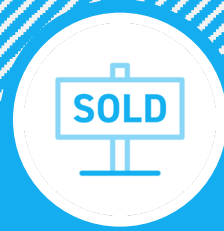
Updates

Resources

Slide(s)	Description	Link(s)
42	Confidence Index	https://www.nar.realtor/research-and-statistics/research-reports/realtors-confidence-index
43-45, 53, 55, 56, 62-67	Existing Home Sales	https://www.nar.realtor/topics/existing-home-sales
46-49	New Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf http://www.census.gov/newhomesales
50	Total Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf https://www.nar.realtor/topics/existing-home-sales
51, 52	Pending Home Sales	https://www.nar.realtor/research-and-statistics/housing-statistics/pending-home-sales
57-59	Case Shiller	https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-20-city-composite-home-price-nsa-index/#news-research
60	CoreLogic Price Forecast	https://www.corelogic.com/intelligence/u-s-home-price-insights/
62-69	Inventory	https://www.nar.realtor/topics/existing-home-sales http://www.census.gov/construction/nrs/pdf/newressales.pdf

Resources

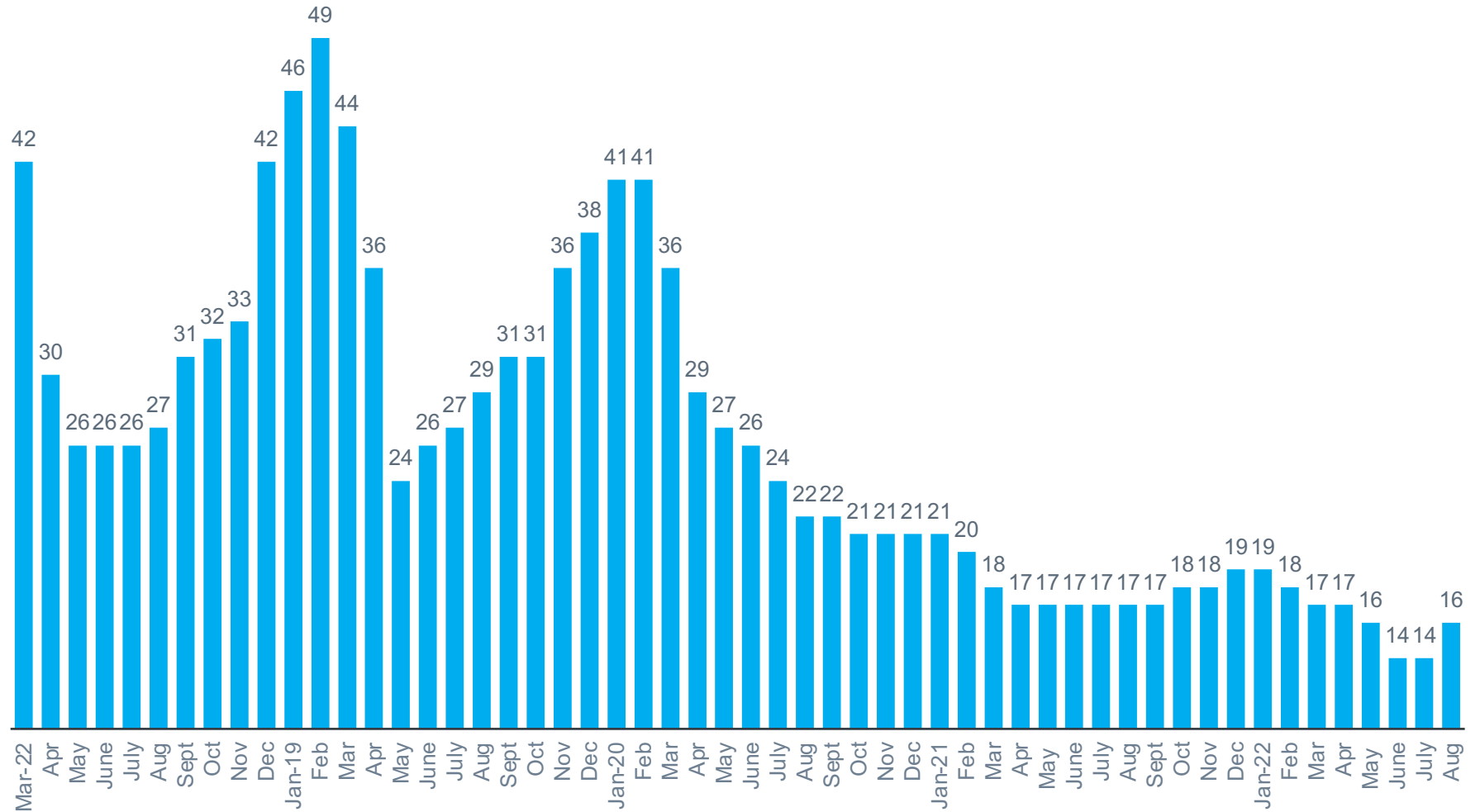
Slide(s)	Description	Link(s)
71	Showing Activity	https://www.showingtime.com/blog/august-2022-showing-index-results/
73, 74, 76, 77	Mortgage Rates	http://www.freddiemac.com/pmms/pmms_archives.html http://www.freddiemac.com/research/forecast/
75	Mortgage Rate Projections	http://www.freddiemac.com/research/forecast/ http://www.fanniemae.com/portal/research-insights/forecast.html https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary https://www.nar.realtor/research-and-statistics
79, 80	Mortgage Credit Availability	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/news-research-and-resources/research-and-economics/single-family-research/mortgage-credit-availability-index



Home Sales

Average Days on the Market

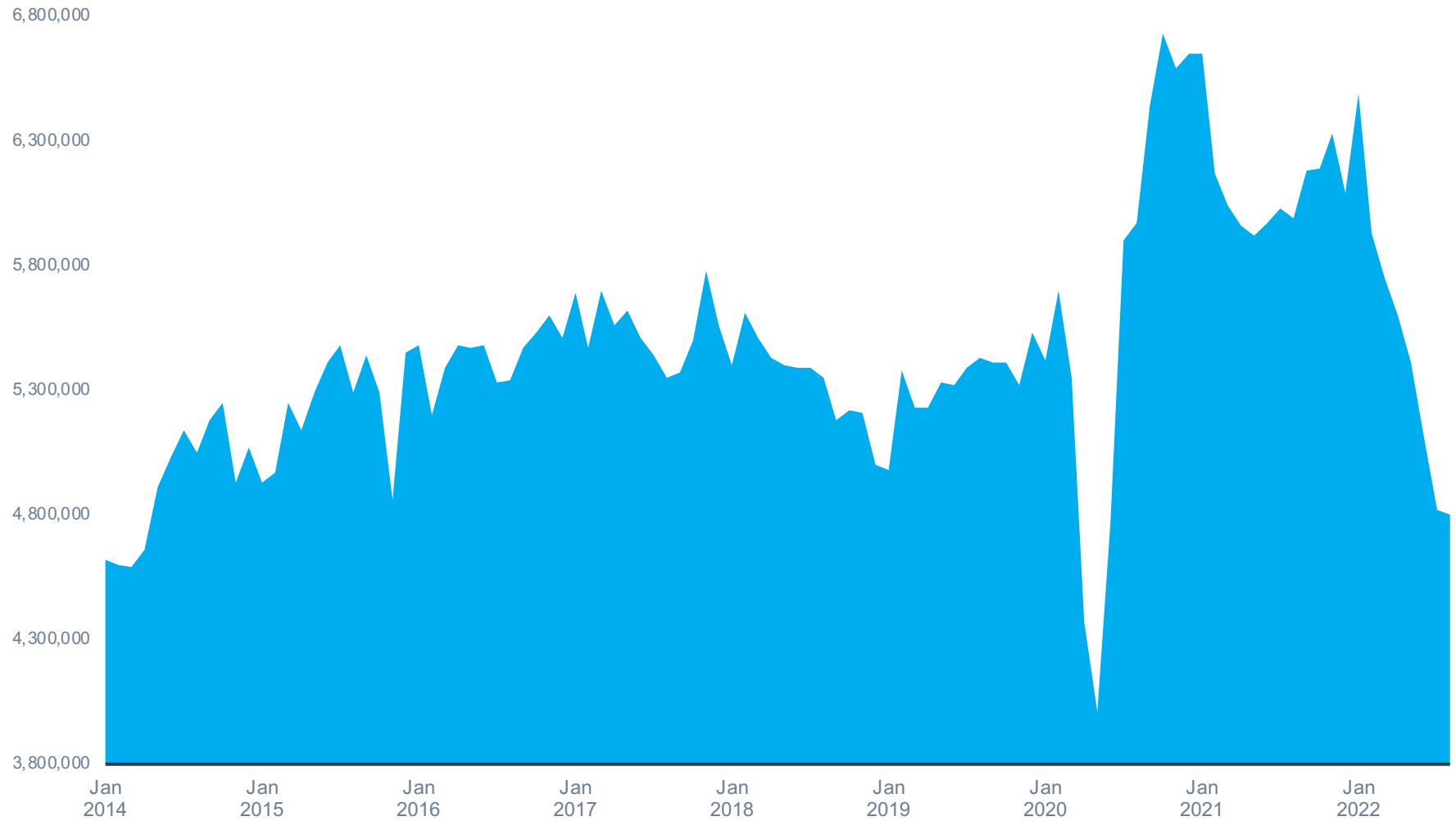
August 2022



Source: NAR

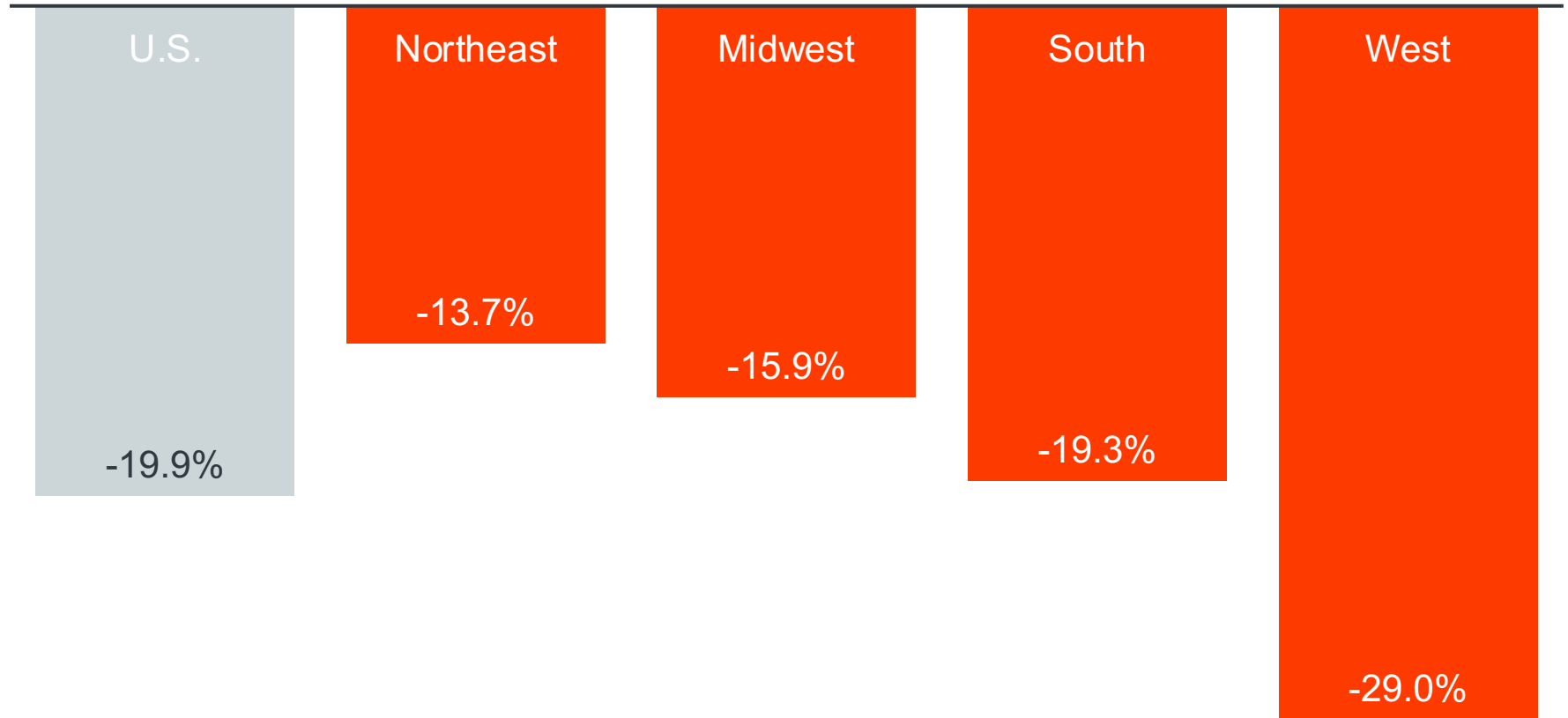
Existing Home Sales

Since January 2014



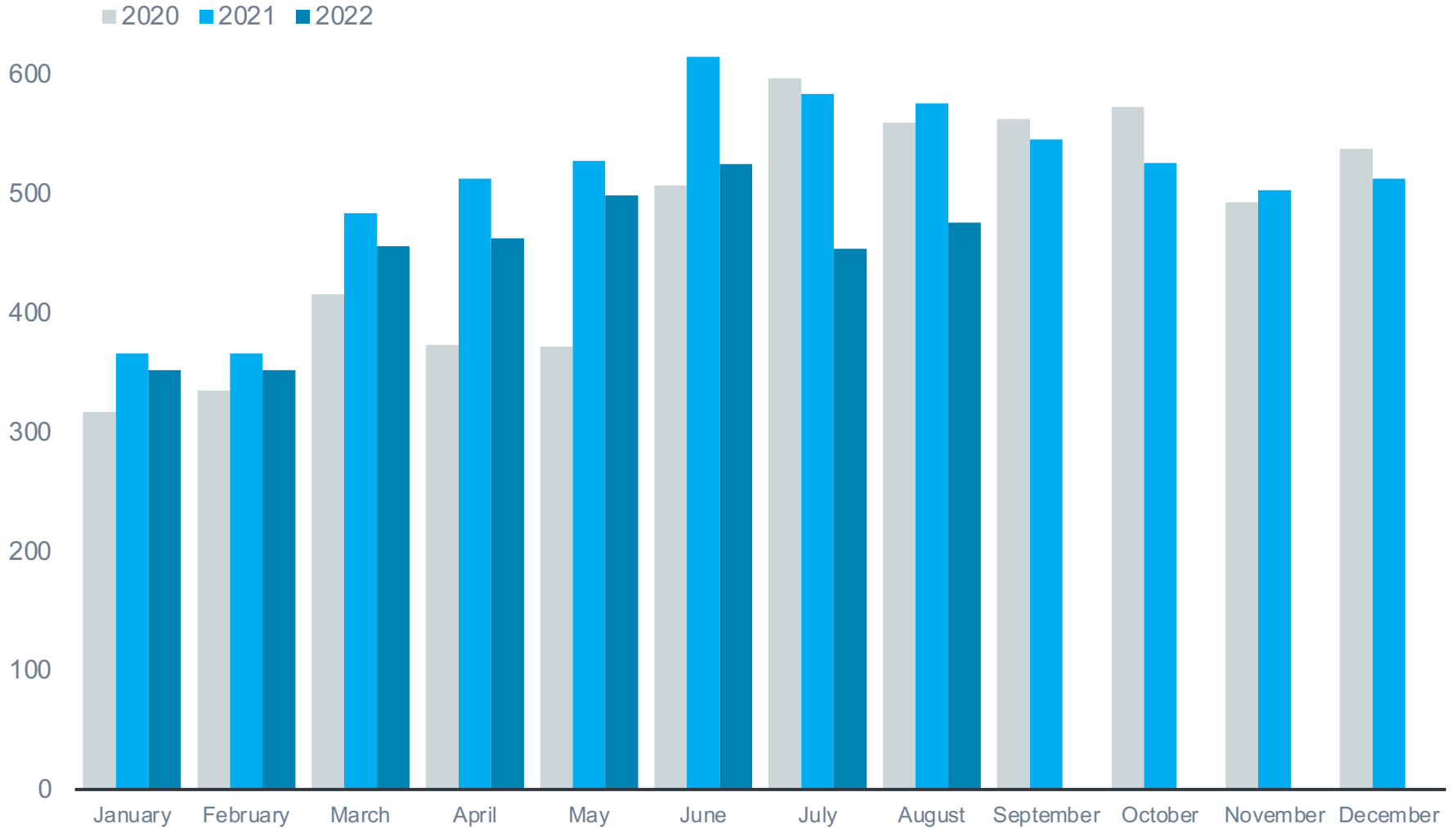
Existing Home Sales

Year-Over-Year, by Region



Existing Home Sales

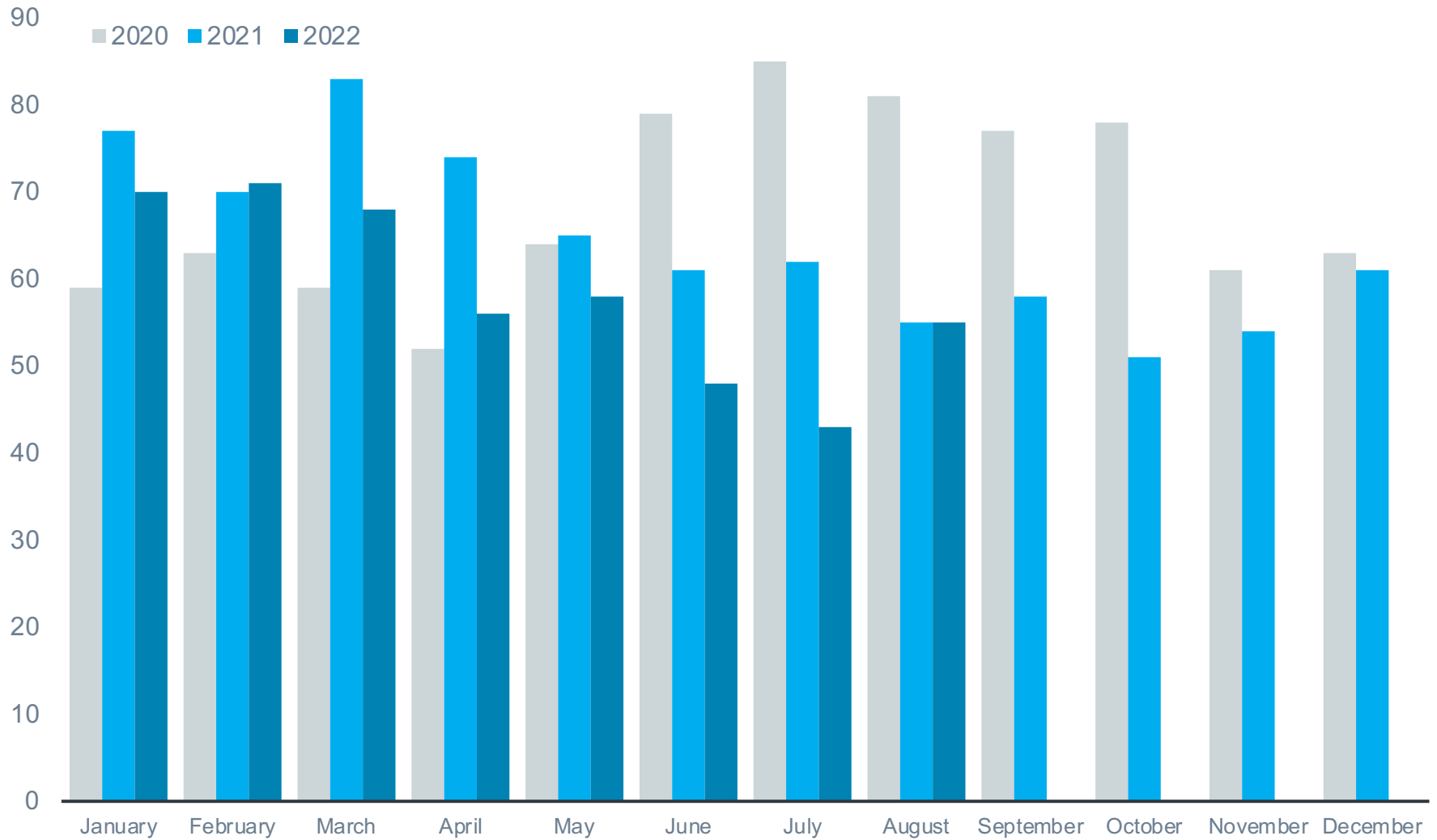
In Thousands



Source: NAR

New Home Sales

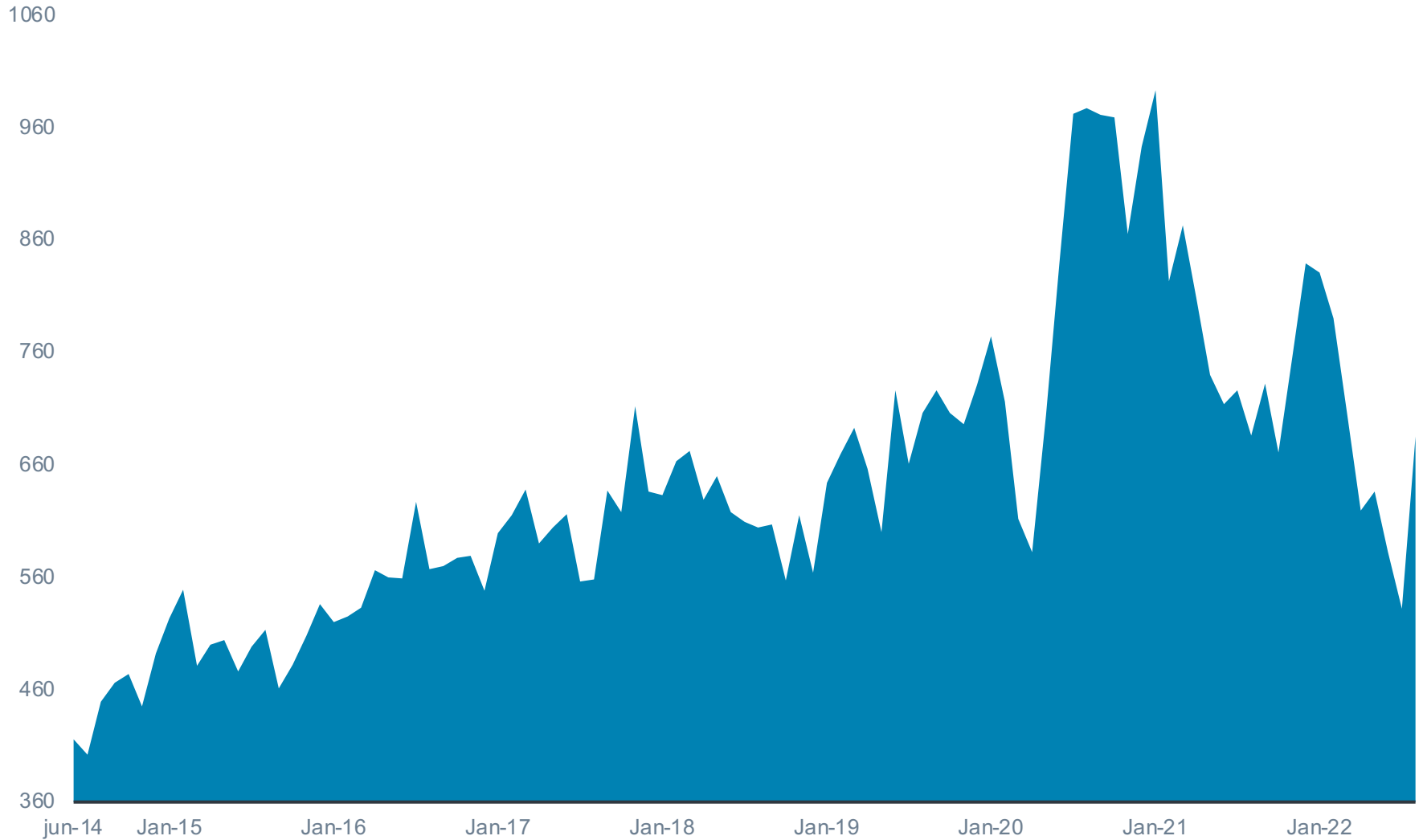
In Thousands



Source: Census

New Home Sales

Annualized in Thousands

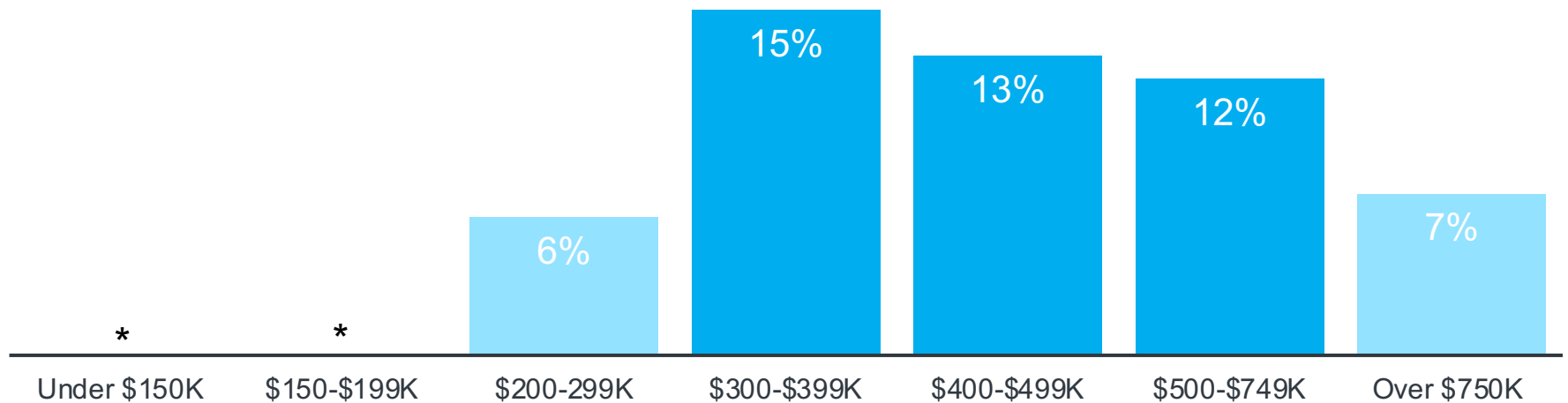


Source: Census

New Home Sales

Percent of Distribution by Price Range

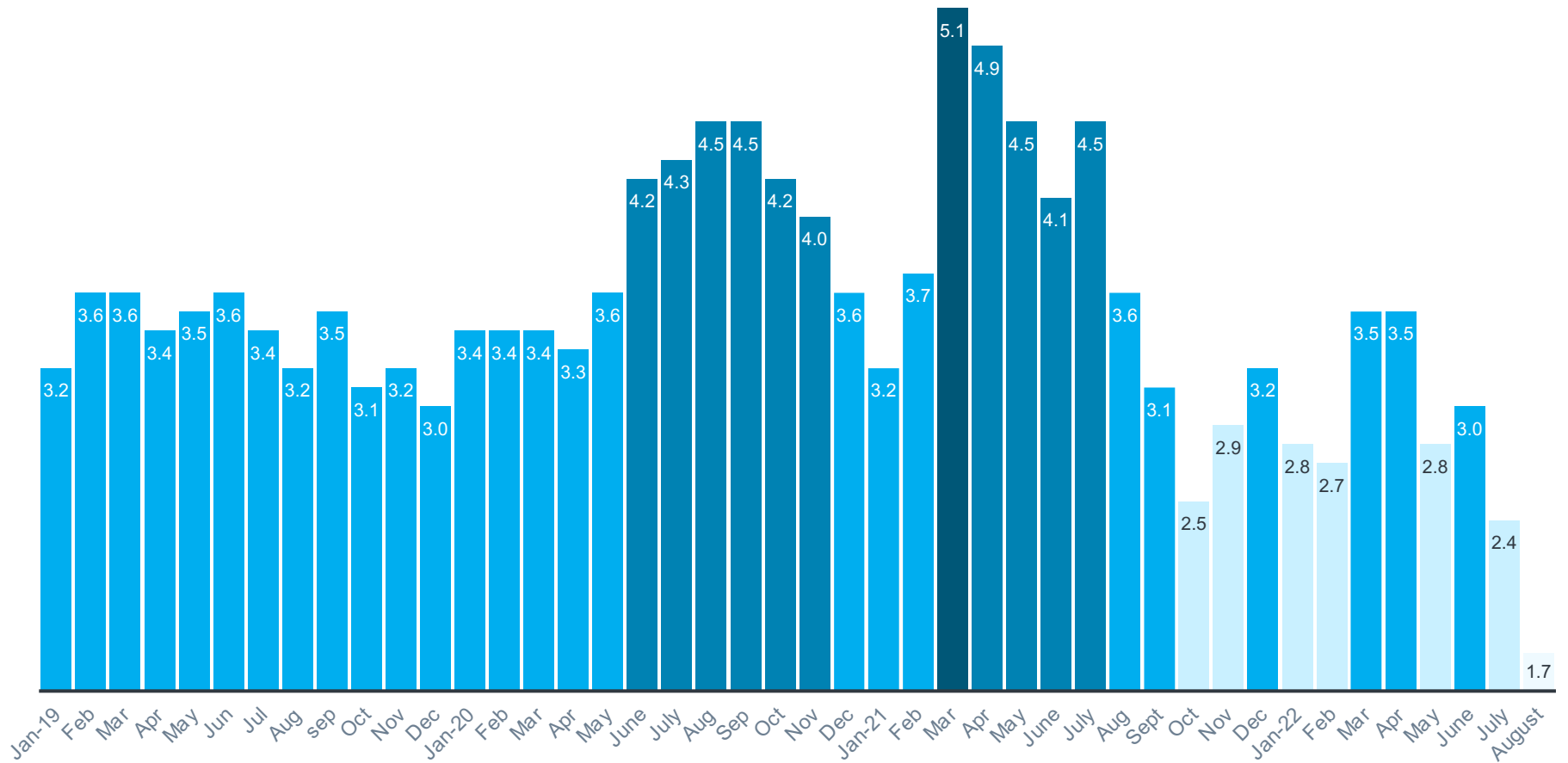
* Less Than 500 Units or Less Than 0.5 Percent



Source: Census

New Homes Selling Fast

Median Months from Completion to Sold

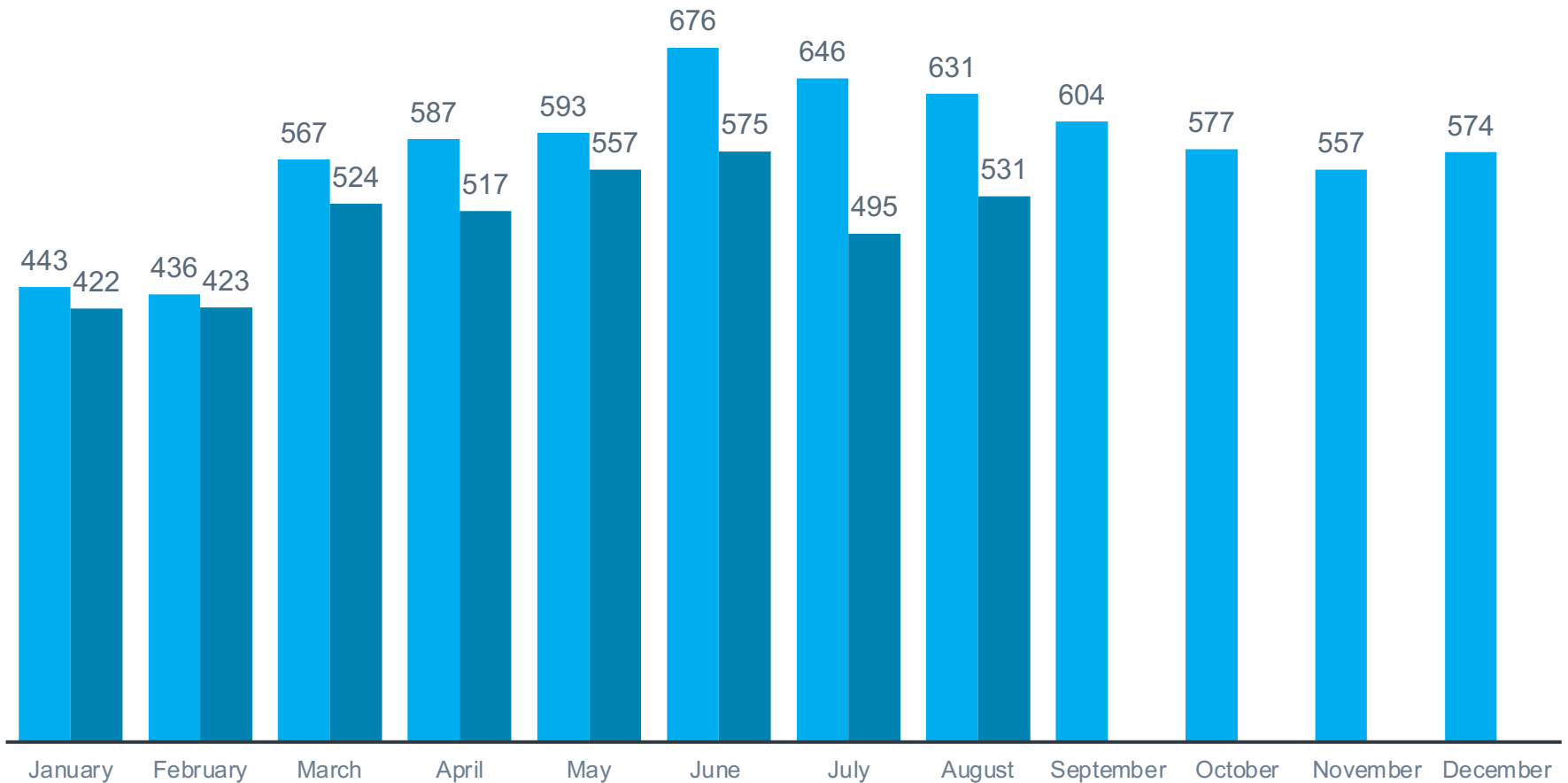


Source: Census

Total Home Sales

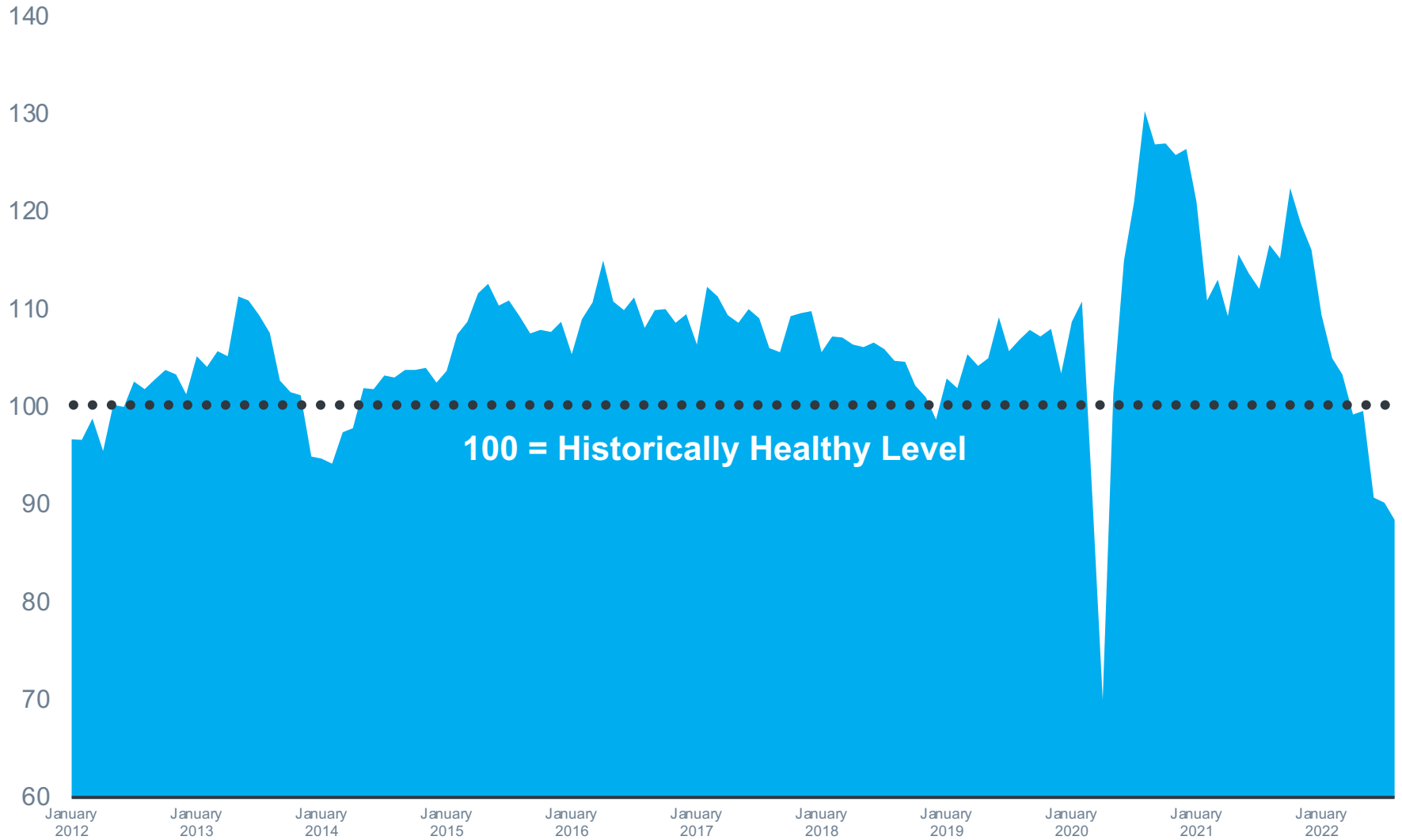
In Thousands

■ 2021 ■ 2022



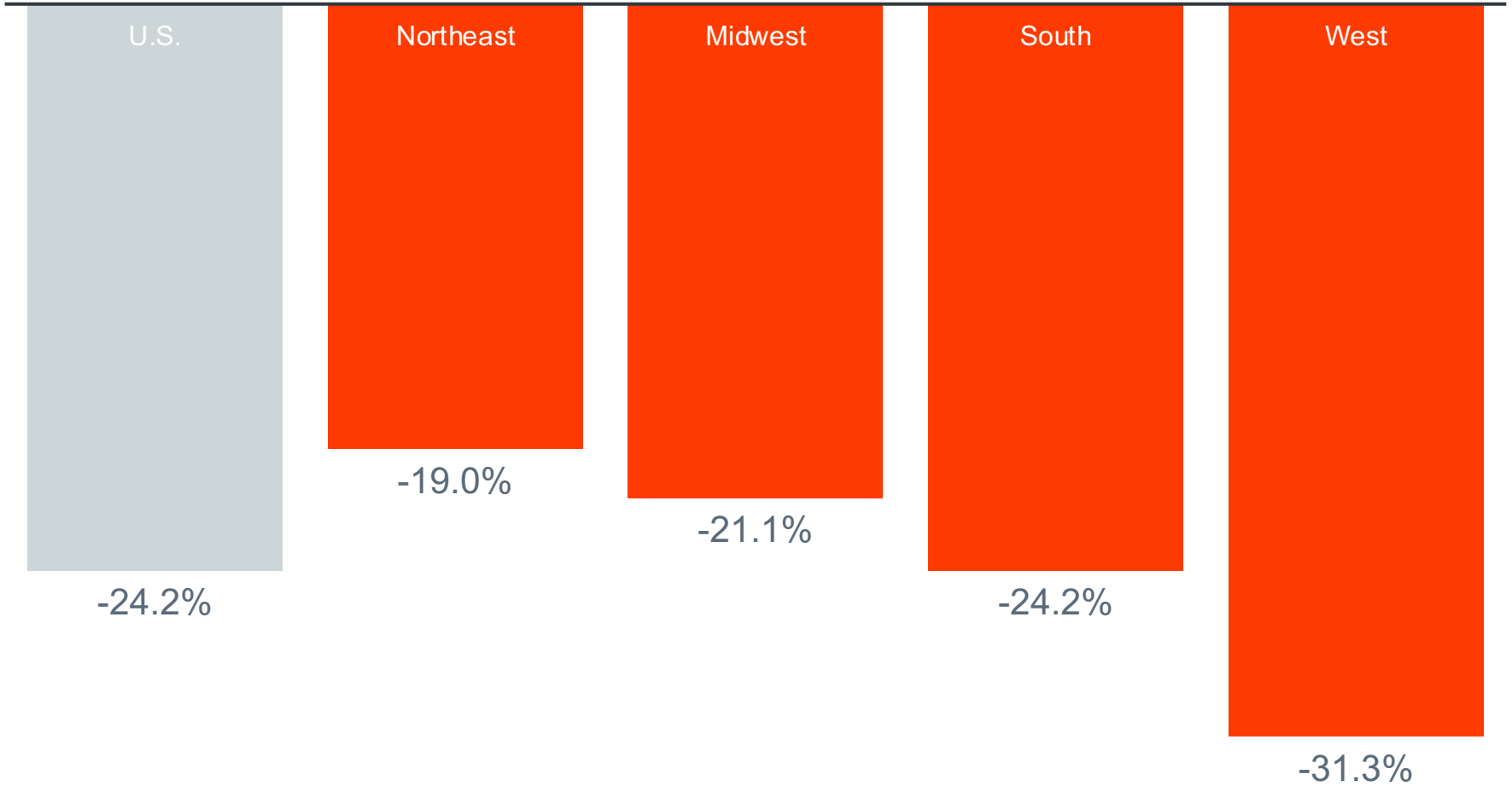
Source: Census

Pending Home Sales



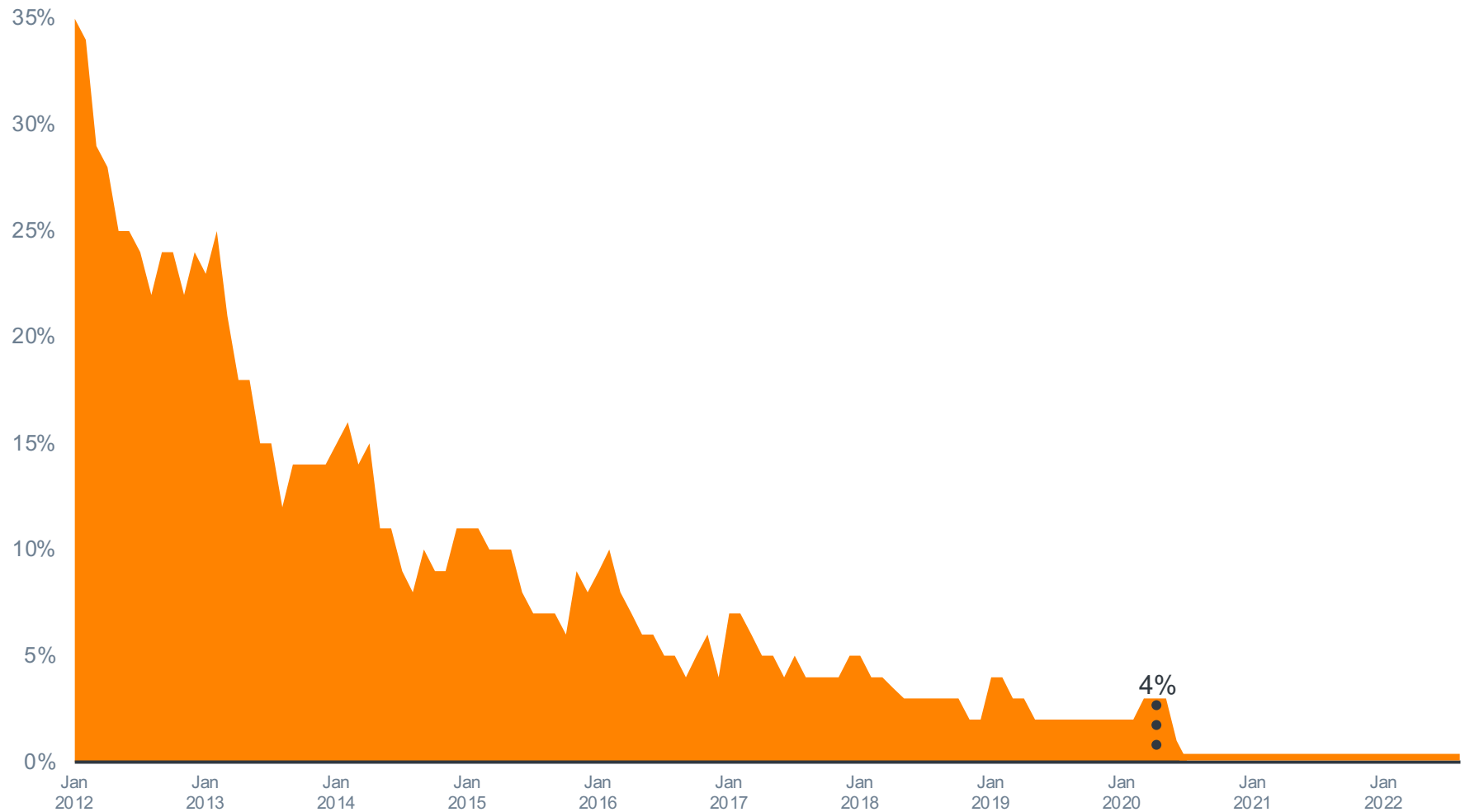
Pending Home Sales

Year-Over-Year by Region



Percentage of Distressed Property Sales

Distressed Sales (*Foreclosures and Short Sales*) represented Less Than 1% of Sales in August

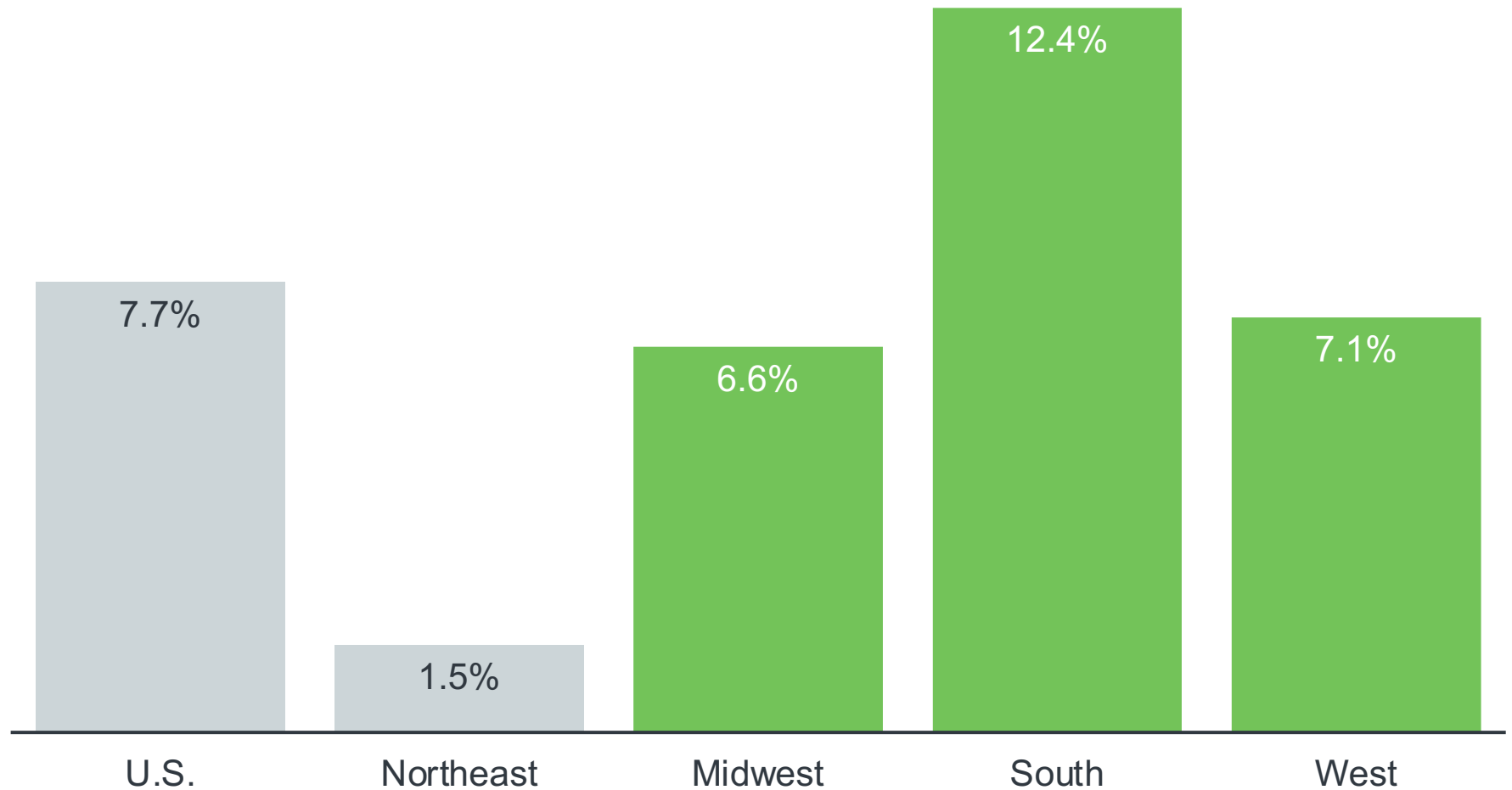




Home Prices

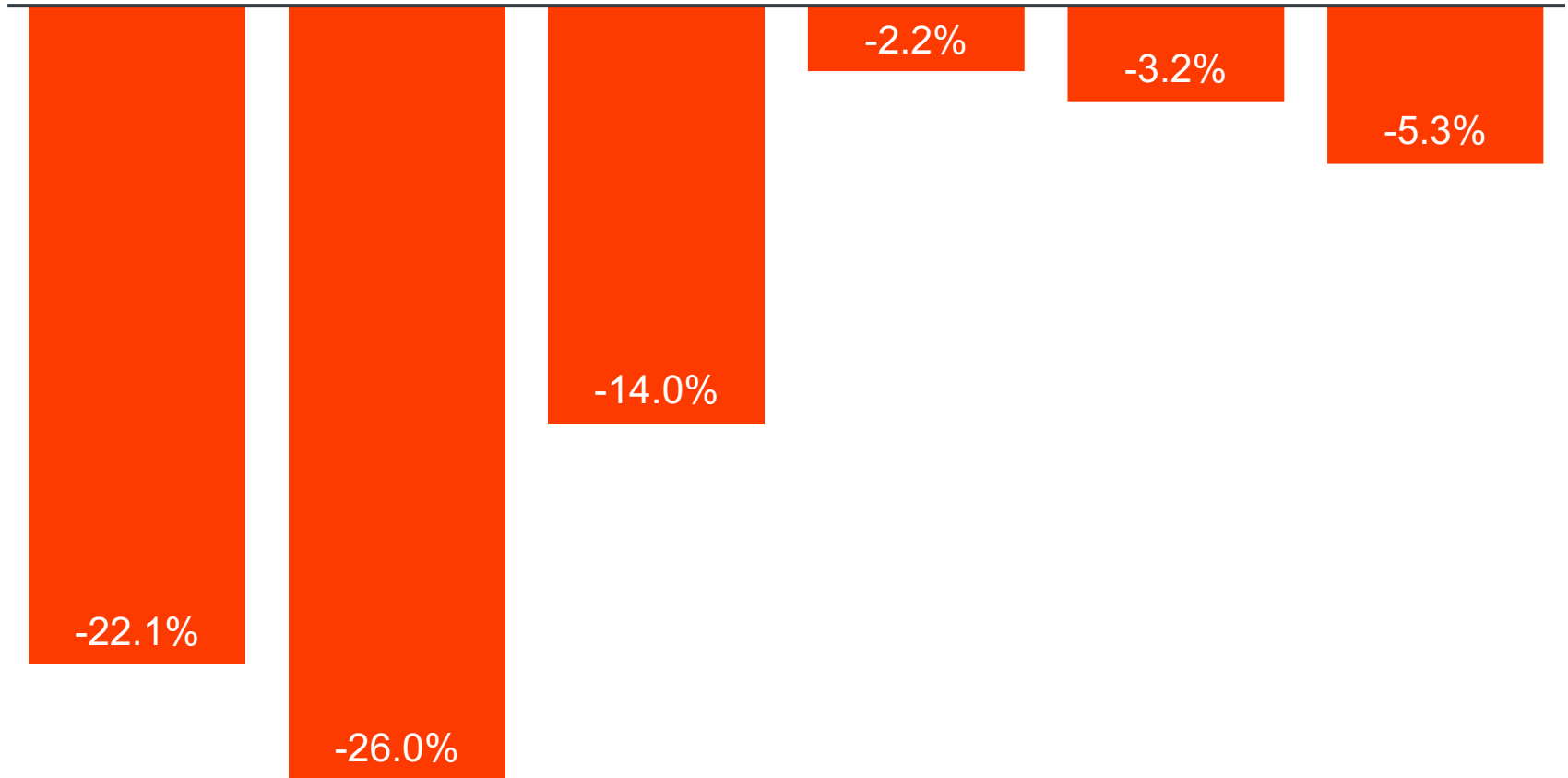
Sales Price of Existing Homes

Year-Over-Year, by Region



% Change in Sales

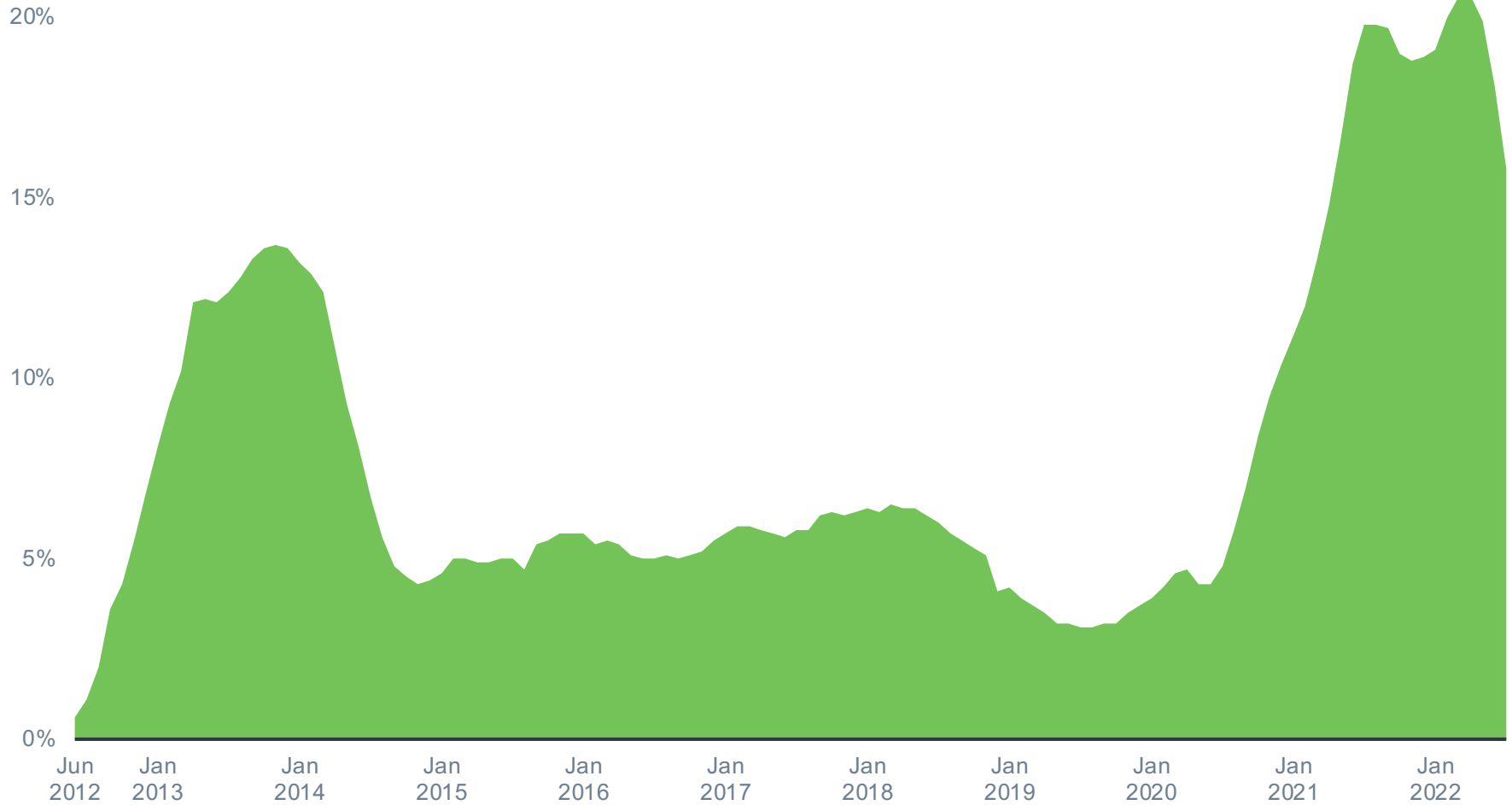
Year-Over-Year, by Price Range



	\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
%	-22.1%	-26.0%	-14.0%	-2.2%	-3.2%	-5.3%

Change in Home Prices

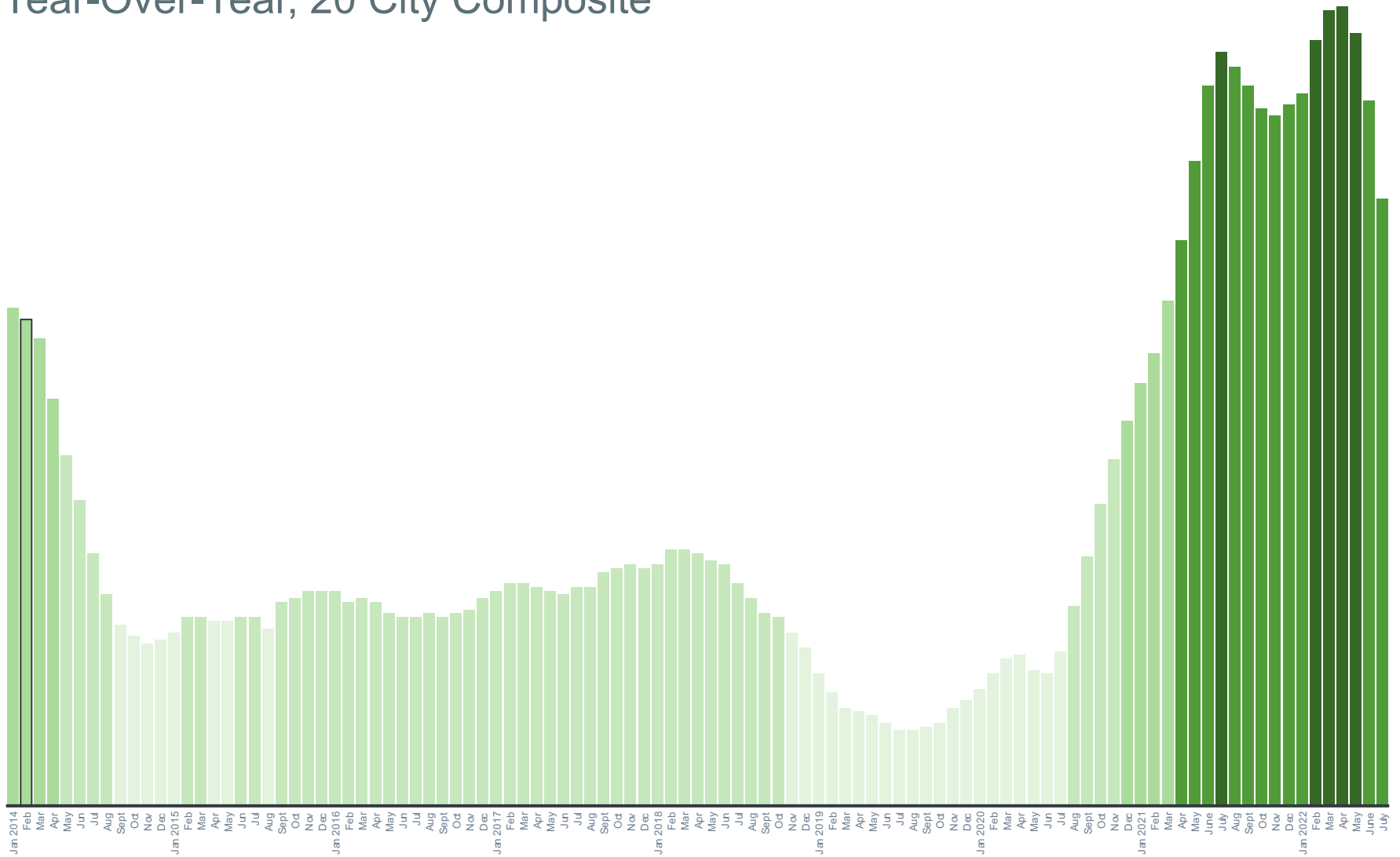
Year-Over-Year



Source: S&P Case-Shiller

Change in Home Prices

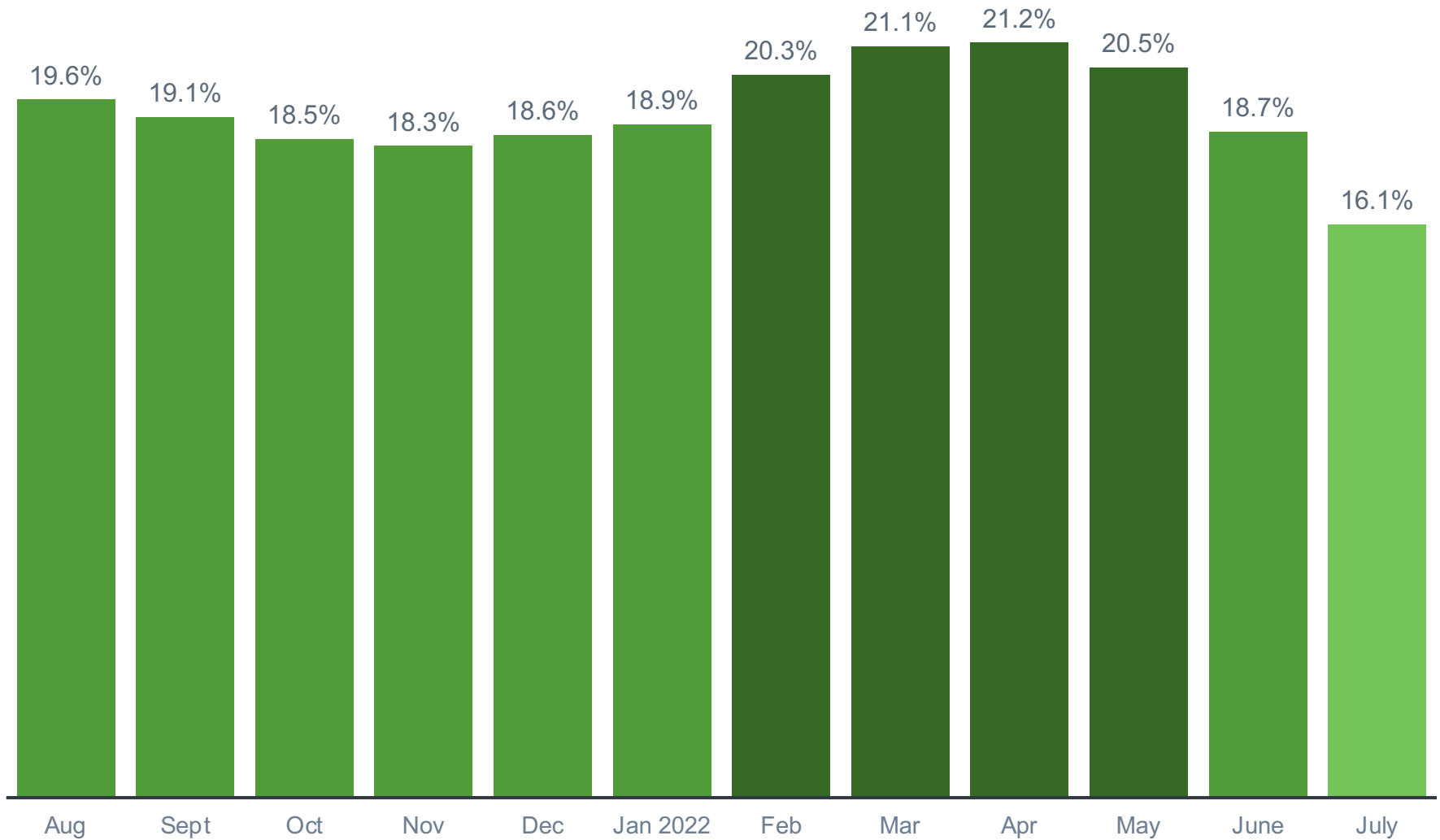
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Change in Home Prices

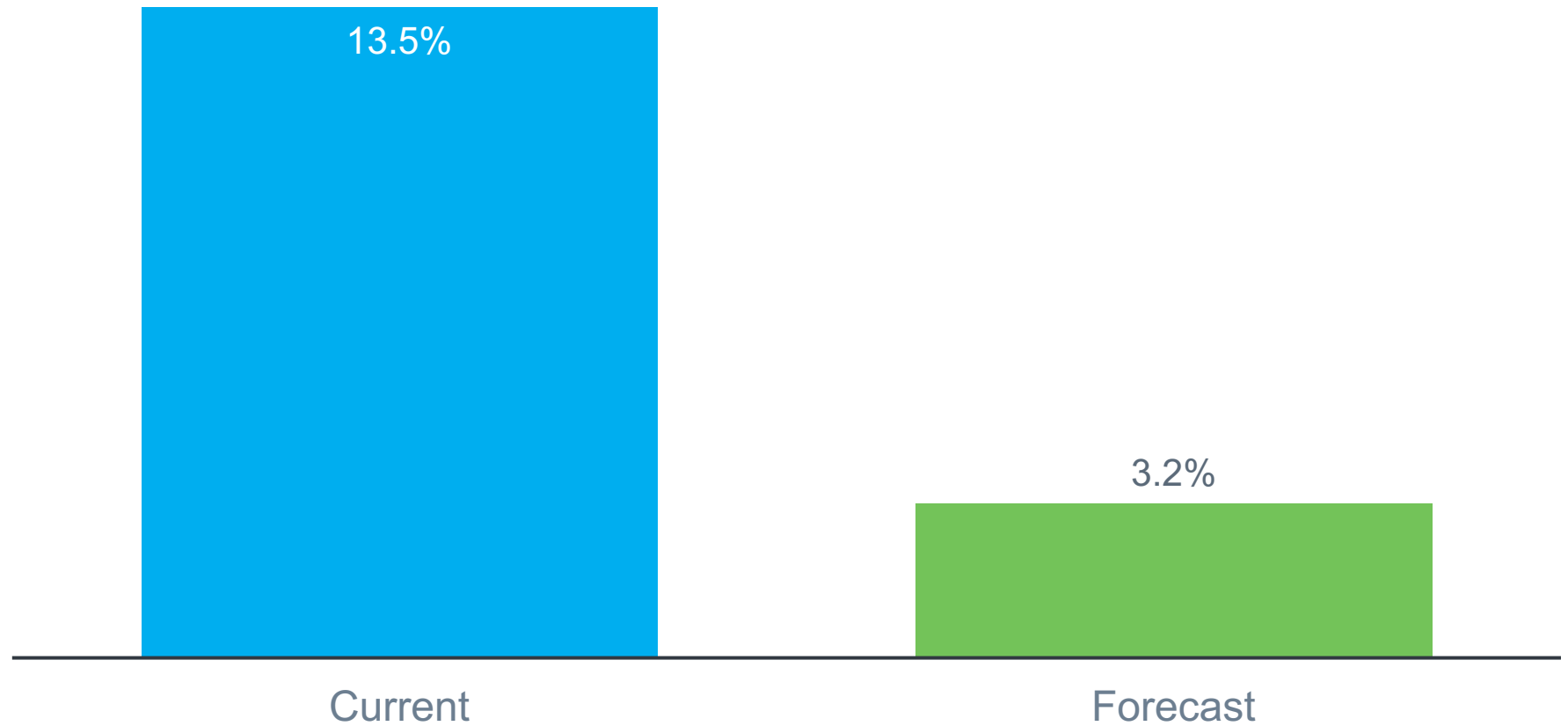
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Year-Over-Year % Change in Price

August 2022

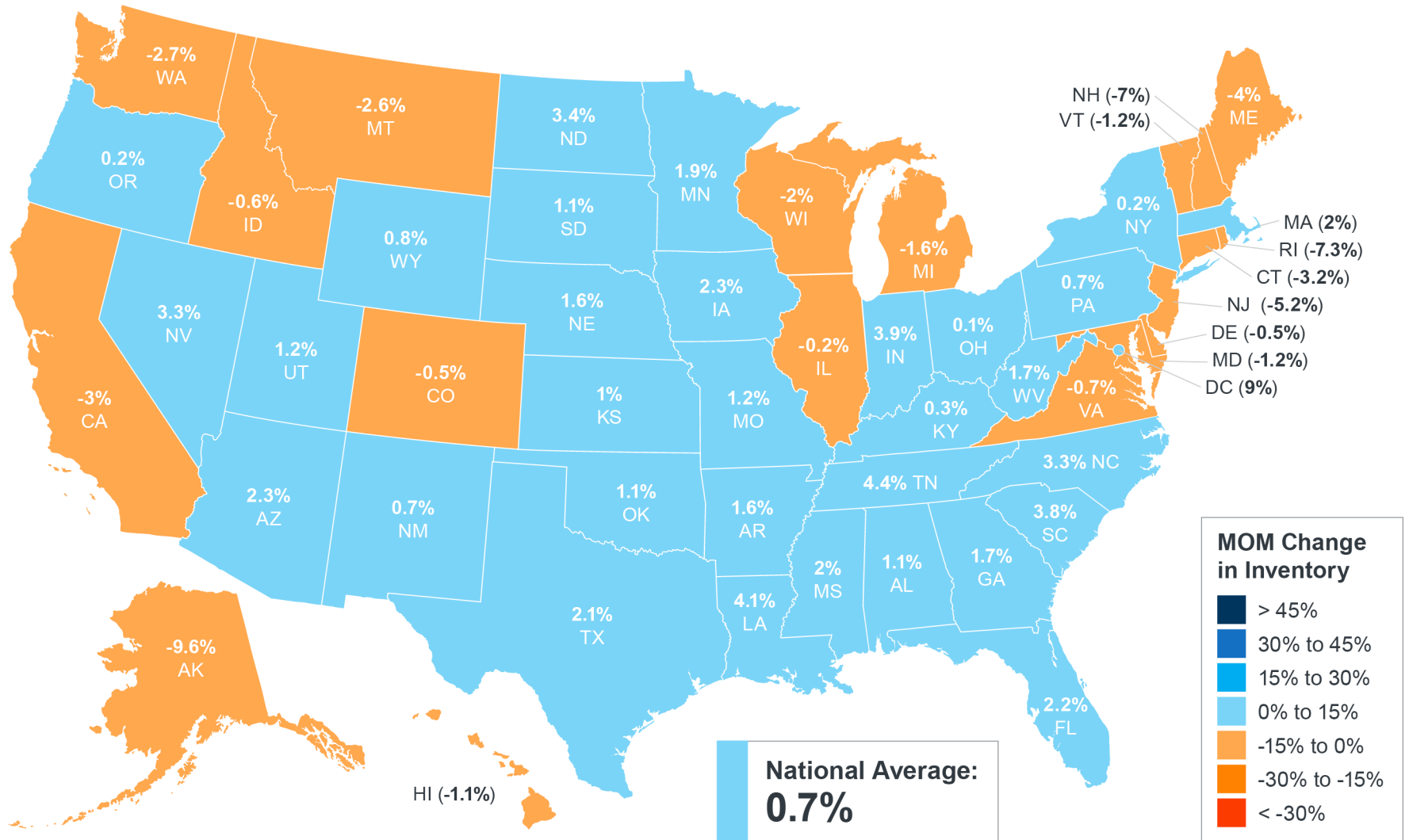




Housing Inventory

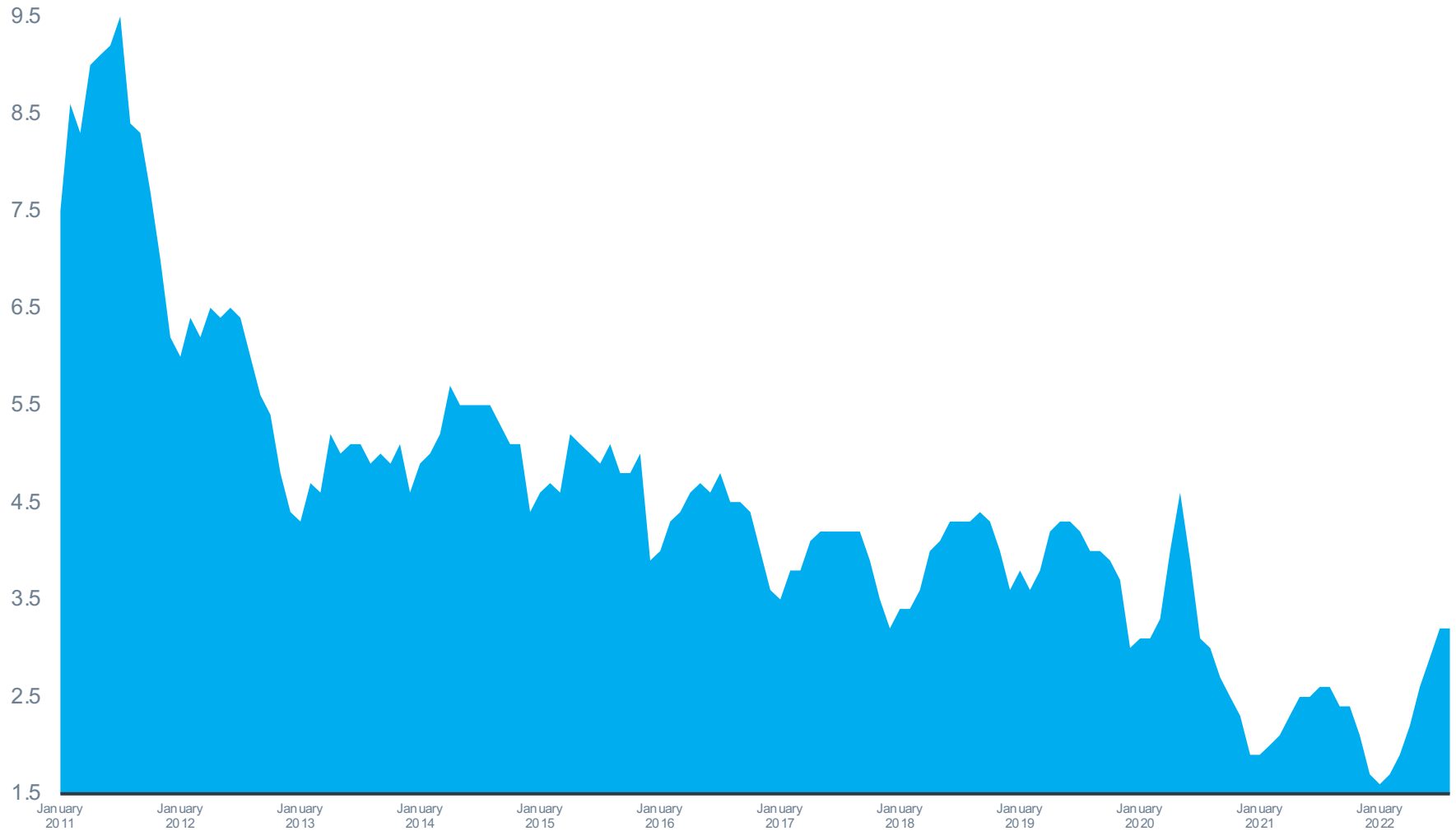
Change in Inventory

Month-Over-Month, September 2022



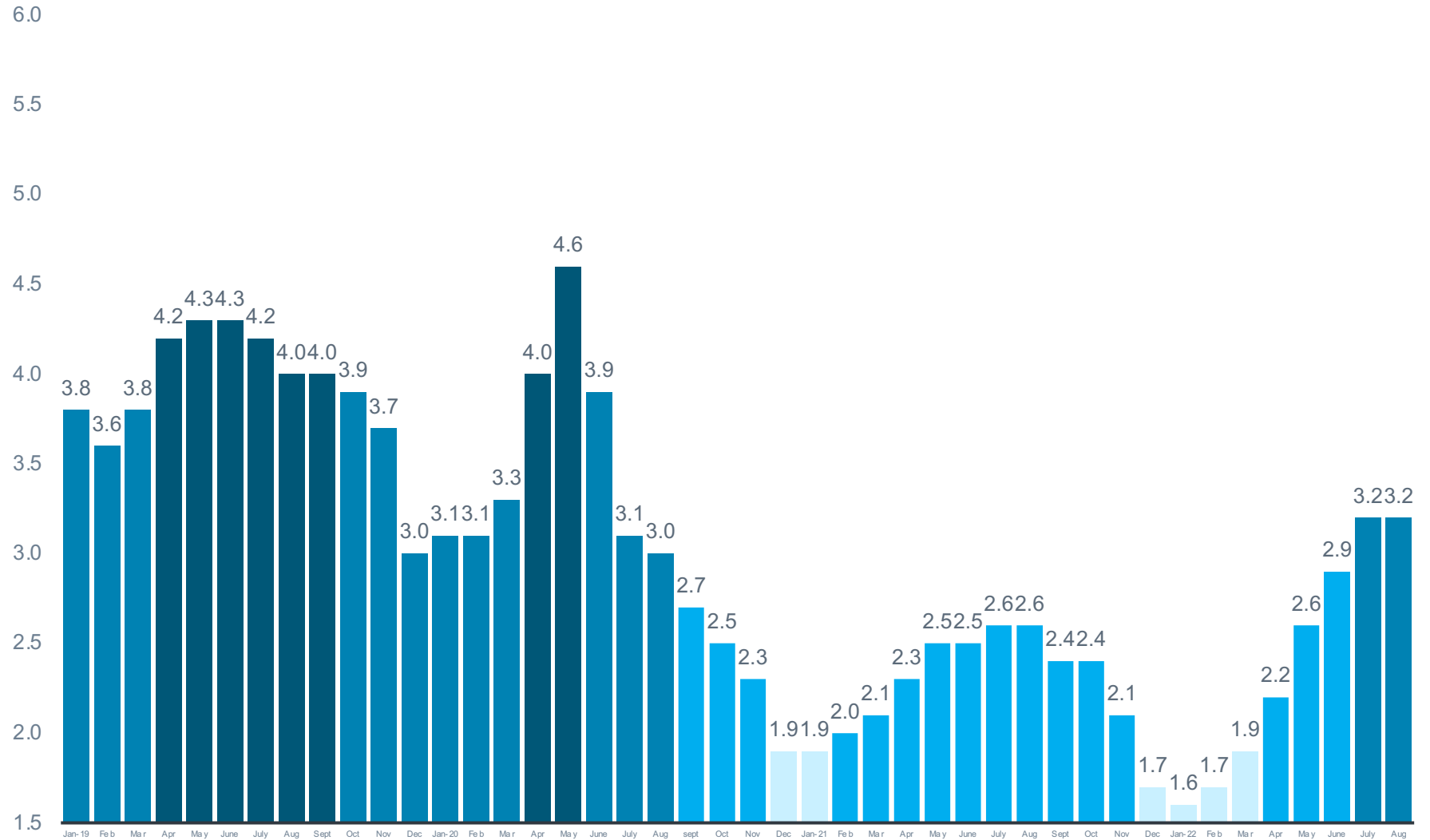
Months Inventory of Homes for Sale

2011 - Today



Months Inventory of Homes for Sale

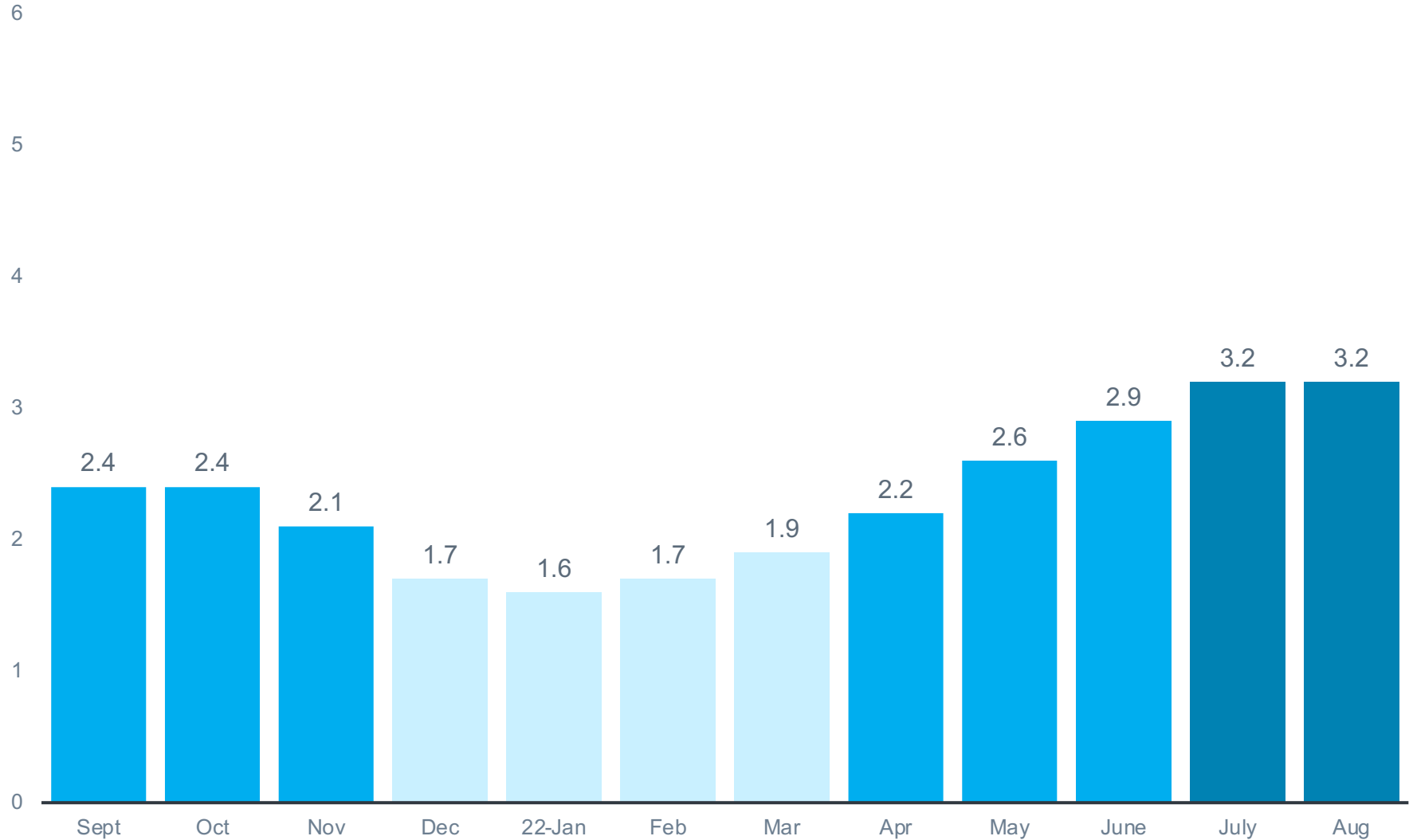
Since 2019



Source: NAR

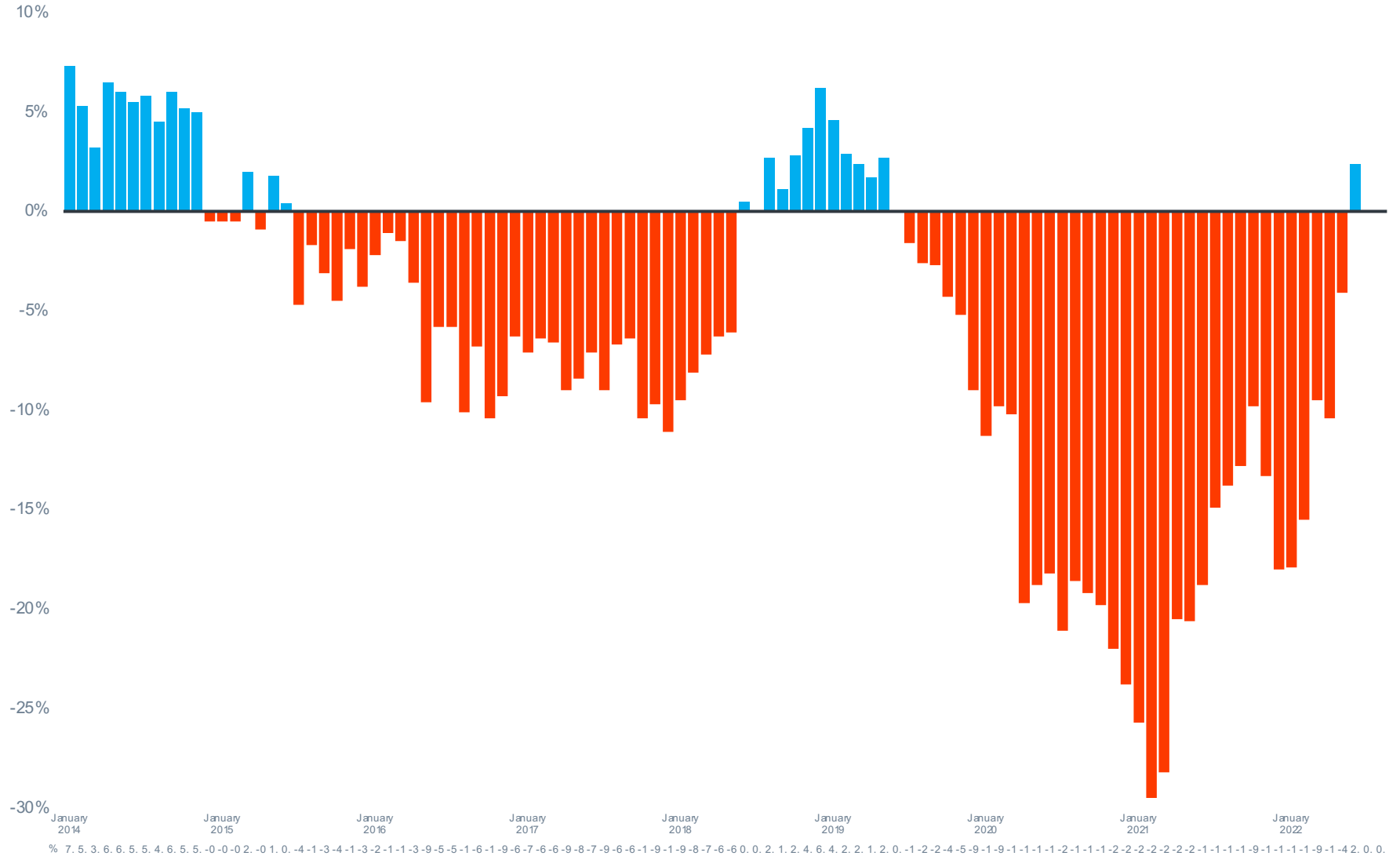
Months Inventory of Homes for Sale

Last 12 Months



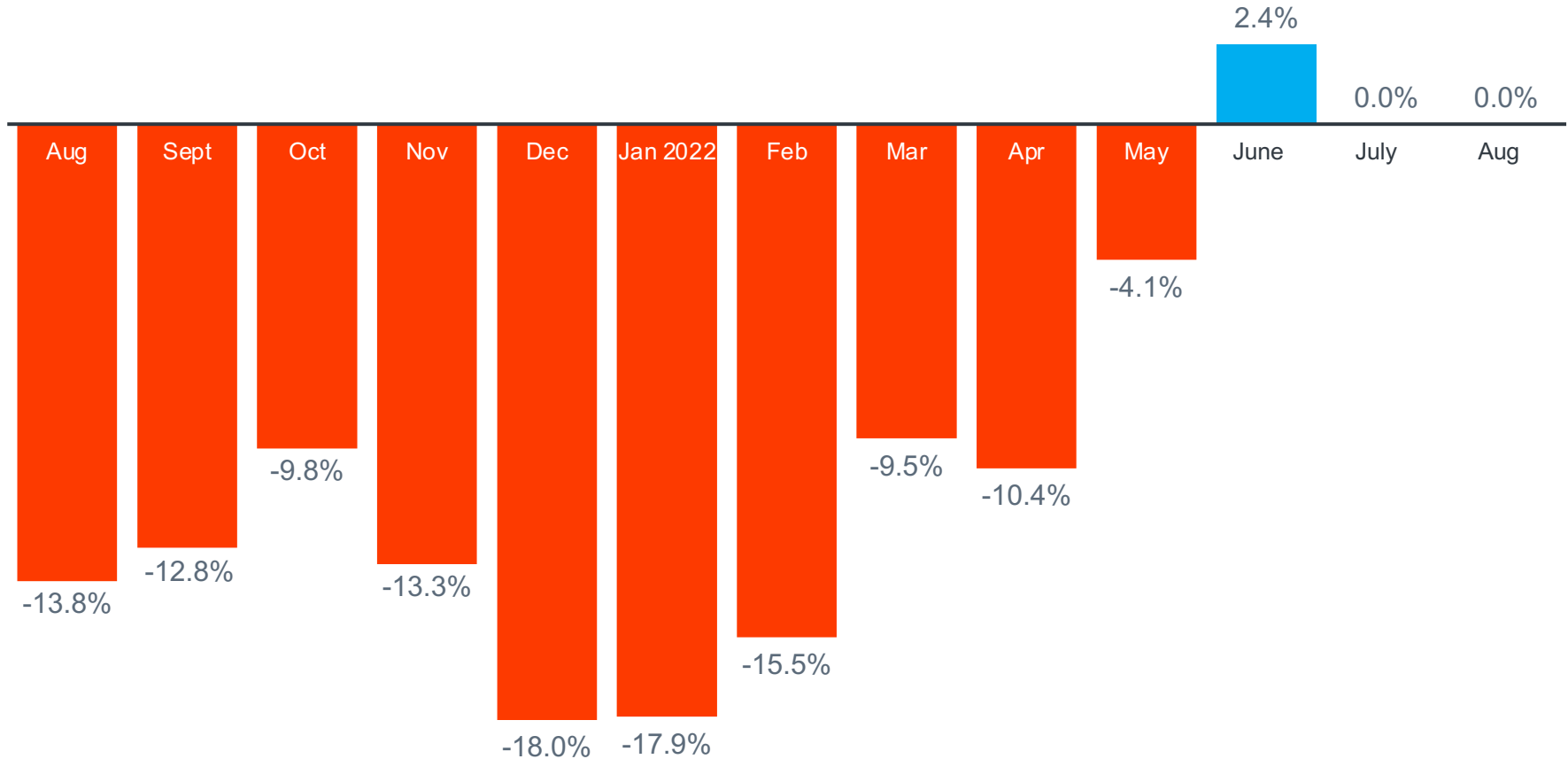
Source: NAR

Year-Over-Year Inventory Levels



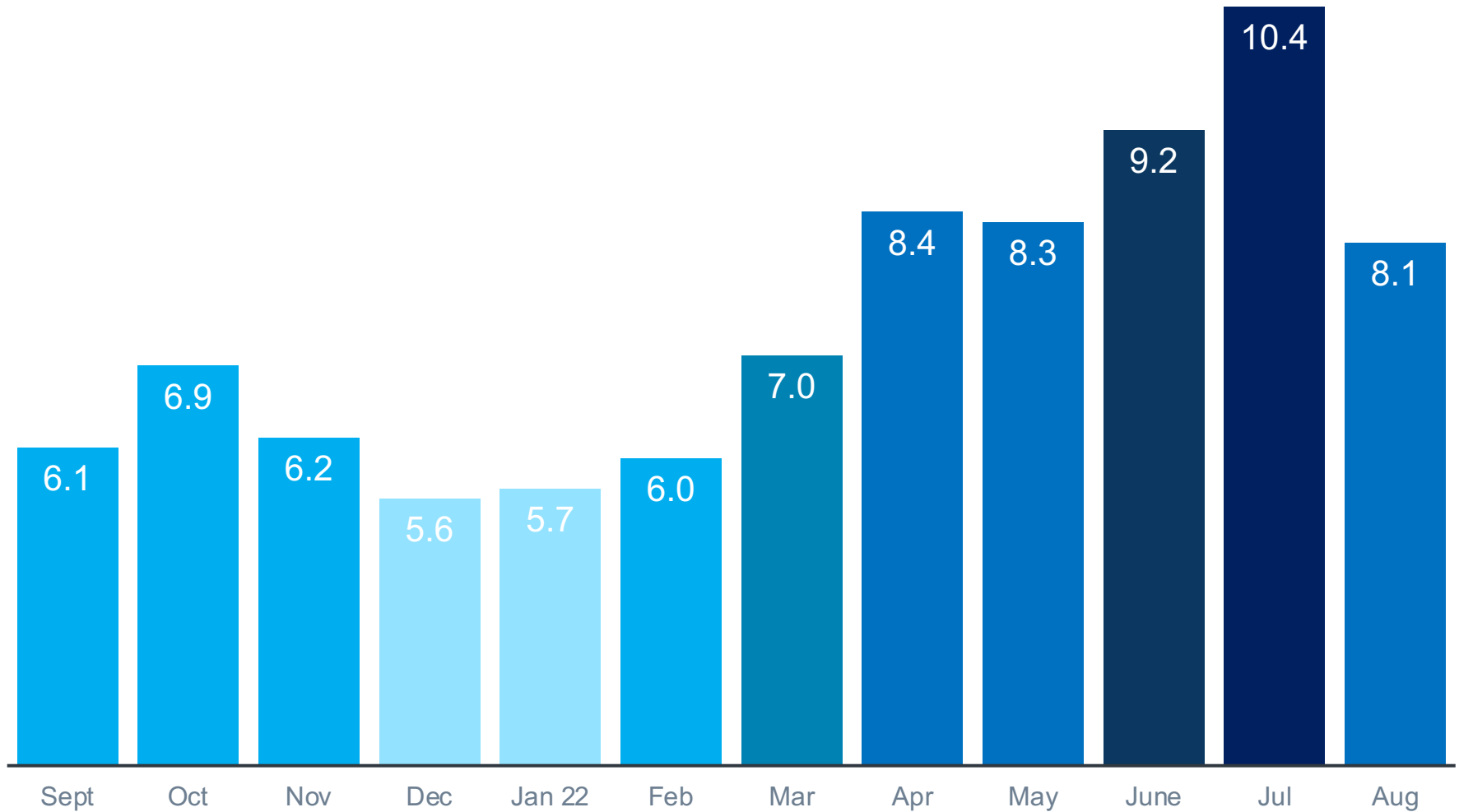
Year-Over-Year Inventory Levels

Last 12 Months



New Home Monthly Inventory

Seasonally Adjusted, Last 12 Months

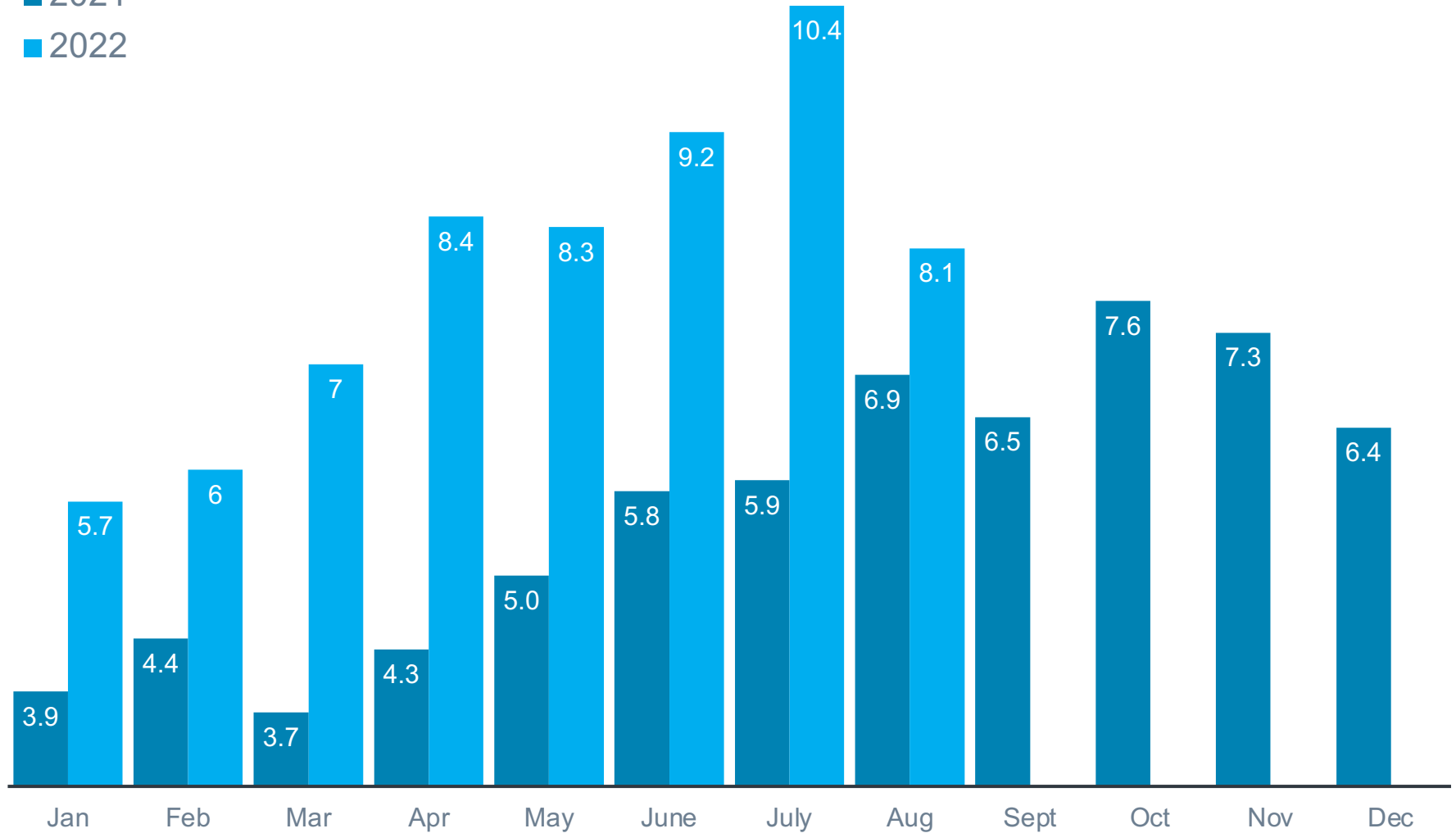


Source: Census

New Home Monthly Inventory

Non-Seasonally Adjusted

■ 2021
■ 2022



Source: Census



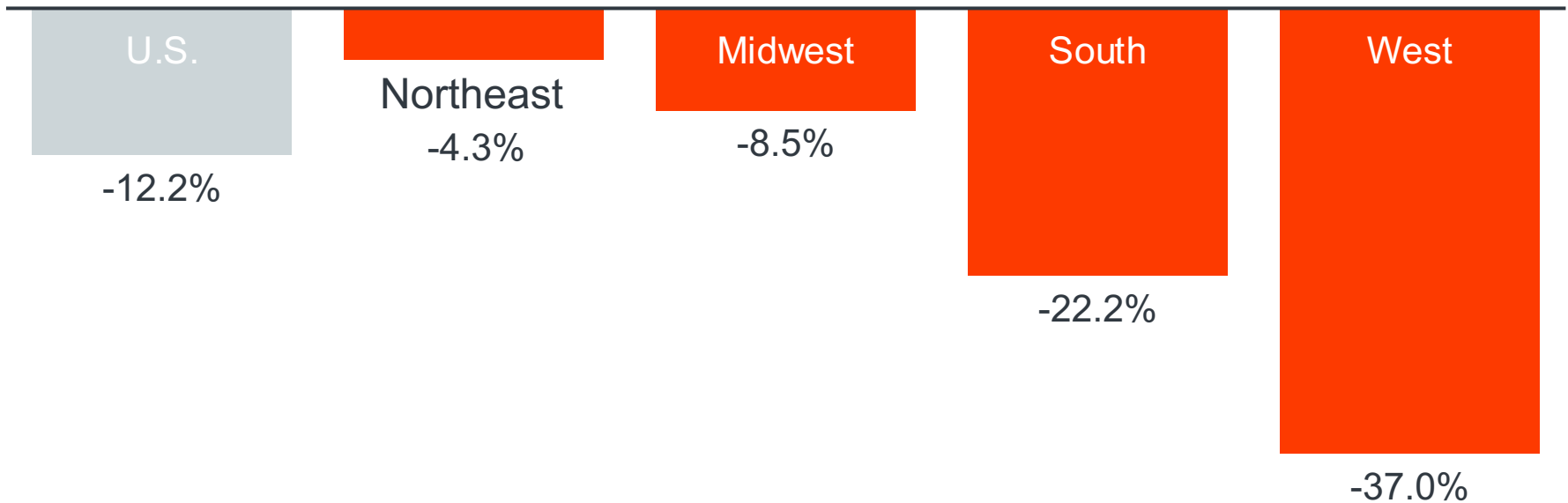
Buyer Demand

End of Summer Sees Continued Slowdown of Home Showing Activity

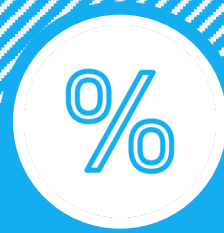
Year-Over-Year Increase in Showing Activity, August 2022

Michael Lane, Vice President & General Manager, Showing Time

“The more moderate pace at which home showings are slowing down and the increase in markets that saw more showings per listing this month are signs that the market may be starting to find a new balance. Buyers will continue to see less competition for homes and have more time to tour homes they like and consider their options.”



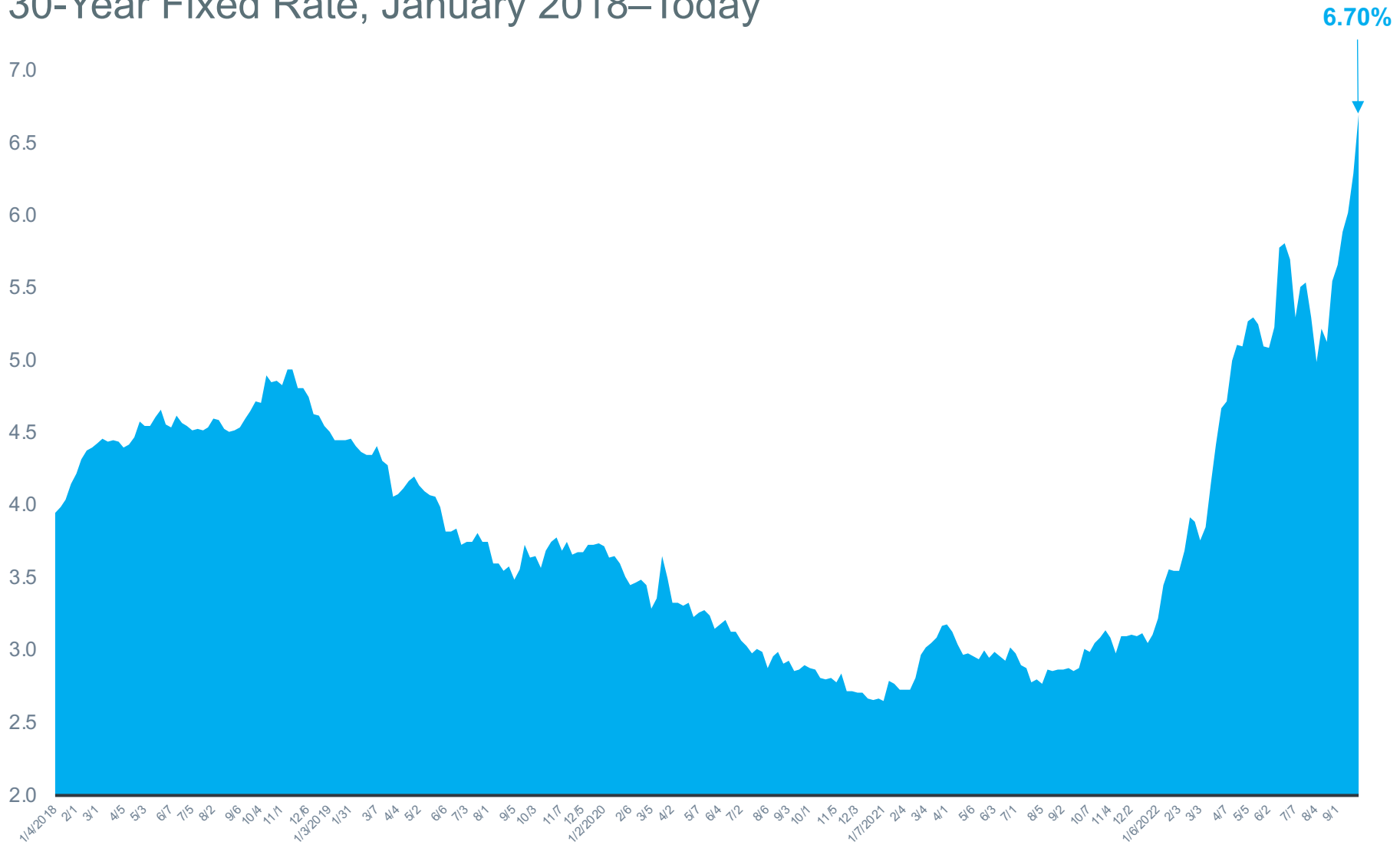
Source: ShowingTime



Mortgage Rates

Mortgage Rates

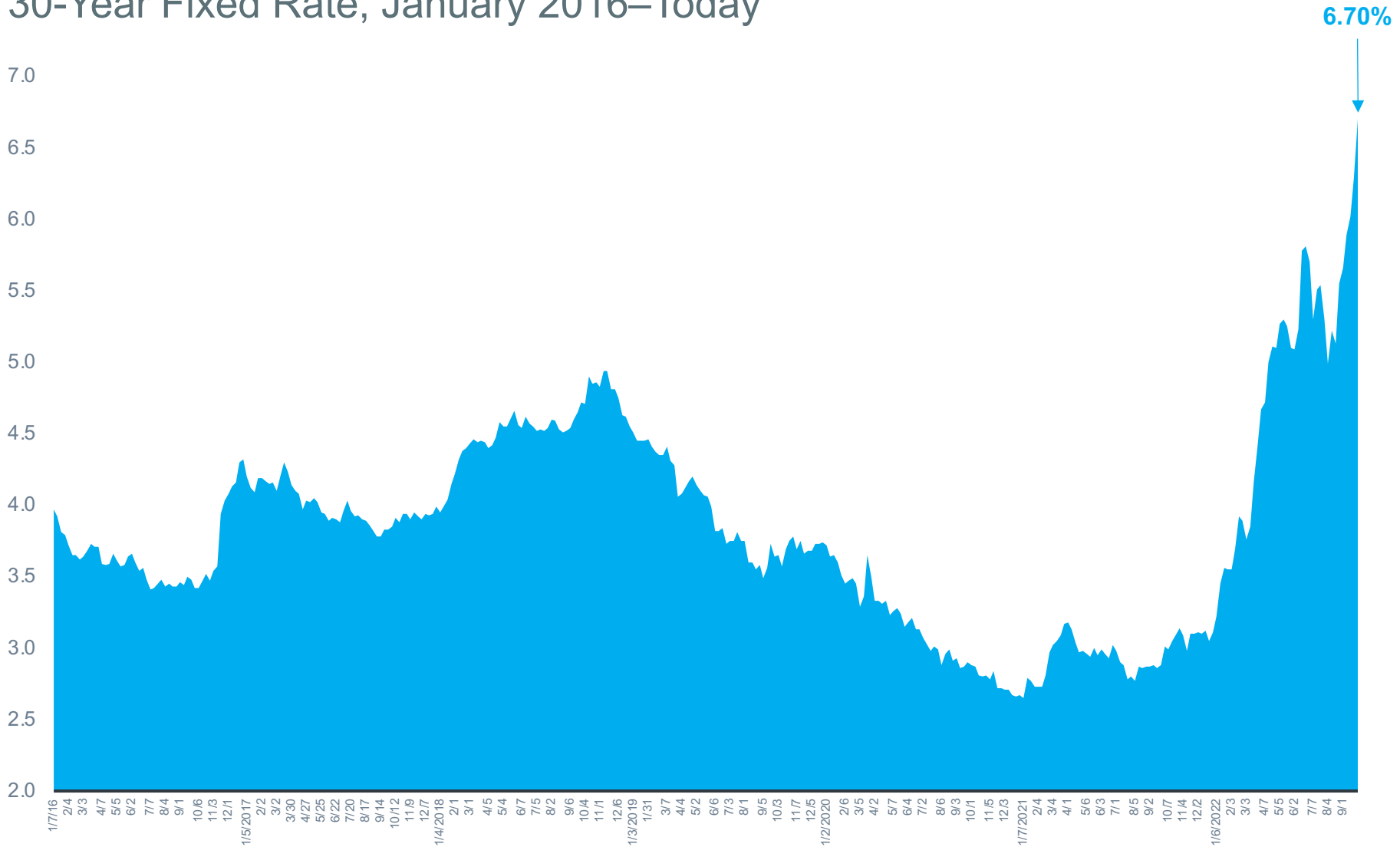
30-Year Fixed Rate, January 2018–Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2016–Today



Source: Freddie Mac

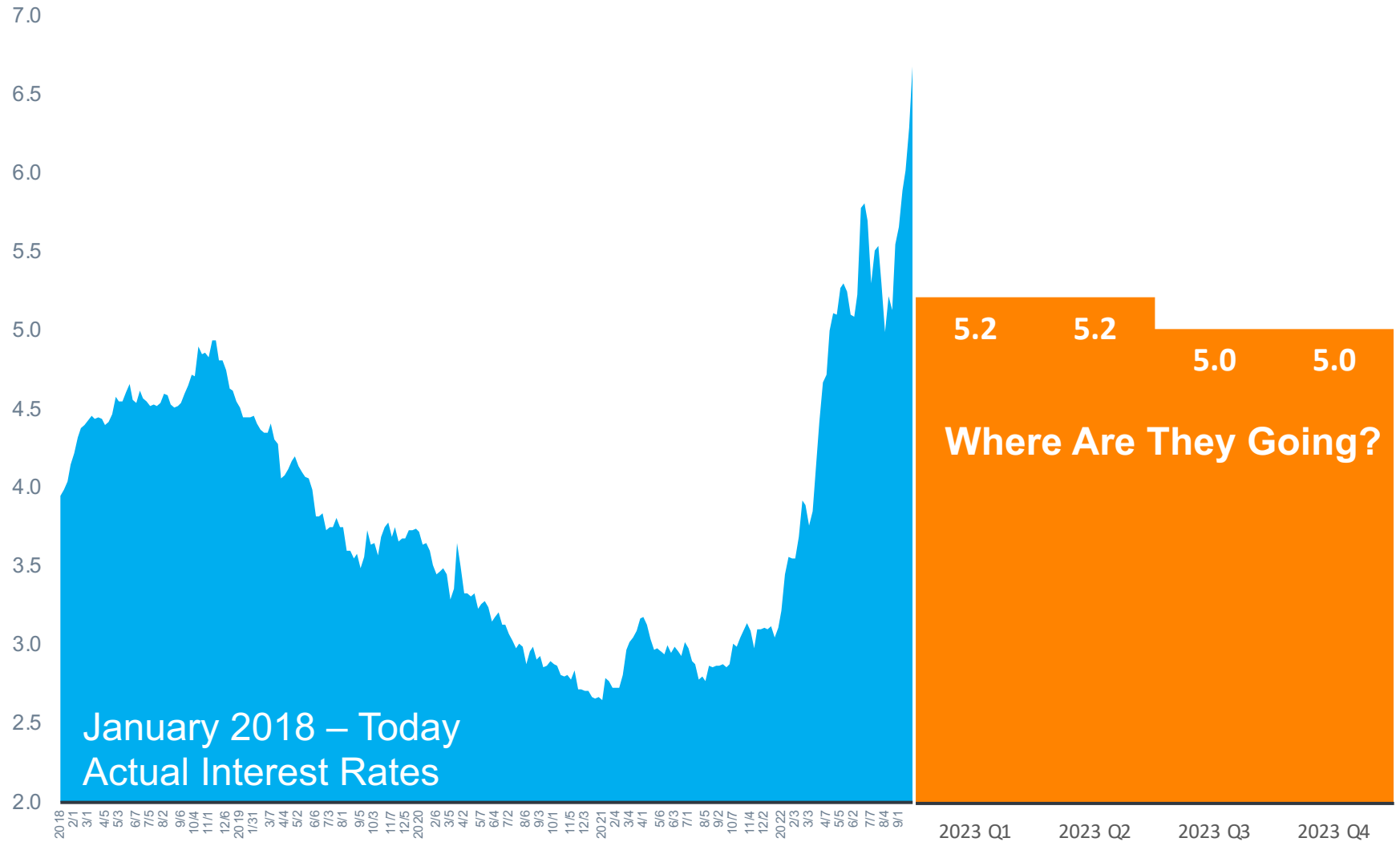
Mortgage Rate Projections

October 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2023 1Q	5.2	5.7	5.3	6.5	5.68%
2023 2Q	5.2	5.6	5.3	6.4	5.63%
2023 3Q	5.0	5.6	5.1	6.3	5.50%
2023 4Q	5.0	5.5	5.0	6.1	5.40%

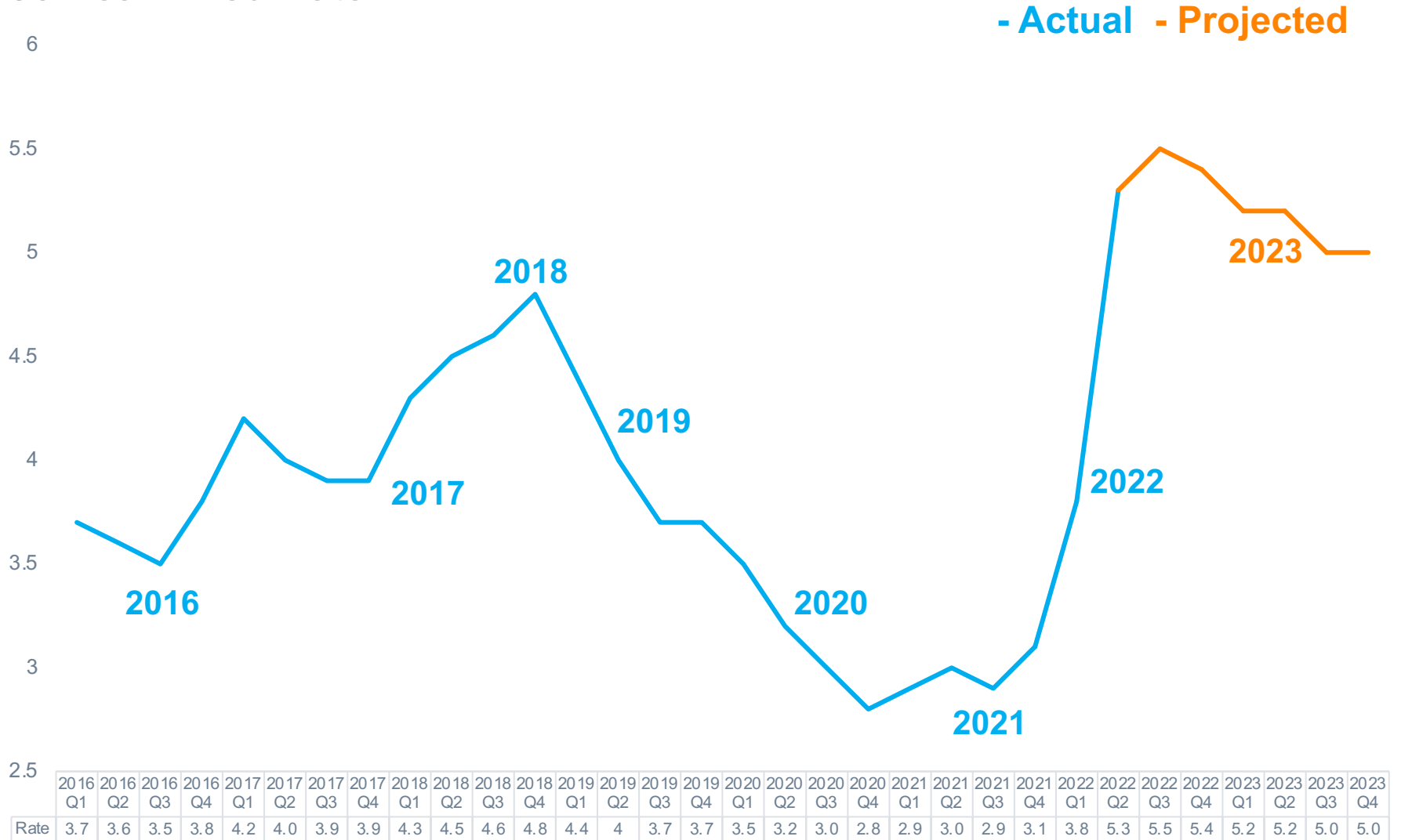
Mortgage Rates

30-Year Fixed Rate



Mortgage Rates

30-Year Fixed Rate

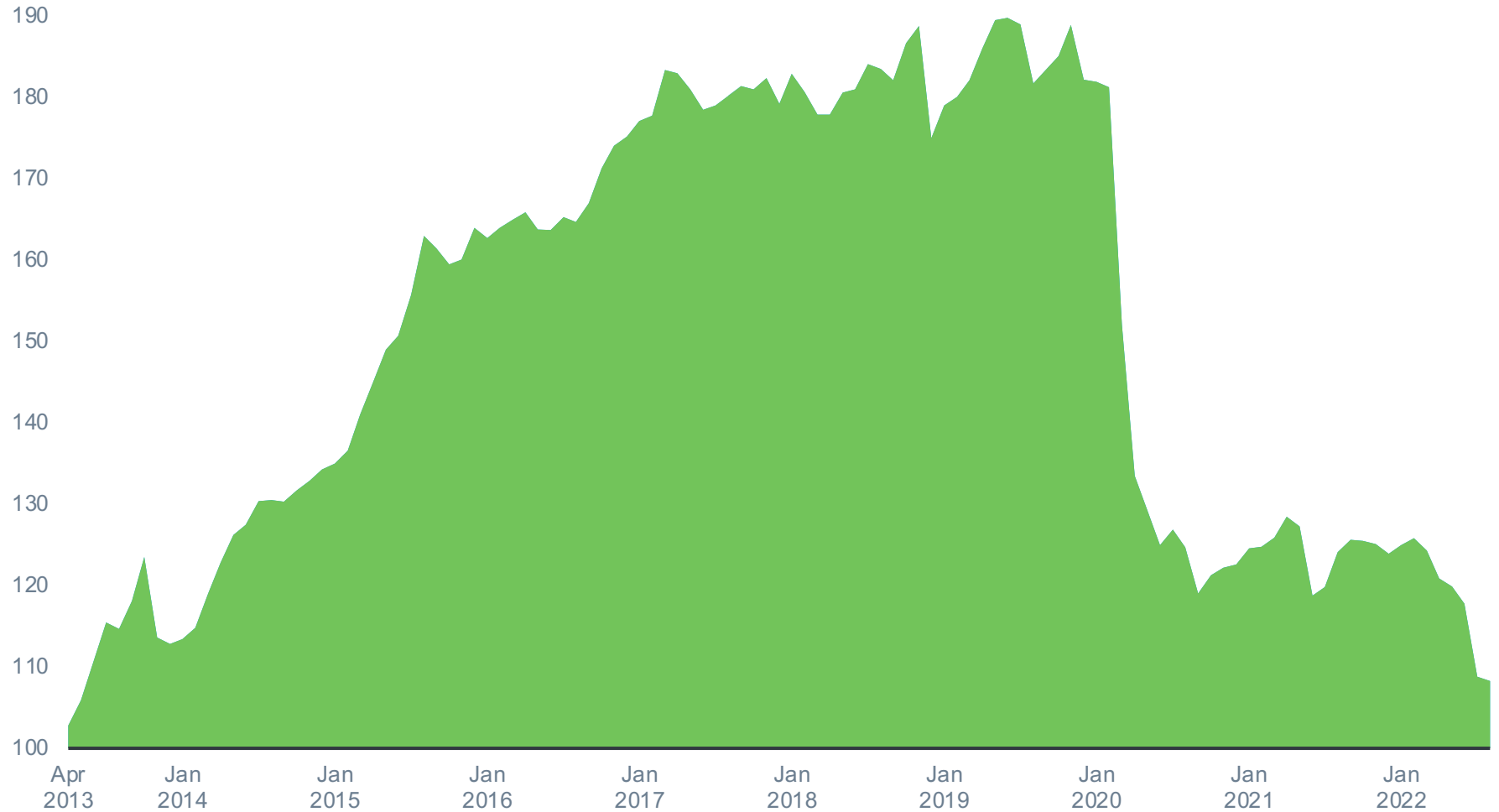




Mortgage Credit Availability

Mortgage Credit Availability Index (MCAI)

August 2022



Mortgage Credit Availability Index (MCAI)

August 2022

