

HEALTH OF THE HOUSING MARKET

and

What's Changed Since the
Great Recession



4 CRITICAL FACTORS

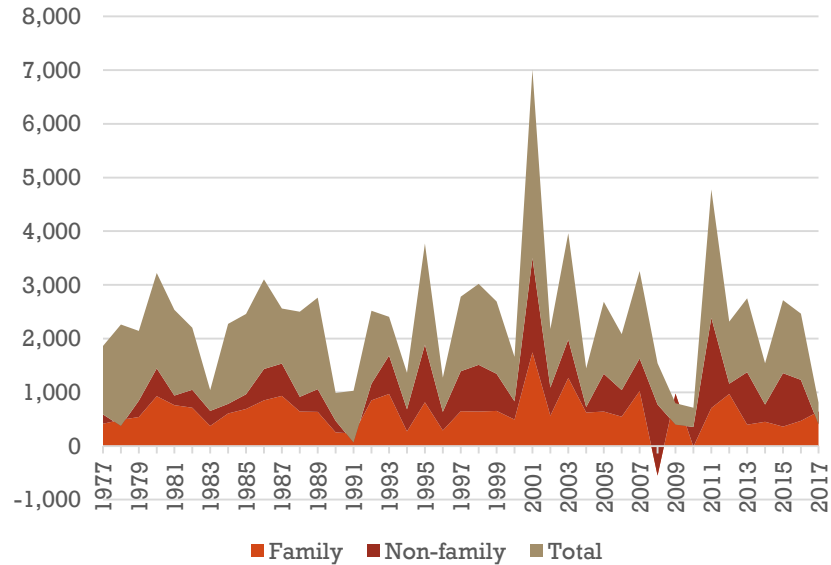
1. Demographics
2. Employment
3. Mortgage market
 - a) Availability
 - b) Rates
4. Housing Prices



DEMOGRAPHICS

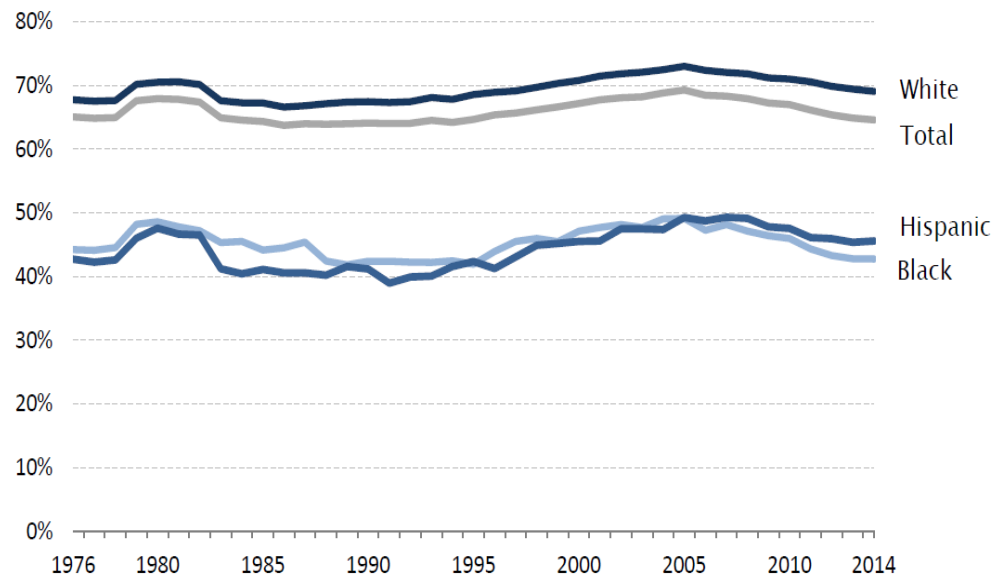


Household Formation

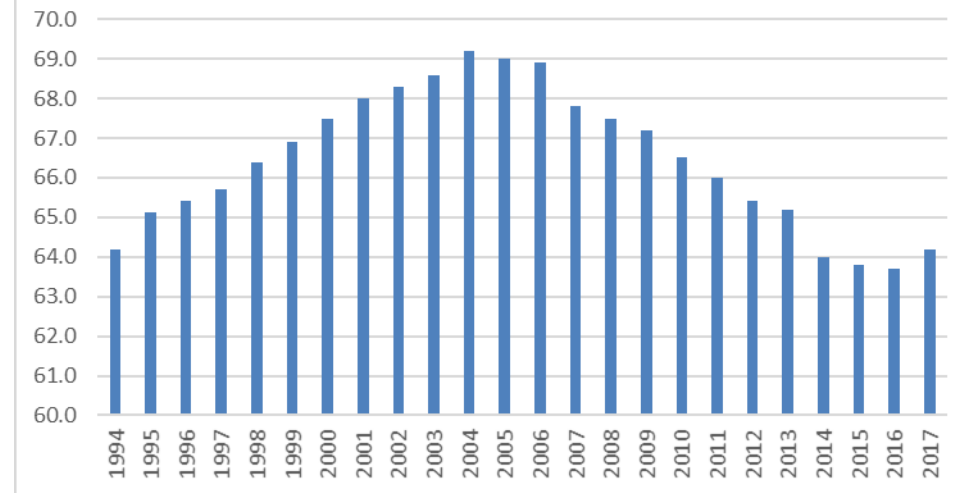


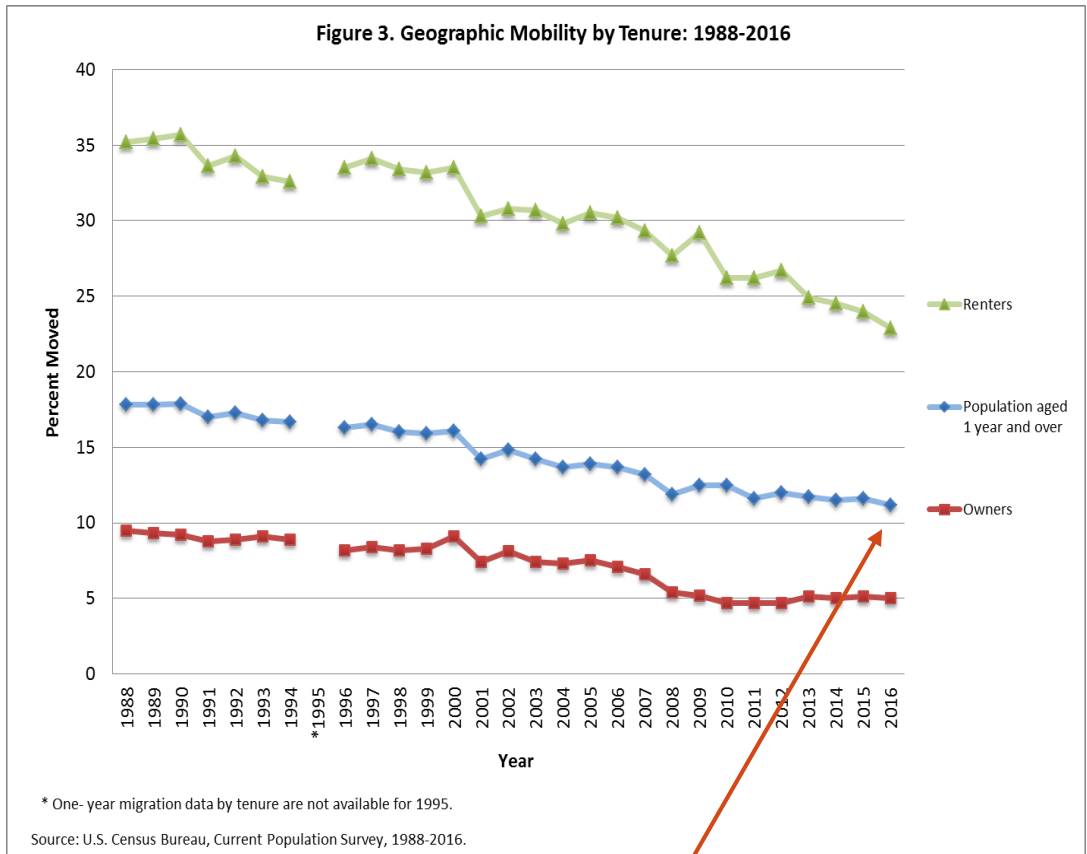
- Household formation dipped during great recession but recovered
- Homeownership rates within a narrow range over the long-term but low relative to past 20 years

Householders who own their home

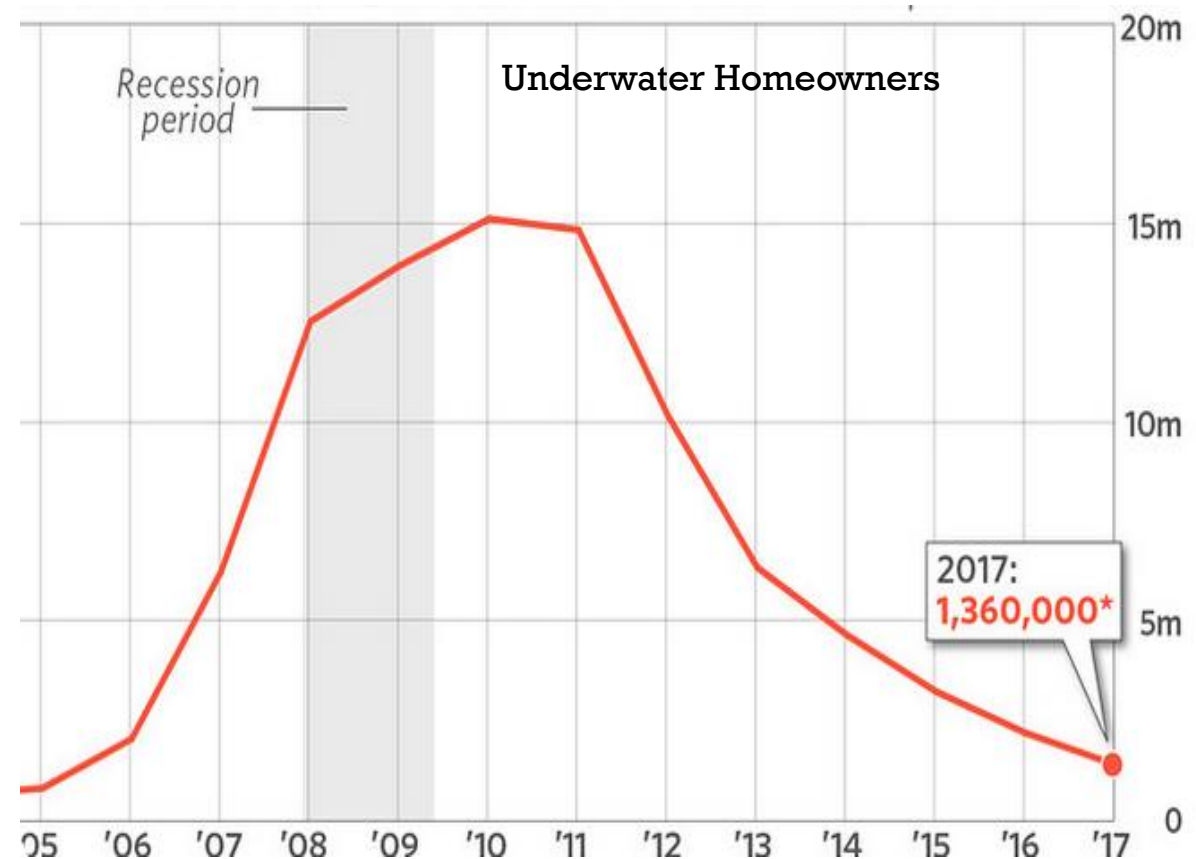


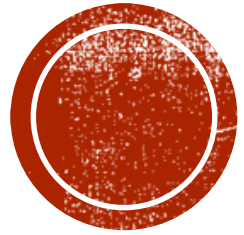
Homeownership rates





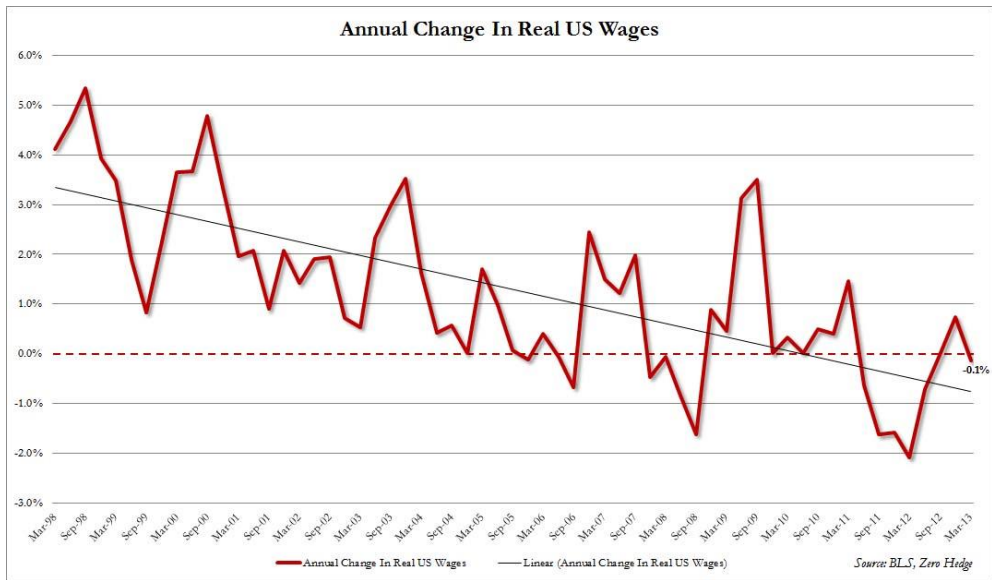
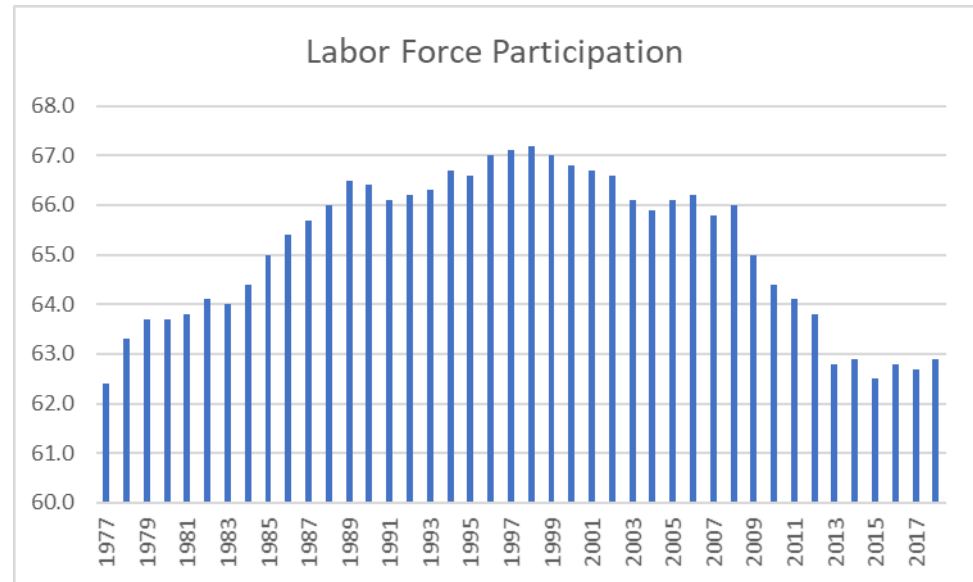
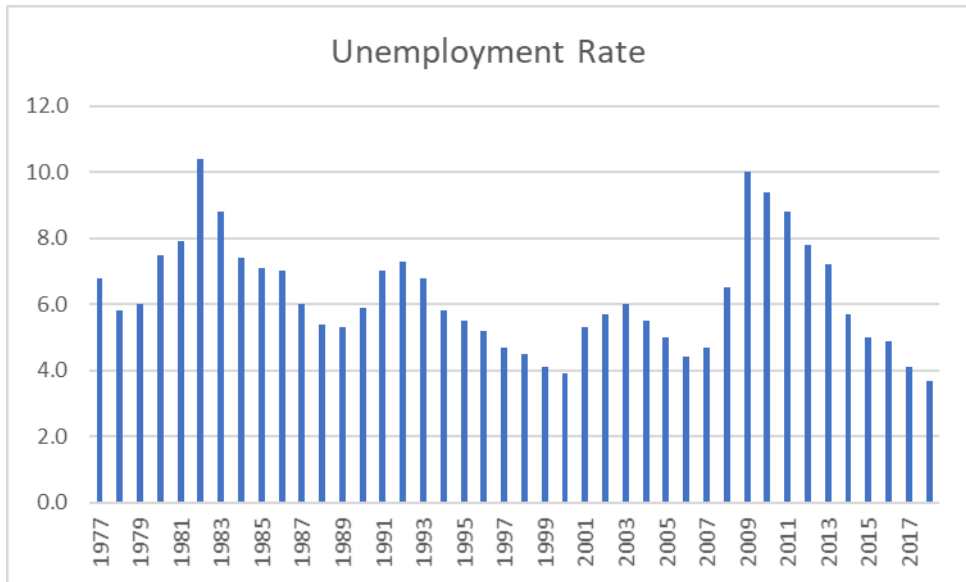
Lowest one year rate since measurement began in 1948





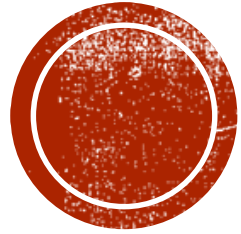
LABOR MARKET





Strong employment picture





MORTGAGE MARKET

Rates and Availability

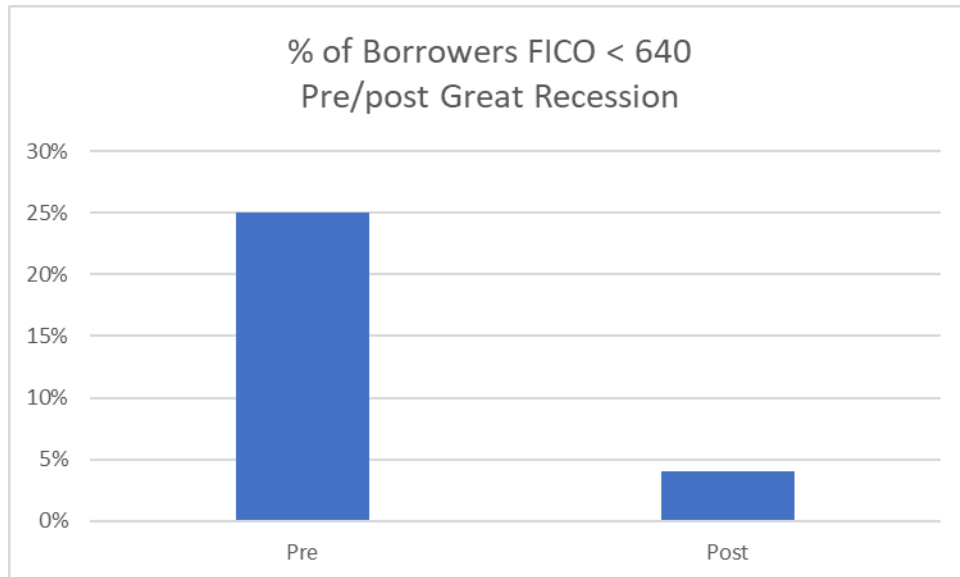
FEWER CHOICES, MORE DOCUMENTATION

- QM (Qualifying Mortgage) Requirement
 - Ability to repay (as defined by the CFPB)
 - $DTI \leq 43\%$
 - No interest only mortgages
 - No negative amortization
 - No balloons
- Banks, lenders and investors less appetite for mortgage risk
- Documentation
 - For many, grown from <10 pages to as many as 150



LESS BUYERS QUALIFY

- **DTI \leq 43%**
 - But rents alone in many markets consume 40-50% of income
 - There is no ability to pay rent rule
 - Add in car and/or student loans and many don't qualify

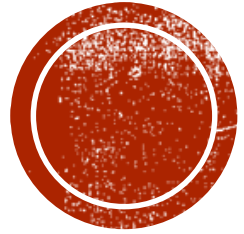


**Conclusion:
Harder for many to get a mortgage**



RATES STILL LOW BUT BEGINNING TO RISE





HOUSING PRICES



- **Supply remains low**
 - Availability of construction workers a minor factor but a factor
- **Affordability strong but varies a lot by region and economic status**
 - High rents should help first time buyers
 - Tighter lending standards hurt
 - Rising rates
- **Sales activity falling**
- **All housing markets are still local**
- **Affordability becoming challenging**
 - Housing prices up 50%
 - Wages up 14%
 - Takes 23.6% of median income to make the monthly payment on the average priced home – least affordable in a decade but slightly below the long-term average
- **Home price appreciation slowing**
- **Sales falling**

