Real Estate Update
National Multifamily Housing Council
Research Forum
April 2015
Summary and Outline

- Home price growth stabilizing
- Home sales and purchase originations up modestly
- Mortgage performance and negative equity improving
- Supply of mortgage credit modestly tight
- Demand for mortgage credit is very weak
Home Price Deceleration Moderates

Percent Change from a Year Ago

Source: CoreLogic, January 2015
Texas Top the List

Percent Change from Year Ago

Source: CoreLogic, January 2015

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Home Sales Improving

Sales Helped by Lower Rates During the Latter Half of 2014

Source: CoreLogic, January 2015
Distressed Sales Clearing Out

Source: CoreLogic, December 2014
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Purchase Mortgage Originations Below Level in 2001

Number of 1st Lien Residential Mortgage Originations, 12 Month Sum

Percent Change in 1st Lien Residential Mortgage Originations

Source: CoreLogic, December 2014

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Purchase Demand is Much More Sensitive to Mortgage Rate Increases

**Spring 1994**
- 2 Mo. Change in Rates (BPs)
- Arm Share

**Summer 2003**
- 2 Mo. Change in Rates (BPs)
- Arm Share

**Summer 2013**
- 2 Mo. Change in Rates (BPs)
- Arm Share

Source: MBA, Freddie Mac and CoreLogic
Mortgage Market Segments

FHA Share of Purchase Originations

VA Share of Purchase Originations

Jumbo Share of Purchase Originations

Source: CoreLogic, November 2014
The Supply vs Demand for Mortgage Credit
Is Purchase Underwriting Loosening?

10th Percentile Credit Score for Purchase Loans

Source: CoreLogic, December 2014, 30-year fixed-rate purchase mortgages only

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Housing Credit Index (HCI)

HCI Factors

- Credit Score
- Loan-to-Value Ratio (LTV)
- Debt to Income Ratio (DTI)
- Broker Share
- Adjustable Rate Mortgage Share
- Documentation Type

Source: CoreLogic, December 2014
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Housing Credit Index

HCI by Loan Type - Purchase Only

Source: CoreLogic, December 2014

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Housing Credit Index

Purchase Index by Census Region

Source: CoreLogic, December 2014
Demand for Credit is Weak

1st Lien Purchase Mortgage Applications at Same Level as 20 Years Ago

Source: Federal Reserve
Demand for Credit is Weak

Real Median Income at Same Level as Late 1980s

Source: Census
Housing is Unaffordable

Price to Rent Ratio

Source: CoreLogic, BLS January 2015
Low End Prices Up Twice as Much as Upper End

Source: CoreLogic, BLS December 2014

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Leverage Driving Up Low End Prices and Foreclosures

**Foreclosure Rates Consistently Rise Since 1980s**

- FHA
- Conventional

**Leverage Drives Foreclosure Rates**

- LTV Ratio
- Foreclosure Rate, Percent

Source: MBA, FHA, FDIC, CoreLogic, Census
Buyers Active in Market Have Much Higher Incomes

*Purchase Owner-Occupied Homebuyer Income Index*

Source: CoreLogic, BLS December 2014

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Key Oil Markets Much Less Overvalued Than Prior Cycles

Deviation of Prices from Fundamentals

- Houston, TX
- New Orleans, LA
- Oklahoma City, OK

Source: CoreLogic, December 2014

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