Current State of the Residential Real Estate Markets

Bloomberg NYU|Stern Center for Real Estate Finance Research

October 2014
Summary

• Price growth decelerating, especially in less affordable markets

• Home sales down in 2014, due to higher rates & less cash distressed sales

• Purchase originations below 2001 levels

• Short term and long-term impediments to purchase market

• For sale inventory is tight, rental even tighter

• Enough bad news, demographic tailwind is coming!

• HELOC reset warnings overstated
Home Price Suddenly Decelerate

Percent Change from a Year Ago

-20%
-15%
-10%
-5%
0%
5%
10%
15%
20%

Overall
Excluding Distressed

August 2014 +6.4%

Source: CoreLogic, August 2014

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Price to Rent Ratio Elevated

Ratio of CoreLogic HPI to Rents

Source: CoreLogic and BLS, August 2014
California and Texas Top the List
Percent Change from Year Ago, August 2014

Source: CoreLogic, August 2014.

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Price Growth in Western Markets Rapidly Decelerate

Percent Change from Year Ago, August 2014

Source: CoreLogic, August 2014.
Price Growth in Interior Southern High Growth Markets Steady

Percent Change from Year Ago, August 2014

Source: CoreLogic, August 2014.

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Price Growth in Most Other Southern Markets Slowing Down

Percent Change from Year Ago, August 2014

Source: CoreLogic, August 2014.
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Home Sales Down 7% in 2014

Sales Lower Due to Higher Rates in 2013

Source: CoreLogic, 12 month sum.

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Distressed Sales Clearing Out
REO and Short Sale Share

Source: CoreLogic, July 2014
Cash Sales Drift Down But From High Share

Cash Sales as a Share of Total Sales

Source: CoreLogic, July 2014
Cash Sales Dominant in the Affordable South/Midwest

Number of Cash Sales for SFD in July 2014

Source: CoreLogic, July 2014

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Prices of Cash Sales Are Very Volatile

Percent Change from a Year Ago

Source: CoreLogic, July 2014
Florida’s Cash Sales Recovered, Mortgaged Sales Have Not

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

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

Source: CoreLogic, July 2014
Purchase Mortgage Originations Stumble in 2nd Half 2013

Percent Change in 1st Lien Residential Mortgage Originations

Source: CoreLogic, July 2014

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Sales Much More Sensitive to Rising Rates Than During the Past

Spring 1994

Summer 2003

Summer 2013

Source: MBA and Freddie Mac

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Quarter of Market Lacks Access

Distribution of Purchase Origination FICO Scores

Source: CoreLogic, May 2014

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Median Income at Same Level as 17 Years Ago

Source: Census
Unsold Inventory Tight

Months’ Supply

Source: NAR and CoreLogic

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A Fifth of Owners Lack Enough Downpayment

Percentage of Owners with Less than 10% Equity in Current Home

Source: CoreLogic

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Rental Market Has Taken Fifth of Inventory

Single-Family Rental Share of Total MLS Inventory

Source: CoreLogic, August 2014
High Reservation Prices Keep Owners from Listing
Homeowners Think Their Home is Worth About 15% More Than Prices Are

Between 2007 and 2011 Home Prices Fell By How Much?

- In normal times, owners generally overvalue their homes by 5%.
- The crisis led to another 10 percentage point increase in overvaluation.

Source: Census
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Renter Household Growth Slows Down

*Three Year Moving Average of Annual Percent Change*

Source: Census, three year moving average, as of Q2 2014
Large Housing Demographic Tailwind Has Arrived

Population by Age Cohort

Source: Census, June 2014
Headship & Unemployment for 18-34 Year Olds

Source: IPUMS-CPS; Bureau of Labor Statistics.

Headship Rate
(inverted, right axis, 2013)

Unemployment Rate
(left axis, Jun-14)

Source: CEA, IPUMS-CPS and BLS
Incomes of Future First Time Homebuyers are Declining

Real Median Income for 25 to 32 Year Olds Four Years After Recession, By Generation

Source: Pew Research Center, 2014
Homeownership for Borrowers with Student Debt Declines

Share of 30 Year Olds With Home Secured Debt

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.
Driving Much Less
Per Capita Miles Traveled, 12 Month Cumulative Average

Foreclosures Provide Substantial Incremental Rental Demand

Completed Foreclosures, 12 Month Cumulative Sum

Source: CoreLogic, July 2014
Defaulters Credit Profiles Never Quite Recover

Average FICO Score for Borrowers That Experienced a Mortgage Default, by Vintage

Boomerang or Frisbee?

Source: FRBNY Consumer Credit Panel/Equifax

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At 10 Year Reset, Payments Jump by $125 or 120%

Comparison of 3 Month Moving Avg Payment Before and After 10-Year Reset Mark

Source: CoreLogic, TrueStandings HomeEquity, Sept 2014.
Material Shift in Performance Beginning in 2004

60+ Day Delinquency

Source: CoreLogic, TrueStandings HomeEquity, Sept 2014

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Prepayment Spike’s at Reset
Percent of Loans That Prepaid by Month

Source: CoreLogic, TrueStandings HomeEquity, Sept 2014
Dual Triggers of Default Quickly Improving

Negative Equity Share

- 1st Only
- 1st and Junior

Source: xxxx
Thank You!

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