



Current State of the Residential Real Estate Markets

Bloomberg NYU|Stern
Center for Real Estate Finance Research

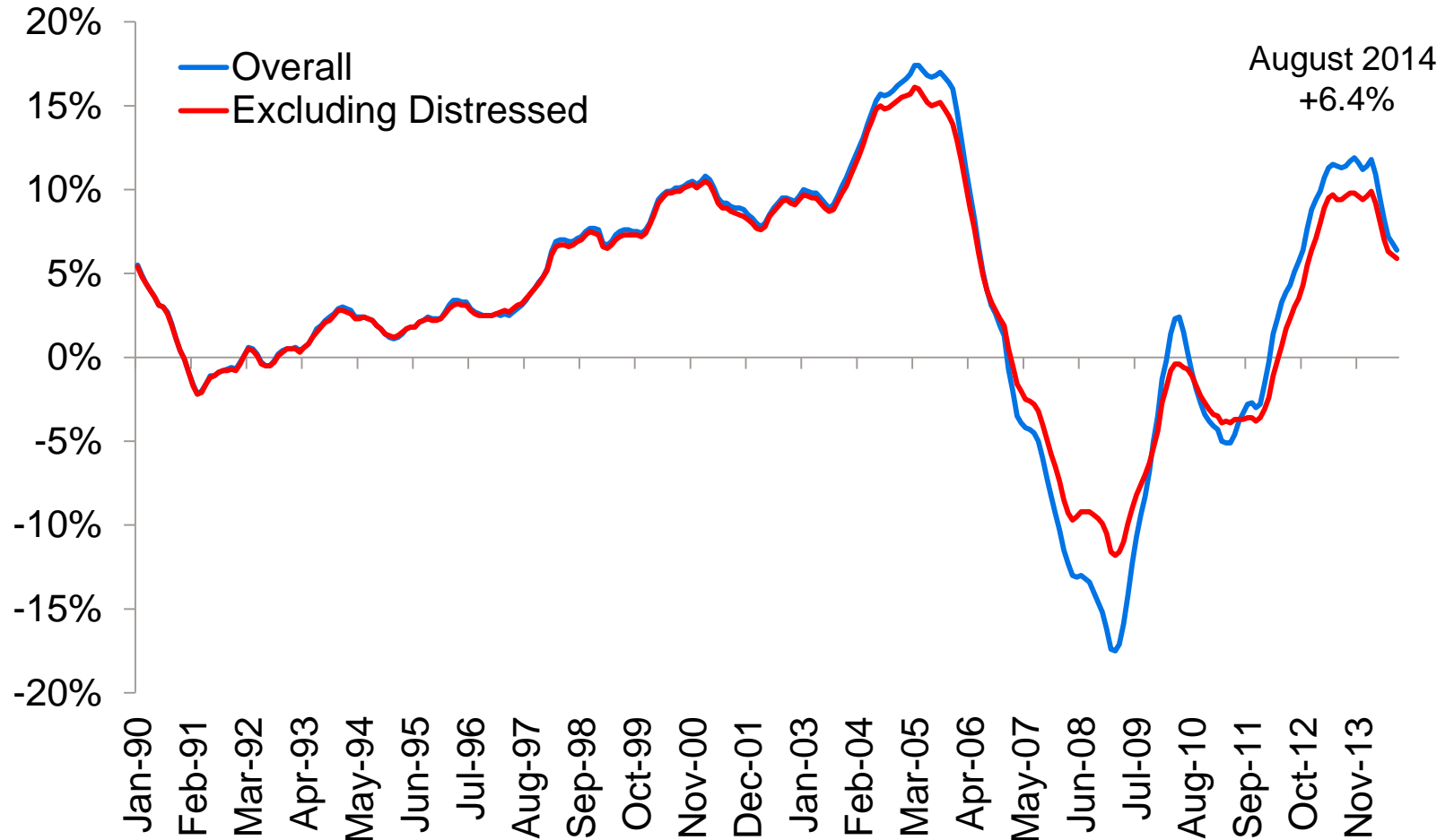
October 2014

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

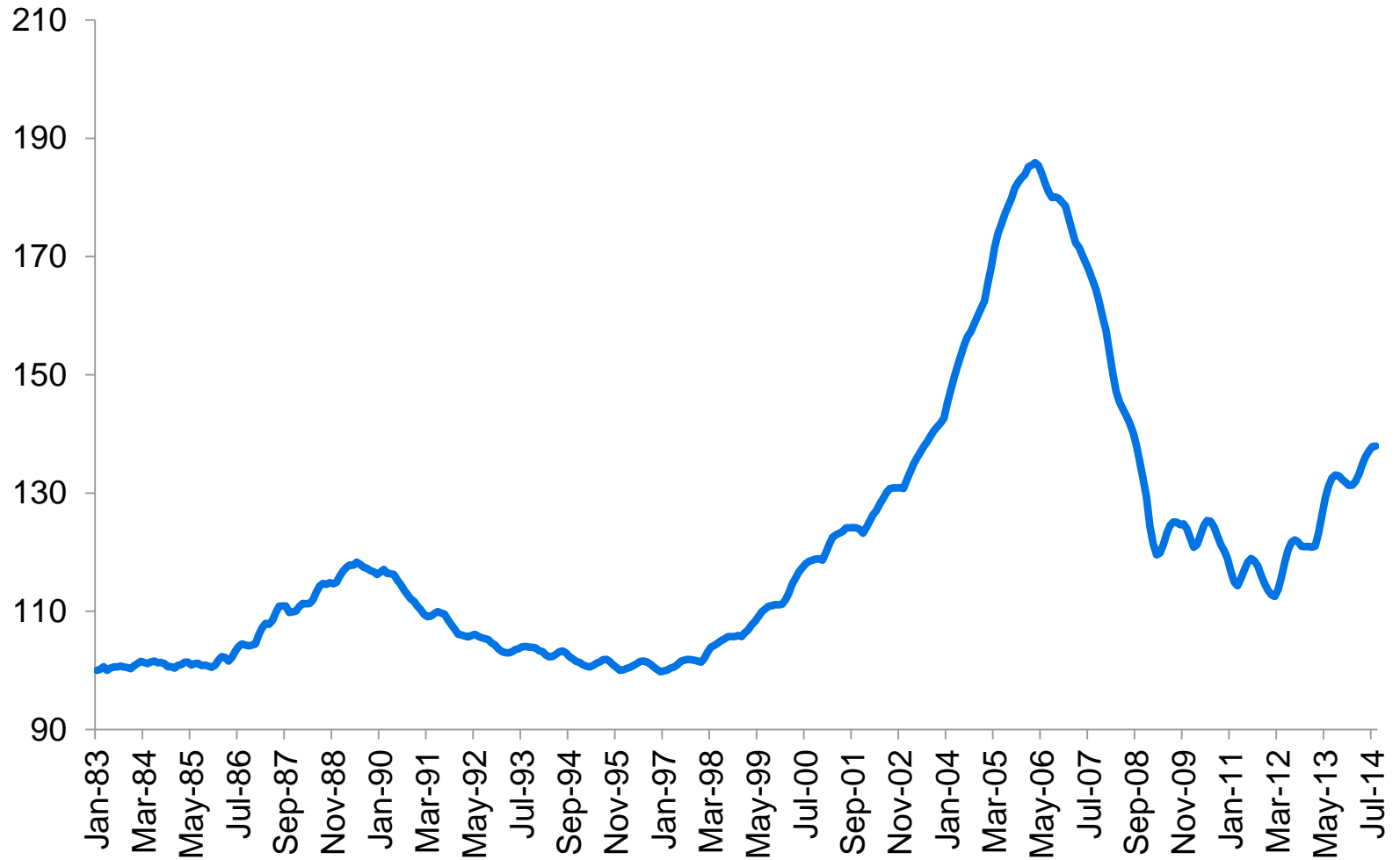
Percent Change from a Year Ago



Source: CoreLogic, August 2014

Price to Rent Ratio Elevated

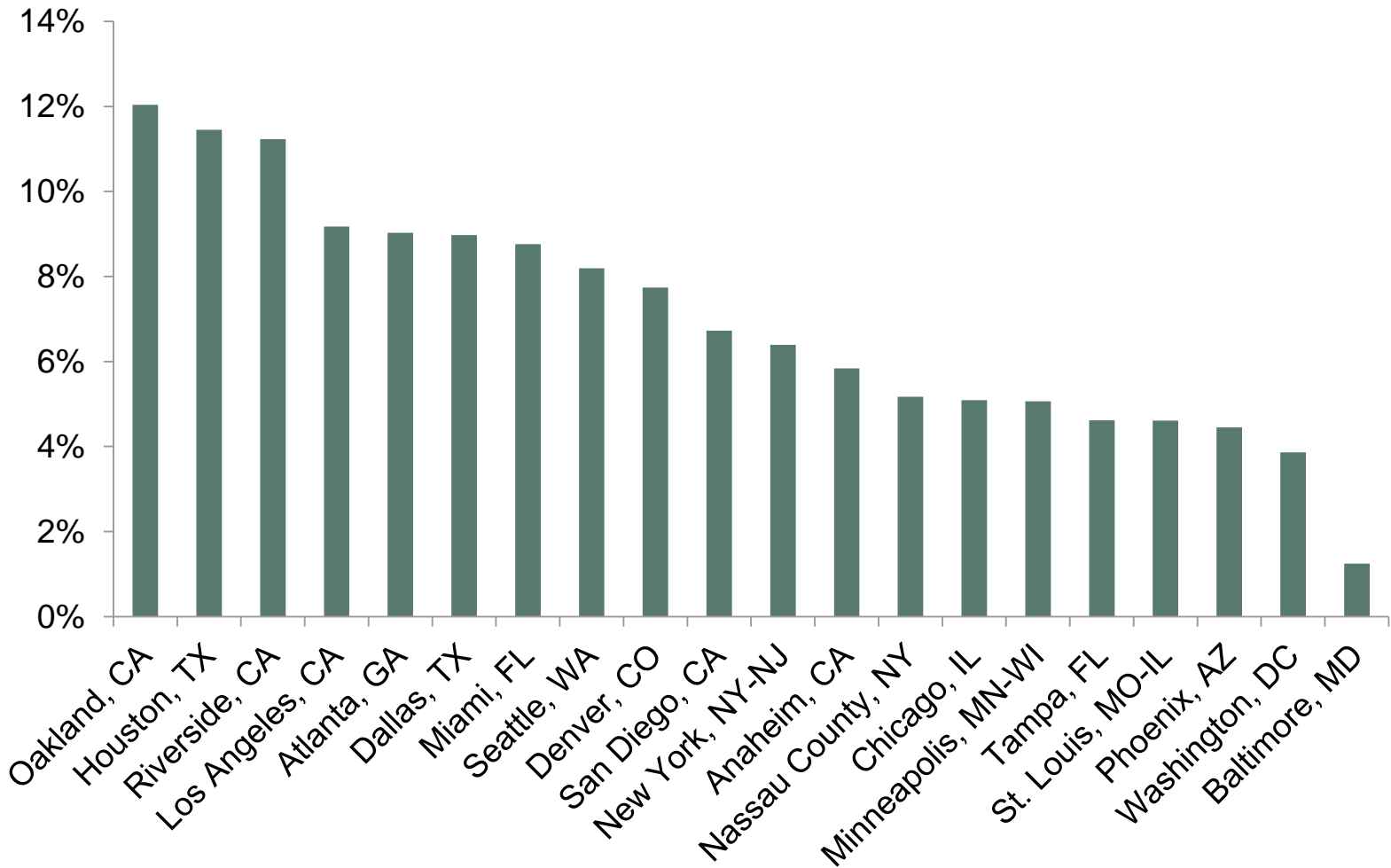
Ratio of CoreLogic HPI to Rents



Source: CoreLogic and BLS, August 2014

California and Texas Top the List

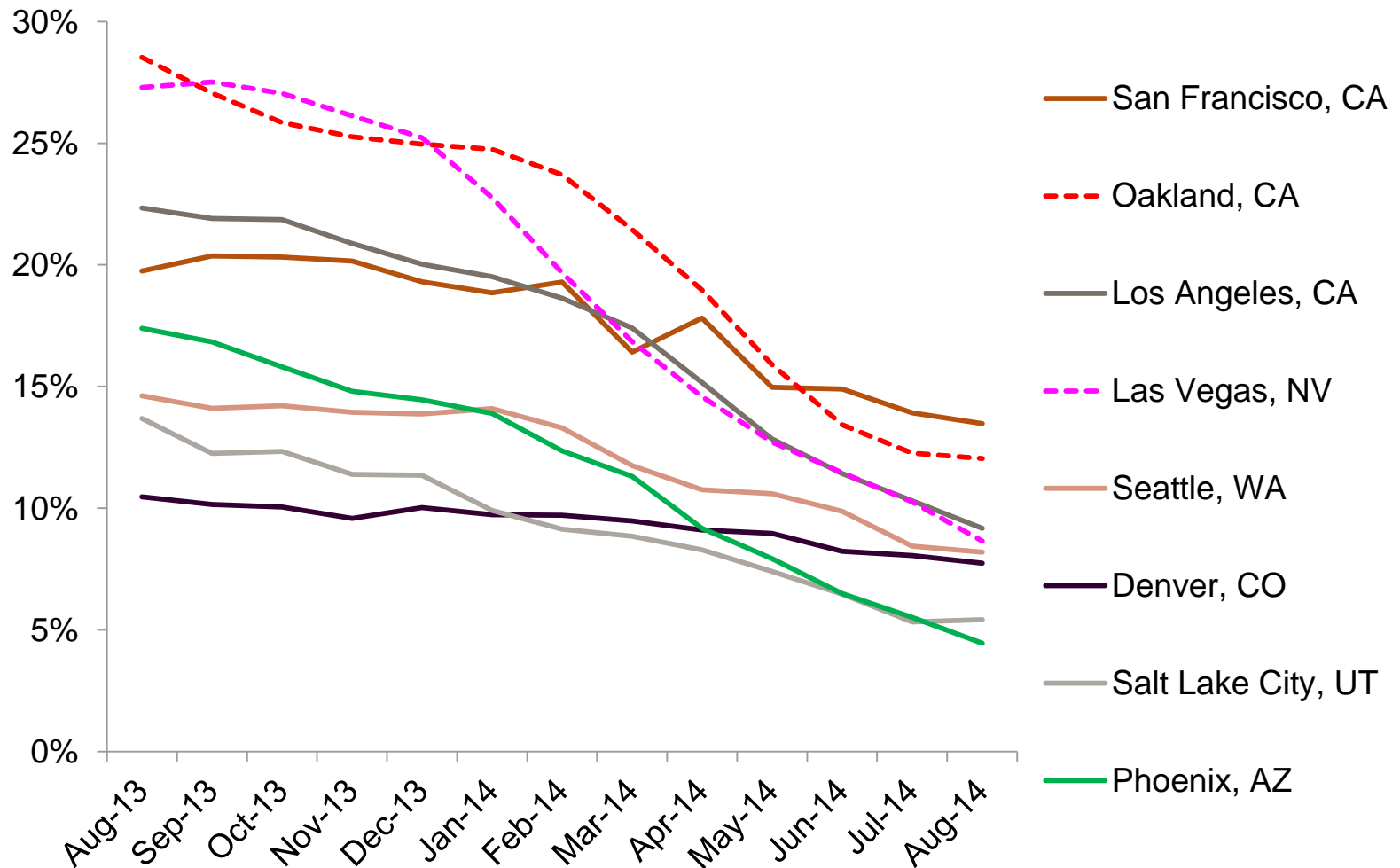
Percent Change from Year Ago, August 2014



Source: CoreLogic, August 2014.

Price Growth in Western Markets Rapidly Decelerate

Percent Change from Year Ago, August 2014

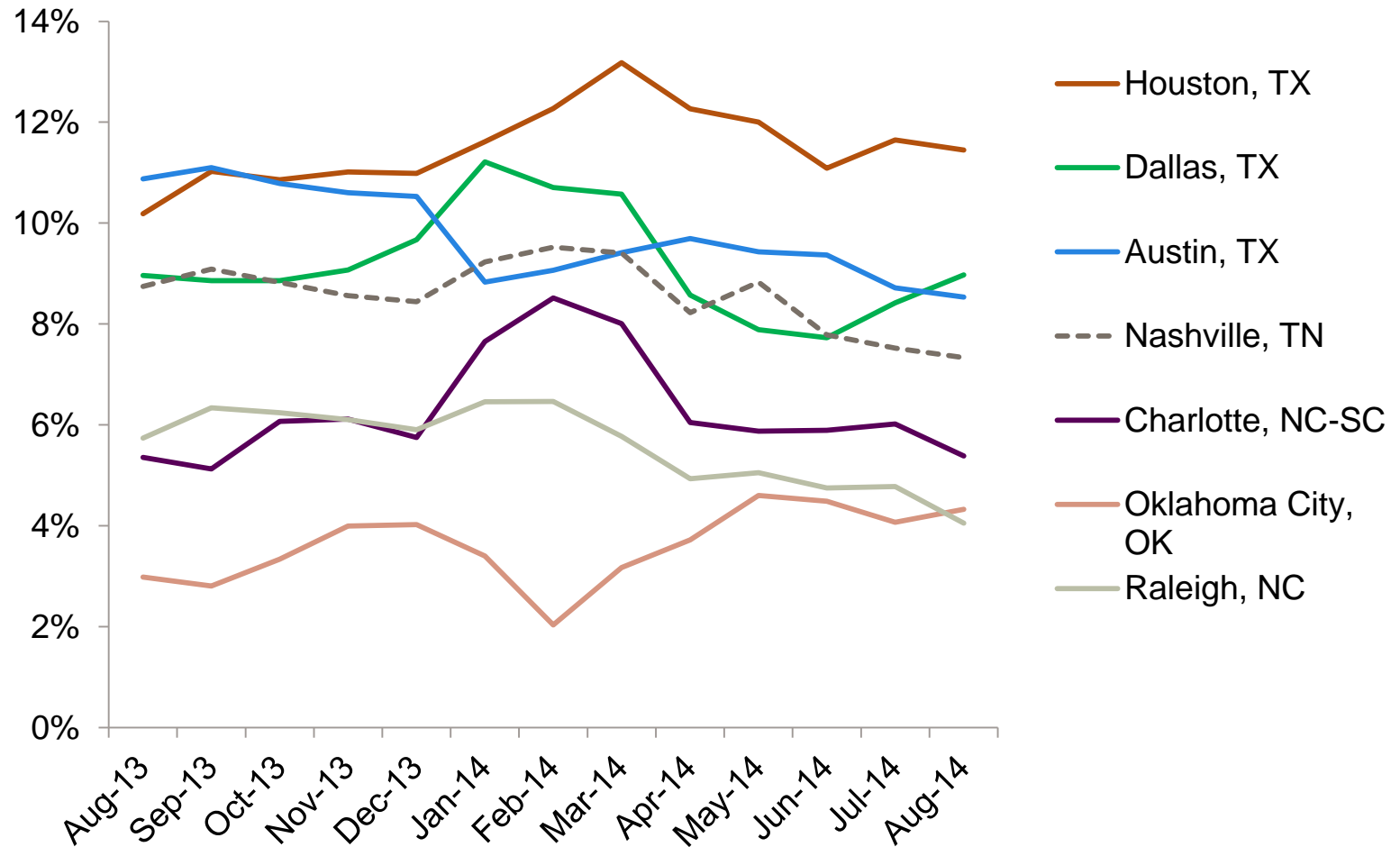


Source: CoreLogic, August 2014.

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Price Growth in Interior Southern High Growth Markets Steady

Percent Change from Year Ago, August 2014

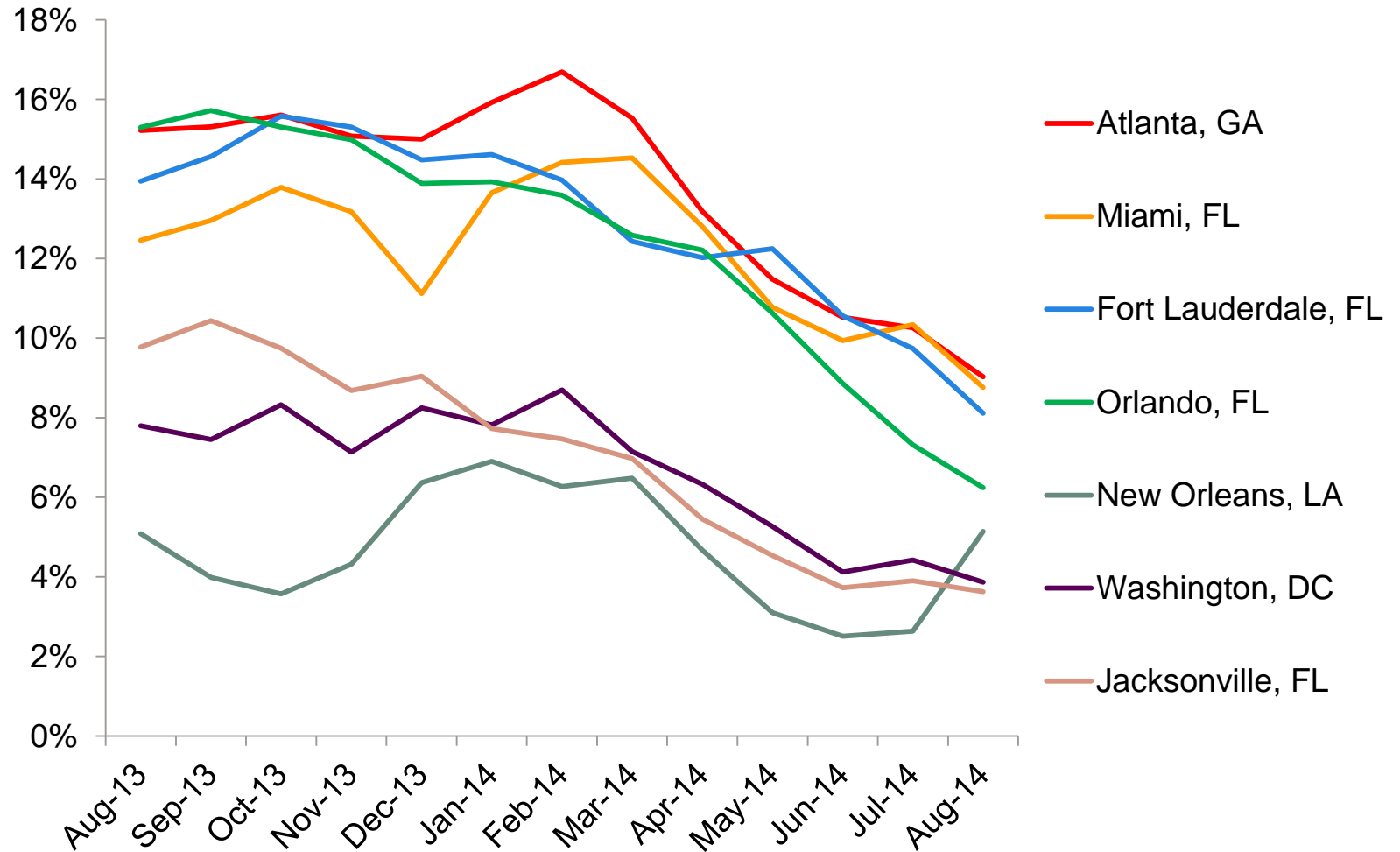


Source: CoreLogic, August 2014.

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Price Growth in Most Other Southern Markets Slowing Down

Percent Change from Year Ago, August 2014

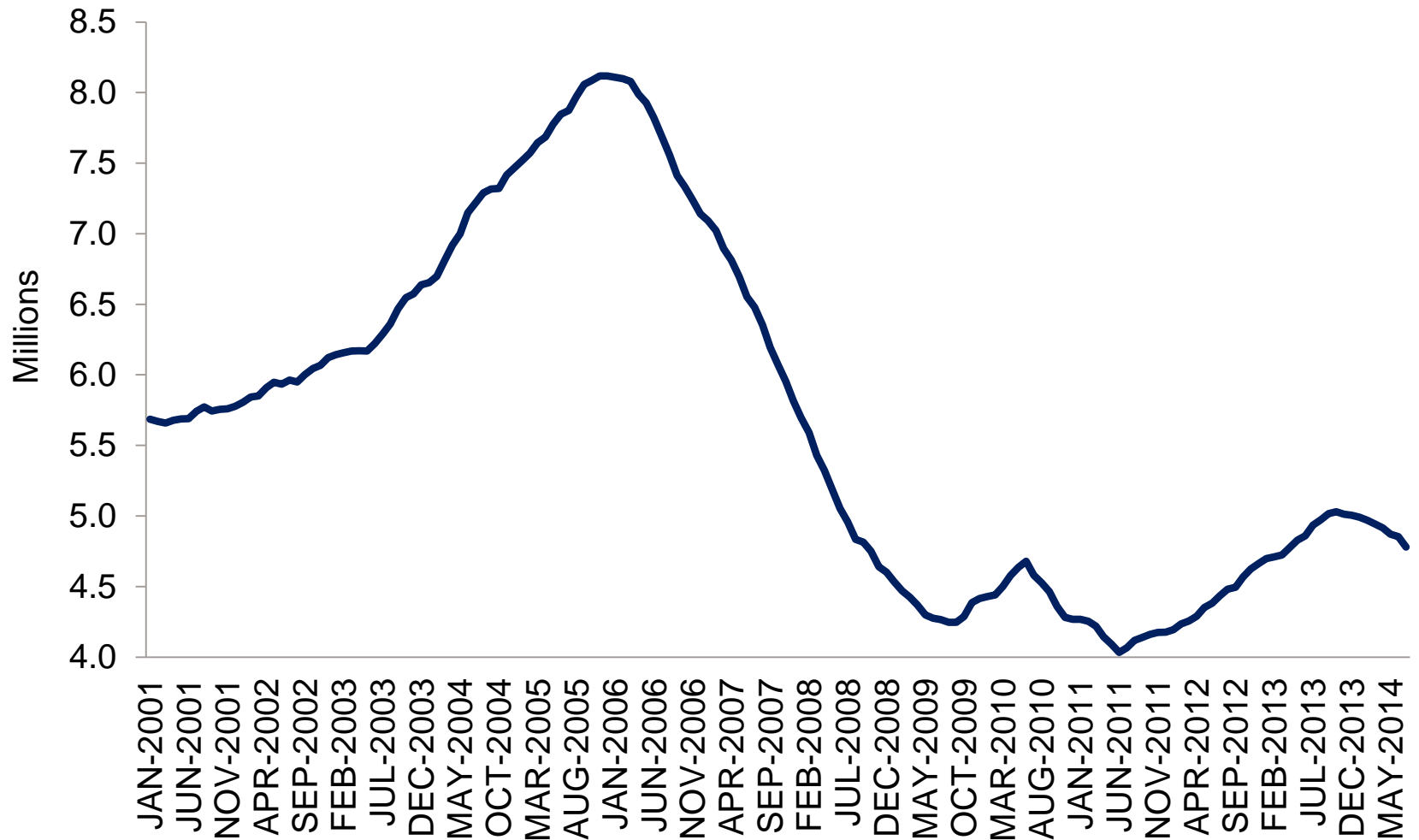


Source: CoreLogic, August 2014.

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Home Sales Down 7% in 2014

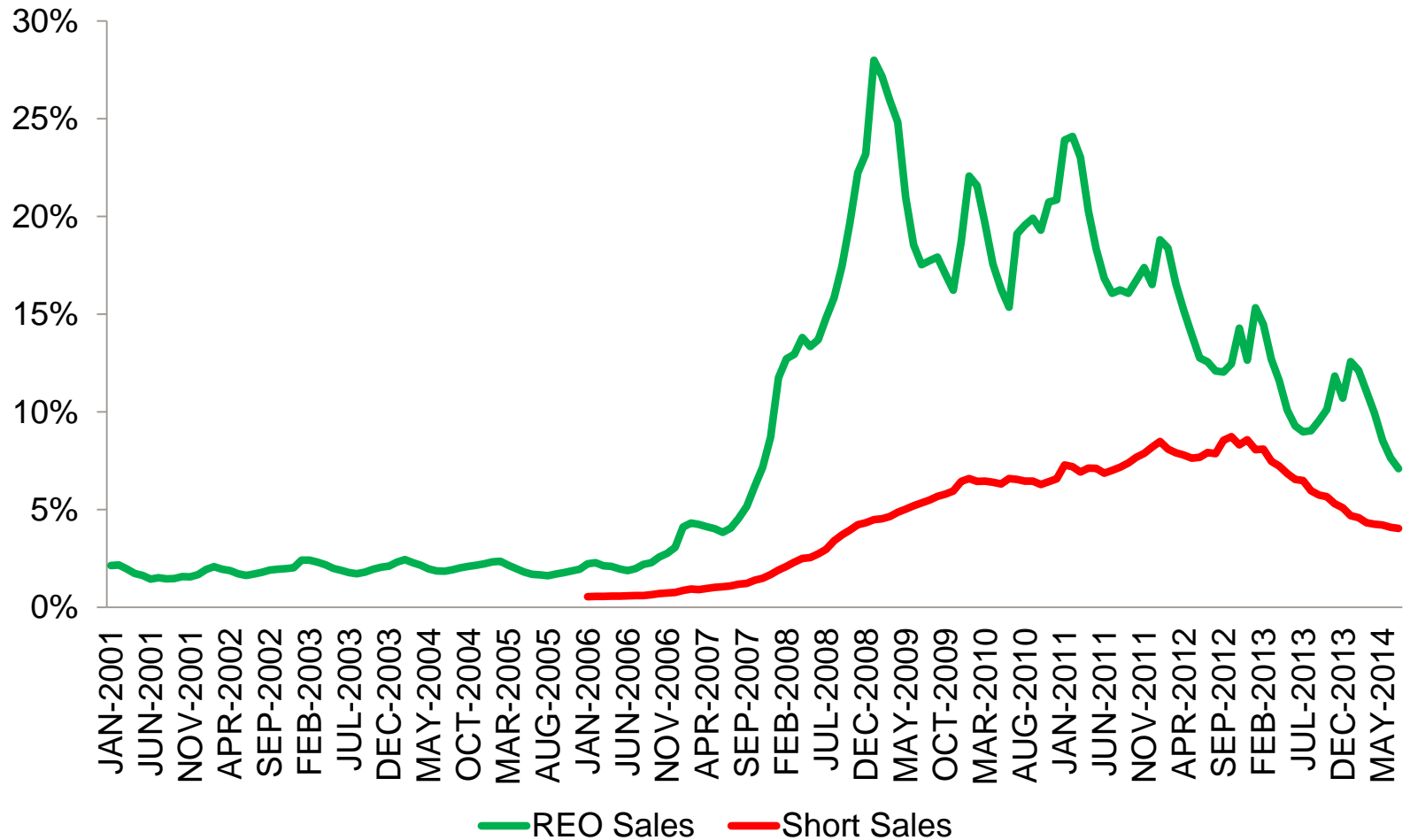
Sales Lower Due to Higher Rates in 2013



Source: CoreLogic, 12 month sum.

Distressed Sales Clearing Out

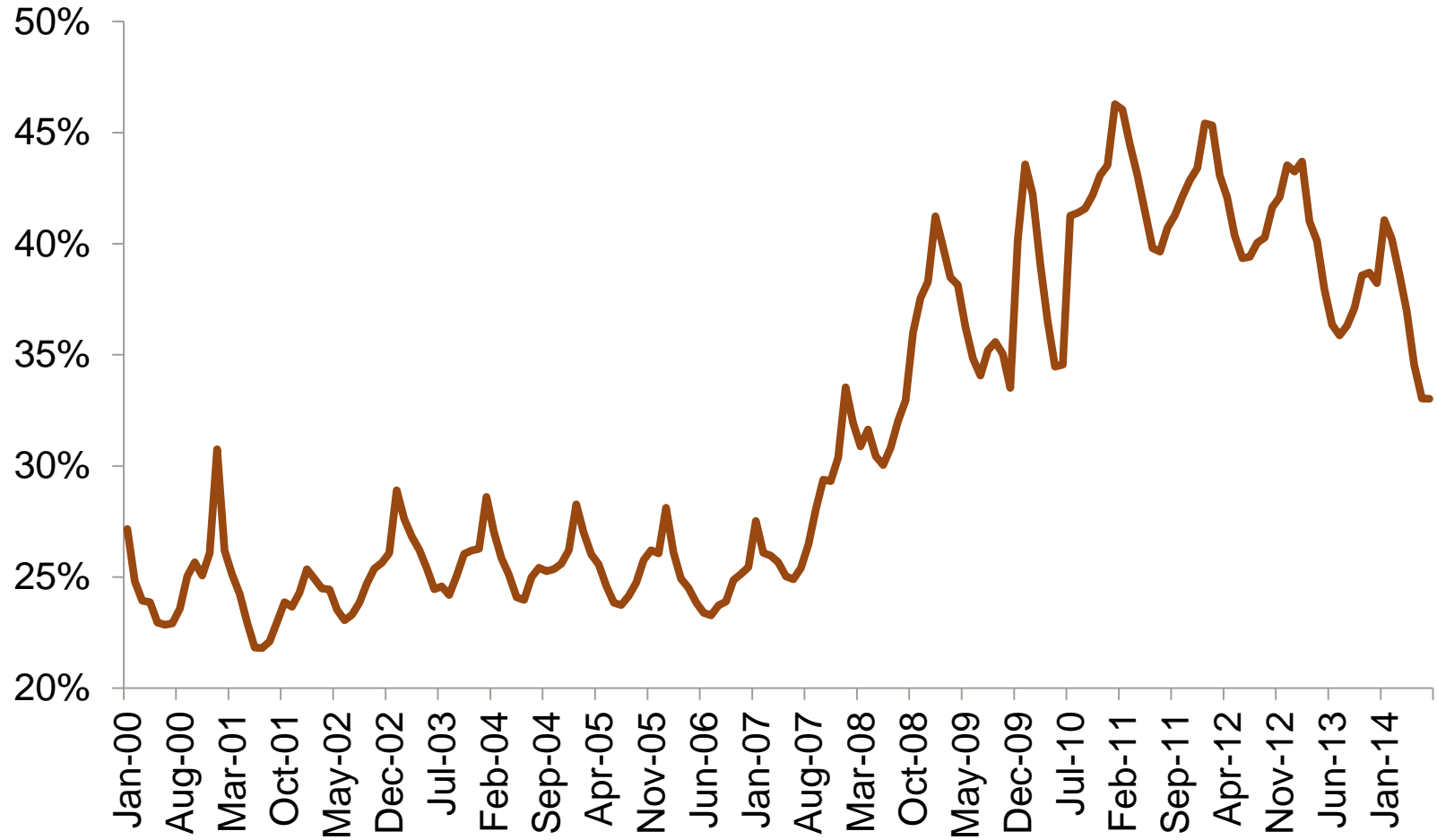
REO and Short Sale Share



Source: CoreLogic, July 2014

Cash Sales Drift Down But From High Share

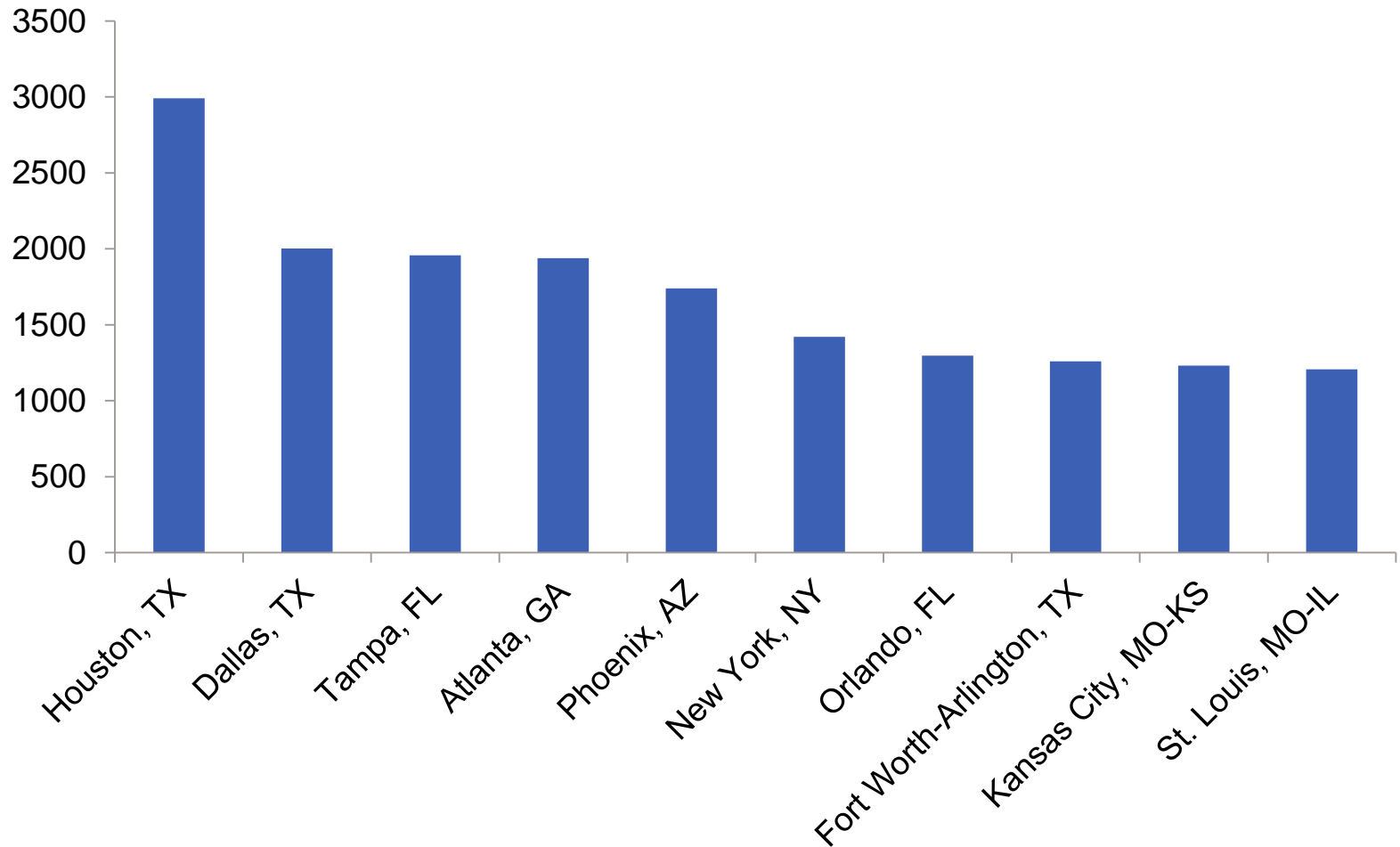
Cash Sales as a Share of Total Sales



Source: CoreLogic, July 2014

Cash Sales Dominant in the Affordable South/Midwest

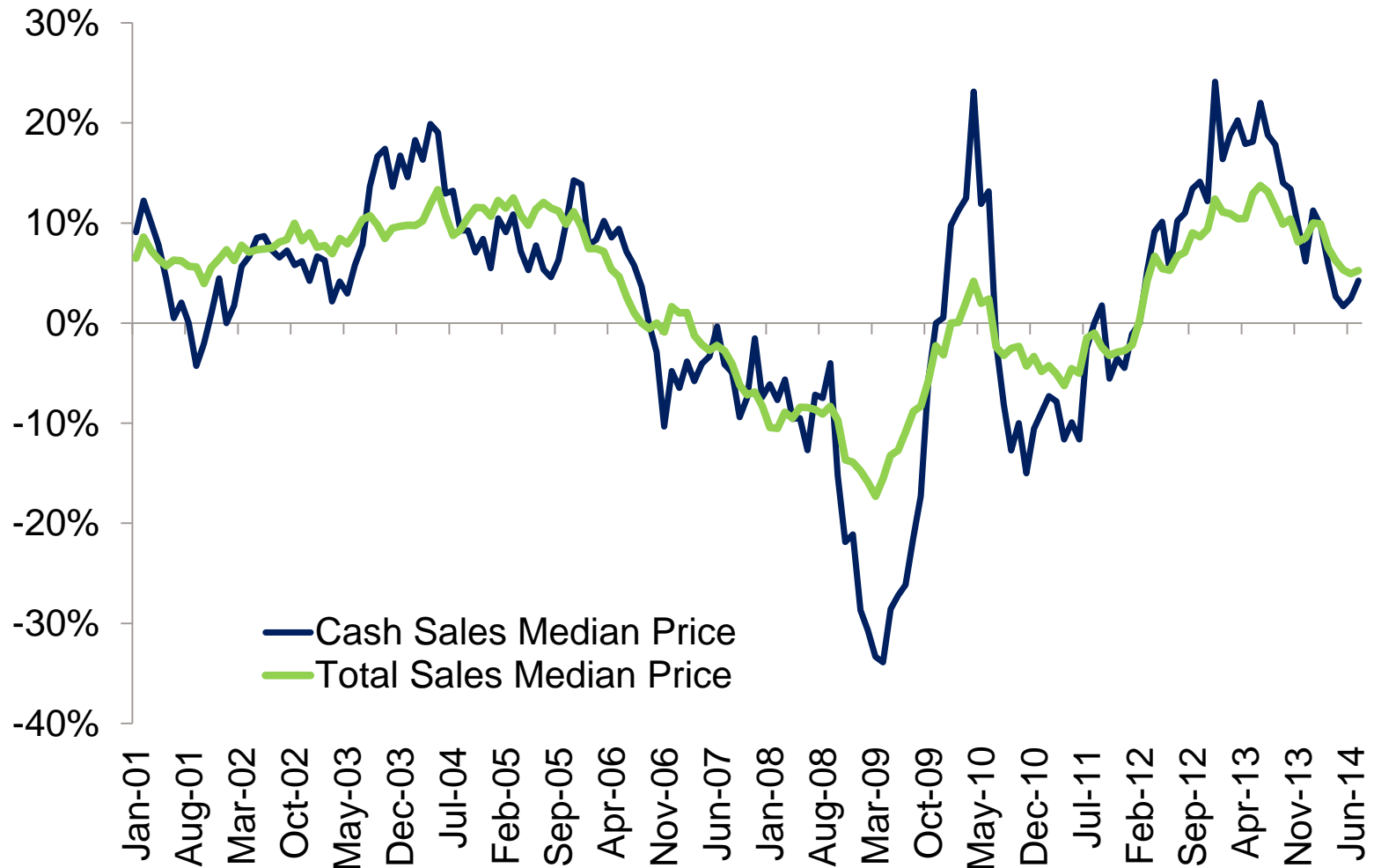
Number of Cash Sales for SFD in July 2014



Source: CoreLogic, July 2014

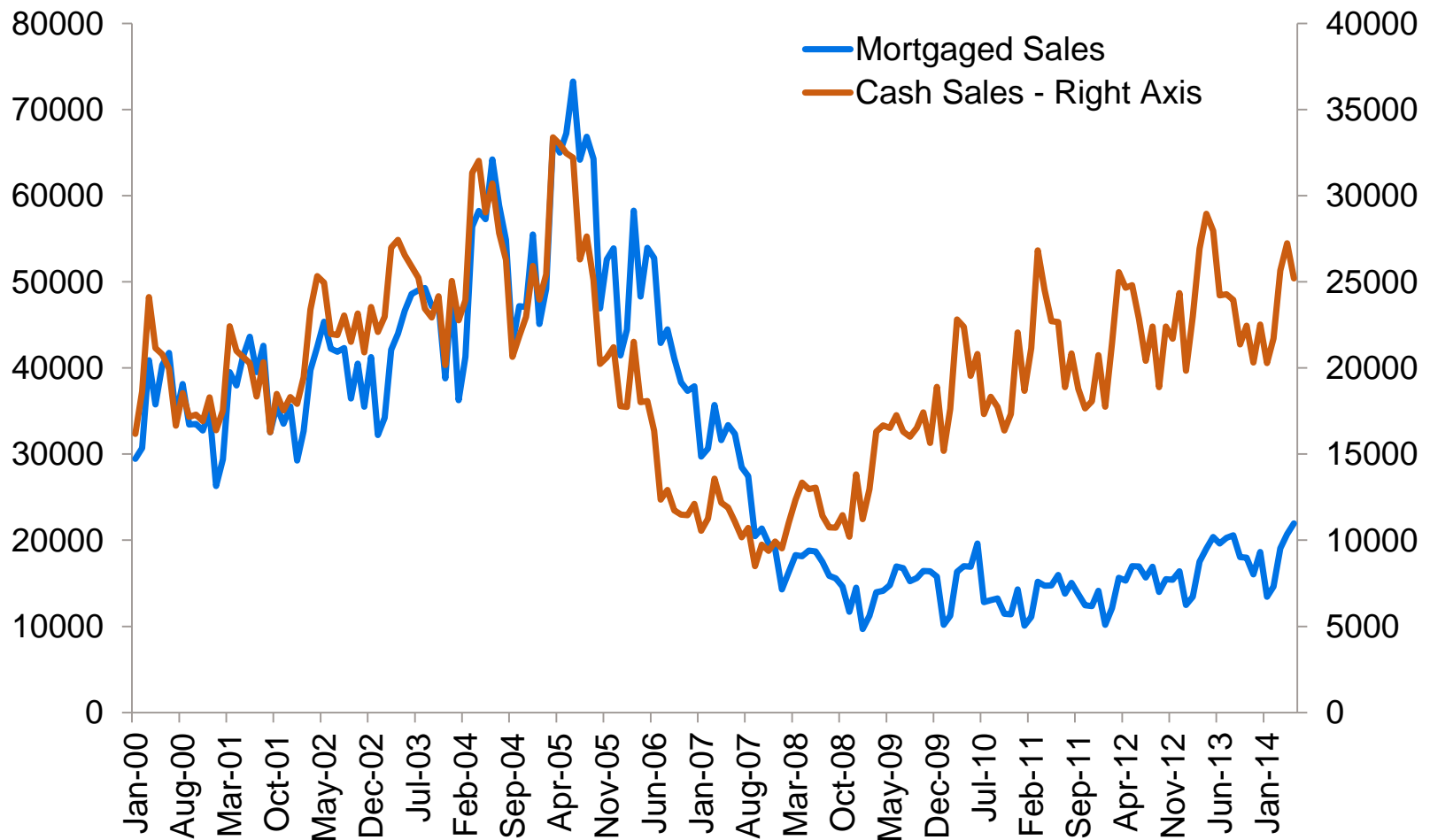
Prices of Cash Sales Are Very Volatile

Percent Change from a Year Ago



Source: CoreLogic, July 2014

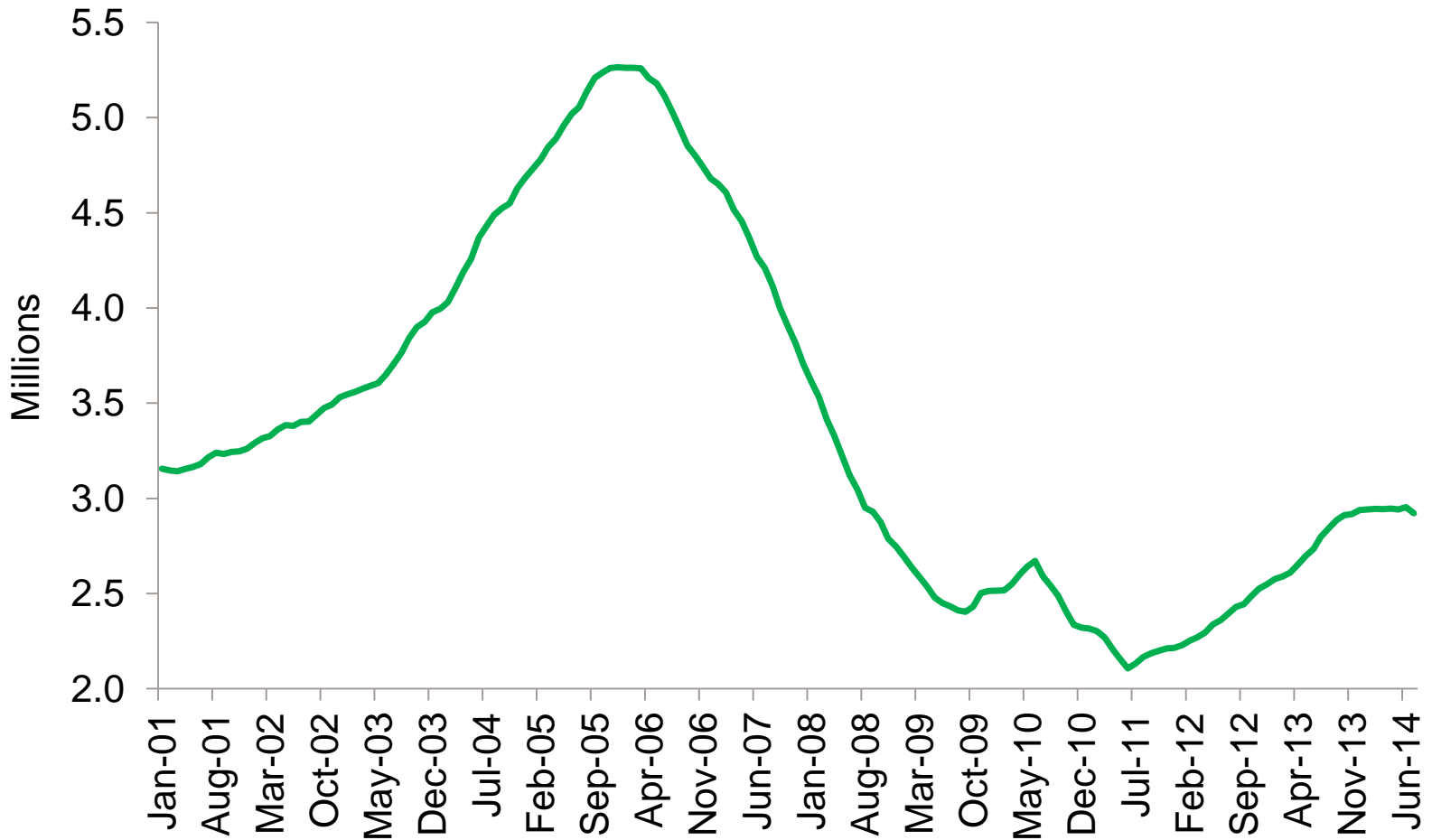
Florida's Cash Sales Recovered, Mortgaged Sales Have Not



Source: CoreLogic, July 2014

Purchase Mortgage Originations Below Level in 2001

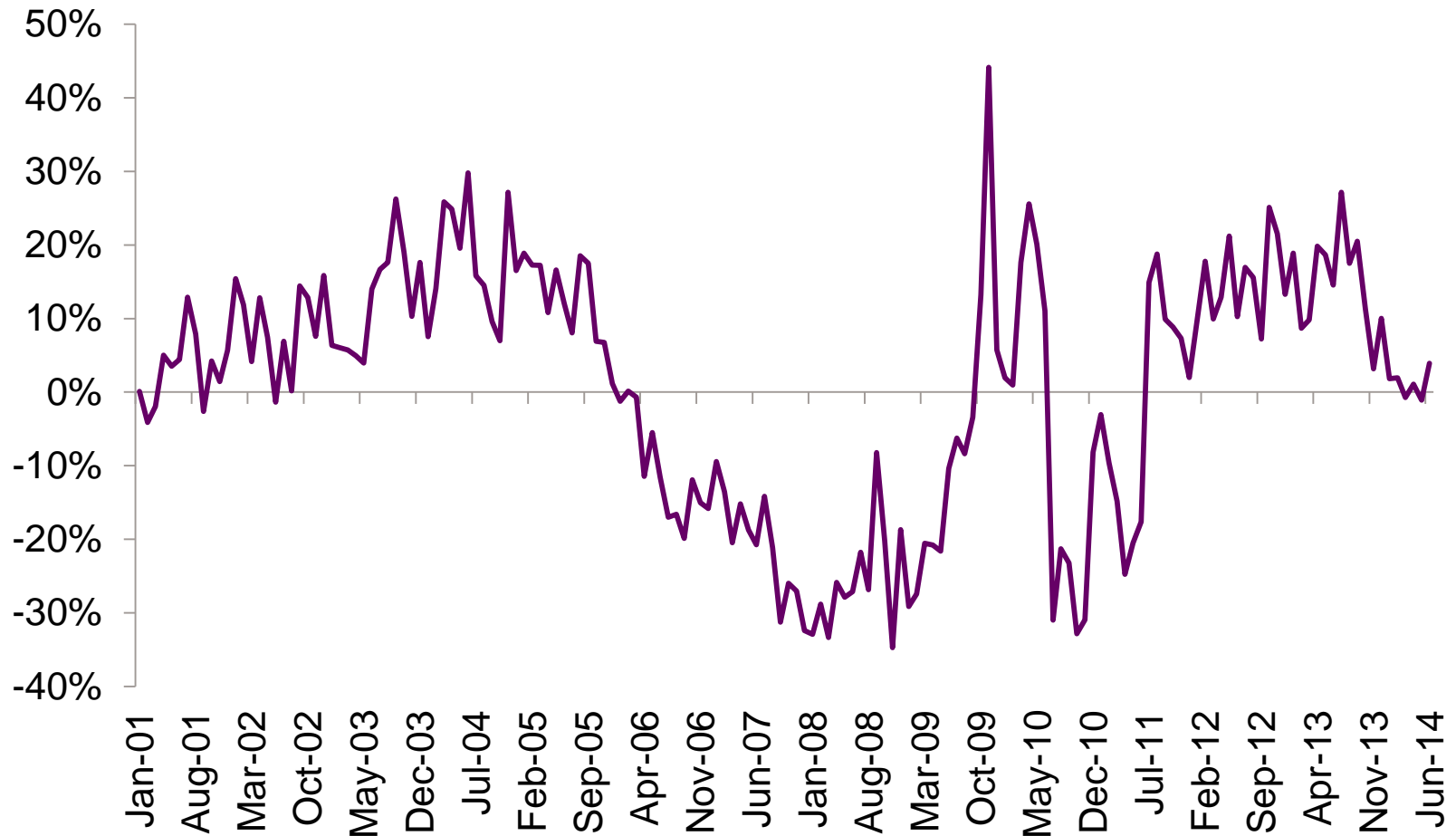
Number of 1st Lien Residential Mortgage Originations, 12 Month Sum



Source: CoreLogic, July 2014

Purchase Mortgage Originations Stumble in 2nd Half 2013

Percent Change in 1st Lien Residential Mortgage Originations



Source: CoreLogic, July 2014

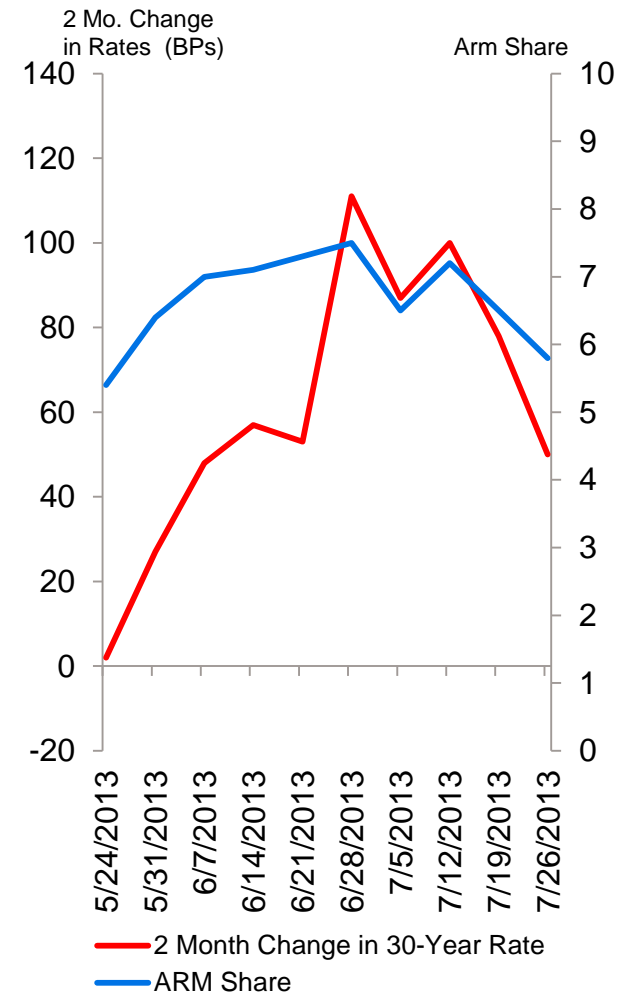
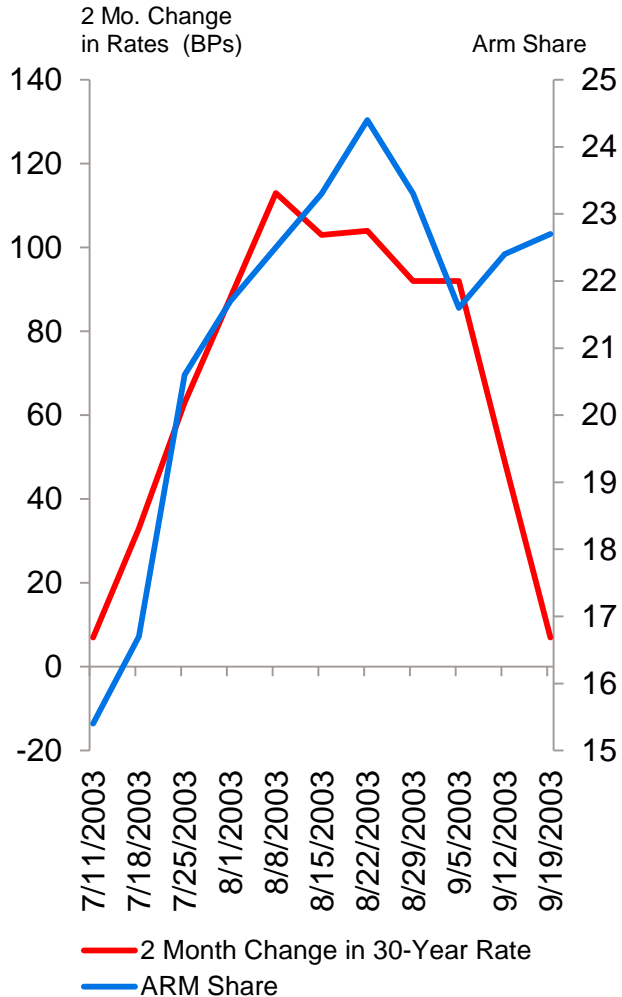
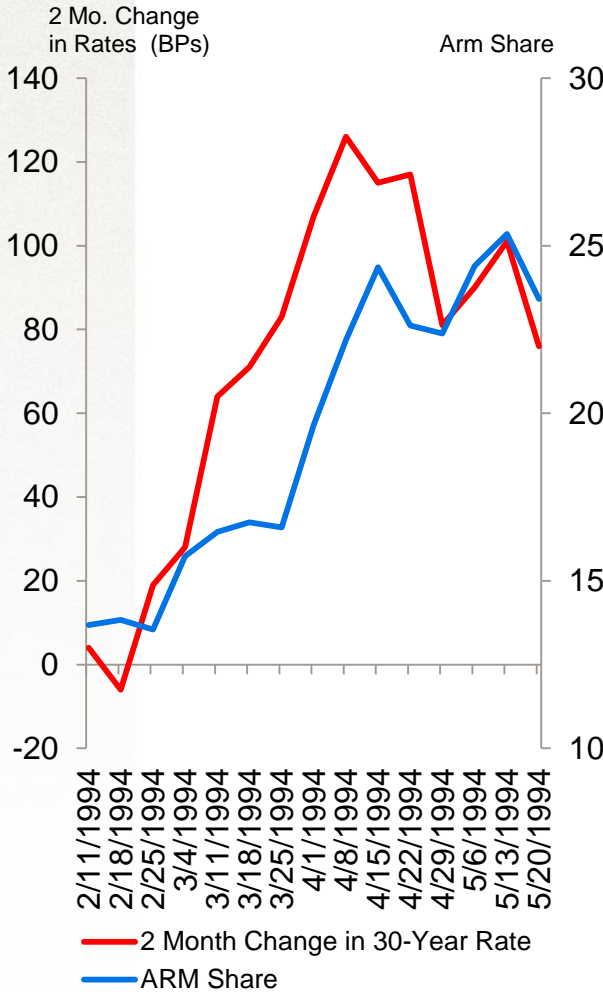
Sales Much More Sensitive to Rising Rates Than During the Past



Spring 1994

Summer 2003

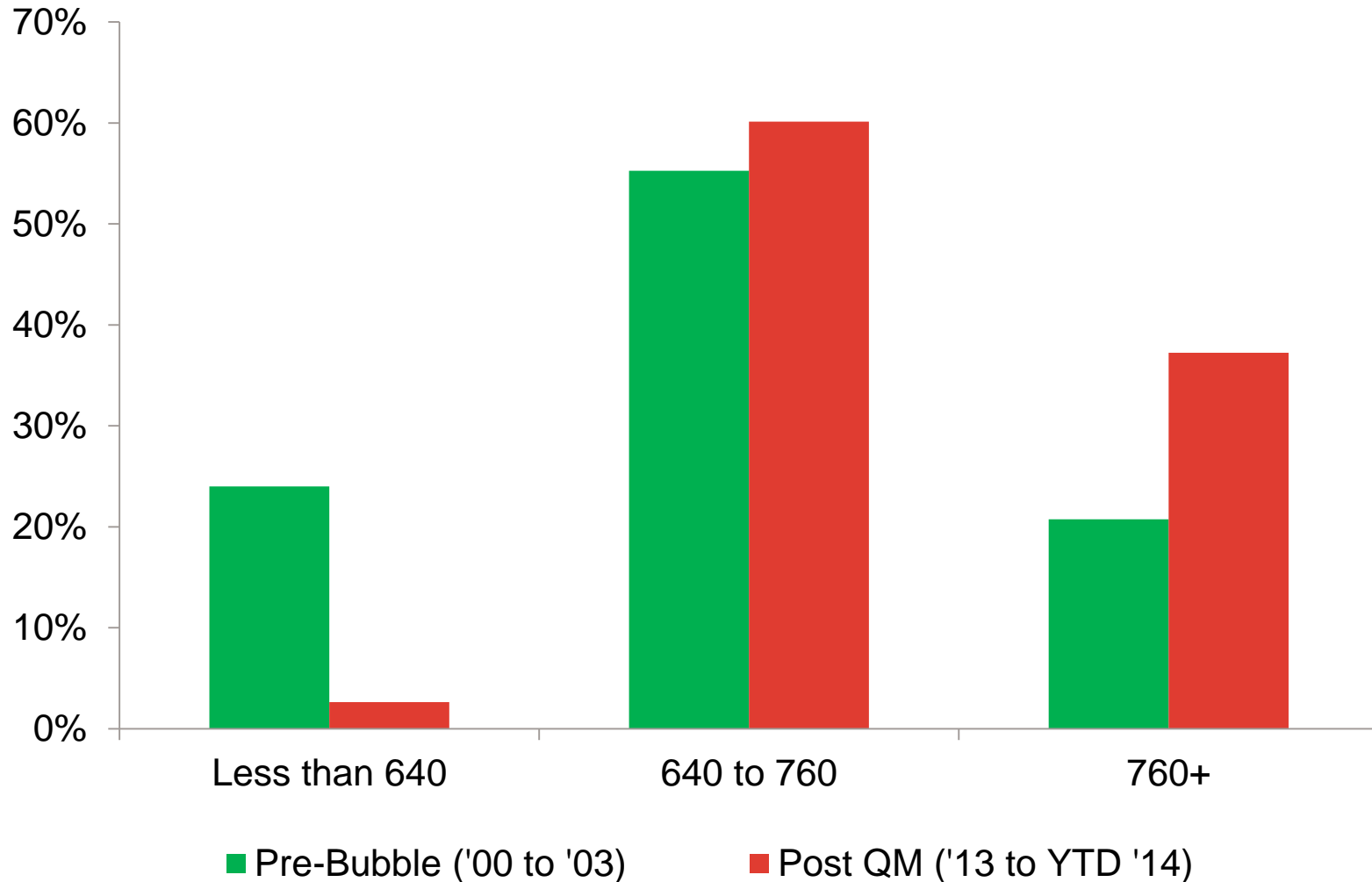
Summer 2013



Source: MBA and Freddie Mac

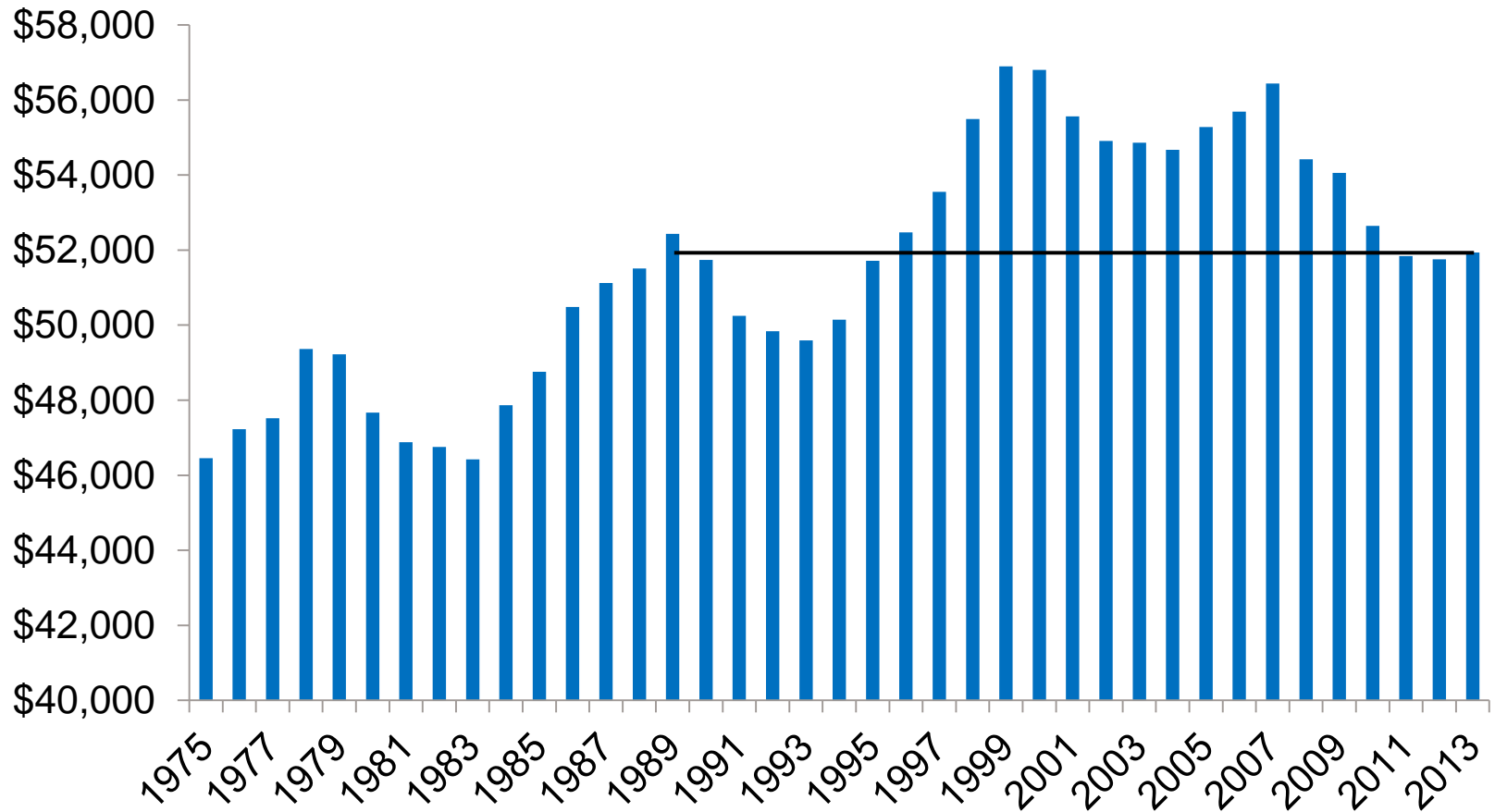
Quarter of Market Lacks Access

Distribution of Purchase Origination FICO Scores



Source: CoreLogic, May 2014

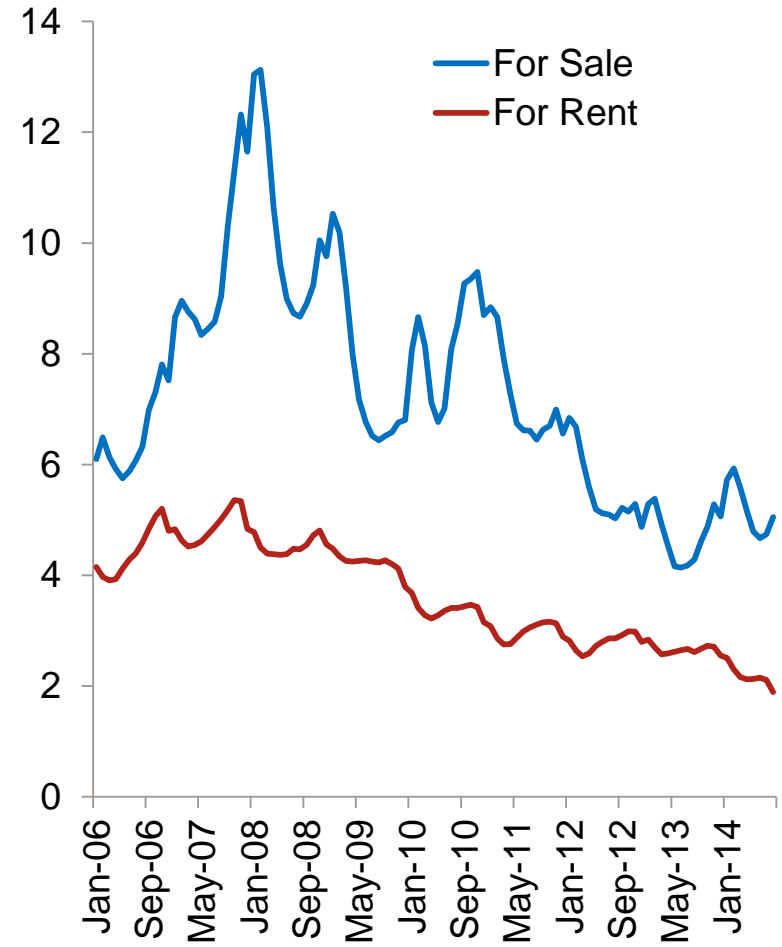
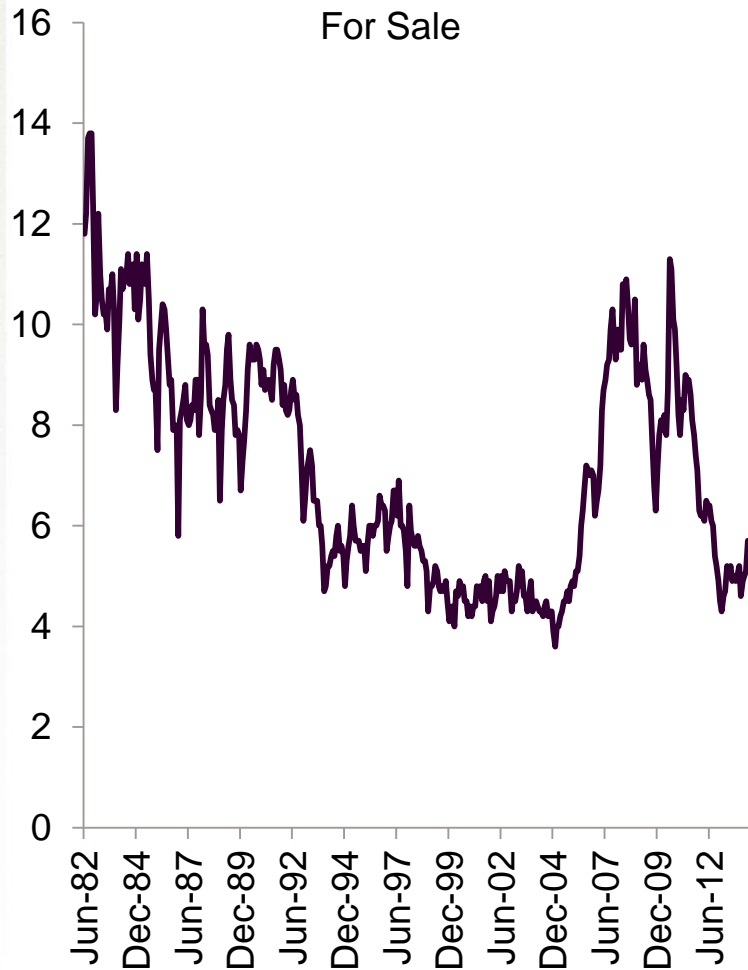
Median Income at Same Level as 17 Years Ago



Source: Census

Unsold Inventory Tight

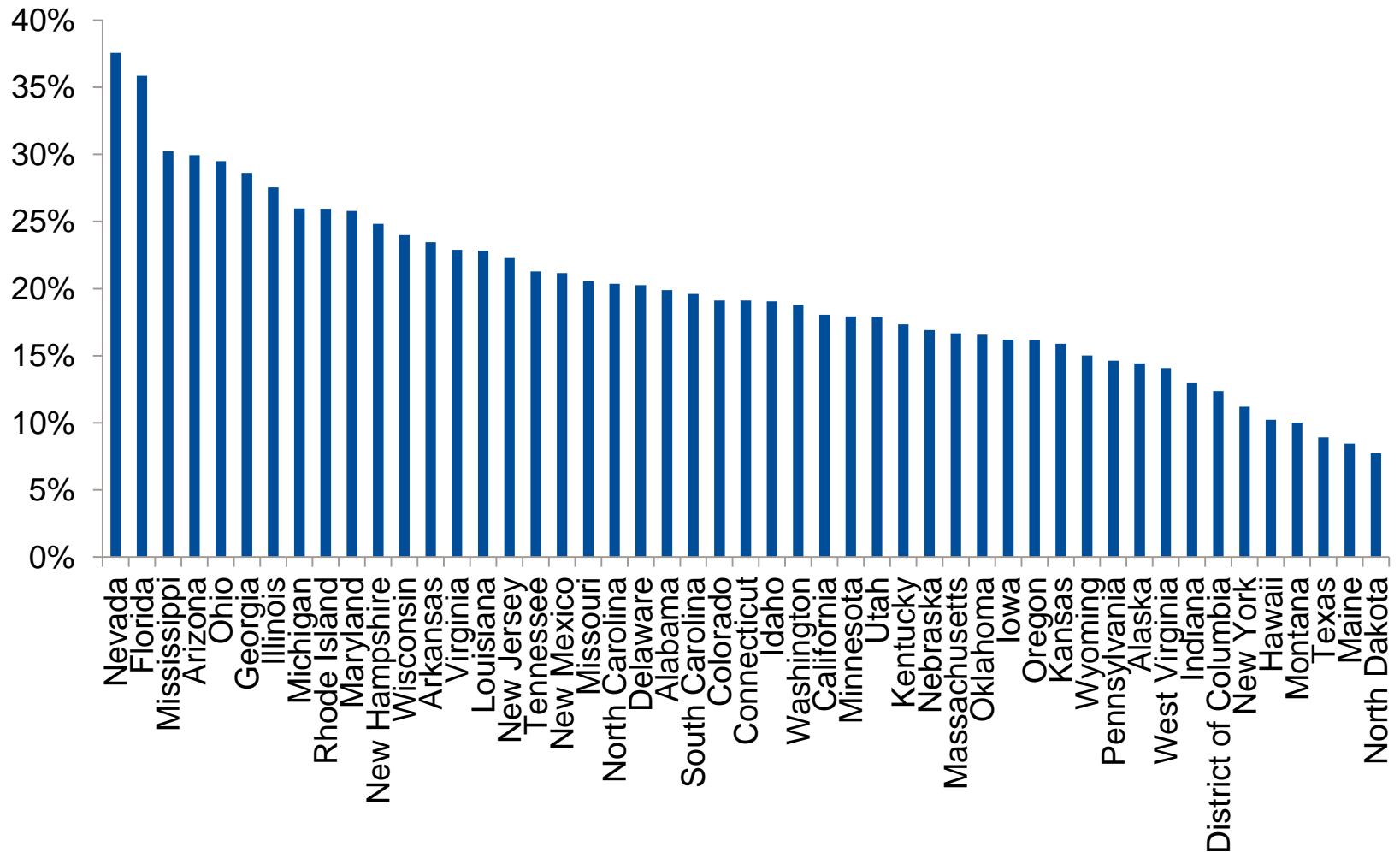
Months' Supply



Source: NAR and CoreLogic

A Fifth of Owners Lack Enough Downpayment

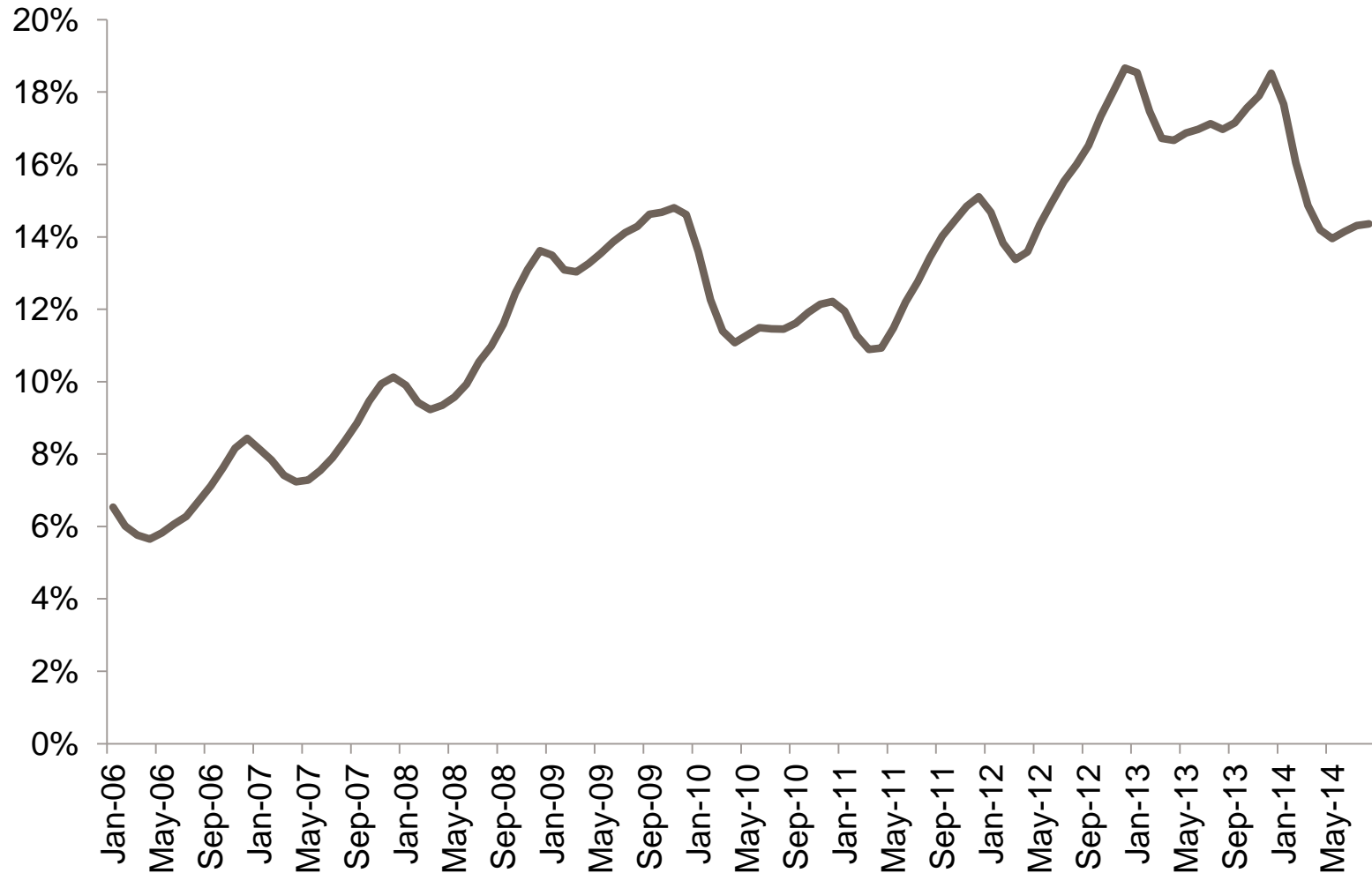
Percentage of Owners with Less than 10% Equity in Current Home



Source: CoreLogic

Rental Market Has Taken Fifth of Inventory

Single-Family Rental Share of Total MLS Inventory

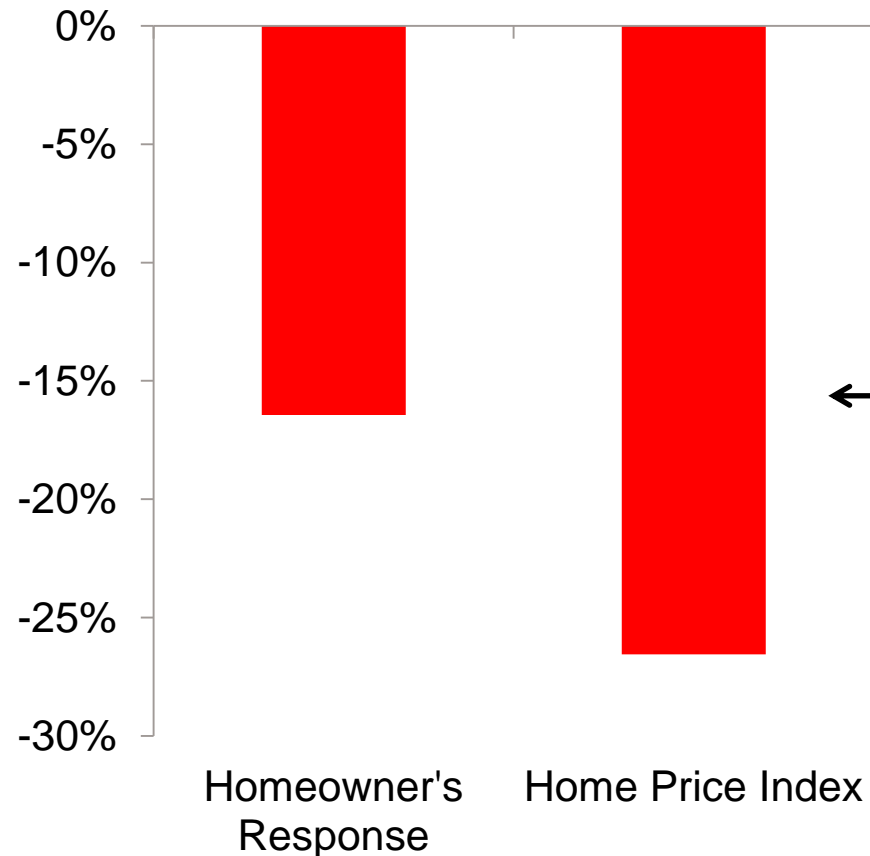


Source: CoreLogic, August 2014

High Reservation Prices Keep Owners from Listing

Homeowners Think Their Home is Worth About 15% More Than Prices Are

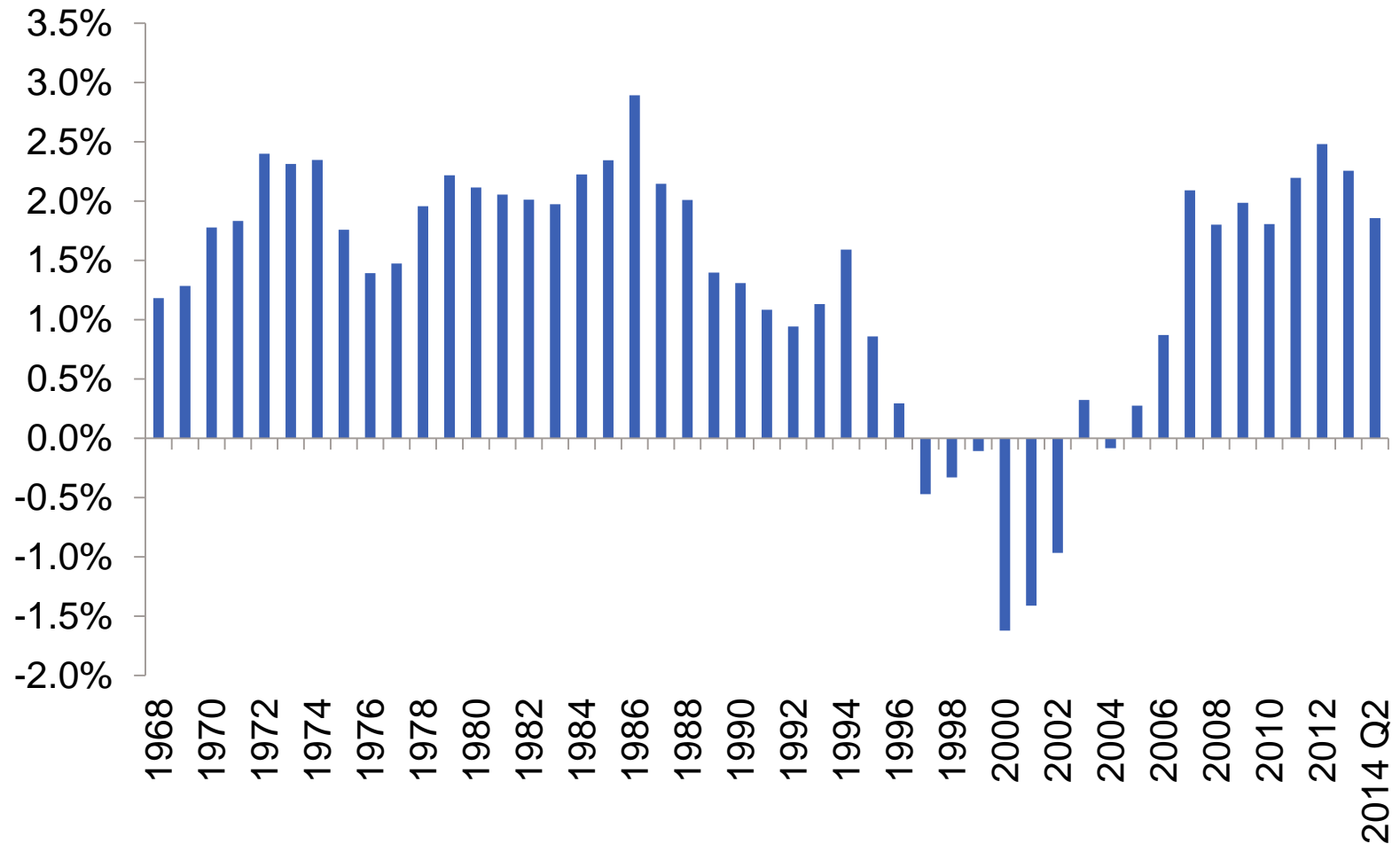
Between 2007 and 2011 Home Prices Fell By How Much?



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

Renter Household Growth Slows Down

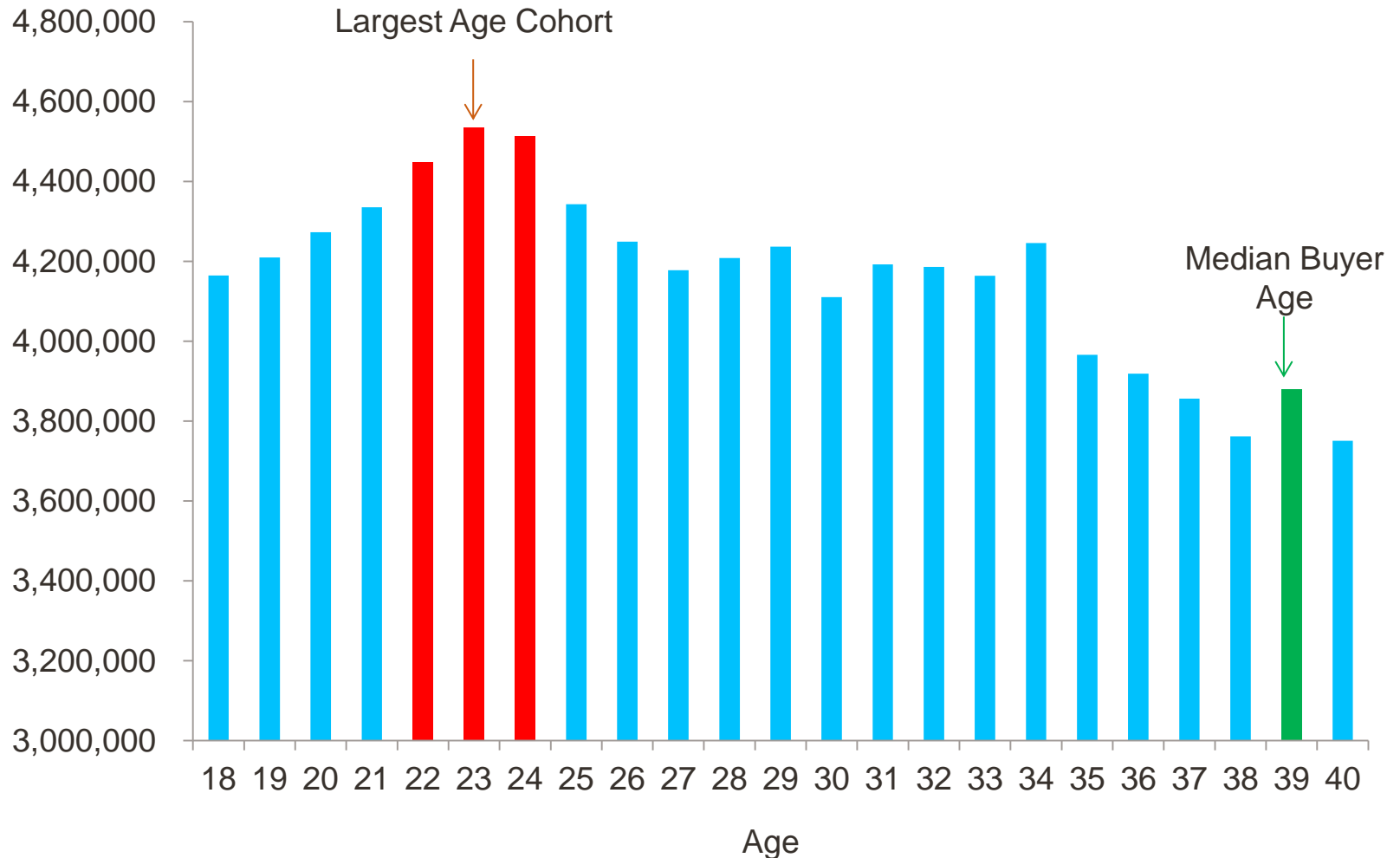
Three Year Moving Average of Annual Percent Change



Source: Census, three year moving average, as of Q2 2014

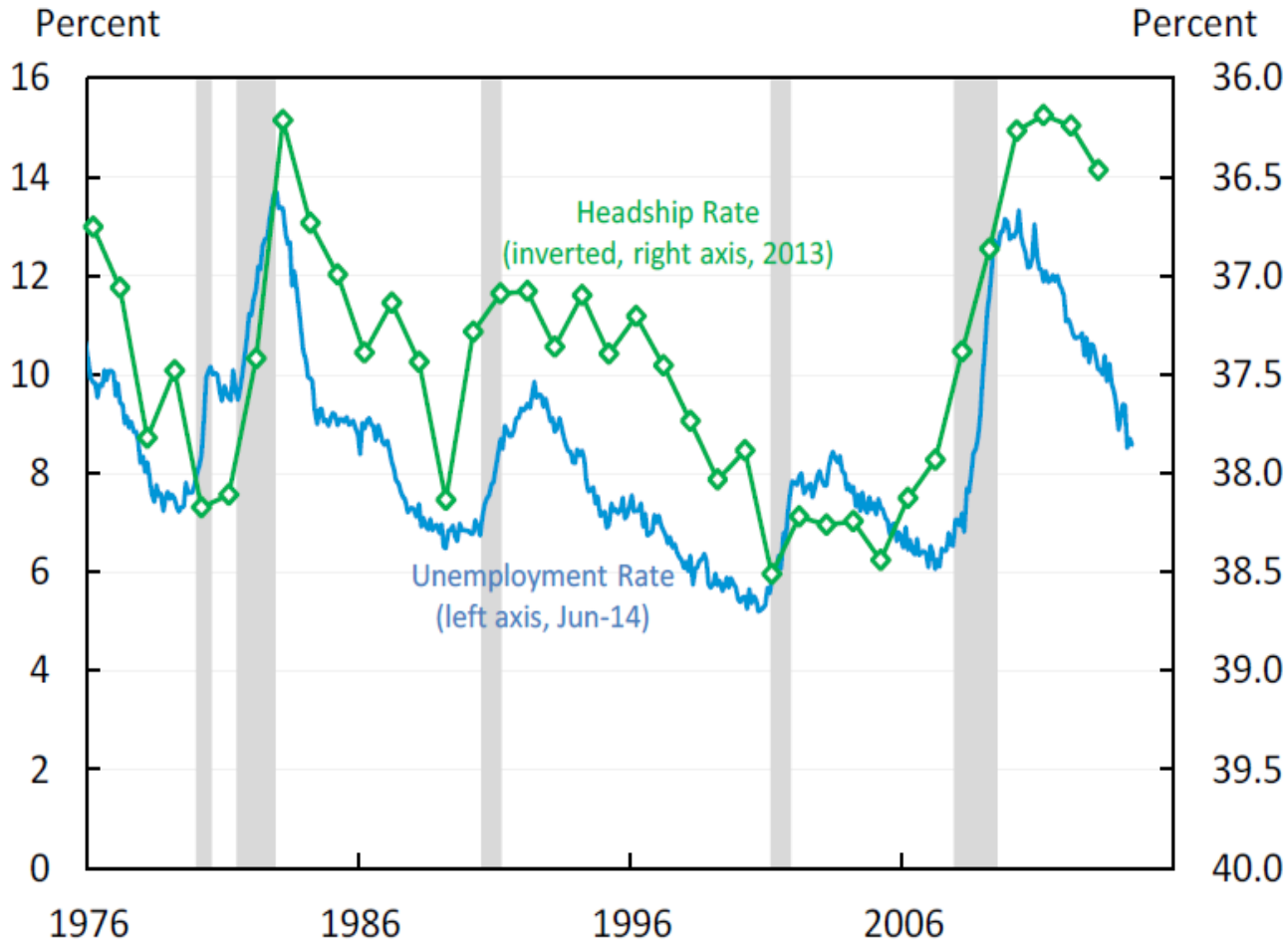
Large Housing Demographic Tailwind Has Arrived

Population by Age Cohort



Source: Census, June 2014

Headship & Unemployment for 18-34 Year Olds

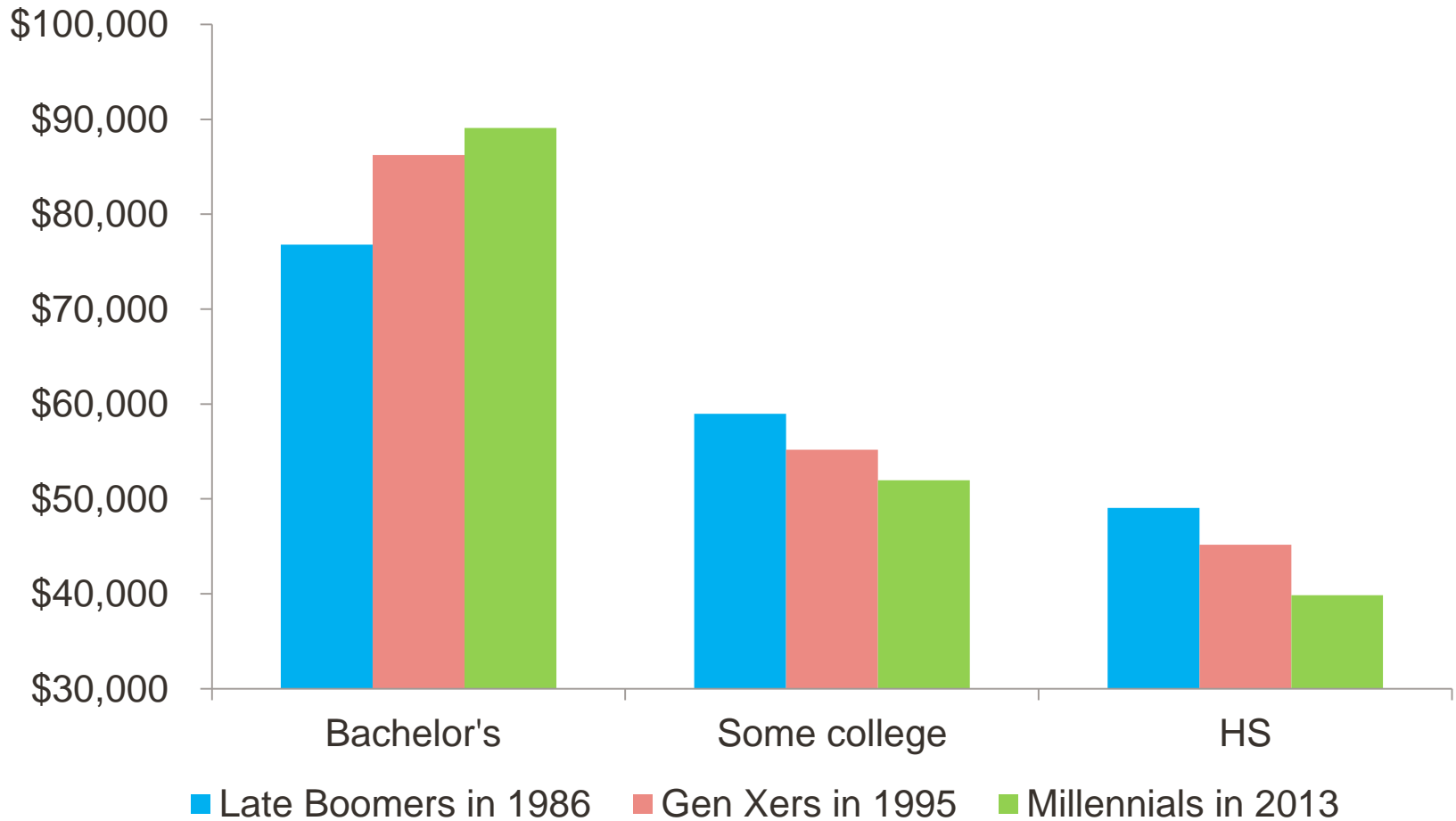


Source: IPUMS-CPS; Bureau of Labor Statistics.

Source: CEA, IPUMS-CPS and BLS

Incomes of Future First Time Homebuyers are Declining

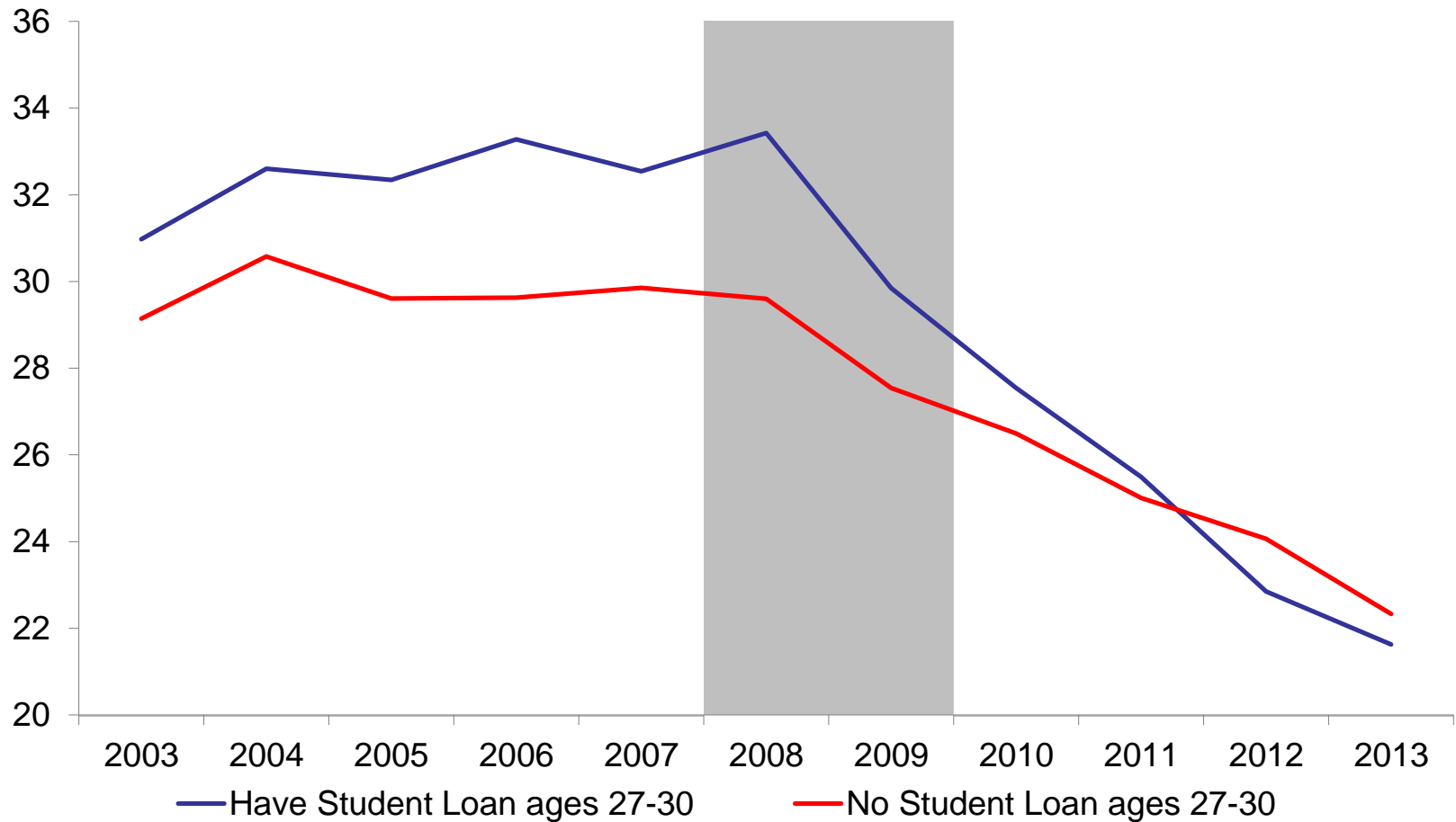
Real Median Income for 25 to 32 Year Olds Four Years After Recession, By Generation



Source: Pew Research Center, 2014

Homeownership for Borrowers with Student Debt Declines

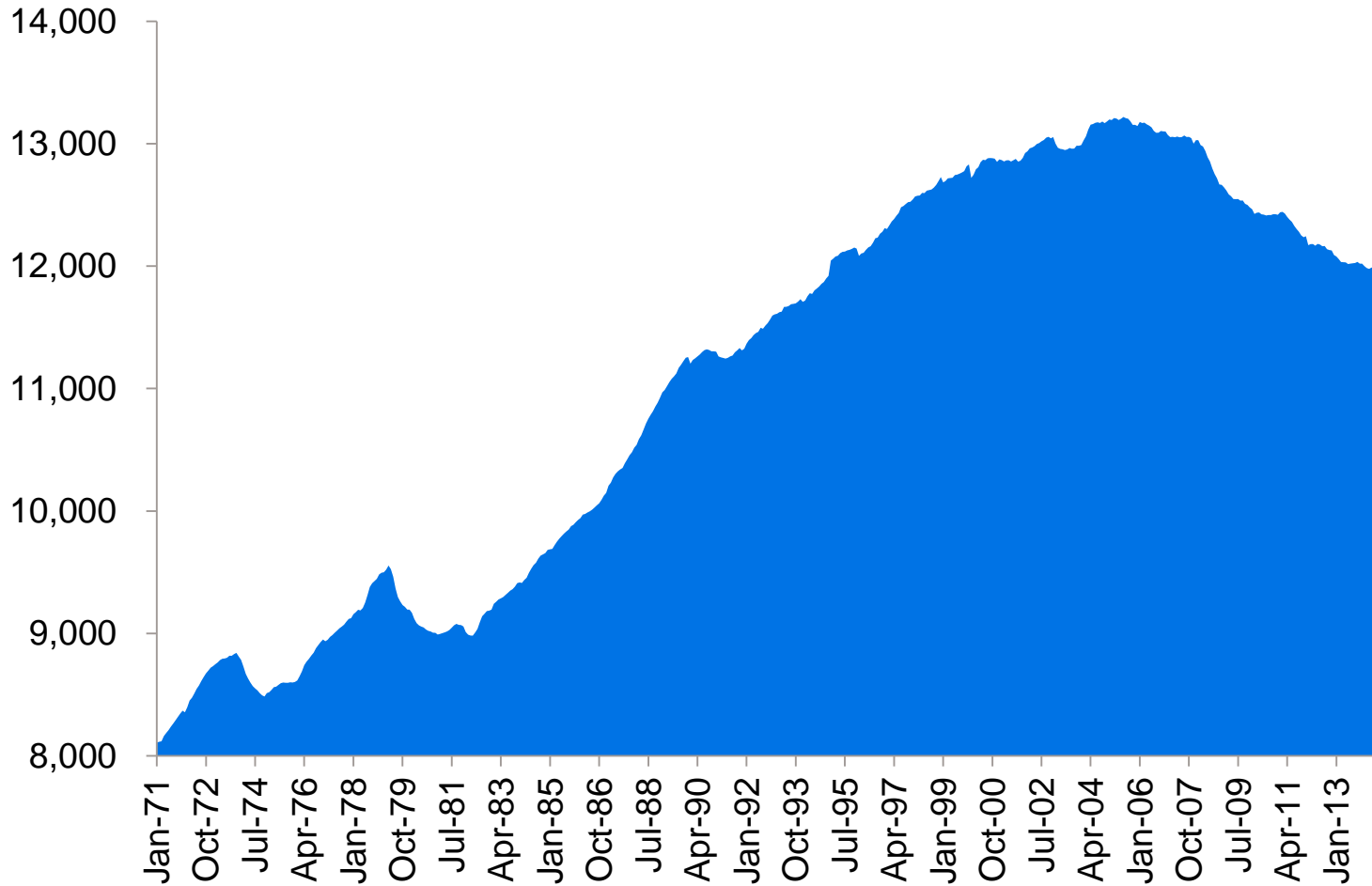
Share of 30 Year Olds With Home Secured Debt



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax.

Driving Much Less

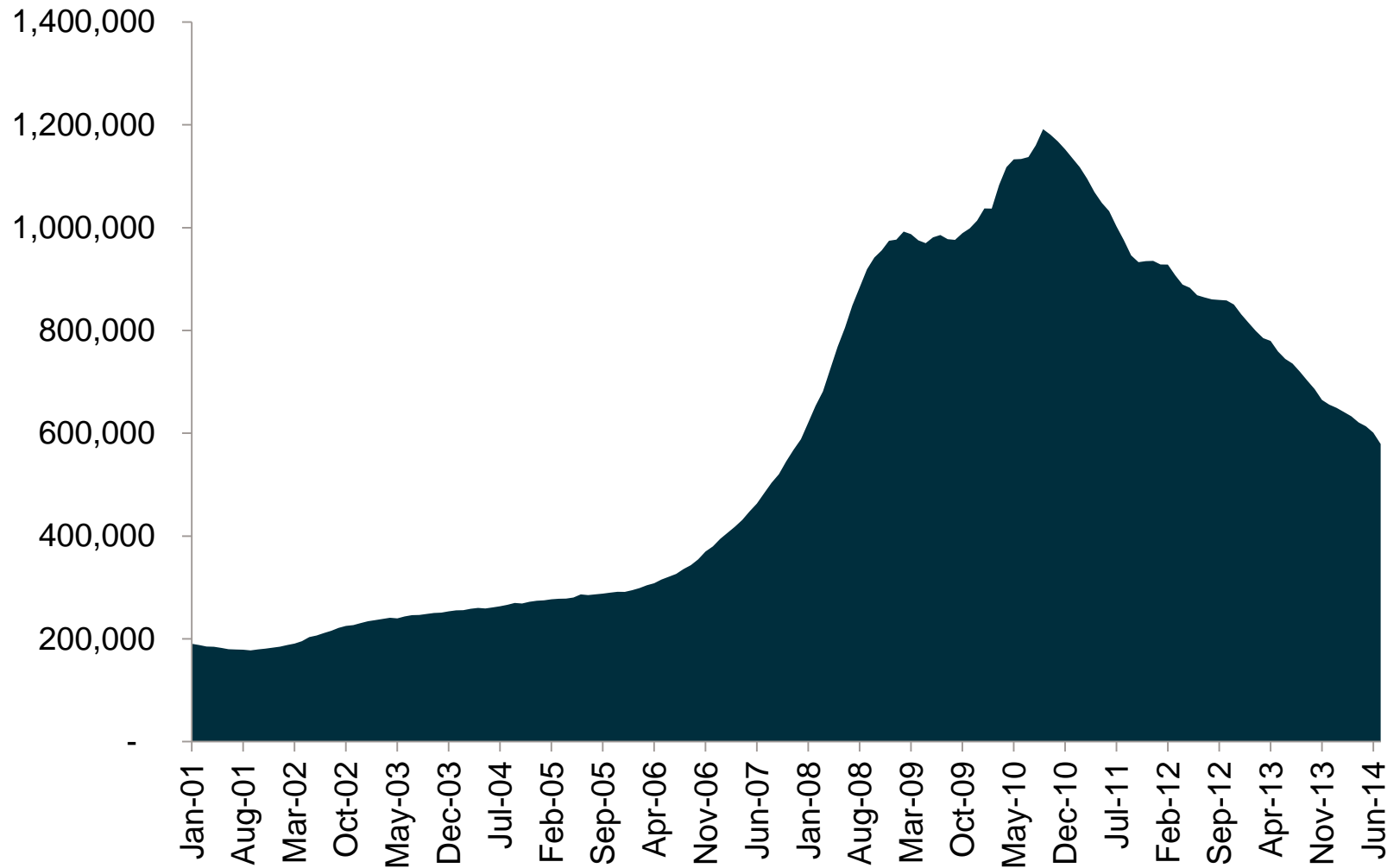
Per Capita Miles Traveled, 12 Month Cumulative Average



Source: DOT, Census and CoreLogic. June 2014.

Foreclosures Provide Substantial Incremental Rental Demand

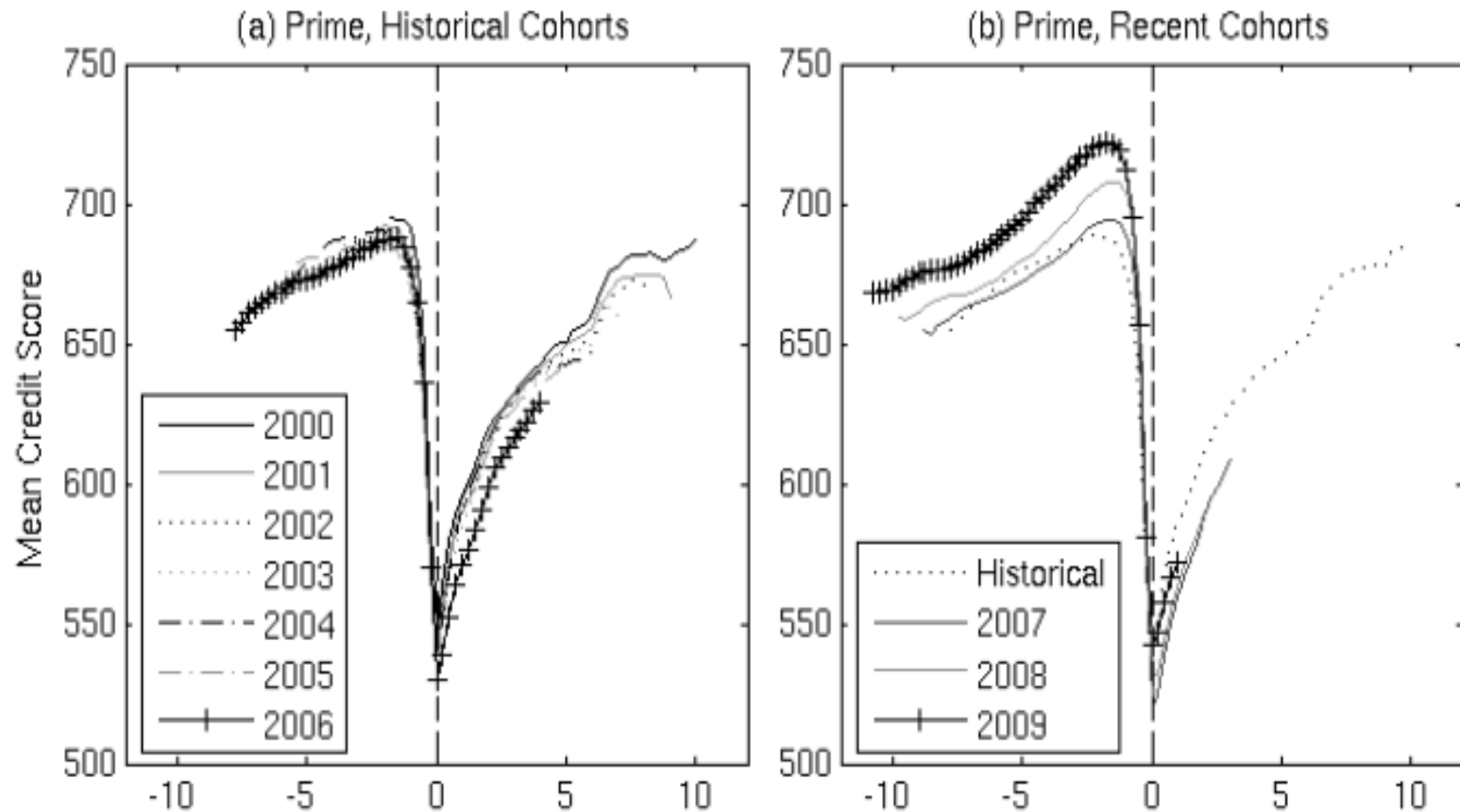
Completed Foreclosures, 12 Month Cumulative Sum



Source: CoreLogic, July 2014

Defaulters Credit Profiles Never Quite Recover

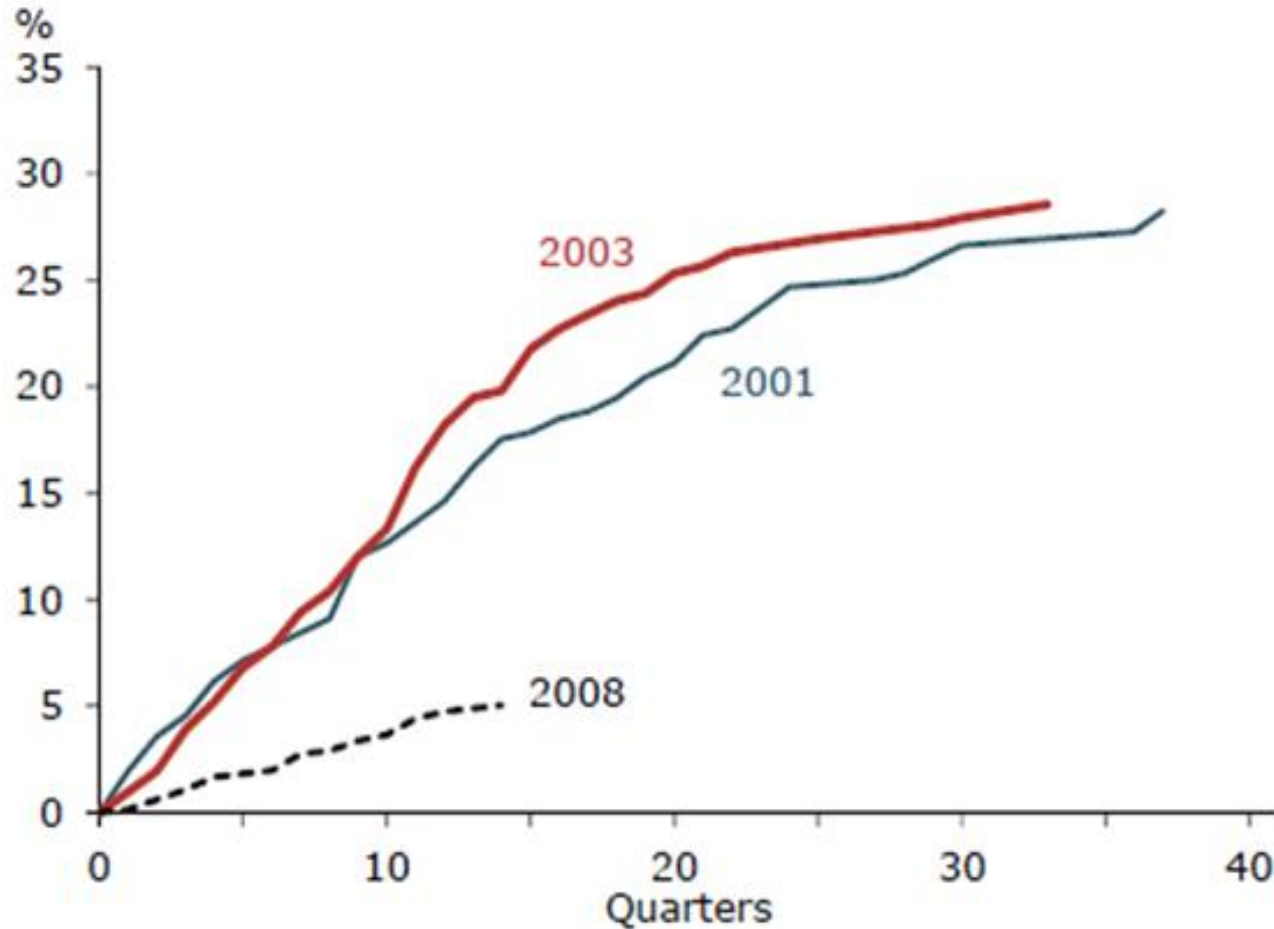
Average FICO Score for Borrowers That Experienced a Mortgage Default, by Vintage



Source: Foreclosure's Wake: The Credit Experiences of Individuals Following a Foreclosure, Kenneth Brevoort, Federal Reserve, 2010.

Boomerang or Frisbee?

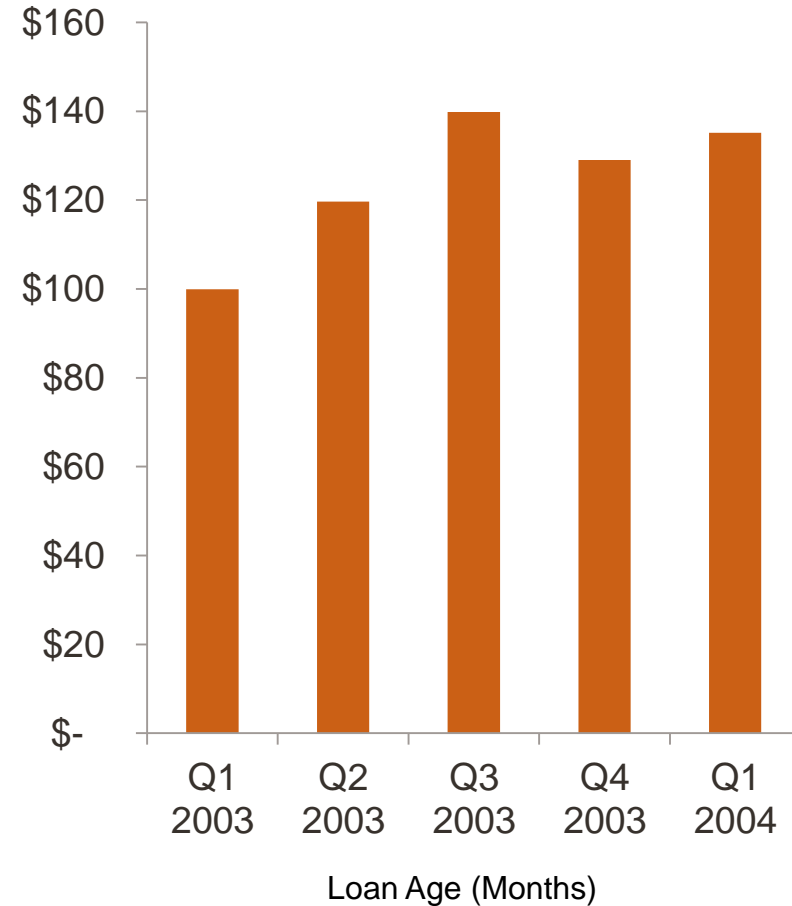
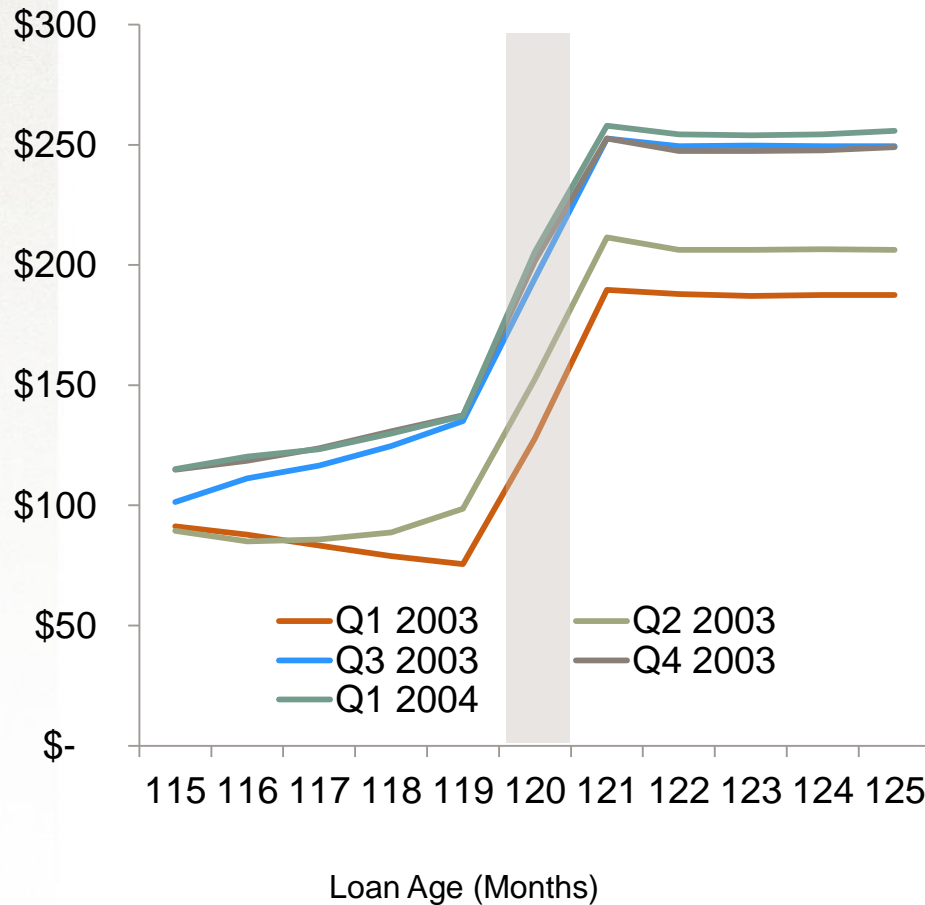
Return to mortgage market following defaults



Source: FRBNY Consumer Credit Panel/Equifax

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

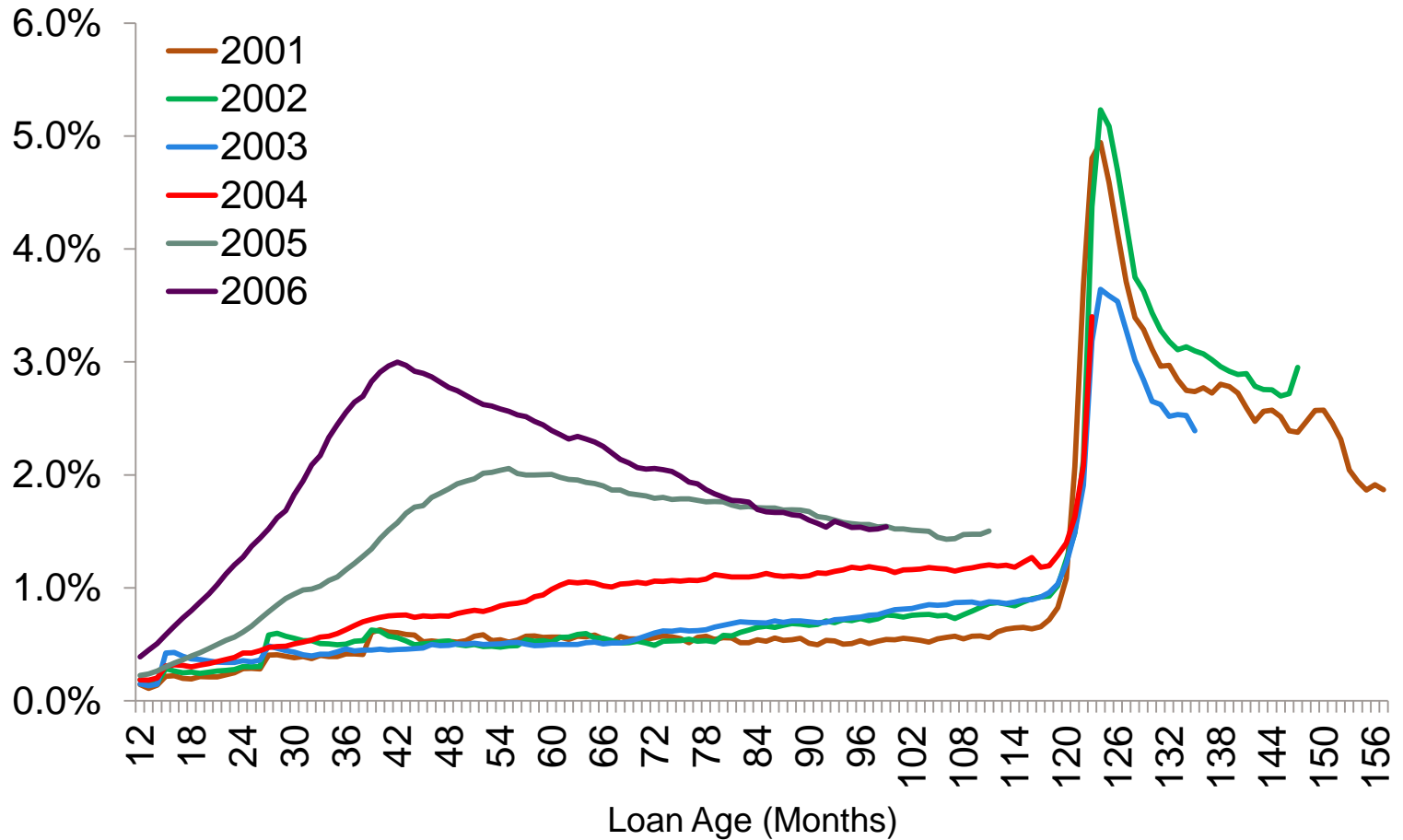
Comparison of 3 Month Moving Avg Payment Before and After 10-Year Reset Mark



Source: CoreLogic, TrueStandings HomeEquity, Sept 2014.

Material Shift in Performance Beginning in 2004

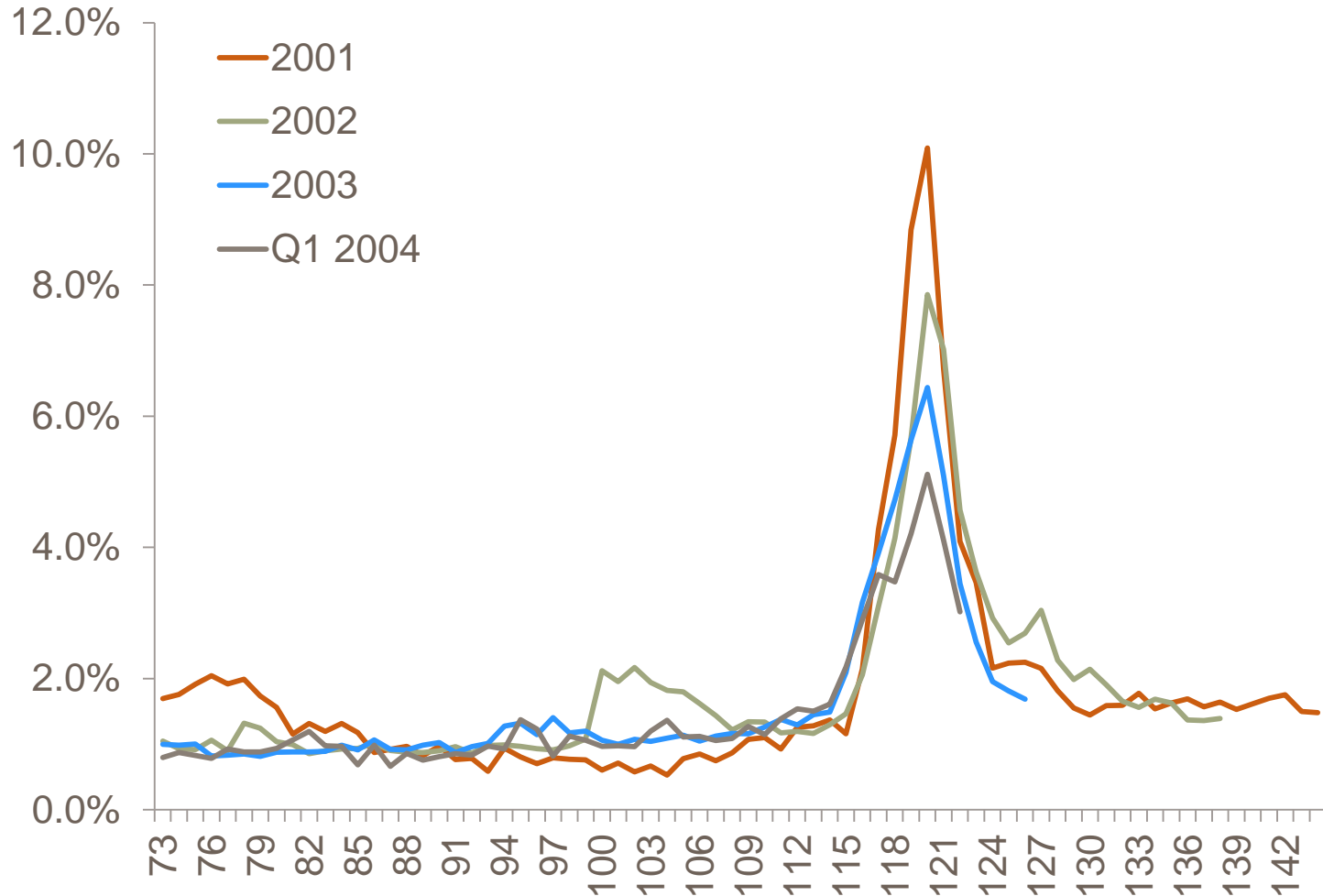
60+ Day Delinquency



Source: CoreLogic, TrueStandings HomeEquity, Sept 2014

Prepayment Spike's at Reset

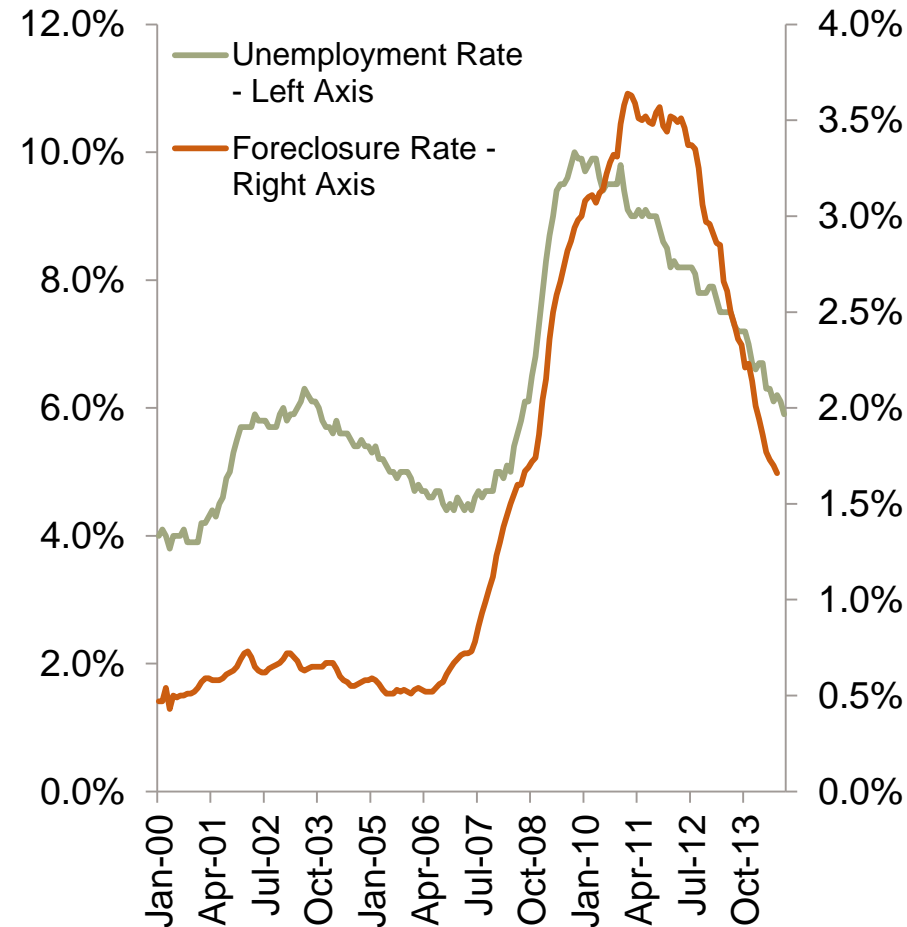
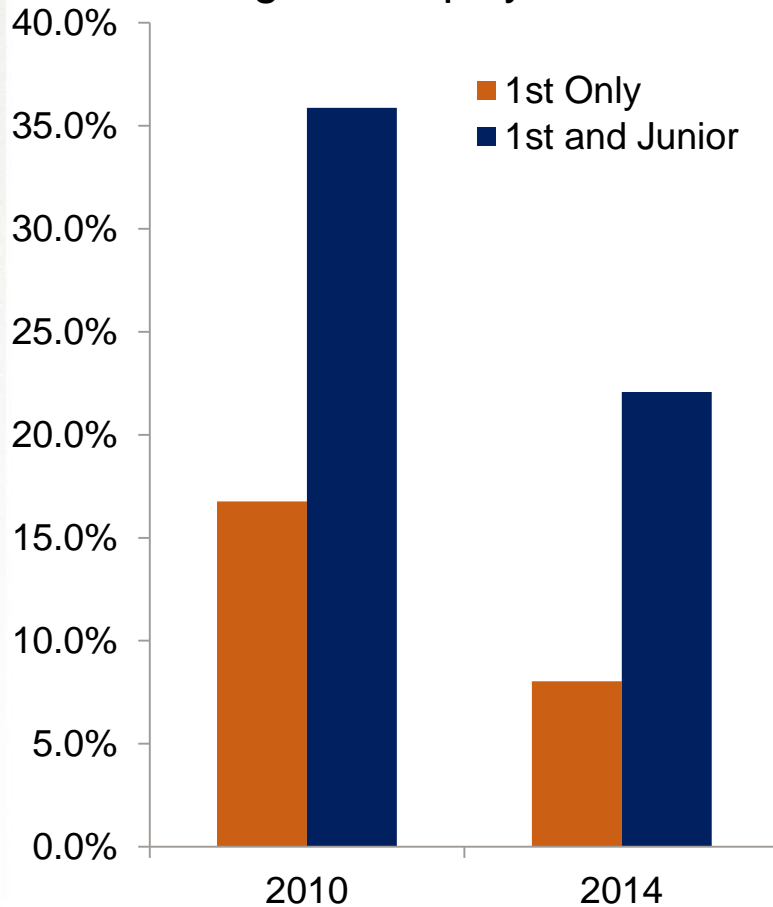
Percent of Loans That Prepaid by Month



Source: CoreLogic, TrueStandings HomeEquity, Sept 2014

Dual Triggers of Default Quickly Improving

Negative Equity Share



Source: xxxx

Thank You!

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