



Housing and Mortgage Market Outlook

Dallas Association for Business Economics

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April 21, 2017

2017 Market: Less Affordability

1. Mortgage rates rise (but historically low)
2. Sales rise, but for-sale inventory remains lean
3. Prices up 5% in 2017, rents up 2%
4. Originations: Purchase up, Refi down
5. Loan quality high (but fraud risk rises)

Short-term Interest Rates Heading Up

Federal funds target as of March 15, 2017: 0.75% to 1.00%

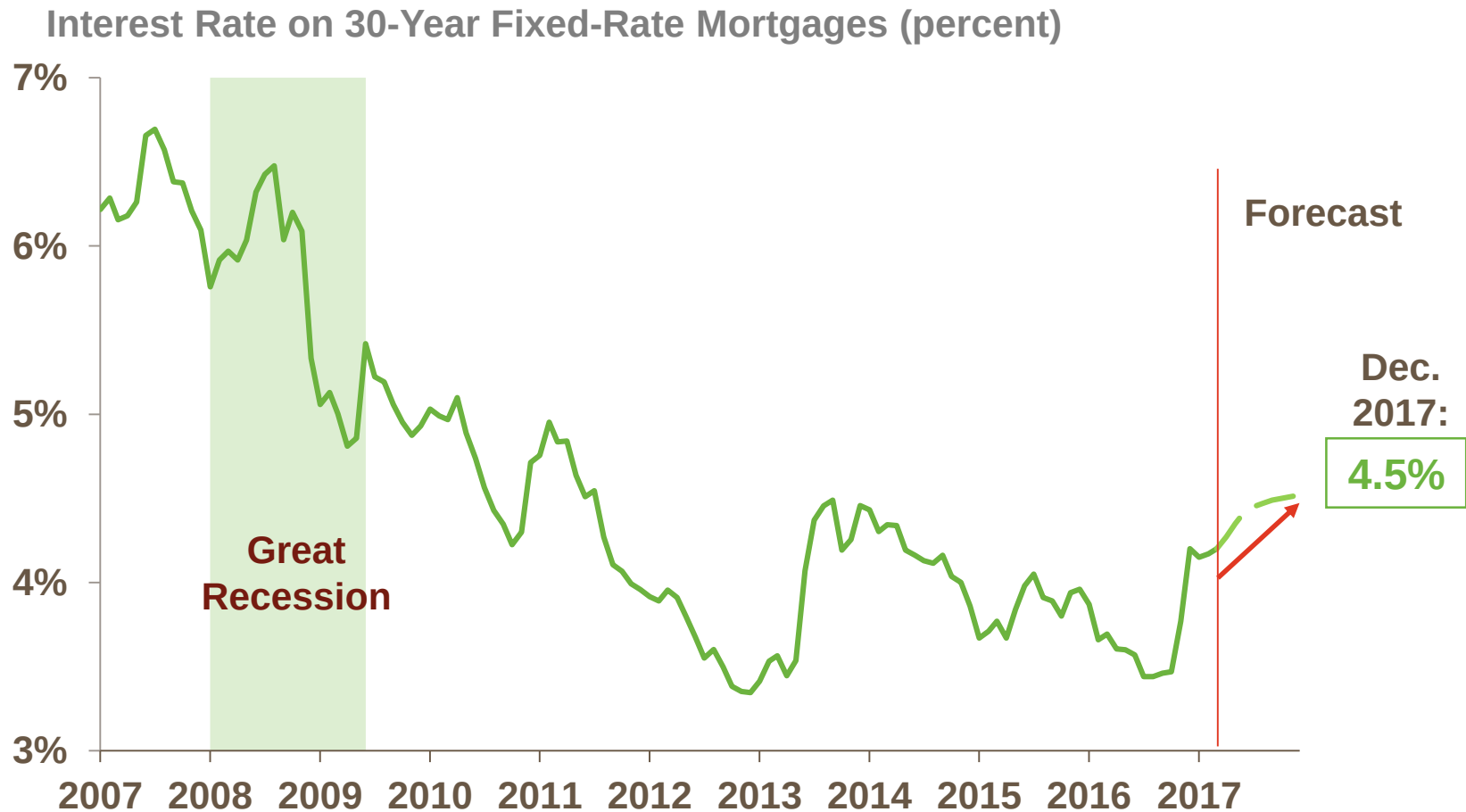
Federal funds target projected for December 31, 2017
(based on FOMC member projections):

<u>Federal Funds Target</u>	<u>Number of FOMC Members</u>	
Same as today	2	
1.00% to 1.25%	1	
1.25% to 1.50%	9	← Median
1.50% to 1.75%	4	
Higher than 1.75%	1	

Source: Federal Open Market Committee projections released March 15, 2017 (individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of 2017).

Mortgage Rates Heading Up

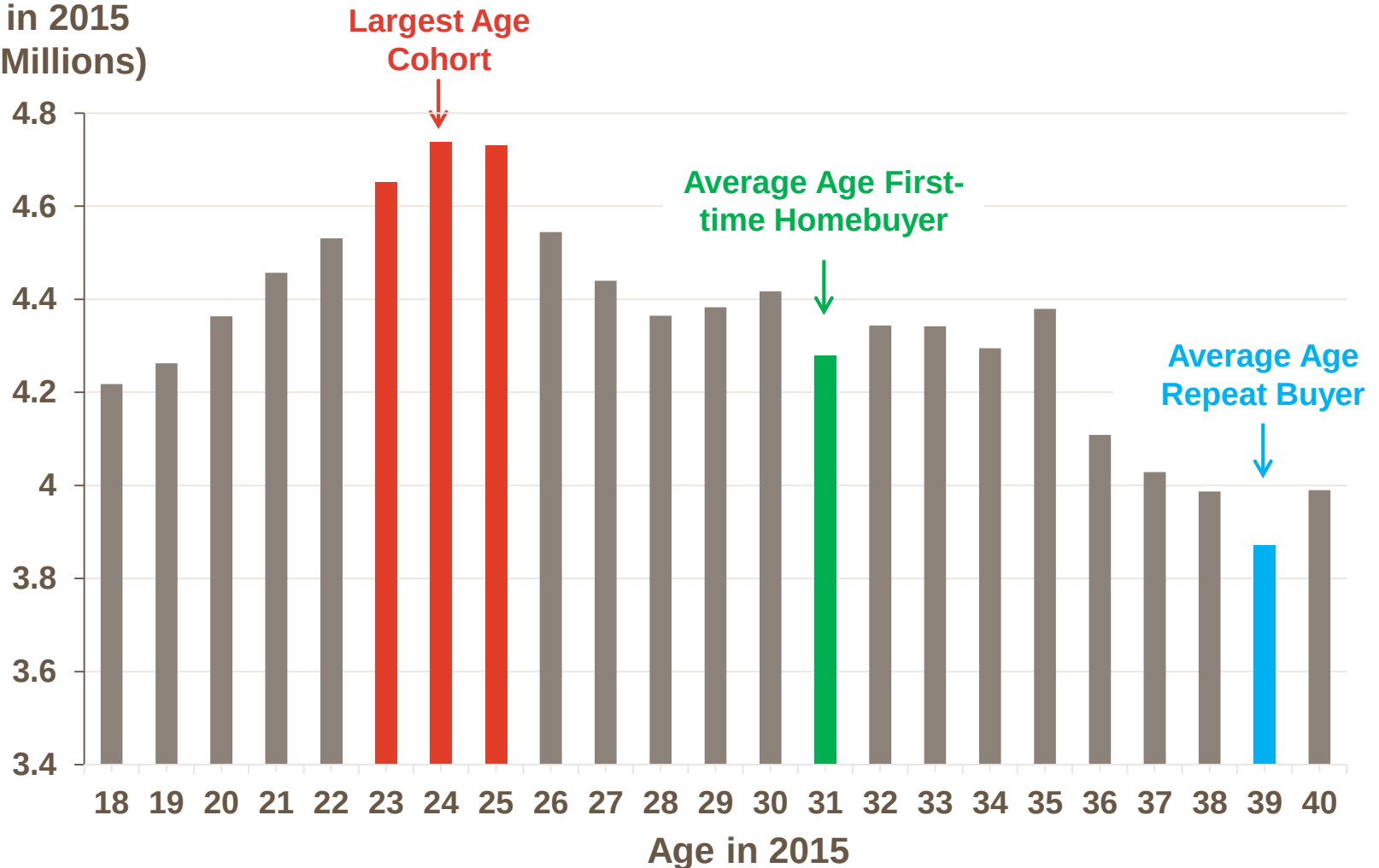
Rates are still historically low



Source: Freddie Mac Primary Mortgage Market Survey®; forecast is an average of MBA, Fannie Mae, Freddie Mac and IHS Markit latest projections.

Large Demographic Tailwind Has Arrived

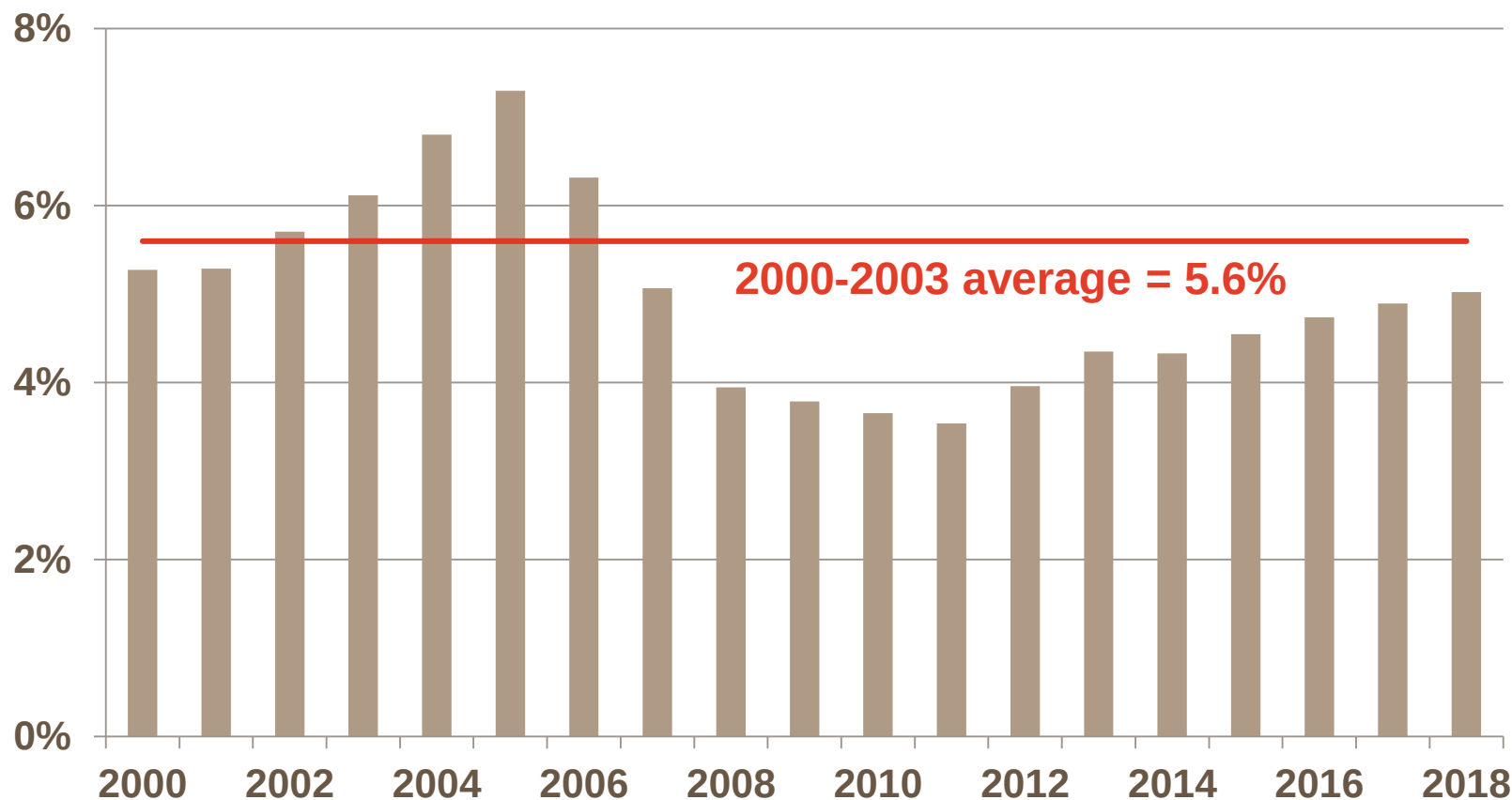
Population
in 2015
(Millions)



Sales Rise but Home “Turnover” Remains Low

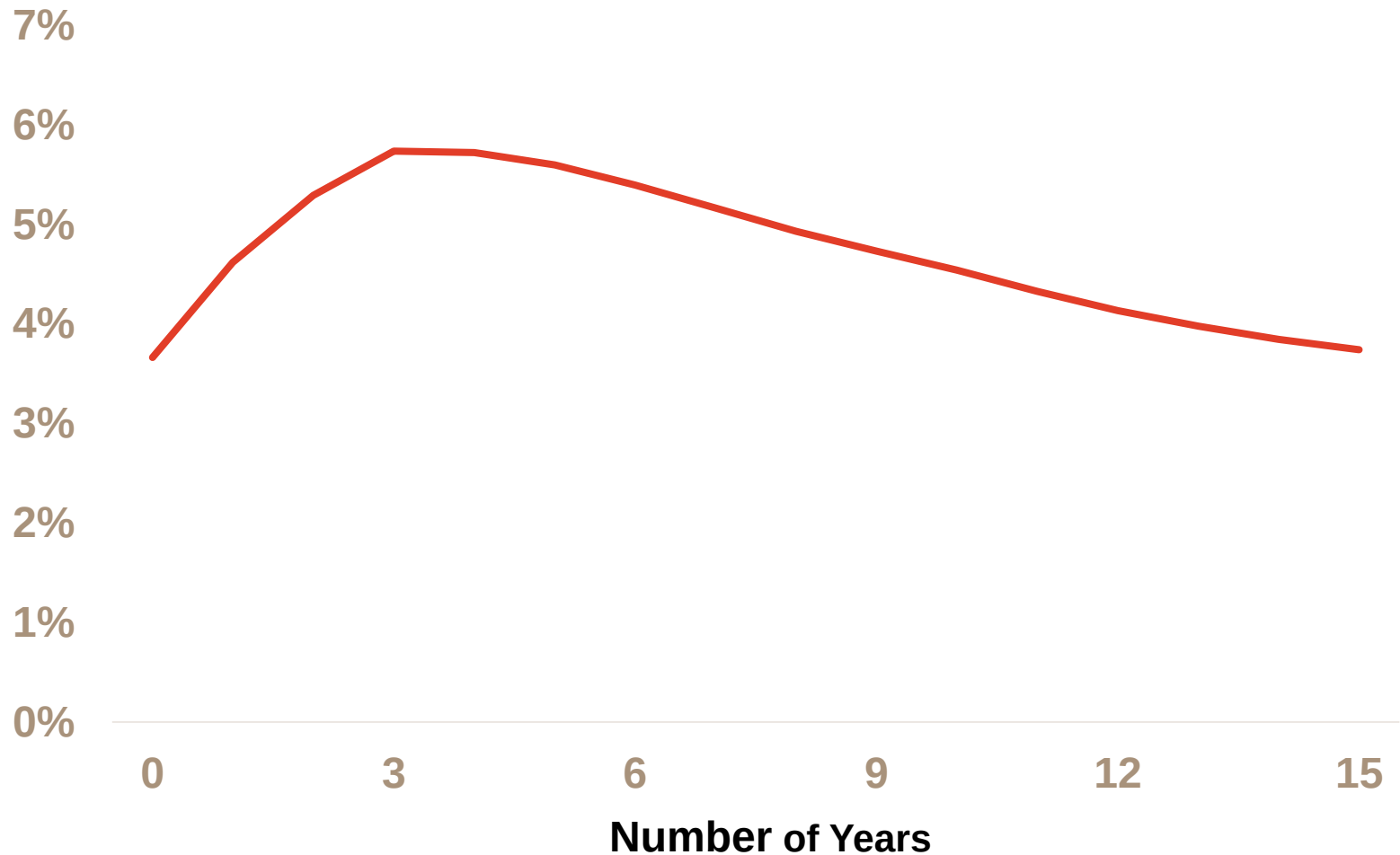
Does ‘New Normal’ Have Lower Turnover?

Home Sales as a Percent of Housing Stock



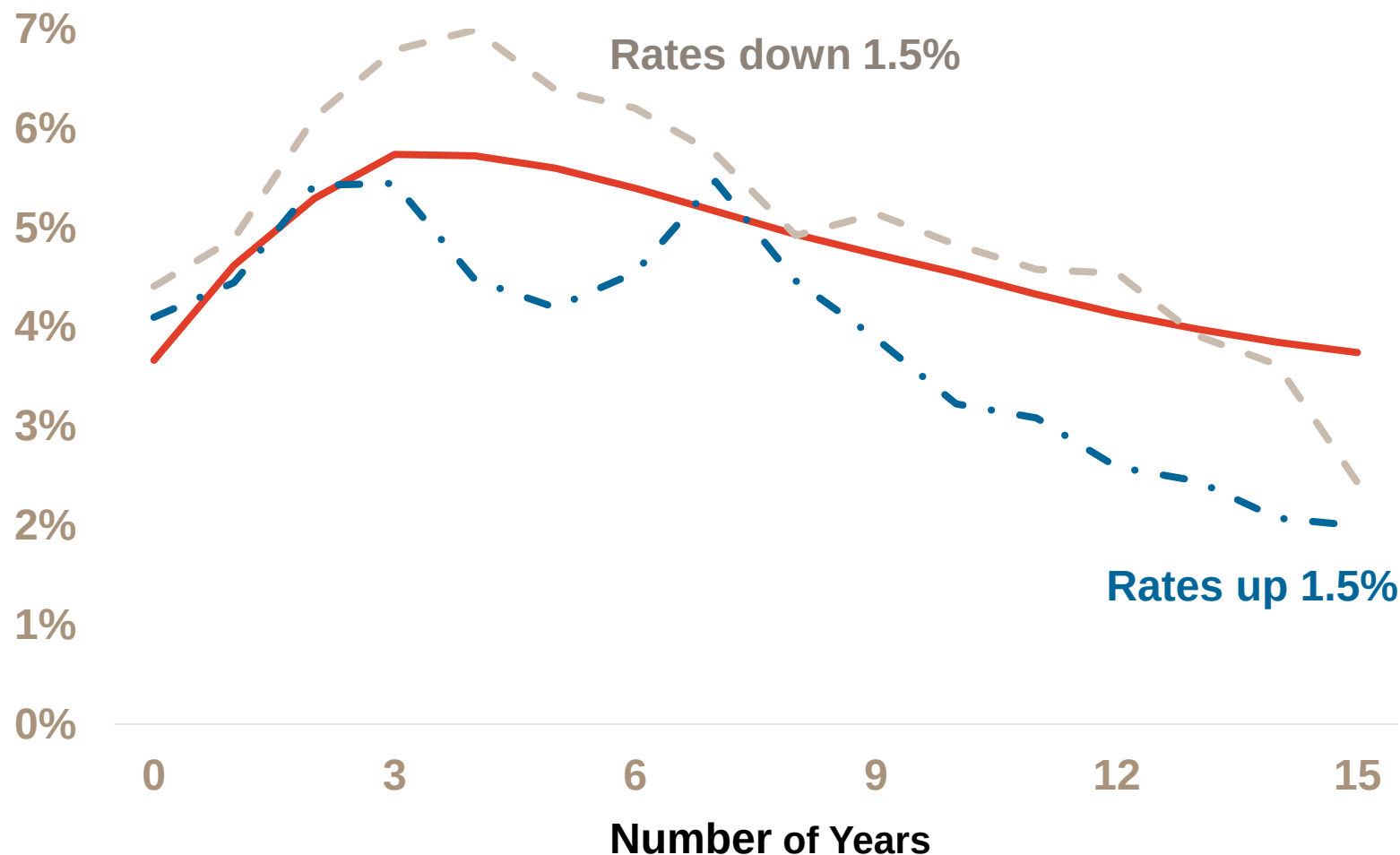
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016



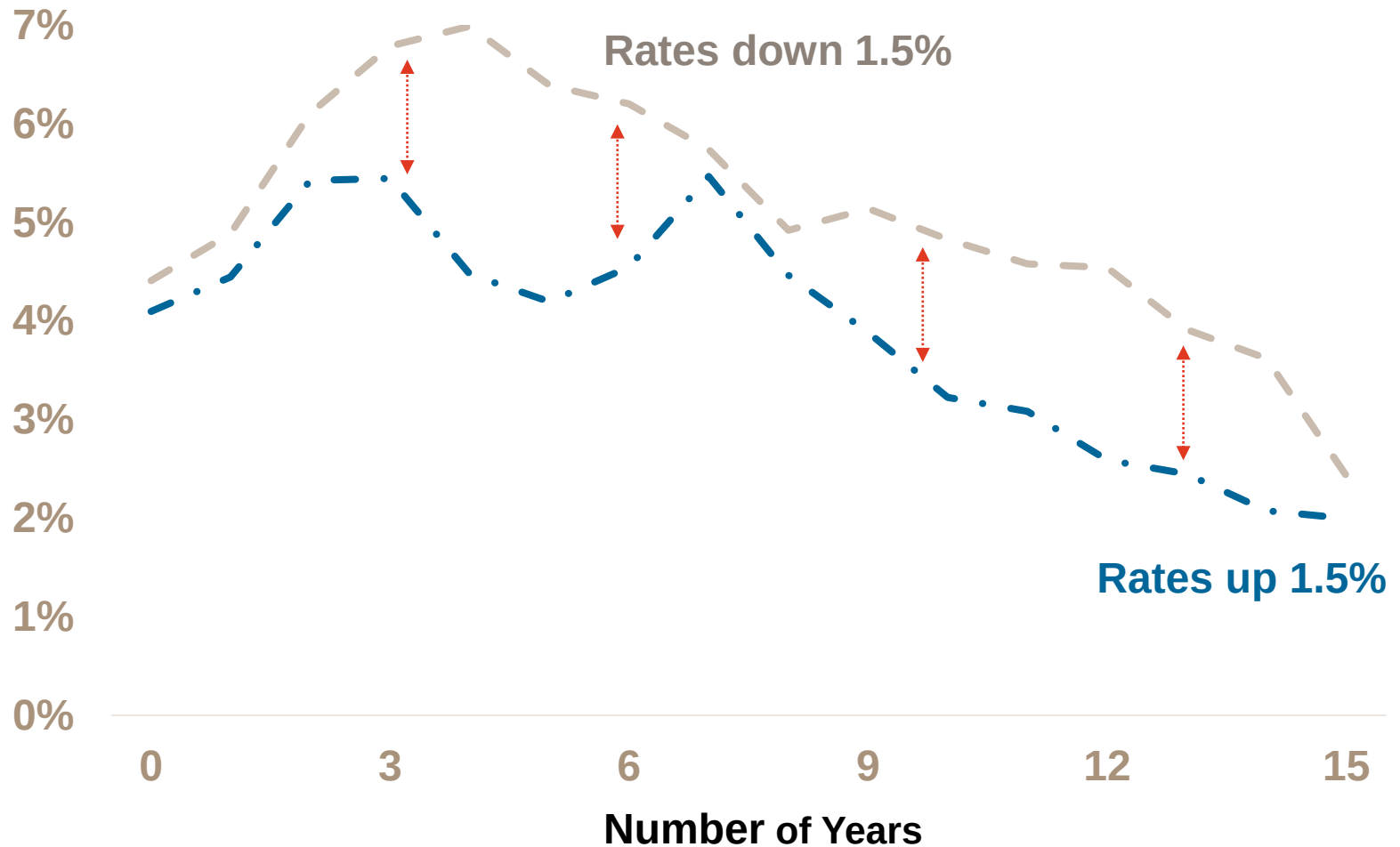
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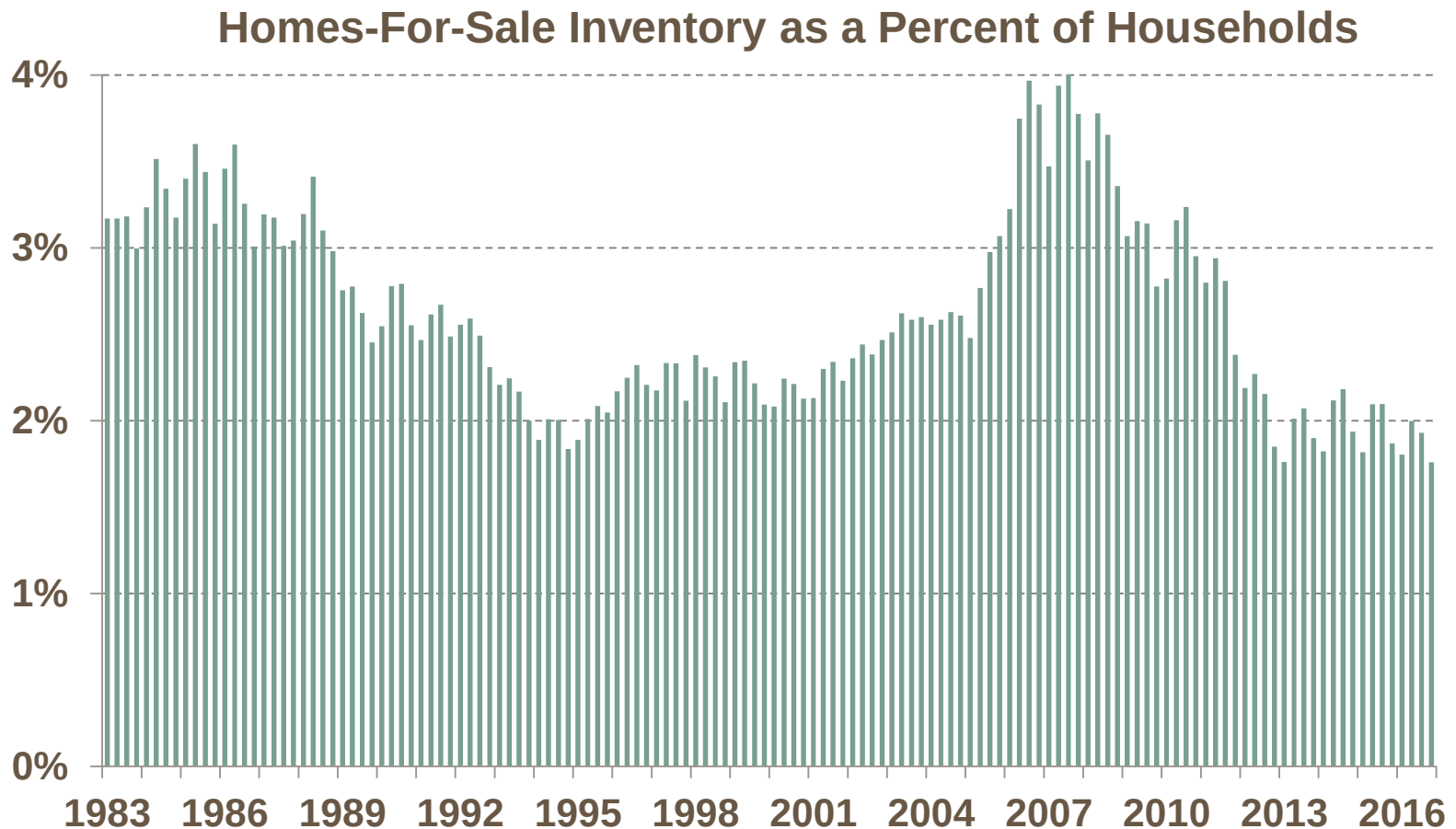


Mobility Rate by Year After Purchase

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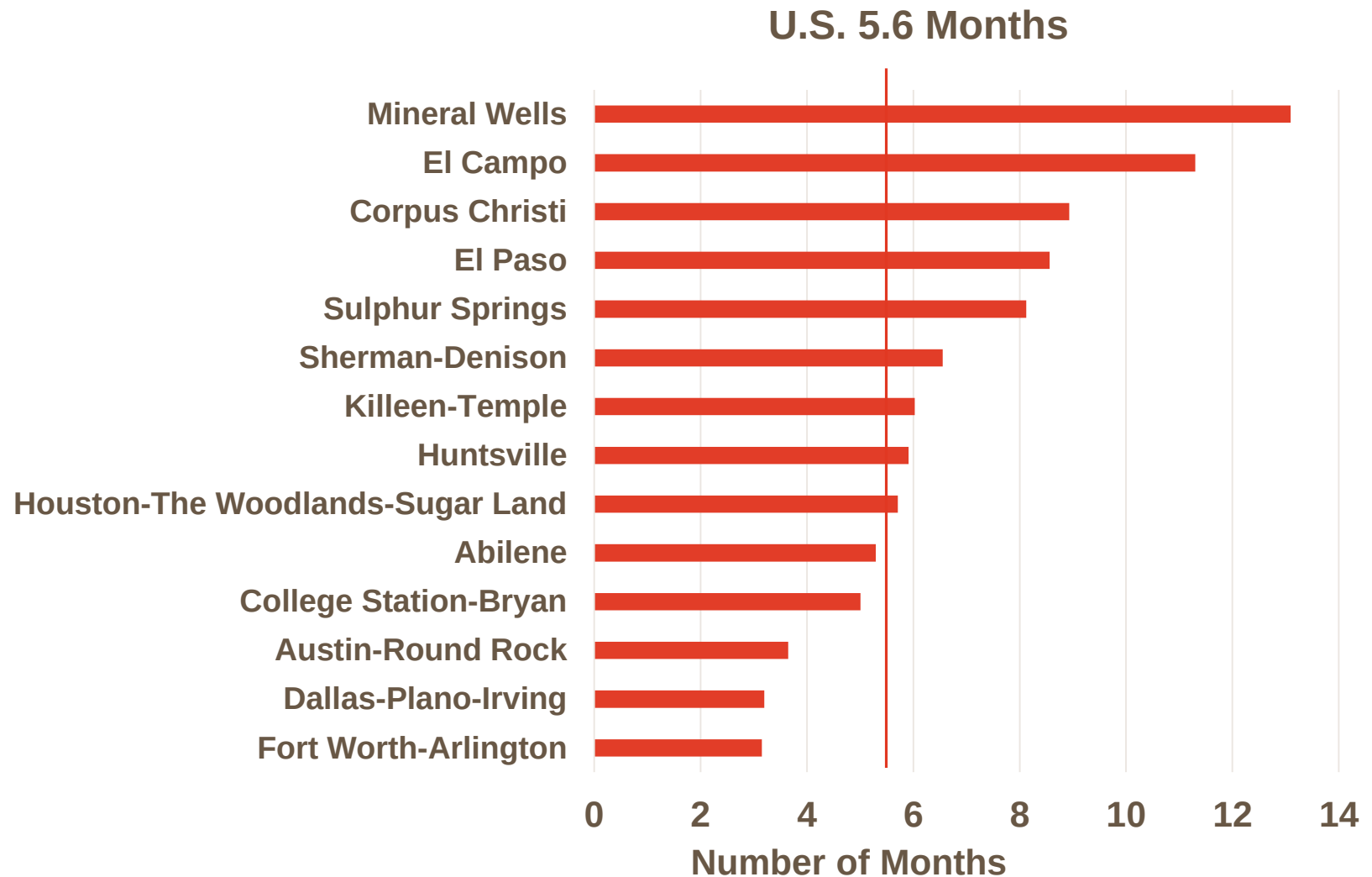
Low For-Sale Inventory: Part of a 'New Normal'?



Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).

Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.

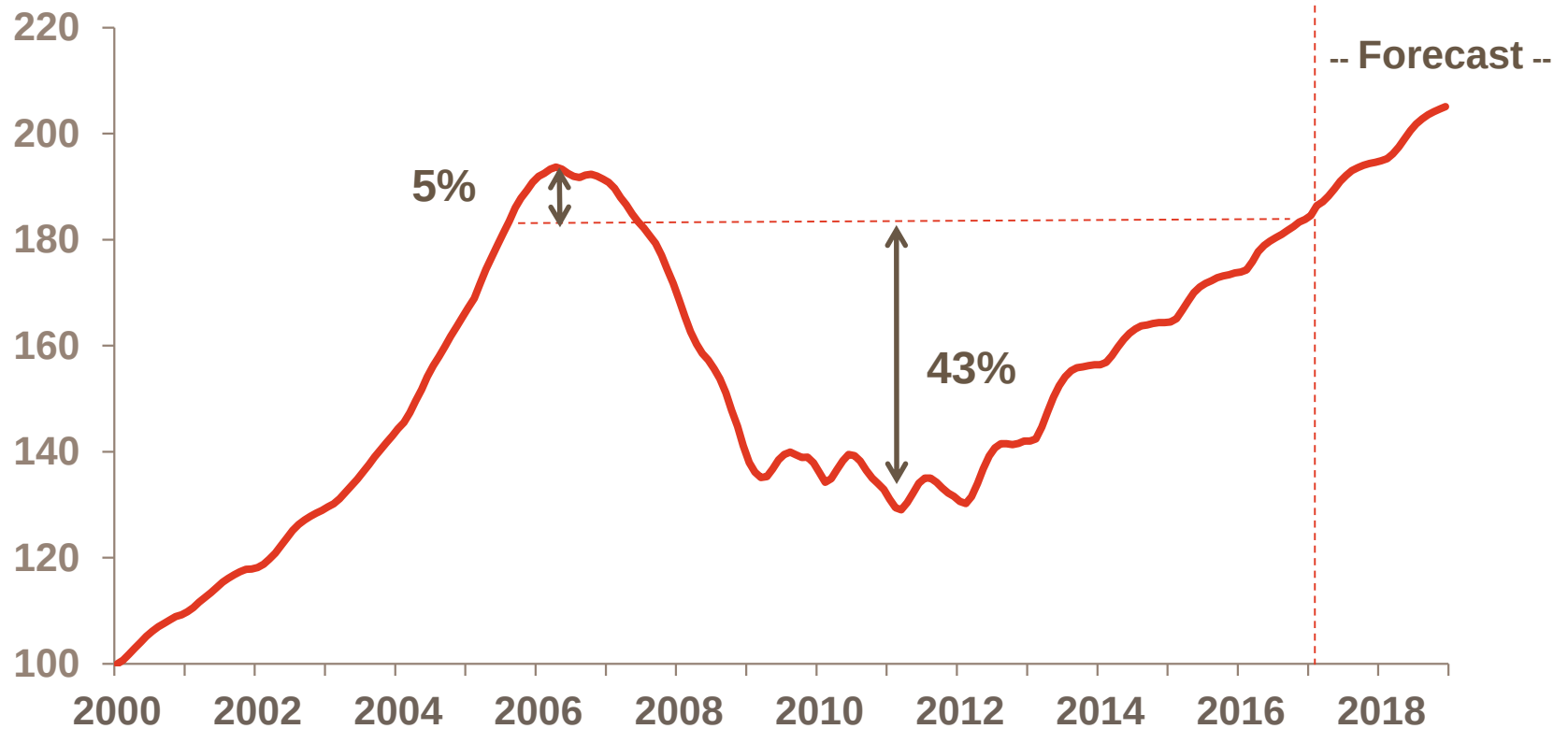
Months' Supply Low in Dallas-Fort Worth Market



Home Prices: Expect U.S. Index Up 5% in 2017

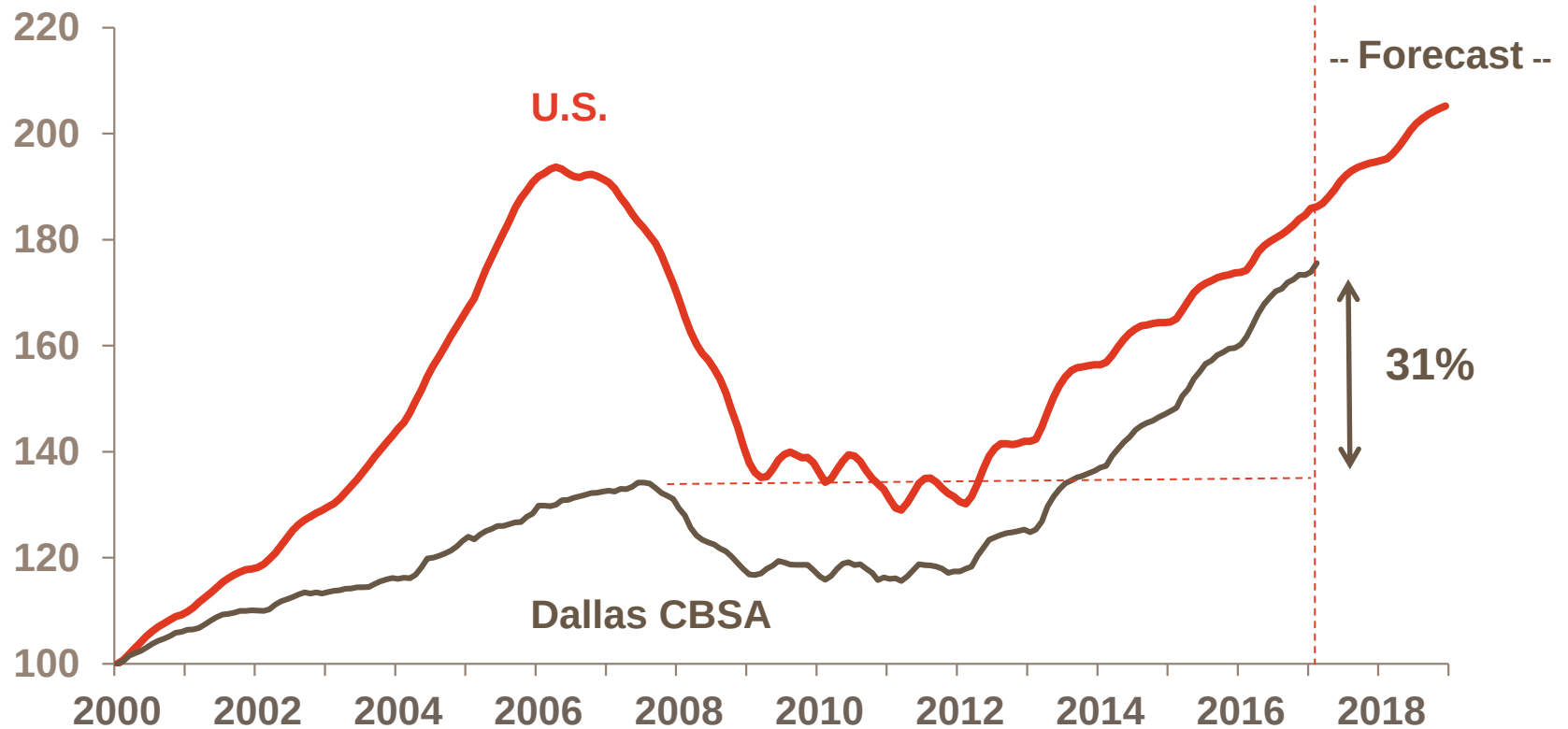
Projected to Return to 2006 Peak by Yearend 2017

CoreLogic Home Price Index (January 2000 = 100)



Home Prices: Dallas Index 31% Above 2007

CoreLogic Home Price Index (January 2000 = 100)

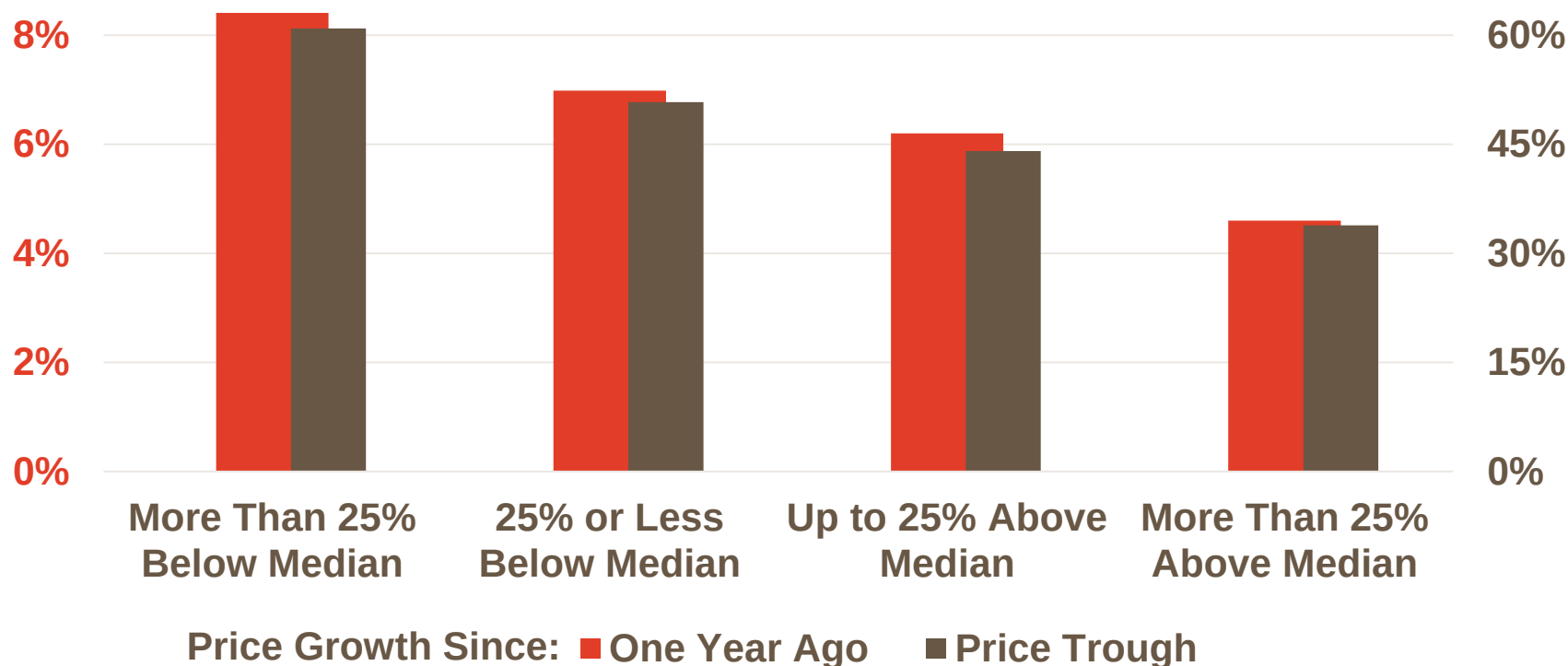


Price Growth Faster For Lower-Priced Houses

Cumulative Price Growth Through December 2016 (percent)

Since December 2015

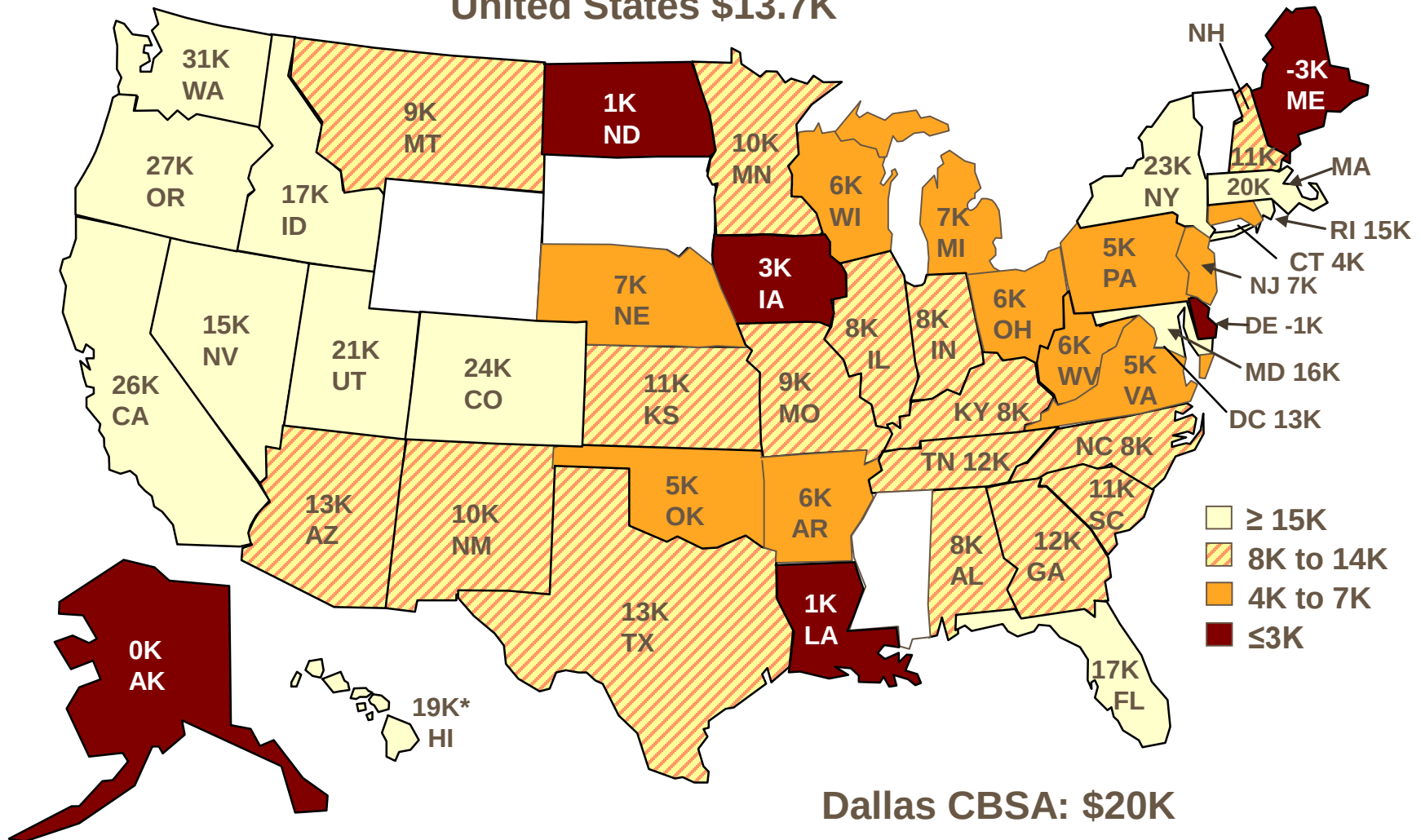
Since March 2011



Source: CoreLogic HPI, Single-family Detached (April 4, 2017 release);
March 2011 is "Post-Great Recession" price trough.

Average Equity Gained per Homeowner Q4 2015 to Q4 2016

United States \$13.7K

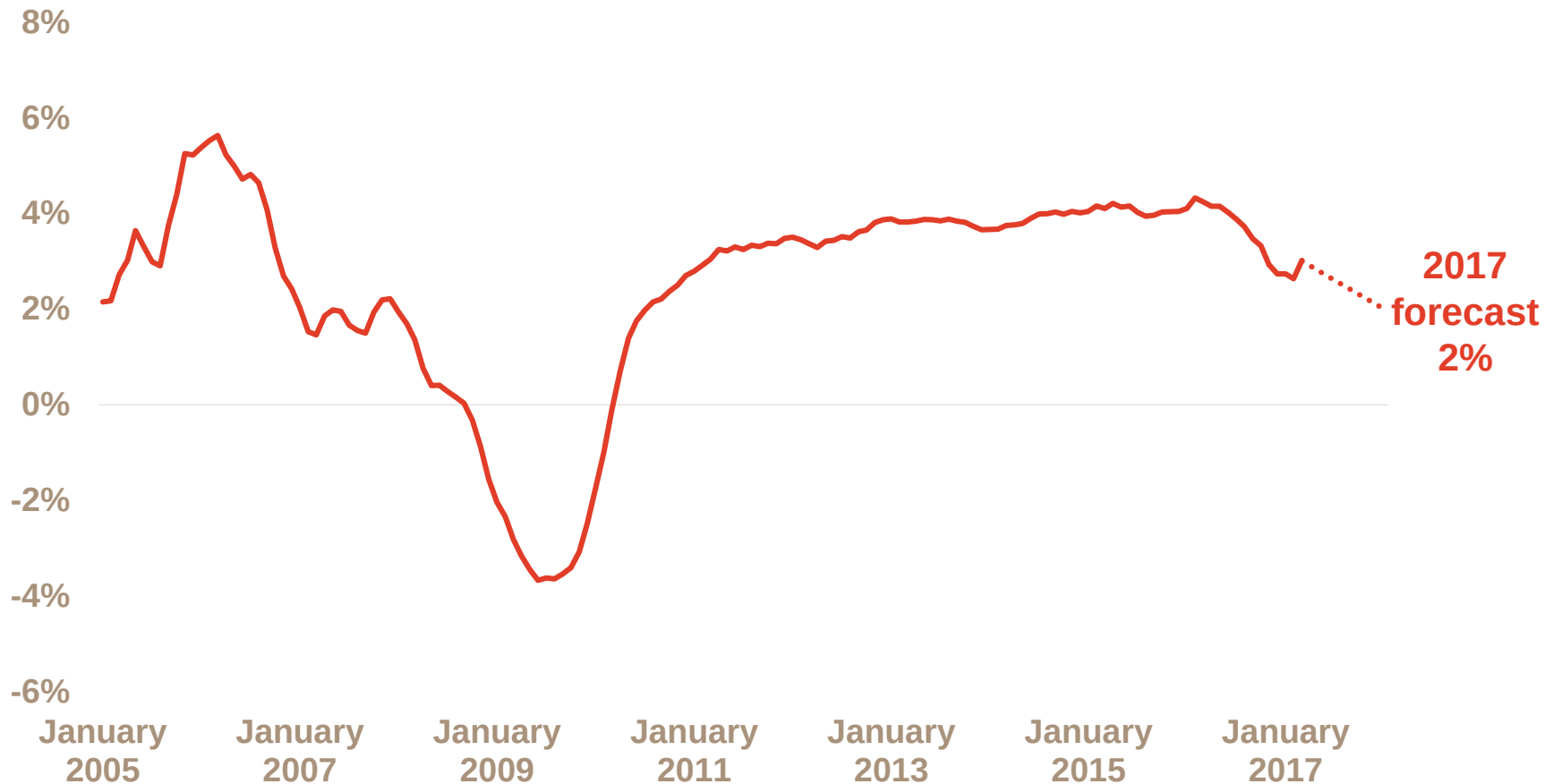


Dallas CBSA: \$20K

Source: CoreLogic Negative Equity (March 9, 2017 Release), Mississippi, South Dakota, Vermont and Wyoming have insufficient equity data to report, Hawaii average equity gain is from Q3.

Since 2010, Rent Rising Faster Than Income, Inflation

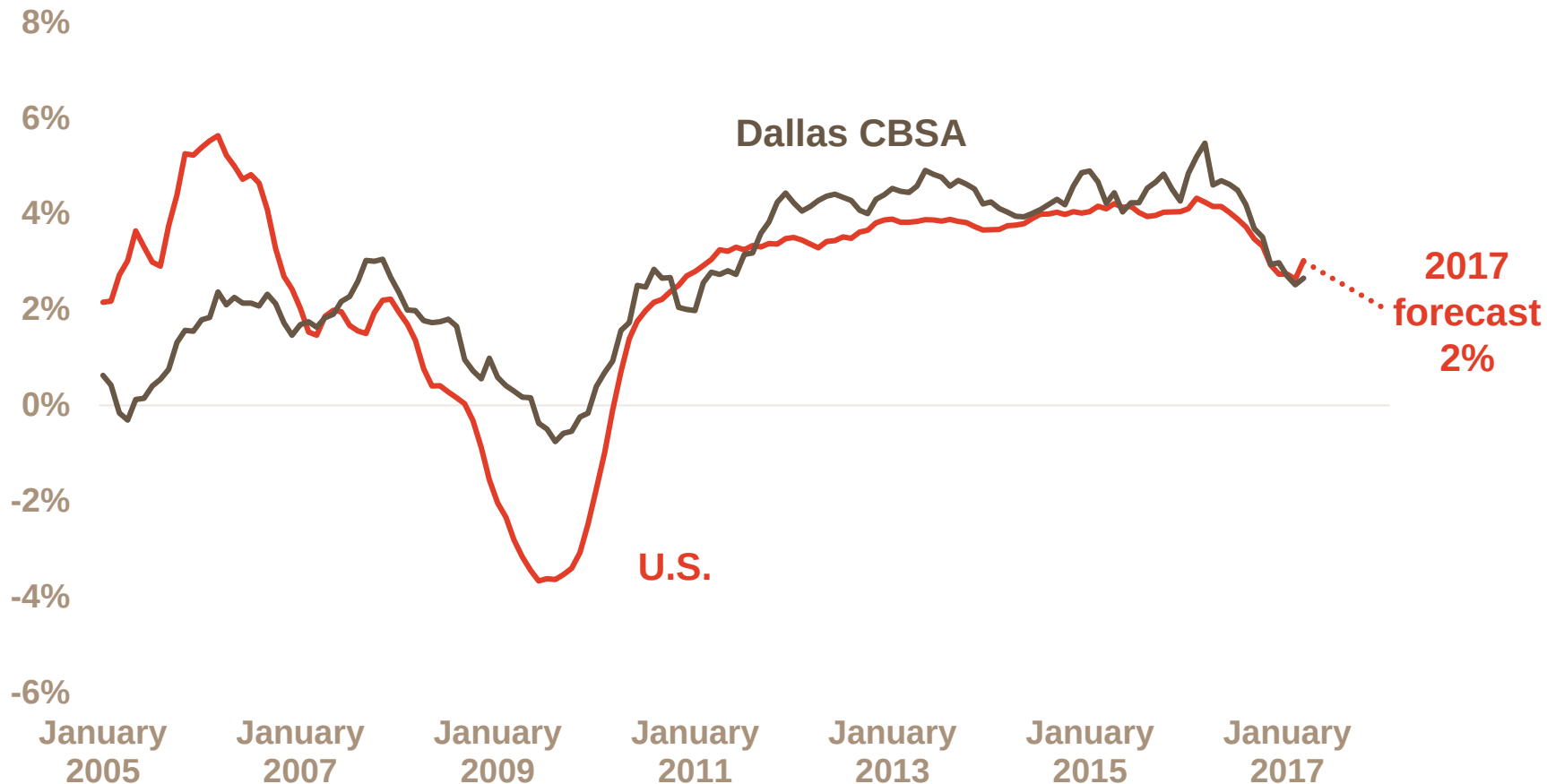
Single-Family Rent Index Year-over-Year Percent Change



Source: CoreLogic Single-Family Rent Index (through March 2017), 21 markets for 2004-2005, 27 markets for 2006-2009, 40 markets for 2010-2017; ULI Real Estate Consensus Forecast for 2017 for Apartment Rent (April 2017 release)

Since 2010, Rent Rising Faster Than Income, Inflation

Single-Family Rent Index Year-over-Year Percent Change

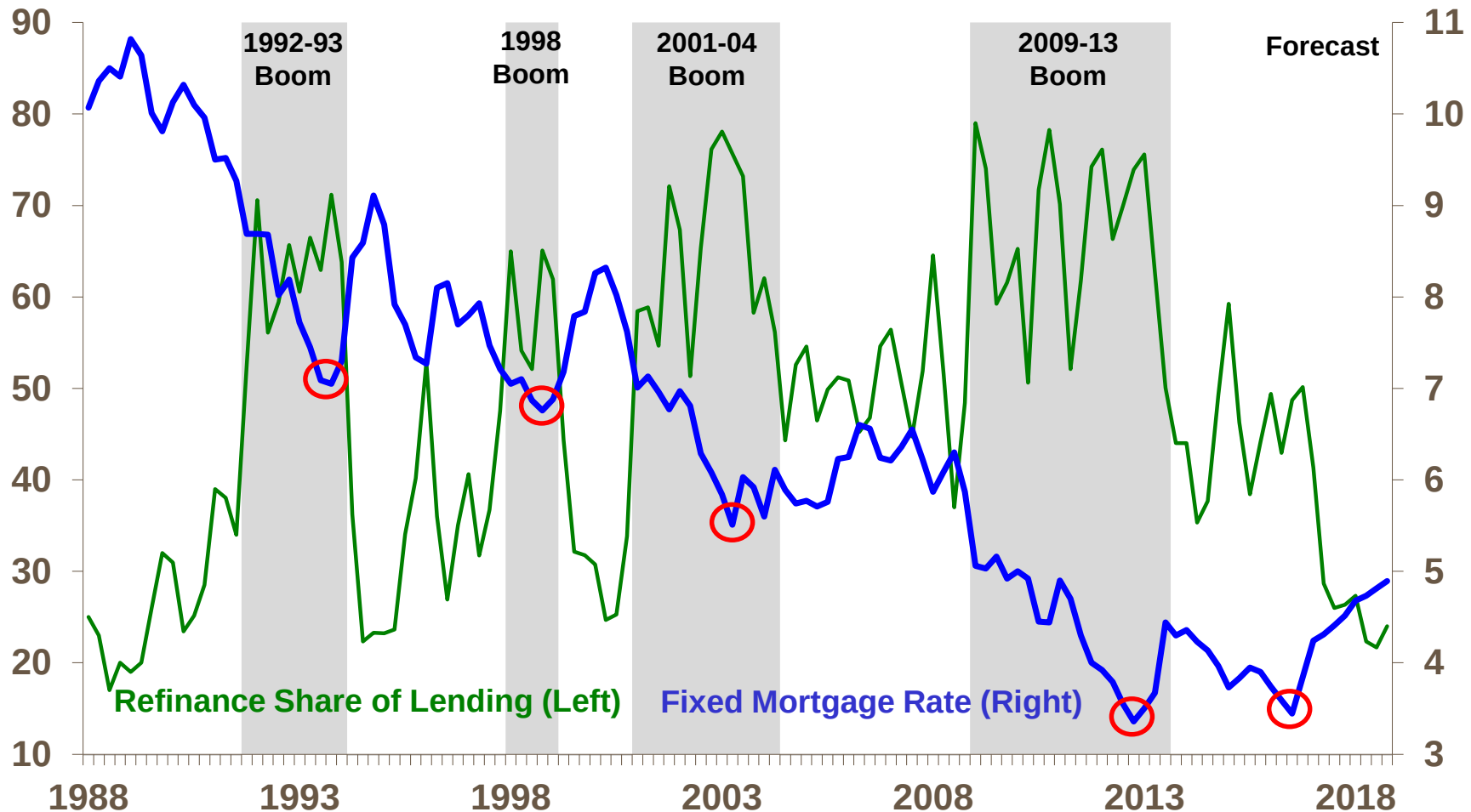


Refi Booms End Quickly As Rates Come Off Lows

Cash-out refi and FHA-to-conventional refi continue

Refinance Share of Lending (Percent)

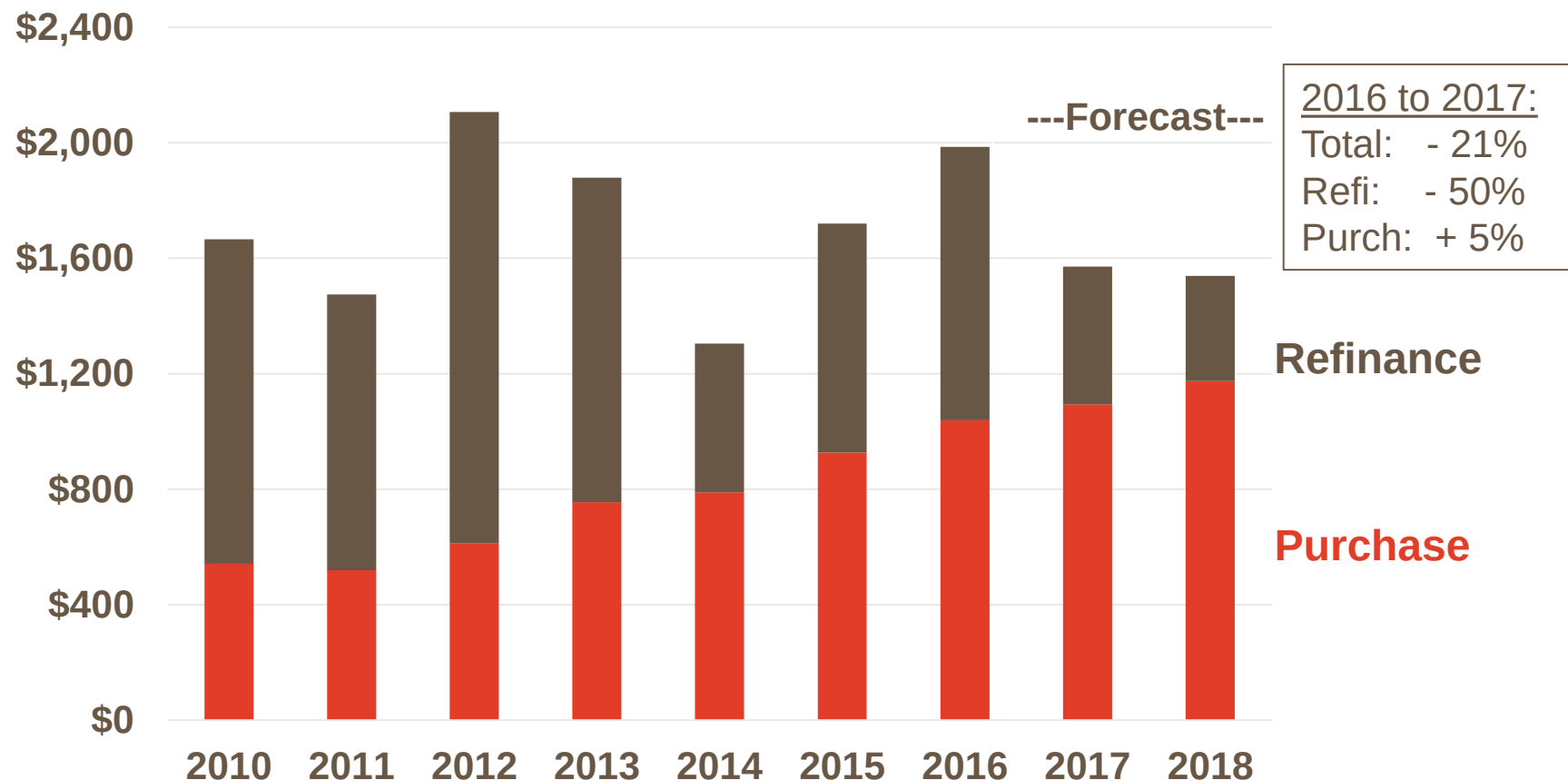
30-Year Fixed-Rate Mortgage Rate (Percent)



Source: Home Mortgage Disclosure Act, Freddie Mac Primary Mortgage Market Survey®, CoreLogic;
 2017-2018 forecast is average of MBA, Freddie Mac, Fannie Mae and IHS Markit (FRM rate only) projections.

Mortgage Originations: Drop in 2017 and Stable in 2018

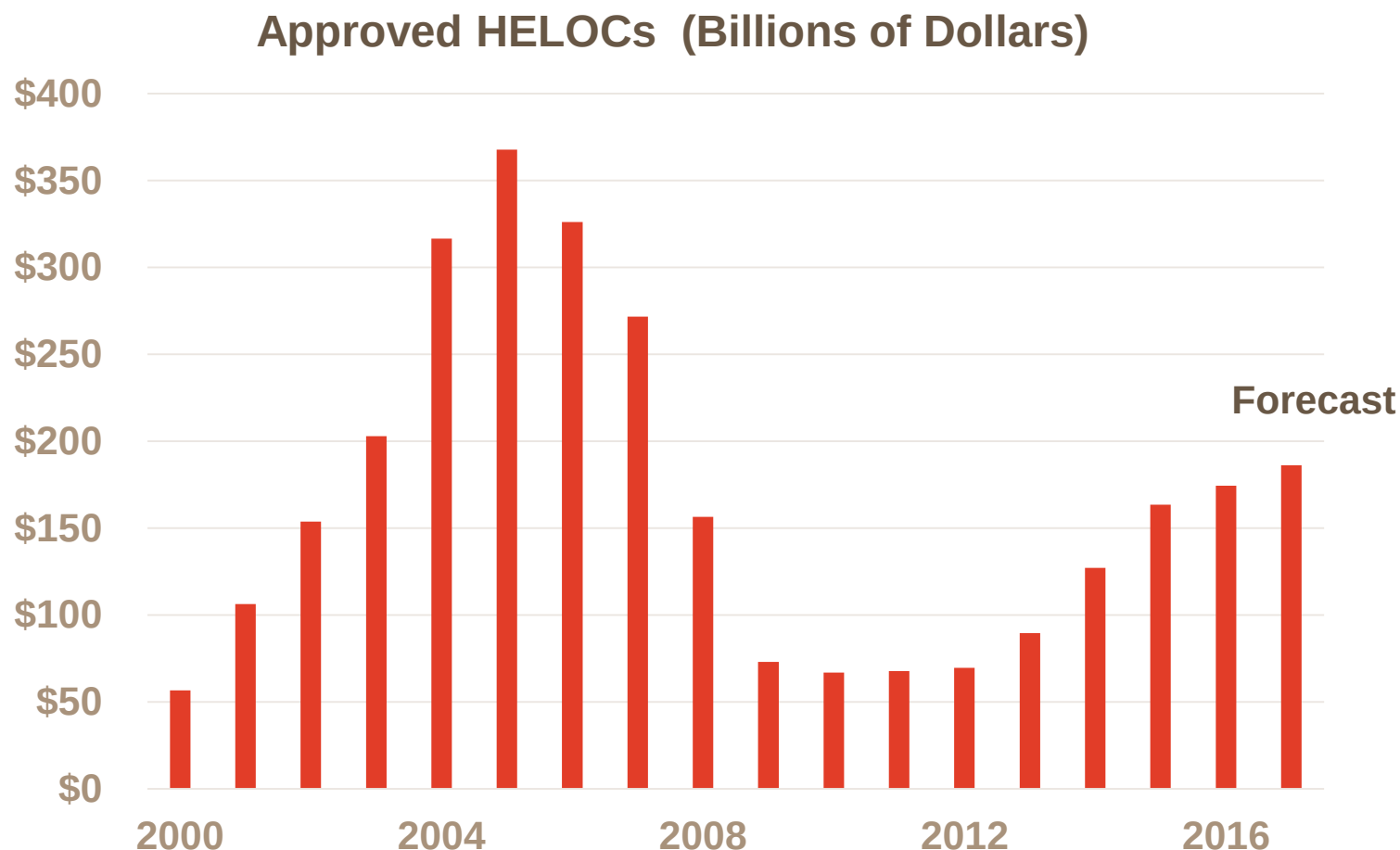
Single-family Mortgage Originations (Billions of U.S. dollars)



Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae and Freddie Mac. Forecasts as of March 2017. 2009-2015 are benchmarked to HMDA. Originations exclude HELOCs.

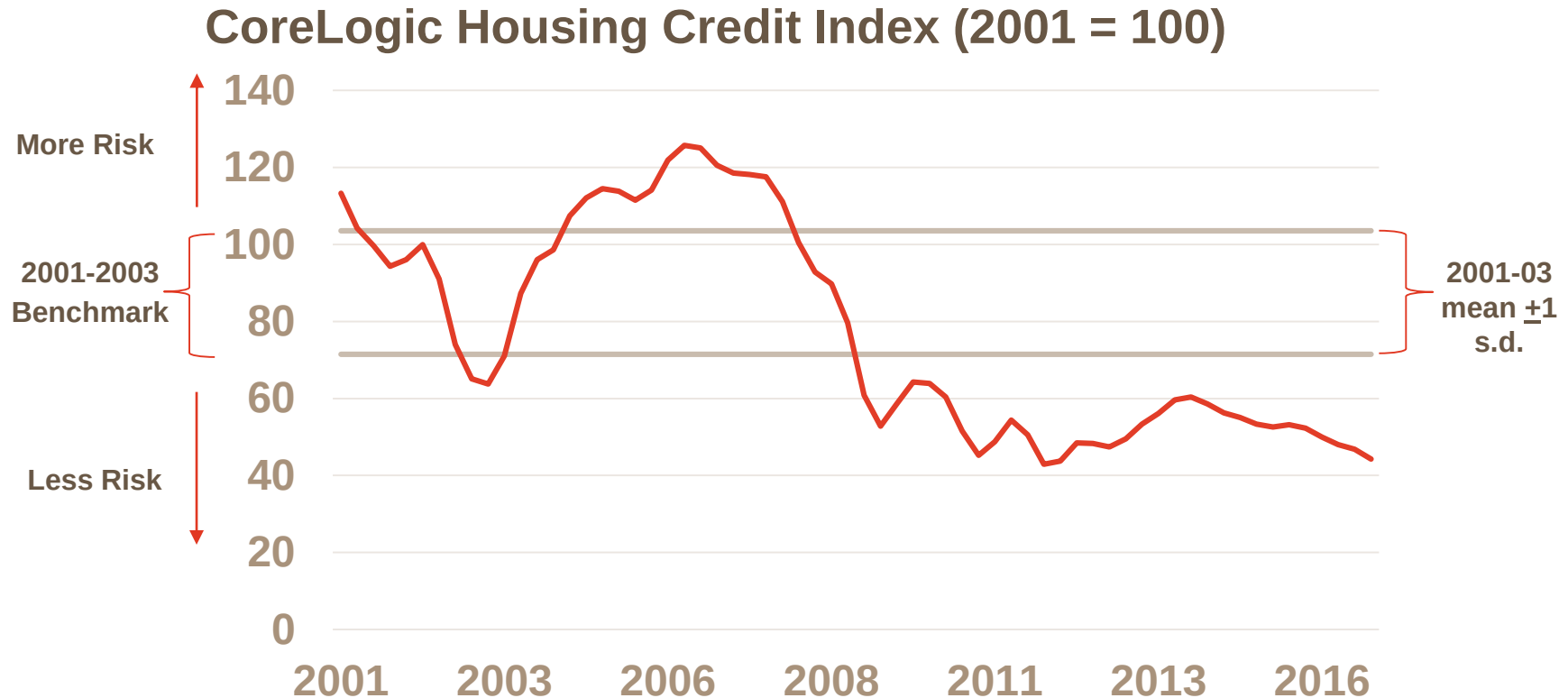
HELOC Volume Projected to Rise

7% growth projected for 2017



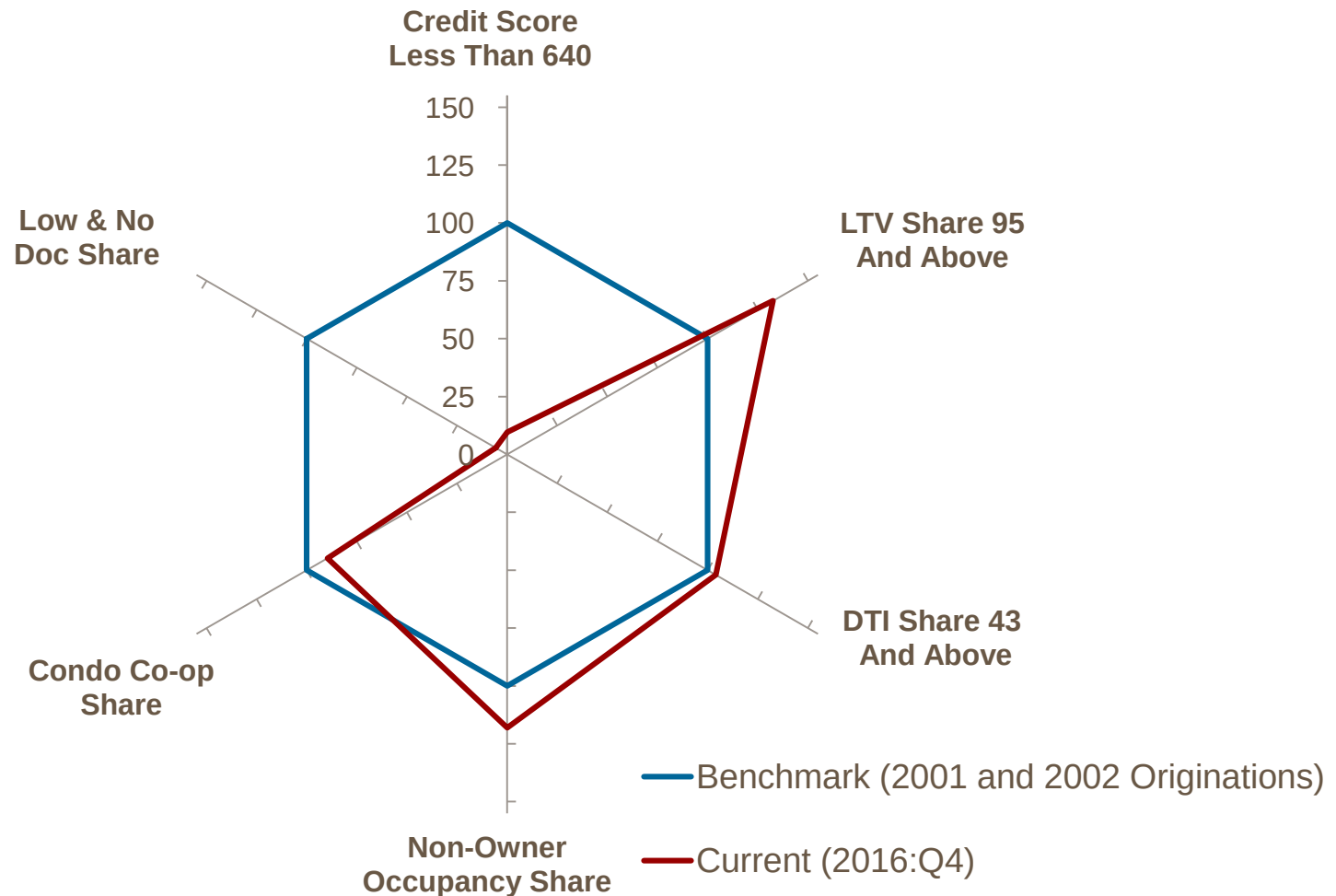
Source: CoreLogic public records, second-lien HELOCs placed more than 60 days after first lien; 2016 through September, annualized. 2017 forecast based on Harvard Joint Center for Housing Studies projection of 6.7% growth in homeowner remodeling and repair spending.
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2016 Loans Have Less Credit Risk Than Pre-2009 Loans



Mortgage Credit Risk Along Six Dimensions

First-Lien Purchase Money Originations



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