



Economic & Housing Market Overview

Room to Grow:
Housing for a New Economy

FRB of Dallas-Texas A&M

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Housing and Credit Update

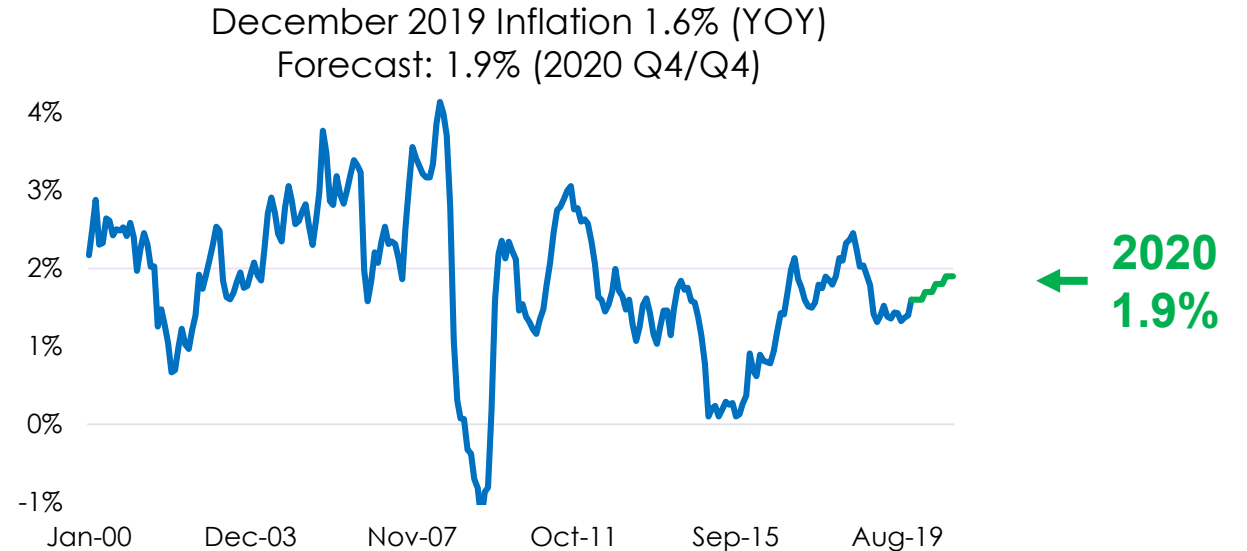
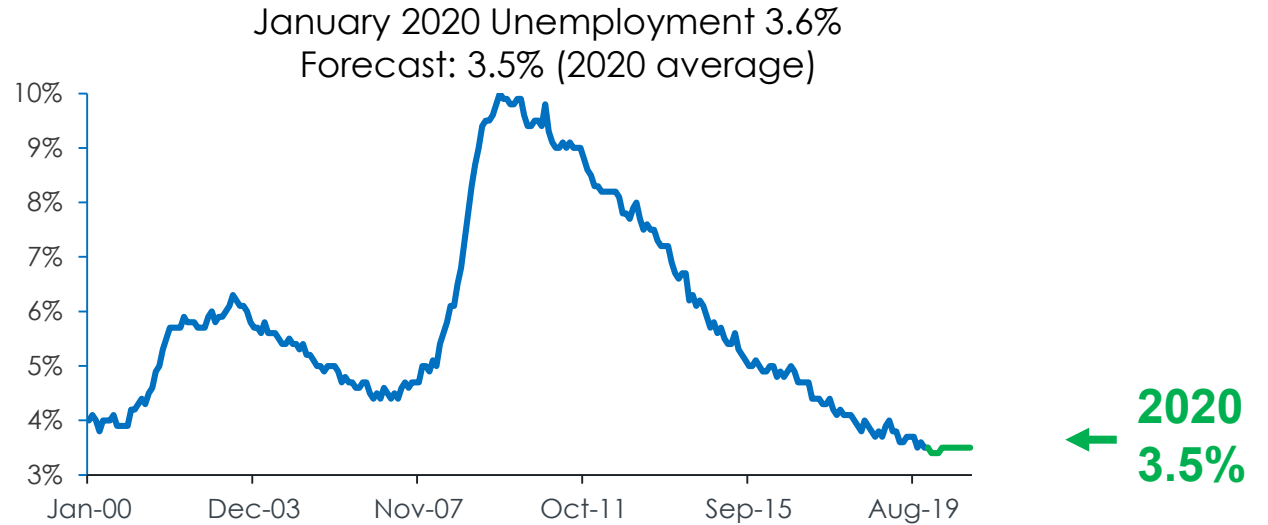
- Economic growth continues, recession risk low but rises over time
- No national price bubble but overvaluation risk & price declines in select areas
- Shelter costs up & housing inventory low, especially for lower-priced homes
- Areas hit by Natural Disasters see delinquency spike, faster price & rent growth

Coronavirus (COVID-19) Lowers Economic Growth Forecast

- U.S. growth in 2020 lower by 0.1 to 0.4 percentage points
 - Less U.S. exports as global growth slows
 - Supply-chain disruption slows U.S. production (electronics, durable goods)
 - Less commercial travel, less Chinese tourism/visitors in U.S.
 - Uncertainty over severity and length of viral outbreak leads to wide estimate of impact
- On the other hand....
 - Oil, fuel prices are lower, inflation remains below Fed target
 - 10-year Treasury yields and Mortgage rates remain low(er)

Fed Focus Shifts Between Job Creation and Inflation Risk

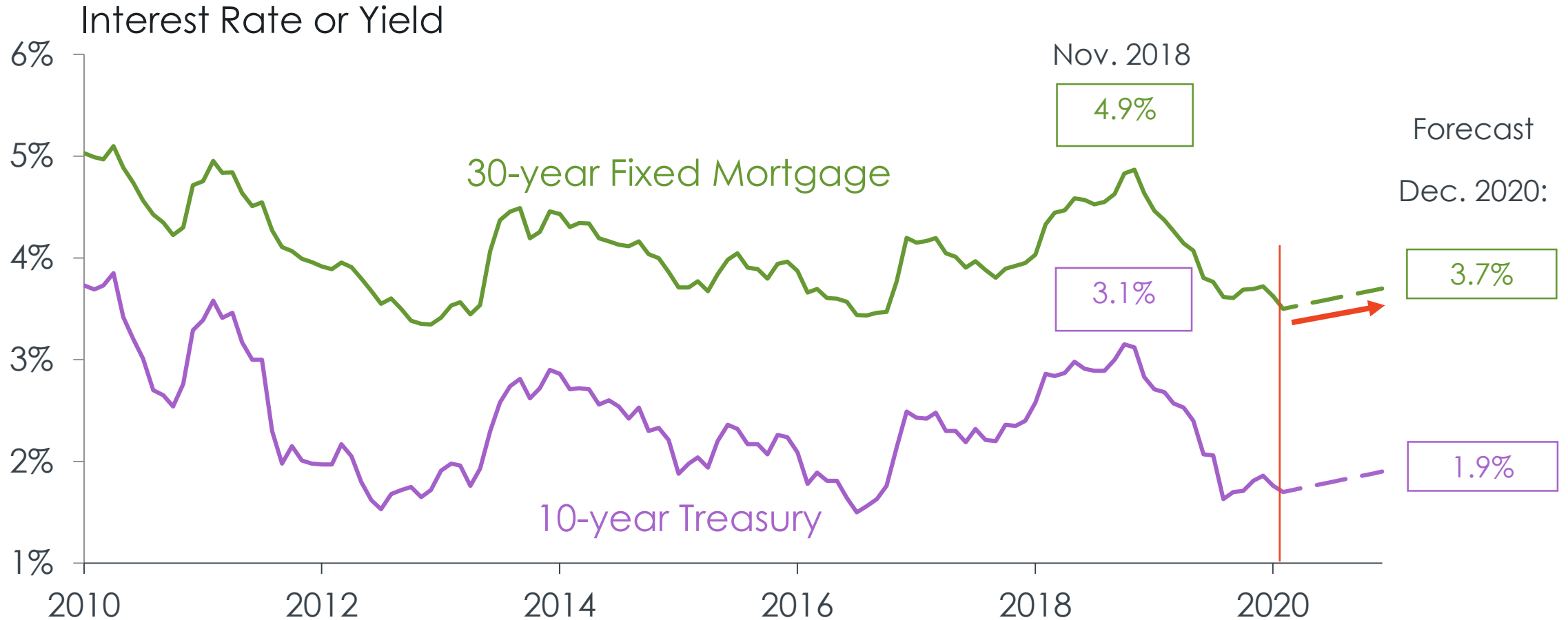
- Congressional dual mandate:
 - Maximum employment
 - Price stability
- U.S. Unemployment rate 3.6% (Jan.)
 - Dallas-Ft. Worth 3.1% (Dec.)
 - 2019 U.S.: 50-year low
 - “Full employment”: 4.3-4.4%
- Fed’s “price stability” definition:
 - 2% annual (PCE)
 - Avg. inflation 1.8% since 2000
- Fed funds target now 1.50-1.75%
 - Another quarter-point cut?



Source: BLS (unemployment rate), BEA (PCE price index), IHS Market (unemployment forecast), NABE Outlook (PCE forecast), CBO (NAIRU, January 28, 2020)

Long-Term Rates Lower than A Year Ago, Expect Slow Rise

30-year Fixed-Rate Home Mortgage today at 3.5%, 10-year Treasury at 1.6%

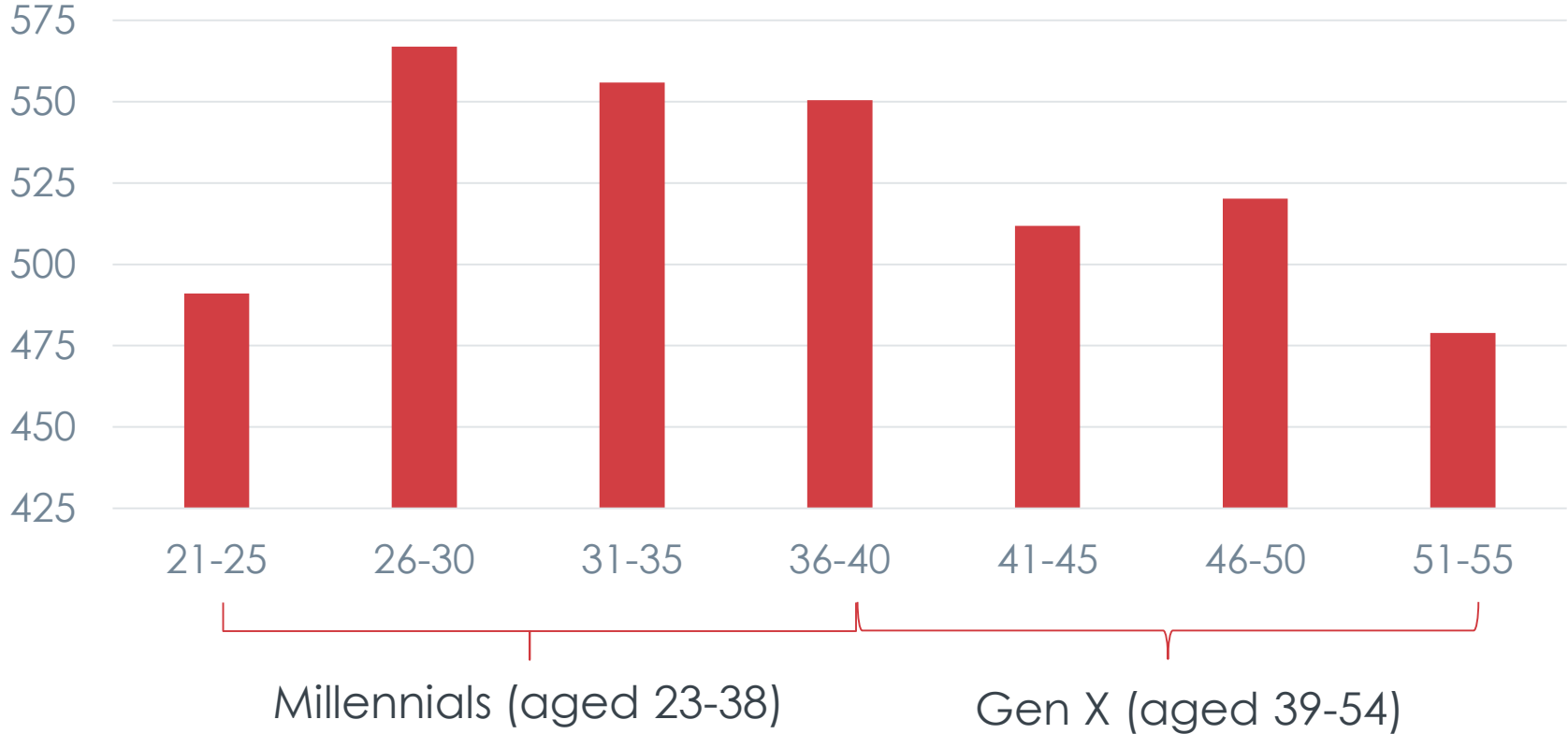


Source: Freddie Mac Primary Mortgage Market Survey®, Federal Reserve Board; forecast is average of IHS Markit, MBA, Fannie Mae, Freddie Mac, NAHB and NAR.

Millennials Add to Renter and Home-Buyer Demand

Millennials exceed Gen X's by more than 112,000 in Dallas Metro

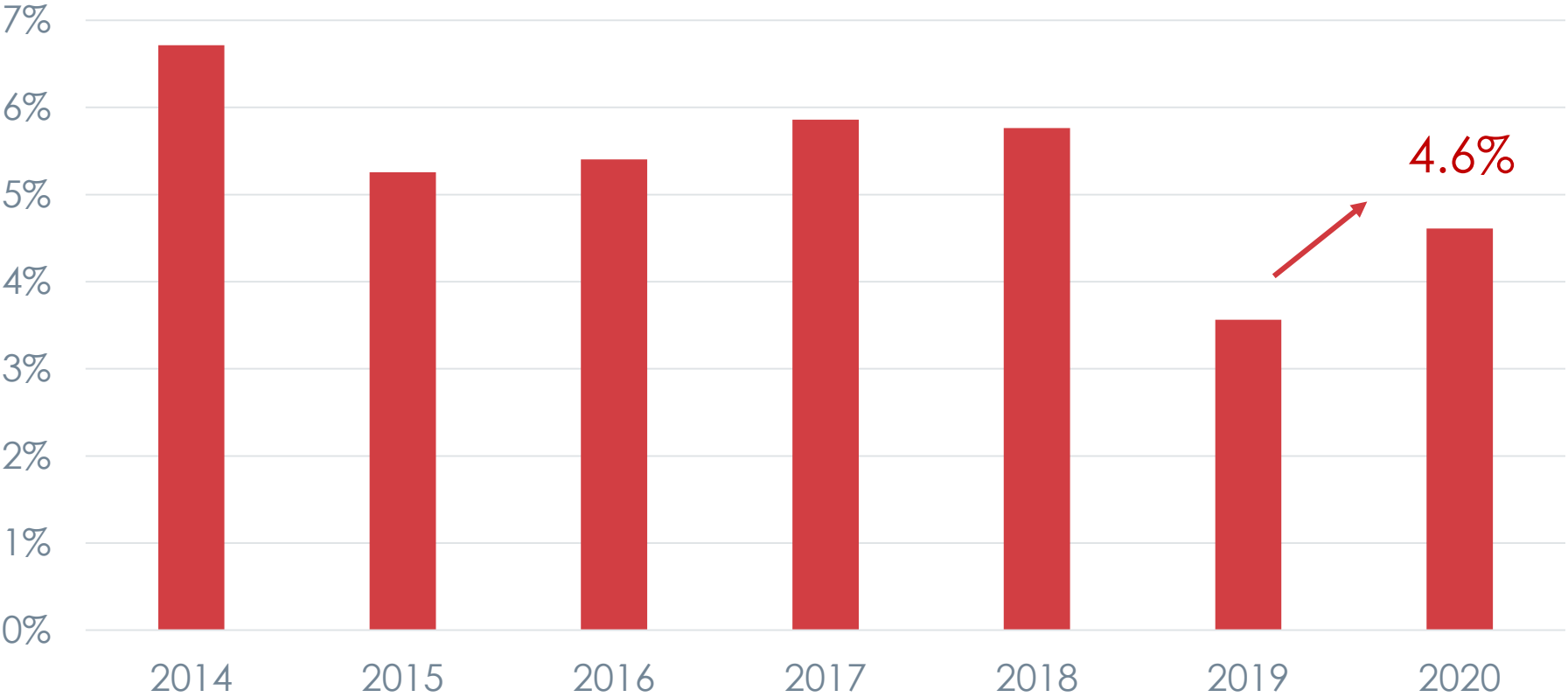
Dallas Metro 2019 Population by age group (in thousands)



Source: Census Bureau

U.S. Home Price Growth Projected to Rise....

Price growth: 3.6% in 2019; forecast 4.6% in 2020 (annual average)



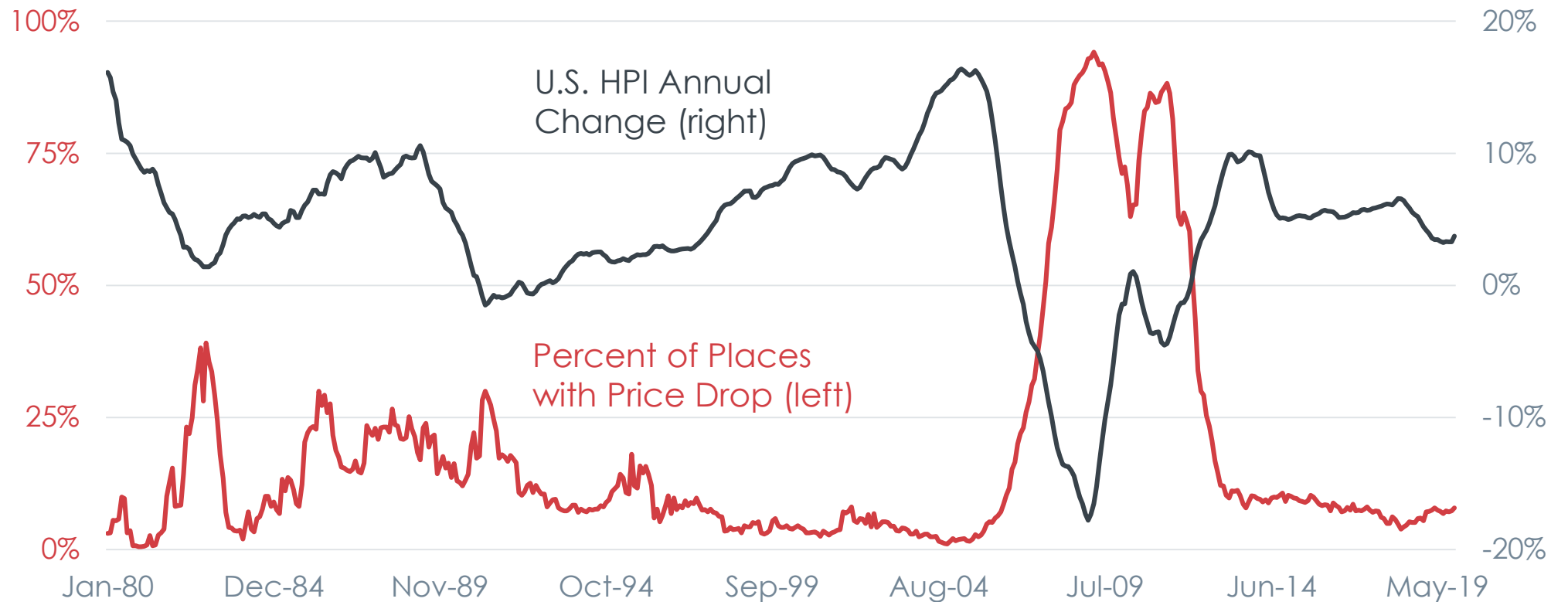
Source: CoreLogic Home Price Index and HPI Forecast for U.S., February 4, 2020 release

...But Home Prices Fall in Some Metros

Prices fell in about 5-7% of urban places each year since 2014

Percent of Places with Annual Home-Price Decline

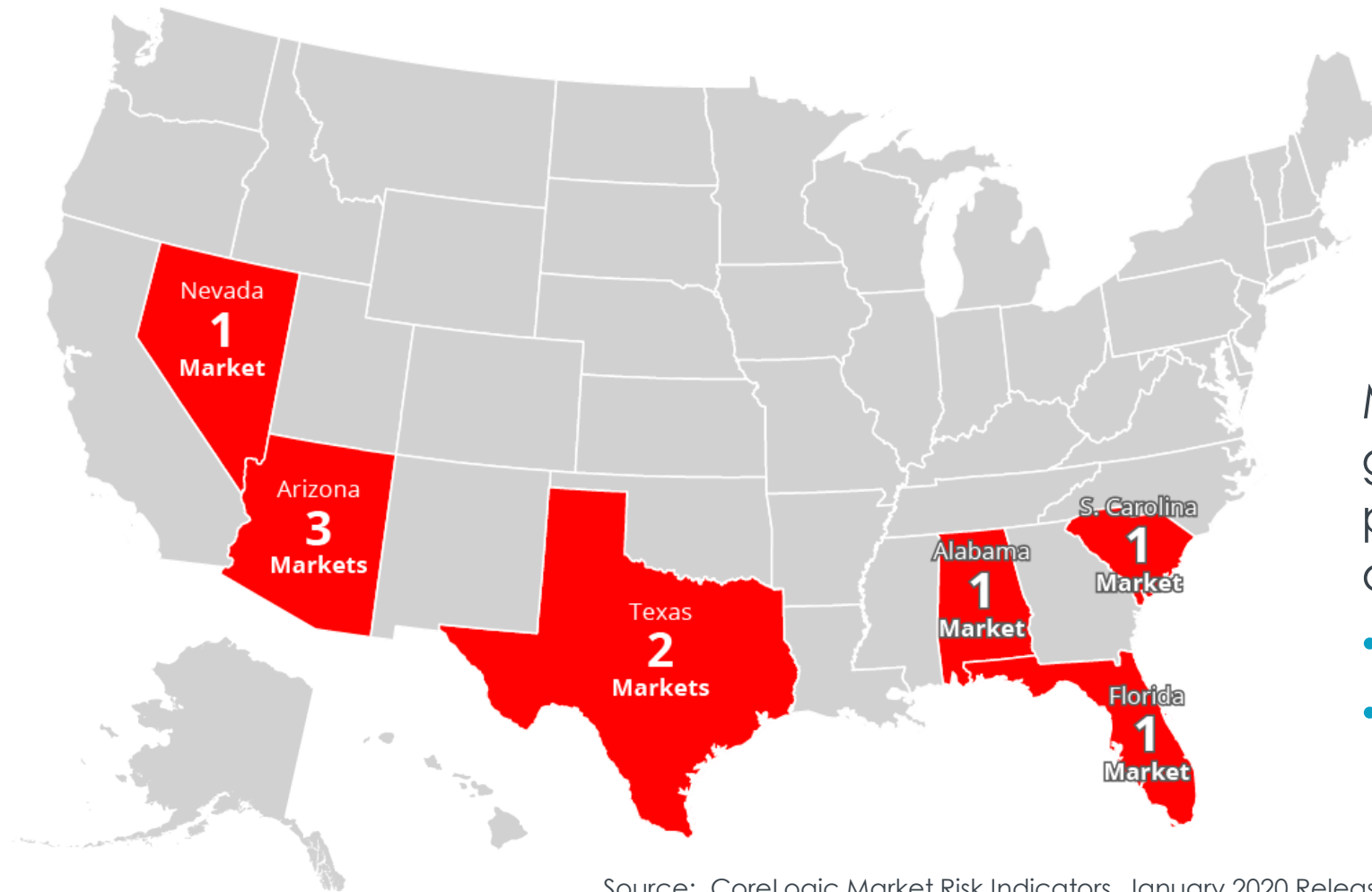
U.S. Home Price Index Annual Percent Change



Source: CoreLogic Home Price Index for U.S. and 954 Core-Based Statistical Areas.

Predictions: Riskiest Metros

Home Price Declines over the next 12 months through December 2020



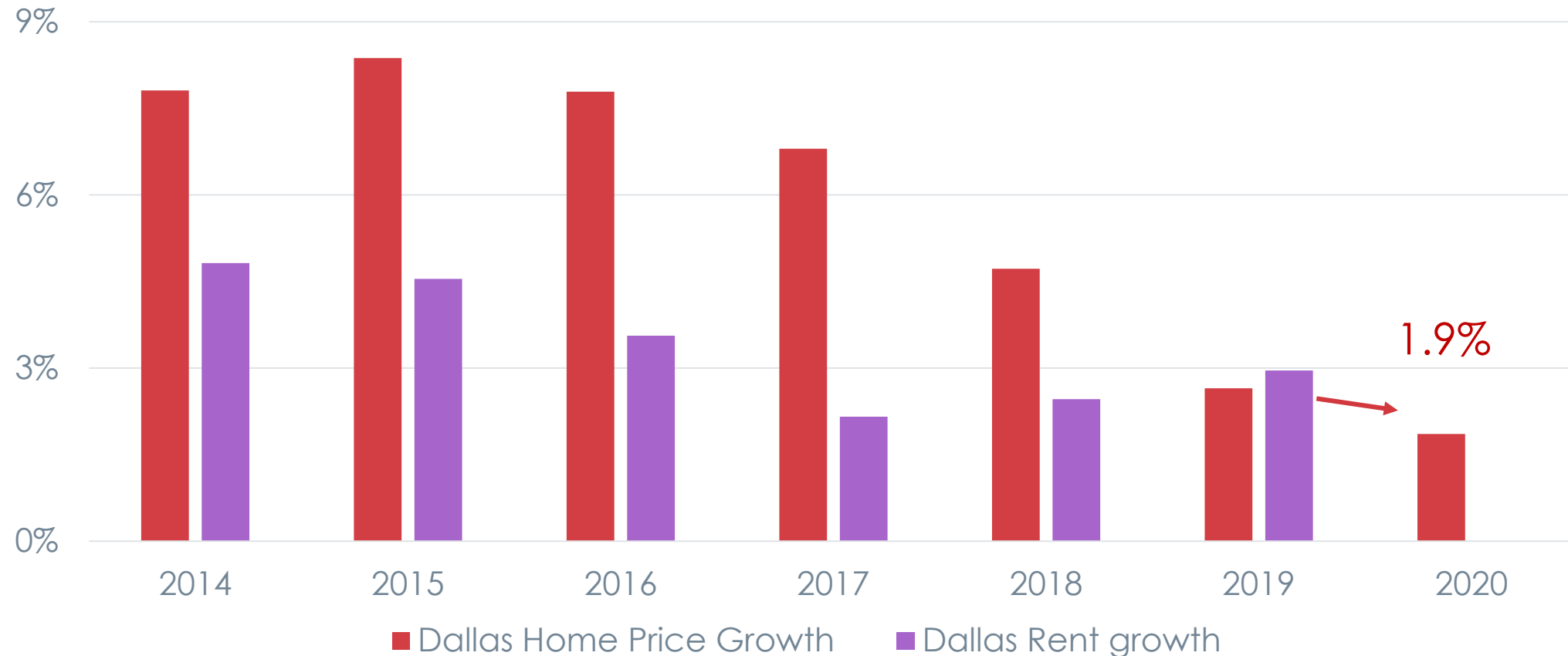
Market Risk Indicator gives 12-month probability of price decline for two severities:

- Price decline <10%
- Price decline \geq 10%

Source: CoreLogic Market Risk Indicators, January 2020 Release Predictions for next 12 month period. CoreLogic Home Price Index (February 4, 2020 release) December 2018 to December 2019 change

Dallas Home Price & Rent Gain Outpace Inflation Since 2014

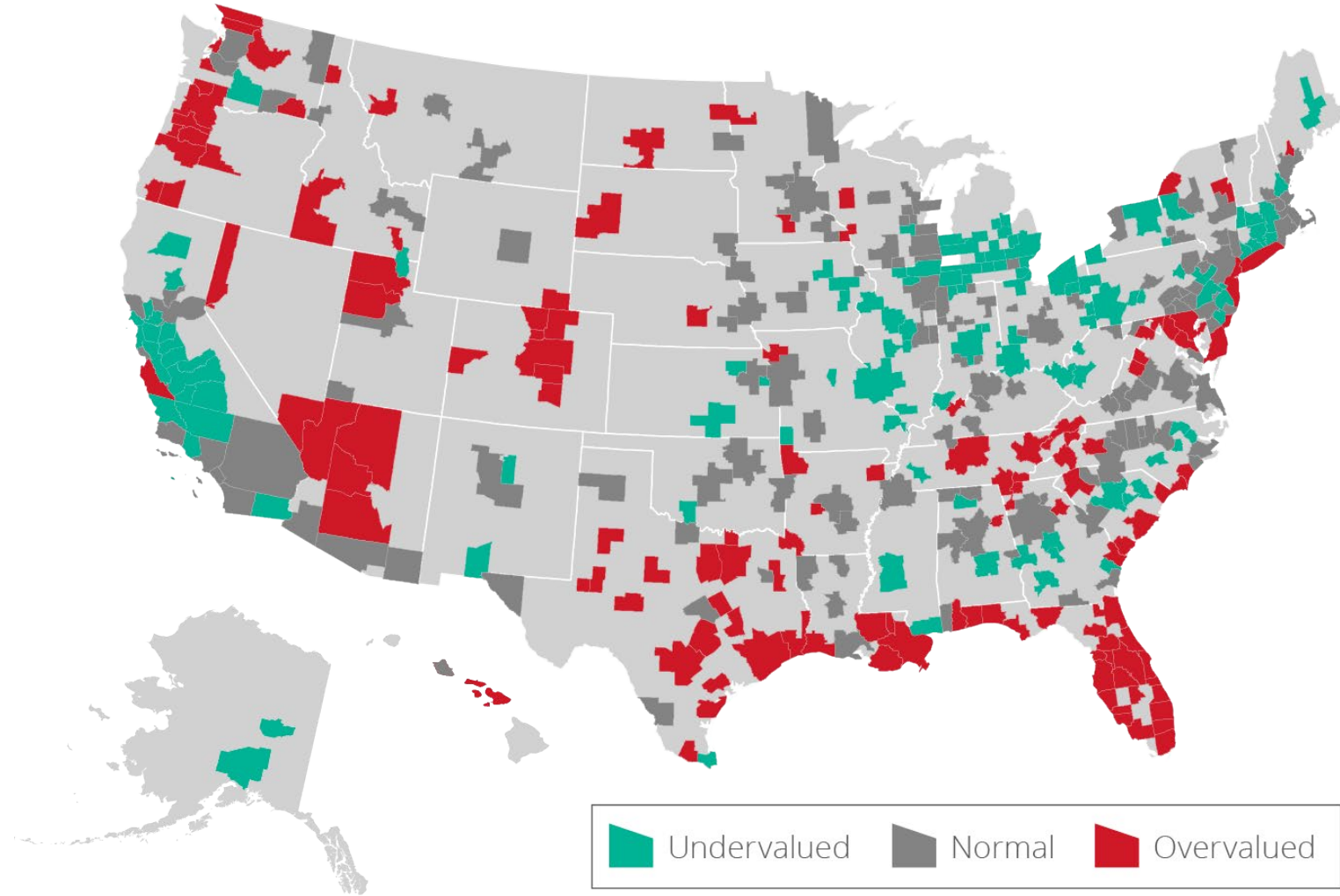
Average Annual growth 6.8% (home prices), 3.5% (rent) and 1.3% (inflation) since 2014



Source: CoreLogic Home Price Index and HPI Forecast for U.S. (February 4, 2020 release), Single-Family Rent Index; BEA PCE

Price-to-Income is High in 32% of Metros

MCI compares current ratio relative to 1976-2003 level by metro



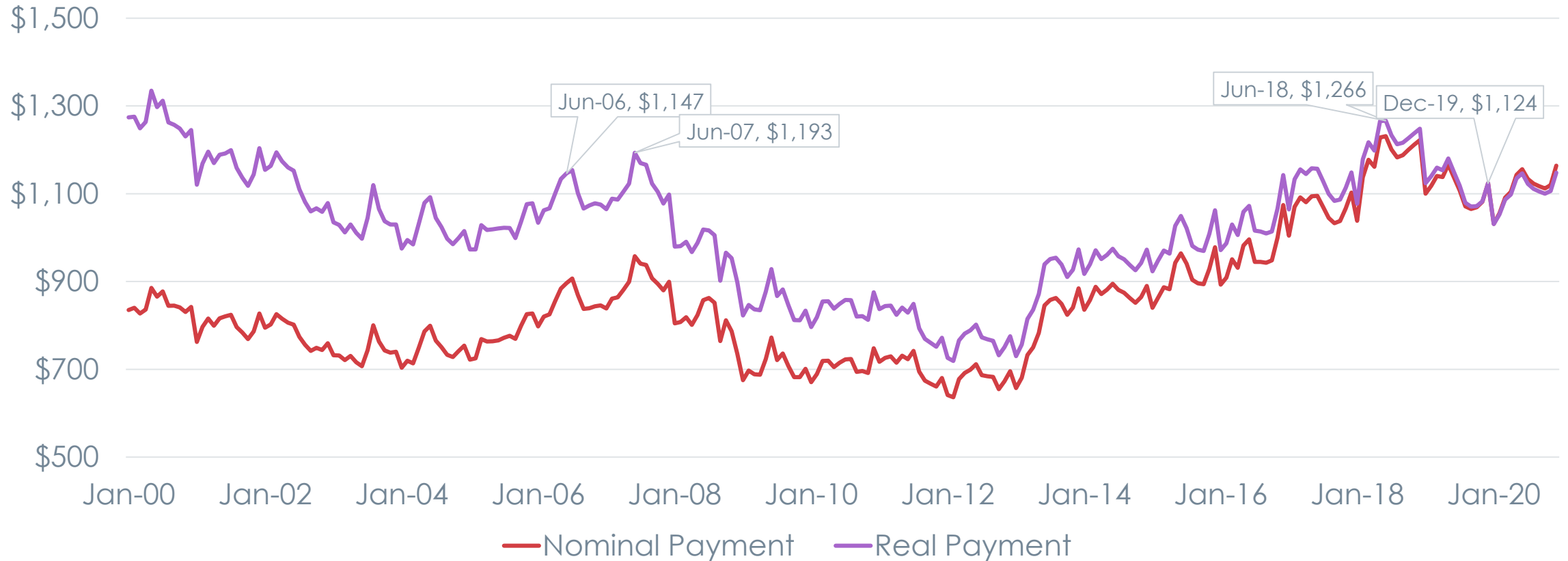
“Overvalued” metro is one in which home prices are at least 10% higher than the long-term, sustainable level

Source: CoreLogic Market Condition Indicators, February 4, 2020

'Real' Mortgage P&I Less Than 20 years Ago

Lower Rates Have Kept "Mortgage Payment" to buy median-priced home low in Dallas metro

Nominal and 'Real' Monthly Mortgage Payment To Buy Dallas median-priced home



Source: CoreLogic, IHS Markit, Freddie Mac, Fannie Mae; and IHS, National Association of Home Builders, Mortgage Bankers Association and National Association of Realtors for averaging mortgage rate forecasts. Chart forecast period begins Dec-19.

Bubbles? Market Conditions Indicator, Market Risk Indicator, Price-to-Rent, and Payment-to-Rent, by Metro

Metro Area	Market Conditions Indicator: 2019Q1	Probability of a Home Price Decline in 12 months	Price-to-Rent: Growth 2001Q1 to 2019Q1 Above or Below 65%	Payment-to-Rent: Growth 2001Q1 to 2019Q1
Los Angeles, CA	Normal	8%	Above	32%
Jacksonville, FL	Overvalued	25%	Above	17%
Seattle, WA	Normal	17%	Above	16%
New York, NY	Overvalued	9%	Below	11%
San Francisco, CA	Normal	7%	Above	11%
Washington, DC	Overvalued	15%	Above	10%
Raleigh, NC	Normal	10%	Below	6%
Phoenix, AZ	Overvalued	23%	Above	4%
Dallas, TX*	Overvalued	24%	Below	3%
Tucson, AZ	Normal	19%	Below	-1%
Houston, TX	Overvalued	27%	Below	-11%
U.S.*	Normal	Not Available	Below	-18%

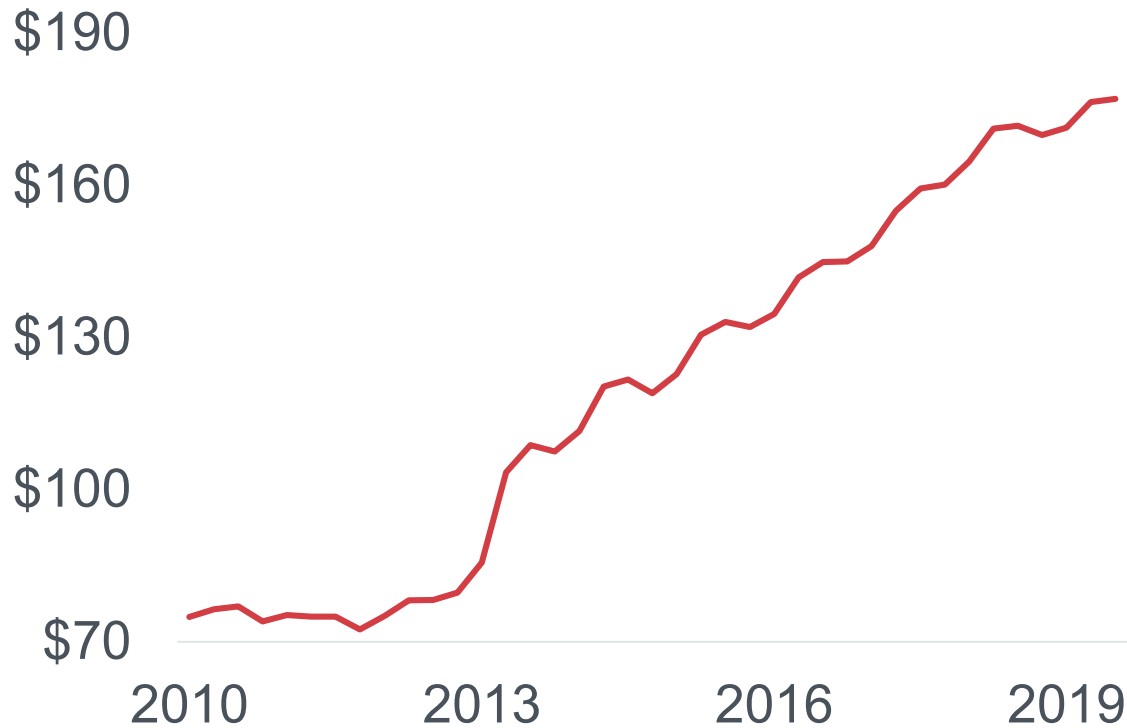


* Dallas metro price-to-rent and payment-to-rent analysis begin 2003Q1; U.S. price-to-rent and payment-to-rent analysis begins 2004Q1
 Source: CoreLogic MCI, MRI, HPI (low price tier), median sales price, Single-Family Rent Index; Freddie Mac PMMS for 30-year FRM

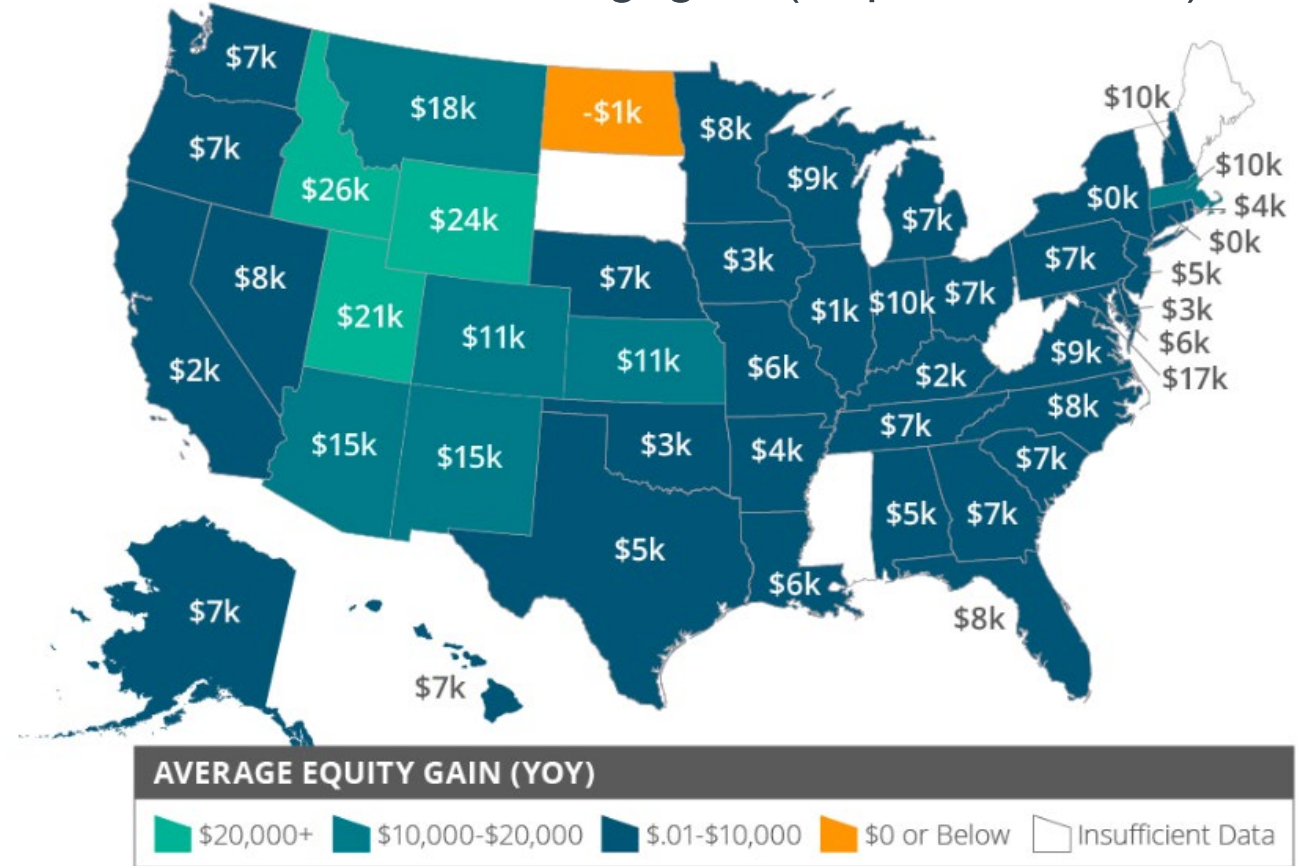
Equity Gain Supports Spending, Especially on the Home

Record \$327 billion spent on home improvement & repair in 2019

Home Equity per Borrower (thousands of \$)



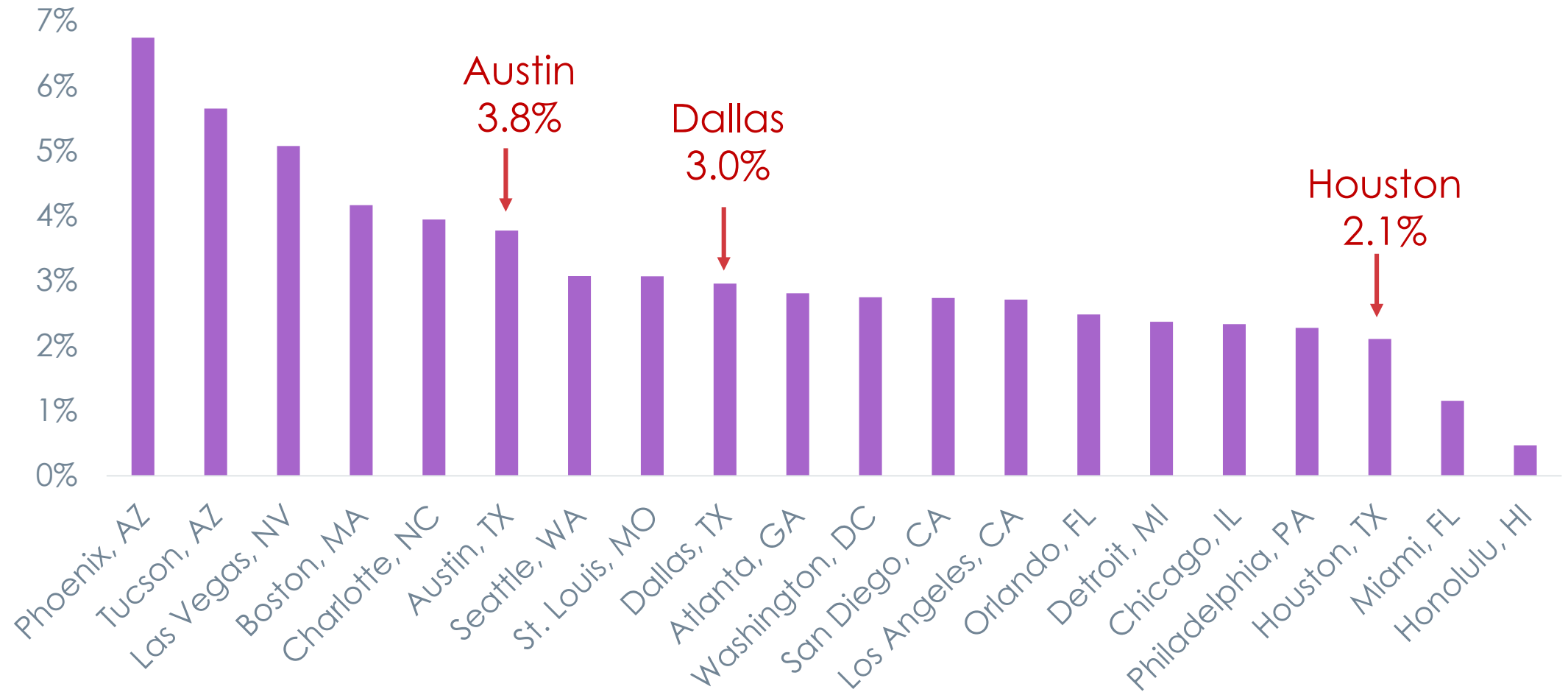
Dallas metro: \$5k avg. gain (Sep. 2019, YOY)



Source: CoreLogic Home Equity Report & Public Records; Joint Center for Housing Studies Leading Indicator of Remodeling Activity

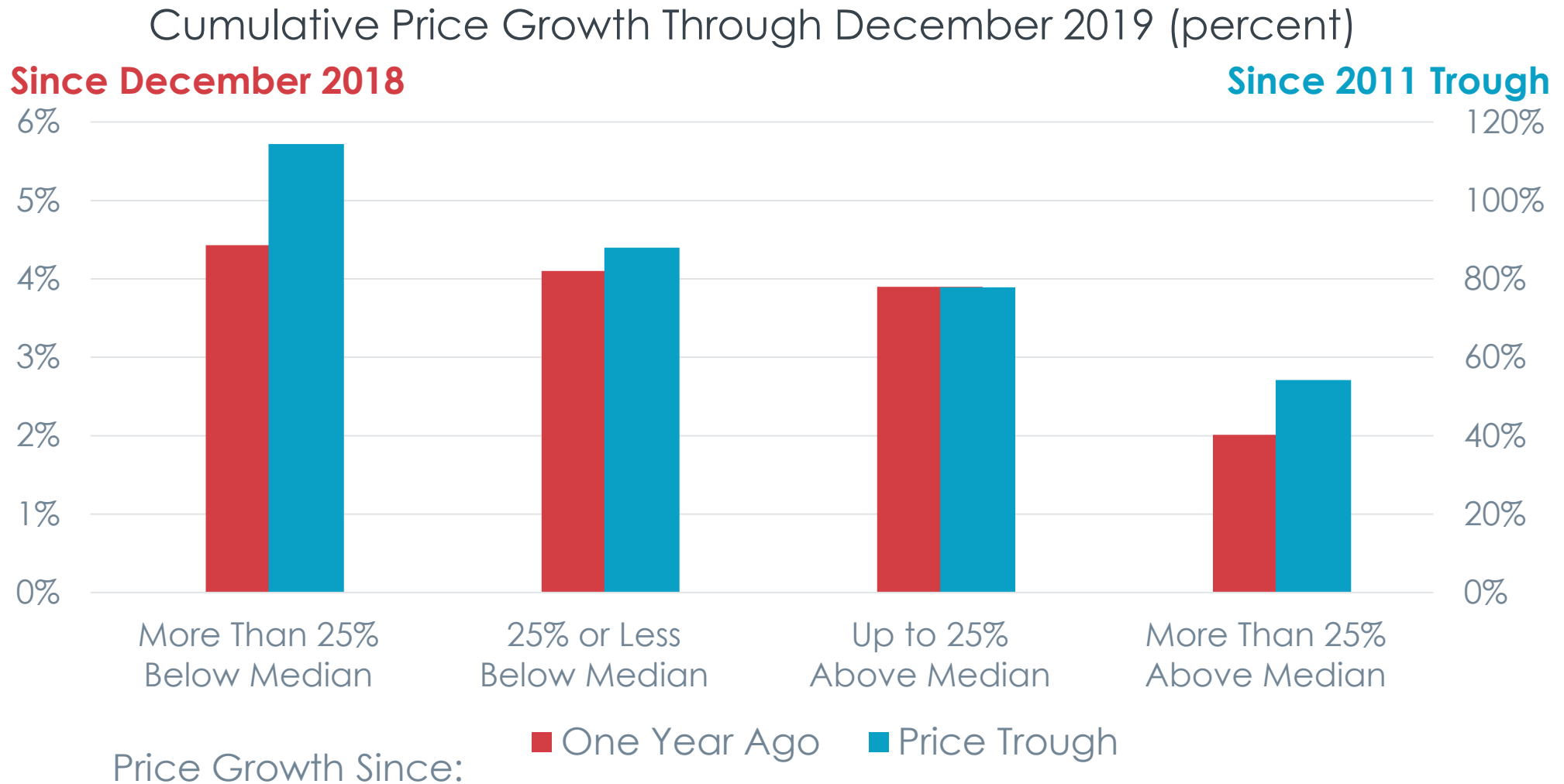
Single-family Rents Are Rising Too: U.S. Up 2.9%

Single-Family Rent Growth (annual percent change, December 2019)



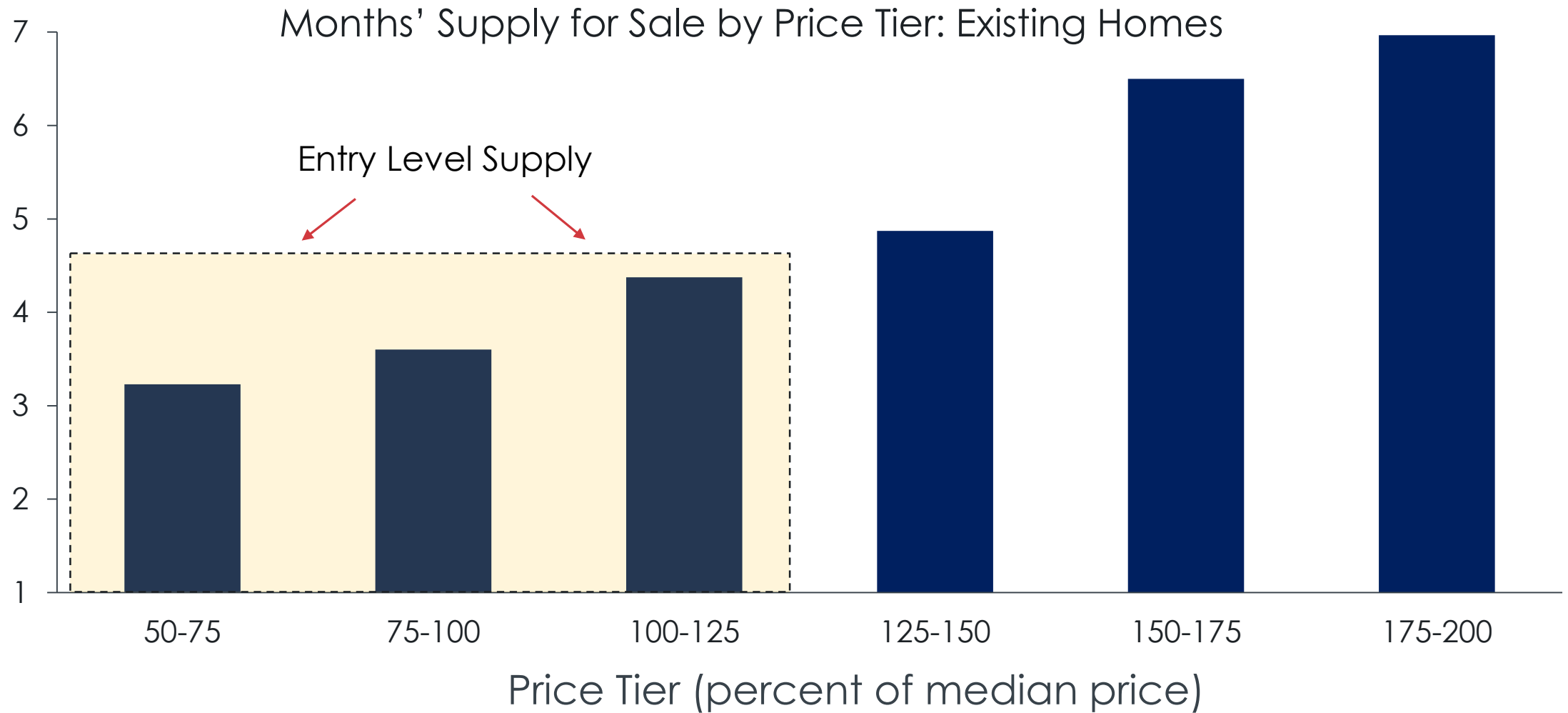
Source: CoreLogic Single-Family Rent Index release February 18, 2020

Price Growth Strongest For Lowest-Priced Dallas Houses



Source: CoreLogic HPI, Single-family Detached (February 4, 2020 release); Dallas HPI trough occurred March 2011.

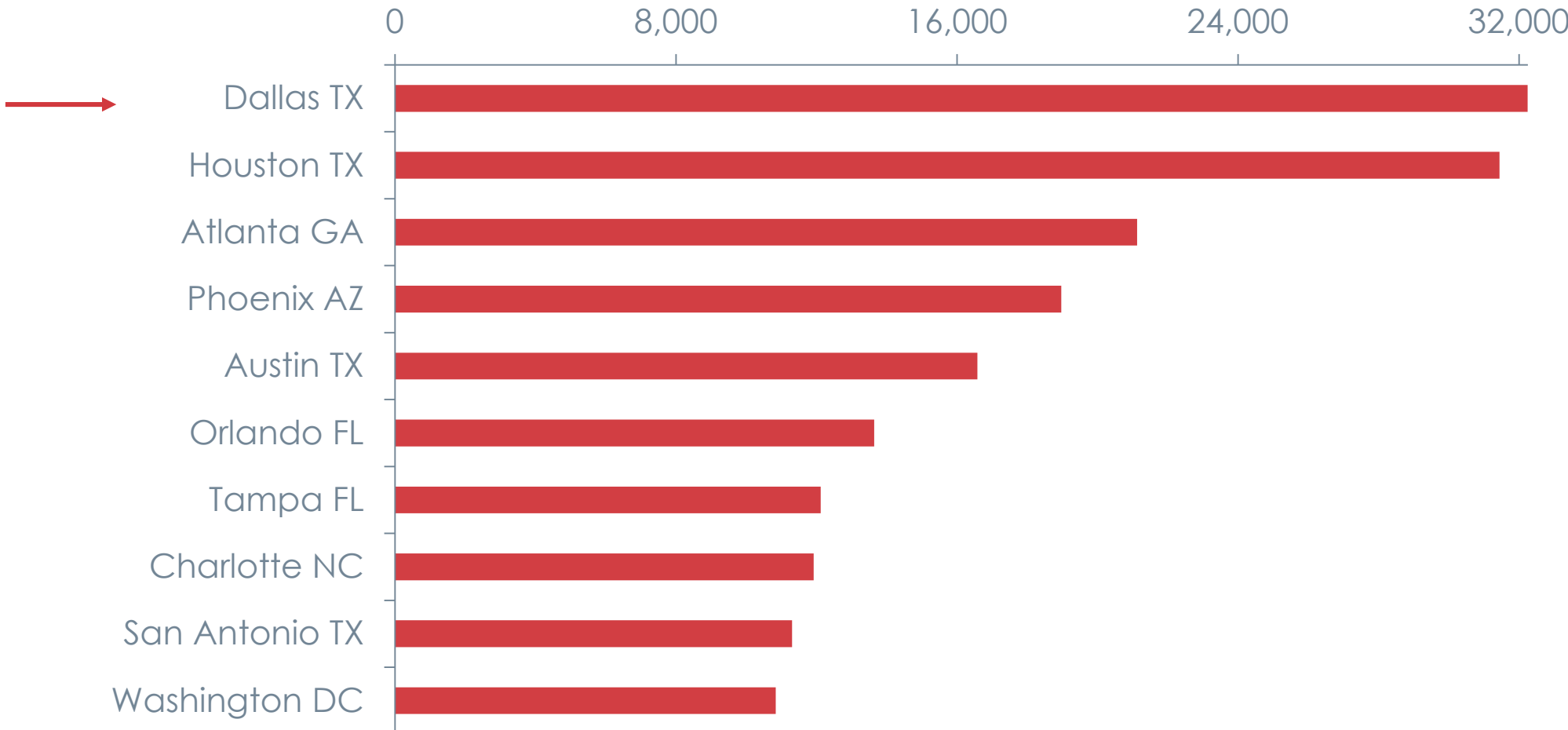
Dallas Inventory Tighter for Entry-Level Buyers



Source: CoreLogic MLS data, November 2019, months' supply was 4.7 months across all price tiers

New-Home Sales Levels Highest in the South

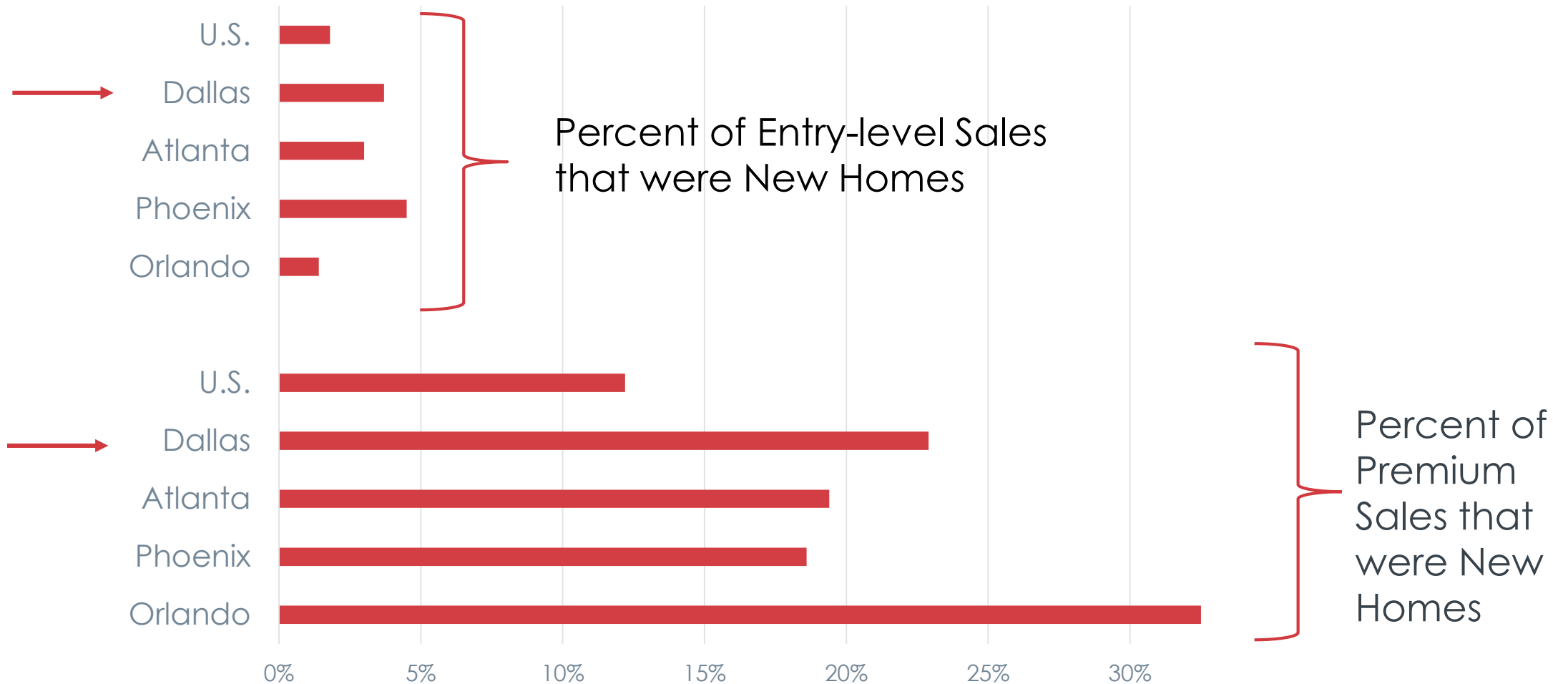
Annual Number of New Home Sales (October 2018 to September 2019)



Source: CoreLogic, new homes sold October 2018 through September 2019 by Metropolitan Statistical Area (label reflects primary city of MSA).

New Construction Adds More to Supply of Premium Homes

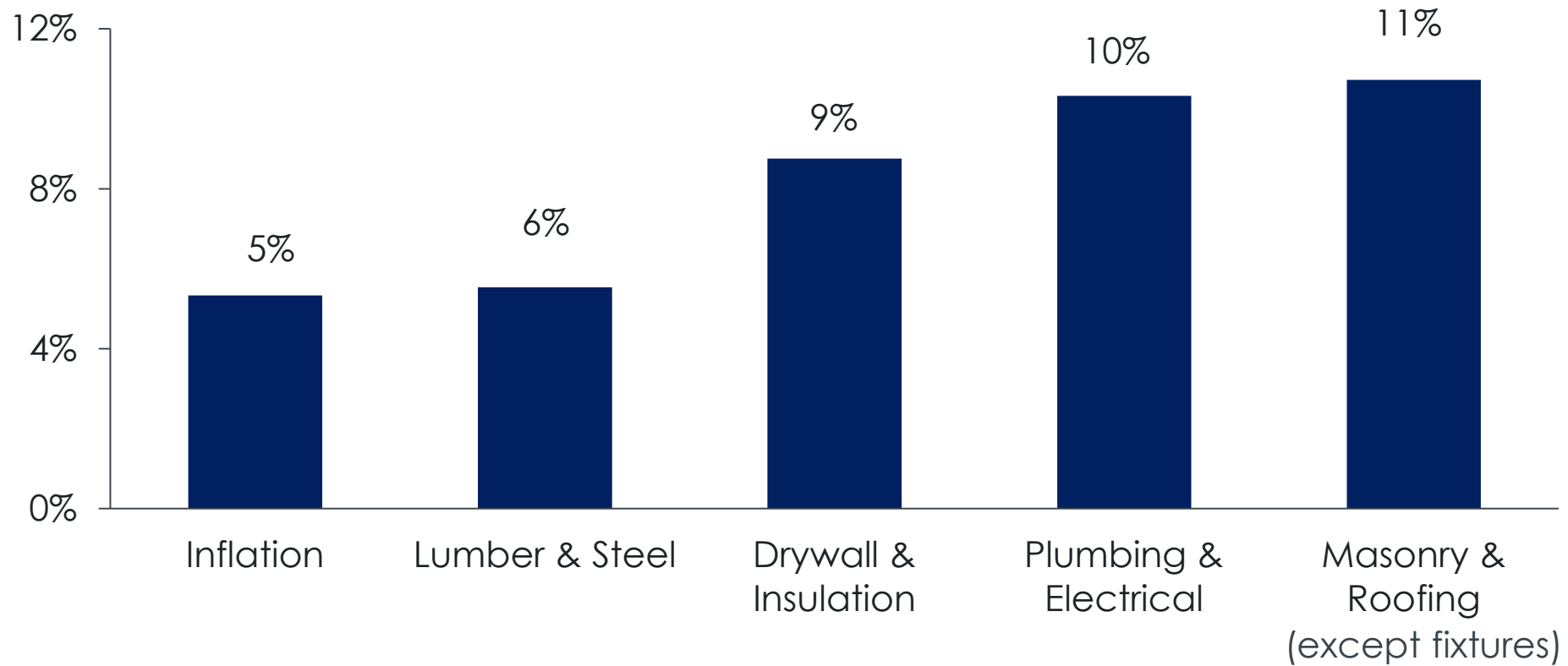
Nationally, 2% of Entry sales were new homes, 12% of Premium sales



Source: CoreLogic public records, January-June 2019 home sales

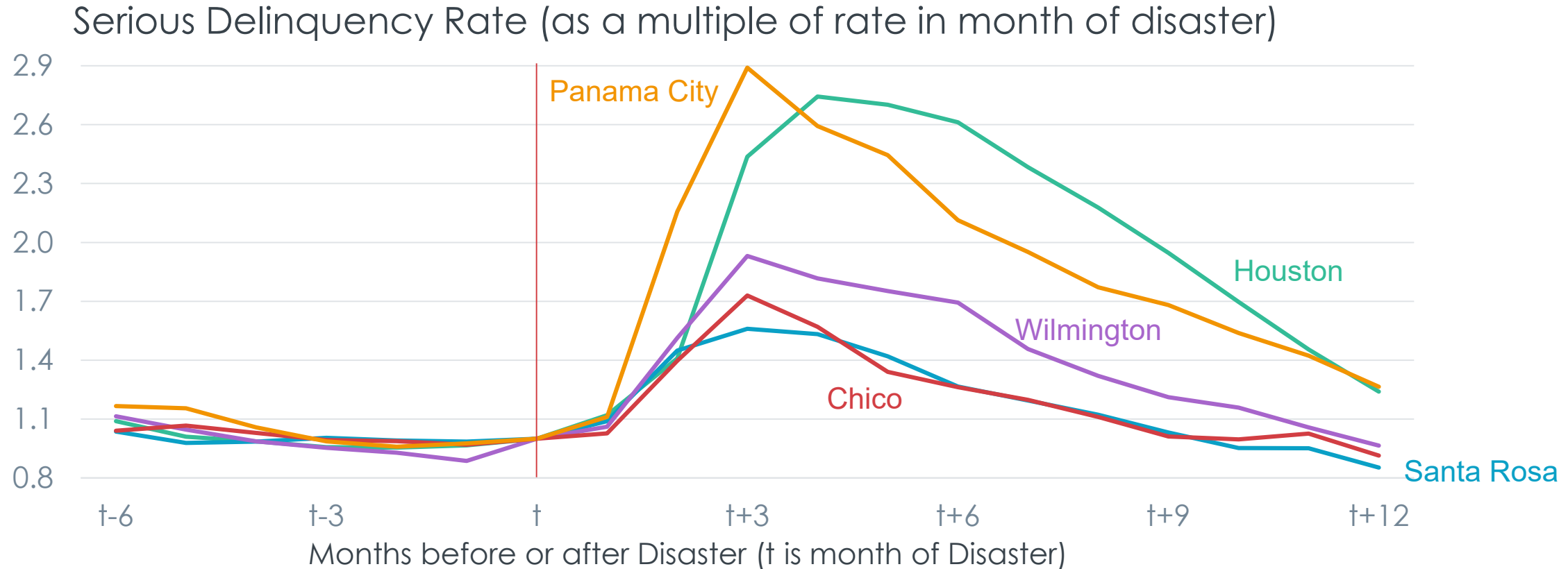
Cost of Building Materials Up More than Inflation

Percent Increase, December 2016 to December 2019



Source: Bureau of Economic Analysis (PCE all items), CoreLogic construction cost indexes

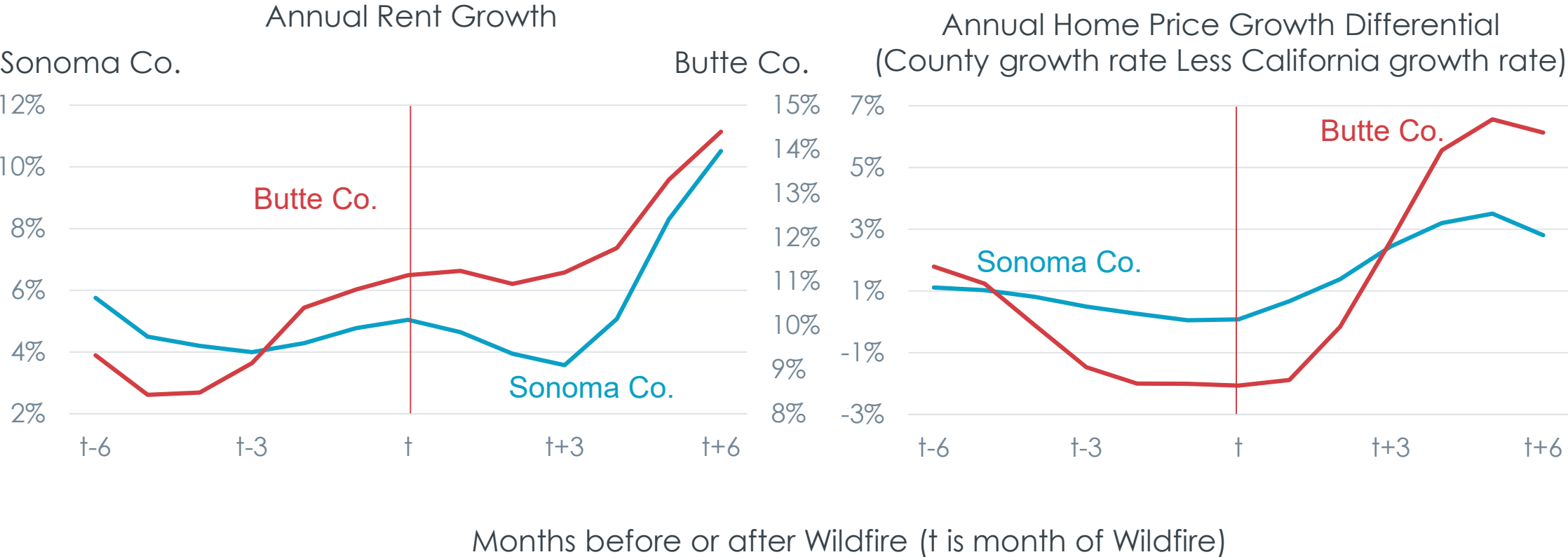
Delinquency Rates Jump After a Disaster



<u>Hurricanes</u>		<u>Wildfires</u>	
— Houston (Harvey): Aug 2017	— Wilmington (Florence): Sep 2018	— Santa Rosa (Tubbs): Oct 2017	— Chico (Camp): Nov 2018
— Panama City (Michael): Oct 2018			

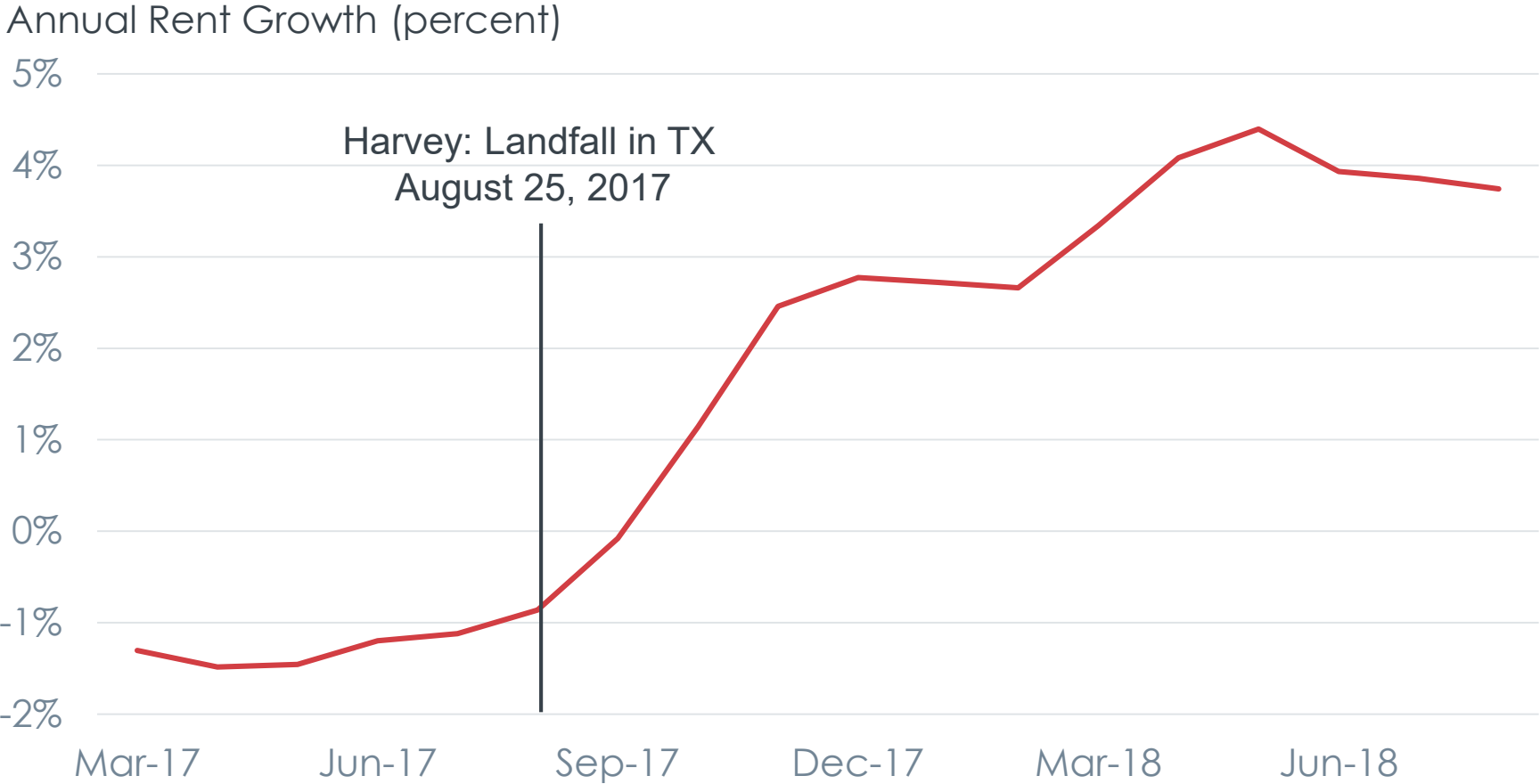
Source: CoreLogic TrueStandings; serious delinquency rate is the percent of loans 90-or-more days delinquent or in foreclosure

Rent & Price Growth Quicken After a Disaster



Source: CoreLogic Rental Trends (2-bedroom median rent, 3-month moving average) and Home Price Index (3-month moving average)

Houston: Rent Growth Quickened After Hurricane Harvey



Source: CoreLogic Single-Family Rent Index for Houston-The Woodlands-Sugar Land, TX metro

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Where to find more information

Look for regular updates to our housing forecast, commentary and data at

<http://www.corelogic.com/blog>

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