# 2018 FORECAST

Key economic and housing metrics from realtor.com

<table>
<thead>
<tr>
<th>Variable</th>
<th>2018 Forecast</th>
<th>Year to Date Actual</th>
<th>Tracking So Far?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Home Sales</td>
<td>3.2%</td>
<td>-2.9%</td>
<td>Lower</td>
</tr>
<tr>
<td>Existing Home Prices</td>
<td>2.5%</td>
<td>4.7%</td>
<td>Higher</td>
</tr>
<tr>
<td>New Home Sales</td>
<td>7%</td>
<td>2.7%</td>
<td>Lower</td>
</tr>
<tr>
<td>Housing Starts</td>
<td>3%</td>
<td>5%</td>
<td>Higher</td>
</tr>
<tr>
<td>SF Housing Starts</td>
<td>7%</td>
<td>3%</td>
<td>Lower</td>
</tr>
<tr>
<td>Mortgage Rates</td>
<td>4.6%</td>
<td>4.6%</td>
<td>As Expected</td>
</tr>
</tbody>
</table>
2018 INVENTORY PROJECTION

• …Based on this pattern, realtor.com® projects U.S. year-over-year inventory growth to tick up into positive territory by fall 2018, for the first time since 2015…

• https://www.realtor.com/research/2018-national-housing-forecast/
## 2018 INVENTORY TRENDS

<table>
<thead>
<tr>
<th>Month</th>
<th>Inventory Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>-4.3%</td>
</tr>
<tr>
<td>July</td>
<td>-3.7%</td>
</tr>
<tr>
<td>August</td>
<td>-1.9%</td>
</tr>
<tr>
<td>September</td>
<td>-0.0%</td>
</tr>
<tr>
<td>October</td>
<td>+1.6%</td>
</tr>
<tr>
<td>November</td>
<td>+3.9%</td>
</tr>
<tr>
<td>December</td>
<td>+5.3%</td>
</tr>
</tbody>
</table>
2019 FORECAST

Key economic and housing metrics from NAR and realtor.com

National Association of REALTORS® Macro Forecast:
  - Real GDP grows 1.9% in 2019 (vs. 3.1% in 2018, 2.2% in 2017)
  - Nonfarm payroll employment grows 1.0% in 2019 (vs. 1.6% in 2018, 1.6% in 2017)
  - Unemployment rises to 4.1% in 2019 (vs to 3.9% in 2018, 4.4% in 2017)

realtor.com® 2019 Housing Forecast:
  - Existing home prices appreciate 2.2%
  - Existing home sales down 2.0%
  - Single family housing starts increase 8%
  - 30-year fixed conforming rate averages 5.3%
  - Homeownership rate increases to 64.6%
FOUR KEY HOUSING TRENDS IN 2019

1. Modest inventory gains continue; high-end inventory growth spreads
2. Soft home sales continue
3. Millennials purchase the most homes
4. Tax plan still a wild card for housing
JOB CREATION STILL STRONG

234,000 monthly average in past 12 months, Jan saw 304,000

Source: Bureau of Labor Statistics
CONSUMER CONFIDENCE

Plans to purchase a home spike in January

Source: The Conference Board, Moody's Analytics
MODEST INVENTORY GAINS CONTINUE
INVENTORY UP

Inventory Increased 6.4% Y/Y in January

Source: Realtor.com®
HIGH-COST MARKETS LEAD INVENTORY GAINS

**INVENTORY GAINS CONTINUE**

National inventory increases will remain low in 2019 at less than 7 percent.

The majority of the inventory gains have been in upscale homes in high-growth markets.

**LARGEST INCREASES EXPECTED IN**

- San Jose - Sunnyvale - Santa Clara, CA
- Seattle - Tacoma - Bellevue, WA
- Worcester, MA-CT
- Boston - Cambridge - Newton, MA-CT
- Nashville - Davidson - Murfreesboro - Franklin, TN
PRICES CONTINUE TO RISE
Median List Price at $289,000, Up 7.3% Y/Y in January

Views Per Property and Median List Price

Source: Realtor.com®
PRICES CONTINUE TO RISE

List Price at $289,000, Sales Price $257,000 (January 2019/November 2018)

National Home Sale and List Price Trends

Source: Realtor.com® and National Association of REALTORS®
LISTING PRICES UP 7.3% Y/Y IN JAN

Median list price increases are widespread

Source: Realtor.com®

January 2019
INVENTORY DIVERGENCE

3.7 months supply for existing and 6.0 months for new

Source: National Association of REALTORS®, Commerce Department
CRISIS SHIFTED NEW HOME MARKET

Average spread 2000-2008: 12%; 2009-2018: 33%

Source: National Association of REALTORS®, Commerce Department
SOFT HOME SALES CONTINUE
NEW & EXISTING SALES DOWN

Sales down 6.8% for existing and 7.7% for new Y/Y in November

New and Existing Home Sales

Source: National Association of REALTORS®, Commerce Department
HOUSING STARTS DOWN

Down 3.6% Y/Y with SF down 13.1% and MF up 21.7% in November

Source: Commerce Department
AFFORDABLE HOME SHORTAGE

290,000 fewer ‘starter’ homes (<$200k) now vs December 2015

National Inventory by Price Tier

Source: realtor.com®
OWNERSHIP RECOVERING

64.4% home ownership rate off low; 1.4 M households last 4 quarters

Households and Homeownership

Source: Census Bureau
MILLENNIALS PURCHASE THE MOST HOMES
MILLENNIALS: 45% OF MORTGAGE BUYERS

MILLENNIALS PURCHASE THE MOST HOMES

- Millennials will account for 45% of mortgages compared to
- 17% of boomers
- 37% of Gen Xers

2020 is expected to be the peak millennial home buying year

- First-time millennial buyers will struggle
- Older millennial move-up buyers will have more options in the mid-to upper-tier

The largest cohort of millennials turn 30 years old
When viewed by age, importance of Millennials becomes clearer

MILLENNIAL OWNERSHIP VARIES

Strong correlation with affordable markets

Home Ownership Age 25-34
25% 85%

Source: Realtor.com® Analysis of Nielsen Demographics PopFacts 2019
HISTORIC AFFORDABILITY DECLINING

30-year conforming rate averaged 4.6% in past 12 months

Source: Moody’s Analytics, Freddie Mac, and National Association of REALTORS®
AFFORDABILITY IS RELATIVE

Higher income households have more access to available inventory

Source: realtor.com and National Association of REALTORS®
AFFORDABILITY HEATMAP

U.S. Score is 0.83 – in general homes are less affordable

Source: realtor.com® and National Association of REALTORS®
# TOP AFFORDABLE STATES

30th Percentile vs. 60th Percentile Income

<table>
<thead>
<tr>
<th>State</th>
<th>30th %ile Affordability</th>
<th>State</th>
<th>60th %ile Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kansas</td>
<td>40%</td>
<td>Indiana</td>
<td>71%</td>
</tr>
<tr>
<td>Ohio</td>
<td>38%</td>
<td>Ohio</td>
<td>71%</td>
</tr>
<tr>
<td>Indiana</td>
<td>38%</td>
<td>Iowa</td>
<td>70%</td>
</tr>
<tr>
<td>Iowa</td>
<td>34%</td>
<td>Alaska</td>
<td>69%</td>
</tr>
<tr>
<td>Michigan</td>
<td>34%</td>
<td>Kansas</td>
<td>67%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>32%</td>
<td>Missouri</td>
<td>67%</td>
</tr>
<tr>
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<td>32%</td>
<td>Kansas</td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: realtor.com® and National Association of REALTORS®
## LEAST AFFORDABLE STATES
### 30th Percentile vs. 60th Percentile Income

<table>
<thead>
<tr>
<th>State</th>
<th>30th %tile Affordability</th>
<th>60th %ile Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island</td>
<td>2%</td>
<td>Hawaii</td>
</tr>
<tr>
<td>D.C.</td>
<td>3%</td>
<td>Oregon</td>
</tr>
<tr>
<td>California</td>
<td>4%</td>
<td>D.C.</td>
</tr>
<tr>
<td>Arizona</td>
<td>5%</td>
<td>California</td>
</tr>
<tr>
<td>Oregon</td>
<td>5%</td>
<td>Colorado</td>
</tr>
<tr>
<td>Nevada</td>
<td>6%</td>
<td>Montana</td>
</tr>
<tr>
<td>Washington</td>
<td>7%</td>
<td>Washington</td>
</tr>
</tbody>
</table>

Source: realtor.com® and National Association of REALTORS®
CHEAPER TO BUY IN 39% OF COUNTIES

Simple monthly cost analysis favors renting now in more places

January 2019

Source: Realtor.com® Analysis of HUD Median Rents, Nielsen Pop-Facts Demographics and Realtor.com® Data
RENTS RISING Y/Y IN 66% OF COUNTIES

Rent increases adding to demand for buying

Source: Realtor.com® Analysis of HUD Median Market Rents
Economic Research
realtor.com®

@RDC_Economics

https://www.youtube.com/RealtorDotCom

Access market data, research, and presentations at realestate.com/research
THANK YOU