U.S. Housing Market – The Good, the Bad, the Ugly

Stephen S. Wagner, MAI, SRA, AI-GRS
2019 Appraisal Institute President

RESNET Conference
Feb. 25, 2019
Highlights

• Economic conditions
• Housing market conditions
• Role of appraisers
Economic Conditions
Economic Outlook

- Economic growth to moderate
- Recession risk
- Unemployment and default
- Steady activity in Fed districts
- Energy sector status
Housing Market Conditions
Housing Market Outlook

• GDP growth
• Housing to stabilize
• Purchases and refinances
• Slowing home price growth
Rental Vacancies

Rental Vacancy Rates by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Third Quarter 2017</th>
<th>Third Quarter 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>7.5</td>
<td>7.1</td>
</tr>
<tr>
<td>Northeast</td>
<td>5.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Midwest</td>
<td>8.1</td>
<td>7.6</td>
</tr>
<tr>
<td>South</td>
<td>9.4</td>
<td>8.7</td>
</tr>
<tr>
<td>West</td>
<td>5.8</td>
<td>5.1</td>
</tr>
</tbody>
</table>

* Denotes a statistically significant change from the rate last year

Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, October 30, 2018
• Trulia 2019 Housing Outlook
  o Tight inventory
  o Construction industry headwinds
  o Worsening affordability
2019 Housing Market Outlook

- Trulia 2019 Housing Outlook
  - More impact from natural disasters
  - Millennial buyers on the rise
- Residential foreclosure activity down

U.S. Historical Foreclosure Activity and Rates

- U.S. Properties with Foreclosure Filings
- Foreclosure Rate (Pct of Housing Units)
## Housing Market Issues

- Mortgage rates drop
- Lack of affordable housing
- Fewer home sales
- Modest inventory gains

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Interest Rate</th>
<th>Fees/Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Yr FRM</td>
<td>4.37%</td>
<td>0.4 Fees/Points</td>
</tr>
<tr>
<td>15-Yr FRM</td>
<td>3.81%</td>
<td>0.4 Fees/Points</td>
</tr>
<tr>
<td>5/1-Yr ARM</td>
<td>3.88%</td>
<td>0.3 Fees/Points</td>
</tr>
</tbody>
</table>

Freddie Mac

We make home possible®
Housing Market’s Financial Impact

• New home sales
• Aggressive price cuts
• Seller profits jump

<table>
<thead>
<tr>
<th>Market Summary</th>
<th>December 2018</th>
<th>Month-Over-Month</th>
<th>Year-Over-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median sale price</td>
<td>$289,800</td>
<td>-1.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Homes sold</td>
<td>205,300</td>
<td>-6.9%</td>
<td>-10.9%</td>
</tr>
<tr>
<td>New listings</td>
<td>150,300</td>
<td>-32.3%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>All Homes for sale</td>
<td>669,600</td>
<td>-11.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Median days on market</td>
<td>50</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Months of supply</td>
<td>3.3</td>
<td>-0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Sold above list</td>
<td>17.80%</td>
<td>-1.4%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Median Off-Market Redfin Estimate</td>
<td>$282,700</td>
<td>-3.9%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Average Sale-to-list</td>
<td>97.7%</td>
<td>-0.2%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Redfin
Role of Appraisers
• Role of appraisers remains the same
• Don’t set market
• Work for lenders
• Collateral risk
• Lender and consumer exposure
• Independent experts
• Unbiased source of information
• Who to hire for difficult assignments
Appraiser Challenges

- Regulatory structure
- Impact on consumers
- Congressional testimony
U.S. Housing Market – The Good, the Bad, the Ugly

2019 Stephen S. Wagner, MAI, SRA, AI-GRS
Appraisal Institute President

RESNET Conference
Feb. 25, 2019