



# **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%

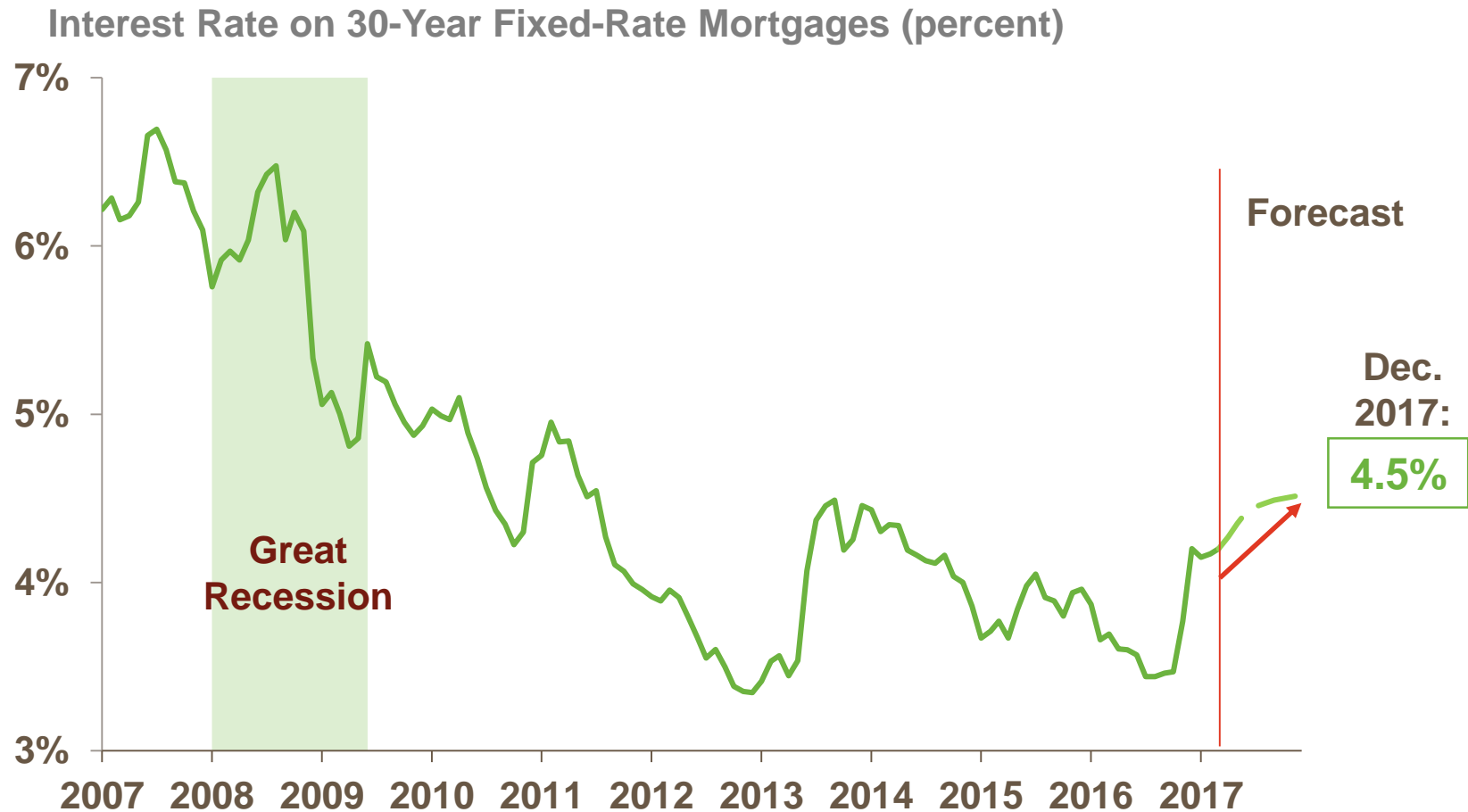
Federal funds target projected for December 31, 2017  
(based on FOMC member projections):

<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

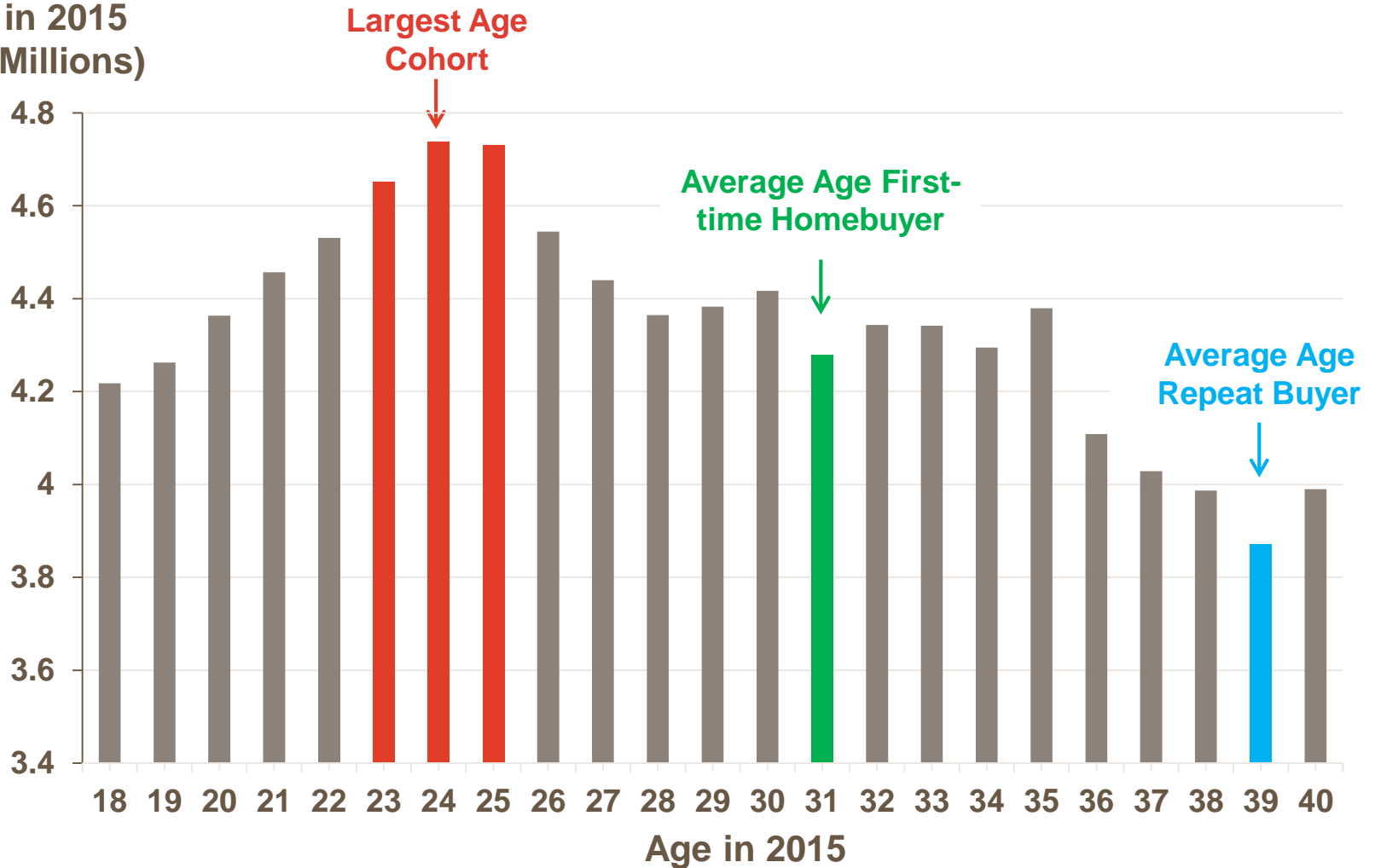
Rates are still historically low



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

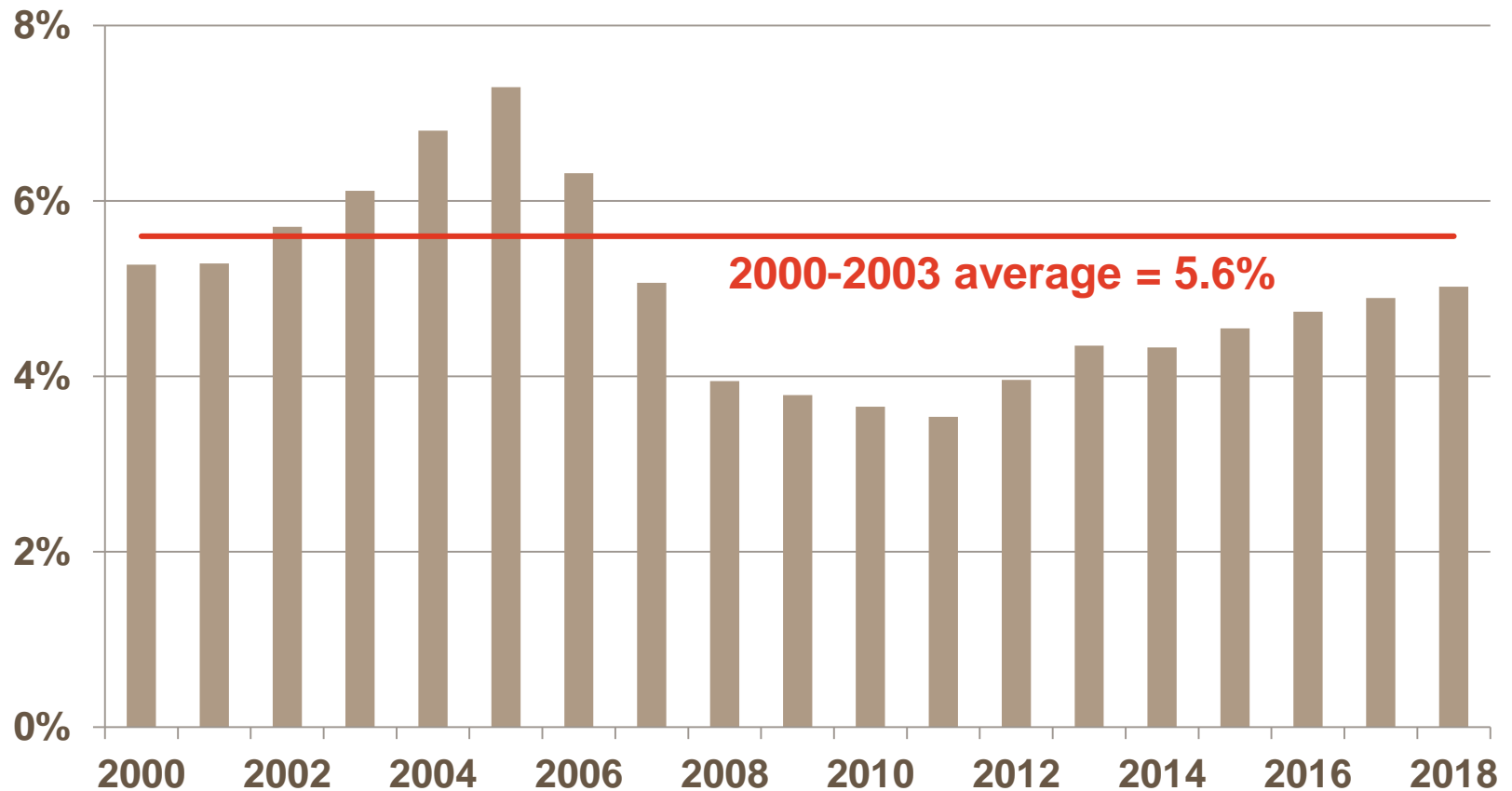
Population  
in 2015  
(Millions)



# Sales Rise but Home “Turnover” Remains Low

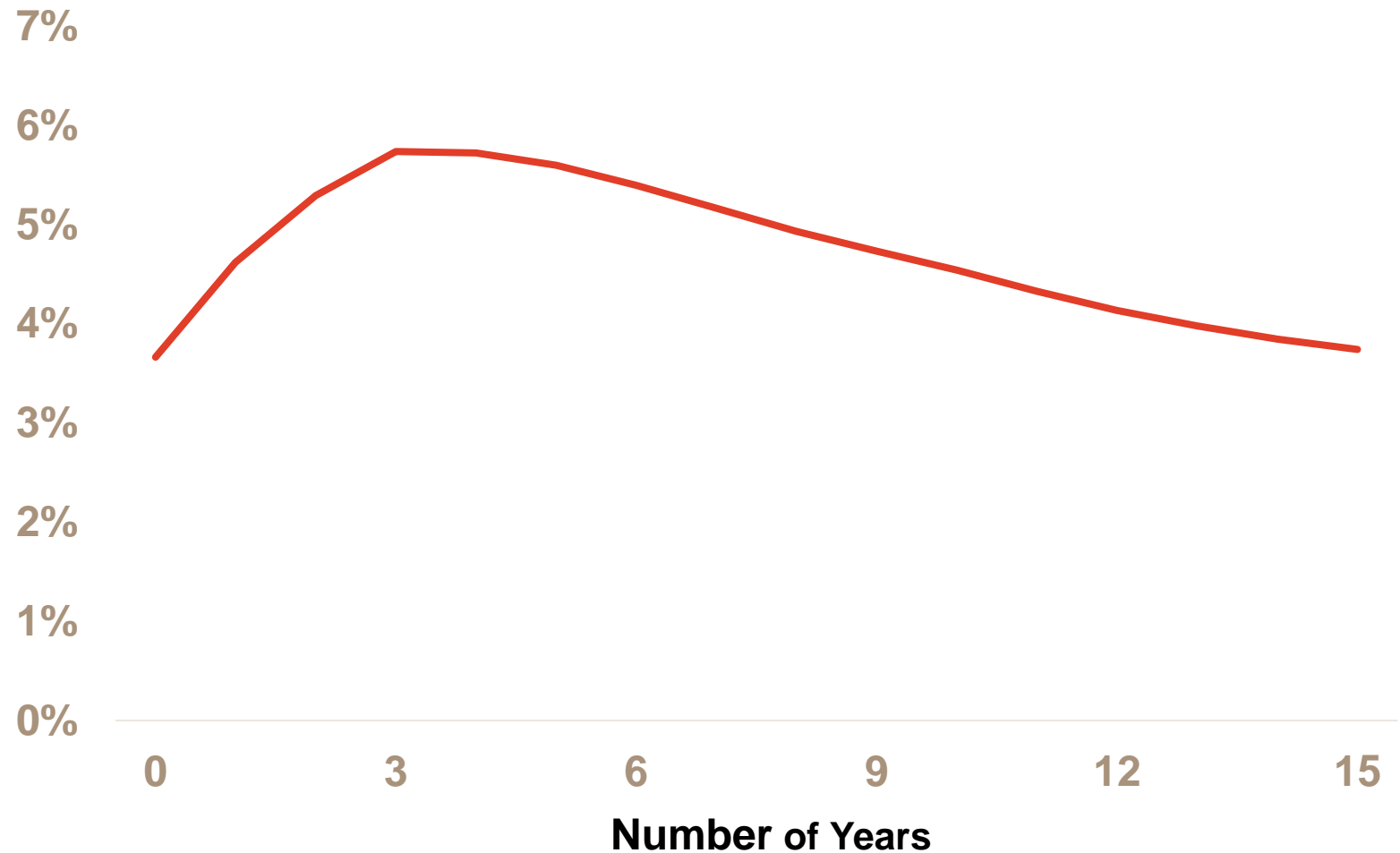
## Does ‘New Normal’ Have Lower Turnover?

Home Sales as a Percent of Housing Stock



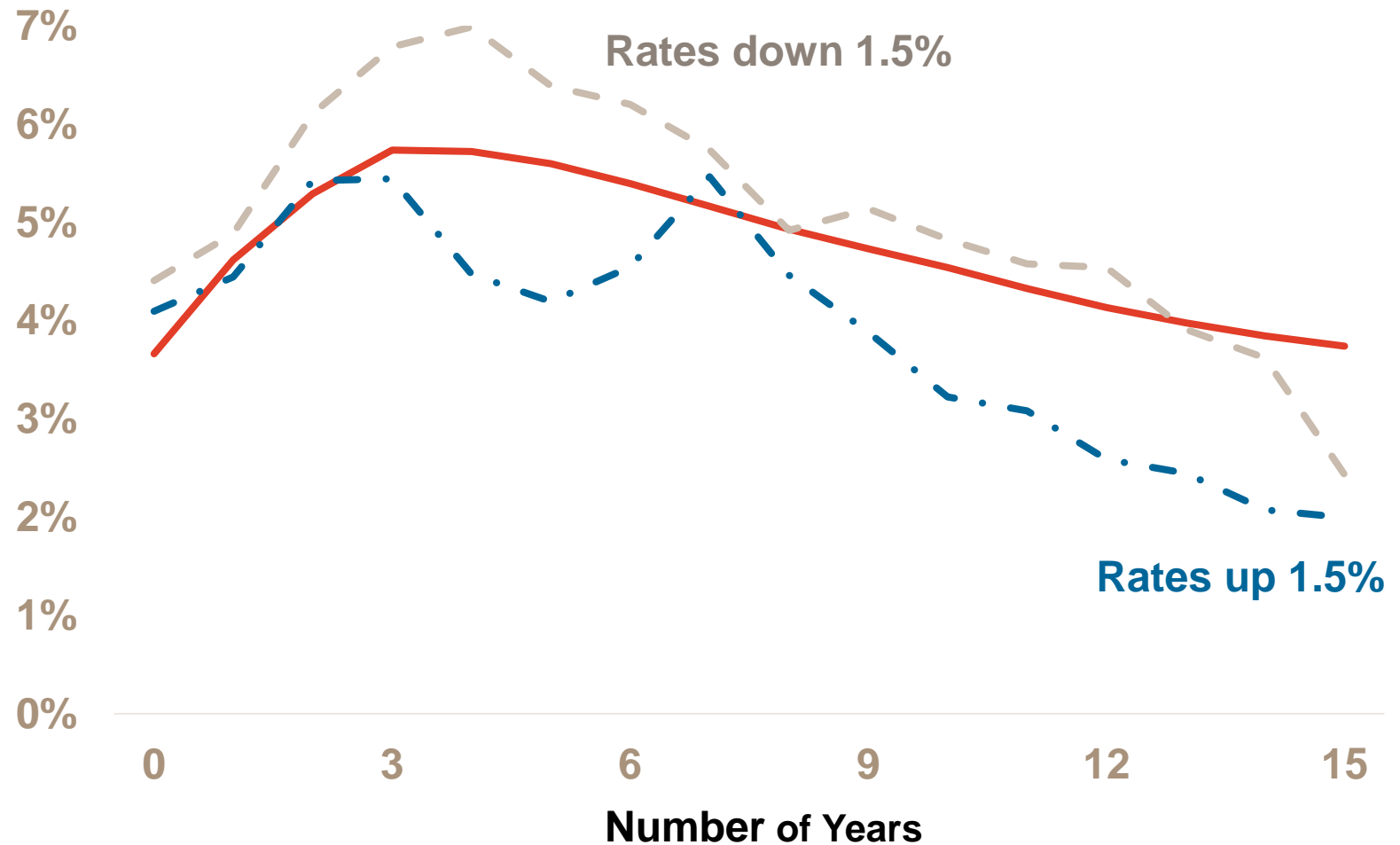
# Mobility Rate by Year After Purchase

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



# Mobility Rate by Year After Purchase

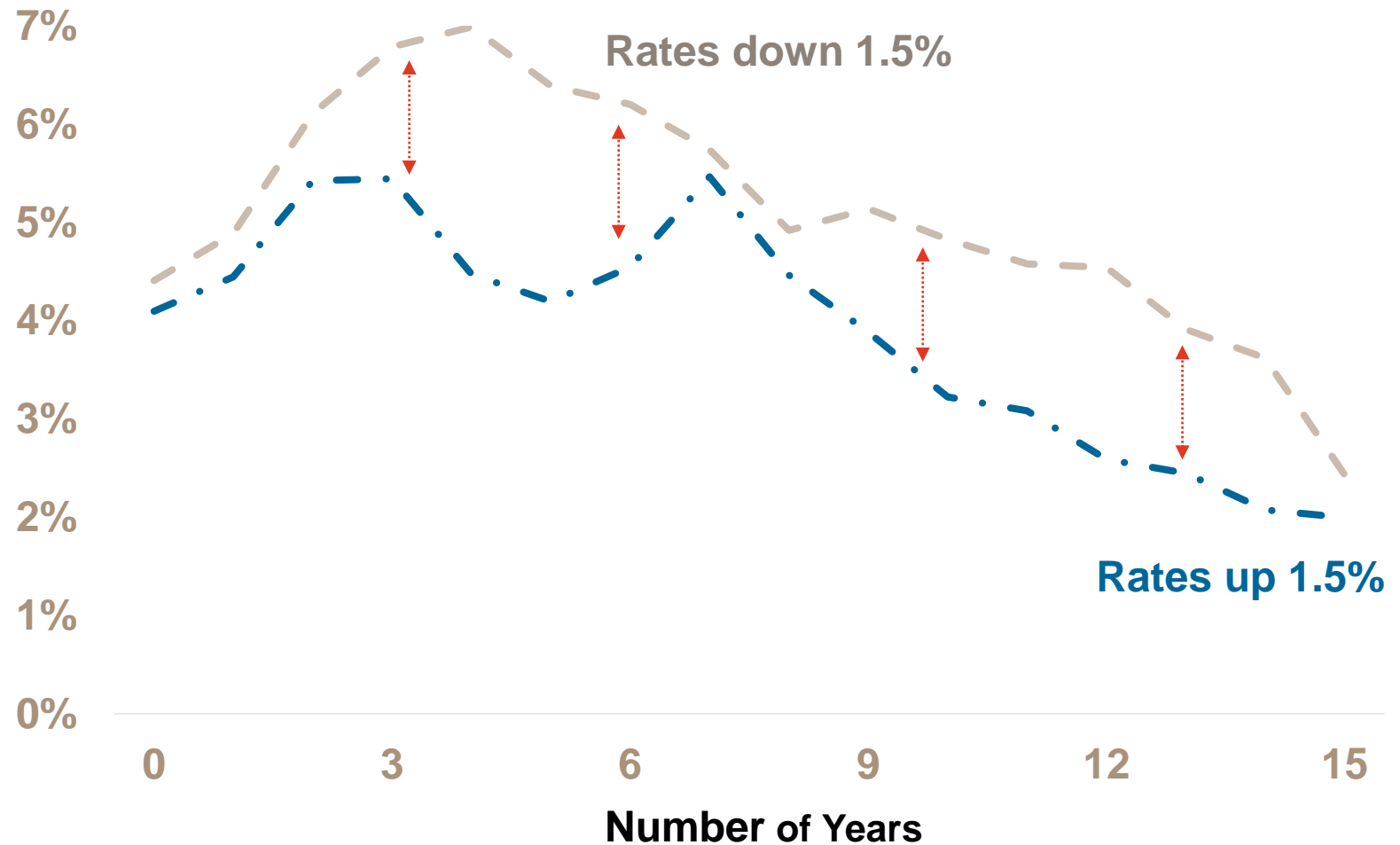
Percent of home buyers that sell by length of ownership, 1976-2016





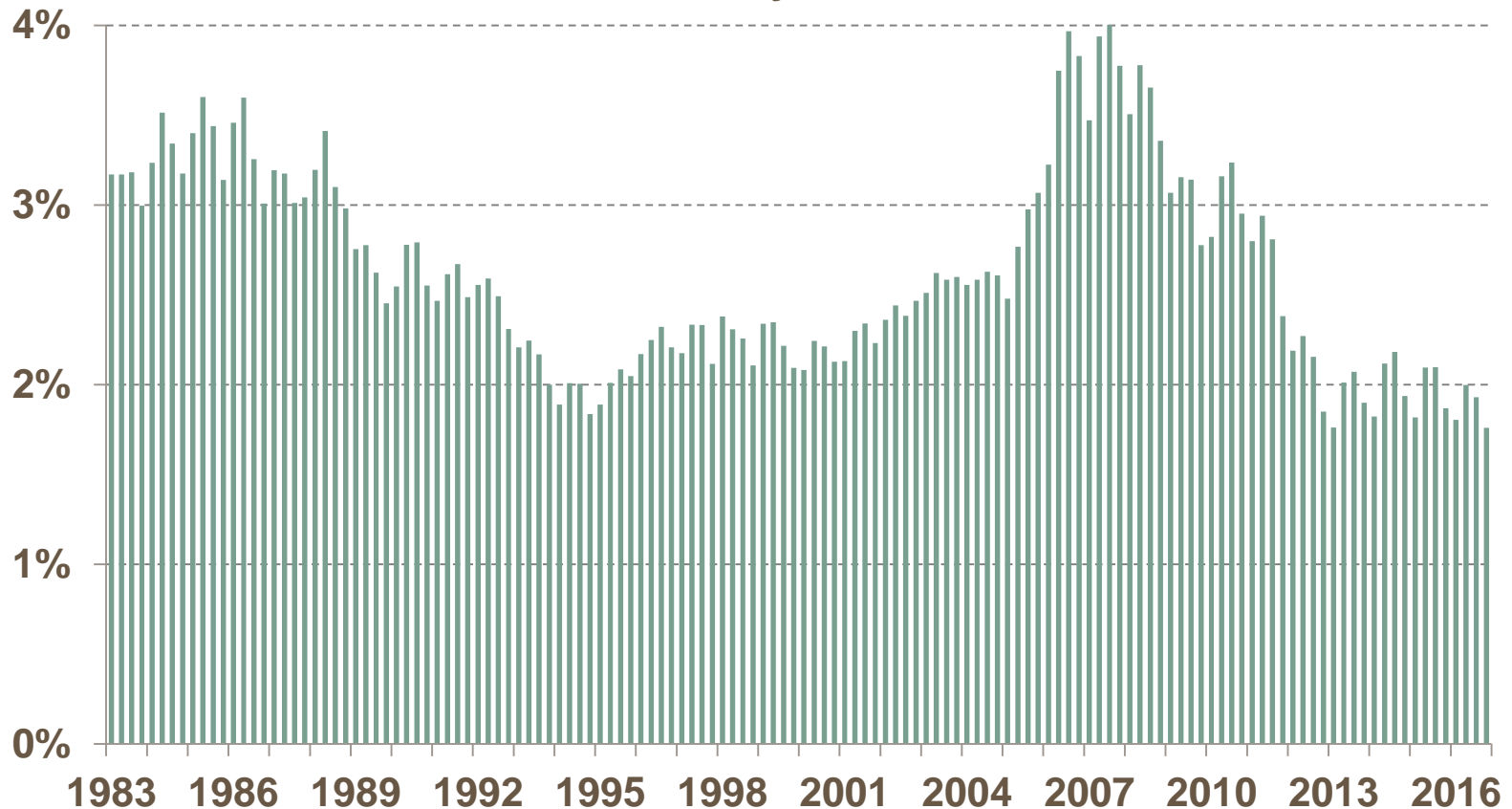
# Mobility Rate by Year After Purchase

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



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

## Homes-For-Sale Inventory as a Percent of Households

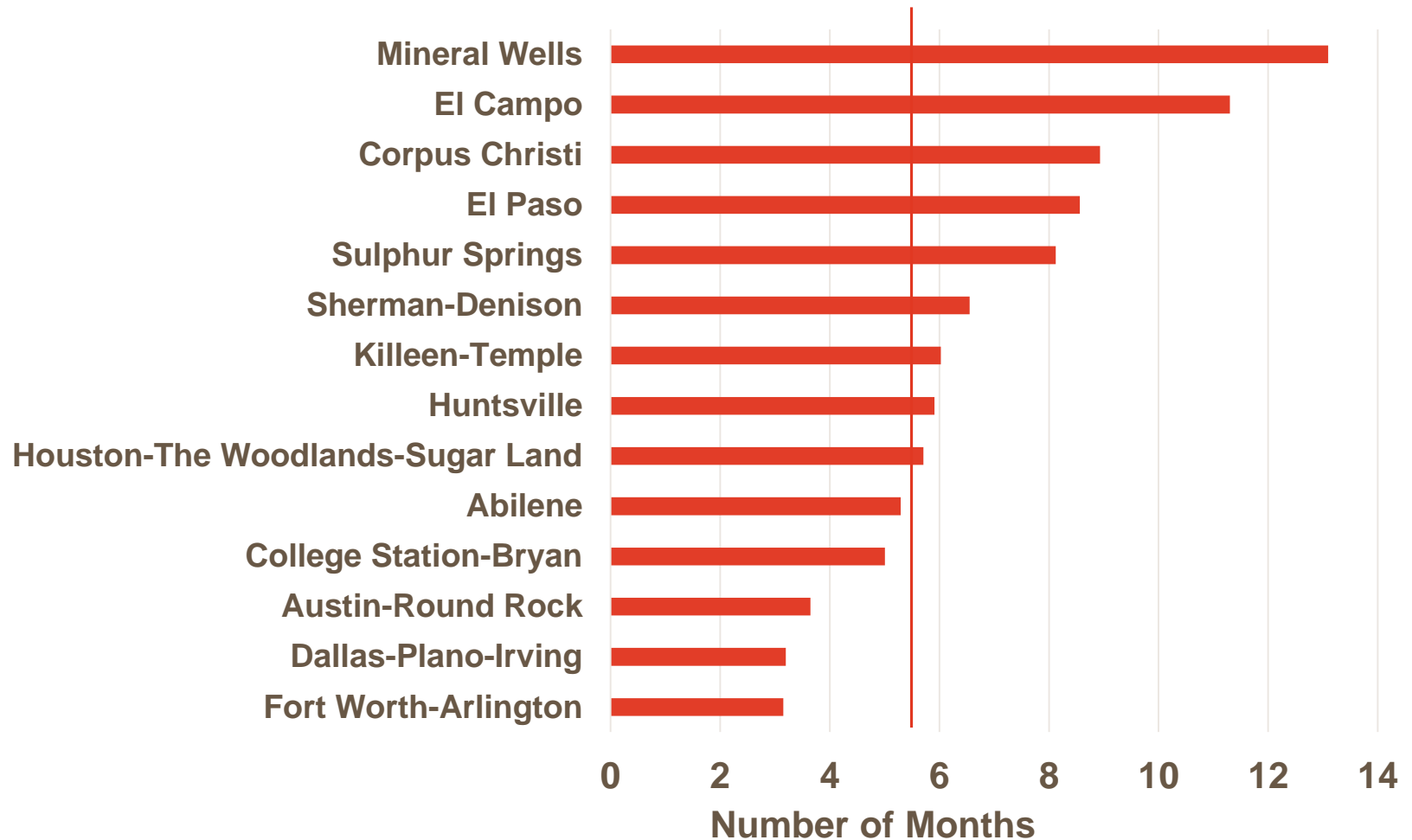


Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).

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

# Months' Supply Low in Dallas-Fort Worth Market

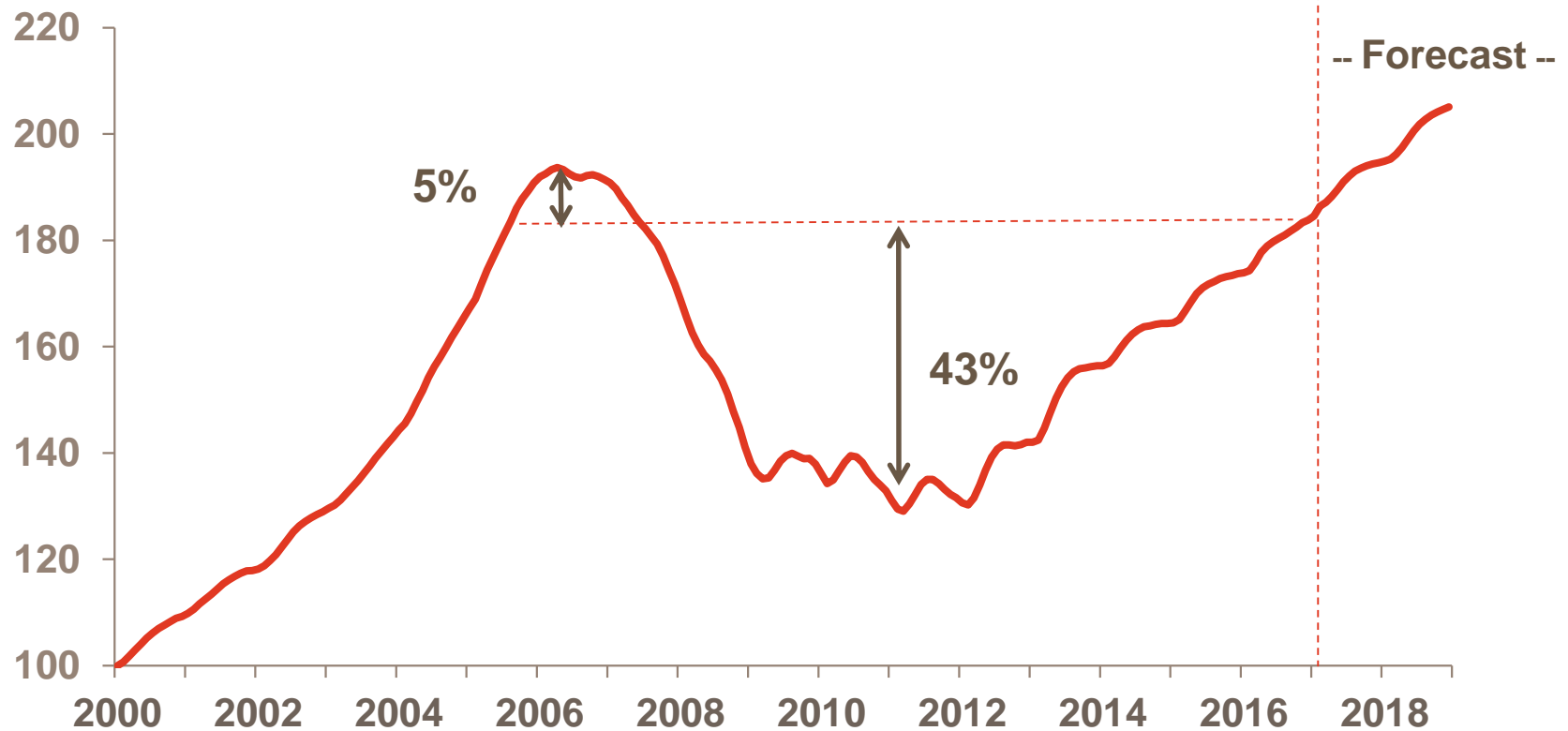
**U.S. 5.6 Months**



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

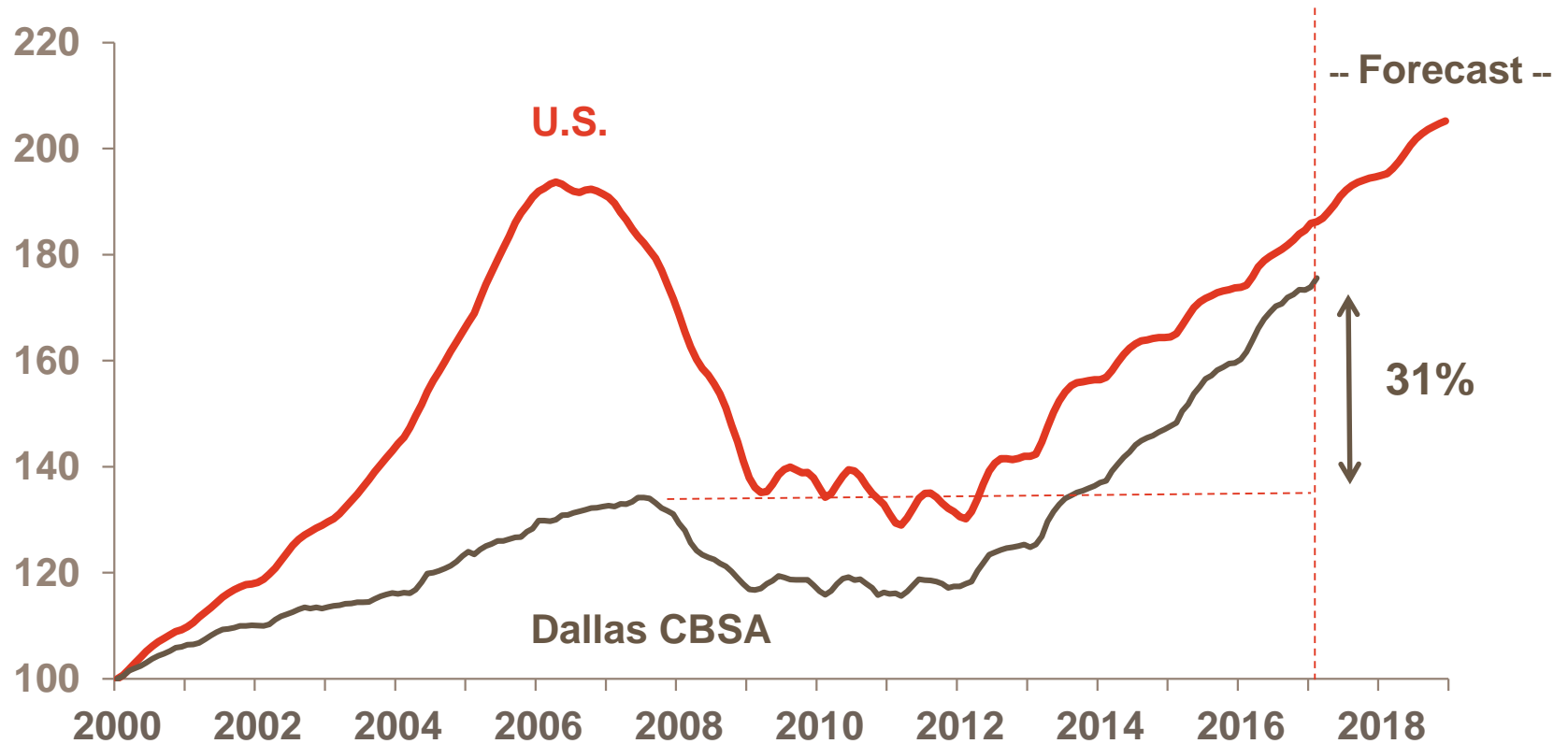
## Projected to Return to 2006 Peak by Yearend 2017

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

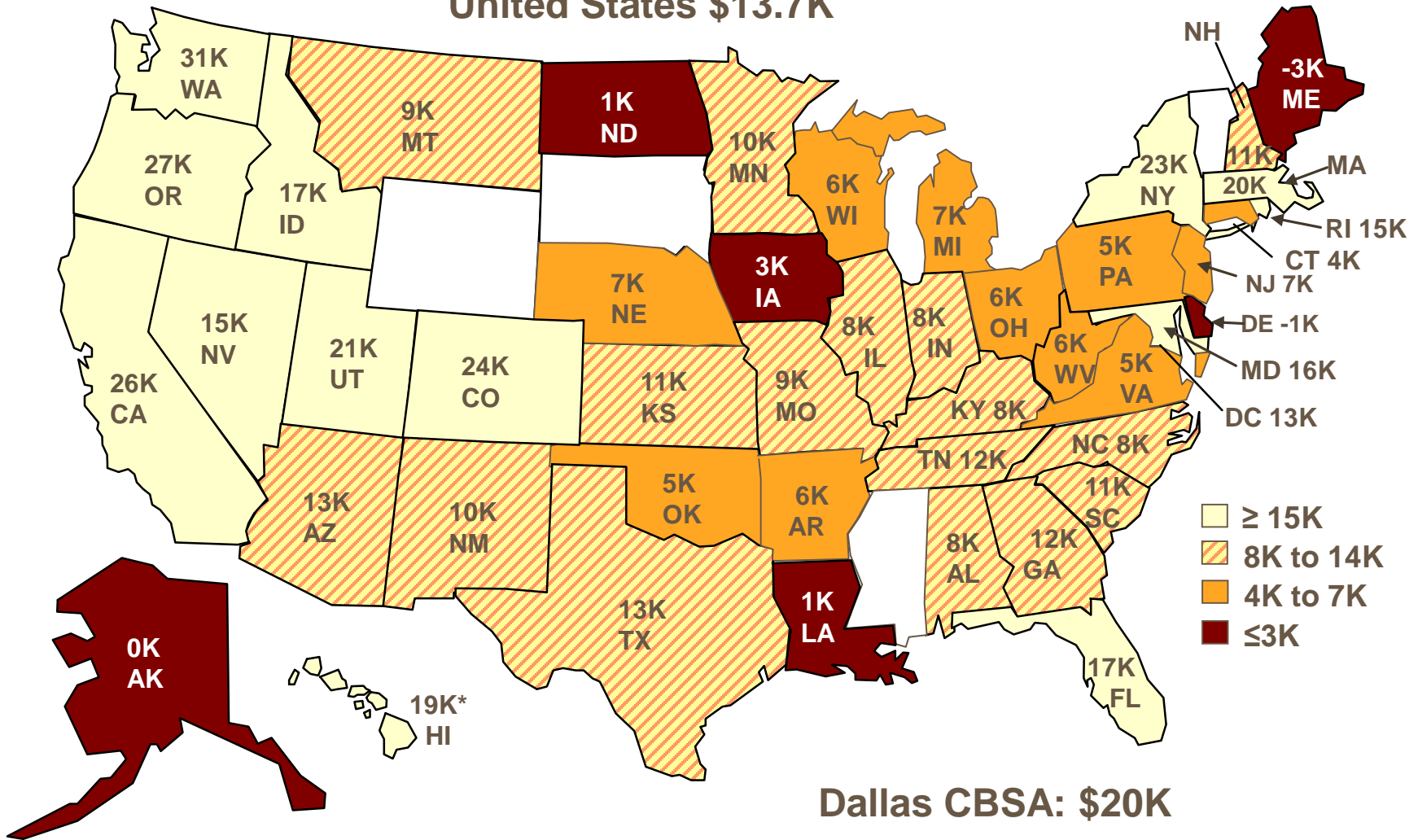


Source: CoreLogic HPI, Single-family Detached (April 4, 2017 release);  
 March 2011 is "Post-Great Recession" price trough.

# Average Equity Gained per Homeowner Q4 2015 to Q4 2016



United States \$13.7K

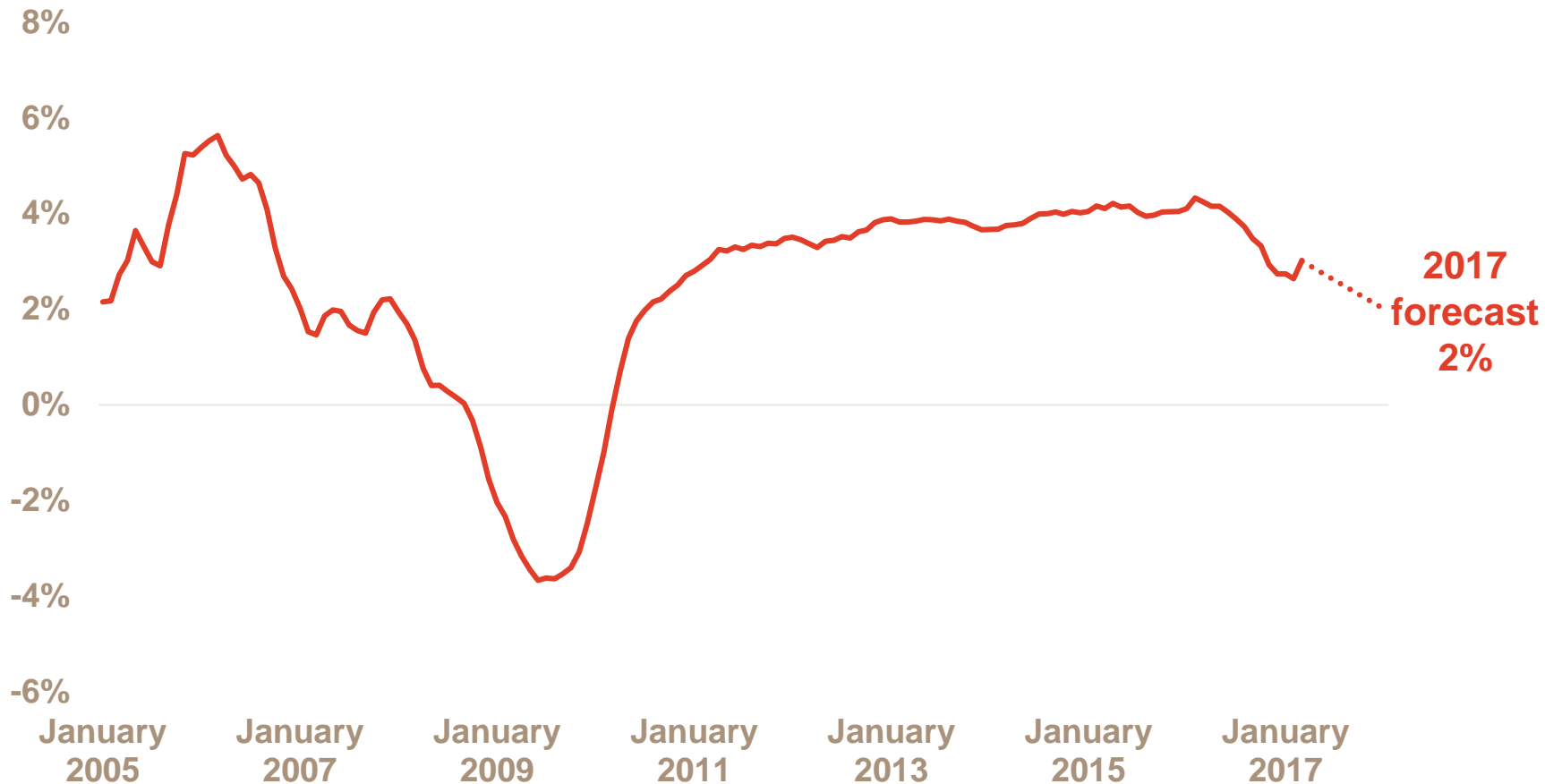


Dallas CBSA: \$20K

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

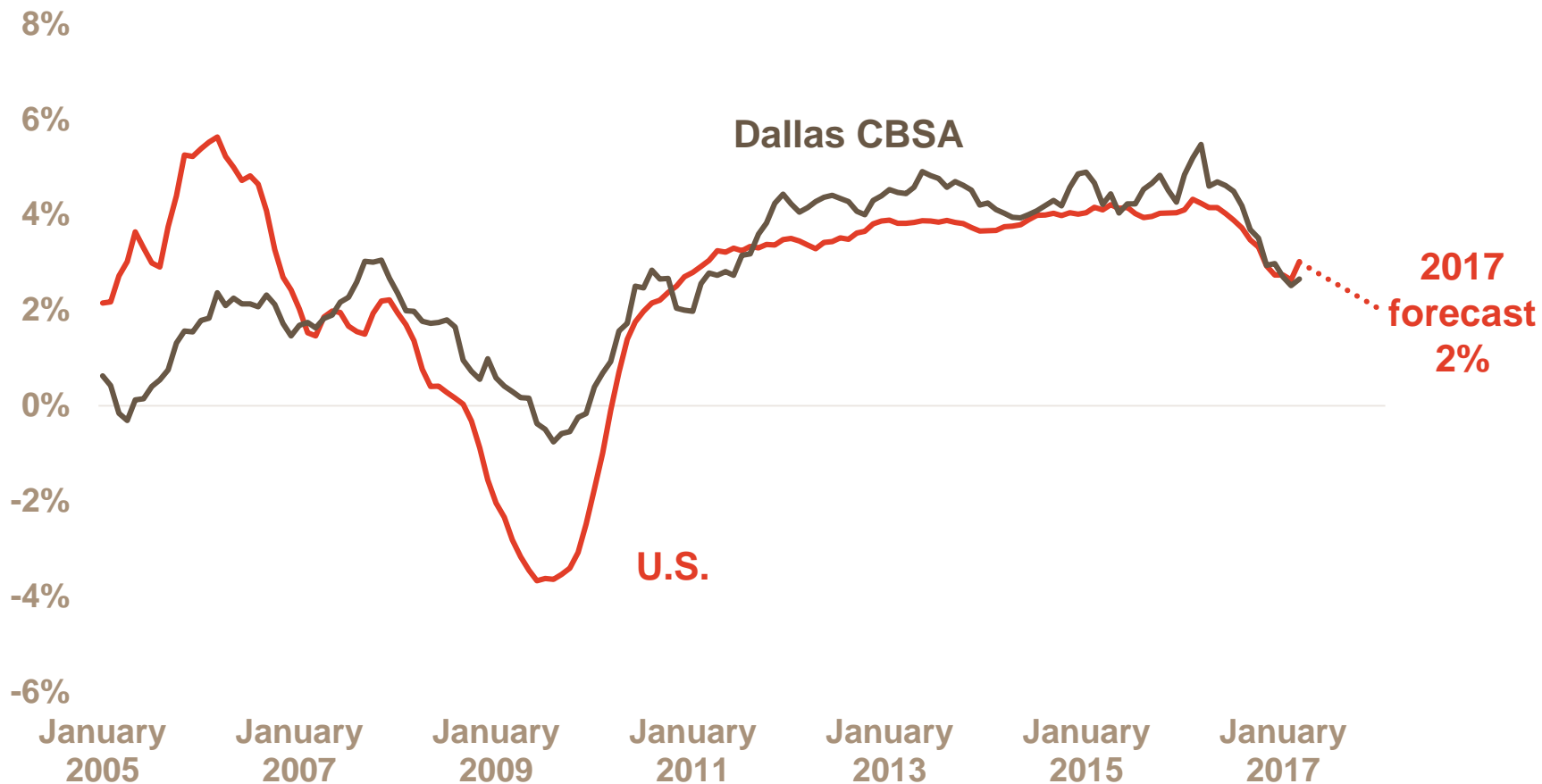
## Single-Family Rent Index Year-over-Year Percent Change





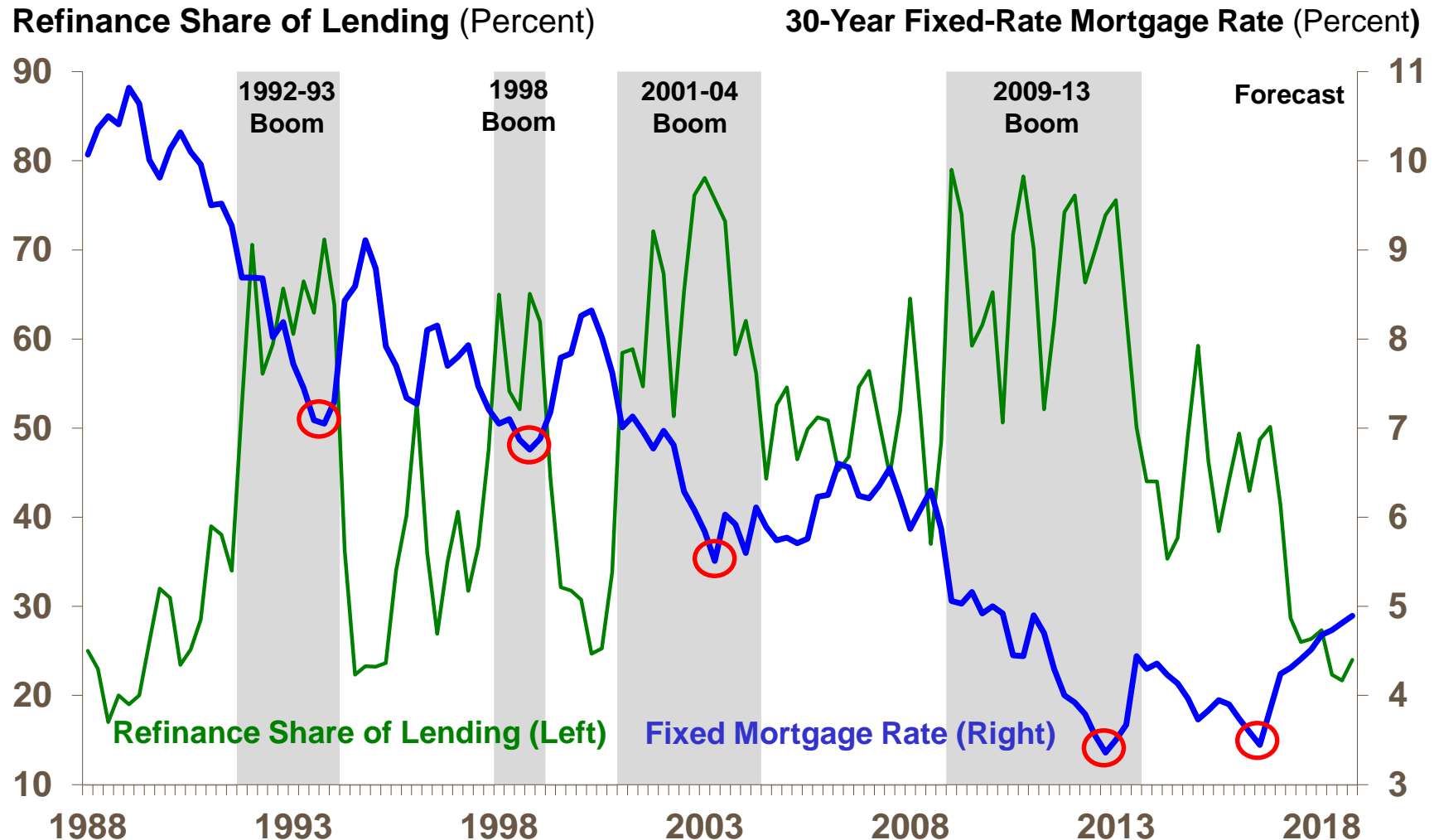
# Since 2010, Rent Rising Faster Than Income, Inflation

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



# Refi Booms End Quickly As Rates Come Off Lows

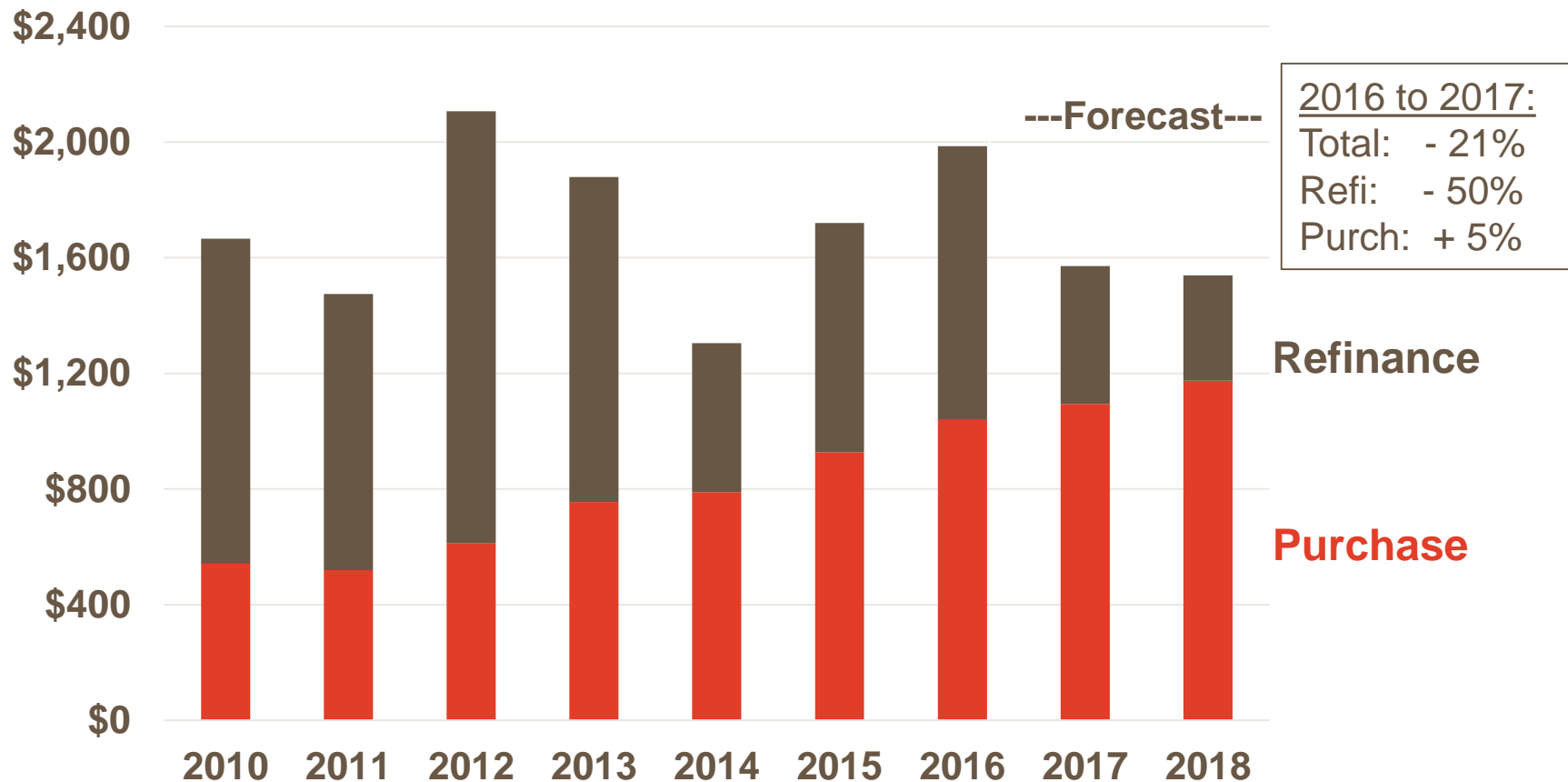
Cash-out refi and FHA-to-conventional refi continue



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)

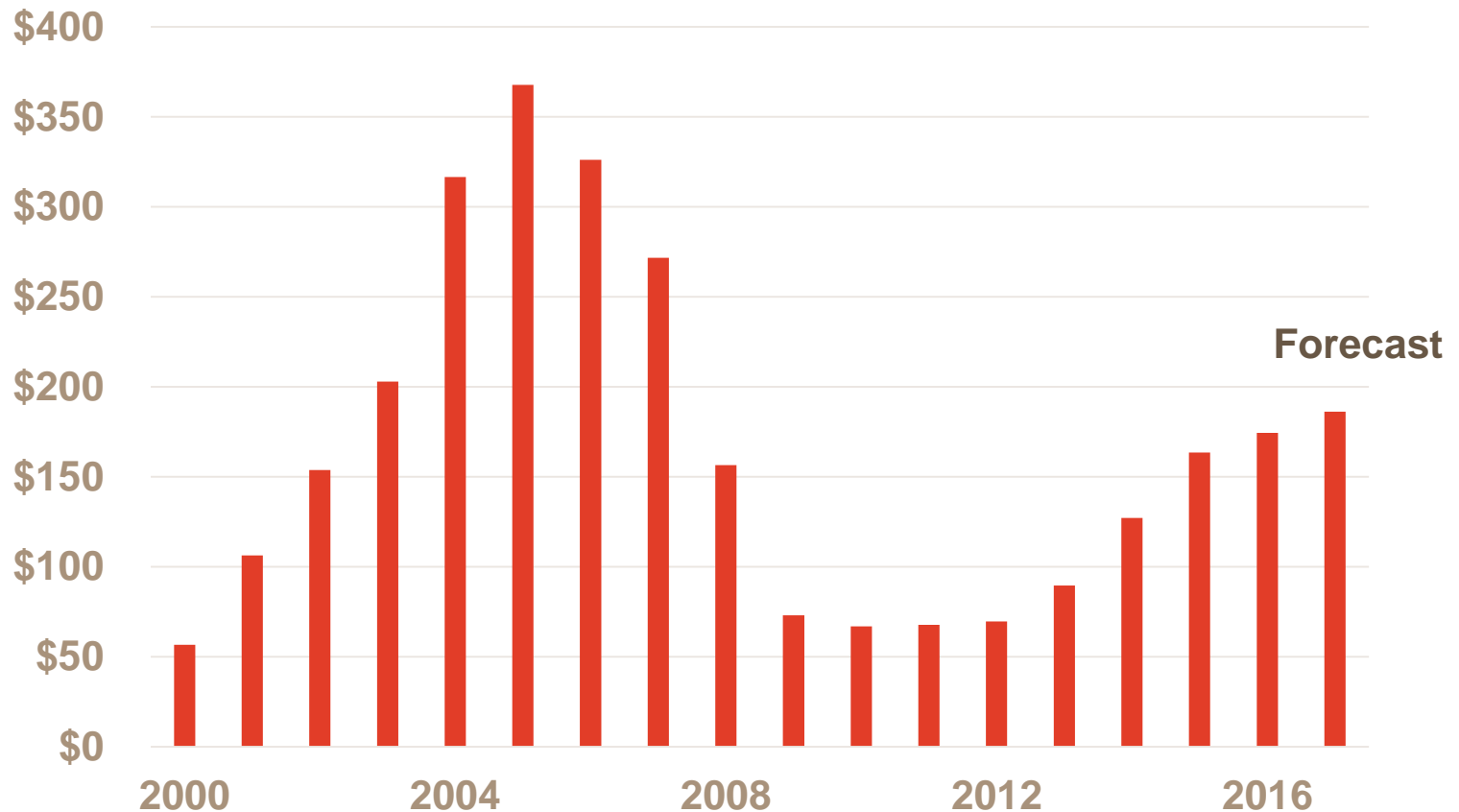


Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae and Freddie Mac. Forecasts as of March 2017. 2009-2015 are benchmarked to HMDA. Originations exclude HELOCs.

# HELOC Volume Projected to Rise

7% growth projected for 2017

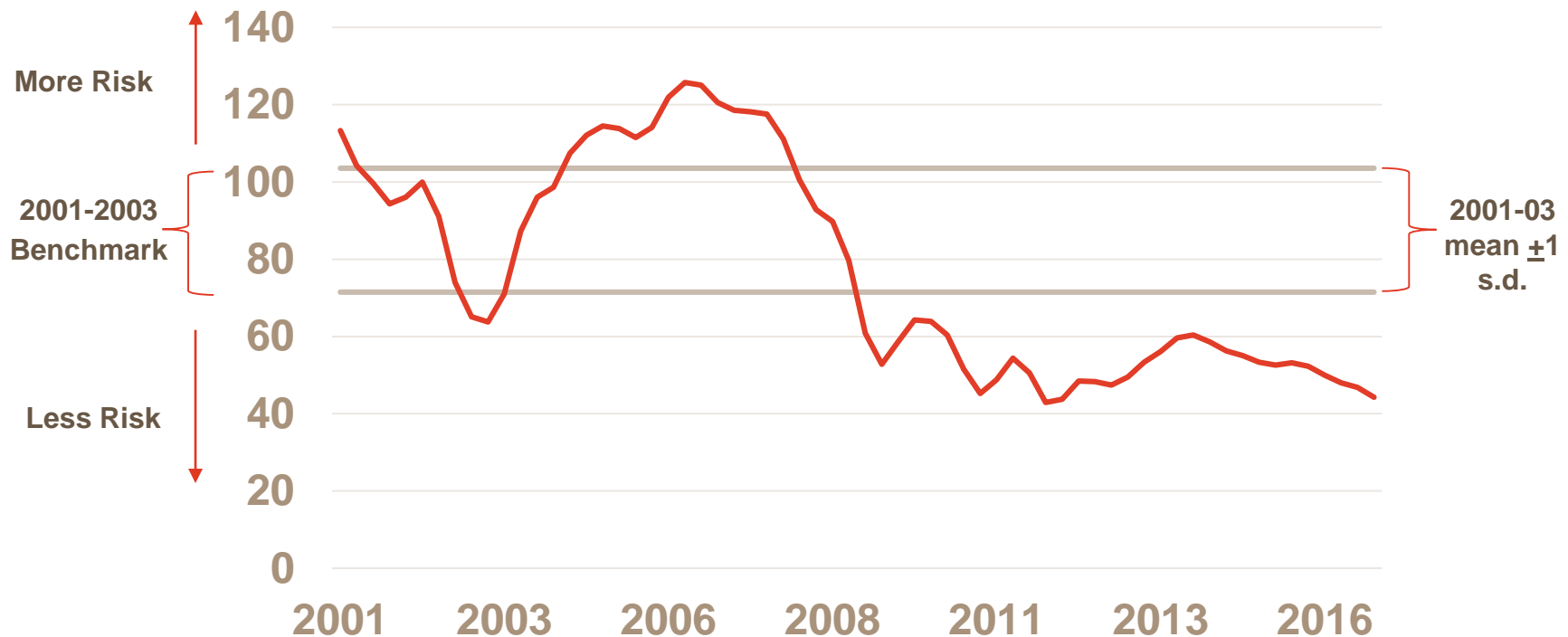
## Approved HELOCs (Billions of Dollars)



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. ©2017 CoreLogic, Inc. All rights reserved. Proprietary.

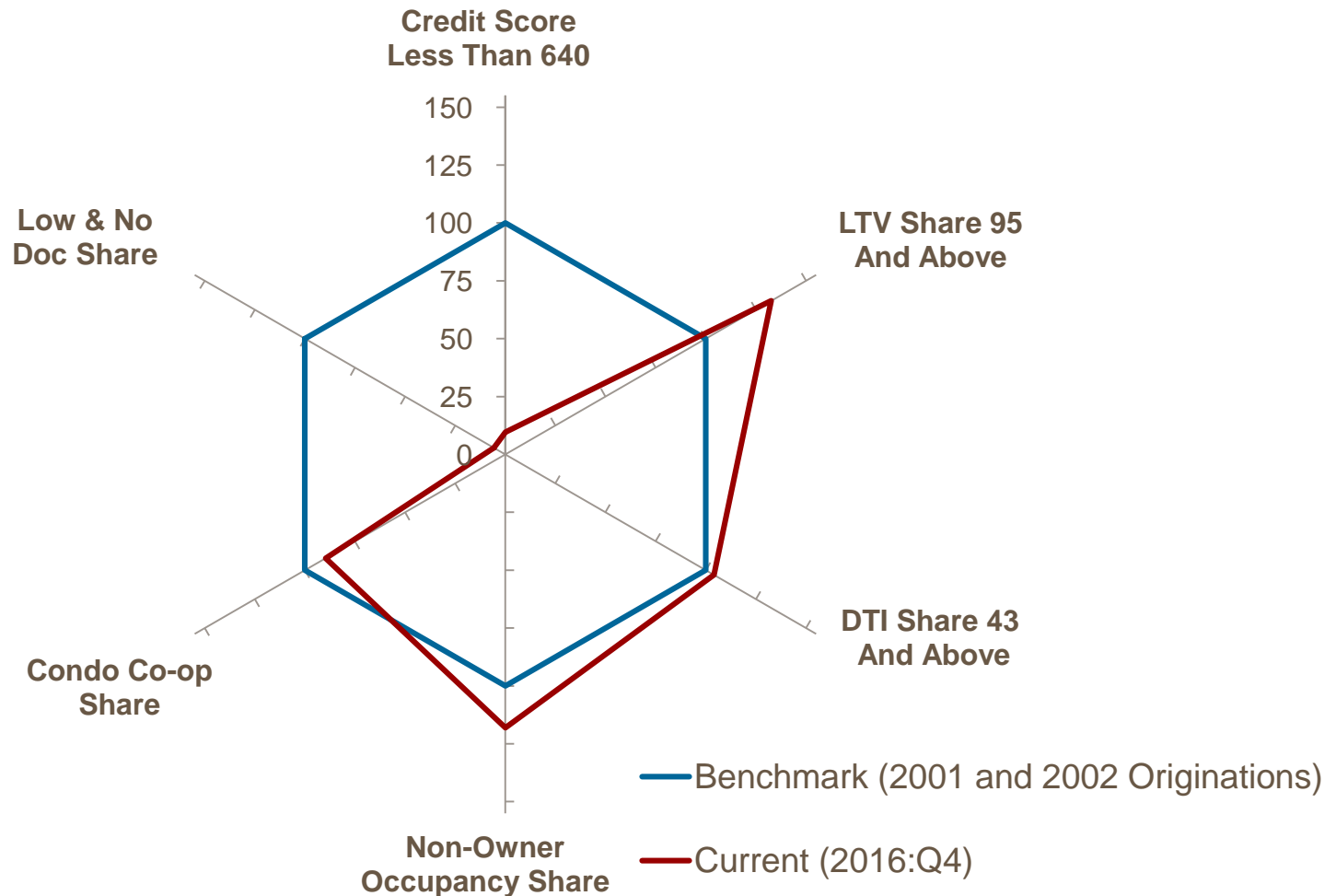
# 2016 Loans Have Less Credit Risk Than Pre-2009 Loans

## CoreLogic Housing Credit Index (2001 = 100)



# Mortgage Credit Risk Along Six Dimensions

## First-Lien Purchase Money Originations



# Where to find more information

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

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