Real Estate Outlook
Summary

• Economic and demographic backdrop is positive
• Home sales and purchase mortgage demand growth is solid
• Home price growth is firm and will likely persist given tight inventory
• Affordability & supply becoming obstacle to sales in good markets
• Mortgage performance is pristine due to tight underwriting
• Net impact of higher rates will be modest
Economic Backdrop is Modestly Positive

Gross Domestic Product

Unemployment Rate

Consumer Confidence Almost Back to “Normal”

Real Wage Growth

Source: BEA, BLS, Conference Board
Demographic Backdrop Very Positive

Household Growth

Average Household Growth Last 50 Years

First-Time Homebuyer Wave Coming

Largest Age Cohort
Average First-time Homebuyer
Average Repeat Homebuyer

Source: Census
Millennial Job Growth Picking Up Steam
25 to 34 Year Old Employment Growth From Year Earlier

Source: BLS
Home Sales Growth Remains Firm Into Fall

Annualized Home Sales

Percent Change in Home Sales From Year Ago

Source: CoreLogic
Note: Using the most current 30/31 days for each MSA county

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Mortgage Purchase Application Demand is Surging, but Uptick in Rates Threatens Momentum

Source: MBA
Steady Growth in Home Prices

Percent change in Home Prices From Year Ago

Top 100 Markets: Home Price Pct Change from Year Ago

Source: CoreLogic

Oct-13: 11.9%

Jul-15: 6.9%

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Affordably Priced Homes Rapidly Appreciating

May Home Price Index, Percent Change from Year Ago

*Note: Lower priced homes are 75% of median and below and higher priced homes are 125% of median and above.

Source: CoreLogic
The Coasts Come Out On Top

Home Prices, Percent Change from Year Ago

Source: CoreLogic, July 2015
Real Estate is Unaffordable

Home Price to Rent Ratio

Source: CoreLogic
Market Conditions Indicator

Markets That Have Deviated Most From Fundamentals

Source: CoreLogic
For Sale Inventory is Tight

*Months’ Supply of Homes for Sale*

Source: NAR
# Inventory is Lower Than Official Metrics

*Months Supply by Price Tier, Three Month Moving Average*

<table>
<thead>
<tr>
<th>Price Tier</th>
<th>April 2014 (Apr-14)</th>
<th>April 2015 (Apr-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 50</td>
<td>6.0</td>
<td>5.5</td>
</tr>
<tr>
<td>50 to 75</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>75 to 100</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>100 to 125</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>125 to 150</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td>150 to 175</td>
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<td>4.5</td>
</tr>
<tr>
<td>175 to 200</td>
<td>6.0</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: CoreLogic
At Lower Supply, Price Pressures Rapidly Increase

Months Supply vs Price Premium/Discount, by MSA

Source: CoreLogic
Access to Credit is Very Tight

Average FICO Score of Purchase Loans by Percentile

Source: CoreLogic
In Which Dimension is Credit Constrained?

Mortgage Underwriting Along Six Dimensions

- Credit Score Less Than 640
- LTV Share 95 And Above
- DTI Share 43 And Above
- Low & No Doc Share
- Arm Share
- Broker Share

Source: CoreLogic, June 2015

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Underwriting Remains Cautious

CoreLogic Housing Credit Index

HCI Factors

- Credit Score
- Loan-to-Value Ratio (LTV)
- Debt to Income Ratio (DTI)
- Broker Share
- Adjustable Rate Mortgage Share
- Documentation Type

Source: CoreLogic TrueStandings, originations through March 2015; January 2000 = 100

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Mortgage Performance Rapidly Improving

90+ Seriously Delinquent Rate

Source: CoreLogic
Performance of New Loans is Very Good

Early Payment Default Lowest in 20 Years

90+ Seriously Delinquent Rate for Borrowers with FICO Scores Between 640 and 650, 3 Months After Origination

Source: CoreLogic
Front End Delinquency Transition Rates ‘Lowest Ever’

Current to 30 Day Delinquency Rates

Source: CoreLogic
Higher Rates Will Dampen Demand for Purchase Credit Much More Than in Past

**Spring 1994**

2 Mo. Change in Rates (BPs) vs. Arm Share

**Summer 2003**

2 Mo. Change in Rates (BPs) vs. Arm Share

**Summer 2013**

2 Mo. Change in Rates (BPs) vs. Arm Share

Source: MBA and Freddie Mac
Higher Rates Should Cause Underwriting to Loosen

Source: CoreLogic
Where to find more information

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


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