

The Real Estate Recovery ?

April 1, 2015

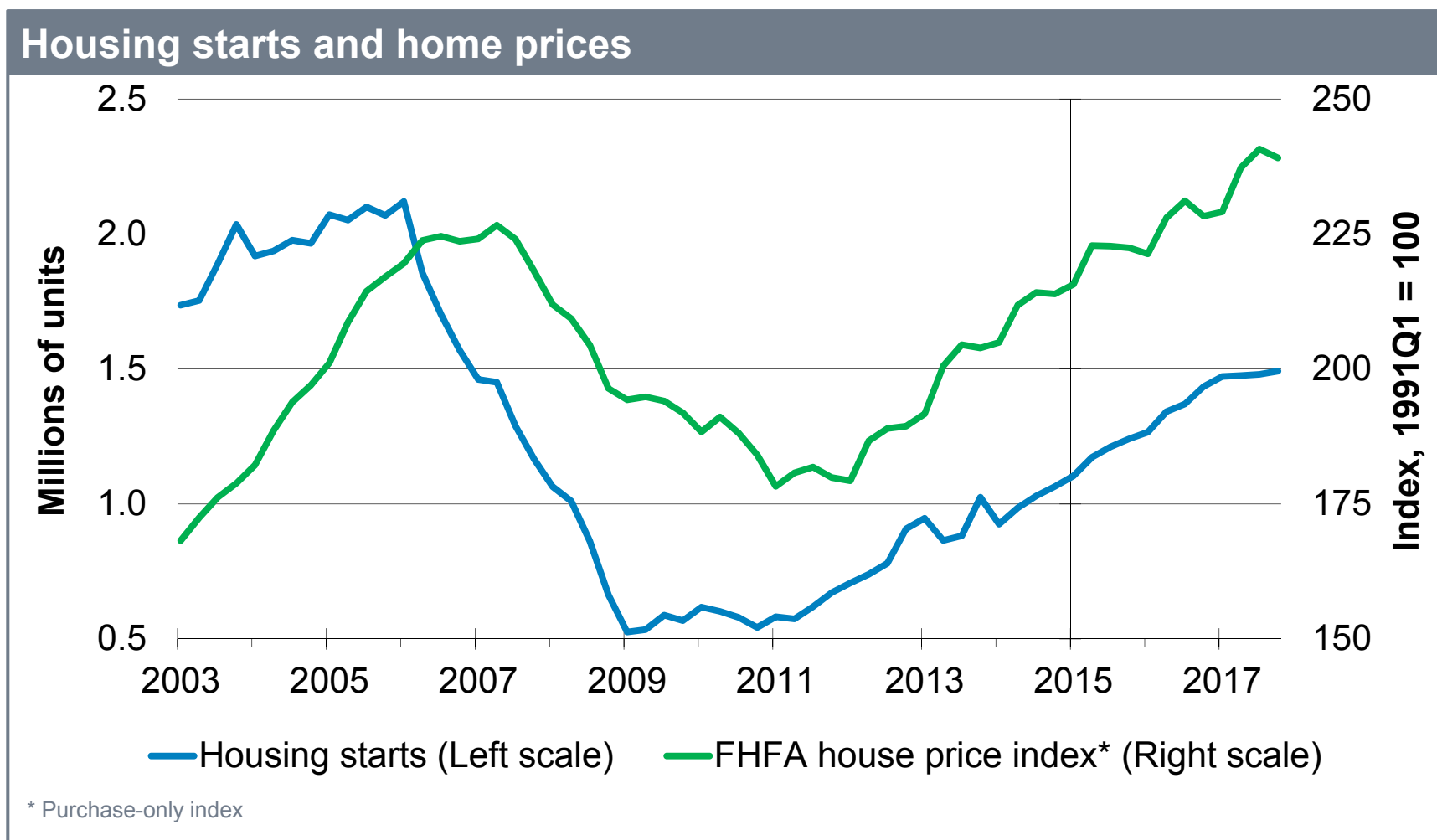
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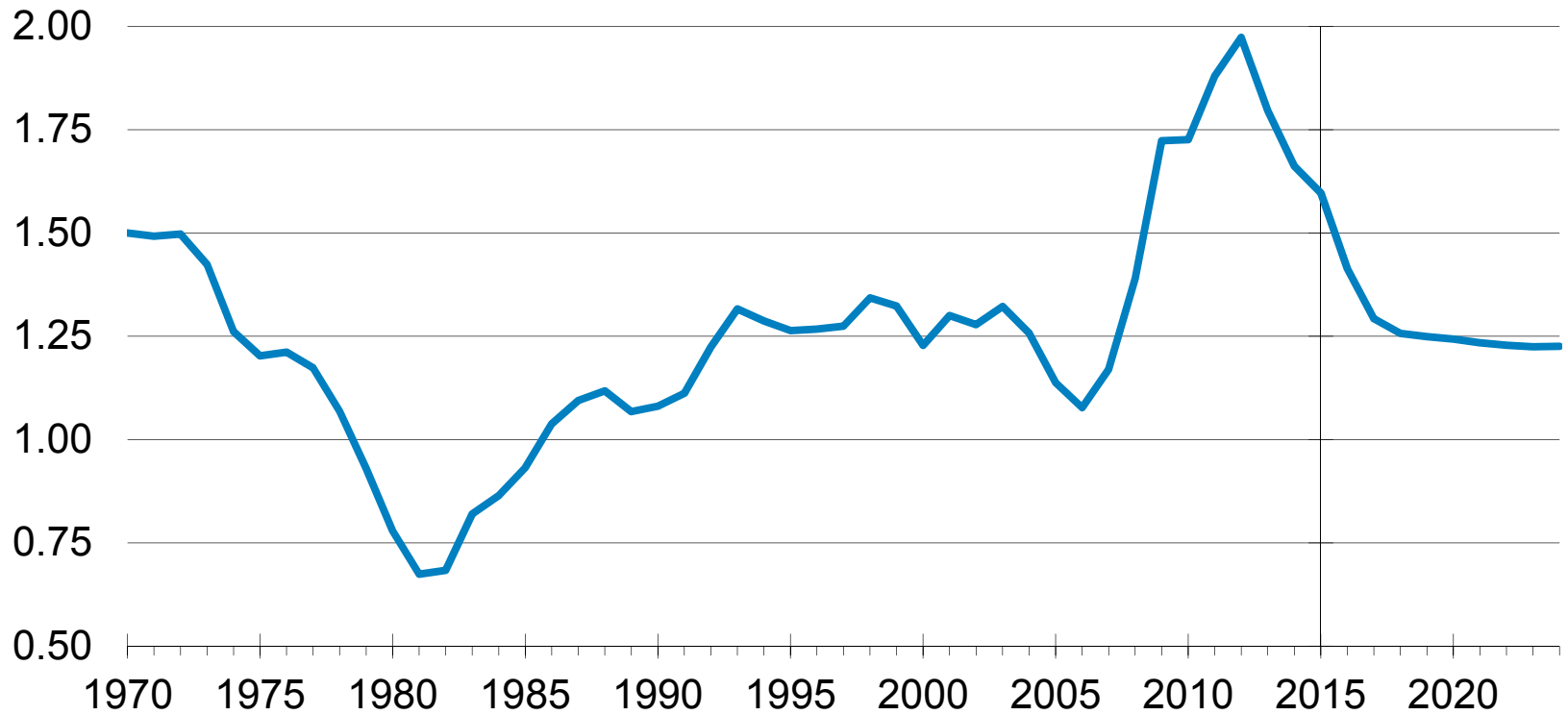
Housing starts and home prices are recovering



Housing affordability is deteriorating as home prices and mortgage rates rise

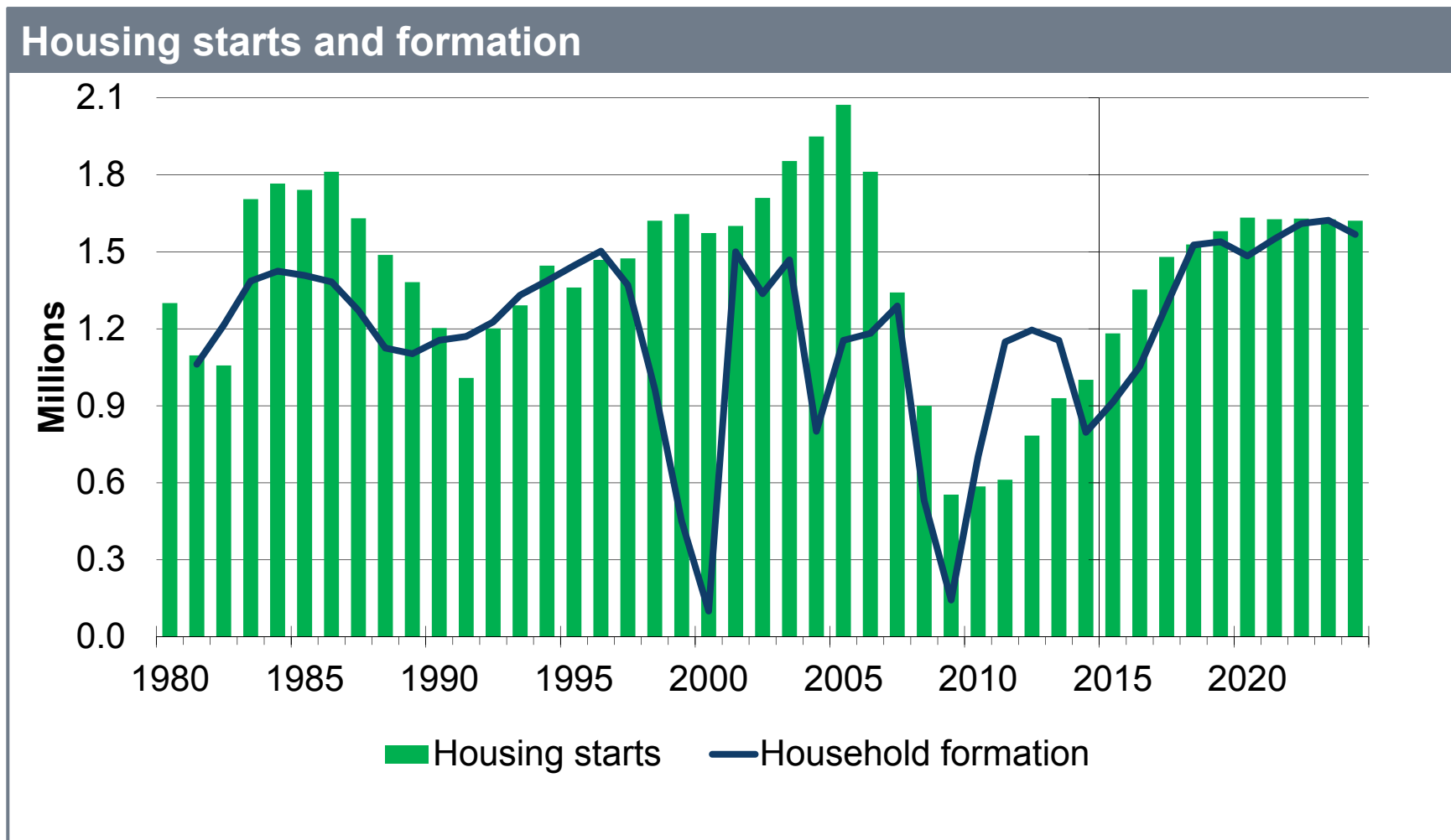


Housing affordability index*

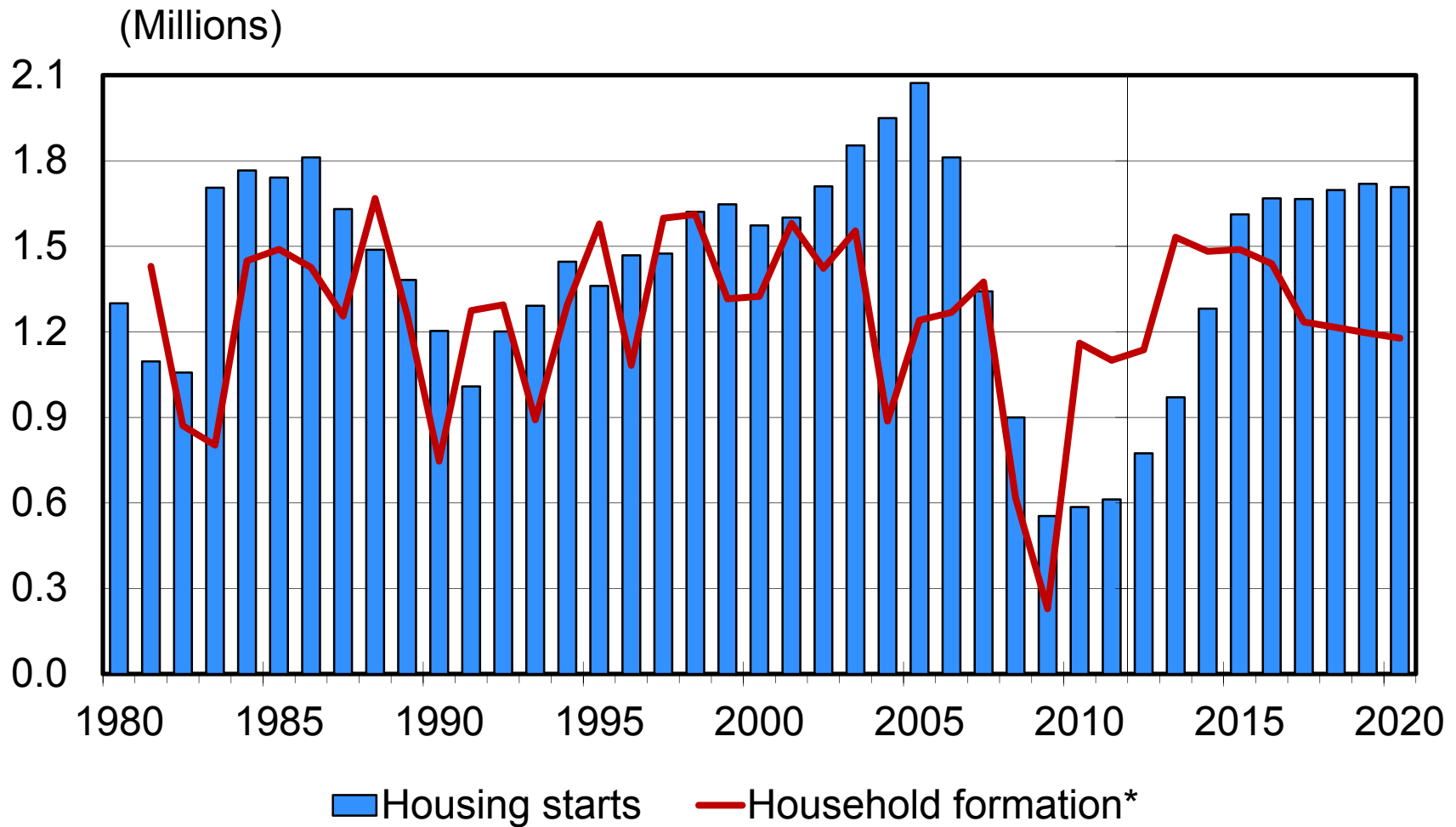


* A value of 1.00 indicates a household earning the median income can afford a median-priced single-family home.

A recovery in household formation will support further gains in housing starts



Looking Back PCBE, February 2013:





States of the Market

- Multi-family building stronger
- Household formation improving, but weak
- Migration similar
- Foreclosures declining (except South Jersey)
- Investor activity diminishing
- Home equity building, but significant number underwater
- Shortage of homes on market
- Sales trending up
- But high end markets much healthier
- Restrictive credit conditions on low-mid income borrowers
- And on builders

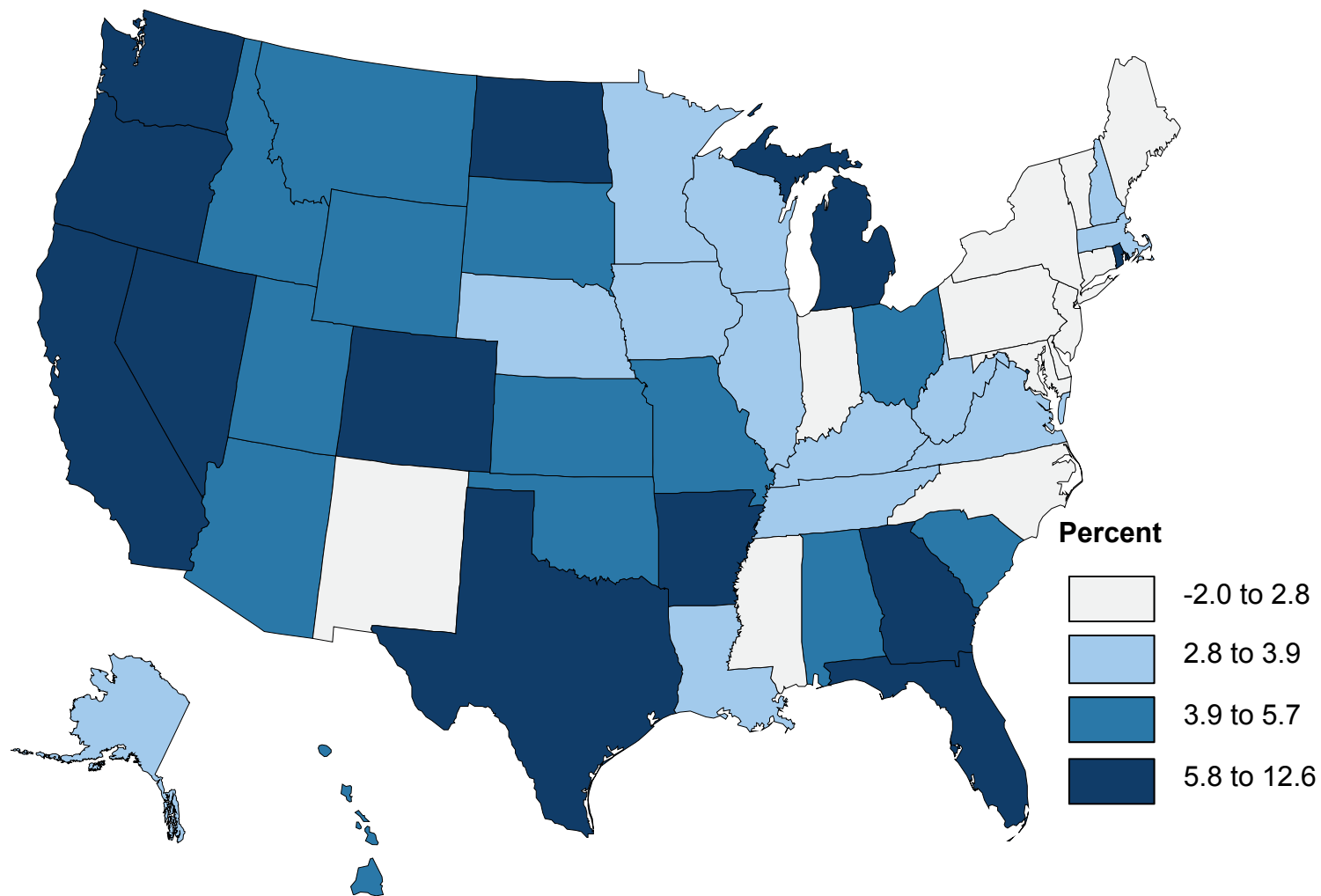


Key Themes of the New Normal

- Homeownership rate lower
- Household formation lower
- 20-somethings living with parents
- Student loan debt
- Urban living
- Smaller homes
- Secular decline in migration

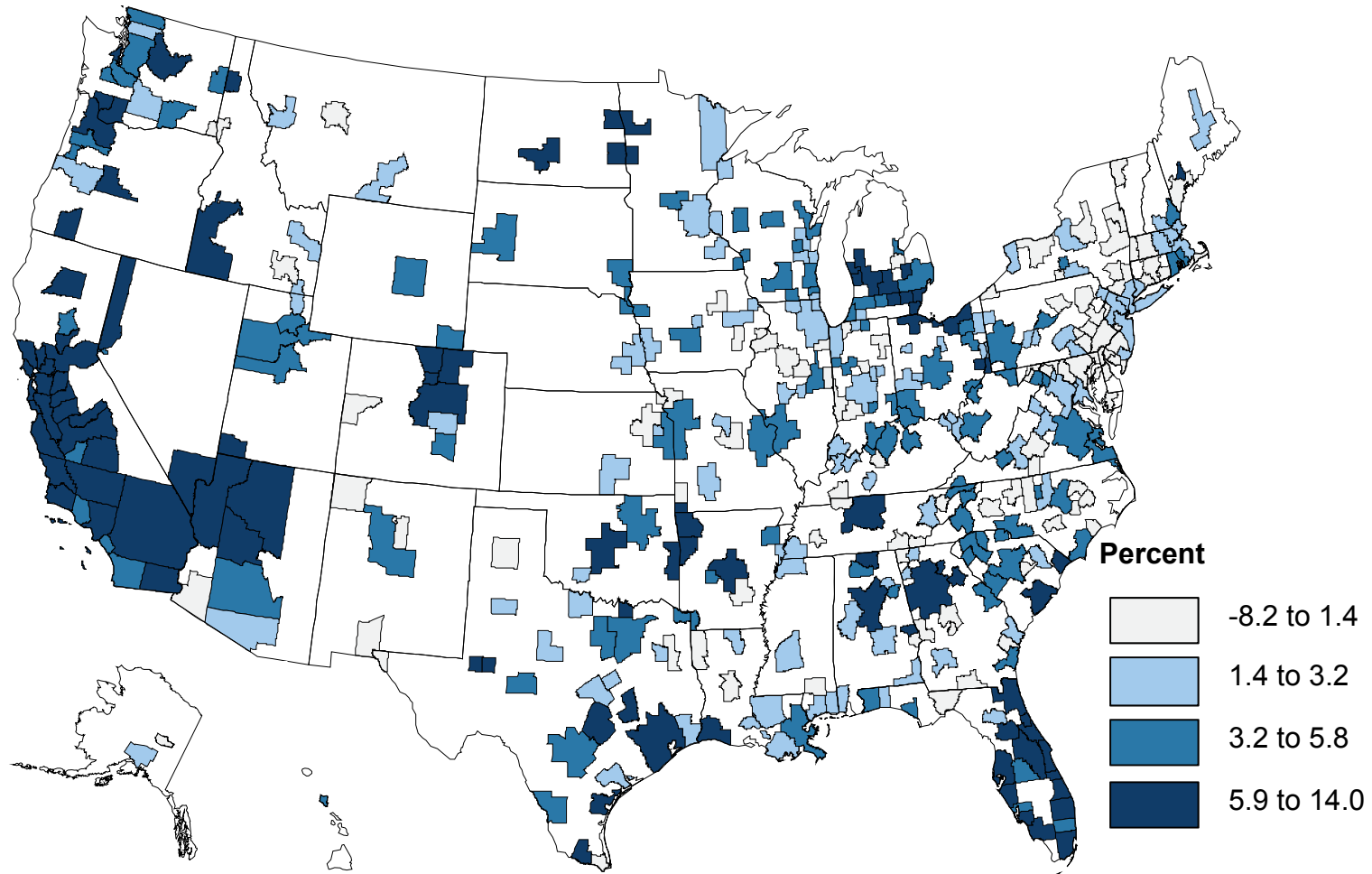


Median home price 2014q4 y/y growth (FHFA)



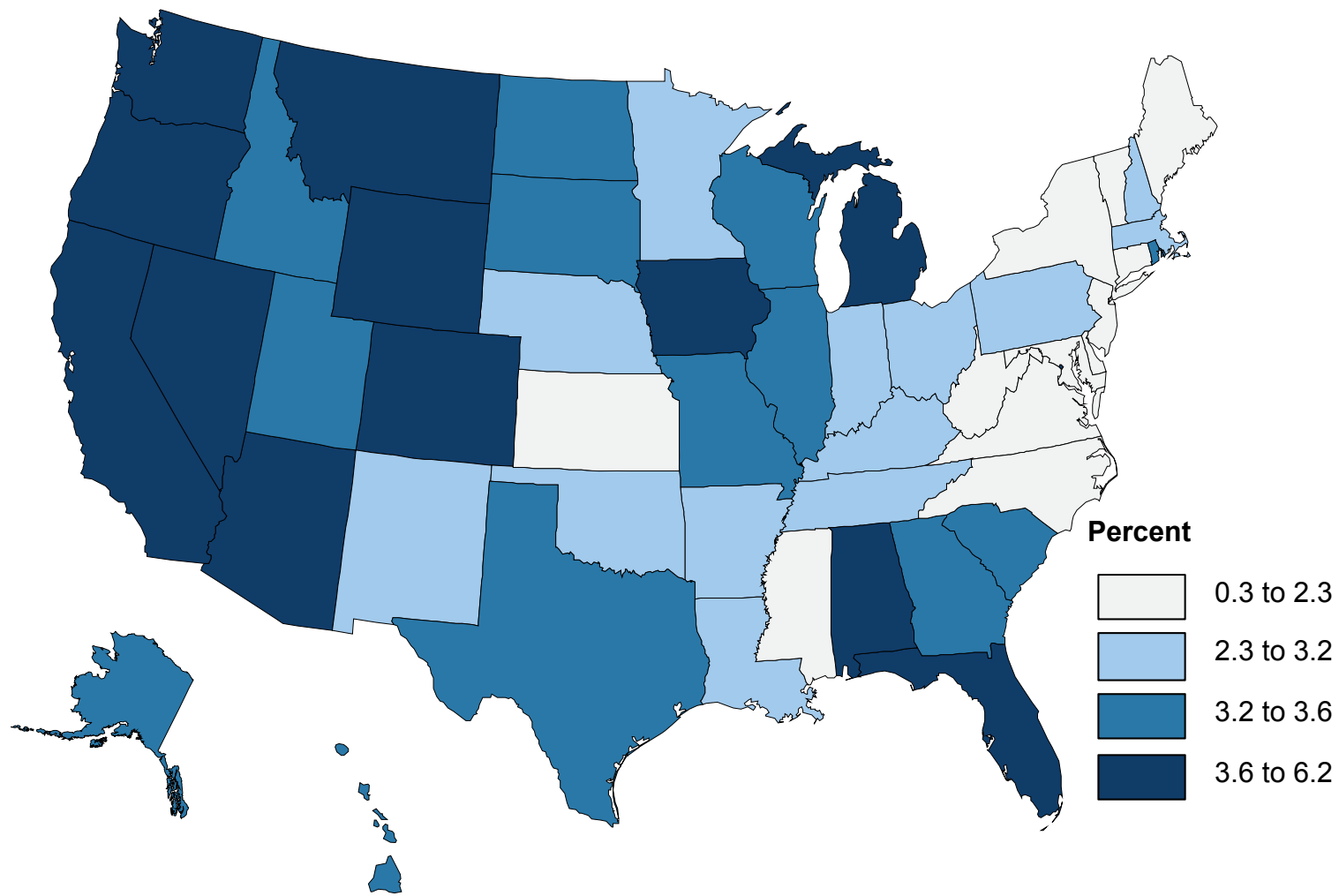


Median home price 2014q4 y/y growth (FHFA)





Median home price 2015 forecast





Regional Real Estate Markets : 2014Q4

| | Foreclosure Pct | Homeowner Vacancy Rate |
|--------------|-----------------|------------------------|
| US | 2.3 | 1.9 |
| PA | 2.7 | 2.2 |
| NJ | 7.8 | 1.6 |
| DE | 2.7 | 1.8 |
| MD | 3.1 | 1.4 |
| Philadelphia | | 2.0 |

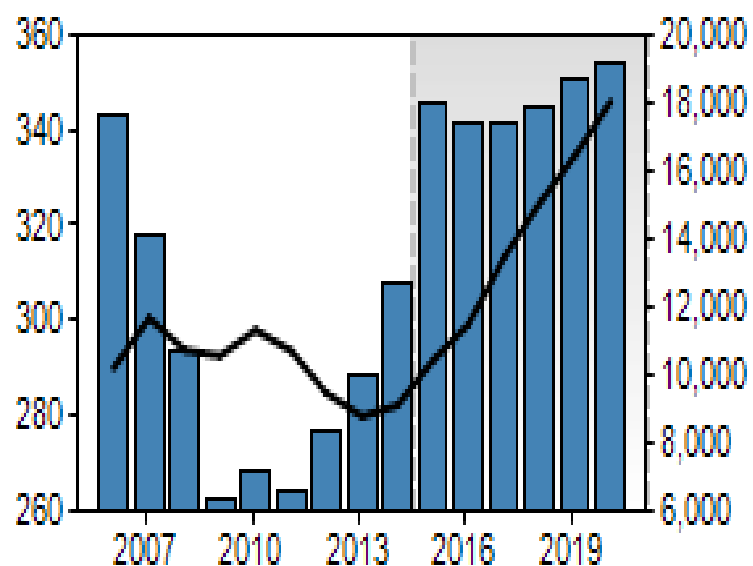


Philadelphia (full metro)

Atlantic City

Home Prices vs. Housing Starts

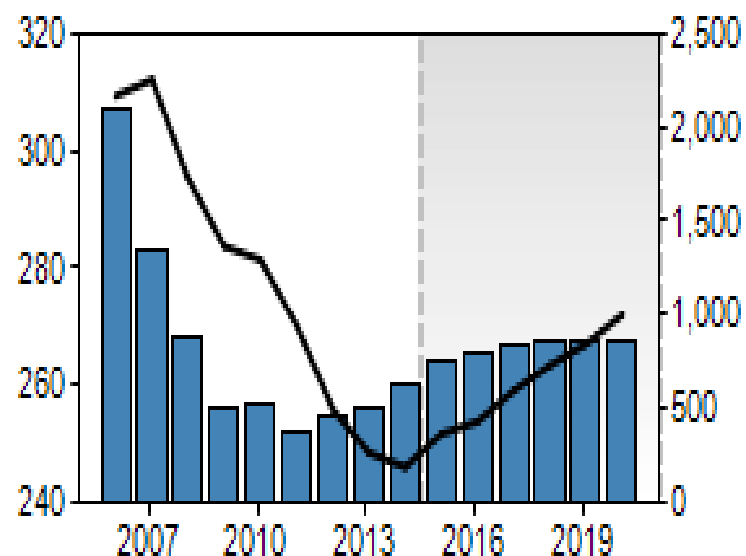
(Thousands)



■ Total Housing Starts (Right scale, units)
— Avg. Existing Home Price (Left scale, thous. \$)

Home Prices vs. Housing Starts

(Thousands)



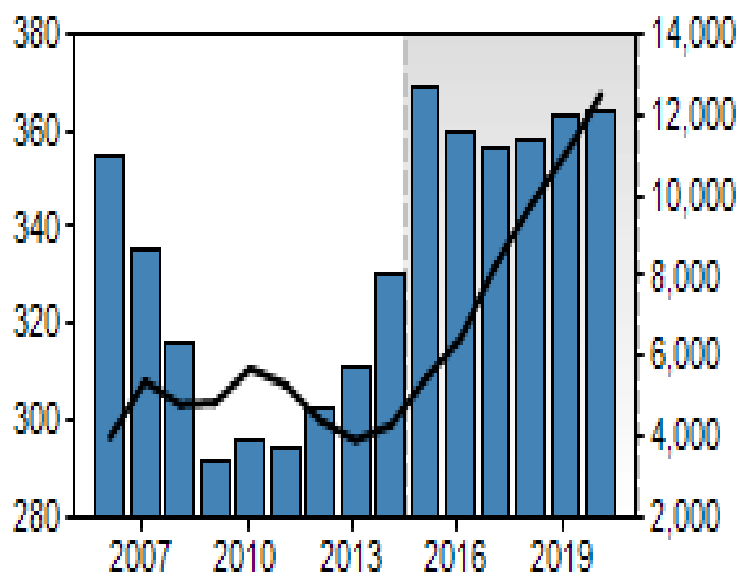
■ Total Housing Starts (Right scale, units)
— Avg. Existing Home Price (Left scale, thous. \$)



Philadelphia (PA division)

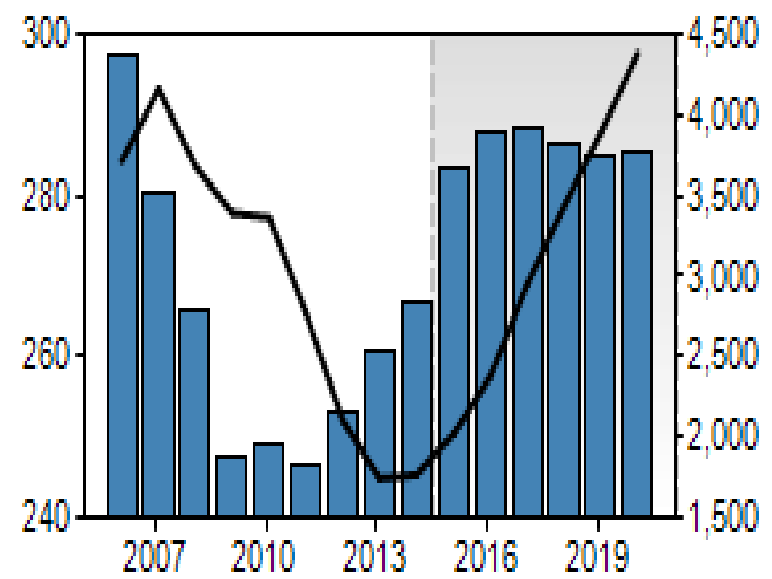
NJ division

Home Prices vs. Housing Starts (Thousands)



■ Total Housing Starts (Right scale, units)
— Avg. Existing Home Price (Left scale, thous. \$)

Home Prices vs. Housing Starts (Thousands)



■ Total Housing Starts (Right scale, units)
— Avg. Existing Home Price (Left scale, thous. \$)

Thank you!

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