



Economic Update: The New Normal?

Philadelphia Council for Business Economics

Frank Nothaft, CoreLogic SVP & Chief Economist
September 16, 2016

The 'New Normal'

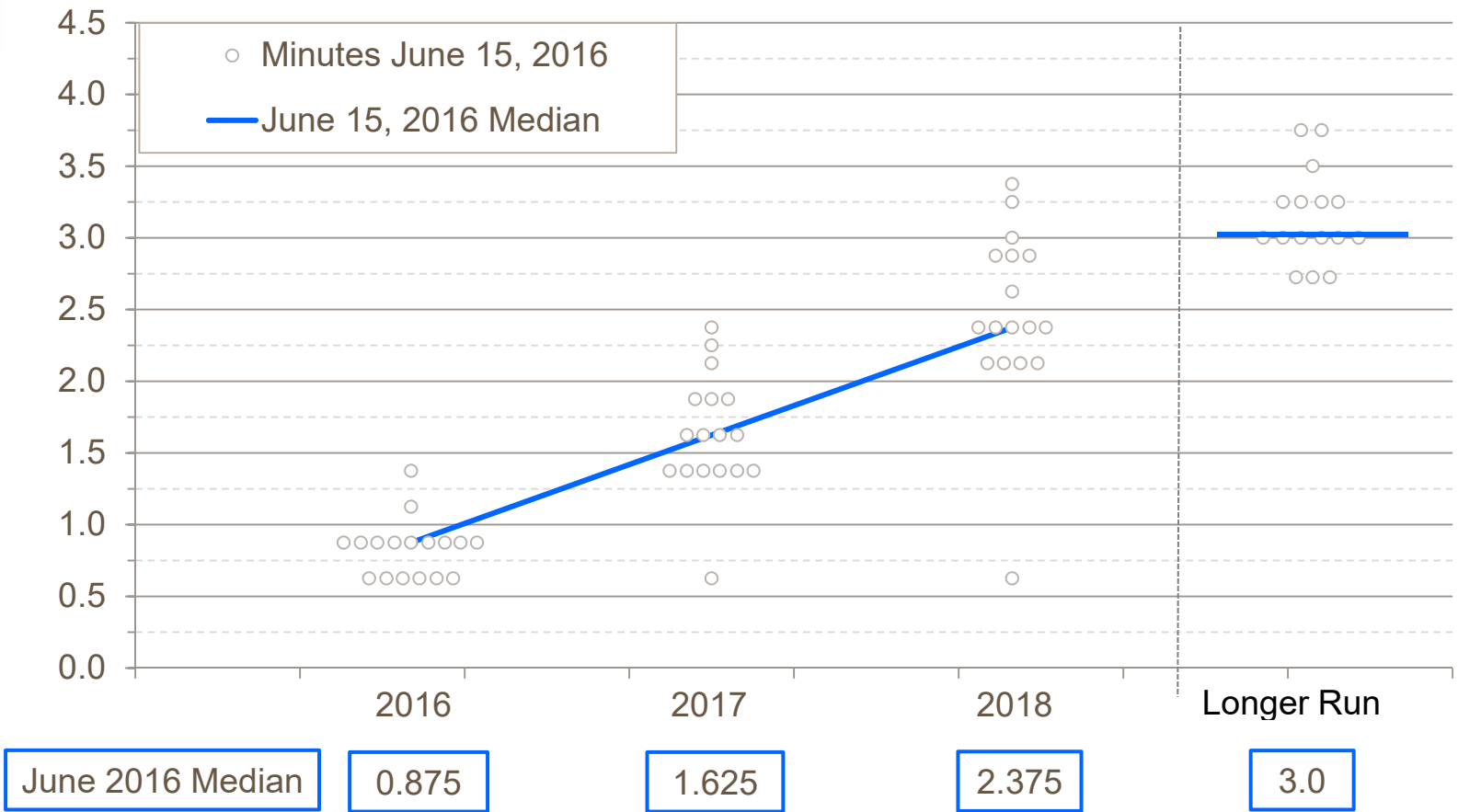
- 1. Low mortgage rates are the norm**
- 2. Household composition increasingly diverse**
- 3. Sales rise but turnover remains below 'average'**
- 4. Originations: Purchase & HELOC up, Refi down**
- 5. Loan performance excellent (new credit 'tight')**

When Will the Fed Raise Target Rates?



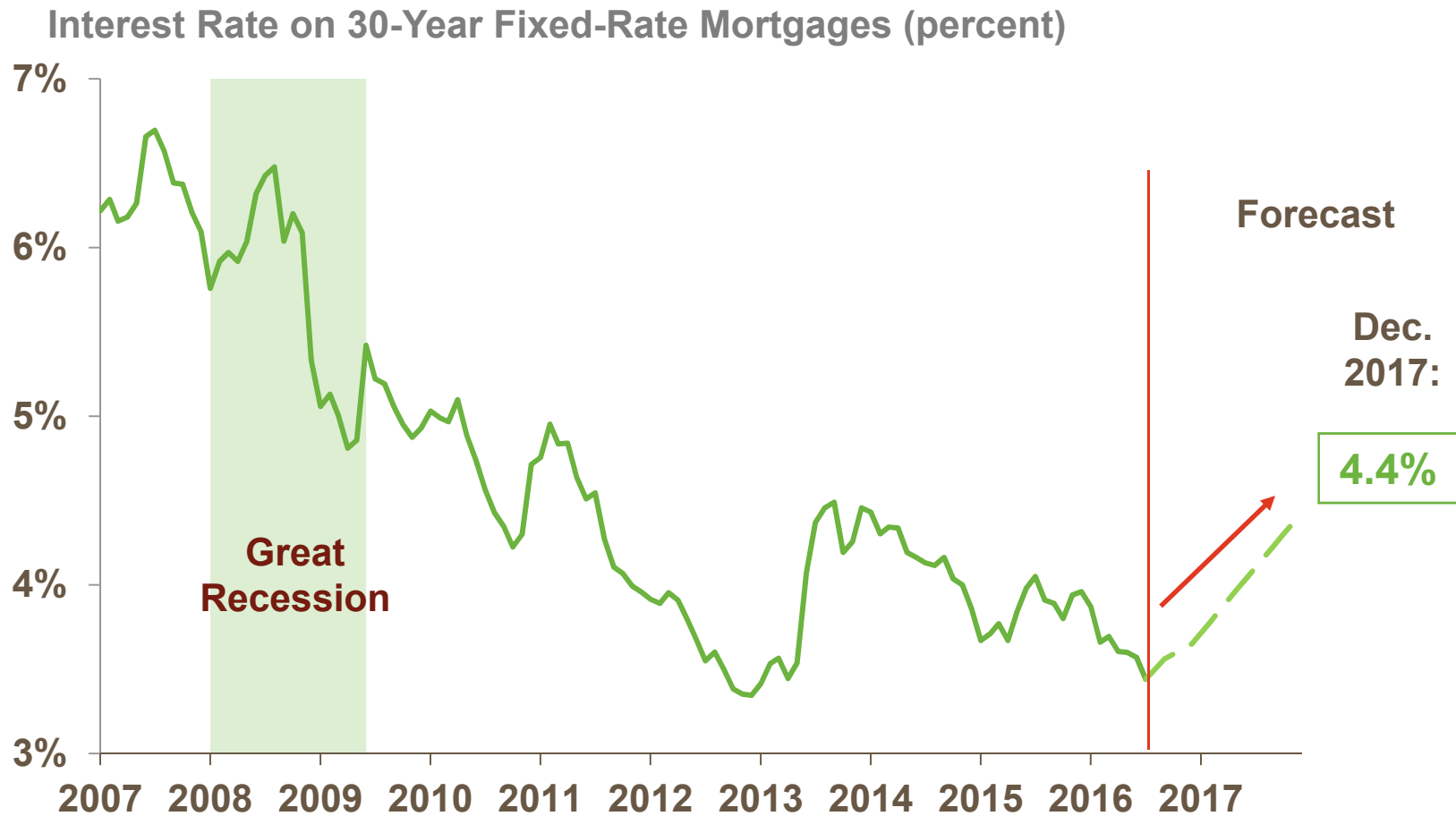
Pre-Brexit, it looked like there would be 1 – 2 increases this year

Federal Funds Target (interest rate, in percent)



Source: Federal Open Market Committee Meeting on June 15, 2016. In the plot each circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

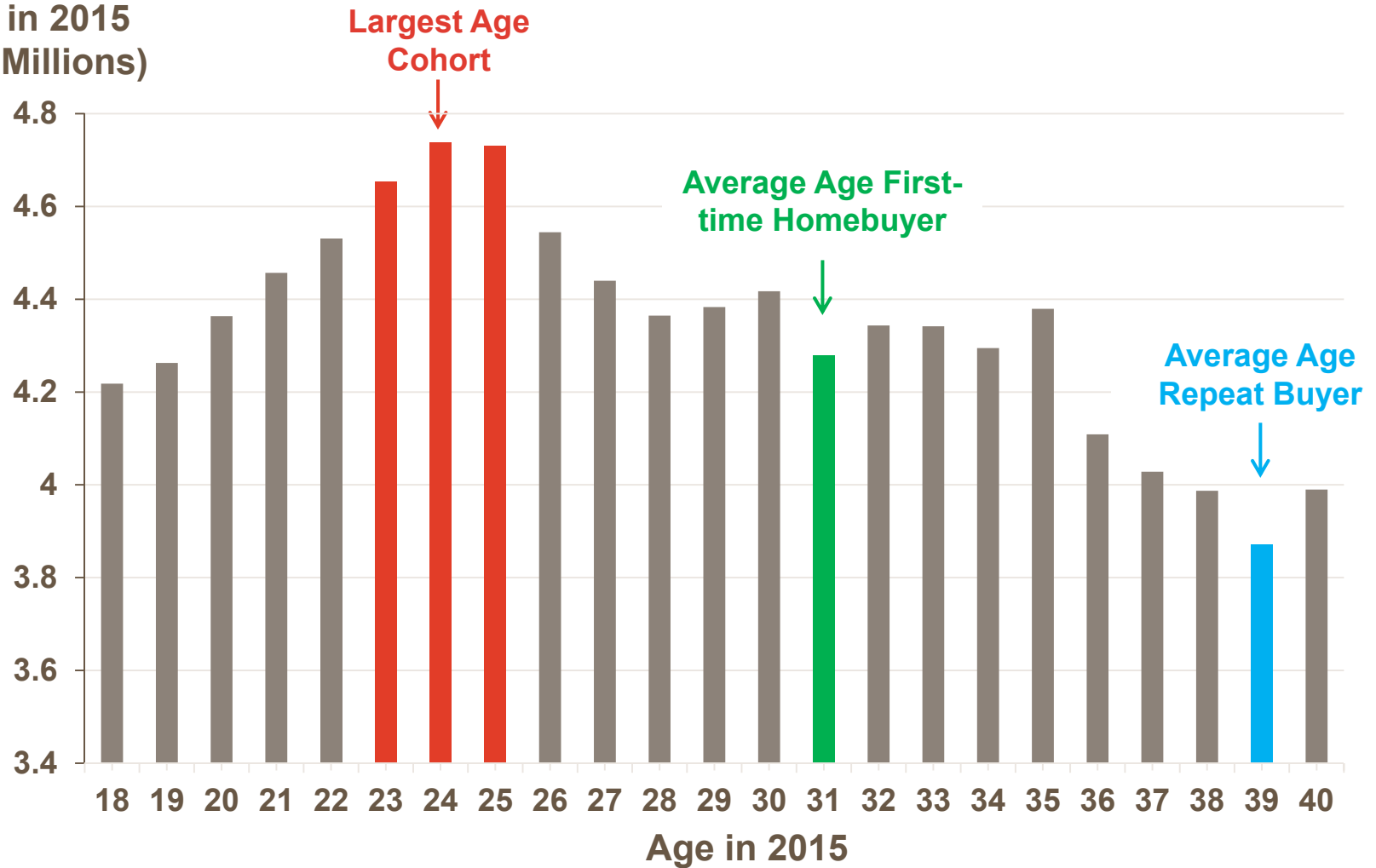
Mortgage Rates Expected To Rise (Soon)



Source: Freddie Mac Primary Mortgage Market Survey®, IHS Global Insight August 2016 projection.

Large Demographic Tailwind Has Arrived

Population
in 2015
(Millions)

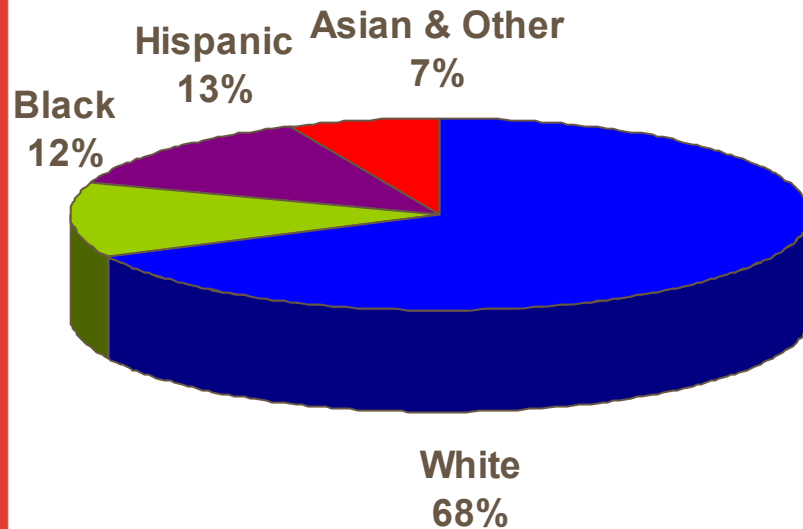


Source: U.S. Census Bureau, Population as of July 1, 2015

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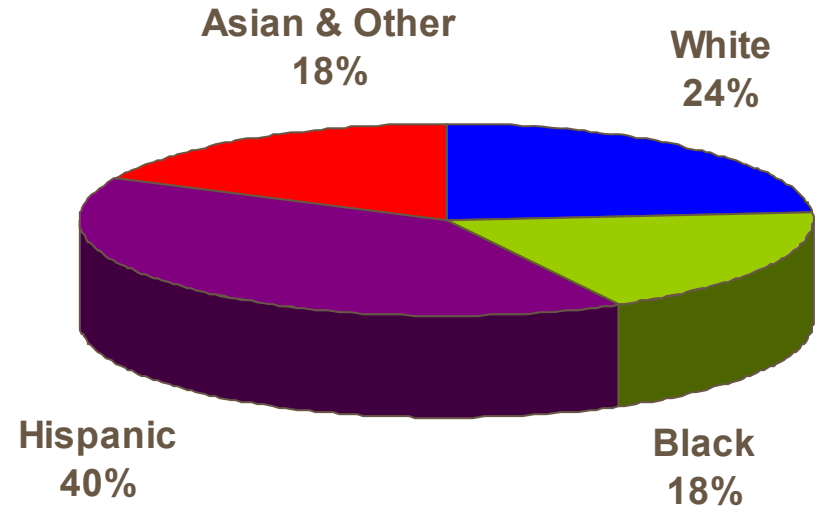
Three-fourths of New Households Will Be Minority-Headed

2015 Share of All Households



117 Million Households in 2015

2015-25 Share of Household Growth

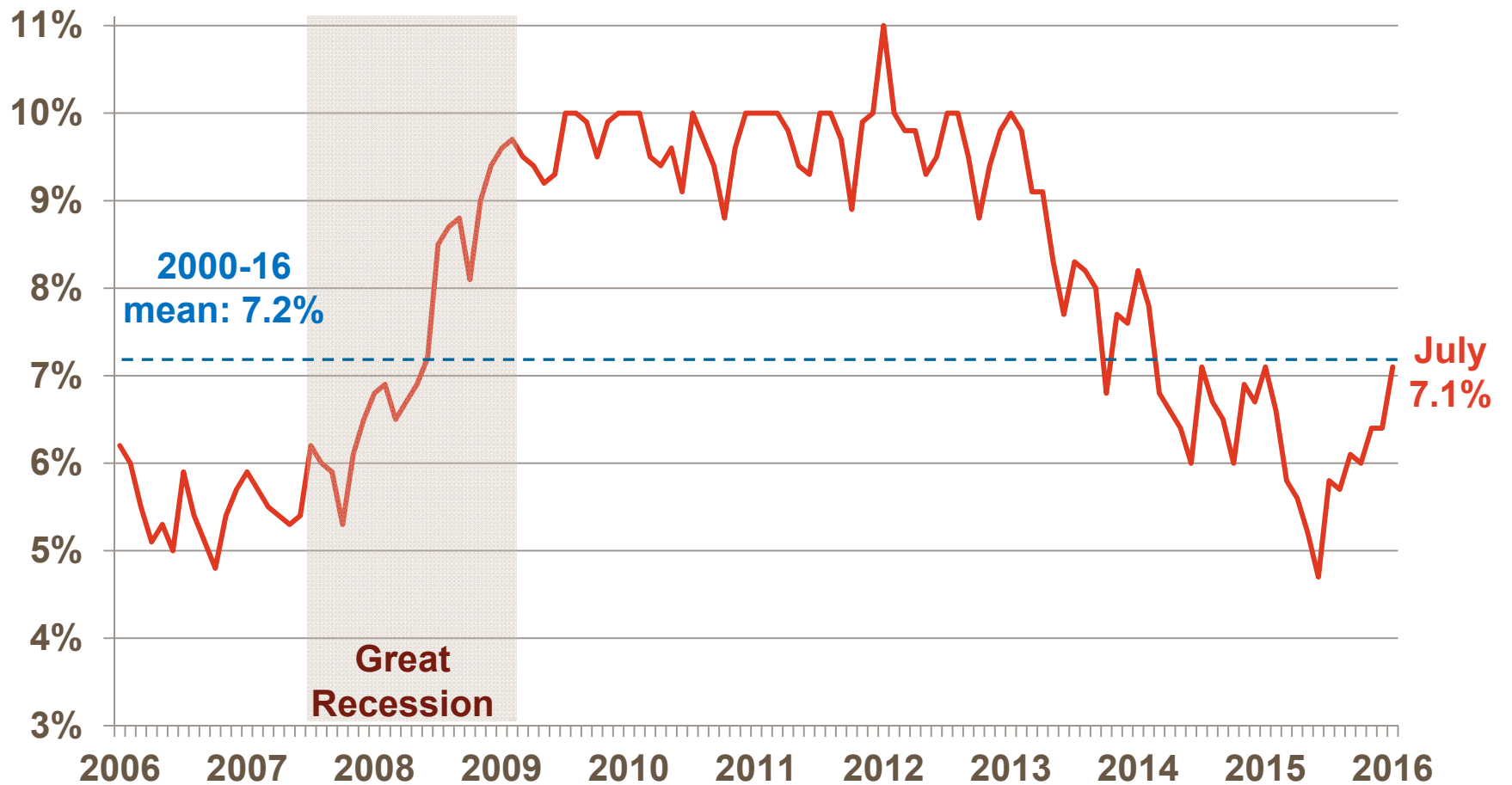


12 Million Increase by 2025

Source: Census Bureau Housing Vacancy Survey (2015 household count), Harvard University Joint Center for Housing Studies (*Baseline Household Projections for the Next Decade and Beyond*, Working Paper w14-1)

Philadelphia Jobless Rate Trending Higher

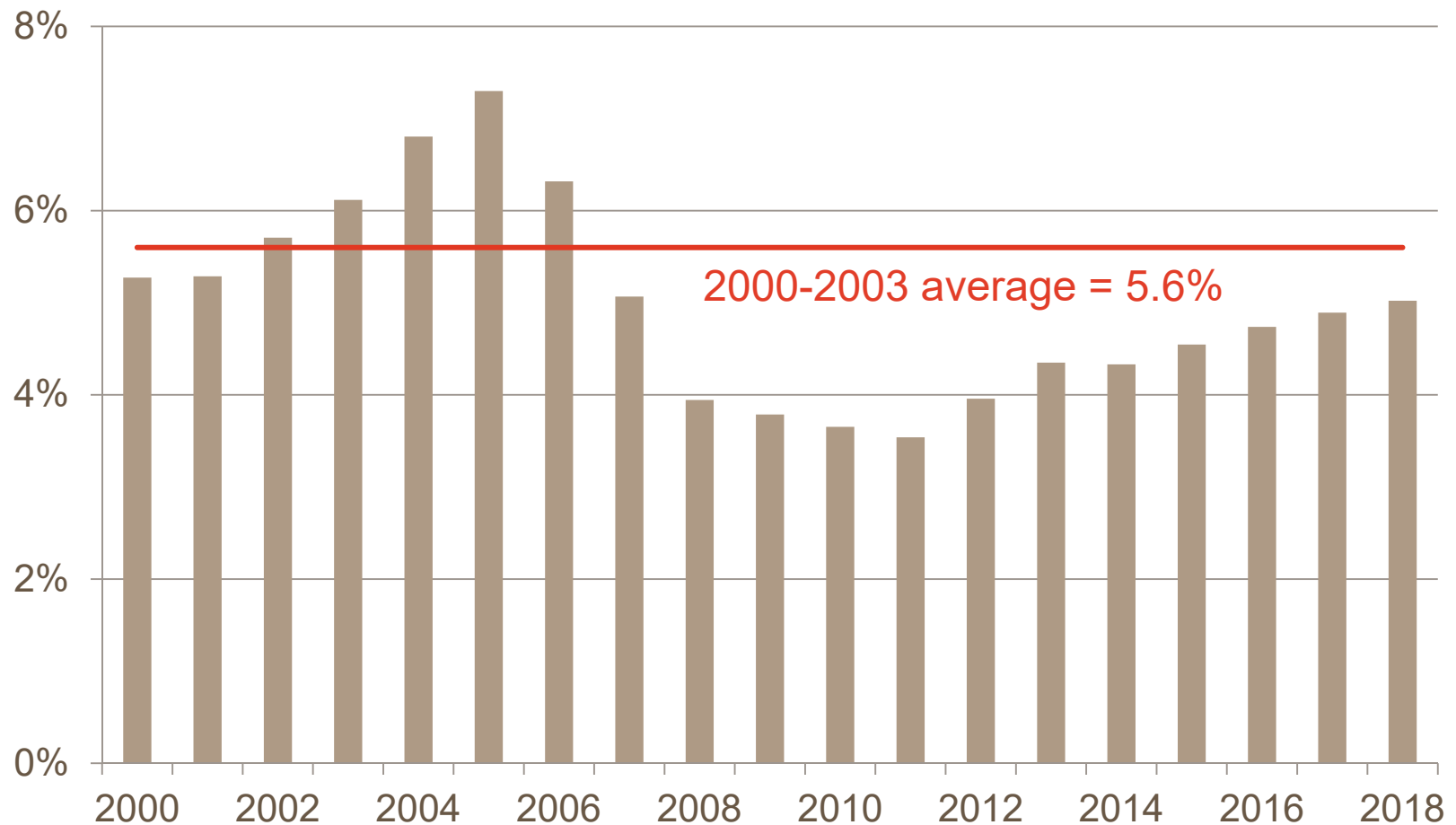
Unemployment Rate for Philadelphia, PA Metropolitan Division



Source: Bureau of Labor Statistics (not seasonally adjusted). July 2016 is preliminary. Gray bar indicates last U.S. recession.

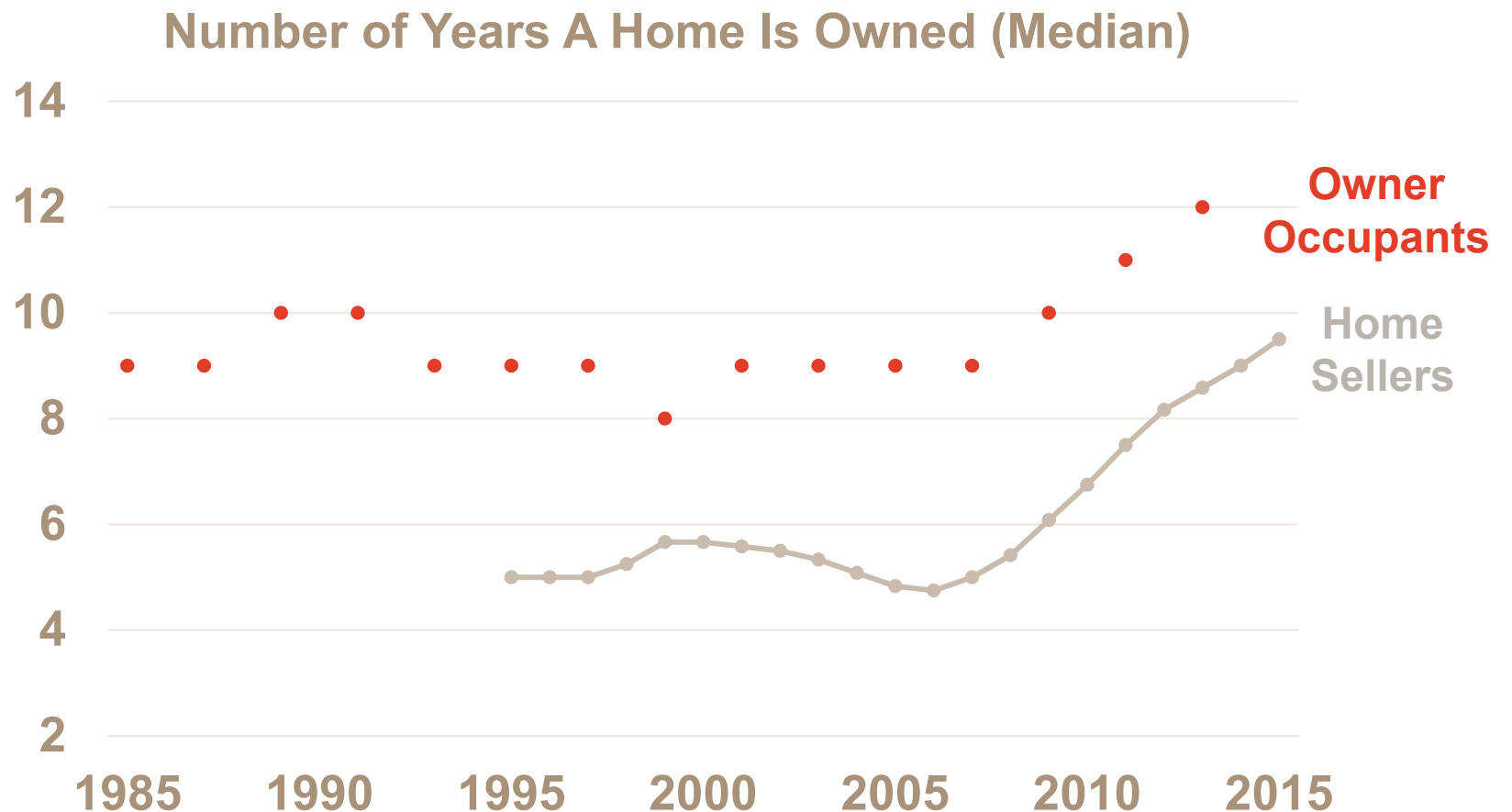
Home “Turnover”: Is ‘New Normal’ Slower?

Home Sales as a Percent of Housing Stock



Source: CoreLogic REAS MarketTrends through June 2016, Census Bureau HVS, Forecast averages projections of FNMA, FHLMC, Zelman and Associates, MBA, NAR and NAHB.

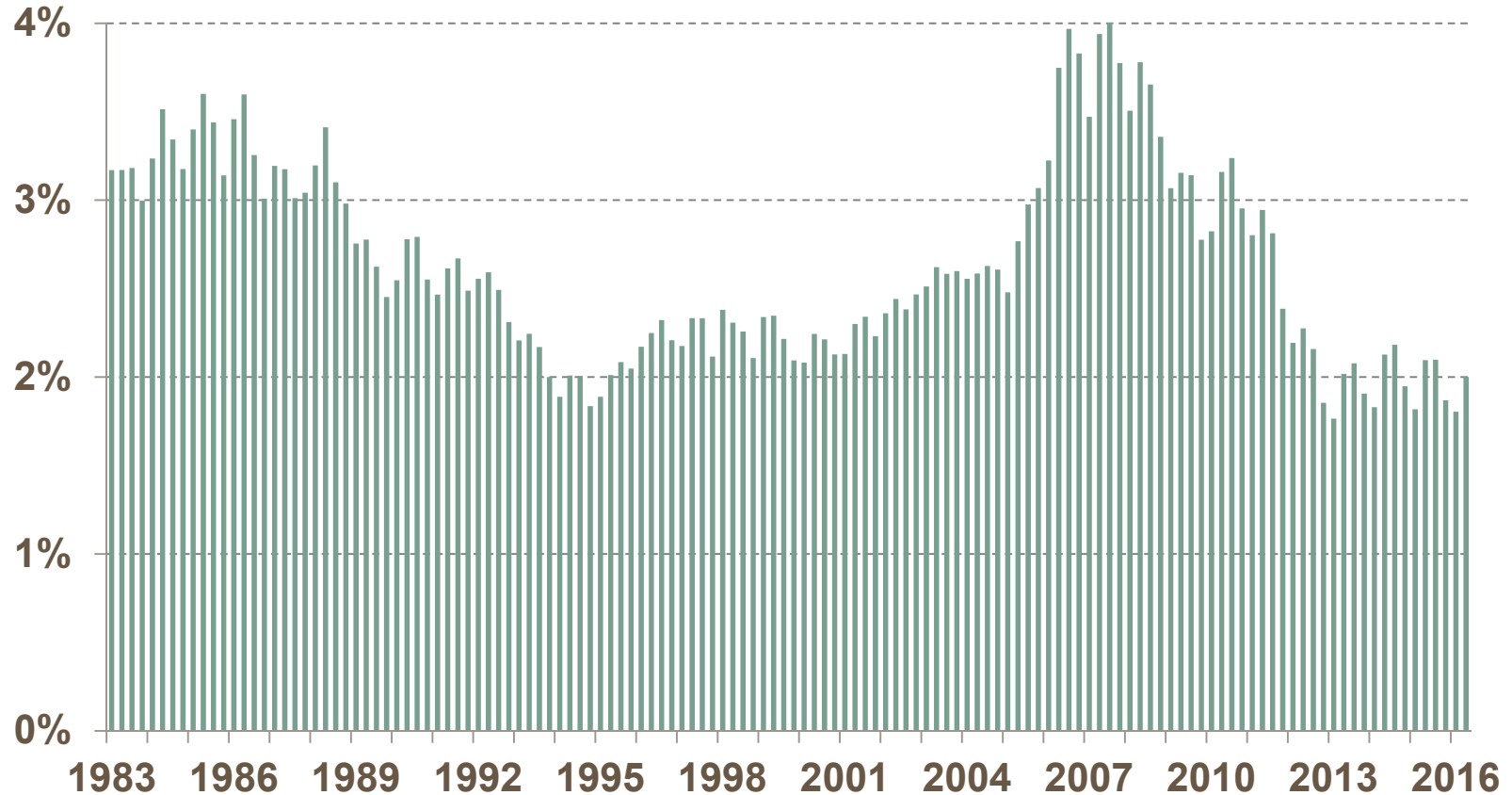
Americans Are Keeping Their Homes Longer



Source: American Housing Survey for the United States, various years (difference between survey year and median year owner-occupant moved into unit), CoreLogic public records for United States (length of time between recorded sales on same home).

For-Sale Inventory Very Low: Is This a 'New Normal'?

Homes-For-Sale Inventory as a Percent of Households

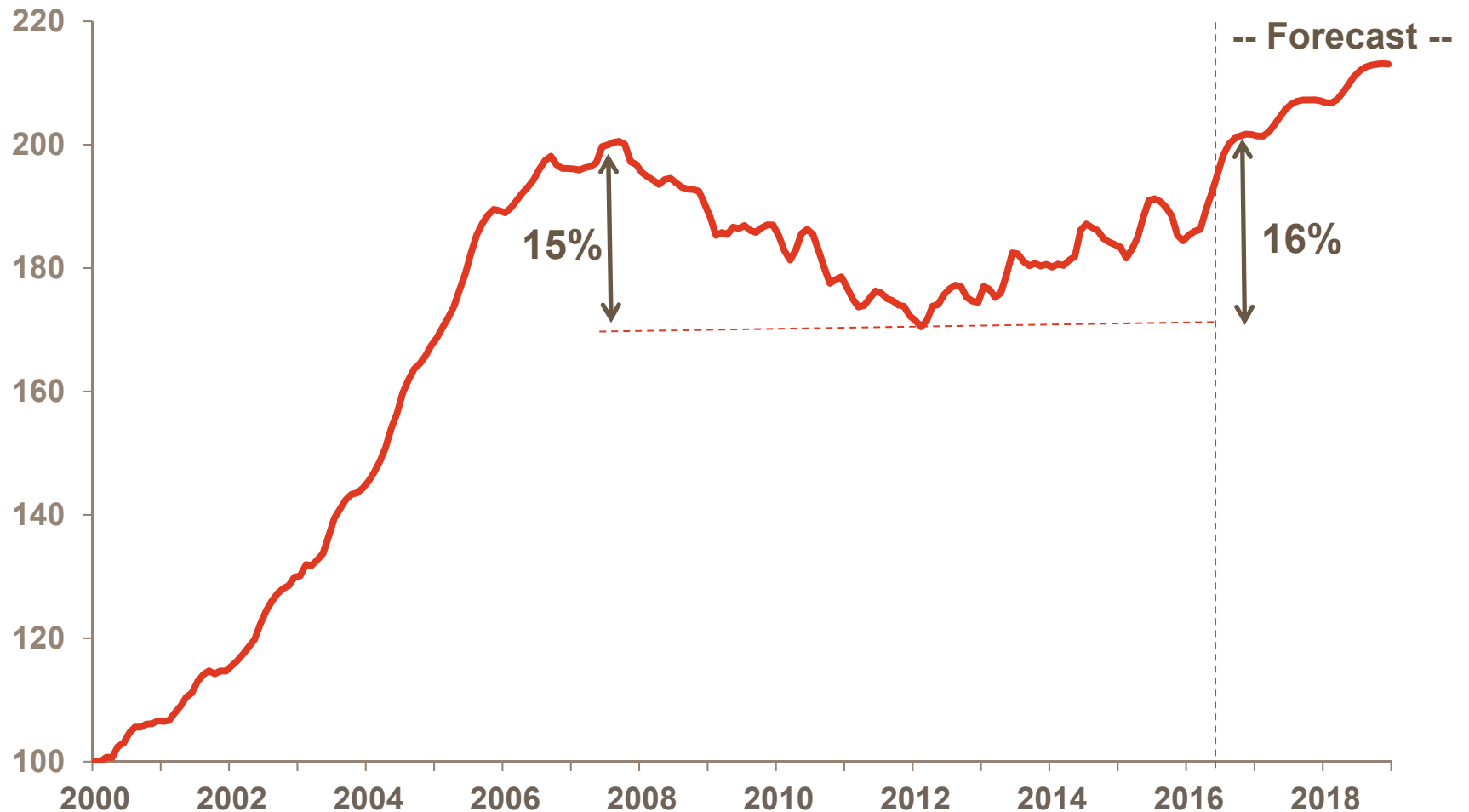


Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).

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

Philadelphia Home Prices: Fell 15% Below 2007 Peak, Up 16% from Trough (Remain 1% below Peak)

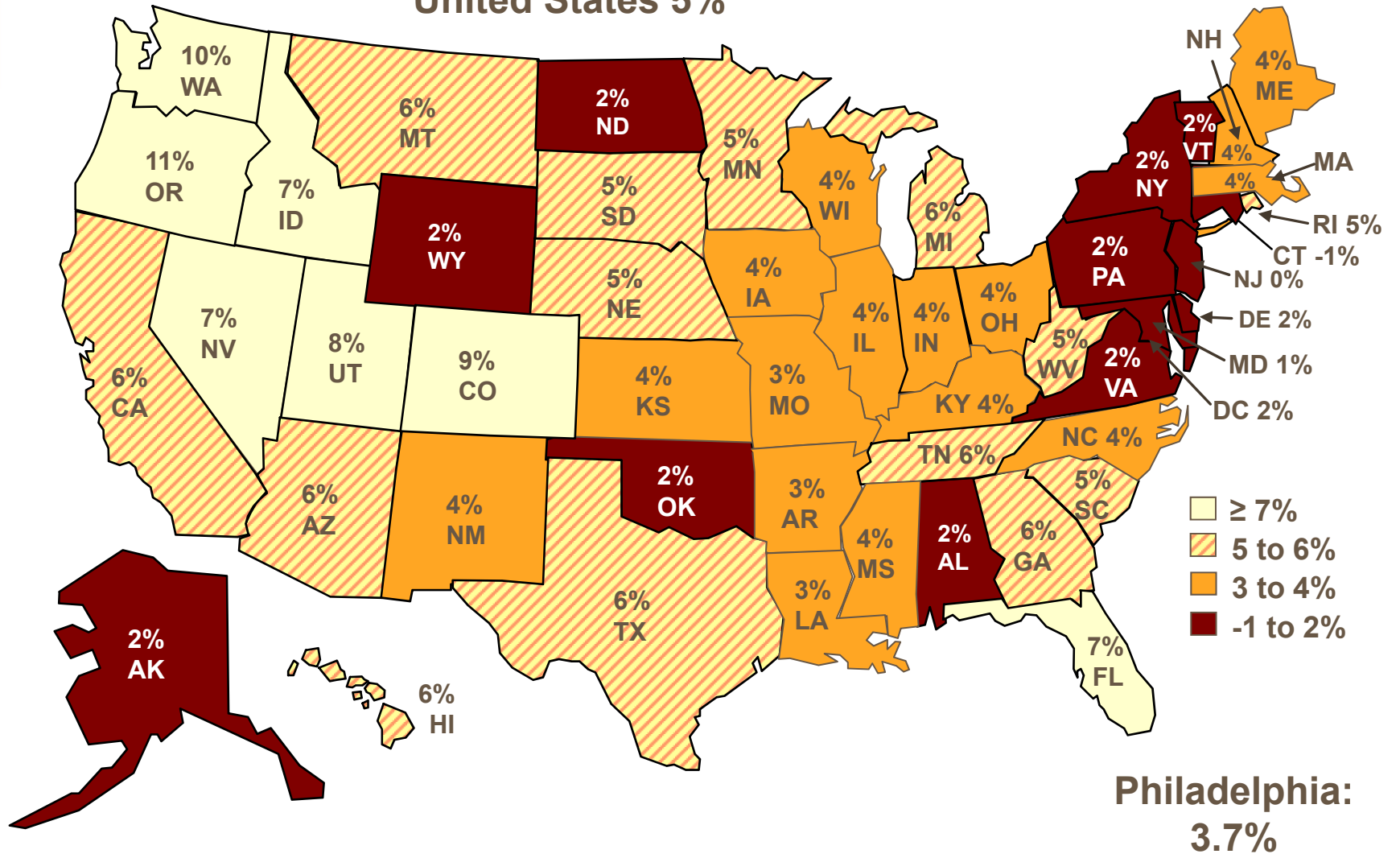
CoreLogic Home Price Index, Philadelphia Metropolitan Division (January 2000 = 100)



House Price Performance By State June 2015 to June 2016



United States 5%

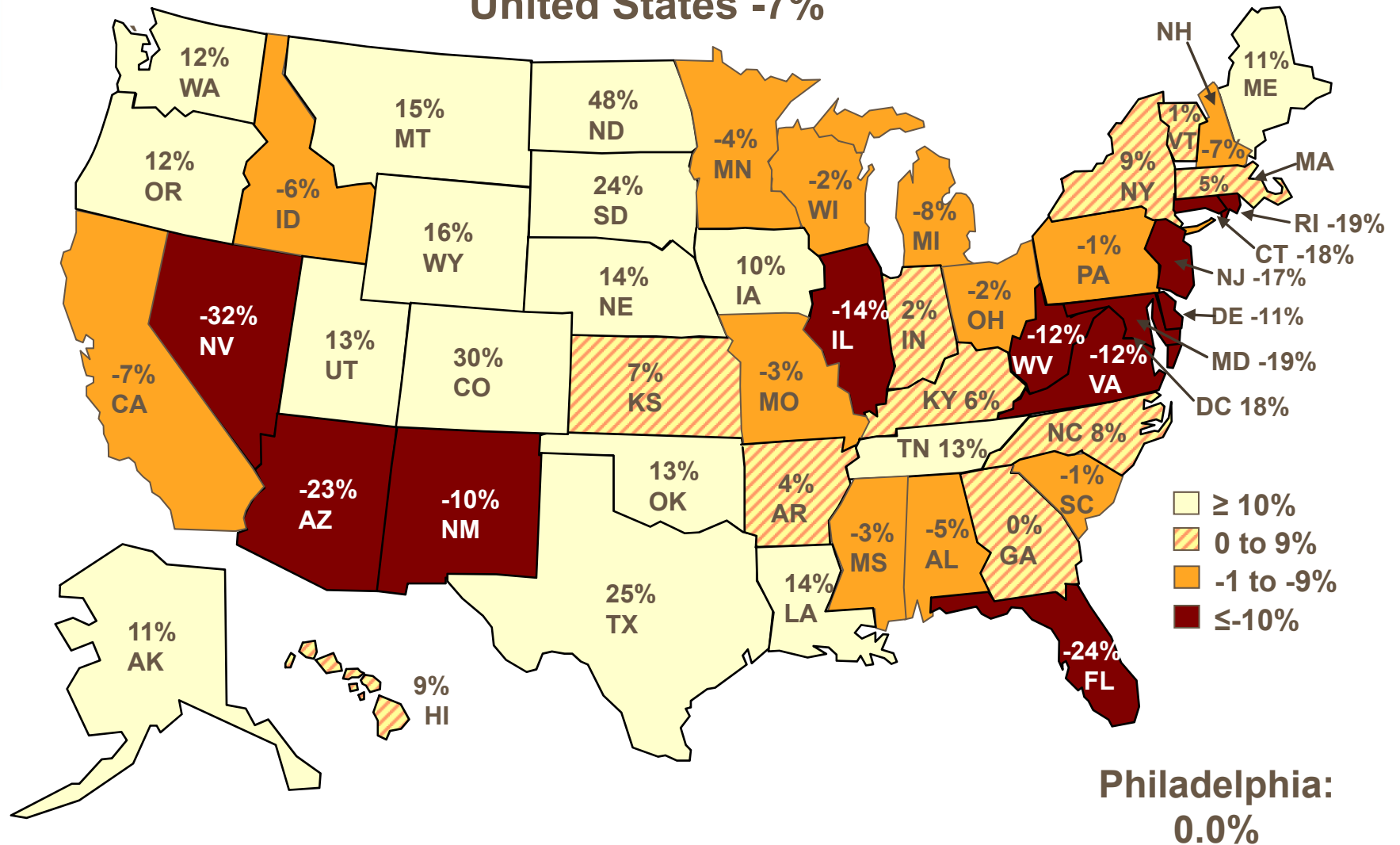


Source: CoreLogic HPI (September 6, 2016 Release)

House Price Performance By State June 2006 to June 2016



United States -7%



Source: CoreLogic HPI (September 6, 2016 Release); Philadelphia Metropolitan Division
10-year change calculated as 2006Q2 to 2016Q2.

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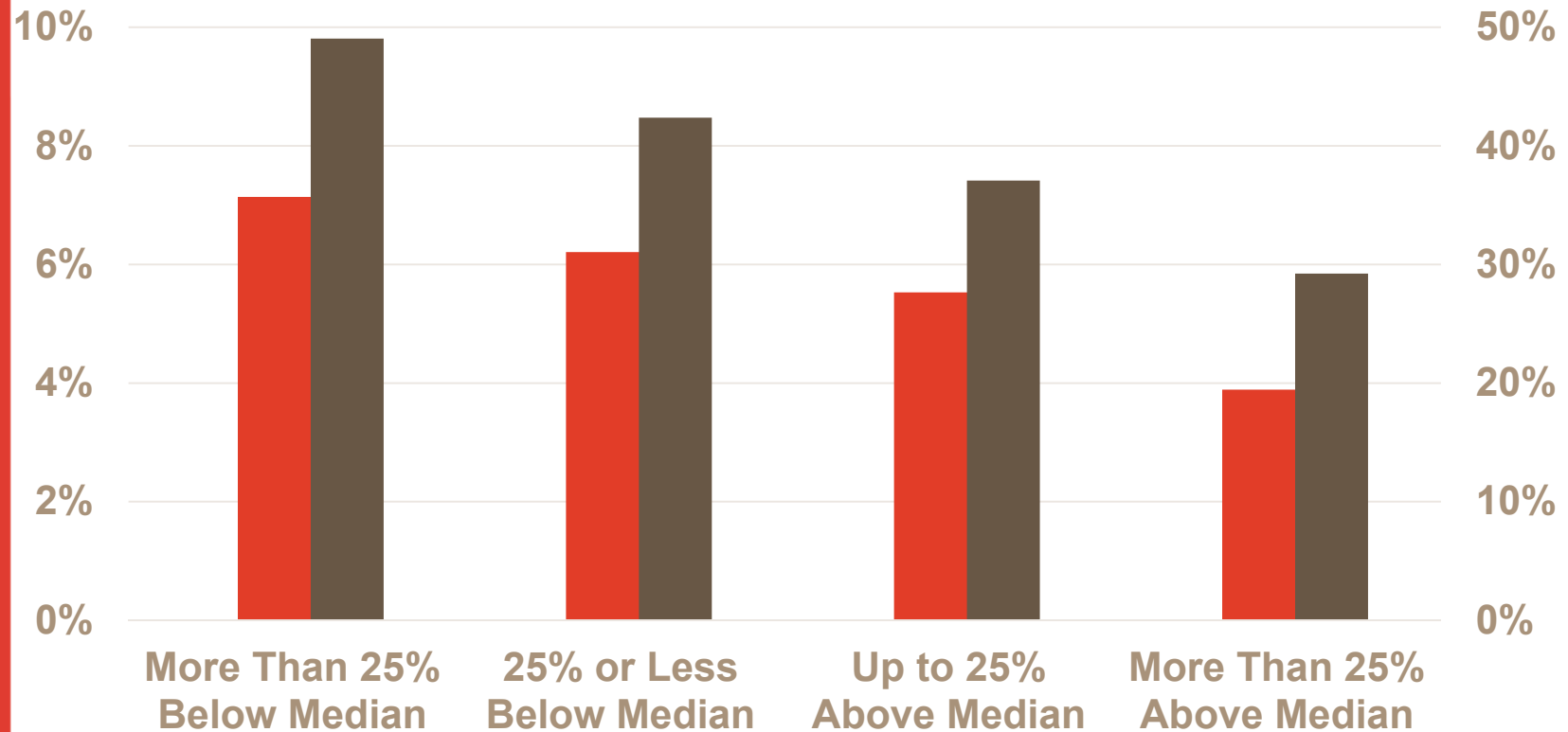
Price Growth Strongest For Lowest-Priced Houses



Cumulative Price Growth Through March 2016 (percent)

Since March 2015

Since March 2011 Trough



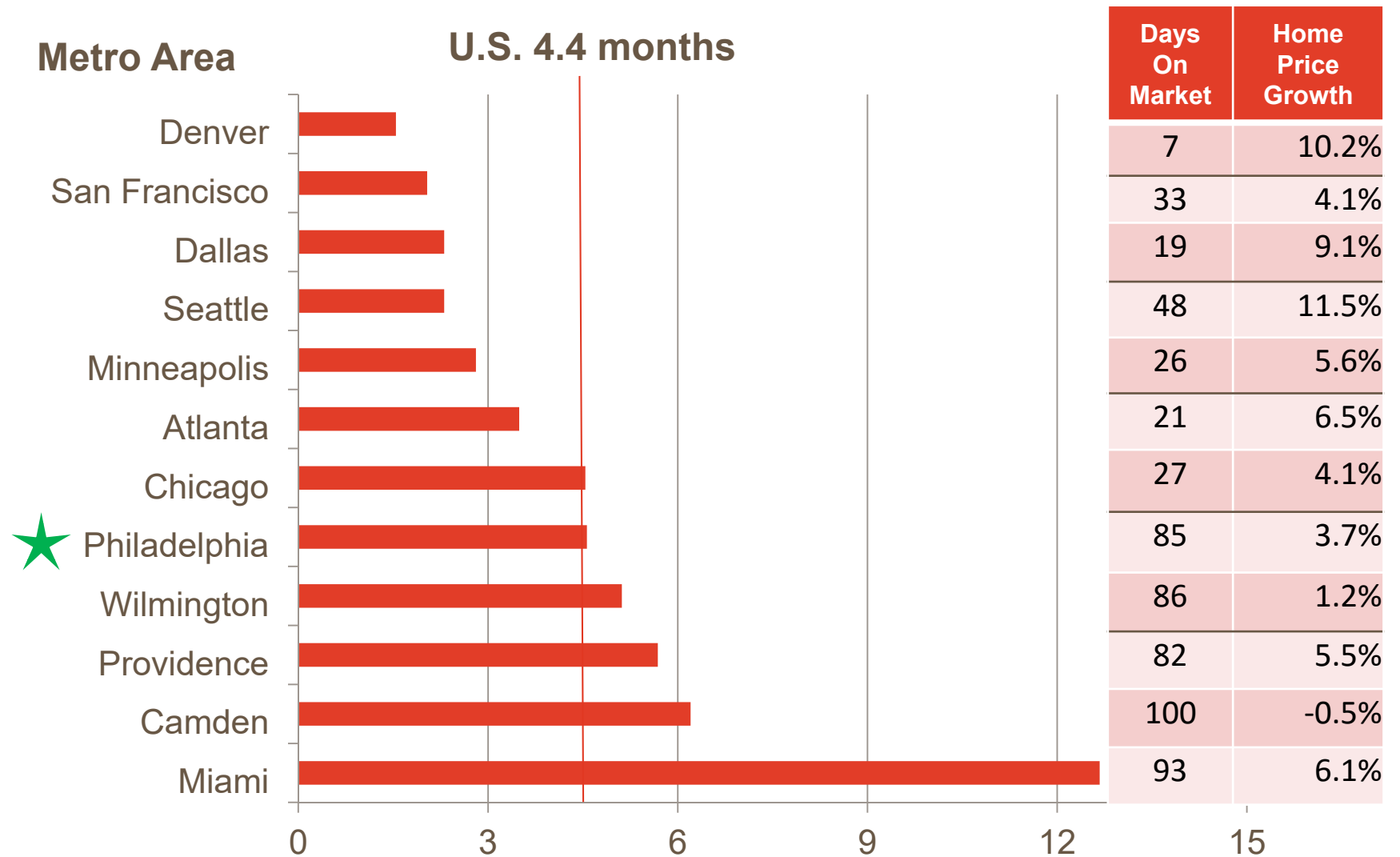
Price Growth Since: ■ One Year Ago ■ Price Trough

Source: CoreLogic HPI, Single-family Detached (July 5, 2016 release); National HPI trough occurred March 2011.

Months' Supply, Days on Market, Home-Price Growth

Metro Area

U.S. 4.4 months



Source: CoreLogic Home Price Index (percent change, June 2015 to June 2016) and CoreLogic Listing data for June 2016 (median Days on Market for sold properties).

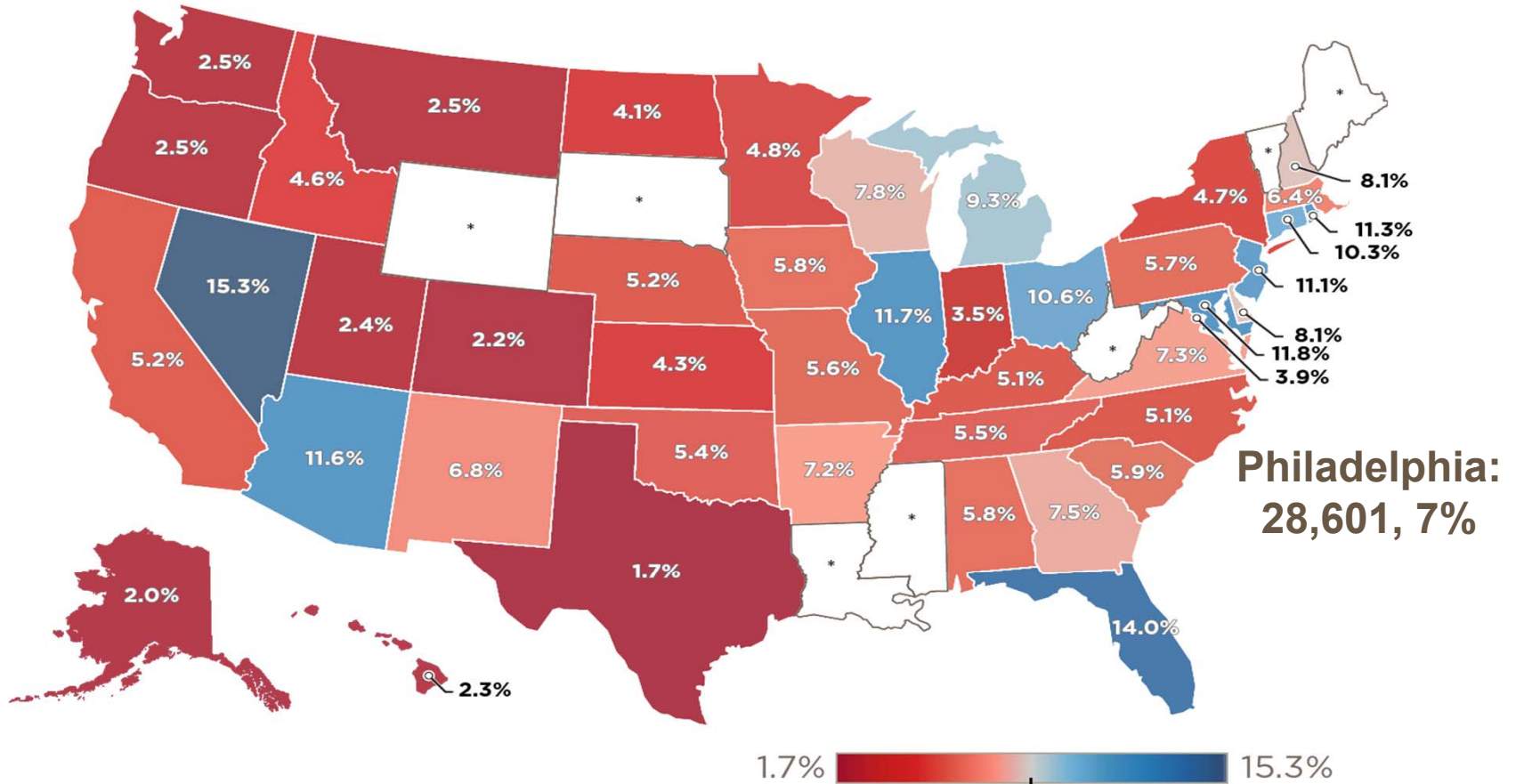
Number of Months

Negative Equity Share in U.S.:



7.1% of Mortgagors, or about 3.6 Million Homeowners

Negative Equity Share as of Q2 2016



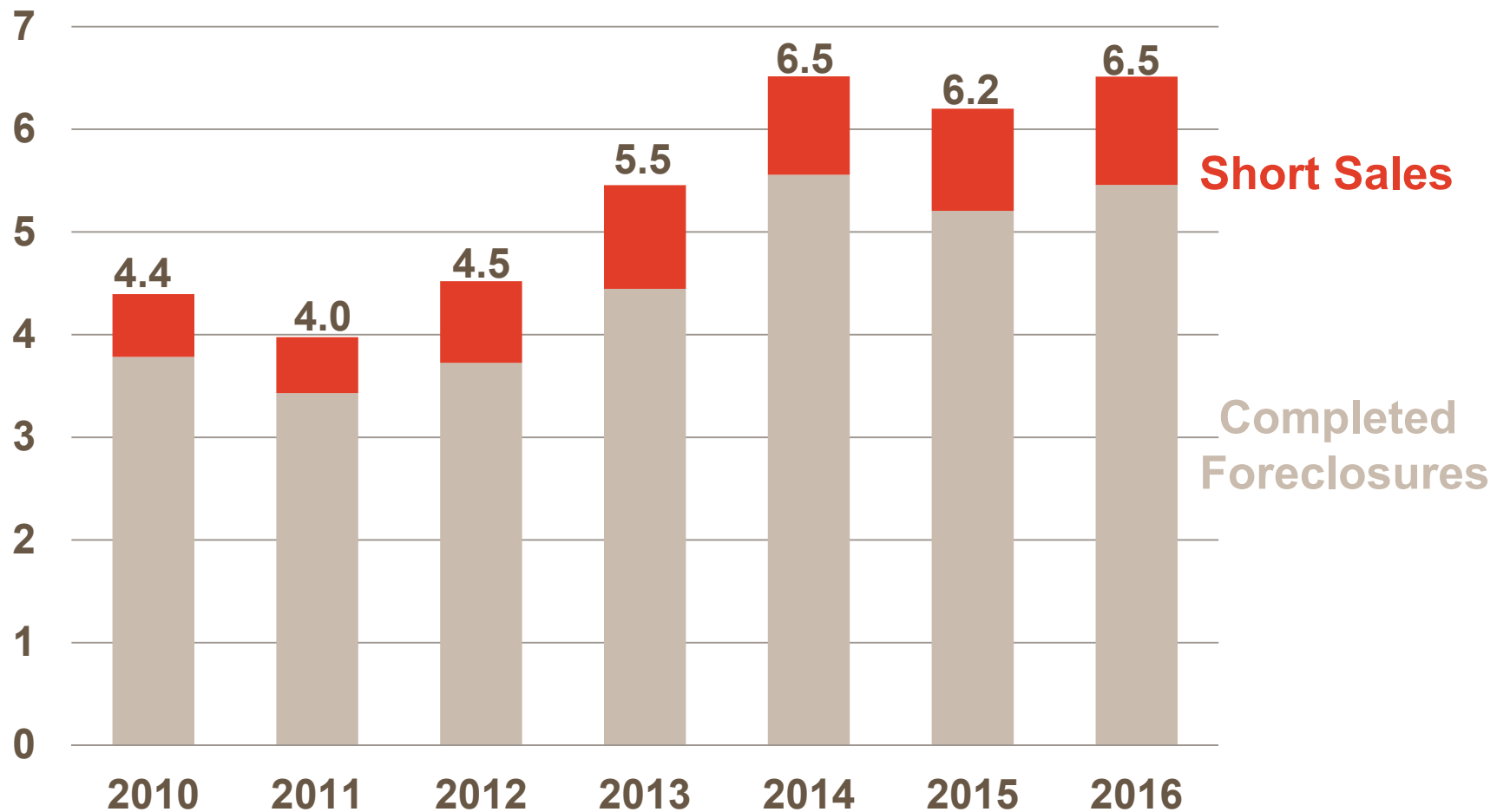
* Louisiana, Maine, Mississippi, South Dakota, Vermont, West Virginia and Wyoming have insufficient equity data to report.

Source: CoreLogic

Source: CoreLogic Equity Report, Second Quarter 2016. Louisiana, Maine, Mississippi, South Dakota, Vermont, West Virginia and Wyoming have insufficient equity data to report.

Philadelphia Region Foreclosures, Short Sales Plateau

12 Months Completed Foreclosures and Short Sales (Thousands)



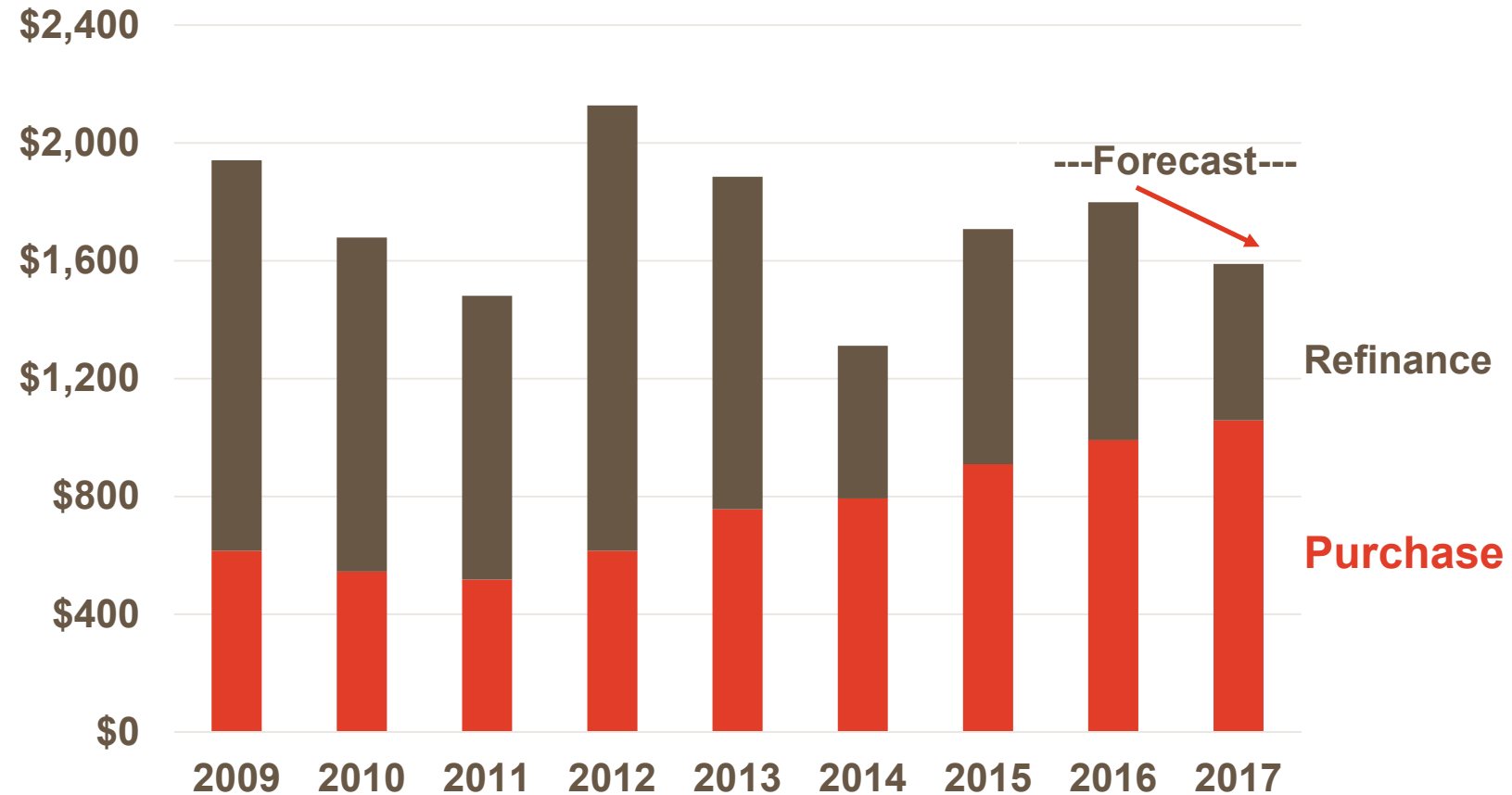
Source: CoreLogic National Foreclosure Report and MarketTrends. Data for 12 months ending June of each year. For Philadelphia PA Metropolitan Division.

Single-Family Mortgage Originations



More Purchase, Less Refinance, Less Volume in 2017

Single-family Mortgage Originations (Billions of U.S. dollars)

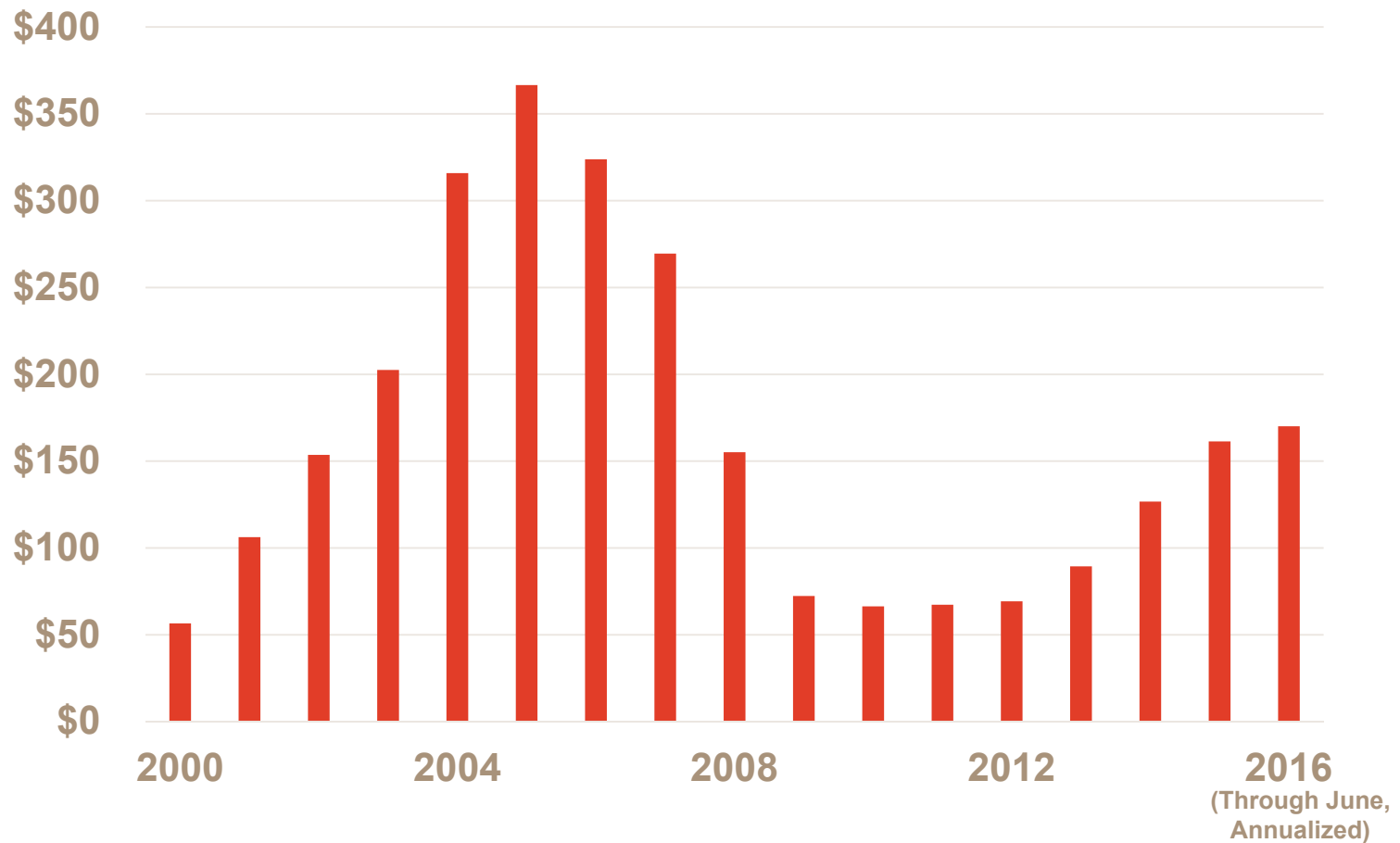


Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, Freddie Mac and Zelman & Associates. Fannie Mae, Freddie Mac and MBA forecast as of July 2016, Zelman as of June. Originations exclude HELOCs.

New HELOC Volume in 2016 On Track To Be Most Since 2007



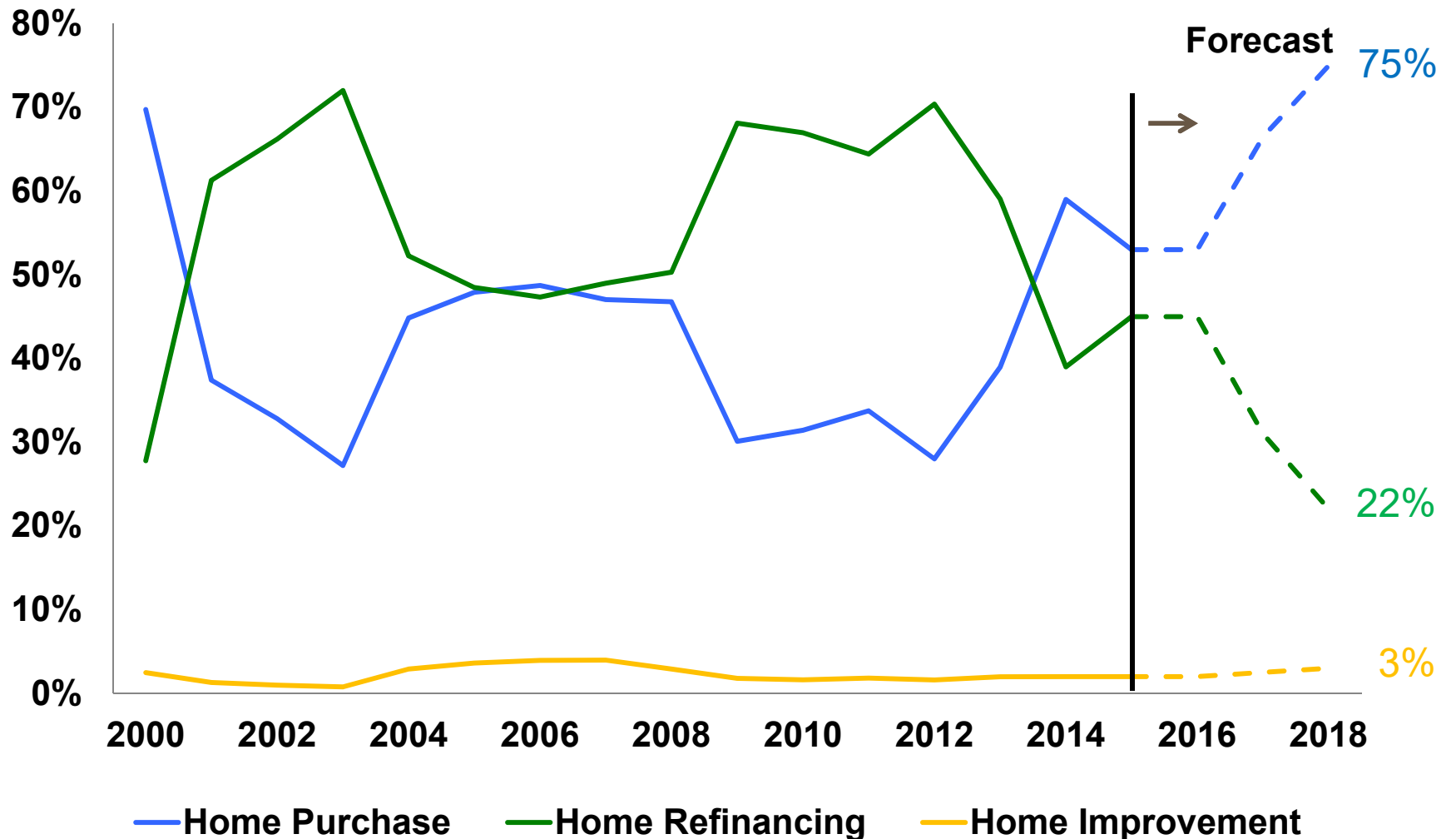
Approved HELOCs (Billions)



Source: CoreLogic public records, second-lien HELOCs placed more than 60 days after first lien.

Purchase-Money Dominates in the 'New Normal'

Share of Single-family Originations (percent)

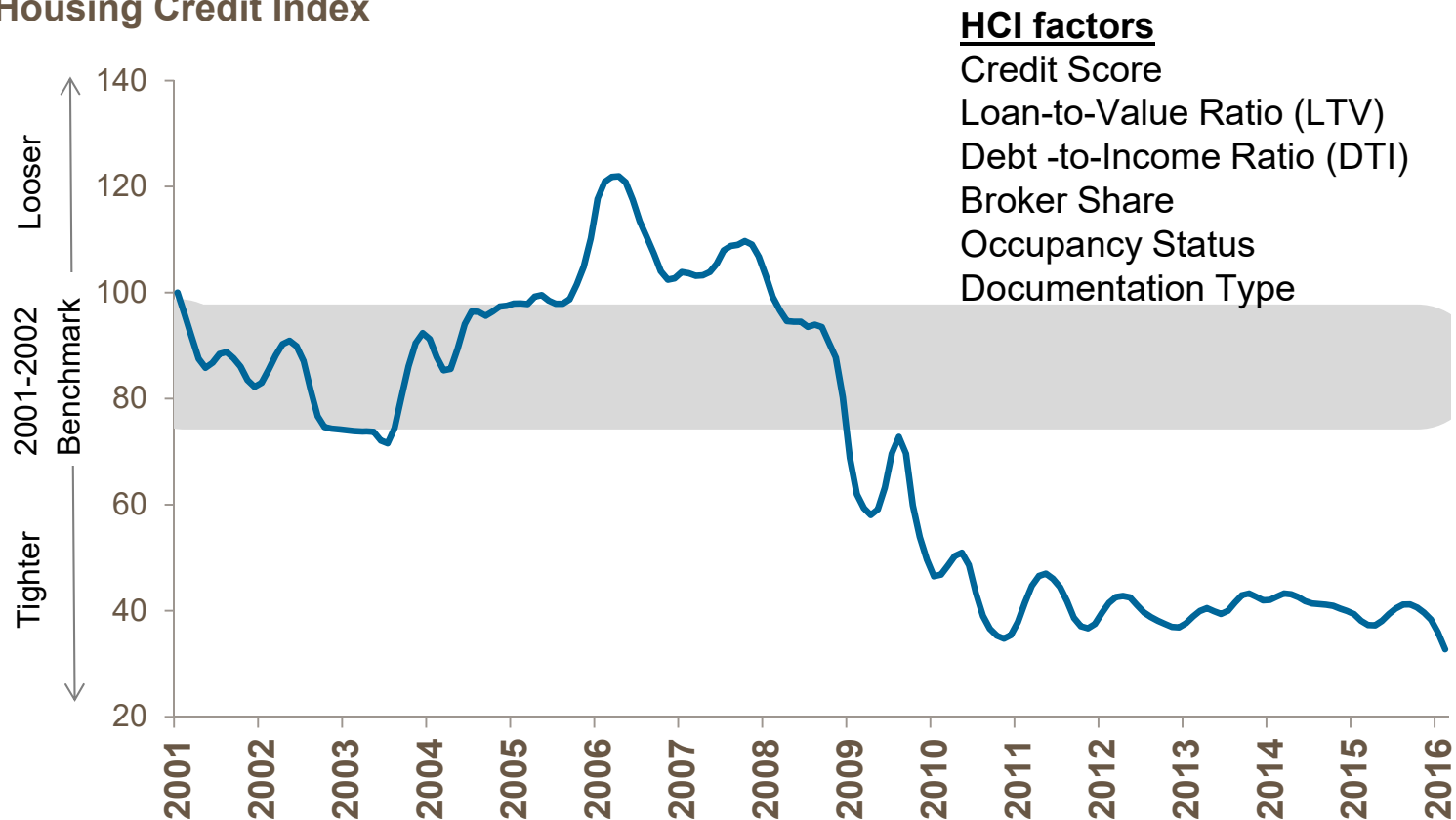


Source: HMDA (2000-2014), CoreLogic public records (2015), average of MBA, Freddie Mac, Fannie Mae projections (2016-2017), MBA projection (2018).

Mortgage Credit Availability Remains Low

Housing Credit Index Compared with 2001-2002 Benchmark

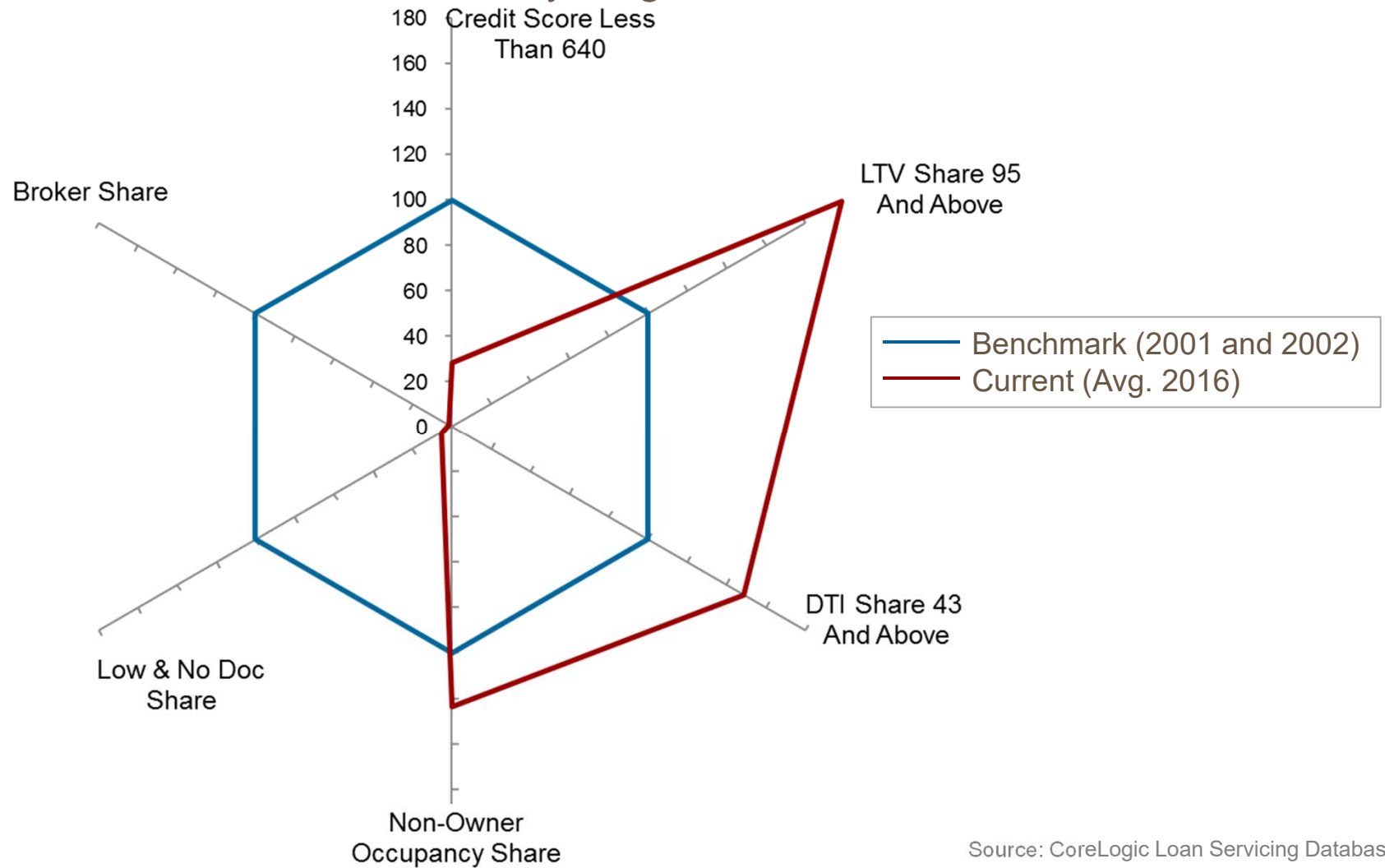
Housing Credit Index



Source: CoreLogic Loan Servicing Database

Mortgage Underwriting Along Six Dimensions

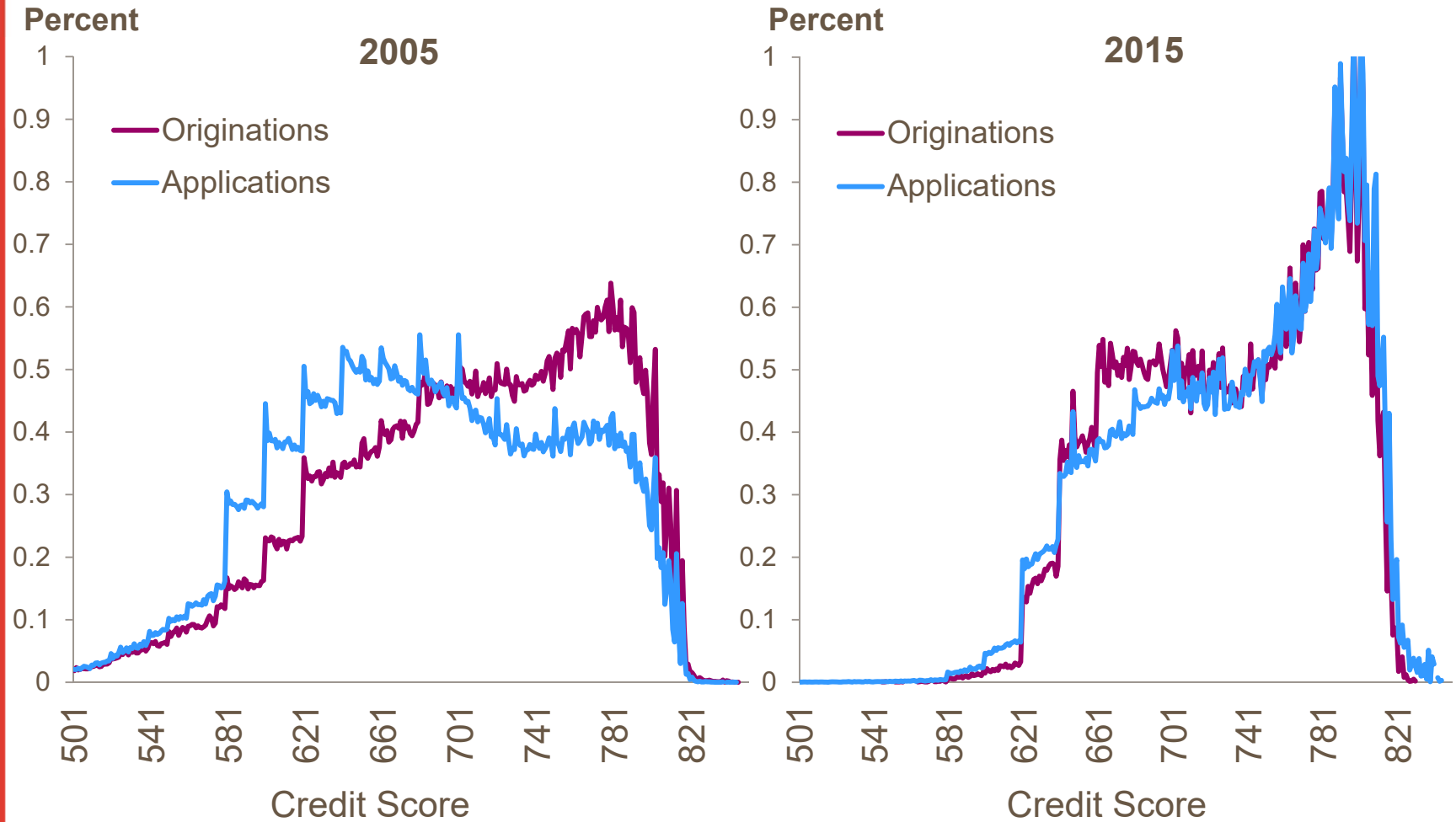
First-Lien Purchase Money Originations



Source: CoreLogic Loan Servicing Database

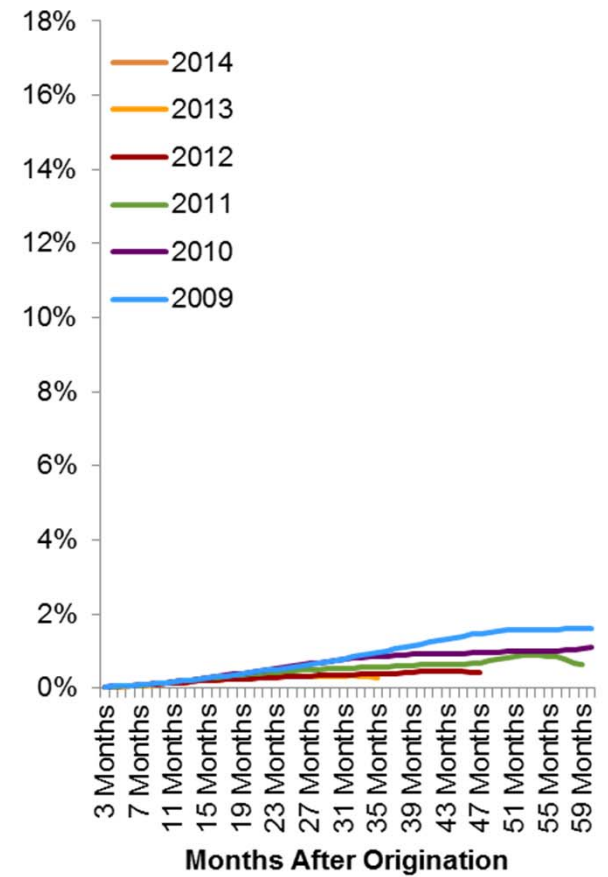
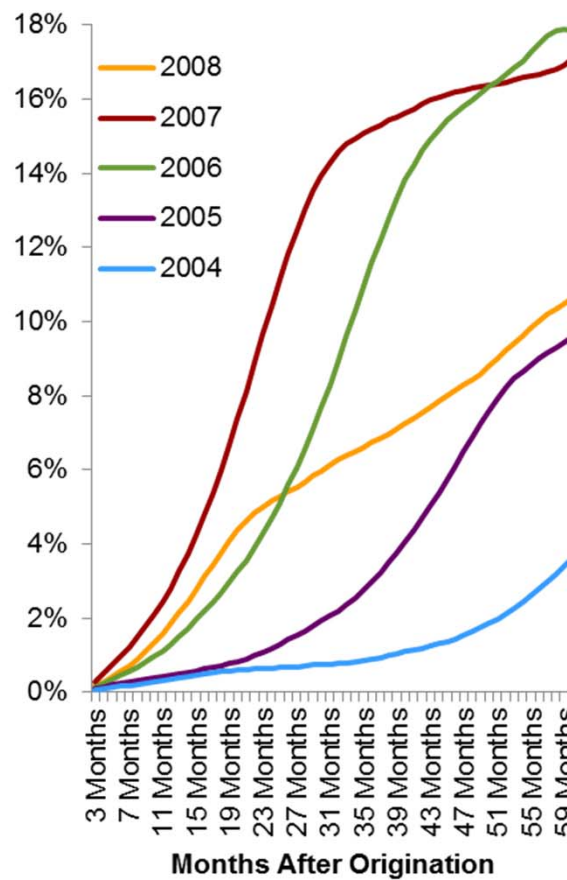
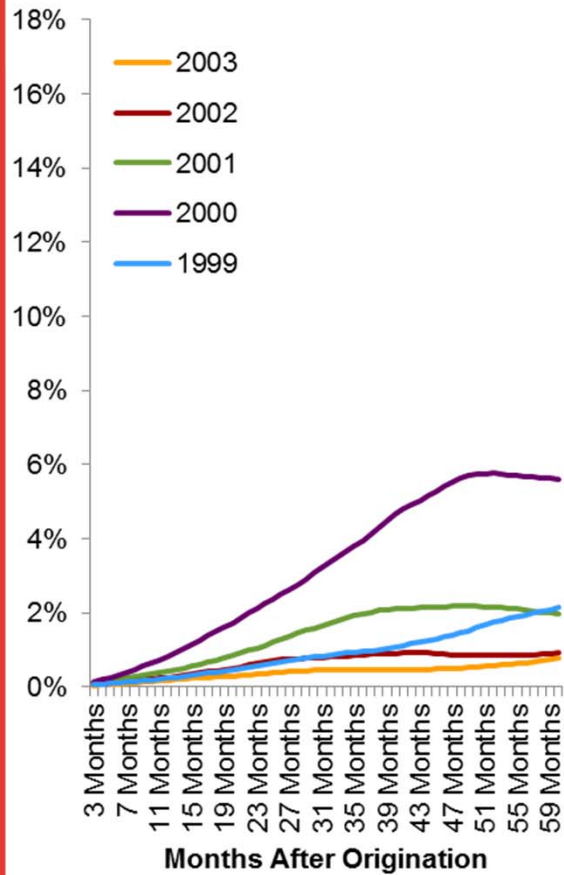
Is tight underwriting holding back sales?

Applicants may be “self-sidelining”



Recent Vintages Exhibit Pristine Performance

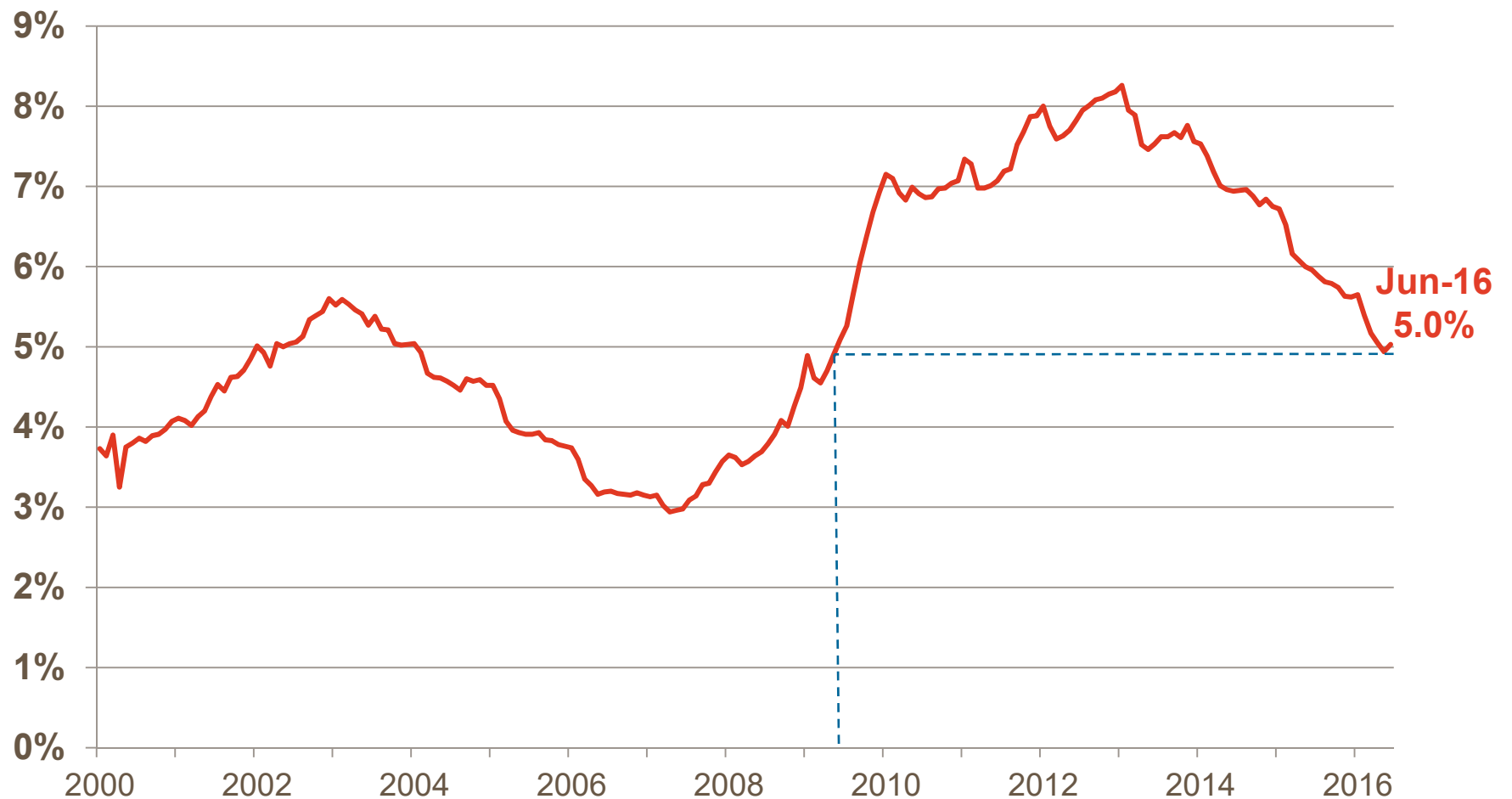
Serious Delinquency Rate by Origination Cohort



Source: CoreLogic: March 2016

Philadelphia Serious Delinquencies Near 7-Year Low

Percent of Philadelphia Metro Area Loans 90+ Days Delinquent or in Foreclosure



Source: CoreLogic Servicing, through June 2016 for the Philadelphia PA Metropolitan Division

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The 'New Normal'

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- 3. Sales rise but turnover remains below 'average'**
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- 5. Loan performance excellent (new credit 'tight')**

Where to find more information

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

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

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