

The Housing Market: Fall 2023

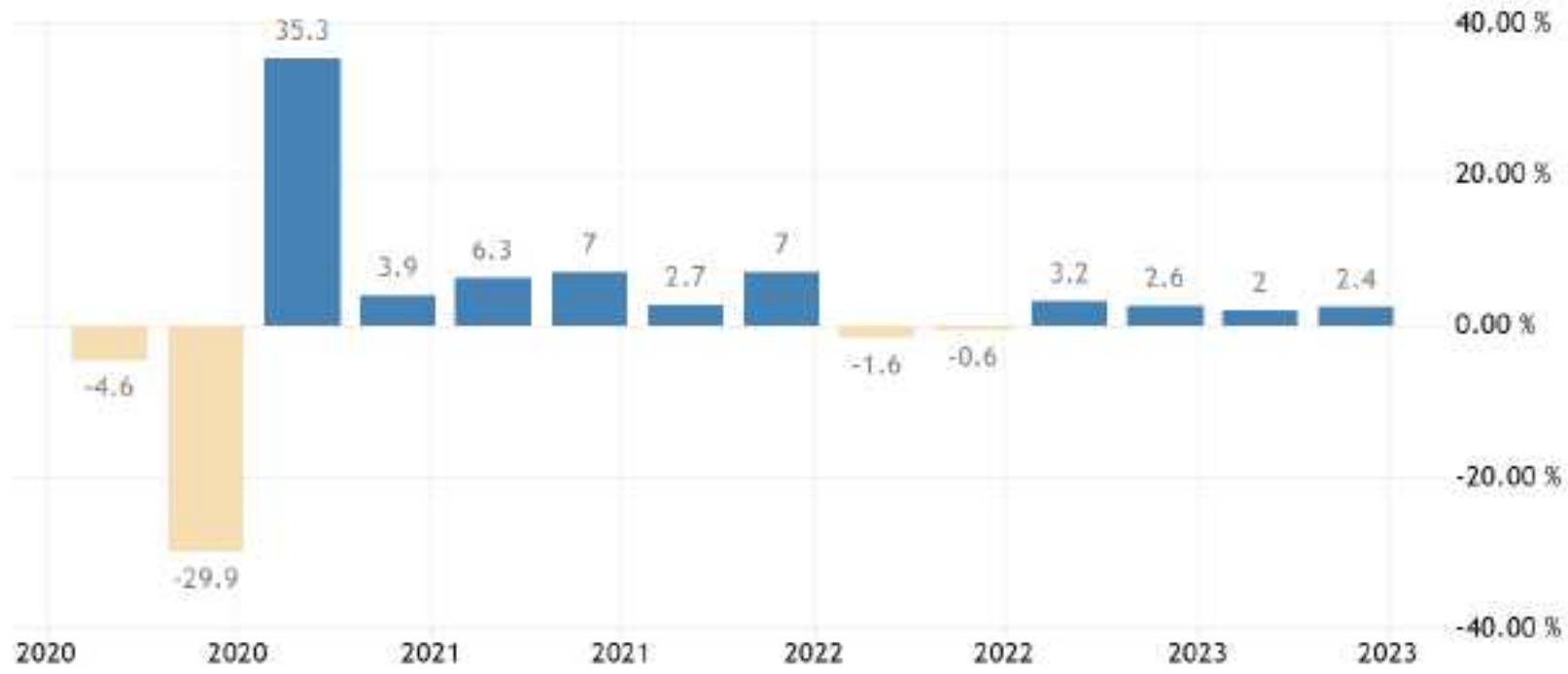
What We'll Cover Today



- The Economy
- The Housing Market
- Investor Activity
- Delinquencies & Defaults
- Closing Thoughts

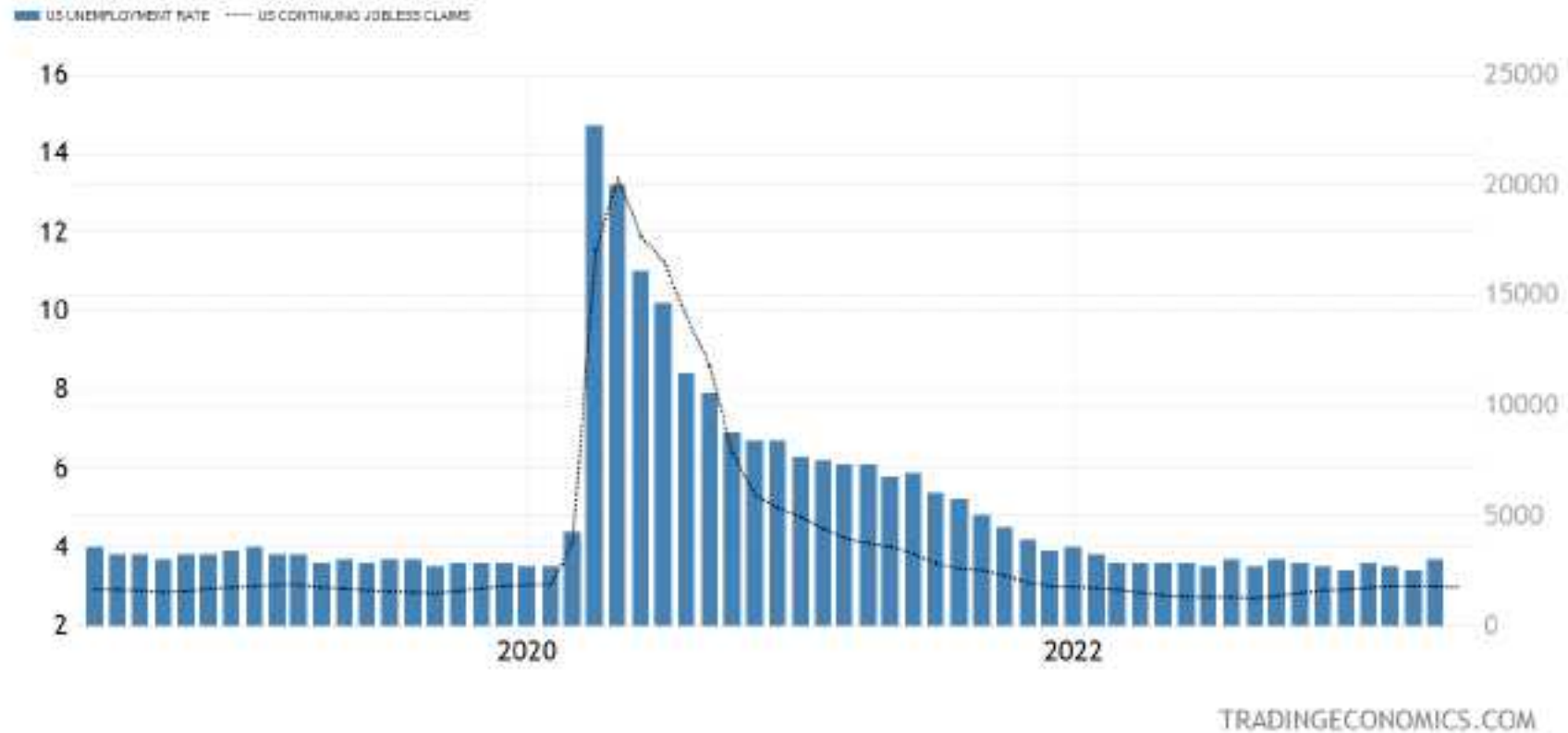
THE U.S. ECONOMY

Q1 GDP Remains Positive Despite Gloomy Forecasts

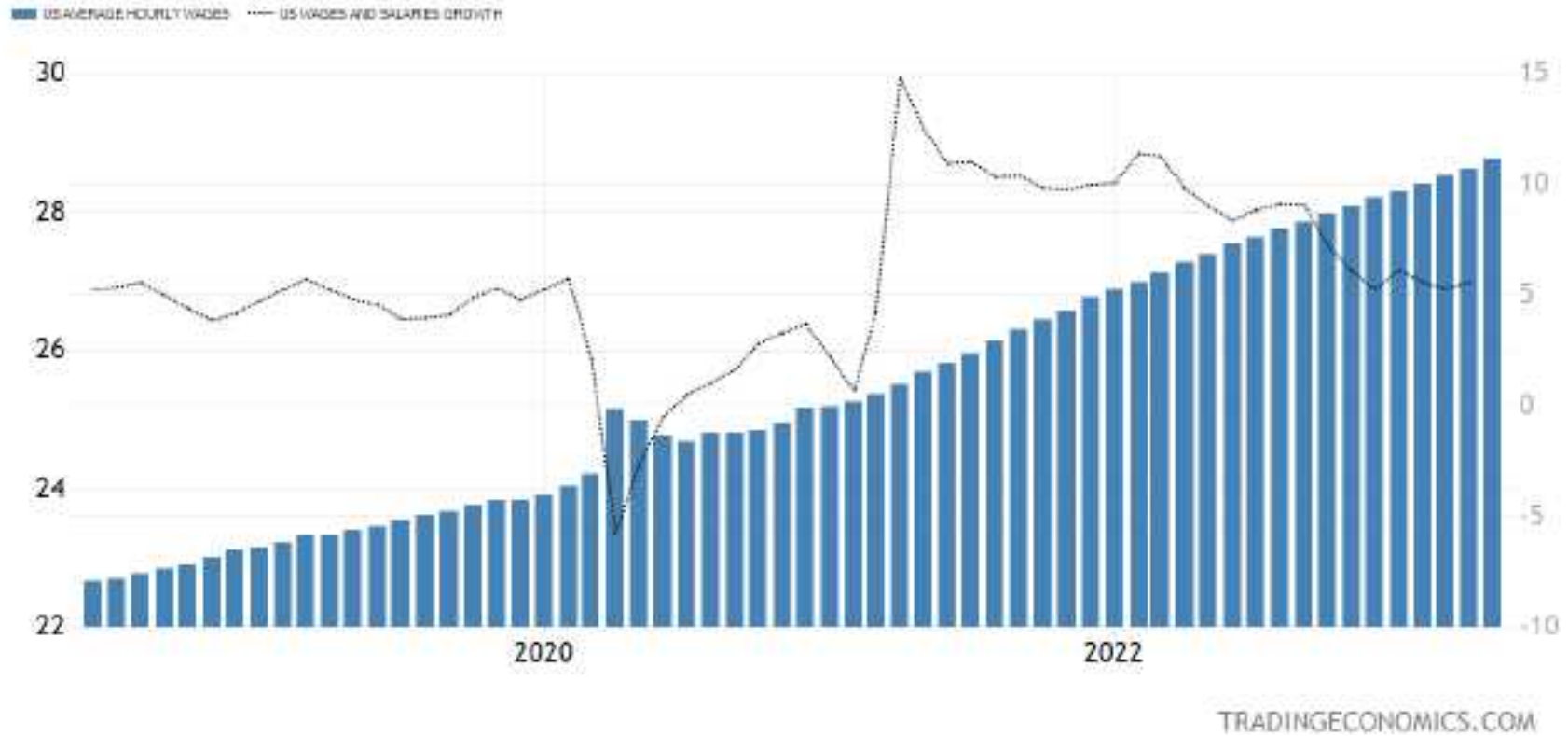


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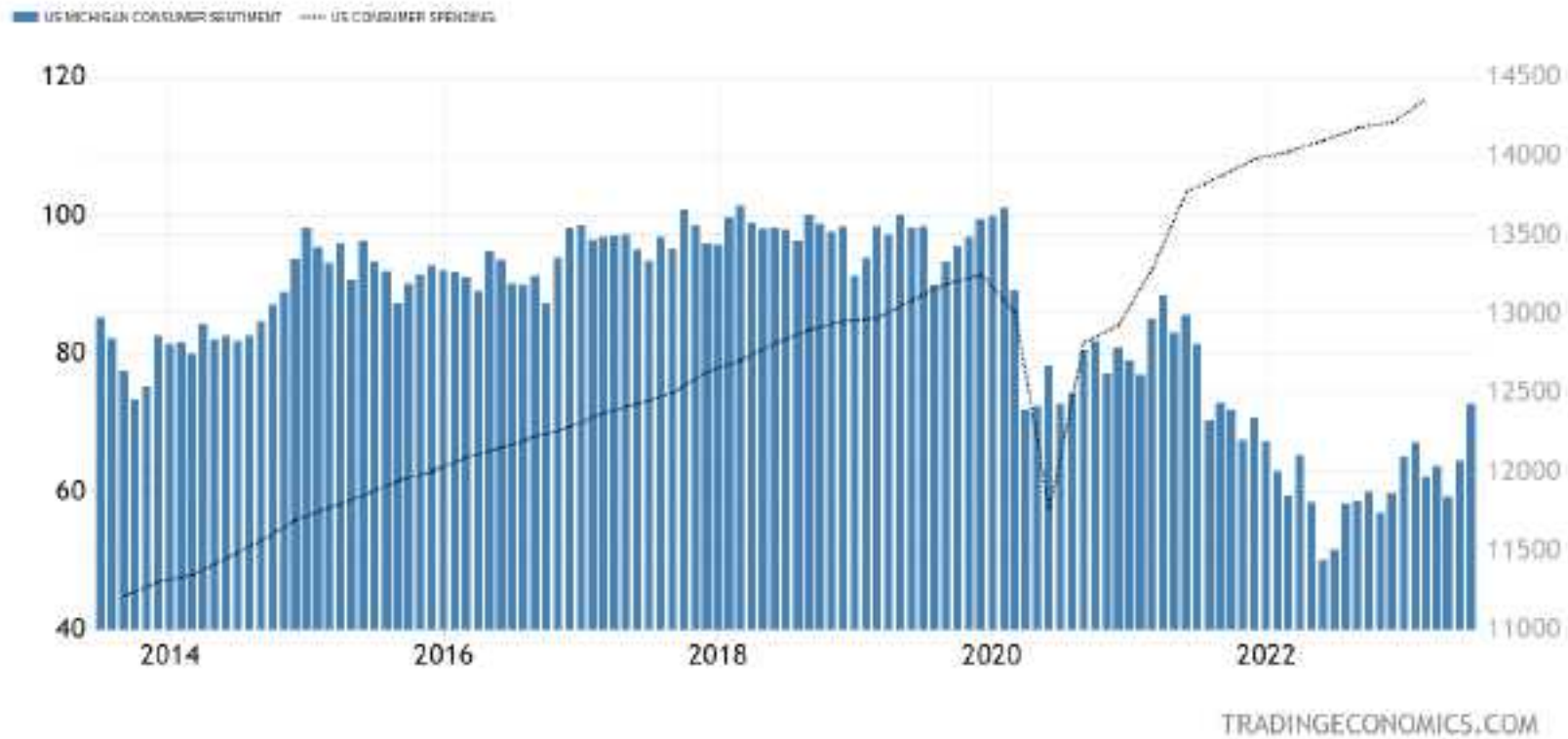
Unemployment Still Near Historically Low Levels



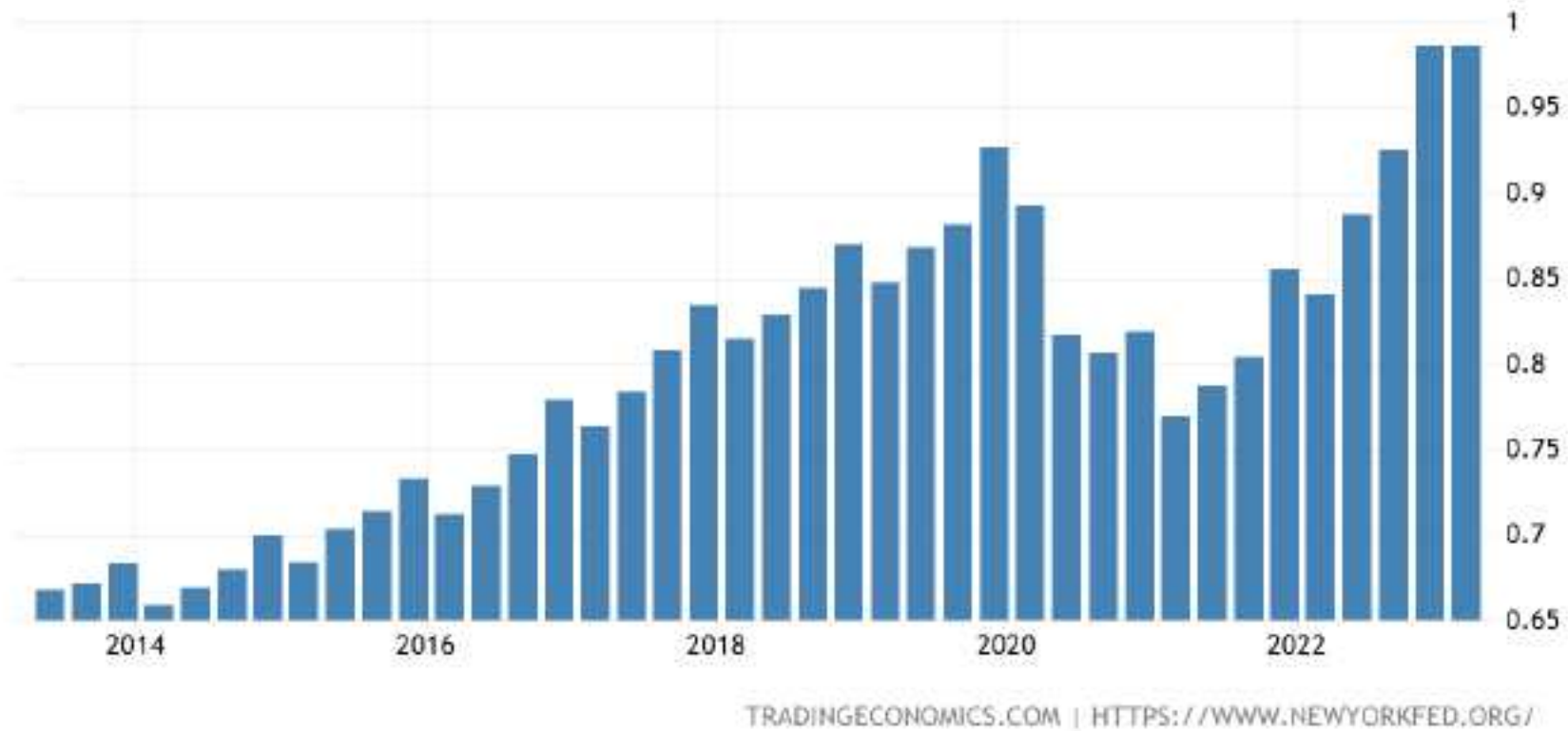
Wages Continue to Grow



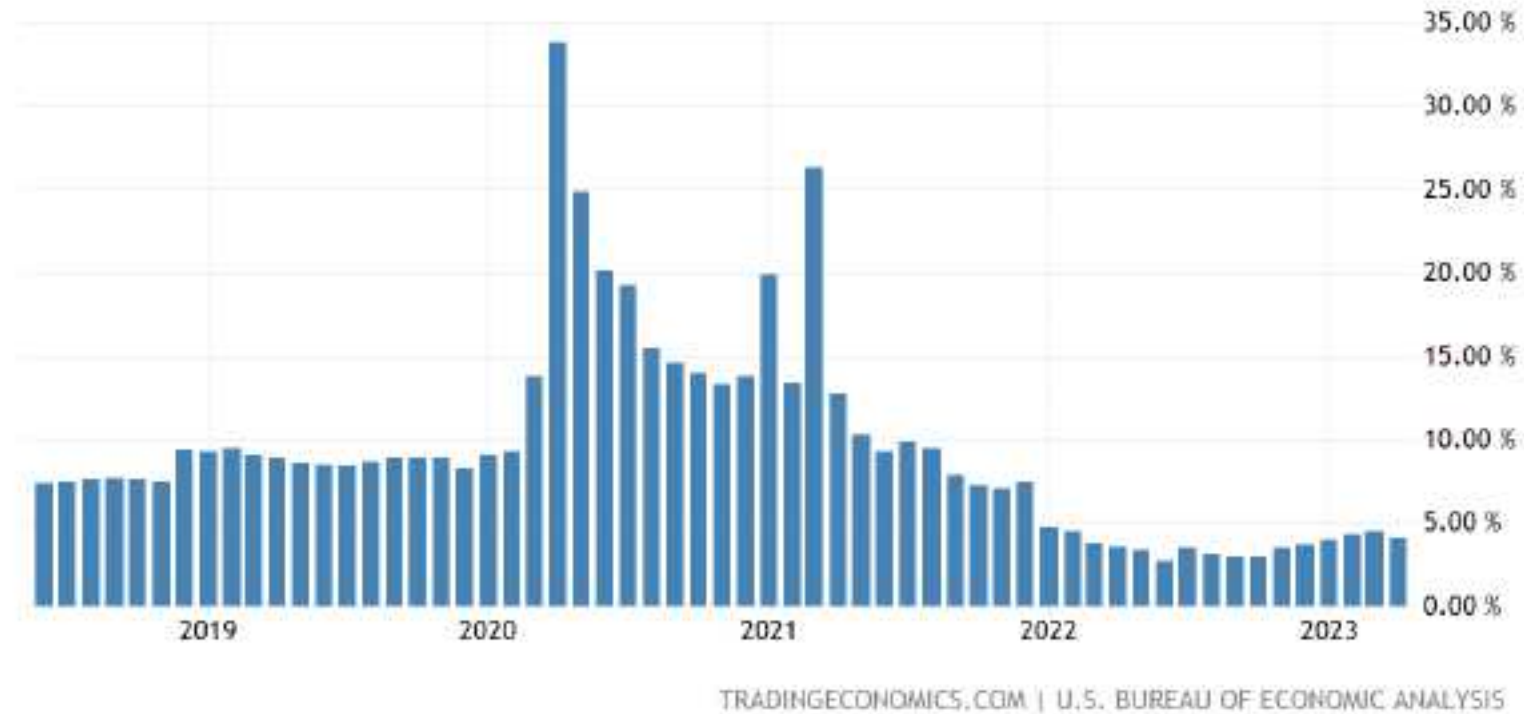
Consumer Spending Outpaces Consumer Confidence



Consumer Credit Card Use at All Time High



While Personal Savings Remains Below Historic Averages



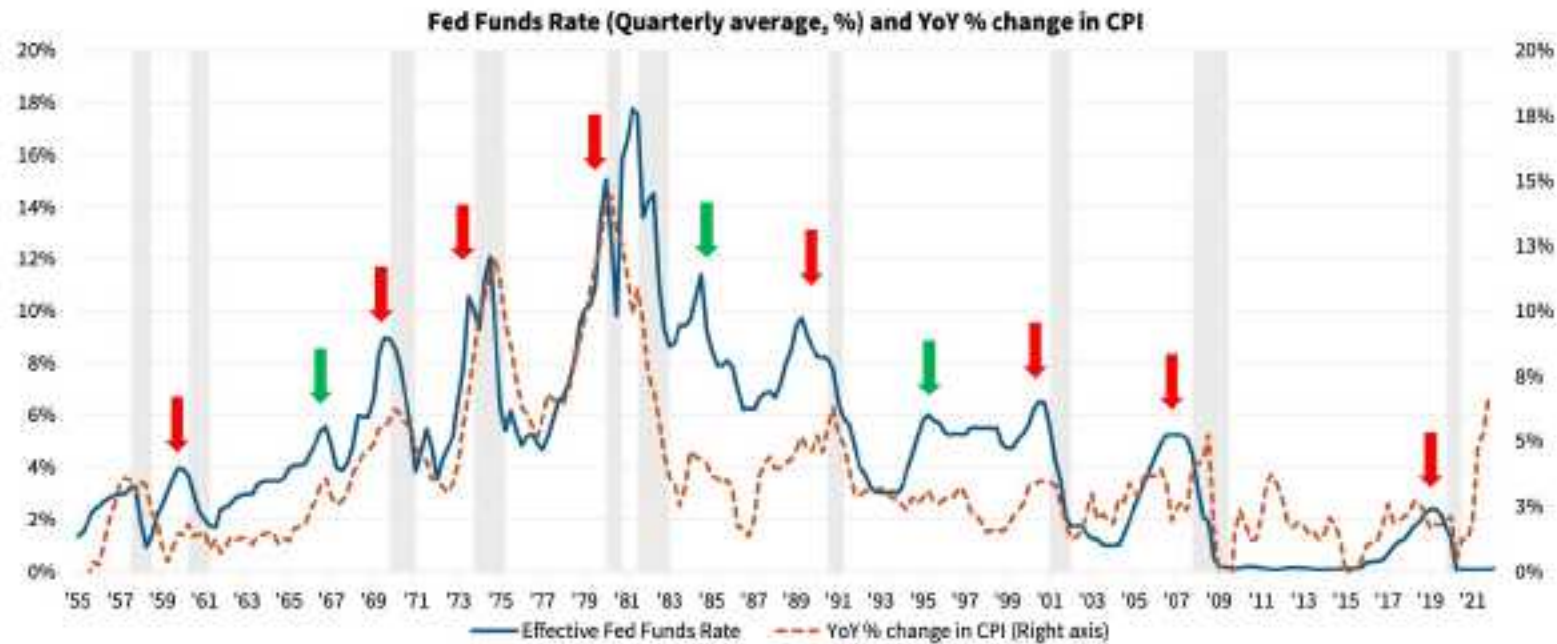
Inflation May Have Peaked, But the Fed Maintains an Aggressive Posture



Similar Activity Has Always Resulted in a Recession

Fed funds rate increases often point toward next downturn

In times when the Fed has managed a "soft landing," they were generally moving preemptively



8 Source: Federal Reserve, Bureau of Labor Statistics

Yield Curve Inversion Also Points to Recession



THE HOUSING MARKET

Volatility, Risk, Bond Yields Keeping Mortgage Rates Near 20-Year High

Primary Mortgage Market Survey®

U.S. weekly averages as of 08/31/2023

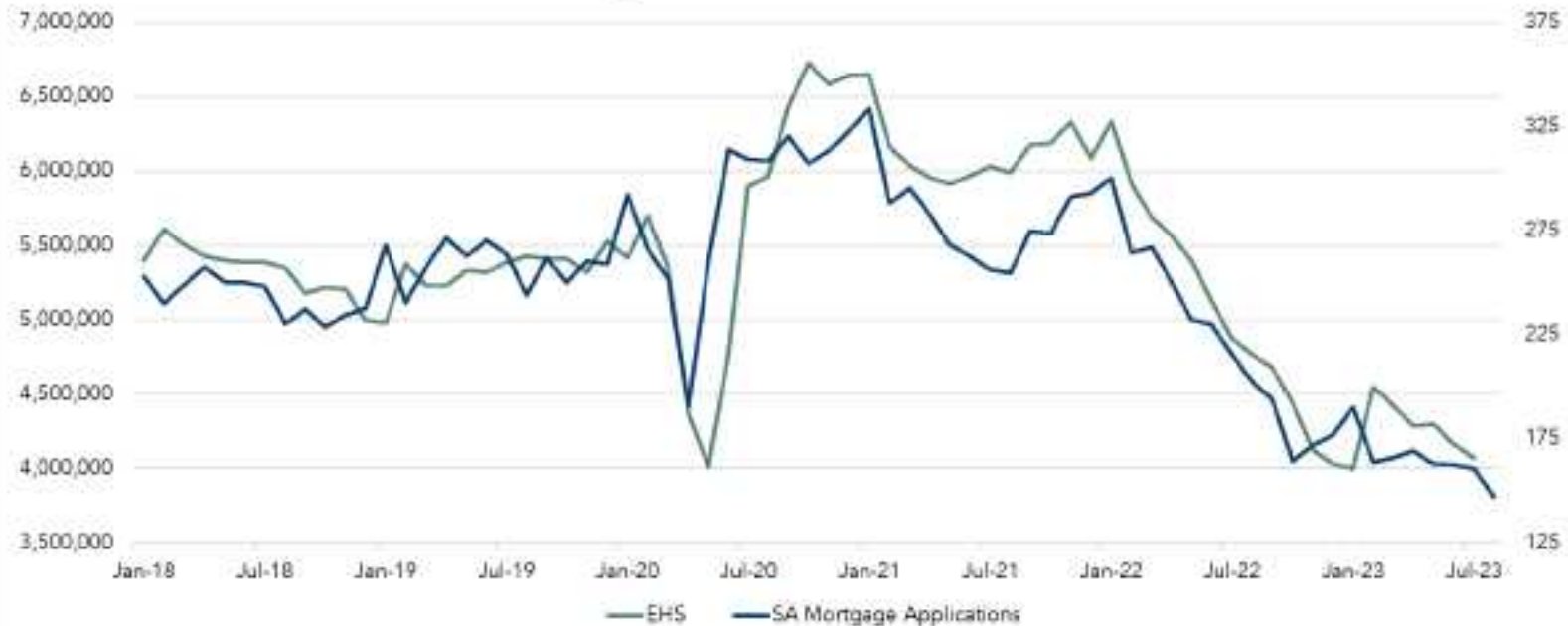
30-Yr FRM	1-Wk change	15-Yr FRM	1-Wk change
7.18%	-0.05	6.55%	+1.5
	1-Yr change		+1.52
	4-Wk avg. 7.12%		4-Wk avg. 6.48%
	52-Wk avg. 6.57%		52-Wk avg. 5.88%



Mortgage Purchase Loan Applications Off 30% From 2022

Mortgage Applications Dip

MBA Purchase Index* (SA, Mar-16-90=100, RHS), Existing-Home Sales* (LHS)



Source: First American Calculations, MBA, NAR, Jul. 2023

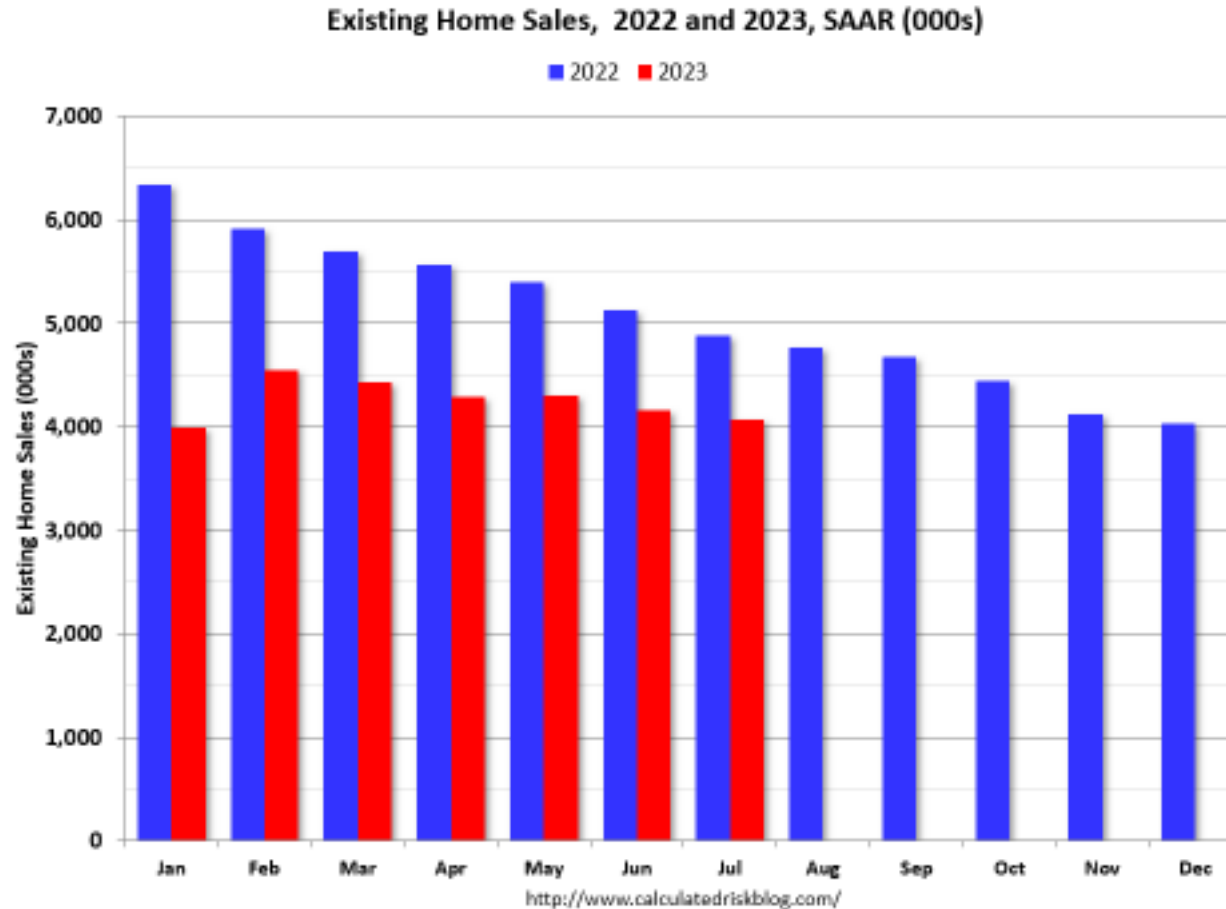
*EHS data is through July

*Mortgage Applications Data in August is Partial

Pending Home Sales Down Year-Over-Year

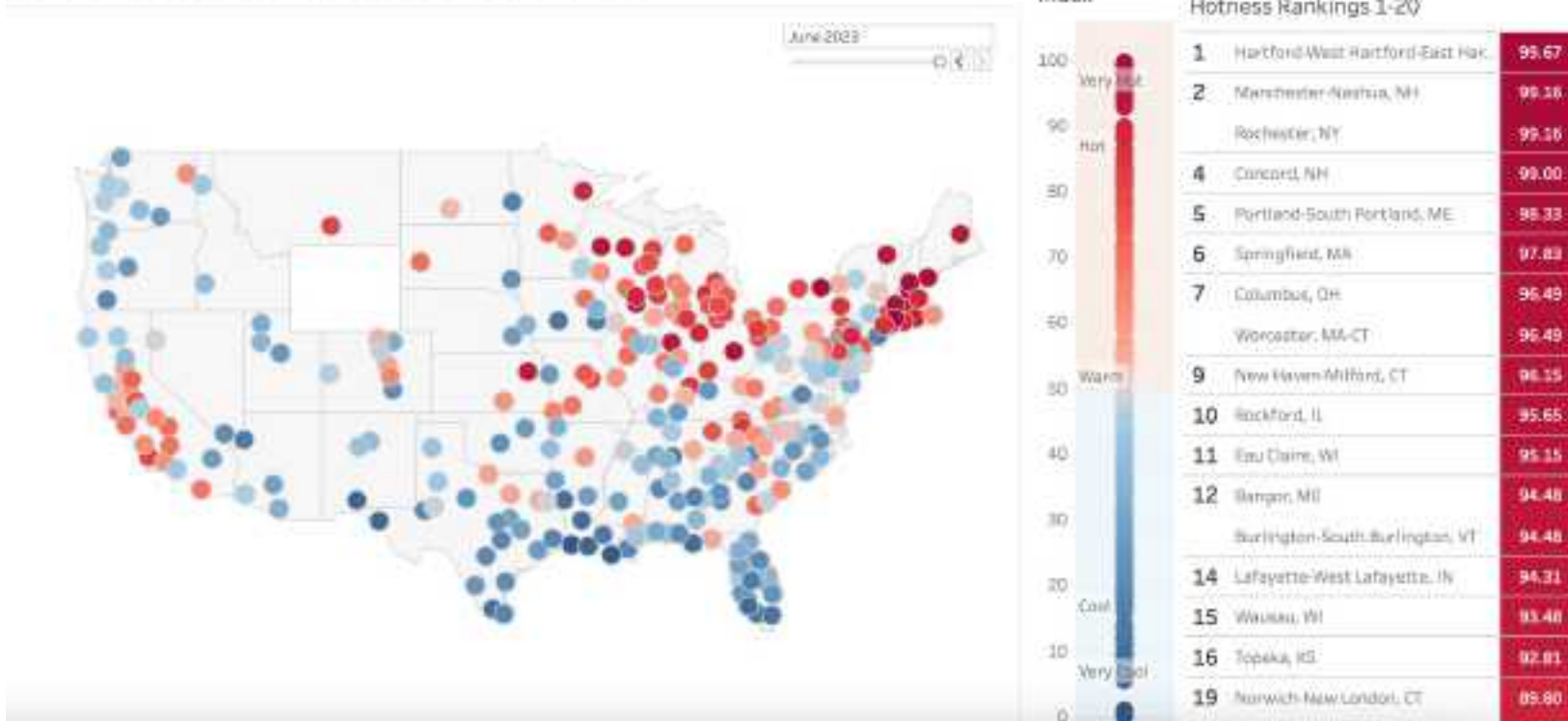


Existing Home Sales Down in July – 23rd Consecutive Month of Declines

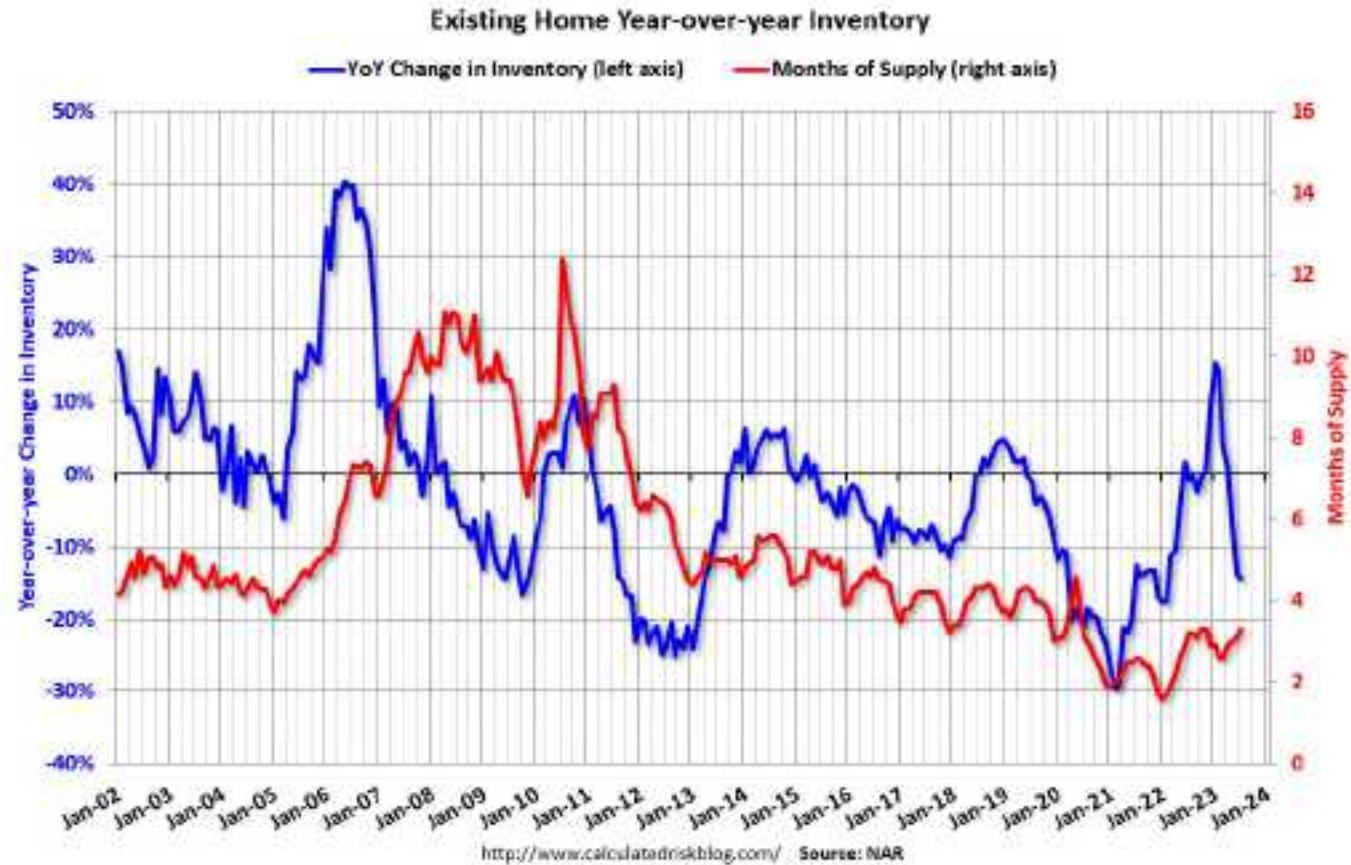


Hottest Markets in Midwest, Mid-Atlantic States

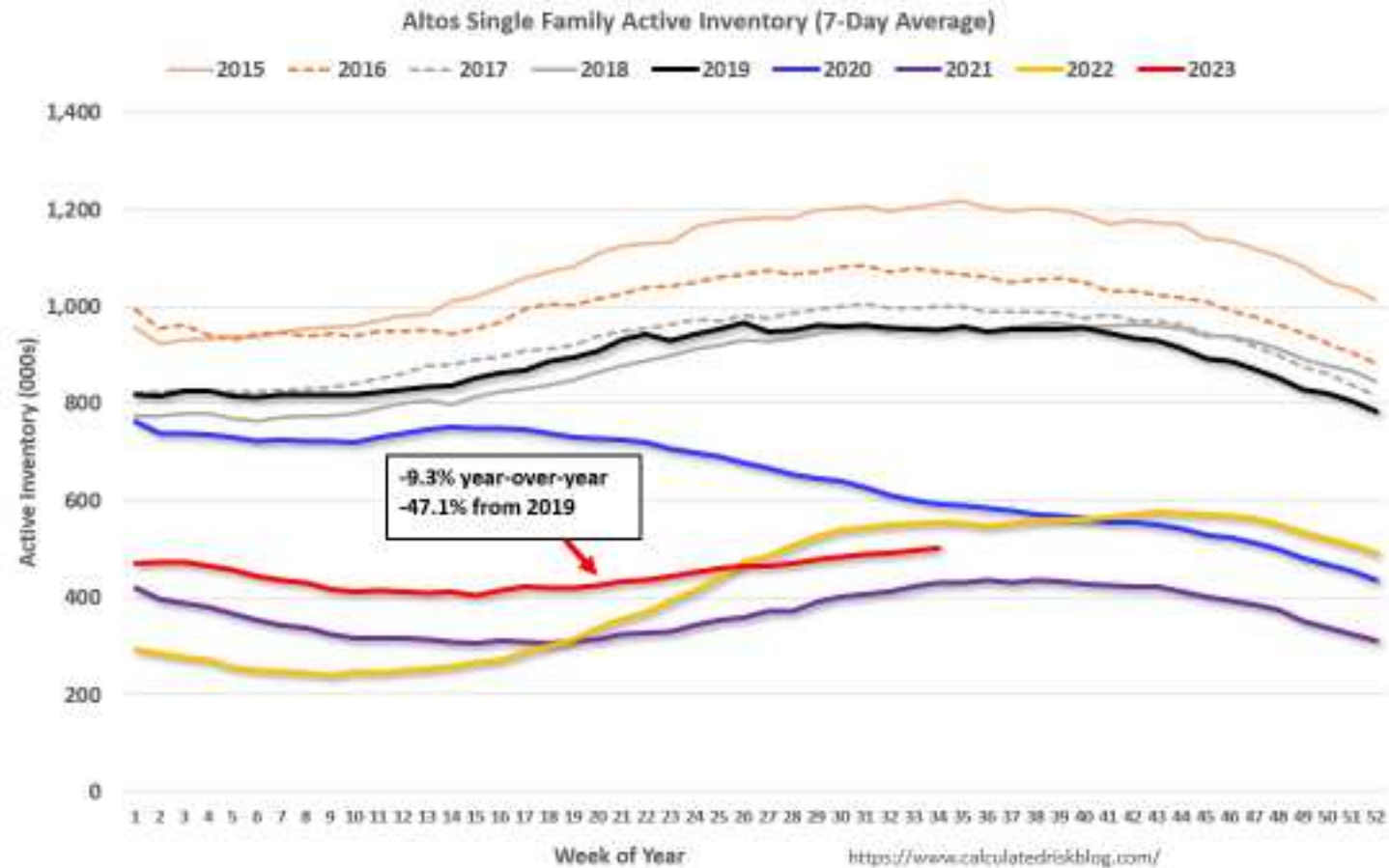
Hottest Real Estate Markets June 2023



Inventory Still Below a Three Month Supply



And Remains a Huge Headwind for the Market

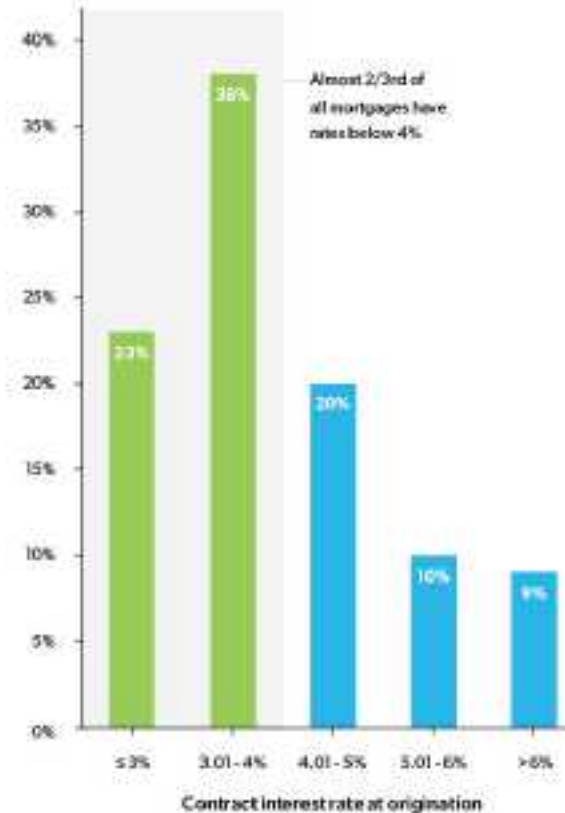


“Rate Lock” Keeping Inventory Levels Critically Low

- Almost 93% of homeowners with a mortgage have a rate at or below 6%
- About 2/3 of homeowners with a mortgage have a rate at or below 4%

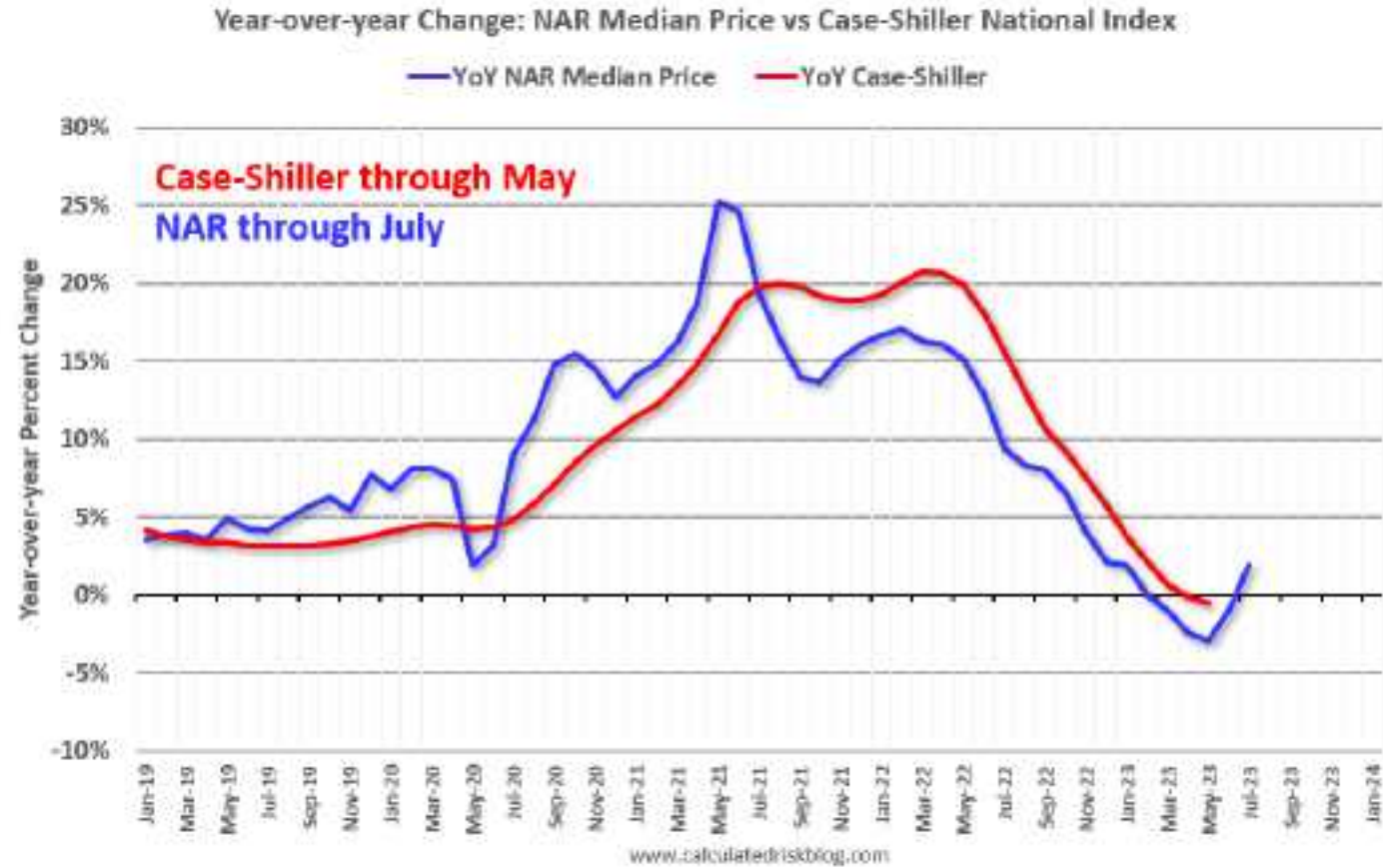
EXHIBIT 1

Share of outstanding mortgages by interest rate at origination (Q1 2023, %)

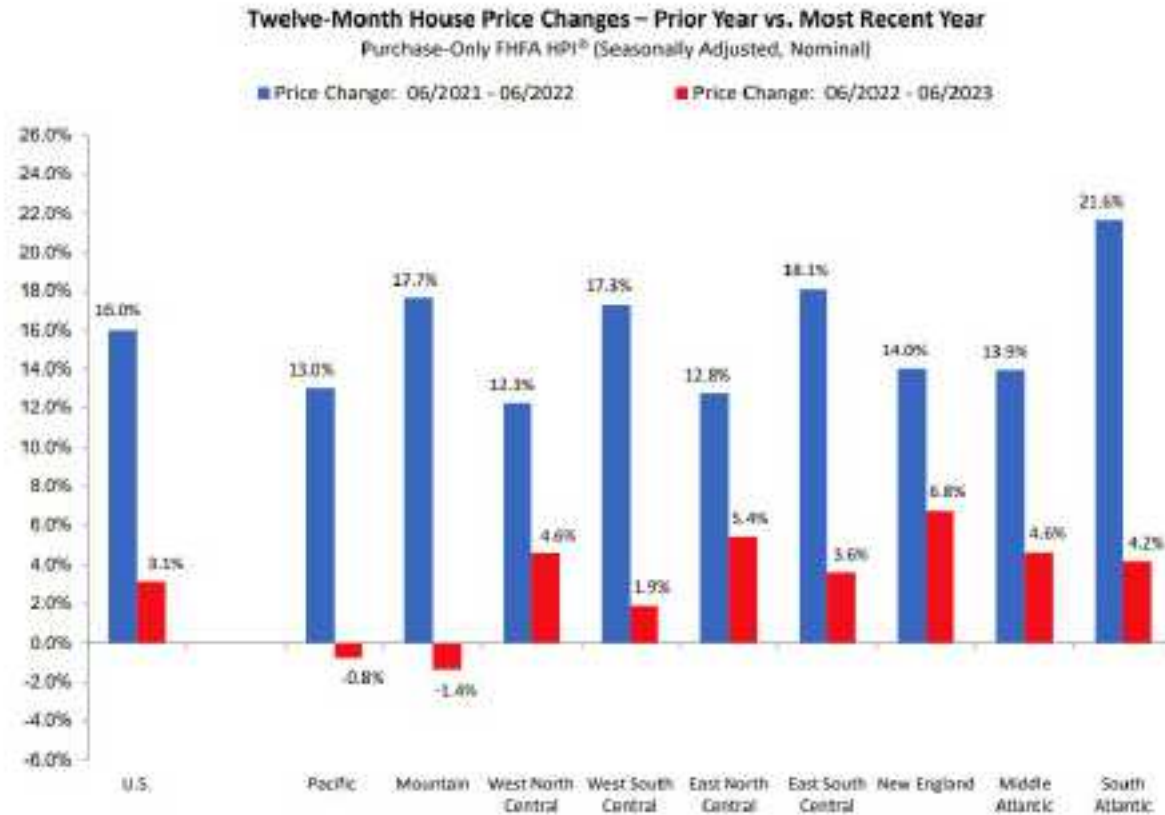


Source: National Mortgage Database

Price Appreciation Has Declined Rapidly – but May Have Bottomed Out



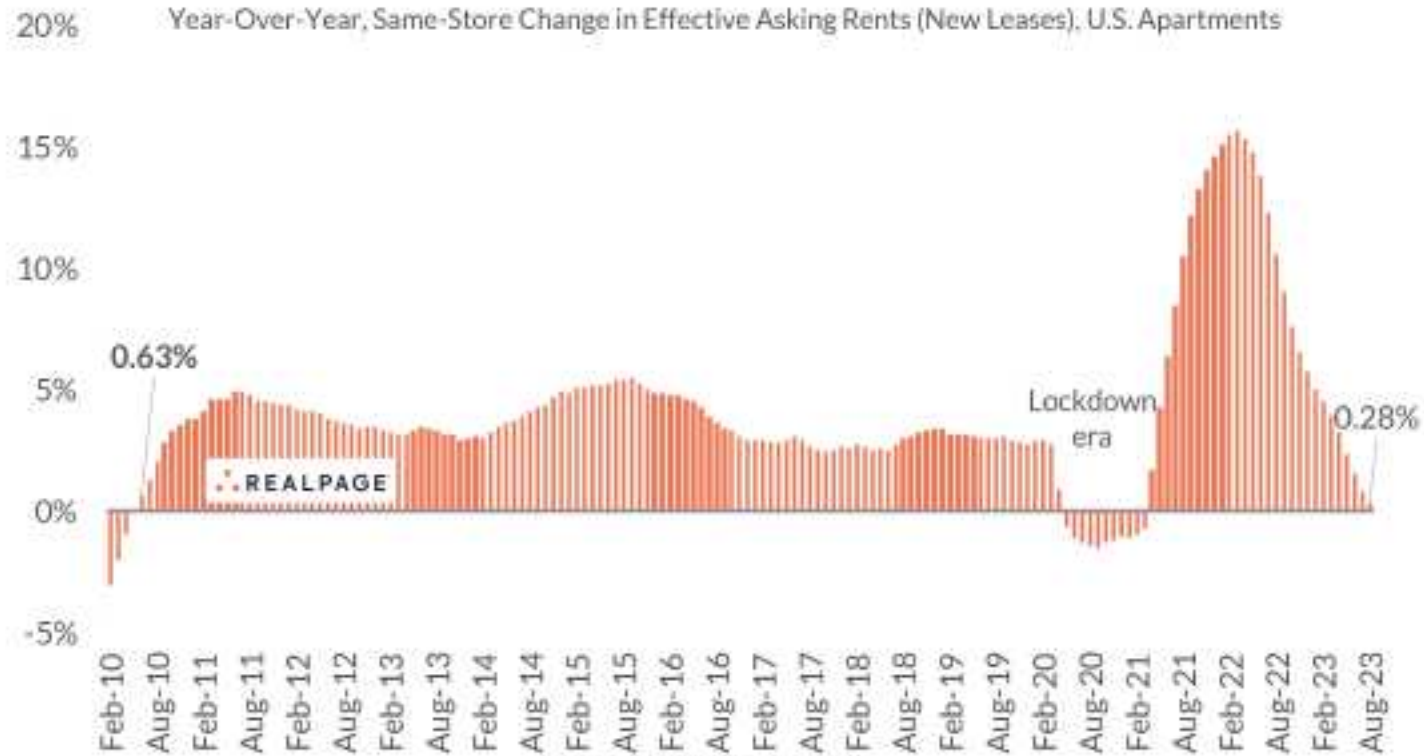
And Most Regions are Still Positive Year-Over-Year



Source: FHFA

Rent Pricing Declining, but Vacancy Rates Remain Stable

Annualized Rent Growth Now Nears Negative Territory as New Supply Ramps



Formerly "Hot" Markets Seeing Most Significant Declines

Asking Rent Growth Leaders, YoY through Aug 2023

Rank	Market	YoY Rent Change
1	Midland/Odessa, TX	15.1%
2	Springfield, MA	9.9%
3	Madison, WI	9.1%
4	Champaign-Urbana, IL	6.5%
5	Trenton, NJ	6.3%
6	College Station, TX	6.2%
7	Lincoln, NE	5.9%
8	Omaha, NE	5.8%
9	Fargo, ND	5.1%
10	Rochester, NY	4.9%
11	Albany, NY	4.8%
12	Jackson, MS	4.8%
13	Providence, RI	4.8%
14	Newark/Jersey City, NJ	4.7%
15	Columbus, GA	4.7%

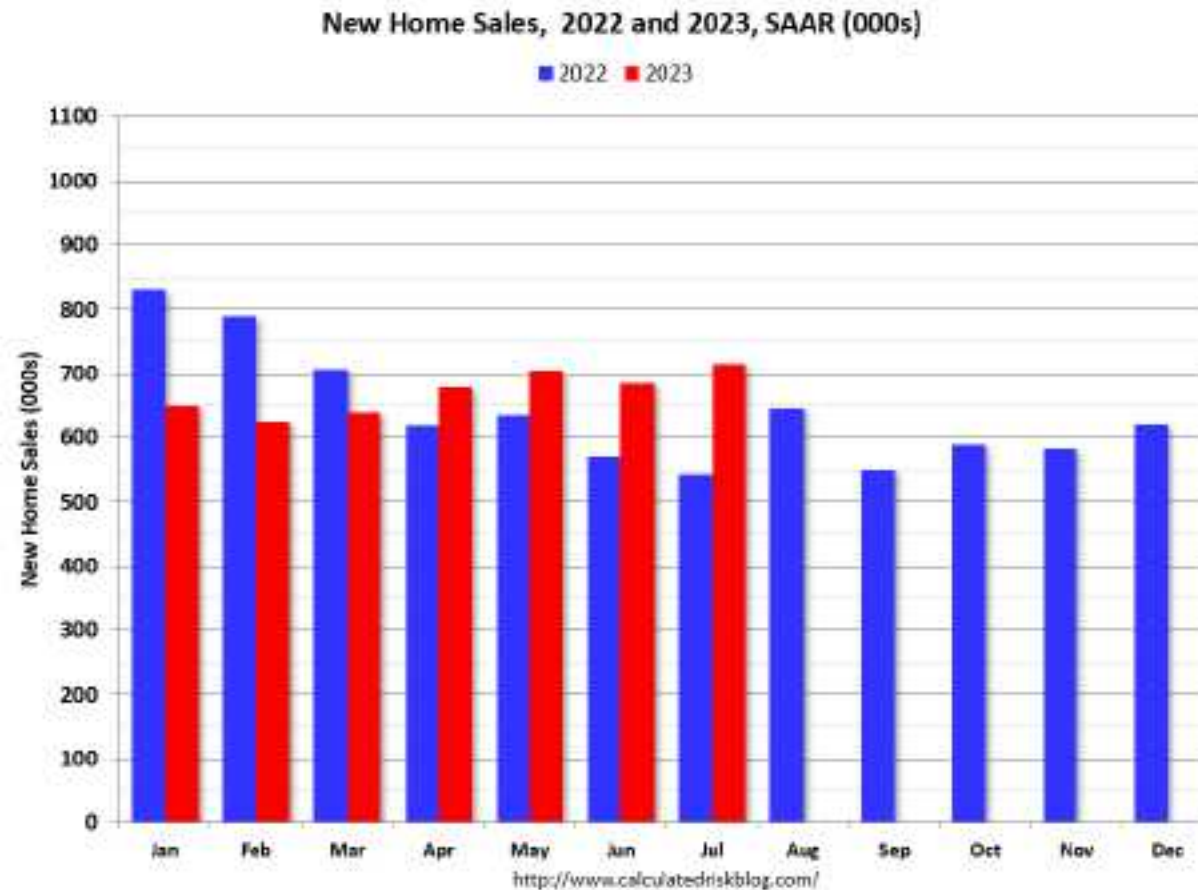
Source: RealPage. Same-store effective asking rents for market-rate apartments, new leases only.

Largest YoY Cuts in Asking Rent, August 2023

Rank	Market	YoY Rent Change
1	Boise City, ID	-8.5%
2	Fort Walton Beach/Destin, FL	-5.2%
3	Austin, TX	-4.9%
4	Phoenix, AZ	-4.9%
5	Las Vegas, NV	-4.7%
6	Atlanta, GA	-3.7%
7	Vallejo/Fairfield/Napa, CA	-3.6%
8	Sarasota/Bradenton, FL	-3.4%
9	Jacksonville, FL	-3.4%
10	Colorado Springs, CO	-3.3%
11	Raleigh/Durham, NC	-3.1%
12	Reno, NV	-3.0%
13	Portland, OR	-2.8%
14	Orlando, FL	-2.8%
15	Salt Lake City, UT	-2.8%
16	San Francisco, CA	-2.7%
17	San Antonio, TX	-2.8%
18	Myrtle Beach, SC	-2.5%
19	Wilmington, NC	-2.5%
20	Oakland, CA	-2.5%

Source: RealPage. Same-store effective asking rents for market-rate apartments, new leases only.

New Home Sales Improving as Builders Offer Incentives



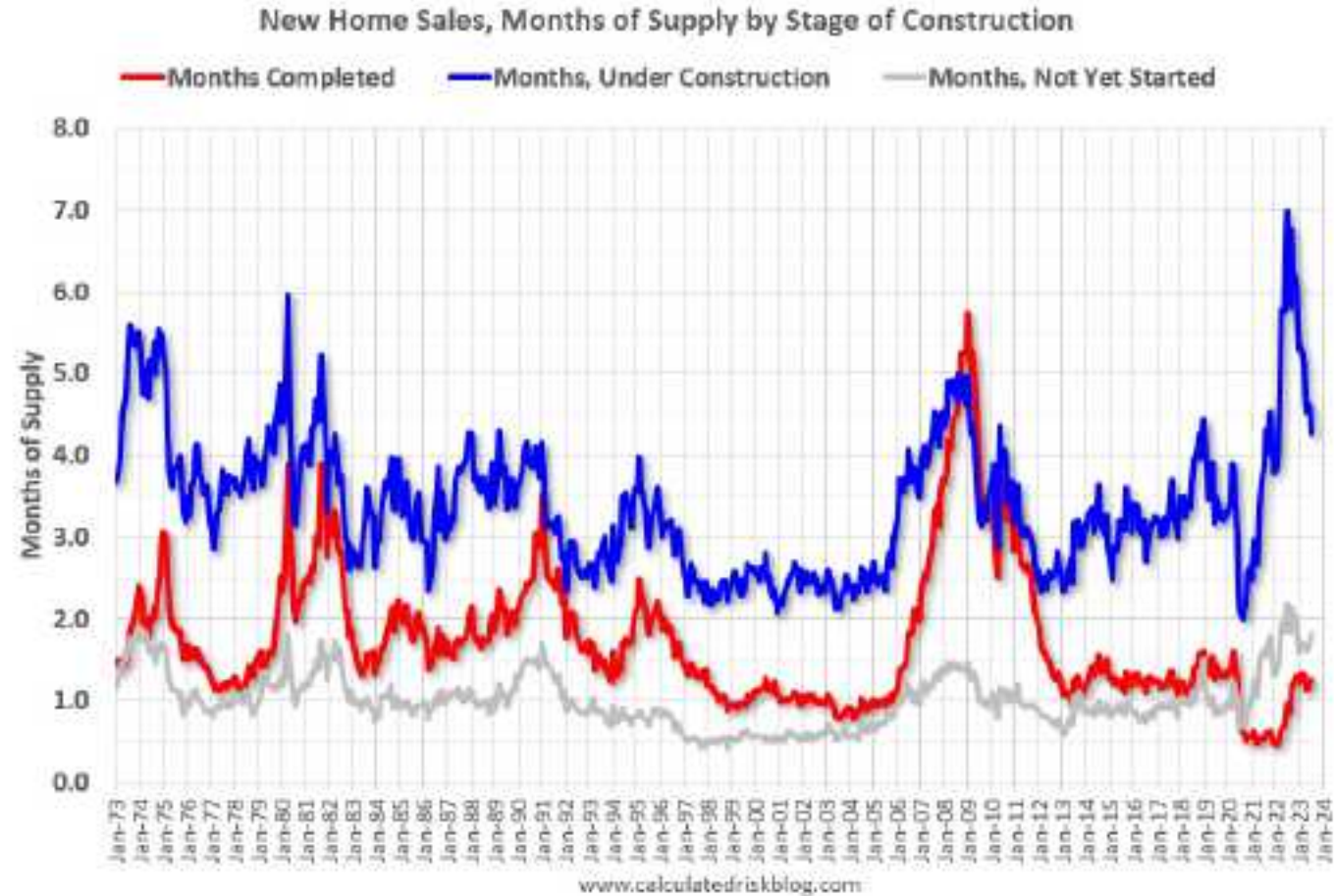
Median New Home Prices Down 16.4% from Peak



Single Family Housing Starts Up Slightly from 2022

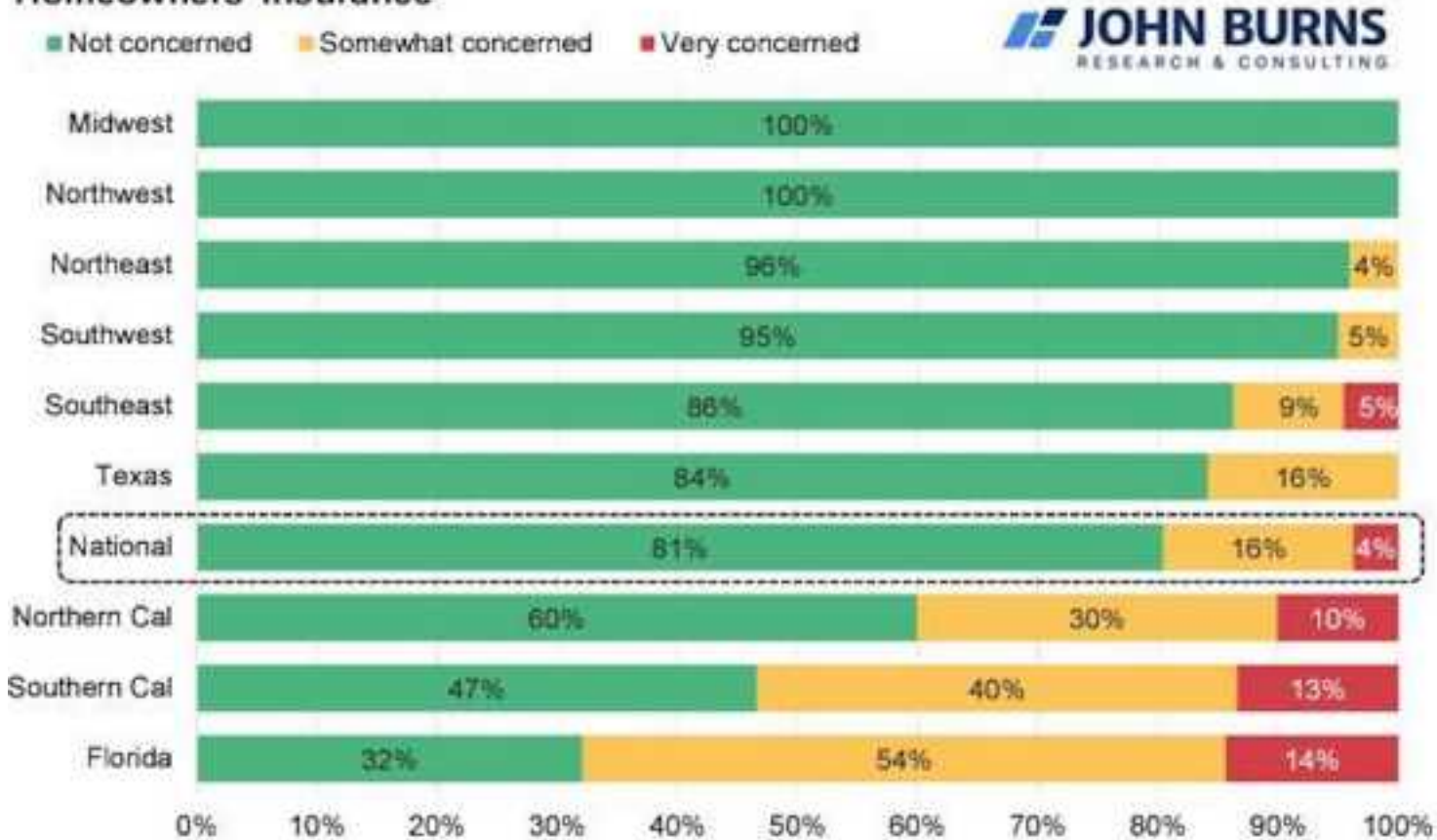


As the Glut of Homes Under Construction Shrinks



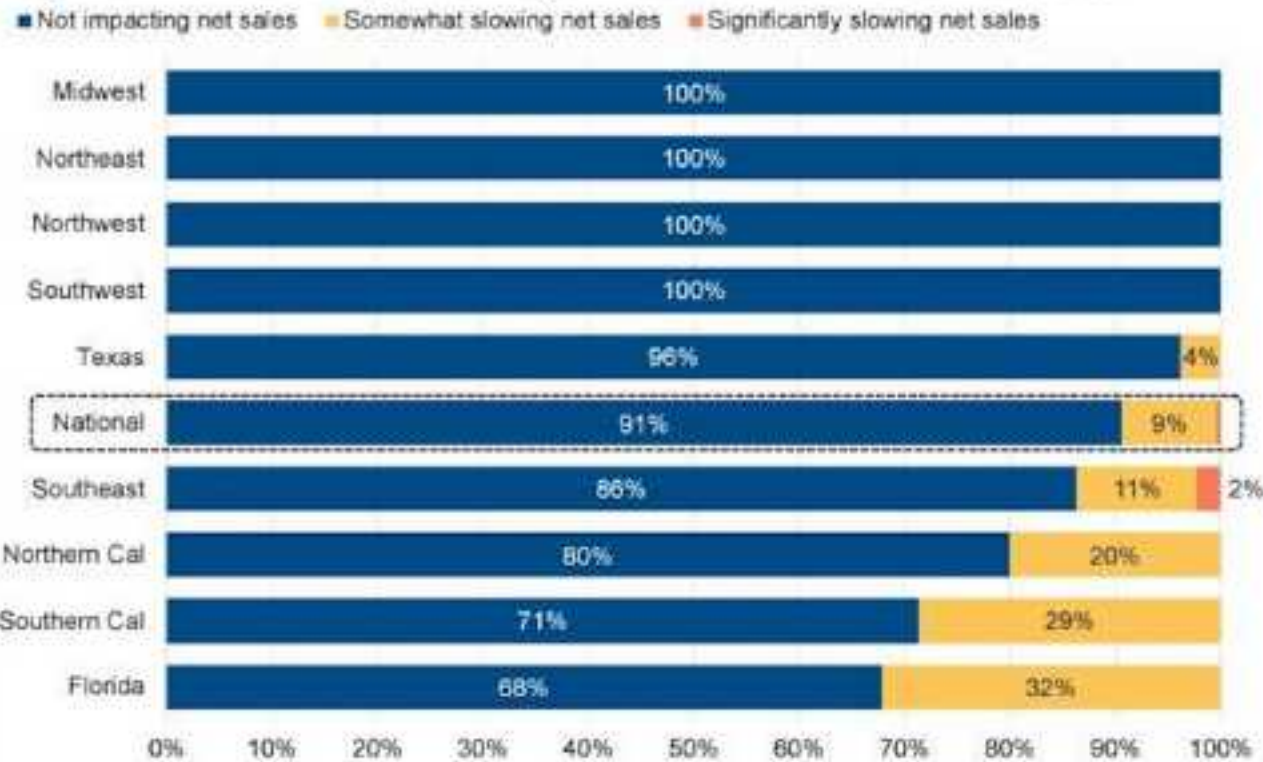
The Latest Concern for Homebuyers? Insurance Costs

Regional Differences: Buyer Concerns Regarding Availability and Cost of Homeowners' Insurance



Insurance Costs Already Impacting Sales in California & Florida

Regional Differences: Impact of Buyer Insurance Concerns on Net Sales



Source: John Burns Research and Consulting, LLC, independent survey of ~20% of all US new home sales, NGA (Data: Jul-23, Publ: Aug-23)

Investors Account for 26% of Home Purchases in June

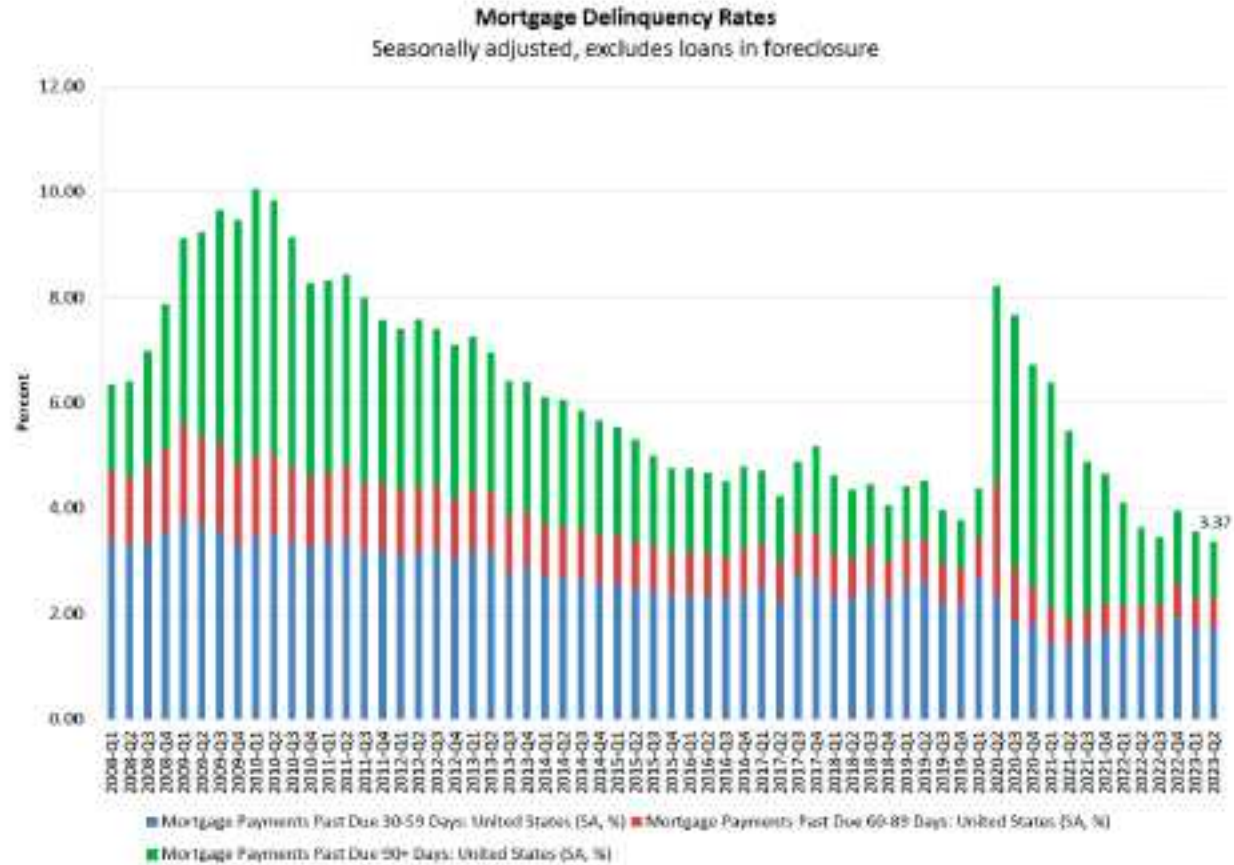


And Most Investor Purchases Are By Small & Mid-Sized Investors

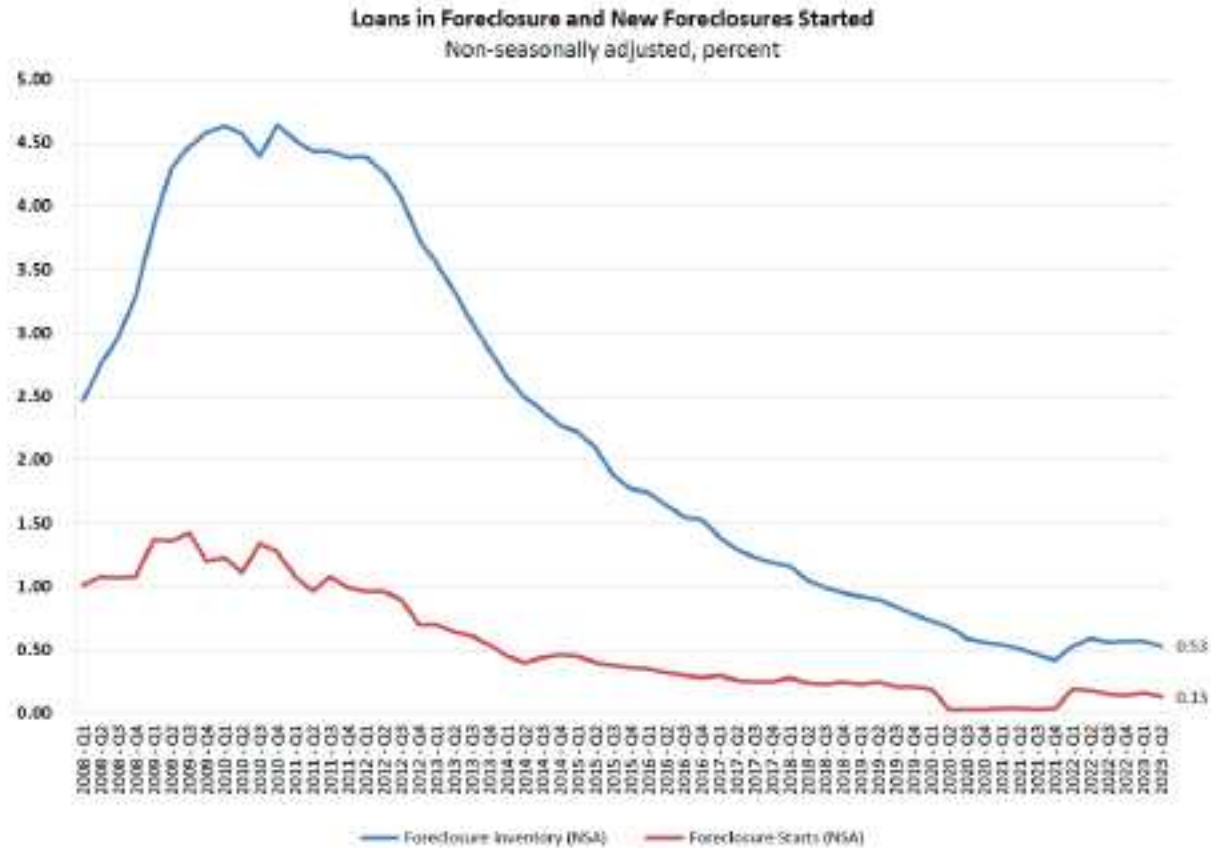


DELINQUENCIES & FORECLOSURES

Mortgage Delinquencies Historically Low

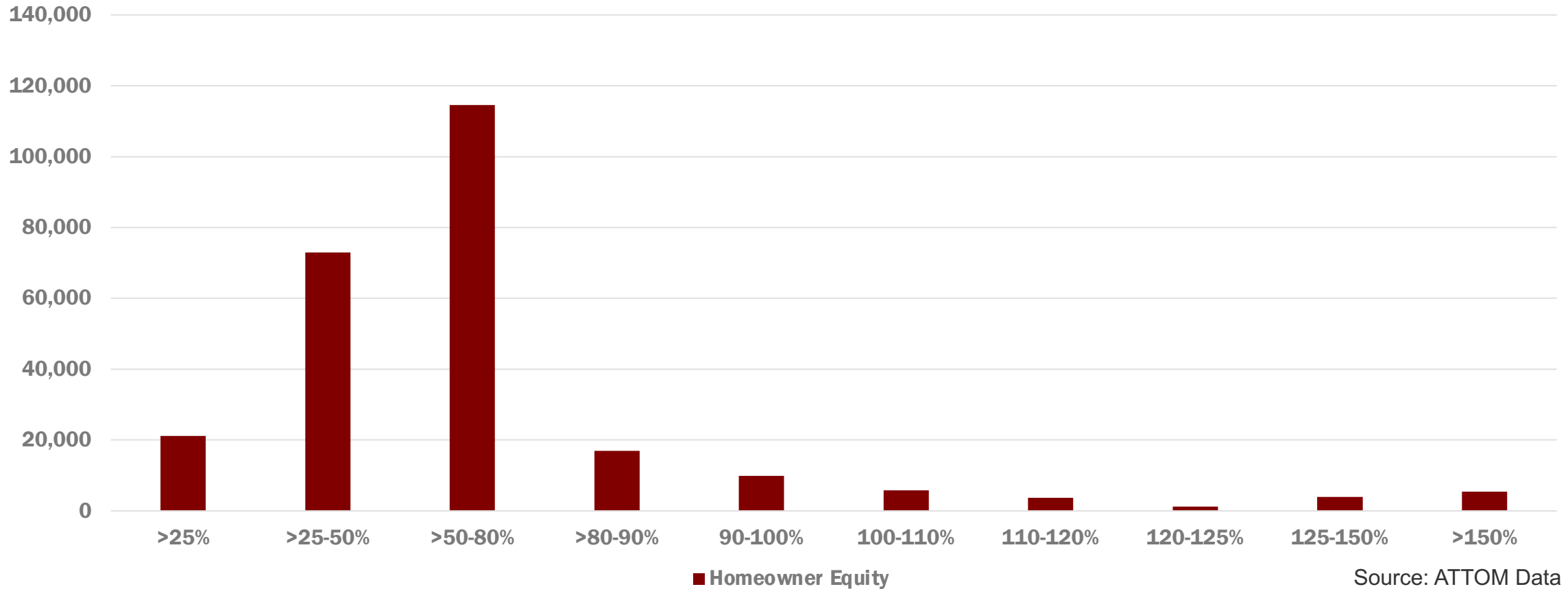


Foreclosure Activity at 60% of Pre-Pandemic Levels



92% of Borrowers in Foreclosure Have Positive Equity

Homeowner Equity

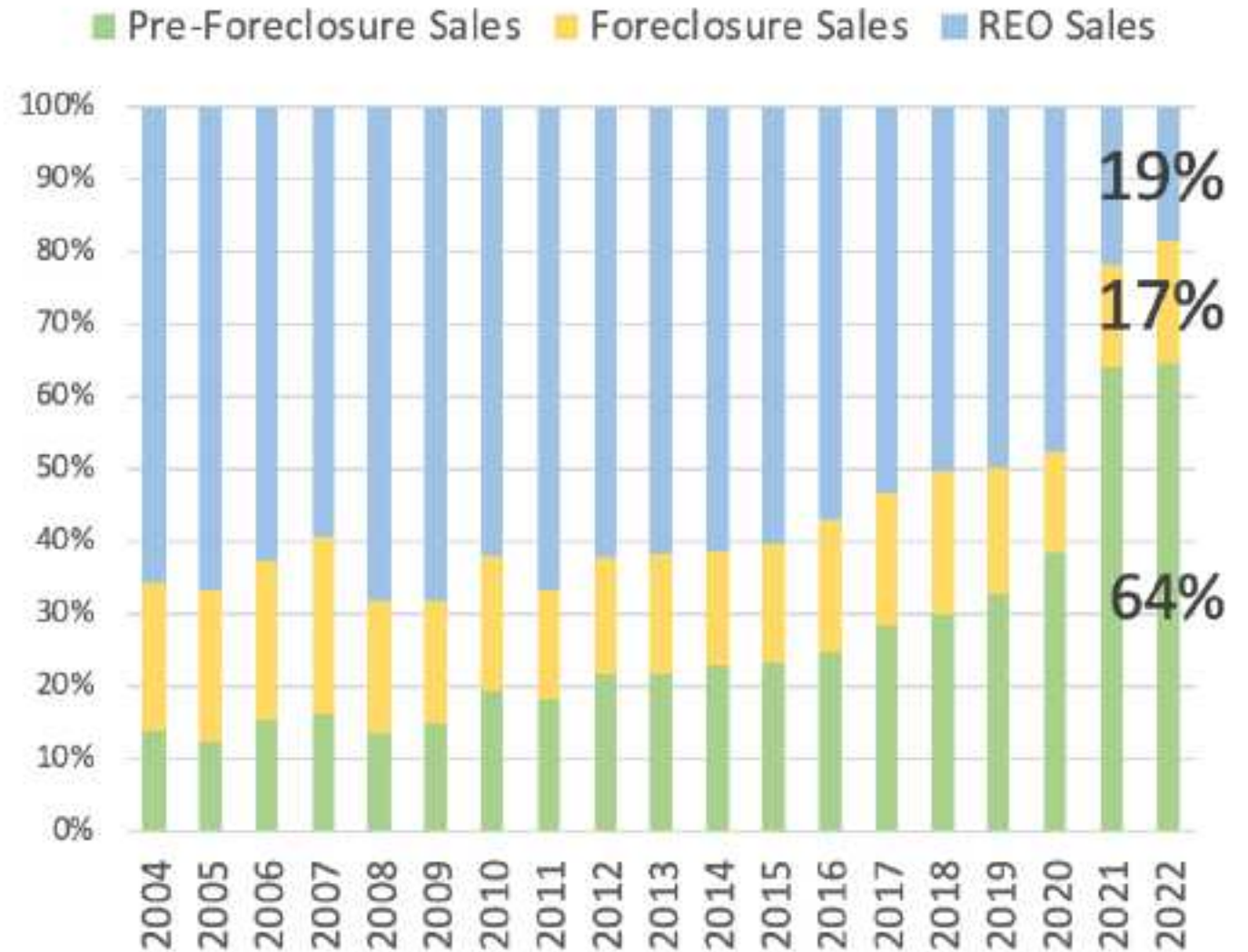


Equity-Rich Borrowers Selling Homes During the Pre-Foreclosure Period

64% of distressed sales are taking place prior to the foreclosure auction

Fewer properties getting to the auction plus higher sales rates = less opportunity for REO inventory

Less than 20% of distressed sales today are REO homes, compared to 50% prior to the pandemic



Sources: ATTOM, Auction.com

CLOSING THOUGHTS

Closing Thoughts

- Recession still a real possibility, but likely not until 2024, and probably a fairly short and fairly mild one, without a huge spike in unemployment
- Mortgage rates should gradually decline back towards 6% by year-end
- Existing home sales on pace for lowest numbers since 2009, but new home sales better than expected
 - Prices declining in new home market, but may have bottomed out in existing home market
 - Rental prices retreating as new supply comes to market
- Investors continue to account for large percentage of residential purchases, and seem to be shifting to buy and hold strategies
- Buyers need to factor in increasing costs of insurance premiums, especially in states experiencing extreme weather events
- Anticipated wave of distressed properties never materialized, and probably won't

Thank You!

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