

Economic and Housing Outlook

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CoreLogic

Economic & Housing Market Update

Economic backdrop: Labor demand is cooling, consumers growing cautious and fatigued, **continued gradual disinflation**, economic outlook remains positive

Housing backdrop: Mortgage rates continue to govern the housing market and remain elevated, decline expected in second half 2024

Buyer demand responds to recent rate declines and rate buydowns...

...Supply remains an issues but promising signs ahead especially with new construction, and longer term, baby boomers aging out of homeownership

Home prices hitting new highs, expected to increase another 3% in 2024

Home prices pushed by mobility, home equity, cash sales

Economy/Consumer Remains Resilient

Labor market resiliency, strong household and corporate balance sheets and continued government spending underpin economic outperformance

As Disinflation Continues, Fed Signals Rate Cuts

But remaining path to 2% target determines when the Fed cuts in 2024

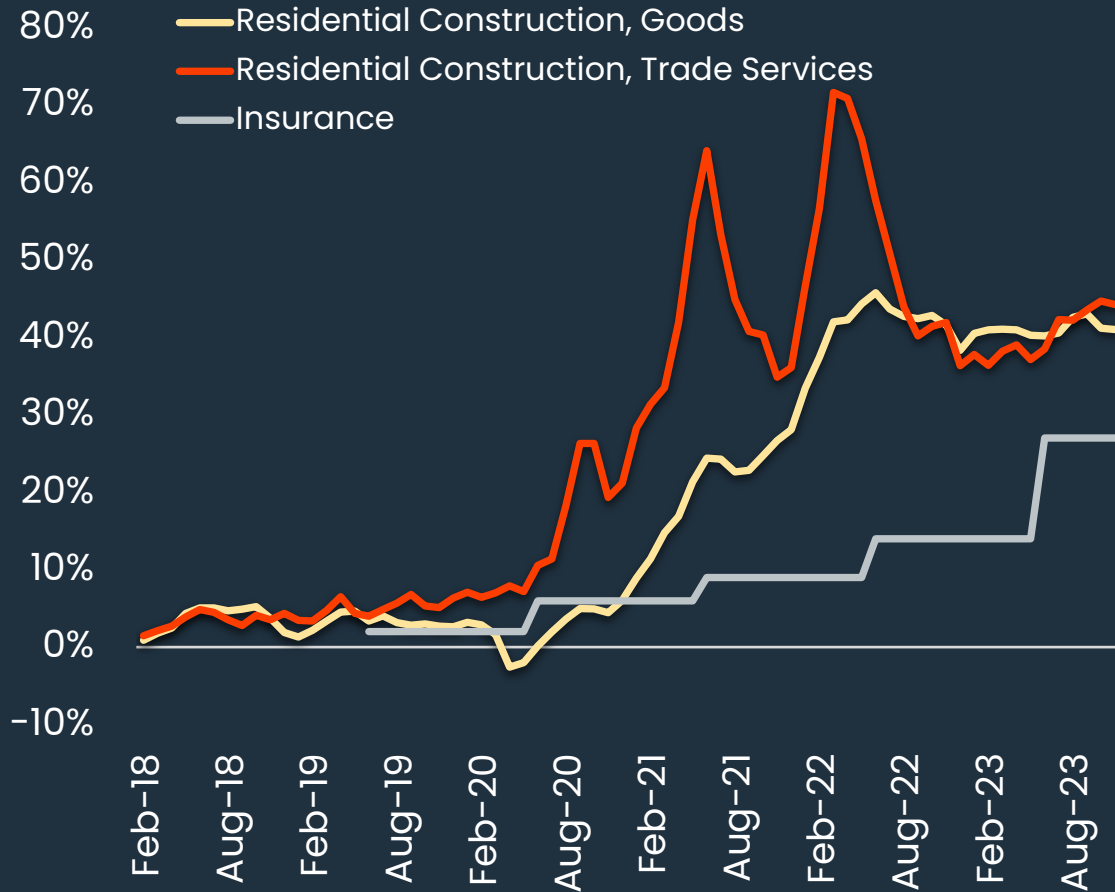
U.S. PCE Inflation 12-Month Change (percent)



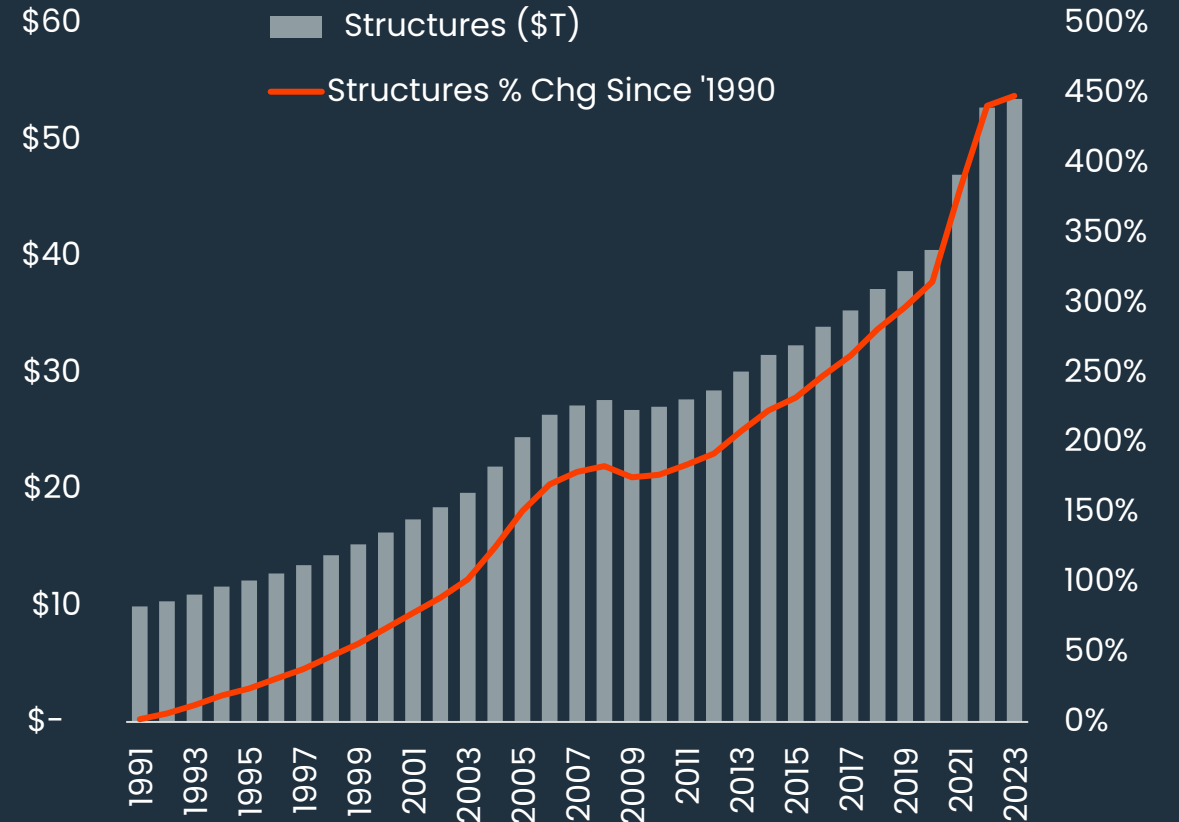
- Disinflation likely to continue with shelter component falling out, supply conditions improved, and credit conditions tightened
- Risks to disinflation remain:
 - Labor shortages
 - Deglobalization/onshoring
 - Insurance costs
 - Housing shortages
- Fed still expected to cut about 75bps

Residential Cost Inflation Surges In Pandemic, Puts Pressure on Insurance Rates

Producer Price Index, Cumulative % Change over 5 years

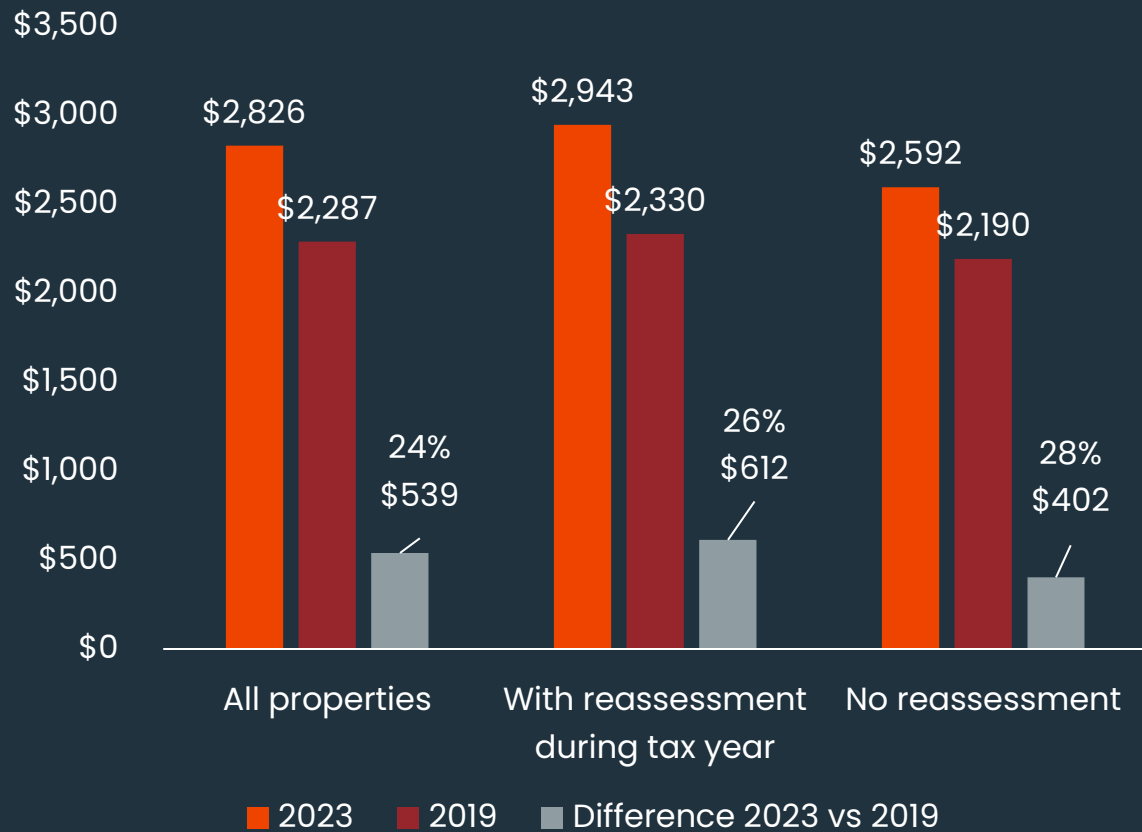


Replacement Cost of Structures

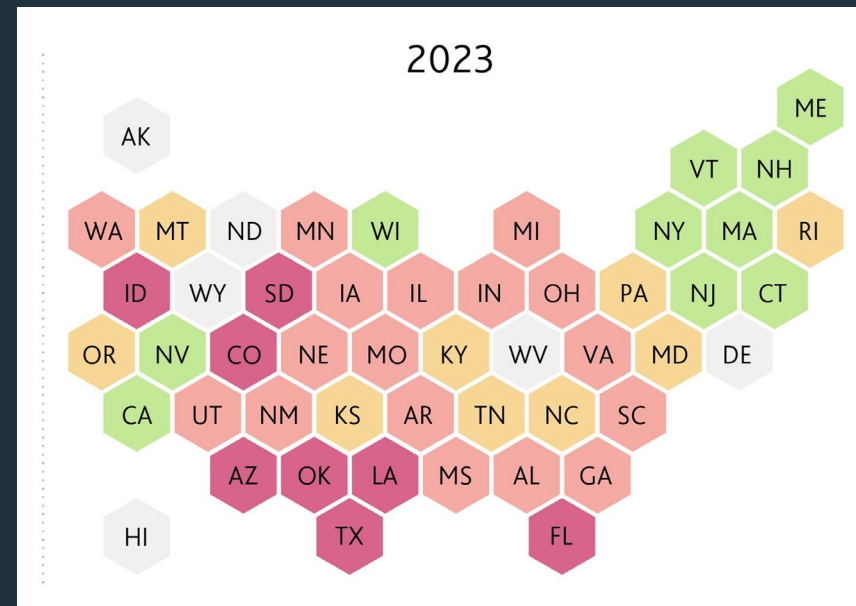
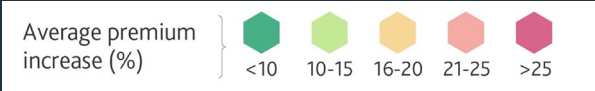


Rising Property Insurance and Taxes Impact Housing Affordability

National Median Property Taxes



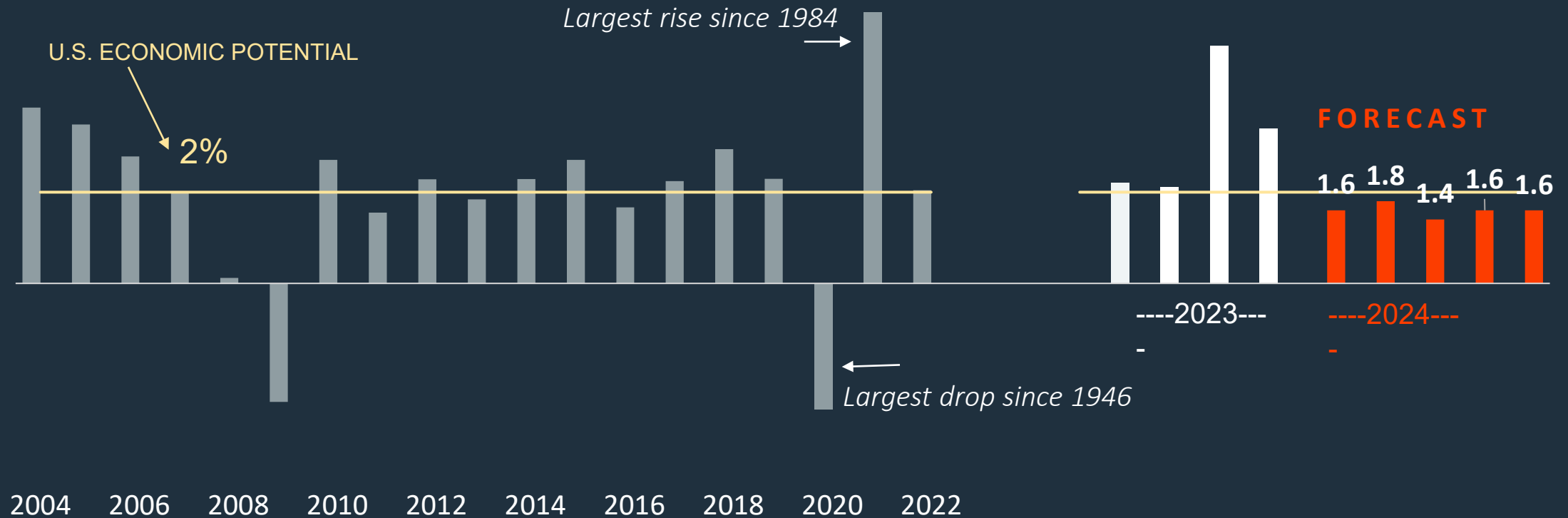
- 2022 average increase: 12%
- 2023 average increase: 21%
- Top 5 highest increases:
 - Florida 35%
 - Idaho 31%
 - Colorado 30%
 - South Dakota 28%
 - Louisiana, Oklahoma, Texas 27%



U.S. Economy Reaching Soft Landing => No significant increase in unemployment and no decline in GDP

While recession risks always exist, GDP forecast remains positive

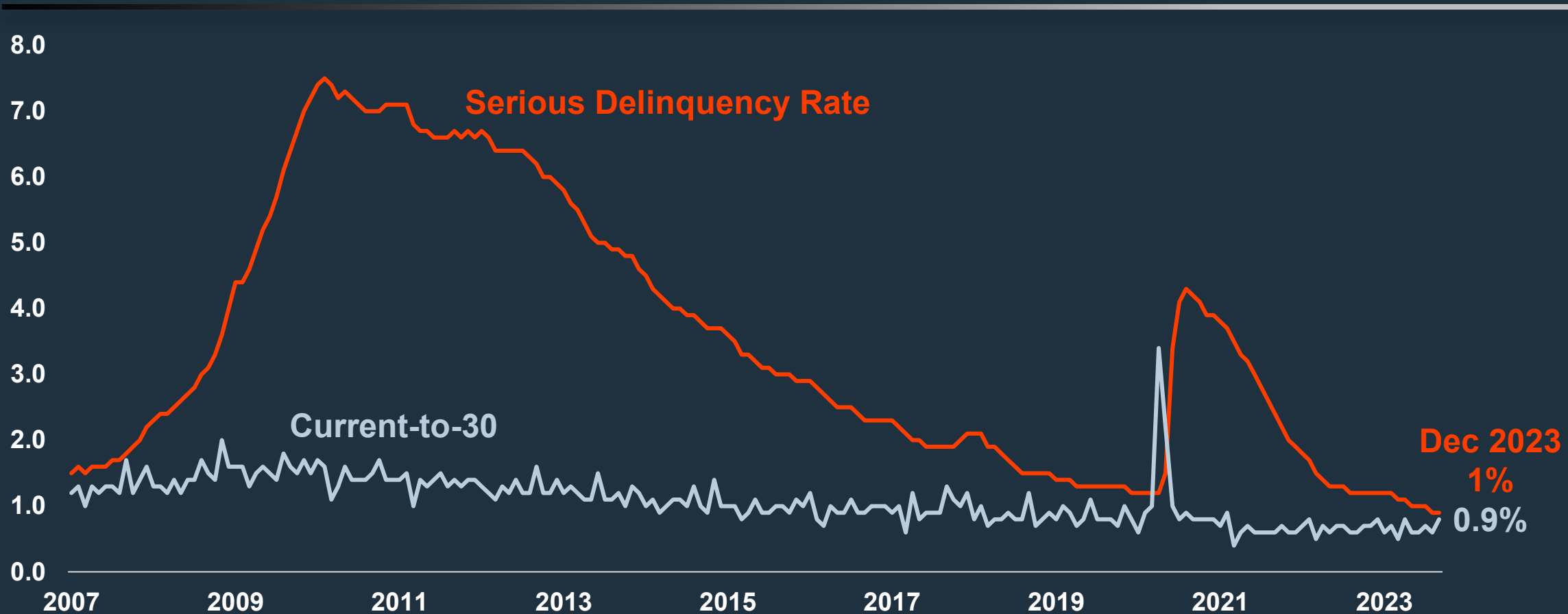
U.S. Real GDP Growth (percent change, annual average)



Mortgage Serious Delinquencies Lowest on Record

FHA delinquency rates remain slightly higher as higher performing borrowers exited with refi

Delinquency Rate (Percent of Active Loans)



Mortgage Markets

Slowing of inflation and ending of the Fed's tightening cycle suggest that the peak of mortgage rates is behind us

Gradual decline in mortgage rates drives demand for new purchases and refinances

Mortgage Rates Have Potential To Fall Below 6% By Year-End 2024

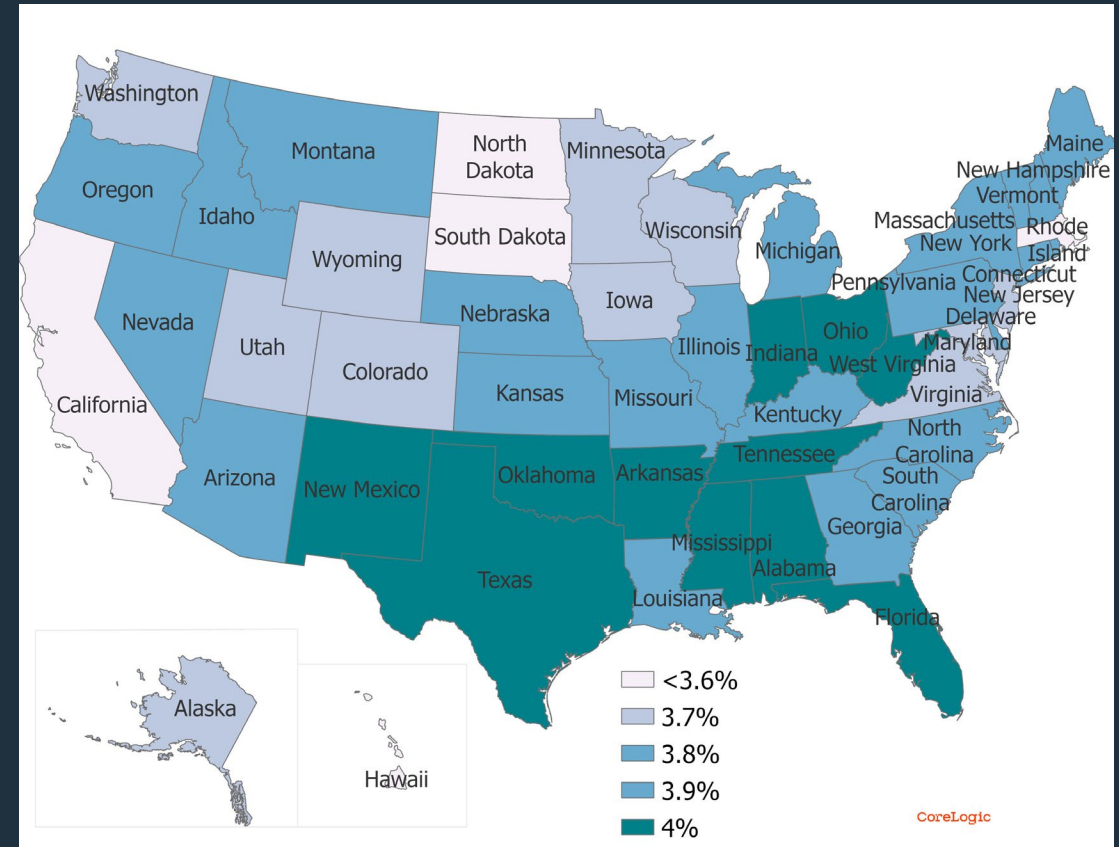
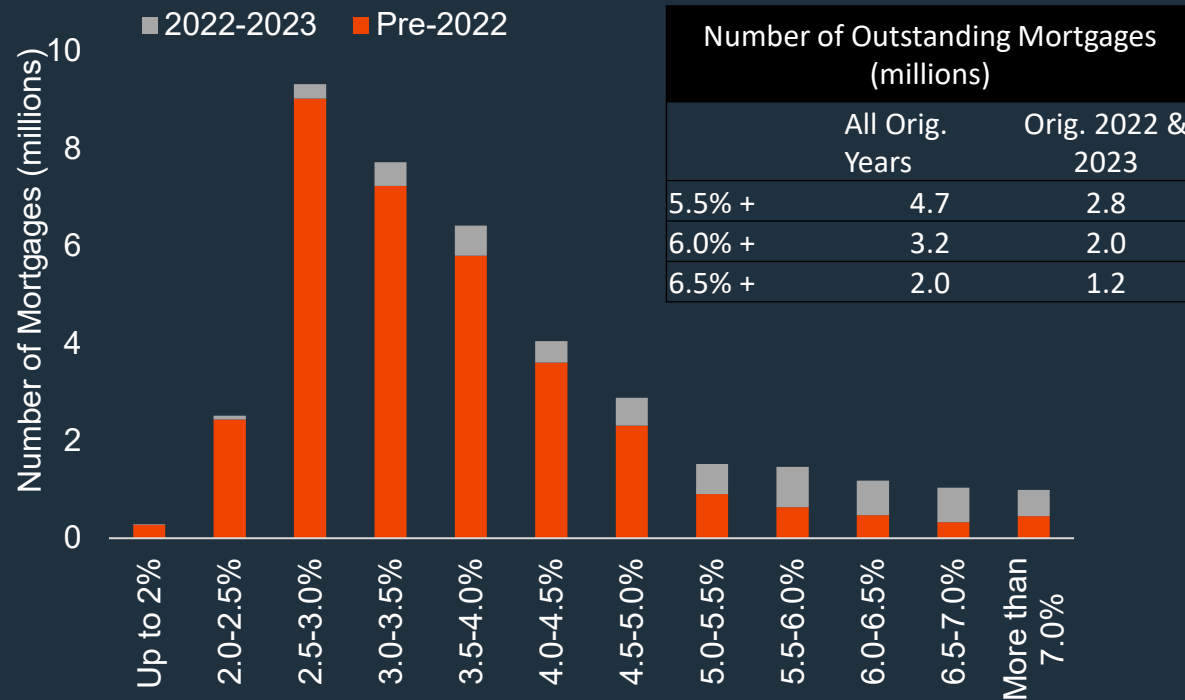
30-year Fixed-Rate Mortgage



Source: Freddie Mac Primary Mortgage Market Survey®, forecast is consensus of five external forecasts (MBA is high, Fannie Mae is low)

Lock-in Effect Holding Inventories Back, Especially in Markets With Lower Lock-In Rate; But Refi Potential Building Up

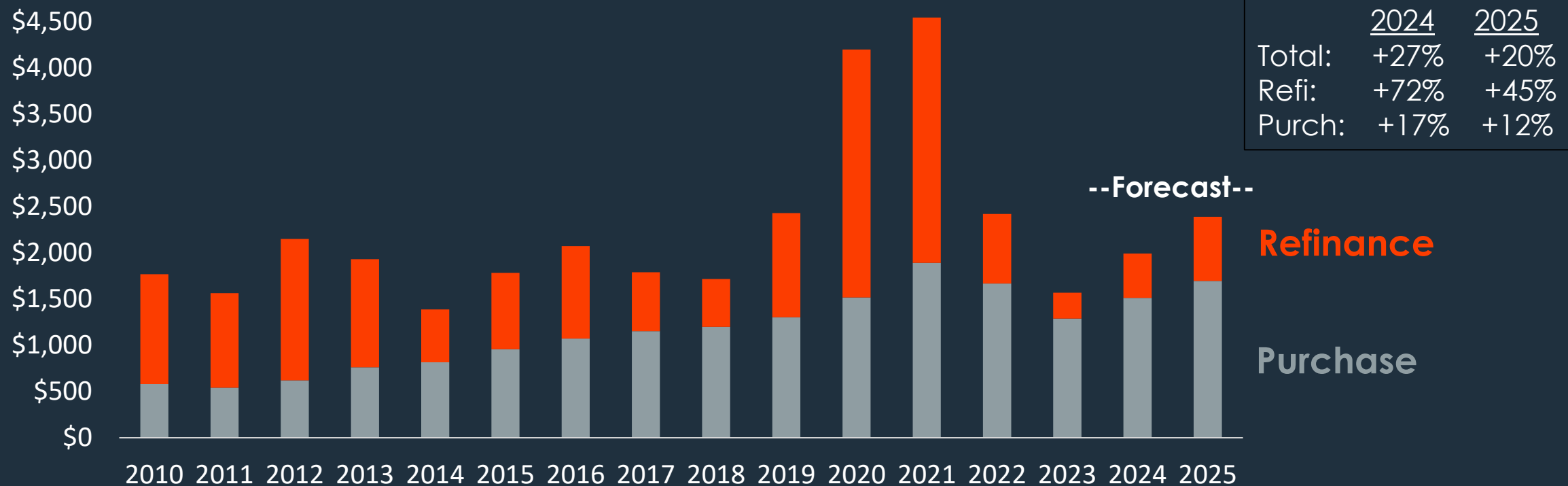
Mortgage Rate of Outstanding Mortgages As of November 2023



Industry Forecast for 2024 Origination Dollars 27% Above 2023

Forecasters Predict Origination **Dollars** to Approach 2022 Level in 2025

Single-family Mortgage Originations, **Industry Forecasts** (Billions of U.S. dollars)



Source: Originations for 2010-2022 are from CoreLogic public records (benchmarked to HMDA through 2022); 2023 to 2025 are an average of the latest projections released by **Mortgage Bankers Association and Fannie Mae (as of January 2024)**. Originations exclude HELOCs.

Housing Demand and Supply

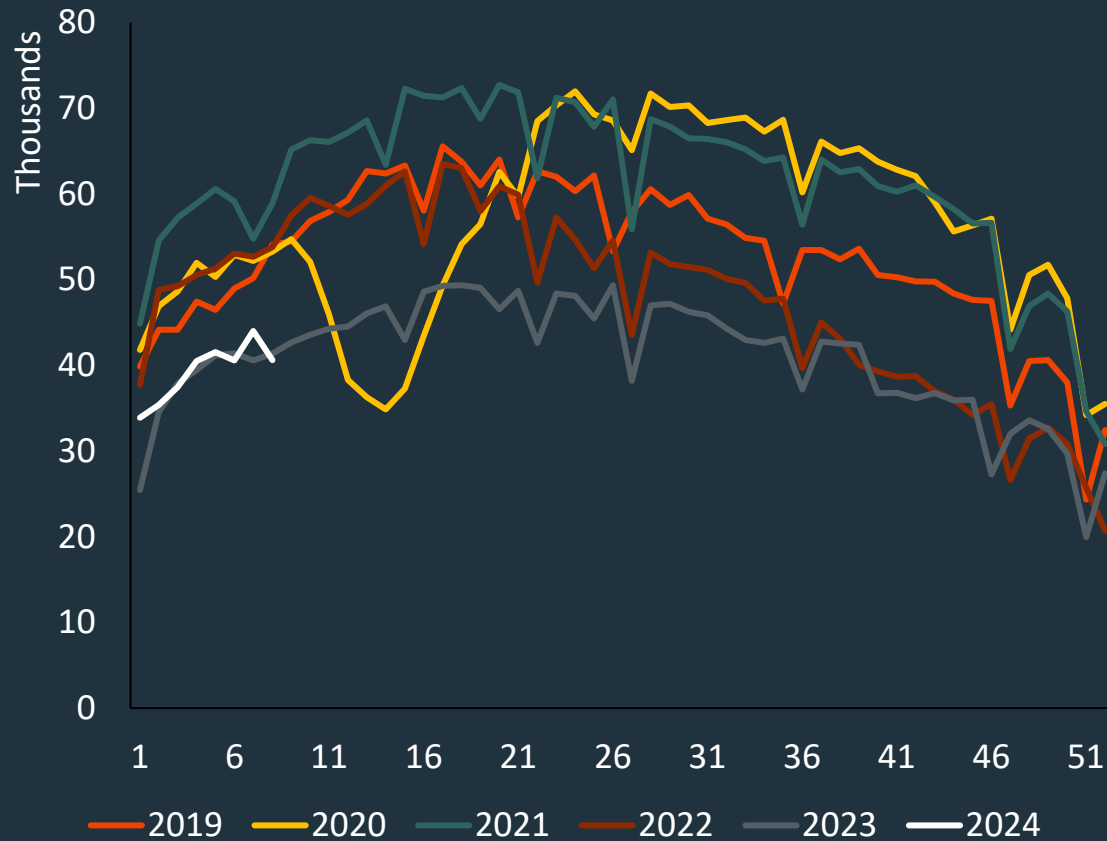
Lower mortgage rates enticing home buyers who are still struggling with lack of inventory

Historic undersupply of homes suggest strong pent-up demand

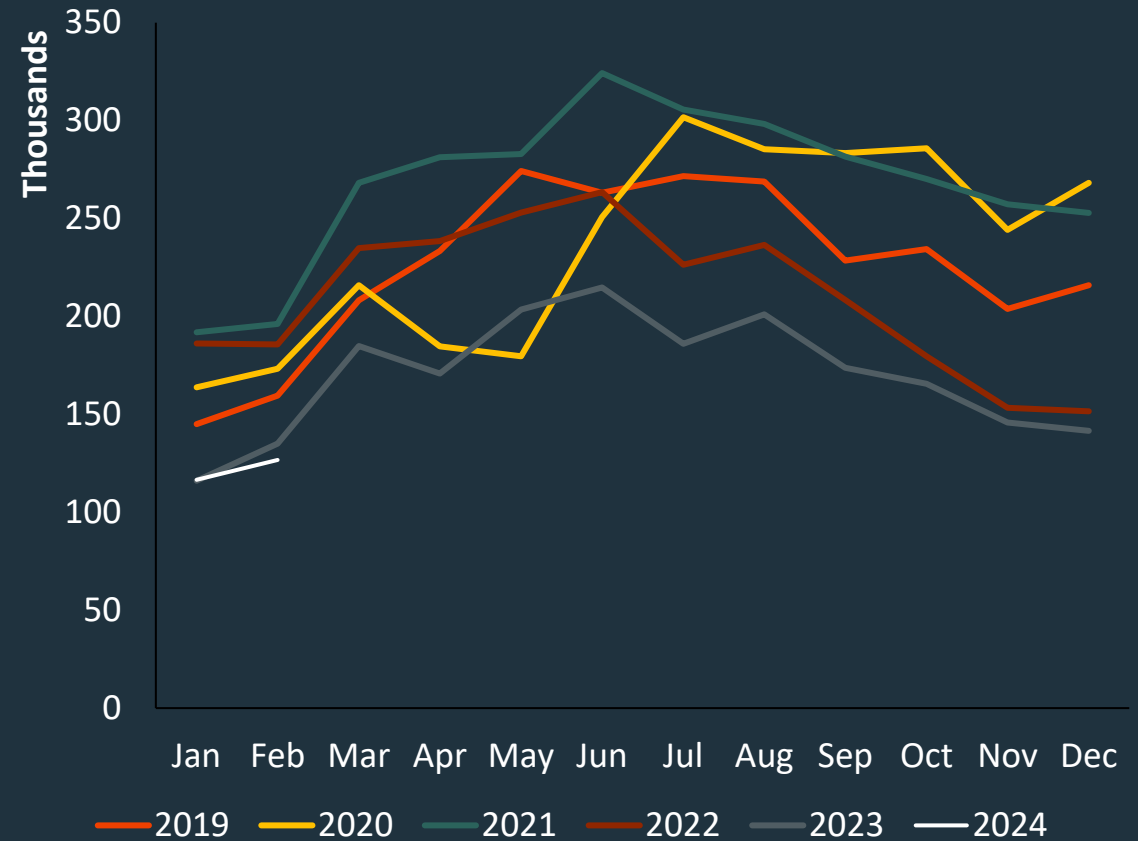
2024 Monthly Sales Start Off Slow, Still Up From 2023

- February 2024 up 9% compared to January, closed sales down 6.3% compared to 2023
- Pending sales for 2024 are up 4% year-to-date

Weekly Pending Home Sales

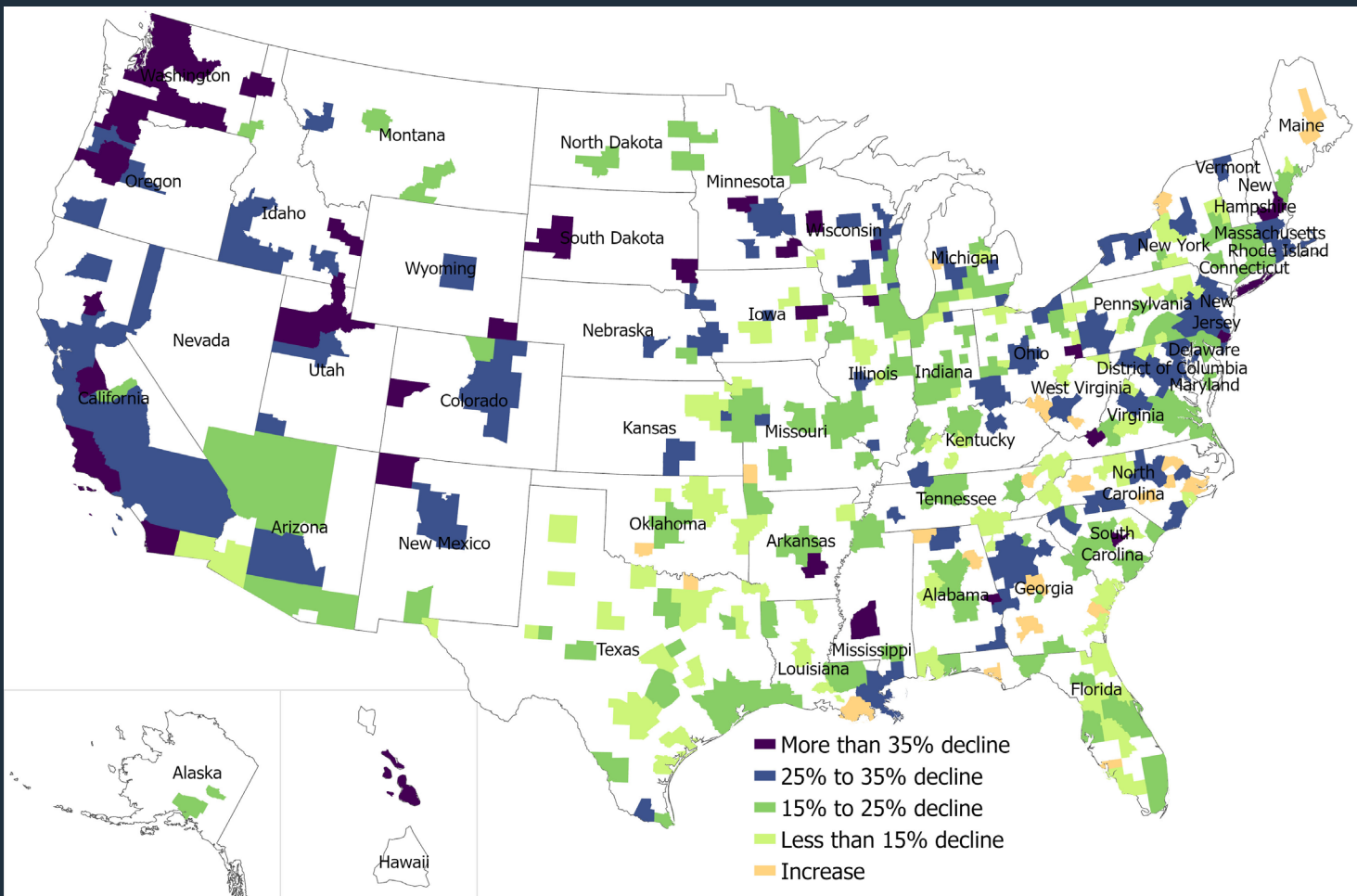


Monthly Sales



Geographical Variation in Home Sales Persists and Largely Driven By Lack of Affordability and Supply

Change in Total Home Sales 2023 vs 2019 (January to October)



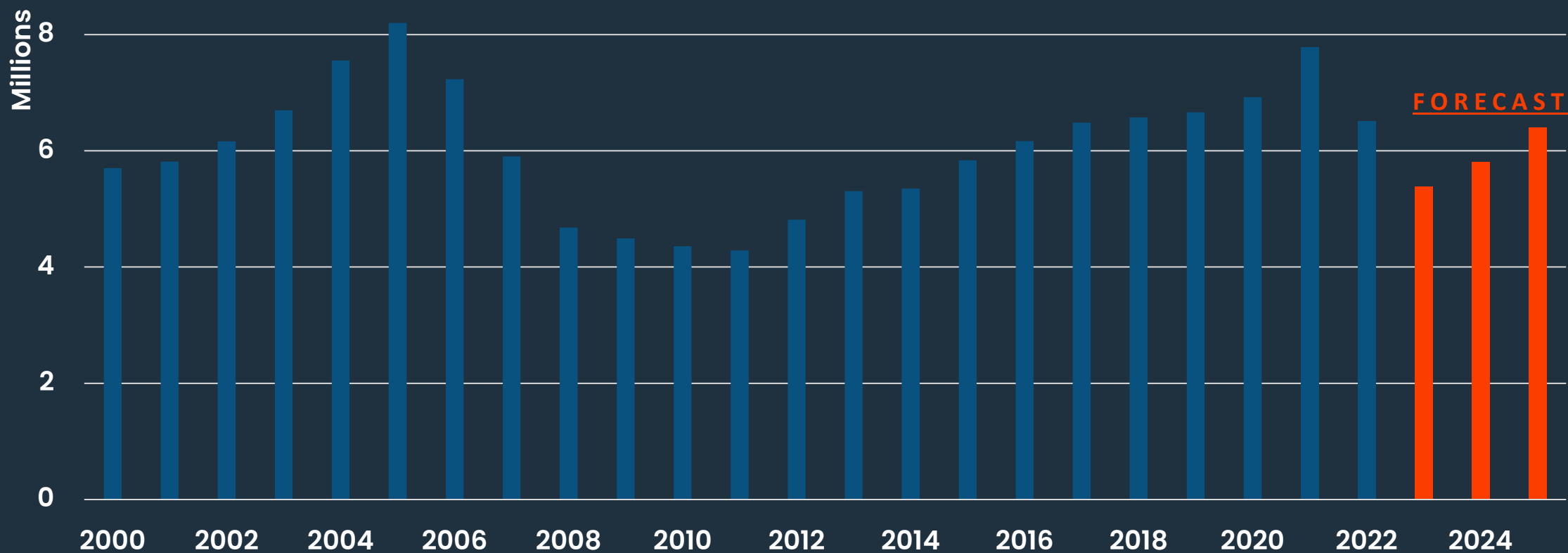
Variations due to:

- Availability of supply –
 - markets with lack of new construction see much slower home sales activity
- Affordability –
 - Affordable markets outperform in sales and price growth
- Stronger lock-in effect in less affordable markets

Home Buying Gradually Picks Up For the Rest of the Decade

2024 home sales expected to be up 8% in 2024, 10% in 2025

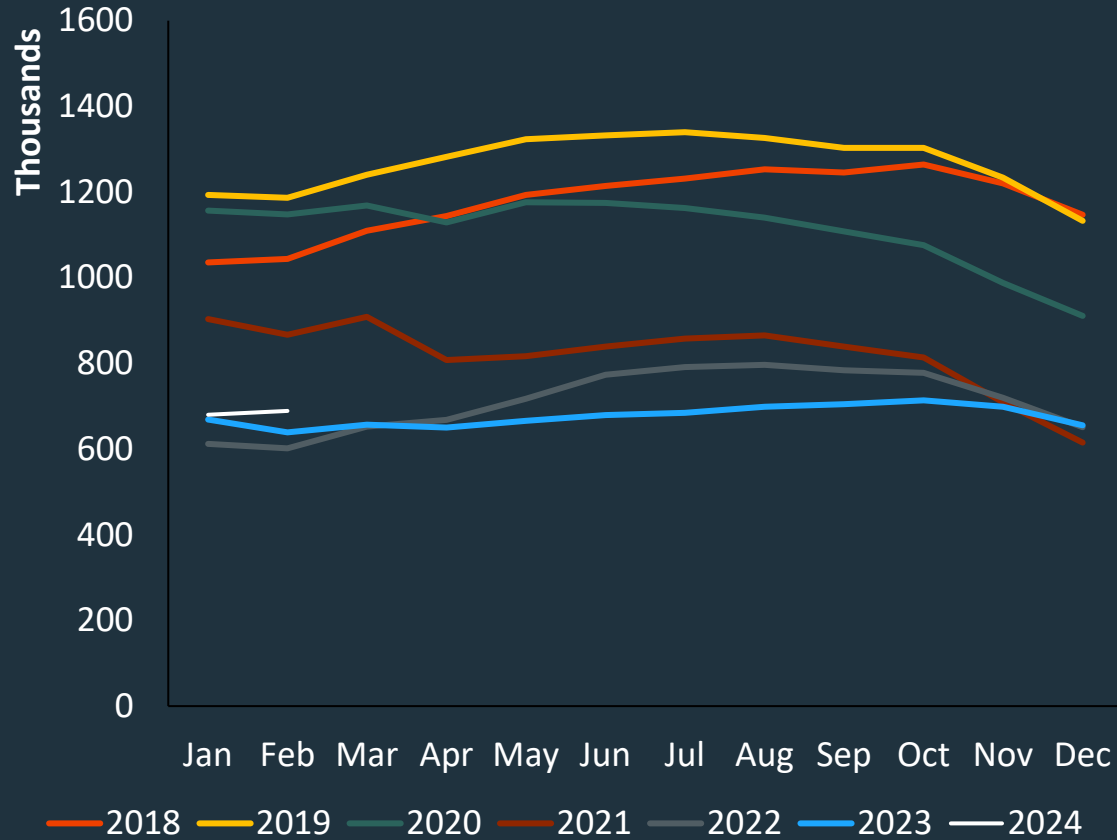
U.S. Home Sales



Inventory Starts Out Slightly above 2023

- February 2024 active inventory up 8% YOY
- Weekly New Listings are trending 7% above 2023

Monthly Active Inventory

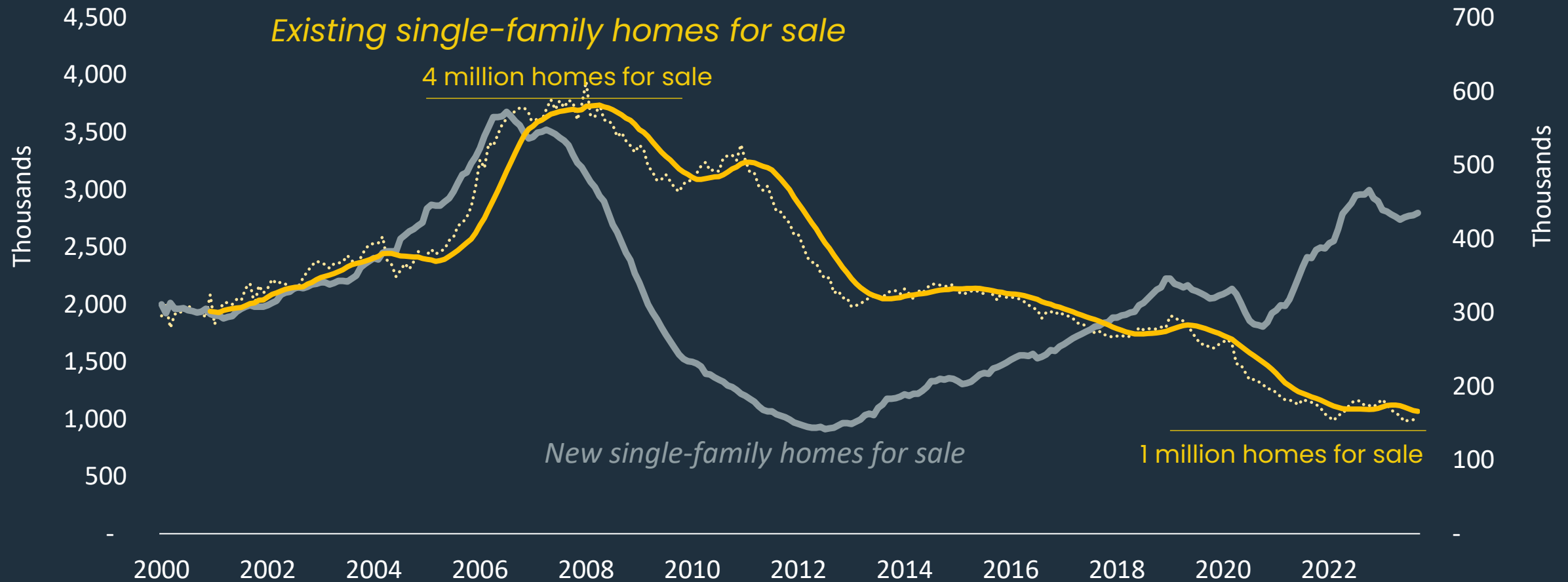


Weekly New Listings



Inventory of Existing Homes Remains at Historic Lows, While New Construction Still at Below Pre-2000 Levels

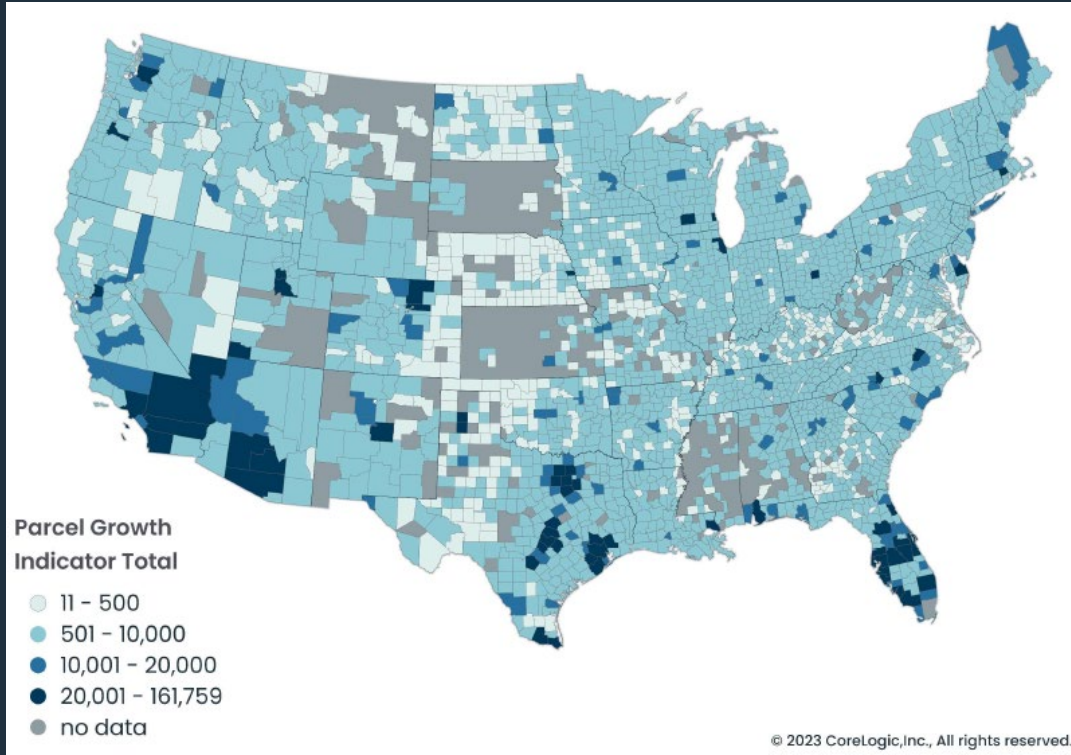
Newly built homes are increasing share of total inventory and total sales



What About Risks? CoreLogic Growth Indicators Suggest Strong Growth Continues In Hazard Prone Areas

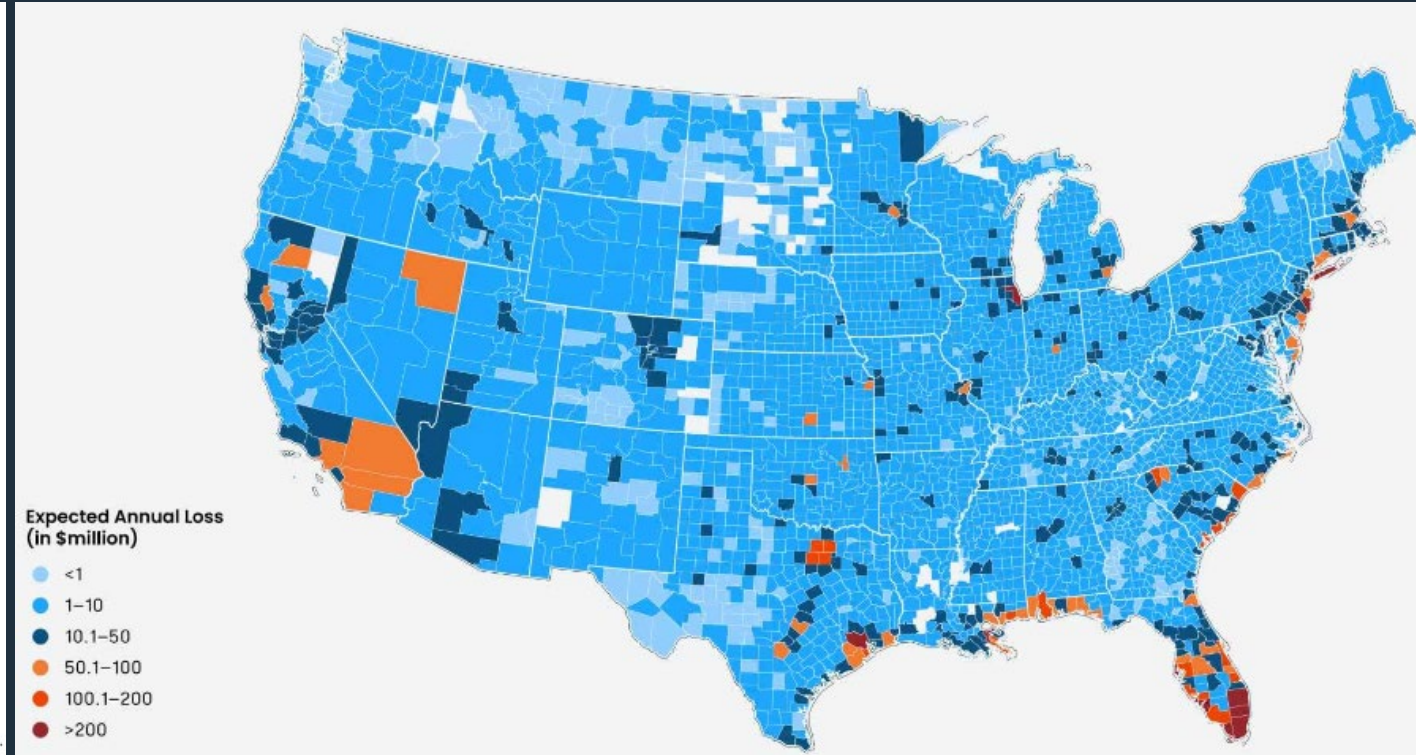
County Level Parcel Growth Indicator

Data reflects the presence of at least one of six growth indicators



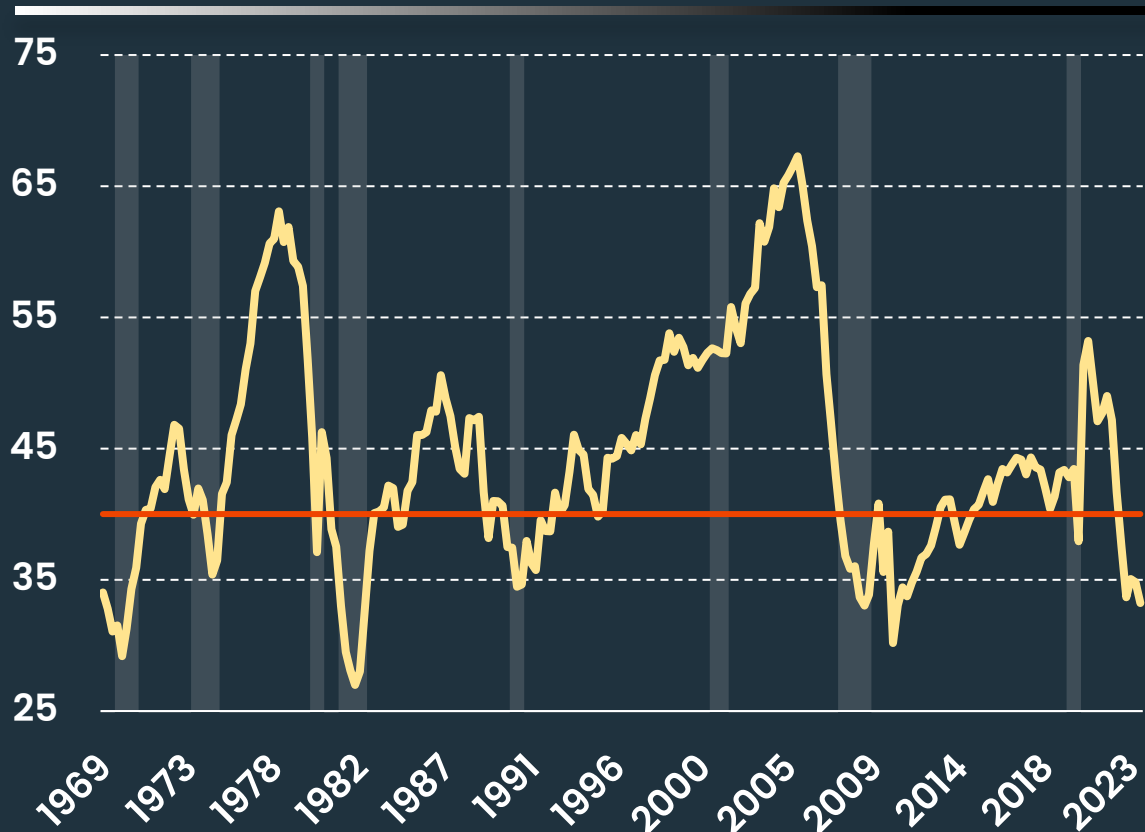
County Level Annual Losses in Physical Risk Terms

measured as the cost to repair damaged properties per year by 2050 in the Sever Climate Risk scenario

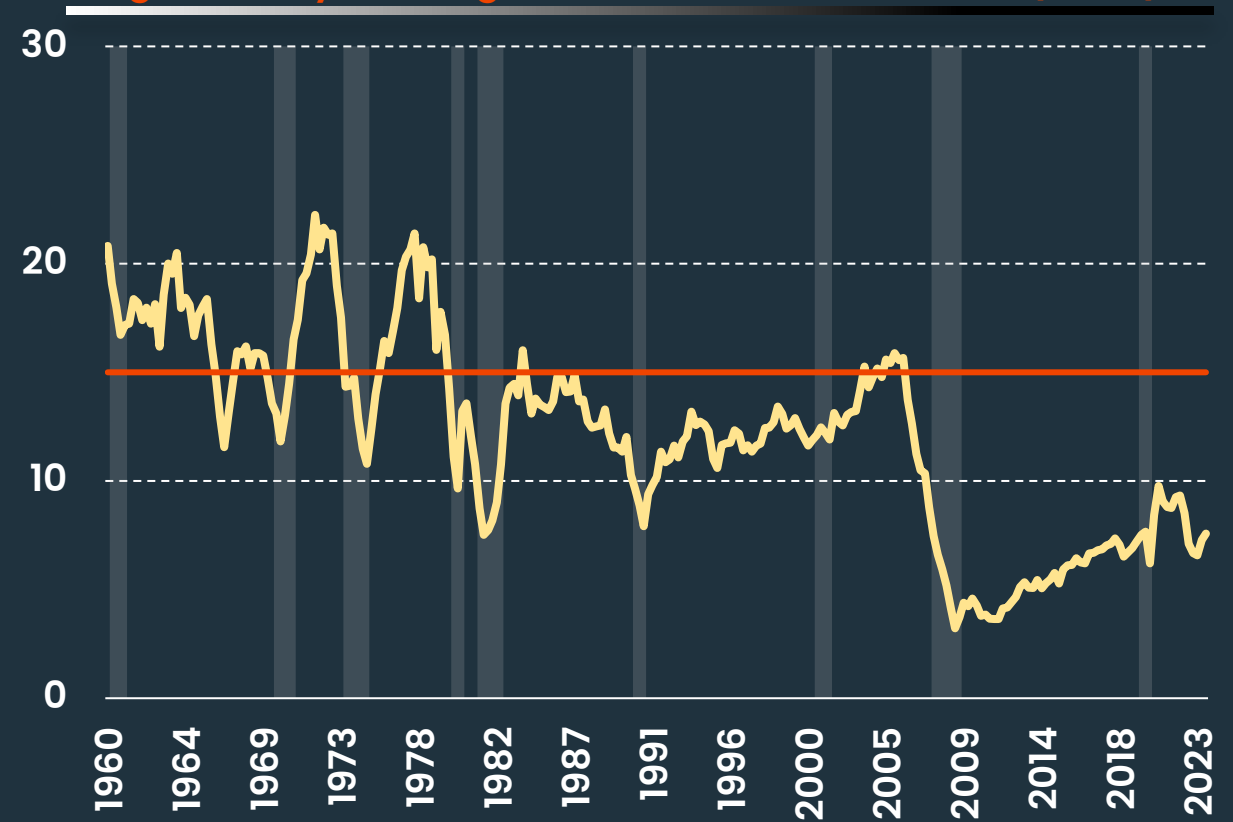


Low Housing Turnover And Lack of New Construction Suggest Inventories Are Limiting Strong Pent-Up Demand

Total Home Sales Per 1000 Households (SAAR)

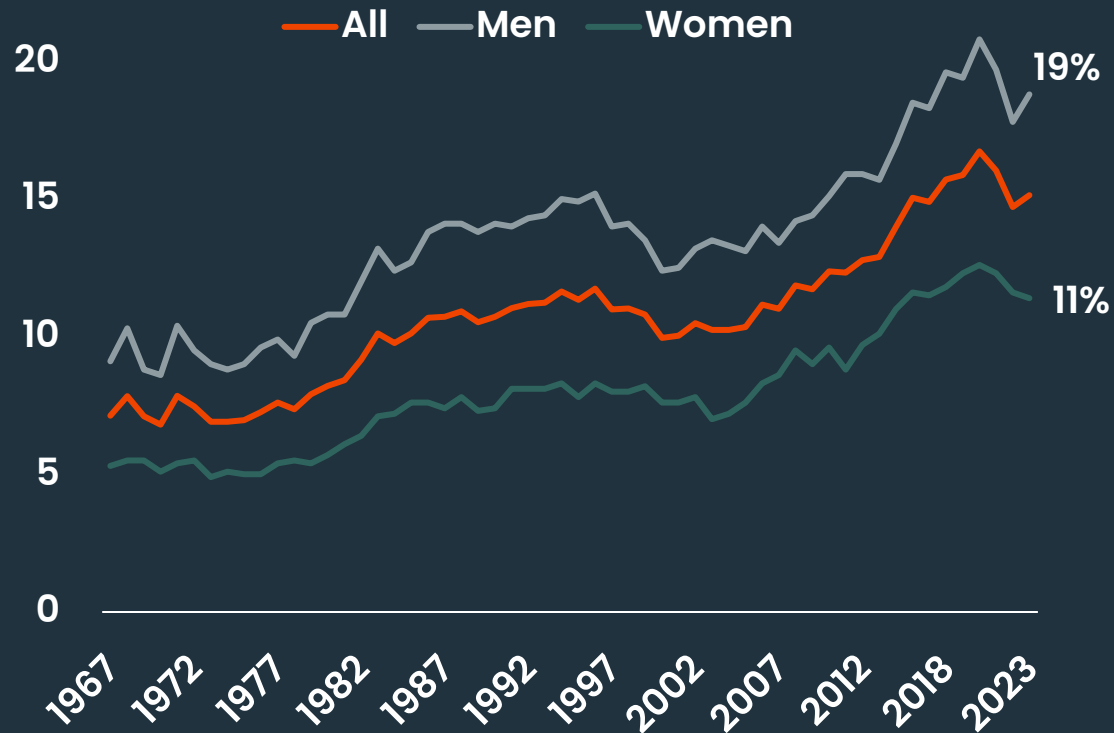


Single-Family Housing Starts Per 1000 Households (SAAR)



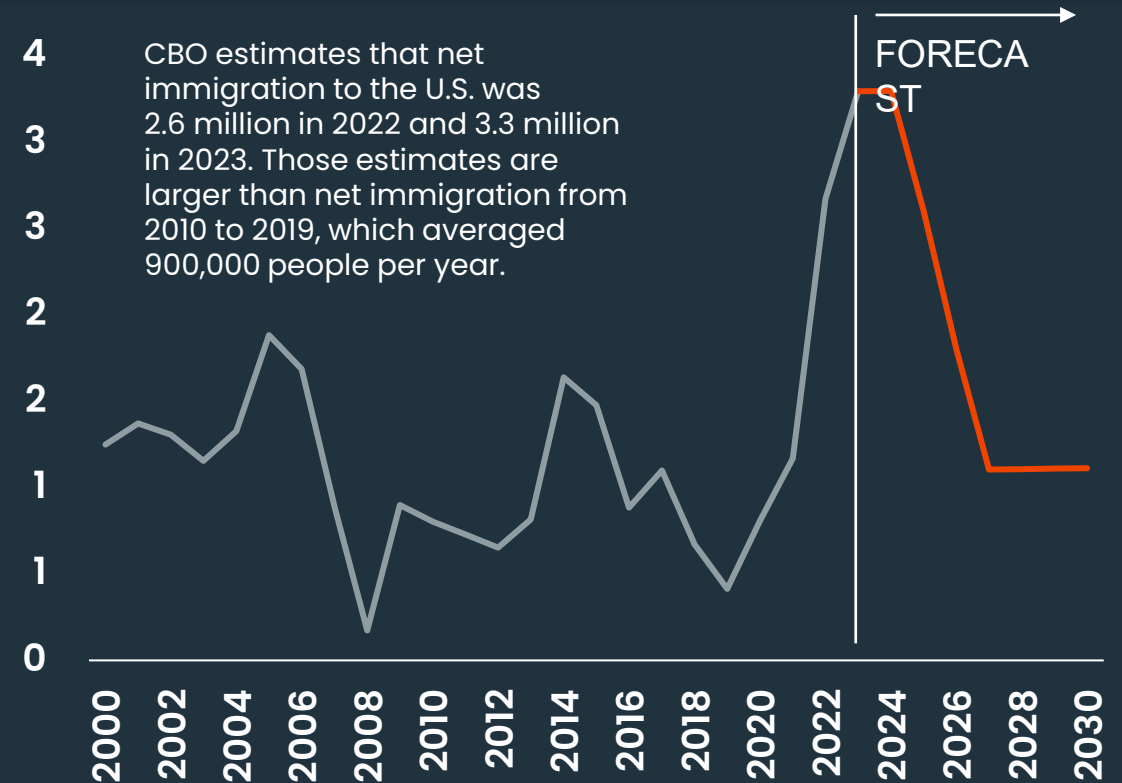
Pent-Up Demand For Housing Fueled By Young Adults Remaining with Parents And Influx of Immigrants, And Many Other Buyers Priced Out of the Market

Young Adults 25 to 34 Years Old Living With Parents (%)



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1967 to present.

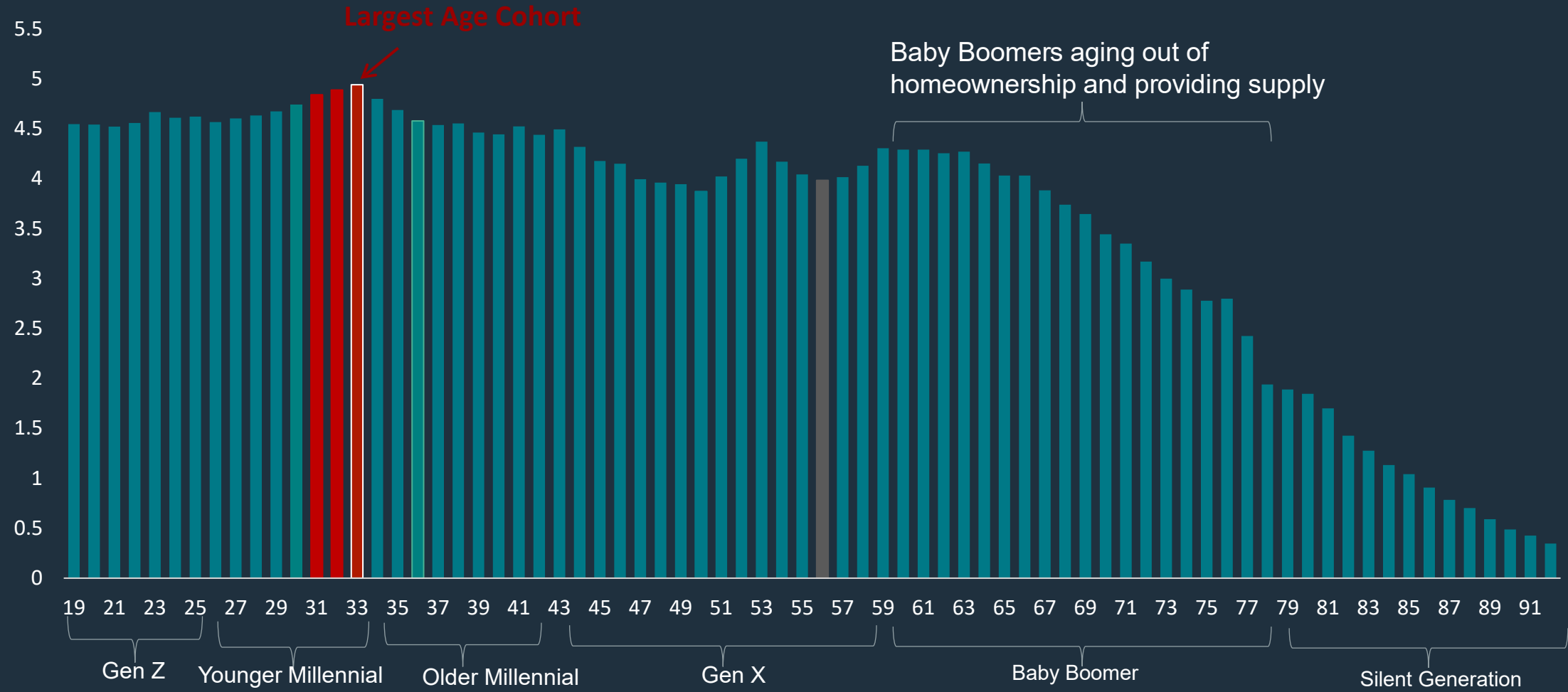
Net Immigration (Millions of People)



Source: CBO, The Demographic Outlook: 2024 to 2054

Largest Age Cohort Enters Peak First-Time Homebuyer Age

Population in 2023 by Age (Millions)

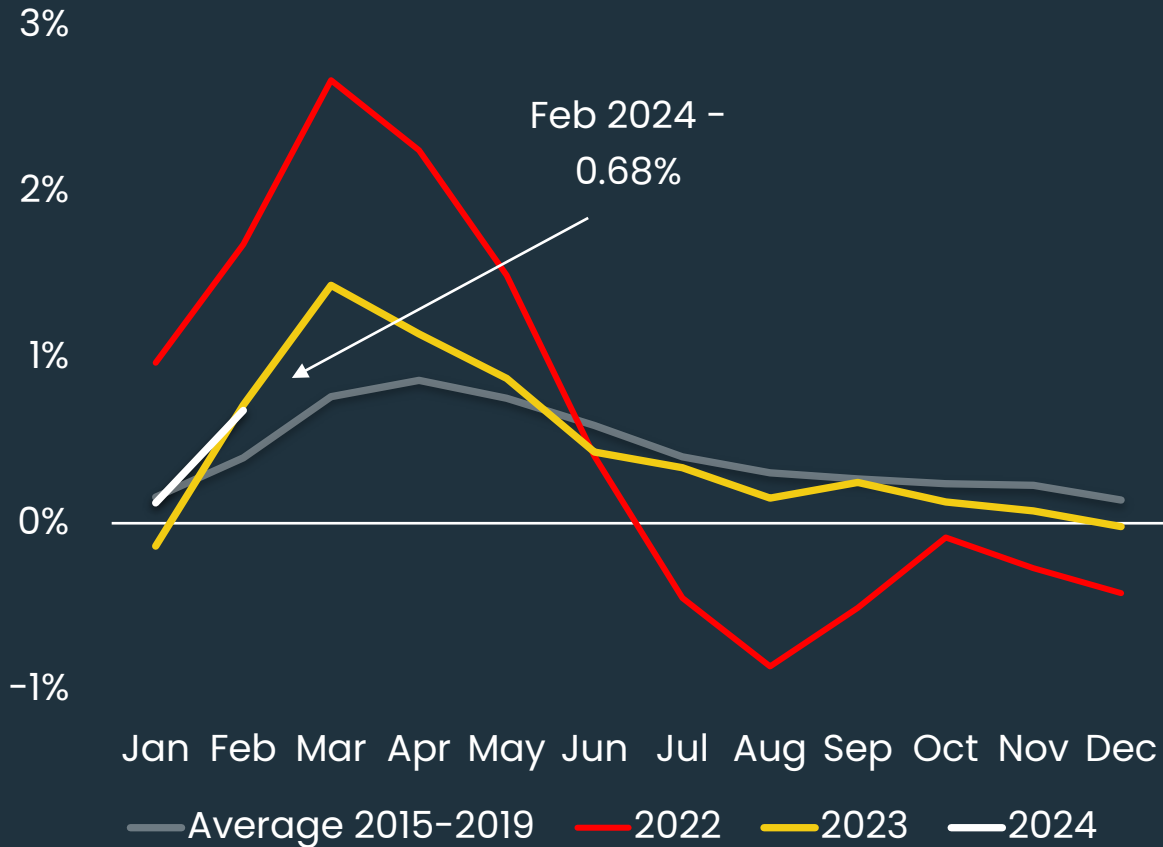


Home Prices Continue to Rise

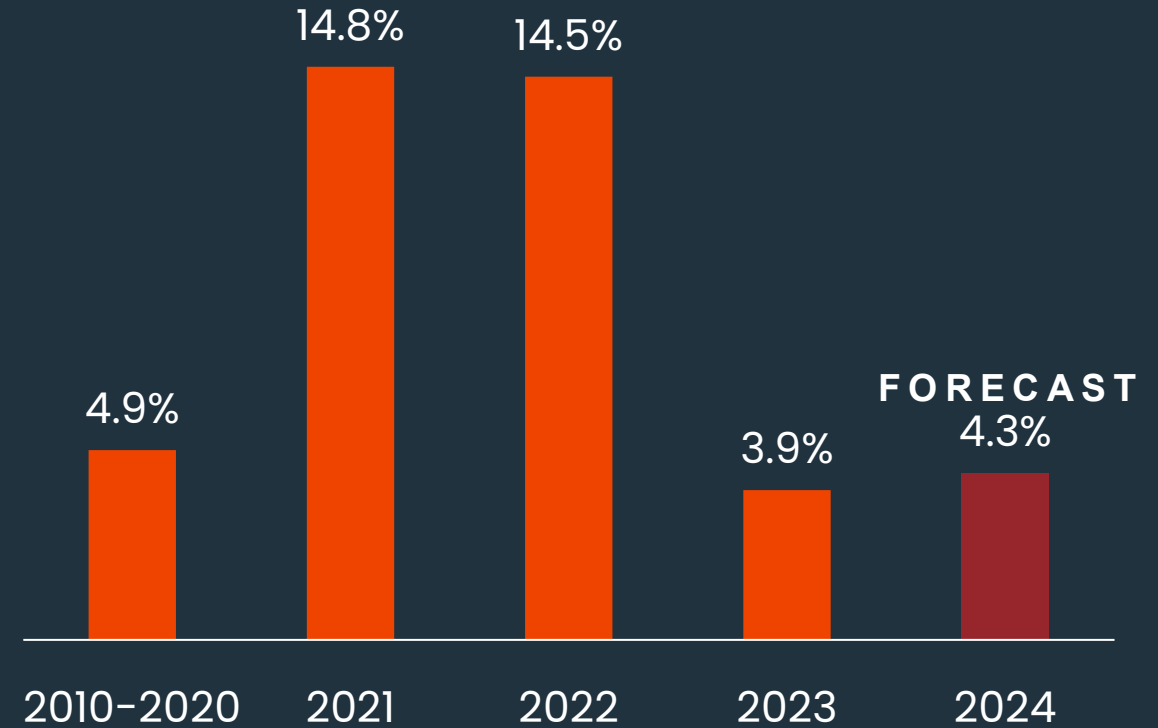
Lack of homes combined with pent-up demand keeps pressure on prices

Home Prices Pick Up Pace in Early Spring

Month-Over-Month Percent Change



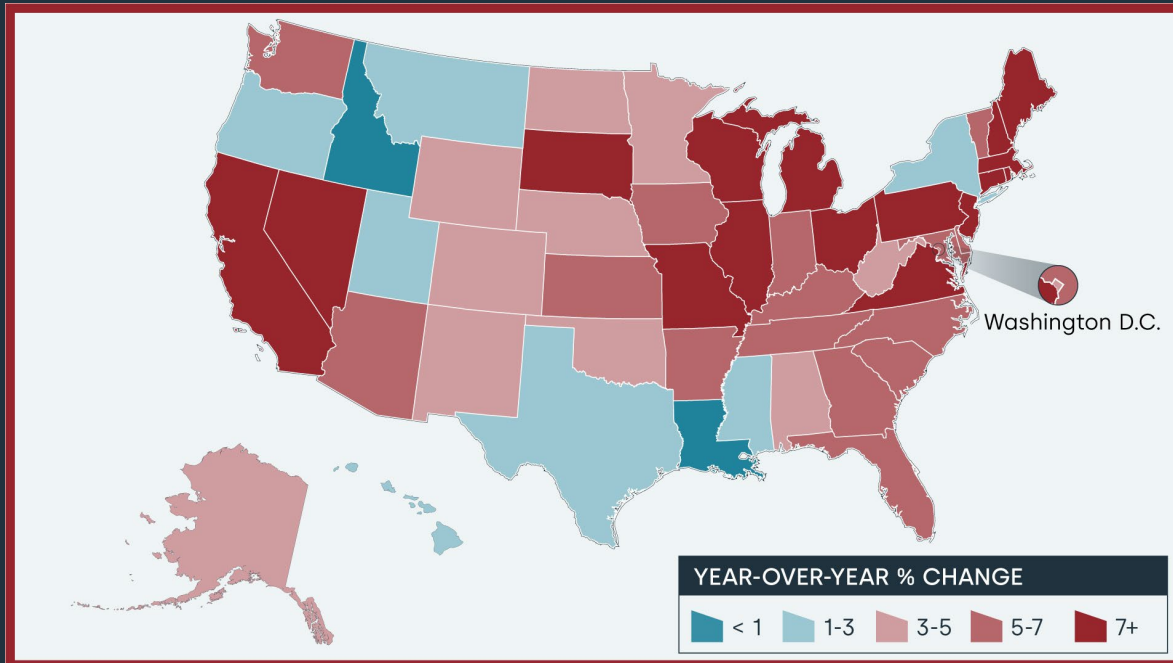
Home Price Index Growth (% change, annual rate)



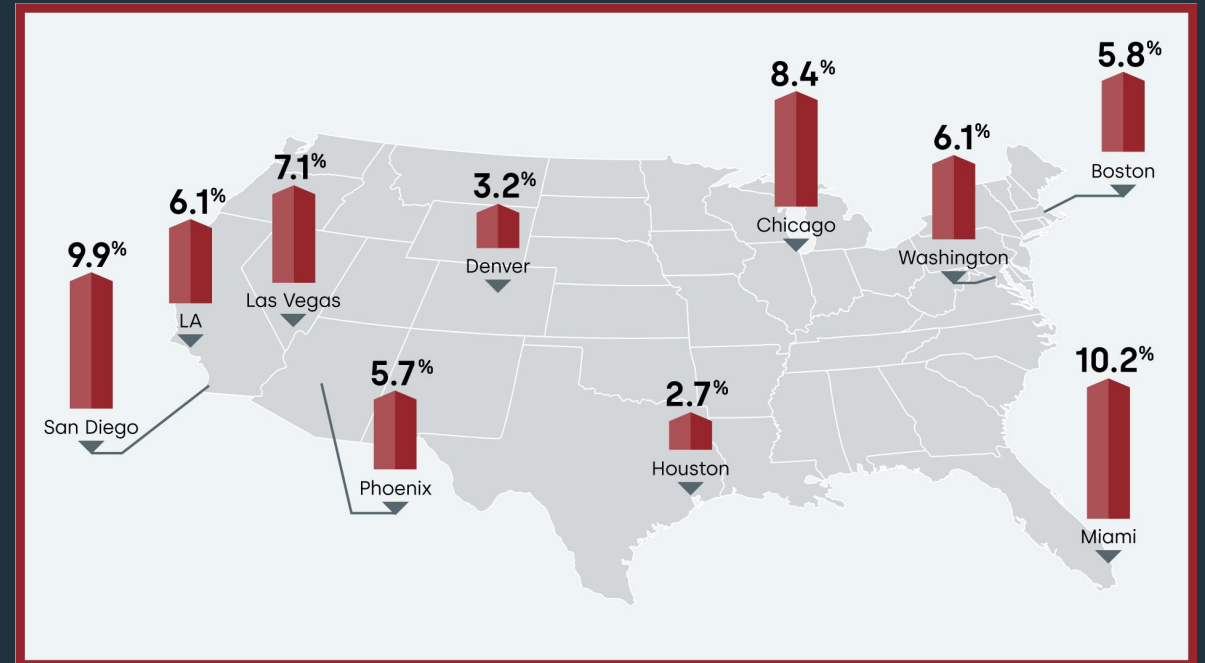
Source: CoreLogic Home Price Index (April 2, 2024)

Home Prices Growth Gained Pace Favors Midwest, Northeast, and West

Select metro year-over-year January HPI % change

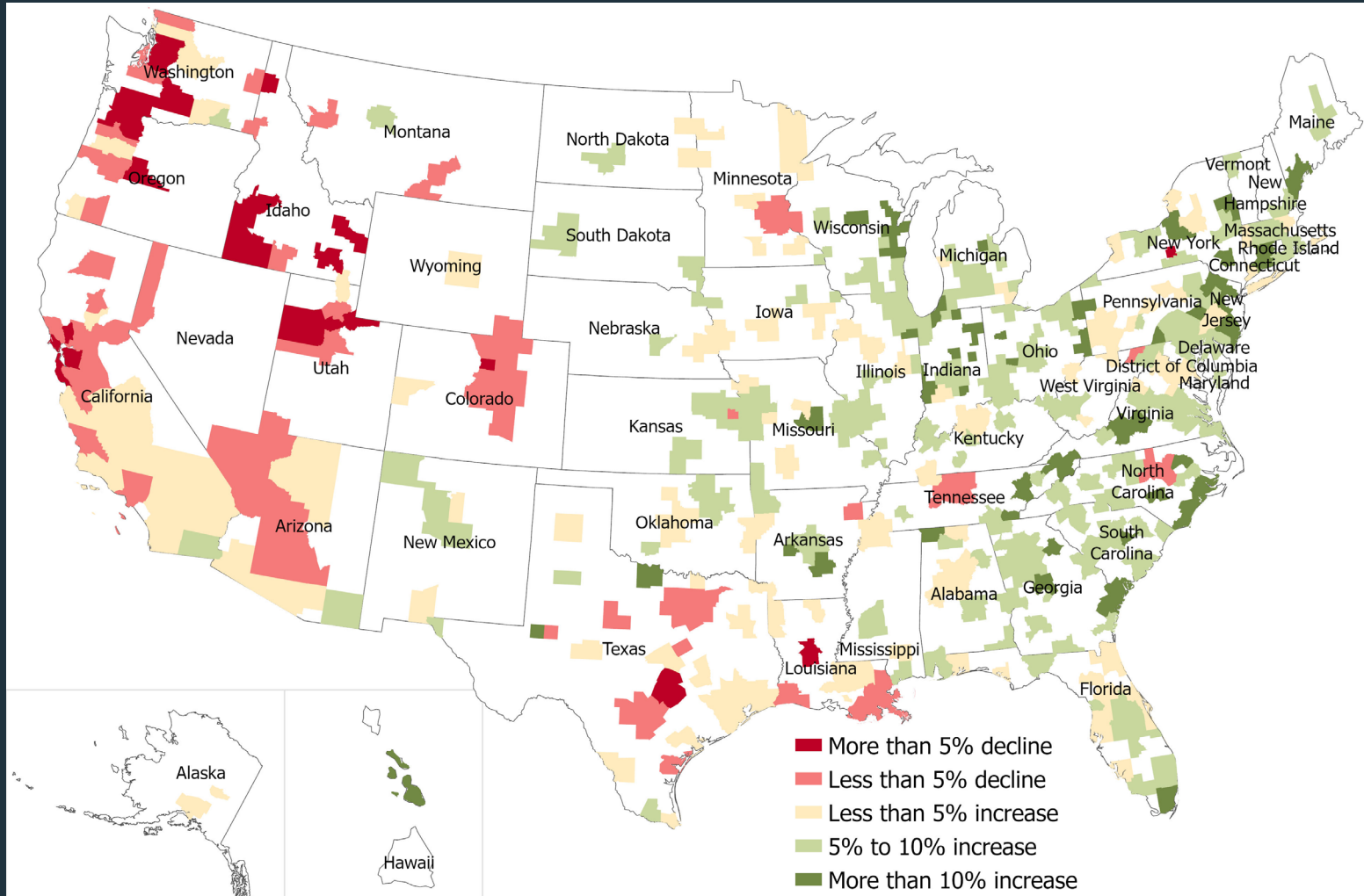


State-level year-over-year HPI % change



Source: CoreLogic Home Price Index (April 2, 2024)

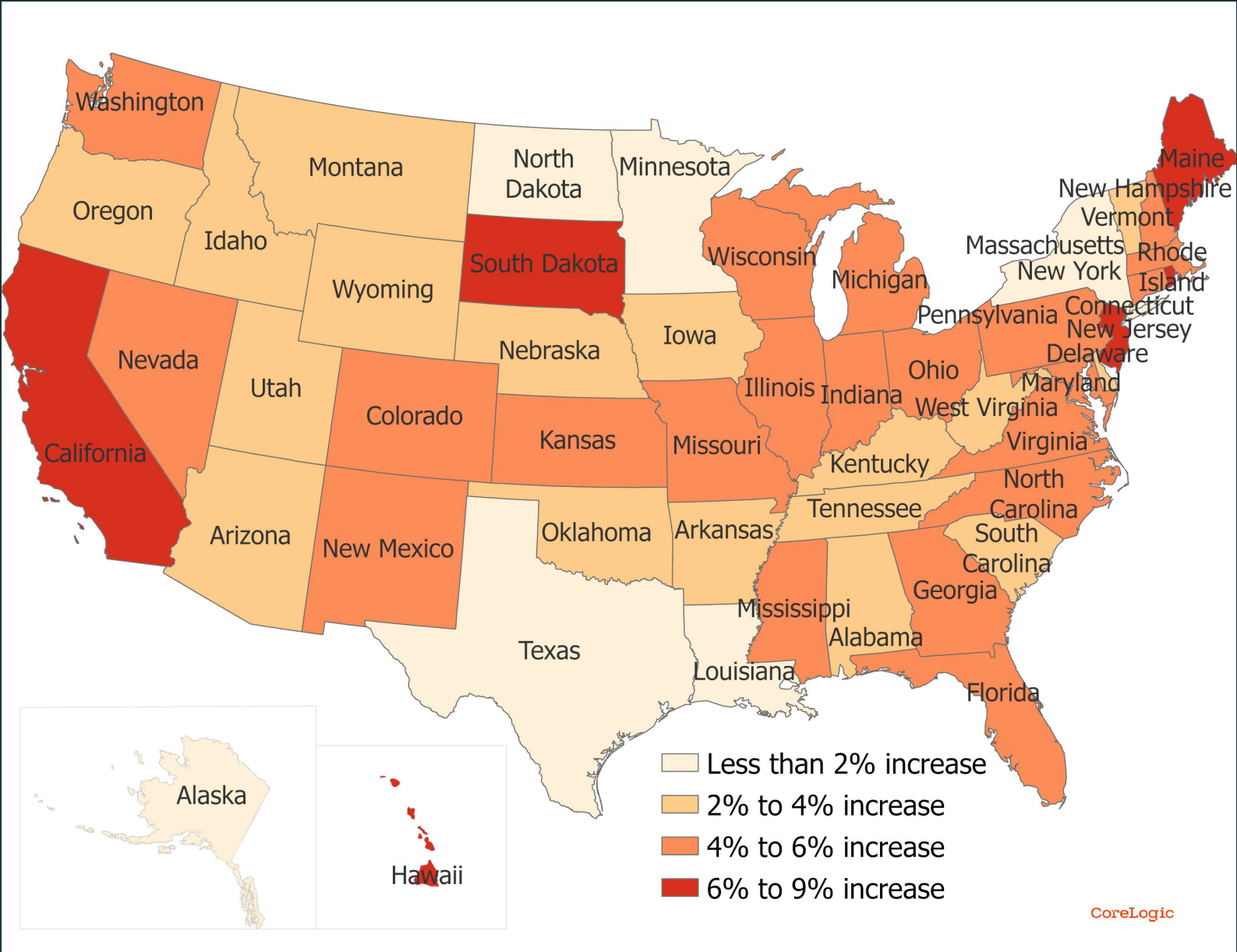
Home Prices Hit New Highs in Many Markets, Still Rebounding in Some



Metros with Largest Cumulative Declines Since Peak	Current to June 2022
Santa Cruz-Watsonville CA	-14%
San Francisco CA	-14%
Austin-Round Rock TX	-13%
San Rafael CA	-13%
Coeur D'Alene ID	-13%
Yakima WA	-13%
Boise City ID	-10%
Idaho Falls ID	-10%
Oakland-hayward-Berkeley CA	-9%
Seattle-Bellevue-Everett WA	-8%

Strongest annual price growth expected in Northeast and West—

Areas that lagged home price gains during the pandemic and remain affordable. Proximity to job centers also drives demand in those regions

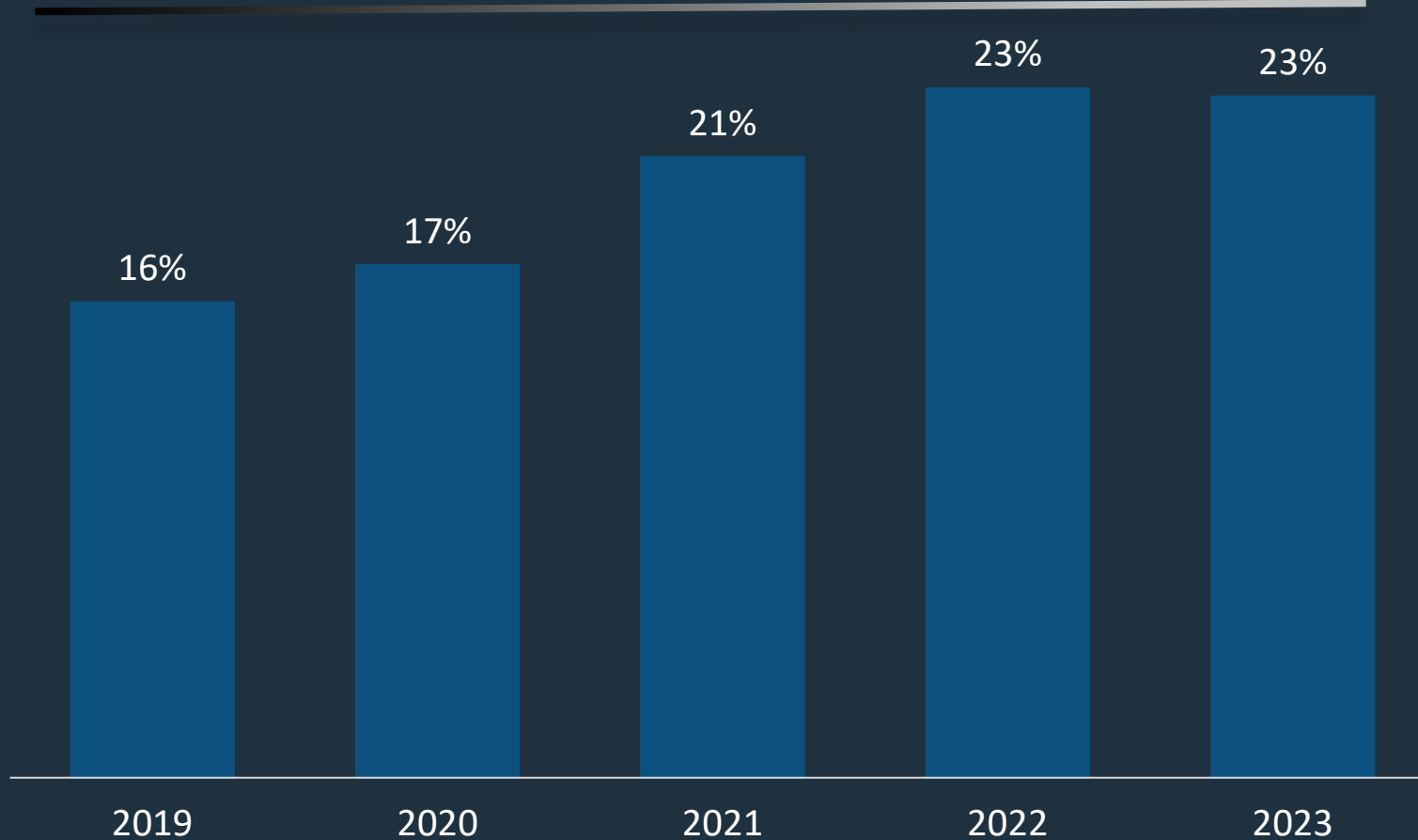


Source: CoreLogic Home Price Index (April 2, 2024)

Cross State Migration Driving Home Price Strength

Out-Migration remains elevated with movers having higher incomes than locals

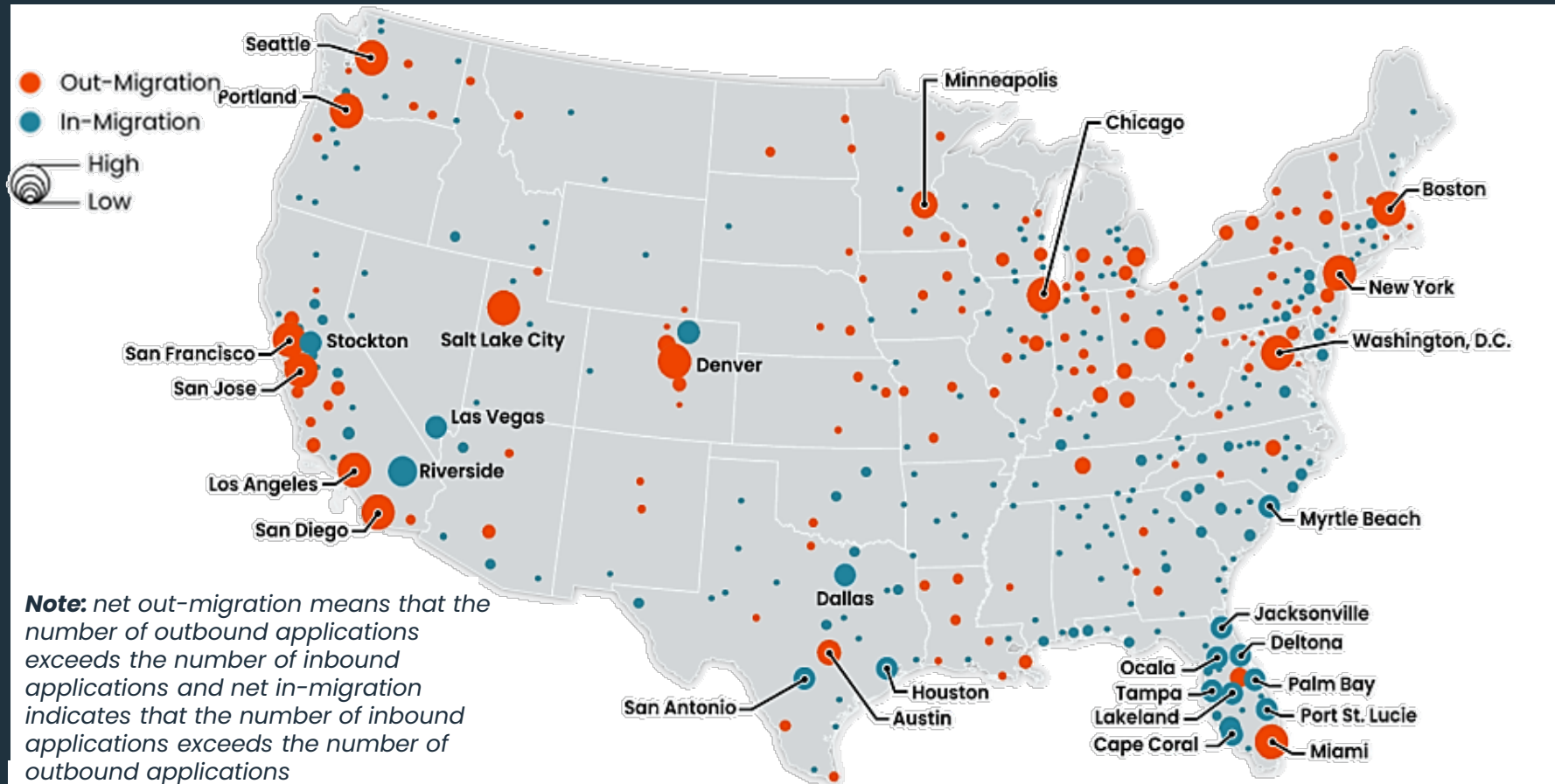
Out of Metro Applicant Share



Top metros with largest income gap for in-migrating residents	
Des Moines, IA	65%
Grand Rapids, MI	63%
Louisville, KY-IN	60%
Miami, FL	59%
Cincinnati, OH-KY-IN	56%
Kansas City, MO-KS	51%
Salisbury, MD-DE	50%
Reno, NV	50%
Boise City, ID	50%
Nashville, TN	48%
Cleveland-Elyria, OH	47%
Memphis, TN-MS-AR	47%
Pittsburgh, PA	44%
St. Louis, MO-IL	42%
Naples-Marco Island, FL	43%
Las Vegas, NV	41%
Oklahoma City, OK	41%
Columbus, OH	39%
Anchorage, AK	39%
Phoenix, AZ	37%

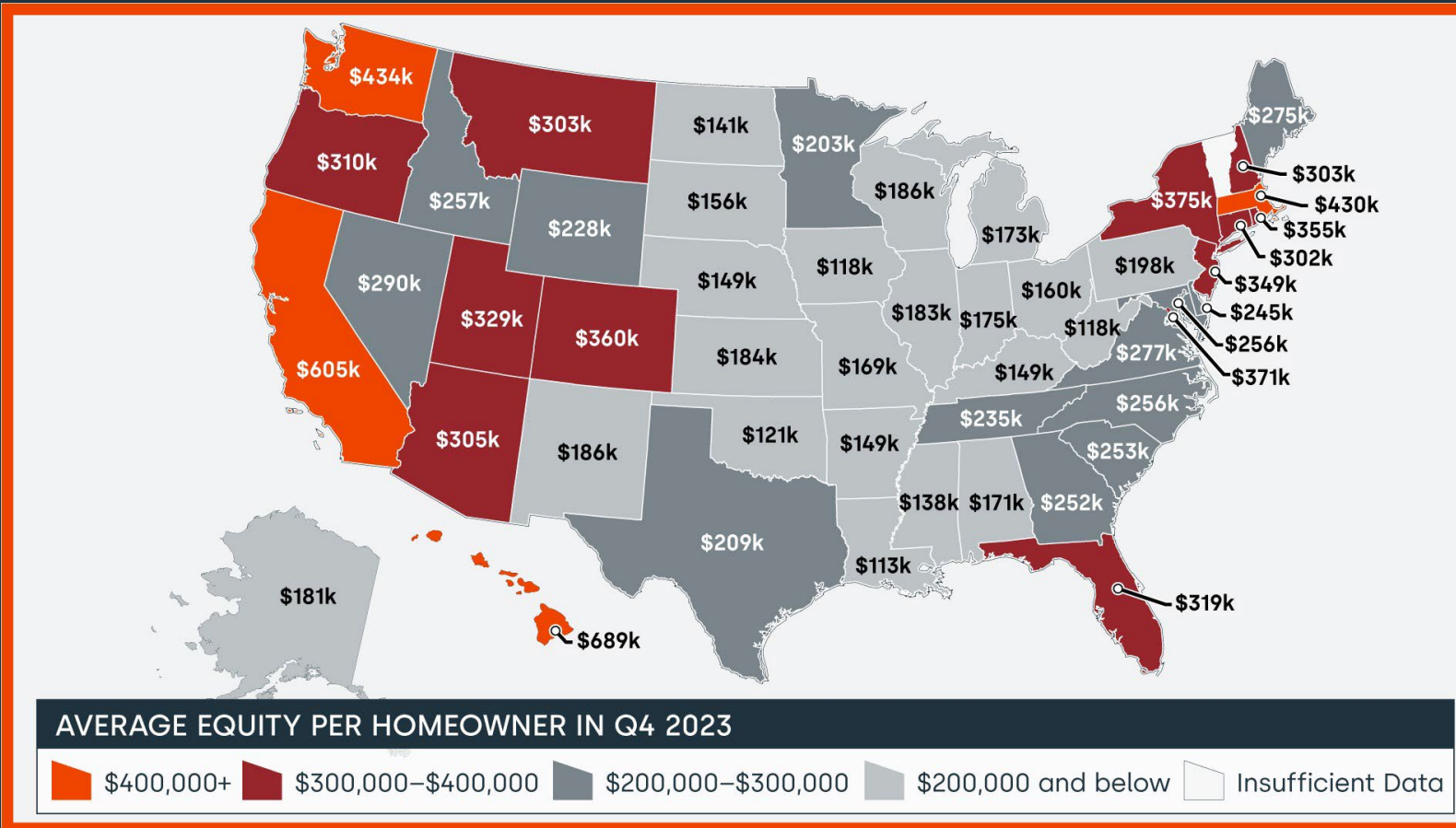
Price Drivers: Migration To Affordable, Warm, Amenity-Rich Metros

U.S. Metro Areas Based on Net In-Migration and Out-Migration of Homebuyers in 2023



Source: CoreLogic Fraud Consortium Loan Application data

Price Drivers: Average Home Equity Reaches \$300,000, Migrants Put Pressure on Home Prices



Equity in highest outmigration markets

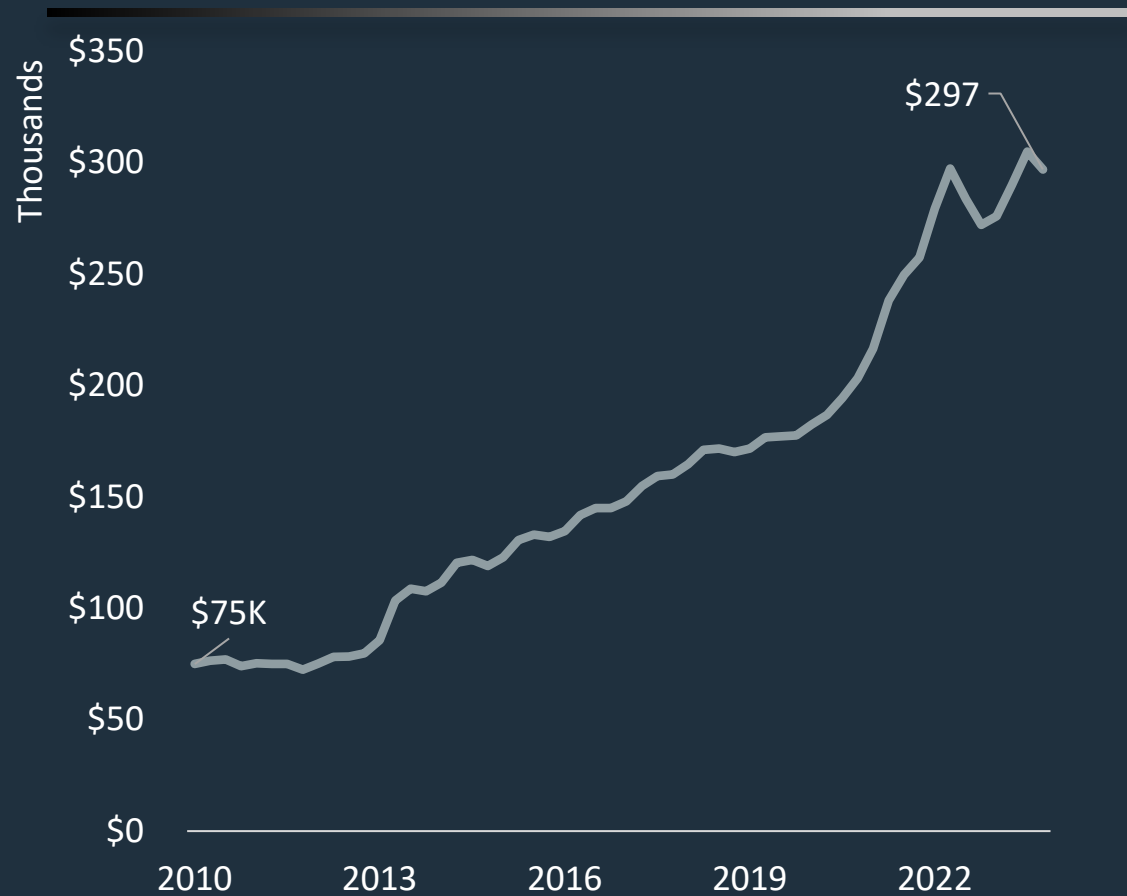
San Jose, CA	\$1,183,000
San Francisco, CA	\$1,167,000
San Diego, CA	\$729,000
Los Angeles, CA	\$726,000
Seattle, WA	\$628,000
Boston, MA	\$467,000
New York, NY-NJ	\$452,000
Miami, FL	\$418,000
Denver, CO	\$385,000
Salt Lake City, UT	\$360,000
Portland, OR-WA	\$353,000

Source: CoreLogic Home Equity Report for 2023Q4

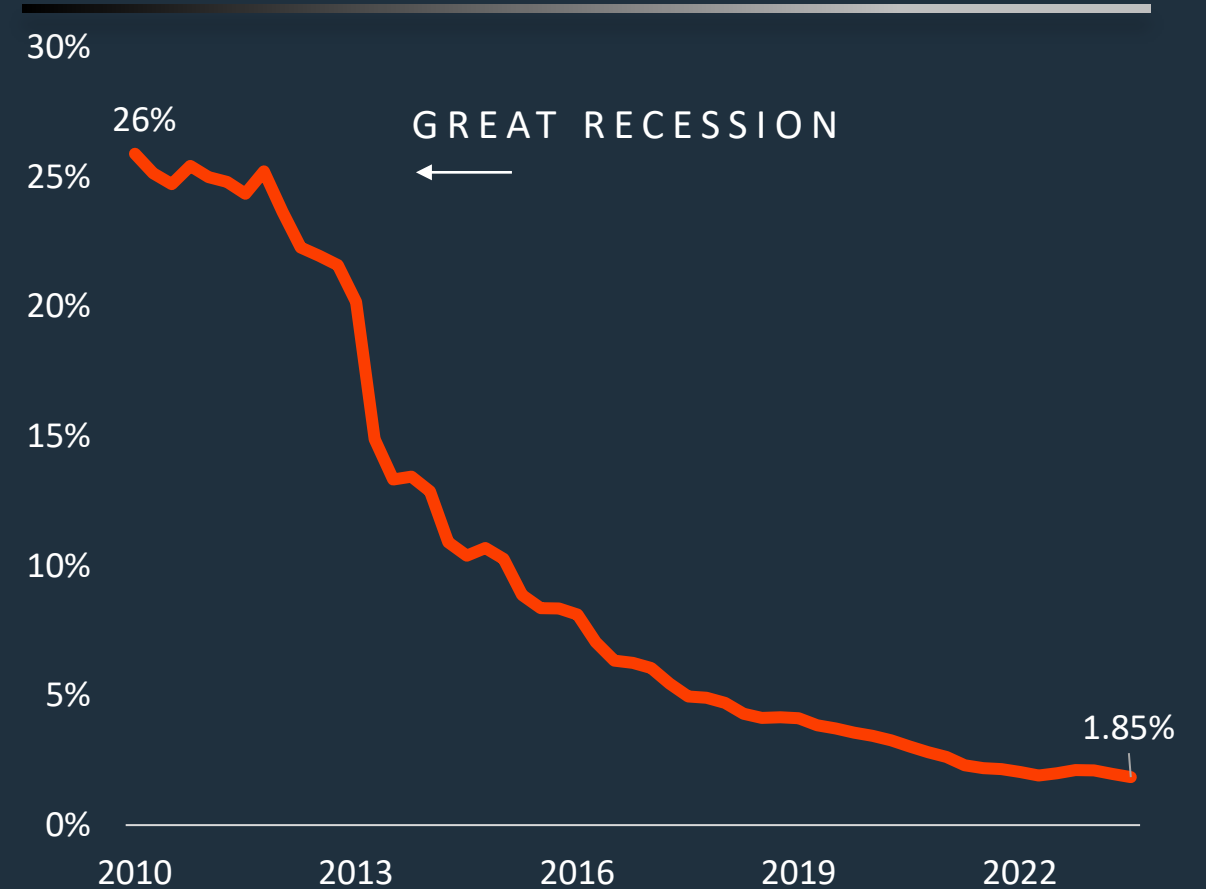
Homeowner Equity Remains High

Home prices would have to fall 40% to reach 2010 negative equity shares

Average Equity per Borrower 2022

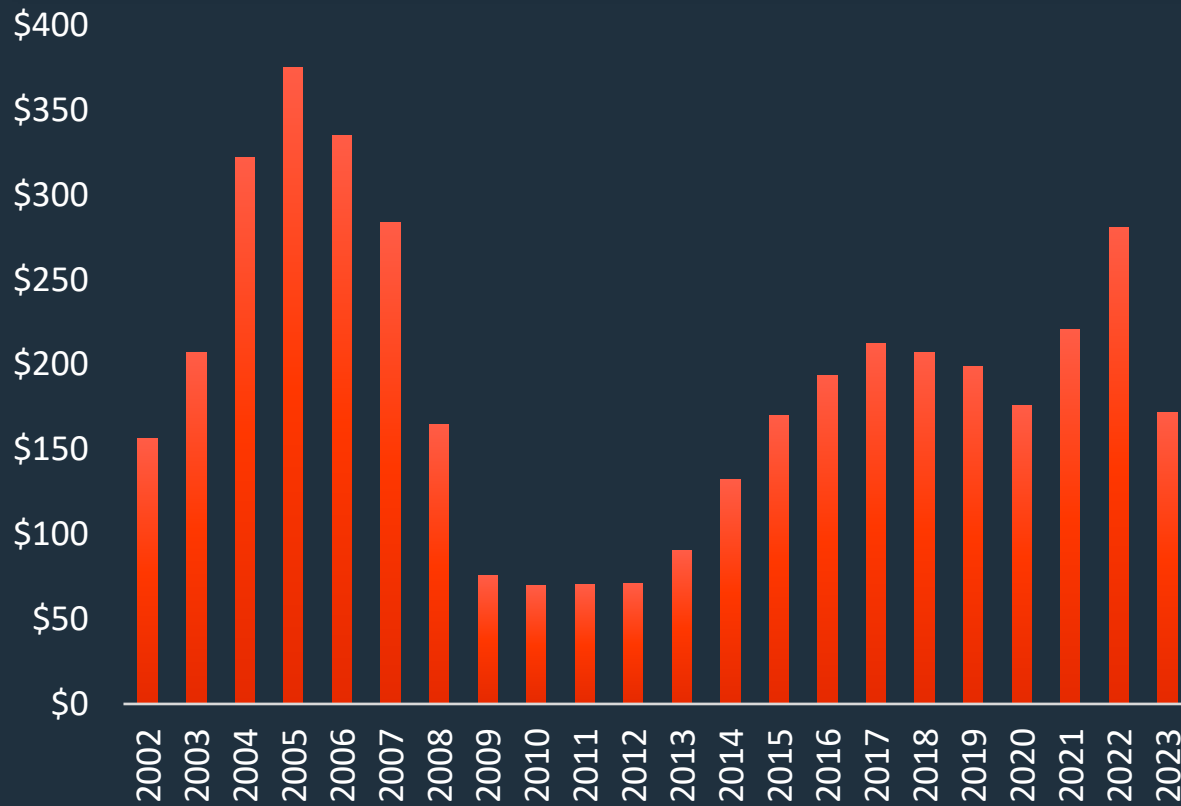


Share of Mortgaged Properties With Negative Equity

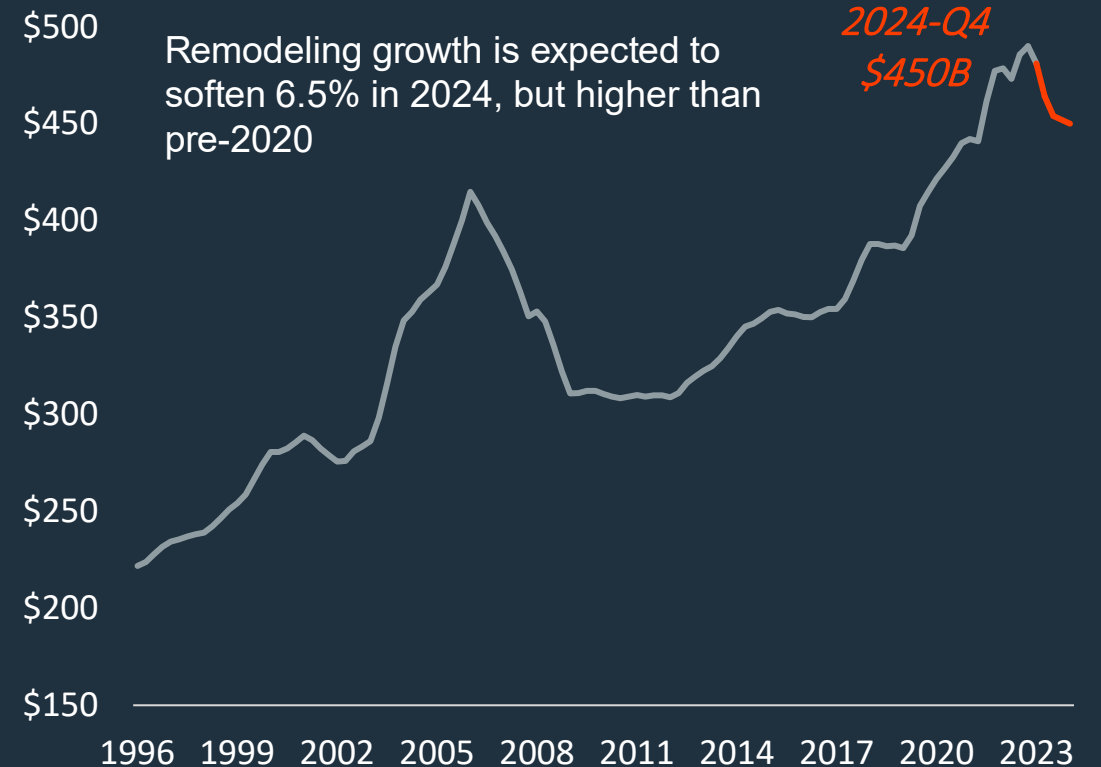


Home Equity Funds Home Improvements and Repairs, 33% of Residential Construction in 2023

HELOCs Authorized
(billions of \$)



Homeowner
Home Improvements and Repairs (billions of \$)





Thank you

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

<https://www.corelogic.com/intelligence/>

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