



First American

Has The Game Changed? Millennials, and the Economics of Housing

January, 2017



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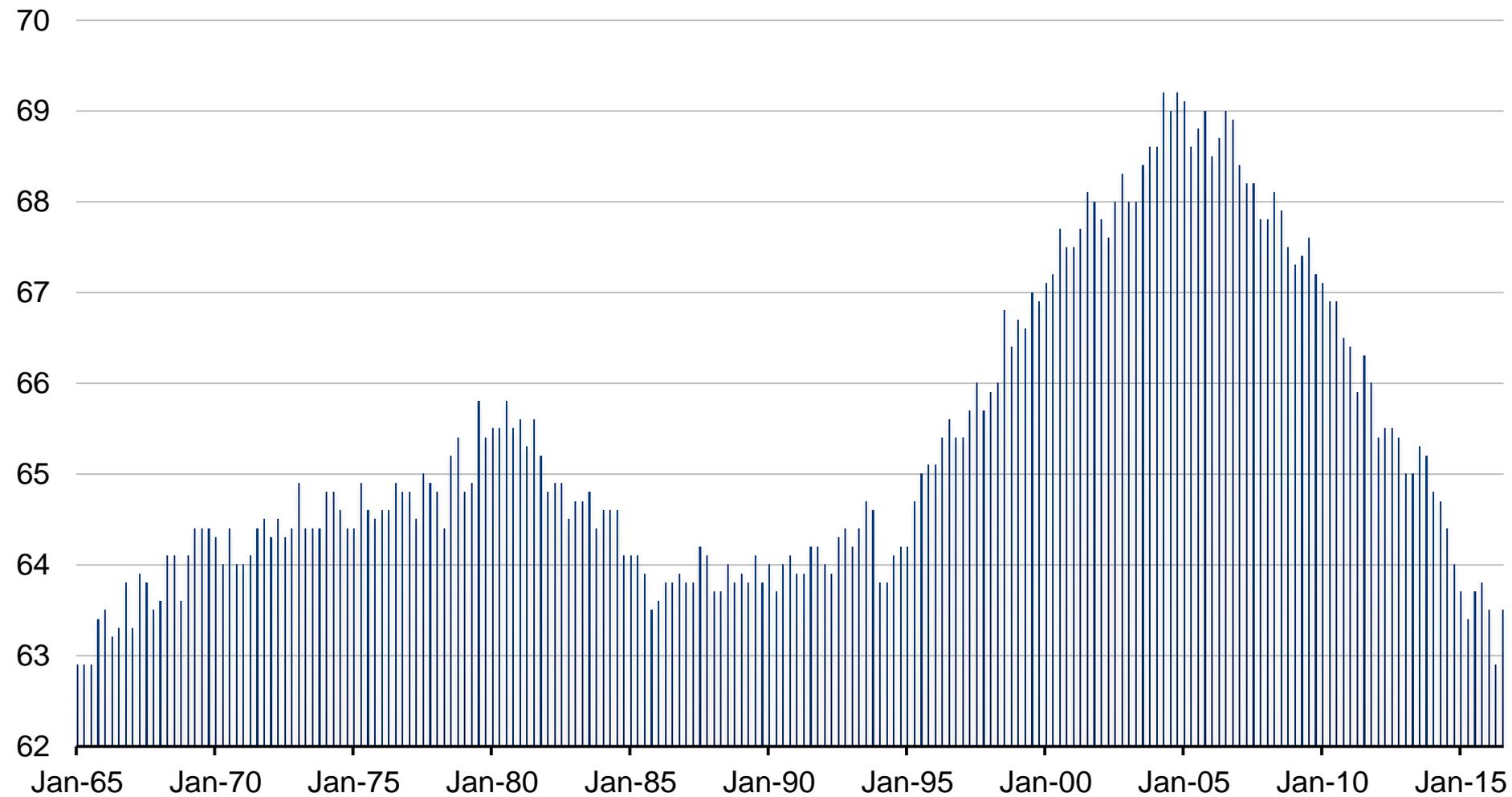
**“It ain’t what you don’t know
that gets you into trouble. It’s
what you know for sure that
just ain’t so.”
- Mark Twain**



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Is Something Restricting the American Dream?

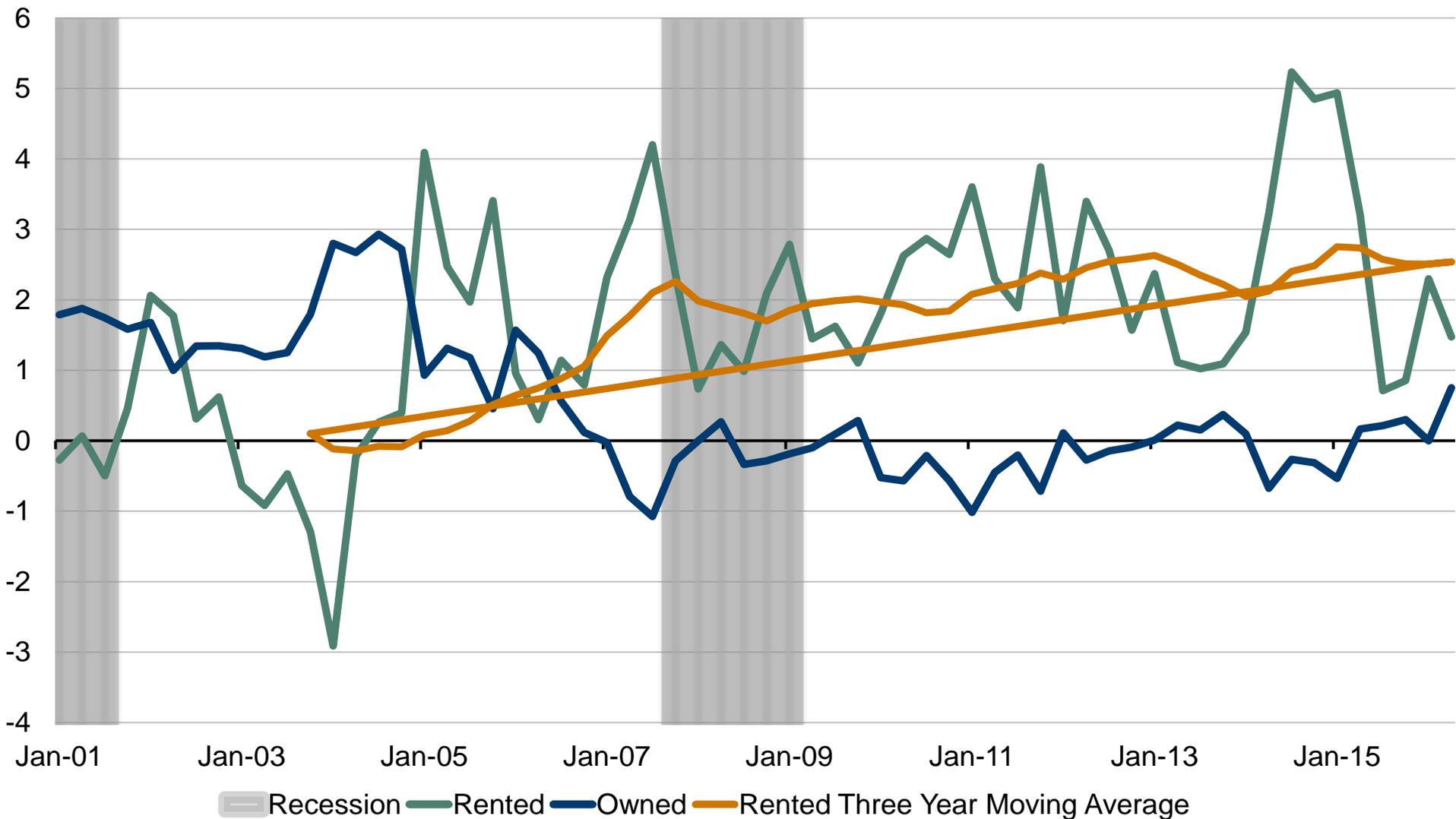
Homeownership Rate (%)



Source: US Census Bureau, Q3 2016

Demographics Drives Rental Demand

Household Formation by Occupancy Type (Year-Over-Year Inventory Growth, %)

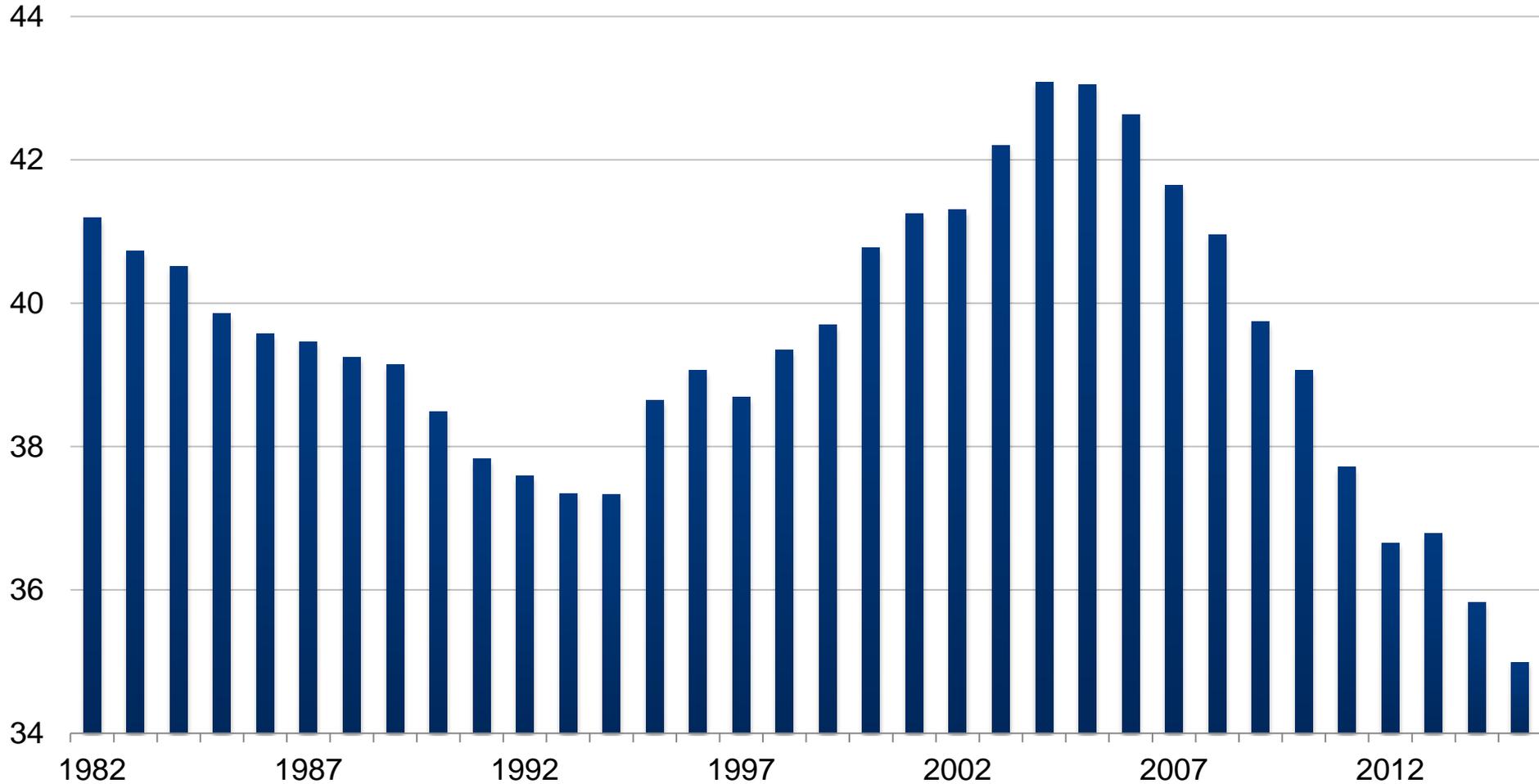


Source: Census Bureau, FRED Q3 2016

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Renting Millennials

Homeownership Rate for Households Under 35



Source: Census Bureau CPS/HVS, 2015



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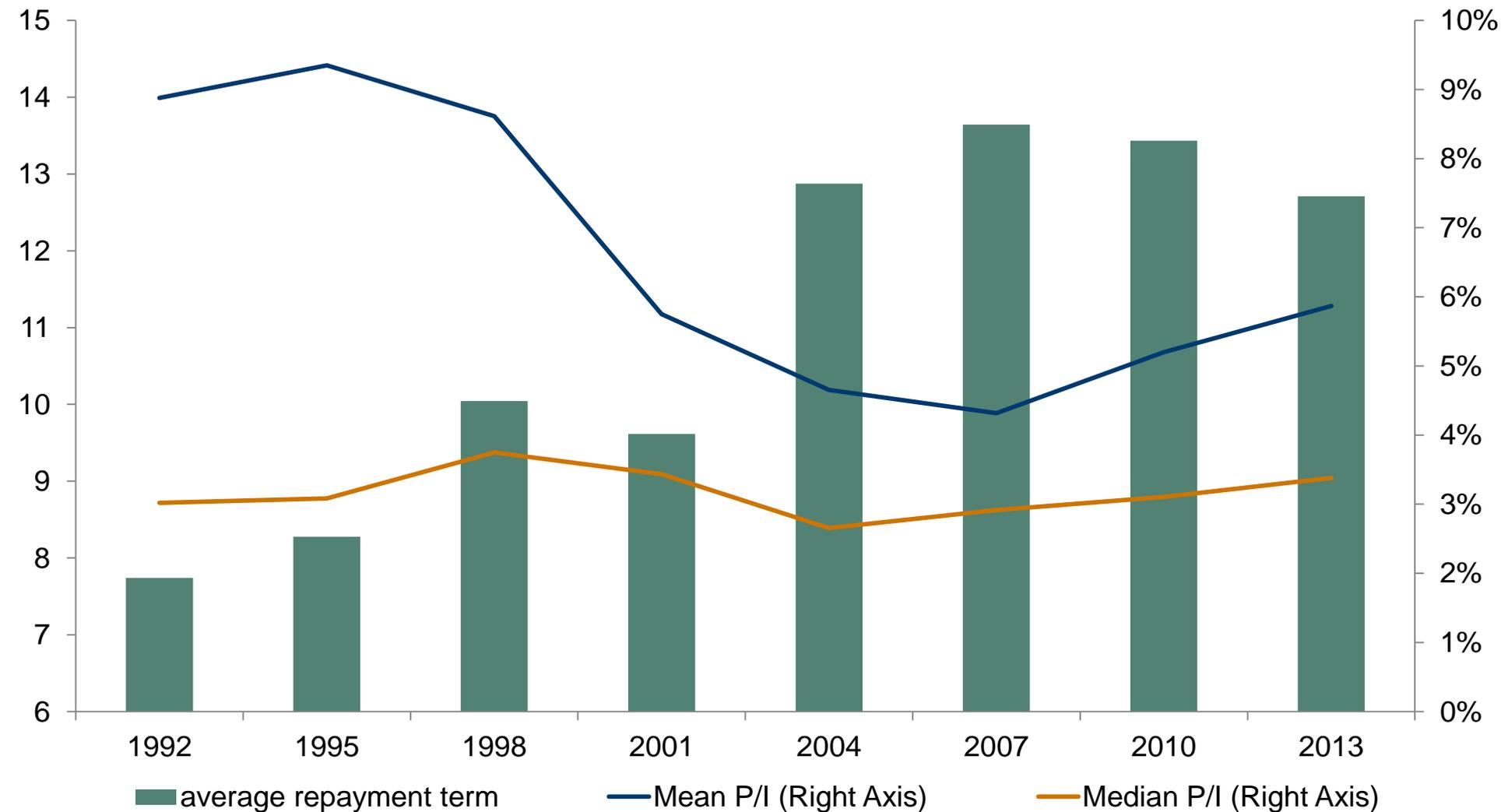
Over or Under Achieving GenY



Source: Census Bureau, 2013-2014

Borrow More and Pay More?

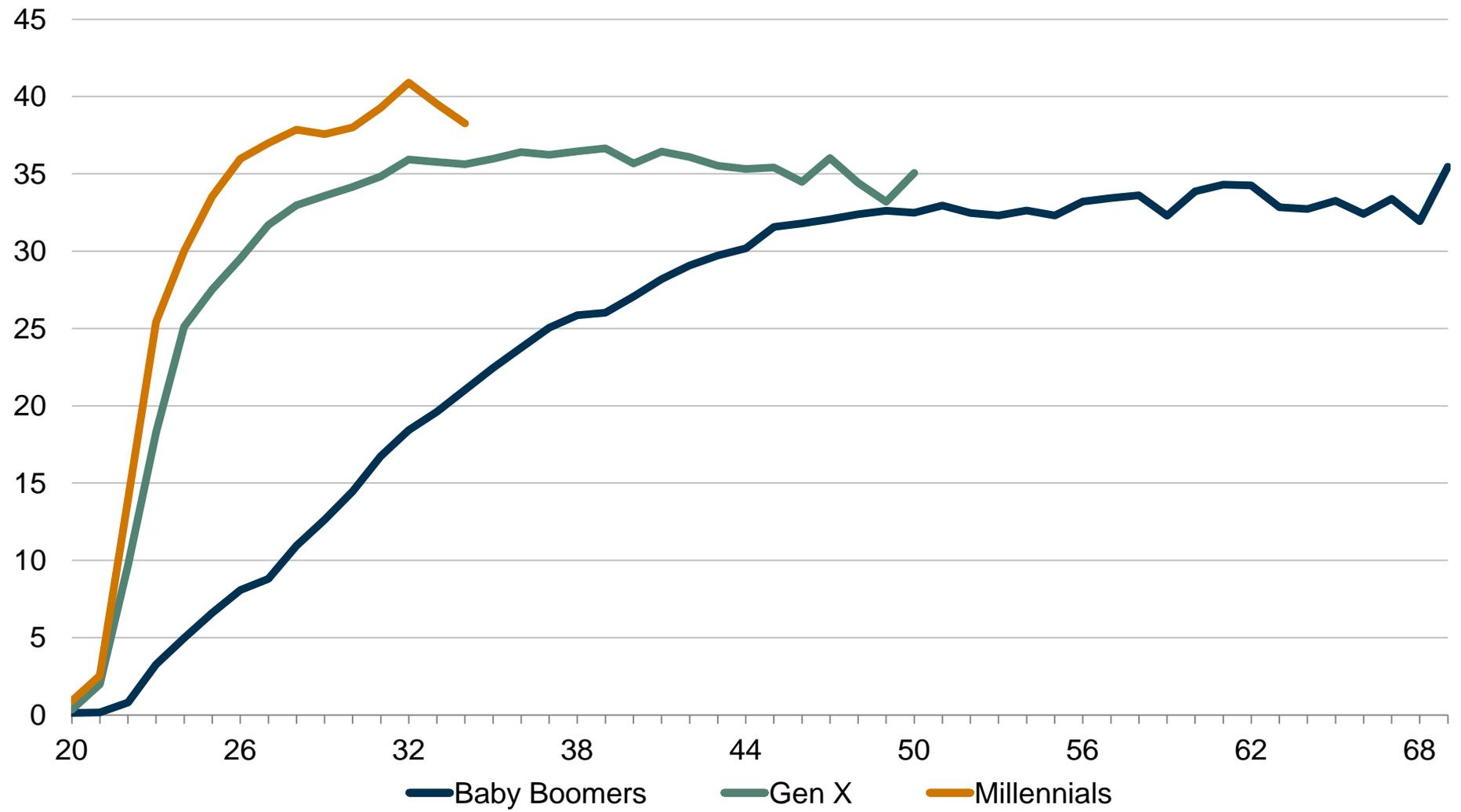
Average Loan Term (Years) and Payment-to-Income Ratio



Source: Federal Reserve Board of Governors SCF, 2013

Education Attainment

Percent Share of Population with Bachelors Degree or Higher



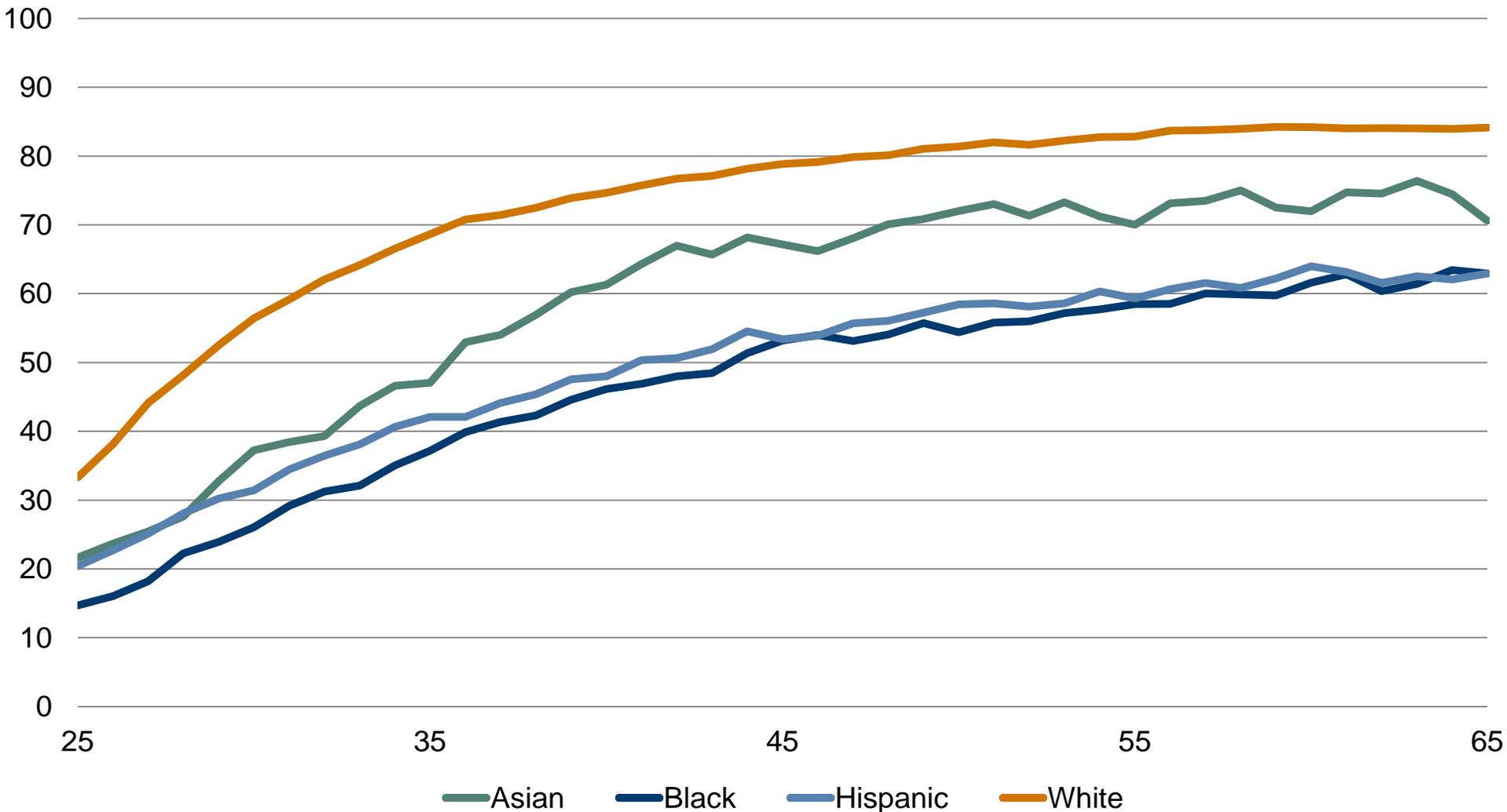
Source: ACS IPUMS, 2015

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With Age Comes Wisdom and Homeownership

Percent of Homeowners



Source: IPUMS CPS,

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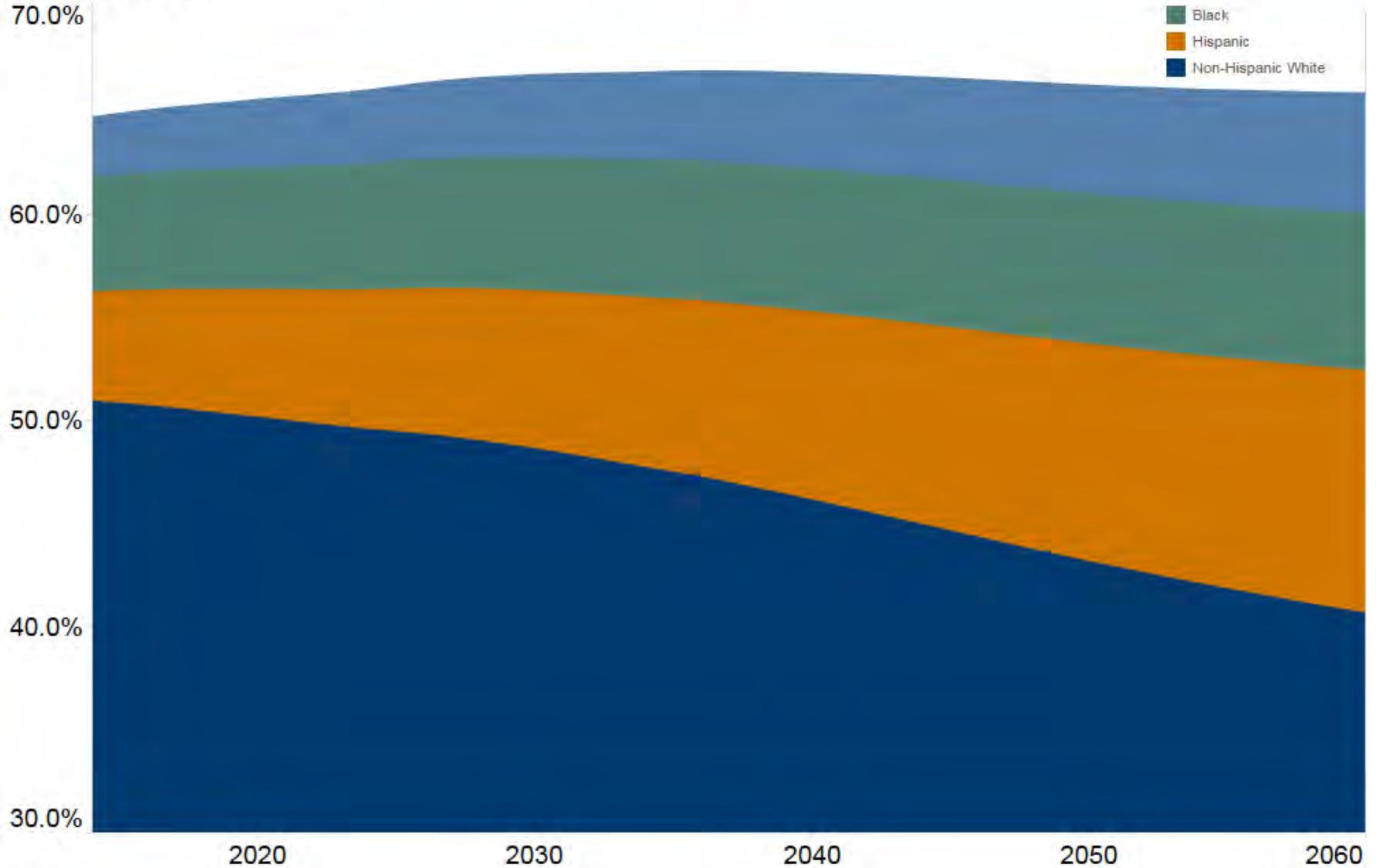
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Share of Homeownership by Race and Ethnicity

% Homeowners



Forecasting Housing's Future

**Sunny with a few cloudy
periods today and Thursday,
which will be followed by
Friday...**

-The Province (Vancouver, B.C.) 6/21/78



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Potential Still Rising But Recent rate Increases Expected To Taper Future Demand

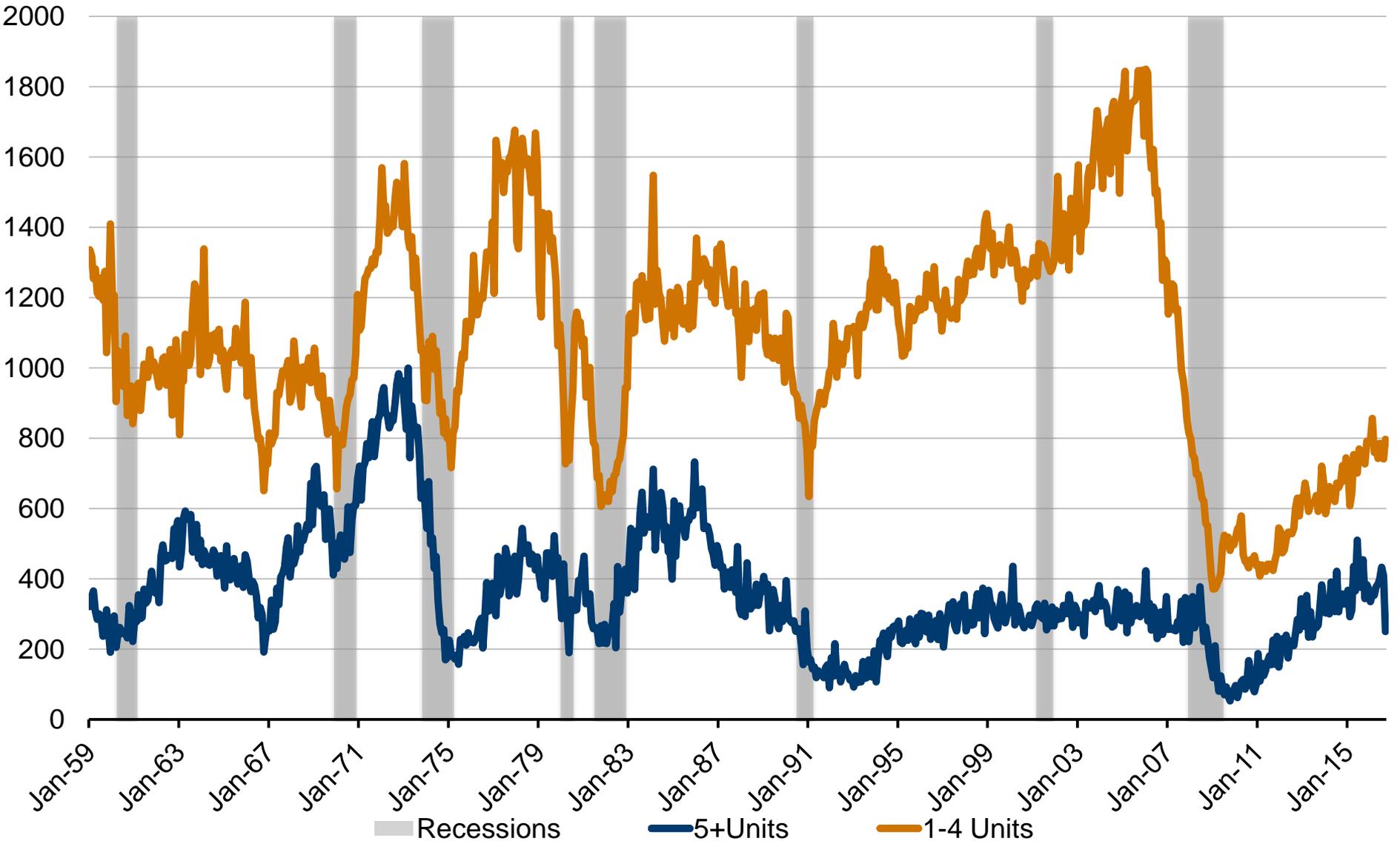
Existing and Potential Home Sales ('000s, SAAR)



Source: NAR, FRB St. Louis, First American Calculations, September 2016

Demographics Drives Building Potential

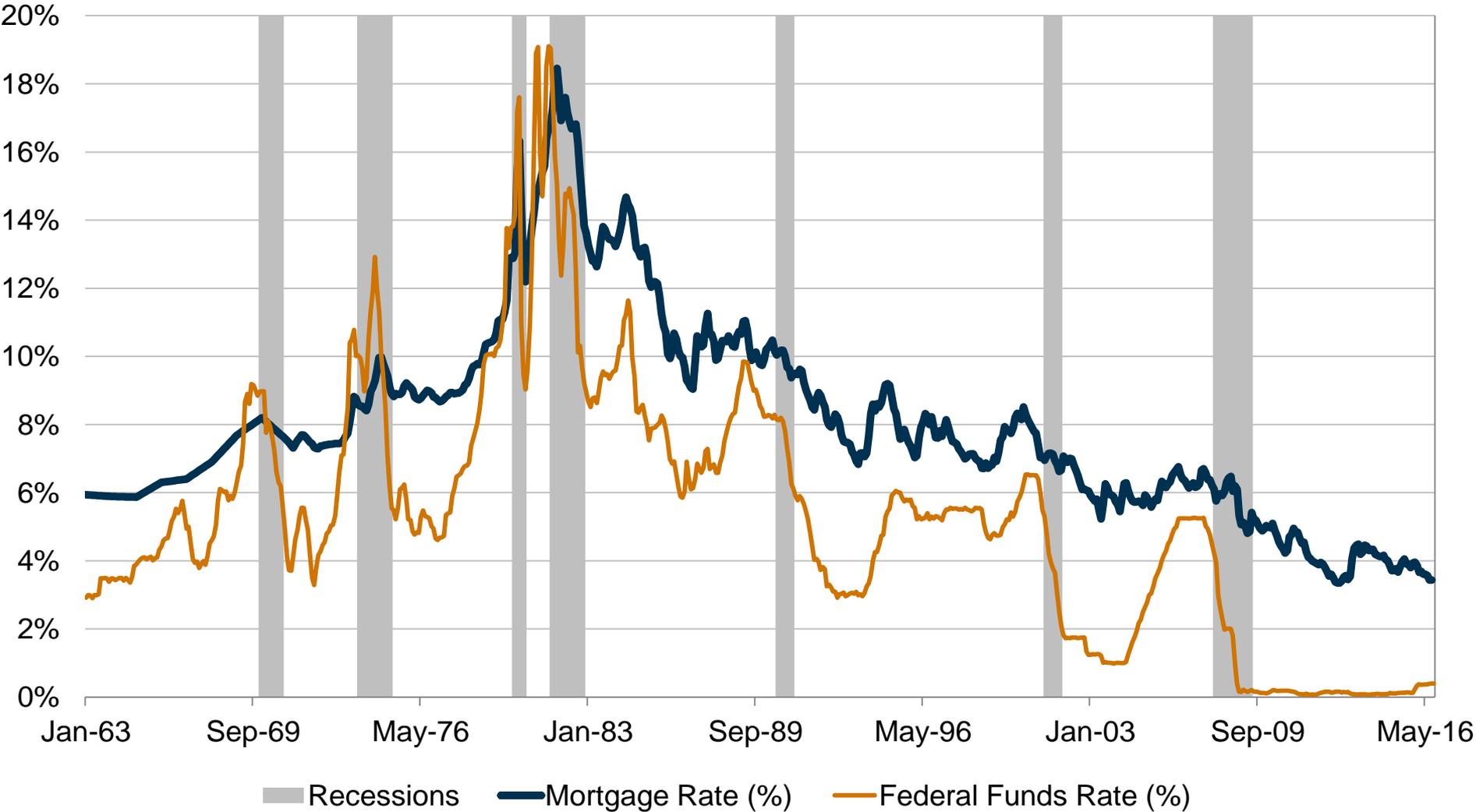
Single and Multifamily Housing Starts ('000s,Units)



Source: US Census Bureau, FRED, Nov. 2016

Housing's Quarter-Century Tailwind

30-Year Fixed Rate, Effective Federal Funds Rate, % NSA



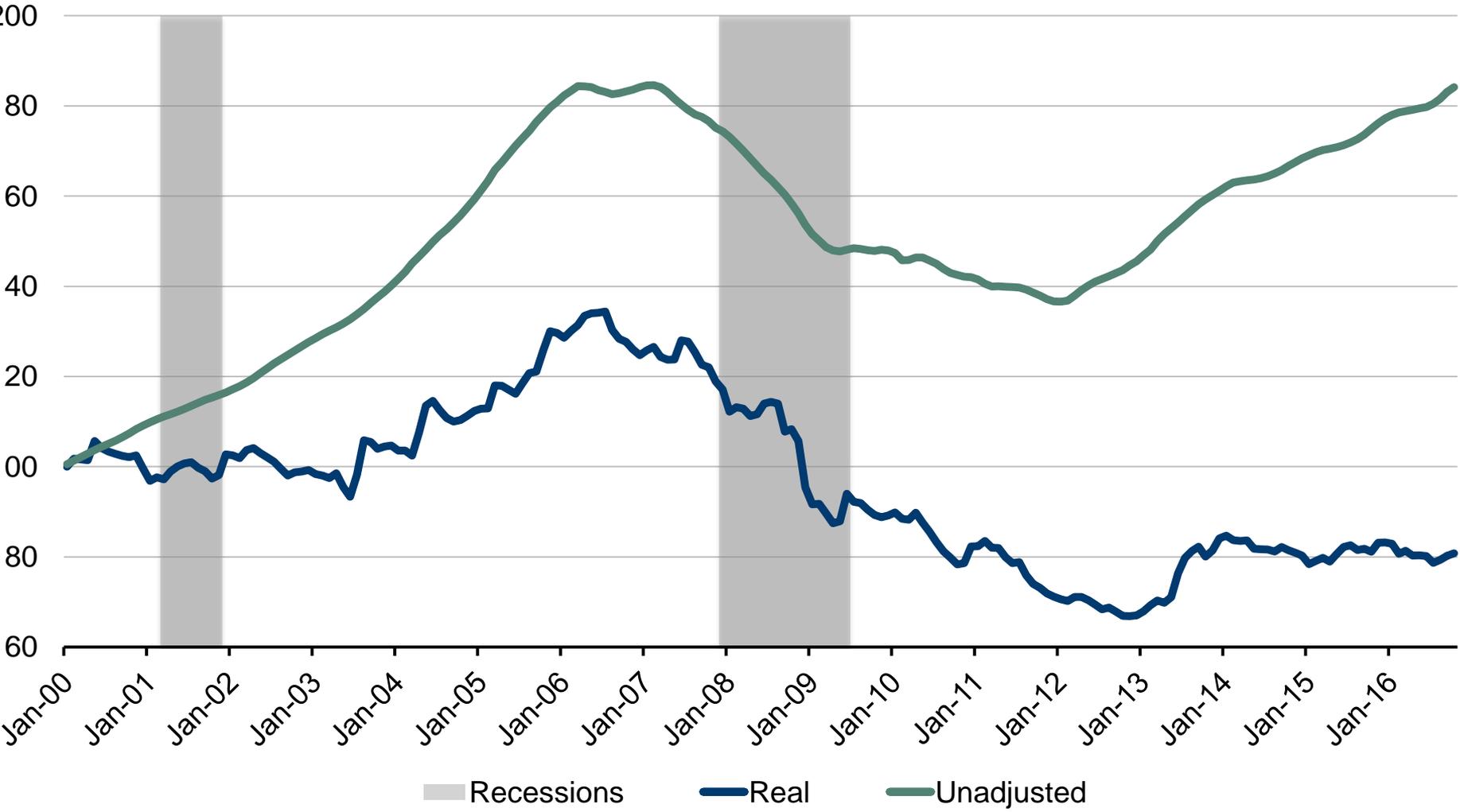
Source: Freddie Mac, FRED, Jan. 2016

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Real Prices Remain Well Below Historic Levels

House Prices (SA, Jan. 2000 = 100)



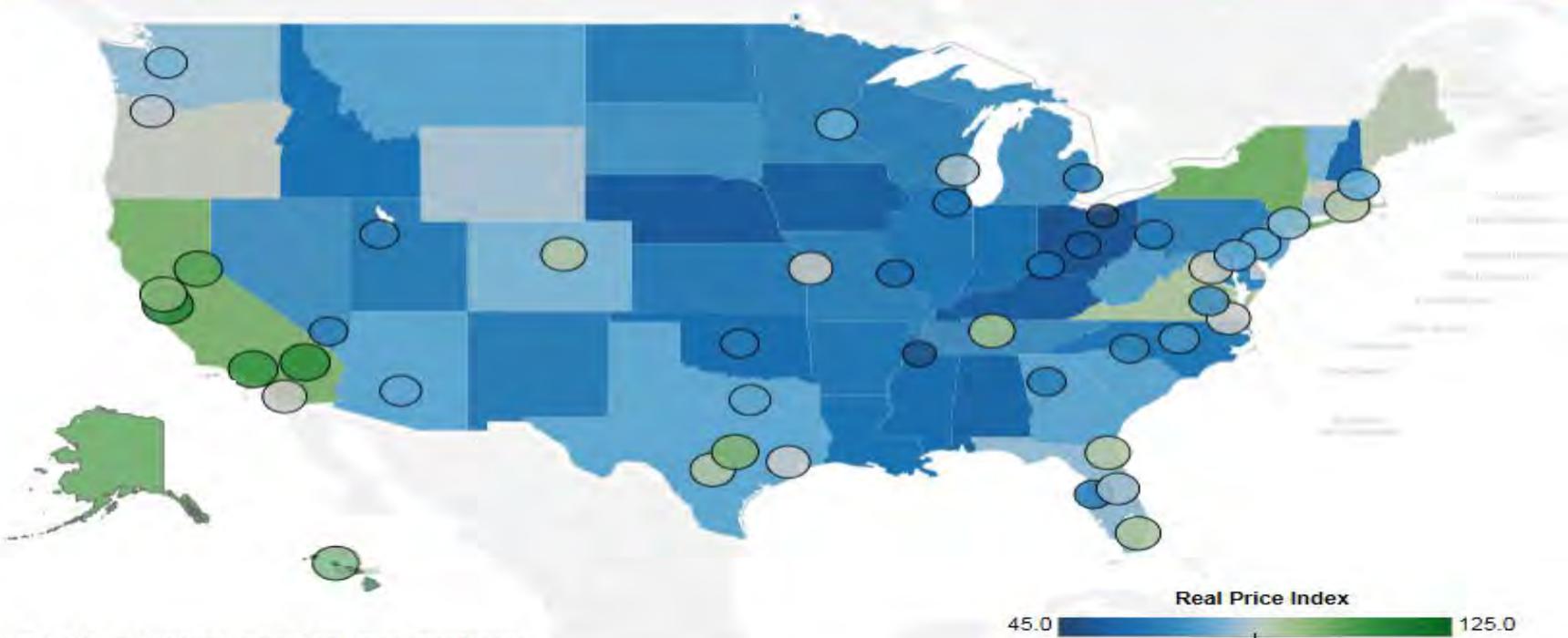
Source: Standard & Poors, First American, October 2016

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Real Prices Remain Low In Most Markets

	Real Price Index	Monthly Change	Quarterly Change	Yearly Change
October 2016	81	0.7%	2.7%	-0.4%



Sort by Each Measure to See City/State Rankings:

State	State Index	Monthly Change	Quarterly Change	Yearly Change
MD	68.19	-2.8%	-3.3%	-4.9%
NJ	75.43	-1.7%	-0.7%	-4.5%
ND	65.07	-1.8%	-4.0%	-3.7%
IA	55.78	-0.4%	2.1%	-3.3%
DC	98.83	-0.8%	0.6%	-3.2%

City Name	City Index	Monthly Change	Quarterly Change	Yearly Change
San Francisco, CA	96.7	-1.4%	-1.1%	-5.3%
Virginia Beach, VA	85.0	-0.2%	1.0%	-4.0%
San Jose, CA	114.2	0.1%	1.3%	-2.4%
Milwaukee, WI	81.9	0.3%	1.5%	-0.9%
Baltimore, MD	76.0	0.0%	2.6%	-0.5%

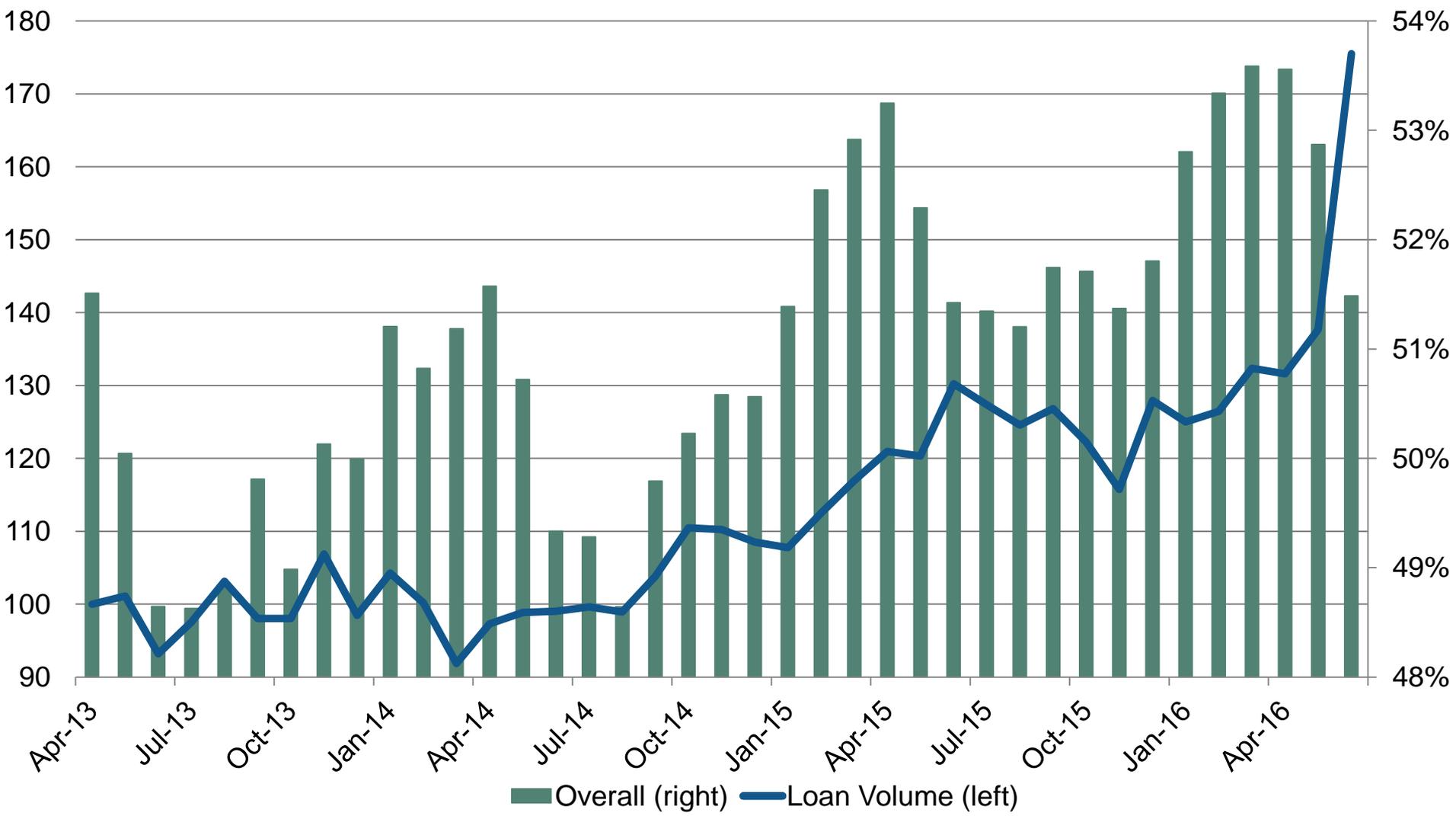
Source: FHFA, Freddie Mac, Census, FirstAmEcon, October 2016

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First-Time Buyers Rebounding

First-Time Homebuyer Market Share and Transaction Volume Index (% , Volume- April 2013 = 100)



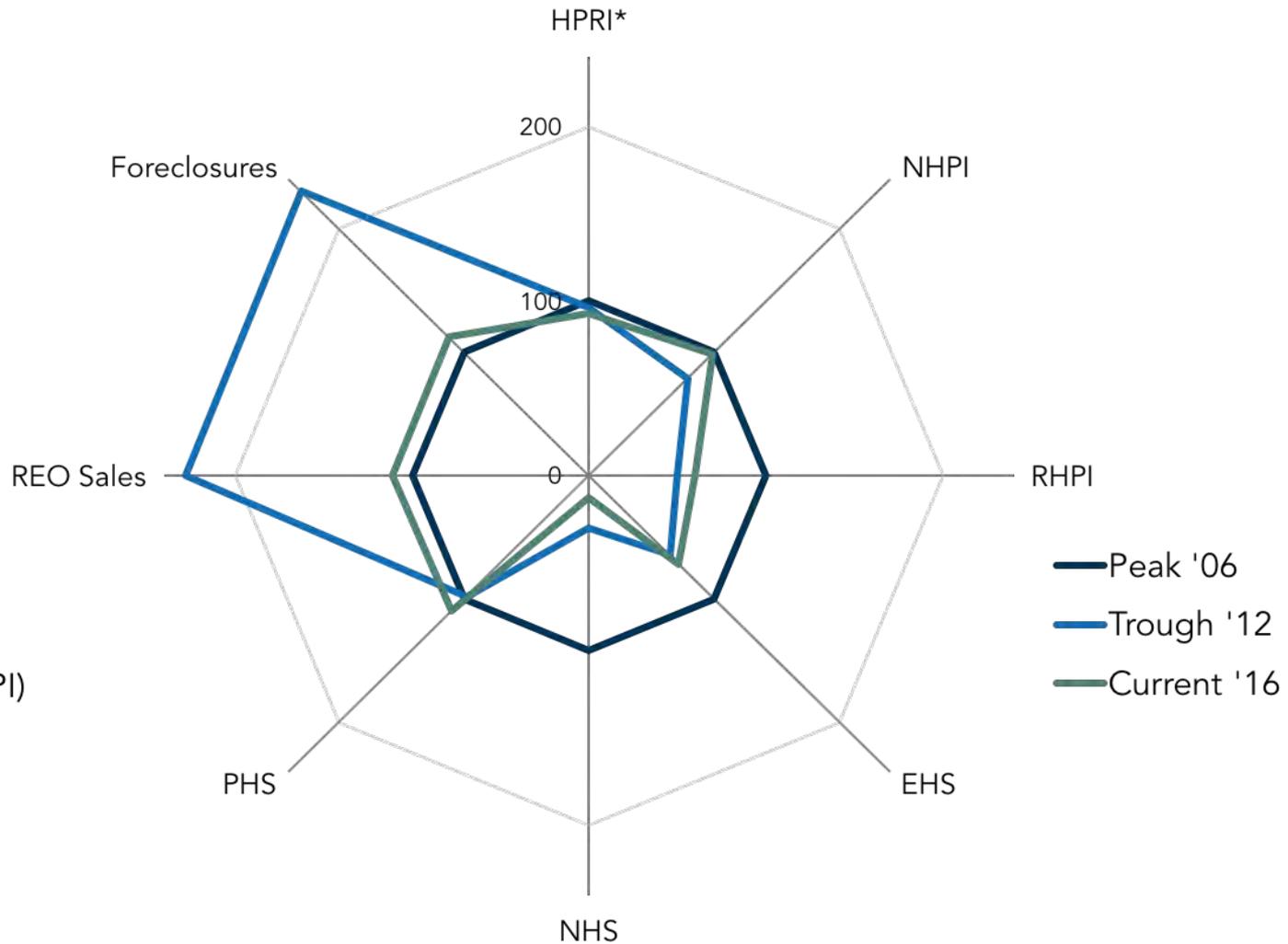
Source: AEI International Center on Housing Risk , August 2016

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Housing Health

June 2006 = 100



- Homeownership Progress Index (HPRI)
- Nominal House Price Index (NHPI)
- Real House Price Index (RHPI)
- Existing Home Sales (EHS)
- New Home Sales (NHS)
- Potential Home Sales (PHS)
- REO Sales
- Foreclosures

- Peak '06
- Trough '12
- Current '16

Source: First American, May 2016

*Annual 2015 Data

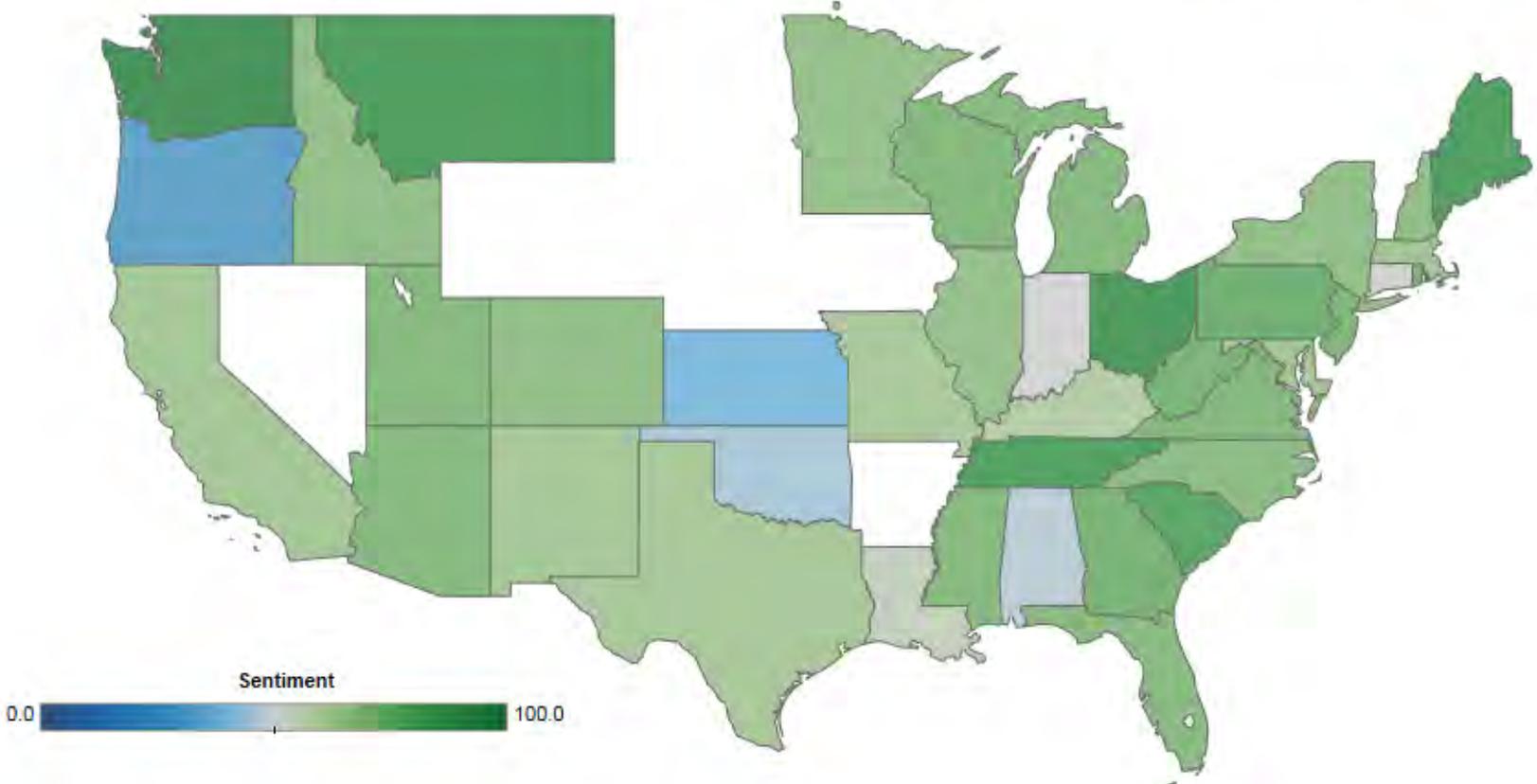
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Residential Purchase Transactions Expected To Grow

	Q4 2016	Q3 2016	Quarterly Growth	Annual Growth
Overall Volumes	51.85	58.78	-11.80%	-3.80%
Purchase Volumes	54.46	59.26	-8.10%	-8.75%
Refinance Volumes	49.24	58.31	-15.56%	2.35%

Will Volumes Increase, Decrease, or Remain the Same in the Next 12 Months?



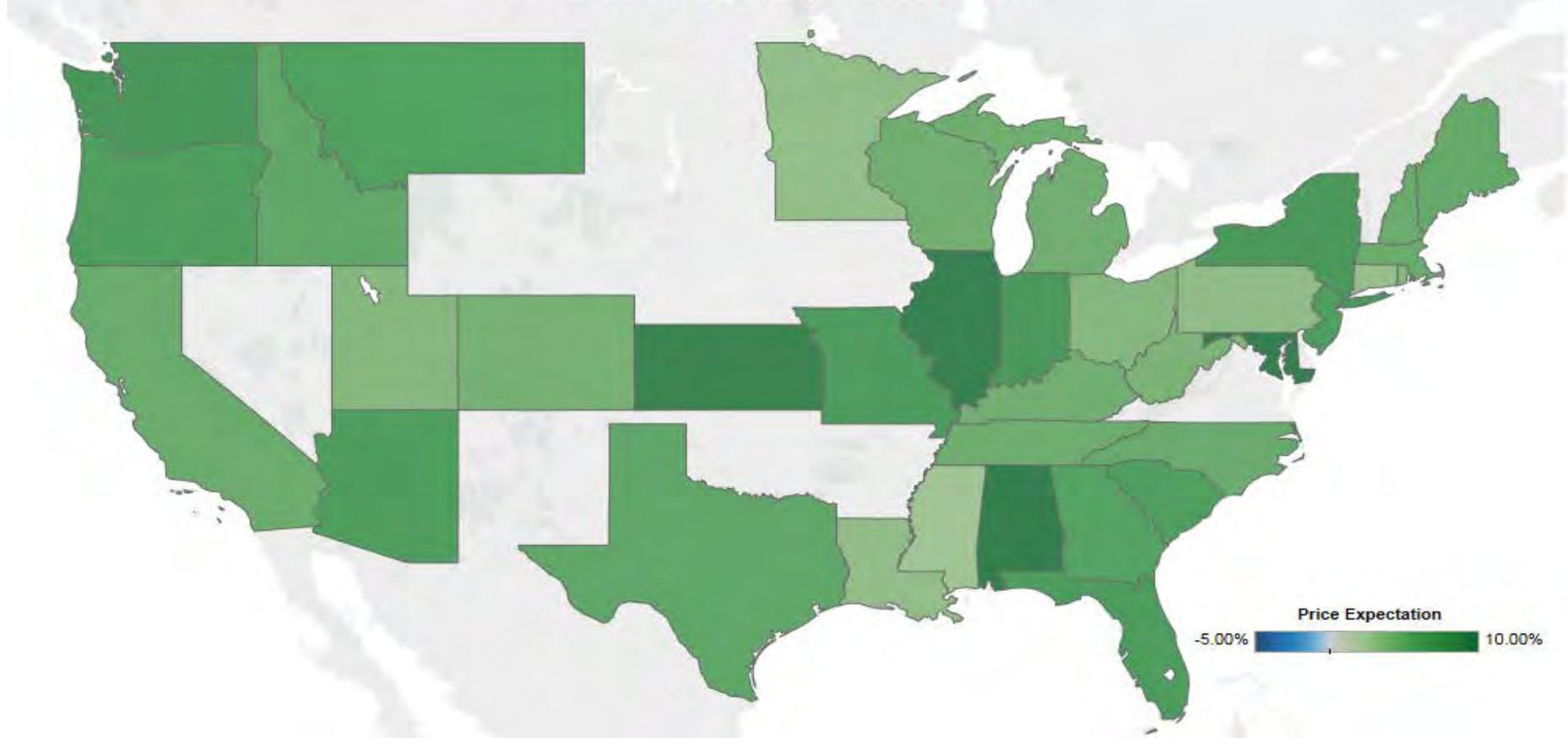
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Year Ahead Price Expectation For All Property

	Q4 2016	Q3 2016	Quarterly Growth	Yearly Growth
Leading Price Expectation	3.5%	4.1%	-0.59	-0.04

Residential Price Expectations, %



Source: First American Calculations, Q4 2016

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Has the Game Changed?

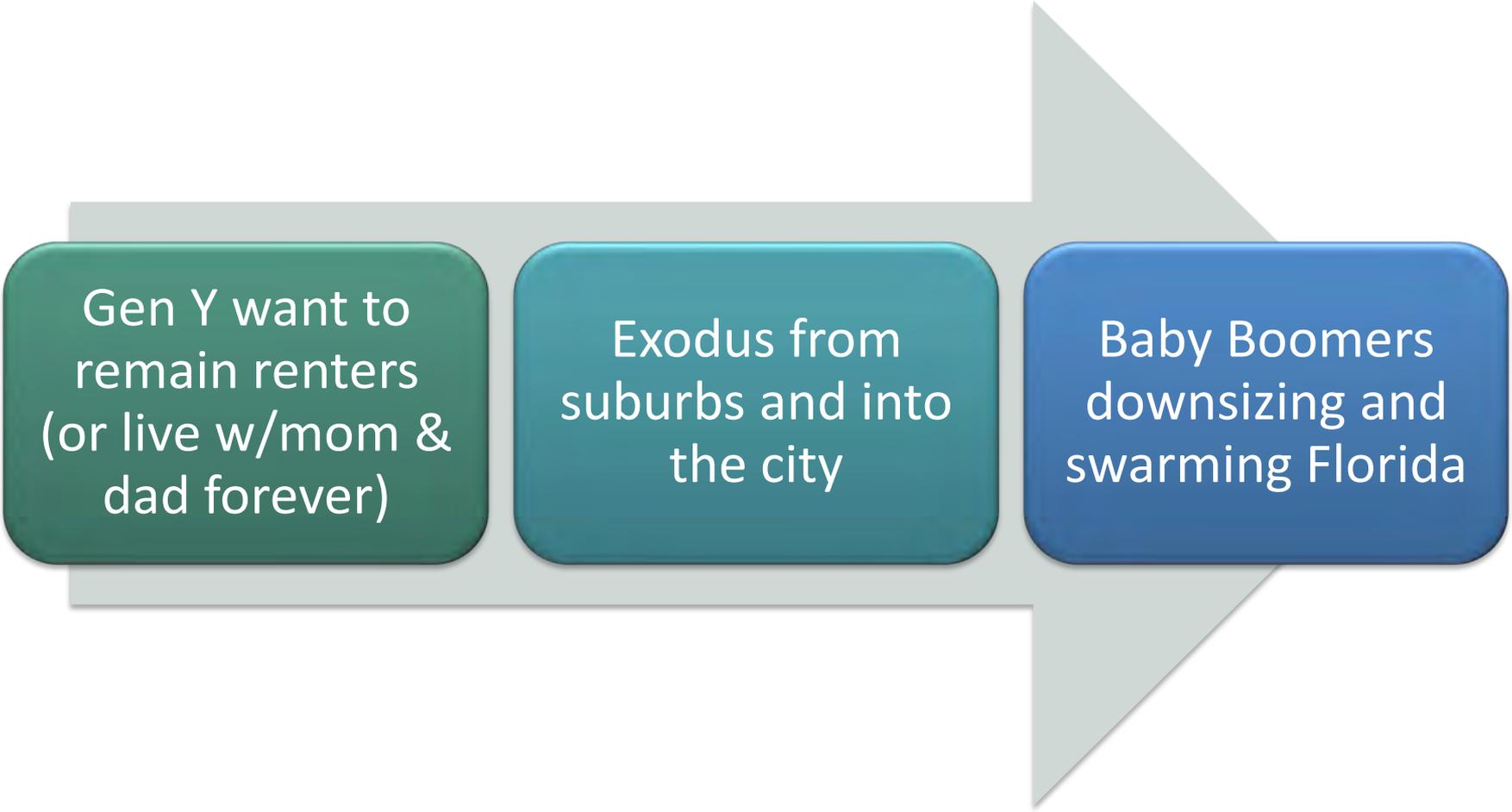
2017 Housing Market Forecast and Homebuyer Trends

January 11, 2017

National Association of REALTORS®
Research Department

Jessica Lautz
Managing Director, Survey Research and Communications

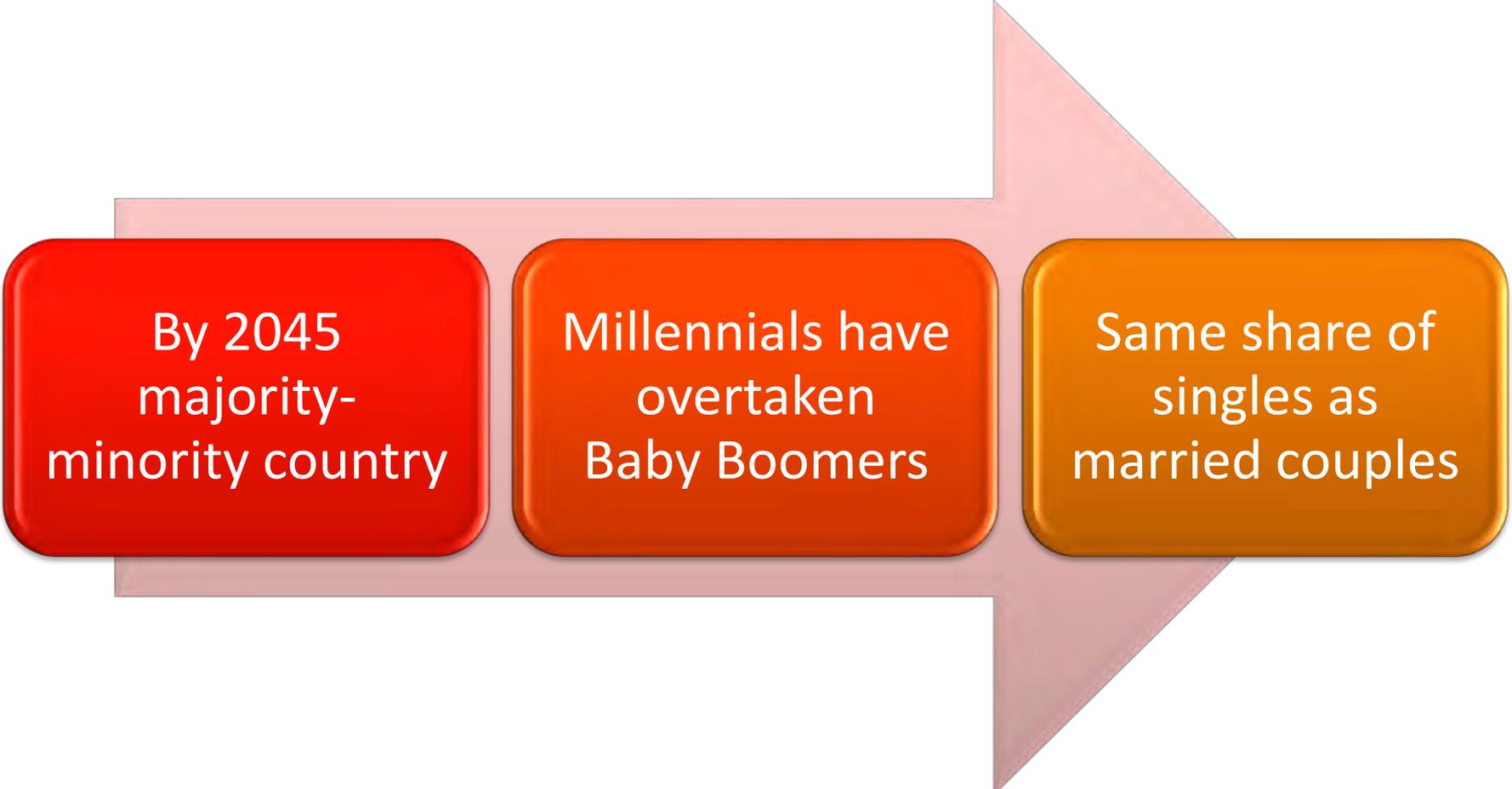
@JessicaLautz
#NARHBSat35



Gen Y want to remain renters (or live w/mom & dad forever)

Exodus from suburbs and into the city

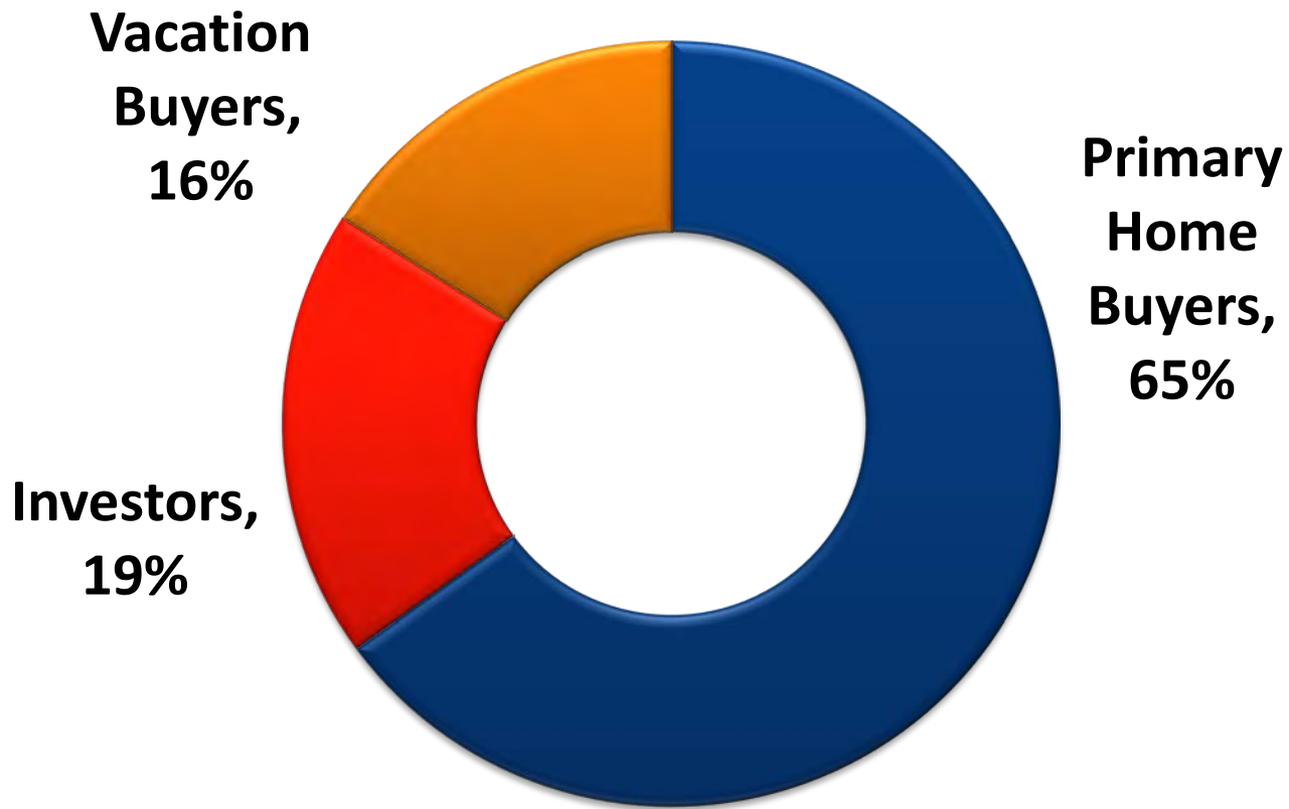
Baby Boomers downsizing and swarming Florida

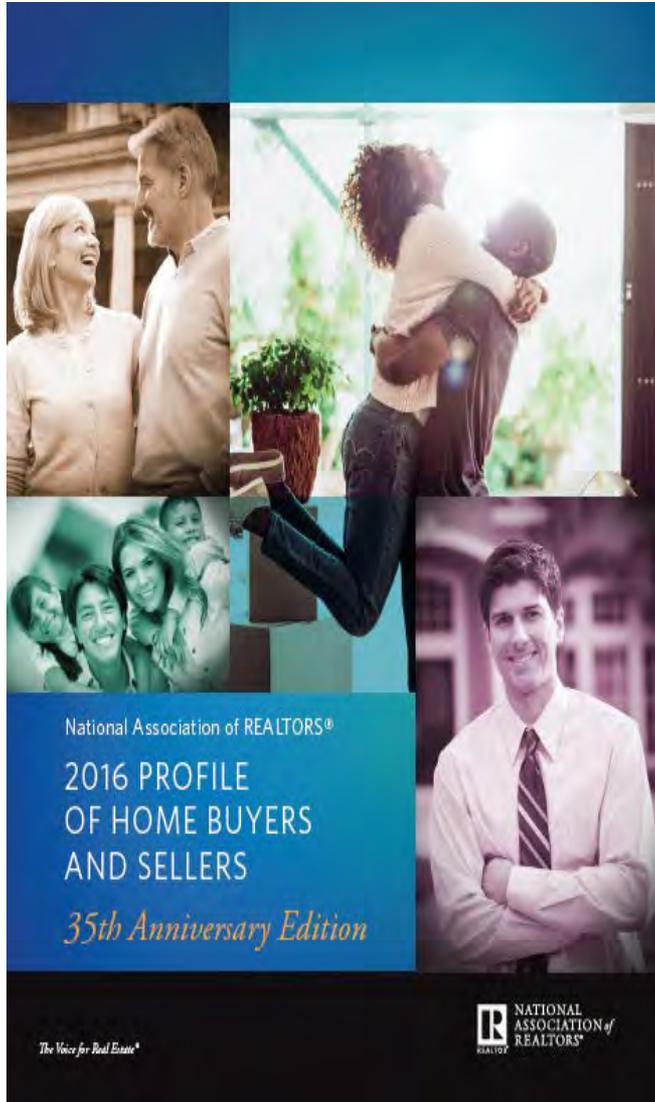


By 2045
majority-
minority country

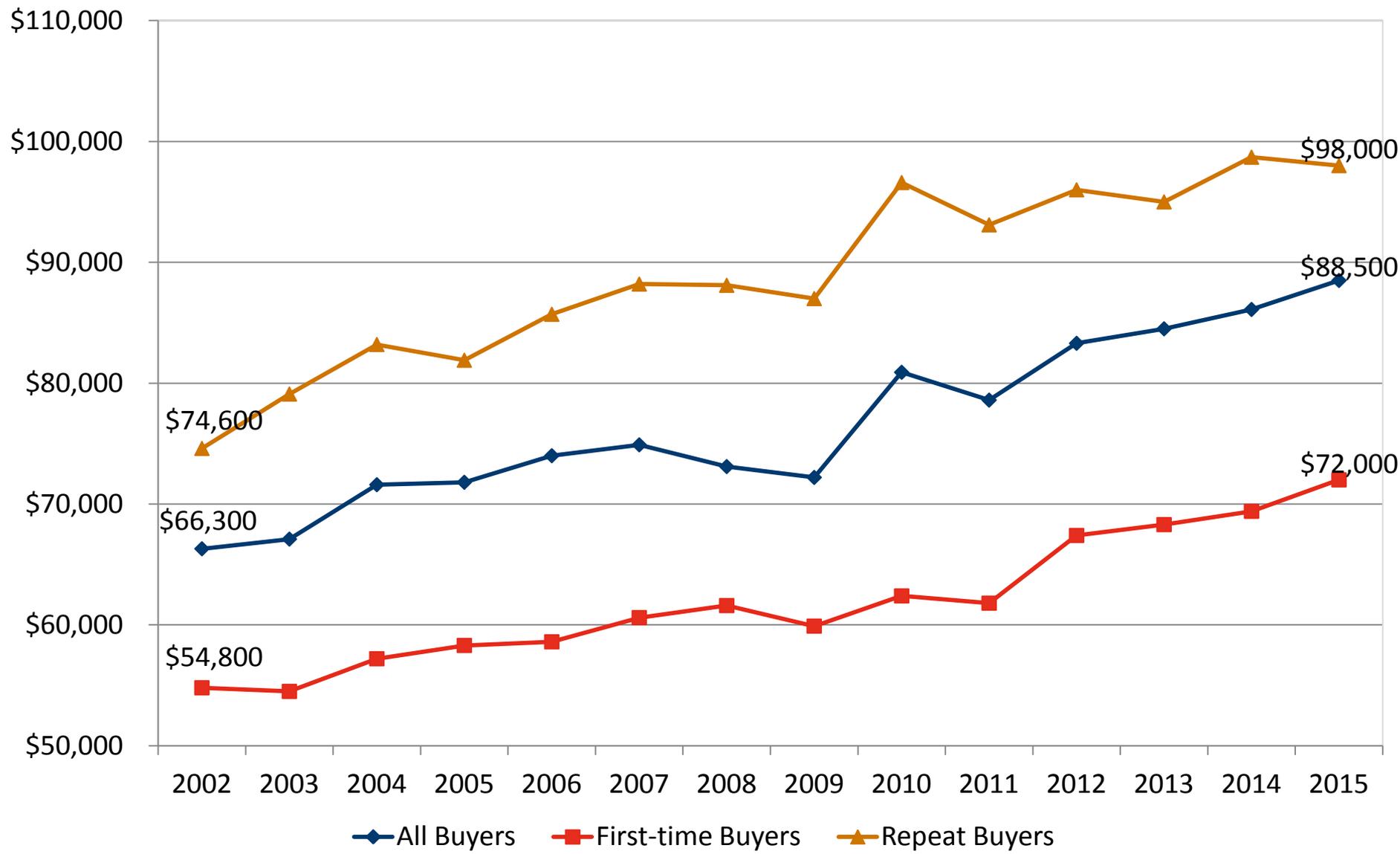
Millennials have
overtaken
Baby Boomers

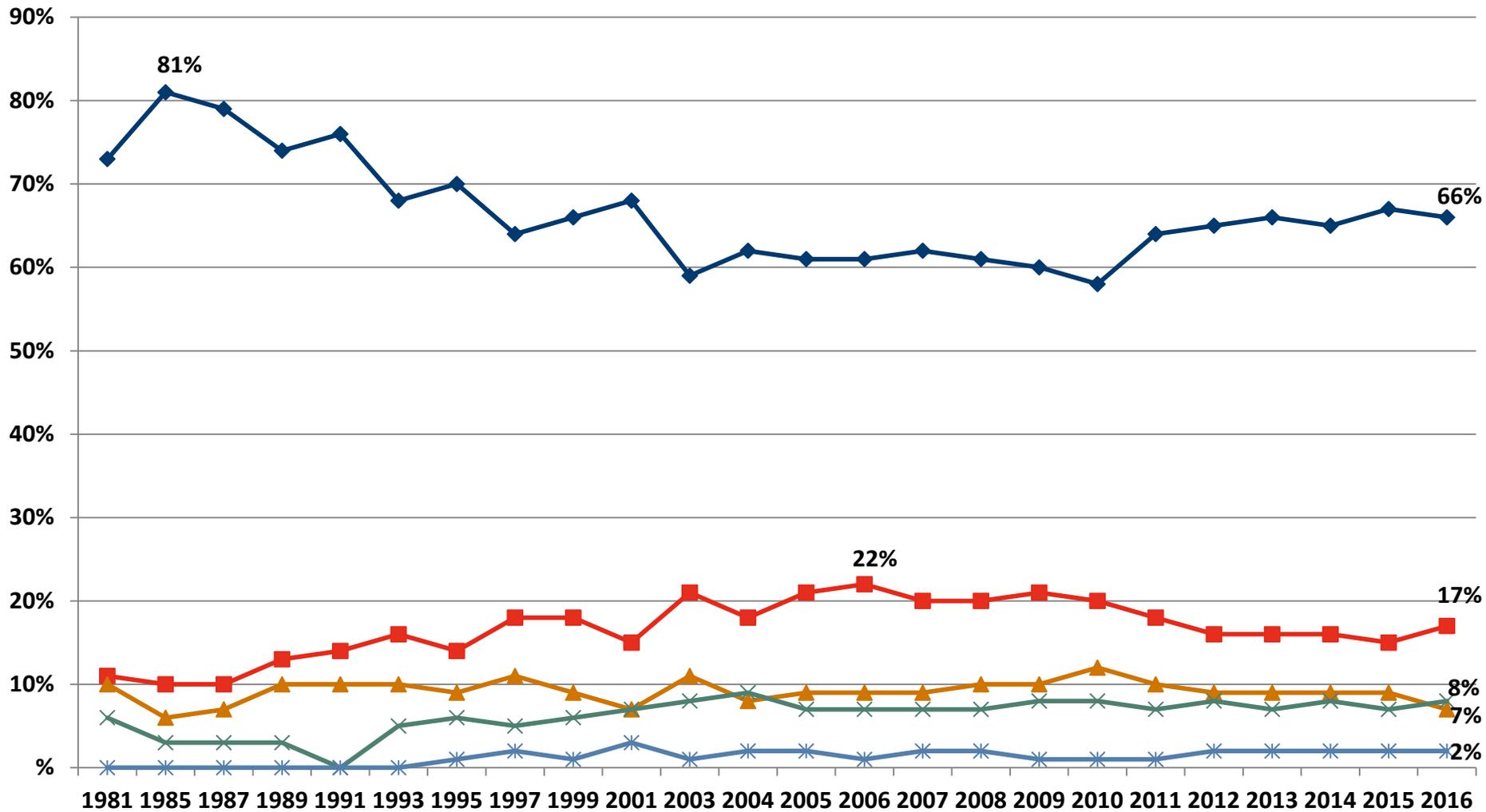
Same share of
singles as
married couples



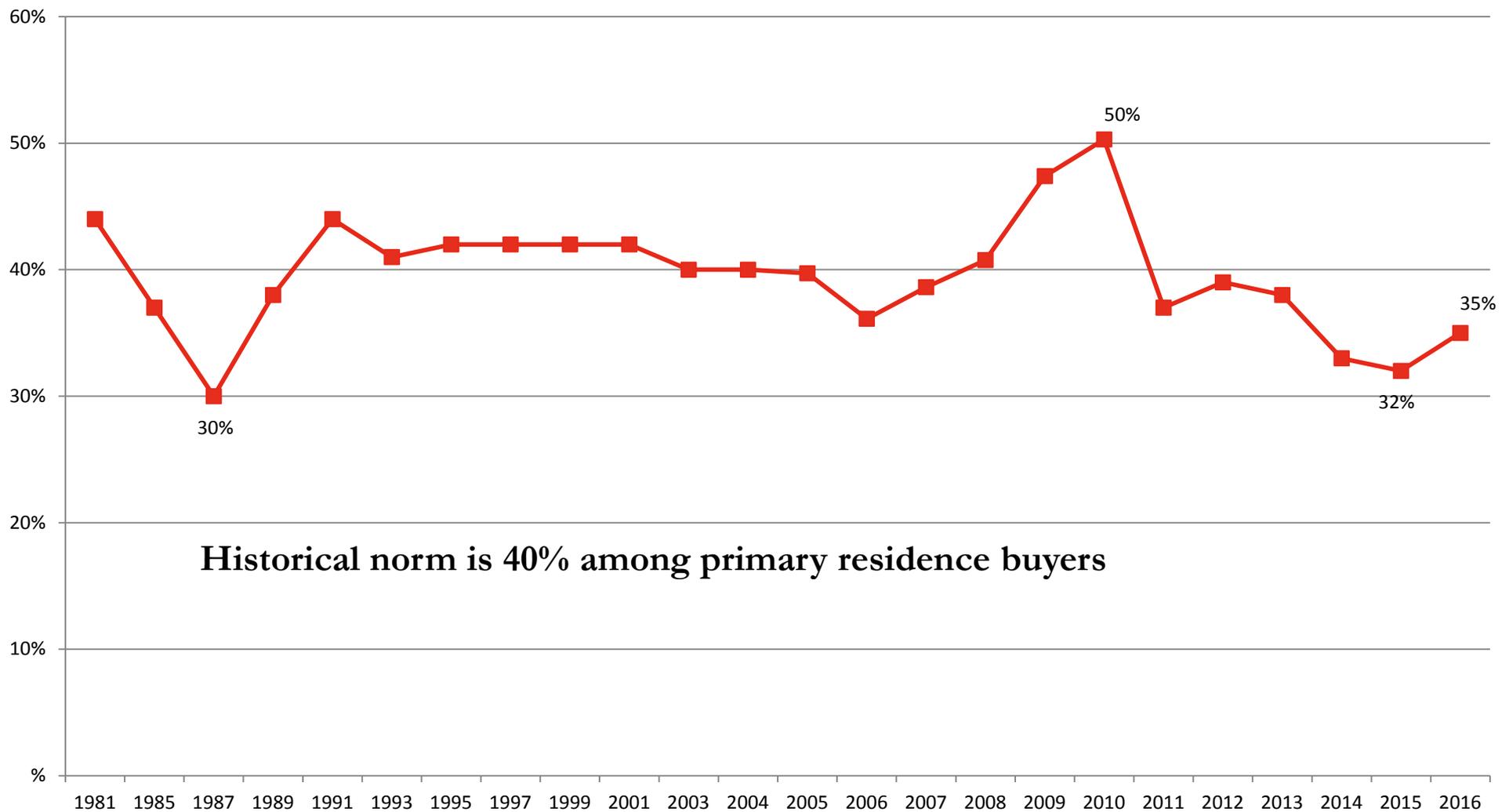


- Annual survey of recent home buyers (purchased in the last year)
- Report started in 1981
- Largest sample size of its kind
- Longest running survey of its type
- 95 percent confidence level with a confidence interval of plus-or-minus 1.32%.

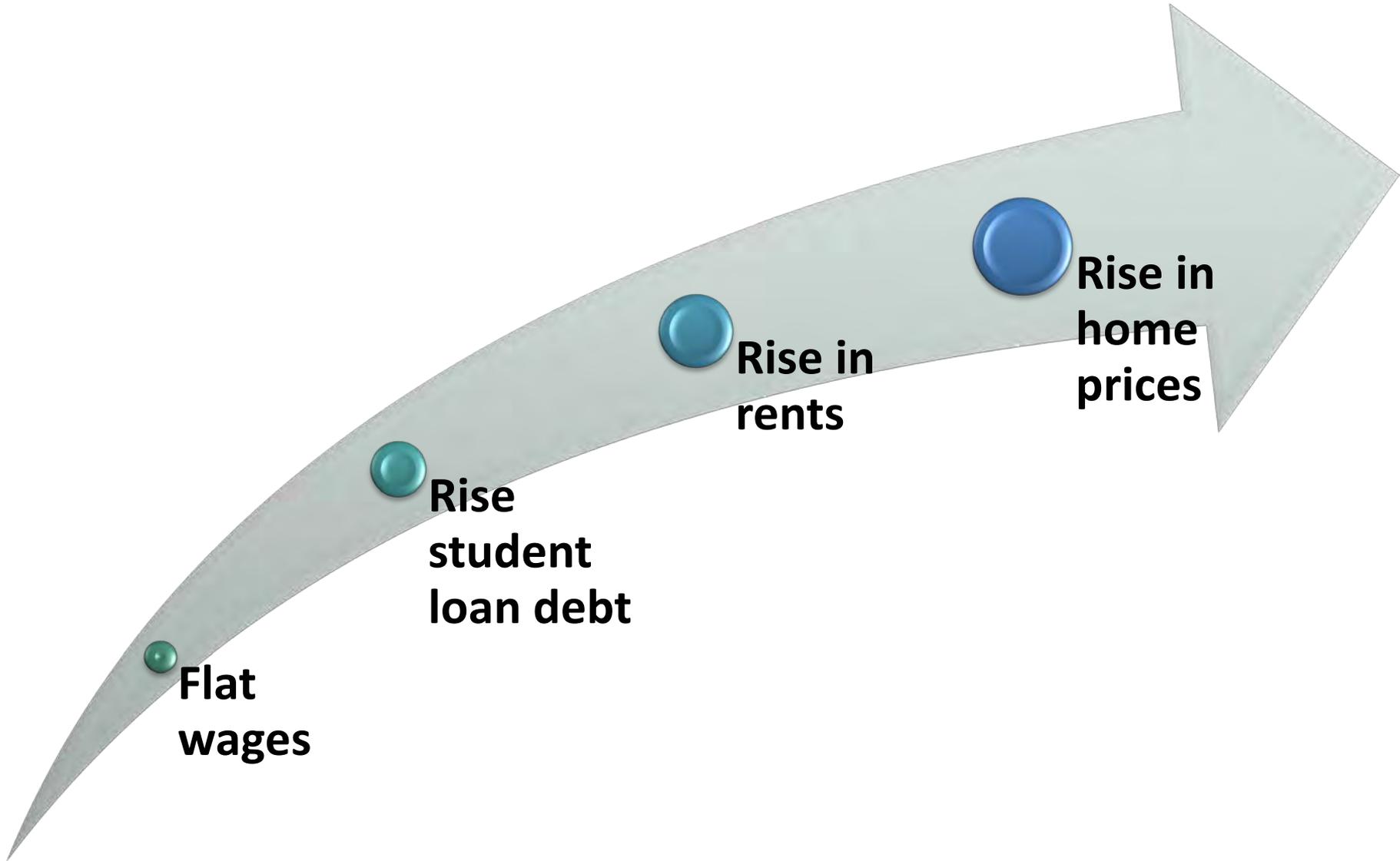




- ◆ Married Couple
- Single Female
- ▲ Single Male
- × Unmarried Couple
- * Other



Profile of Home Buyers and Sellers



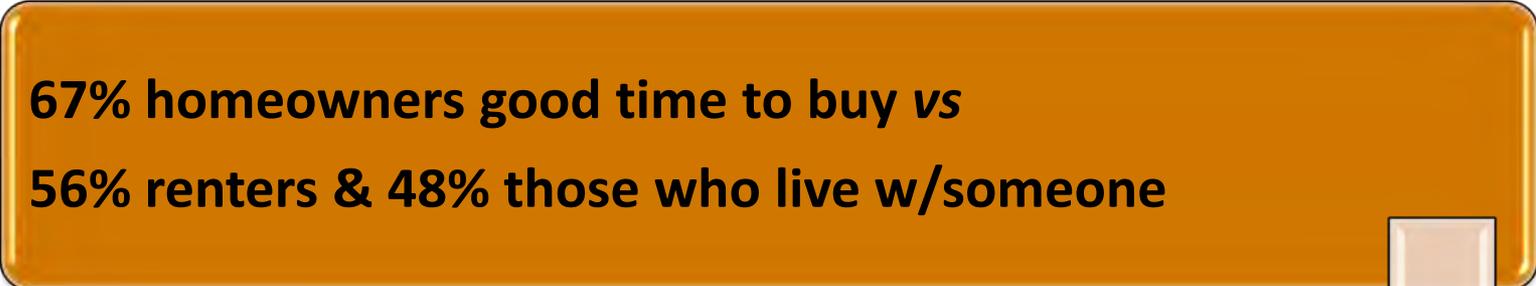
**Flat
wages**

**Rise
student
loan debt**

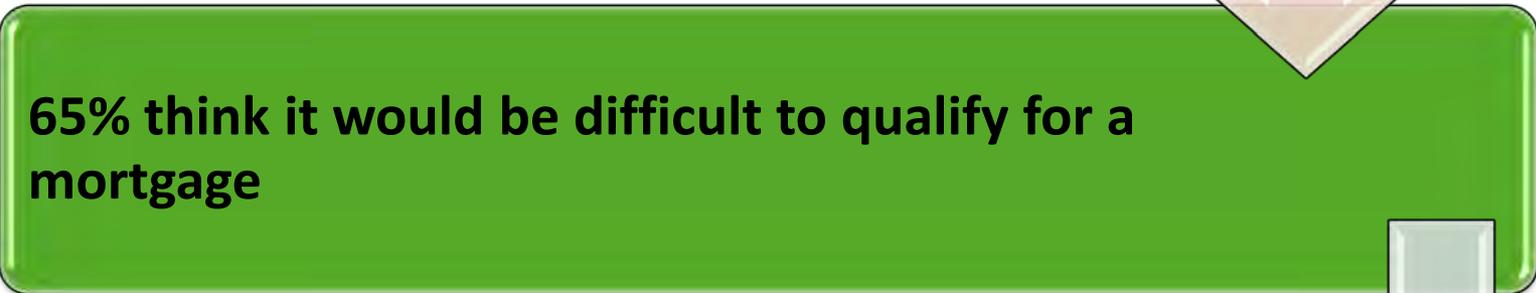
**Rise in
rents**

**Rise in
home
prices**

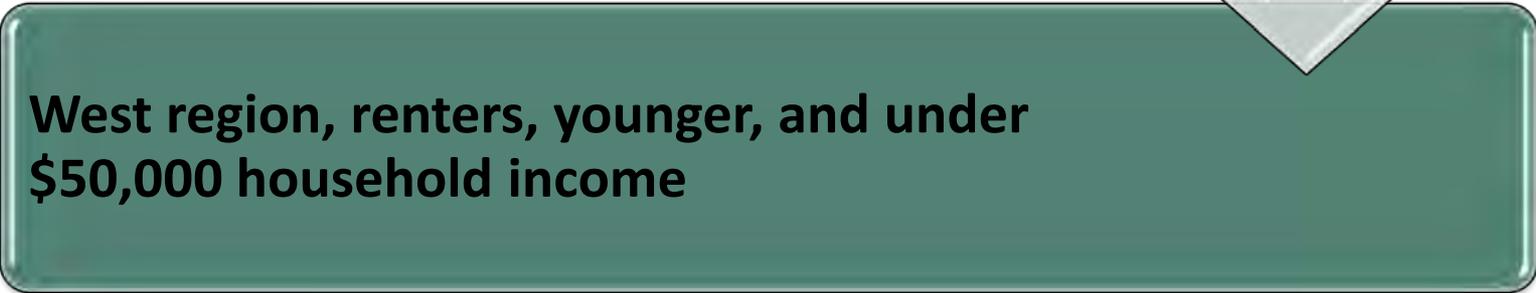
**67% homeowners good time to buy vs
56% renters & 48% those who live w/someone**

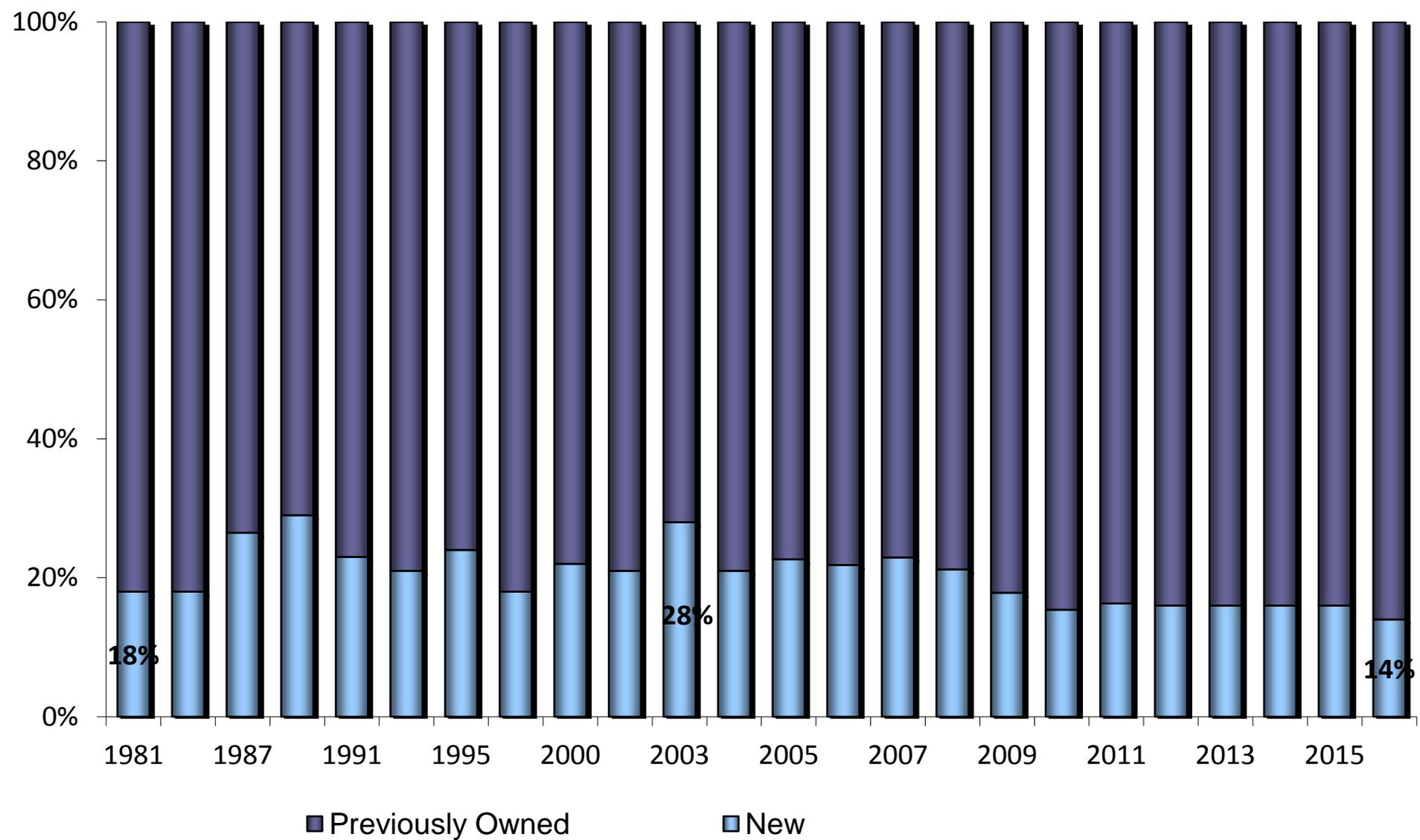
An orange rounded rectangular box containing text. A white arrow with a drop shadow points downwards from the bottom center of the box to the top center of the green box below.

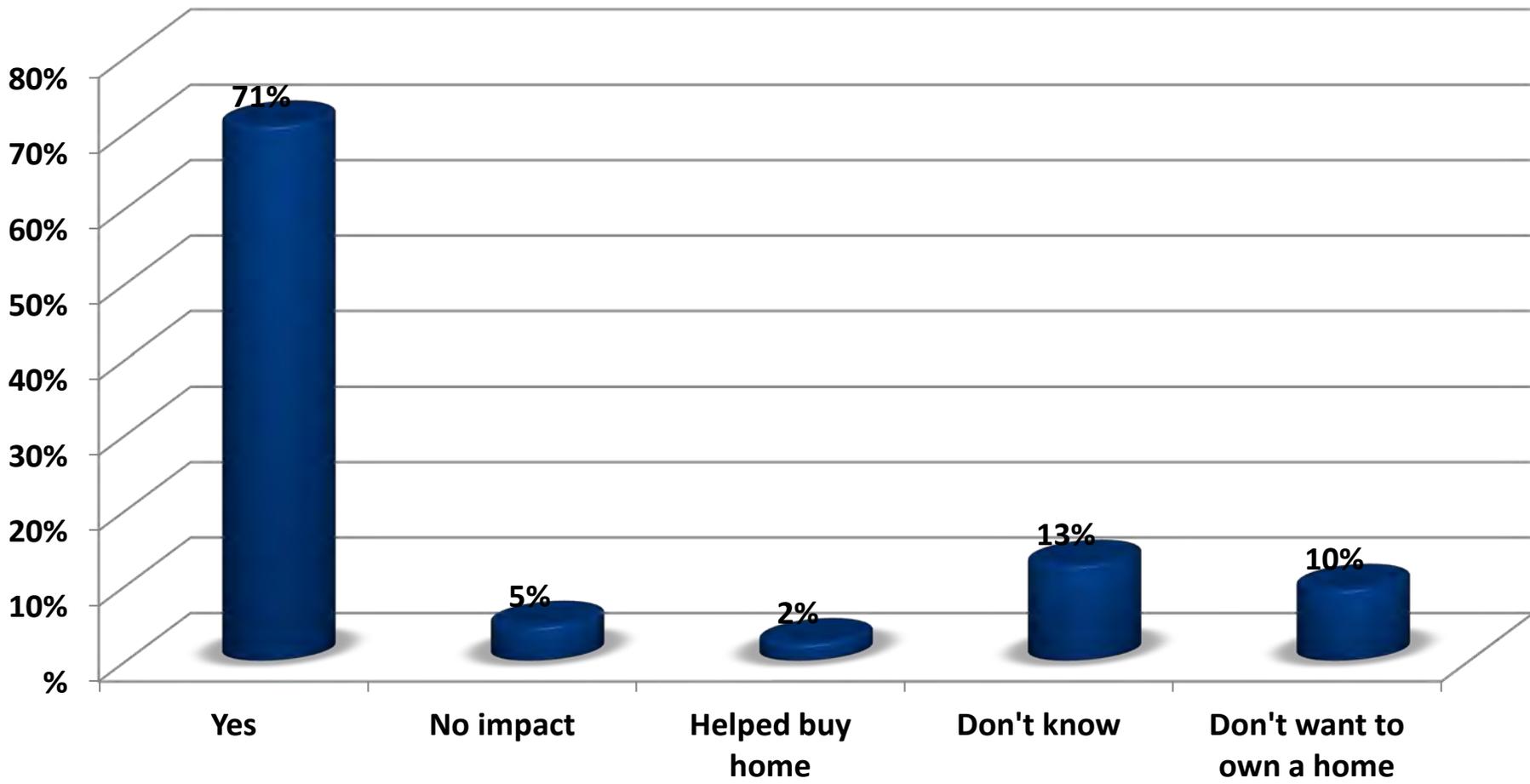
**65% think it would be difficult to qualify for a
mortgage**

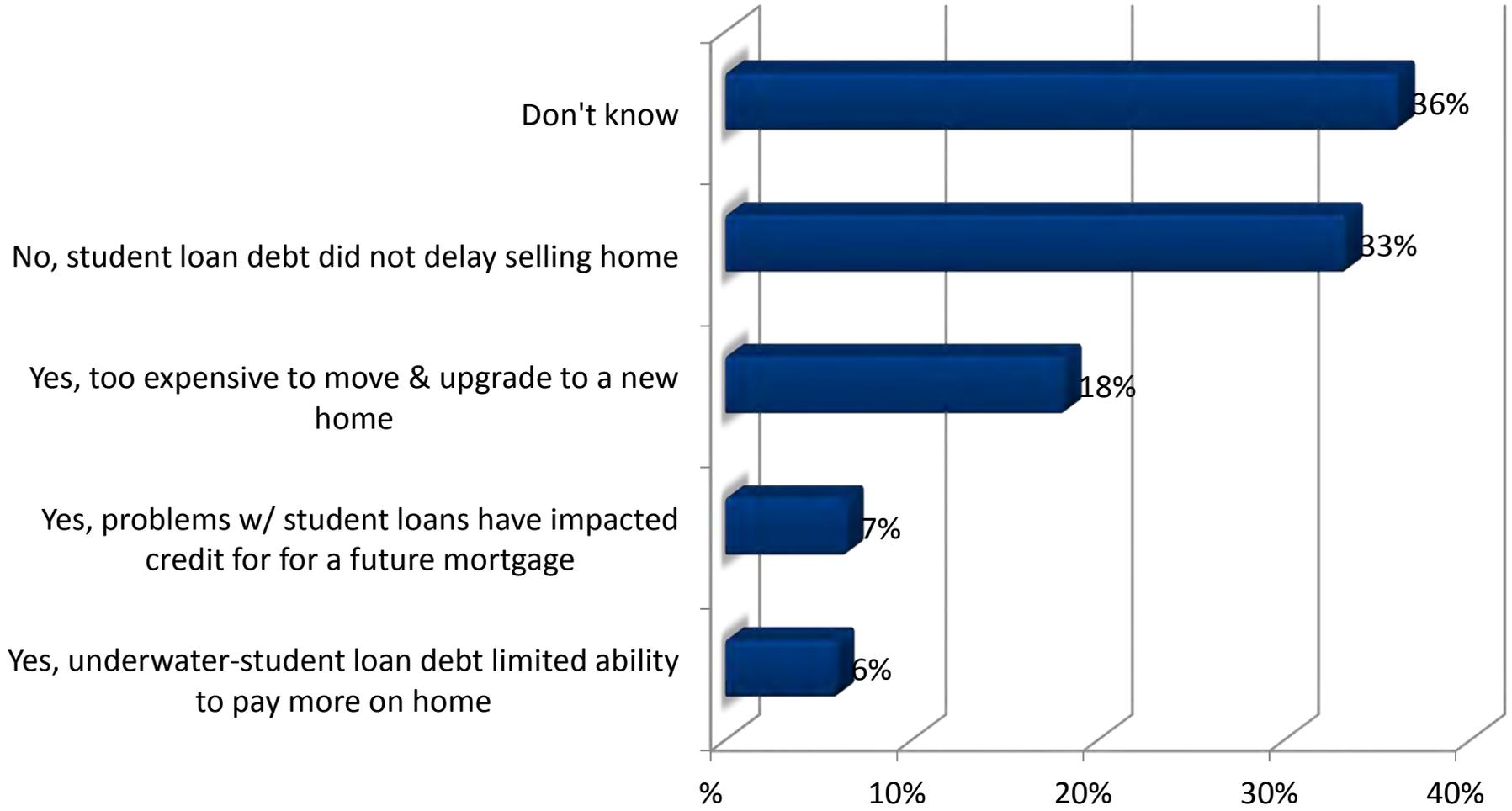
A green rounded rectangular box containing text. A white arrow with a drop shadow points downwards from the bottom center of the box to the top center of the teal box below.

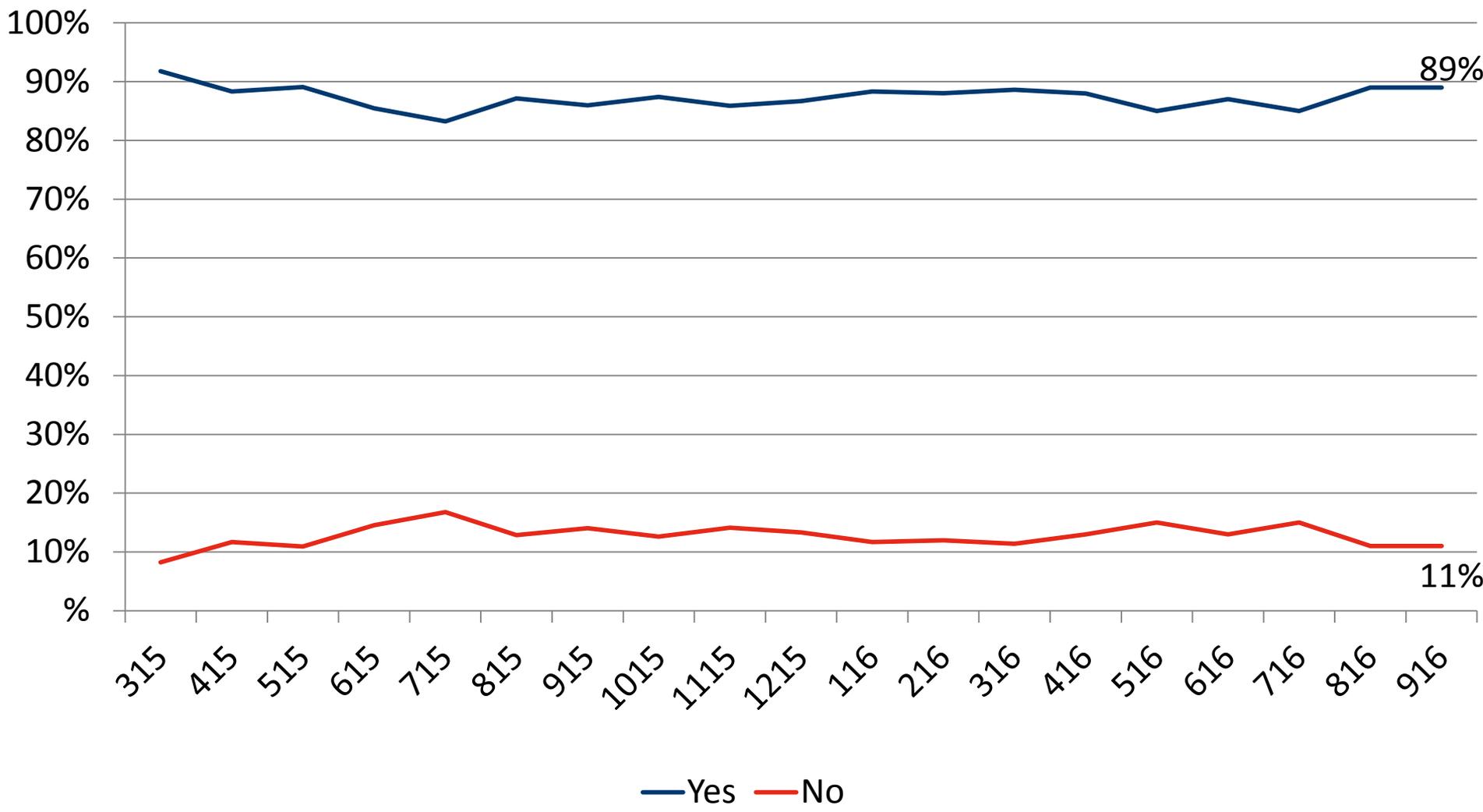
**West region, renters, younger, and under
\$50,000 household income**

A teal rounded rectangular box containing text.

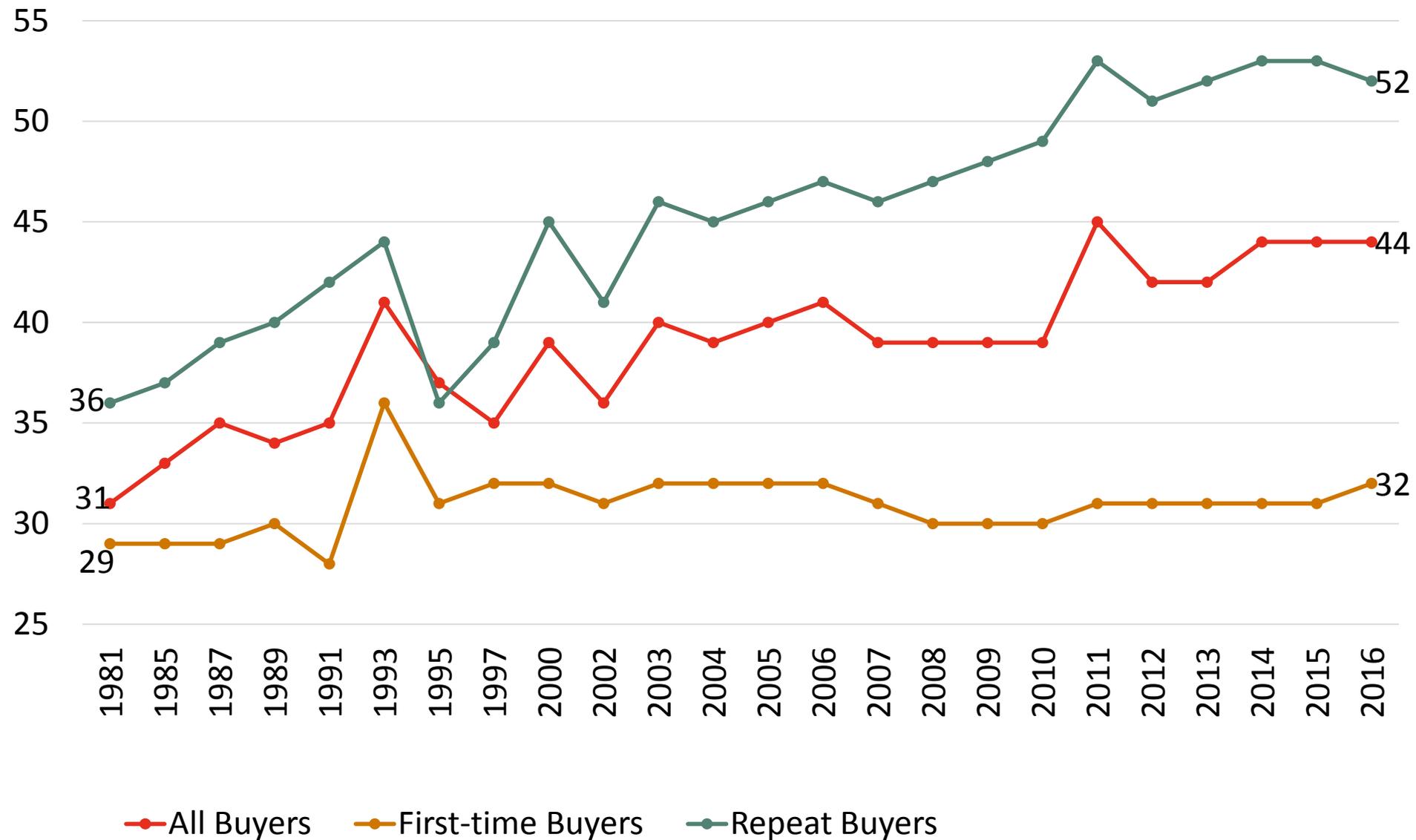


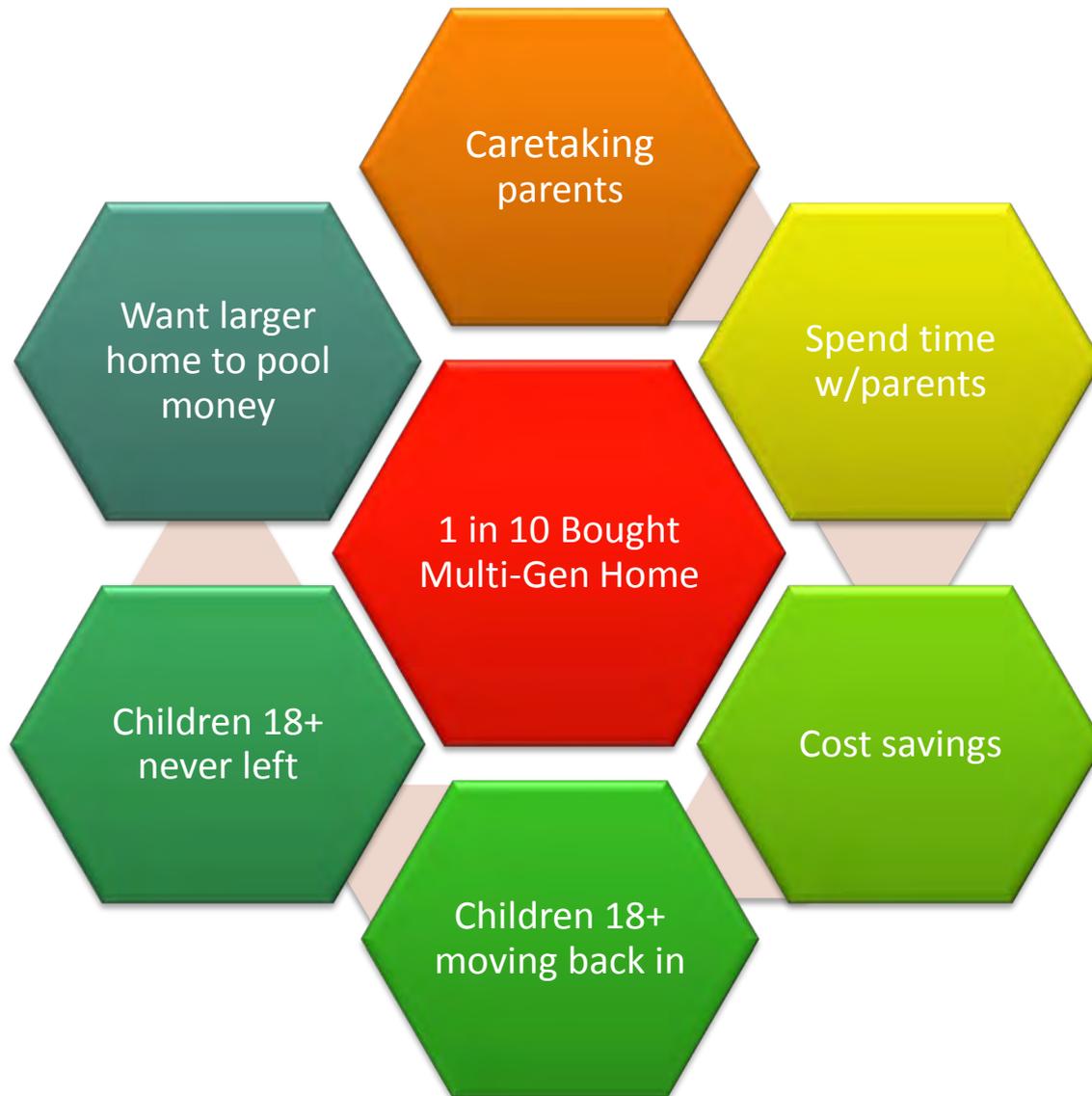




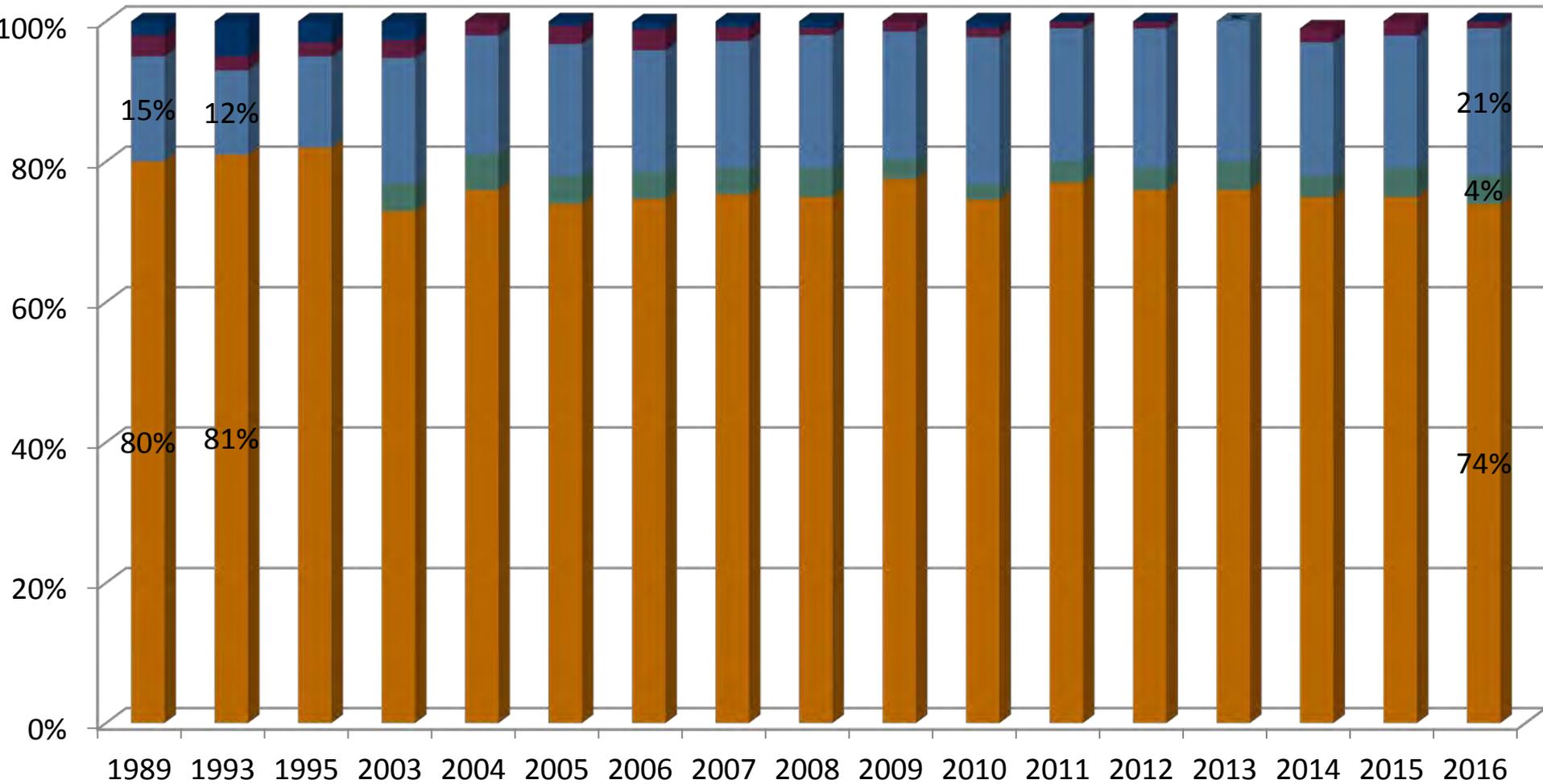


Housing Opportunities and Market Experience (HOME)
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Prior Living Arrangement of First-time Buyers



■ Rented an apartment or house

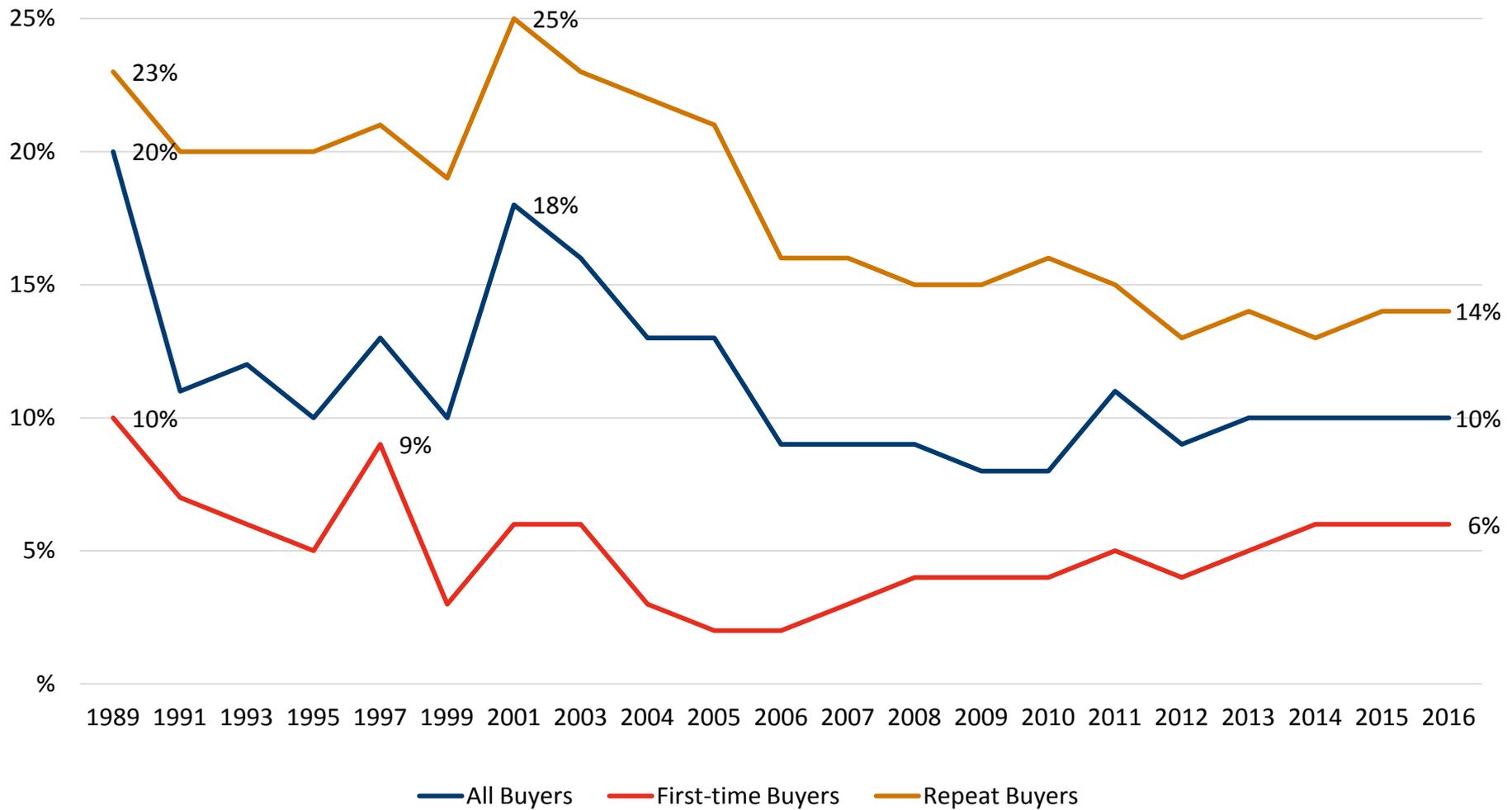
■ Owned previous residence

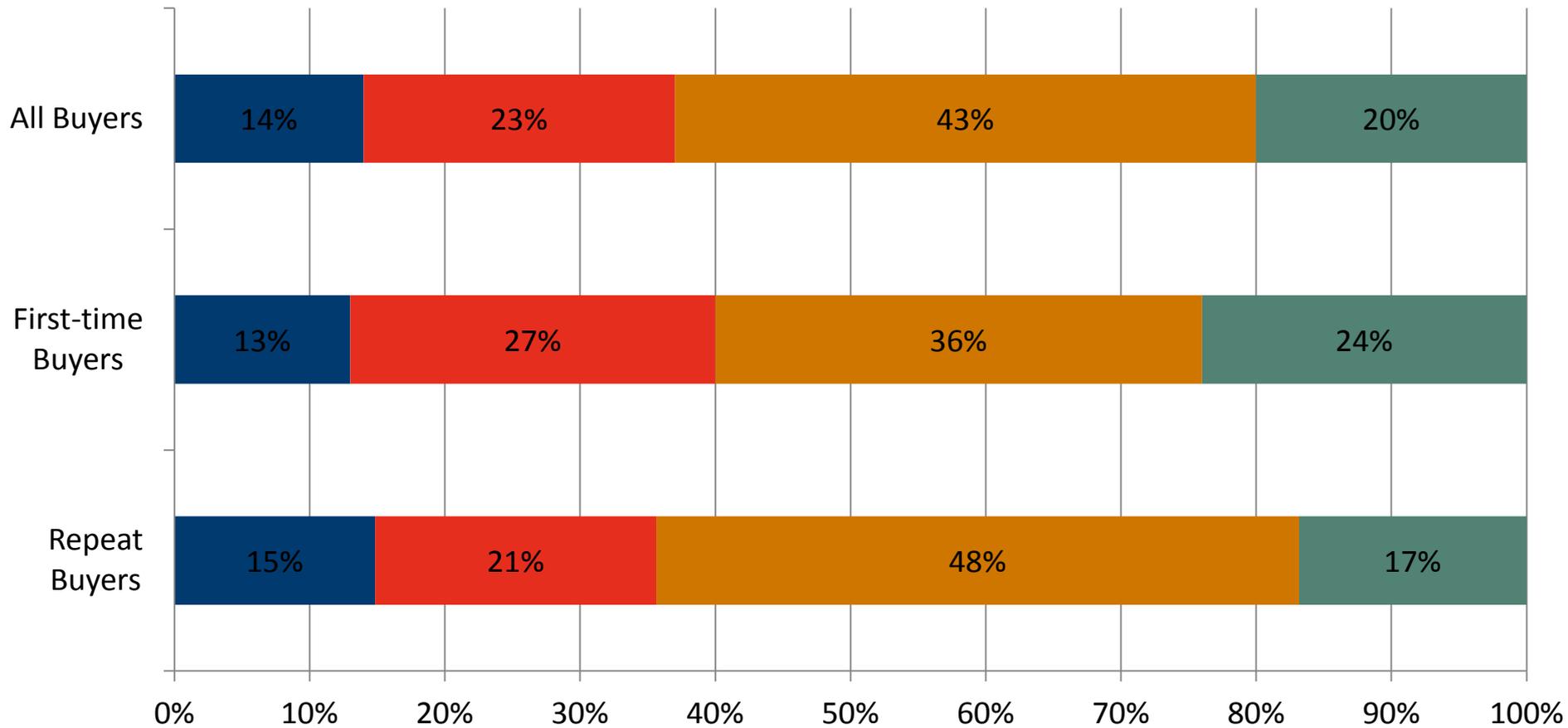
■ Lived with parents, relatives or friends

■ Rented the home buyer ultimately purchased

■ Other

Profile of Home Buyers and Sellers





■ Much more difficult than expected

■ Somewhat more difficult than expected

■ Not difficult/No more difficult than expected

■ Easier than expected

	All Buyers	First-time Buyers	Repeat Buyers
<i>Have student loan debt</i>	27%	40%	19%
Under \$10,000	21%	20%	23%
\$10,000 to \$24,999	26	25	28
\$25,000 to \$49,999	23	25	21
\$50,000 to \$74,999	14	14	13
\$75,000 or more	16	16	16
Median amount of	\$25,000	\$26,000	\$24,200

5% were
denied

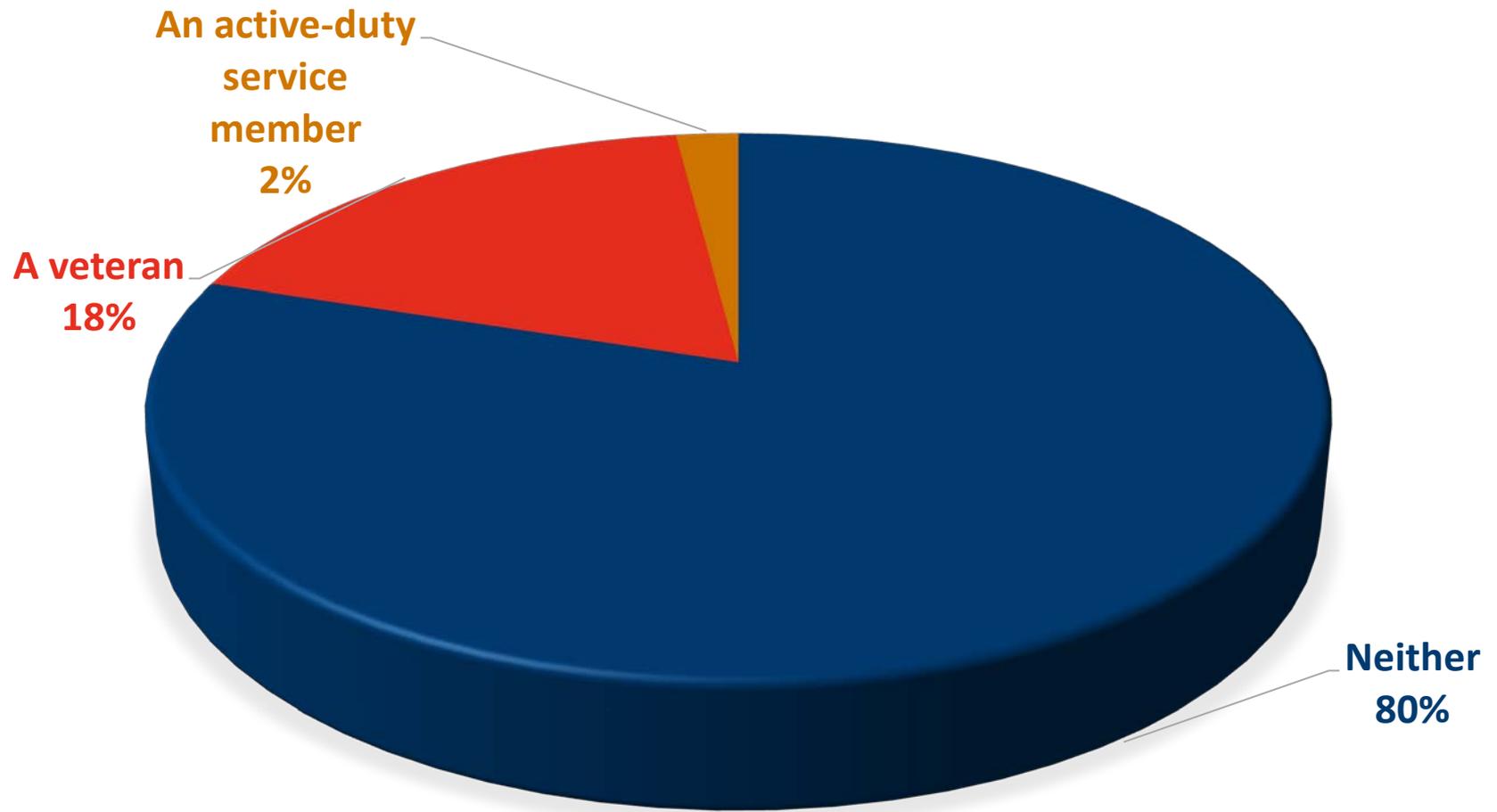
7% of first-time and 4% of repeat

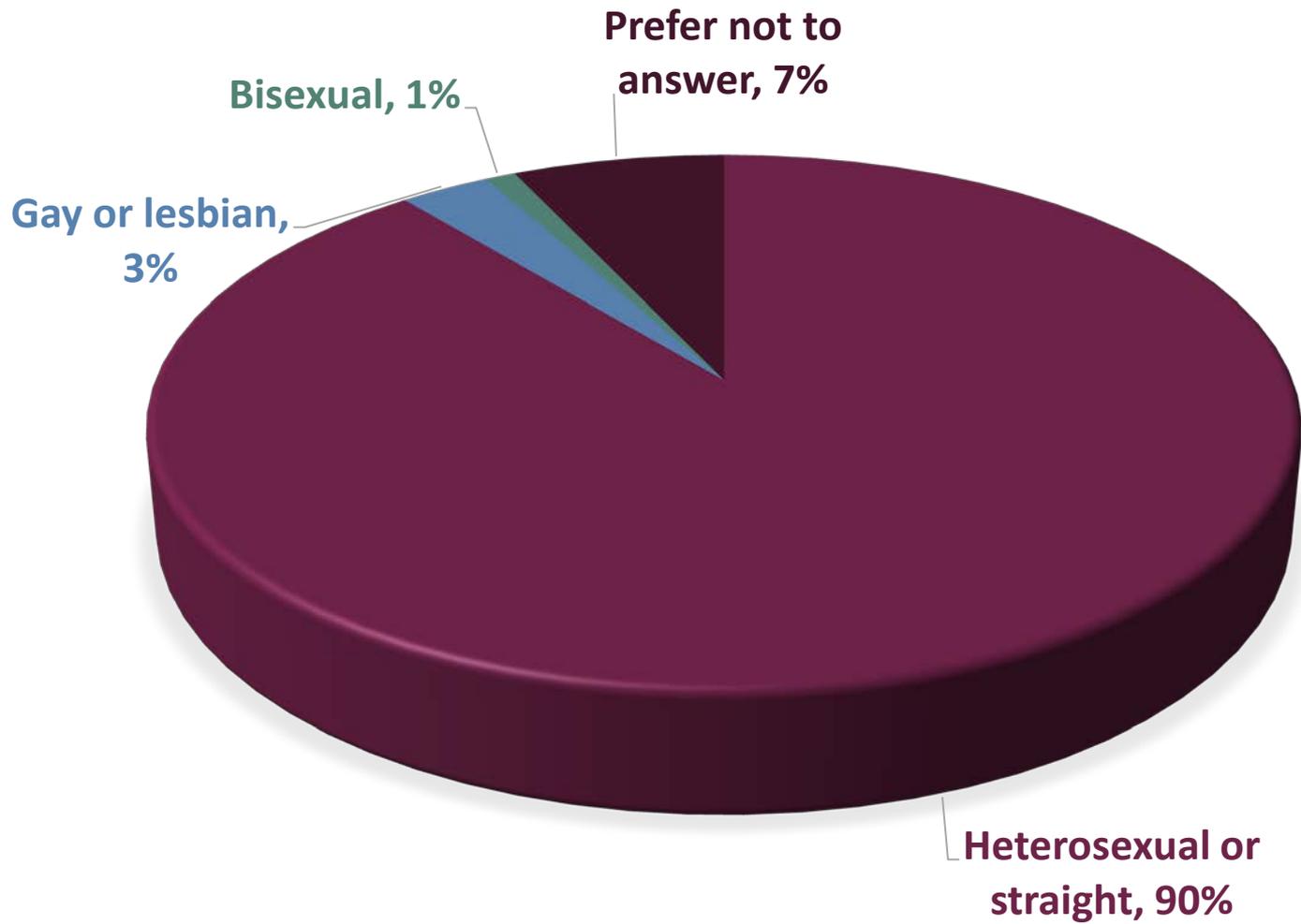
Reasons

Debt to income ratio, low credit score,
income cannot be verified

Typically
denied 1
time

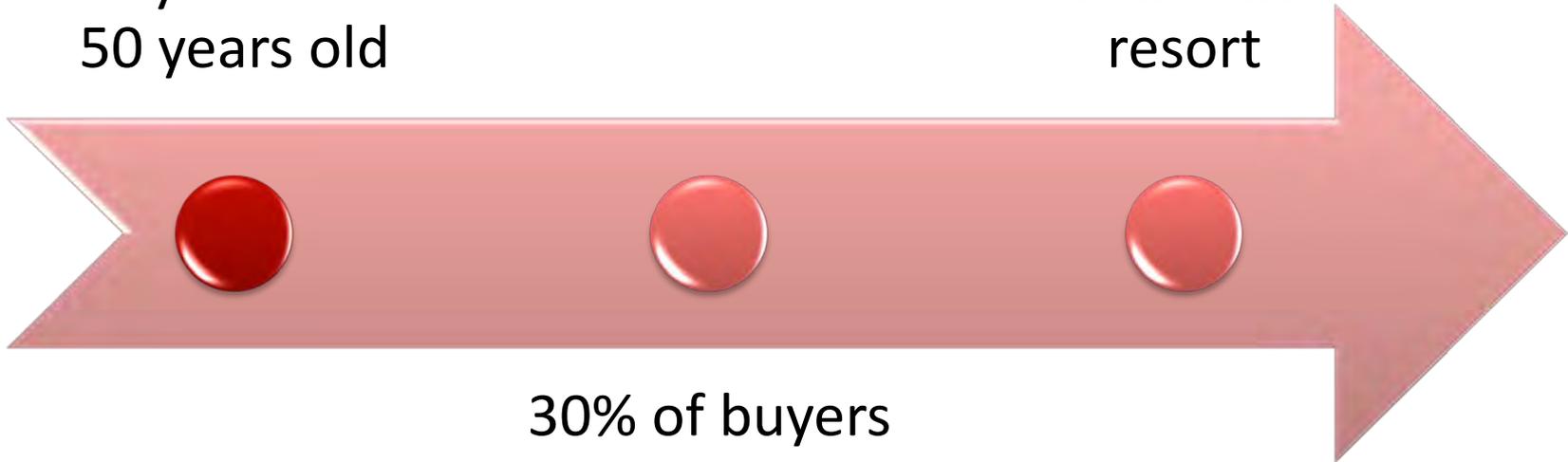
31% have student loan debt, 56%
getting mortgage most difficult step



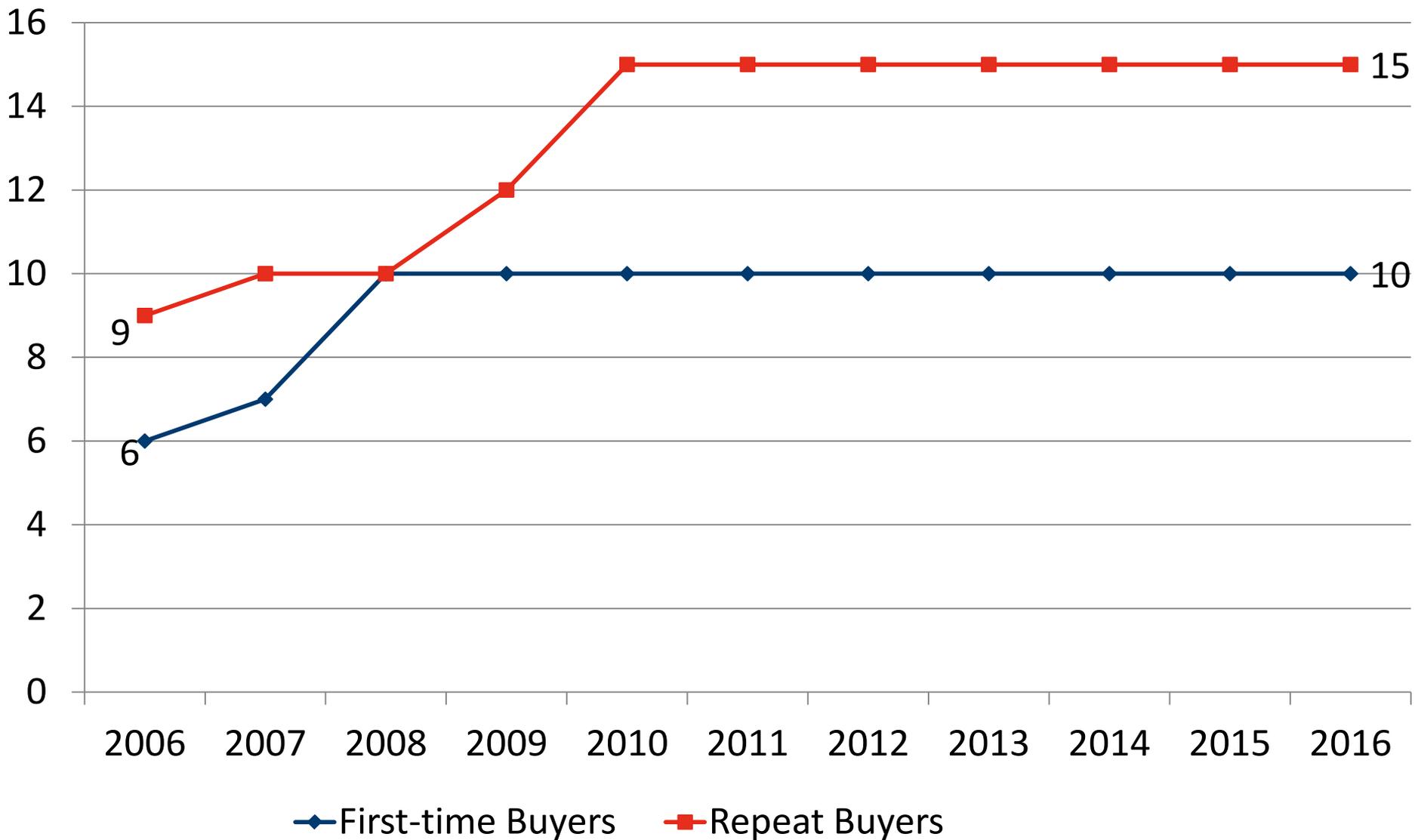


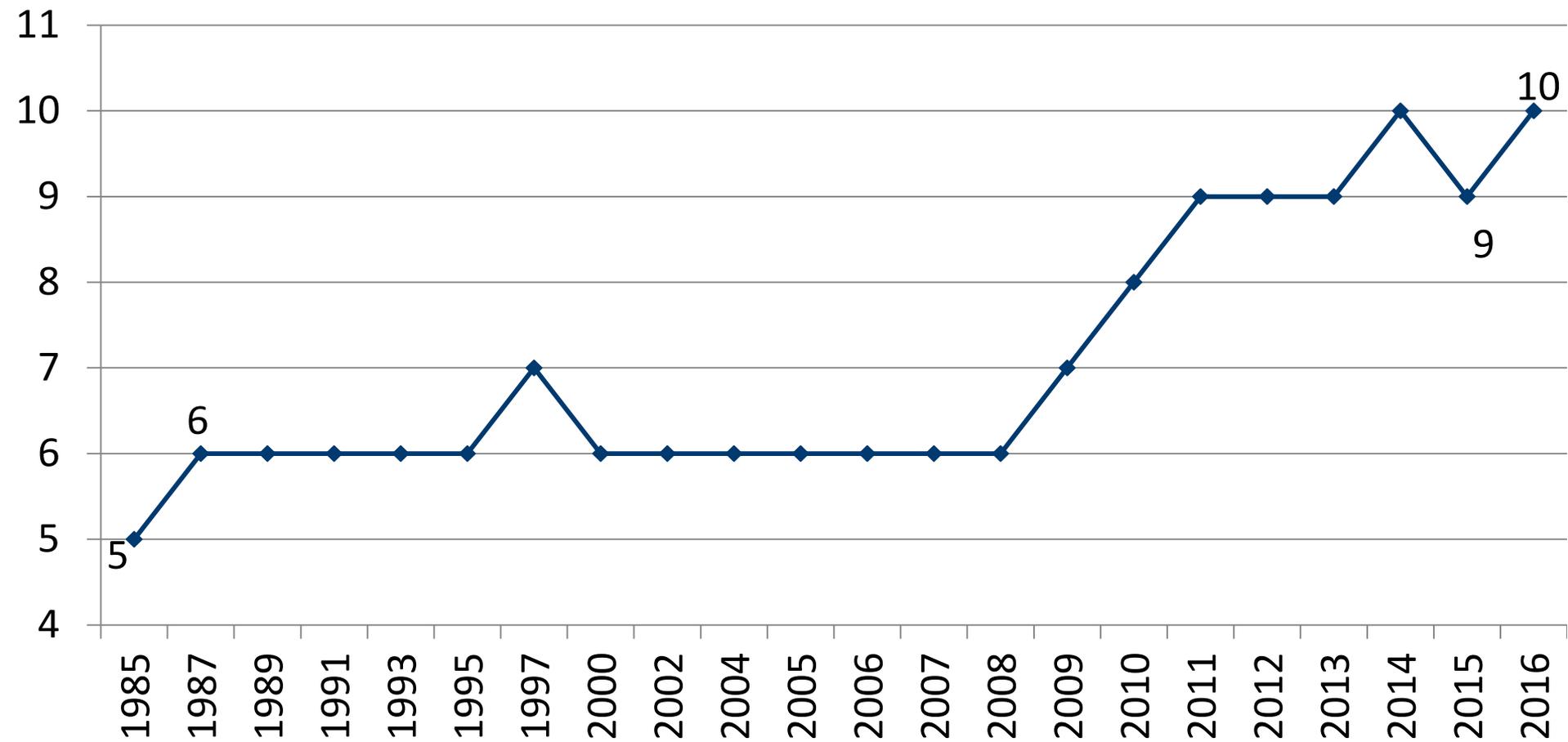
14% of all
buyers over
50 years old

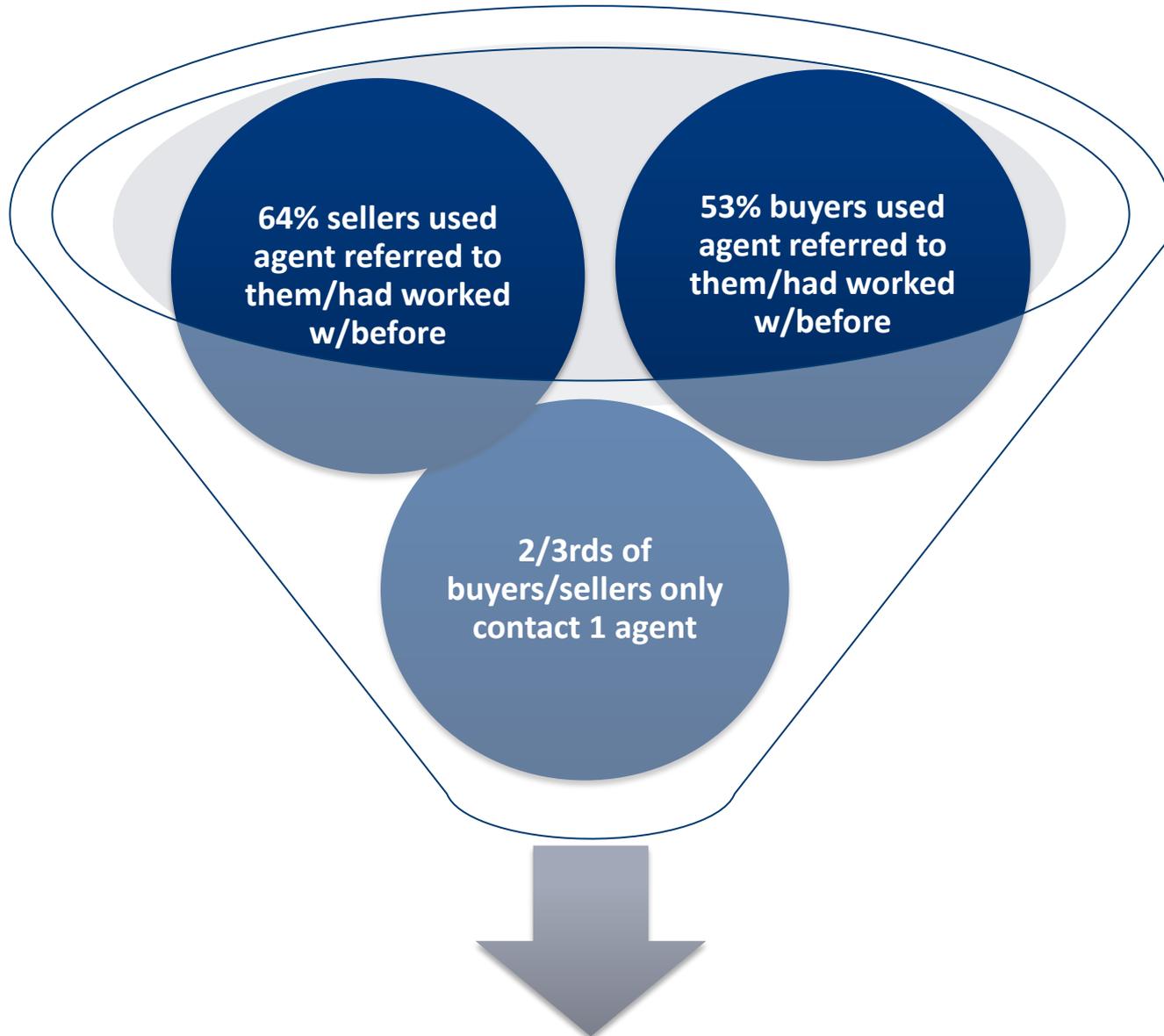
Condos &
small towns
resort



30% of buyers
70-90 years
old

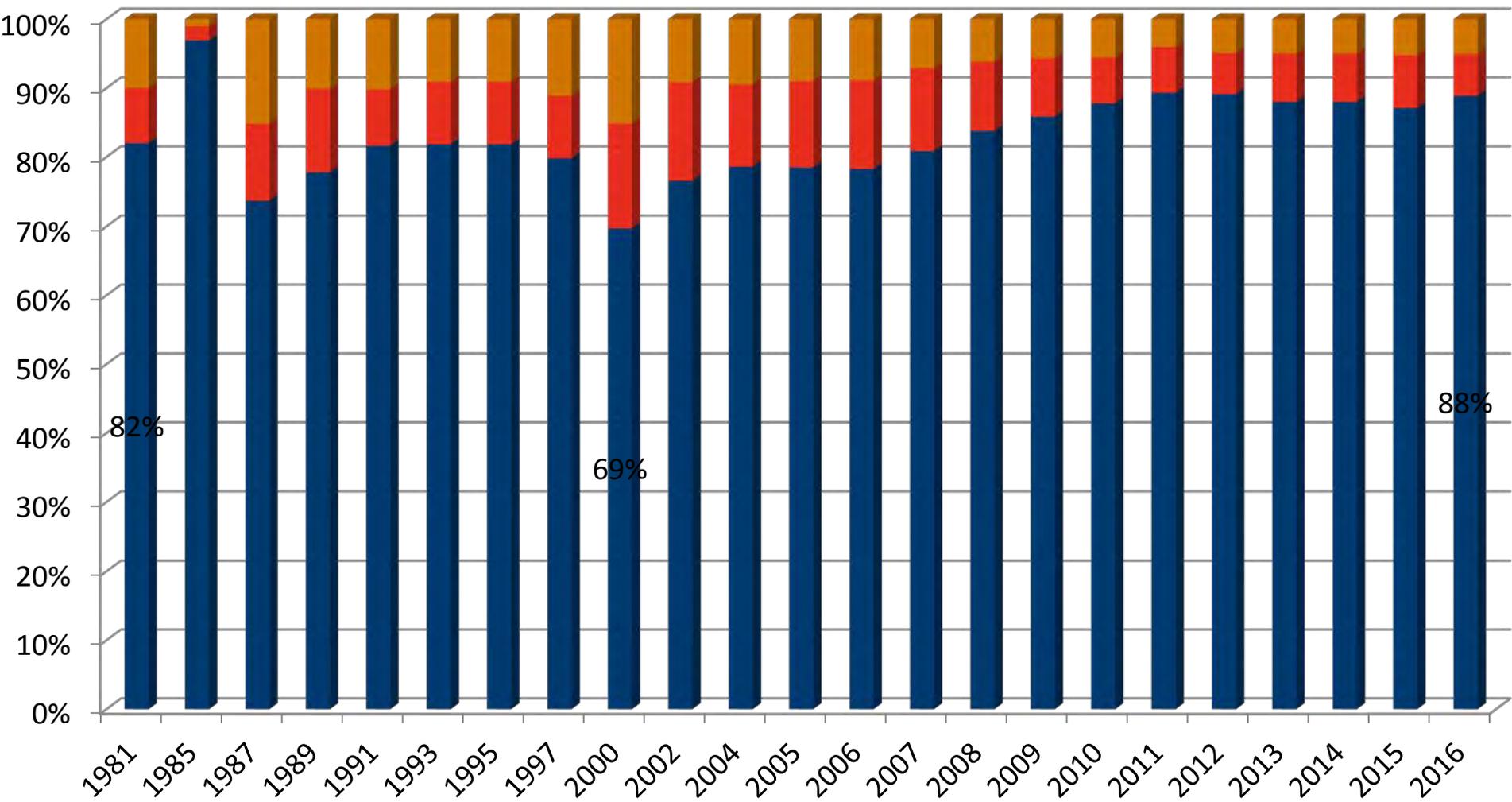




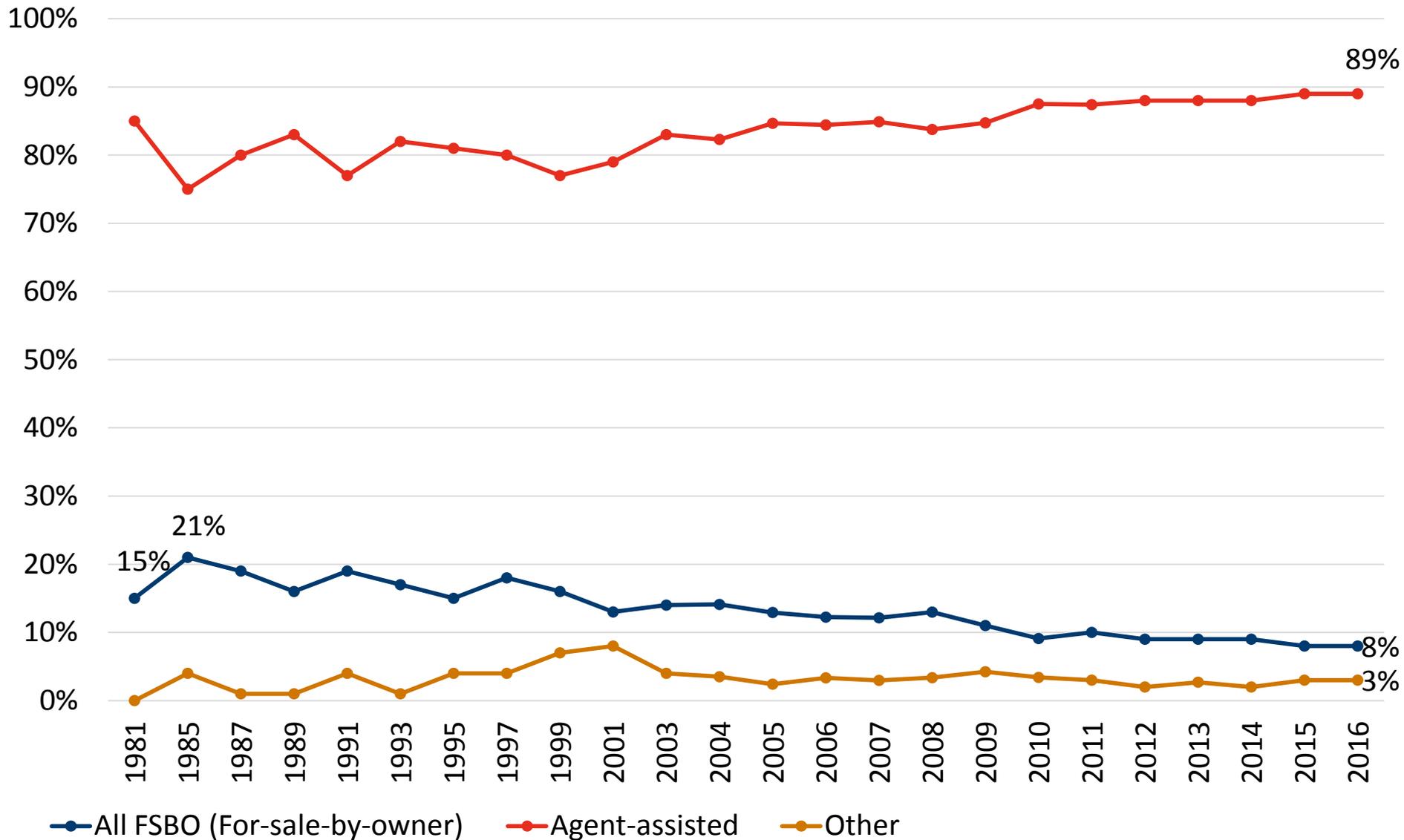


Among members 40% business is from repeat clients and referrals





■ Through a real estate agent or broker
 ■ Directly from builder or builder's agent
 ■ Directly from the previous owner



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