



*First American*

# Has The Game Changed?

## Millennials, and the Economics of Housing

---

January, 2017



First American Financial Corporation makes no express or implied warranty respecting the information presented and assumes no responsibility for errors or omissions. First American Financial Corporation is a parent holding company that does business through its operating subsidiaries. First American and the eagle logo are registered trademarks or trademarks of First American Financial Corporation and/or its affiliates.

The following presentation is for informational purposes only and is not and may not be construed as legal advice. First American Financial Corporation is not a law firm and does not offer legal services of any kind. No third party entity may rely upon anything contained herein when making legal and/or other determinations regarding title practices. You should consult with an attorney prior to embarking upon any specific course of action.

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. ▼ NYSE: FAF



#FirstAmEcon



@mflemingecon

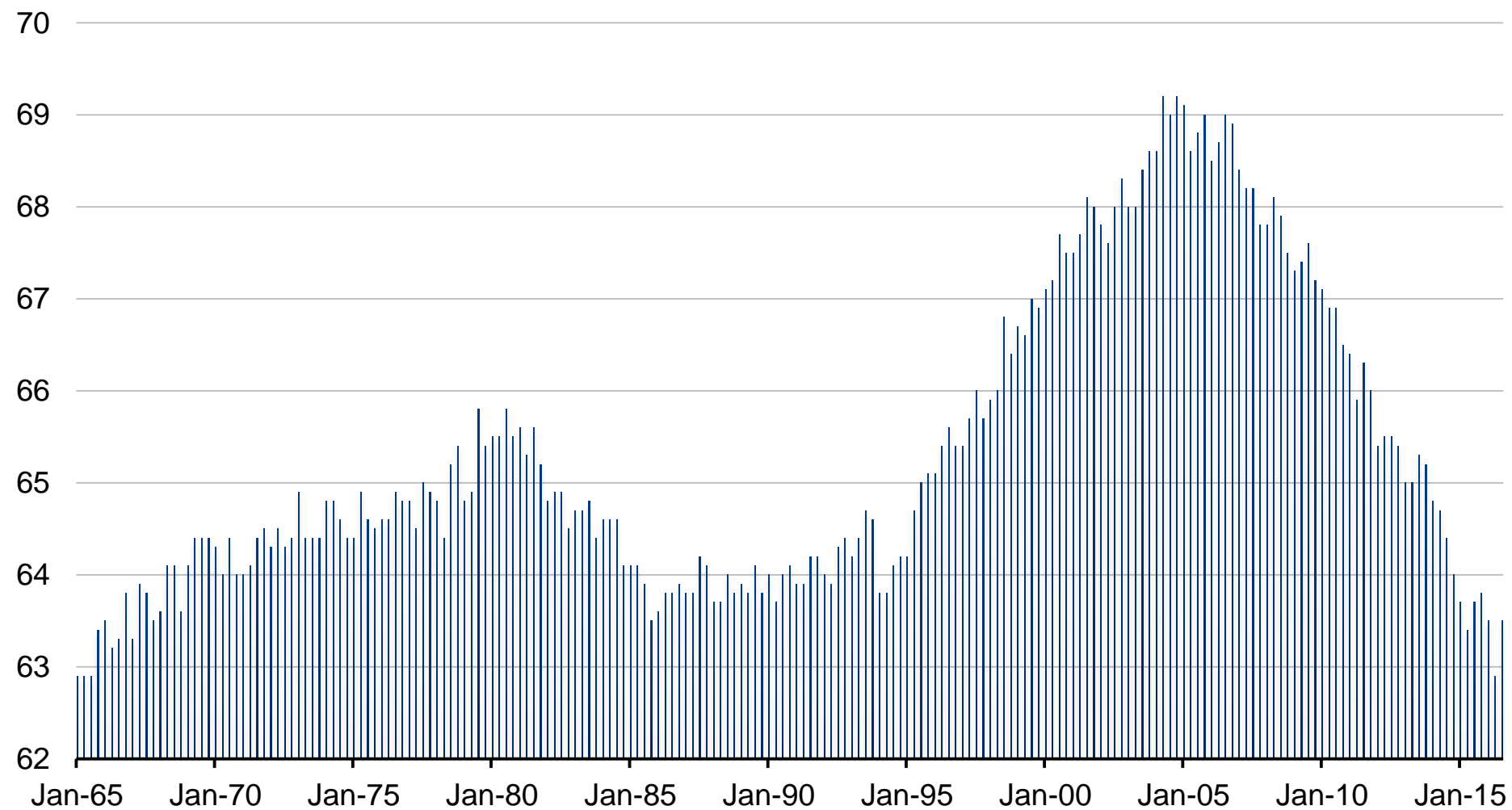
**“It ain’t what you don’t know  
that gets you into trouble. It’s  
what you know for sure that  
just ain’t so.”  
- Mark Twain**



*First American*

# Is Something Restricting the American Dream?

Homeownership Rate (%)

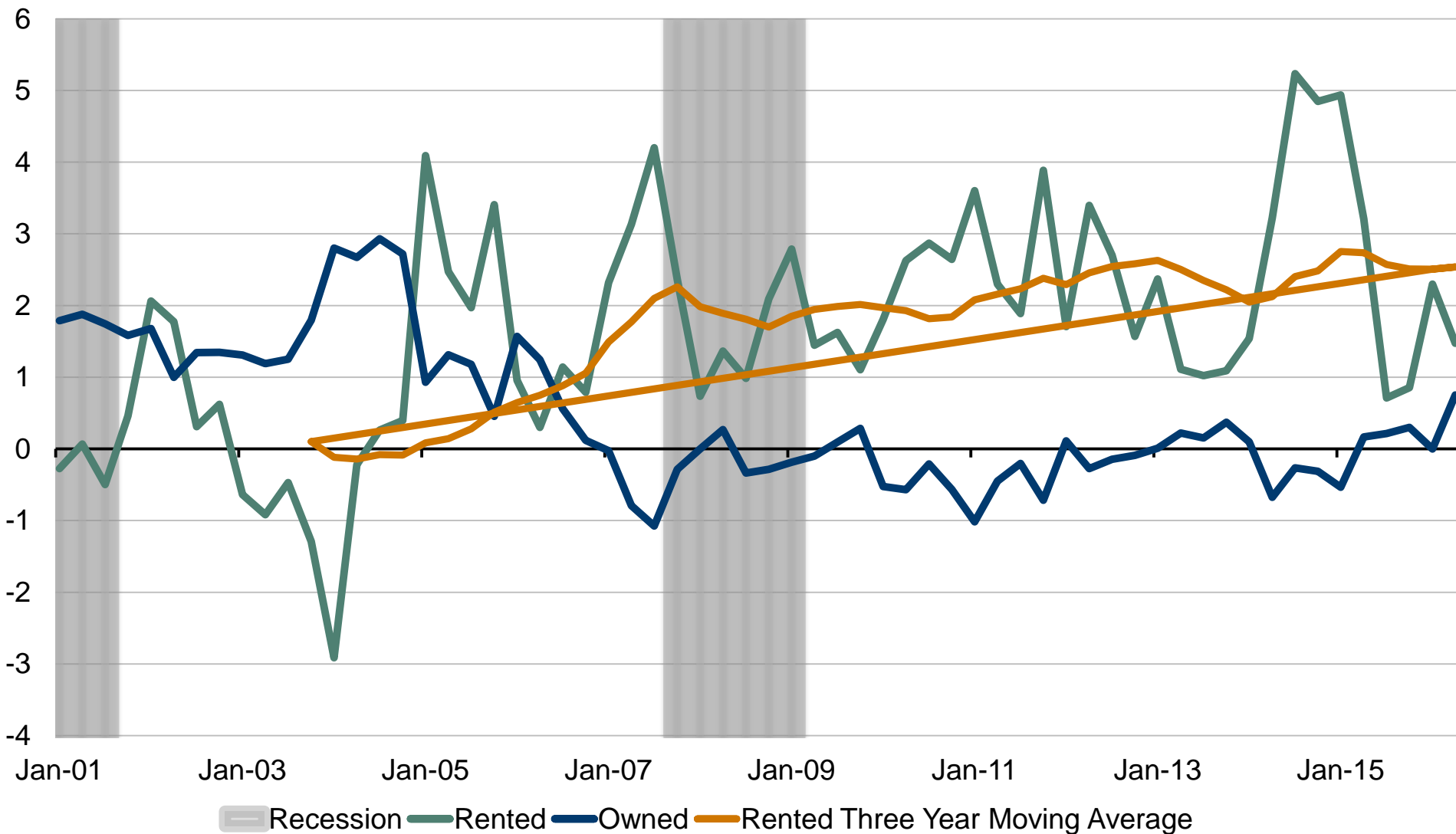


Source: US Census Bureau, Q3 2016



# Demographics Drives Rental Demand

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



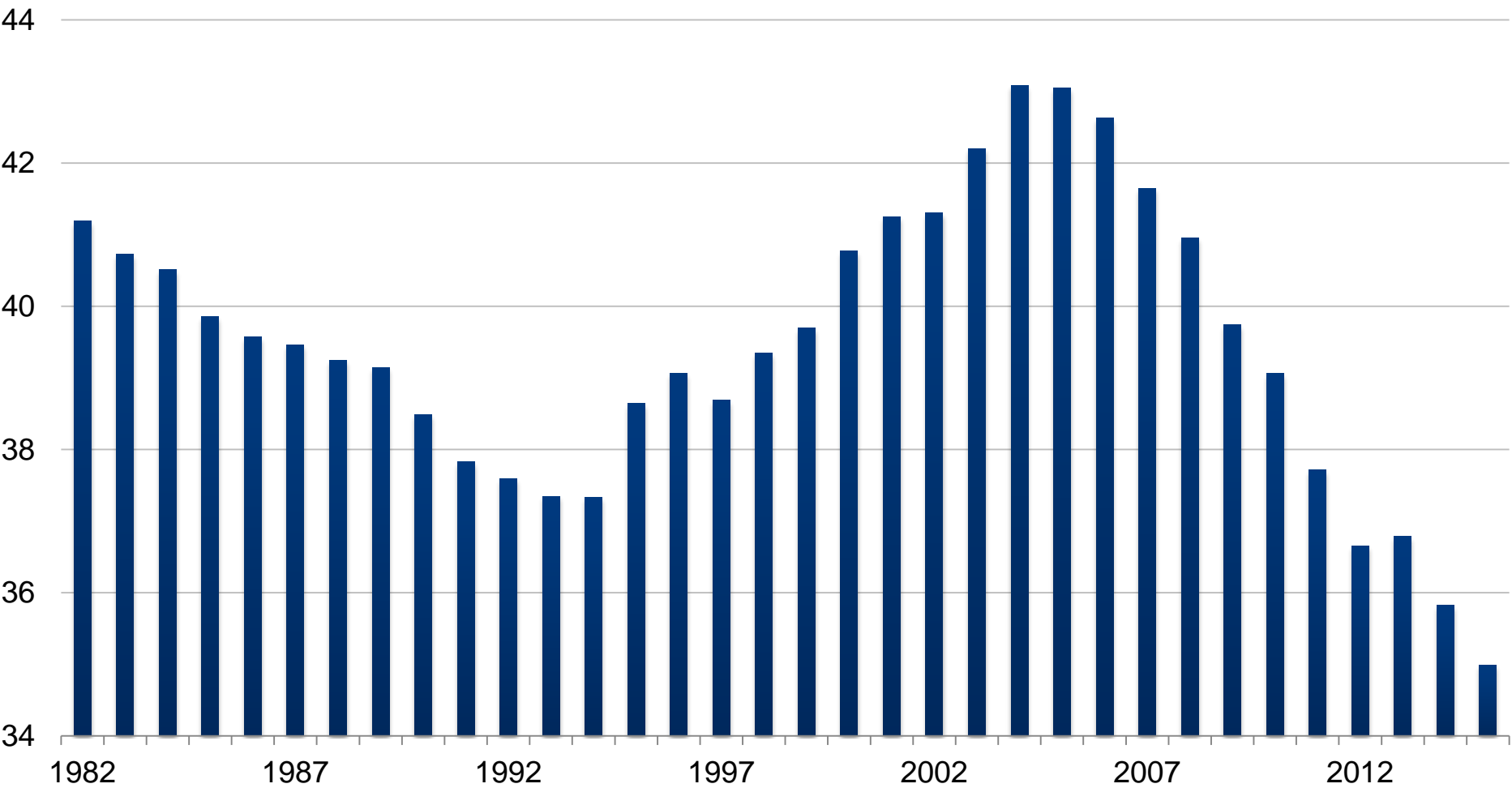
Source: Census Bureau, FRED Q3 2016

4

@mflemingecon #FirstAmEcon

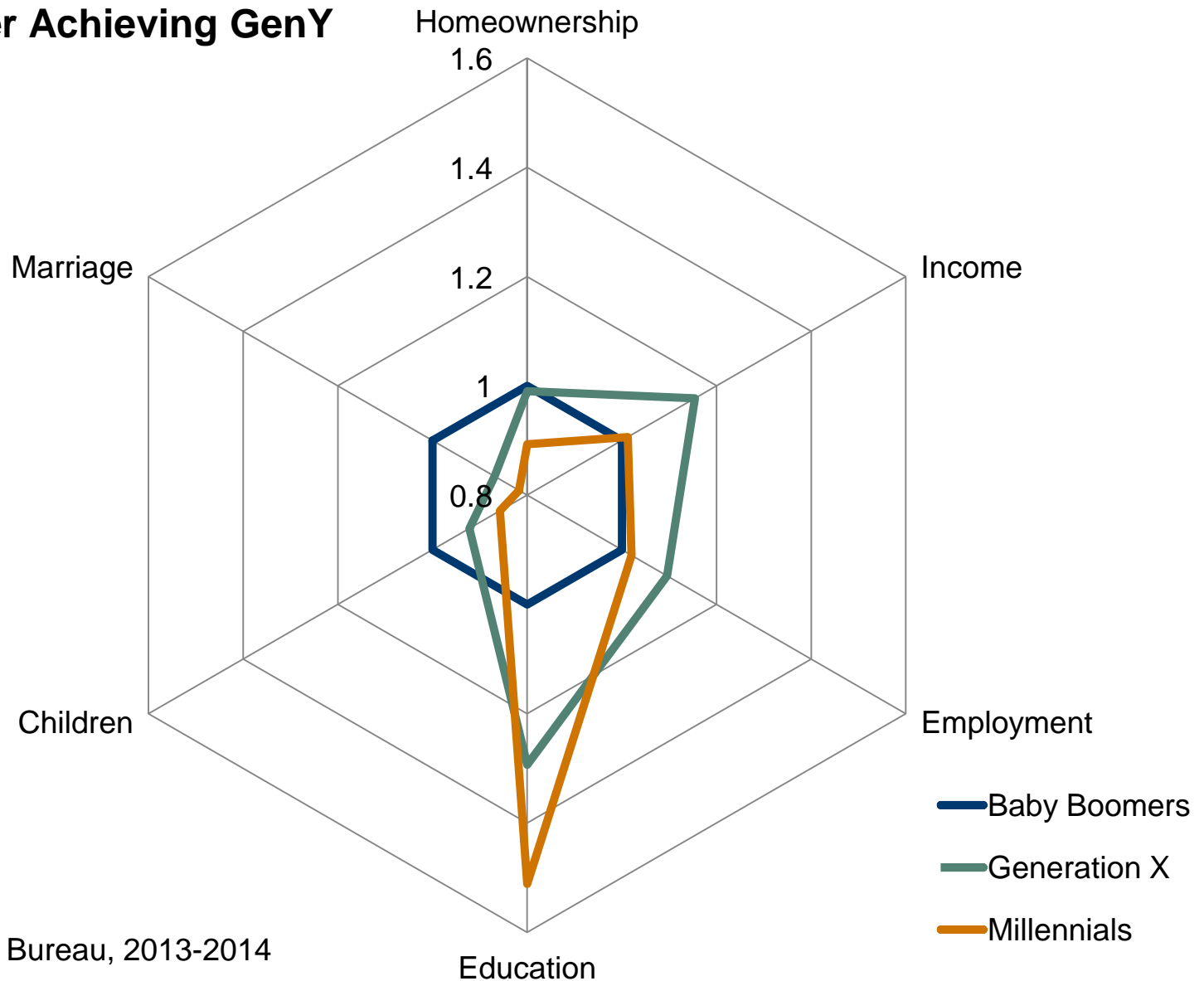
# Renting Millennials

Homeownership Rate for Households Under 35



Source: Census Bureau CPS/HVS, 2015

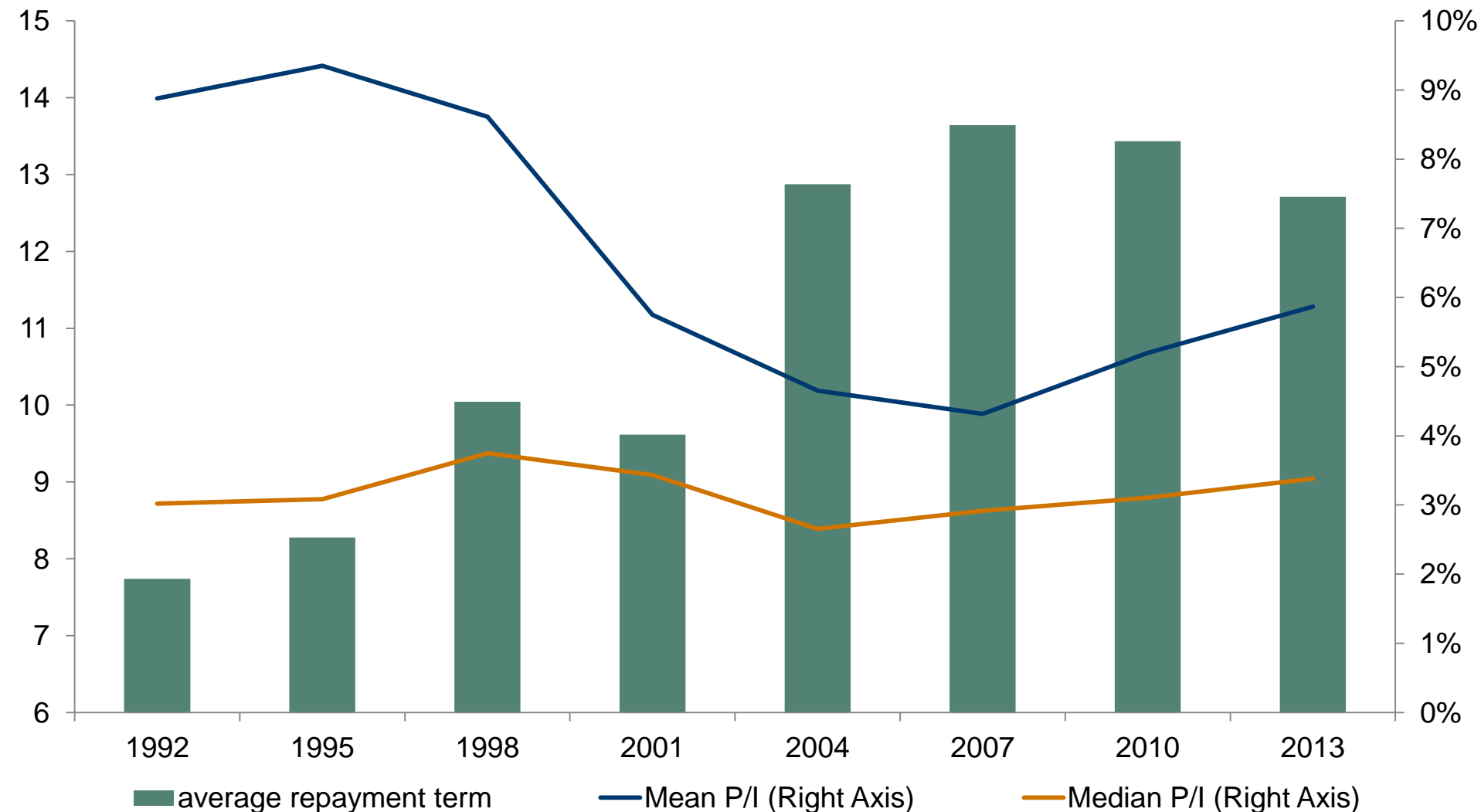
# Over or Under Achieving GenY



Source: Census Bureau, 2013-2014

# Borrow More and Pay More?

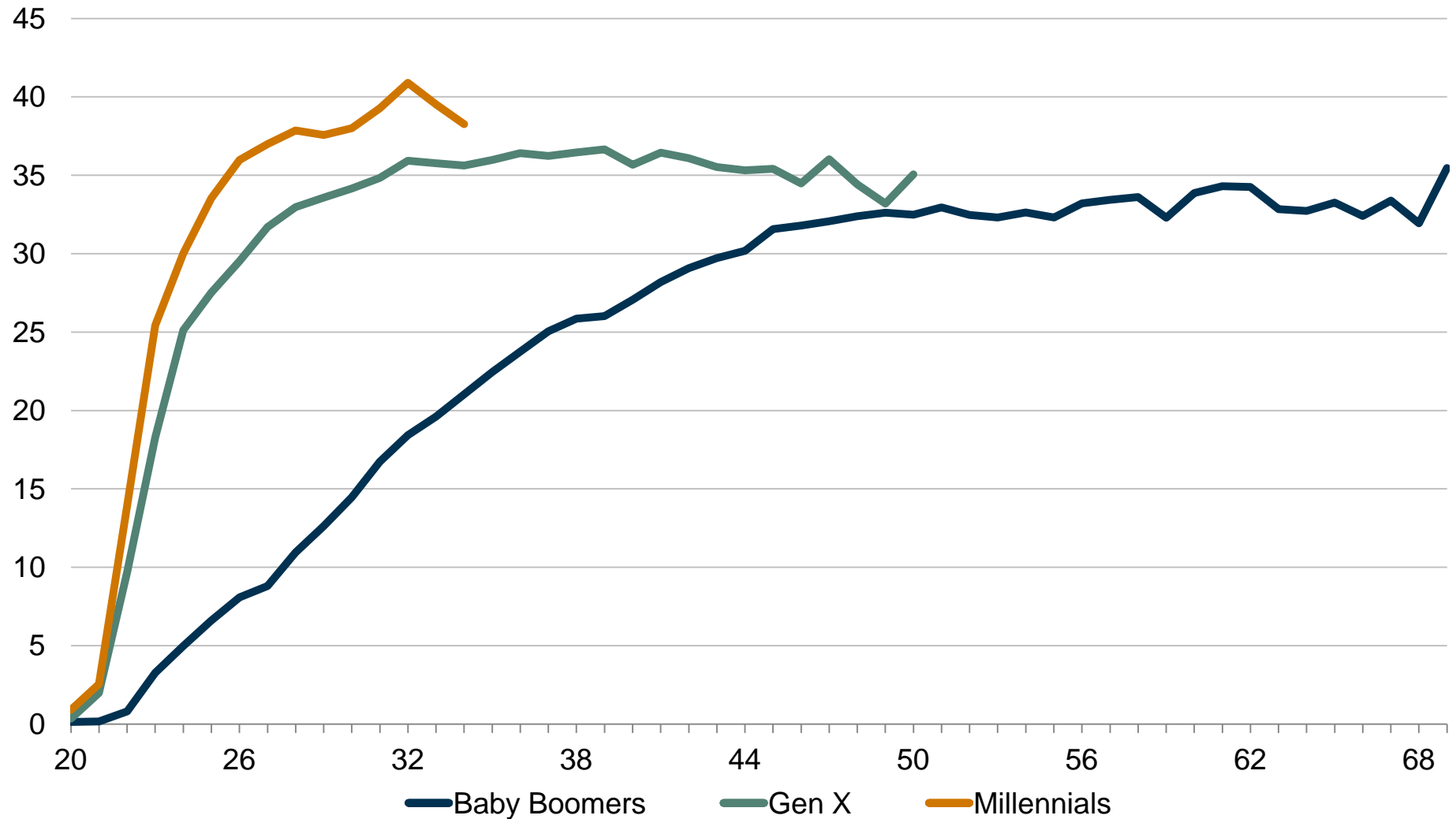
Average Loan Term (Years) and Payment-to-Income Ratio




Source: Federal Reserve Board of Governors SCF, 2013

# Education Attainment

Percent Share of Population with Bachelors Degree or Higher



Source: ACS IPUMS, 2015

 @mflemingecon #FirstAmEcon

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. ▼ NYSE: FAF

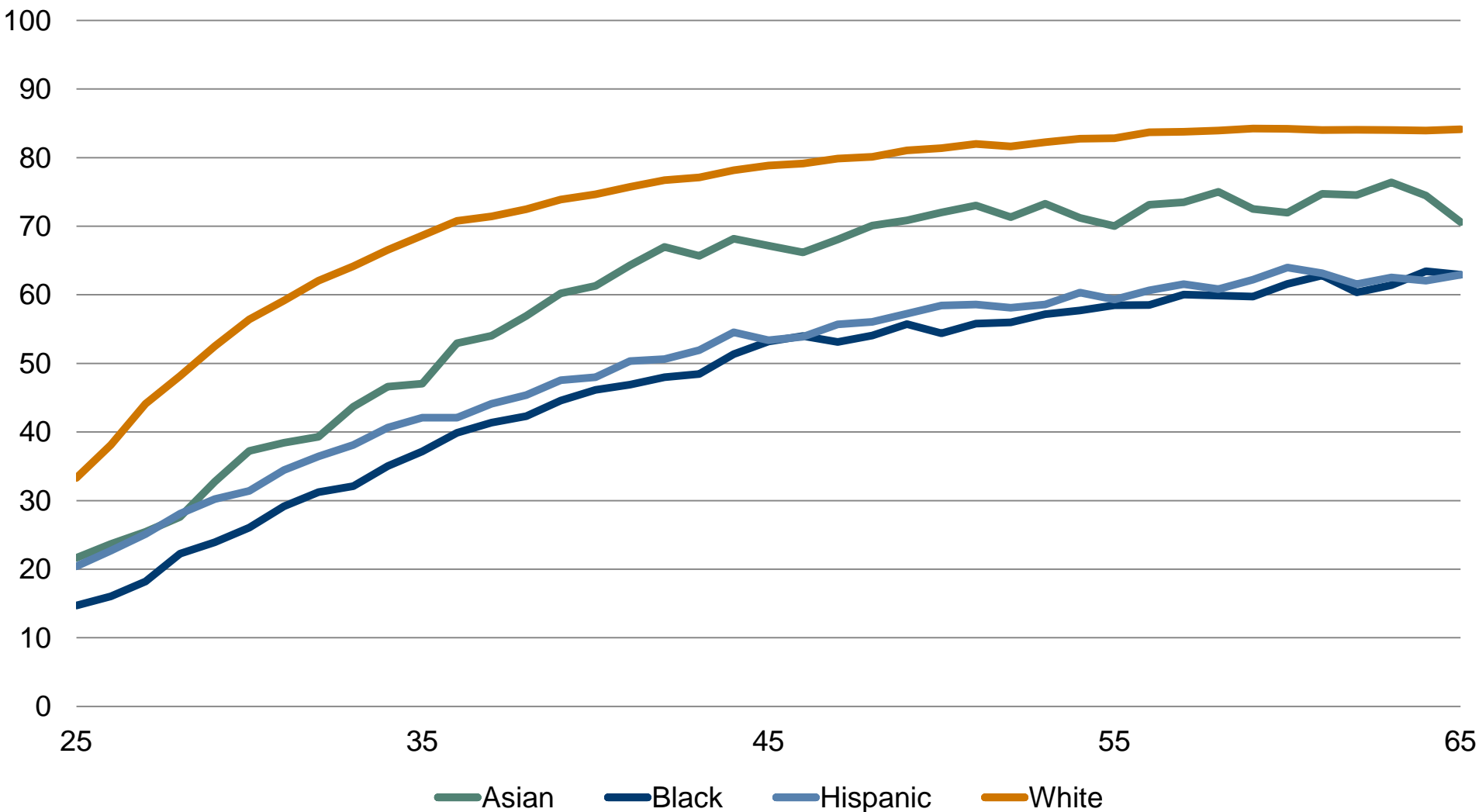


First American



# With Age Comes Wisdom and Homeownership

Percent of Homeowners



Source: IPUMS CPS,

 @mflemingecon #FirstAmEcon

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. ▼ NYSE: FAF



First American

## Share of Homeownership by Race and Ethnicity

% Homeowners

70.0%

60.0%

50.0%

40.0%

30.0%

Race/Ethnicity

Asian

Black

Hispanic

Non-Hispanic White

2020

2030

2040

2050

2060



# Forecasting Housing's Future

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

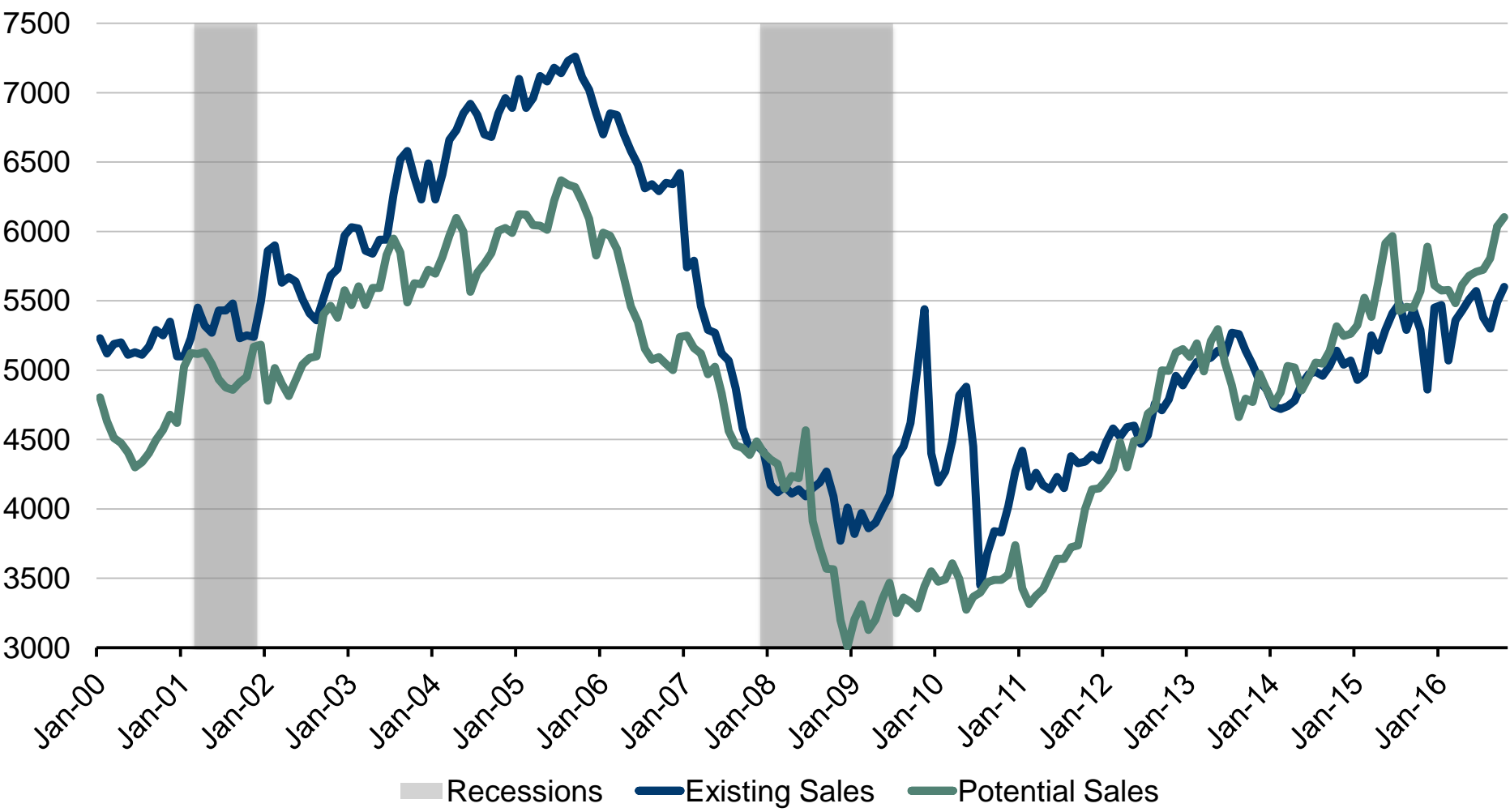
**-The Province (Vancouver, B.C.) 6/21/78**



*First American*

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

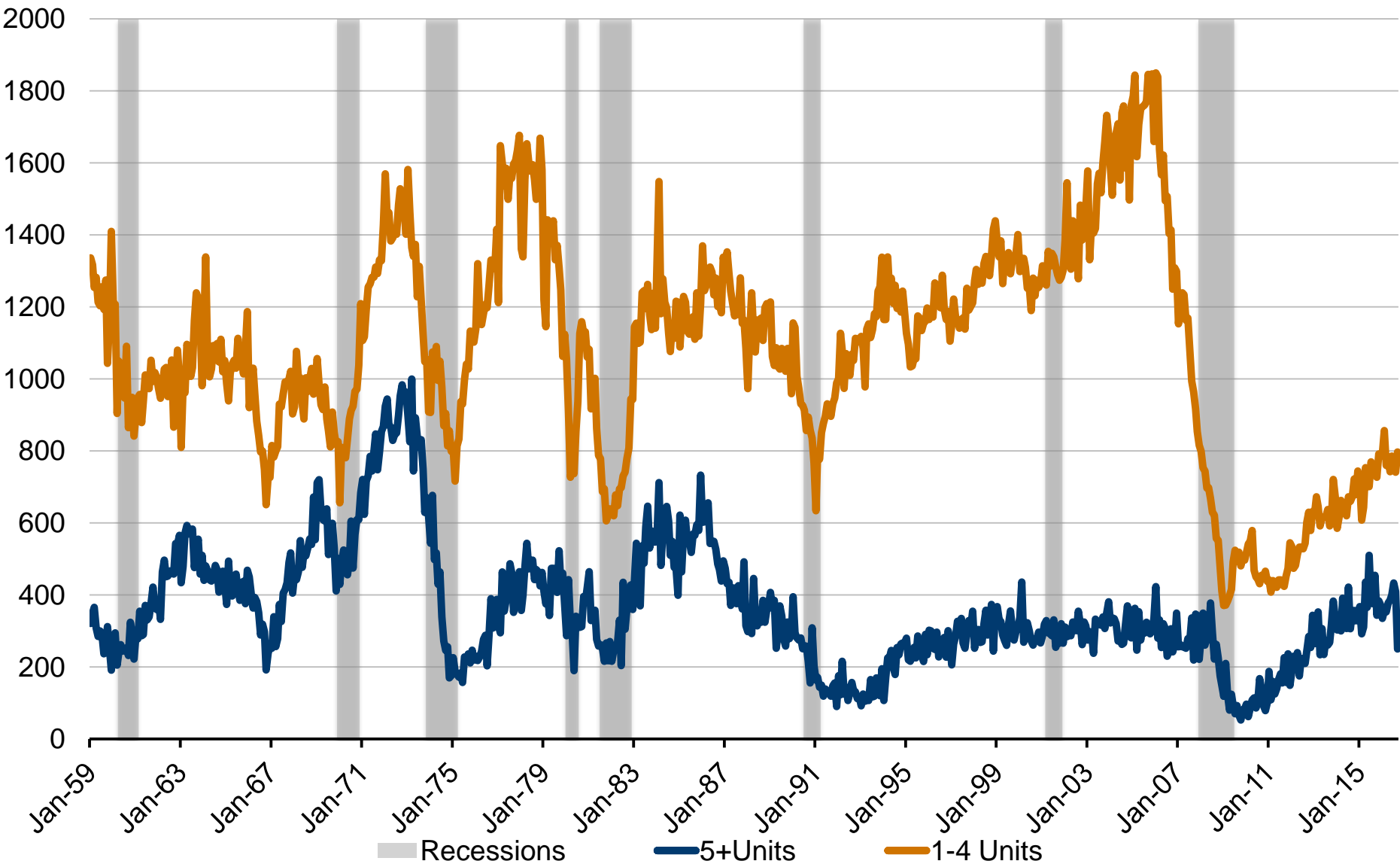
## Existing and Potential Home Sales ('000s, SAAR)



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

# Demographics Drives Building Potential

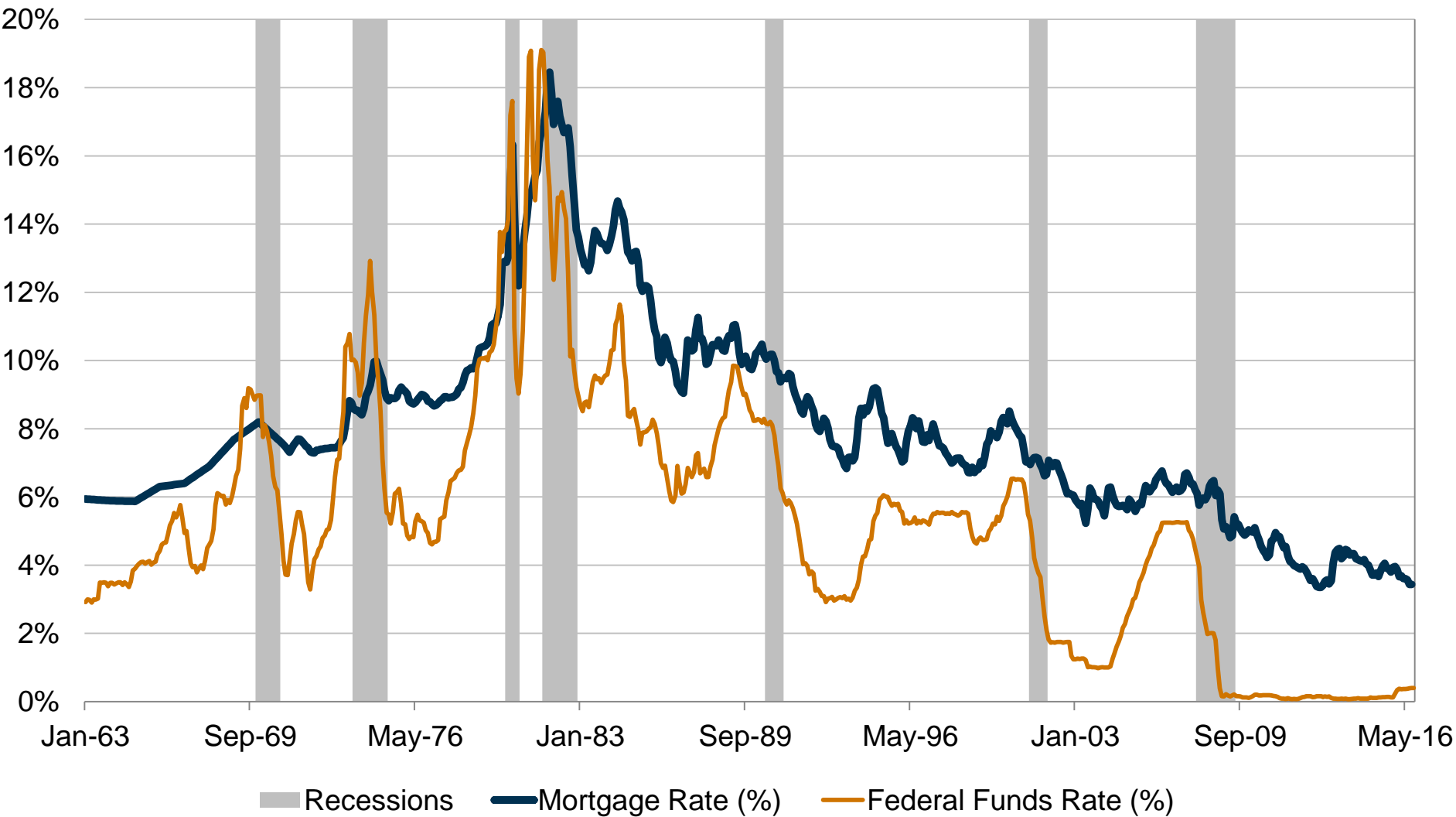
Single and Multifamily Housing Starts ('000s,Units)



Source: US Census Bureau, FRED, Nov. 2016

# Housing's Quarter-Century Tailwind

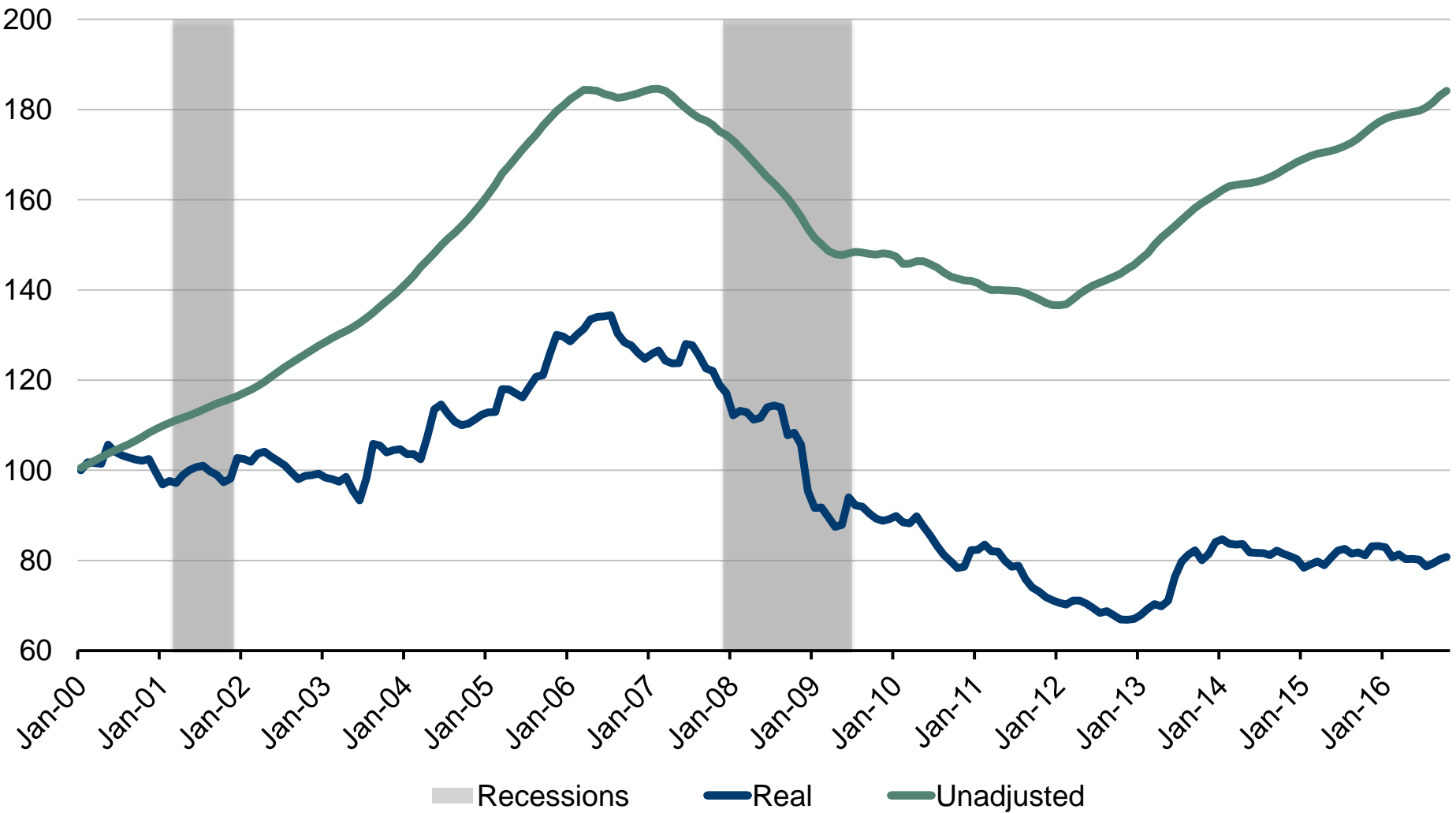
30-Year Fixed Rate, Effective Federal Funds Rate, % NSA



Source: Freddie Mac , FRED, Jan. 2016

# Real Prices Remain Well Below Historic Levels

House Prices (SA, Jan. 2000 = 100)



Source: Standard & Poors, First American, October 2016

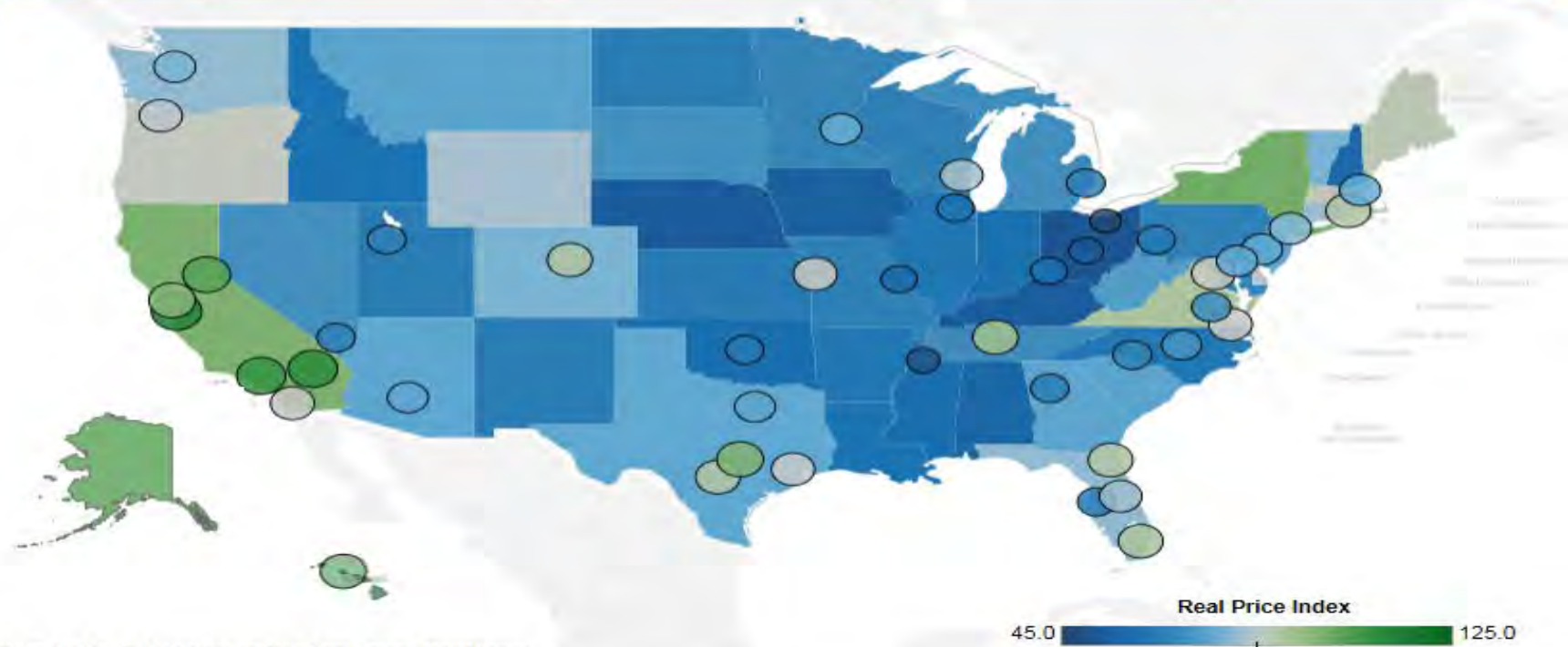
 @mflemingecon #FirstAmEcon

©2016 First American Financial Corporation and/or its affiliates. All rights reserved. ▼ NYSE: FAF



# 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%

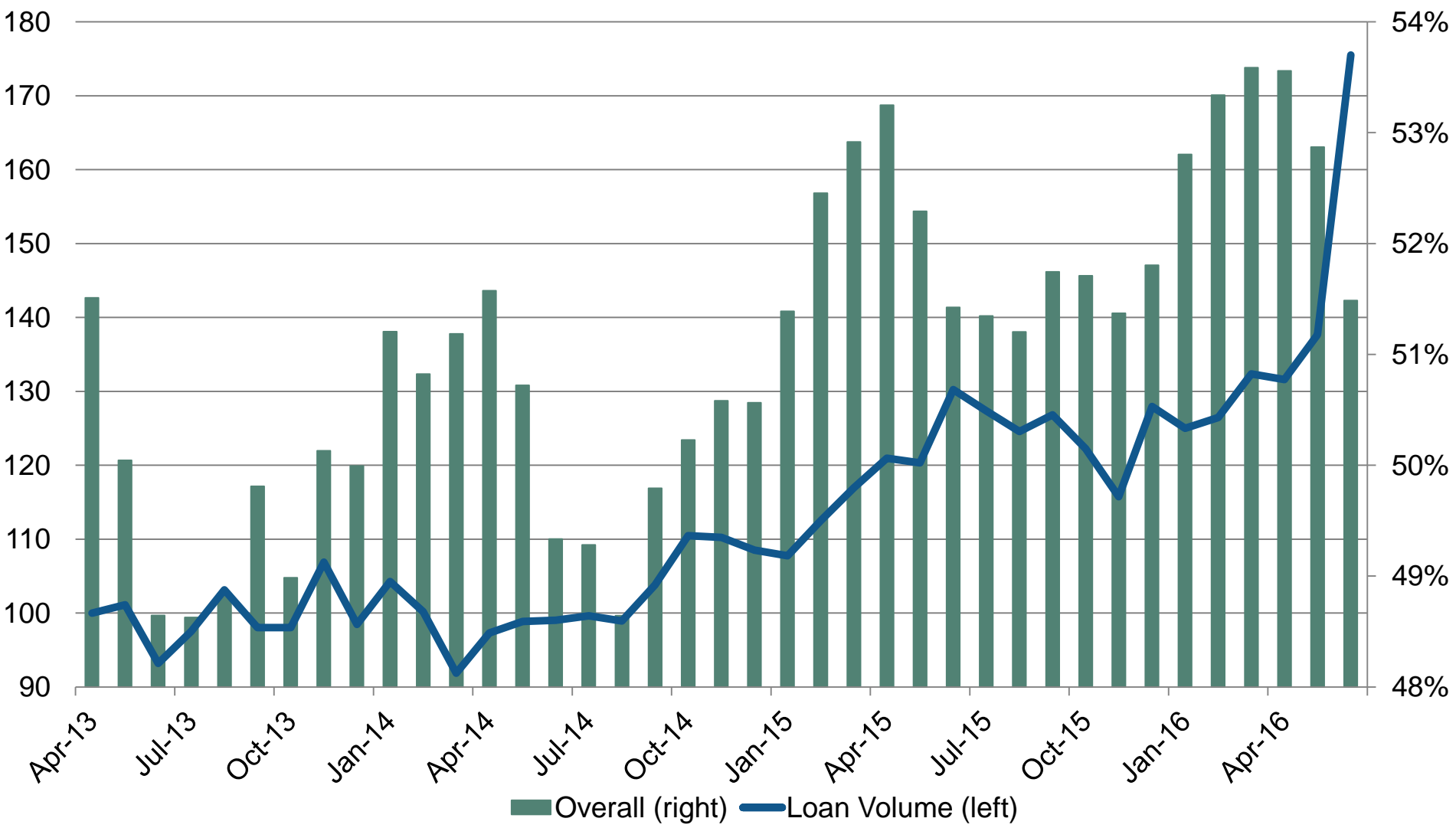
Source: FHFA, Freddie Mac, Census, FirstAmEcon, October 2016

16 @mflemingecon #FirstAmEcon



# First-Time Buyers Rebounding

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



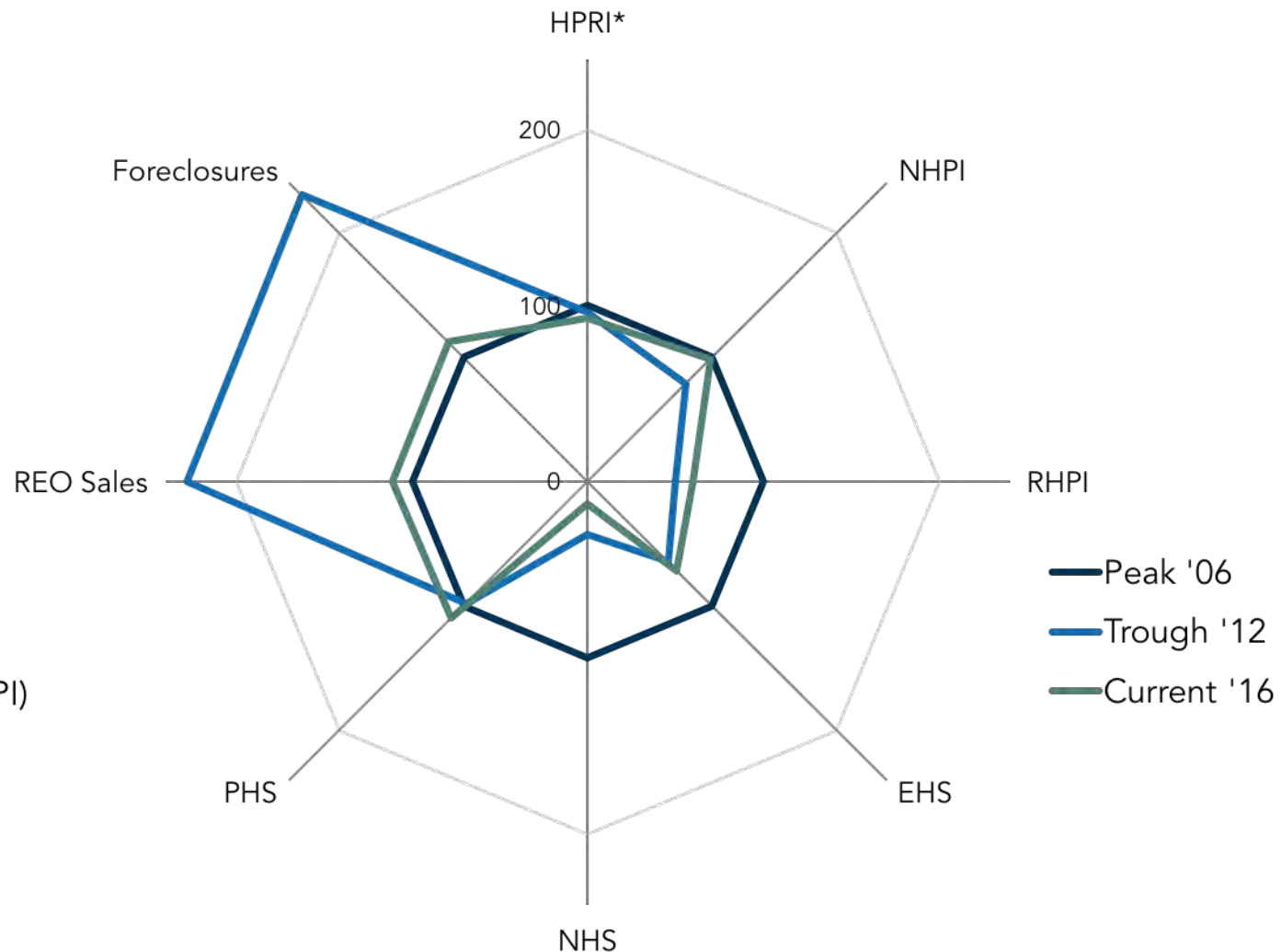
Source: AEI International Center on Housing Risk , August 2016

@mflemingecon #FirstAmEcon



# 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

Source: First American, May 2016

\*Annual 2015 Data

 @mflemingecon #FirstAmEcon

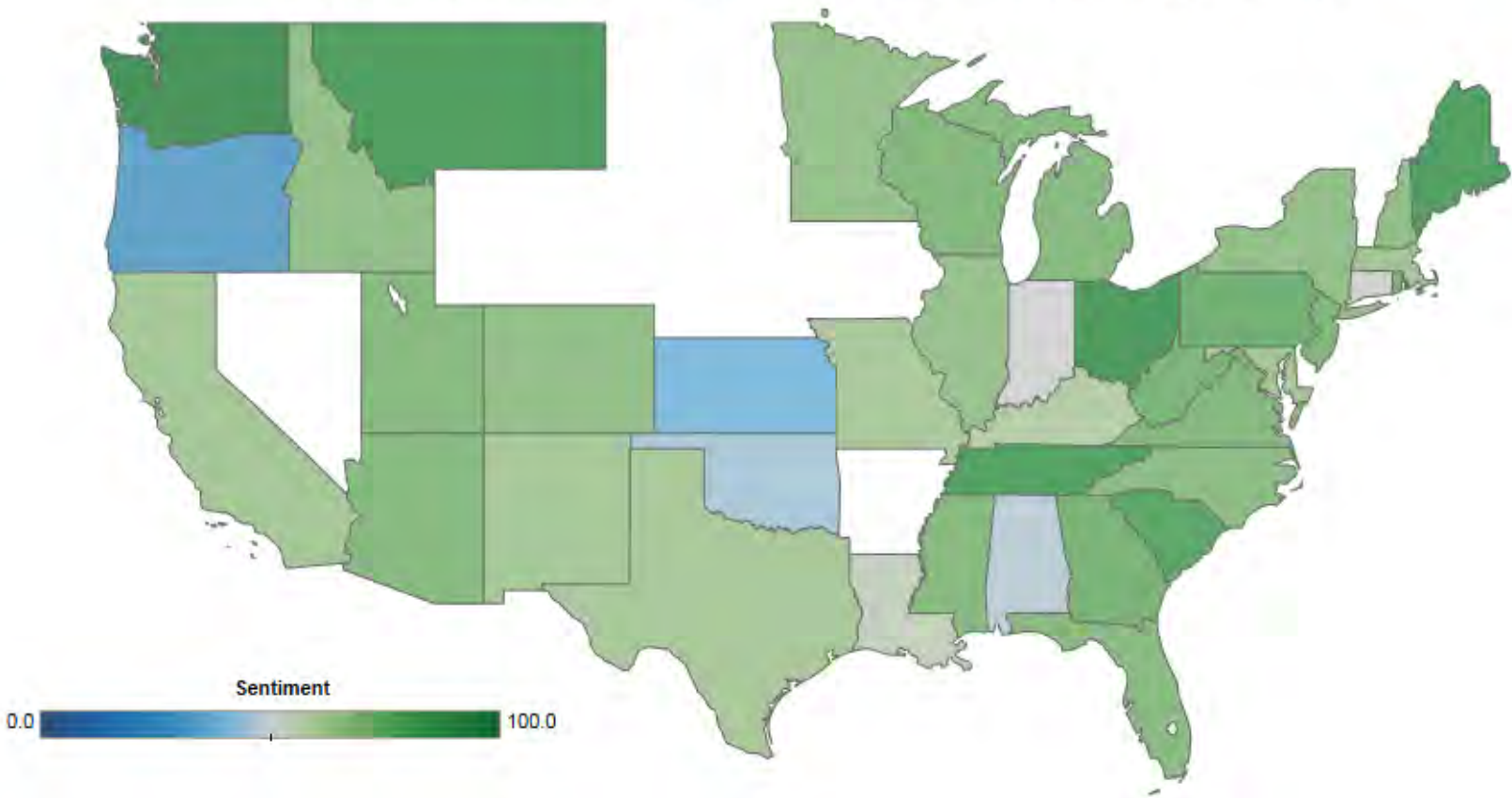


First American

# Residential Purchase Transactions Expected To Grow

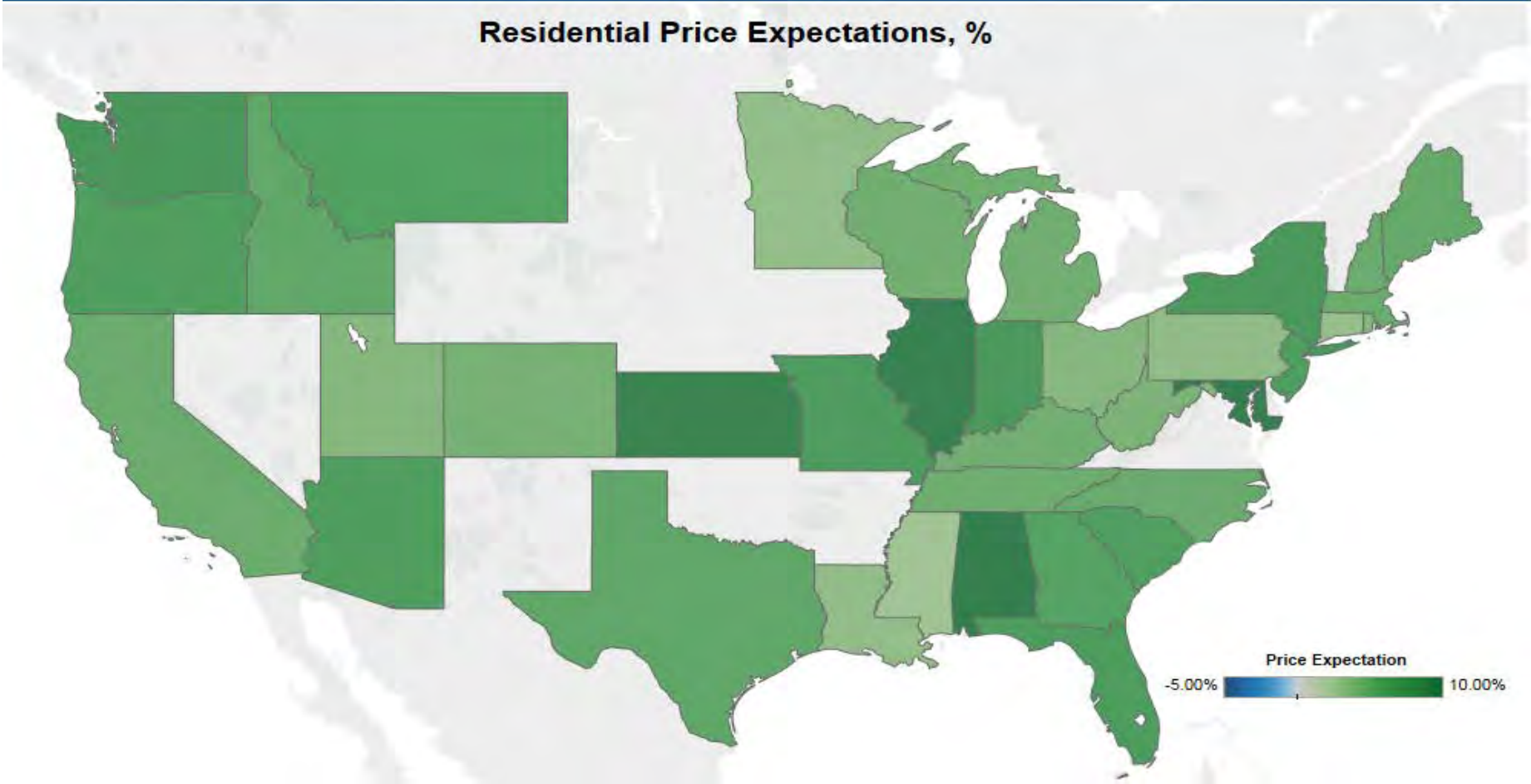
	Q4 2016	Q3 2016	Quarterly Growth	Annual Growth
Overall Volumes	51.85	58.78	-11.80%	-3.80%
Purchase Volumes	54.46	59.26	-8.10%	-8.75%
Refinance Volumes	49.24	58.31	-15.56%	2.35%

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




# 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



Source: First American Calculations, Q4 2016

 @mflemingecon #FirstAmEcon

# First American's Office of Economic Research

[FirstAm.com/Economics](http://FirstAm.com/Economics)

[@mflemingecon](https://twitter.com/mflemingecon)

[#FirstAmEcon](https://twitter.com/FirstAmEcon)



*First American*

# Has the Game Changed?

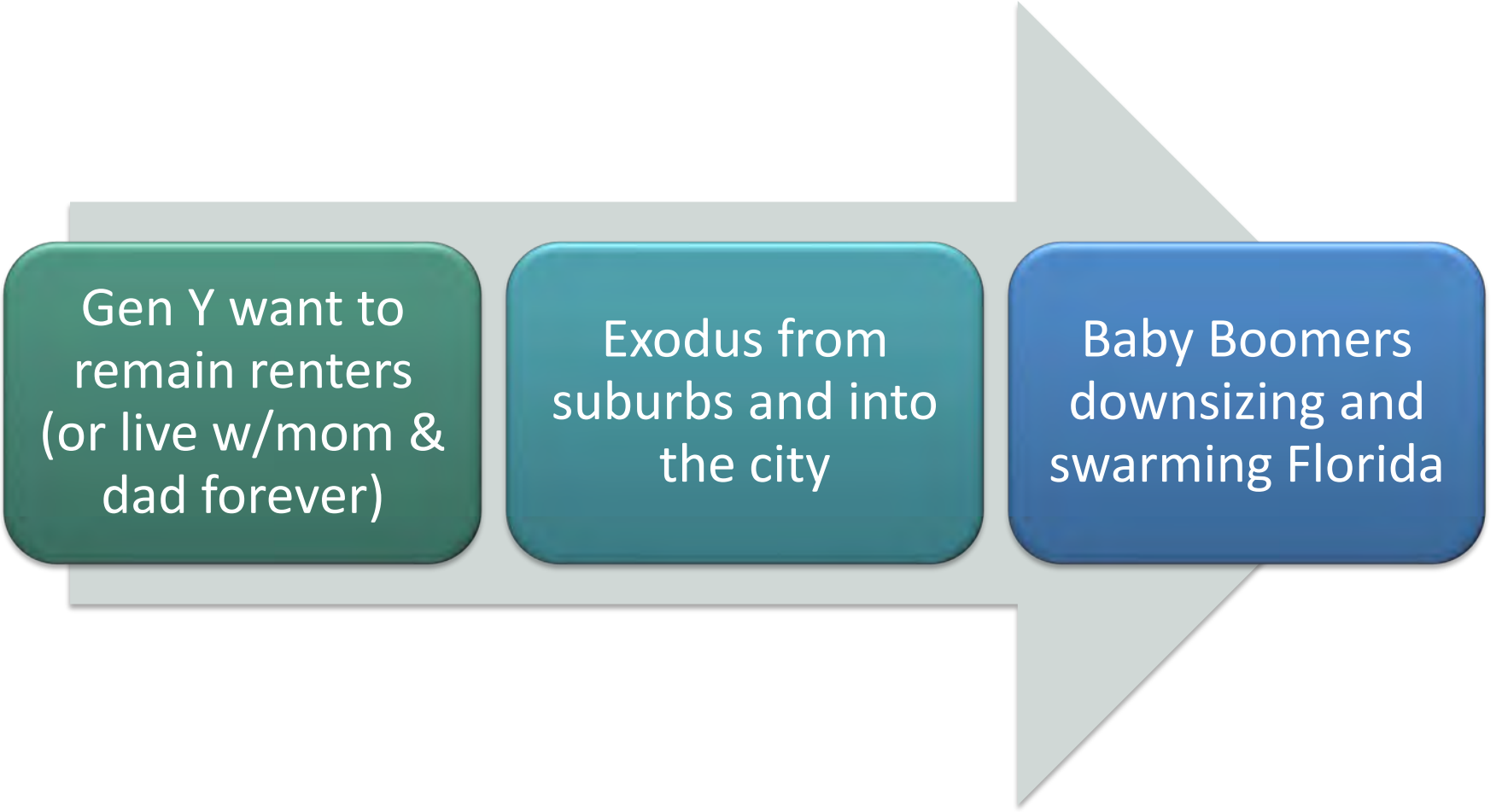
## 2017 Housing Market Forecast and Homebuyer Trends

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



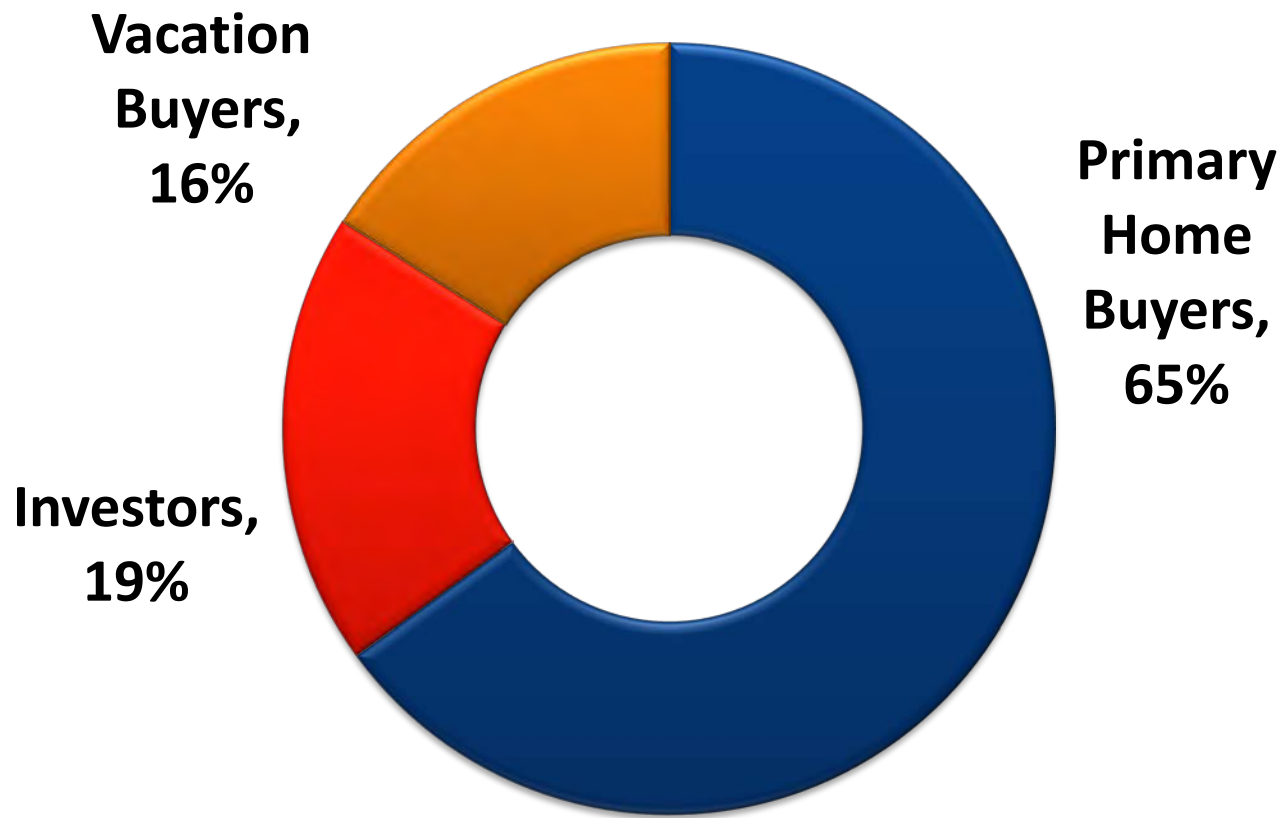


By 2045  
majority-  
minority country

Millennials have  
overtaken  
Baby Boomers

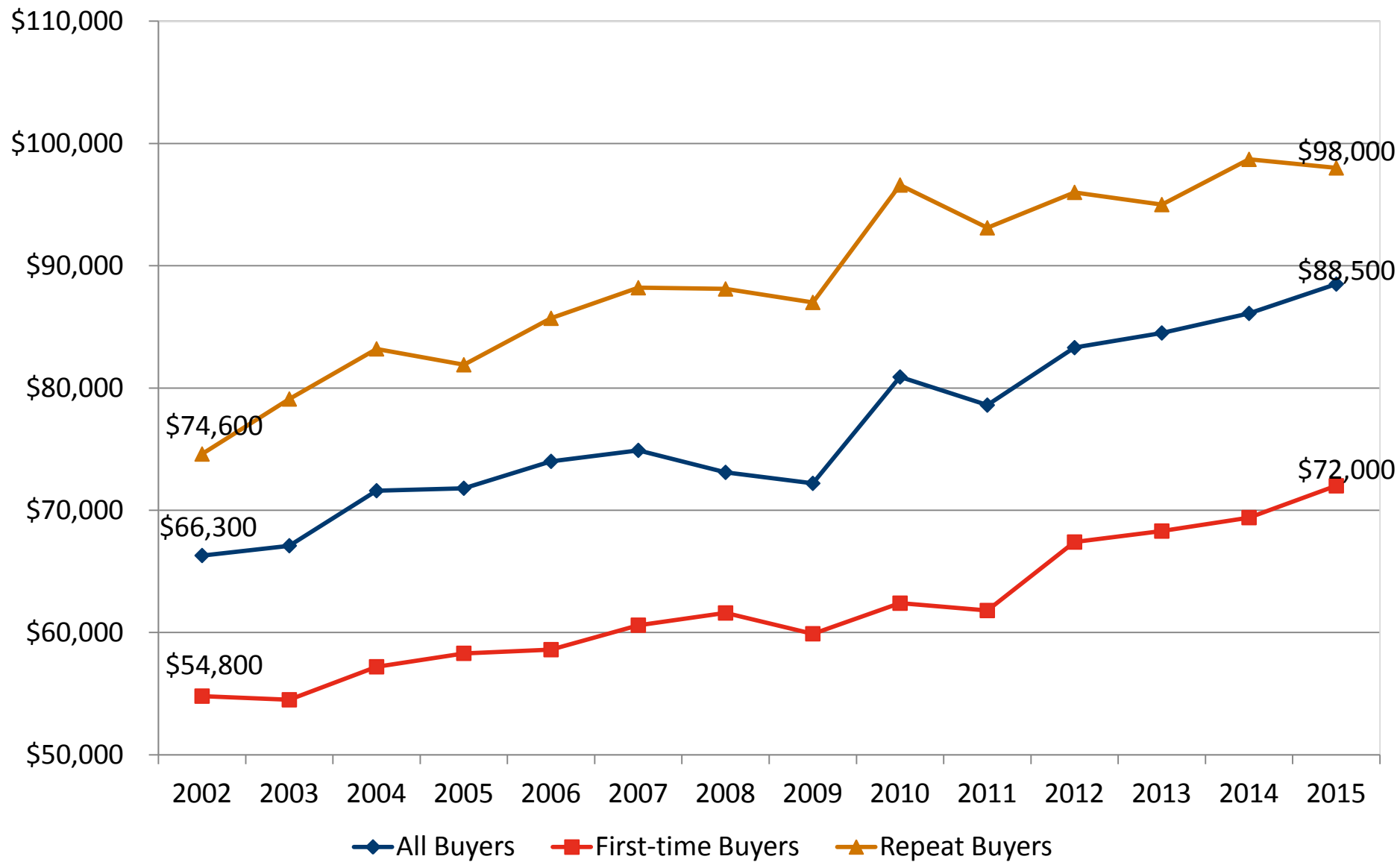
Same share of  
singles as  
married couples

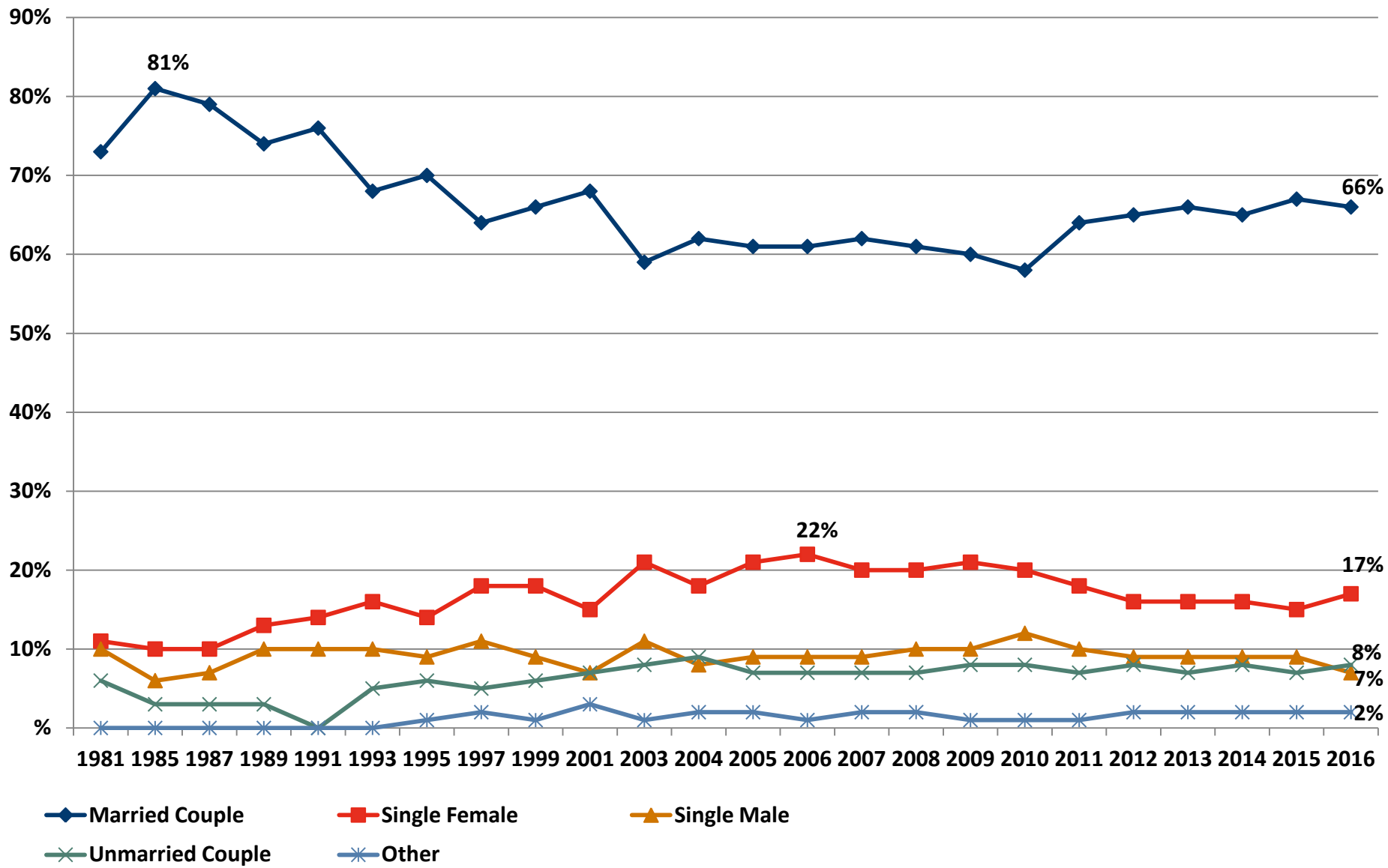


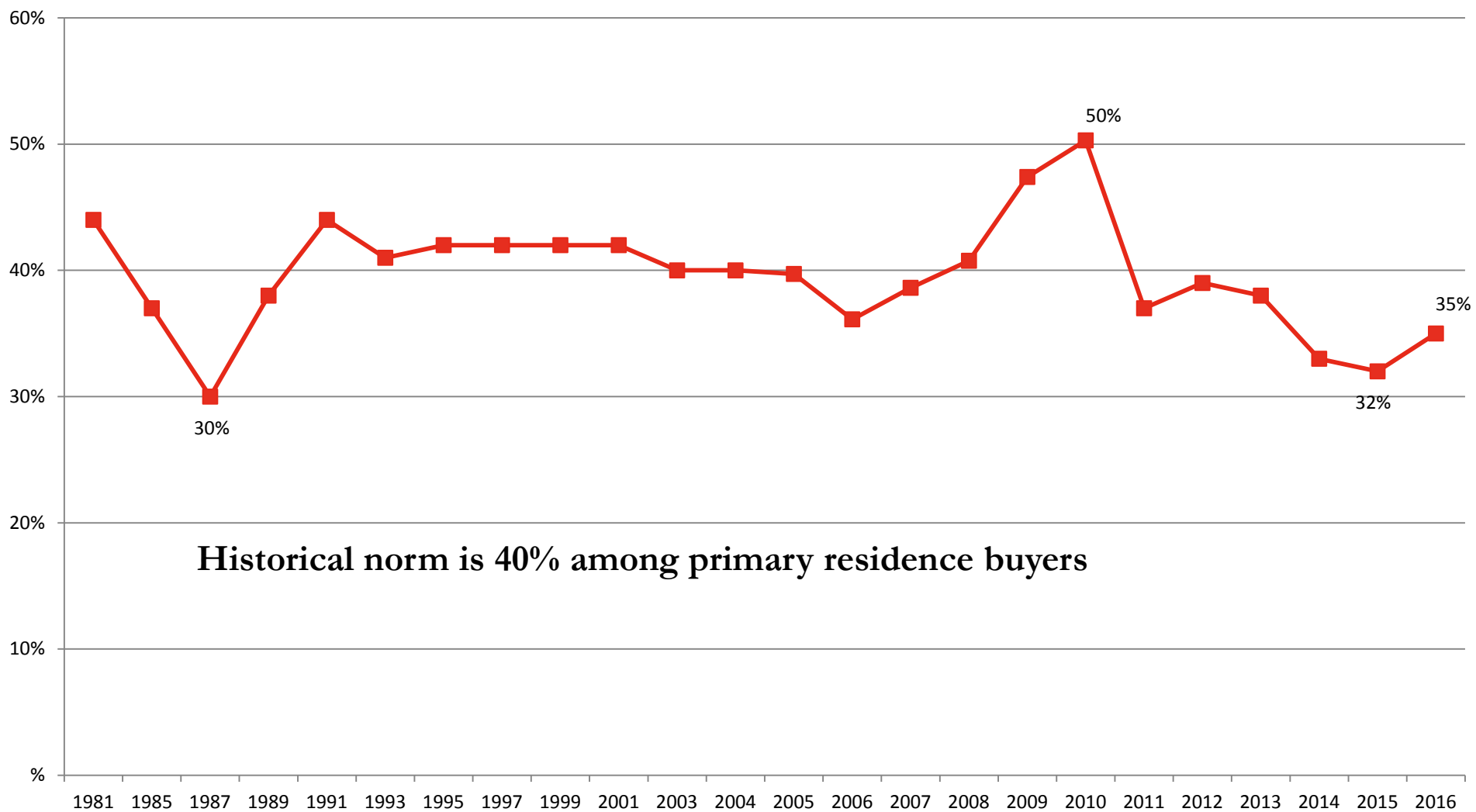




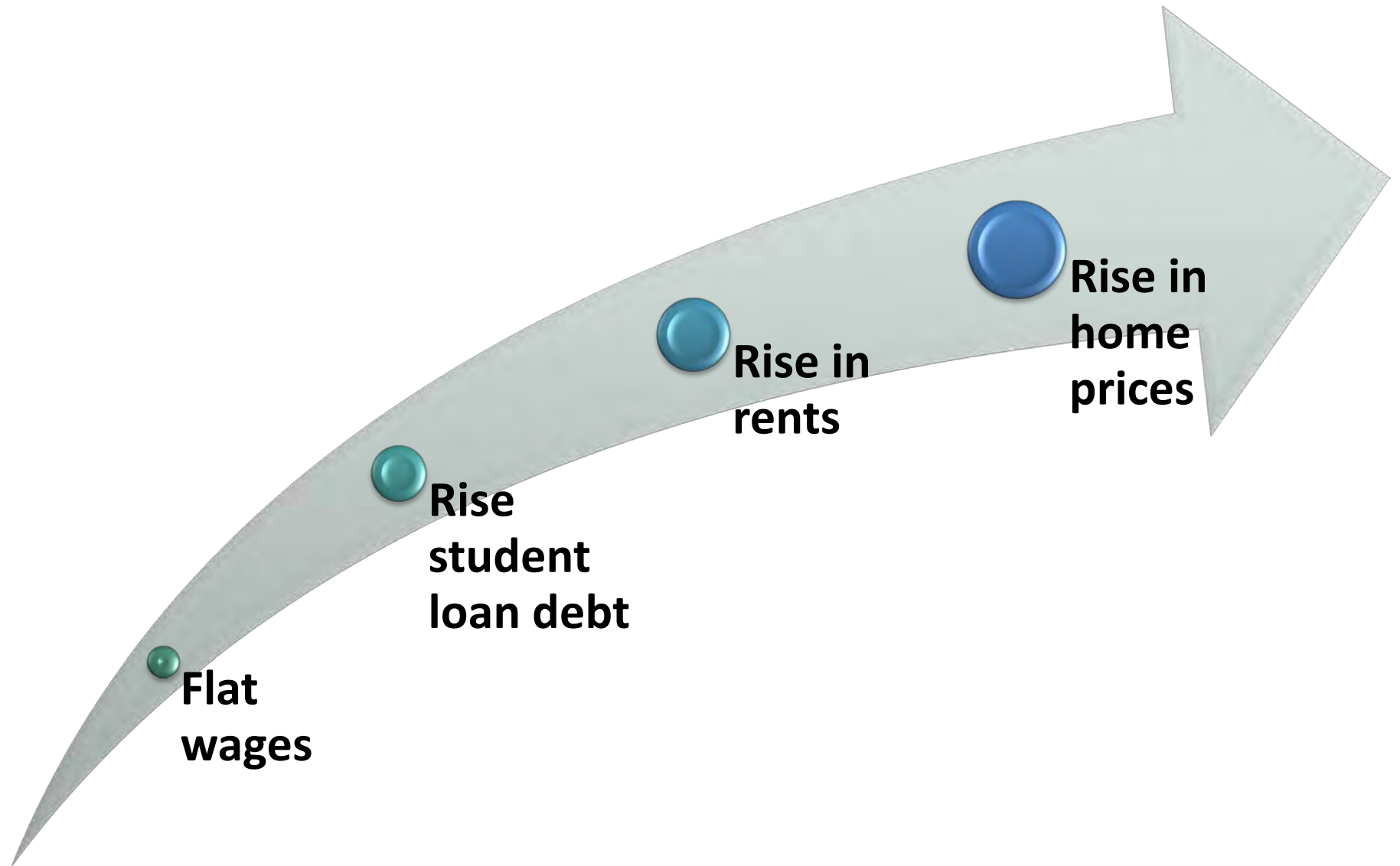
- Annual survey of recent home buyers (purchased in the last year)
- Report started in 1981
- Largest sample size of its kind
- Longest running survey of its type
- 95 percent confidence level with a confidence interval of plus-or-minus 1.32%.








**Historical norm is 40% among primary residence buyers**



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

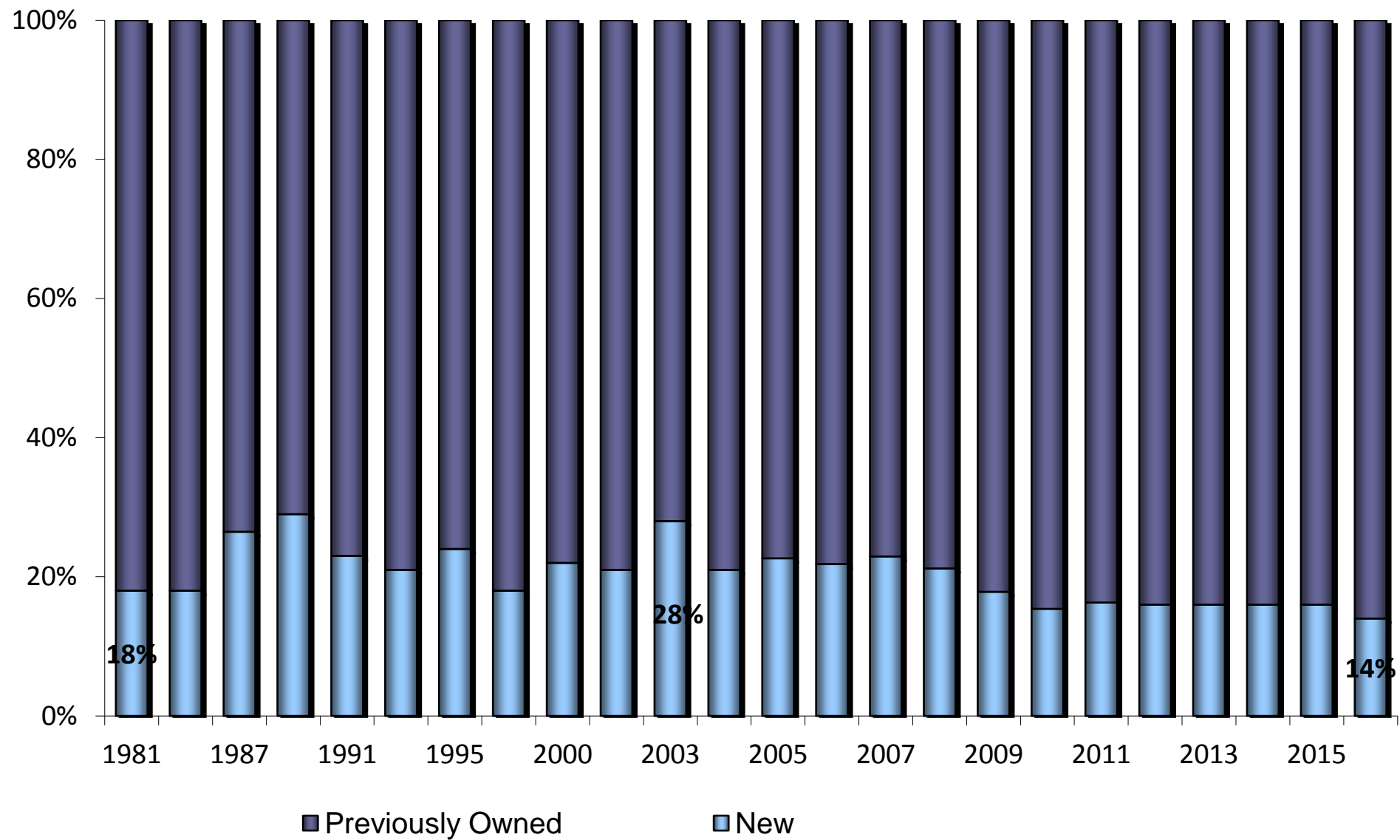
An orange rounded rectangular box with a black border and a slight drop shadow. It contains the text '67% homeowners good time to buy vs 56% renters & 48% those who live w/someone'. A large, light orange arrow points downwards from the bottom right corner of this box to the top right corner of the green box below it.

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

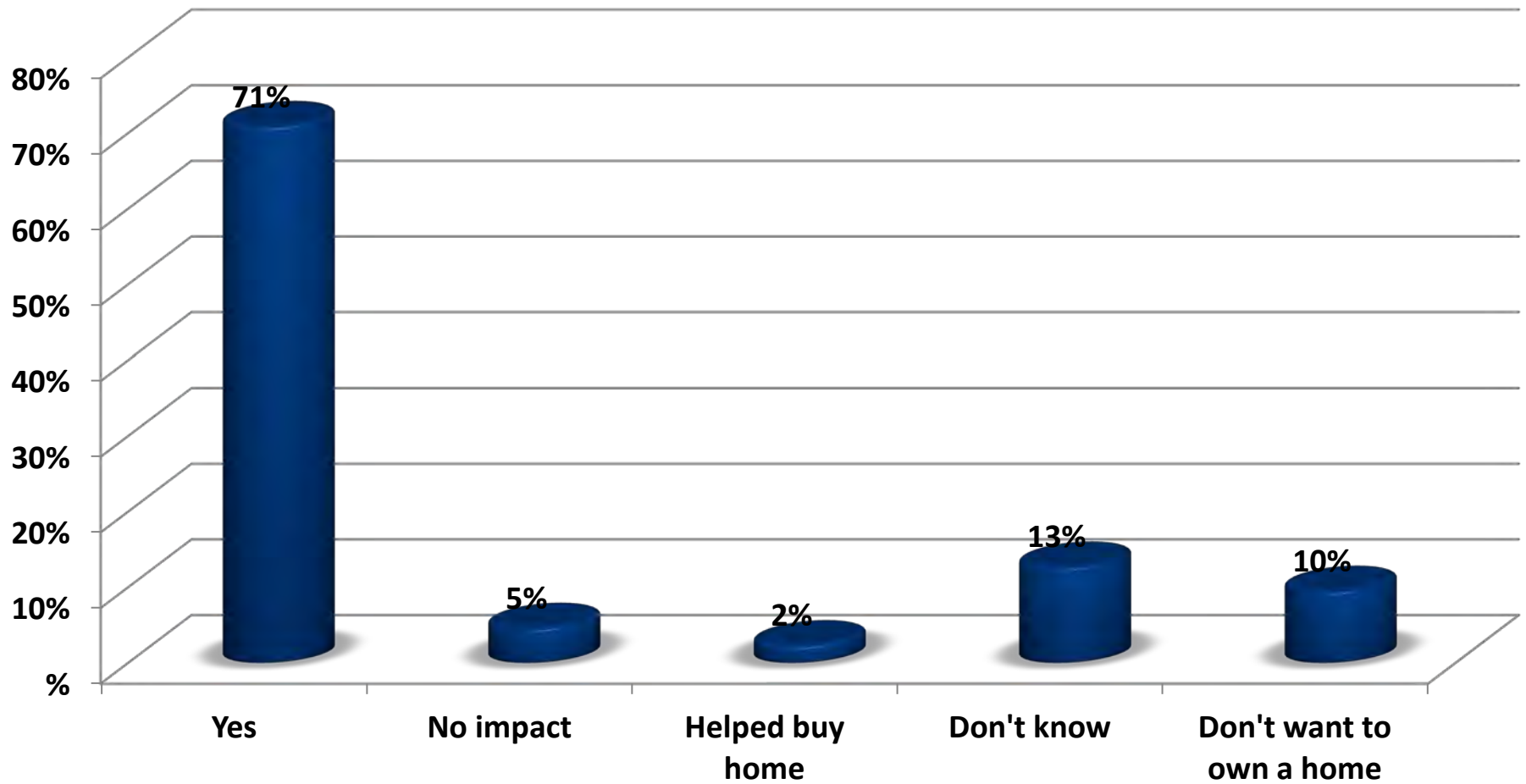
A green rounded rectangular box with a black border and a slight drop shadow. It contains the text '65% think it would be difficult to qualify for a mortgage'. A large, light green arrow points downwards from the bottom right corner of this box to the top right corner of the teal box below it.

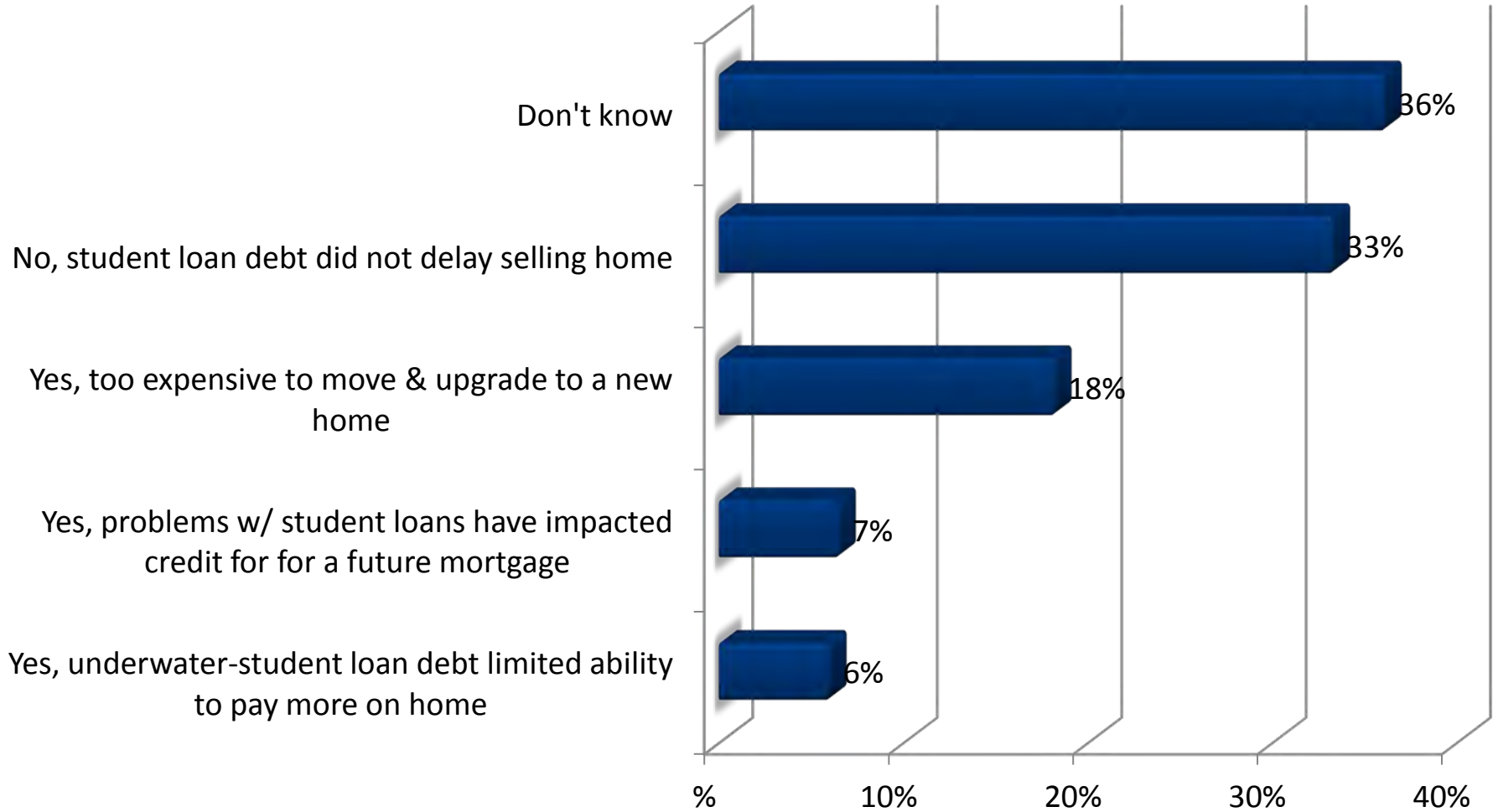
**West region, renters, younger, and under  
\$50,000 household income**

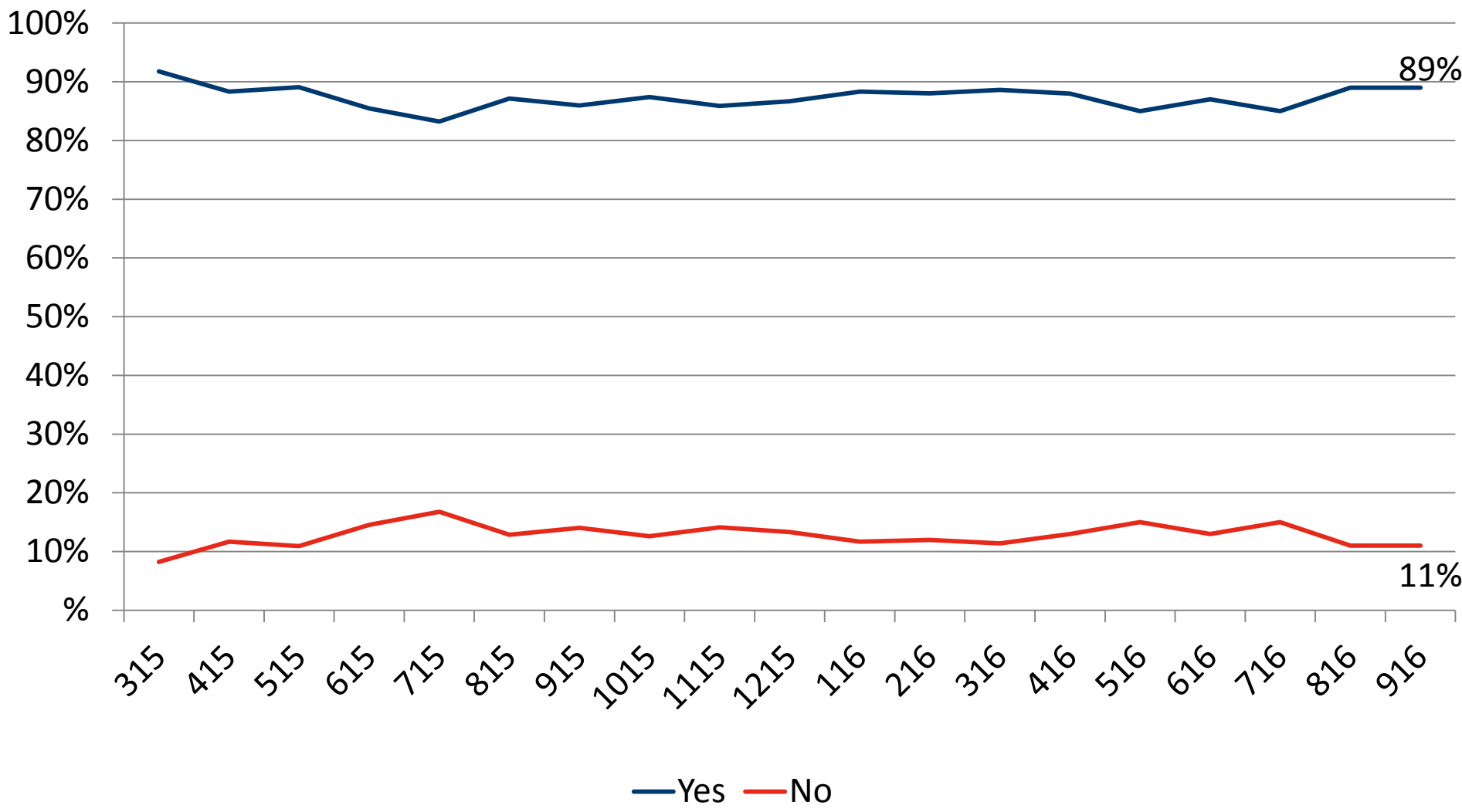
A teal rounded rectangular box with a black border and a slight drop shadow. It contains the text 'West region, renters, younger, and under \$50,000 household income'.

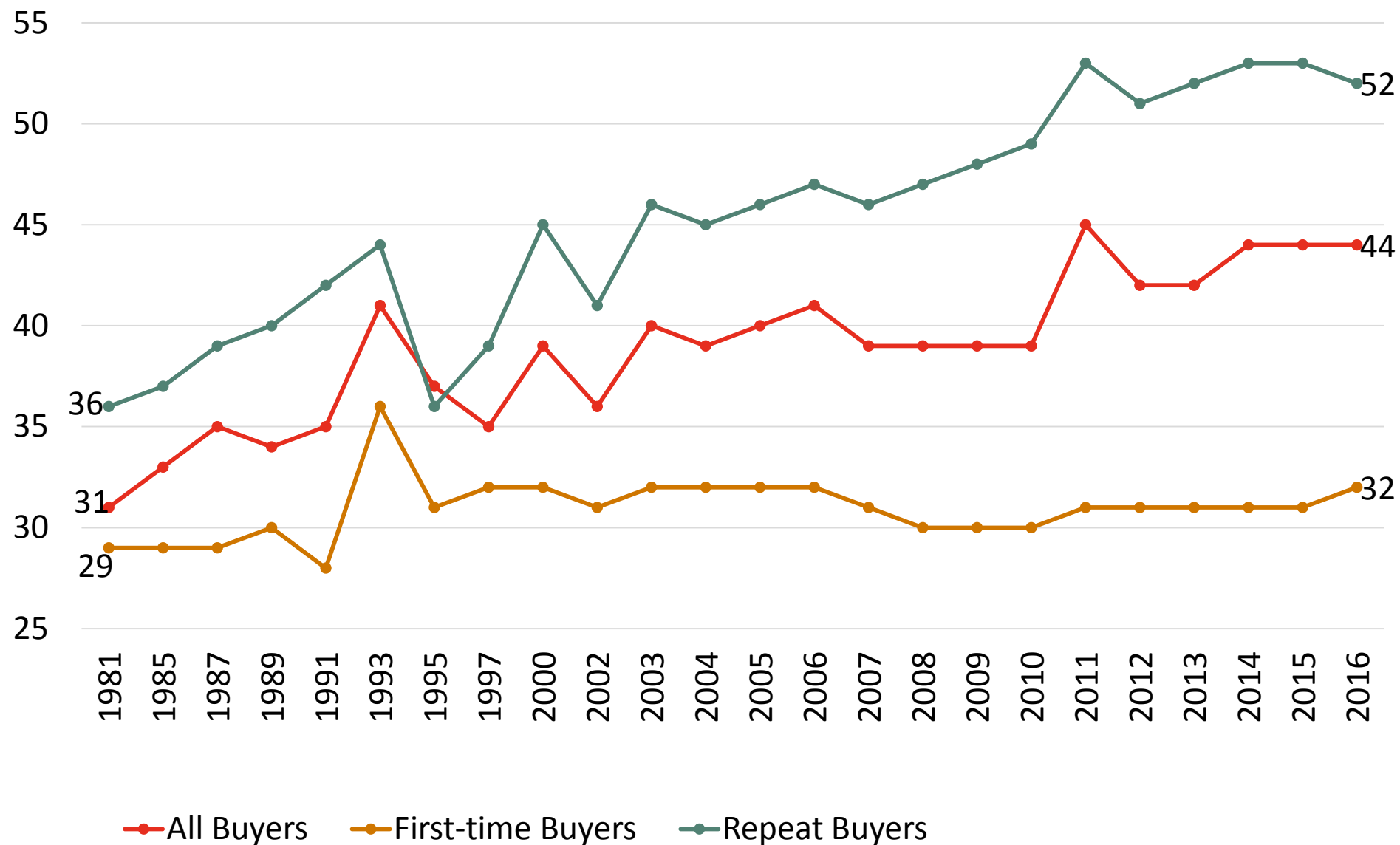


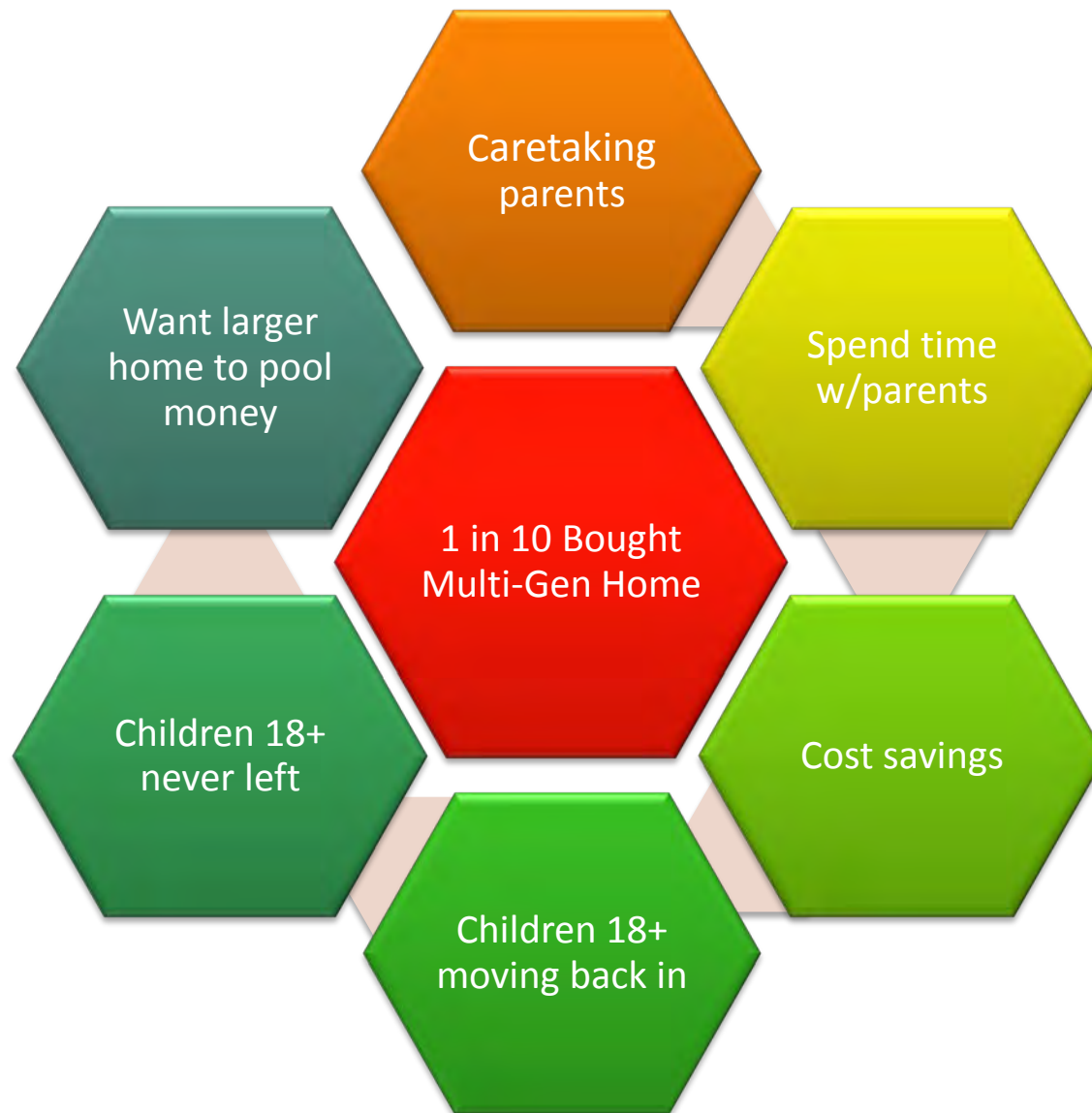




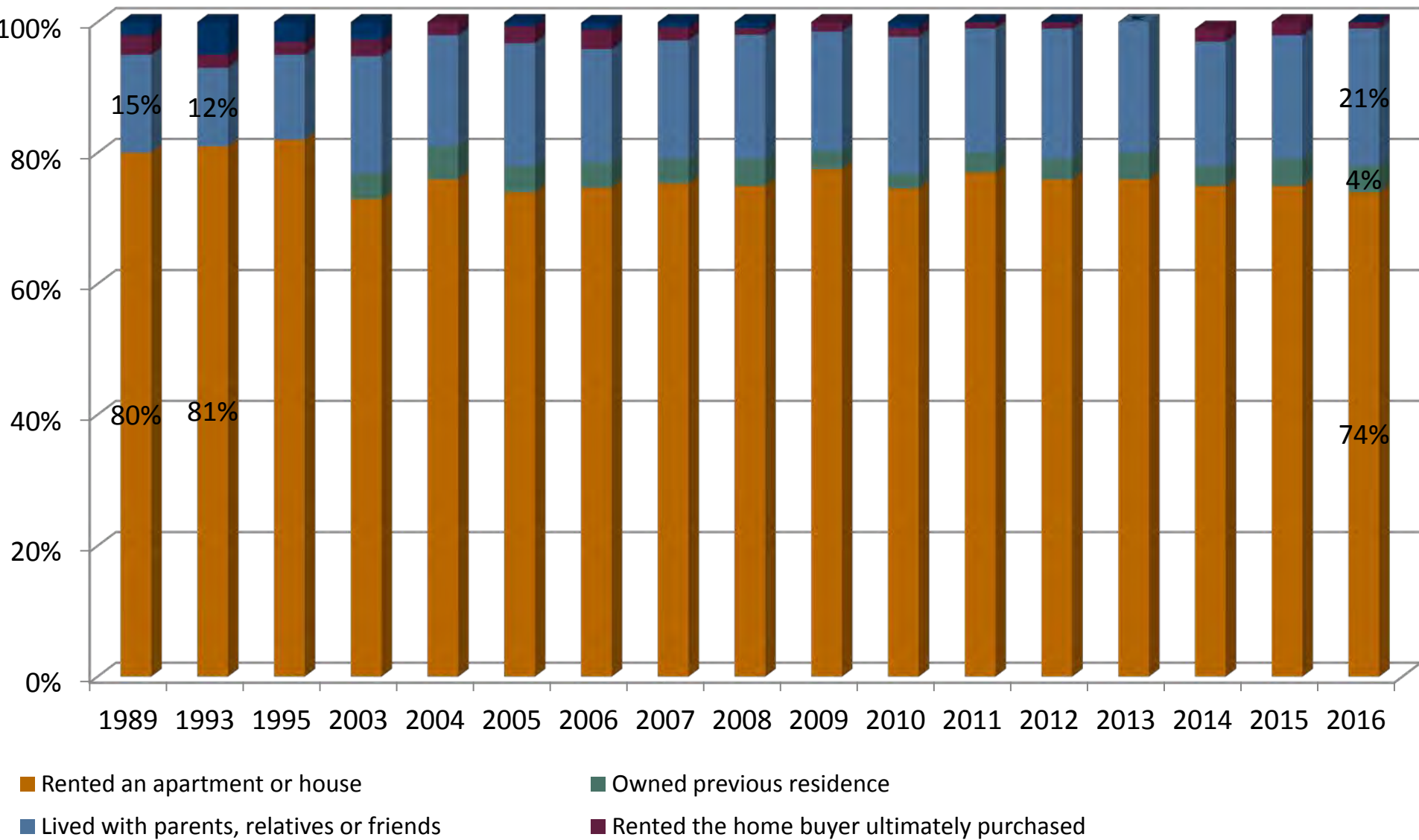


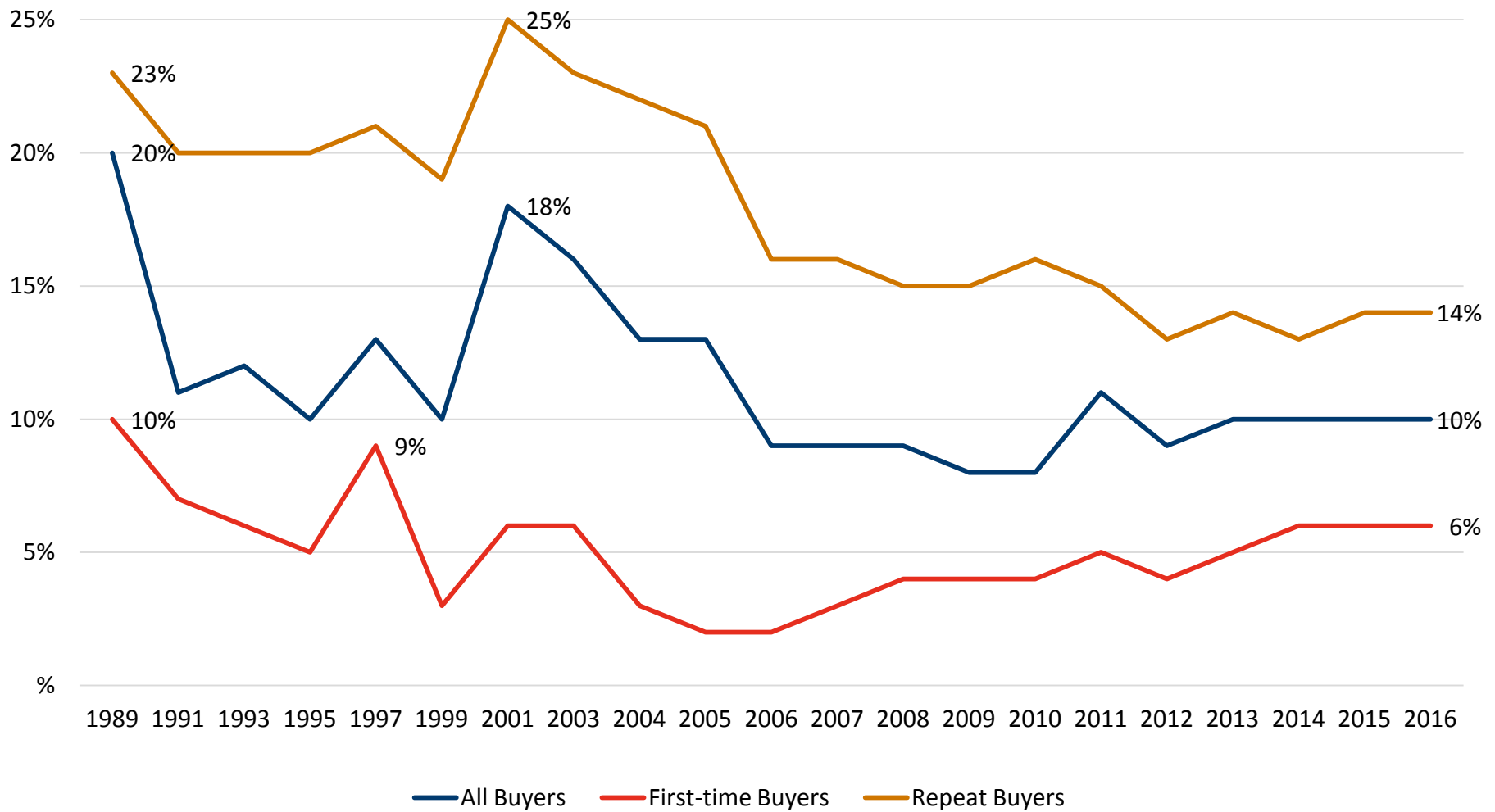


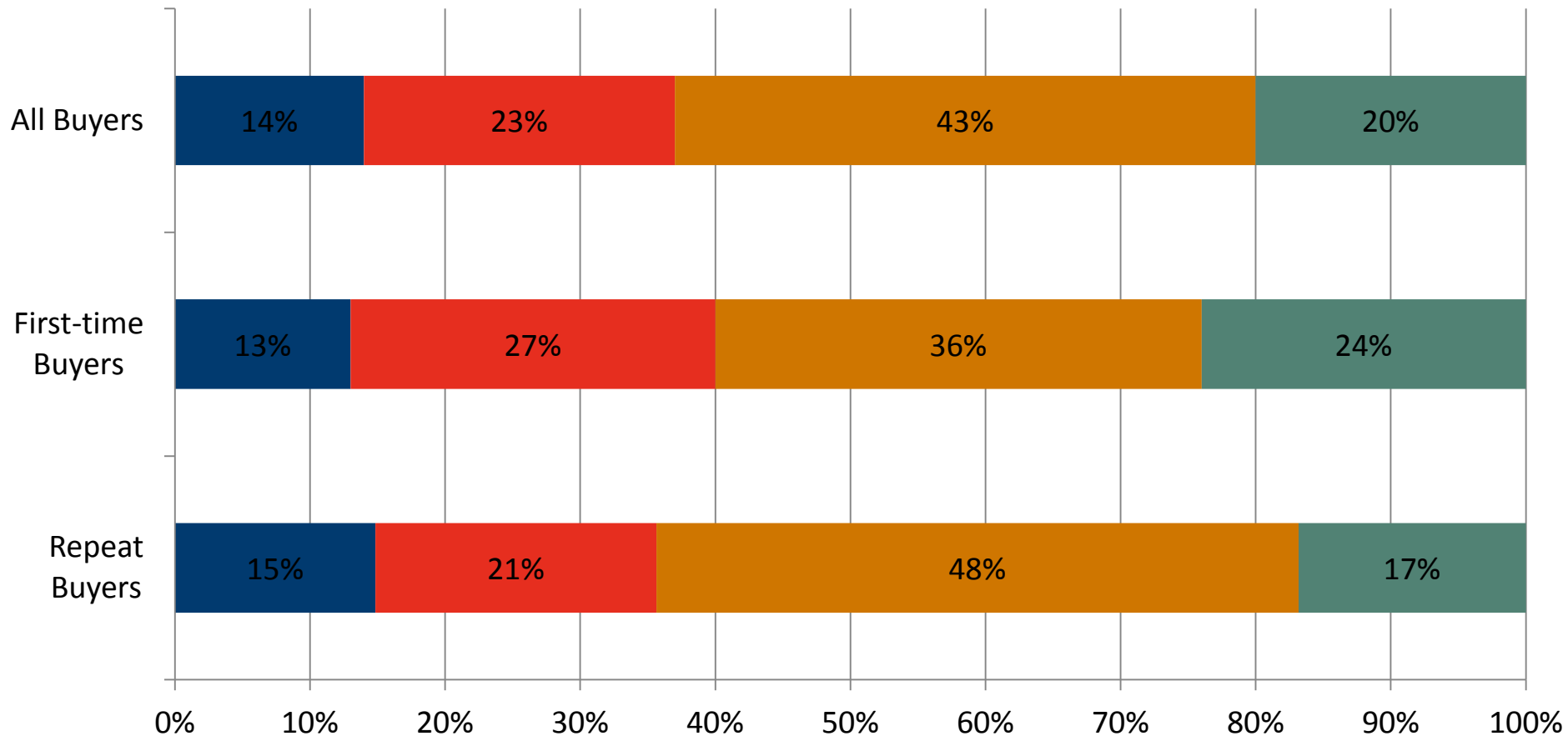




# Prior Living Arrangement of First-time Buyers







■ 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%
<b>Under \$10,000</b>	21%	20%	23%
<b>\$10,000 to \$24,999</b>	26	25	28
<b>\$25,000 to \$49,999</b>	23	25	21
<b>\$50,000 to \$74,999</b>	14	14	13
<b>\$75,000 or more</b>	16	16	16
<i>Median amount of</i>	<b>\$25,000</b>	<b>\$26,000</b>	<b>\$24,200</b>

*Profile of Home Buyers and Sellers*

5% were  
denied

7% of first-time and 4% of repeat

---

Reasons

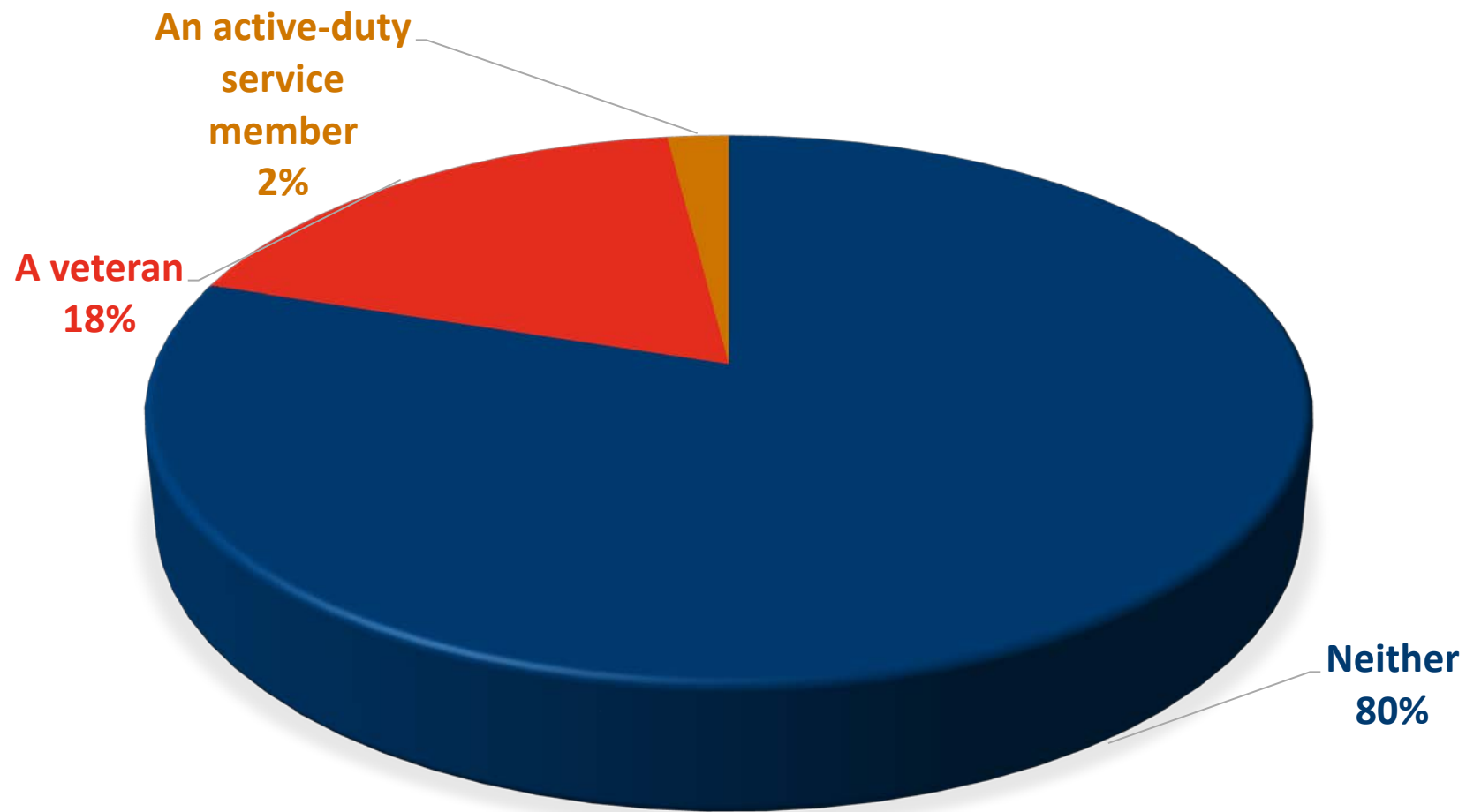
Debt to income ratio, low credit score,  
income cannot be verified

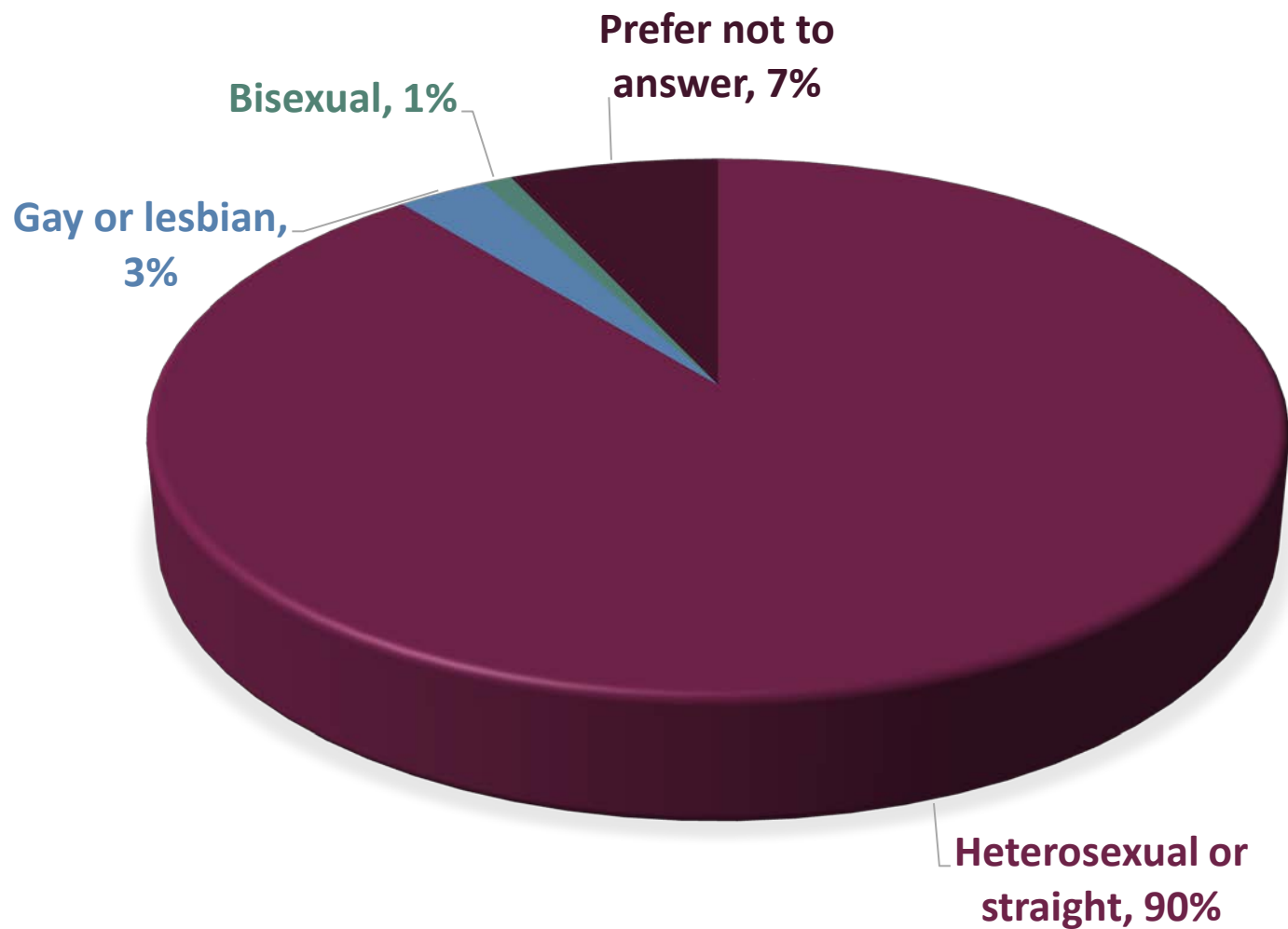
---

Typically  
denied 1  
time

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

---

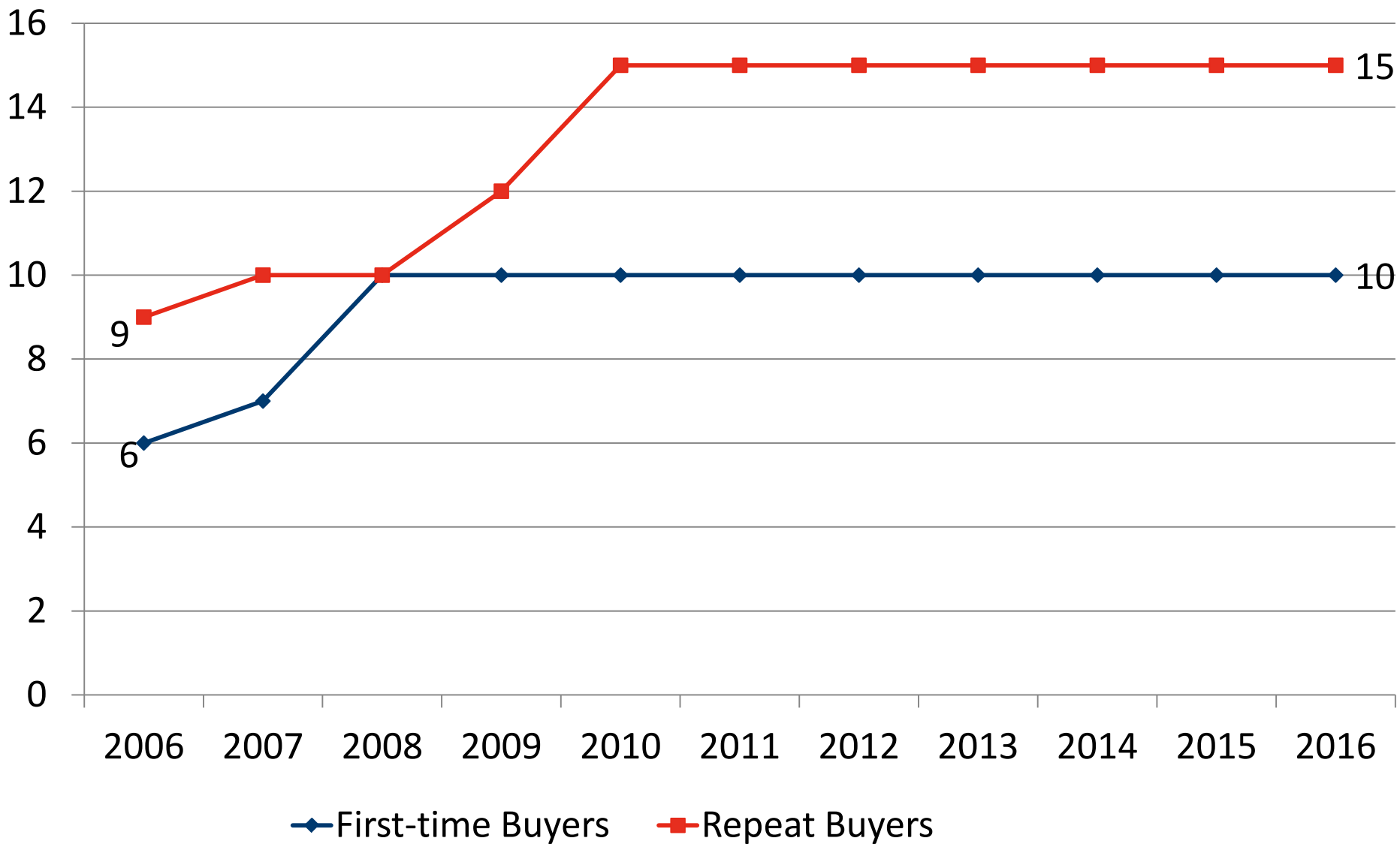


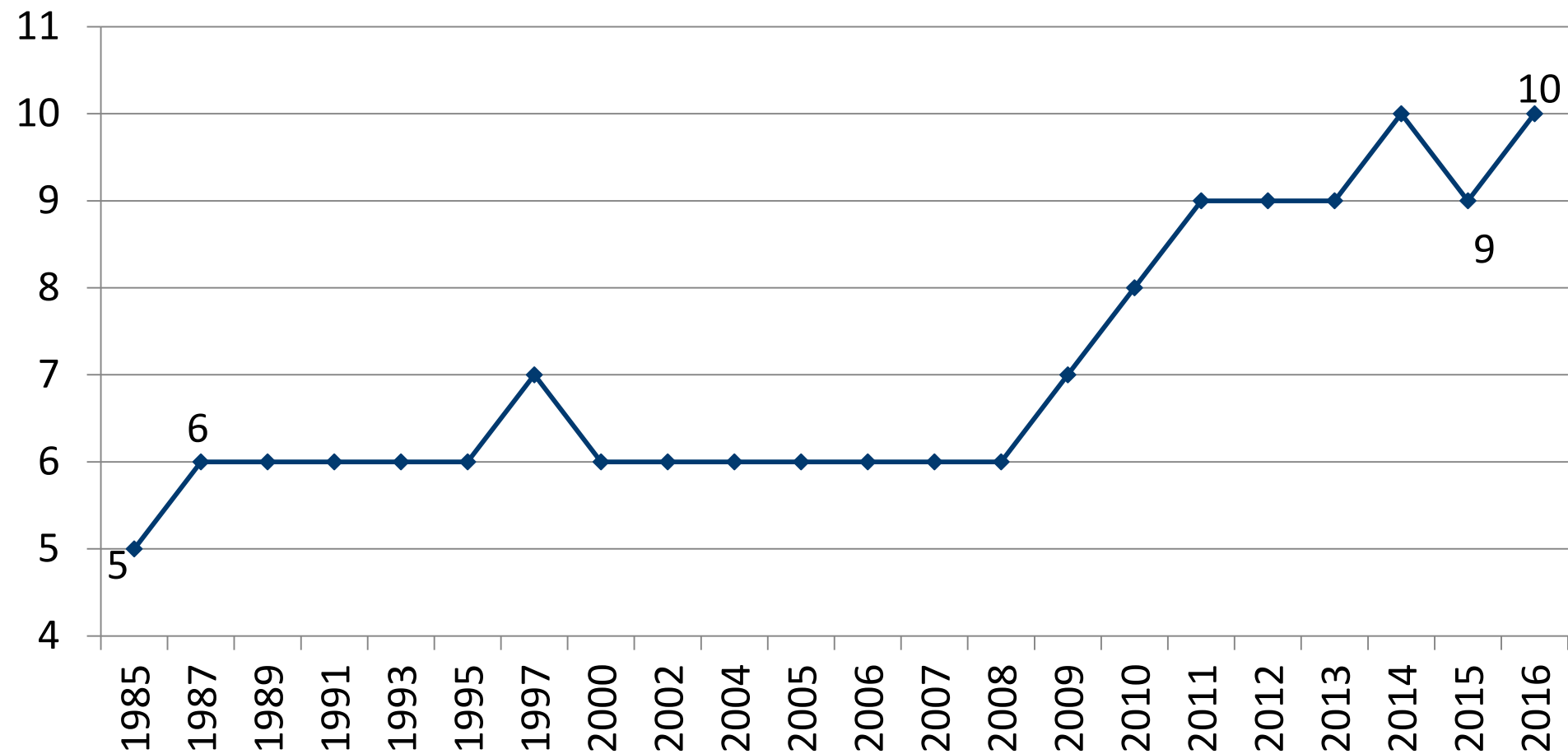


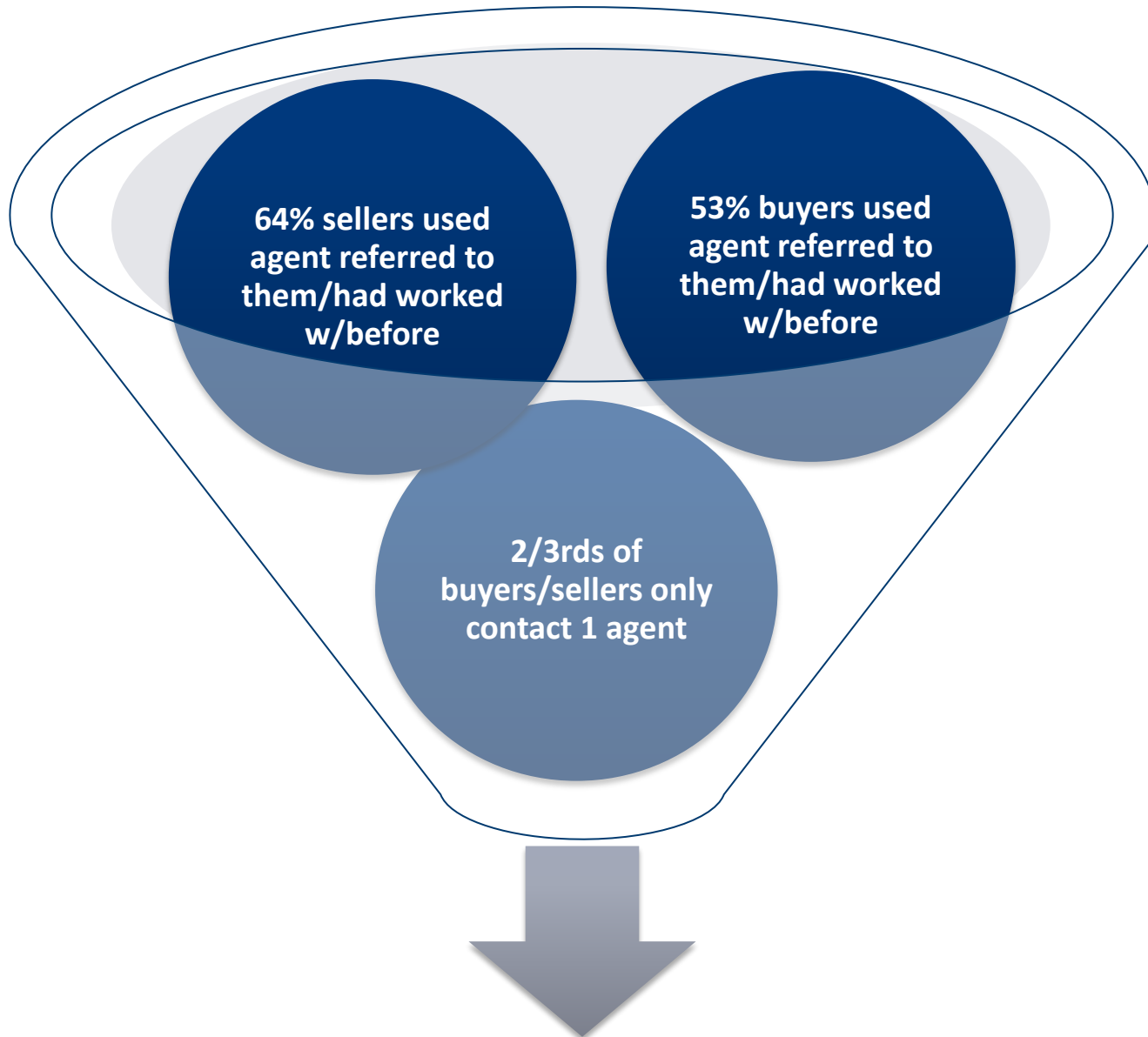
14% of all  
buyers over  
50 years old

Condos &  
small towns  
resort

30% of buyers  
70-90 years  
old



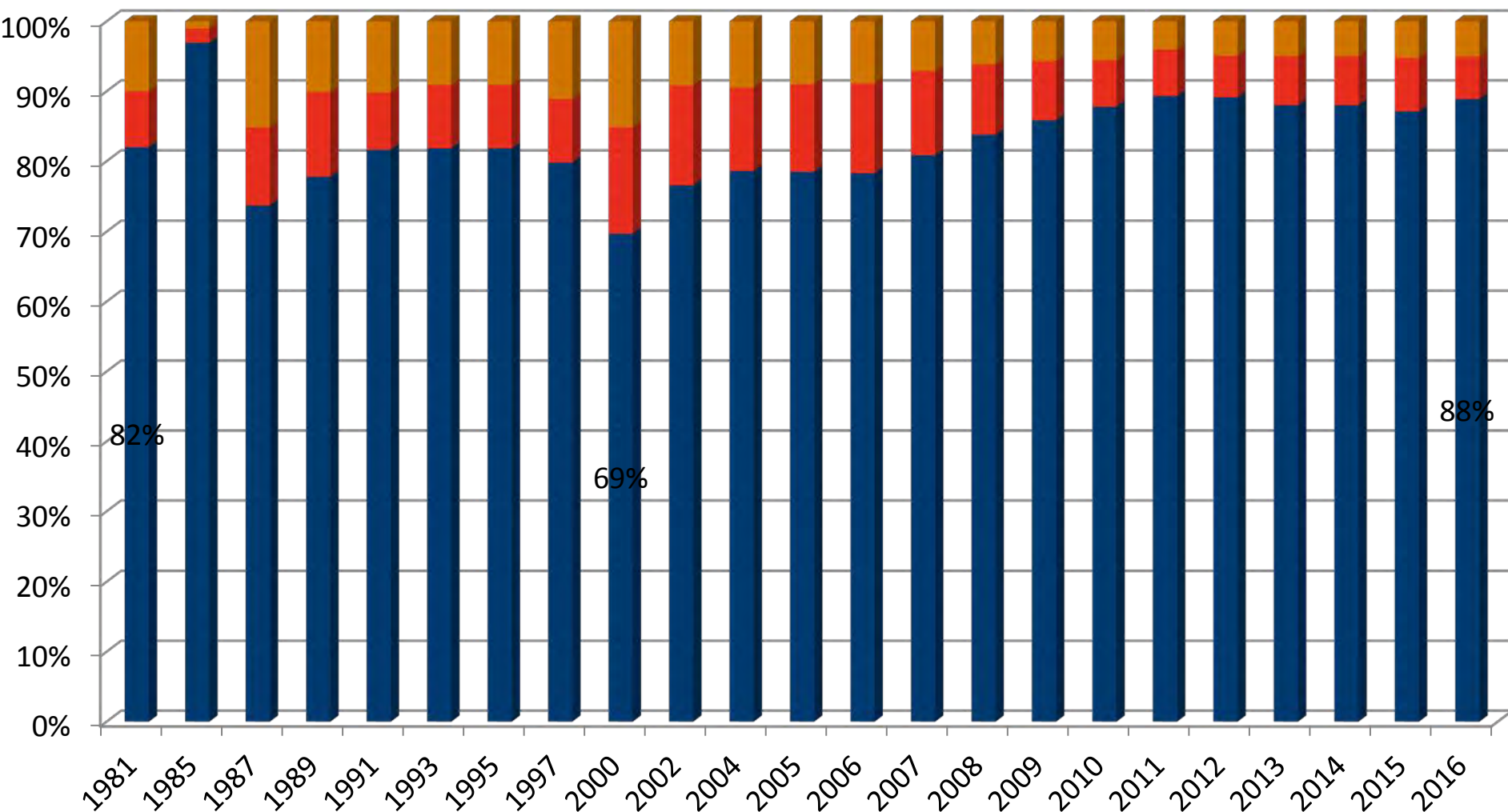




**Among members 40% business is from repeat clients and referrals**



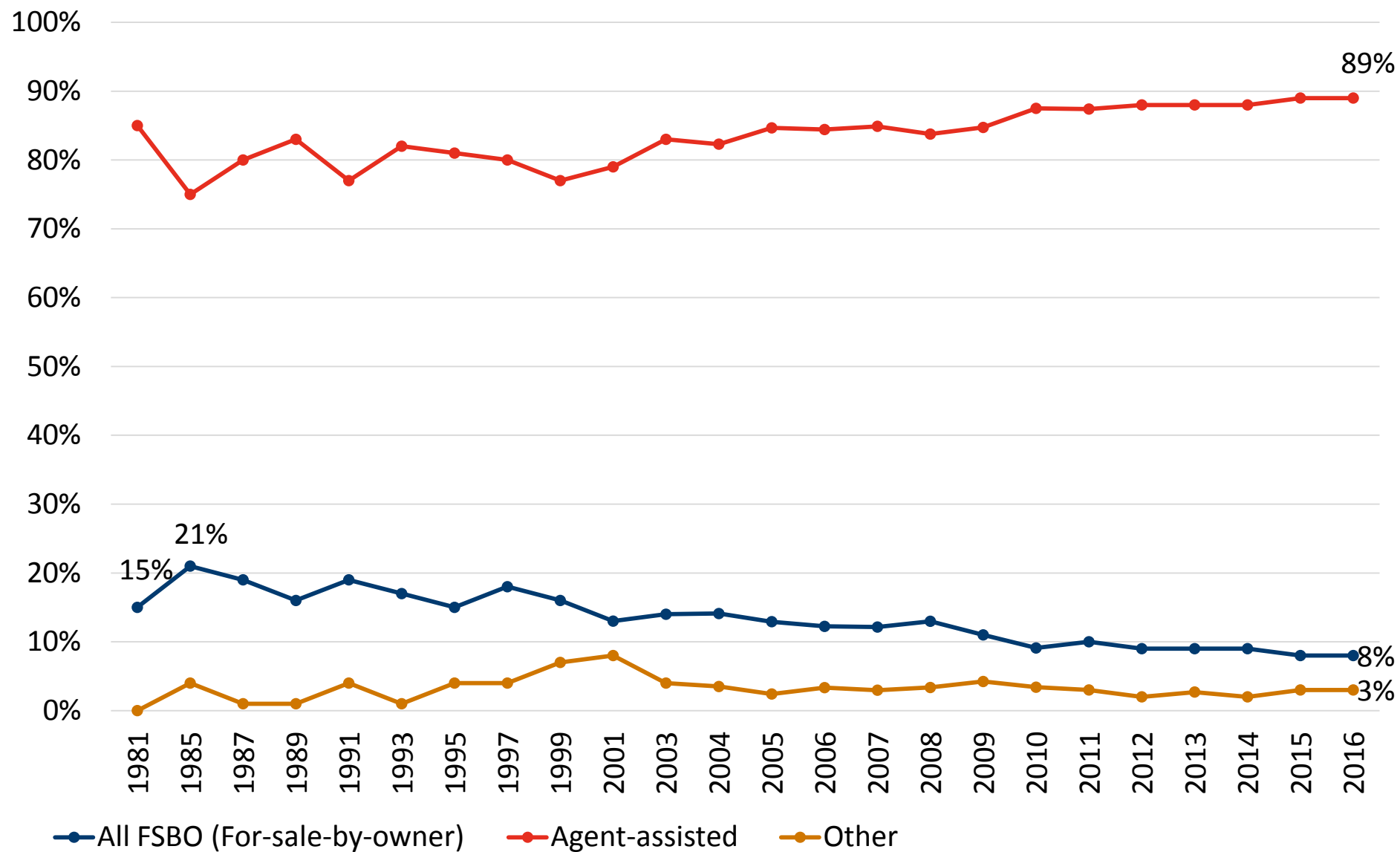




■ Through a real estate agent or broker

■ Directly from builder or builder's agent

■ Directly from the previous owner



# Join NAR Research's Social Media



[facebook.com/narresearchgroup](https://facebook.com/narresearchgroup)



[@NAR\\_Research](https://twitter.com/NAR_Research) and [@JessicaLautz](https://twitter.com/JessicaLautz)

[economistsoutlook.blogs.realtor.org](https://economistsoutlook.blogs.realtor.org)



[pinterest.com/narresearch/](https://pinterest.com/narresearch/)



[instagram.com/narresearch/](https://instagram.com/narresearch/)

