Housing and Economic Outlook

New Hampshire Housing Homeownership Conference
March 8, 2023
Molly Boesel, Principal Economist, Office of the Chief Economist at CoreLogic
Economic and Housing Market Update

• Persistent inflation suggests more Fed tightening
  • Fed likely to push the federal funds rate to 5% or higher; tipping U.S. into recession in Q1 2023
  • Cuts to federal funds rate unlikely until 2024

• Buyer and seller standoff
  • Buyers (and renters) facing worst affordability on record
  • Sellers contending with strong lock-in effect - Inventory challenges remain

• Home price forecast to slow to 1% annual average in 2023, declines in some states

• Over a decade of home price increases boosted home equity
  • HELOC use increases with record home equity
  • Home equity cushions borrowers from default
  • Recession could cause serious delinquencies to increase by 1 percentage point
Fed Allowing Recession to Bring Down Inflation

- Congressional dual mandate:
  - Maximum employment
  - Price stability

- Unemployment rate at new 50-year low
  - Employment continues to outperform expectations
  - Shallow recession means unemployment increase to 5%

- Fed’s “price stability” definition:
  - 2% annual avg. (PCE)
  - Inflation started to moderate

- Fed funds target now 4.5%-4.75%
- Target rate may exceed 5% this year
- Fed rate increases likely to trigger shallow recession in first half of 2023

Source: BLS (unemployment rate), BEA (PCE price index), IHS Global Markit (Jan 2023, unemployment and PCE inflation forecast)
Note: “Full employment” estimate from Federal Reserve Board (March 16, 2022, Median ‘Longer run’ projections of FRB members and Bank presidents) and Congressional Budget Office (July 2021, Noncyclical Rate of Unemployment).
2022 Economic Growth Turns Out Stronger Than Expected

Recession now expected in the first half of 2023 or?

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

Source: BEA NIPA, IHS Markit (forecast)
Mortgage Rates Forecast Uncertain

Increase in 2022 was the largest since 1980s, expected to stay in the high - 5% range

30-year Fixed-Rate Mortgage

Source: Freddie Mac Primary Mortgage Market Survey®, forecast is consensus of five external forecasts (NAHB is high, MBA is low)
Jump in Mortgage Rates and Home Prices Erode Buyer Affordability

November 2022 real P&I payment was 56% higher than a year earlier

Source: CoreLogic MarketTrends, Bureau of Labor Statistics CPI, Freddie Mac PMMS, IHS Markit
Note: Typical mortgage payment is the calculated monthly principal and interest payment on a median-priced home with 20% down payment and 30-year fixed-rate mortgage. CPI All Urban Consumers is used for the inflation adjustment. Forecast for 30-year fixed-rate mortgage is consensus of five external forecasts (5.9% for November 2023) and prices are CoreLogic HPI Forecast (January 3, 2023 release).
Affordability Took a Hit When Mortgage Rates Rose

U.S. affordability lowest in more than 20 years

Reality Check: Can a family earning a median income, afford to buy a median priced home? Not even close in Boston or Cambridge. Just barely in Manchester and Providence.
Largest Age Cohort Enters Peak First-Time Homebuyer Age

Oldest Millennials were 41 years old in 2022

Population in 2022 (Millions)

First-Time Home-Purchase Loan Applications per 1,000 Persons in 2022

Source: U.S. Census Bureau, CoreLogic Application Data
Millennial Home Purchases Jumped in 2020
And Gen Z started buying, too

Home-Purchase Loan Applications by Cohort Share (percent)

Source: CoreLogic home-purchase loan applications
Inventory Challenge: Higher Mortgage Rate Disincentivize New Listings

At over 6% current mortgage rate, 99% of mortgage debt outstanding has locked in lower mortgage rate.

Mortgage Rate of Outstanding Mortgages As of December 2022

- Up to 3%: 43%
- 3% to 4%: 38%
- 4% to 5%: 14%
- 5% to 6%: 4%
- More than 6%: 1%

New Listings (weekly)

Source: CoreLogic MLS, February 13, 2023; CoreLogic TrueStanding Servicing as of December 2022
FTHB Application Share Increased As Current Owners Locked-in
Share in 2022 was worst since pandemic began.

Home-Purchase Loan Applications by First-Time Home Buyers (percent)

- January 2019: 33%
- January 2020: 36%
- January 2021: 40%
- January 2022: 37%
- January 2023: 38%

Source: CoreLogic Fraud Consortium Loan Application data
Home Buying Demand Collapses; Lowest Sales in a Decade

U.S. home sales recovery begins in 2024 and extends into 2025

Source: CoreLogic MarketTrends, Total Sales, MBA Mortgage Finance Forecast change rate (2023-2025; February 22, 2023)
... Similar Slow Down in New Hampshire

2022 total home sales are about 17% lower than 2021; lowest since 2014

New Hampshire Home Sales

Source: CoreLogic MarketTrends, Total Sales, New Hampshire
Competition Returns to Pre-Pandemic Trends

National Trends Revert but Months of Supply remains tight

Source: CoreLogic MLS PIN (all series are from same 68 CBSAs, data through January 9, 2023)
Consumer Standoff: Bad Time to Buy and Bad Time to Sell

Bad time to Buy: Prices are High
Bad time to Buy: Interest Rates High
Bad time to Buy: Can't Afford

Bad time to Sell: Prices are Low
Bad time to Sell: Interest Rates High
Bad time to Sell: Can't Afford

Source: University of Michigan
Home Price Growth to Continue to Slow

Expected peak to trough decline of ~4% nationally; 2023 Average +1.0%

Source: CoreLogic Home Price Index (March 7, 2023)
New Hampshire Price Growth Will Moderate to +4%

Average 2023 Home Price change for Manchester= 3.7%, Concord NH= 2.4%

Source: CoreLogic Home Price Index (March 7, 2023); New Hampshire
Home Prices Down 3.3% From Spring Peak, Still 34% Up from March 2020

All metros have seen some price decline since 2022 peak, and 33 are down year-over-year.

<table>
<thead>
<tr>
<th>Metros with largest cumulative declines since peak</th>
<th>Current to Peak 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Rafael CA</td>
<td>-16.9%</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>-14.5%</td>
</tr>
<tr>
<td>Oakland, CA</td>
<td>-14.0%</td>
</tr>
<tr>
<td>San Jose, CA</td>
<td>-14.0%</td>
</tr>
<tr>
<td>Boise City ID</td>
<td>-13.4%</td>
</tr>
<tr>
<td>Pocatello ID</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Coeur d'Alene ID</td>
<td>-13.1%</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>-13.0%</td>
</tr>
<tr>
<td>Austin, TX</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Carson City NV</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Reno NV</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Santa Cruz, CA</td>
<td>-11.0%</td>
</tr>
<tr>
<td>Stockton, CA</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Boulder CO</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Billings MT</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Napa CA</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Lewiston ID, WA</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Chico CA</td>
<td>-9.0%</td>
</tr>
<tr>
<td>Grants Pass OR</td>
<td>-8.8%</td>
</tr>
</tbody>
</table>

Source: CoreLogic Home Price Index (March 7, 2023)
Drops from 2022 Peak Vary Widely in New England

….But the worst NE declines are comparatively mild

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<th>Metros with largest cumulative declines since peak:</th>
<th>Current to Peak 2022</th>
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</thead>
<tbody>
<tr>
<td>Cambridge-Newton-Framingham MA</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Barnstable Town MA</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Bridgeport-Stamford-Norwalk CT</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Boston MA</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Lewiston-Auburn ME</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Providence-Warwick RI-MA</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Pittsfield MA</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Rockingham County-Strafford County NH</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Worcester MA-CT</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Norwich-New London CT</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Hartford-West Hartford-East Hartford CT</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Manchester-Nashua NH</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Burlington-South Burlington VT</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Springfield MA</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Portland-South Portland ME</td>
<td>-0.2%</td>
</tr>
<tr>
<td>New Haven-Milford CT</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: CoreLogic Home Price Index (March 7, 2023)
### Top 10 states with largest peak to trough declines

<table>
<thead>
<tr>
<th>State</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Nevada</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Arizona</td>
<td>-8.7%</td>
</tr>
<tr>
<td>Montana</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>-7.9%</td>
</tr>
<tr>
<td>California</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Oregon</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Oregon</td>
<td>-6.8%</td>
</tr>
</tbody>
</table>

Source: CoreLogic Home Price Index (March 7, 2023)
But, Home Equity Offers Financial Buffer for Homeowners

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

Source: CoreLogic Q4 2022 Homeowner Equity Report
Total Home Equity and Gains Vary By State

Average Borrower has nearly $300K in home equity

Source: CoreLogic Home Equity Report for 2022Q3

### Average Equity Per Borrower
#### New England Metros (Q4 2022)

- **Barnstable Town, MA**: $475,868
- **Cambridge-Newton-Framingham, MA**: $446,002
- **Bridgeport-Stamford-Norwalk, CT**: $441,006
- **Boston, MA**: $407,967
- **Rockingham County-Strafford County, NH**: $294,444
- **Pittsfield, MA**: $261,034
- **Manchester-Nashua, NH**: $248,185
- **Torrington, CT**: $240,396
- **Worcester, MA-CT**: $236,464
- **Claremont-Lebanon, NH-VT**: $228,795
- **Greenfield Town, MA**: $228,330
- **Concord, NH**: $224,396
- **New Haven-Milford, CT**: $207,359
- **Norwich-New London, CT**: $206,783
- **Springfield, MA**: $190,769
HELOC Activity Grew to the Highest Level Since 2007

Home Equity Funds Home Improvements and Repairs

HELOCs Authorized (billions of $): During Q1 to Q3

Homeowner Improvements and Repairs (billions of $)


Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. 2022 Dollars in Billions, 4-quarter moving total.
Serious Delinquencies Back to Pre-COVID Level

90+ Past Due Rate Near Lowest Levels Ever in Both Manchester and Boston

Source: CoreLogic TrueStandings Servicing; serious delinquency is at least 90 days delinquent or in foreclosure proceedings
Share of Borrowers Six Months Past Due Decreasing

About 232,000 U.S. borrowers still in forbearance programs and declining

Source: CoreLogic TrueStandings Servicing; Six months or more past due
Increase In Unemployment Could Drive Mortgage Defaults

Serious delinquencies peak at 2.3% in 2024, up from 1.2% now, but more than 3x lower than peak at 7.5% in 2010

Source: CoreLogic TrueStandings Servicing; serious delinquency is at least 90 days delinquent or in foreclosure proceedings
Single - Family Investor Share Remains Elevated

Total monthly purchases average 100K in 2022. Low share of flips implies many investors are landlords.

Investor Share/Purchases of Single-Family Homes

Source: CoreLogic public records. ‘Flip’ is calculated as an Investor that sells home within 6 months.
Investors Shifted Locations Over the Boom

Highest 10 Investor Shares by Metro, Q4 2022 and Q4 2020

Source: CoreLogic public records.

COVID Boom Towns dropped out, California came back; Some markets are mainly small and medium investors.
Single-Family Rent Growth Decelerated For 8th Consecutive Month

Rent growth in November was 6.4%, weakest since April 2021, down from peak of 13.8%.

Change from Feb. 2020:
SFRI: 24%
Low price: 25%
High price: 22%

Source: CoreLogic Single-Family Rent Index (February 21, 2023)
Even With Deceleration Rent Growth Still Above Trend

Down from 2022 Peak, but 2 -- 3 times pre-pandemic growth rate

Single-Family Rent Growth by Local-Area Price Tier (annual percent change)

Source: CoreLogic Single-Family Rent Index (February 21, 2023); price tier based on median rent price
Rent Growth in Some Metros Accelerated from 2021

Miami Had the Largest Deceleration from 2021; DC the Largest Acceleration

CoreLogic Single-Family Rent Index Growth (12-month percent change)

Note: Label shows first city in MSA or Metropolitan Division name; New York excludes Manhattan borough.
Source: CoreLogic Single-Family Rent Index (February 21, 2023).
Boston Single-Family Rent Growth Bounced Back From Year-Long Decline

Boston: 9.0%, Rockingham-Stratford: 8.9%, Manchester: 6.8%

Source: CoreLogic Single-Family Rent Index (February 21, 2023)
Final Thoughts

- Homeowners are well positioned to weather a shallow recession.
- Buyers face worst affordability in more than 40 years.
- Pre-COVID challenges persist with constrained-for-sale inventory.
- Home price increases to slow to 1% in 2023 in U.S., many states see decreases, New England to see increases.
- Rent increases slowed in U.S. in late 2022, but New England metros saw more gains.
Where to find more information

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

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