

Housing and Economic Outlook

New Hampshire Housing Homeownership Conference

March 8, 2023

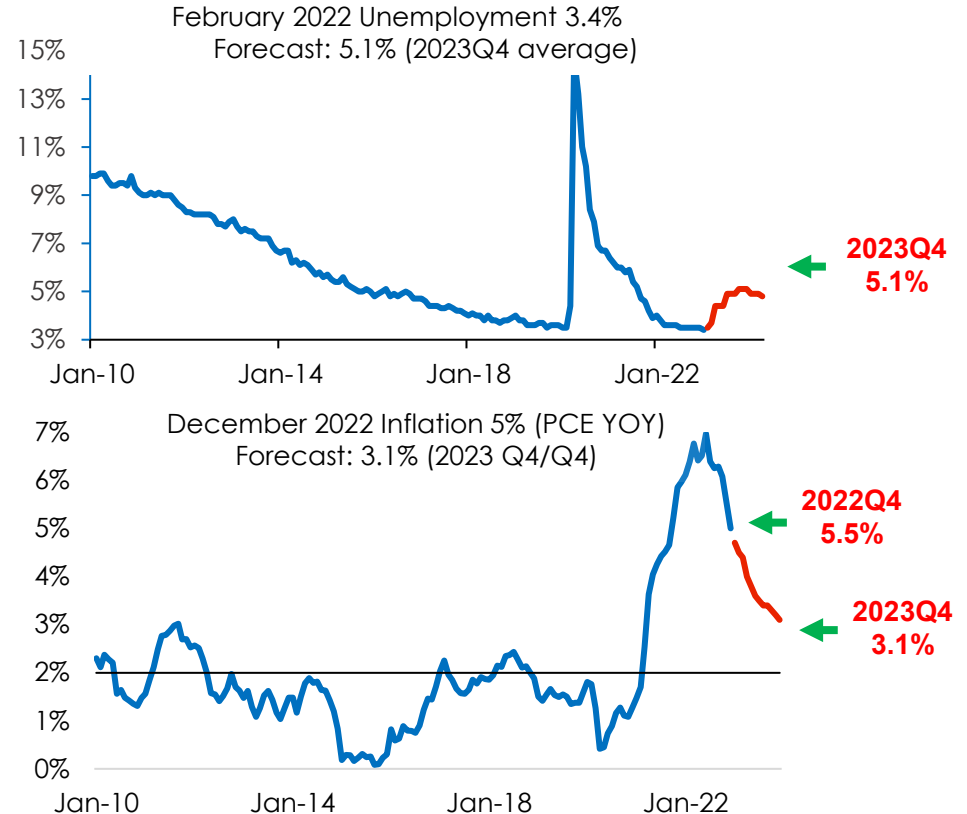
Molly Boesel, Principal Economist, Office of the Chief Economist at CoreLogic

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 lockin 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



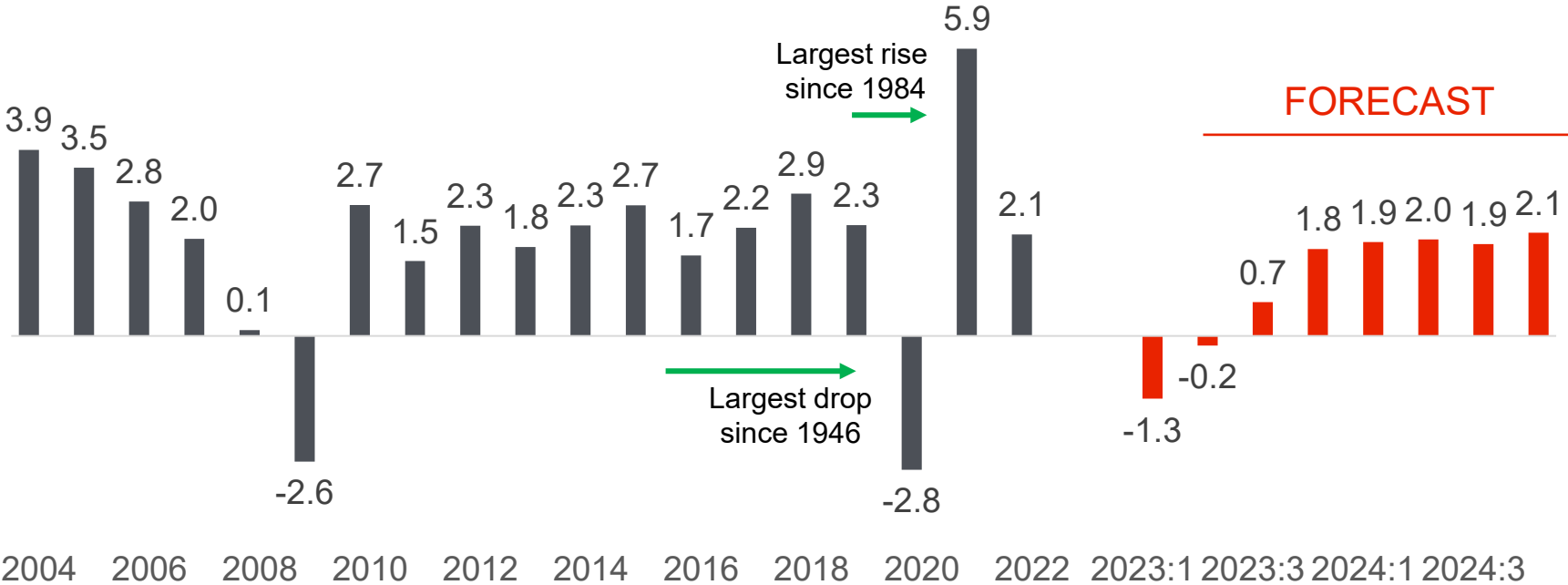
Source: BLS (unemployment rate), BEA (PCE price index), IHS Global Markit (Jan 2023, unemployment and PCE inflation forecast)

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)



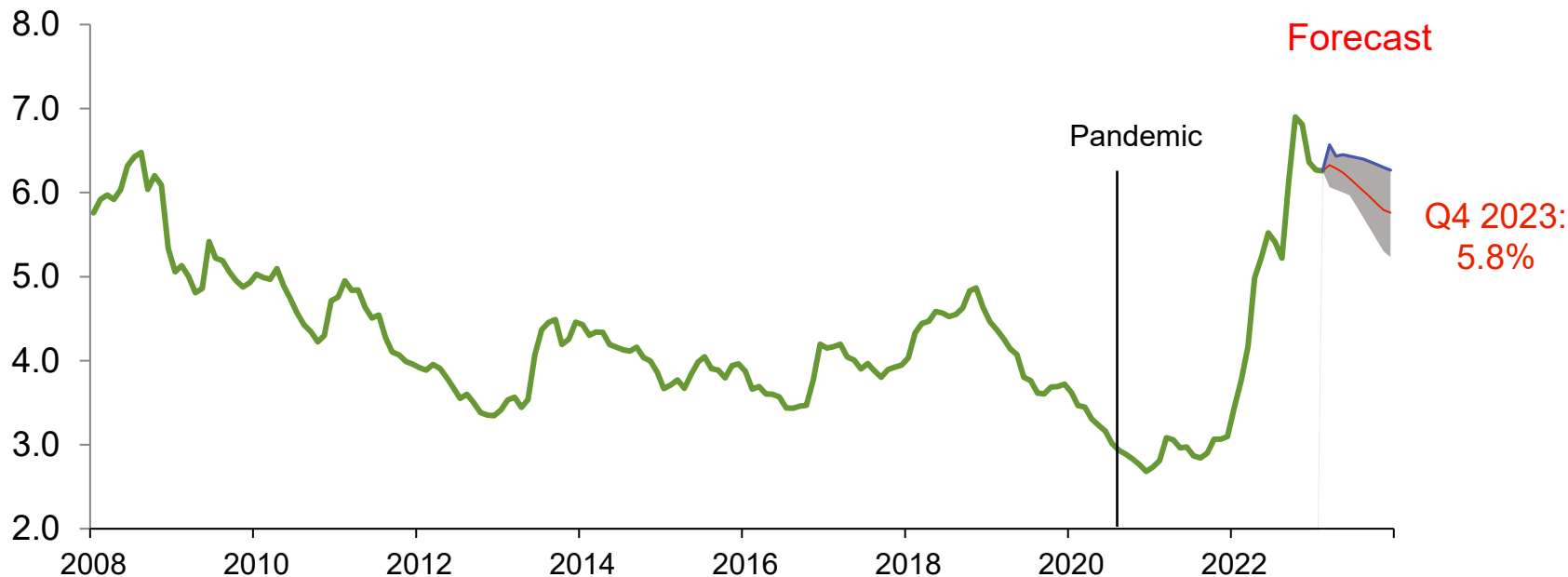
Source: BEA NIPA, IHS Markit (forecast)

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

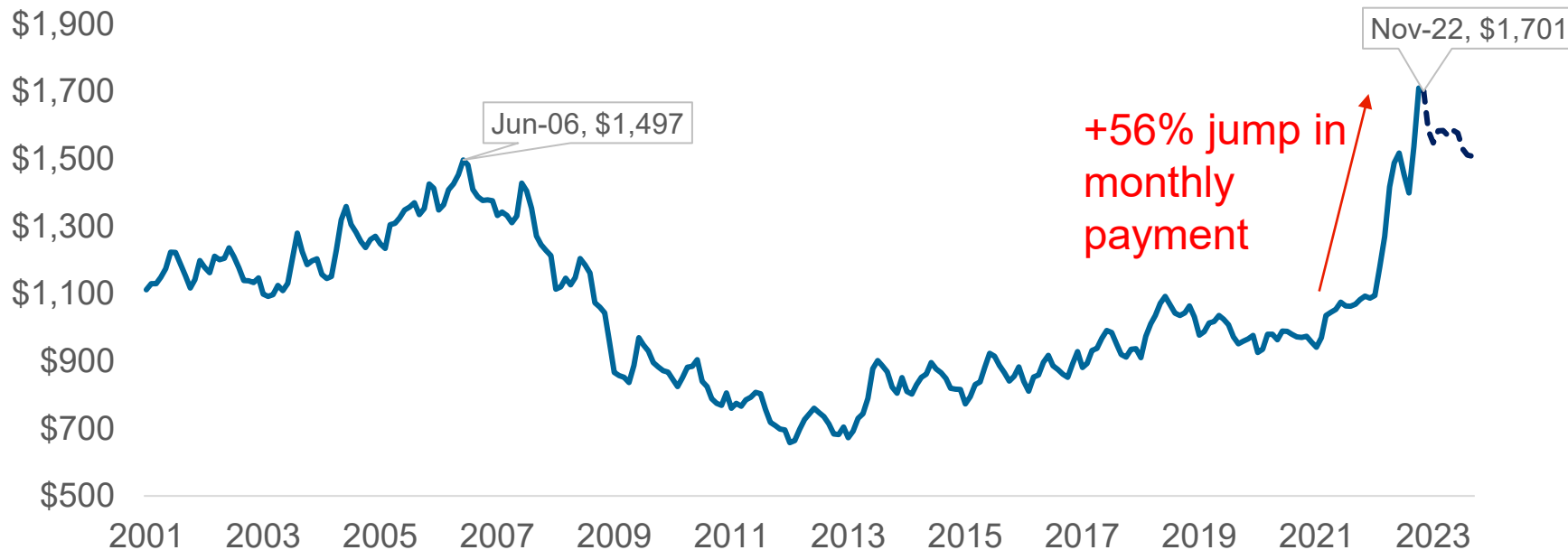


Source: Freddie Mac Primary Mortgage Market Survey®, forecast is consensus of five external forecasts (NAHB is high, MBA is low)

Jump in Mortgage Rates and Home Prices Erode Buyer Affordability

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

Inflation-Adjusted Typical Mortgage Payment

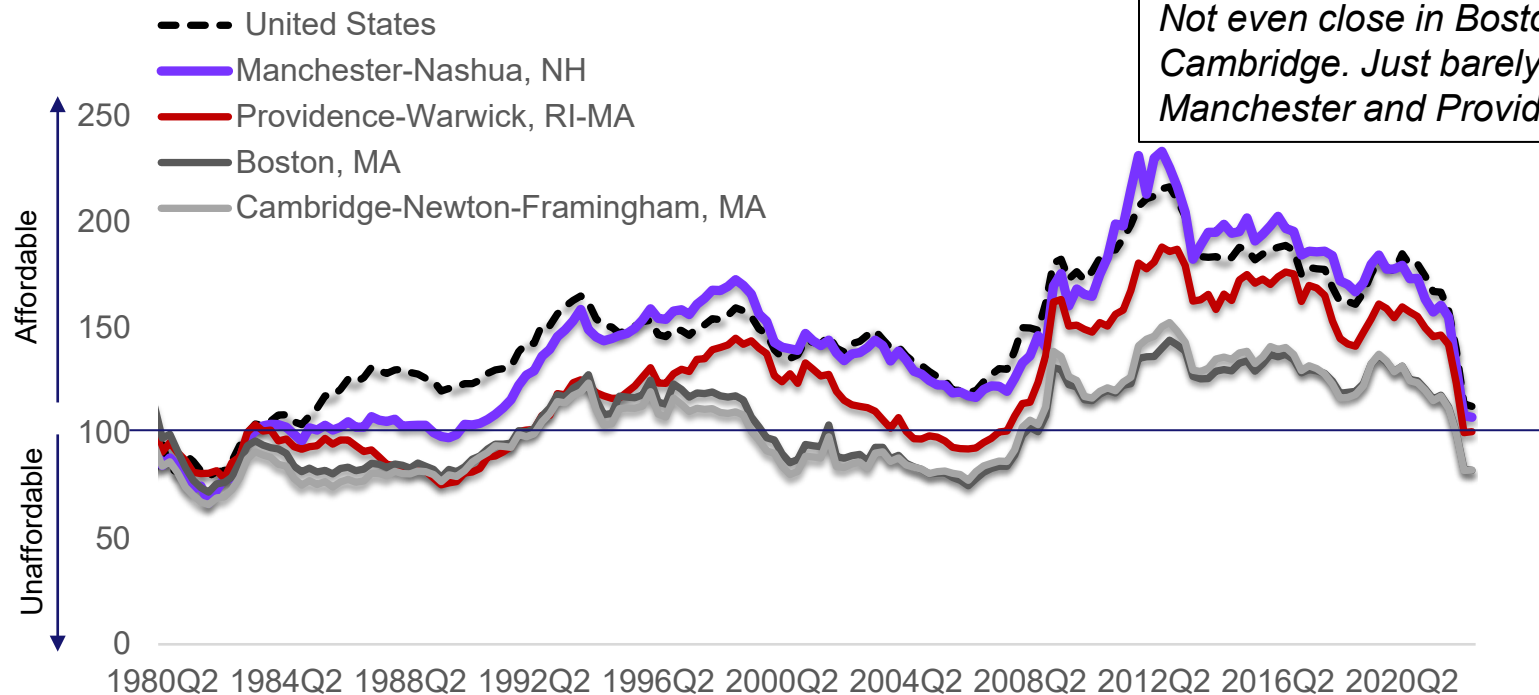


Source: CoreLogic MarketTrends, Bureau of Labor Statistics CPI, Freddie Mac PMMS, IHS Markit

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

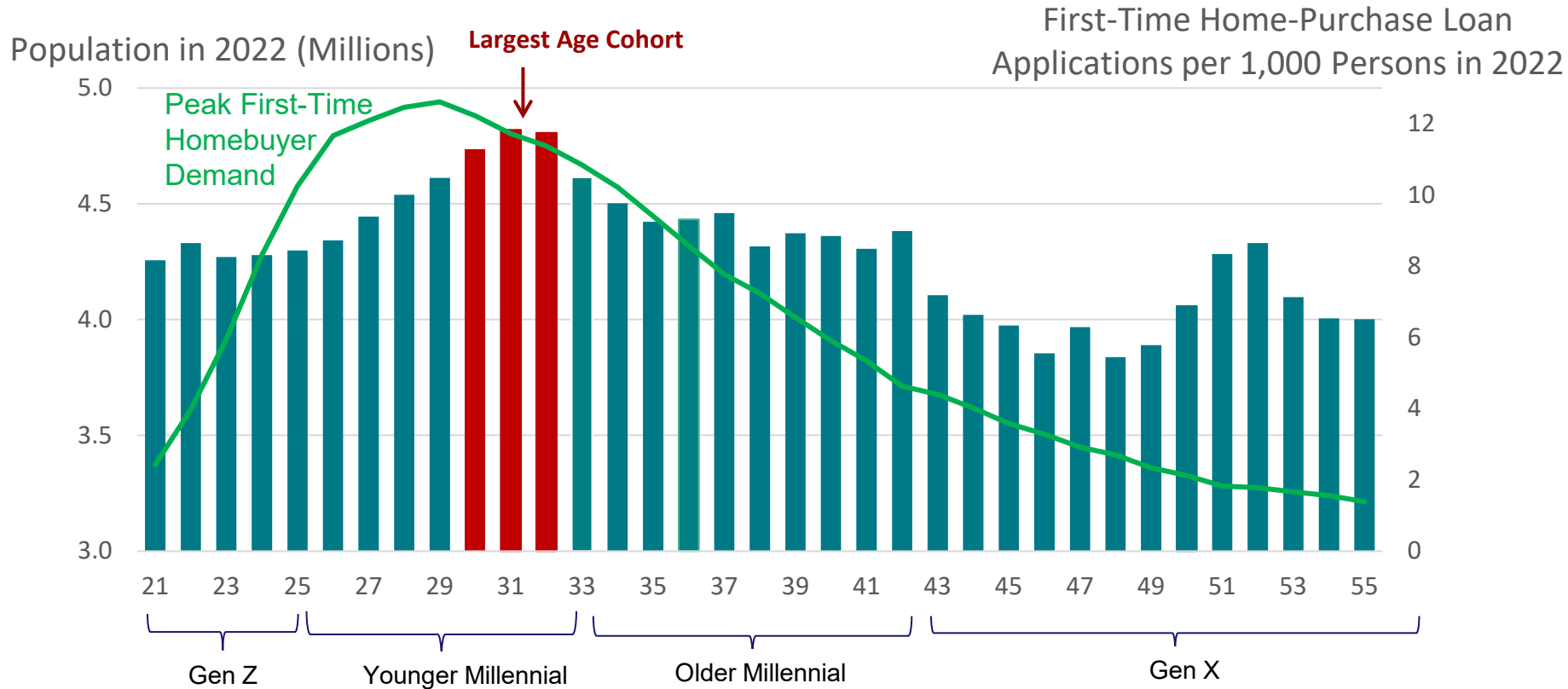
U.S. affordability lowest in more than 20 years



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

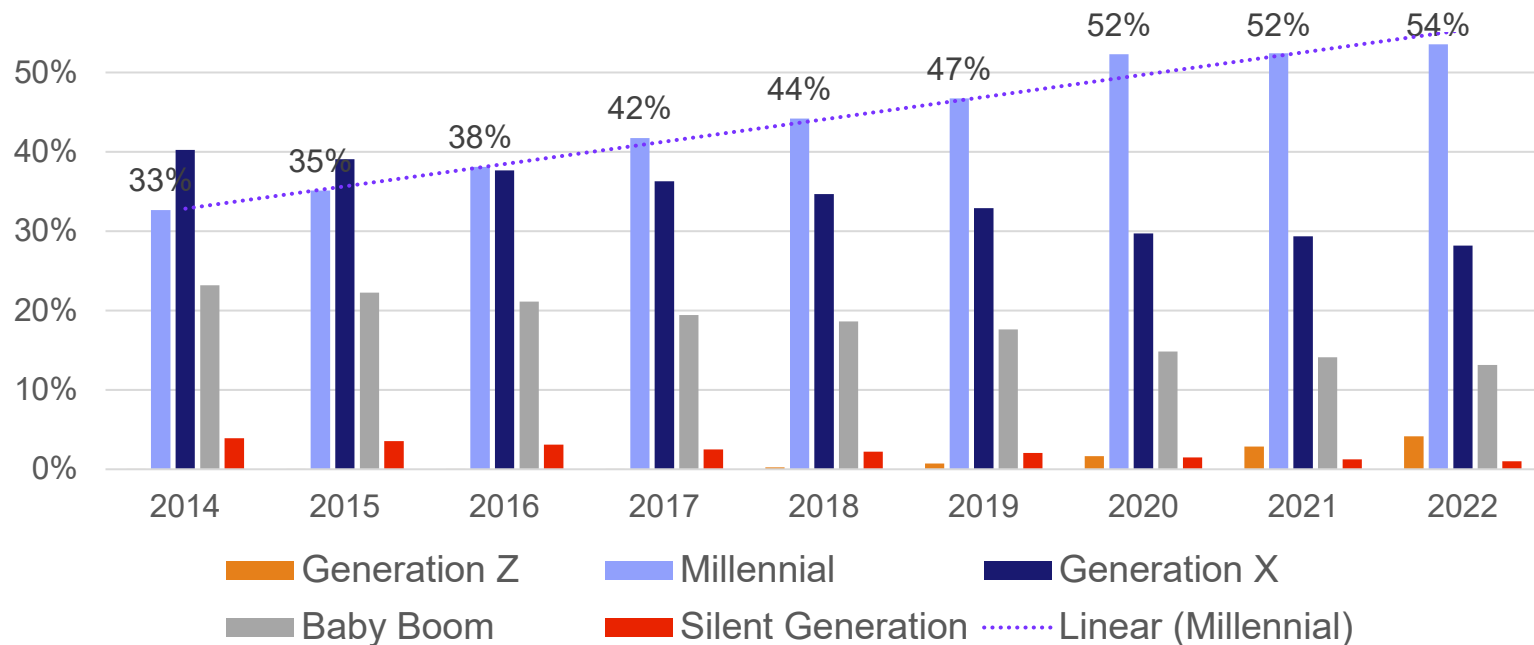
Oldest Millennials were 41 years old in 2022



Millennial Home Purchases Jumped in 2020

And Gen Z started buying, too

Home-Purchase Loan Applications by Cohort Share (percent)

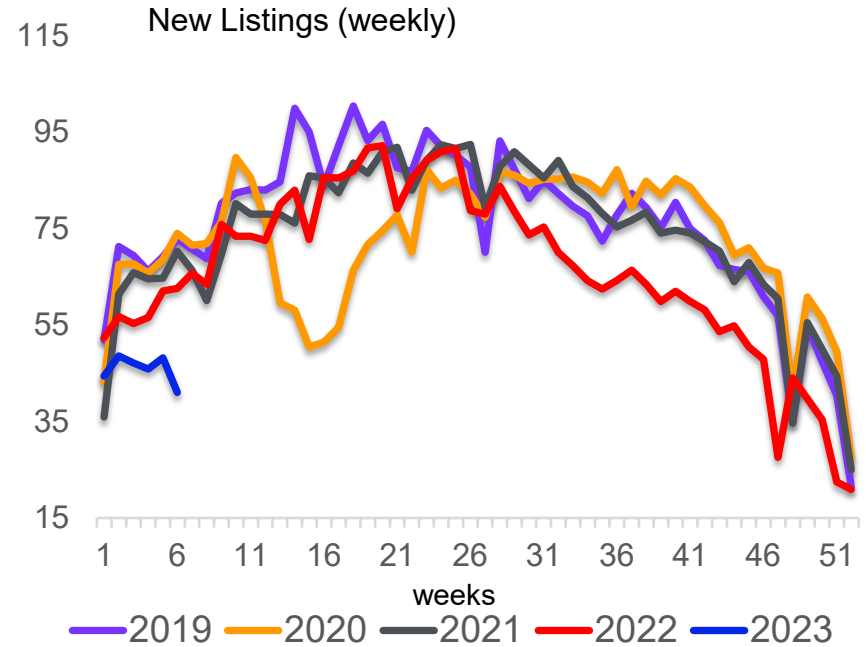
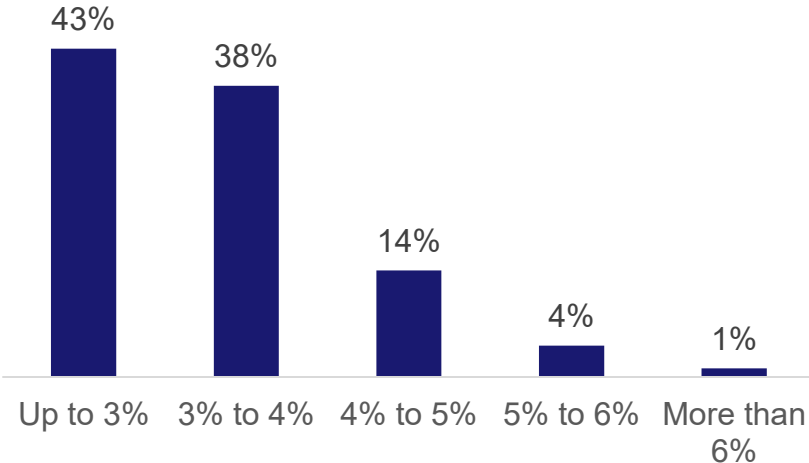


Note: Birth years by cohort: Generation Z after 1997, Millennial 1981-1996, Generation X 1965-1980, Baby Boom 1946-1964, Silent Generation before 1946
Source: CoreLogic home-purchase loan applications

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

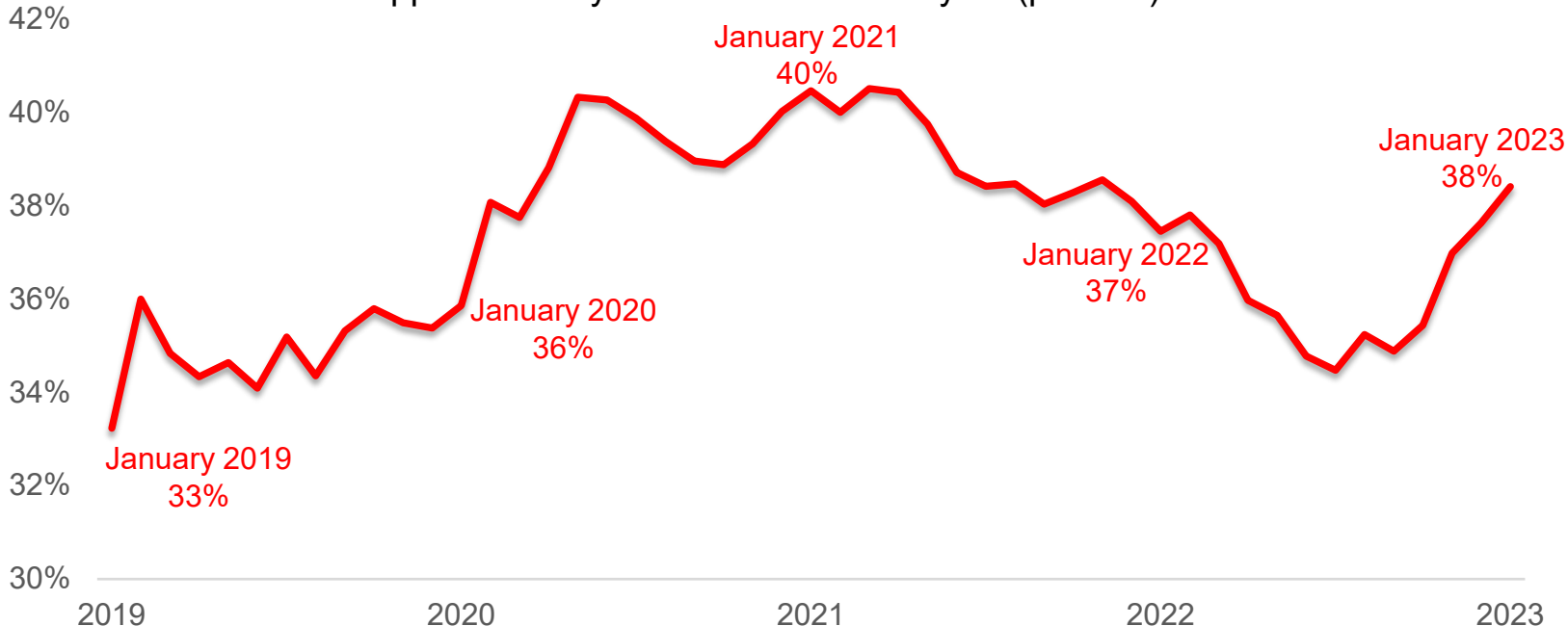
Mortgage Rate of Outstanding Mortgages As of December 2022



FTHB Application Share Increased As Current Owners Locked-in

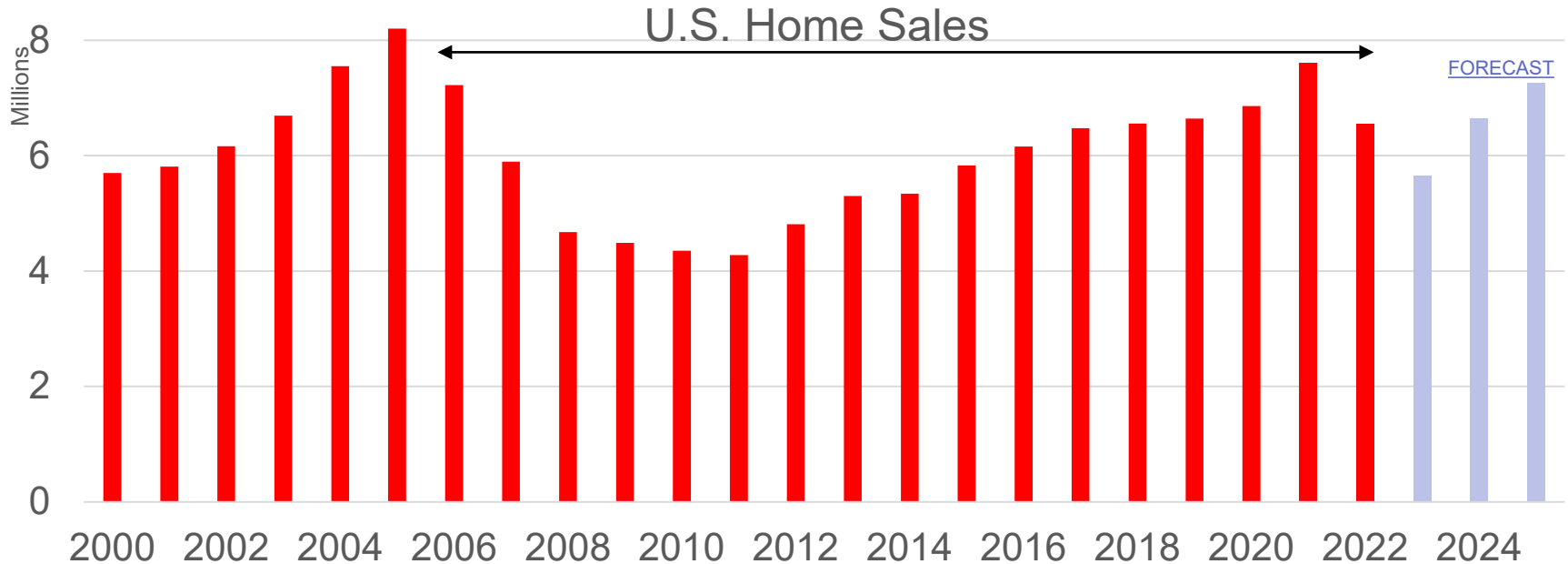
Share in 2022 was worst since pandemic began

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



Home Buying Demand Collapses; Lowest Sales in a Decade

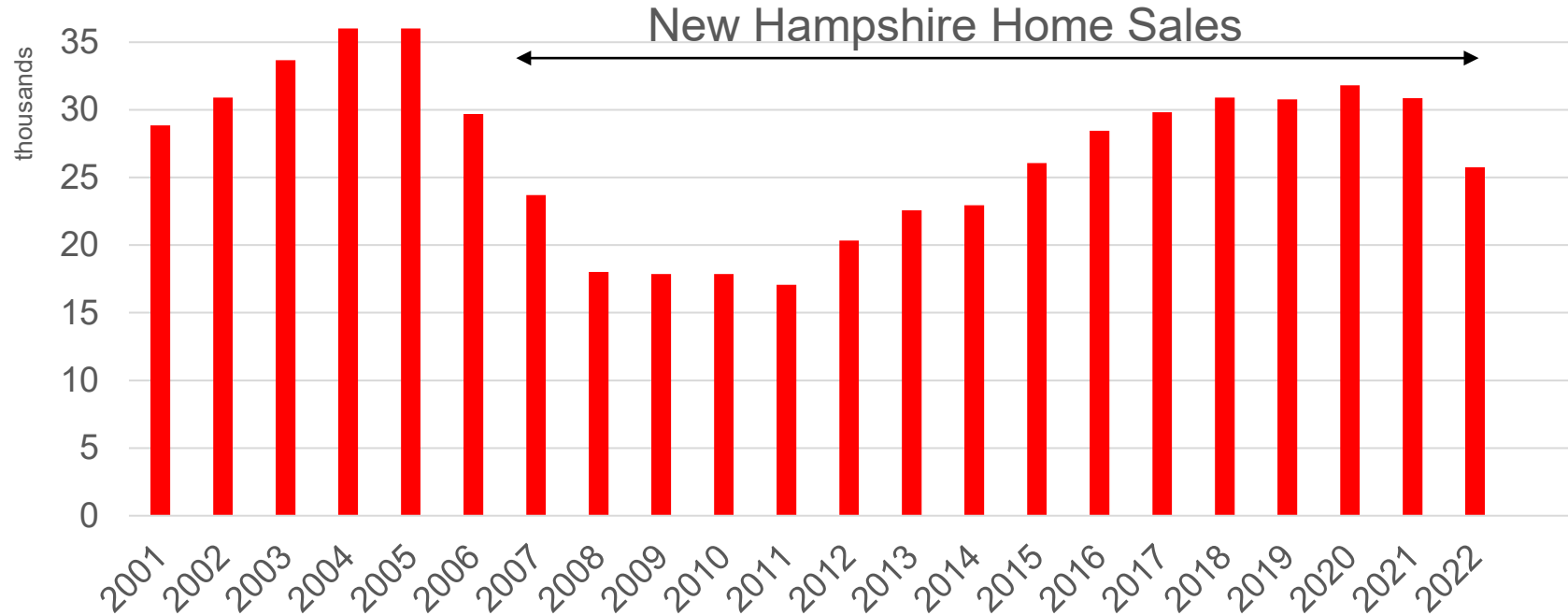
U.S. home sales recovery begins in 2024 and extends into 2025



Source: CoreLogic MarketTrends, Total Sales, MBA Mortgage Finance Forecast change rate (2023-2025; February 22, 2023)

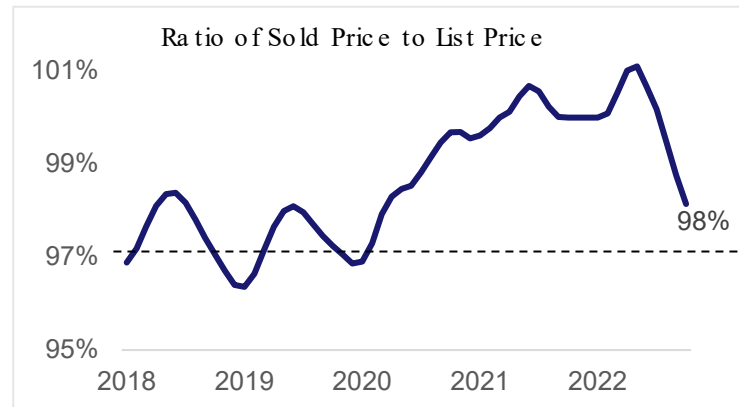
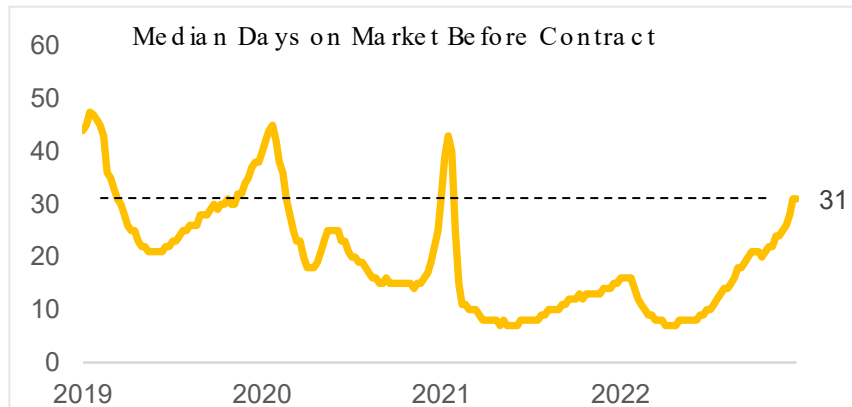
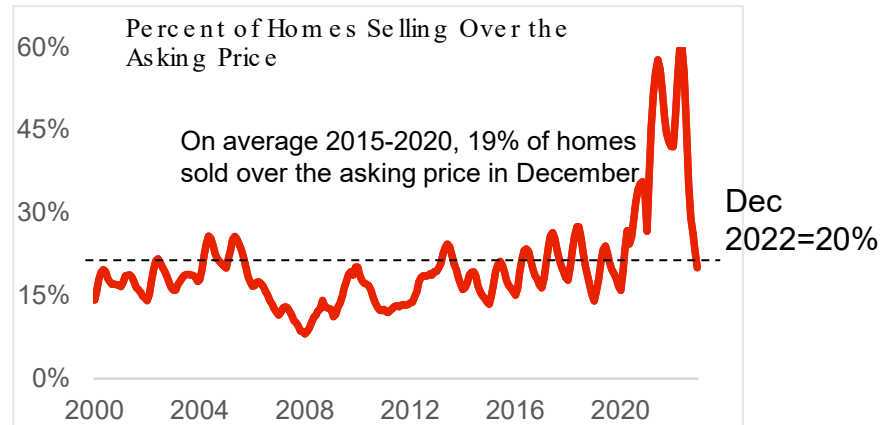
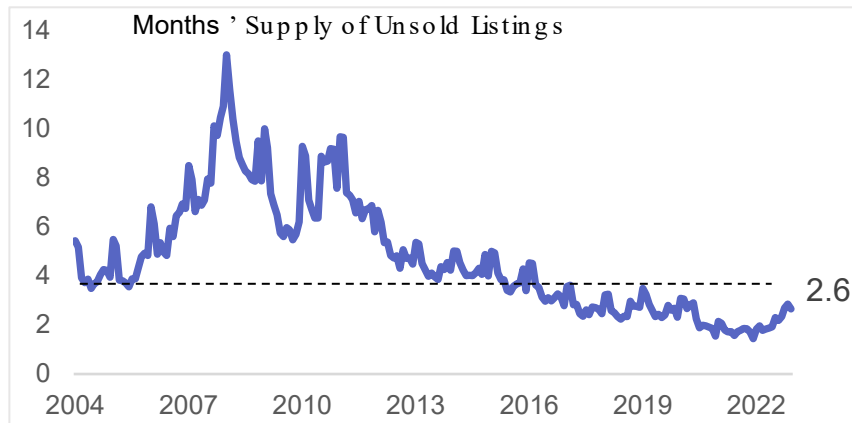
... Similar Slow Down in New Hampshire

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

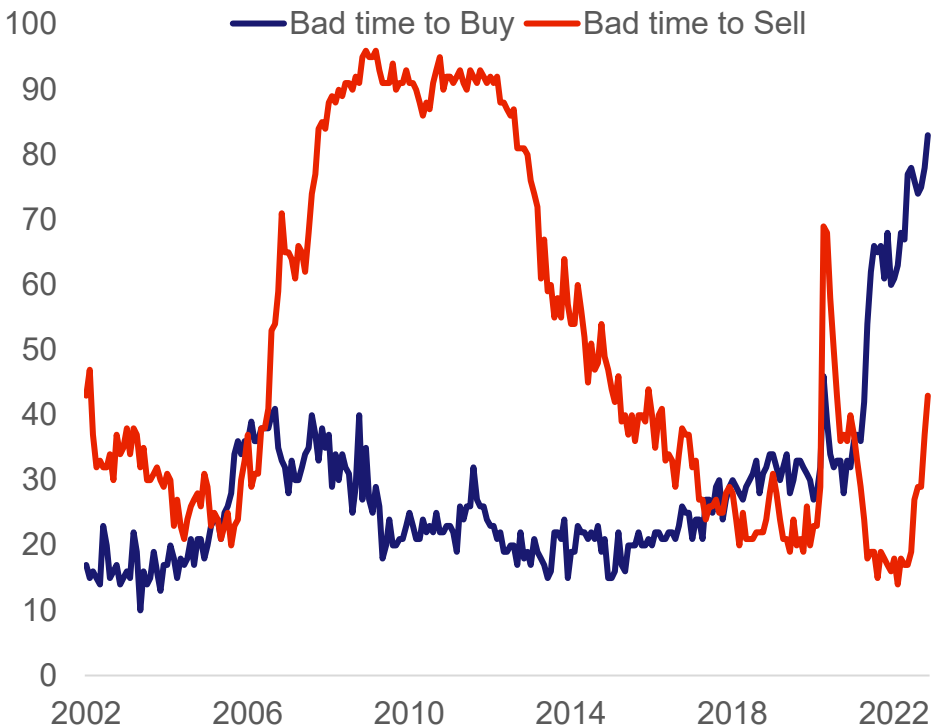


Competition Returns to Pre - Pandemic Trends

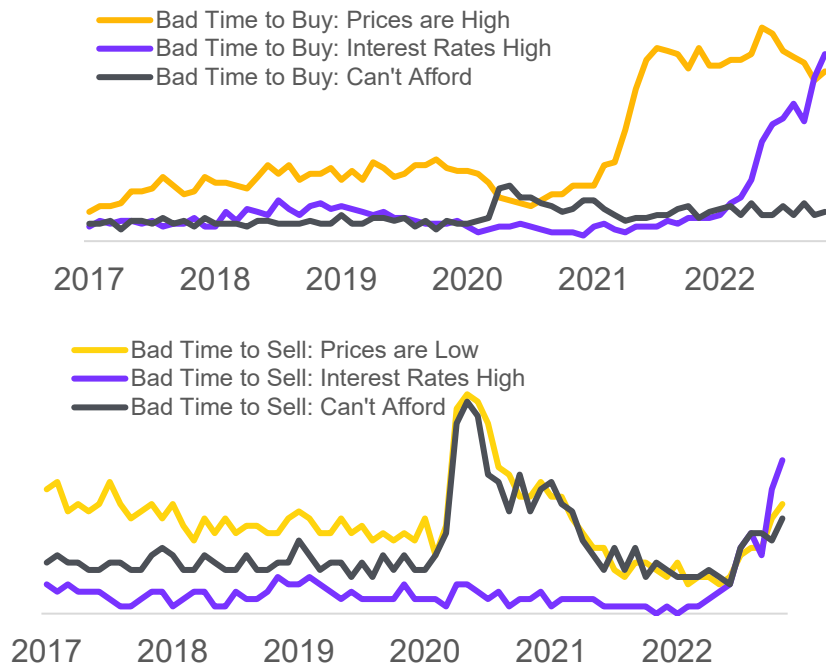
National Trends Revert but Months of Supply remains tight



Consumer Standoff: Bad Time to Buy and Bad Time to Sell

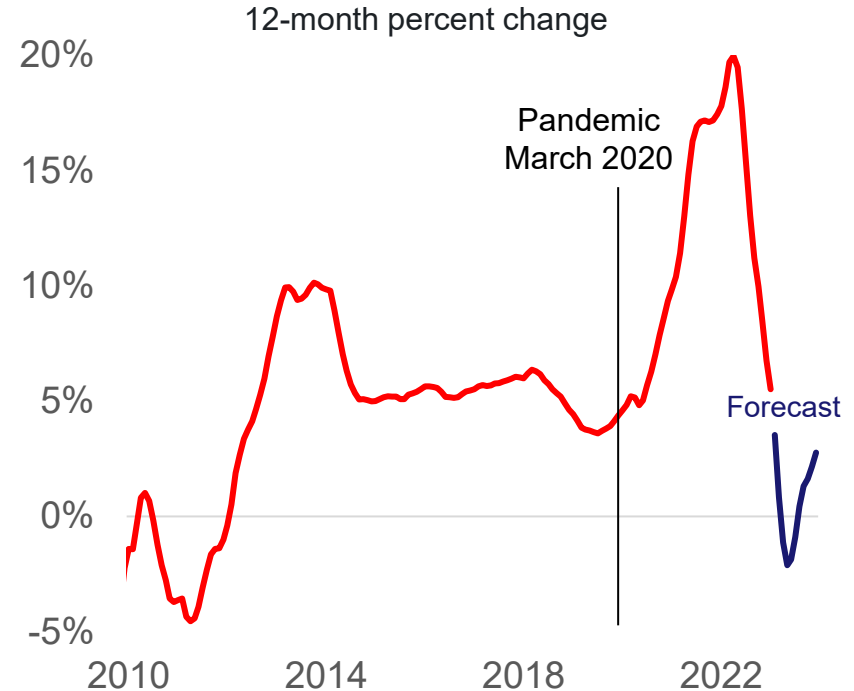
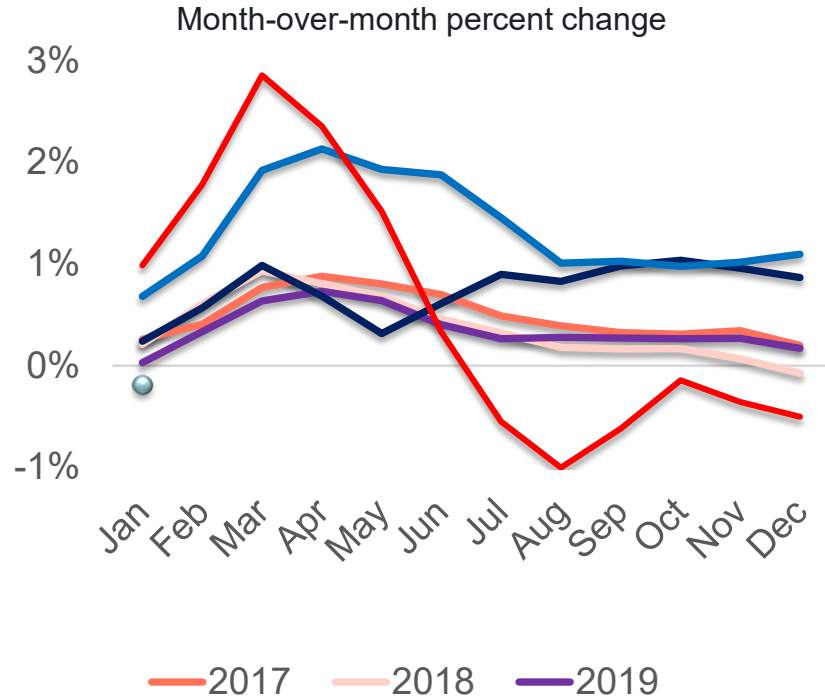


Source: University of Michigan



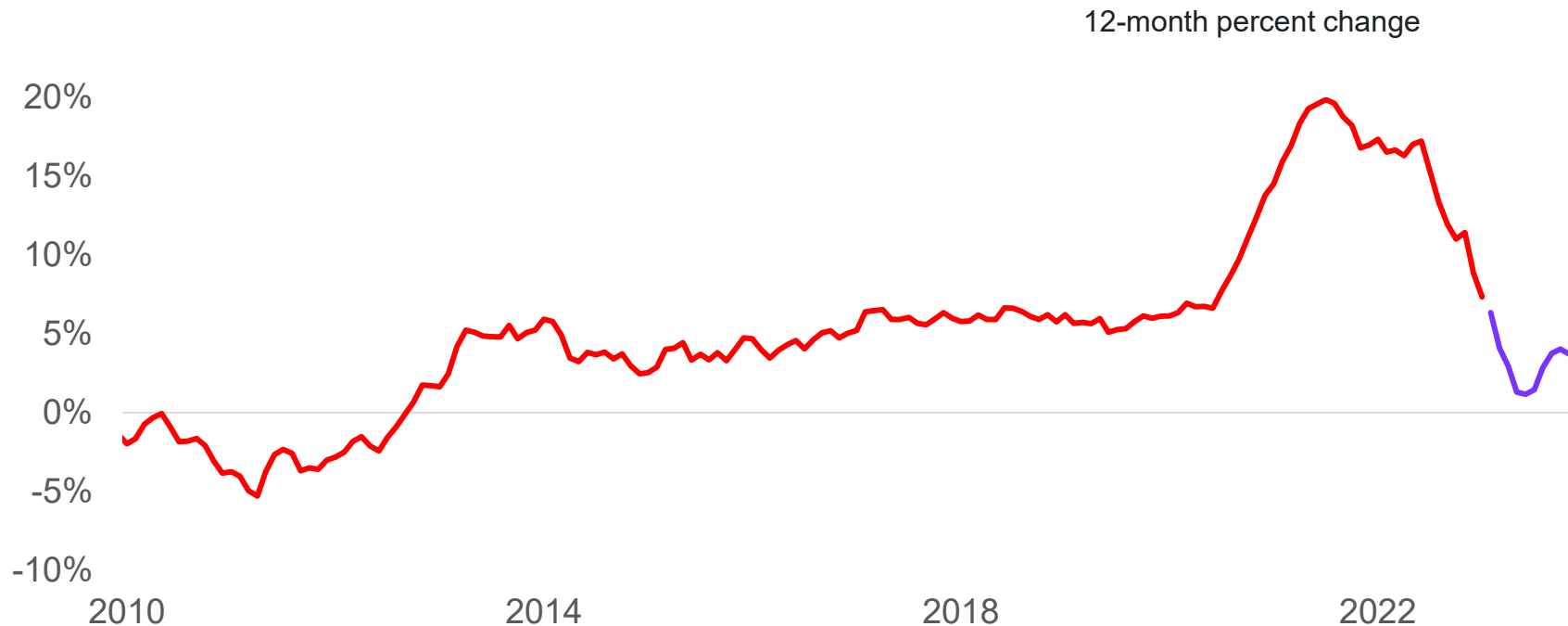
Home Price Growth to Continue to Slow

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



New Hampshire Price Growth Will Moderate to +4%

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

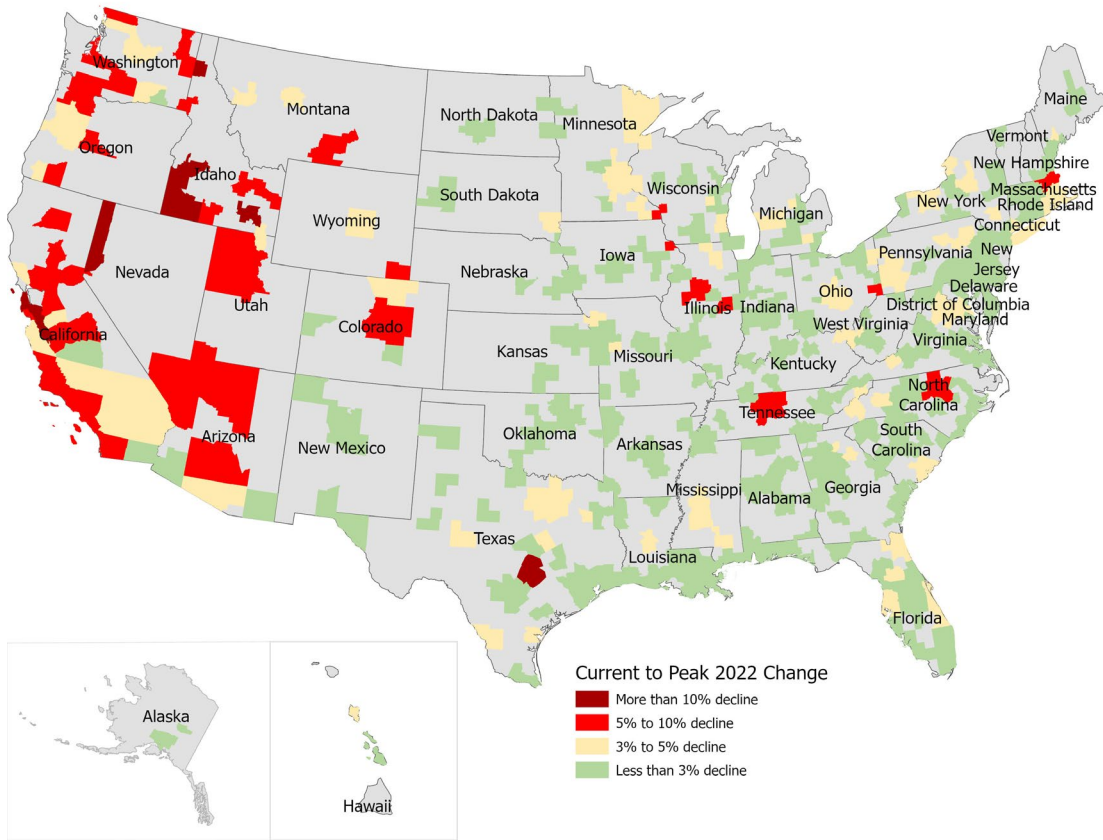


Home Prices Down 3.3% From Spring Peak, Still 34% Up from March 2020

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

- over - year

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



Source: CoreLogic Home Price Index (March 7, 2023)

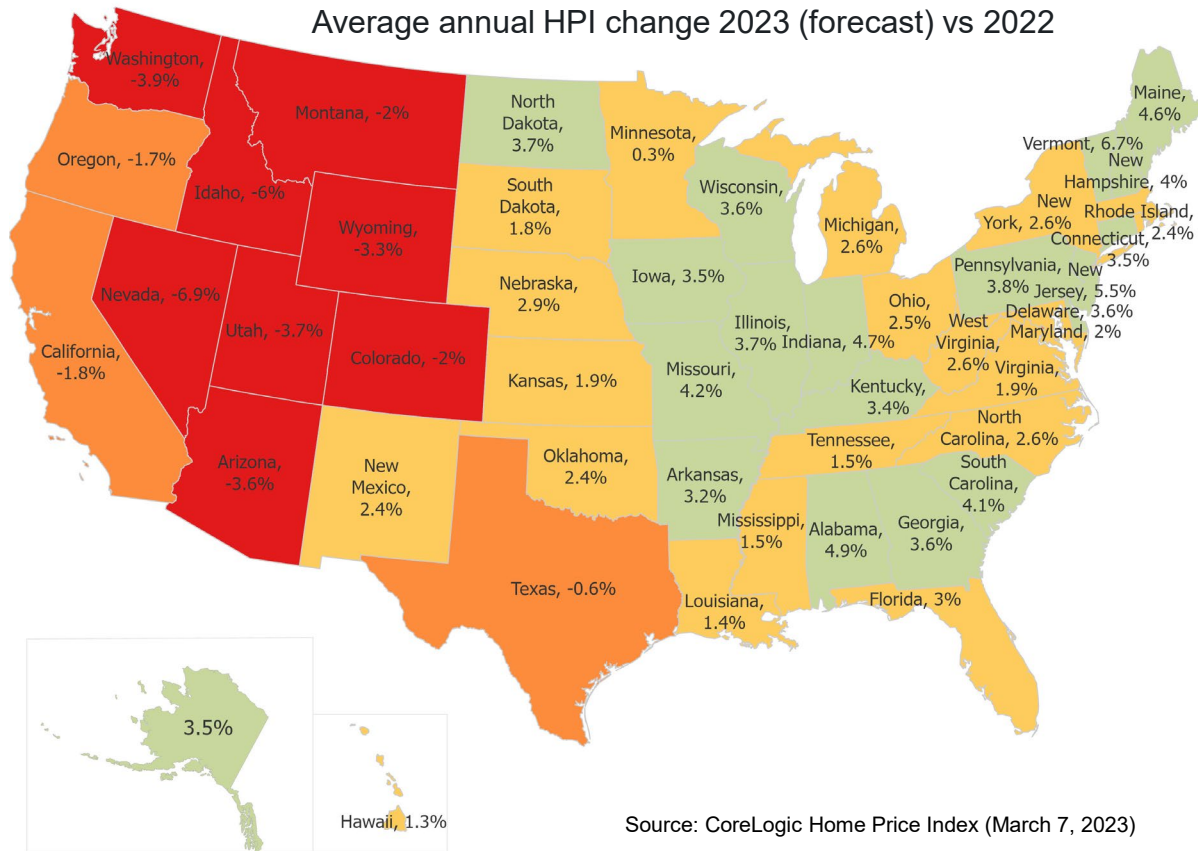
Drops from 2022 Peak Vary Widely in New England

....But the worst NE declines are comparatively mild

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

Source: CoreLogic Home Price Index (March 7, 2023)

Post - Pandemic Reset in West; NE Fares Well



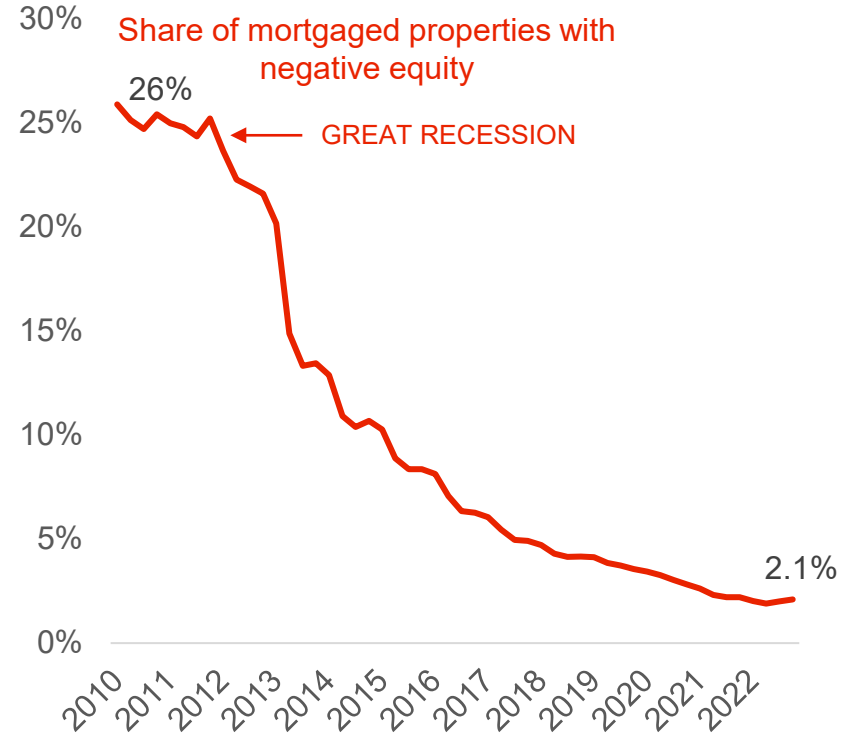
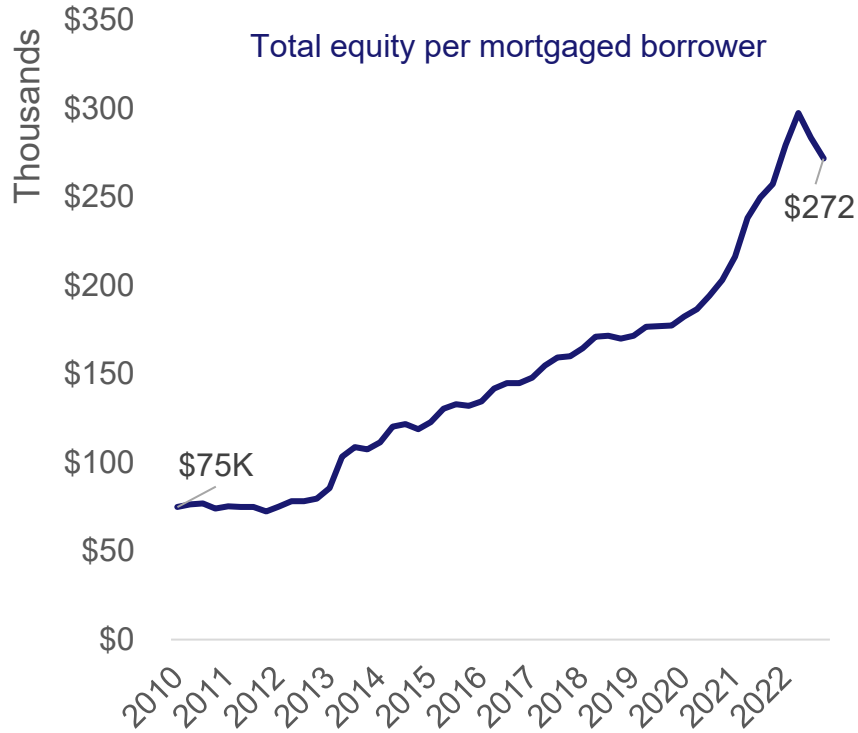
Source: CoreLogic Home Price Index (March 7, 2023)

Top 10 states with largest peak to trough declines	
Washington	-11.6%
Nevada	-11.2%
Idaho	-11.2%
Arizona	-8.7%
Montana	-8.1%
California	-7.9%
Wyoming	-7.7%
Utah	-7.5%
Colorado	-7.0%
Oregon	-6.8%

#16 Massachusetts: -3.6%
#17 Rhode Island: -3.4%
#21 Maine: -2.8%
#23 Vermont: -2.3%
#26 Connecticut: -2.5%
#36 New Hampshire: -1.9%

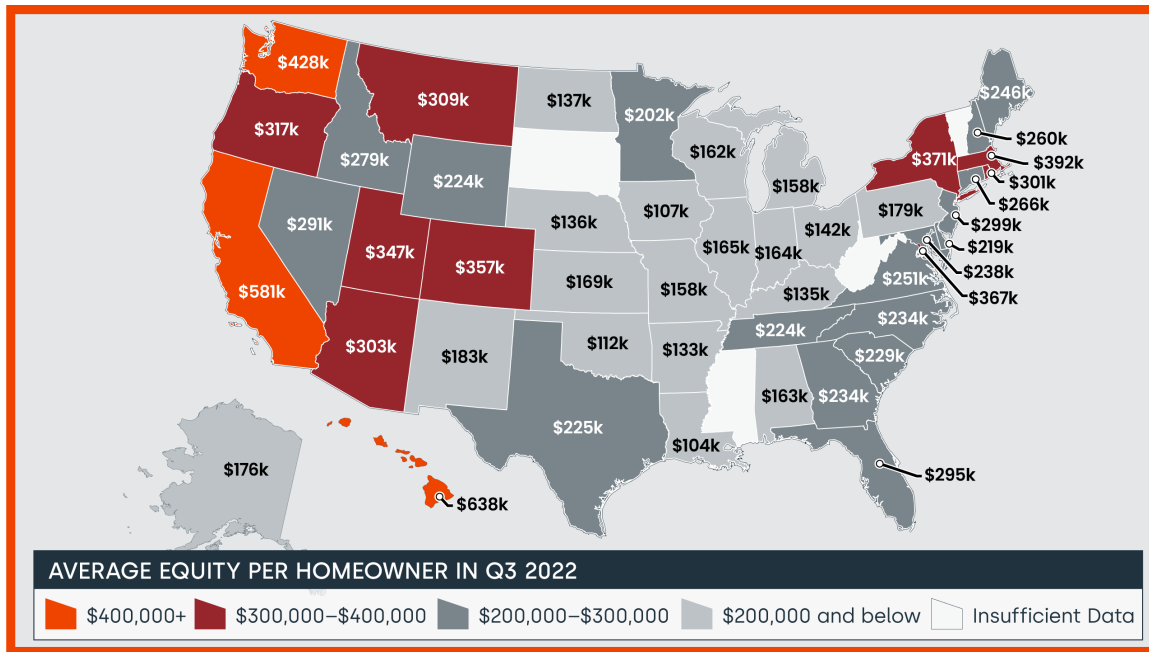
But, Home-Equity Offers Financial Buffer for Homeowners

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



Total Home Equity and Gains Vary By State

Average Borrower has nearly \$300K in home equity



Average Equity Per Borrower New England Metros (Q4 2022)

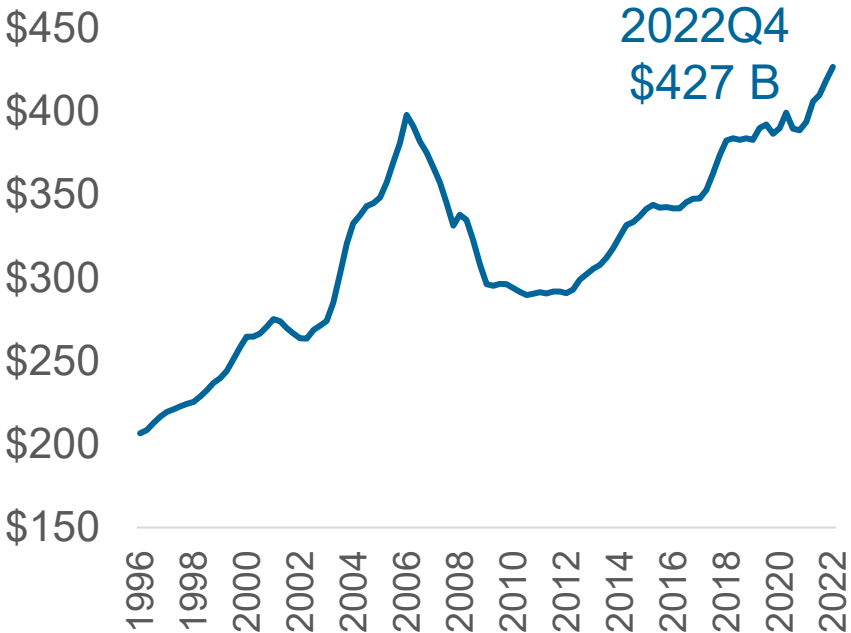
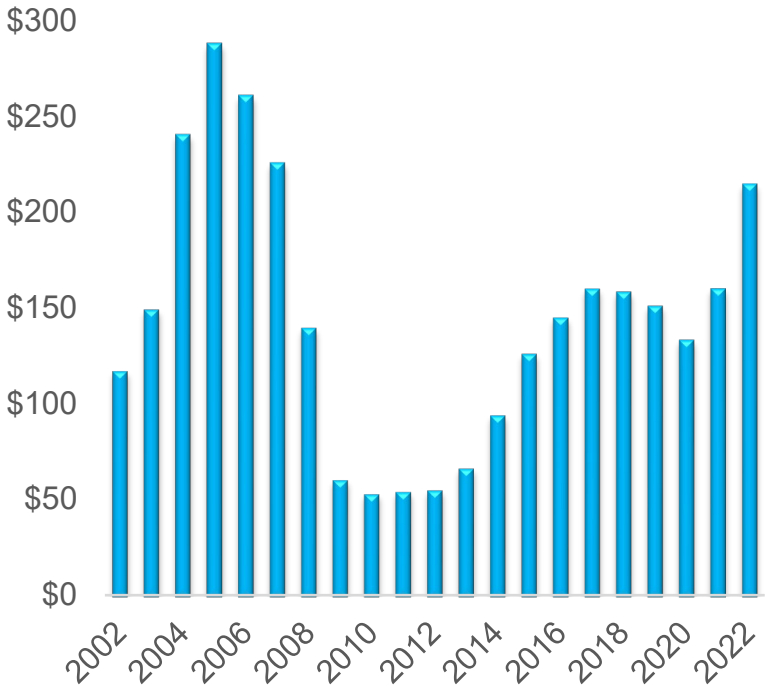
Barnstable Town, MA	\$ 475,868
Cambridge-Newton-Framingham, MA	\$ 446,002
Bridgeport-Stamford-Norwalk, CT	\$ 441,006
Boston, MA	\$ 407,967
Rockingham County-Strafford County, NH	\$ 294,444
Pittsfield, MA	\$ 261,034
Manchester-Nashua, NH	\$ 248,185
Torrington, CT	\$ 240,396
Worcester, MA-CT	\$ 236,464
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

Source: CoreLogic Home Equity Report for 2022Q3

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 \$)

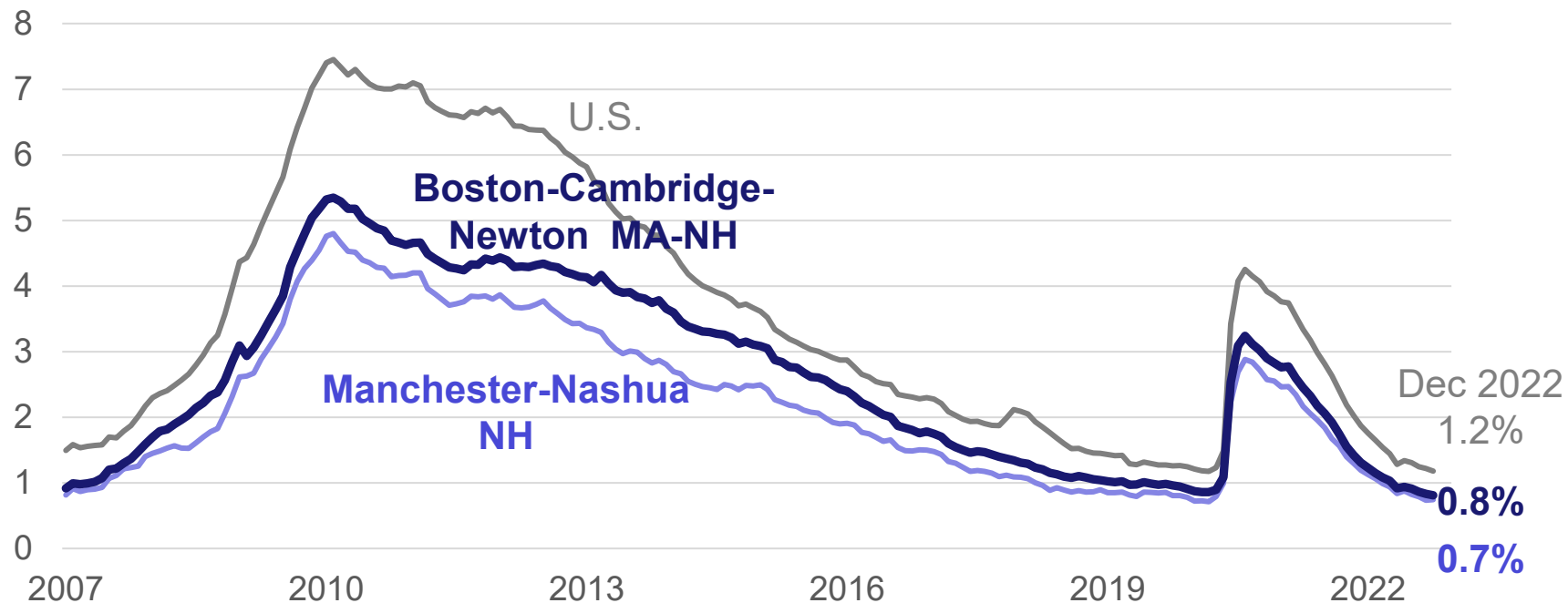


Source: CoreLogic Public Records, Harvard University Joint Center for Housing LIRA, Bureau of Labor Statistics CPI Less Shelter.
Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. 2022 Dollars in Billions, 4-quarter moving total

Serious Delinquencies Back to Pre-COVID Level

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

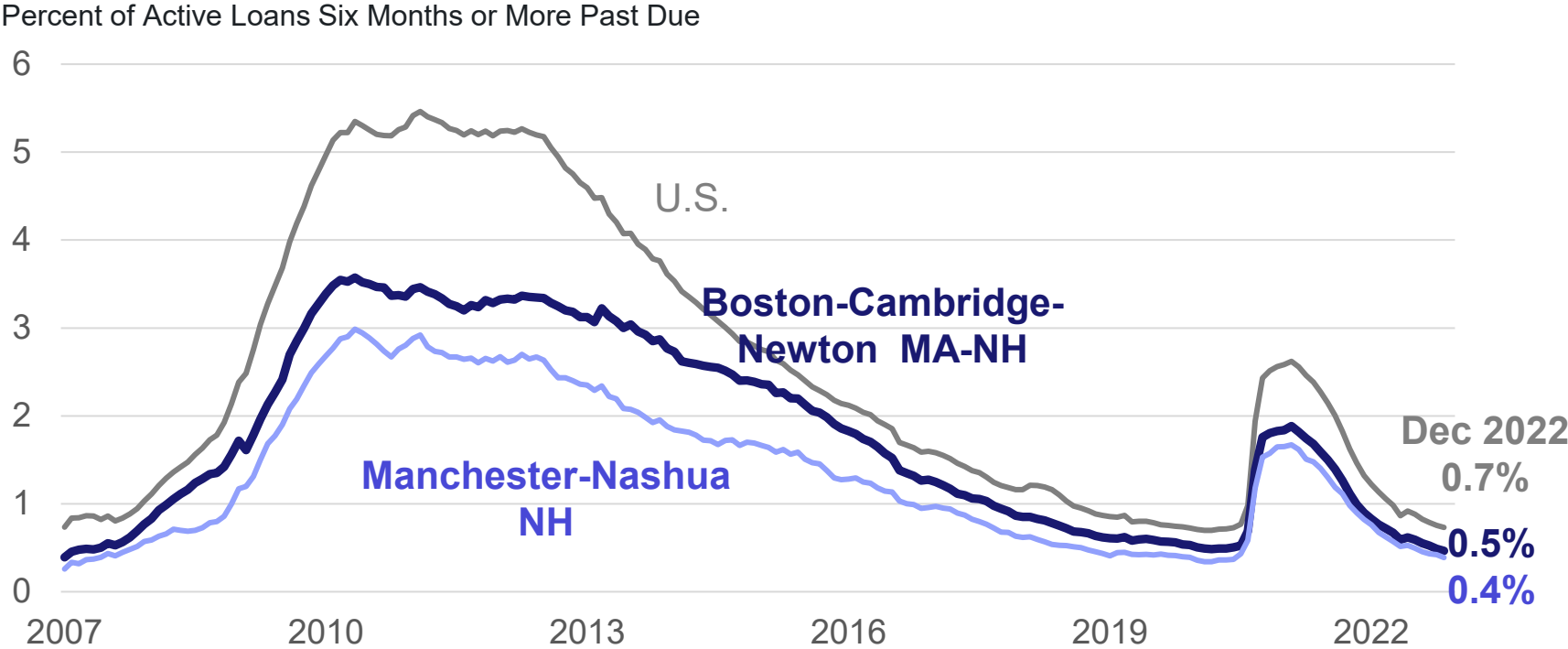
Serious Delinquency Rate (Percent of Active Loans)



Source: CoreLogic TrueStandings Servicing; serious delinquency is at least 90 days delinquent or in foreclosure proceedings

Share of Borrowers Six Months Past Due Decreasing

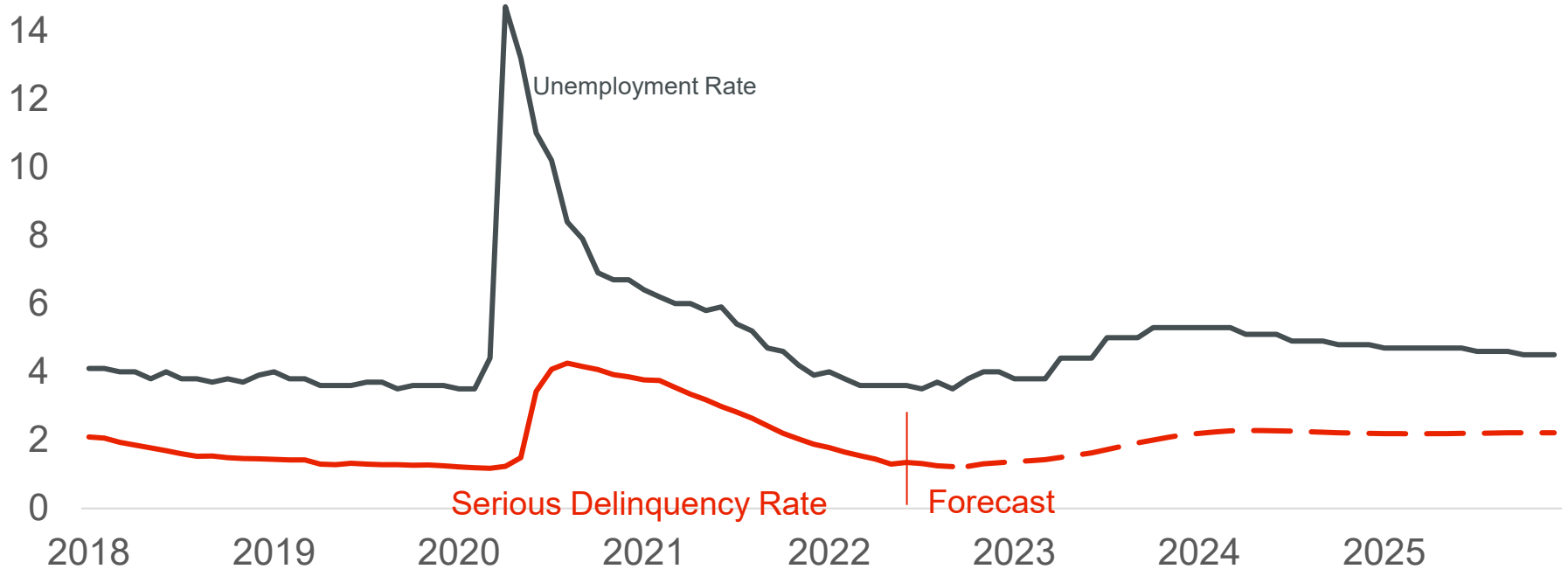
About 232,000 U.S. borrowers still in forbearance programs and declining



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

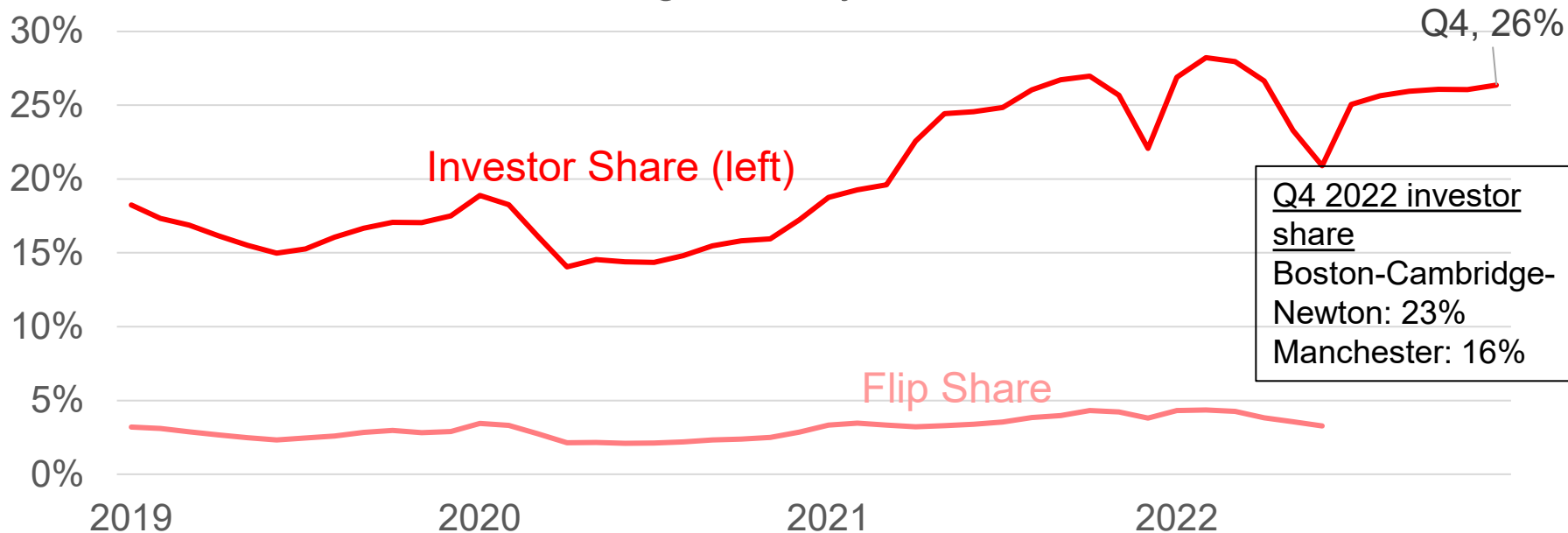


Source: CoreLogic TrueStandings Servicing; serious delinquency is at least 90 days delinquent or in foreclosure proceedings

Single - Family Investor Share Remains Elevated

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

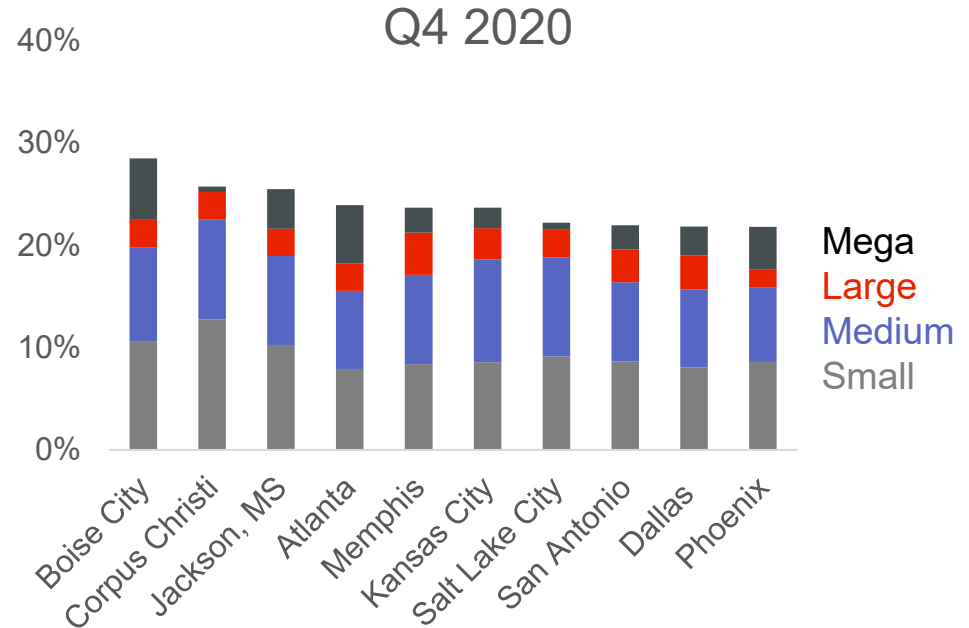
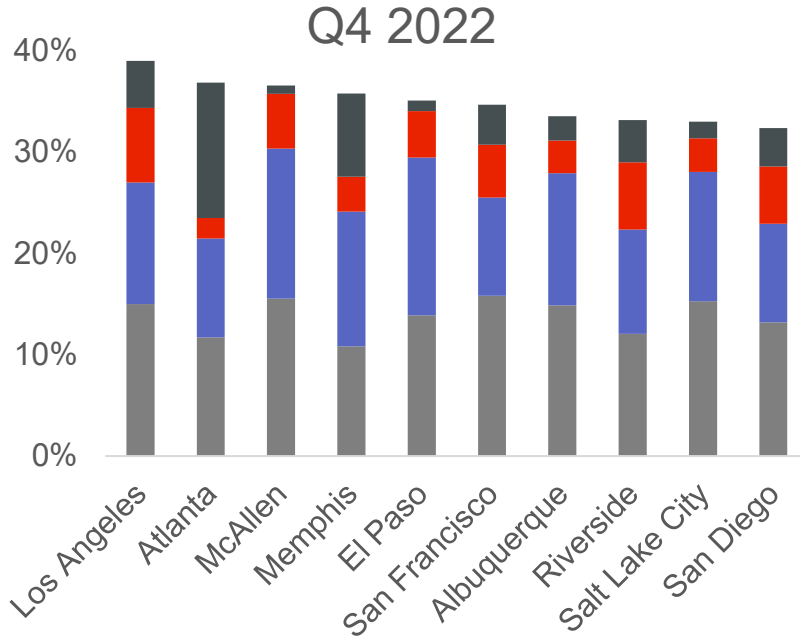
Investor Share/Purchases of Single-Family Homes



Investors Shifted Locations Over the Boom

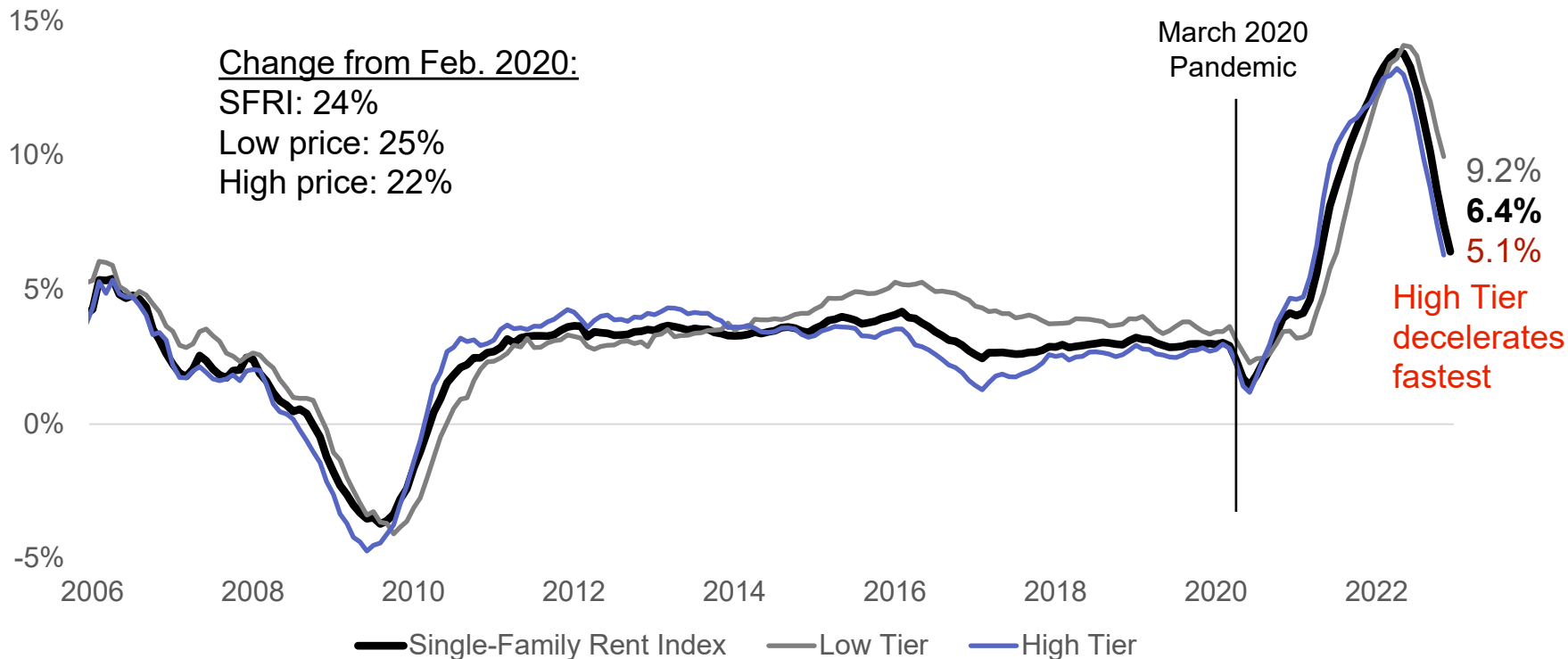
Highest 10 Investor Shares by Metro, Q4 2022 and Q4 2020

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%

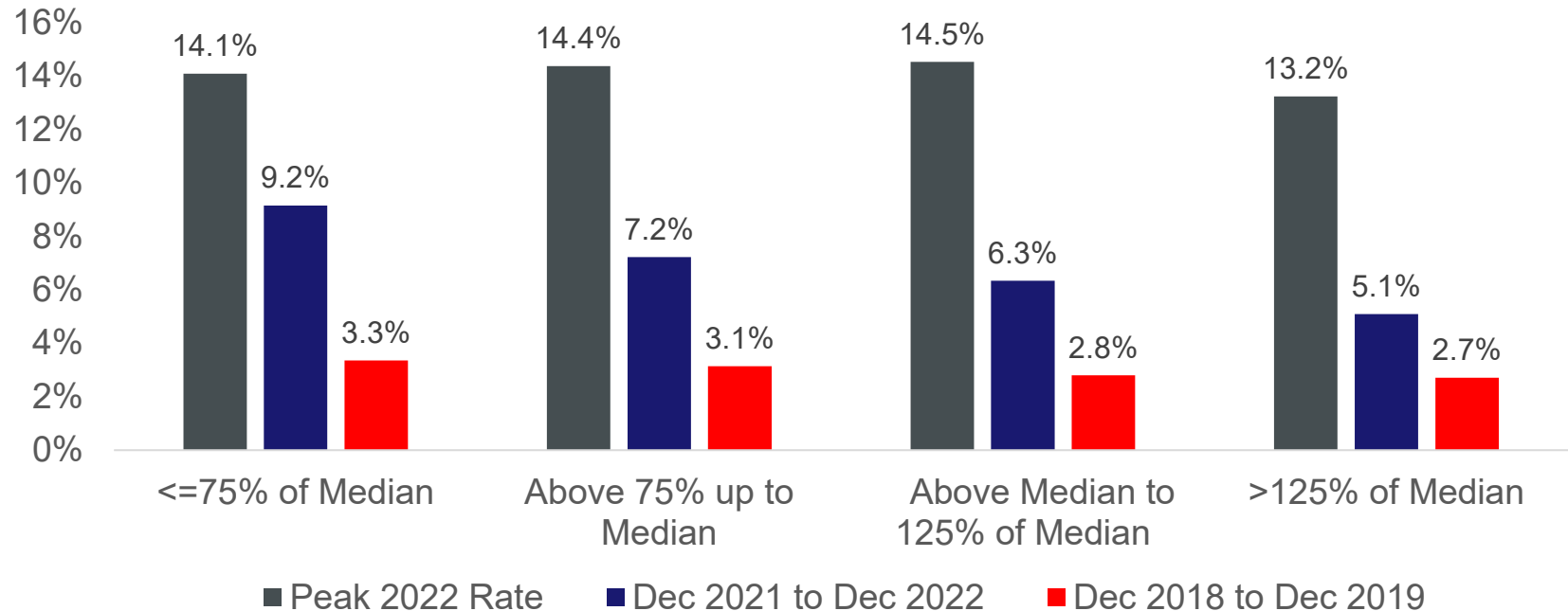


Source: CoreLogic Single-Family Rent Index (February 21, 2023)

Even With Deceleration Rent Growth Still Above Trend

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

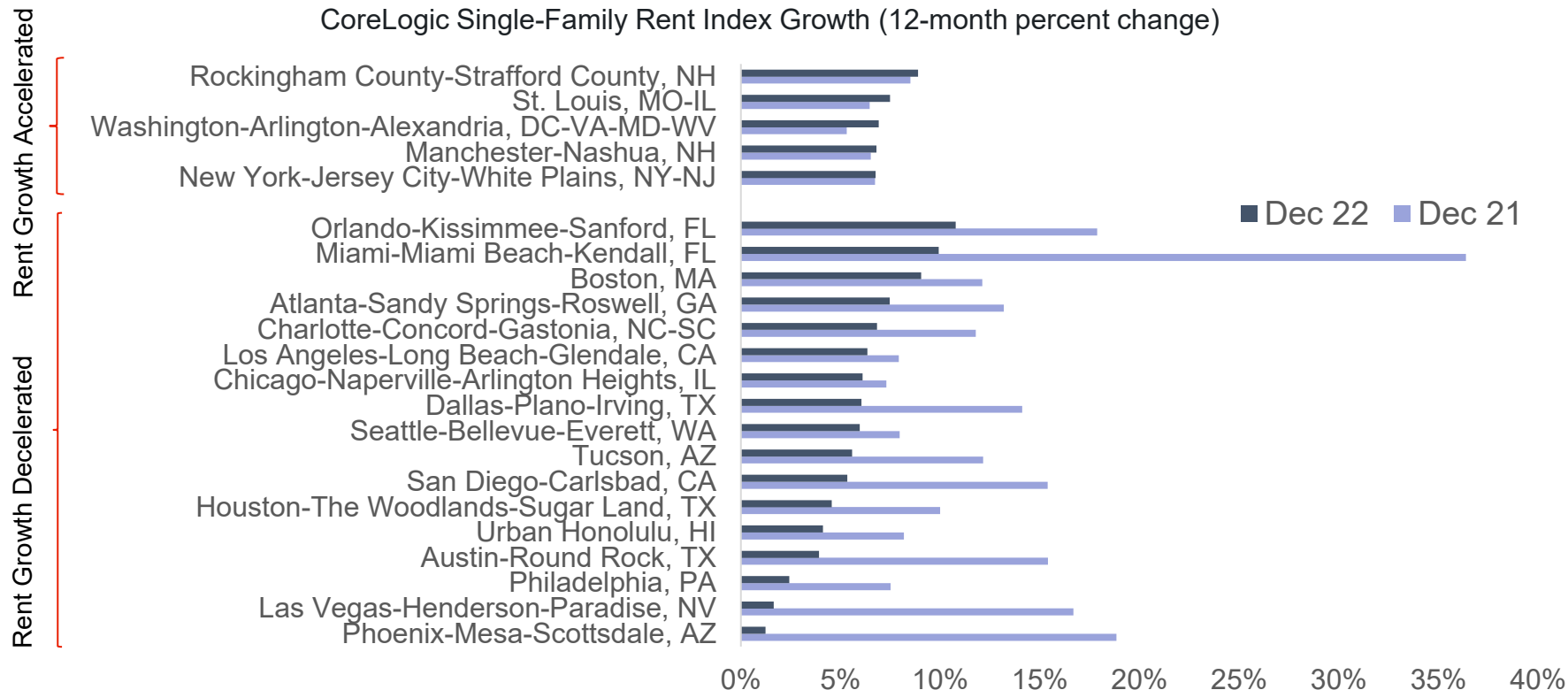
Single-Family Rent Growth by Local-Area Price Tier (annual percent change)



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

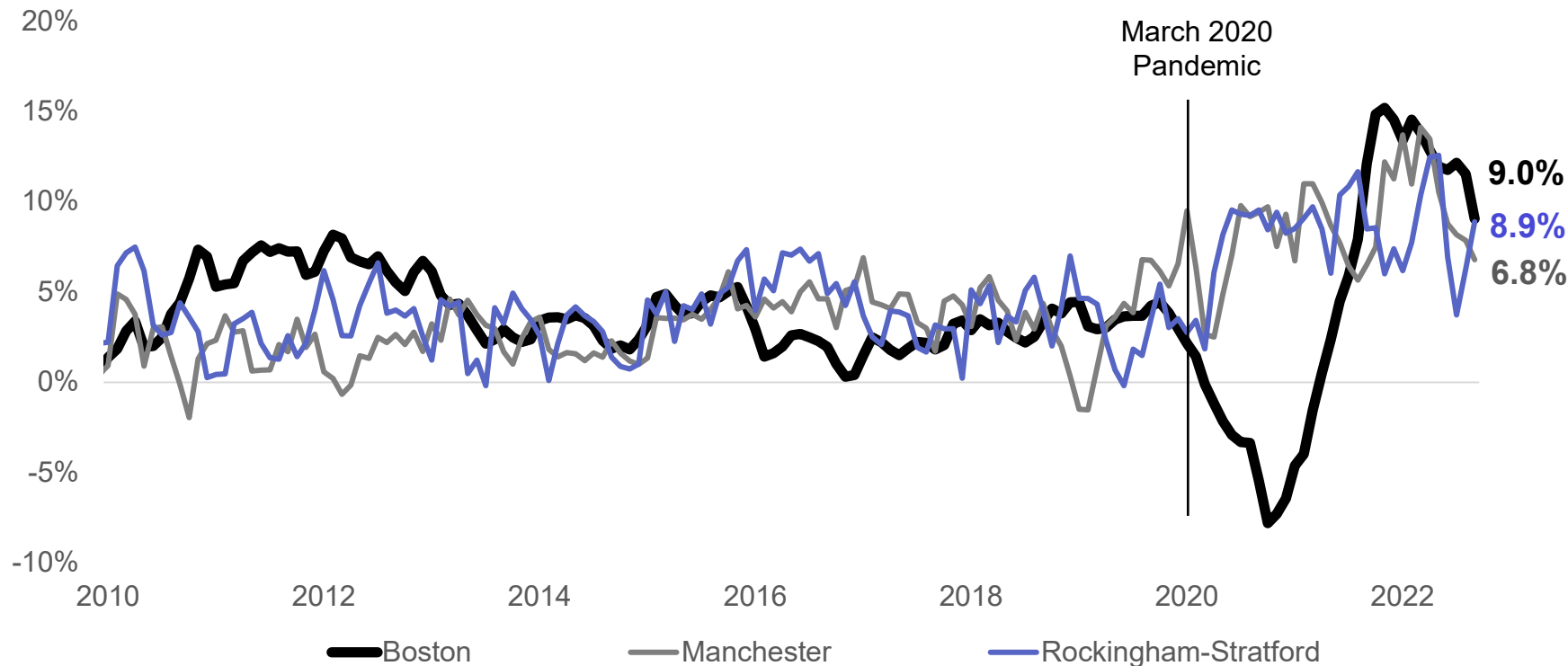


Note: Label shows first city in MSA or Metropolitan Division name; New York excludes Manhattan borough.

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

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

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

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