

# Update on the National Housing Market

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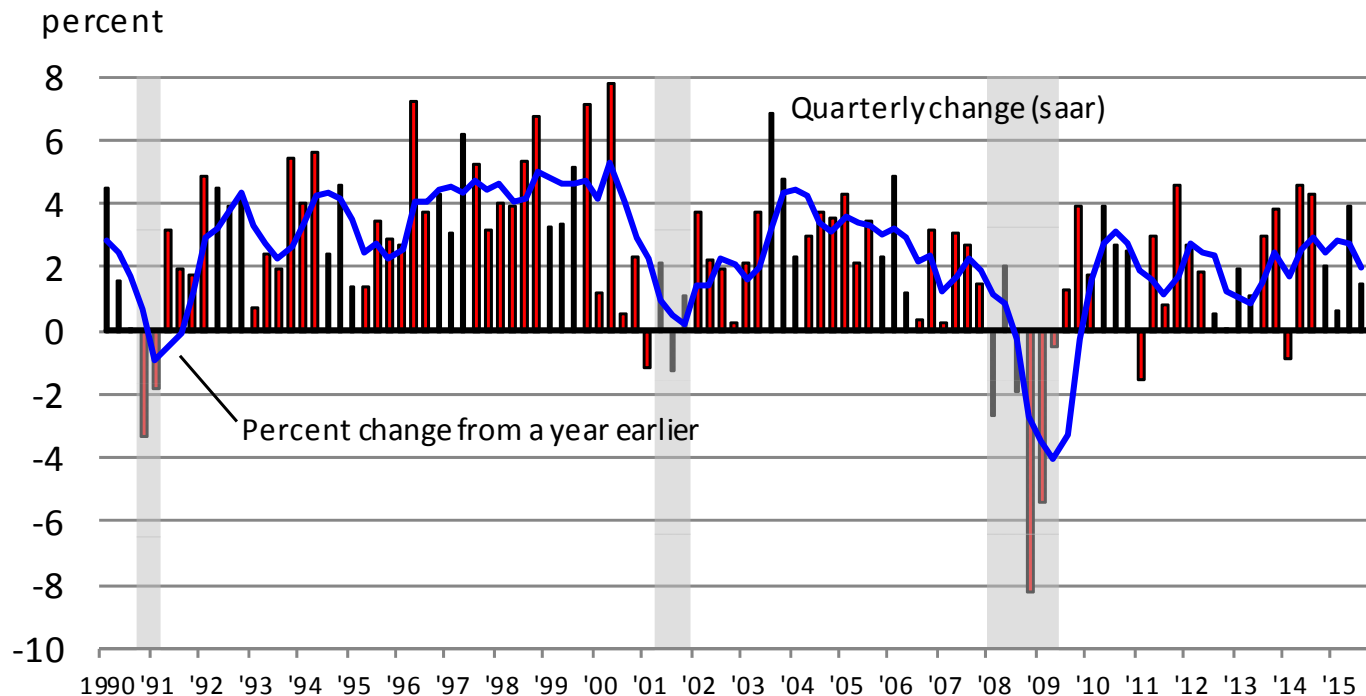


# The Great Recession and Housing

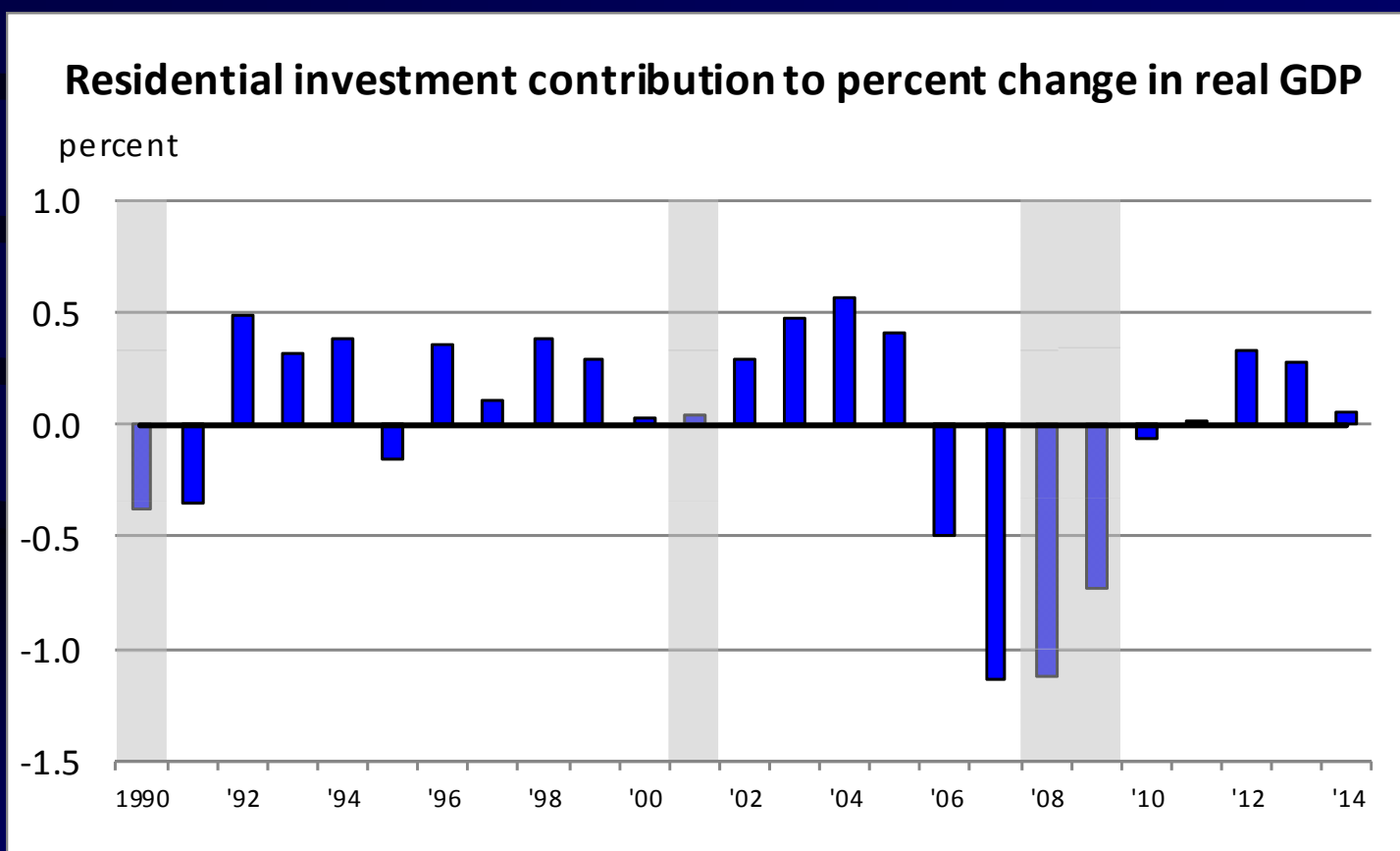


# The “Great Recession” ended in June 2009, with the deepest drop and longest lived downturn since the 1930s

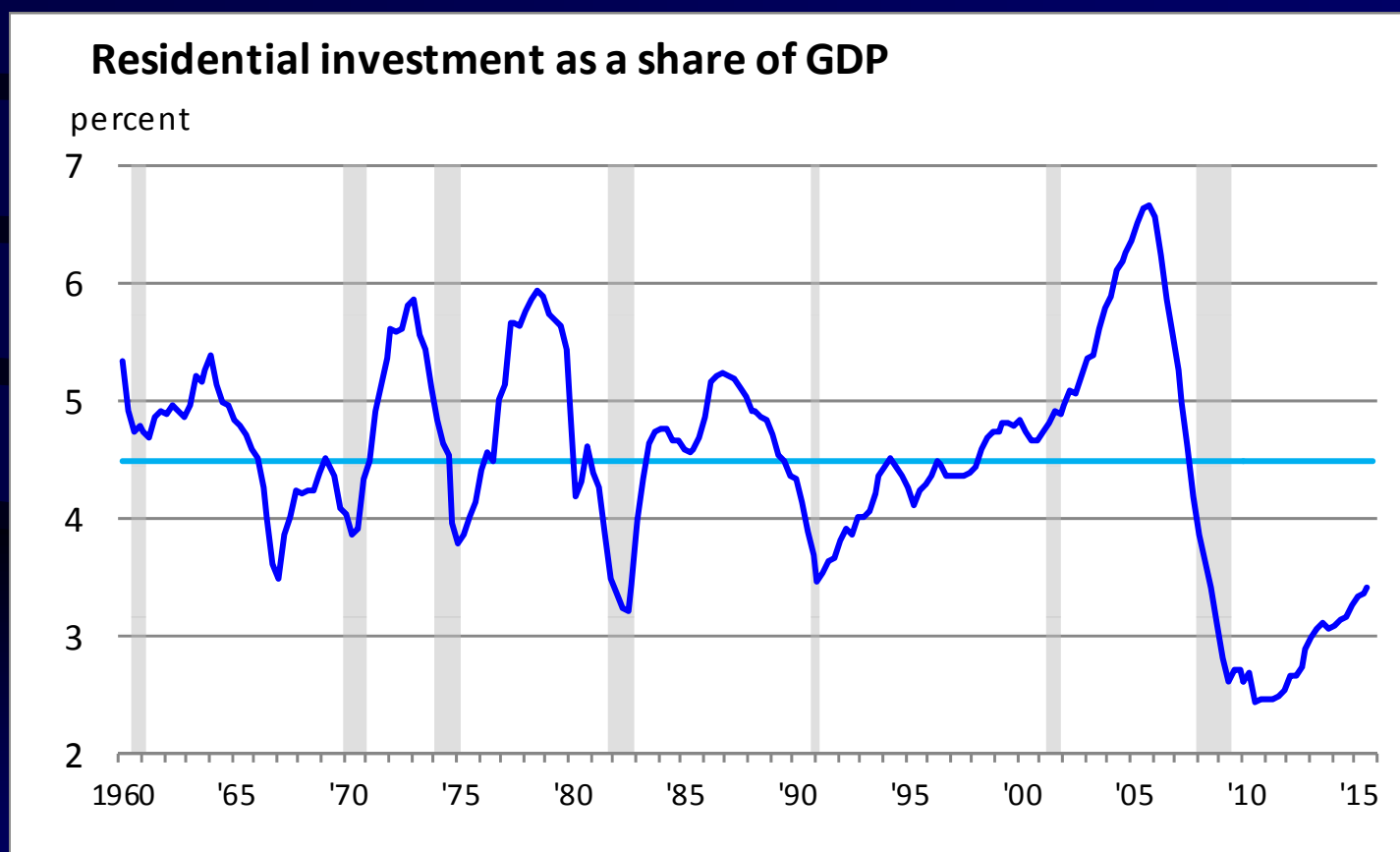
## Real gross domestic product



## Residential investment had been a drag on the U.S. economy between 2006 and 2011



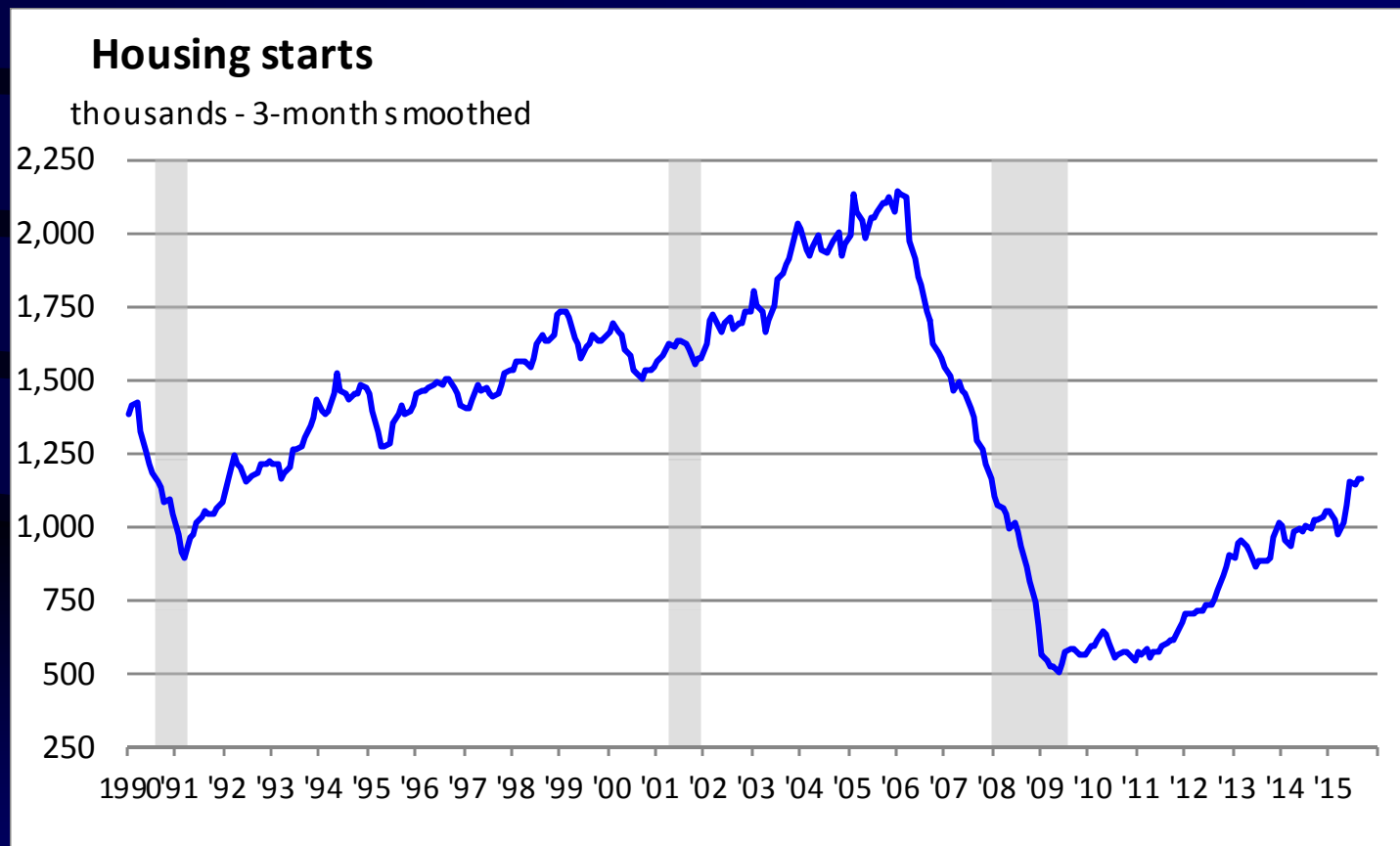
## Residential investment remains well below its long-run average share of the U.S. economy



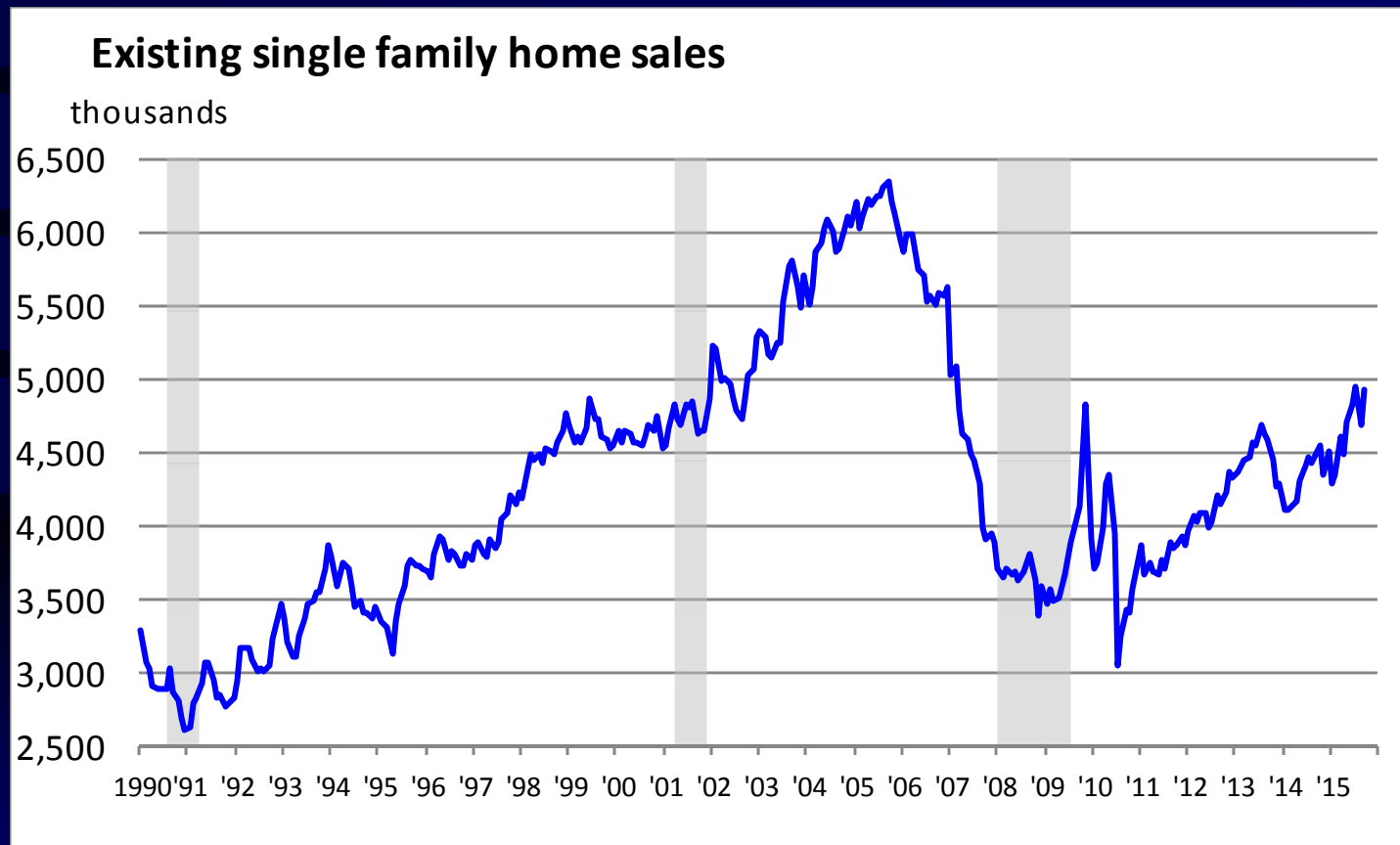
# The Housing Recovery



## Housing starts have been improving

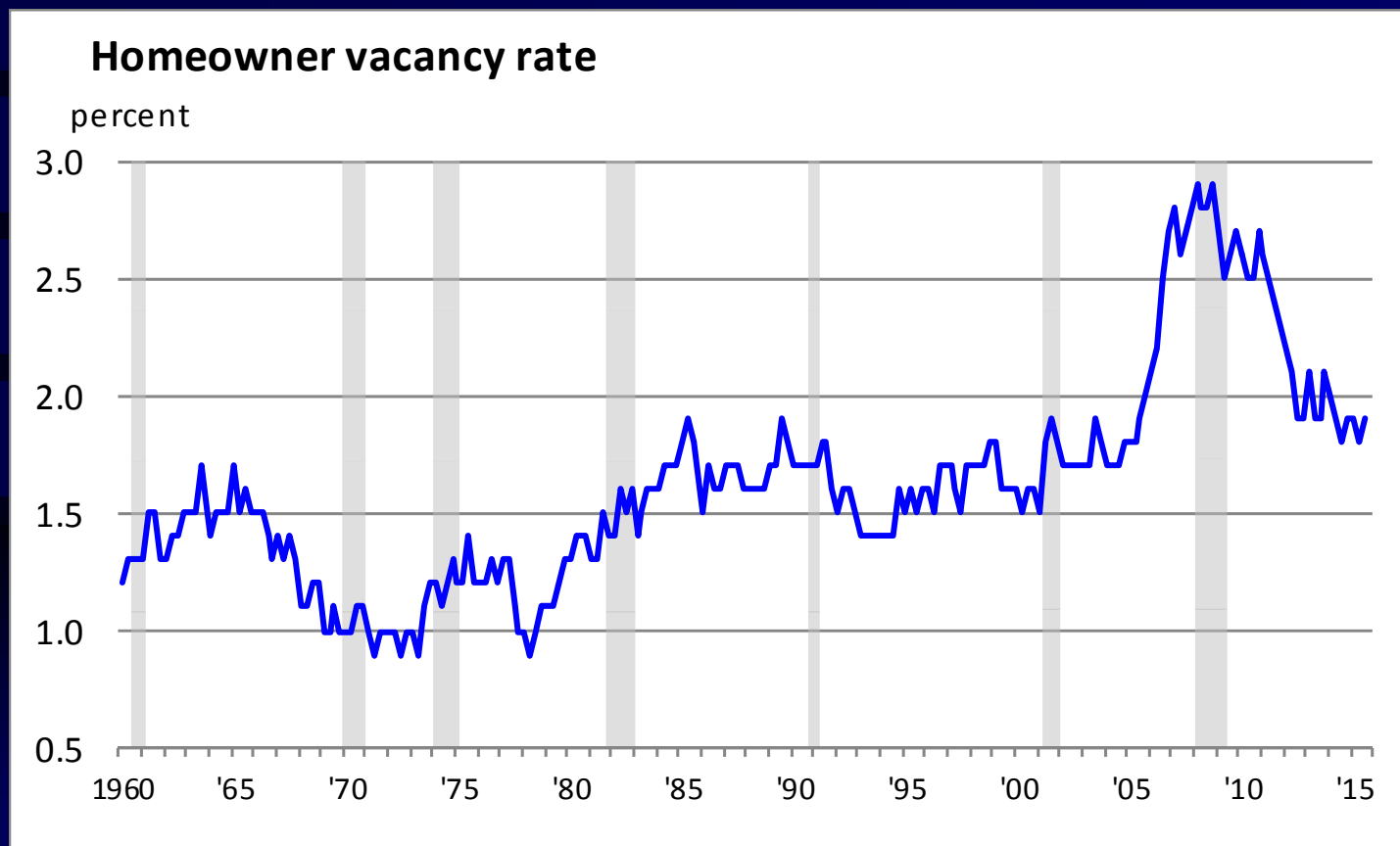


## Existing home sales have been improving

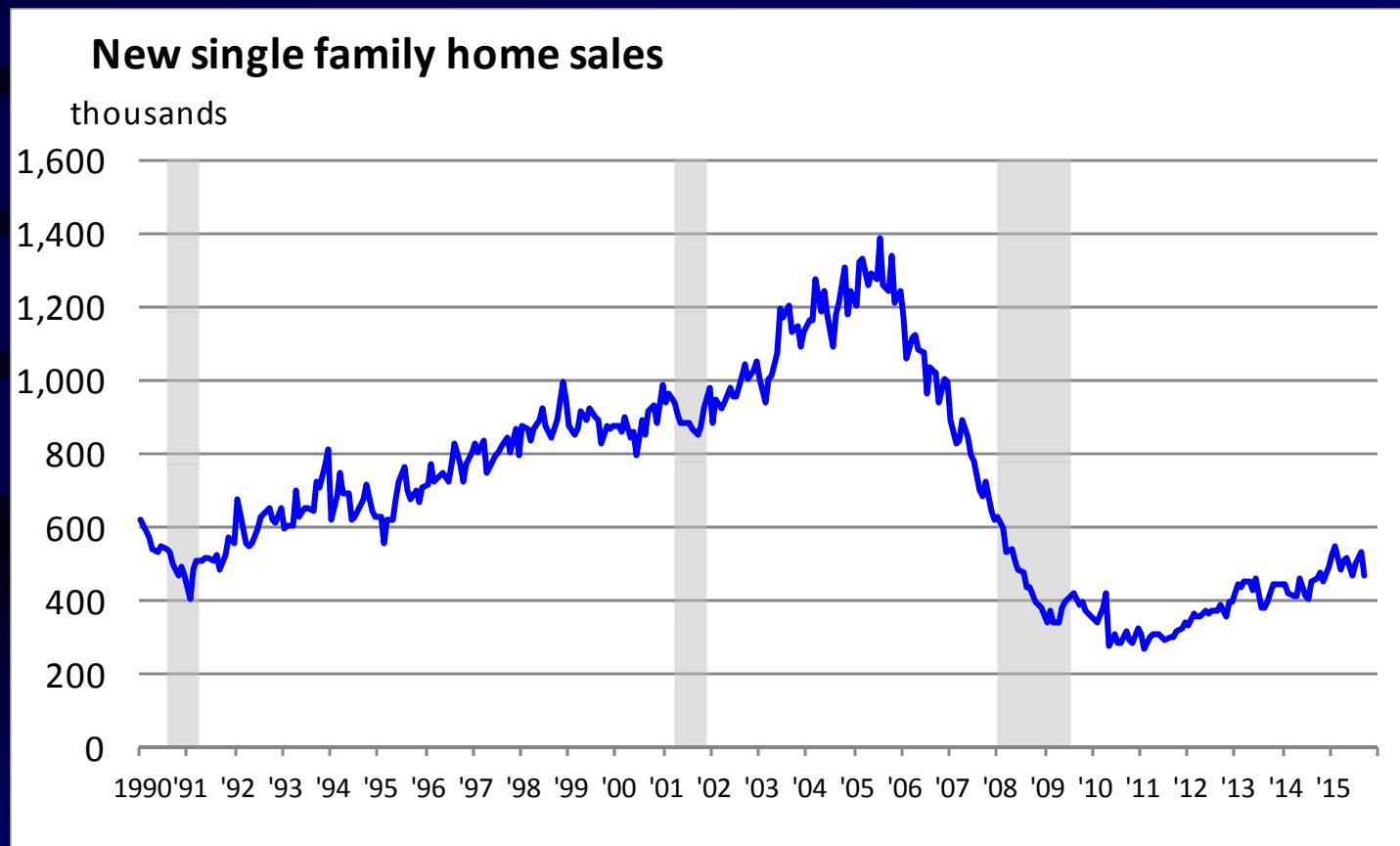




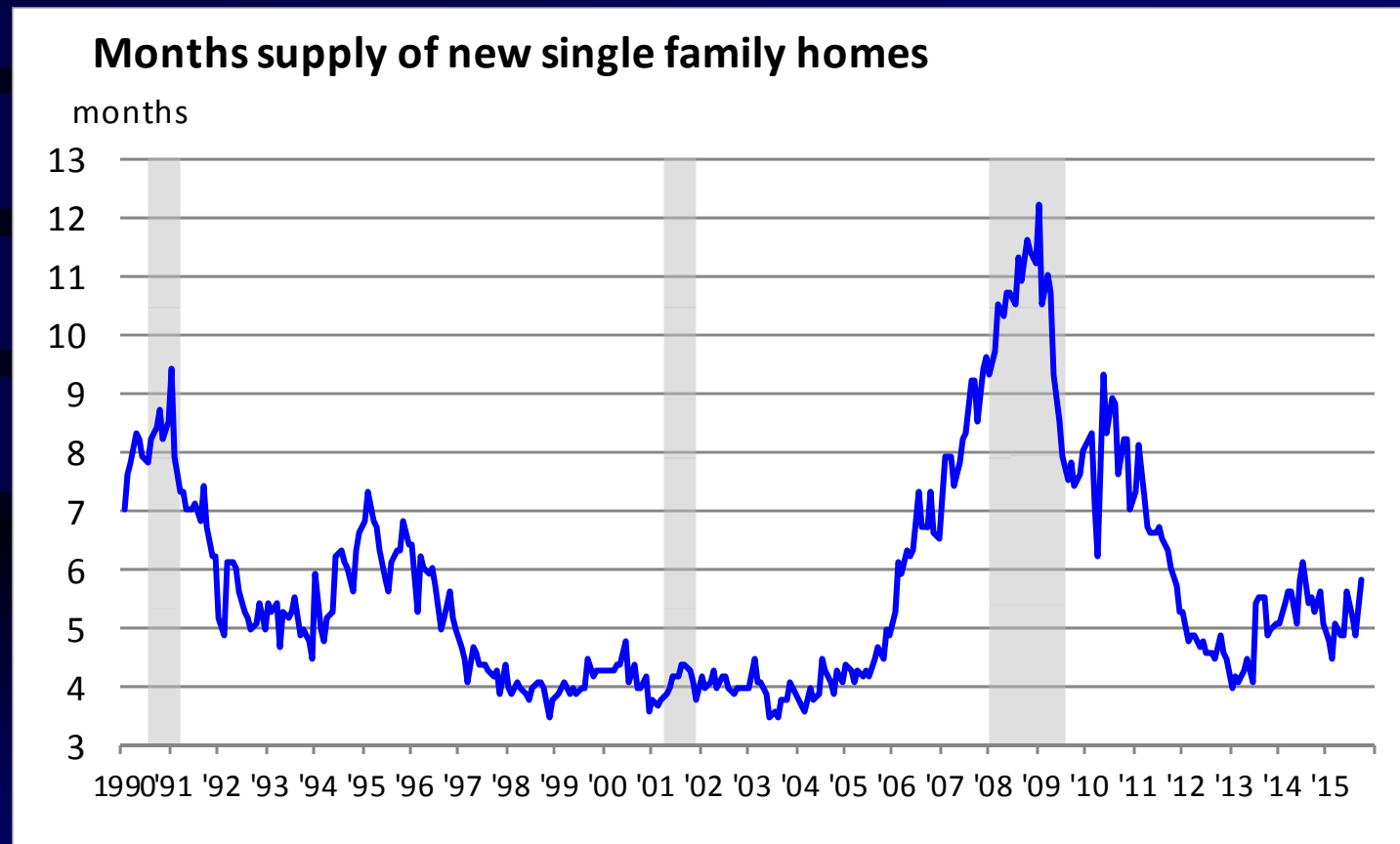
## Homeowner vacancy rates have been falling



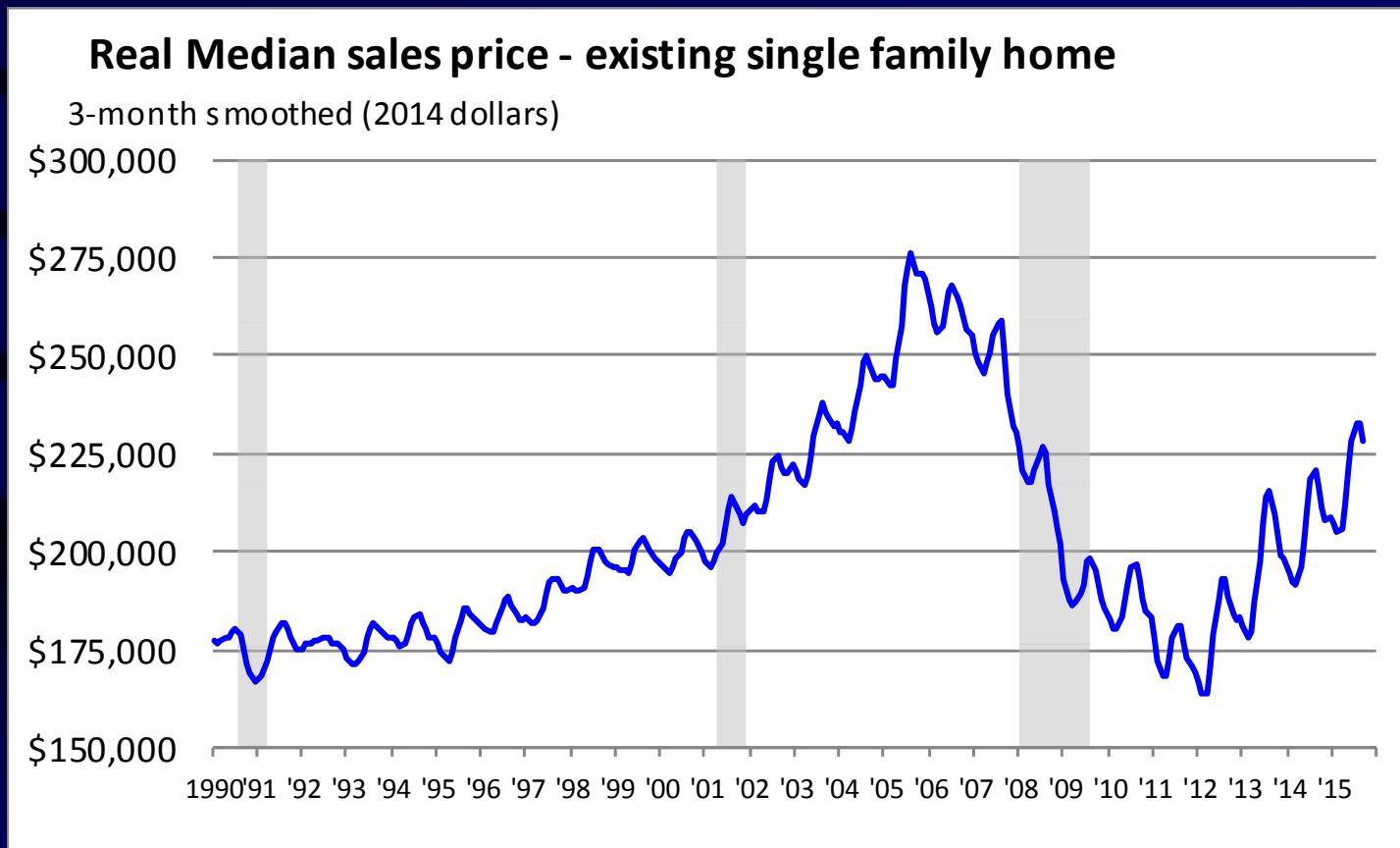
**However, new home sales have only been edging higher**



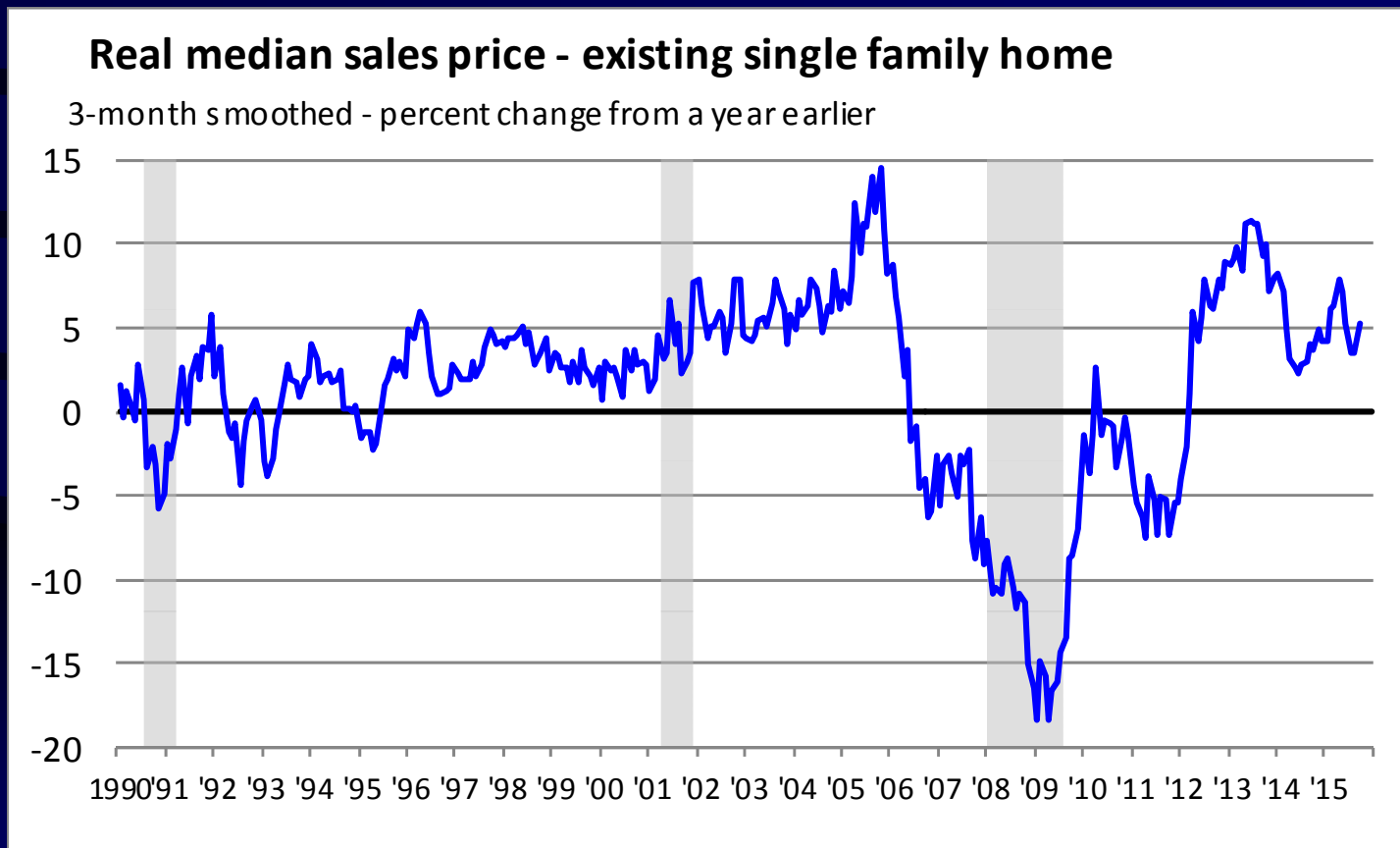
**Largely due to the reduction in the production of single family homes the supply has fallen from very high levels**



## Real home prices fell by over 40 percent



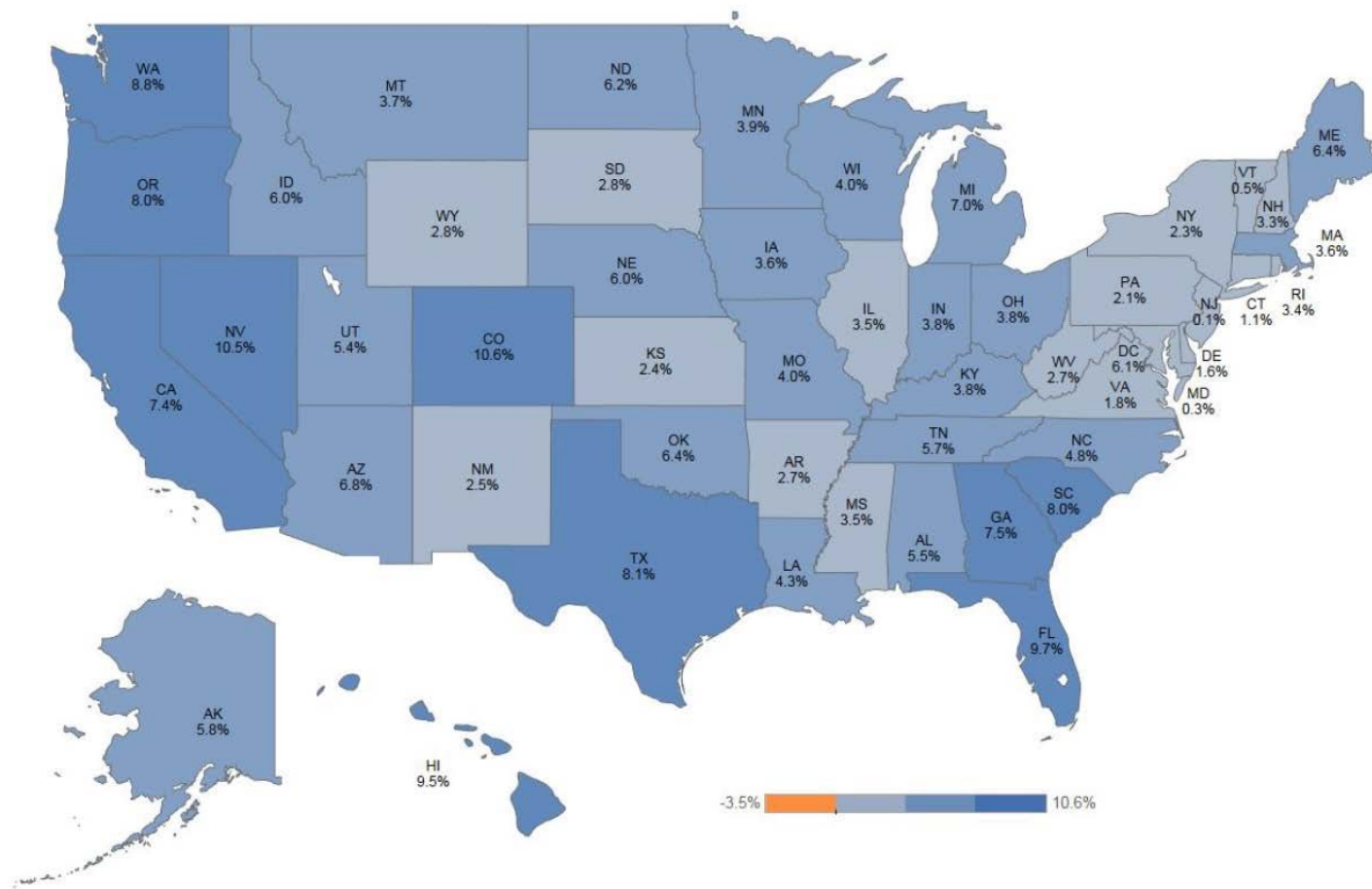
## Real home prices have been rising over the past couple of years



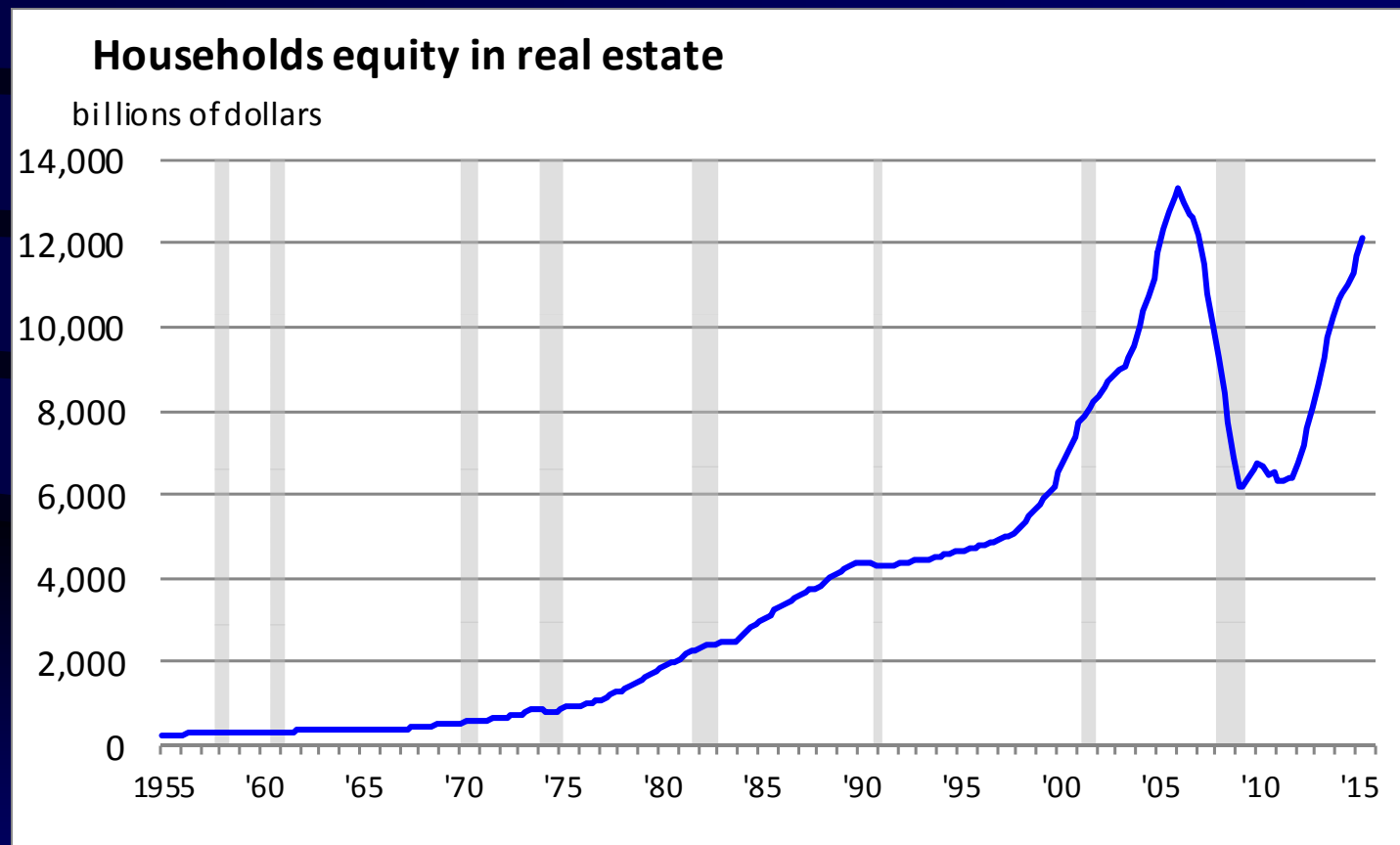
# In the second quarter, home prices rose by 5.4 percent from a year earlier

## Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

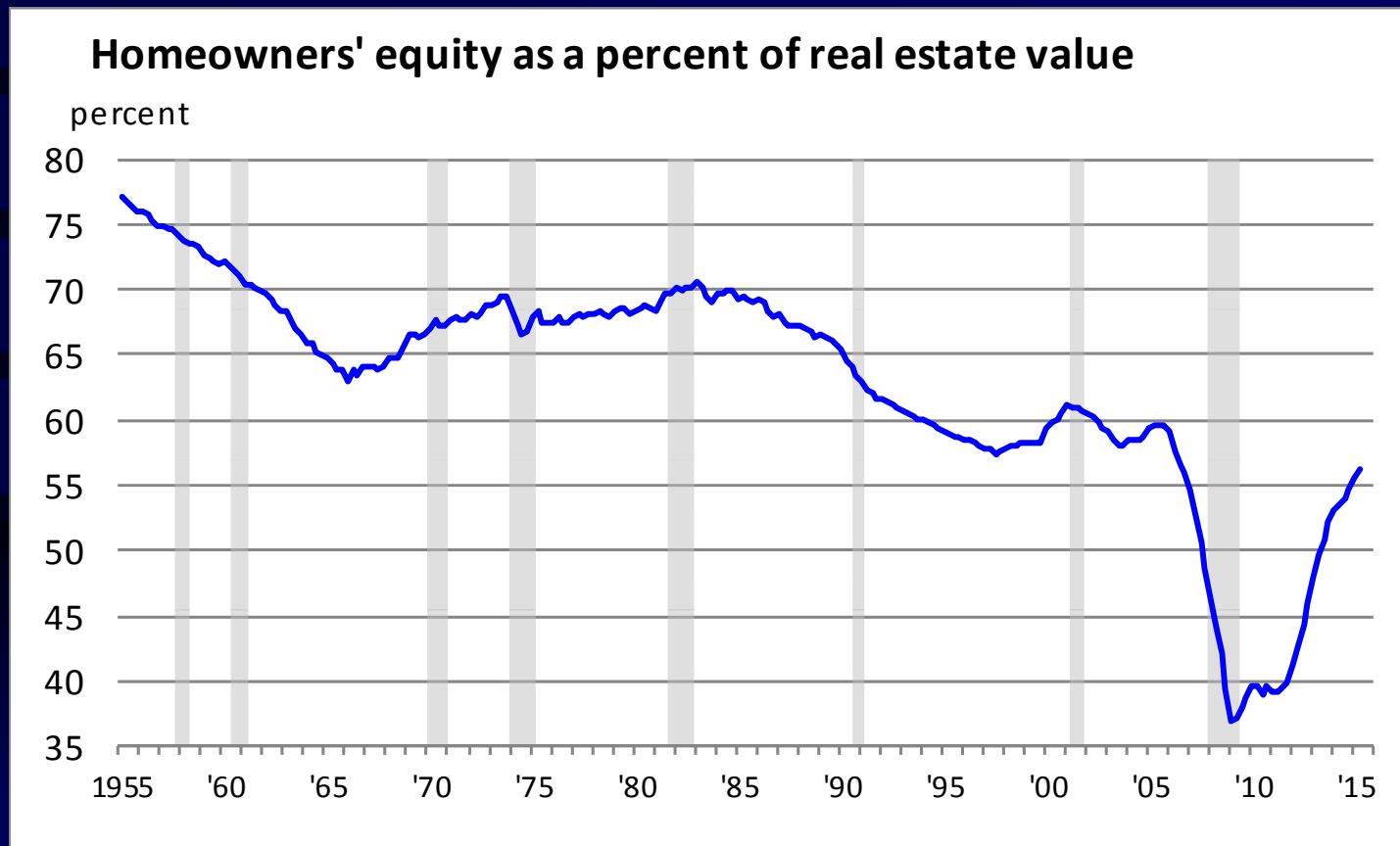
U.S. Four-Quarter Appreciation = 5.4% (2014Q2-2015Q2)



**The loss in homeowner equity was significant,  
but it has been recovering at a very decent pace**



**Equity as a share of value never rose during the housing bubble as homeowners borrowed heavily from their “gains”**

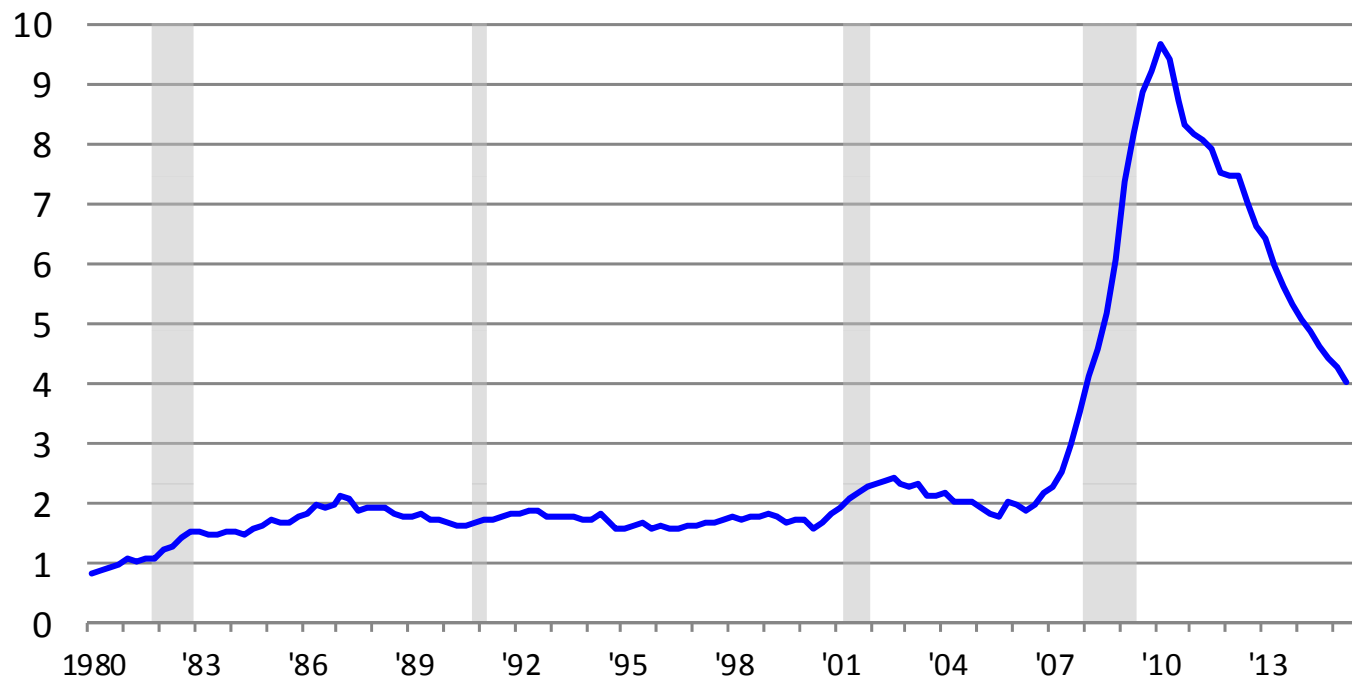




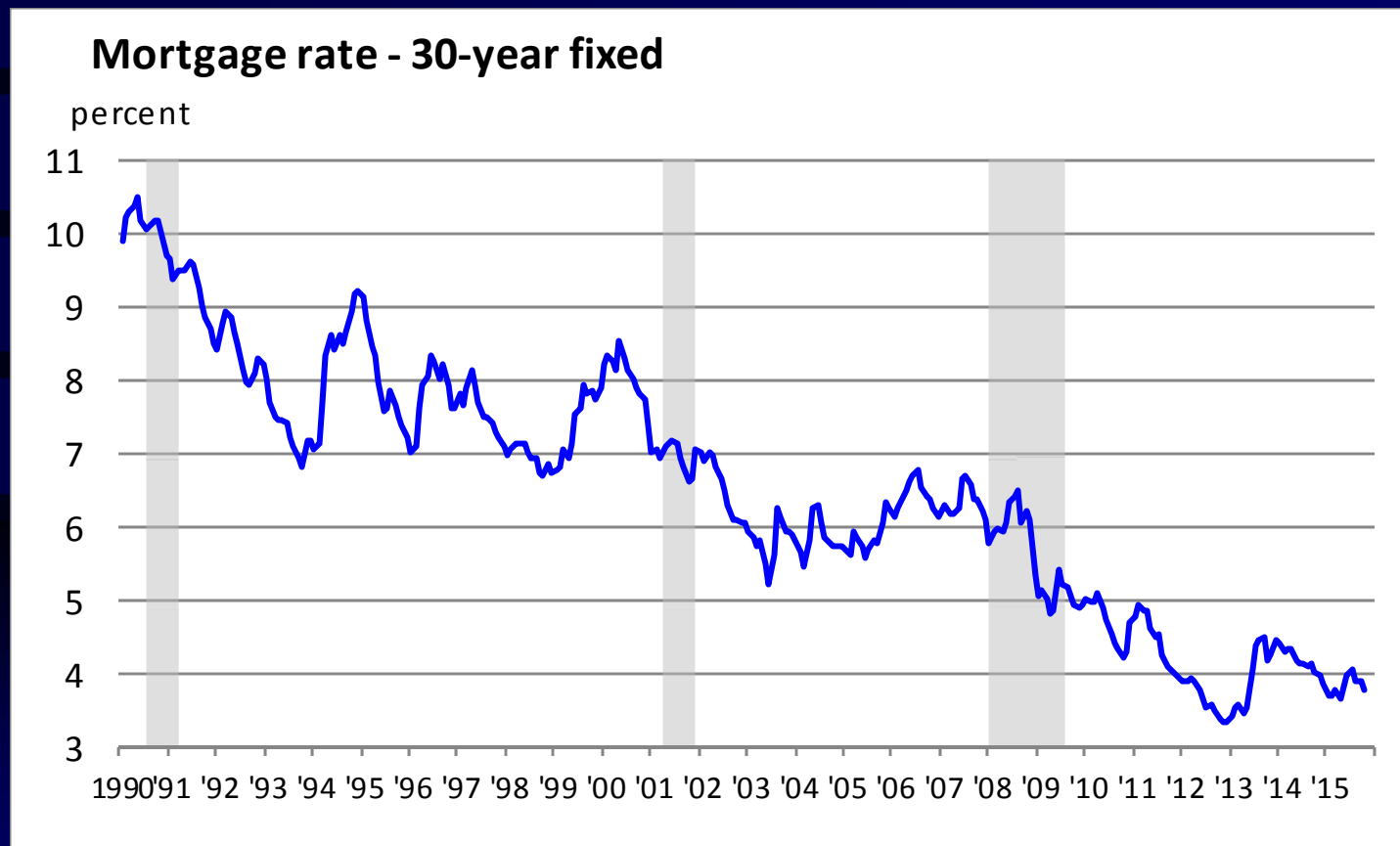
# Mortgage distress is moderating, but it still remains elevated

## Delinquencies on Mortgages

percent of loans 90 or more days past due or in foreclosure



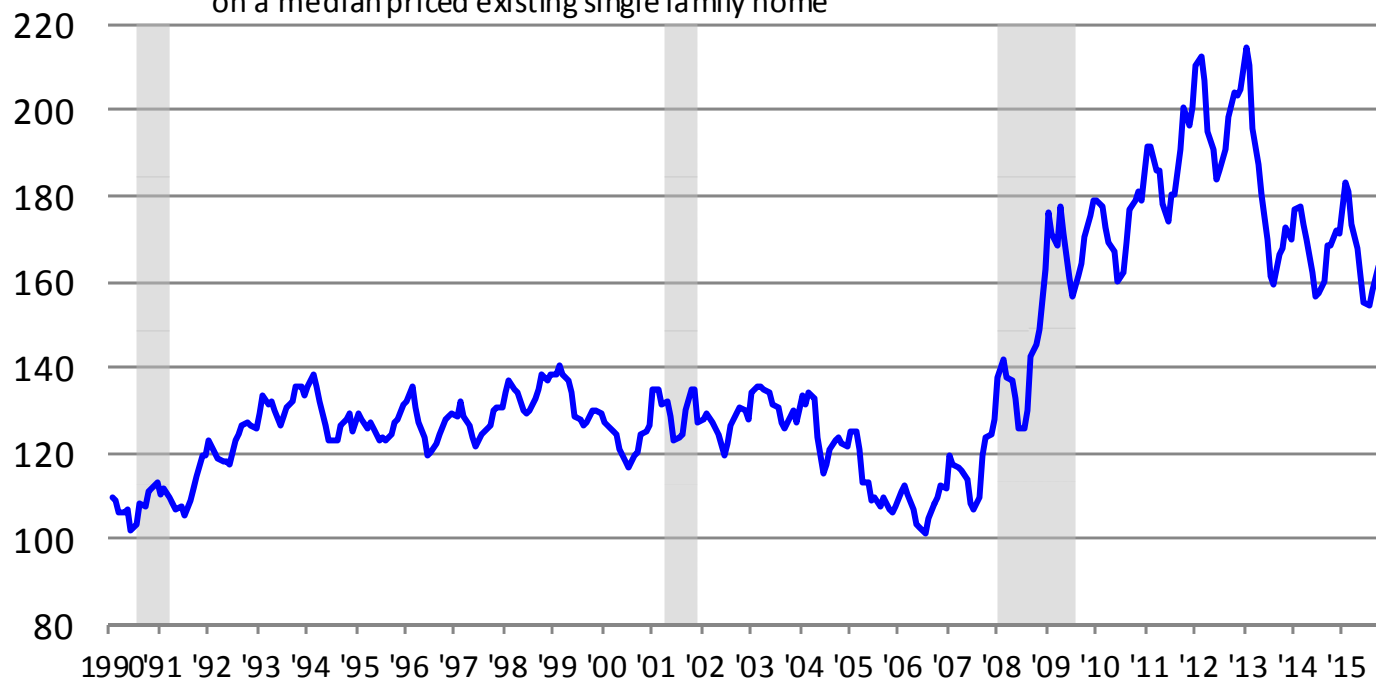
## Mortgage rates remain very low



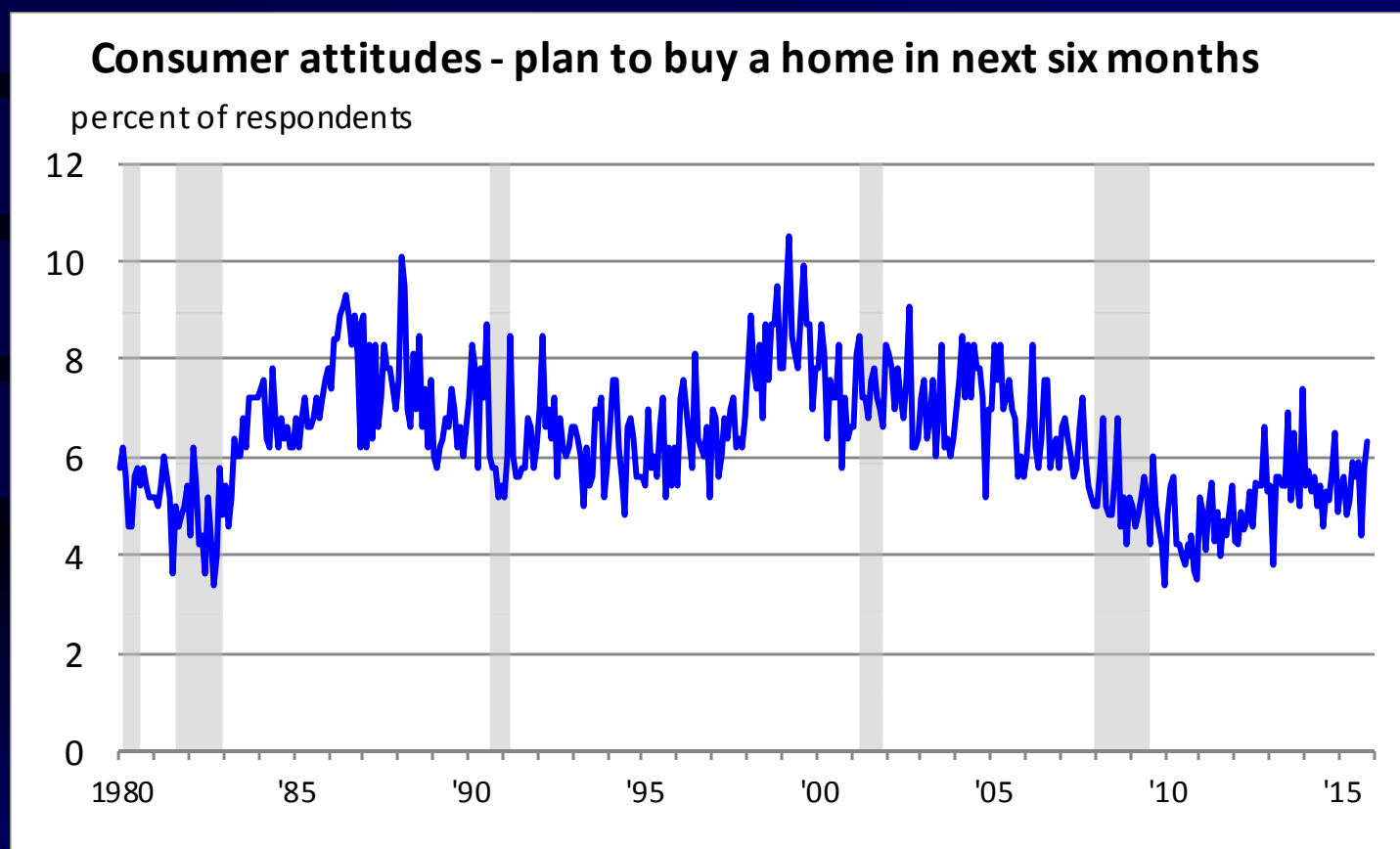
## Housing affordability remains strong

### Composite housing affordability index

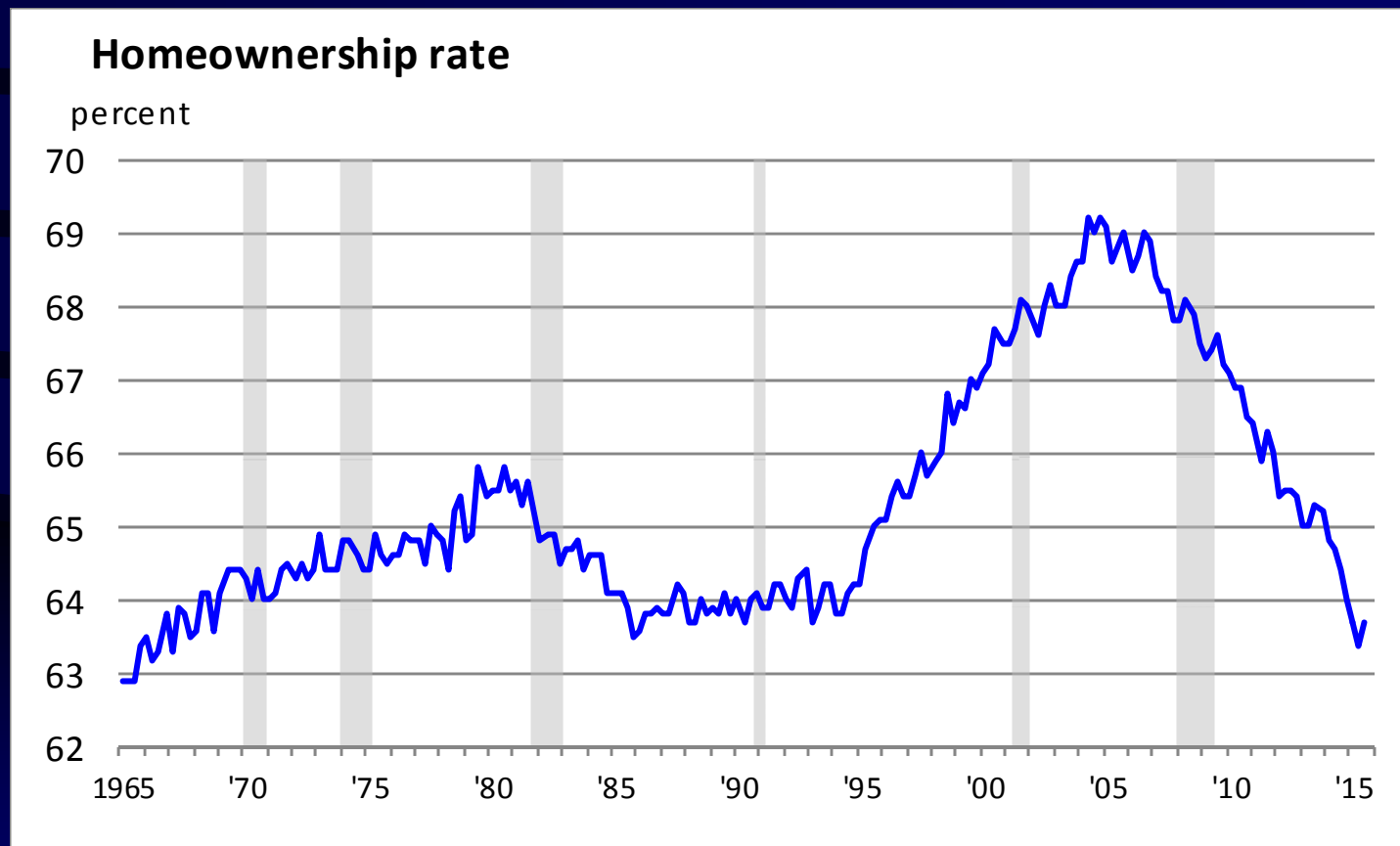
index=100 when median family income qualifies for an 80% mortgage  
on a median priced existing single family home



## Yet, consumer attitudes towards buying a home remains moderate



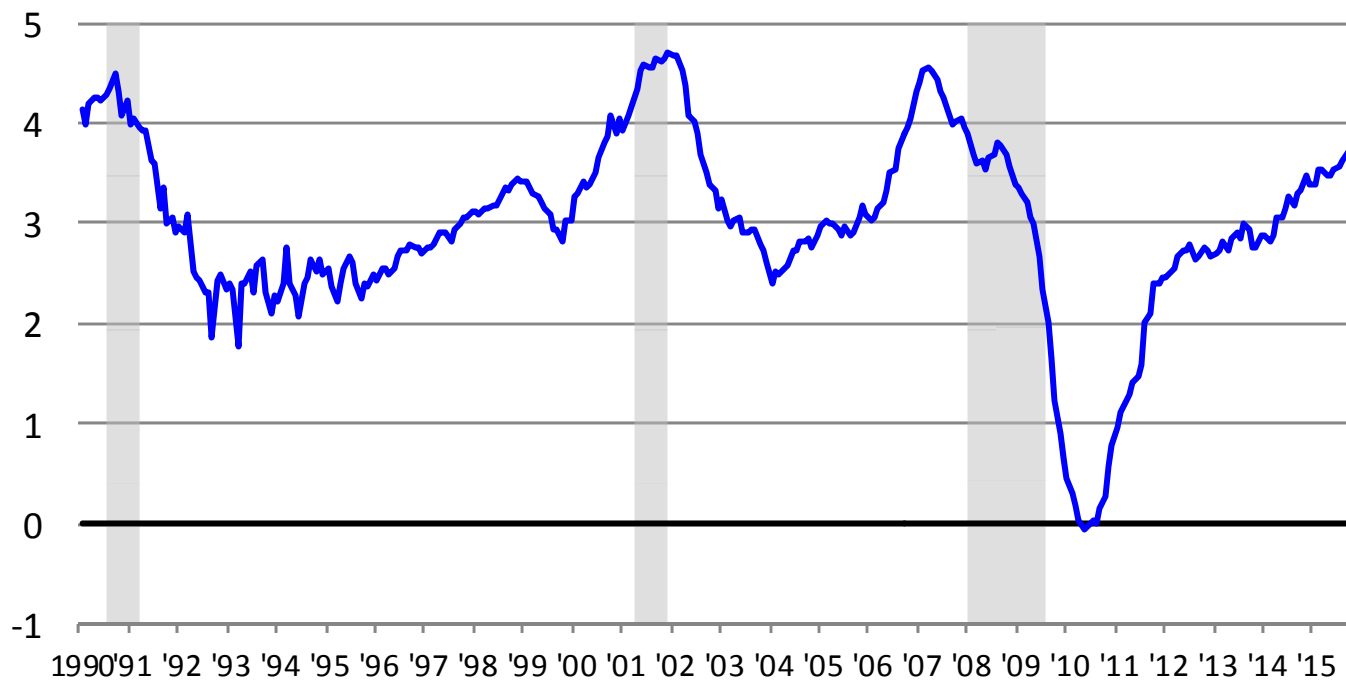
## Home ownership rates have been moving lower



## Rents have been rising

### CPI - Rent on primary residence

percent change from a year earlier

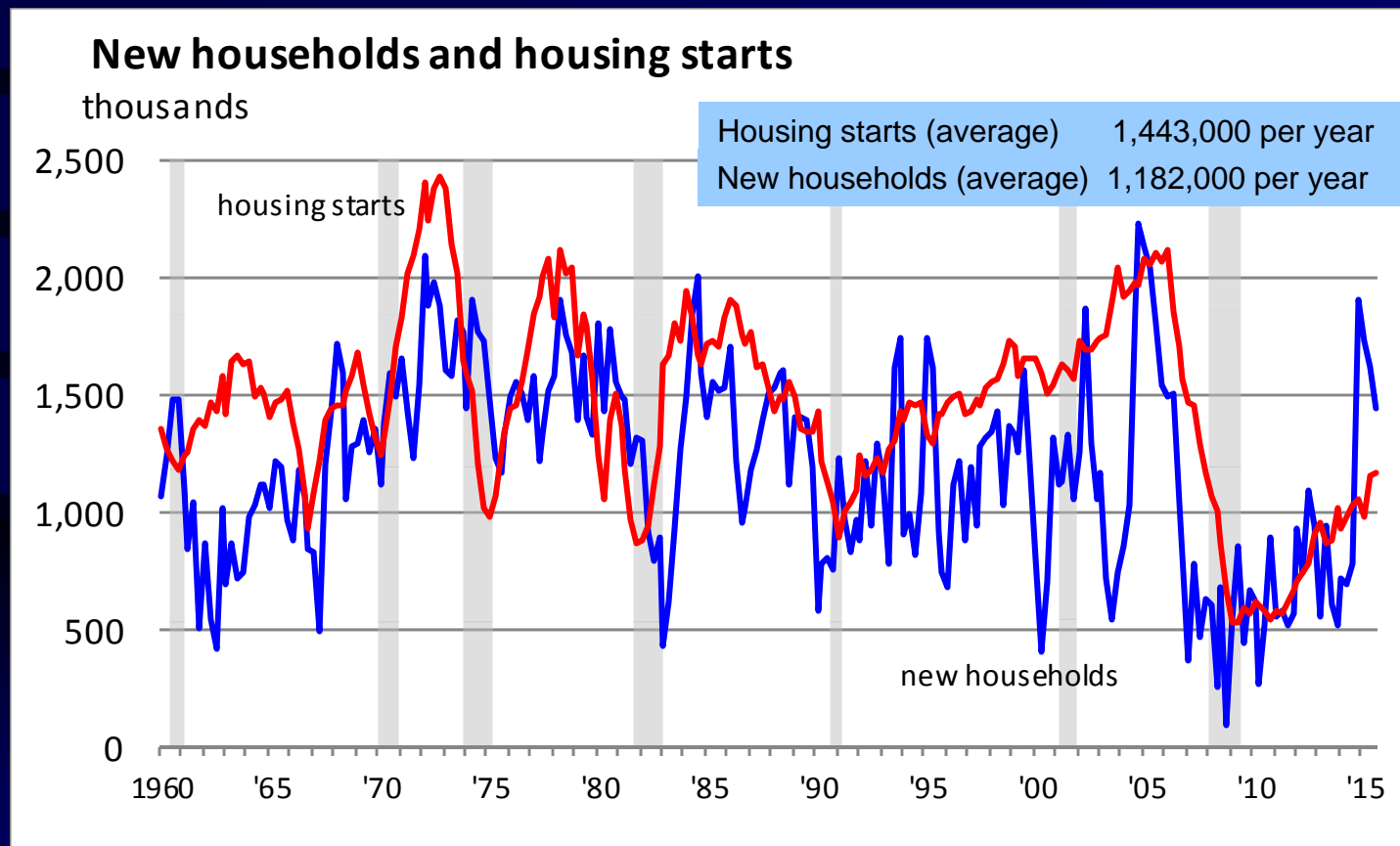


**Why do you build homes?**

**You build homes for people**

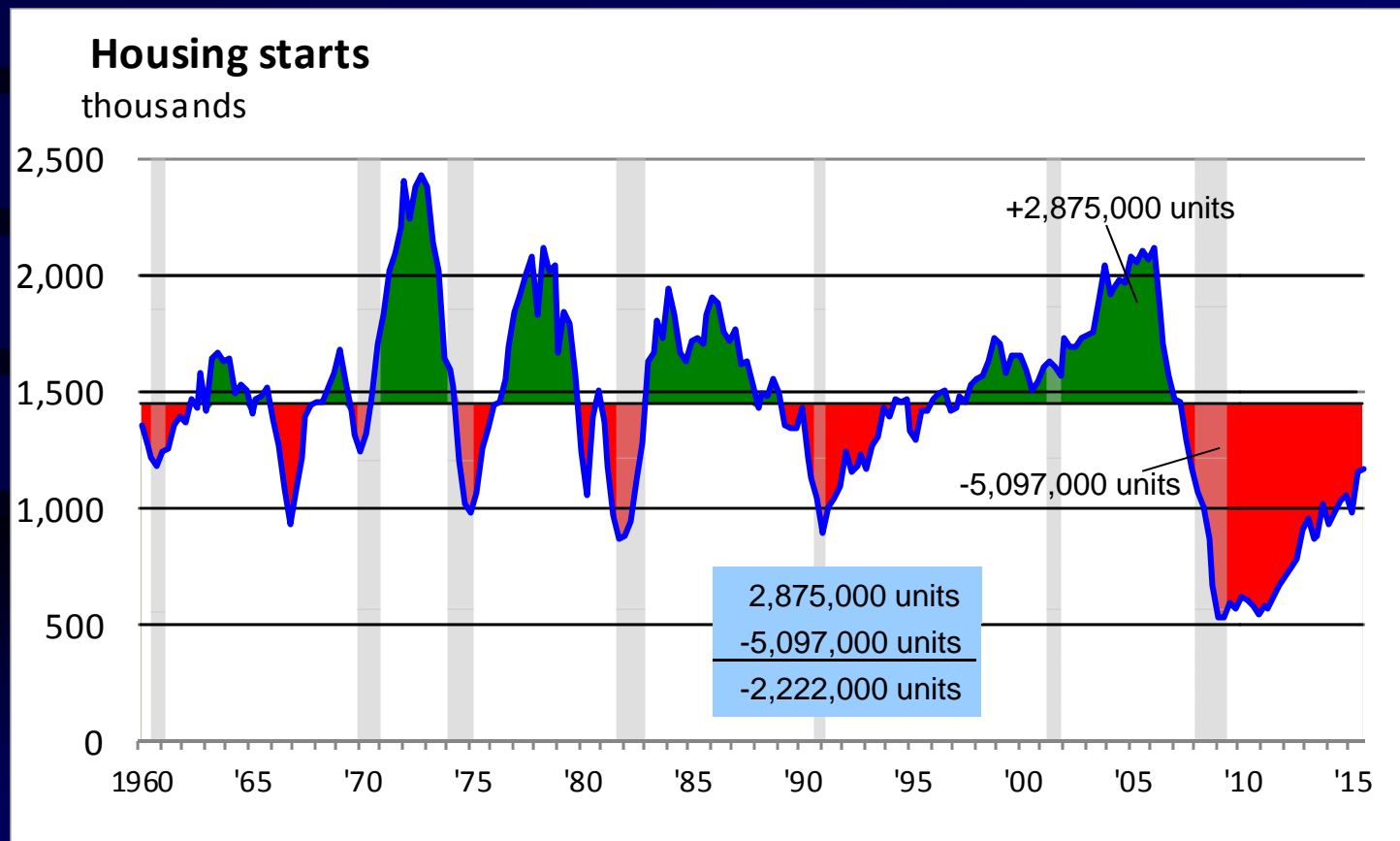


**There is a very close relationship between household formation and housing starts, but housing starts tend to be above household formation**

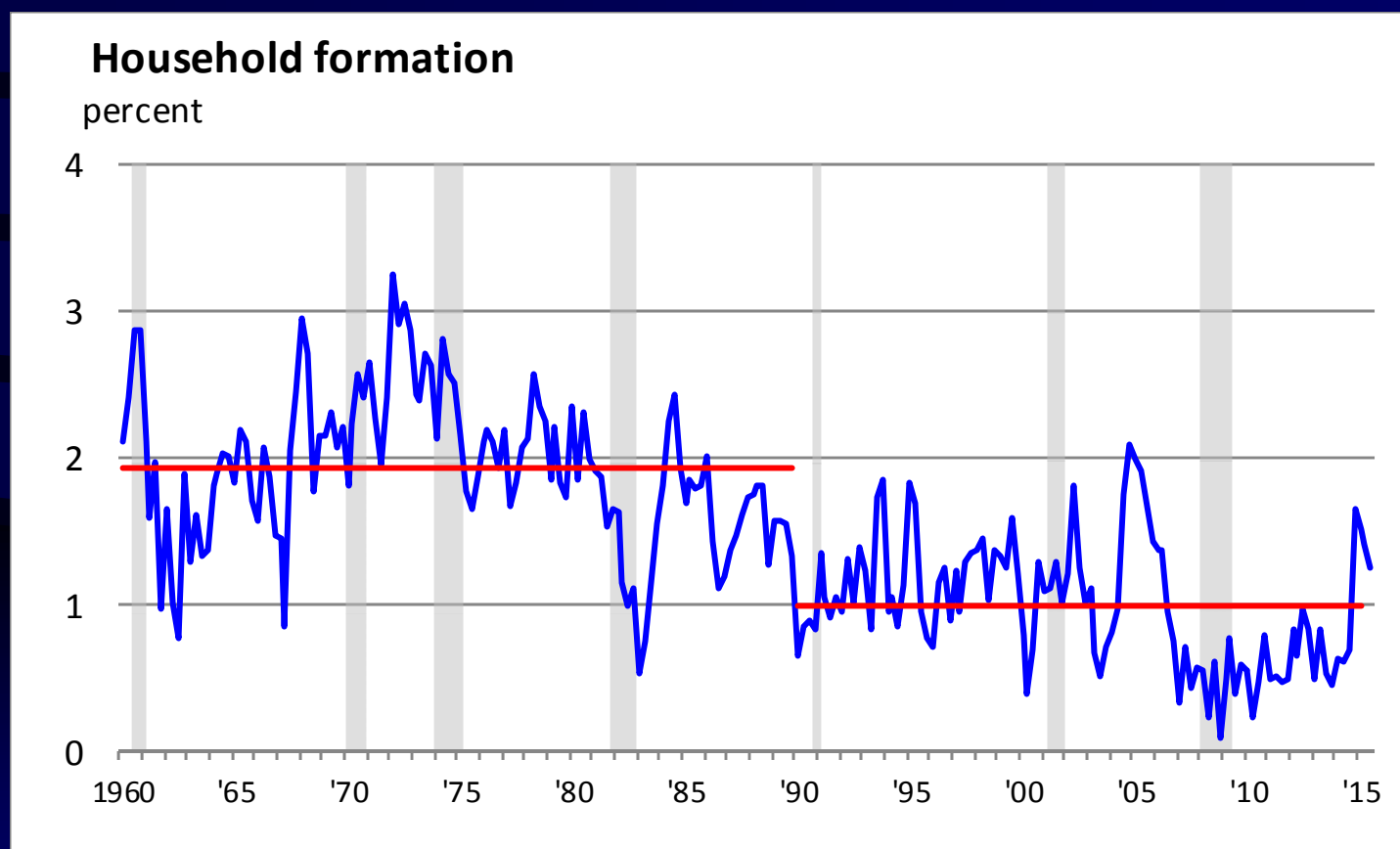




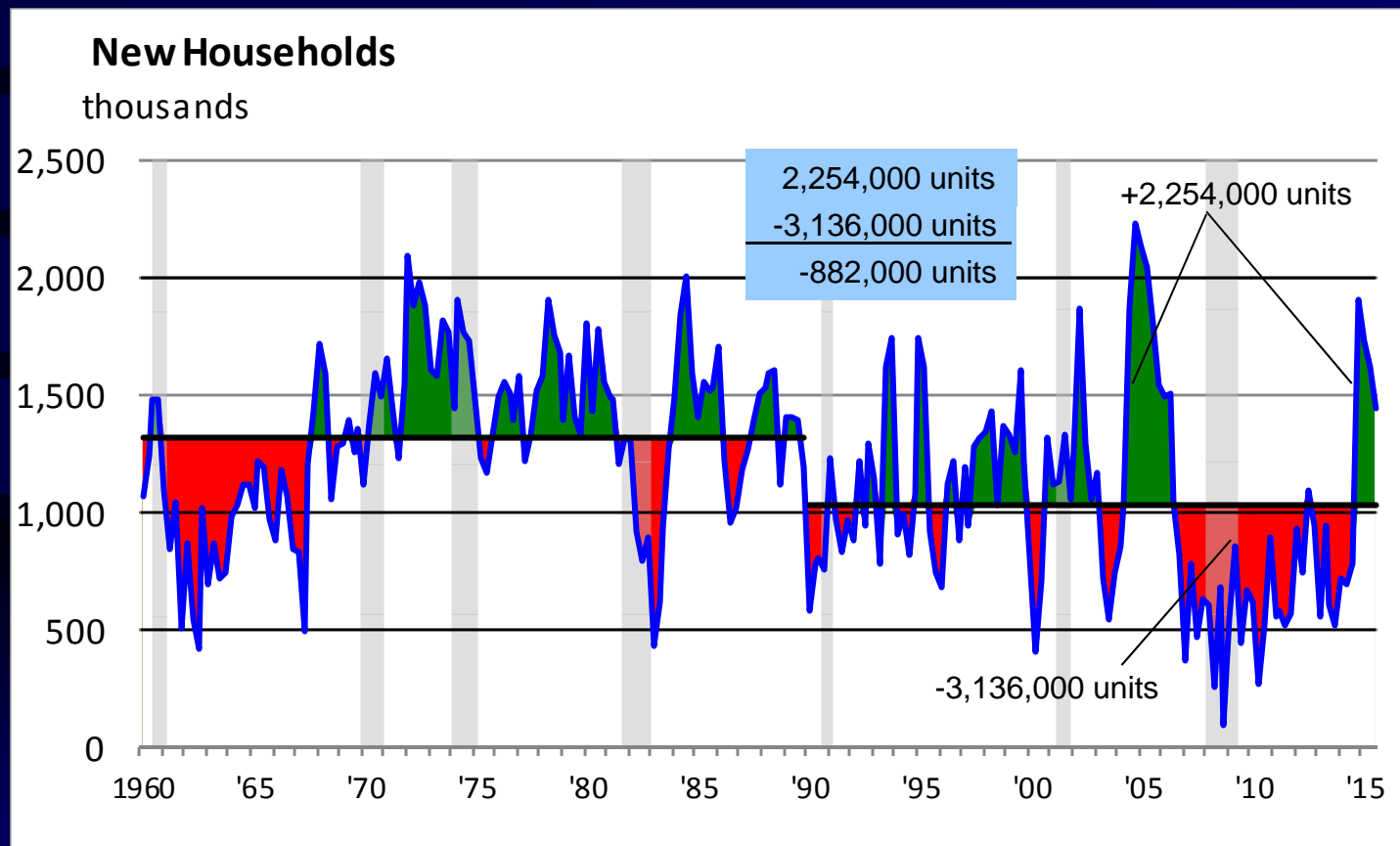
## The amount of excess housing units compared with trend has disappeared



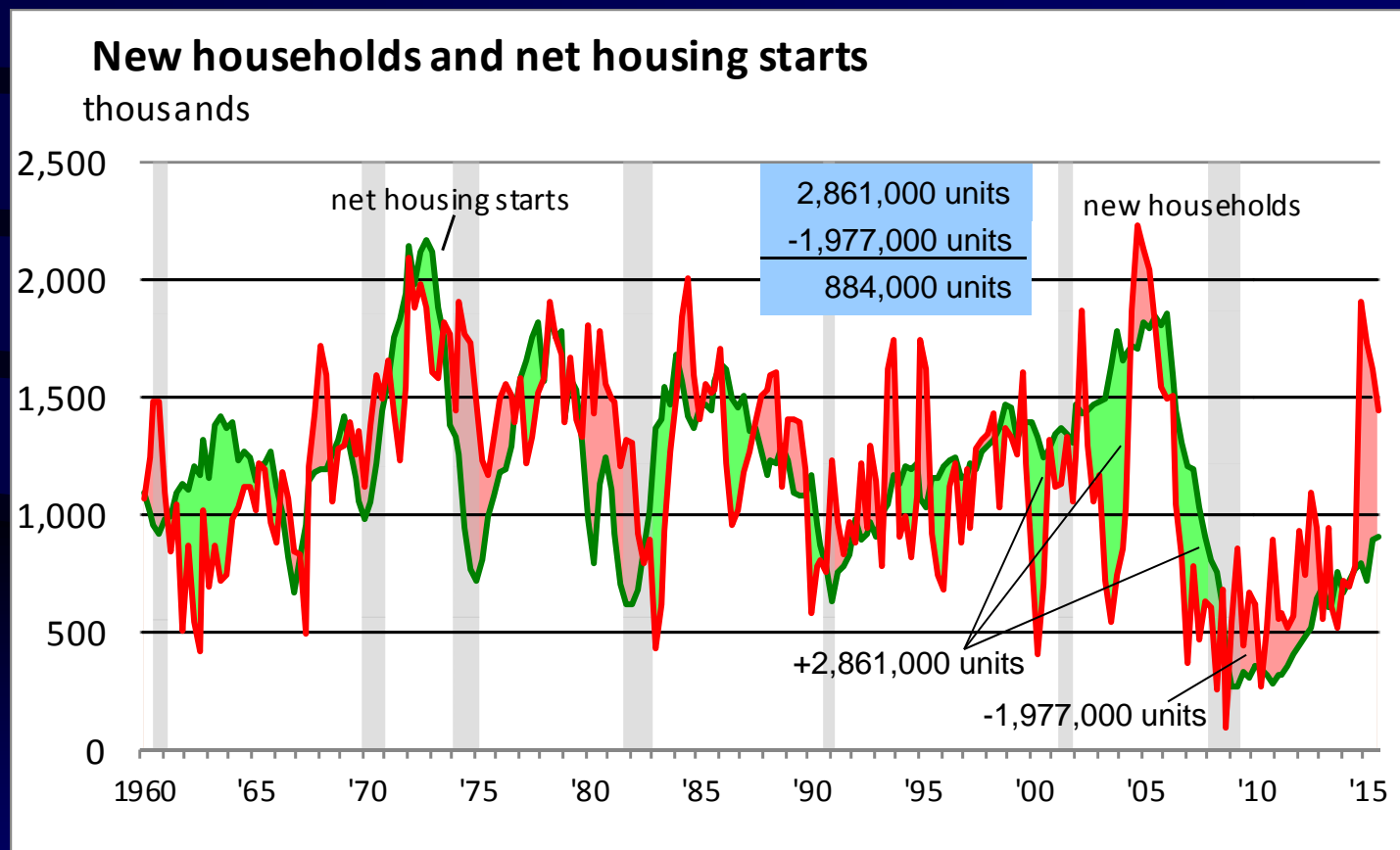
**Since 1990, household formation growth  
has averaged one percent**



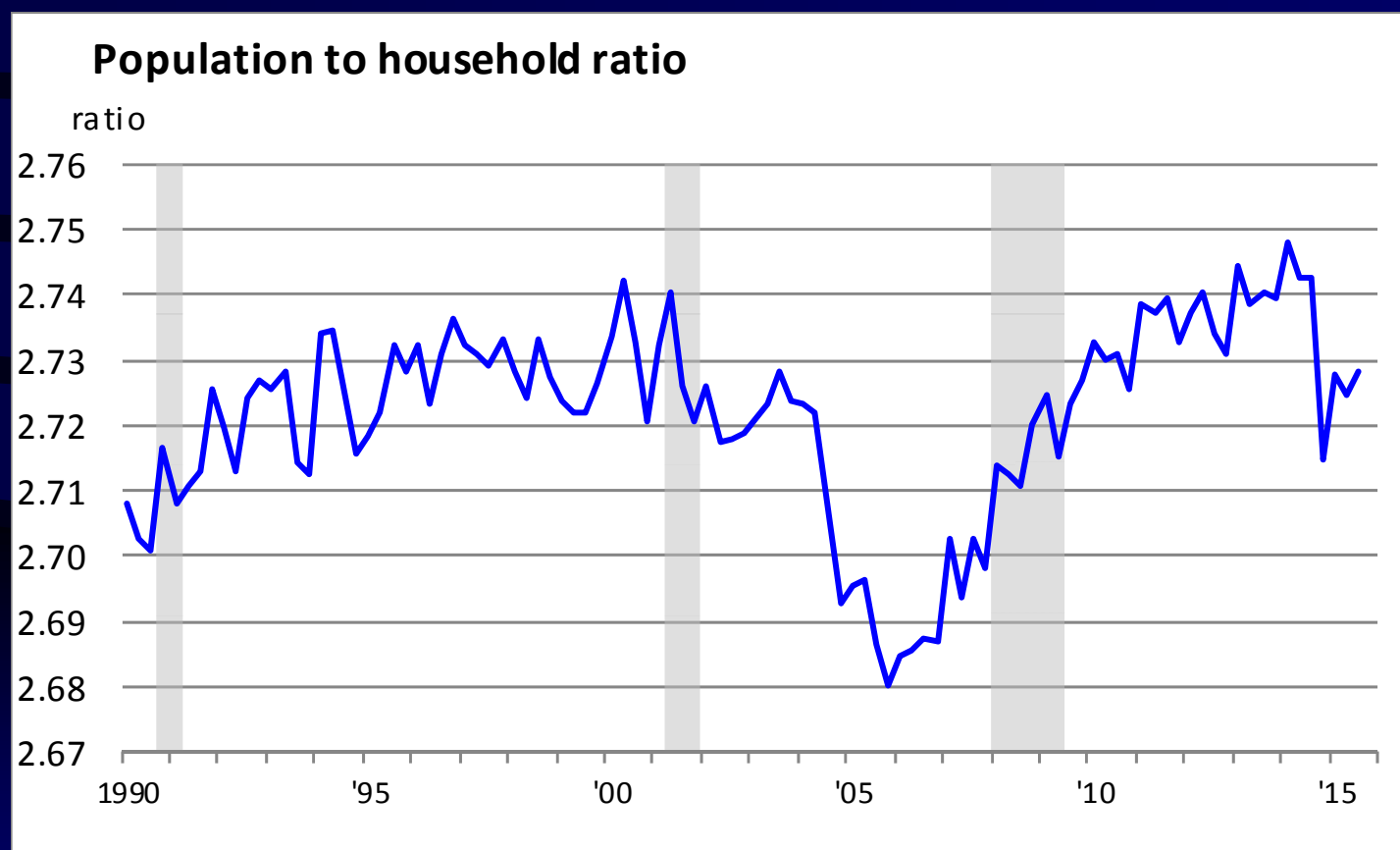
## Household formation remains below its long-run average



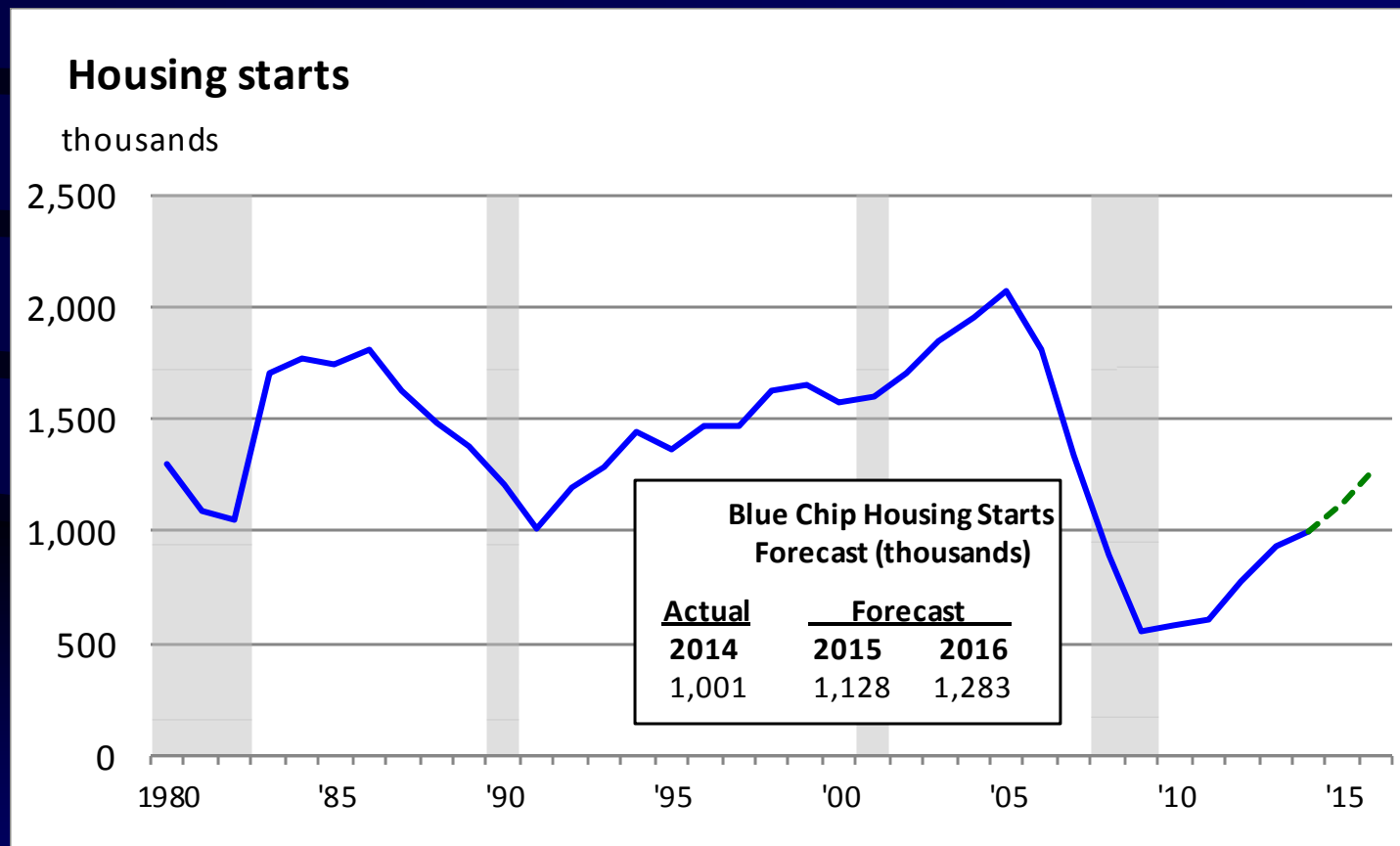
**Looking at the relationship between housing starts and household formation shows a large excess amount of inventory on the market, although it has begun to fall**



**The population to household ratio had been increasing up until the past year**



## The forecast calls for a very gradual recovery in housing



# Summary

- The housing market is improving at a moderate pace
- Low household formation had been restraining absorption of excess housing inventory
- Homeownership may be impacted by a changing view on the benefits of homeownership
- An improving labor market and economy will be a positive for housing over the next several years
- We may be just a couple of years away from having a normalized housing market



