

Top Market Themes Q2 2021

Market Research and Insights

July 2021

Overview



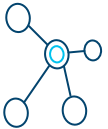
COVID-19 & Recovery



Recent Migration Trends



Housing Affordability Concerns



Current Recovery Better Than During the Great Recession



Strong Housing Demand but Early Signs of Softening



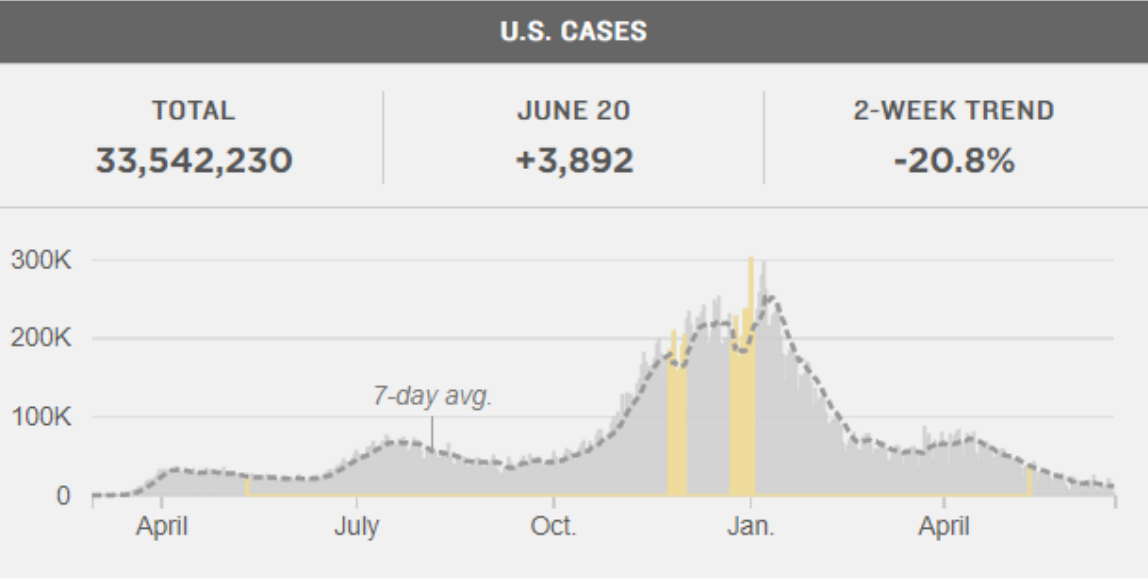
Forbearance Trends Continue to Improve

COVID-19 and Recovery



COVID Cases at the Lowest Level, but Growing in Certain Regions

Overall, COVID-19 cases the lowest we have seen since last April

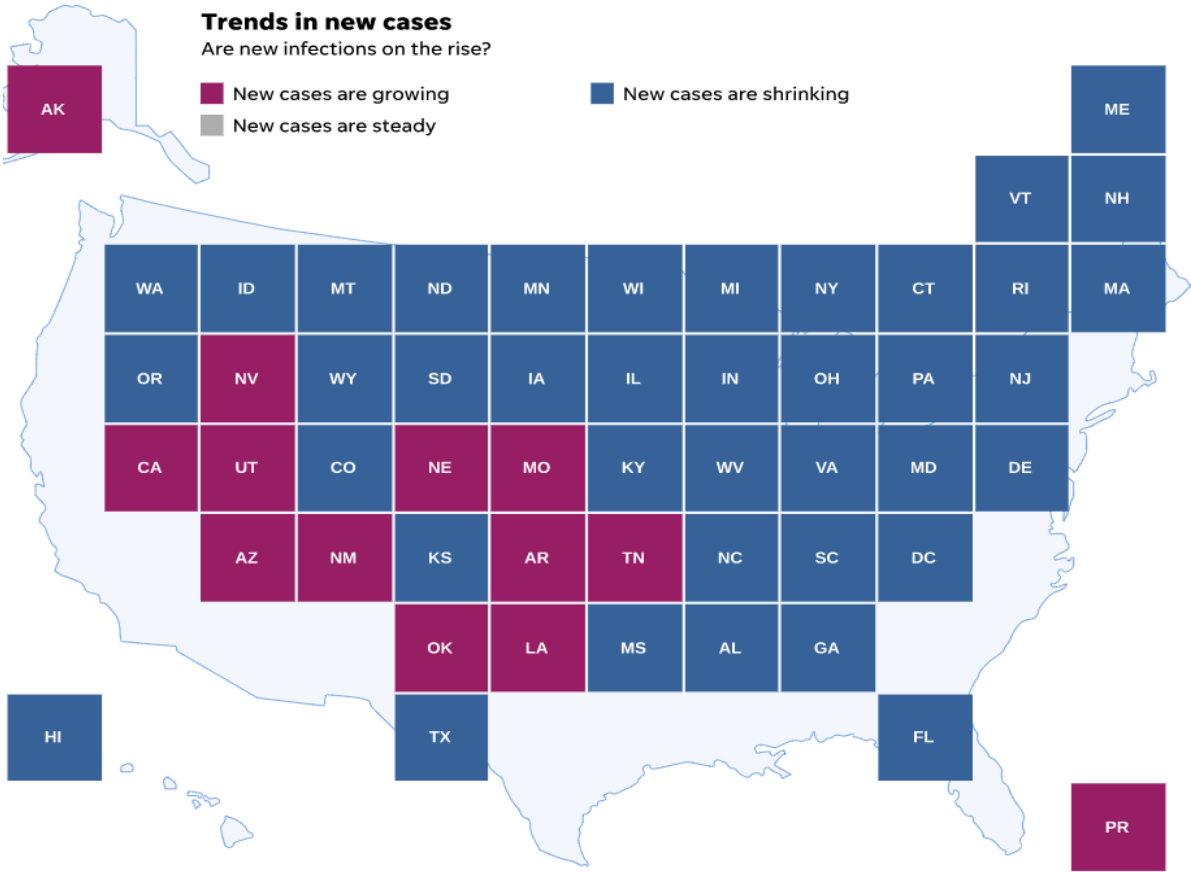


■ Data irregularity: In late November, some data reporting was delayed due to the Thanksgiving holiday. Similar delays occurred around the Christmas and New Year's holidays. On Feb. 11, Ohio began adding a backlog of previously unreported deaths. On Feb. 19, Iowa changed its reporting methodology, which caused an artificial spike in its case numbers. On Feb. 28, Arkansas added a backlog of 2,932 previously unreported deaths that occurred before Feb. 14. The daily change numbers shown are one-day changes, not averages. The 2-week trend refers to the percent change in the 7-day average between yesterday and 2 weeks prior.

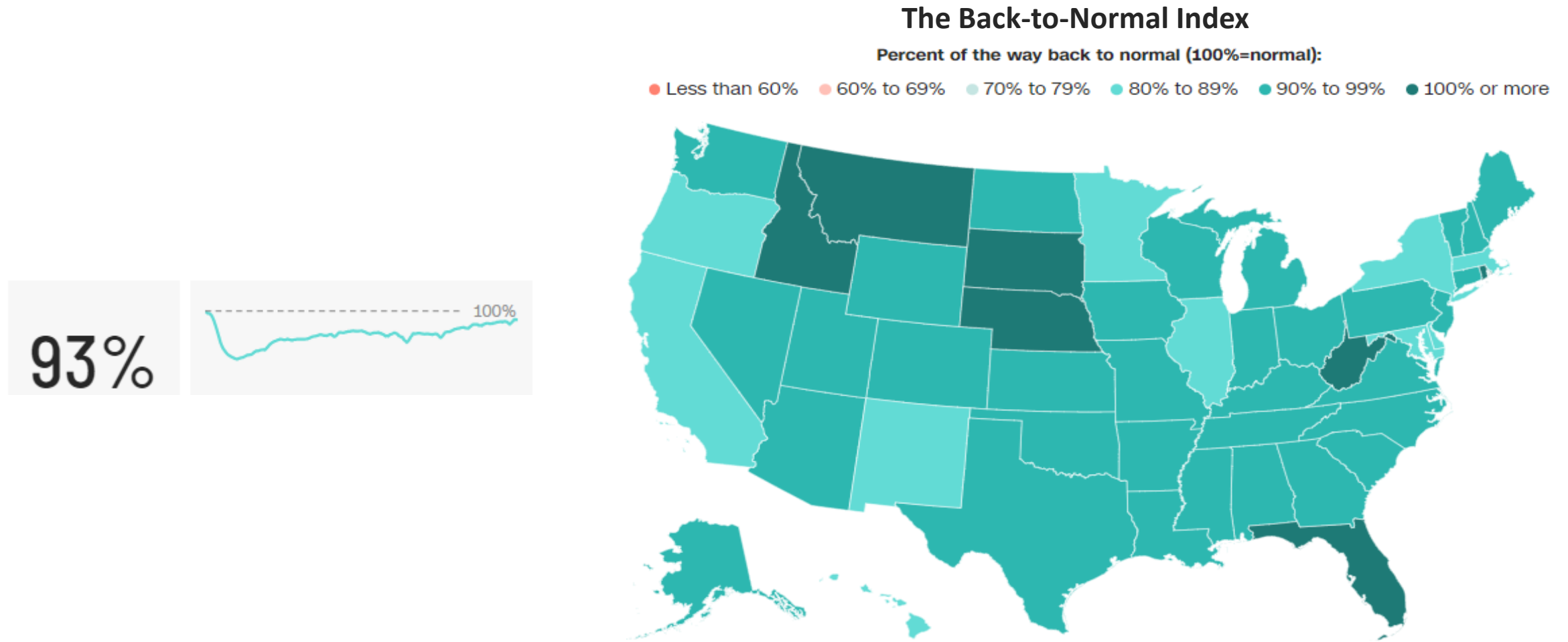
Source: Center for Systems Science and Engineering at Johns Hopkins University

Source: NPR; NYT

Are new infections on the rise?



The Economy in the United States Is Operating at 93% of Where It Was in Early March of 2020



Source: CNN & Moody's
Data as of Jun 20, 2021

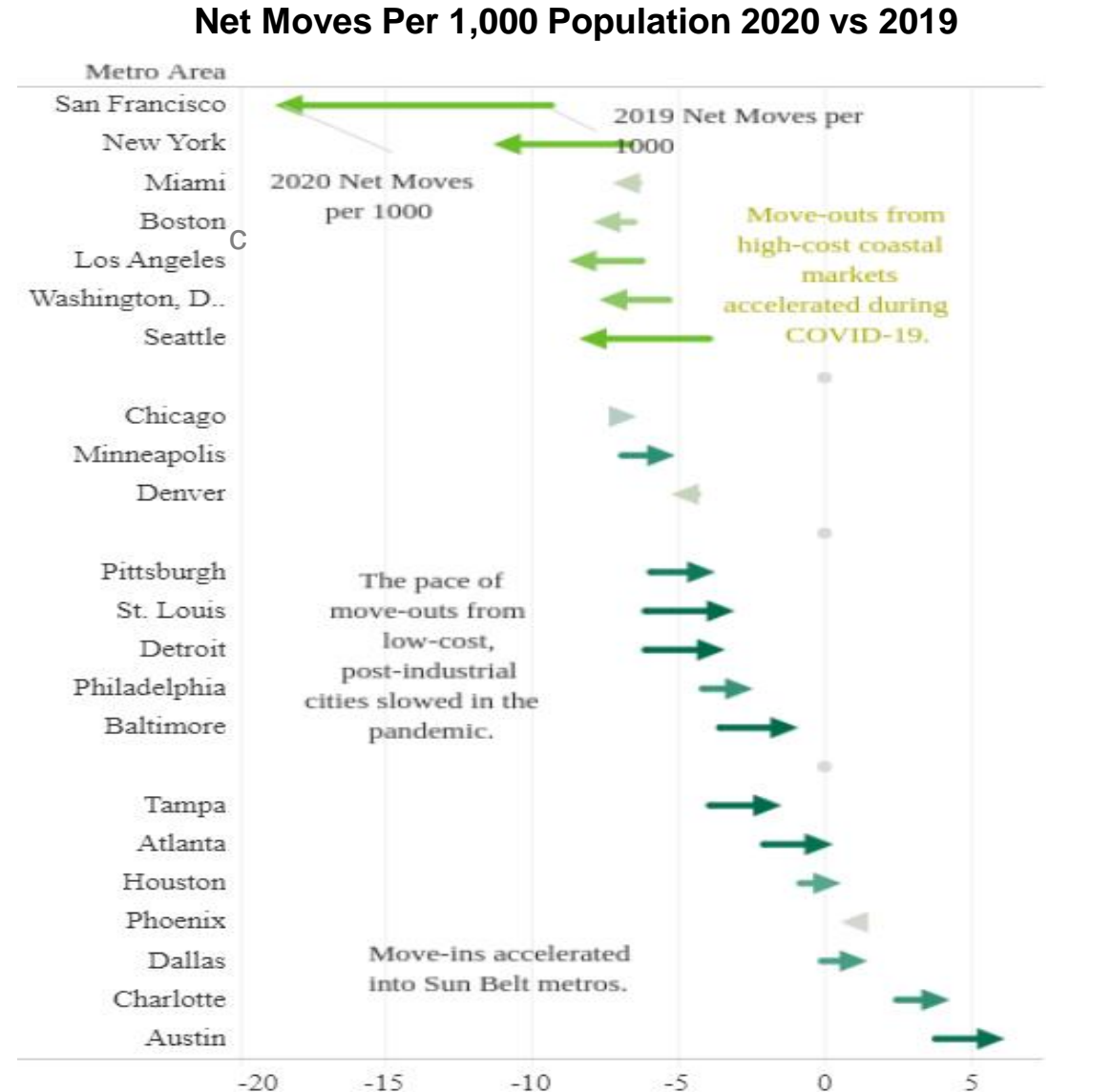
Recent Migration Patterns

The background of the slide features a large, light gray arrow pointing diagonally upwards from the bottom left towards the top right. The arrow is composed of two main triangular sections meeting at a point on the right side. The overall color scheme is minimalist, using shades of gray on a white background.

The Pandemic Accelerated Long-Standing Migration Trends in Coastal Markets, but Slowed the Outflow from Low-Cost Regions

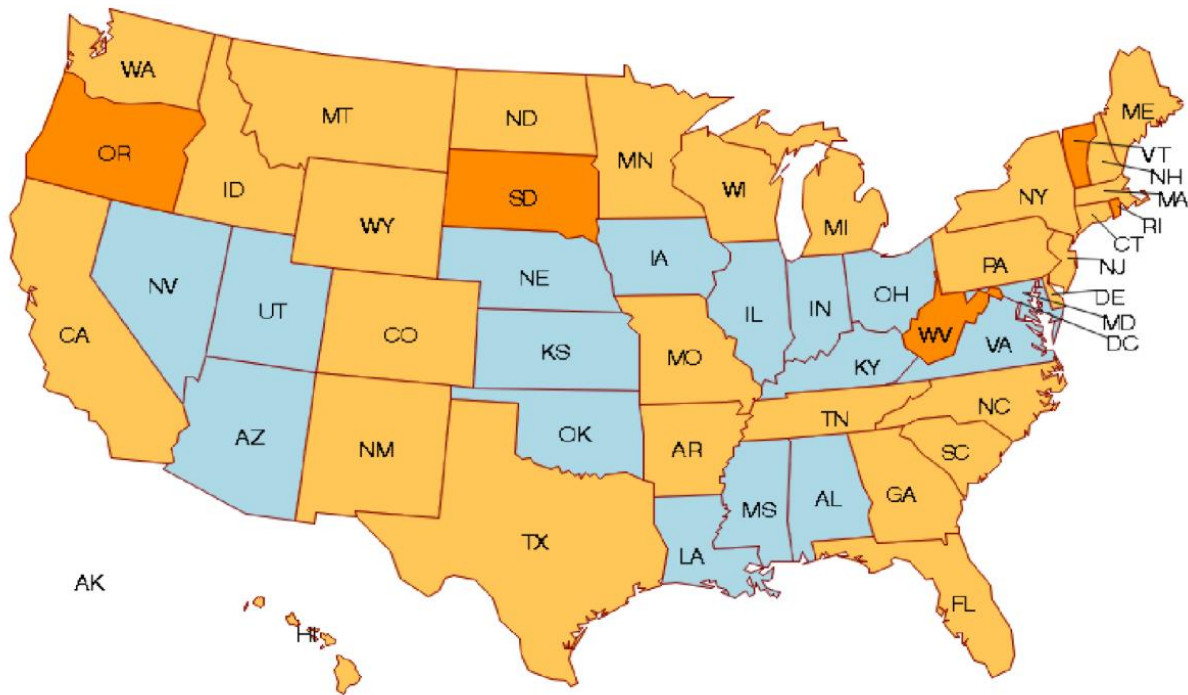
- Move outs from dense high-cost urban metros accelerated
- The outflow is likely to subside as a sizable share of remote workers plan to come back into the office.
- Move-ins accelerated into affordable Sun-Belt metros.

Source: CBRE



Consumers Reconsidering Benefits of Urban vs Suburban Living

Percent of Realtors Respondents Who Reported Higher Share of City Buyers Purchasing in Suburbs



Percent of REALTORS® Respondents Who Reported Higher Share of City Buyers Purchasing in Suburbs

≤25% >25% to 50% >50% to 75%

Yearly Net Moves by Neighborhood Type

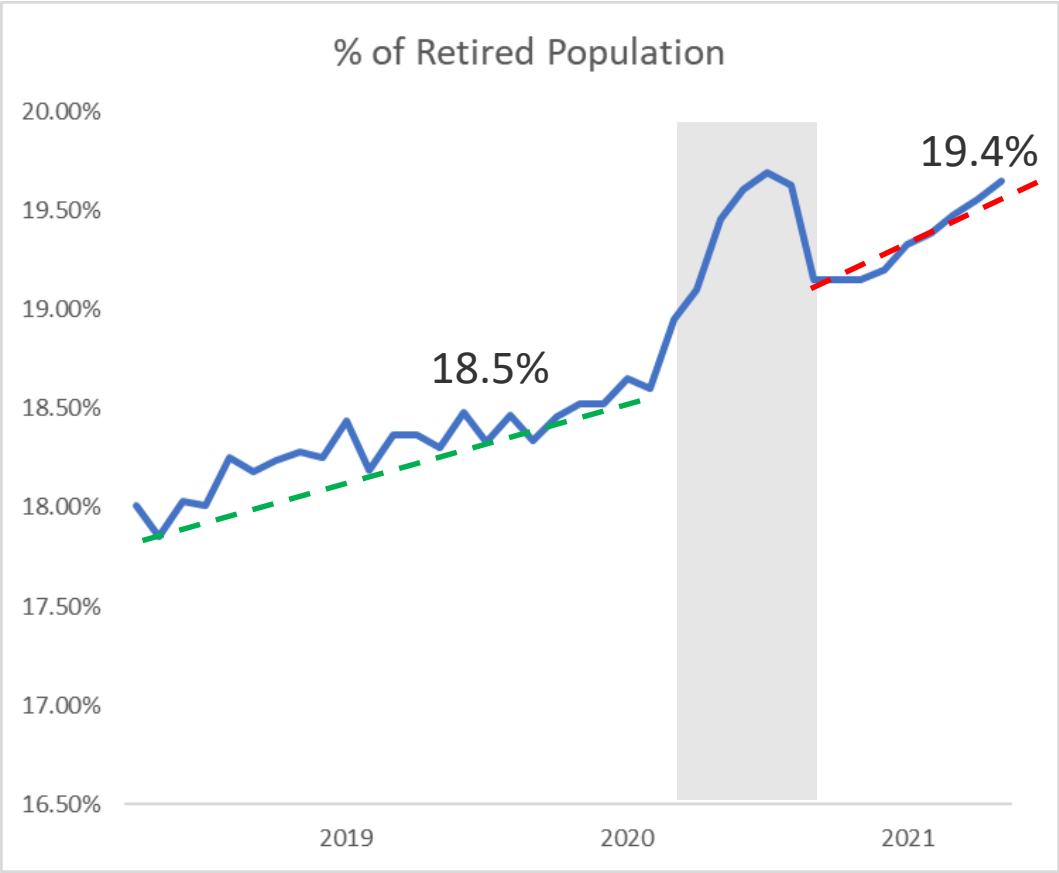
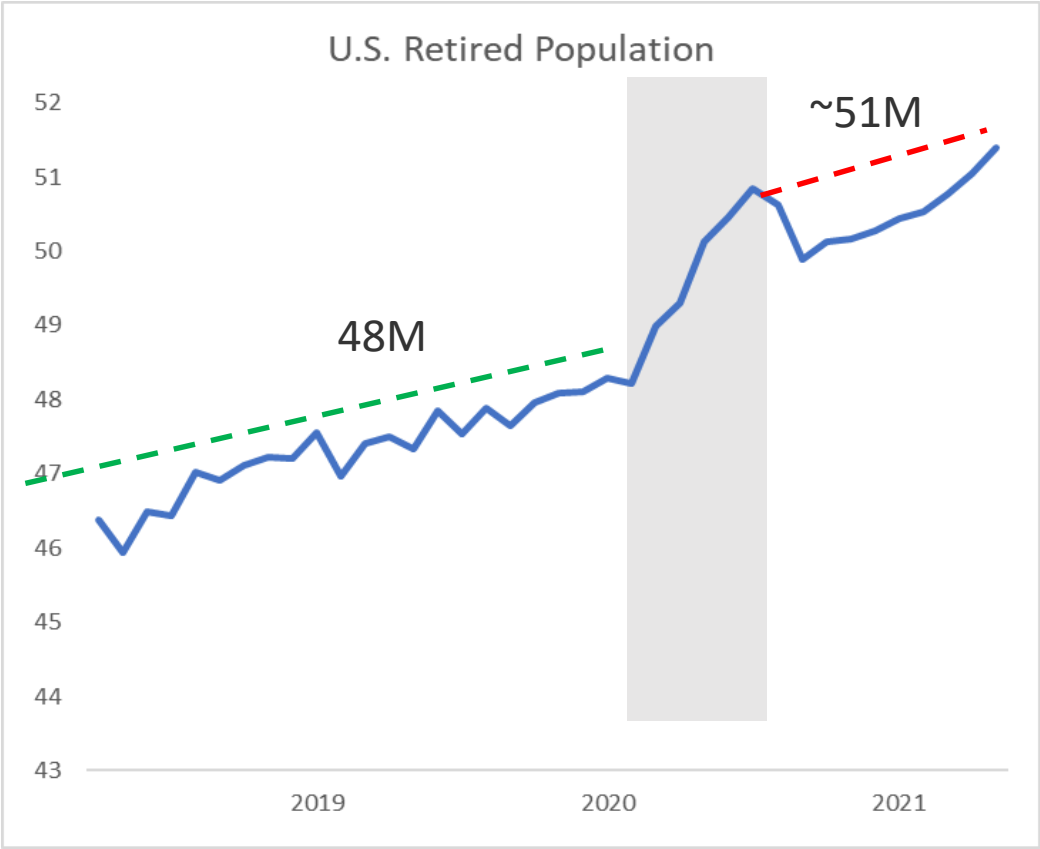


For new constructions, 70% of 2021 “best selling communities” are 30+ miles from Downtown vs. 30% Pre-COVID

Source: NAR, CBRE & Freddie Mac



COVID-19 Accelerates Early Retirement. Will They Be Moving?



Source: IPUMS CPS
Note: Shading represents start date for recession: end date is a FRE estimate



Housing Affordability Concerns

Inventory Shortage Continue to Constrain Affordability

Payment to Income Ratio vs Mortgage Rate



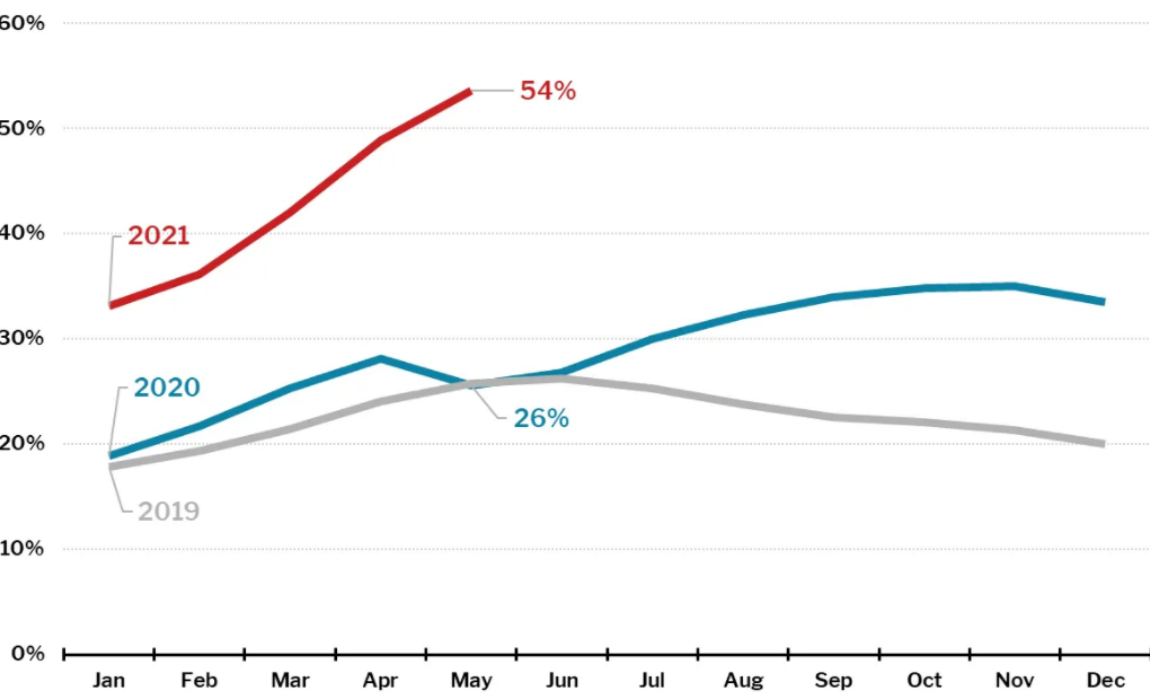
Source: Black Knight, Freddie Mac



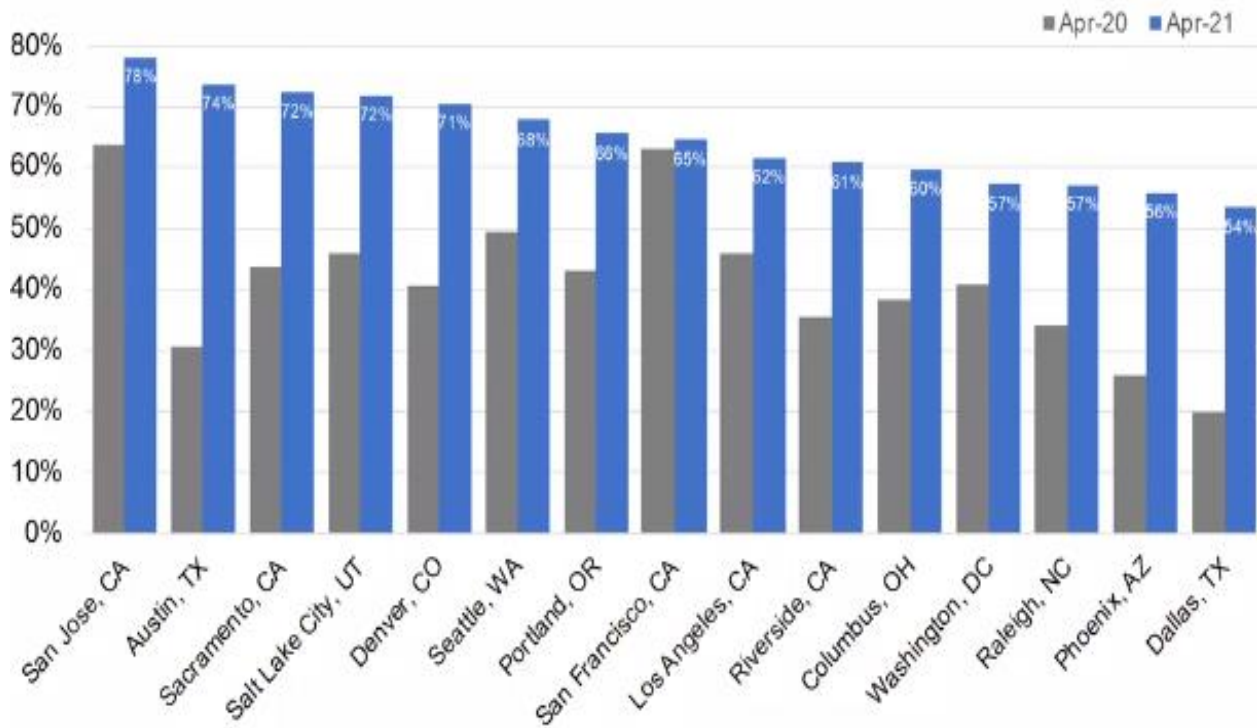
Nationwide 54% of Homes Sold Above List Price

Supply shortages are driving up home prices across the nation, further pressuring affordability

Four-week Average Share of Homes Sold Above List Price by Year



Markets with Highest % Selling Above List Price

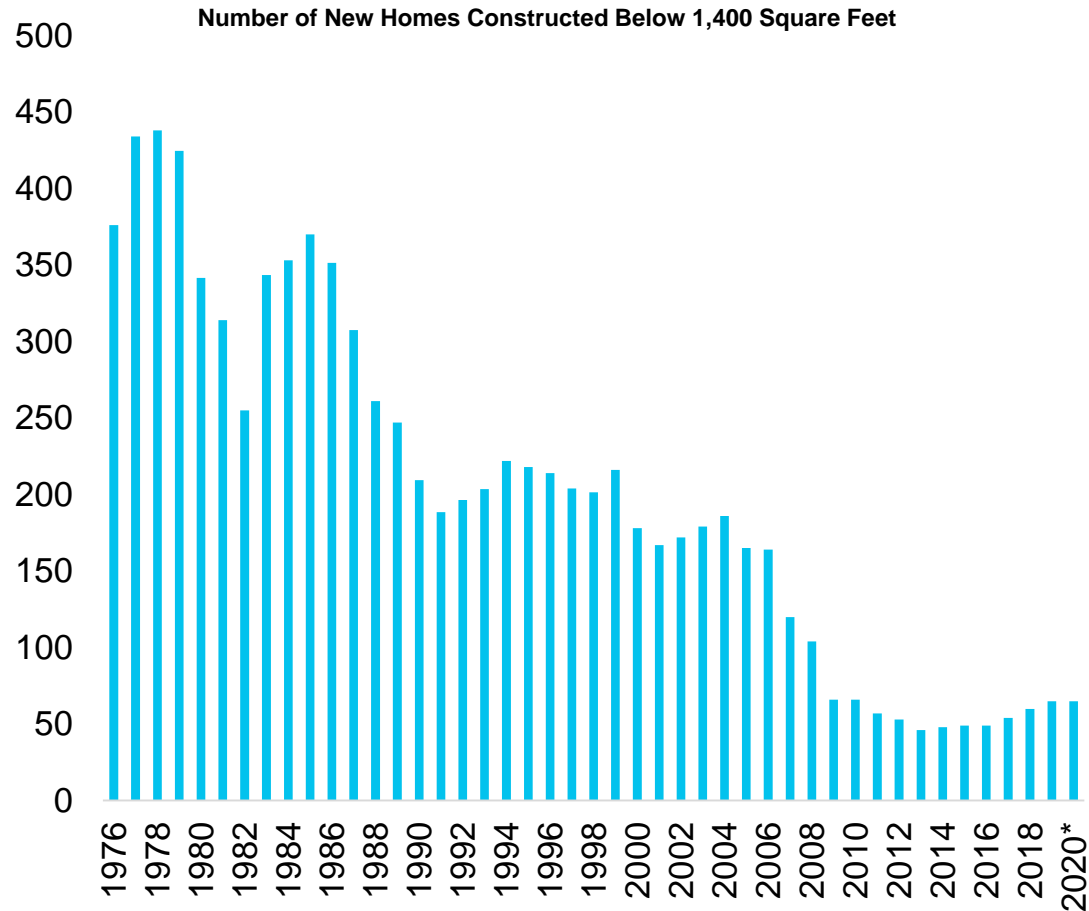


Source: Redfin, MLS



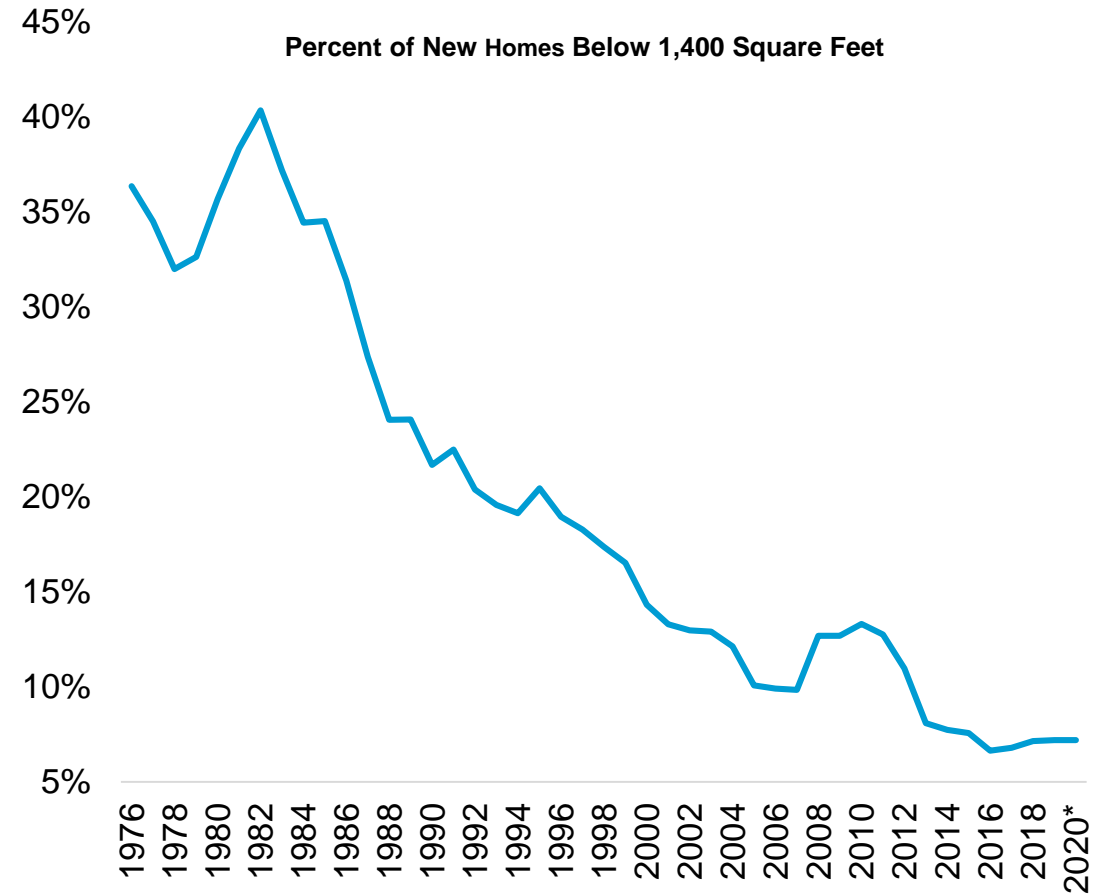
Housing Shortage Concentrated in Entry-Level Affordable Homes

Number of Entry-Level Homes Completed



Source: US Census Bureau

Share of Entry-Level Home Construction Completed

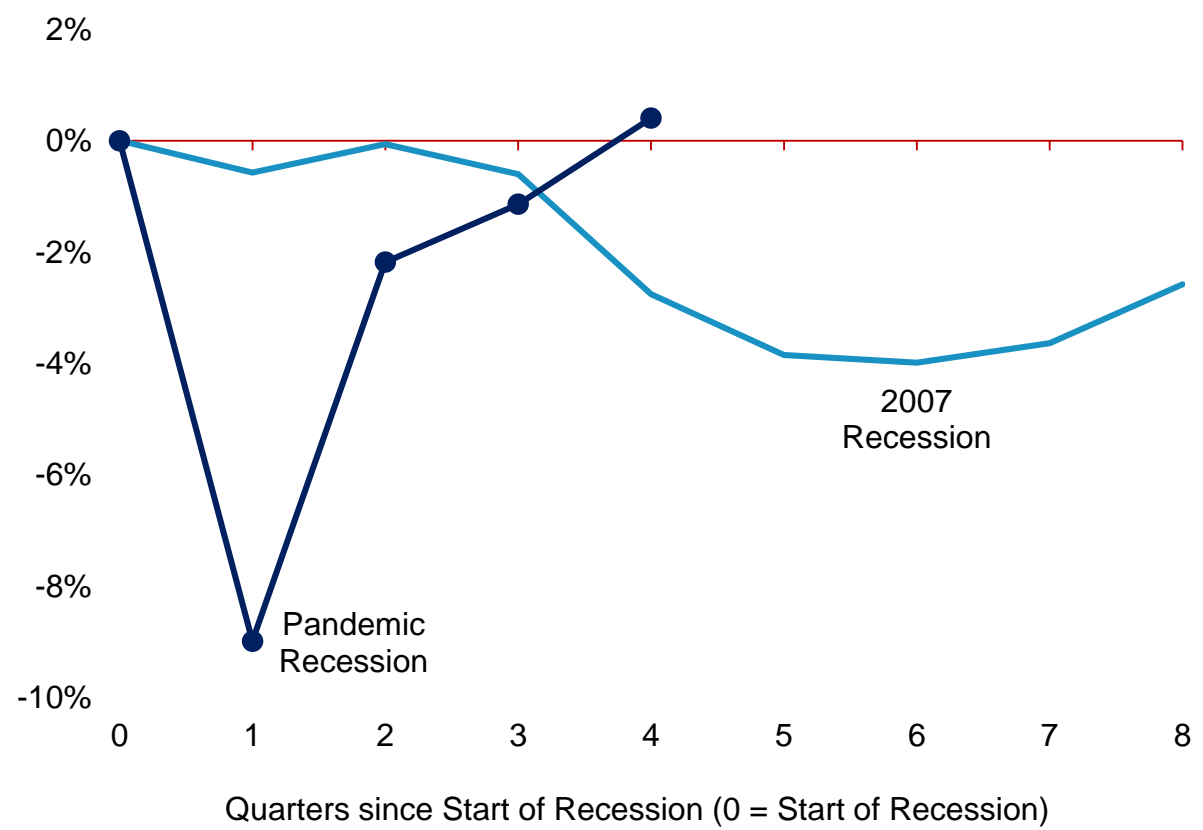




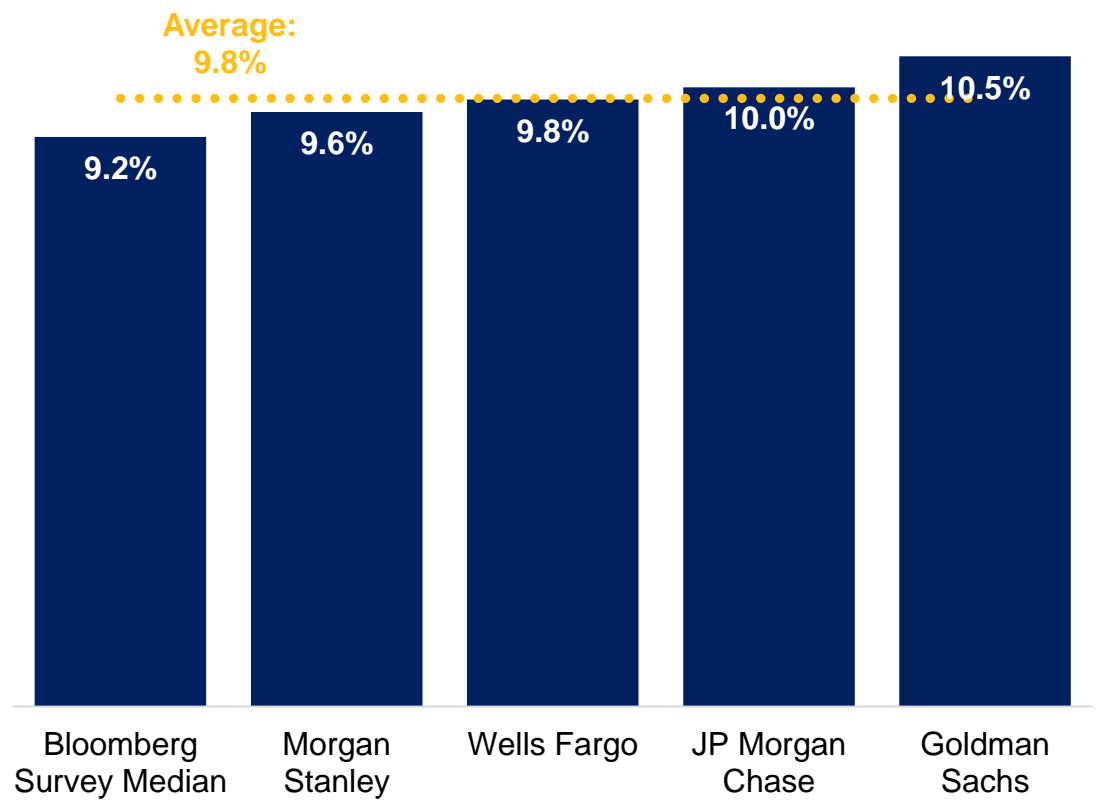
**Current Recovery Better Than During the
Great Recession**

Economy Recovered Much Faster Compared to Great Recession

GDP Cumulative Growth: Current Recession vs Great Recession



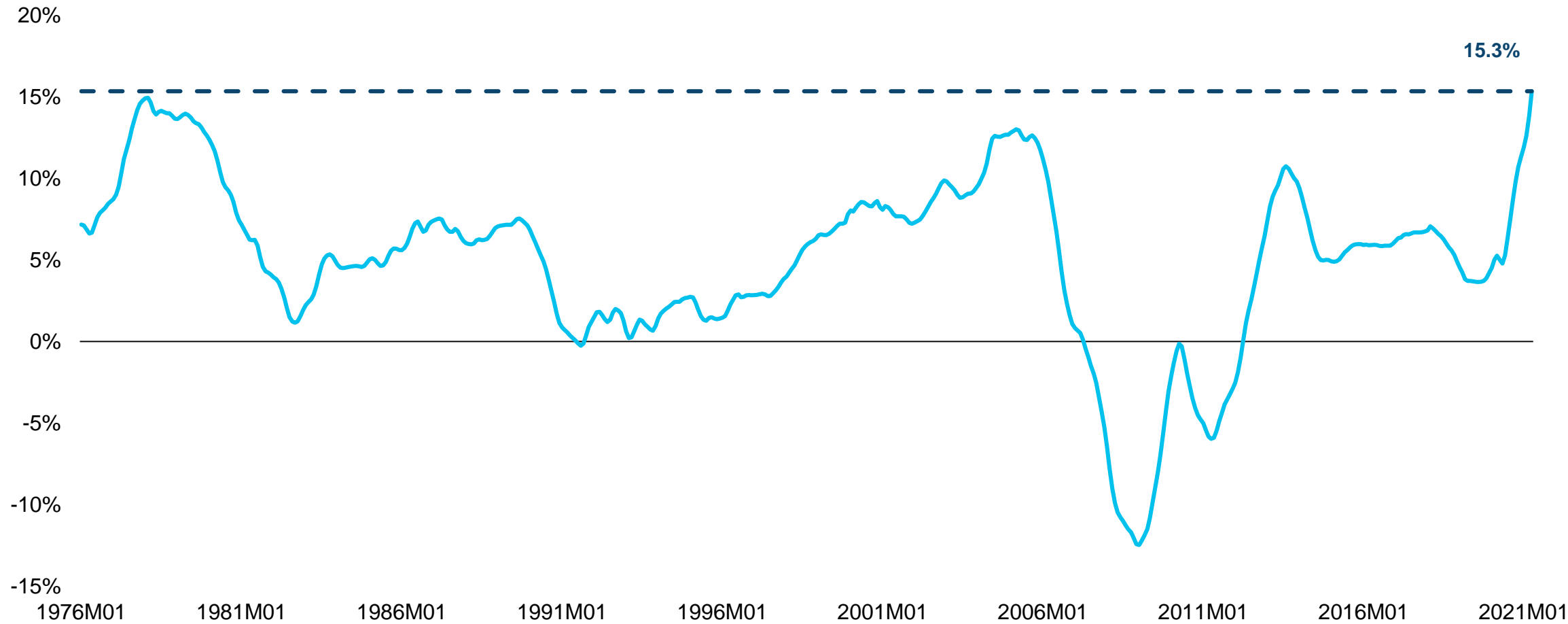
Latest 2Q21 GDP Forecasts



Source: BEA; Bloomberg; Wells Fargo (May Forecast)

House Price Appreciation Highest on Record

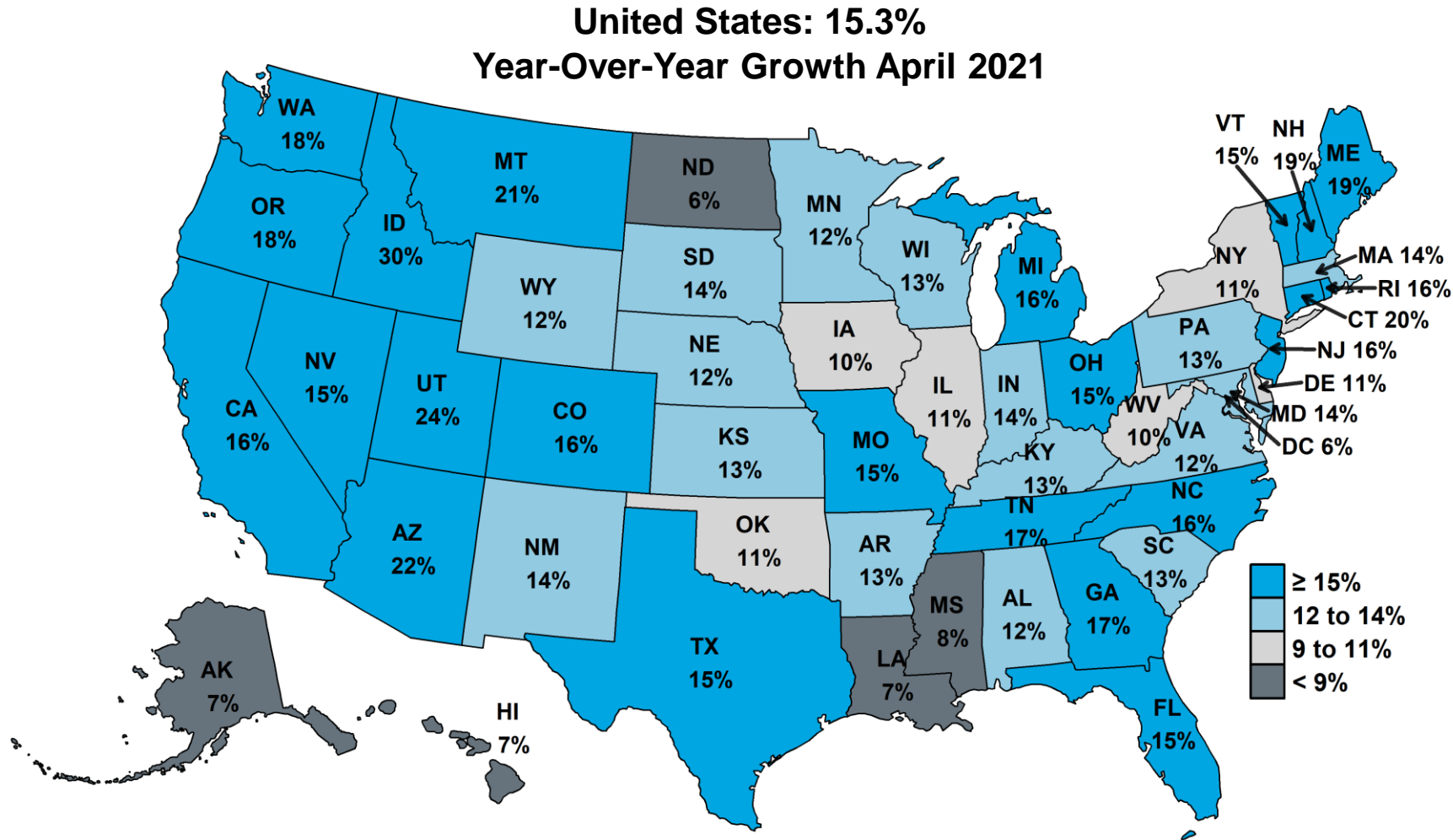
Freddie Mac House Price Index – YoY%



Source: Freddie Mac HPI



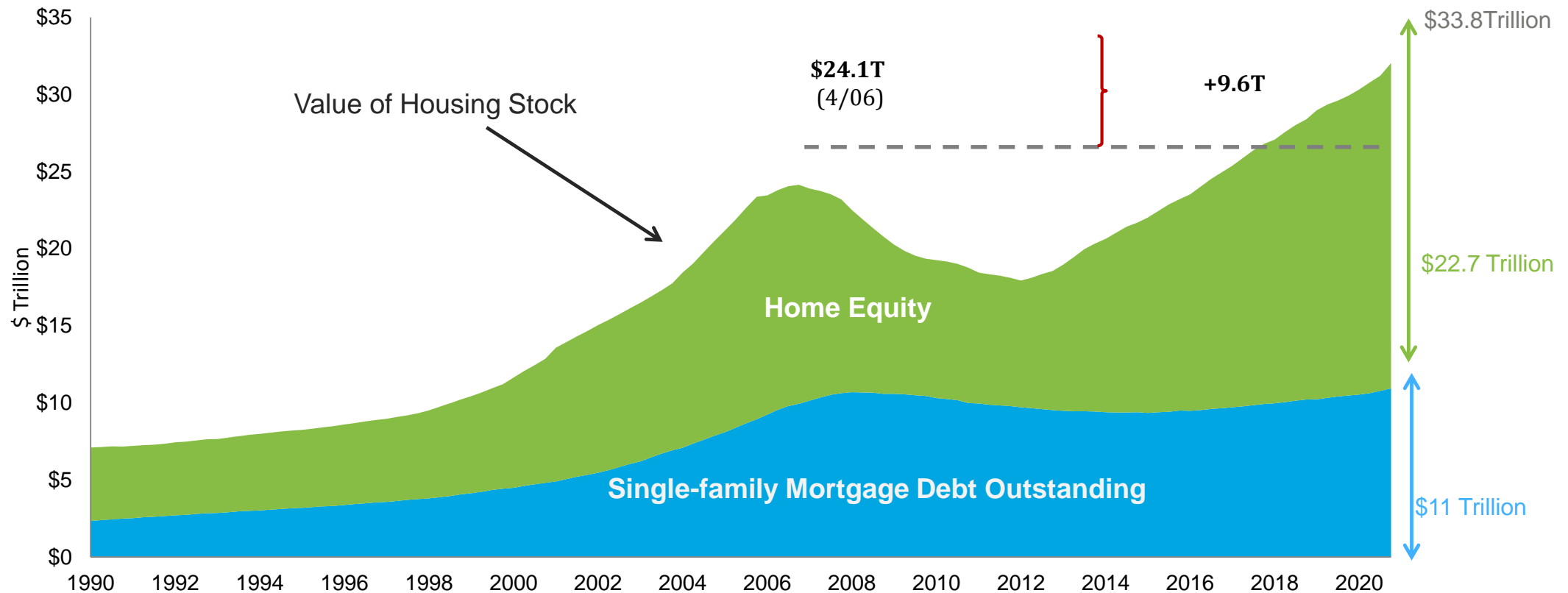
House Price Appreciation Continues to Be Strong



¹ The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guarantee portfolio. Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point
Source: Freddie Mac

Rising Home Prices Help Build Equity

Total housing value now \$9.6T above previous 2006 peak

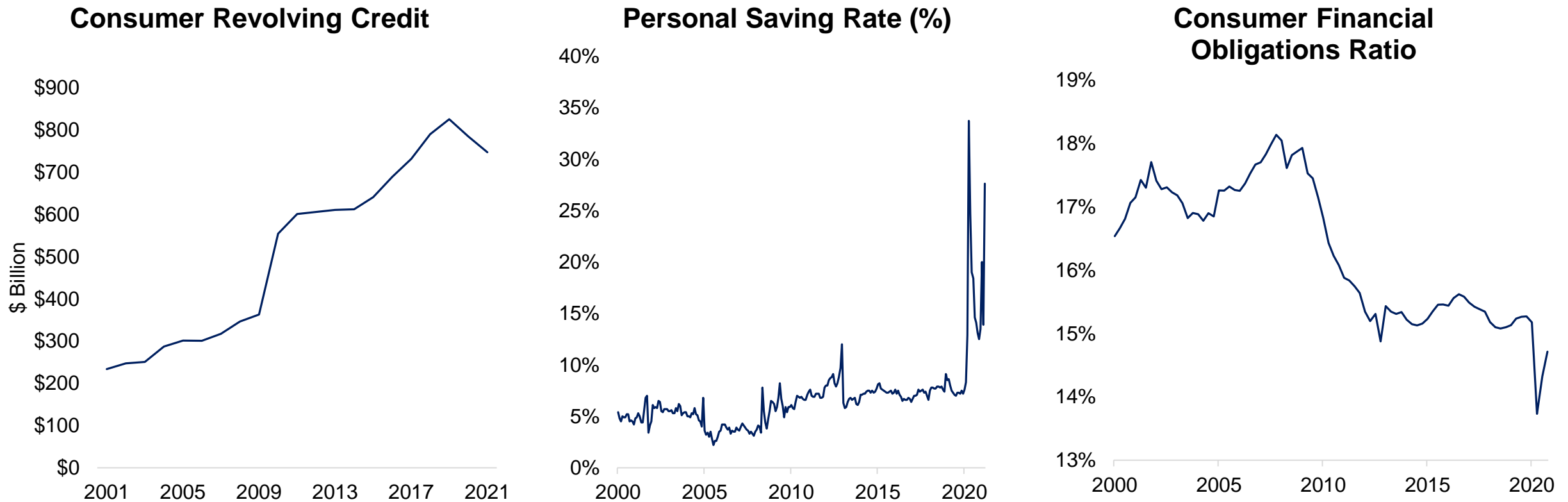


Note: Value of U.S. housing stock includes homes with and without underlying mortgages. U.S. home equity is the difference between the value of the U.S. housing stock and the amount of U.S. single-family mortgage debt outstanding.

Source Federal Reserve Board's Financial Accounts of the United States, Table B. 101. Data as of March 31, 2021.

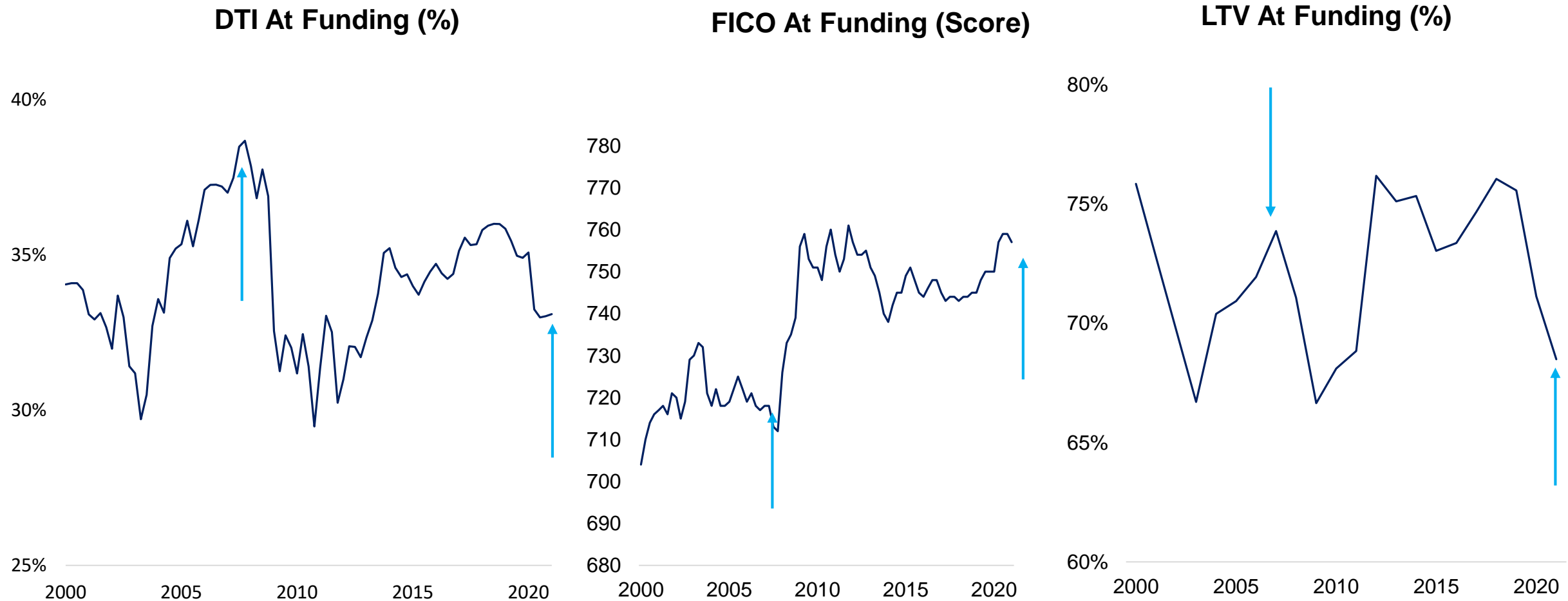
Household Balance Sheets Better than During Great Recession

- Household balance sheets on solid footing, with less reliance on consumer debt, higher saving rates, low financial obligations and record home equity
- Financial crisis had high financial obligations, declining home equity, and low savings rate



Source: Federal Reserve Board, BEA

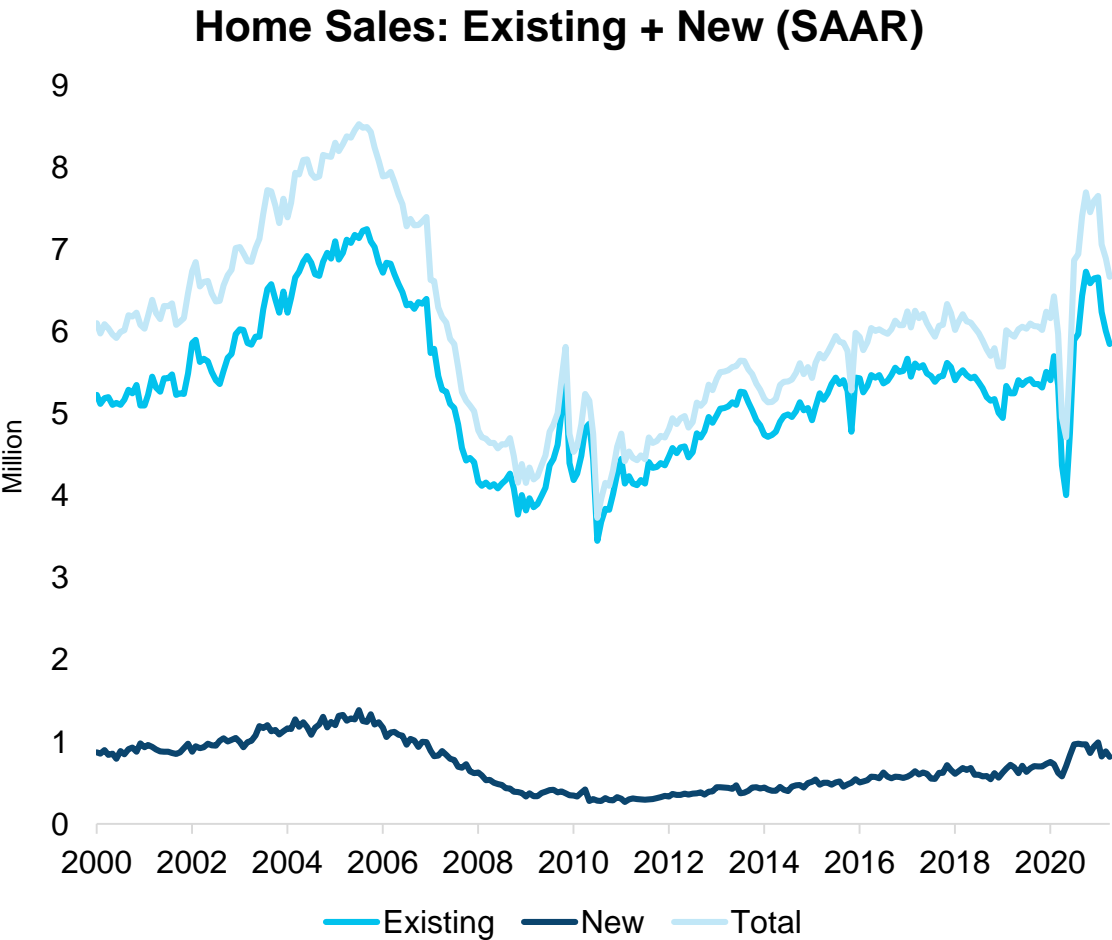
Mortgage Underwriting Is Much Better Today Than During the Great Recession



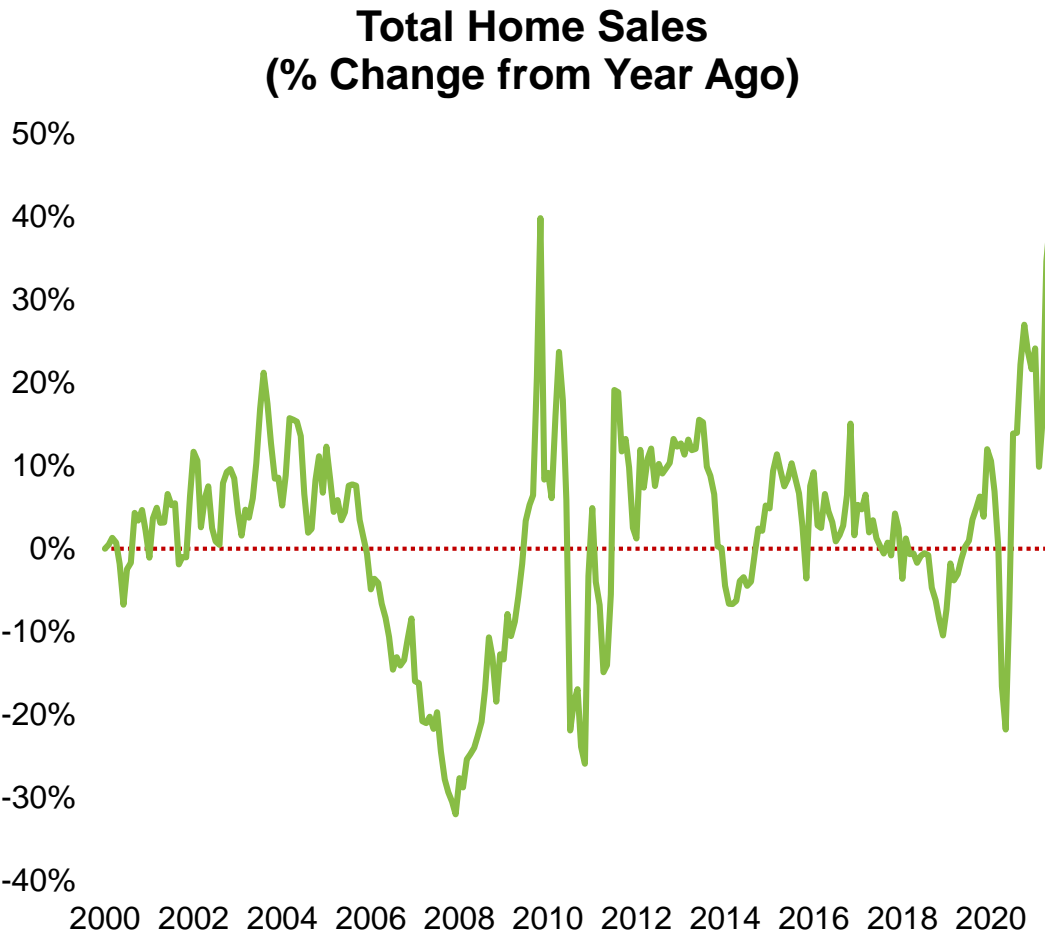
Source: Freddie Mac

Strong Housing Demand but Early Signs of Softening

Home Sales Continue To Be At Levels Not Seen Since Great Recession



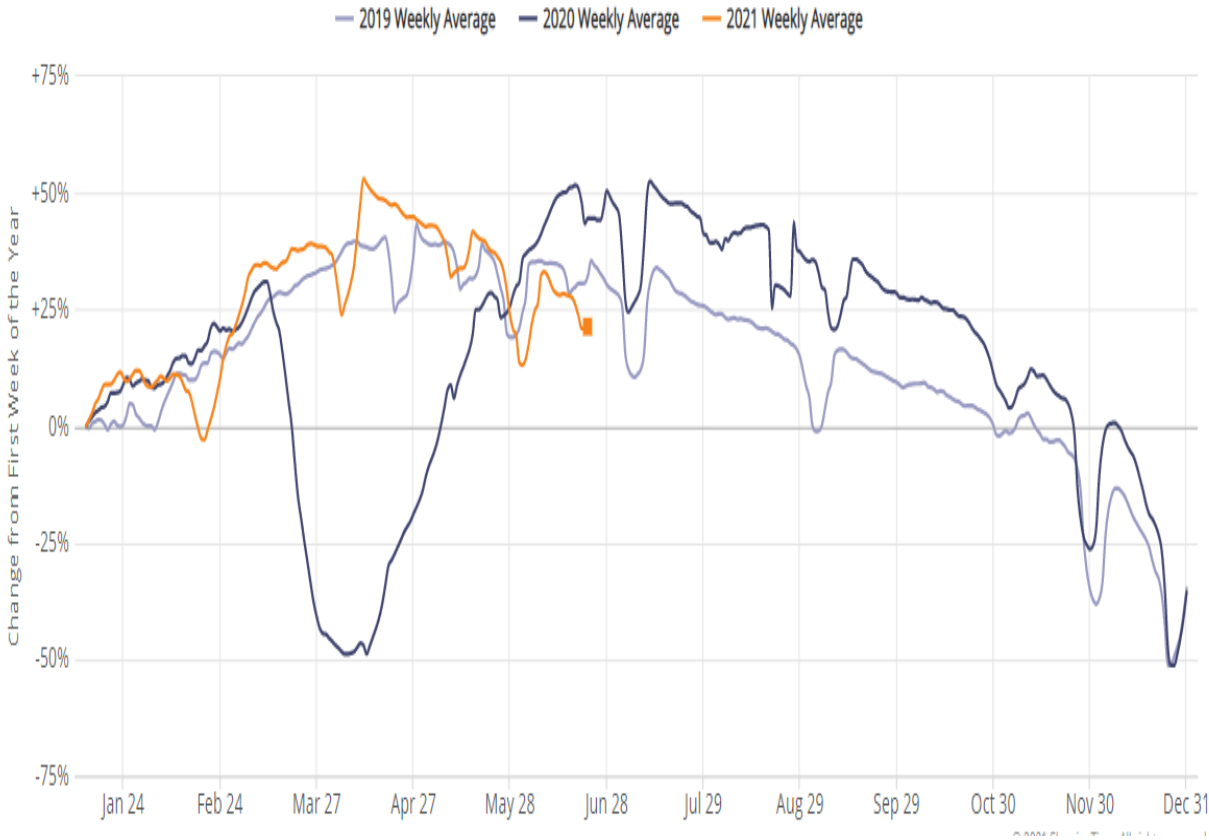
Source: NAR, US Census Bureau



However, Housing Demand is Showing Signs of Softening

Impact of COVID-19 to Real Estate Showings in North America

Weekly showings normalized to the first calendar week of January, 7-day moving average. Data through June 22, 2021



Source: NAR, Showingtime

U.S. Pending Home Sales Index (SA)

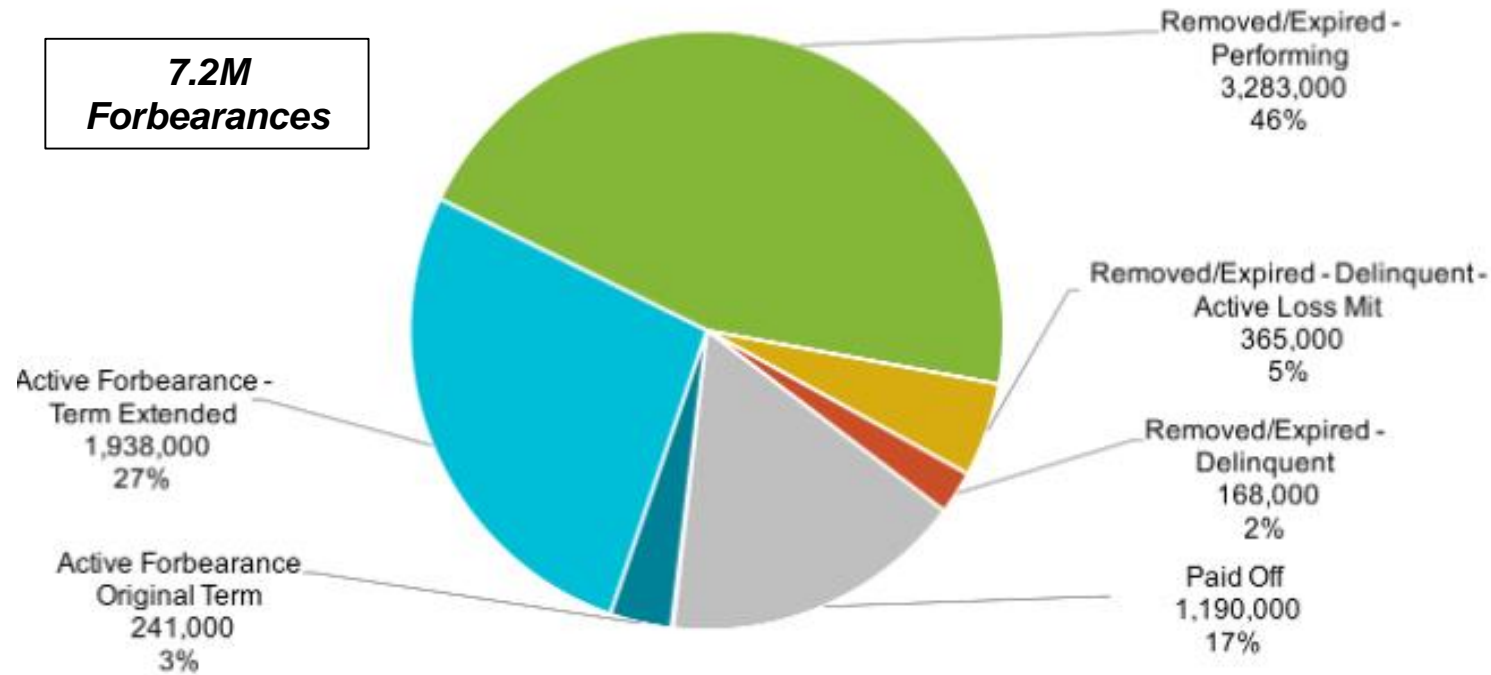




Forbearance Trends Continue to Improve

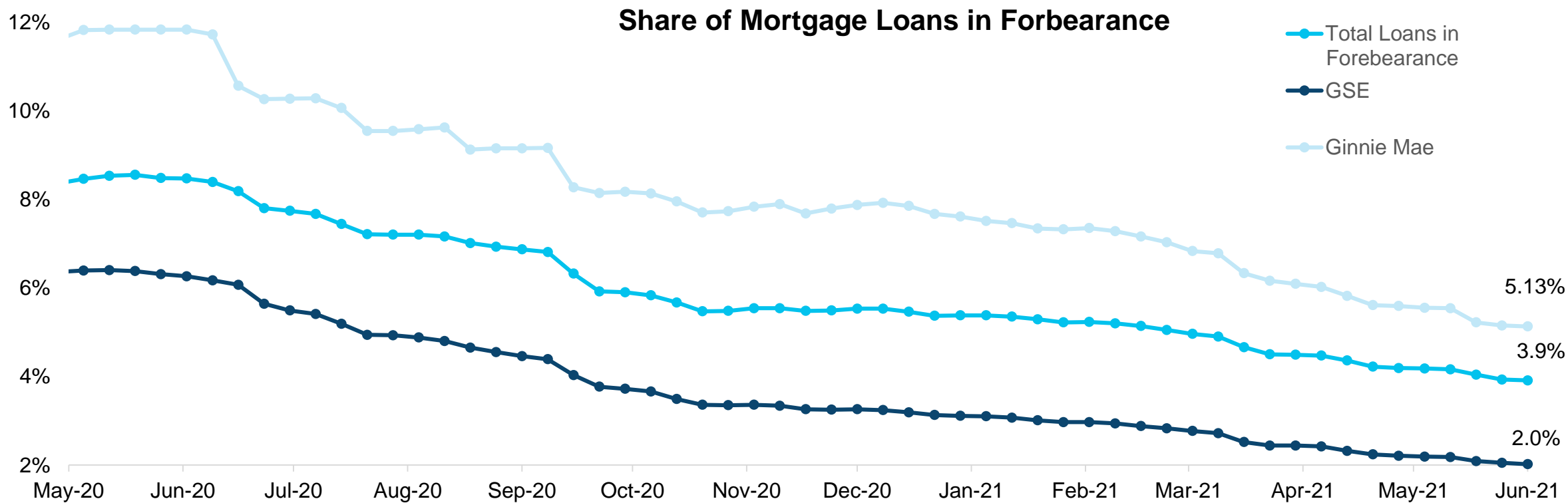
As of Mid-May, Market Active Forbearances Accounted for 30% of All Loans That Entered the Program

Total Market: Current Status of COVID Related Forbearances



Source: Black Knight
Data as of May 18, 2021

The Rate of Loans in Forbearance Continue to Decline



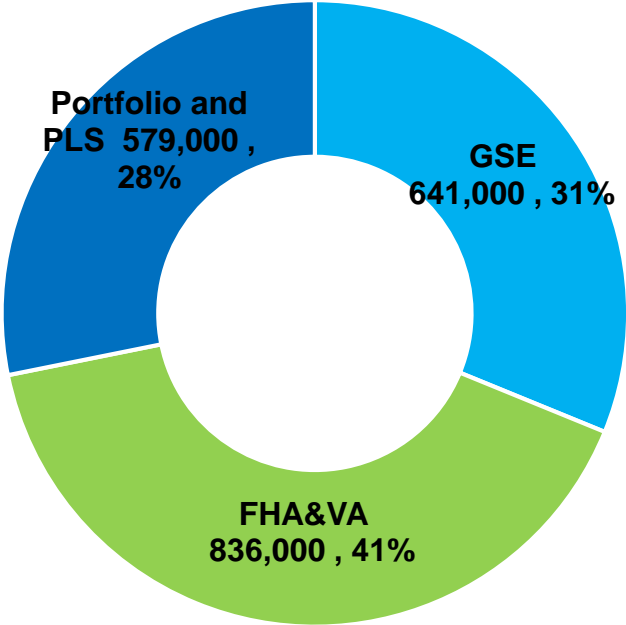
Source: MBA



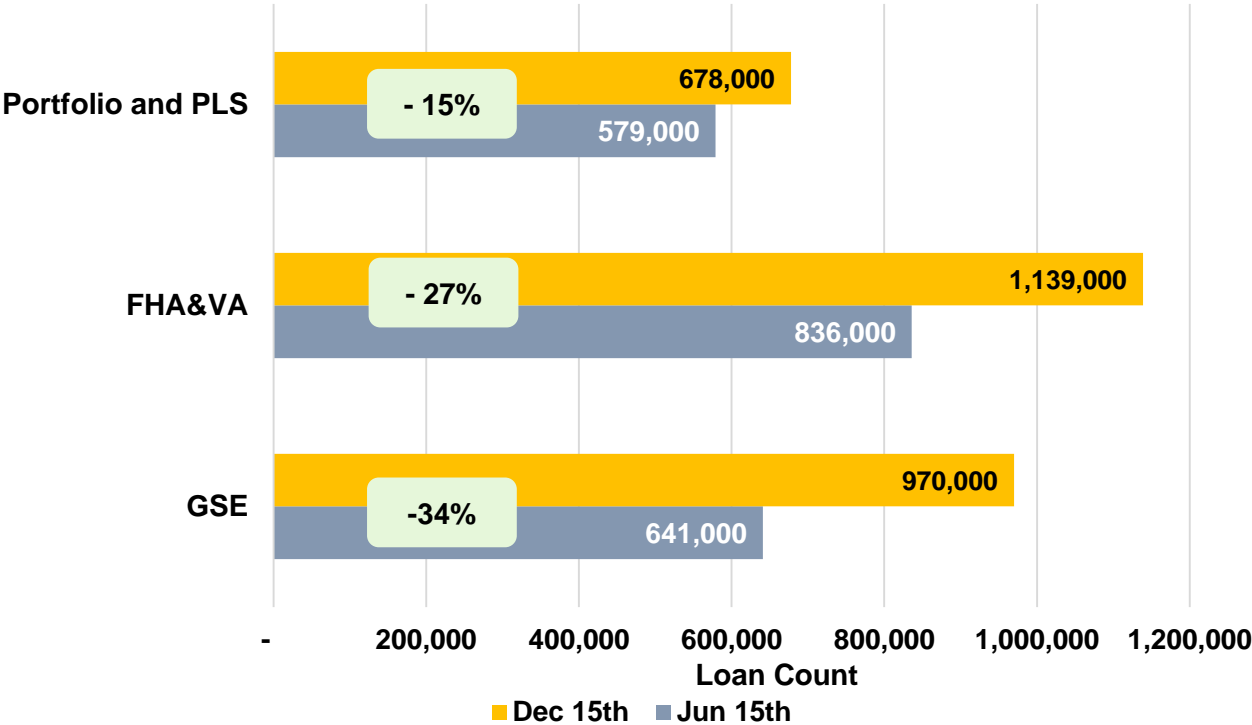
GSE Portfolio Recovers at a Faster Pace

While representing slightly more than 30% of all loans in FB, GSE Portfolio shaved off more than 1/3 of FB in the spend of 6 months (26% decline in FB over the 6 months period)

Count of Homeowners in COVID-19 Related Forbearances
2.06M



Count of Loans in COVID-19 Related FB Plans
by Period and Category



Source: Black Knight, Freddie Mac Calculations
Data as of Jun 15, 2021

