



First American

Know Your Housing Customer

The Homeowners Dilemma and Generation Y

December, 2017

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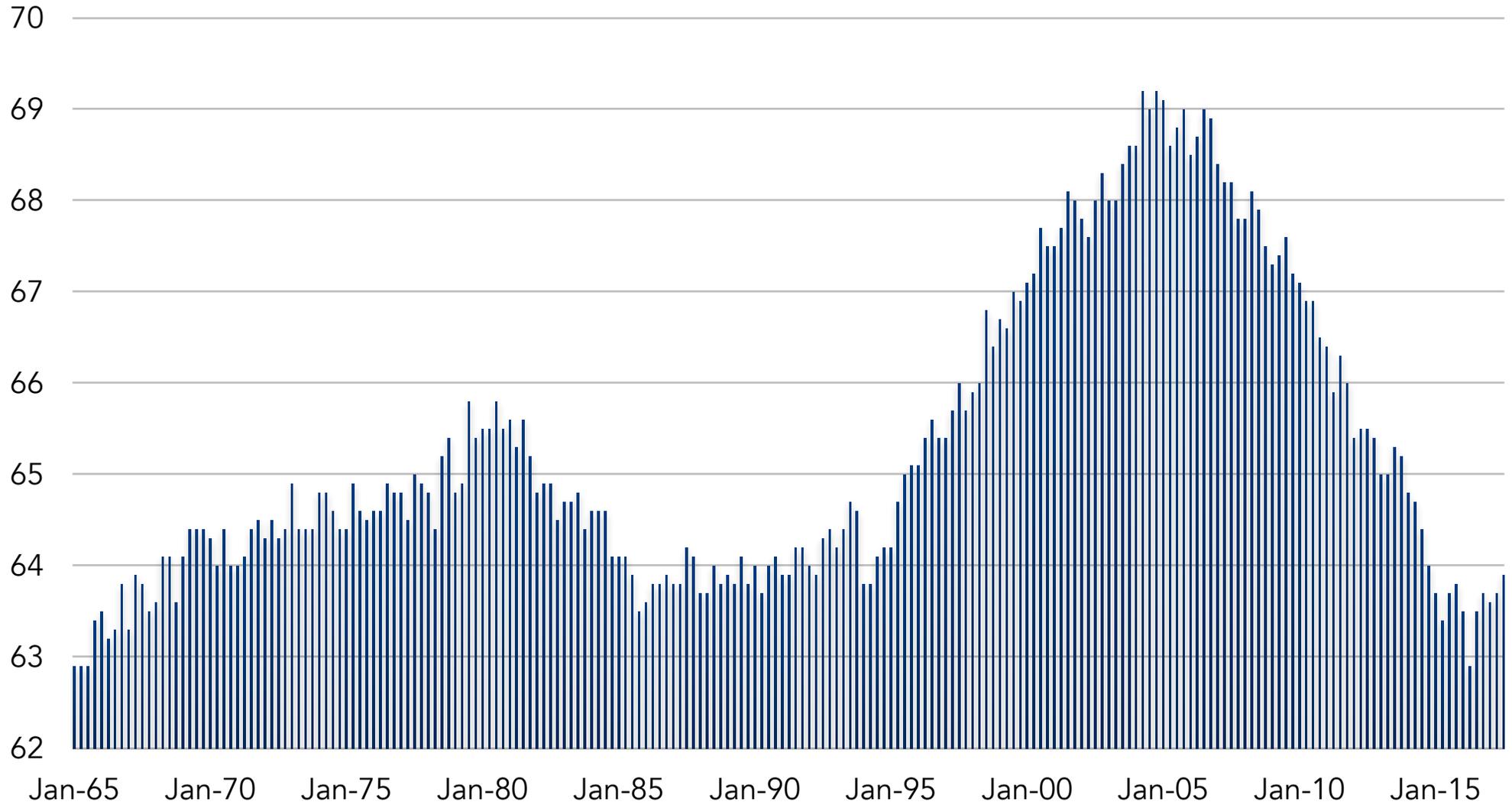
**“It ain’t what you don’t know
that gets you into trouble. It’s
what you know for sure that
just ain’t so.”
- Mark Twain**



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Is Something Restricting the American Dream?

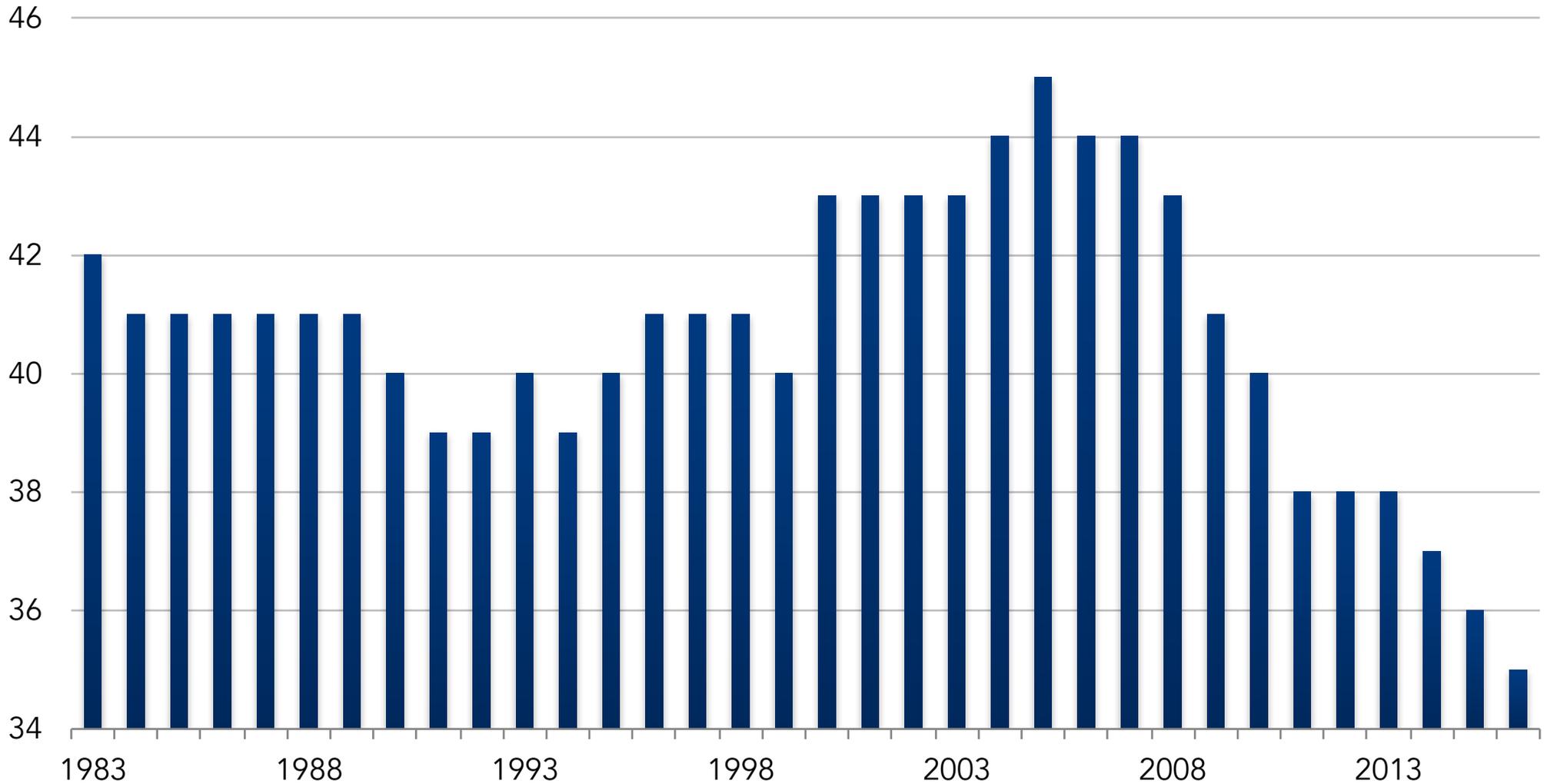
Homeownership Rate (%)



Source: US Census Bureau, Q3 2017

Gen Why? Why Own a Home?

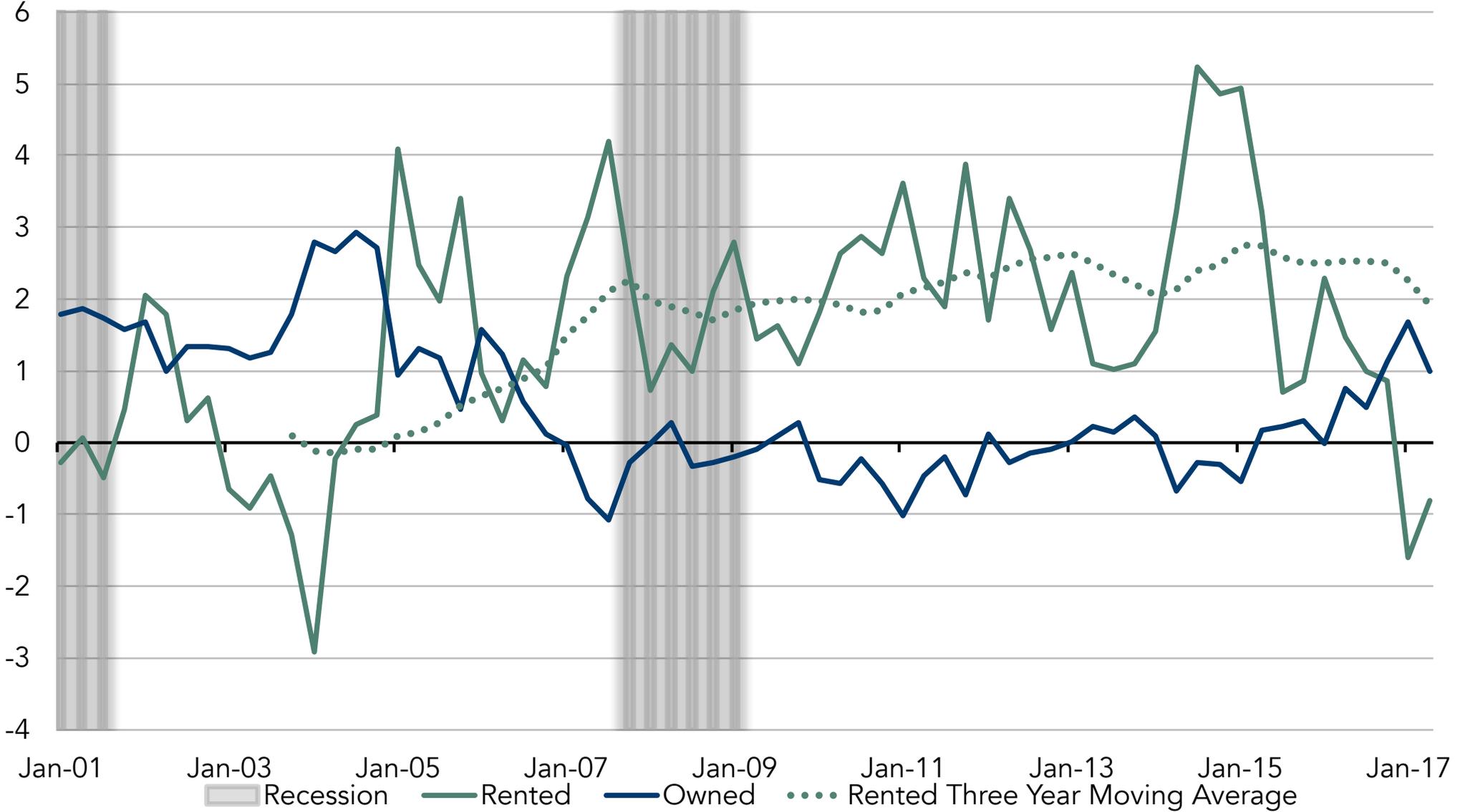
Homeownership Rate for Households Under 35



Source: Census Bureau CPS/HVS, 2016

Rent Before You Own

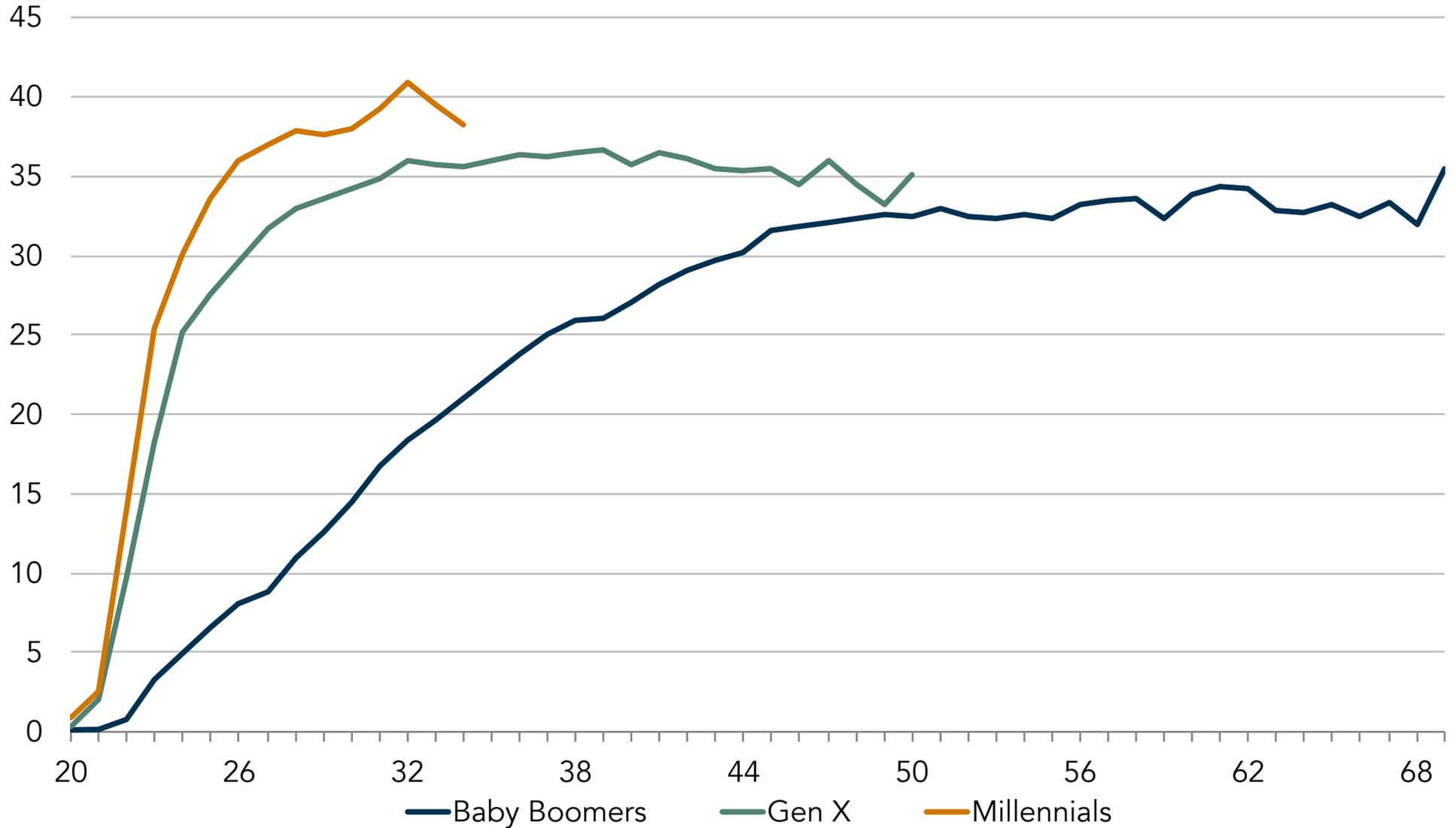
Household Formation by Occupancy Type (Year-Over-Year Inventory Growth, %)



Source: Census Bureau, FRED Q3 2017

Go To School Too

Percent Share of Population with Bachelors Degree or Higher



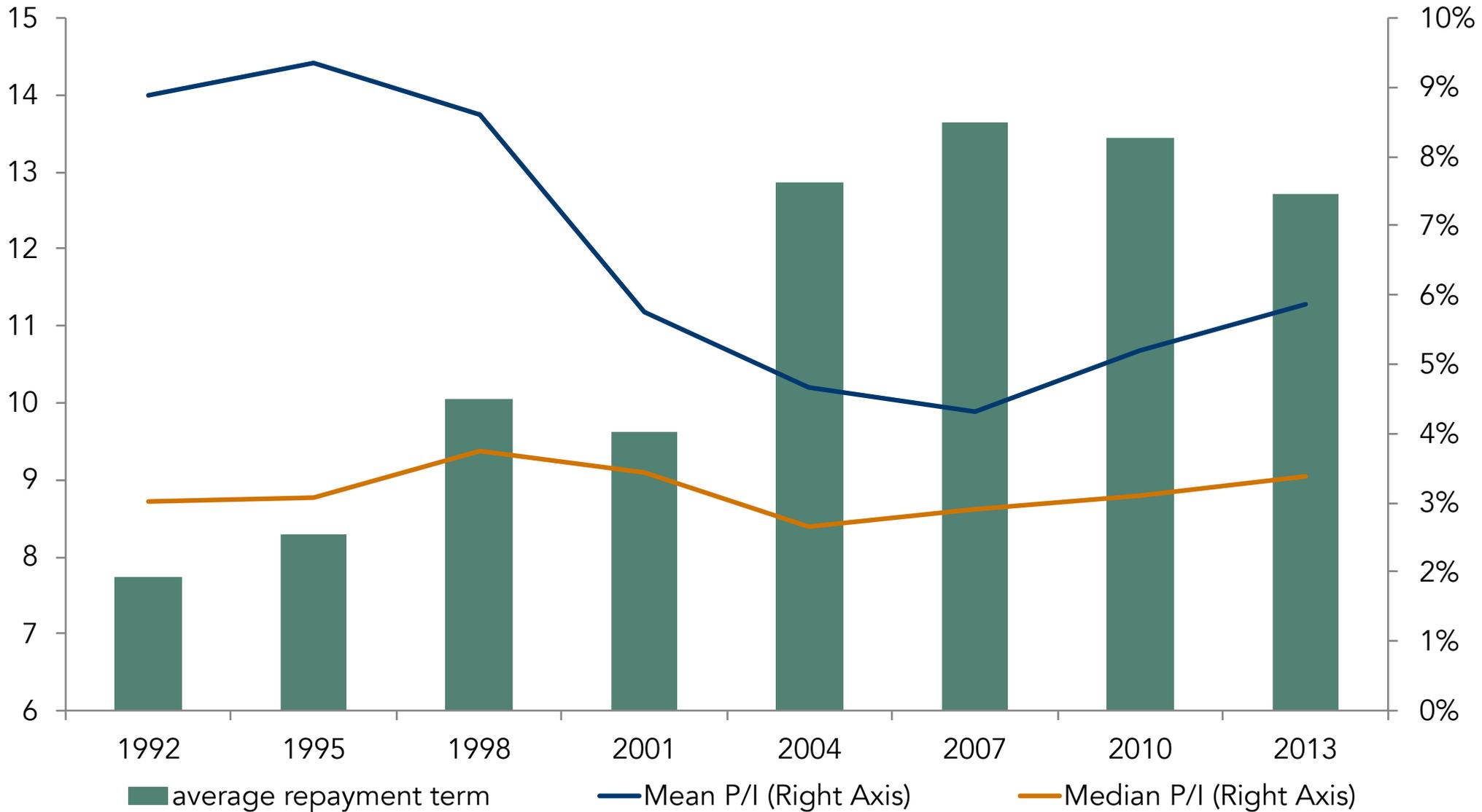
Source: ACS IPUMS, 2016

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Borrow More and Pay More?

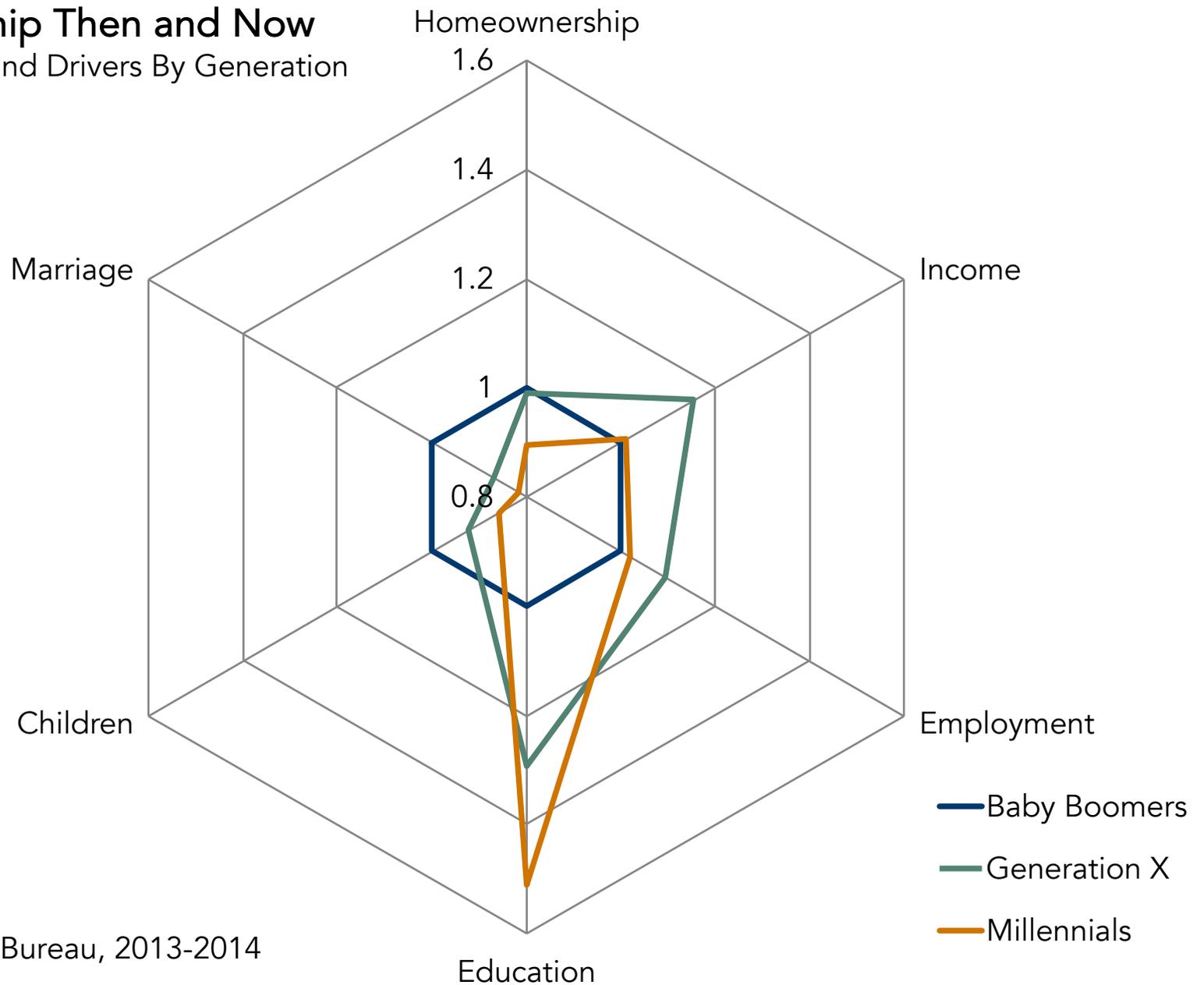
Average Loan Term (Years) and Payment-to-Income Ratio



Source: Federal Reserve Board of Governors SCF, 2013

Homeownership Then and Now

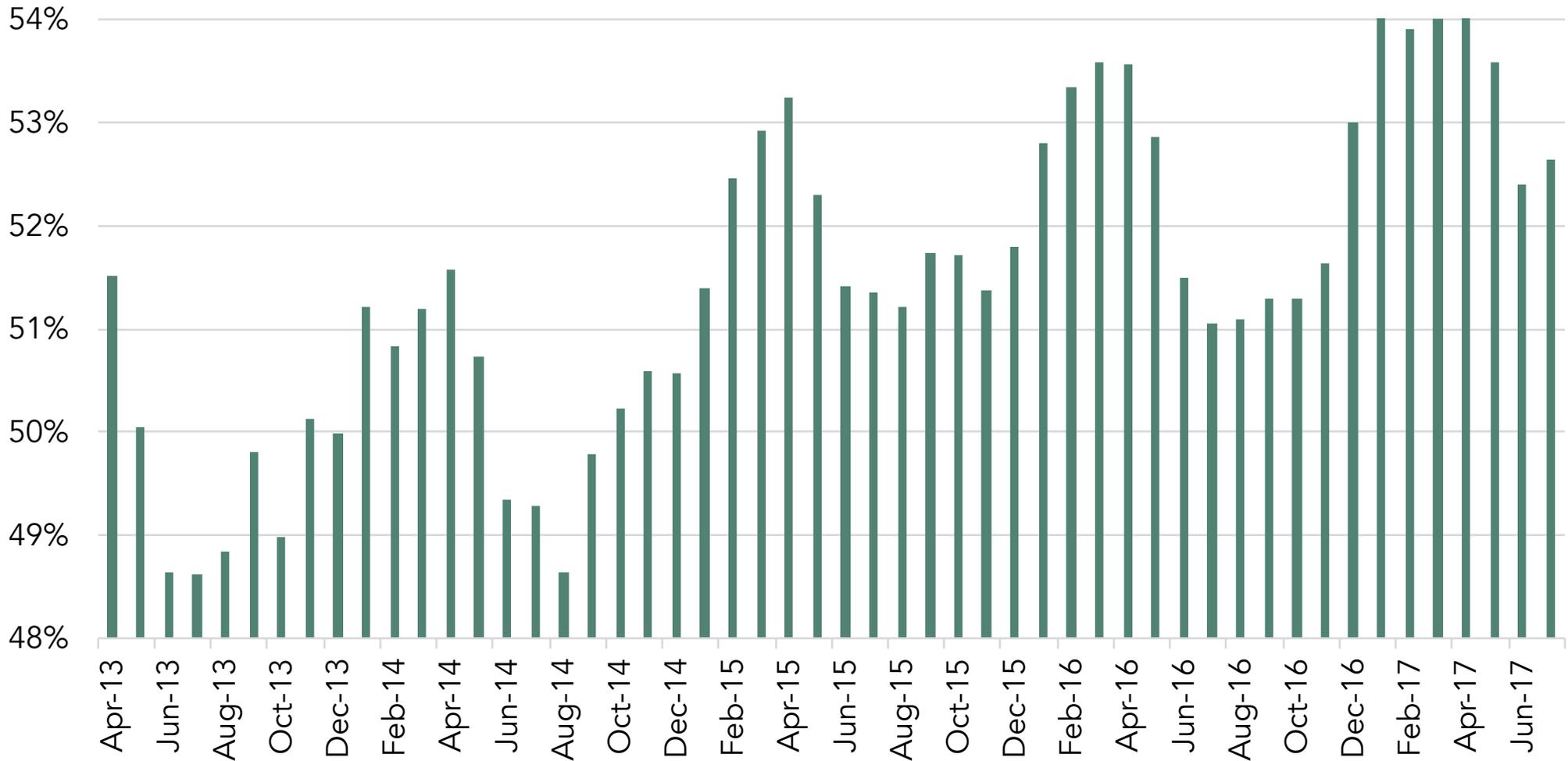
Homeownership and Drivers By Generation



Source: Census Bureau, 2013-2014

First-Time Buyers Rebounding

First-Time Homebuyer Market Share (%)



Source: AEI International Center on Housing Risk , Jul. 2017

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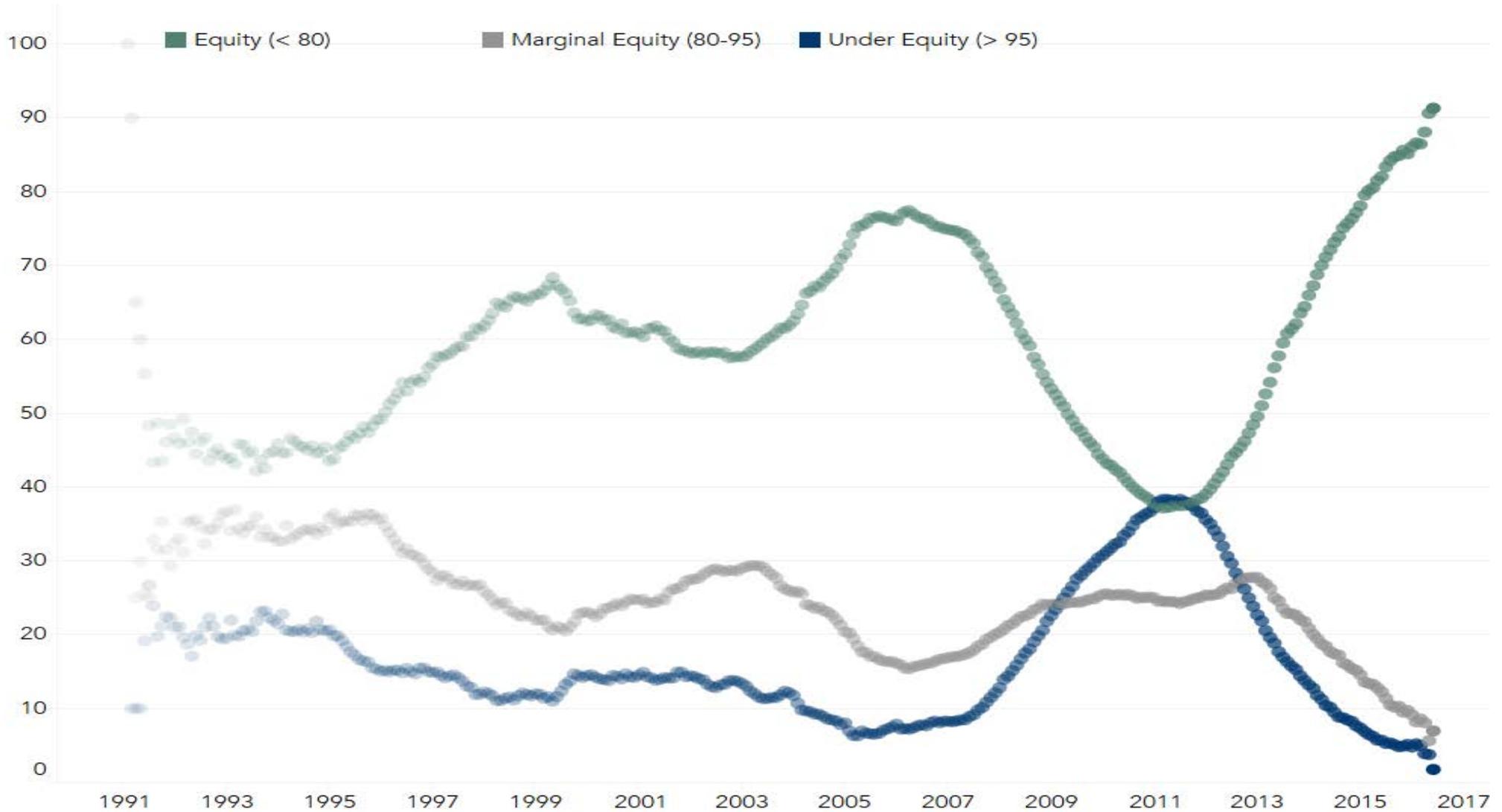
The Existing Owner's Dilemma

Two Reasons Why Supply Is Restricted



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The Over-Under on Home Equity

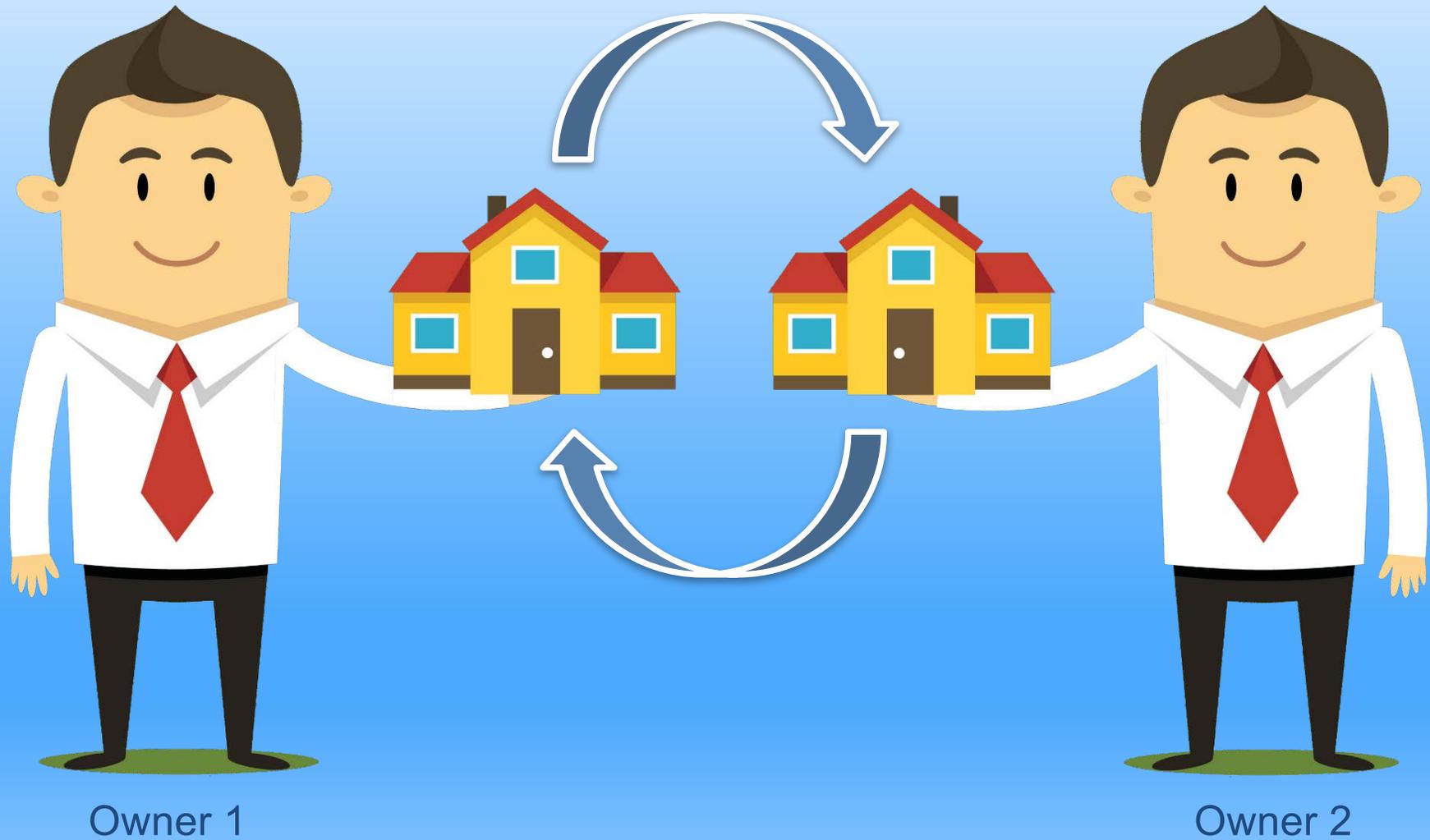


First American Calculations, 2017

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The Homeownership "Prisoner's Dilemma"



The Homeownership "Prisoner's Dilemma"



Owner 1



Owner 2

The Homeownership "Prisoner's Dilemma"



Owner 1



Owner 2

In your home market, is there a shortage of inventory of homes for sale?

No

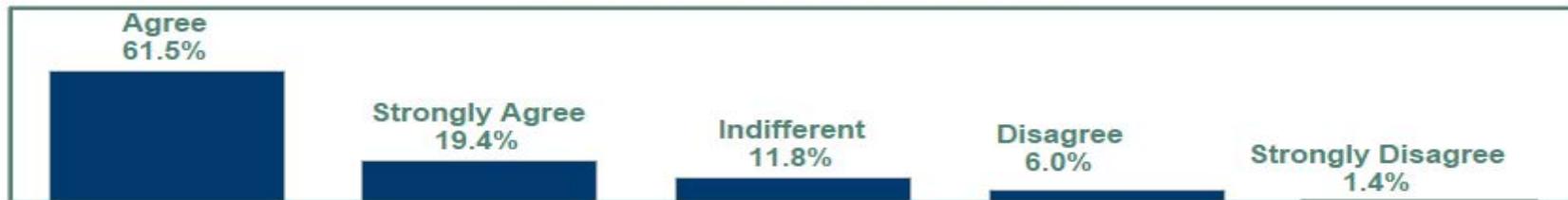
Yes



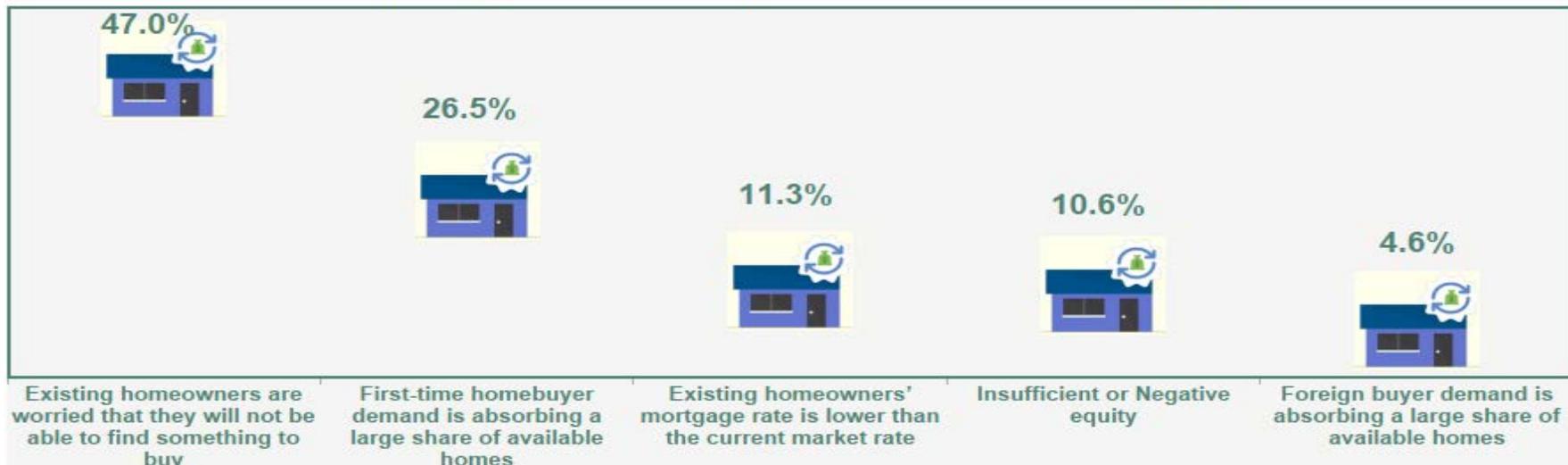
Please rate, for your market, the severity of the shortage of homes for sale:



Please indicate the degree to which you agree with this statement: The lack of inventory is the primary reason for house price appreciation in your market.



Please identify what you believe is the top reason for the lack of inventory in your market.



Housing's Quarter-Century Tailwind

30-Year Fixed Rate (LHS), % NSA



Source: Freddie Mac, FRED, Oct. 2017

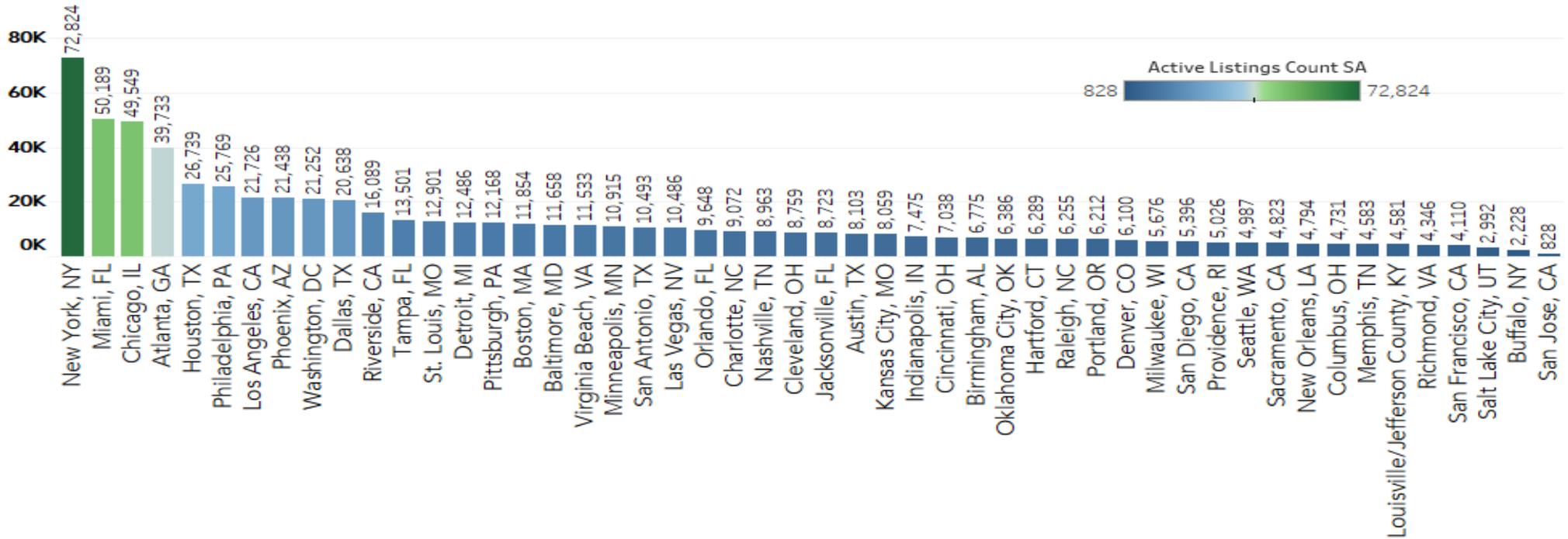
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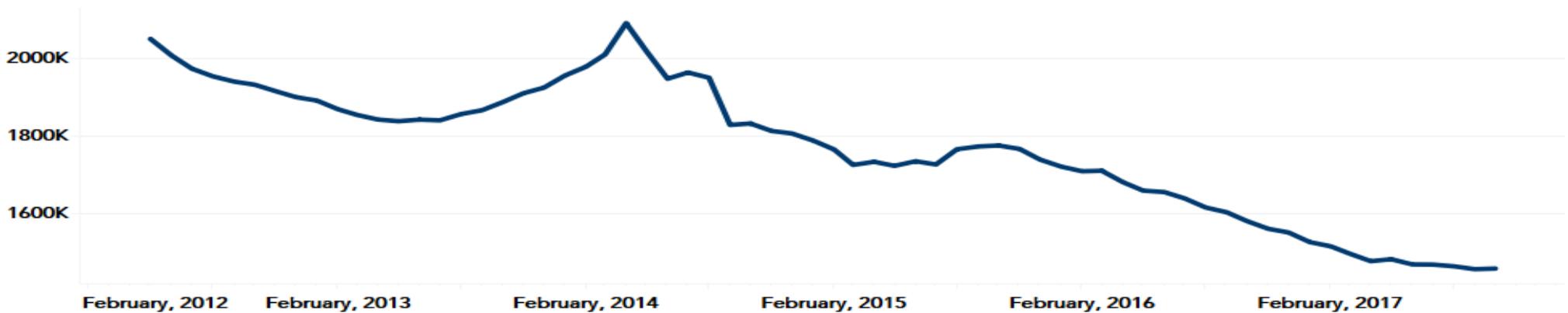
Top 50 Metropolitan Areas Average Active Listings

October 2017, Seasonally Adjusted



National Average Active Listings

Historical Series, Annual Growth Seasonally Adjusted



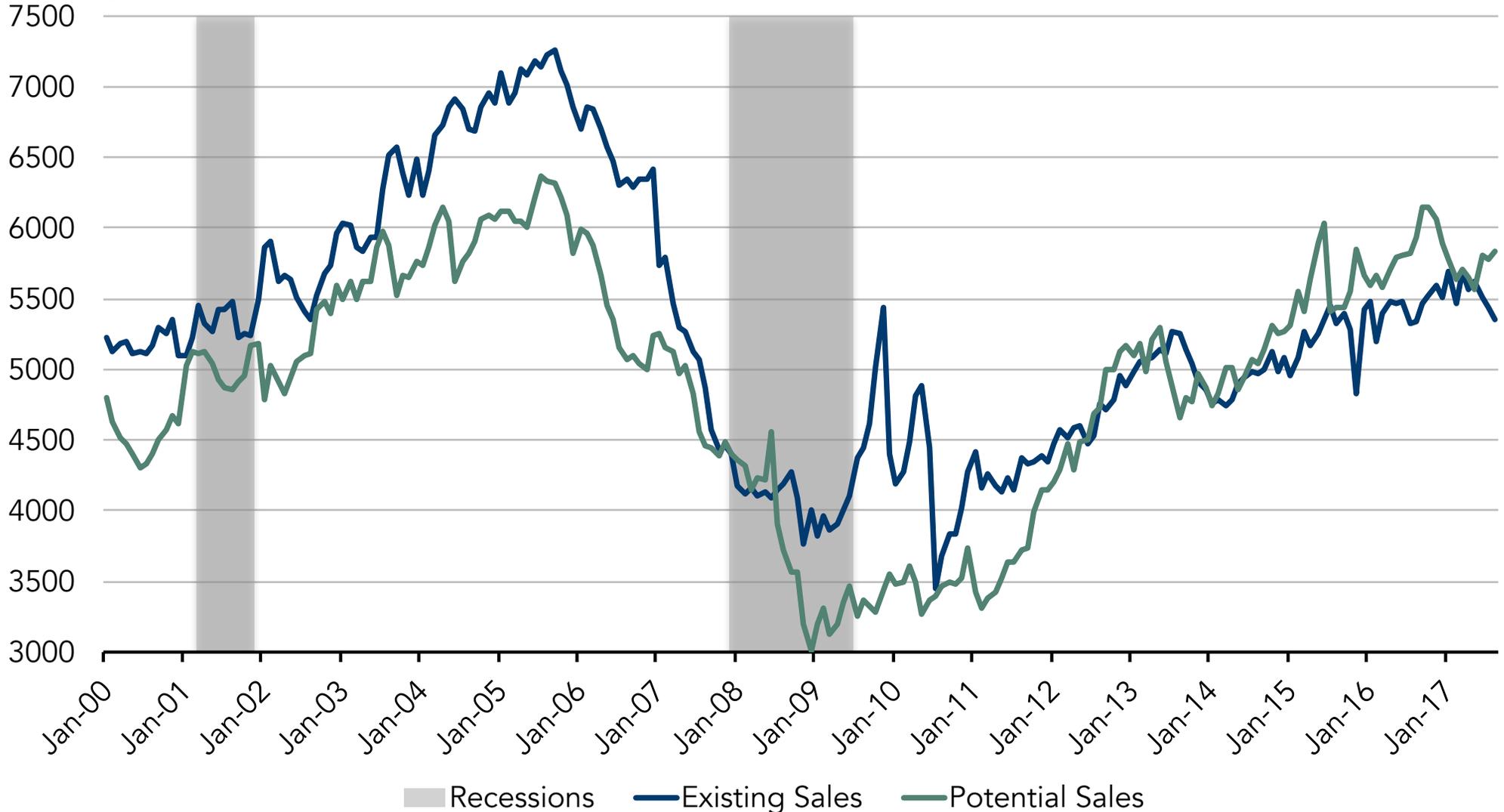
Source: Realtor.com, First American Calculations, 2017

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Low Supply Suppressing Existing Home Sales as Potential Rises

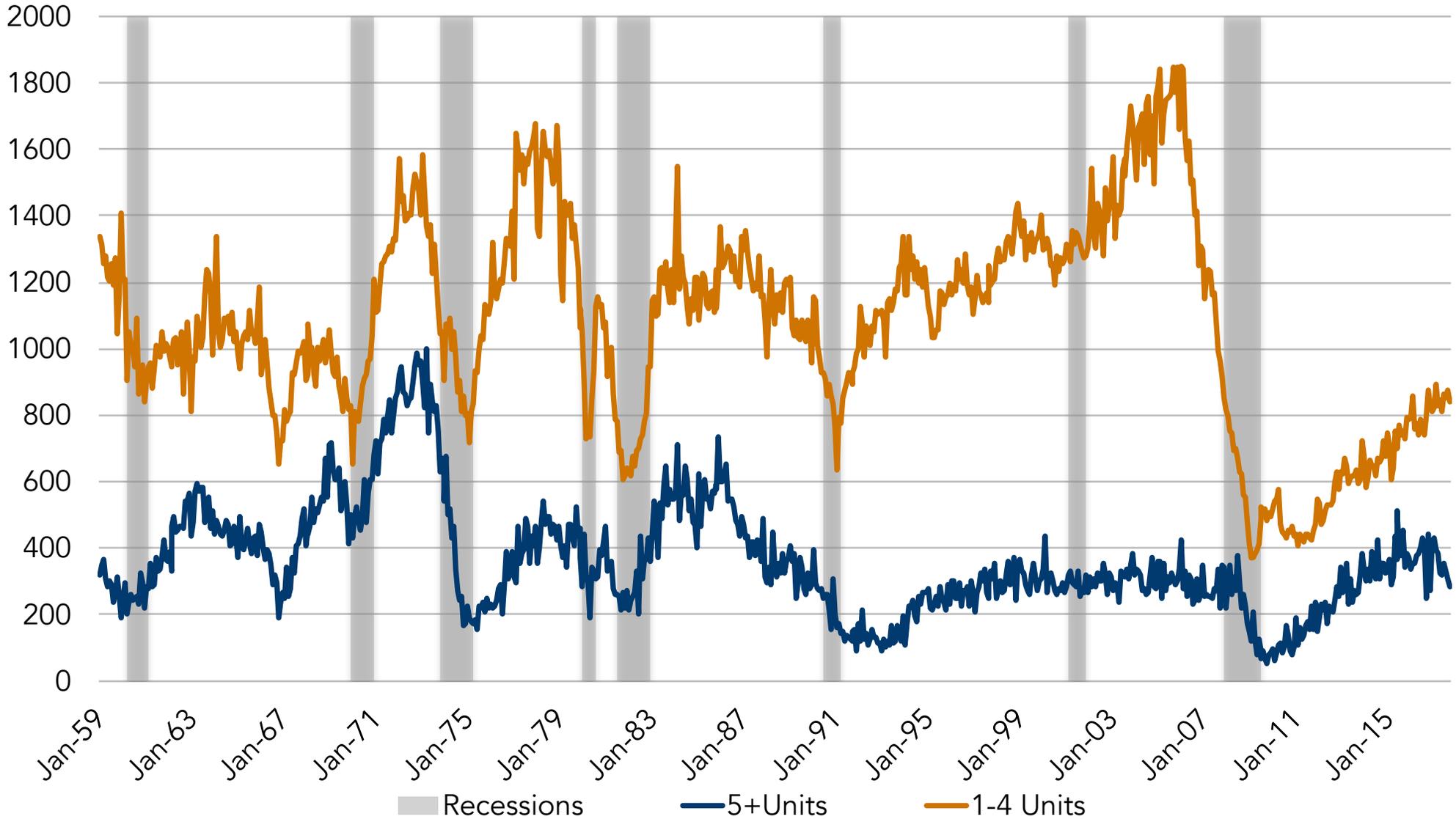
Existing and Potential Home Sales ('000s, SAAR)



Source: NAR, FRB St. Louis, First American Calculations, September 2017

One Source of Supply

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



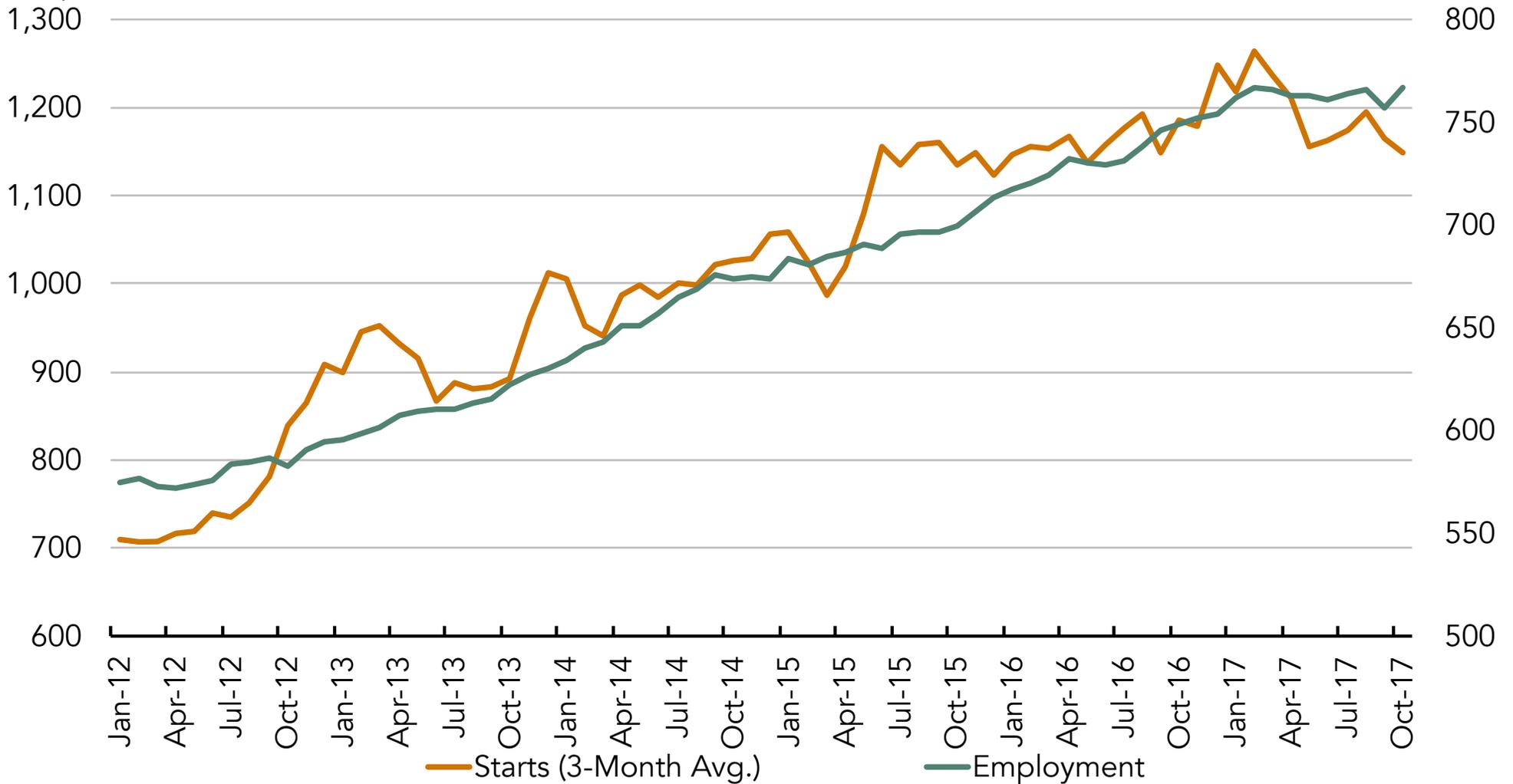
Source: US Census Bureau, FRED, Sept. 2017



Housing Starts Face Labor Headwinds

Total (Single and Multifamily) Housing Starts And Residential Construction

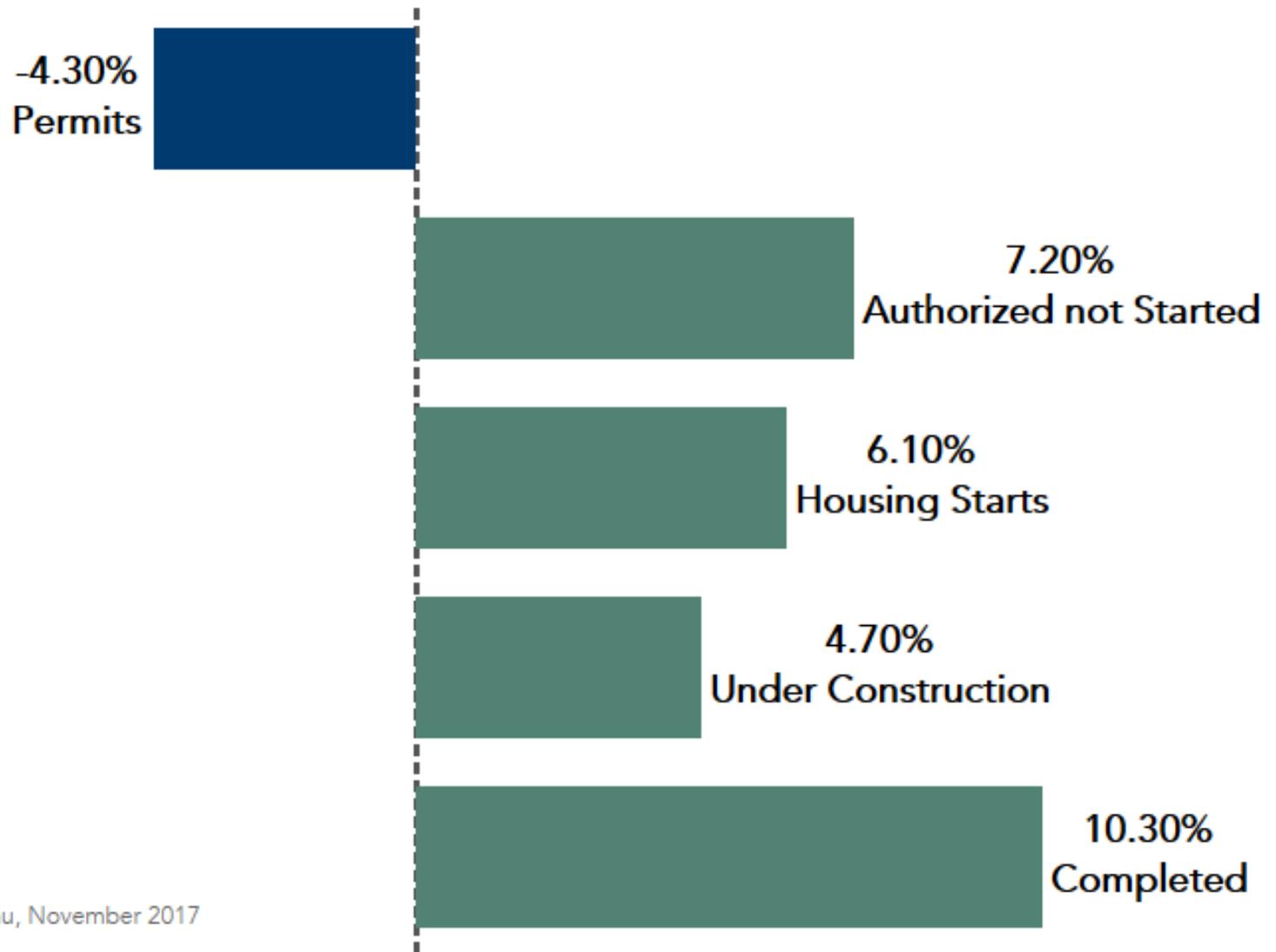
Employment ('000s)



Source: US Census Bureau, Federal Reserve Bank of St. Louis, October 2017

New Residential Construction

Total (Single and Multifamily), Yearly Growth (%)



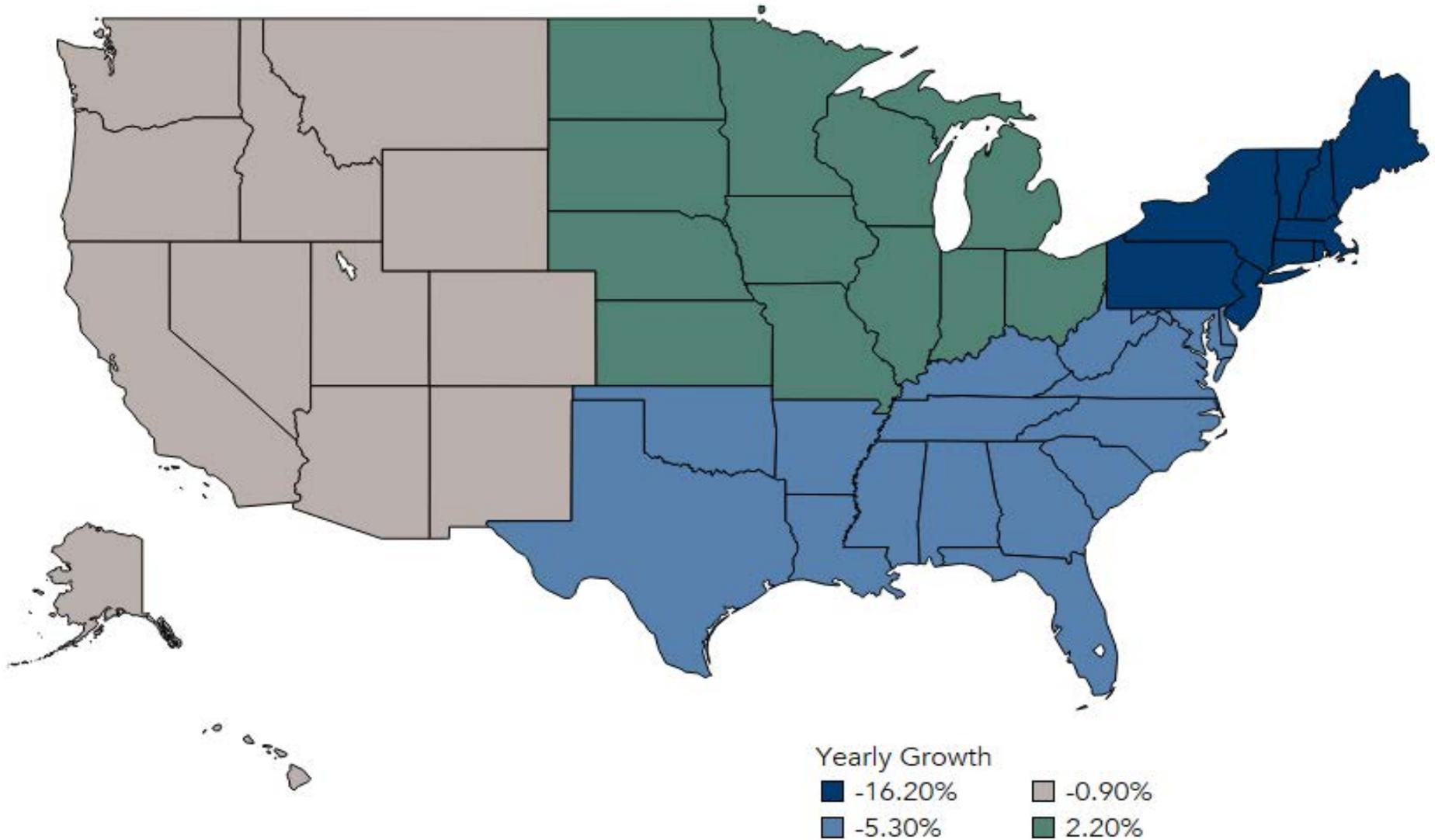
Source: U.S. Census Bureau, November 2017

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A Nation Divided

Total (Single and Multifamily) Building Permits, Annual Growth (%)



Source: U.S. Census Bureau, November 2017

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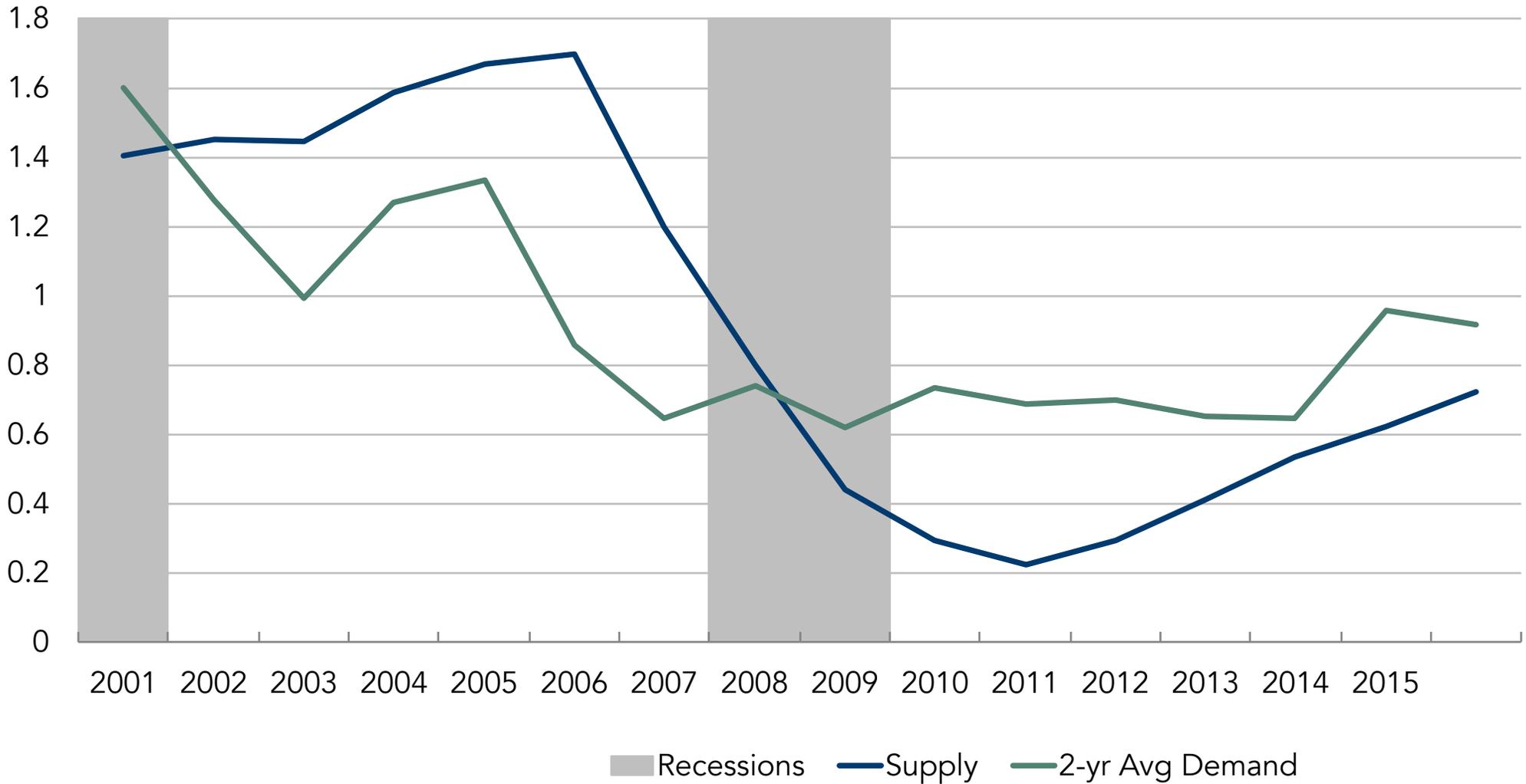
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Keeping Up With Increasing Demand

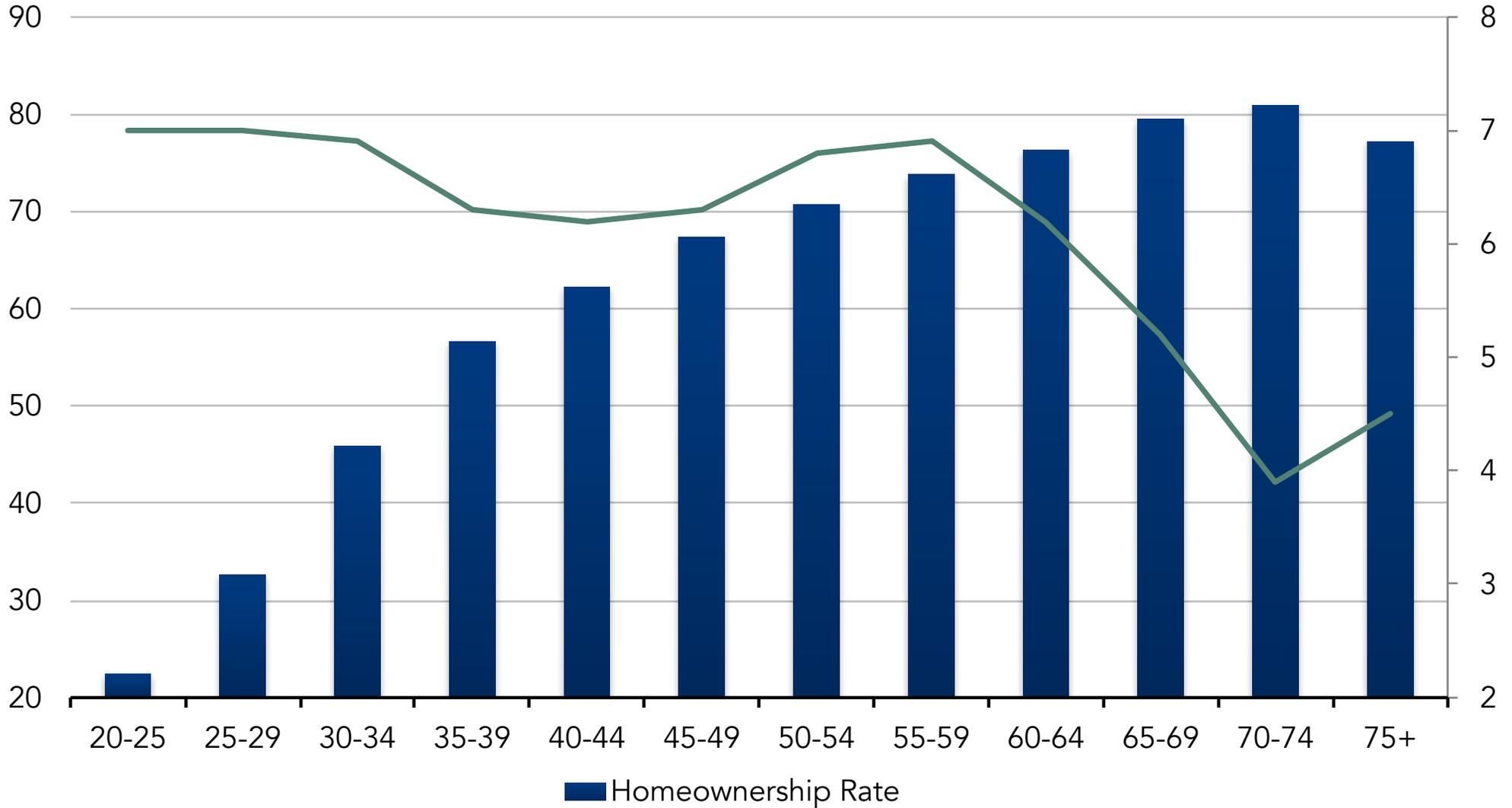
New Housing Units and Households (Year-Over-Year, Millions)



Source: Census Bureau, HUD (obsolescence rate of 0.31% of existing stock), 2016

Aging Out of The American Dream

Homeownership Rate and Population by Age Cohort (%)



Source: US Census Bureau, Q3 2017

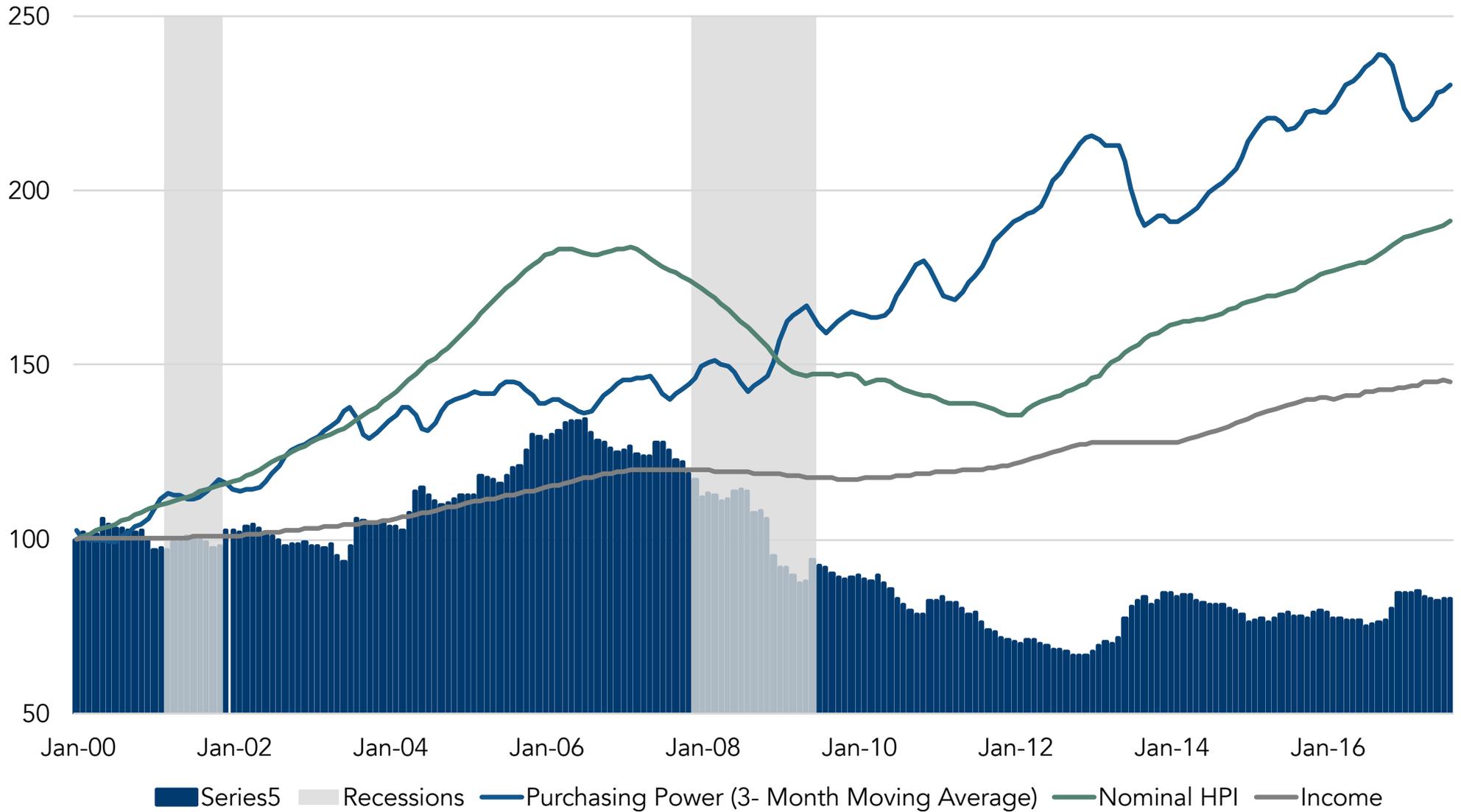
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Are House Prices Really Outpacing Income?

Index= 100, Jan. 2000



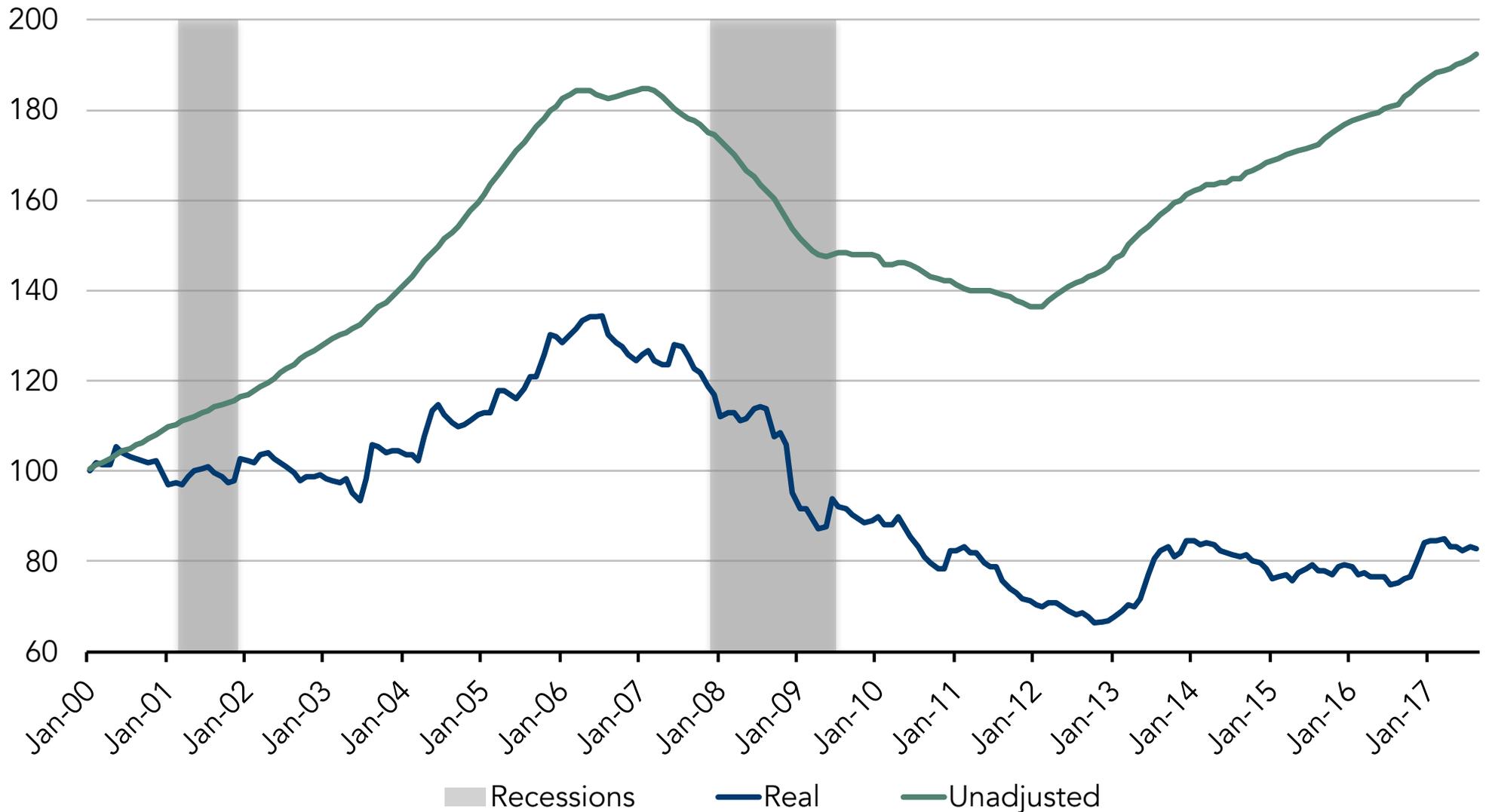
Source: First American Calculations, Standard & Poors, BLS, Census, Aug. 2017

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Real Prices Edge Higher, Remain Well Below Historic Levels

House Prices (SA, Jan. 2000 = 100)



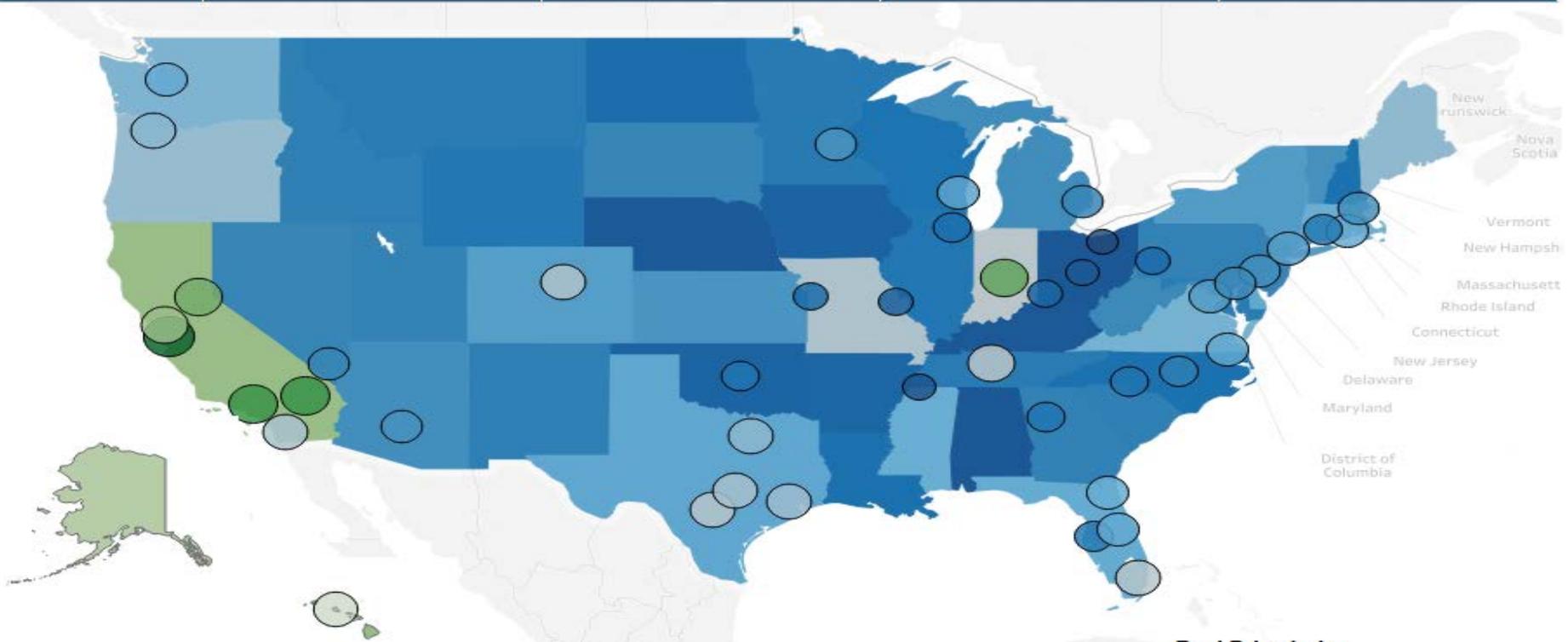
Source: Standard & Poors, First American, August 2017

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	Real Price Index	Monthly Change	Quarterly Change	Yearly Change
August 2017	83	-0.4%	-0.5%	9.6%



Sort by Each Measure to See City/State Rankings:

State	State Index	Monthly Change	Quarterly Change	Yearly Change \pm
AL	55.4	-1.5%	-4.3%	2.8%
ND	64.5	-2.9%	-7.7%	3.8%
HI	108.1	-2.4%	-4.1%	4.2%
NJ	76.6	0.2%	0.1%	4.2%
DC	103.6	-0.6%	-1.8%	4.6%

City Name	City Index	Monthly Change	Quarterly Change	Yearly Change \pm
St. Louis, MO	58.28	-2.6%	-5.6%	0.3%
Pittsburgh, PA	63.58	-1.4%	-2.4%	2.2%
Virginia Beach, VA	87.37	-1.0%	-0.8%	6.7%
Memphis, TN	53.41	-0.7%	-1.2%	7.5%
Baltimore, MD	78.93	-0.9%	-1.1%	8.1%

Source: FHFA, Freddie Mac, Census, First American Calculations, July 2017

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