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# The Big Short?

## 2021 Housing Market Forecast

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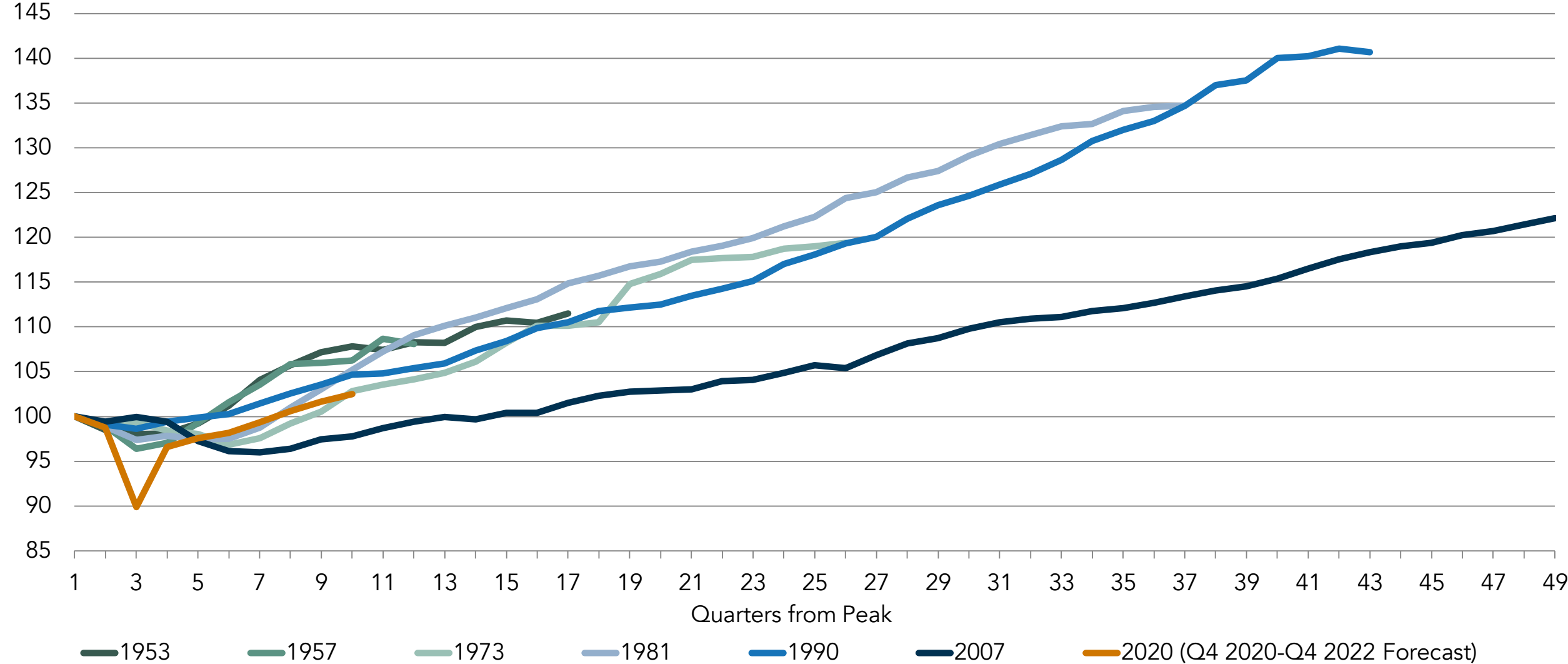
# The Economy



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# Measuring the Business Cycle- Recession, Expansion and Duration

Real Quarterly GDP (SA, %, Pre-Recession Peak = 100)



Source: BEA, FRED, CBO, Q3 2020, WSJ Forecast

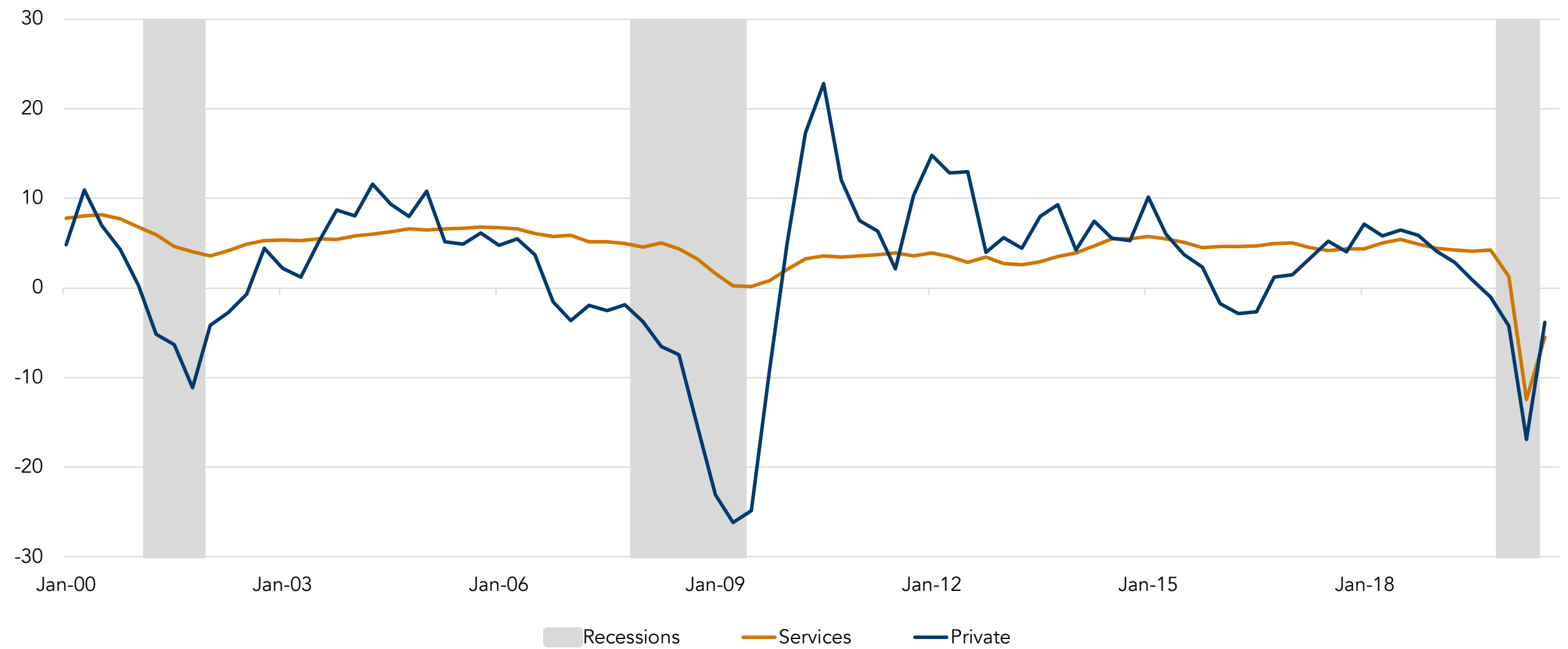
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# The Services Recession

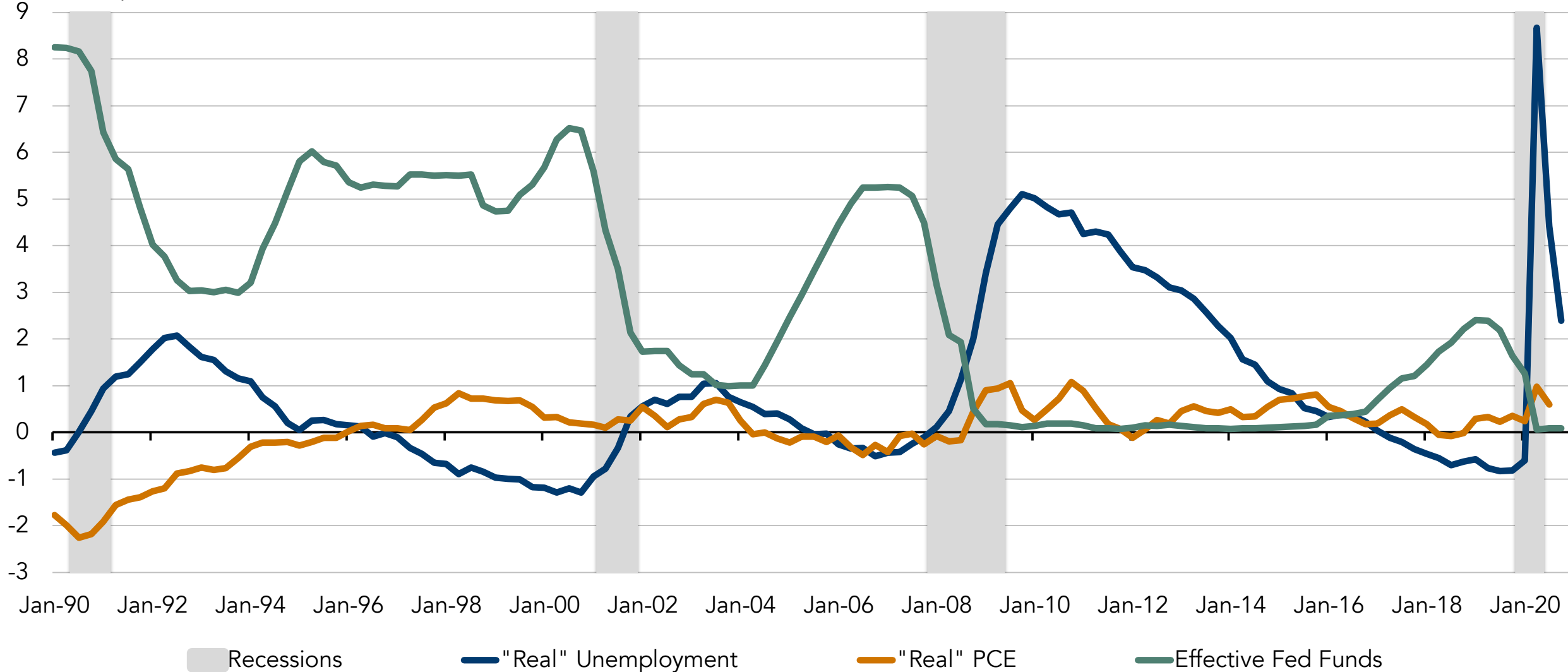
Yearly Change in Personal Consumption Expenditures: Services and Real Gross Private Domestic Investment



Source: BEA, FRED, Q3 2020

# Fed Monetary Policy - Too Hot, Too Cold or Just Right

"Real" Unemployment & Inflation (Adjusted for Fed Targets)



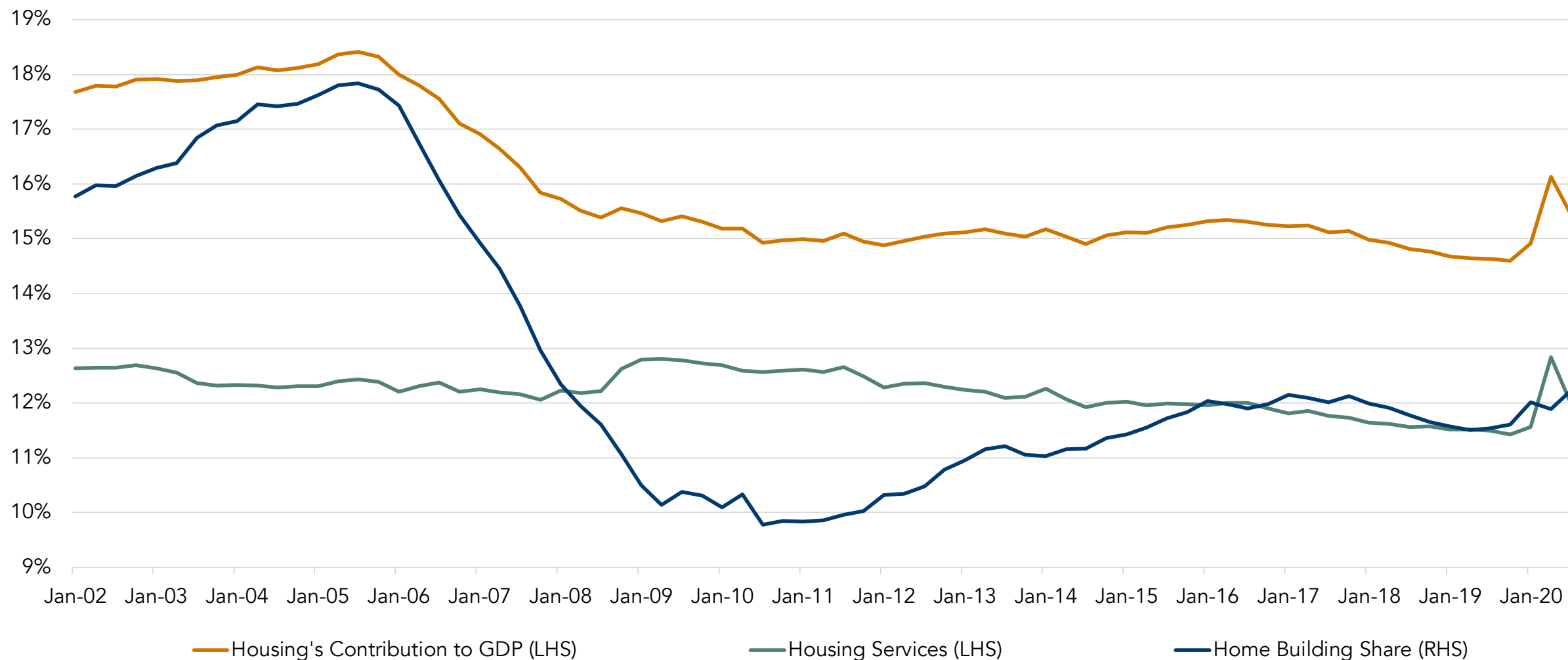
Source: BLS, CBO, BEA, Fed Board of Governors, FRED, Q4 2020

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# Housing's Contribution to GDP Remains High

Real Private Residential Fixed Investment, Real PCE: Services: Housing and Utilities, % of GDP



Source: U.S. Bureau of Economic Analysis, FRED, First American Calculations, Q3 2020

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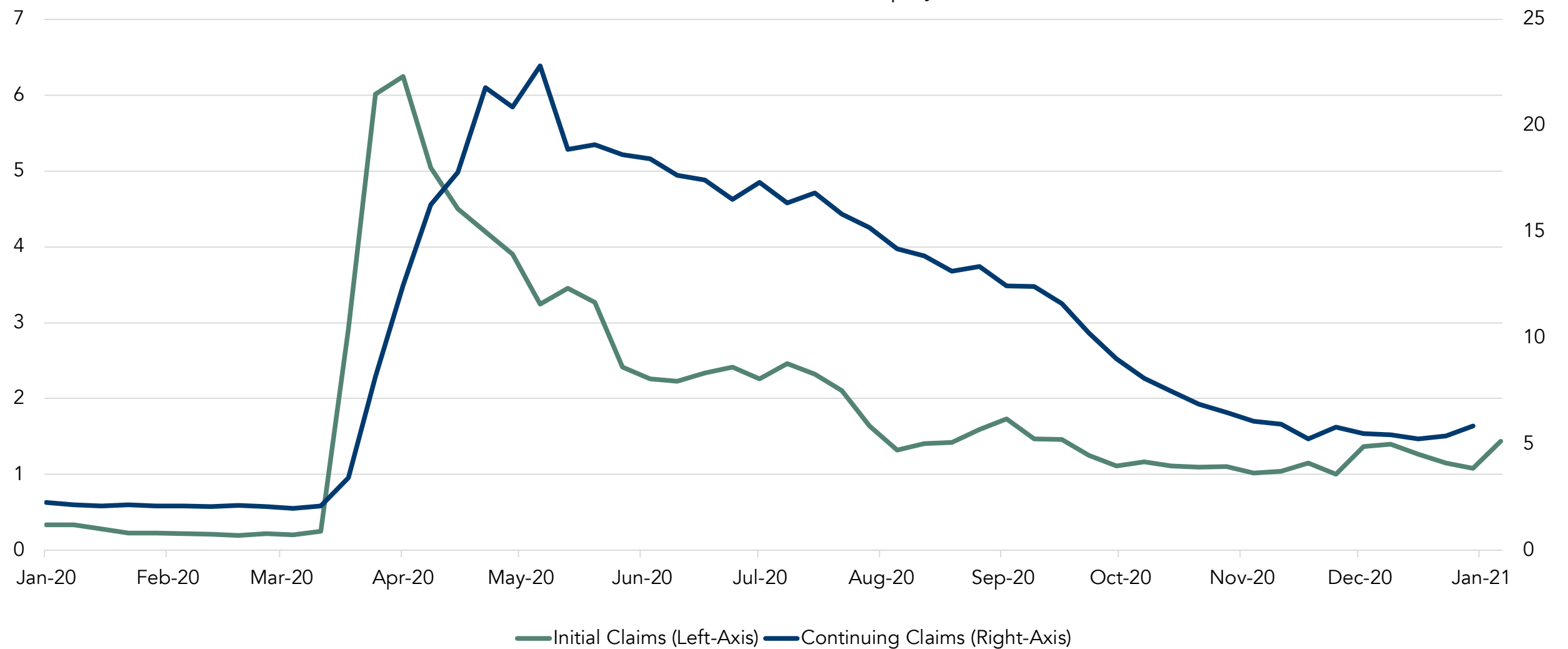
# The Labor Market



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# Initial and Continuing Claims Rise

Initial Jobless Claims (Includes PUA Initial Claims, LHS), Continued Claims (Insured Employment, RHS), Millions, NSA

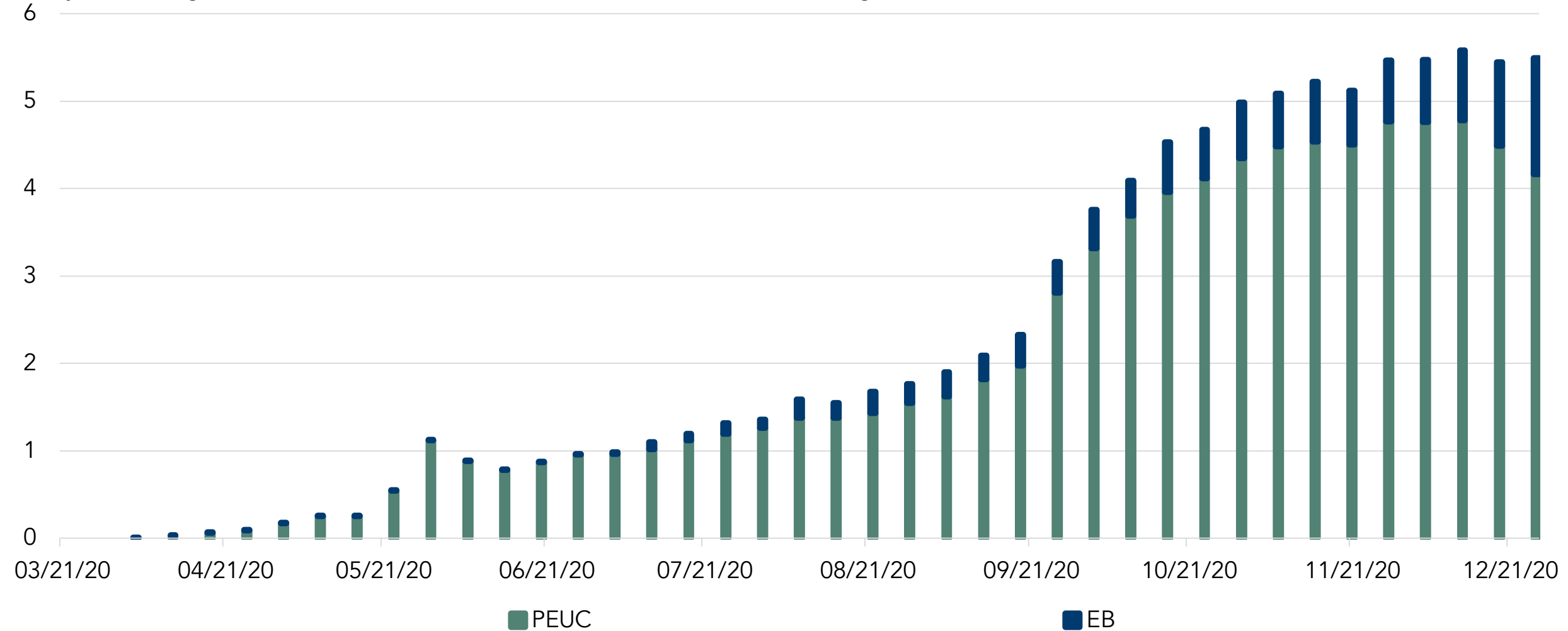


Source: FRED, U.S. Employment and Training Administration, BLS, Jan. 2021



# Rise in Extended Benefits Indicates Long-Term Joblessness

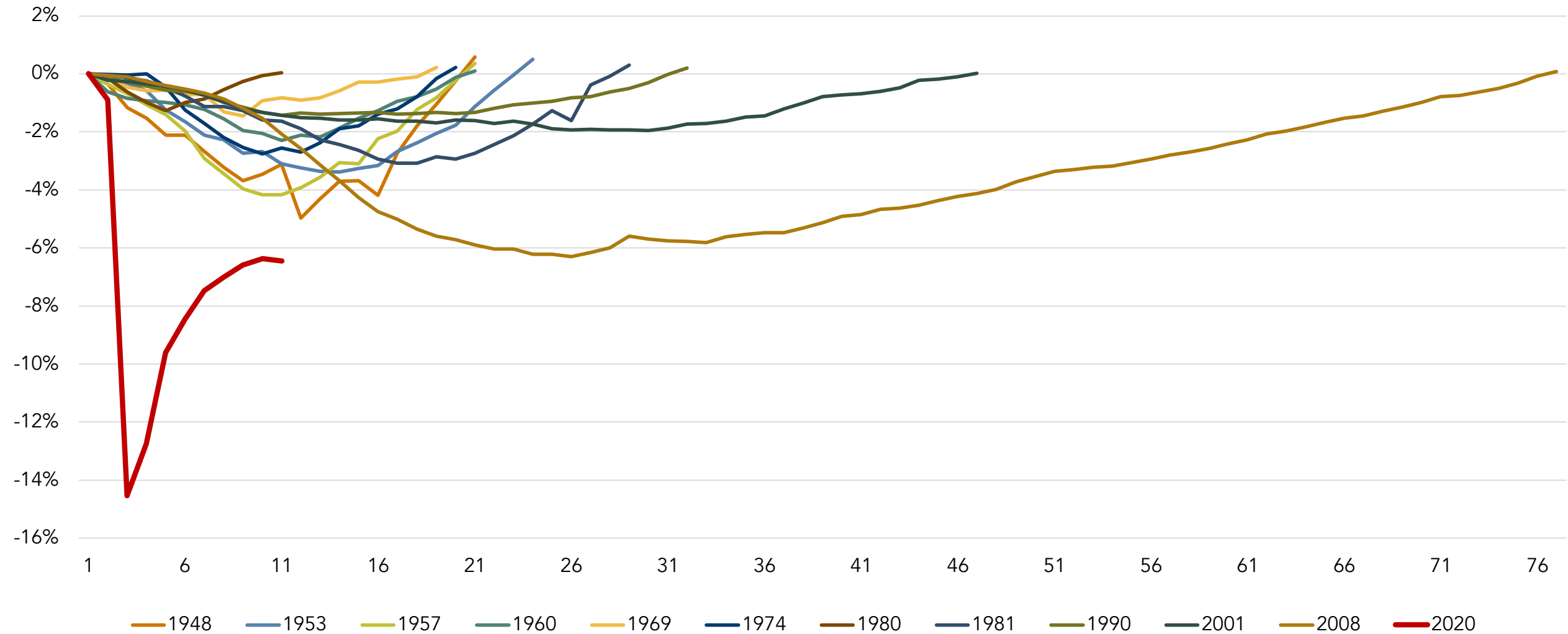
Weekly Continuing PEUC and Extended Benefits (EB) claims (NSA, Millions) Through Dec. 26, 2020




Source: U.S. Department of Labor, Dec. 2020

# Job Recovery Goes Into Reverse

Percent Job Losses Relative to Peak Employment Month and Number of Months After Peak Employment



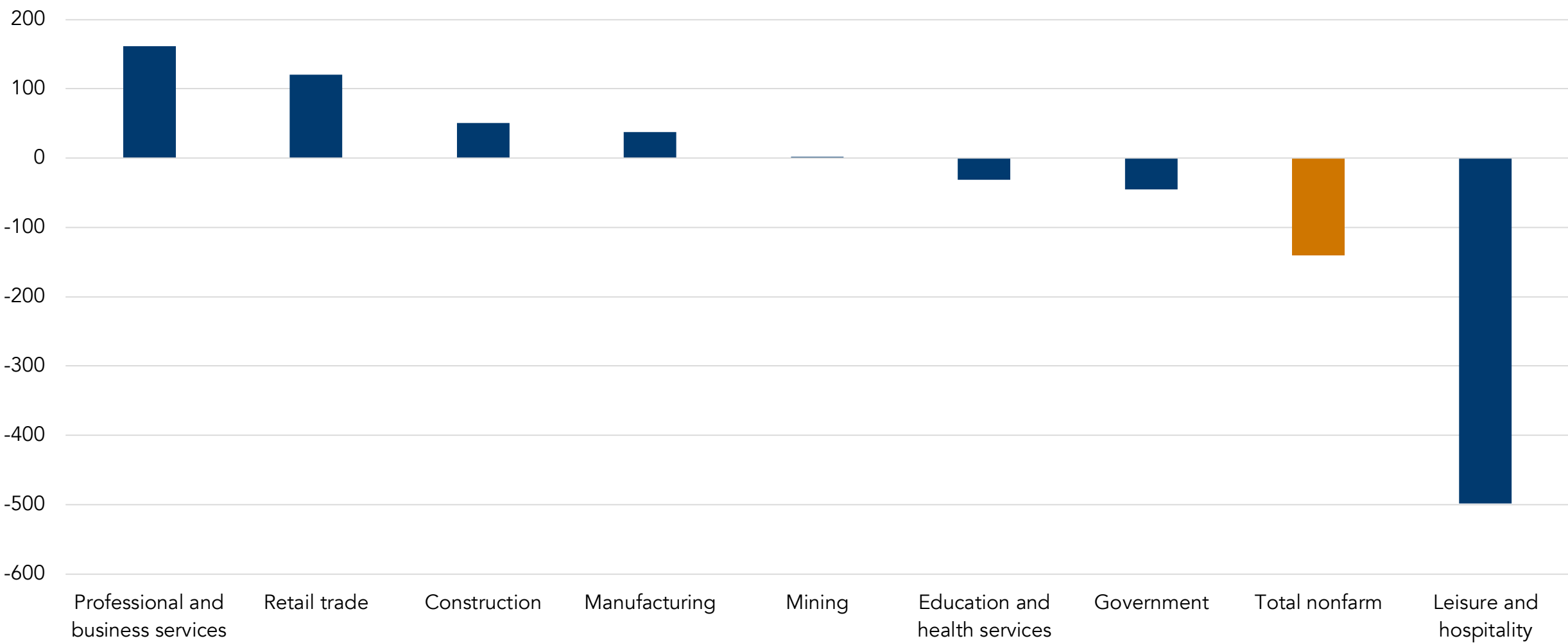
Source: BLS, FRED, Dec. 2020

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# A Return to Service-Sector Job Losses

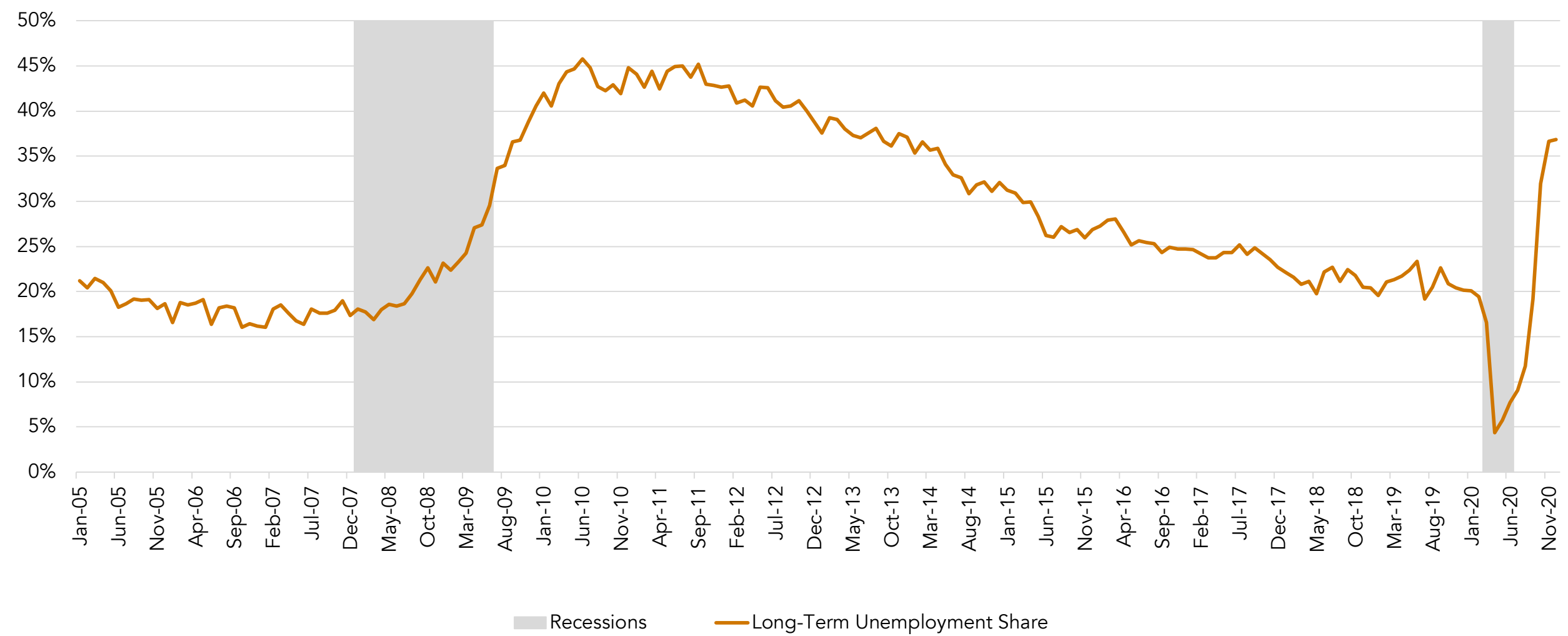
Month-over-Month Change, Thousands



Source: BLS, FRED, Dec. 2020

# Permanent Economic Scarring

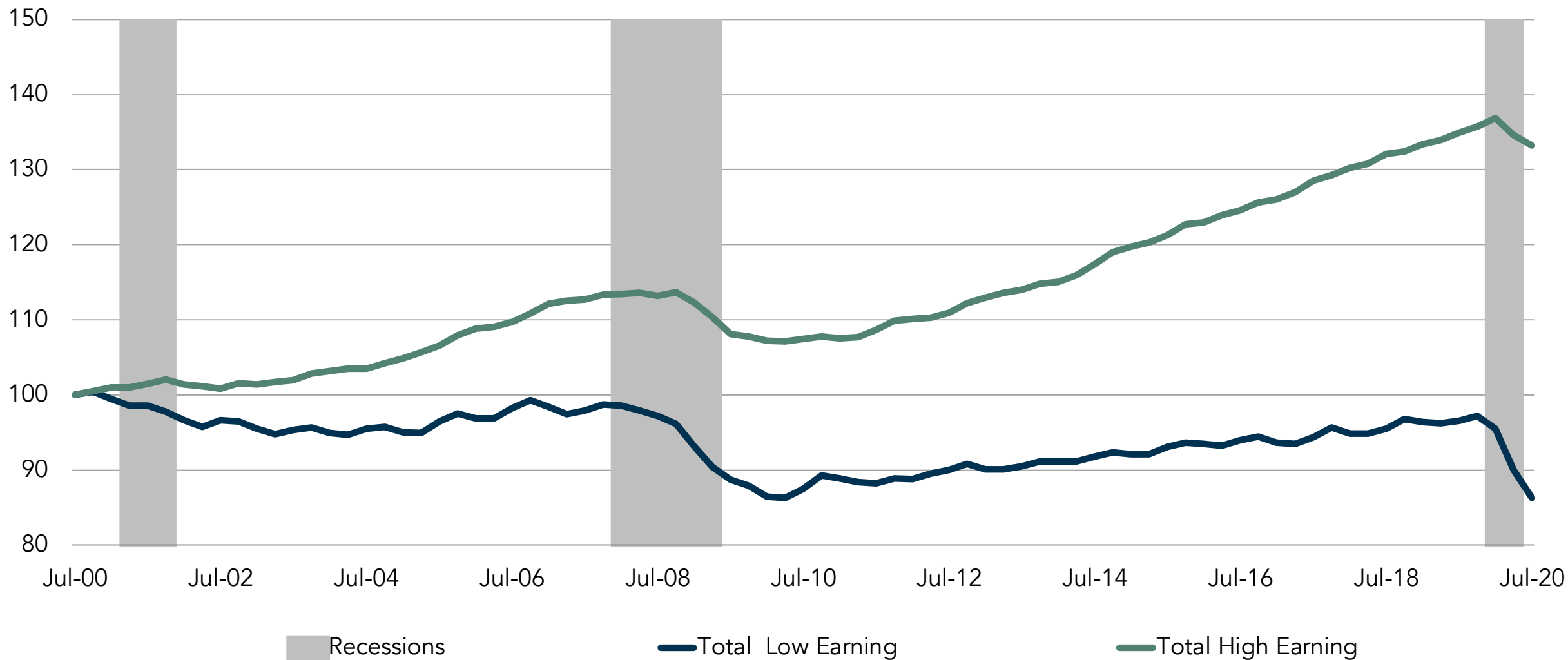
Long-Term Unemployment Rate as a Share of Total Unemployed




Source: BLS, FRED, Dec. 2020

# The Two-Speed Economy

Employment Count of Full Time Workers (Q3 2000 = 100)



Source: BLS, Q3 2020

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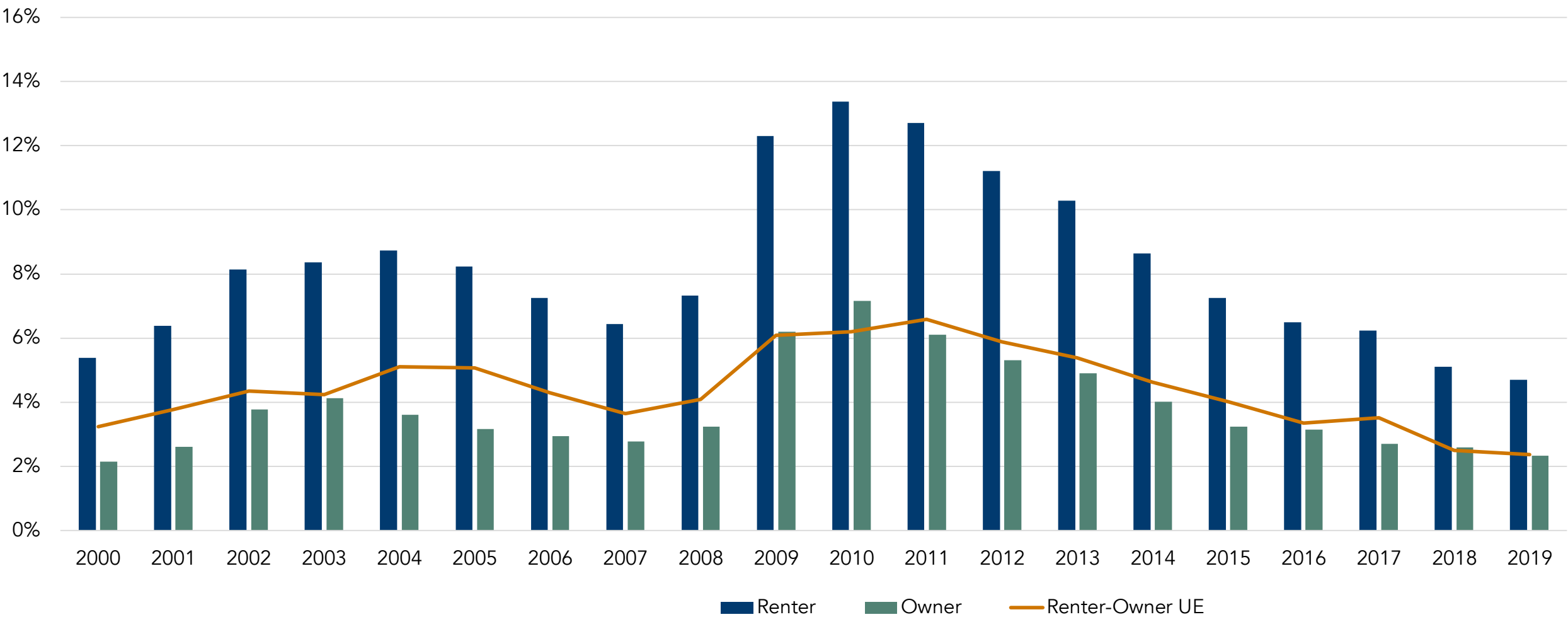
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# The Unemployment Difference

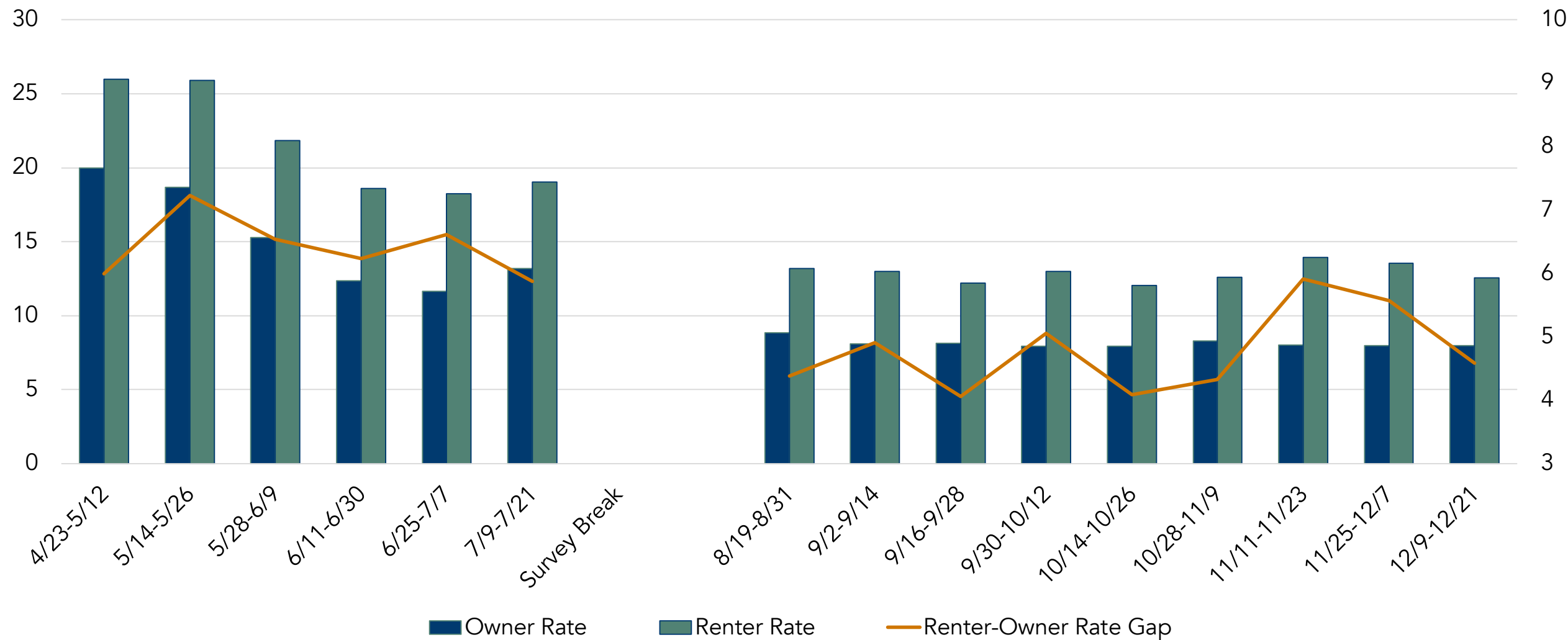
Renter-Owner Unemployment Rates, Renter-Owner UE Difference, %



Source: First American Calculations, IPUMS CPS, 2019

# Owner vs. Renter Unemployment Rate

Renter-Owner "Unemployment" Rates (% , Left), Renter-Owner Rate Gap (% , Right)



Source: First American Calculations, Census Household Pulse Survey, Weeks 1-21

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# The Demographic Tailwind

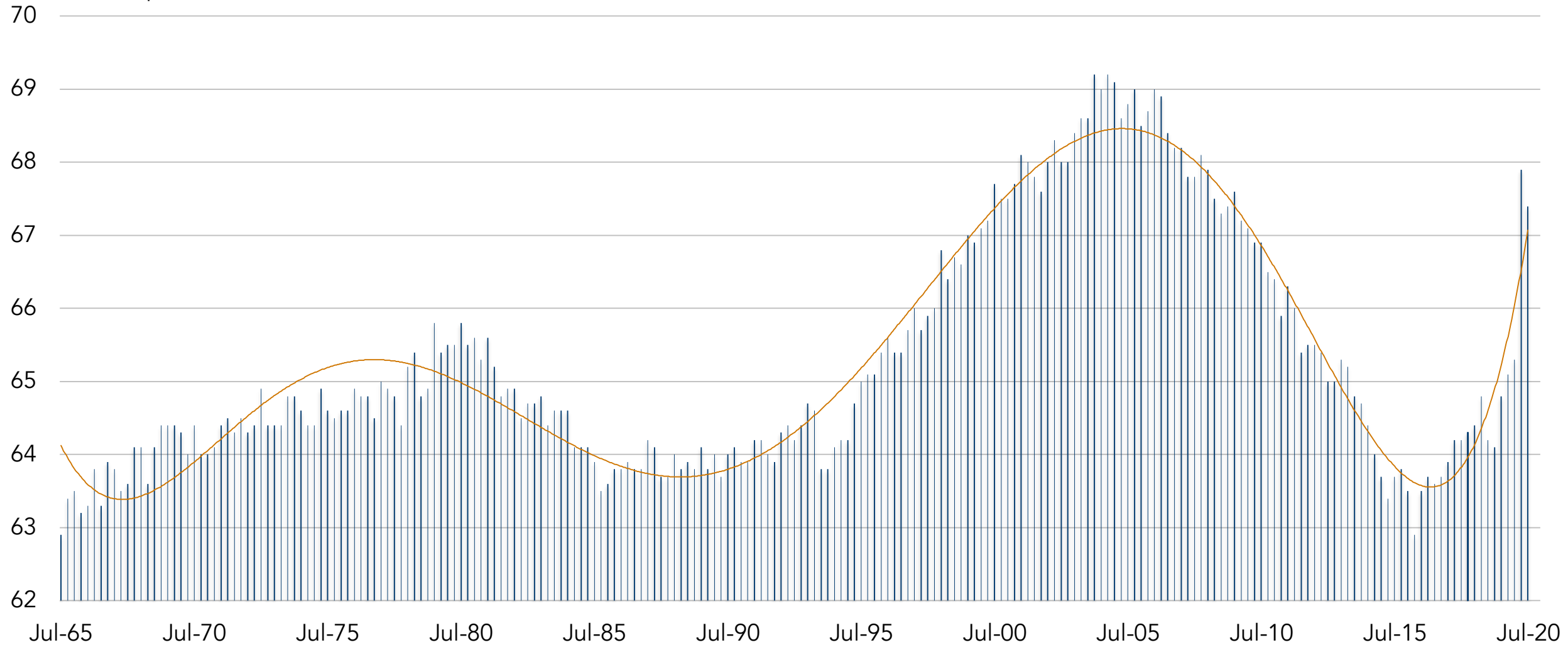


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# Homeownership Demand Resurgent

Homeownership Rate (%)



Source: US Census Bureau, Q3 2020

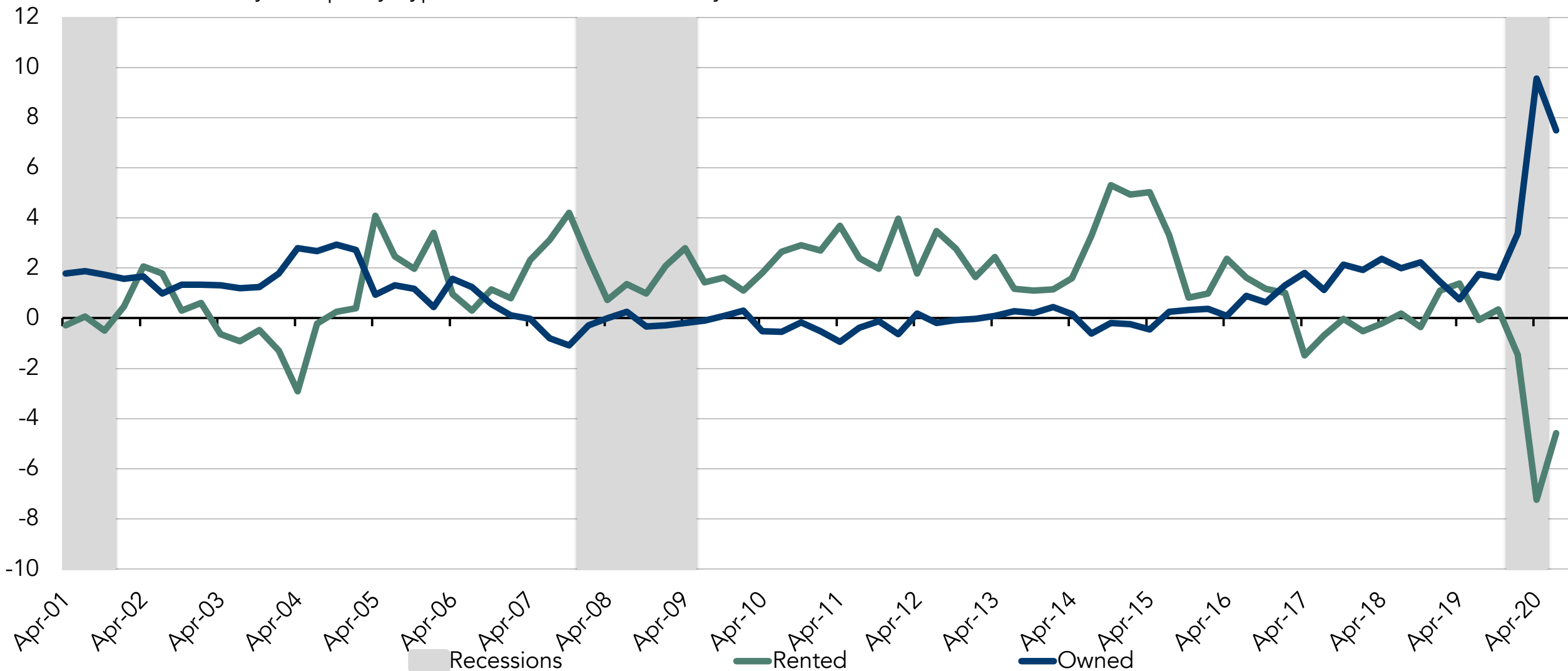
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# The Tenure Choice Transition is On Again

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



Source: Census Bureau, FRED Q3 2020

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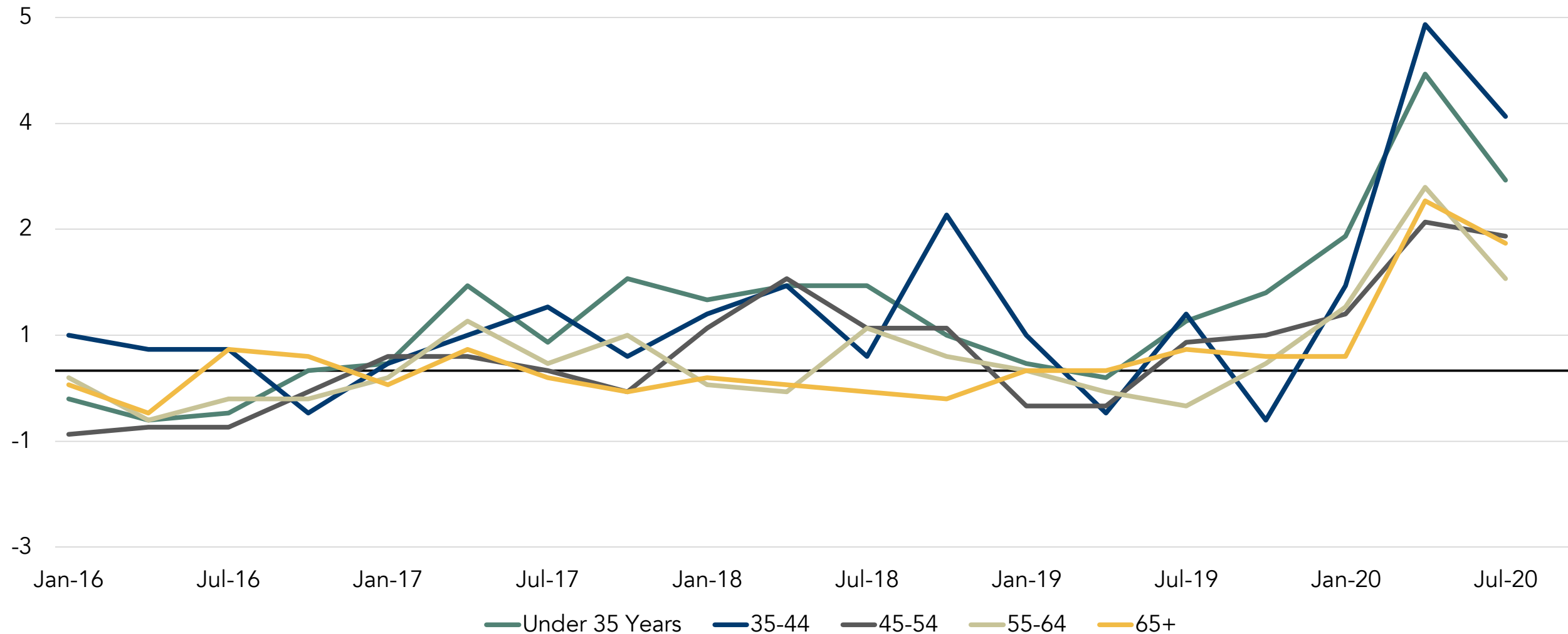
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# Young Households Drive Homeownership Growth

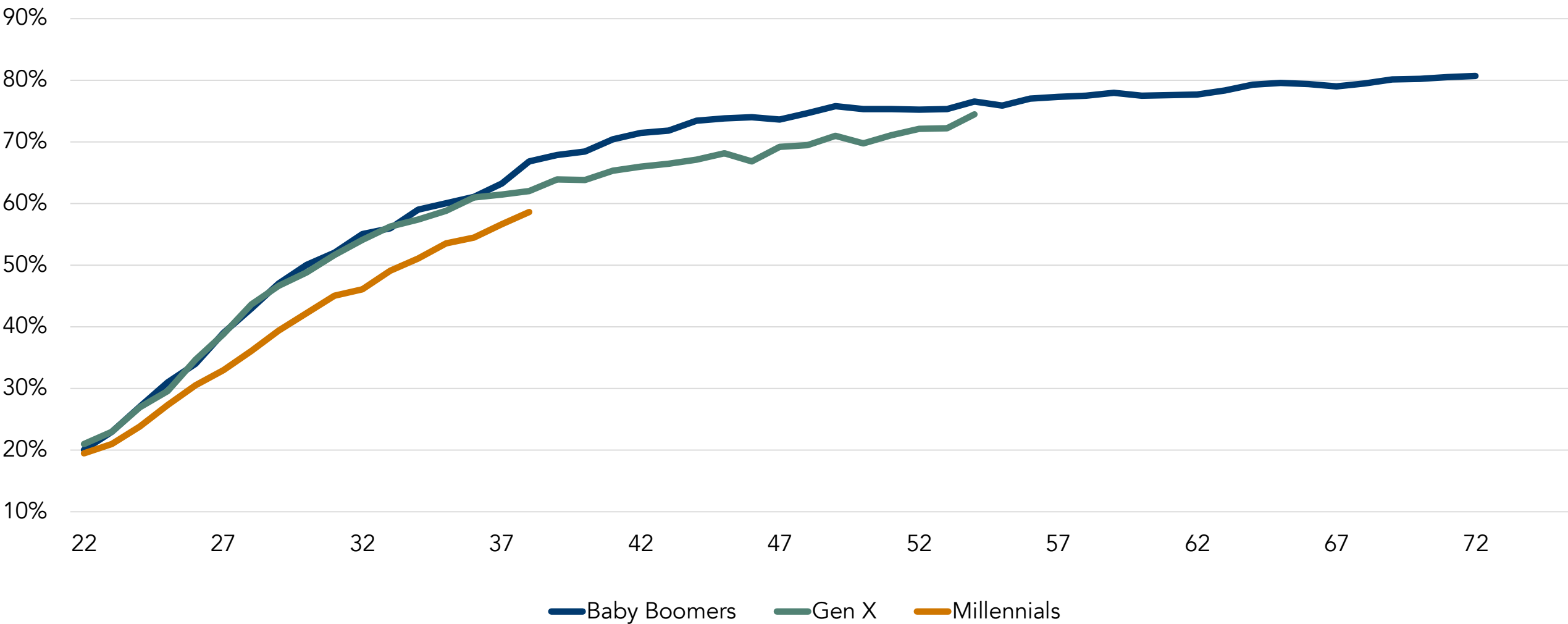
Homeownership Rate by Age Cohort (Year-Over-Year Percentage Change)



Source: US Census Bureau, Q3 2020

# Millennials Playing Catchup

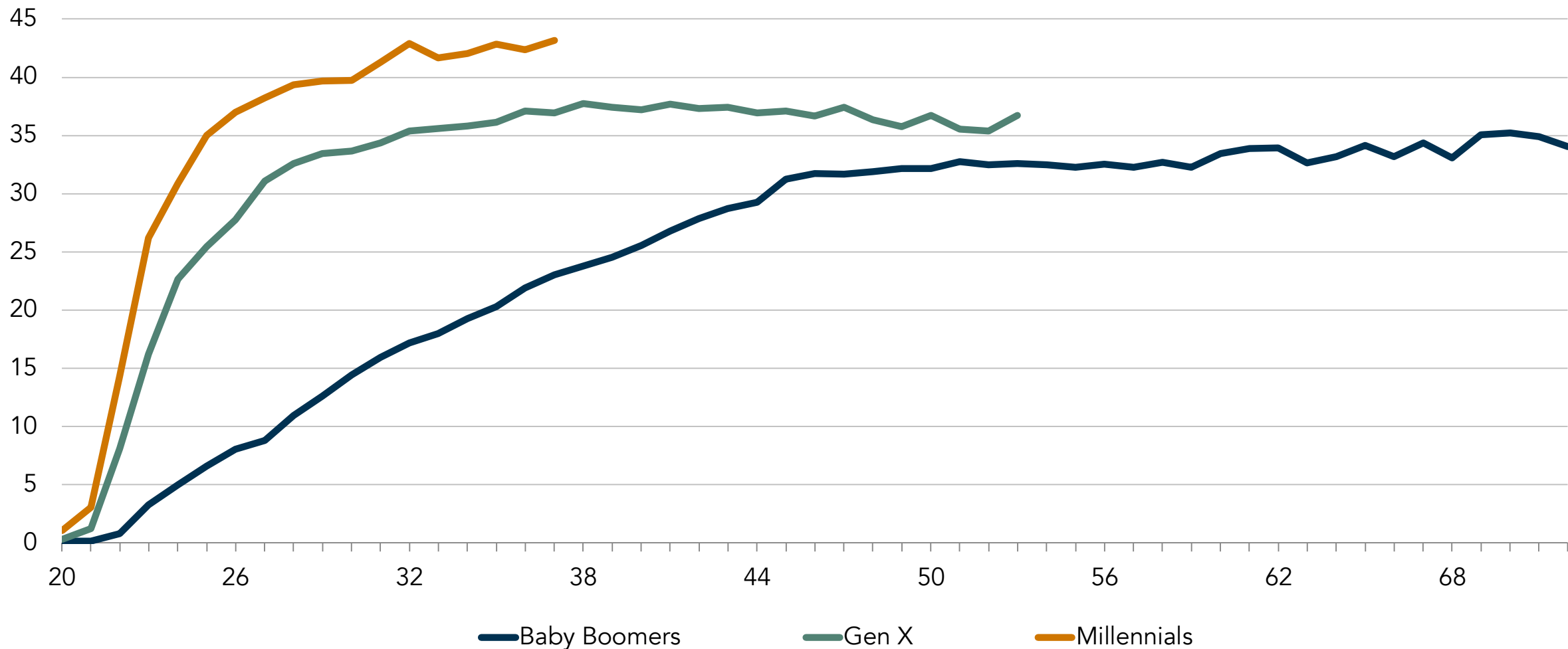
Homeownership Rate by Generation



Source: IPUMS CPS, First American Calculations, 2019

# Delaying Homeownership- Education Takes Time

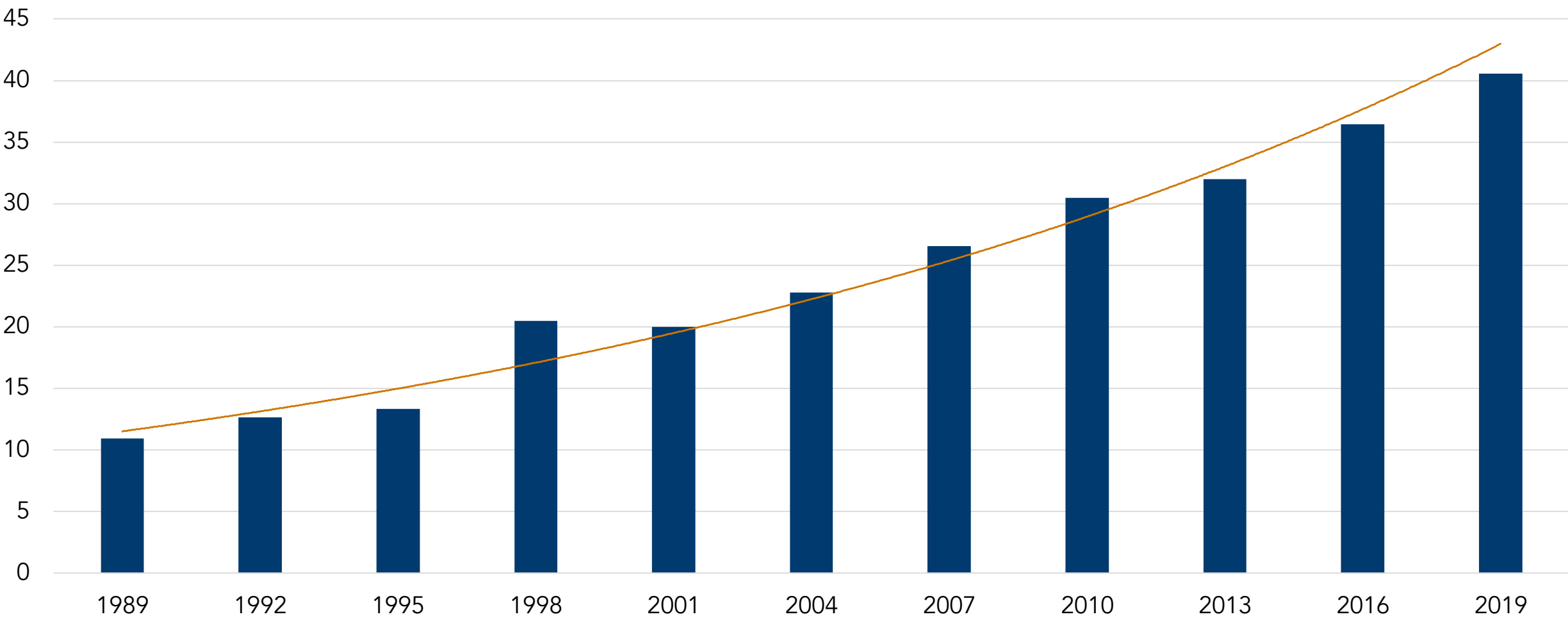
Percent Share of Population with Bachelors Degree or Higher



Source: ACS IPUMS, 2019

# Rising Student Debt Burdens

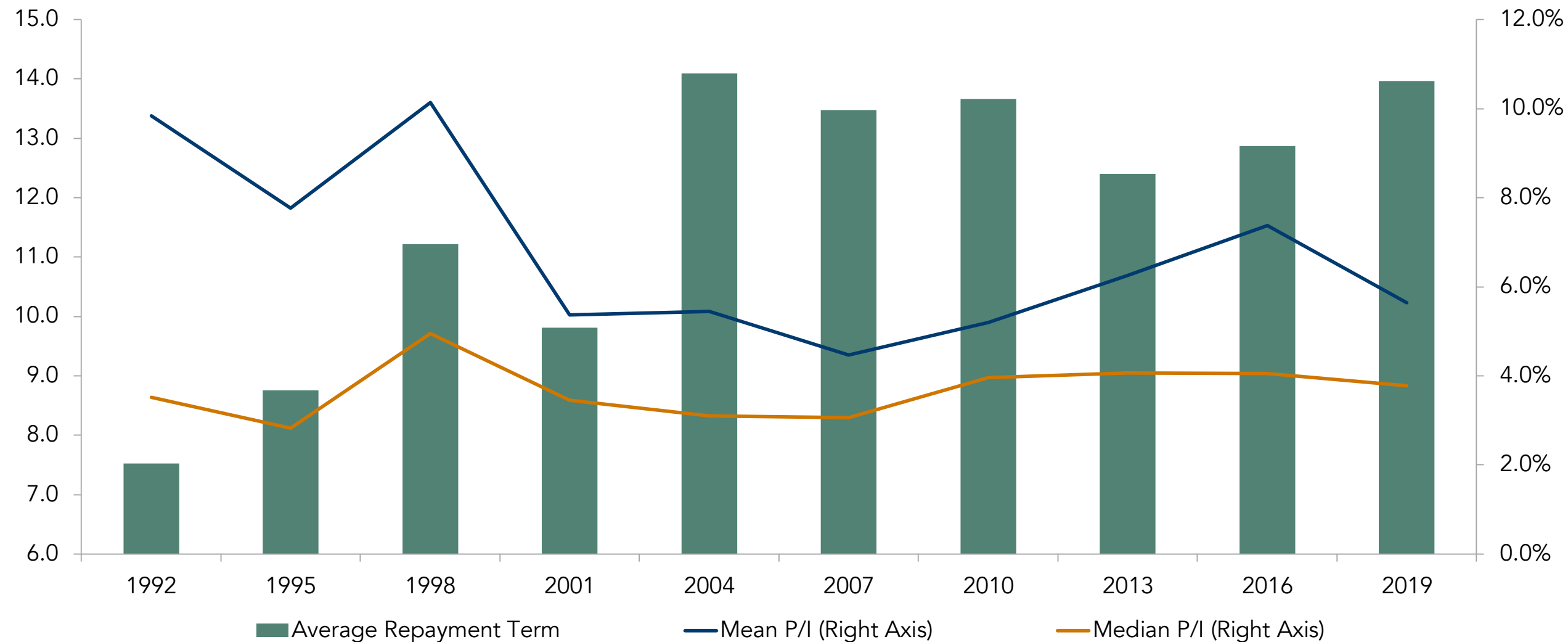
Average Outstanding Balance for All Student Loans (\$, Thousands)



Source: Federal Reserve Board of Governors SCF, 2019

# Longer Loan Terms Resulting in Lower Payment-to-Income Ratios

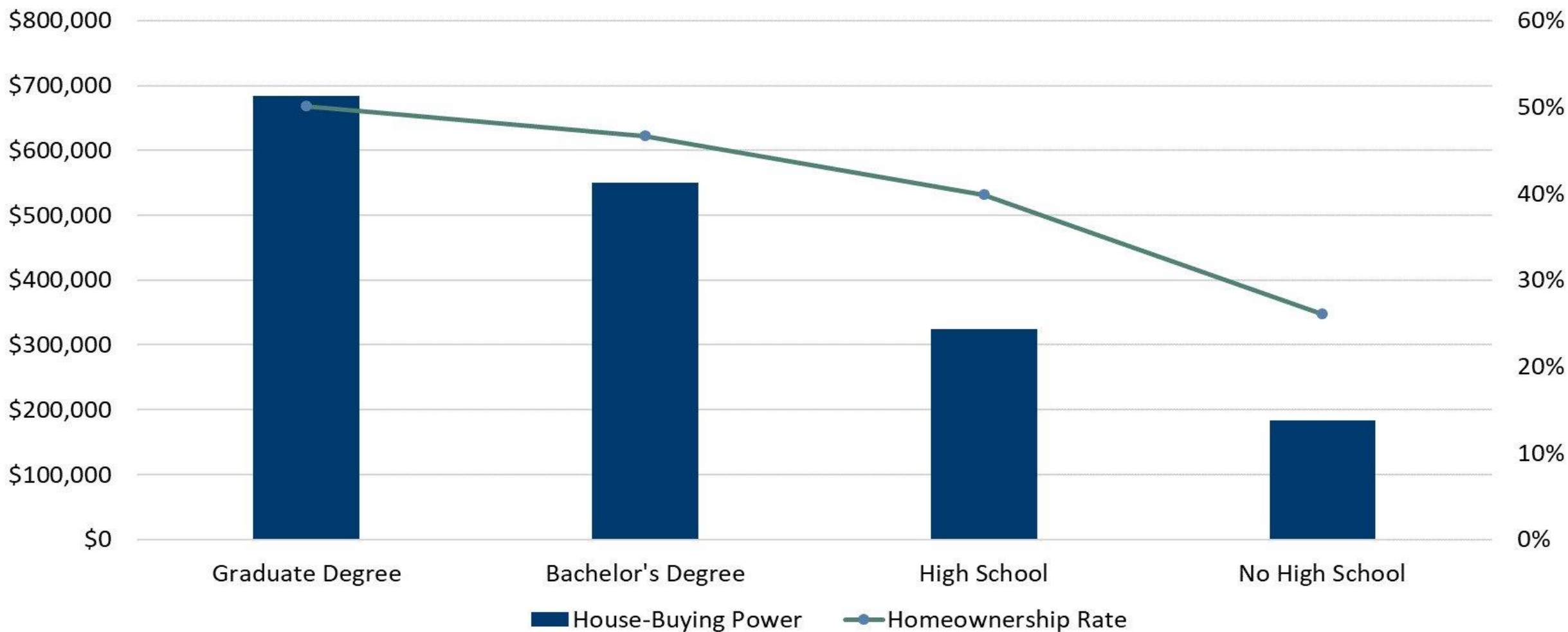
Average Loan Term (Years) and Payment-to-Income Ratio, Ages 25-34



Source: Federal Reserve Board of Governors SCF, 2019

# Education Pays Off

House-Buying Power (\$) and Homeownership Rate of Millennials in 2019 by Educational Attainment

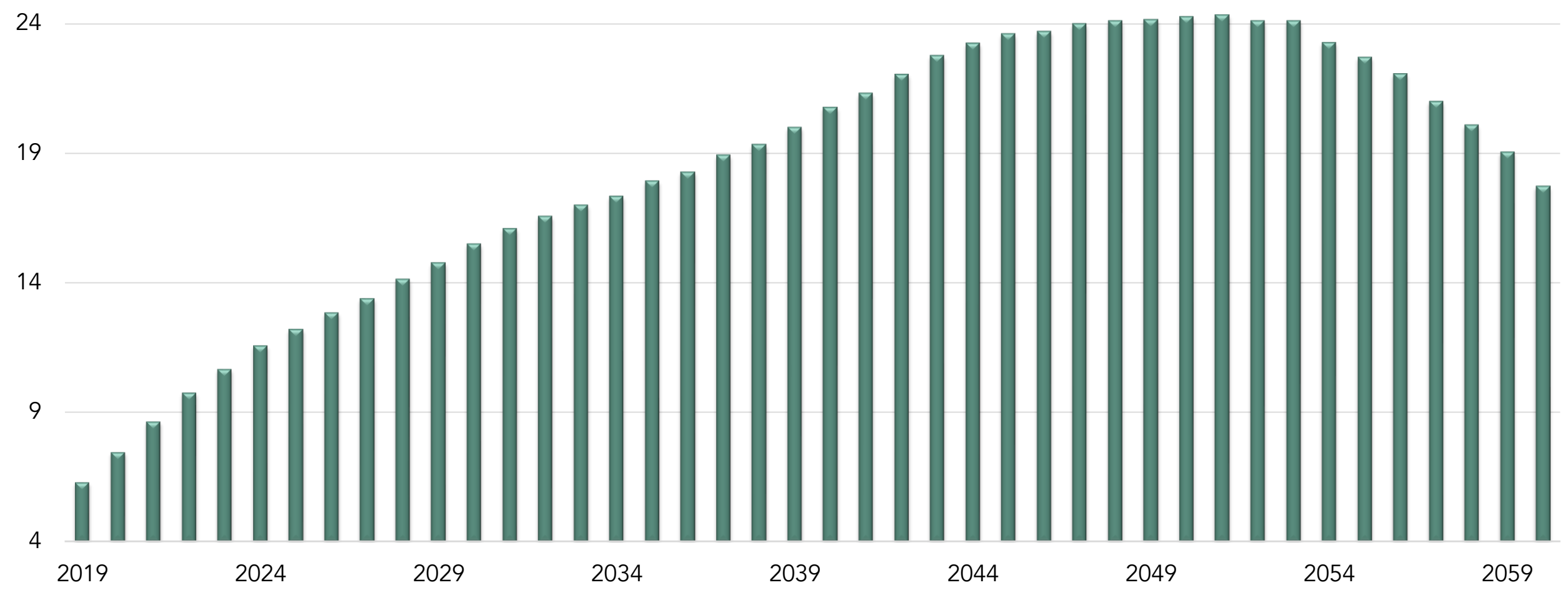


Source: IPUMS CPS, First American Calculations, 2019



# Wait For it....

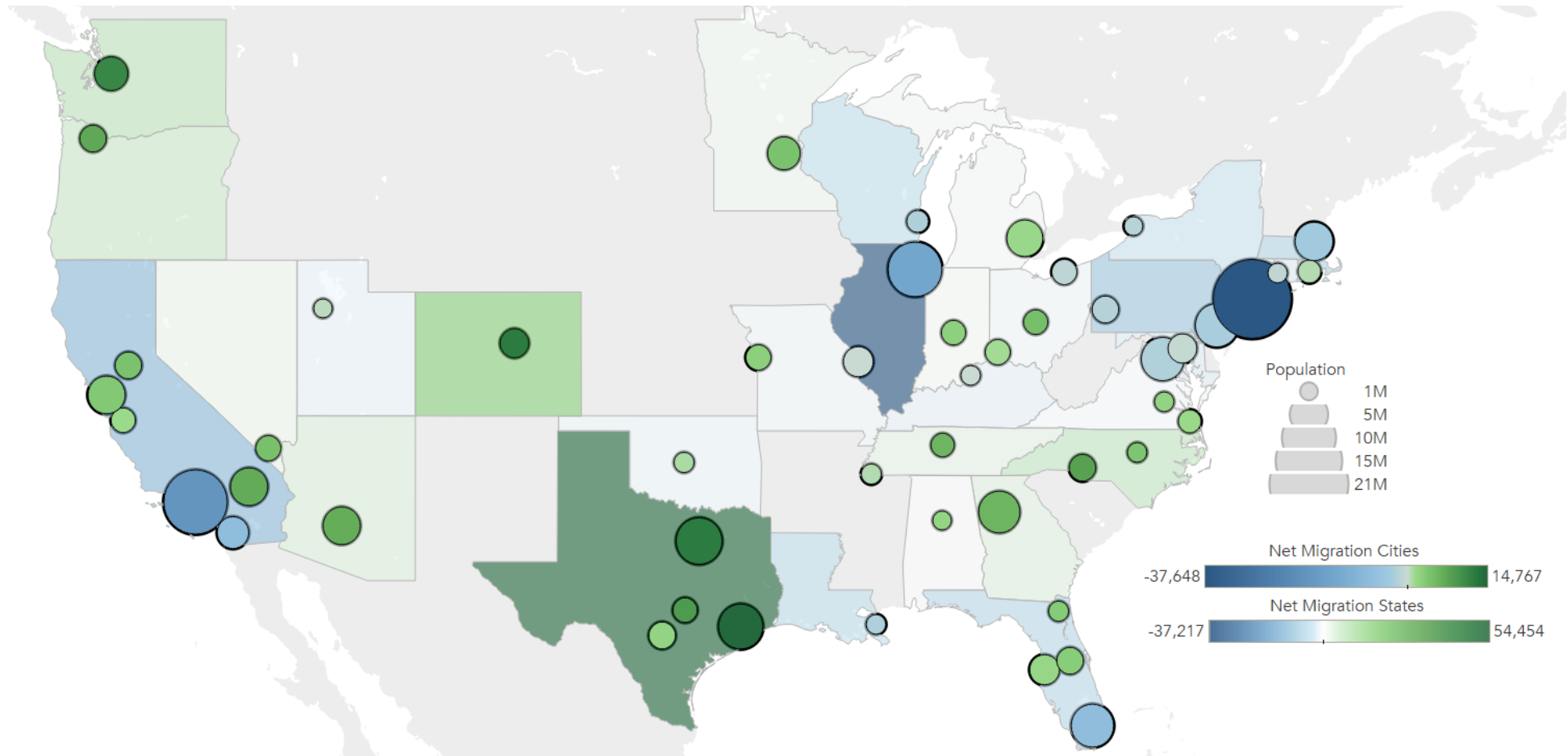
Cumulative Net New Owner-Occupied Households (23-39 Yrs. Old in 2019, Millions)



Source: First American Calculations, Census, IPUMS CPS, 2019

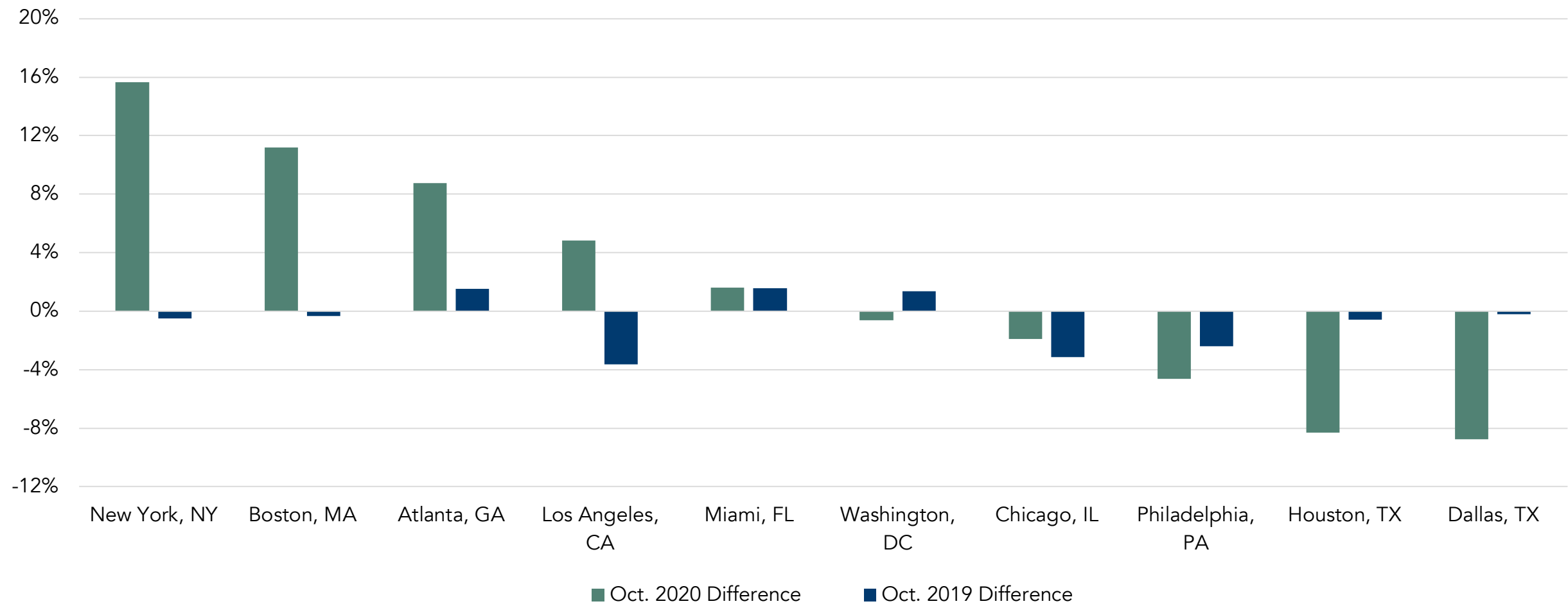
## Where Millennials Are Moving

Annual net migration of residents ages 25 to 34, 2012-2017



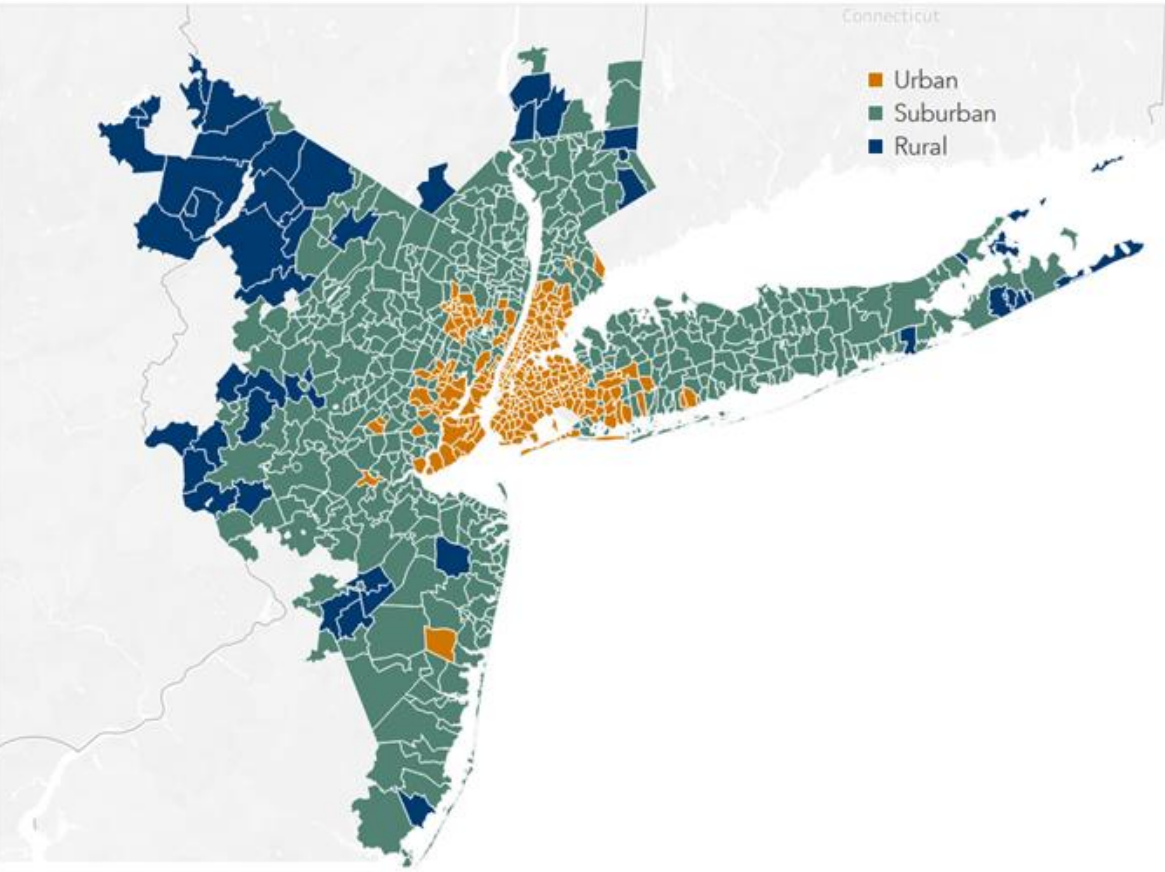
# Price Acceleration in the Suburbs vs. Urban Centers

Percentage Point Change between YoY Suburban Growth and YoY Urban Growth



Source: First American Calculations, First American Data & Analytics Division, Trulia, Oct. 2020

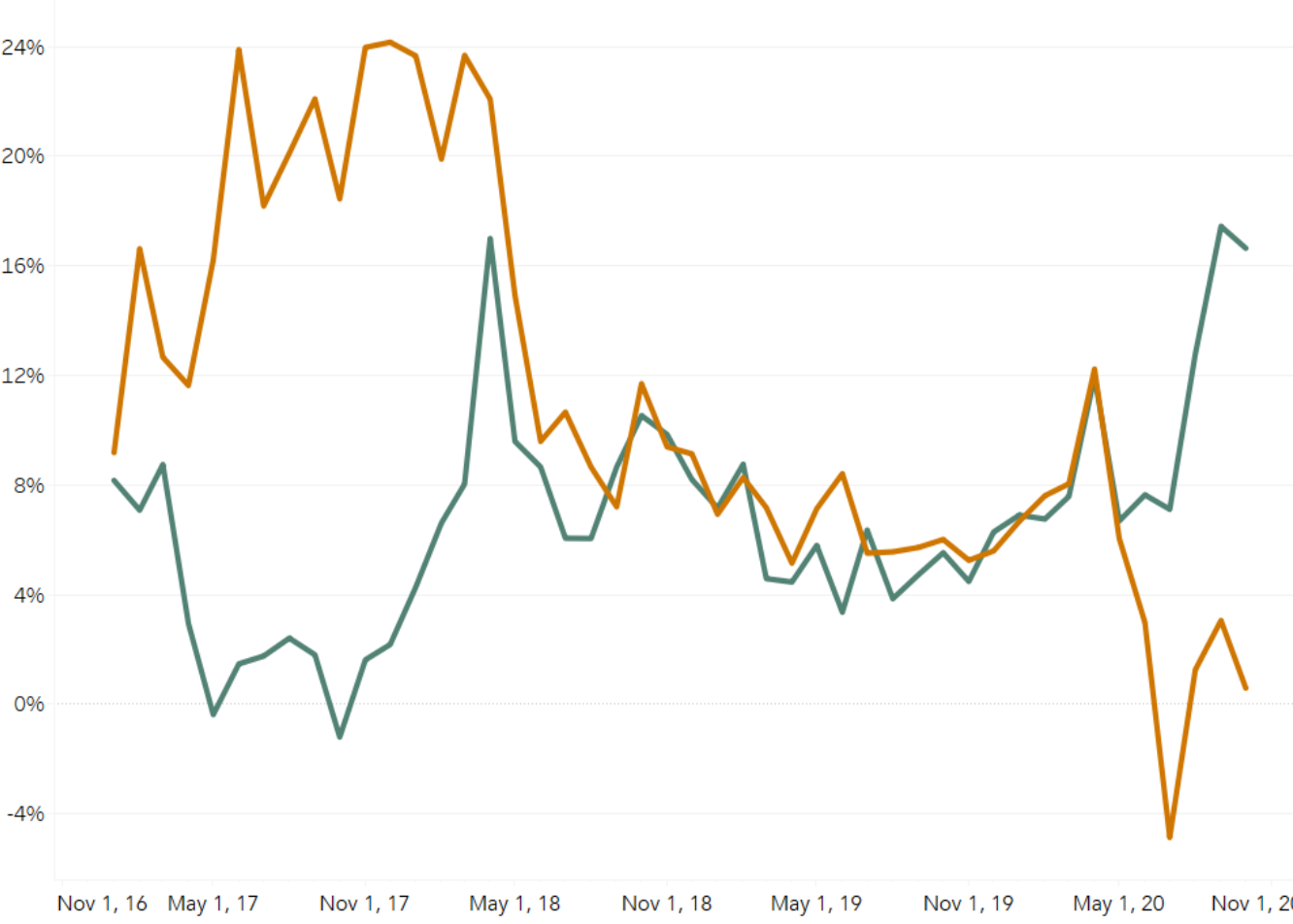
Urban, Suburban, or Rural?  
New York- Newark-Jersey City NY-NJ-PA CBSA



Source: Trulia, First American Calculations

Acceleration to the Suburbs?

Yearly Growth of Median Sale Price in NYC CBSA by Urban/Suburban Zip Codes



Source: First American Calculations, First American Data & Analytics Division, Trulia, Oct. 2020

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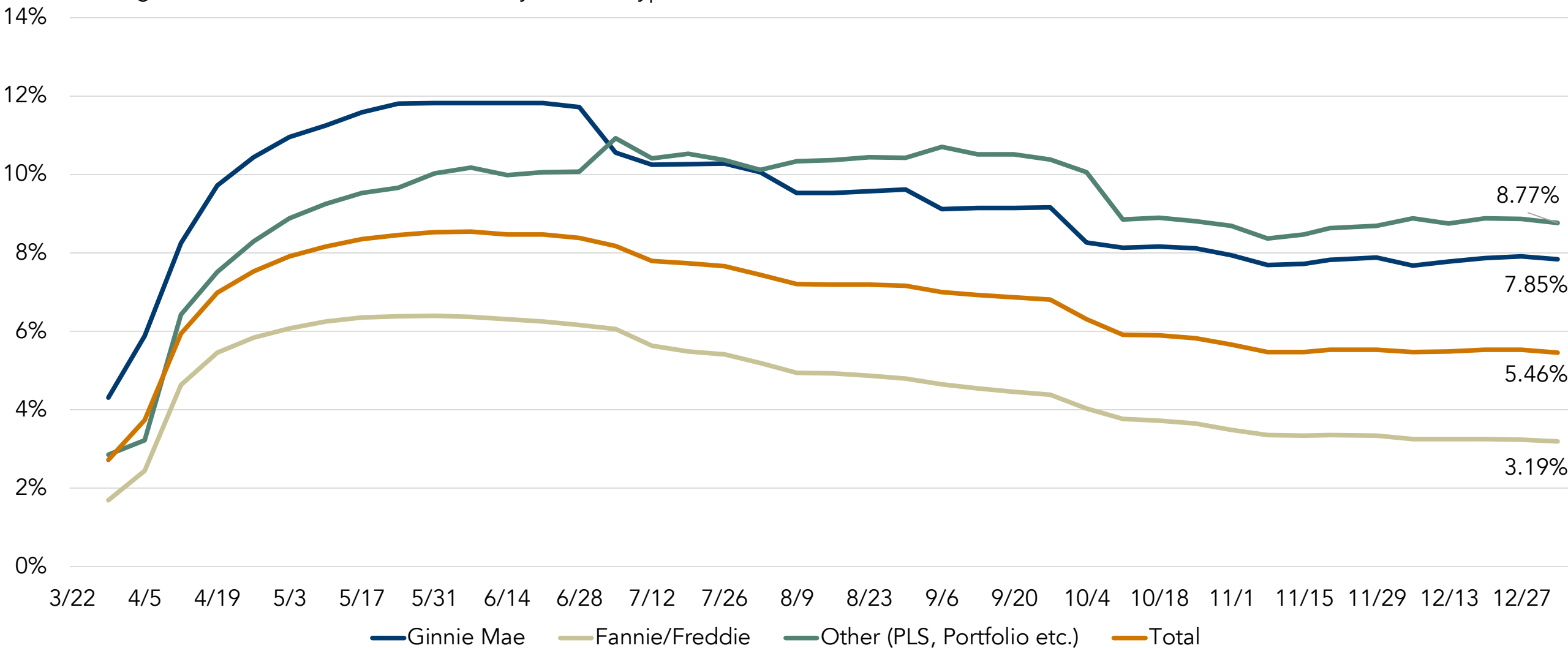
This Time It's Different



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# Nearly 5.5% of Borrowers in Forbearance

% of Servicing Portfolio Volume in Forebearance by Investor Type over Time



Source: MBA Forbearance and Call Volume Survey, Dec. 2020

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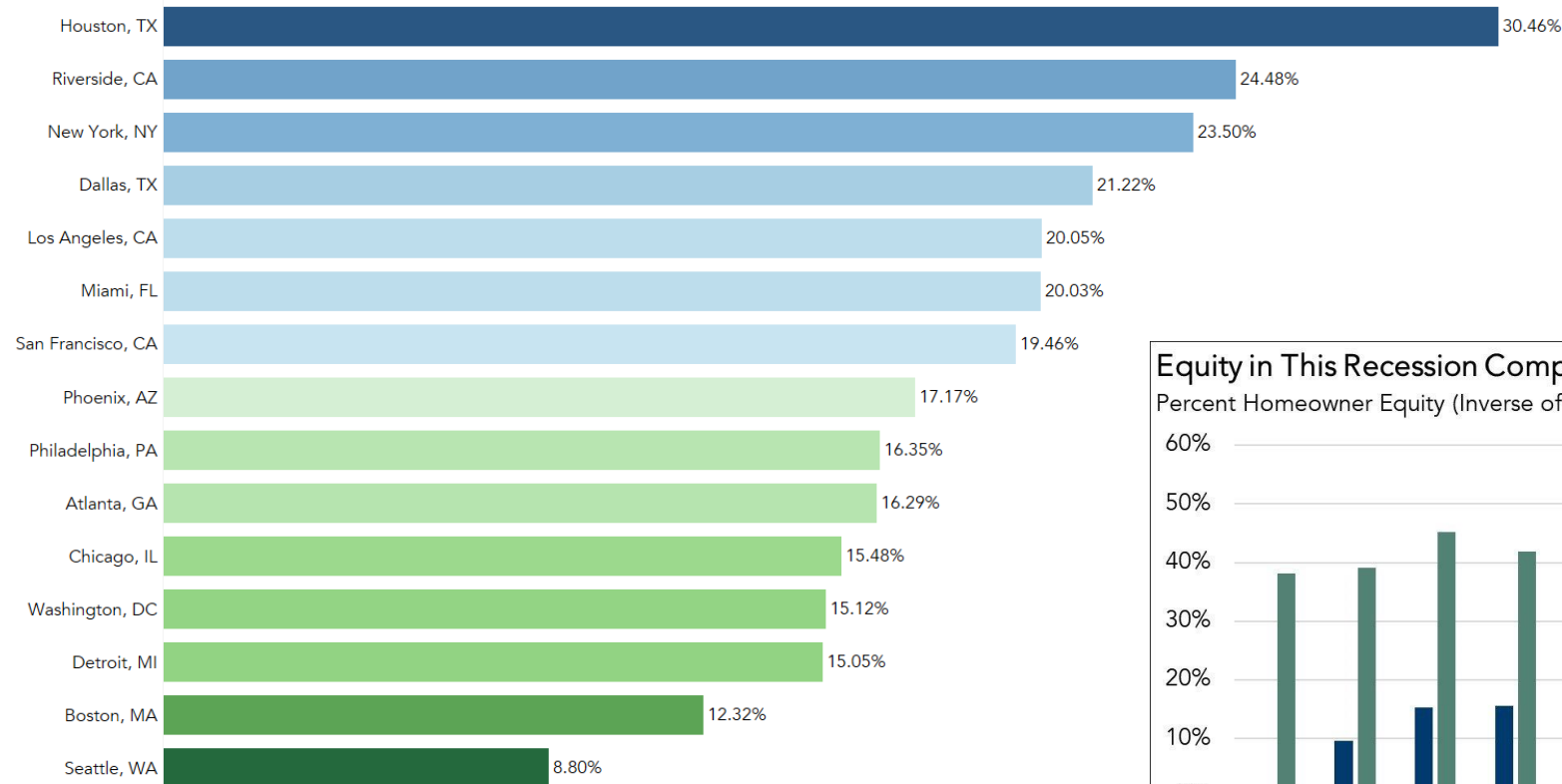
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## Where Homeowners Are Struggling the Most

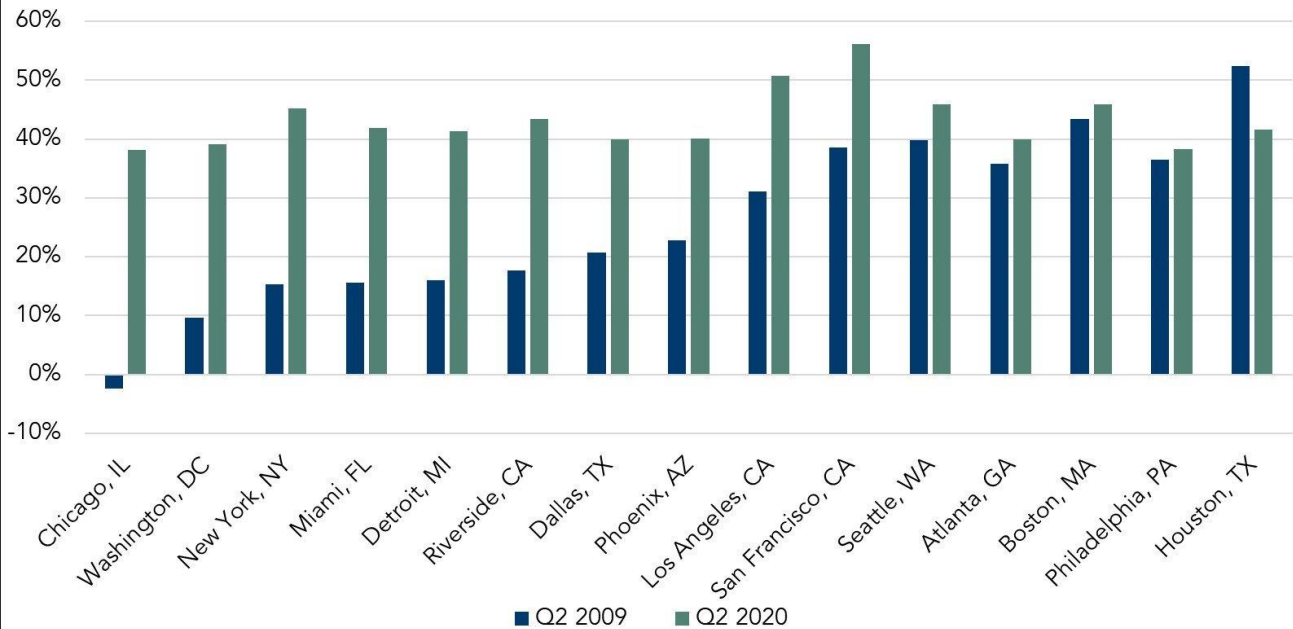
Percent of Homeowner Households With No or Low Confidence of Making Next Mortgage Payment on Time, or Deferring Payment



Source: First American Calculations, Census Household Pulse Survey, December 9 – December 21, 2020

## Equity in This Recession Compared to the Last

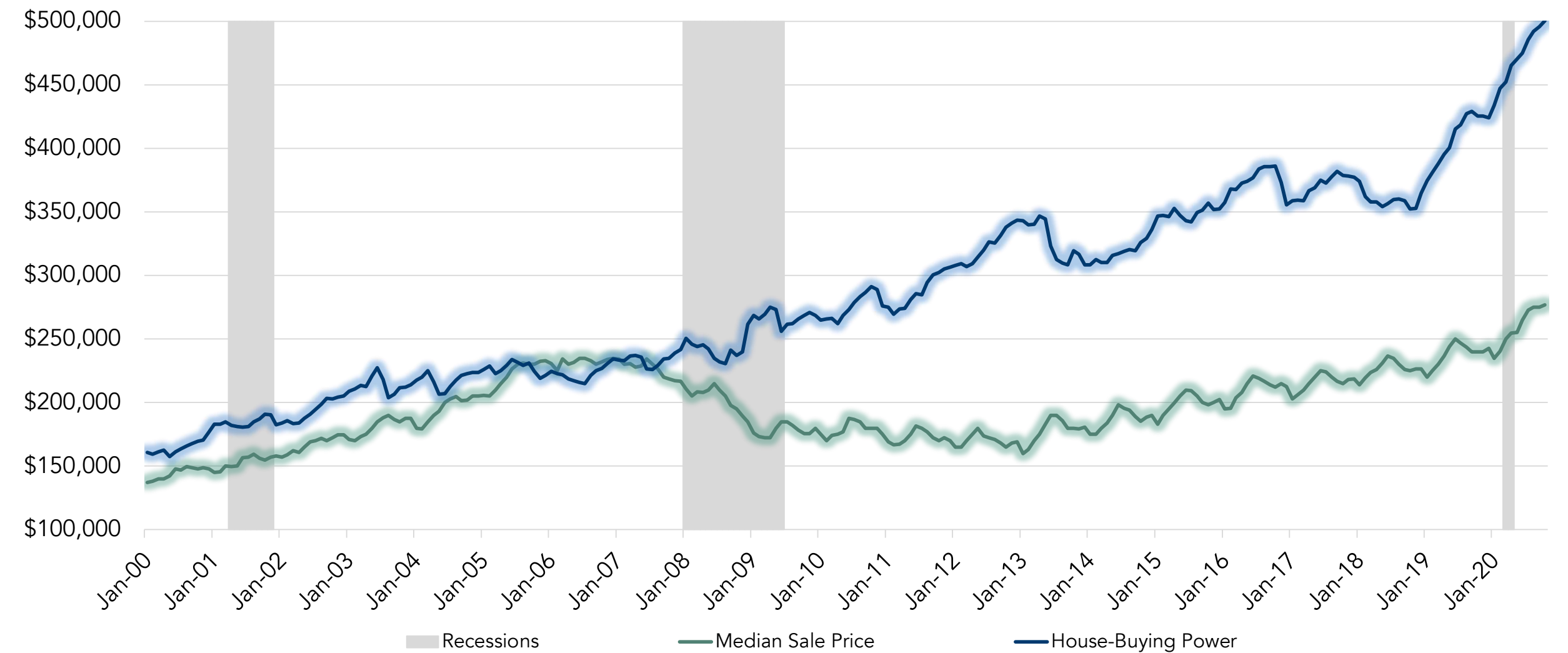
Percent Homeowner Equity (Inverse of Loan-to-Value Ratio)



Source: First American Calculations, Fannie Mae, Q2 2020

# Housing is Not Overvalued

Median Sale Price and House-Buying Power

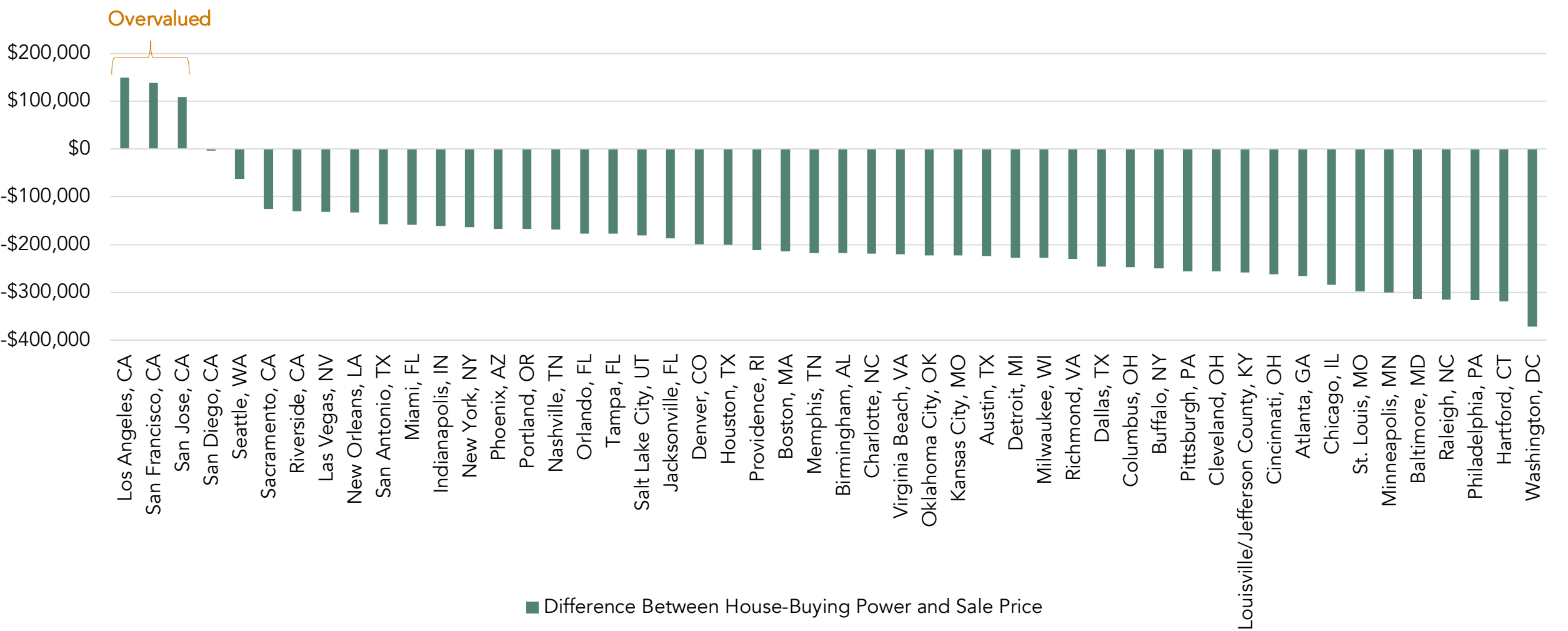


Source: DataTree by First American, IPUMS CPS, BLS, Oct. 2020



# Mind the Gap Between House-Buying Power and Sale Price

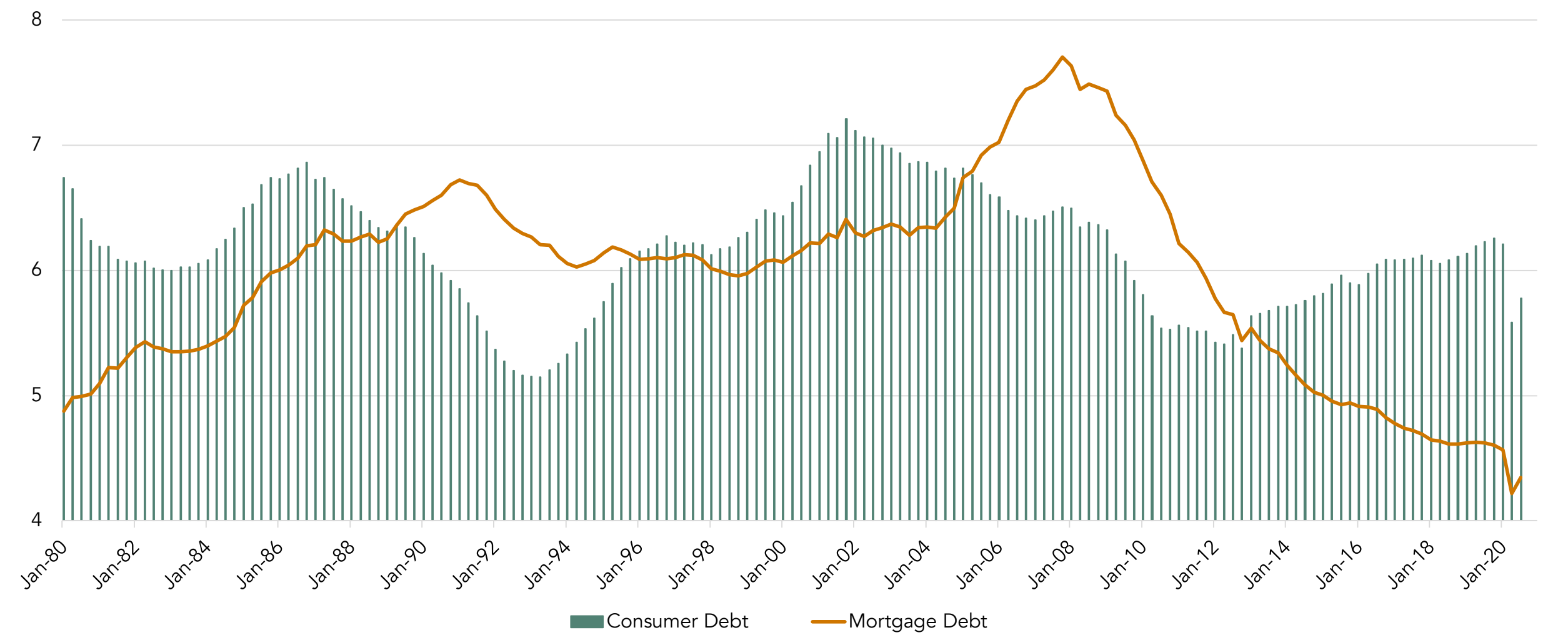
Difference Between Median House-Buying Power and Median Sale Price (3-Month Moving Average), \$



Source: DataTree by First American, First American Calculations, IPUMS CPS, BLS, Oct. 2020

# Mortgage Debt at Historic Low

Mortgage and Consumer Debt Service Payments as a % of Disposable Personal Income, %



Source: Board of Governors of the Federal Reserve System, FRED, Q3 2020

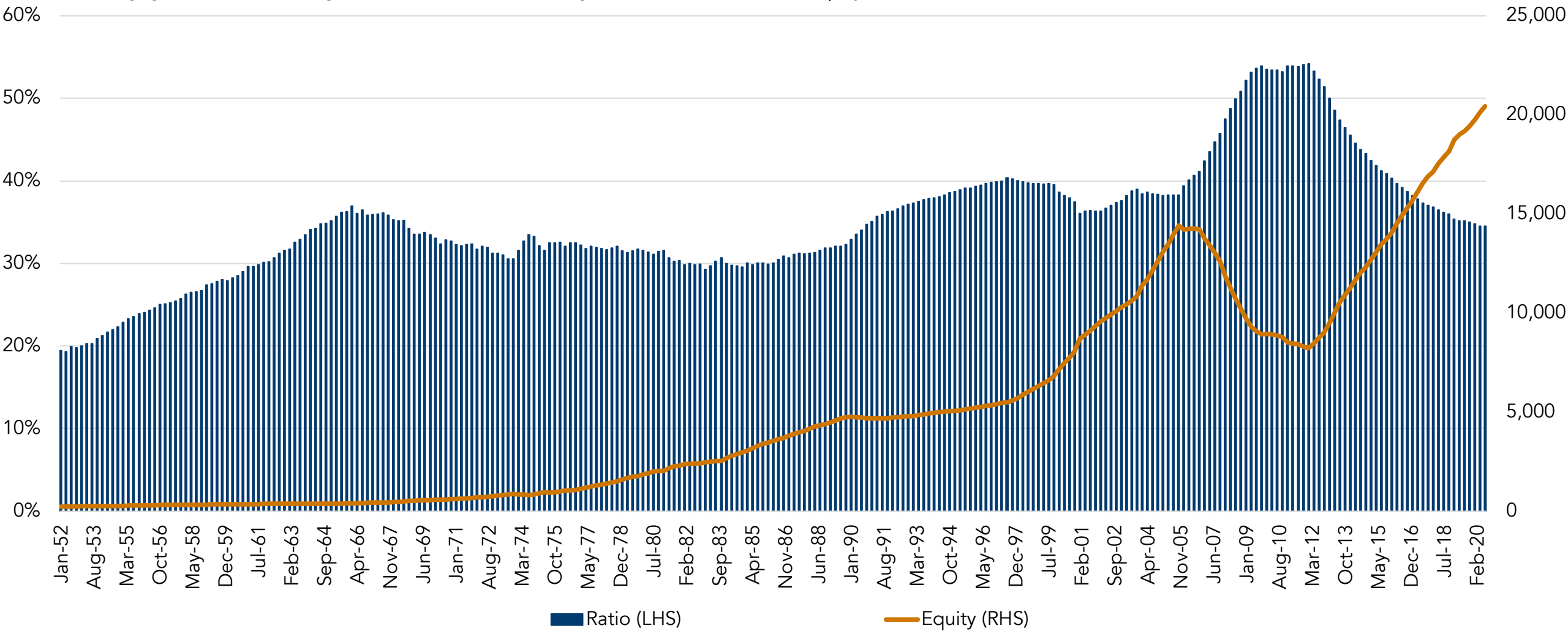
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# The Equity Buffer

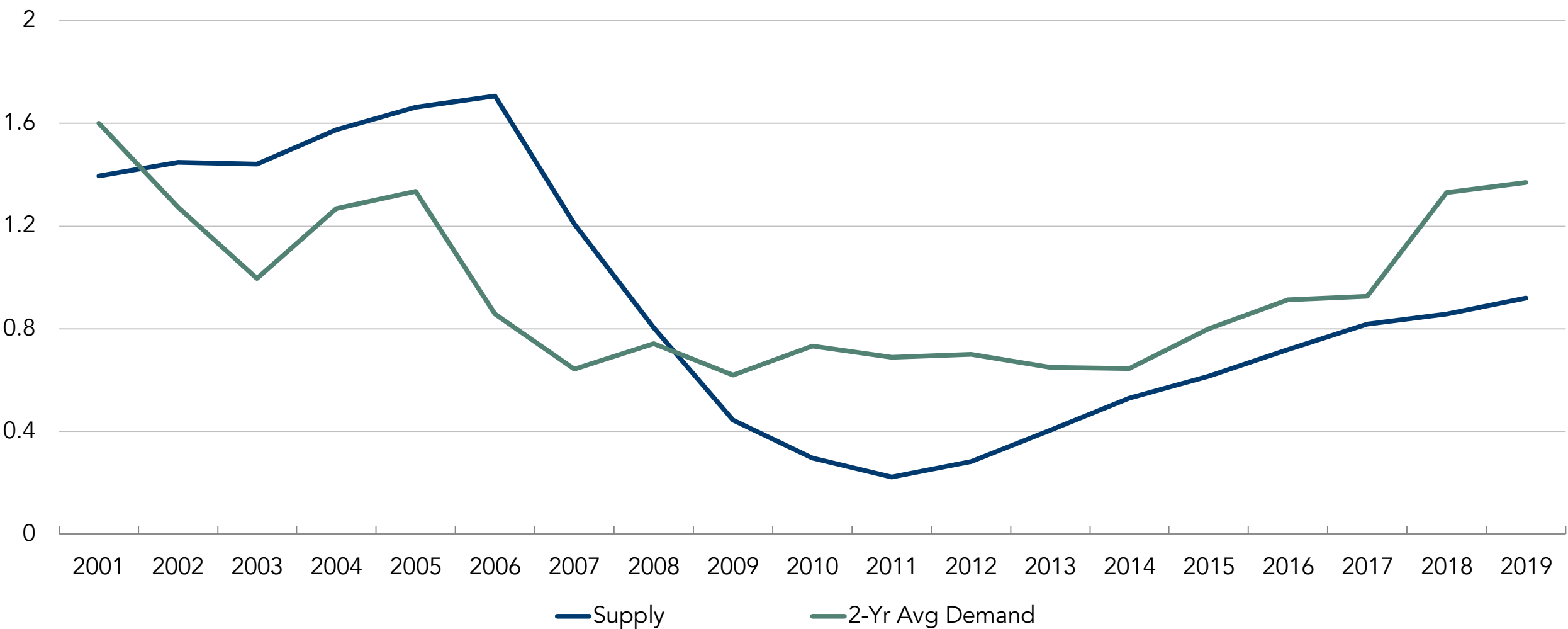
Ratio of Mortgage Debt Outstanding Relative to Value of Housing Stock (% , LHS), Owners' Equity in Real Estate, Level (Billions of Dollars, RHS)



Source: Federal Reserve Flow of Funds, First American Calculations, Q3 2020

# Underbuilt vs. Overbuilt

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



Source: Census Bureau, HUD (obsolescence rate of 0.31% of existing stock), 2019

The background of the slide features a dark blue gradient with faint, semi-transparent financial charts. At the top, there is a candlestick chart with green and red bars. Below it, a line chart with a jagged, fluctuating path is visible. The text 'The Big Short in Housing Supply' is centered within a white rectangular frame.

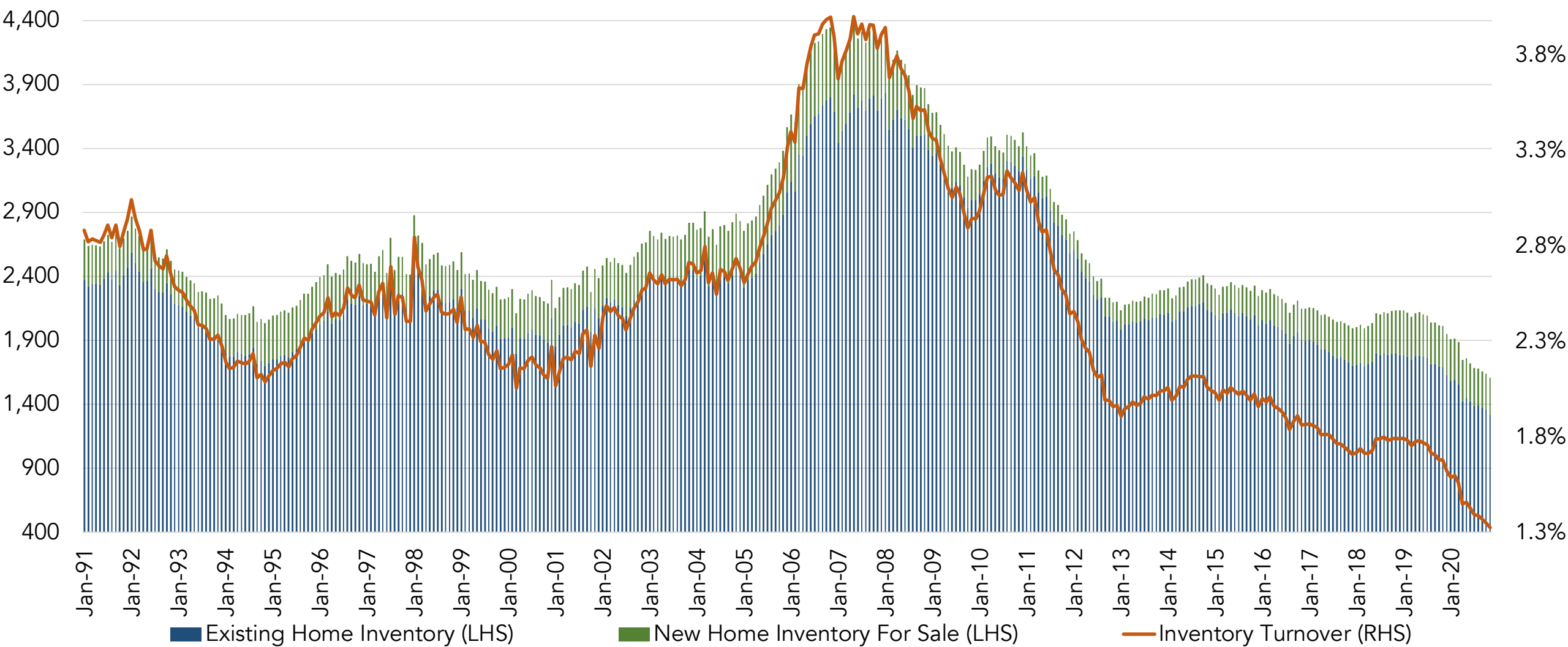
# The Big Short in Housing Supply



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# Housing Supply At Historic Low

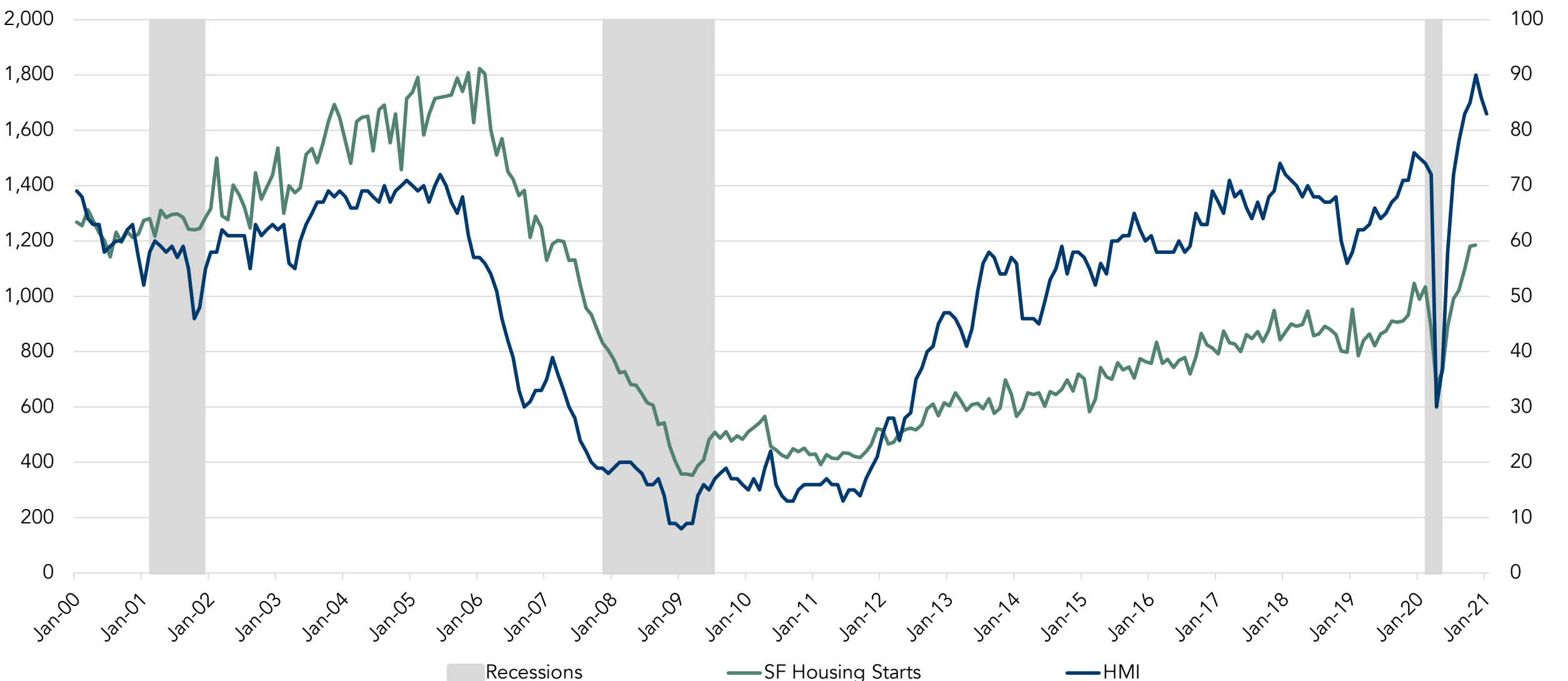
New and Existing Inventory for Sale (Thousands, SA, % of Households)



Source: NAR, Census, FRB St. Louis, First American Calculations, Nov. 2020

# Builder Confidence Remains Near Historic Highs

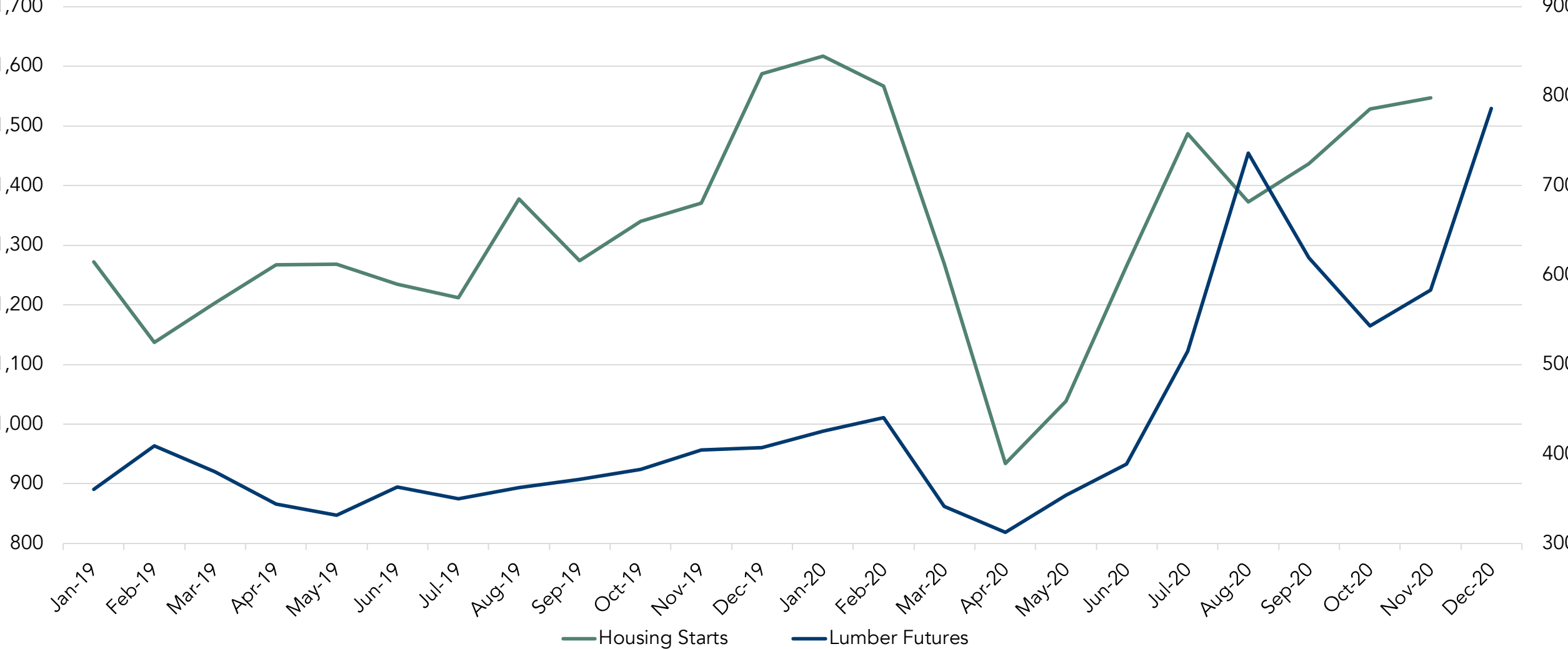
NAHB/Wells Fargo HMI, Privately Owned Housing Starts: 1-Unit Structures, Thousands of Units, Monthly (SAAR)



Source: NAHB/ Wells Fargo HMI, FRED, NBER, Jan. 2021

# Lumber Leaps

CME Random Length Lumber Futures, Total: New Privately Owned Housing Units Started, Thousnds of Units, SAAR

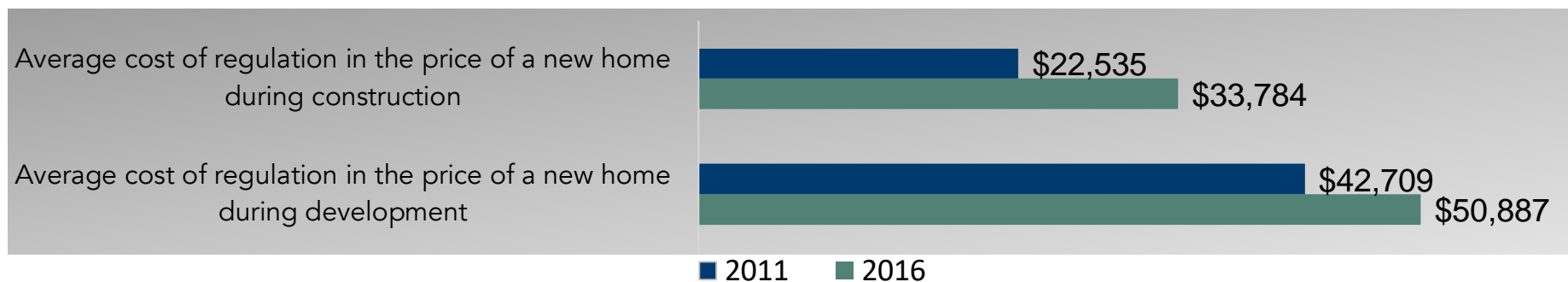
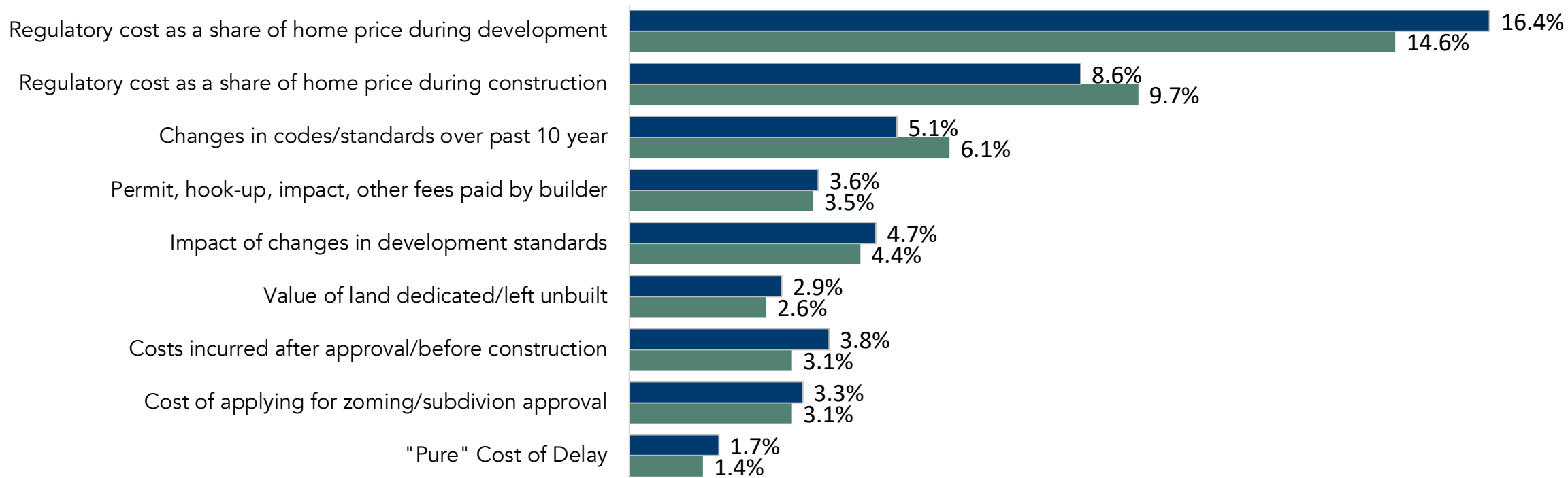


Source: CME, [www.macrotrends.net](http://www.macrotrends.net), Dec. 2020



# The Process Costs More Too

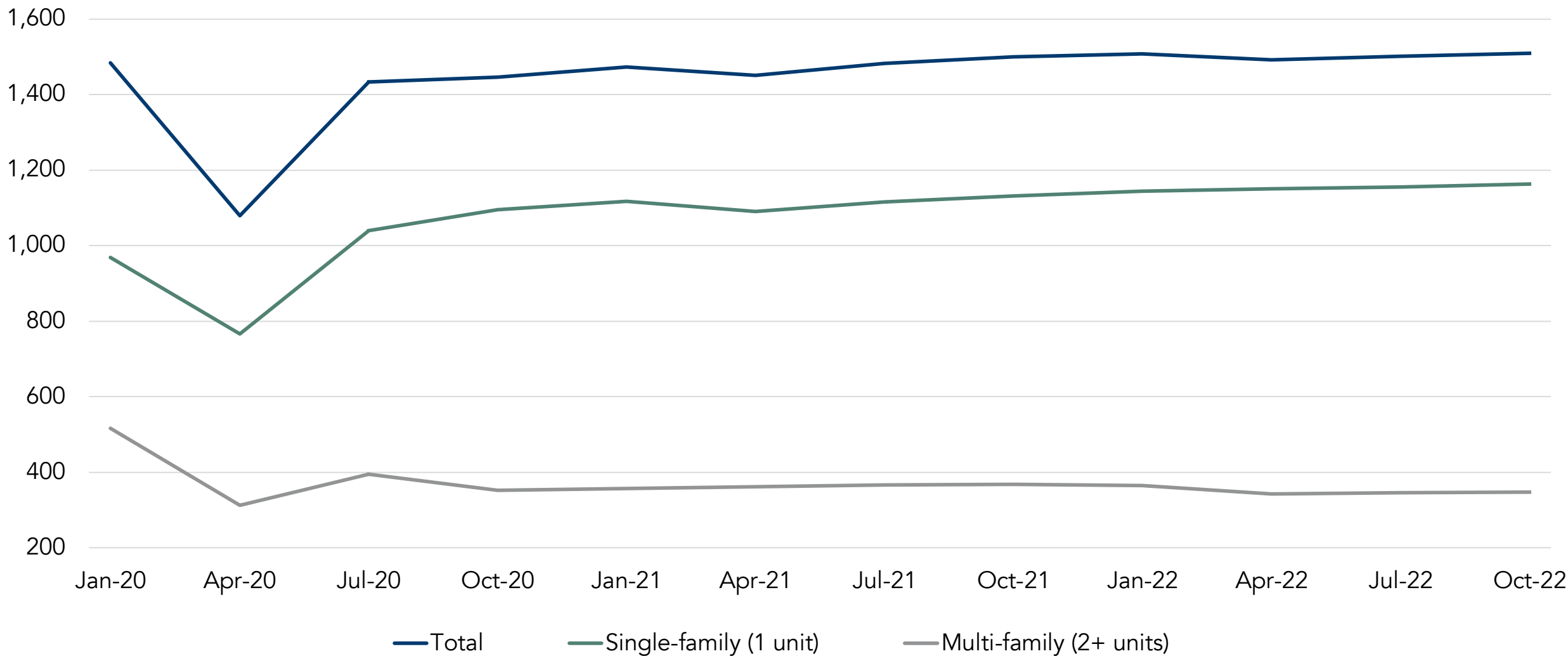
Costs as a Share of Final Price of the Home Sold to the Ultimate Buyer




Source: NAHB, 2016

# Residential Construction Outlook

Consensus Total Housing Starts, Single-family Starts, and Multi-family Starts (SAAR, Thousands)



Source: Fannie Mae, MBA, NAR, Q3 2020

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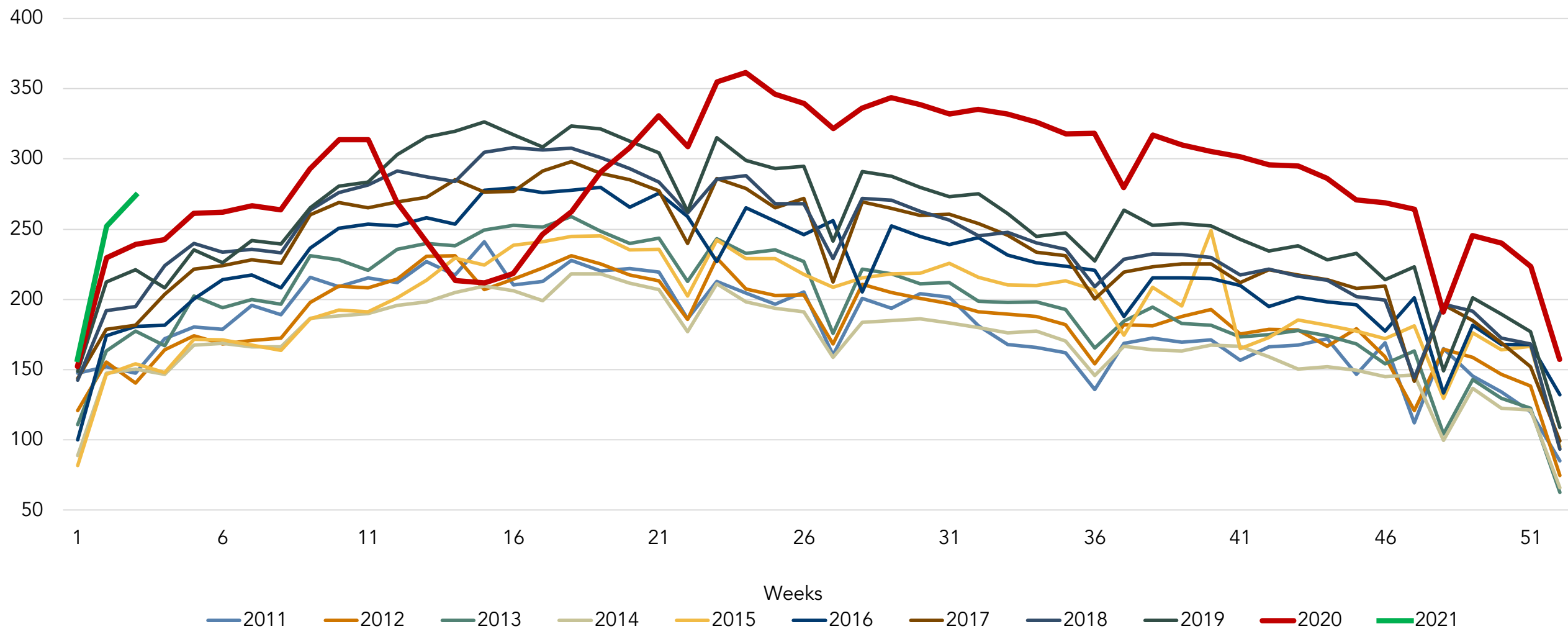
# The Housing Impact



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# Purchase Apps 14.7% Higher Than One Year Ago

MBA: Volume Index: Mortgage Loan Applications for Purchase (NSA, Mar-16-90=100)



Source: MBA, Jan. 2021

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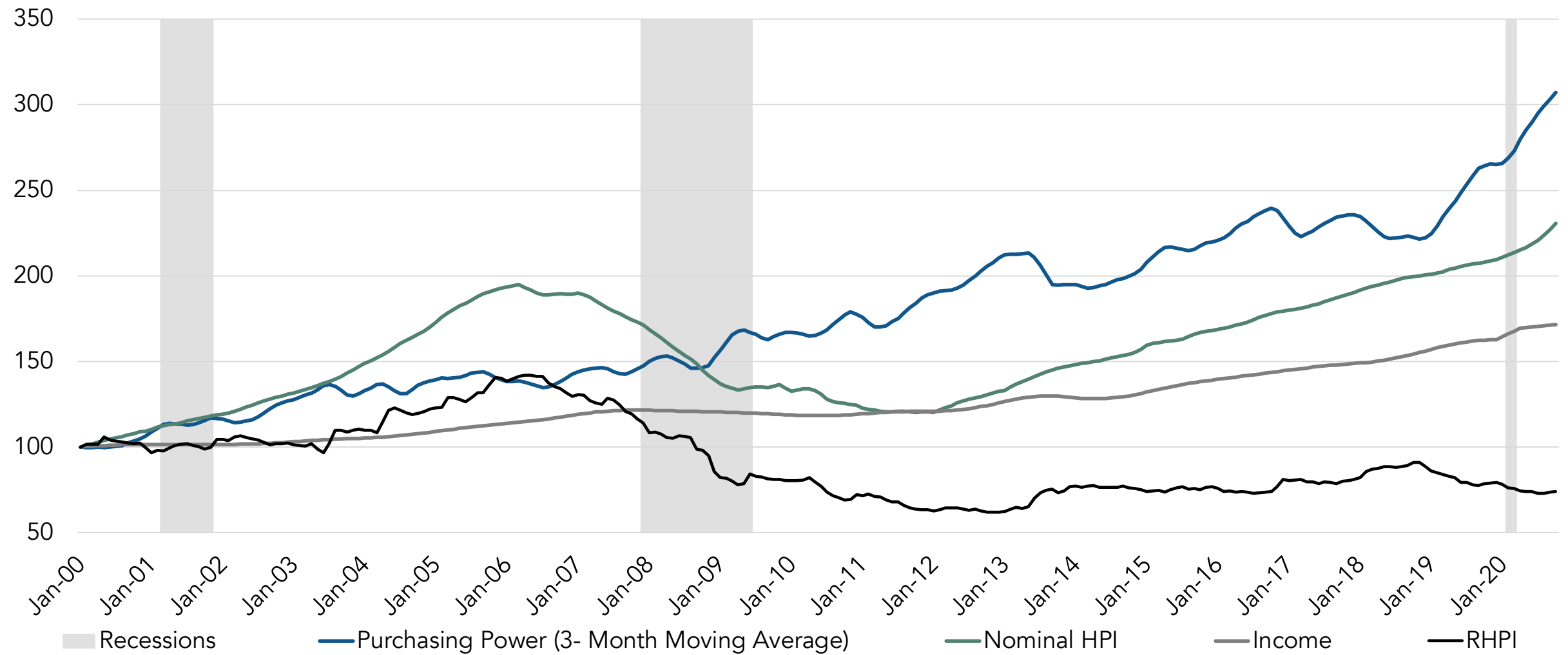
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# Decomposing the Real House Price Index (RHPI)

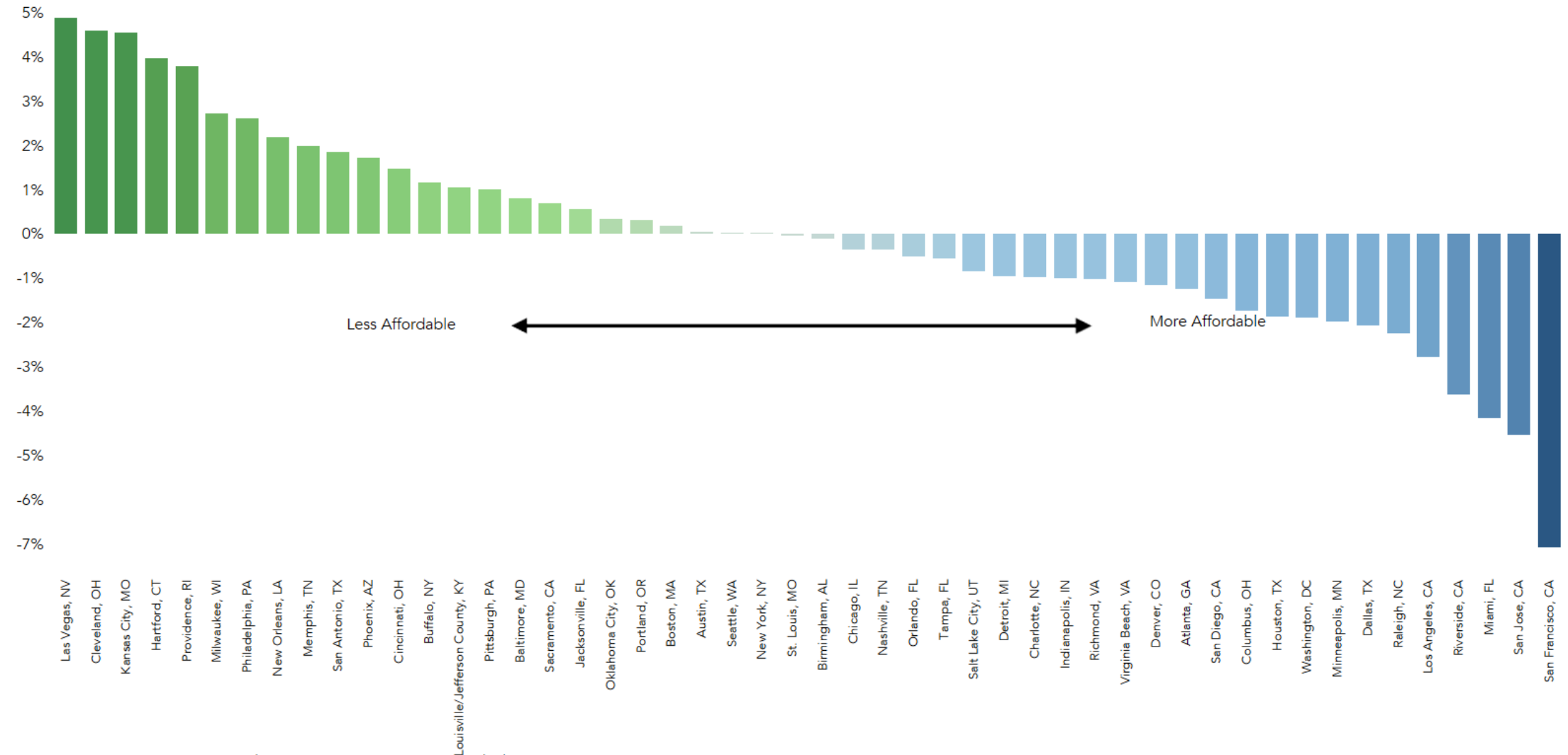
Index= 100, Jan. 2000



Source: First American Calculations, First American Data & Analytics Division, Standard & Poors, BLS, Census, Oct. 2020

## The Pandemic-Driven Decline in Affordability

% Change from June to October 2020



Source: First American Data & Analytics Division, First American Calculations, Census, BLS, Oct. 2020

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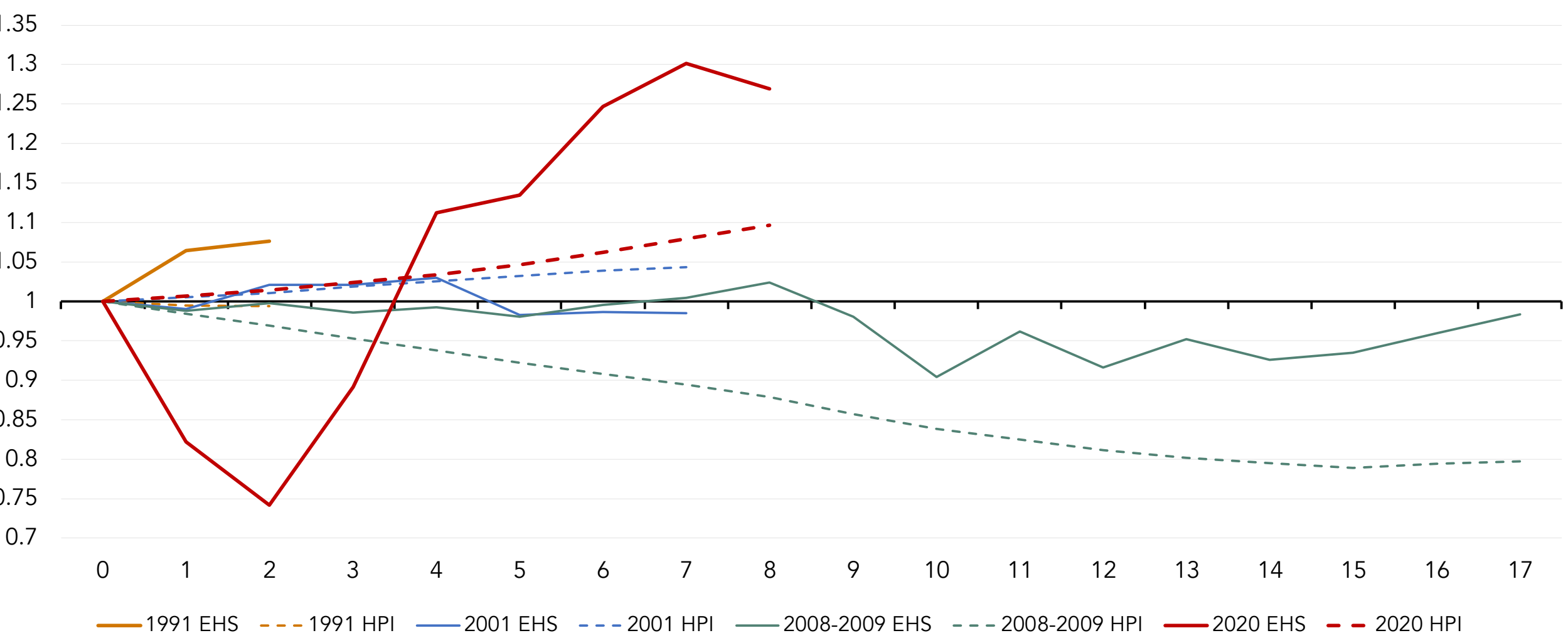
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# Existing-Home Sales and House Price Appreciation During Recessions

Monthly Change in EHS and HPI (%), Index=1 in Beginning Period of Recession



Source: Freddie Mac, NAR, First American Calculations, Nov. 2020

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