How COVID Impacted the Housing Market
Today’s ALTA Insights Featured Sponsor
ECONOMIC & HOUSING UPDATE: 2020 Housing in the Time of COVID-19

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Agenda

• Economic Environment
• Housing Trends
• 2020 Update Outlook
• Q&A
2020 – UNEXPECTED STORM
GLOBAL CORONAVIRUS PANDEMIC

Pandemic left global impact on health, social, economic, political environments

At least 118,000 reported deaths
At least 2,287,000 reported cases

Source: The Washington Post; Figures as of 6/3/2020
GLOBAL ECONOMIC RECESSION
Governments push large, interconnected economies into quarantine-induced recessions

Global Economic Snapshot: 2020*

- United States
- China
- Japan
- Canada
- Germany
- France
- Italy
- Spain
- Netherlands
- Switzerland
- Poland
- Sweden
- Belgium
- Austria
- Norway
- Ireland
- Denmark
- Finland
- Romania
- India
- Russia
- South Korea
- Australia
- Brazil
- Mexico
- Argentina
- Venezuela
- Colombia
- Indonesia
- Turkey
- Thailand
- Malaysia
- Philippines
- Vietnam

Source: Trading Economics; *Figures vary depending on reporting country

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GLOBAL ECONOMIC RECESSION

Governments push large, interconnected economies into quarantine-induced recessions

Global Economic Snapshot: 2020.Q1

Global Economic Snapshot: Nominal GDP by Country, Top 50

Source: Trading Economics

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MONETARY POLICIES RESPOND

Central banks resort to zero-cost money to ensure financial liquidity

Global Interest Rates

Source: Trading Economics
GDP DROPS 5.0% IN Q1
As consumers sheltered at home, spending dropped 7.6%
JOBLESS CLAIMS REACH RECORDS

13-week total surpasses 46 million

Initial Unemployment Insurance Claims (Mil.)

Great Recession

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JOB LOSSES EXCEED 20 MILLION … IN APRIL

Economy wipes out 10 years of jobs in just one month, as unemployment rate soars

Employment: Total Nonfarm, (Ths. #, SA)

2010 – 19: +22.2 million net jobs

April 2020: -20.7M

Source: Bureau of Labor Statistics
JOB LOSSES EXCEED 20 MILLION
Leisure & hospitality, retail trade, local governments lead job losses

Change in Payroll Employment by Sector

-8000 -6000 -4000 -2000 0 2000 4000 6000

Mining and logging
Construction
Manufacturing
Wholesale trade
Retail trade
Transportation and utilities
Information
Financial activities
Professional and business services
Education and healthcare services
Leisure and hospitality
Other services
Federal government
State government
Local government

2010-19  April & May 2020
UNEMPLOYMENT RATE SOARS

Effects of unemployment likely to linger for longer than expected

Unemployment Rate

- Unemployment Rate: Total (U-3)
- Unemployment Rate: Unemployed & marginally attached for economic reasons (U-6)

Source: Bureau of Labor Statistics
CONSUMER FINANCES FEEL THE SQUEEZE

Even with the CARES Act, payments were delayed or not received.

- **Number of paychecks workers can miss before dipping into savings**
  - None
  - One
  - Two
  - Three to five
  - Six or more
  - Don’t know

- **How long small businesses say they would survive if sales stopped completely**
  - Less than one month
  - One to three months
  - Four to six months
  - 7-12 months
  - Longer than one year
  - Don’t know

- **Share of people who say they could not come up with $2,000 if an unexpected need arose within the next month, by income**
  - Less than $25,000
  - $25,000 to $49,000
  - $50,000 to $99,000
  - More than $100,000

Note: Figures don’t add to 100% due to missing responses.
Source: NORC at the University of Chicago

Note: Figures don’t add to 100% due to rounding.
Source: Womply

Source: TIAA Institute and George Washington University

CONSUMER FINANCES FEEL THE SQUEEZE

Dipping into savings accounts will push homeownership farther away for many young buyers

Millennial Homeownership Could Be Delayed By Years As COVID-19 Eats Into Down Payment Savings

As more people struggle to find their footing amid financial and economic uncertainty around the COVID-19 pandemic, many prospective first time homebuyers could be dipping into their down payment savings to cover their everyday expenses. Because of this, millennials — who make up the majority of all mortgage originations — may find their dreams of homeownership delayed until long after the coronavirus situation is under control. In fact, the average millennial would take 9 months to recoup a single month’s expenses that were taken out of their savings. If millennial renters are forced to dip into their down payment savings for several months, their transition to homeownership could be delayed by years.
CONSUMER SAVINGS JUMP

Savings rate jumped to 33%

Personal Saving As % of Disposable Income

1959 – 2019 Avg: 9%
CONSUMER CONFIDENCE

Consumers rattled by jump in unemployment

Consumer Confidence Index

May 86.6
HOUSING SENTIMENT DECLINES

Home purchase sentiment index hit lowest point since 2011 in April 2020

Good time to BUY? Yes for 52%

Good time to SELL? Yes for 32%
ACTIVE LISTING DECLINES ACCELERATE
Available inventory dropping faster due to fewer new listings and more de-listings

Active Listings Count

Week ending 6/13 YOY
-27%

First 2 Weeks March YOY
-16%

Total Listings
16 days slower
-4 days faster

Time on Market
+4.6%
+4.5%

Median Listing Prices
New Listings
-20%
+5%
NEW LISTINGS DECLINE IN LARGE METROS

Lower priced markets seeing smaller declines, Higher priced seeing larger declines
Drop in new listings expected to dent sales of existing homes

Drop in New Listings Projected to Lead to 15 Percent Loss in Home Sales

Why Do New Home Listings Matter?

- March through August period accounts for 56 percent of existing home sales
- New listing counts are highest during the March through May period, peaking in April
- New listings are a significant contributor to existing home sales
- Existing home sales are expected to be 15 percent lower in 2020
SELLER REACTION LINKED TO COVID PER CAPITA

Markets with higher Covid prevalence more likely to see sharper declines in new listings

- Top 10 metros with **highest** Covid-19 cases per capita are seeing new listings down 69% YoY (decline 1.9x faster vs)

- Top 10 metros with the **lowest** Covid-19 cases per capita, down 37% YoY
Contract signings drop to lowest index value in NAR history—69—as consumers stay home
HOME SALES DROP

2020 started on upward trend…then came March

Home Sales (Ths #, SAAR)

- Existing Home Sales (SF, TH, Condos)
- New home sales (SF)

Sources: National Association of Realtors, US Census Bureau

EHS February
5.76 million SAAR
-8.5%

EHS March
5.27 million SAAR
-17.8%

EHS April
4.33 million SAAR
-9.7%

EHS May
3.91 million SAAR
CREDIT AVAILABILITY

Lenders raise credit and down payment criteria (Jumbo and ARM in particular)

PreCovid
- 680+ (Min Credit Score);
- 5-10%+ (Min Down payment)

PostCovid
- 700-720+ (Min Credit Score);
- 20%+ (Min Down payment)

Source: Mortgage Bankers Association; Powered by Ellie Mae's AllRegs® Market Clarity®
FICO SCORES IMPROVE

FICO Scores nationally average around 703

Source: Experian, from the second quarter of each year
Younger buyers (Millennials) have average FICO scores below 700.

<table>
<thead>
<tr>
<th>Ages</th>
<th>FICO® Score</th>
<th>PreCovid</th>
<th>PostCovid</th>
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</thead>
<tbody>
<tr>
<td>20 to 29</td>
<td>662</td>
<td>680+ (Min Credit Score); 5-10%+ (Min Down payment)</td>
<td>700-720+ (Min Credit Score); 20%+ (Min Down payment)</td>
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<tr>
<td>30 to 39</td>
<td>673</td>
<td></td>
<td></td>
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<tr>
<td>40 to 49</td>
<td>684</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 to 59</td>
<td>706</td>
<td></td>
<td></td>
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<tr>
<td>60+</td>
<td>749</td>
<td></td>
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</tr>
</tbody>
</table>
MILLENNIAL COHORT REMAINS DRIVING FORCE

Crisis has not yet shifted mix of loan originations between generation groups

Share of Mortgage Originations by Generational Group

- Generation Z
- Millennials
- Generation X
- Baby Boomers
- Silent Generation

Source: Realtor.com analysis of Optimal Blue mortgage origination data.
MILLENNIALS PURCHASE HIGHER PRICED HOMES

Now matching Boomers in median purchase price, while making smaller down payments

Source: Realtor.com analysis of Optimal Blue mortgage origination data.
CONSUMER PREFERENCES SHIFT DURING COVID

As homes become live, work, learn & exercise places, need for space grows

Most important feature in current home

- Quiet neighborhood or property
- Outdoor space, patio, yard, etc.
- Close proximity to grocery stores/pharmacies
- Nice kitchen/appliances for cooking more at home
- Natural light
- Ample storage
- Spare bedroom
- Flexible spaces -- craft area, game room, etc.
- More isolated location/separation from neighbors
- Home office
- Home gym or workout space
- Smart home technology
- Spa-like bathroom retreat
- In-law suite or Accessory Dwelling Unit
- Other

Change current home to make it more livable during COVID-19

- More space: 21.5%
- Update the kitchen: 14.7%
- Add a home gym: 12.8%
- Update style/aesthetics: 10.5%
- More natural light: 10.4%
- Add a yard/patio: 10.0%
- Add a bathroom: 7.2%
- Add a home office: 6.6%
- Add a bedroom: 6.4%
BIGGER HOMES & MORE OUTDOOR SPACE

Must-haves for next homes focused on space, outdoors and features

Consumer Must-Haves for Next Home

- More space in the house: 15.7%
- More/better outdoor space: 11.1%
- Updated kitchen: 13.6%
- More/better technology (faster Wi-Fi, smart home features, etc.): 13.3%
- Separation from the neighbors: 12.5%
- More bathrooms: 9.8%
- More separation inside the house (e.g., rooms with doors): 7.7%
- Better insulation/soundproofing from outdoor noise: 7.4%
- None of these, I'm happy with my home: 8.9%
MIGRATION TO SUBURBS & SMALLER CITIES?

Initial response to pandemic was to cut back on out-of-metro views, but returning to trend.
LEAVING NEW YORK?
Interest in out-of-the-city housing jumped
LEAVING NEW YORK?

Interest remains geographically focused along Eastern seaboard

Top 3 Cross-Markets for New York buyers:

1. East Stroudsburg, PA
2. Atlanta-Sandy Springs, GA
3. Albany-Schenectady, NY
WHAT’S NOT LOVE ABOUT SEATTLE?

Initial response to pandemic was to cut back on out-of-metro views
WHAT'S NOT LOVE ABOUT SEATTLE?

Initial clustered in Northwest region, with pickup in Texas markets

Top 3 Cross-Markets for Seattle buyers:

1. Portland-Vancouver, OR-WA
2. Dallas-Fort Worth, TX
3. Salem, OR
HOUSING DEMOGRAPHICS

Millennials and Gen X driving housing market in 2020

Share of Primary Residence Mortgage Originations by Age

Quarter: 2020 Q1
Metro: (All)

- 18-24: 4%
- 25-34: 34%
- 35-44: 26%
- 45-54: 16%
- 55-64: 10%
- 65+: 6%
CHICAGO HOUSING DEMOGRAPHICS

Millennials and Gen X driving housing market in 2020
DALLAS-FT WORTH HOUSING DEMOGRAPHICS

Millennials and Gen X driving housing market in 2020

Millennials

Gen X

 Boomers

Gen Z
2020 ECONOMIC OUTLOOK
Economic activity feels downward pressures

- Unemployment rate set to double
- New construction to be cut
- GDP to decline at historic rate, but bounce back
- Household creation and household income to stall
- 30-year fixed mortgage rate to drop but remain volatile

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>2019</th>
<th>2020 (Original)</th>
<th>2020 (Updated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Rate</td>
<td>3.7%</td>
<td>5%</td>
<td>8-10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Peak 20%)</td>
</tr>
<tr>
<td>Single-Family Housing Starts (Mil.)</td>
<td>0.9</td>
<td>1.0 (+10%)</td>
<td>0.79 (-11%)</td>
</tr>
<tr>
<td>GDP Growth y/y</td>
<td>+2.3%</td>
<td>+1.8%</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Household Formation y/y</td>
<td>+1.2%</td>
<td>+1.0%</td>
<td>LOWER</td>
</tr>
<tr>
<td>30 yr Fixed Mortgage Rate</td>
<td>3.9%</td>
<td>3.5%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Household Income y/y</td>
<td>+2.5%</td>
<td>+1.5%</td>
<td>LOWER</td>
</tr>
</tbody>
</table>
## 2020 HOUSING OUTLOOK
Sales projected to follow W-shaped recovery, 2020 likely down 15-25%

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<tr>
<th>Housing Metric</th>
<th>2019</th>
<th>2020 (Original)</th>
<th>2020 (Updated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Home Sales (million)</td>
<td>5.34</td>
<td>5.25</td>
<td>4.1 - 4.5</td>
</tr>
<tr>
<td>Existing Home Sales Y/Y</td>
<td>0.0%</td>
<td>-1.8%</td>
<td>-15 to -25%</td>
</tr>
<tr>
<td>Existing Home Prices</td>
<td>$272K</td>
<td>$274K</td>
<td>$260 - $275K</td>
</tr>
<tr>
<td>Existing Home Prices Y/Y</td>
<td>+3.9%</td>
<td>+0.8%</td>
<td>-1 to +1%</td>
</tr>
</tbody>
</table>

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Largest generation in U.S. history will continue to dominate by sheer numbers.
LOOKING FOR RESOURCES?

Macroeconomic indicators, housing trends, demographics, metropolitan insights

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