



Outlook for the U.S. Economy and Residential Real Estate

**Federal Reserve Bank of Atlanta
Real Estate Finance Conference**

Frank Nothaft, CoreLogic SVP & Chief Economist
December 10, 2015

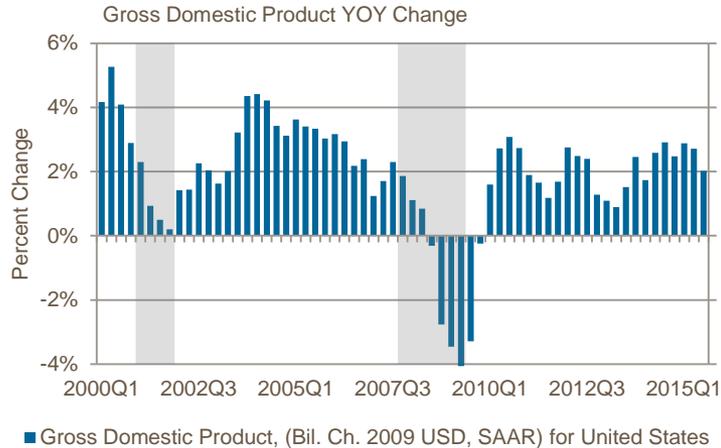
U.S. Housing Market Forecast for 2016

If U.S. has 2-3% economic growth, we will likely see:

- 1. Mortgage rates up 0.5%**
- 2. Household formations exceed 1.25 million**
- 3. Rental market remains 'tight': vacancy low, rents rise**
- 4. Owner market: sales up 4-5%, home prices up 4-5%**
- 5. Originations: Less single-family, more multifamily**

U.S. Macroeconomic Backdrop is Positive

Gross Domestic Product YOY Percent Change



Unemployment Rate



Consumer Price Index YOY Percent Change

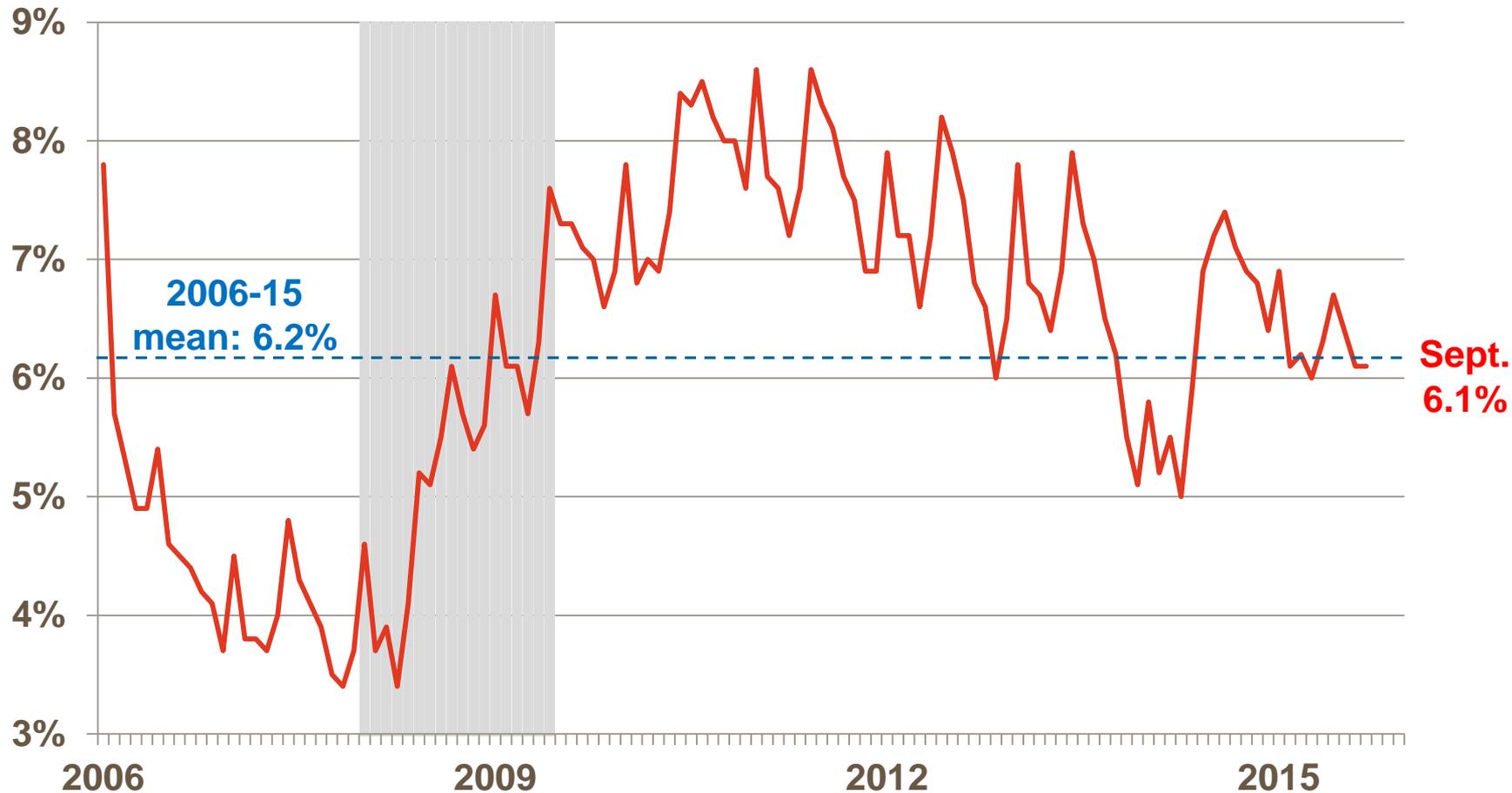


Consumer Confidence Index



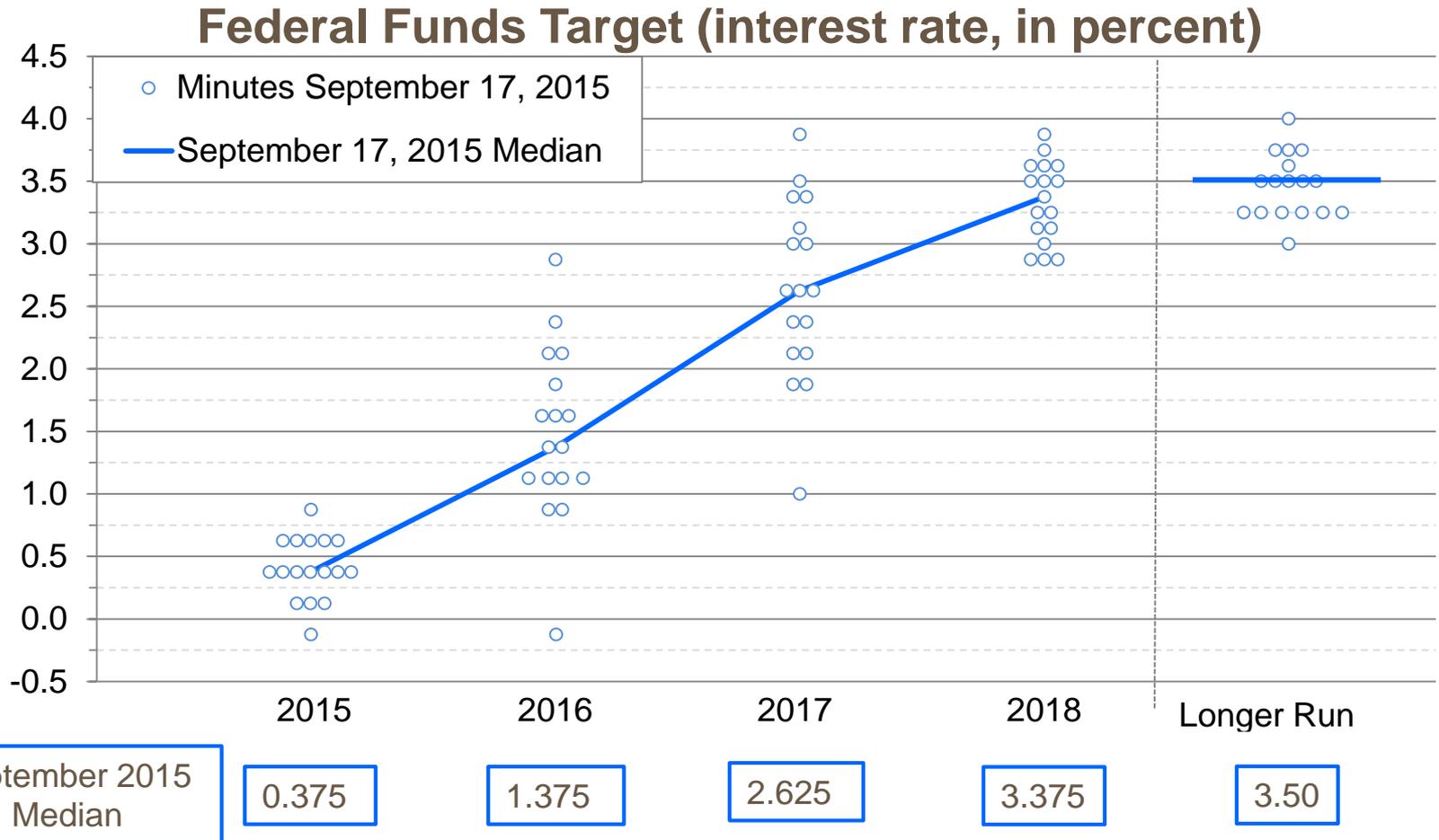
New Orleans Jobless Rate Near 10-Year Average

Unemployment Rate for New Orleans-Metairie Metro Area



Source: Bureau of Labor Statistics (not seasonally adjusted). Gray bar indicates U.S. recession.

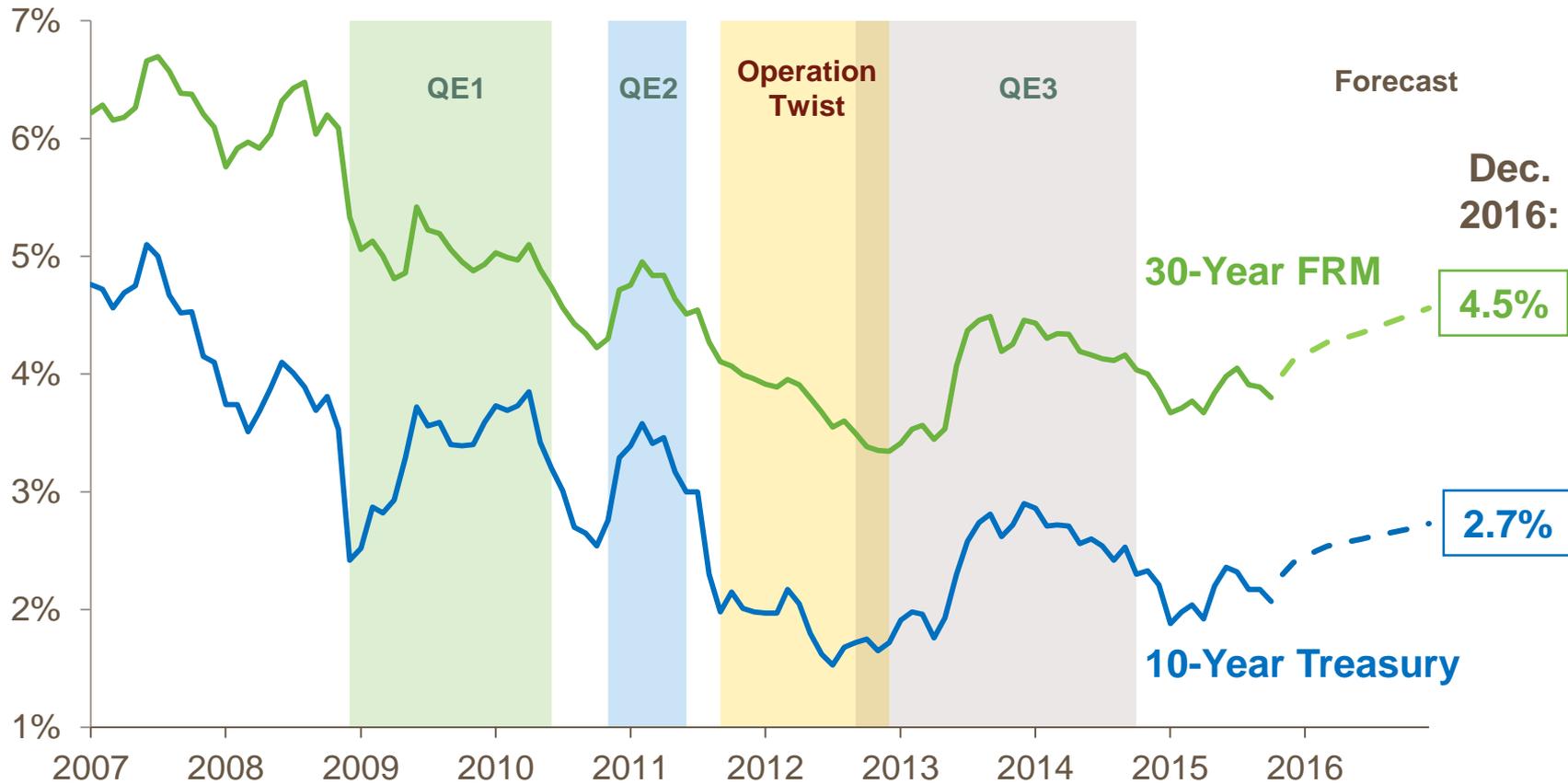
Federal Funds Expected to Rise



Source: Federal Open Market Committee Meeting on September 17, 2015. In the plot each circle indicates the value (rounded to the nearest 1/8 percentage point) of an individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of the specified calendar year or over the longer run.

Long-term Rates Expected To Rise

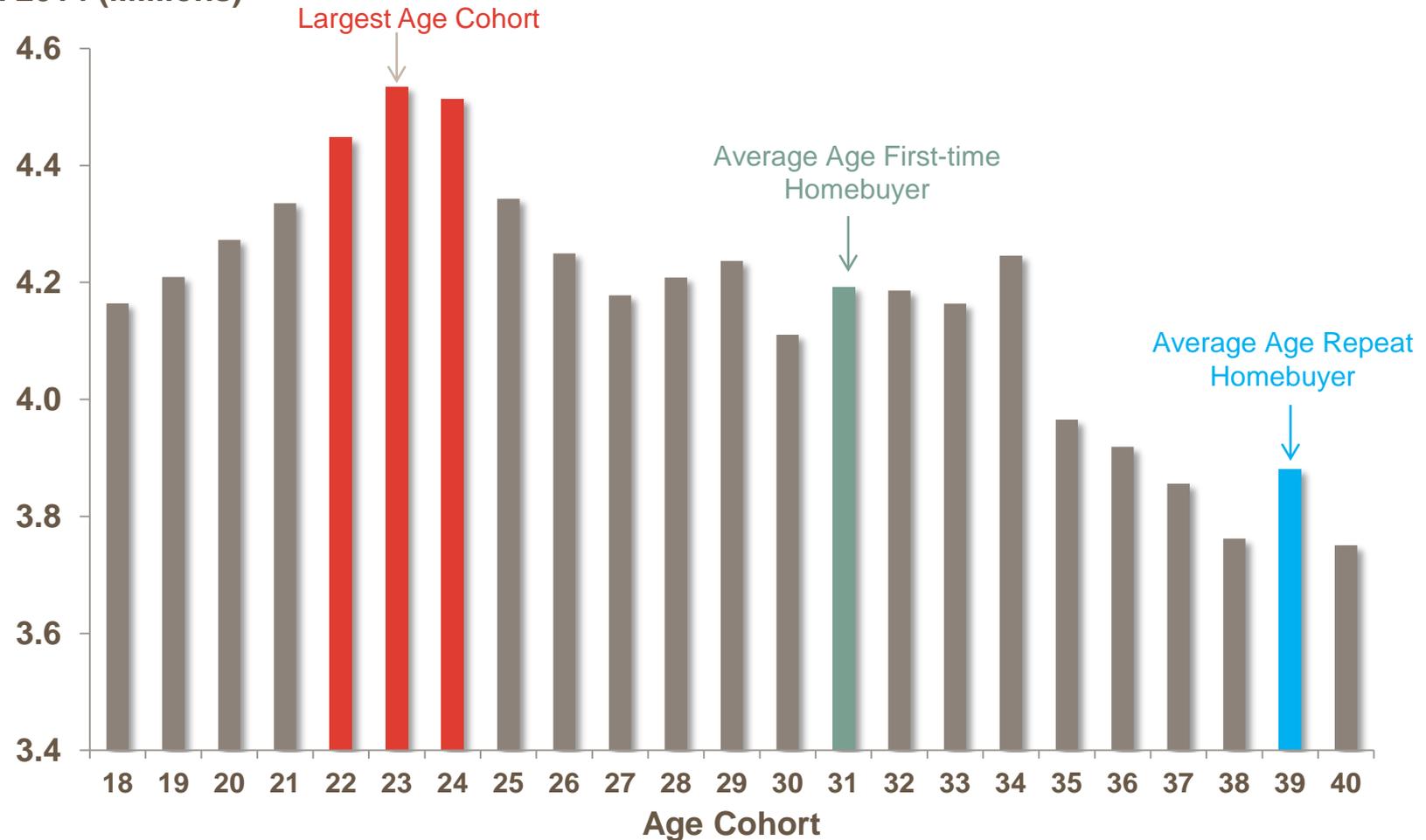
Interest Rate on 30-Year Fixed-Rate Mortgages and 10-Year Constant Maturity Treasury (percent)



Source: Freddie Mac Primary Mortgage Market Survey®, Board of Governors of the Federal Reserve System (H.15), IHS Global Insight November 2015 projection.

Large Demographic Tailwind Has Arrived

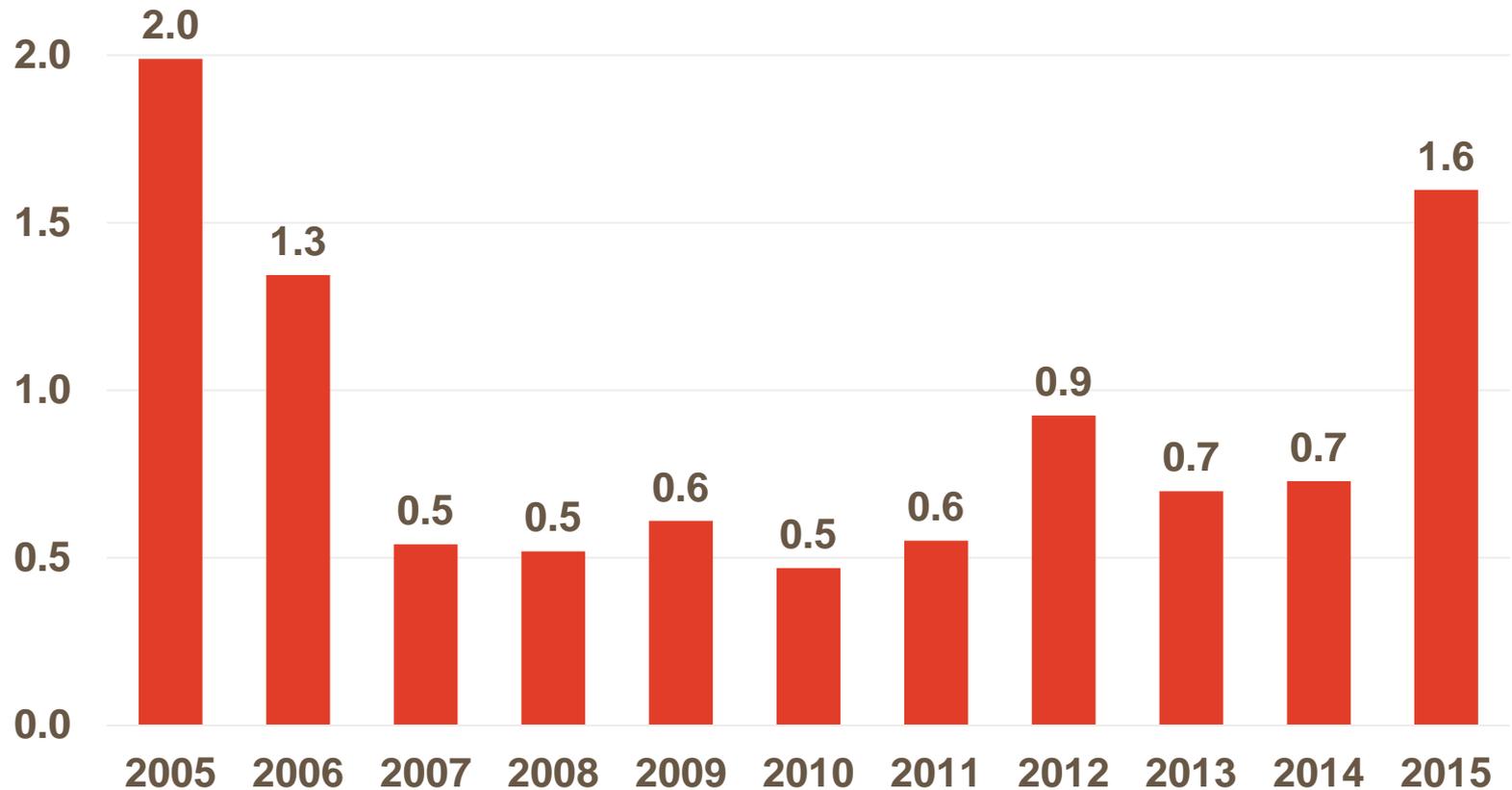
Number of People
in 2014 (Millions)



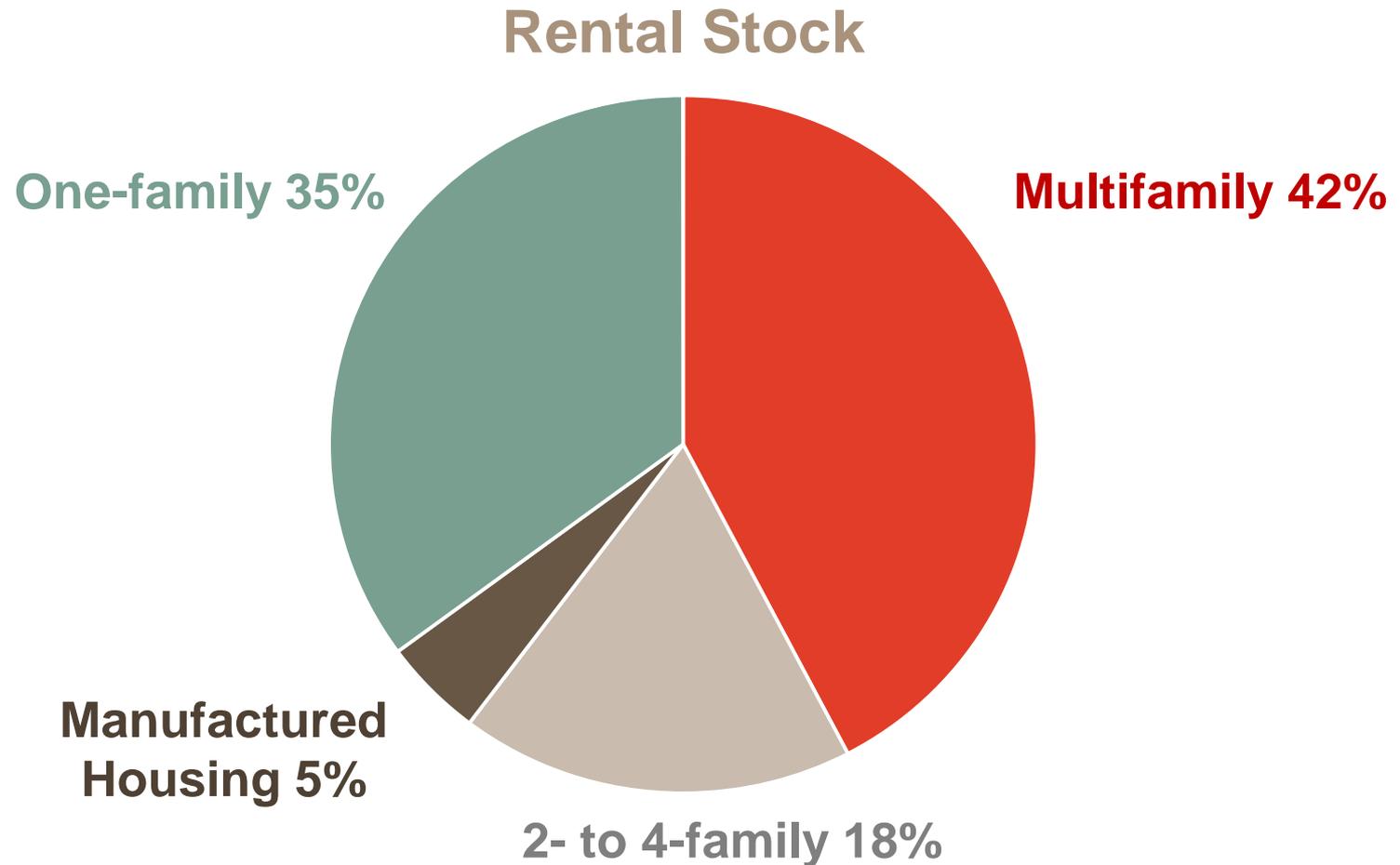
Source: U.S. Census Bureau, Population as of July 1, 2014

Household Formation Accelerated in 2015

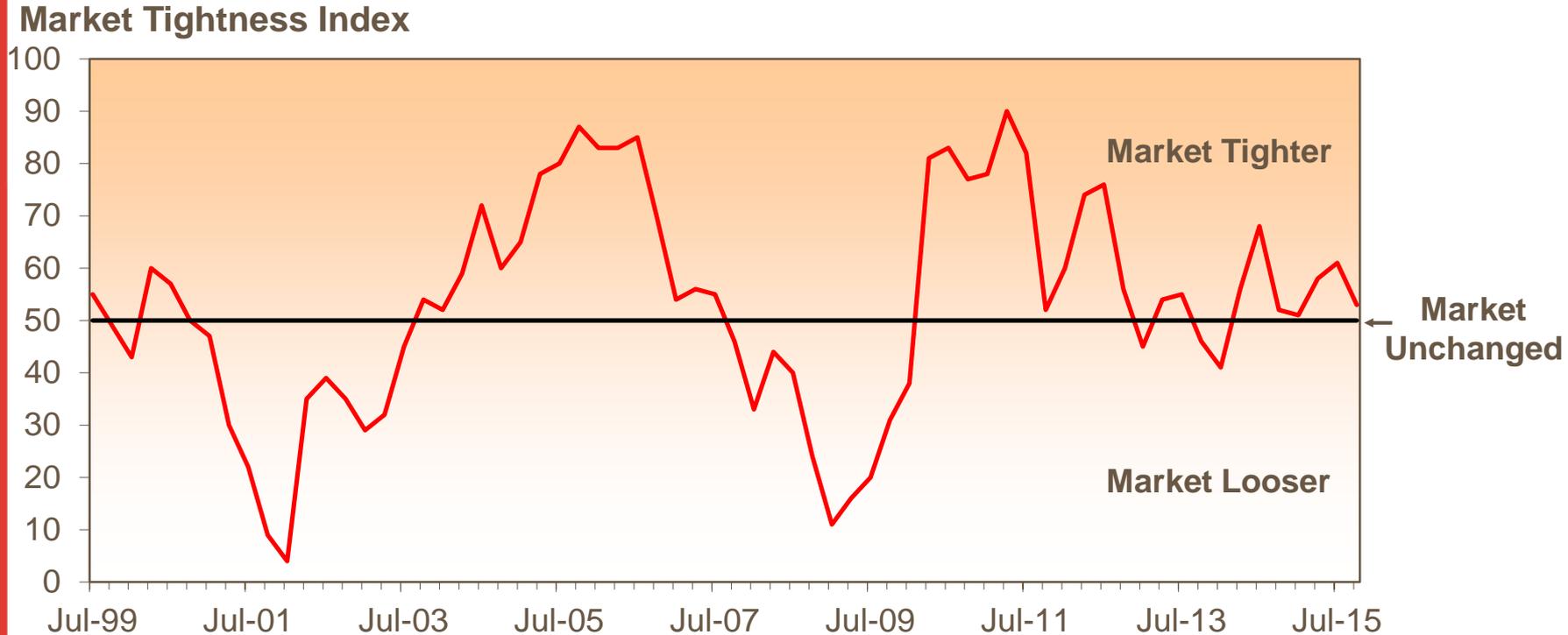
Annual Household Growth (Net Change, in Millions)



Components of the U.S. Rental Stock



Apartment Markets Are Tightening in Most Metros

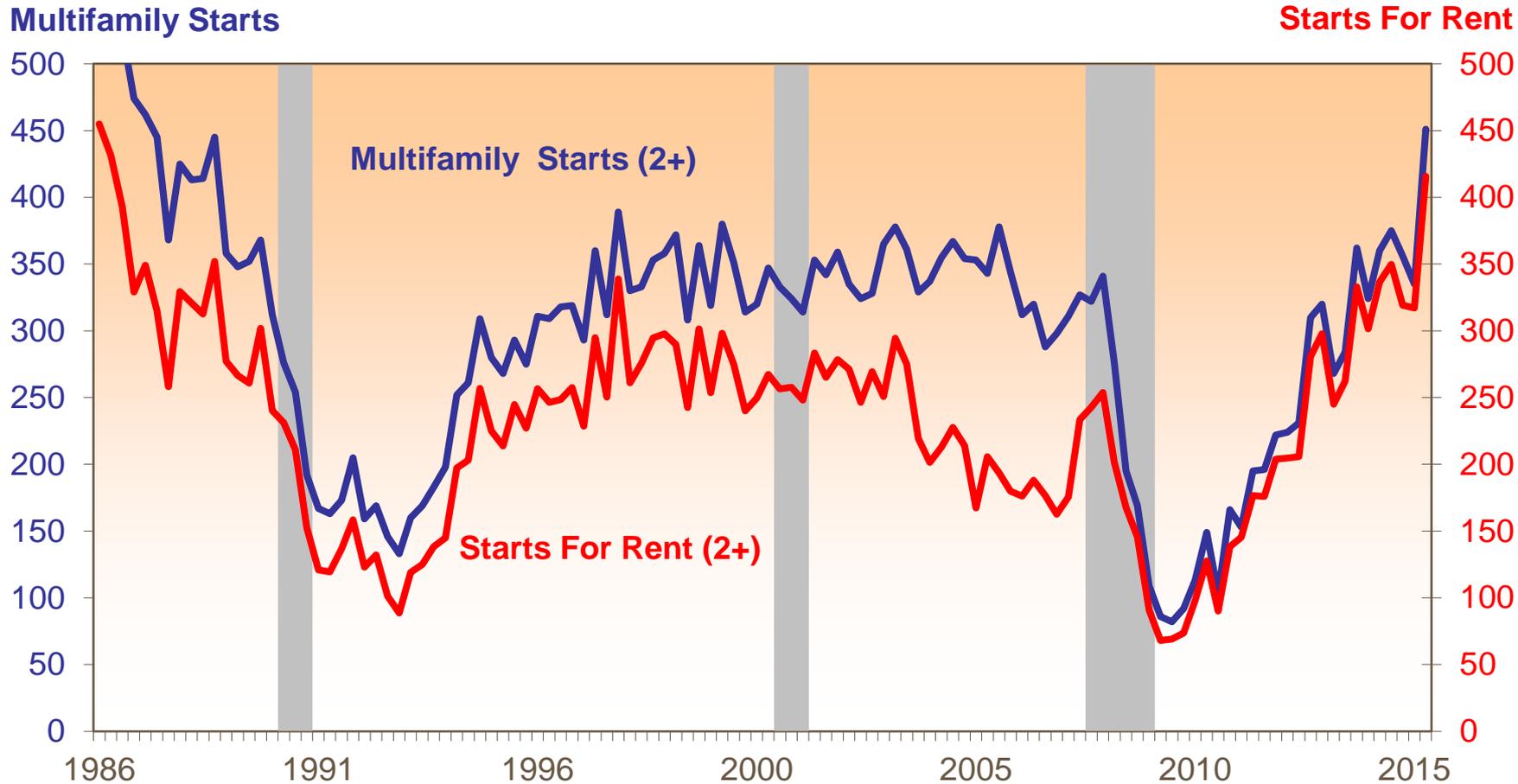


Survey question for Market Tightness Index:

How are apartment market conditions in the local markets that you watch? “Tight” markets are those with low vacancies and high rent increases. Conditions obviously vary greatly from place to place, but on balance, apartment market conditions in your markets today are: 1) Tighter than three months ago 2) Looser than three months ago 3) About unchanged from three months ago 4) Don’t know or not applicable.

New Rental Construction in 2015 Is Highest Since 1986

Multifamily Housing Starts (Thousands of Units, Annualized)

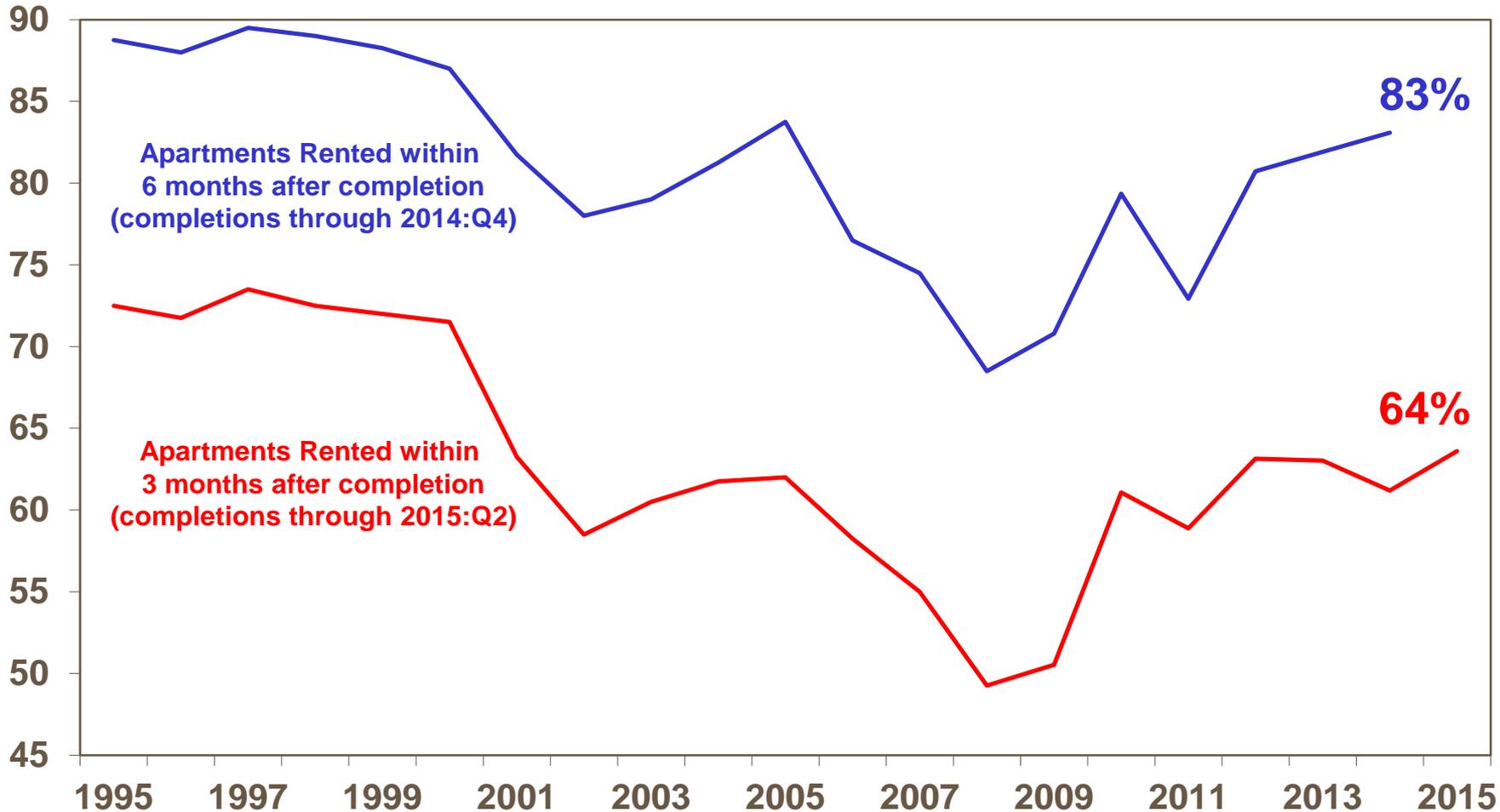


Note: Gray bars indicate recessions.
Sources: Census Bureau and National Bureau of Economic Research

New Apartment Absorption in 2014-2015 Was Fastest of the Past Decade

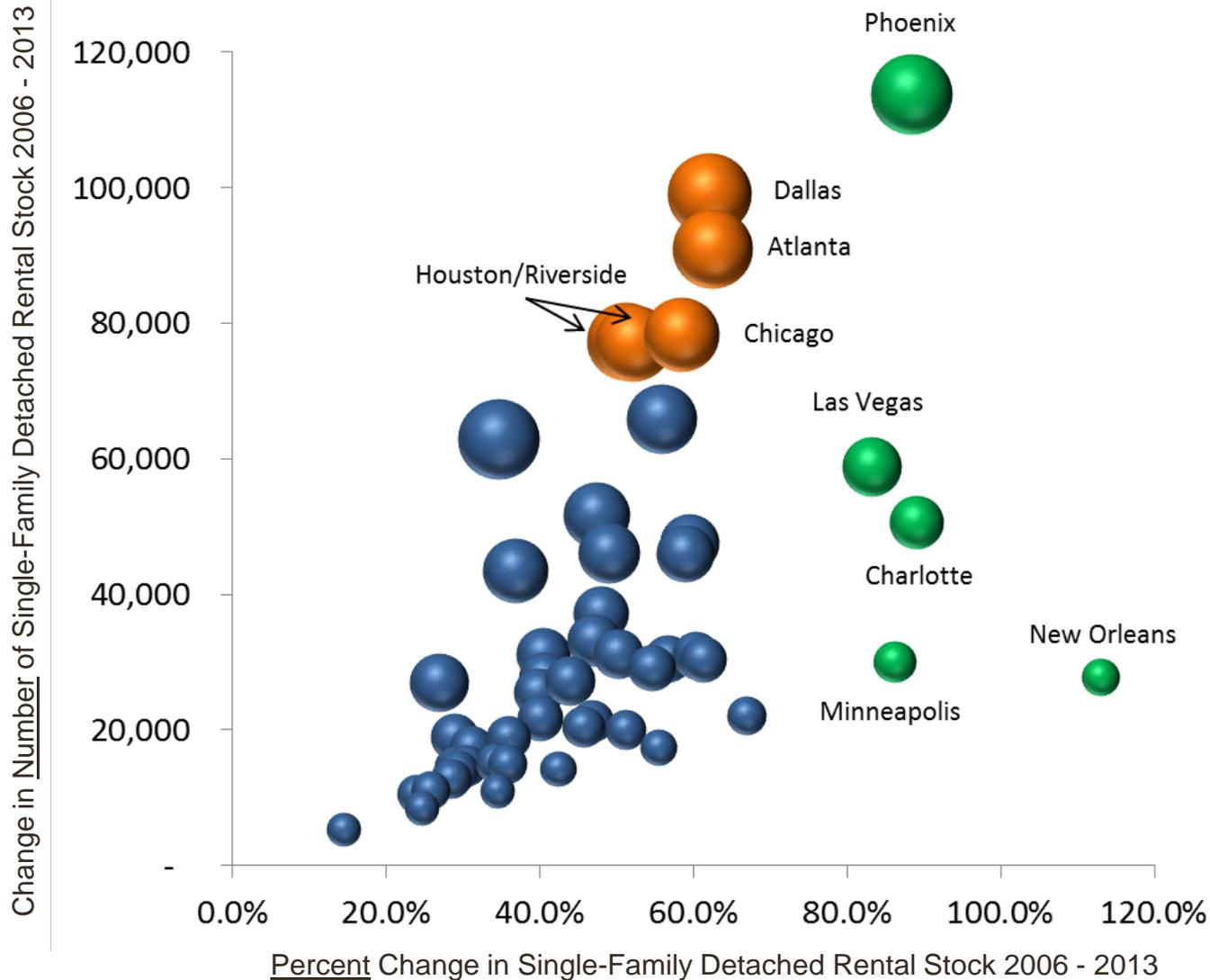


Absorption Rate (Percent)



Source: Census Bureau (Survey of Market Absorption)

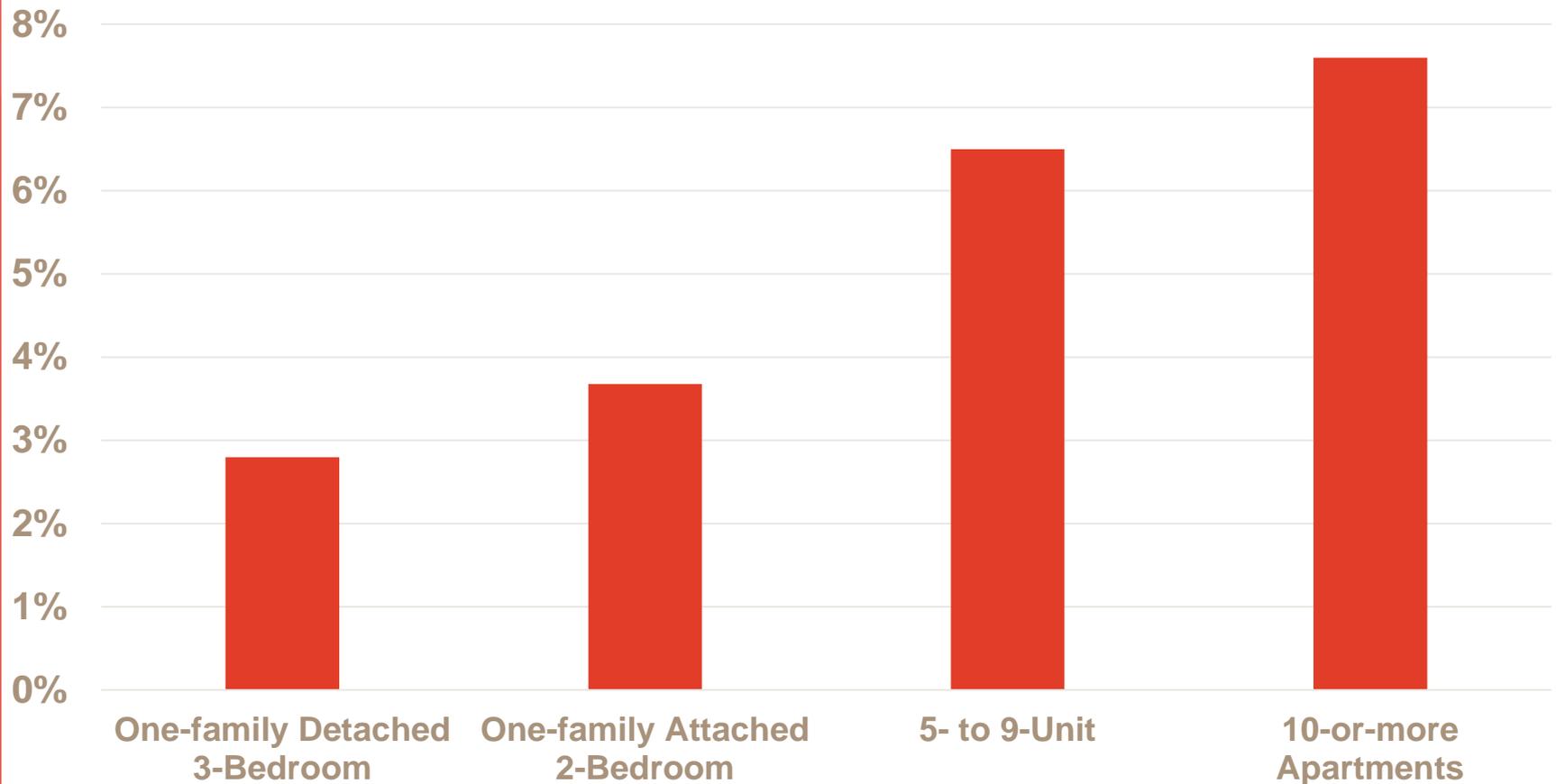
Single-Family Detached Rental Stock Grew by 3 Million in U.S., 2006–2013



Source: U.S. Census Bureau, 50 largest metropolitan rental markets; size of bubble represents the size of the single-family rental detached stock.

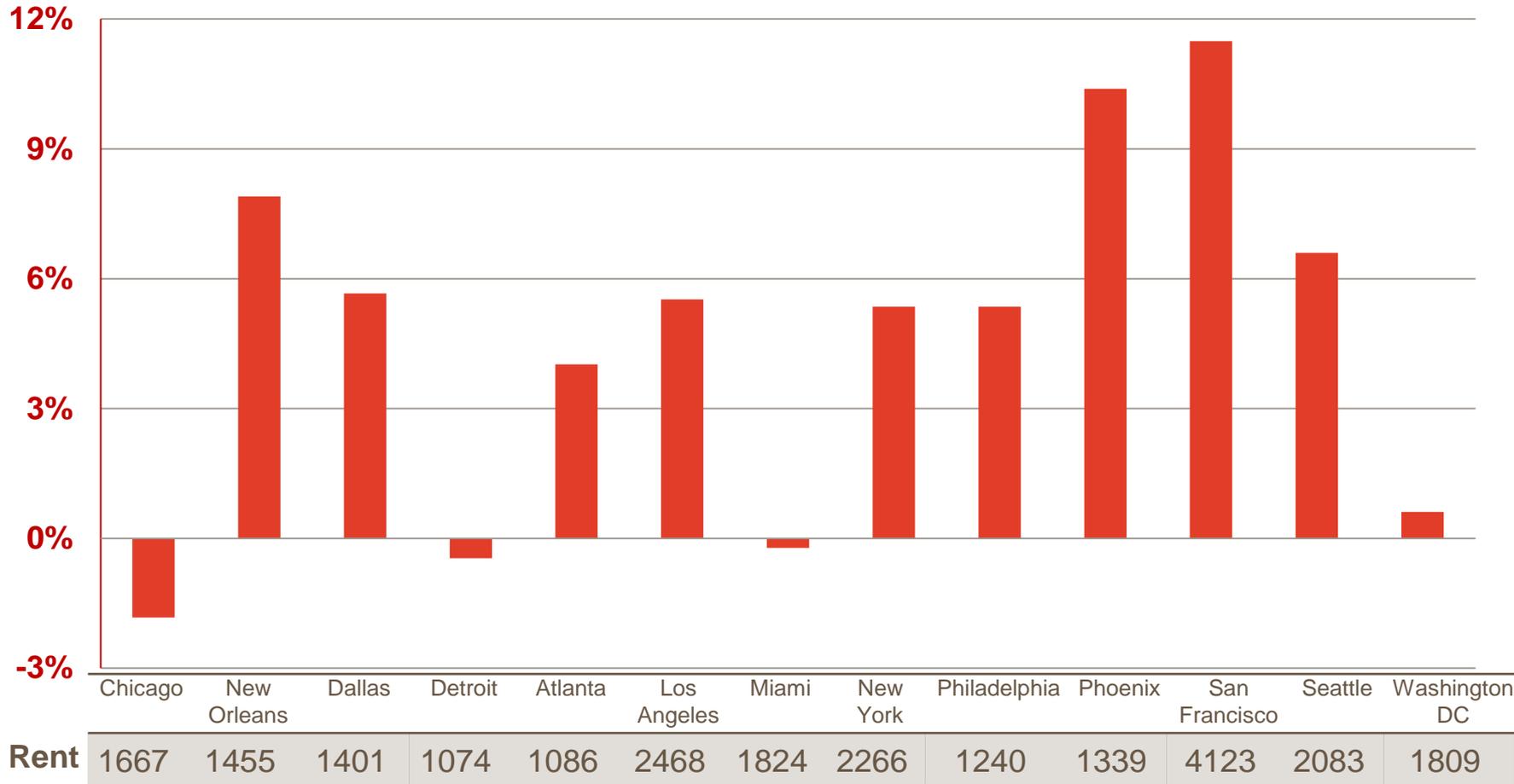
Vacancy Rates Are Lowest on Single-Family Homes

Rental Vacancy Rate (2015 Second Quarter)



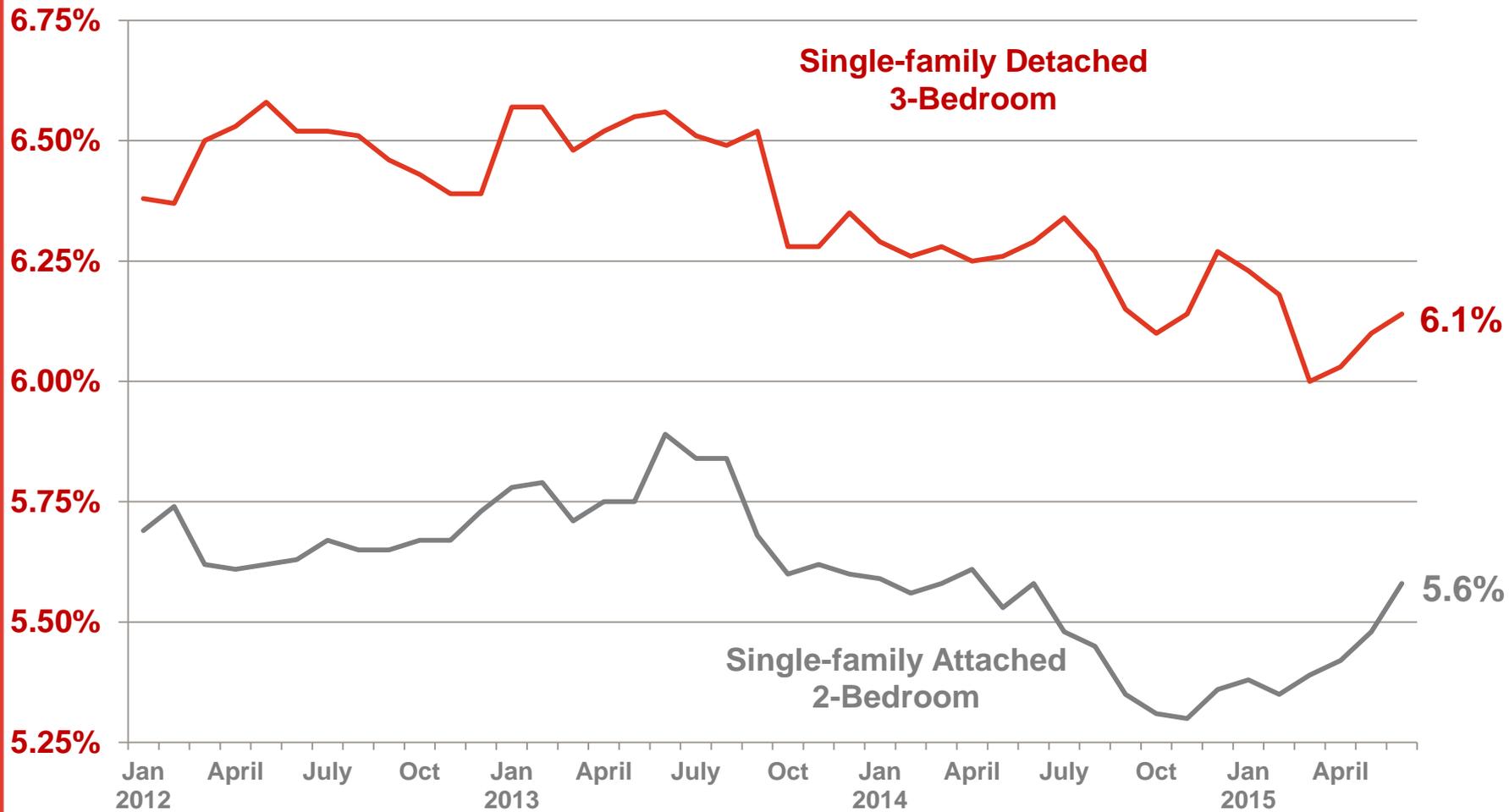
Single-family Rent Growth Strong, Especially in West

Rent Growth for 3-Bedroom Detached Houses, August 2014 to August 2015

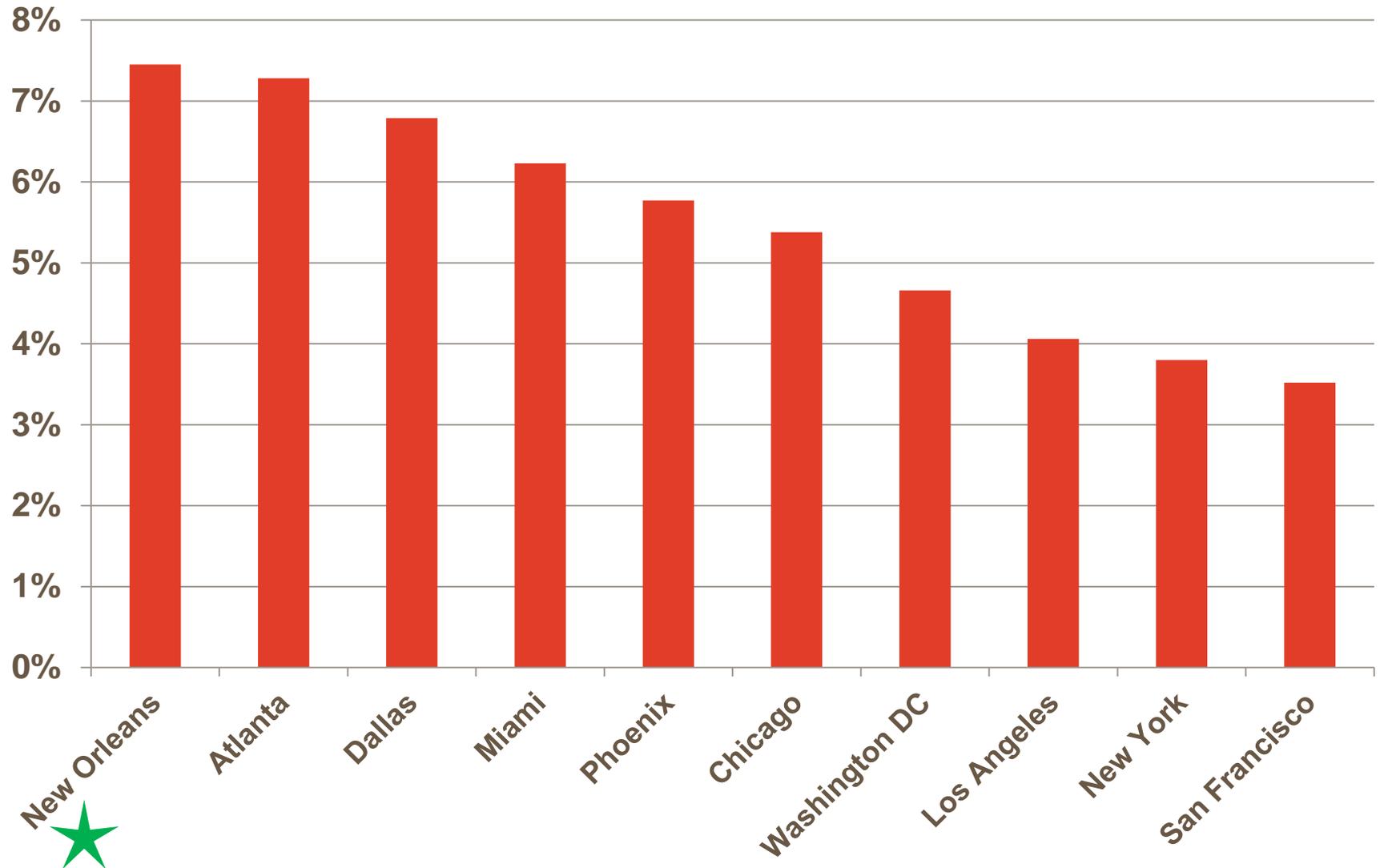


Source: CoreLogic Rental Trends, metropolitan area median rent August 2015

Cap Rates Currently 5.5% to 6.0%, U.S. Average



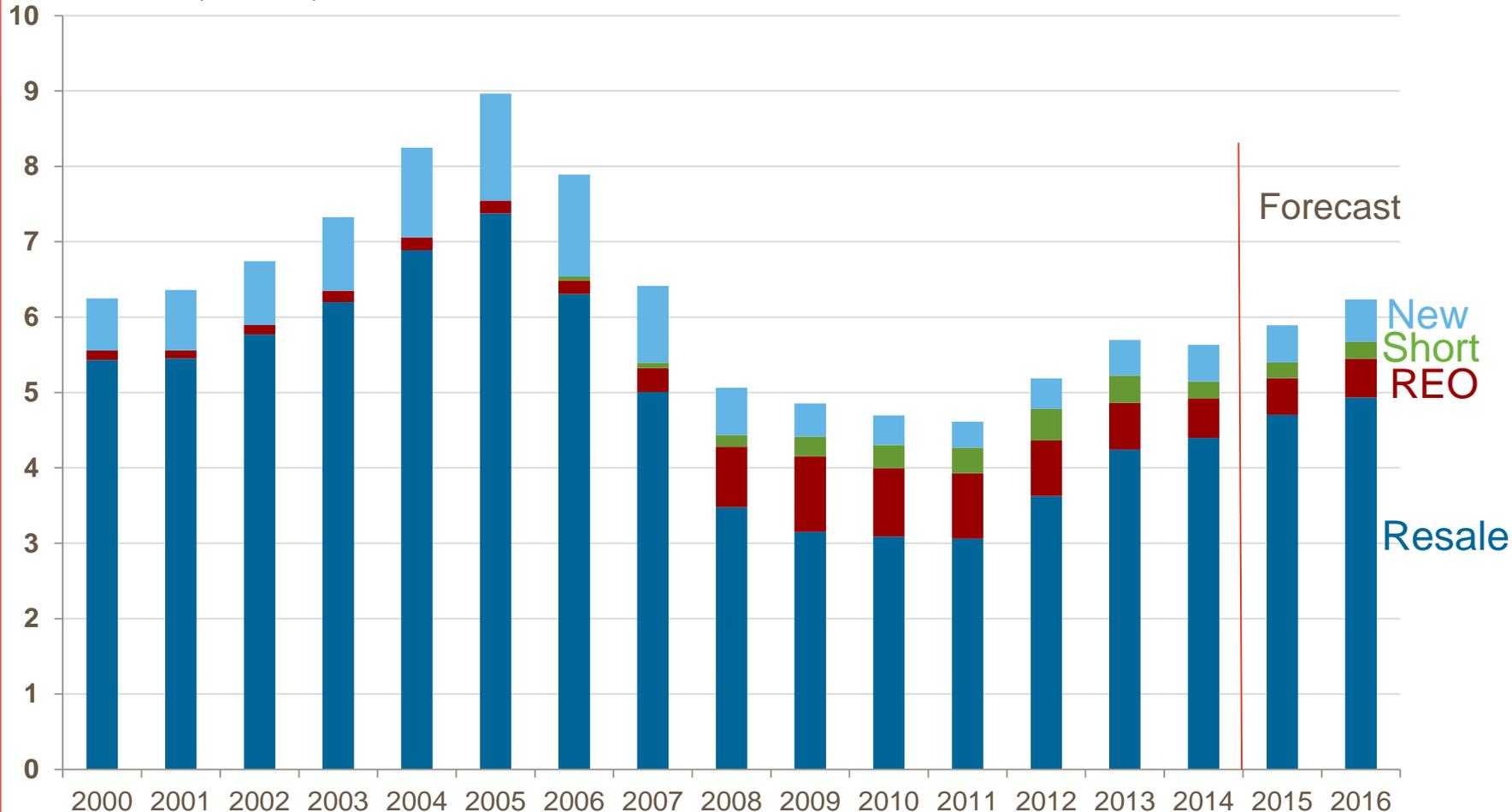
Median Cap Rates of 3-Bedroom Detached Houses



Home Sales: Up 5% in 2015, Best since 2007

Non-Distressed Resale up every year since 2011

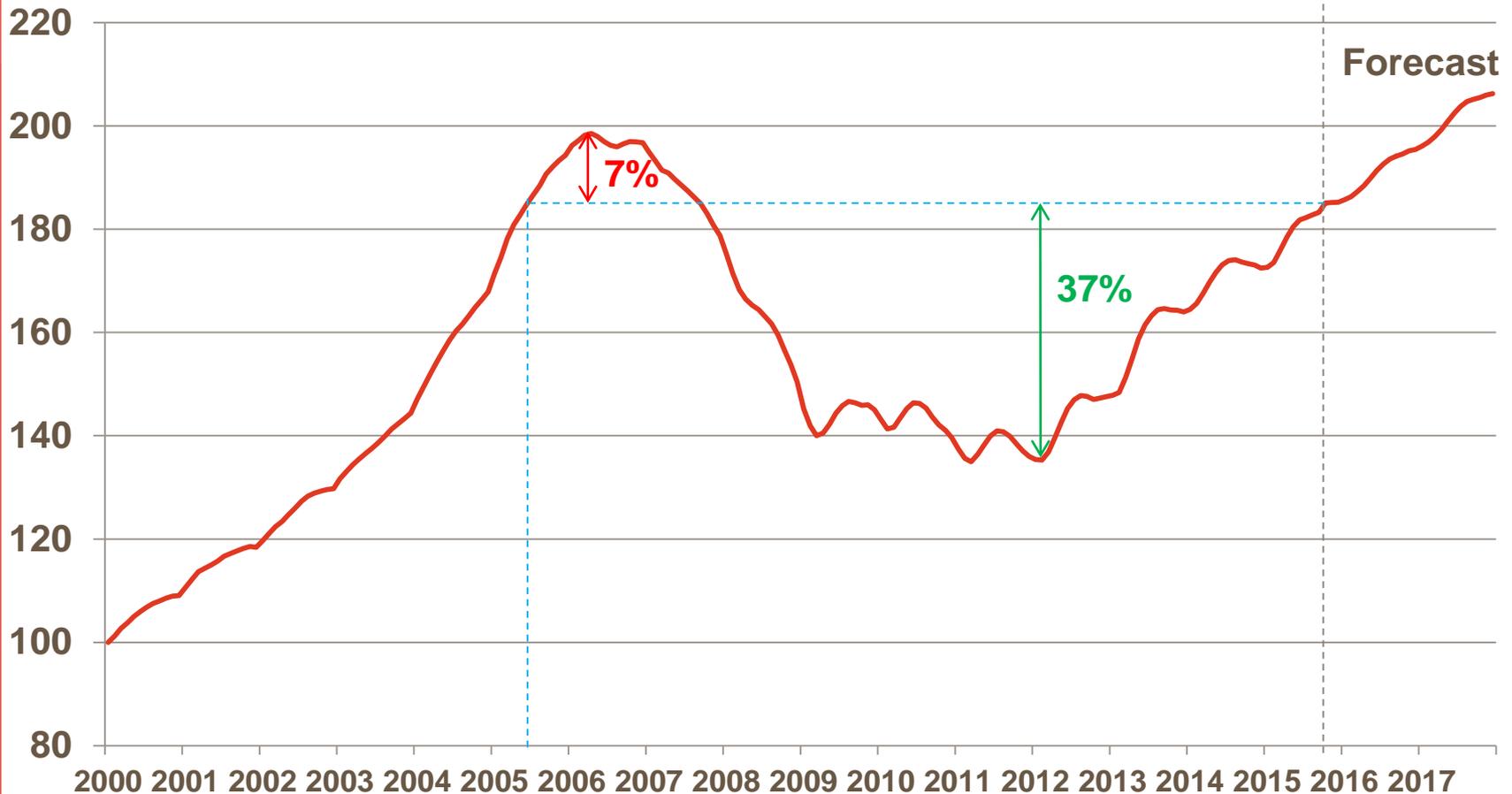
Home Sales (millions)



U.S. Home Prices Projected to Rise 5% in 2016

Projected to reach prior peak by Q1 2017 (but still 17% below 2006 peak in *real* \$)

CoreLogic Home Price Index™ (January 2000 = 100)

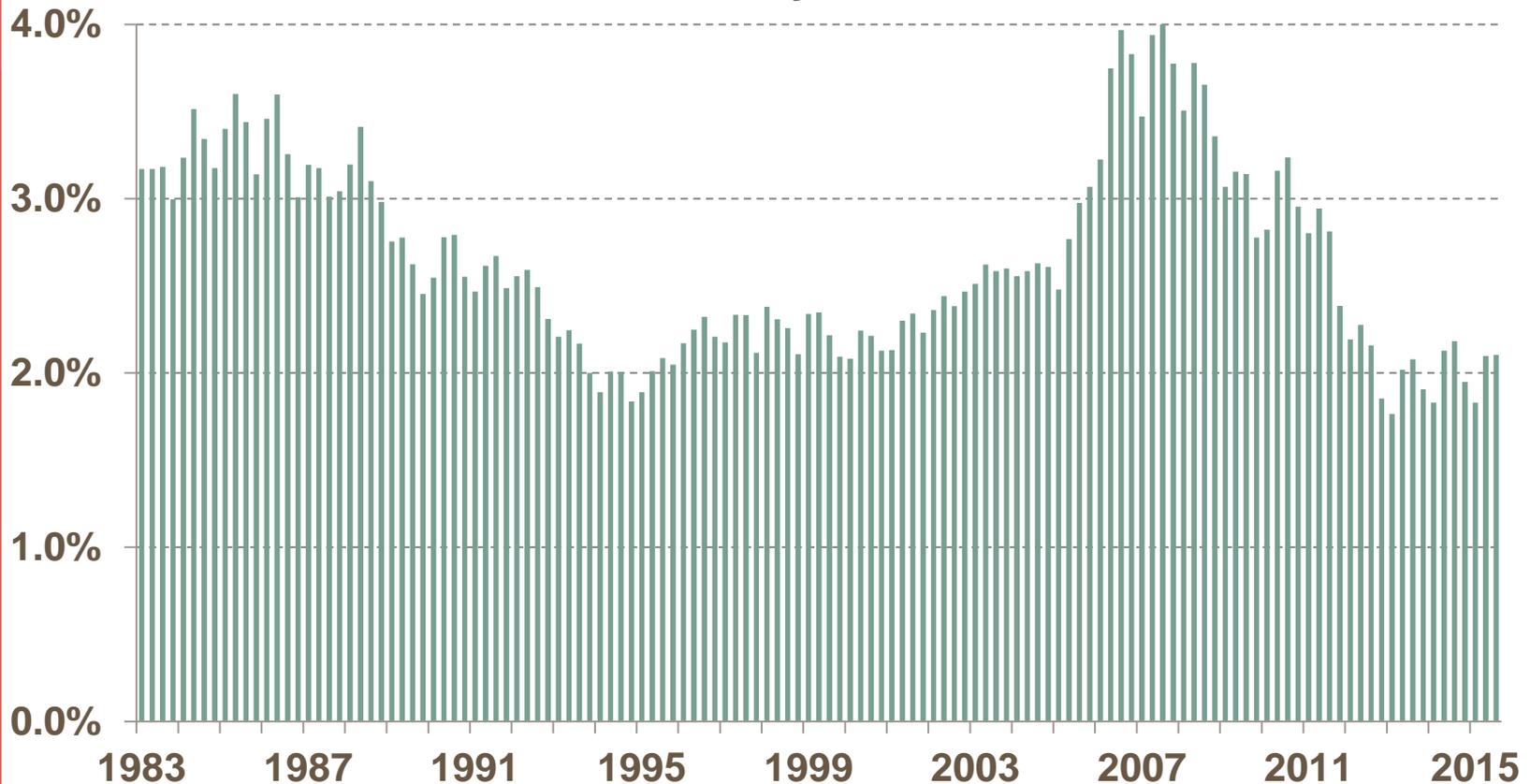


Source: CoreLogic Home Price Index including distressed sales, January 2000 = 100 (December 1, 2015 release) and CoreLogic REAS HPI Forecasts

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For-Sale Home Inventory Has Been Very Low Since 2012

Homes-For-Sale Inventory as a Percent of Households

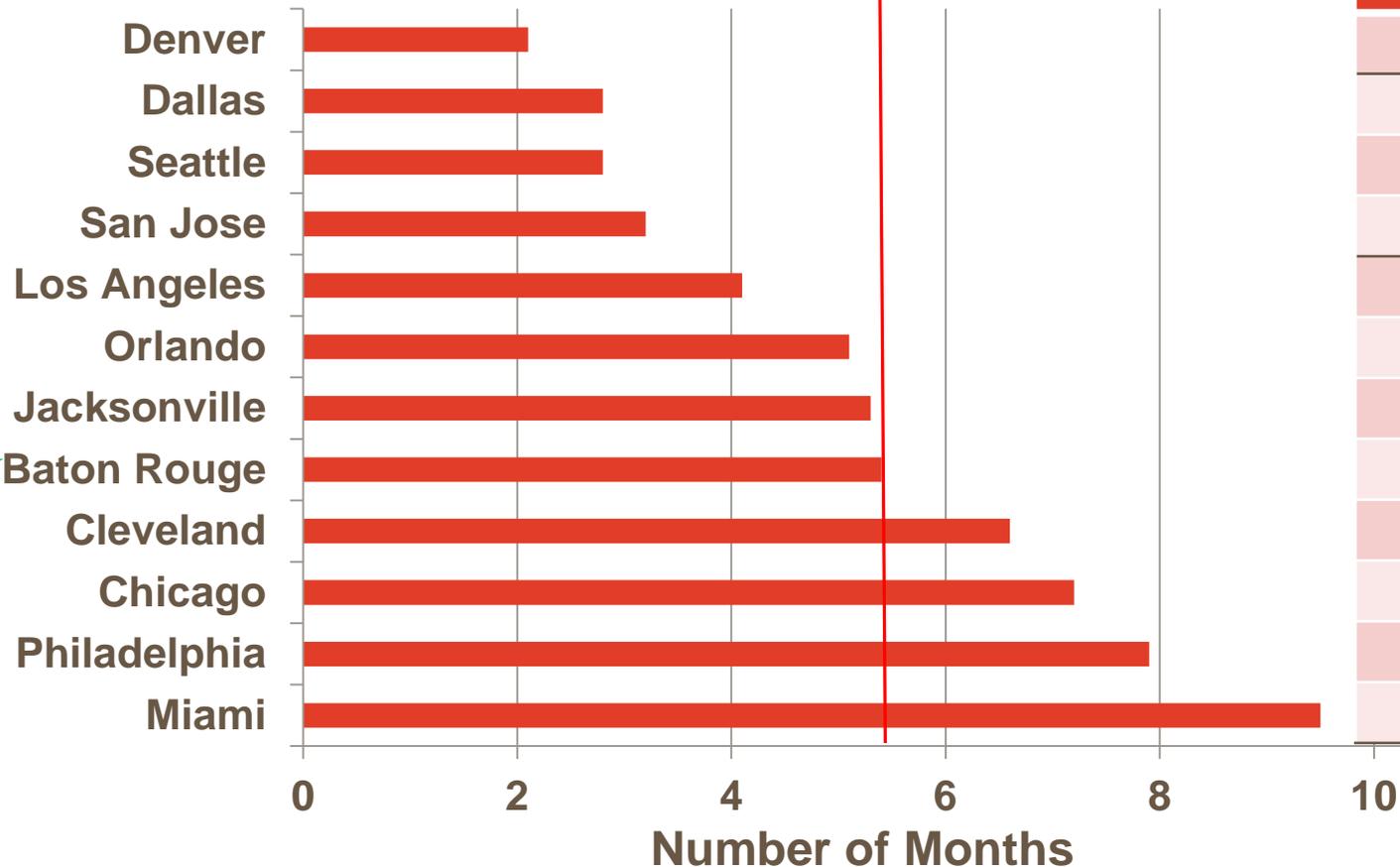


Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).
 Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.

Months' Supply, Days on Market, Home-Price Growth

Metro Area

U.S. 5.5 months



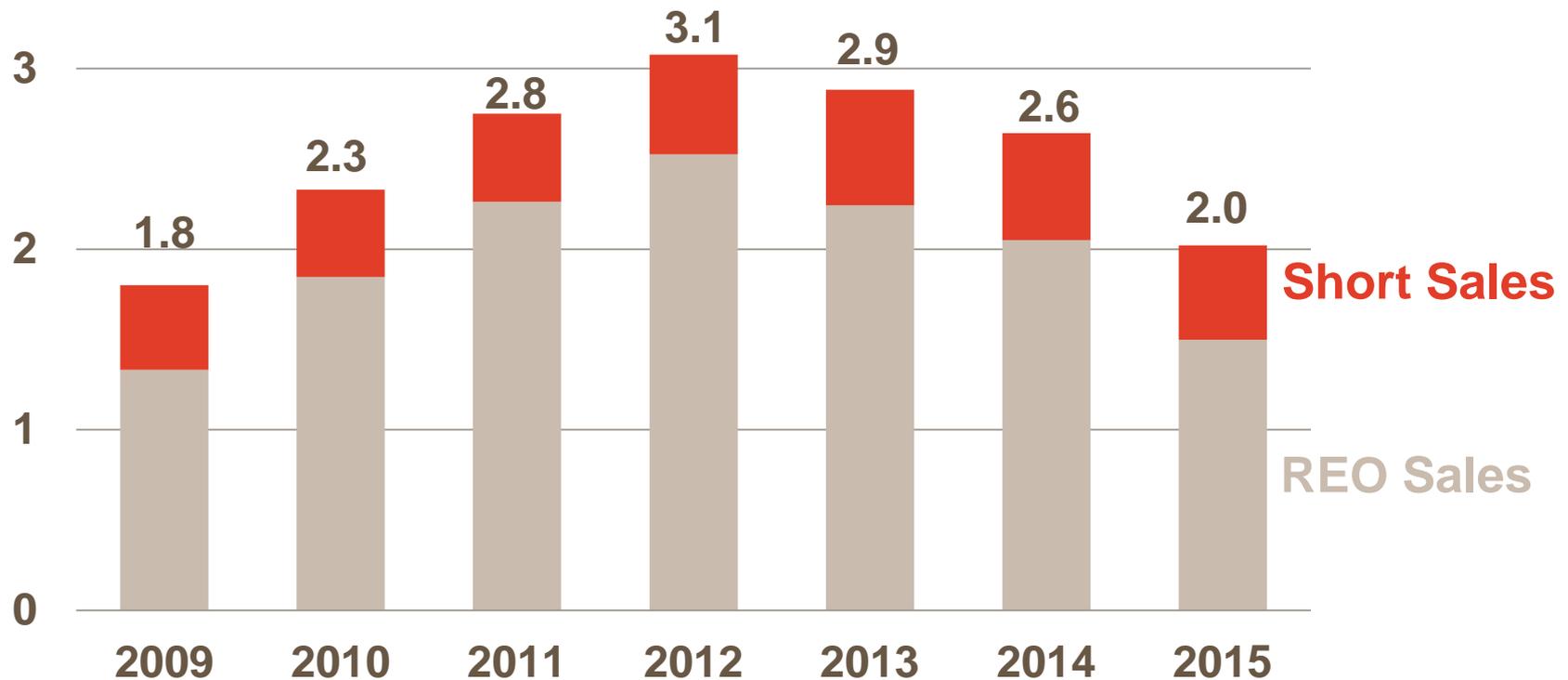
Days On Market	Home Price Gain
12	11.8%
32	8.6%
54	9.9%
13	13.2%
29	5.4%
83	6.0%
48	4.8%
89	1.5%
91	3.9%
47	2.2%
98	2.7%
61	7.8%



Source: CoreLogic Home Price Index (percent change, September 2014 to September 2015) and CoreLogic Listing data for September 2015 (median Days on Market for sold properties).

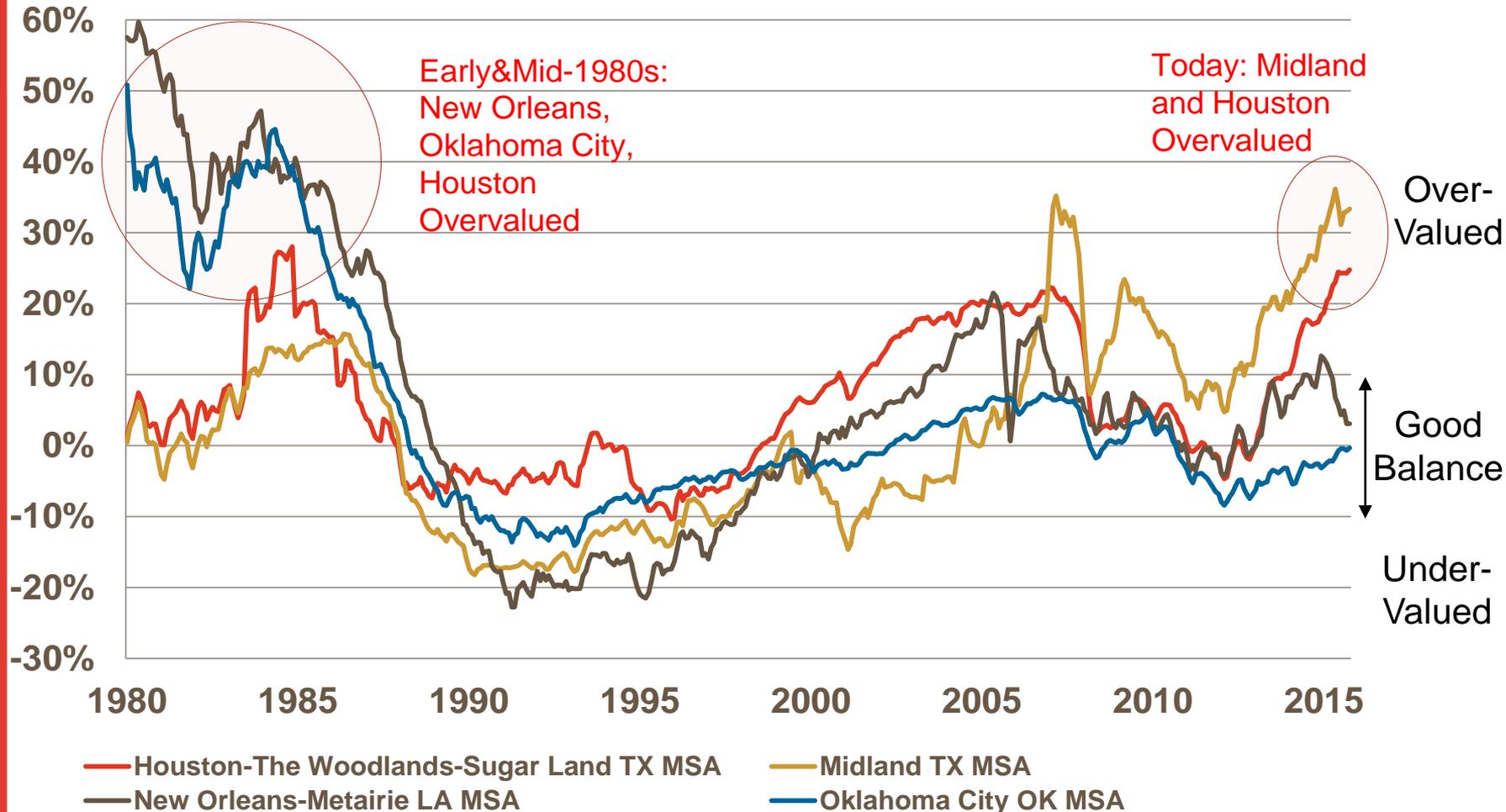
New Orleans Distressed Sales Continue to Decline

12 Months Completed Foreclosures and Short Sales (Thousands)



New Orleans Prices Are Close to 'Fundamentals'

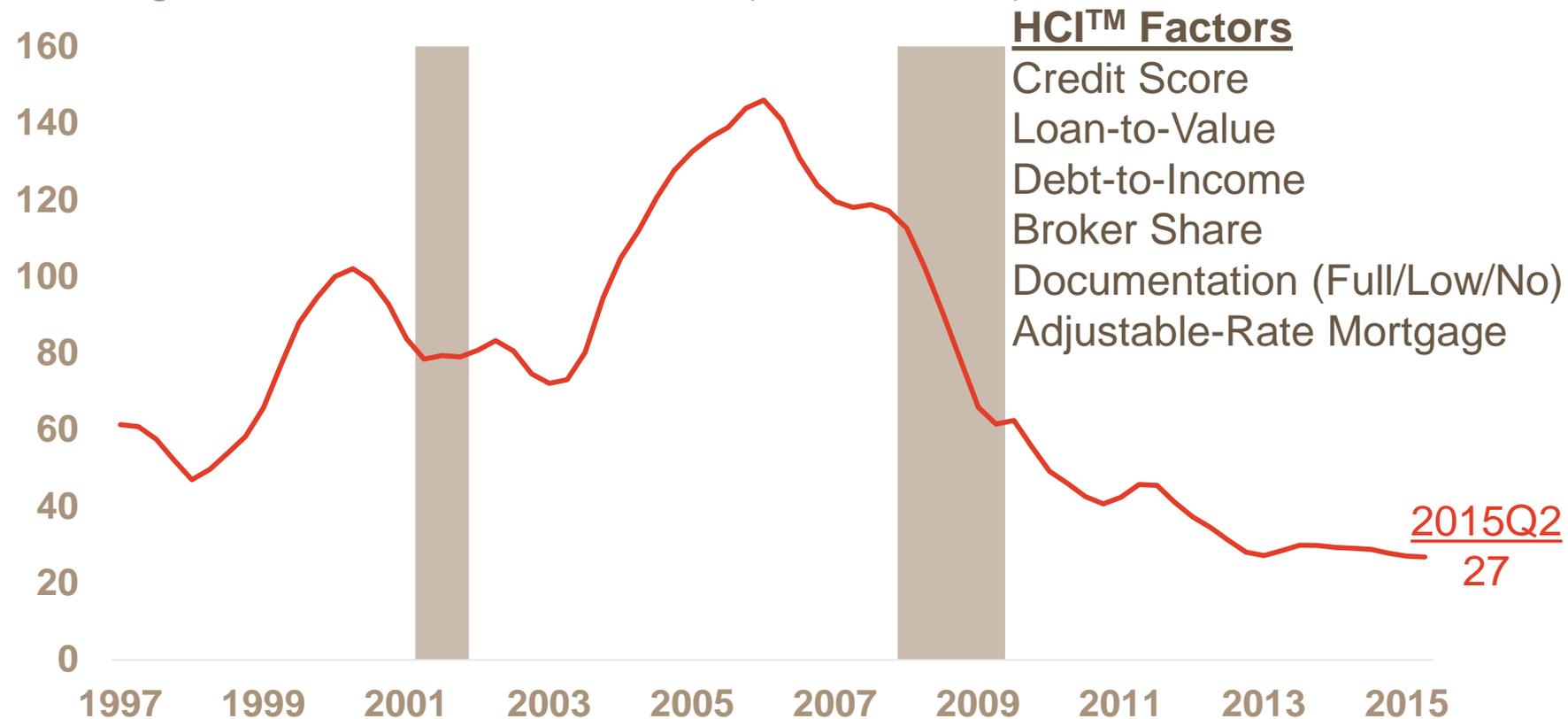
Deviation of Prices from Fundamental Value (percent)



Source: CoreLogic HPI and HPI Long-term Fundamental Value (through October 2015).

Underwriting Remains Cautious

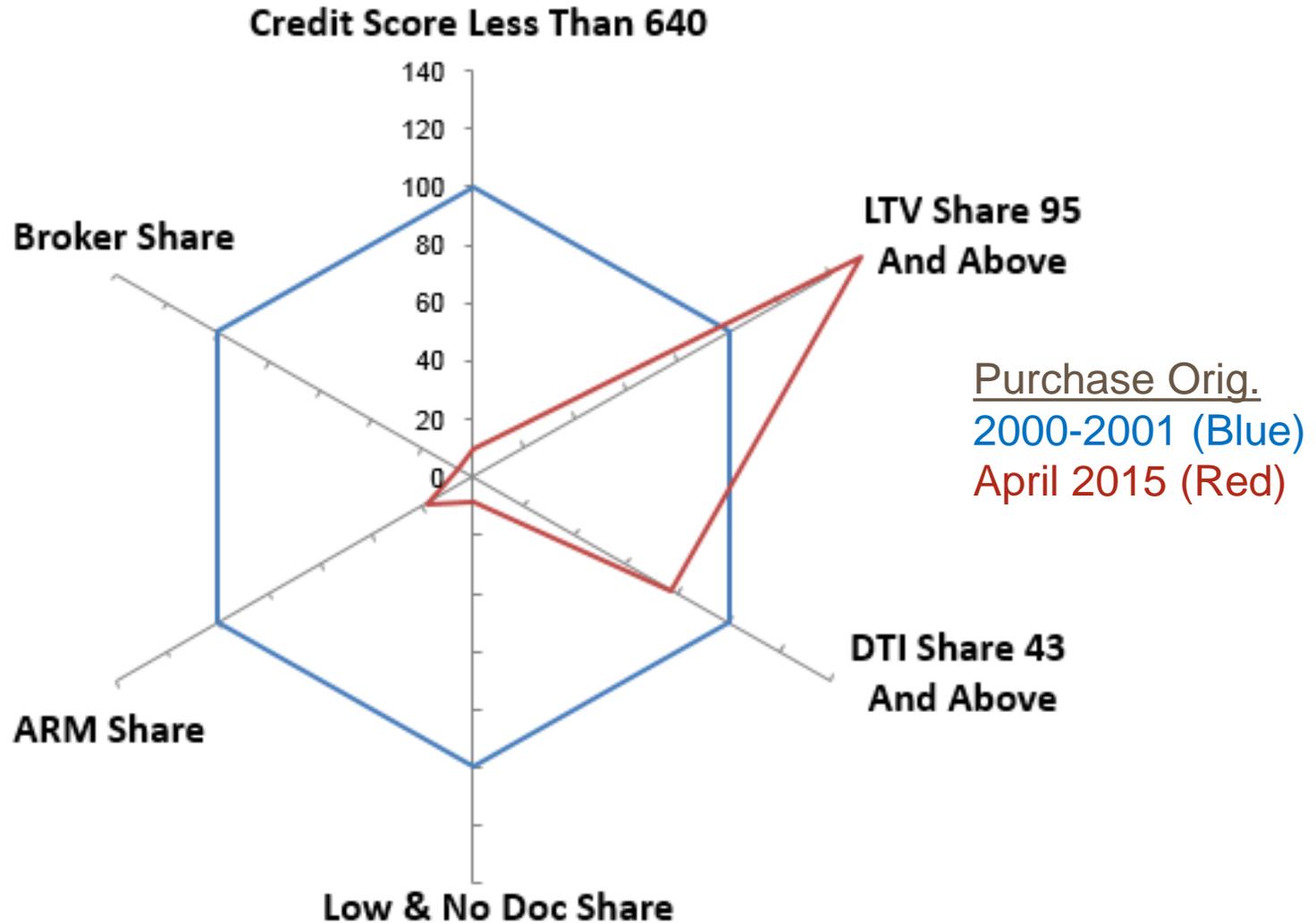
Housing Credit Index™ for Purchase (2000Q1=100)



2015Q2
27

Source: CoreLogic TrueStandings, 2015Q2 based on partial data; 2000Q1 = 100.
 Bars represent 2001 and 2008-2009 recessions.

Underwriting Remains Cautious

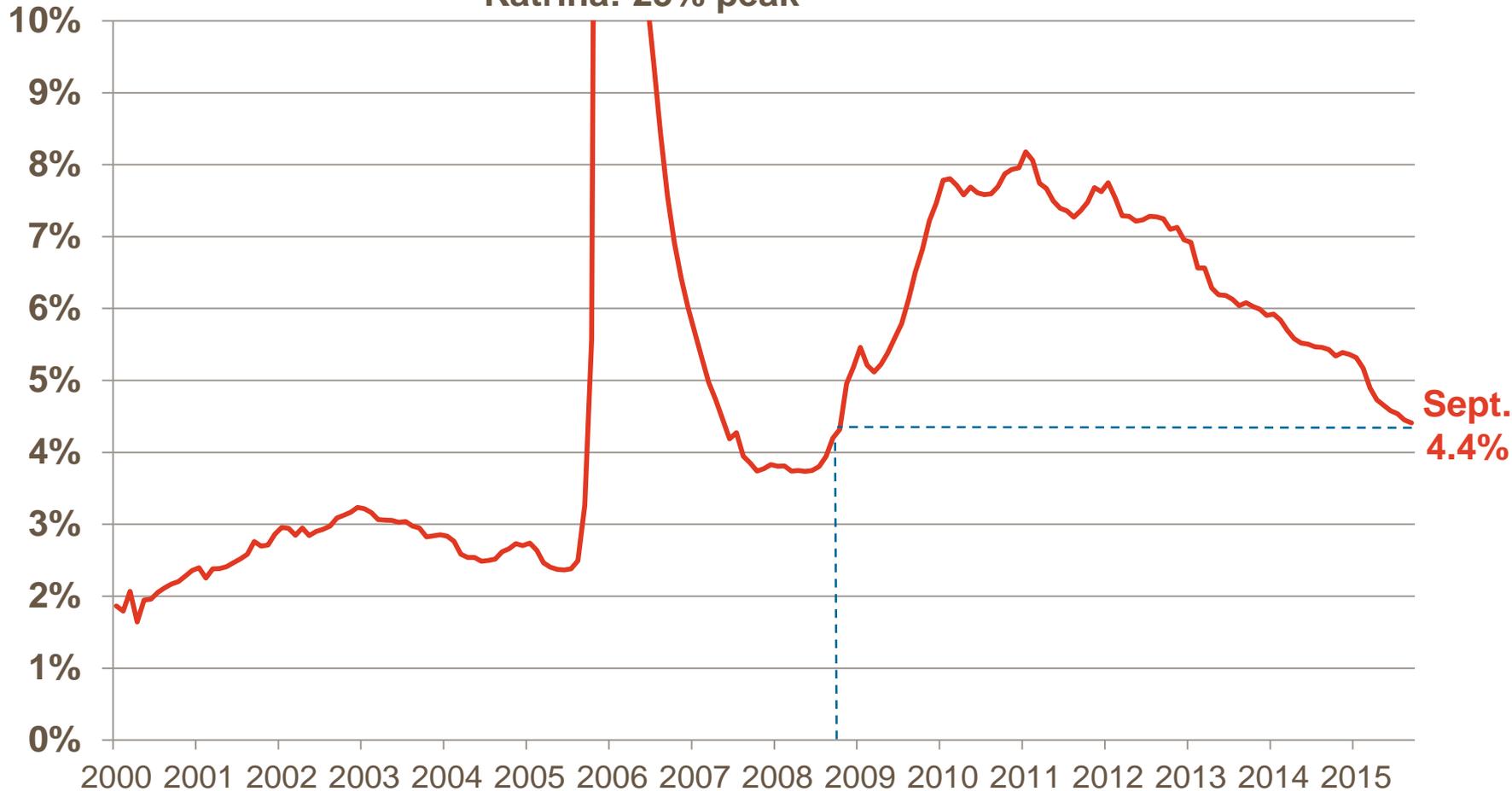


Source: CoreLogic TrueStandings, April 2015 purchase-money originations compared with 2000 and 2001

New Orleans Serious Delinquencies Back to 2008 Level

Percent of Loans 90+ Days Delinquent or in Foreclosure

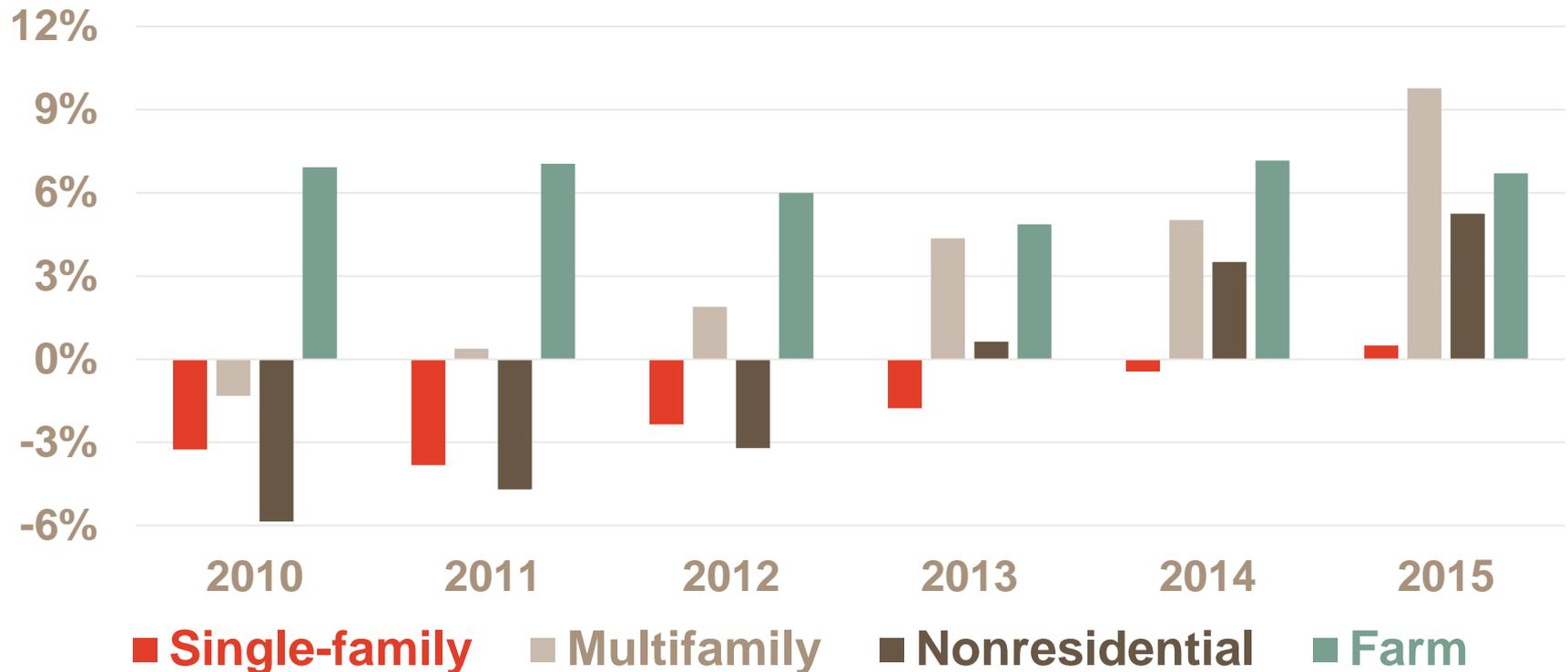
Katrina: 25% peak



Source: CoreLogic Servicing

Mortgage Lending Recovery: Multifamily First, Nonresidential Next, SF Last

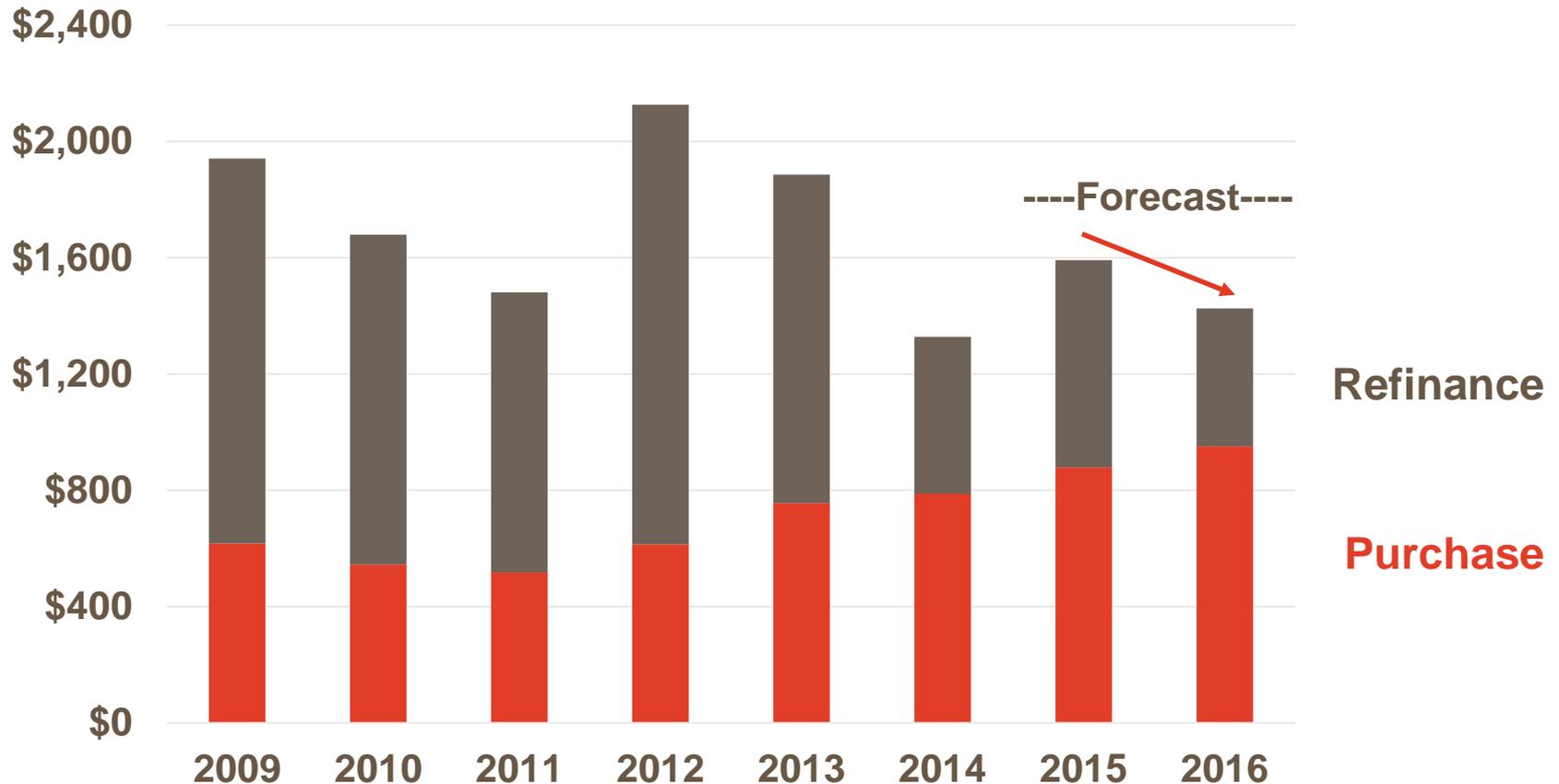
Annual Growth in Mortgage Debt Outstanding, by Property Type



Source: Federal Reserve Board, second-quarter-to-second quarter growth rate

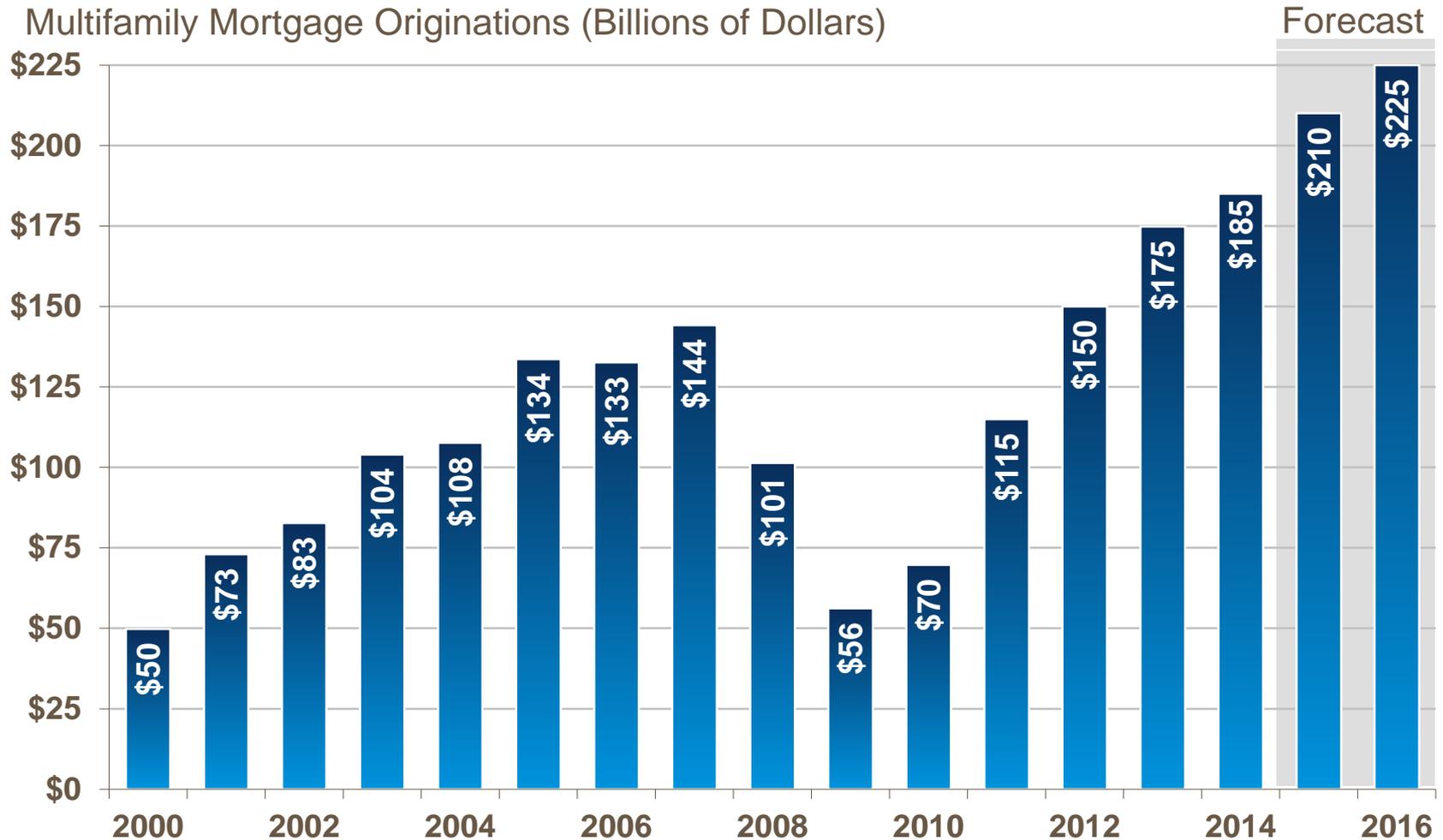
Single-family Originations: More Purchase, Less Refinance, Less Volume in 2016

Single-family Mortgage Originations (Billions of U.S. dollars)



Source: History is from CoreLogic Public Records, Forecast is an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, Freddie Mac and Zelman & Associates.

Multifamily Mortgage Originations Projected Up



Sources: FFIEC (HMDA), OTS Thrift Financial Report, ACLI Investment Bulletin, MBA Commercial Mortgage Banker Origination Survey, CoreLogic.

U.S. Housing Market Forecast

- Market in 2016 will have five features:
 - Higher interest rates (short \uparrow 1%, long \uparrow ½%)
 - Strong household formations (>1¼ million)
 - Home prices up (4% to 5%)
 - Rental robust: vacancy low, rents up
 - Loan manufacture remains high quality
- Home sales: 2016 expected to be best since 2007
 - Distressed sales drop nationally, high in select metros
- Originations: More SF Purchase, less Refi; More MF
 - SF # least since 1997; \$ similar to 2014

Where to find more information

Look for regular updates to our housing forecast, commentary and data at

<http://www.corelogic.com/about-us/research.aspx>

Twitter: @CoreLogicEcon @DrFrankNothaft

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