



CoreLogic®

The Changing Demand Toward Urban Living

**Federal Reserve Bank of Atlanta
2017 Banking Outlook Conference**

Sam Khater
VP & Deputy Chief Economist

Overview

Real Estate Market Update

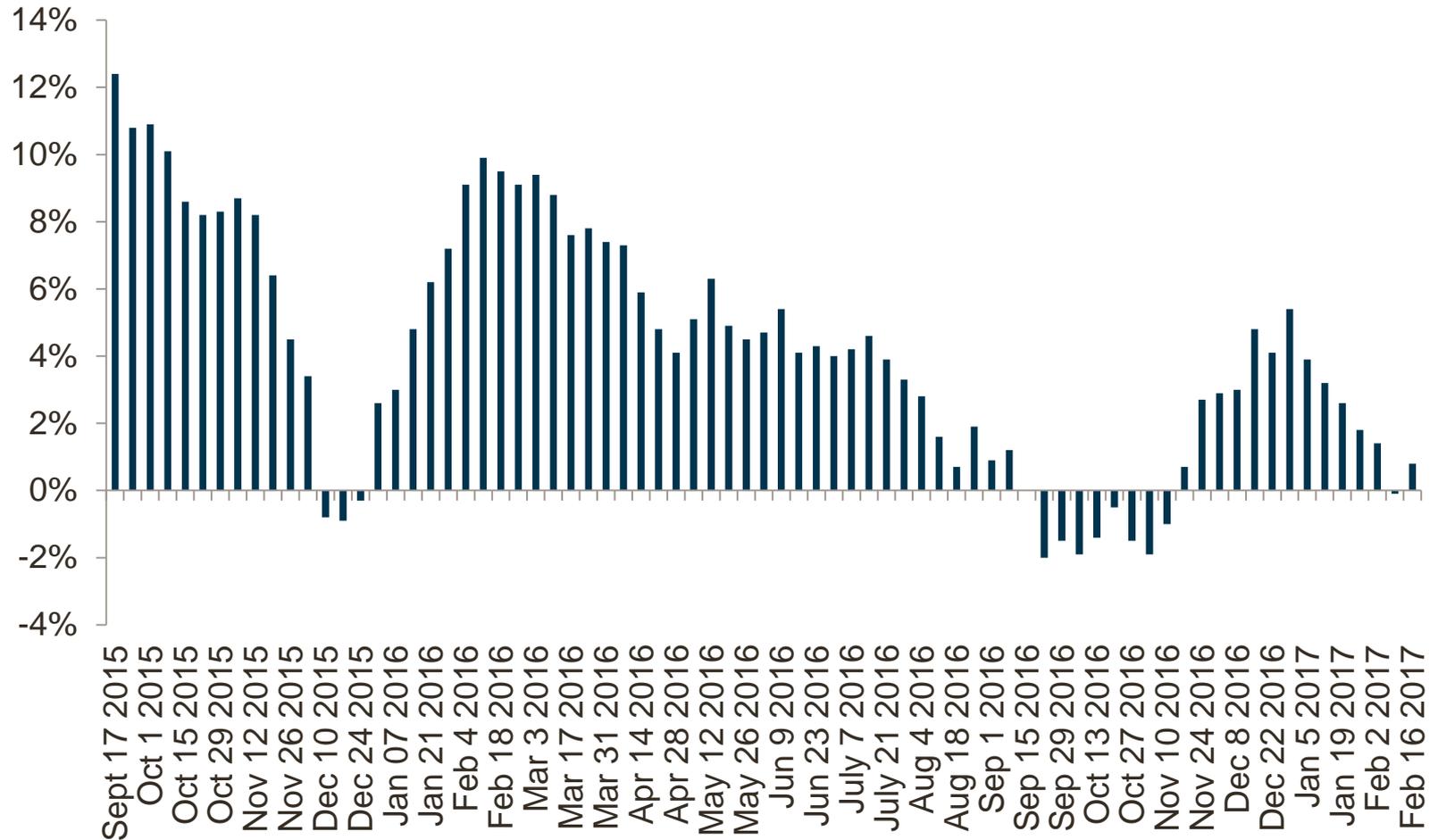
- Sales Growth Decelerating, but Price Growth Steady
- What's the Impact of Higher Rates on Sales?
- Underwriting Remains Steady and Asymmetrical, but Leverage is High
- Mortgage Performance may be at the Trough

Changing Demand Toward Urban Living

- Home Prices Surging in Urban Areas Within 6 Miles of CBD
- Surge Began in Mid-2000s and Heavily Driven by New Sales
- Impact on Affordability and Distribution of Risk
 - Higher Home Price Inequality
 - Changing Consumer Behavior & Consumption of Space
 - Resorting of Much Higher Credit Risk to Outer Suburbs

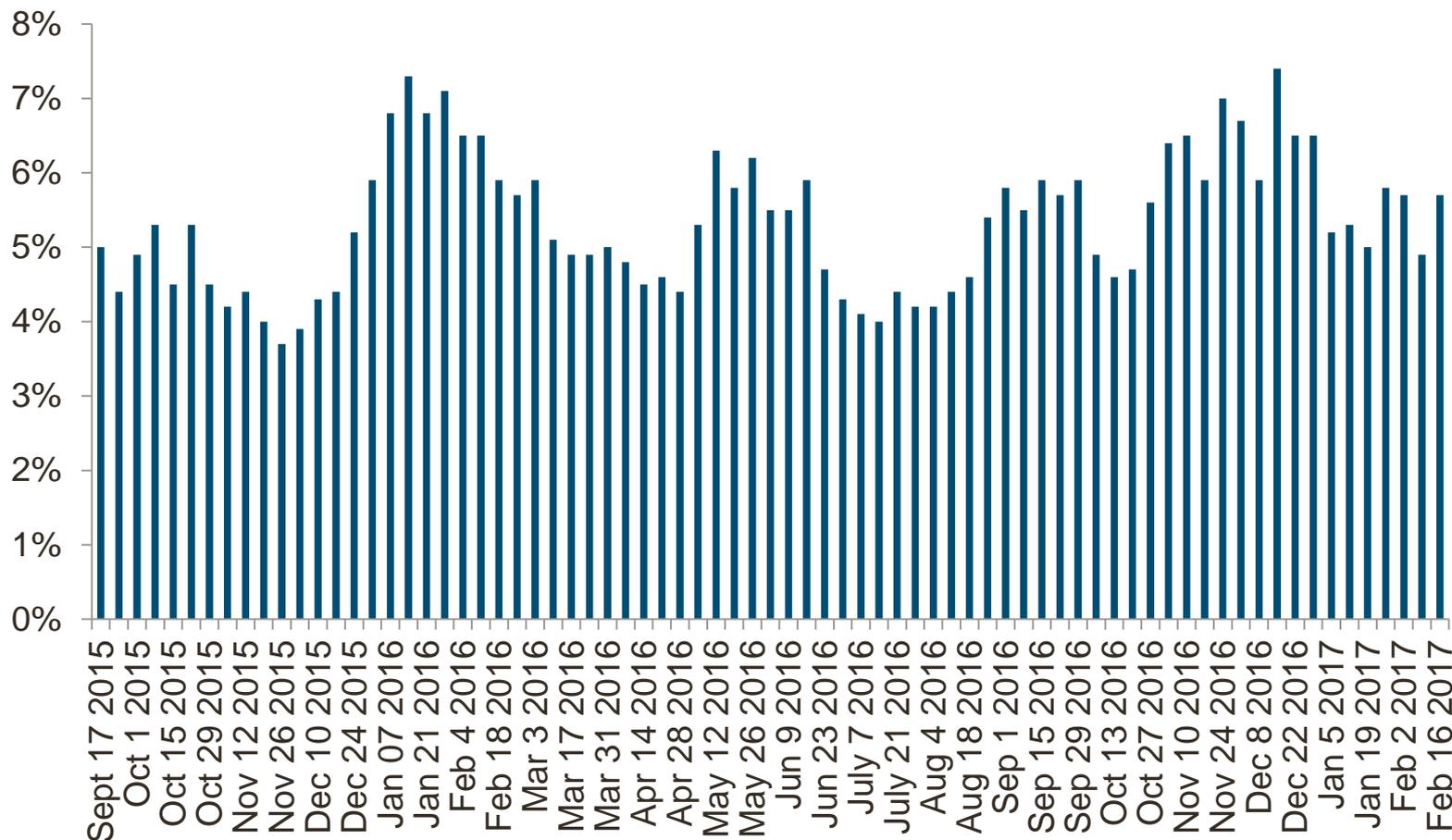
Home Sales Growth Rate Decelerates in February

Percent Change from Year Ago in Top 100 Markets



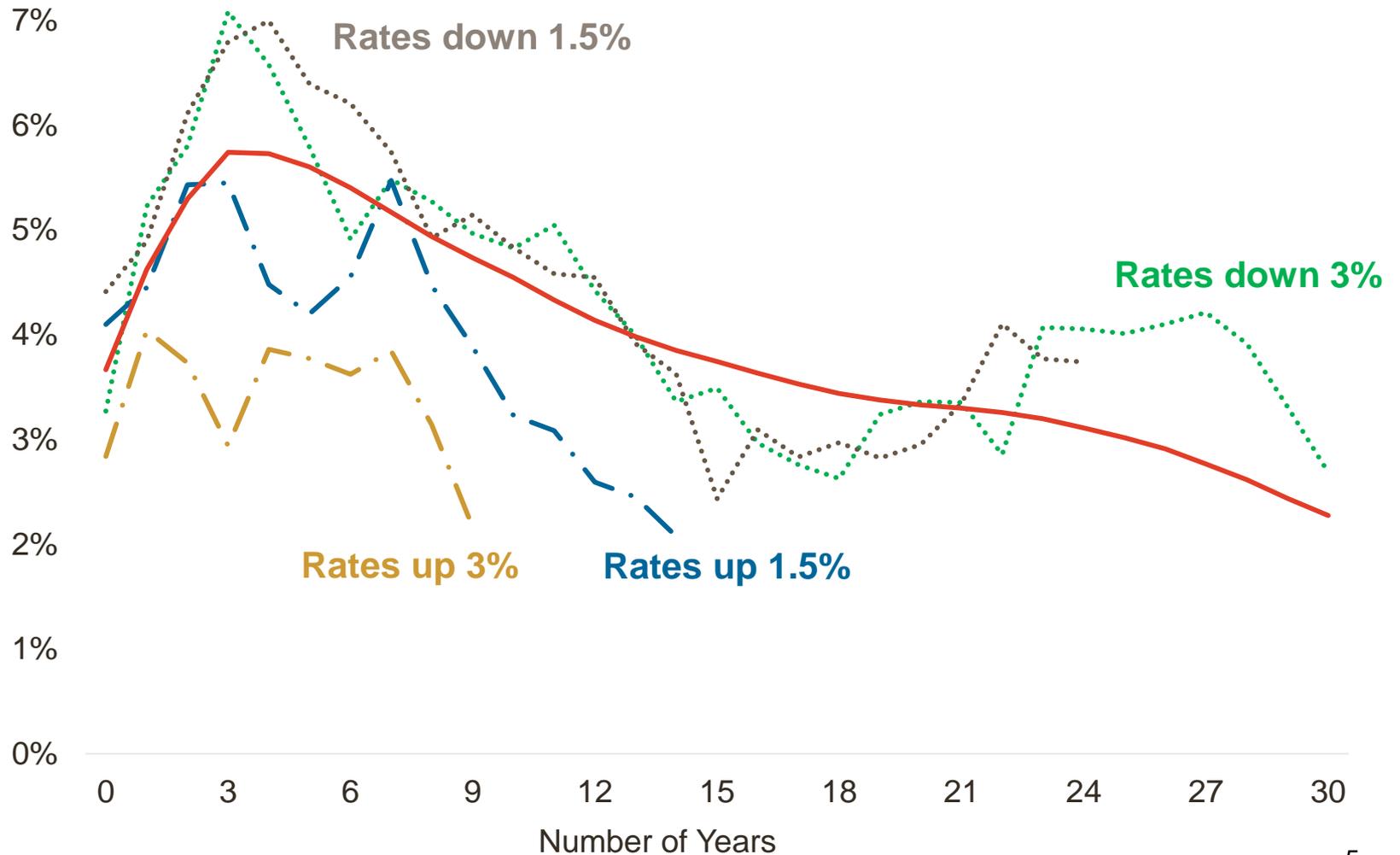
Home Price Growth is Steady Heading Into Spring

Percent Change from Year Ago in Top 100 Markets



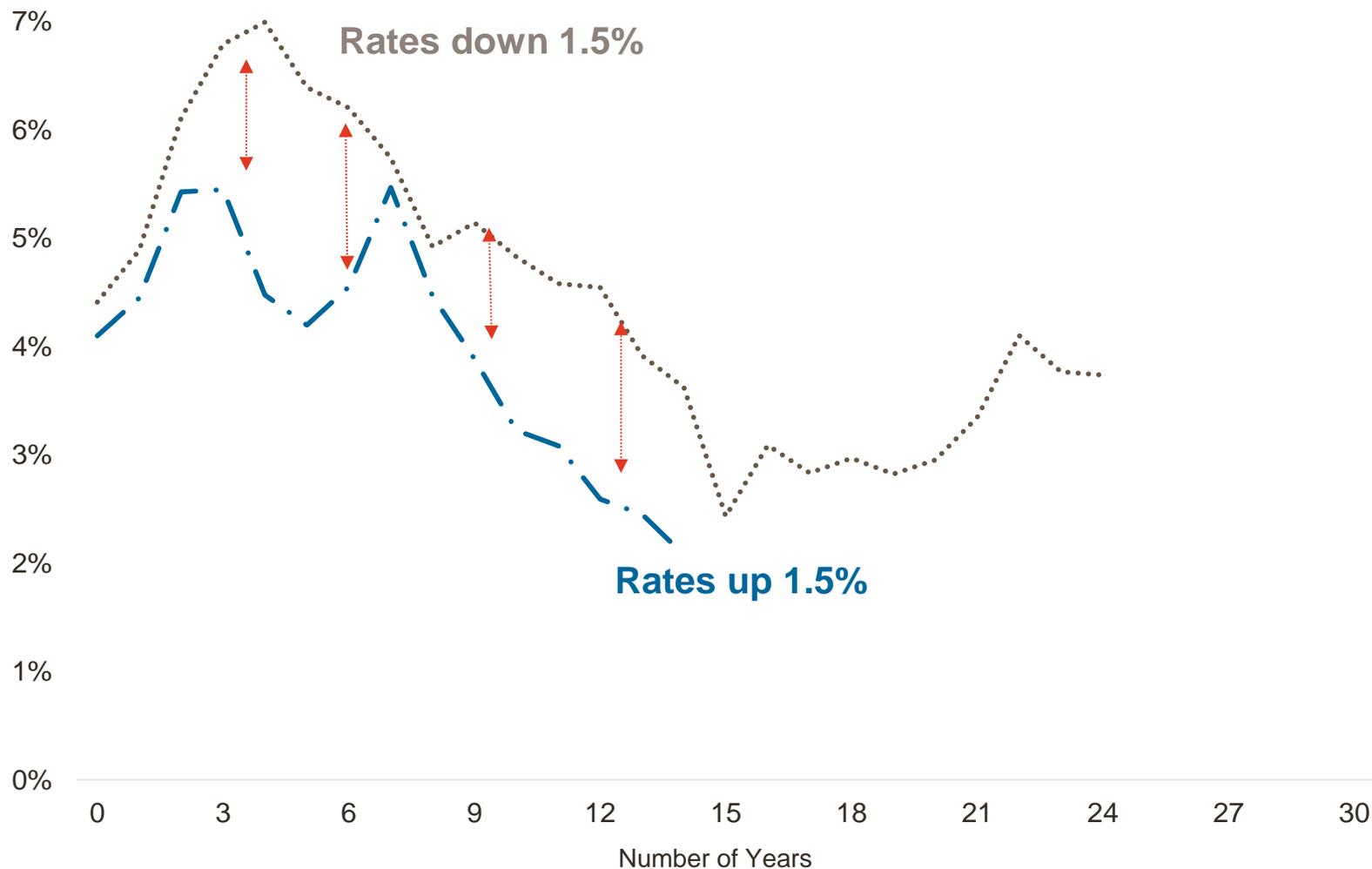
Turnover Rate Higher when Rates Move Lower

Percent of home buyers that sell by length of ownership, 1976-2016



Rising Rates May Be A Hurdle for Resales

Percent of home buyers that sell by length of ownership, 1976-2016



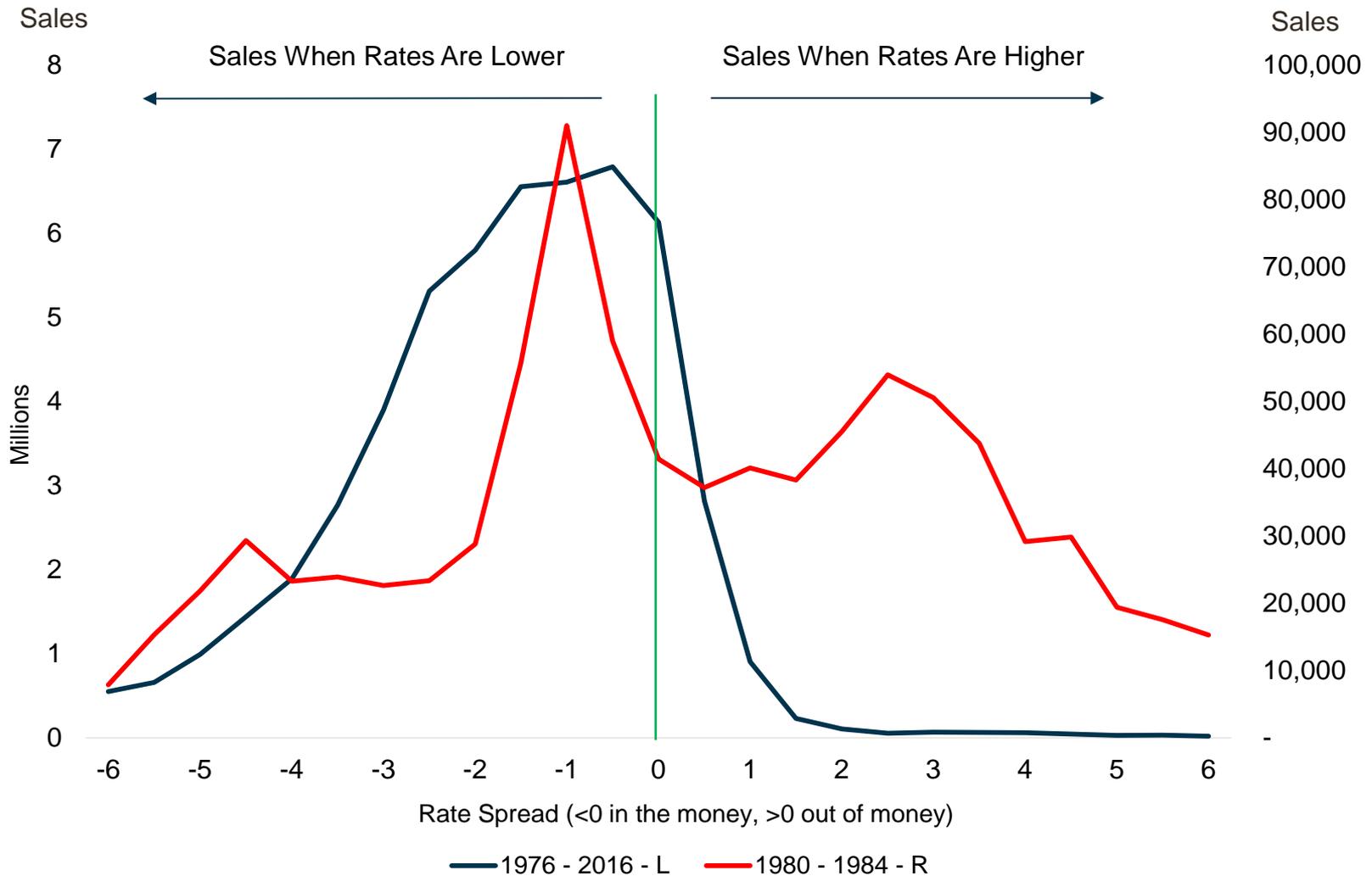
Drop Off in Sales When Rates 100 Basis Points Above Original Note Rate...

Number of Home Sales by Change in Mortgage Rate Between Sales, 1976 - 2016

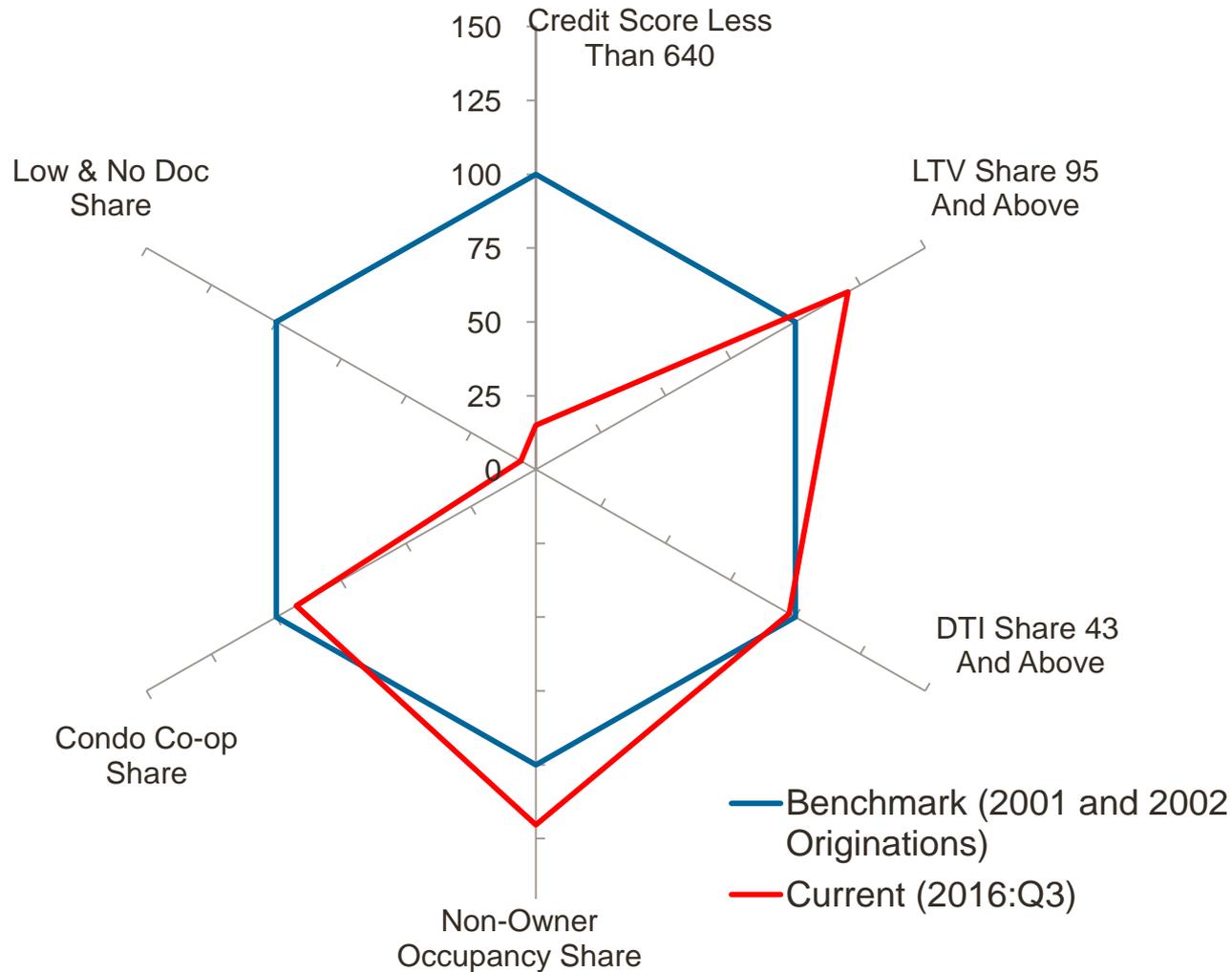


...However During Periods of Sustained Rate Rises 'Lockout' Effect More Muted

Home Sales by Mortgage Rate for Sale Minus Subsequent Purchase for Sales Between 1976 - 2016

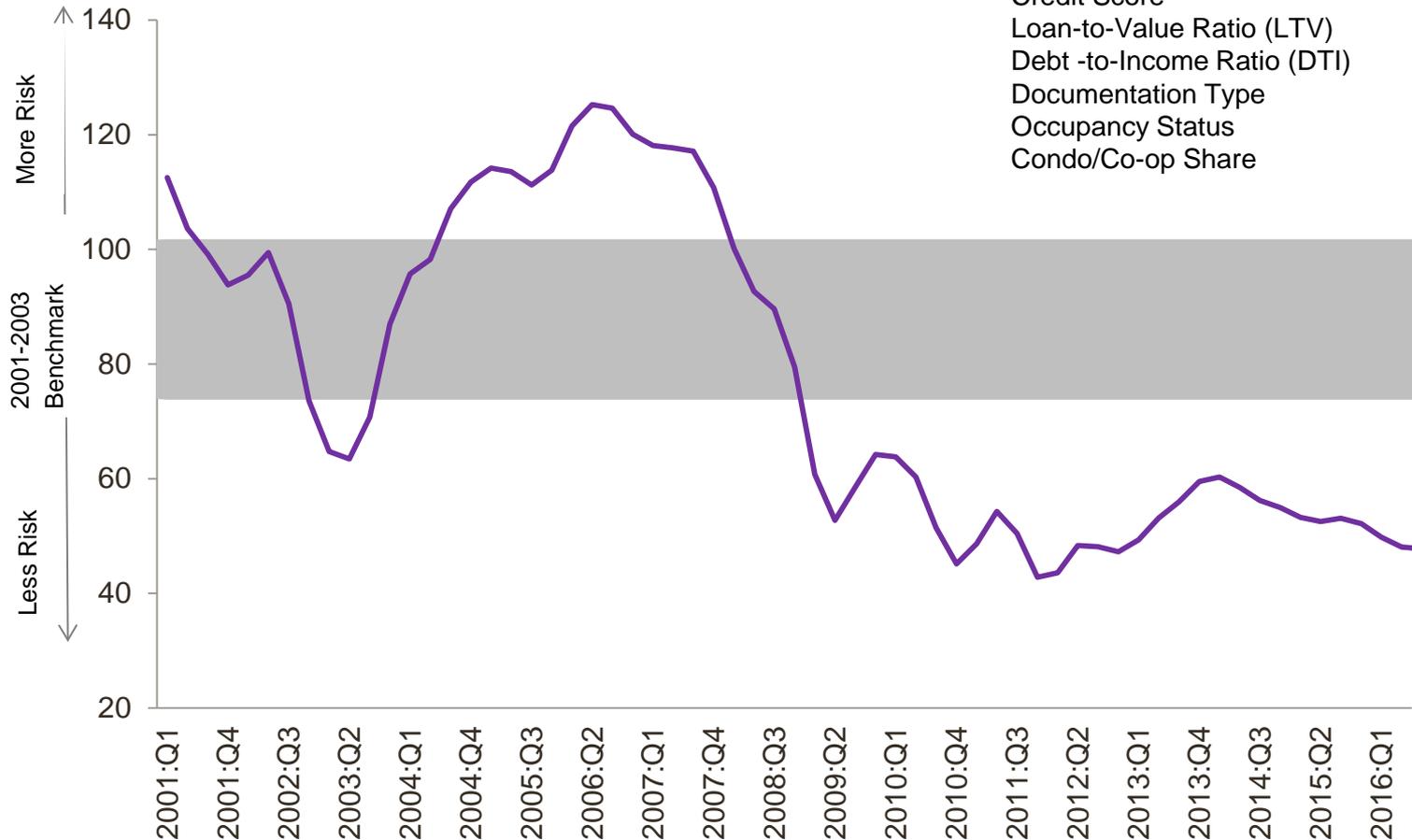


Housing Credit Index



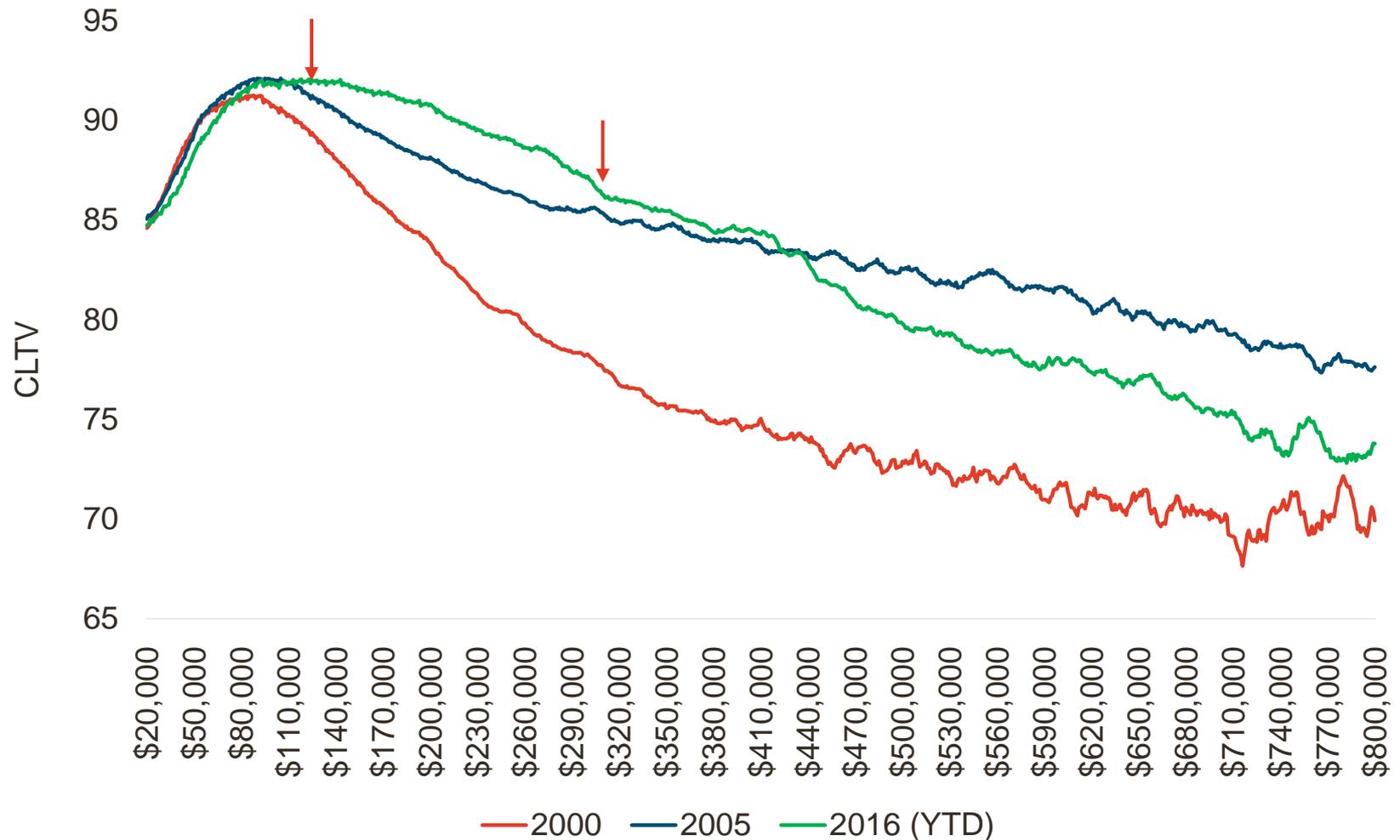
Housing Credit Index - Underwriting Remains 'Tight'

Housing Credit Index (2001=100)



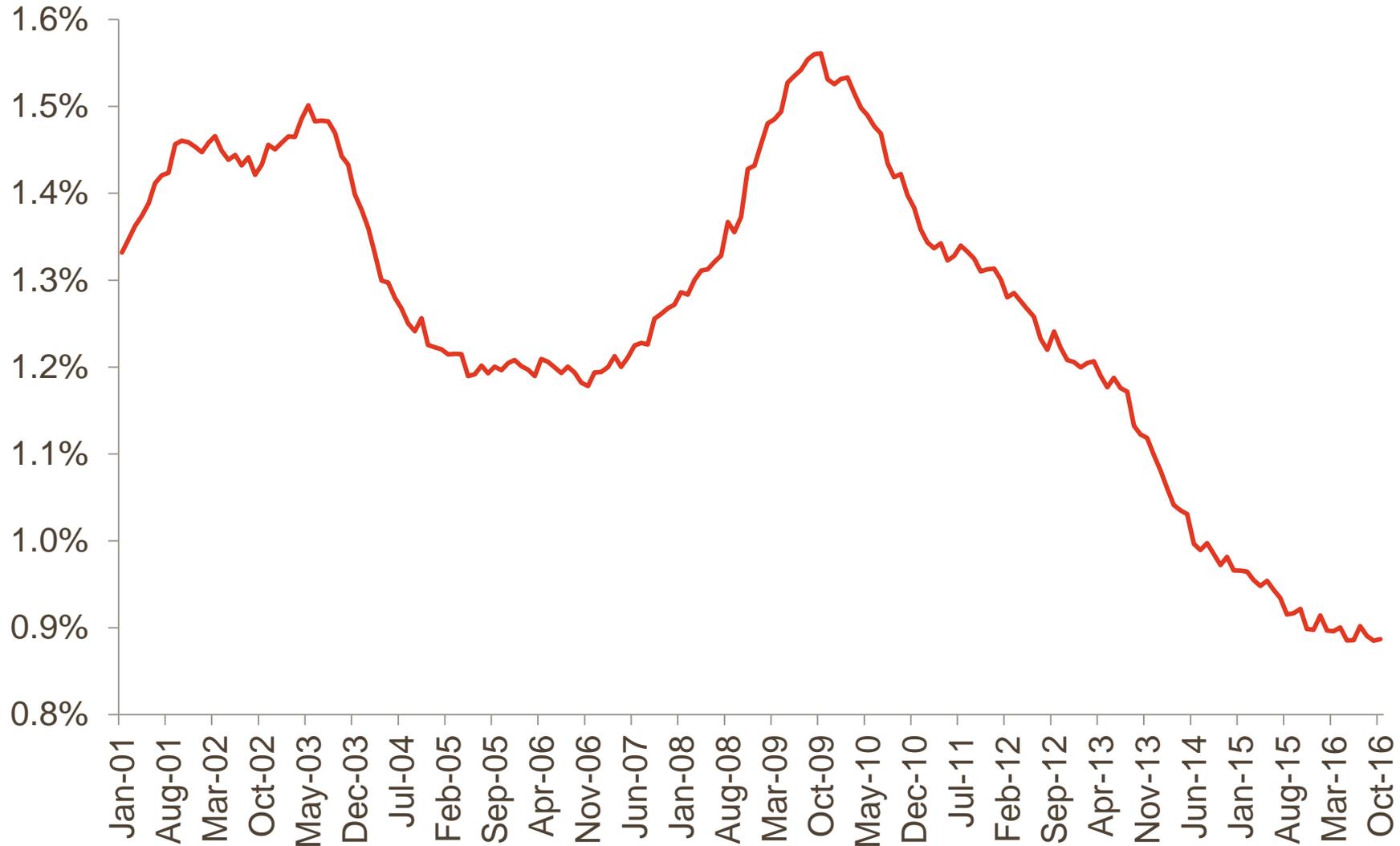
Leverage is at All Time High for Entry Level Buyers

Combined LTV by Price Segment, Includes Piggybacks/Silent Seconds



Front End Delinquency Transition Rates at 15 Year Lows

Current to 30 Day Delinquency Rates for First Lien Loans



Source: CoreLogic

FHA Early Delinquencies Begin to Worsen

Current to 30 Day Delinquency Rates for FHA Loans

FHA Current-to-30 Day Delinquency Transition Rate



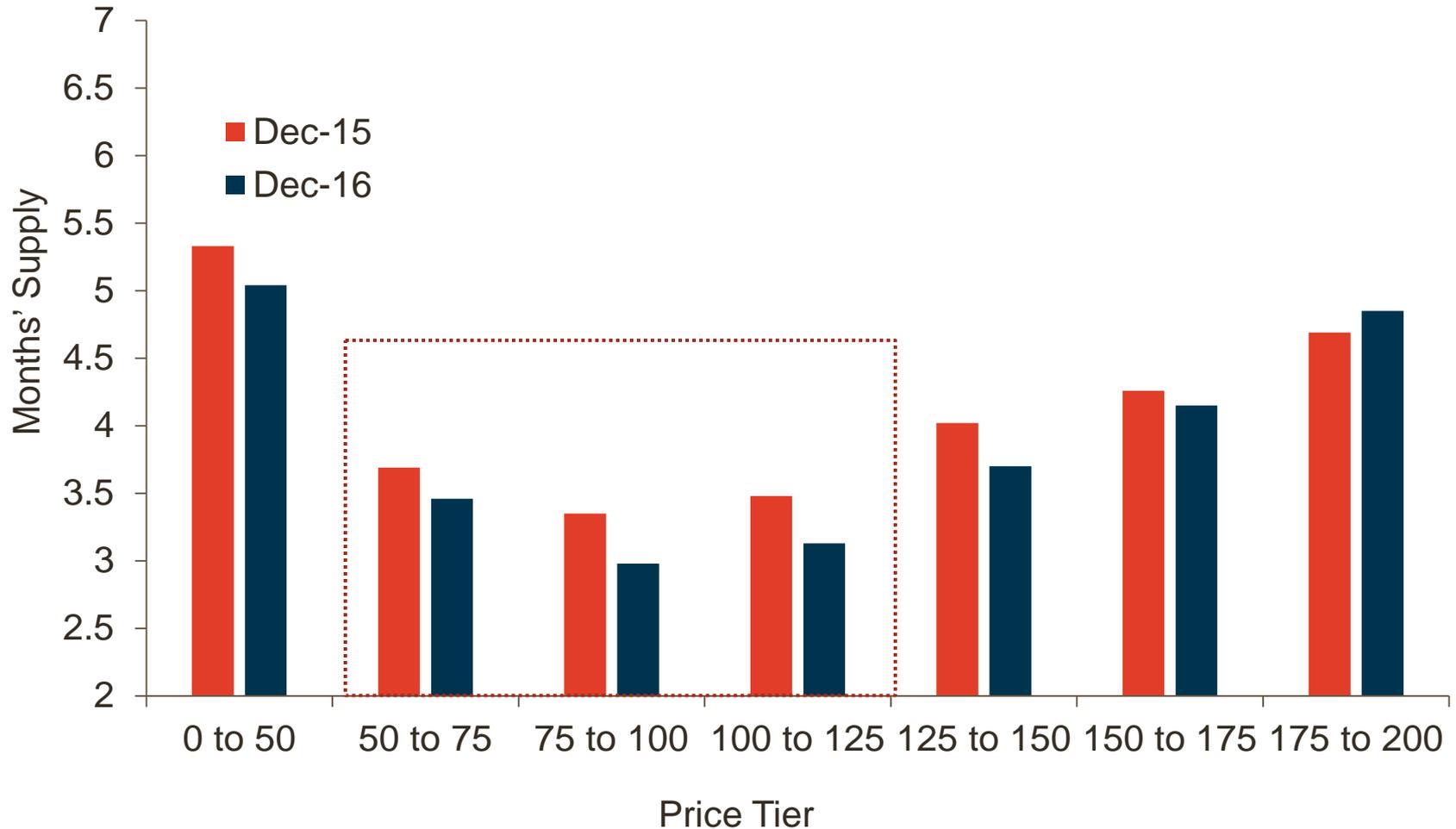
Source: CoreLogic

Year Ago Change in FHA Current-to-30 Day Delinquency Transition Rate



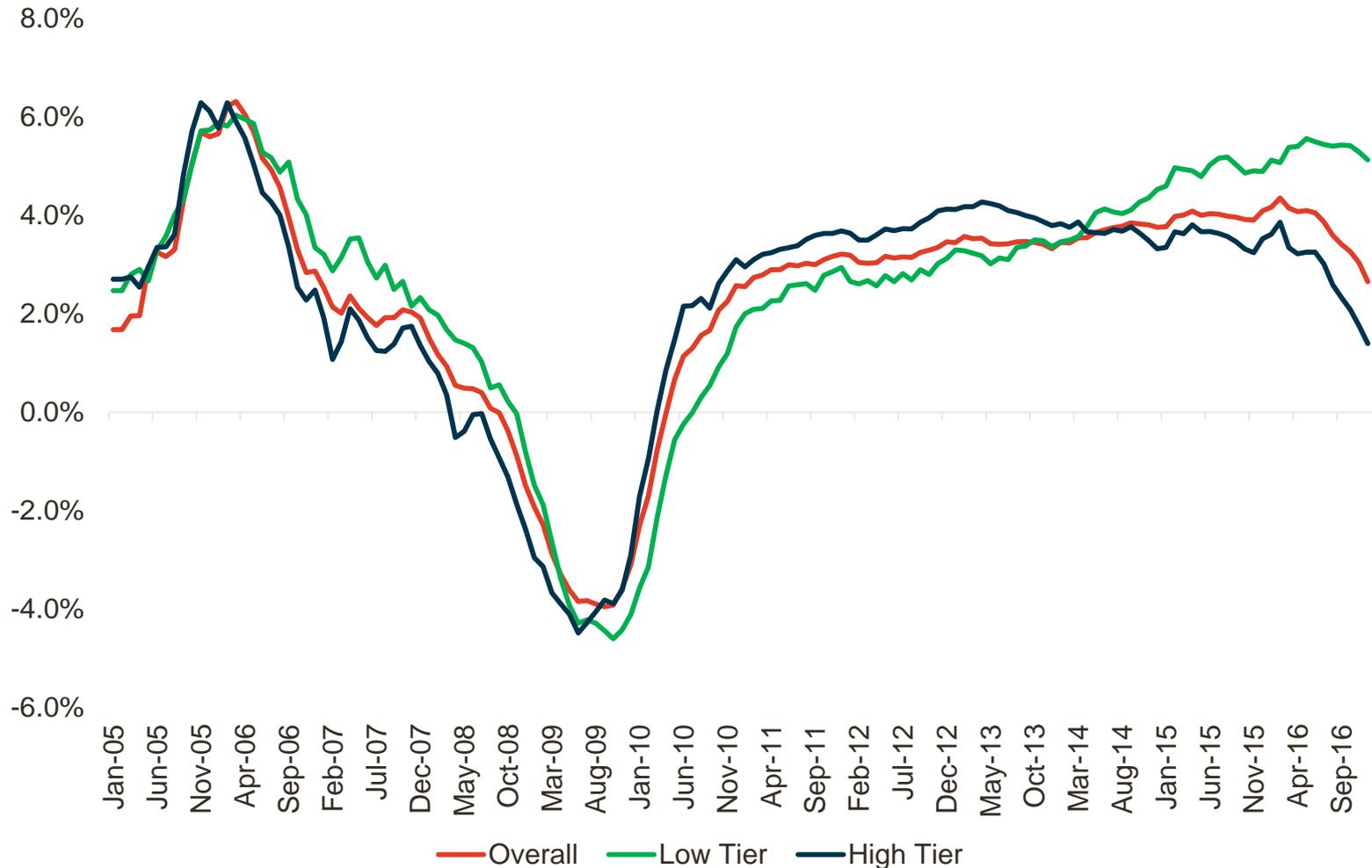
Inventory of Affordable Homes is Low and Declining

Months' Supply by Price Tier, Three Month Moving Average



Rent Growth is Decelerating

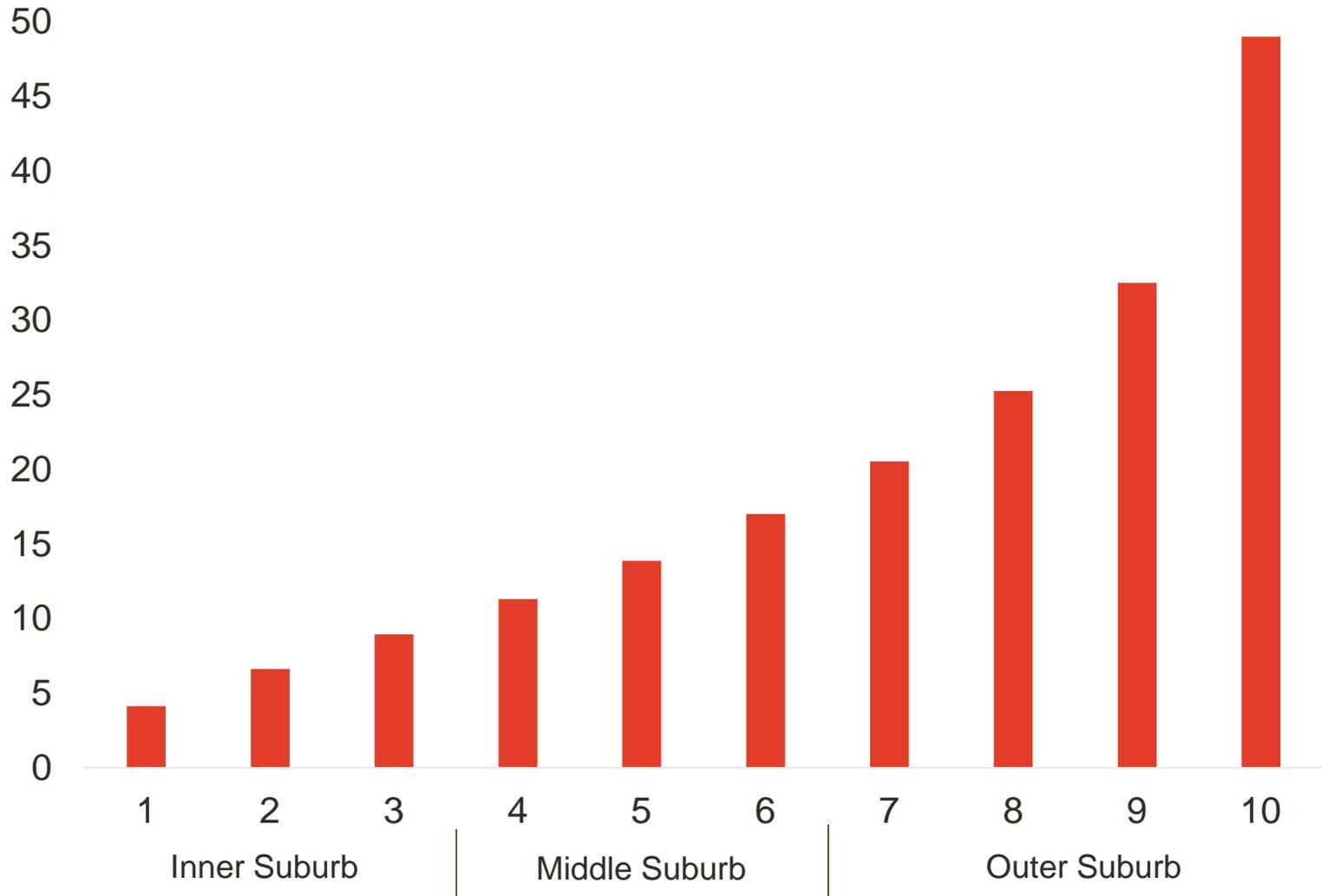
Repeat Rent Index, Percent Change from Year Ago



Changing Demand Toward Urban Living

Distance From City Center to Suburban Ring

Number of Miles From City Center to Suburban Ring



*Note: 40 metros had same boundaries, 5 added new counties but were small percentage of population.
Source: CoreLogic

Price Gradient by City to Suburb Ring

Price Per Square Foot by Spatial Ring



Price Gradient by City to Suburb Ring

Price Per Square Foot by Spatial Ring



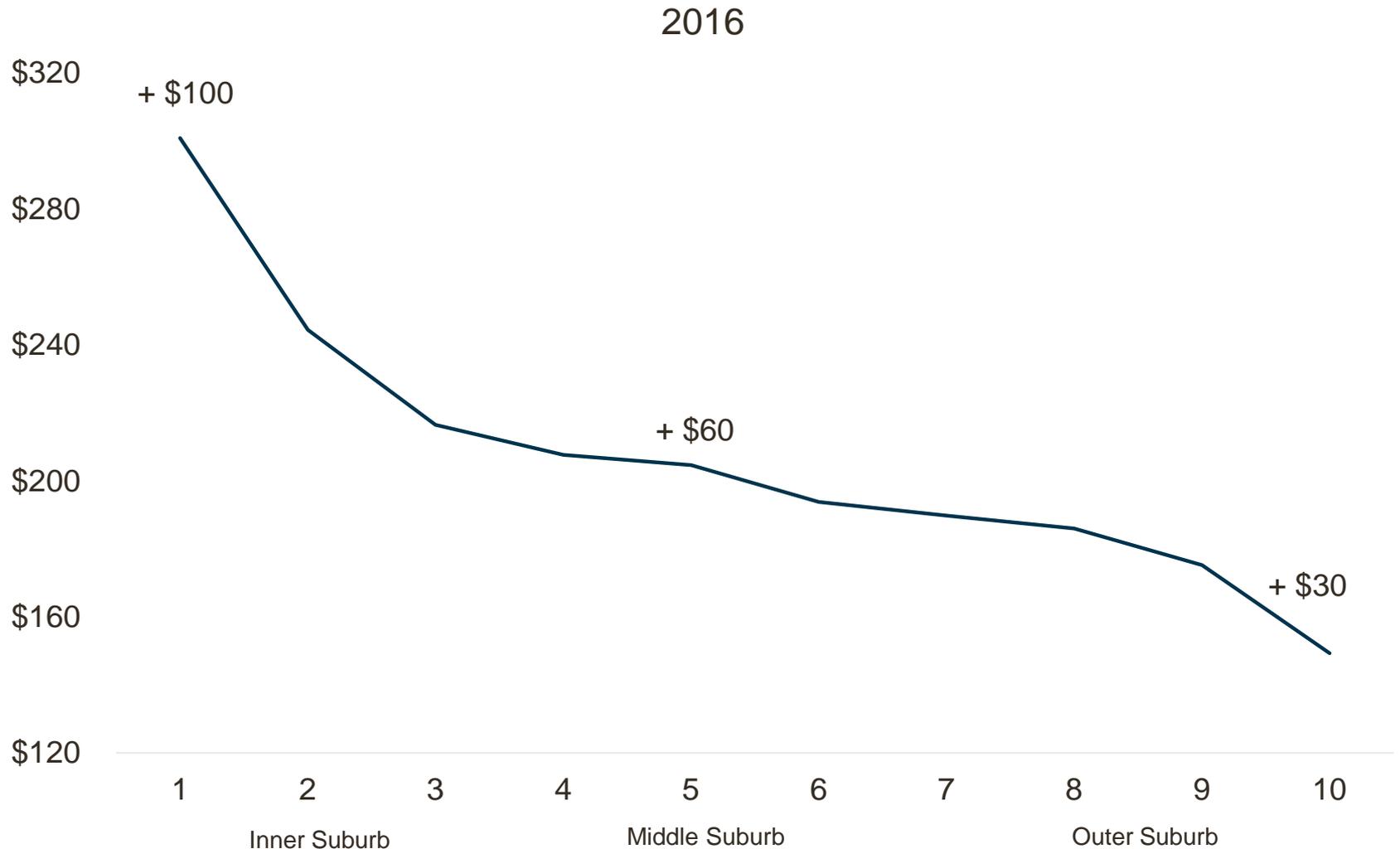
Price Gradient by City to Suburb Ring

Price Per Square Foot by Spatial Ring



Price Gradient by City to Suburb Ring

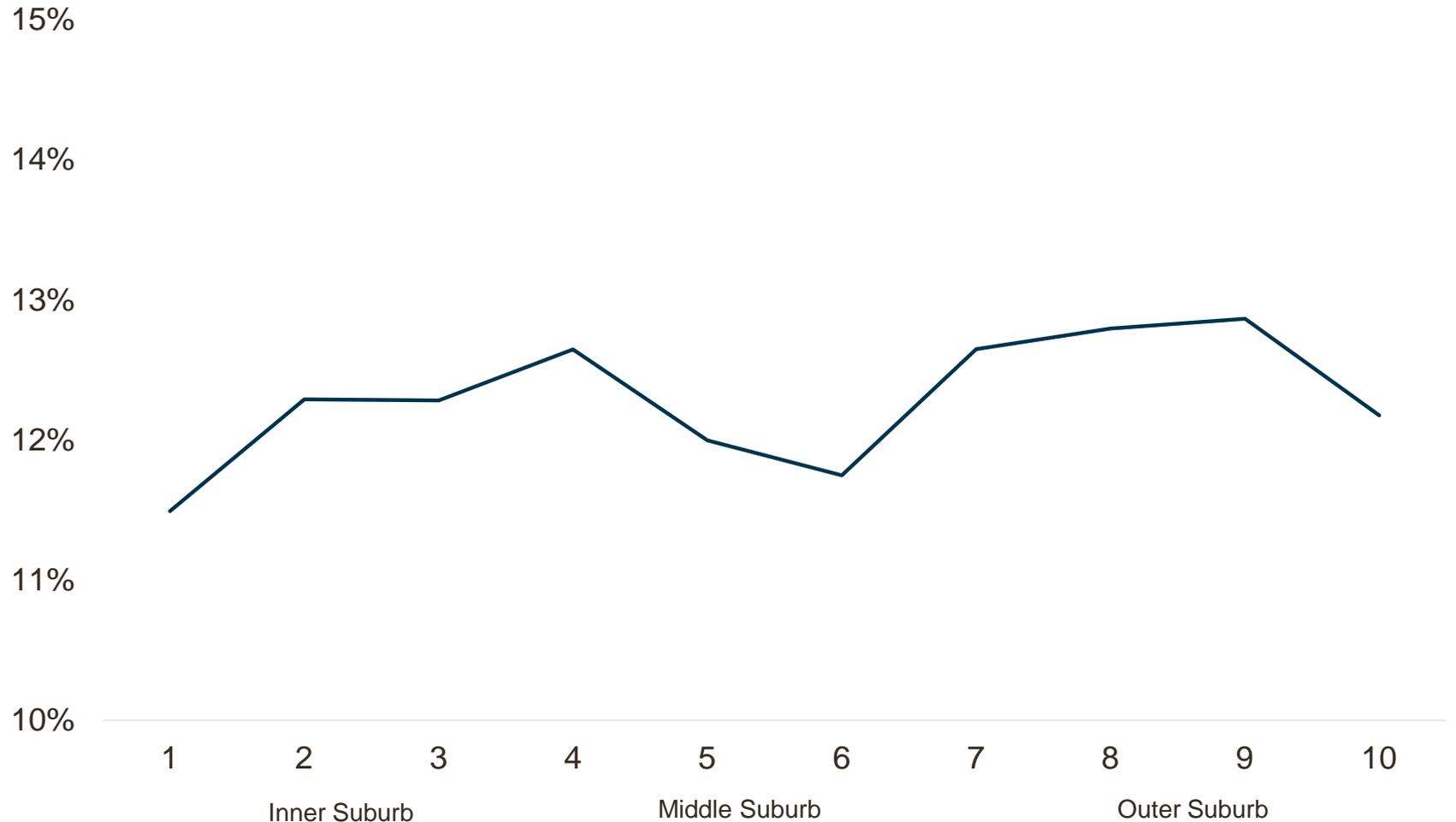
Price Per Square Foot by Spatial Ring



Change in Price Gradient by City to Suburb Ring

Annual Percent Change in Price Per Square Foot by Spatial Ring

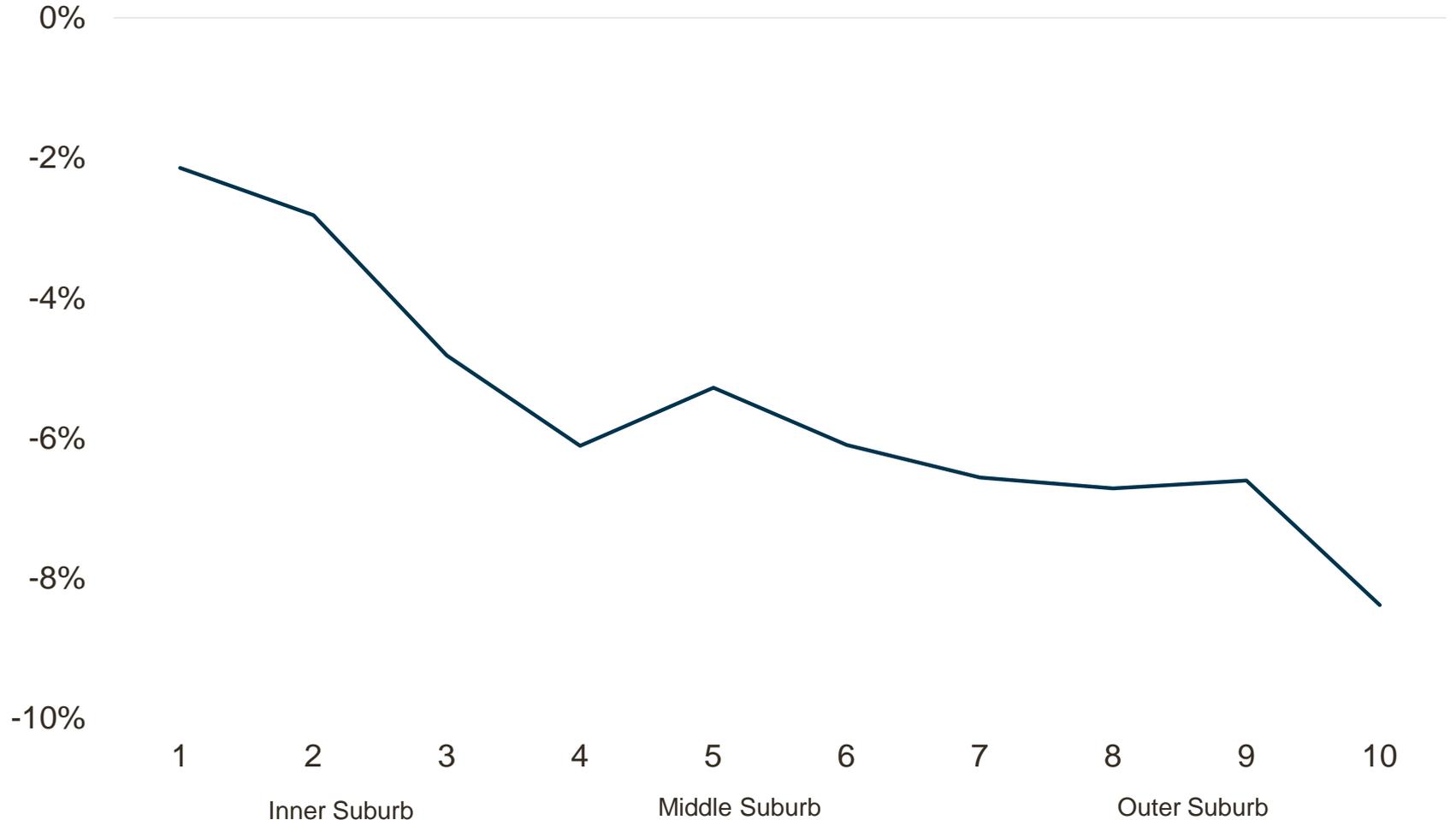
2000 to 2005



Change in Price Gradient by City to Suburb Ring

Annual Percent Change in Price Per Square Foot by Spatial Ring

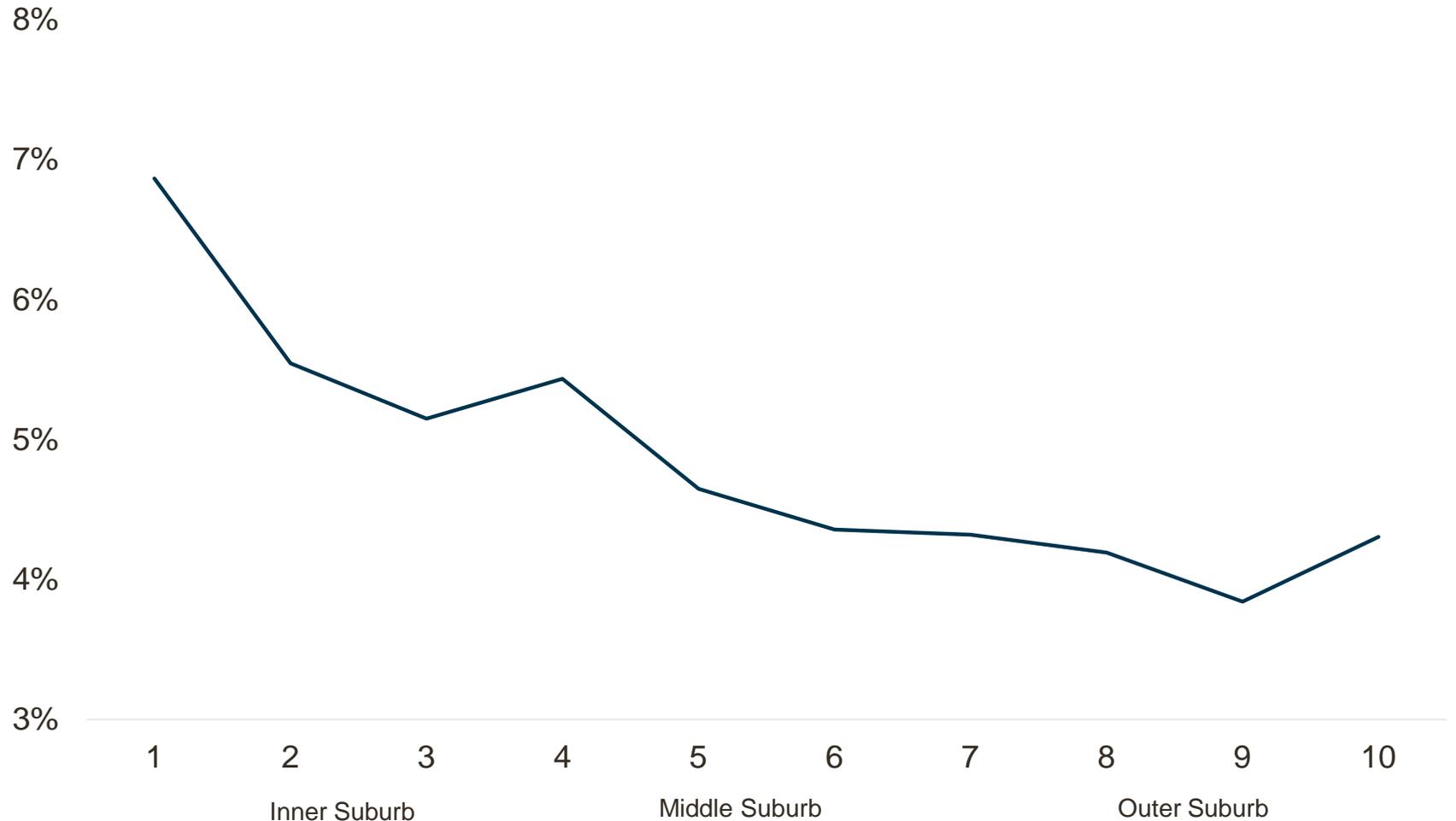
2005 to 2010



Change in Price Gradient by City to Suburb Ring

Annual Percent Change in Price Per Square Foot by Spatial Ring

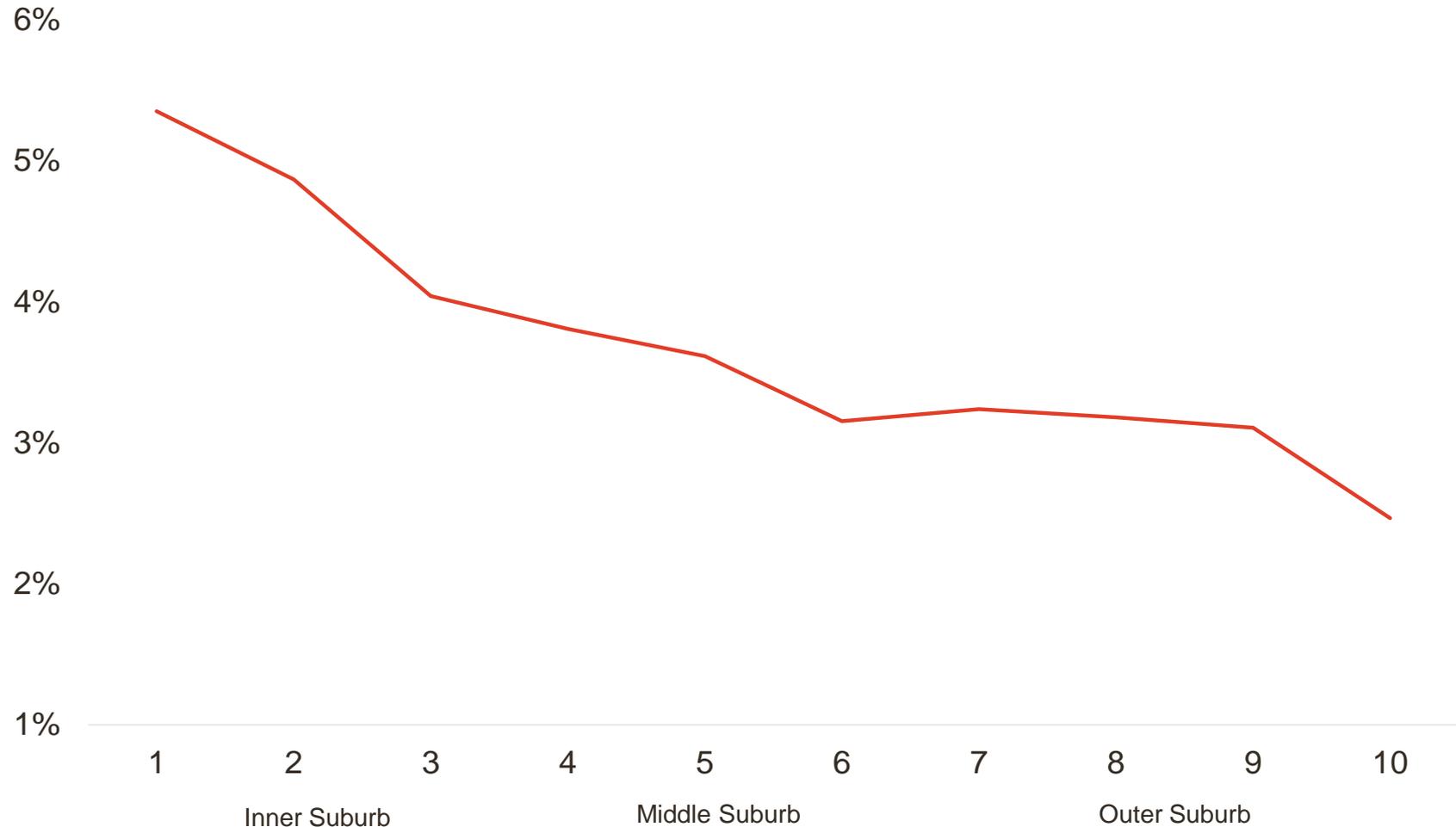
2010 to 2016



Change in Price Gradient by City to Suburb Ring

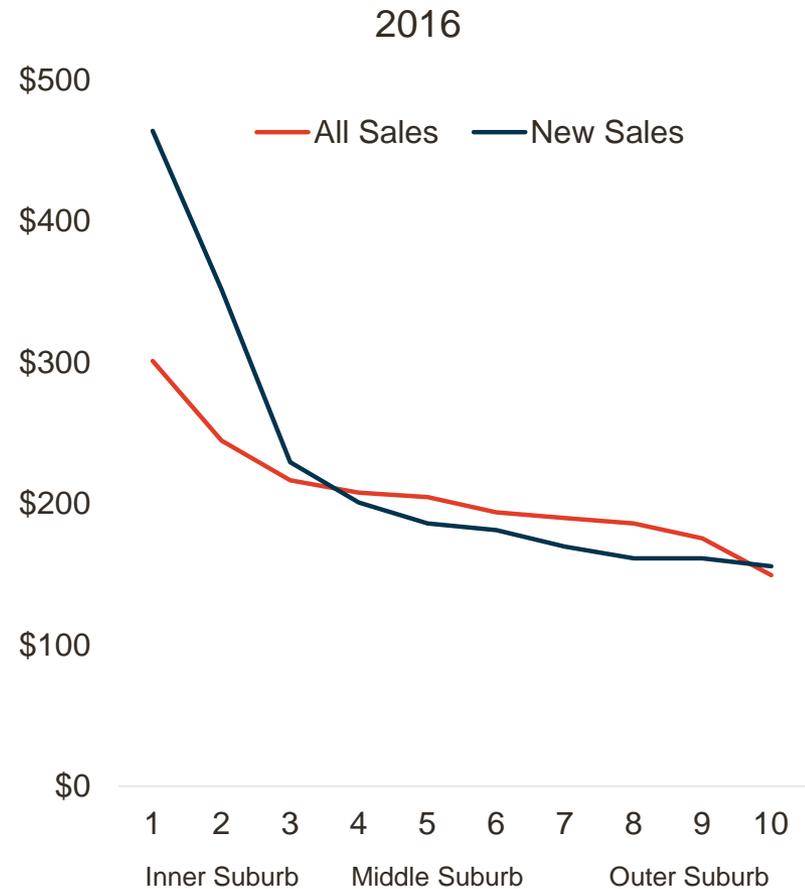
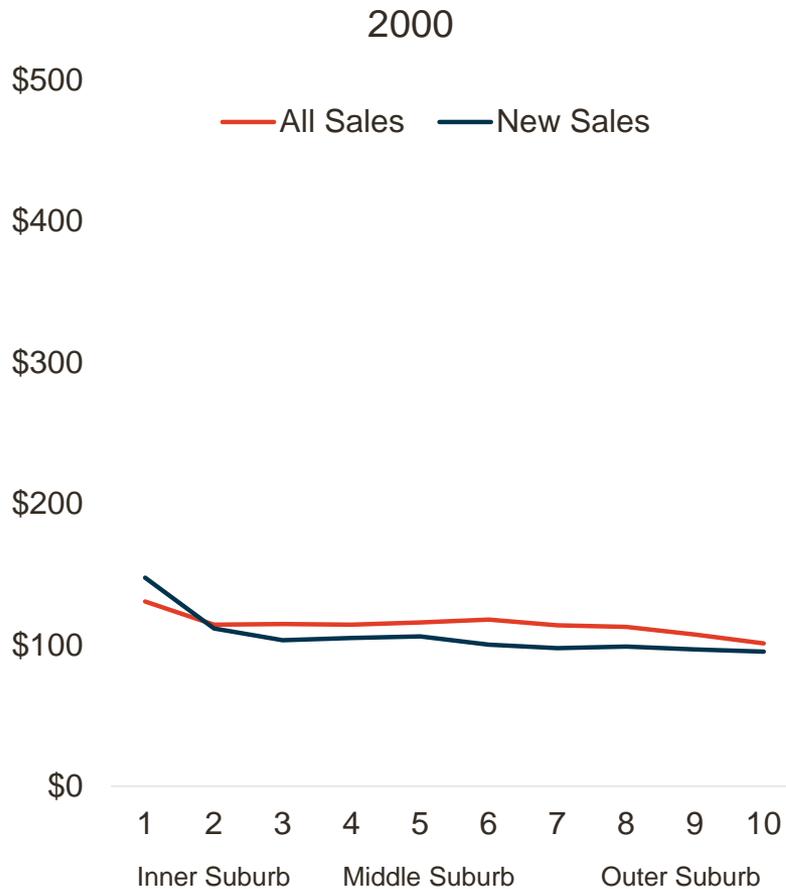
Annual Percent Change in Price Per Square Foot by Spatial Ring

2000 - 2016 Percent Annual Change



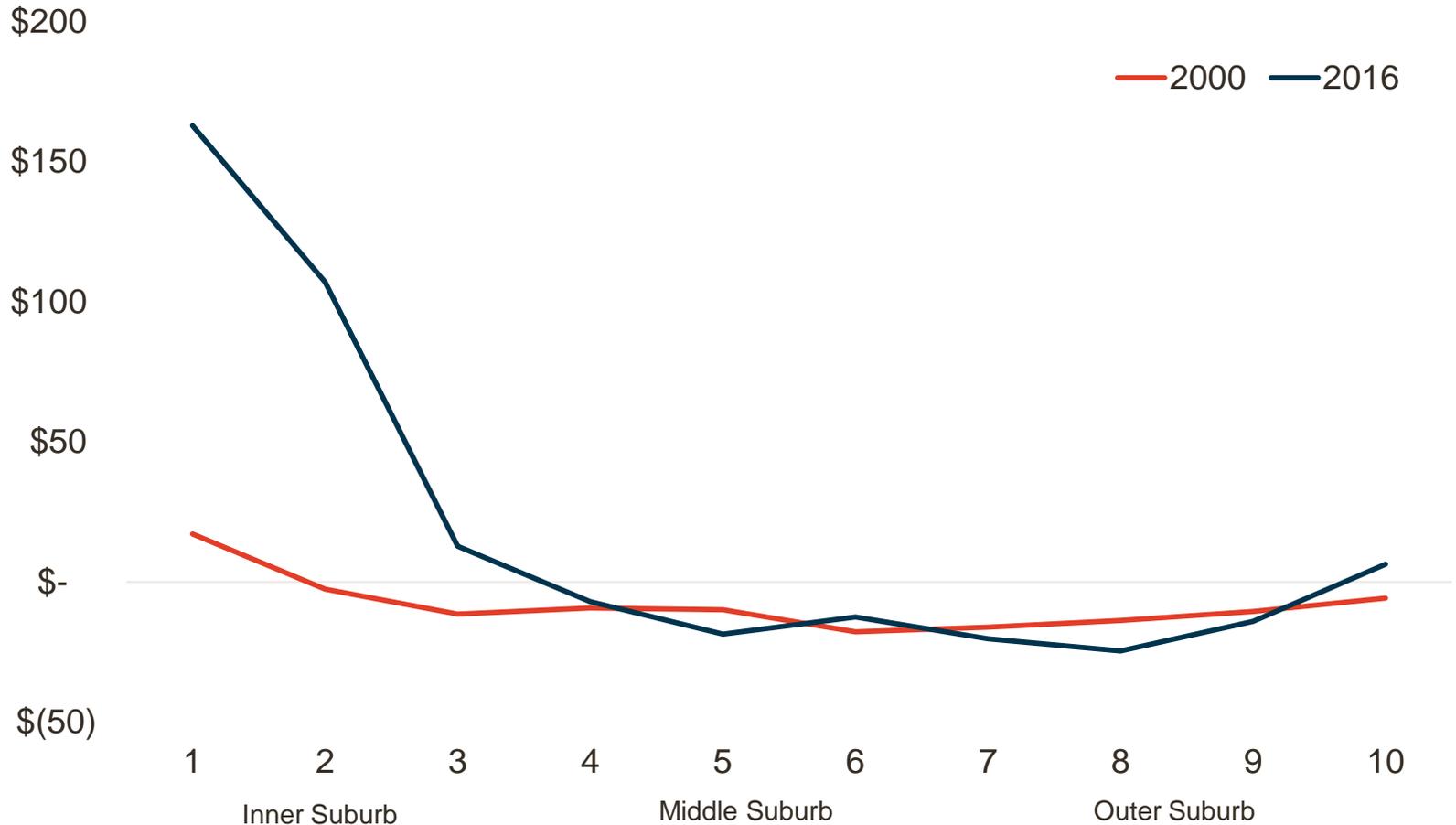
New Home Prices in Inner Suburban Rings Skyrocket

Price Per Square Foot for New Home Sales vs All Home Sales



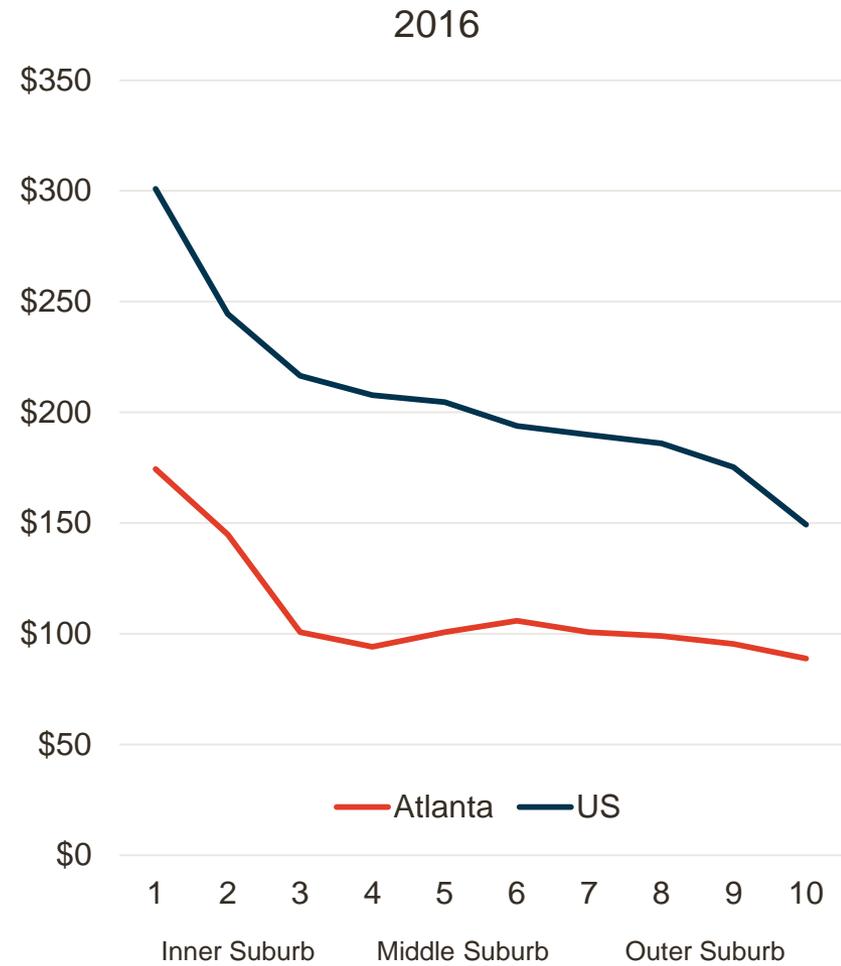
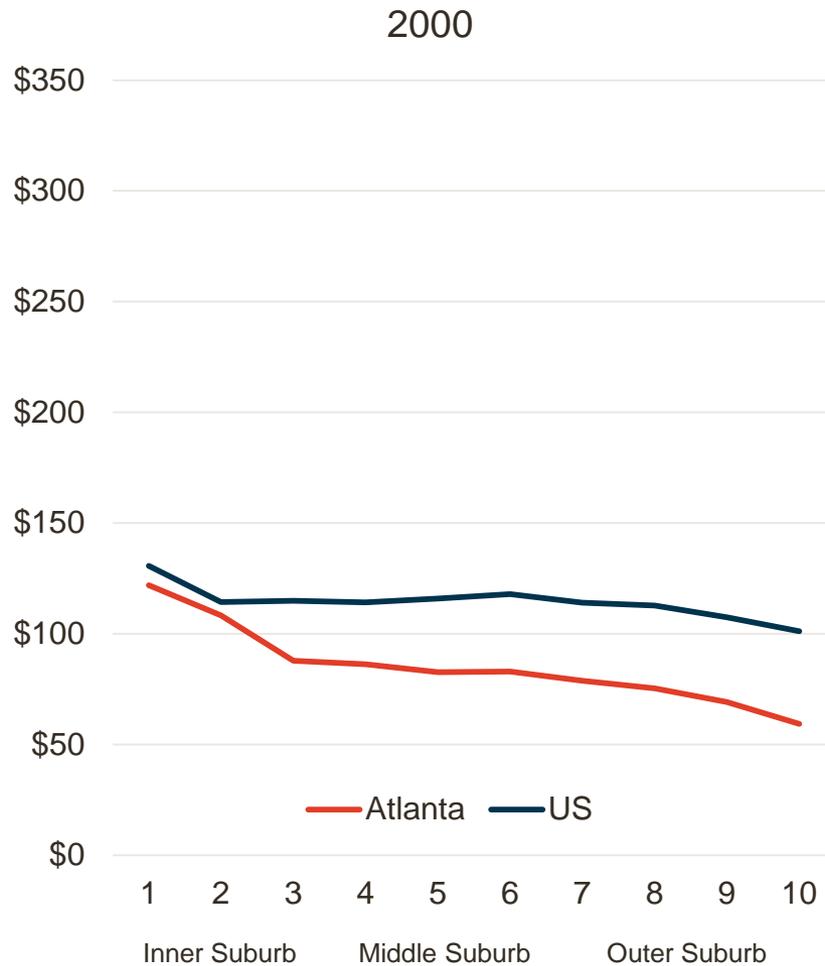
New Sales Price Increases Rapidly Outpacing Total Prices in 1st Two Rings

New Home Sale Price Per Square Foot Minus Total Home Sale Price Per Square Foot



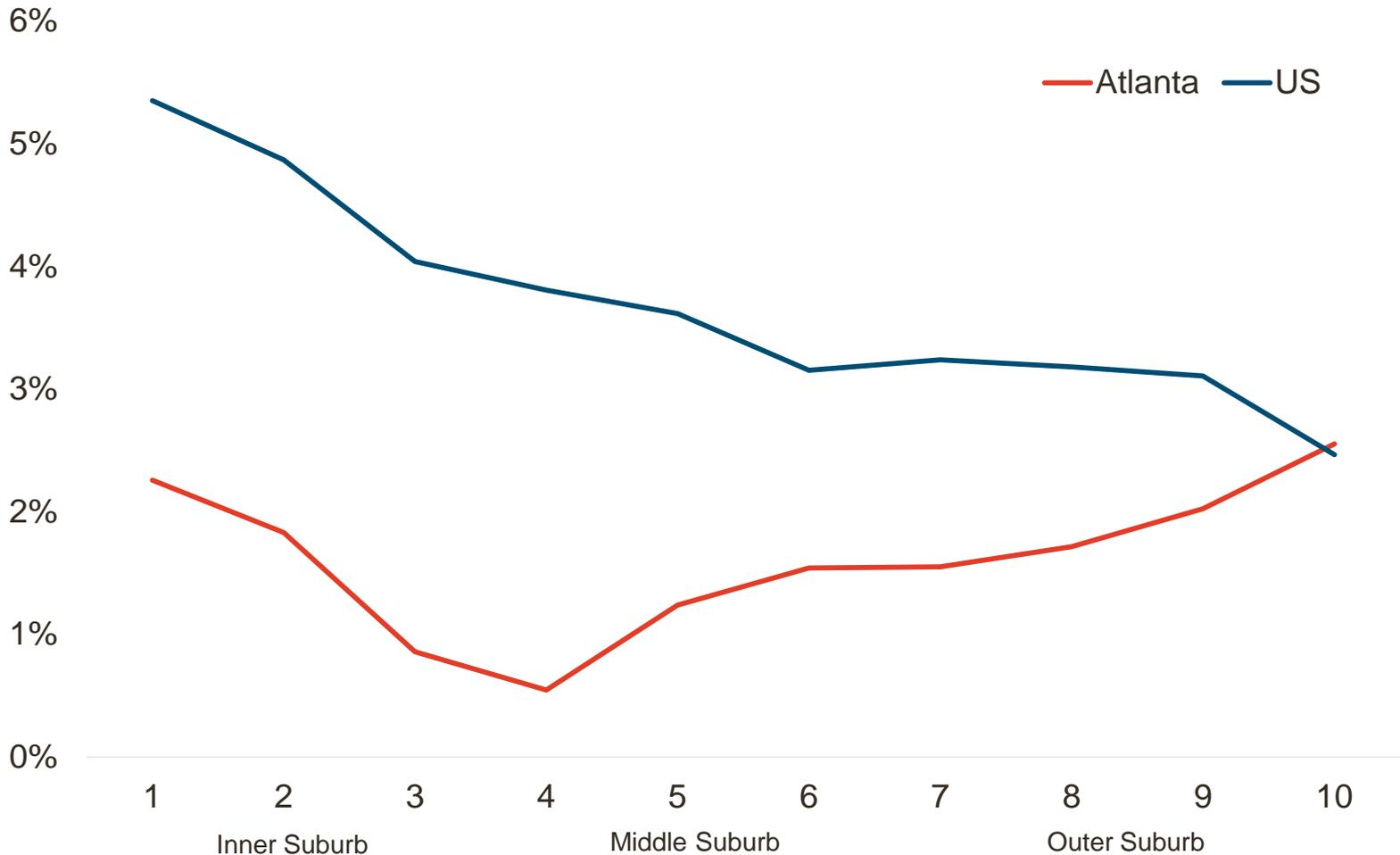
Atlanta Home Price Gradient Much Lower than US

Price Per Square Foot



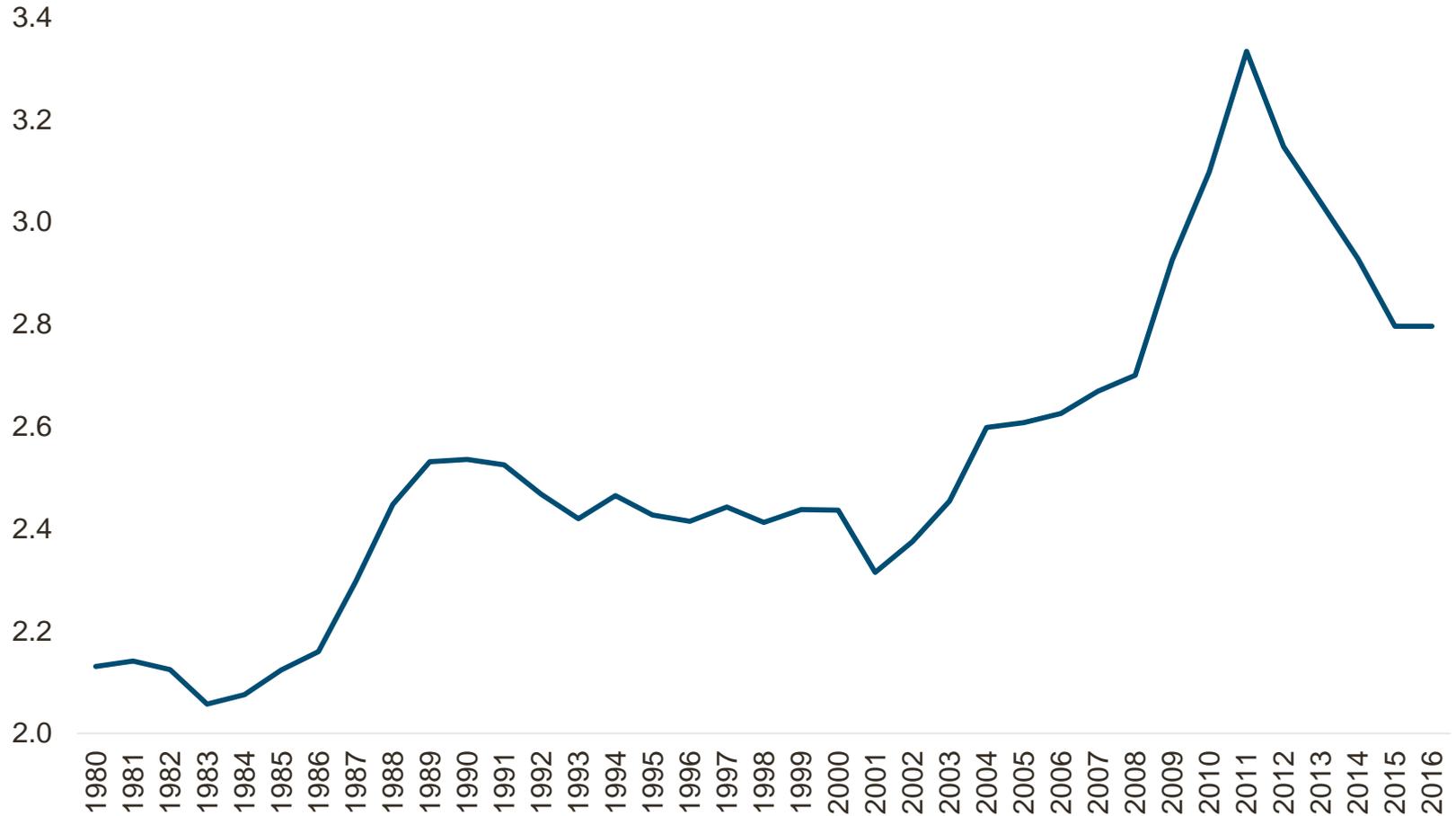
Atlanta Home Price Gradient Much Lower than US

Percent Change in Price Per Square Foot



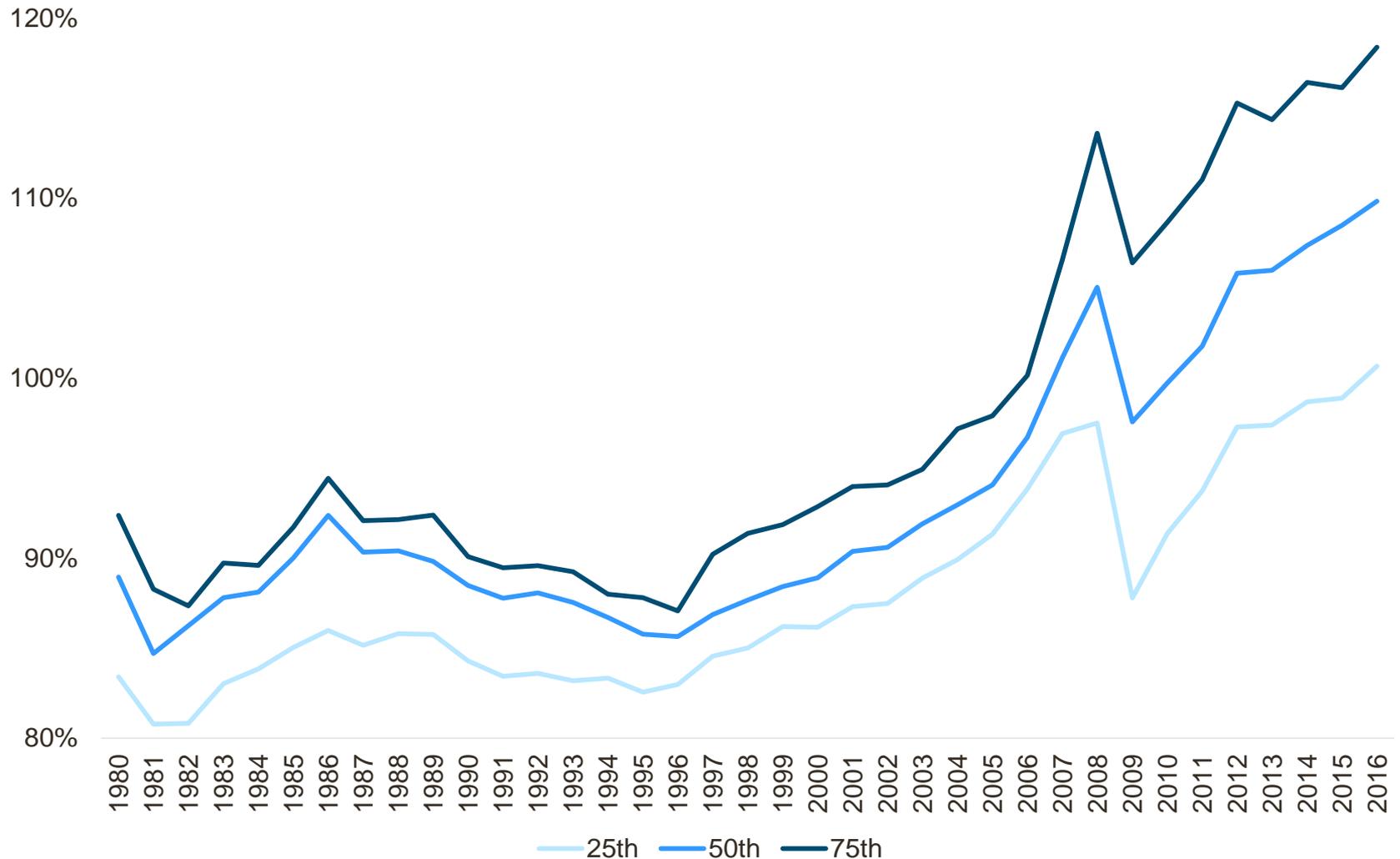
Impact of Urban Rebound: Higher Home Price Inequality

75th to 25th Price Tier Ratio



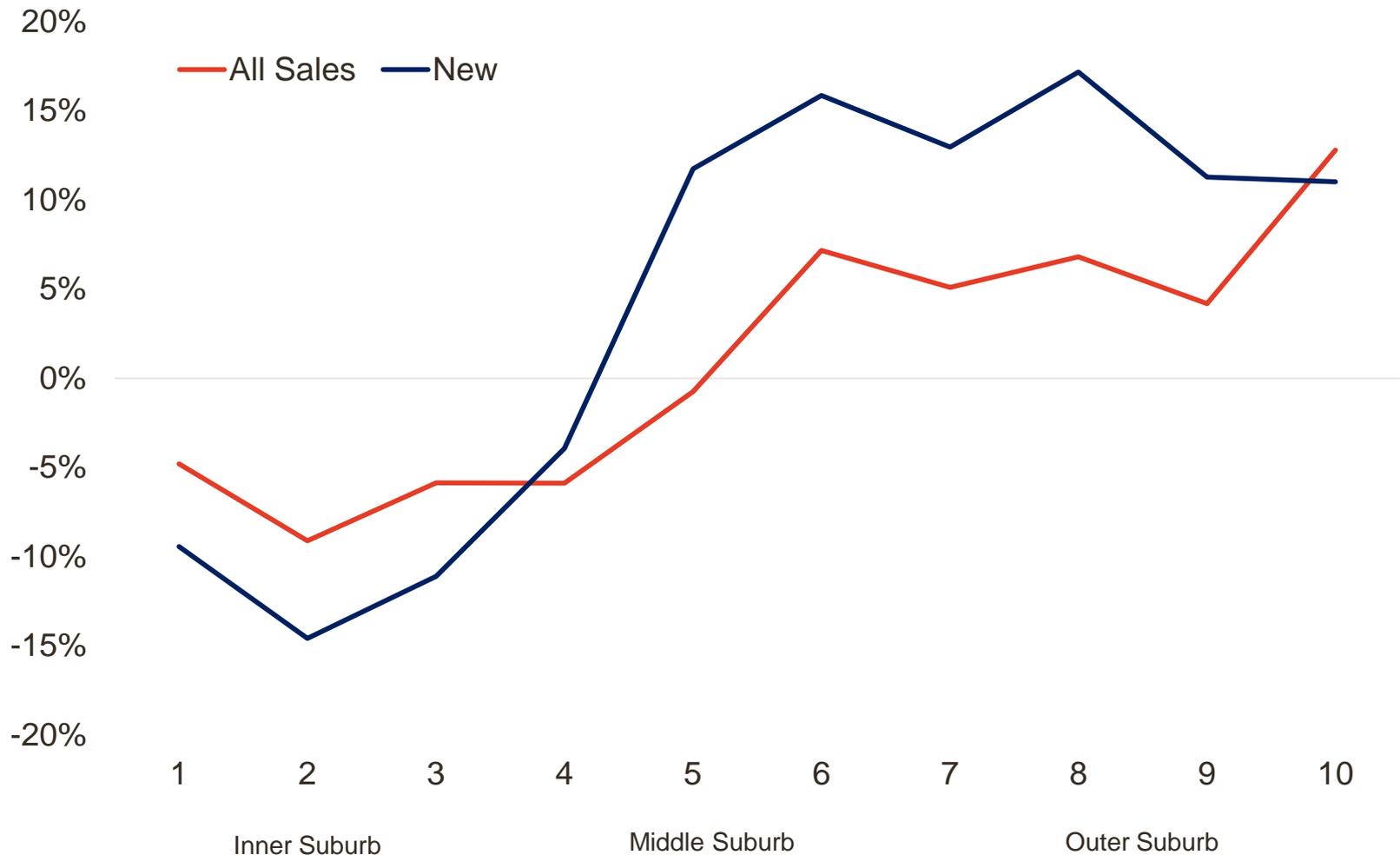
Impact of Urban Rebound: Higher Home Price Inequality

Inner Suburb to Middle Suburb Price Ratios by Price Tier



Impact of Urban Rebound: Buyers Consume Less Space in Urban Areas

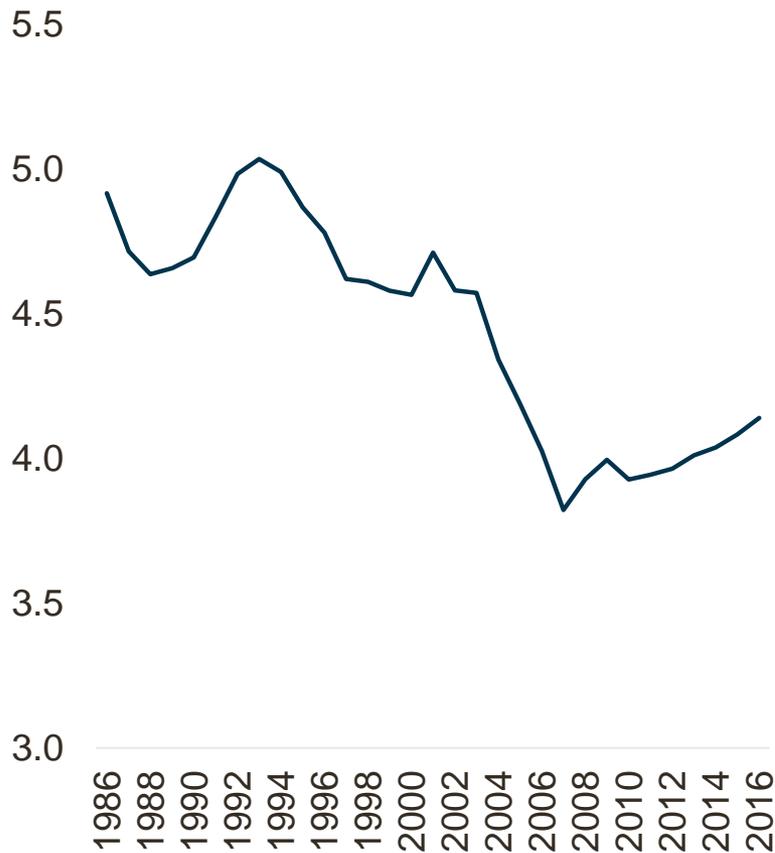
Percent Change in Square Footage Between 2000 and 2016



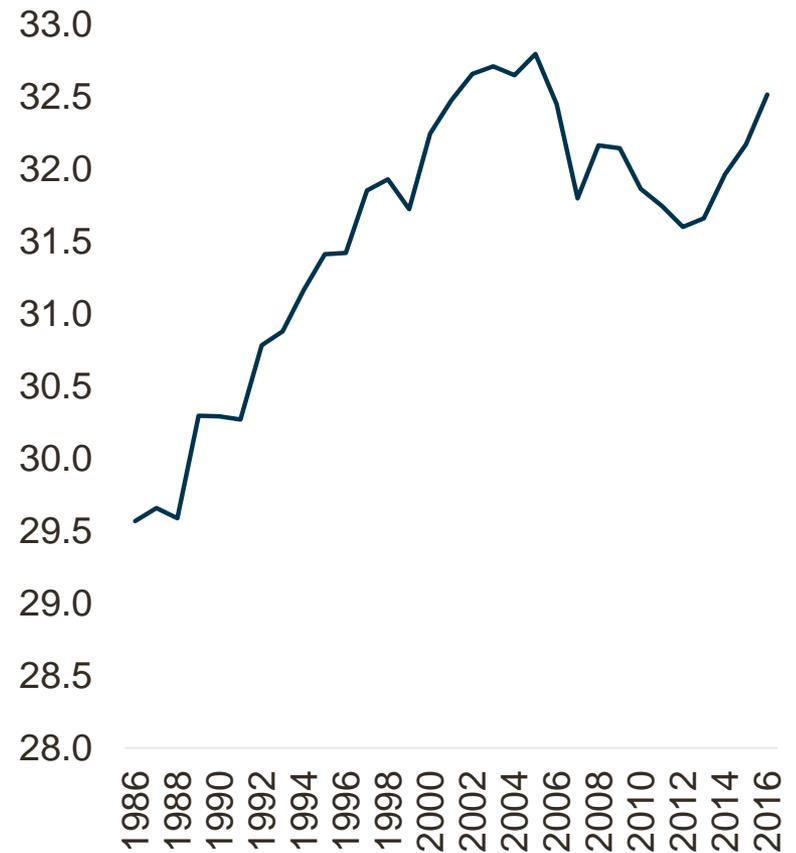
Impact of Urban Rebound: Leading to Longer Commutes Again

Number of Miles From City Center to Suburban Ring

1st Spatial Ring (Inner Suburb)

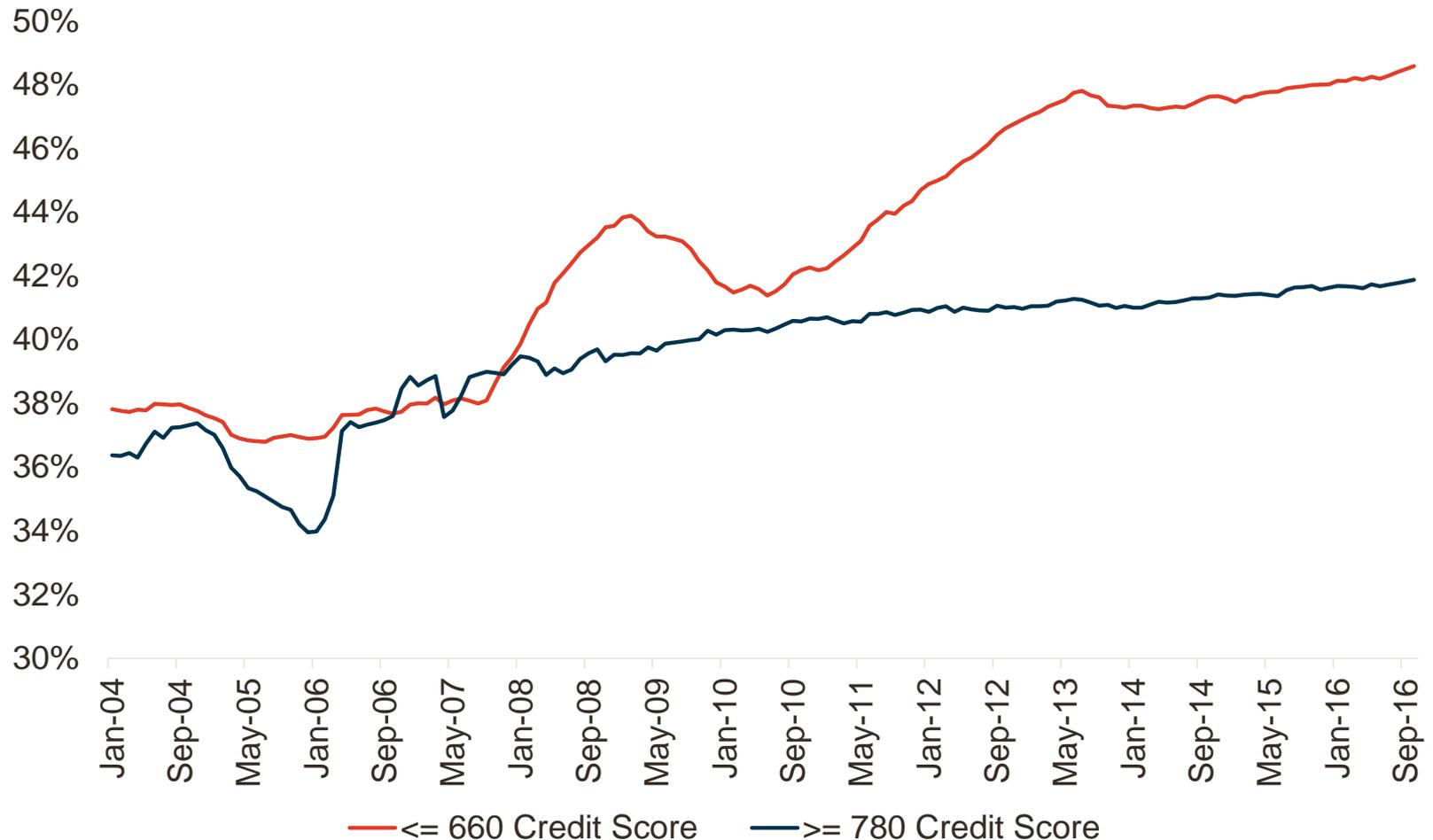


9th Spatial Ring (Outer Suburb)



Impact of Urban Rebound: Higher Credit Risk Sorting to Suburbs

Percent of Purchase Applicants by Credit Score Band Applying for Homes in Outer Suburbs



Where to Find More Information

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

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