



CoreLogic®

The Housing and Mortgage Outlook

Darien Men's Association

Frank Nothaft, CoreLogic Chief Economist

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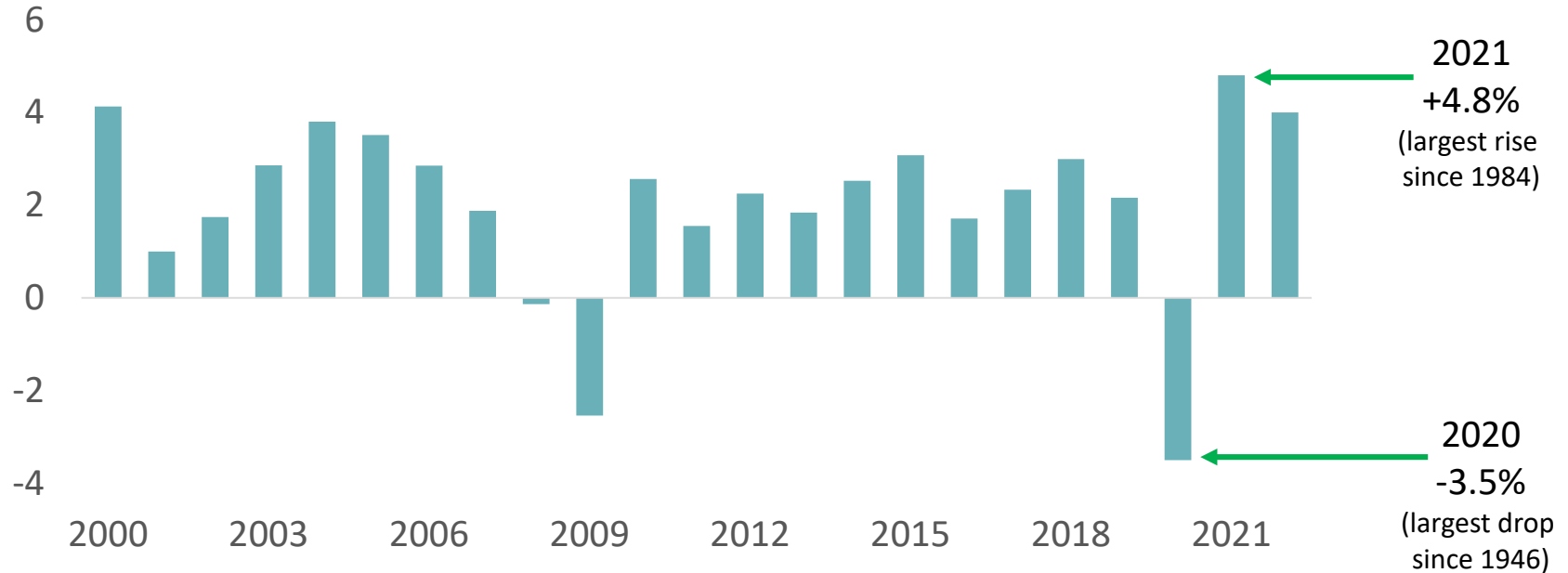
Economic and Housing Market Outlook

- Economy improves and interest rates remain low
 - 4.8% economic growth projected if \$1.9 trillion stimulus enacted
 - Mortgage rates remain low but rise over the year
- Single-family home sales and rentals remain strong
 - First-time & trade-up, Millennials & Gen X, fuel buying surge
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\$1.9 Tr Stimulus Forecast to Propel Economic Growth in 2021

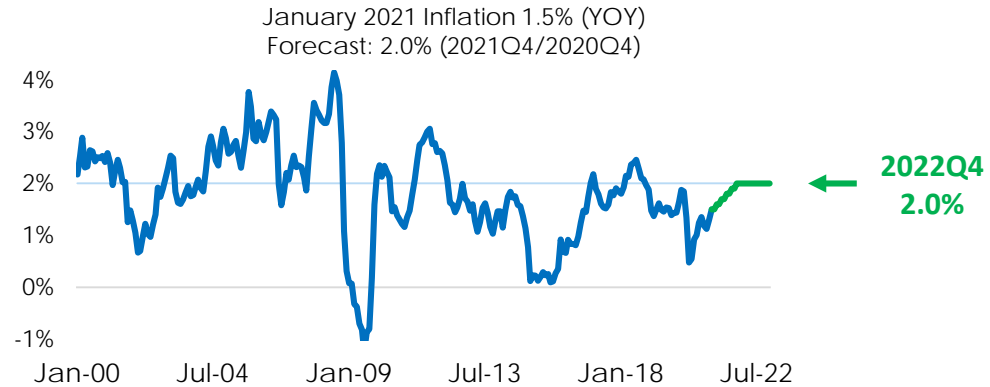
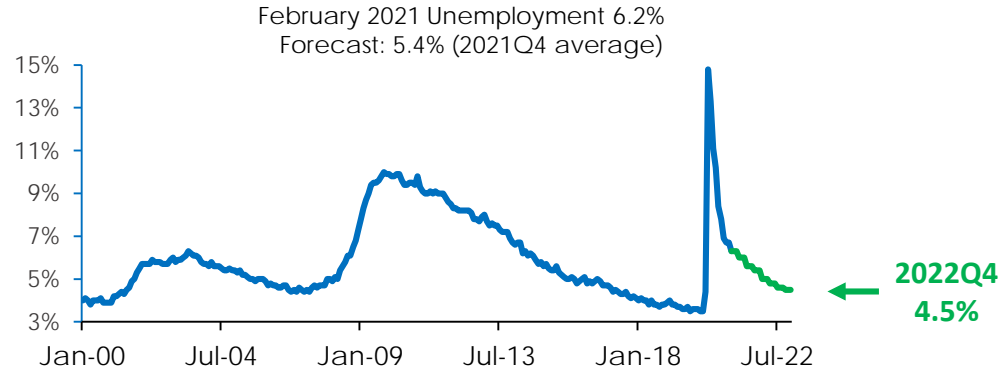
2020 was largest annual GDP drop since 1946 when economy shifted from “guns to butter”

U.S. Real GDP Growth (percent change, annual average)



Fed Focus Shifts to Job Creation

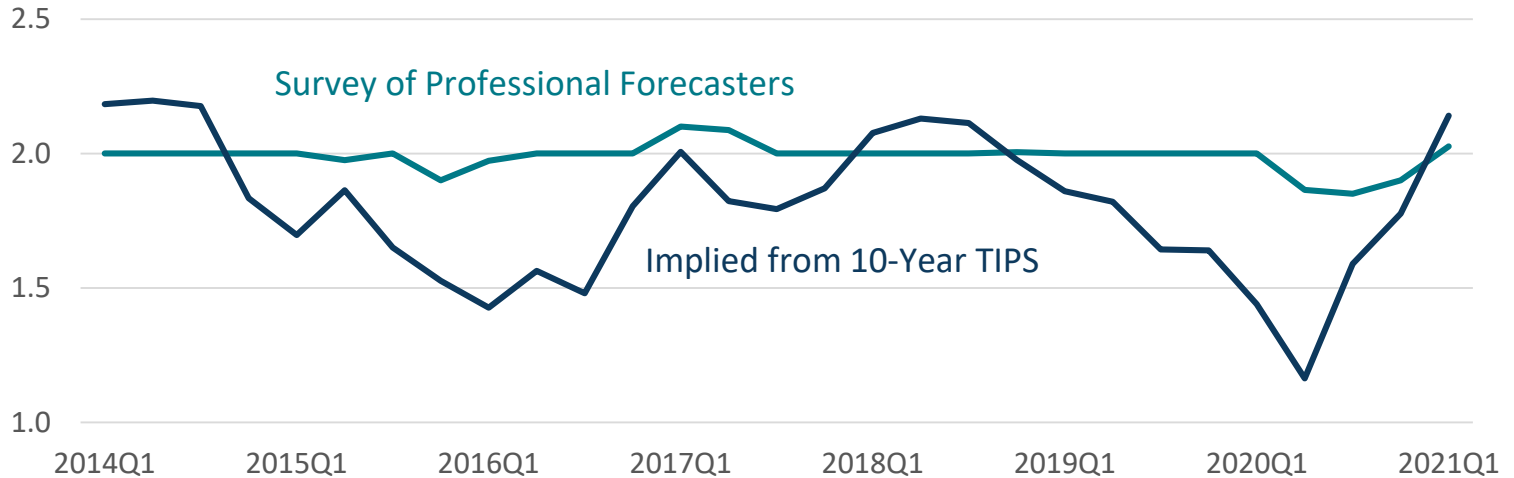
- Congressional dual mandate:
 - Maximum employment
 - Price stability
- U.S. Unemployment rate 6.2% (Feb)
 - “Full employment”: 4.0-4.5%
 - Bridgeport MNECTA 8.3% (Dec)
- Fed’s “price stability” definition:
 - 2% annual (PCE)
 - Avg. inflation 1.8% since 2000
- Fed funds target now 0.00-0.25%



Inflationary Expectations Rose at Beginning of 2021

February TIPS yields imply 2.2% inflation during next 10 years, highest since August 2014

10-Year Inflationary Expectations (percent per year)



Long-term inflation forecast is about 2% per year

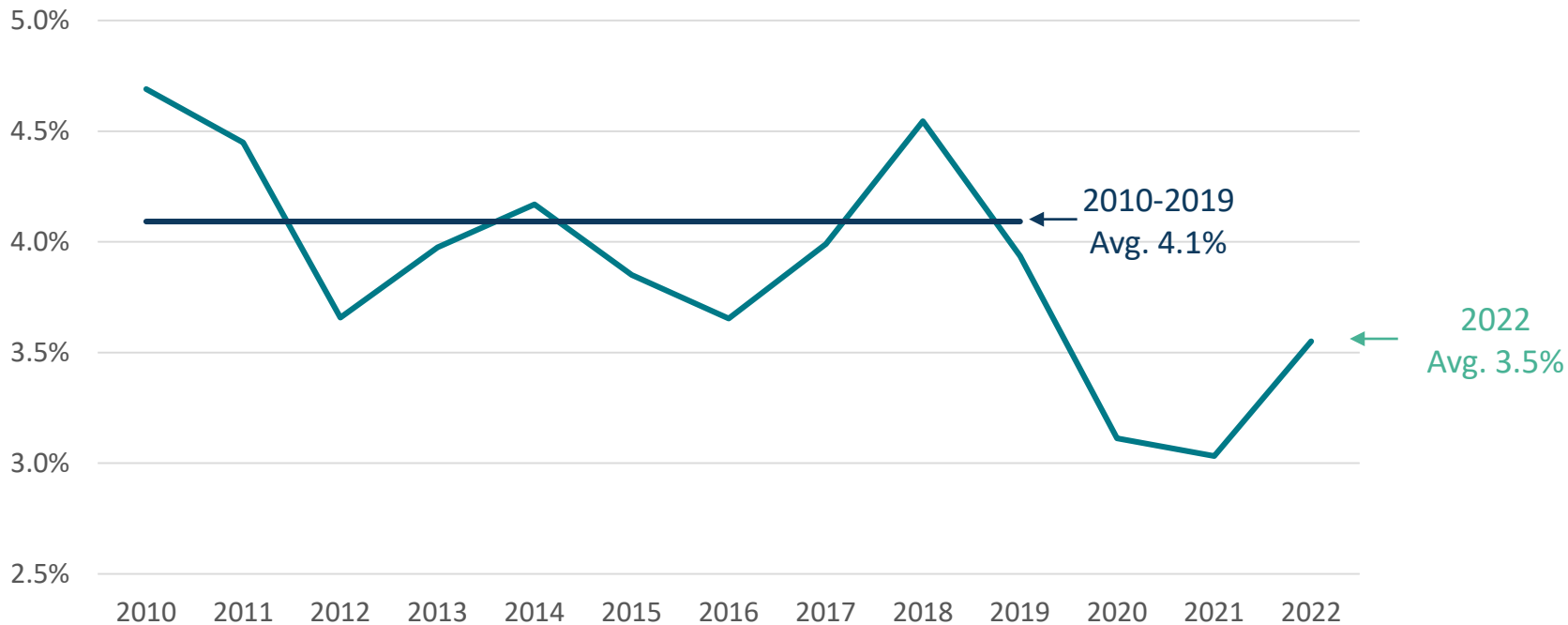
- High unemployment implies little wage-cost pressures in next two years
- Assumes inflation expectations remain anchored at 2% per year
- Assumes Fed raises fed funds target by 2024, strengthening US dollar and lowering import prices

Source: Federal Reserve Bank of Philadelphia Survey of Professional Forecasters (median), Federal Reserve Board, IHS Markit (February 18, 2021)

Mortgage Rates Are Forecast to Remain Low (but Rising)

30-year Fixed-Rate Mortgage is forecast to average 3.0% in 2021 and 3.5% in 2022

30-year Fixed-Rate Mortgage Interest Rate (annual average)

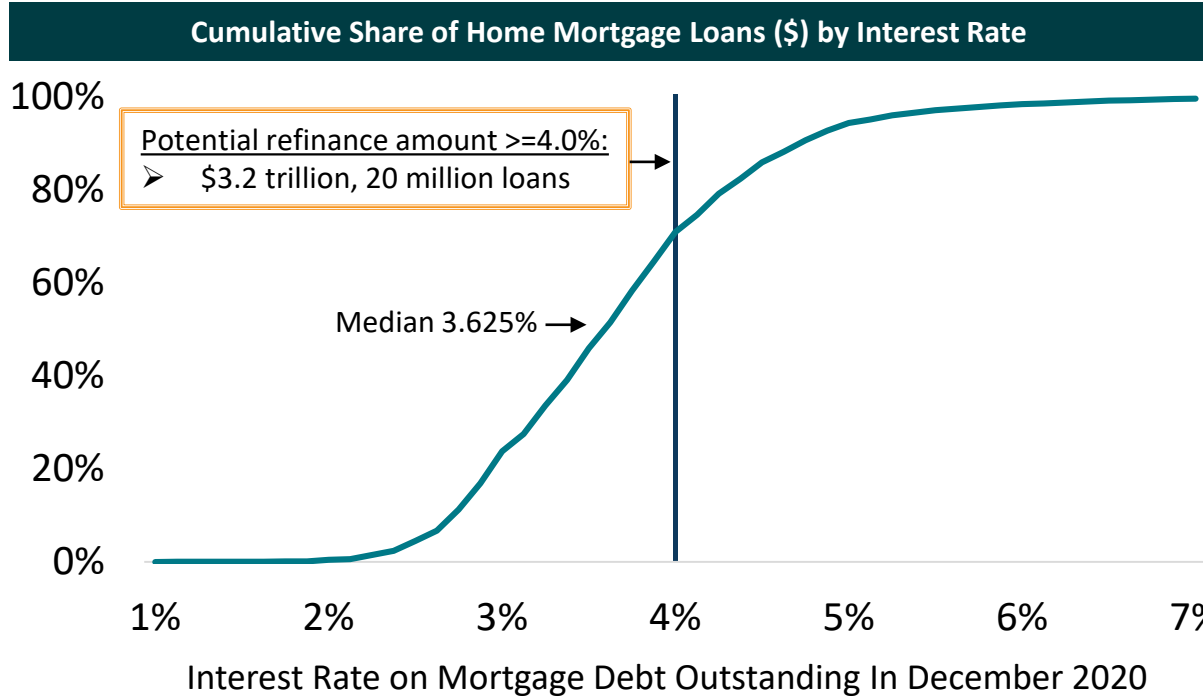


Source: Freddie Mac Primary Mortgage Market Survey® (history), IHS Markit (forecast)

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Large Potential Amount of Mortgages Remain to Refinance

February average 30-year FRM was 2.8%, 15-year FRM was 2.2%



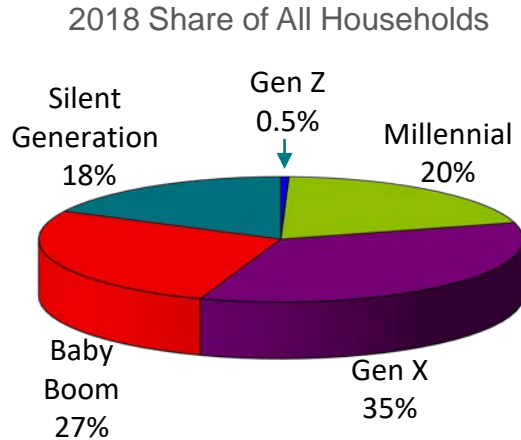
For loans with rate $\geq 4\%$, amount likely to refinance is smaller because of:

- Recent delinquency
- Low balance
- Old loans ('Burnout')
- High DTI

About one-third of loans with rate $\geq 4\%$ are Current & Originated after 2016.

Households Forecast to Grow by 5% in 5 Years

Millennials and Gen Z drive household formations



128 Million Households in 2018

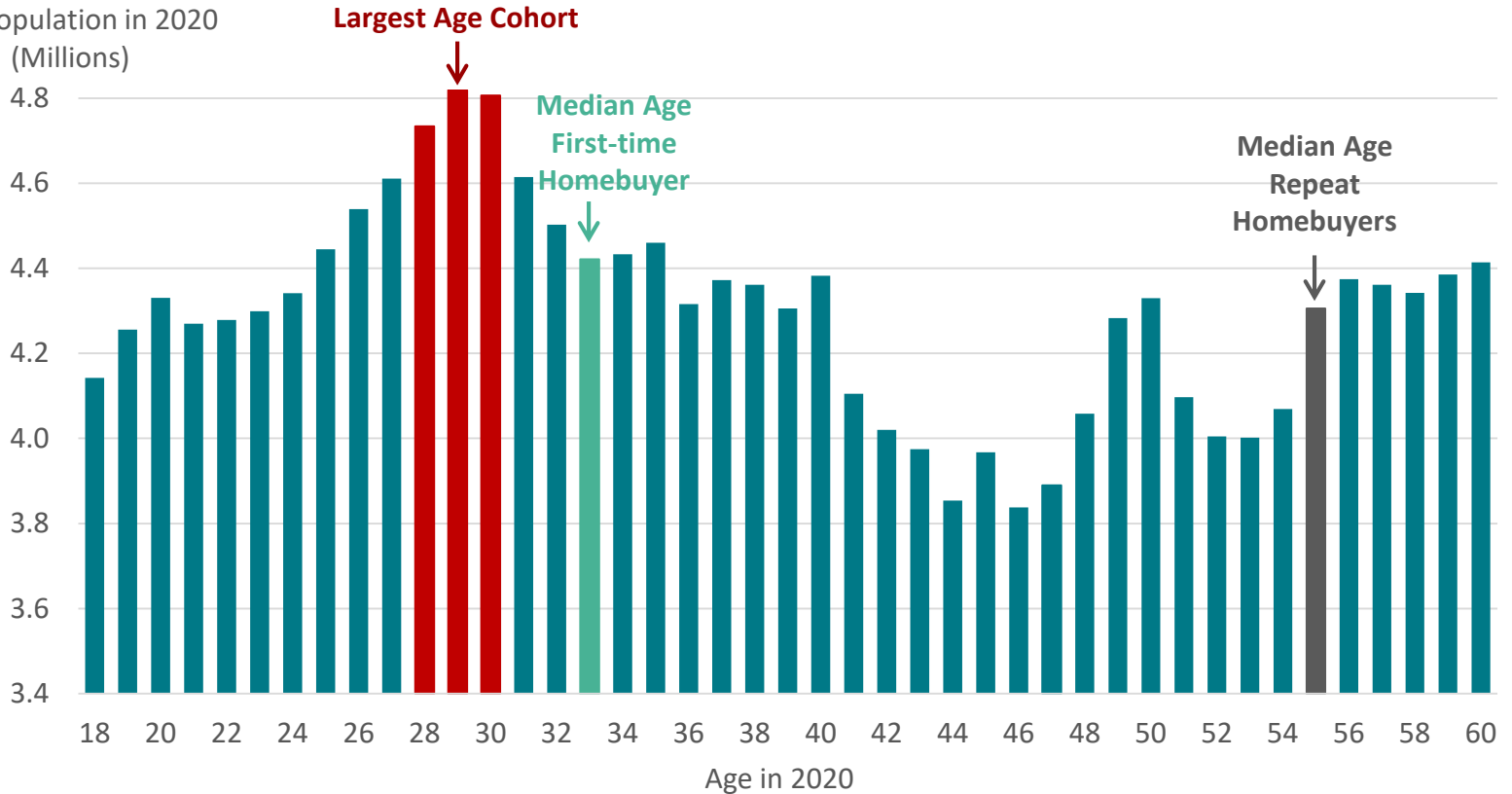
2018-23 Change in Household Count

	<u>Change in Number of Households (millions)</u>
Gen Z	5.7
Millennial	6.4
Gen X	0.5
Baby Boom	-0.8
Silent Generation	-5.4
All	6.3

6.3 Million Increase by 2023

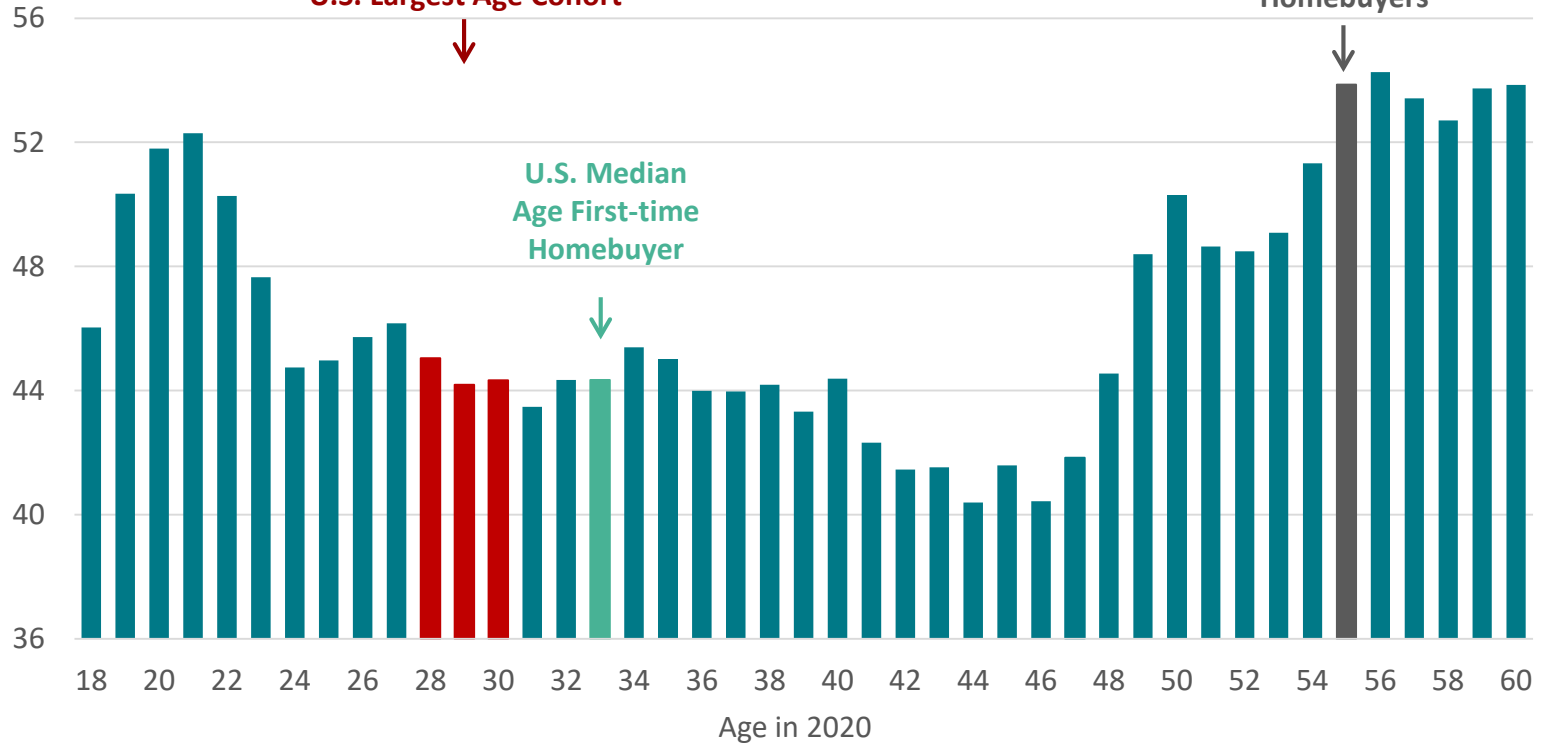
Large Demographic Tailwind Has Arrived

U.S. Population in 2020
(Millions)



Large Demographic Tailwind Has Arrived?

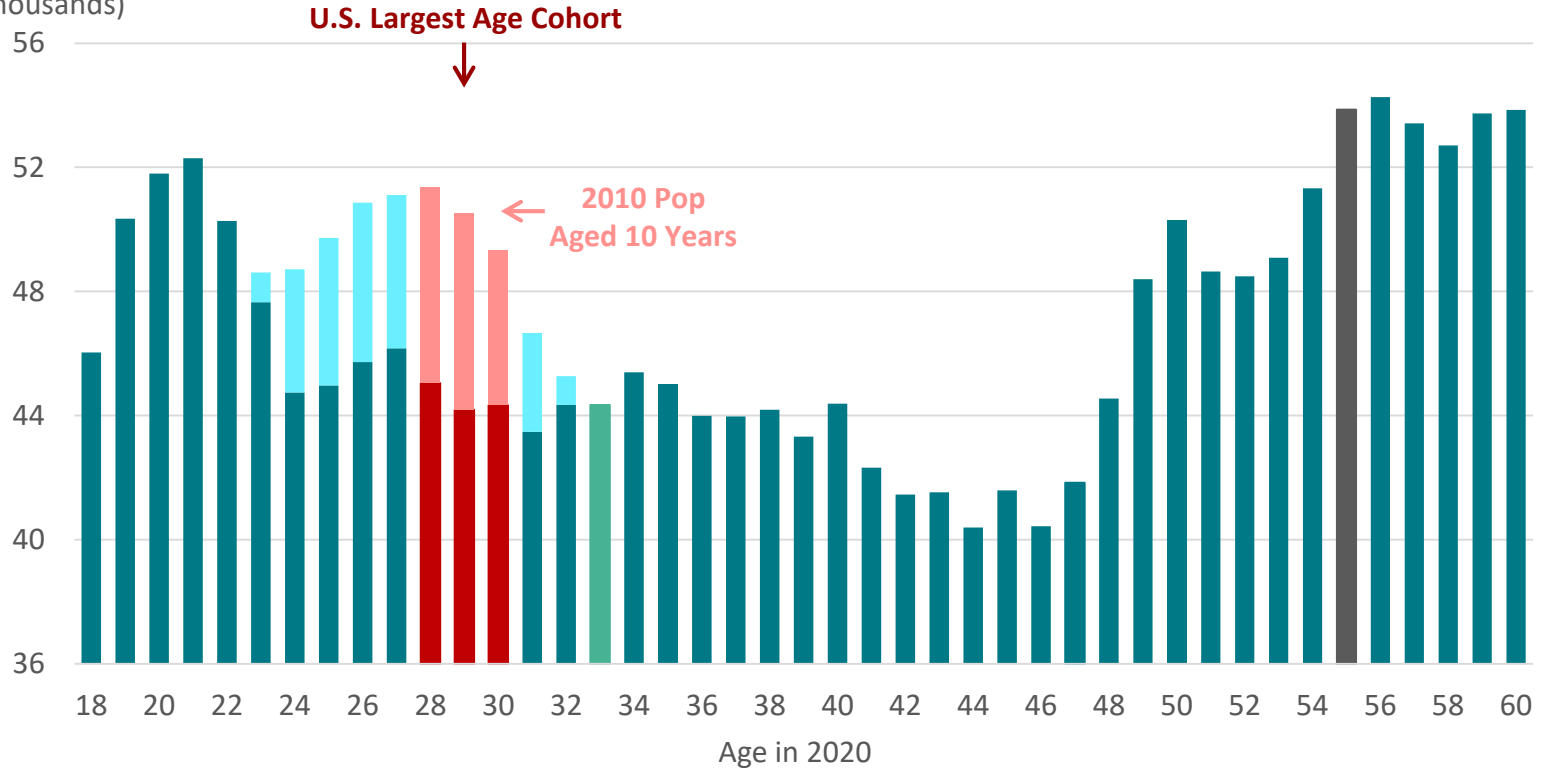
Connecticut
Population in 2020
(Thousands)



Source: U.S. Census Bureau, NAR 2019 Profile of Home Buyers and Sellers
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Millennial Population in CT down by 30,000 since 2010

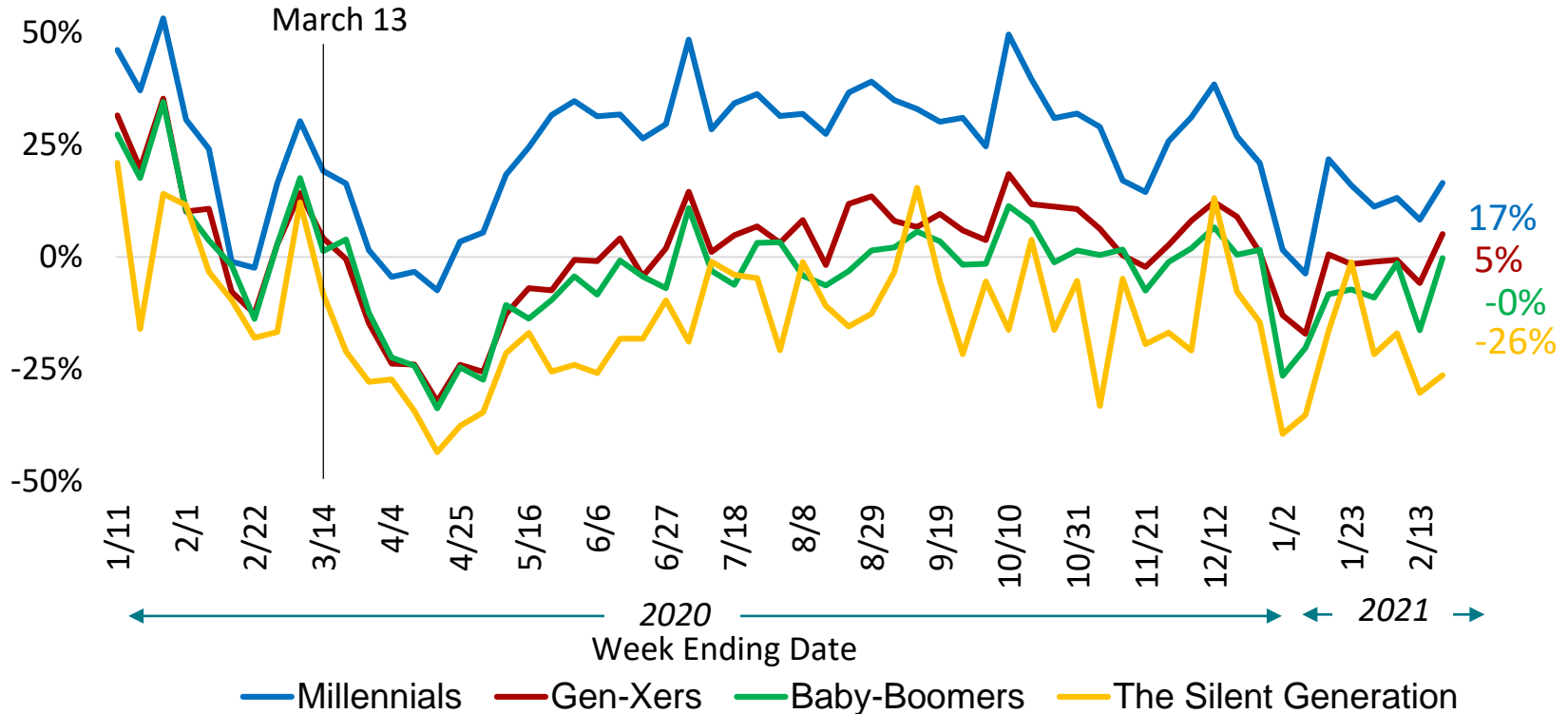
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Population in 2020
(Thousands)



Source: U.S. Census Bureau, NAR 2019 Profile of Home Buyers and Sellers
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Millennials & Gen X Account for Much of the Buyer Resurgence

Year-over-year Percent Change in Weekly Home-Purchase Applications

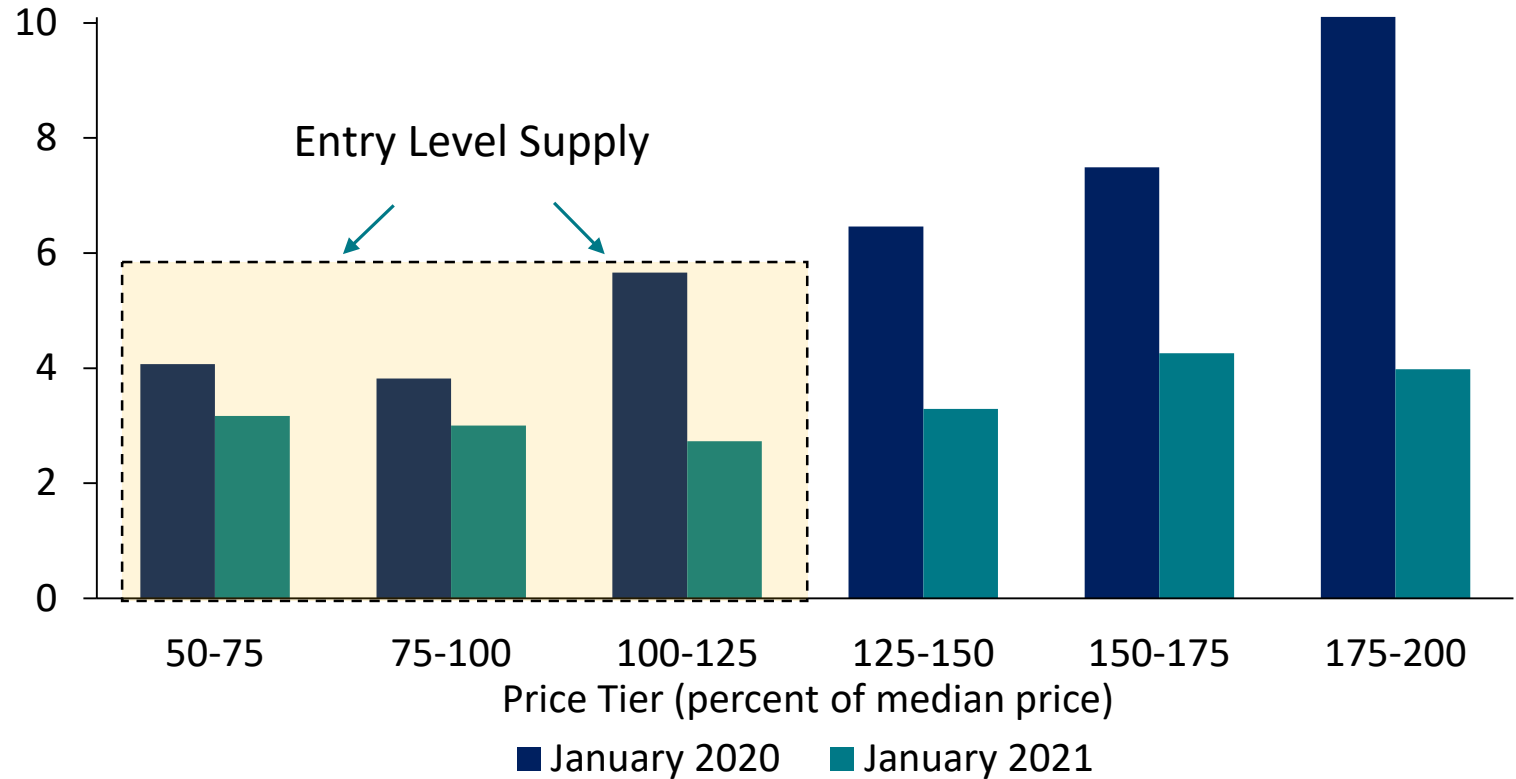


Source: CoreLogic

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Fairfield County Inventory Tight, Esp. for Entry-Level Buyers

Months' Supply for Sale by Price Tier: Existing Homes



Source: CoreLogic MLS data, January 2021, months' supply was 3.8 months across all price tiers

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How Has Pandemic Affected Need for Space?

Survey estimates suggest 20-25% of workers may WFH part- or full-time long term, reducing need for commercial space and increasing need for residential space

- McKinsey Global Institute: “More than 20 percent of the workforce could work remotely three to five days a week as effectively as they could if working from an office. If remote work took hold at that level, that would mean three to four times as many people working from home than before the pandemic...”
- NABE Business Conditions Survey found about 25% of employees may be WFH part- or full-time permanently.

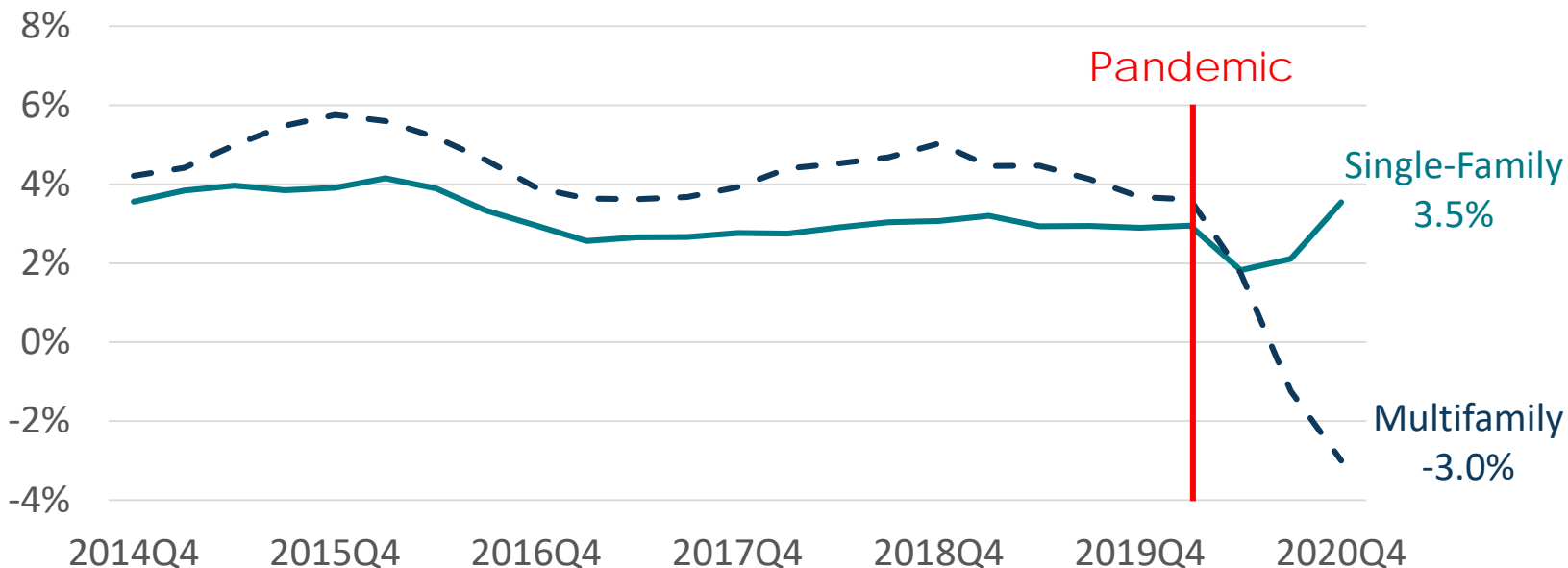
Note: McKinsey Global Institute estimated 22% of workers in the U.S. could work remotely 3-5 days per week without loss of effectiveness, and an additional 17% could work remotely 1-2 days per week without loss of effectiveness (“The Future of Work After COVID-19,” February 2021, Exhibit E3). NABE Business Condition Survey reported 89% of firms have instituted partial or full WFH policies during the pandemic; of these firms, about 72% (median) of employees are expected to return to their pre-pandemic working arrangement.

Source: NABE BCS January 2021 (Questions 6 & 8), McKinsey Global Institute “What’s Next for Remote Work: An analysis of 2,000 tasks, 800 jobs, and nine countries” (November 2020)

A Shift in Tenant Demand to Low Density Housing?

SF rental vacancy rate down 0.7% points, MF vacancy up 0.7% (2019H2 to 2020H2)

U.S. Annual Rent Growth (four-quarter percent change)

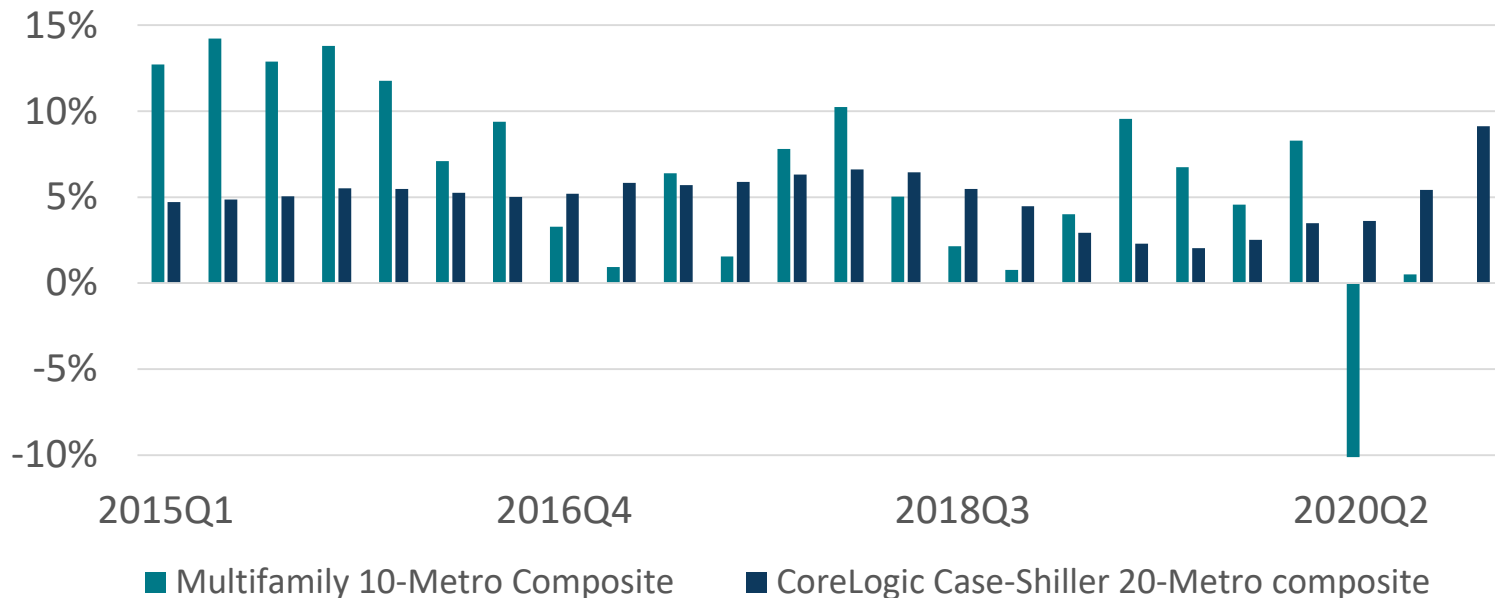


Source: CoreLogic Single-Family Rent Index, Moody's Analytics Reis (Apartment effective rent)

Multifamily Prices Dropped 10% in 2020Q2 (year-over-year)

Multifamily cap rates hit record low in second half of 2020, supporting values

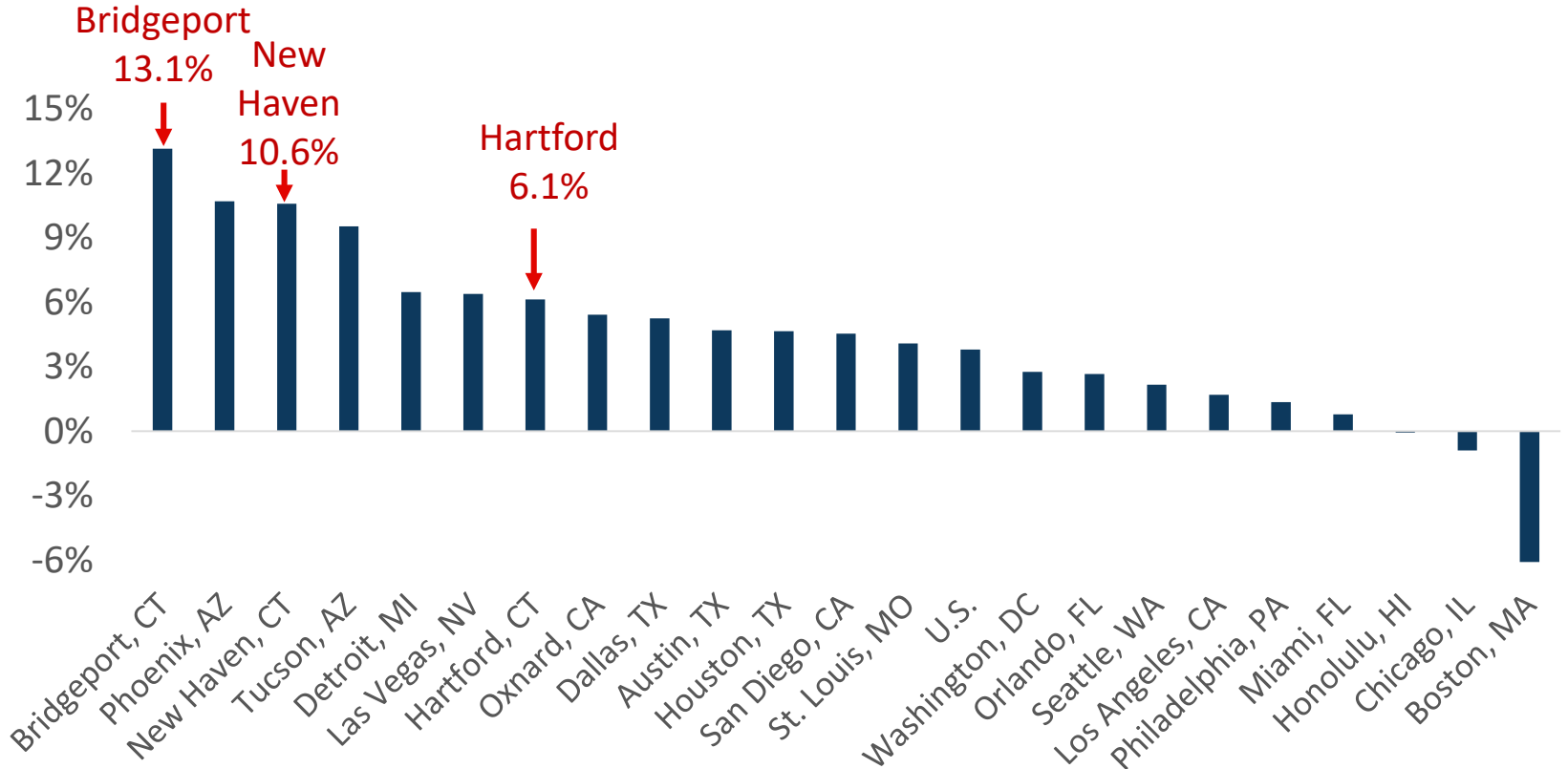
Residential Price Index (four-quarter percent change)



Note: Multifamily Index includes these MSAs: Atlanta, Chicago, Los Angeles, Miami, New York, Phoenix, Portland, San Diego, San Francisco, Seattle
 Source: CoreLogic Multifamily Price Index, CoreLogic Case-Shiller 20-Metro Composite; Census Bureau RHFS; ACLI

Single-family Rents Are Rising Too: U.S. Up 3.8%

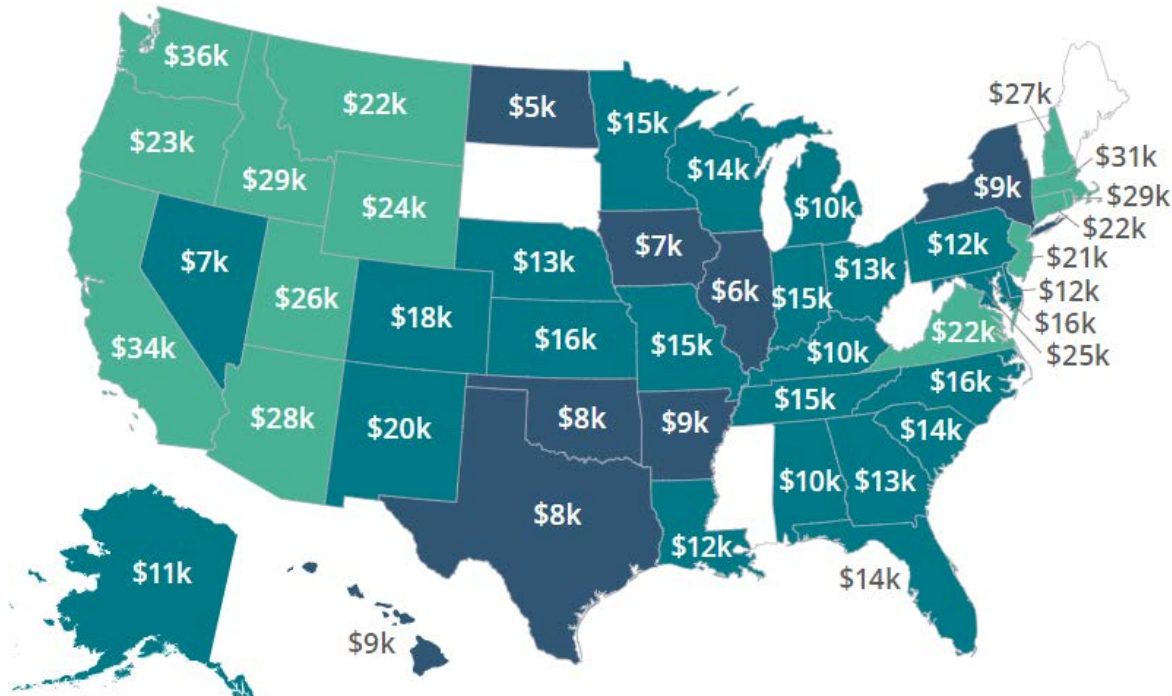
Single-Family Rent Growth (annual percent change, December 2020)



Source: CoreLogic Single-Family Rent Index release February 16, 2021

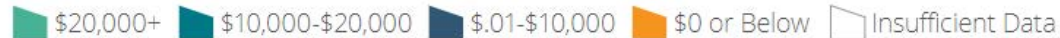
Average Equity Gain per Homeowner

U.S.: \$17,000 per home (September 2019 to September 2020)



Fairfield County \$33k

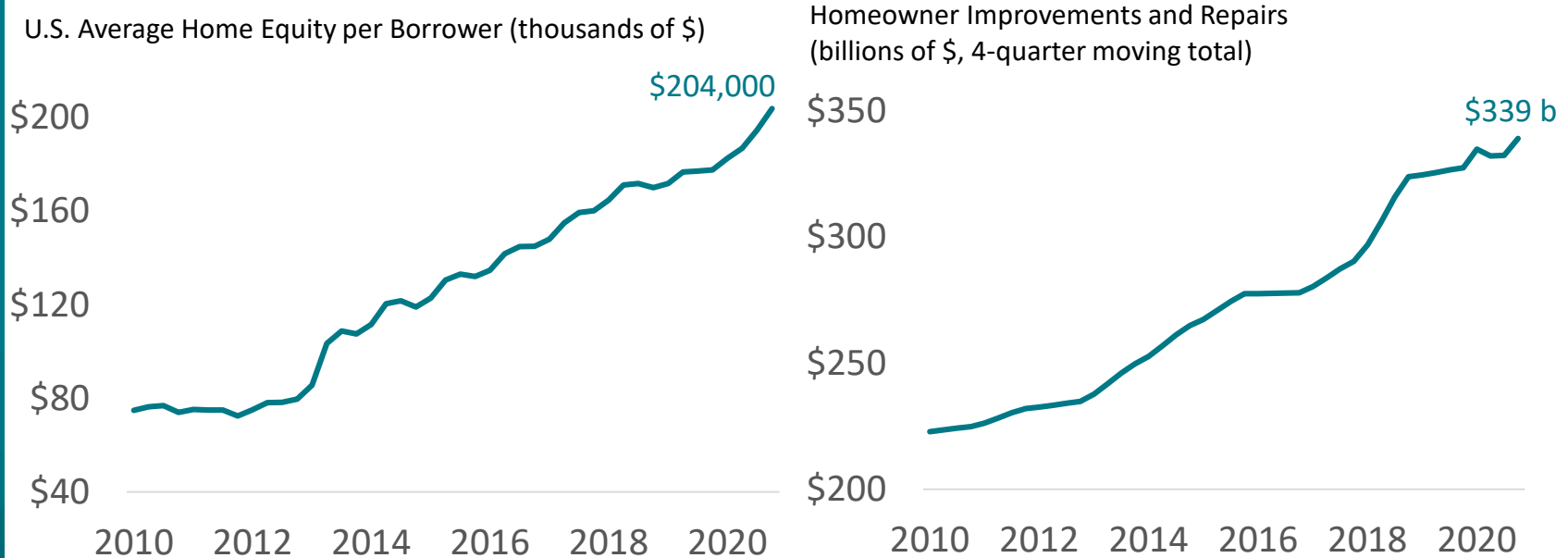
AVERAGE EQUITY GAIN (YOY)





Home Equity & SIP Drive Home Improvement Spend

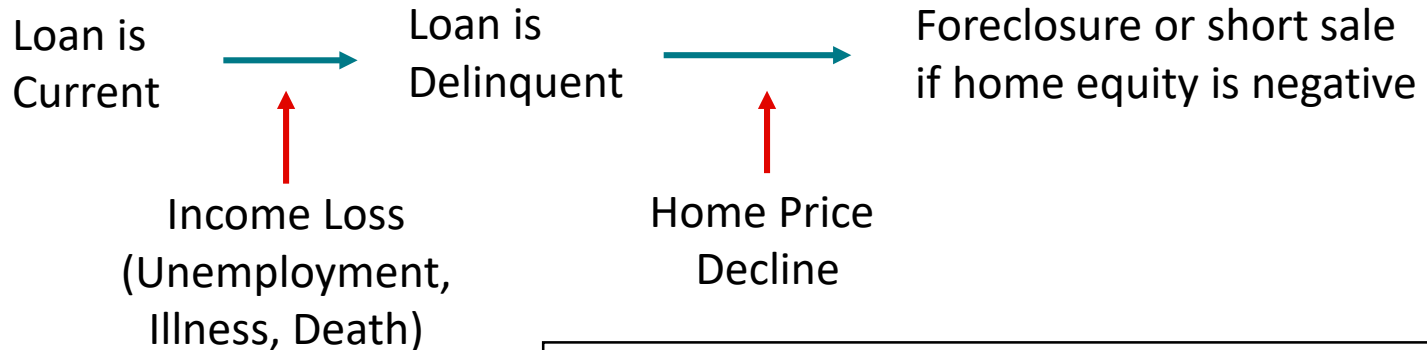
Remodeling expenditures forecast to rise 4% in 2021 to \$352 billion



Source: CoreLogic Home Equity Report for 2020Q4, Harvard Joint Center for Housing Studies, LIRA
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Current-to-Foreclosure Timelines Vary by State

Double trigger: income loss can cause delinquency, equity loss can lead to distressed sale



From Last Payment Made to Foreclosure Sale:

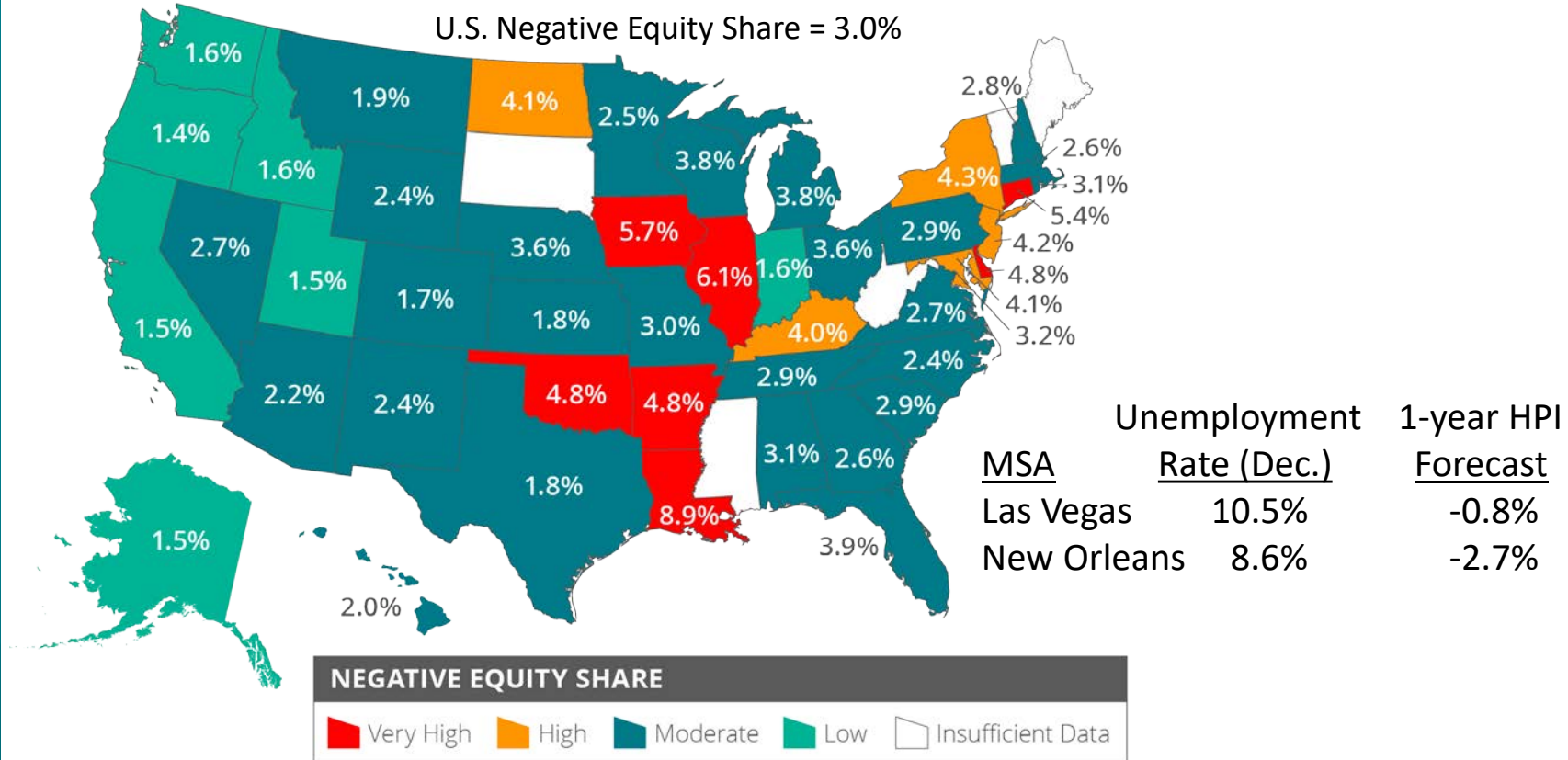
11 months (GA, MN, MS)

22 months (CT, MD)

4 to 5 years (NY, NJ)

Job Loss & Home-Price Weakness Spark Delinquencies

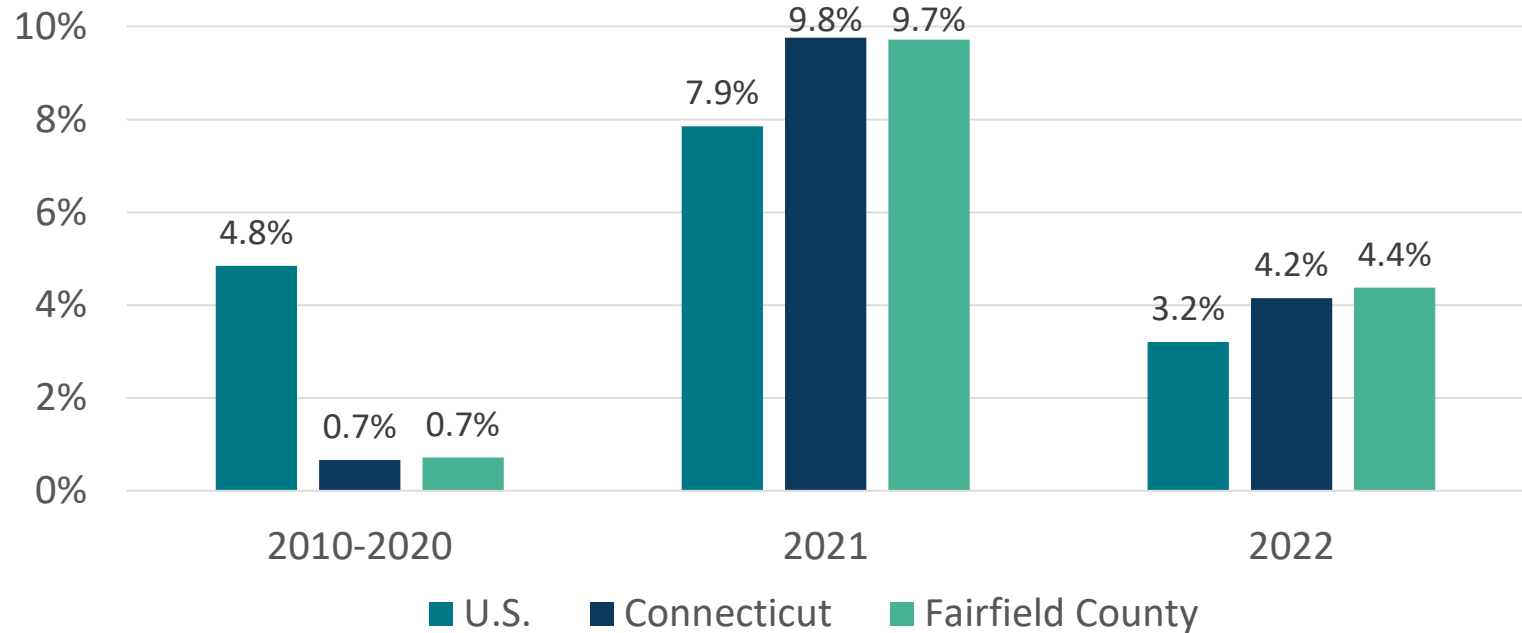
Income loss and lack of home equity add to risk of foreclosure or short sale



Prices Forecast to Rise, but Slowing Late-2021 and 2022

Fairfield County forecast to outpace national appreciation

CoreLogic Home Price Index Growth (percent change, annual rate)

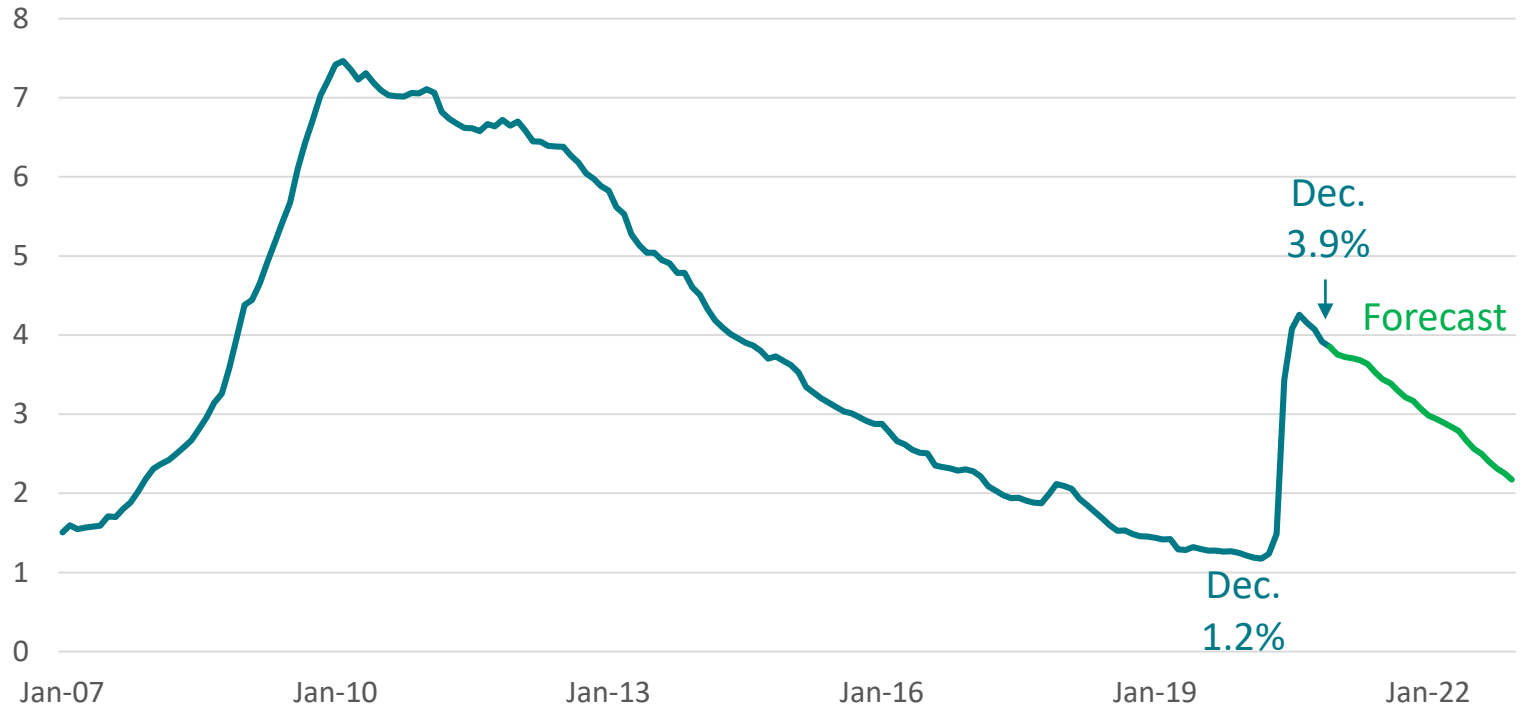


Source: CoreLogic Home Price Index and Forecast (March 2, 2021 release), compound annual growth rate in annual average
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Serious Delinquency Up 3x, Dec. 2019 to Dec. 2020

Forbearance provides financial crutch; if income does not recover, distressed sales may rise

Serious Delinquency Rate (Percent of Active Loans)

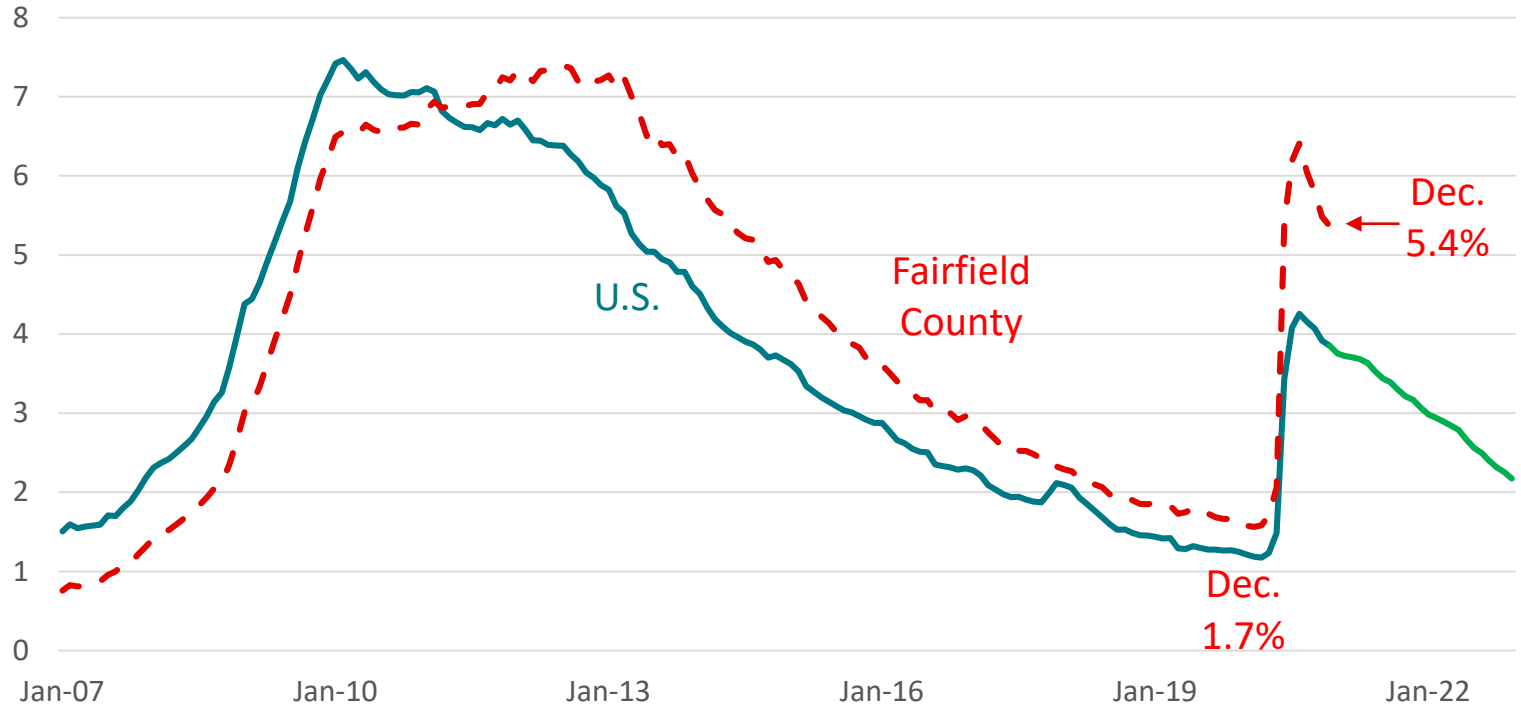


Source: CoreLogic TrueStandings Servicing, HPI Forecast (February 2, 2021) and serious delinquency forecast; IHS Markit (February 2021 unemployment rate forecast); serious delinquency is at least 90 days delinquent or in foreclosure proceedings

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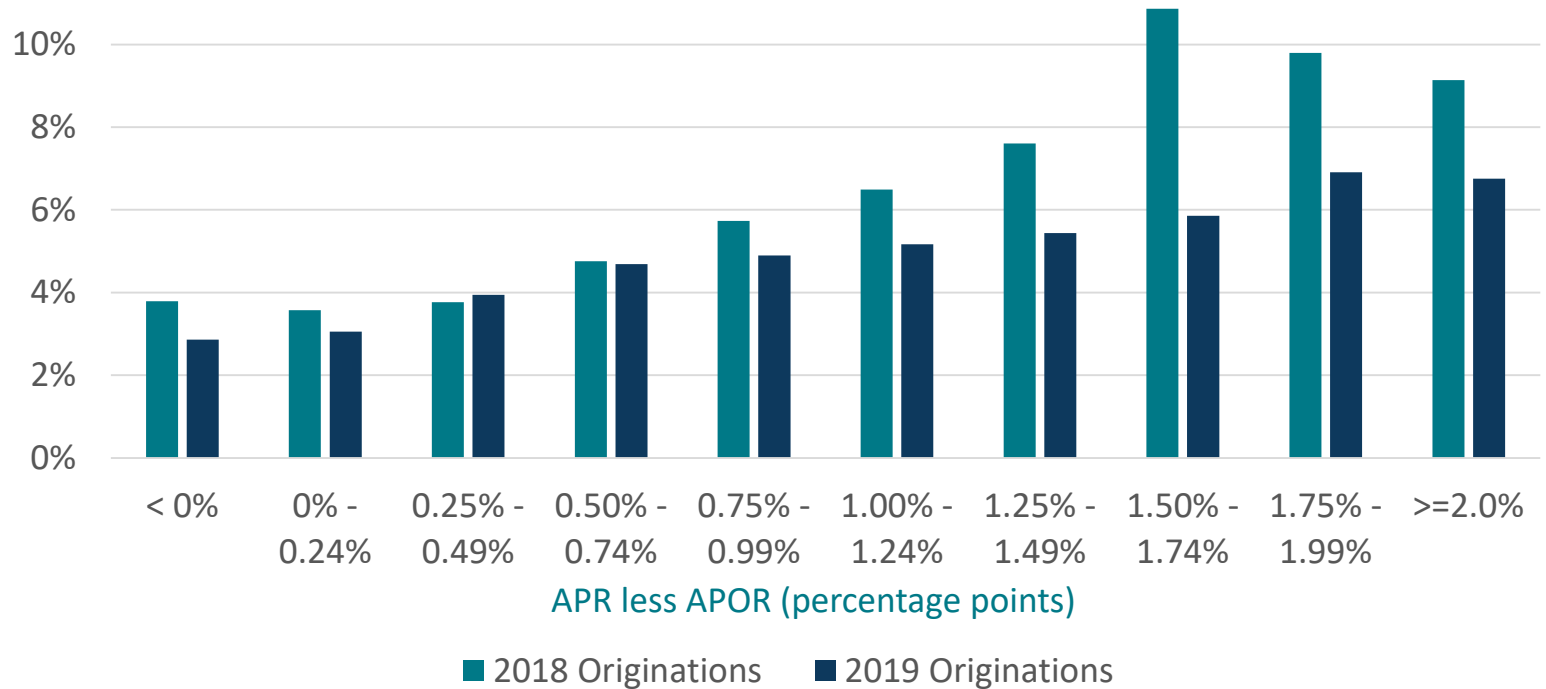


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Loans in Forbearance: Delinquency Rate Rises with Loan Credit Risk

About one-half of low-spread loans, and one-third of high-spread loans, were current

Delinquency Rate by Spread Above APOR & Vintage: Conventional Loans Active & In Forbearance as of 12/31/20



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