

# REAL ESTATE 2015 AND BEYOND

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Chief Economist

September 21, 2015

A couple is walking away from the camera on a paved path in a residential neighborhood. The woman is on the left, wearing a pink tank top and dark pants. The man is on the right, wearing a white t-shirt and dark pants. They are holding hands. In the background, there are several large, modern houses with gabled roofs and multiple windows. The scene is dimly lit, suggesting dusk or dawn.

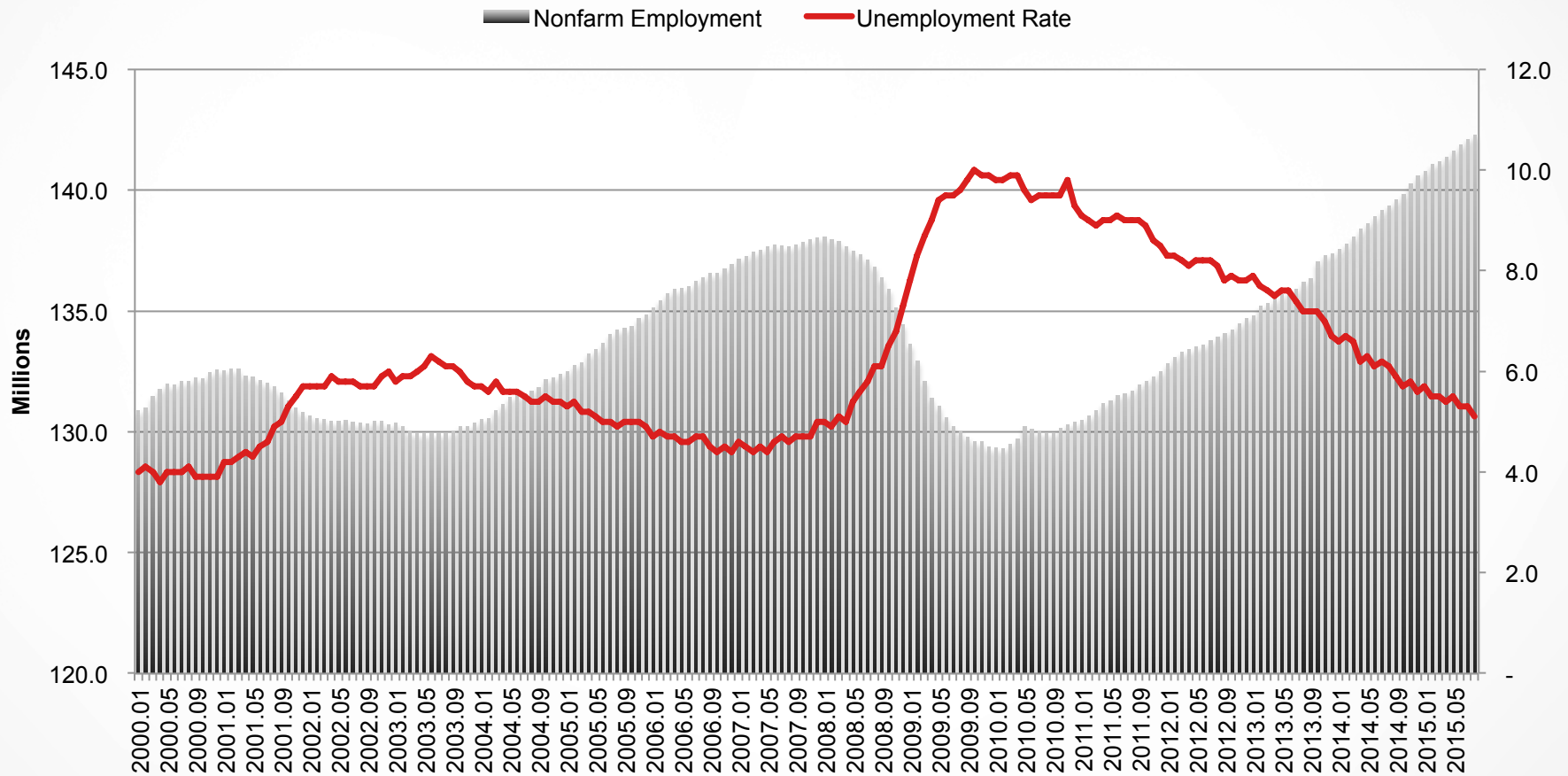
realtor.com<sup>®</sup>

# NATIONAL CONTEXT

# JOB EXPANSION CONTINUES

173,000 jobs created in August, 2.919 million jobs in last 12 mos.

## Employment and Unemployment

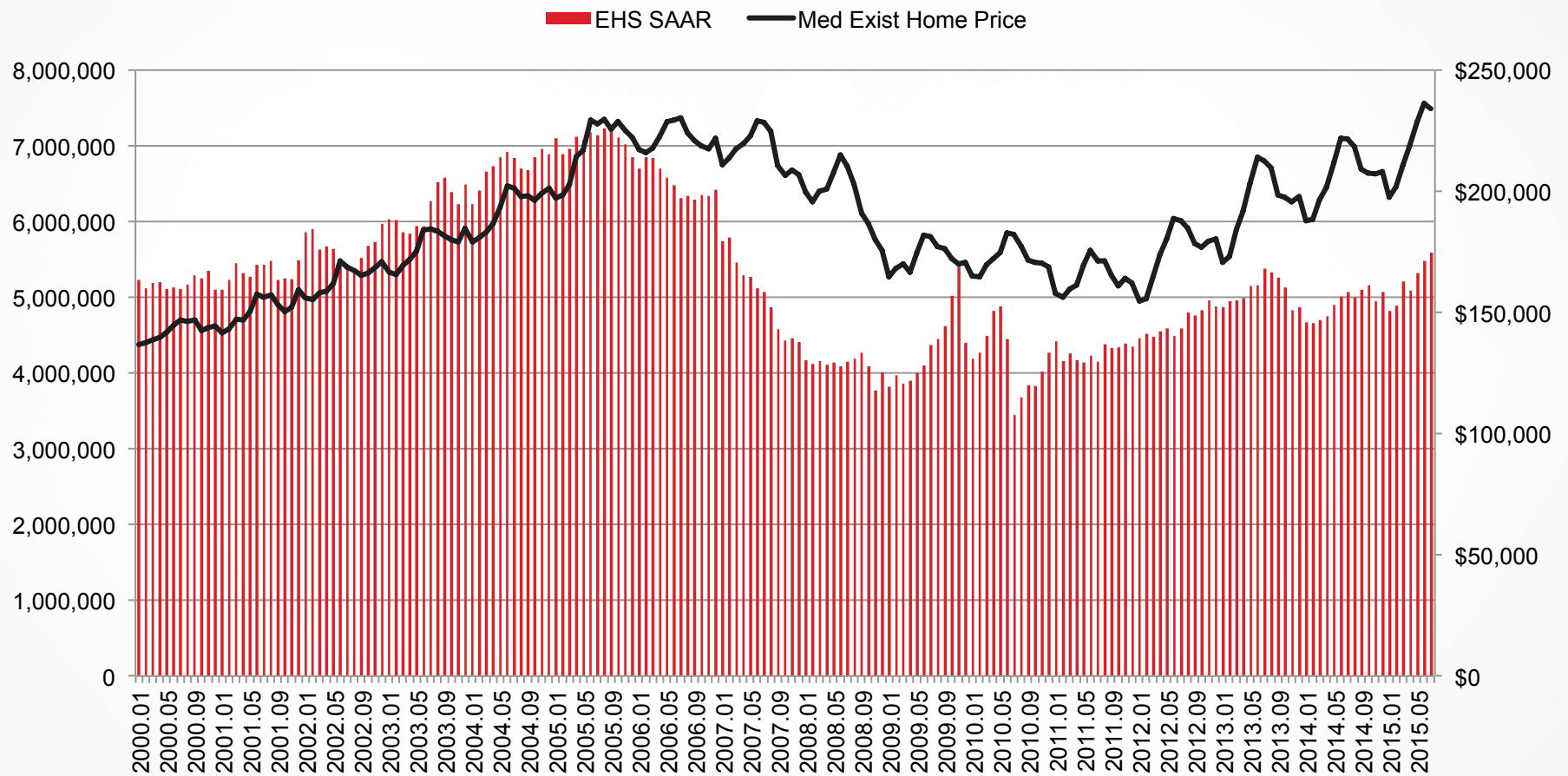


Source: Bureau of Labor Statistics

# REAL ESTATE RECOVERY

Sales up 10% over '14 in July; new high for median \$ in June

## Existing Home Sales and Prices



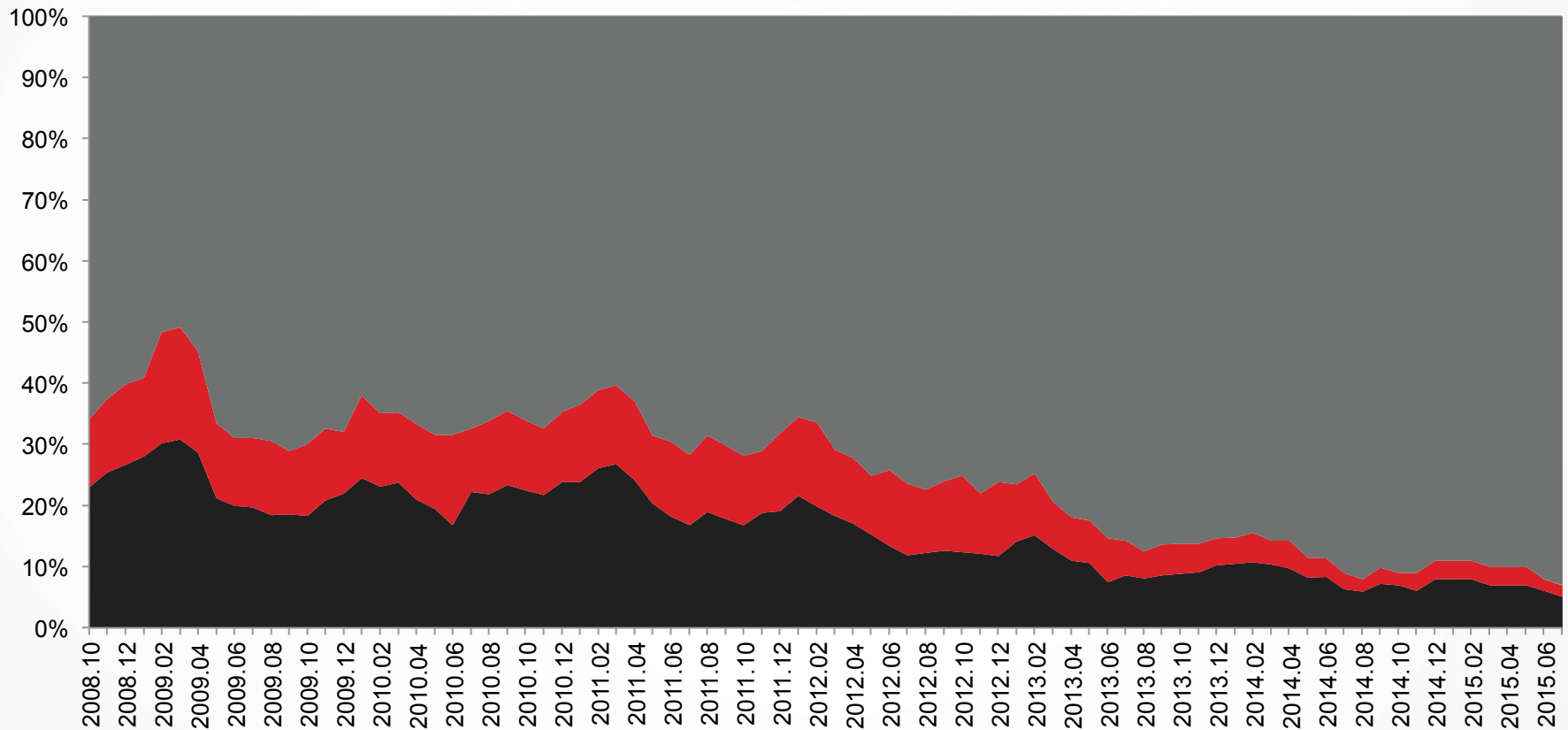
Source: National Association of REALTORS® Existing Home Sales Report

# COMPOSITION BACK TO NORMAL

Distress activity down substantially

## Composition of Sales by Type

■ Foreclosed ■ Short Sale ■ Normal

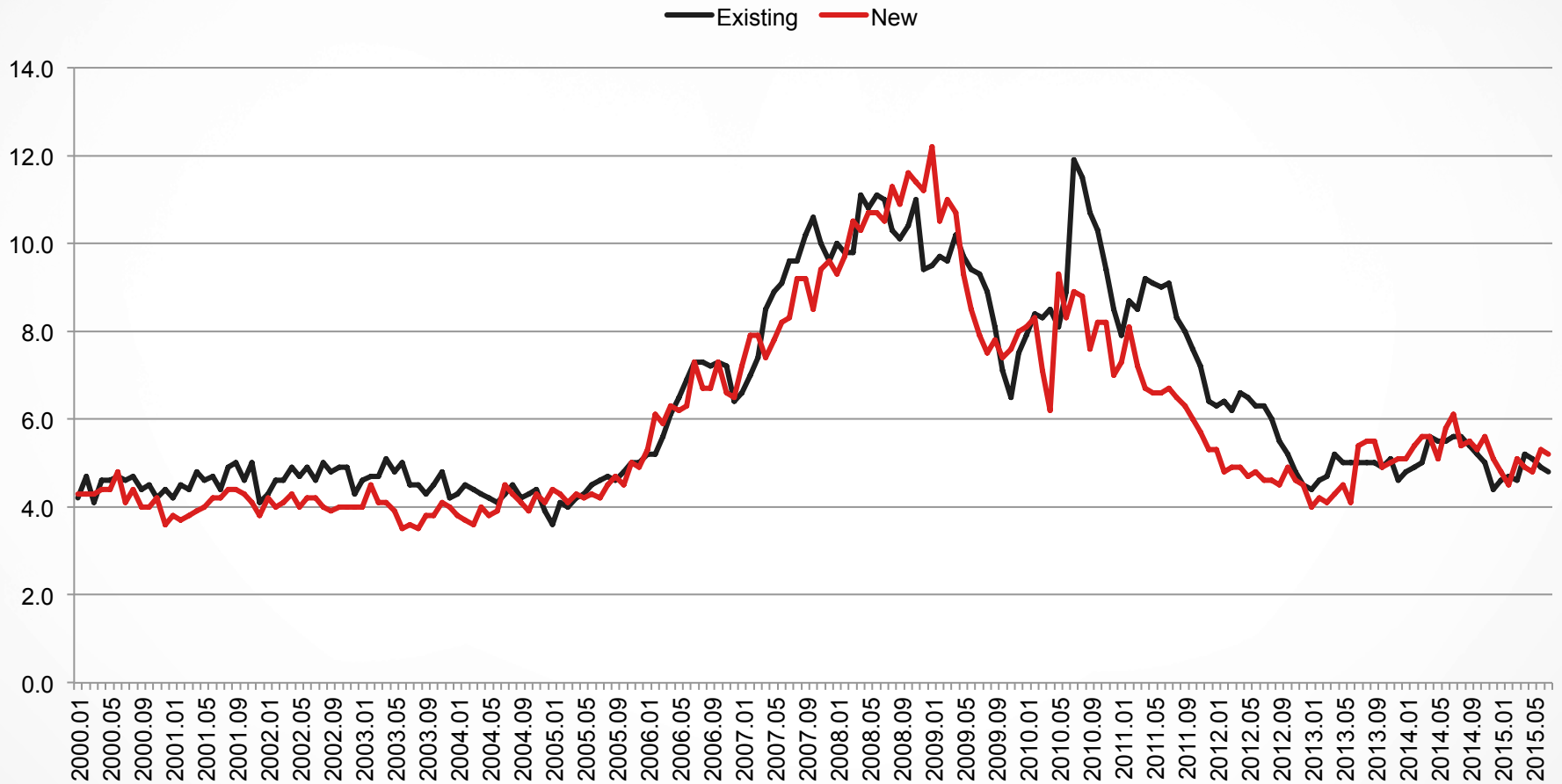


Source: National Association of REALTORS® Monthly Realtor Confidence Survey

# INVENTORY HAS BEEN A CONSTRAINT

Demand continues to exceed supply

## Months' Supply of Homes for Sale



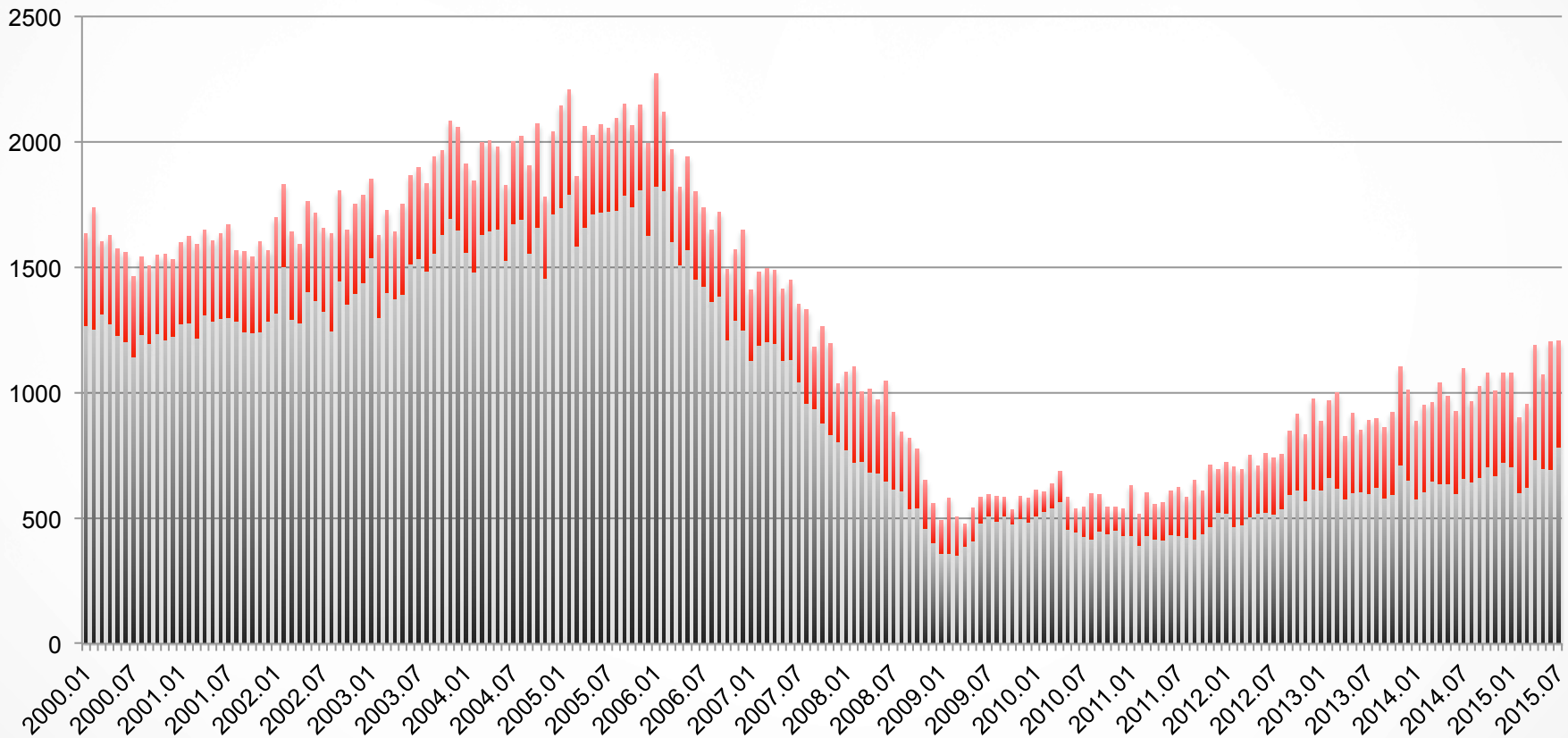
Source: National Association of REALTORS®, Commerce Department

# NEW CONSTRUCTION FINALLY UP

Highest level of activity since 2006; SF up 19% over last year

## Residential Construction

■ Single-Family Starts ■ Multi-Family Starts



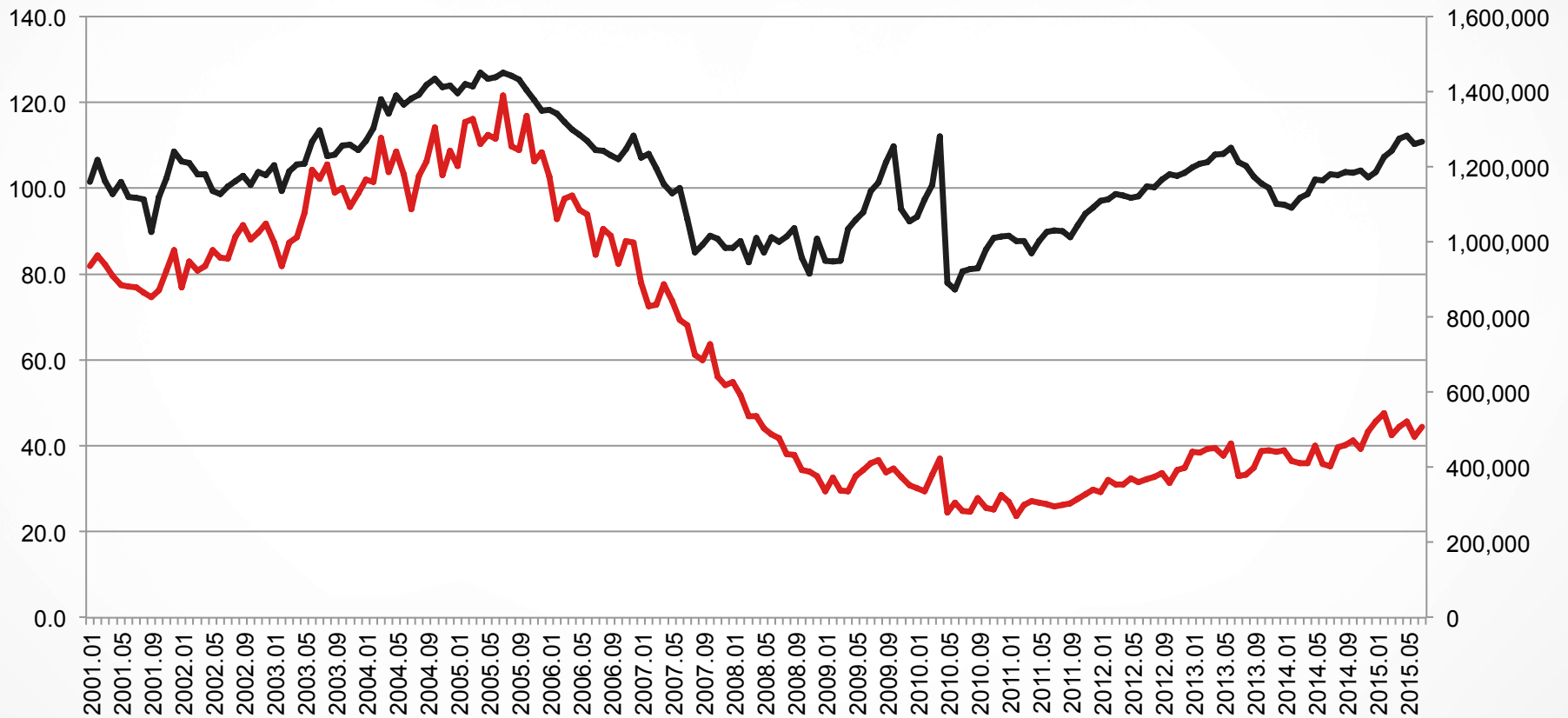
Source: Commerce Department

# SALES NOW BEST IN 9 YEARS

Pending sales up 7% and new sales up 26% in July over last year

## Home Sales (New Contracts) SAAR

— Pending Home Sales (Existing) — New Home Sales



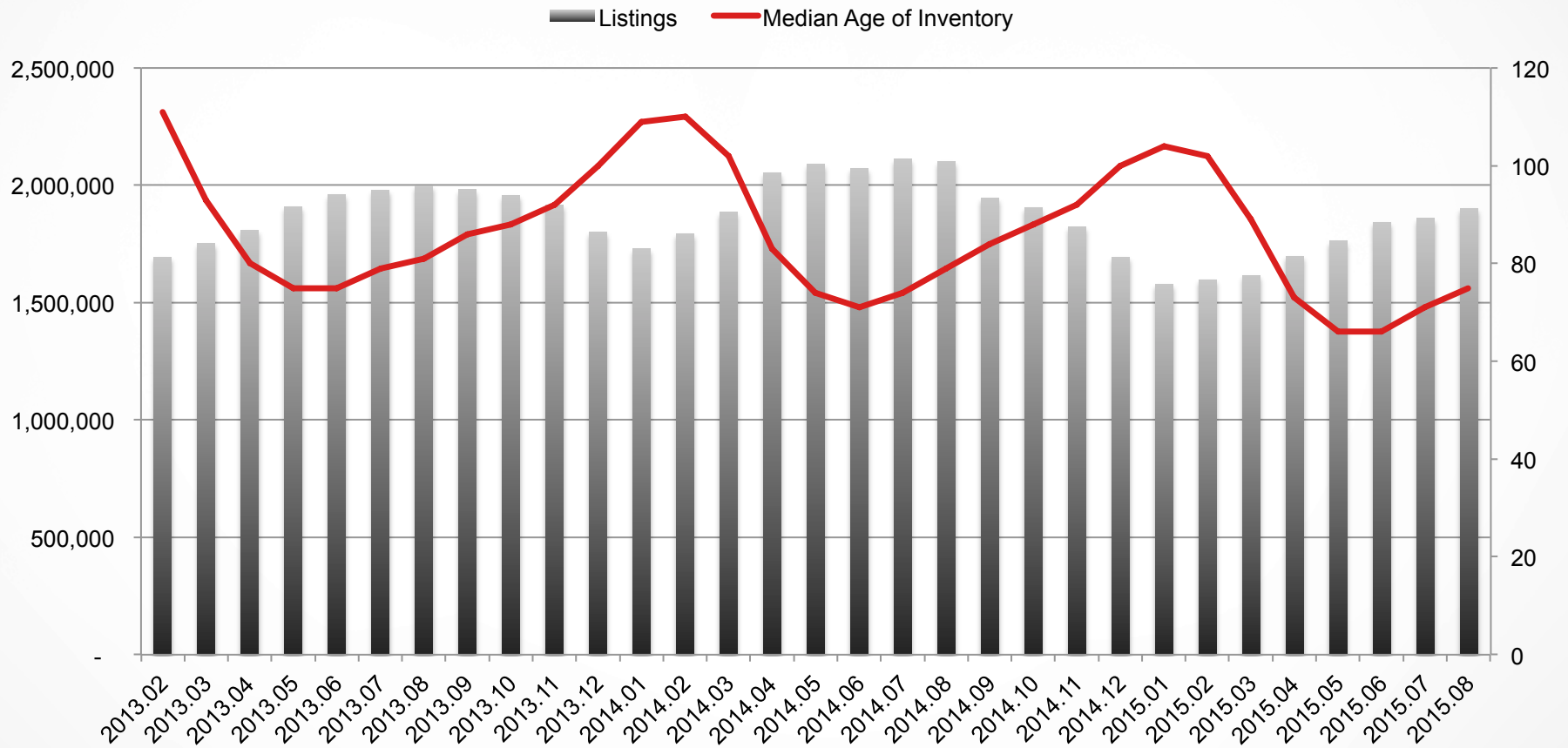
Source: National Association of REALTORS®, Commerce Department



# INVENTORY GRADUALLY INCREASING

Age of inventory increasing as we move into slower time of year

## Listings and Median Age of Inventory

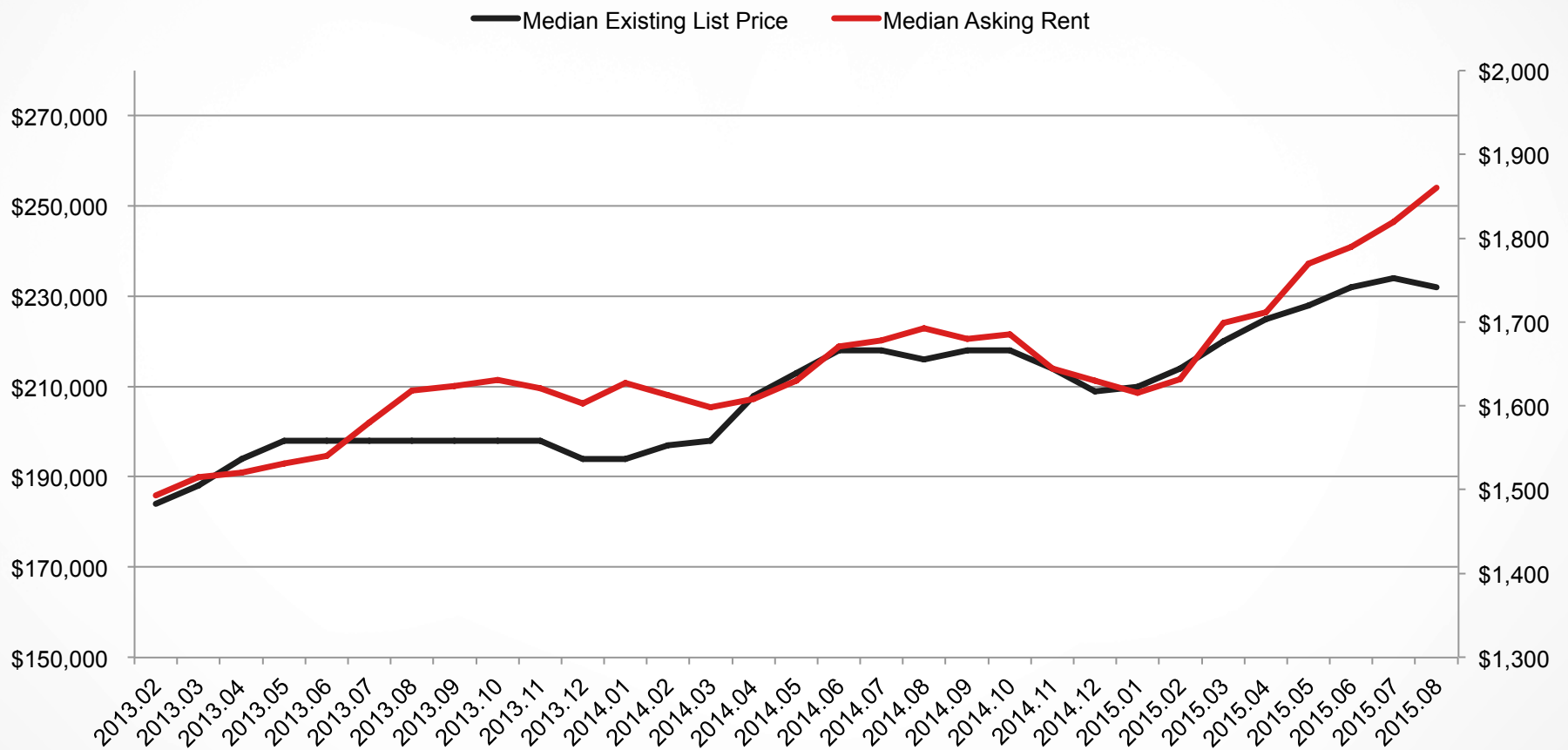


Source: Realtor.com®

# ASKING PRICES AND RENTS UP

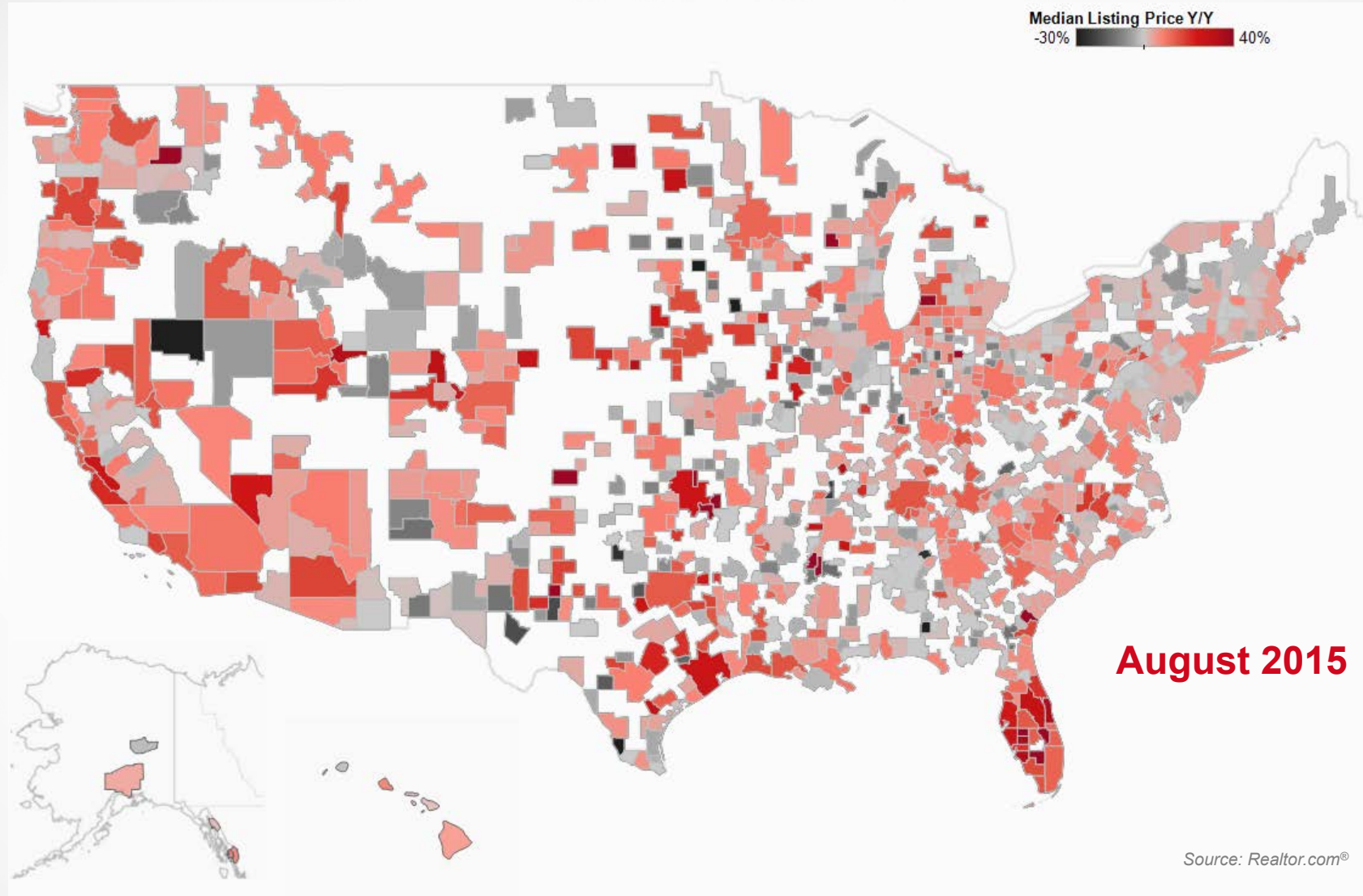
Rents now growing more quickly than home prices

## National Home Price and Rent Trends



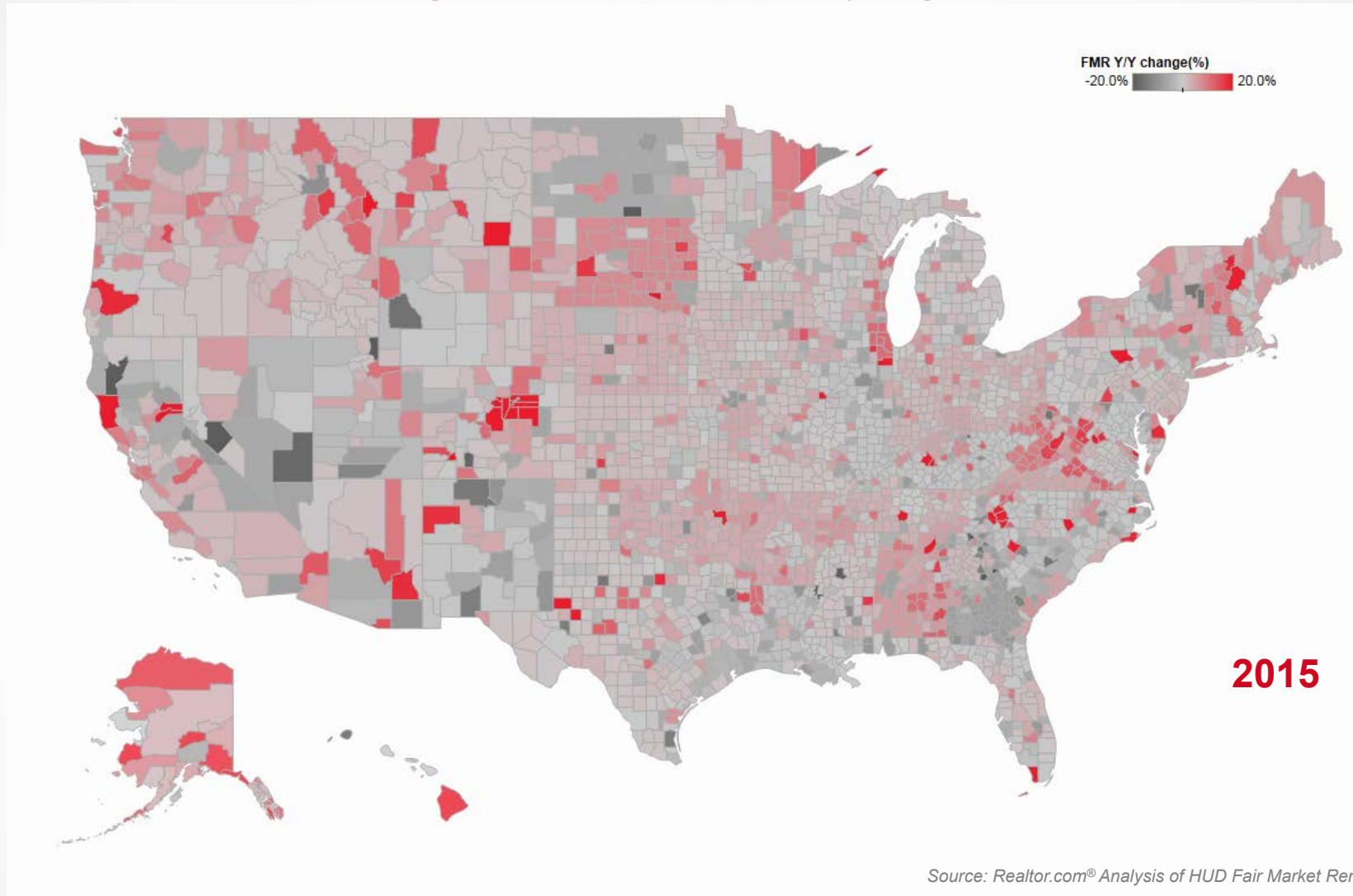
# LISTING PRICES GREW 7% Y/Y IN AUG

Median list price increases are widespread



# RENTS RISING Y/Y IN 2/3 OF COUNTIES

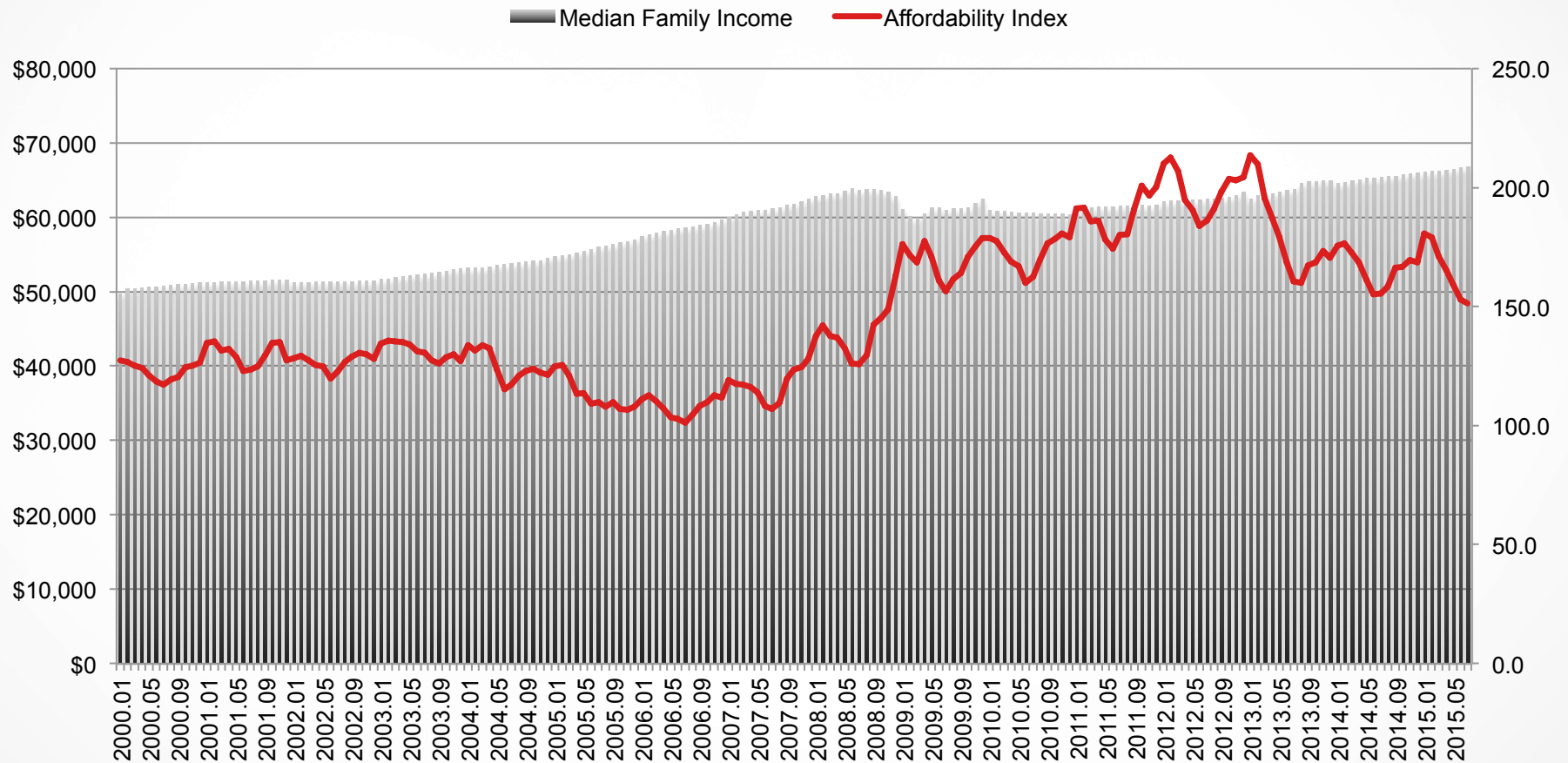
Rent increases adding to demand for buying



# NEARING THE END OF AN ERA

Low rates have enabled purchasing power but now weakening

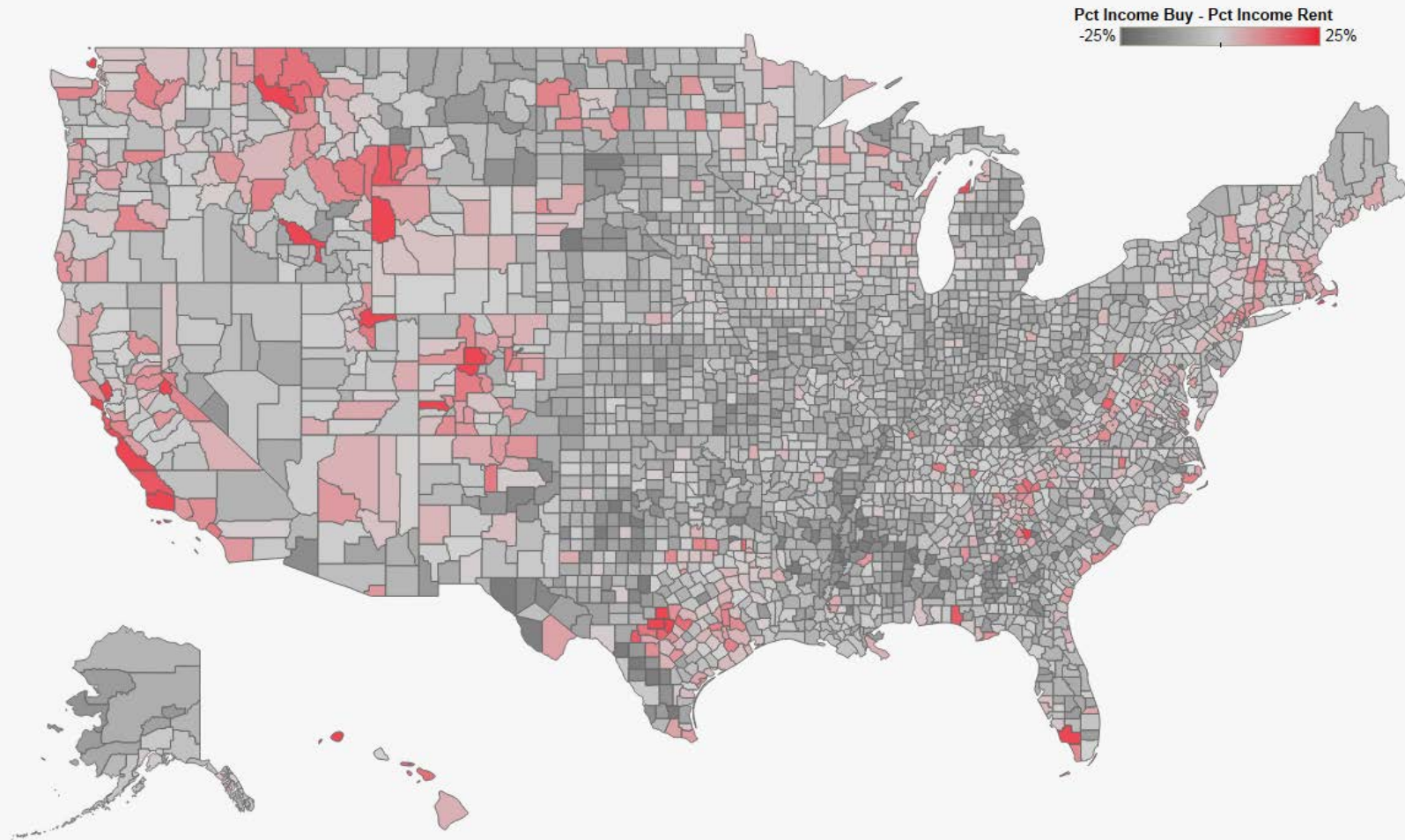
## Income and Affordability



Source: Commerce Department and National Association of REALTORS®

# CHEAPER TO BUY IN 4/5 OF COUNTIES

Simple monthly cost analysis favors buying



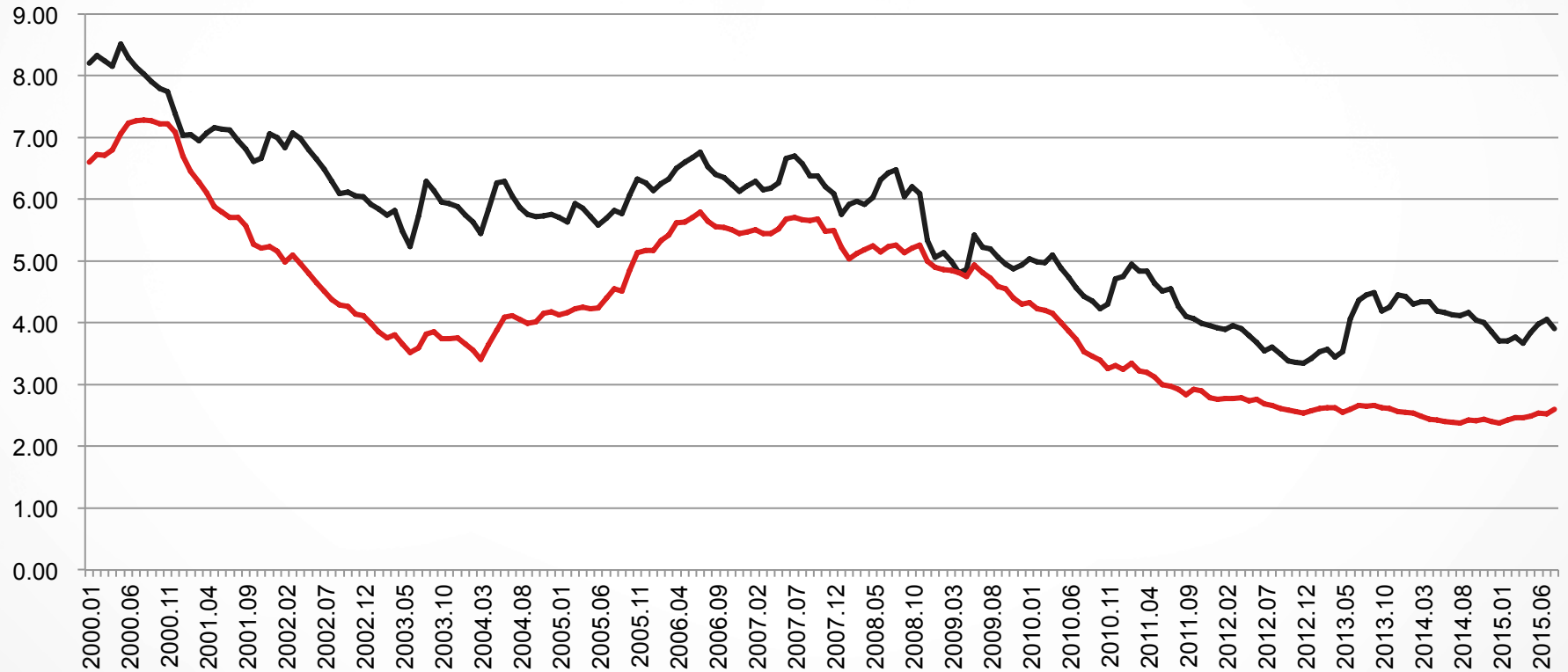
Source: Realtor.com® Analysis of HUD Fair Market Rents, Nielsen Pop-Facts Demographics and Realtor.com® Data

# INCREDIBLE RATES REMAIN

China and the stock market gave buyers another reprieve

## Published Mortgage Rates

— 30 yr Fixed — 1 Yr Adj



Source: Freddie Mac

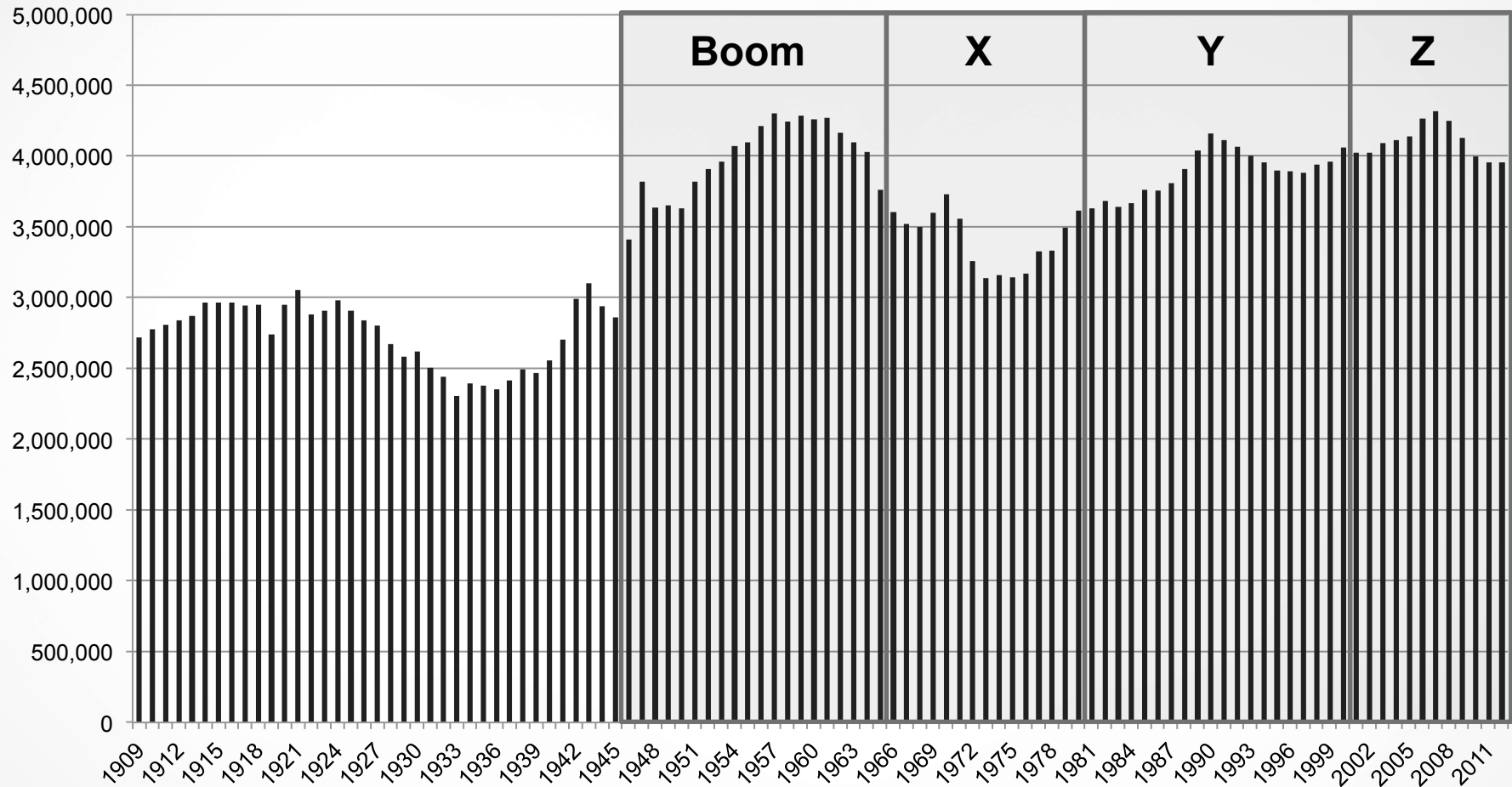
# DEMAND DRIVERS



# DEMOGRAPHICS SET THE TABLE

Population and its composition define the future

## US Live Births by Year and Generation

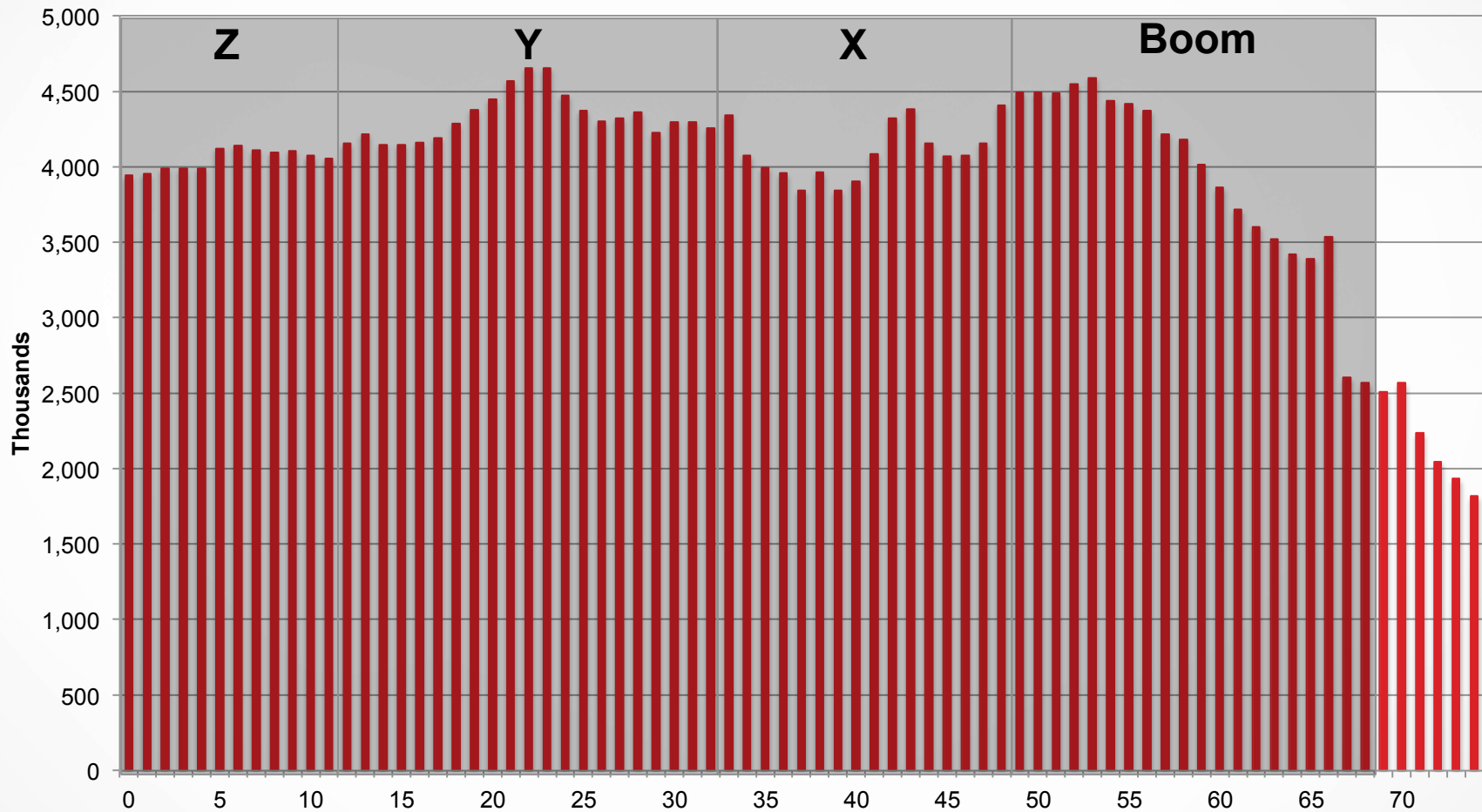


Source: Realtor.com® Analysis of US National Center for Health Statistics

# DEMOGRAPHICS SET THE TABLE

When viewed by age, importance of Millennials becomes clearer

## Current US Population By Age, 0-74

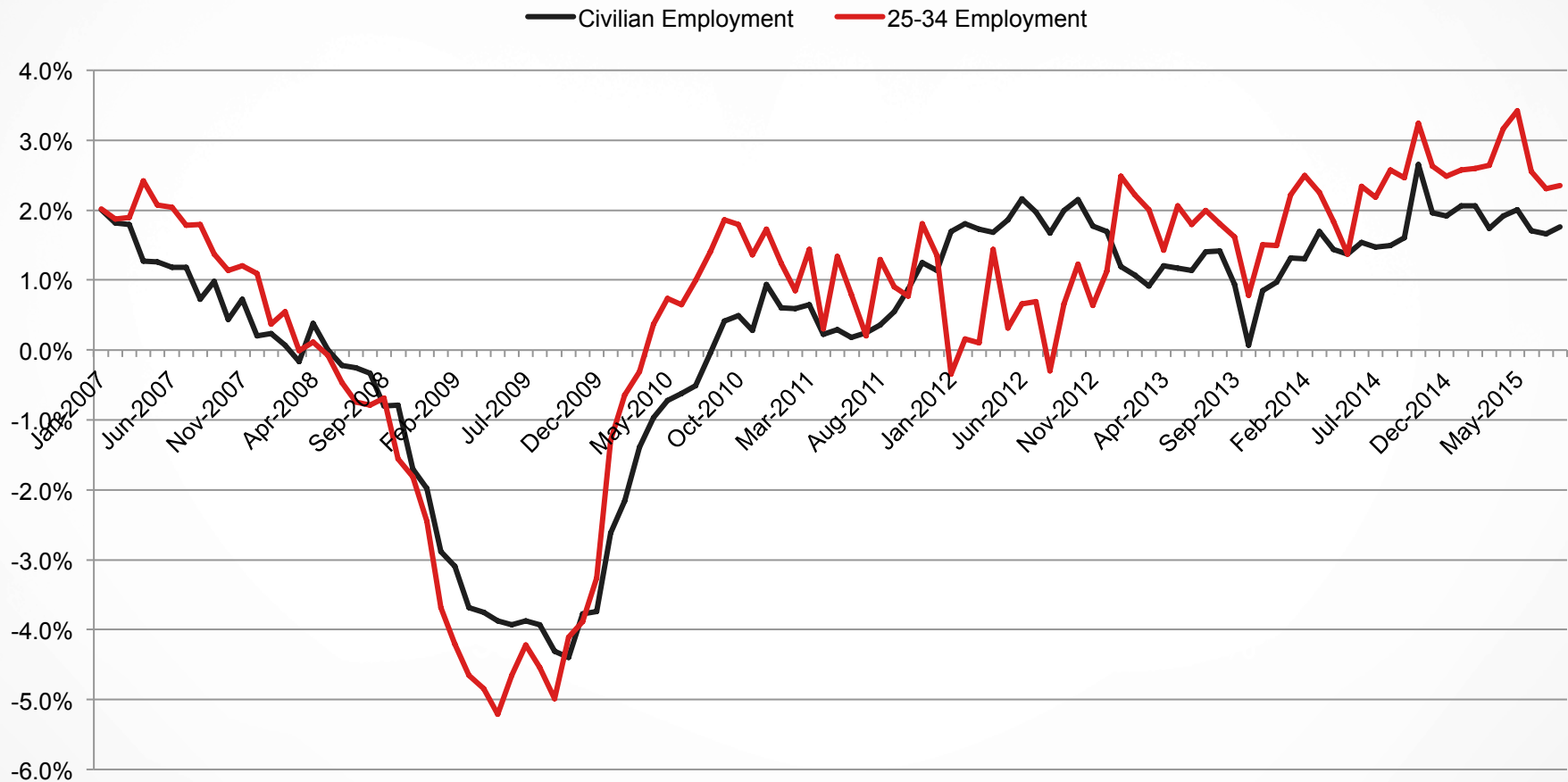


Source: Realtor.com® Analysis of US Census Bureau Population Estimates

# EMPLOYMENT BEGETS OPPORTUNITY

752,000 jobs created in last 12 months for 25-34 year olds

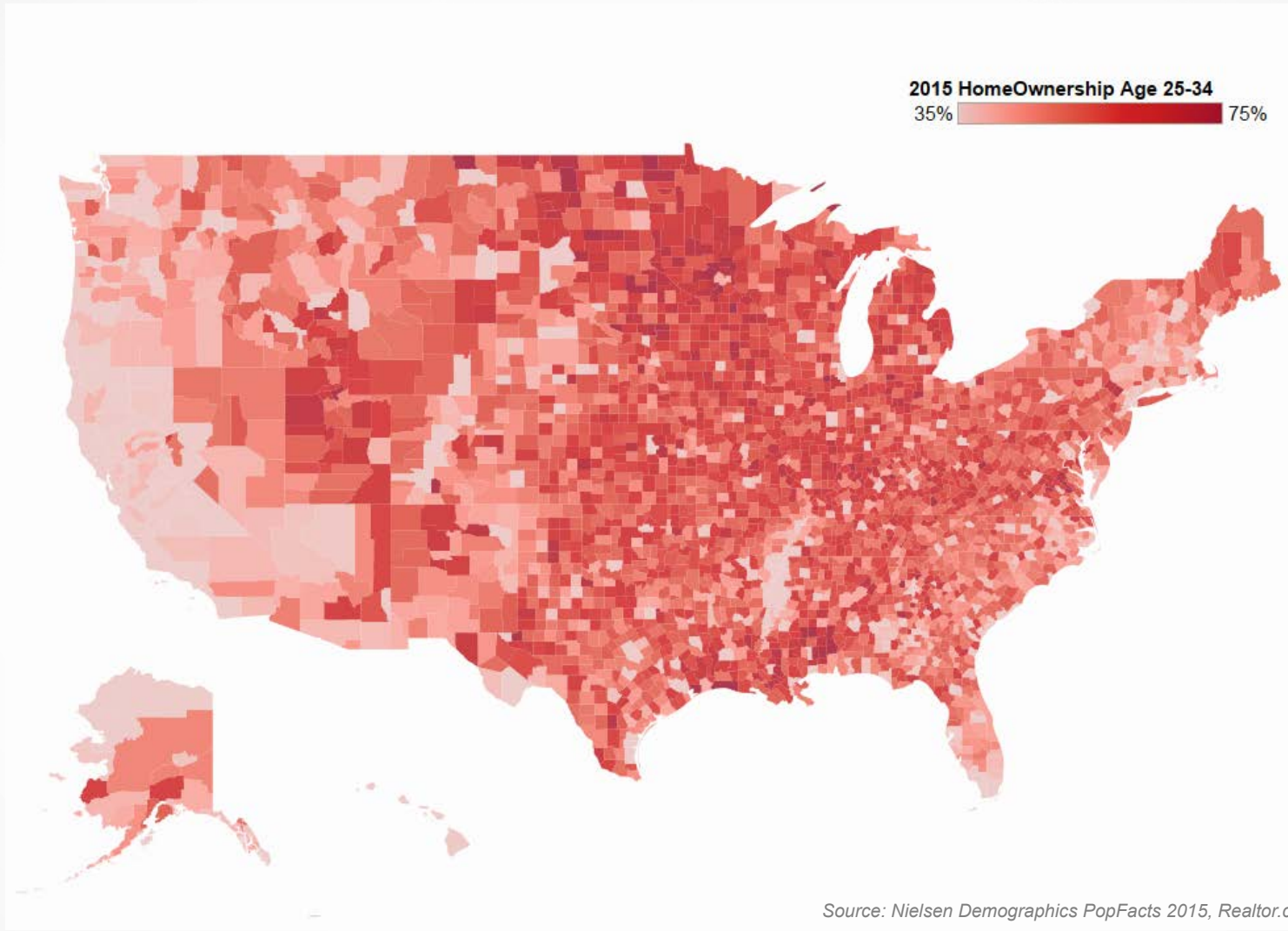
## Year-Over-Year Gains in Civilian Employment



Source: Bureau of Labor Statistics, Realtor.com® Analysis

# MILLENNIAL OWNERSHIP VARIES

Strong correlation with affordable markets

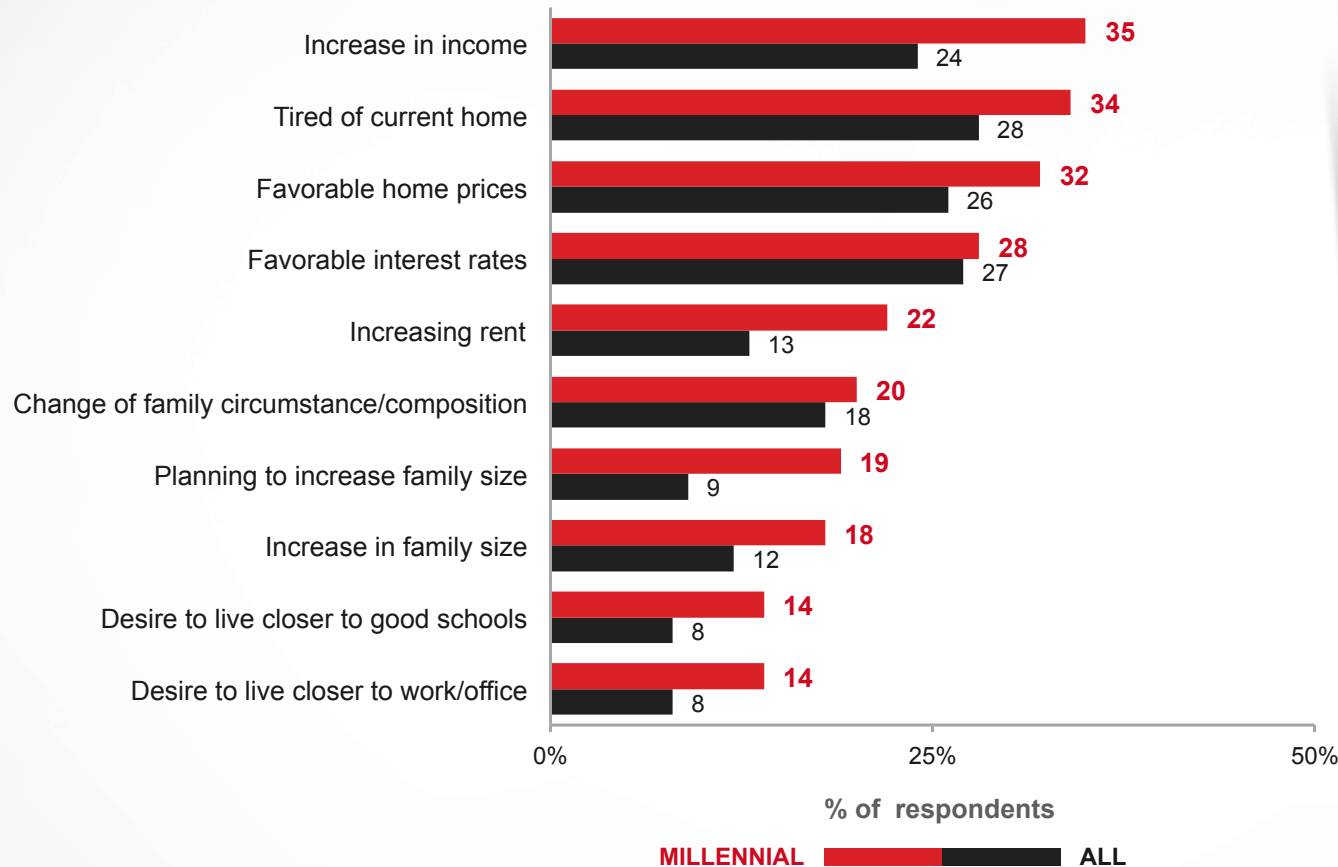


Source: Nielsen Demographics PopFacts 2015, Realtor.com® Analysis

# LIFE DRIVES HOUSING DEMAND

Today's Millennial home shoppers are propelled by success

Top 10 millennial triggers



**69% of Millennial shoppers indicate some form of change in family size\* as a trigger**

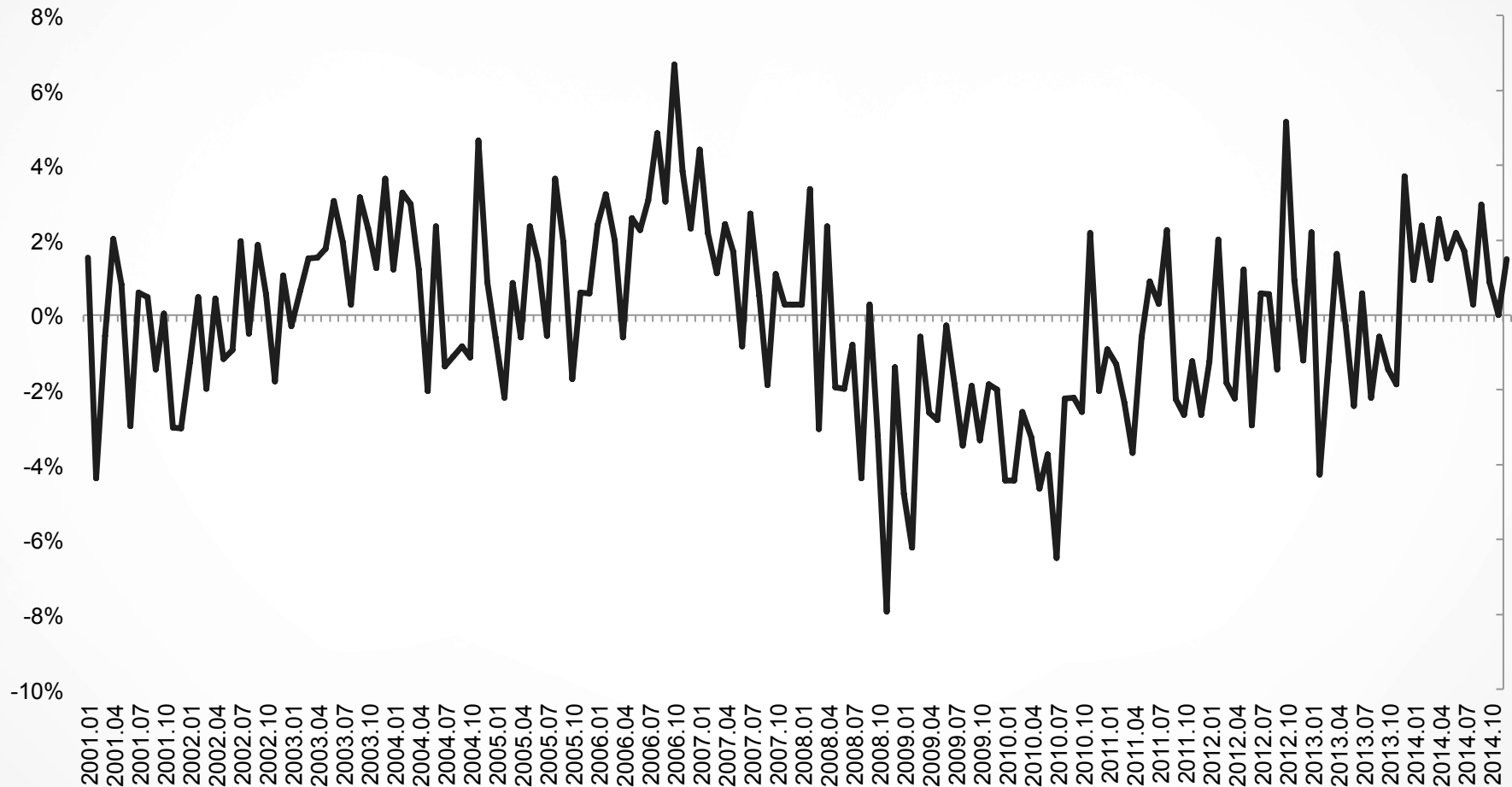
\*Change in Family Size includes: Change of family circumstances/composition, Increase in family size, Decrease in family size, Planning to increase family size, Upcoming decrease in family size, Older parent moving into my home, Getting married/moving in with partner.

Source: BDX Home Shopper Insights Panel, Summer 2015

# BIRTH TREND INCREASING

Baby needs a new pair of shoes and a room of her own

### Live Births, % Change YY



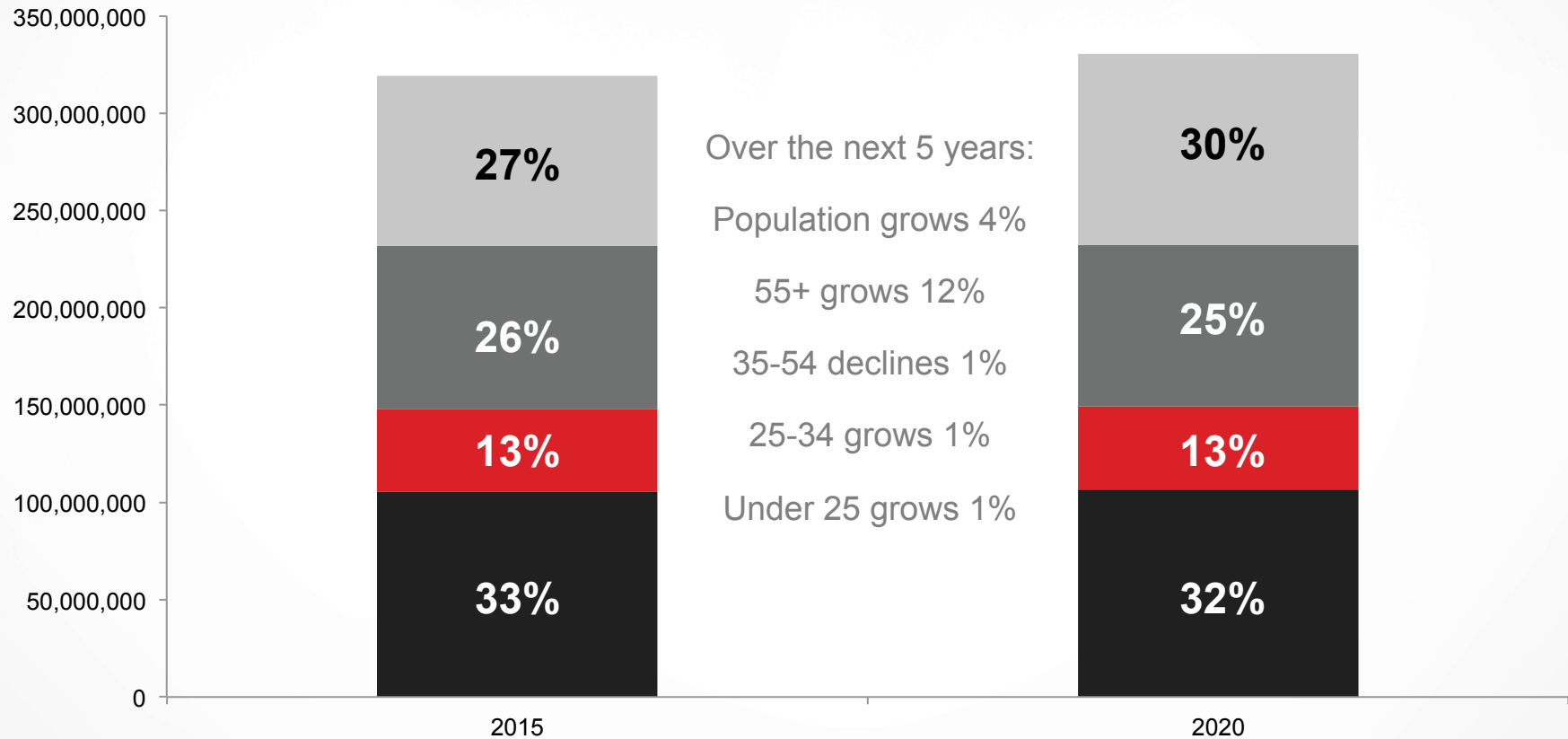
Source: National Vital Statistics Reports, NCHS, Haver Analytics

# BOOMERS KEEP DISTURBING

Boomer wave is causing a major population shift

## Population by Age (United States)

■ Under 25 ■ 25-34 ■ 35-54 ■ 55+



Source: Nielsen Demographics Pop-Facts 2015

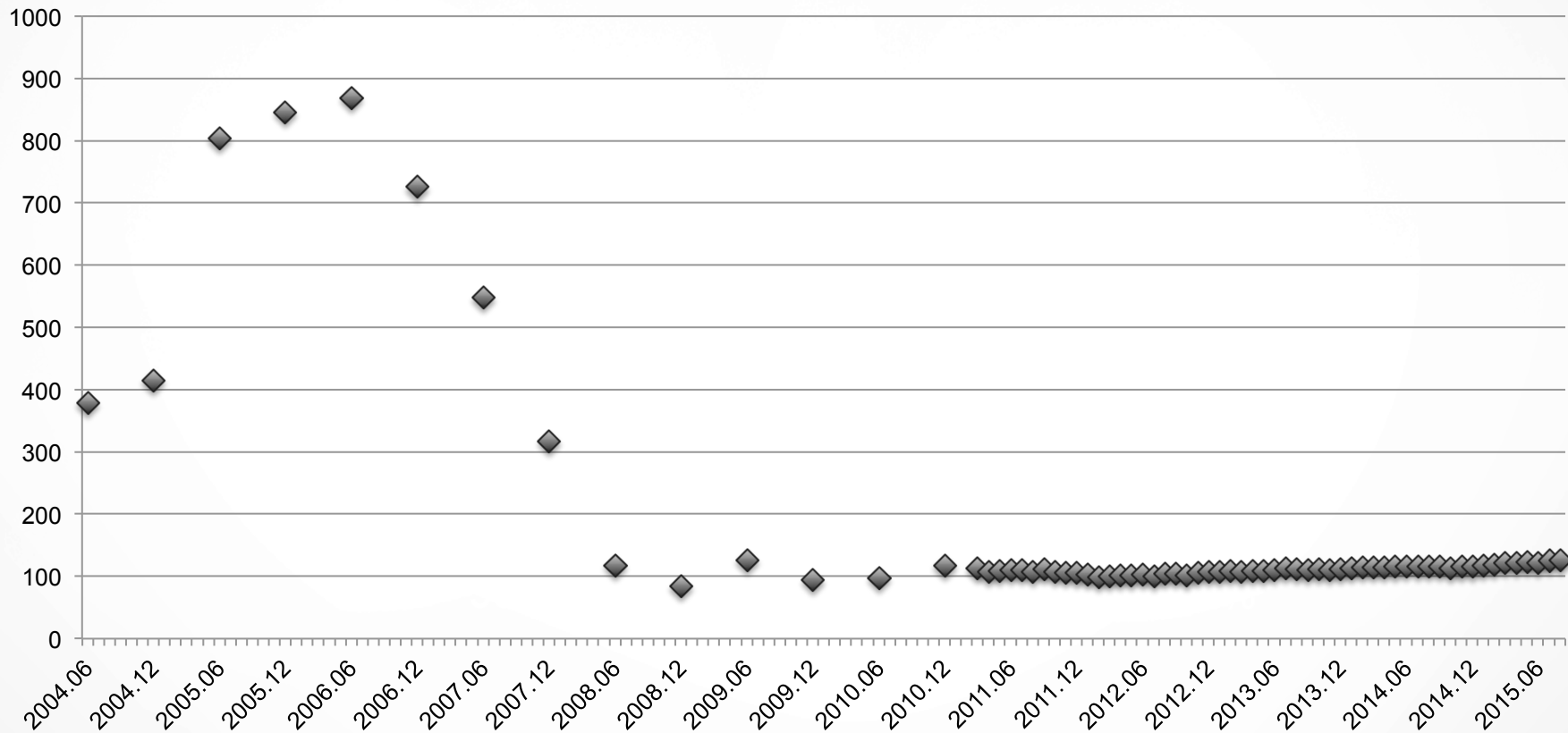
**WE COULD DO  
MORE**



# CREDIT ACCESS SLOWLY IMPROVING

Mortgage access up 8.6% year-over-year in August

**Mortgage Credit Availability Index**  
Mar-2012=100

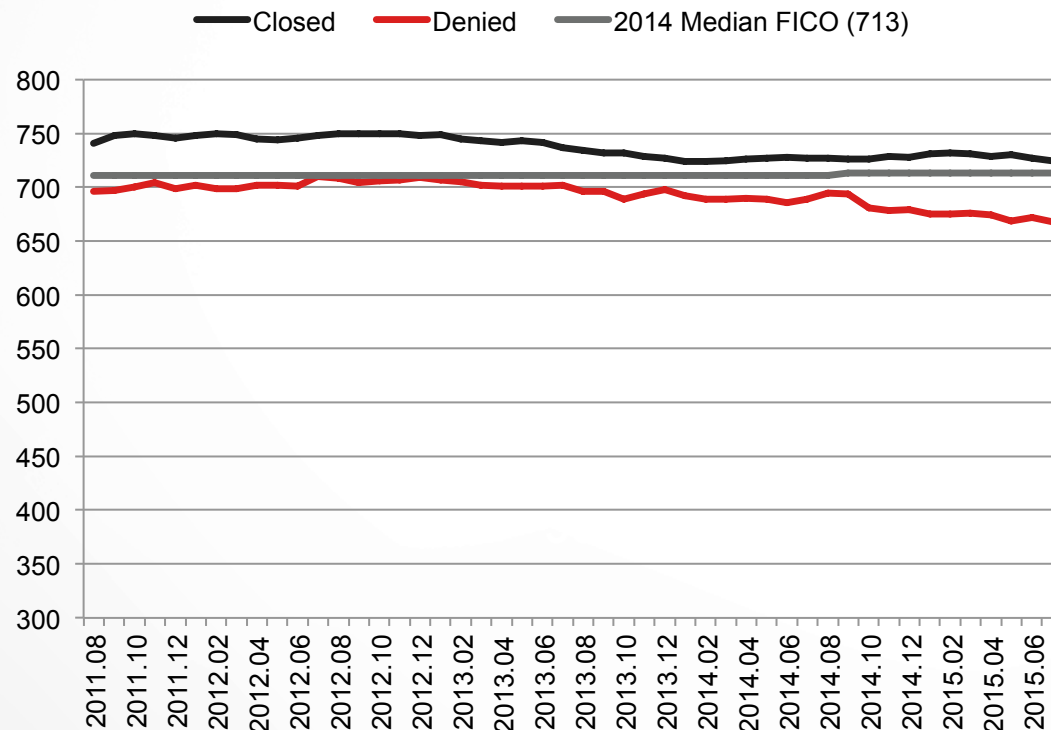


Source: Mortgage Bankers Association, Haver Analytics

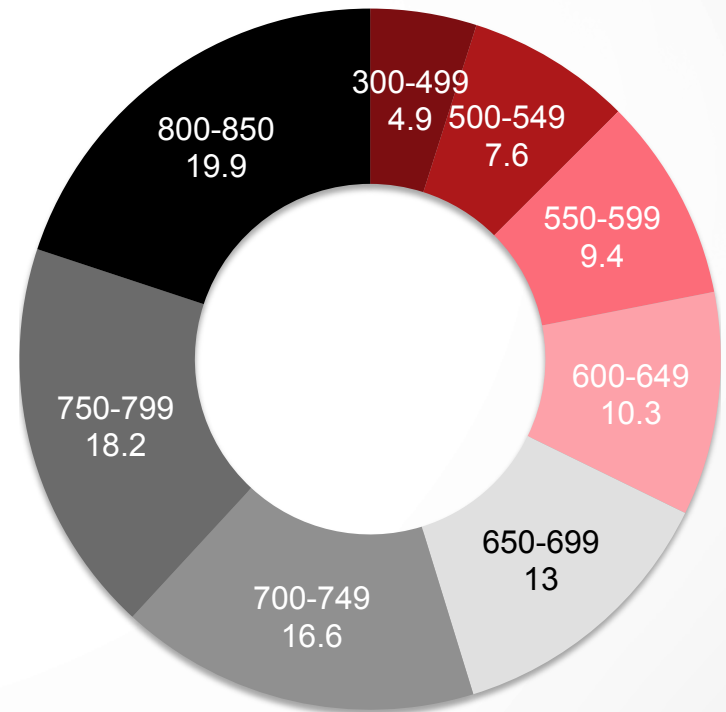
# BUT CREDIT STILL A PROBLEM

In July the average FICO score on a closed mortgage loan was 725; the average denied score was 668

### Average FICO Score by Closed and Denied Applications



### FICO Population Distribution (Apr 2015)



Source: Ellie Mae and Fair Isaac Corporation

# KEY FACTORS COMING TOGETHER

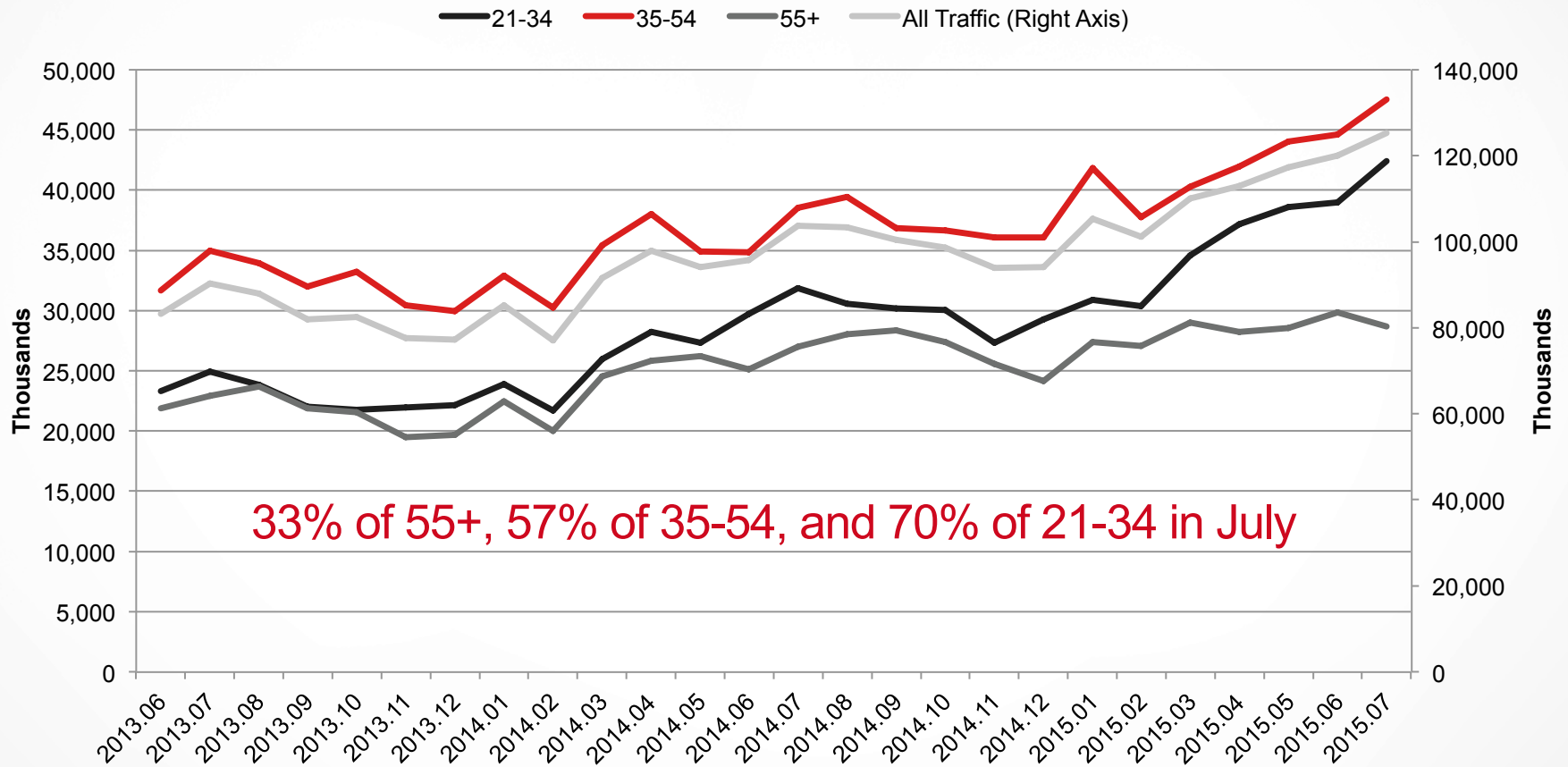
More demand and recovery in first-time buyers

- More jobs
- Millennials reaching tipping point of key 25-34 year range
- More households
- Improved household credit
- More life events
  
- Favorable mortgage rates
- Slightly better credit availability
- FHA more attractive
  
- Late peak in inventory

# DEMAND IN 2015 IS STRONG

Traffic up 21% over July 2014; 21-34 year olds up 33%

## Real Estate Web Unique Visitors by Age

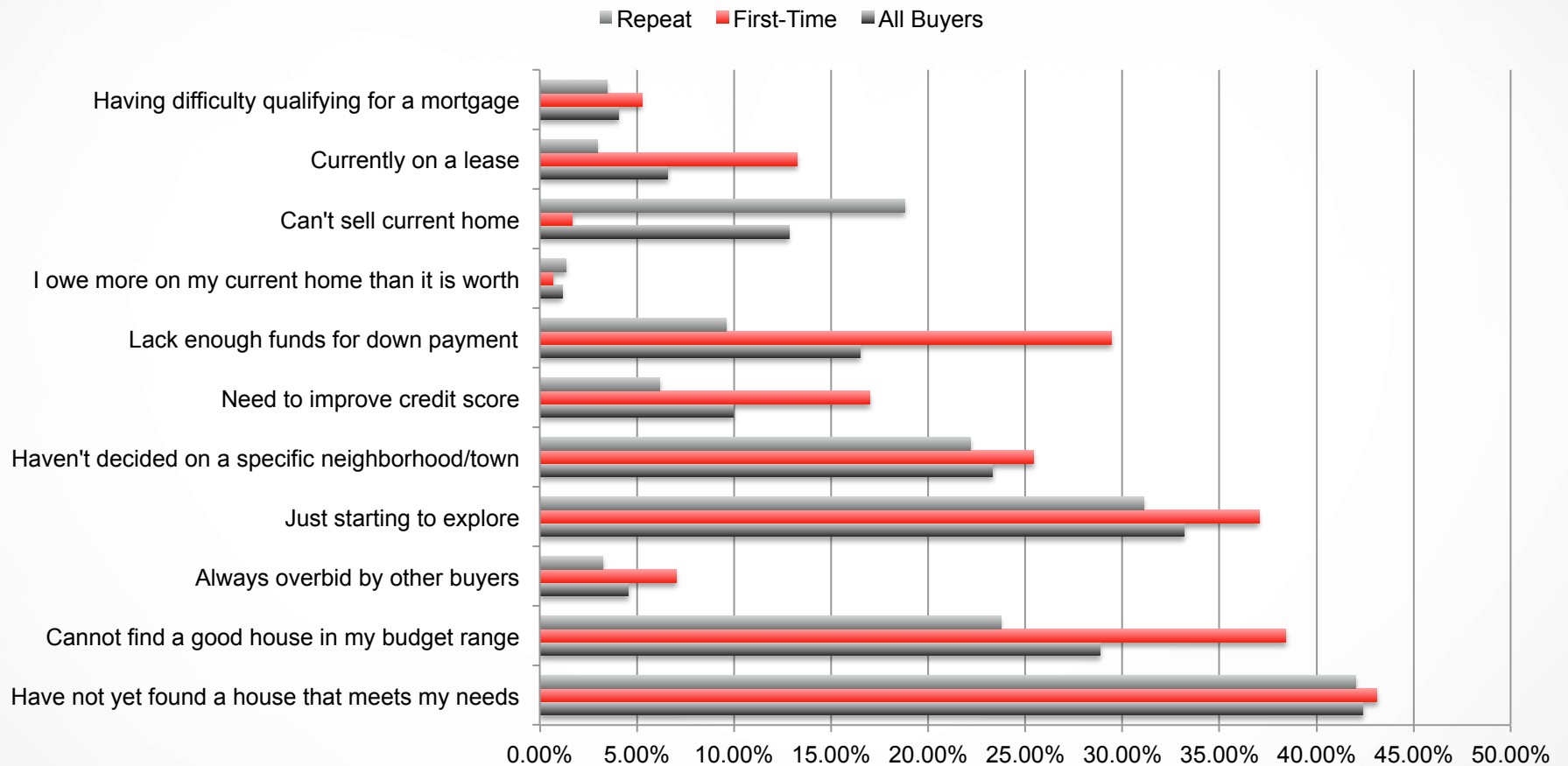


Source: Realtor.com® Analysis of comScore Media Metrix® Real Estate Category Unique Visitor Data

# IMPEDIMENTS TO PURCHASE

Biggest issues for first-timers are supply, time, and down payment

## What's Getting in the Way of Making a Home Purchase?



Source: Realtor.com Survey of Buyer Traffic, August 2015

**THERE IS NO  
SUCH THING AS A  
US HOUSING  
MARKET**

# EVEN MORTGAGE RATES VARY

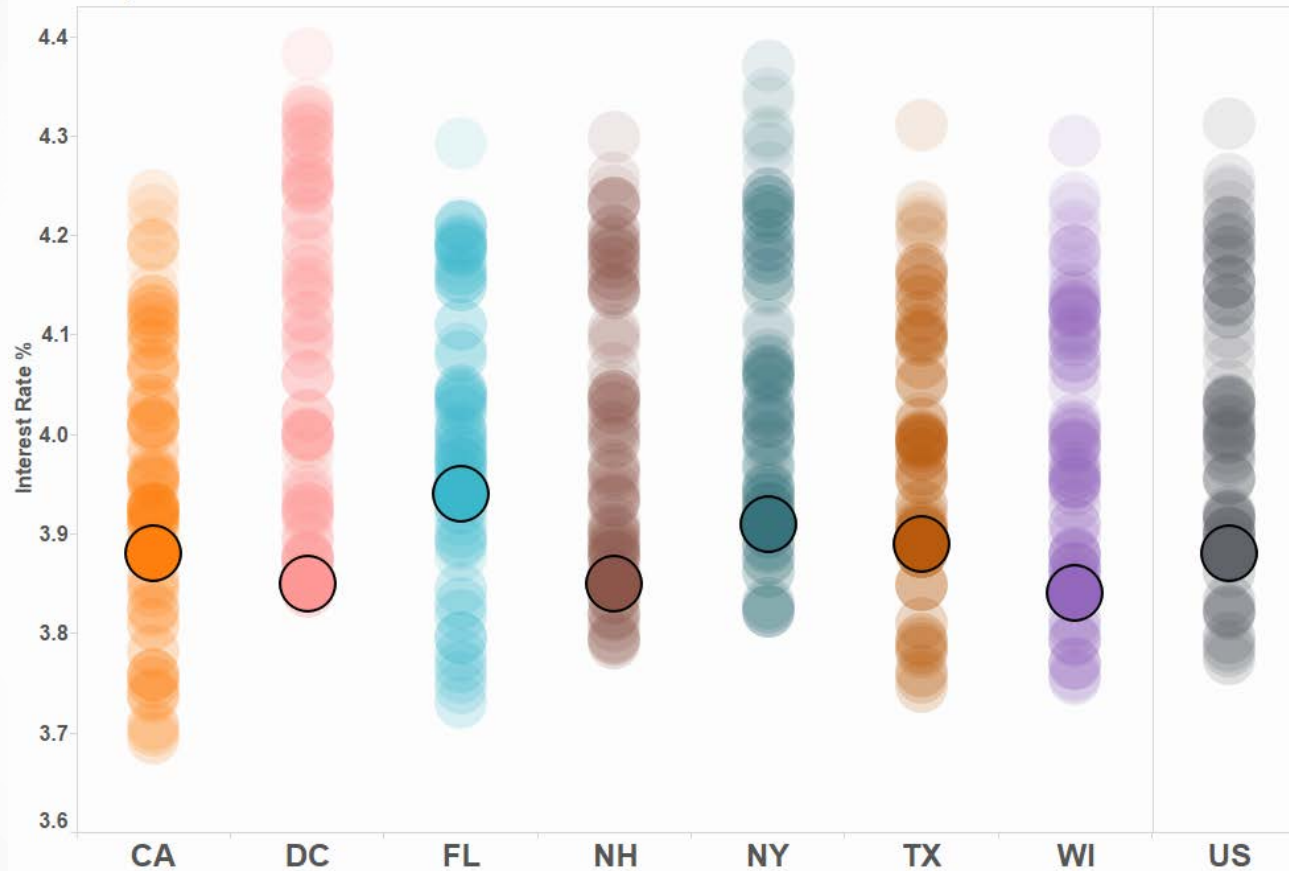
## 30-Year-Fixed in various states

Aug 2014 - Aug 2015

US Rate (September 6, 2015)

ThirtyYear0Pts

3.87



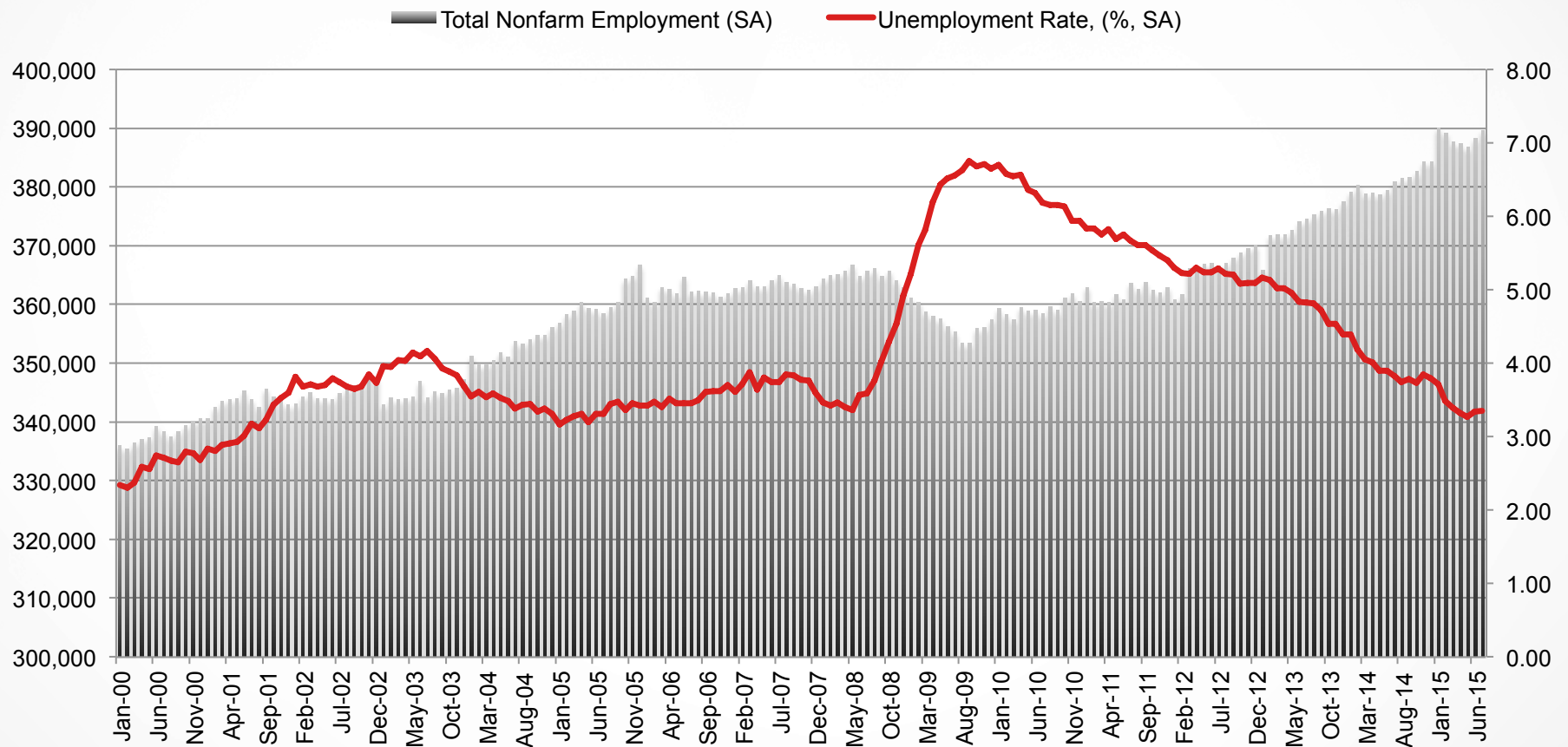
Product No. ThirtyYear0Pts

Week of Rate Date  
September 6, 2015

# RECORD NUMBER OF JOBS

Unemployment rate back down and far better than US overall

## Madison Employment and Unemployment Rate



Source: BLS, Moody's Analytics

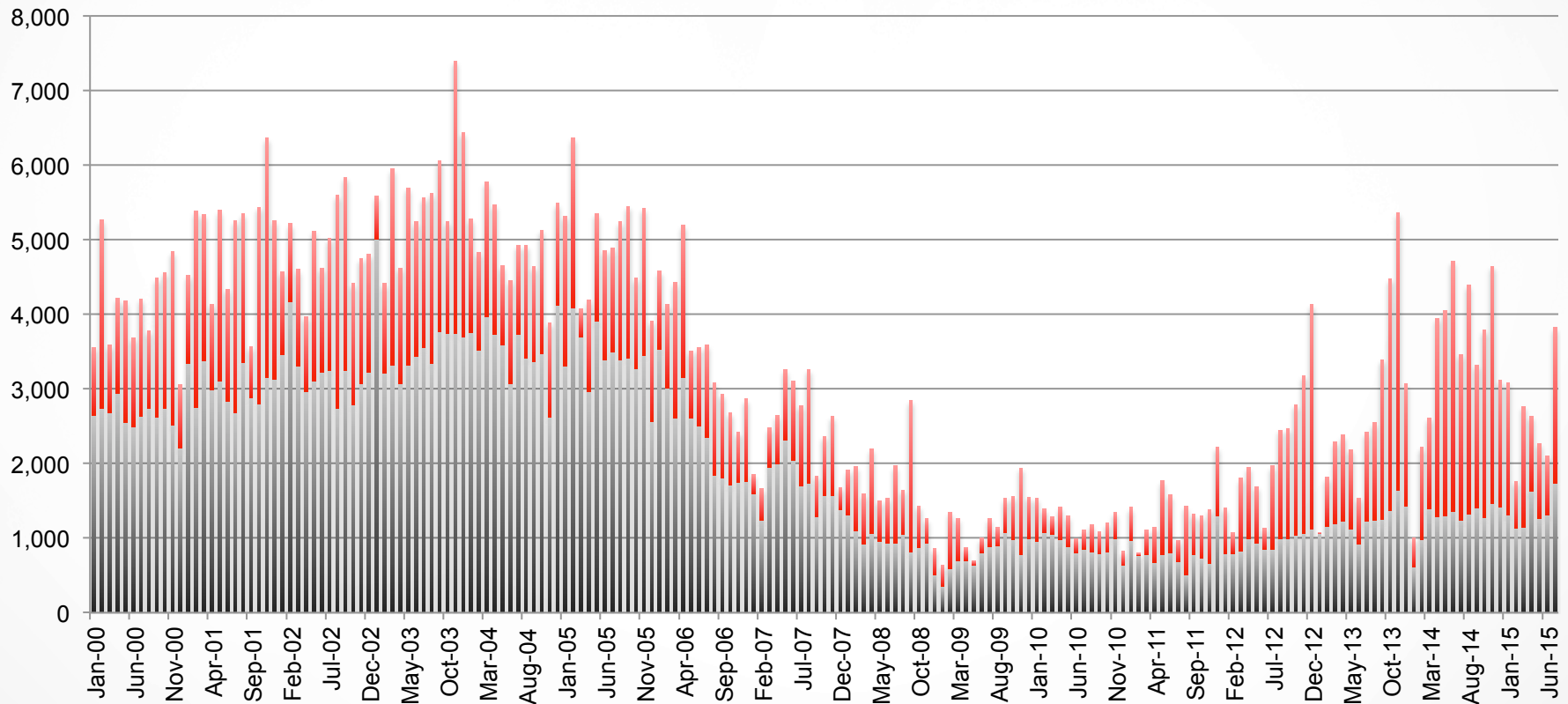


# NEW CONSTRUCTION NOT RECOVERED

Multi-family strong, but single-family far from peak

## New Construction in Madison

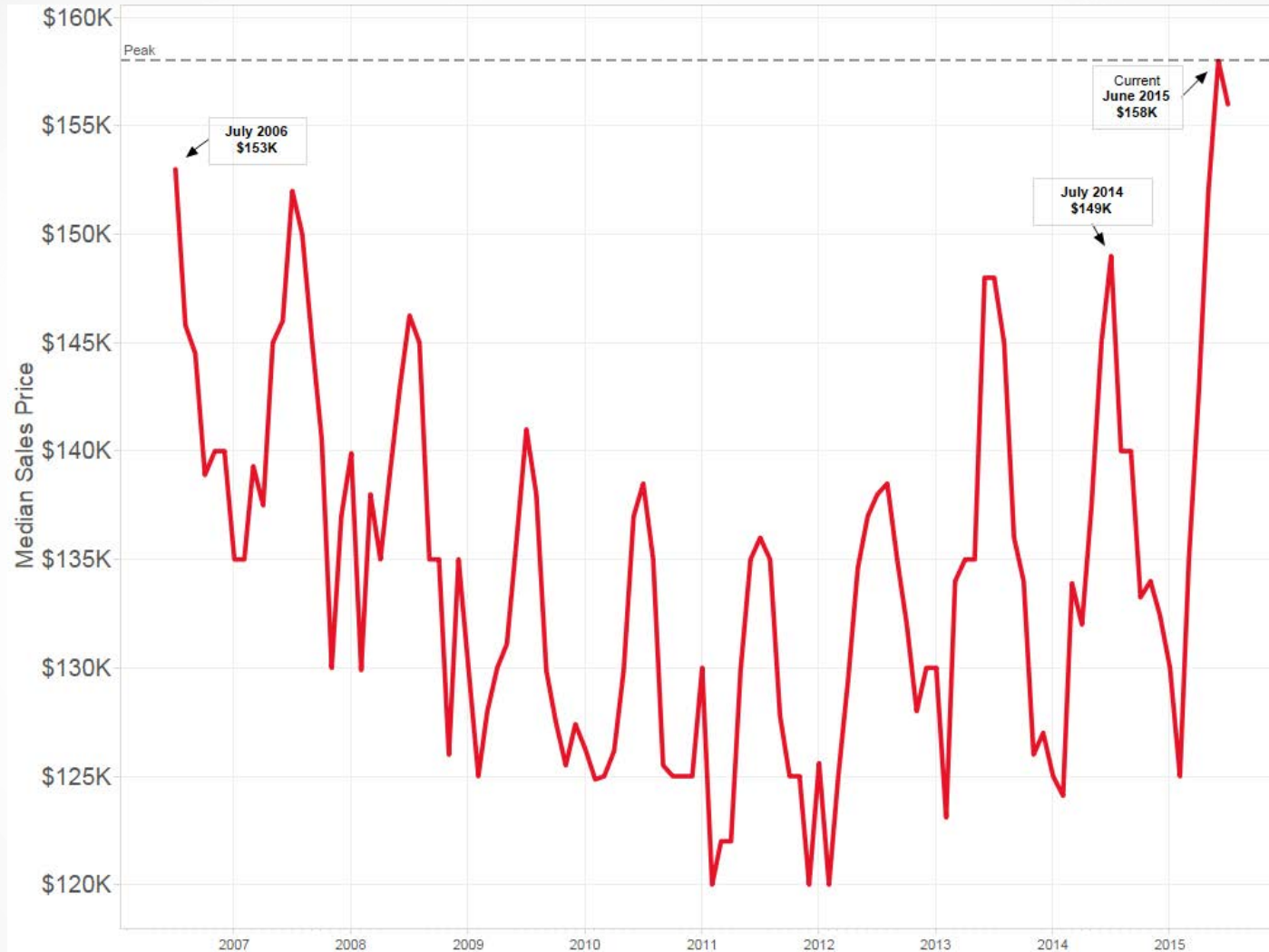
■ Single-Family Starts ■ Multi-Family Starts



Source: Commerce Department, Moody's Analytics

# EXISTING HOME PRICES FOR STATE

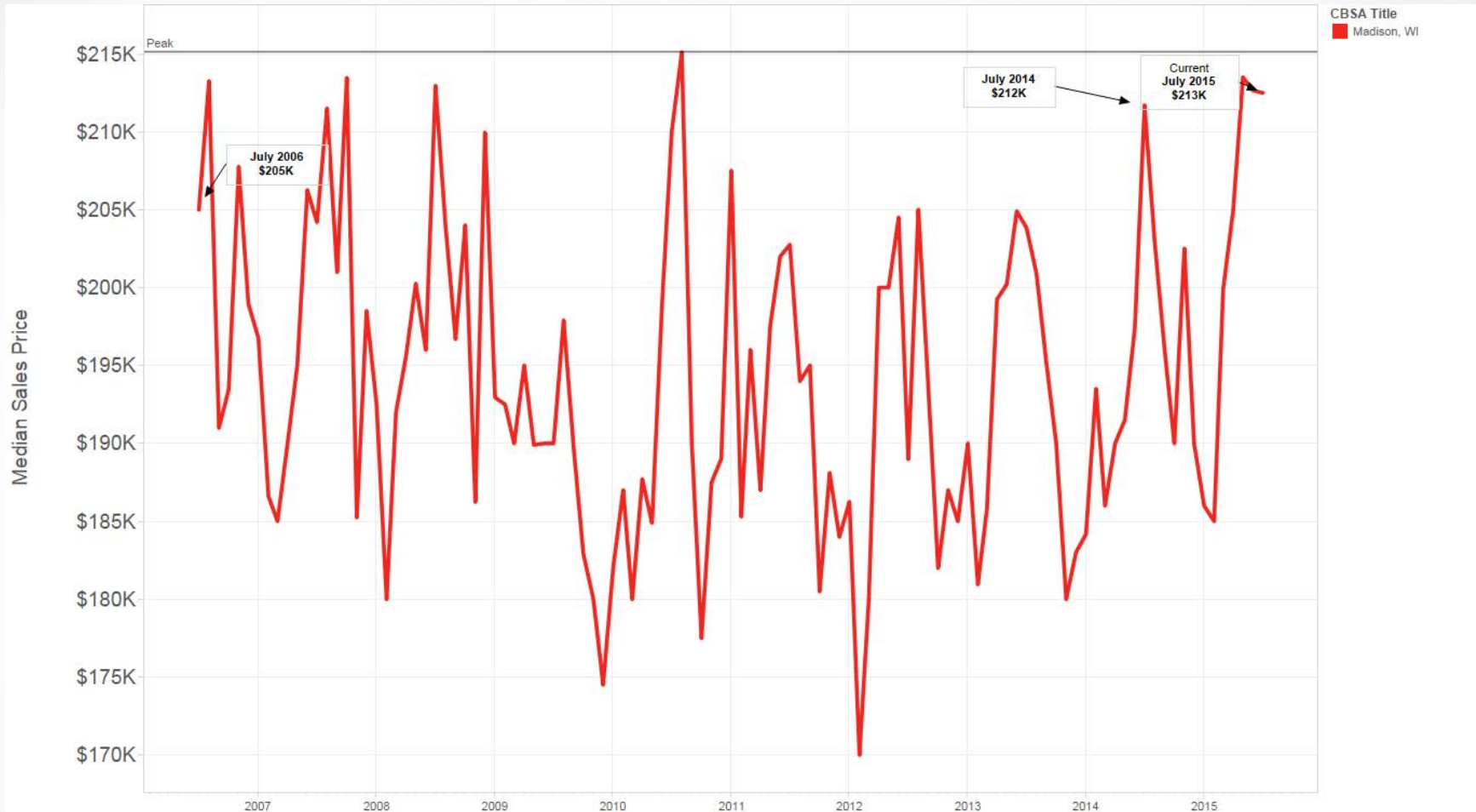
Looking at year-over-year peaks, the state looks recovered



Source: Realtor.com Analysis of Deed Transfers

# MADISON EXISTING HOME PRICES

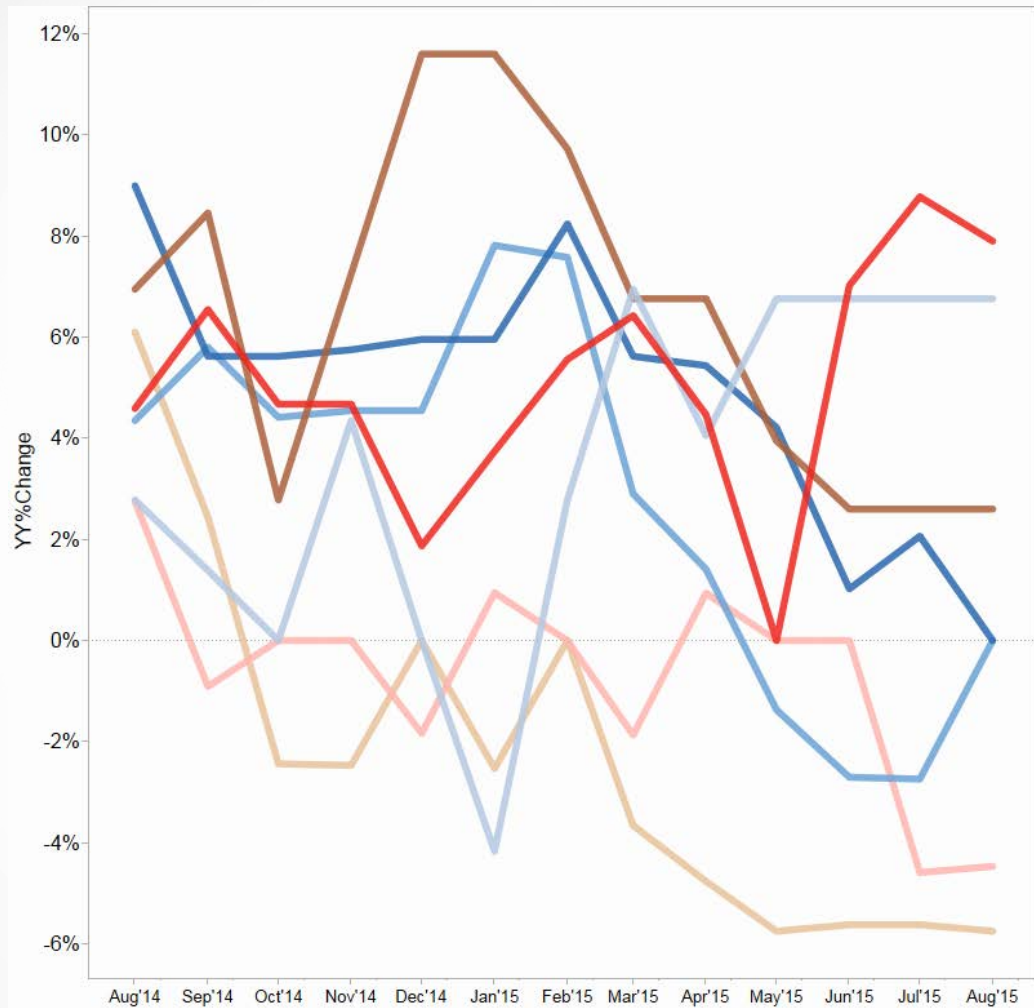
Madison also appears recovered



Source: Realtor.com Analysis of Deed Transfers

# LIST PRICES KEEP SOME MOMENTUM

List prices showing solid year-over-year gains (Aug 2015)



	Median Price	%YY	%MM
	August 2015	August 2015	August 2015
Madison, WI	\$246K	7.9%	-0.8%
Green Bay, WI	\$158K	6.8%	0.0%
Appleton, WI	\$158K	2.6%	0.0%
Oshkosh-Neenah, WI	\$144K	0.0%	1.4%
Milwaukee-Waukesha-West Allis, WI	\$194K	0.0%	-2.0%
Whitewater-Elkhorn, WI	\$214K	-4.5%	2.9%
Racine, WI	\$164K	-5.7%	-2.4%

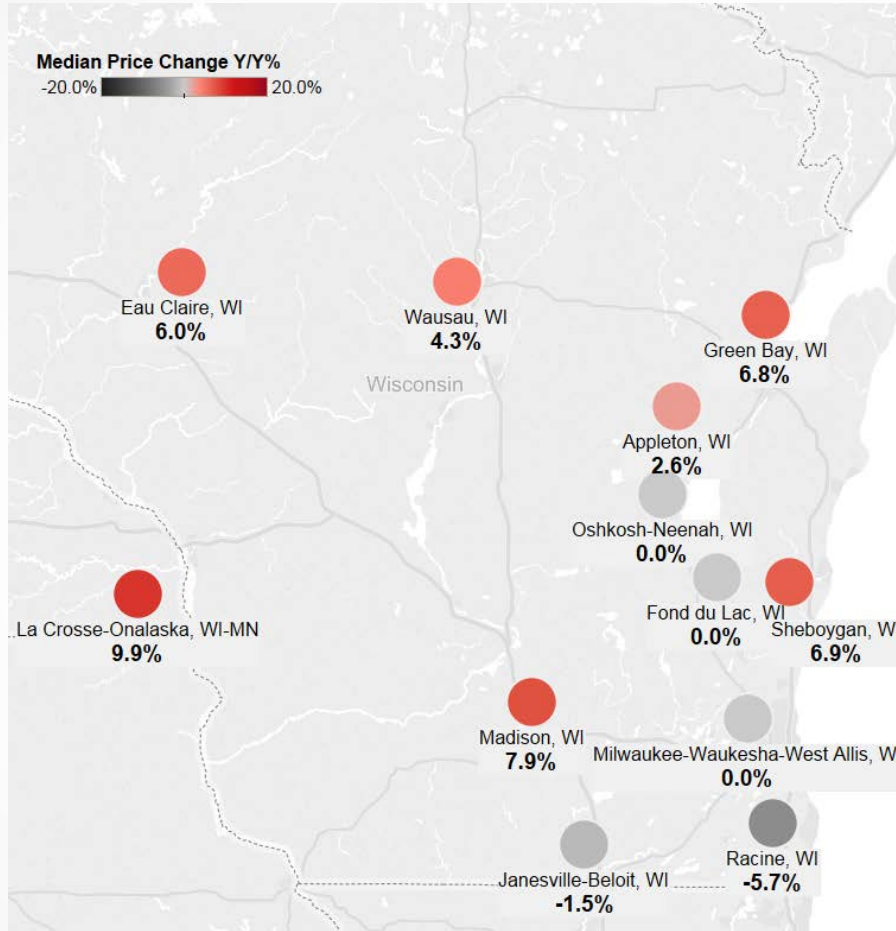
#### Metro

- Madison, WI
- Green Bay, WI
- Appleton, WI
- Milwaukee-Waukesha-West Allis, WI
- Oshkosh-Neenah, WI
- Whitewater-Elkhorn, WI
- Racine, WI

Source: Realtor.com

# Y/Y PRICE VARIATION IN AUGUST

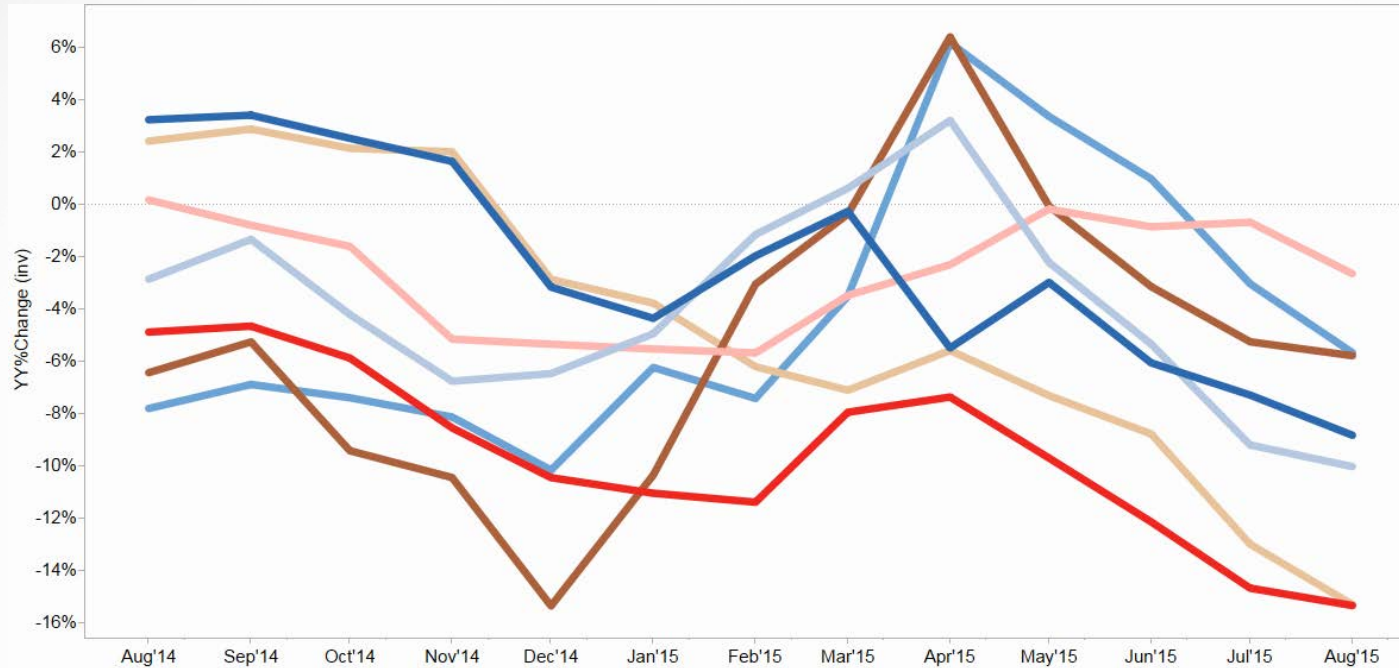
Madison is second fastest appreciating metro (Aug 2015)



Fastest Growing Metros			
	August		
	Y/Y %	Median Price	Active Listings
La Crosse-Onalaska, WI-MN	9.9%	\$178K	540
Madison, WI	7.9%	\$246K	3,870
Sheboygan, WI	6.9%	\$154K	740
Green Bay, WI	6.8%	\$158K	2,349
Eau Claire, WI	6.0%	\$178K	890
Wausau, WI	4.3%	\$144K	1,001
Appleton, WI	2.6%	\$158K	1,464
Fond du Lac, WI	0.0%	\$128K	979
Oshkosh-Neenah, WI	0.0%	\$144K	1,280
Milwaukee-Waukesha-West Allis, WI	0.0%	\$194K	8,223
Janesville-Beloit, WI	-1.5%	\$134K	1,163
Racine, WI	-5.7%	\$164K	1,360

# INVENTORY REMAINS TIGHT

Madison saw fewer homes for sale than last year all year



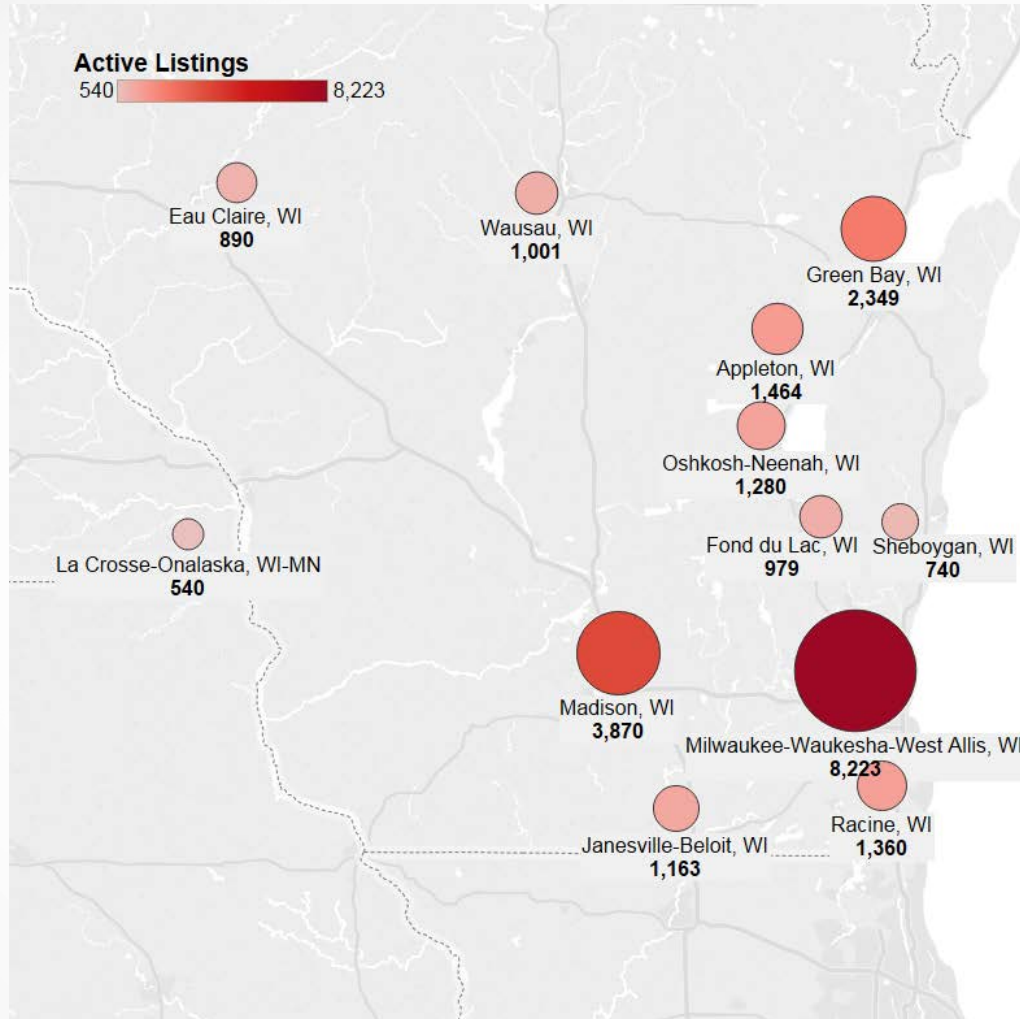
County	Active Listings August 2015	YY Change August 2015	MM Change August 2015
Milwaukee-Waukesha-West Allis, WI	8,223	-8.84%	-2.94%
Madison, WI	3,870	-15.35%	-2.86%
Green Bay, WI	2,349	-10.03%	-2.73%
Whitewater-Elkhorn, WI	1,724	-2.65%	-0.98%
Appleton, WI	1,464	-5.79%	-0.88%
Racine, WI	1,360	-15.32%	-0.80%
Oshkosh-Neenah, WI	1,280	-5.67%	-2.07%

- Metro**
- Milwaukee-Waukesha-West Allis, WI
  - Madison, WI
  - Green Bay, WI
  - Whitewater-Elkhorn, WI
  - Appleton, WI
  - Racine, WI
  - Oshkosh-Neenah, WI

Source: Realtor.com

# ACTIVE INVENTORY

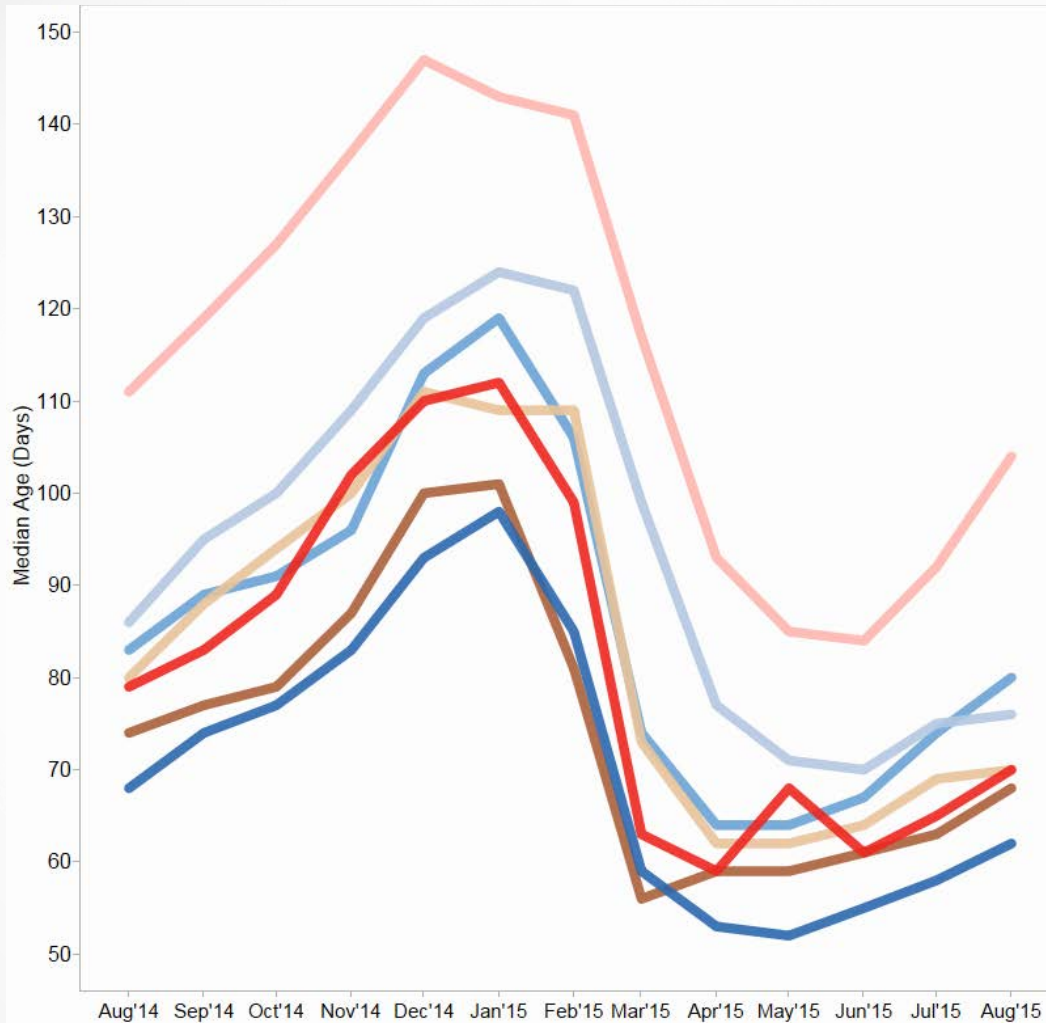
Madison has second largest inventory in the state (Aug 2015)



Top Metros by Inventory Volume			
	Active Listings	Median Age (days)	Median Price
Milwaukee-Waukesha-West Allis, WI	8,223	62	\$194K
Madison, WI	3,870	70	\$246K
Green Bay, WI	2,349	76	\$158K
Appleton, WI	1,464	68	\$158K
Racine, WI	1,360	70	\$164K
Oshkosh-Neenah, WI	1,280	80	\$144K
Janesville-Beloit, WI	1,163	81	\$134K
Wausau, WI	1,001	77	\$144K
Fond du Lac, WI	979	89	\$128K
Eau Claire, WI	890	83	\$178K
Sheboygan, WI	740	87	\$154K
La Crosse-Onalaska, WI-MN	540	52	\$178K

# AGE OF INVENTORY DOWN

Inventory moving faster year-over-year (Aug 2015)



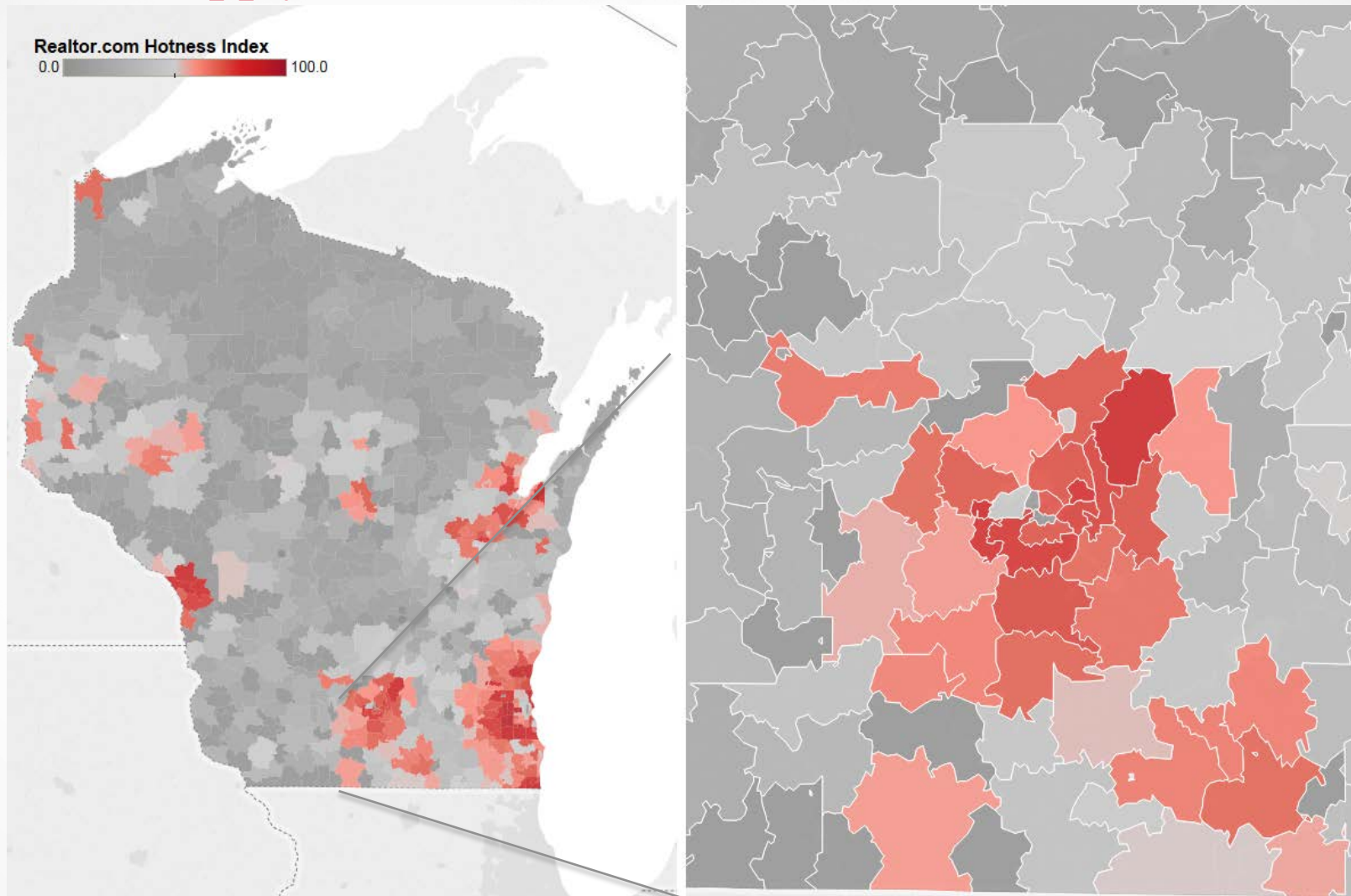
	Median Age (days)	% Y/Y Change	% M/M Change
	August 2015	August 2015	August 2015
Racine, WI	70	-12.5%	1.4%
Green Bay, WI	76	-11.6%	1.3%
Madison, WI	70	-11.4%	7.7%
Milwaukee-Waukesha-West Allis, WI	62	-8.8%	6.9%
Appleton, WI	68	-8.1%	7.9%
Whitewater-Elkhorn, WI	104	-6.3%	13.0%
Oshkosh-Neenah, WI	80	-3.6%	8.1%

- Metro**
- Milwaukee-Waukesha-West Allis, WI
  - Madison, WI
  - Green Bay, WI
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  - Appleton, WI
  - Racine, WI
  - Oshkosh-Neenah, WI



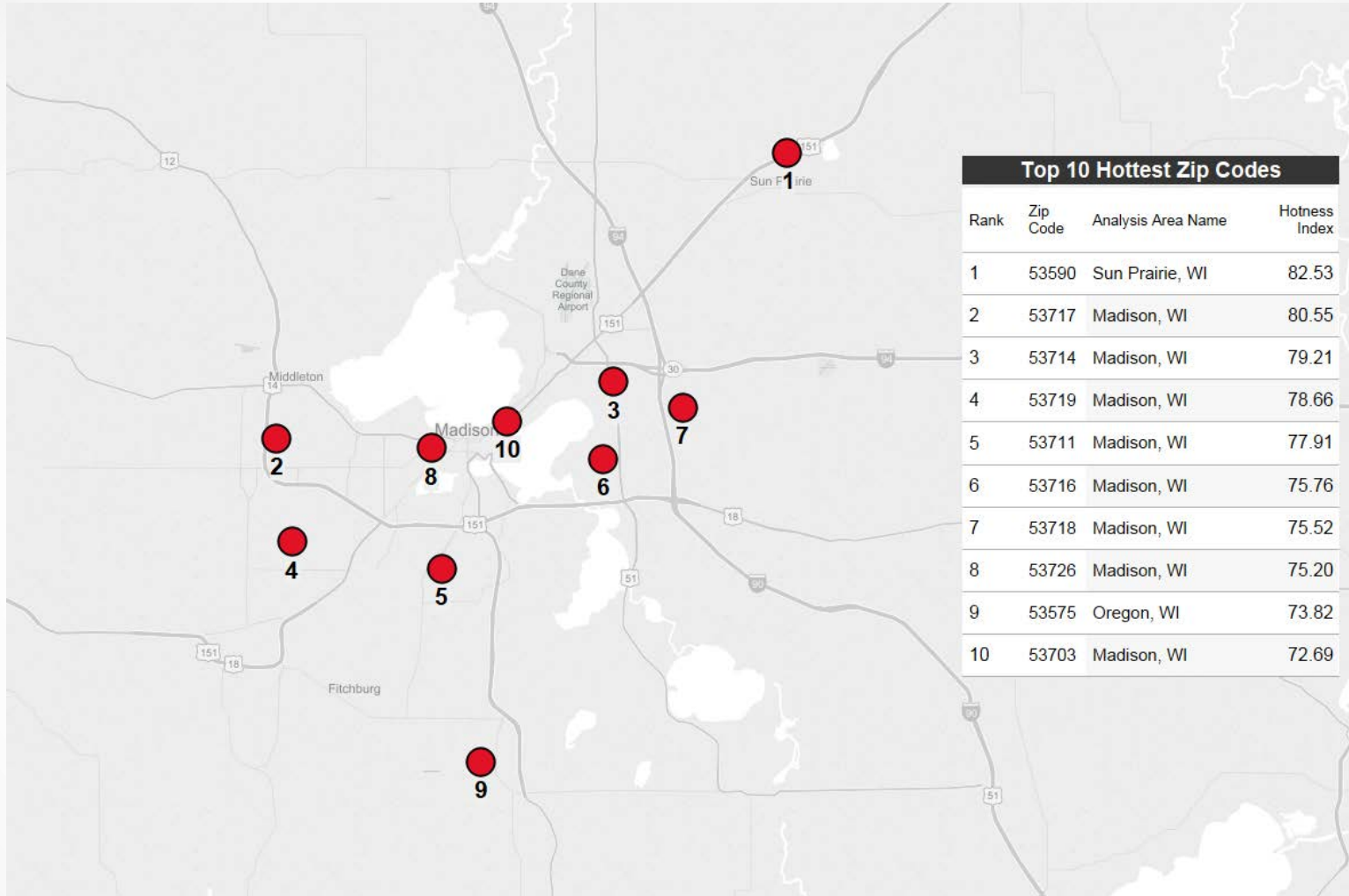
# HOTTEST ZIPS THIS YEAR

Based on Supply and Demand



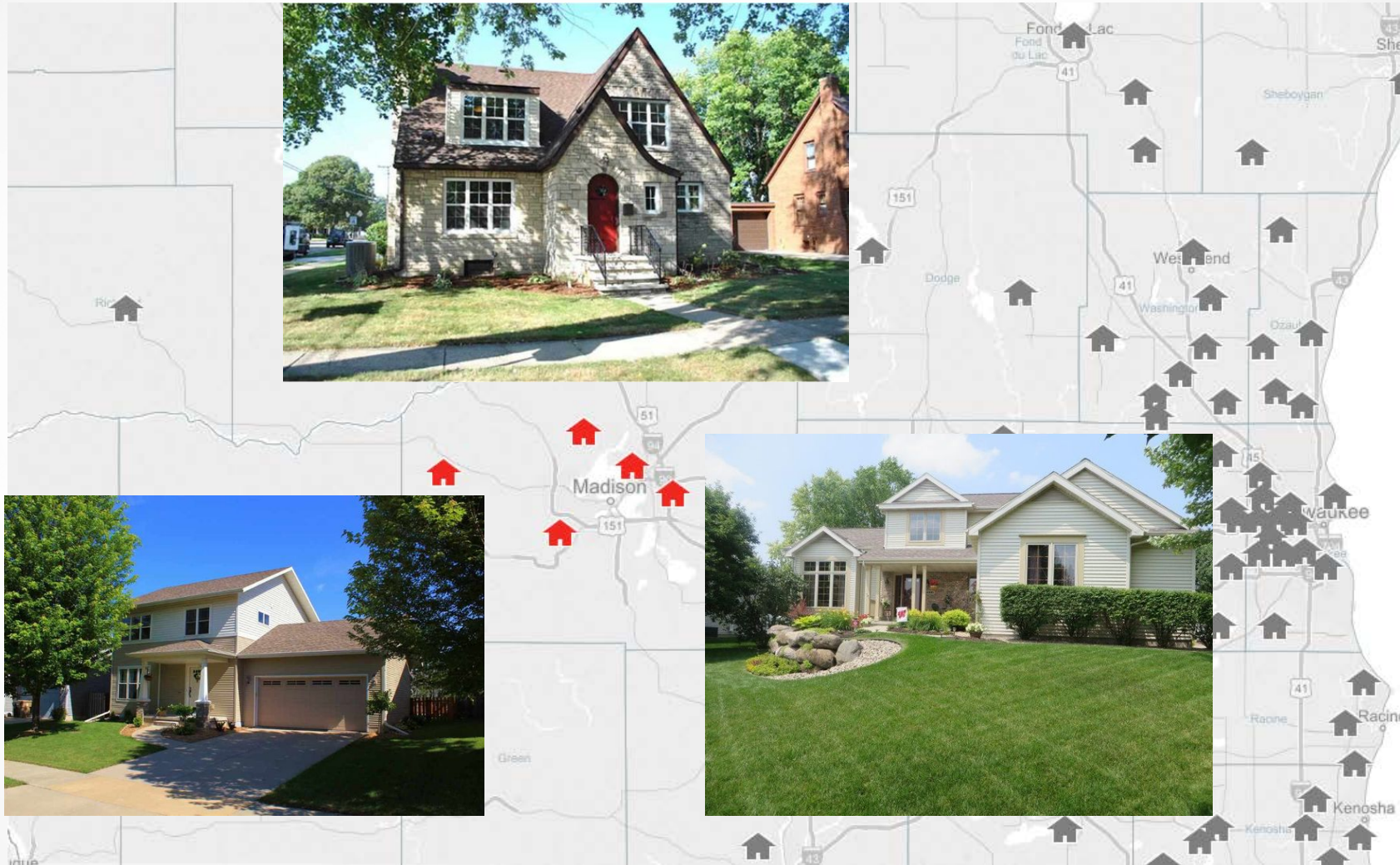
# HOTTEST ZIPS THIS YEAR

Based on Supply and Demand (Madison MSA)



# HOTTEST HOMES LAST 90 DAYS

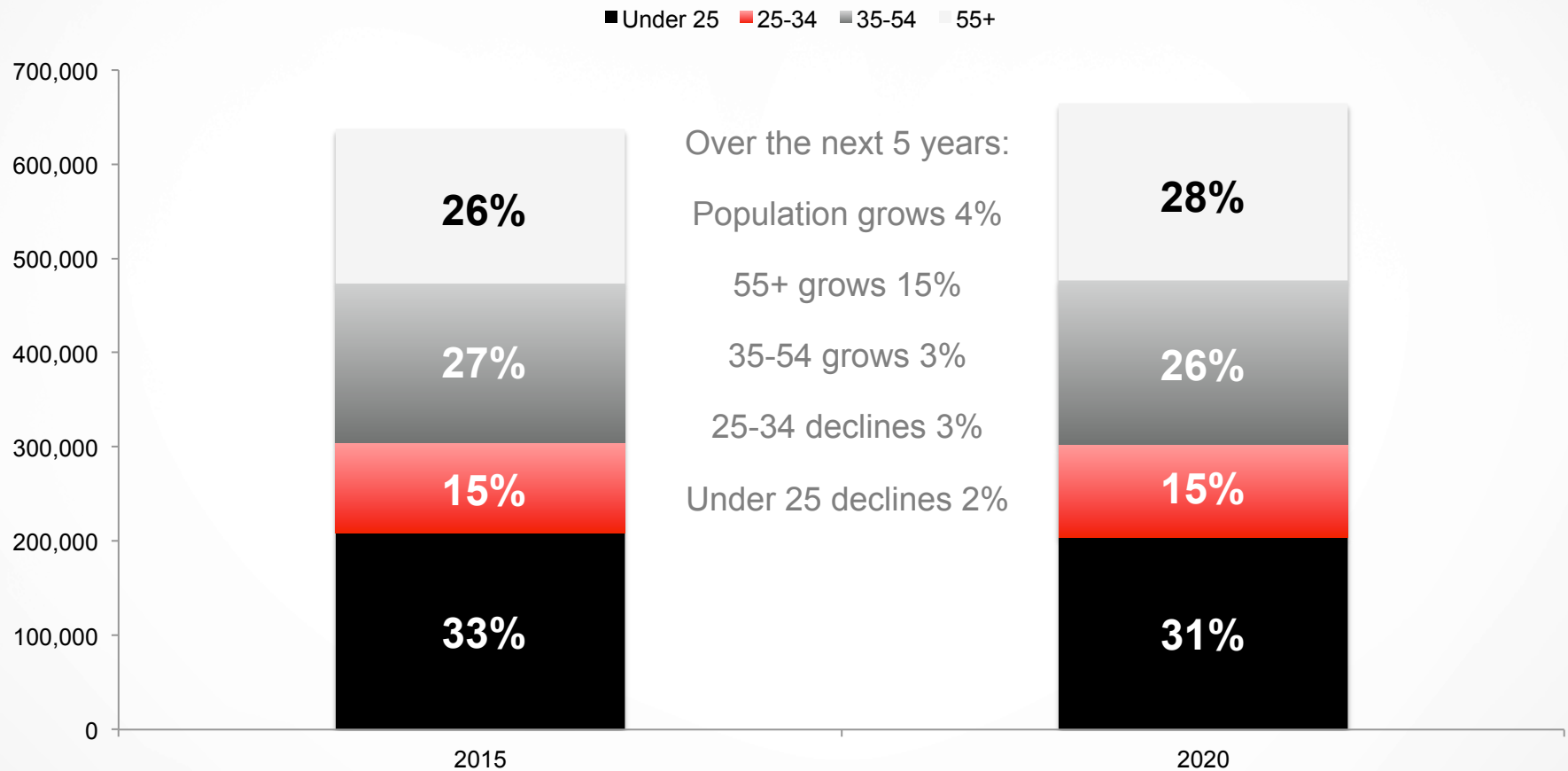
6 of the 200 Hottest Listings in WI Are In Madison MSA



# OLDER SHIFT IN MADISON TOO

Over 55 grows from smaller base but market remains young

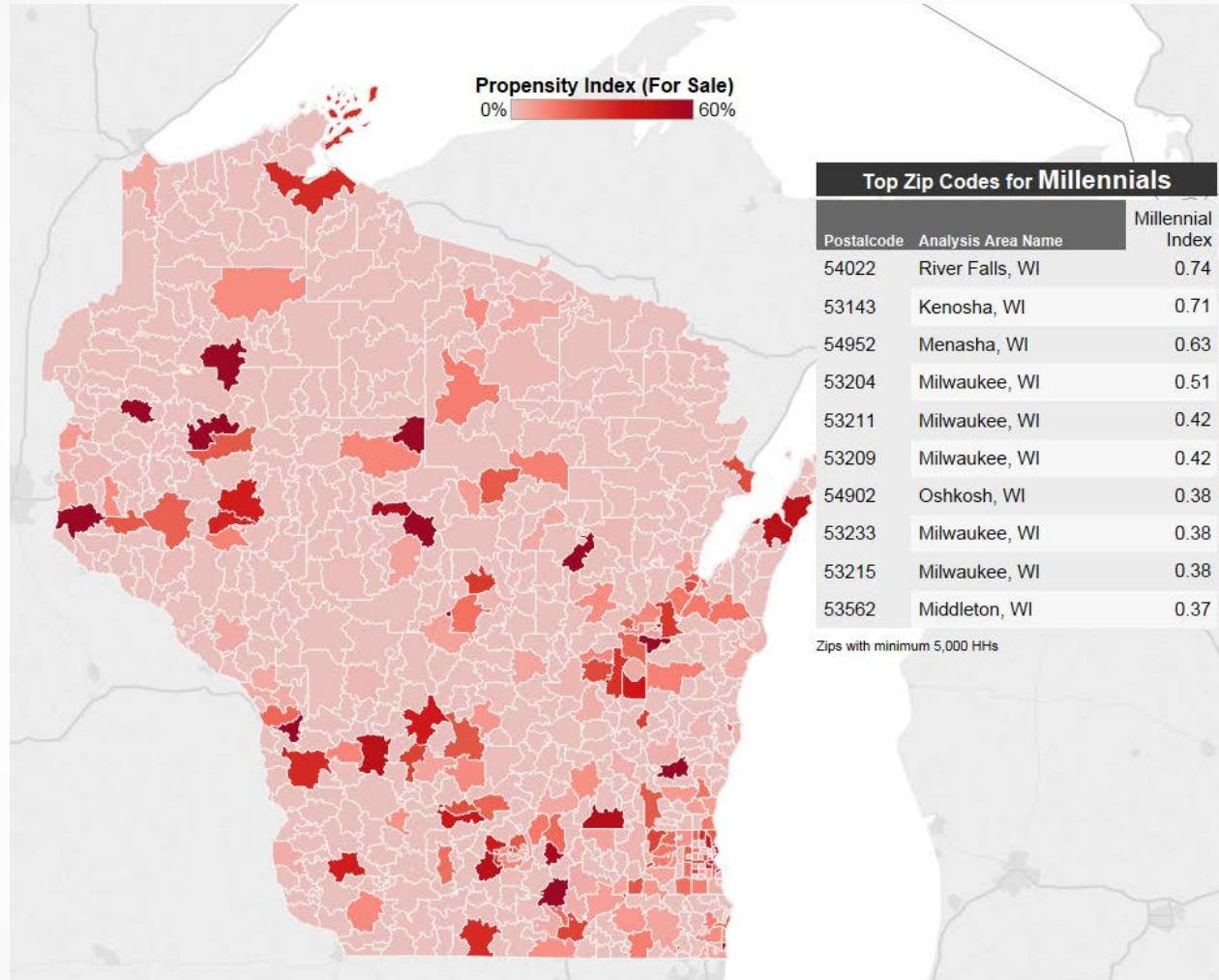
## Population by Age (Madison)



Source: Nielsen Demographics Pop-Facts 2015

# MILLENNIAL PROPENSITY

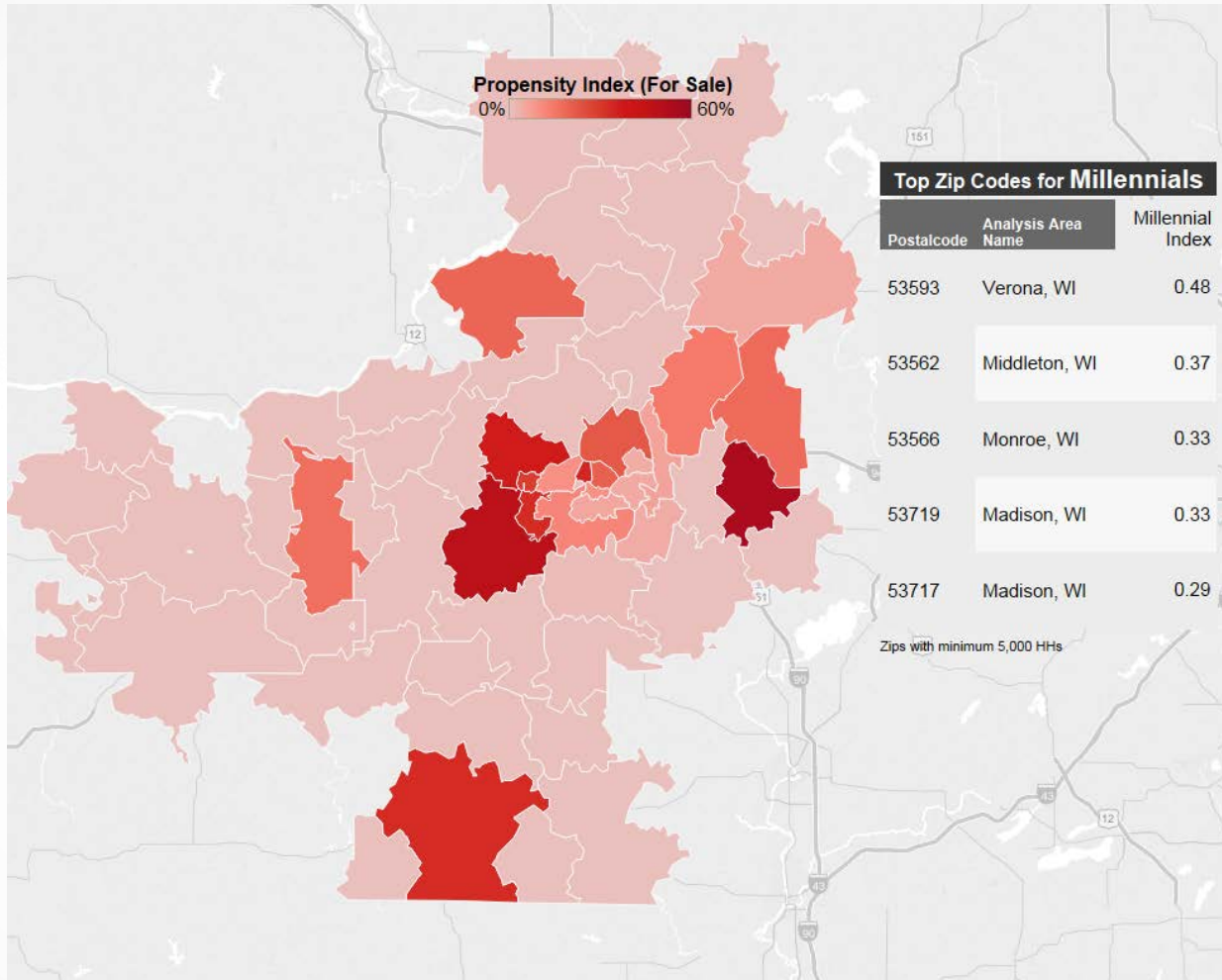
25-34 interest relative to other age groups (April 2015)



Source: Realtor.com

# FOCUS ON MADISON

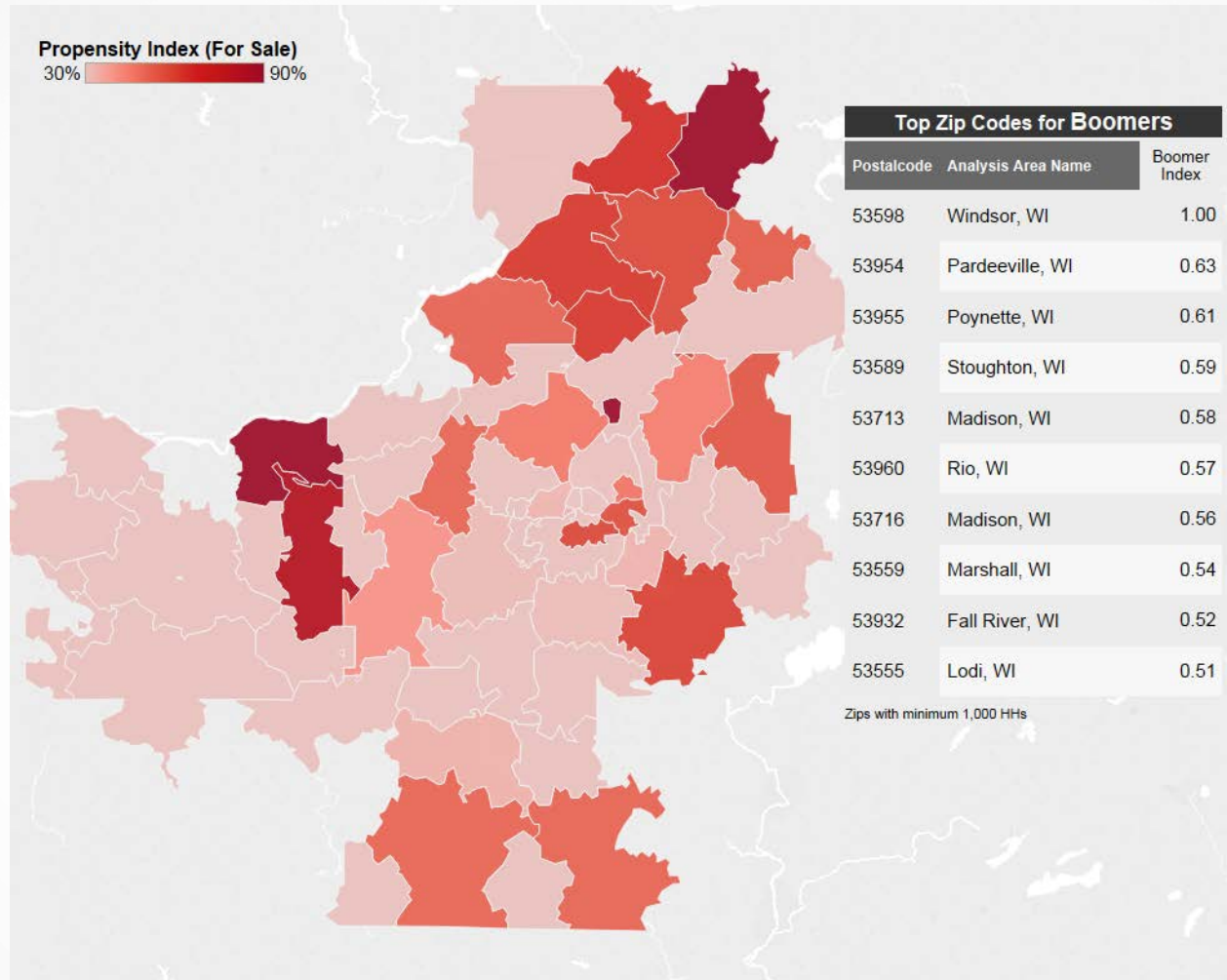
25-34 interest relative to other age groups (April 2015)



Source: Realtor.com

# FOCUS ON MADISON

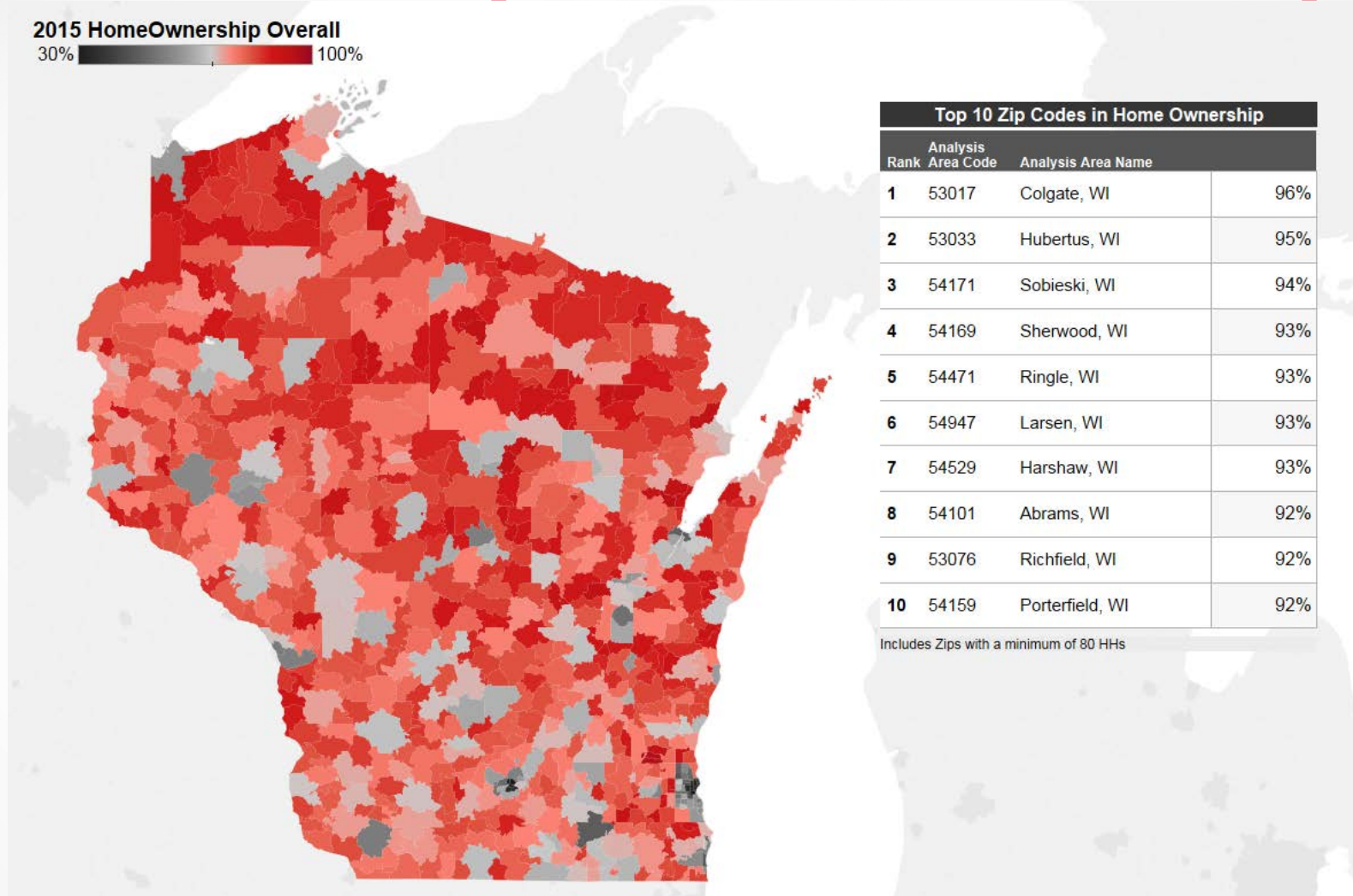
50-64 interest relative to other age groups (April 2015)



Source: Realtor.com

# HOME OWNERSHIP IS STRONG

Overall home ownership rates well above nation in 9/10 Zips

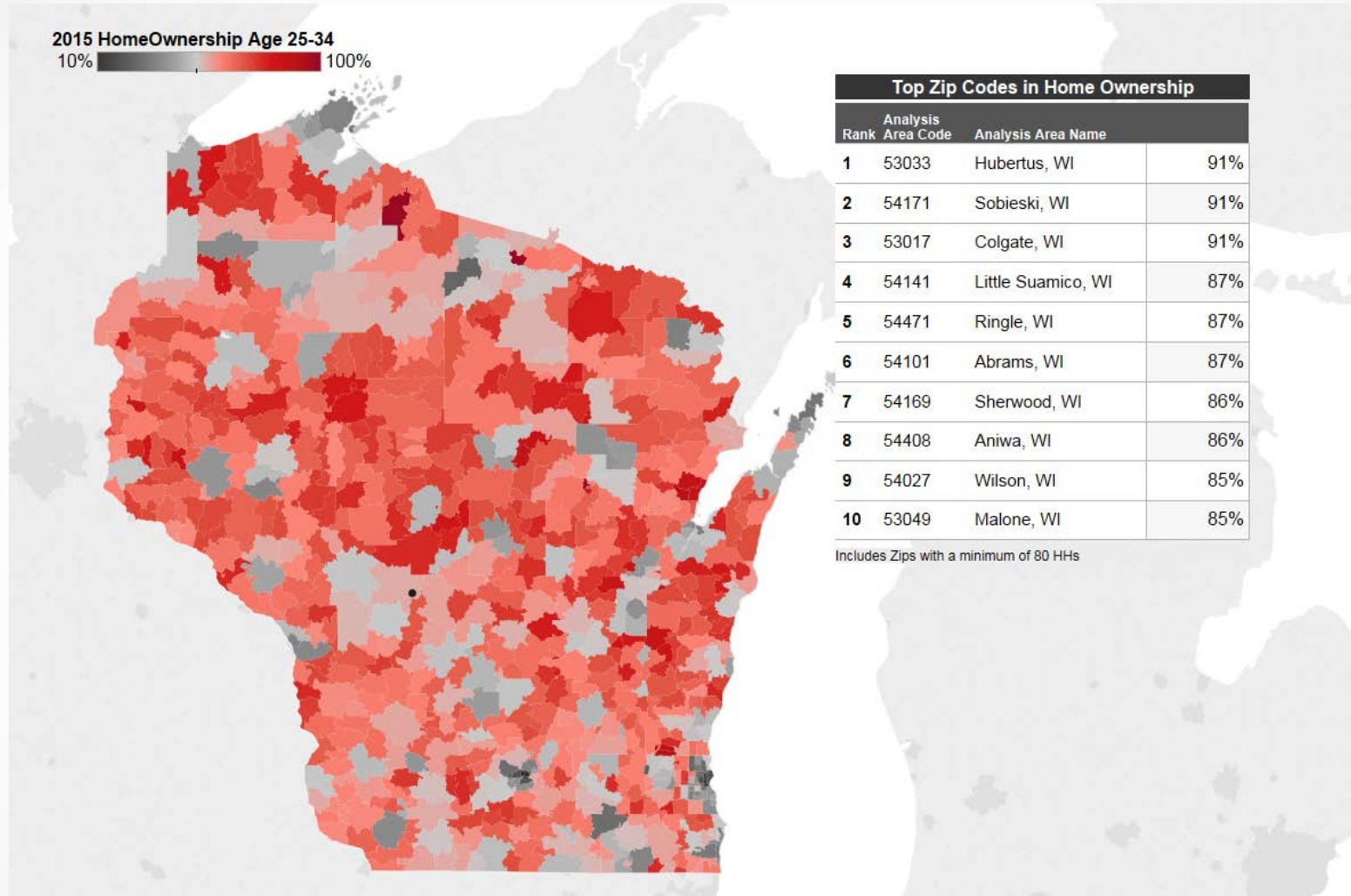


Source: Nielsen Demographics Pop-Facts 2015



# MILLENNIAL OWNERSHIP

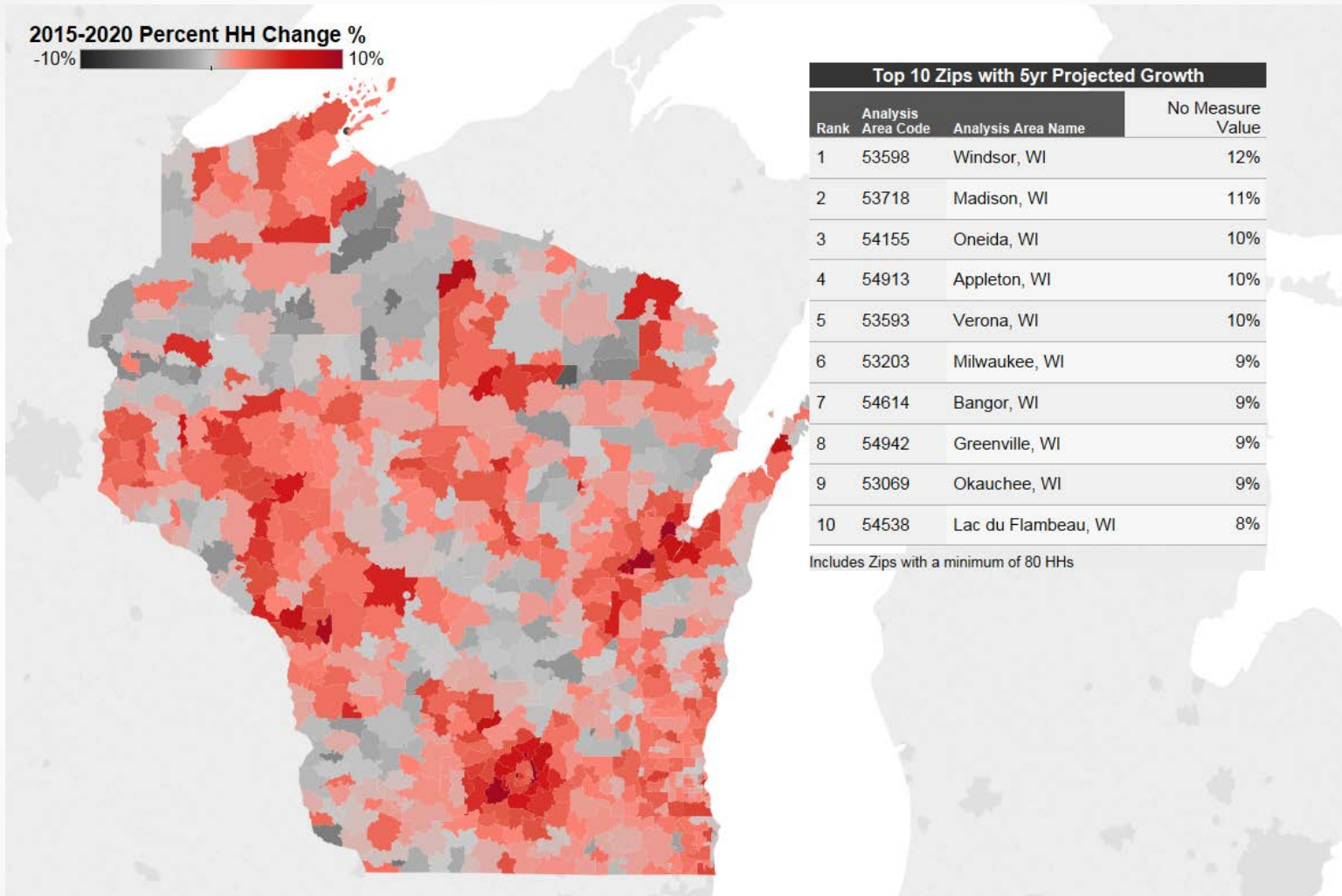
25-34 homeowner rates in WI also well above national average



Source: Nielsen Demographics Pop-Facts 2015

# HOUSEHOLD GROWTH 2015-2020

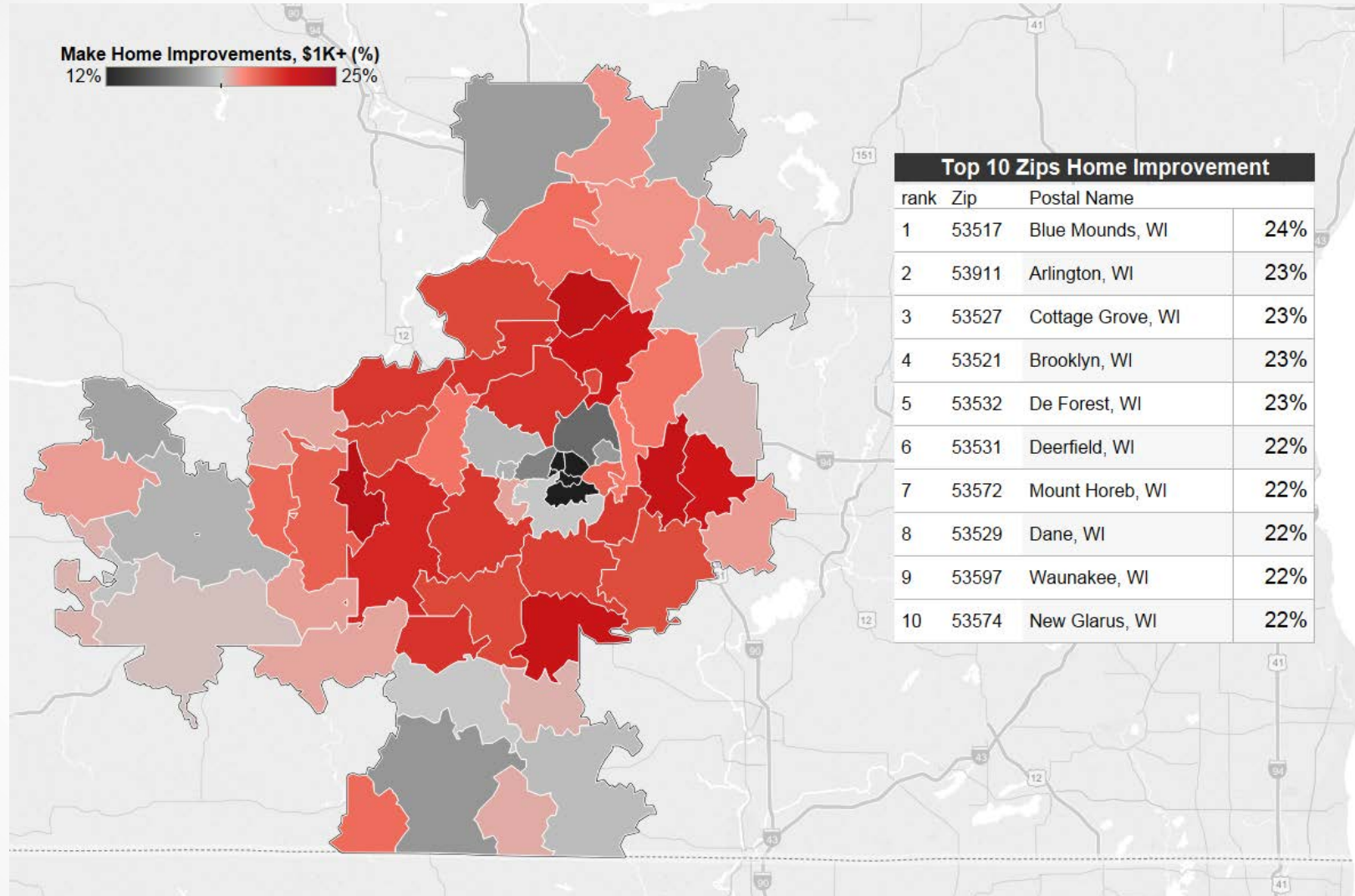
Madison should see substantial growth



Source: Nielsen Demographics Pop-Facts 2014

# TOP ZIPS FOR REMODELING

Nearly 1/5 households in the market report \$1K+ improvements



Source: Realtor.com

# ENDING ON A POSITIVE NOTE(S)

Courtesy of DJ Smokey Smoke

1. Rents are rising and it's cheaper to buy a home in 80% of the country —owning is cool again



2. Despite the last decade, real estate is viewed very positively, especially by young people



3. This off season has the potential to be much busier than usual



4. Real estate fundamentals are finally healthy again, and the future looks good



# REALTOR.COM® YEAR END FORECAST

## Key economic and housing metrics

- GDP grows 1.9%, slightly weaker than last year
- Payroll growth of 2.77 million jobs or 231,000 per month
- 1.3 million household formations
  
- Home prices appreciate 6.3% (median existing home price)
- Existing home sales grow 7% to 5.25 million
- New home sales grow 14% to 500,000
- Housing starts increase 8% to 1.08 million
- 30-year fixed rate ends year at 4.22%
  
- Affordability declines 2%

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THANK  
YOU