

HOUSING MARKET OVERVIEW FROM RENTAL AFFORDABILITY TO NEGATIVE EQUITY

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Zillow Real Estate Research

Rate of Home Value Appreciation Slows Nationwide in Q1, But Pockets of Volatility Remain

Zillow Market Overview: REAL ESTATE

MAY 2013

San Francisco Metro

National ZHVI: \$159,000
 Current: \$159,000
 Monthly Change: 0.5%
 Quarterly Change: 1.1%
 Annual Change: 5.4%
 Negative Equity*: 25.4%

San Francisco ZHVI

Current: \$590,600
 Monthly Change: 1%
 Quarterly Change: 6.7%
 Annual Change: 24.2%
 Negative Equity*: 20.9%

ZHVI Forecast (next 12 months)

National: 4.1%
 San Francisco Metro: 9.3%

Major Cities

San Francisco
 Current: \$827,600
 Monthly Change: 1.6%
 Annual Change: 20.4%

Oakland
 Current: \$376,400
 Monthly Change: 1%
 Annual Change: 26.7%

Fremont
 Current: \$631,700
 Monthly Change: 0.9%
 Annual Change: 26.5%

Hayward
 Current: \$331,400
 Monthly Change: 0.9%
 Annual Change: 26.1%

Concord
 Current: \$356,500
 Monthly Change: 0.7%
 Annual Change: 26.1%

Home Values

Increasing Values: 97.8%
 Decreasing Values: 1.7%
 Fall From Peak: -16.6%
 Peak ZHVI Date: 2006 Q1
 Peak ZHVI: \$708,100

Rent

Zillow Rent Index: \$2,555
 Monthly Change: -0.2%
 Annual Change: 4.1%
 Rent List Price: \$2,000
 Rent List/Sq. Ft.: \$1.77

Sales

Median Sale Price: \$558,325
 Monthly Change: 1.8%
 Annual Change: 18%
 Sale Price/Sq. Ft.: \$254
 Sale-to-List Price Ratio: 1.05
 Sold for a Loss/Gain: 20.2%/79.1%

Listings

Median List Price: \$679,000
 Monthly Change: 4.5%
 Annual Change: 36.1%
 List Price/Sq. Ft.: \$406
 Listings with Price Cut: 12%
 Amount of Price Cut: 5.9%

Foreclosures

Homes Foreclosed: 2.8/10,000
 Monthly Change: -0.8
 Annual Change: -4.3
 Foreclosure Resales: 9.8%
 Monthly Change: -1.9
 Annual Change: -12.9

What is the Zillow Home Value Index? The Zillow Home Value Index is the median value for all homes in a given area, not just those that have recently sold. It is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below it.

* Negative equity data is from 2013 Q1.

Real Estate Market Reports

Zillow Home Value Index

\$147,900 ▼ -5.1% Y-o-Y

Calculated 12/02/2011

Line chart showing Zillow Home Value Index from 2007 to 2011 for US, New York Metro, Los Angeles Metro, and Chicago Metro.

Real Estate Metrics

- Zillow Home Value Index
- Zillow Rent Index
- Zillow Home Value Forecast
- Negative equity
- List prices
- Sale prices
- Rental prices
- Home sales
- Home value/square foot (\$)
- Price/square foot (\$)
- Sale-to-list price ratio
- Listing with price cuts (%)
- Median price cut (%)
- Homes sold for loss/gain (%)
- Homes foreclosed (out of 10k)
- Foreclosure re-sales (%)
- Percent of homes increasing/decreasing in value
- Homes sold in the past year (%)
- Price-to-rent ratios
- Price-to-income ratios
- Affordability- share on income spent on housing
- Buy-Rent Breakeven
- Home Sales

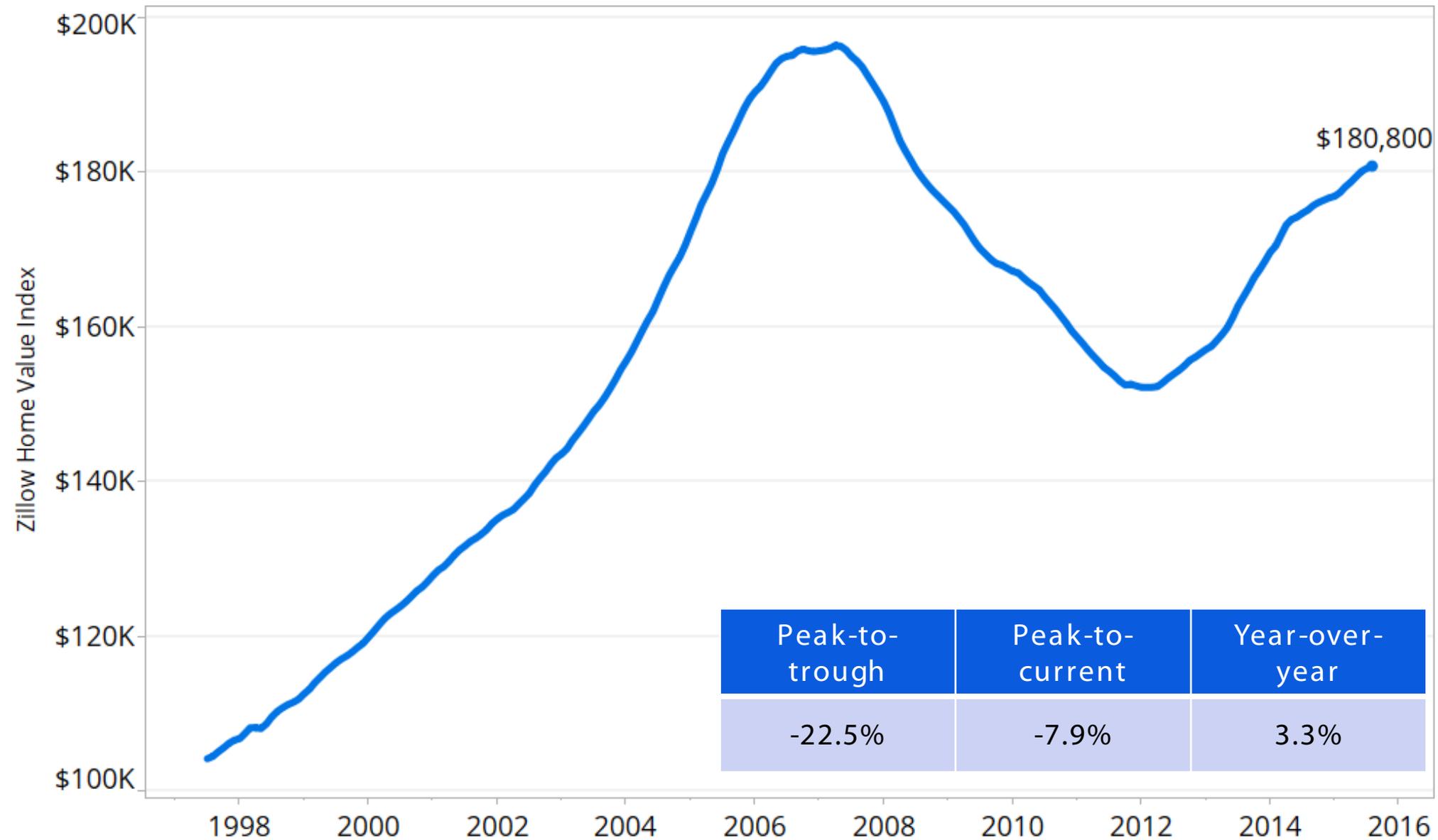
Data is available for download at

www.zillow.com/research/data

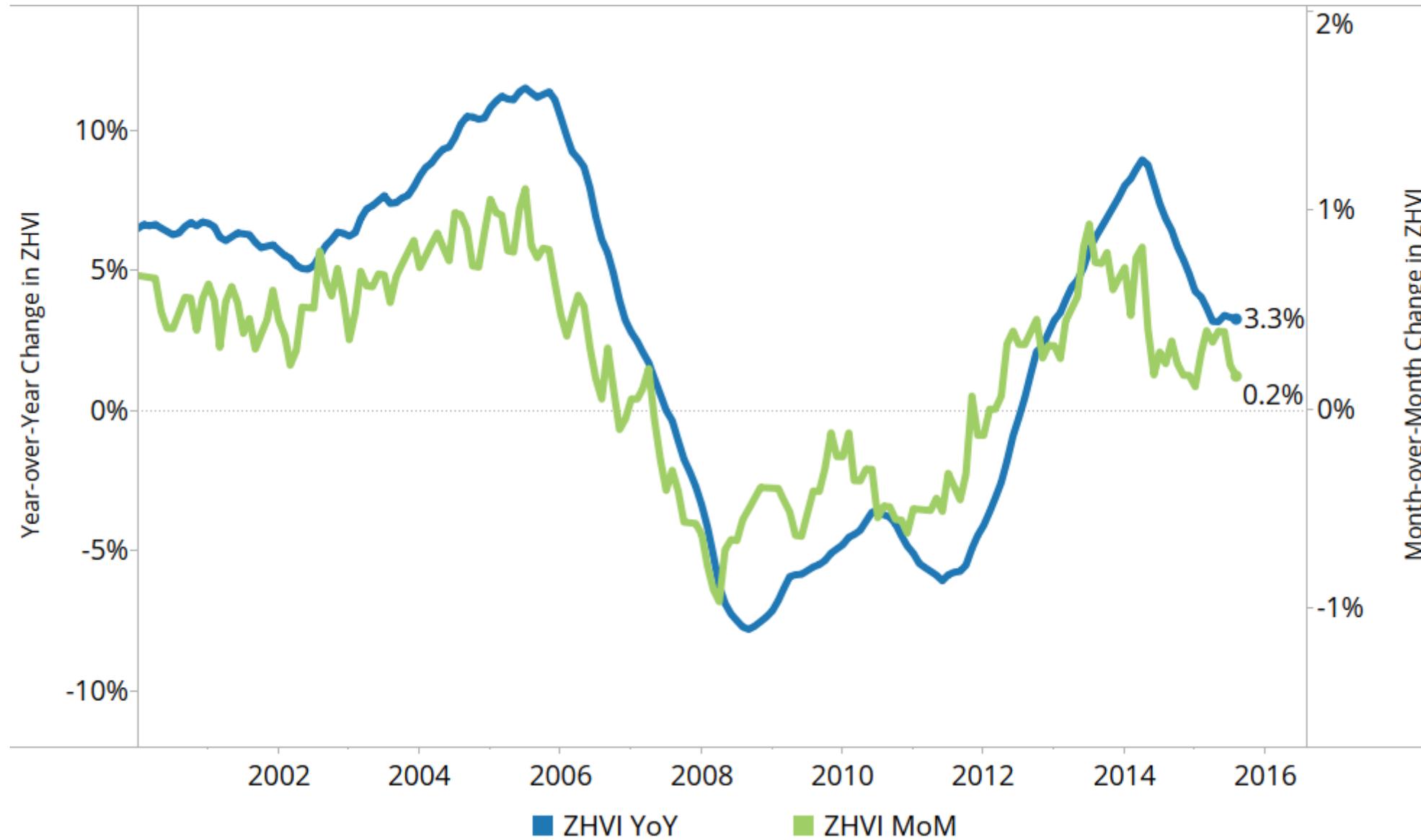


HOUSING MARKET OVERVIEW

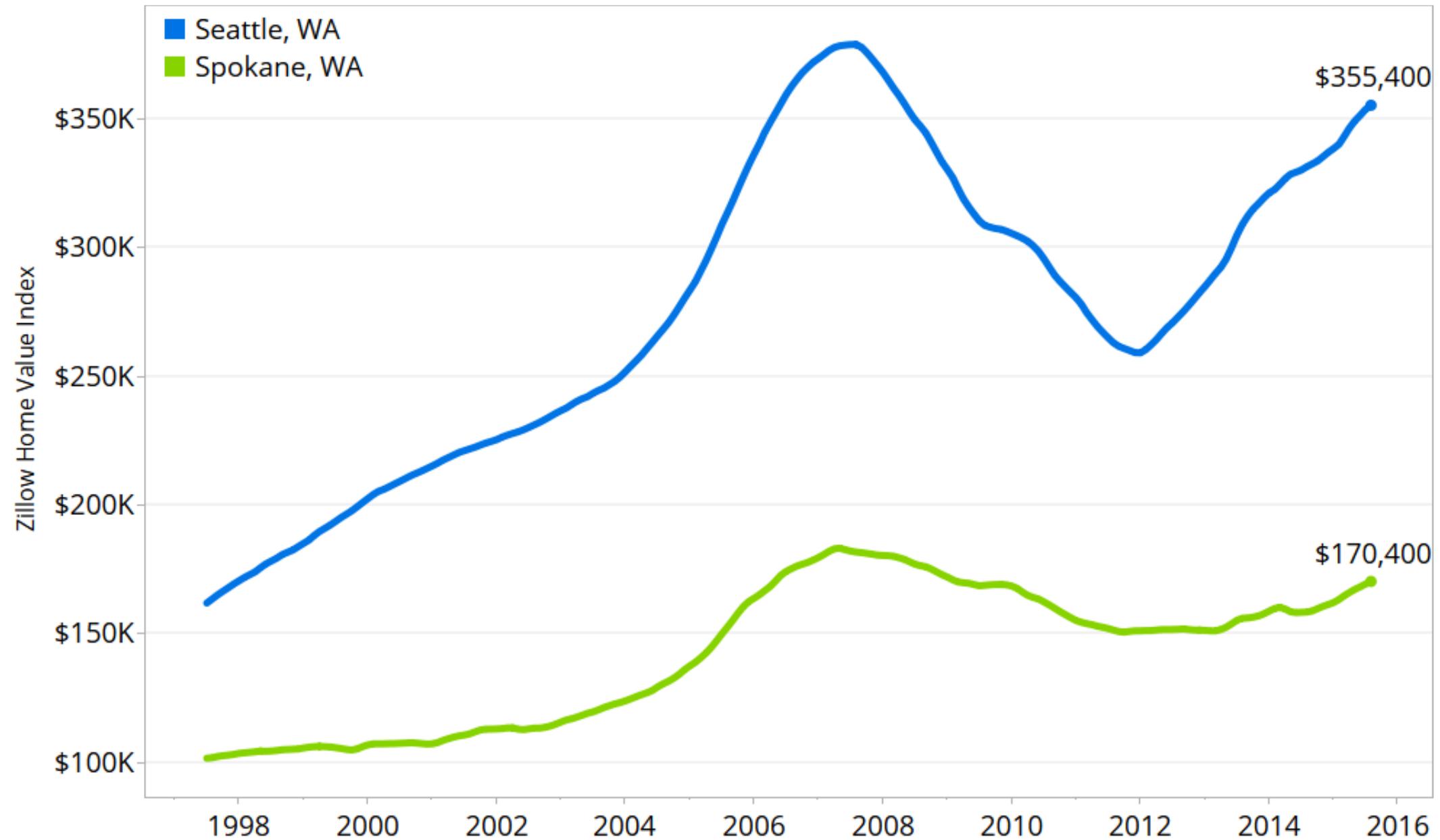
U.S. home values continue to regain value lost since 2007



But the rate of appreciation has been slowing since 2014



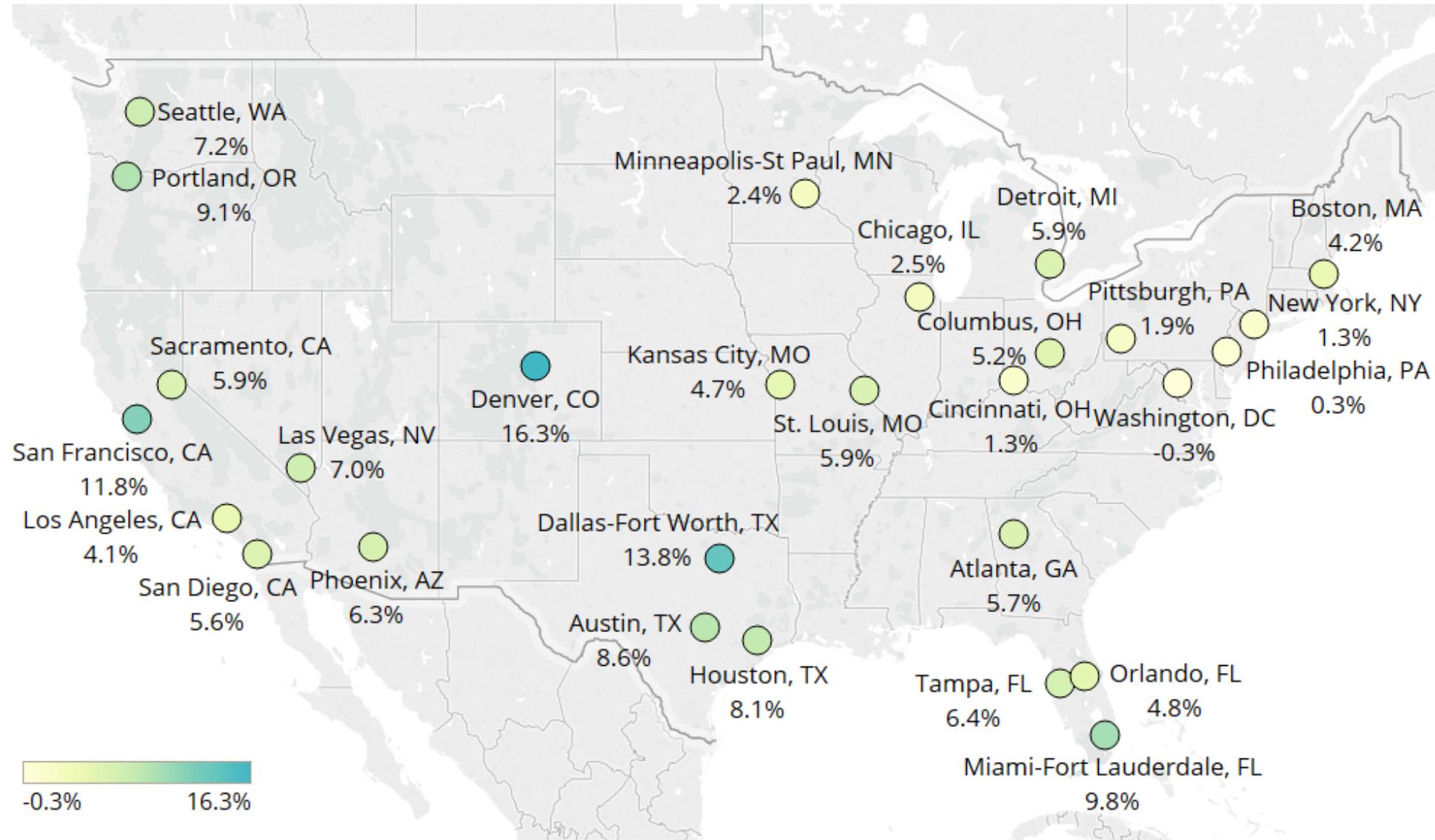
Home values in Seattle and Spokane are increasing



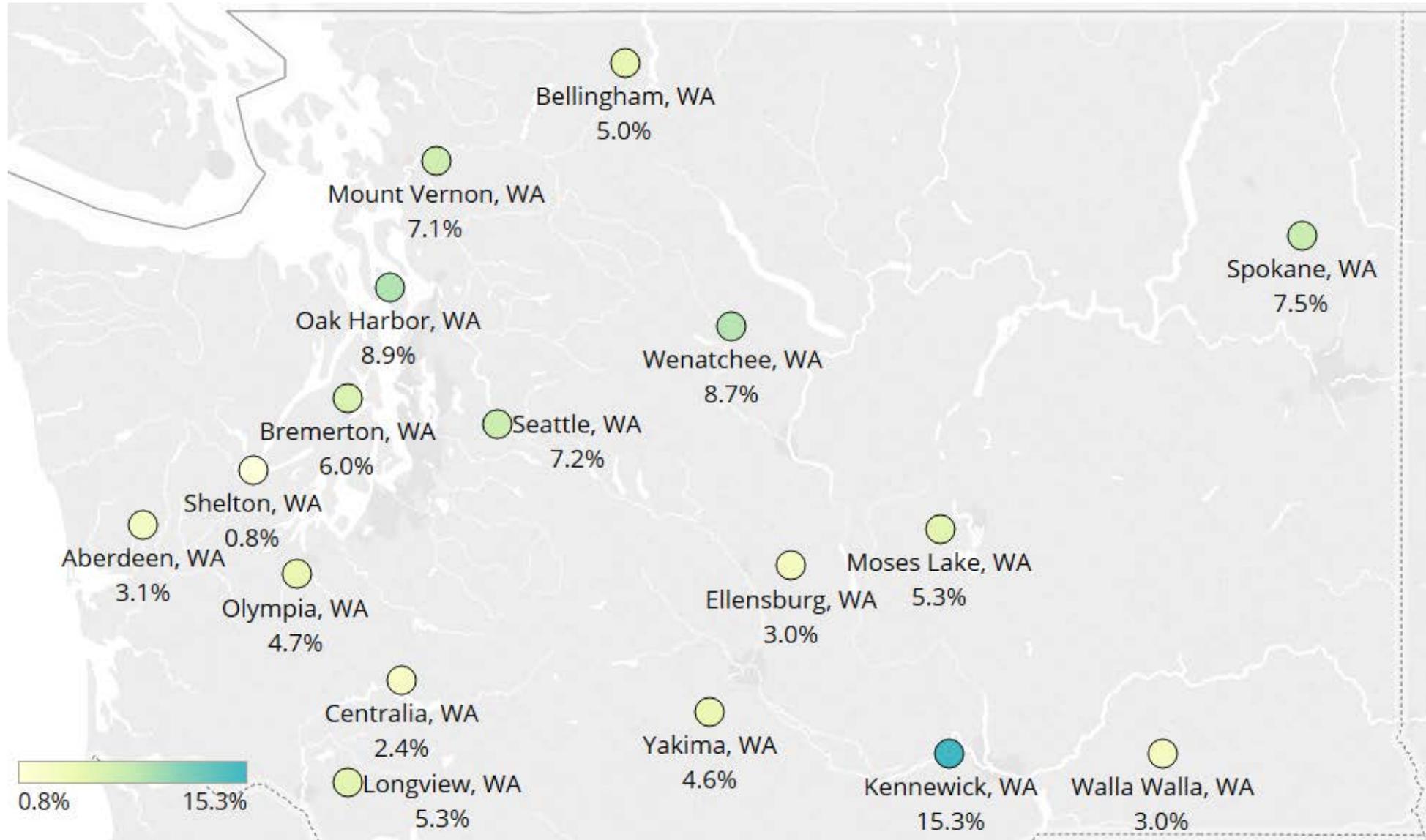
Source: Zillow (August 2015)



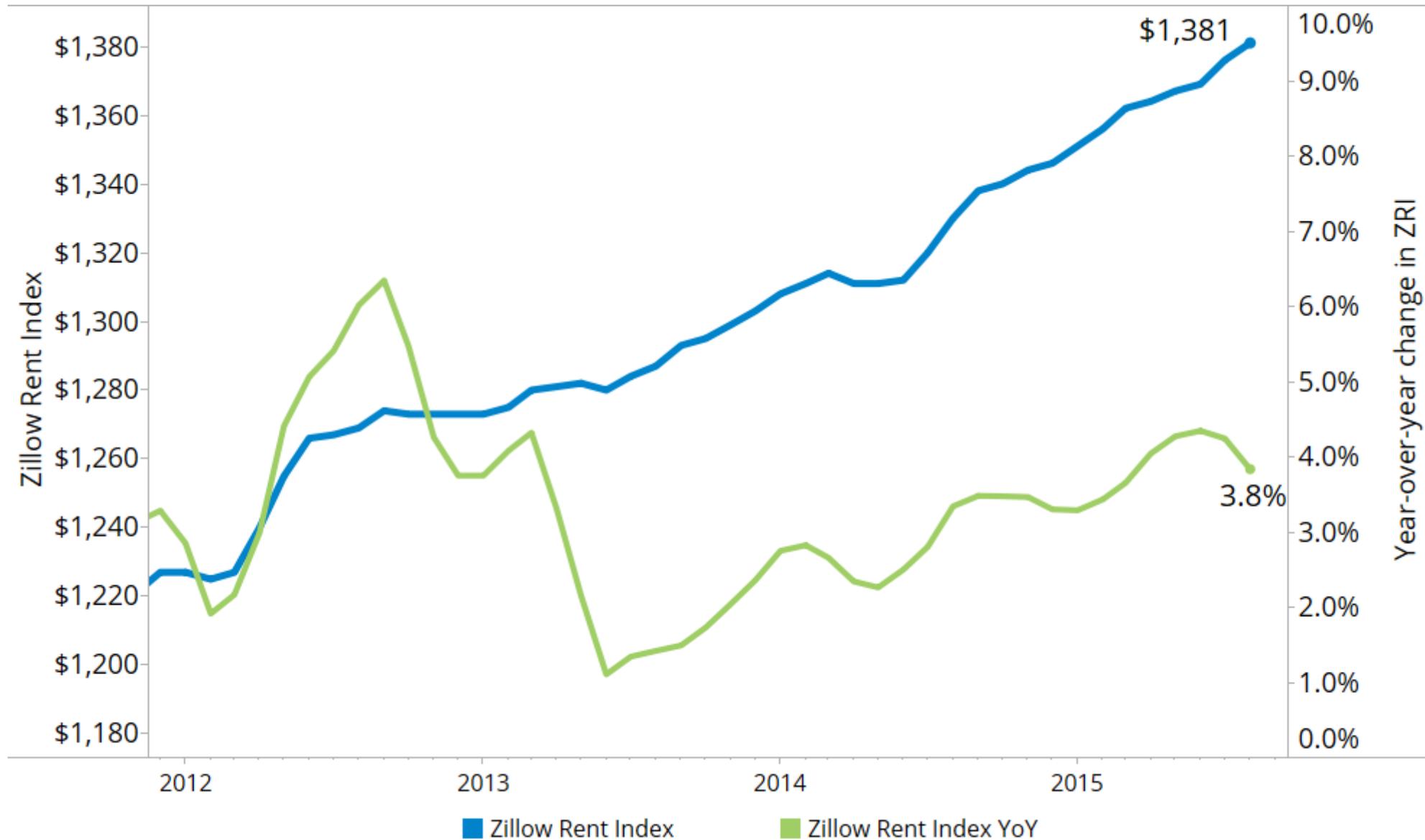
Denver, Dallas and San Francisco have seen the biggest annual gains in home values



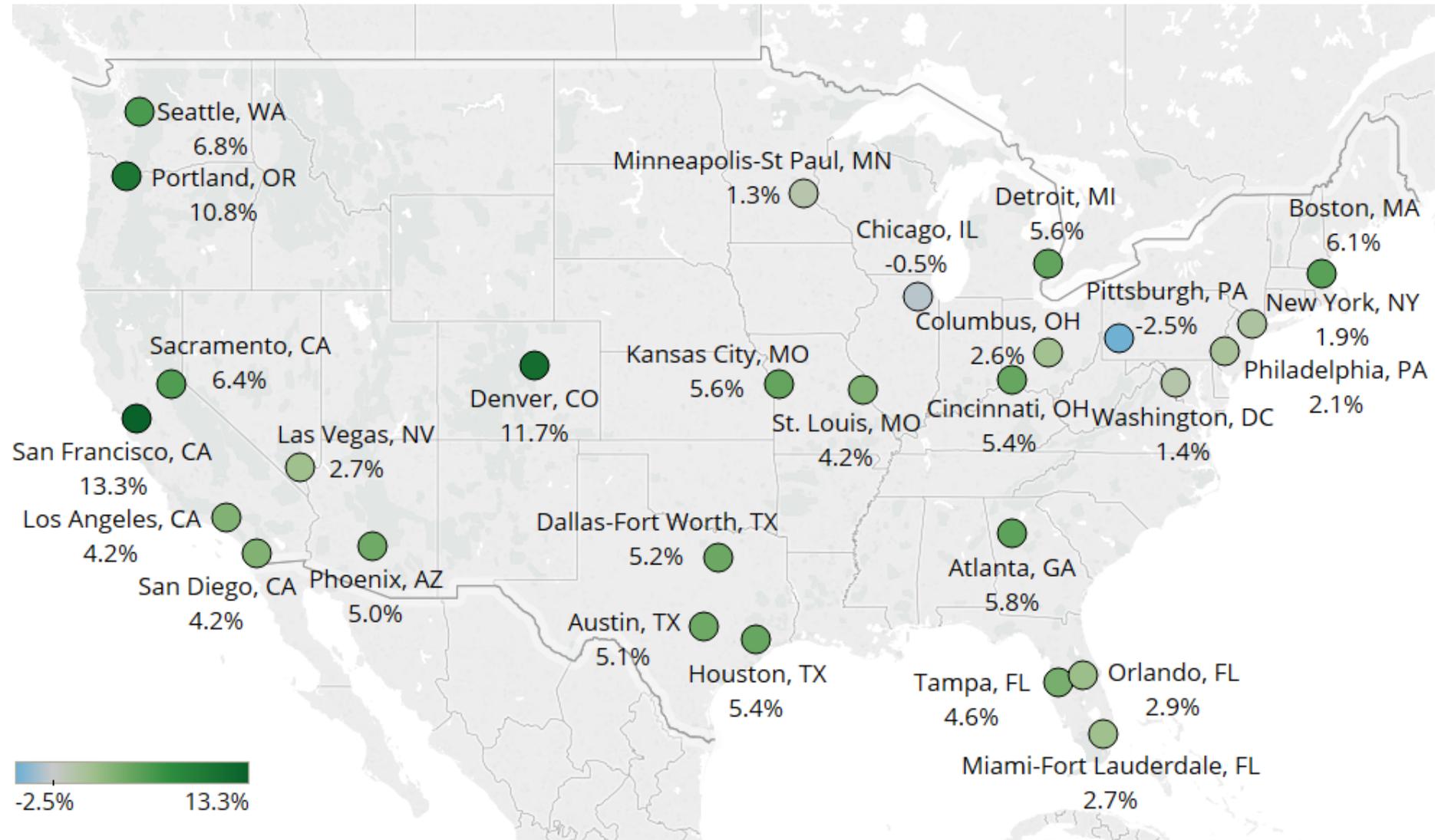
Kennewick, Oak Harbor, Wenatchee have seen strong gains in home values



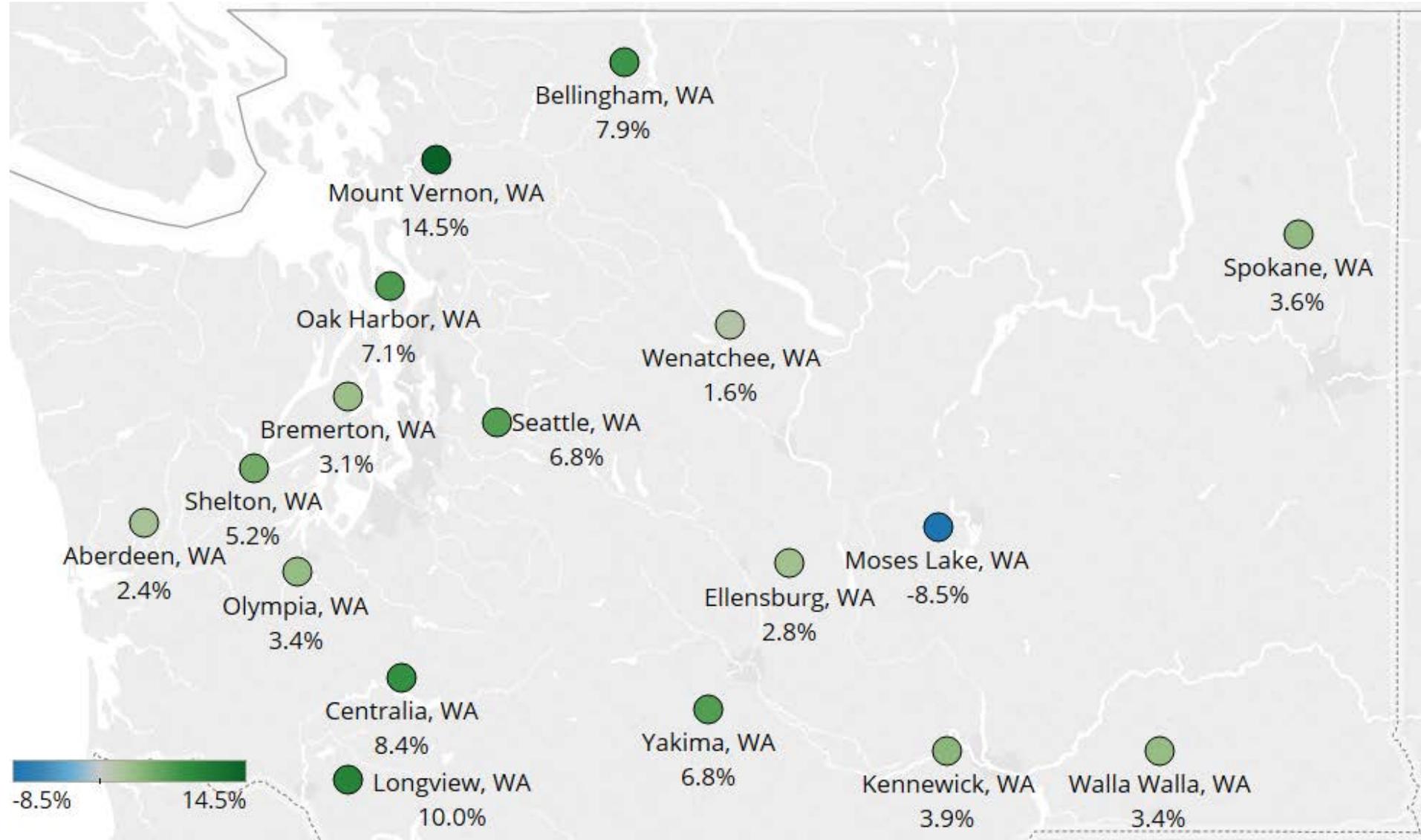
Nationally, rental growth is outpacing home value growth



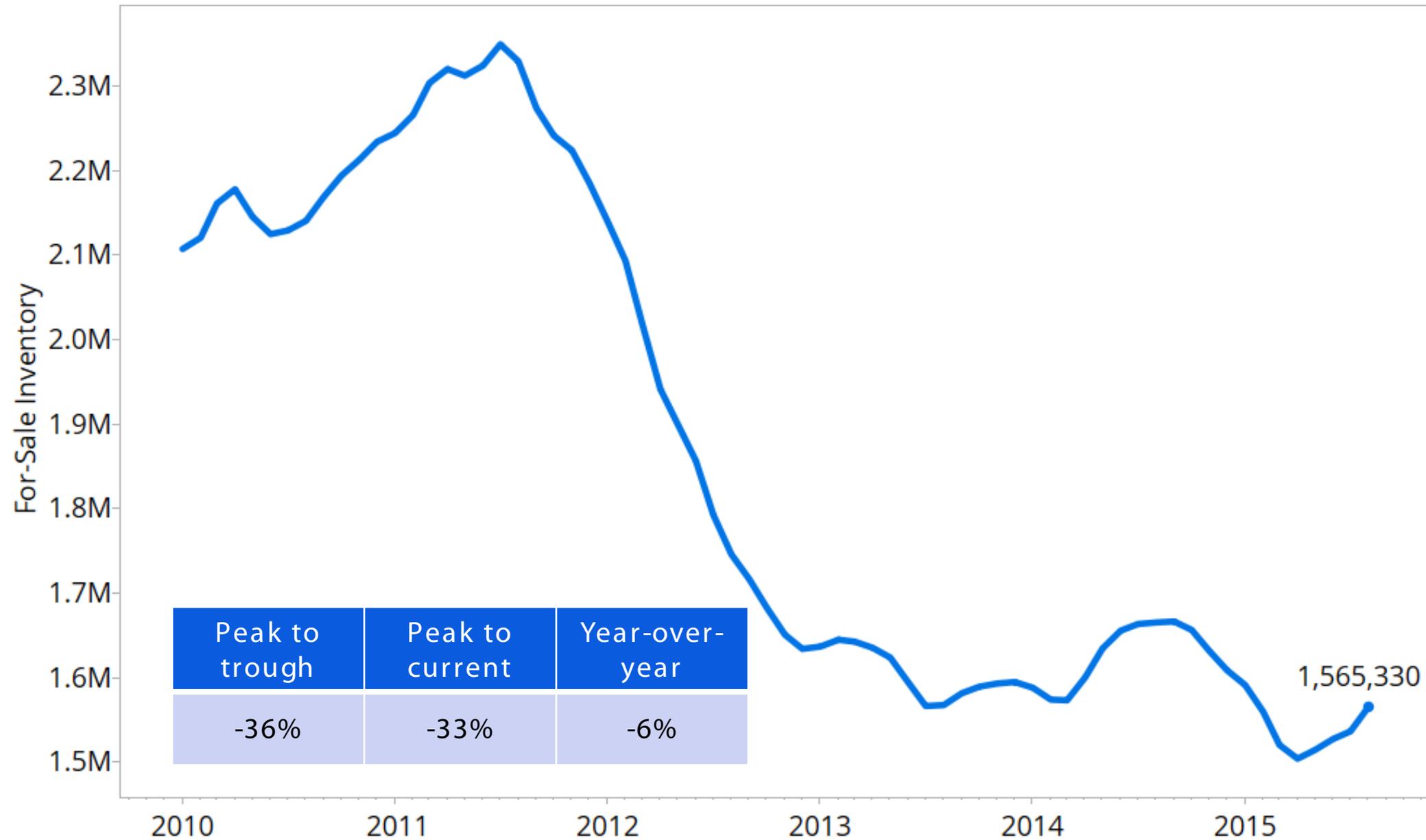
Denver, Portland and San Francisco are seeing double digit annual rent gains



Washington annual rent gains



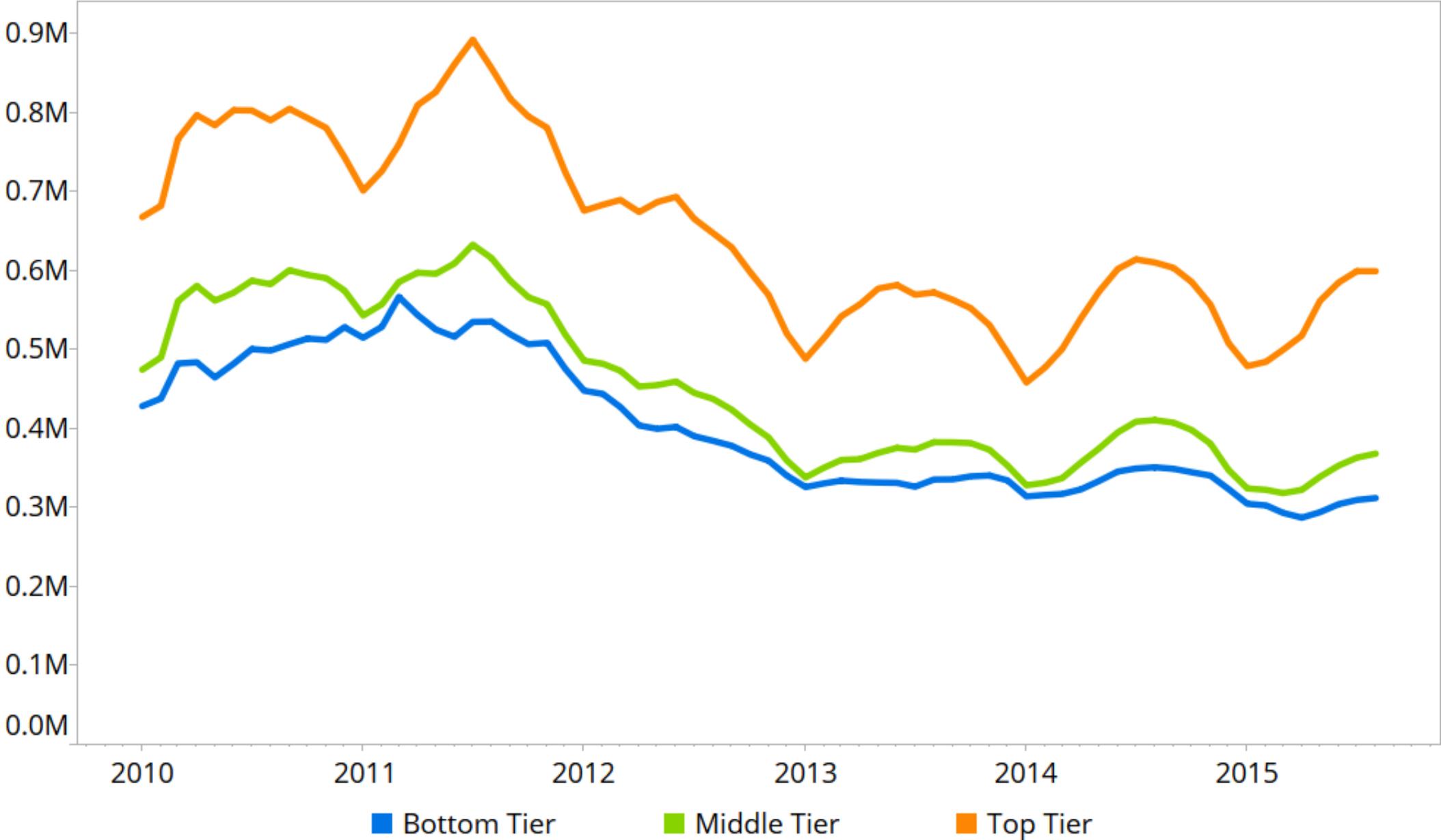
U.S. for-sale inventory bottomed in April 2015, but has risen since



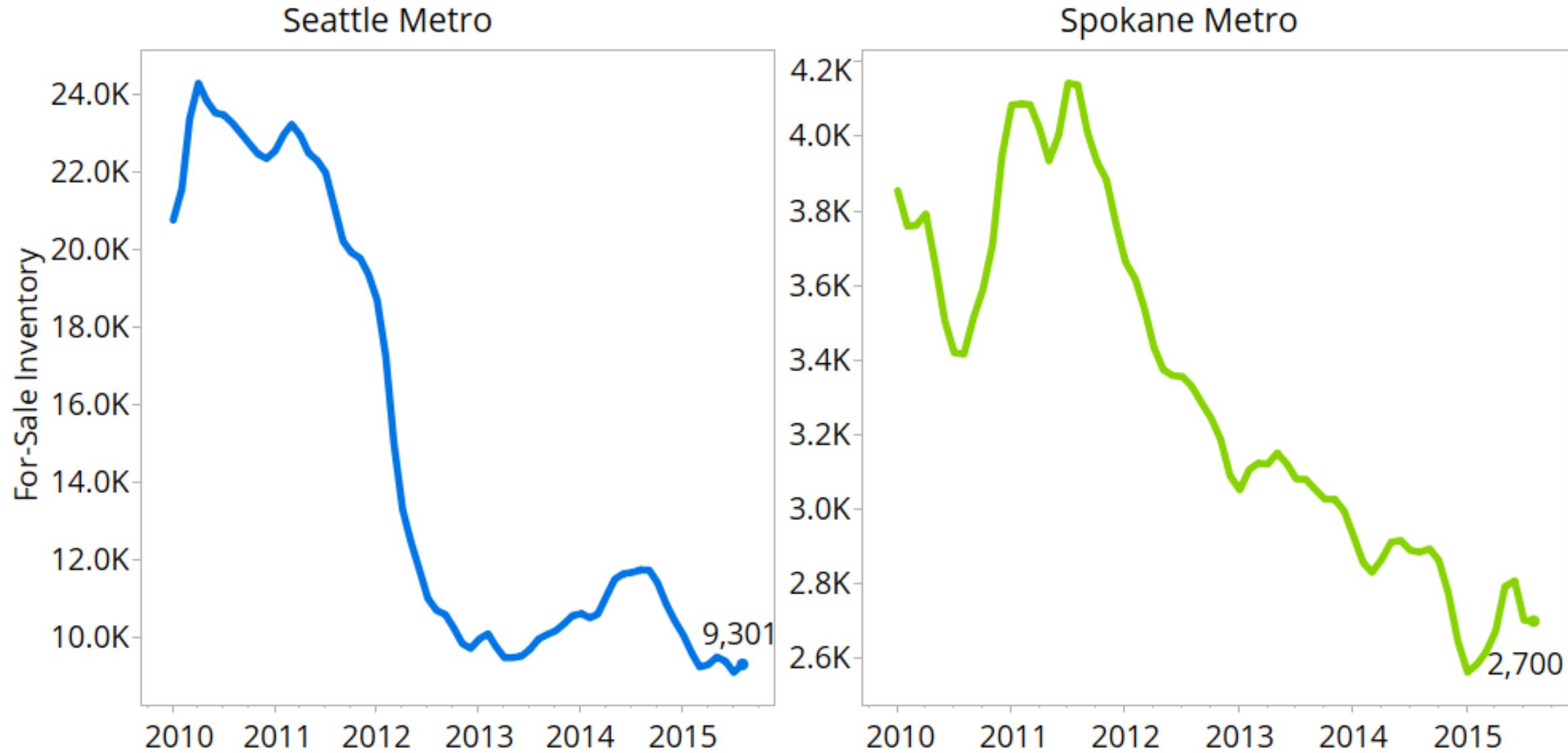
Source: Zillow (August 2015),
Seasonally Adjusted



The U.S. top tier has seen higher numbers of for-sale homes



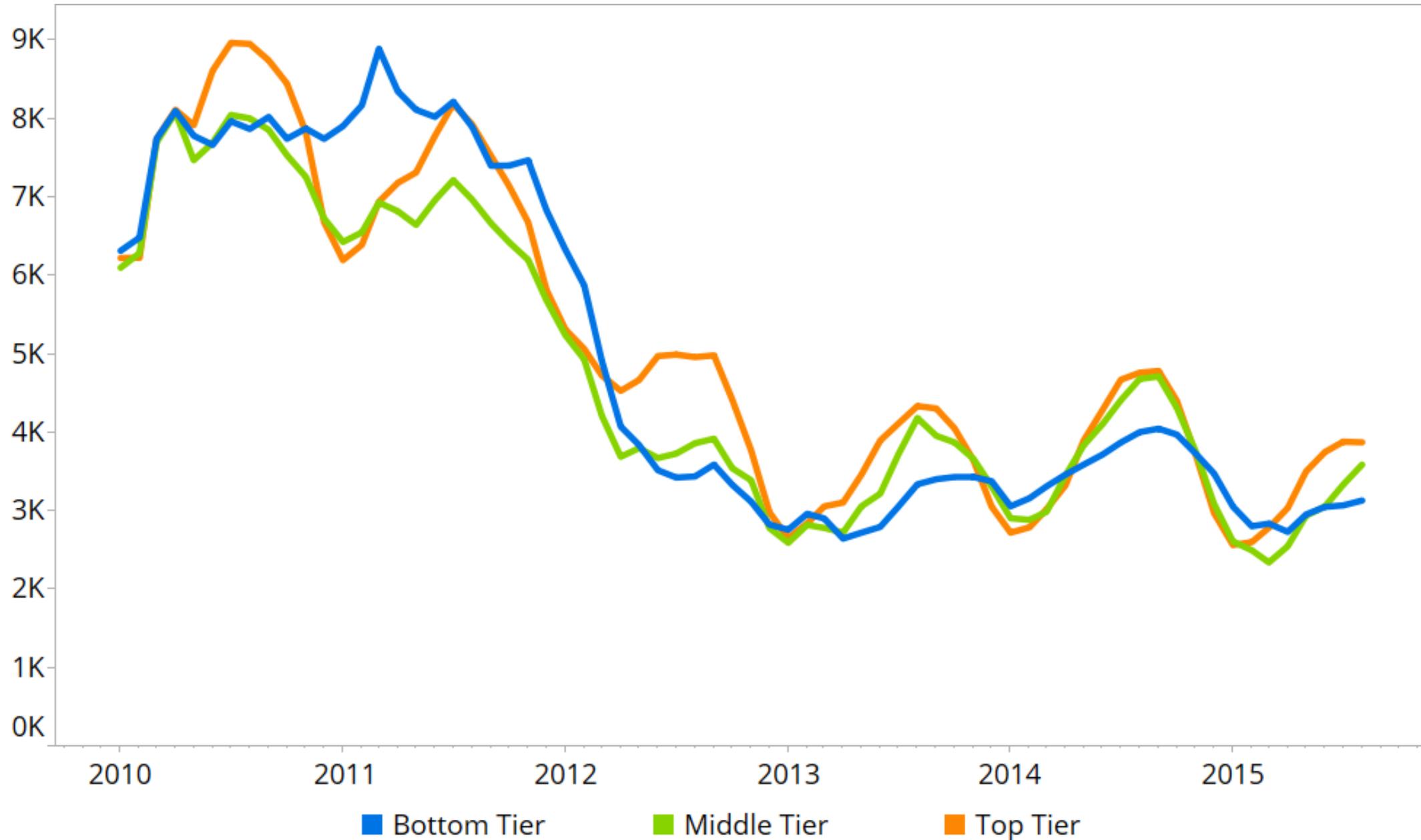
Inventory is down in both Seattle and Spokane



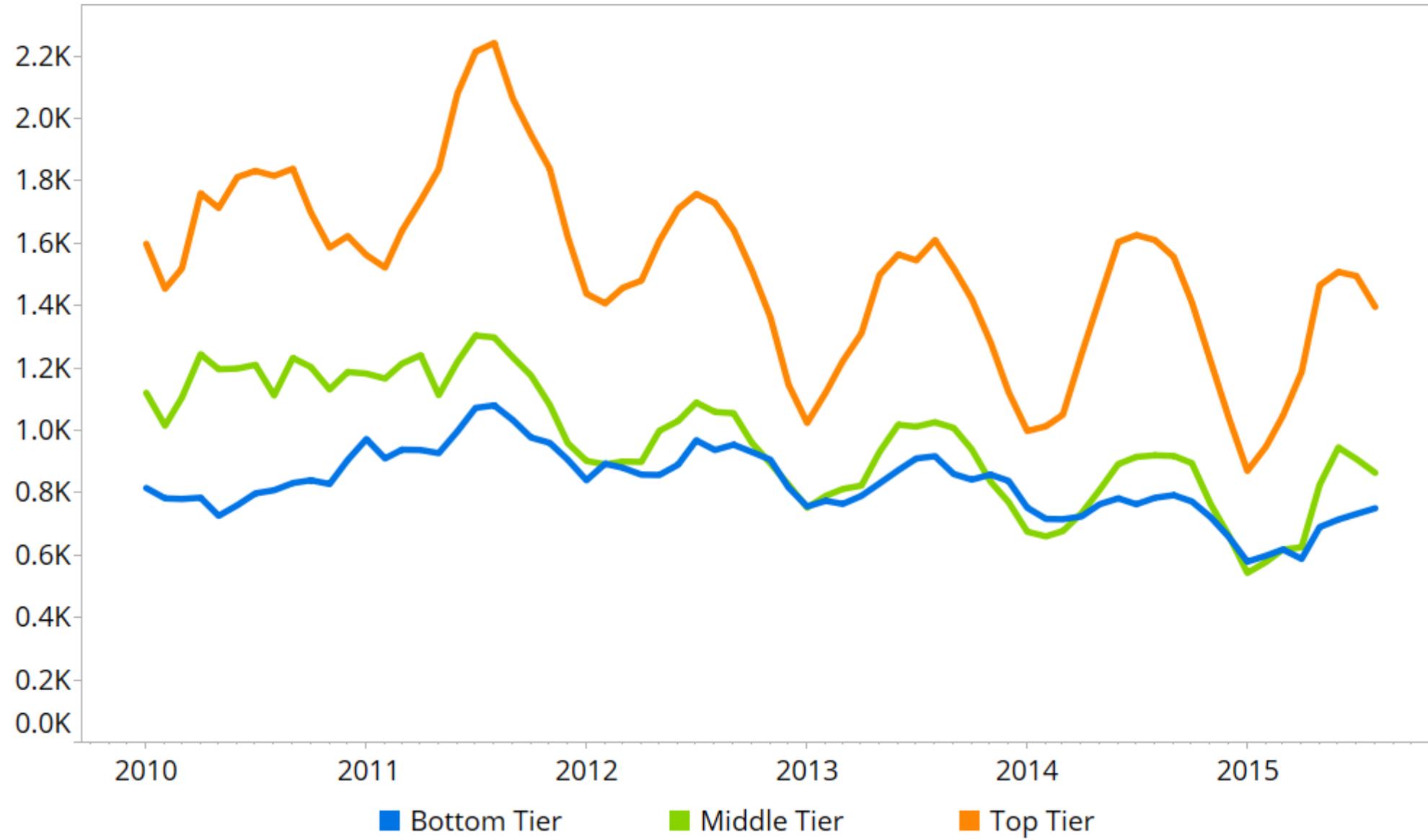
Source: Zillow (August 2015),
Seasonally Adjusted



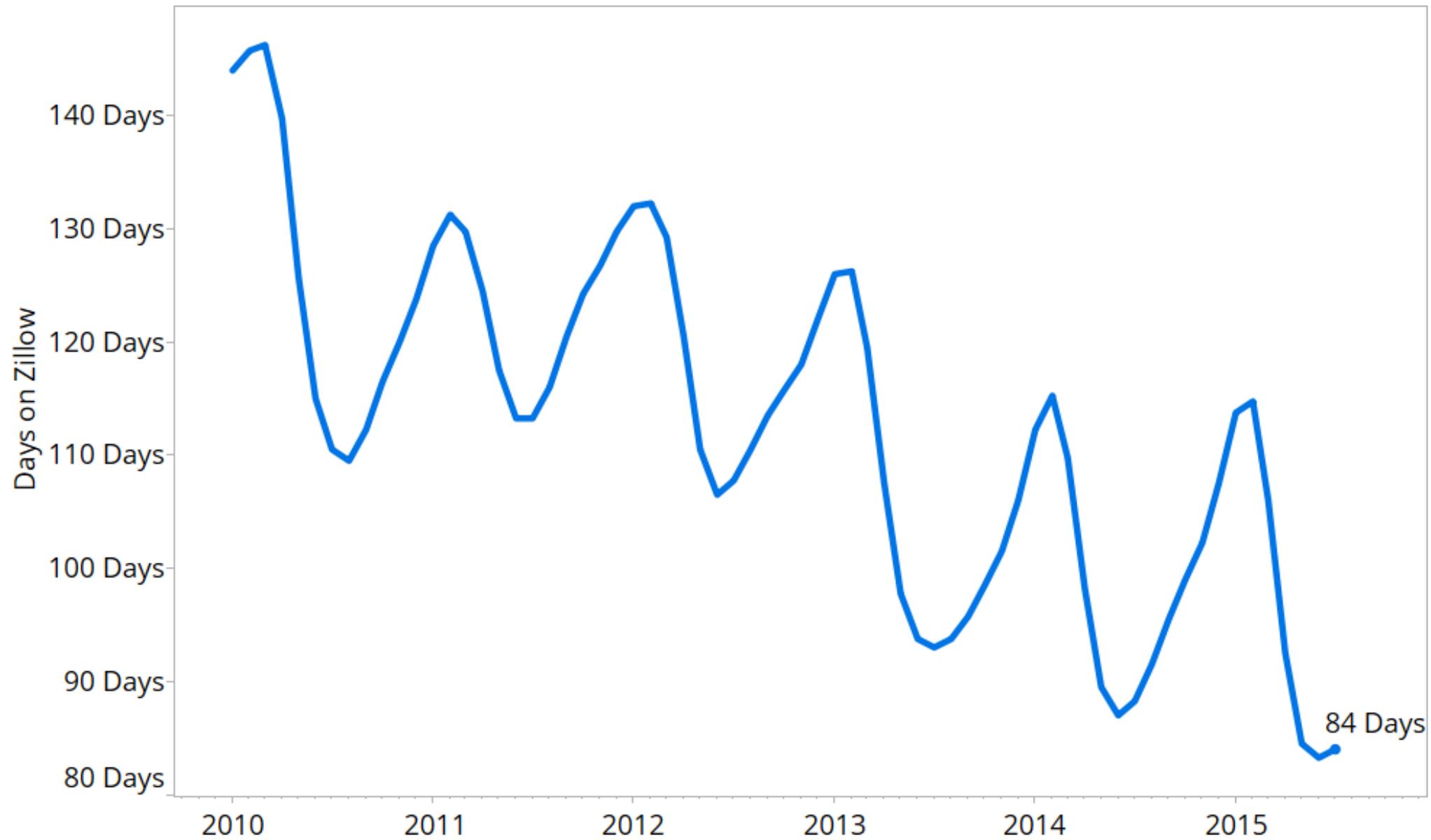
There are more homes for-sale in the top-tier in Seattle than in the middle or bottom-tier



Spokane has consistently had less entry-level homes listed



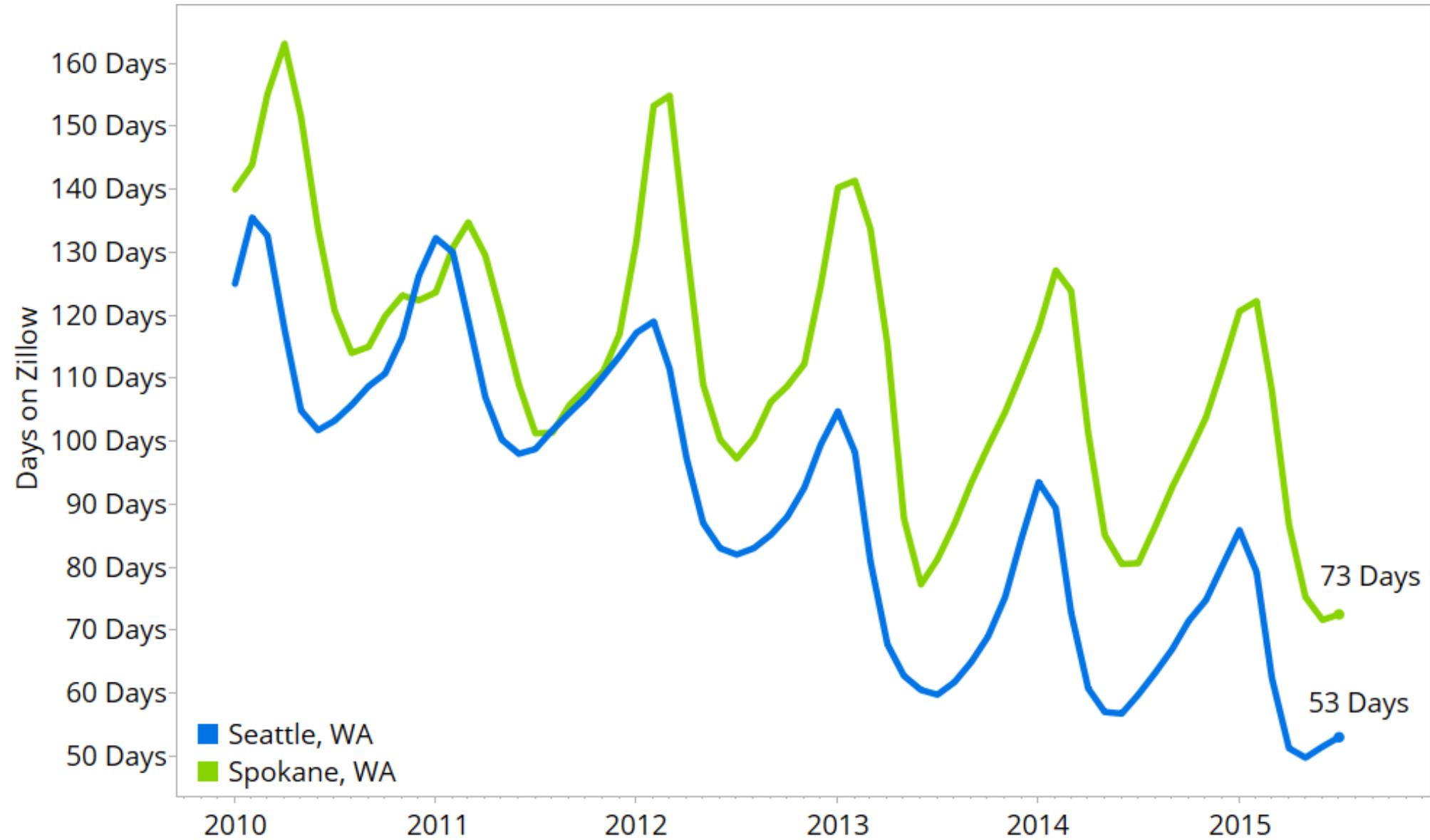
Nationally, homes listed for sale are selling more quickly than in the past few years (listing to sale)



Source: Zillow (July 2015)



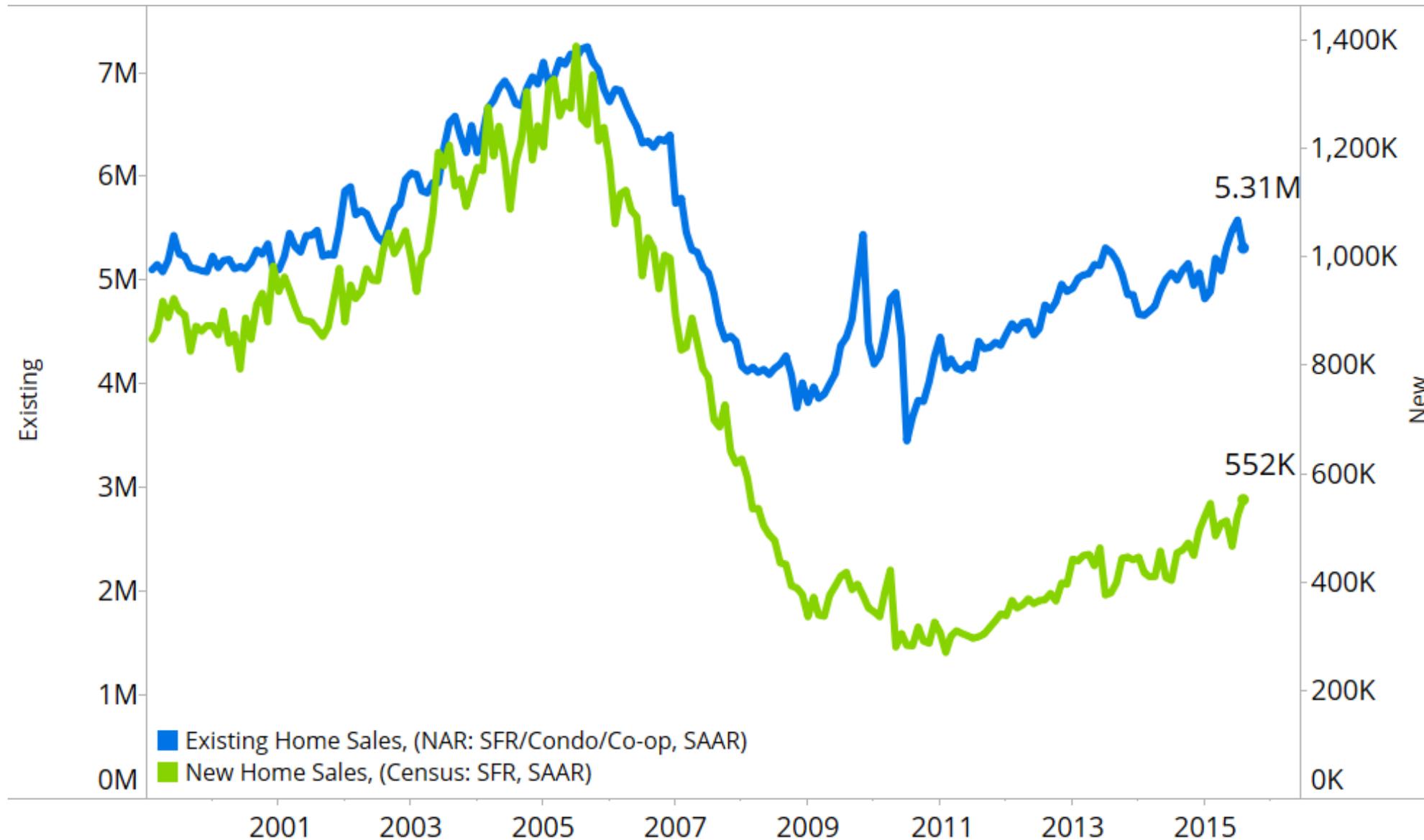
Homes for-sale in Seattle and Spokane have been selling quickly too (listing to sale)



Source: Zillow (July 2015)

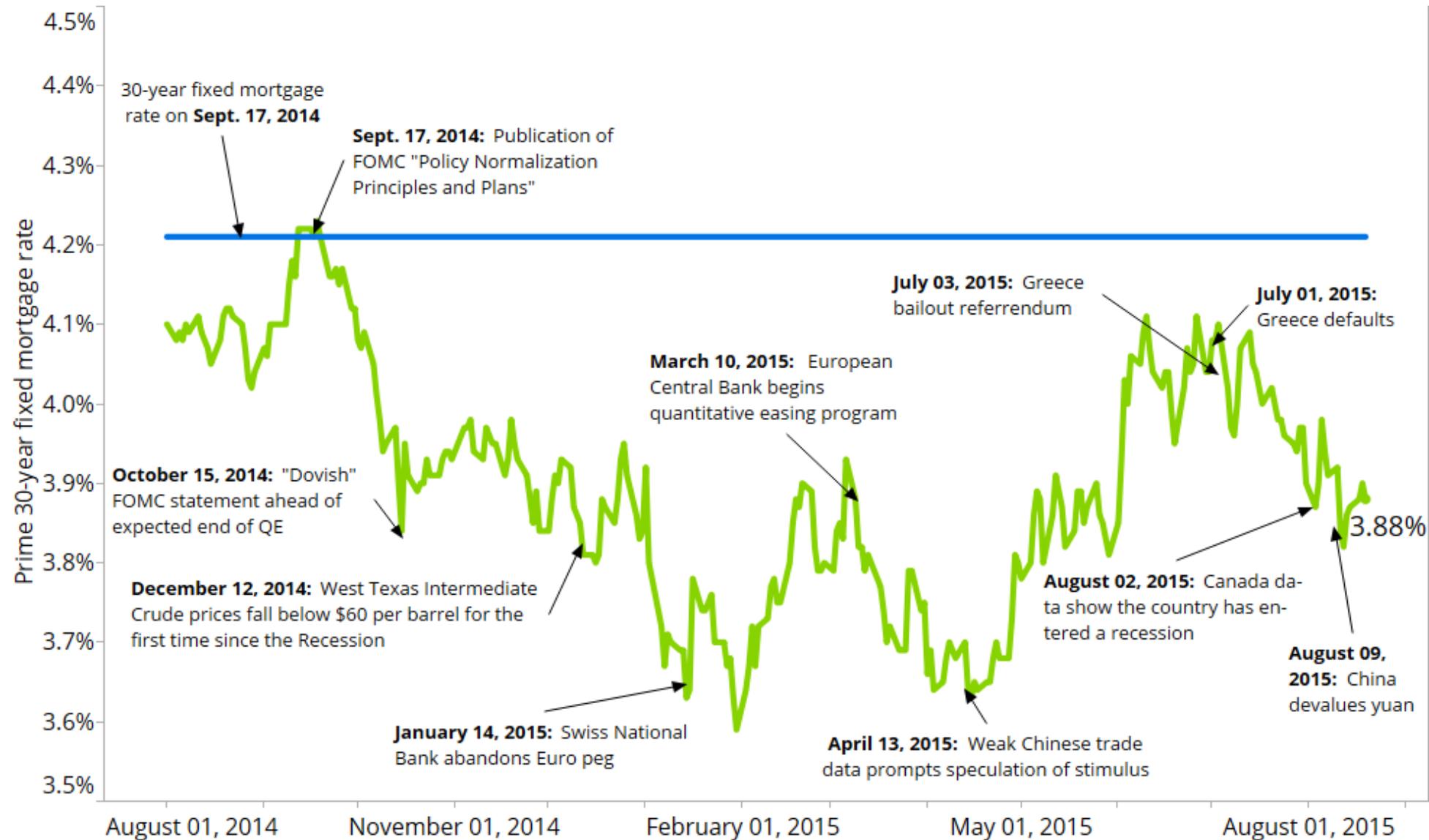


Existing home sales were down in August, but new home sales beat expectations

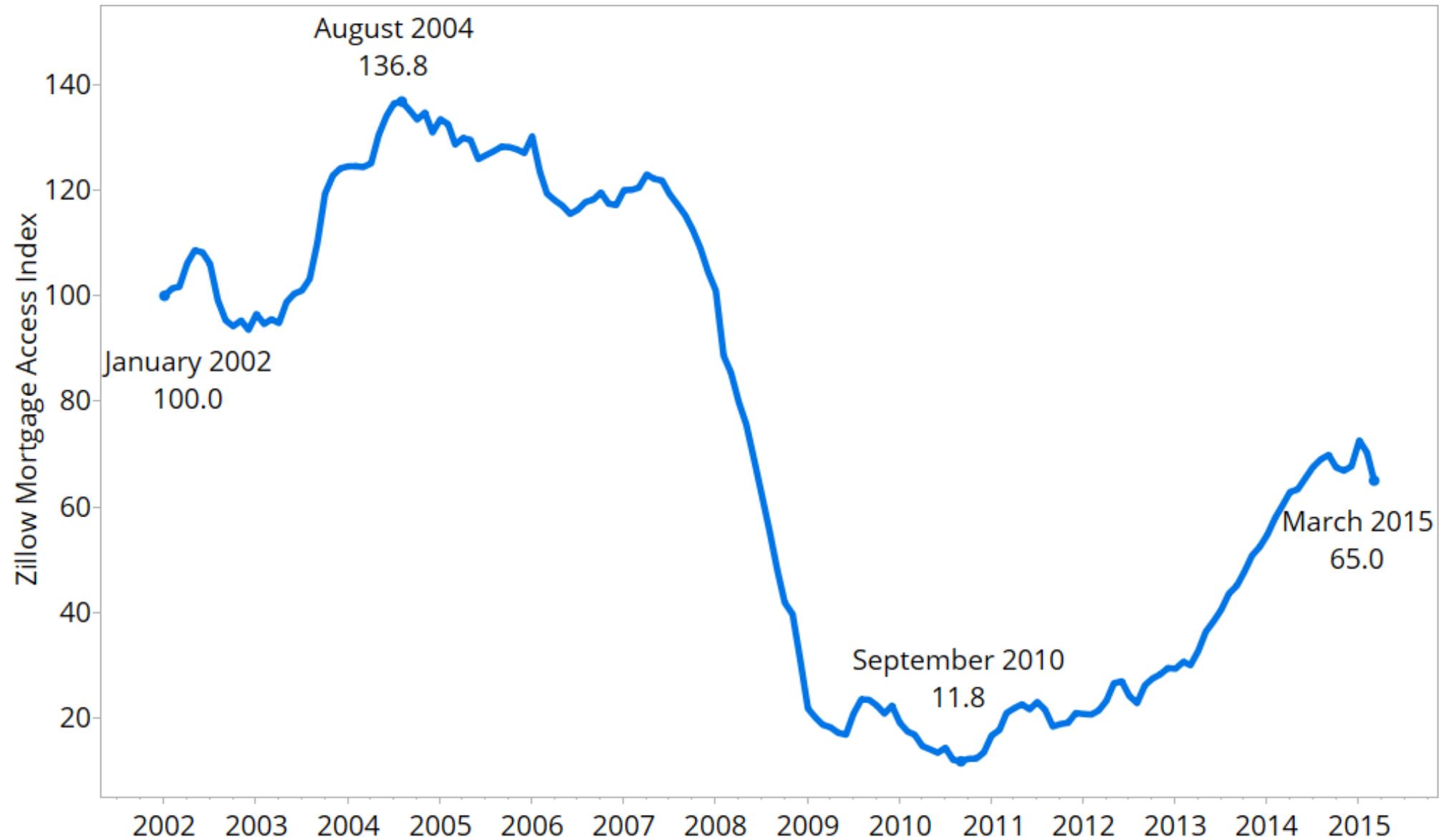


MORTGAGE RATES AND FINANCING

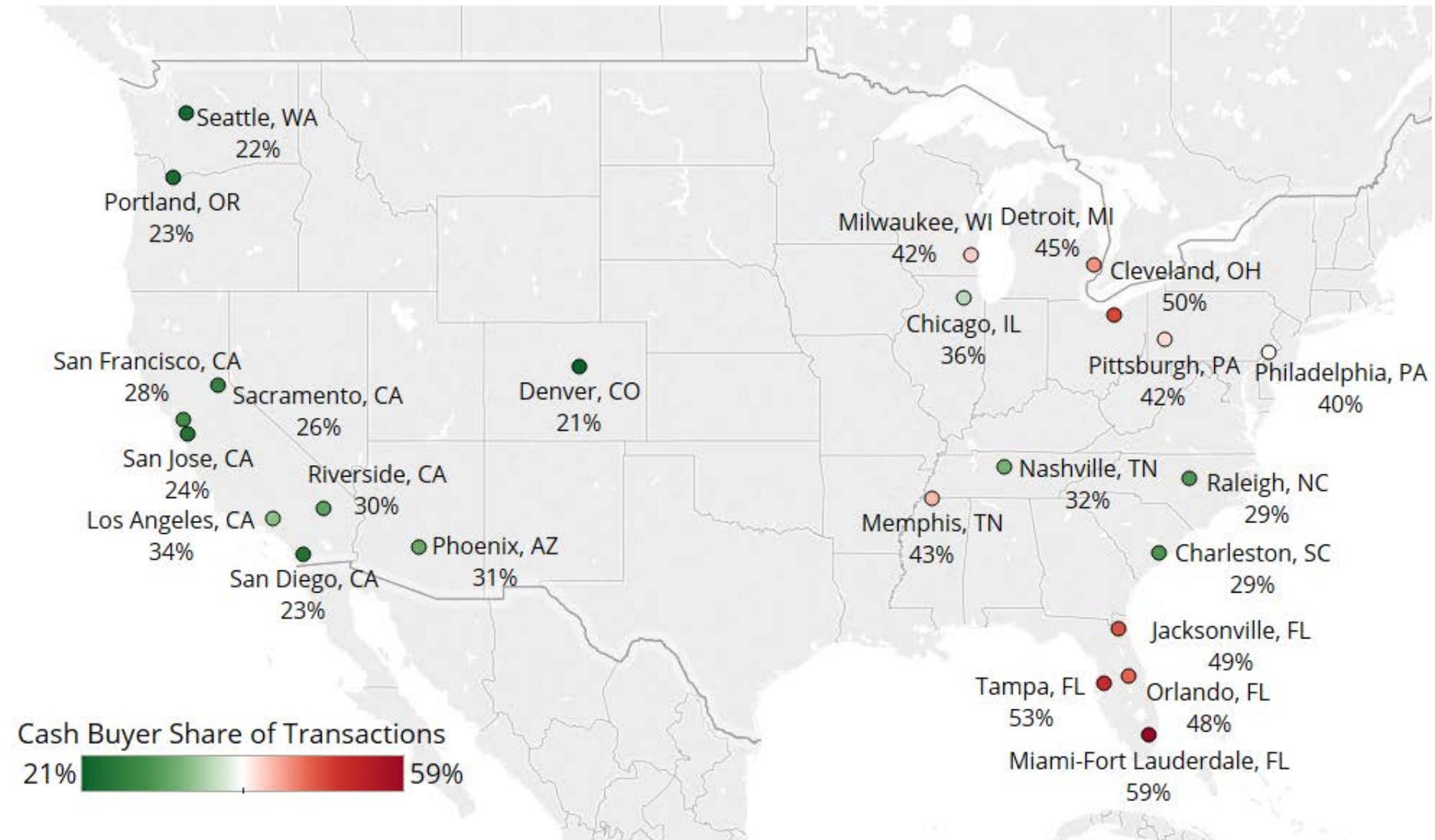
Mortgage rates are highly influenced by outside factors, and have yet to rise meaningfully in 2015



Access to credit decreased from the end of 2014 to 2015 Q1

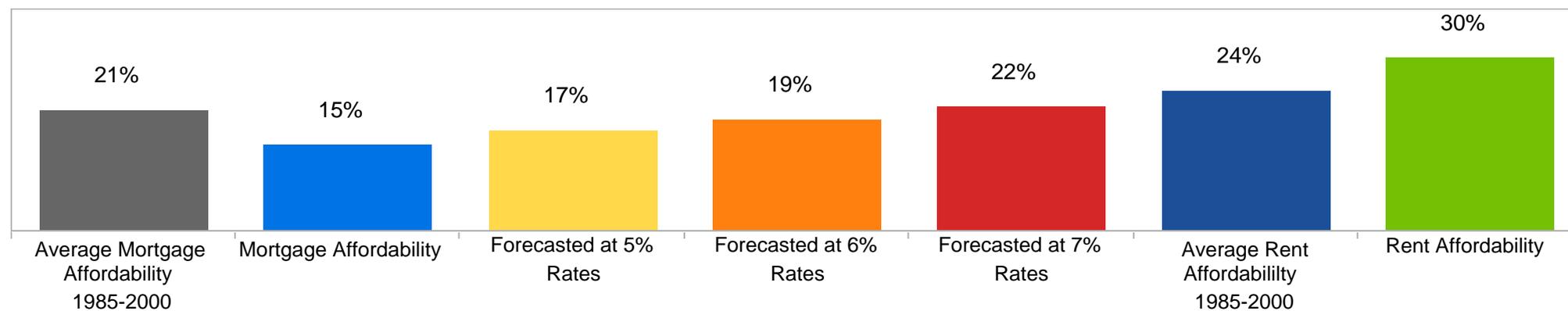


All-cash purchases make up a large part of the market in Florida, Ohio and Detroit

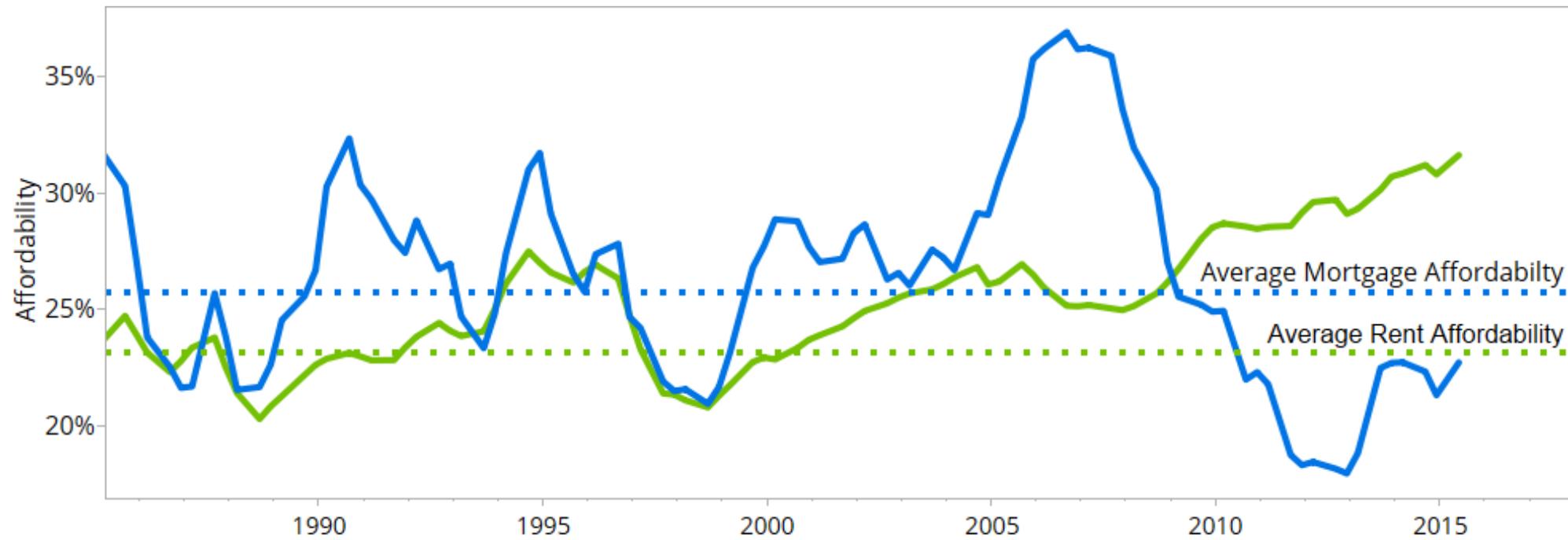


MORTGAGE AND RENTAL AFFORDABILITY

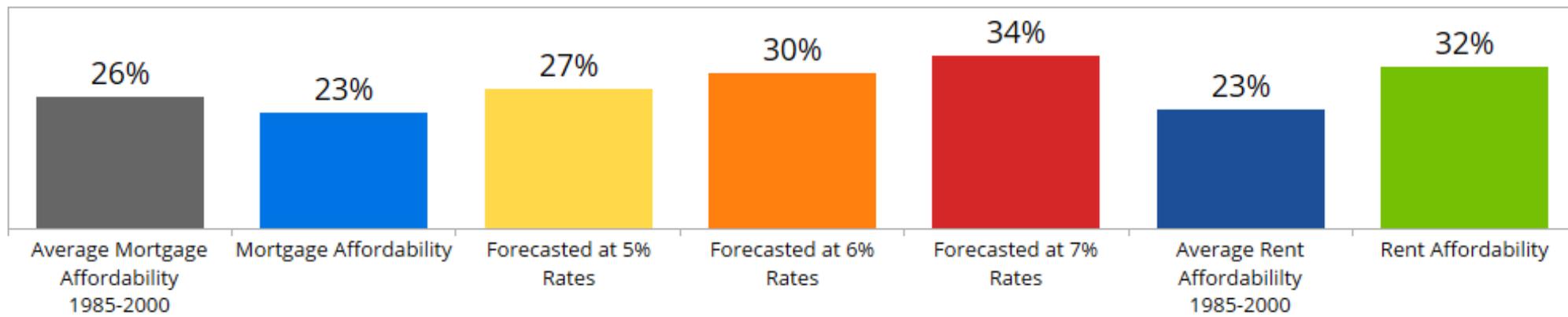
Nationwide, the share of income spent on a mortgage is well below historic norms



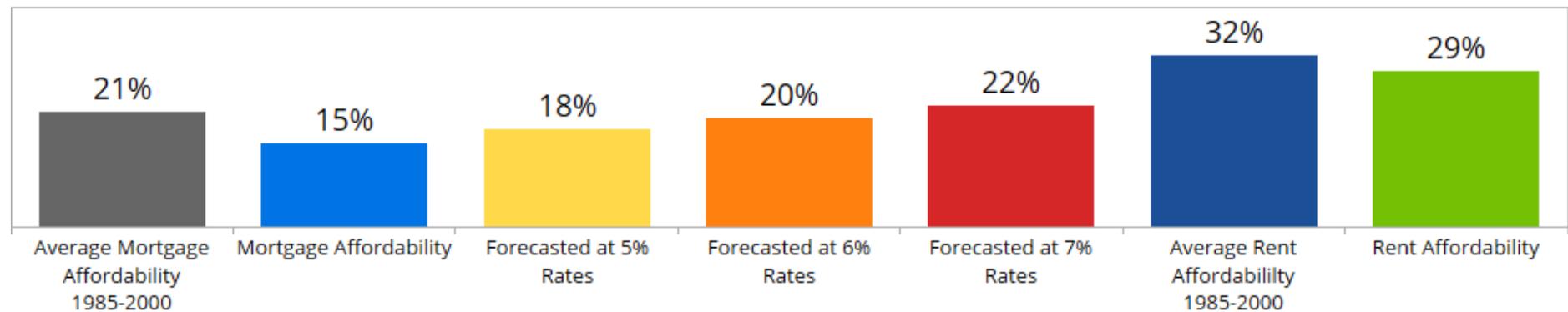
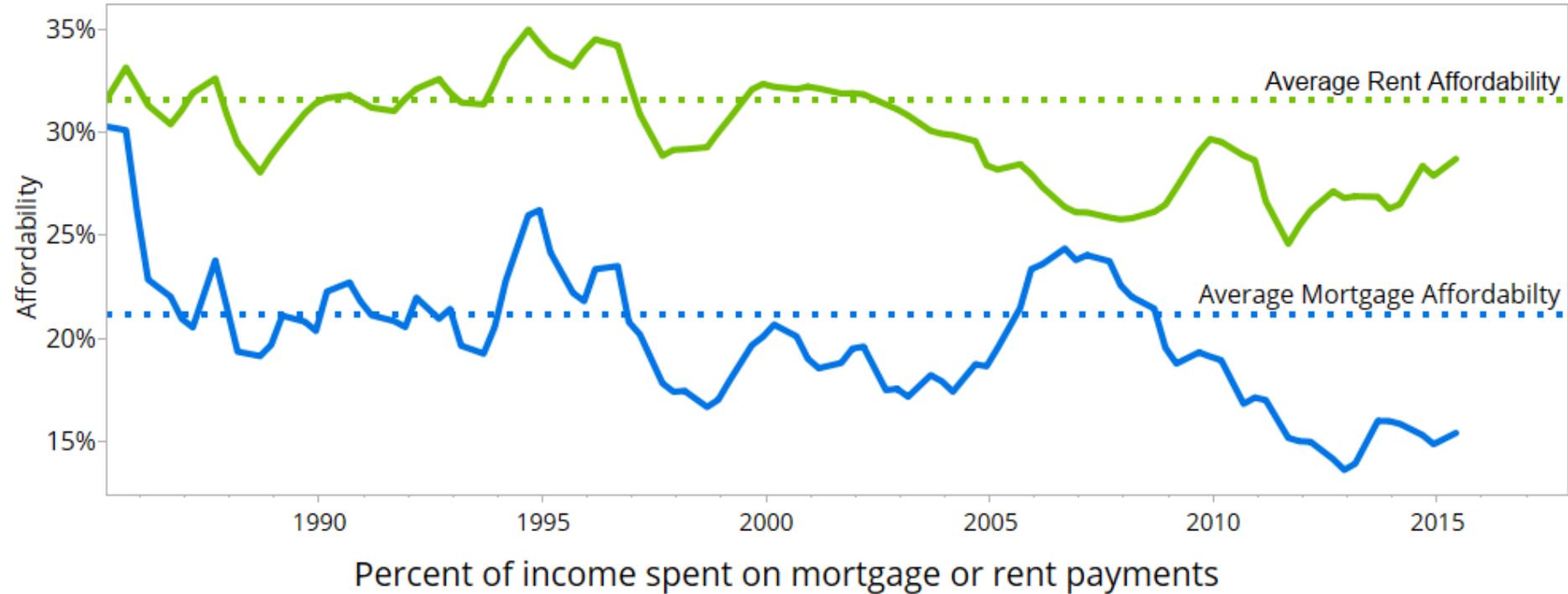
Rents in Seattle keep creeping up and squeezing rent affordability



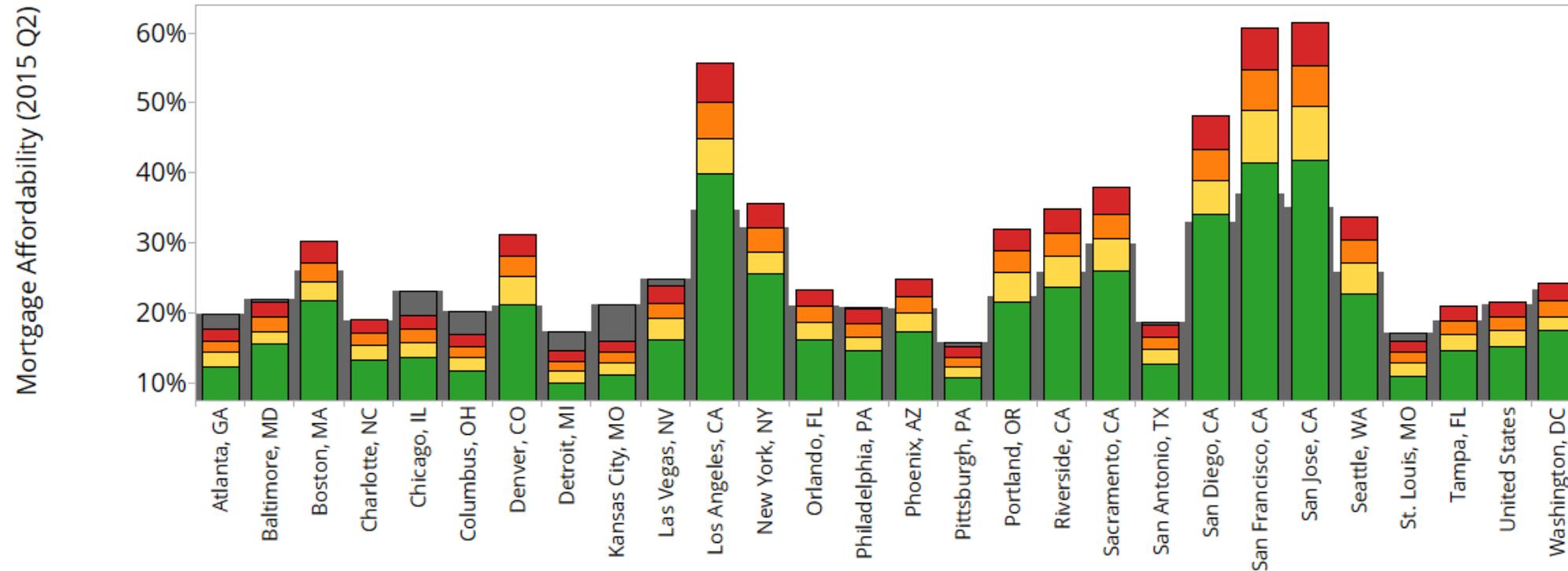
Percent of income spent on mortgage or rent payments



Buying and renting in Spokane is more affordable than the historical average



Mortgage affordability in the largest metro areas

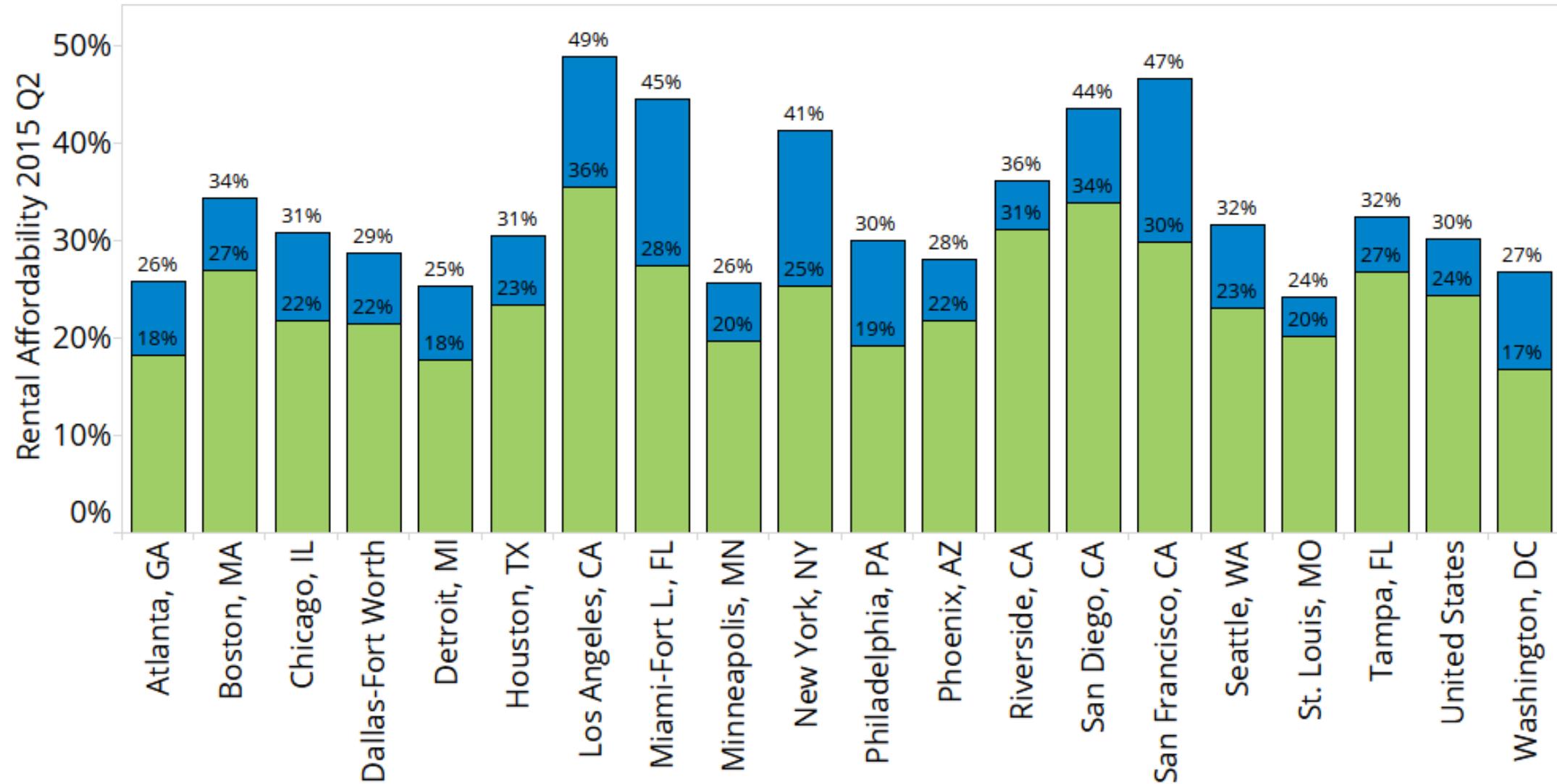


Average Mortgage Affordability 1985-2000	20%	22%	26%	19%	23%	20%	21%	17%	21%	25%	35%	32%	21%	21%	21%	16%	22%	26%	30%	33%	37%	35%	26%	17%	19%	21%	23%
Mortgage Affordability	12%	15%	22%	13%	14%	12%	21%	10%	11%	16%	40%	26%	16%	15%	17%	11%	22%	24%	26%	34%	41%	42%	23%	11%	15%	15%	17%
Forecasted at 5% Rates	14%	17%	24%	15%	16%	14%	25%	12%	13%	19%	45%	29%	19%	17%	20%	12%	26%	28%	31%	39%	49%	50%	27%	13%	17%	17%	20%
Forecasted at 6% Rates	16%	19%	27%	17%	18%	15%	28%	13%	14%	21%	50%	32%	21%	19%	22%	14%	29%	31%	34%	43%	55%	55%	30%	14%	19%	19%	22%
Forecasted at 7% Rates	18%	22%	30%	19%	20%	17%	31%	15%	16%	24%	56%	36%	23%	21%	25%	15%	32%	35%	38%	48%	61%	61%	34%	16%	21%	22%	24%

■ Mortgage Affordability
 ■ Forecasted at 6% Rates
 ■ Average Mortgage Affordability 1985-2000
■ Forecasted at 5% Rates
 ■ Forecasted at 7% Rates



Rental affordability is lower than it has ever been in many markets

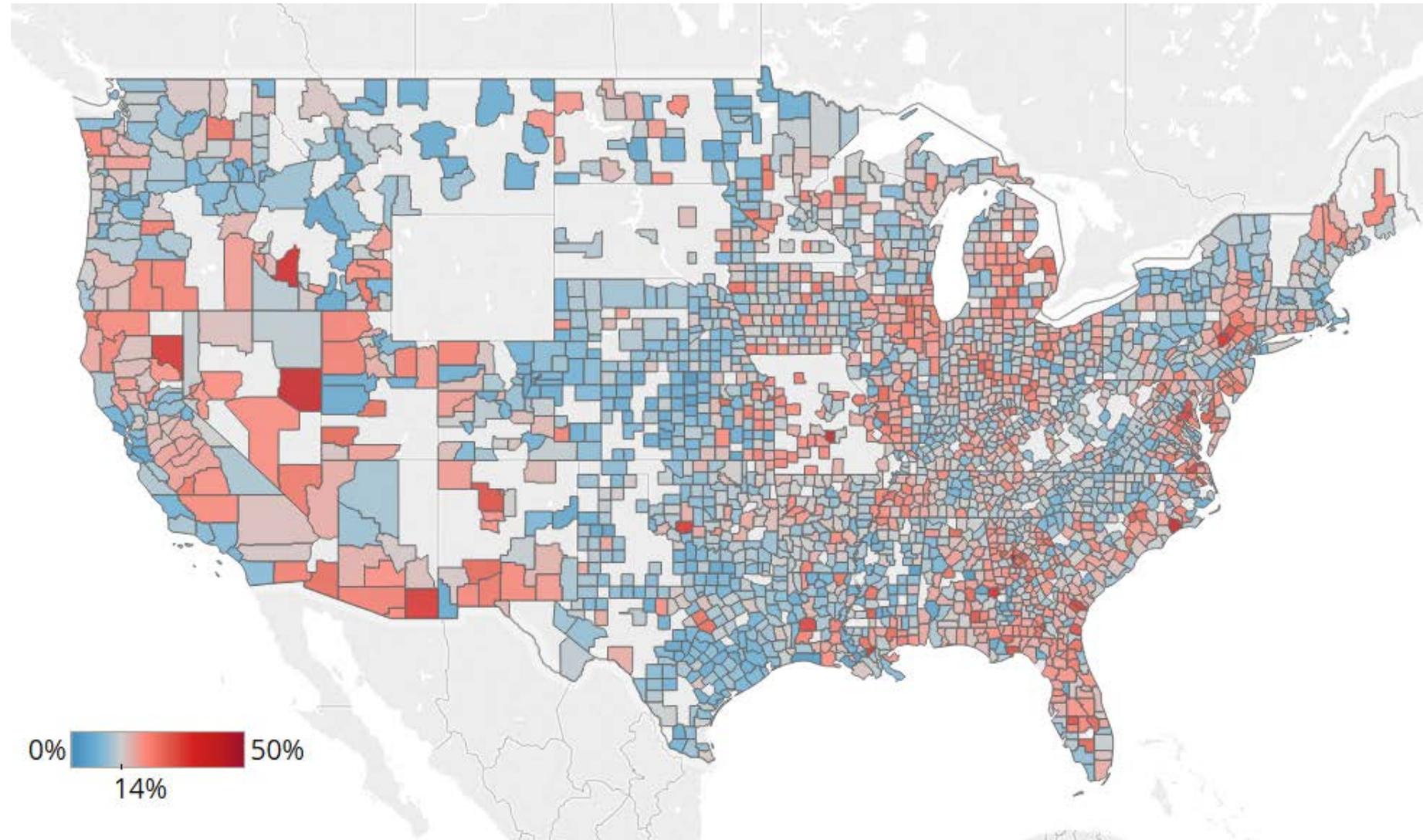


■ Average Rent Affordability 1985-1999
■ Rent Affordability

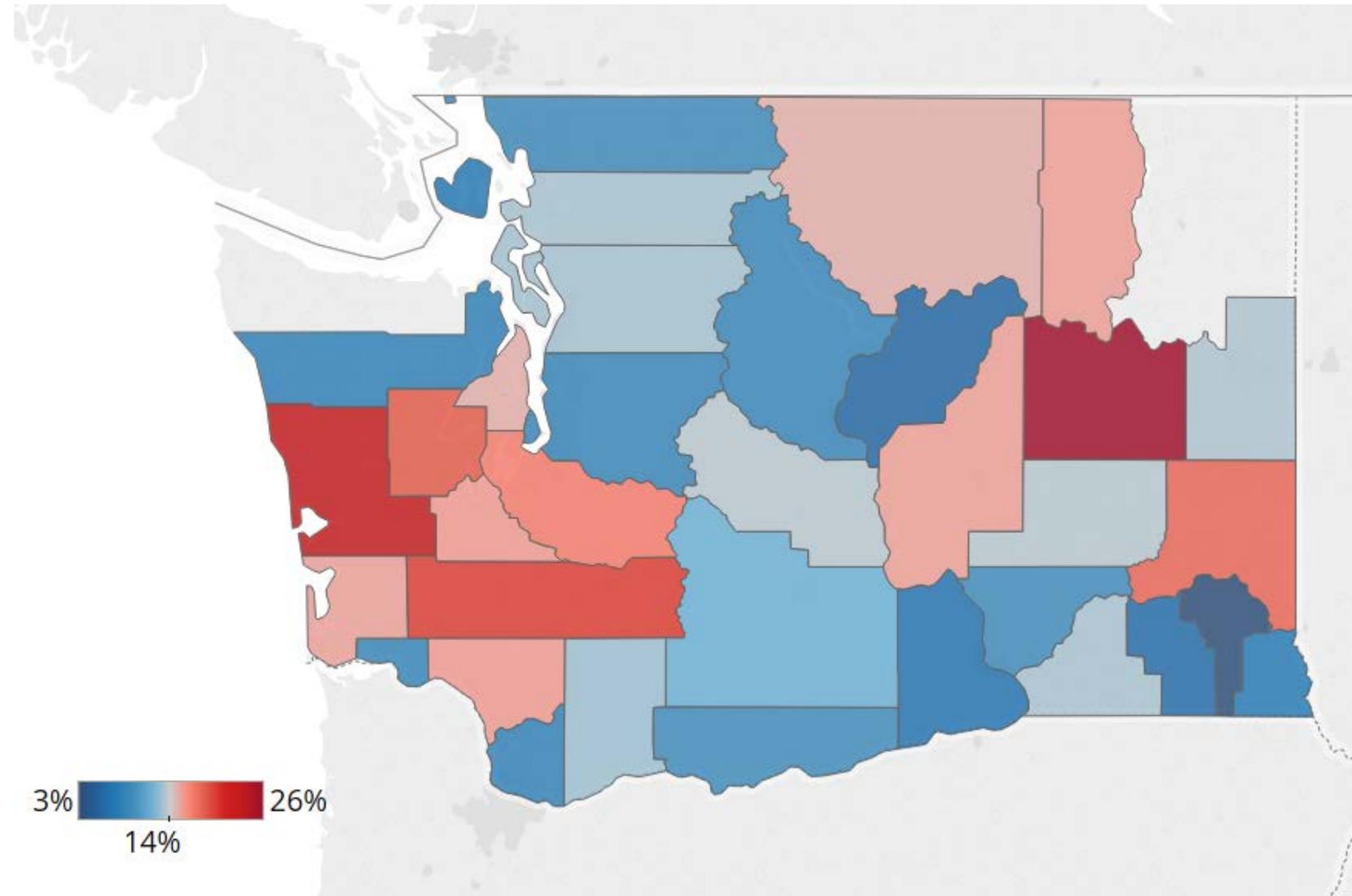


NEGATIVE EQUITY

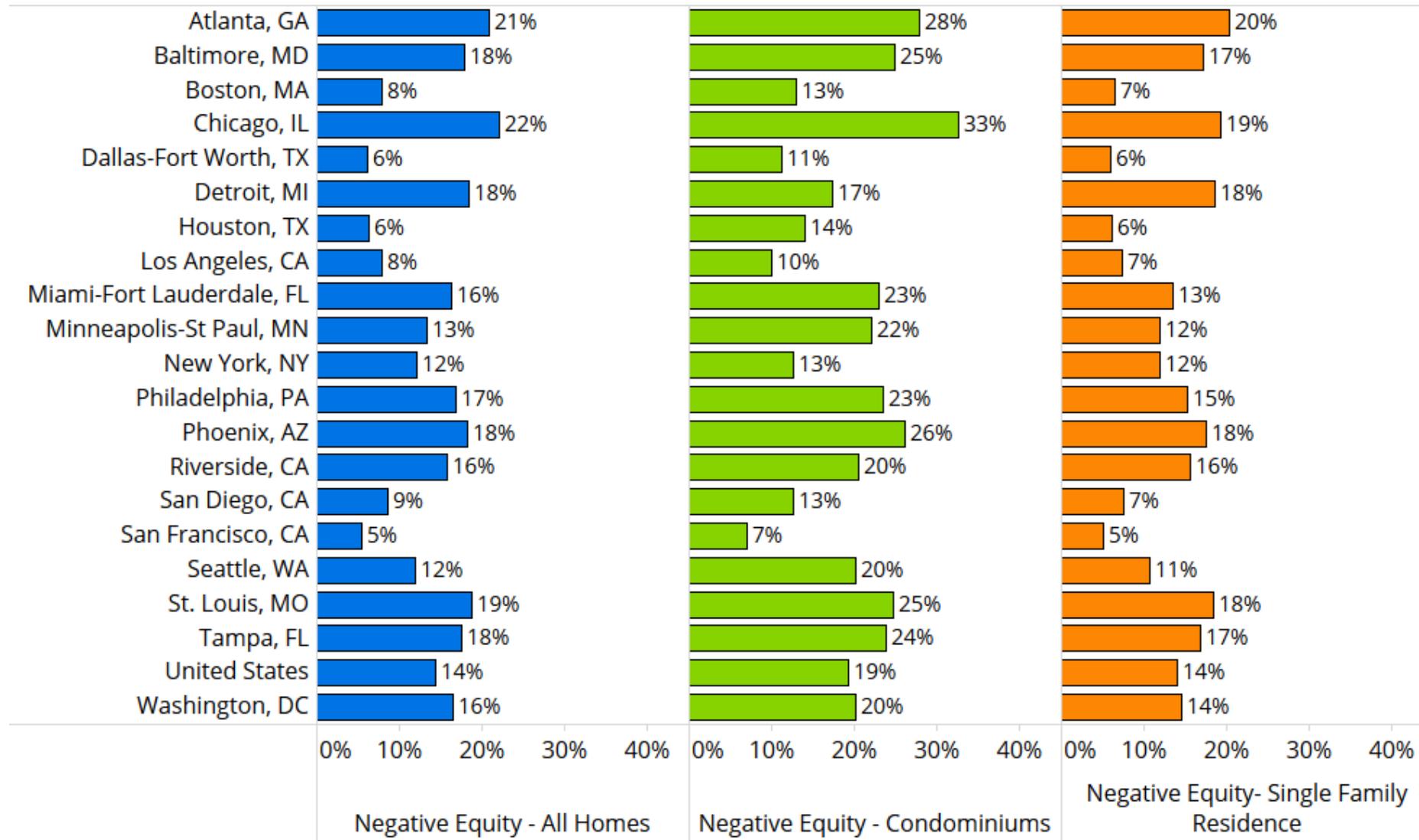
The U.S. negative equity rate has fallen to 14.4%, but remains much higher in some areas



Negative equity in Washington is the highest in Lincoln and Grays Harbor counties



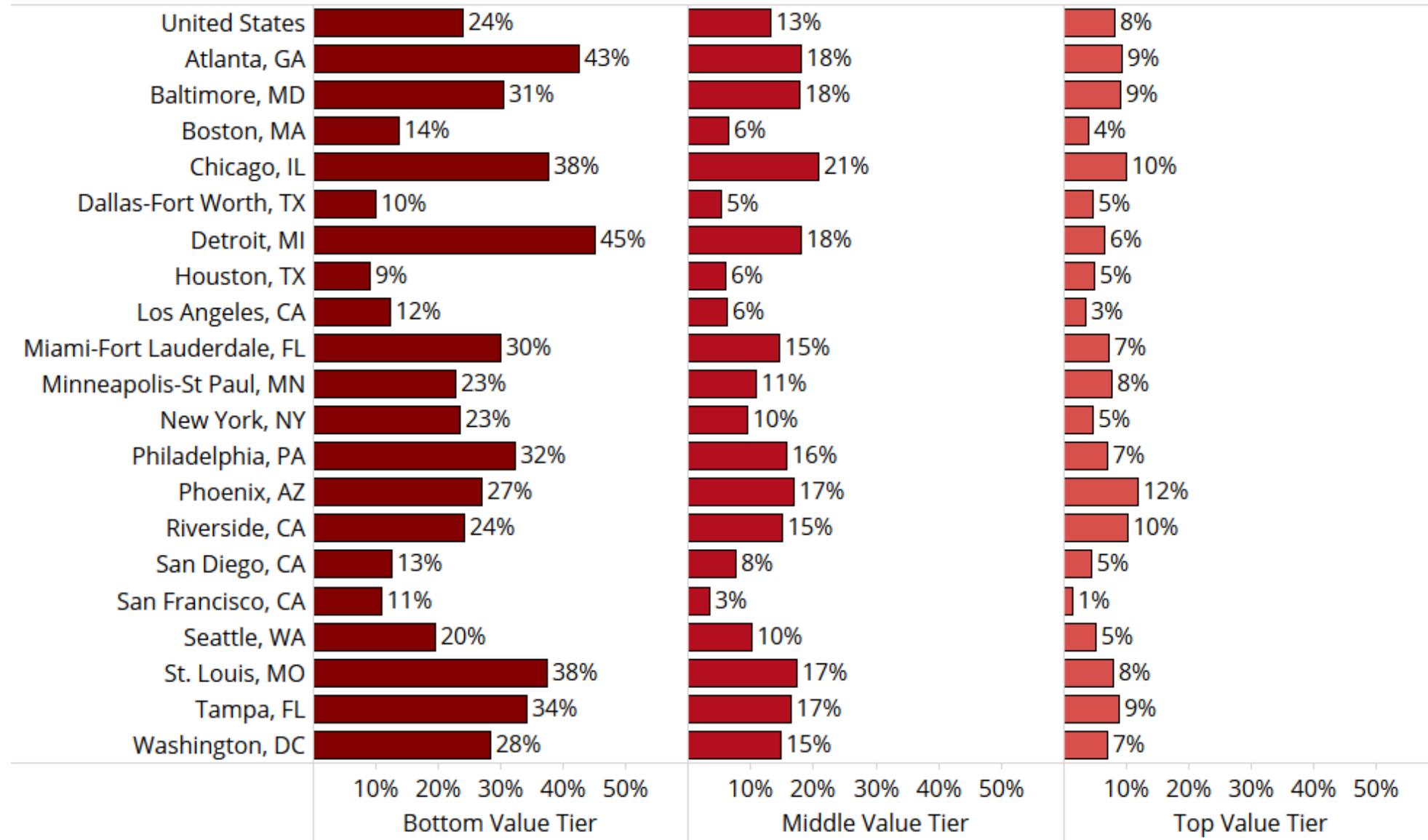
Condo owners are more likely to be underwater than single-family homeowners in most large markets



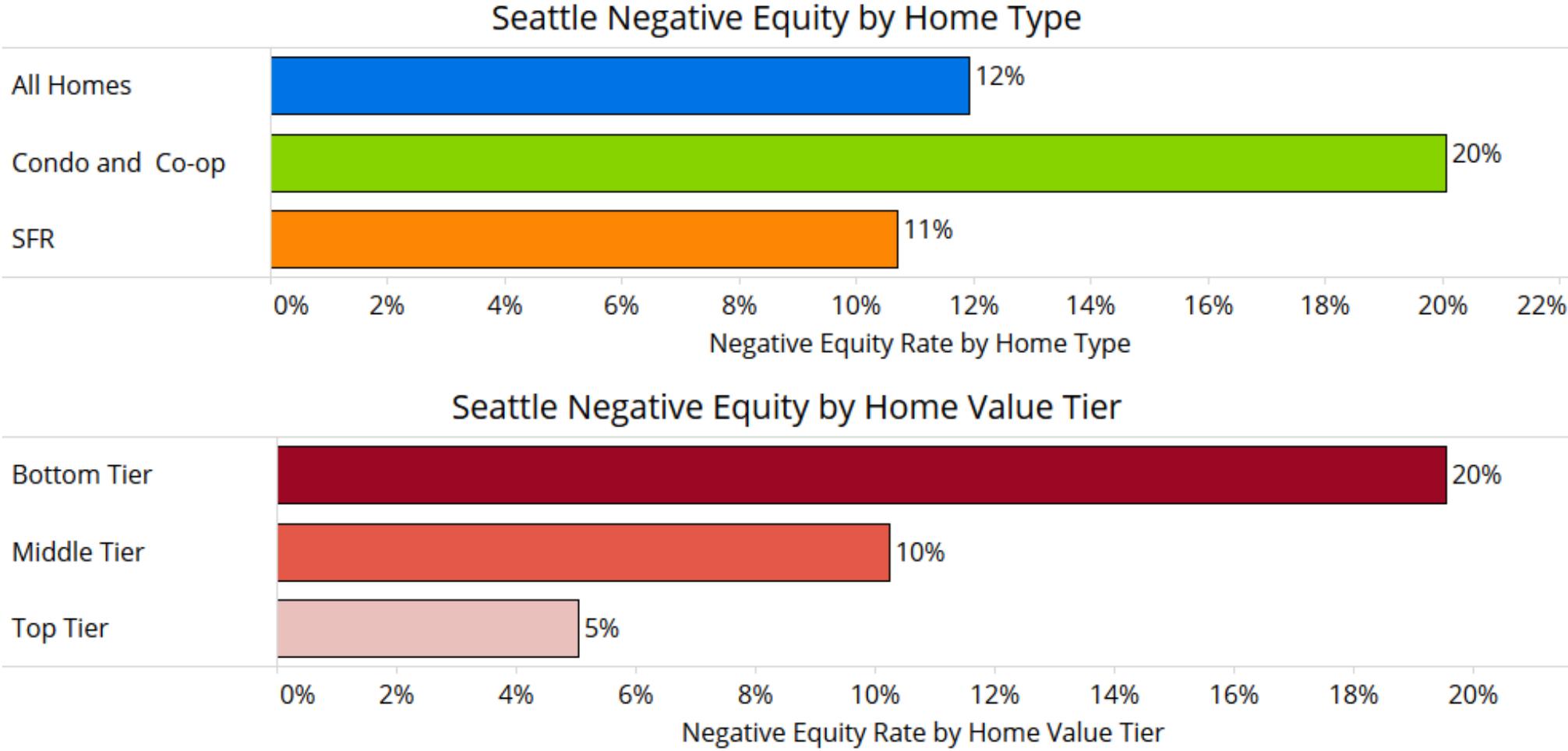
Source: Zillow (2015 Q2)



Homes in the bottom tier are more likely to be underwater

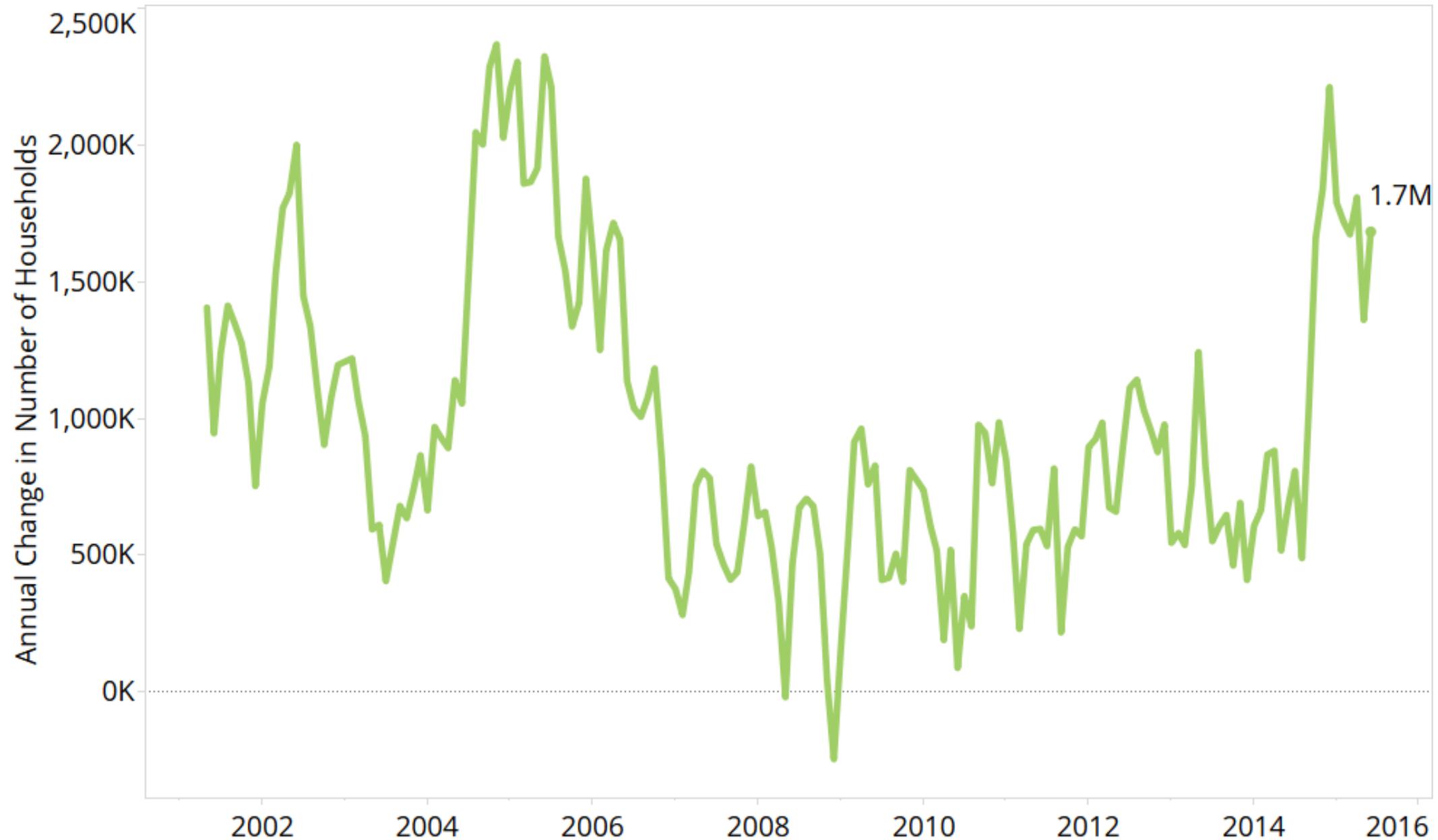


Seattle has higher negative equity rates among condo owners and entry-level homeowners



DEMOGRAPHIC TRENDS

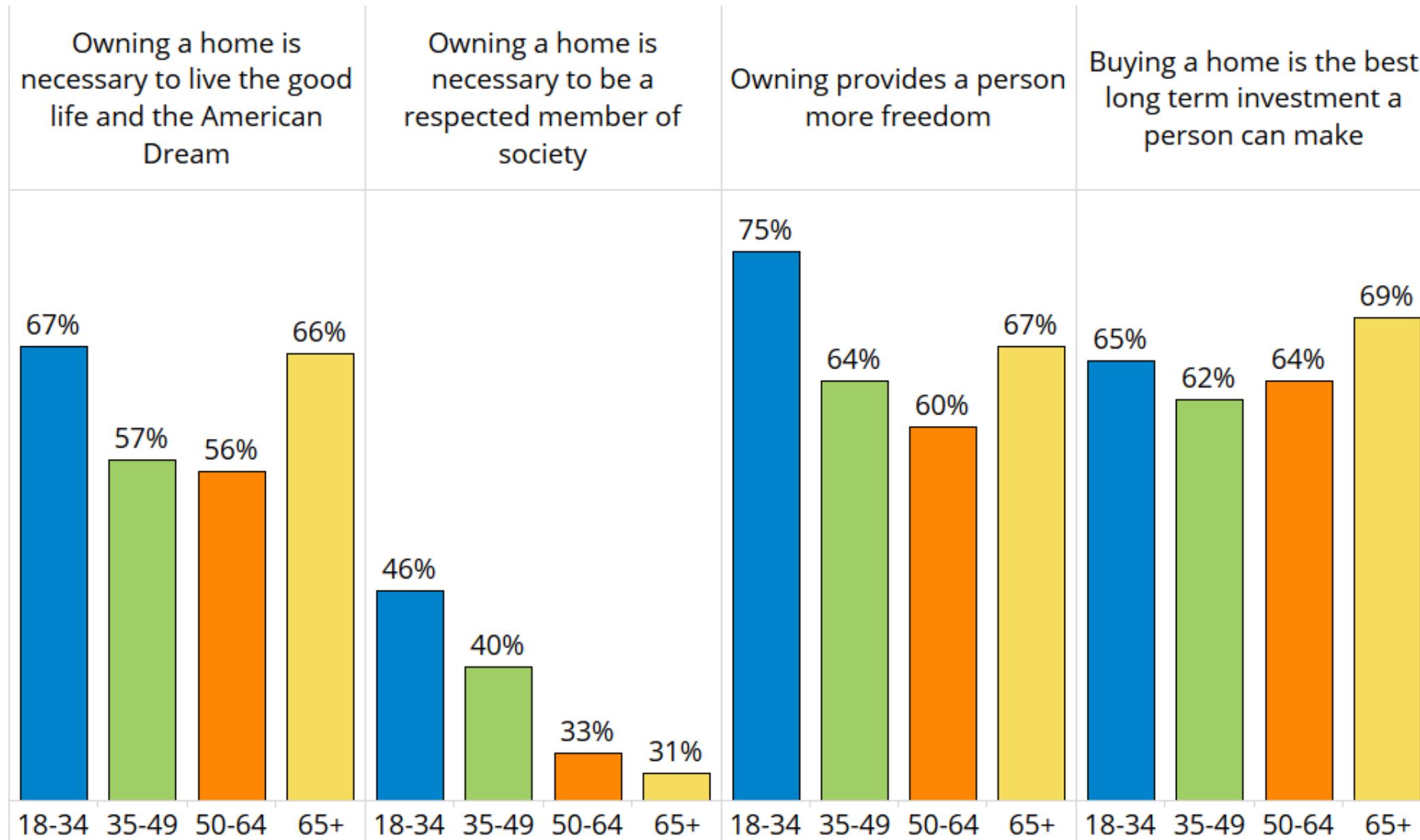
Household formation has picked up, a sign demand for housing will continue to be strong



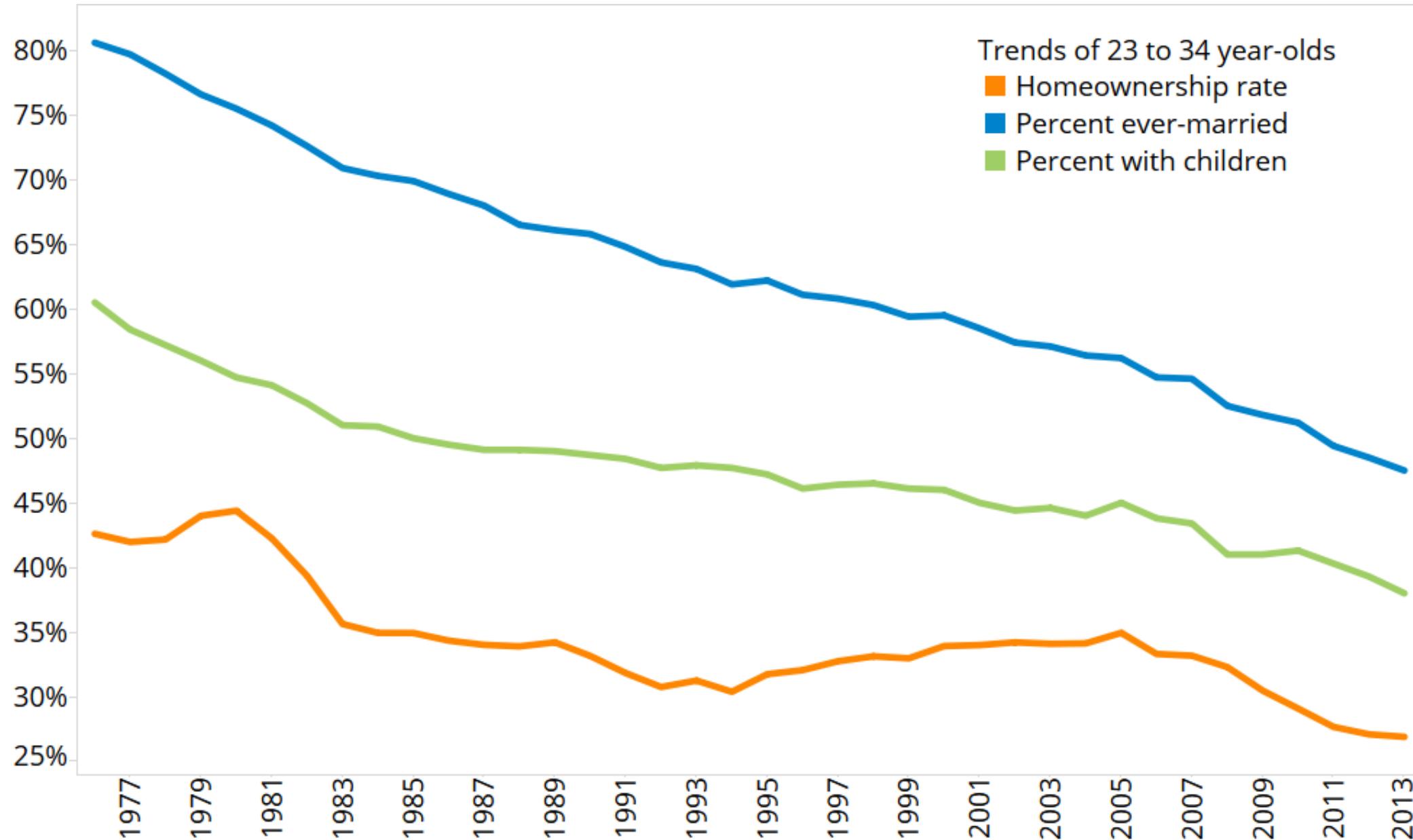
Source: Zillow Analysis of U.S. Census Bureau (BOC): Housing Vacancies and Homeownership (CPS/HVS)



Millennials have positive views of homeownership



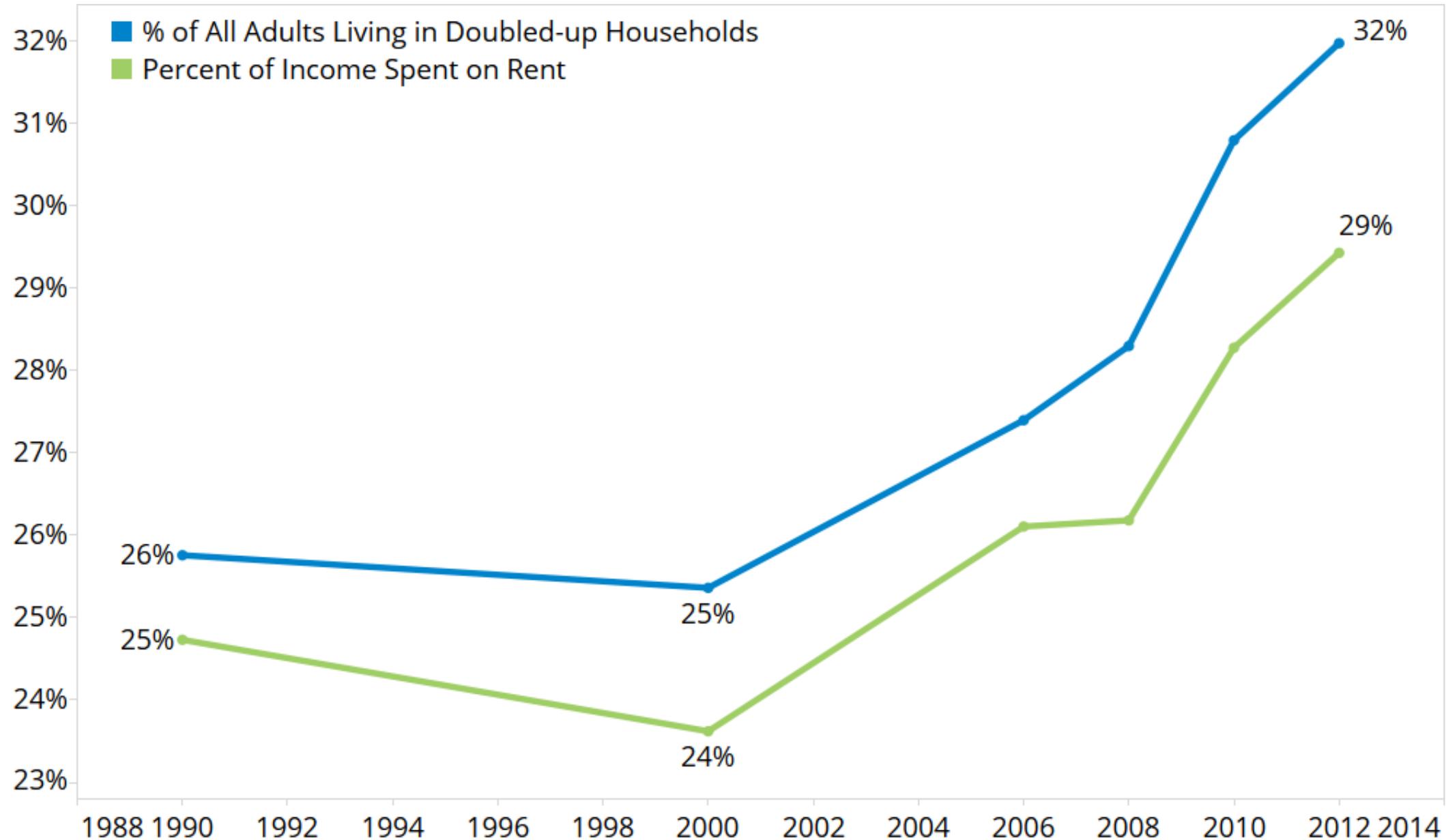
But millennials are delaying home purchases, as they are delaying marriage and having children



Source: Zillow analysis of U.S. Census Bureau CPS Survey data 1995-2013, IPUMS

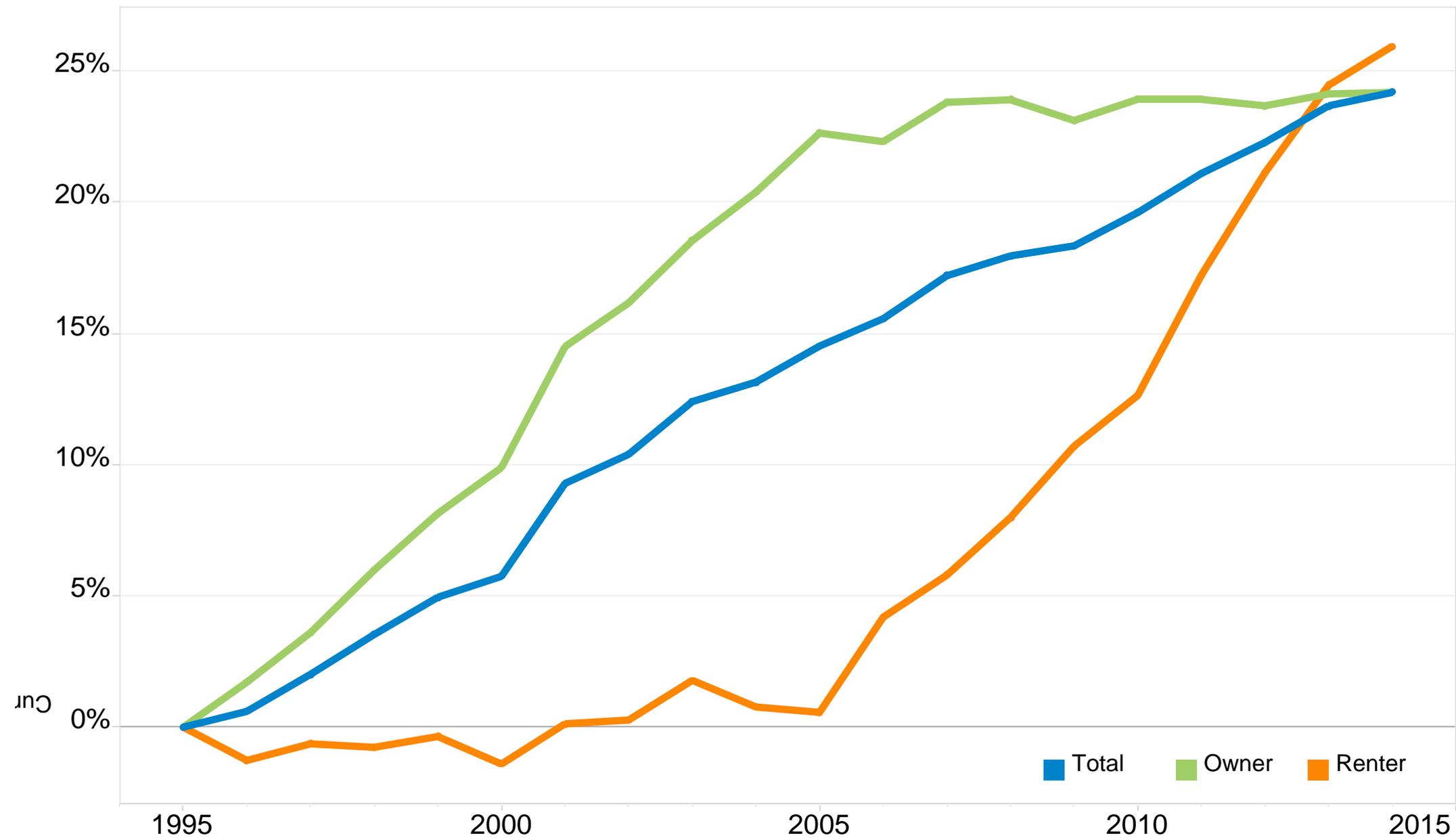


Doubling up is a common strategy to cope with increasingly expensive housing costs



Source: Zillow analysis of U.S. Census Bureau Decennial Census and ACS data, IPUMS

Since 2005, newly formed households have tended to rent



Source: Zillow analysis of U.S. Census Bureau CPS Survey data 1995-2014, IPUMS

Comparing first-time buyers now and then (early 1970s)

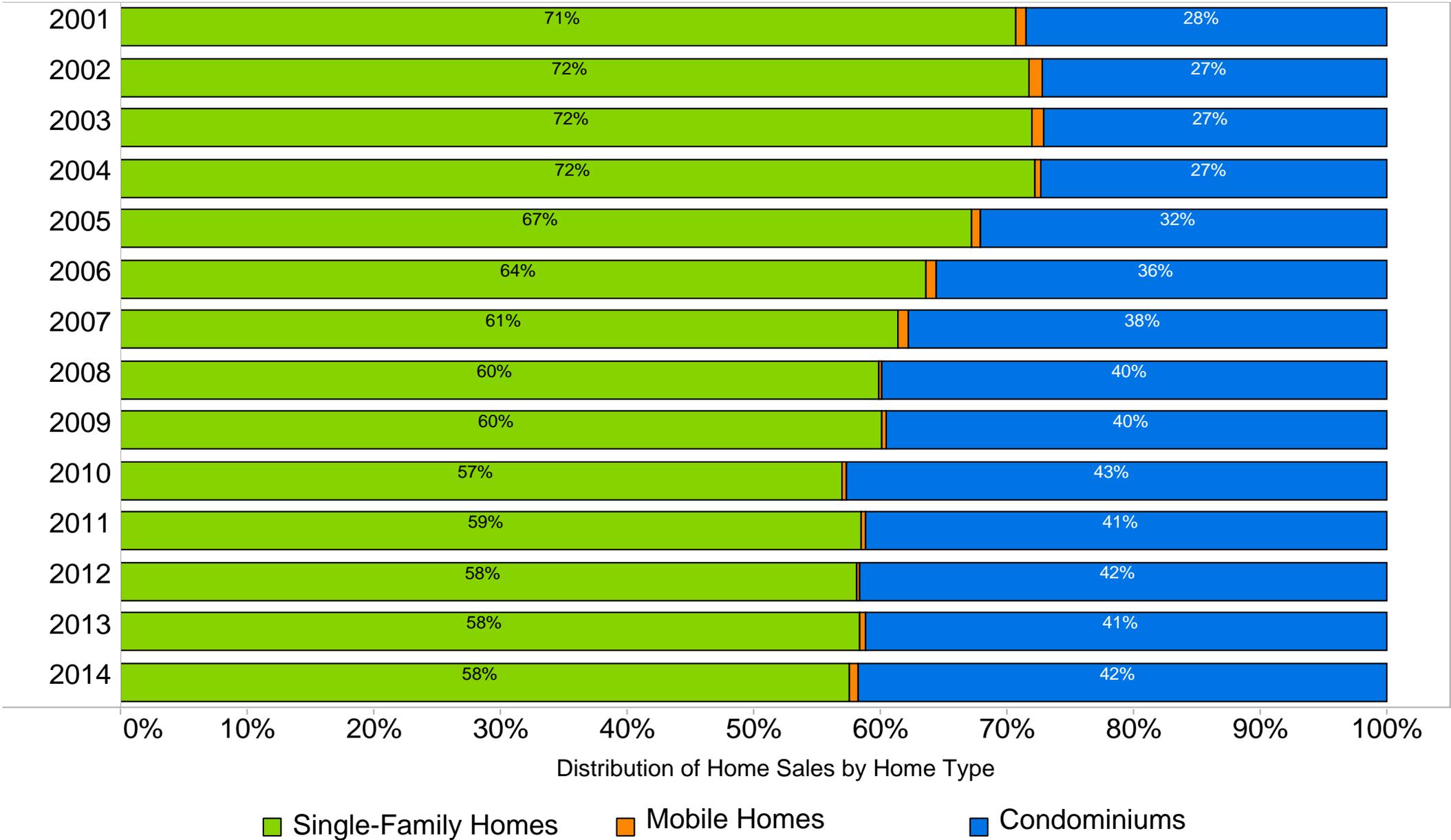
1970-1974

- Rented on average for 2.6 years before buying
- Were 30.6 years of age
- Households included 3 people
- Purchased a home worth \$87k in today's dollars
- Income was \$53k in today's dollars

2010-2013

- Rent on average for 6 years before buying
- Are 32.5 years of age
- Households include just 2 people, so no children yet
- Purchased a home worth \$140k in today's dollars
- Income is \$54k in today's dollars

Condos make up more than 40% of first-time home purchases, compared to 28% in 2001

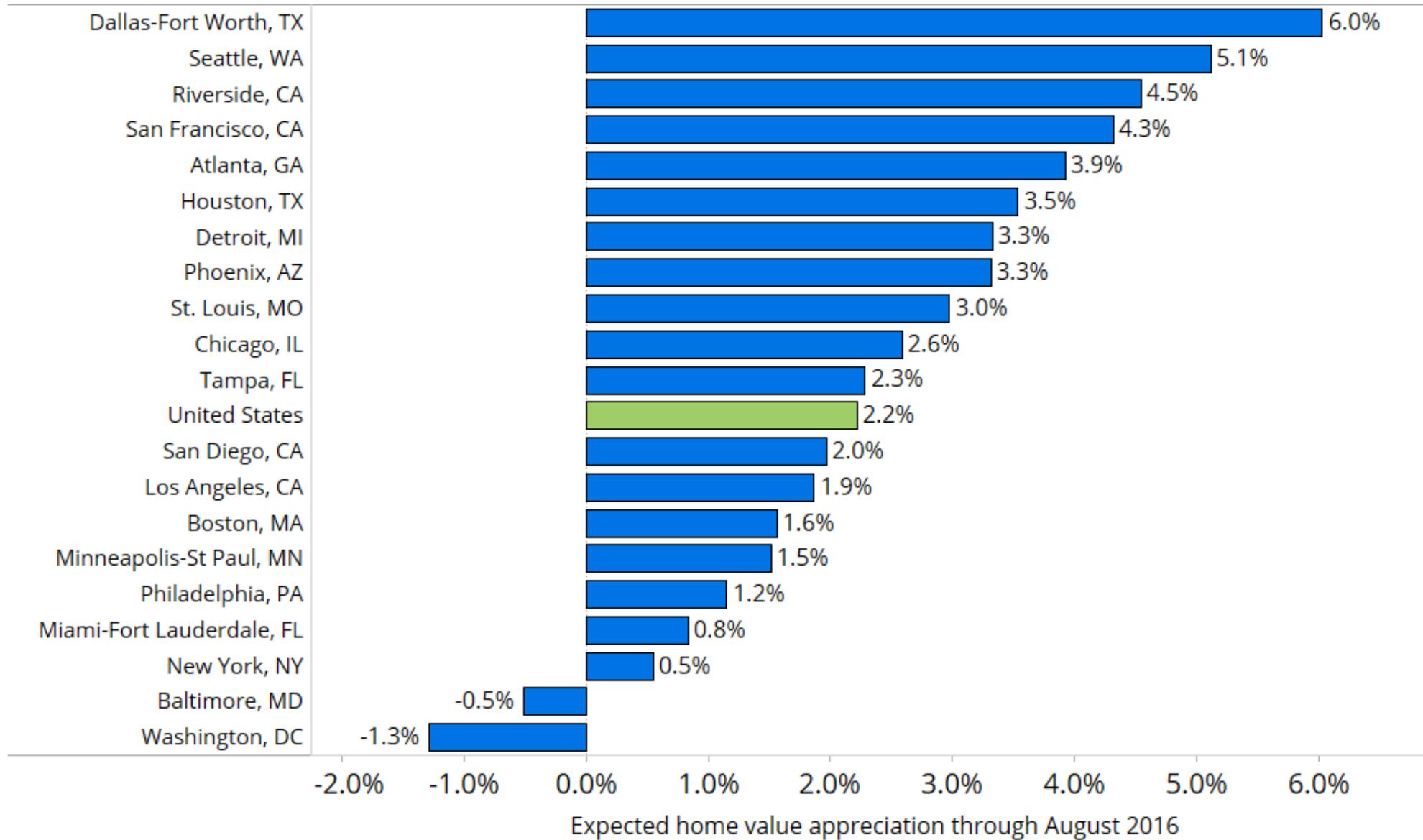


Source: Zillow analysis of Fannie Mae Single-Family Loan performance credit data

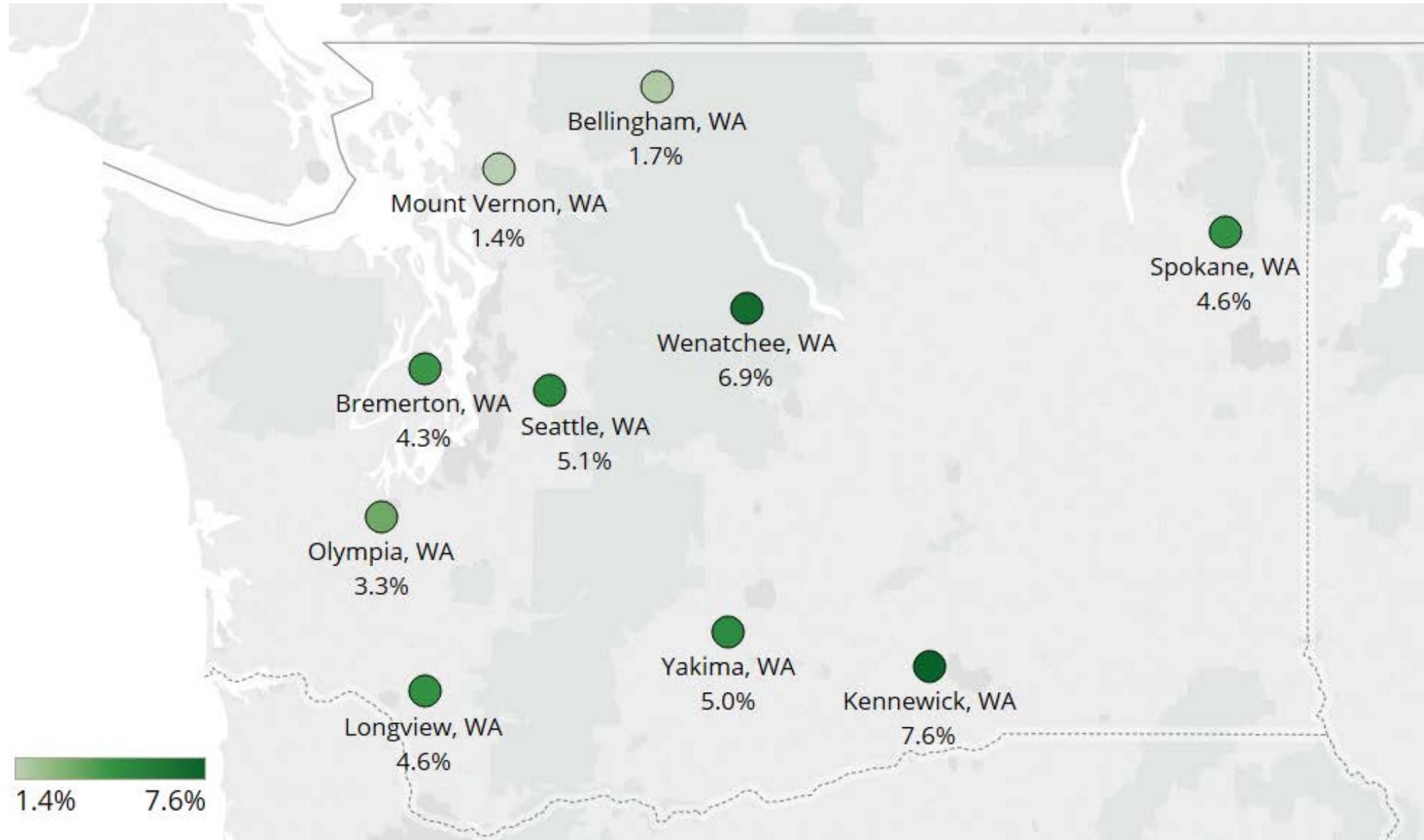


OUTLOOK

Home value growth is expected to slow further in 2016



Next year, metro area home values are forecasted to rise





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