

Florida The High-Beta Market

July, 2017



Agenda For Today

National Environment & Market

Florida Market Conditions

Outlook

National Environment and Market

Economy

Economy at Full Employment with Unemployment Rate under 5% ... Moderate Job & Income Growth ... Long Live the Economic Expansion

Mortgage Rates Jumped after the November Election ... Moderate Inflation and Growth Support Flat or Gradually-Higher Rates

Baby Boomers and Millennials to Shape the Economy ... Housing, Education & Health, Tourism, Business Services Are Growth Industries

Housing Market

Increased Household Formation & 1st Time Homebuyers Drive Housing Demand ... Homeownership Still Affordable ... Attractive Relative to Renting

Home Sales Growth Slowing ... Housing Starts Shifting to SF & Owner-Occupied ... Builders Not Meeting Demand for Entry-Level Housing ... Tight Inventory Pushing Home Prices Higher

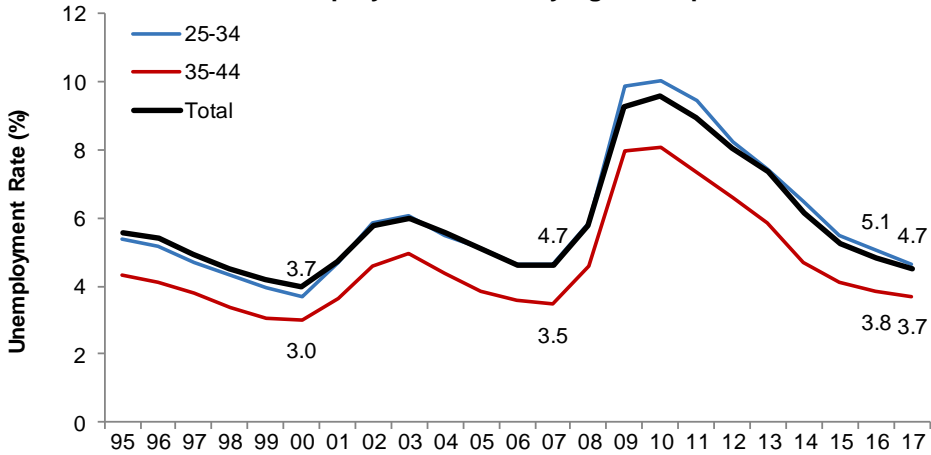
Mortgage Market

Lower Refinance Volume a Challenge for Lenders ... Purchase Origination Expected to Drive Market ... 1st Time Homebuyers Expected to Expand Low Down Payment Mortgages & Higher Mortgage Debt

Mortgage Credit Box Stable ... Credit Quality Remain Pristine ... Mortgage Performance Normalized ... Agency Market Remains Dominant at ~80% Market

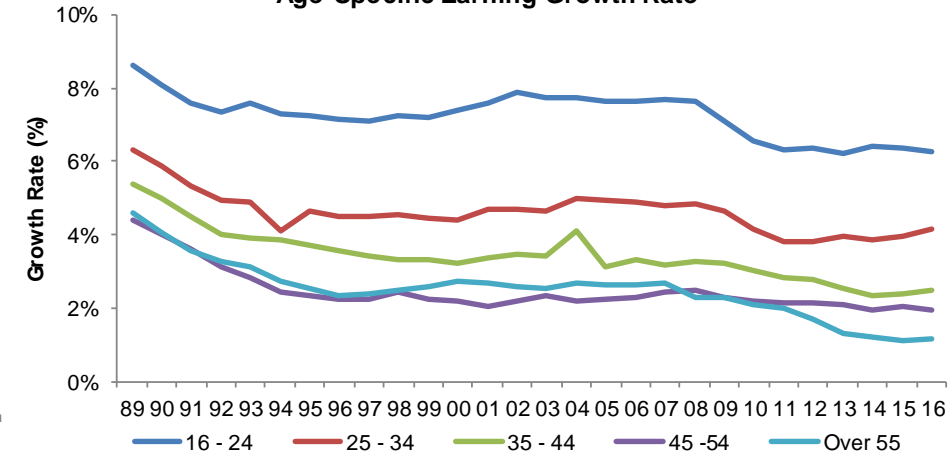
Economic Cycle

Unemployment Rate - by Age Group



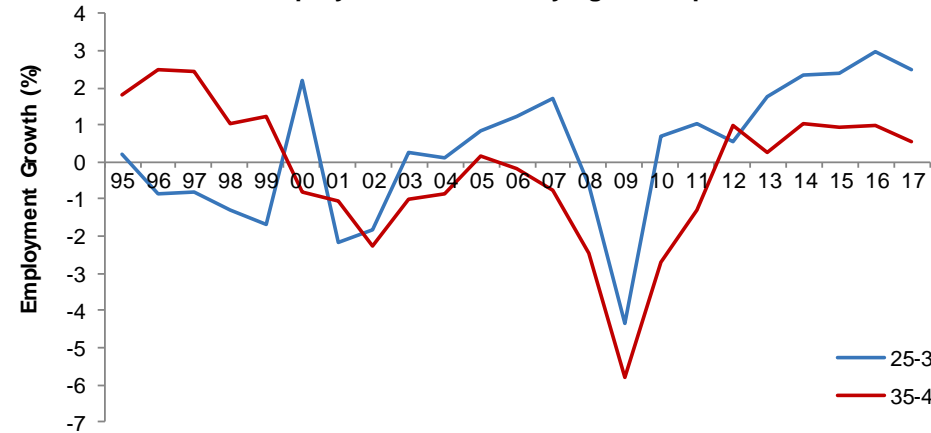
Source: Bureau of Labor Statistics

Age-Specific Earning Growth Rate



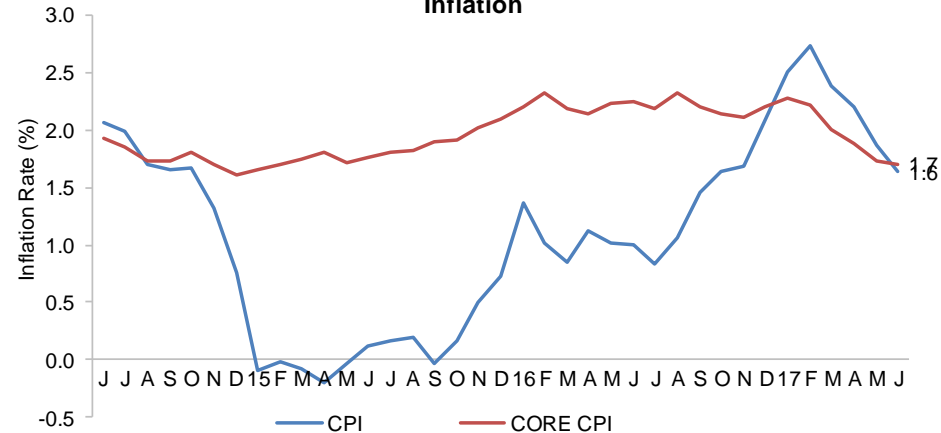
Source: Bureau of Labor Statistics

Employment Growth - by Age Group



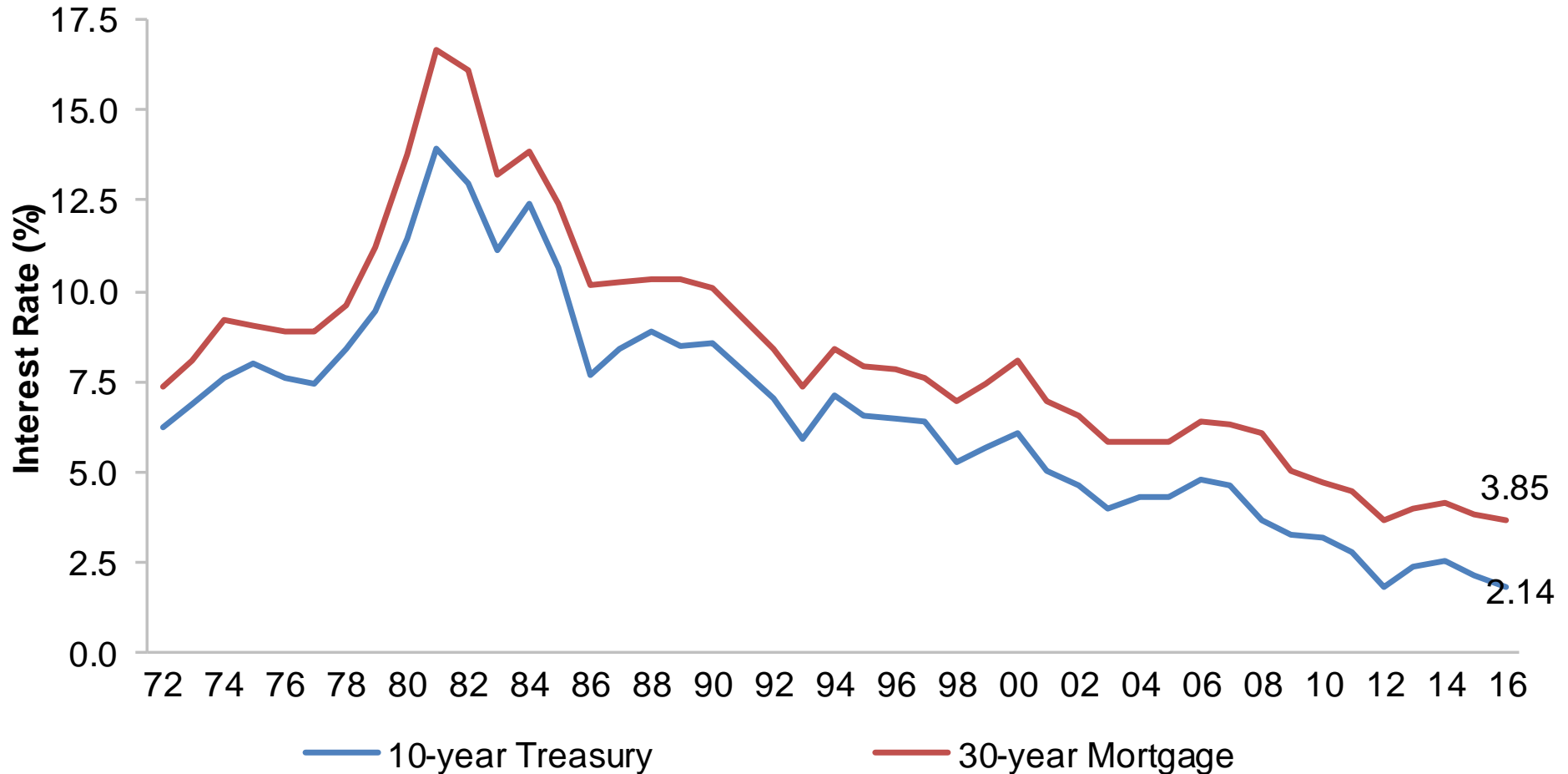
Source: Bureau of Labor Statistics

Inflation



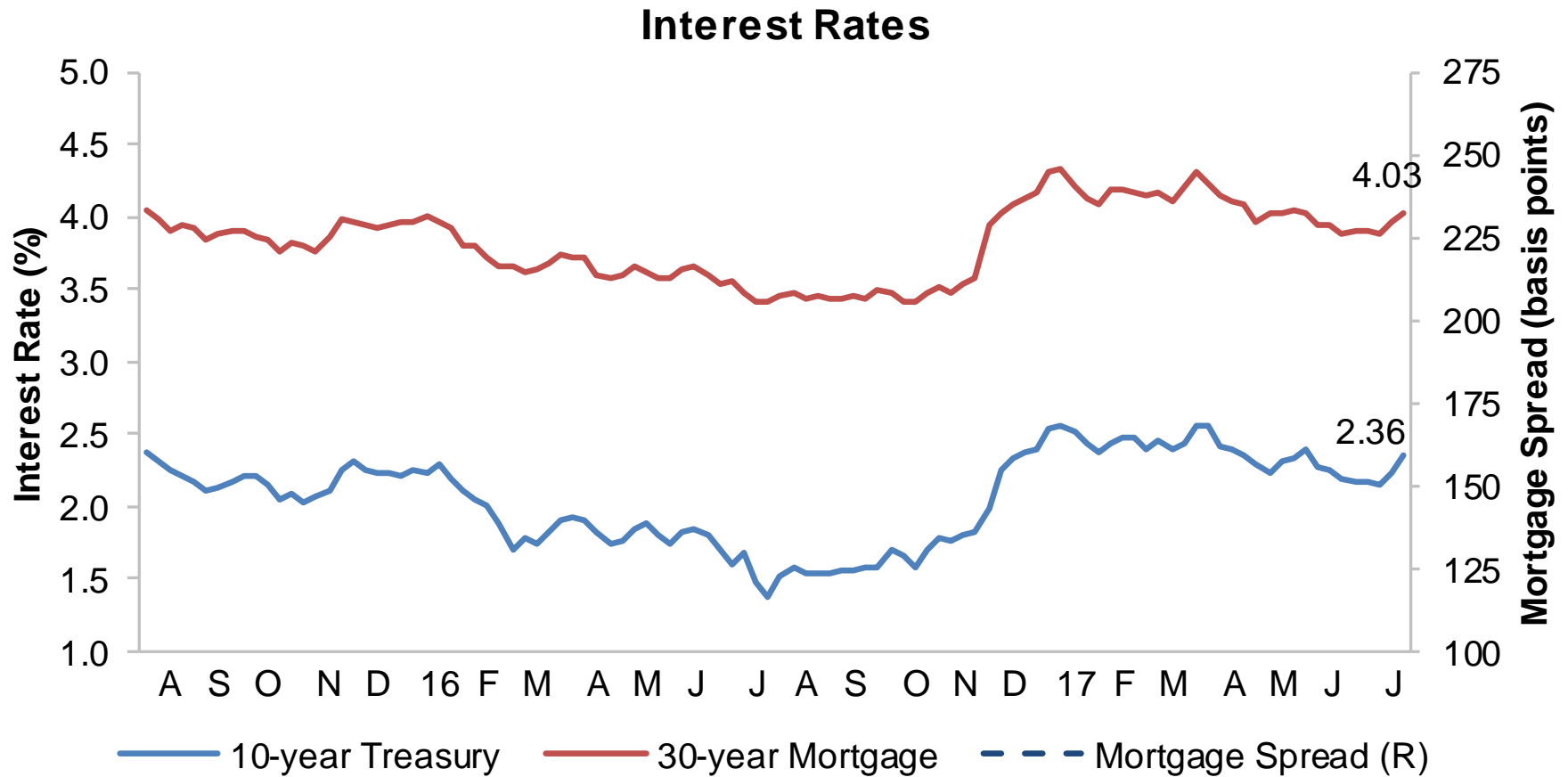
Source: Bureau of Labor Statistics

Low Interest Rates



Source: Federal Reserve Board, Freddie Mac

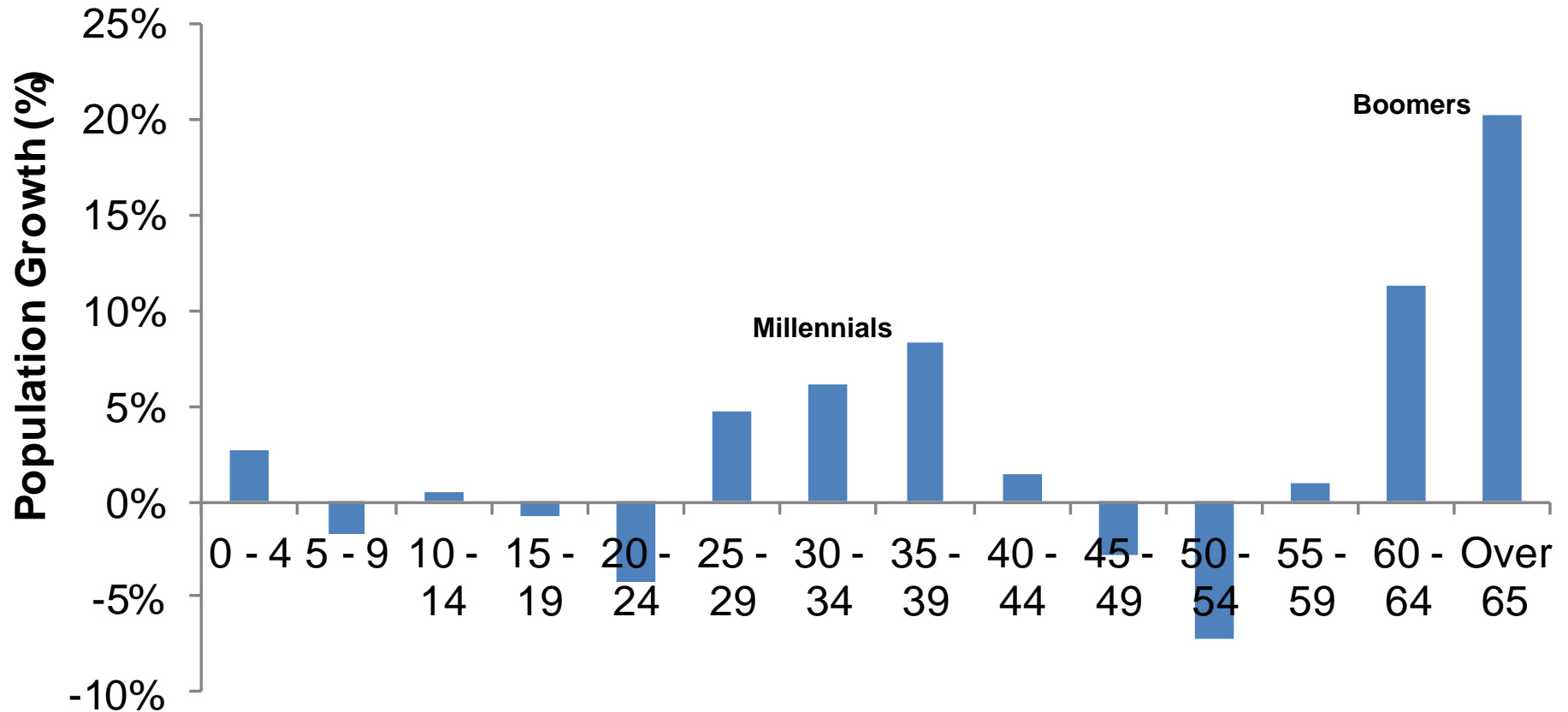
Interest Rates since 2015



Source: Federal Reserve Board, Freddie Mac

Two Demographic Drivers

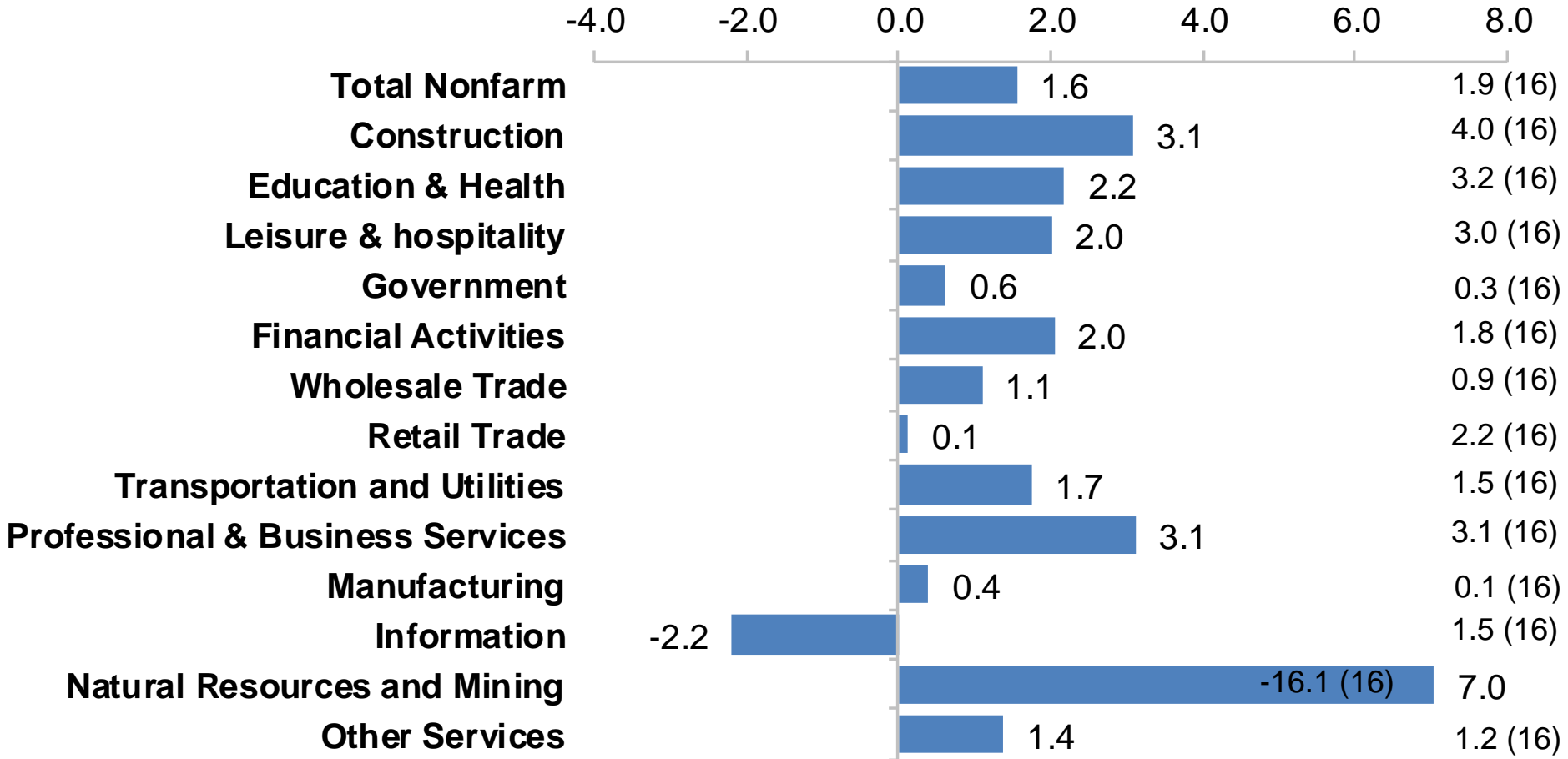
Total Population Growth ~4% between 2015 and 2020



Source: Moody's Analytics

Job Market Reflects Economic Trends

Y/Y (%) Change in Employment: By Sector



Source: Bureau of Labor Statistics

U.S. Housing Market

Demographics

- Large Millennial cohort reaching prime household formation age
- Baby boomers retiring and will have different housing needs

Cyclical Pent-Up Demand

- Home ownership rate at multi-decade low
- Foreclosure crisis over
- Large pool of renters ready to become homeowners
- Large number of young people ready to strike out

What Has Not Changed

- Desire to become homeowners

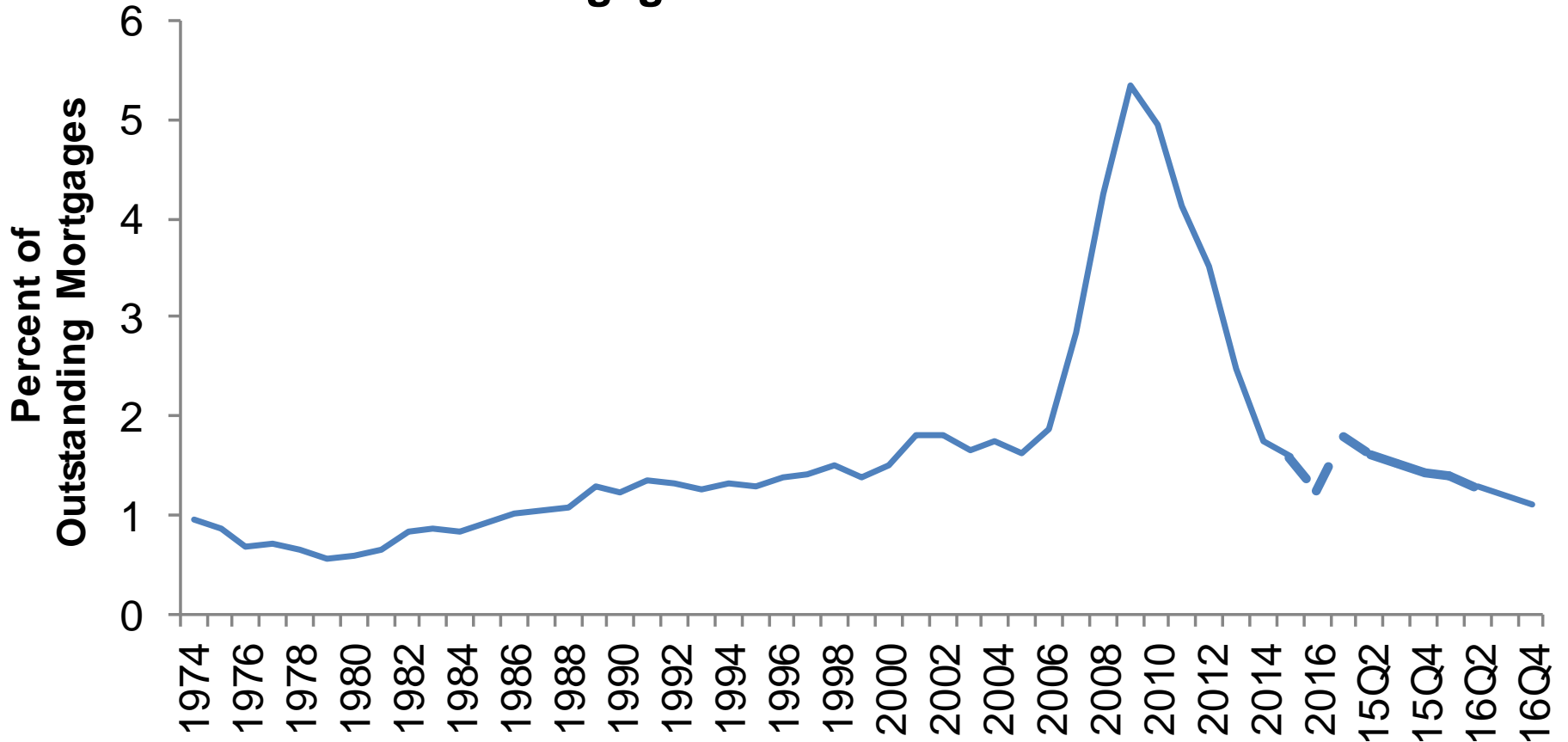
Hurdles to Home Ownership

- Down payment
- Debt
- Credit availability
- Lack of affordable housing inventory in both new and pre-owned market

We are Optimistic about Housing and Mortgage Market

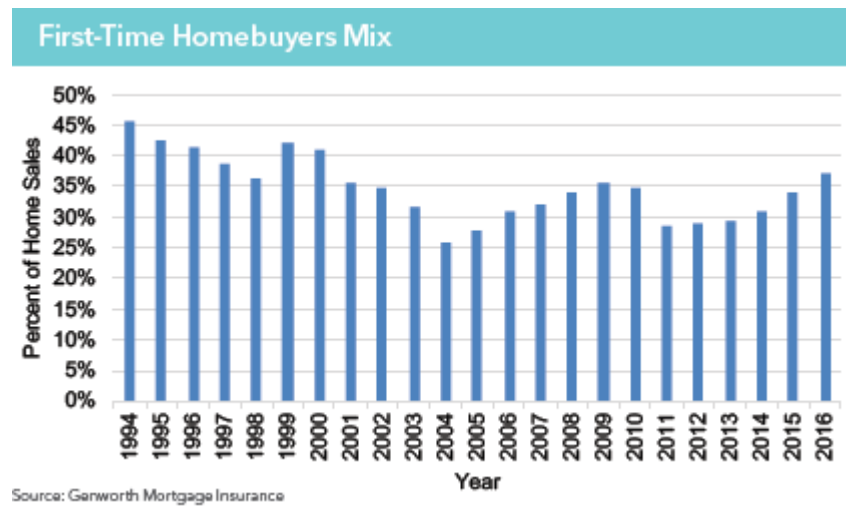
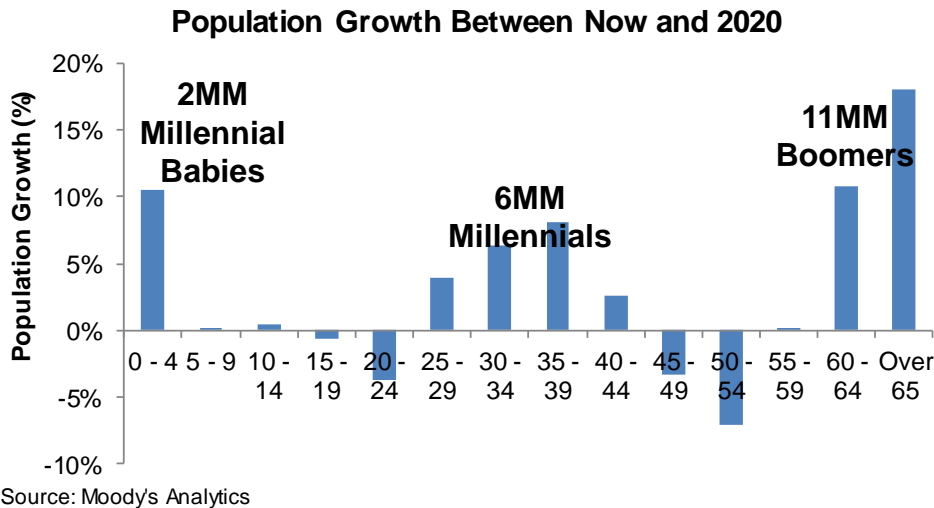
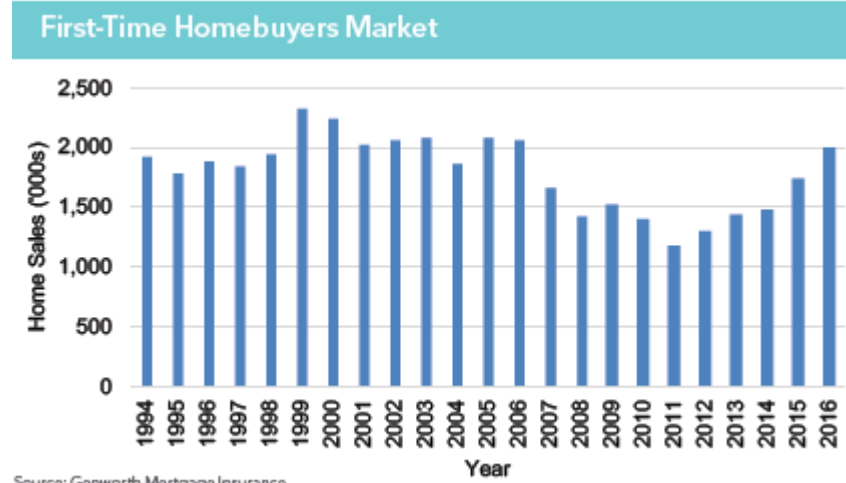
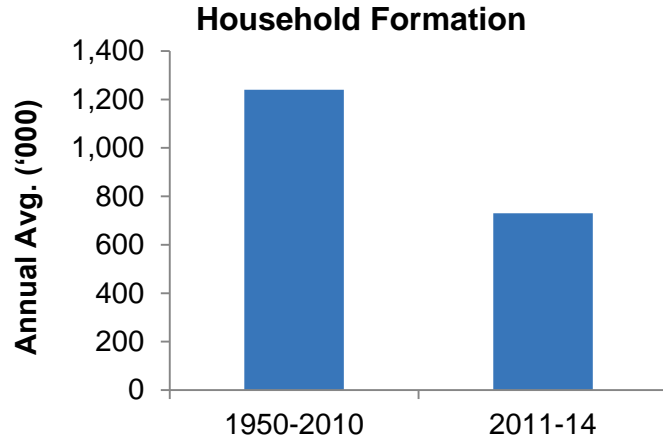
Foreclosure Crisis Over

Mortgage Foreclosure Start Rate

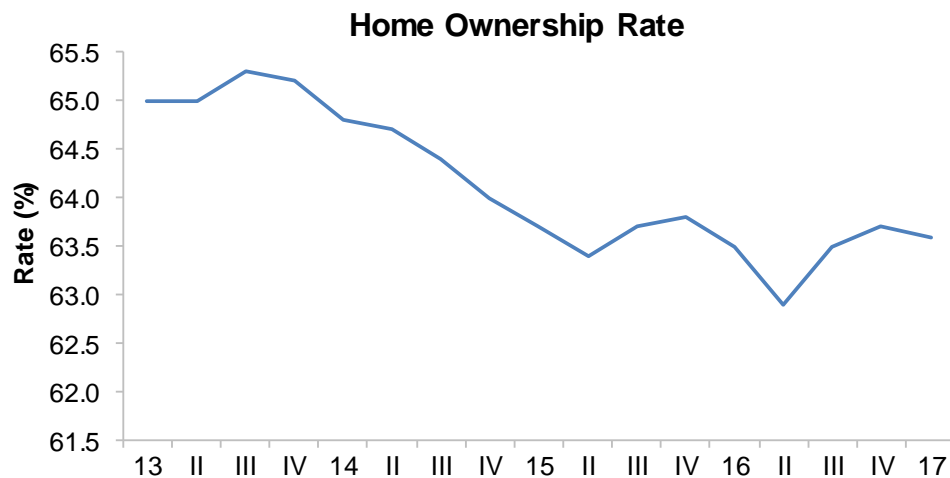
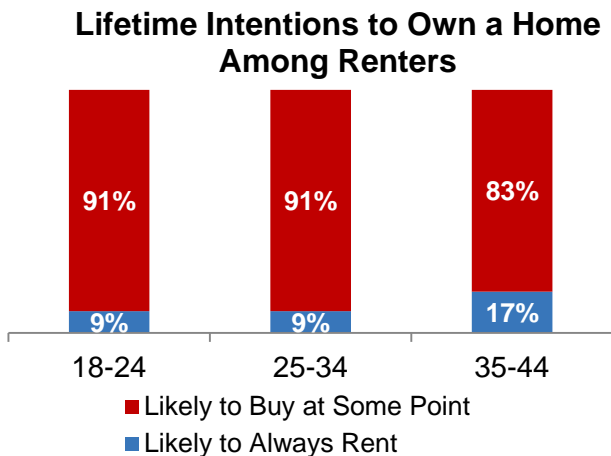
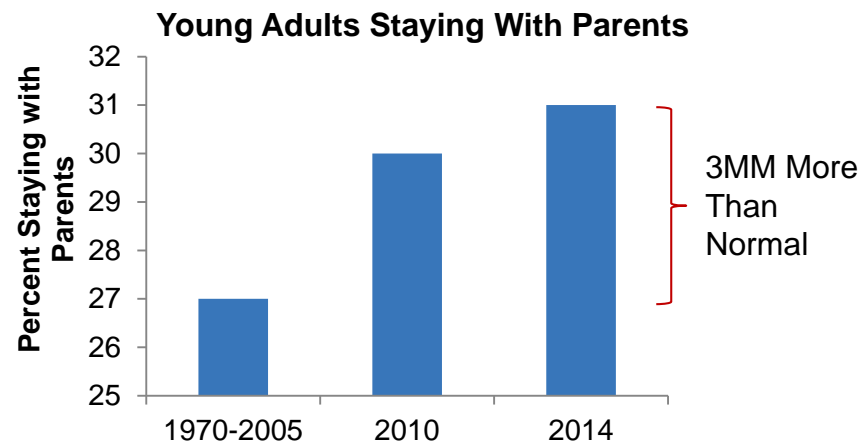
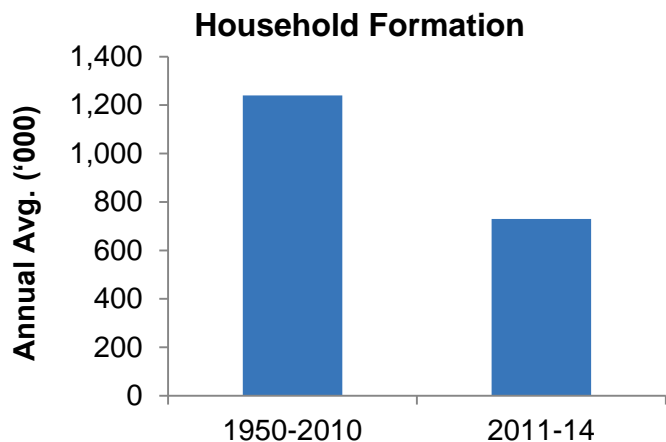


Source: Mortgage Bankers Association National Delinquency Survey, Genworth Mortgage Insurance

First-Time Homebuyer Market



Pent-Up Demand



Source: Census Bureau, Genworth Mortgage Insurance

Source: Household formation for 1950-2010 based on Census Bureau Decennial Census, 2011-14 based on the average of Housing Vacancy Survey and American Community Survey; Lifetime Intentions to Own a Home Among Renters based on Fannie Mae National Housing Survey.

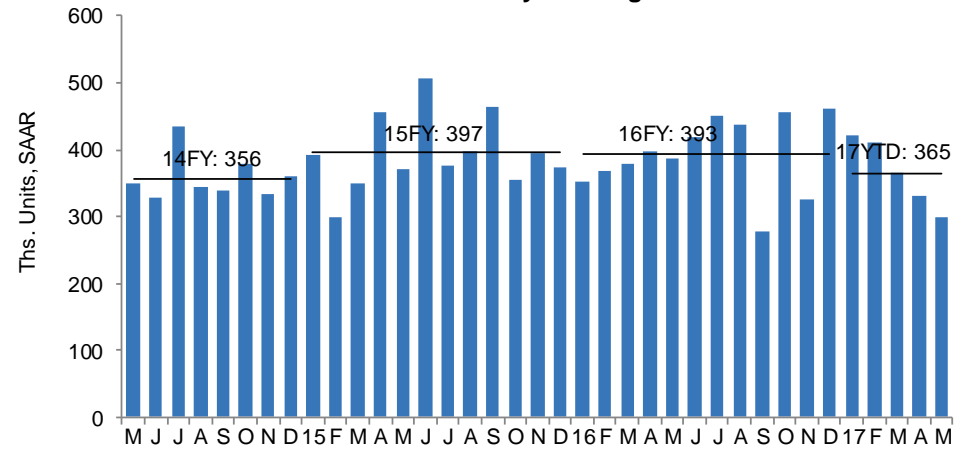
Housing Supply

Housing Starts



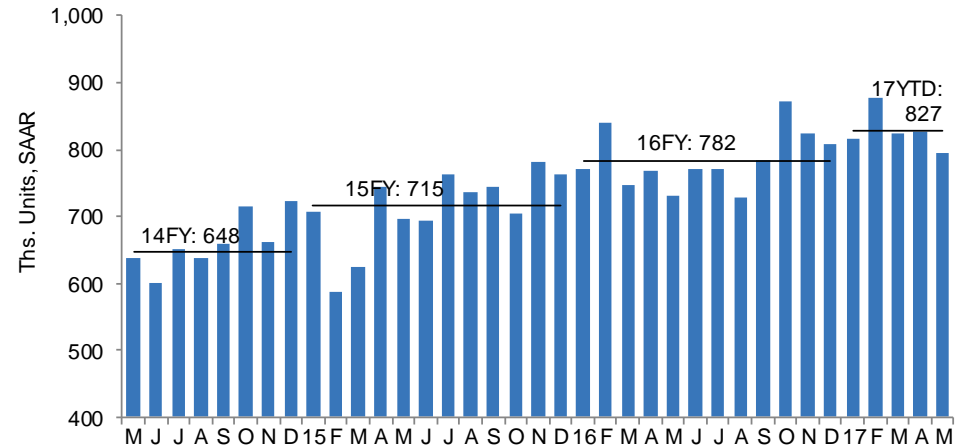
Source: Census Bureau

Multi-Family Housing Starts



Source: Census Bureau

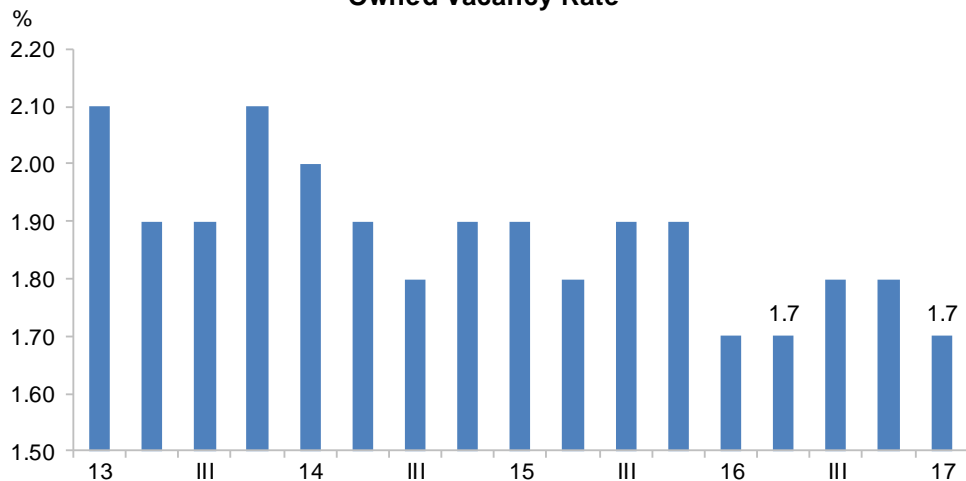
Single-Family Housing Starts



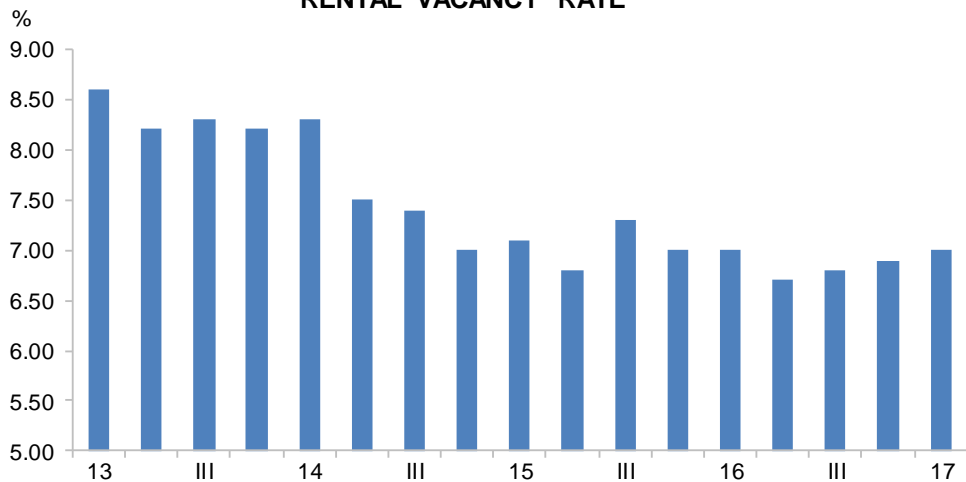
Source: Census Bureau

Housing Vacancy Levels

Owned Vacancy Rate

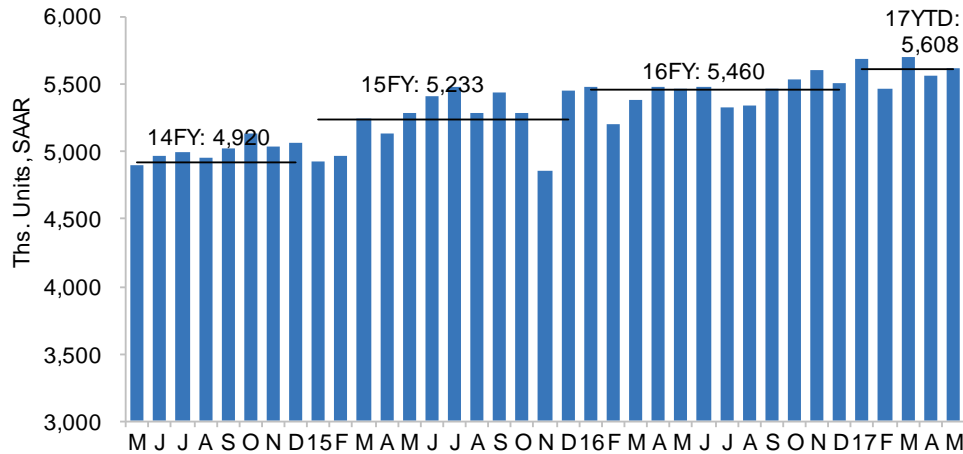


RENTAL VACANCY RATE



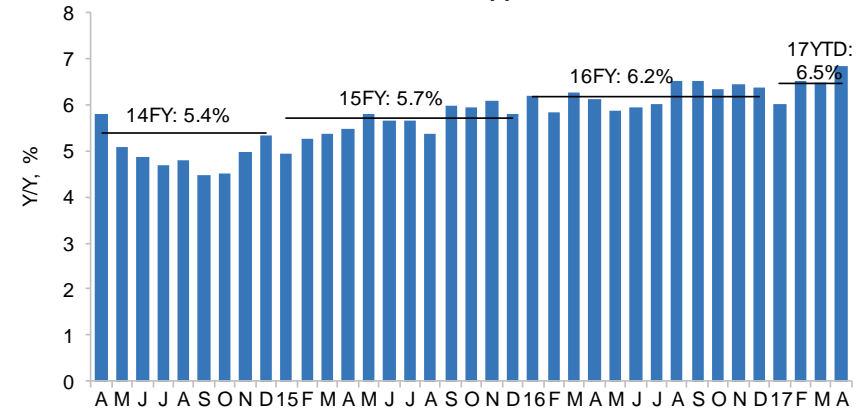
Home Sales

Existing Home Sales



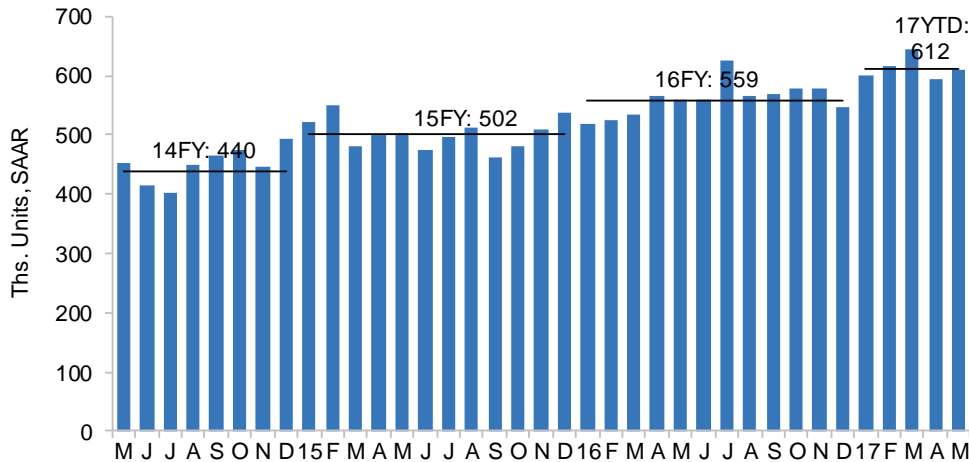
Source: National Association of Realtors

Home Price Appreciation



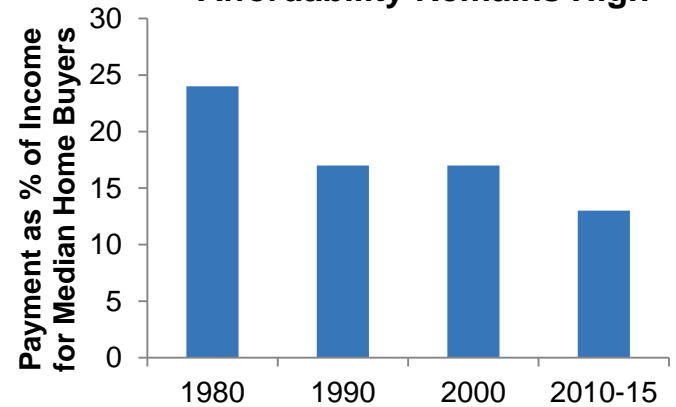
Source: FHFA Purchase-Only Index

New Home Sales



Source: Census Bureau

Affordability Remains High



Mortgage Market Outlook

	1Q2017	2Q2017	3Q2017	4Q2017	2016 (F)	2017 (F)
	Curr. Est	Curr. Est	Curr. Est	Curr. Est	Actual	Curr. Est
30-yr FRM	4.2%	4.0%	4.1%	4.3%	3.7%	4.1%
10Y Treasury	2.4%	2.3%	2.3%	2.6%	1.9%	2.4%
Spread	173	172	180	170	180	174
Total Originations	\$375	\$450	\$510	\$430	\$2,070	\$1,765
Purchase	\$215	\$310	\$350	\$290	\$1,060	\$1,165
Refi	\$160	\$140	\$160	\$140	\$1,010	\$600
Refi%	43%	31%	31%	33%	49%	34%

Florida Economy

Florida Economy Out-Performing U.S.

- In-migration drives Faster Population Growth
- Leading Job Creating State
- Orlando a bright spot for job growth
- Labor market tightening with the U.S., despite faster growth in labor force

Economy Benefiting from Strong Tail-Wind:

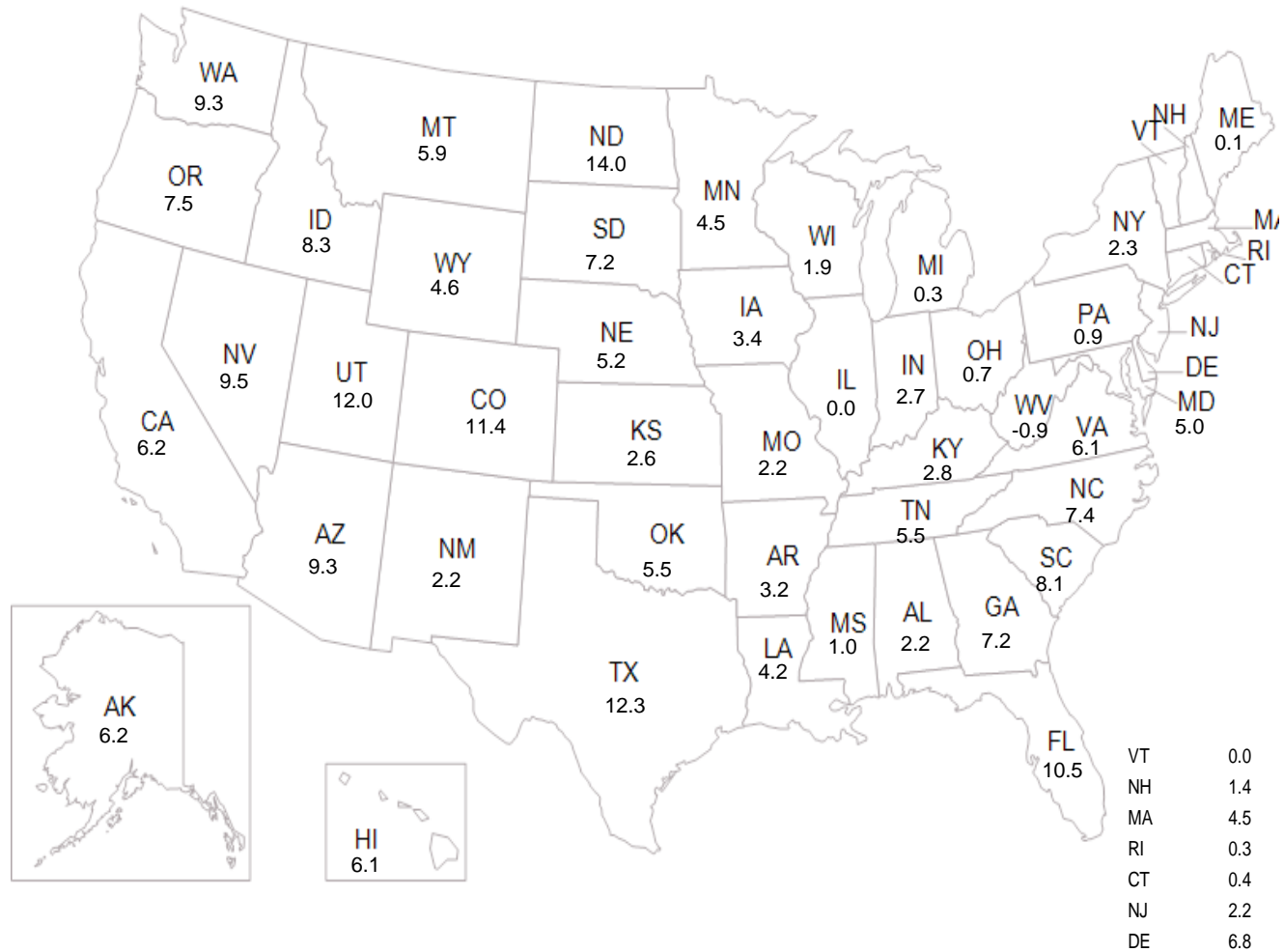
- Construction
- Leisure and Tourism
- Population Aging and Greater Demand for Health Care
- Professional and Business Services

Florida Housing Market

- Home Sales
- Housing Inventory
- Home Price Appreciation

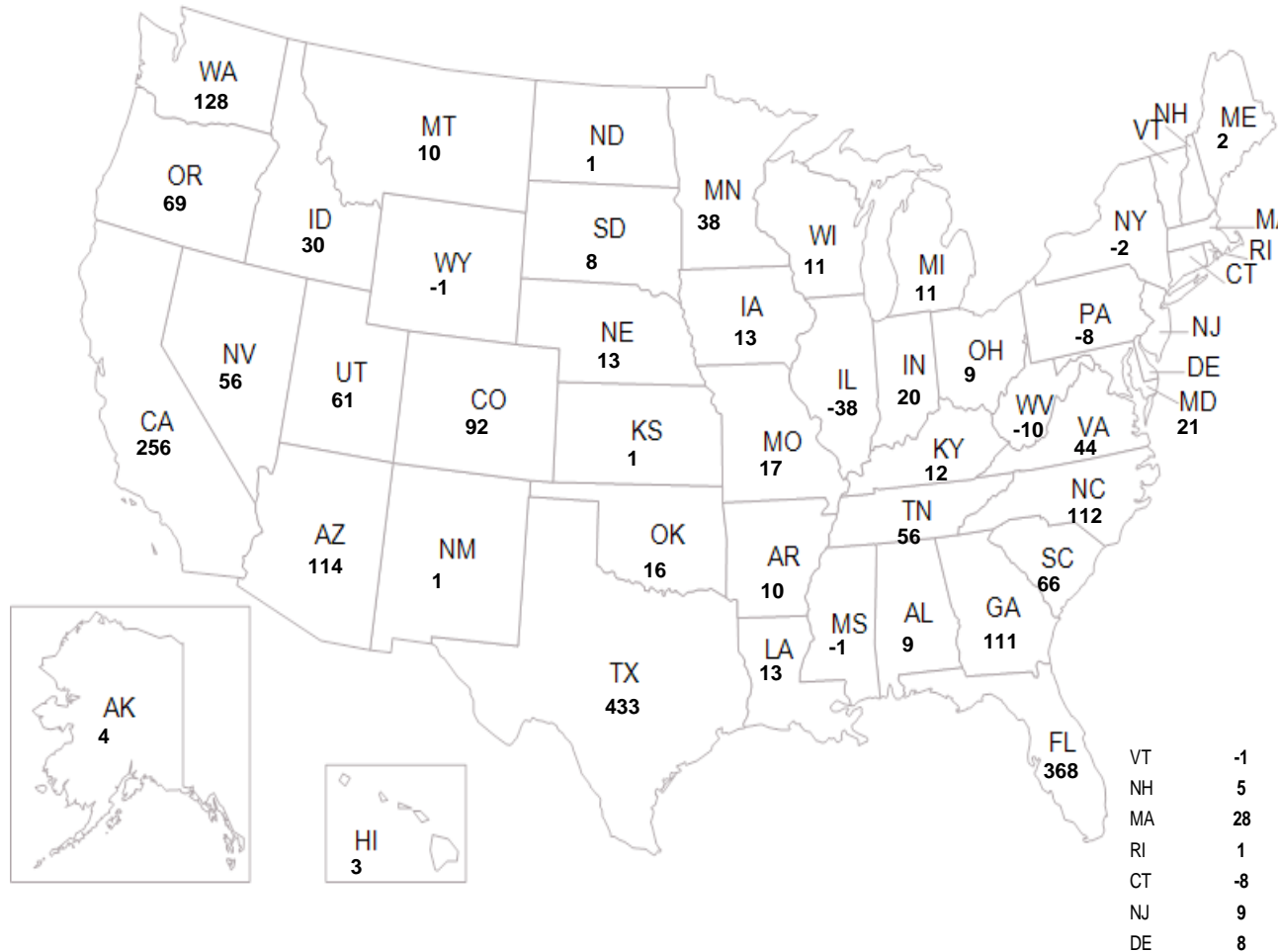
Population Growth (2009 – 2016)

US: 5.3%

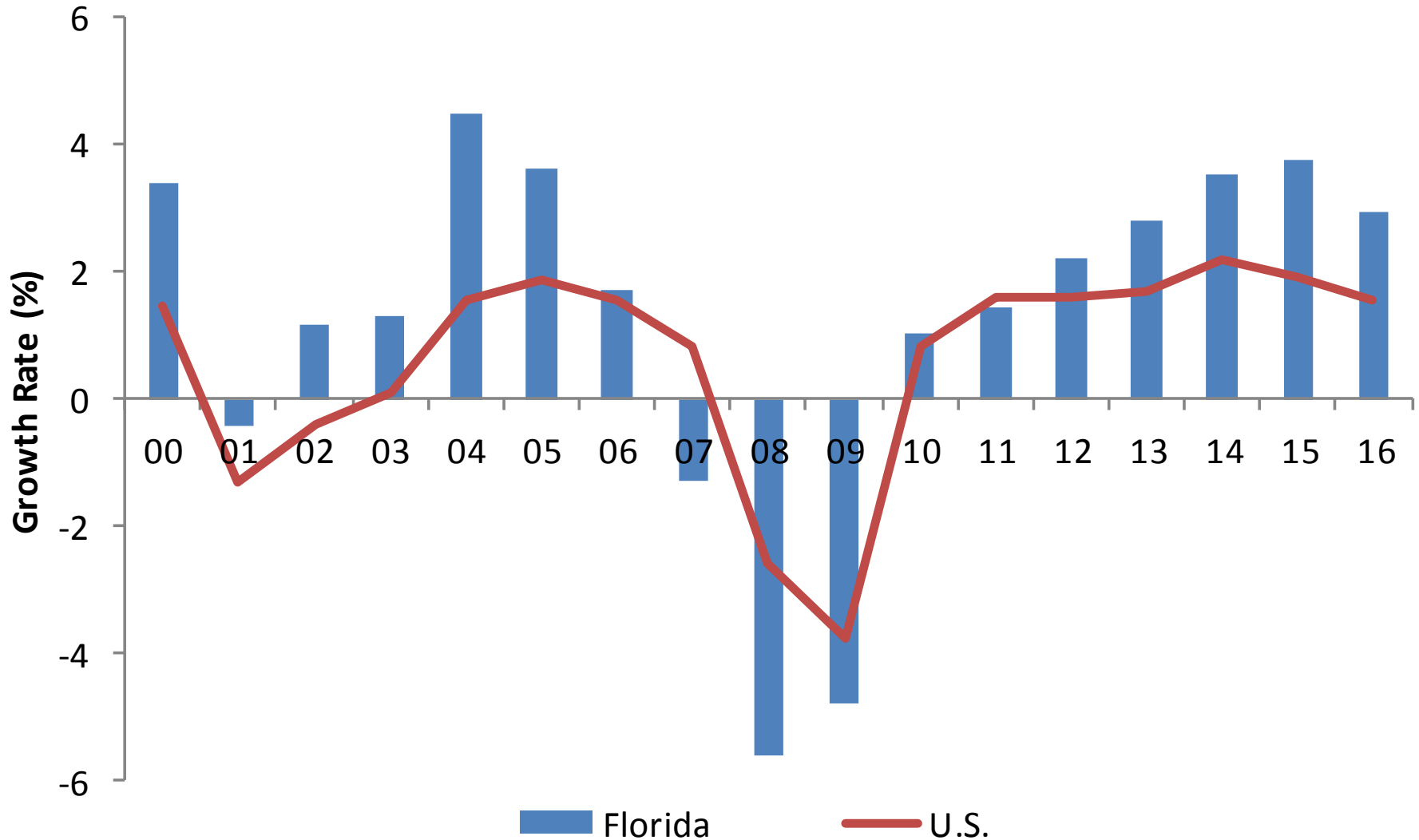


Population Growth – 2016

US: 2,200K

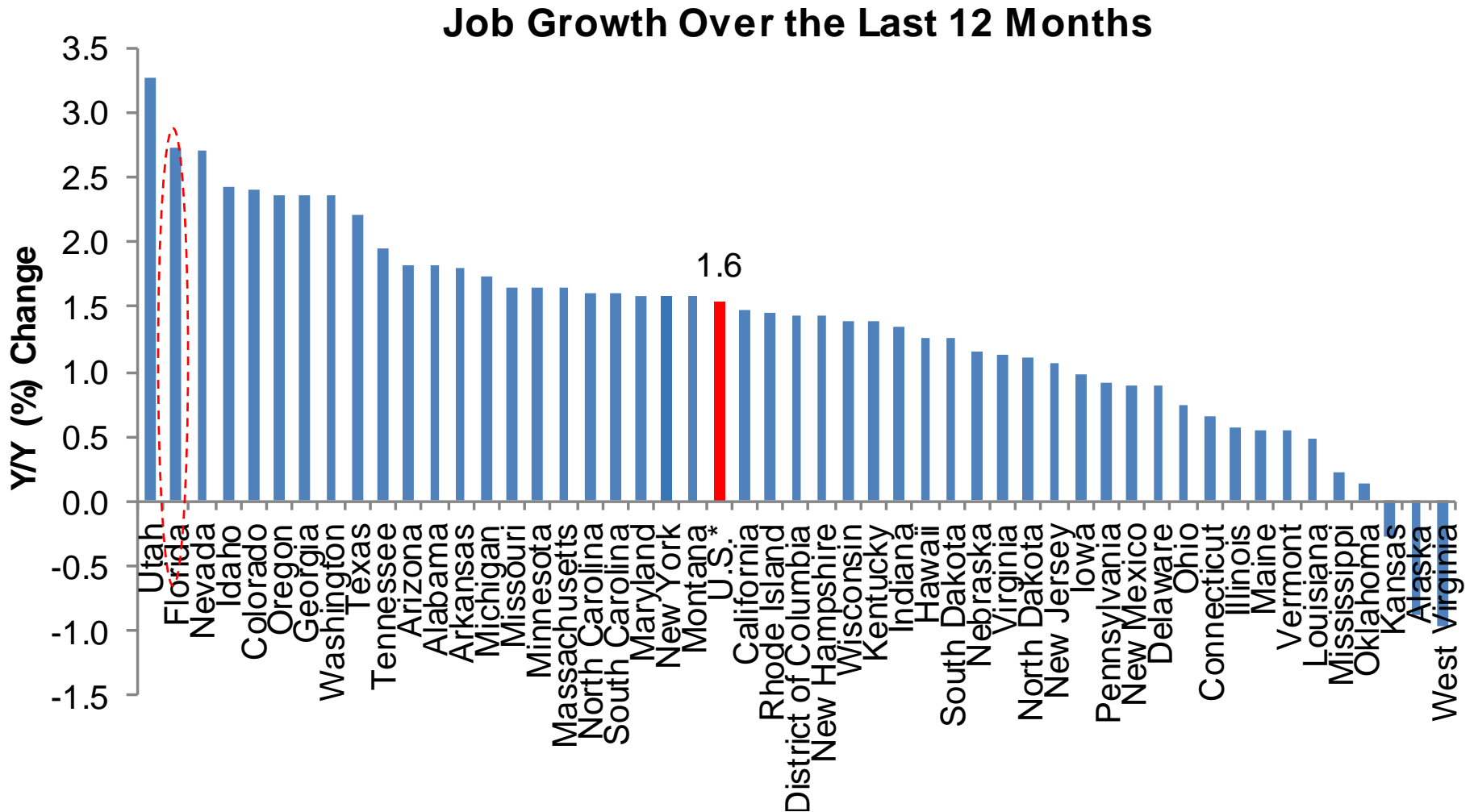


Florida has Faster Job Growth



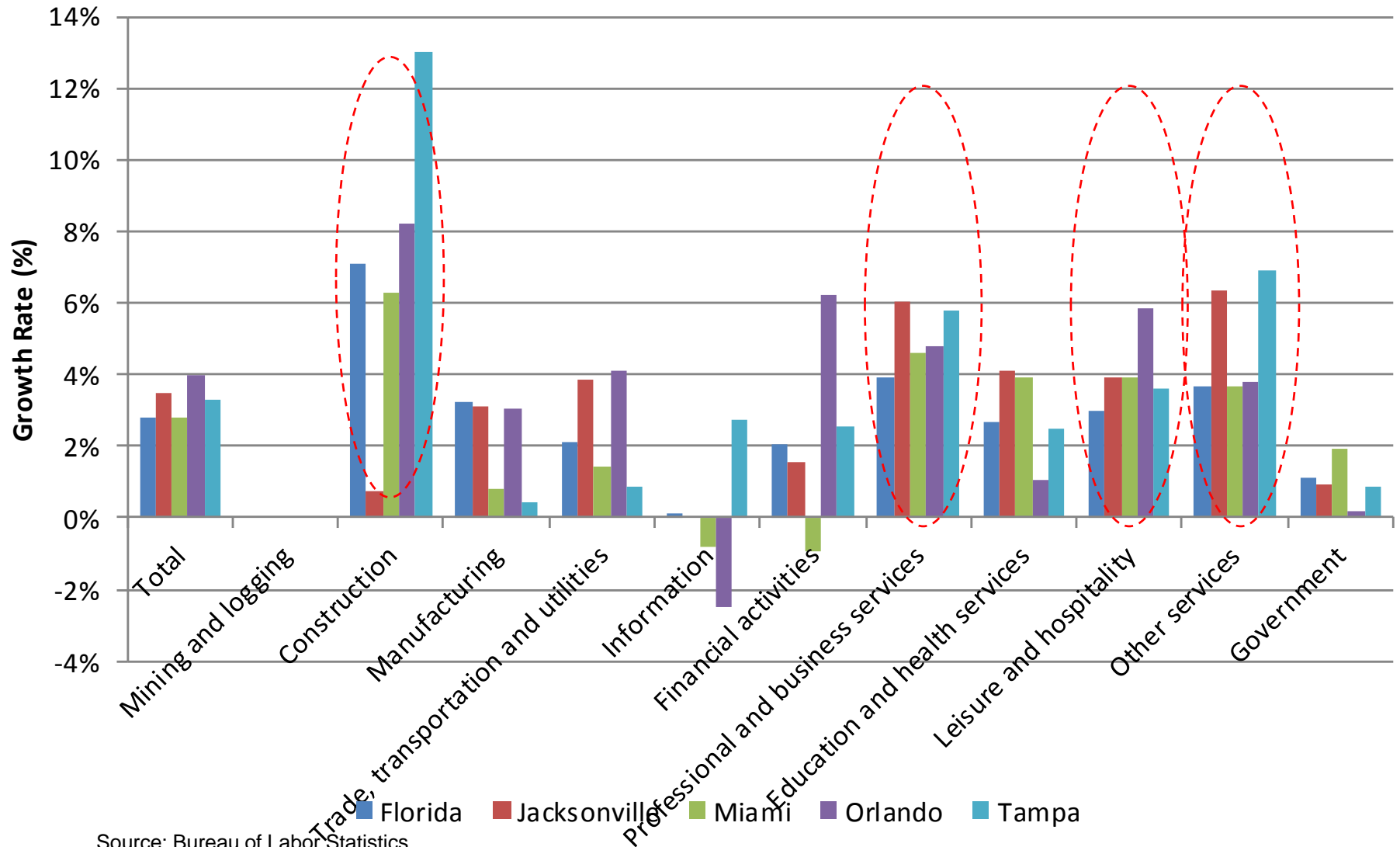
Source: Bureau of Labor Statistics

Second-Fastest Growing State for Jobs



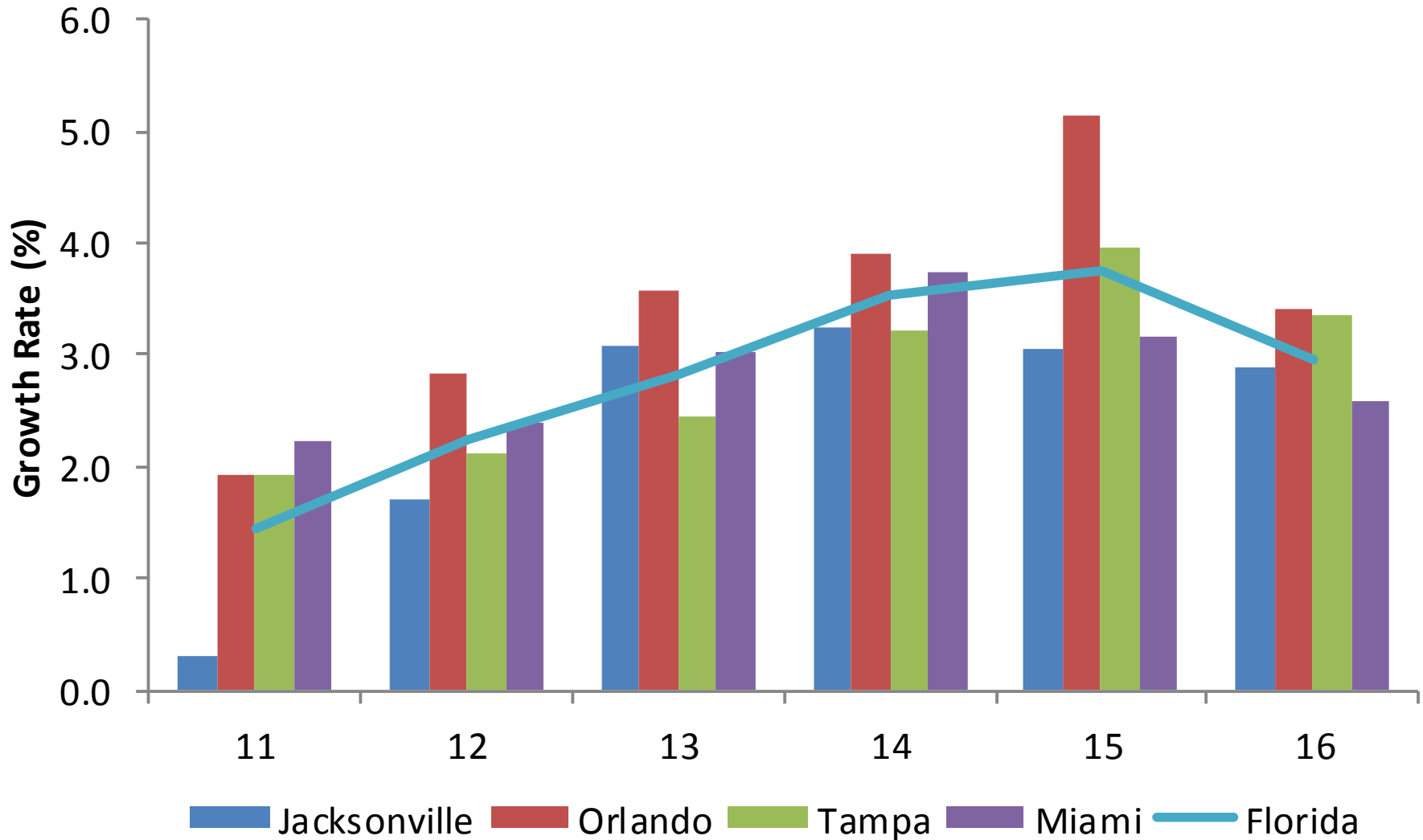
Source: Bureau of Labor Statistics

Florida Well Positioned



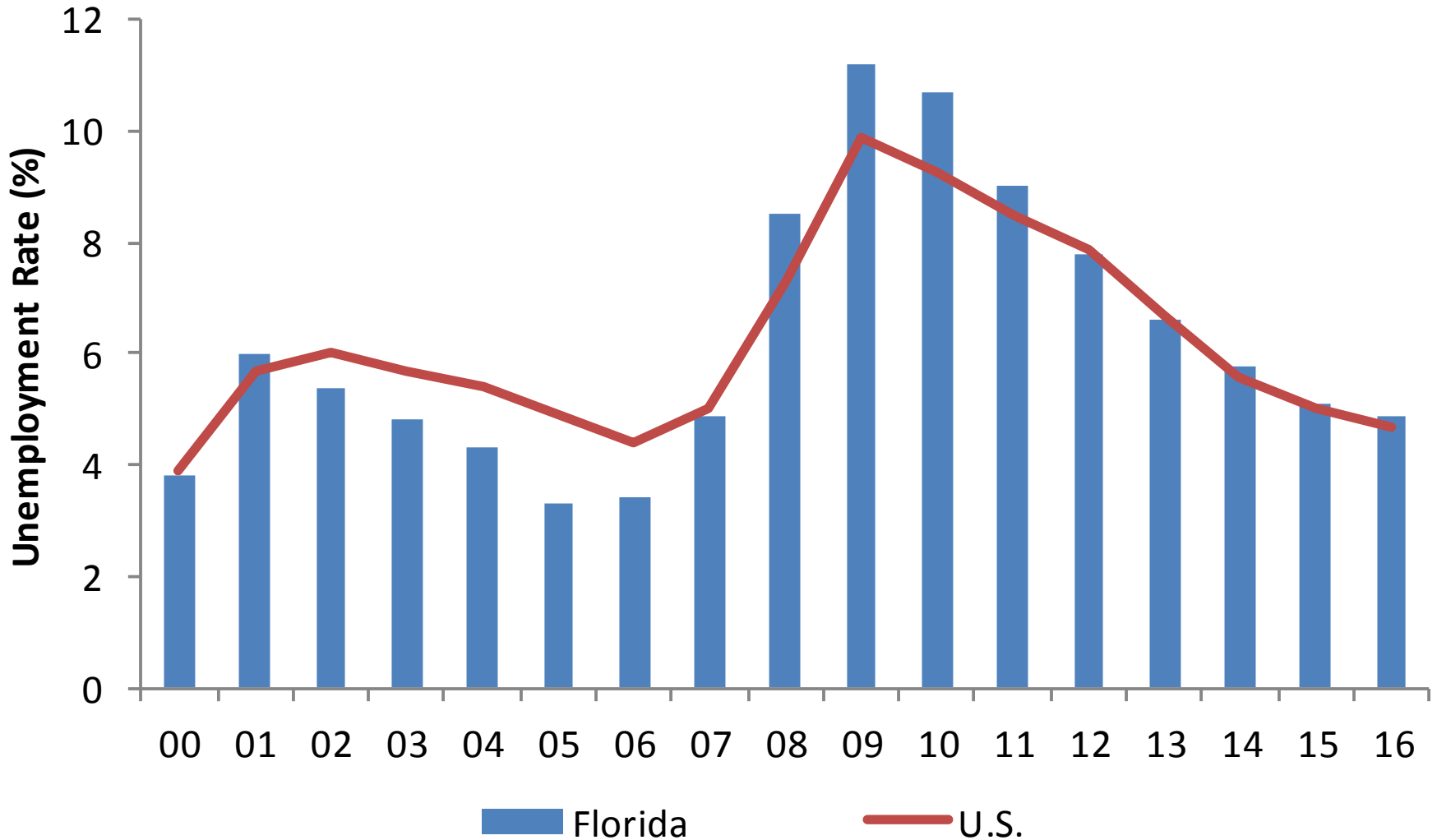
Source: Bureau of Labor Statistics

Job Growth in Florida has slowed down



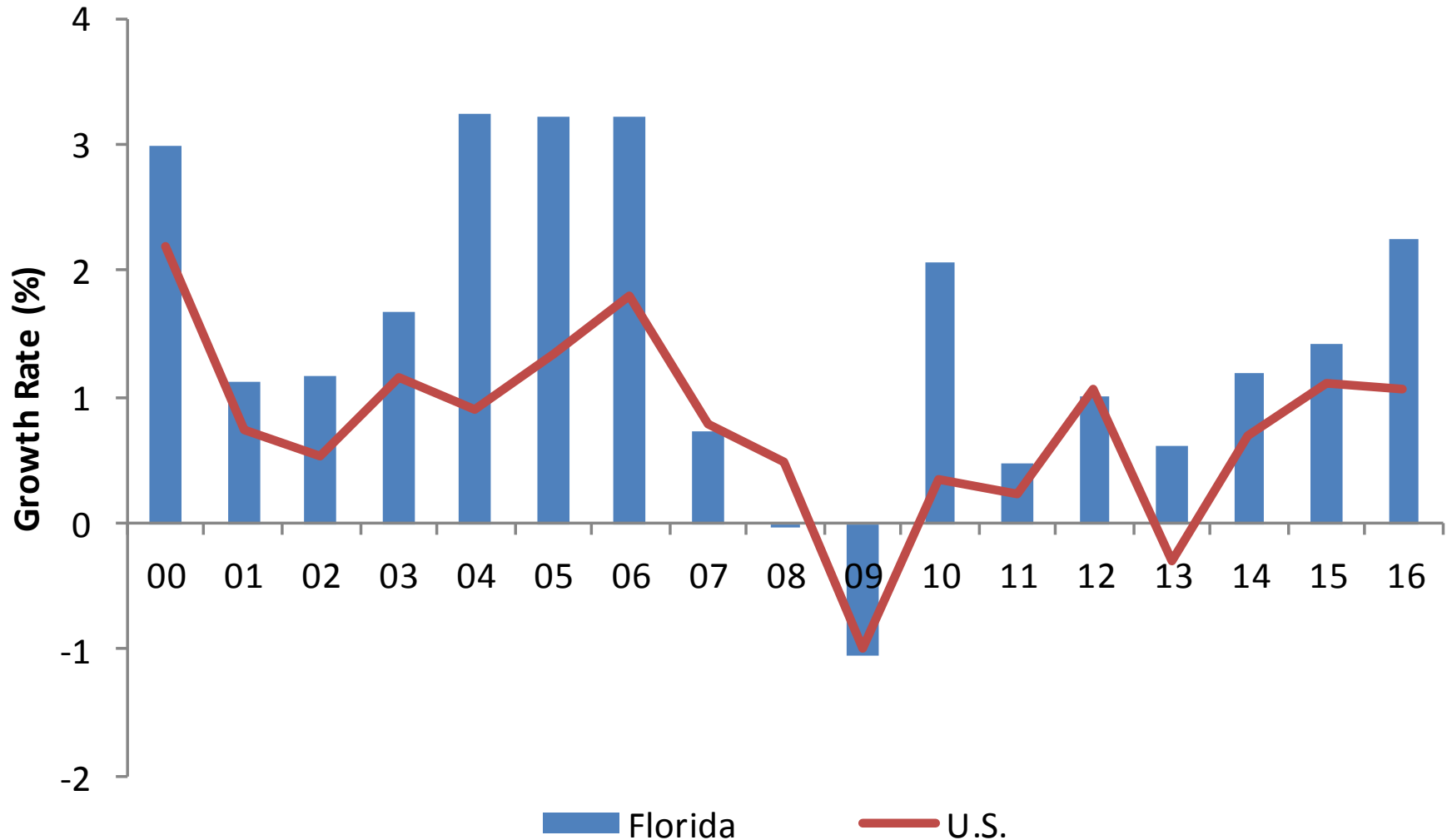
Source: Bureau of Labor Statistics

Florida Labor Market Tightening



Source: Bureau of Labor Statistics

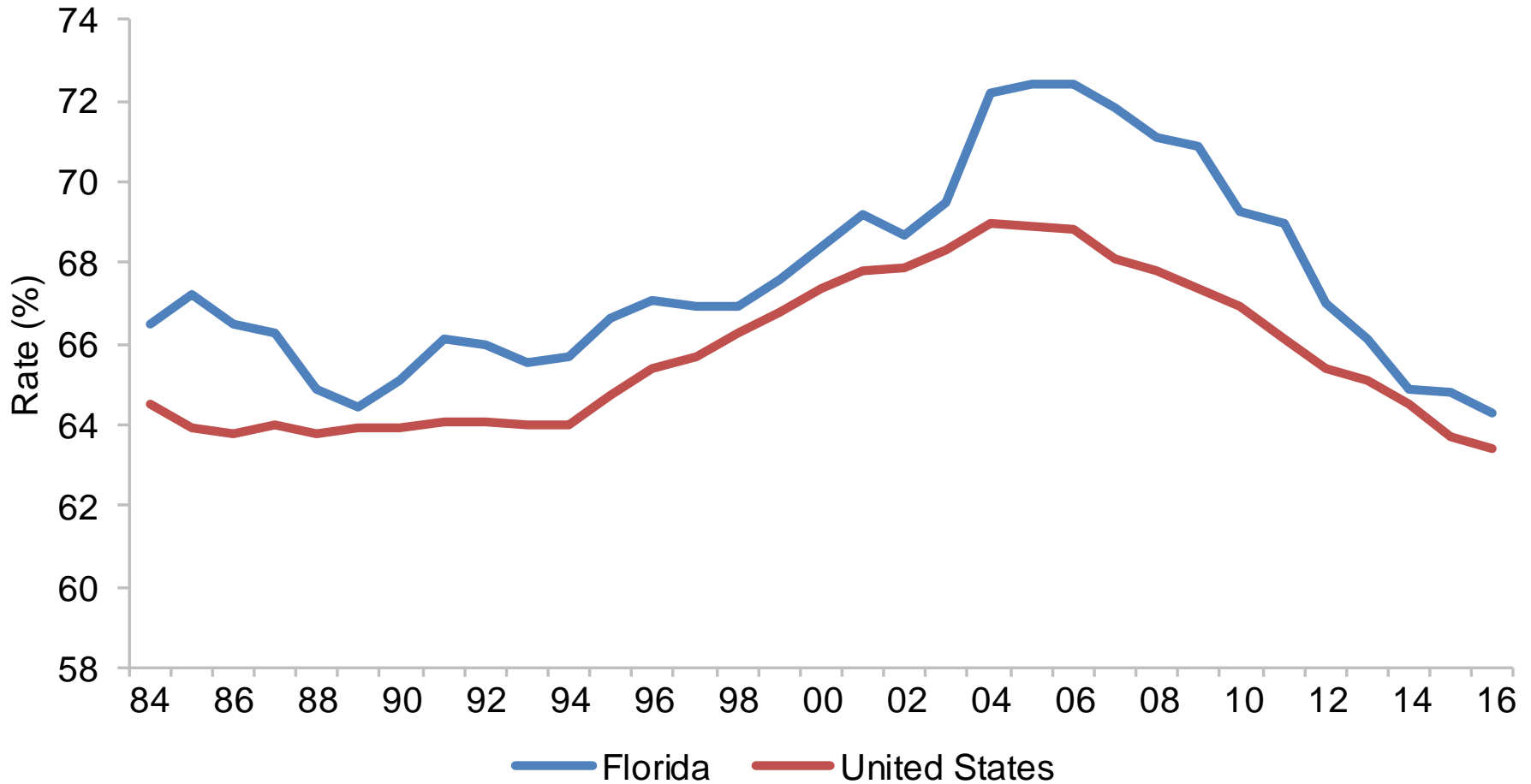
With Significant Growth in Labor Force



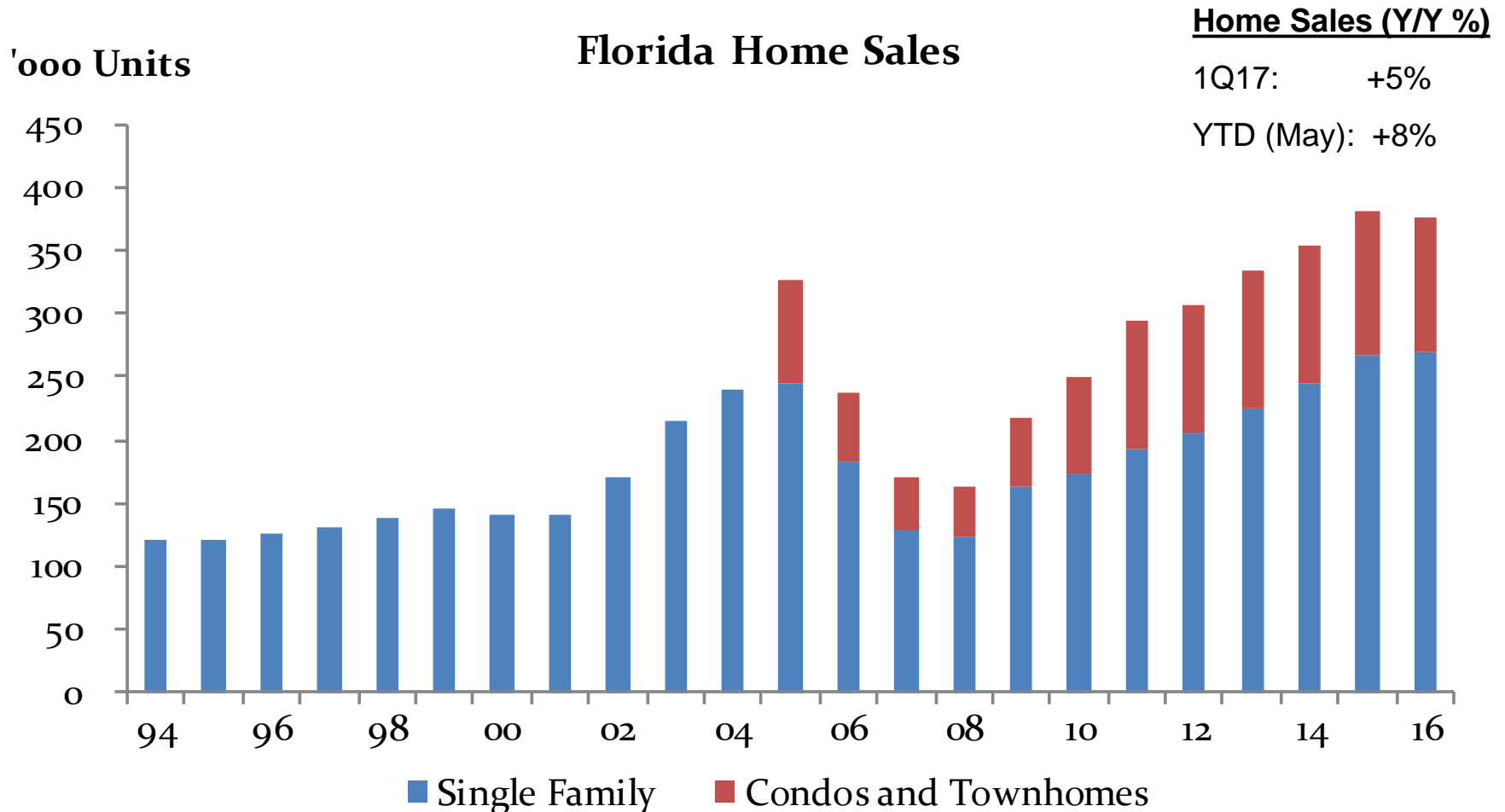
Source: Bureau of Labor Statistics

Home Ownership Gap Beginning to Improve

HOME OWNERSHIP RATE



Florida Home Sales



Source: Florida Association of Realtors

Home Price Still Recovering

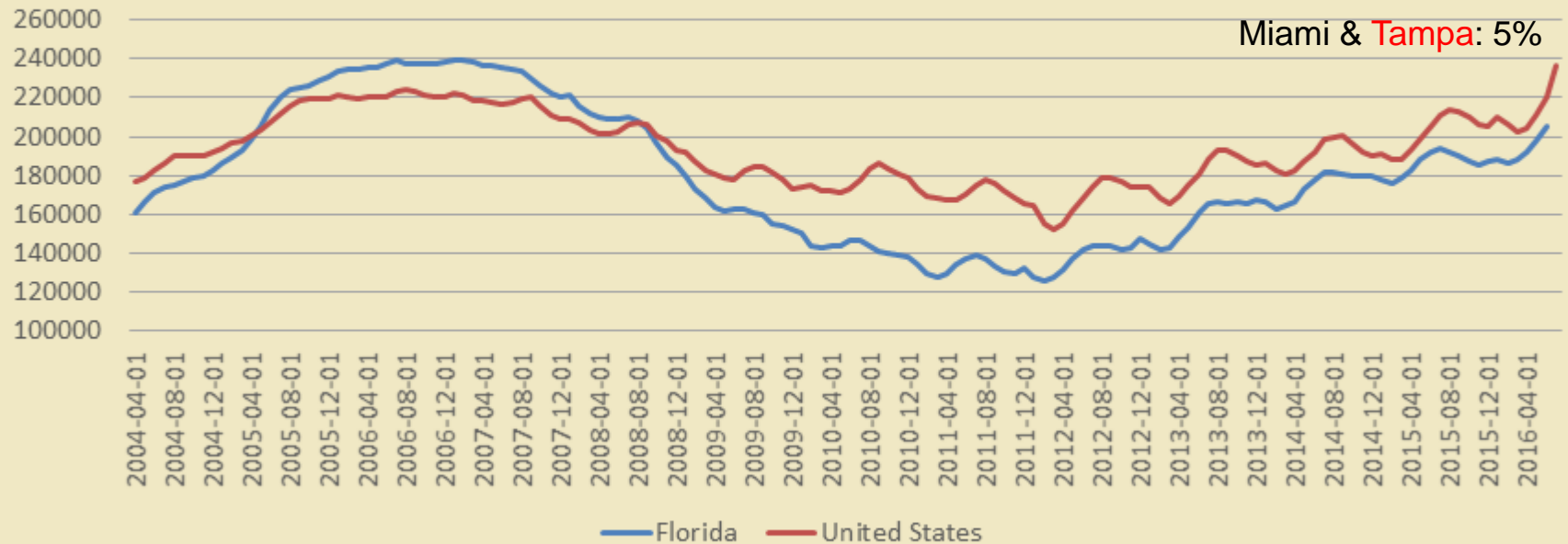
MEDIAN SALE PRICE OF ALL HOMES (IN \$)

Median Price (y/y %)

YTD: 8%

Case-Shiller

Miami & Tampa: 5%



Sources: Zillow & BEBR (Series 3540)

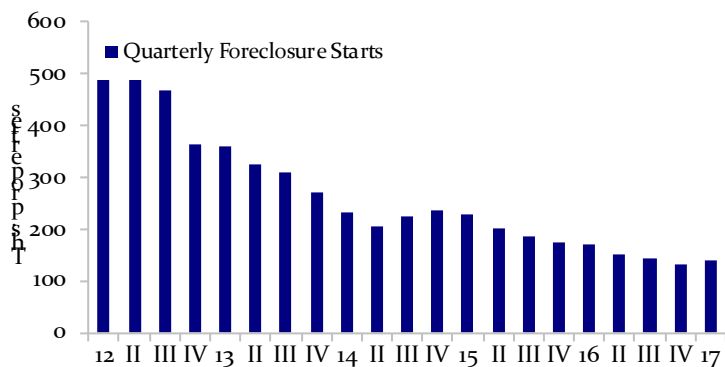
current data as of 07/05/2017

Source: Florida Bureau of Economic and Business Research

Pristine Underwriting

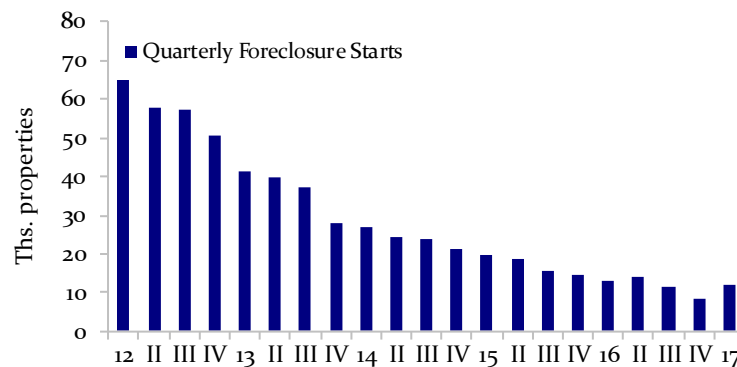
U.S.

Foreclosure Starts



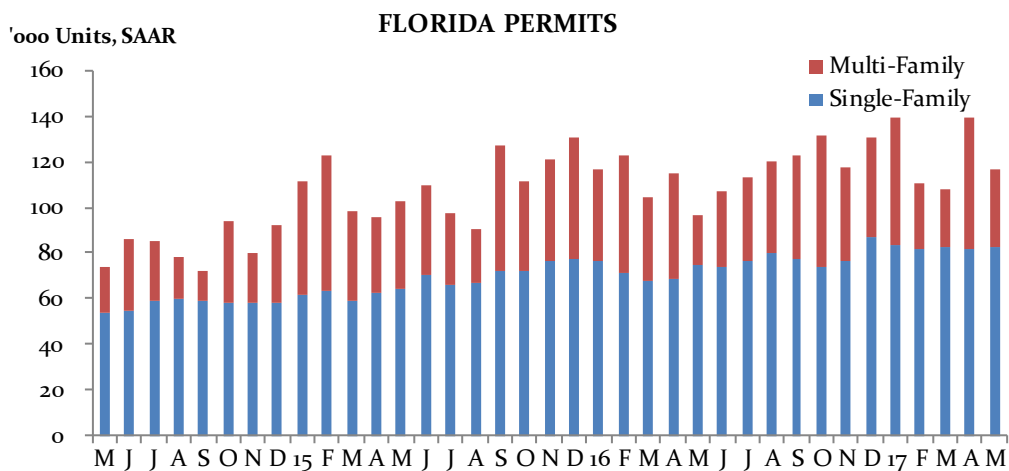
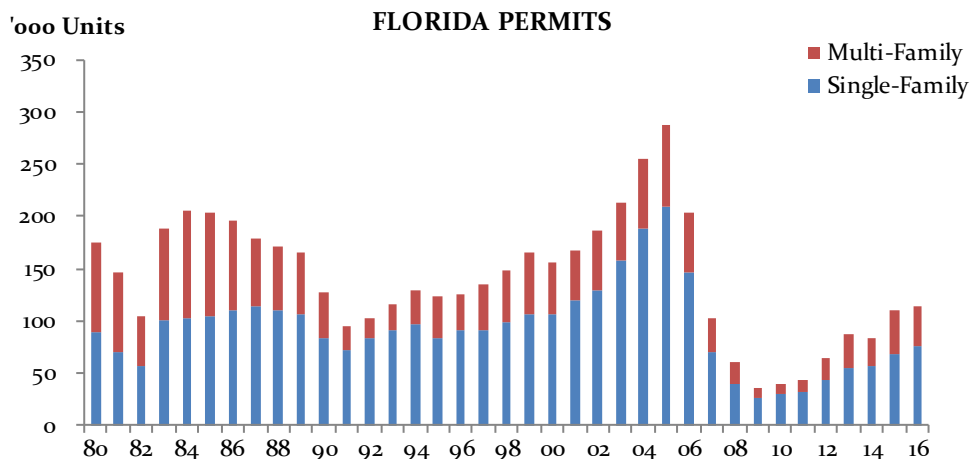
Florida

Foreclosure Starts



Source: Mortgage Bankers Association

New Construction On the Rise



Permit (y/y %)

YTD: 11%

SF: 14%

MF: 3%

Source: Census Bureau

Want More?

WEEKLY ECONOMIC REPORT Genworth 

KEY MARKET INDICATORS as of Jan 25, 2016

FEDERAL FUNDS RATE: 0.4%	GDP (3Q): 2.0%	NEW HOME SALES (YoY% Nov YTD): 13.4%
10-YEAR TREASURY: 2.1%	JOB CREATION (Dec) 292,000	EXISTING HOME SALES (YoY% Dec YTD): 6.5%
30-YEAR MORTGAGE RATE: 3.8%	UNEMPLOYMENT RATE (Dec): 5.0%	HOUSING STARTS (YoY% Dec YTD): 10.8%
CORE CPI (YoY% Dec): 2.1%		FHFA HOME PRICE* (YoY% Oct YTD): 5.7%

December Housing Starts, Existing Home Sales

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