

# Florida Housing and Mortgage Market

March 11, 2016



# Key Points For Discussion

## U.S. Economy and Housing Market Condition

- What is driving the U.S. economy?
- What is driving the U.S. housing market?

## Florida Economy and Housing Market Condition

- Florida economy – benefiting from the U.S. economy
- Florida housing market update

# U.S. Economic Trends

## Aging Population

- Slow growth in the working-age population
- Baby boomers reaching retirement age
- Fast growth in healthcare spending and employment
- Changing housing needs

## Higher Consumer Discretionary Income

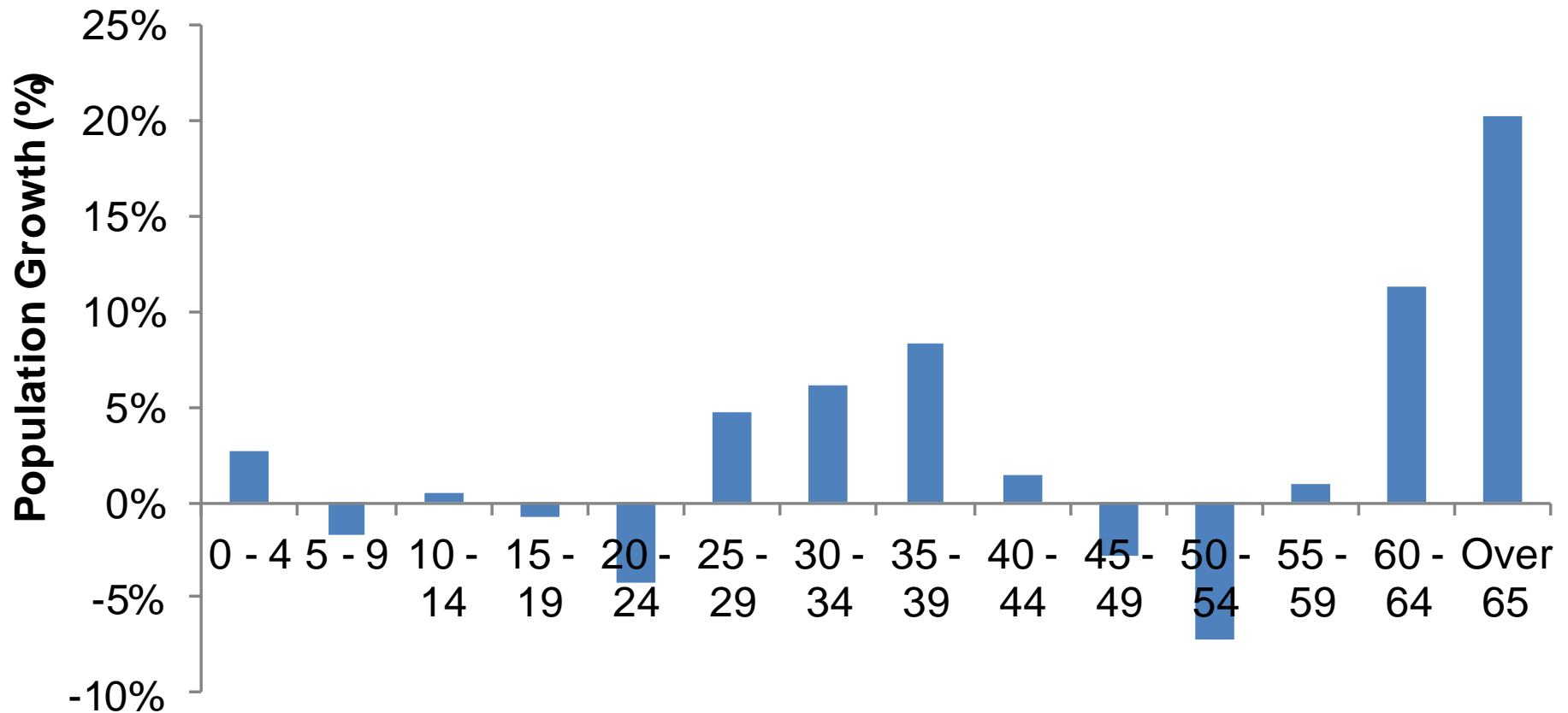
- Wage growth starting to accelerate as labor market moves closer to full-employment
- Lower cost of living from lower mortgage rates, lower energy costs, and a stronger U.S. dollar
- Retail, leisure, and hospitality benefiting

## Weaker International Economic Conditions

- EM economies slowing down or in recession
- Strong U.S. dollar, lower interest rates, lower commodity prices, financial volatility
- Headwind for manufacturing, energy, and export-oriented industries

# Aging Population

## Population Growth Between Now and 2020



Source: Moody's Analytics

# U.S. Economic Trends

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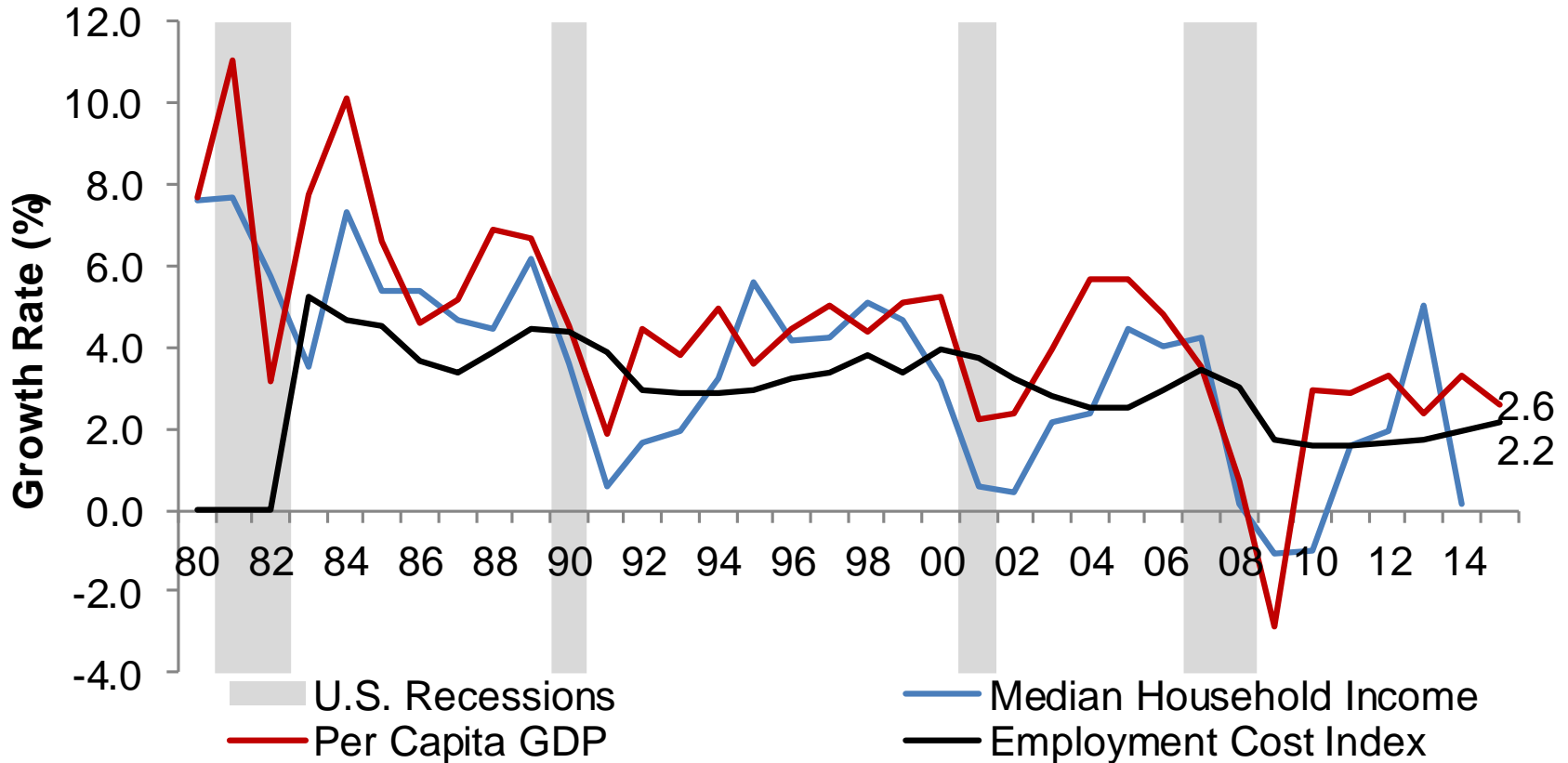
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# Income Growth

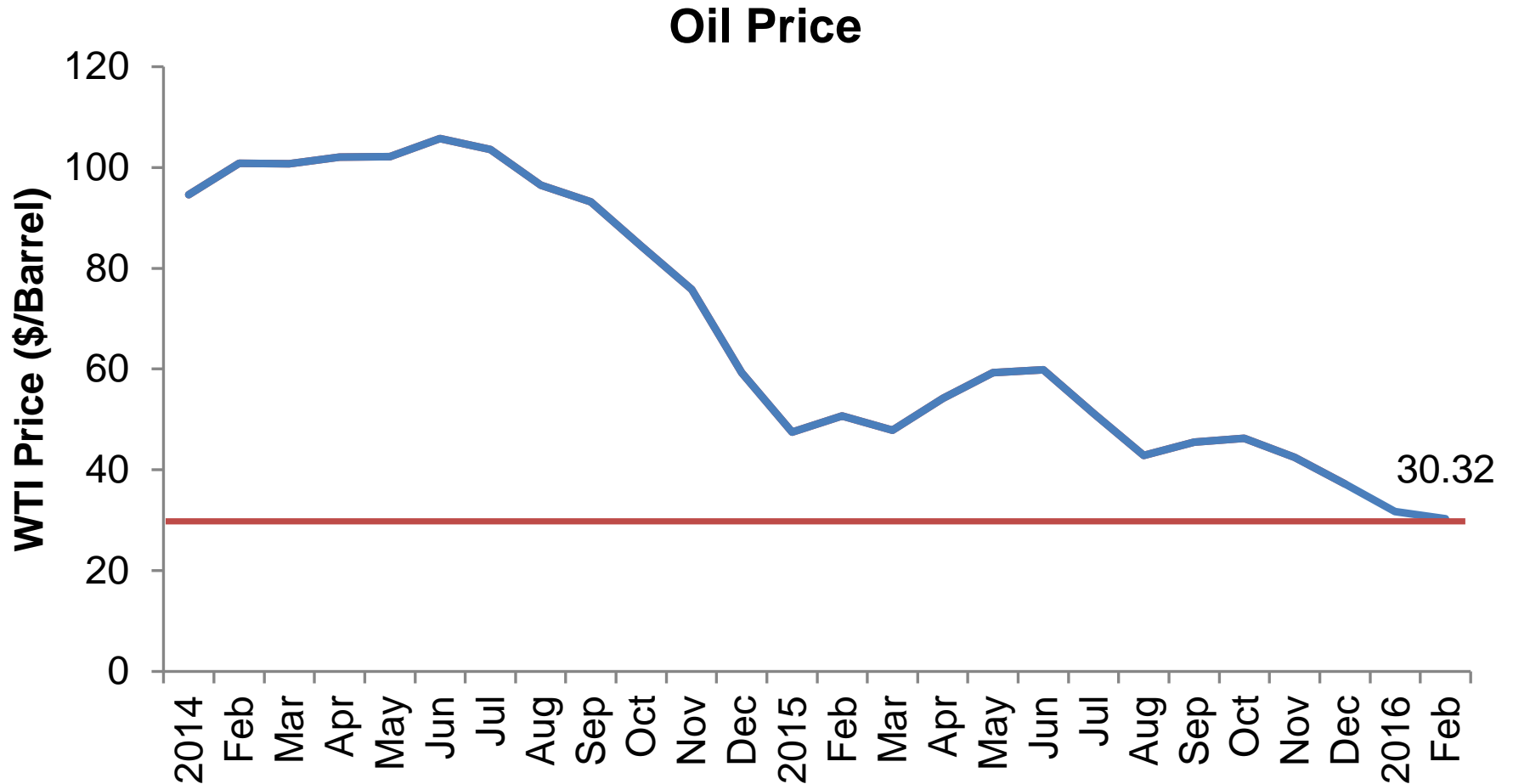
## Nominal Income Growth



**Household Income Growth has been Slower to Recover Post Crisis**

Source: Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, Moody's Analytics, National Bureau of Economic Research

# Lower Energy Price



Source: Energy Information Administration, Moody's Analytics, Genworth Financial

# Low Interest Rates



Source: Federal Reserve Board, Freddie Mac



# U.S. Economic Trends

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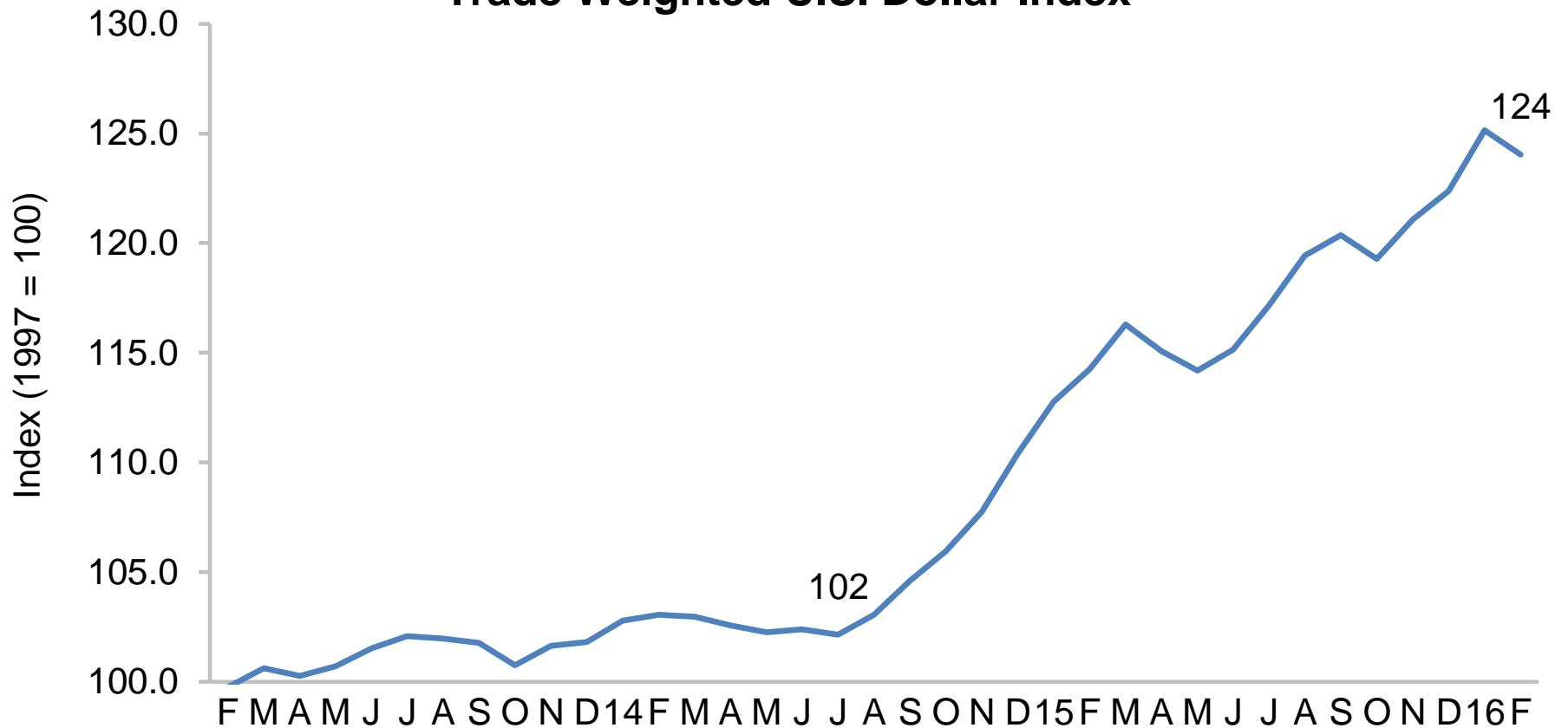
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# Stronger U.S. Dollar

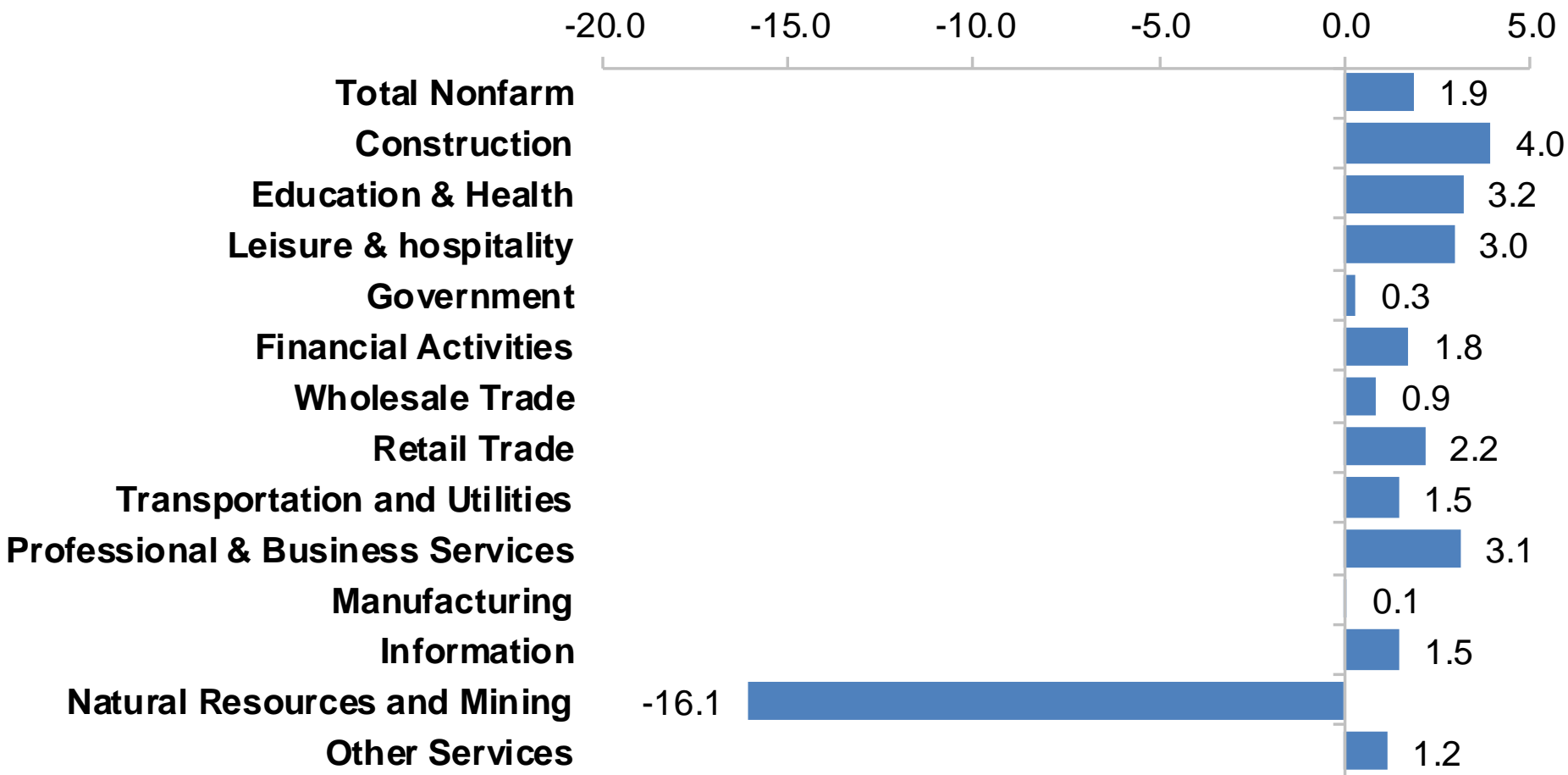
## Trade Weighted U.S. Dollar Index



Source: U.S. Federal Reserve Board

# Job Market Reflects Economic Trends

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



Source: Bureau of Labor Statistics

# U.S. Housing Market

## Demographics

- Large 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 home owners
- Large number of young people ready to strike out

## What Has Not Changed

- Desire to become homeowners

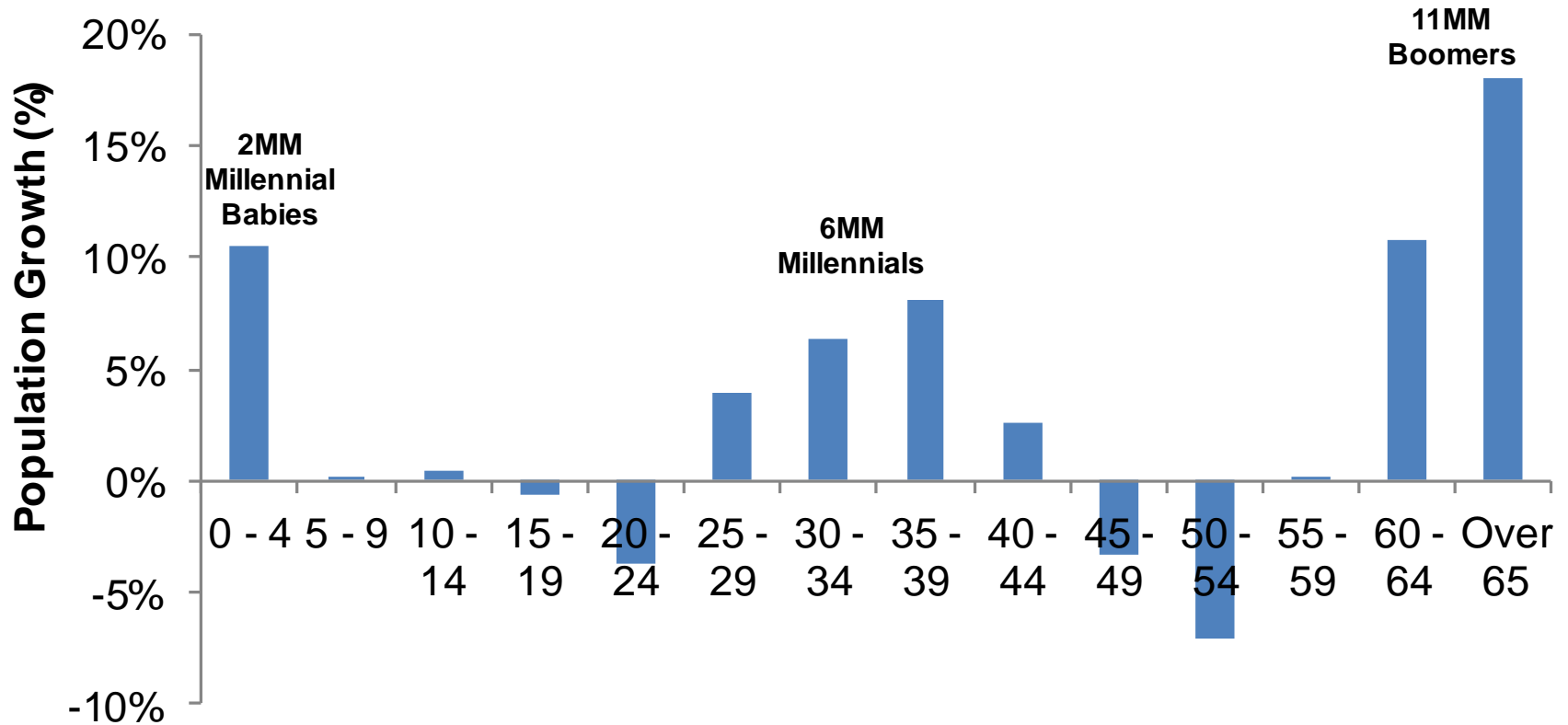
## Hurdles to Home Ownership

- 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

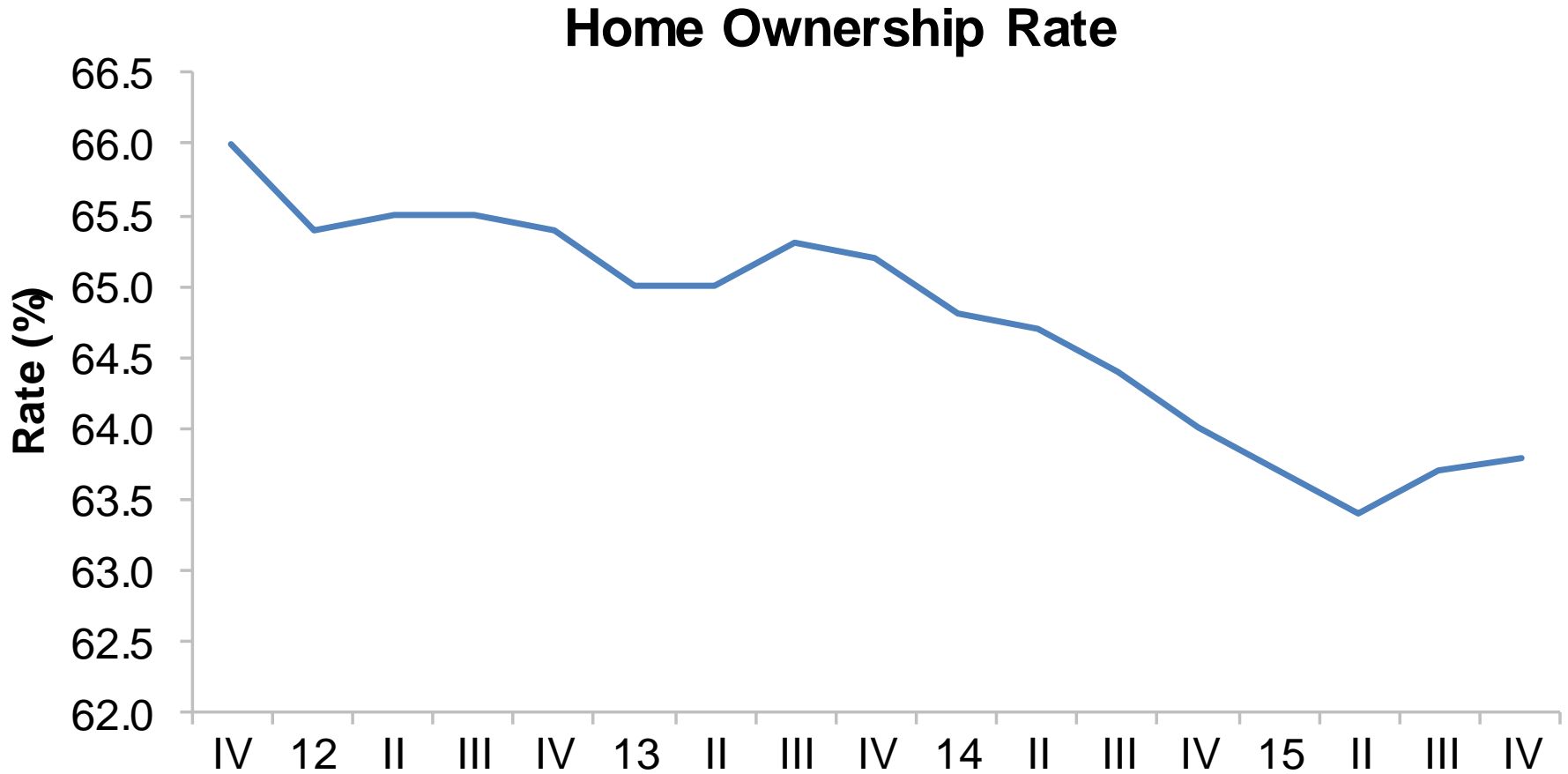
# Demographic Opportunities Housing

## Population Growth Between Now and 2020



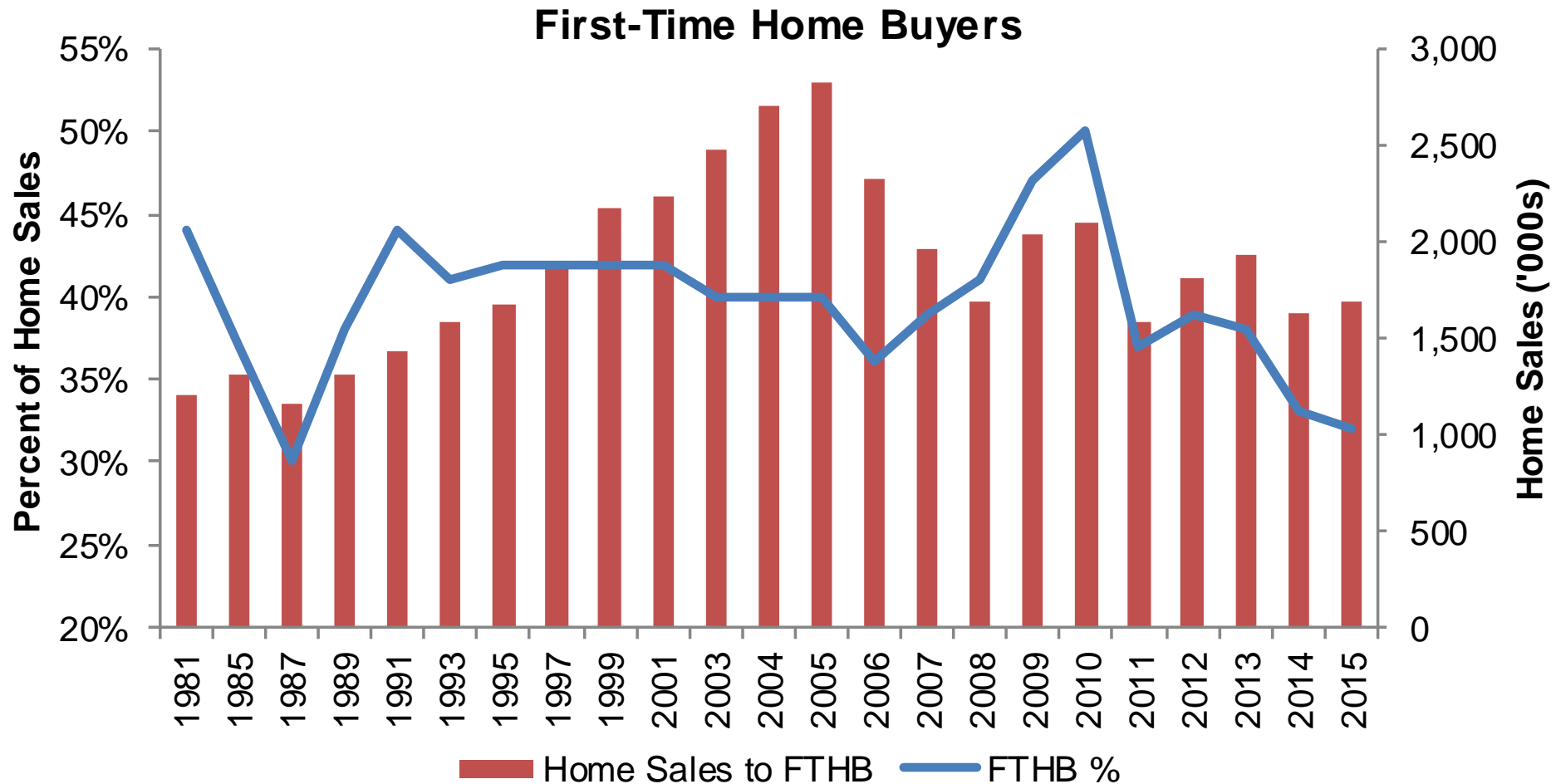
Source: Moody's Analytics

# Home Ownership Is Historically Low



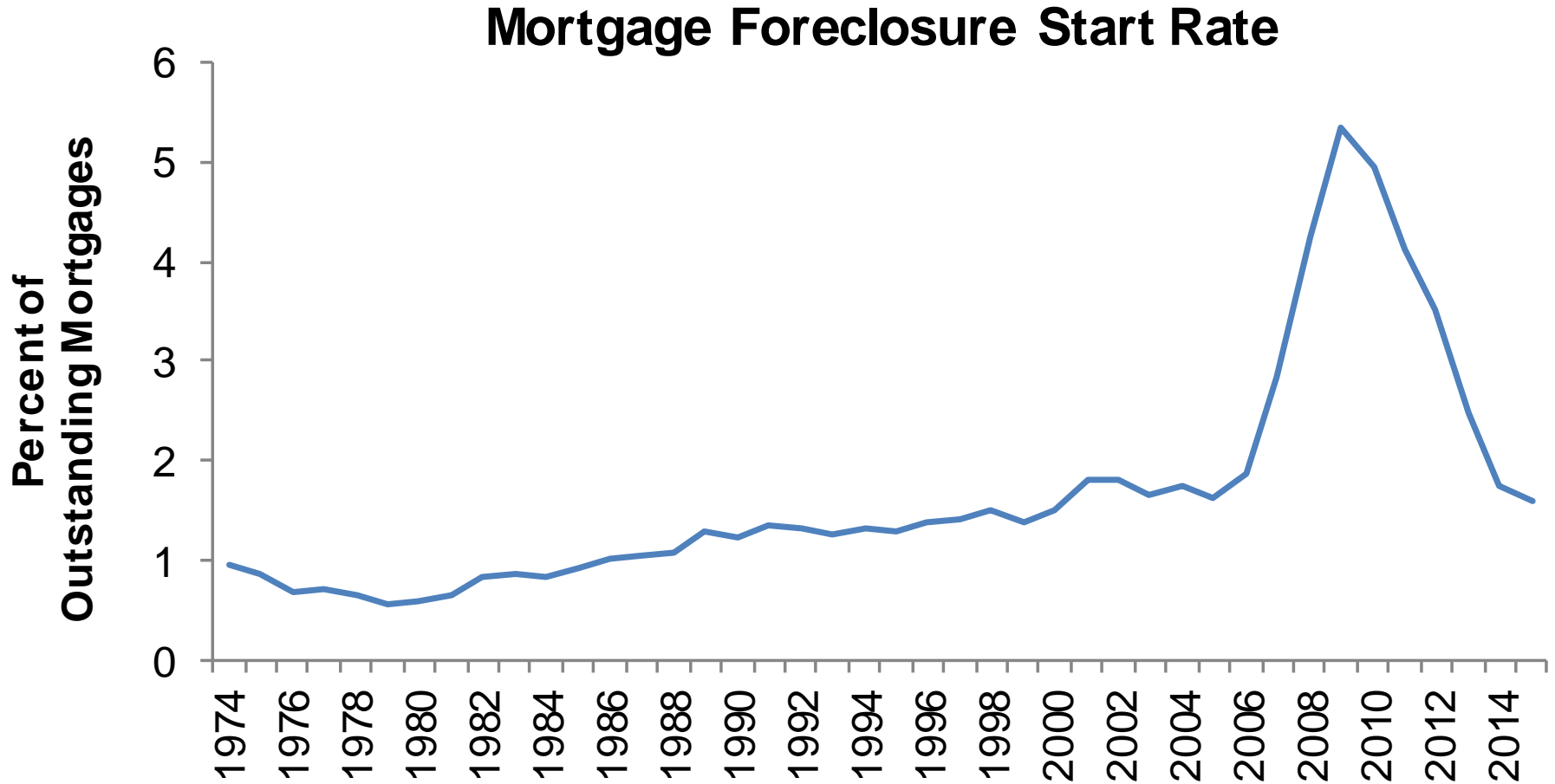
Source: Census Bureau, Genworth Mortgage Insurance

# First-Time Homebuyer Market



Source: NAR, Genworth Financial

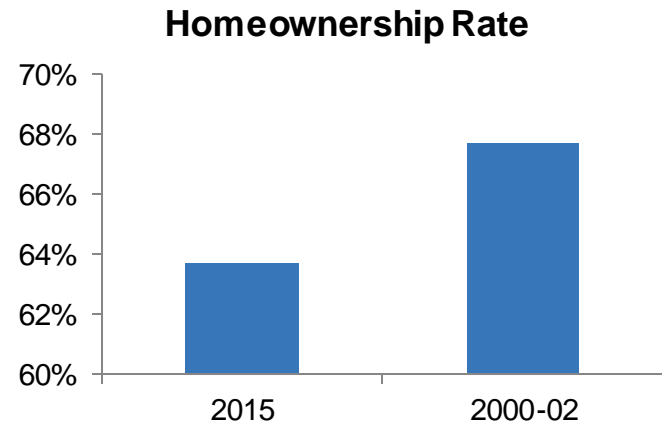
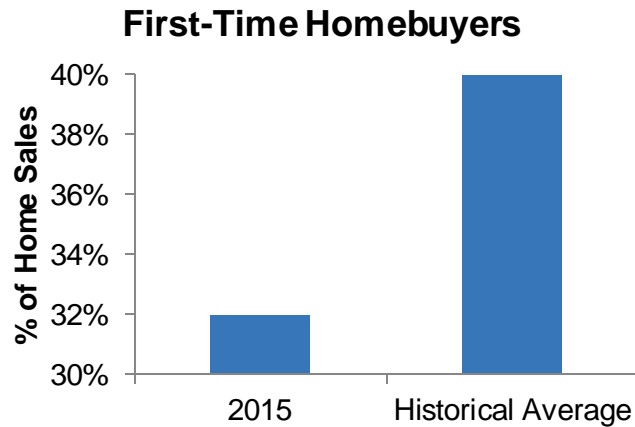
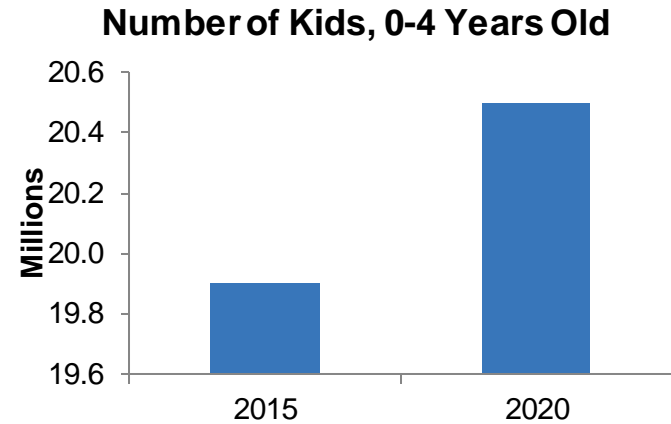
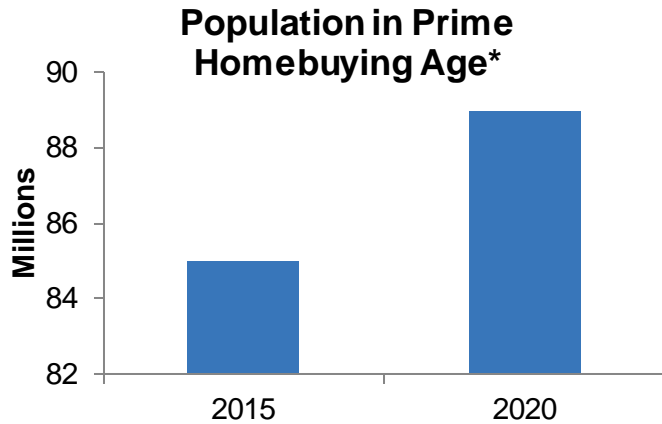
# Foreclosure Crisis Over



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

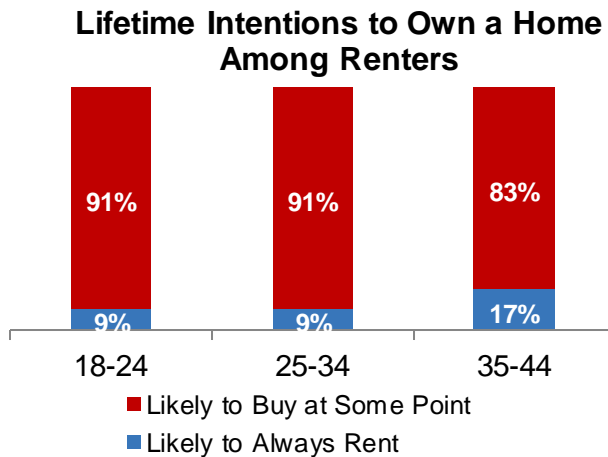
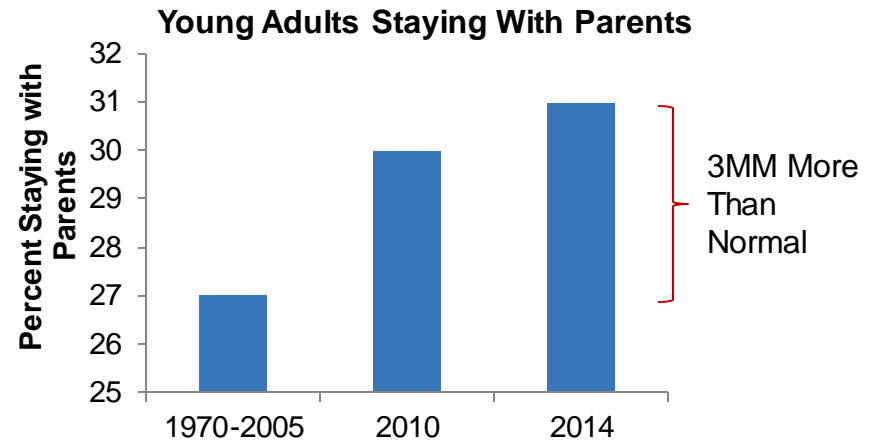
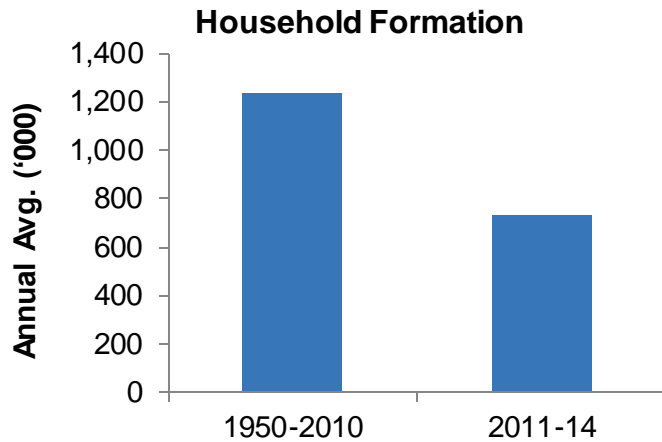


# Favorable Demographics, Pent-Up Demand



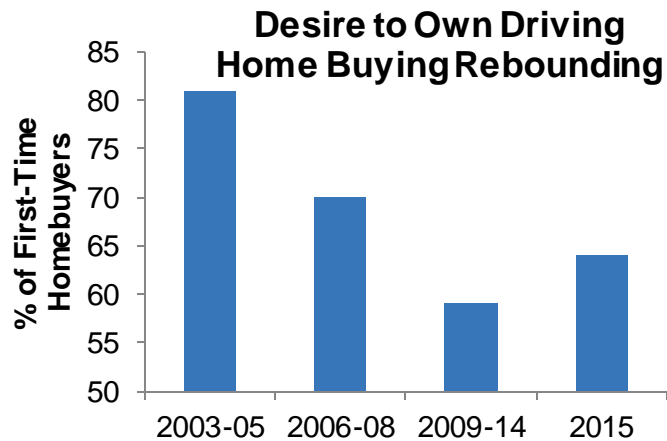
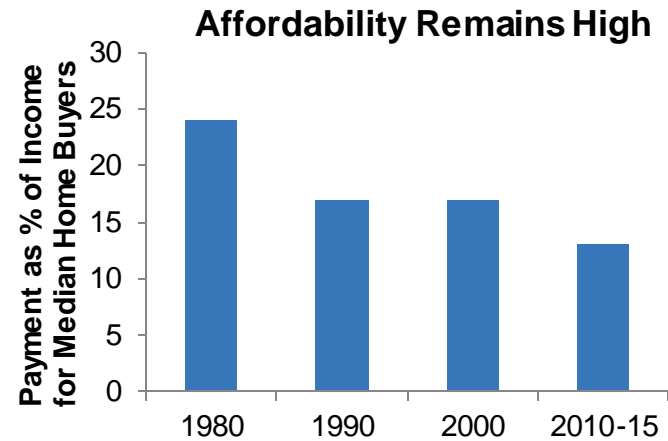
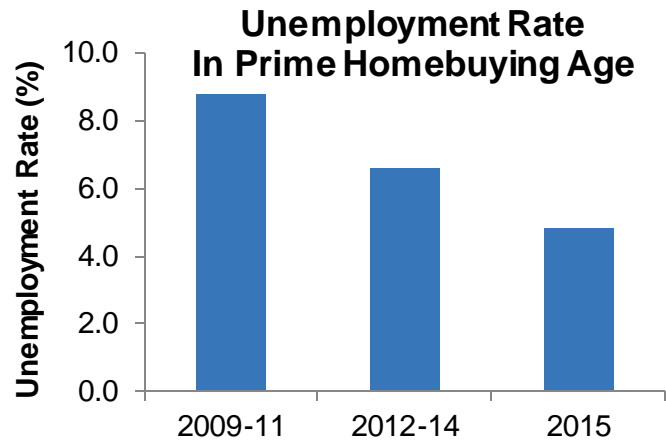
Prime homebuying age defined as 25-44. Population forecast based on Moody's Analytics (Feb 2016); First-time homebuyer statistics based on National Association of Realtors Home Buyer and Seller Profile; Homeownership rate based on Census Bureau's Housing Vacancies and Homeownership Survey

# Pent-Up Demand



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.

# Pent-Up Demand



Source: Desire to Own based on National Association of Realtors Home Buyer and Seller Profile reports from various years; Housing affordability based on National Association of Realtors Housing Affordability Index; Unemployment Rate Based on Bureau of Labor Statistics Household Survey for 25-44 year olds.

# Florida Economy

## Florida Economy Out-Performing U.S.

- Job Growth Leading the U.S.
- Orlando a bright spot for job growth
- Labor market tightening with the U.S., despite faster growth in labor force

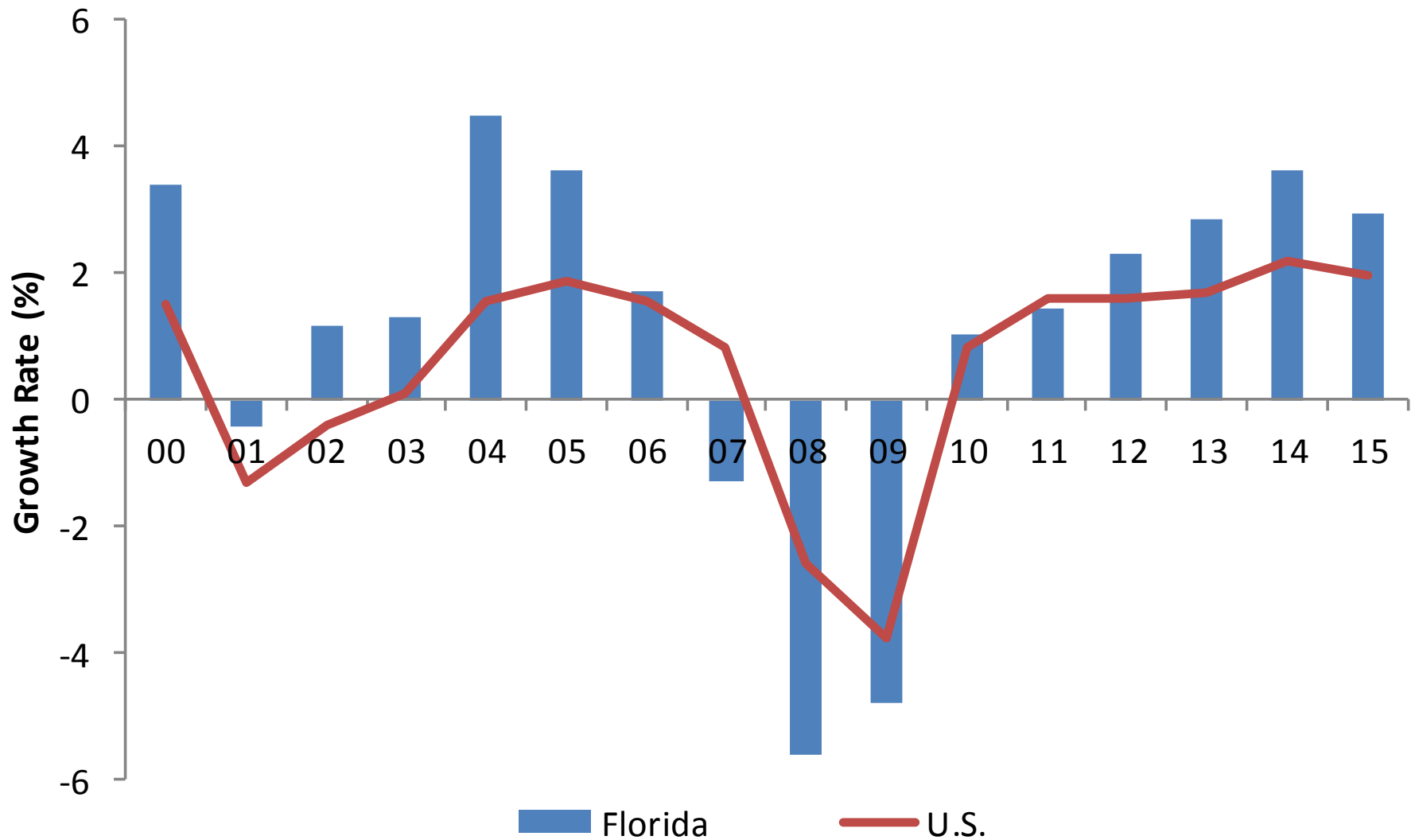
## Economy Benefiting from Strong Tail-Wind:

- 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

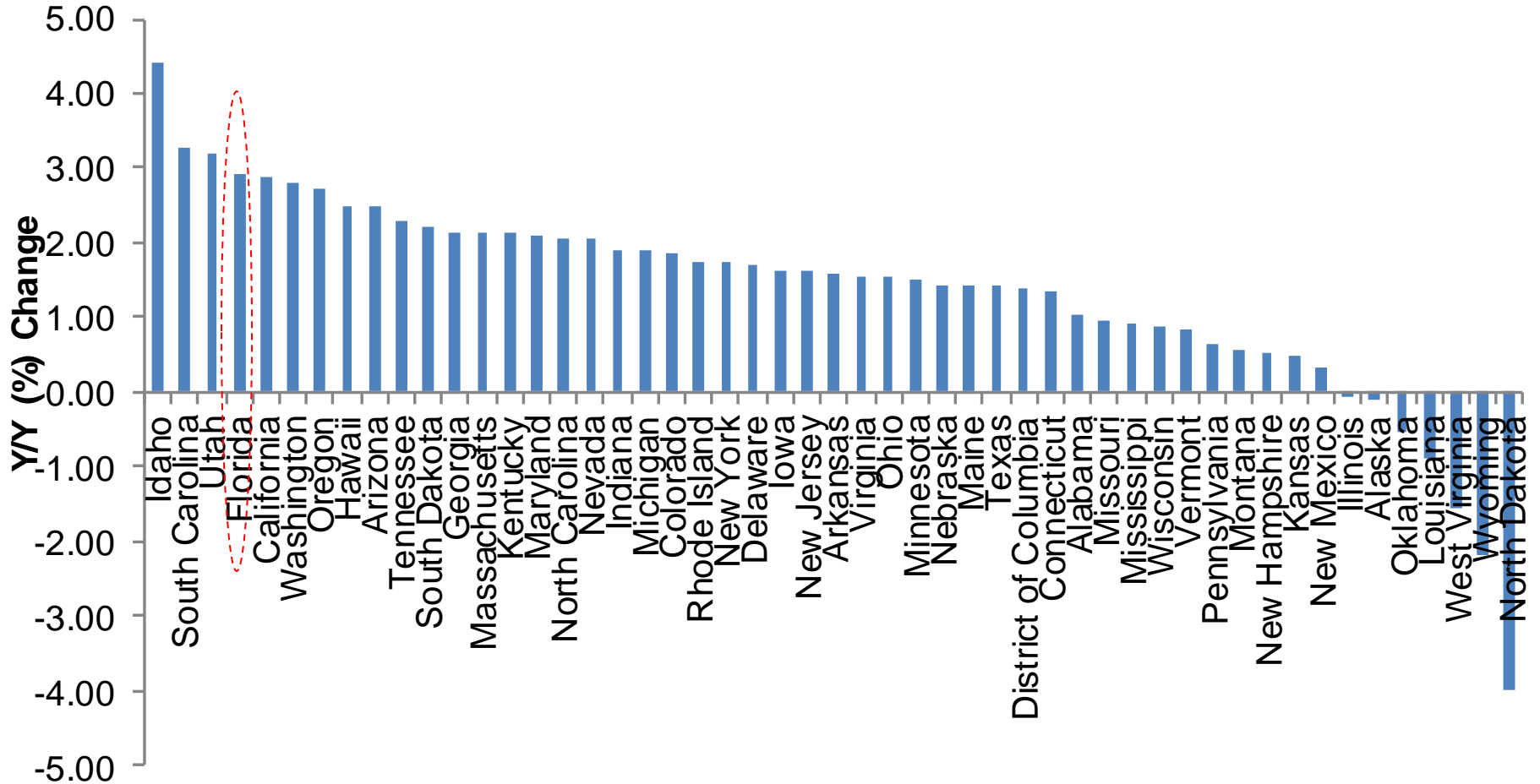
# Florida has Faster Job Growth



Source: Bureau of Labor Statistics

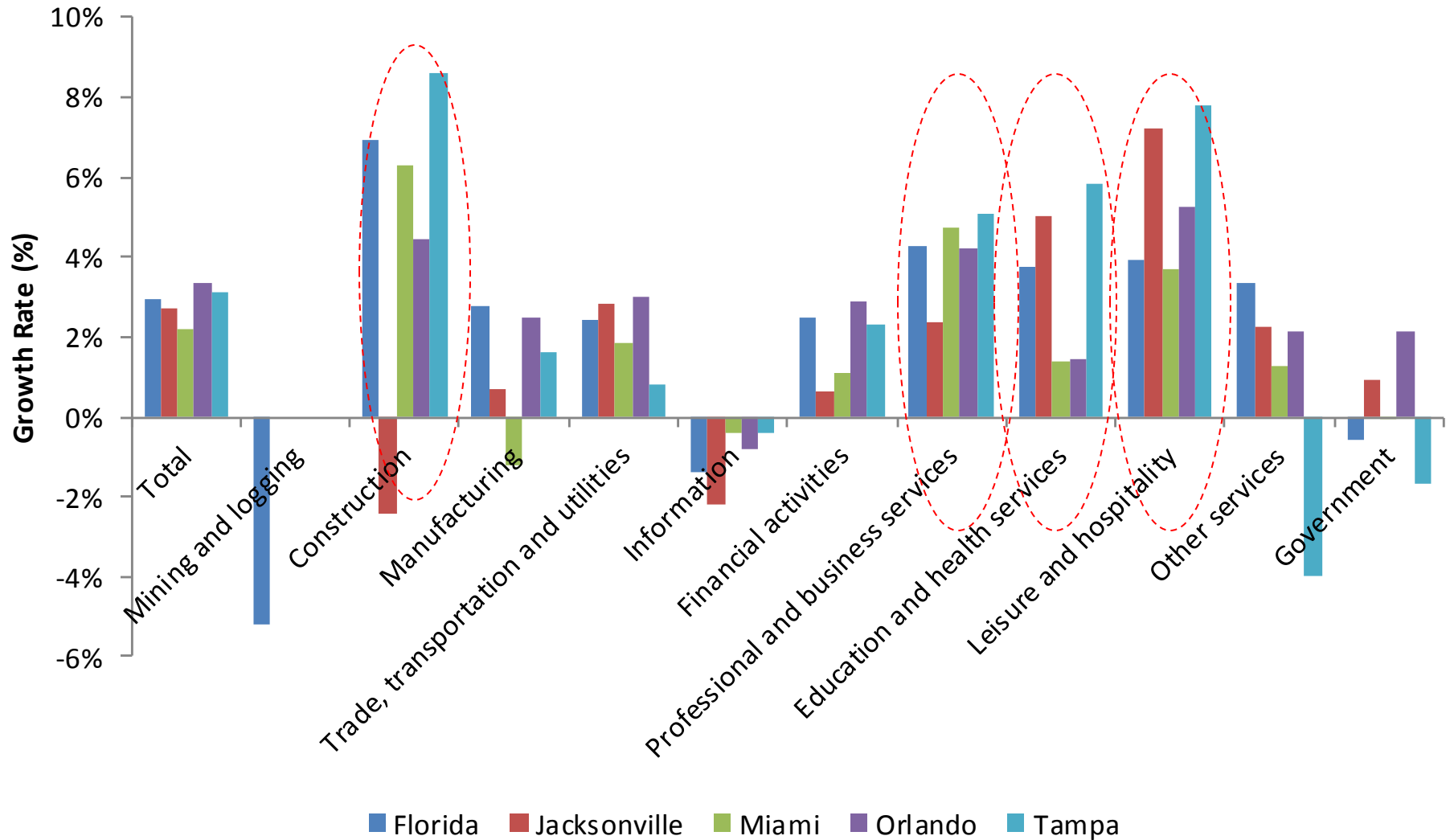
# One of the Fastest Growing States for Jobs

## Job Growth



Source: Bureau of Labor Statistics

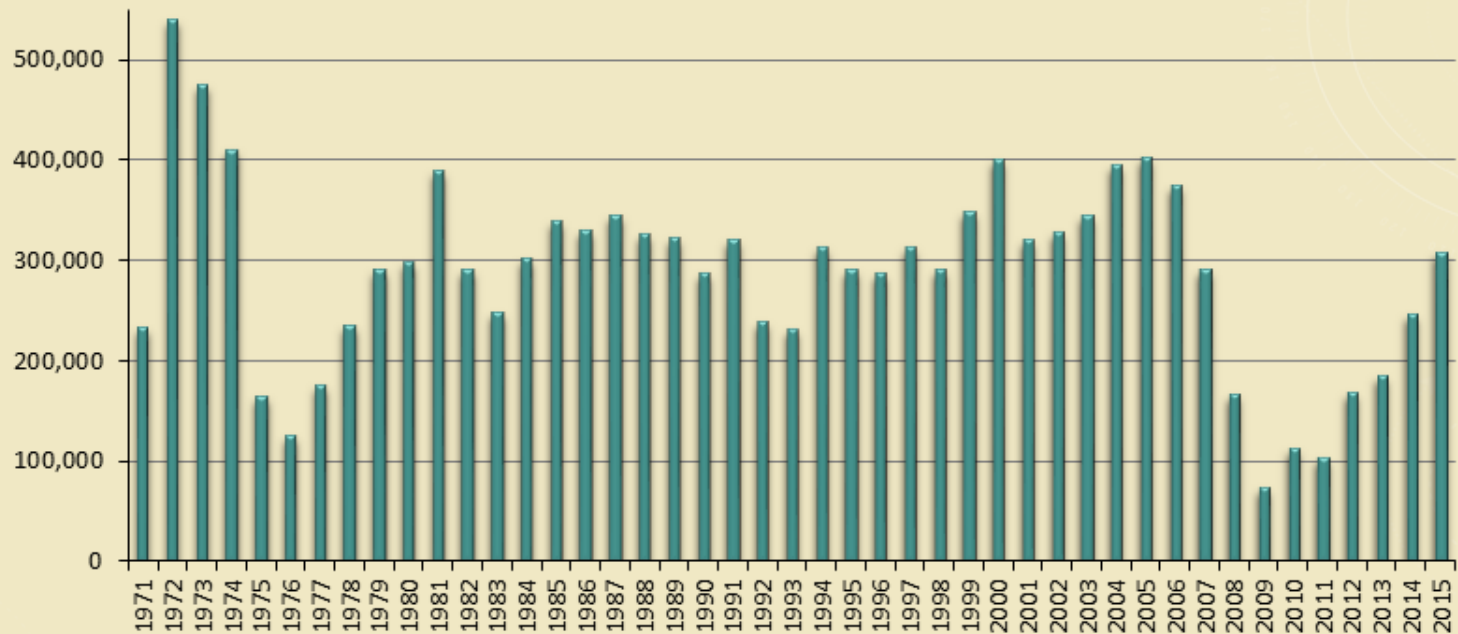
# Florida Well Positioned



Source: Bureau of Labor Statistics

# Florida Population Growth Recovering

## ANNUAL POPULATION CHANGE, FLORIDA, 1970-2015



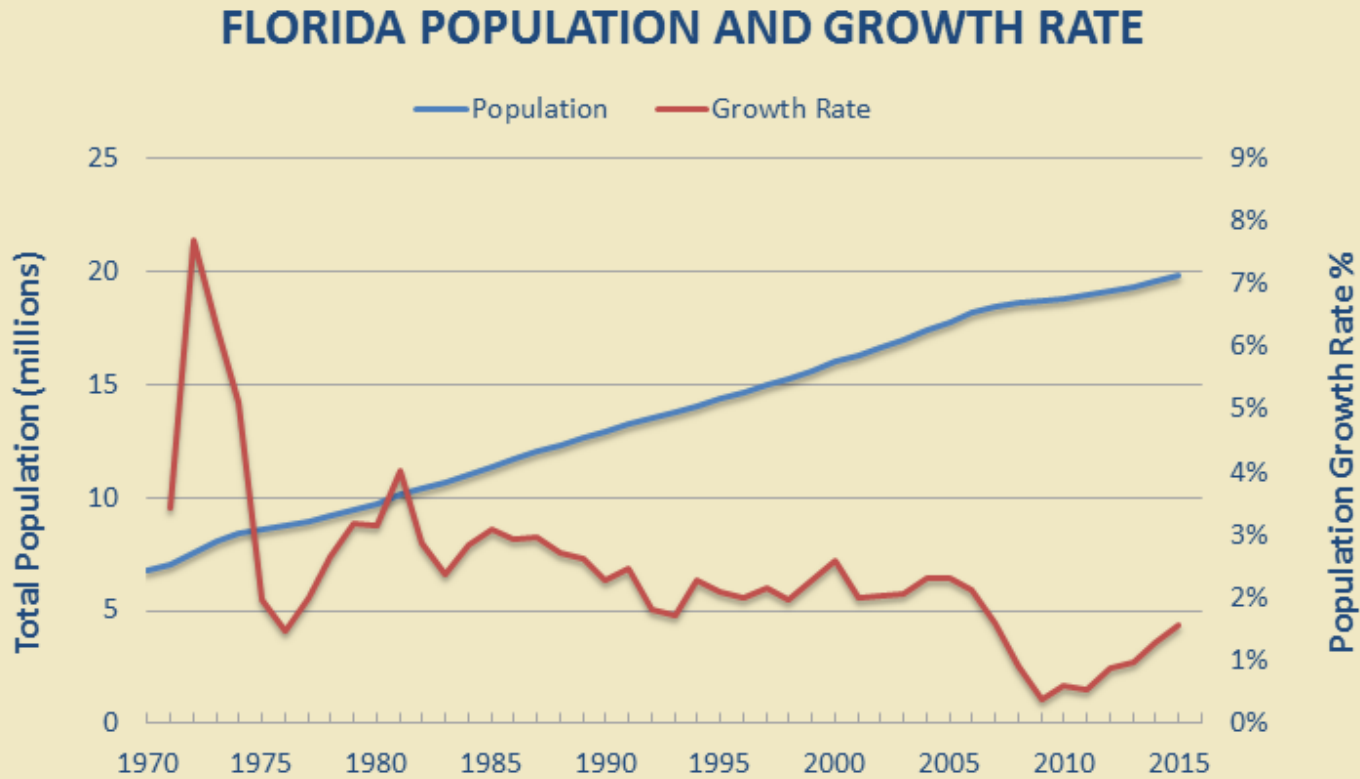
Source: BEBR Population Estimates (EcoDB Series 347)

Current Data as of 3/8/2016

Source: Florida Bureau of Economic and Business Research



# Population Growth Almost Back to Normal

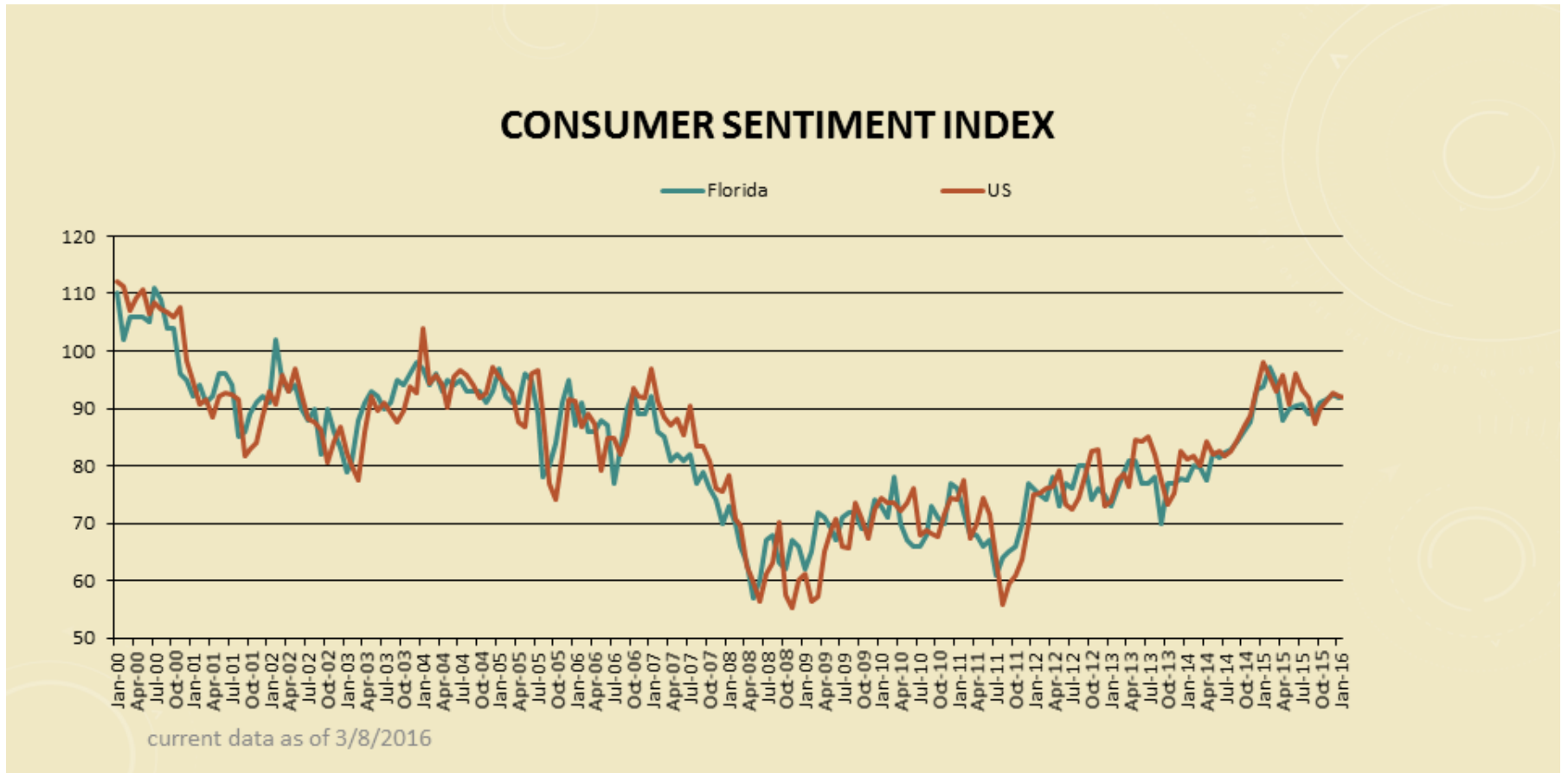


Source: BEBR Population Estimates (EcoDB Series 9085)

Current Data as of 3/8/2016

Source: Florida Bureau of Economic and Business Research

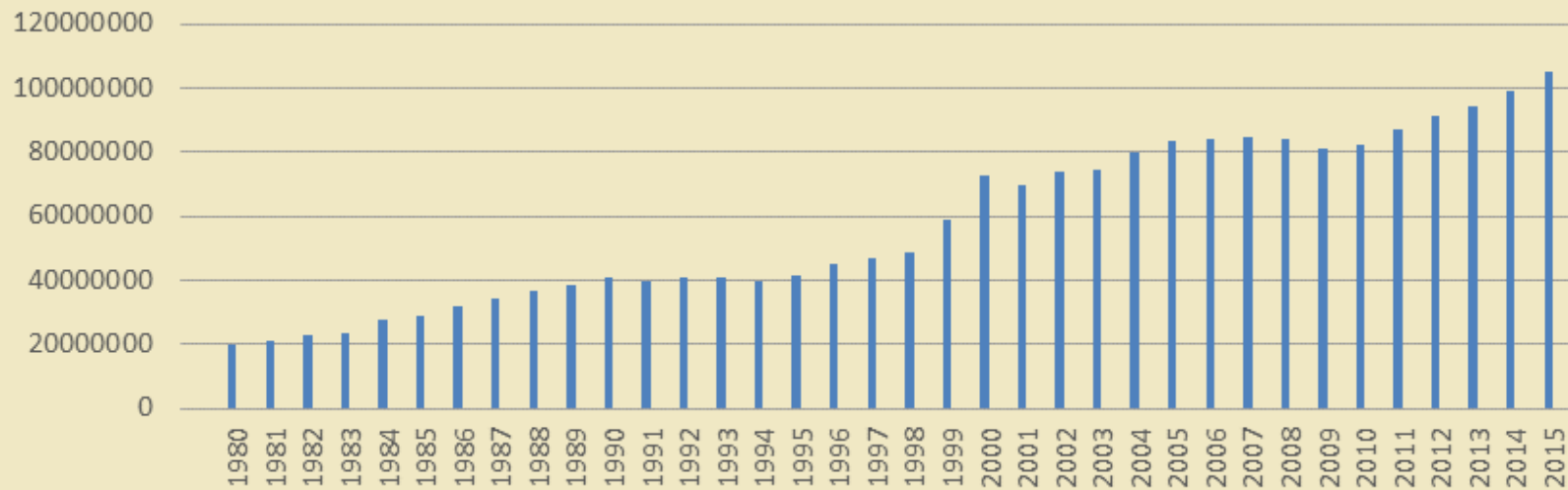
# Consumer Confidence Strong



Source: Florida Bureau of Economic and Business Research

# Strong Growth in Tourism

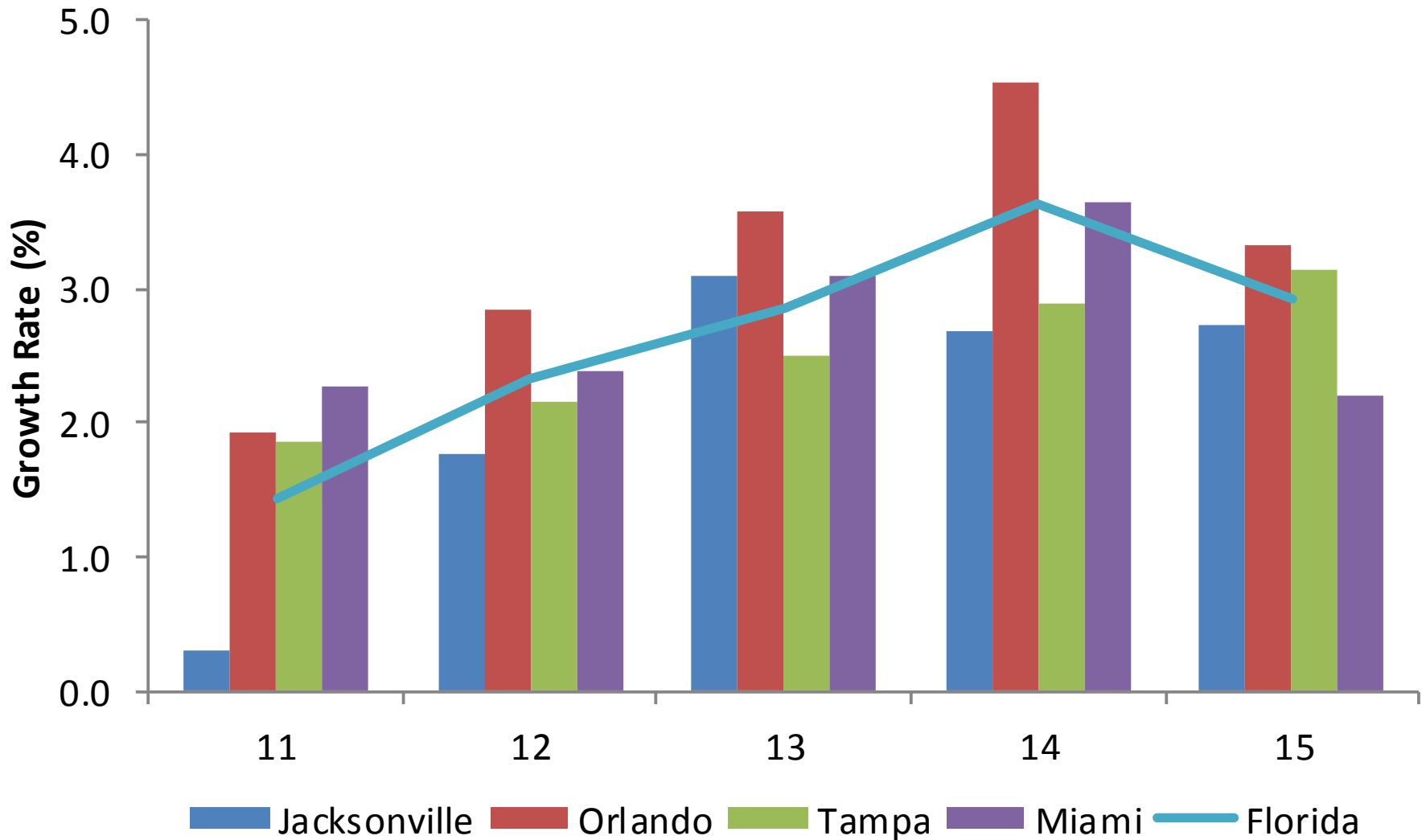
## ANNUAL VISITORS, FLORIDA, 1980-2014



current data as of 3/8/2016

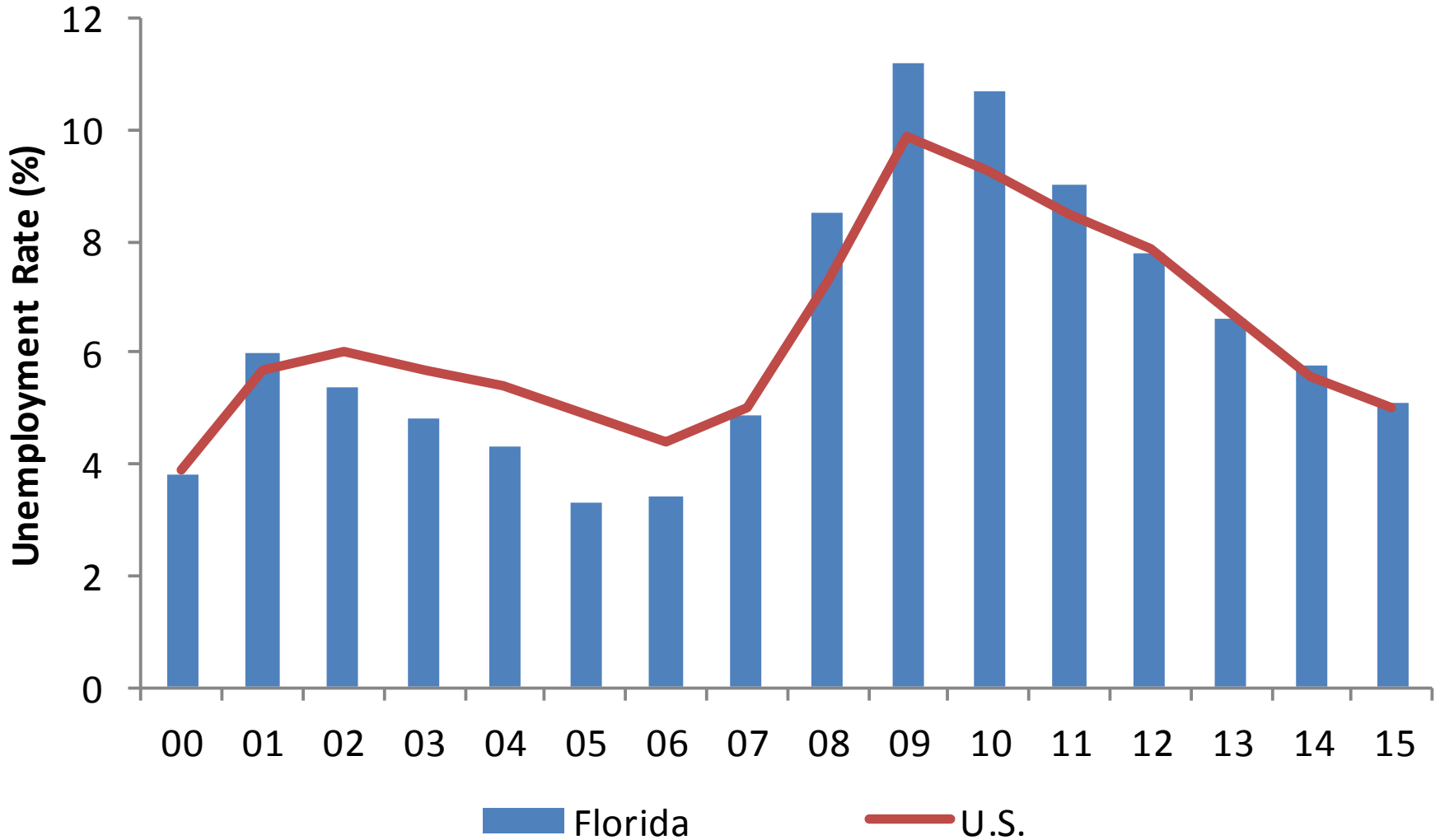
Source: Florida Bureau of Economic and Business Research

# Orlando Leads Florida in Job Growth



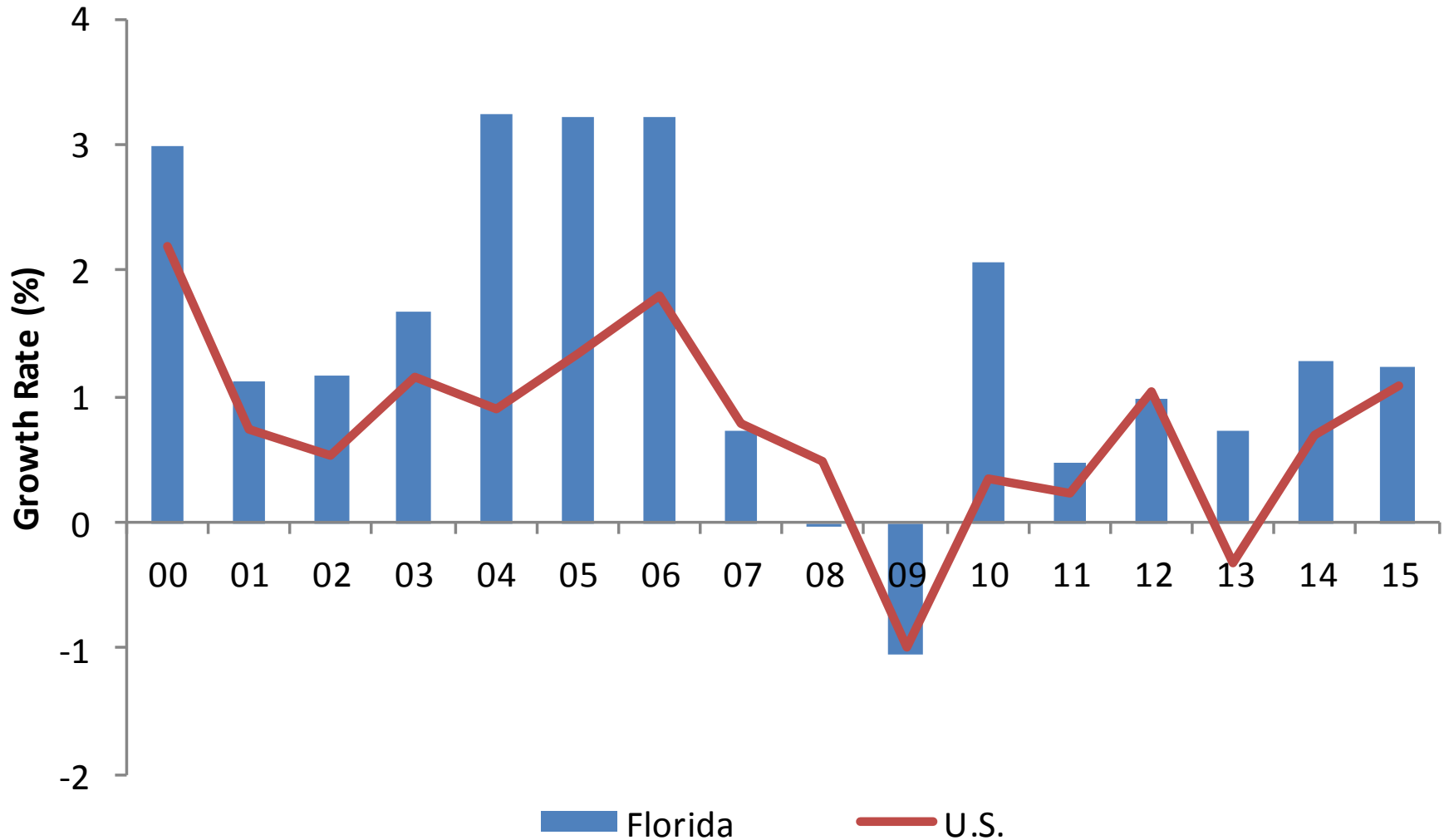
Source: Bureau of Labor Statistics

# Florida Labor Market Tightening



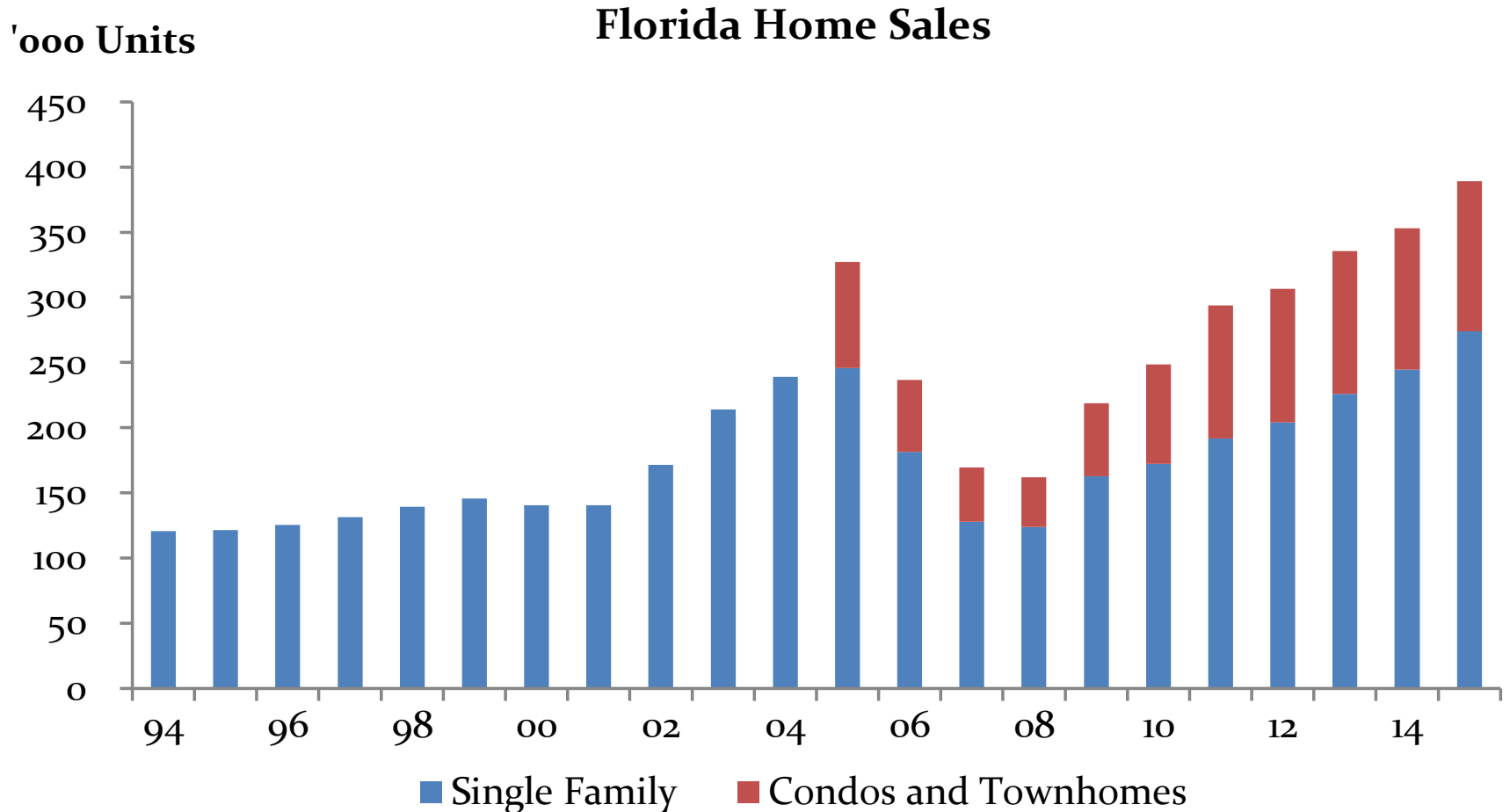
Source: Bureau of Labor Statistics

# With Significant Growth in Labor Force



Source: Bureau of Labor Statistics

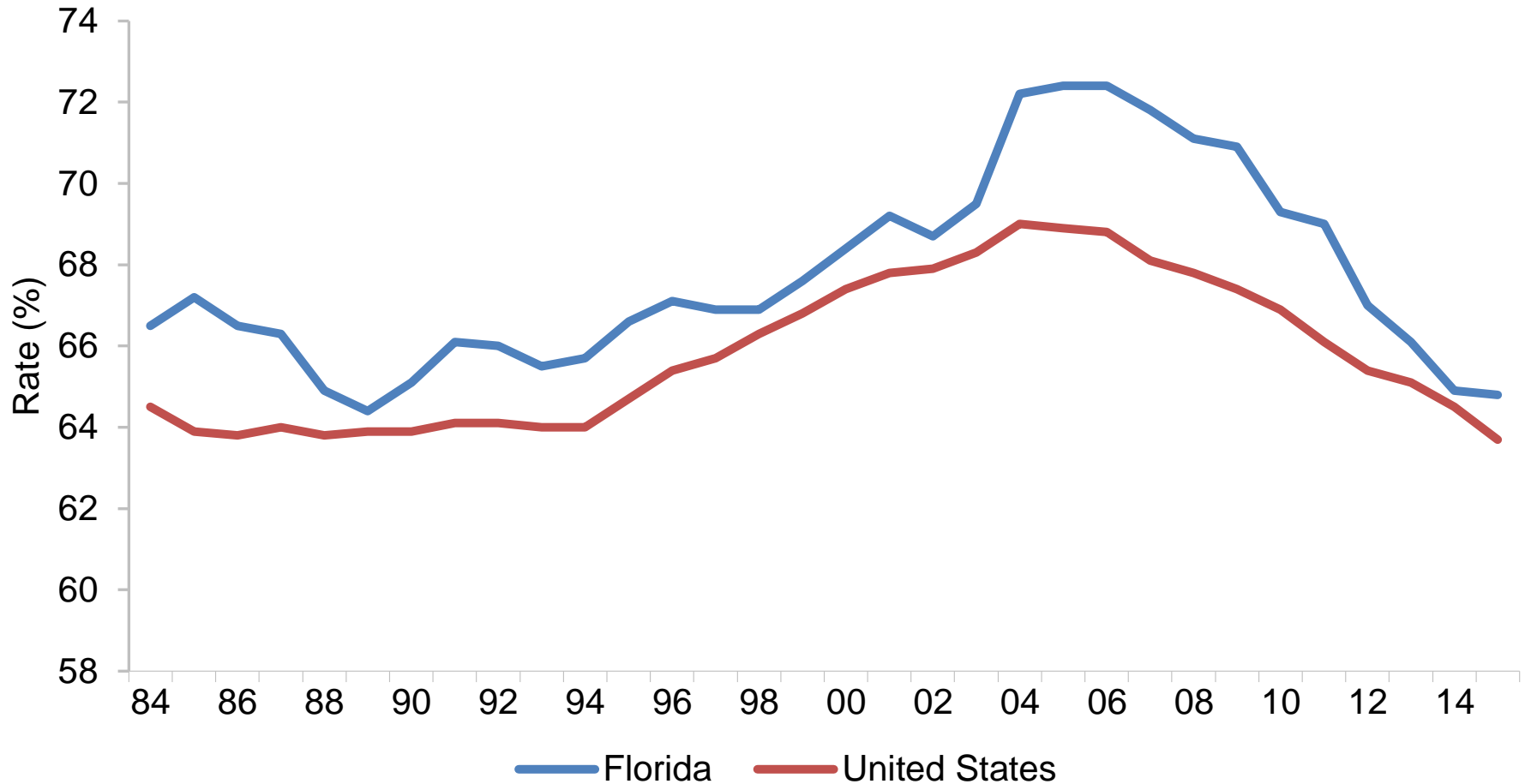
# Florida Home Sales



Source: Florida Association of Realtors

# Home Ownership Gap Beginning to Improve

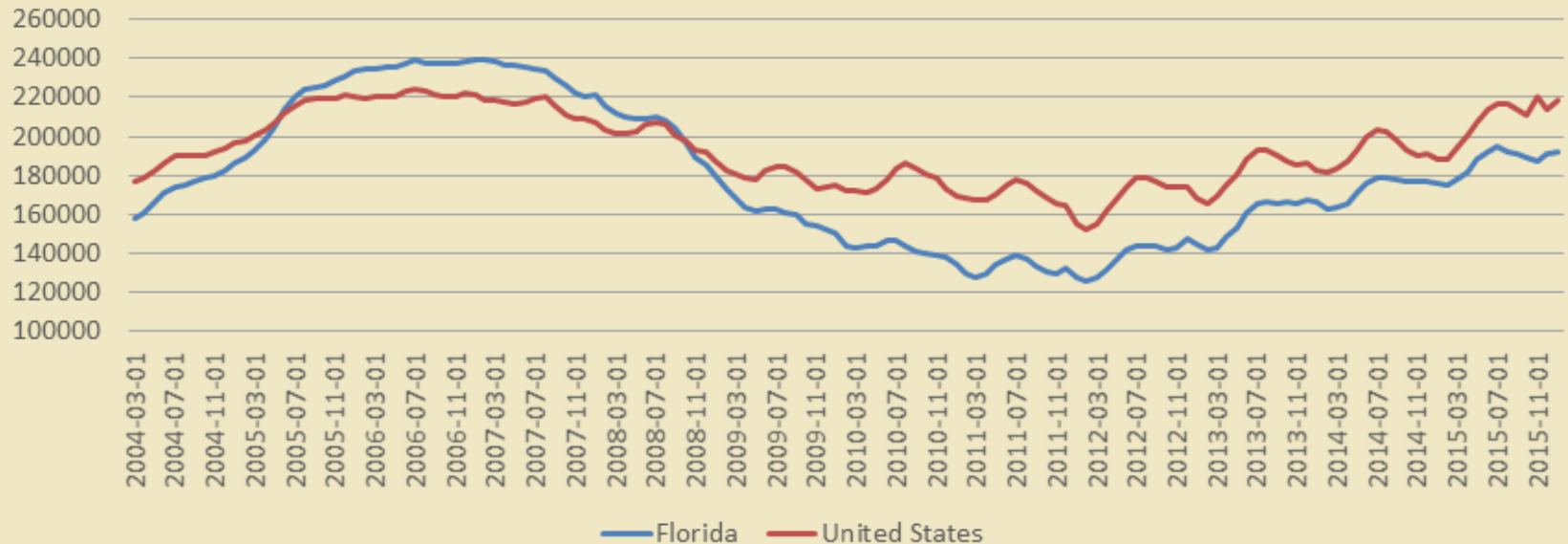
## HOME OWNERSHIP RATE





# Home Price Still Recovering

## MEDIAN SALE PRICE OF ALL HOMES (IN \$)

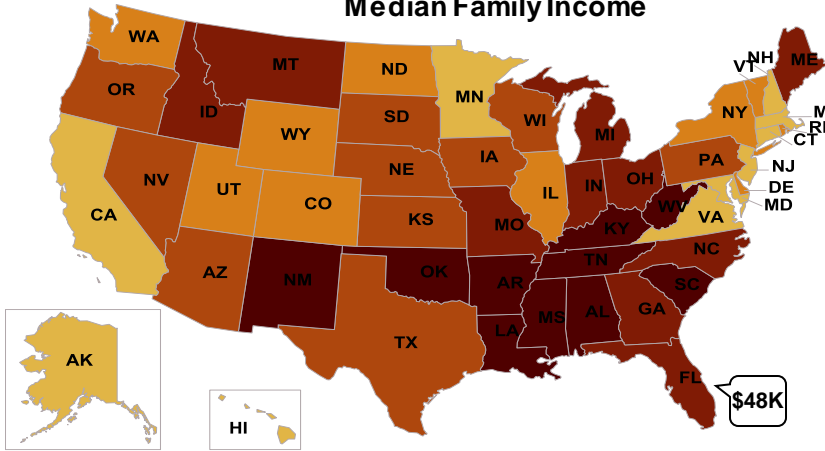


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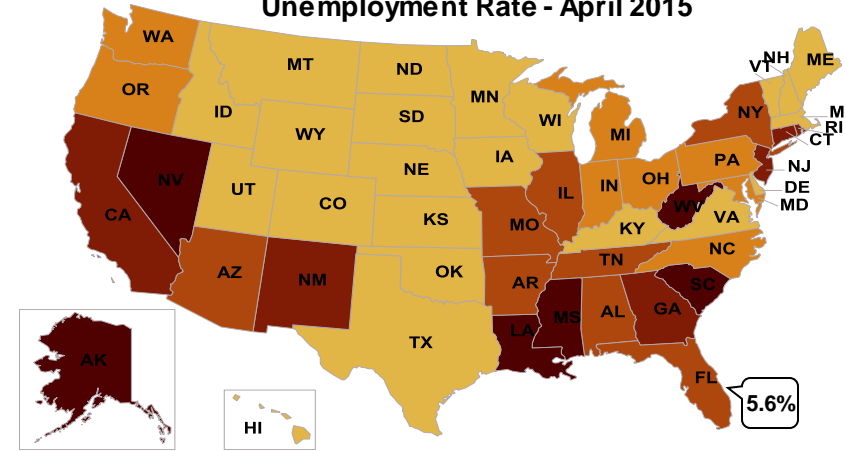
Source: Florida Bureau of Economic and Business Research

# Middle-Income State

Median Family Income

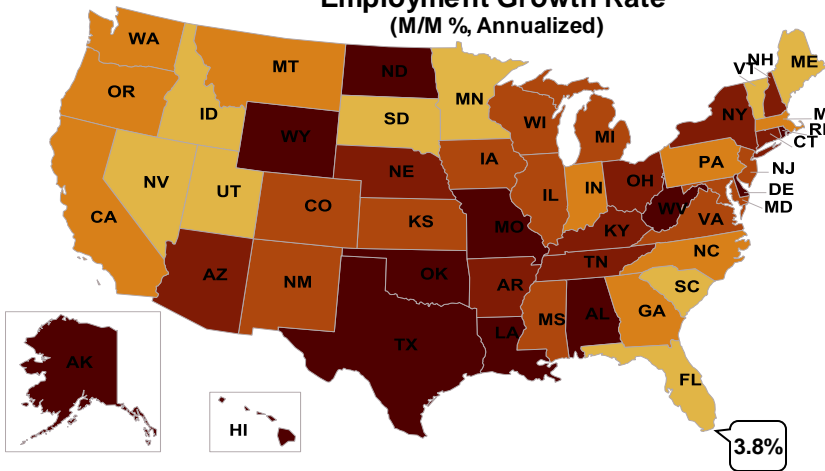


Unemployment Rate - April 2015



■ 38 to 46 ■ 46 to 48 ■ 49 to 52 ■ 53 to 60 ■ 60 to 72

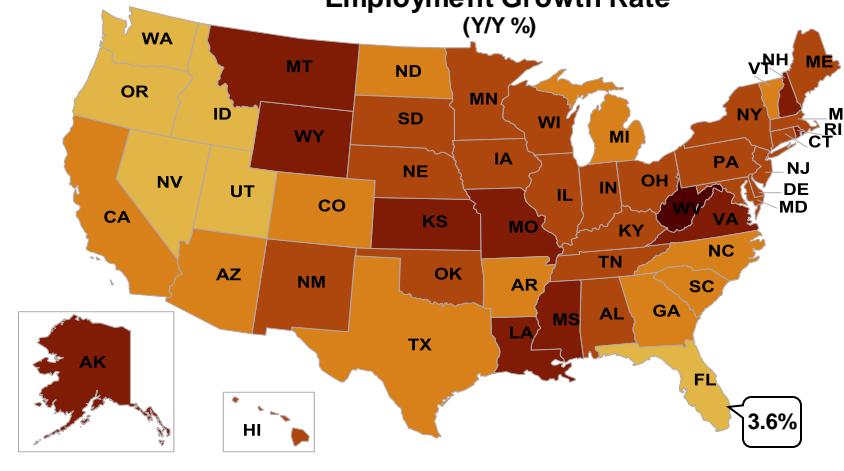
Employment Growth Rate  
(M/M %, Annualized)



■ Falling Employment ■ 0 to 1% ■ 1 to 2%  
■ 2 to 3% ■ Over 3%

■ Under 5% ■ 5 to 5.5% ■ 5.5 to 6% ■ 6 to 6.50% ■ Over 6.5%

Employment Growth Rate  
(Y/Y %)

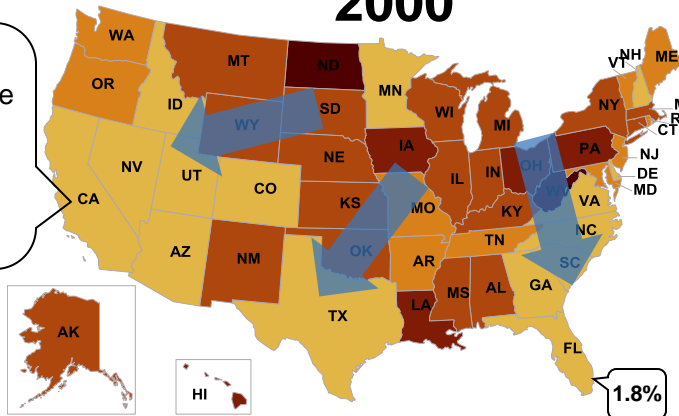


■ Falling Employment ■ 0 to 1% ■ 1 to 2%  
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Source: Census Bureau, Bureau of Labor Statistics, Moody's Analytics

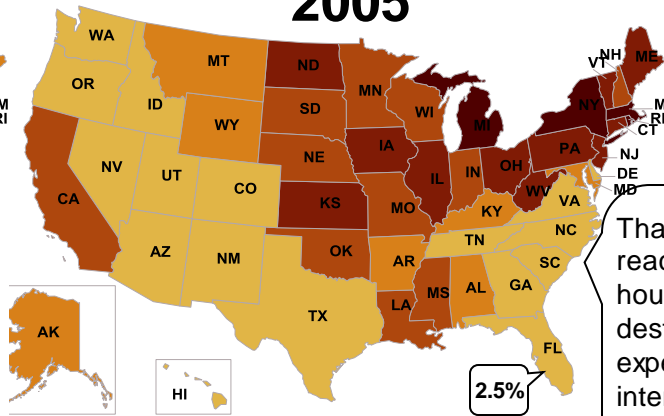
# Population Growth – By State

2000



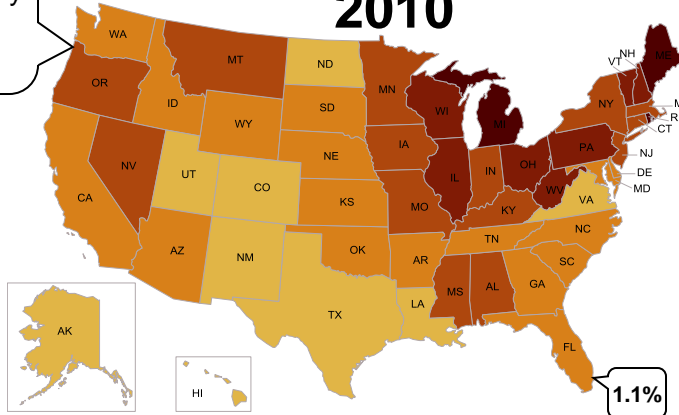
1.8%

2005



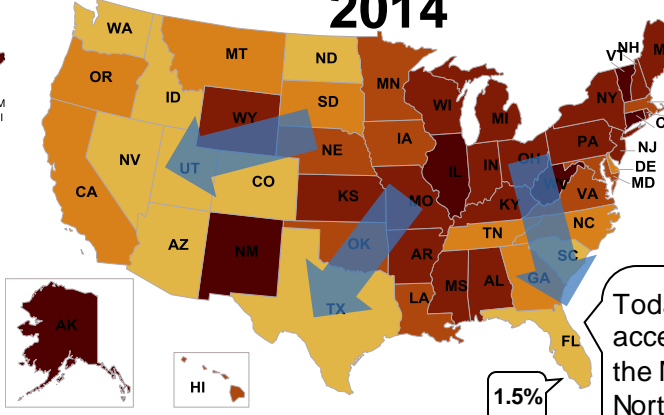
2.5%

2010



1.1%

2014



1.5%

U.S. Population is in a historical migration to the West, South, and the Southeast. This movement has been underway for decades.

That movement reached a peak in the housing boom, with the destination experiencing the most intense speculative interests.

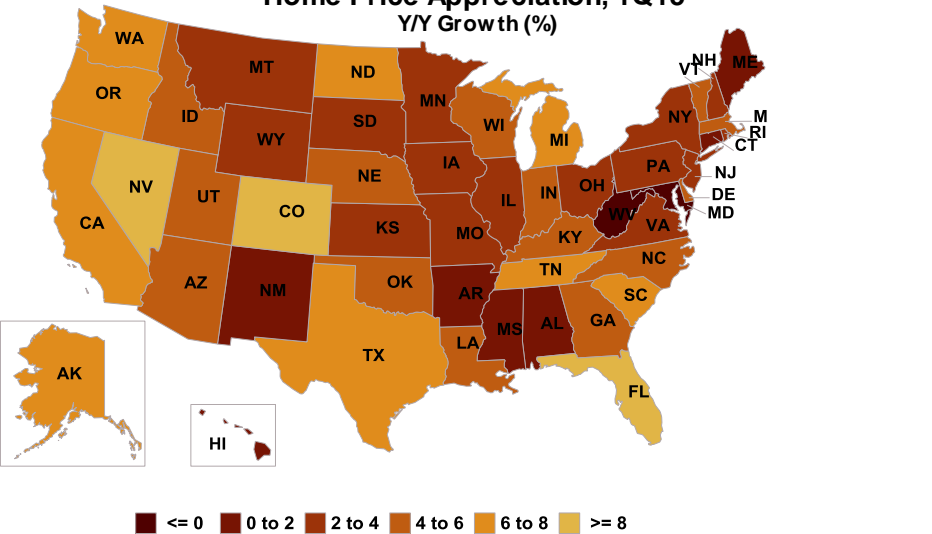
The housing collapse and financial crisis temporarily slowed this migration – but was never stopped.

Today, migration is accelerating again, with the Midwest and Northeast seeing even lower population growth.

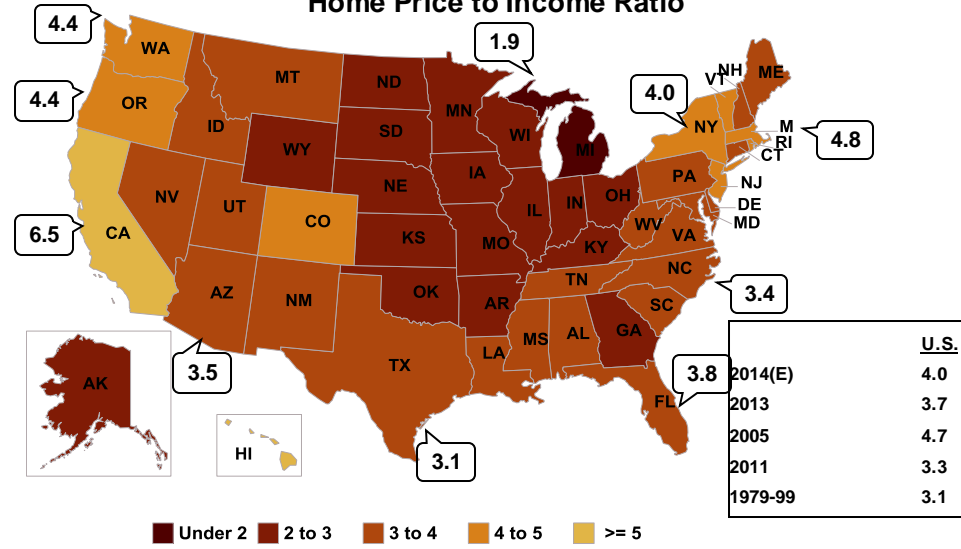
Source: Census Bureau

# Housing Affordability

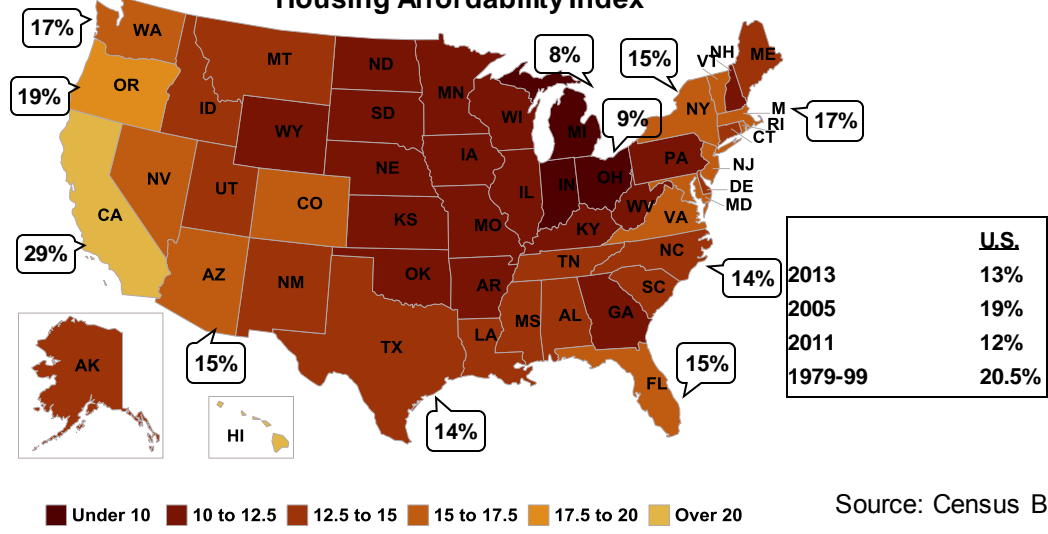
**Home Price Appreciation, 1Q15**  
YY Growth (%)



**Home Price to Income Ratio**

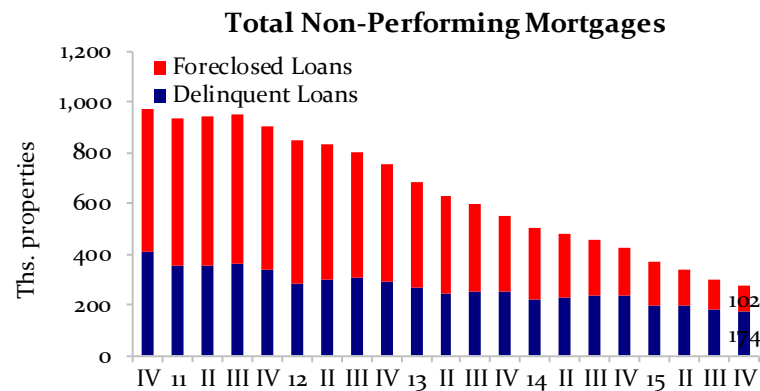
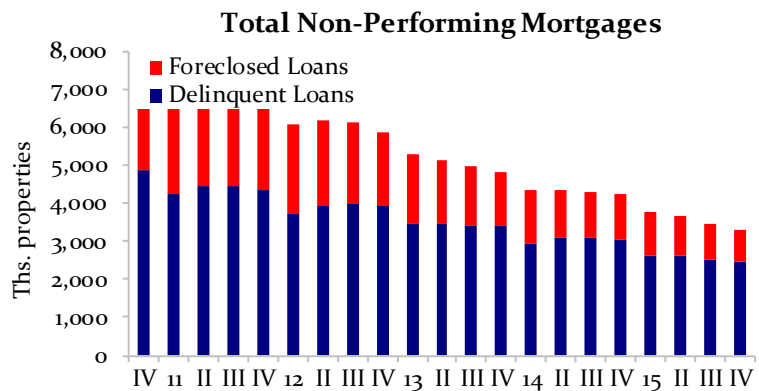
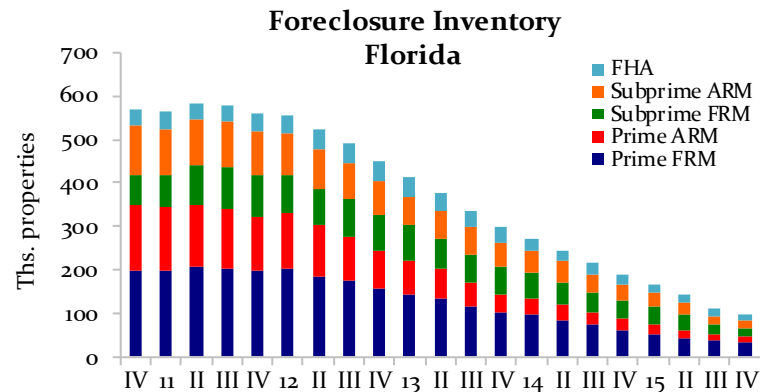
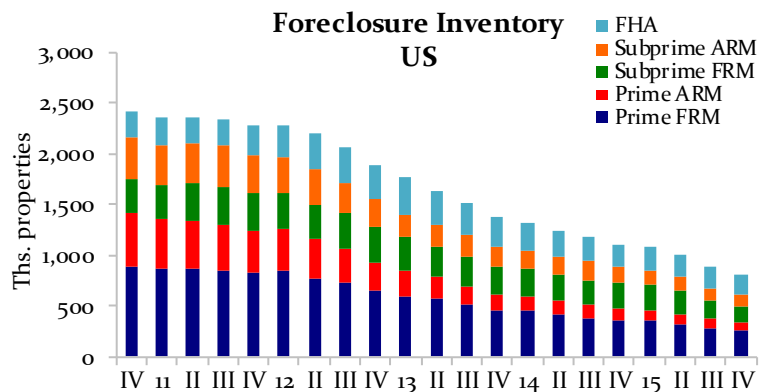


**Housing Affordability Index**



Source: Census Bureau, National Association of Realtors, Moody's Analytics

# Foreclosure Crisis

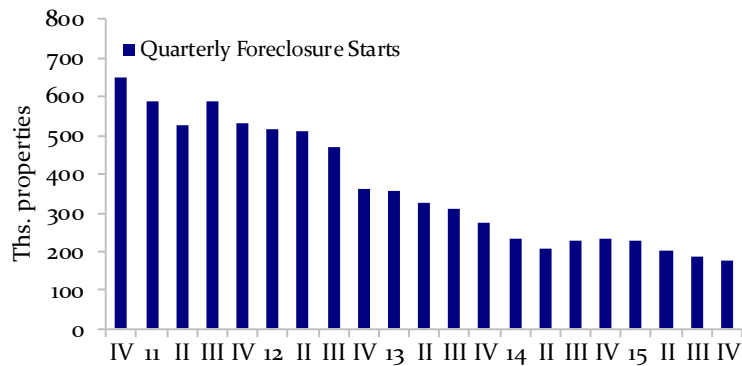


Source: Mortgage Bankers Association

# Pristine Underwriting

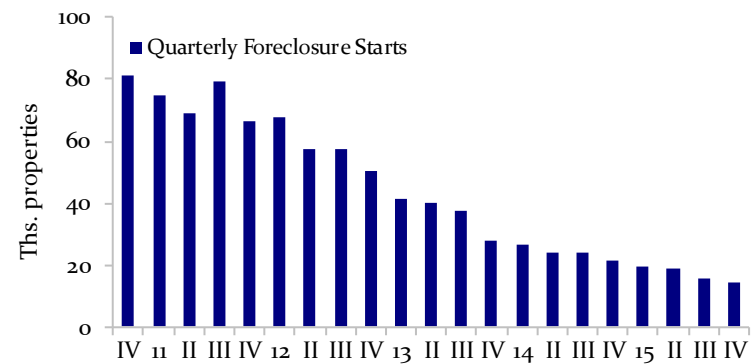
## U.S.

Foreclosure Starts



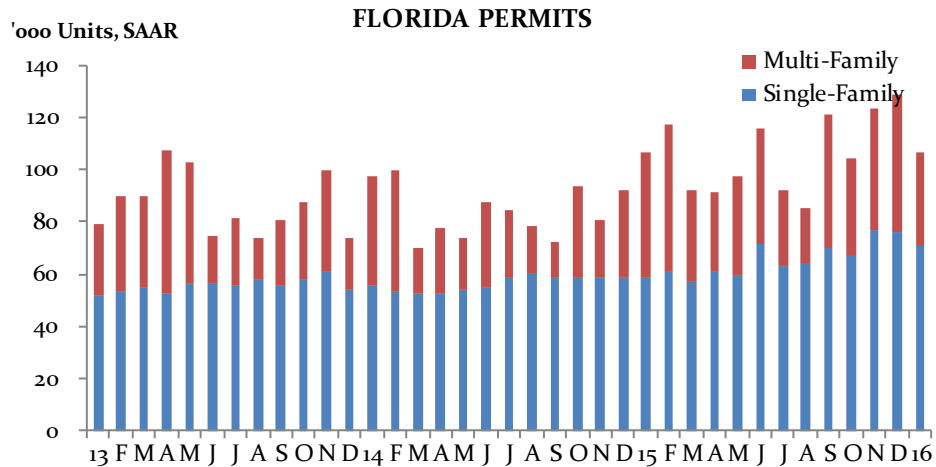
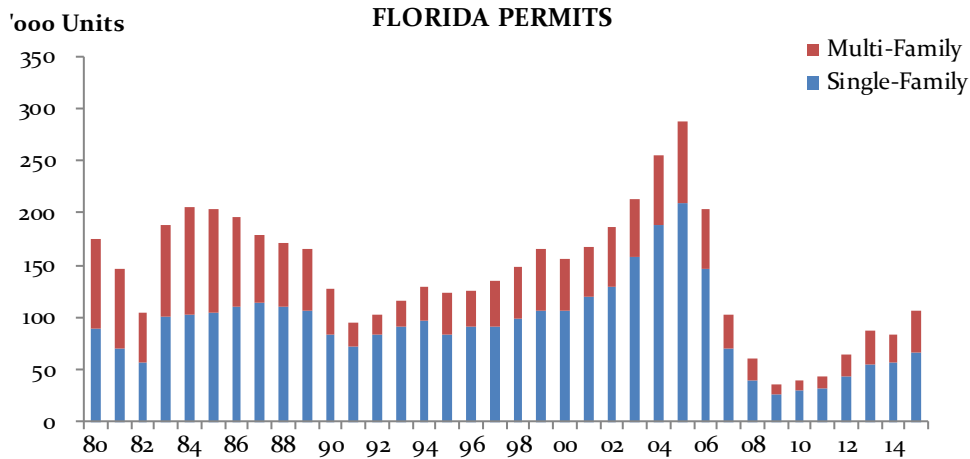
## Florida

Foreclosure Starts



Source: Mortgage Bankers Association

# New Construction On the Rise



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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919 807.9584

## Mortgageorb.

### Learning From The Surprises Of 2015



since the 2008-2009 financial crises

**BLOG VIEW:** The surprising fall in oil prices and interest rates in 2015 tells us that the global economy is still struggling to recover. That is likely to lead to continued low interest rates, which will keep housing affordable and support growth in home sales.

As we start a new year and close the books on 2015, I want to reflect on the year's biggest surprises and think about what they mean for 2016 and beyond.

Lower oil prices and lower interest rates come to the top of my mind. Beginning in late 2014, oil prices started to pull back sharply. That shock was widely attributed to rising U.S. shale oil production and OPEC's decision not to cut back its production quota. In other words, oil producers decided to continue pumping even as prices fell.

What has kept prices low this year, however, is that weaker global economic growth has dampened global demand for oil and other commodities - preventing a quick rebound. In particular, the economy of China, which has been the leading source of growth in energy consumption, has slowed dramatically, pulling down demand around the world and driving prices to their lowest level

## Mortgage Market Update