

Bright Days Ahead

The Housing Market
Feb 2021



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Data compiled from recent:

- **Fannie Mae Forecasts**
- **Freddie Mac Forecasts**
- **National Association of Realtors Forecasts**
- **Equity Resources Servicing Data**

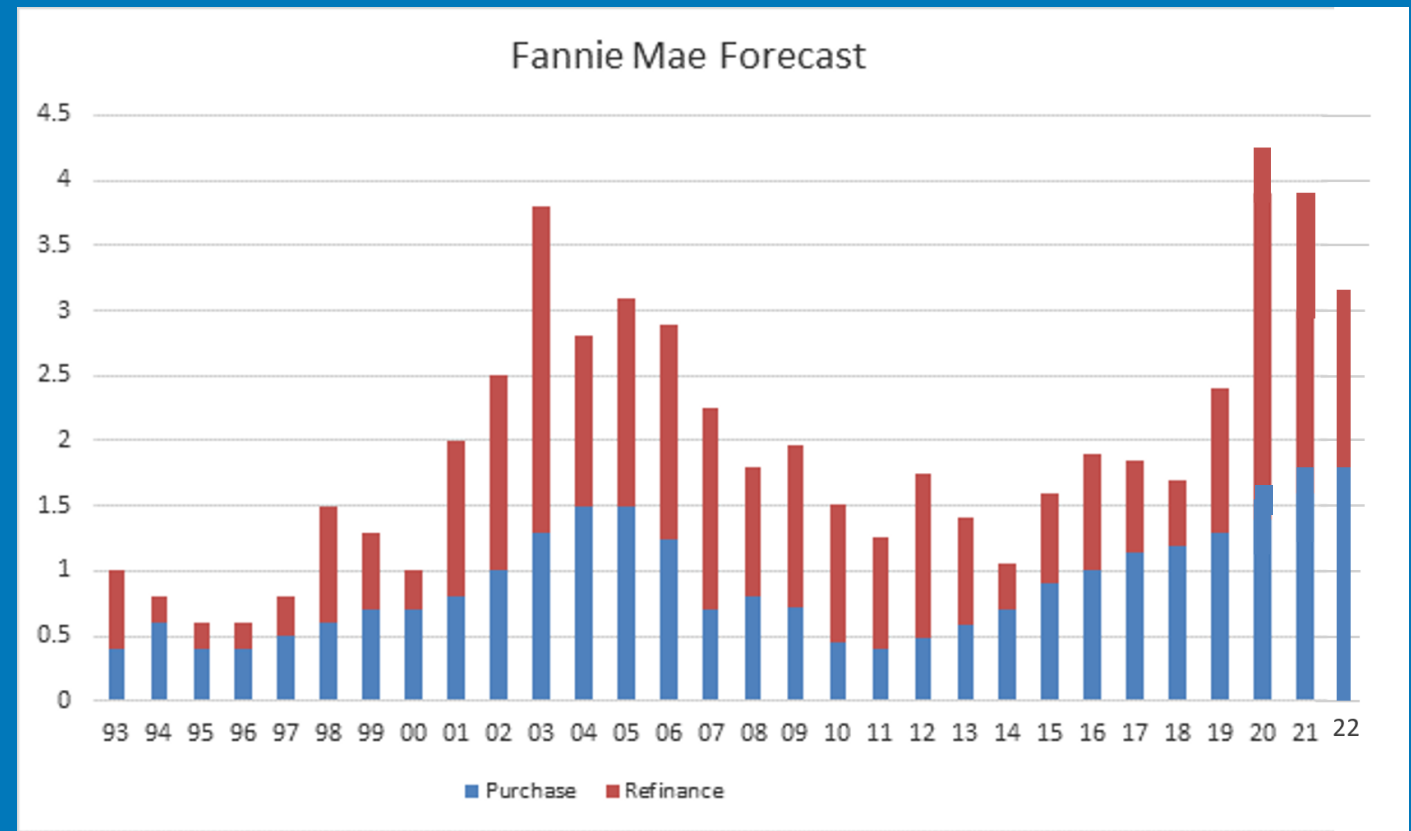
Disclaimer: Covid-19 and the Federal Reserve Buying MBS

The Mortgage industry volume



Two takeaways;

1. Purchase volume increasing to new highs
2. The refi effect on the industry (Appraiser & LO's)



Source: Fannie Mae

Purchase Volume:

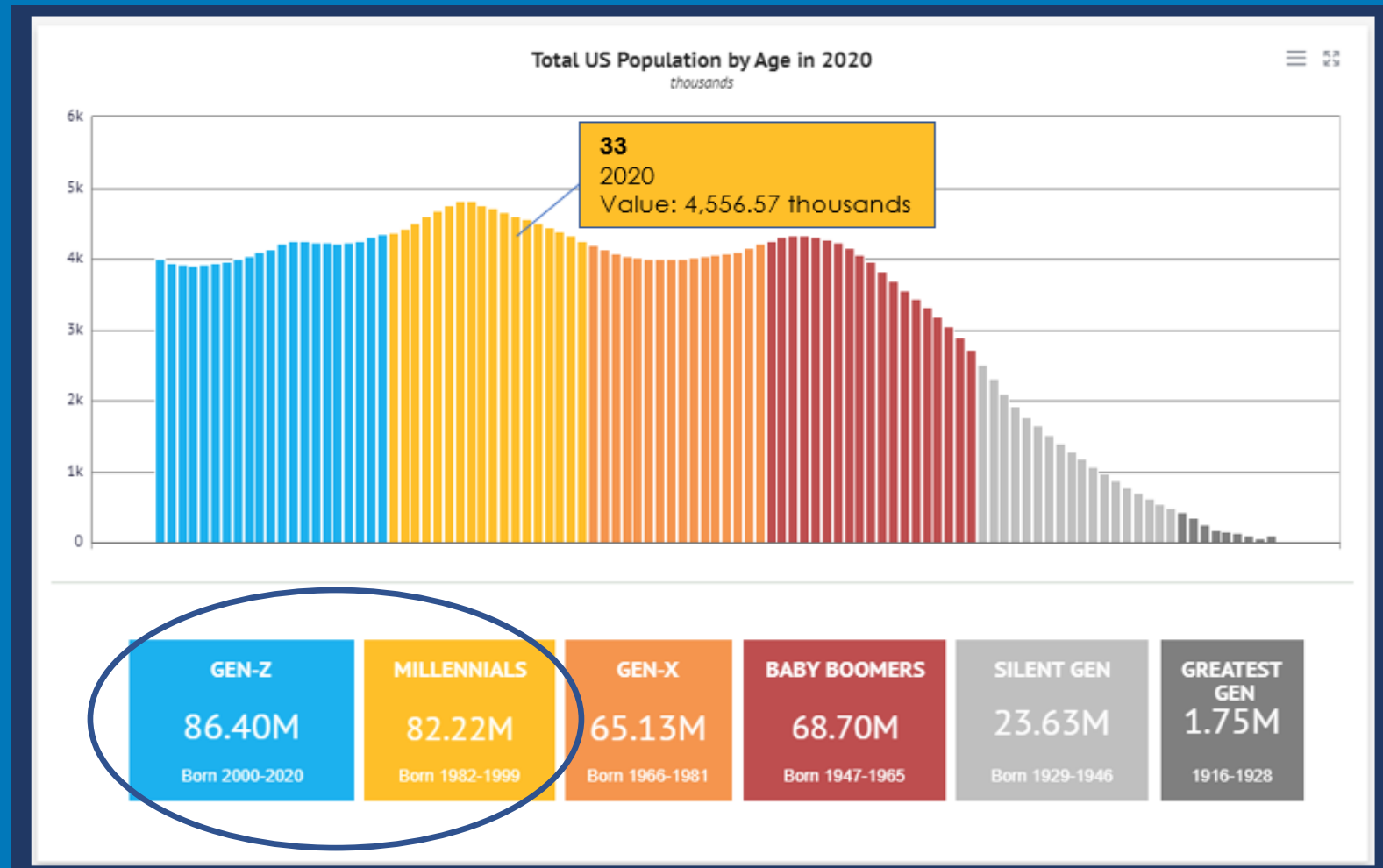
- 2018 with 1.234 purchase
- 2019 with 1.32 purchase > 290B Jump
- 2020 with 1.605 purchase
- 2021 with 1.751 purchase
- 2022 predicted at 1.766 purchase
- 2023 we will ... (200B Jump)



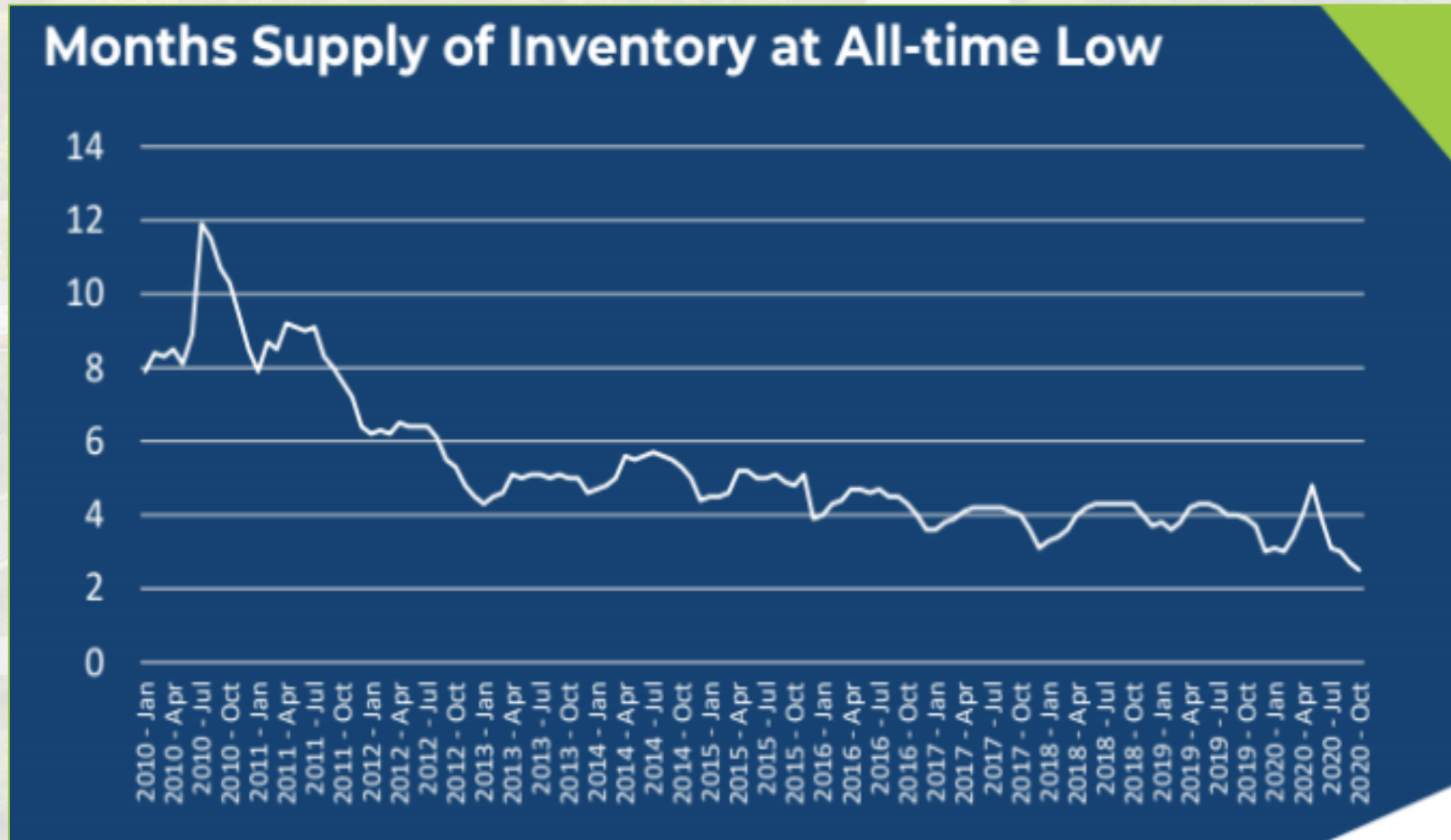
Why: Sunny Skies? #1 is Demographics



- Extra 7 million people over next 10 years
- Plus another extra 3.1 million in the 10 years after this!



Sunny Skies but with some clouds...



Source : 2021 NAR

How many homes are needed each year to catch up to the shortage in the US?



1.62 million units

Altogether, we estimate that 1.62 million units are needed annually to meet the housing demand: 1.1 million to accommodate household growth; 300,000 units to replace depreciated existing stock; 100,000 to meet the demand for second homes; and 120,000 units to provide enough vacant homes to maintain an efficient ...Dec 5, 2018 Per Freddie Mac Research

Now add the last 2 years shortage and we need more!

The fact: We both have to work with more customers to get one closed. We need to keep in touch with more and more folks since there are not enough homes!

Headlines can be confusing...



Annualized Sales vs Actual Sales

- Annualized Sales represents what the total number of sales would be for a year if the relative pace for that one month were maintained for 12 consecutive months.

Annualized Sales never happen perfectly with “home sales” yet both numbers are promoted in the headlines.

Basic Terms for following slides...



- Household is defined as all personal living in 1 housing unit (College dorms not included)
- We are averaging approx. 1.1 million new households per year over the last decade & it's growing
- Existing Homes Sales vs. New Home Sales
- New Housing Permits vs Starts vs Completion vs Sold
 - Sold is counted when the purchase agreement is signed
- Total home sales include: 1 unit, 2-4 units, 5 or more units
- (2+ unit homes equal approx. 400 million per year)

We need 1.6 Million plus homes a year per Freddie Mac

Exhibit 3

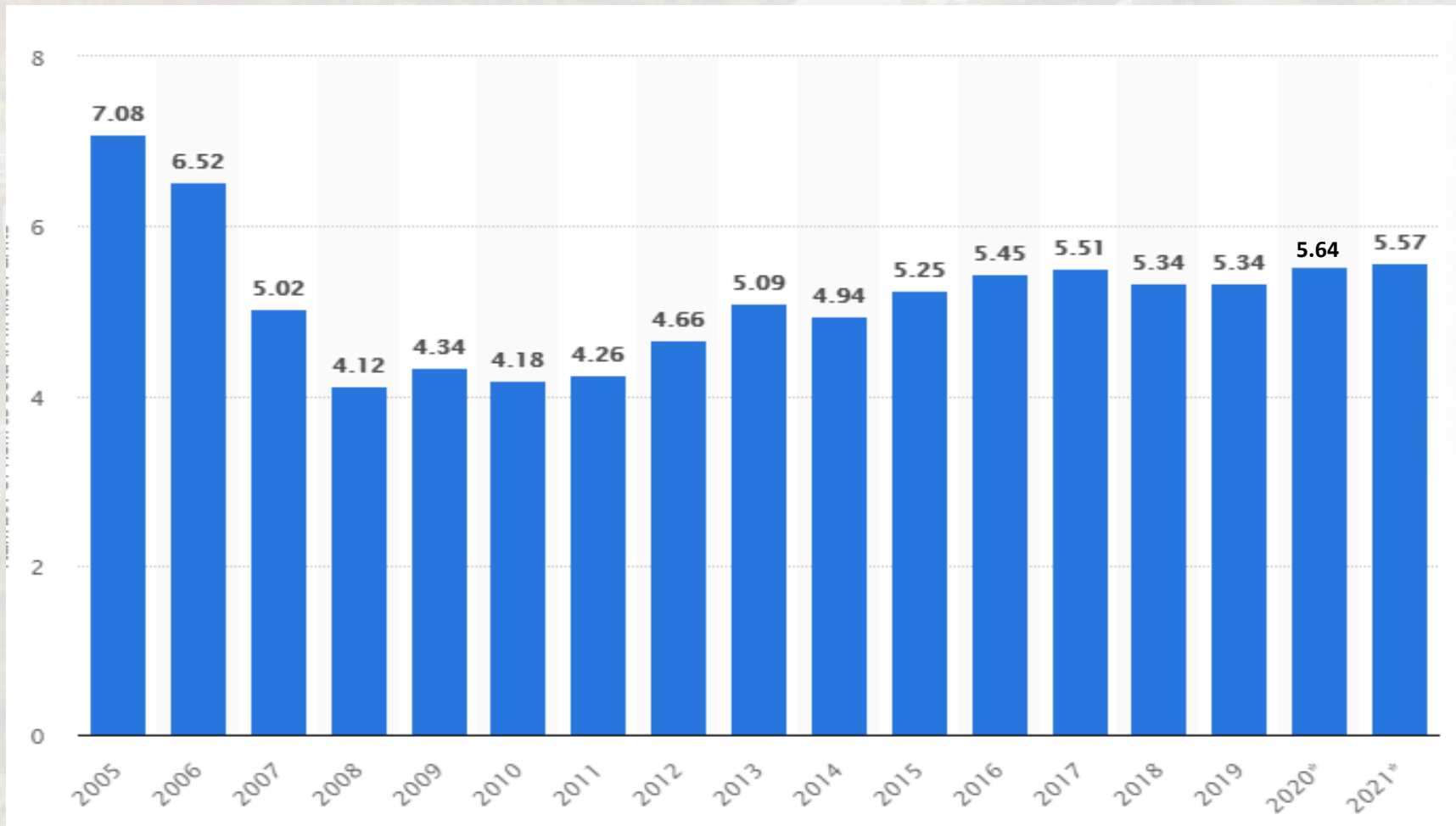
Annual housing need for the United States

(1000s of units per year, rounded to nearest 10,000)

Units needed =	Baseline 1,620	Low 1,300	High 1,800
Accommodate household formation	1,100	900	1,200
+			
Replace existing units	300	250	350
+			
Second home demand	100	60	120
+			
Maintain a constant year-round vacancy rate	120	90	130
Year-round vacancy rate	10%	9%	10%

Source: Author's calculations

**Existing Homes Sales – 2020 is 5.64 finalized
Inventory is at all-time low. We can't get 1.6 Million
more from here. Especially since now many are
at 2-3 percent interest rates.**

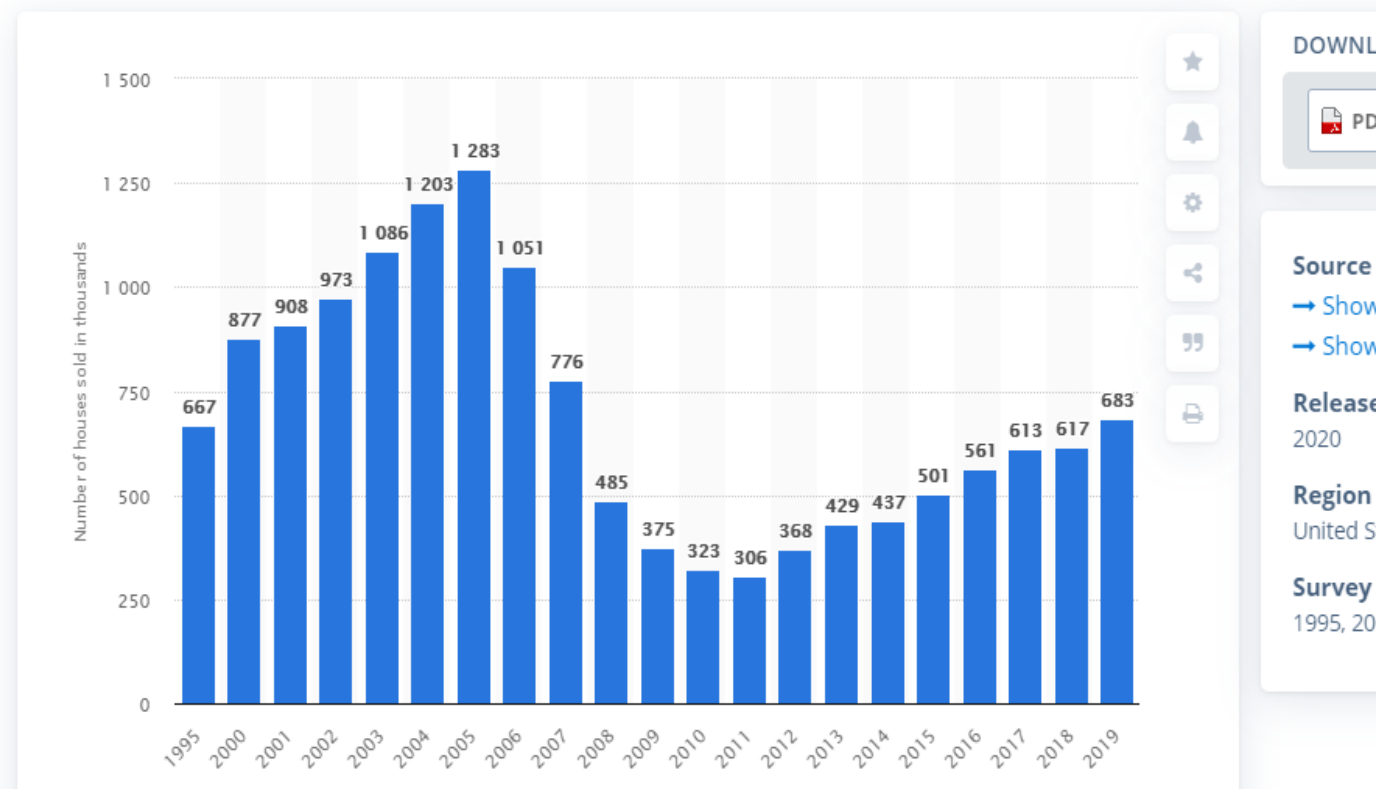


Source : STATISTA.com

- **New Construction:**
1 unit homes: 2020 was 811 Million
- We need 1.6 Million + more homes a year!
- We need most of it from New Construction (chart is only SFR)

Real Estate > Residential Real Estate

Number of new houses sold in the United States from 1995 to 2019
(in thousands)



Source : STATISTA.com

New Construction: Need 1.6 + Million

		Started (1 unit)		Completed	Sold	Total Sold (1-5 units)	
	2017	849		795	613	1.203	
	2018	875		840	617	1.249	
	2019	887		903	683	1.29	
	2020	991		915	811	1.38	
Projections	2021	1139	(15%)	-	968	(85%)	1.5
	2022	1310			1113		1.6
	2023	1506			1302		1.75
higher if Covid-19 and Fed Reserve behave							
and if workers are available							
Still short....							

Source: United States Census Bureau

Source: Equity Resources Projections

We are still short!



- Only 17 public builders * very fragmented industry
- Dr Horton- Lennar- Pulte (Big 3 nationally)

Example: Annual Report for one of them had four take-a-ways

1. Increased lots owned 62,801 to 107,138
2. Increased housing starts mid 2020
3. Wish to maintain "margins" ... AKA: don't want to over-build or build to capacity. \$\$\$
4. Finding skilled laborers is an issue

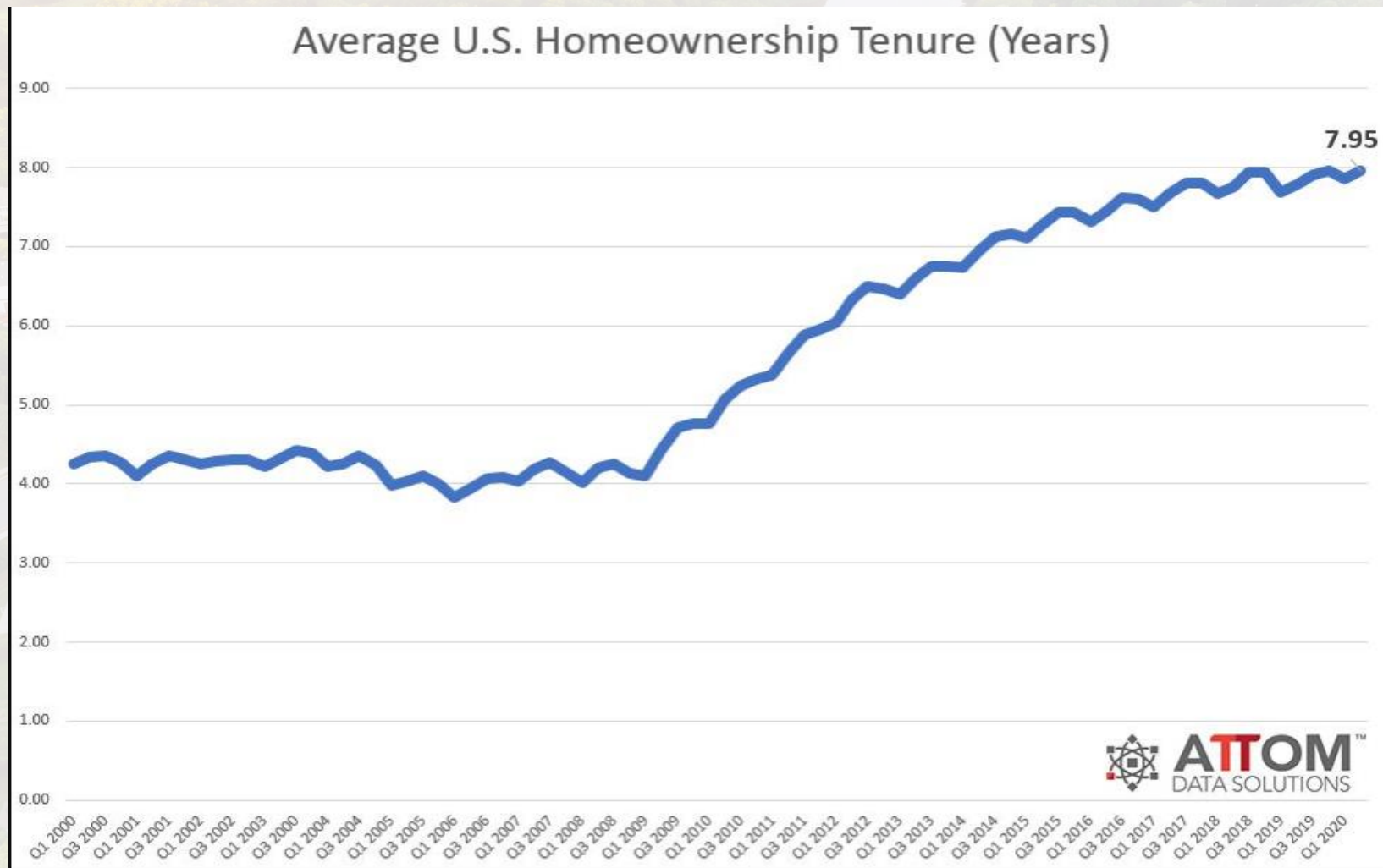
Yet the Opportunity is: Growing to 20% of all SFR Sales!!!
1 of every 5 homes sold

Sunny Skies: Low rates for years & Potential

	2020	2021	2022	
30 Y Rate	3.1	2.7	2.9	Fannie Mae Forecast
30 Y Rate	2.83	3.0	3.25	NAR Forecast

- Potential 15k FTHB Grant or Tax Credit
- Potential FHA PMI Reduction up to .25
- Fed Reserve is buying MBS to keep rates low & commitment to continue

Golden Nugget: Reports from 13 years average before moving to 7.95 years but...



We have found younger folks move sooner:



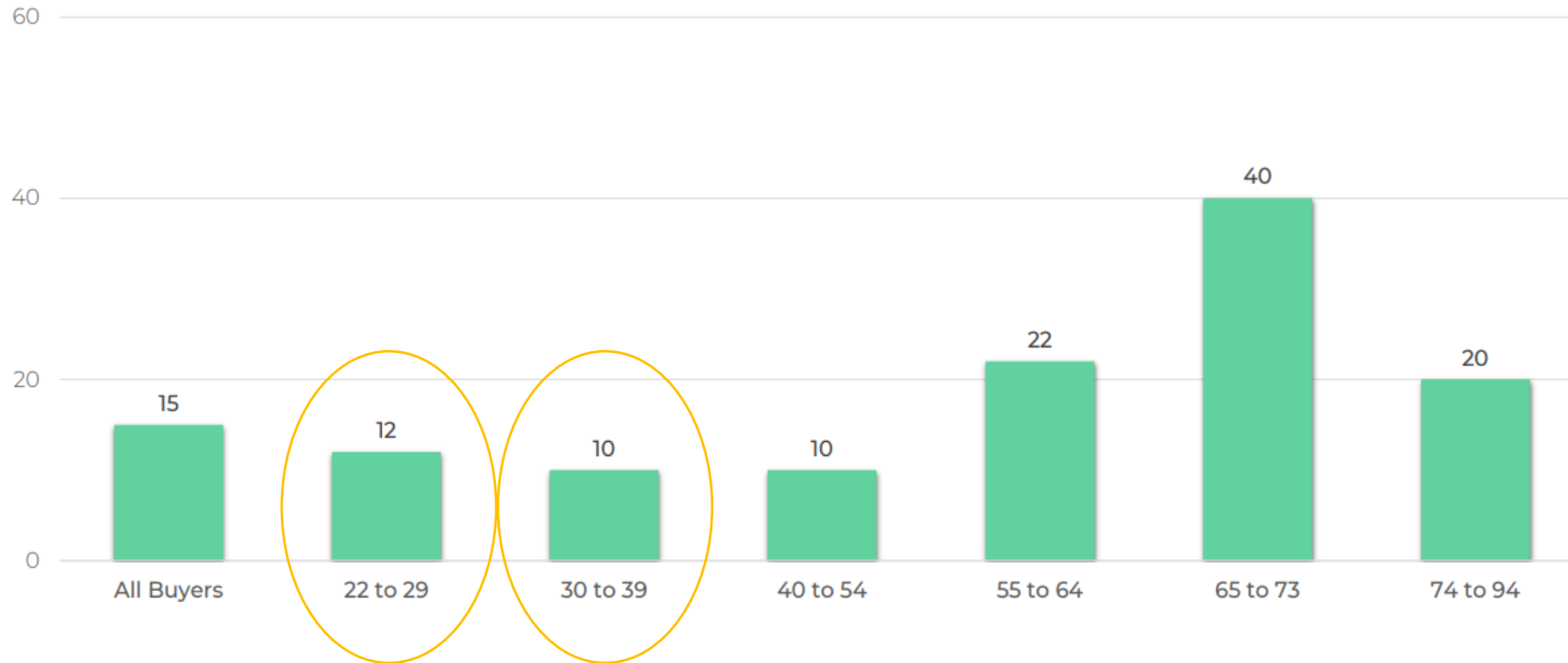
2019 - 4.2 years tenure

2020 - 5.01 years tenure (blaming covid-19)

- Equity's Past Clients who had a home but moved. What was the average?
- Over half of all our purchases are Millennials & we found they are moving.
- Guess: Millennials shaped by the Great Recession- purchased conservatively plus want what they want sooner than the Boomer Generation.

DISTANCE BETWEEN HOME PURCHASED AND PREVIOUS RESIDENCE

Exhibit 2-6 (Median Miles)



2020 NAR Home Buyer and Seller Generational Trends

3

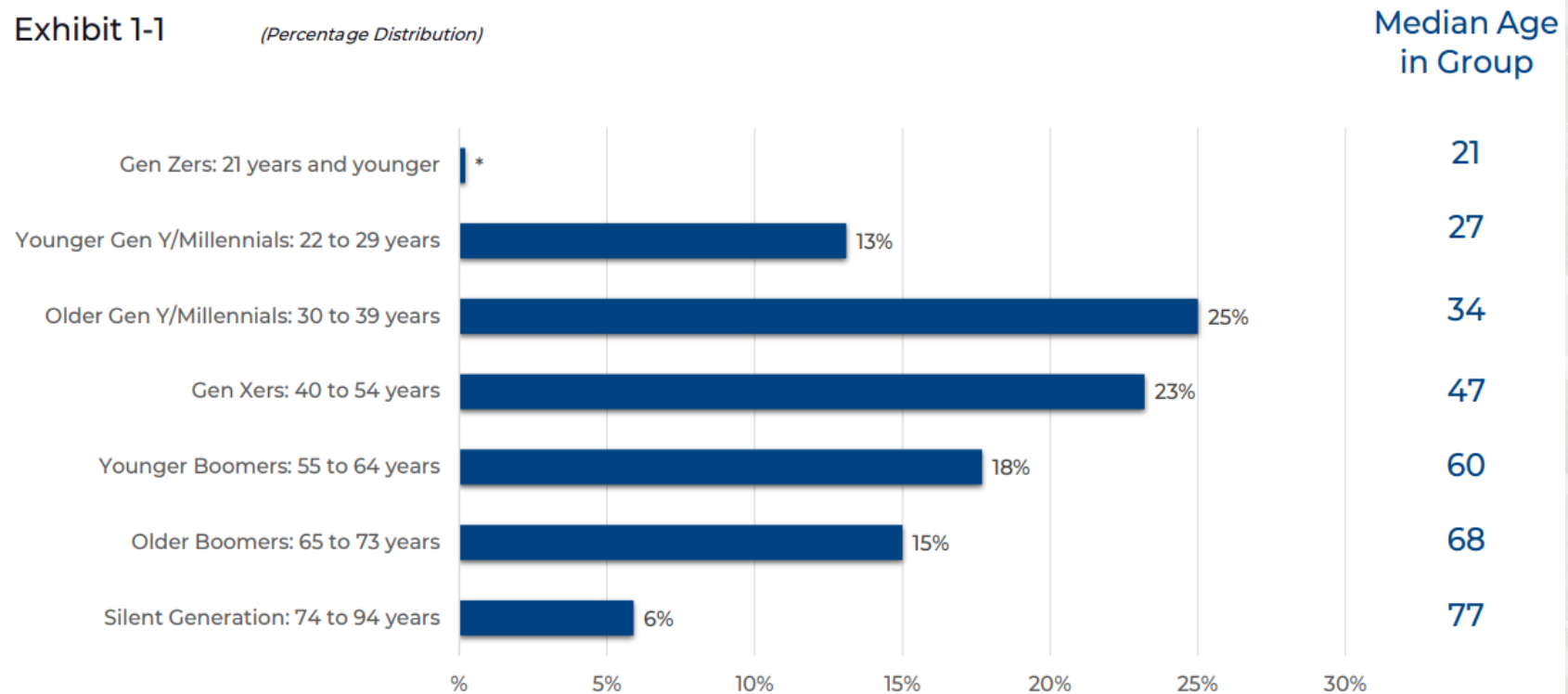
Realize younger folks move quicker and within 10-12 miles!
Opportunity: Keep in touch with Past Clients

38% of all Home Buyers are Millennials & Growing...

AGE OF HOME BUYERS

[Open in Acrobat](#)

Exhibit 1-1 (Percentage Distribution)



*Less than 1 percent

Sunny Skies ahead... Millennials & Gen Z...



- Equity has over 55% of all purchase from these groups
- They love to talk about us on Social Media
- ISO a good realtor is common on Social Media

Opportunity: Keep in touch and let your past clients market you... and come back to you in 4-5 years!

\$60 Billion of Single-Family Homes bought by Wall Street



- During the Great Recession from 2006-2017 Wall Street Firms and REITS purchased and still have over 260,000 homes!
- Imagine if they took advantage of high demand and low supply and sold these rentals?
- While it wouldn't affect the need of 1.62 Million Units still needed... it would increase your business and the Housing Industry.

Sunny Skies ahead for Realtors!

Questions?

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