

Housing and Mortgage Market Update

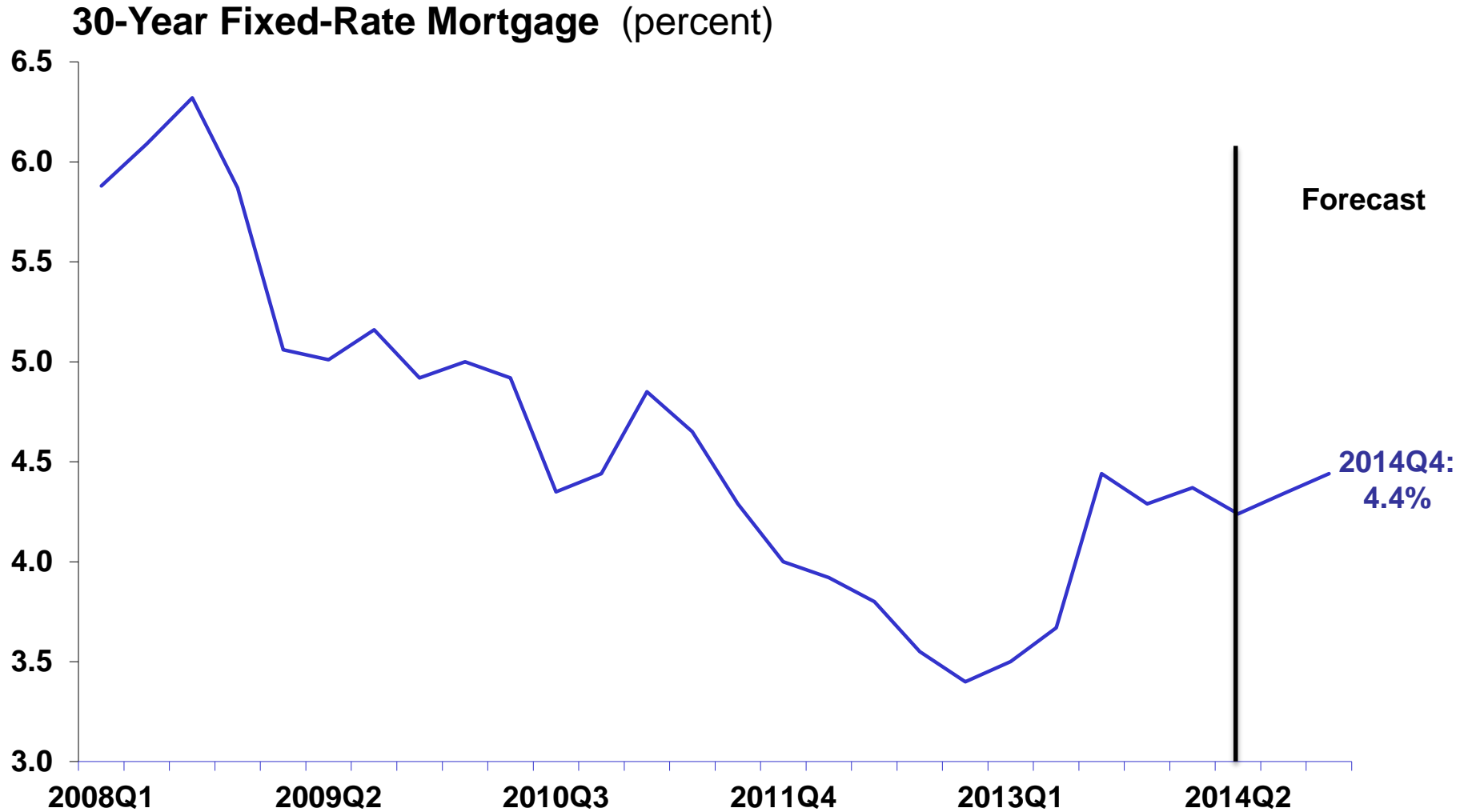
Economic Club of Las Vegas

Frank E. Nothaft
Vice President and Chief Economist

June 19, 2014

- Interest rates expected to rise
 - » 30-year FRM projected to rise slowly to 4.4% by end of 2014
 - » Refis drop, taking originations down more than one-third in 2014
- Buyer affordability will remain strong in most metro areas
- Home sales: 2014 about the same volume as 2013
 - » Inventory-for-sale remains low
- Home values projected to rise in most metro areas
 - » U.S. index projected to be up 5% in 2014
- Seriously delinquent loans decline, but remain large in number

Fixed-Rate Mortgage Rates To Slowly Rise



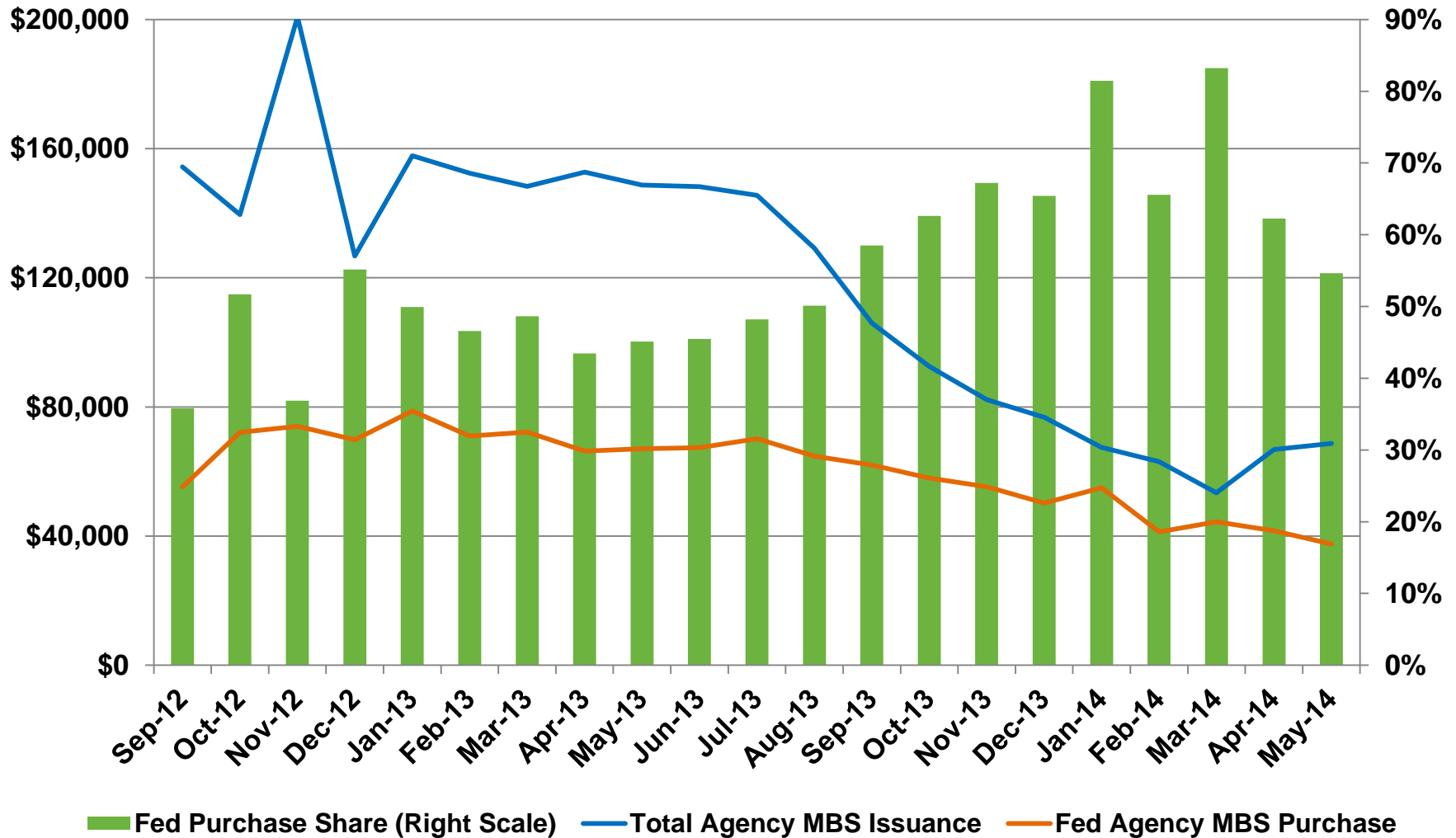
Source: Freddie Mac Primary Mortgage Market Survey®.

Although 'Tapering', Fed's Purchase Share of New MBS Has Been High



MBS Volume (Billions of Dollars)

Share (%)



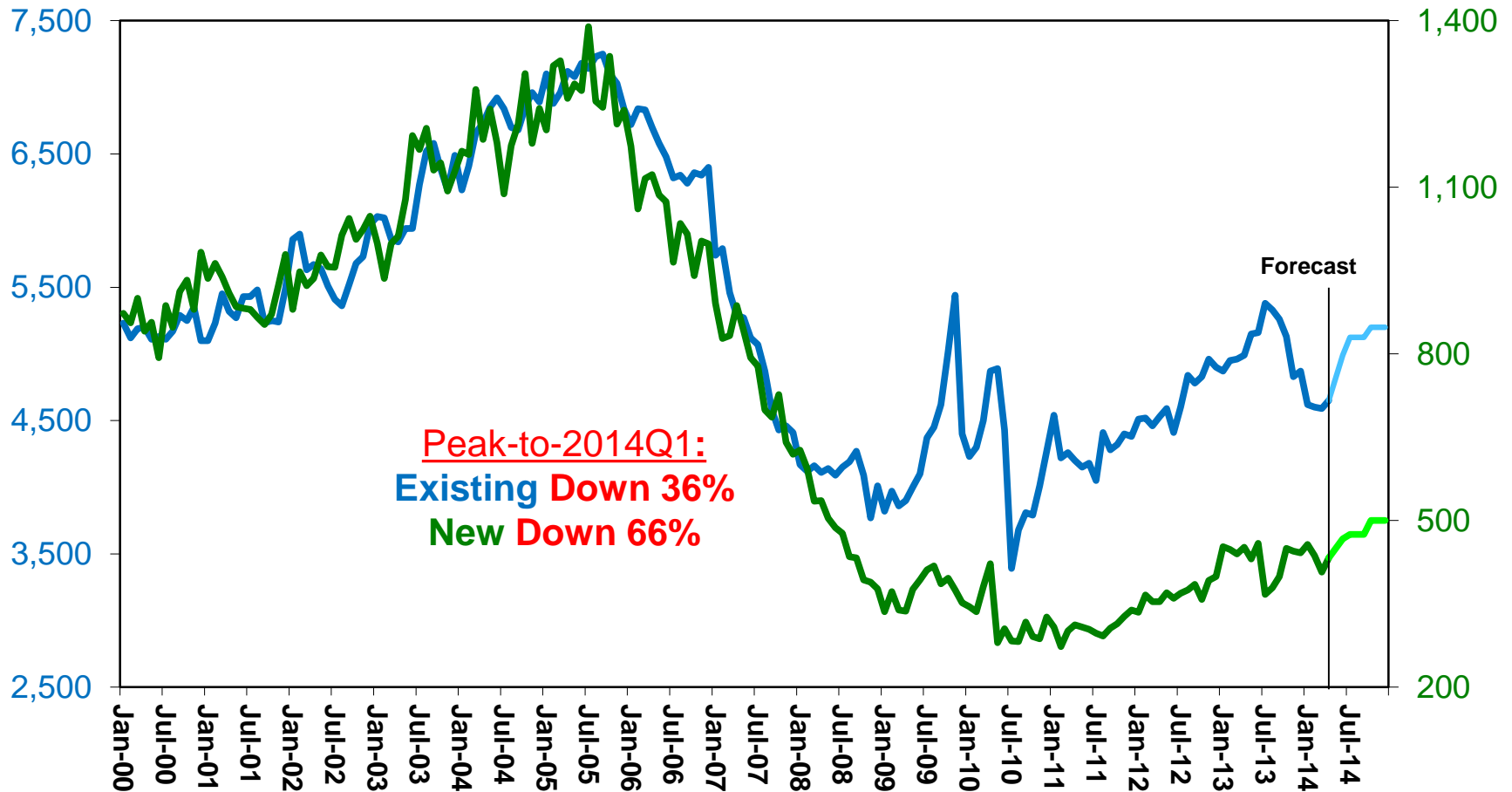
Sources: Freddie Mac, Fannie Mae, Ginnie Mae, Federal Reserve Bank of New York.

Home Sales: 2014 Projected About the Same as 2013



U.S. Existing Home Sales (Thousands)

U.S. New Home Sales (Thousands)

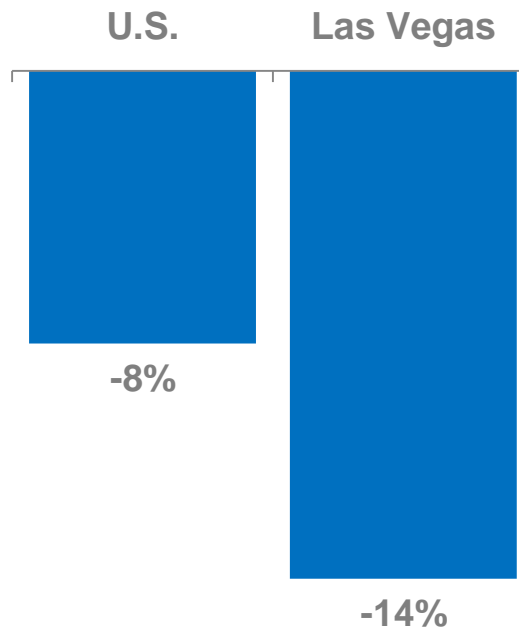


Sources: US Census Bureau, National Association of Realtors®; "Peak" is 2005Q3.

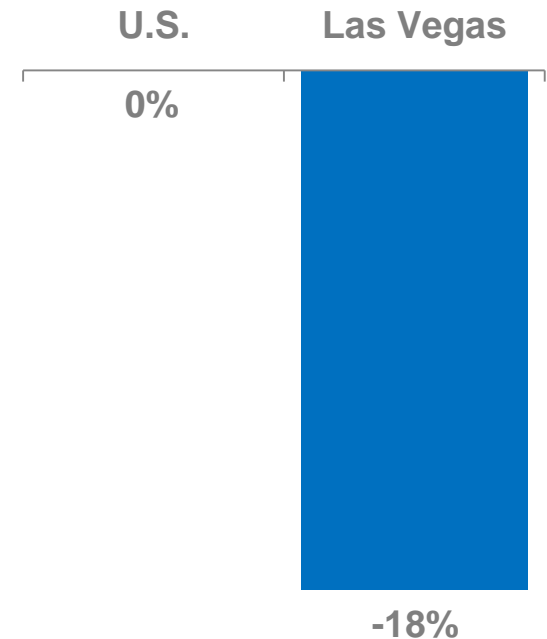
Home Sales Rebound

After the dismal first quarter, home sales begin to rise with the spring home buying season underway. Las Vegas saw a 3 percent increase in single-family home sales while the U.S. only saw 0.5 percent in existing single-family home sales.

Single-Family Home Sales
Year-Over-Year Percent Change



Condo Sales
Year-Over-Year Percent Change

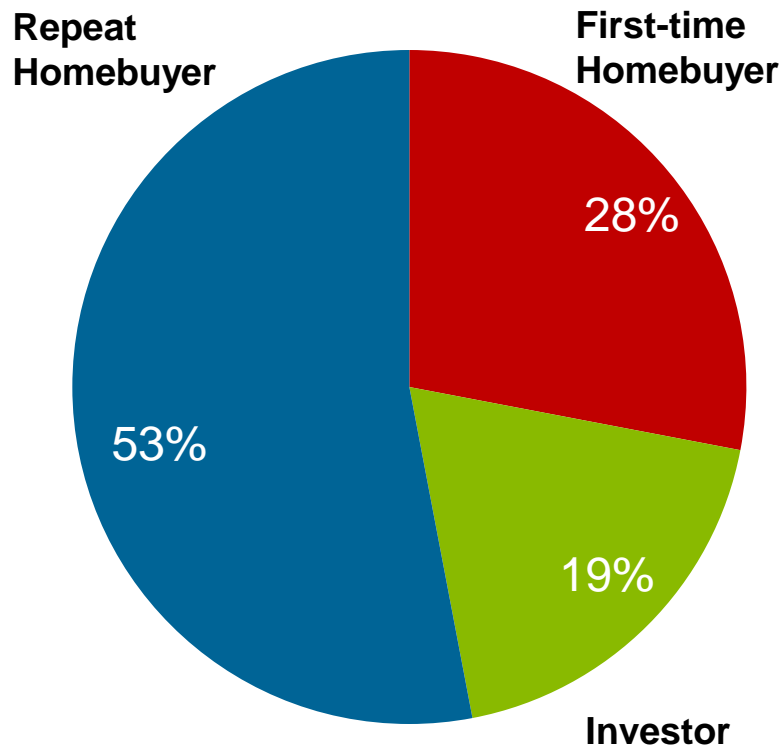


Sources: National Association of Realtors®, Greater Las Vegas Association of Realtors

About 80% of Buyers Are Owner-Occupants

January – April 2014

Buyer Type



- **35% of owner-occupant buyers were first-time buyers**
- **87% of owner-occupant buyers use a mortgage**
- **First-timers almost always use mortgage financing**
- **Investors generally buy “all cash”**

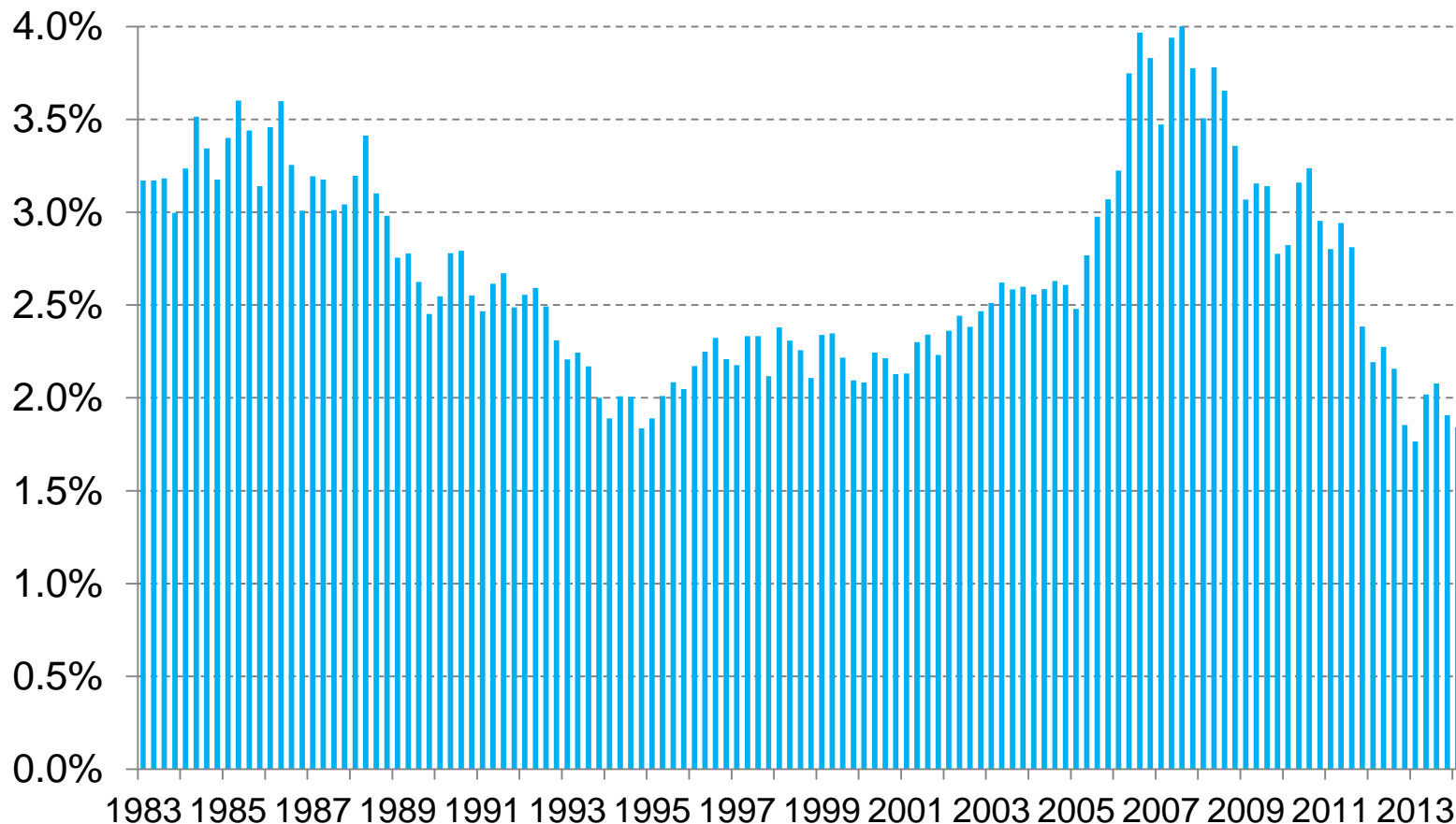
Primary Reason for Purchasing a Home

First-time Homebuyers	Repeat Buyers
1. Desire to own a home of my own (60%)	1. Desire for a larger home (16%)
2. Affordability of homes (8%)	2. Job-related relocation or move (12%)
3. Change in family situation (7%)	3. Desire to own a home of my own (12%)

Source: National Association of Realtors®, *Profile of Home Buyers and Sellers 2013*, Exhibit 1-21, survey of buyers who purchased during July 2012 through June 2013

For-Sale Inventory of Homes Has Recently Been Very Low

Homes-For-Sale Inventory as a Percent of Households

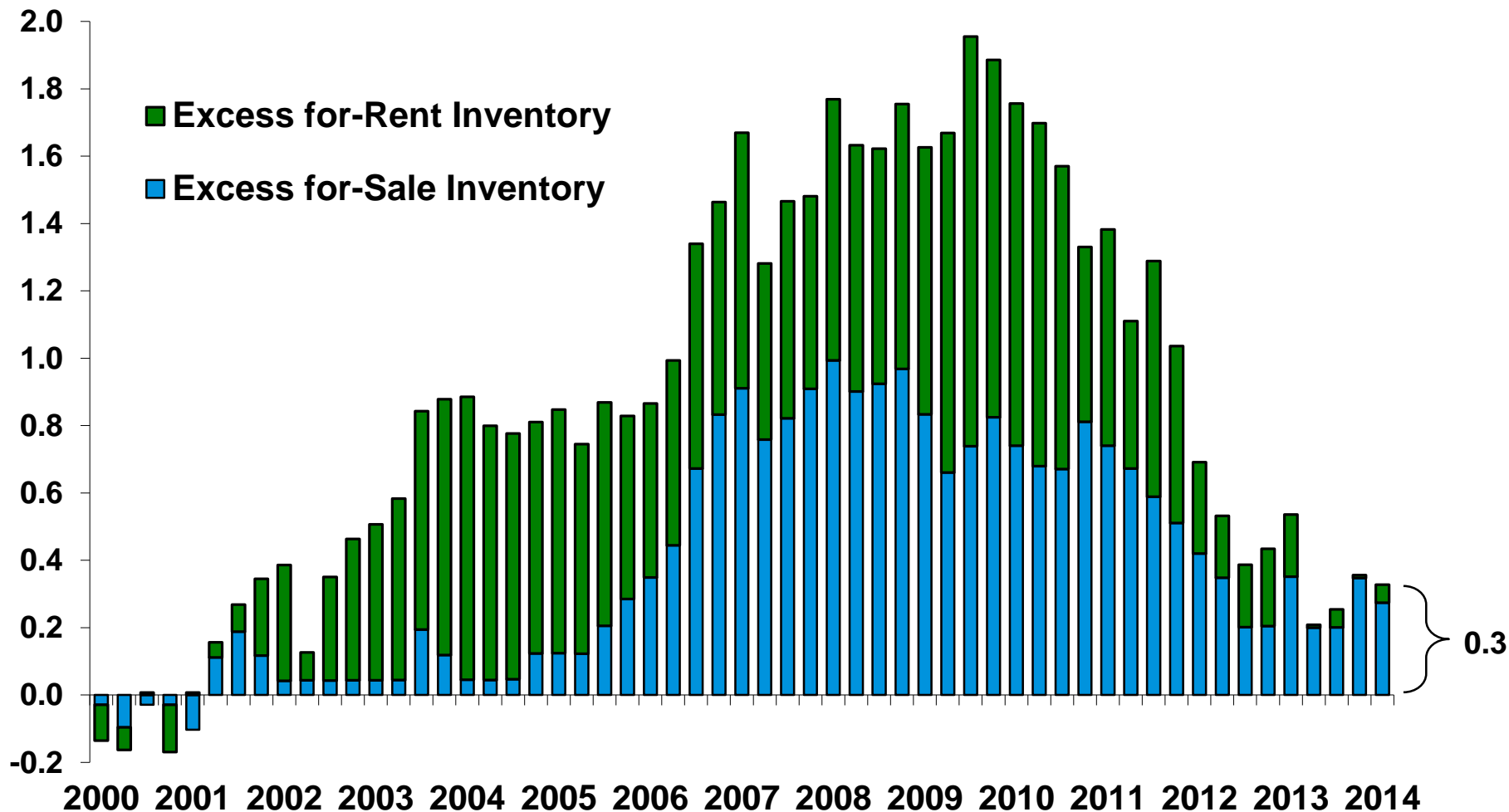


Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey)

Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.

Vacant Housing Oversupply is Least in 12 Years

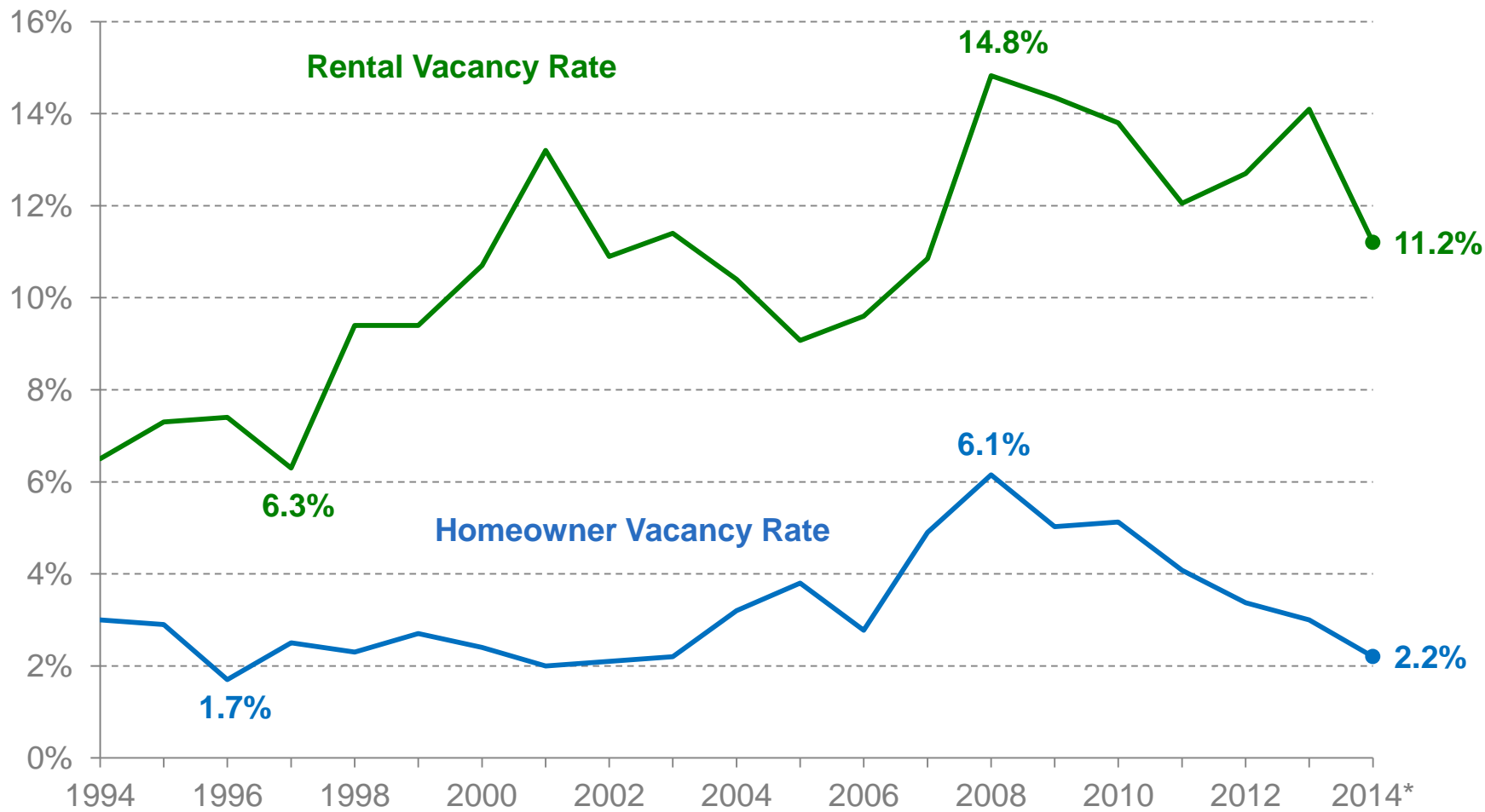
Excess Vacant Homes (Numbers in Millions)



Source: Freddie Mac calculations using U.S. Census Bureau data. Negative values reflect undersupply. The under/oversupply of vacant housing was estimated based on the average vacancy rate from 1994Q1 to 2003Q4.

Vacancy Rates in Las Vegas Have Declined but Remain Elevated for Rental

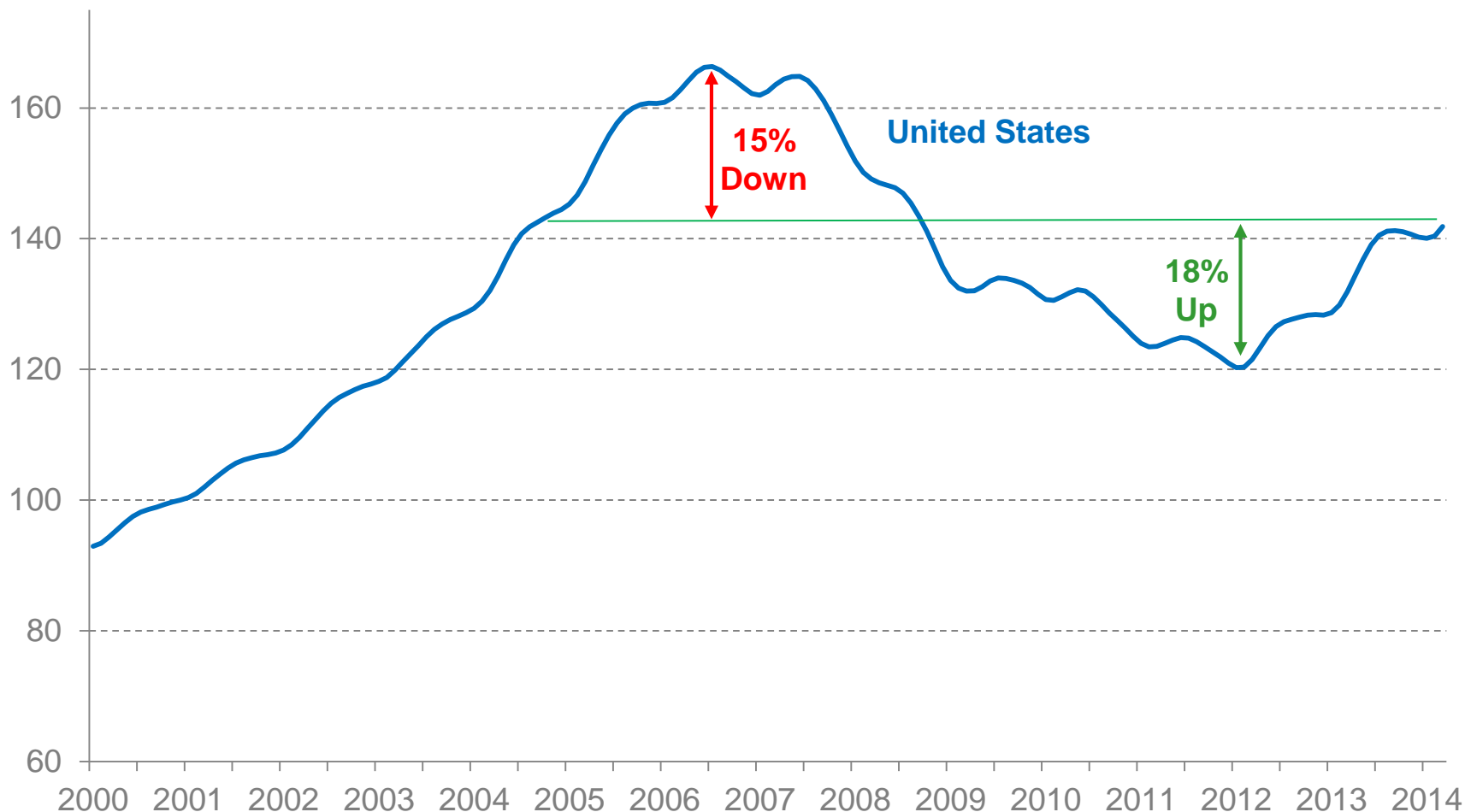
Vacancy Rates in Las Vegas Metropolitan Area (Percent)



Source: U.S. Census Bureau (BOC): Current Population Survey (CPS) - Housing Vacancy Survey
*First Quarter Only

Average U.S. House Prices Up 18% from Trough; But Remain Down 15% from Peak.....

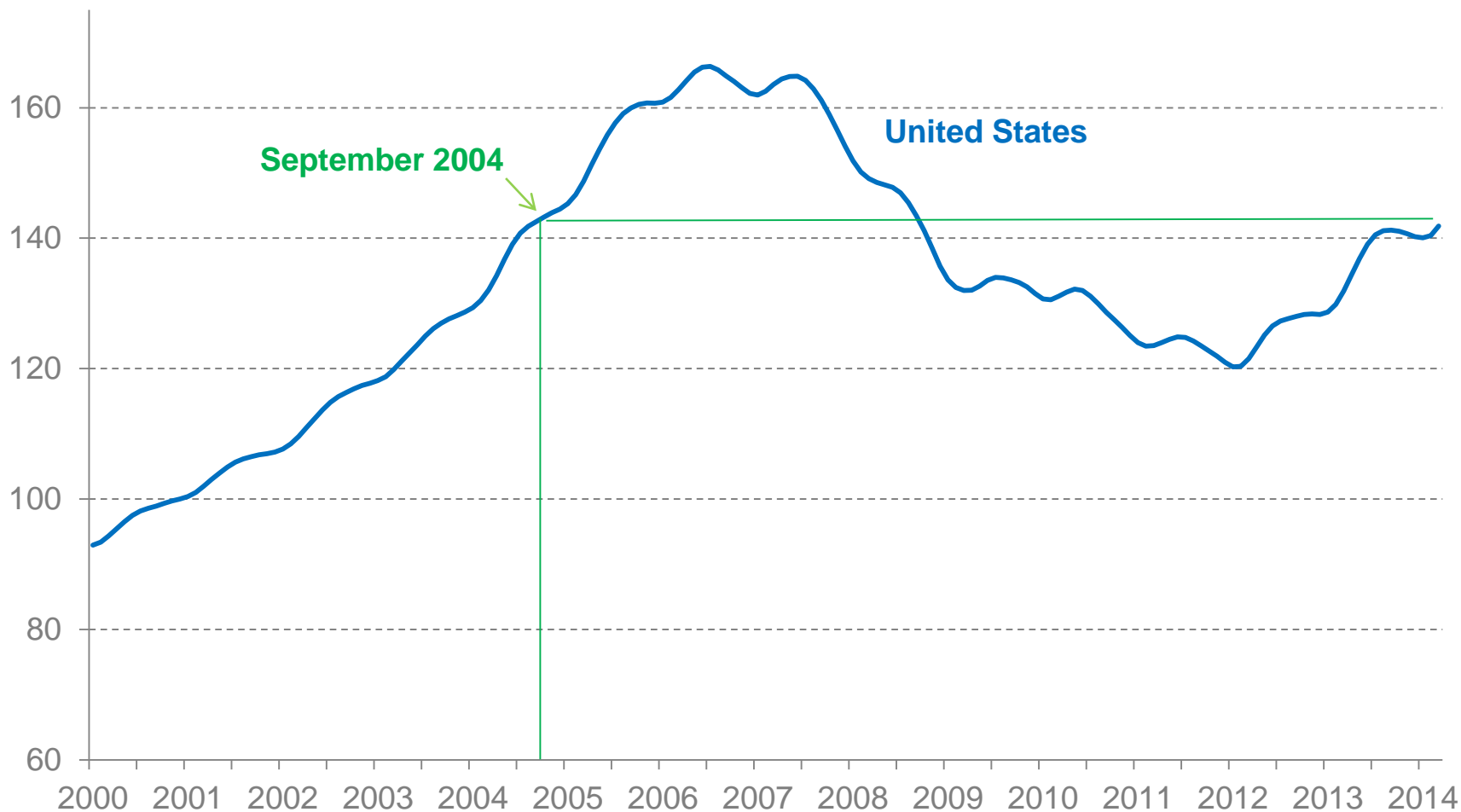
Freddie Mac House Price Index (December 2000=100)



Source: Freddie Mac House Price Index (January 2000-March 2014) (http://www.freddiemac.com/finance/house_price_index.html)

.....and Are Back to 2004 Level

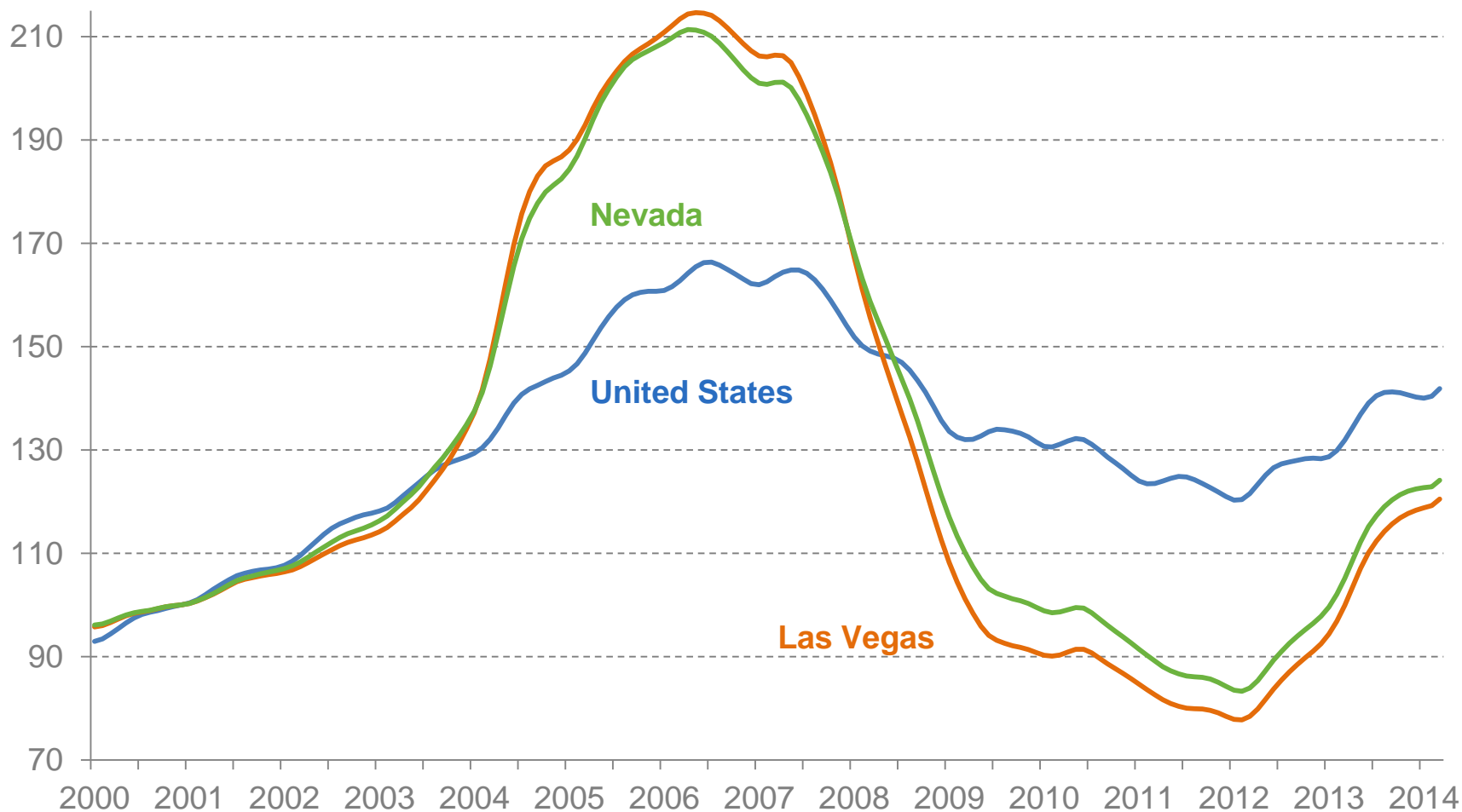
Freddie Mac House Price Index (December 2000=100)



Source: Freddie Mac House Price Index (January 2000-March 2014) (http://www.freddiemac.com/finance/house_price_index.html)

Las Vegas Had a Much Bigger Price Cycle!

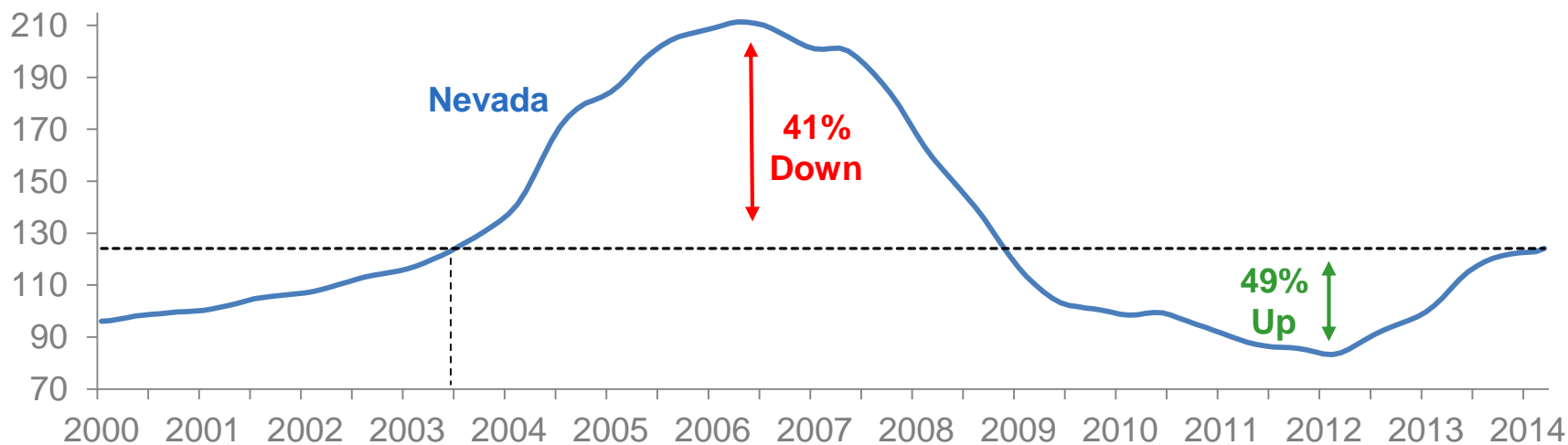
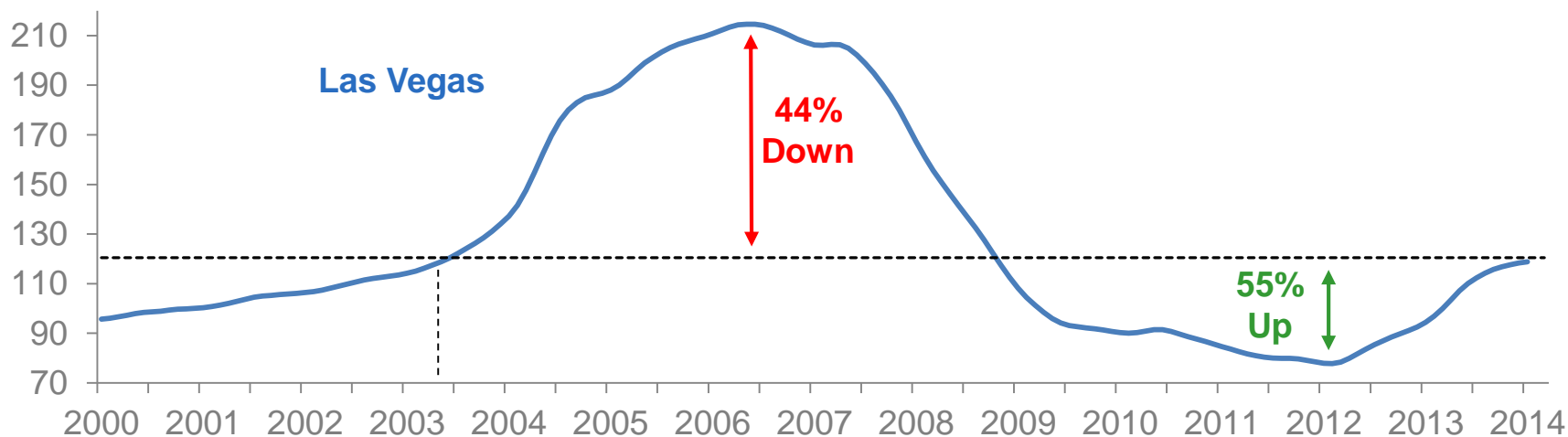
Freddie Mac House Price Index (December 2000=100)



Source: Freddie Mac House Price Index (January 2000-March 2014)

House Prices Up 55% in Las Vegas from Trough (Back to Levels about 10 Years Ago)

Freddie Mac House Price Index (December 2000=100)

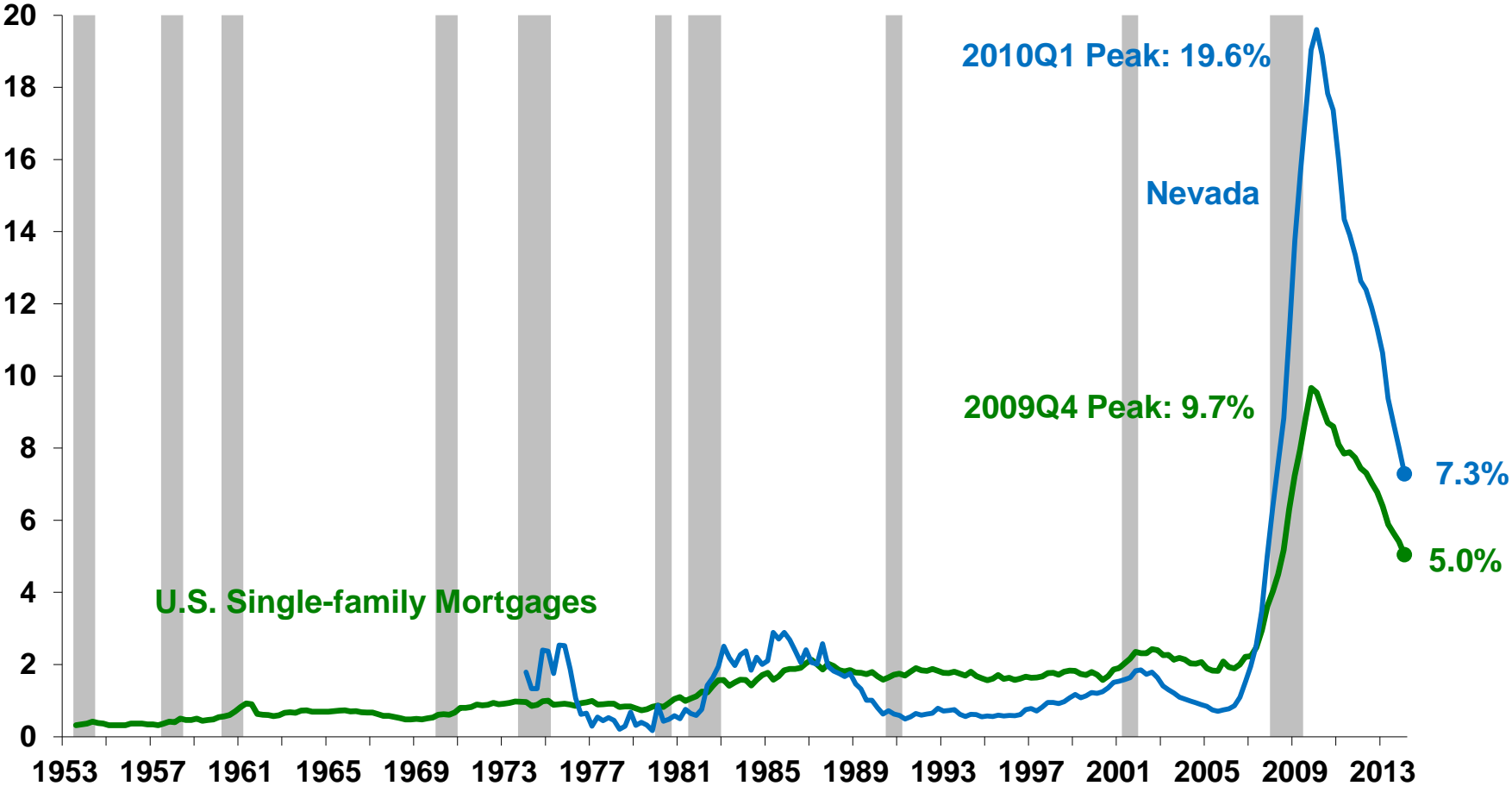


Source: Freddie Mac House Price Index (January 2000-March 2014, not seasonally adjusted)

Recent Default Experience Is Unlike Any Previous Business Cycle Since the 1930s



All loans 90 days or more delinquent or in foreclosure (Percent of number)

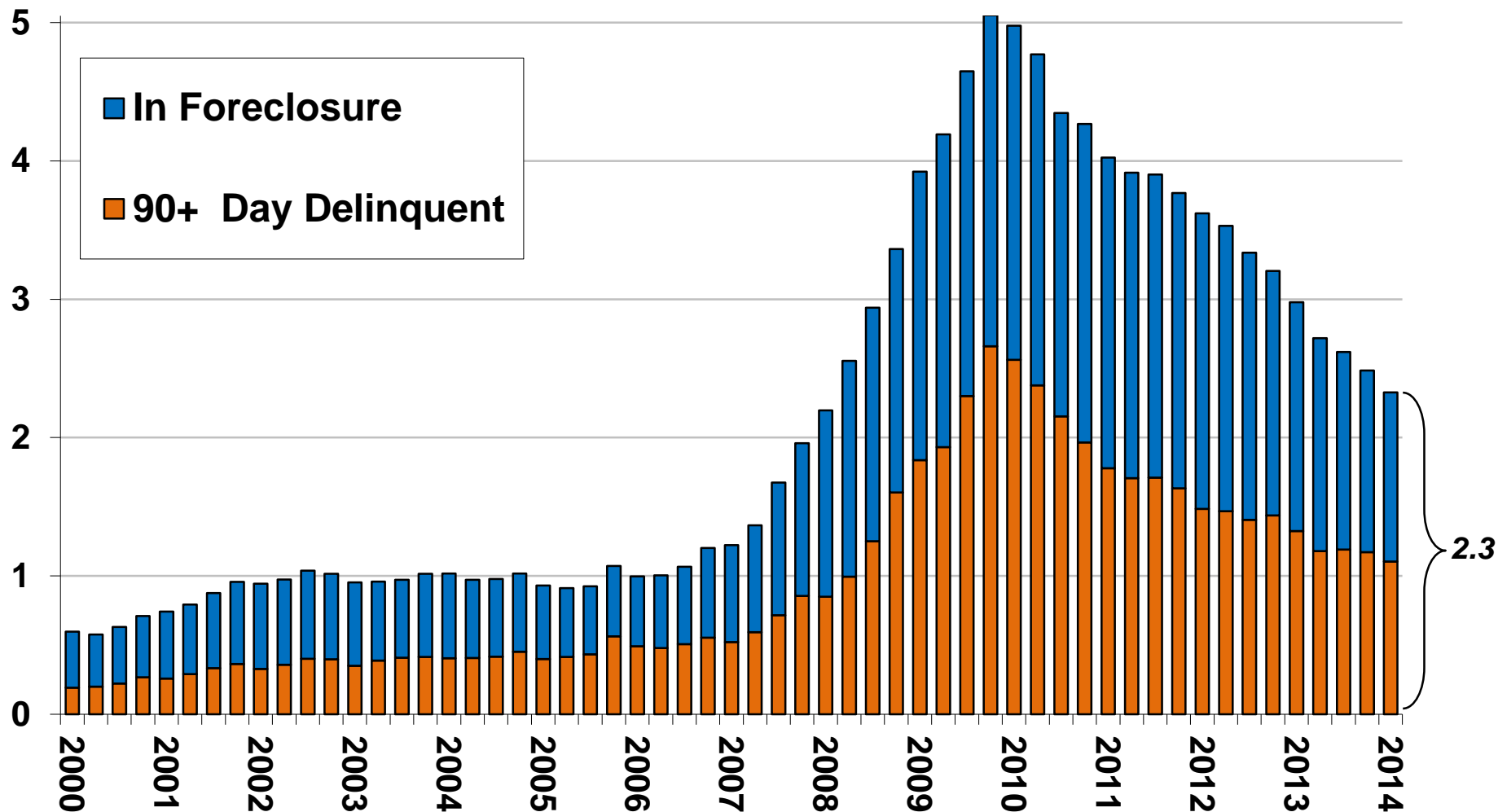


Sources: National Bureau of Economic Research, Mortgage Bankers Association (Serious Delinquency assumed to be twice 90+ delinquency rate for 1953-1961).

■ - Recession Year

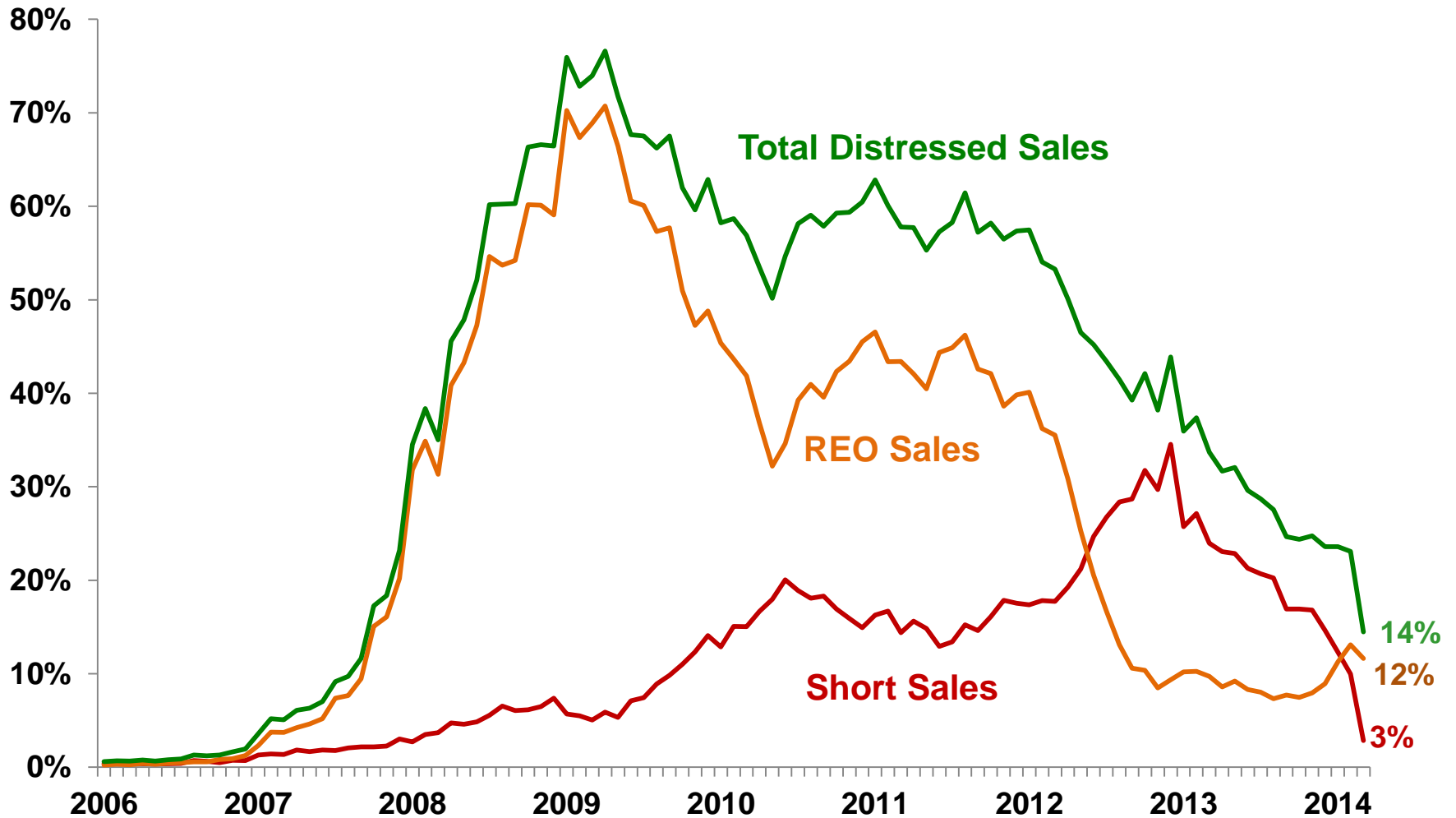
'Shadow Inventory' Declining but Remains High

Millions of Loans Seriously Delinquent



Source: MBA National Delinquency Survey, adjusted for estimated coverage

Las Vegas Short Sales Share Has Dropped



Source: CoreLogic Market Trends, through March 2014.

What is MiMi?

The Multi-Indicator Market Index (MiMi) provides monthly insights into the stability of the housing market

Available at:

www.freddiemac.com/mimi



Freddie Mac
**Multi-Indicator
Market Index**

Purchase Applications

- Solid home sales that match demographics

1

Current on Mortgage

- Few defaults
- Less foreclosures

3

Payment-to-Income

- Mortgage payments in-line with income

2

Employment

- Low unemployment
- More jobs
- Rising salaries and wages

4

Unemployment Rate Remains Elevated

	April 2014 Unemployment Rate (%)	Average Unemployment Rate (1990-2004)	Percentage Points Above Average
United States	6.3	5.6	0.7
Nevada	8.0	5.4	2.6
Las Vegas	8.1	5.4	2.7

Source: U.S. Bureau of Labor Statistics

Four Indicators Drive Monthly Composite MiMi



Freddie Mac Multi-Indicator Market IndexSM

Filter on Metro

Las Vegas

March 2014

This Month

-6.46

Last Month

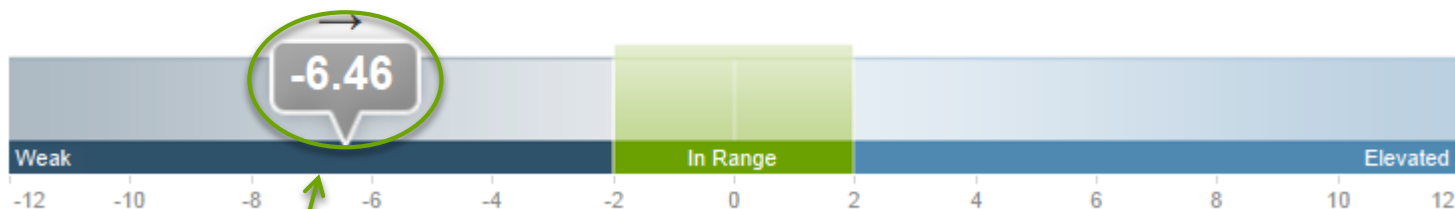
-6.51

3 Mos. Ago

-6.64

1 Year Ago

-8.17



How do I read MiMi?

CURRENT

3-MONTH trend →

Weak

In Range

Elevated

	Purchase Applications	Payment-to-Income	Current on Mortgage	Employment
Las Vegas	-10.99 (▼0.20 pts)	-3.46 (▲0.11 pts)	-8.15 (▲0.33 pts)	-3.23 (▼0.04 pts)
National	-4.50 (▼0.10 pts)	-3.00 (▲0.07 pts)	-3.81 (▲0.12 pts)	-0.92 (▲0.05 pts)

MiMi is the average of the four indicators

“Of the MiMi indicators, one is in range and three are weak. Wisconsin is flat because the MiMi score moved less than one-tenth over the last three months, indicating no sizable shift in the local economy...”

MiMi Allows Pairwise comparisons of Metros and/or States

MiMi Freddie Mac Multi-Indicator Market IndexSM

Choose First State or Metro to Compare

Nevada

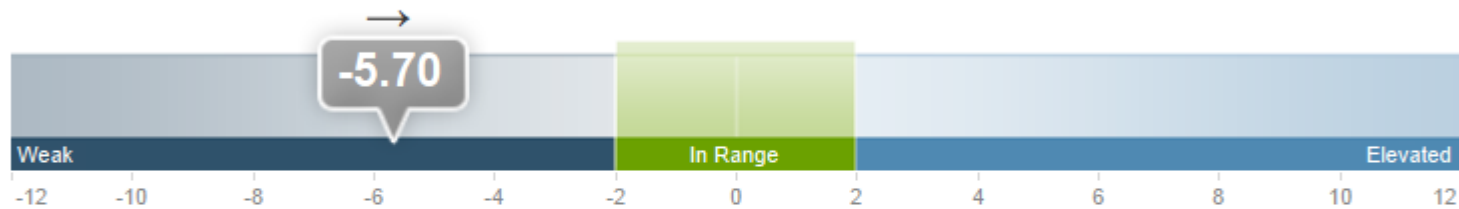
March 2014

This Month
-5.70

Last Month
-5.75

3 Mos. Ago
-5.90

1 Year Ago
-7.30



Choose Second State or Metro to Compare

Las Vegas (Metro)

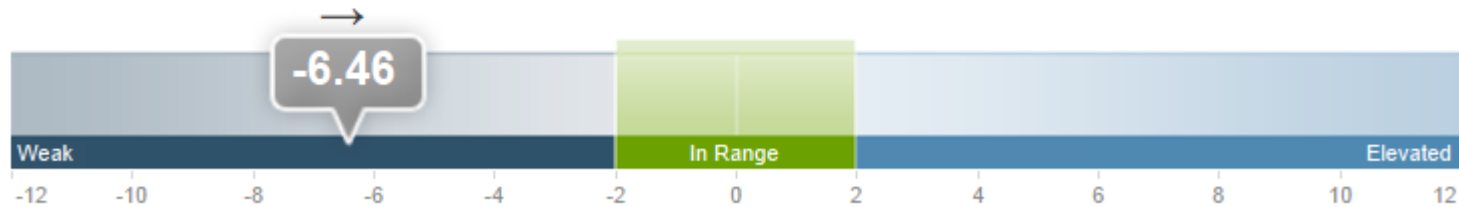
March 2014

This Month
-6.46

Last Month
-6.51

3 Mos. Ago
-6.64

1 Year Ago
-8.17



How do I read MiMi?

CURRENT

3-MONTH trend →

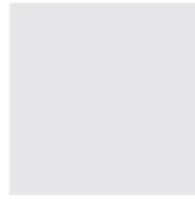
Weak

In Range

Elevated

	Purchase Applications	Payment-to-Income	Current on Mortgage	Employment
Nevada	■ -8.90 (▼0.18 pts)	■ -3.40 (▲0.11 pts)	■ -7.41 (▲0.28 pts)	■ -3.09 (▲0.00 pts)
Las Vegas	■ -10.99 (▼0.20 pts)	■ -3.46 (▲0.11 pts)	■ -8.15 (▲0.33 pts)	■ -3.23 (▼0.04 pts)

Source: Freddie Mac Multi-Indicator Market Index (MiMi) for March 2014



Where to Get More Information

Look for regular updates to our economic forecast, commentary and data at

www.FreddieMac.com/news/finance

Contact us at chief_economist@freddiemac.com

Twitter: @FreddieMac

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