

2017 Housing Update



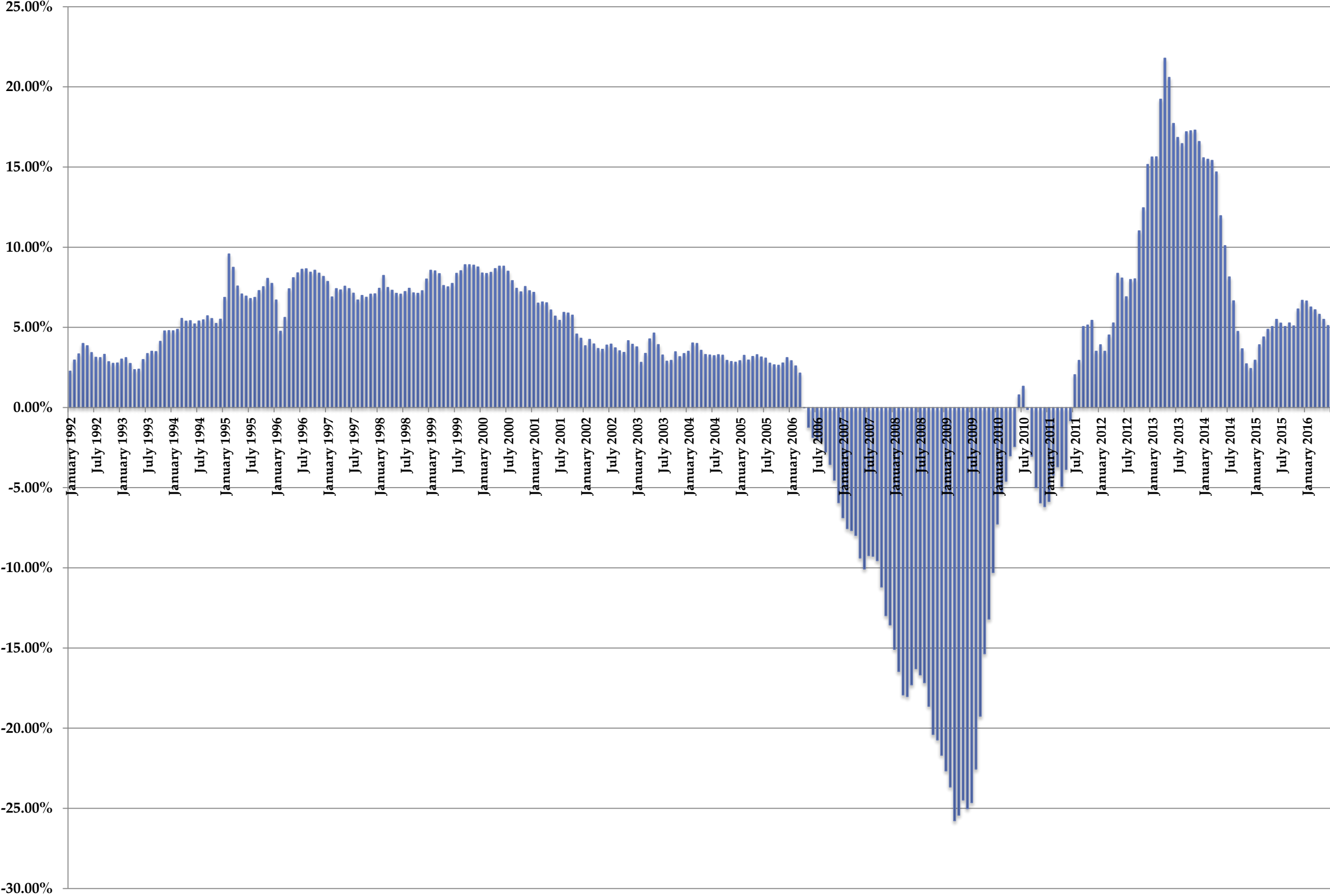
REAL ESTATE ONE

FAMILY of COMPANIES

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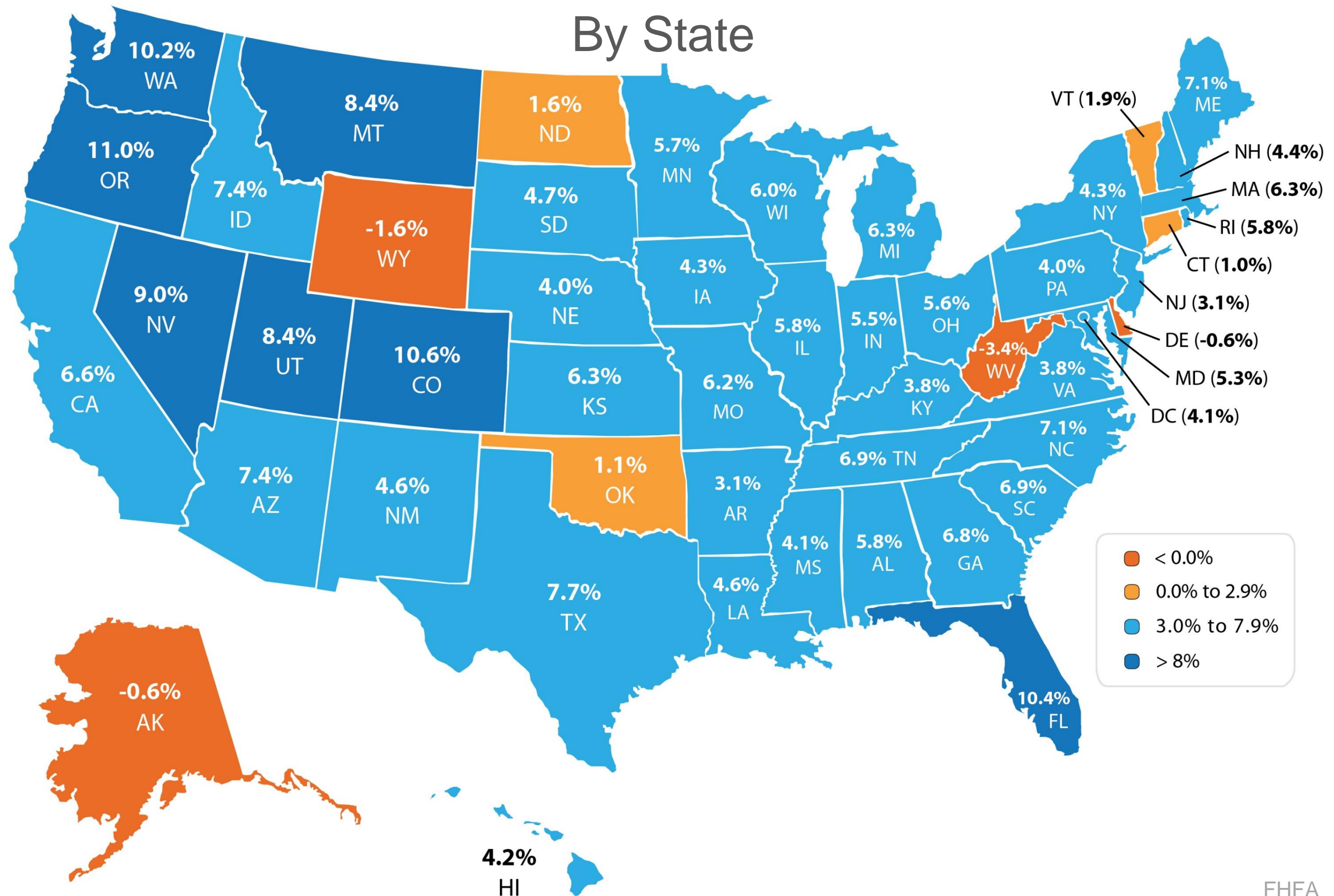


Case-Shiller Detroit Historical Year over Year Appreciation Rates

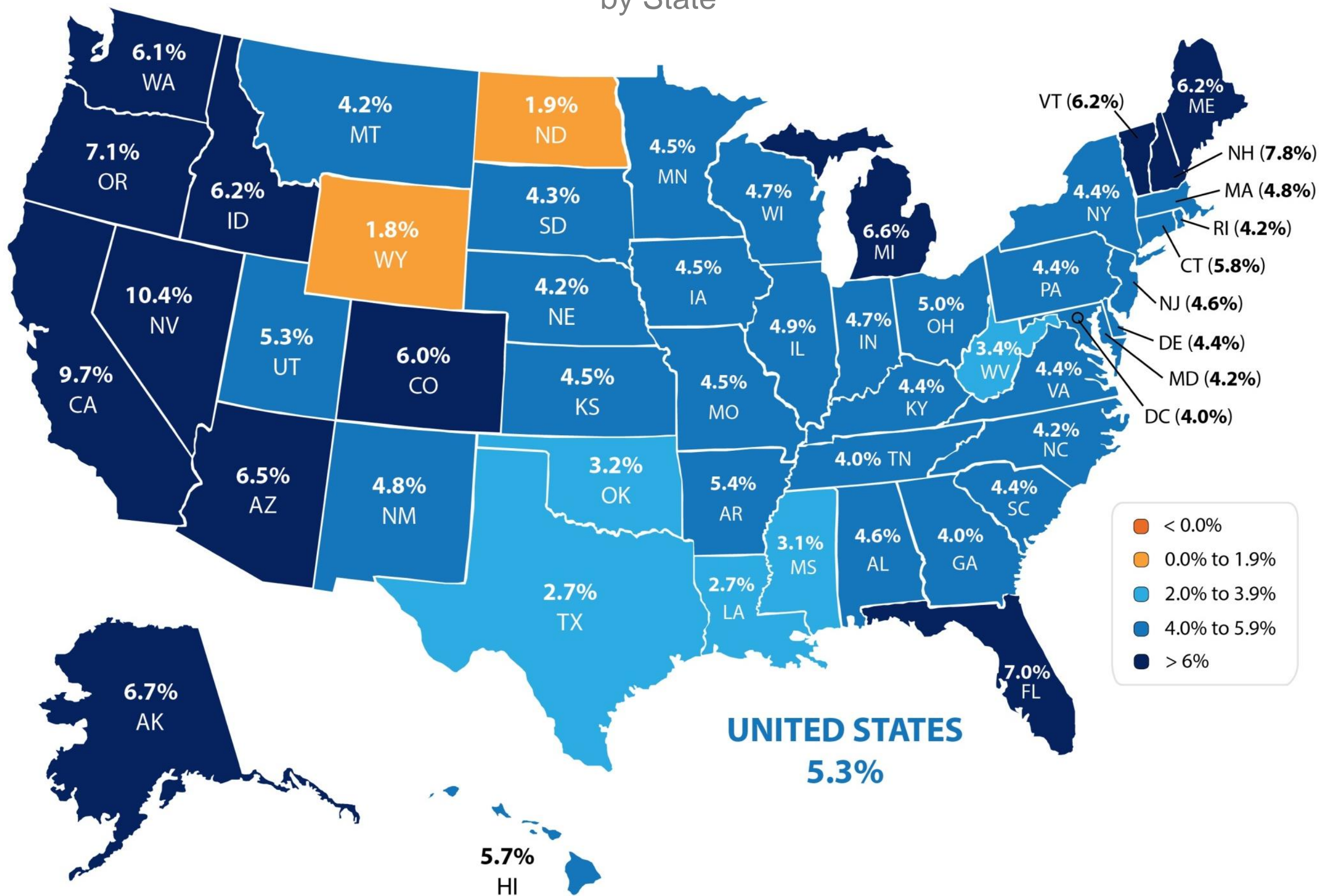


Year-Over-Year Change in Price

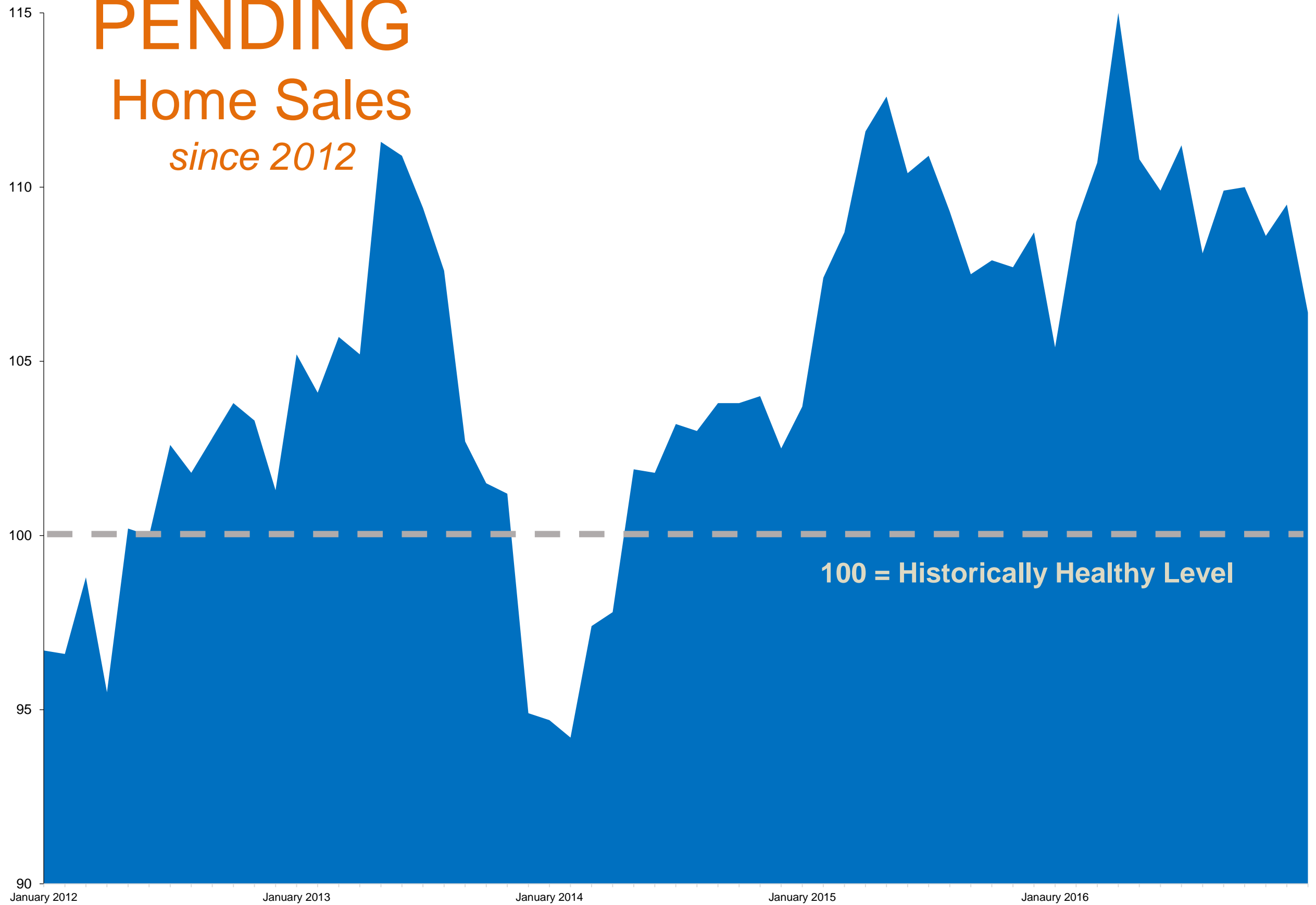
By State



Forecasted Year-Over-Year % Change in Price by State

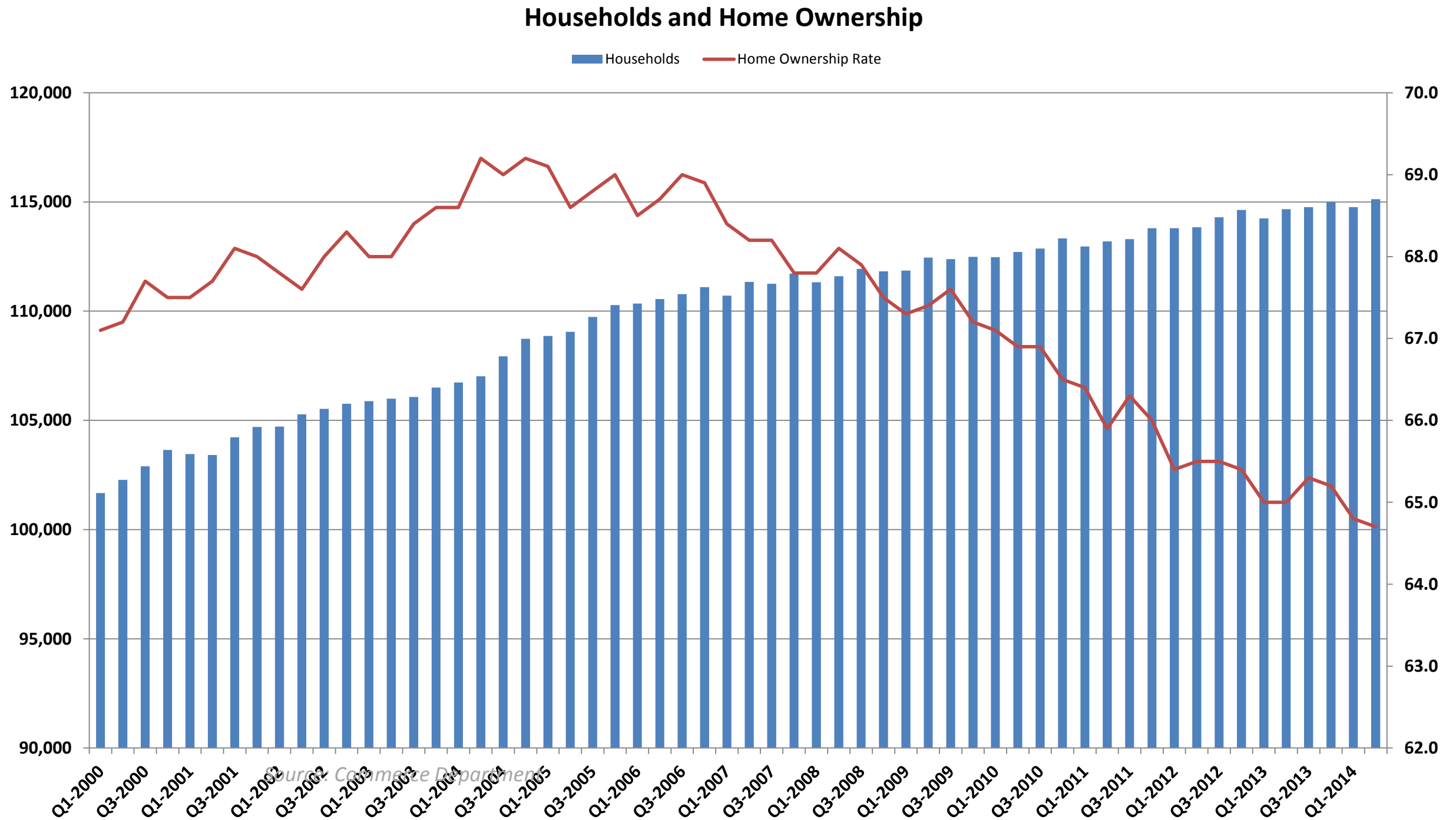


PENDING Home Sales *since 2012*



HOUSEHOLDS ARE GROWING BUT SO ARE RENTERS

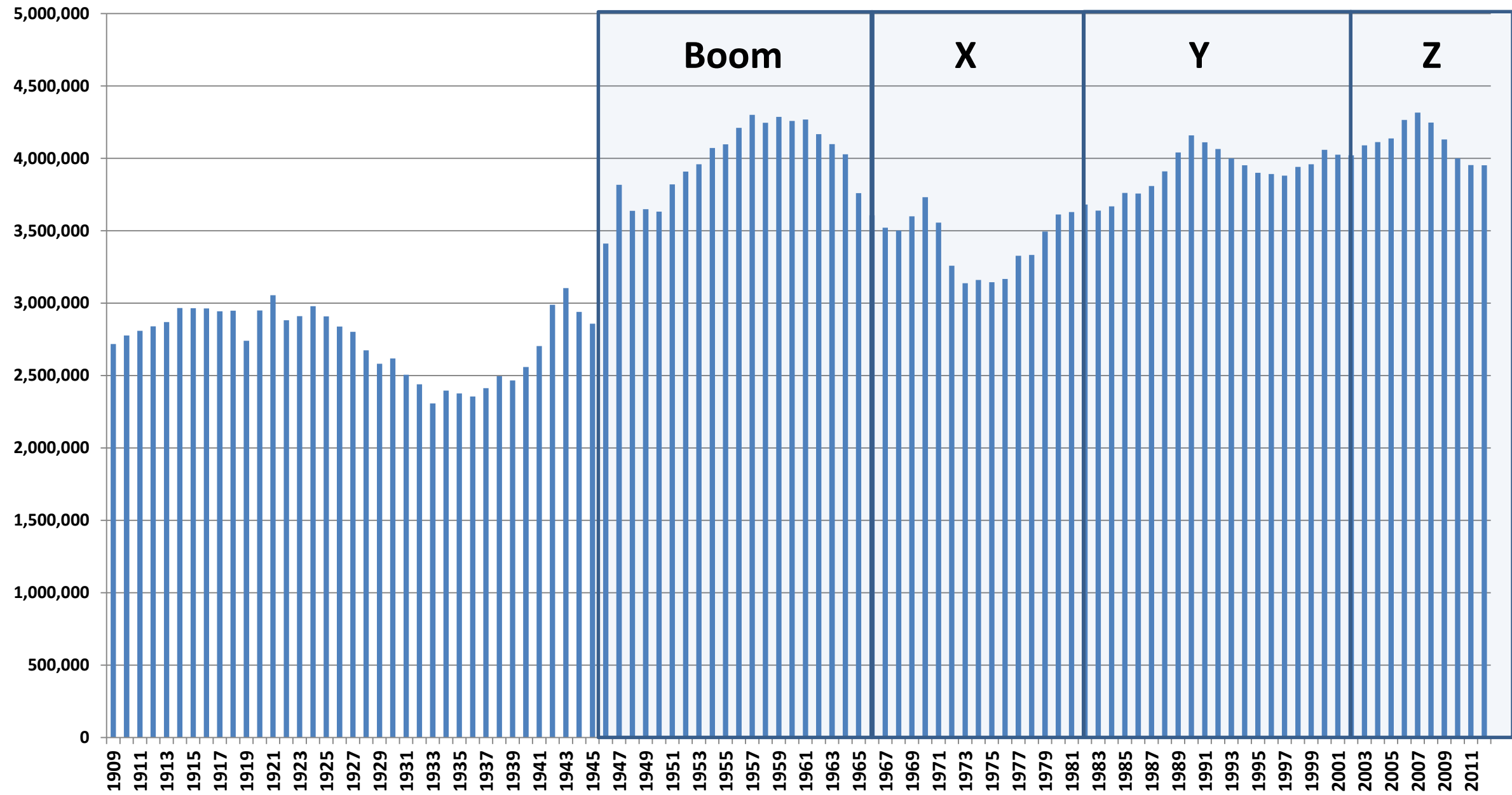
Causing Homeownership rates to fall below historical averages



DEMOGRAPHICS SET THE TABLE

Population and Its Characteristics Define the Future

US Live Births by Year and Generation



Source: US National Center for Health Statistics

The Cost of **RENTING** vs. **BUYING**

HISTORICALLY:

NOW:

Percentage of Income Needed to Afford **Median Rent**

25%

29.2%

Percentage of Income Needed to Afford **Median Home**

21%

15.8%



ECONOMIC OUTLOOK FOR 2017

The Glass is Half Empty....

- Average economy at <2% GDP growth, Housing should settle to match 2% GDP
- Homeowners staying in home 10 years (historically 7 years)
- First-time buyers at 35% of market (historically 40%)
- New construction in very slow recovery – mostly high-end and multi-family – keeps inventories squeezed
- Rising mortgage rates reduce affordability and keeps sellers in place with sub 3% mortgages

ECONOMIC OUTLOOK FOR 2017

The Glass is Half Full:

- Inflation rising above 2% - reasonable inflation is good for housing
- Consumer confidence strong
- Tax reform and pull back of Dodd-Frank?
- No recession unless unforeseen “event”
- Home prices back to pre-recession levels
- Job and wage growth finally starting to help housing
- Millennials starting to come out of their basements.

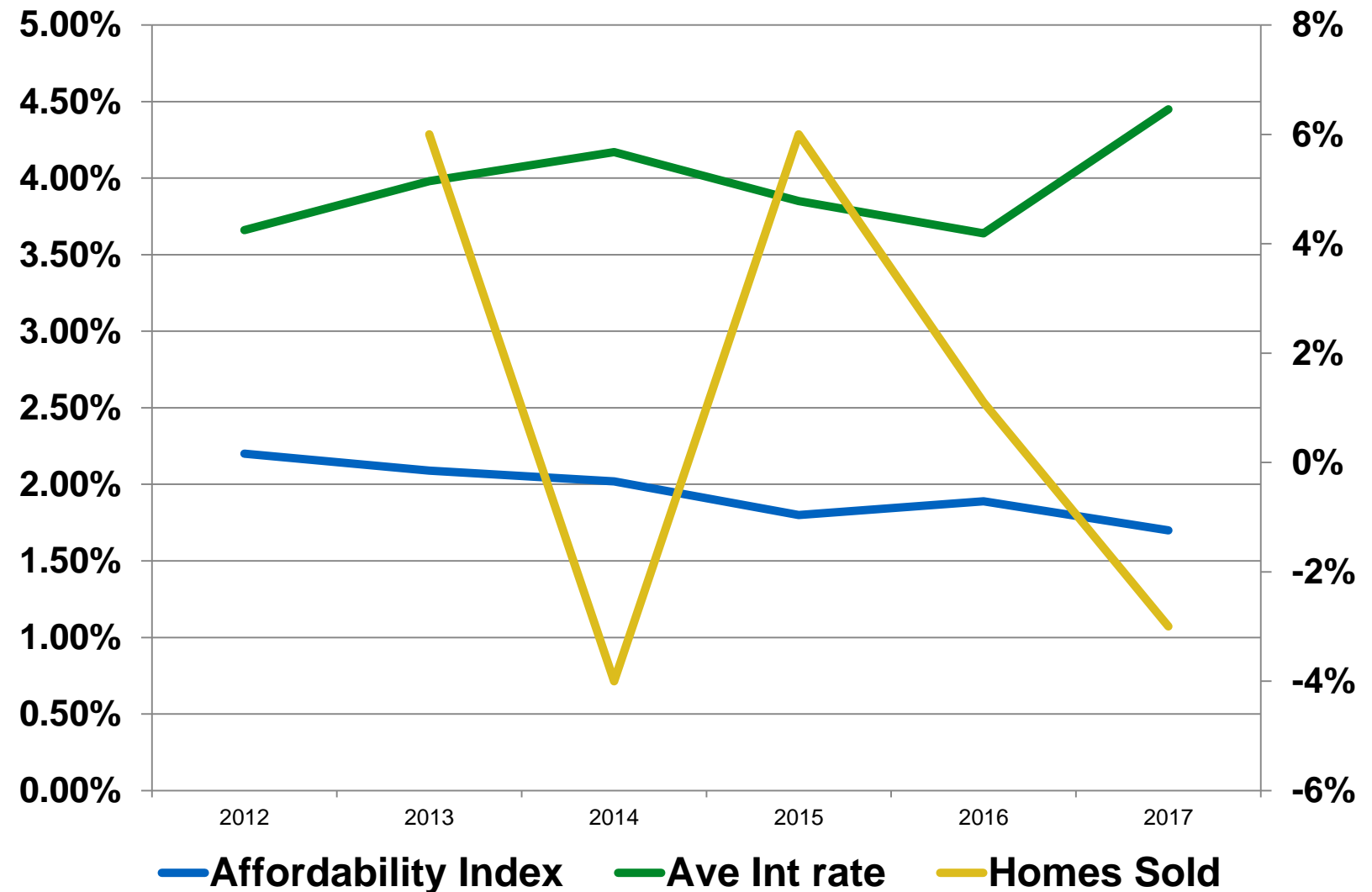
Mortgage Rate Projections

Quarter	Fannie Mae	MBA	NAR	Average of All Three
2017 2Q	4.2	4.4	4.3	4.30
2017 3Q	4.2	4.6	4.5	4.43
2017 4Q	4.3	4.7	4.6	4.53
2018 1Q	4.3	4.8	4.8	4.63

Housing Affordability

Interest rates vs. Buyer Demand

	Affordability Index	Ave int Rate	Homes Sold % Chg
2012	220	3.66%	
2013	209	3.98%	6%
2014	202	4.17%	-4%
2015	180	3.85%	6%
2016	189	3.64%	1.1%
2017	170	4.45%	-3%



2017 Expectations

1% rise in interest rates = 10% drop in affordability

Offsets to Interest rate increase

- **Income rising 2-3%**
- **Millennial buyer wave**
- **Remaining pent up demand**
- **Continued job growth**



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2017 Expectations

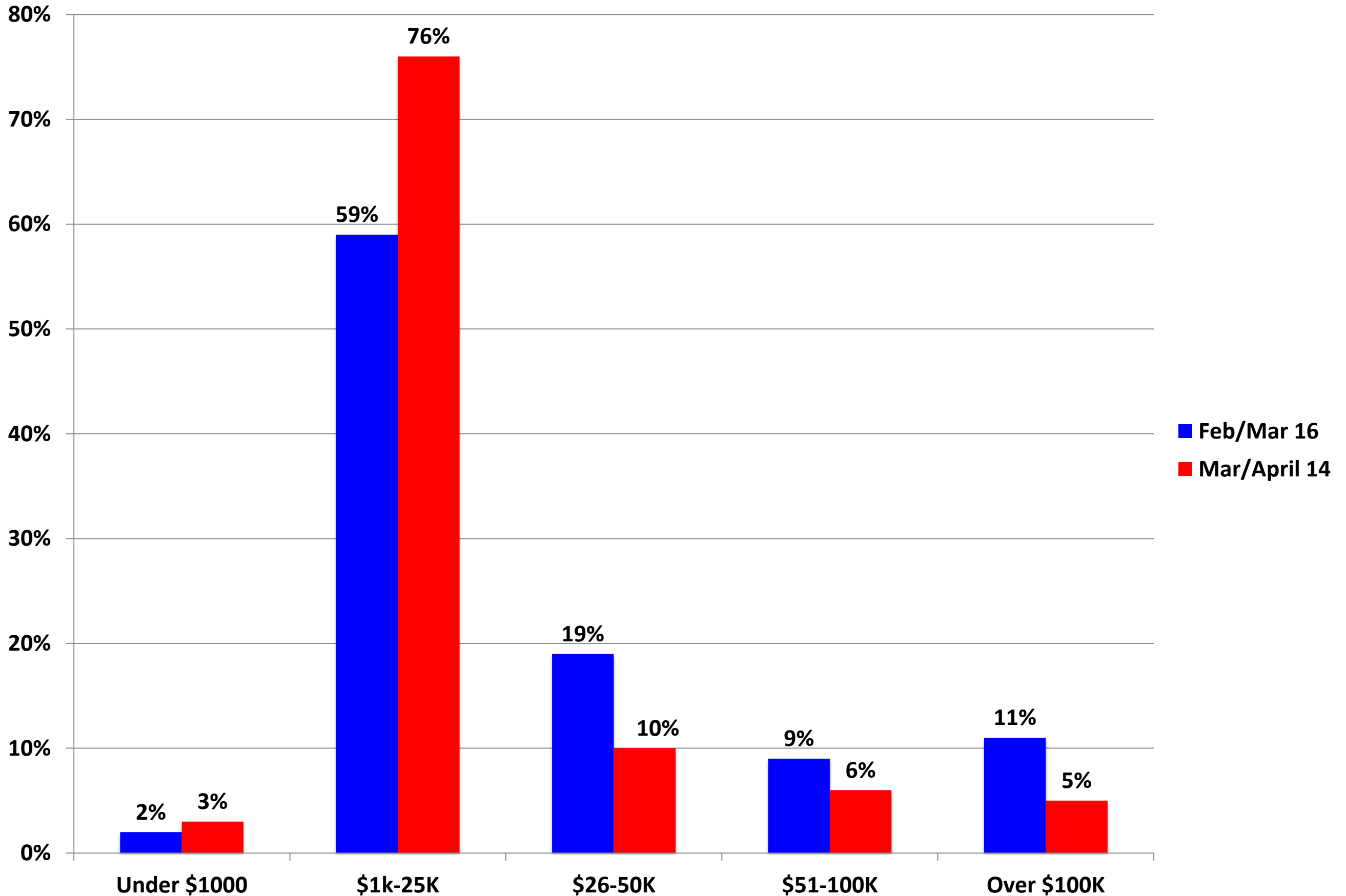
- **Units** – Down 3% but maybe less
- **ASP** – Up 3%-5%, less for upper end
- **Affordability** – Down – Income rise may not match interest rate/value rise
- **Inventories** Still Tight – except \$500K+



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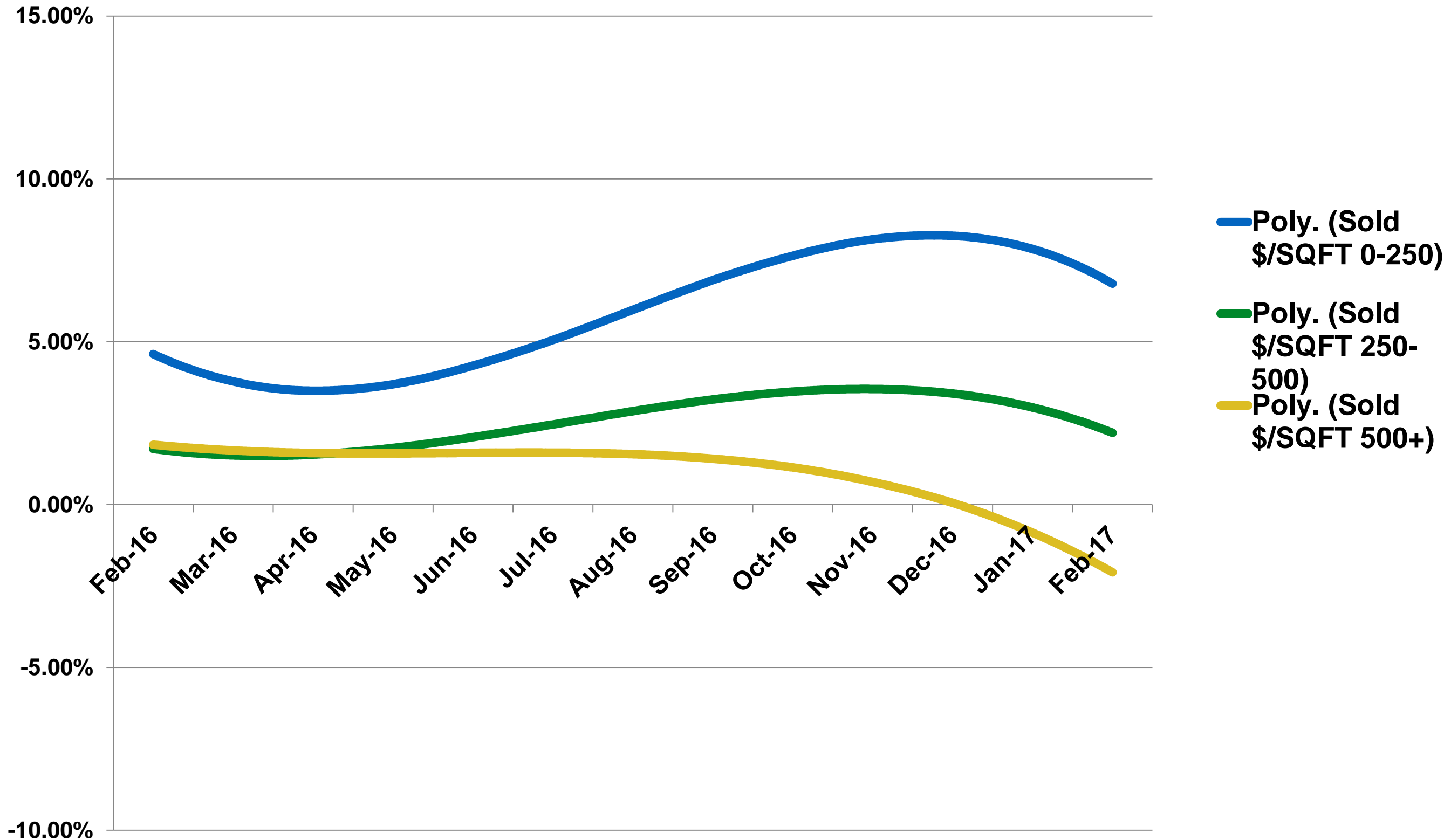
Detroit Sale Price Distribution



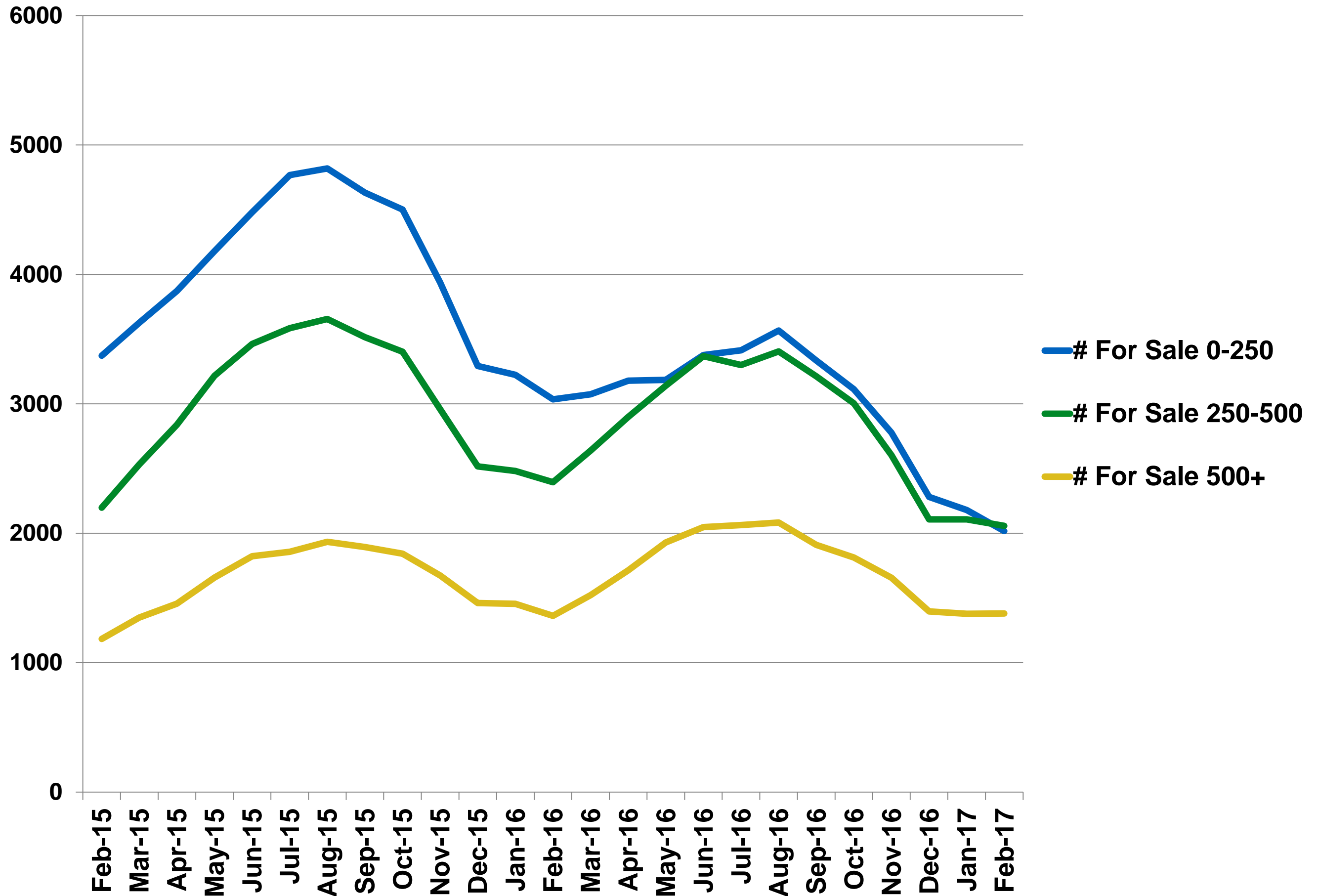
City of Detroit Summary

	City of Detroit	Condo Mid/Down/Jefferson
Median Price	\$18,000	\$200,000
Average Price	\$34,333	\$210,000
\$ Value per SF	\$28	\$160
MSI	186 Days	51 Days
90 day % value Chang 16' vs. 15'	18%	-5%
% Sales < 90 days	78%	90%

Oakland County - Price per Square Foot YOY Appreciation Trend

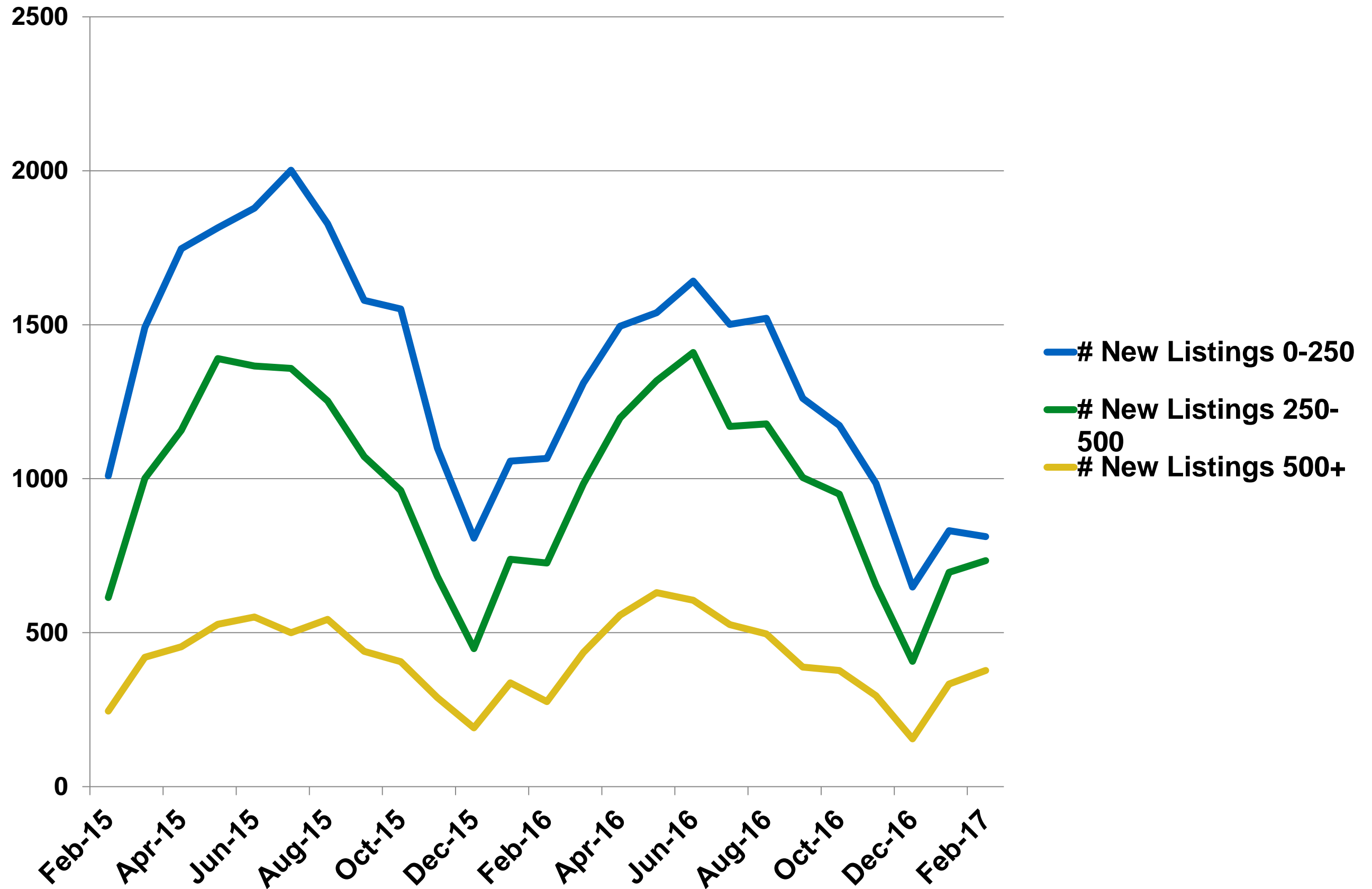


Oakland County For Sale Inventory Trend

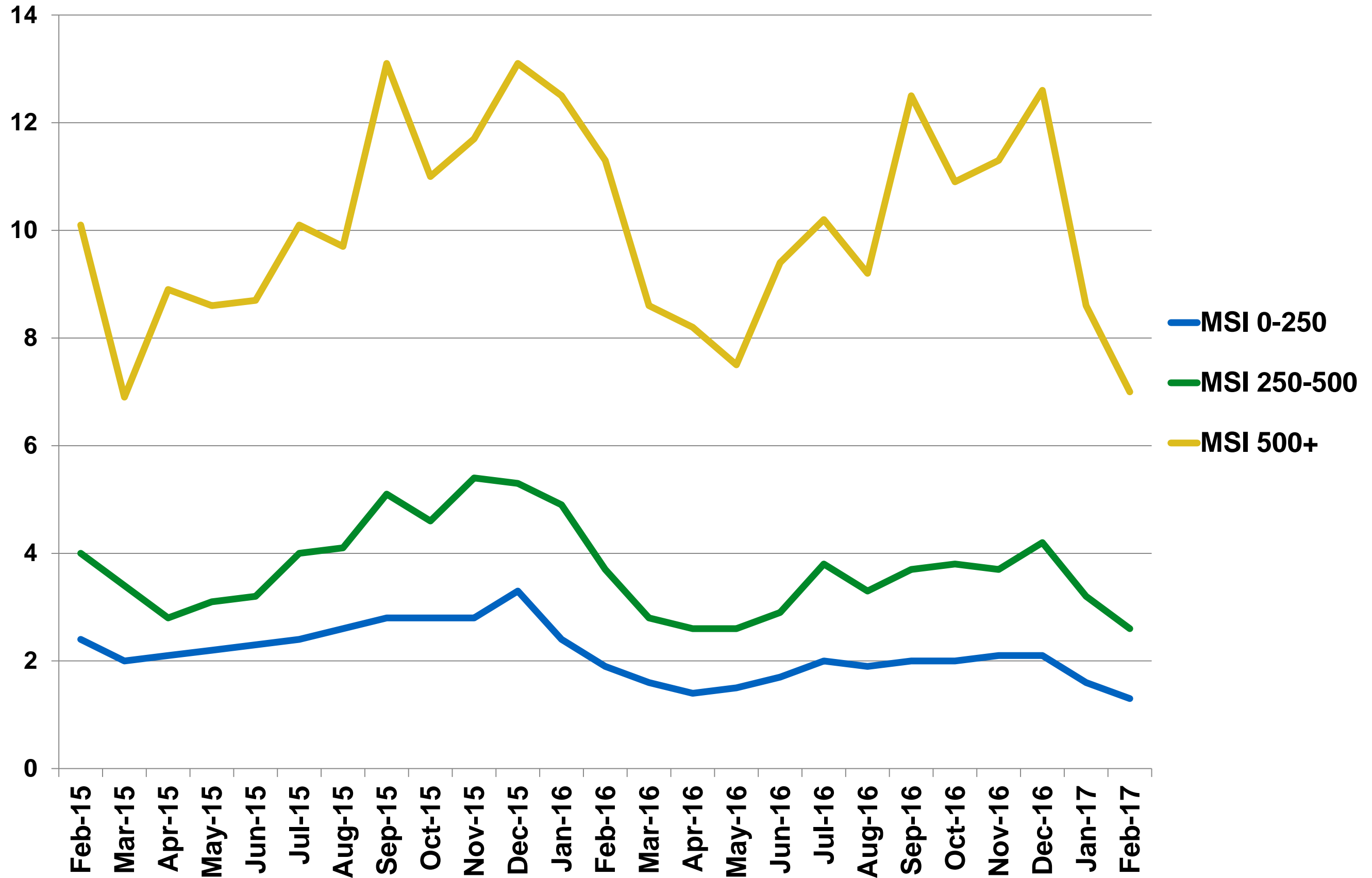


Oakland County New Listings Entering the Market

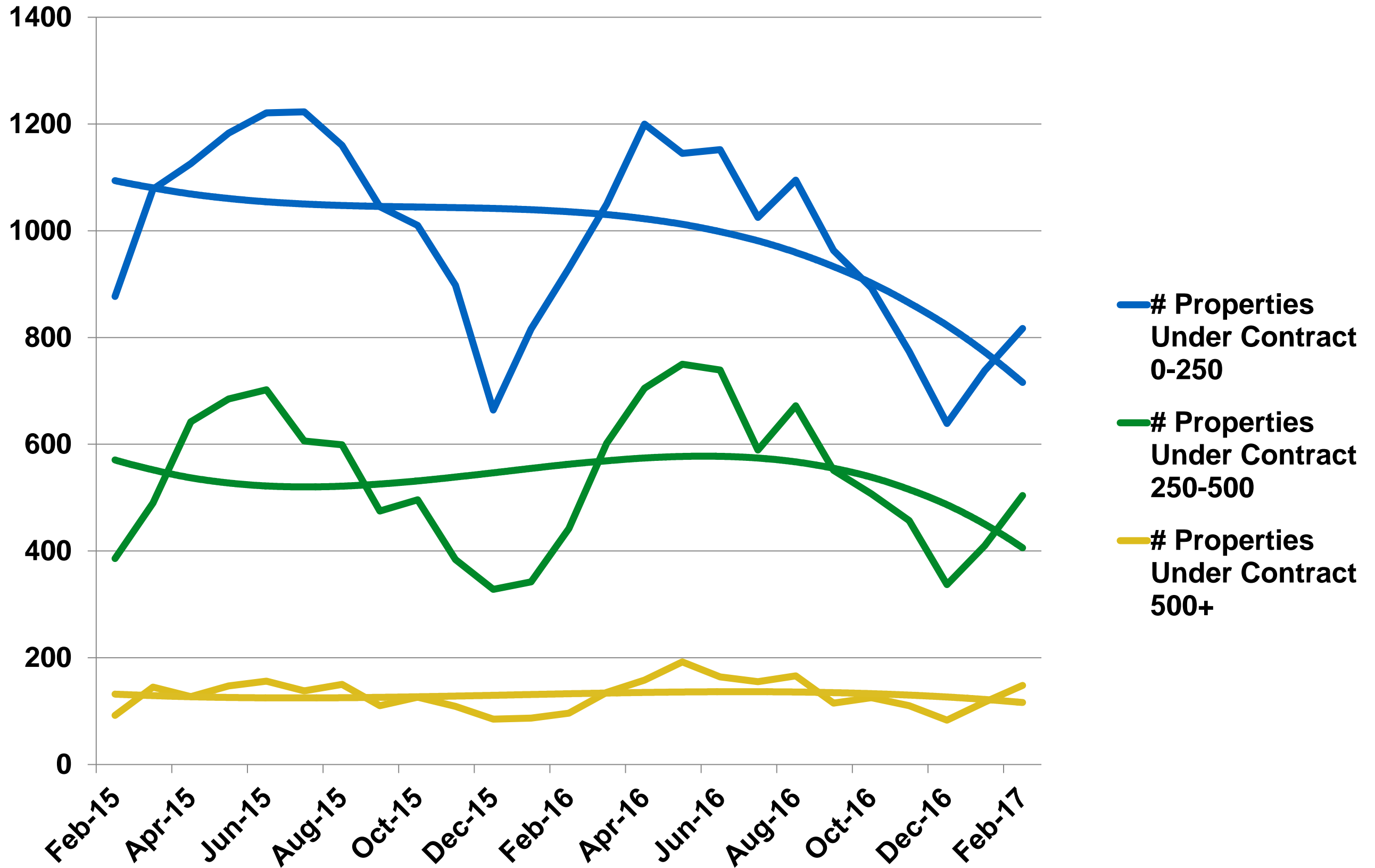
2 year trend by price range



Oakland County Months Supply of Inventory (MSI)



Oakland County Home Sales Trends



Market Pricing

“Lets Just try this price”

	Market Time	10 Days	30 Days	60+ Days
\$0-250,000	% of Sales	31%	60%	40%
	List to sale %	100%	97%	95%
\$250-500,000	% of Sales	21%	44%	56%
	List to sale %	99%	98%	96%
Over \$500,000	% of Sales	19%	39%	61%
	List to sale %	99%	96%	95%

Over pricing by just 5% cuts off 40-60% of potential buyers

- 27% of sales are 10 days or less
- 53% of sales are 30 days or less
- 80% of sales are 90 days or less

Market Momentum – Oakland County

- Under \$250,000
 - More Buyers than Listings
 - At or above list price 33% of the time, 41% for sales in the first 30 days
 - Listing Inventory Still Declining, but the decline is slowing
 - 32% Selling in 10 days or less, 60% in 30 days or less, 82% under 90 days
- \$250 - \$500,000
 - Still a few more Buyers than sellers but balancing
 - At or above list price 26% of the time, 36% for sales in first 30 days
 - Listing Inventory rising slowly throughout 2016 but falling in last 90 days
 - 38% Selling in 10 days or less, 64% in 30 or less
- Over \$500,000
 - In General, more listings than buyers, but becoming more balanced
 - Listing Inventory rising throughout 2016 but falling in last 90 days
 - At or above list price 15% of the time, 26% for sales in first 30 days
 - 19% Selling in 10 days or less and 39% in 30 or less

Thank You



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