

A photograph of a modern house with a large glass door and a wooden deck. The interior is visible through the glass, showing a dining area with a chandelier. The exterior has a grey wall and a wooden deck with a table and benches. The text is overlaid on a dark blue semi-transparent background.

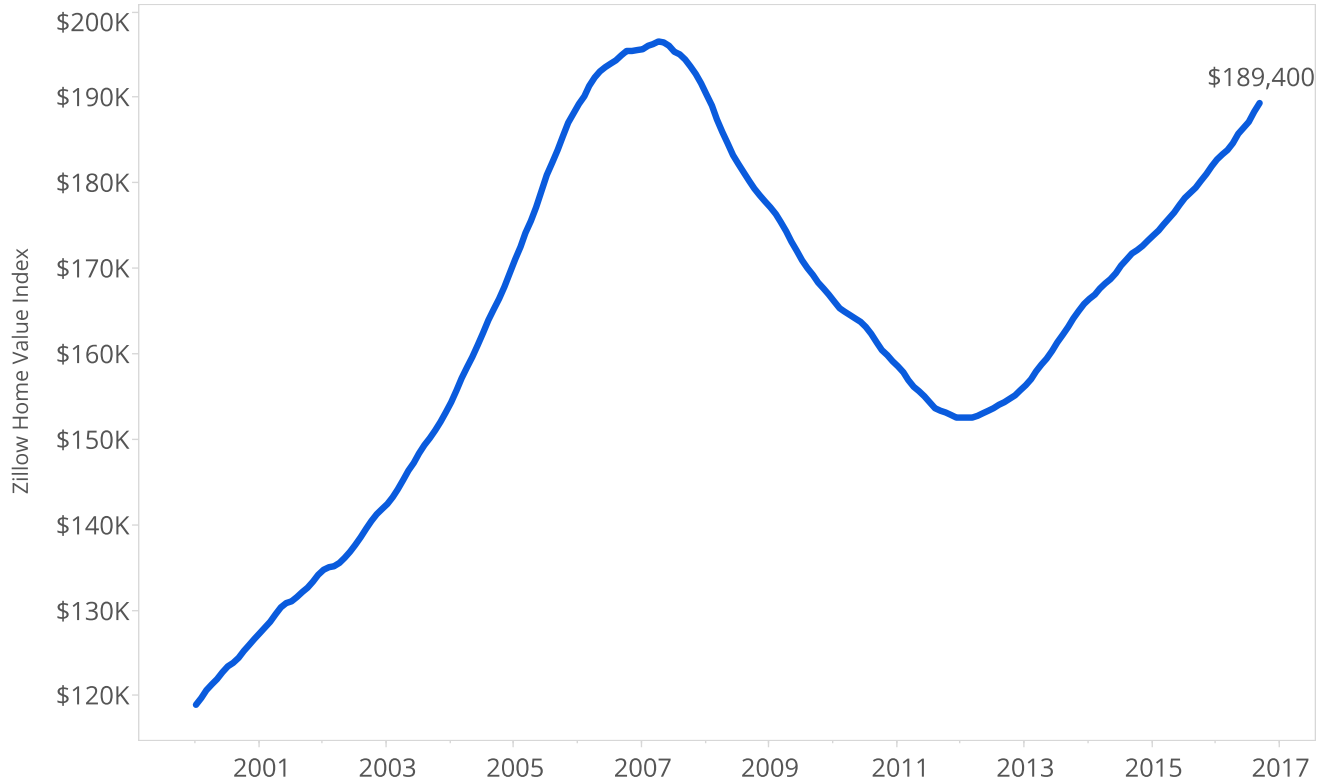
10 things you should know about housing

Stan Humphries, Chief Analytics Officer & Chief Economist, Zillow Group
@StanHumphries

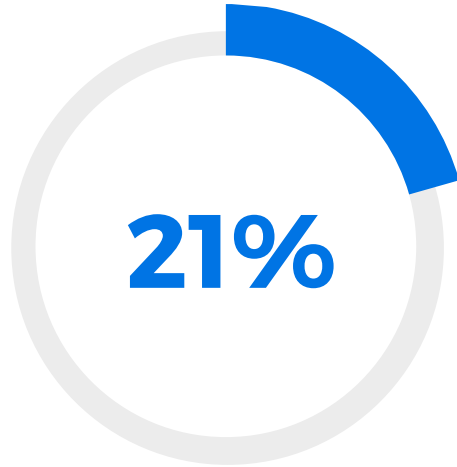


We are not in a housing bubble.

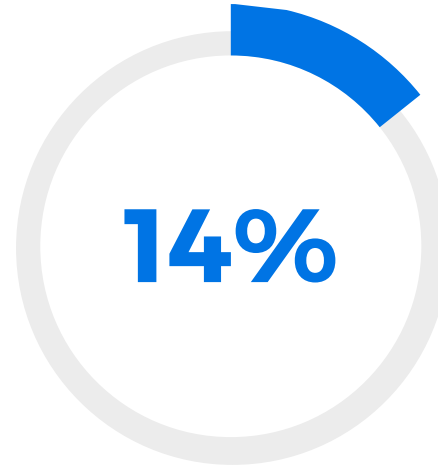
Home values have grown at a consistent pace for the past four years. This is largely sustainable.



Nationwide, the share of income spent on a mortgage is well below historic norms



Average share of income spent
on mortgage, 1985-2000

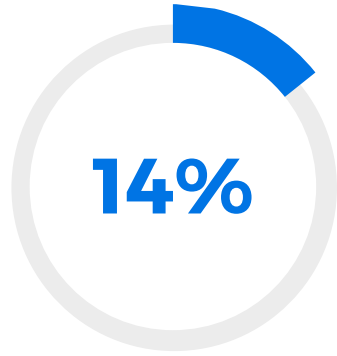


Share of income spent on
mortgage, 2016 Q2

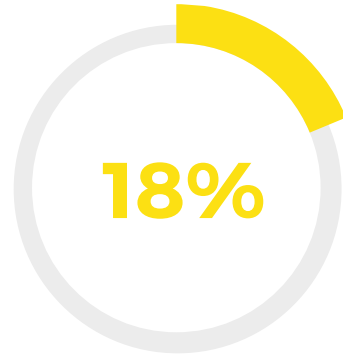
Source: Zillow Mortgage Affordability (2016) Q2

Even at forecasted higher interest rates, owning a home will still be affordable

MORTGAGE AFFORDABILITY, U.S. (2016 Q2)



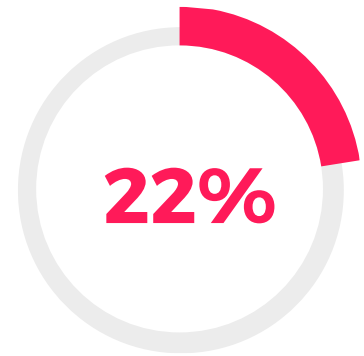
Share of income spent on mortgage, 2016 Q2



Forecasted at 5% Rates



Forecasted at 6% Rates



Forecasted 7% Rates

Buying a home looks especially attractive compared to renting

Metros with the Longest Breakevens

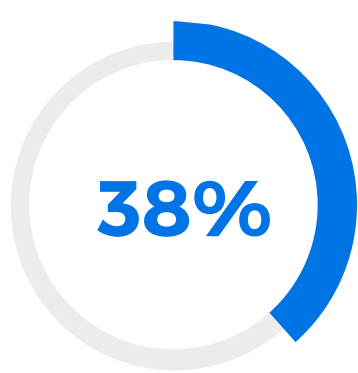
1. Honolulu, HI: 5.7 years
2. Stamford, CT: 3.6 years
3. San Diego, CA: 3.6 years
4. Washington, D.C.: 3.6 years
5. Los Angeles, CA: 3.5 years

Metros with the Shortest Breakevens

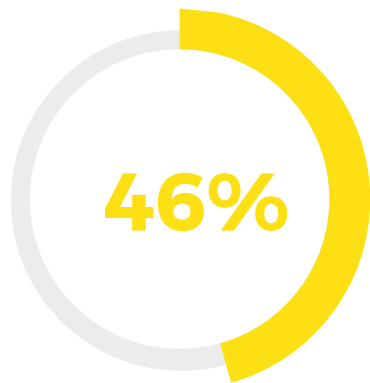
1. Memphis, TN: 1.0 years
2. Youngstown, OH: 1.2 years
3. Jackson, MS: 1.2 years
4. Indianapolis, IN: 1.2 years
5. Columbia, SC: 1.2 years

This isn't the case in every market.

MORTGAGE AFFORDABILITY, Los Angeles (2016 Q2)



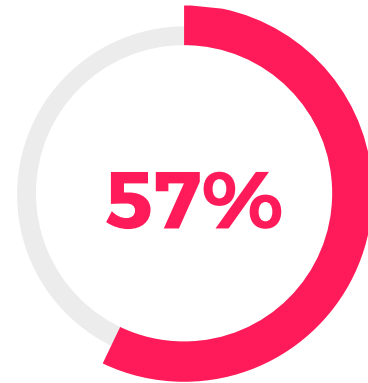
Share of income spent on mortgage, 2016 Q2



Forecasted at 5% Rates



Forecasted at 6% Rates

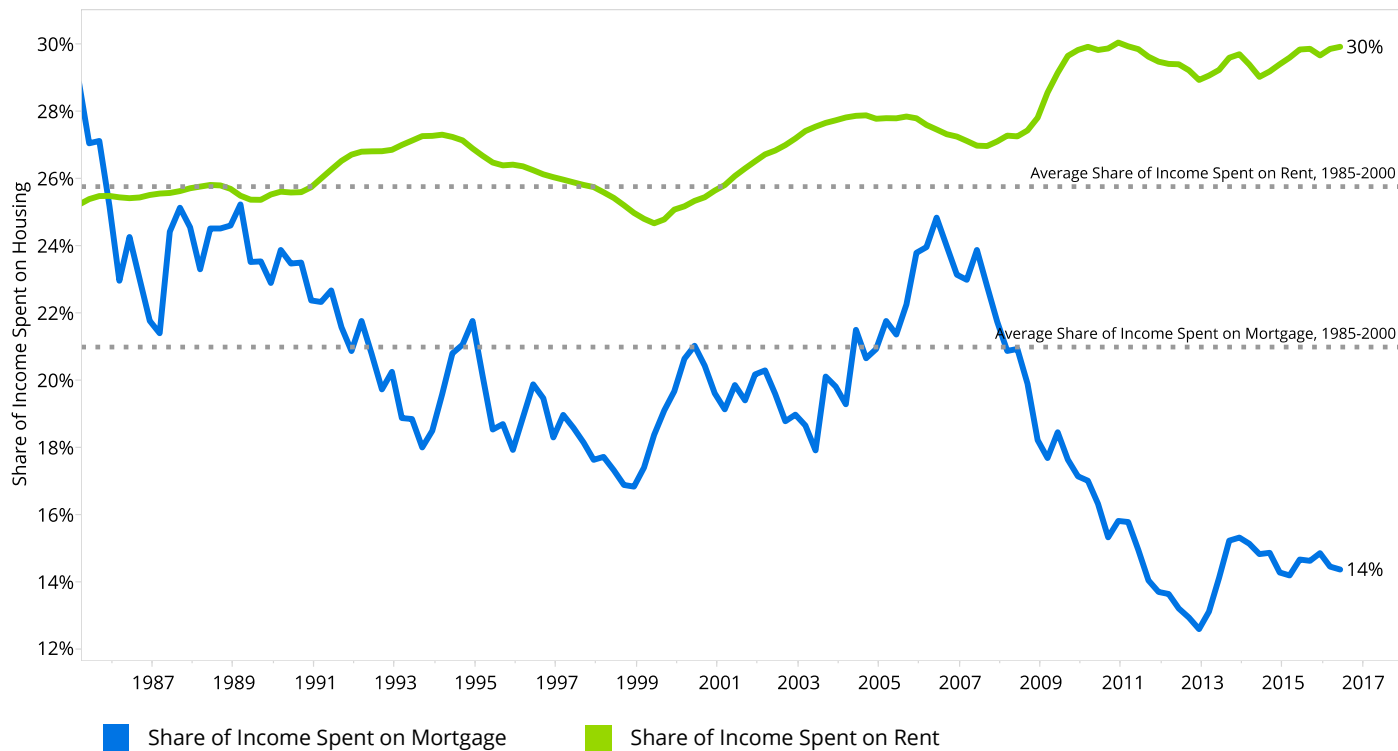


Forecasted 7% Rates

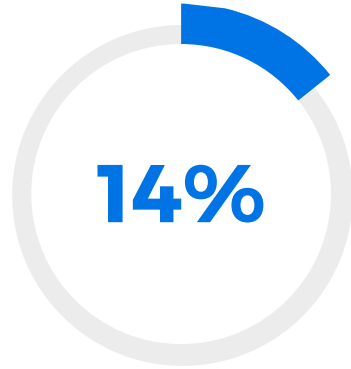


We are in a widespread affordable rental crisis.

Renting is unaffordable compared to owning.



Nationwide, the share of income spent on rent is well above both historic norms and the share of income spent on mortgage.



Share of income spent on mortgage, 2016 Q2



Share of income spent on rent, 2016 Q2

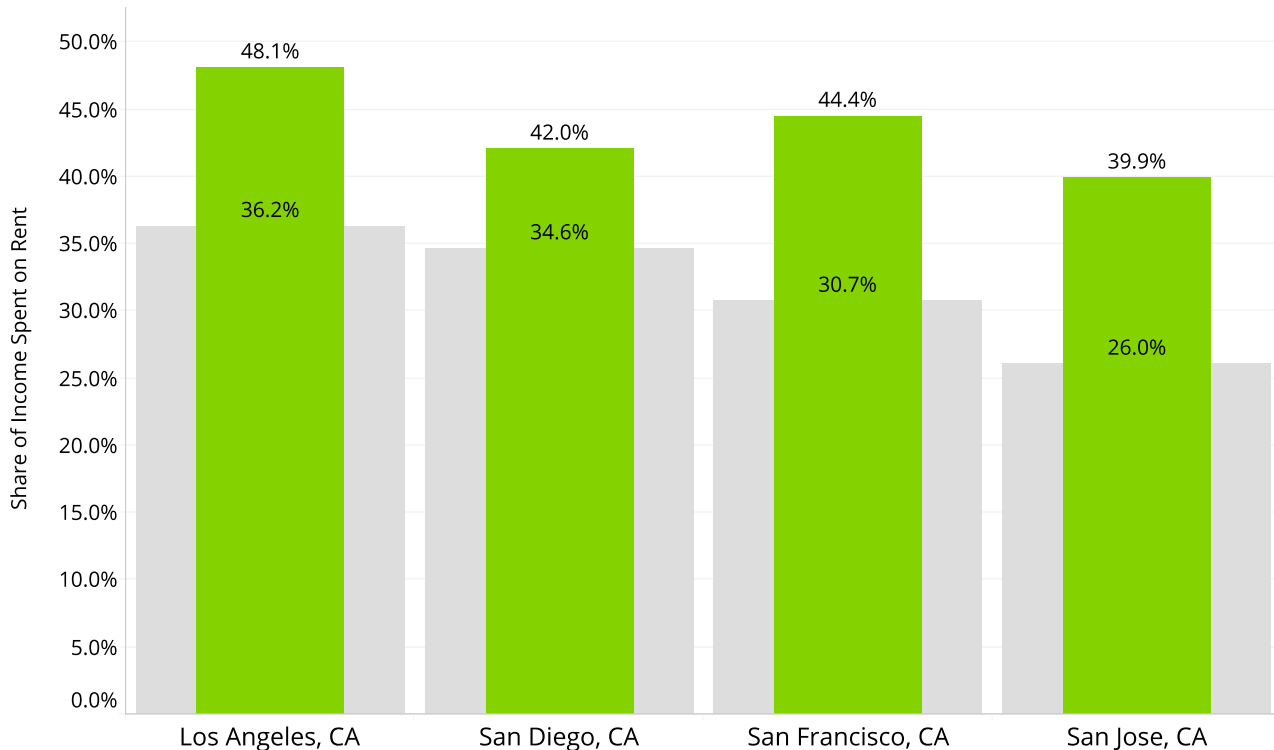


Average share of income spent on rent, 1985-2000

Source: Zillow Mortgage Affordability (2016) Q2

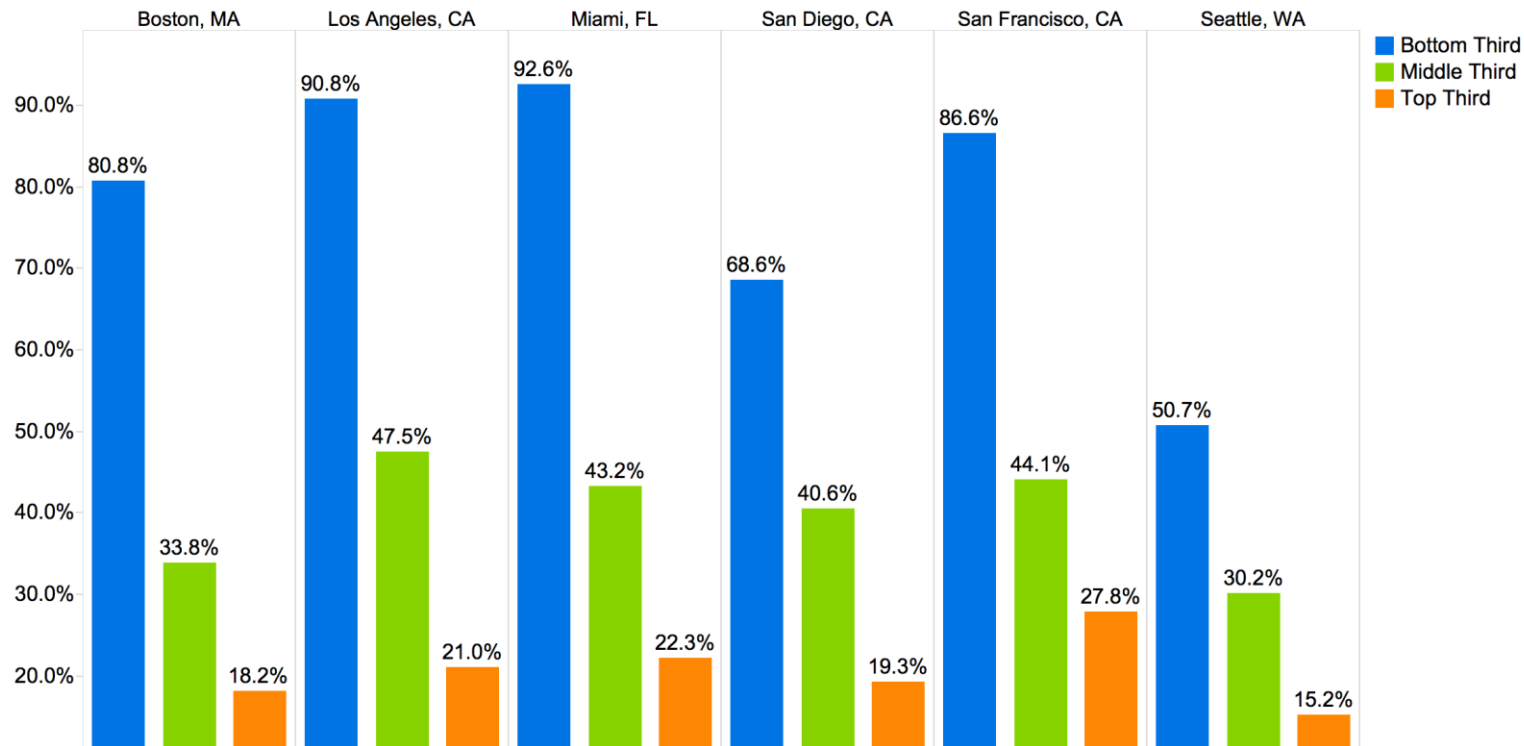
Affordability woes are particularly pronounced in some of the hot for-sale markets...

SHARE OF INCOME SPENT ON RENT



...especially in the bottom tier.

SHARE OF INCOME SPENT ON RENT

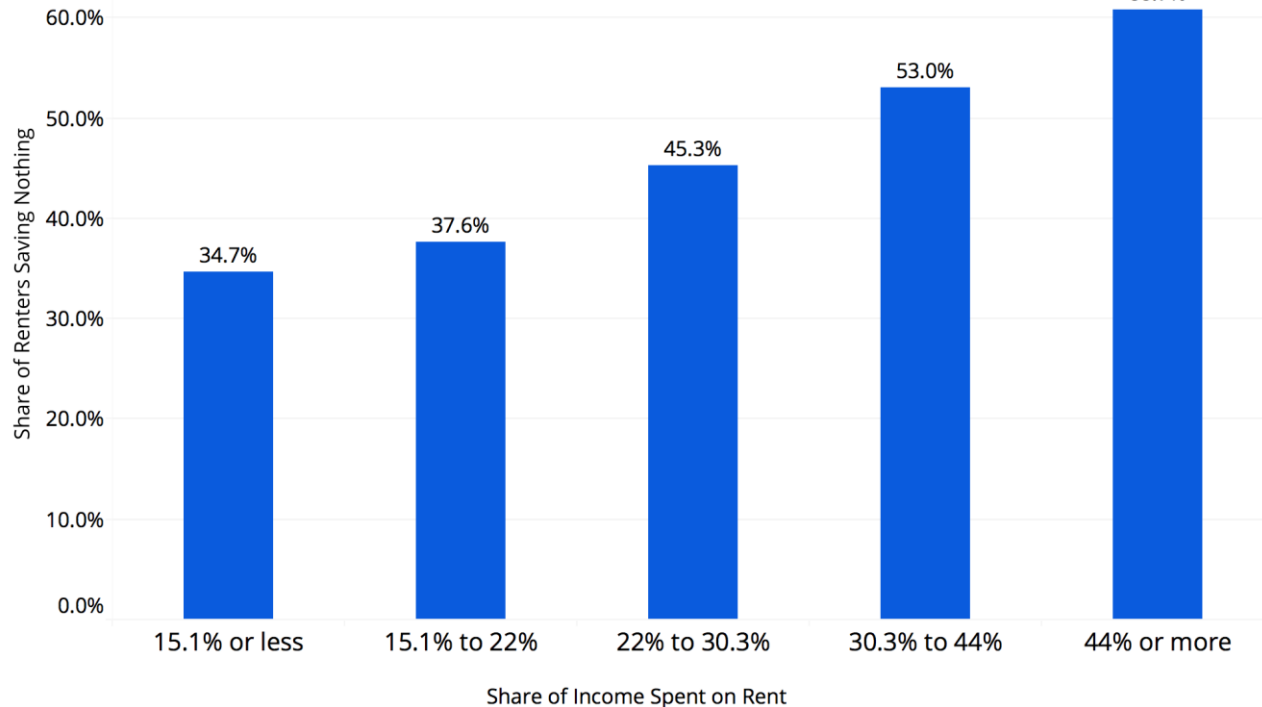




**Challenges in the rental market impact
the for-sale market.**

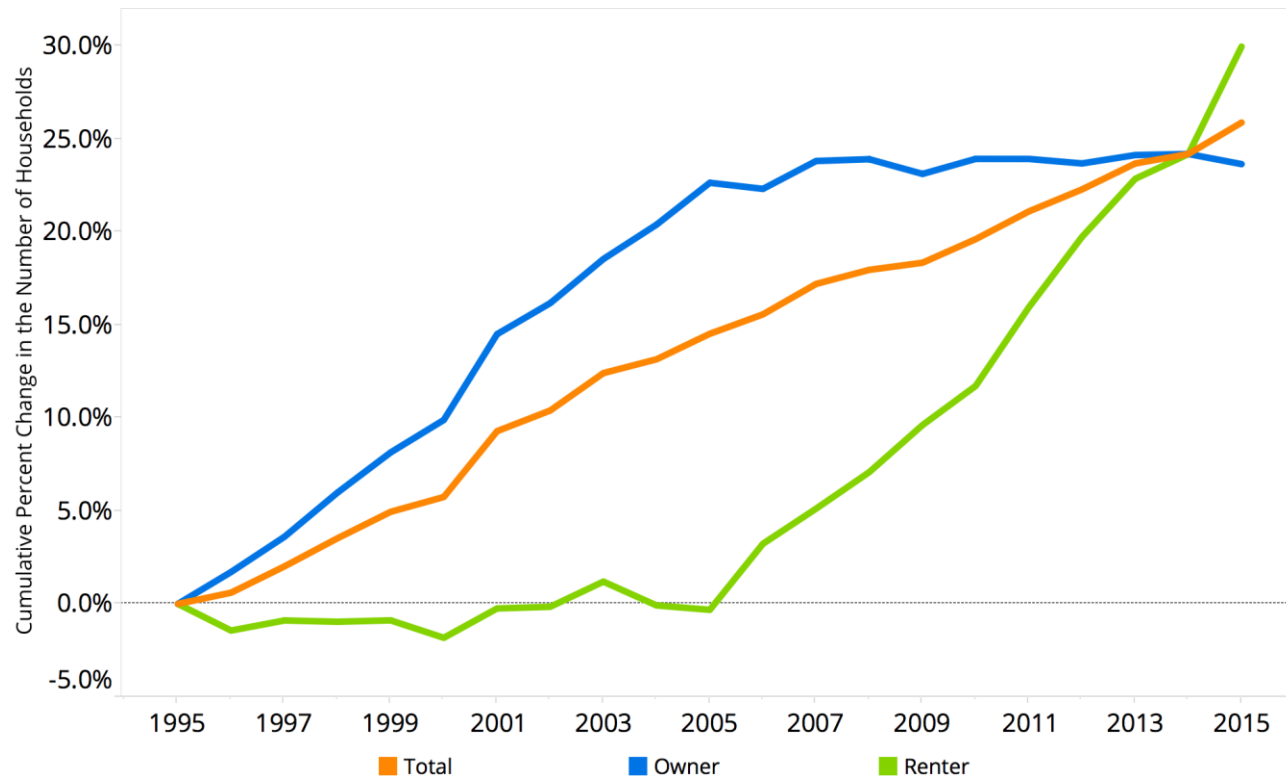
More money spent on rent = less savings for a down payment and more renters saving nothing.

SHARE OF RENTERS SAVING NOTHING



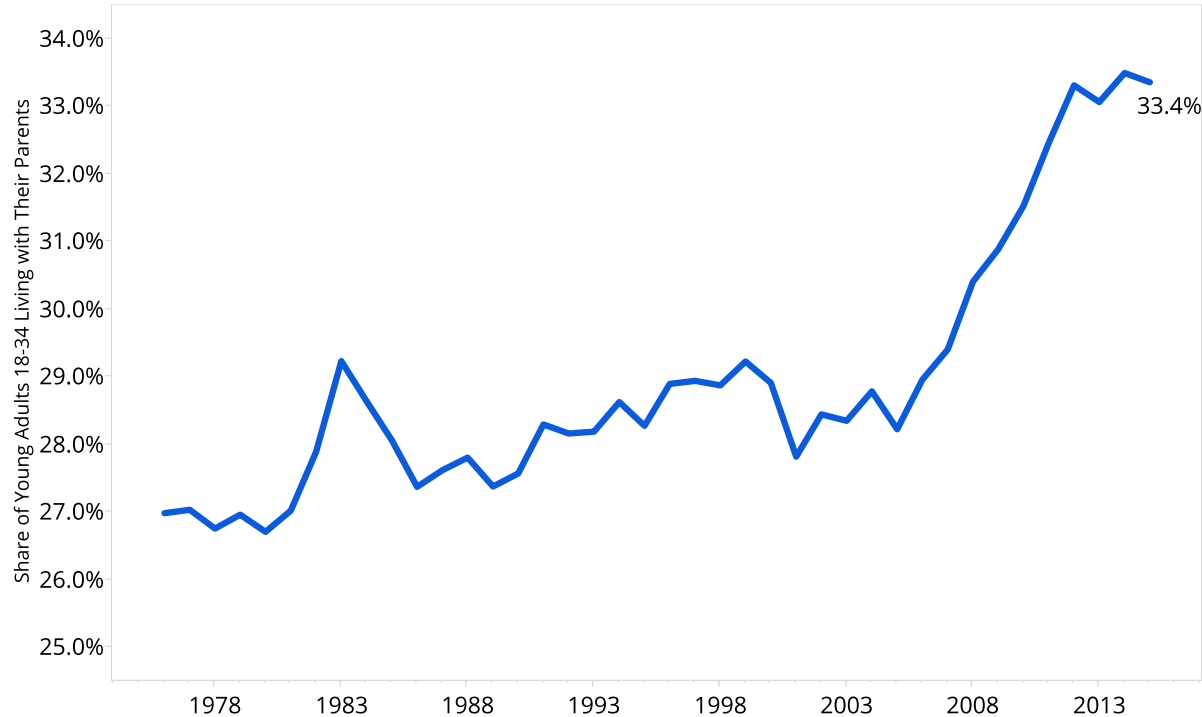
Most new households being formed are renter households.

CUMULATIVE CHANGE IN THE NUMBER OF HOUSEHOLDS



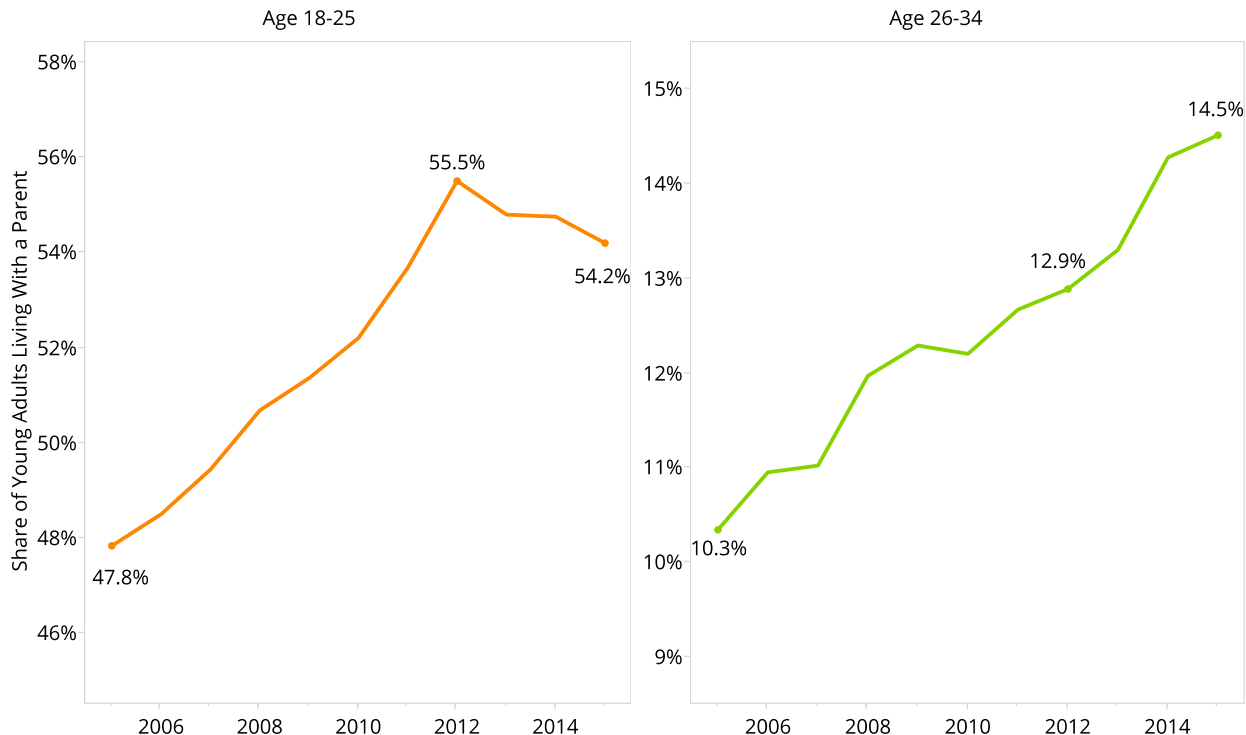
Because renting is expensive, the share of young adults living with their parents is rising.

SHARE OF YOUNG ADULTS LIVING WITH THEIR PARENTS



Surprisingly, this trend is still rising among older millennials.

SHARE OF YOUNG ADULTS LIVING WITH THEIR PARENTS



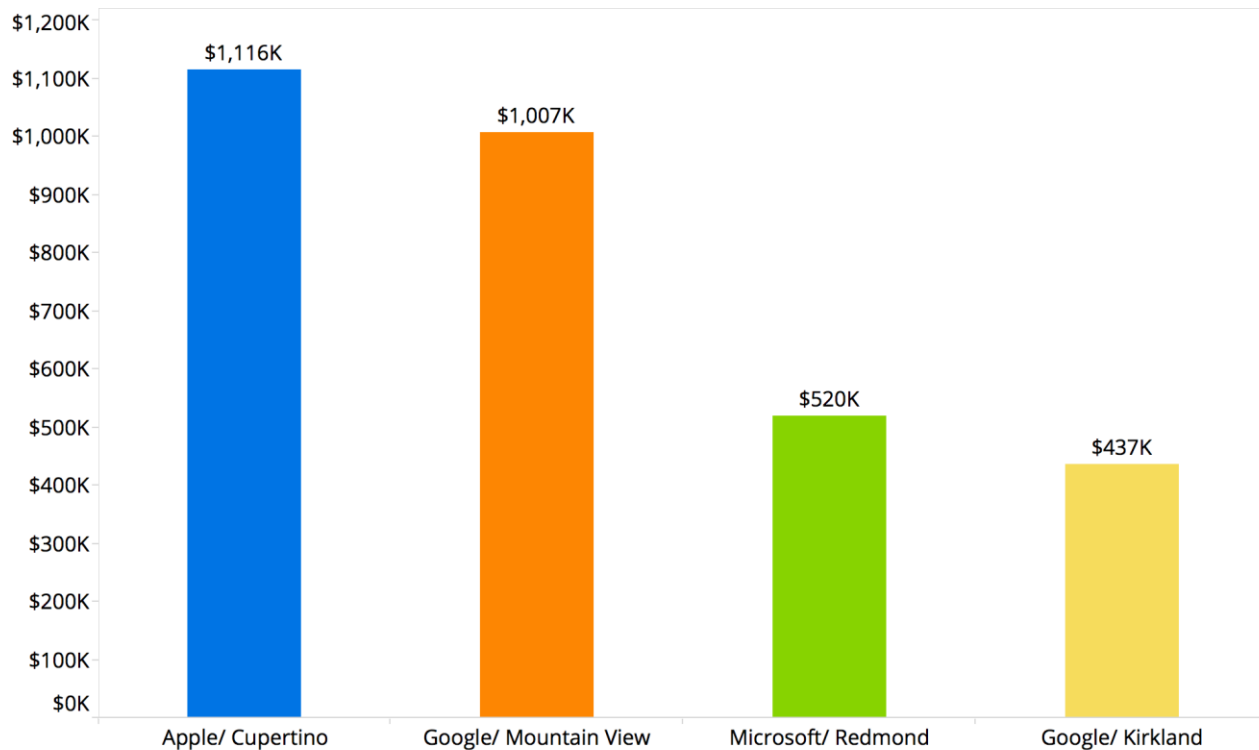


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Housing affordability challenges in some areas are opportunities in others.

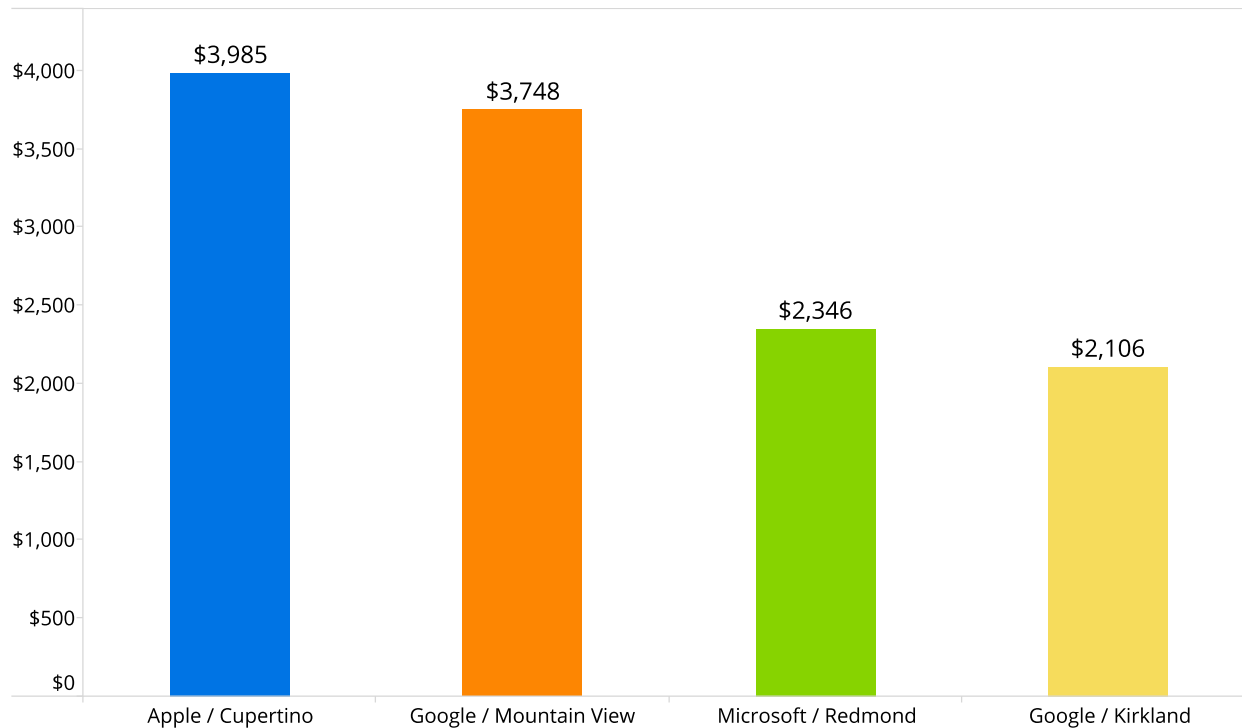
Creating some competitive advantages among metros for homeowners...

MEDIAN HOME VALUE



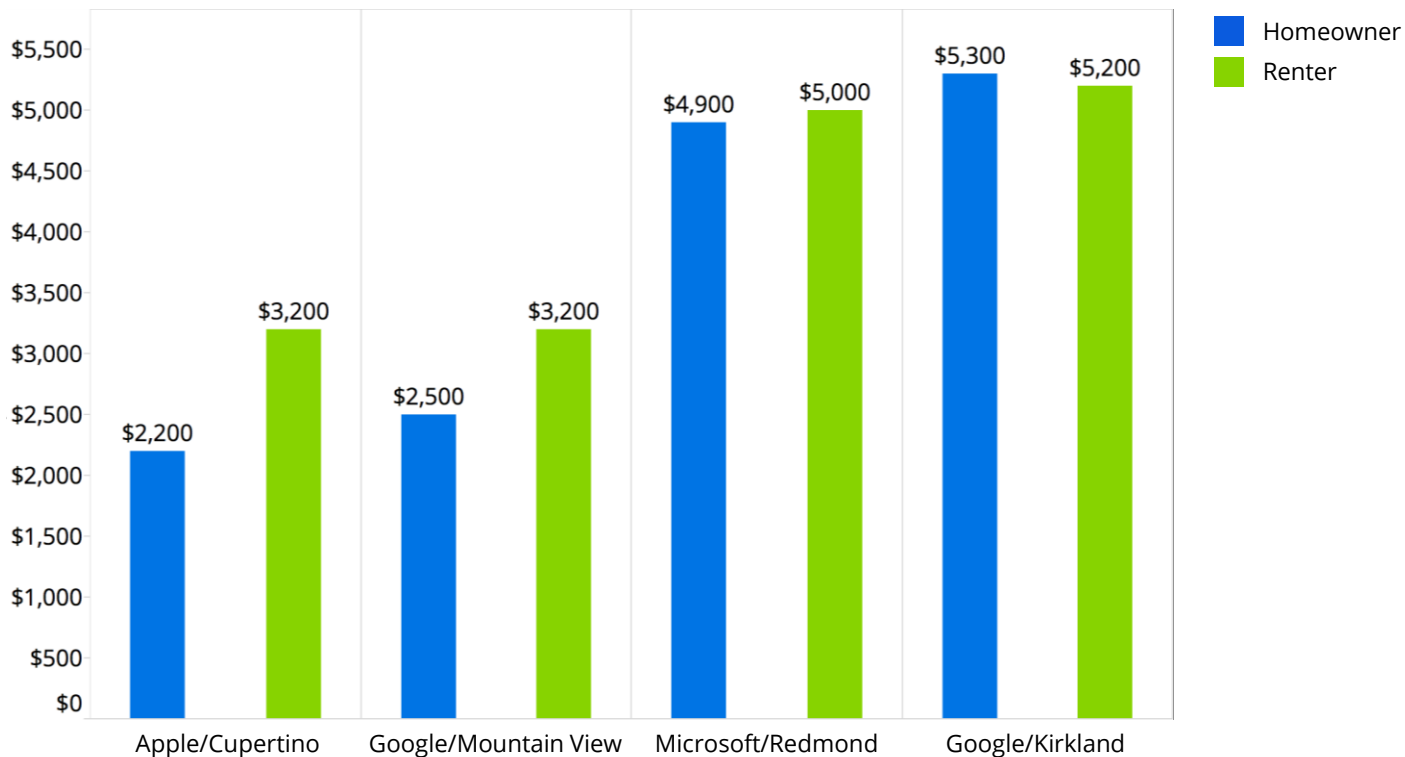
...and renters...

MEDIAN RENT VALUE



...very competitive advantages.

DISPOSABLE INCOME



A wide-angle photograph of the Seattle skyline and waterfront at dusk. The city's skyscrapers are silhouetted against a deep purple and blue sky. In the foreground, a busy street with cars runs along the waterfront. To the right, a large Ferris wheel and the stadium of the Seattle Seahawks are visible. The water in the foreground is calm, reflecting the city lights.

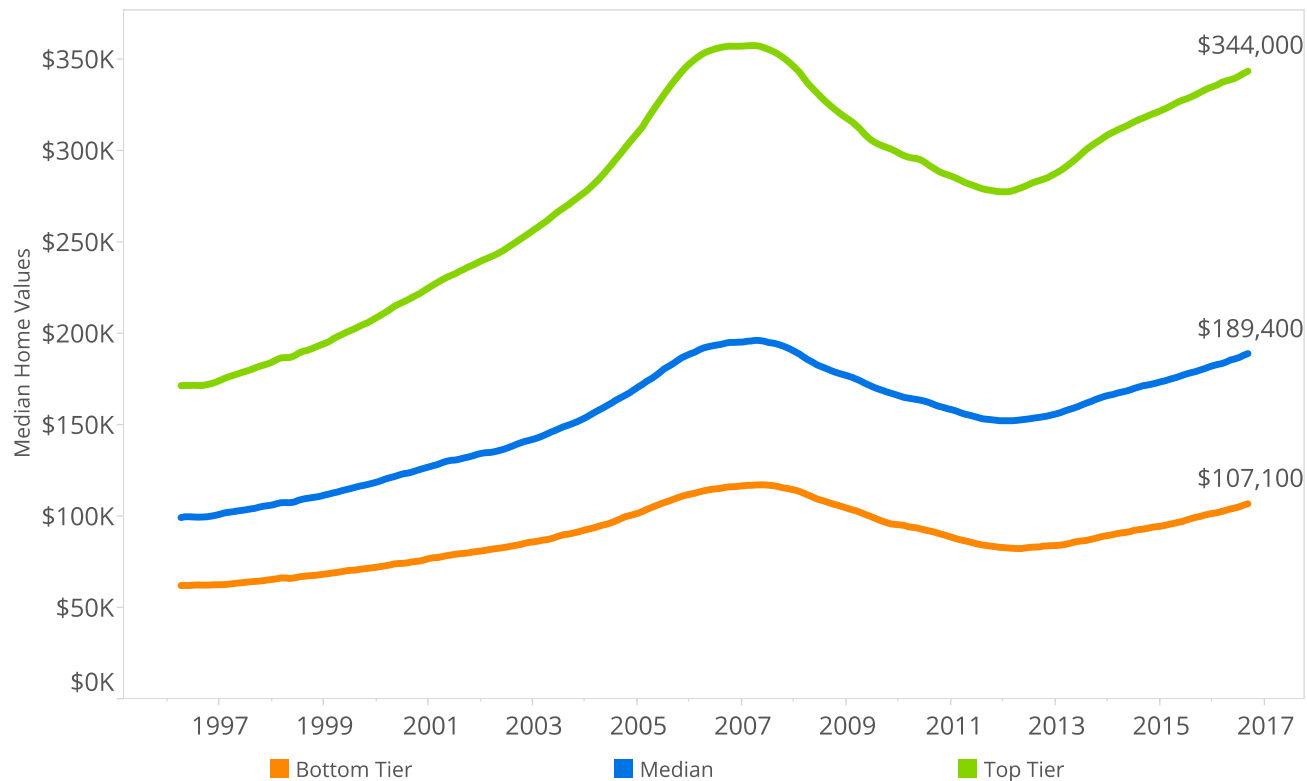
Good news...

Zillow is hiring!

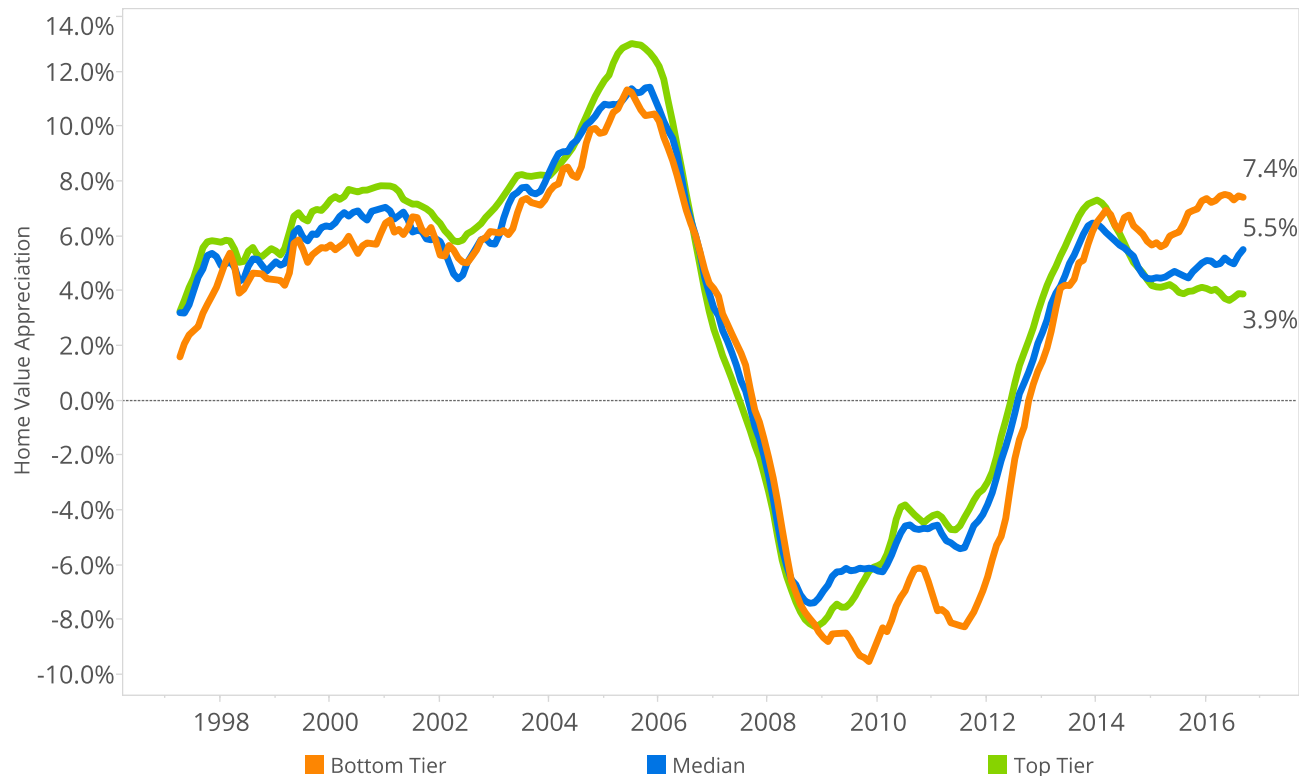


**The market looks stable from 10,000 feet,
but different segments are performing
differently.**

Median home values by tiers



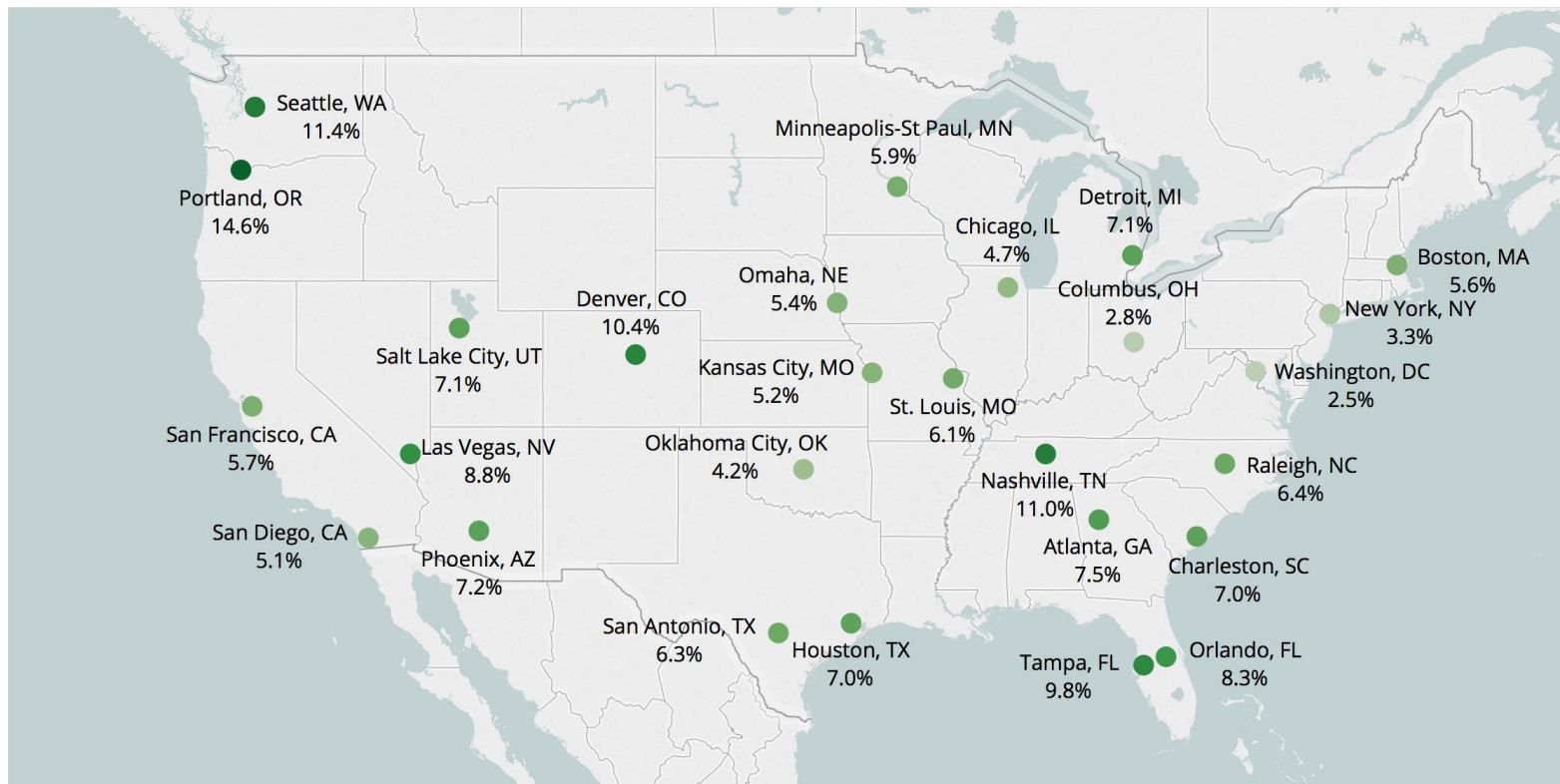
Home values are growing fastest in the bottom tier of homes.



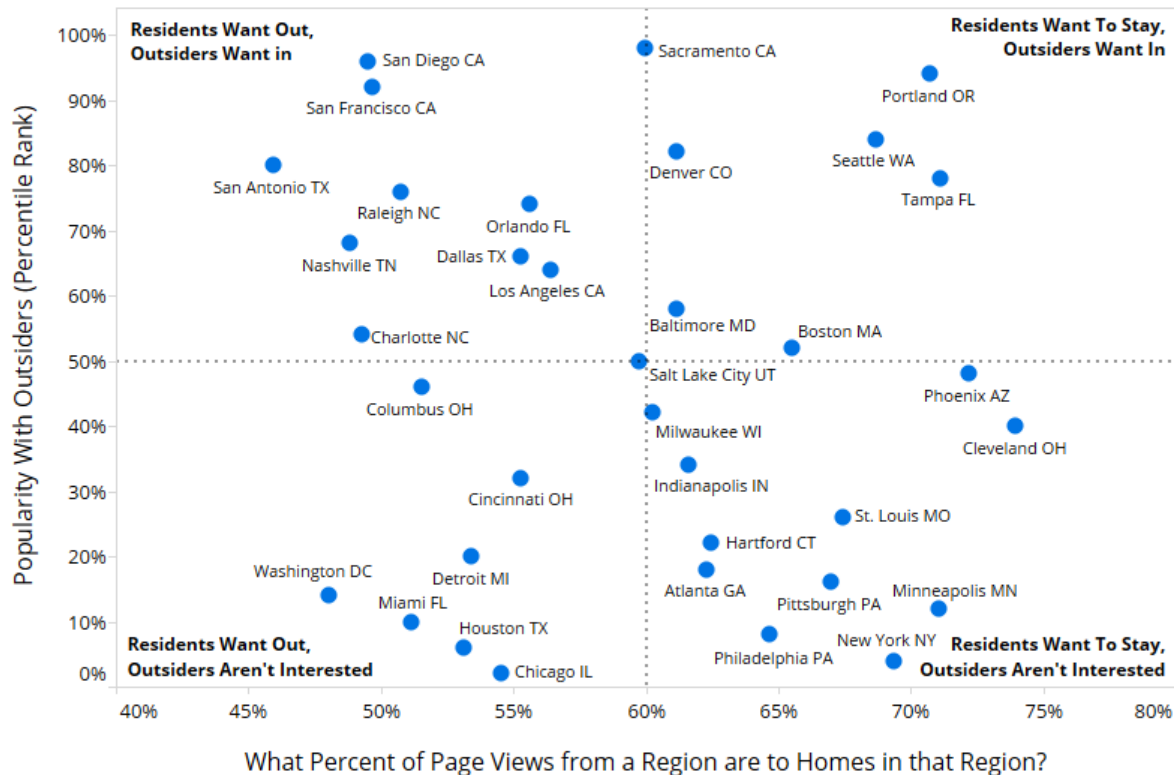


Not everyone is California dreaming.

Annual home value appreciation, 2016 Q2



Where are home shoppers looking to move to and from?



<http://www.zillow.com/research/home-searches-potential-moves-13192/>

Where do renters want to move?

- | | | | |
|---|-------------------|----|--------------------|
| 1 | Nashville, TN | 6 | Portland, OR |
| 2 | Raleigh, NC | 7 | Austin, TX |
| 3 | San Jose, CA | 8 | Salt Lake City, UT |
| 4 | San Francisco, CA | 9 | New Orleans, LA |
| 5 | Denver, CO | 10 | Charlotte, NC |

<http://www.zillow.com/research/renter-resume-coming-going-13716/>

Where are renters trying to leave?

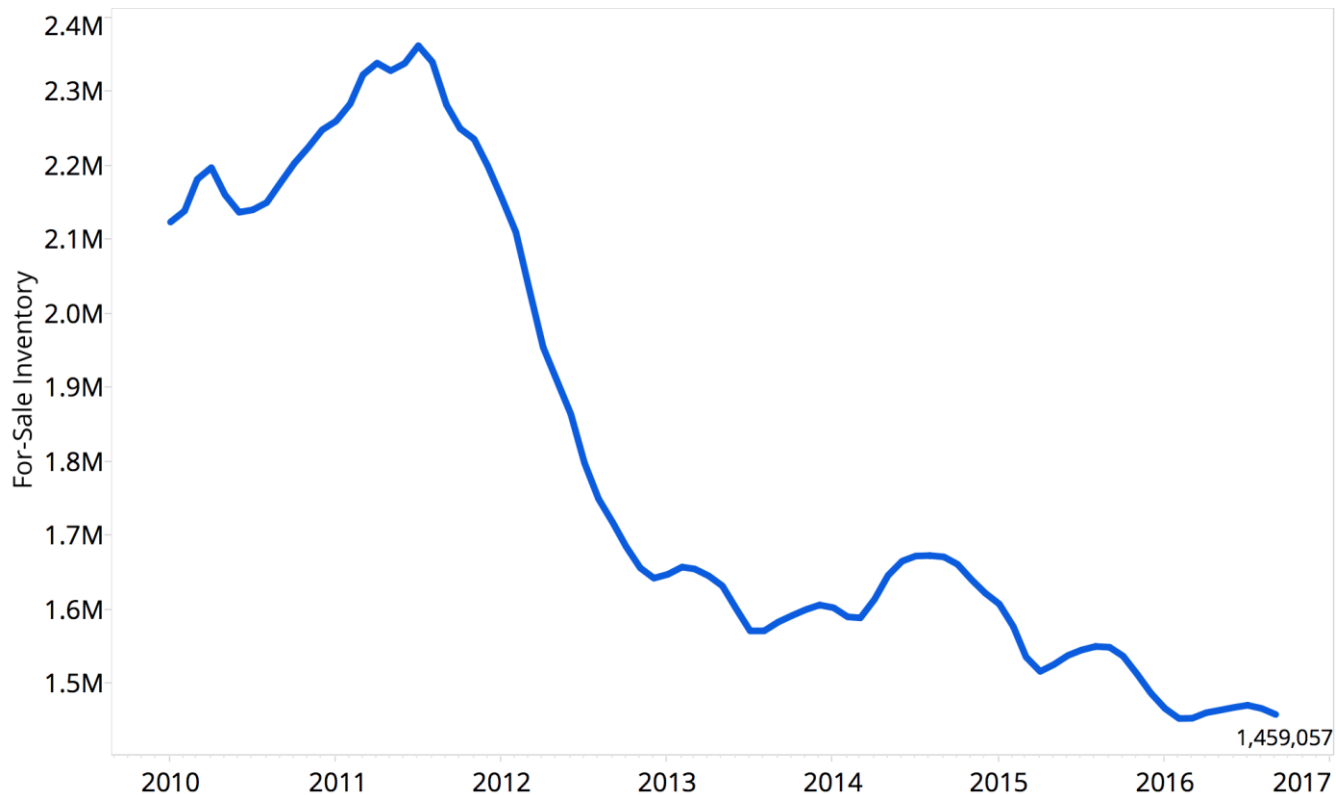
- | | | | |
|---|-------------------|----|--------------------|
| 1 | San Jose, CA | 6 | Virginia Beach, VA |
| 2 | New Orleans, LA | 7 | Salt Lake City, UT |
| 3 | Hartford, CT | 8 | Pittsburgh, PA |
| 4 | San Francisco, CA | 9 | Providence, RI |
| 5 | Austin, TX | 10 | Baltimore, MD |

<http://www.zillow.com/research/renter-resume-coming-going-13716/>

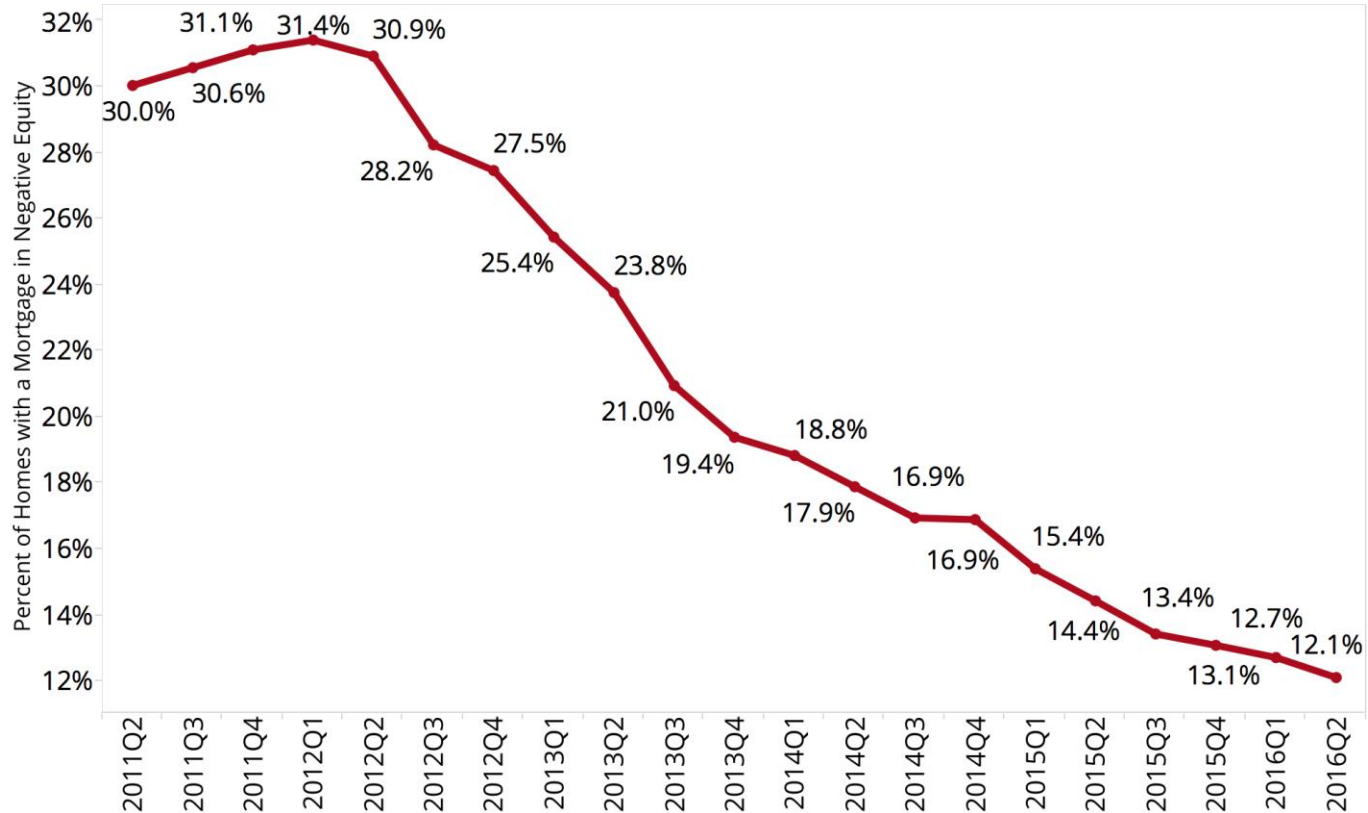


The market is suffering from a lack of supply.

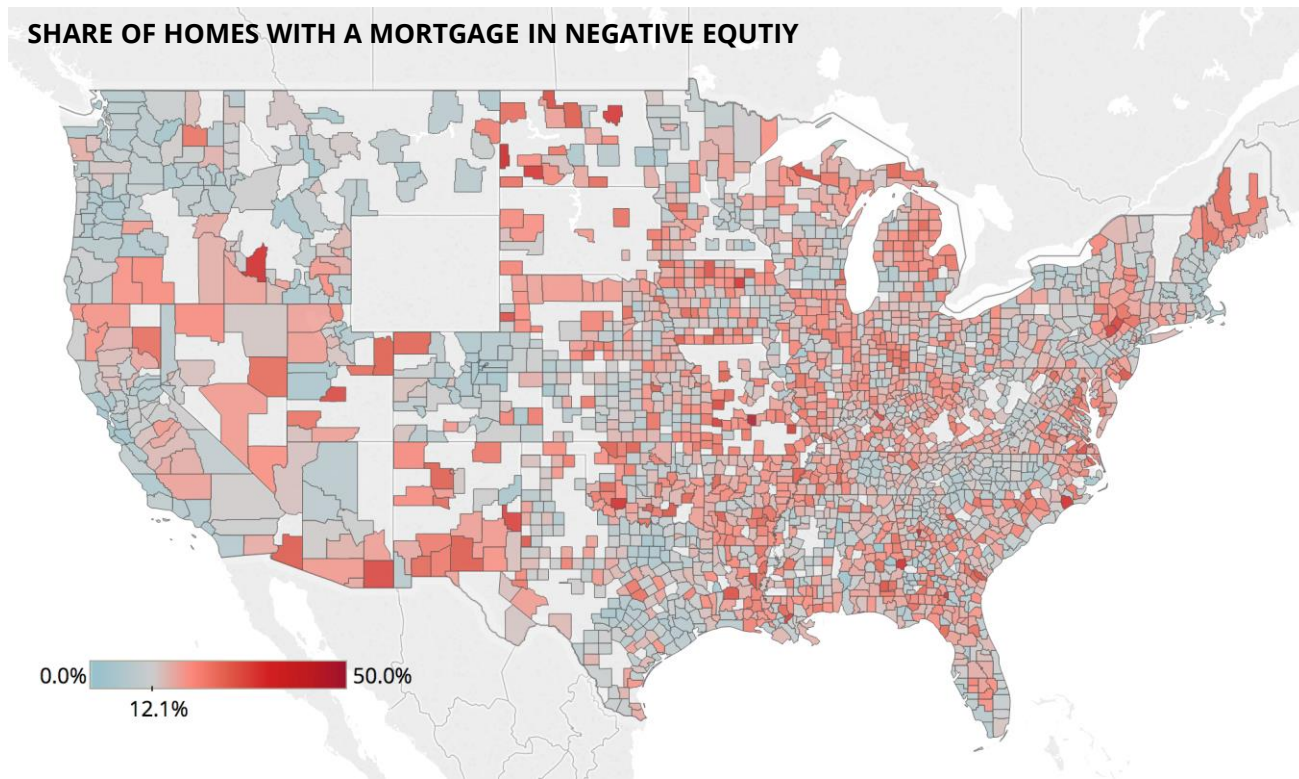
The number of homes for sale is low, and falling.



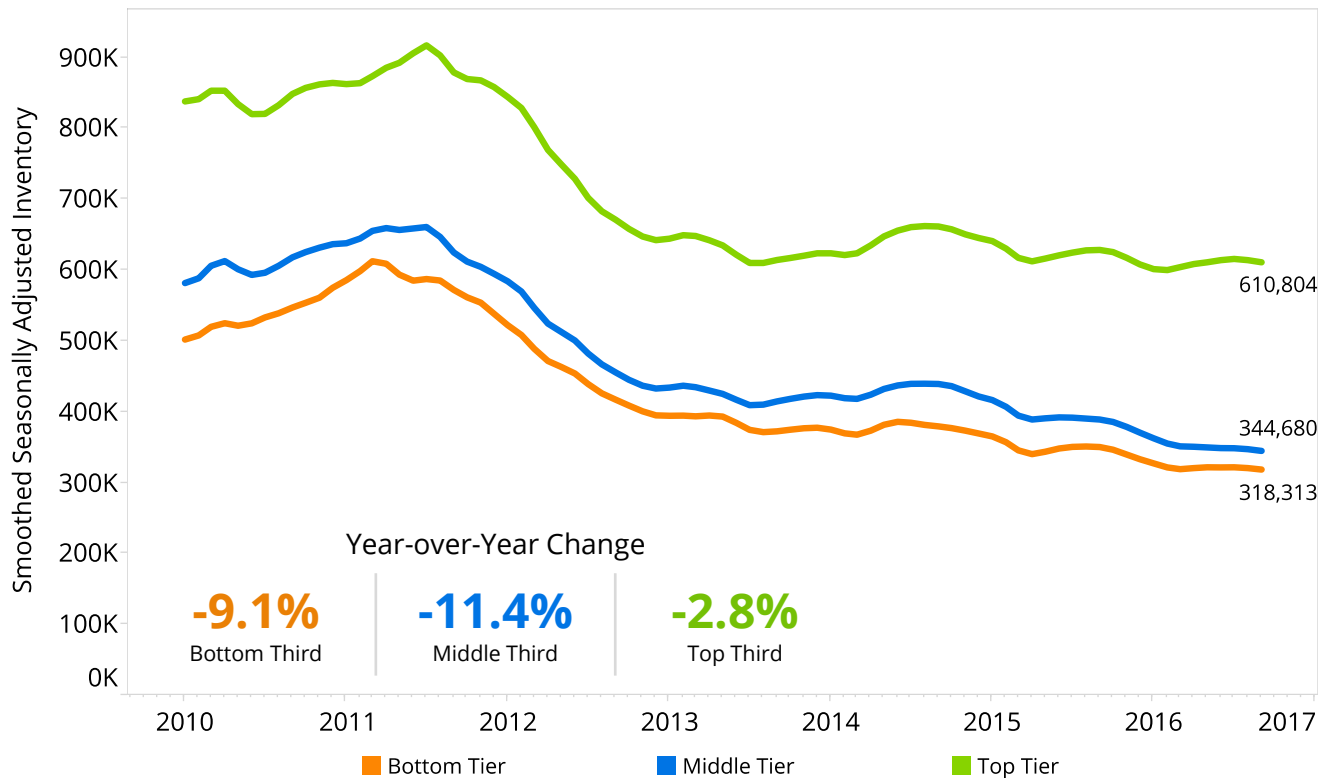
This is in part driven by negative equity which has declined steadily since early 2012...



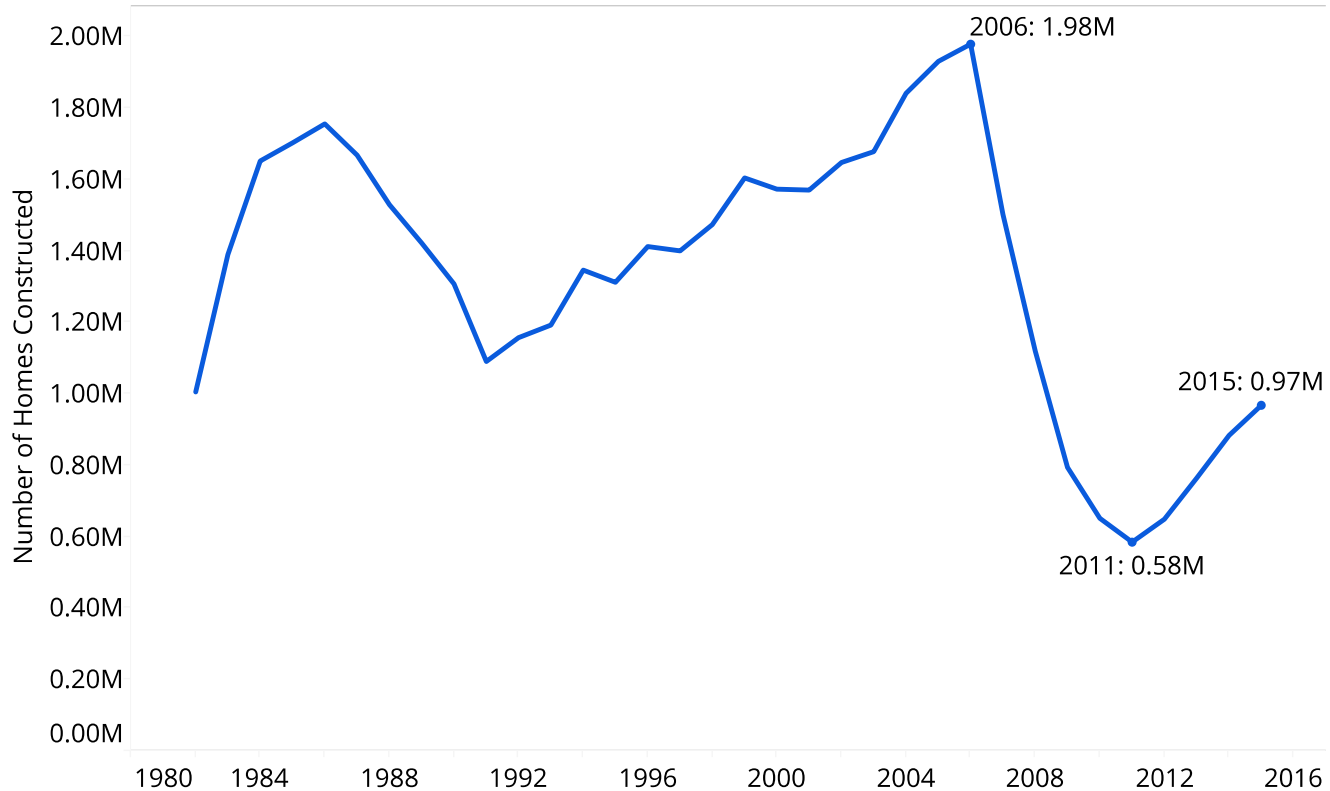
...but still remains high in some regions.



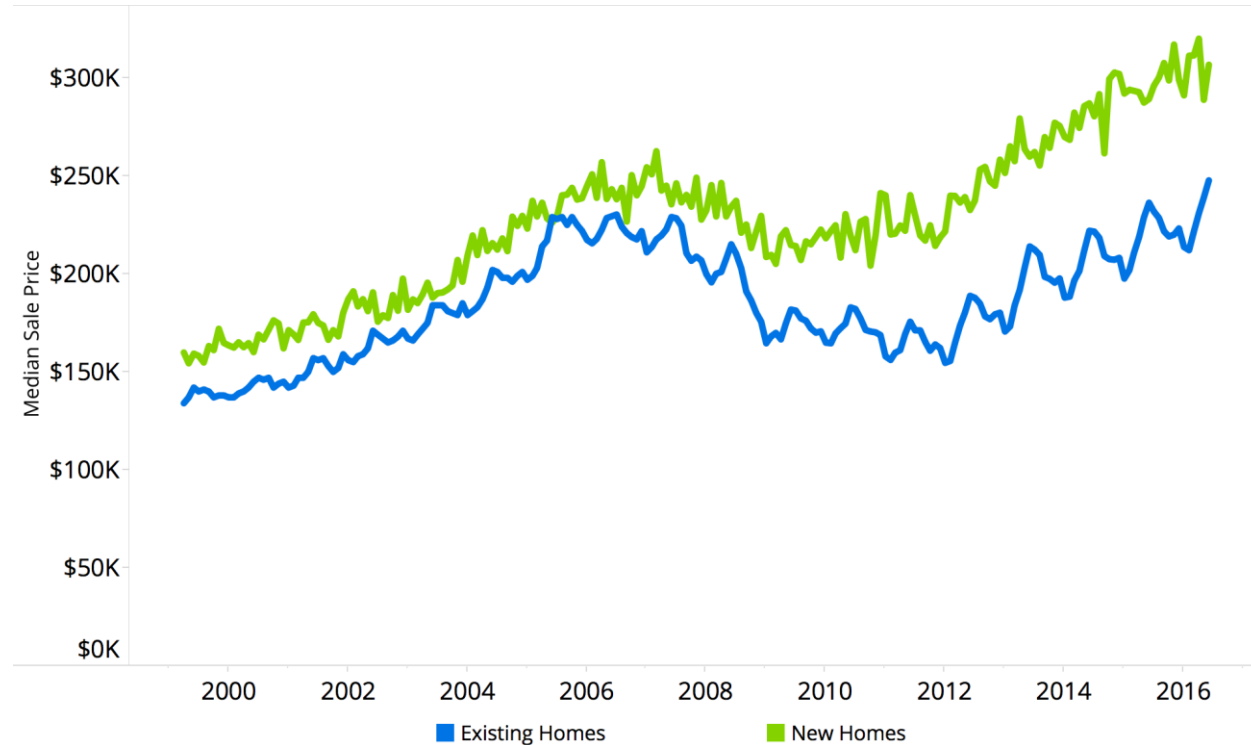
Inventory constraints are particularly pronounced at the bottom end.



New construction is recovering, but remains at multi-decade lows.



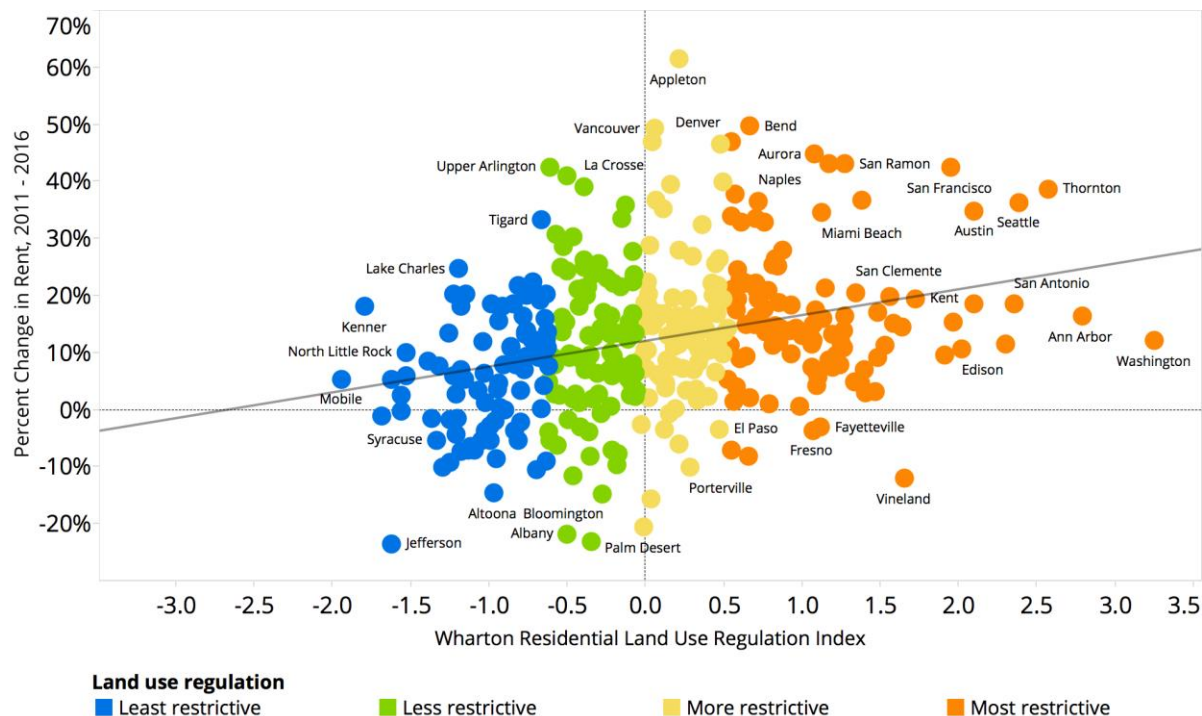
Builders are building homes that are too expensive.



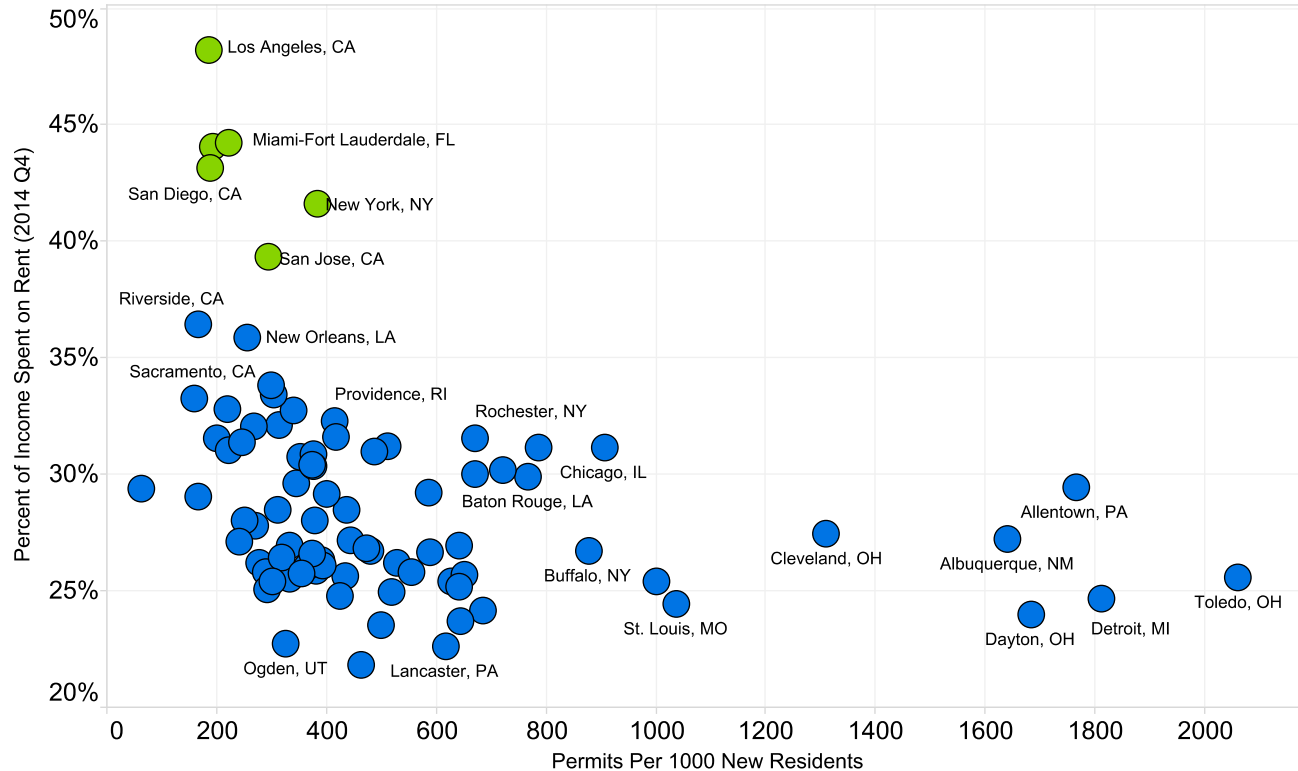


Why aren't we building more? Local regulations don't help.

Rent tends to rise faster in cities with stricter land-use regulations.



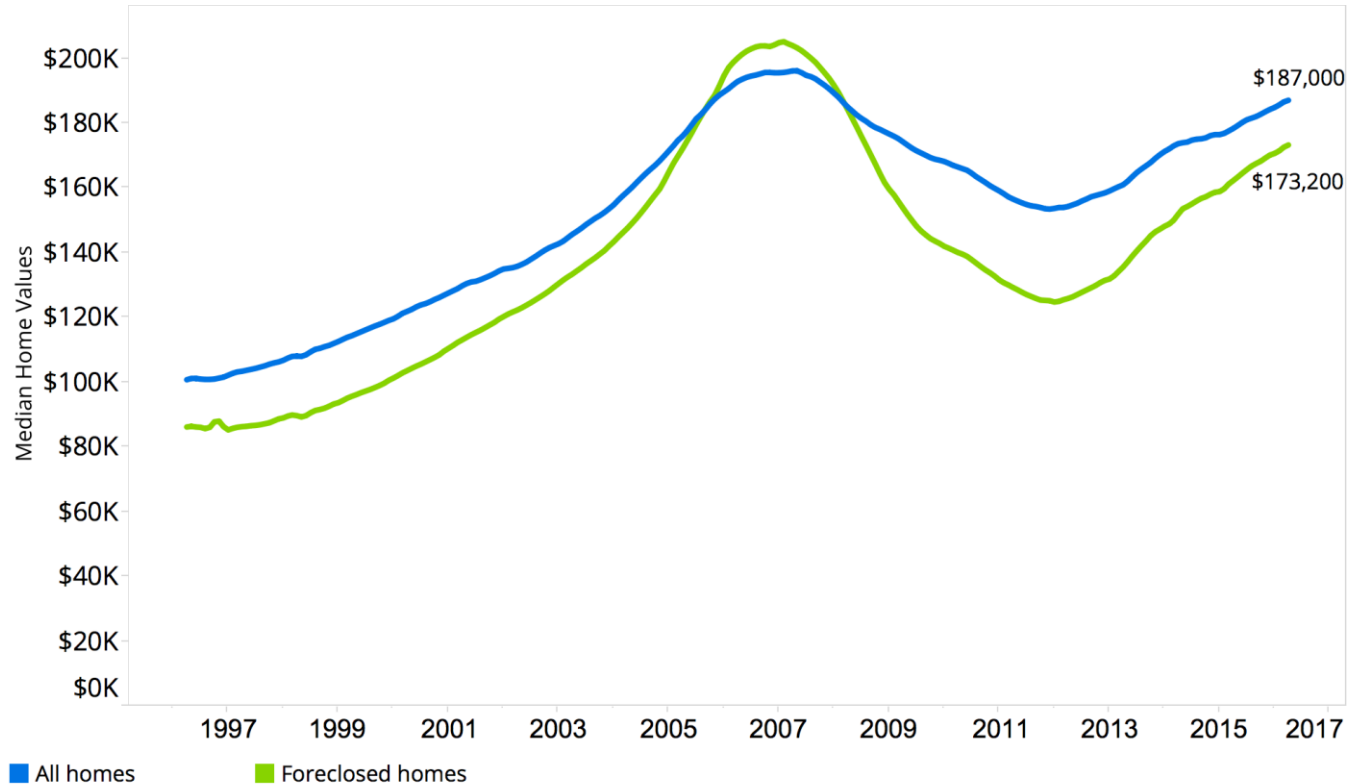
In the most unaffordable markets, new building permits have not kept pace with population growth.





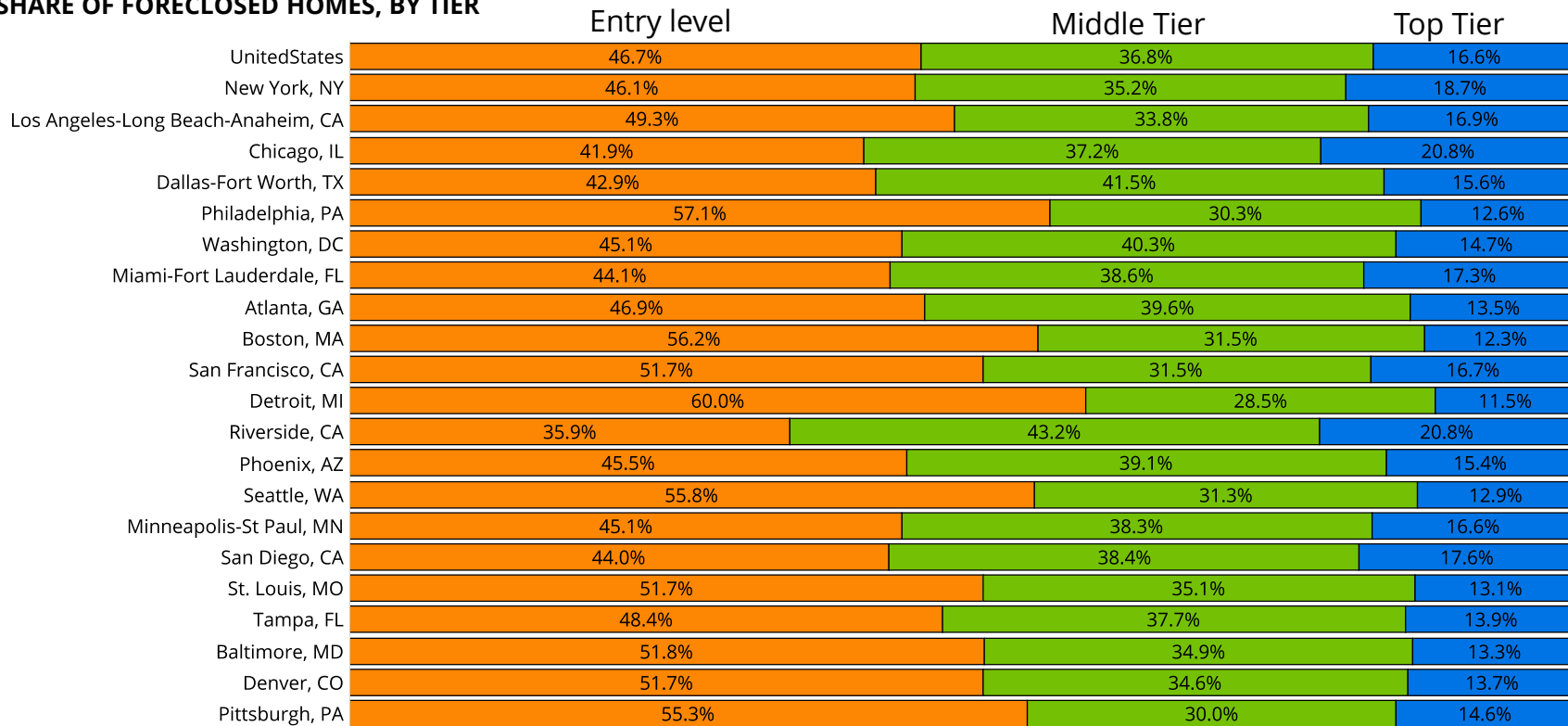
The current housing market is contributing to wealth inequality.

Nationwide, foreclosed homes lost almost 40 percent of their value during the bust and still remain below their peak value.



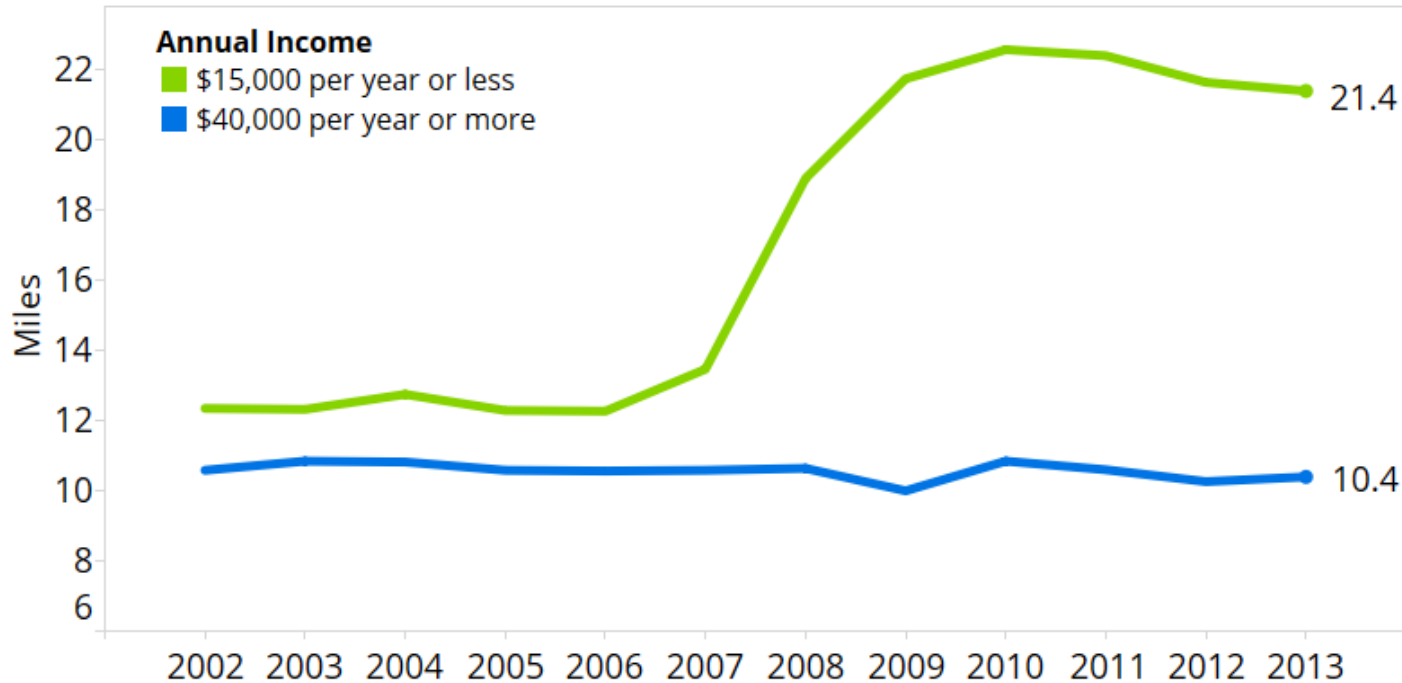
Entry level homes were hit hardest by the foreclosure crisis.

SHARE OF FORECLOSED HOMES, BY TIER



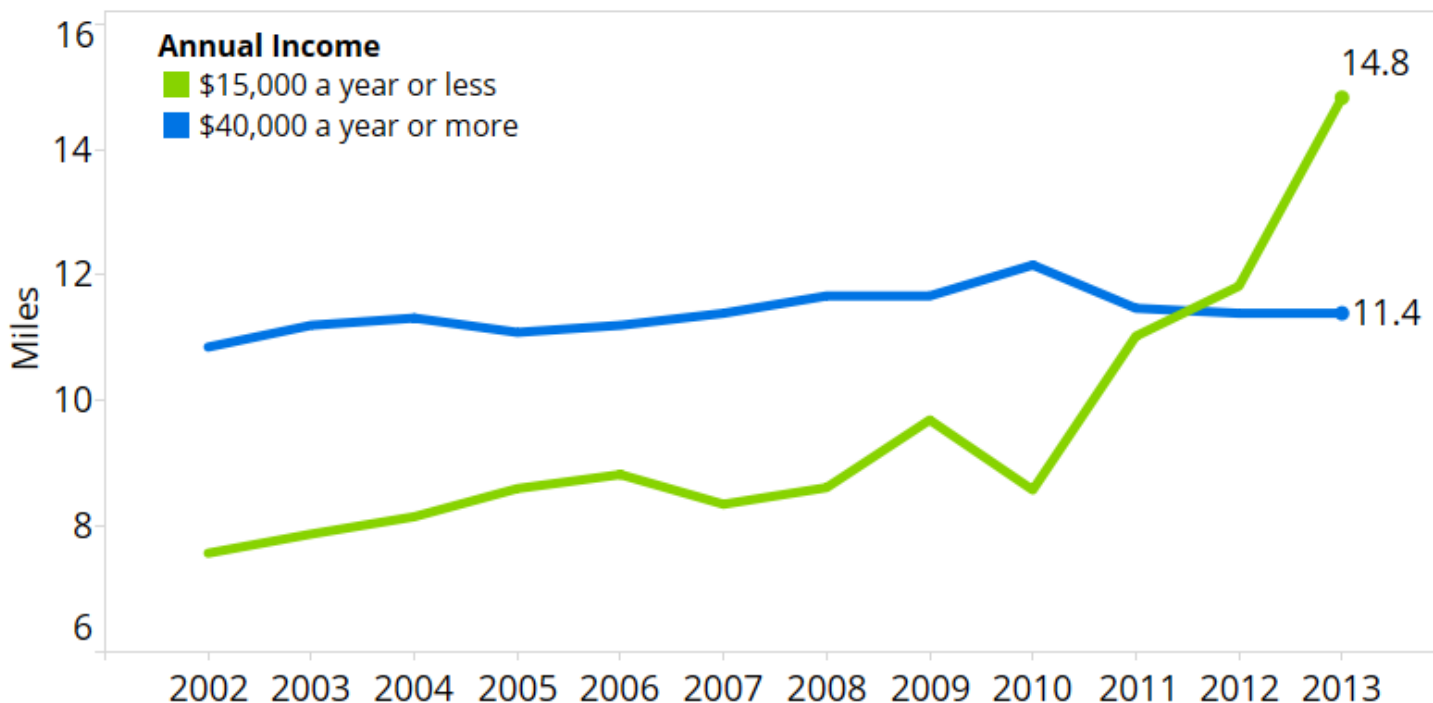
The less affluent have to trade distance in order to maintain affordability.

MEDIAN COMMUTE DISTANCE TO DOWNTOWN SEATTLE



In San Francisco, the median commute distance for lower-income workers has jumped from 9 miles to almost 15 miles in 5 years.

MEDIAN COMMUTE DISTANCE TO DOWNTOWN SAN FRANCISCO





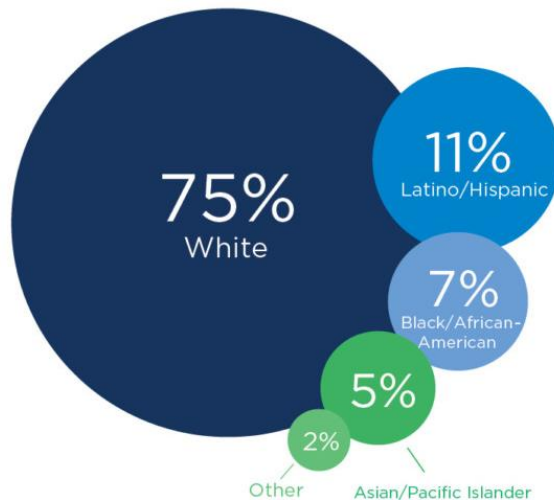
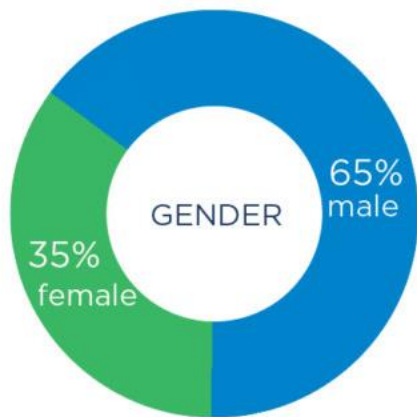
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Today's buyers, sellers, renters & homeowners are different than yesterday's.

Today's Home Buyer

Median age is

36

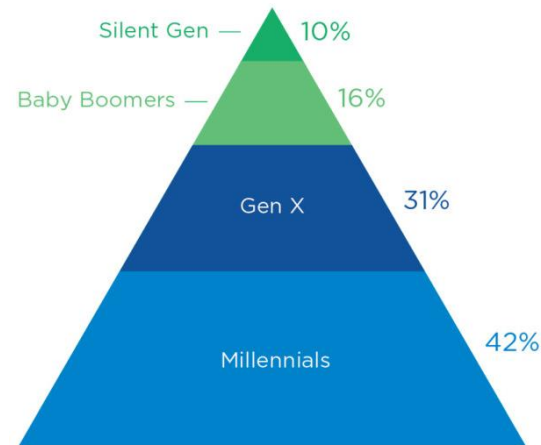


Median income is

\$87.5K

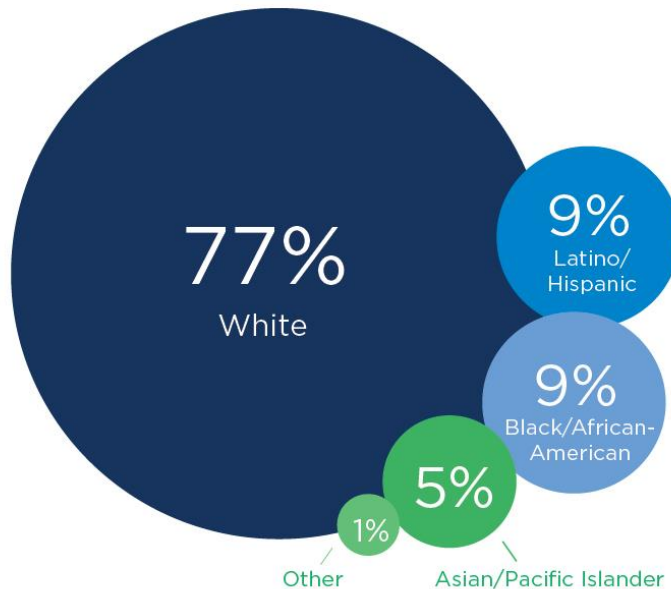
46%

Successfully close on their first offer

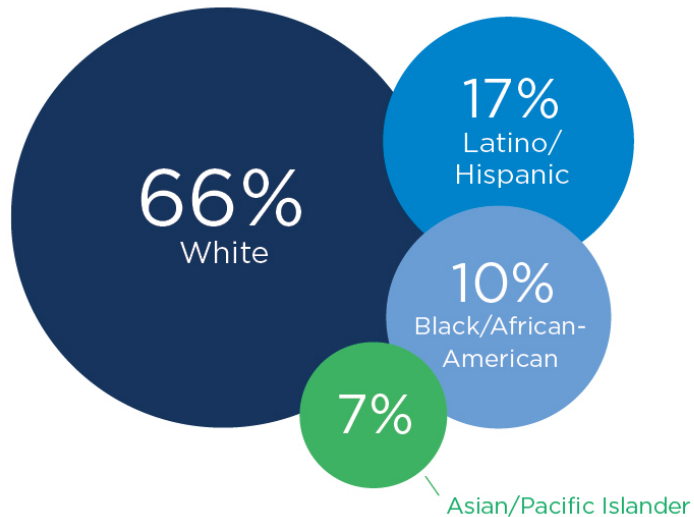


Younger buyers are more diverse than their older counterparts

ALL HOMEOWNERS



MILLENNIALS



Comparing first-time buyers then and now

1975-1979

Rented on average for **4.6** years before buying

Were **29** years of age

Households included **2.6** people

Purchased a home worth **\$99k** in today's dollars

Income was **\$55k** in today's dollars 1975-1979

2010-2013

Rented on average for **6** years before buying

Were **32.5** years of age

Households included **2** people

Purchased a home worth **\$140k** in today's dollars

Income was **\$54k** in today's

