

Q3 Economic Outlook

Featuring **Selma Hepp**



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Featuring
Selma Hepp



Featured Speaker:



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Senior Vice President, Chief
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Director of Regulatory
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SoftPro

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Uncertainty Continues To Define Consumer and Business Sentiment

Housing market benefits from more inventory and slower price growth

Economy and consumers still on solid footing, but emotions running hot: uncertainty risks include geopolitical instability, trade and tariffs, and legal and regulatory uncertainty – holding back some spending and business investments

Mortgage rate stabilize at a higher level: Mortgage rates to remain in 6.5%-7% range through 2025

Spring home-buying season disrupted by mortgage rate spike and still a tale of two markets: weak South and Southeast and solid Northeast, Midwest and parts of the West

Supply continues to rebound with 1/3 of top 100 largest markets back to 2019 levels, mostly in Florida and Texas. Shortages remain in Northeast and Midwest. California inventories rising rapidly.

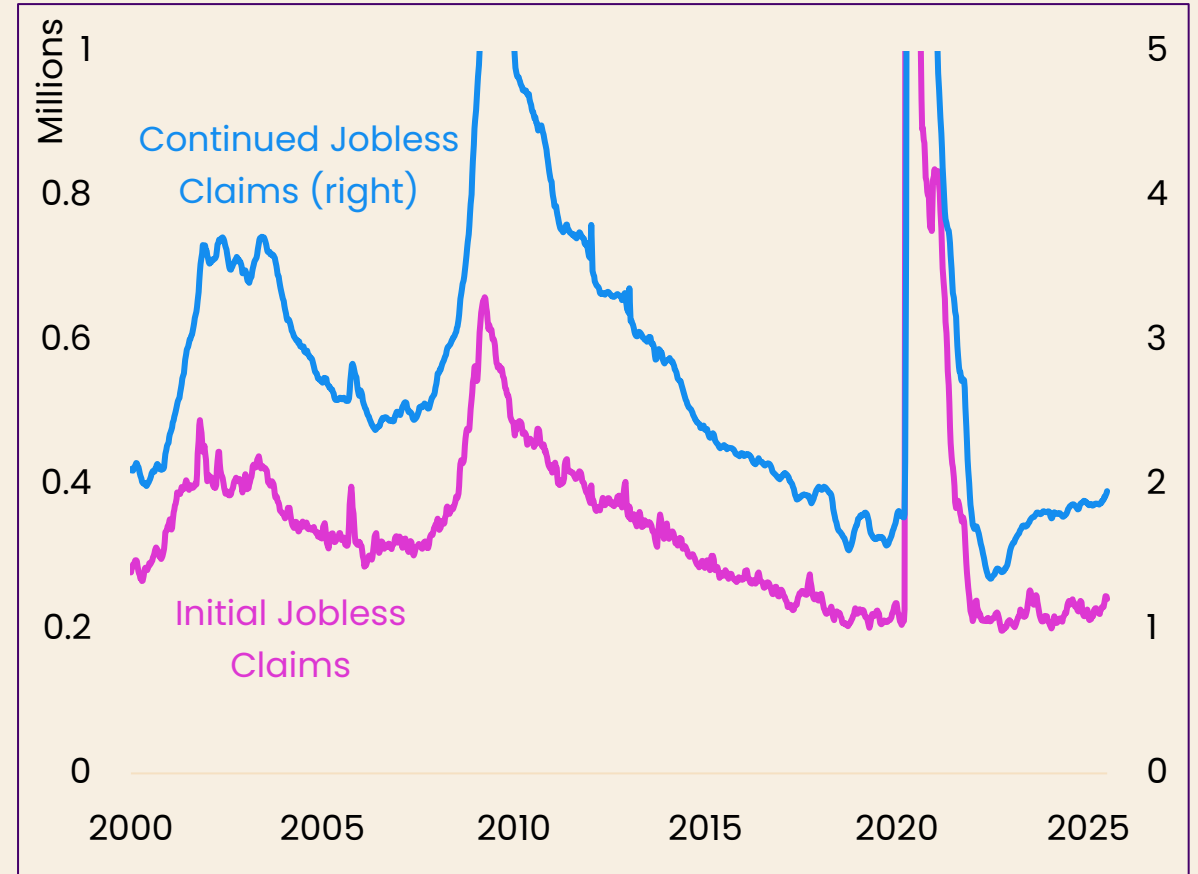
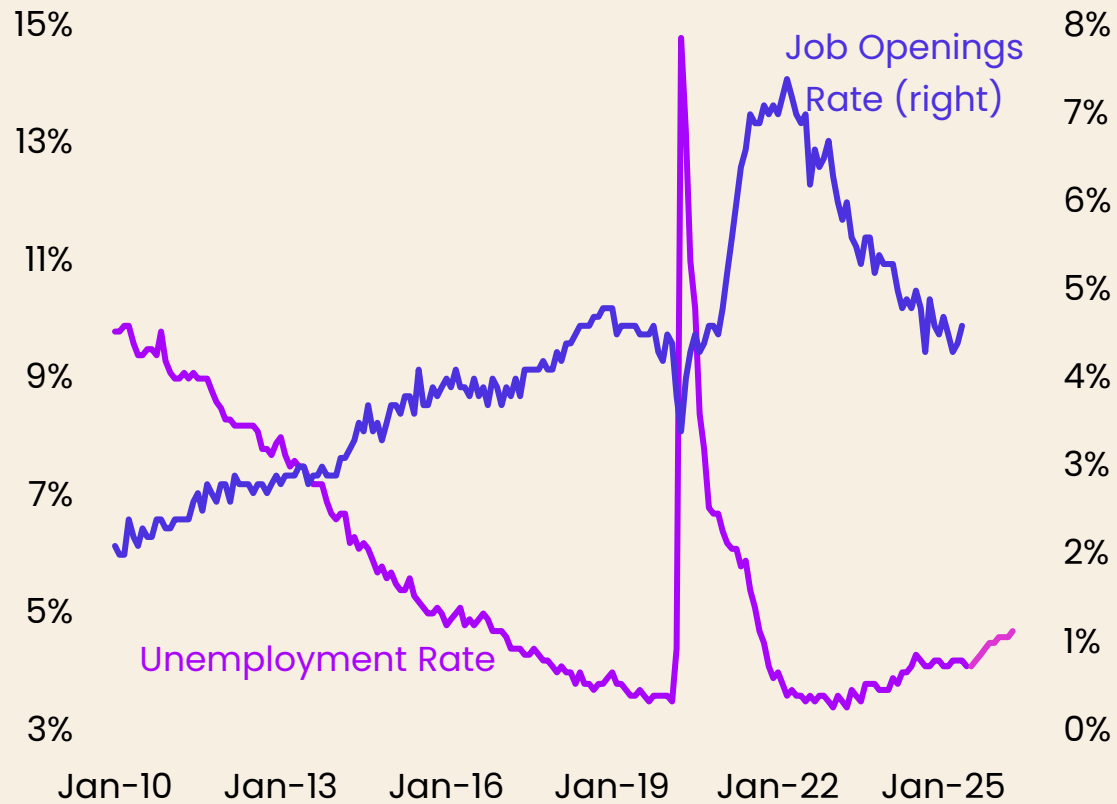
High rates and high home prices keep home price growth muted

- Some markets will remain weak given inventory buildup and increase in non-mortgage costs (taxes, insurance)
-

Growing risks: impact of natural disasters on cost of insurance, non-mortgage costs rising. Mortgage delinquencies rising among low-downpayment, lower income households who recently bought a home

Labor Market Slowing : Continued Unemployment Claims To Signal Potential Concerns

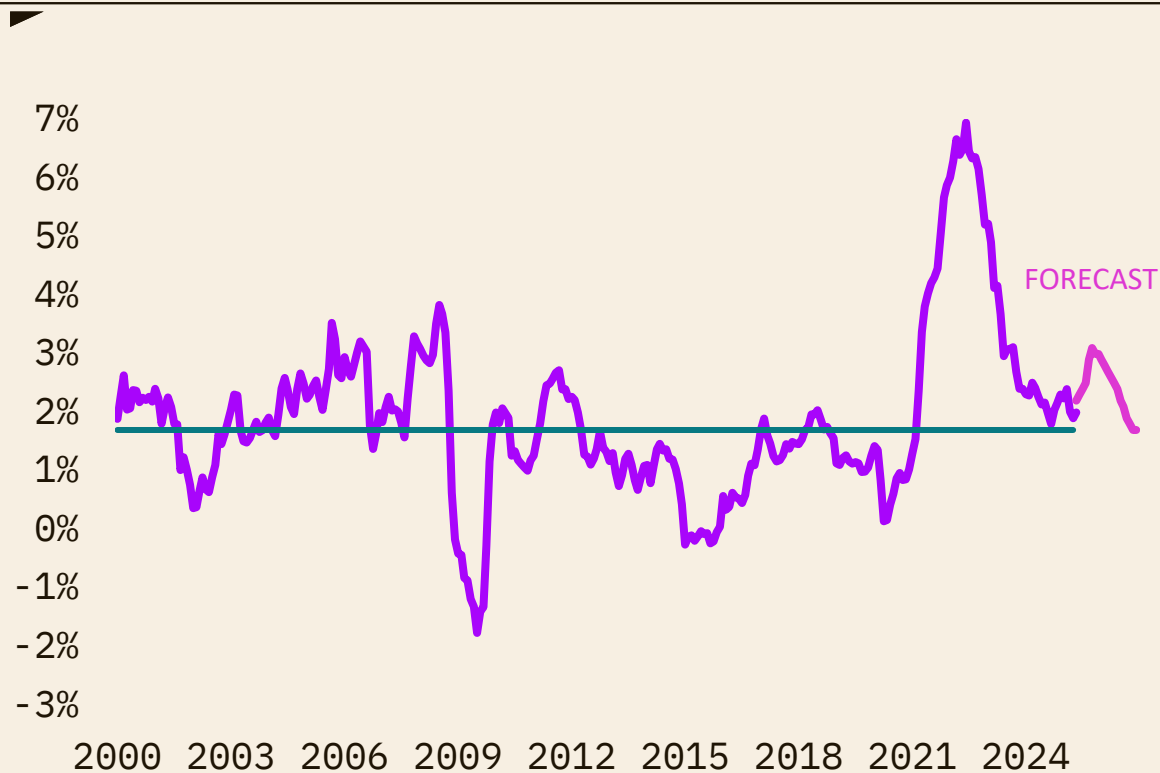
Unemployment rate expected to increase to 4.7% by 2026



Source: BLS (unemployment rate, JOLTS), IHS Global Markit (July 2025, unemployment forecast); U.S. Employment and Training Administration (4-Week Moving Average of Initial Claims and Continued Claims, Number, Weekly, Seasonally Adjusted)

Inflation and Inflation Expectations Moving Away From The Fed's 2% Inflation Target

U.S. PCE Inflation 12-Month Change



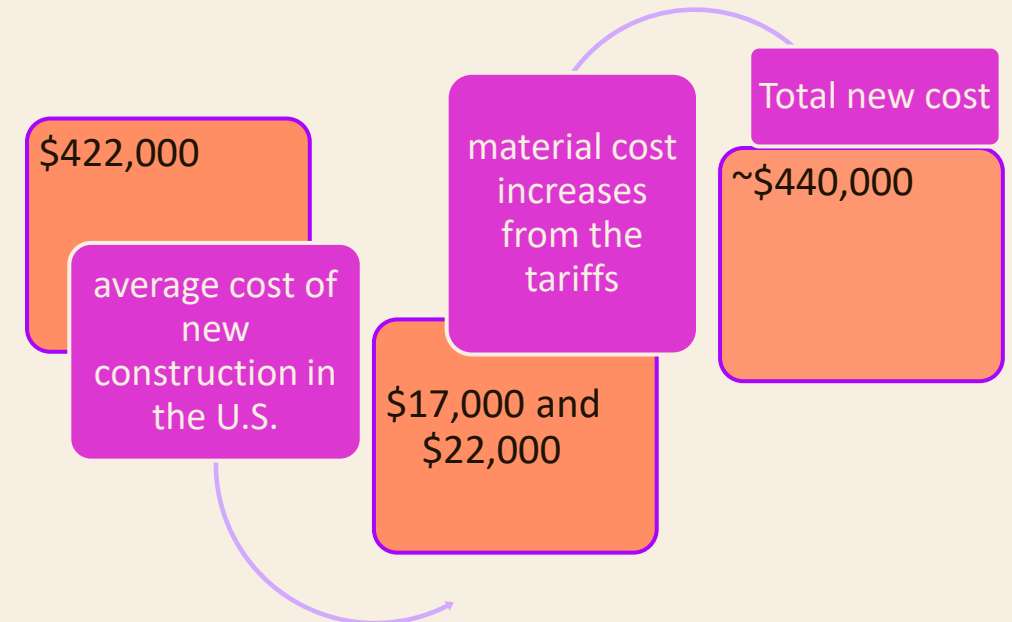
- While the rate of inflation has subsided and continues to move closer to the Fed's 2% target, there are concerns of inflation rate picking back up later this year as a result of tariffs which are expected to drive the cost of inputs higher
- The rate of inflation is forecasted to increase to 3.3% before returning to the 2% range by the end of 2026
- Even with inflation picking up the pace again, it would remain relatively low compared to the spike experienced during the pandemic.

Source: BEA, IHS Global Markit (July 2025); University of Michigan, University of Michigan: Inflation Expectation

Impact of Tariffs on Construction Costs & Affordability

Up to a 10% increase in construction material prices over the next 12 months

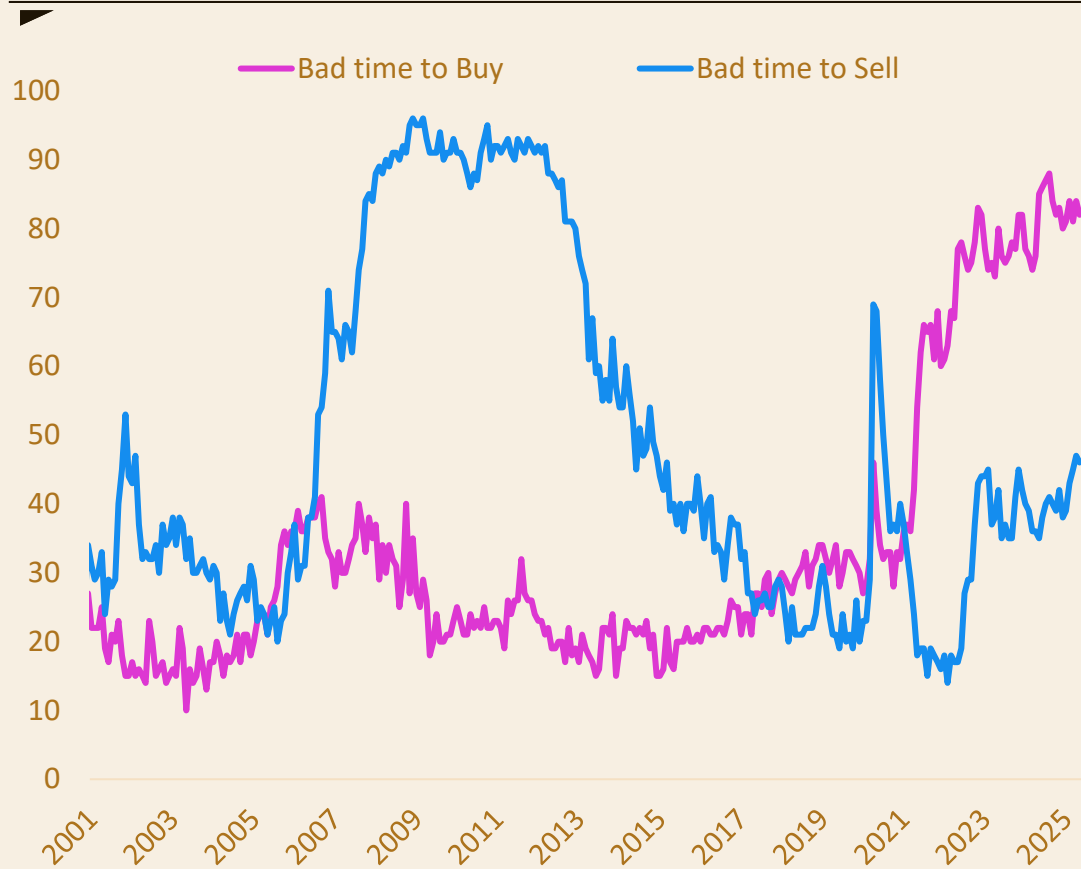
- Material generally represents 40-60% of the cost of construction
- Tariffs could push home construction costs up by 4% – 6% over the next 12 months
- Lumber, Concrete, Steel and Household fixtures, such as appliances, lighting, and cabinetry, could increase in price by 10-20%, and could alter construction project budgets by double-digit percentages
- Rising costs would eat into builders' profit margins. The average profit margin in 2024 was 11%



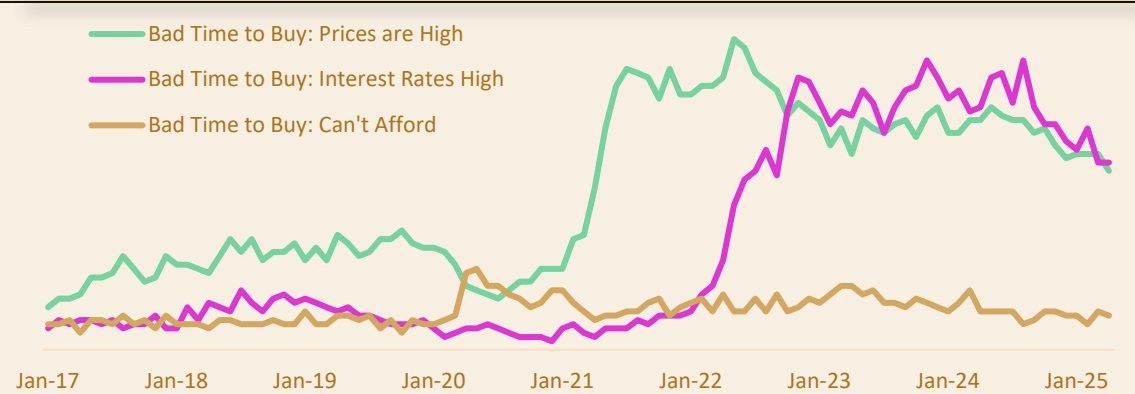
Consumer Standoff: Bad Time to Buy, Less Bad to Sell

High mortgage rate continues to hold back both home buyers and home sellers

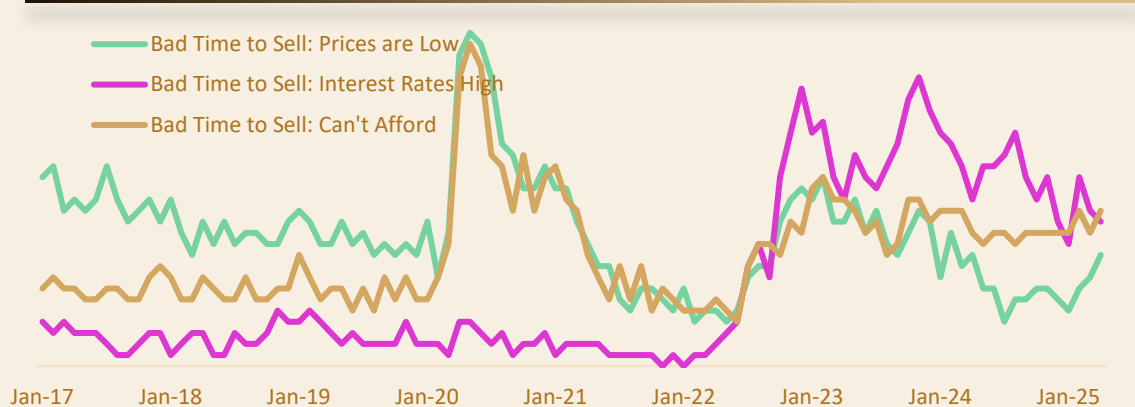
Bad Time to Buy and Sell



Bad Time to Buy



Bad Time to Sell



Source: University of Michigan



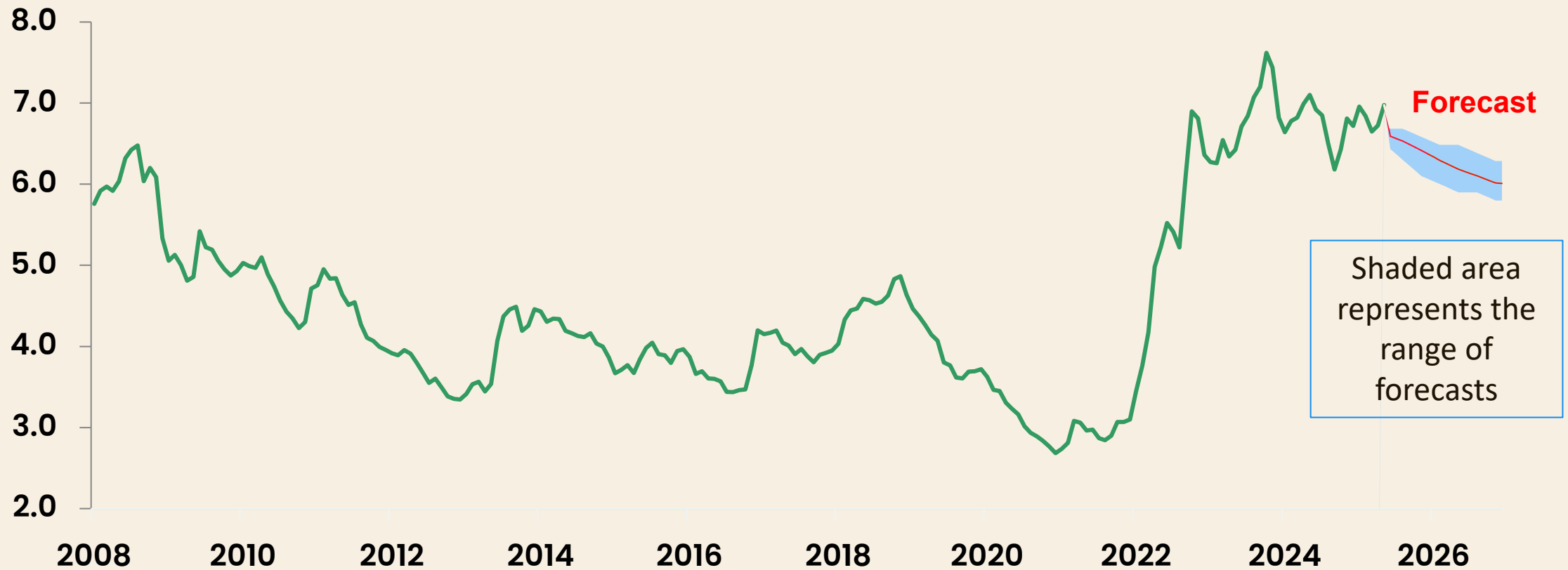
Mortgage Markets

Fed on pause and mortgage rates expected to remain higher for longer. New purchases and refinances will be muted. Owners have large amounts of home equity and mortgage performance is strong

Mortgage Rates Moving Up In the Middle of The 2025 Spring Home Buying Season

Mixed outlooks for 2025: rising unemployment may drive rates lower, while tariffs and debt may push them higher

30-year Fixed-Rate Mortgage, with high/low/average forecast

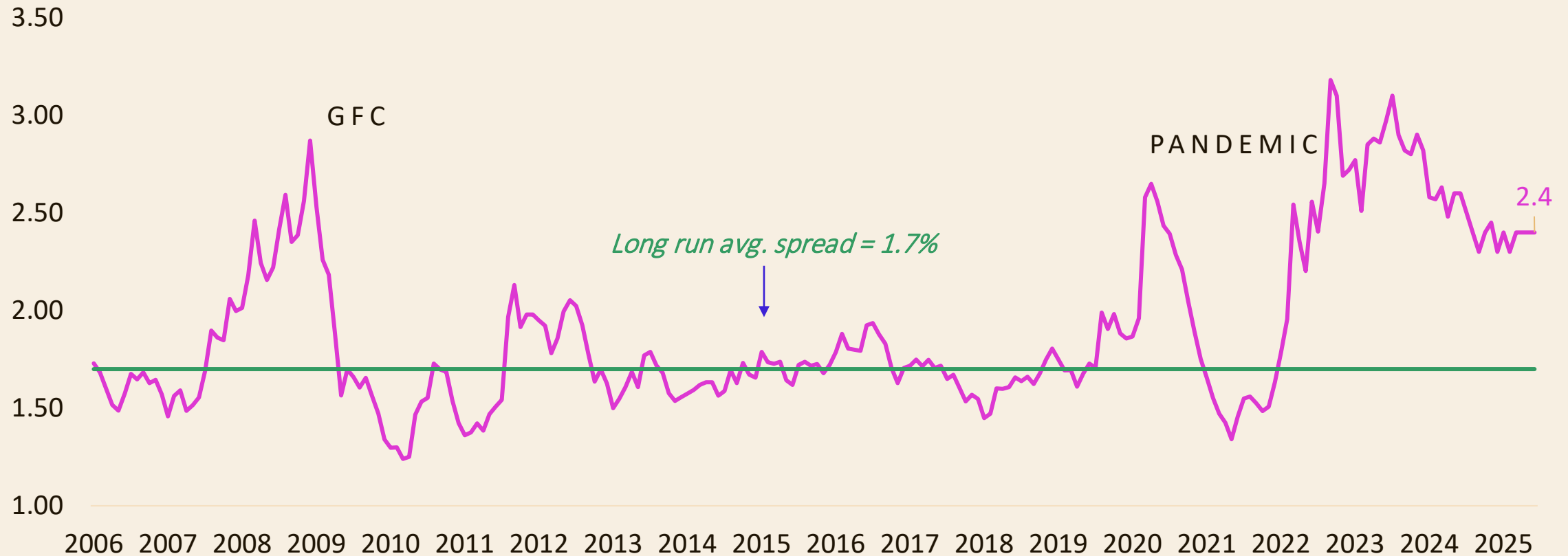


Source: Freddie Mac Primary Mortgage Market Survey®, forecast is consensus of external forecasts updated 5.28.2025. Forecast are from May 2025.

Mortgage Rate Spread Steadies at 2.4pp

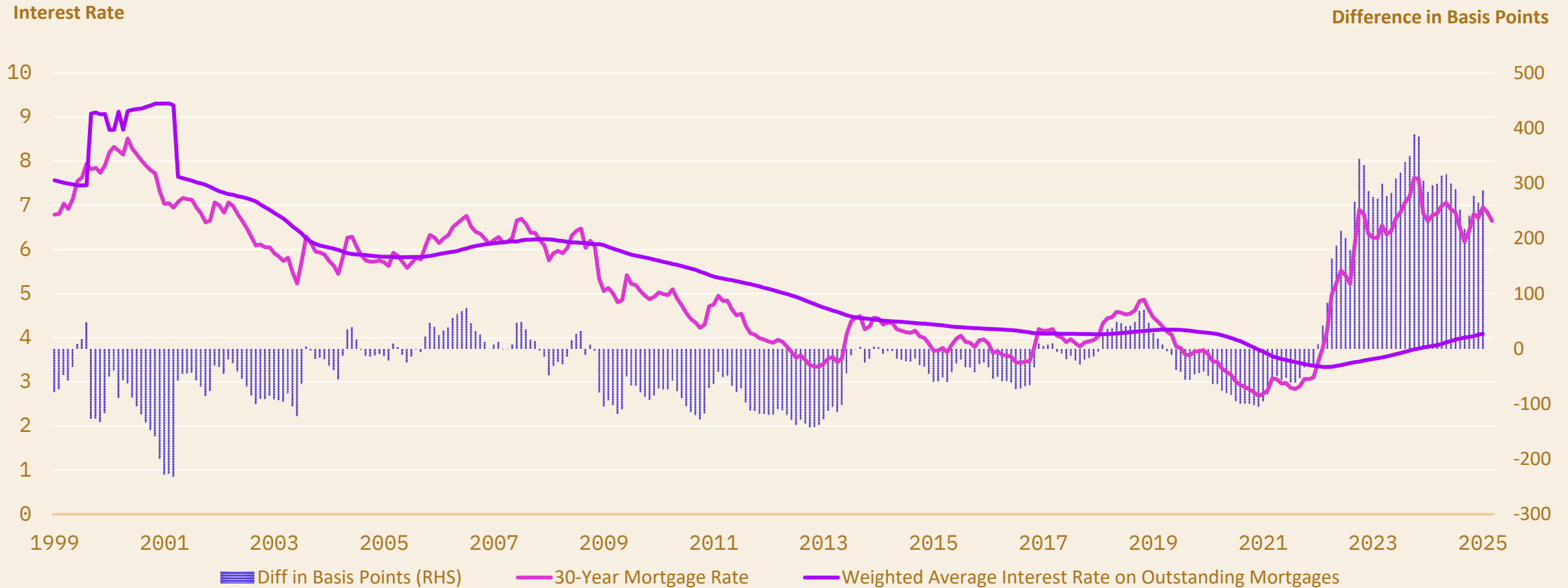
Prepayment risk, fewer investors drive spread, also Fed uncertainty and fixed costs

30-year Fixed-Rate Mortgage – 10-year Treasury



Source: Freddie Mac Primary Mortgage Market Survey®, Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity

Gap in Prevailing Mortgage Rate and Outstanding Mortgage Rate Historically High And Keeping Sellers Put

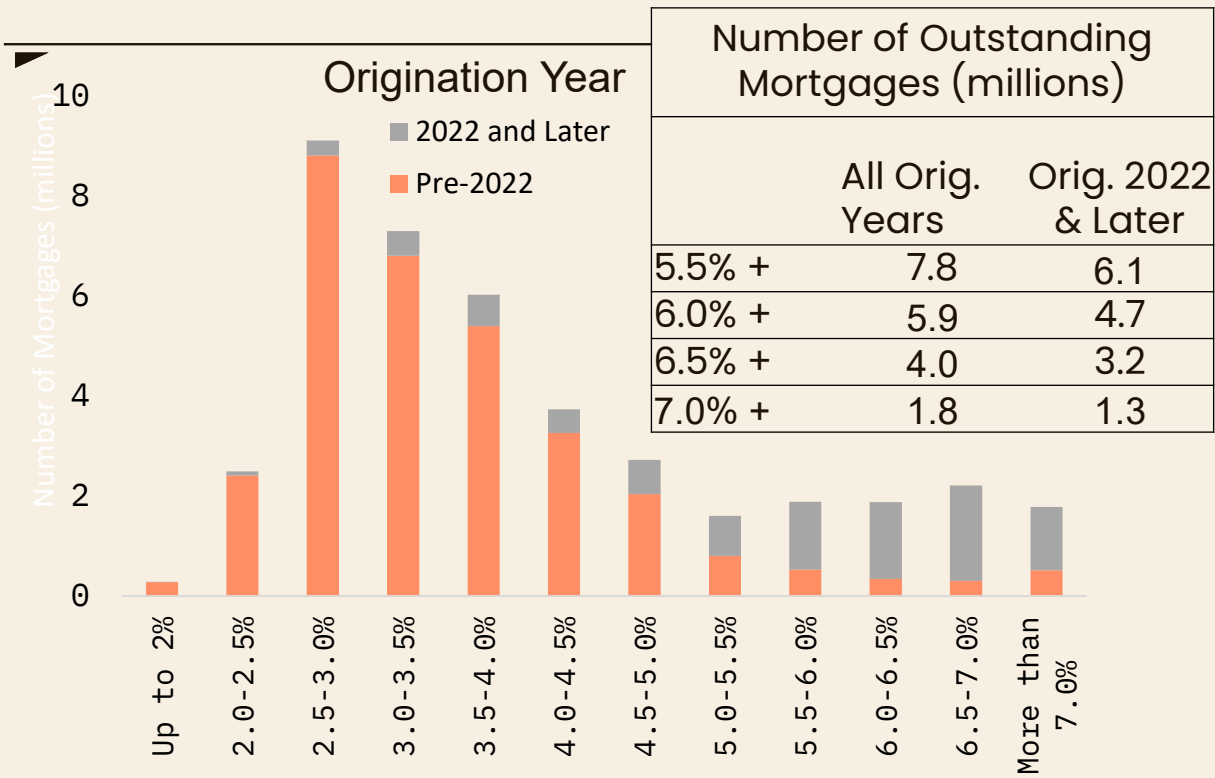


Source: Freddie Mac Primary Mortgage Market Survey®, CoreLogic TrueStandings Servicing

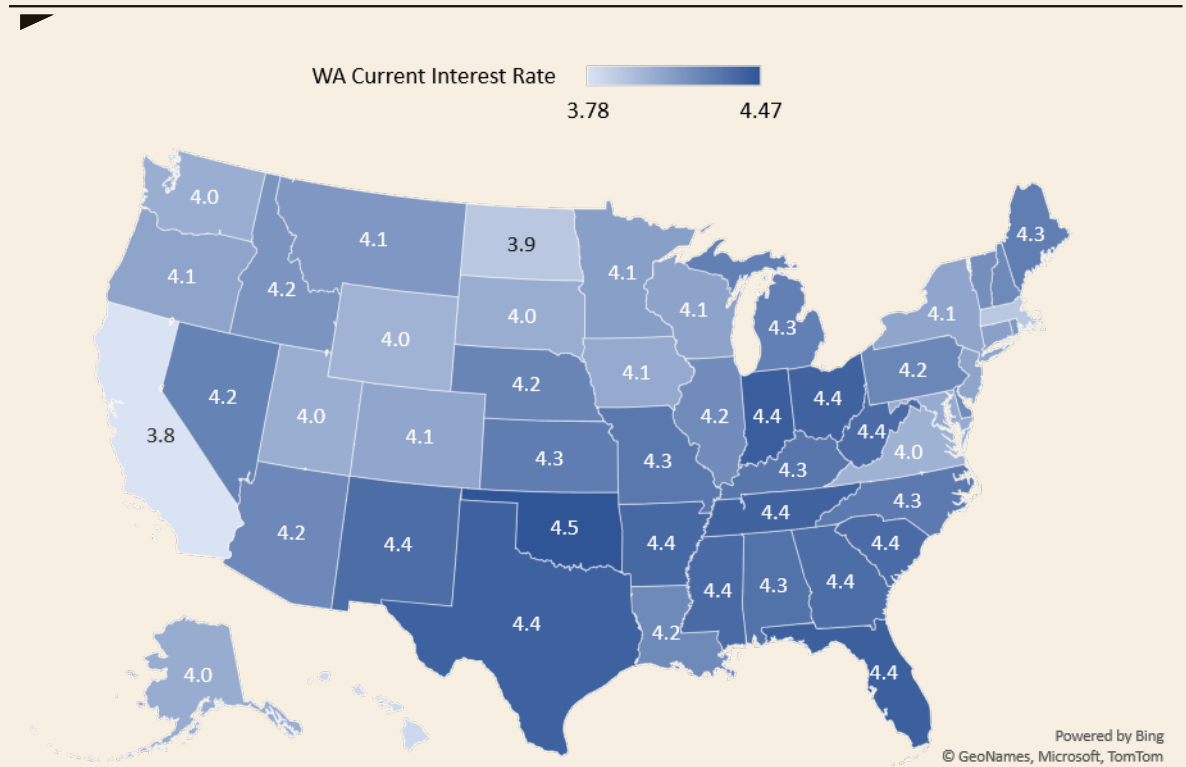
Higher-For-Longer Rates Raises ITM Mortgage Rate

Only 13% of Mortgages Originated since 2022 have Rates Above 7.0%

Mortgage Rate of Outstanding Mortgages As of April 2025



Weighted Avg Mortgage Rate of Outstanding Mtgs By State

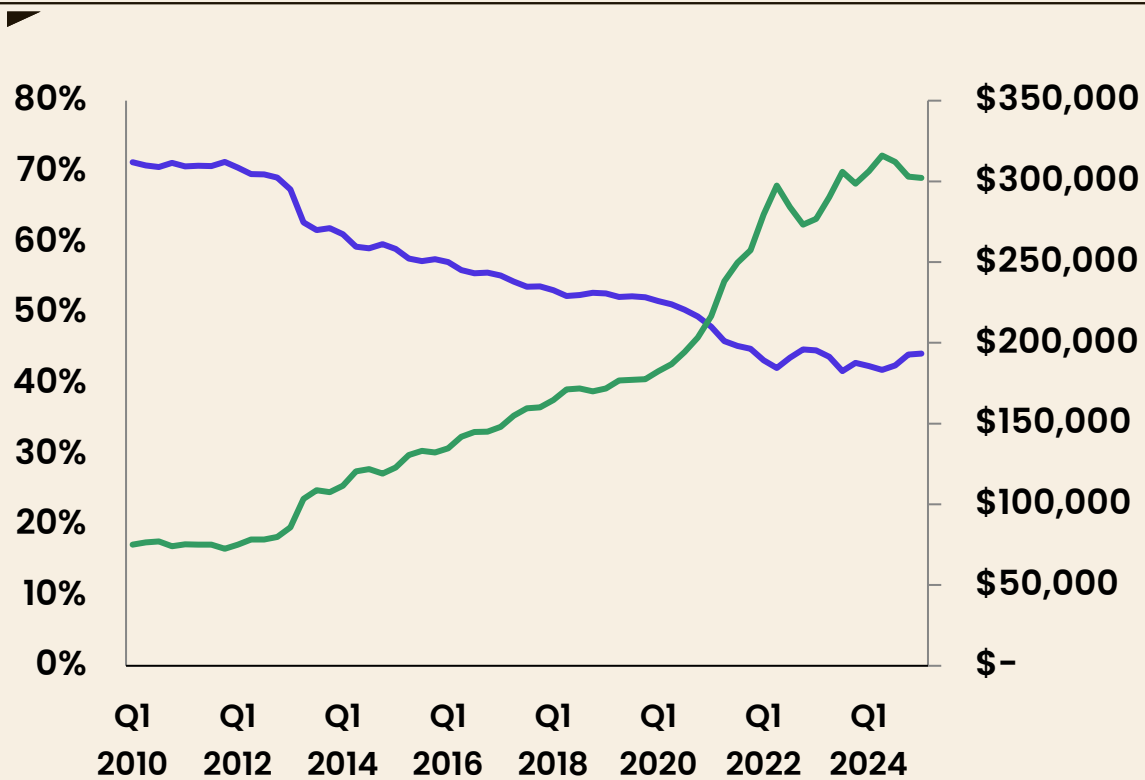


Source: Cotality True Standing Servicing as of April 2025

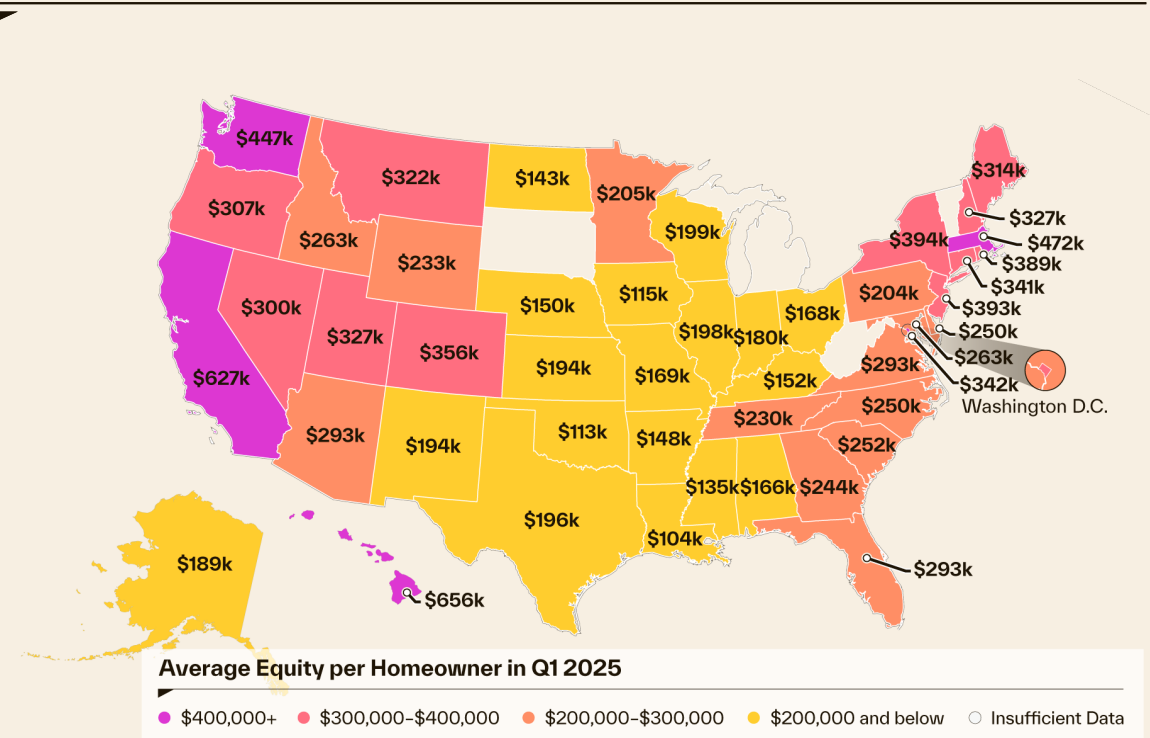
Home Price Growth Led to Significant Equity Buildups

The average borrower with a mortgage has over \$302,000 in equity, though many borrowers have twice that

Average Equity per Borrower & Average Loan-to-Value



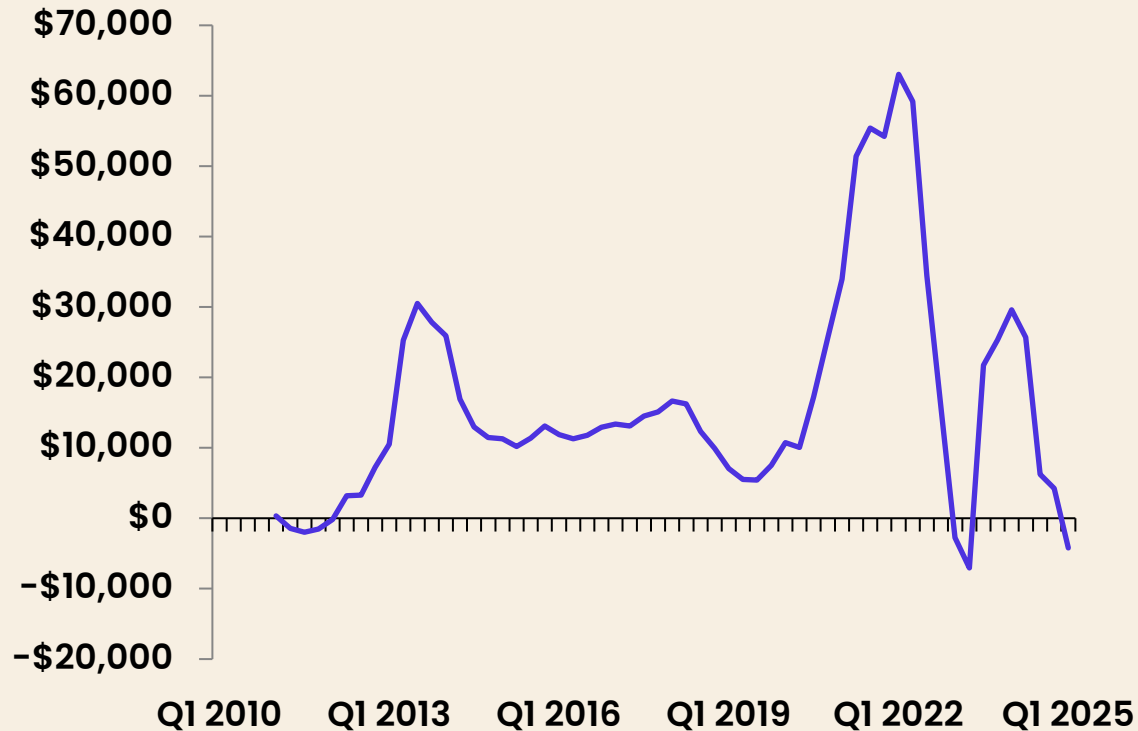
Equity per Borrower by State



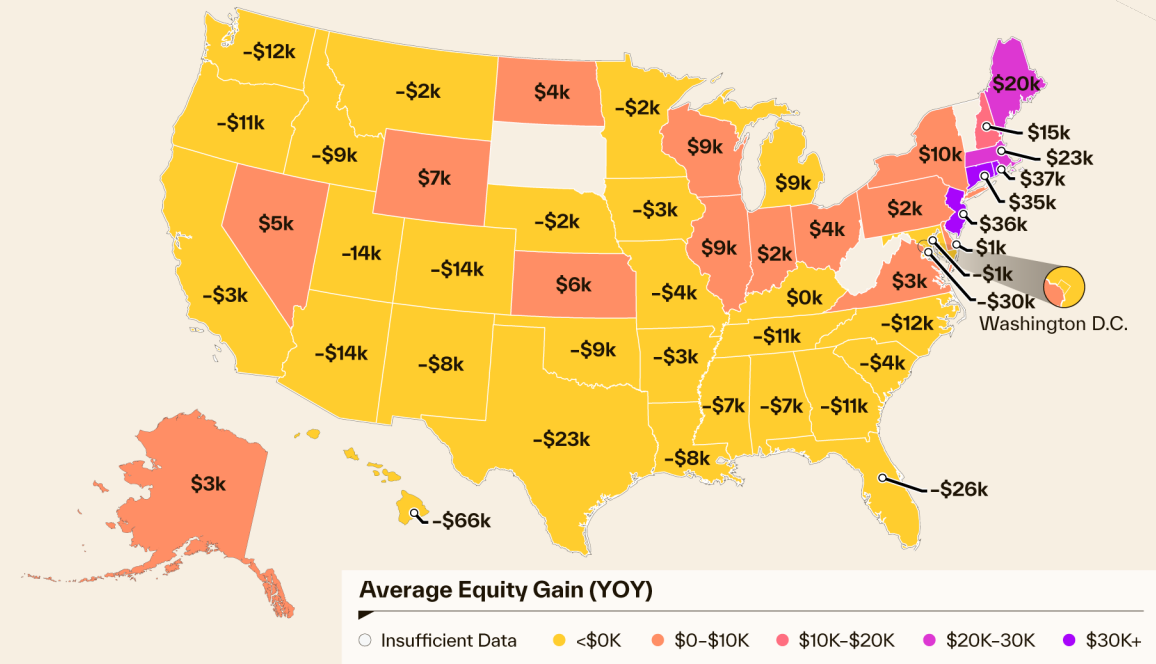
Slowing Home Price Gains and Equity Extractions Lead To Declines In Average Equity Per Borrower...

Borrowers lose \$4,200 year-over-year in Q1 2025, though wide variations across markets

Average Annual Gain Per Borrower



Annual Change Per Borrower By State

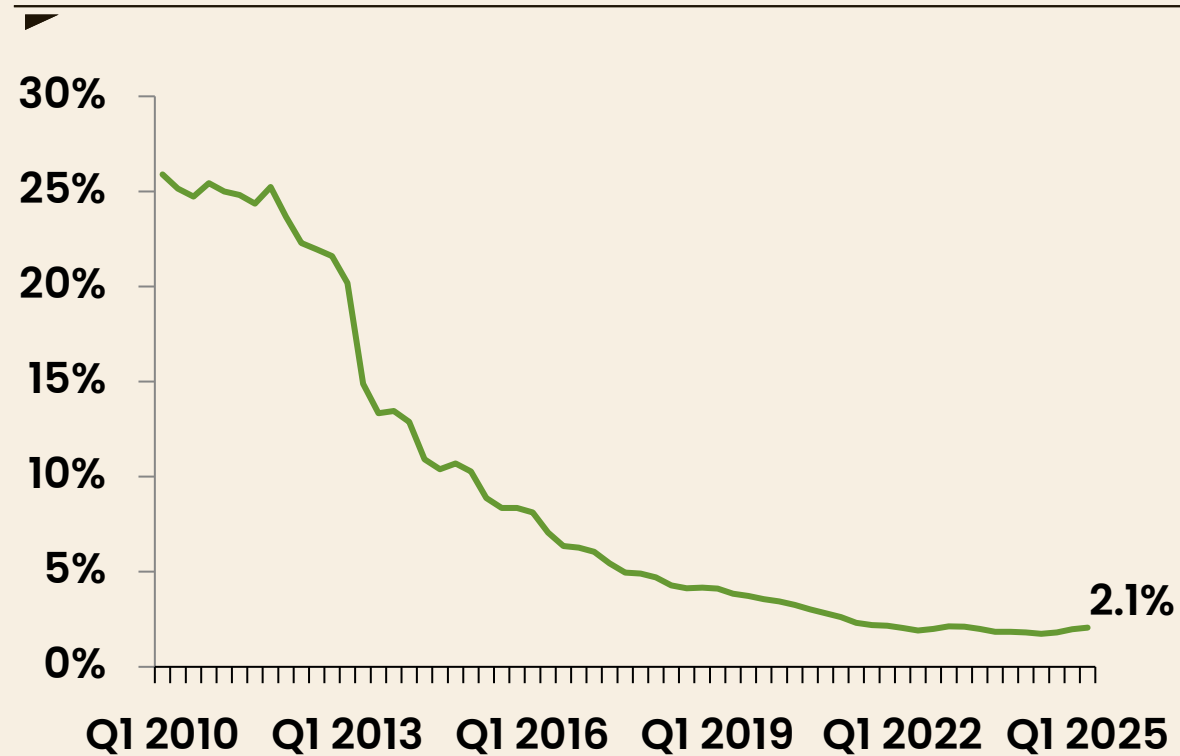


And Concerns About Rising Negative Equity For Some

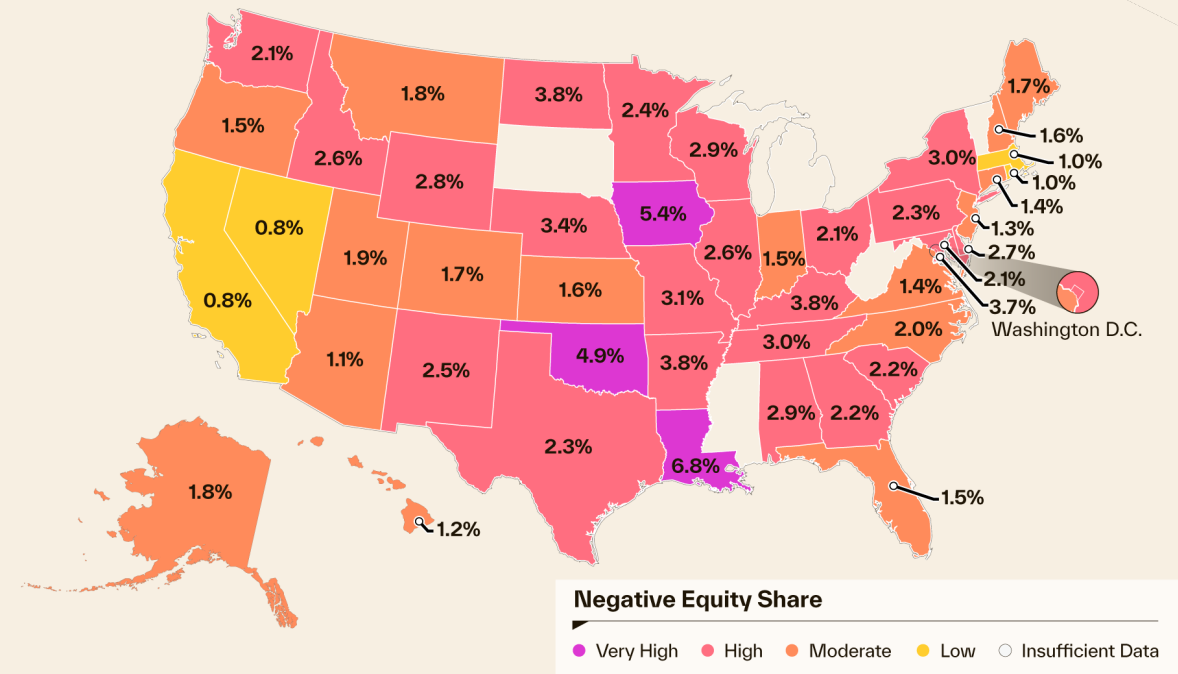
Negative equity share increases in Louisiana, Florida, Texas, and other areas impacted by natural disasters

If prices fell 10%, only 1% of borrowers would fall into negative equity.

Share of Borrowers in Negative Equity



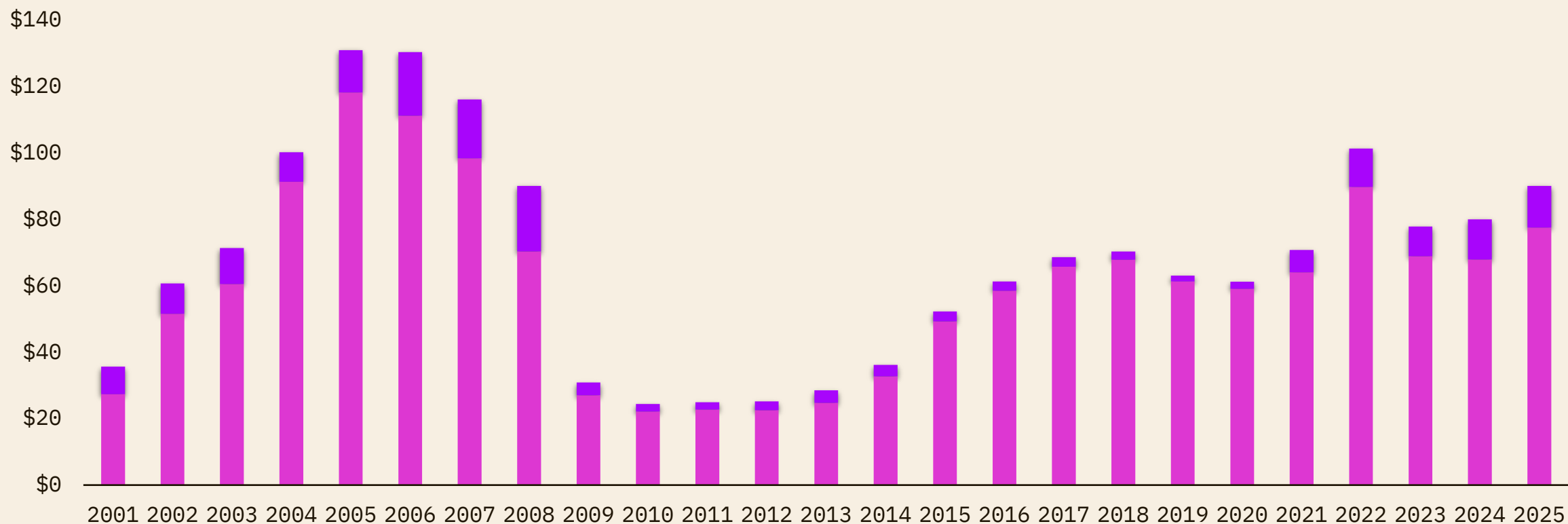
Negative Equity Share



Home Equity Loans Grew from Last Year

HELOCs Counts Up 5% (Volume 14%), Home Equity Count Up 3% (Volume 4%) in 2025 Year-To-Date

HELOCs and Home Equity (Closed) volume (through April)



Source: CoreLogic Public Records



Housing Supply and Demand

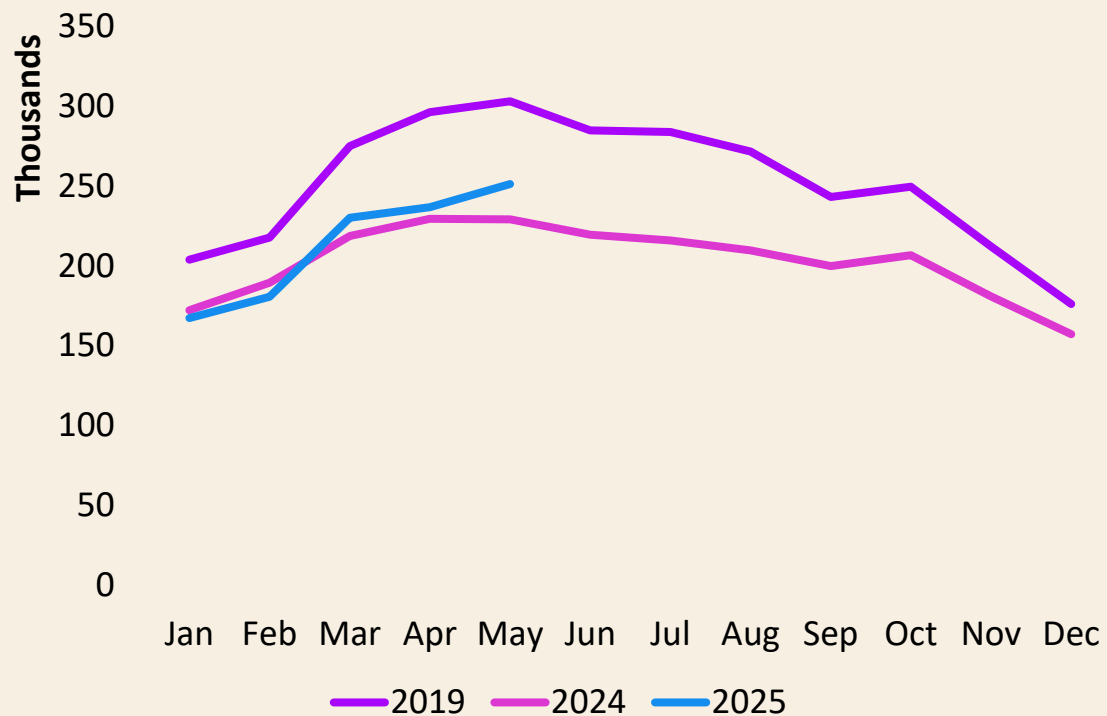
Even brief drops in mortgage rates entice home buyers who are still struggling with affordability.

Historic undersupply of homes suggest strong pent-up demand

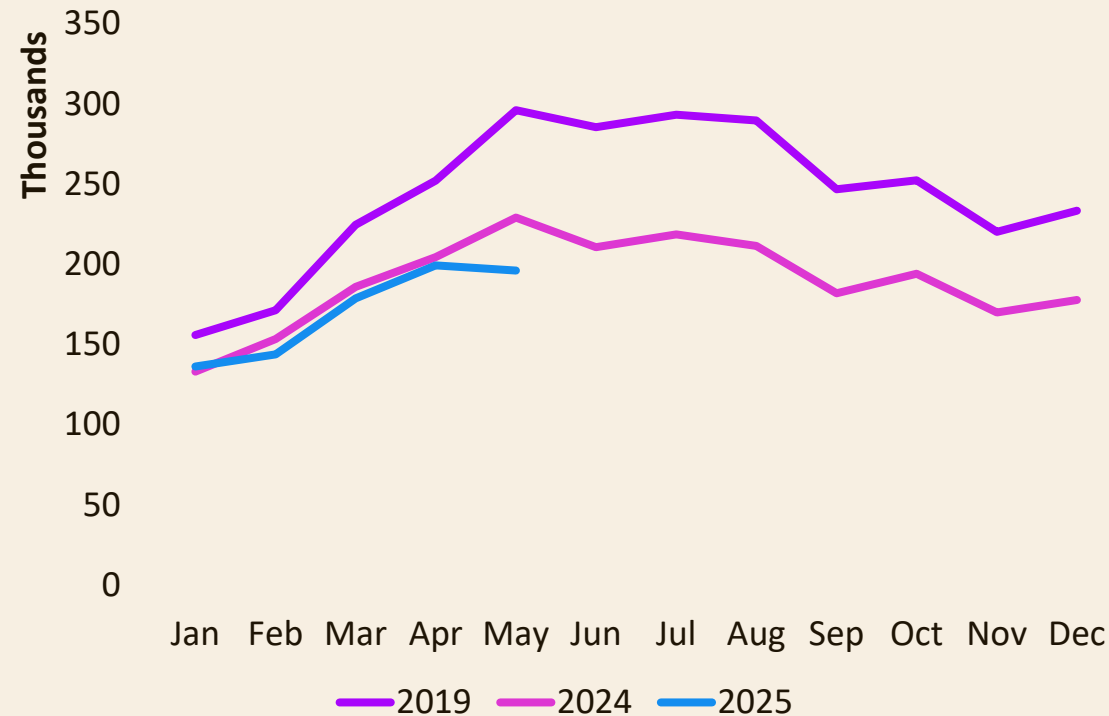
2025 Monthly Pending Sales Rise, Though Pick-Up Was Short Lived

Monthly pending sales are now 10% over May of 2024

Monthly Pending Sales

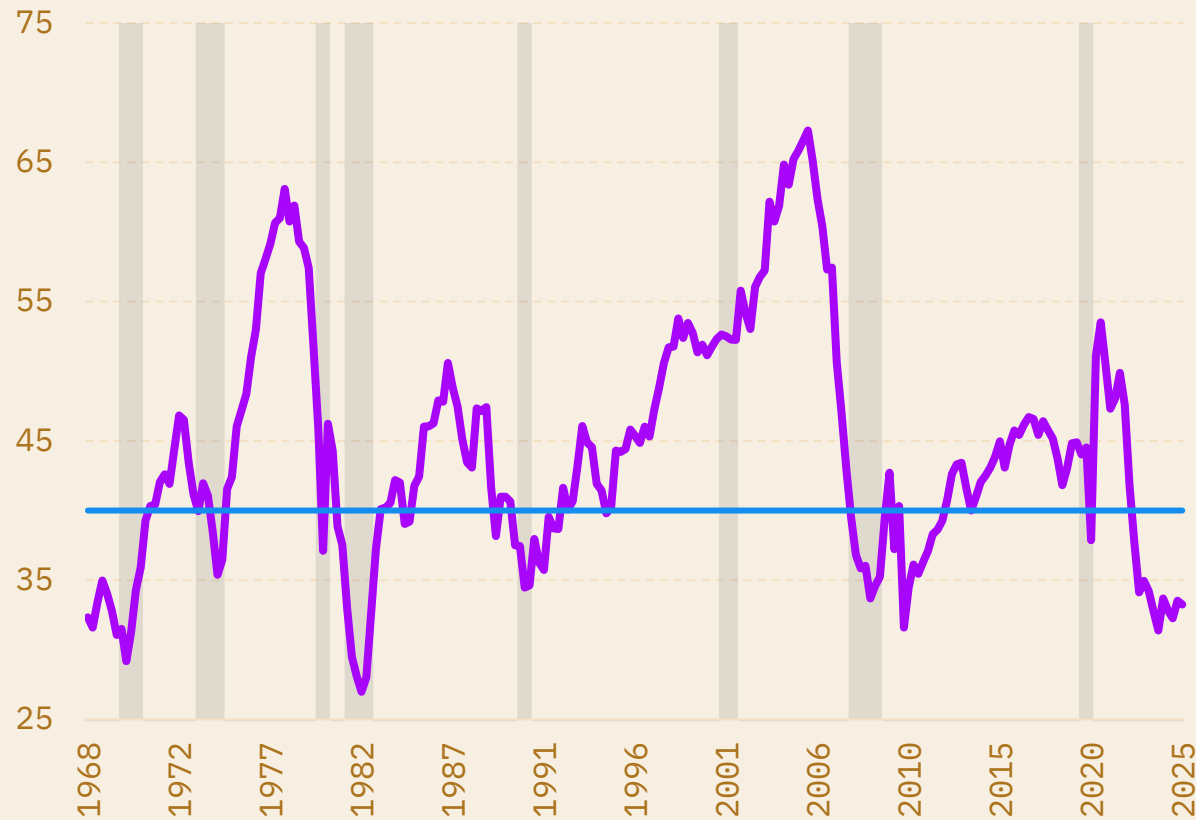


Monthly Closed Sales

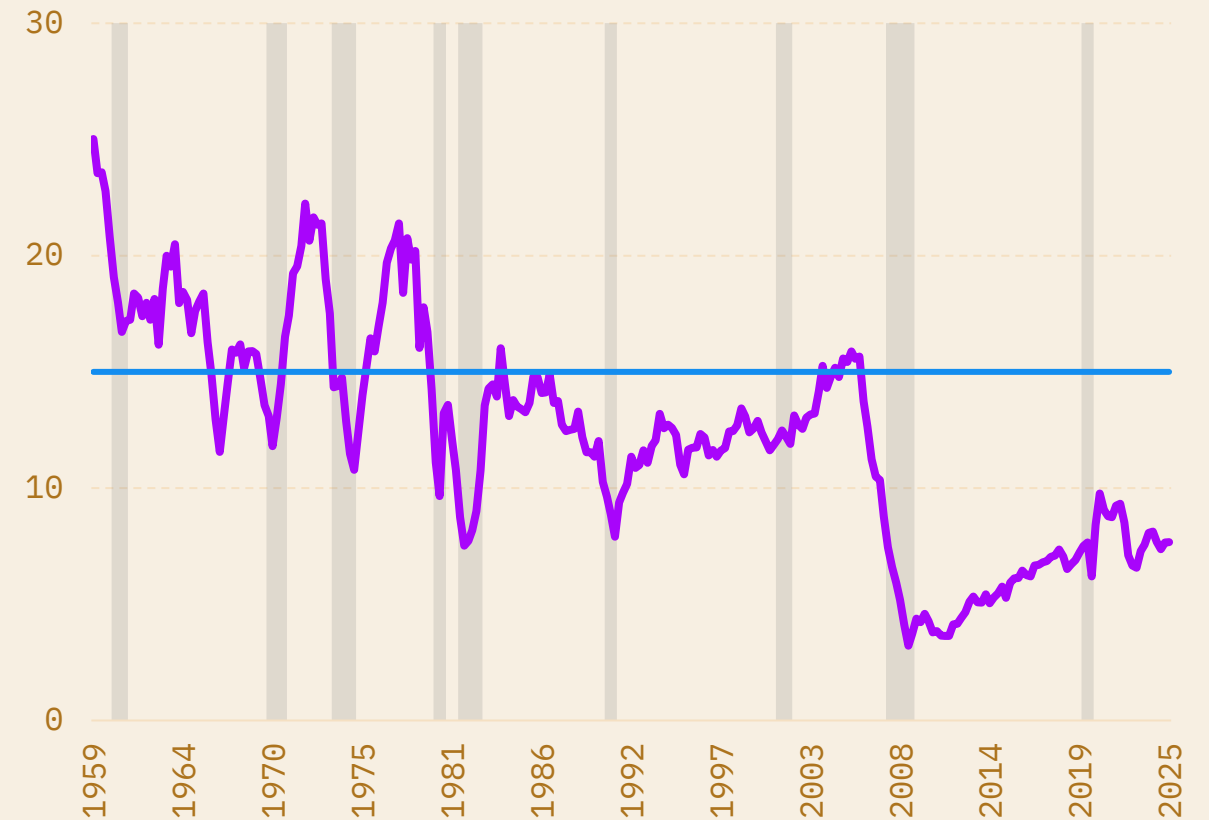


Low Housing Turnover And Lack of New Construction Suggest Inventories Are Limiting Strong Pent-Up Demand

Total Home Sales Per 1000 Households (SAAR)



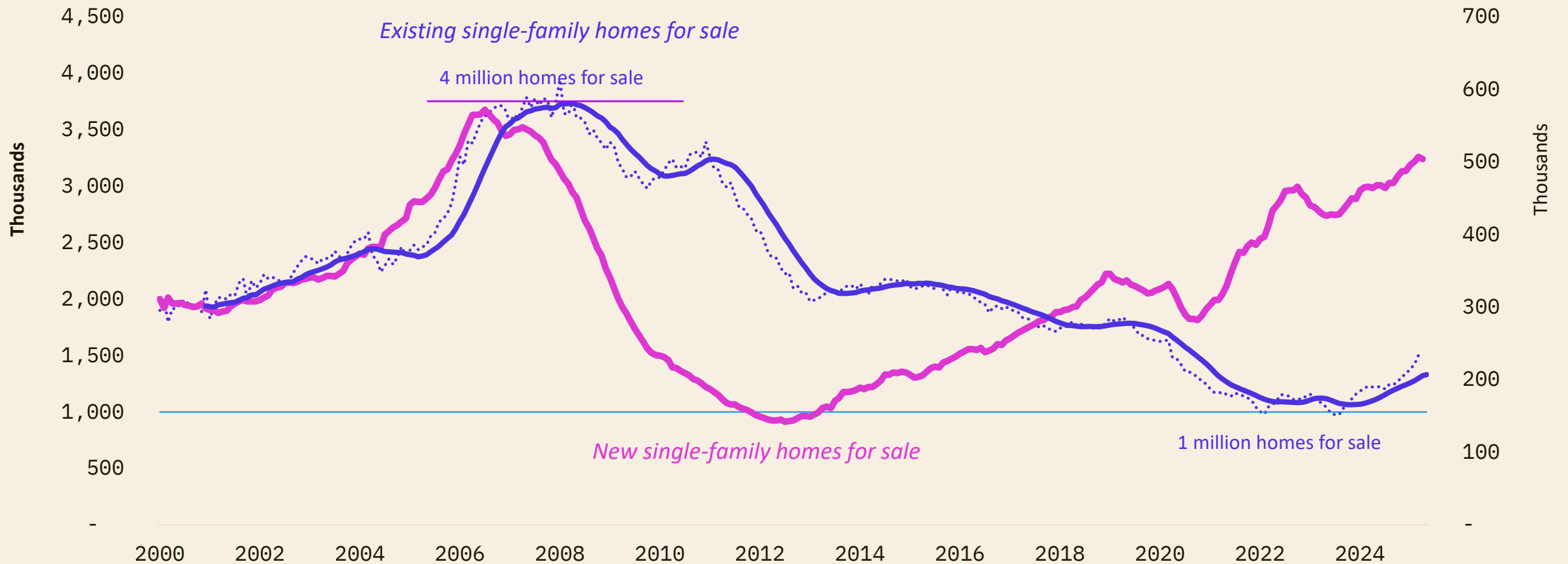
Single-Family Housing Starts Per 1000 Households (SAAR)



Source: NAR, Census Bureau, NAHB

Inventory of Homes For Sale Remains Historically Low Despite Increase in New Construction and More Existing Inventories

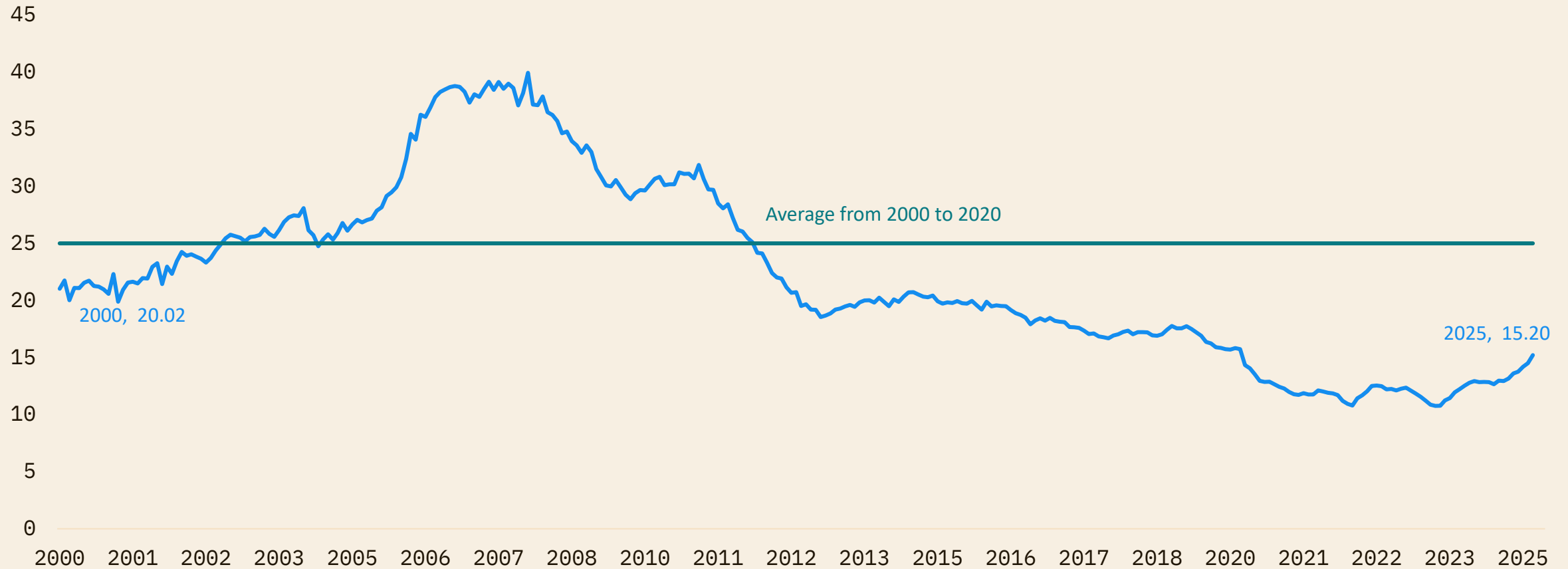
Just 25% of new home inventory consists of standing inventory or homes that have completed construction (124,000 homes)



Source: National Association of Realtors; Census-HUD

Inventory of Homes For Sale Remains Historically Low Despite Increase in New Construction and More Existing Inventories

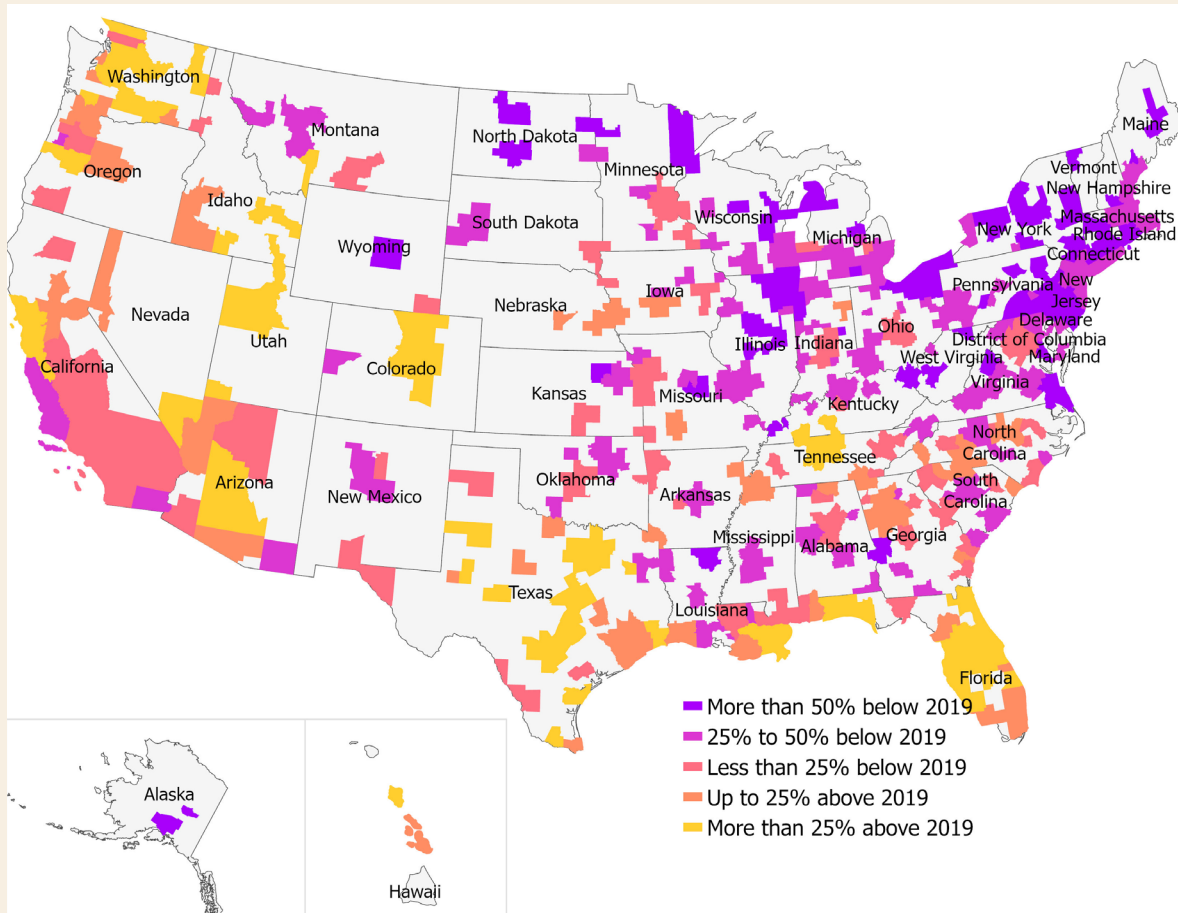
Inventory of Homes for Sale (New and Existing) Per 1000 Households



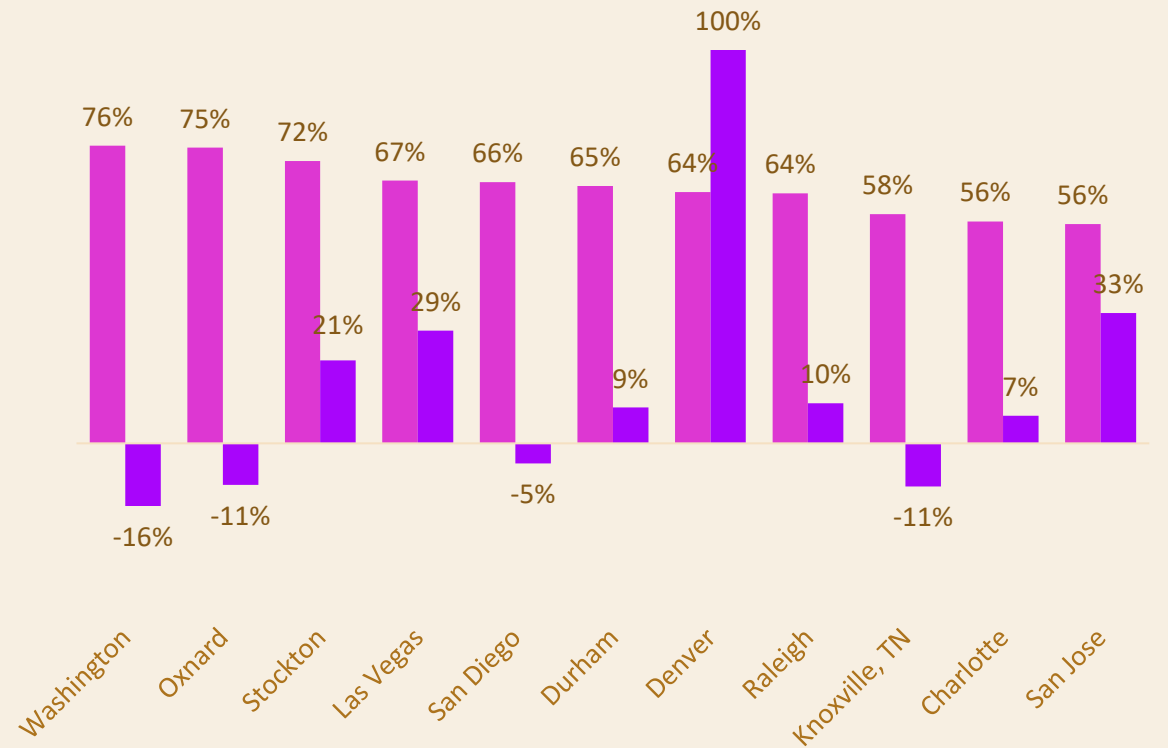
Source: National Association of Realtors; Census-HUD

Increasing For-Sale Inventories Provide Buyers With Advantage

Western markets, DC & NC see largest increases in active inventories in 2025

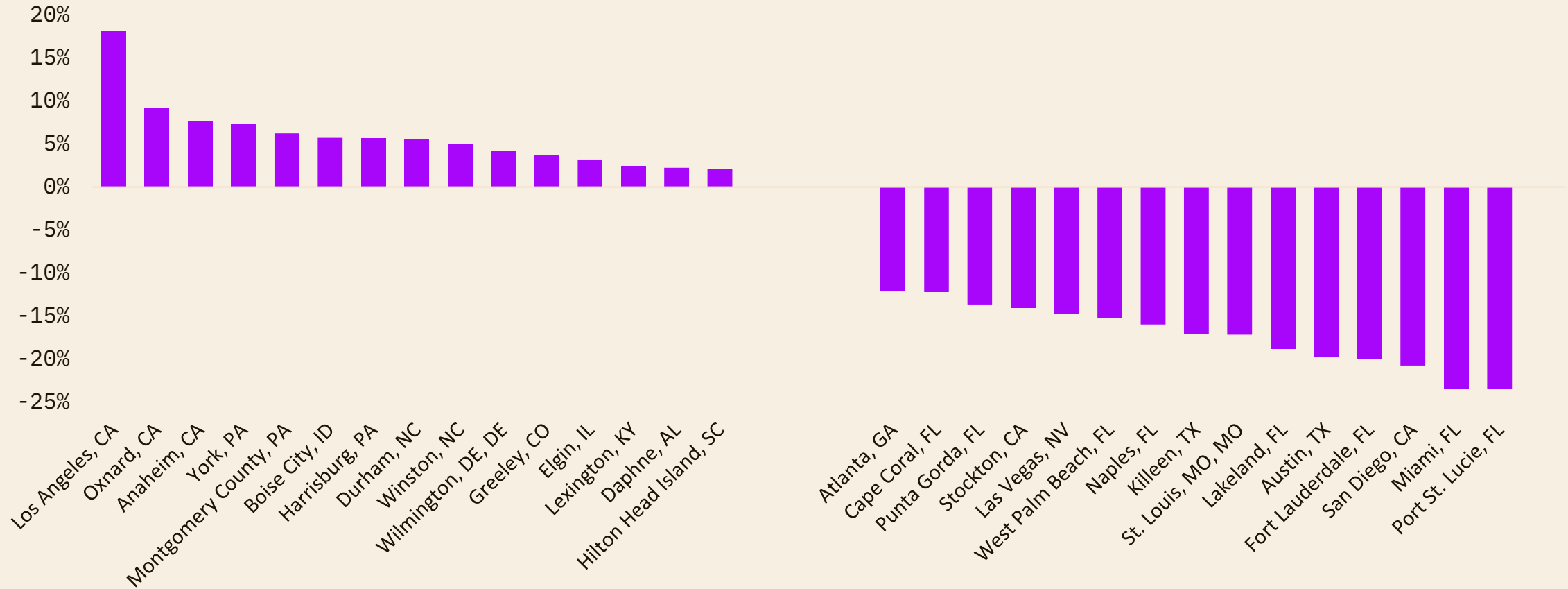


Markets with largest May 2025 YOY increase in for-sale inventory, compared to May 2017-2019



Mid-Atlantic And West Coast See More Activity In 2024, Continuing Into 2025

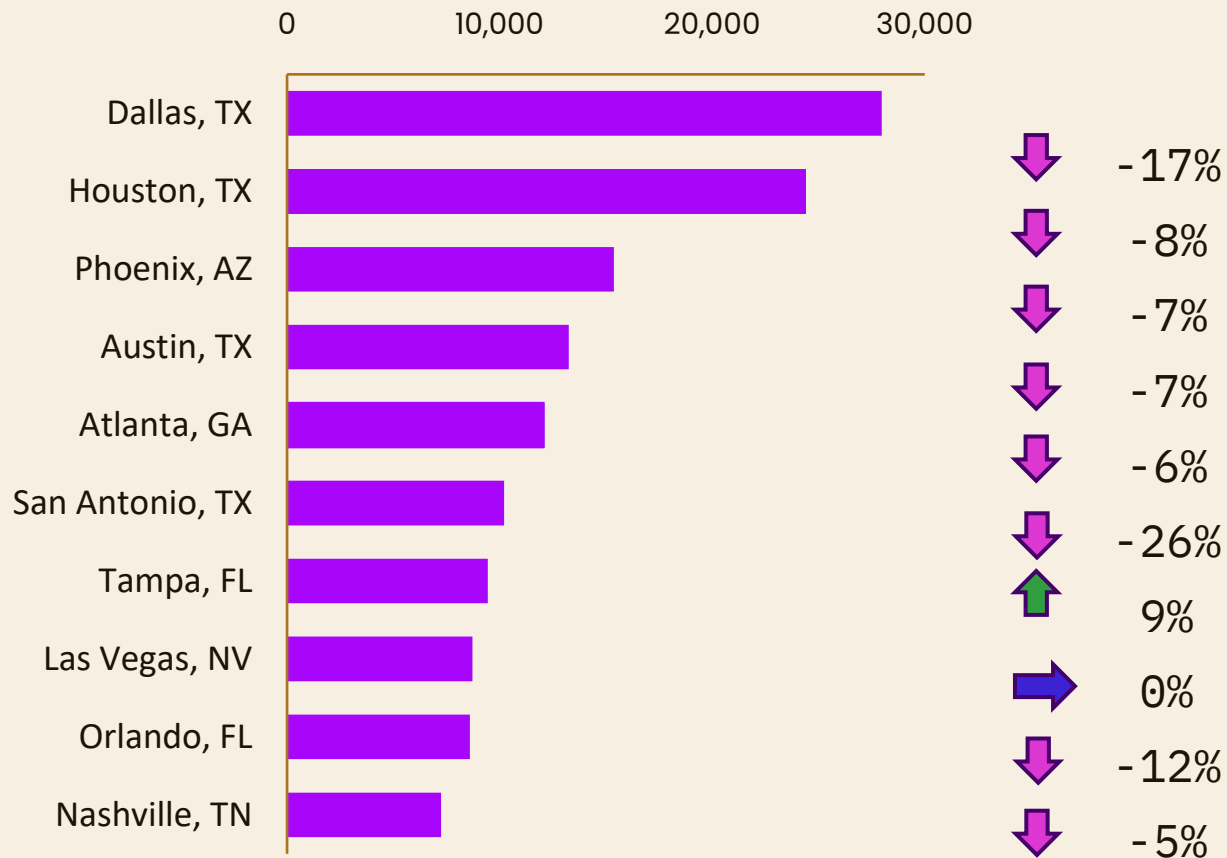
Year-to-date change in home sales in YTD 2025 (Top 15 markets with largest increases and bottom 15 with largest declines)



New Home Sales Concentrated in South

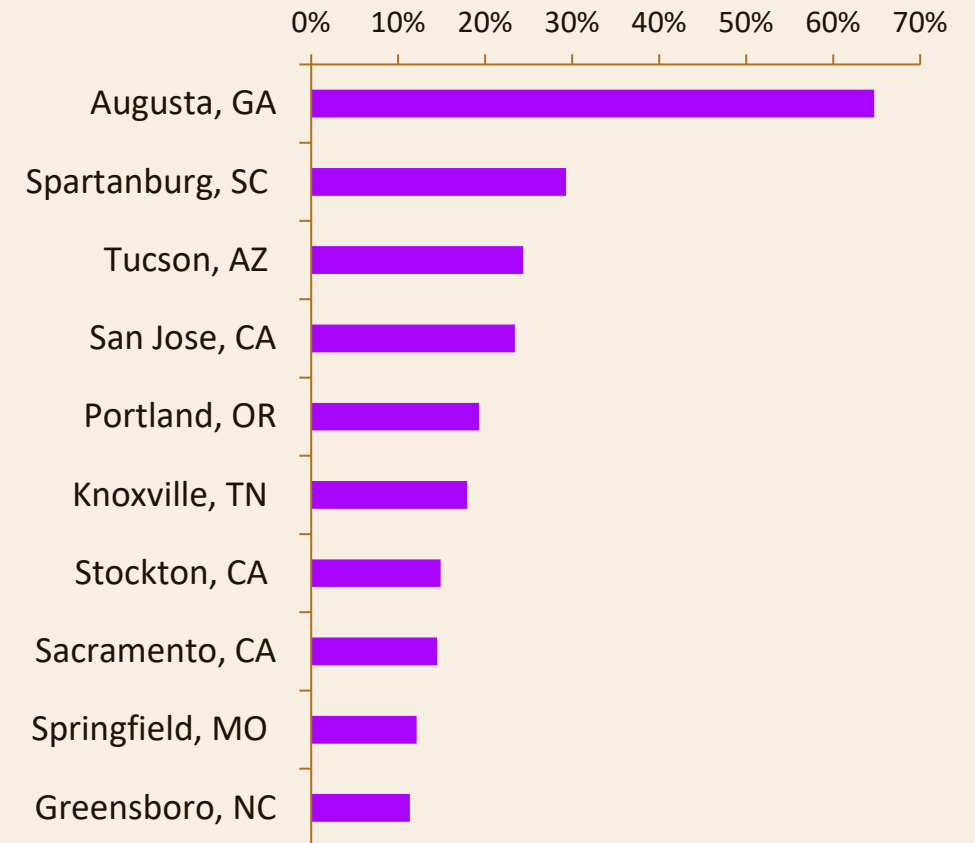
About one third of markets had more new home sales in 2024 than in 2023

Number of New Home Sales in 2024 (total was ~700k)



Markets with largest increase in new home sales

(Jan-Nov 2024 vs 2023)



Source: CoreLogic, new home closings by Metropolitan Statistical Area (label reflects primary city of MSA); SF Detached structures



Home Prices

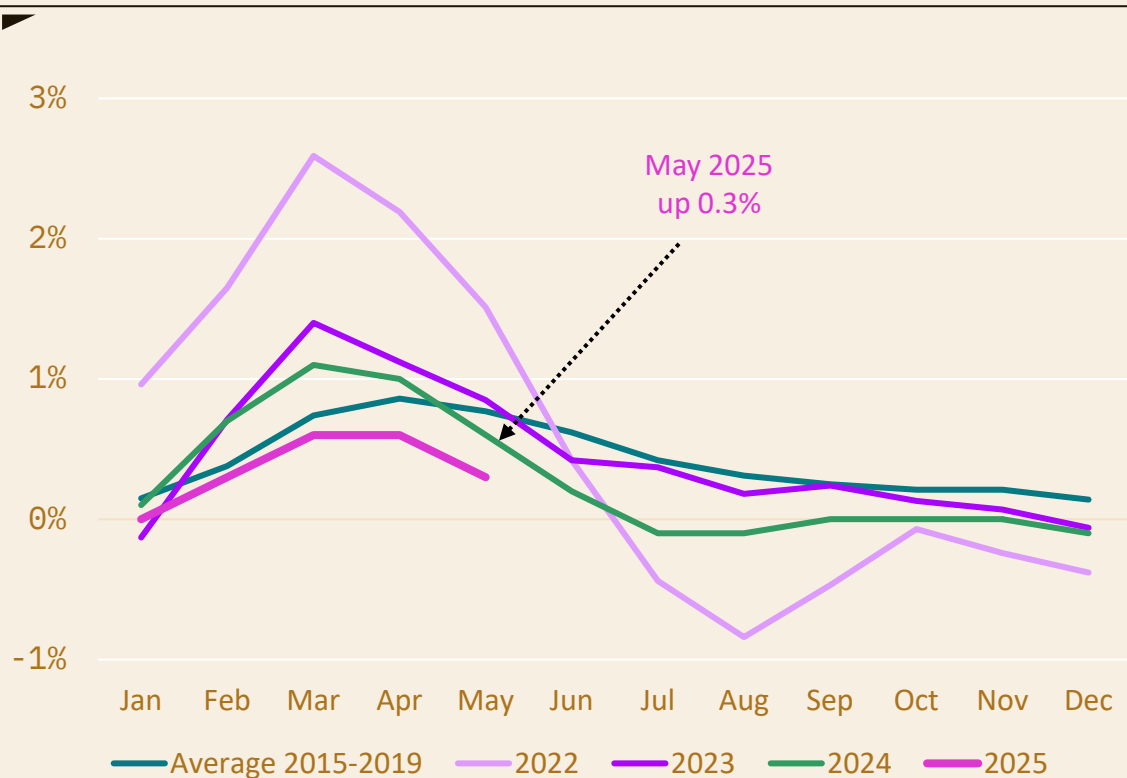
Home price growth slows

Markets with inventory surge and weak demand experiencing declines

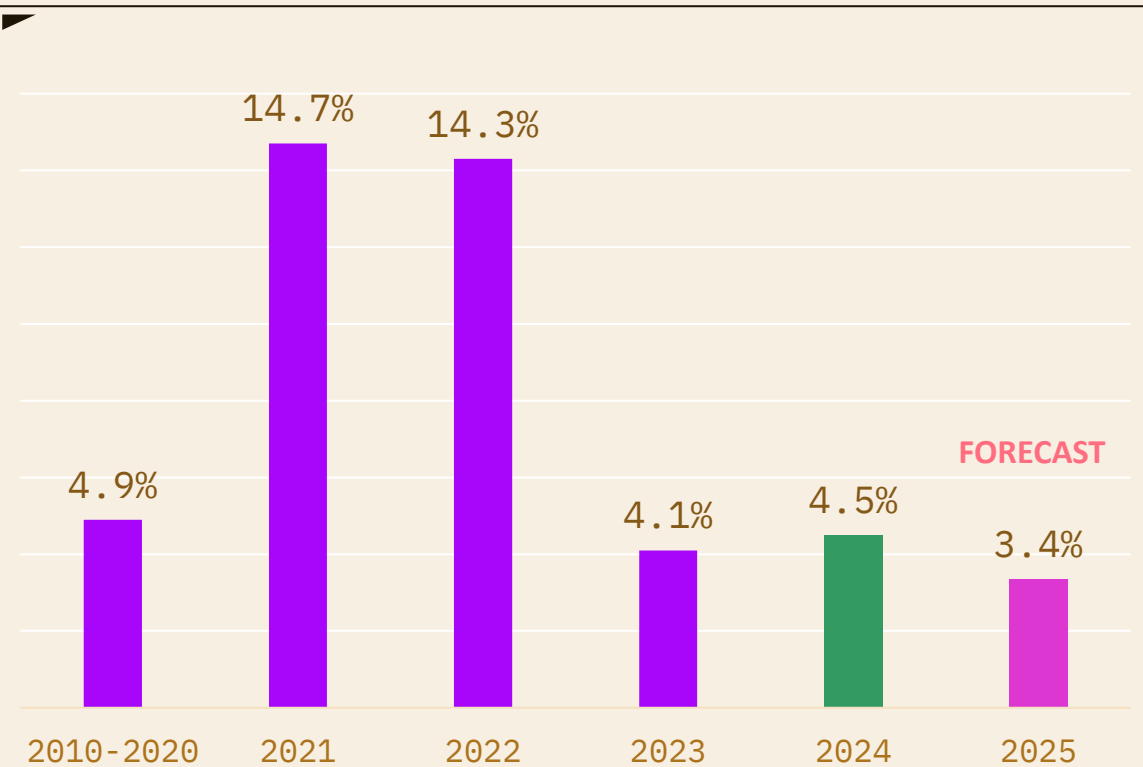
Home Price Growth Steadies This Spring, Up 2% YOY

Home prices follow seasonal trends though jump in mortgage rates stalled further appreciation generally seen in April-May

Month-Over-Month Percent Change



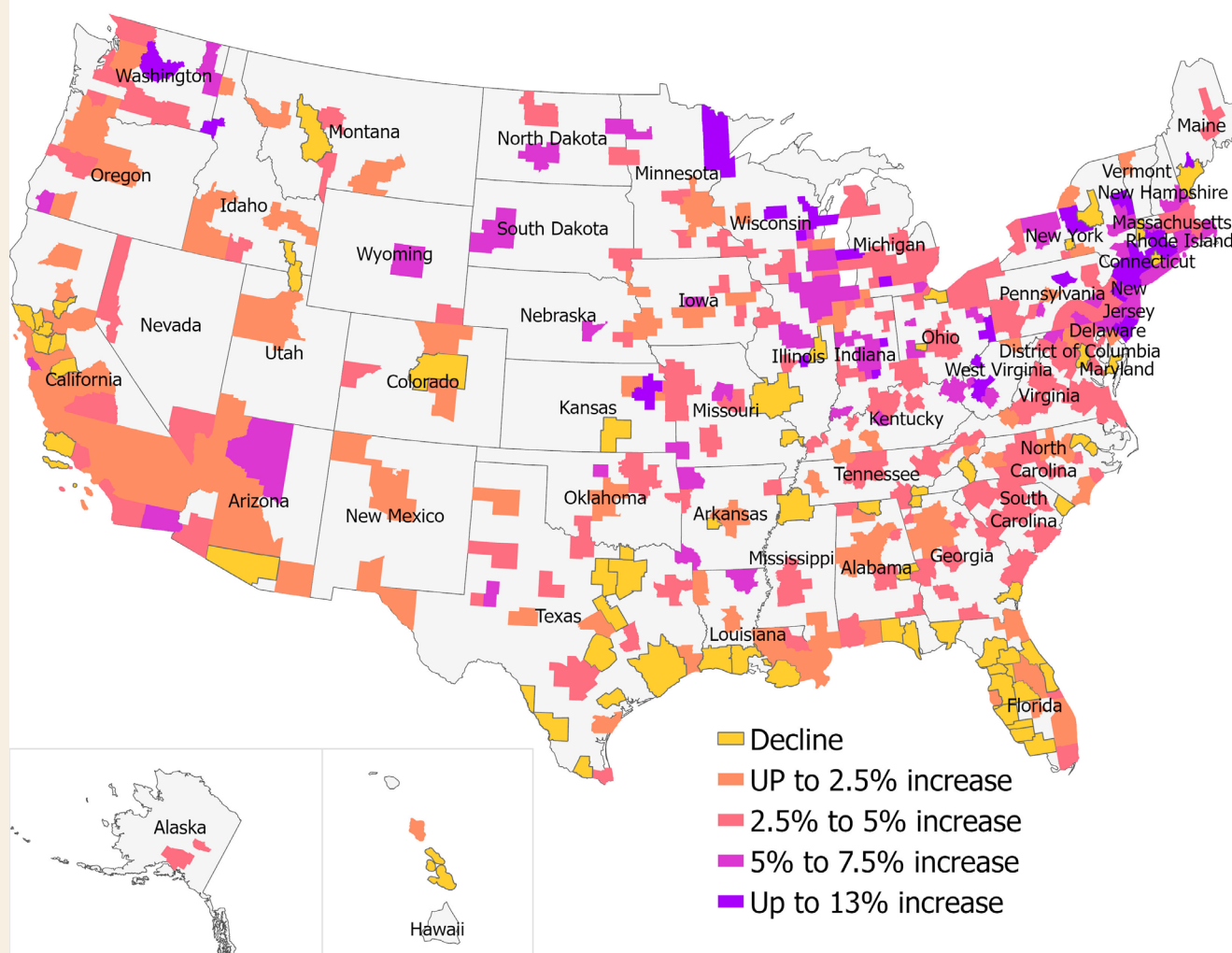
Home Price Index Growth (% change, annual rate)



Source: CoreLogic HPI and HPI Forecast (June 2025)

Annual Price Changes Range From -7% in Florida to Over 10% in Connecticut

Northeast driving appreciation; decreases mostly concentrated in Florida, Texas and parts of West



Year-over-year change in home prices

Top Metros with Largest 12-Month Decline	May 2025 YOY
CAPE CORAL	-7.4%
NORTH PORT	-4.9%
OAKLAND	-2.1%
ST. PETERSBURG	-2.0%
AUSTIN	-1.8%

Top Metros with Largest 12-Month Increase	May 2025 YOY
ALBANY	6.5%
LAKEWOOD	6.9%
HARTFORD	7.5%
NEWARK NJ	8.5%
BRIDGEPORT	10.2%

Source: CoreLogic HPI and HPI Forecast (July 2025)

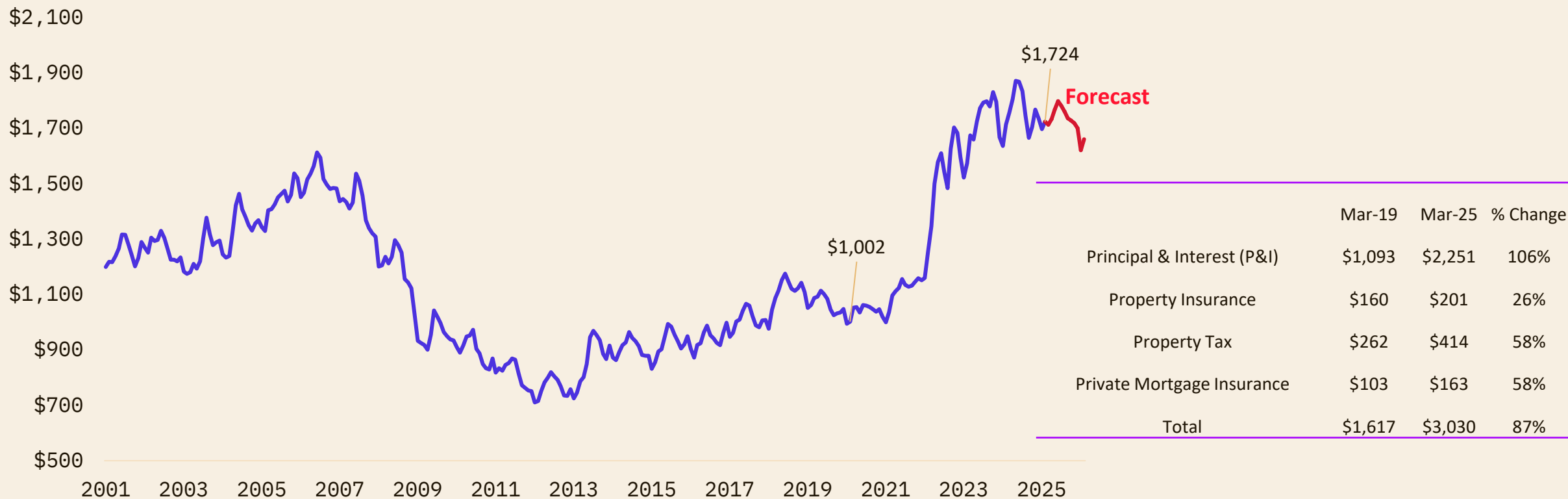
Risks on the Horizon



Lower Household formation forecasted; low affordability;
pressure on homeownership costs from taxes and insurance

Buyers More Likely to Postpone a Purchase As Affordability Improvements Difficult to Attain Short Term

Real P&I payment down 8% from May 2024 peak, but still 72% higher than pre-pandemic



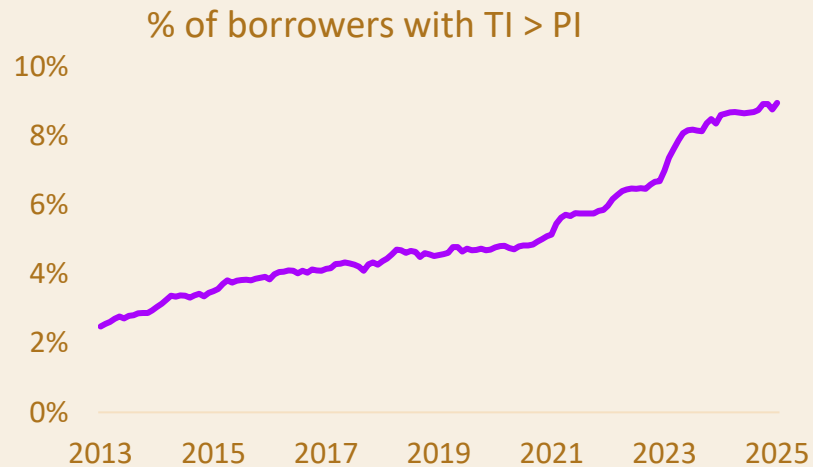
Source: CoreLogic MarketTrends, Bureau of Labor Statistics CPI, Freddie Mac PMMS, IHS Markit

Note: Typical mortgage payment is the calculated monthly principal and interest payment on a median-priced home with 20% down payment and 30-year fixed-rate mortgage. CPI All Urban Consumers is used for the inflation adjustment. Forecast for 30-year fixed-rate mortgage is consensus of five external forecasts (6.4% for Feb 2026) and prices are CoreLogic HPI Forecast (April 8, 2025 release).

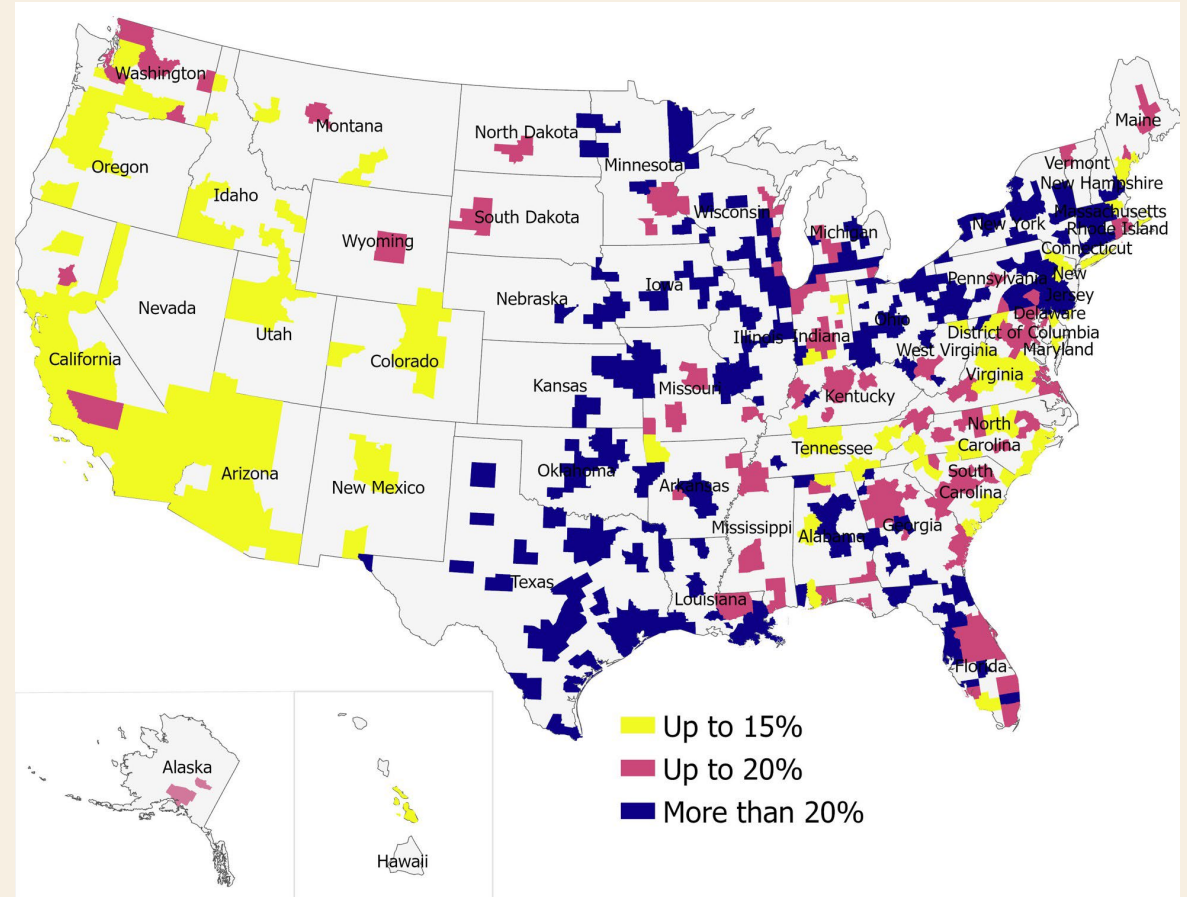
Affordability Also Depends on Non-Mortgage Costs (Insurance, Utilities, Property Taxes)

Share of monthly mortgage payment attributable to property tax and insurance

(monthly payment includes principal, interest, tax, insurance, and PMI)



Source: CoreLogic Public Records

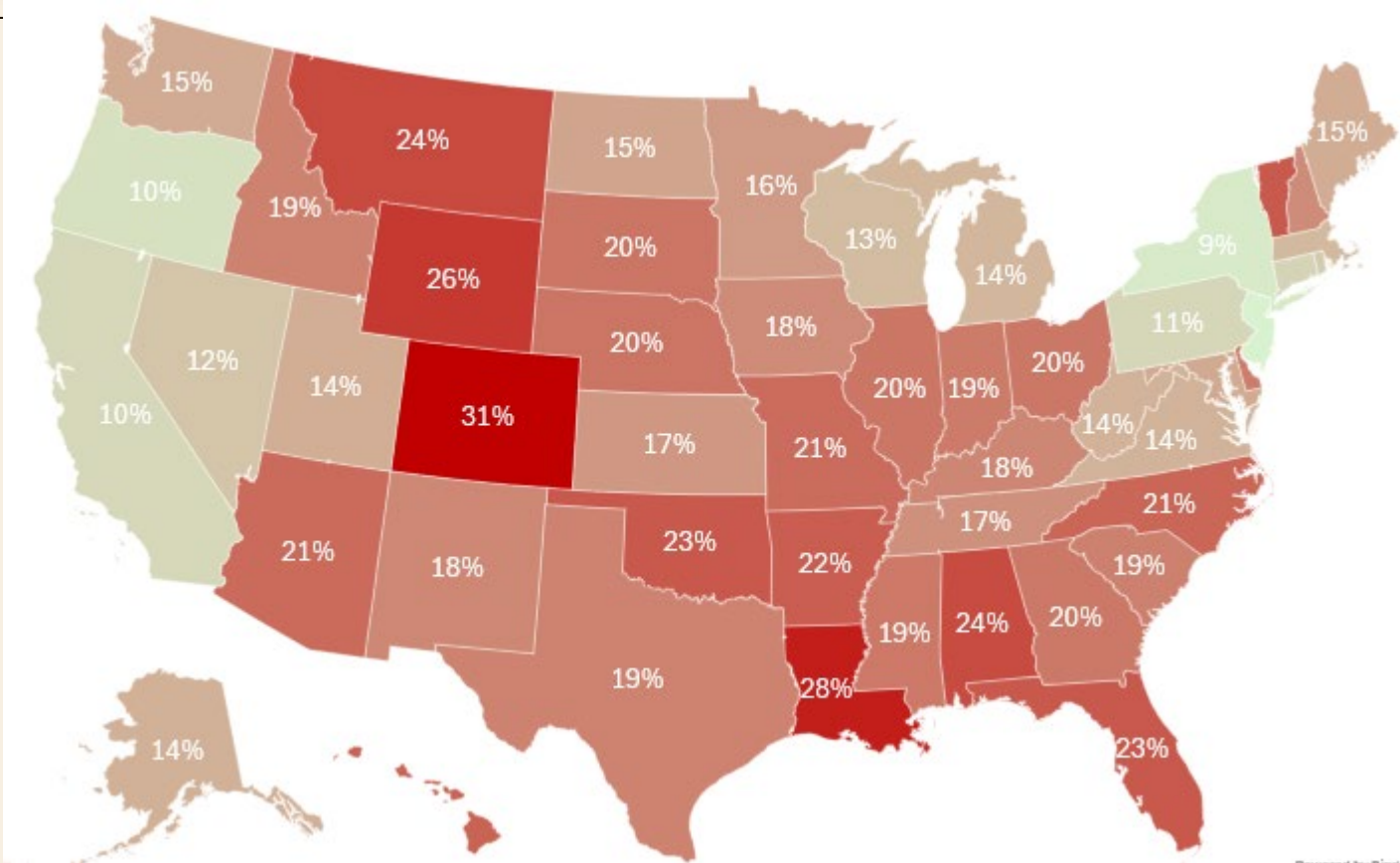


Affordability Also Depends on Non-Mortgage Costs (Insurance, Utilities, Property Taxes)

Change in Average Homeowner Escrow Amount from 2023 to 2024

Share of monthly mortgage payment attributable to property tax and insurance (monthly payment includes principal, interest, tax, insurance, and PMI)

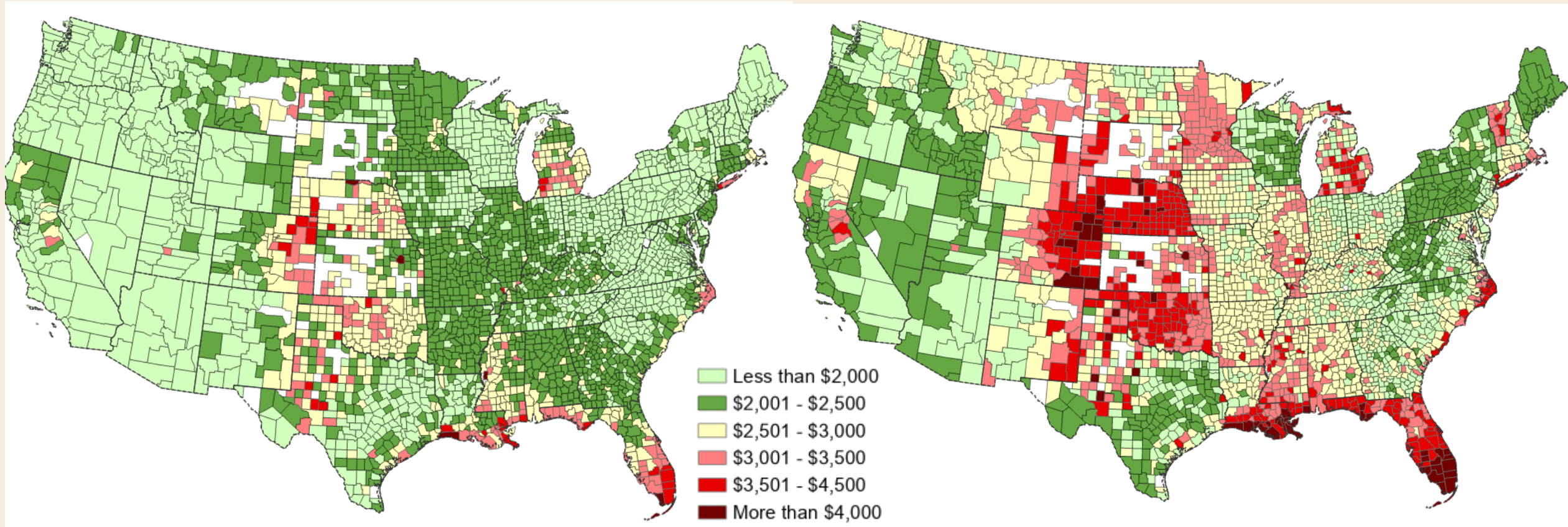
- 2023 to 2024 average increase: 17%
- Top 5 highest increases:
 - Colorado 31%,
 - Louisiana 28%,
 - Wyoming 26%,
 - Montana 24%,
 - Alabama 24%



Rising Risk: Property Insurance Costs Are Surging, Up 40% Since 2019, and Impact Housing Affordability

Change in Insurance Cost

Insurance Cost = Total Monthly payment - principal - interest - tax

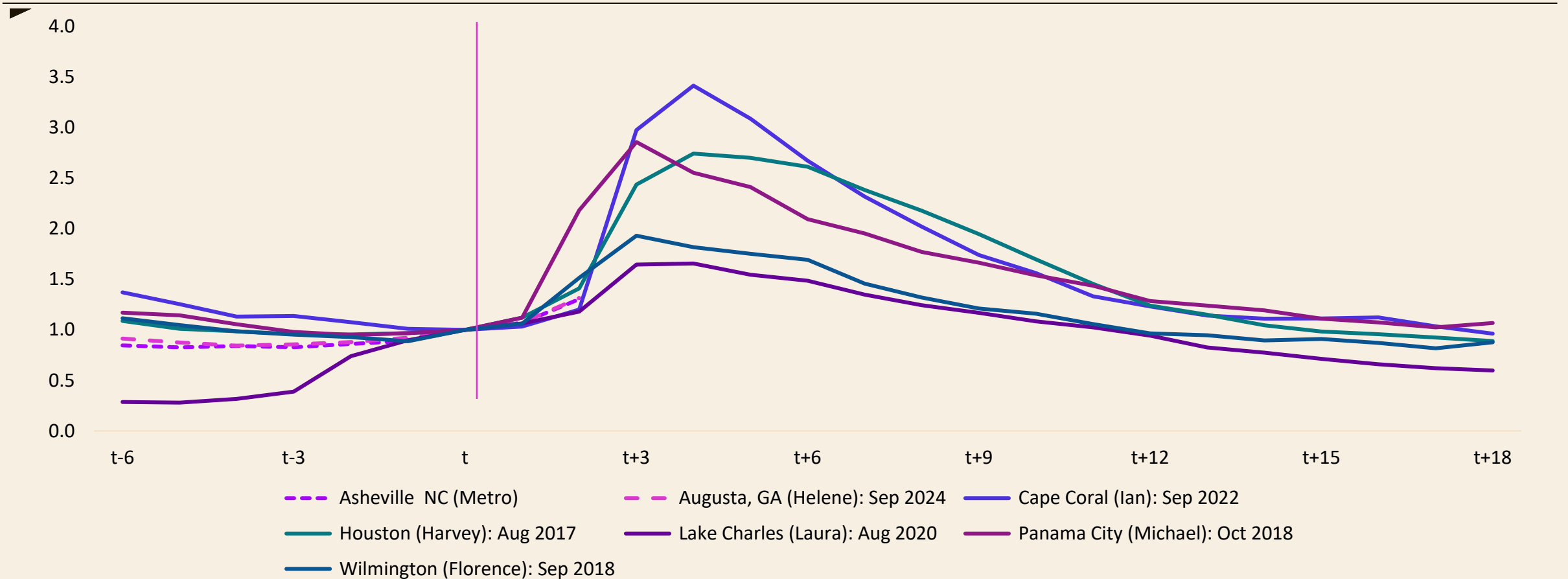


Source: Loan-Level Market Analytics, and Cotality Property Records

Serious Delinquency Rates Jump After a Disaster

Can take a year or longer for serious delinquencies to revert

Serious Delinquency Rate (as a multiple of rate in disaster month)



Source: CoreLogic TrueStandings; serious delinquency rate is the percent of loans 90-or-more days delinquent or in foreclosure

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