

# ECONOMISTS MAGIC 8 BALL: WHAT TO EXPECT IN THE NEXT YEAR



Mortgage  
Industry

**Pandemic  
Summit**

Hosted By



**MAY 6**

**11:30 a.m. – 12:30 p.m.**

**Joel Kan** – Associate Vice President of Economic and Industry Forecasting,  
Mortgage Bankers Association

**Rick Sharga** – President & CEO, CJ Patrick Company

**Mark Vitner** – Managing Director and Senior Economist, Wells Fargo Securities, LLC

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**MBA**  
MORTGAGE BANKERS ASSOCIATION

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Mortgage News

## MODERATOR:



**DJ VANDEUSEN**

VP, Financial Planning  
and Analysis  
Altisource



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Associate Vice President  
of Economic and  
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Association



**RICK SHARGA**

President & CEO  
CJ Patrick Company



**MARK VITNER**

Managing Director and  
Senior Economist  
Wells Fargo  
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# ECONOMIC AND MORTGAGE MARKET OUTLOOK

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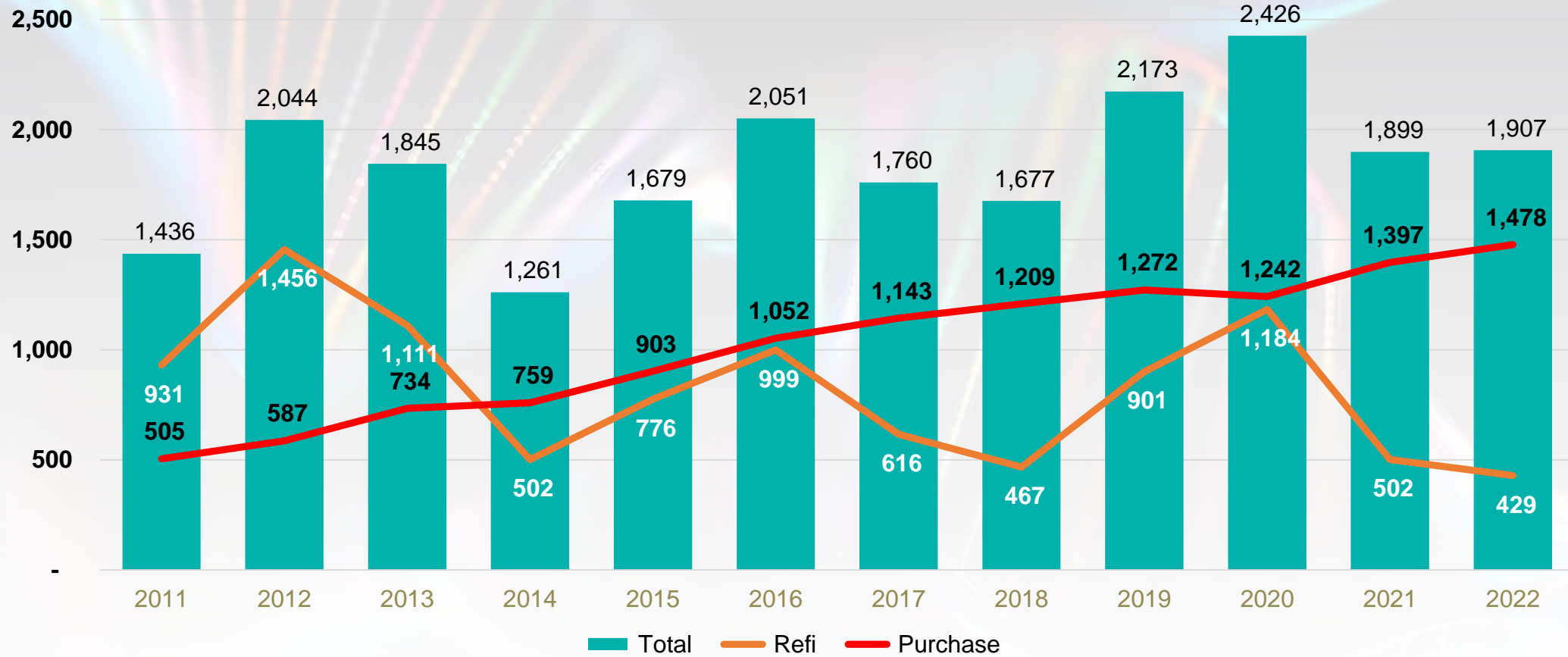
**JOEL KAN**

Associate VP of Economic and Industry Forecasting  
Mortgage Bankers Association

# Forecasting Decline in Purchase, Strong Refi Originations for Full Year 2020

\$Billions

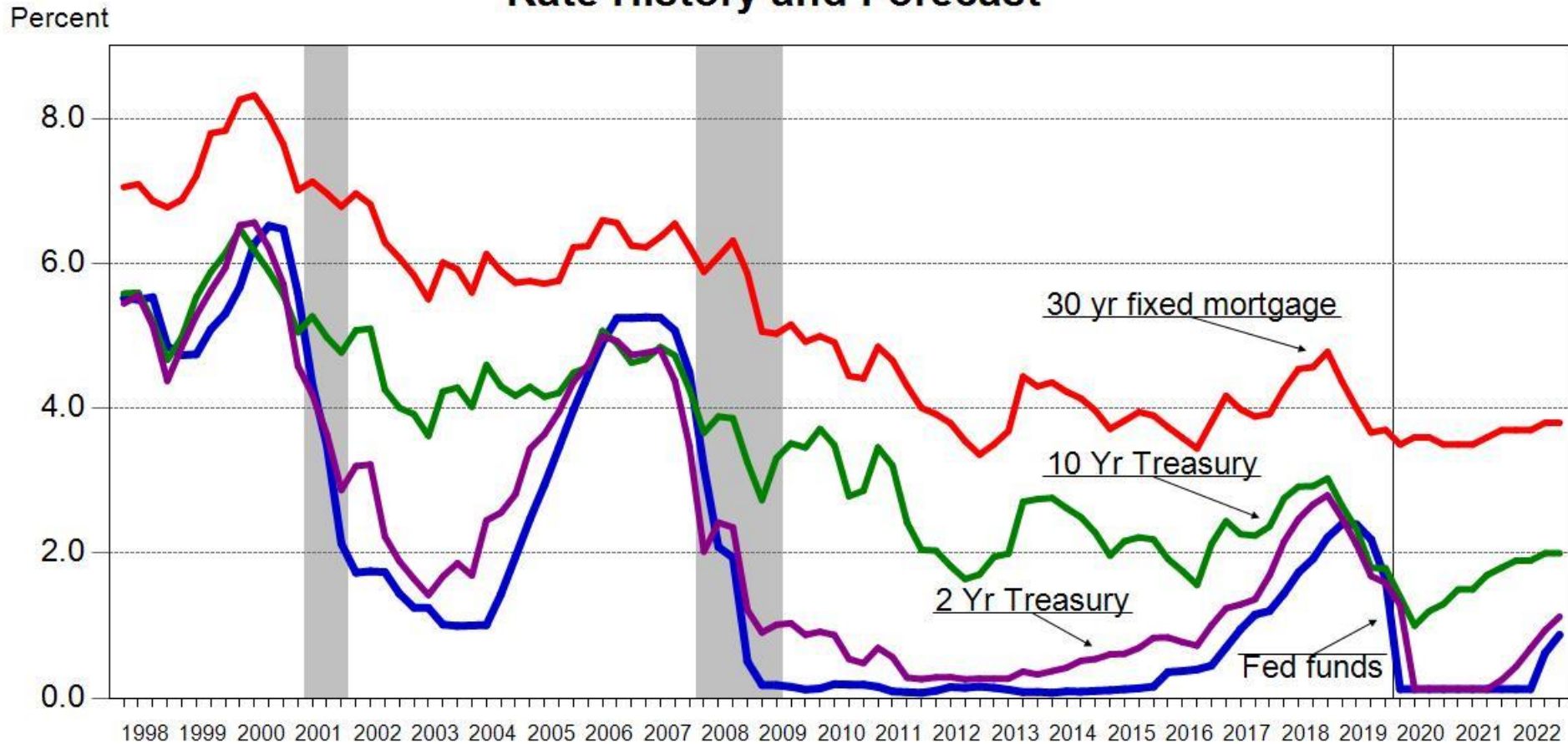
**Historical Originations and Forecast (Dollar Volume)**



Source: MBA Forecast

# Mortgage Rates Expected to Stay Below 4%

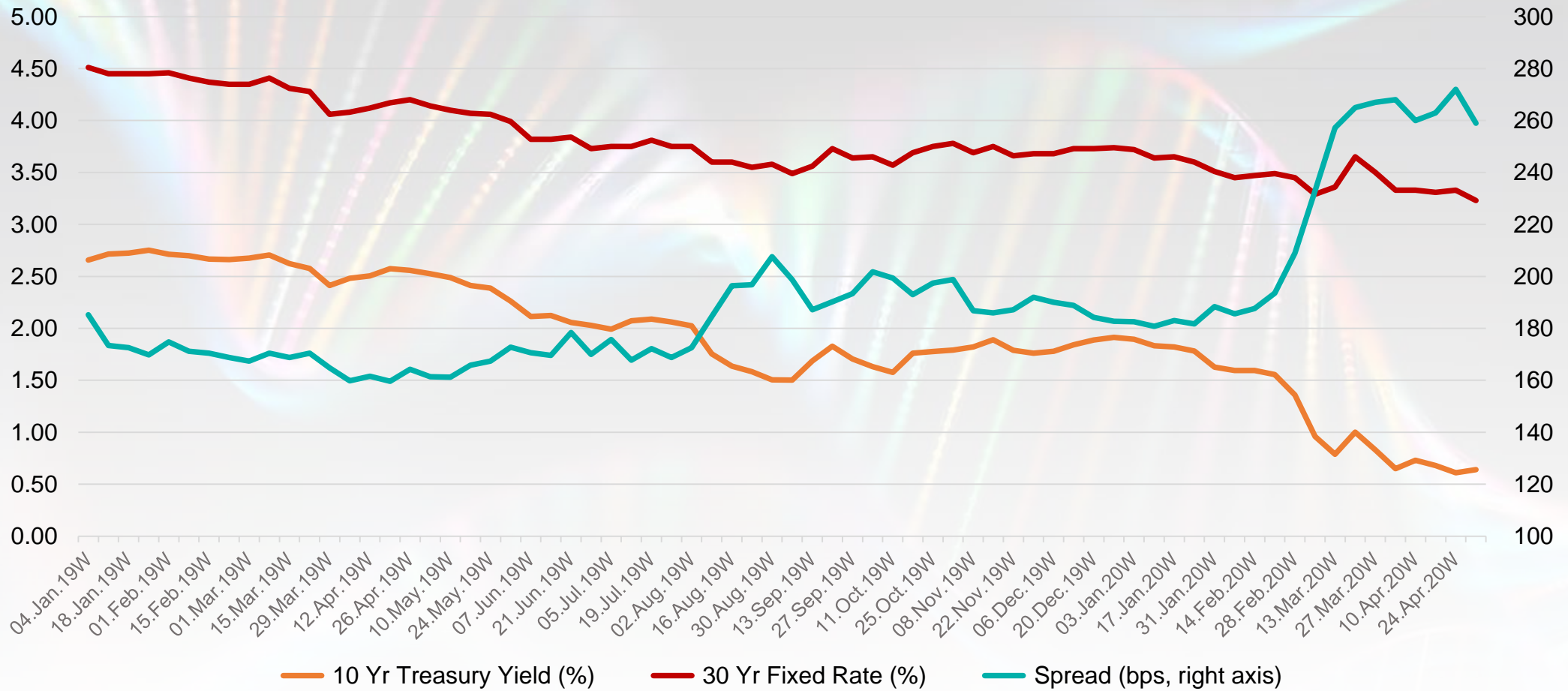
## Rate History and Forecast



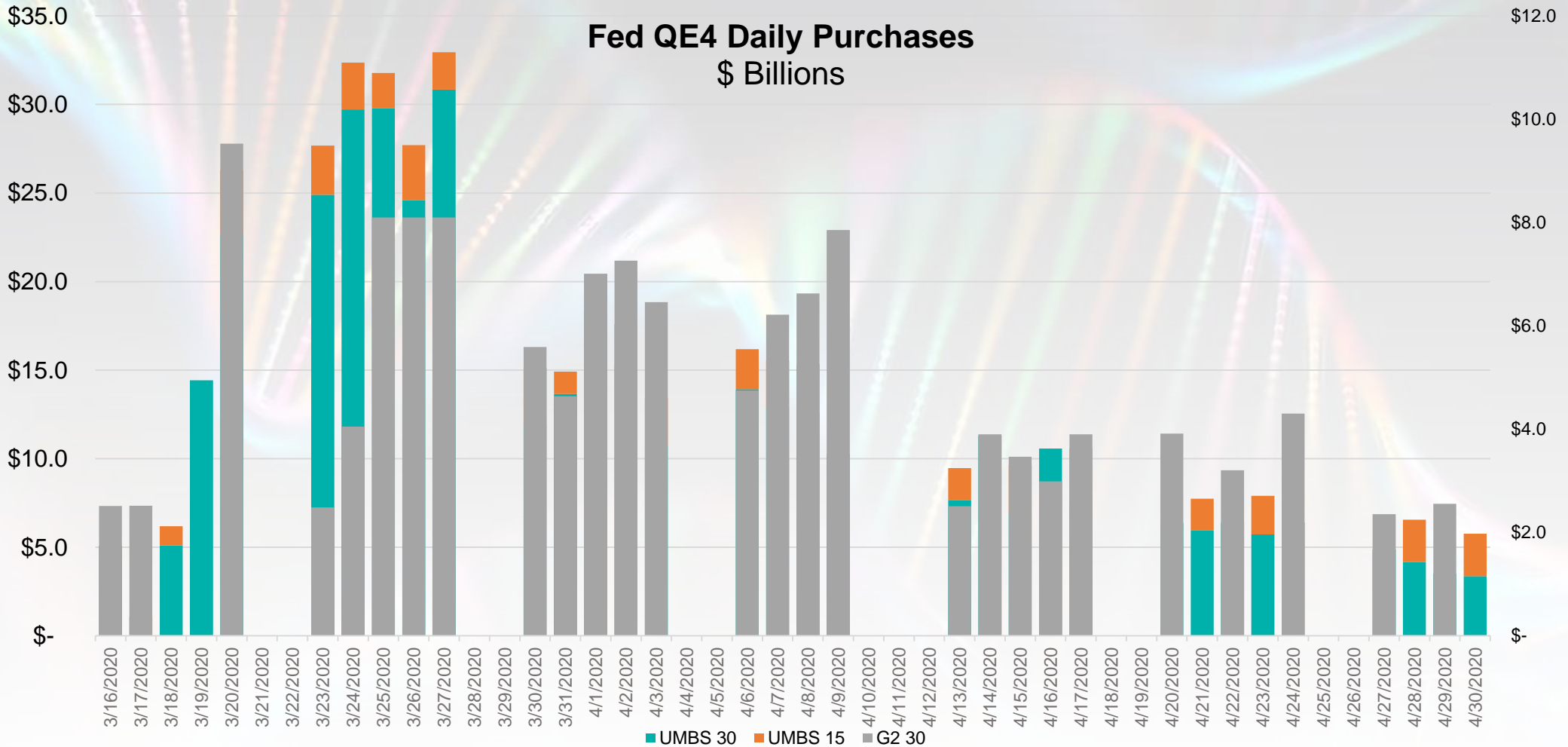
Source: Federal Reserve, Freddie Mac, MBA Forecast

# Mortgage: Treasury Spreads Have Widened

## 30-Year Fixed Mortgage Rate Versus 10-Year Treasury Yield

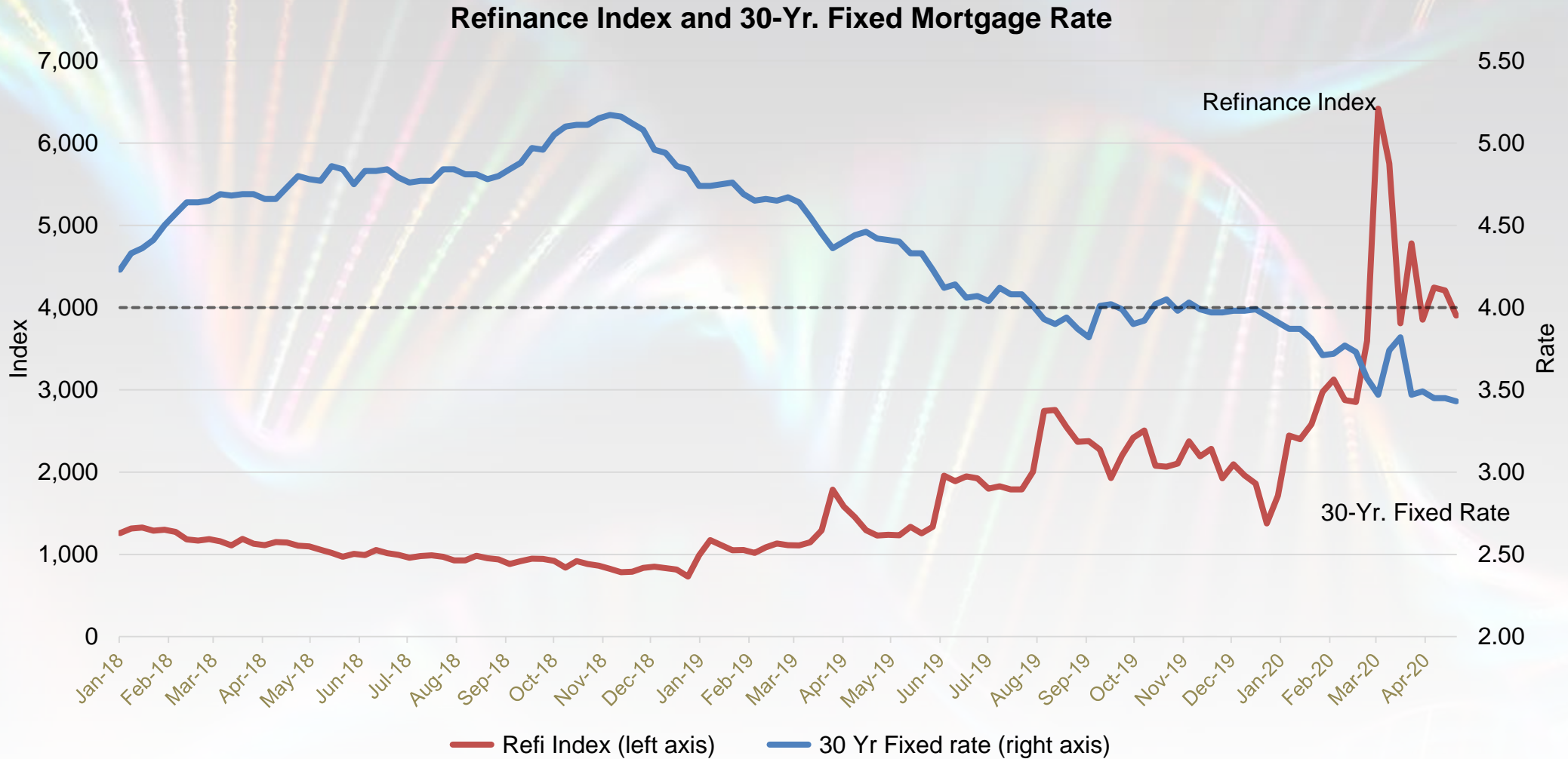


# Fed MBS Purchases Slowing



Source: Federal Reserve, JP Morgan

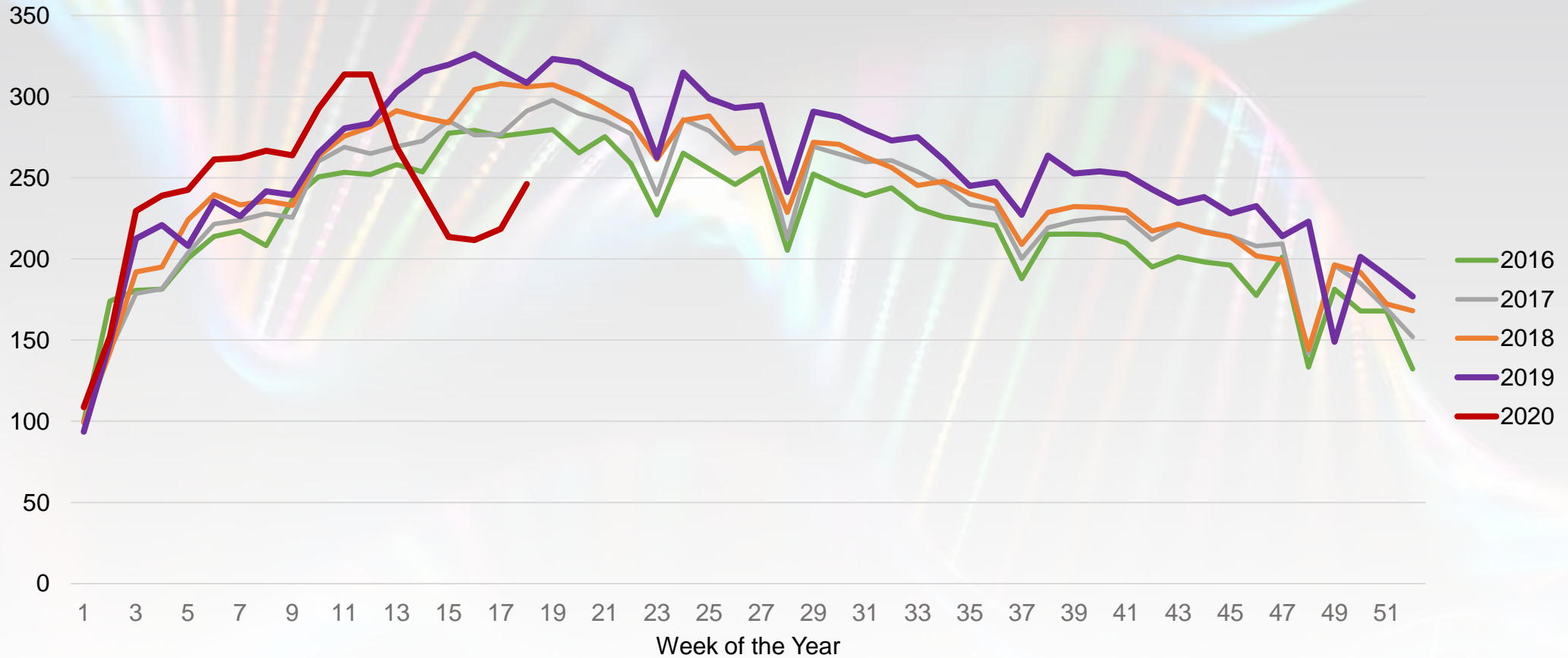
# Recent Refi Activity Falling, Volatility Expected





# Purchase Activity Plunged in March But Turning Around

**Purchase Mortgage Applications Index**  
 (by week of the year, NSA)



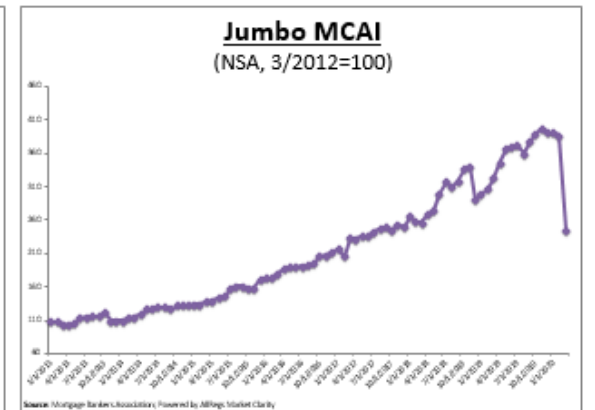
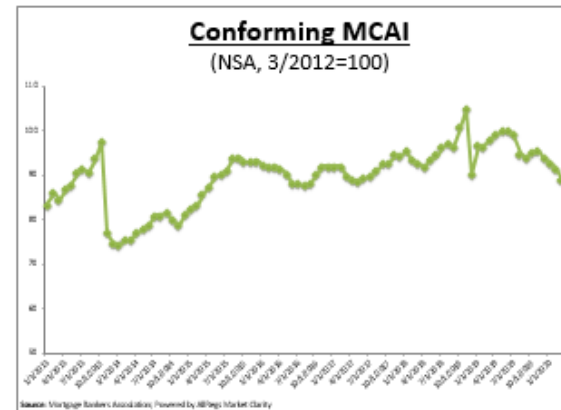
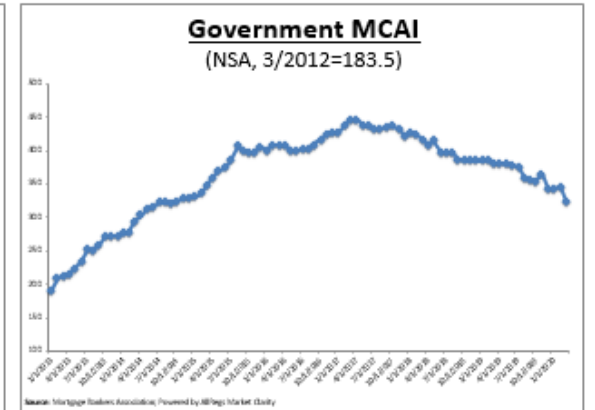
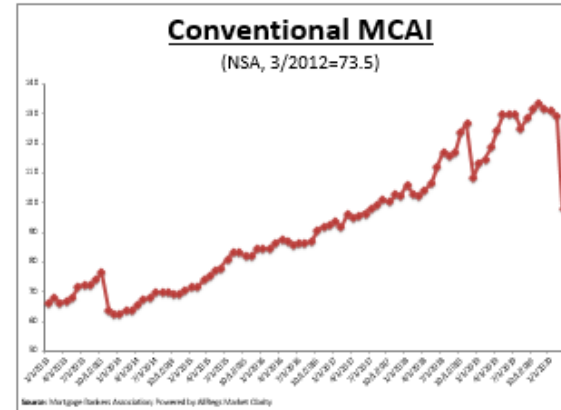
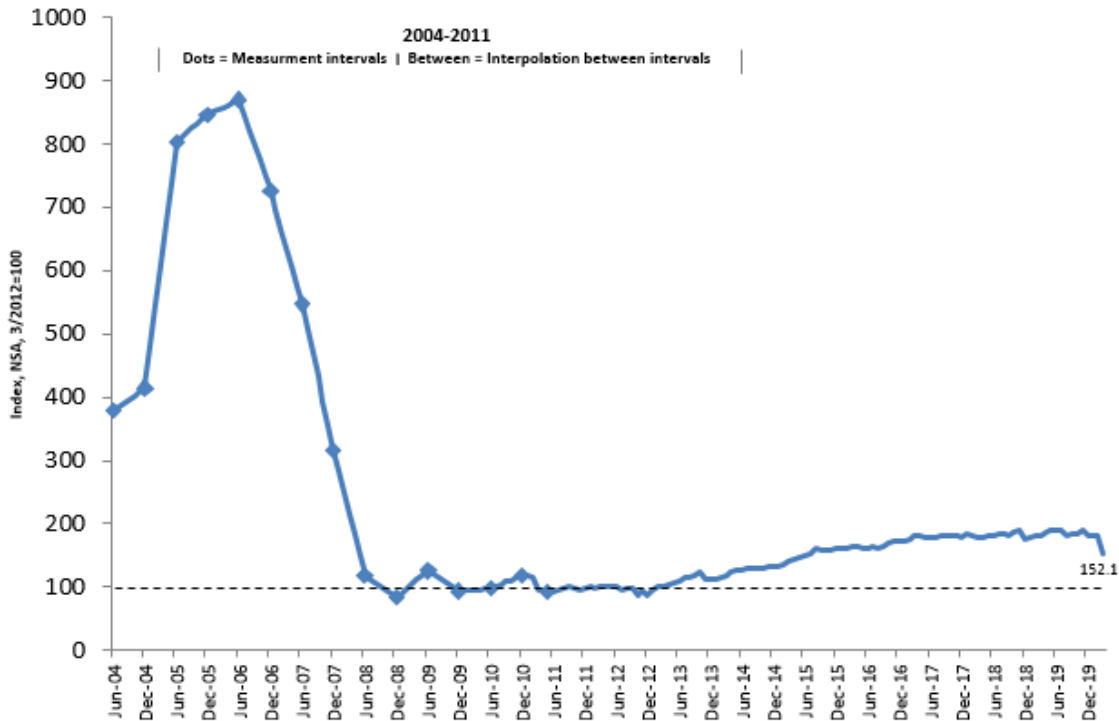
# Purchase Applications Recovering in Largest Markets?

State	Week-Over-Week Change		Year-Over-Year Change	
	% Change: Week Ending 4/24/2020	% Change: Week Ending 4/17/2020	% Change: Week Ending 4/24/2020	% Change: Week Ending 4/17/2020
GA	22.9	0.7	(0.8)	(18.8)
CA	17.2	2.9	(34.1)	(47.9)
WA	16.1	12.3	(36.9)	(45.8)
FL	15.1	0.7	(21.7)	(34.6)
IL	13.9	6.7	2.2	(16.6)
NY	13.7	(8.3)	(49.9)	(59.2)
TX	10.6	6.8	(13.4)	(24.0)
VA	10.2	0.2	(5.2)	(12.8)
NC	6.9	0.9	(6.2)	(13.3)
AZ	3.0	(0.1)	(32.2)	(34.0)

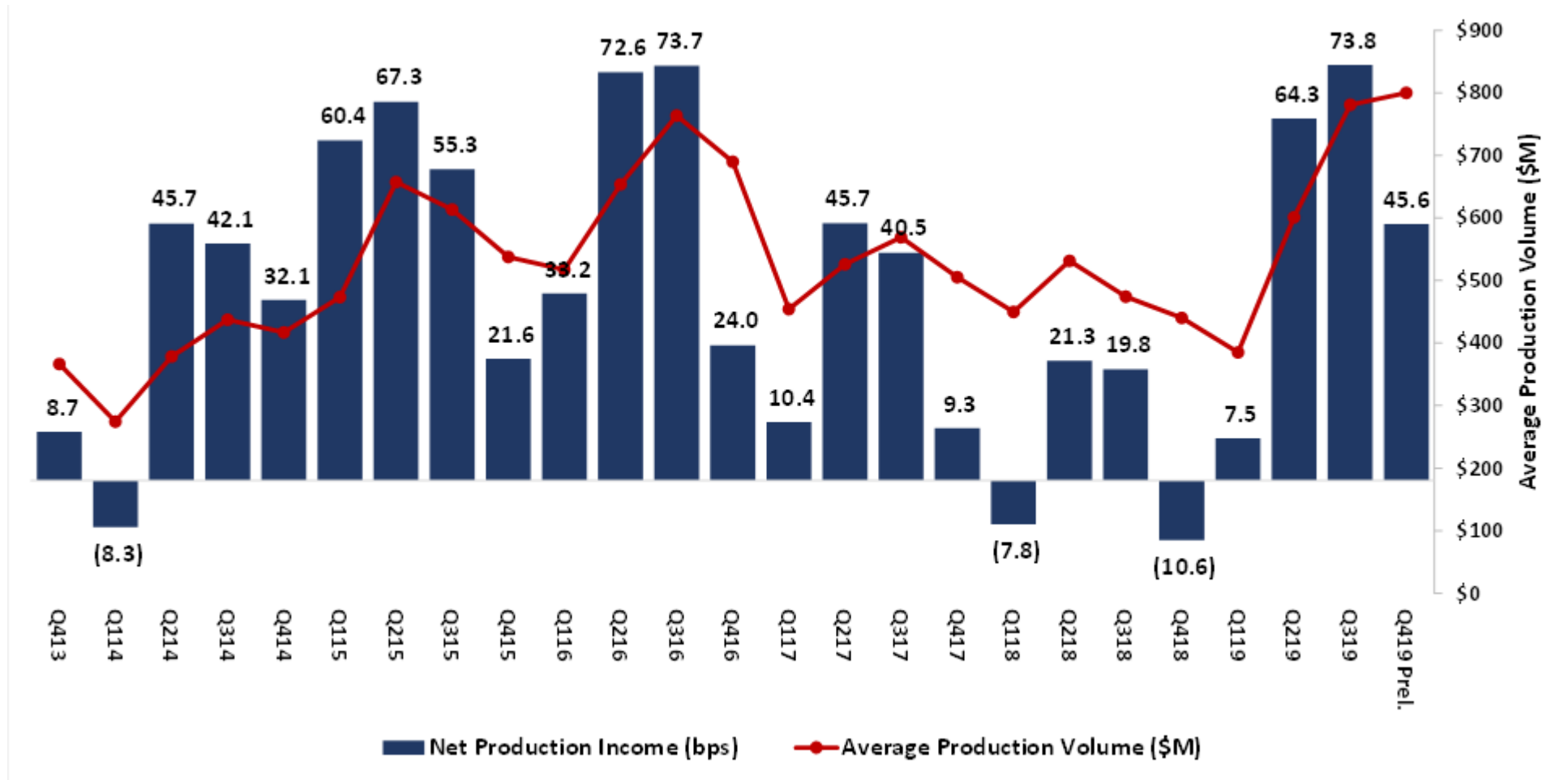
**NOTE: Not seasonally adjusted, home purchase applications only**

# Credit Tightened Availability Tightened in March

**Mortgage Credit Availability Index (NSA, 3/2012 = 100)**  
Expanded Historical Series

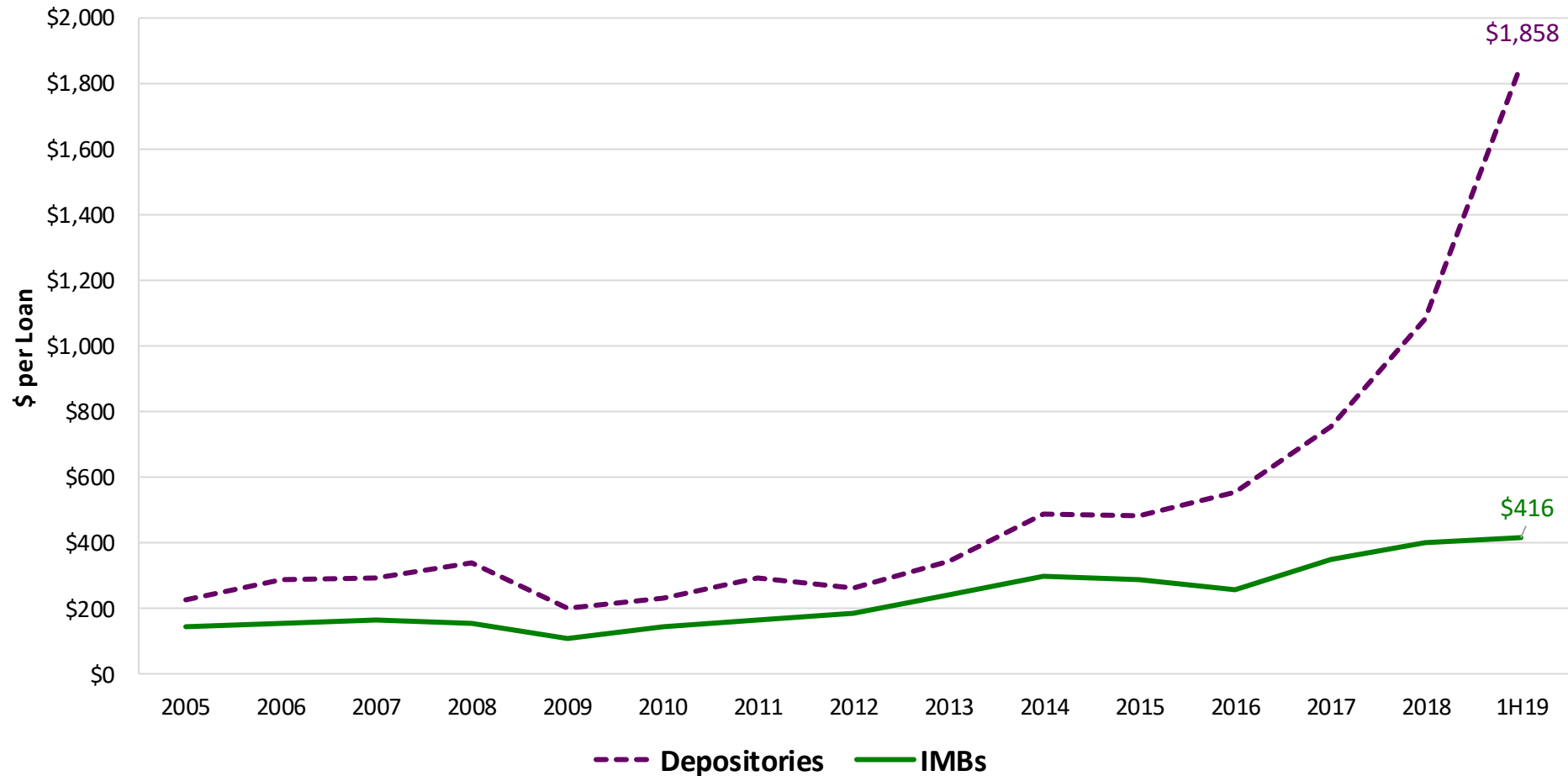


# Production Profitability: Q4 Was Strong



# Technology Costs for Originating Loans Are Rising – \$ per Loan

(All Production Channels)



Source: MBA's Quarterly Mortgage Bankers Performance Report for IMBs: <http://www.mba.org/performance-report>



# ECONOMIC AND MORTGAGE MARKET OUTLOOK

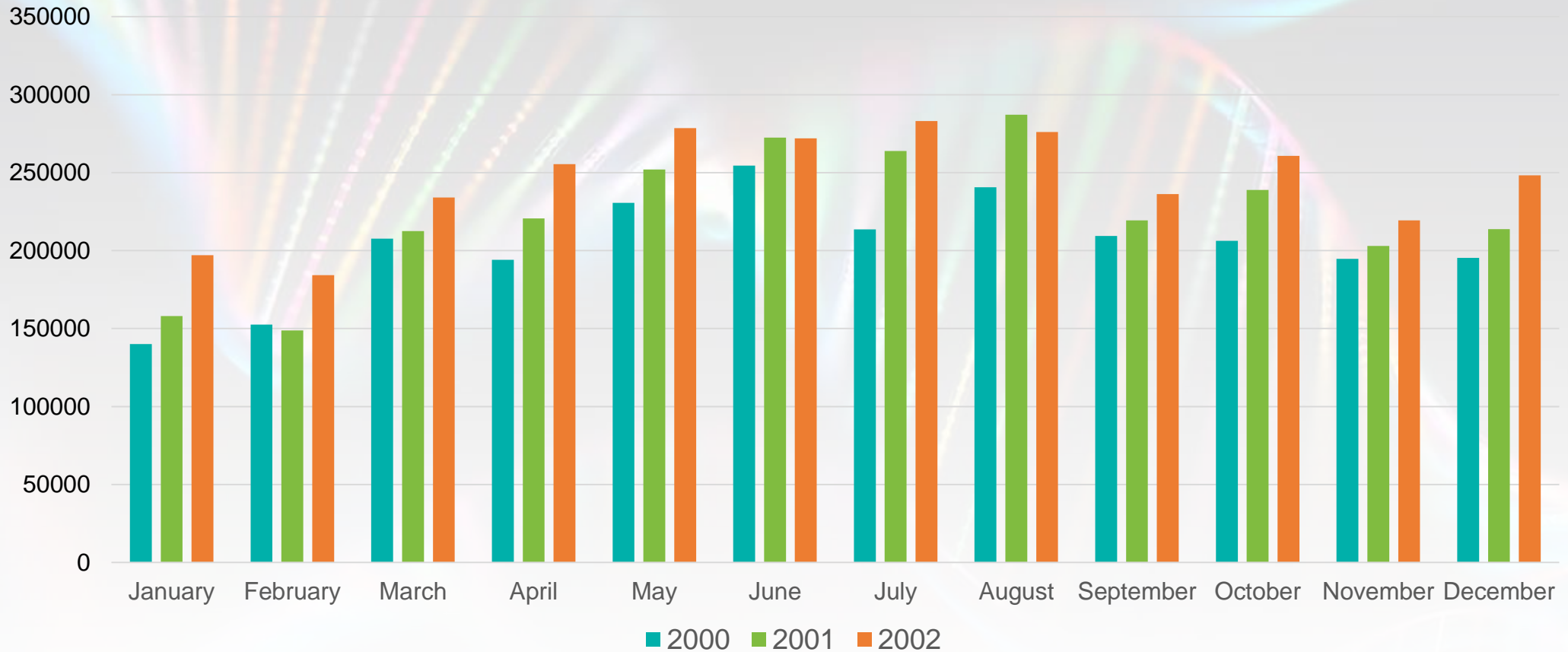
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**RICK SHARGA**  
President & CEO,  
CJ Patrick Company

1. Housing has fared better than the overall economy during prior pandemics and recessions.
2. Homeowners may be less impacted than renters.
3. The housing market was very, very healthy prior to COVID-19.

# Home Sales **Grew** After 9/11

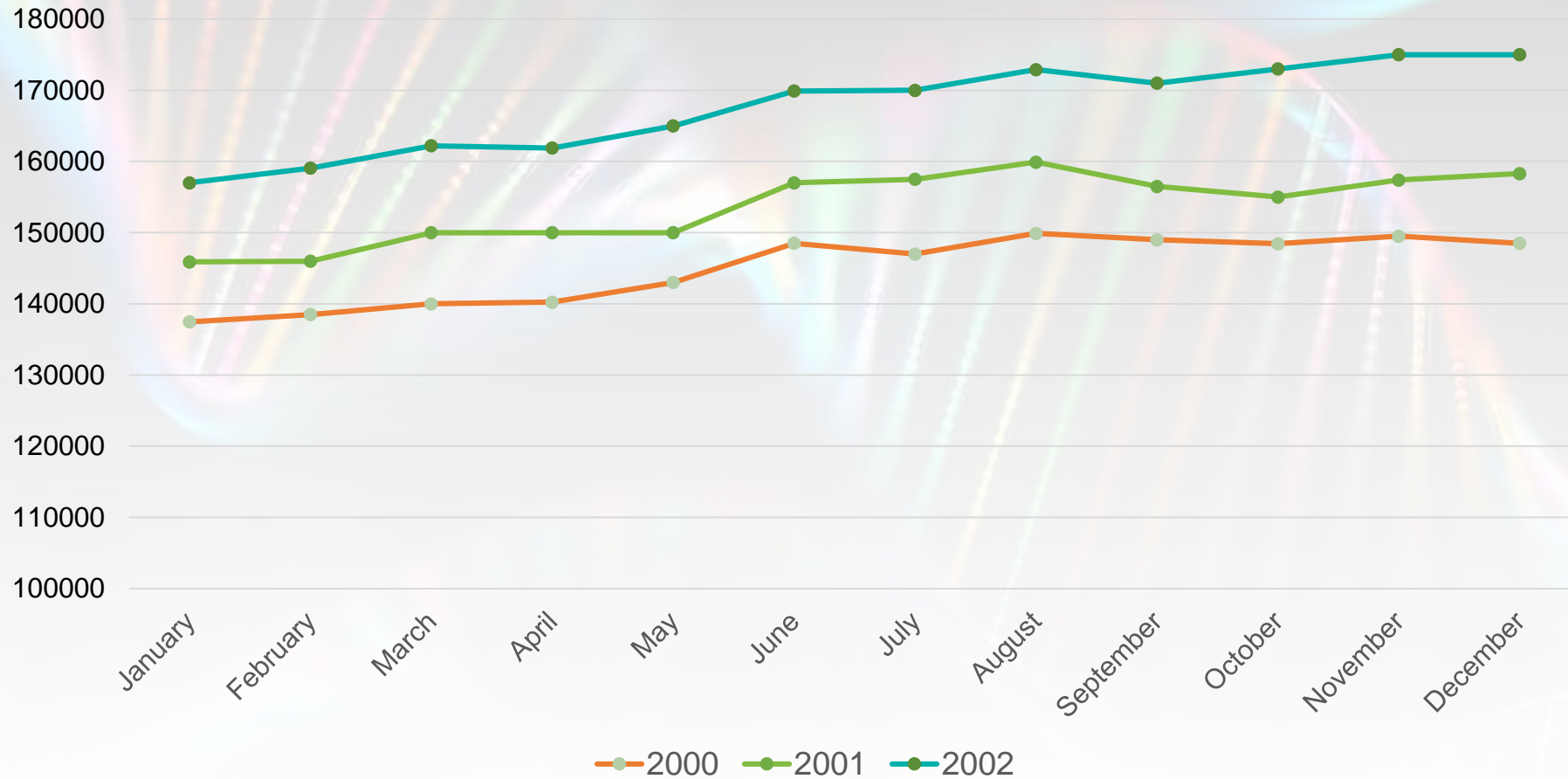
## Home Sales 2000-2002





# Home Prices **Rose** After 9/11

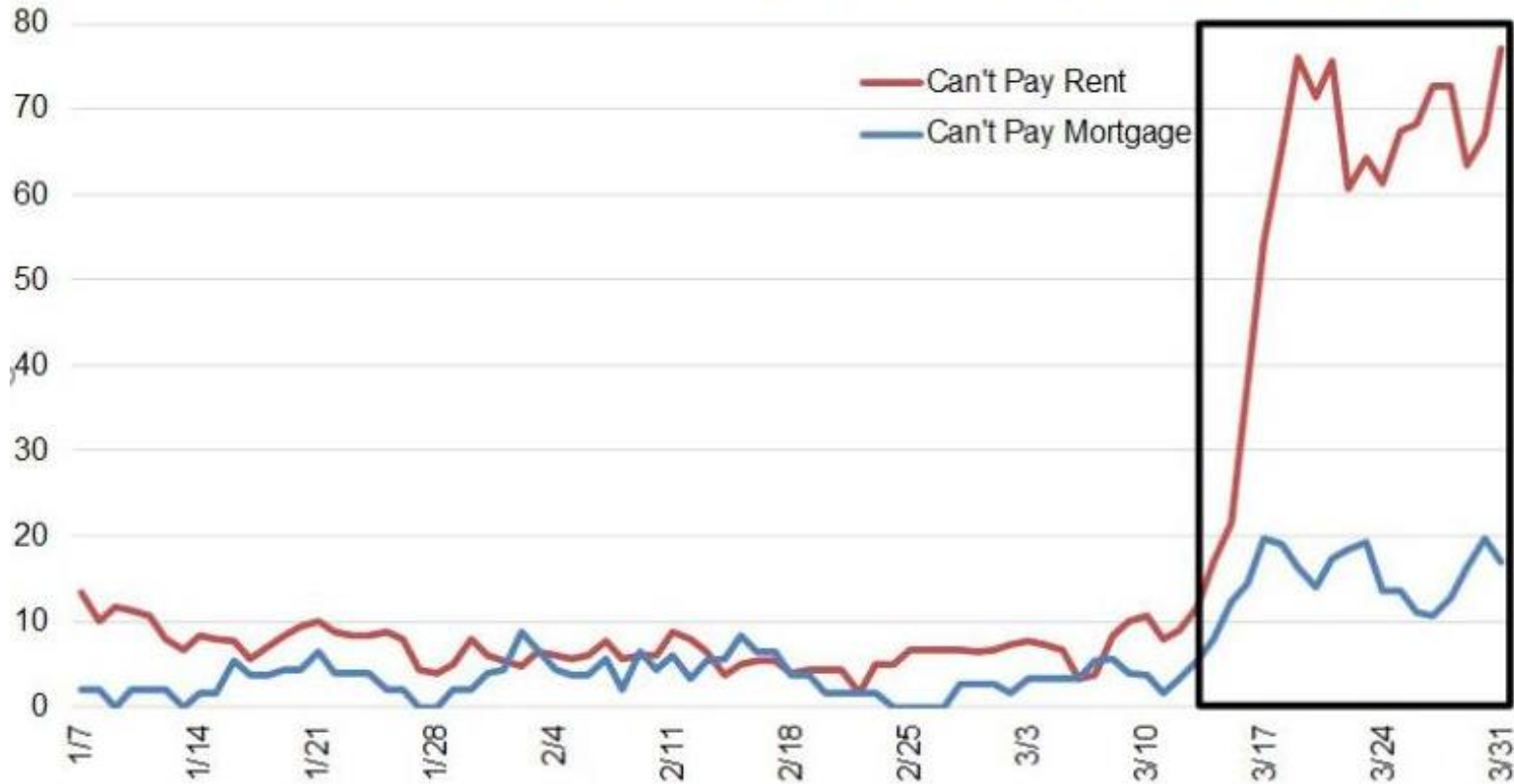
### Median Home Sale Prices 2000-2002



Source: First American DataTree®

# Renters May Be Harder Hit

Google Search Phrase: **Can't Pay Rent** vs. **Can't Pay Mortgage**



Source: Google Trends; John Bums Real Estate Consulting, LLC. (Data through 3/31/2020; Published Apr-20)

# Job Loss: More Renters Than Homeowners?

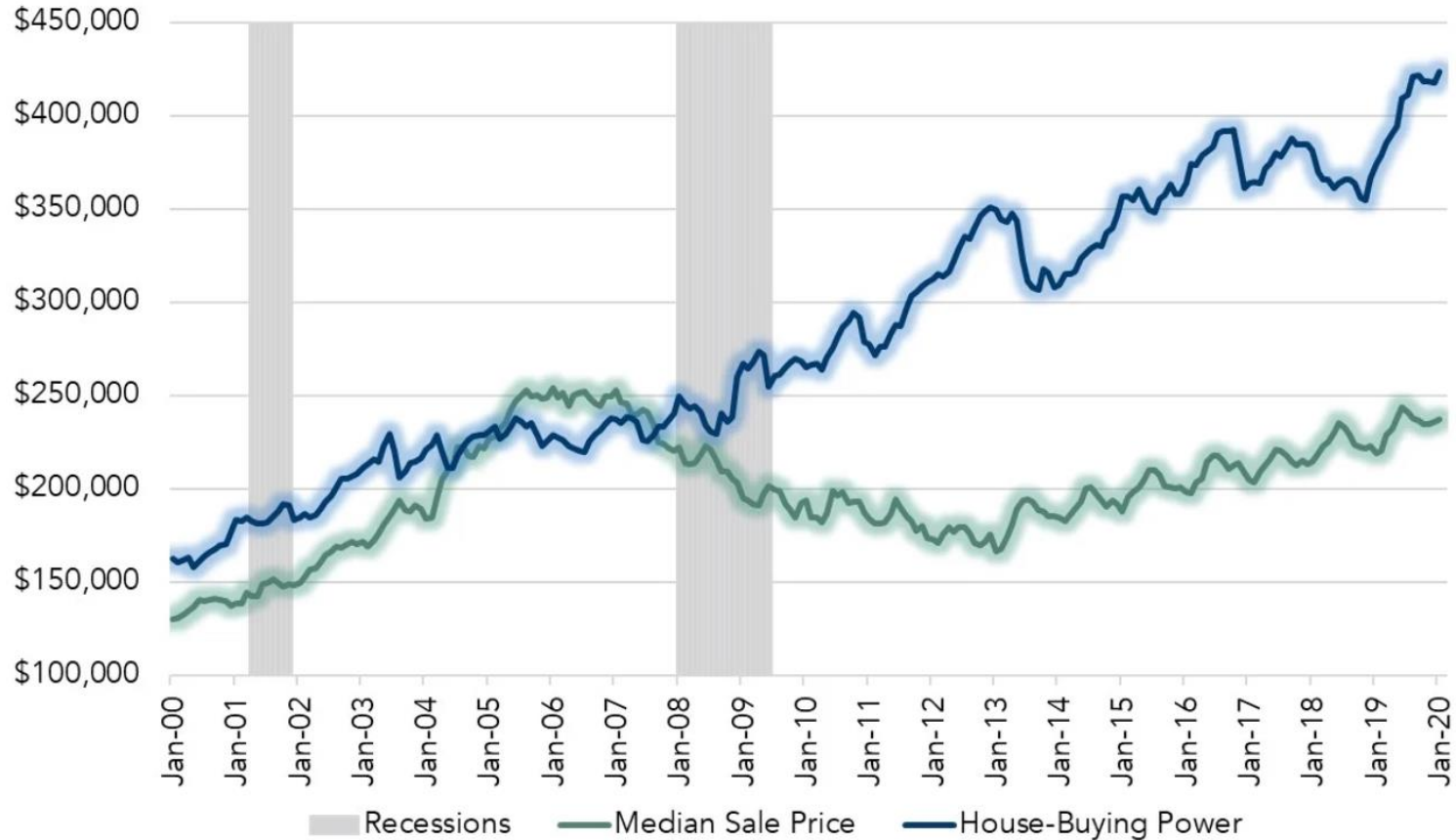
**Table 8. Homeownership Rates by Family Income: 2014 to 2019**

Year/Quarter	Homeownership Rates (percent)					
	United States		Households with family income greater than or equal to the median family income <sup>a</sup>		Households with family income less than the median family income <sup>a</sup>	
	Rate	MOE <sup>b</sup>	Rate	MOE <sup>b</sup>	Rate	MOE <sup>b</sup>
<b>2019</b>						
Fourth Quarter	65.1	0.5	78.8	0.5	51.4	0.6
Third Quarter	64.8	0.5	78.7	0.5	50.9	0.6
Second Quarter	64.1	0.5	78.2	0.5	50.0	0.6
First Quarter	64.2	0.5	78.0	0.5	50.5	0.6
<b>2018</b>						
Fourth Quarter	64.8	0.5	78.9	0.5	50.7	0.6
Third Quarter	64.4	0.5	78.2	0.5	50.5	0.6
Second Quarter	64.3	0.5	78.3	0.5	50.2	0.6
First Quarter	64.2	0.5	78.3	0.5	50.0	0.6

# Housing Relative to Great Recession

## This Time, It's Different

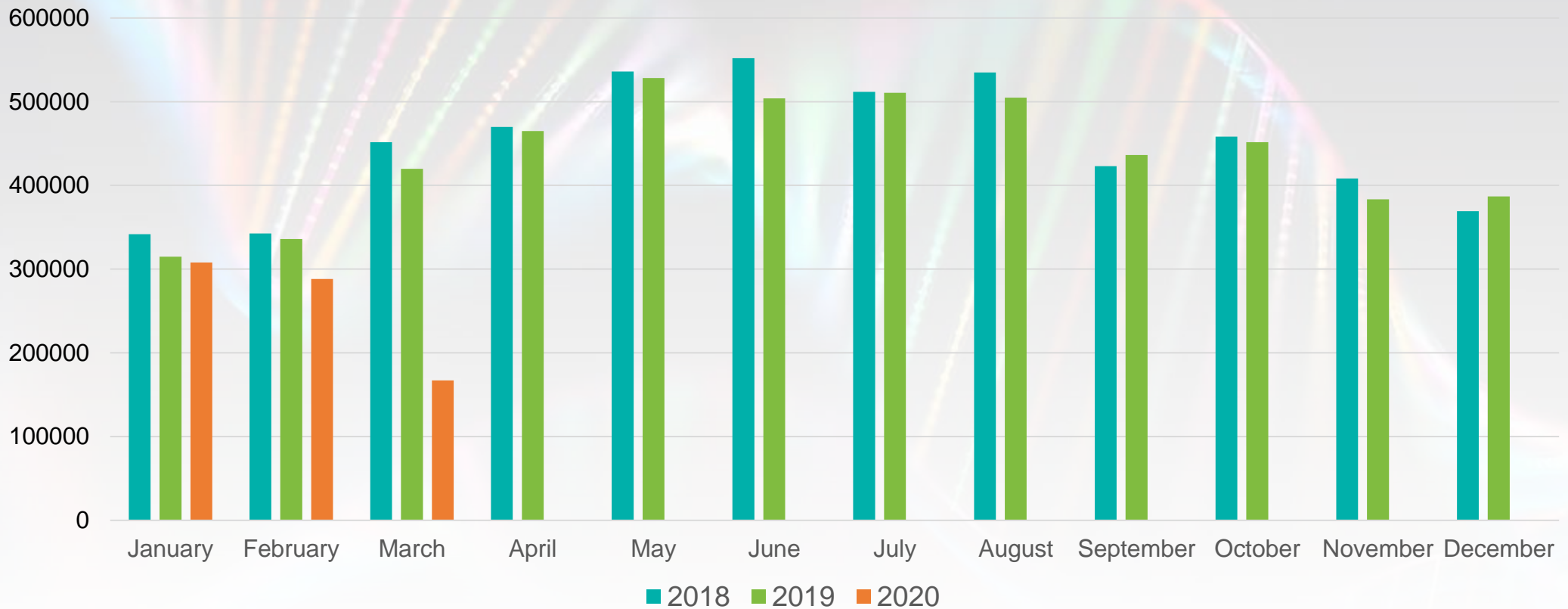
Median Sale Price and House-Buying Power



Source: DataTree by First American, IPUMS CPS, BLS, Jan. 2020

# Preliminary March Home Sales Look Weak

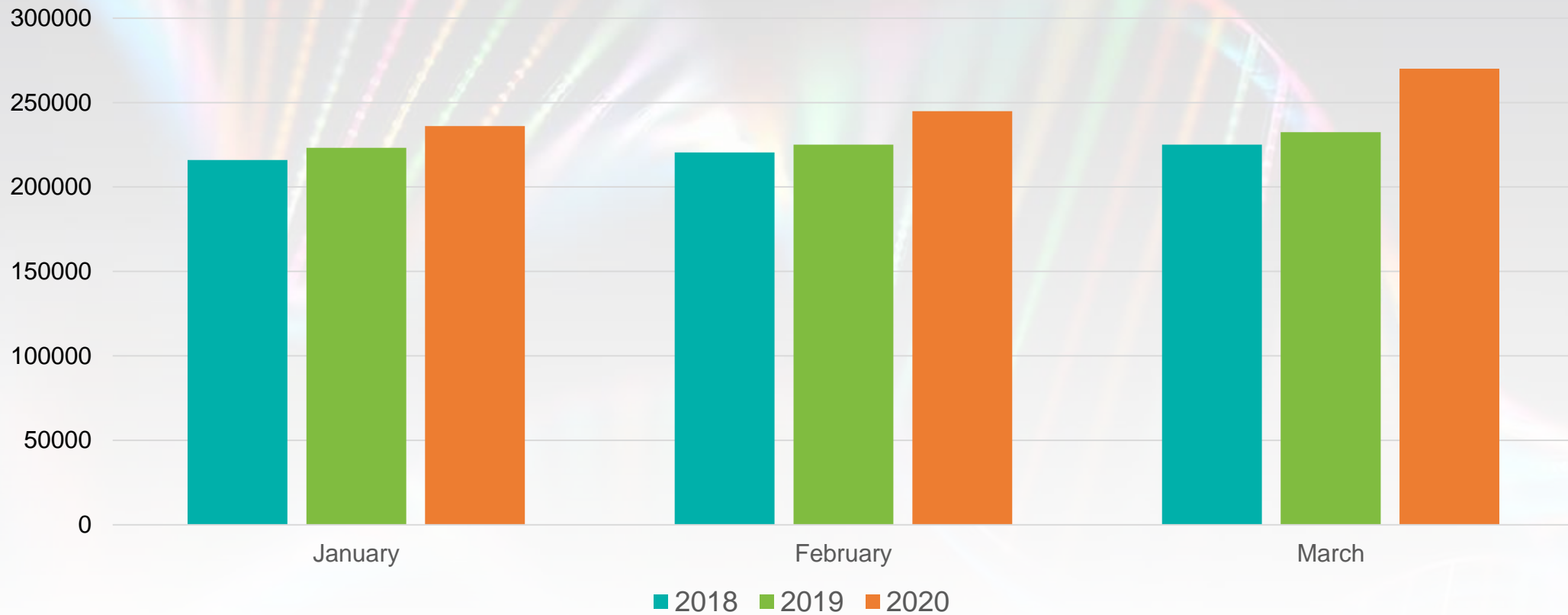
**Monthly Home Sales**  
 2018-2020



Source: First American DataTree®

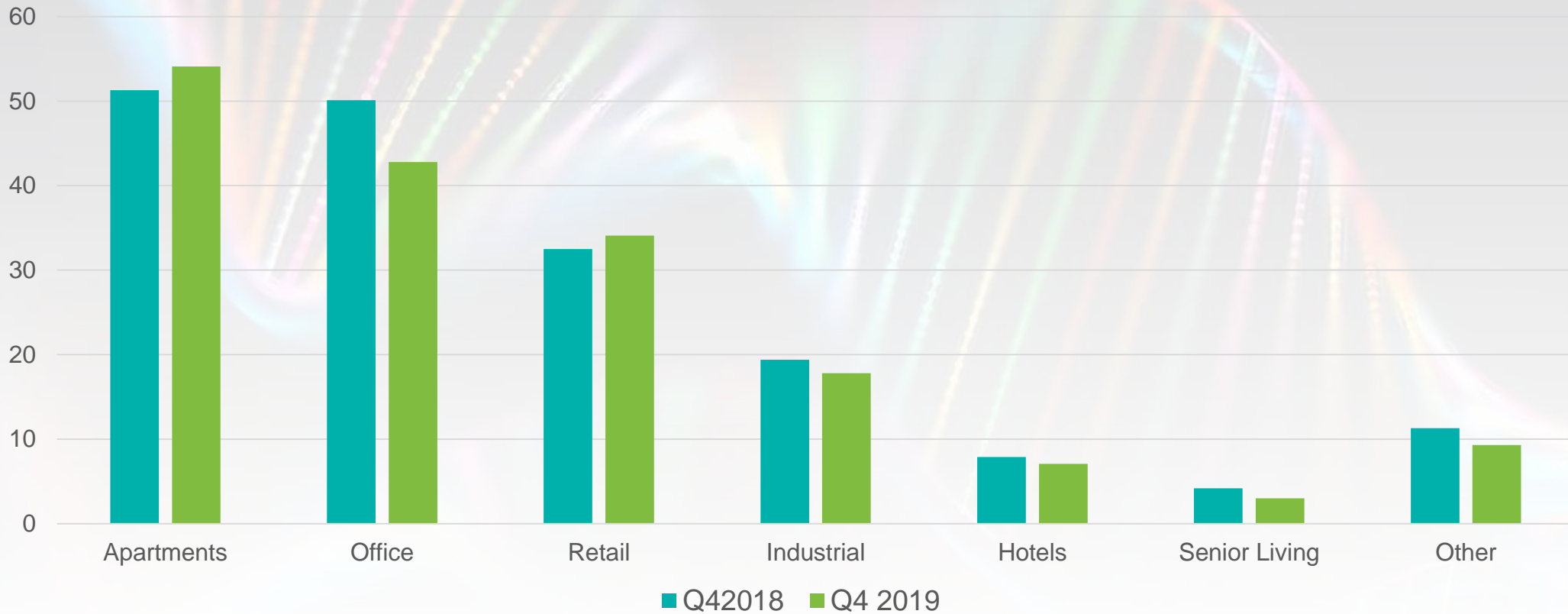
# But Prices Appear to Be **Rising**

### Median Home Sales Prices 2018-2020



# CRE Sales Flat in Q4 2019

**Sales Volume by Segment**  
Q4 2018-2019





# ECONOMIC OUTLOOK

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**MARK VITNER**

Managing Director & Senior Economist  
Wells Fargo Securities, LLC



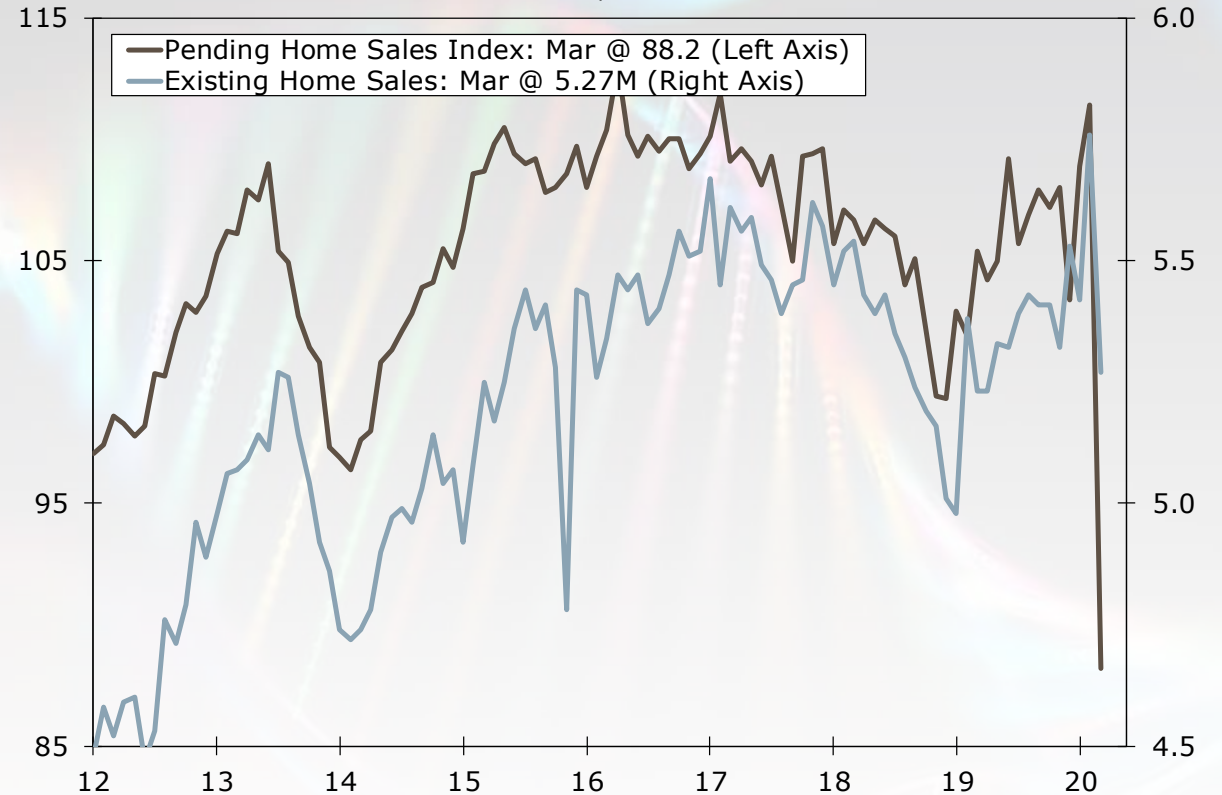
# Home Sales

**Existing home sales are set to plummet**, reflecting the inability of realtors to show homes and a substantial pullback in listings.

**Mortgage purchase applications are “only” running around 20% below their year-ago level**, which is a much smaller pullback than has been seen in most other aspects of the economy — motor vehicle sales, travel and restaurant dining.

## Pending vs. Existing Home Sales

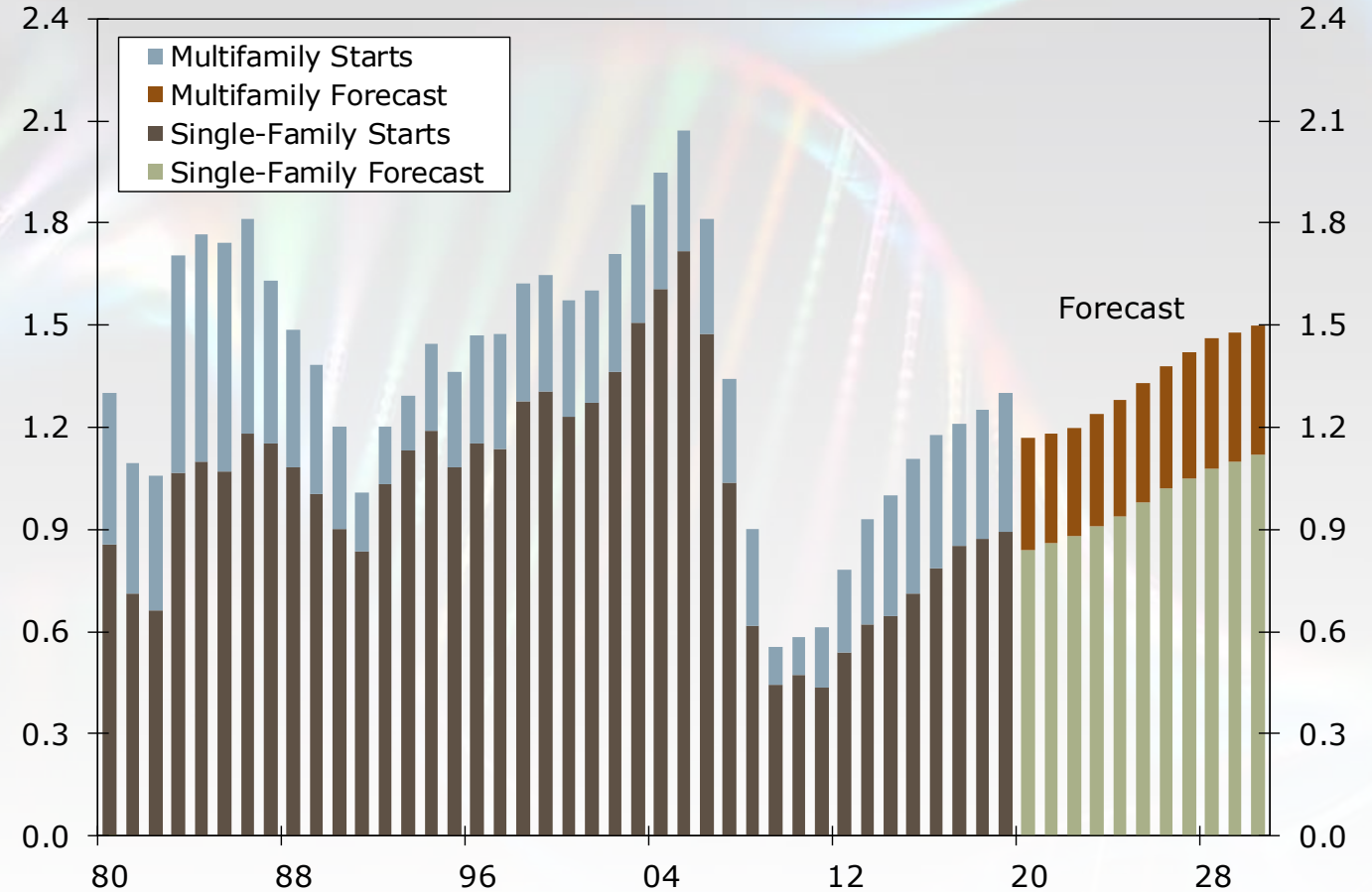
Index 2001=100, SAAR in Millions



# Housing Market

COVID-19 **took the air out** of the housing recovery.

Housing Starts  
 Millions



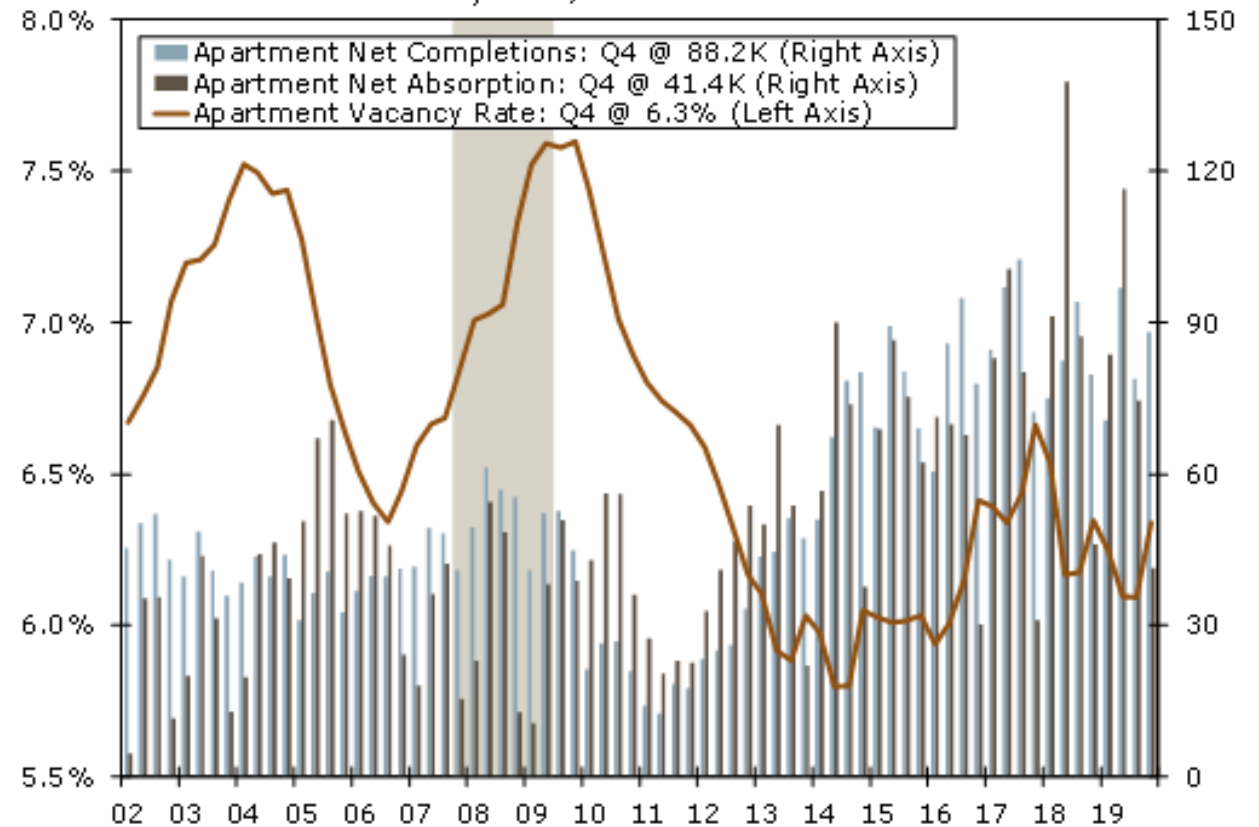
Source: U.S. Department of Commerce and Wells Fargo Securities

# Apartments

The number of multifamily units currently under construction will lead **to an avalanche of new supply later this year and in early 2021.**

We expect an abrupt slowing in multifamily starts later this year and in 2021.

**Apartment Supply & Demand**  
 Vacancy Rate; Thousands of Units

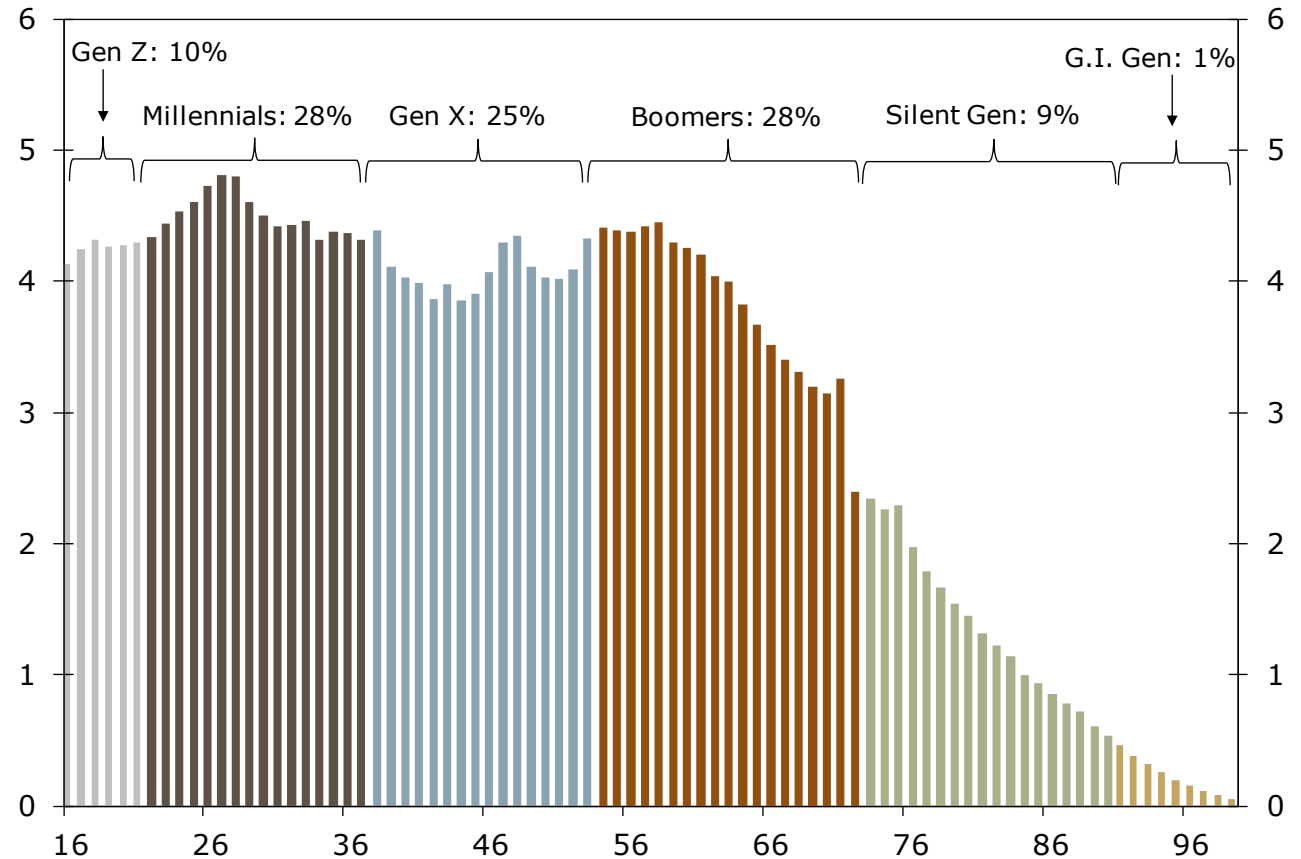


Source: CoStar, Inc. and Wells Fargo Securities

# Population

**Demographics should be supportive of housing activity over the long term** as millennials form families and increasingly look to relocate to suburbs and beyond.

**U.S. Adult Population Distribution**  
 Millions of Persons in Age Group, 2018

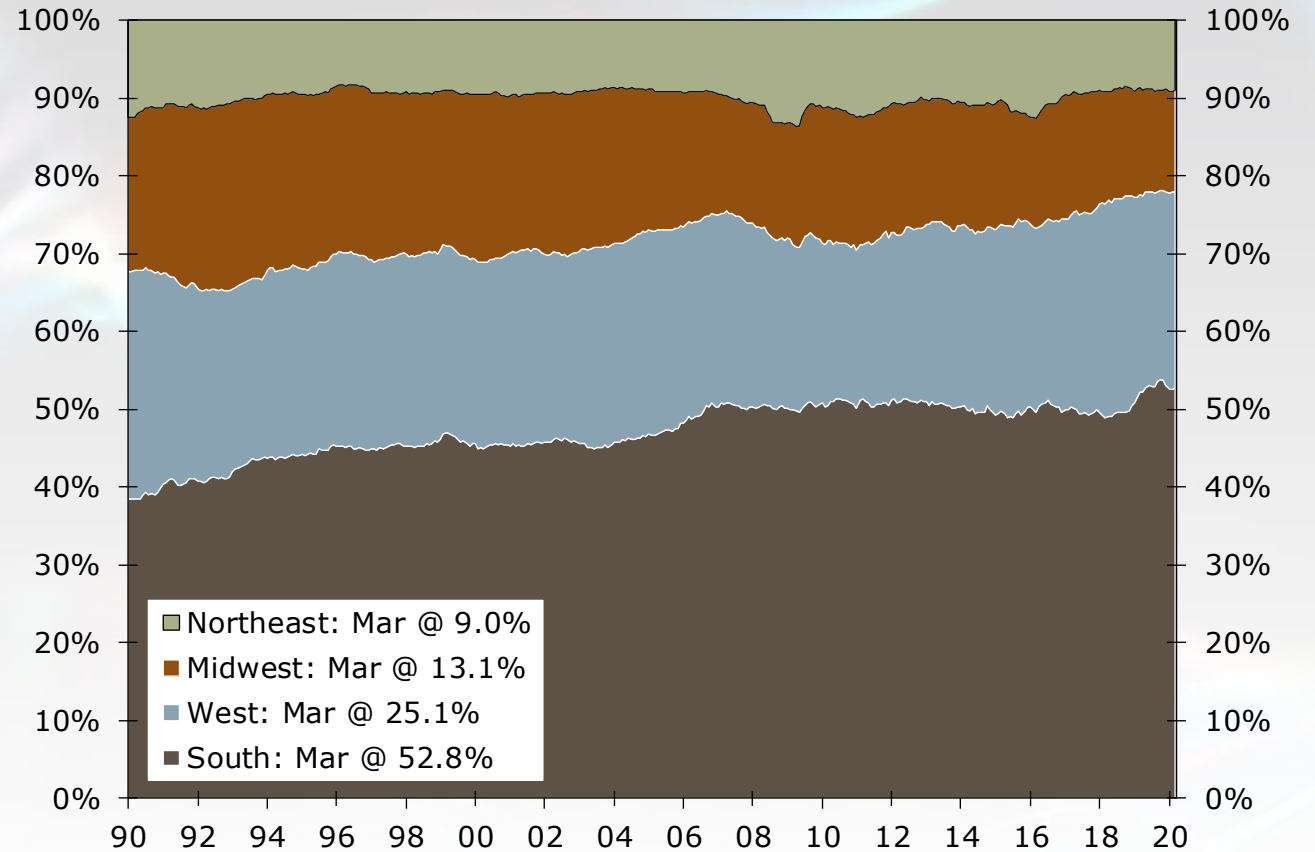


Source: U.S. Department of Commerce and Wells Fargo Securities

# Housing Starts

**There has been a clear shift in preferences toward more affordable housing markets, many of which are in the South.**

**Housing Starts by Region**  
As a Percent of Total Starts, 12-Month Moving Average

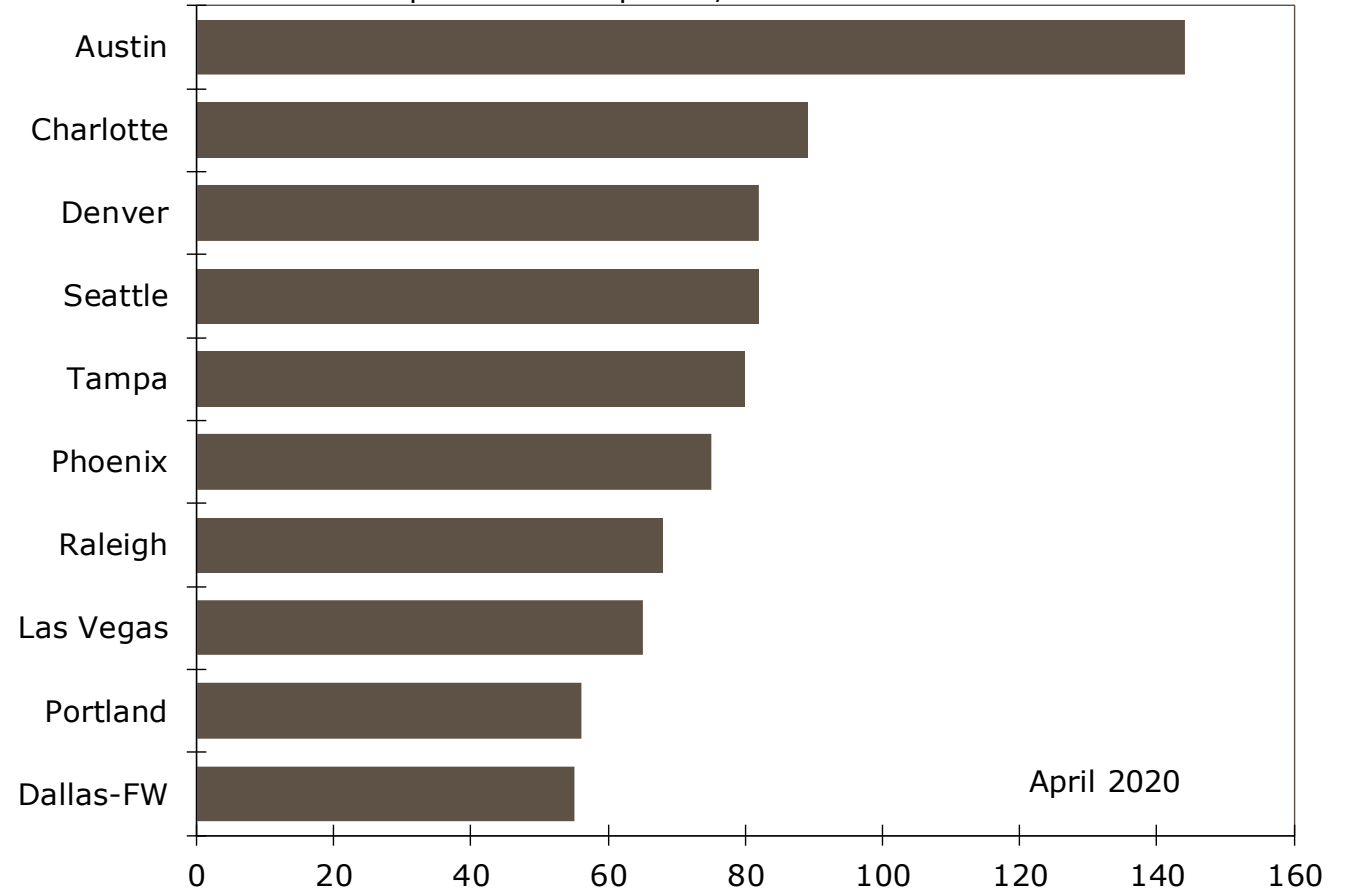


# LinkedIn Gainers

**There has been a noted shift in preferences toward more affordable housing markets.**

## Cities that Gained the Most Workers

LinkedIn Population Gain per 10,000 LinkedIn Members



Source: LinkedIn Workforce Report and Wells Fargo Securities

# Q&A



**THANK YOU  
FOR ATTENDING**

