

# Housing Watch

United States

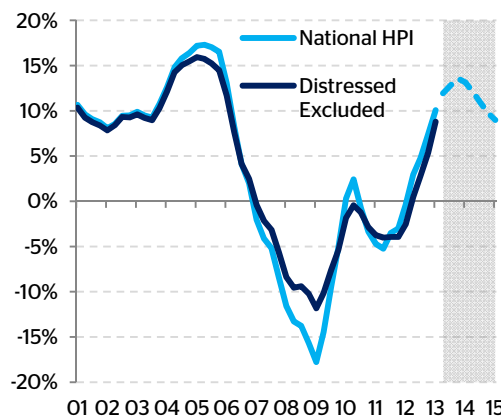
Houston, June 13, 2013  
Economic Analysis

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## Home Prices Rising at Double Digit Rate

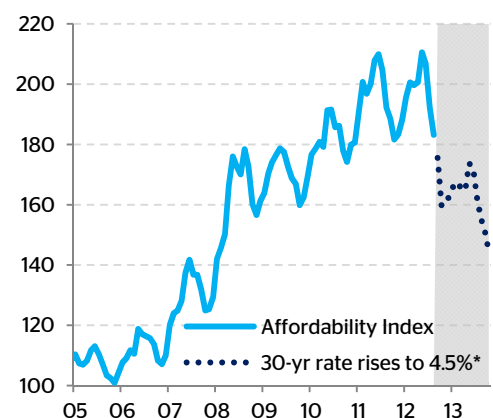
- Existing home inventory still down 14% over the year, but are up 22% in three months as more homes are going up for sale.
- Ultra-low mortgage rates have boosted housing demand and home prices; however, rates are up sharply in the past two weeks.
- Rising prices and rates are causing affordability to plunge: sales may slow.

Chart 1  
Core Logic Home Price Indexes and Forecast  
YoY % Change



Source: CoreLogic / Haver, BBVA Research

Chart 2  
Housing Affordability Index, Composite  
100=Median Family Income Likely to Qualify



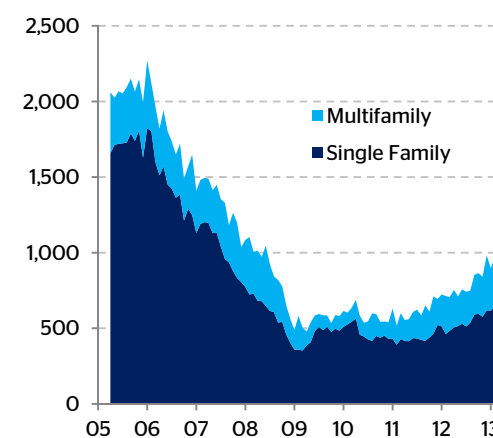
Source: National Assoc. of Realtors / Haver, BBVA Research  
\*Projection if 30-year fixed rate were to reach 4.5% by June 2014

Chart 3  
Months' Supply of Single Family Homes for Sale



Source: National Assoc. of Realtors / Haver

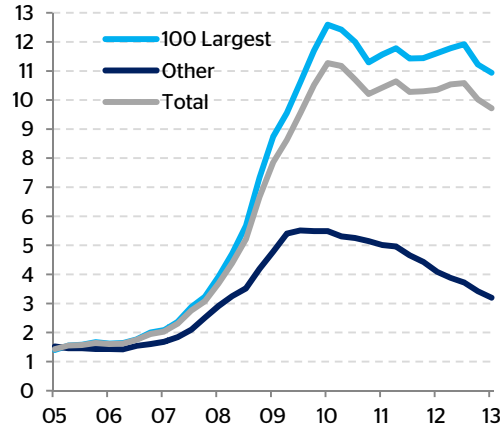
Chart 4  
Housing Starts, by Type, Thousands of Units, SAAR



Source: National Assoc. of Realtors / Haver

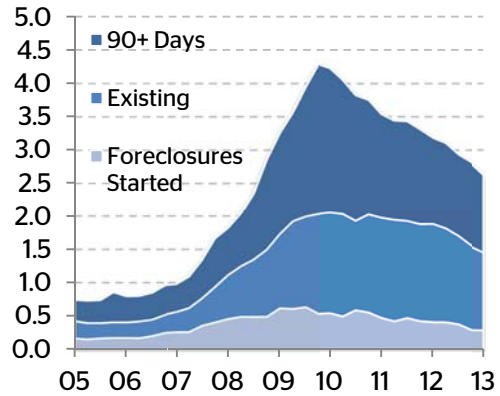
## Key Mortgage Market Indicators

Chart 5  
**Loan Delinquency Rates, Residential Real Estate Commercial Banks, Quarterly, SA,%**



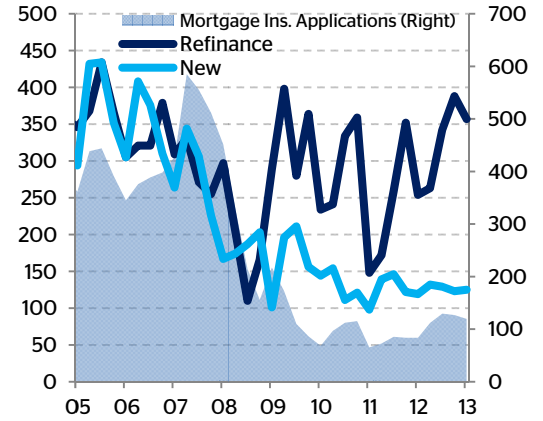
Source: Federal Reserve / Haver, BBVA Research

Chart 6  
**Inventory of Foreclosures and 90-Day+ Delinquencies**  
Million Units, Quarterly Data, Through 1Q13



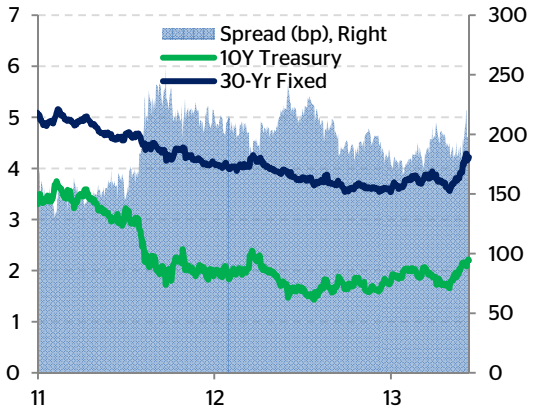
Source: BBVA Research & MBA / Haver

Chart 6  
**Mortgage Originations and Applications**  
Originations, Billions USD; Applications, Thousands



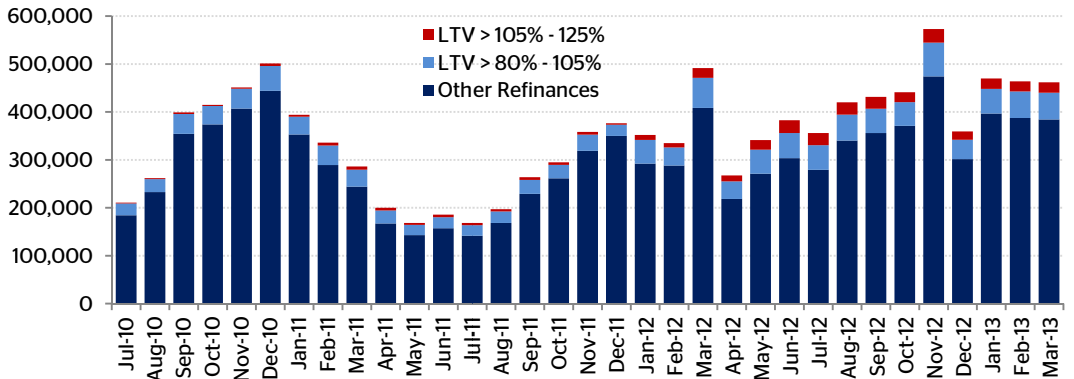
Source: National Assoc. of Realtors / Haver

Chart 7  
**10-Year Treasury Yield and Mortgage Rate (%)**  
Difference on right in basis points (bp)



Source: Federal Reserve, WSJ / BBVA Research

Chart 8  
**HARP-Backed Fannie Mae and Freddie Mac Total Refinancing Activity, Number of Loans**



Source: Freddie Mac and Fannie Mae / Haver Analytics and BBVA Research

## Key Mortgage Market Indicators

<b>Mortgage Market Indicator</b>	<b>Units</b>	<b>Obs. Mo.</b>	<b>Current</b>	<b>Prior Month</b>	<b>6-Months Ago</b>
Core Logic Home Prices	YoY% Change	Apr	11.8%	10.6%	6.5%
Excluding Distressed	YoY% Change	Apr	11.5%	9.8%	4.7%
Existing Home Sales		Apr	4970	4940	4830
Northeast	Thousands of Units, SAAR	Apr	640	630	600
Midwest		Apr	1120	1160	1130
South		Apr	2010	1970	1920
West		Apr	1200	1180	1180
Existing Months of Supply		Apr	5.2	4.7	5.2
New Home Sales		Apr	454	444	365
Northeast	Thousands of Units, SAAR	Apr	30	36	24
Midwest		Apr	59	62	52
South		Apr	242	235	183
West		Apr	123	111	106
New Months of Supply		Apr	4.1	4.1	4.8
Affordability Index		Apr	183	192	201
Mortgage Rate	%	May	3.54	3.45	3.35
10-Yr Treasury (CM)	%	May	1.93	1.76	1.65
Spread	bp	May	161	169	170

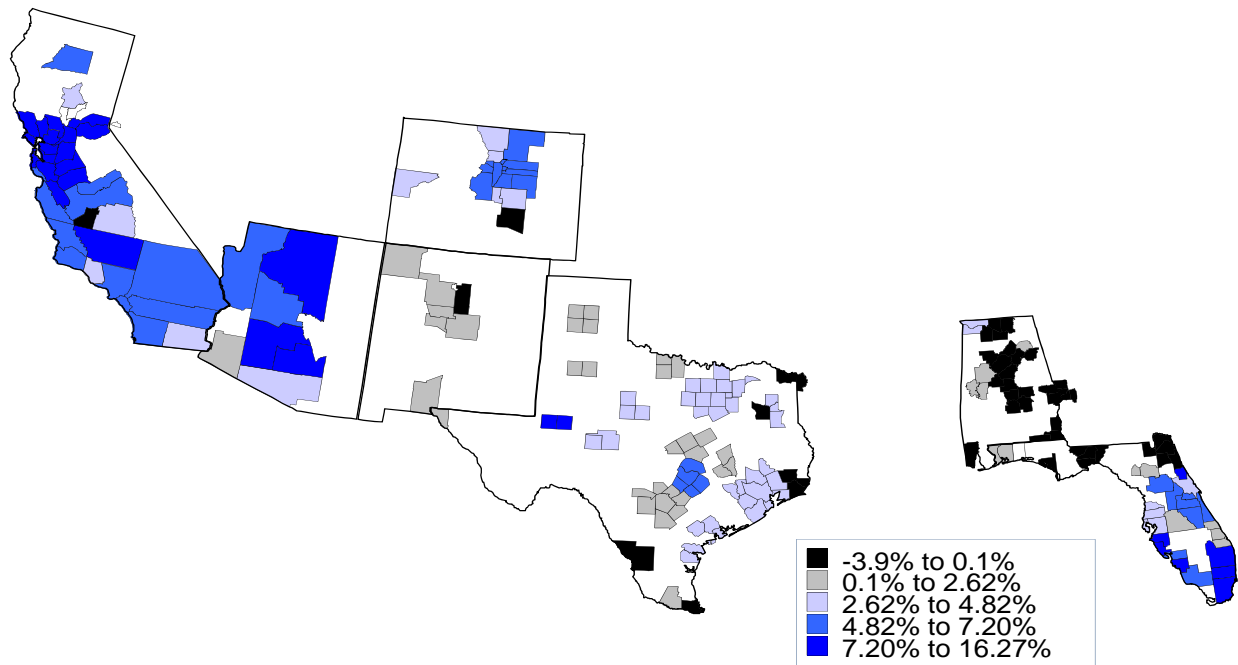
<b>Asset Quality Metrics</b>		<b>Obs. Qtr.</b>	<b>Current</b>	<b>Prior Qtr.</b>	<b>4-Qtrs Ago</b>
Res. Loan Delinquency Rate - Top 100 Banks	%	Q1-13	10.9	11.2	11.6
Foreclosures Started	Thousands	Q1-13	287	291	411
Forclosure Inventory	Thousands	Q1-13	1456	1556	1881
Mortgages Past Due (30 Days+)		Q1-13	7.3	7.1	7.4
Alabama	% of Mortgages Serviced, MBA	Q1-13	9.6	9.2	9.5
Arizona		Q1-13	5.5	5.7	6.7
California		Q1-13	5.9	6.0	6.6
Colorado		Q1-13	4.9	4.5	5.1
Florida		Q1-13	7.8	7.4	7.8
New Mexico		Q1-13	6.0	5.9	6.0
Texas		Q1-13	7.9	7.6	8.1

<b>Labor Market</b>	<b>AL</b>	<b>AZ</b>	<b>CA</b>	<b>CO</b>	<b>FL</b>	<b>NM</b>	<b>TX</b>	<b>US</b>
<b>Employment Growth (Y-o-Y % Change)</b>								
<b>Apr-13</b>	0.3%	1.7%	1.9%	2.7%	1.6%	0.7%	3.0%	1.5%
<b>Mar-13</b>	0.3%	1.8%	2.0%	2.4%	1.8%	0.3%	3.0%	1.5%
<b>Apr-12</b>	0.9%	2.0%	1.8%	2.1%	1.9%	0.0%	2.7%	1.7%
<b>Empl. Change, YTD, Thousands</b>	8.0	6.5	77.2	26.9	63.3	3.3	121.3	771.0
<b>Unemployment Rate (SA, %)</b>								
<b>Apr-13</b>	6.9	7.9	9.0	6.9	7.2	6.7	6.4	7.5
<b>Mar-13</b>	7.2	7.9	9.4	7.1	7.5	6.9	6.4	7.6
<b>Apr-12</b>	7.2	7.9	9.6	7.2	7.8	6.8	6.4	7.7

Sources: Core Logic, NAR, Census, Mortgage Bankers Association, Federal Reserve, BLS / Haver Analytics and BBVA Research

## Metro Area Housing Prices: Across the Sunbelt

Year-over-Year % Change, by Quintile, 1Q13; FHFA All Transactions Index



### Bottom Line

California, Arizona, Colorado, Southern Florida and parts of Texas are seeing sharp increases in housing prices. In some areas, such as California and Arizona, the sharp rise is a natural rebound from the severe plunge in prices during the recession. Investors have helped to boost demand in these markets also. In central and southeast Texas, high population growth and a booming energy sector are driving demand for housing and new construction. Because prices are rising at double digit rates and mortgage rates are up sharply in the past several weeks, housing affordability indexes will decline. A reduced set of eligible buyers and still tight credit will thus further constrain housing sales. Nevertheless, tight inventories will drive prices higher in many markets; however, the pace of appreciation will slow later this year as more homeowners list their homes for sale.

Asset quality remains a challenge for many banks. Although 90-day+ delinquencies continue to decline, residential loan delinquency rates remain elevated. New foreclosures are still projected to be around 1.0 million in 2013. An uptick in the rate of new foreclosures of FHA-backed loans underlies this estimate. Refinancing activity remains the primary source of mortgage activity: new originations remain very low due to the slowly improving pace of housing sales. We expect refinancing activity will slow as rates rise, although the HARP program will support higher refinance volumes for the time being. The recent sharp jump in treasury yields has pushed 30-year fixed mortgage rates above 4.2% for the first time since early 2012.

New home sales continue to be a bright spot in the market. Sales in the southern U.S. account for more than half of all new home sales. Construction activity is up sharply in many of these states.

S&P/Case Shiller Metro Area Home Price Indexes				
YoY% Change	Mar-13	Prior Mo.	6-Mo. Ago	1-Year Ago
Phoenix	22.4%	23.0%	20.4%	6.0%
Denver	9.8%	9.9%	6.7%	2.5%
Los Angeles	16.6%	14.1%	4.0%	-4.8%
San Diego	12.1%	10.2%	4.2%	-2.7%
San Francisco	22.2%	19.0%	7.4%	-3.0%
Miami	10.7%	10.5%	7.4%	2.5%
Tampa	11.8%	10.1%	5.8%	-1.3%
Dallas	6.8%	7.1%	4.4%	1.5%

Source: S&P/Case Shiller / Haver Analytics and BBVA Research

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