

# HUD PD&R National Housing Market Summary

## The Housing Market Recovery Continues To Gain Strength

Housing data for the second quarter of 2013 indicate the housing market recovery continues to gain strength, although regional variation exists. Housing starts showed strong growth over the previous year for both single-family and multifamily units, and the inventories of new and previously owned (existing) homes available for sale remain at low levels. Home sales rose for new and existing homes. The seasonally adjusted (SA) Standard & Poor's (S&P)/Case-Shiller<sup>1</sup> and the Federal Housing Finance Agency's (FHFA) repeat-sales house price indices, which are reported with a lag, have shown strong annual increases in home prices for the last three quarters.

According to the Mortgage Bankers Association (MBA), during the second quarter of 2013, the delinquency rate for mortgage loans on one-to-four unit residential properties fell to its lowest level since mid-2008. The combined

percentage of loans at least one payment past due or in the foreclosure process was also at its lowest level in 5 years. RealtyTrac<sup>®</sup> data show that foreclosure starts and completions continued to trend downward, with newly initiated foreclosures reaching their lowest level since the second quarter of 2006 and completions at their lowest level since the second quarter of 2007. The U.S. economy expanded at a seasonally adjusted annual rate (SAAR) of 1.7 percent in the second quarter following 1.1-percent growth in the first quarter, according to the Bureau of Economic Analysis' first estimate. Real residential investment increased 13.4 percent in the second quarter compared with 12.5-percent growth in the first quarter and contributed 0.38 percent to real Gross Domestic Product growth compared with 0.34 percent the previous quarter.

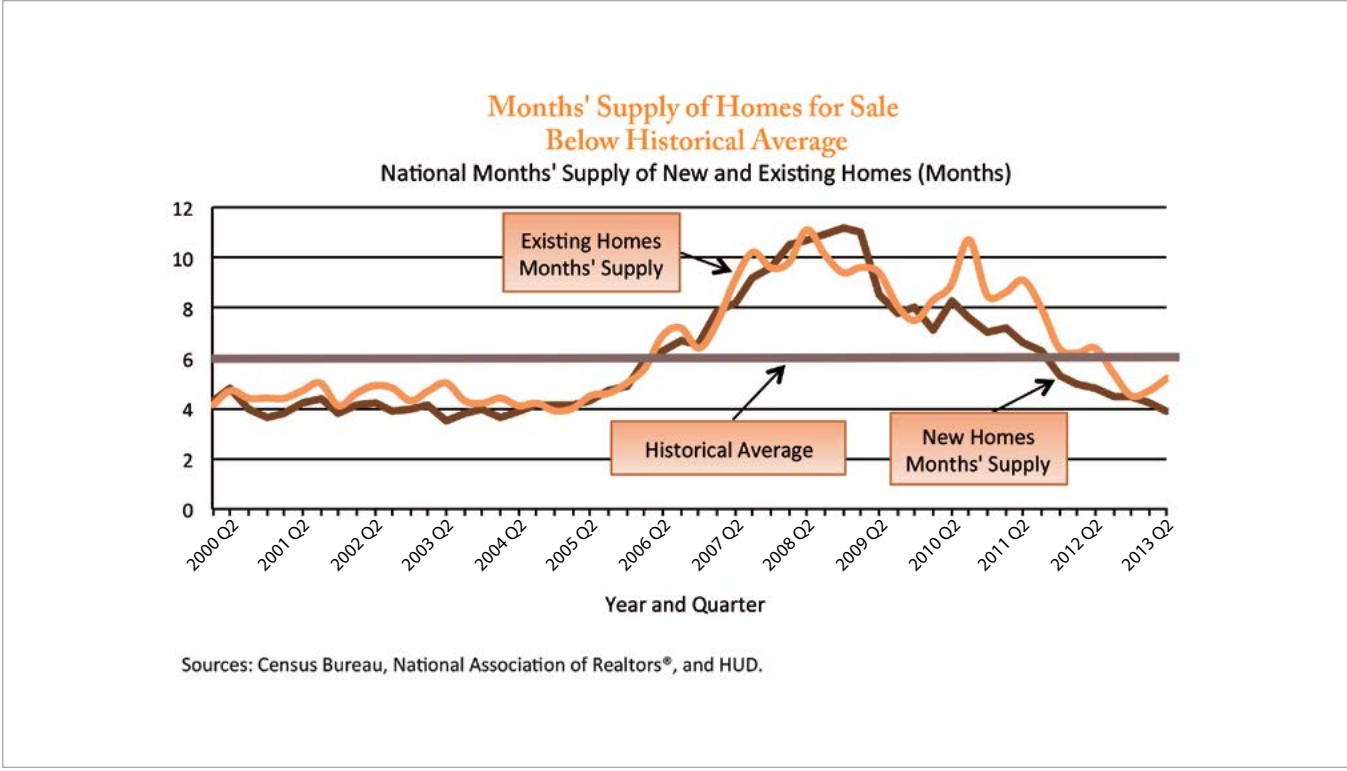
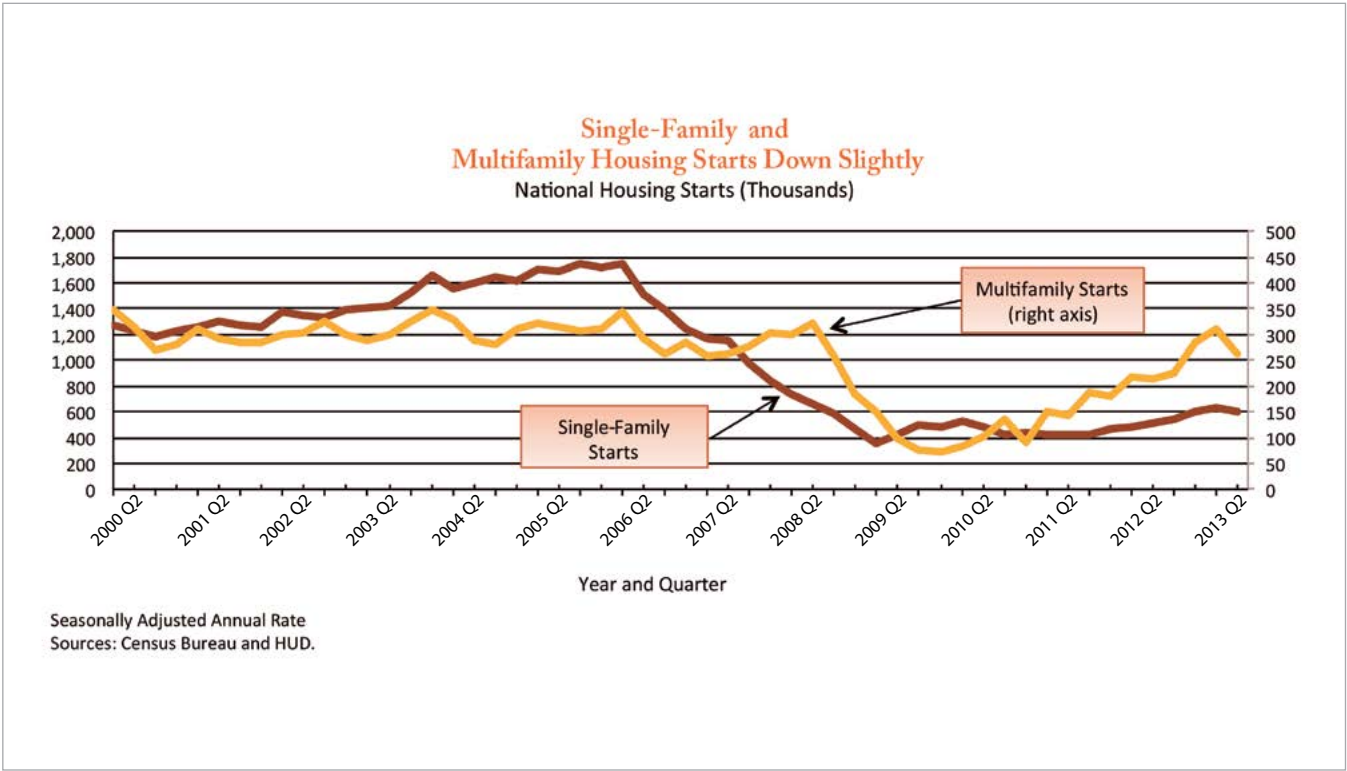
## Housing Supply

**Homebuilding activity has strengthened in recent quarters.** Construction starts on single-family homes totaled 598,000 (SAAR) in the second quarter of 2013, down 5 percent from the first quarter but up 16 percent over one year ago, but they are still well below the 1.4 million level recorded in 2003 at the start of the housing bubble. Starts on multifamily units declined to 262,000 (SAAR) in the second quarter, down 16 percent from the previous quarter but up 23 percent over the previous year—slightly below the 300,000 pace recorded at the beginning of the bubble. The number of building permits, a harbinger of housing starts in the near future, indicates that starts will continue to show strong annual growth. Permits for single-family homes increased at rates of 4 percent in the second quarter and 25 percent in the last year, whereas multifamily building permits were up 9 percent from the previous quarter and 24 percent over the previous year.

Housing supply indicators remain below historical norms. The average months' supply of homes on the market, especially new homes, is below the historical 6-month average. The listed inventory of new homes for sale at the end of the second quarter was 161,000 units (SA). That inventory would support 3.9 months of sales at the current sales pace, down from 4.2 months in the first quarter and 4.8 months the previous year. The listed inventory of existing homes for sale, at 2.190 million units, would support 5.2 months of sales at the current sales pace, up from 4.7 months in the previous quarter but down from 6.4 months one year ago. Of concern is the "shadow inventory" of homes resulting from the high rate of delinquencies and foreclosures, which has the potential to increase the supply of homes for sale and depress home prices. This threat has been partially offset, however, by the purchase and conversion to rentals of previously distressed (foreclosure and short sale) single-family homes by investors.

<sup>1</sup> Case-Shiller<sup>®</sup> and Case-Shiller Indexes<sup>®</sup> are registered trademarks of CoreLogic, Inc.





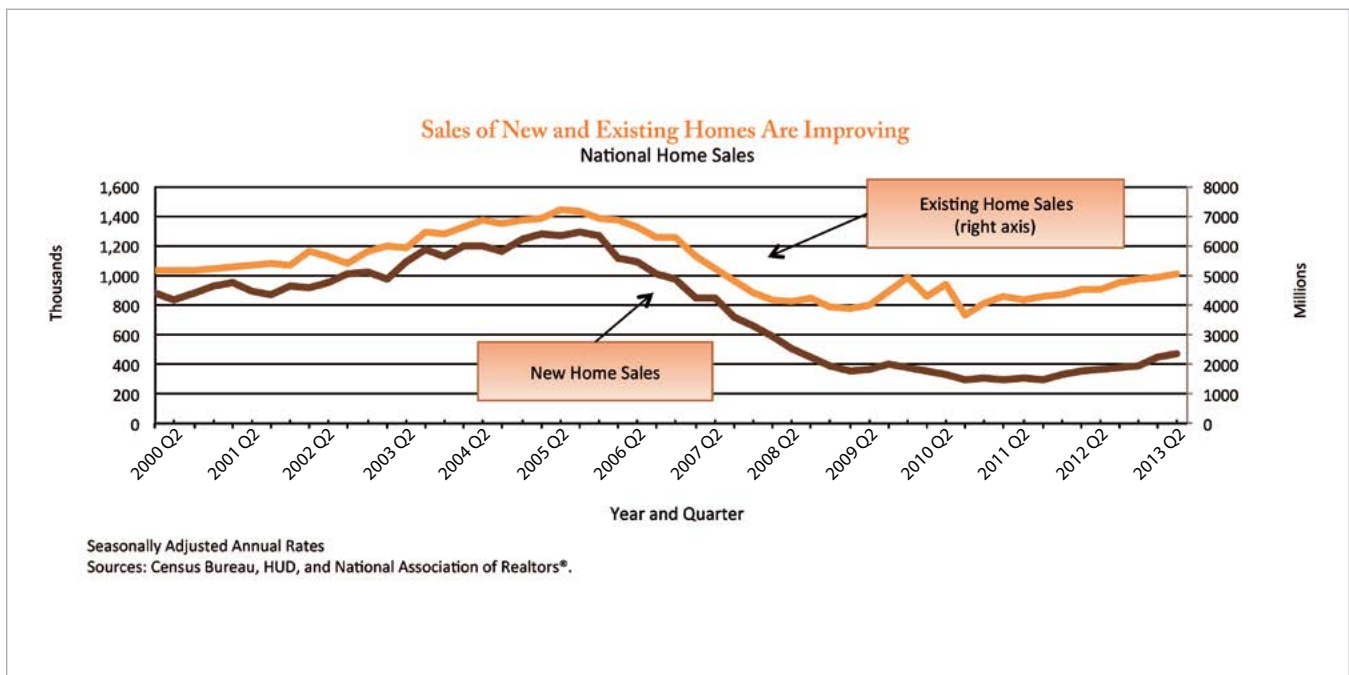
## Housing Demand

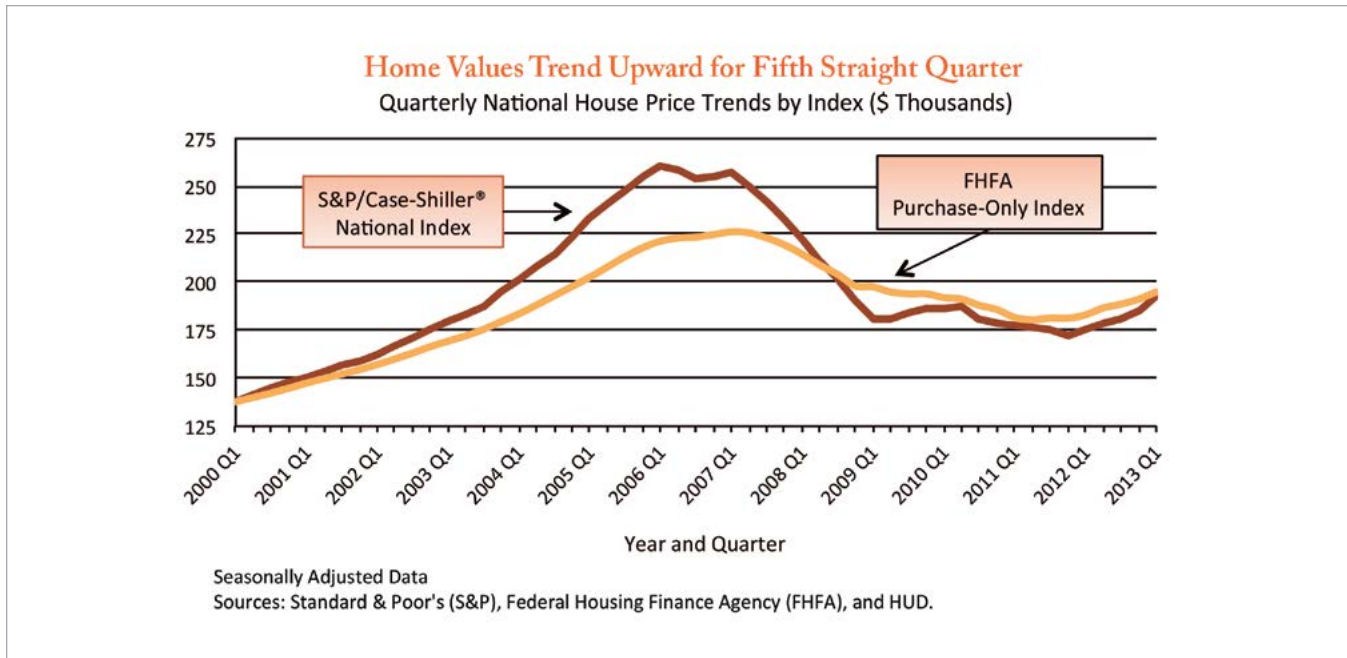
The marketing of housing continued to improve in the second quarter of 2013. Sales of new and existing homes have been growing for the last seven and eight consecutive quarters, respectively. The number of new single-family homes sold reached 470,000 (SAAR) in the second quarter, up 30 percent in the last year and 61 percent above the low point reached the first quarter of 2011. The NATIONAL ASSOCIATION OF REALTORS® (NAR) reported that existing homes—including single-family homes, townhomes, condominiums, and cooperatives—sold at a rate of 5.057 million (SAAR) in the second quarter, up 12 percent from the pace a year earlier and up 38 percent from their low in the third quarter of 2010, reaching the highest level since the second quarter of 2007. Sales to first-time homebuyers, which historically have averaged 40 percent of home sales, accounted for 29 percent of all sales transactions in the second quarter, down from 34 percent a year ago, according to a NAR survey. According to MBA, mortgage credit availability increased in June relative to May 2013 and, after falling for most of 2012, is back at levels close to those seen in 2011, when MBA first started calculating its Mortgage Credit Availability Index.

The S&P/Case-Shiller® and FHFA purchase-only repeat-sales house price indices, which are reported with a lag, reveal strong gains in home values over the last year. The

S&P/Case-Shiller® (SA) national and the FHFA purchase-only (SA) indices estimate an annual increase in home prices of 10.2 and 6.7 percent, respectively, over the four-quarter period ending the first quarter of 2013. The FHFA index differs from the Case-Shiller® index mainly because it is based on sales financed with mortgages that have been sold to or guaranteed by Fannie Mae and Freddie Mac, excludes sales transactions associated with subprime and some “jumbo” loans, and is transaction weighted instead of value weighted. According to NAR, distressed sales, which tend to sell at lower prices, accounted for 17 percent of all existing home sales in the second quarter, down from 26 percent one year ago; the share of investor purchases was 18 percent in the second quarter, down slightly from 19 percent a year ago.

The absorption rates for apartments and for condominiums and cooperatives increased, despite a rise in the rental vacancy rate for multifamily units. Of the new apartments completed in the first quarter of 2013, 63 percent were leased within the ensuing 3 months, up slightly from 61 percent in both the previous quarter and the previous year. Of newly completed condominiums and cooperatives in the first quarter, 80 percent sold within 3 months, up from 77 percent in the previous quarter and 64 percent over the four-quarter period.





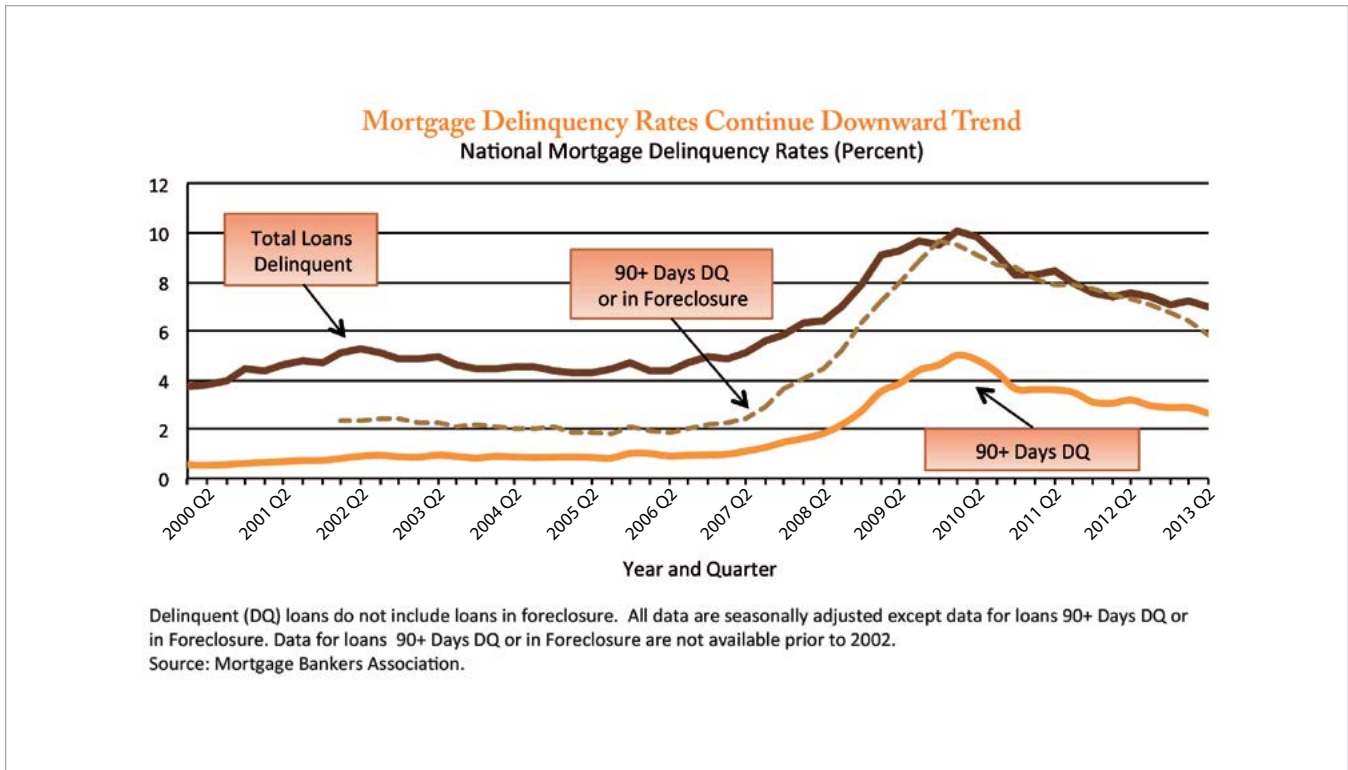
## Housing Finance and Investment

**Data on housing finance continue to show progress across key indicators.** According to data from MBA's quarterly National Delinquency Survey, the delinquency rate on mortgages of one-to-four unit residential properties declined during the second quarter of 2013, driven mainly by loans that are 90 or more days past due. The delinquency rate dropped to 6.96 percent (SAAR) of all loans outstanding, down 29 basis points from the previous quarter and 62 basis points from one year earlier. The 30-day delinquency rate fell by 2 basis points from the first quarter to 3.19 percent and remains close to its long-term average, whereas the 90-day delinquency rate fell by 23 basis points to 2.65 percent over the same time period. The delinquency rate includes loans that are at least one payment past due but does not include loans in the process of foreclosure. The share of seriously delinquent loans (90 or more days past due or in the foreclosure process) fell by 51 basis points to 5.88 percent and is down from a peak of 9.67 percent in the fourth quarter of 2009.

As of the second quarter of 2013, newly initiated foreclosures have declined for four consecutive quarters, and foreclosure completions have fallen for the last two quarters. RealtyTrac® reported that foreclosure starts—default notices or scheduled foreclosure auctions, depending on the state—were filed for the first time on 200,100 U.S. properties, down 21 percent from the first quarter and 45

percent from one year ago. Lenders completed the foreclosure process (bank repossessions or REOs) on 109,450 U.S. properties, down 9 percent from the previous quarter and 35 percent from the previous year. Foreclosure activity has started to pick up, however, primarily in states where the process slowed dramatically in the last 2 years. The increase in judicial foreclosure auctions demonstrate that these delayed foreclosure cases are now moving more quickly through to foreclosure completion; given the rising home prices, now is an opportune time for lenders to dispose of distressed properties.

CoreLogic reported that 19.8 percent of mortgages in the nation were underwater as of the first quarter of 2013 (the data are reported with a lag), a decline from 21.7 percent in the previous quarter. Since the beginning of 2012, the number of underwater borrowers (those who owe more on their mortgage than the value of their home) has fallen 20 percent—from 12.108 million to 9.665 million—lifting 2.4 million homeowners above water. CoreLogic credits the decrease in underwater borrowers mainly to an improvement in home prices. As home prices have improved, the equity homeowners have in their homes has risen. For the first quarter of 2013 (the data are reported with a lag), the Federal Reserve reported homeowners' equity (total property value less mortgage debt outstanding) was up more than \$815 billion, an increase of 10 percent over the previous quarter. Housing wealth built fairly rapidly in the last several quarters and is up \$2.5 trillion since the beginning of 2012.



## Homeownership and Housing Vacancy

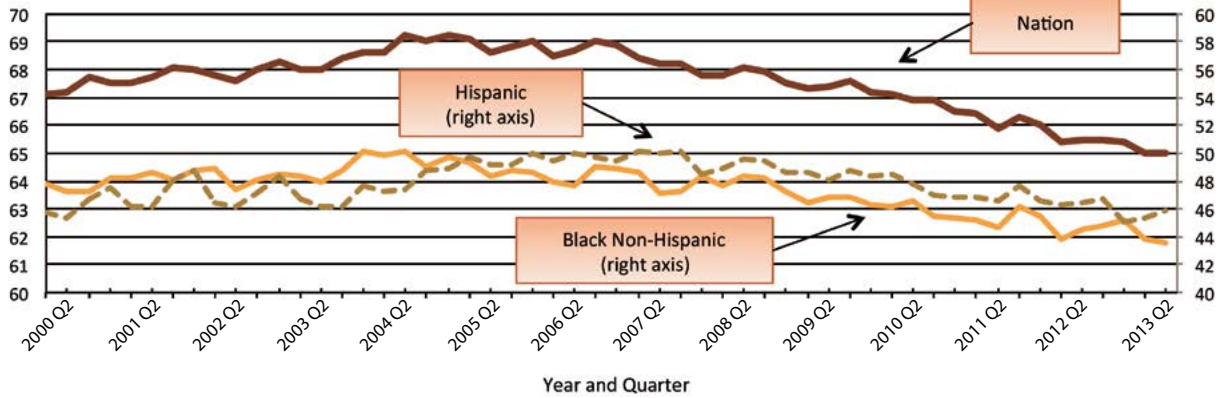
**The national homeownership rate remained steady in the second quarter.** The national homeownership rate remained at 65.0 percent in the second quarter of 2013 but is still down from 65.5 percent the previous year. The homeownership rate reached a high of 69.2 percent in the fourth quarter of 2004. For White non-Hispanic households, the homeownership rate declined to 73.3 percent from 73.4 percent in the first quarter and, for African-American households, the rate fell to 43.5 percent from 43.8 percent, whereas the homeownership rate for Hispanic households increased to 45.9 percent from 45.3 percent. The homeownership rate for other race--non-Hispanic minorities decreased to 56.2 from 56.7 percent, but the homeownership rate for two or more races--non-Hispanic minorities increased to 54.5 from 54.4 percent. The current low homeownership rates reflect the subprime lending crisis and the high rates of unemployment and underemployment following the severe 2007-to-2009 recession.

Vacancy rates continue to decline. According to the Census Bureau, the overall vacancy rate in the rental market was 8.2 percent, down slightly from 8.6 percent in the first quarter and one year ago. The vacancy rate for multifamily units, at 9.5 percent, was up from 9.0 percent in the first quarter but down from 9.8 percent a year earlier. The single-family rental vacancy rate declined to 7.1 percent from 8.2 percent in the first quarter and 7.7 percent one year ago.

As household formation begins to grow after stagnating during the Great Recession, demand for housing will strengthen. Household formation grew at a pace of 0.8 percent in 2012 after growing at an average rate of 0.5 percent during the recession. The number of households increased slightly in the second quarter of 2013 by 0.3 percent and is up 0.7 percent from a year ago.

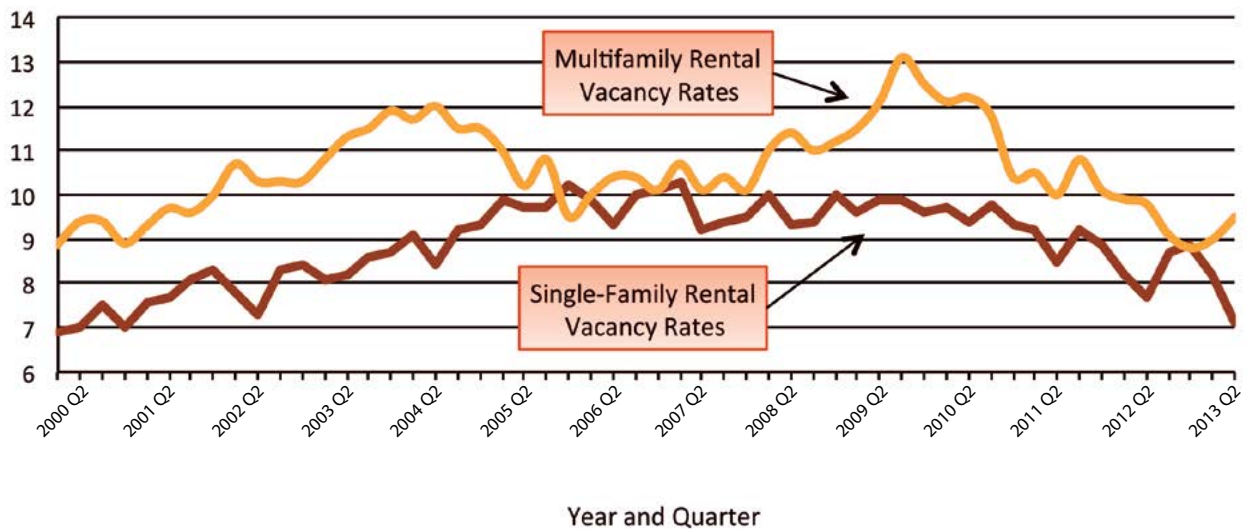


The National Homeownership Rate Is Well Below Pre-Recession Level  
National Homeownership Rates (Percent)



Sources: Census Bureau and HUD.

Single-Family and Multifamily Rental Vacancy Rates  
National Rental Vacancy Rates (Percent)



Source: Census Bureau.



# HUD PD&R National Housing Market Summary

The table below summarizes quarterly changes in national housing indicators, comparing current quarter data to the previous quarter and year-ago quarter.

## U.S. NATIONAL HOUSING INDICATORS

Note: Change From Prior Period May Be Shown As a Percent Change or Percentage-Point Change

Indicator	Current Quarter	Previous Quarter	Year-Ago Quarter	Change From Previous Quarter	Change From Year-Ago Quarter	Current Quarter as-of Date
<b>HOUSING SUPPLY</b>						
<b>Housing Permits</b> (SAAR, thousands)						Q2 2013
Total	969	919 (r)	780	5.5% (s)	24.3% (s)	
Single-Family	620	596 (r)	495	4.0% (s)	25.3% (s)	
Multifamily (5+)	324	296 (r)	262	9.3% (s)	23.5% (s)	
<b>Housing Starts</b> (SAAR, thousands)						Q2 2013
Total	872	957 (r)	741	- 8.9% (s)	17.8% (s)	
Single-Family	598	630 (r)	517	- 5.0% (n)	15.7% (s)	
Multifamily (5+)	262	312 (r)	213	- 16.0% (s)	22.8% (s)	
<b>Under Construction</b> (SAAR, thousands)						Q2 2013
Total	623	594 (r)	486	4.9% (s)	28.2% (s)	
Single-Family	311	293 (r)	258	6.1% (s)	20.5% (s)	
Multifamily (5+)	302	290 (r)	219	4.1% (n)	37.9% (s)	
<b>Housing Completions</b> (SAAR, thousands)						Q2 2013
Total	723	752 (r)	636	- 3.9% (n)	13.7% (s)	
Single-Family	541	573 (r)	481	- 5.5% (n)	12.5% (s)	
Multifamily (5+)	172	172 (r)	143	- 0.4% (n)	20.0% (n)	
<b>New Homes For Sale</b> (SA)						Q2 2013
Inventory (thousands)	161	154 (r)	145	4.5% (s)	11.0% (s)	
Months' Supply (months)	3.9	4.2 (r)	4.8	- 7.1% (n)	- 18.8% (s)	
<b>Existing Homes for Sale</b>						Q2 2013
Inventory (NSA, thousands)	2,190	1,930 (r)	2,370	13.5% (u)	- 7.6% (u)	
Months' Supply (months)	5.2	4.7 (r)	6.4	10.6% (u)	- 18.8% (u)	
<b>Manufactured Home Shipments</b> (SAAR, thousands)	59.7	58.3 (r)	54.3	3.4% (u)	11.1% (u)	Q2 2013
<b>HOUSING DEMAND</b>						
<b>Home Sales</b> (SAAR)						Q2 2013
New Homes Sold (thousands)						
Single-Family	470	449 (r)	360	4.7% (n)	30.3% (s)	
Existing Homes Sold (thousands)						
Single-Family, Townhomes, Condos, Co-ops	5,057	4,943 (r)	4,510	2.3% (u)	12.1% (u)	
Condos and Co-ops	587	600 (r)	500	- 2.2% (u)	17.3% (u)	
First-Time Buyers (%)	29	30	34	- 1 (u)	- 5 (u)	
Investor Sales (%)	18	20	19	- 2 (u)	- 1 (u)	

SA = seasonally adjusted. NSA = not seasonally adjusted. SAAR = seasonally adjusted annual rate. (r) = revised. (s) = statistically significant. (n) = not statistically significant. (u) = statistical significance unavailable. FHFA = Federal Housing Finance Agency. ARM = adjustable-rate mortgage. DQ = delinquent. FC = foreclosure. FHA = Federal Housing Administration. VA = U.S. Department of Veterans Affairs. PMI = private mortgage insurance. GDP = Gross Domestic Product. URE = usual residence elsewhere.

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<b>HOUSING DEMAND (continued)</b>						
<b>Home Sales Prices</b>						
Median (\$)						Q2 2013
New Homes	264,400	258,400 (r)	238,700	2.3% (u)	10.8% (u)	
Existing Homes	202,967	175,900 (r)	180,933	15.4% (u)	12.2% (u)	
Repeat-Sales Home Price Indices						Q1 2013
FHFA (SA)	194.1	190.3	181.8	1.9% (u)	6.7% (u)	
Case-Shiller® (SA)	141.2	135.8 (r)	128.1	3.9% (u)	10.2% (u)	
<b>Housing Affordability</b>						
Composite Index	175.8	203.2 (r)	187.4	-13.5% (u)	-6.2% (u)	Q2 2013
Fixed Index	174.0	201.4 (r)	184.4	-13.6% (u)	-5.7% (u)	
National Average Mortgage Interest Rate (%)	3.6	3.6	3.9	0.1 (u)	-0.3 (u)	
Median-Priced Existing Single-Family Home (\$)	203,467	176,367	181,300	15.4% (u)	12.2% (u)	
Median Family Income (\$)	62,653	62,175	61,667	0.8% (u)	1.6% (u)	
<b>Multifamily Housing</b>						
Apartments						
Completed Previous Quarter (thousands)	24.4	31.2 (r)	15.9	-21.8% (s)	53.7% (s)	Q4 2012
Leased Current Quarter (%)	63	61 (r)	61	2 (n)	2 (n)	Q1 2013
Median Asking Rent (\$)	1,195	1,080	1,065	10.6% (u)	12.2% (u)	
Condos and Co-ops						
Completed Previous Quarter (thousands)	1.6	1.9 (r)	1.8	-19.1% (s)	-11.3% (n)	Q4 2012
Sold Current Quarter (%)	80	77 (r)	64	3 (n)	16 (s)	Q1 2013
Median Asking Price (\$)	306,500	282,500	359,700	8.5% (u)	-14.8% (u)	
<b>Manufactured Home Placements</b> (sales at SAAR, thousands)	53.7	52.0	55.3	3.2% (n)	-3.0% (n)	Q1 2013
<b>Builders' Views of Market Activity</b> (Composite Index)	45	46	27	-0.7% (u)	67.9% (u)	Q2 2013
<b>HOUSING FINANCE and INVESTMENT</b>						
<b>Mortgage Interest Rates (%)</b>						
30-Year Fixed-Rate	3.69	3.50	3.80	0.19 (u)	-0.11 (u)	Q2 2013
15-Year Fixed Rate	2.85	2.74	3.04	0.11 (u)	-0.19 (u)	
1-Year ARM	2.59	2.61	2.76	-0.02 (u)	-0.17 (u)	
<b>Mortgage Delinquency Rates (%)</b>						
All Loans Past Due (SA)	6.96	7.25	7.58	-0.29 (u)	-0.62 (u)	Q2 2013
Loans 90+ Days Past Due (SA)	2.65	2.88	3.19	-0.23 (u)	-0.54 (u)	
Seriously Delinquent (90+ Days & in FC, NSA)	5.88	6.39	7.31	-0.51 (u)	-1.43 (u)	

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**U.S. NATIONAL HOUSING INDICATORS**

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Indicator	Current Quarter	Previous Quarter	Year-Ago Quarter	Change From Previous Quarter	Change From Year-Ago Quarter	Current Quarter as-of Date
<b>HOUSING FINANCE and INVESTMENT (continued)</b>						
<b>FHA Market Share</b>						Q4 2012
Dollar Volume (%)						
All Loans	13.8	11.4	10.2	2.4 (u)	3.6 (u)	
Purchase	18.7	21.5	25.6	-2.8 (u)	-6.9 (u)	
Refinance	10.3	7.3	5.3	3.0 (u)	5.0 (u)	
Loan Count (%)						
All Loans	16.5	13.9	12.9	2.6 (u)	3.6 (u)	
Purchase	22.7	25.9	30.6	-3.2 (u)	-7.9 (u)	
Refinance	12.5	8.9	6.1	3.6 (u)	6.4 (u)	
<b>FHA Mortgage Insurance (thousands)</b>						Q4 2012
Applications Received	452.6	503.2	365.7	-10.1% (u)	23.8% (u)	
Endorsements	365.5	346.3	270.0	5.5% (u)	35.4% (u)	
Purchase	177.9	198.0	176.2	-10.2% (u)	1.0% (u)	
Refinance	187.5	148.3	93.8	26.4% (u)	99.9% (u)	
<b>Private and VA Mortgage Insurance (thousands)</b>						Q2 2013
PMI Certificates	148.6	112.5	100.2	32.1% (u)	48.3% (u)	
Veterans Affairs Guarantees	166.2	165.4	146.6	0.5% (u)	13.4% (u)	
<b>Residential Fixed Investment (SA real annual growth rate, %)</b>	13.4	12.5 (r)	5.7	0.9 (u)	7.7 (u)	Q2 2013
GDP (SA real annual growth rate, %)	1.7	1.1 (r)	1.2	0.6 (u)	0.5 (u)	
Housing's Contribution to Real GDP Growth (percentage points)	0.38	0.34 (r)	0.15	0.04 (u)	0.23 (u)	
<b>HOMEOWNERSHIP and OCCUPANCY</b>						
<b>Homeownership Rates (%)</b>						Q2 2013
Overall	65.0	65.0	65.5	0.0 (n)	-0.5 (s)	
Non-Hispanic						
White	73.3	73.4	73.5	-0.1 (n)	-0.2 (n)	
Black	43.5	43.8	44.5	-0.3 (n)	-1.0 (s)	
Other Race	56.2	56.7	56.8	-0.5 (n)	-0.6 (n)	
Two or More Races	54.5	54.4	58.0	0.1 (n)	-3.5 (s)	
Hispanic	45.9	45.3	46.5	0.6 (n)	-0.6 (n)	
<b>Vacancy Rates (%)</b>						
Homeowner	1.9	2.1	2.1	-0.2 (n)	-0.2 (n)	
Rental	8.2	8.6	8.6	-0.4 (n)	-0.4 (n)	
Single Family	7.1	8.2 (r)	7.7	-1.1 (s)	-1.0 (s)	
Multifamily (5+)	9.5	9.0 (r)	9.8	0.5 (n)	0.1 (n)	

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<b>HOMEOWNERSHIP and OCCUPANCY (continued)</b>						
<b>Housing Stock</b> (thousands)						Q2 2013
All Housing Units	132,754	132,663 (r)	132,405	0.1% (u)	0.3% (u)	
Owner-Occupied	74,543	74,283 (r)	74,660	0.4% (n)	-0.2% (n)	
Renter-Occupied	40,134	40,000 (r)	39,271	0.3% (n)	2.2% (s)	
Vacant	18,077	18,381 (r)	18,473	-1.7% (n)	-2.1% (s)	
Year-Round Vacant	13,701	13,926 (r)	13,992	-1.6% (n)	-2.1% (n)	
For Rent	3,614	3,787 (r)	3,757	-4.6% (n)	-3.8% (n)	
For Sale	1,460	1,603 (r)	1,591	-8.9% (s)	-8.2% (s)	
Rented or Sold, Awaiting Occupancy	1,151	951 (r)	1,049	21.0% (s)	9.7% (n)	
Held Off Market	7,476	7,585 (r)	7,595	-1.4% (n)	-1.6% (n)	
Occasional Use	2,449	2,296 (r)	2,407	6.7% (s)	1.7% (n)	
Occupied—URE	1,255	1,325 (r)	1,268	-5.3% (n)	-1.0% (n)	
Other	3,773	3,964 (r)	3,920	-4.8% (s)	-3.8% (n)	
Seasonal Vacant	4,376	4,455 (r)	4,482	-1.8% (n)	-2.4% (n)	
<b>Households</b> (thousands)						Q2 2013
Total	114,677	114,283 (r)	113,931	0.3% (s)	0.7% (s)	

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