

Home Price Trends

Q2 2017 Performance

August 11, 2017

Q2 2017 home price appreciation continues to show strength and is on track to end the year with another solid performance. The steady pace of home price appreciation continued through Q2 2017 as a result of economic recovery, employment growth, low housing supply, and historically low mortgage rates. As we mentioned in our previous home price trend release ("Q1 2017 Performance," May 12, 2017), most home price forecasts by economists and industry participants called for a 3% to 6% appreciation in 2017.

Actual Home Prices

Recently released data from CoreLogic suggests national home prices are up 4.76% (YTD through June 2017) and 6.73% year-over-year. 1st quarter's national home price appreciation numbers were revised to 1.56%, from the previously reported appreciation of 2.69%. Although the 1st quarter was revised downward, home price appreciation still outpaced the prior three years (see Figure 1).

2nd quarter home price appreciation is reported at 3.15%, compared to 2.16% the prior year (see Figure 2). It is important to note that although we expect the 2nd quarter numbers to be revised slightly down in future CoreLogic releases, the trend in appreciation continues to remain positive.

Projected Home Prices

In reviewing actual first half performance, the trajectory in home prices closely tracks home price trends from the previous three years. If we extrapolate the rest of 2017 home prices using the strong momentum observed so far and adjust for 2012 to 2016 seasonality factors, full-year 2017 home price appreciation could be 6.95%, well above most forecasts (see Figure 3).

In the near term, we expect monthly home price appreciation to be slower as we head towards the seasonally slow housing period. However, we continue to believe that 2017 will end on a slightly positive note than the prior three years due to continued stability in employment growth, historically low mortgage rates, and continued low supply of homes for sale.

Figure 1 - Q1 Home Price Appreciation

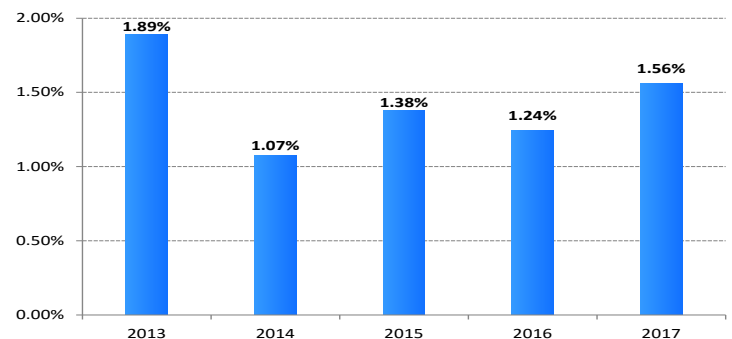


Figure 2 - Q2 Home Price Appreciation

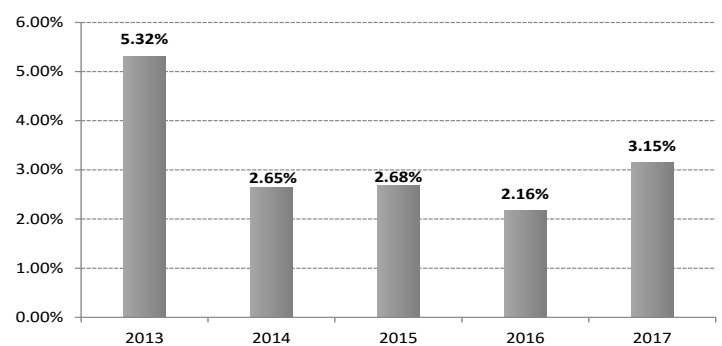
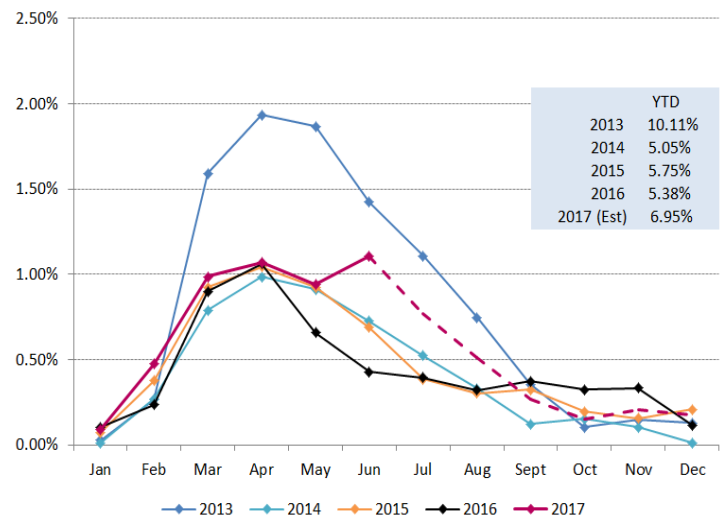


Figure 3 - Month-over-Month Home Price Change



Sources: CoreLogic, 1010data, FBC

For questions or additional information, please contact:

Aga Linsky

alinsky@falconbridgecapital.com

(925) 979-4291

Jessica Huang

jhuang@falconbridgecapital.com

(925) 979-4255

Sunil Chowdry, CFA

schowdry@falconbridgecapital.com

(925) 979-4280

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