THE LOAN ATLAS

HOUSING UP OR DOWN IN 2024?

BREAKING DOWN BOTH SIDES

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JUST IN: An astounding 83% of Americans currently think it is a bad time to buy a house, according to Reventure.

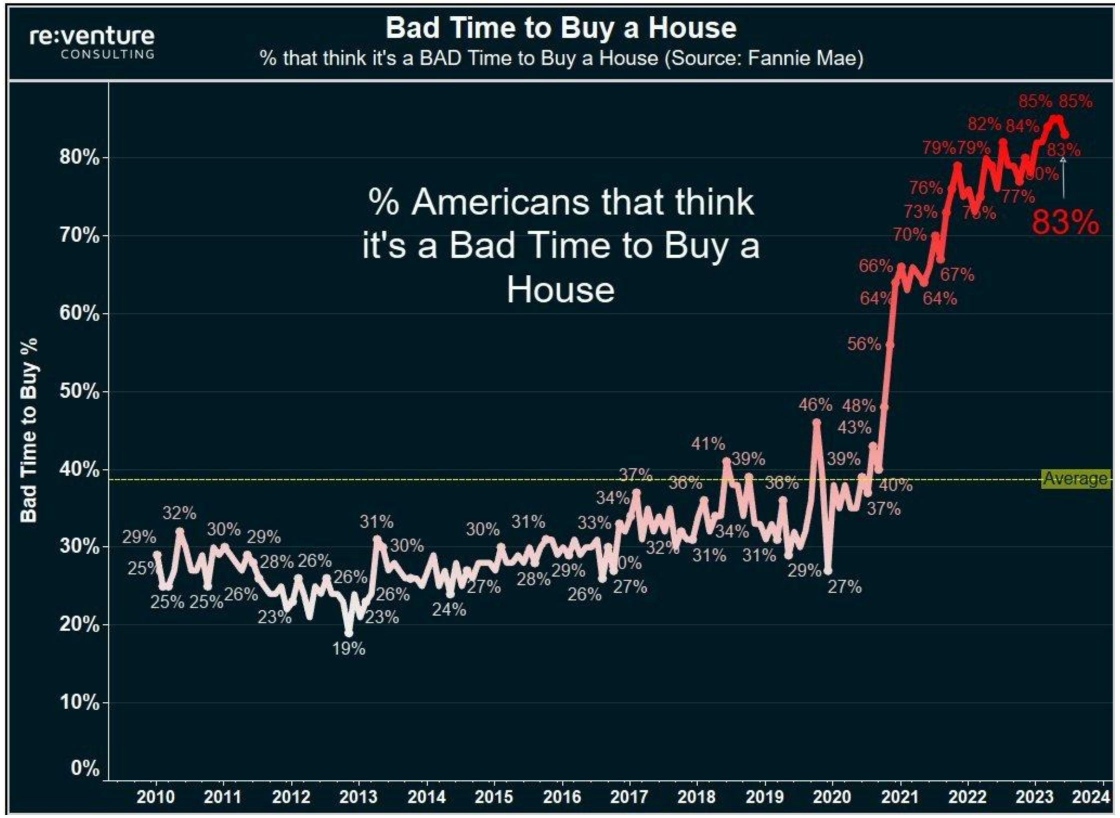
This is more than TRIPLE the 27% low seen in 2020 and well above the 37% historical average.

Meanwhile, mortgage demand just hit a fresh 30 year low in January.

Current mortgage demand is 54% BELOW the pandemic peak and down 14% year-over-year.

Even as mortgage rates have dropped, affordability is still getting worse.

Buying a home is now a luxury.



3 REASONS TO BE

BEARISH

ON HOUSING

THE LOAN ATLAS

#1 RATES COULD REMAIN ELEVATED OR GO EVEN HIGHER

If rates continue to rise, demand could potentially fall enough to bring prices down. **HOWEVER**, the economy would have to stay very strong for this to happen.

THE FOUR HORSEMEN OF A RECESSION

1. Inflation spike

Around 75-77% of the time that US inflation has risen by more than 3 percentage points, 12 months rolling, there has been a recession within 36 months.

2. Inverted Yield Curve

An inverted yield curve has preceded each of the last eight recessions in the past five decades by anywhere from six to 24 months.

3. Rapid Rise in Interest Rates

When short-end rates have risen by either 1.5% over 12 months or 2.5% over 24 months, there has been a recession within 36 months between 69-74% of the time.

4. Oil Price Shock

When oil prices have risen by 25% over a 12-month period, the U.S. has entered a recession 45.9% of the time. With a 50% spike over a 24-month period, a recession has occurred 48.2% of the time.

#1 RATES COULD REMAIN ELEVATED OR GO EVEN HIGHER

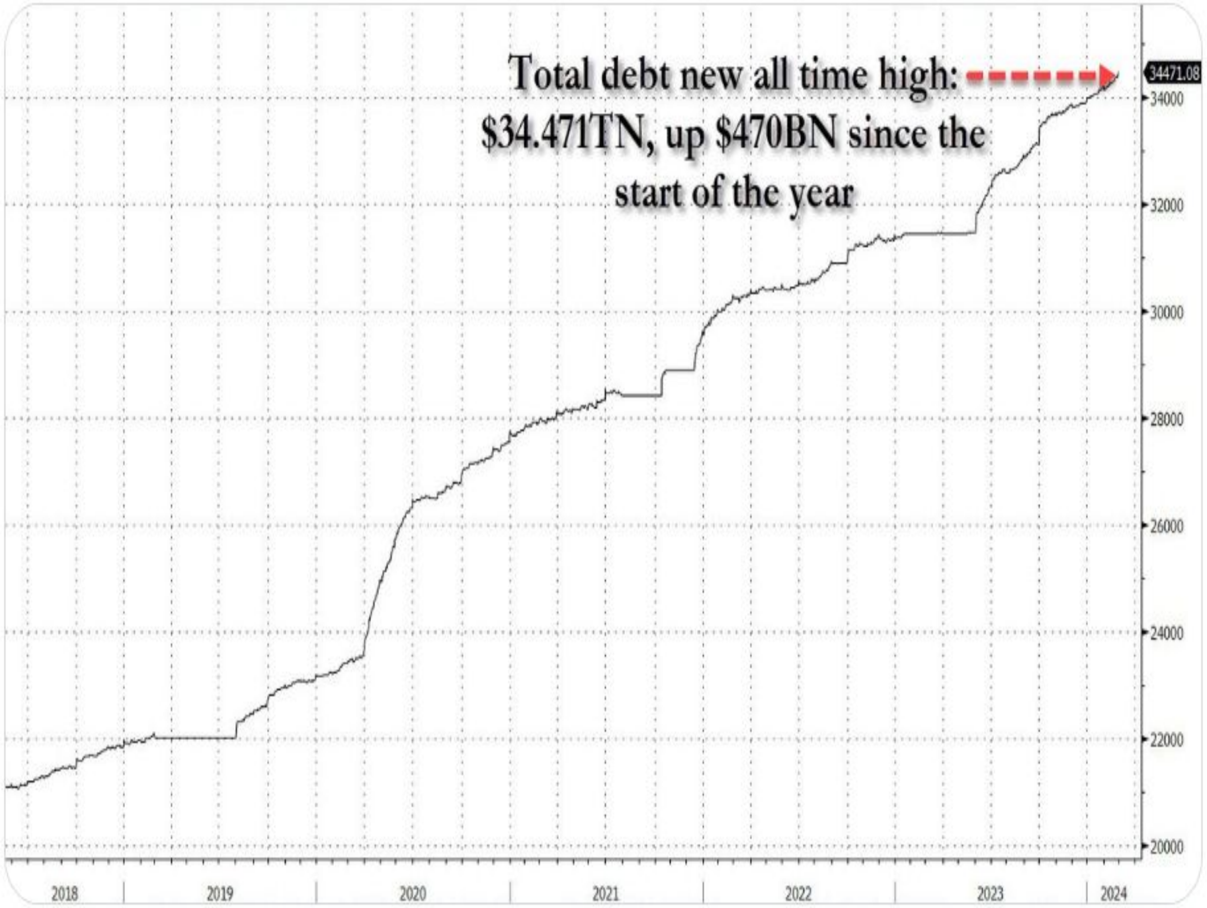
The U.S. Treasury is directly competing with mortgage-backed securities & could be a catalyst for higher rates.

zerohedge
@zerohedge

And we're off: US debt rises by $89BN on the last day of February, to $34.471 trillion, a new record high

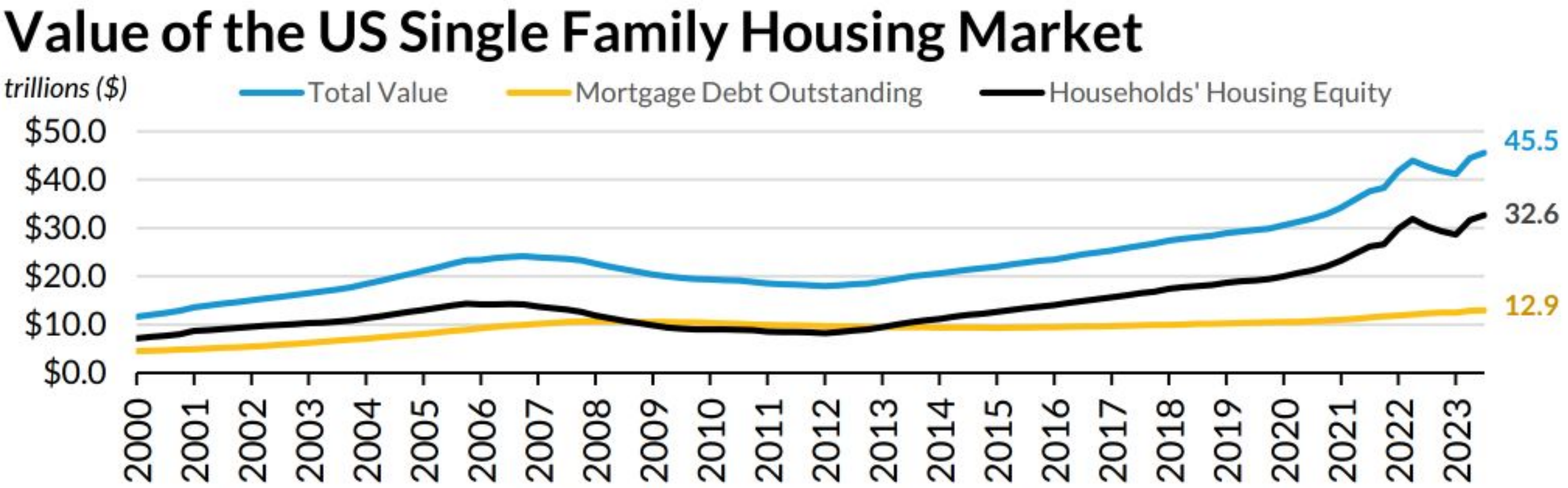
Debt has increased by $280BN in February and by $470BN in the first two months of the year.

At this pace debt will hit $37 trillion by year-end and $40 trillion by the end of 2025, two years early vs the CBO's forecast



#2 UNEMPLOYMENT WILL FORCE HOMEOWNERS TO SELL

Depending on how bad the recession is, this could be a factor. But, given the **record levels of equity**, the **strong lending standards**, and the **very low monthly payments** that most homeowners have, we will not see anything like we saw after 2008.



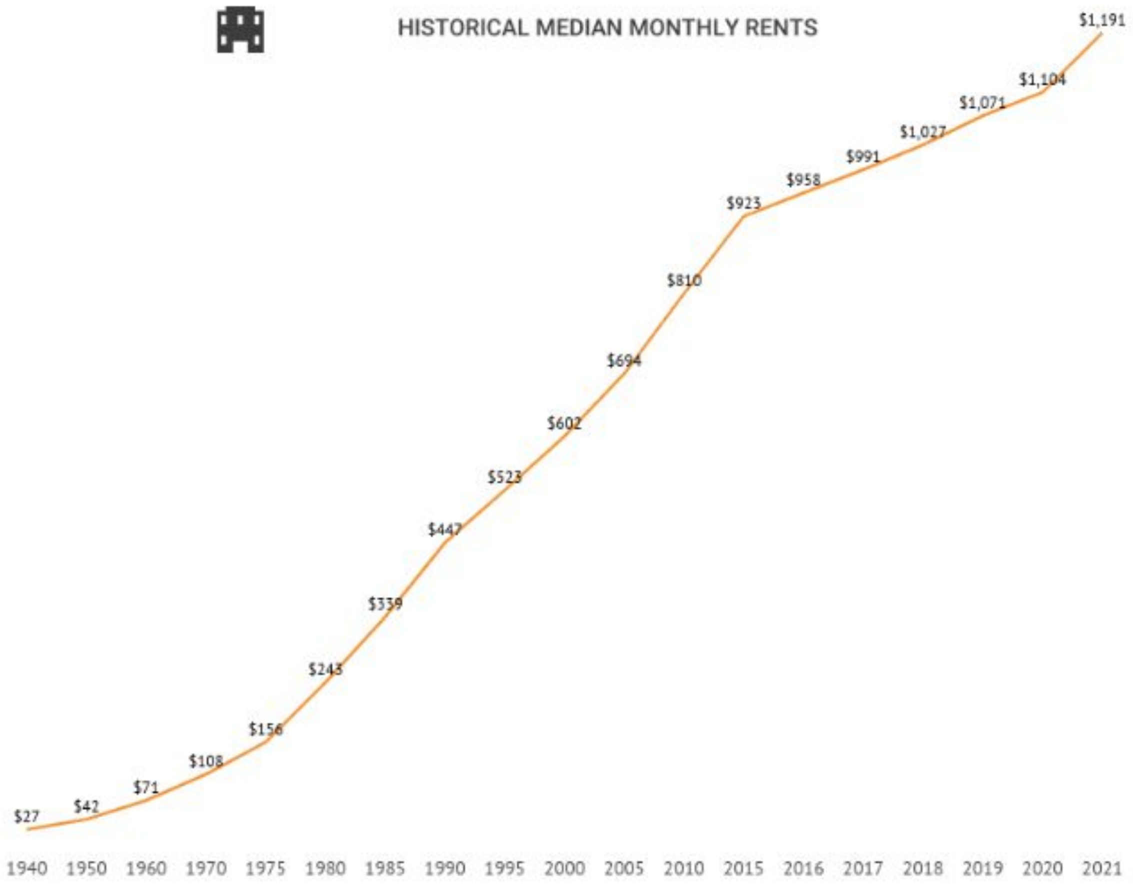
Sources: Financial Accounts of the United States, Table B.101 and Urban Institute. Last updated December 2023.
Note: Single family includes 1-4 family owner-occupied mortgages.

#3 WALL STREET WILL START SELLING IF RENTS FALL OR RATES RISE

This could happen, but it would be very market-specific. Much of the Wall Street investments are in areas where rental housing is in very high demand.

"Residential real estate is a much more attractive investment opportunity than it was [in 2008]...

DON MULLEN
Founder, Pretium Partners
Bloomberg.com - January 7, 2023



3 REASONS TO BE

BULLISH

ON HOUSING

THE LOAN ATLAS

#1 RESILIENTLY STRONG APPRECIATION

While most predicted a housing slide this year, we will instead see 3-7% national appreciation (depending on the source) despite rising interest rates.

2023 Month-Over-Month Change In Real Estate Values

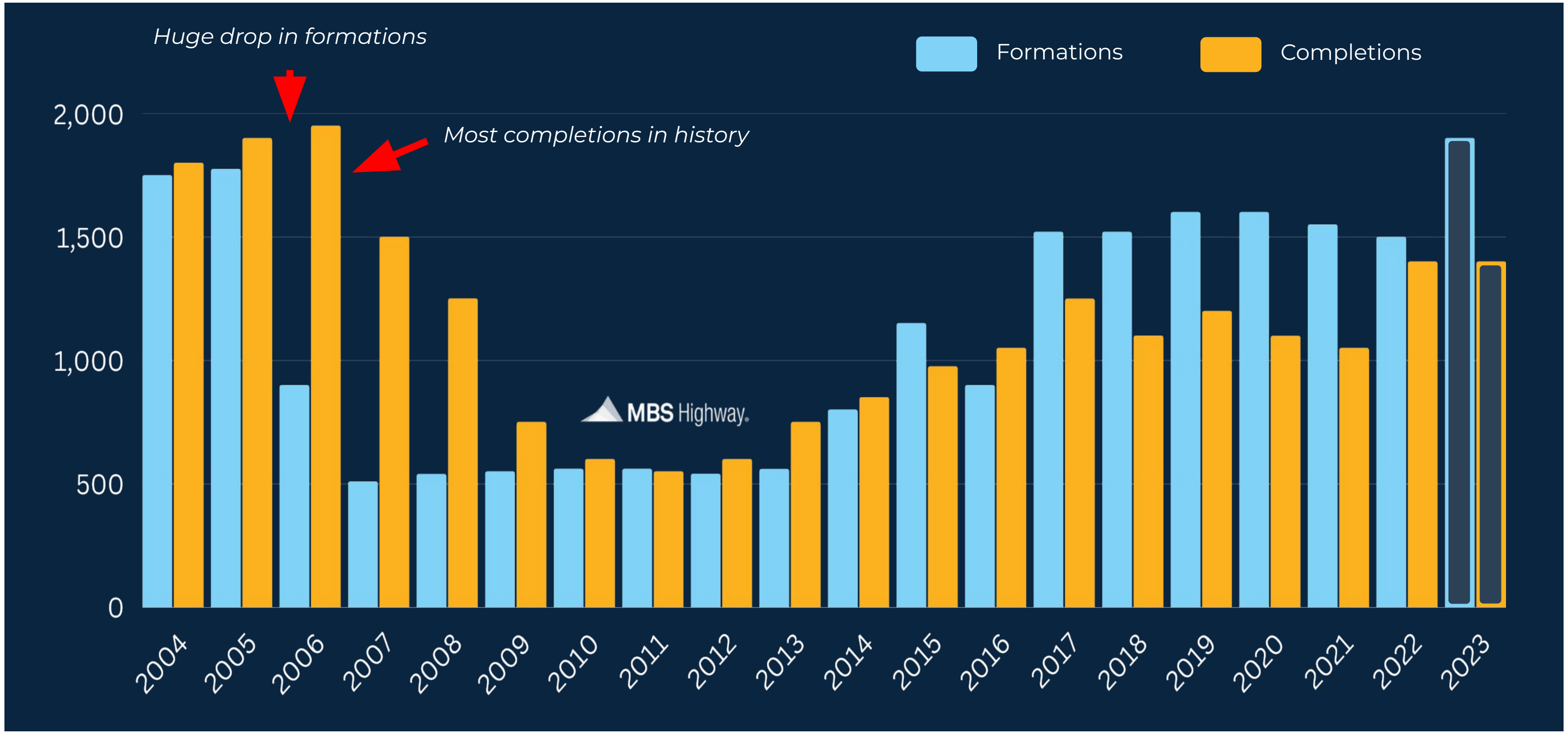
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YOY	2023 Pace
Case-Shiller	-0.2%	0.1%	0.4%	0.6%	0.8%	0.7%	0.6%	0.9%	0.7%	0.6%			4.8%	6.2%
FHFA	0.1%	0.8%	0.5%	0.8%	0.8%	0.5%	0.8%	0.7%	0.6%	0.3%			6.1%	7.1%
Core Logic	-0.2%	0.8%	1.6%	1.2%	0.9%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%		5.2%	6.7%
Black Knight	0.1%	0.4%	0.5%	0.5%	0.7%	0.7%	1.5%	0.7%	0.4%	0.2%			4.6%	6.9%
Zillow	-0.9%	-0.2%	0.8%	1.3%	1.3%	1.3%	0.7%	0.2%	-0.1%	-0.3%	-0.4%	-0.6%	3.2%	3.1%
Redfin	0.2%	0.4%	0.5%	0.4%	0.4%	0.5%	0.7%	0.7%	0.8%	0.6%	0.5%	0.4%	6.4%	6.1%
													Average for 2023	6.0%

All-time high reading in real estate values

MBS Highway.

#2 HOUSING SHORTAGES

Prior to 2008, there were far more new homes constructed than there were new households formed. Since 2008, however, the reverse has taken place, as there have been far more new households created than new homes coming online.



#2 HOUSING SHORTAGES

Housing Starts Not Enough

Housing Starts and Permits – November 2023

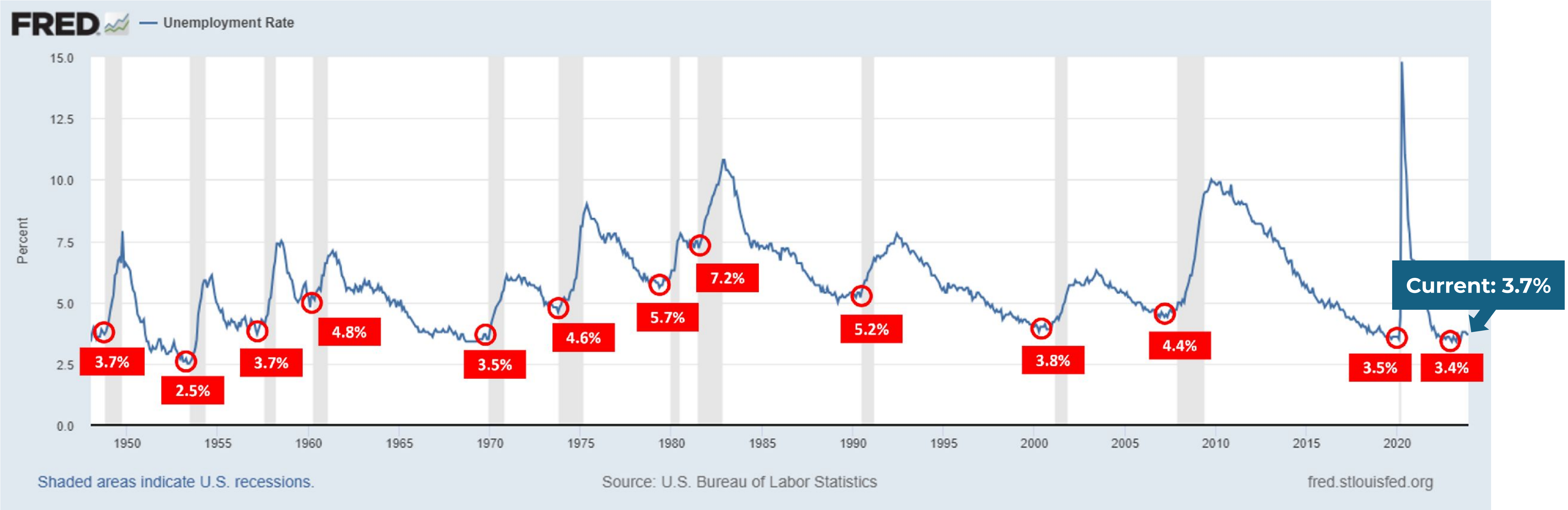
	MoM	Units	YoY
Starts	+14.8%	1.56M	+9.3%
SF Starts	+18.0%	1.14M	+42.1%
Completions	+5.0%	1.45M	-6.2%
SF Completions	-3.2%	960K	-12.9%
Permits	-2.5%	1.46M	+4.1%
SF Permits	+0.7%	976K	+22.9%

Current household formations: 1.9M

Source: MBS Highway, Census, HUD

#3 FALLING RATES WILL UNLEASH PENT-UP DEMAND

When rates fall in response to a recession (that is coming), we will see buyers return to the market in droves. The level of pent-up demand is unparalleled.



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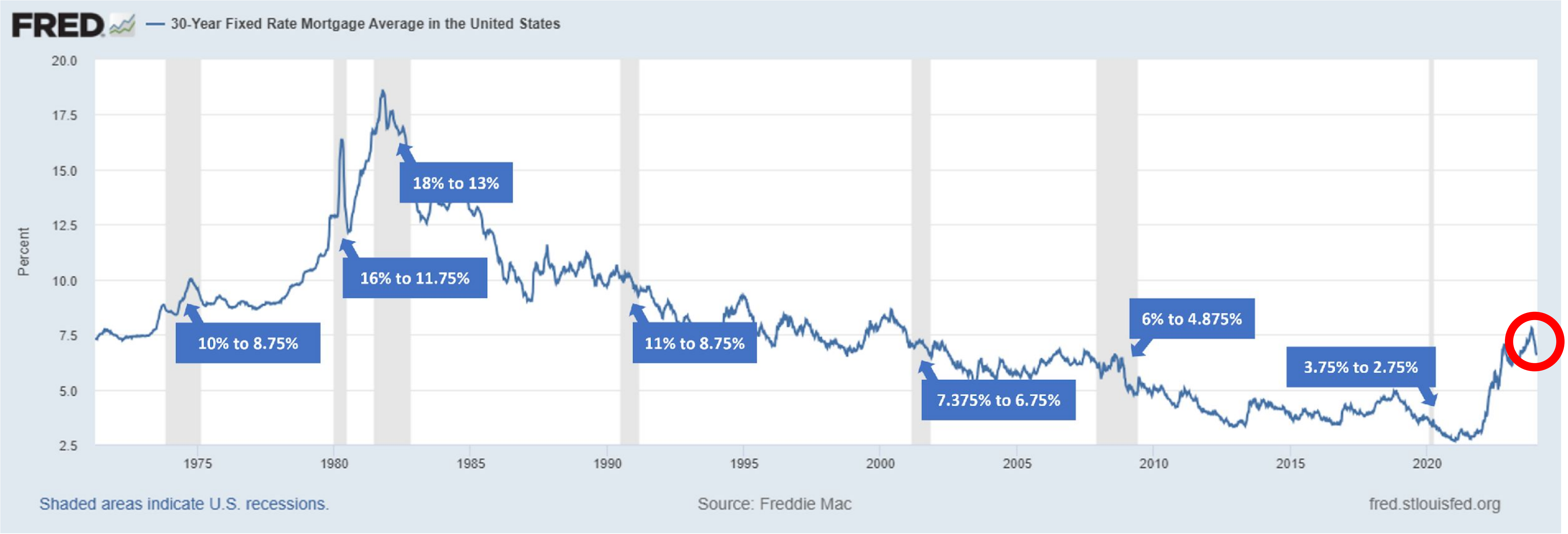


TRENDS WE'RE WATCHING IN 2024

- ✔ Home affordability will improve for three major reasons:
  - Inflation trending downward
  - Mortgage rates decrease in recessions
  - Incomes increasing***
- ✔ Housing supply will remain low because of subdued new construction and higher household growth rates
- ✔ Rents will remain elevated because of historically low vacancy rates

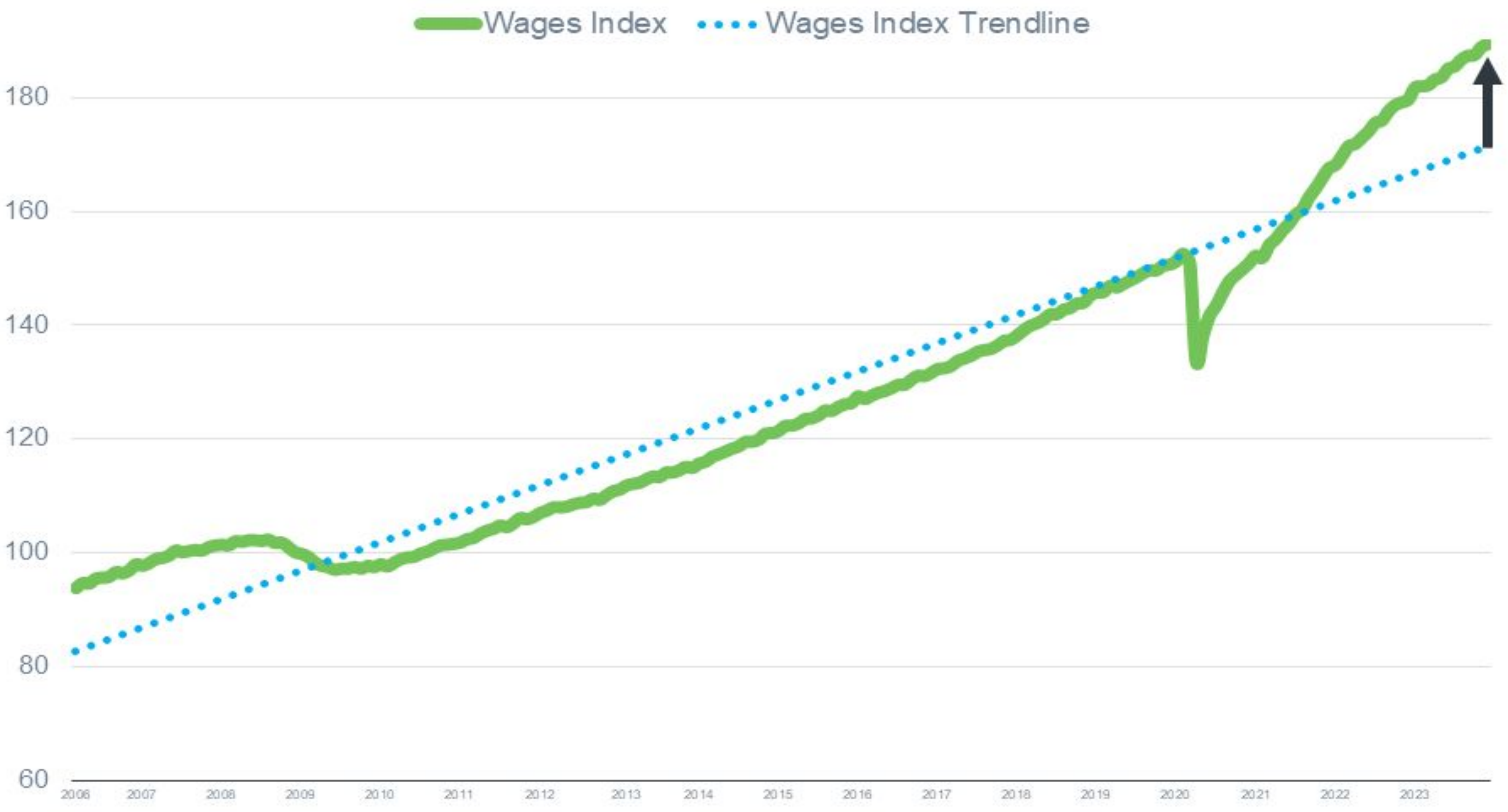
AFFORDABILITY NOT AS BAD AS MEDIA CLAIMS

	Monthly P&I payment	Monthly income
2021	$1,000 (**$240k** @ 2.875%)	$4,000
	$1,800 (**$280k** @ 6.625%)	
	+ *$800* ***(80% increase)***	+ *$800* ***(20% increase)***

Incomes have risen 15% since 2021
Source: ADP

Wages Climbing at a Faster Pace

Weekly Changes in the Index Measuring Total Amount of Money Paid to All Workers in the Private Sector



Source: The Fed

OUR PREDICTIONS FOR 2024

30-year fixed rate mortgage

- Mid-5% to high-6%
- Under 6% should unlock move-up buyers

Nationwide Appreciation

- 4.5% to 5%

Transaction Volume

- Up 15 - 20%

HOME PRICES GO UP 90% OF THE TIME

Year	Avg Rate	Appr
1942	3.75%	3%
1943	3.50%	11%
1944	3.50%	17%
1945	3.50%	12%
1946	3.75%	24%
1947	3.75%	21%
1948	3.75%	2%
1949	4.00%	.3%
1950	4.25%	4%
1951	4.25%	6%
1952	4.00%	4%
1953	4.00%	12%
1954	4.00%	1%
1955	4.00%	0%
1956	4.00%	1%
1957	4.00%	3%
1958	4.00%	1%
1959	4.25%	.2%
1960	4.25%	1%
1961	5.00%	1%
1962	5.25%	.1%

Year	Avg Rate	Appr
1963	5.16%	2%
1964	5.21%	1%
1965	5.75%	2%
1966	6.93%	1%
1967	6.81%	2%
1968	8.64%	4%
1969	8.26%	7%
1970	7.31%	8%
1971	7.54%	4%
1972	7.38%	3%
1973	8.04%	3%
1974	9.19%	10%
1975	9.05%	7%
1976	8.87%	8%
1977	8.87%	15%
1978	9.64%	16%
1979	11.20%	14%
1980	13.74%	7%
1981	16.63%	5%
1982	16.04%	1%
1983	13.24%	5%

Year	Avg Rate	Appr
1984	13.88%	5%
1985	12.43%	7%
1986	10.19%	10%
1987	10.21%	8%
1988	10.34%	7%
1989	10.32%	4%
1990	10.13%	-1%
1991	9.25%	-.1%
1992	8.39%	1%
1993	7.31%	2%
1994	8.38%	3%
1995	7.93%	2%
1996	8.05%	2%
1997	7.60%	4%
1998	6.94%	6%
1999	7.44%	8%
2000	8.05%	9%
2001	6.97%	7%
2002	6.54%	10%
2003	5.83%	10%
2004	5.84%	14%

Year	Avg Rate	Appr
2005	5.87%	14%
2006	6.41%	2%
2007	6.30%	-5%
2008	6.03%	-12%
2009	5.04%	-4%
2010	4.69%	-4%
2011	4.45%	-4%
2012	3.66%	6%
2013	3.98%	11%
2014	4.17%	5%
2015	3.85%	5%
2016	3.65%	5%
2017	3.99%	6%
2018	4.50%	5%
2019	3.90%	4%
2020	3.00%	10%
2021	3.00%	19%
2022	6.50%	6%
2023	6.80%	5%

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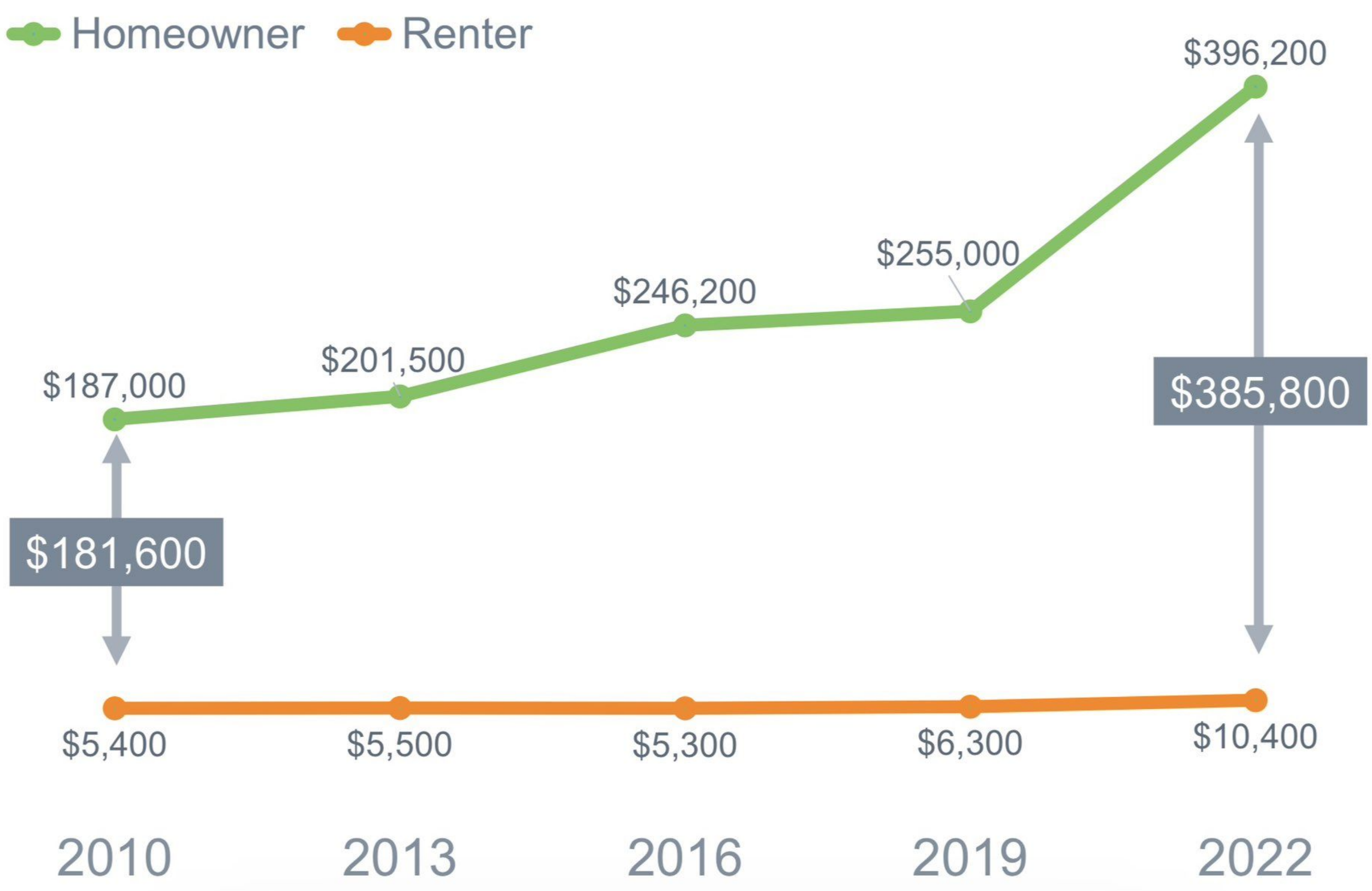
since 1942

Sources: S&P, Case/Shiller, BLS,

The Gap in Net Worth Is Widening



Source: The Fed

Let Us DEPROGRAM Your Leads!

THREE TYPES OF "LEADS"

1. READY / PRE-APPROVED
2. KIND OF / NOT SURE / NOT READY
3. DECIDED IT'S NOT THE RIGHT TIME