

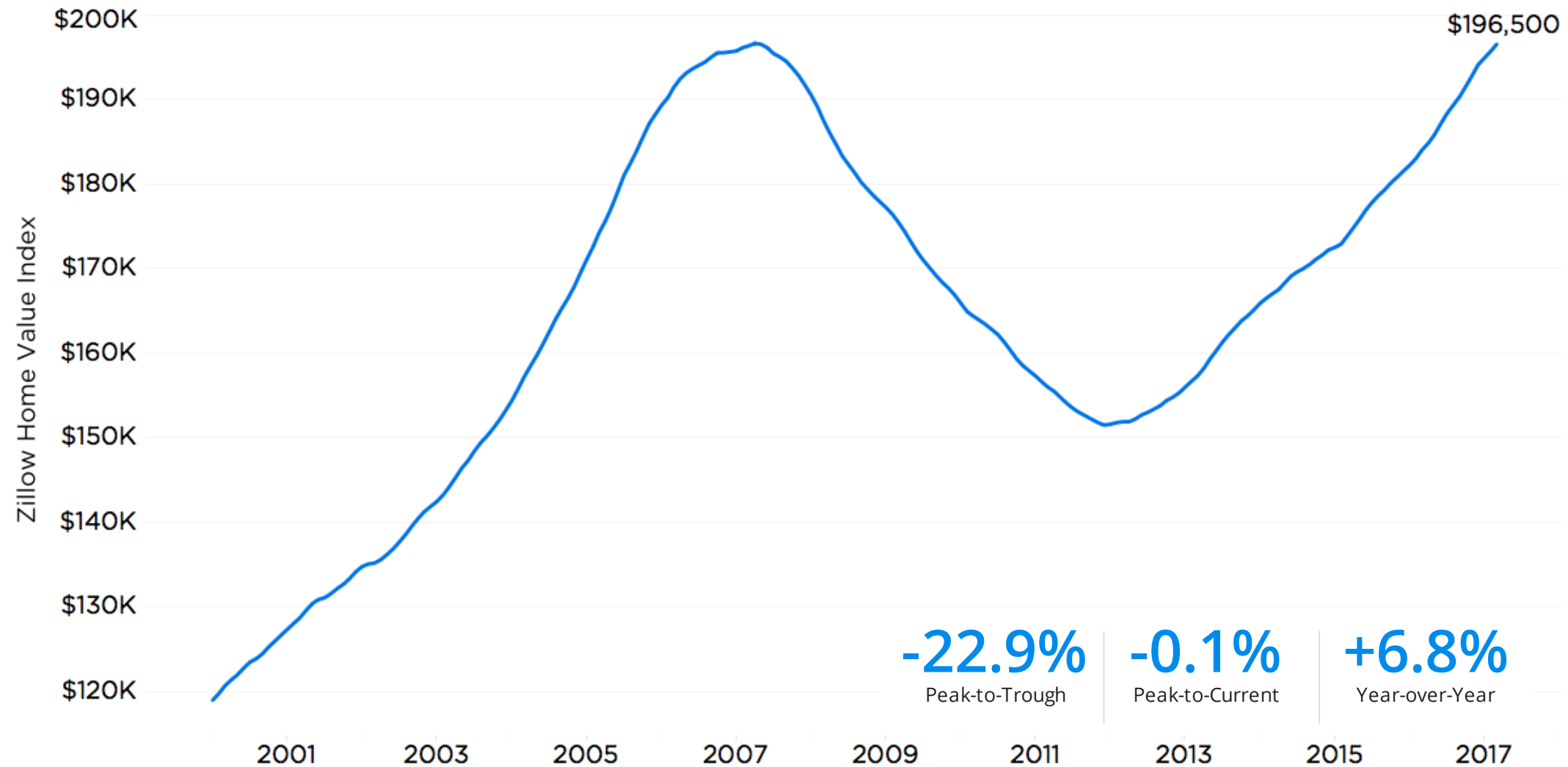
A photograph of a modern, two-story house at dusk. The house has large windows and a flat roof. The interior lights are on, and the exterior is lit up. There are trees and bushes in the foreground and background. A blue semi-transparent banner is overlaid on the top half of the image, and a green semi-transparent banner is overlaid on the bottom half.

HOUSING MARKET OVERVIEW

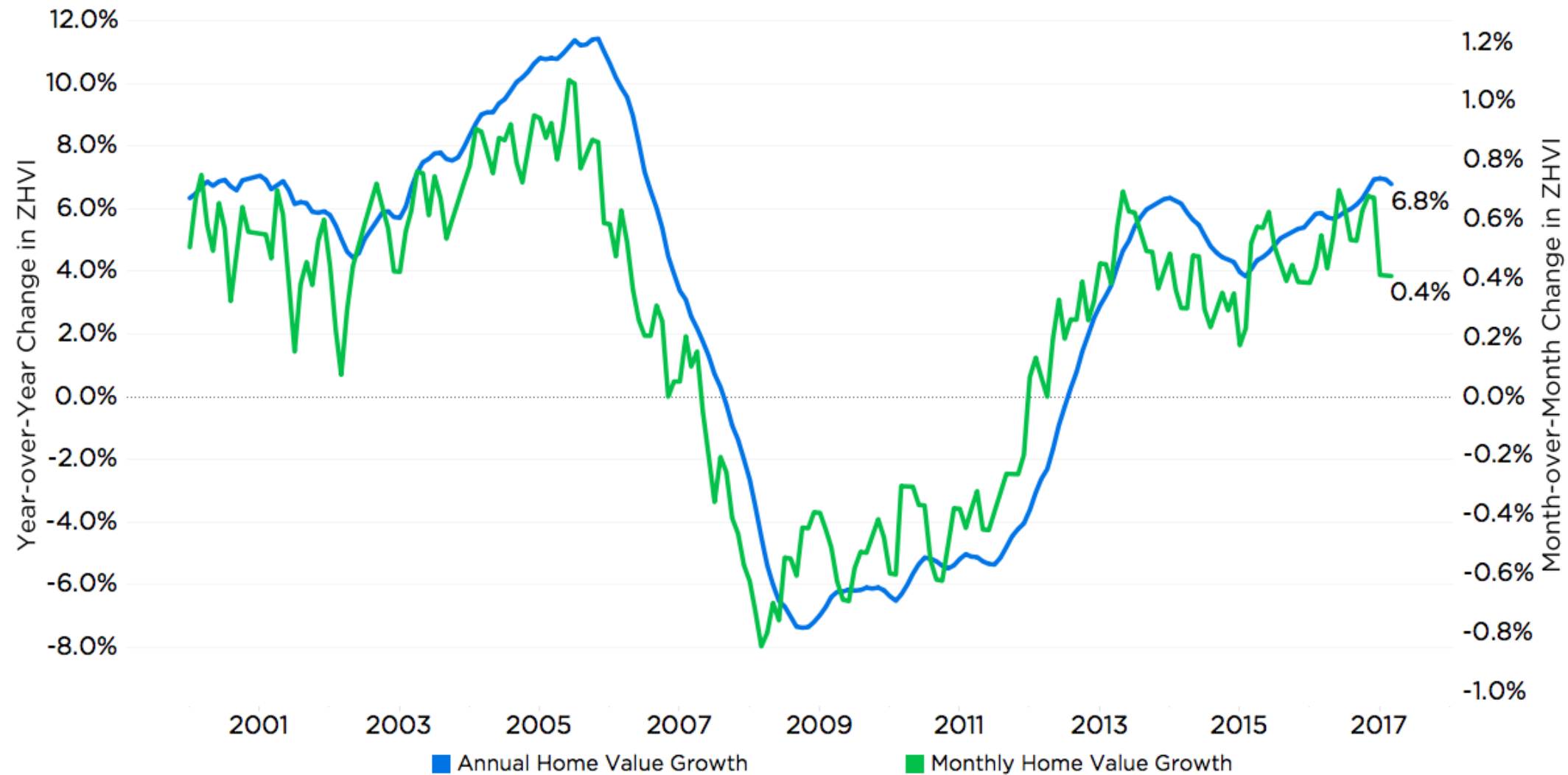
Svenja Gudell, PhD, Chief Economist, Zillow
@SvenjaGudell

HOME VALUES AND RENTS

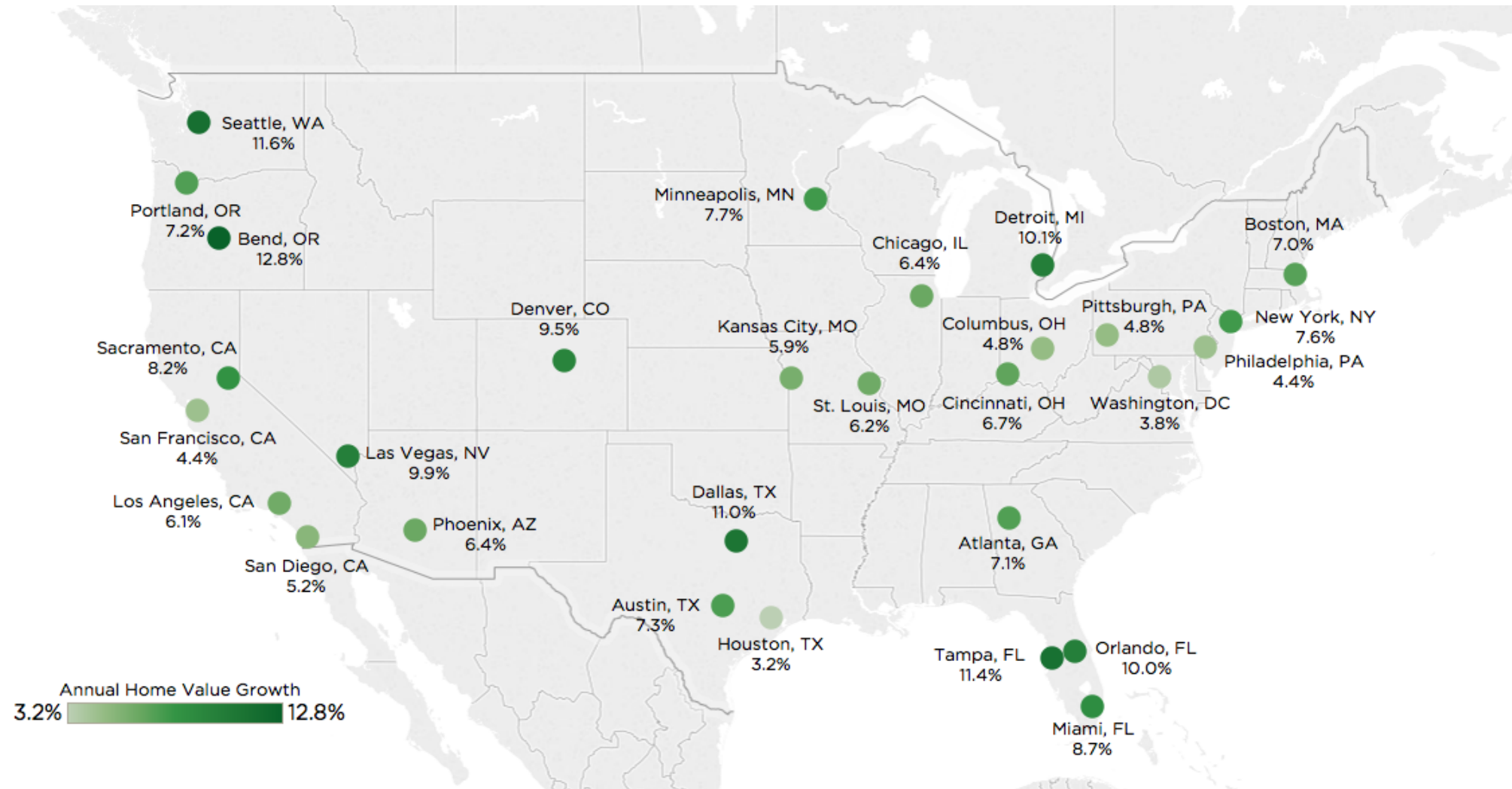
U.S. home values are nearing pre-recession highs



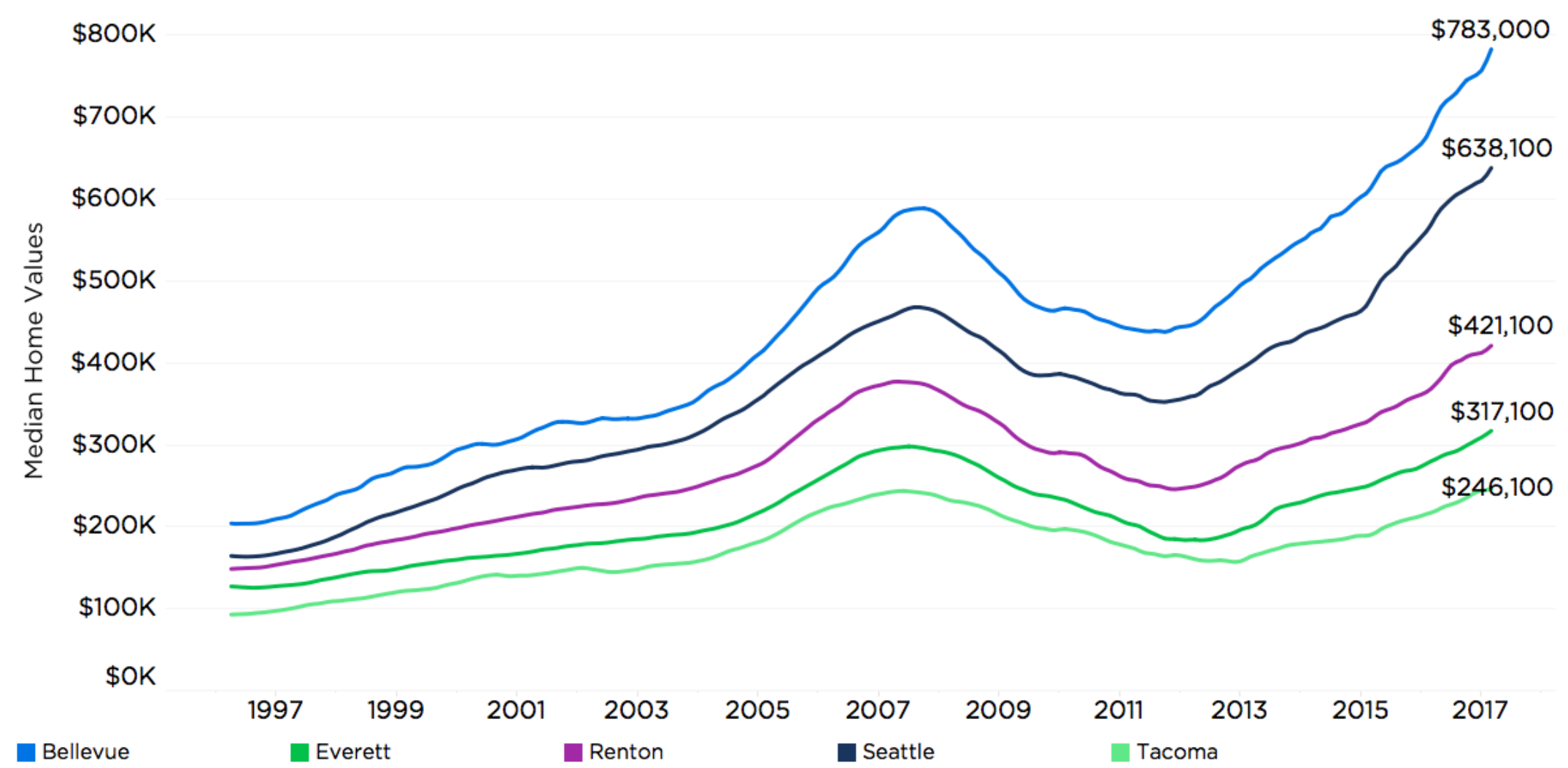
Annual U.S. home value appreciation accelerated in the second half of 2016



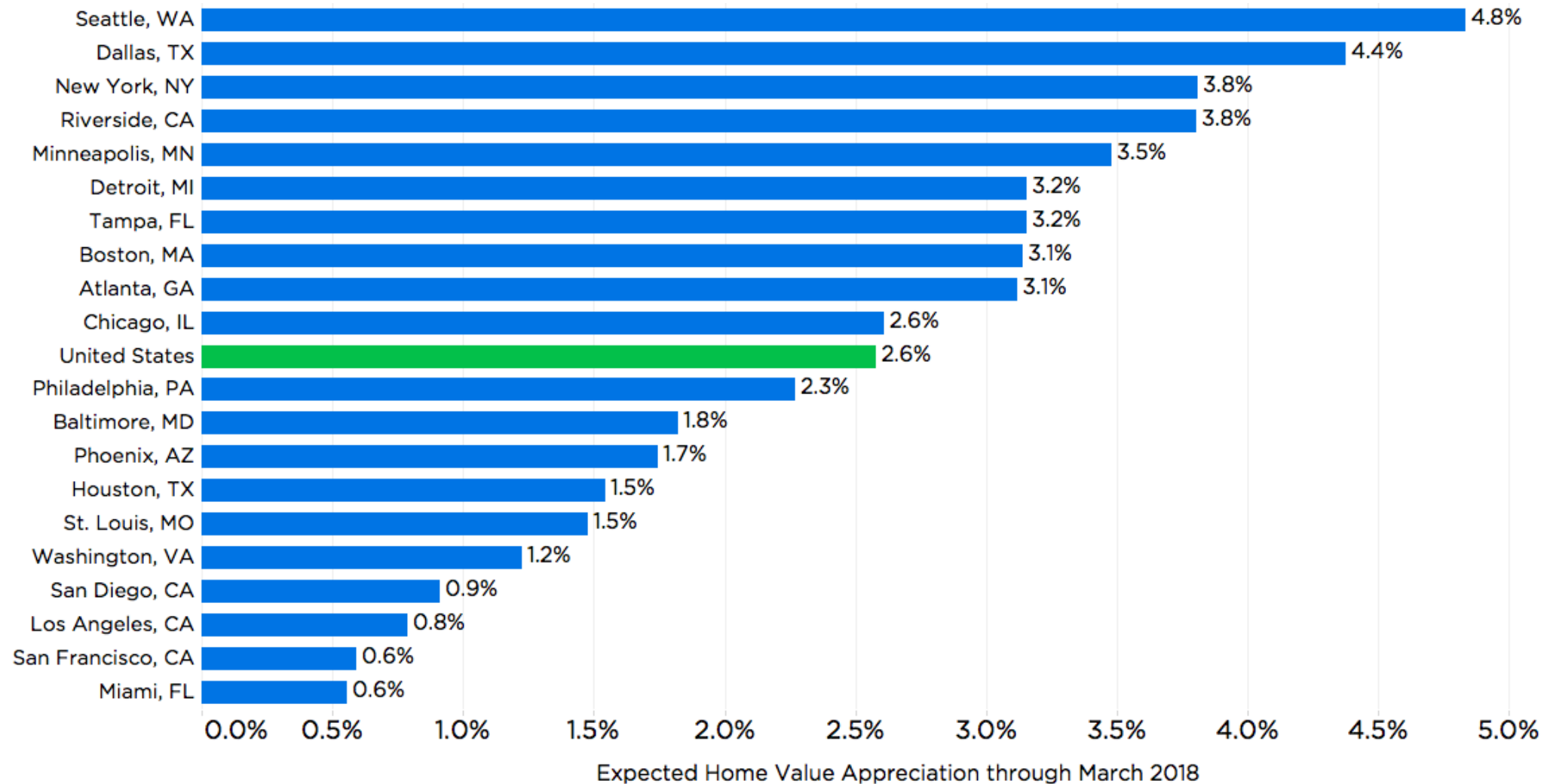
Markets in the Pacific Northwest, Texas, Florida and parts of the Southwest continue to outperform slower-moving markets in the Midwest and Mid-Atlantic



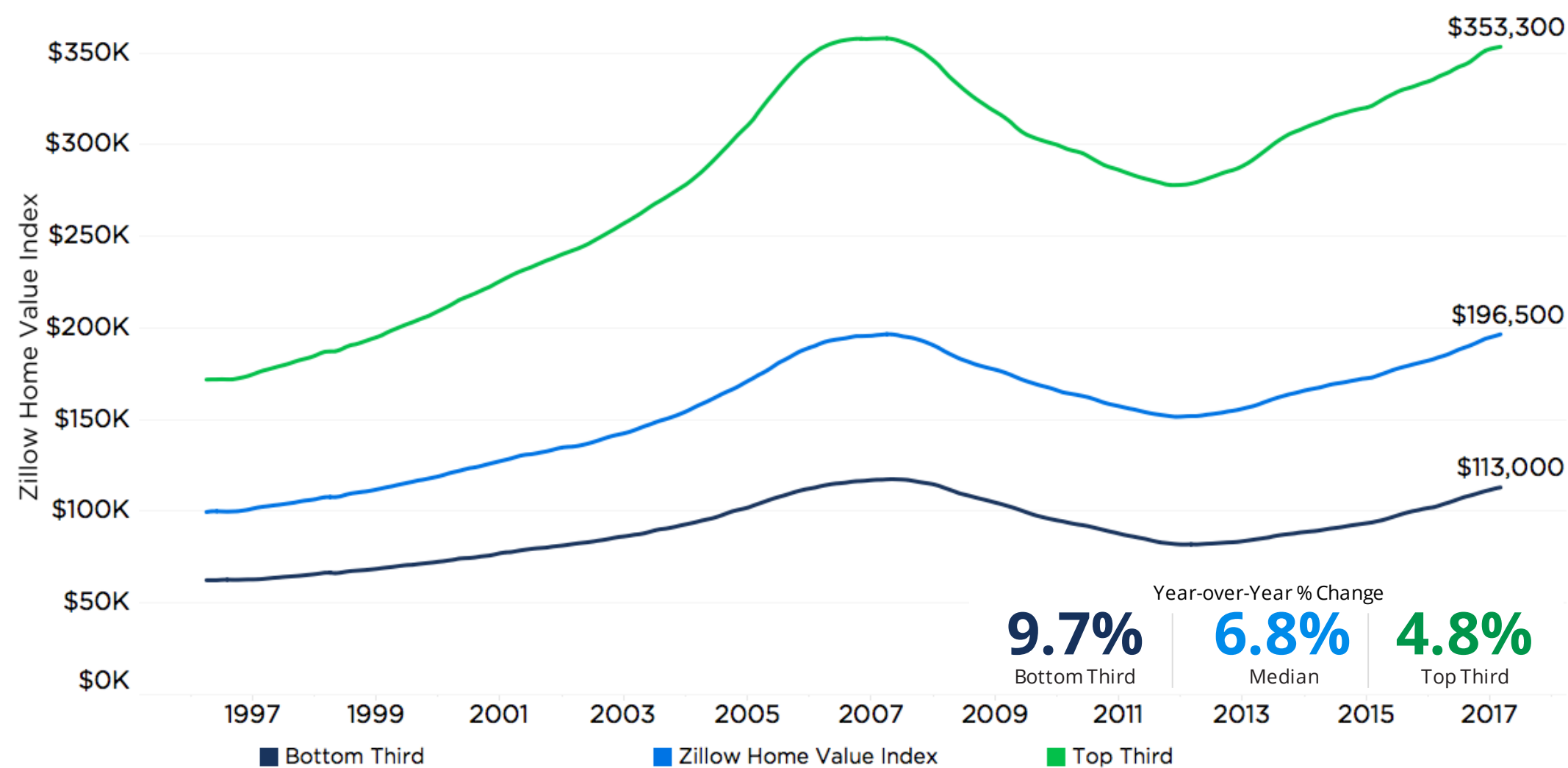
Cities in the Seattle Metro, Home Values



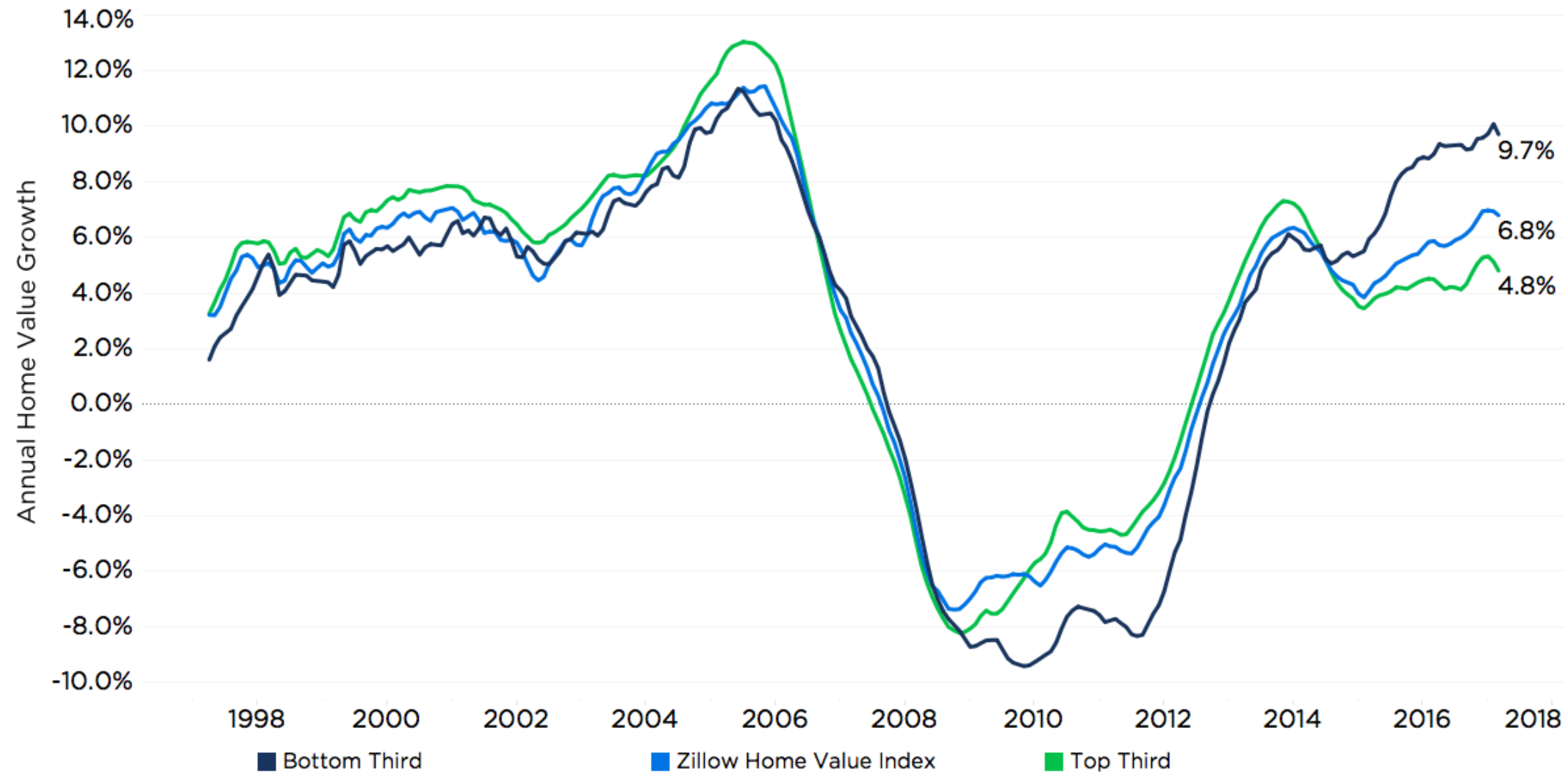
Home value growth is expected to slow through 2018 Q1



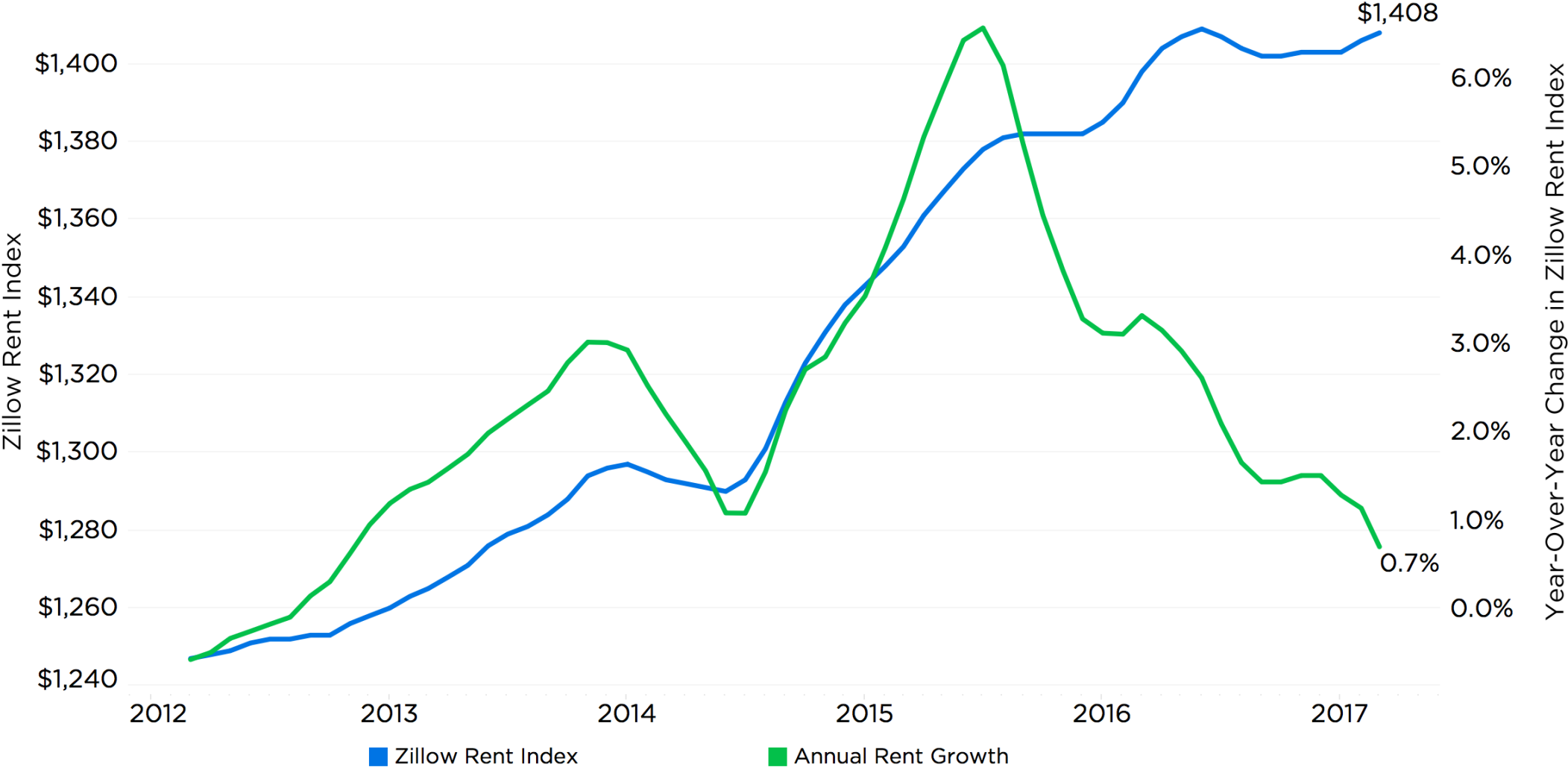
Zillow Home Value Index, by Thirds



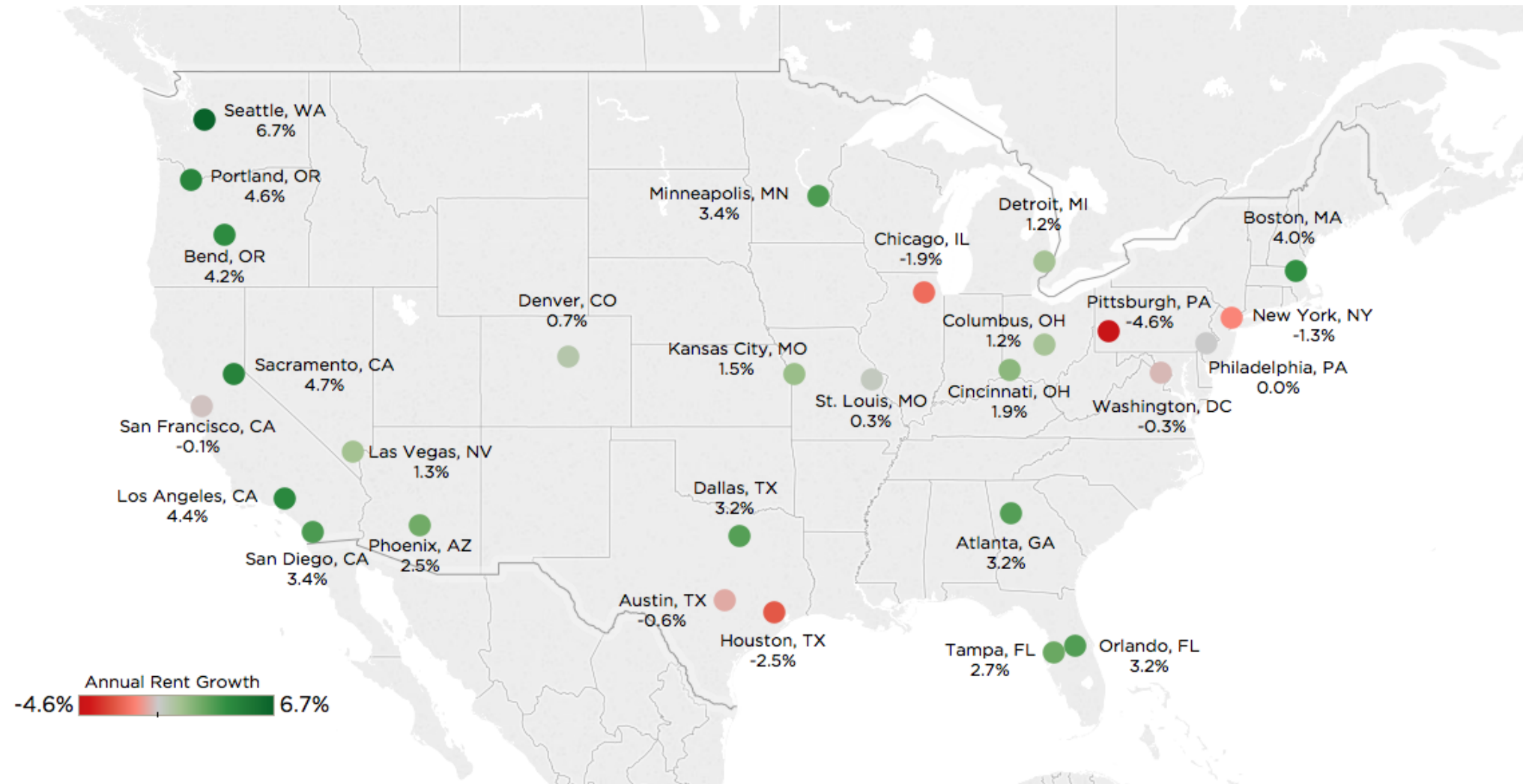
Home value appreciation for bottom-third homes continues to outpace home value growth in top-third homes



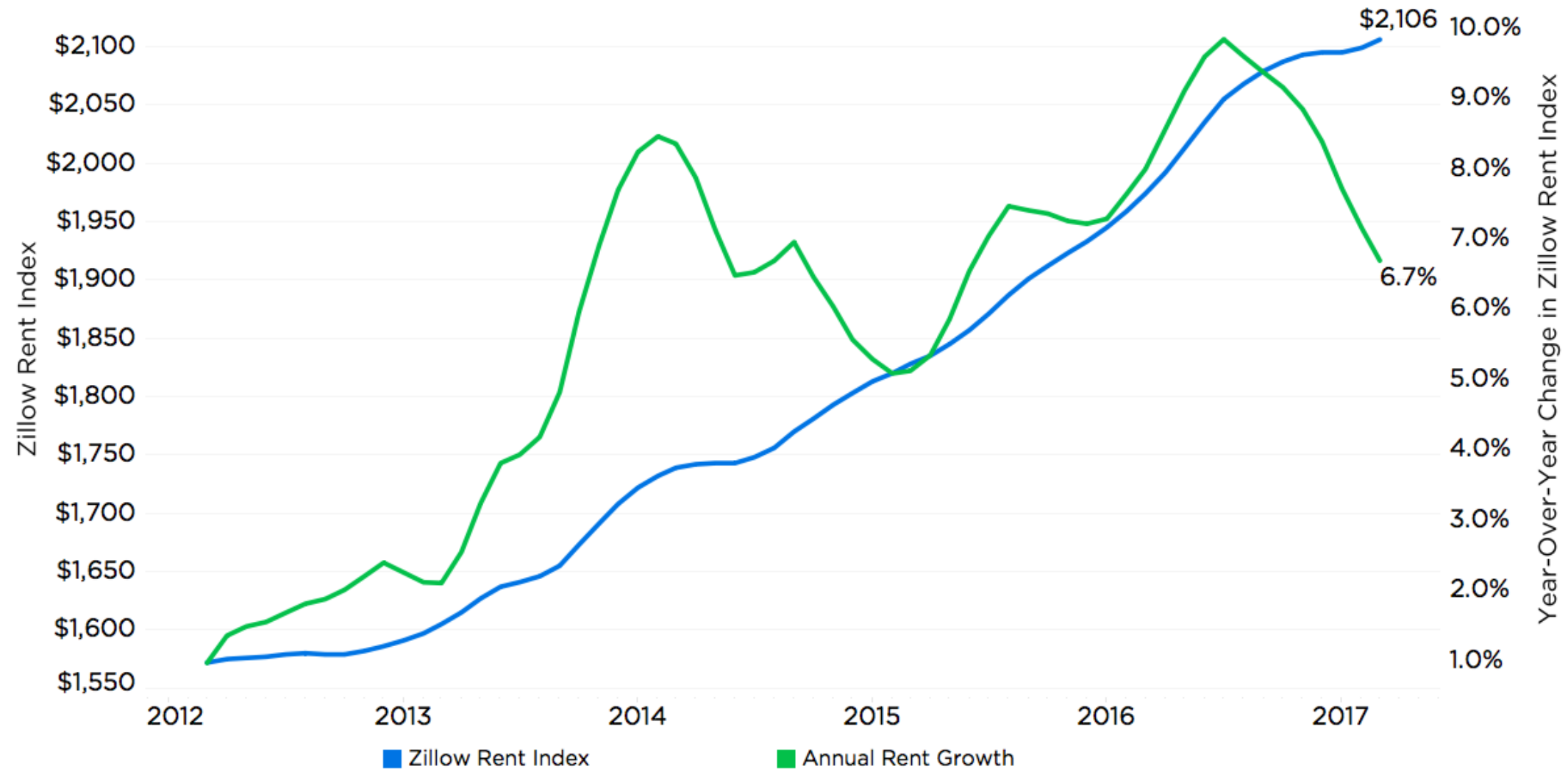
Growth in rents flattened in the second half of 2016



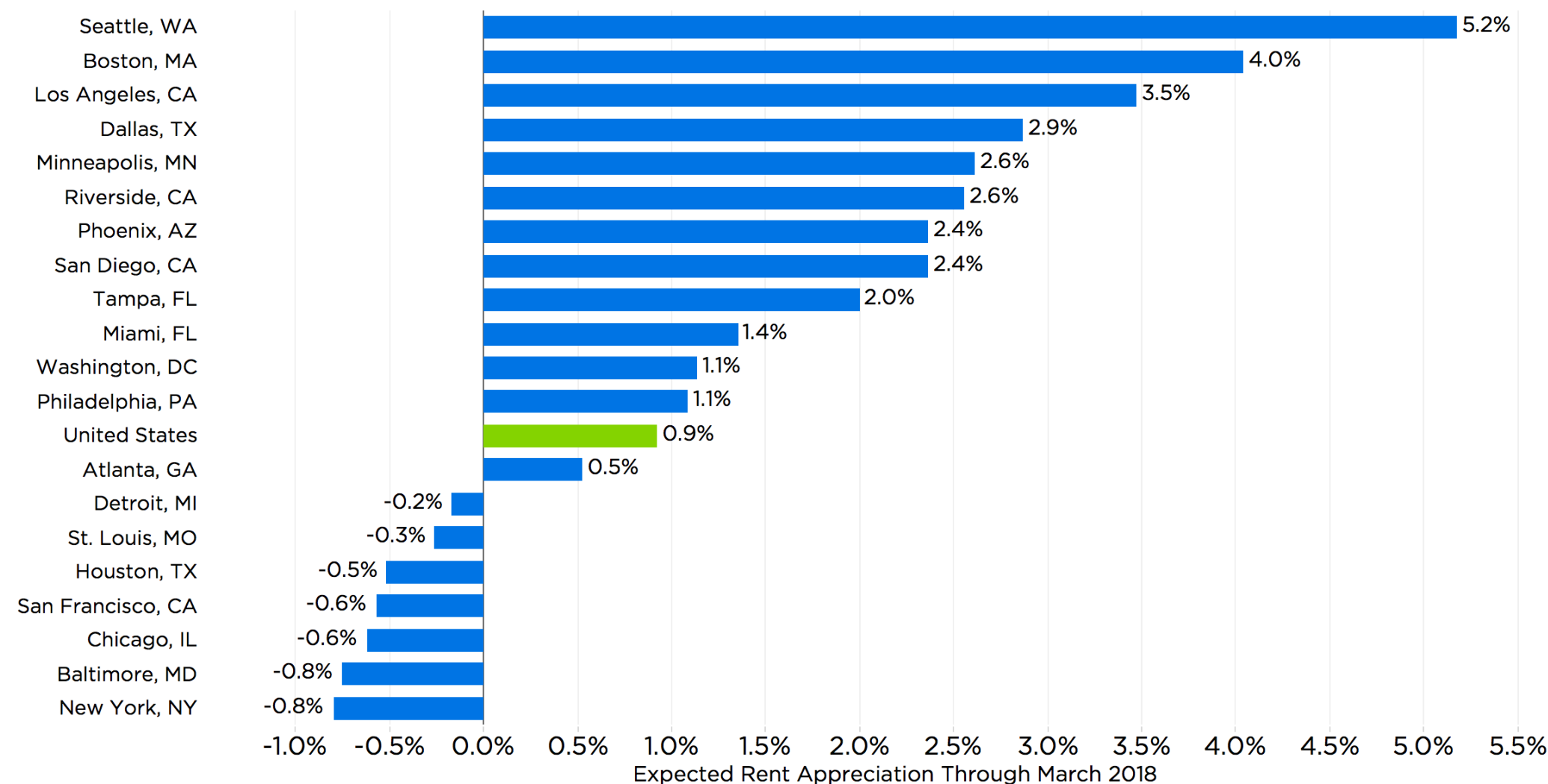
Annual rent growth is strongest in the Pacific Northwest



Seattle Rent Index

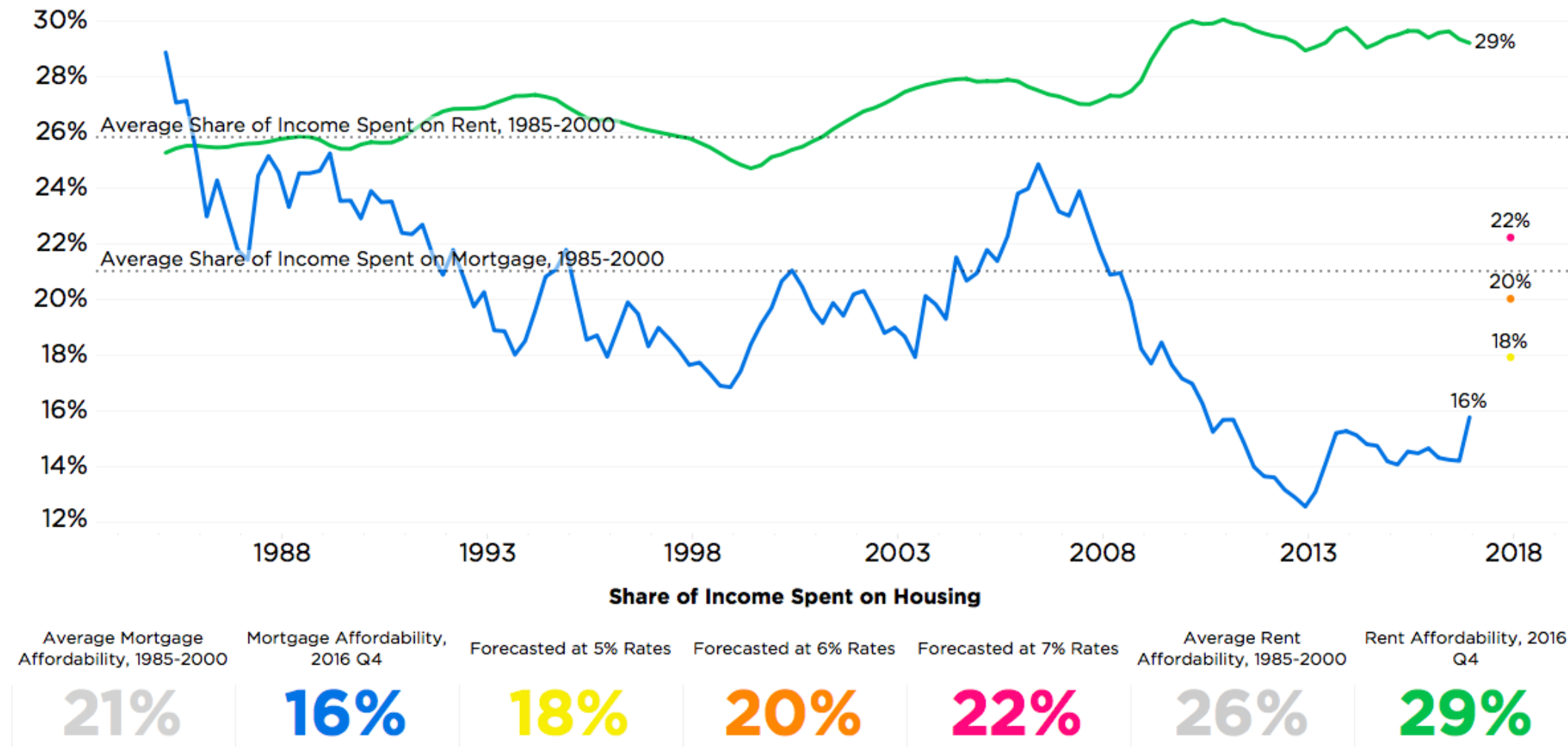


Growth in rents over the next year is expected to slow in many high-growth markets



MORTGAGE AND RENT AFFORDABILITY

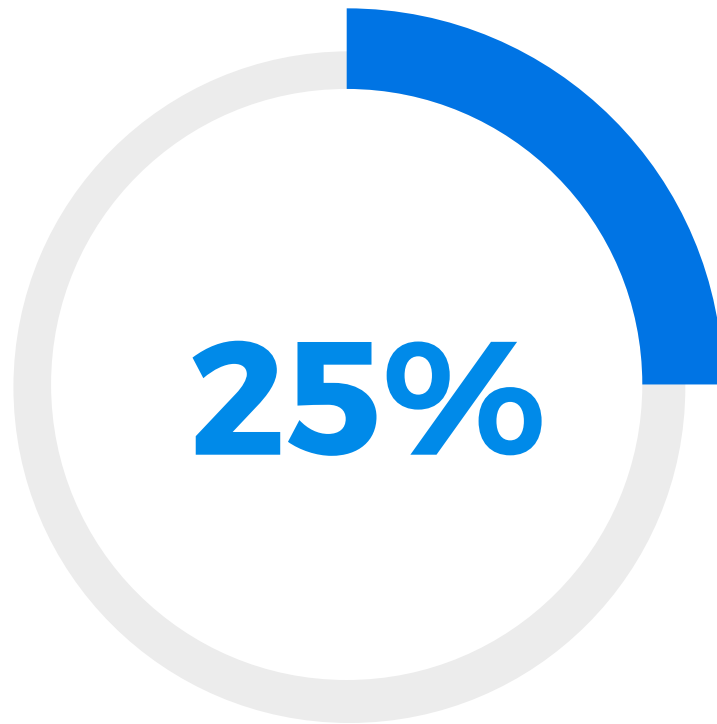
Nationwide, the share of income spent on a mortgage is well below historic norms



Seattle Affordability

Mortgage Affordability

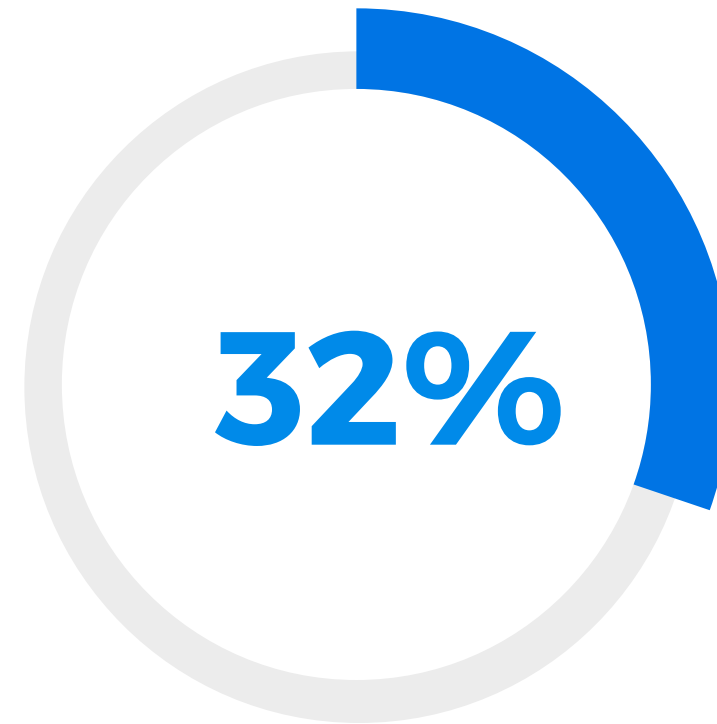
Share of income spent on mortgage



1985-1999 Mortgage Affordability: 25%

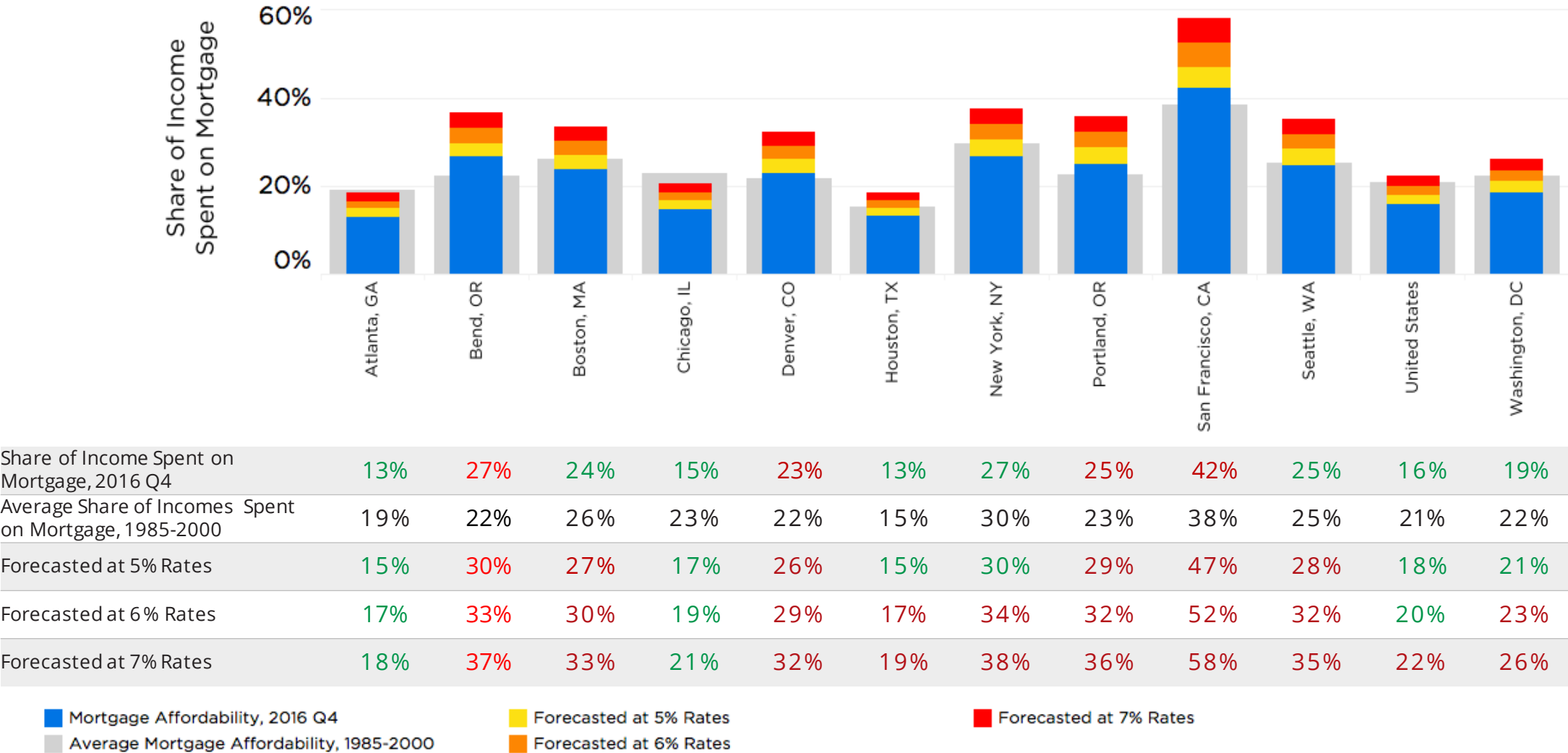
Rent Affordability

Share of income spent on rent

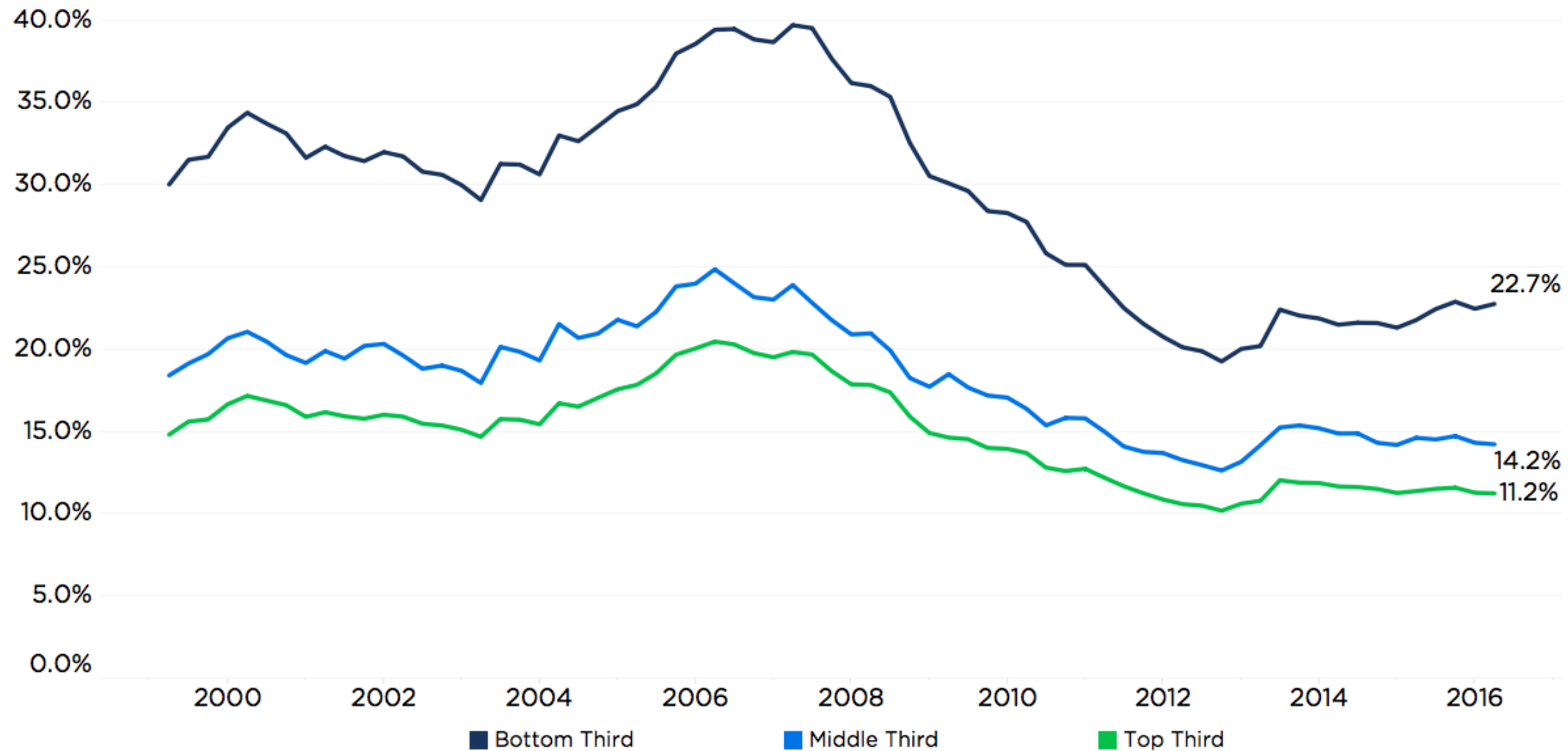


1985-1999 Rent Affordability: 24%

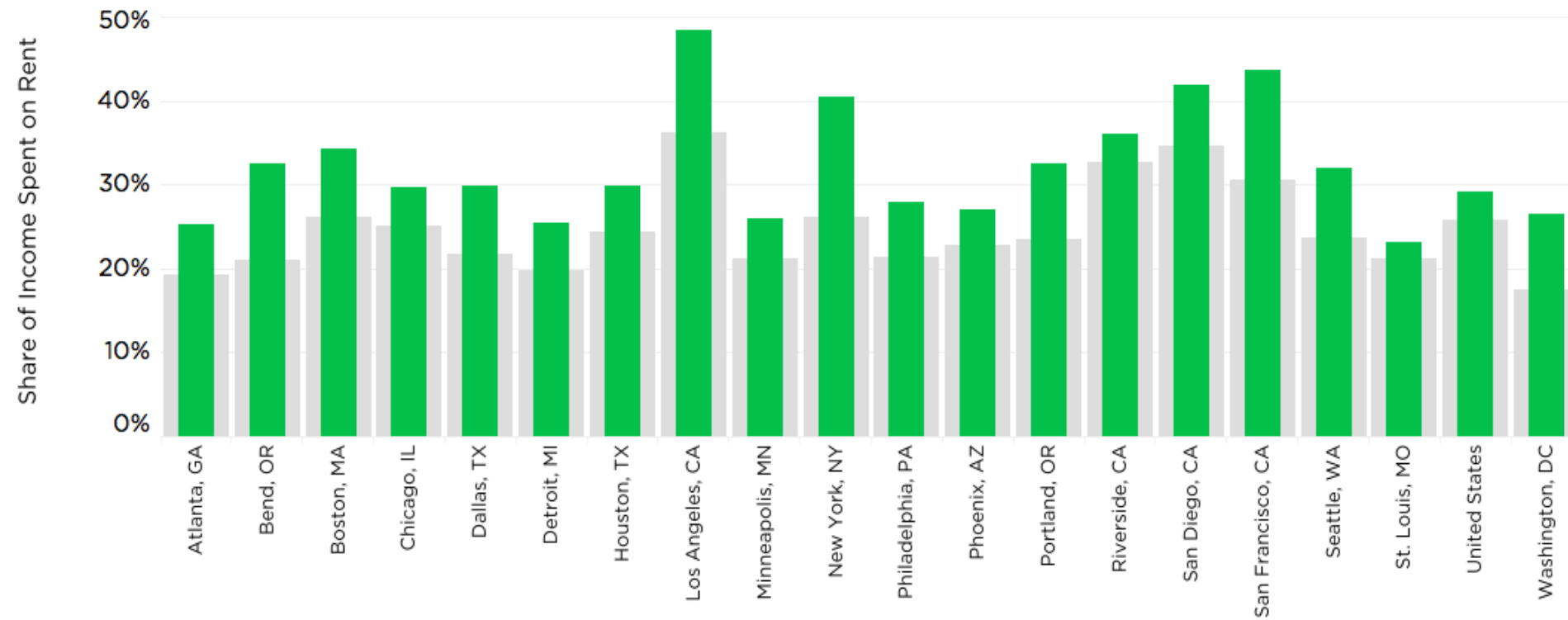
Mortgage affordability in Select U.S. Metros



Weak income growth and rapid appreciation, even with very low mortgage interest rates, means homes are becoming more unaffordable, more quickly for bottom-third home buyers



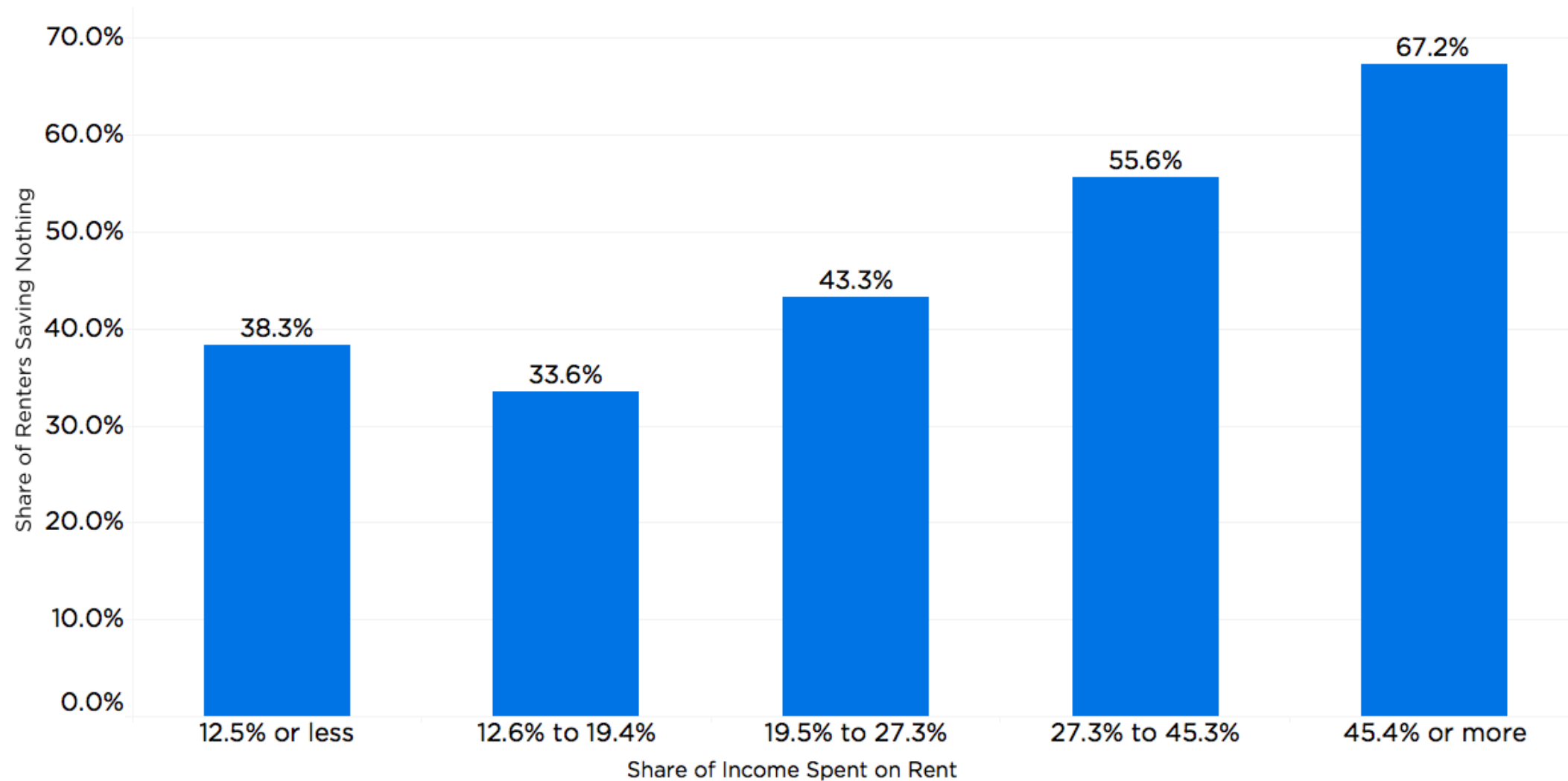
The share of income spent on rent is higher than the historic average in the nation's largest metros



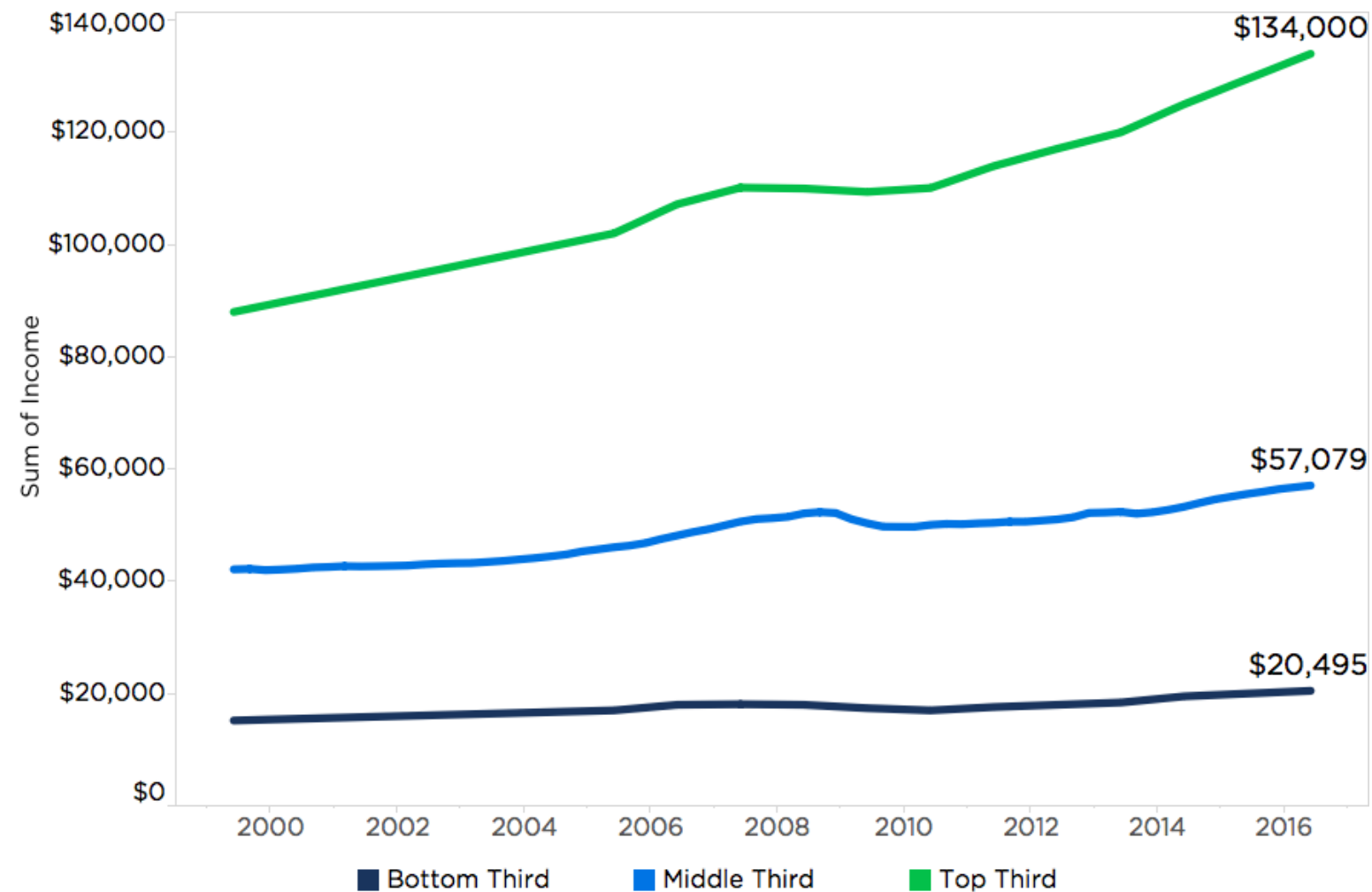
Share of Income Spent on Rent, 2016 Q4	25%	33%	34%	30%	30%	25%	30%	49%	26%	40%	28%	27%	33%	36%	42%	44%	32%	23%	29%	26%
Average Share of Incomes Spent on Rent, 1985-2000	19%	21%	26%	25%	22%	20%	24%	36%	21%	26%	21%	23%	34%	33%	35%	31%	24%	21%	26%	18%

■ Rent Affordability, 2016 Q4
■ Average Rent Affordability, 1985-2000

As the share of income spent on rent rises, more renters report saving nothing



Income growth for the lowest earners has been especially weak



Income Growth,
2000-2016

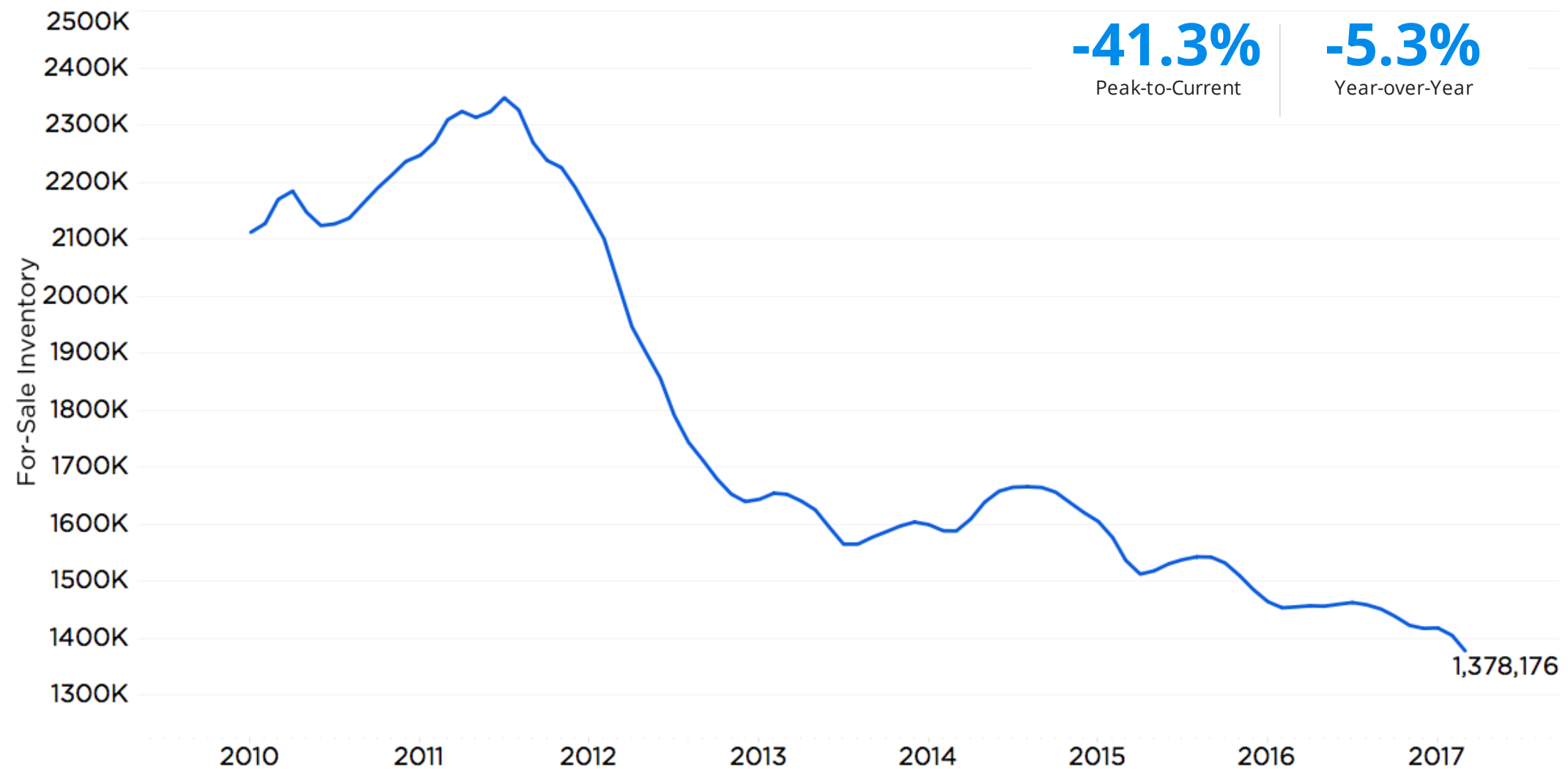
Top Third
48.3%

Middle Third
35.1%

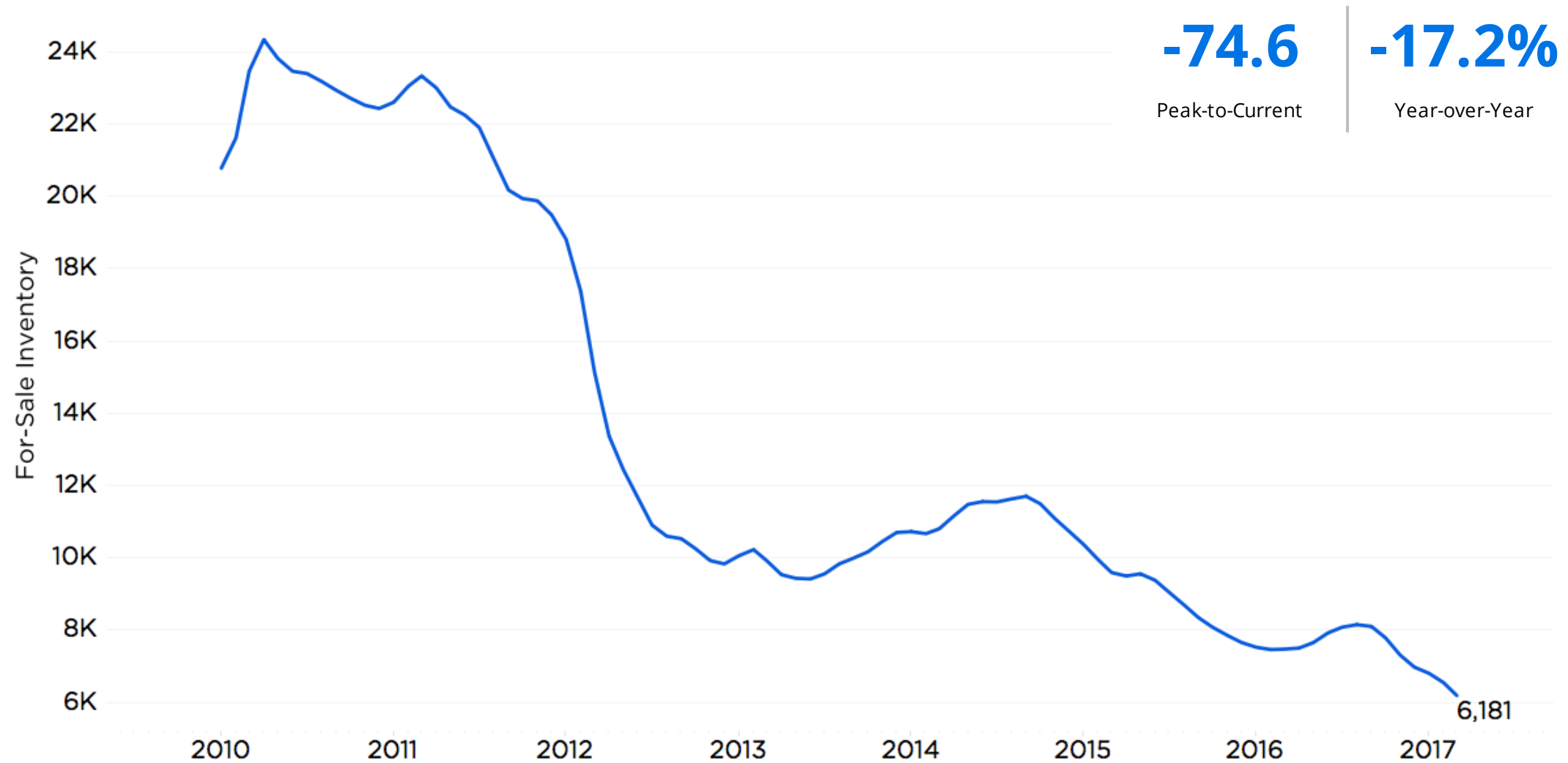
Bottom Third
32.2%

INVENTORY, CONSTRUCTION AND DEMOGRAPHICS

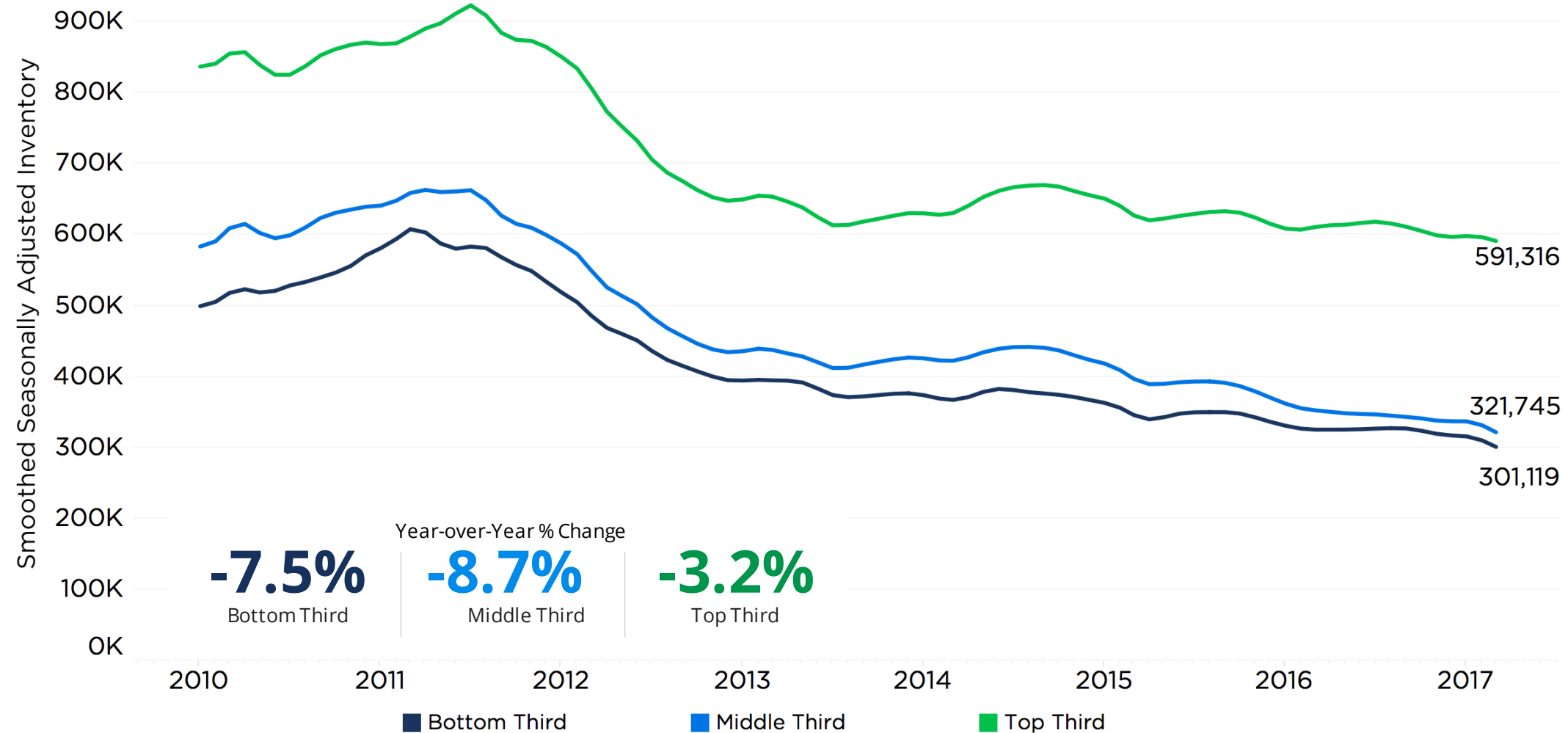
The number of U.S. homes for sale is low, and falling



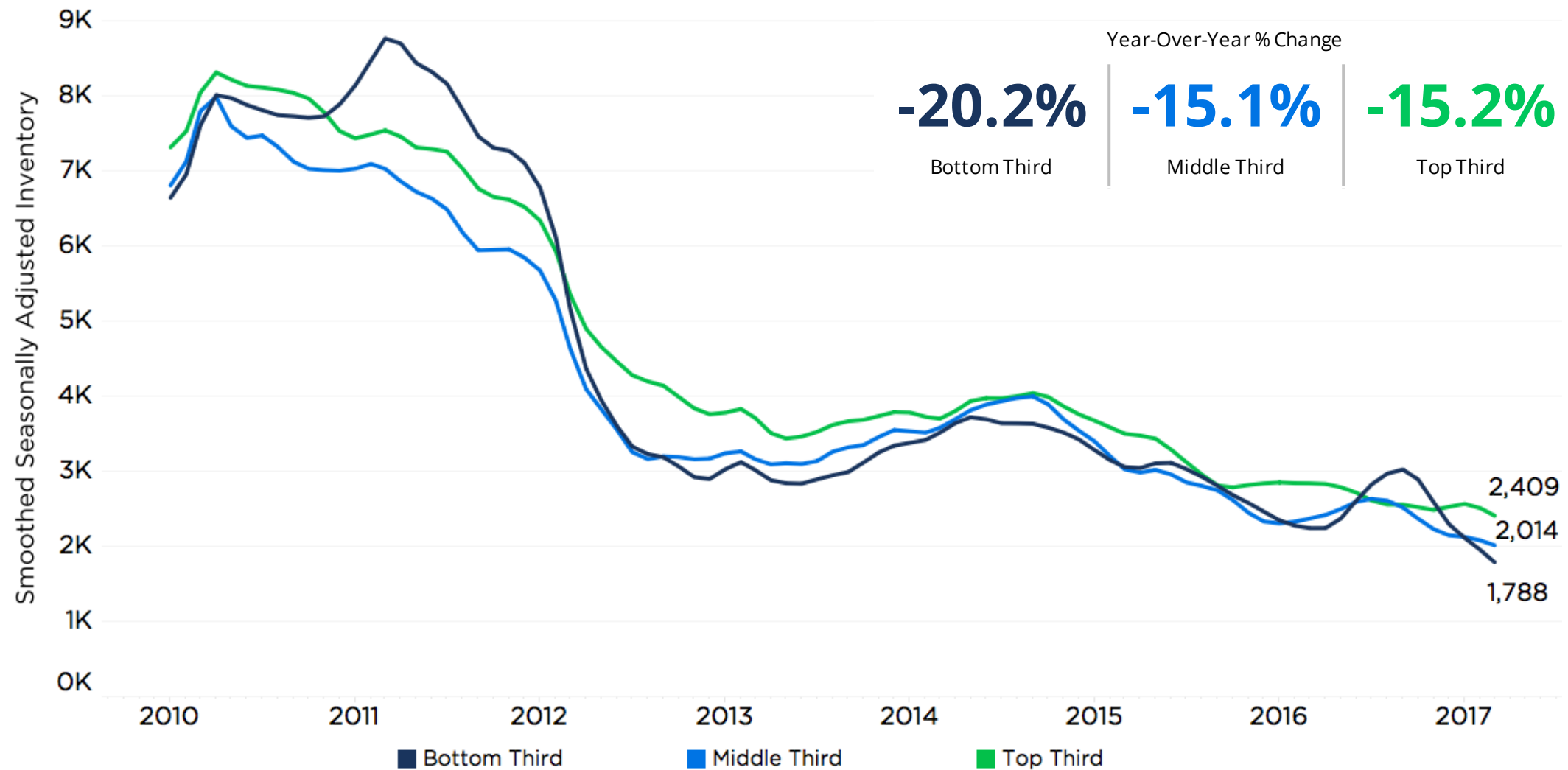
Seattle Metro Inventory



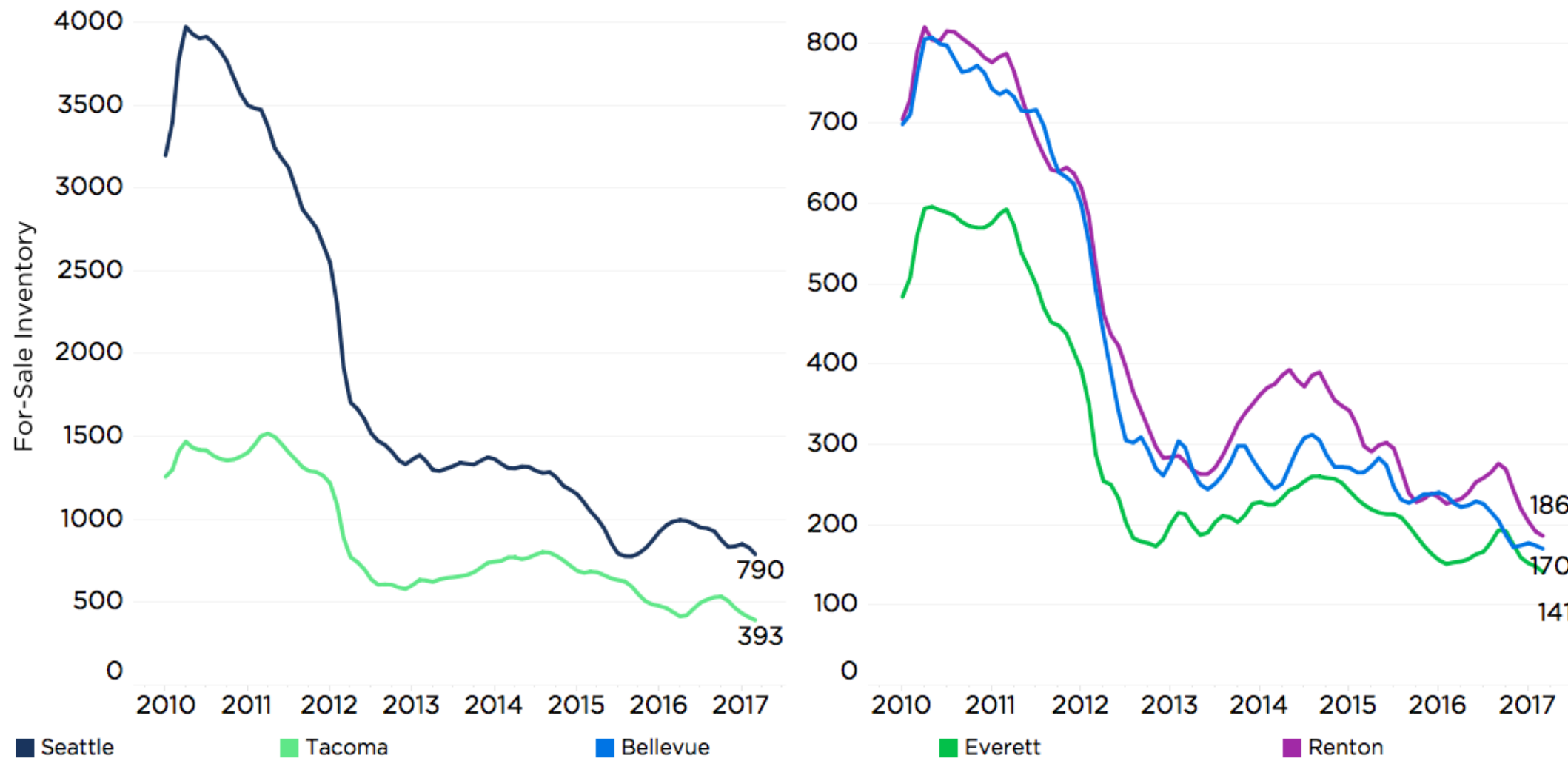
Inventory shortages are particularly acute among bottom- and middle-tier homes



Seattle Metro Inventory, by Thirds



Seattle Metro, City Inventory



-20.0%

Seattle

-10.9%

Tacoma

-25.1%

Bellevue

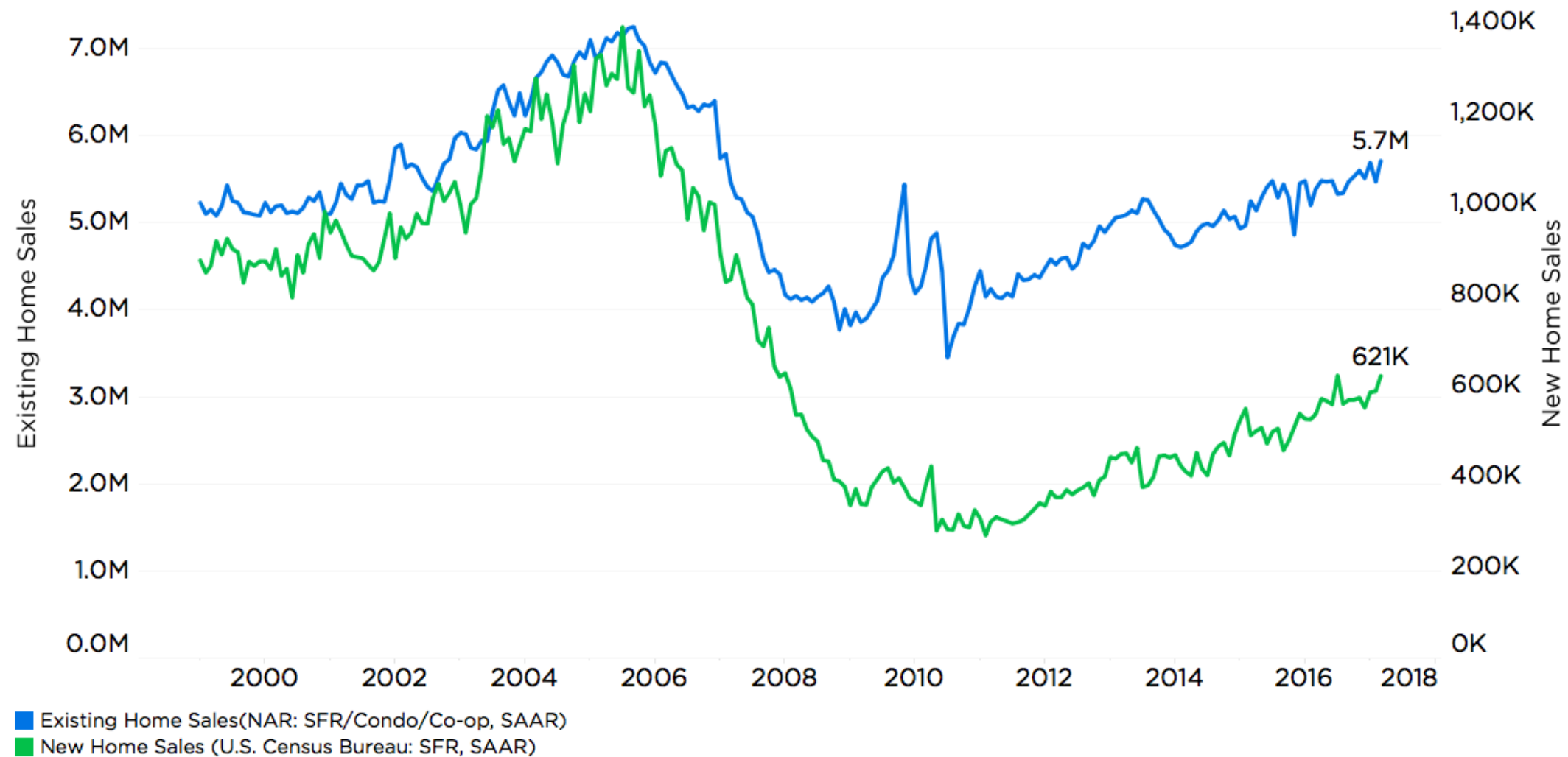
-7.8%

Everett

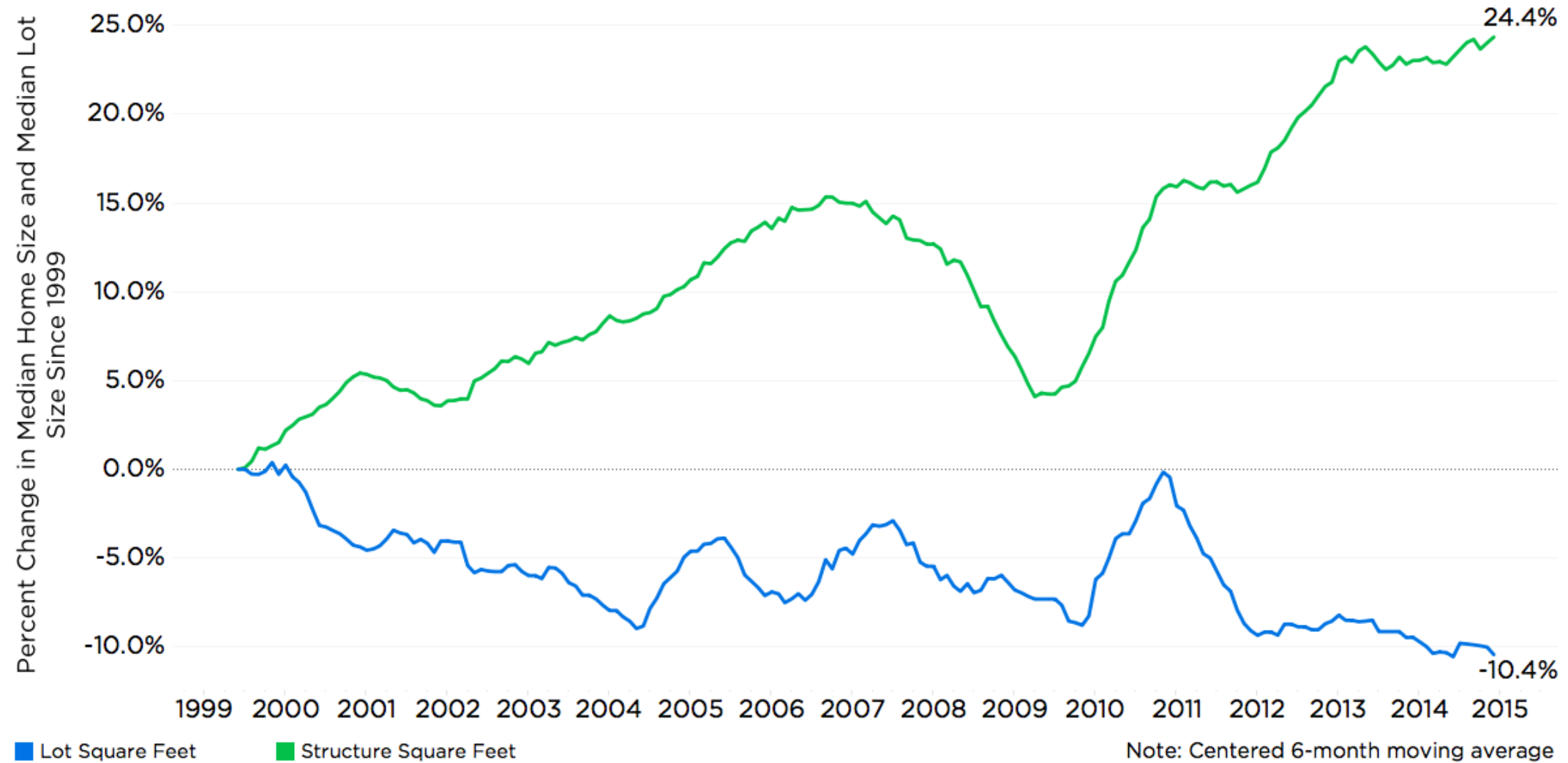
-18.8%

Renton

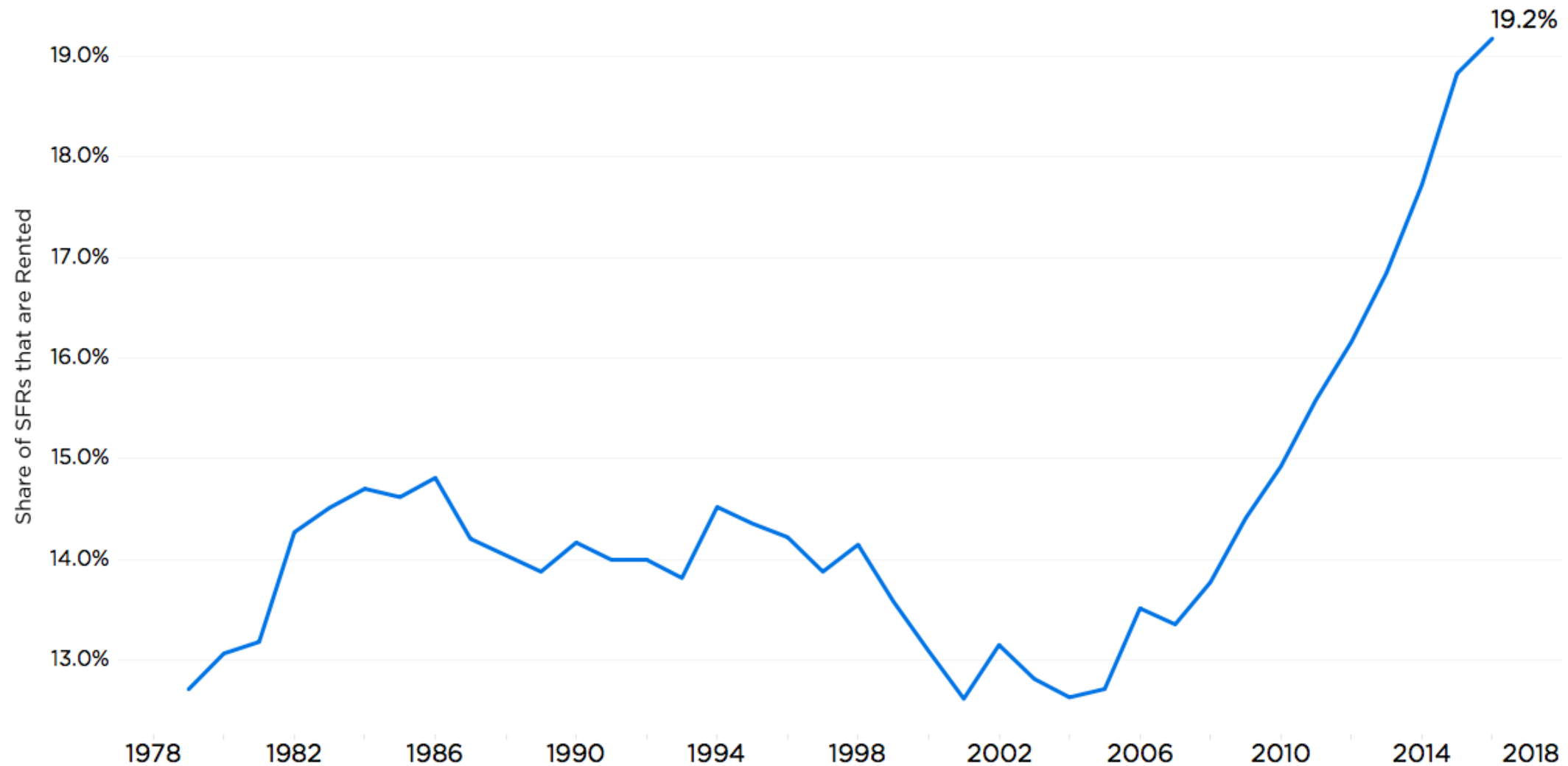
Sales of new homes in particular have struggled to get back to pre-recession levels



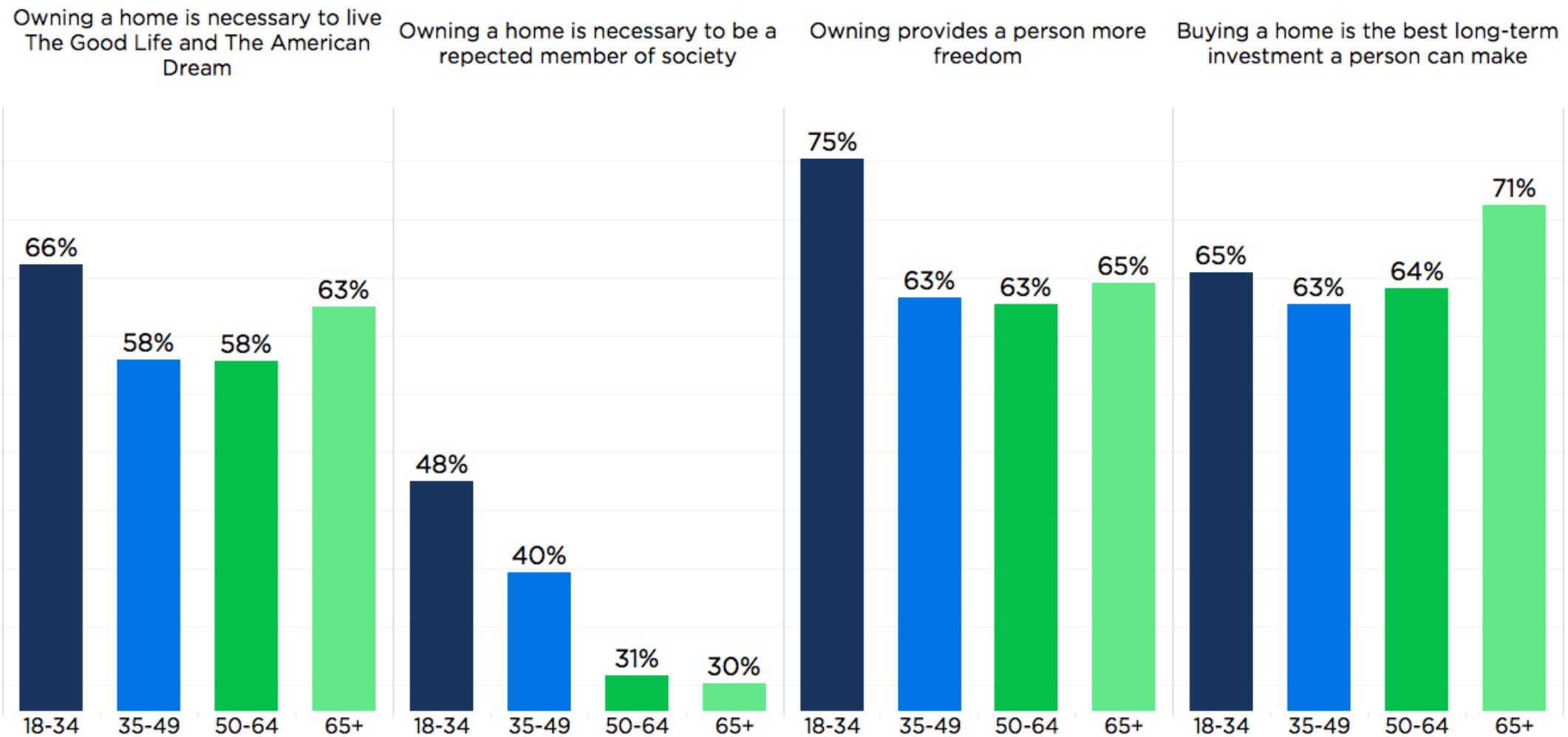
Since 1999, homes have gotten larger while lots have gotten smaller



Renting single-family homes is increasingly popular



Millennials do have positive views of homeownership and their opinions tend to align most closely with those of their grandparents



Comparing first-time buyers now and then (mid 1970s)

1975-1979

Average age

29 years old

Household Size

2.6 people

Years renting before buying

4.6 years

Home value in today's dollars

\$99K

Income in today's dollars

\$55K

2010-2013

Average age

32.5 years old

Household Size

2 people

Years renting before buying

6 years

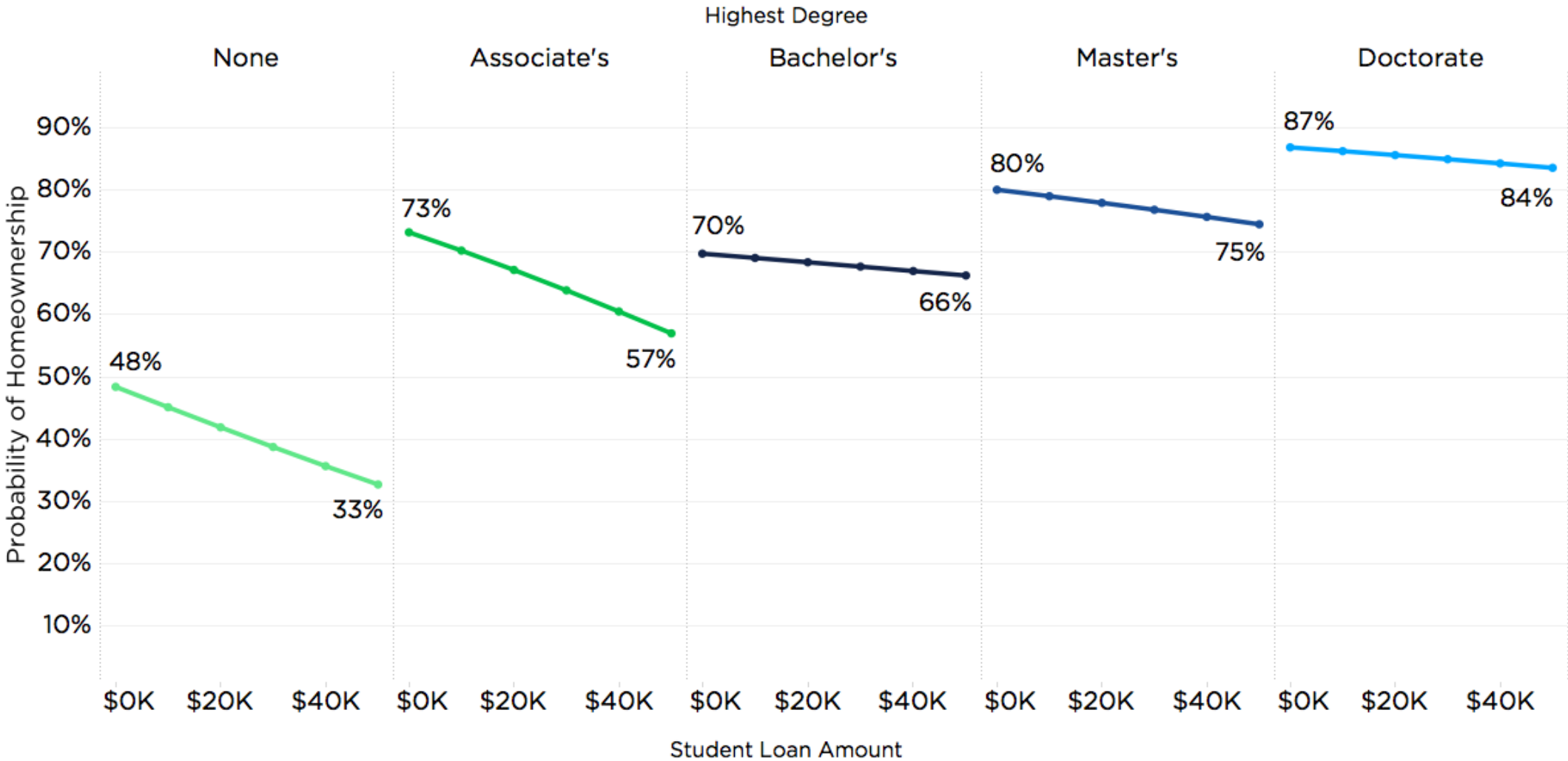
Home Value in today's dollars

\$140K

Income in today's dollars

\$54K

Generally, more education corresponds with better homeownership odds, regardless of debt level



Depending how long a resident stays in a home, buying is often a better bargain than renting. In many areas, buyers can break even on a home purchase in as little as 1-2 years.

Metros with the Longest Breakevens

1. Honolulu, HI: 6.8 years
2. San Jose, CA: 5.1 years
3. San Francisco, CA: 4.5 years
4. Santa Rosa, CA: 4.4 years
5. Los Angeles, CA: 4.1 years

Metros with the Shortest Breakevens

1. Memphis, TN: 1.1 years
2. Jackson, MS: 1.3 years
3. Lakeland, FL: 1.3 years
4. Indianapolis, IN: 1.4 years
5. Orlando, FL: 1.4 years



Thank you!

Find more data and research at:
www.zillow.com/research