HOME VALUES AND RENTS
U.S. home values are nearing pre-recession highs

Source: Zillow Home Value Index (March 2017)
Annual U.S. home value appreciation accelerated in the second half of 2016

Source: Zillow Home Value Index (March 2017)
Markets in the Pacific Northwest, Texas, Florida and parts of the Southwest continue to outperform slower-moving markets in the Midwest and Mid-Atlantic.

Source: Zillow Home Value Index (March 2017)
Cities in the Seattle Metro, Home Values

Source: Zillow Home Value Index (March 2017)
Home value growth is expected to slow through 2018 Q1

Source: Zillow Home Value Forecast, Top 20 Metros (March 2017)
Zillow Home Value Index, by Thirds

Source: Zillow Home Value Index (March 2017)
Home value appreciation for bottom-third homes continues to outpace home value growth in top-third homes

Source: Zillow Home Value Index (March 2017)
Growth in rents flattened in the second half of 2016

Source: Zillow Rent Index (March 2017)
Annual rent growth is strongest in the Pacific Northwest

Source: Zillow Rent Index (March 2017)
Seattle Rent Index

Source: Zillow Rent Index (March 2017)
Growth in rents over the next year is expected to slow in many high-growth markets

Source: Zillow Rent Forecast (March 2017)
MORTGAGE AND RENT AFFORDABILITY
Nationwide, the share of income spent on a mortgage is well below historic norms.

Source: Zillow Mortgage Affordability, Zillow Rent Affordability (2016 Q4)
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%

Source: Zillow Mortgage and Rent Affordability (2016 Q4)
Mortgage affordability in Select U.S. Metros

Source: Zillow Mortgage Affordability (2016 Q4)
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.

Source: Zillow Mortgage Affordability (2016 Q2)
The share of income spent on rent is higher than the historic average in the nation’s largest metros.

Source: Zillow Rent Affordability (2016 Q4)
As the share of income spent on rent rises, more renters report saving nothing.

Income growth for the lowest earners has been especially weak.

Source: Zillow analysis of U.S. Census Bureau ACS data, IPUMS (2016 Q2)
INVENTORY, CONSTRUCTION AND DEMOGRAPHICS
The number of U.S. homes for sale is low, and falling

Source: Zillow For-Sale Inventory (Seasonally Adjusted, Smoothed) (March 2017)
Seattle Metro Inventory

Source: Zillow For-Sale Inventory (Seasonally Adjusted, Smoothed) (March 2017)
Inventory shortages are particularly acute among bottom- and middle-tier homes.

<table>
<thead>
<tr>
<th>Year-over-Year % Change</th>
<th>Bottom Third</th>
<th>Middle Third</th>
<th>Top Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>-7.5%</td>
<td>-8.7%</td>
<td>-3.2%</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
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<tr>
<td>2017</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Zillow For-Sale Inventory (Seasonally Adjusted, Smoothed) (March 2017)
Seattle Metro Inventory, by Thirds

<table>
<thead>
<tr>
<th>Year</th>
<th>Bottom Third</th>
<th>Middle Third</th>
<th>Top Third</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>9K</td>
<td>8K</td>
<td>7K</td>
</tr>
<tr>
<td>2011</td>
<td>8K</td>
<td>7K</td>
<td>6K</td>
</tr>
<tr>
<td>2012</td>
<td>7K</td>
<td>6K</td>
<td>5K</td>
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<td>2013</td>
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<td>5K</td>
<td>4K</td>
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<tr>
<td>2014</td>
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<td>4K</td>
<td>3K</td>
<td>2K</td>
</tr>
<tr>
<td>2016</td>
<td>3K</td>
<td>2K</td>
<td>1K</td>
</tr>
<tr>
<td>2017</td>
<td>2K</td>
<td>1K</td>
<td>0K</td>
</tr>
</tbody>
</table>

Year-Over-Year % Change

-20.2% Bottom Third
-15.1% Middle Third
-15.2% Top Third

Source: Zillow For-Sale Inventory, by Thirds (Seasonally Adjusted, Smoothed) (March 2017)
Seattle Metro, City Inventory

Source: Zillow For-Sale Inventory (Seasonally Adjusted, Smoothed) (March 2017)

-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

Source: National Association of Realtors, U.S. Census Bureau (March 2017)
Since 1999, homes have gotten larger while lots have gotten smaller

Renting single-family homes is increasingly popular

Source: Zillow analysis of U.S. Census Bureau, Current Population Survey 2016, made available by University of Minnesota, IPUMS-USA
Millennials do have positive views of homeownership and their opinions tend to align most closely with those of their grandparents.

Source: Zillow Housing Confidence Index (July 2016)
Comparing first-time buyers now and then (mid 1970s)

<table>
<thead>
<tr>
<th></th>
<th>1975-1979</th>
<th>2010-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average age</strong></td>
<td>29 years</td>
<td>32.5 years</td>
</tr>
<tr>
<td><strong>Household Size</strong></td>
<td>2.6 people</td>
<td>2 people</td>
</tr>
<tr>
<td><strong>Years renting before buying</strong></td>
<td>4.6 years</td>
<td>6 years</td>
</tr>
<tr>
<td><strong>Home value in today’s dollars</strong></td>
<td>$99K</td>
<td>$140K</td>
</tr>
<tr>
<td><strong>Income in today’s dollars</strong></td>
<td>$55K</td>
<td>$54K</td>
</tr>
</tbody>
</table>

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

Source: Zillow Breakeven Horizon, Top 100 Metros (2016 Q4)
Thank you!

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