Q1 2025 Housing Market Update

May 6, 2025

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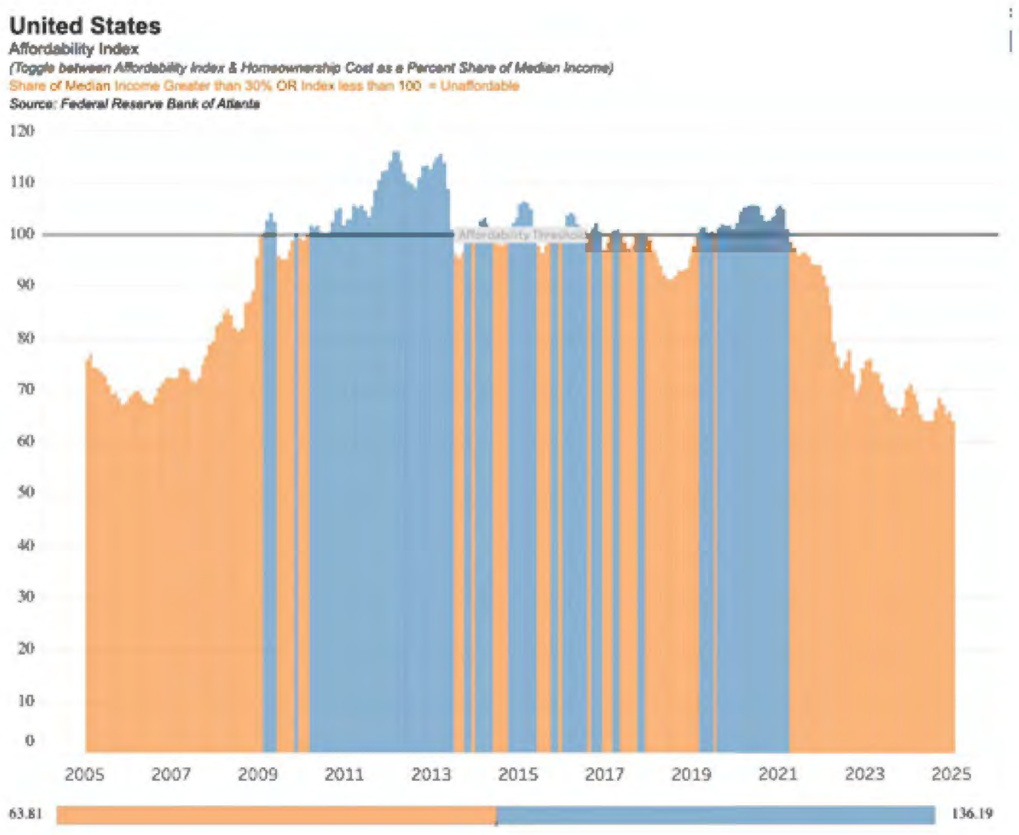
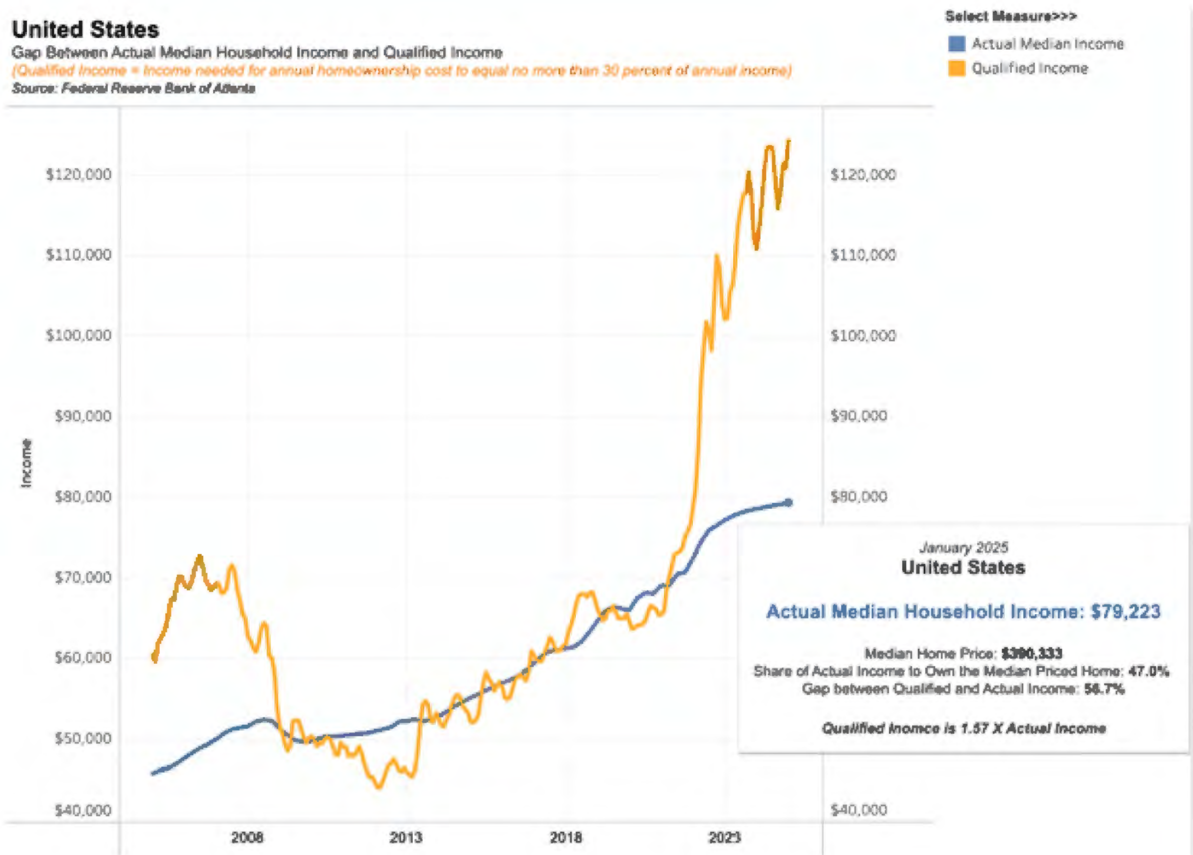
What We'll Cover Today

- The U.S. Housing Market
- The U.S. Economy
- Delinquencies & Defaults
- Foreclosure Trends & Outlook
- Closing Thoughts

Affordability Worsens to Start the Year, Still Near 40-Year Low





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Mortgage Rates Are Down Year-Over-Year, but Still Near 7.0%

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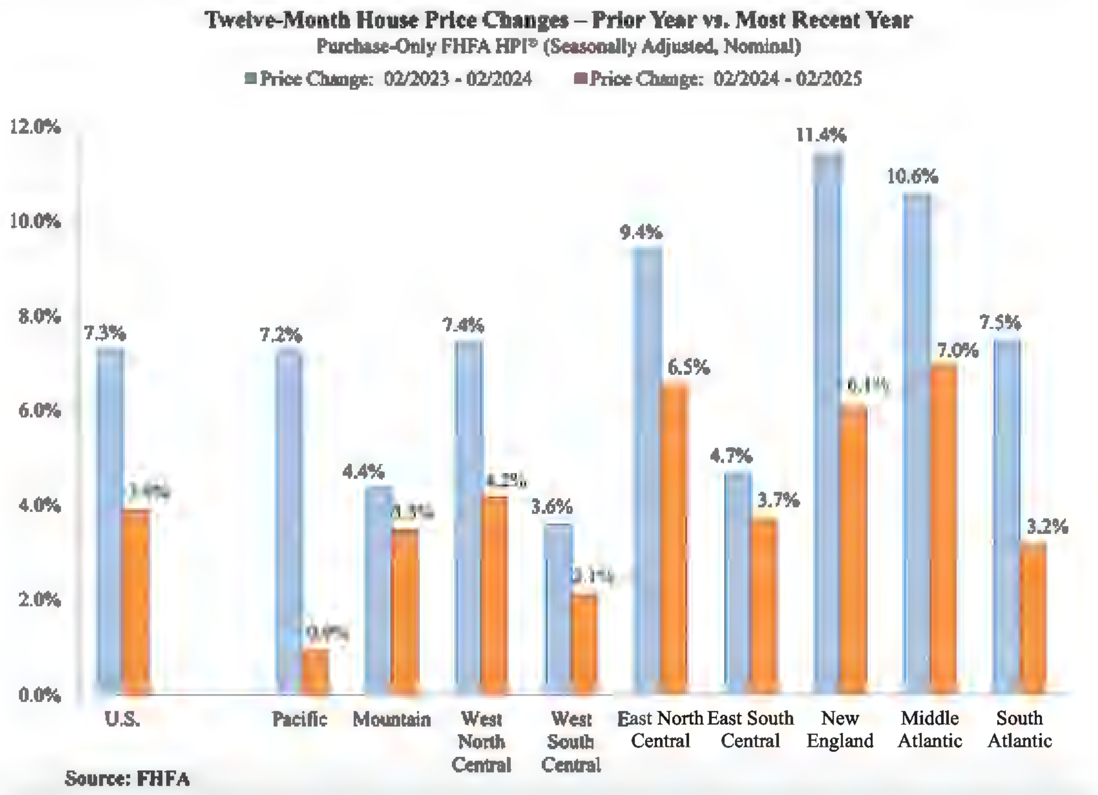
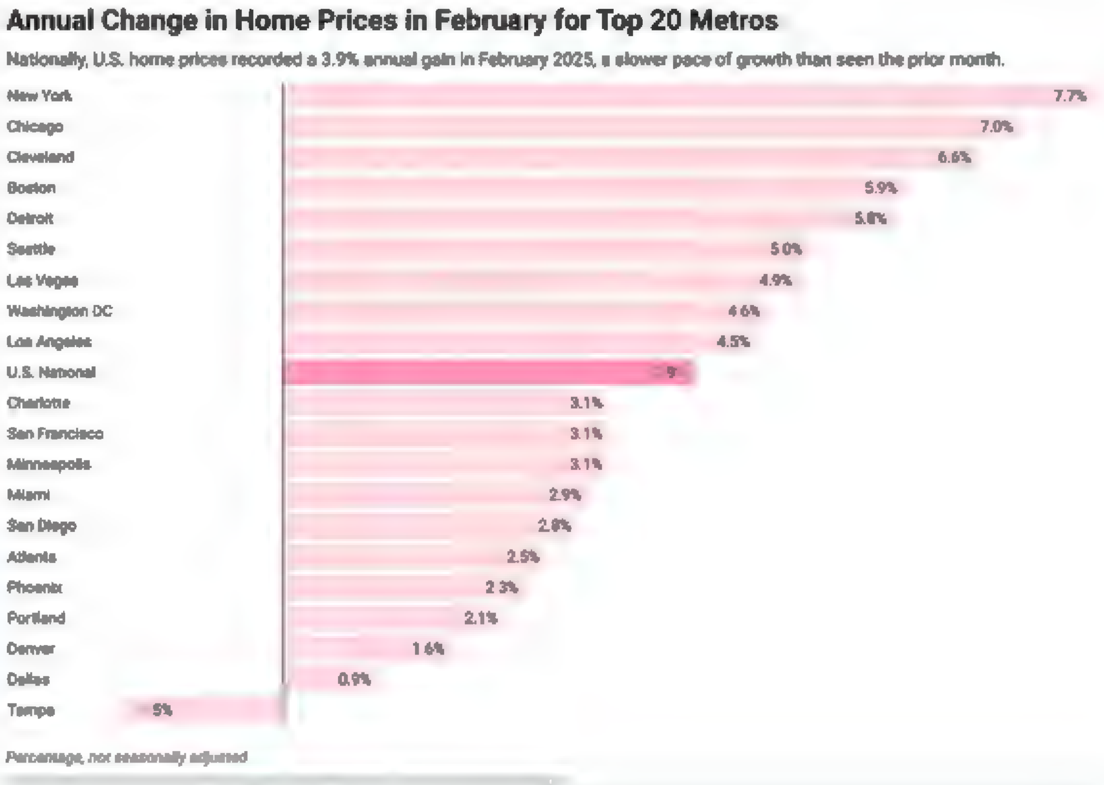
Home Prices Rise 3.9% Nationally, with Big Regional Variances





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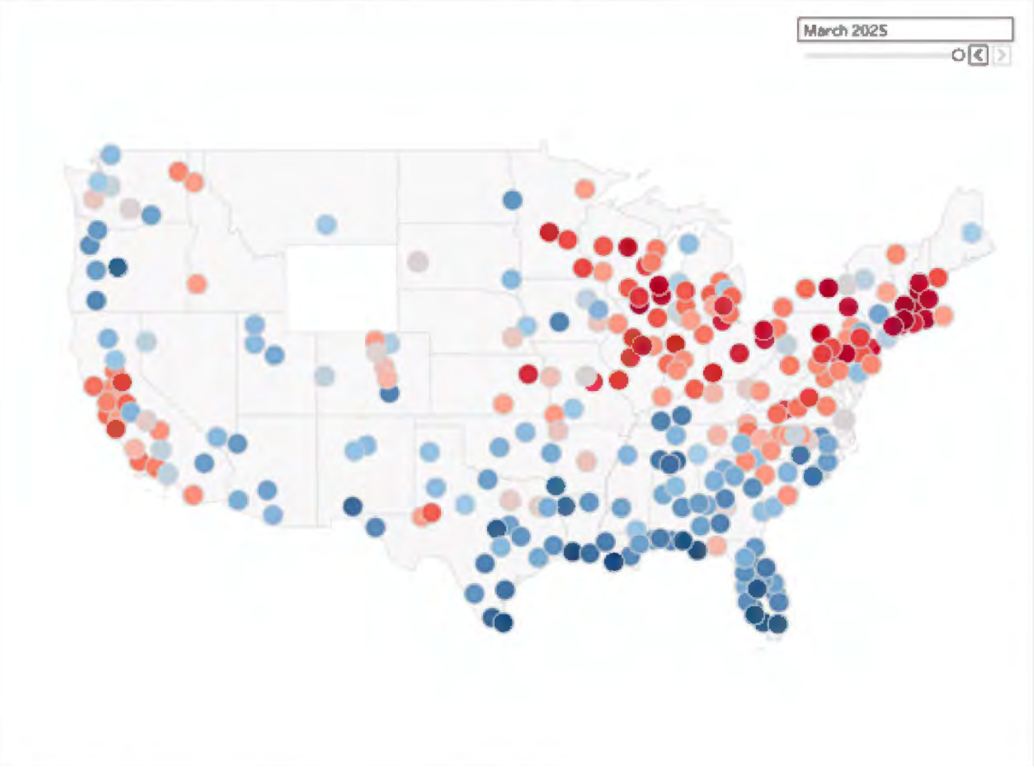
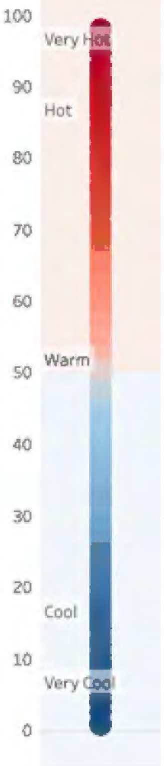
Northeast & Midwest Hottest Markets: Strong Demand/Limited Supply

Hottest Real Estate Markets March 2025



Hotness Index



Rank 1-20

Hotness Rankings 1-20

1	Manchester-Nashua, NH	98.16
2	Hartford-West Hartford-East Har..	97.99
	Rockford, IL	97.99
4	Springfield, MA	96.32
5	Worcester, MA-CT	95.82
6	Bridgeport-Stamford-Norwalk, CT	95.32
7	Rochester, NY	94.82
9	Reading, PA	93.14
10	Lancaster, PA	92.31
11	Boston-Cambridge-Newton, MA-..	91.47
12	Providence-Warwick, RI-MA	91.14
13	Racine, WI	90.80
14	Concord, NH	90.64
15	State College, PA	90.30
16	Canton-Massillon, OH	89.46
17	Binghamton, NY	89.46
19	Milwaukee-Waukesha-West Allis, ..	89.13
20	Akron, OH	88.80

Market Spotlight: Manchester-Nashua, NH

realtor.com

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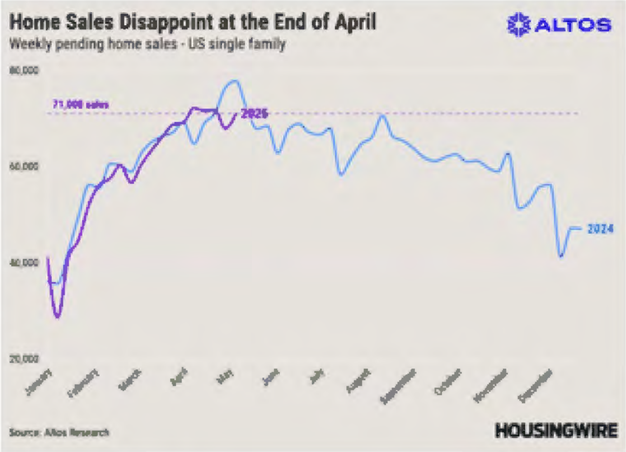
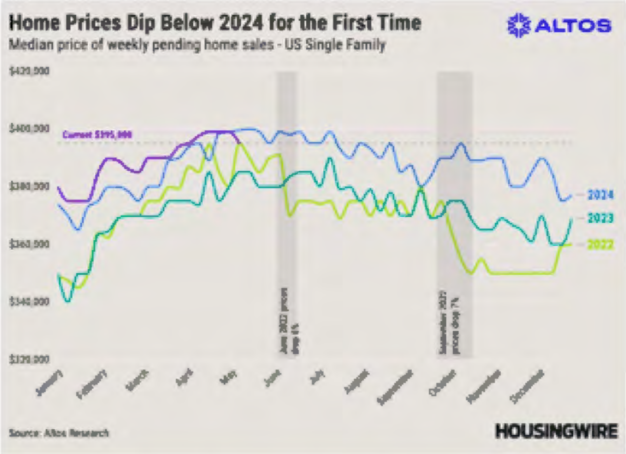
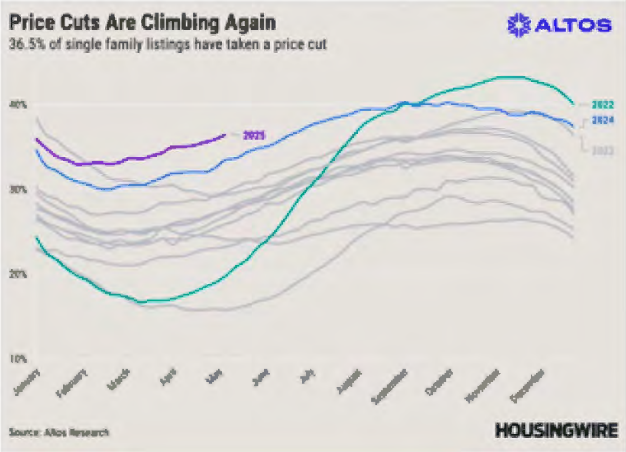
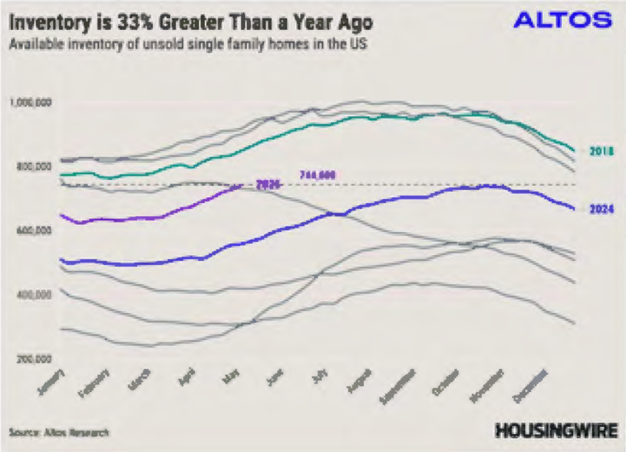
Resale Market Showing Signs of Slowing Down









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New Home Market a Mixed Bag: Sales Up, Prices, Starts Down

NEW RESIDENTIAL SALES MARCH 2025

New Houses Sold[1]:	724,000
New Houses For Sale[2]:	503,000
Median Sales Price:	$403,600

Next Release: May 23, 2025

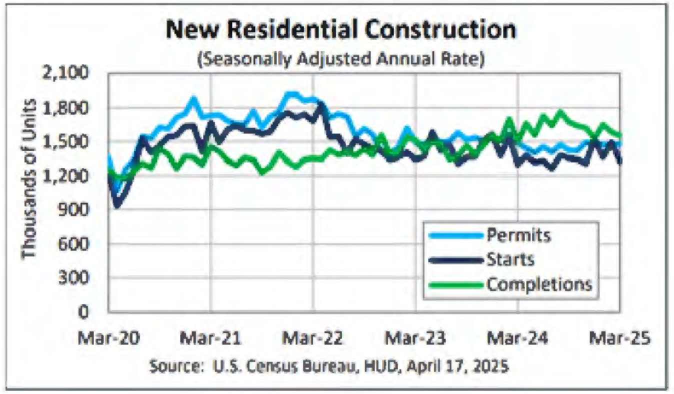
[1]Seasonally Adjusted Annual Rate (SAAR)
[2]Seasonally Adjusted
Source: U.S. Census Bureau, HUD, April 23, 2025

NEW RESIDENTIAL CONSTRUCTION MARCH 2025

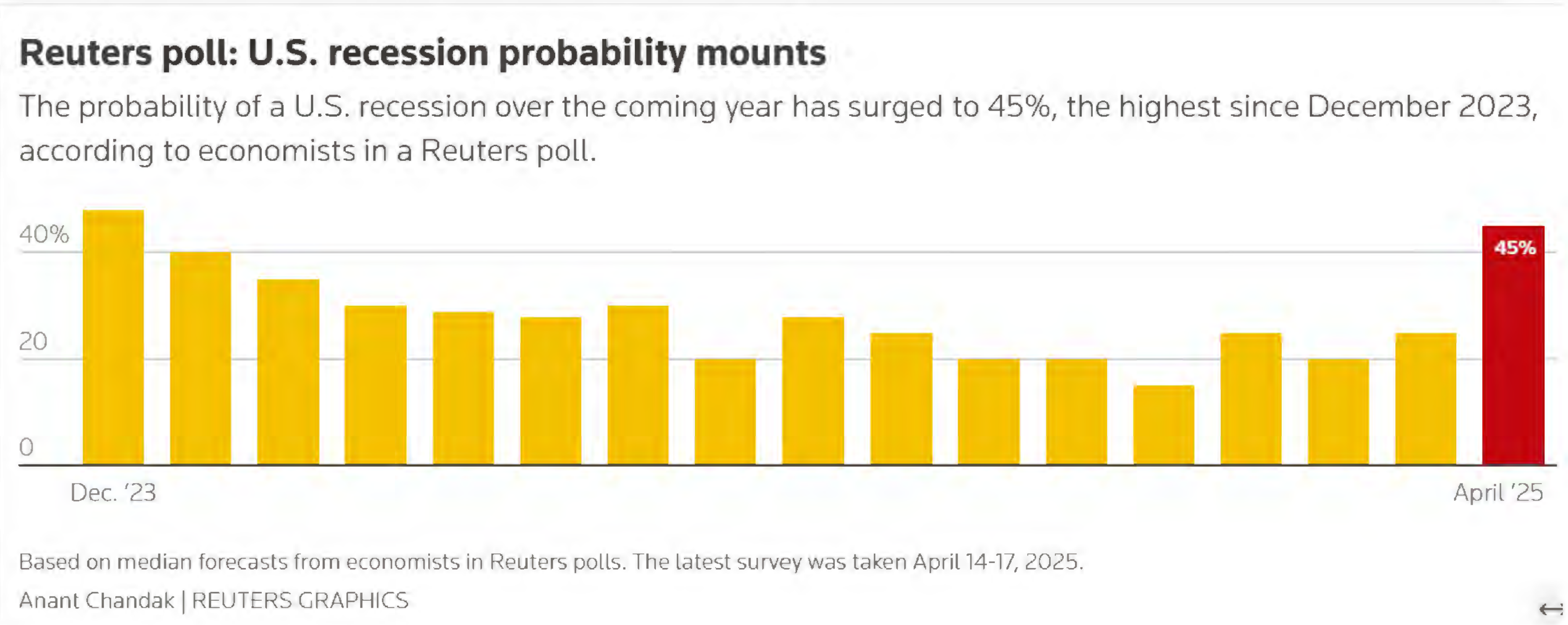
Building Permits:	1,482,000
Housing Starts:	1,324,000
Housing Completions:	1,549,000

Next Release: May 16, 2025

Seasonally Adjusted Annual Rate (SAAR)
Source: U.S. Census Bureau, HUD, April 17, 2025



Meanwhile, Talk of a Recession Gains Momentum Again…



…as Economists View Tariffs & Deportations Pessimistically

Reuters poll: U.S. economic growth to slow significantly and inflation to surge meaningfully

Economists have raised U.S. inflation expectations while sharply cutting growth projections for this year and next, according to Reuters polls.

Indicators	Poll dates (2025)	2025	2026
GDP	April	1.4%	1.5%
	March	2.2%	2.0%
	February	2.2%	2.0%
	January	2.2%	2.0%
CPI	April	3.2%	2.9%
	March	2.9%	2.5%
	February	2.7%	2.6%
	January	2.6%	2.5%
PCE	April	3.0%	2.6%
	March	2.5%	2.2%
	February	2.4%	2.3%
	January	2.3%	2.3%

Based on median forecasts from around 70 economists. Poll conducted: April 14-17, 2025.

Purujit Arun I REUTERS GRAPHICS

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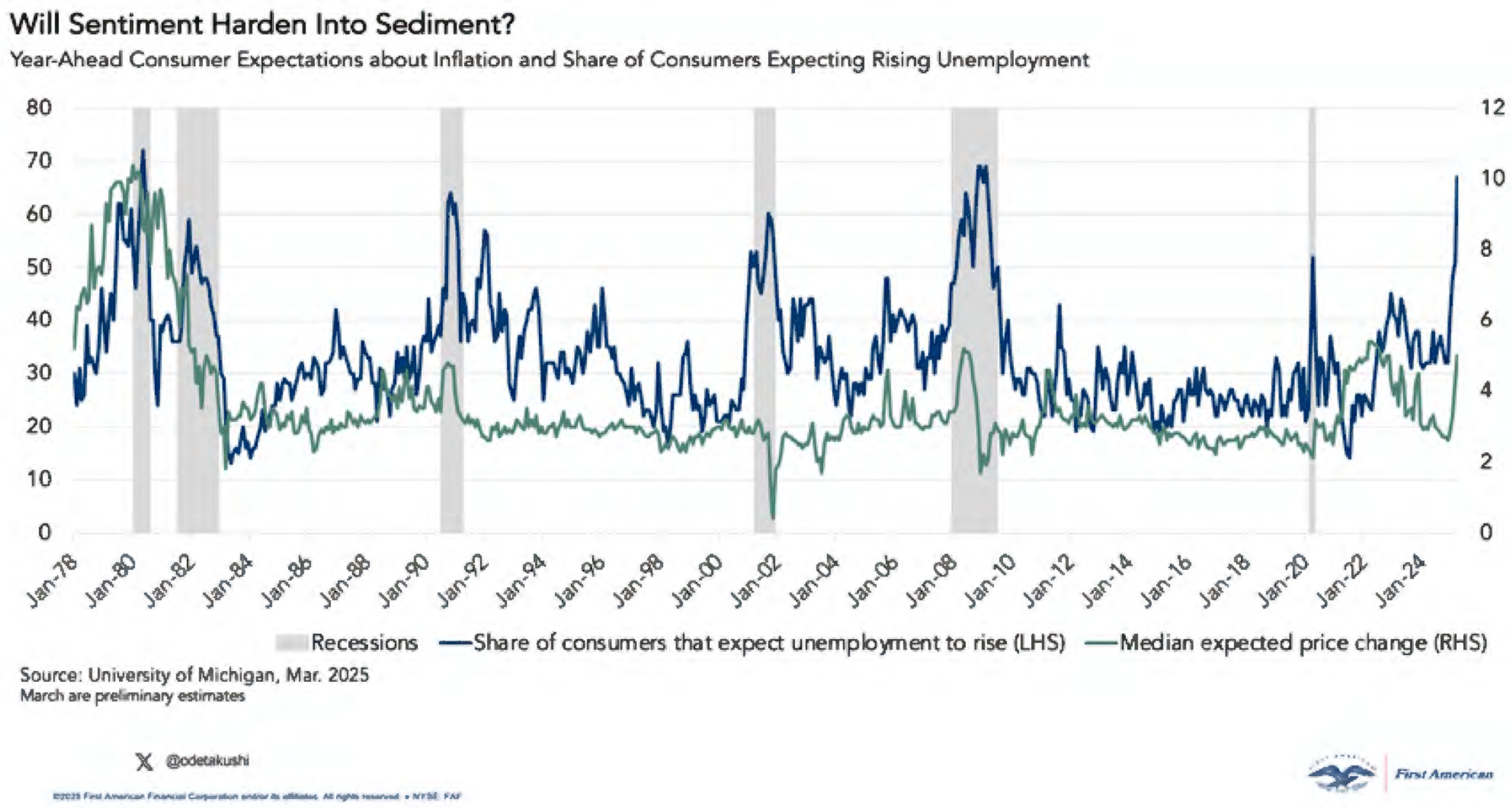
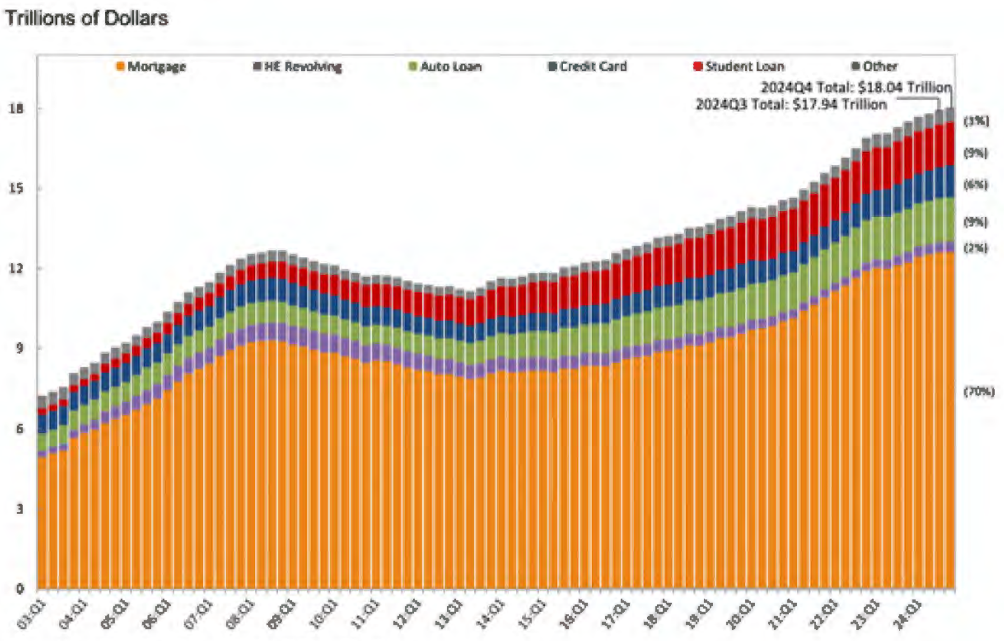
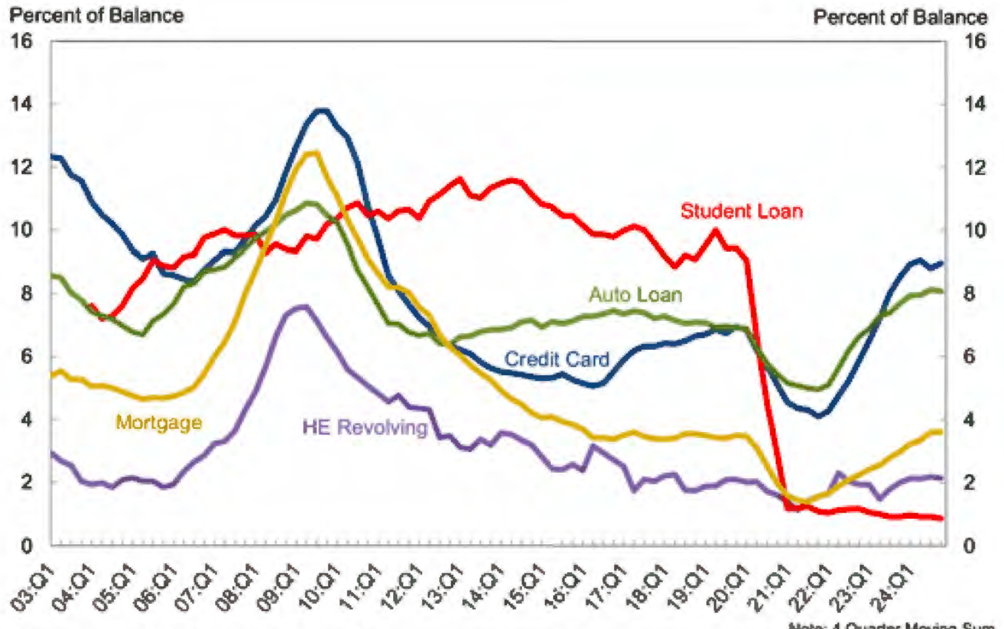
Consumer Sentiment Also Worsens



As Consumer Debt Hits a Record $18 Trillion & Delinquencies Rise



Source: New York Fed Consumer Credit Panel/Equifax



Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
Student loan data are not reported prior to 2004 due to uneven reporting

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Mortgage Delinquencies Tick Up Too, Driven Primarily by FHA Loans

+6 bps

Delinquency rate

The number of borrowers a single payment past due rose by 57K

Loans 90+ days past due dipped slightly, which is typical for this time of year

Source: ICE McDash

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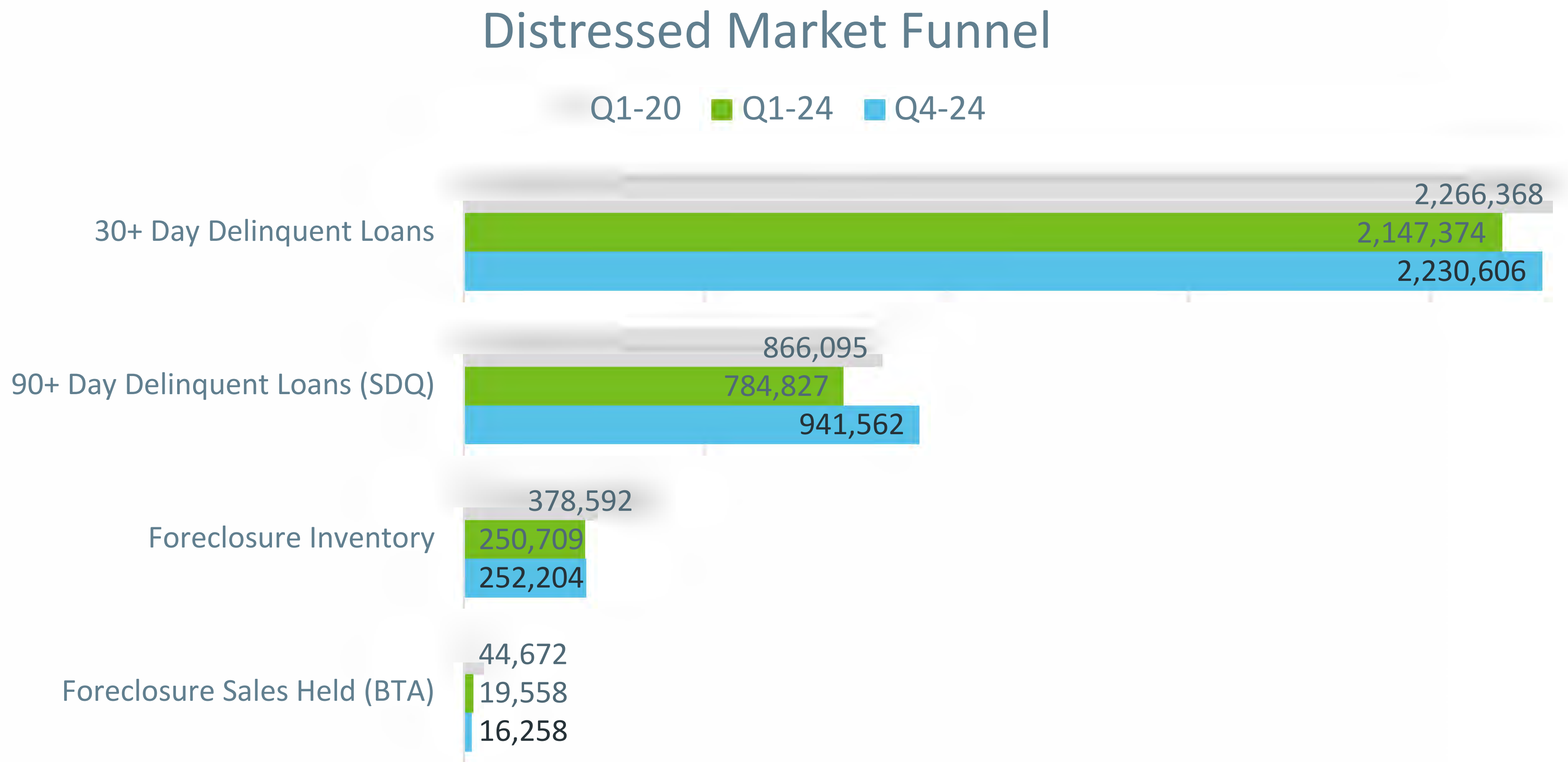
Some Movement Down the Distressed Market Funnel

- Two-year high in SDQ inventory in Q4 2024.
- SDQ inventory has exceeded pre-pandemic levels for two consecutive quarters after declining for 13 consecutive quarters
- But foreclosure inventory still at just 67% of pre-pandemic levels, and foreclosure BTA at just 36% of pre-pandemic levels
- But foreclosure starts have increased annually by double-digit percentages for four consecutive months according to ICE

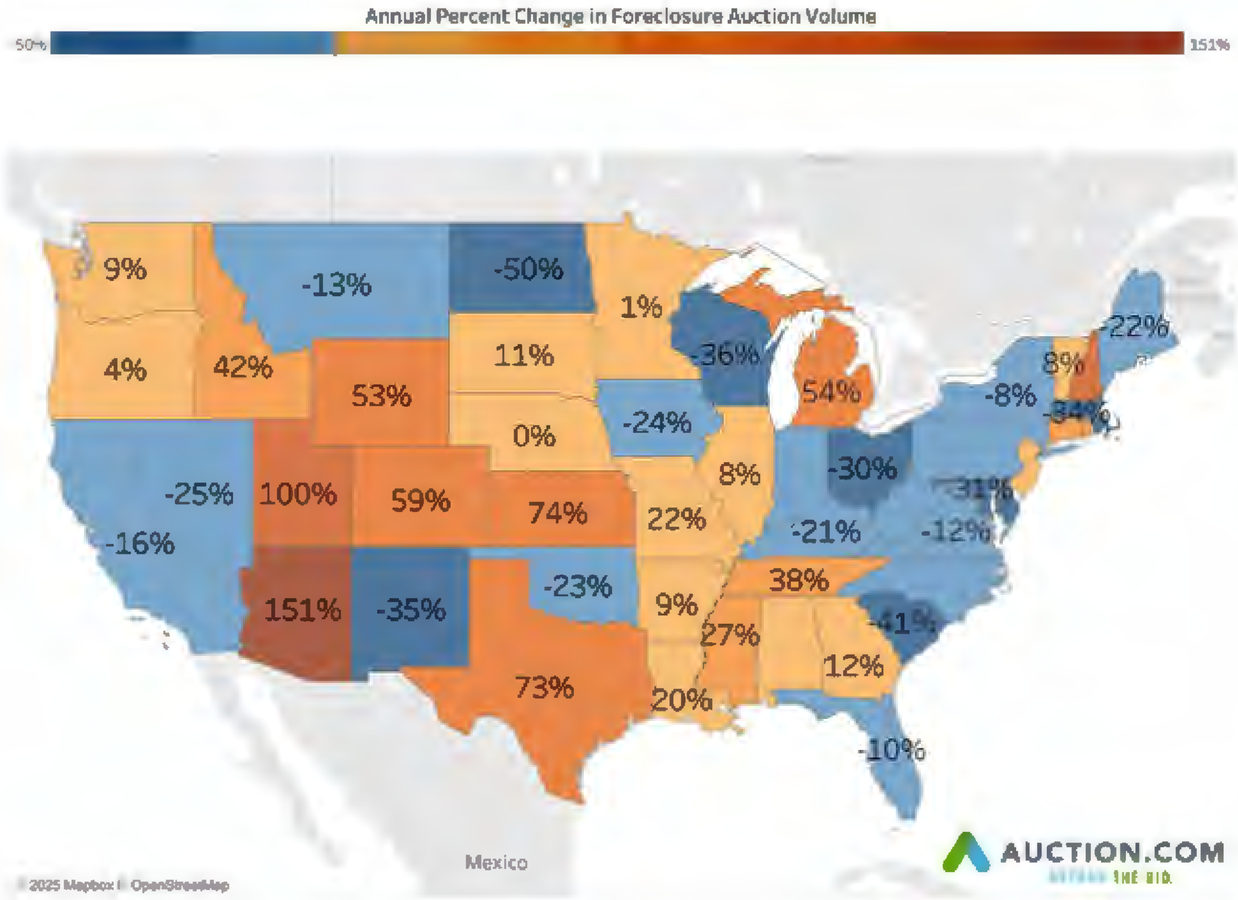


Sources: MBA, ATTOM Data Solutions

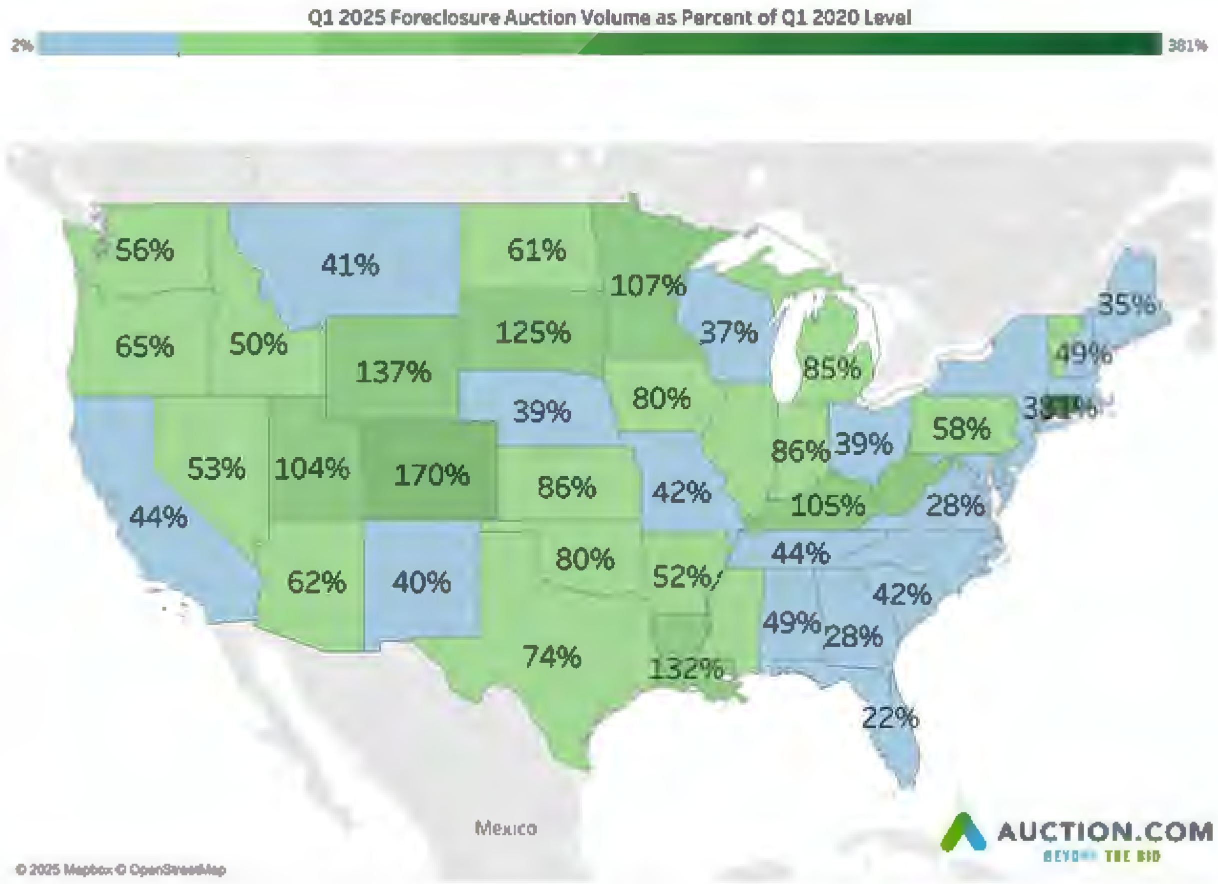
Foreclosure auction volume jumps 20 percent to 6-quarter high in Q1 2025

- Increase of 4 percent from year ago nationally, still at 49% of Q1 2020 level.
- Volume up annually in 26 states led by Arizona, Utah, New Hampshire, Kansas and Texas
- VA volume spikes 104 percent annually following moratorium end, GSE up 8 percent, FHA up 5 percent

Q1 2025 Foreclosure Auction Volume: Annual Change



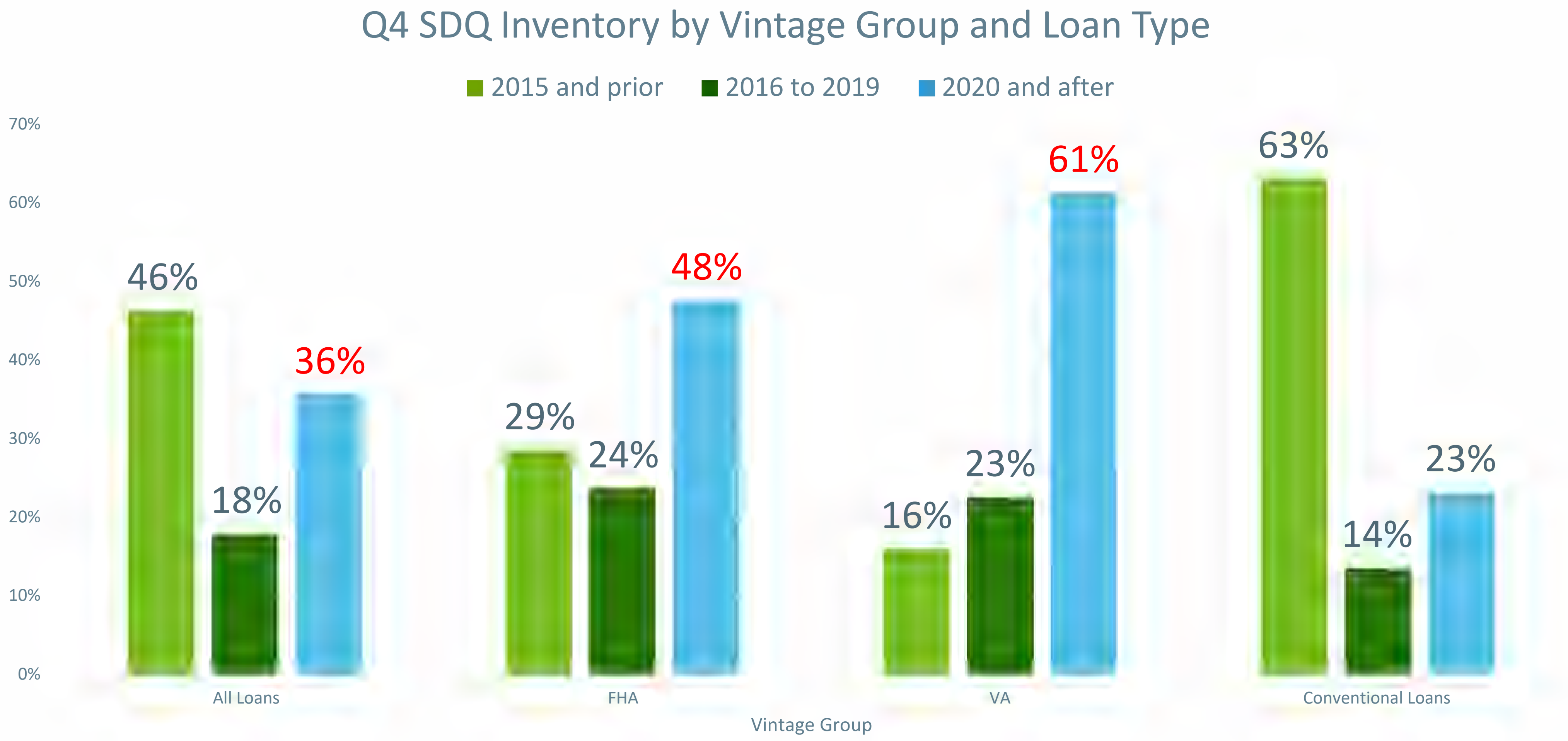
Q1 2025 Foreclosure Auction Volume by State



Recent vintages accounting for rising share of FHA, VA SDQ inventory

Highlights

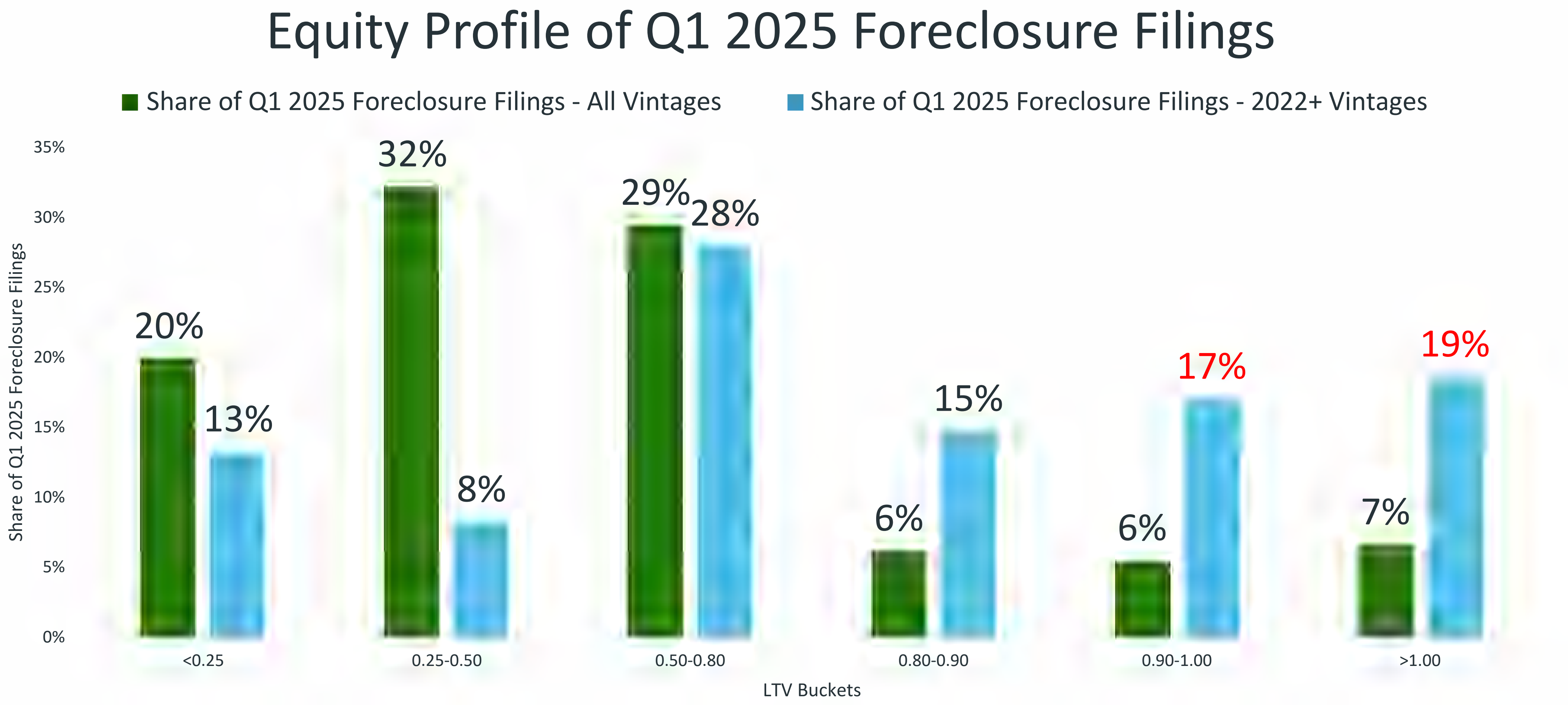
- MBA data shows 36% of all SDQ inventory in Q4 2024 came from 2020+ vintages, a much higher share for FHA (48%) and VA (61%)
- That share is climbing, up from 32% in the previous quarter for all loans and up from 44% for FHA and 58% for VA in the previous quarter
- MBA data also shows that FHA accounted for 36 percent of all SDQ inventory in Q4 2024, and VA accounted for 11 percent



Source: ATTOM Data Solutions
*Subset of filings where loan and equity data were available

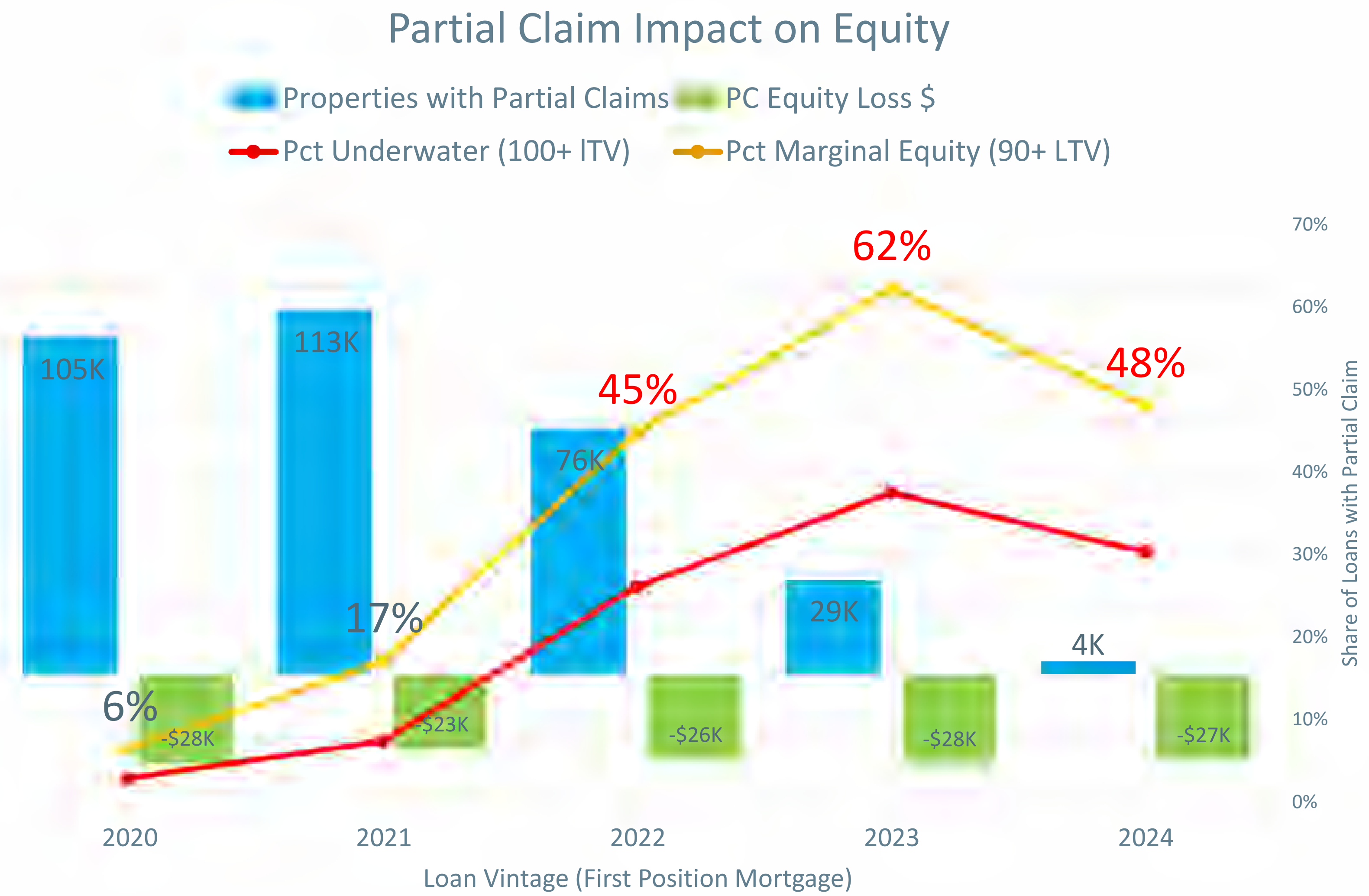
Highlights

- Overall, most properties with a foreclosure filing in Q1 2025 have ample equity. Only 13% have marginal equity (less than 10%) or are underwater
- But that is up from 11% in the previous quarter
- And 36% of Q1 2025 foreclosure filings on 2022+ purchase vintages have marginal or negative equity, up from 31% in the previous quarter
- 2022+ vintages account for 26 percent of all Q1 2025 foreclosure filings, 2020+ vintages account for 44 percent



Source: ATTOM Data Solutions
*Subset of filings where loan and equity data were available

Further eroding of the equity cushion a consequence of aggressive loss mitigation policy

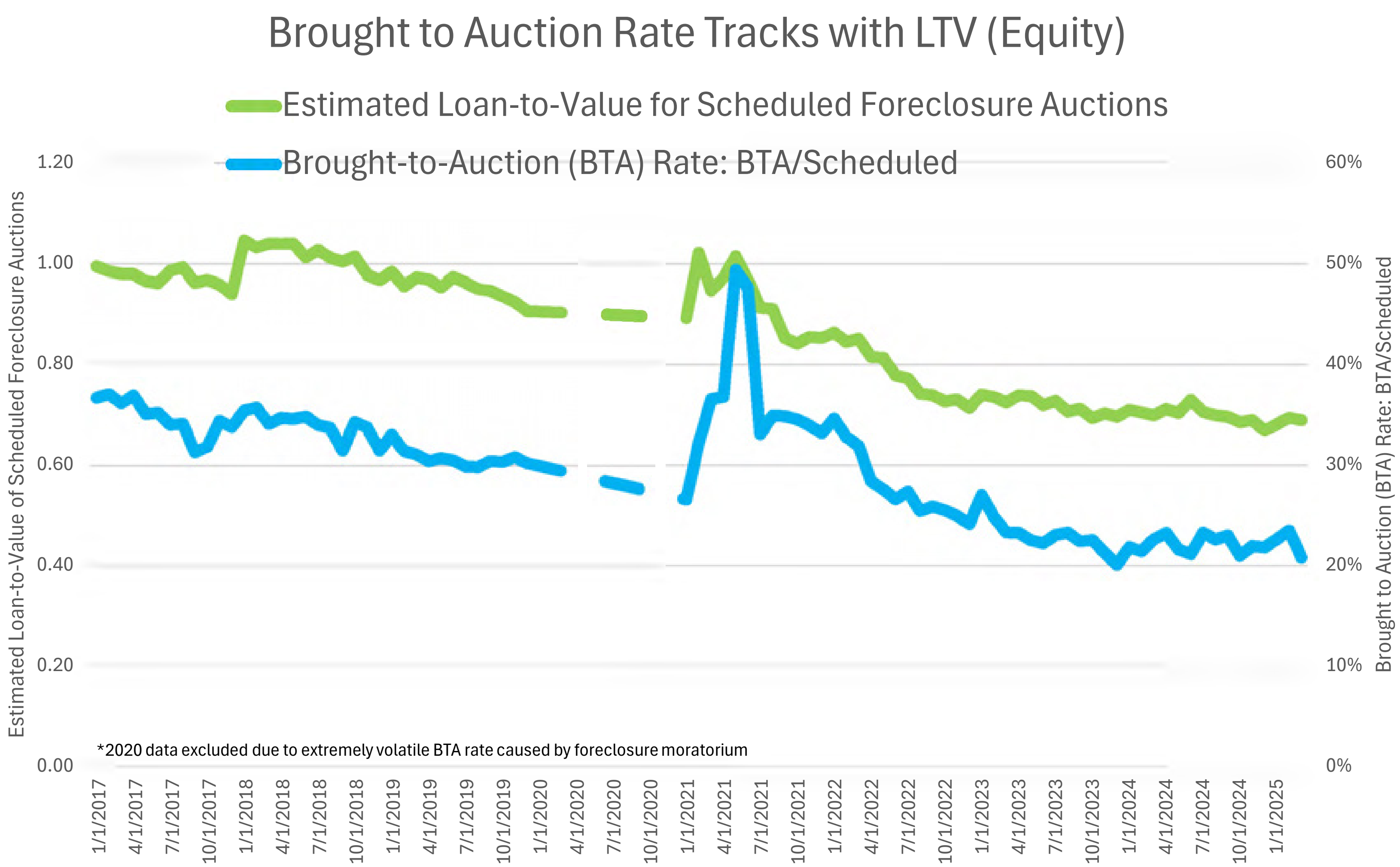


Highlights

- Home price appreciation has slowed from a peak of 19% in 2022 to less than 5% to end 2024
- Partial claims are eroding equity by an average of $27K, and 13% of properties with partial claims have marginal equity or are underwater
- 50% of properties with partial claims on 2022+ vintages have marginal equity or are underwater, and these properties account for 15% of properties with partial claims

Source: Auction.com analysis of public record data

Why equity matters: less equity would increase roll rate from foreclosure inventory to foreclosure auction



Highlights

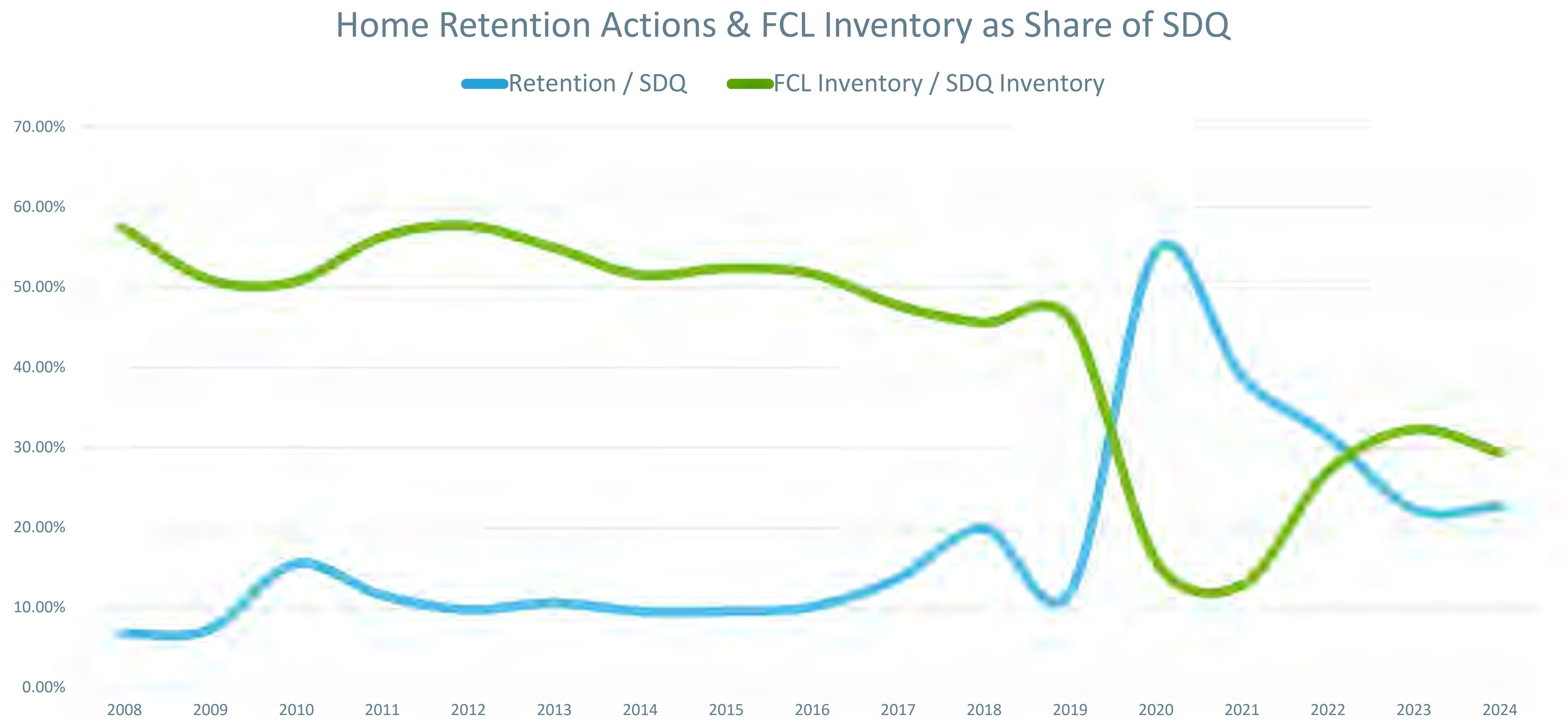
- Home equity hit record $35.3 trillion in Q2 2024 and came down slightly to $34.9 trillion in Q3 2024 (most recent data)
- Estimated loan-to-value (inverse of equity) for properties scheduled for auction on Auction.com tracks closely with the rate at which those properties go to auction (BTA)
- But scheduled auction LTVs have started to plateau, increasing on a month-over-month basis in three of the last six months

Source: Auction.com

Why policy matters: less loss mitigation would increase roll rate from SDQ to foreclosure

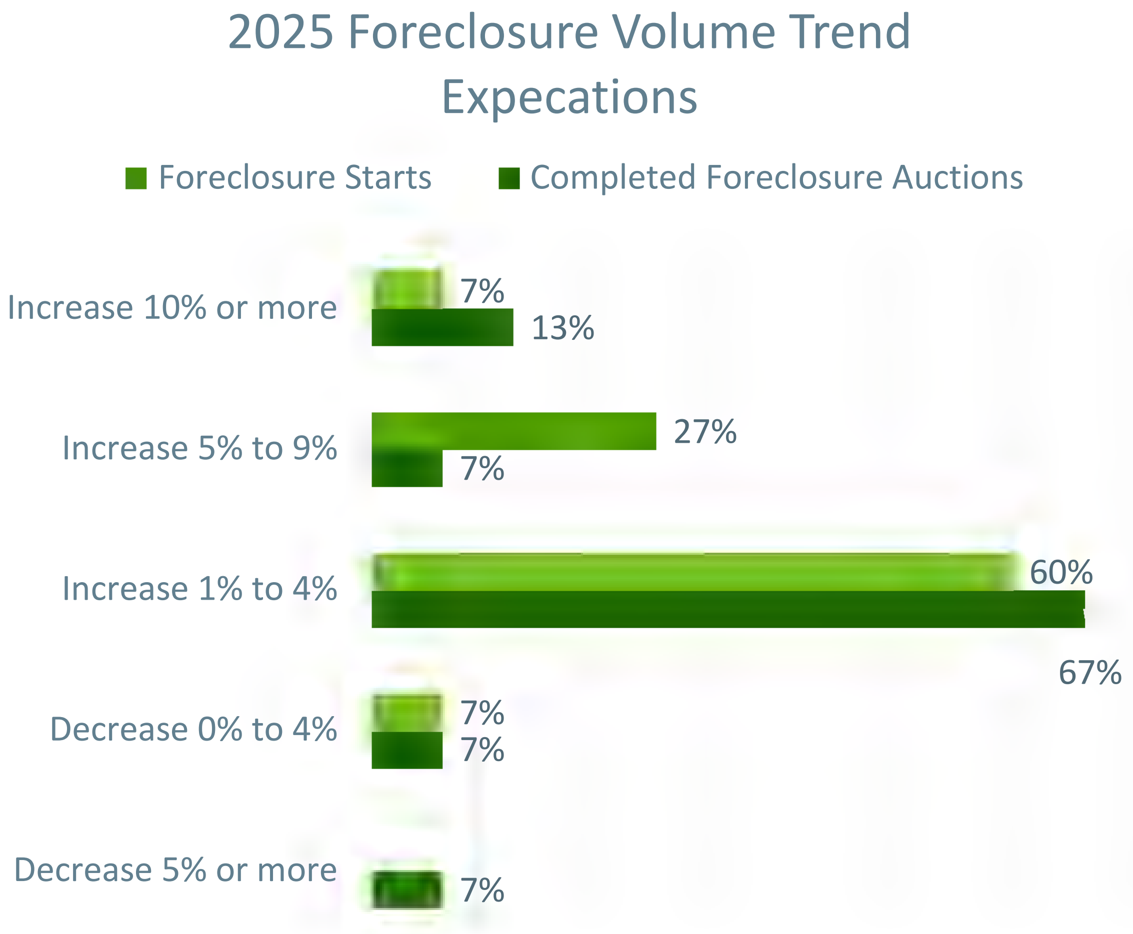
Highlights

- Strong negative correlation between home retention actions as share of SDQ inventory (from FHFA) and the FCL inventory/SDQ Inventory rate
- If we see home retention activity slow down, we would expect to see a higher roll rate from SDQ to foreclosure inventory



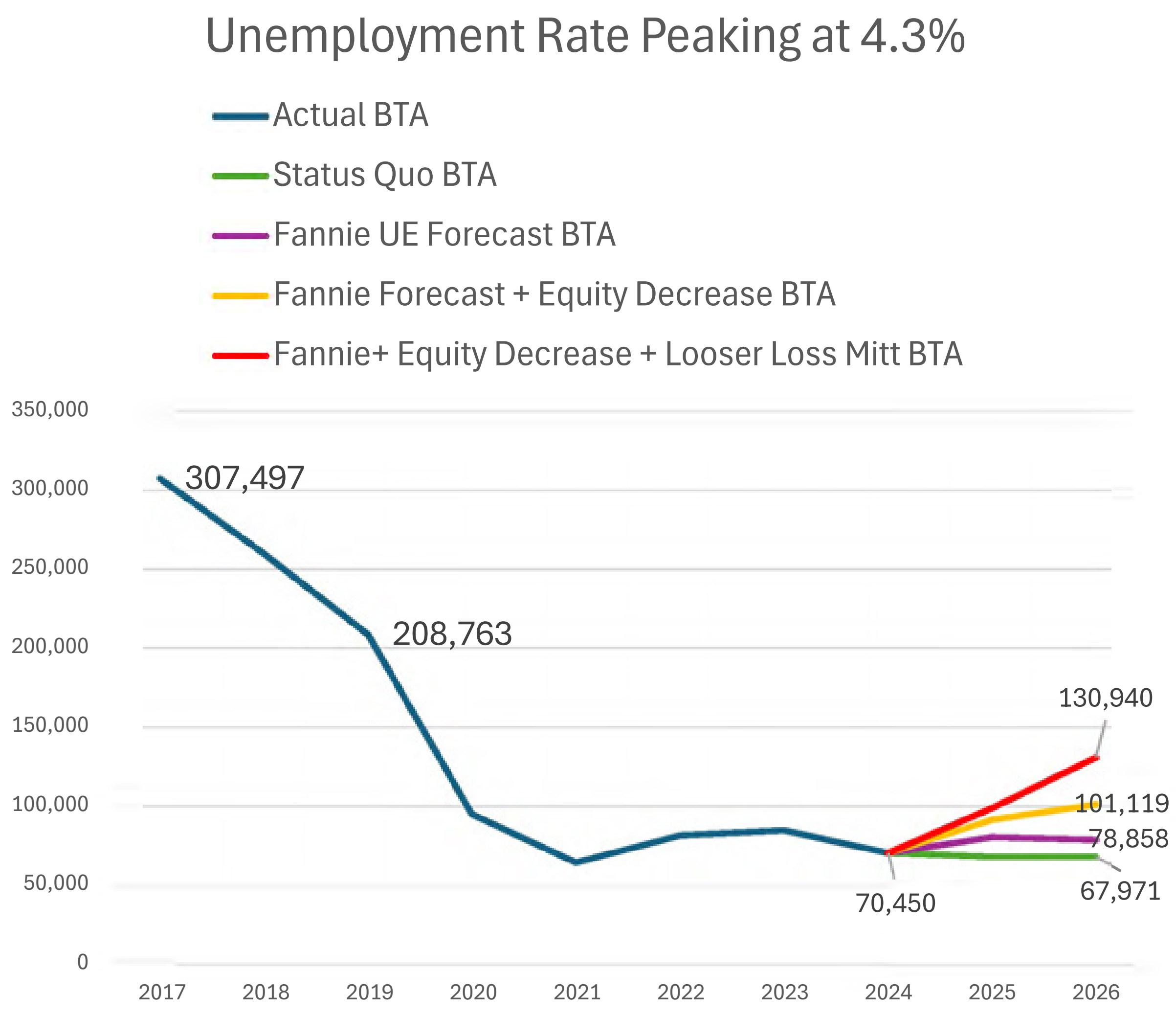
Sources: FHFA, MBA

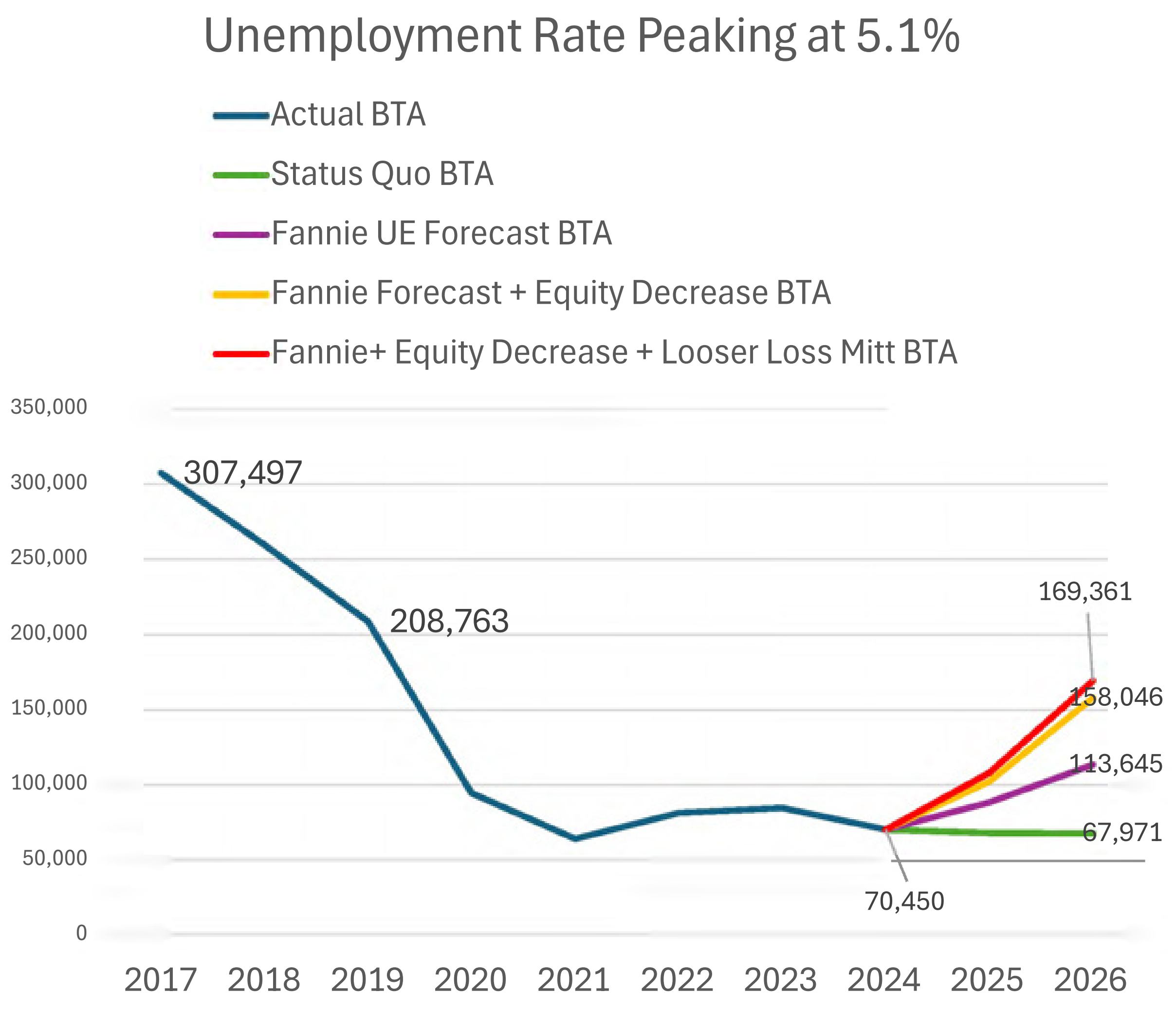
- Last year survey respondents ranked rising insurance and property taxes as biggest delinquency risk



Source: Seller survey at 2025 Disposition Summit

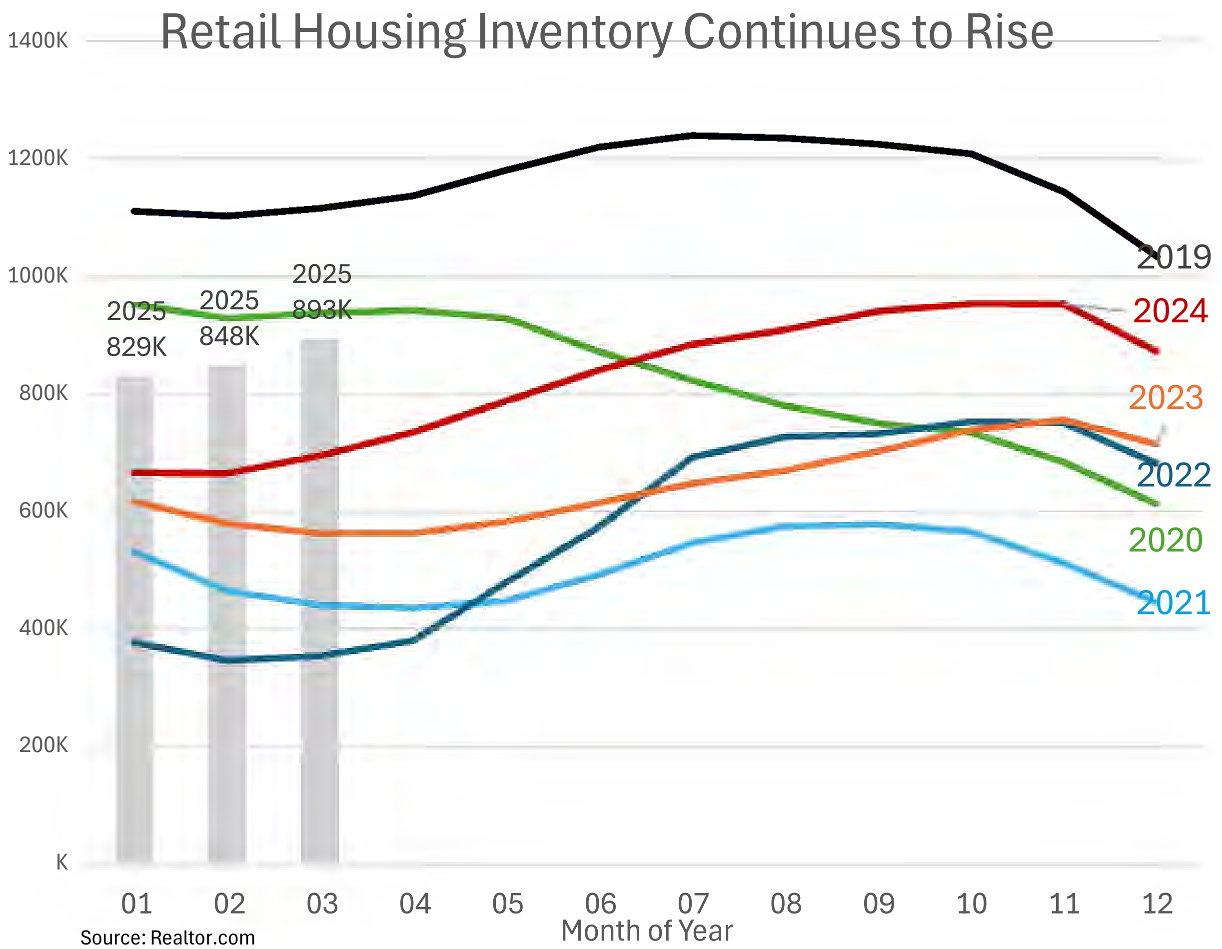
Some possible scenarios for foreclosure volume through 2026



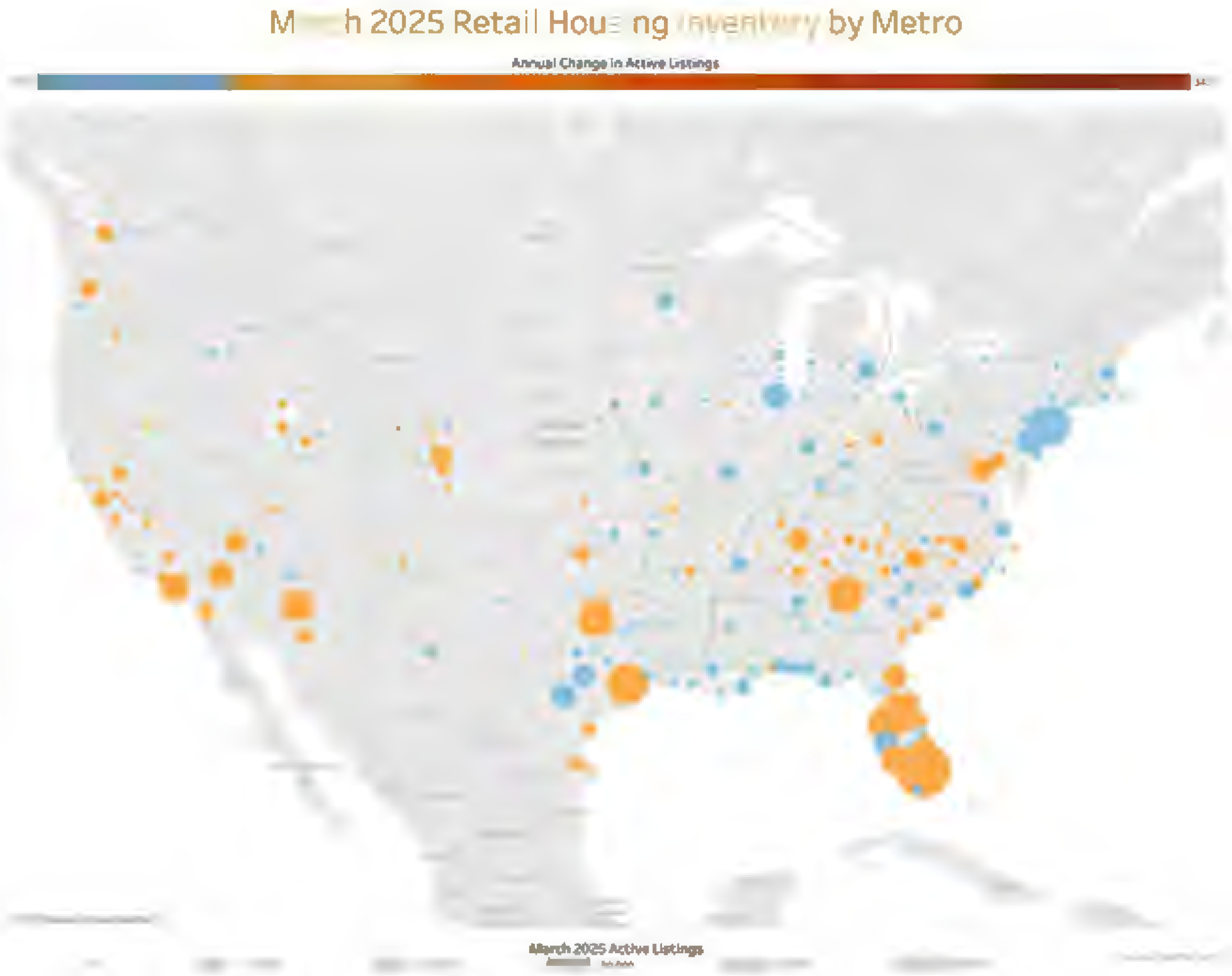


Source: Auction.com

Sales Rate: continued rise in retail inventory continues to be a sales rate headwind



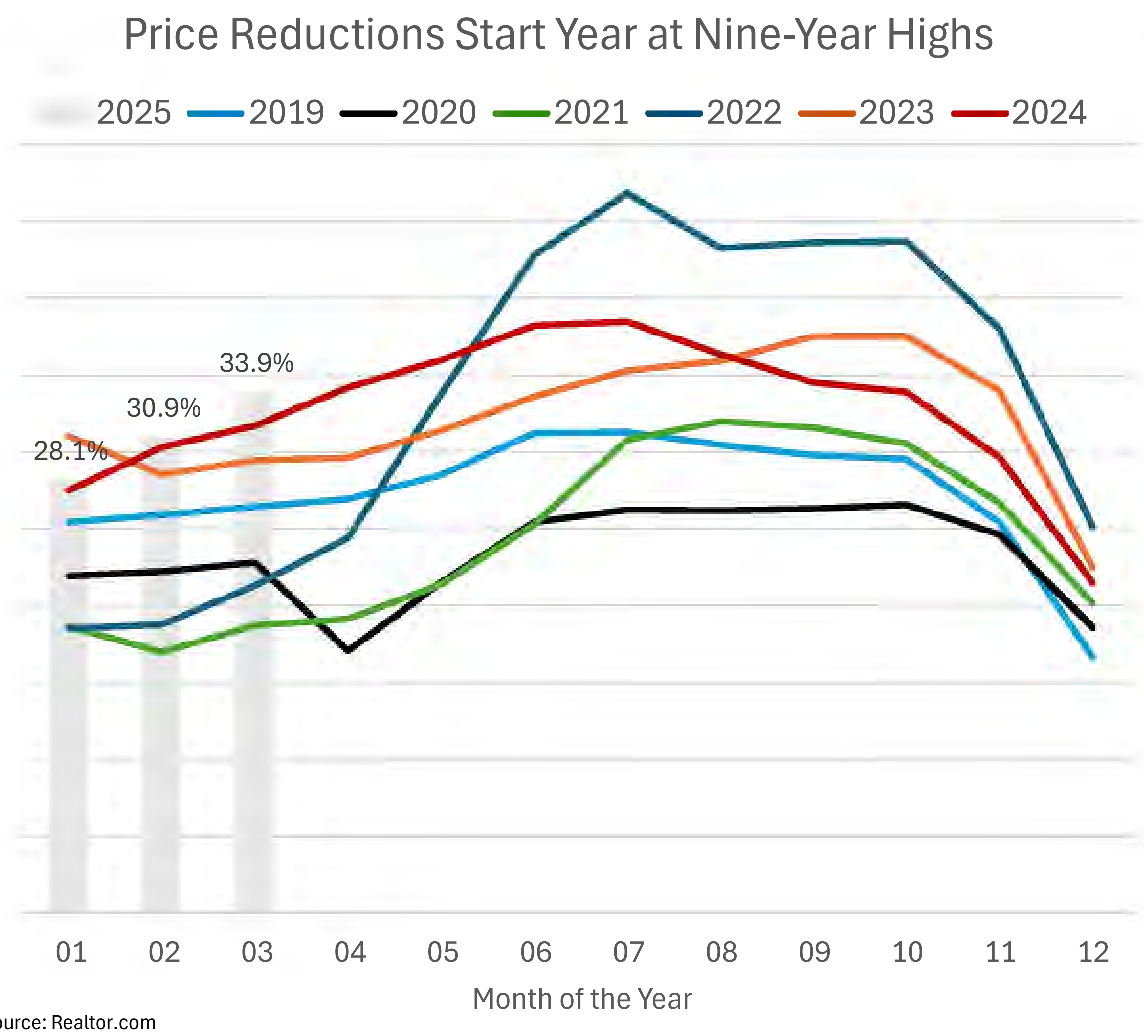
Source: Realtor.com



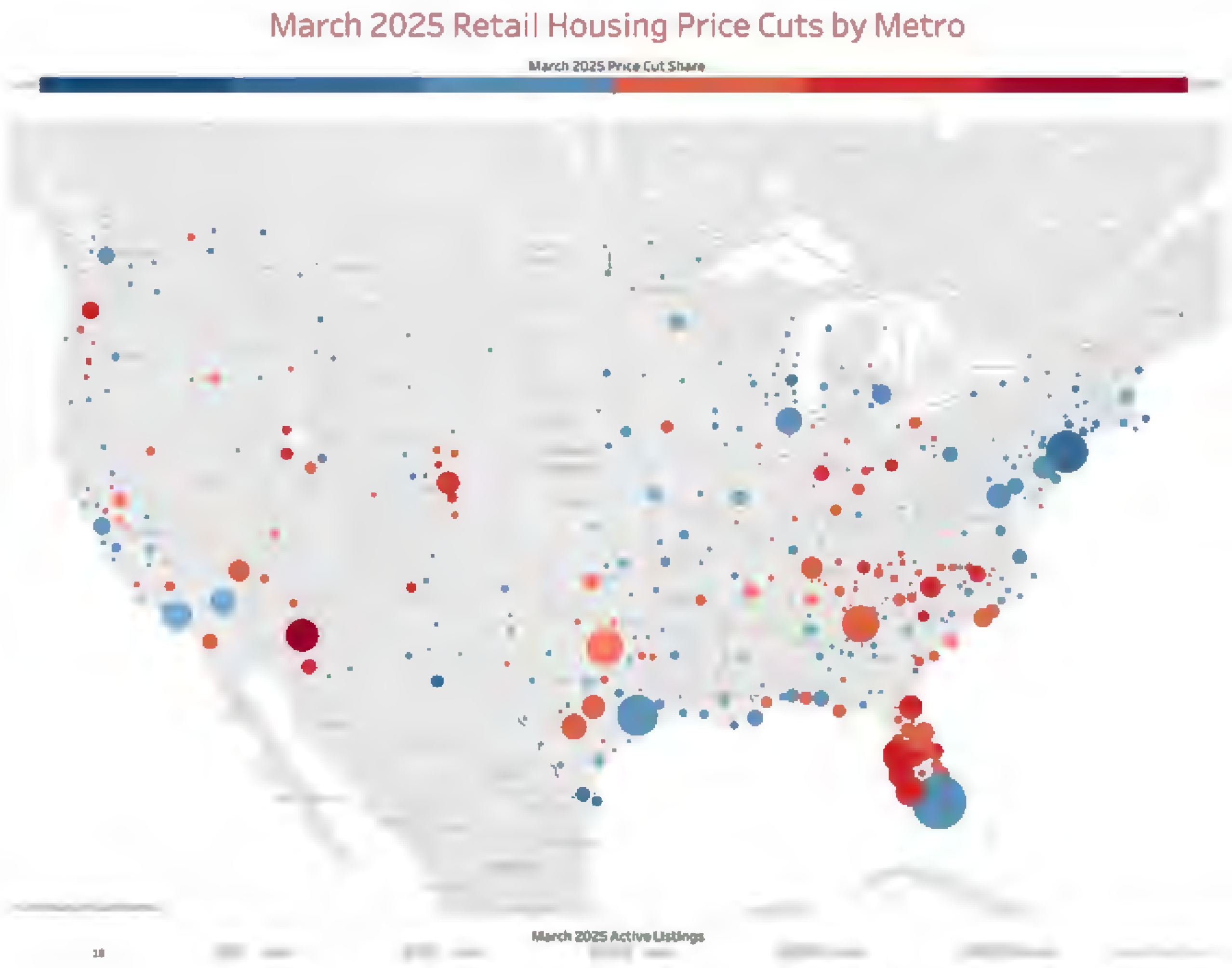
- *March inventory up 5% MoM, up 28% YoY*
- *5% below March 2020 level*
- *20% below March 2019 level*
- *ADC sales rate uptick in March is impressive in face of this headwind*

- *Among major markets, biggest increases in Las Vegas, Denver, San Diego, DC, Sacramento, Los Angeles, Knoxville, Tucson, Inland Empire, Charlotte*
- *Smallest increases in NYC, Detroit, Minneapolis, Chicago, Pittsburgh, El Paso, Kansas City, Cleveland, New Orleans and Fort Walton Beach*
- *ADC sales rate heat map for Q1 shows similar pattern, with YoY sales rate decline in Southeast and Midwest, and rise in Northeast and Rust Belt*

Sales Rate: price cut rate accelerates in March, another headwind for sales rate



Source: Realtor.com



- *33.9% price cut rate in March at a nine-year high for March,*
- *Second straight month with price cuts at a nine-year high*
- *Bid-ask spread at foreclosure auction in March widened to a five-month high of 7 points, and we often see a dip in sales rate after a rise in bid-ask spread*

- *59% of markets saw the share of price reductions rise YoY in March*
- *Biggest YoY increases in Raleigh, Chicago, Sacramento, Las Vegas, Sacramento*
- *Biggest YoY decreases in Des Moines, Memphis, OKC, Fort Walton Beach, Baton Rouge*
- *59% of ADC markets saw YoY decline in winning bid-to-value ratios in Q1, but the pattern did not follow as closely to the retail inventory price cut pattern*