



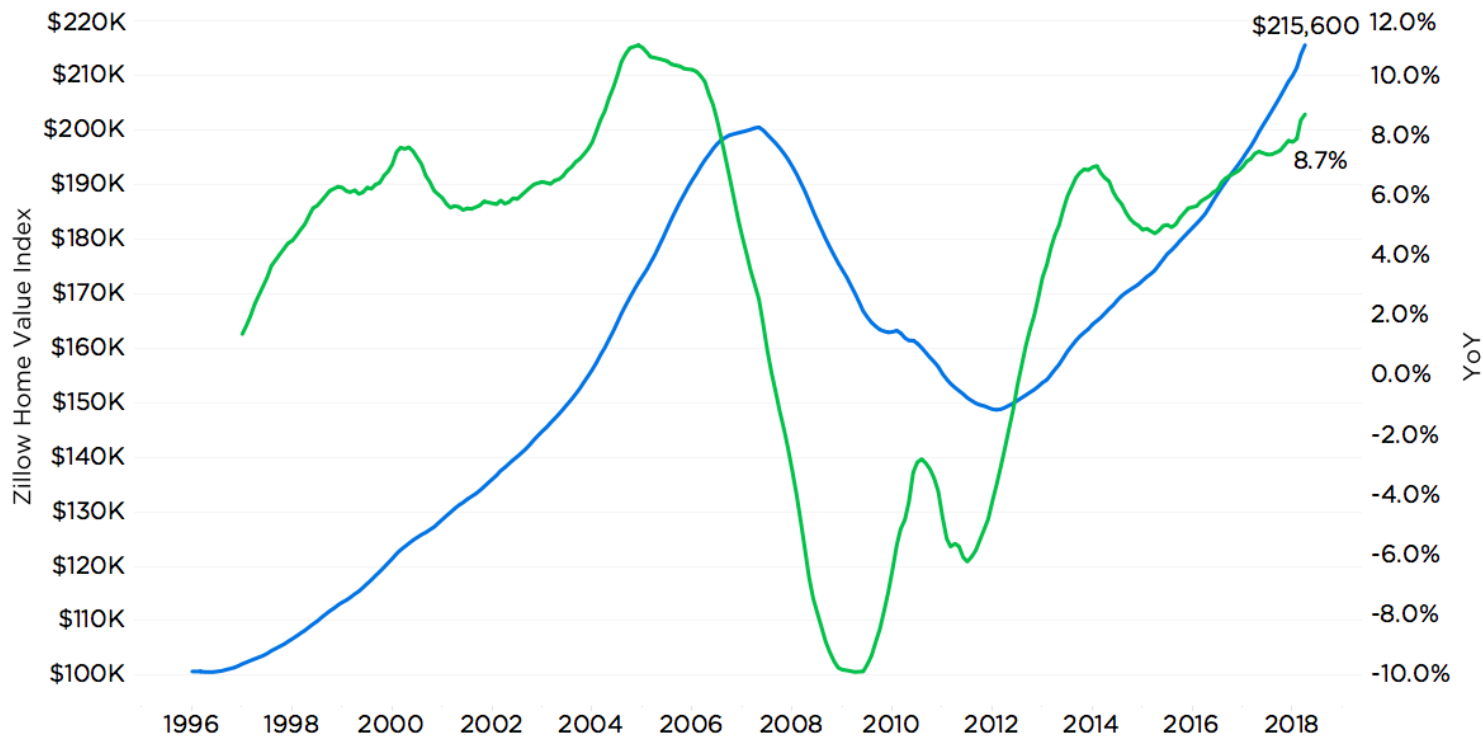
U.S. Housing Market Outlook Summer 2018

Aaron Terrazas

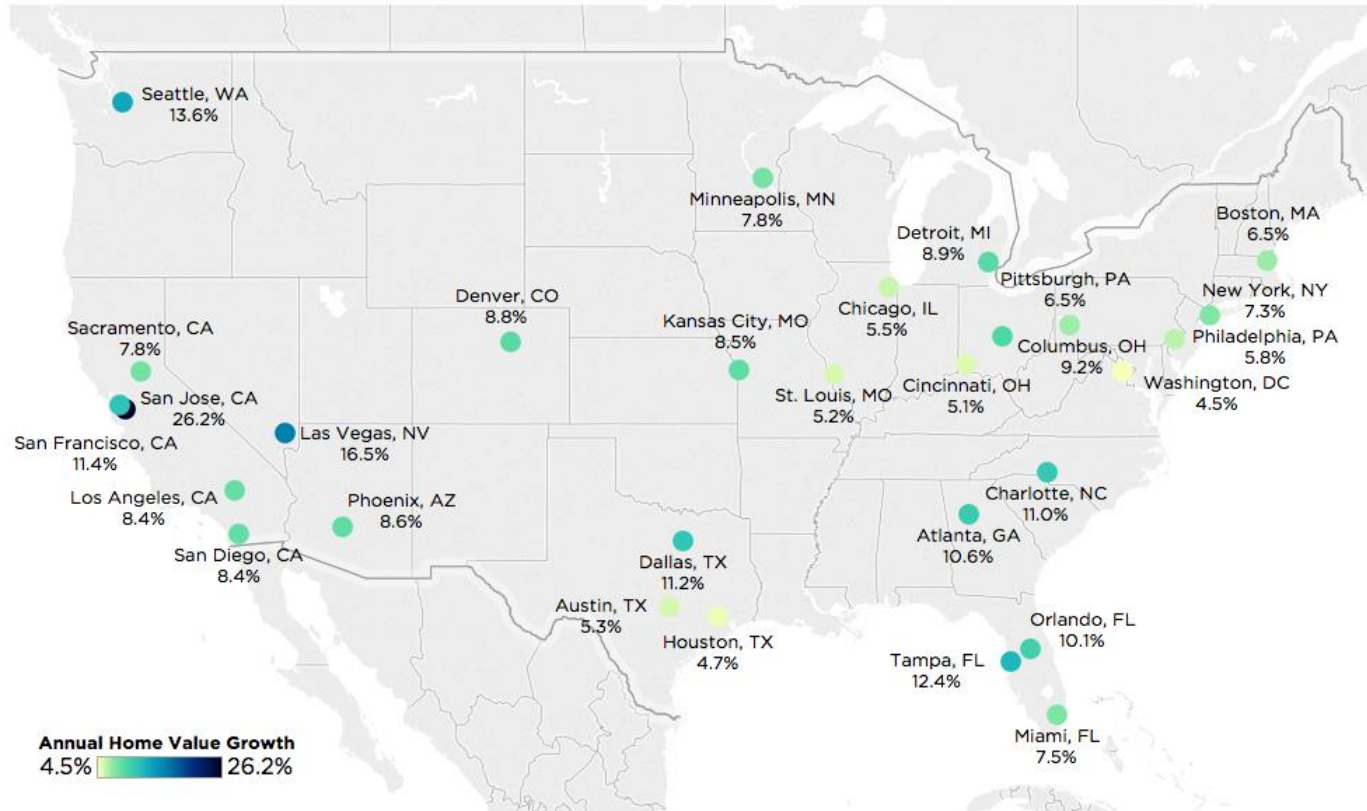
Senior Economist, Zillow Research

Part I: Price Trends

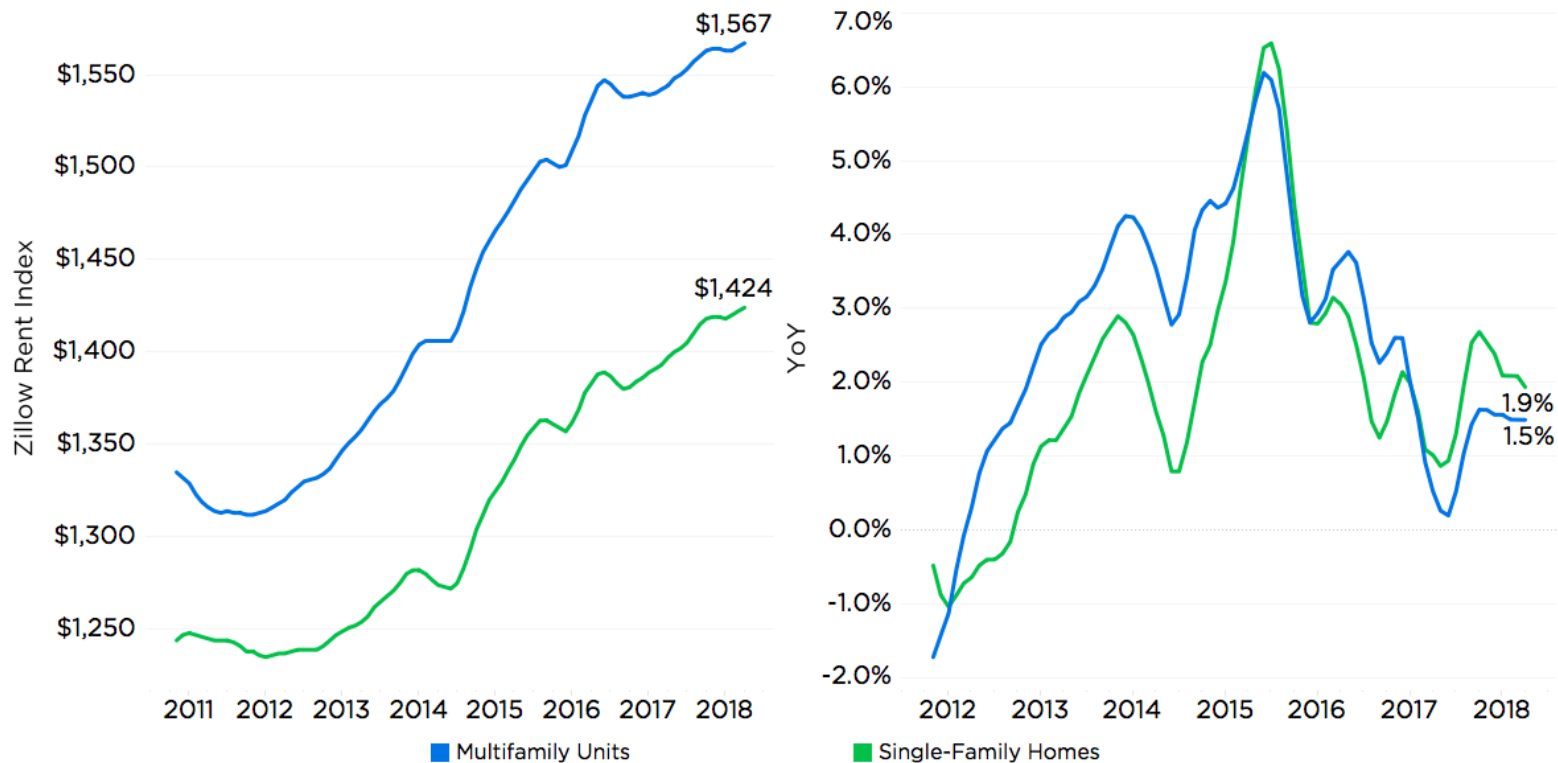
Home value growth accelerating to fastest pace since 2006



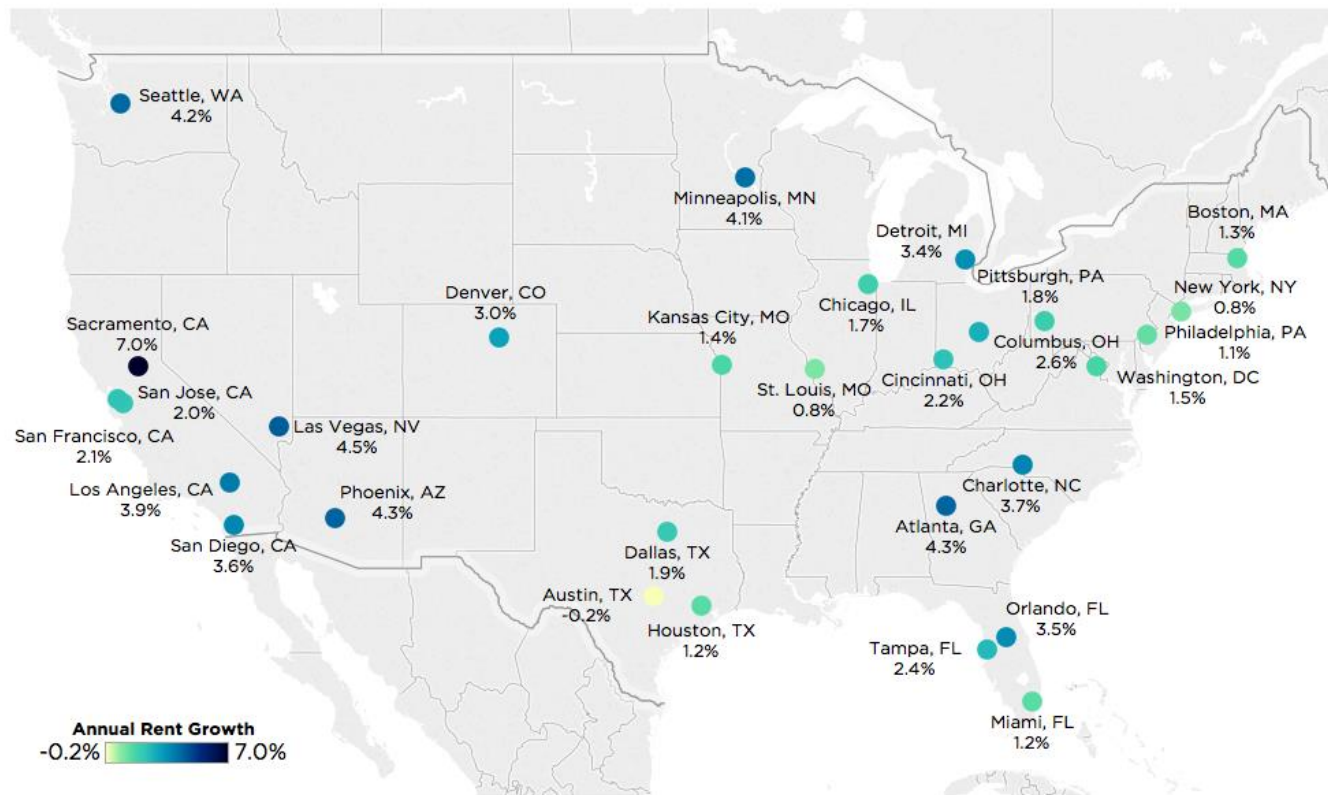
Appreciation is strongest in pricey coastal markets



Rents growth has slowed but SFR rents have outpaced the apartment sector for almost a year and a half

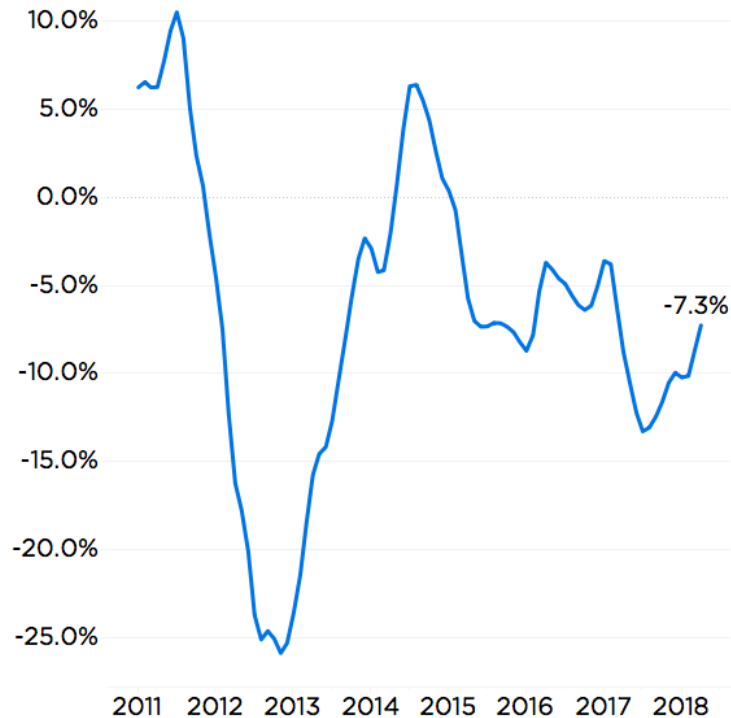
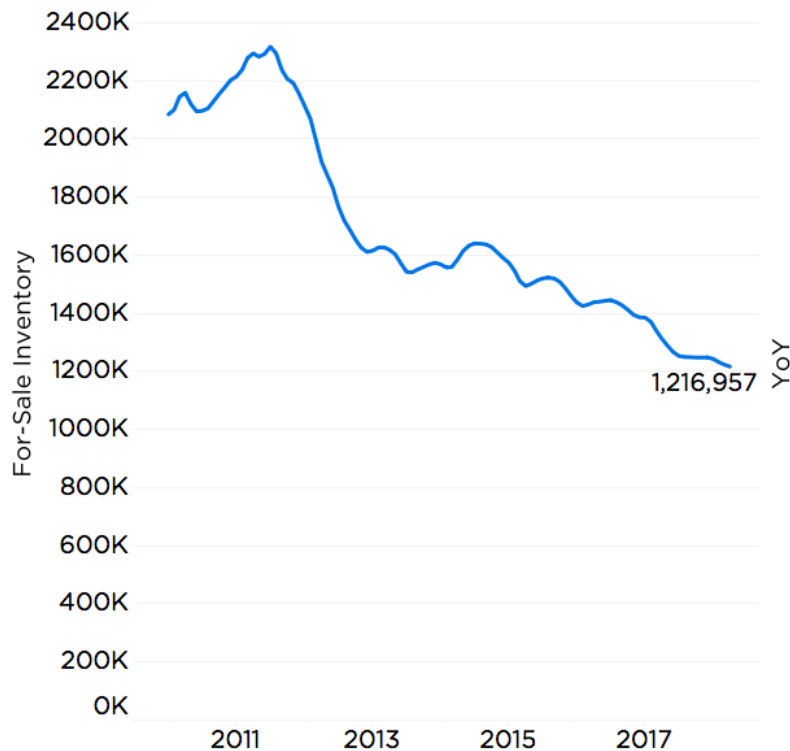


Rent growth remains strong in inland West Coast markets

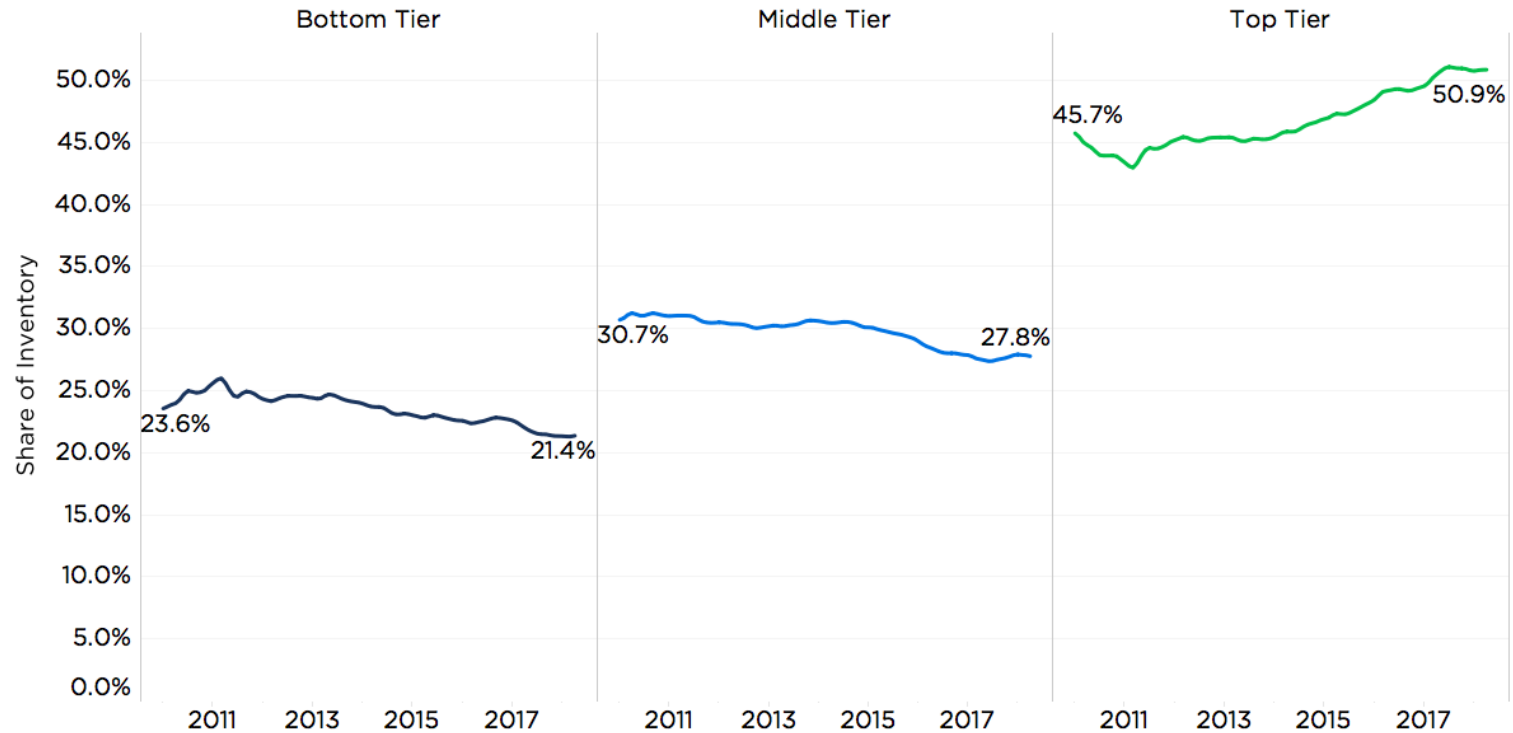


Part II: Supply-Side Factors

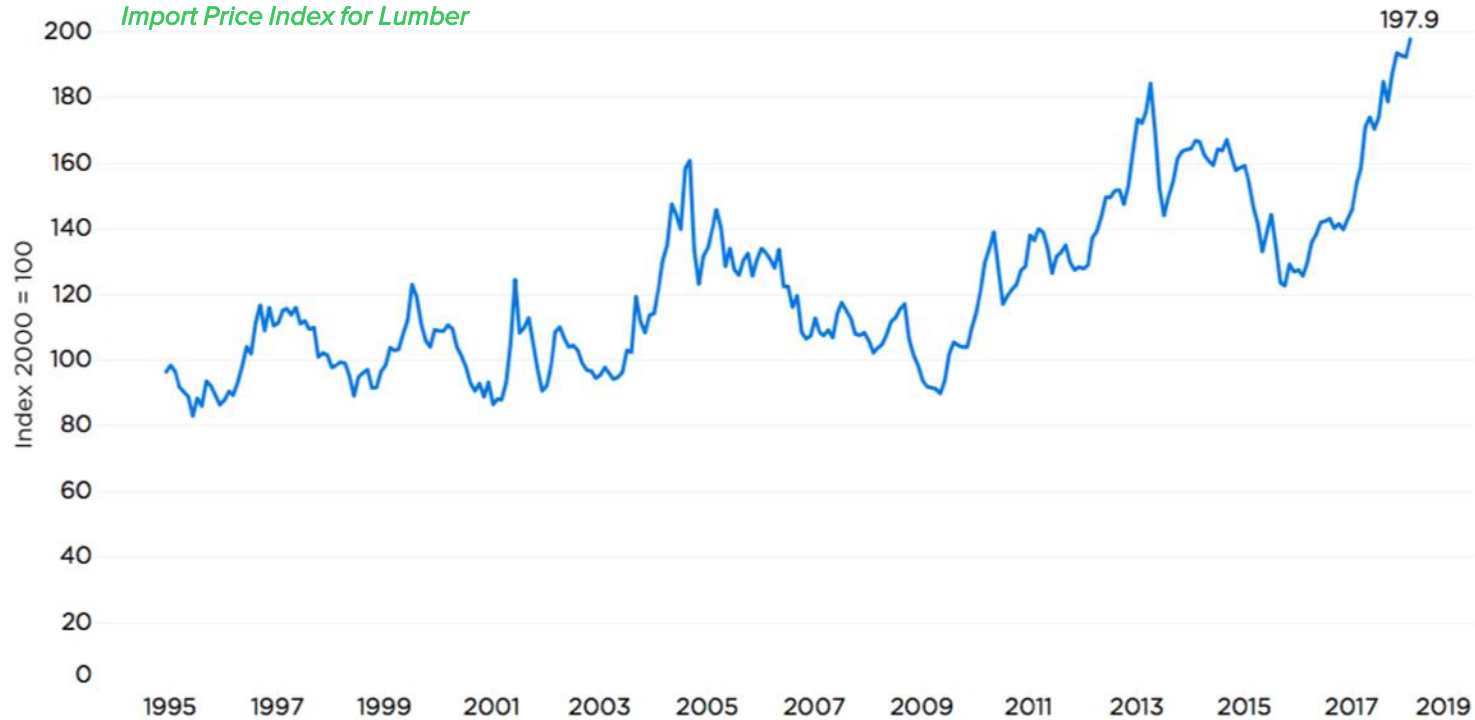
Tight inventory has been part of what's driving price gains



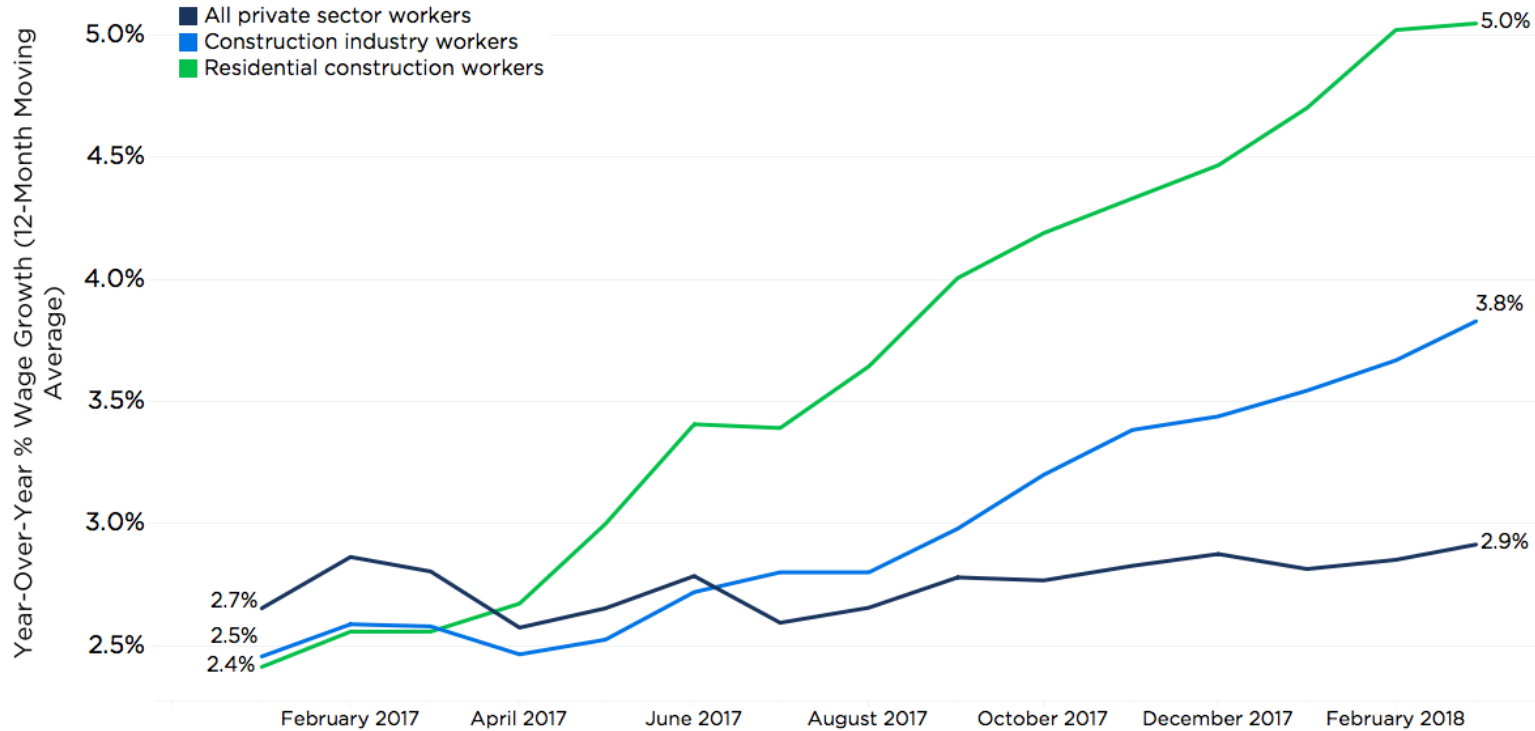
On-market inventory skewing toward the top of the market



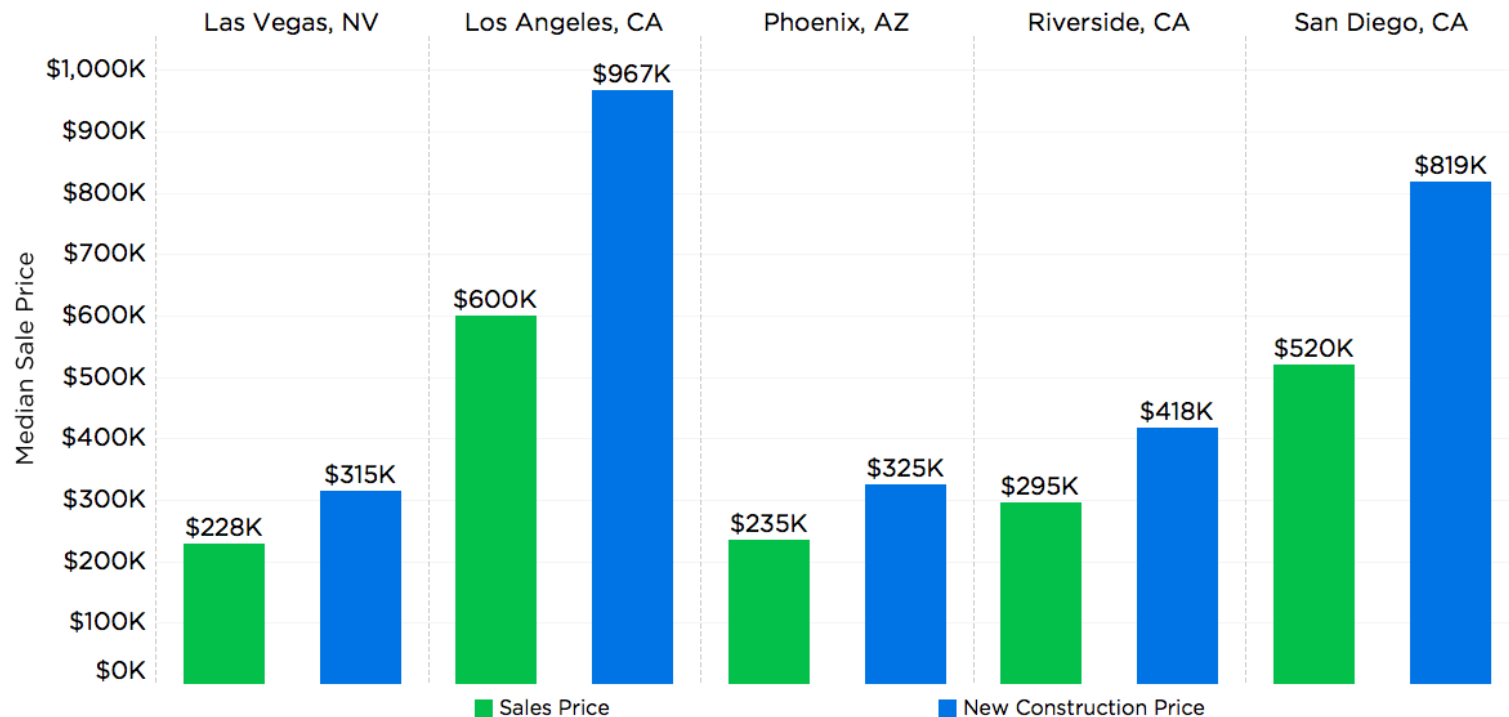
New construction isn't going to rescue the for-sale market



Strong cost headwinds for home builders...

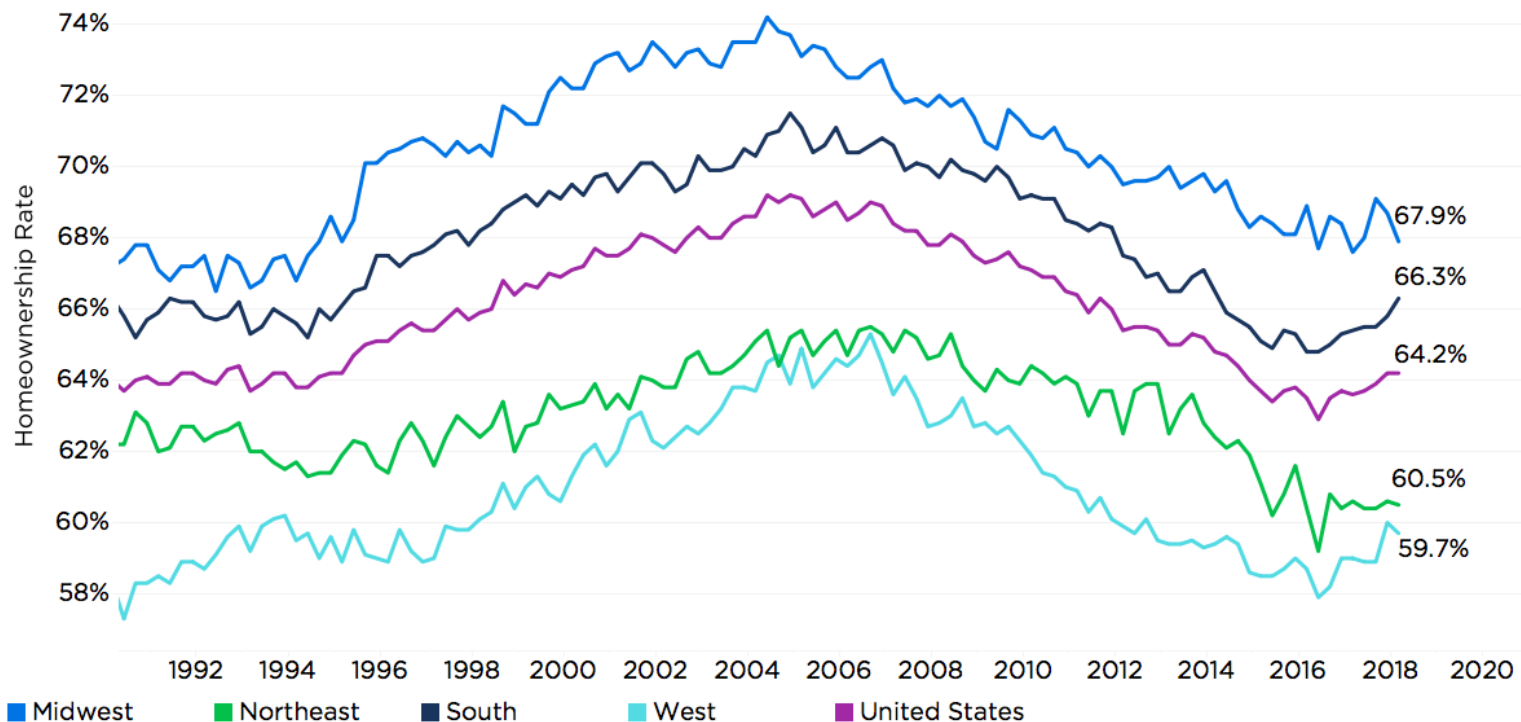


...Which is one reason they are targeting upscale



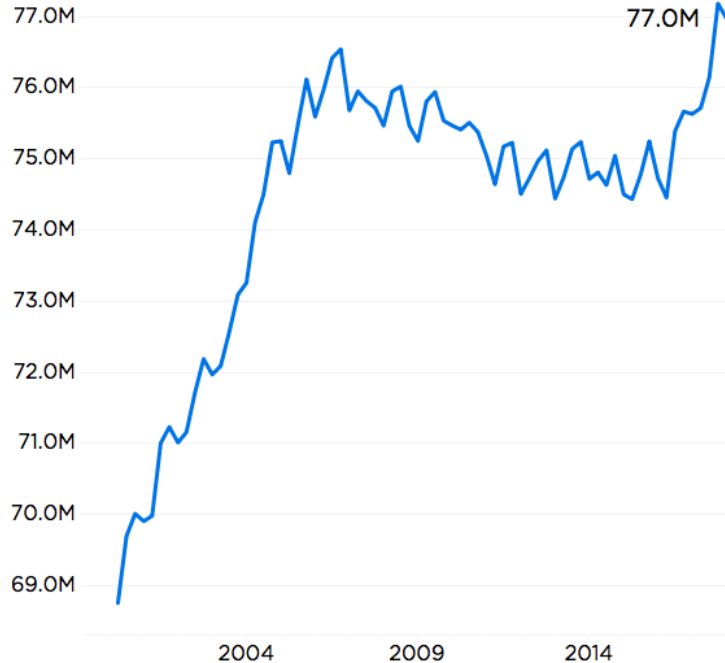
Part III: Demand-Side Factors

Homeownership rate still low by historic standards

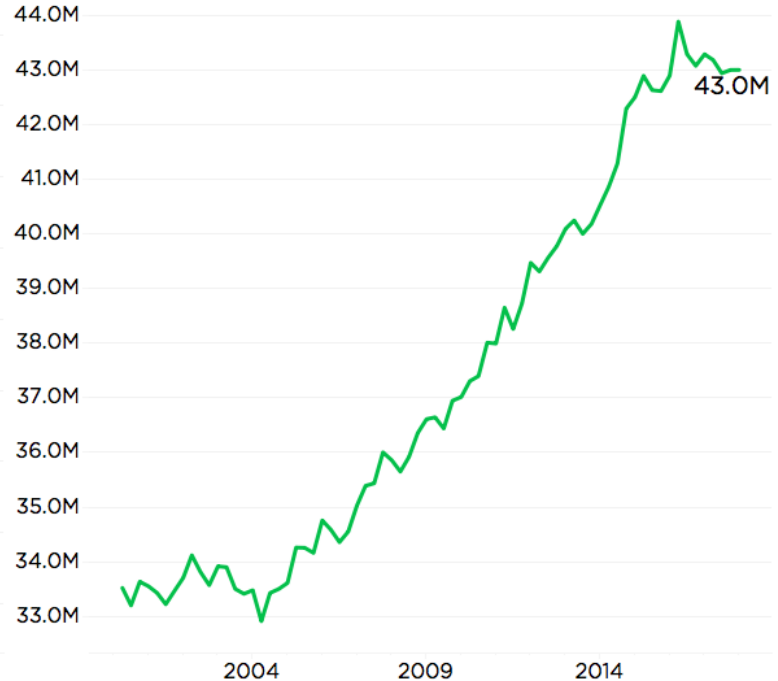


Household formation has shifted recently toward owners...

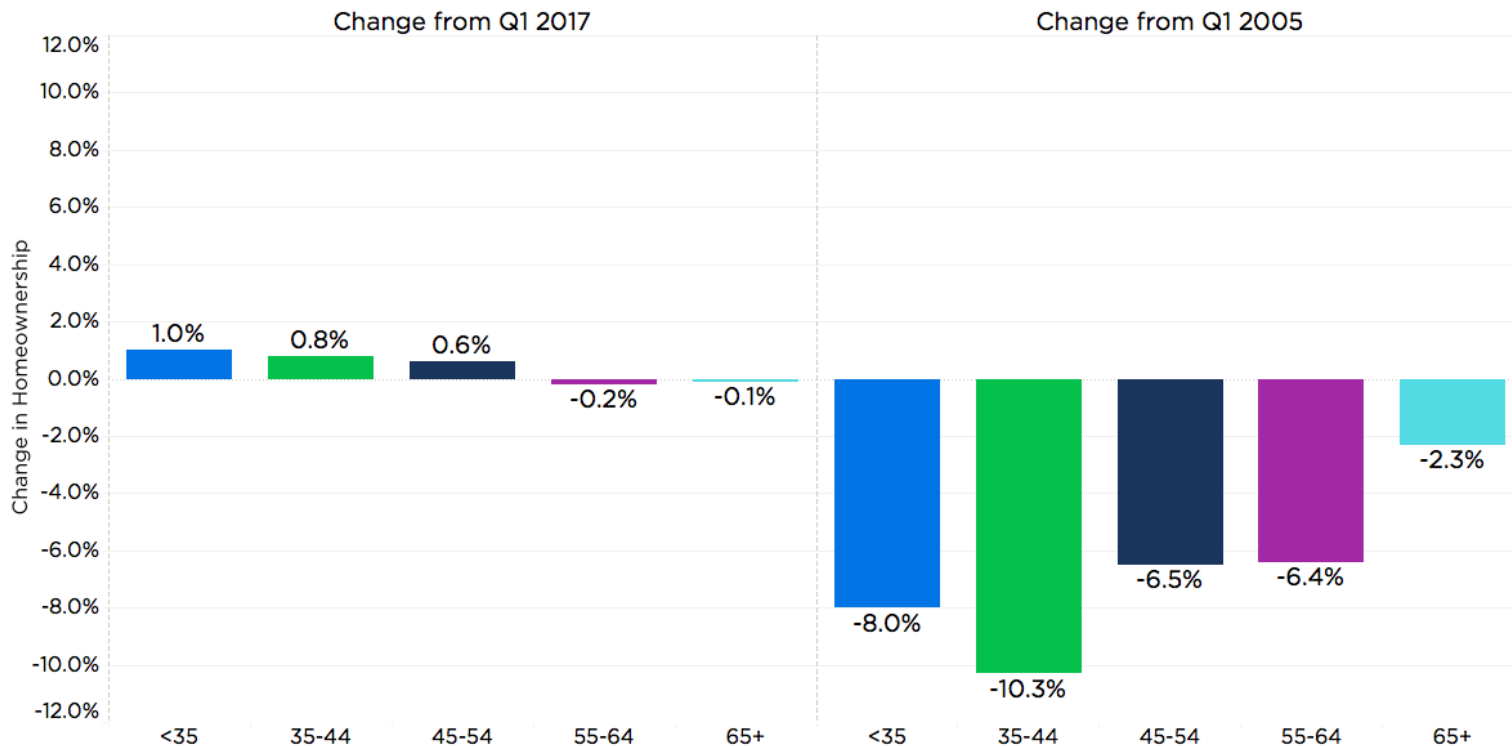
Owner Households



Renter Households

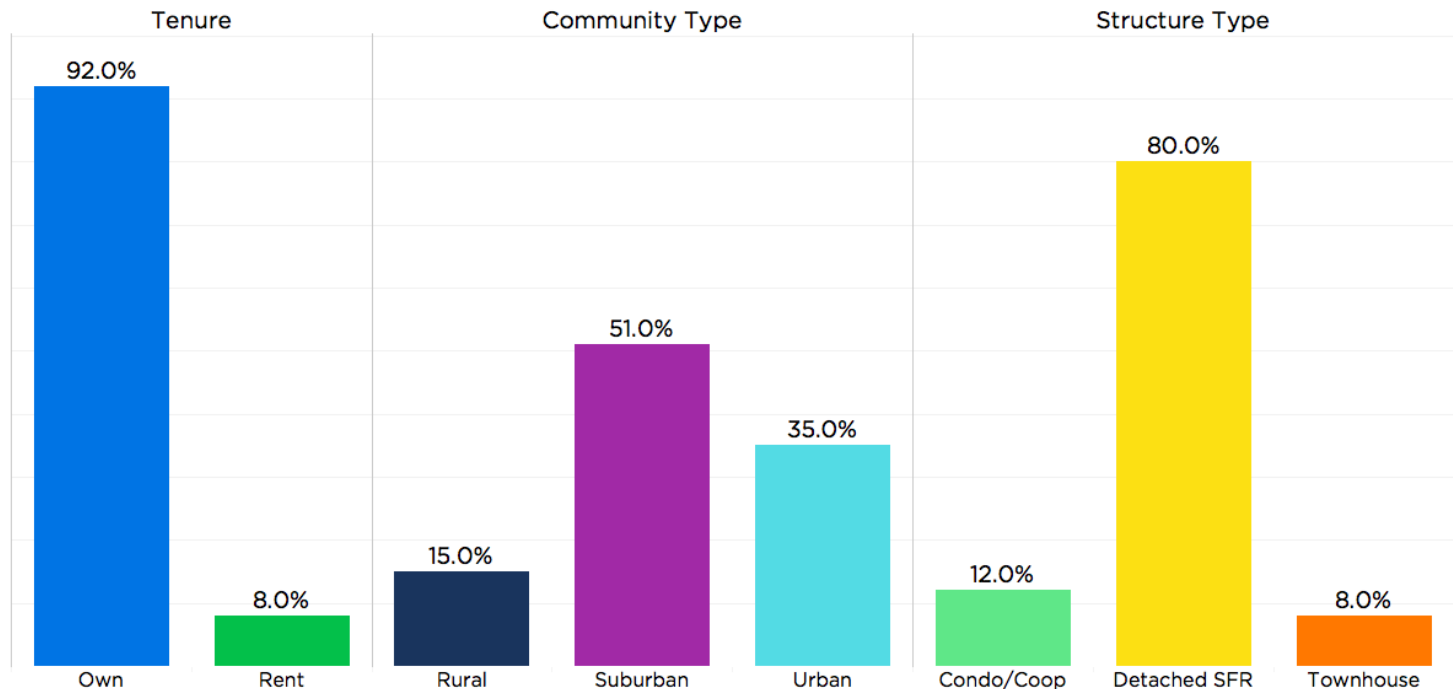


...Driven by millennials, but there's a long way to go still

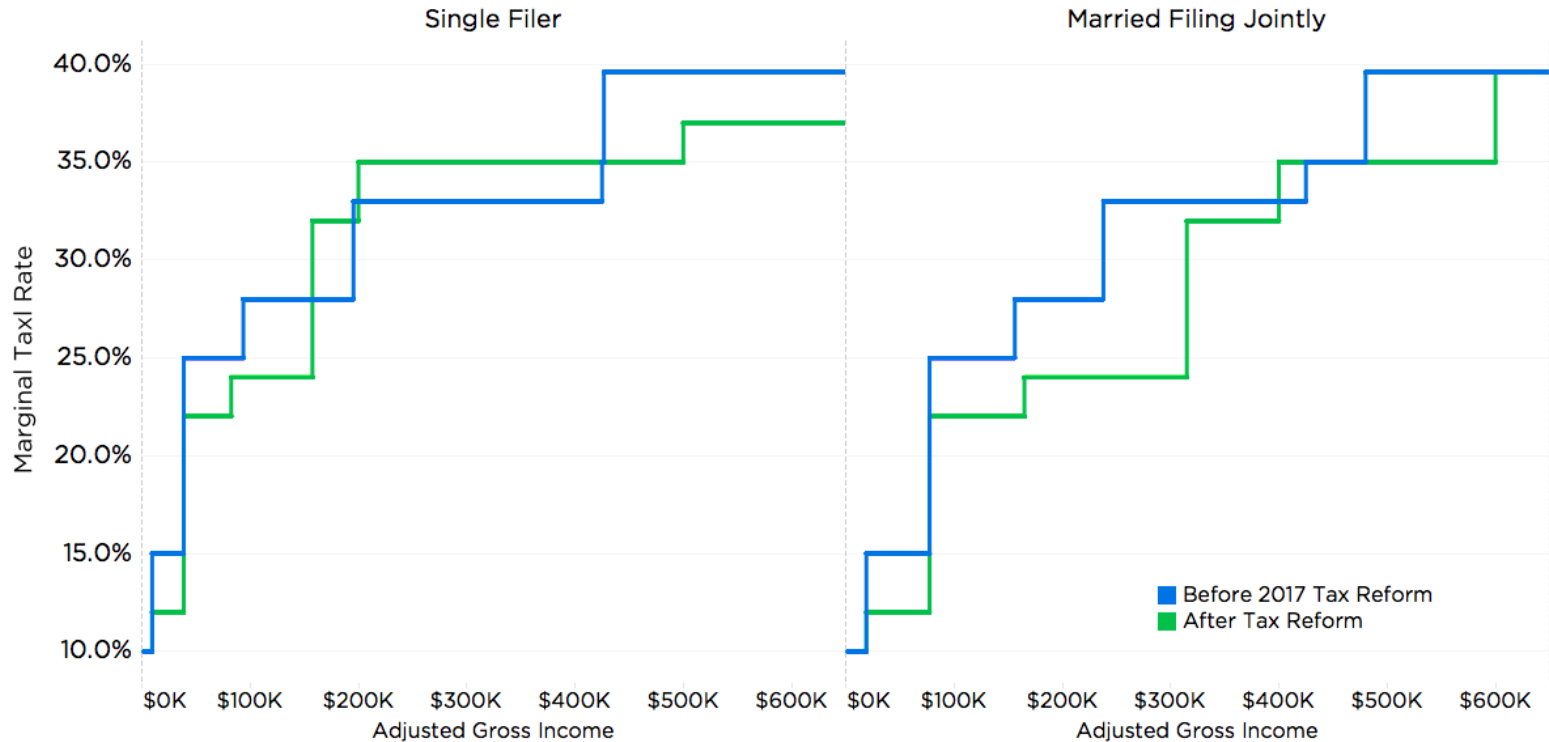


What millennials want versus what they can afford

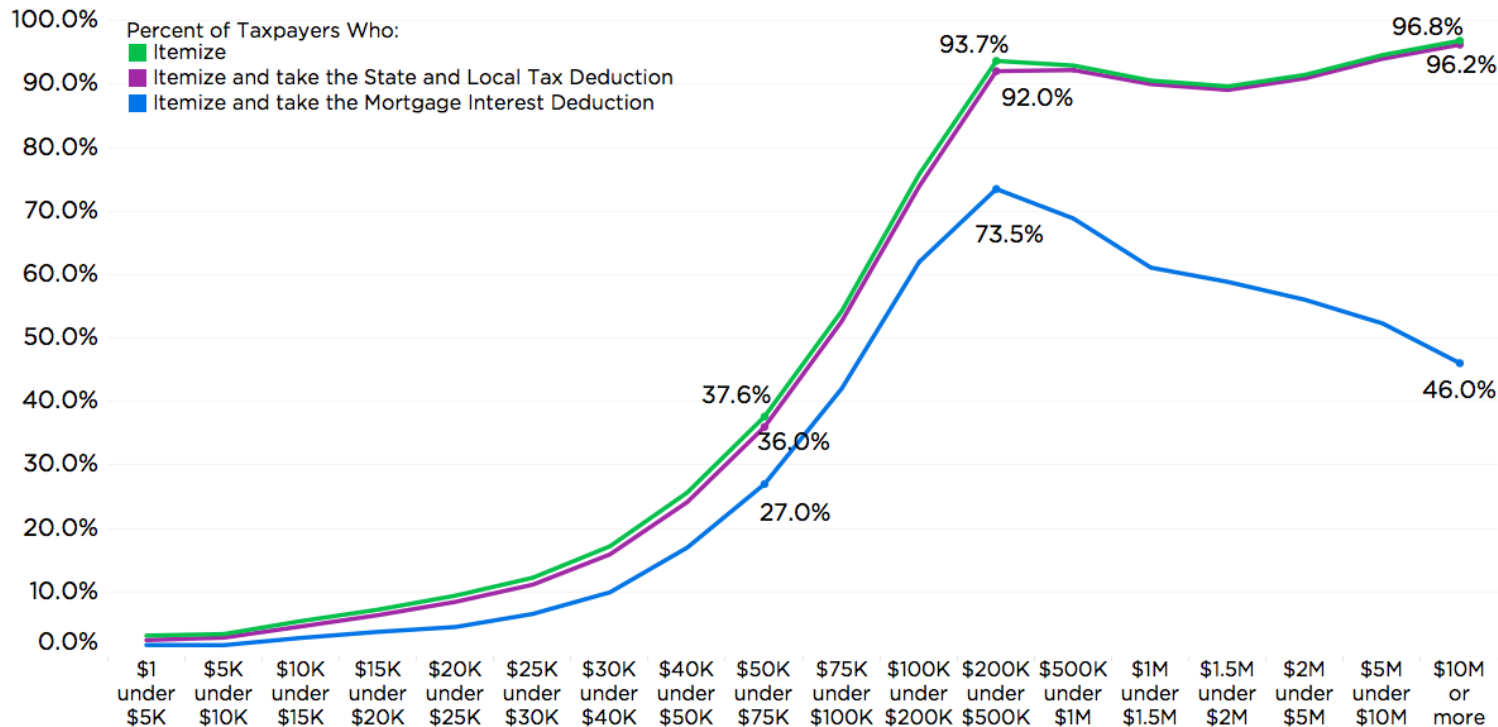
Describe your ideal home (age 24-34)



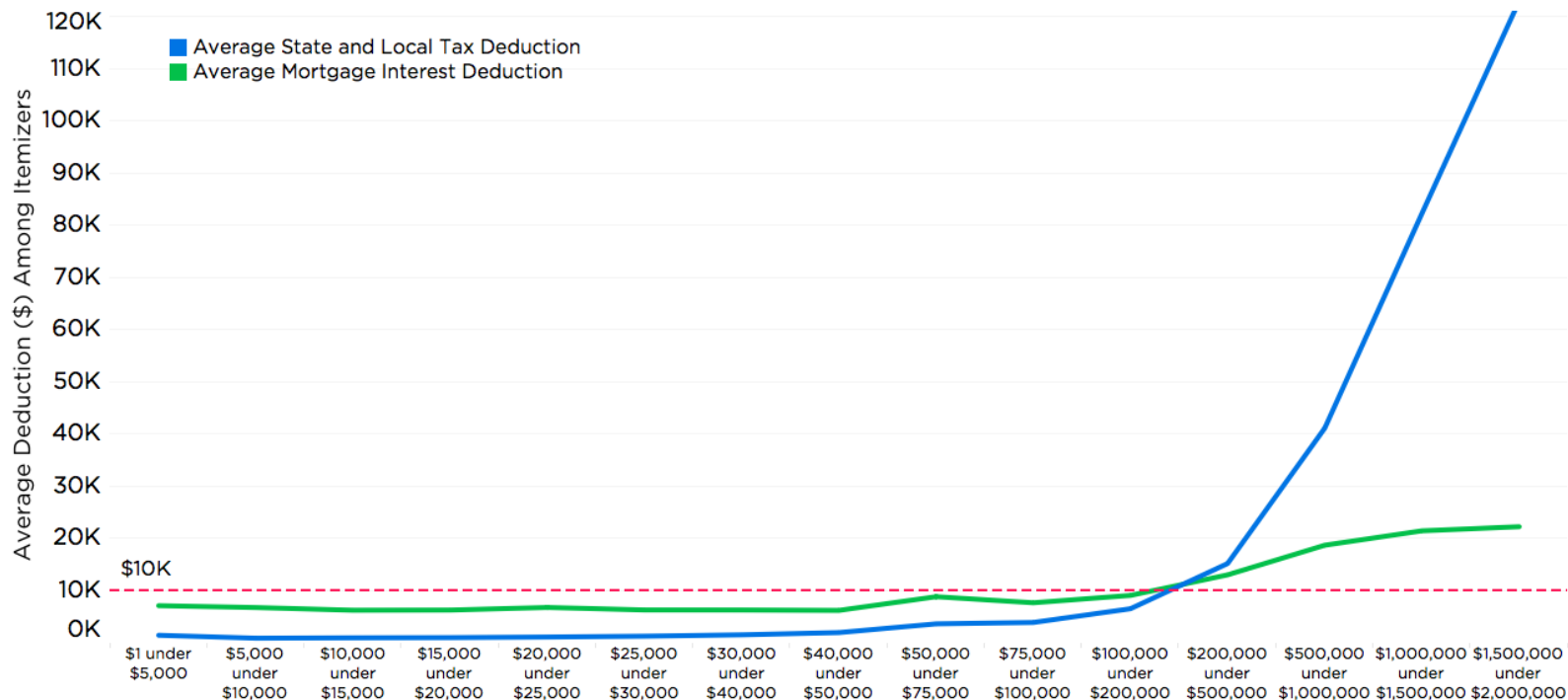
Marginal rates will fall for most taxpayers under Tax Reform



Most itemizers take the State and Local Tax deduction; fewer take the Mortgage Interest Deduction

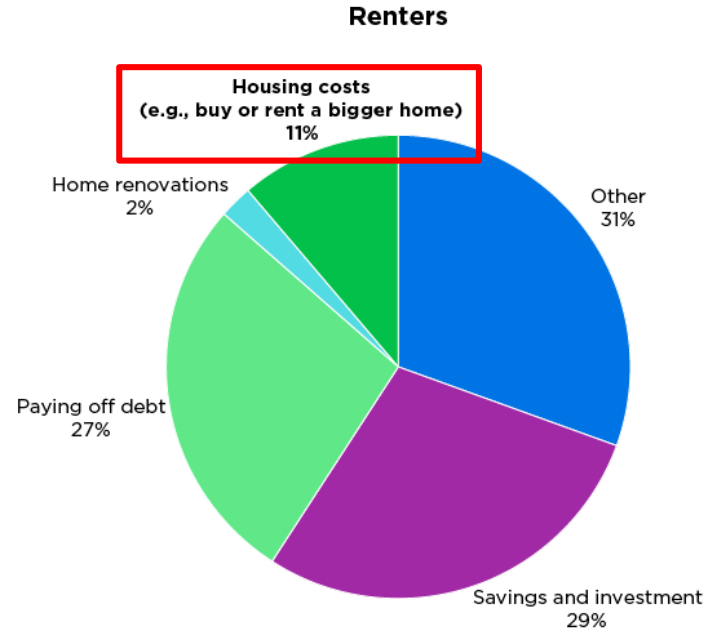
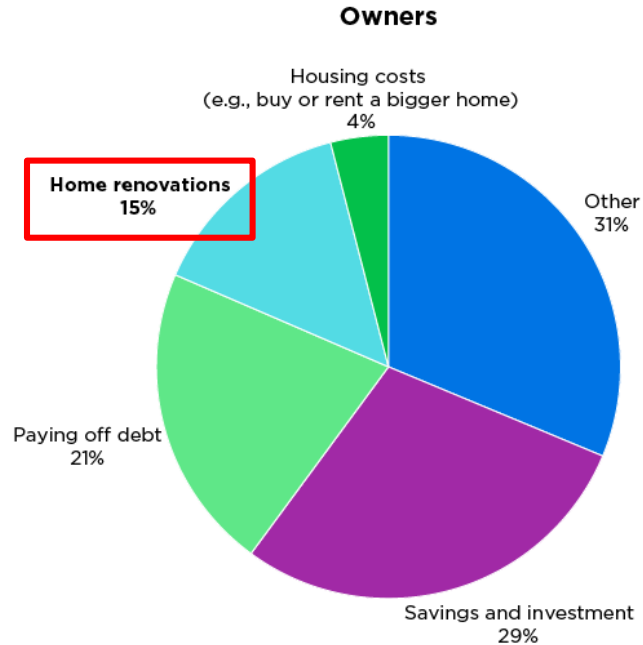


Higher earners will take a bigger hit from the State and Local Tax cap than from the MID limits



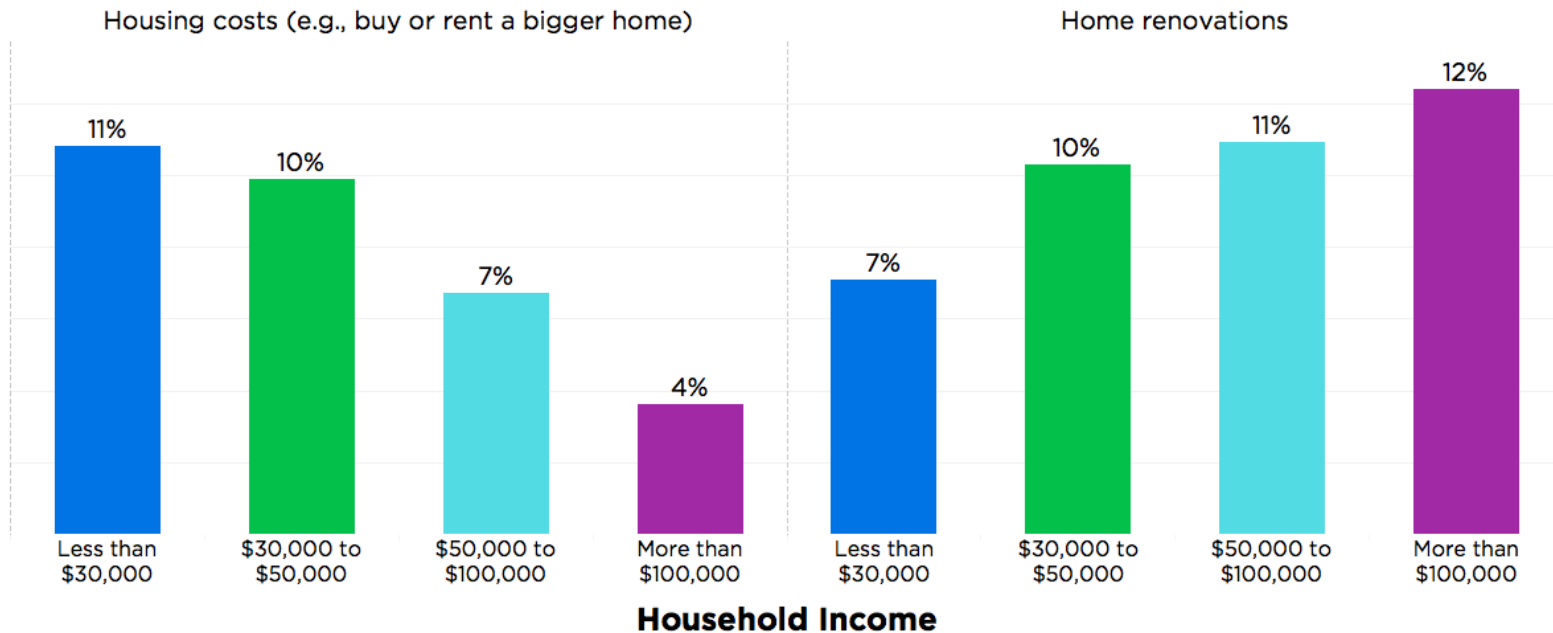
Tax cuts will spur some renters to upgrade

If you were to receive a 4% raise, how much of this money, if any, would you spend on... ?

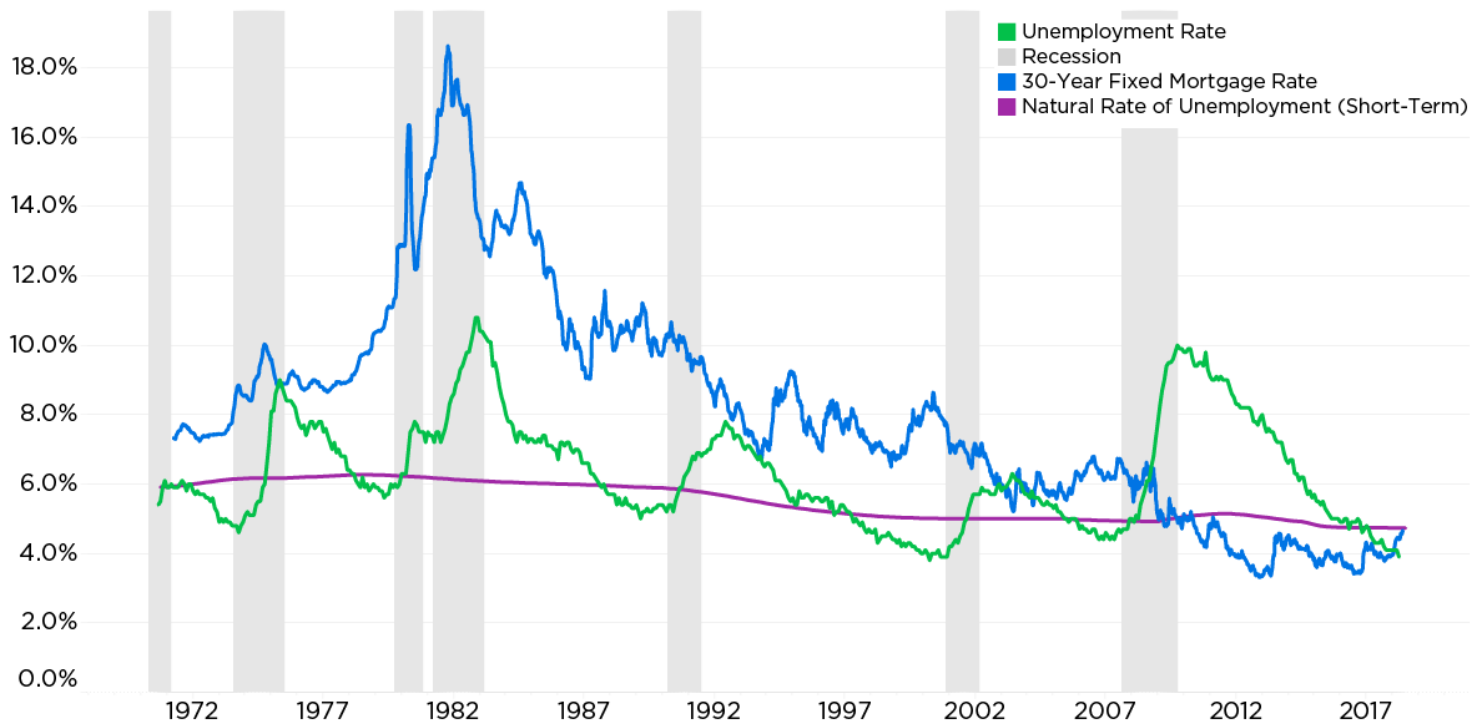


Particularly lower-income renters, who probably won't buy

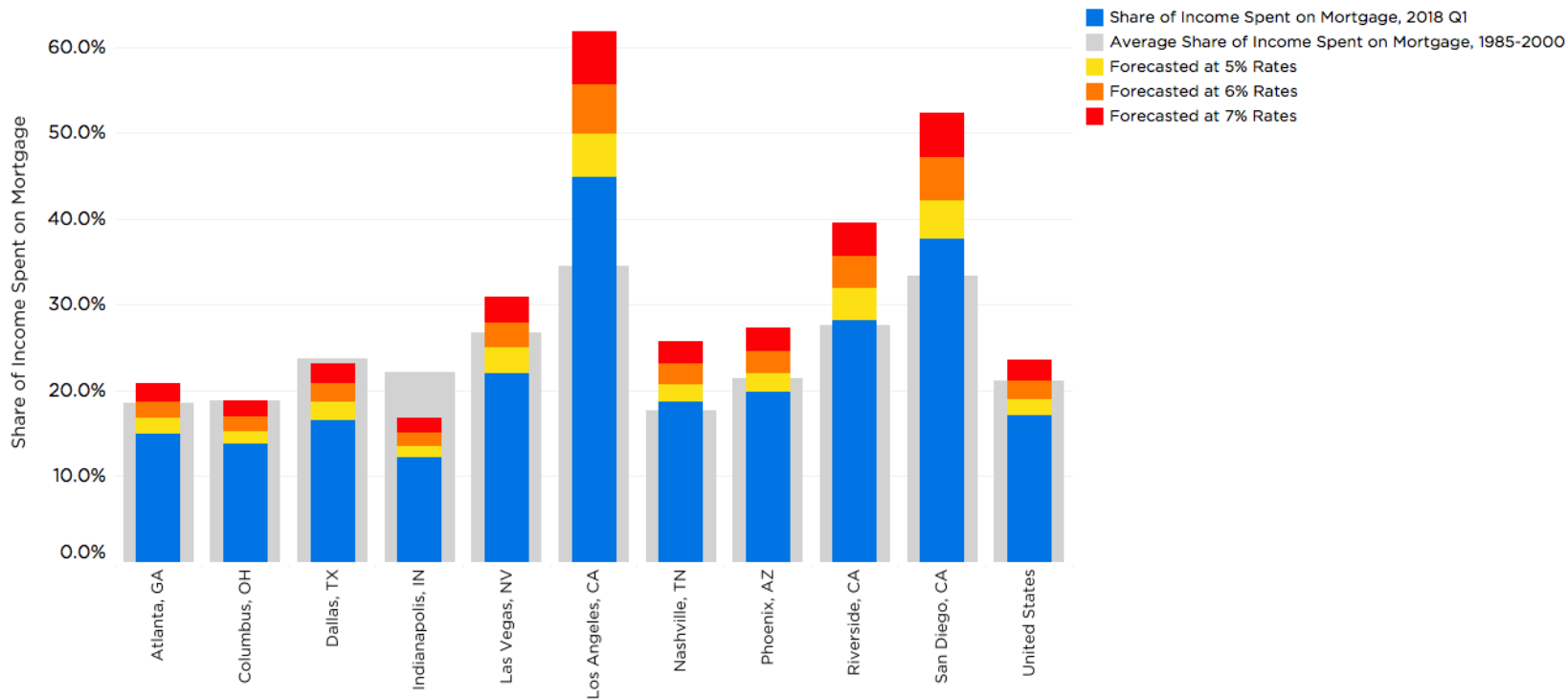
If you were to receive a 4% raise, how much of this money, if any, would you spend on... ?



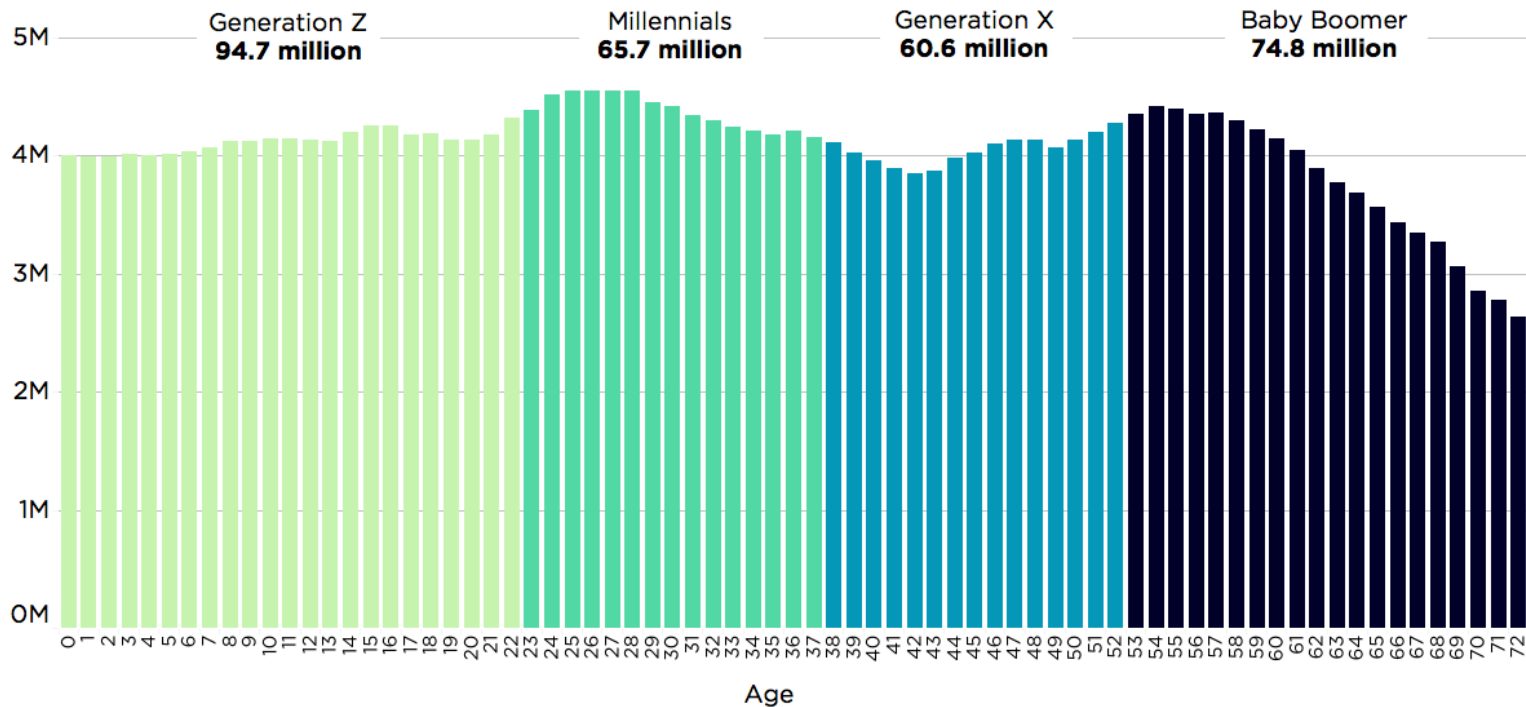
The last time the labor market was this strong, mortgage rates were above 8 percent



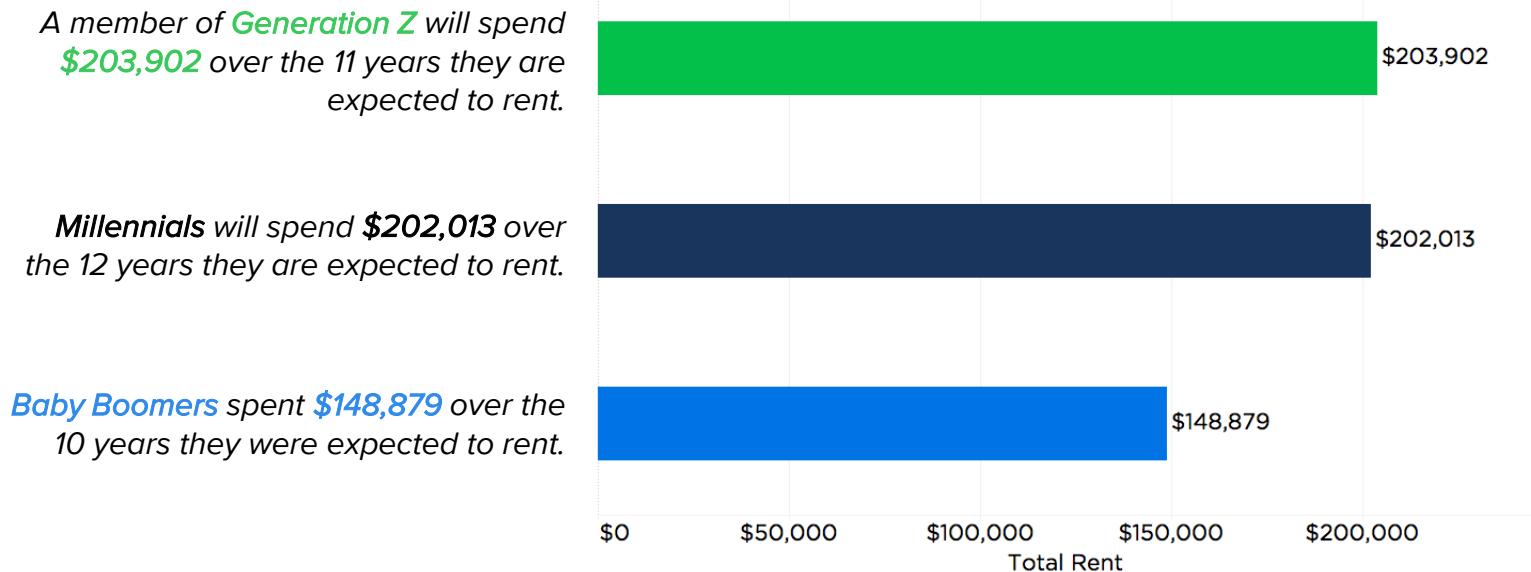
Sooner or later, rising mortgage rates will bite buyers



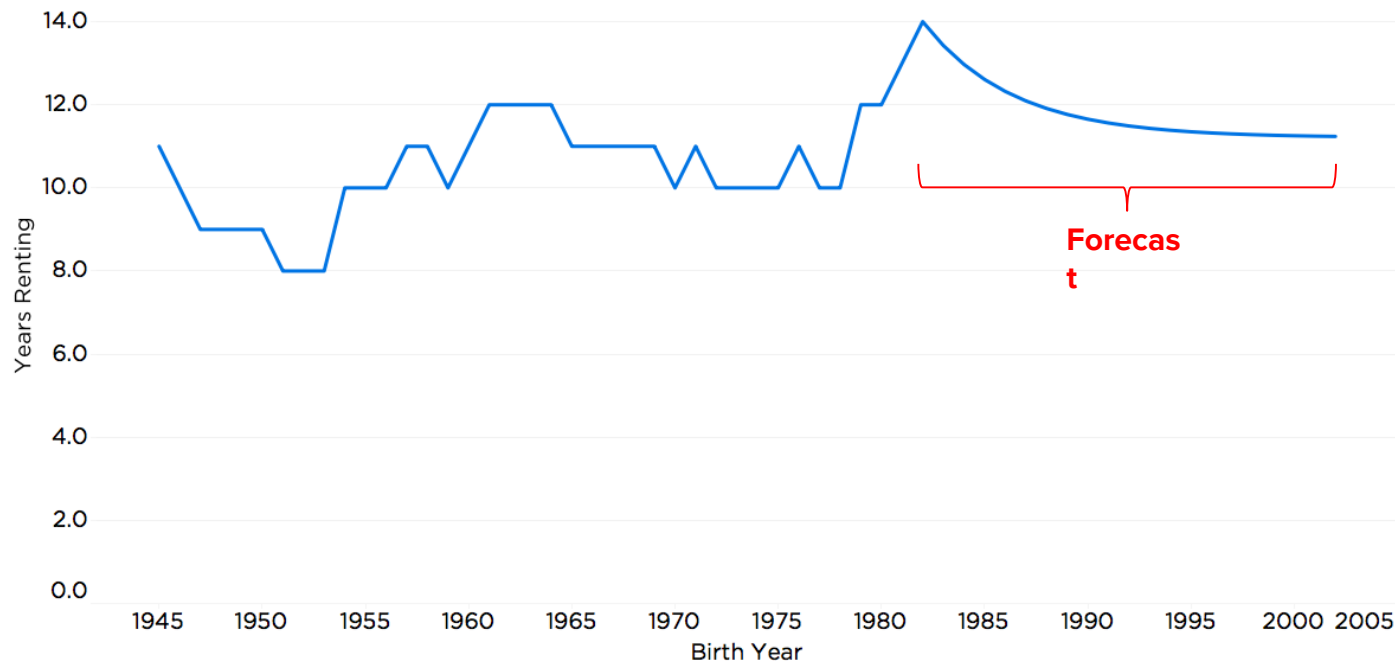
Gen Z rising: Rental demand not going away



Generation Z will spend more on rent than any previous generation



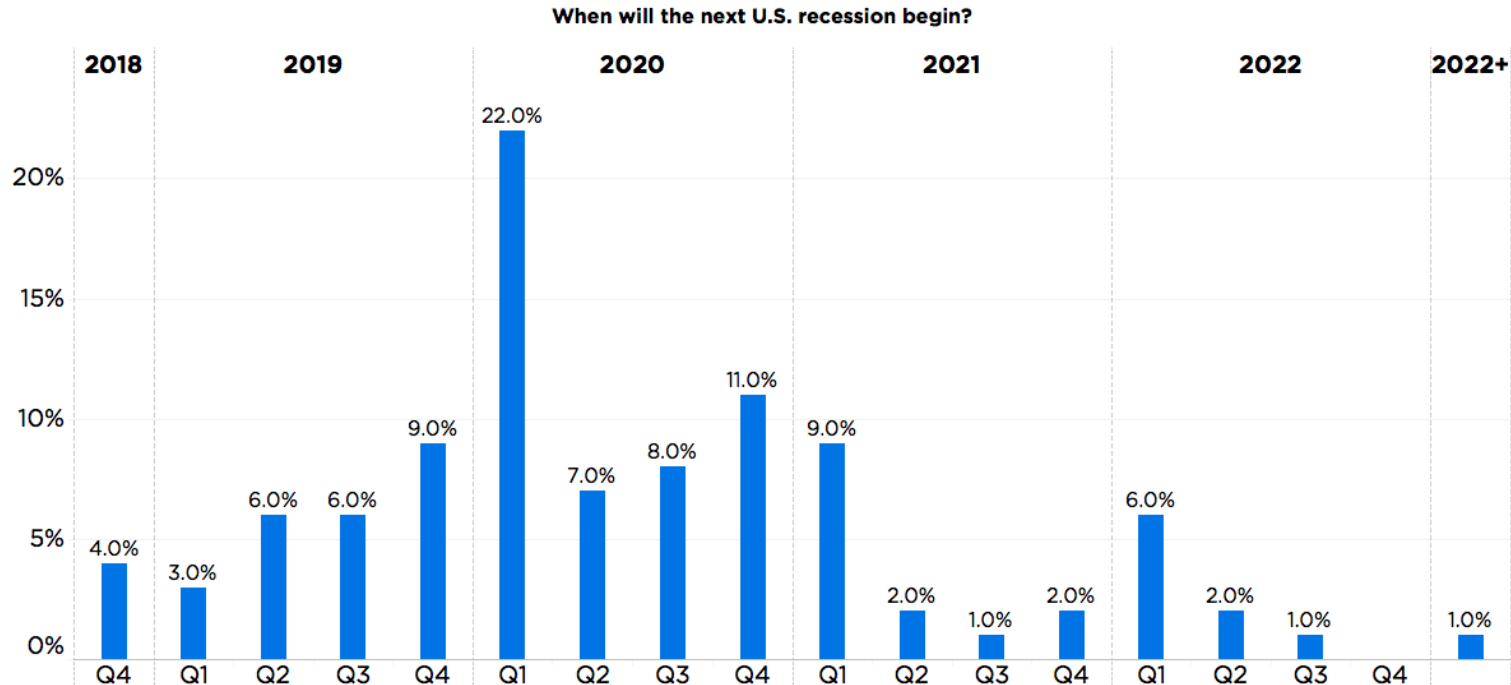
Years spent renting will ease from recent highs, but continue above historic levels



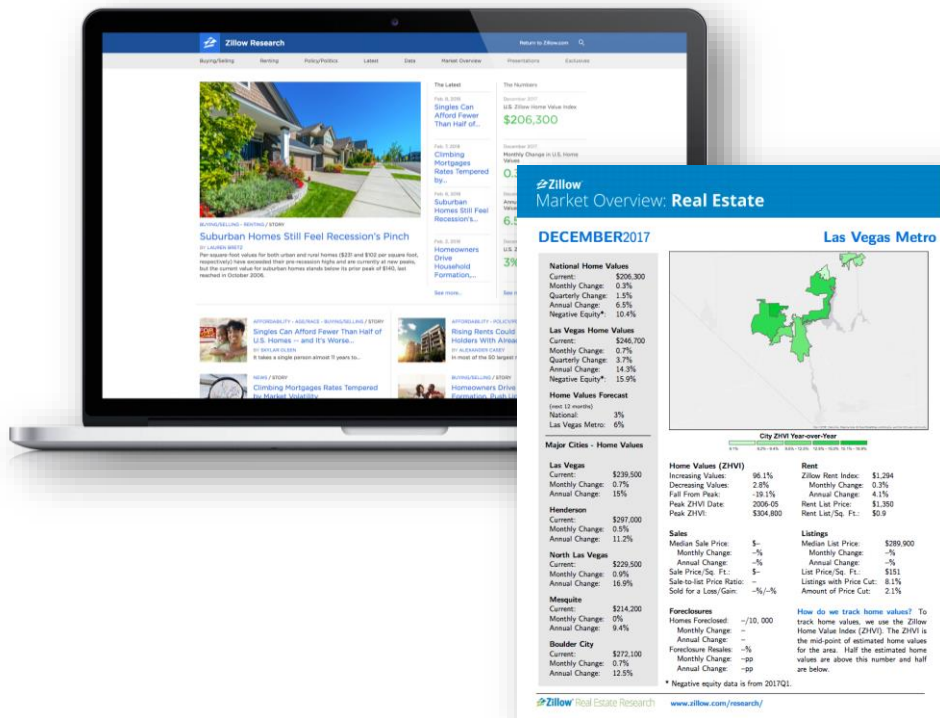
Part IV: Into the Unknown

Near-term macro outlook solid, but risks rise toward 2020

Experts Say Recession Could Hit by Early 2020



More research and data at www.zillow.com/research



Real Estate Metrics Include:

- Zillow Home Value Index
- Zillow Rent Index
- Zillow Home Value Forecast
- Negative equity
- Sale prices
- Rental prices
- Home sales
- \$ value/square foot
- Price-to-income ratios
- Affordability

...and more

