

# GENWORTH'S FIRST-TIME HOMEBUYER MARKET REPORT

JUNE  
2017

Genworth Mortgage Insurance released its inaugural First-Time Homebuyer Market Report, the only economic series measuring the number of home sales and mortgages to first-time homebuyers covering the entire housing market. This report provides quarterly estimates of the first-time homebuyer market between the first quarter of 1994 and the first quarter of 2017 - spanning two housing cycles and 24 years. It provides a historical perspective necessary to understand today's first-time homebuyer market. By capturing the entire market over a long period, and providing the latest market snapshot, this report will make the first-time homebuyer market more visible to housing industry participants and policymakers.

## KEY FACTS AND FINDINGS:

### FTHBM<sup>1</sup> Size

- Historical<sup>2</sup> Avg: 1.8 million
- Peak: 2.3 million (1999)
- Trough: 1.2 million (2011)
- 2016: 2.0 million
- Q1 2017: 424,000, +11% y/y

### Single-Family Housing Market

- Historical Avg: 5.2 million
- Peak: 7.5 million (2005)
- Trough: 4.0 million (2010)
- 2016: 5.4 million
- Q1 2017: 1.1 million, +6% y/y

### FTHB<sup>3</sup> Mix: Housing Market

- Historical Avg: 35%
- Peak: 46% (1996)
- Trough: 26% (2004)
- 2016: 37%
- Q1 2017: 38%

### FTHB Mix: Mortgage Market

- Higher than the Housing Market because no cash-buyers are in the Mortgage Market
- Historical Avg: 45%
- Peak: 60% (2009)
- Trough: 33% (2003)
- 2016: 55%
- Q1 2017: 58%

### Historical Perspective

- Different cycle, different growth pattern
- Cycle 1 (1994-2006):
  - Stagnant FTHBM
  - Strong Growth in RHBM<sup>4</sup>
  - Declining FTHB mix
- Cycle 2 (2007-today):
  - Strong Growth in FTHBM
  - Stagnant RHBM
  - Rising FTHB mix
  - 3 million FTHB missing due to the Housing Crisis

<sup>1</sup>First-Time Homebuyer Market

<sup>2</sup>1994-2016

<sup>3</sup>First-Time Homebuyer

<sup>4</sup>Repeat-Homebuyer Market

### LDP<sup>5</sup> Mortgage Market

- Historical Avg: 73% of FTHBs using LDP Mortgage vs. 27% using HDP<sup>6</sup>
- FTHB Mix Moves Inversely with Down Payment Size: 61% (LDP) vs. 27% (HDP)

### Government Role in FTHBM

- Active Role Through FHA, VA, USDA
- Historical Avg: 73% FTHB Mix
- FTHB Market Share: 58% (post-2008) vs. 32% (pre-2008)

### Implications for the Housing Market

- **Inventory:** Tightened housing supply
- **Home Value:** Faster home price growth at the lower-end
- **Homebuilder:** Starter homes have the most growth potential
- **Real Estate Agents:** Market imbalance is greatest in entry-level homes
- **Lender:** Mortgage lending to shift to low down payment market
- **Homeownership:** Rent-to-own is gathering pace
- **Government:** Still commands a higher share than pre-2008

<sup>5</sup>Low Down Payment - Below 20% Down Payment

<sup>6</sup>High Down Payment - 20% and Above in Down Payment