

GENWORTH'S ECONOMIST'S FIRST-TIME HOMEBUYER MARKET REPORT

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Genworth Mortgage Insurance released its Chief Economist's sixth edition of the [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 second quarter of 2018—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:

FTHBM¹ Size

- Historical² Avg: 1.8 million
- Peak: 2.3 million (1999)
- Trough: 1.2 million (2011)
- 2017: 2.1 million, +6% y/y
- Q2 2018: 572,000, +1% y/y

Single-Family Housing Market

- Historical Avg: 5.2 million
- Peak: 7.5 million (2005)
- Trough: 4.0 million (2010)
- 2017: 5.5 million, +2% y/y
- Q2 2018: 1.6 million, -2% y/y

FTHB³ Mix: Housing Market

- Historical Avg: 35%
- Peak: 46% (1996)
- Trough: 26% (2004)
- 2017: 37%
- Q2 2018: 36%

FTHB Mix: Mortgage Market

- Higher than the Housing Market because no cash buyers are in the Mortgage Market
- Historical Avg: 46%
- Peak: 60% (2009)
- Trough: 33% (2003)
- 2017: 55%
- Q2 2018: 55%

Historical Perspective

- Different cycle, different growth pattern
- Cycle 1 (1994-2006):
 - Stagnant FTHBM
 - Strong Growth in RHBM⁴
 - Declining FTHB mix
- Cycle 2 (2007-today):
 - Strong Growth in FTHBM
 - Stagnant RHBM
 - Rising FTHB mix
 - 2.7 million FTHBs missing due to the Housing Crisis

¹First-Time Homebuyer Market

²1994-2017

³First-Time Homebuyer

⁴Repeat-Homebuyer Market

LDP⁵ Mortgage Market

- Historical Avg: 74% of FTHBs using LDP Mortgage vs. 26% using HDP⁶
 - Q2 2018: 79% LDP vs. 21% HDP
- FTHB Mix Moves Inversely with Down Payment Size: 66% LDP vs. 35% HDP
 - Q2 2018: 66% LDP vs. 35% HDP

Government Role in FTHBM

- Active Role Through FHA, VA, USDA
- Historical Avg: 73% FTHB Mix
- FTHB Market Share: 57% (post-2008) vs. 32% (pre-2008)
- Government Lending to FTHB Market: Q2 2018 is 2.9x Q2 2007
- Government Share of FTHB Market: 44% (Q2 2018) vs. 18% (Q2 2007)

Implications for Economy and Housing

- **H1'18:** The most first-time homebuyers seen in the first 6 months since 2005, but growth has slowed.
- **Are we in another housing bubble?:** The market is dominated by first-time homebuyers; lack of speculative demand.
- **Cost of Homeownership:** Younger households are looking to become homeowners, but the cost of ownership is rising as fast as interest rates and home prices.
- **Economy:** Rising interest rates and low inventory contributed to the rapid increase in cost of homeownership, similar to 2013 and 2016.
- **Capital Sources:** Conventional loans with private mortgage insurance coverage was the largest source of capital to first-time homebuyers in Q2; lenders and borrowers should pay attention to the changing product choice.
- **Repeat Homebuyer Activity:** Flat in Q2; homeowners are staying put despite rising home equity.
- **Housing Inventory:** Still decreasing in Q2, but the rate of decrease has moderated. Housing market remains a seller's market.
- **New Home Construction:** Still has not met demand from first-time homebuyers.

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⁵Low Down Payment - Below 20% Down Payment

⁶High Down Payment - 20% and Above in Down Payment