

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

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Genworth Mortgage Insurance released its Chief Economist's seventh 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 third 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 makes the first-time homebuyer market more visible to housing industry participants and policymakers.

KEY FINDINGS

- Rising home prices and interest rates have increased the cost of buying a home by 15%
- Despite falling affordability, the first-time homebuyer market remained resilient in Q3
- First-time homebuyers at the higher-end of the price distribution are switching to lower-priced homes
- Thirty-three states, including Florida, Arizona, and Georgia, reported higher sales to first-time homebuyers in Q3 vs. a year ago, while 19 states reported lower sales
- Conventional loans with private mortgage insurance were the largest source of capital for first-time homebuyers in Q3 and are on track to continue that trend for the full year

KEY FACTS

FTHBM¹ Size

- Historical² Avg: 1.8 million
- Peak: 2.3 million (1999)
- Trough: 1.2 million (2011)
- 2017: 2.1 million, +6% y/y
- Q3 2018: 582,000, +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
- Q3 2018: 1.5 million, -2% y/y

FTHB³ Mix: Housing Market

- Historical Avg: 35%
- Peak: 46% (1996)
- Trough: 26% (2004)
- 2017: 37%
- Q3 2018: 40%

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%
- Q3 2018: 55%

¹First-Time Homebuyer Market

²1994-2017

³First-Time Homebuyer

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

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: Q3 2018 is 2.6x Q3 2007
- Government Share of FTHB Market: 43% (Q3 2018) vs. 18% (Q3 2007)

LDP⁵ Mortgage Market

- Historical Avg: 74% of FTHBs using LDP Mortgage vs. 26% using HDP⁶
 - Q3 2018: 80% LDP vs. 20% HDP
- FTHB Mix Moves Inversely with Down Payment Size: 66% LDP vs. 34% HDP
 - Q3 2018: 66% LDP vs. 35% HDP

Implications for Economy and Housing

- The first-time homebuyer market still represents a great business opportunity for lenders, realtors, and builders as the repeat market slows
- Housing market at the lower-end of the price distribution has consistently out-performed the higher-end
- No housing bubble: The market is dominated by first-time homebuyers; there is very limited speculative demand
- The slowdown in housing activities demonstrates that the housing market is still sensitive to rising interest rates

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⁴Repeat-Homebuyer Market

⁵Low Down Payment - Below 20% Down Payment

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