Current State of Housing and Mortgage Markets: From a Micro Market Metric Perspective

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Let’s Start with the State of Securitized Mortgages, LTVs and Defaults

• Lewtan data
• Analysis by Collateral Analytics
• Over 10 million loans
• Some 5000 mortgage pools
• Prime, Alt A, and subprime, HELOCS, 2nds
• National portfolio with about 20% in CA

Data: Lewtan  Analysis: Collateral Analytics  
Presented by Norm Miller, USD
On properties that are 150 days or more late the average price decline is 37% from original.

Those that are current have lost on average 21% from purchase price.

Note that at the zip code level we find a larger range of decline and consistent picture in terms of default, the more equity a borrower has lost the less likely to pay – collateral values matter much more now than in previous recessions.
On properties that are REOs the average price decline is 40% from original.

Data: Lewtan  Analysis: Collateral Analytics
Presented by Norm Miller, USD
Again collateral values matter and not just current values but the outlook as well. Every point here is a state’s average change in home values versus REO%.

Data: Lewtan  
Analysis: Collateral Analytics  
Presented by Norm Miller, USD
Yes some Zips have over 15% REO.
Using current values, the typical loan made in 2005, 2006 or 2007 has a LTV of nearly 120%.

Original LTVs if you believed the appraisals.
Anyone want to Loan Modify at <105% LTV?

MI is at 200% LTV

State LTV’s at origination “looked fine”

Data: Lewtan  Analysis: Collateral Analytics
Presented by Norm Miller, USD
Yes this is over 900% LTV using current values.
Alt A and Subprime have seen LTVs increase by 42% - 45% over what they thought values were at origination.

Prime sectord mortgages homes have seen avg LTVs increase by 16% based on current values (Still positive equity, yeah!)

Data: Lewtan  Analysis: Collateral Analytics
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We need to do the analysis of value trends at the localized level: CBSA level analysis is misleading especially with indices that do not distinguish the kind of sale transaction.
Miami-Dade Single Family Home Price Indexes

Case Shiller will overstate the decline and will also overstate the next rise in prices as a result of sample mix biases.

When you control for mix
CA - Los Angeles S&P/Case-Shiller Home Price Index vs Zip Index for Pacific Palisades, CA Zip 90272

Graph showing the S&P/Case-Shiller Home Price Index CA - Los Angeles and Pacific Palisades, CA Zip 90272 over time from January 1995 to January 2009.

Presented by Norm Miller, USD
San Diego Single Family Zip Code 2007Q3 to 2008Q3 Price Percent Change Distribution

All of these zip codes revealed price declines less than that of the CS Index.
In the current environment, REO sales prices need to be tracked separately from regular sales. Case-Shiller, OFHEO and NAR to not do this.

San Diego County Regular, REO and Regular with REO Single Family Prices for 3 Bedroom and 2 Bath Homes

REO discounts in normal markets average 22%. In some of today’s more distressed markets, the discounts are running 25% to 50% or more.
We can track market conditions by Zip code using several criteria, i.e.

- Foreclosures as a % of sales
- Months remaining inventory (MRI)
- Expired inventory that did not sell (shadow) and (Adj MRI)
- Volume and price trends
Market Condition Histograms By Zip Code for Some Sample States Are Shown Next
Illinois

Number of Zip Codes

Distressed  Very Weak  Soft  Normal  Good  Strong

257  32  35  12  0  0

IL
Texas

Number of Zip Codes

Distressed    Very Weak      Soft          Normal          Good         Strong

0 9 0

0 0
Let’s slice MRI by Price Range

• We can also slice by size or property type or any number of attributes.
Months of Inventory Remaining by Price

Single Family

Price Range in Thousands

MRI


| 8 | 10 | 8 | 9 | 8 | 10 | 10 | 12 | 10 | 10 | 11 | 8 | 14 | 23 |

State: TX; County: 48439; City: FORT WORTH
The spread between asking prices and sold tends to be narrow in strong markets and wide in soft or declining markets. Here we see it improving but still wide.
Price Per Living Trends by Status 2
Single Family

State: NV; County: 32003; City: LAS VEGAS
Average New Listing Price Per Living Single Family

State: TX; City: SAN ANTONIO
Some sample forecasts
Avondale, AZ
AKA “Subprime Land”
Zip Avg Price with Forecast

La Jolla

San Diego

Thousands

Data
Summary

• Foreclosures are highly concentrated by state, by county and by zip code
• Local market price changes are not well represented by the Case Shiller Index
• There are several methods to isolate contagion effects, REOs Versus Non-REOs and other indicators of the pricing gap.
• Distressed asset pricing depends on local market conditions.
• We can forecast price trends reasonably well for the next several quarters when using both technical (Broker based-MLS Type) and fundamental data.
Questions?
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