VeroFORECAST™

US. Housing Outlook Report & Press Release

December 1, 2018 - December 1, 2019

VEROS™

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VeroFORECAST™ Projects Residential Real Estate Appreciation in Top 100 Markets will dip back below 4% through November 2019

Despite predicting 'significant drops' in appreciation rates for many areas, the latest Veros Real Estate Solutions' report anticipates healthy markets

Santa Ana, Calif. – January 16, 2019 – A new forecast of nationwide residential real estate values predicts significant slowing in most markets through 2019. Released today, the fourth quarter 2018 VeroFORECAST™ is the latest 12-month forecast from **Veros˚ Real Estate Solutions** (Veros), an award-winning industry leader in enterprise risk management, collateral valuation services and predictive analytics.

The new report forecasts average appreciation of 3.9 percent in the survey's 100 most populous markets, which is more than a half-percent drop from the 4.5 percent average of the top 100 markets in the previous quarterly report released last September.

The drop is reflected throughout the latest report's projections, which are based on data from 359 Metropolitan Statistical Areas (MSAs). These MSAs include 13,870 zip codes and 1,004 counties for a total coverage of the residences of 82 percent of the U.S. population.

"This amount of change from one quarter to the next is significant," said **Eric Fox**, VP of Statistical and Economic Modeling at Veros and the report's author. "While the market fundamentals remain solid and we still expect the overall housing market to remain healthy, there is a definite slowing down of most markets from last quarter's update."

"We do not see a crash," Fox cautioned, "but simply a slowing down as the strength of the past few years is expected to dissipate somewhat in most markets."

With the economy strong and unemployment continuing to drop, the report points to housing supply and interest rates as the key contributors to the softening.

"Overall, interest rates appear to be softening the forecasts in many markets by one-to-two percent over what they would have been had the flat interest rate environment continued as it has for the past several years," Fox said. "At the same time, housing supply is a key discriminator between our top and bottom forecast performing markets."

THE TOP AND BOTTOM TEN MARKETS

The quarterly VeroFORECAST service is provided by subscription to Veros clients, with a summary release for industry media that includes the forecast's top and bottom ten markets.

The new VeroFORECAST reveals that the top and bottom ten are now dominated by small to modest-sized cities with an average population of 260,000. It again finds that all of the Top Ten markets are west of the Mississippi, this time in just four states: Idaho, Washington, Texas and Colorado.

Here are the markets projected to appreciate the most through December 1, 2019:

TOP TEN

1. Boise City-Nampa, ID MSA..9.5%
2. Olympia, WA MSA..8.8%
3. Midland, TX MSA...8.7%
4. Idaho Falls, ID MSA 8.6%
5. Odessa, TX MSA 8.4%
6. Pocatello, ID MSA..8.2%
7. Bellingham, WA MSA 8.2%
8. Mount Vernon-Anacortes, WA MSA..7.8%
9. Boulder, CO MSA 7.7%
10. Grand Junction, CO MSA..7.5%

The predicted appreciation rates for these ten MSAs now range from 7.5 to 9.5 percent compared to the last report's top-ten range of 9.3 to 11.7 percent. That translates to an average drop in appreciation of two full points from 10.3 to 8.3 percent.

Also, the predicted rate of average appreciation for the top market in this quarter's VeroFORECAST, **Boise City-Nampa, ID**, is a drop of more than two percentage points from the 11.7 percent appreciation predicted for the top market in last quarter's report. In fact, that MSA, **Bremerton-Silverdale, WA**, along with all three Nevada MSAs and the lone California MSA that together were five of the last report's Top Ten, have fallen out of the Top Ten.

"California is softening overall," Fox said. "In Southern California, particularly, we expect Los Angeles, Ventura, Orange, Riverside, and San Diego Counties to appreciate less than five percent over the next year."

Other areas he sees appreciating at lower rates are the previous hotspots of Denver, Las Vegas, Reno, and Dallas, with Manhattan and its surrounding New York market forecast to appreciate at just one percent for the next 12 months. There are also lower predictions for Utah, including Salt Lake City.

At the bottom end of the report, the number of depreciating markets has increased from three to five percent since last quarter's update, which means 18 markets, twice as many as in the third-quarter 2018 report, are predicted to depreciate through December 1, 2019. The projected range for appreciation in those Bottom Ten markets is -2.6 to -0.4 percent, for an average of -.92 percent compared to the last report's comparable average of -.58 percent depreciation.

Here are the latest report's Bottom Ten markets:

BOTTOM TEN

1. Farmington, NM MSA .... -2.6%
2. Danville, IL MSA .... -1.4%
3. Decatur, IL MSA .... -1.0%
4. Peoria, IL MSA.. -1.0%
5. Grand Forks, ND-MN MSA .... -0.8%
6. Springfield, IL MSA... -0.6%
7. Cumberland, MD-WV MSA .... -0.5%
8. Shreveport-Bossier City, LA MSA... -0.5%
9. Lafayette, LA MSA... -0.4%
10. Bridgeport-Stamford-Norwalk, CT MSA .... -0.4%

According to Fox, the report continues to underscore the role scarce housing supplies play in pushing prices up in top markets, while population trends remain the primary variable responsible for the performance of markets at the bottom of the forecast results.

"In other words," he said, "either slow population growth or population declines are contributing to low demand in these areas and many of the bottom ten markets in this quarter's report are in very slow growth metros. This, in conjunction with upward interest rate pressure, is causing these markets to be soft."

THE VALUE OF VEROFORECAST

Near the end of each quarter, Veros releases a new VeroFORECAST with predictions of how property values in Metropolitan Statistical Areas (MSAs) across the nation will fare over the following 12 months. Businesses can license the reports for all areas they serve and use the valuation forecast models to gain competitive expertise at the metropolitan, county, and zip code level. Those designations are further stratified by property type and three price tiers at the county and zip code levels and are used to add greater granularity and forecast performance.

"VeroFORECAST data benefits anyone with an interest in real estate values, including lenders and servicers, default management professionals, and capital markets firms, as well as investors, insurers, guarantors, and regulators," said **Veros President and CEO Darius Bozorgi**. "Veros offers a proven service that drills down to single MSAs, counties and zip codes to provide an accurate view of what to expect in local markets. Independent analysis shows that we have been delivering the industry's most accurate forecast data for more than 15 years now, outperforming all other providers."

Real estate and mortgage professionals and those in the financial services sector who wish to receive either the complete quarterly reports or regional reports as they are released can subscribe. For more information email communications@veros.com or call (866) 458-3767.

Additional forecasts and infographics for U.S. markets are available to the press for download and upon request. Visit Veros.com for the VeroFORECAST Report.

About Veros Real Estate Solutions

A mortgage technology innovator since 2001, Veros is a proven leader in enterprise risk management and collateral valuation services. The firm combines the power of predictive technology, data analytics, and industry expertise to deliver advanced automated solutions that control risk and increase profits throughout the mortgage industry, from loan origination to servicing and securitization. Veros' services include automated valuation, fraud and risk detection; portfolio analysis, forecasting, and next-generation collateral risk management platforms. Veros is also the primary architect and technology provider of the GSEs' Uniform Collateral Data Portal (UCDP). For more information, visit www.veros.com or call 866-458-3767.

About Eric Fox, VP of Statistical and Economic Modeling:

Eric Fox received his M.S. in Statistics and B.S. in Mathematics and Economics from Purdue University, and has 30 years of industrial experience in statistical and econometric modeling, probabilistic life methodology development, statistical training, probabilistic design software development, and probabilistic financial/competitive analysis. Fox has published more than 20 technical papers on probabilistic and statistical methods.

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Forecast data is as of December 2018. Markets demonstrated are for residential real estate in major areas (typically greater than 300,000 residents and could include areas in which population is relatively low such as 100,000 residents) among single-family homes in the median price tier.
Map not to scale. Contact Veros for additional information.

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VeroFORECAST™

U.S. REAL ESTATE OUTLOOK:

The Strongest & Weakest Markets 2019

December 1, 2018 to December 1, 2019

A Slowdown Predicted for Most Markets

VeroFORECAST PROJECTIONS

+3.9%

Average appreciation down from 4.5% last quarter

Home Price Appreciation for the
Top 100 MSAs Over the Next 12 Months

Top 10

Four western states – ID, WA, TX and CO – hold all Top 10 MSA spots. All of the Top 10 and Bottom 10 are now dominated by small to modest sized cities. The average population of these 20 cities is 260,000.

Bottom 10

All are forecast to depreciate for the first time in more than a year.

Metro Areas Covered
359

Counties Covered
1,004

Zip Codes Covered
13,870

26th consecutive Quarter with an average annual forecast greater than 0%.

VEROS™

TOP 10 MARKETS

VeroFORECAST Projections

+7.5% TO +9.5%

Home Price Appreciation Over 12 Months

DEFINITE SLOW DOWN

The average forecast appreciation for the Top 10 is expected to be about 8.3%, which is down from 10.3% from just a quarter ago. Previous hot spots like Denver, Las Vegas, Reno, and Dallas all are forecast to soften significantly.

DRIVERS
- Population Growth
- Low Unemployment
- Low Inventory

TOP 5 MARKETS: FORECAST APPRECIATION OVER NEXT 12 MONTHS

1	2	3	4	5
+9.5%	**+8.8%**	**+8.7%**	**+8.6%**	**+8.4%**
Boise City, ID	Olympia, WA	Midland, TX	Idaho Falls, ID	Odessa, TX
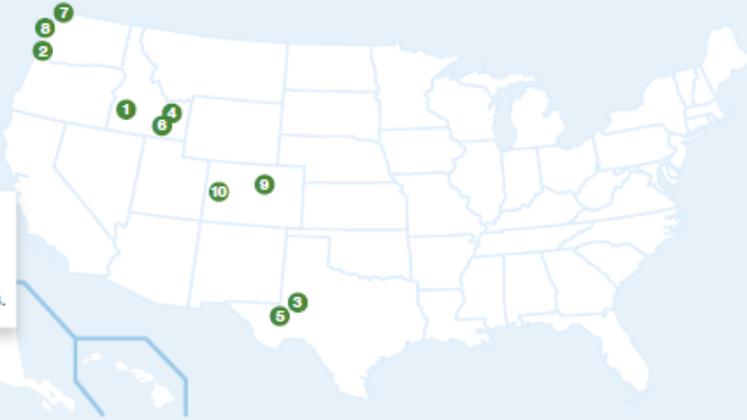
TREND
Small to mid-sized markets on average forecast to perform best in next 12 months.

Top 10 Markets

1. Boise City–Nampa, ID	......	+ 9.5%
2. Olympia, WA	......	+ 8.8%
3. Midland, TX	......	+ 8.7%
4. Idaho Falls, ID	......	+ 8.6%
5. Odessa, TX	......	+ 8.4%
6. Pocatello, ID	......	+ 8.2%
7. Bellingham, WA	......	+ 8.2%
8. Mt. Vernon–Anacortes, WA	......	+ 7.8%
9. Boulder, CO	......	+ 7.7%
10. Grand Junction, CO	......	+ 7.5%

BOTTOM 10 MARKETS

VeroFORECAST Projections

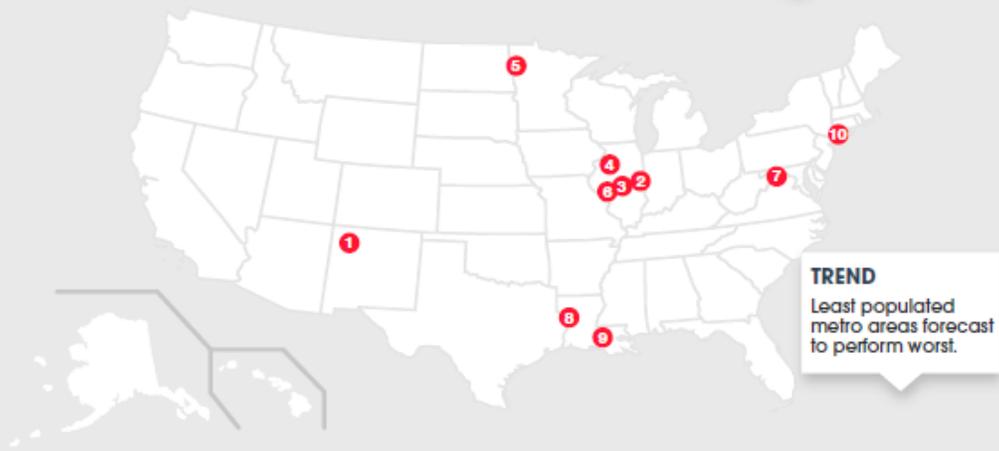## -2.6% TO -0.4%

Home Price Depreciation Over 12 Months

IN SLOW GROWTH METROS, HOUSING SUPPLY IS PROJECTED TO REMAIN HIGH

The Eastern Region of the U.S. remains weaker, with key factors of long-term flat or declining population and higher unemployment. Illinois is forecast to do very poorly, with three of its MSAs in VeroFORECAST's Bottom 10.

DRIVERS
- Flat/Declining Population
- Higher Unemployment
- High Inventory

WEAKEST 5 MARKETS: FORECAST DEPRECIATION OVER NEXT 12 MONTHS

1	2	3	4	5
-2.6%	-1.4%	-1.0%	-1.0%	-0.8%
Farmington, NM	Danville, IL	Decatur, IL	Peoria, IL	Grand Forks, ND-MN

TREND
Least populated metro areas forecast to perform worst.

Bottom 10 Markets

1.	Farmington, NM	- 2.6%	6.	Springfield, IL	- 0.6%
2.	Danville, IL	- 1.4%	7.	Cumberland, MD-WV	- 0.5%
3.	Decatur, IL	- 1.0%	8.	Shreveport–Bossier City, LA	- 0.5%
4.	Peoria, IL	- 1.0%	9.	Lafayette, LA	- 0.4%
5.	Grand Forks, ND-MN	- 0.8%	10.	Bridgeport–Stamford–Norwalk, CT	- 0.4%