JOHN BURNS REAL ESTATE CONSULTING

BUILDER SURVEY •TIMELINE•

Historical Backdrop

APRIL 2008 — Government launches first-time buyer tax credit. JBREC introduces our Market Fundamentals grades (now Housing Cycle Risk Index™).

Grading Housing Market Fundamentals

MAY 2008 — Affordability improved dramatically as prices declined. Only Miami, Portland, and Baltimore stayed unaffordable according to our Housing Cycle Barometer (now Burns Affordability Index™).

Affordability Has Improved Dramatically

SEPT 2008 — Lehman Brothers files for bankruptcy, and the FDIC arranges JP Morgan Chase takeover of Washington Mutual.

DEC 2008 — FDIC directs Wells Fargo acquisition of Wachovia.

FEB 2009 — Consumer confidence hits all-time low.

OCT 2009 — Federal first-time buyer tax credit extended and expanded to include repeat buyers.

DEC 2009 — Foreclosure starts peaked, and the FDIC directed 140 bank closures or acquisitions in 2009.

JAN 2010 — National payroll employment hits cyclical bottom.

APRIL 2010 — Federal tax credit for home purchases expires. A strong Canadian dollar boosted new and resale vacation home purchases in Phoenix.

GSEs to Lose Tons of Millions Tomorrow

Canadians Outpace California Buyers in Maricopa County

JULY 2010 — Dodd-Frank Wall Street Reform Act passed, and resale inventory peaks at 11.9 months of supply nationally.

SEPT 2010 — Roughly 2.5 million foreclosures in process and 2.5 million mortgages 90+ days past due weigh on home prices.

Shadow Inventory Stepping into the Light

APRIL 2011 — New home sales bottom at 295,000, and JBREC proposes converting REO homes to rentals to help stabilize prices.

Sales Rates and Concessions: Understanding the Dance

NOV 2011 — US single-family home starts bottom at 426,100 on a rolling 12-month basis.

JULY 2012 — New single-family home inventory bottomed at 142,000 units.

AUG 2012 — Investors buying distressed resale homes and converting them to rentals help stabilize pricing.

An Investor-Driven Recovery

NOV 2012 — Mortgage rates hit a cycle low at 3.31%, and resale supply slips below 5 months of supply for the first time since 2005.

DECEMBER 2012 — Silver Bay Realty Trust completed the first single-family rental IPO supported by JBREC's third-party expertise.

Resale listings dropped below 2.0 million for the first time since March 2001.

JAN 2013 — TriPointe Homes completes the first home builder IPO in the current housing cycle.

FEBRUARY 2013 — 3.5% mortgage rates and the Federal Reserve's mortgage backed securities purchases give consumers 34% more buying power.

Front Running The Fed

JUN-2013 — Investor purchases of homes peaked in 2013.

JANUARY 2014 — FHA loan limits revert from higher limits under the Economic Stimulus Act.

Qualified Mortgage guidelines are enacted, defining ability to repay rules and prohibiting riskier mortgages.

MAY 2014 — John Burns tells Fox Business News that a 10% sales increase and 5% price appreciation is a great year. Builders were hoping for a second year of 18% sales growth.

Housing Booming, Busting, and Muddling Along

That Would Make a Great Year!

SEPT 2014 — JBREC white paper analyzing student debt impact on homeownership concludes 8% fewer home sales in 2014.

JUNE 2015 — Job growth has not yet recovered to the August 2008 full-employment peak, as more people than usual are working part-time or not at all.

Part-Time Labor a Full-Time Challenge?

OCT 2015 — QRM (qualifying residential mortgage) rule goes into effect defining safe mortgages and lenders' retention requirements. FHA loans remain exempt.

JUNE 2016 — Weak oil prices slow Houston's new home market, though the metro remains #1 in volume.

Houston Housing Market Slowdown

OCT 2016 — *Big Shifts Ahead* book release redefines generations and forecasts future housing demand.

https://www.bigshiftsahead.com/

NOV 2016 — Mortgage rates rise to 4.16% in the 5 weeks following the national election.

DEC 2016 — Resale inventory drops to 3.6 months of supply.

JAN 2017 — Higher FHA and conforming loan limits support sales.

MAY 2017 — Building Product Producer Price Index reflects above average YOY increases in windows, lighting, lumber, gypsum, and cement.

Survey Insights

JUNE 2008 — FIRST MONTHLY JBREC SURVEY CONFIRMS SLOW HOUSING MARKET

Housing market conditions in California, Arizona, Nevada, Texas, the Carolinas, Georgia, Virginia, New Jersey, and most of Florida remain miserable.

OCT 2008 — Average sales hit low point in our survey history at 1.0 per community, net of cancellations.

NOVEMBER 2008 — New home prices have dropped -28% from peak on average. 24% of participating builders report finished lot prices have plummeted by 50% or more.

DEC 2008 — Survey participants rate the economy as the #1 reason buyers are not purchasing homes. Lack of a down payment receives the lowest rating.

JUNE 2009 — SALES AND EXPECTATIONS HOLD STEADY AT LOW LEVELS

Home prices net of incentives hover between flat and declining.

DEC 2009 — The tax credit expansion to move-up and move-down buyers failed to drive new home sales in a seasonally slow quarter.

JUNE 2010 — BIG DECLINE IN CURRENT SALES RATING, BUT EXPECTED SALES RATING DOWN SLIGHTLY

New home pricing is flat to falling.

AUGUST 2010 — 40% of builders reported net prices fell 5% or more following the tax credit expiration, though 55% reported fairly flat prices.

JUNE 2011 — MAY NET SALES/COMMUNITY UP ONLY 15% YOY EVEN WITH PRICE CONCESSIONS

Builders' concessions averaged 11% of the gross sales price in May.

APRIL 2012 — March sales increased 47% YOY, and prices rose MOM in every region for the 1st time in our survey. Inventory drops to a new low at 2.2 units per community.

MAY 2012 — Construction delays emerge due to tight labor per our survey.

JUNE 2012 — MAY NET SALES/COMMUNITY UP 3% FROM APRIL AND UP 45% YEAR OVER YEAR

63% of builders in our survey have a year or less of finished lots in A locations.

NOV 2012 — JBREC survey estimates a potential 10.5% loss in new home sales due to proposed Qualified Mortgage policies, stimulating a call with key officials.

JAN 2013 — "Boomerang buyers" are shopping for homes following a 3+ year waiting period following a foreclosure or short sale.

MAY 2013 — Peak average sales in our survey are at 3.32/community nationally.

JUNE 2013 — STRONGER SALES AND STARTS THAN NORMAL SEASONAL TRENDS

Labor shortages, few lots, and low appraisals challenge builders' plans. Average finished inventory hit a low of 1.35 homes per community.

JUNE 2014 — STRONGER MONTH-OVER-MONTH SALES RATES BOOST BUILDER EXPECTATIONS

Rising incentives may turn to price cuts, especially in Phoenix, Tampa, the Inland Empire, and San Antonio.

MARCH 2015 — Builders identify improved consumer confidence as the top reason for rising spring sales, followed by stronger job growth and lower mortgage rates.

JUNE 2015 — SALES COOL SEASONALLY; SINGLE-FAMILY STARTS RISE SLIGHTLY MORE THAN USUAL

Builders indicate community counts will rise by 19% nationally during 2015.

APRIL 2016 — High compliance costs make it hard for builders to offer entry homes.

Extraordinary Development and Compliance Costs Stifle New Home Construction

JUNE 2016 — SOLID NEW HOME SALES

Builders identify high prices, community delays, and weaker affordability as the top three reasons sales are not higher.

SEPT 2016 — Trade labor shortages delayed home deliveries by 10 work days on average, and 27% of builders blame framing delays.

FEB 2017 — Builders' sales are delayed by 5 weeks on average due to lot delays and shortages.

APRIL 2017 — Costs (labor plus materials, not land) rose 6.2% YOY, while net new home prices rose only 5.3% YOY. Lumber costs jumped 7% YOY.

JUNE 2017 — SOLID MAY SALES LED BY WESTERN MARKETS AND NON-FAMILY BUYERS

Sales growth is more attributable to younger and older buyers than to family buyers.

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