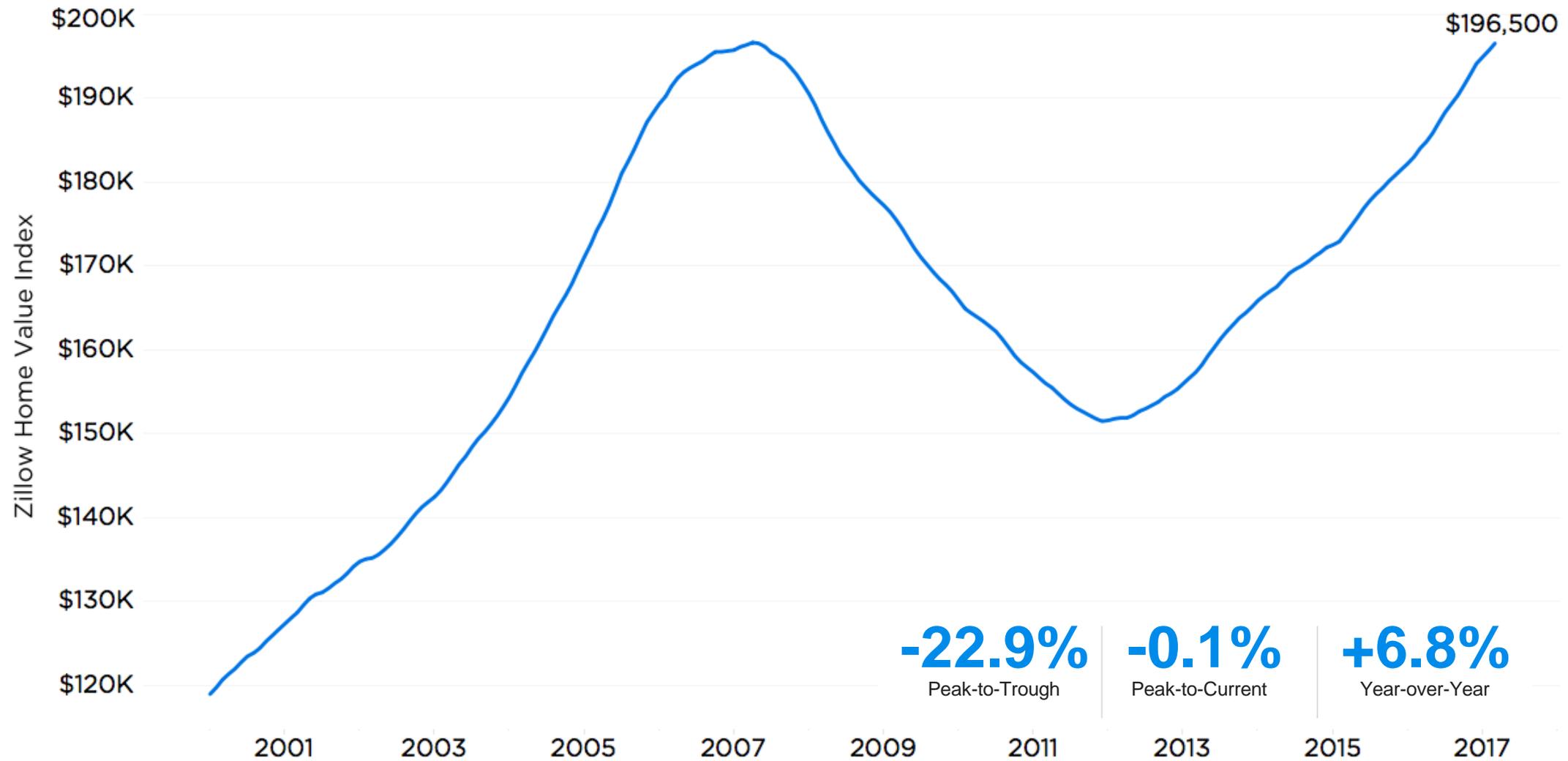


HOUSING MARKET OVERVIEW

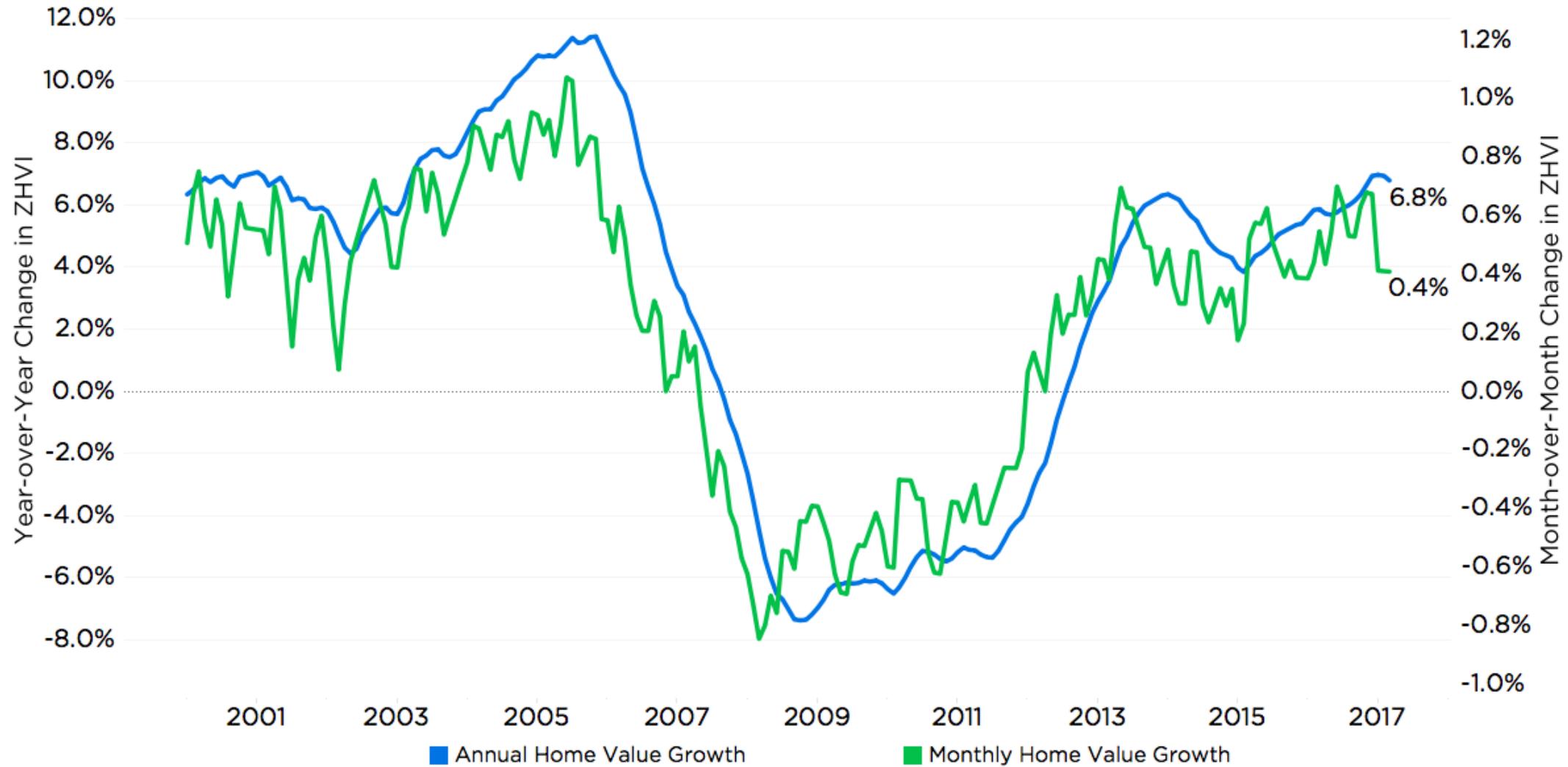
Svenja Gudell, PhD, Chief Economist, Zillow
@SvenjaGudell

HOME VALUES AND RENTS

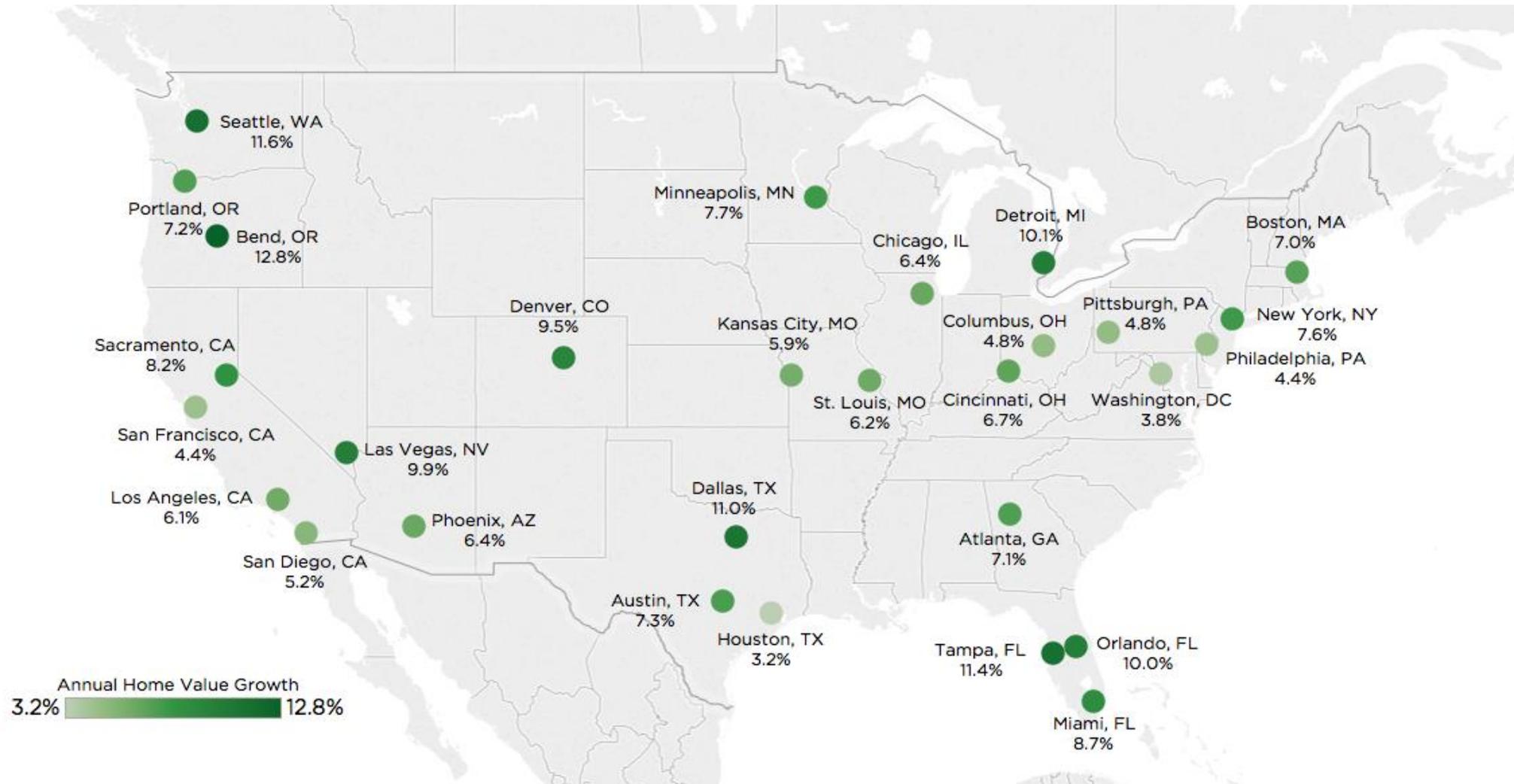
U.S. home values are nearing pre-recession highs



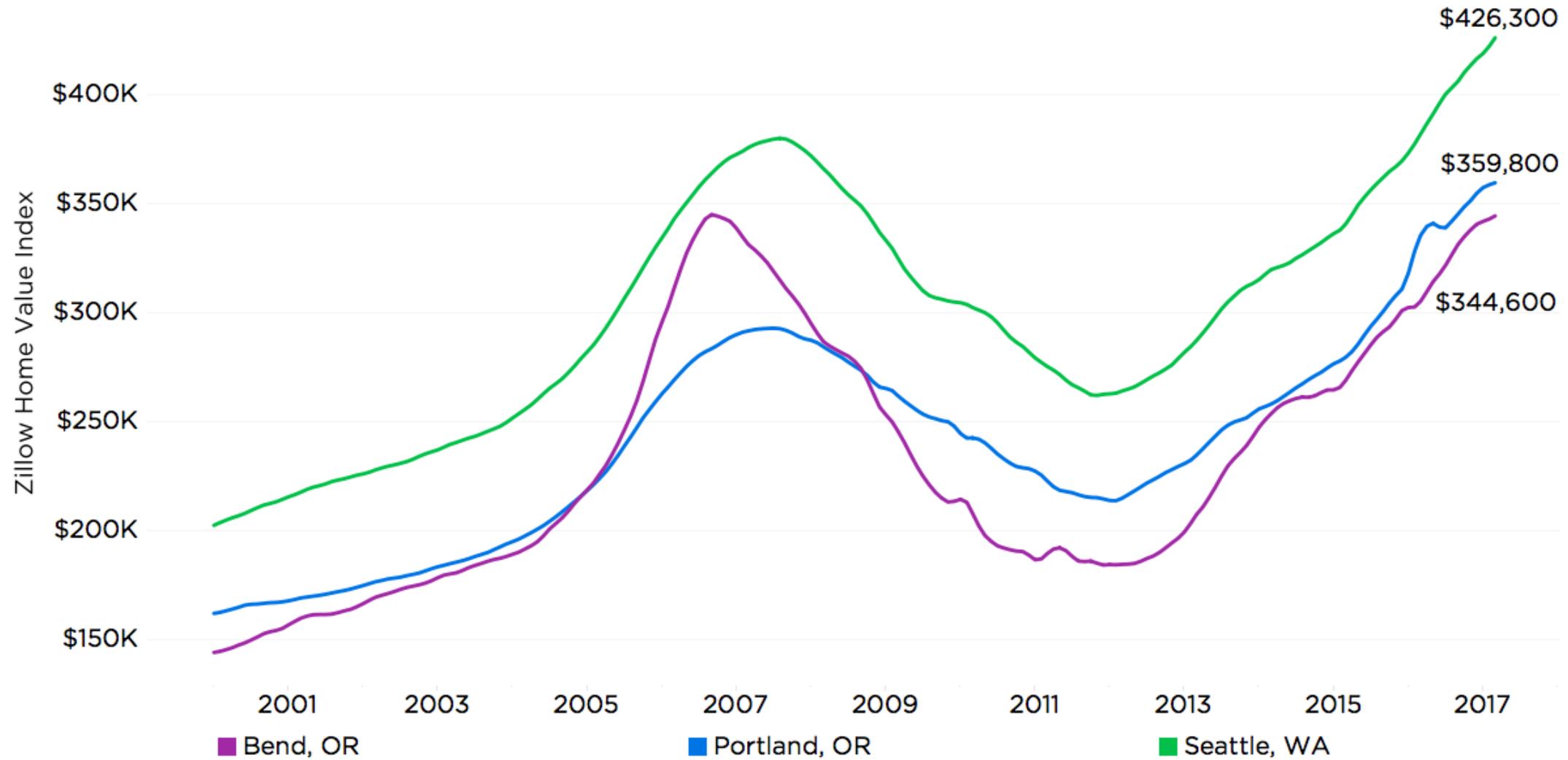
Annual U.S. home value appreciation accelerated in the second half of 2016



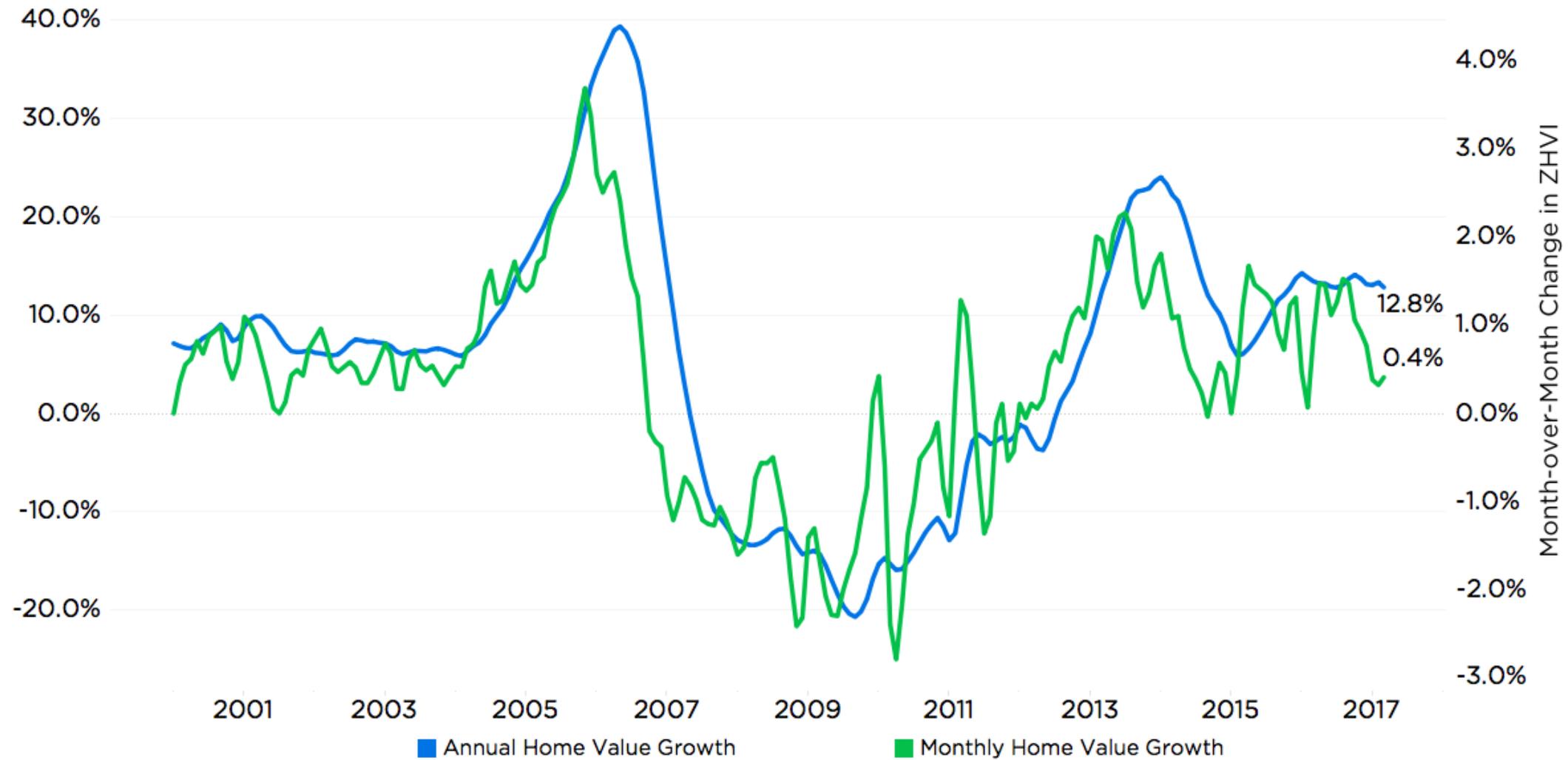
Markets in the Pacific Northwest, Texas, Florida and parts of the Southwest continue to outperform slower-moving markets in the Midwest and Mid-Atlantic



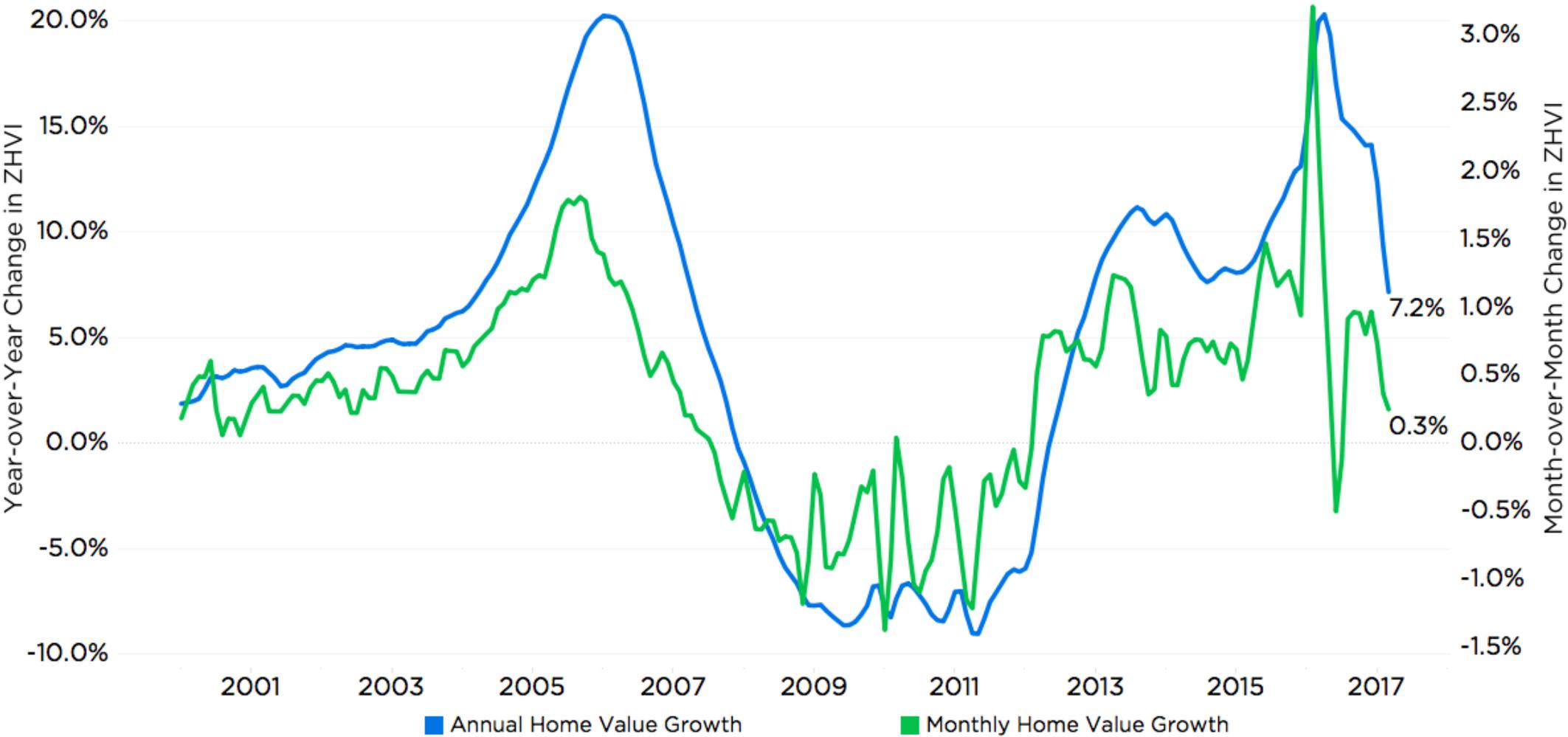
Bend, Portland and Seattle Metro Median Home Values



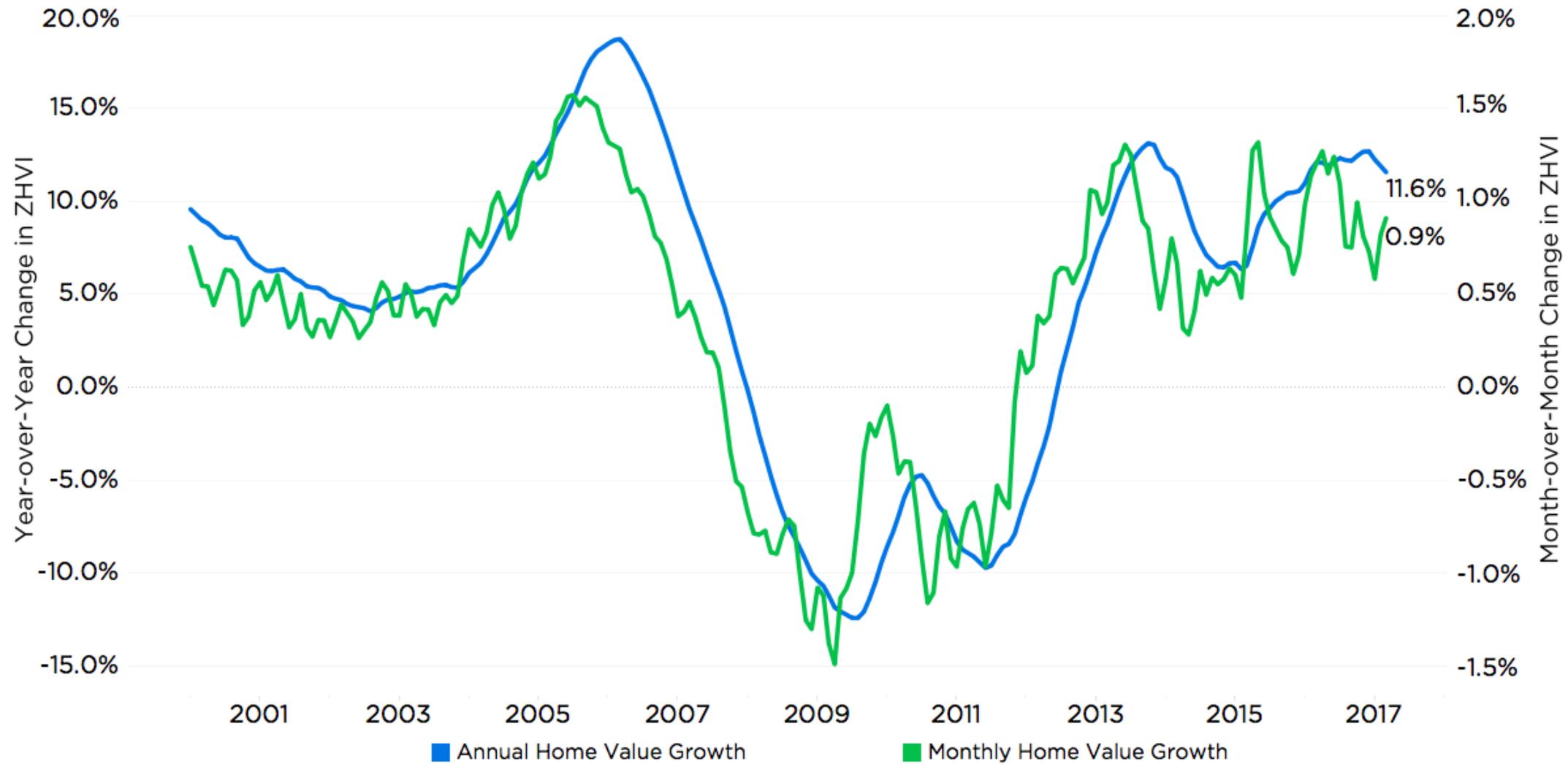
Bend Annual Home Value Growth



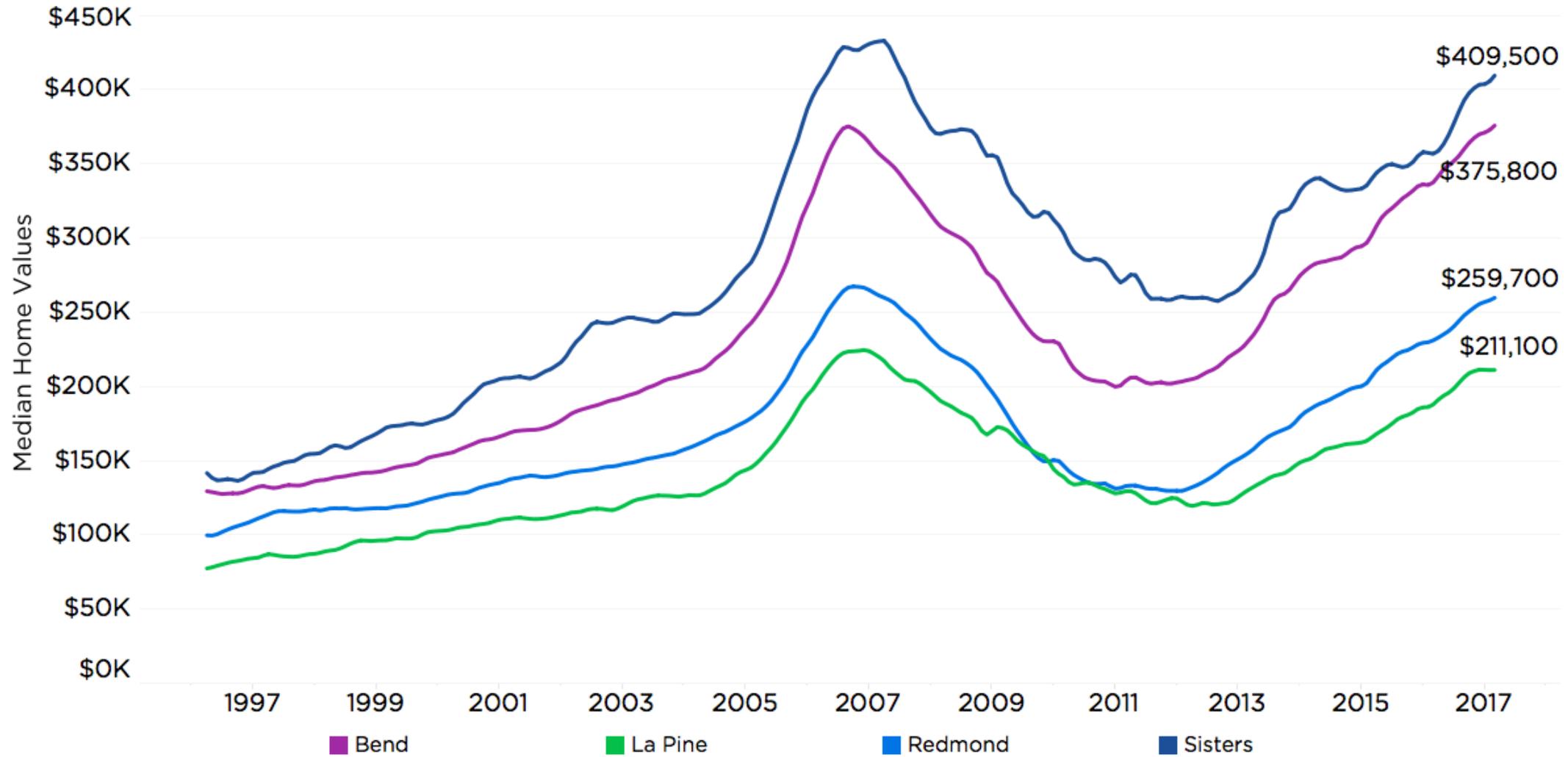
Portland Annual Home Value Growth



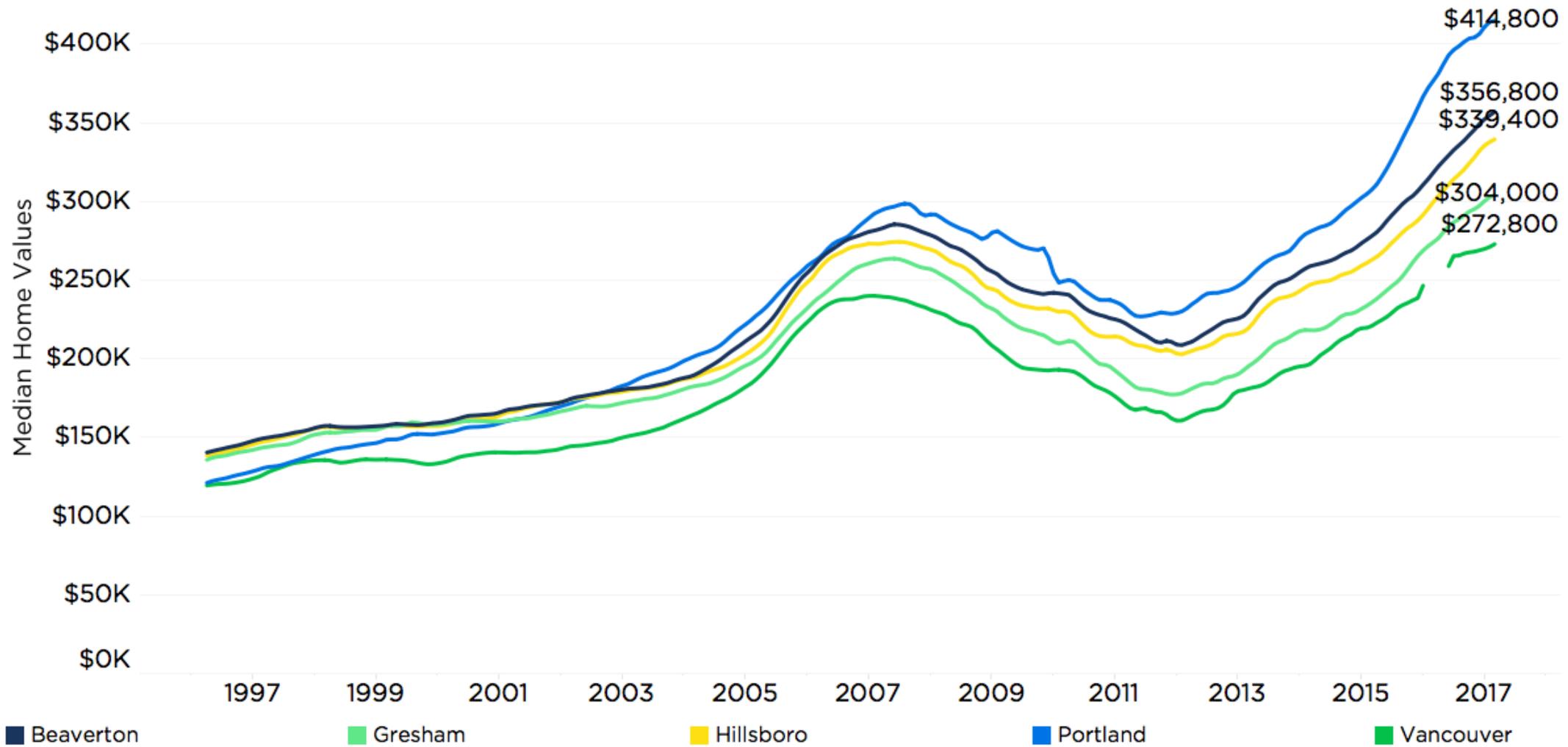
Seattle Annual Home Value Growth



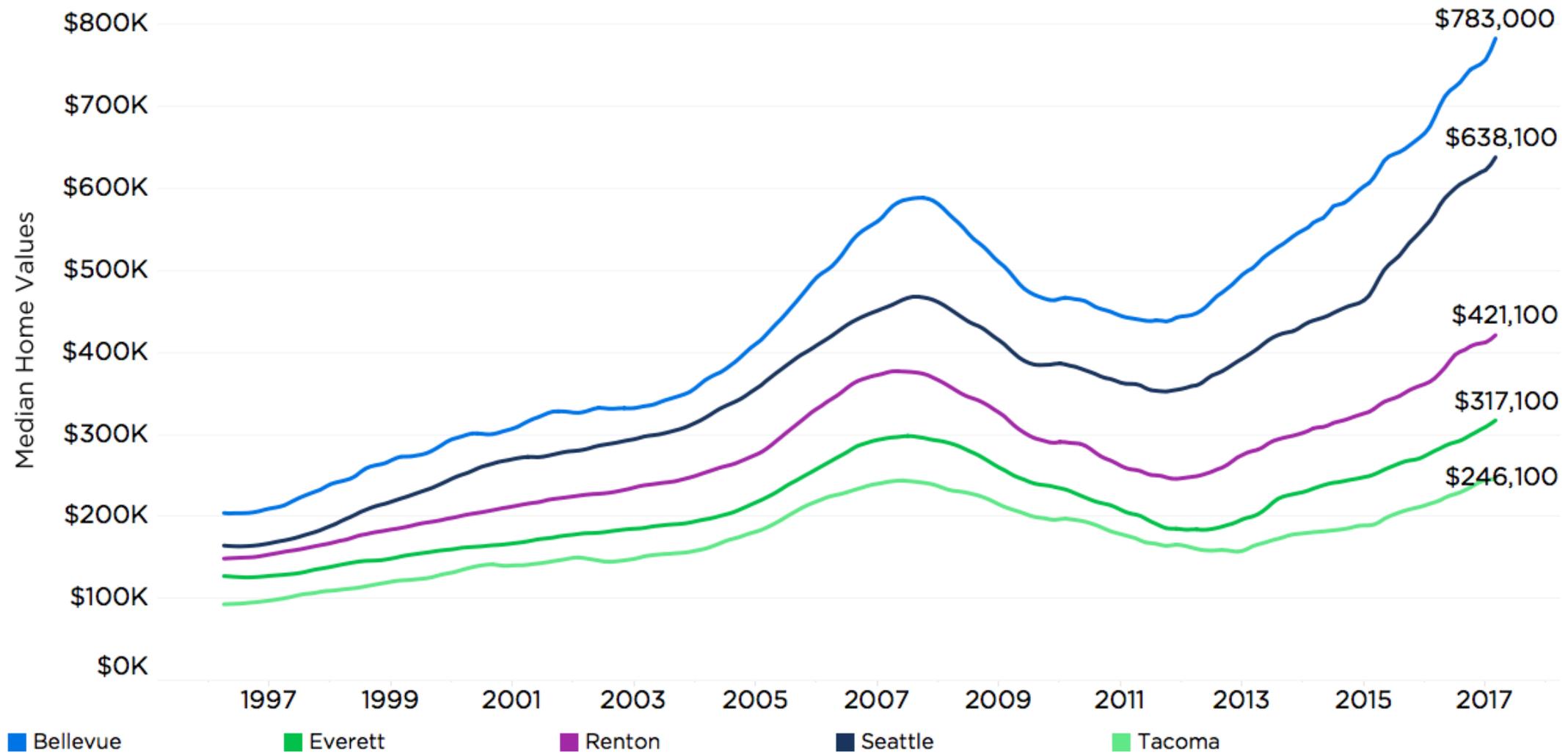
Cities in the Bend Metro, Home Values



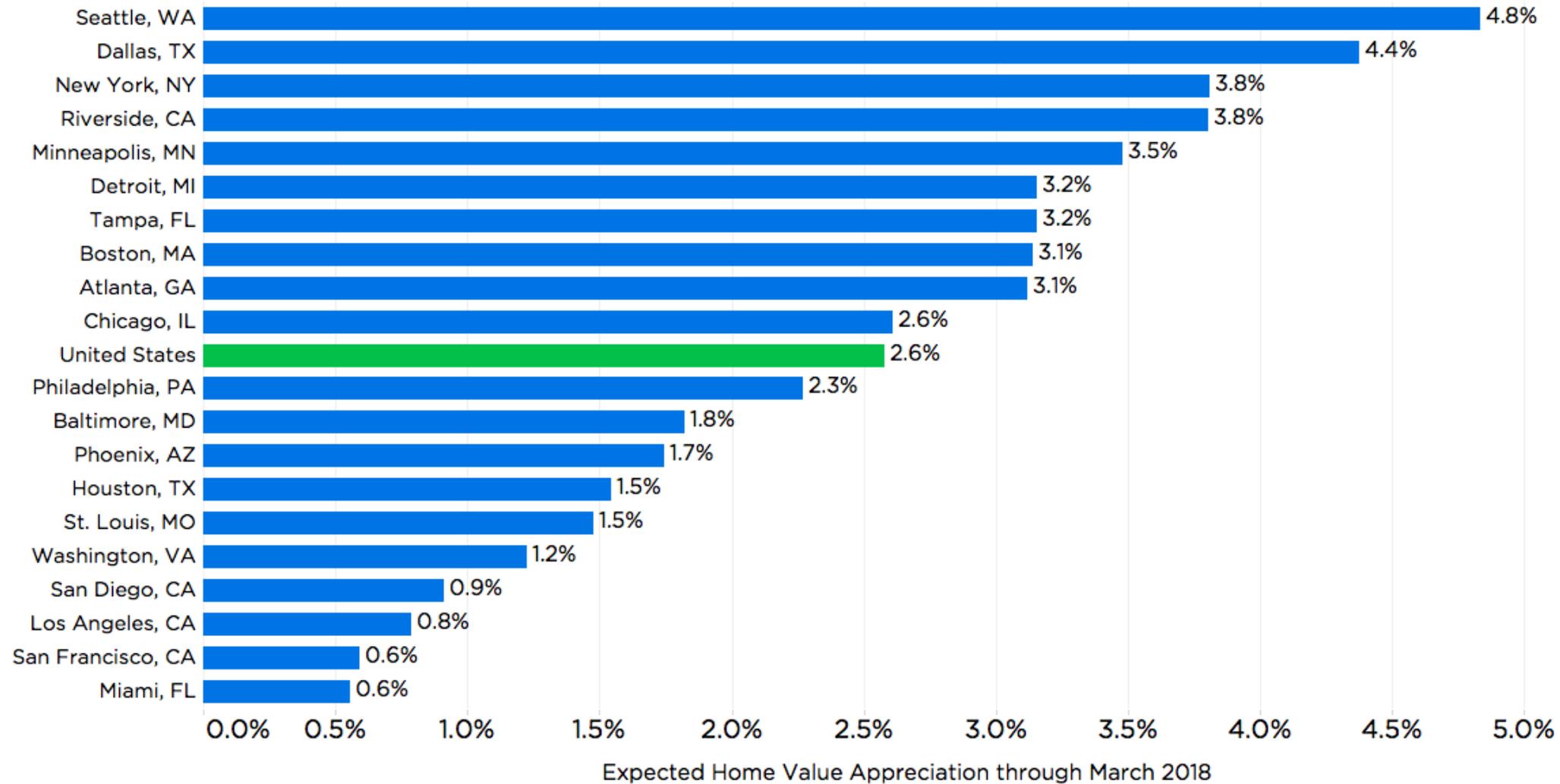
Cities in the Portland Metro, Home Values



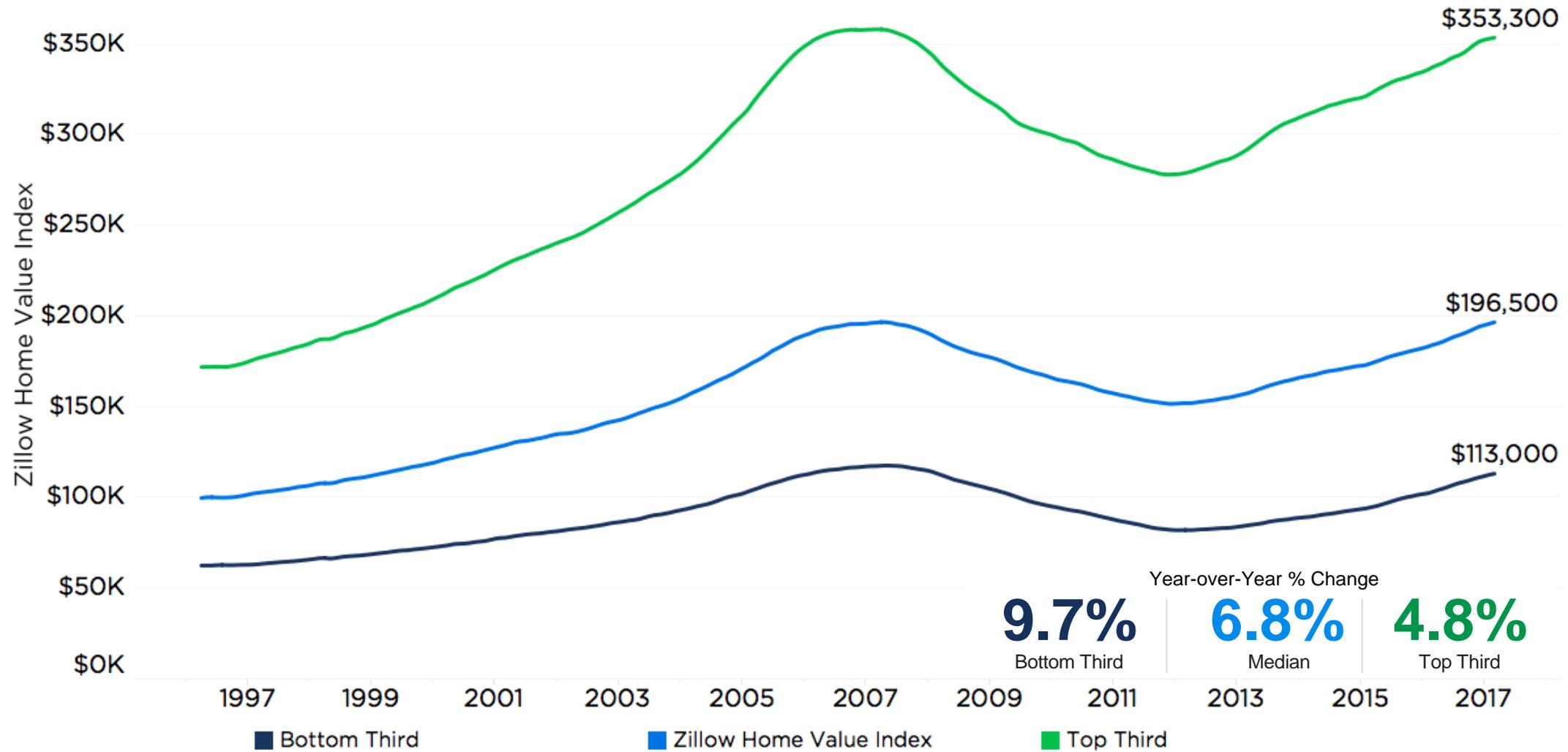
Cities in the Seattle Metro, Home Values



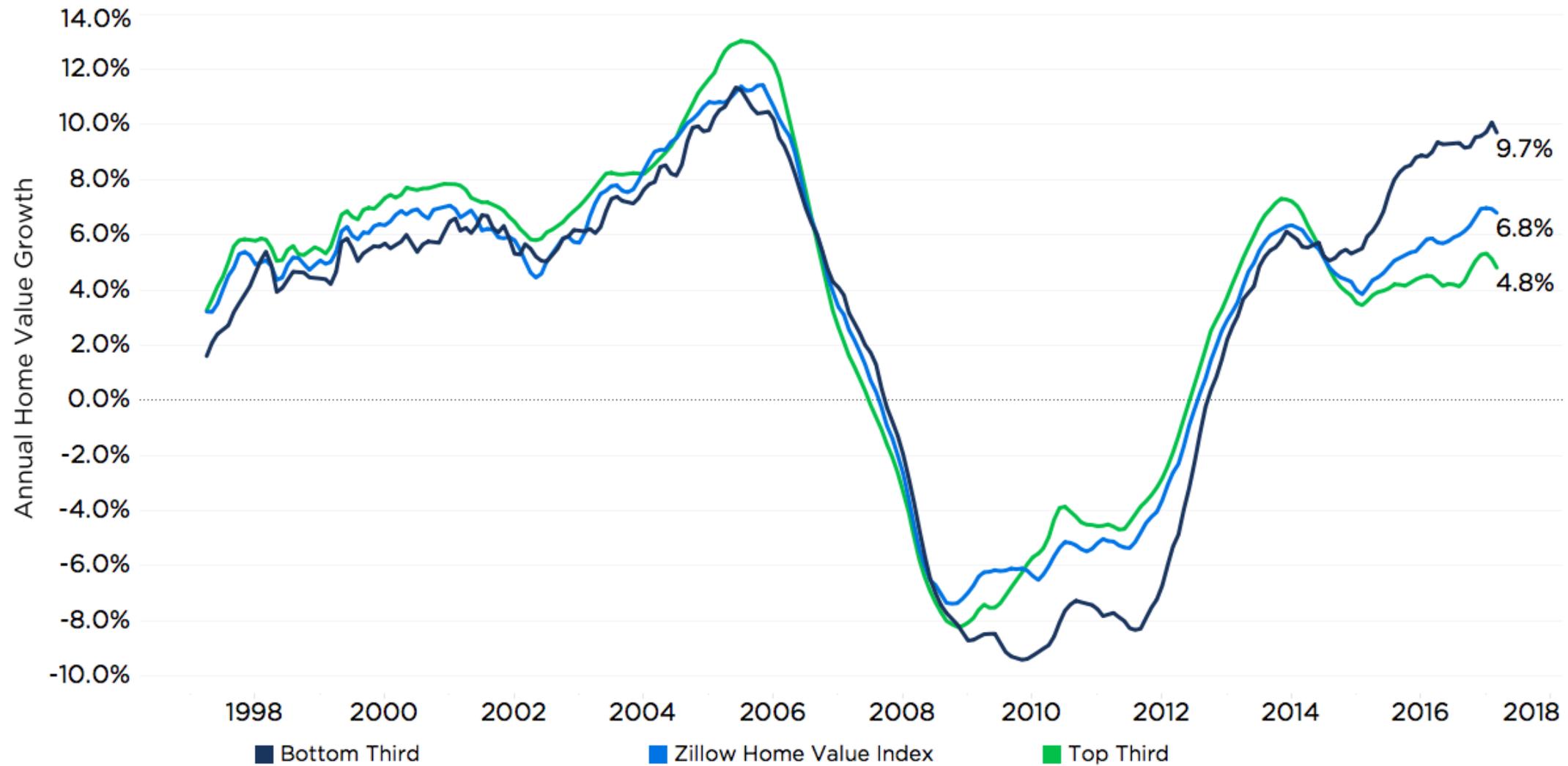
Home value growth is expected to slow through 2018 Q1



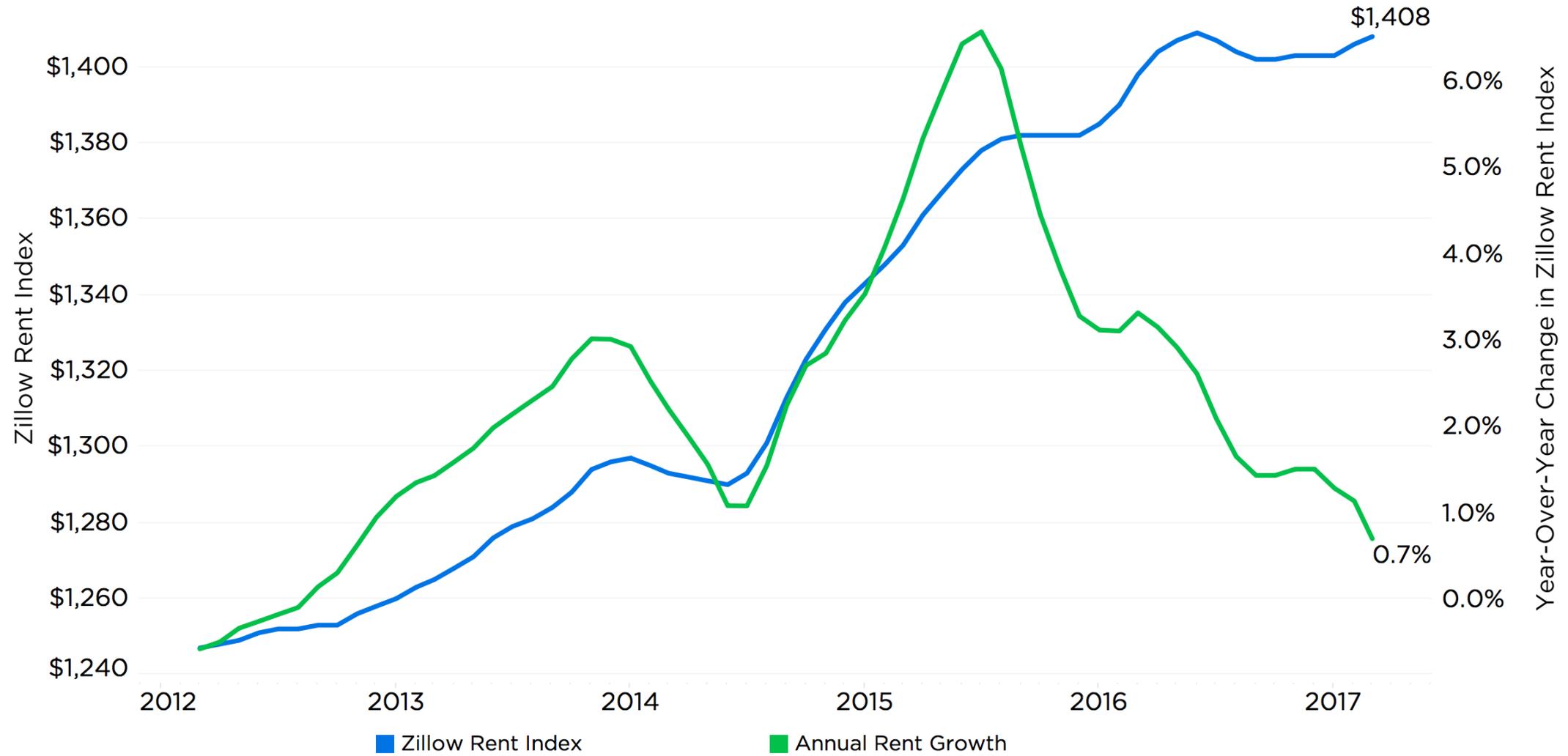
Zillow Home Value Index, by Thirds



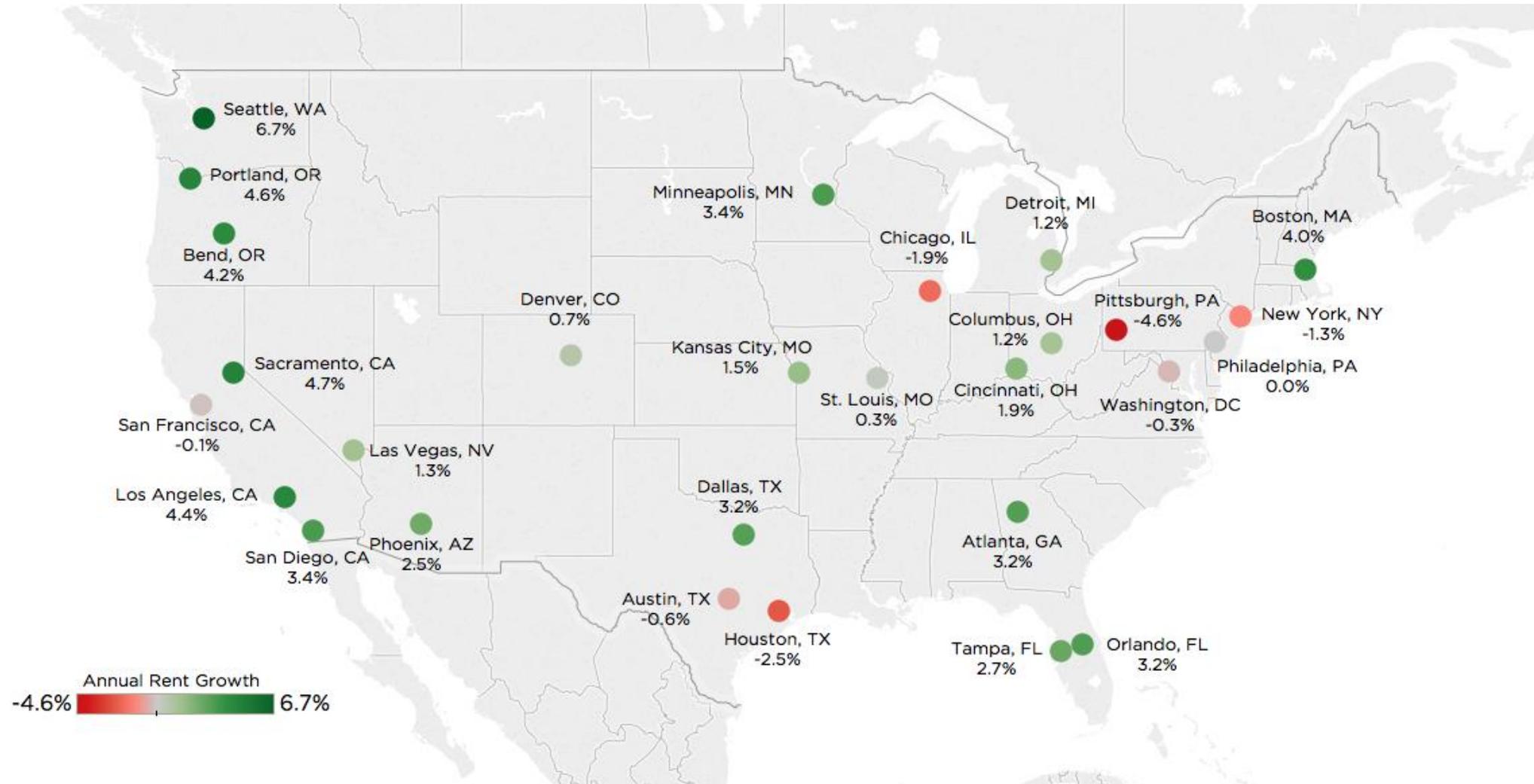
Home value appreciation for bottom-third homes continues to outpace home value growth in top-third homes



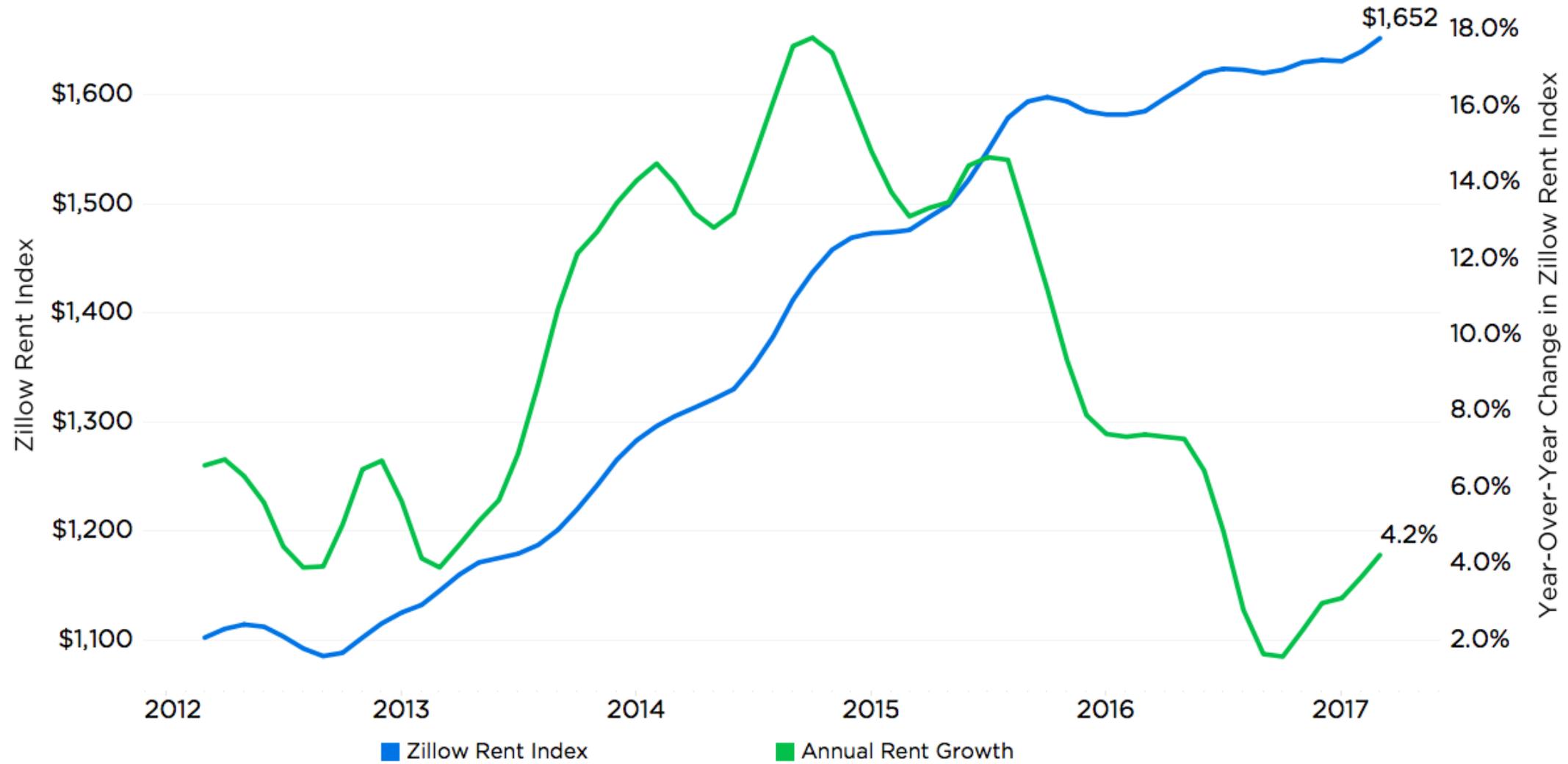
Growth in rents flattened in the second half of 2016



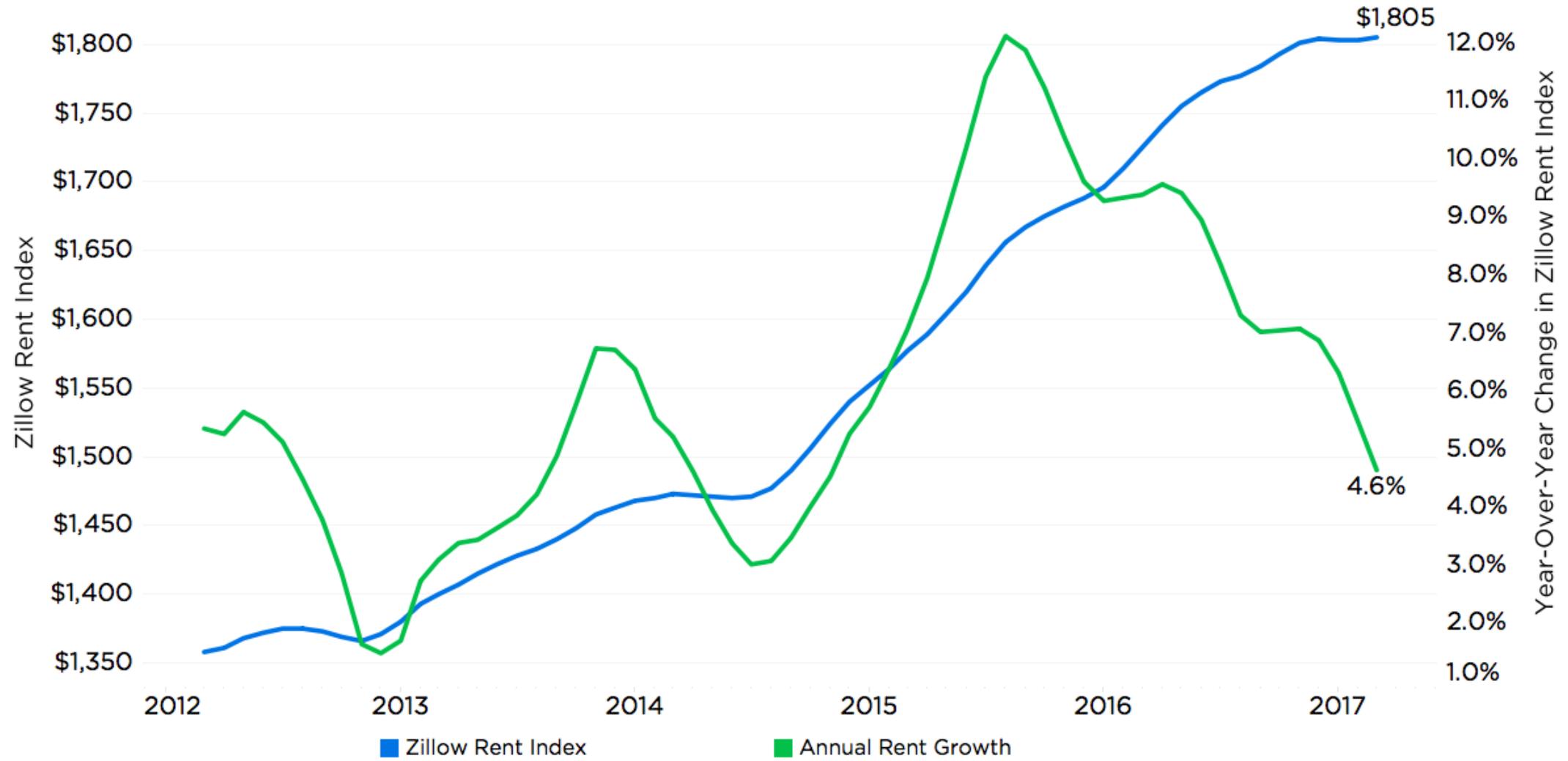
Annual rent growth is strongest in the Pacific Northwest



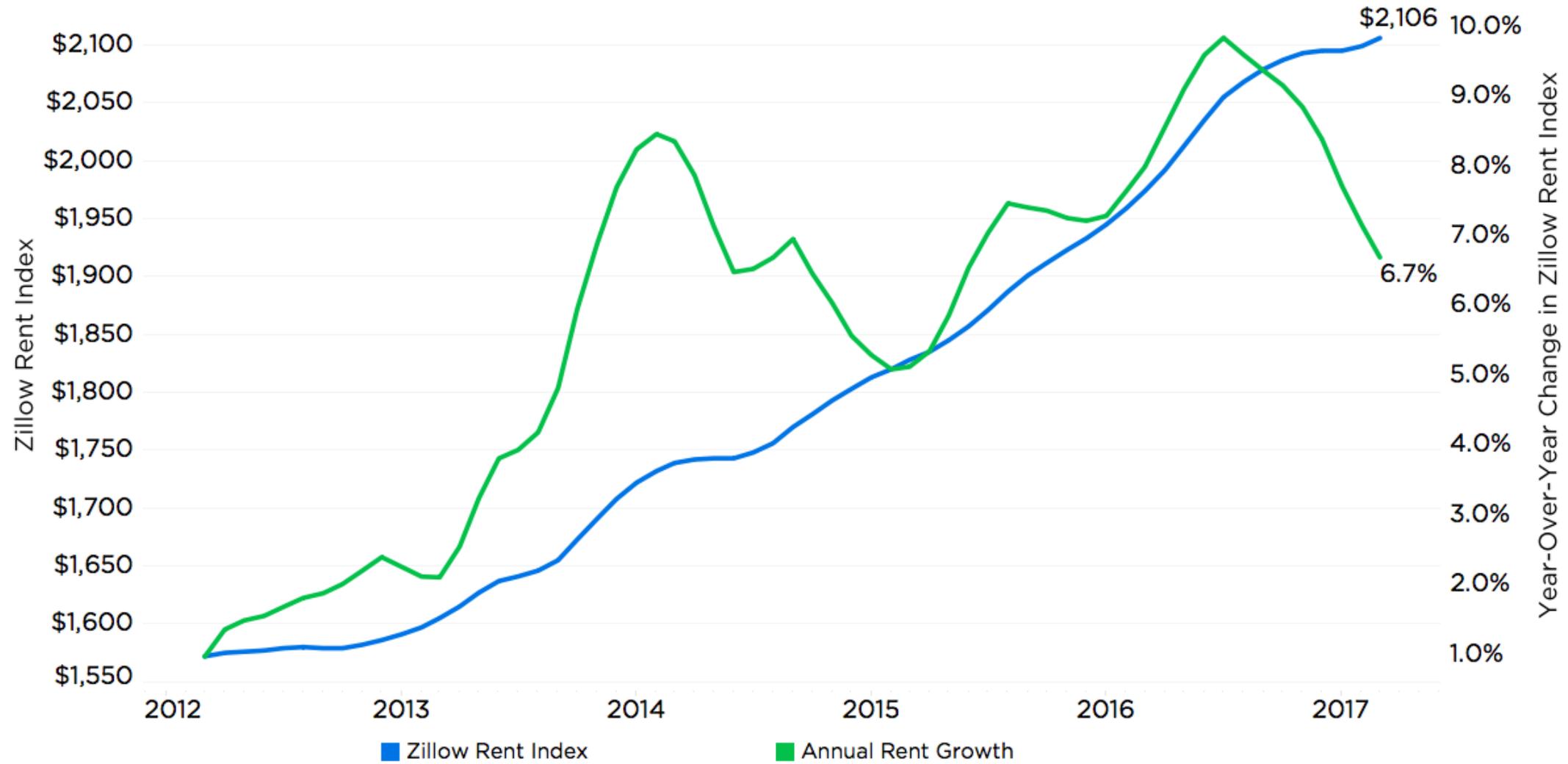
Bend Rent Index



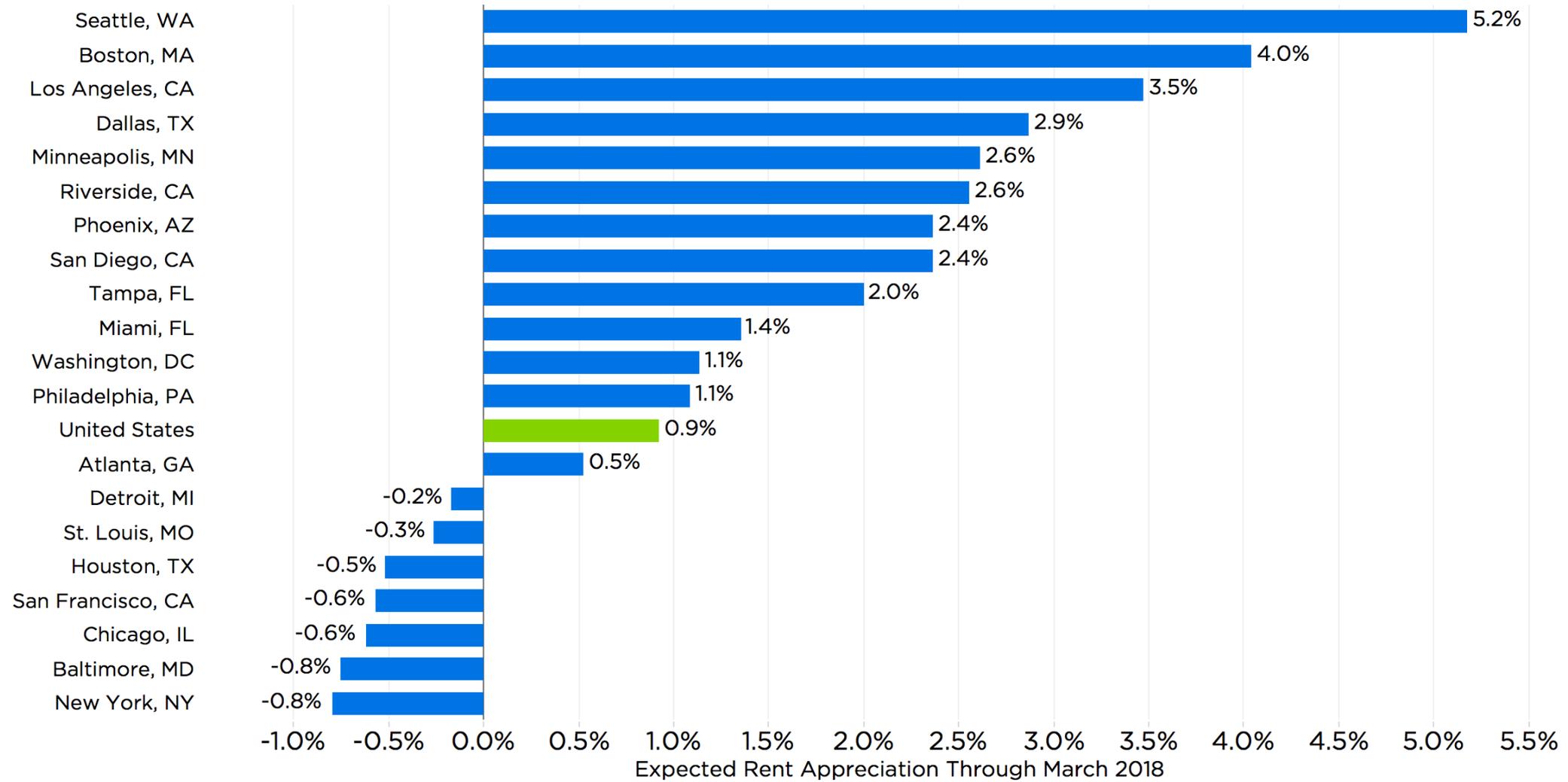
Portland Rent Index



Seattle Rent Index

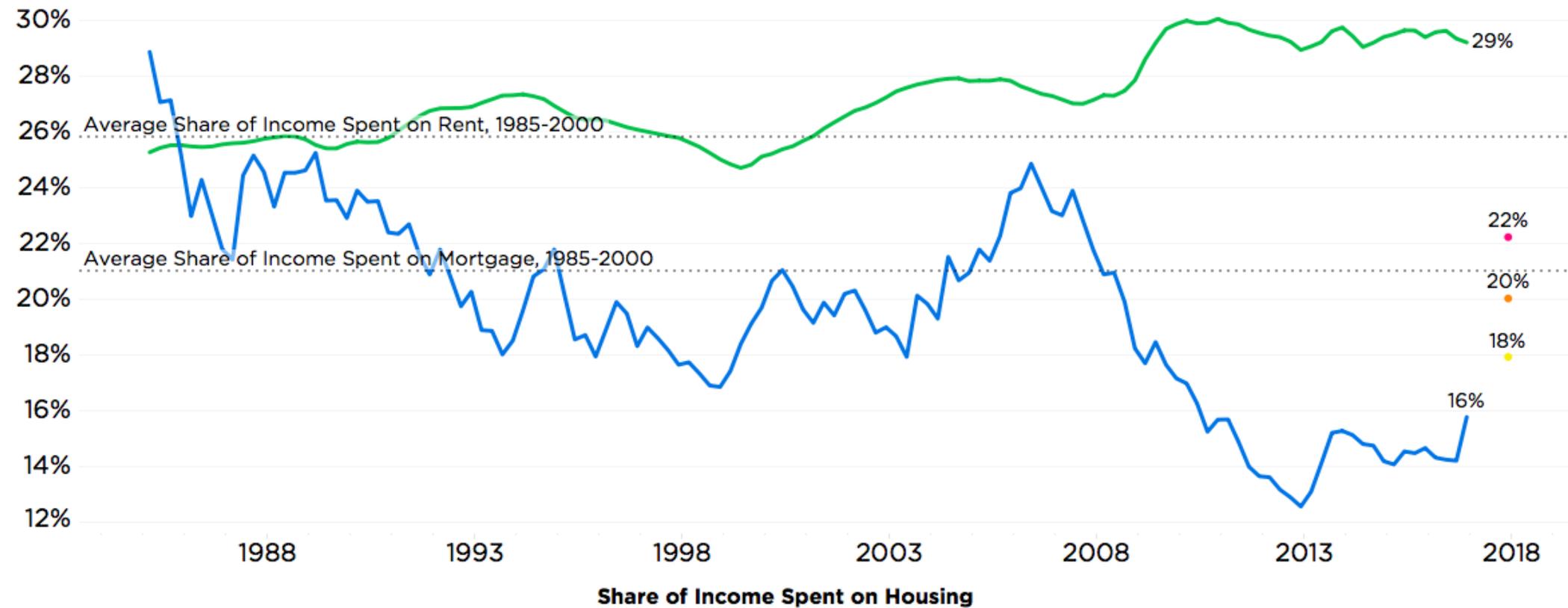


Growth in rents over the next year is expected to slow in many high-growth markets



MORTGAGE AND RENT AFFORDABILITY

Nationwide, the share of income spent on a mortgage is well below historic norms

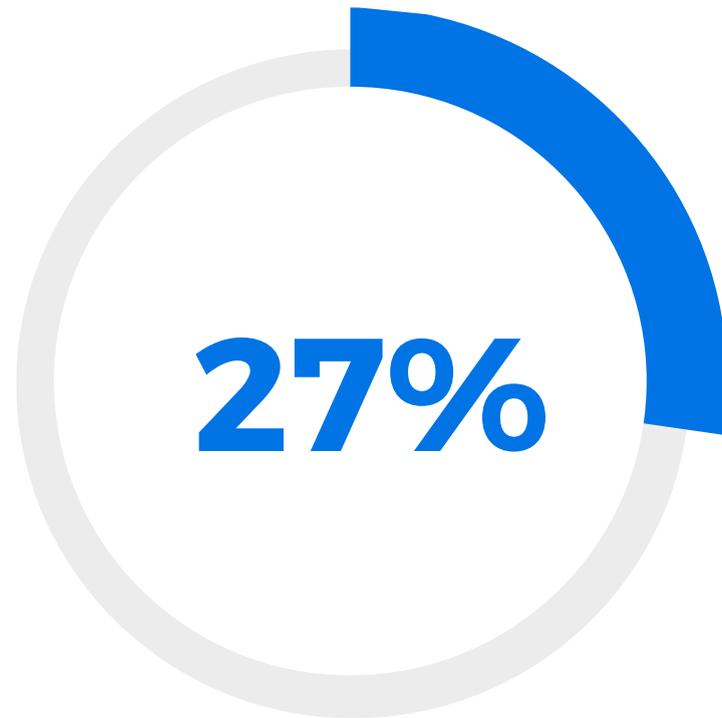


Average Mortgage Affordability, 1985-2000	Mortgage Affordability, 2016 Q4	Forecasted at 5% Rates	Forecasted at 6% Rates	Forecasted at 7% Rates	Average Rent Affordability, 1985-2000	Rent Affordability, 2016 Q4
21%	16%	18%	20%	22%	26%	29%

Bend Affordability

Mortgage Affordability

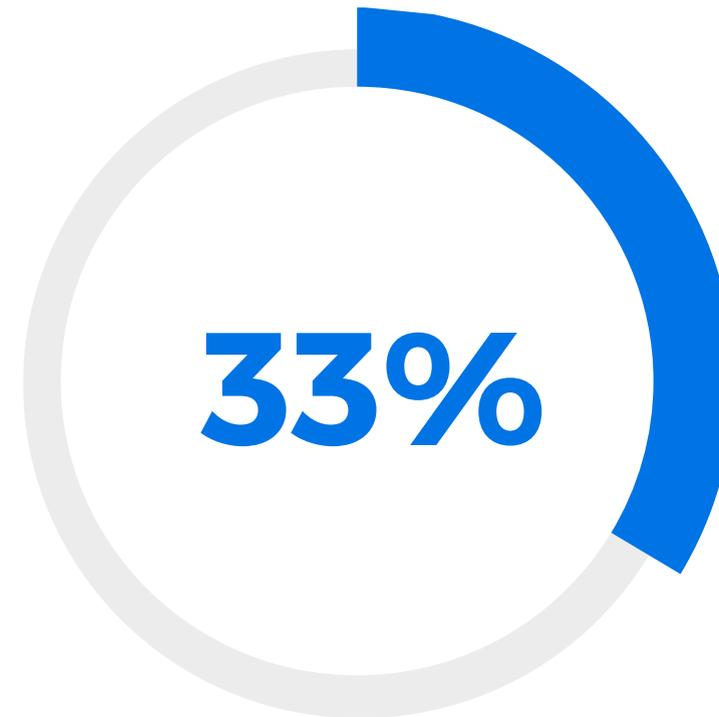
Share of income spent on mortgage



1985-1999 Mortgage Affordability: 22%

Rent Affordability

Share of income spent on rent

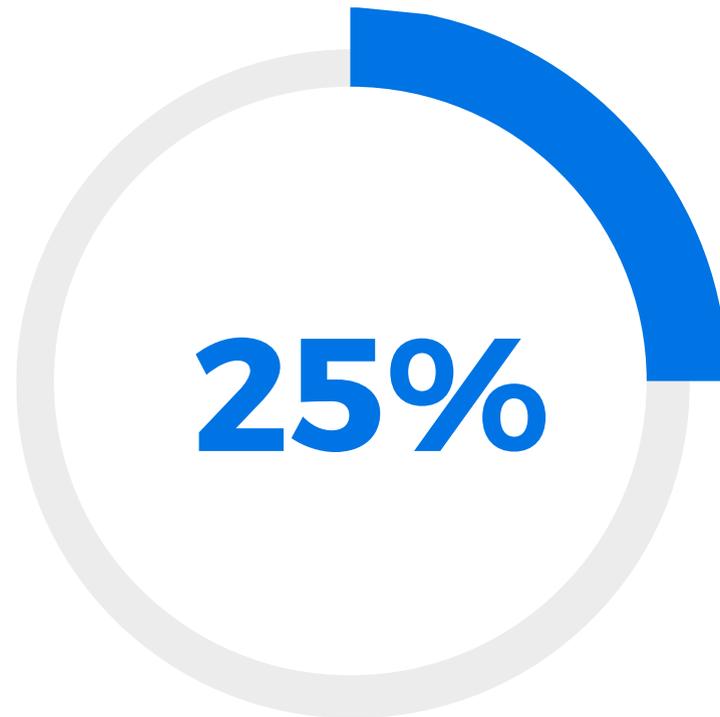


1985-1999 Rent Affordability: 21%

Portland Affordability

Mortgage Affordability

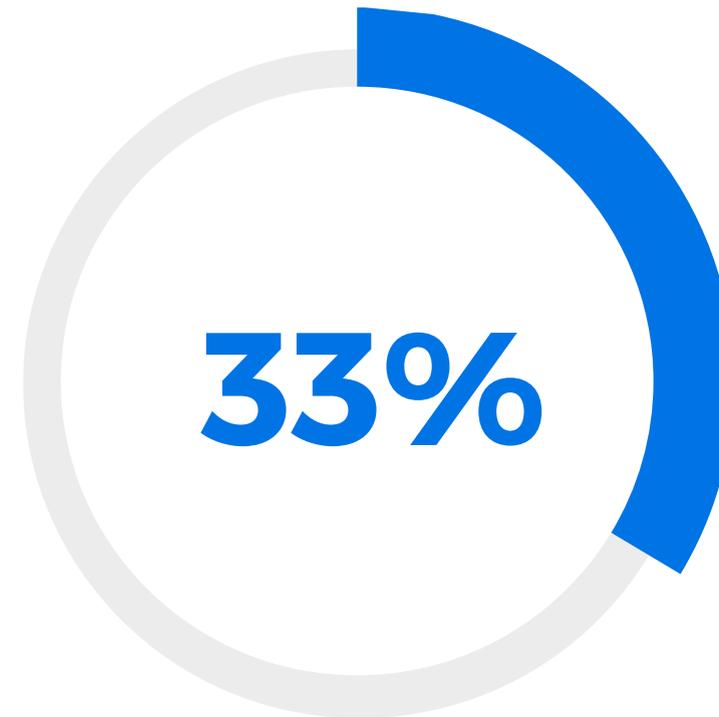
Share of income spent on mortgage



1985-1999 Mortgage Affordability: 23%

Rent Affordability

Share of income spent on rent

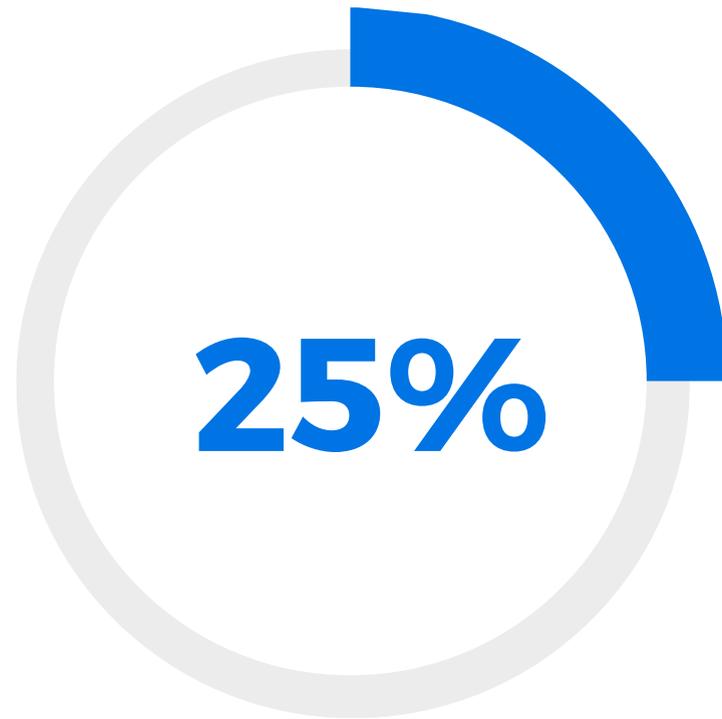


1985-1999 Rent Affordability: 24%

Seattle Affordability

Mortgage Affordability

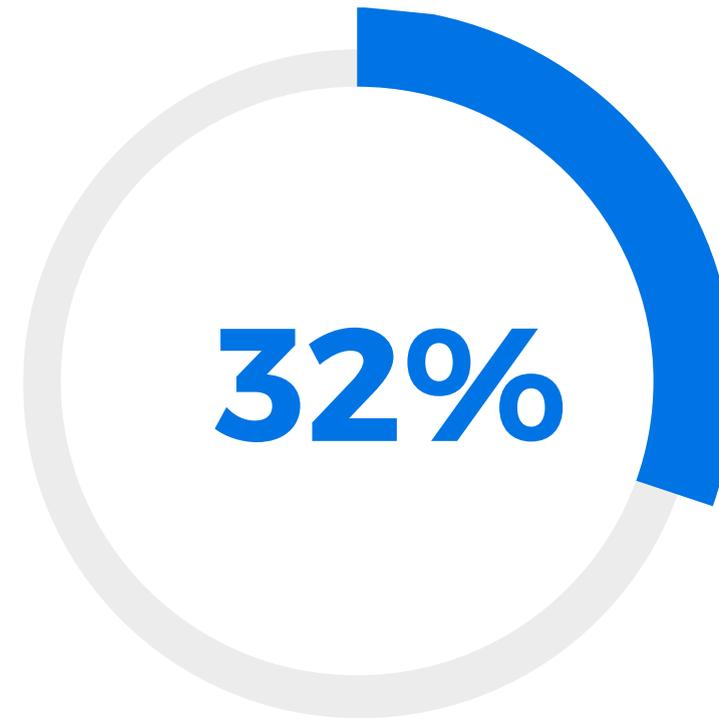
Share of income spent on mortgage



1985-1999 Mortgage Affordability: 25%

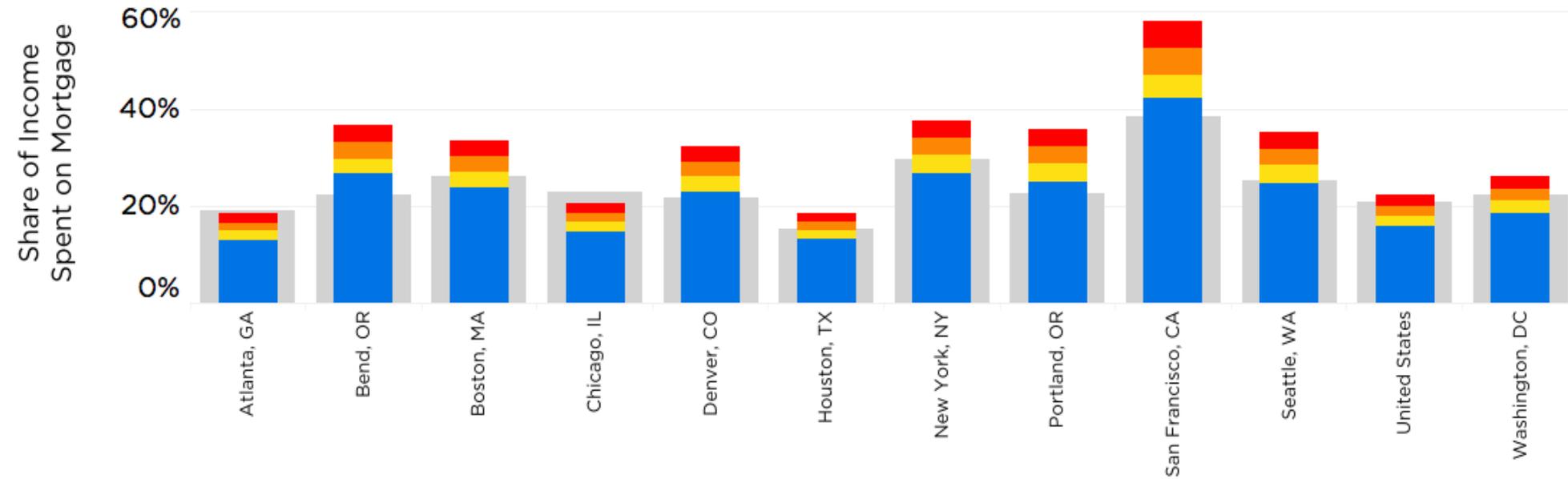
Rent Affordability

Share of income spent on rent



1985-1999 Rent Affordability: 24%

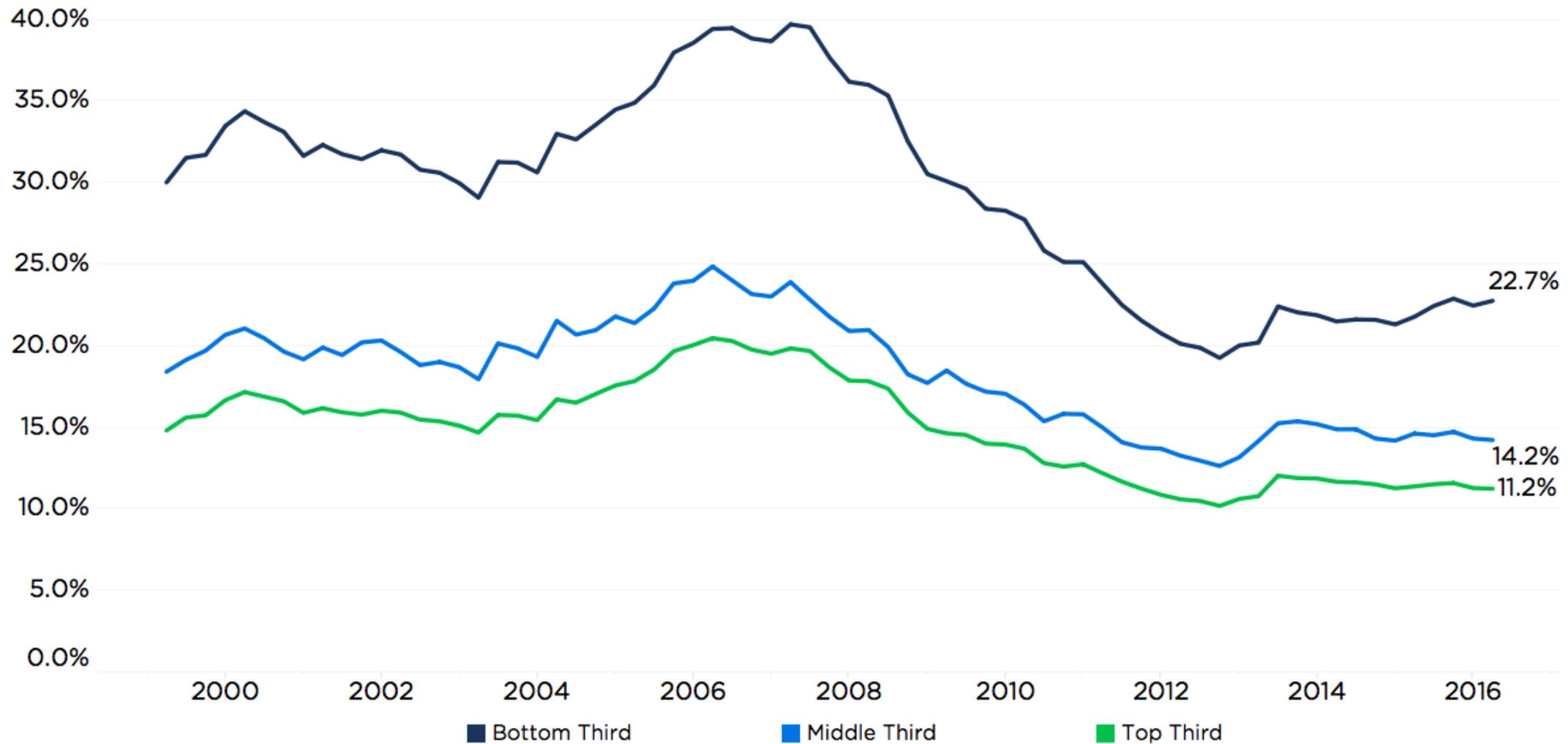
Mortgage affordability in Select U.S. Metros



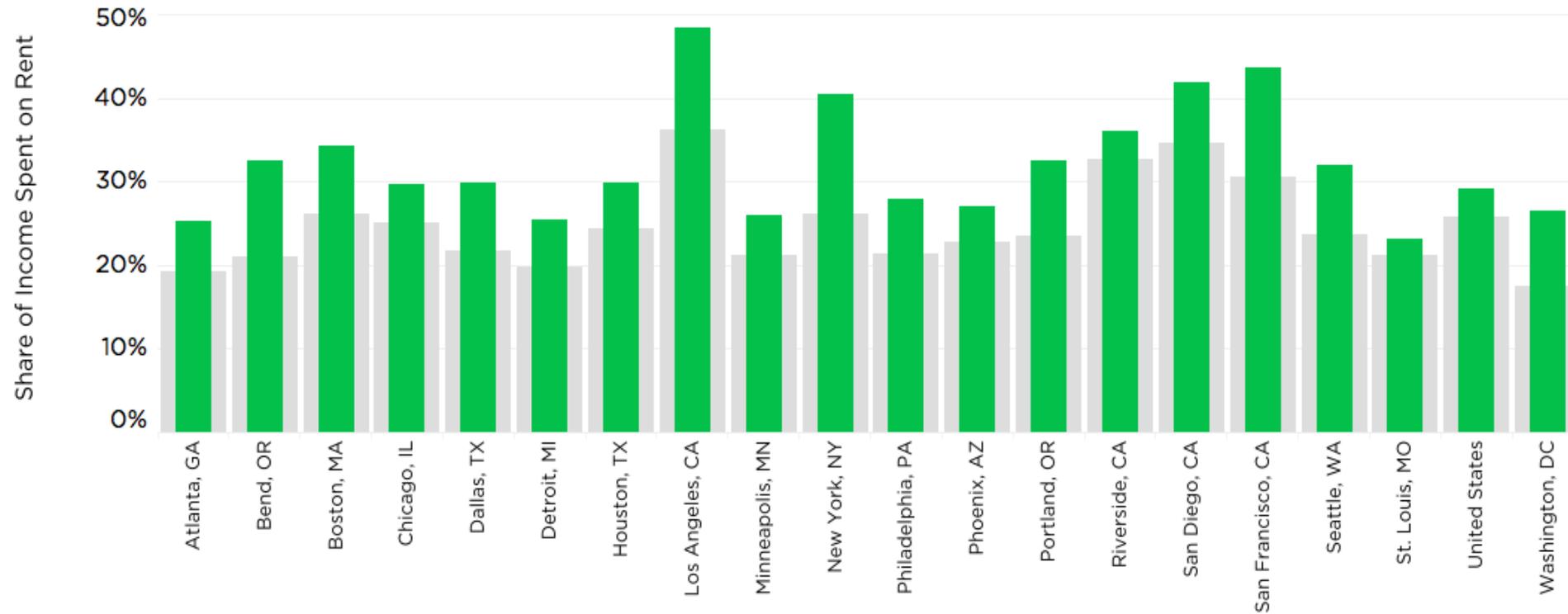
Share of Income Spent on Mortgage, 2016 Q4	13%	27%	24%	15%	23%	13%	27%	25%	42%	25%	16%	19%
Average Share of Incomes Spent on Mortgage, 1985-2000	19%	22%	26%	23%	22%	15%	30%	23%	38%	25%	21%	22%
Forecasted at 5% Rates	15%	30%	27%	17%	26%	15%	30%	29%	47%	28%	18%	21%
Forecasted at 6% Rates	17%	33%	30%	19%	29%	17%	34%	32%	52%	32%	20%	23%
Forecasted at 7% Rates	18%	37%	33%	21%	32%	19%	38%	36%	58%	35%	22%	26%

■ Mortgage Affordability, 2016 Q4
 ■ Forecasted at 5% Rates
 ■ Forecasted at 7% Rates
■ Average Mortgage Affordability, 1985-2000
 ■ Forecasted at 6% Rates

Weak income growth and rapid appreciation, even with very low mortgage interest rates, means homes are becoming more unaffordable, more quickly for bottom-third home buyers



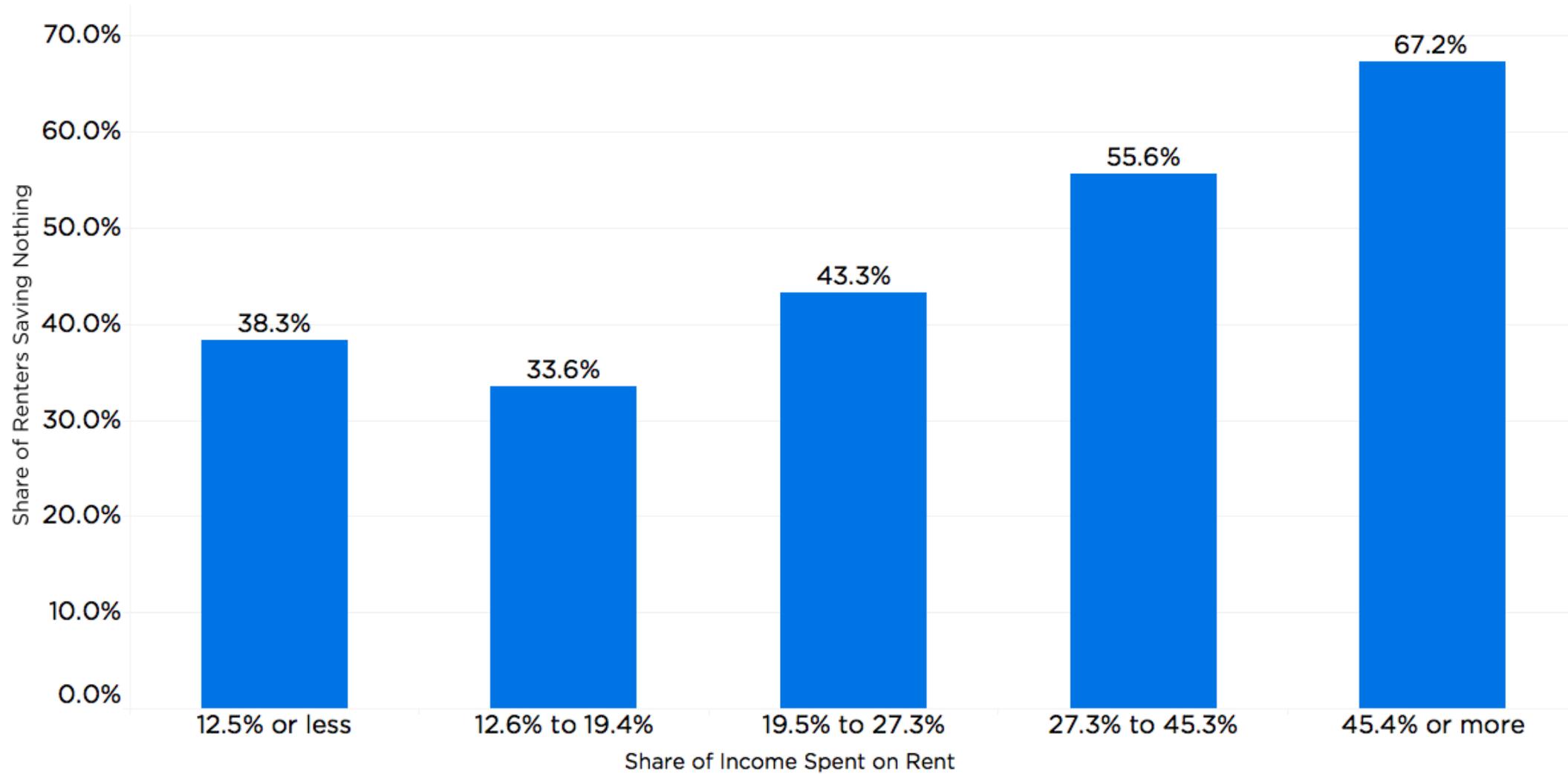
The share of income spent on rent is higher than the historic average in the nation's largest metros



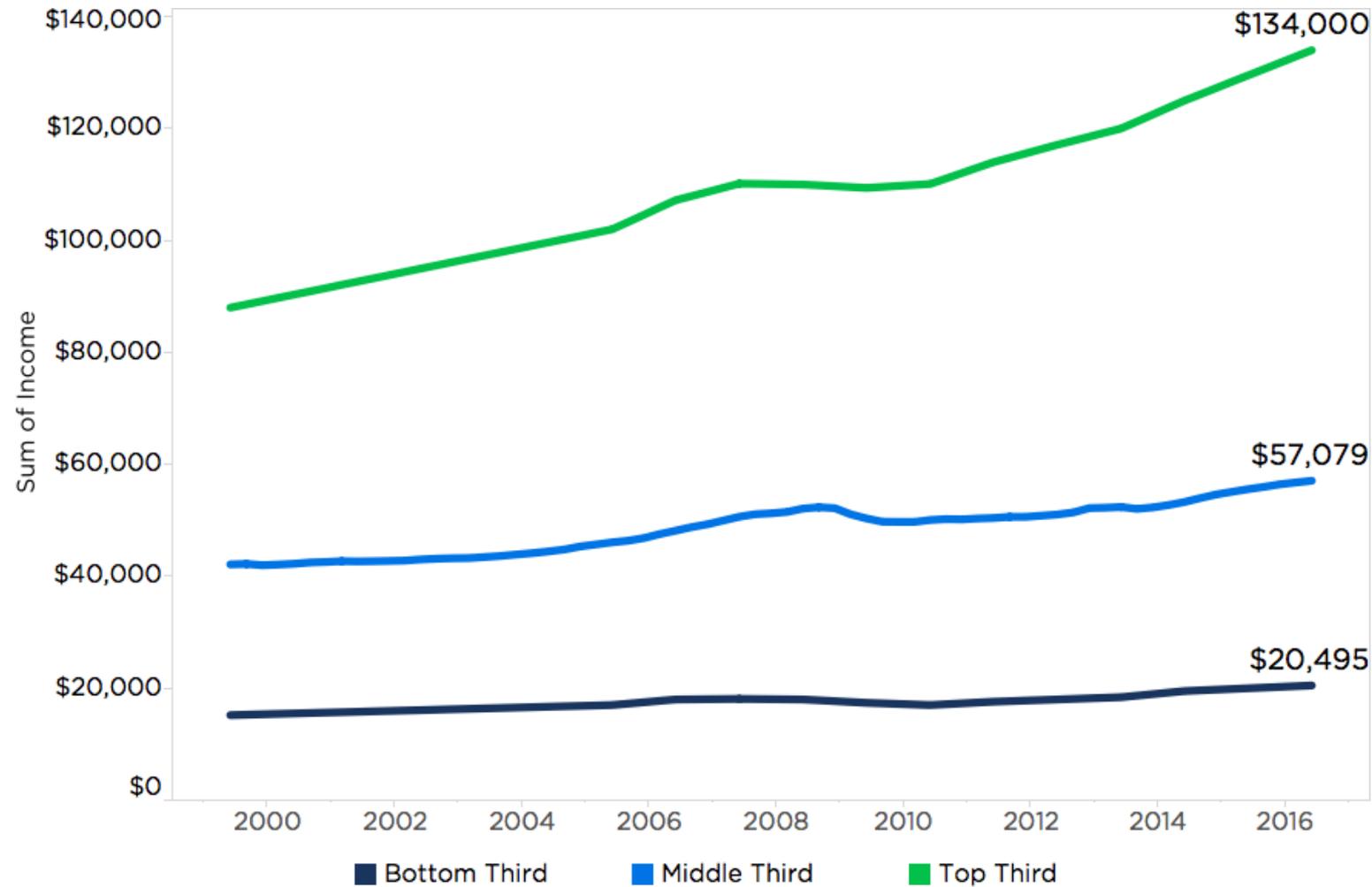
Share of Income Spent on Rent, 2016 Q4	25%	33%	34%	30%	30%	25%	30%	49%	26%	40%	28%	27%	33%	36%	42%	44%	32%	23%	29%	26%
Average Share of Incomes Spent on Rent, 1985-2000	19%	21%	26%	25%	22%	20%	24%	36%	21%	26%	21%	23%	34%	33%	35%	31%	24%	21%	26%	18%

■ Rent Affordability, 2016 Q4
■ Average Rent Affordability, 1985-2000

As the share of income spent on rent rises, more renters report saving nothing



Income growth for the lowest earners has been especially weak



Income Growth,
2000-2016

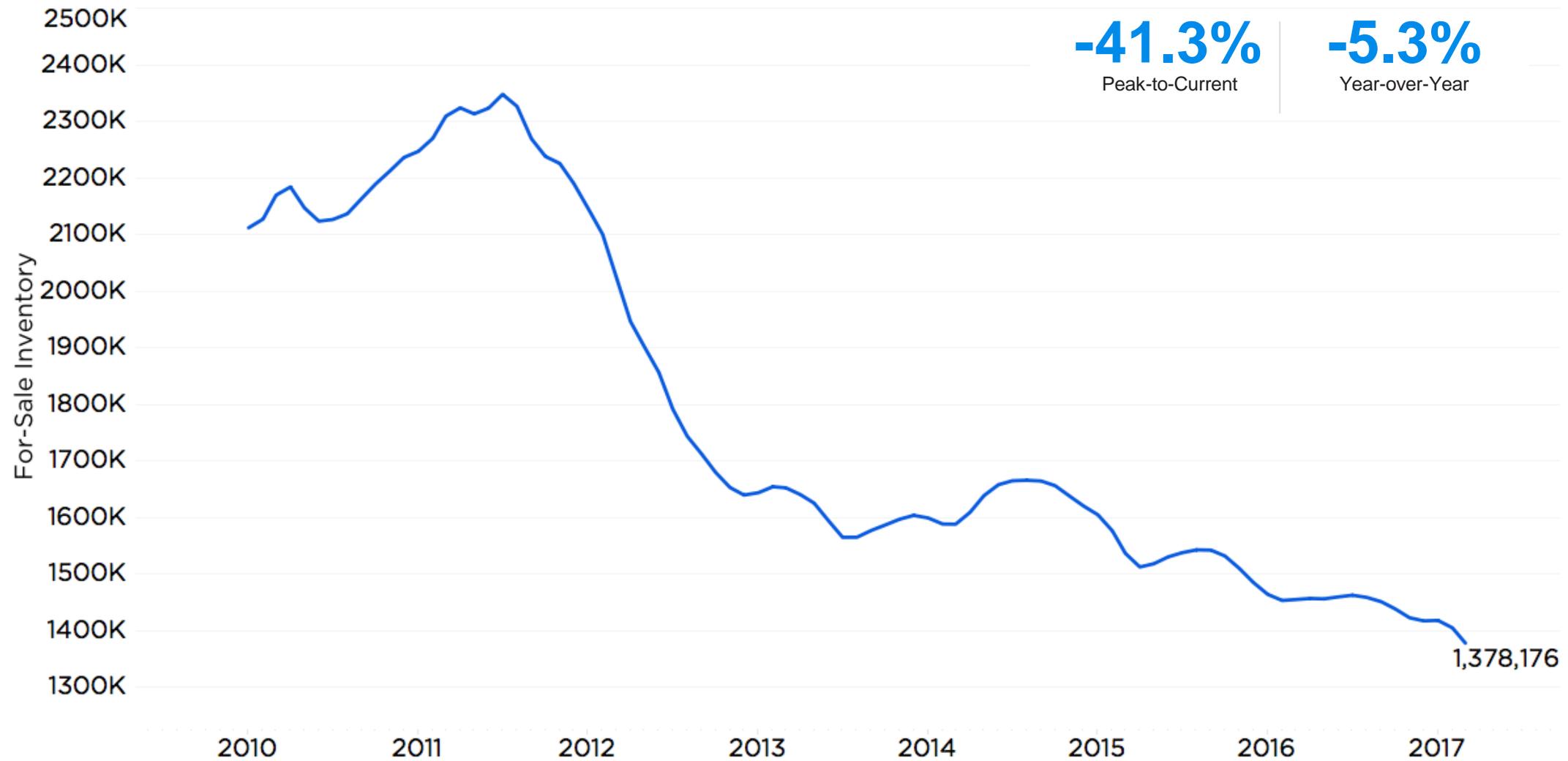
Top Third
48.3%

Middle Third
35.1%

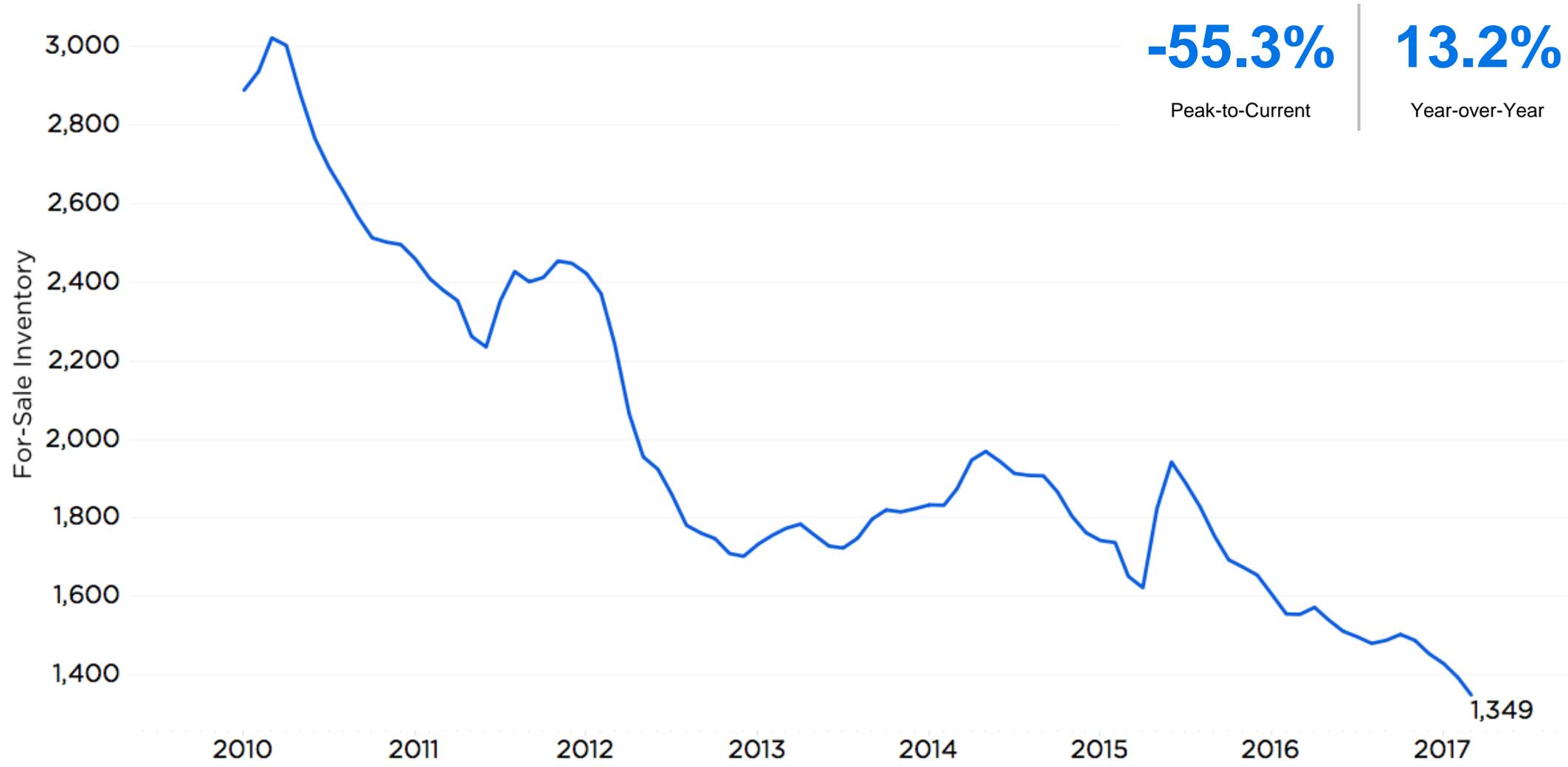
Bottom Third
32.2%

INVENTORY, CONSTRUCTION AND DEMOGRAPHICS

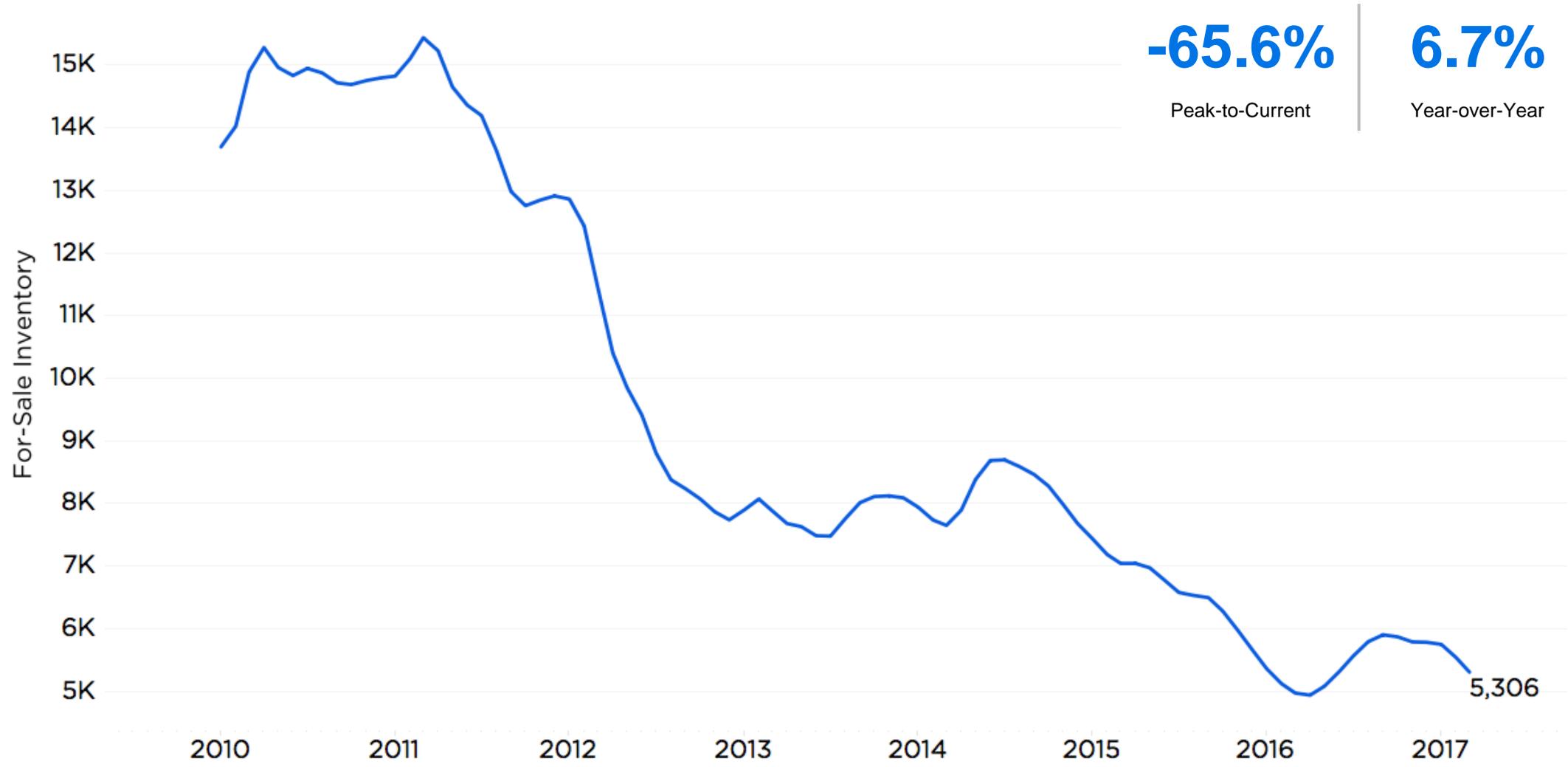
The number of U.S. homes for sale is low, and falling



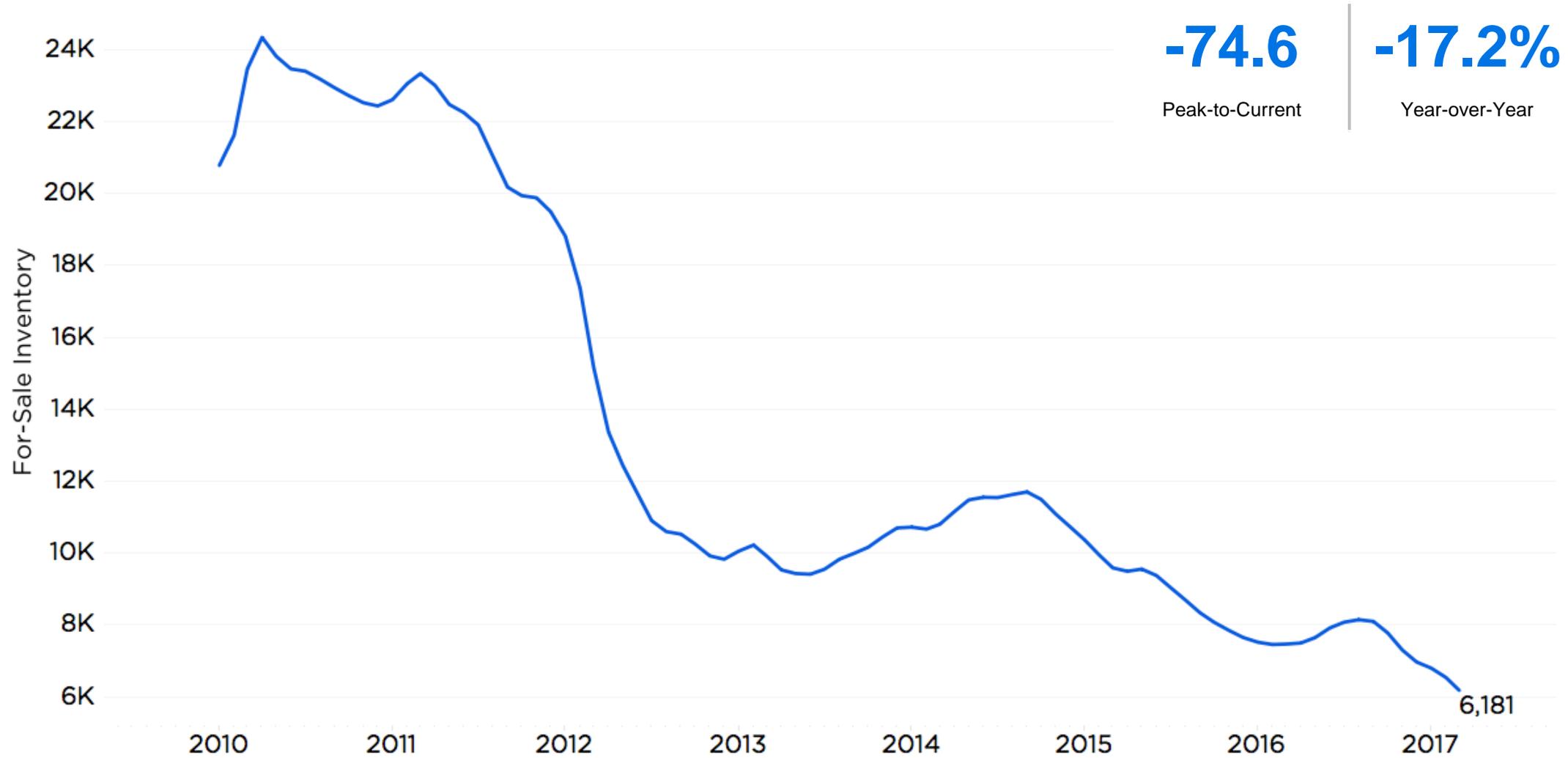
Bend Metro Inventory



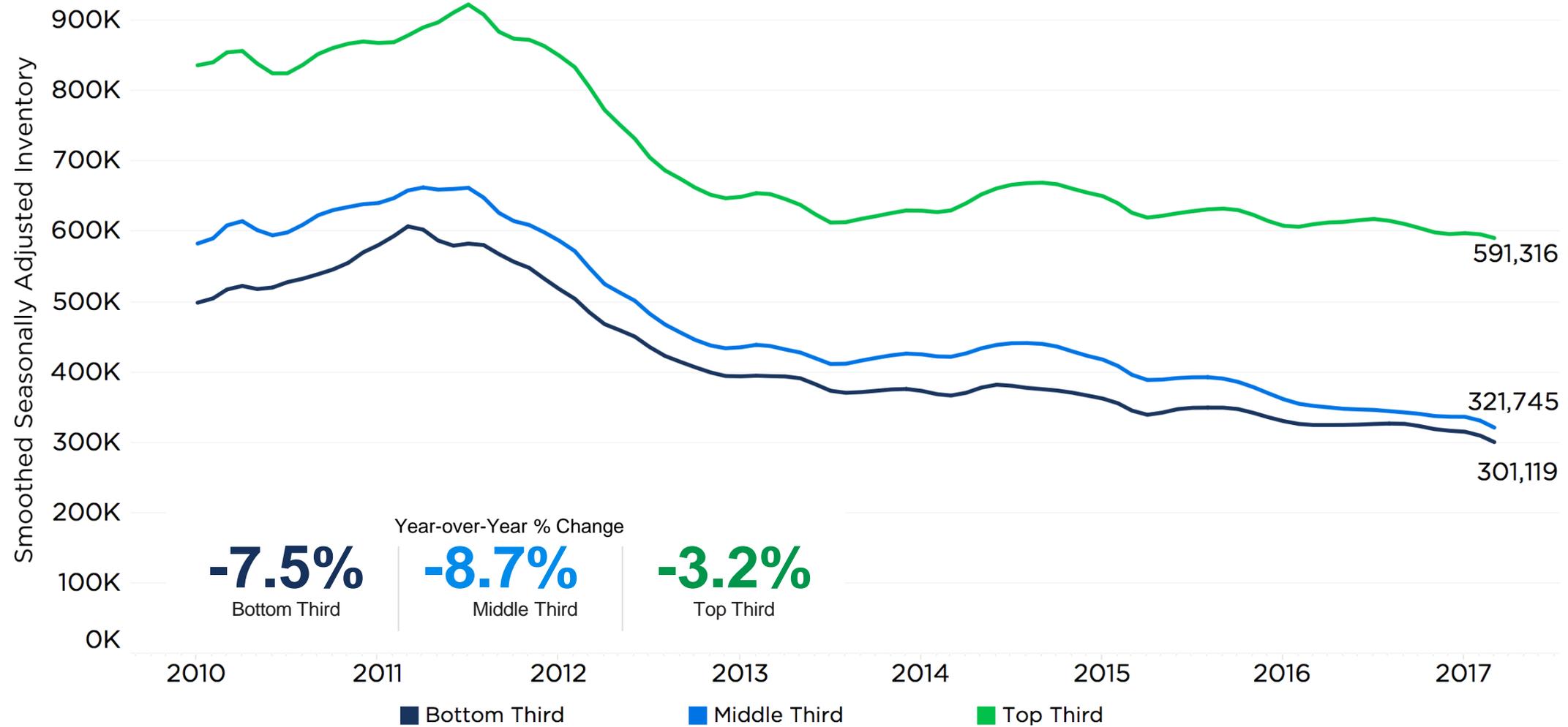
Portland Metro Inventory



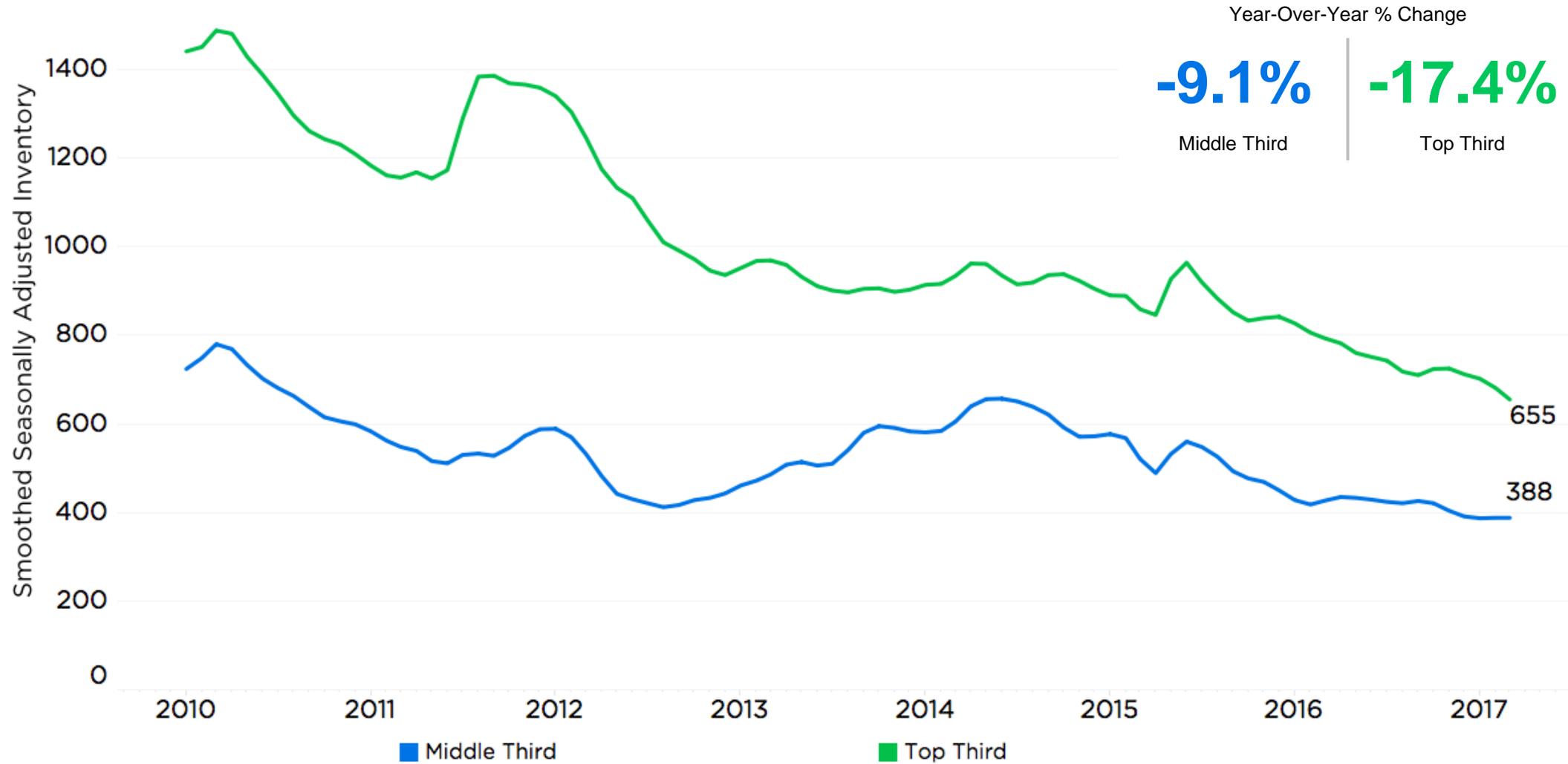
Seattle Metro Inventory



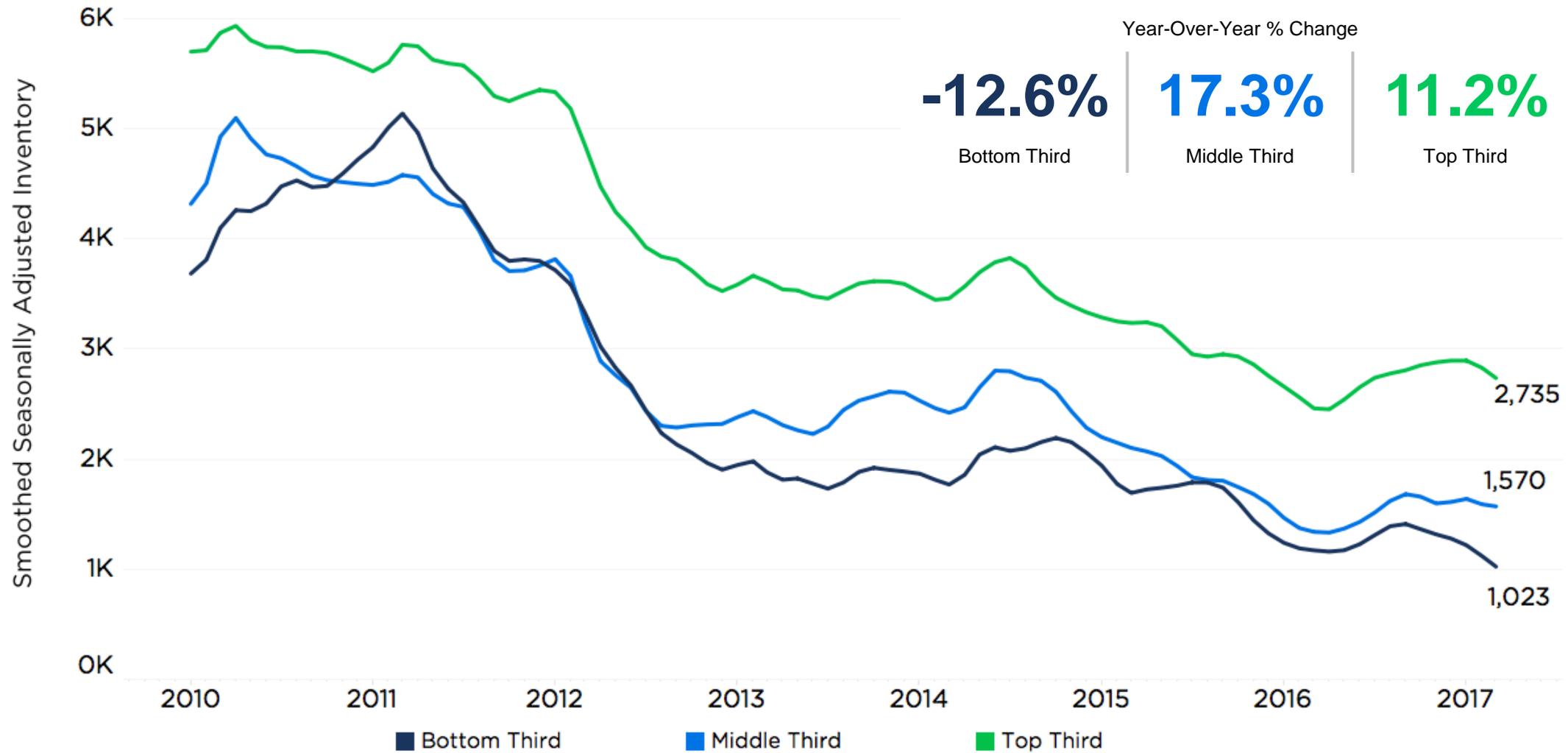
Inventory shortages are particularly acute among bottom- and middle-tier homes



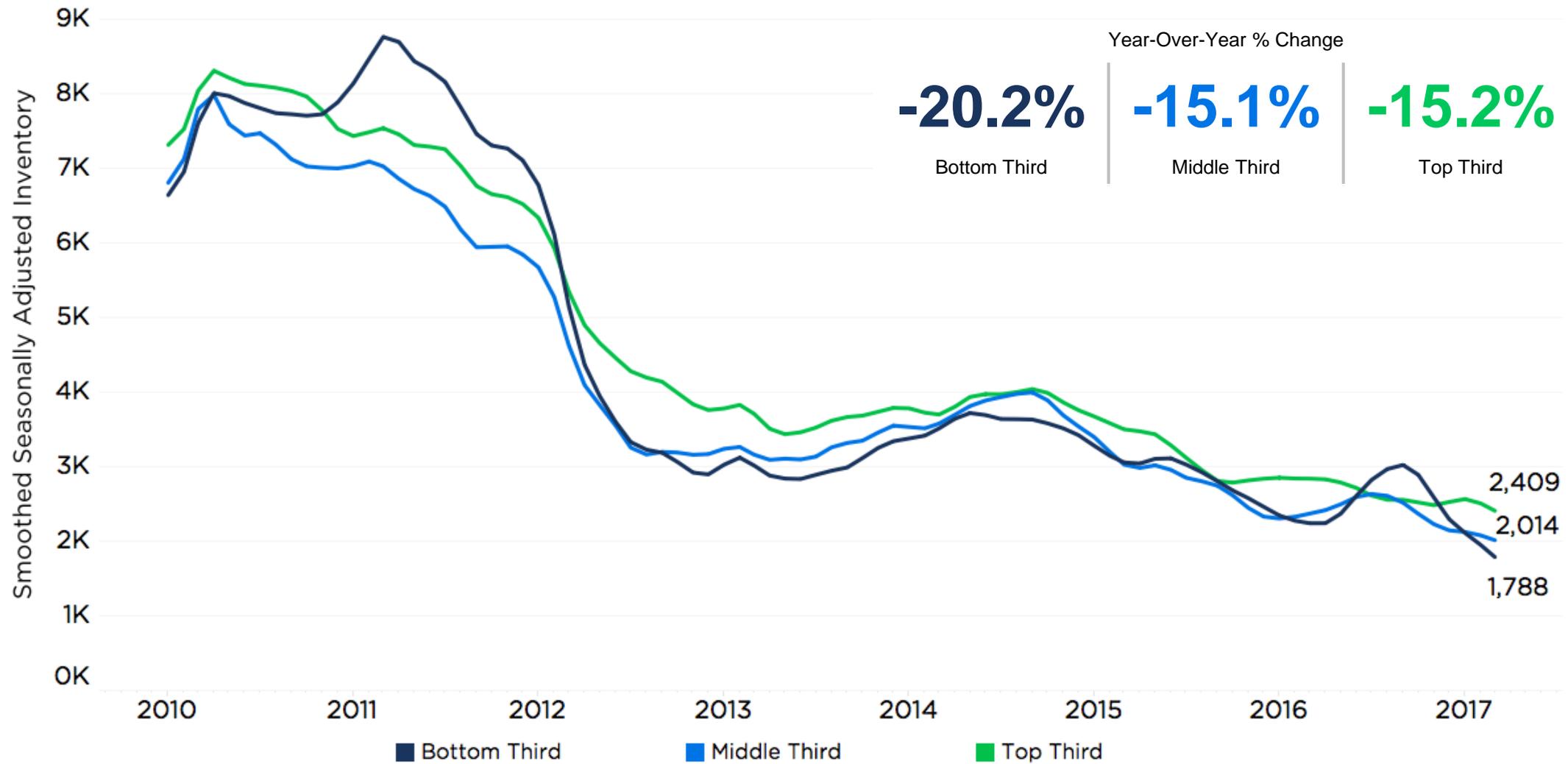
Bend Metro Inventory, by thirds



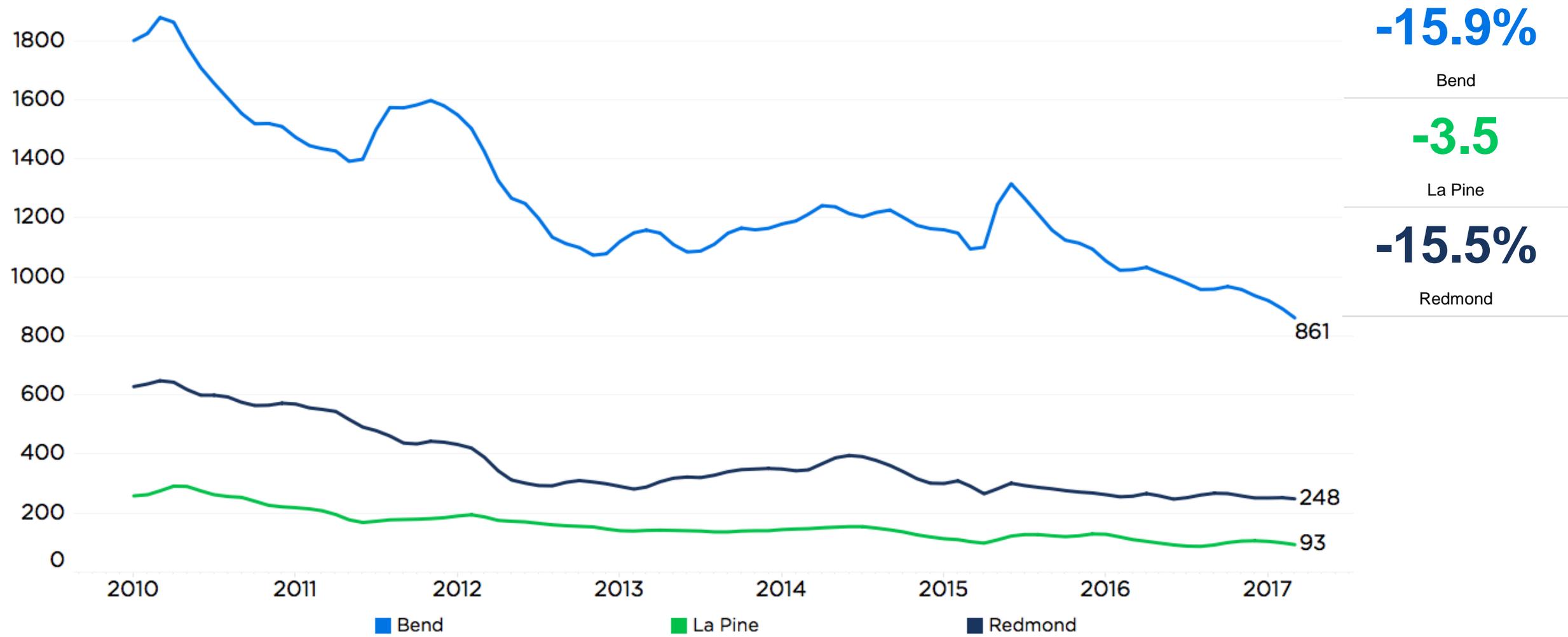
Portland Metro Inventory, by Thirds



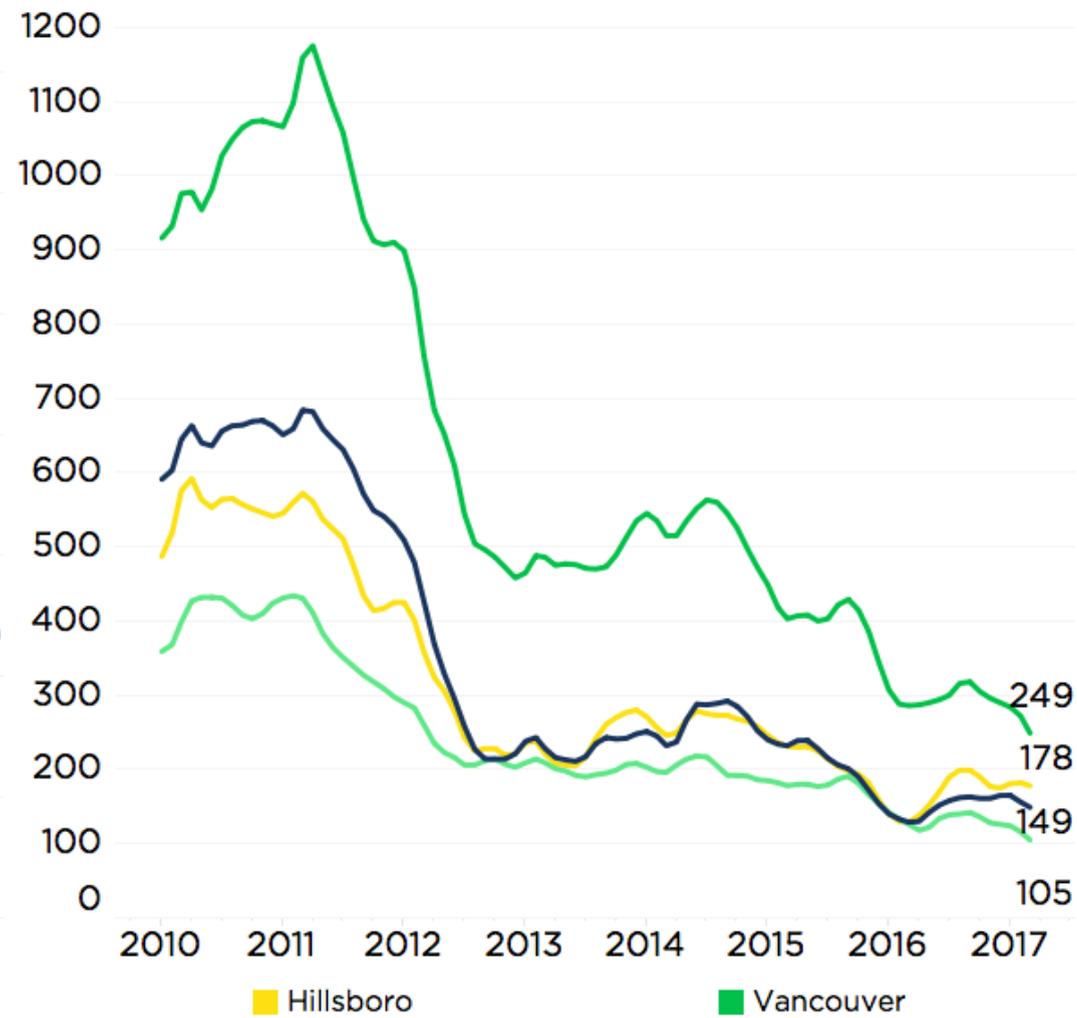
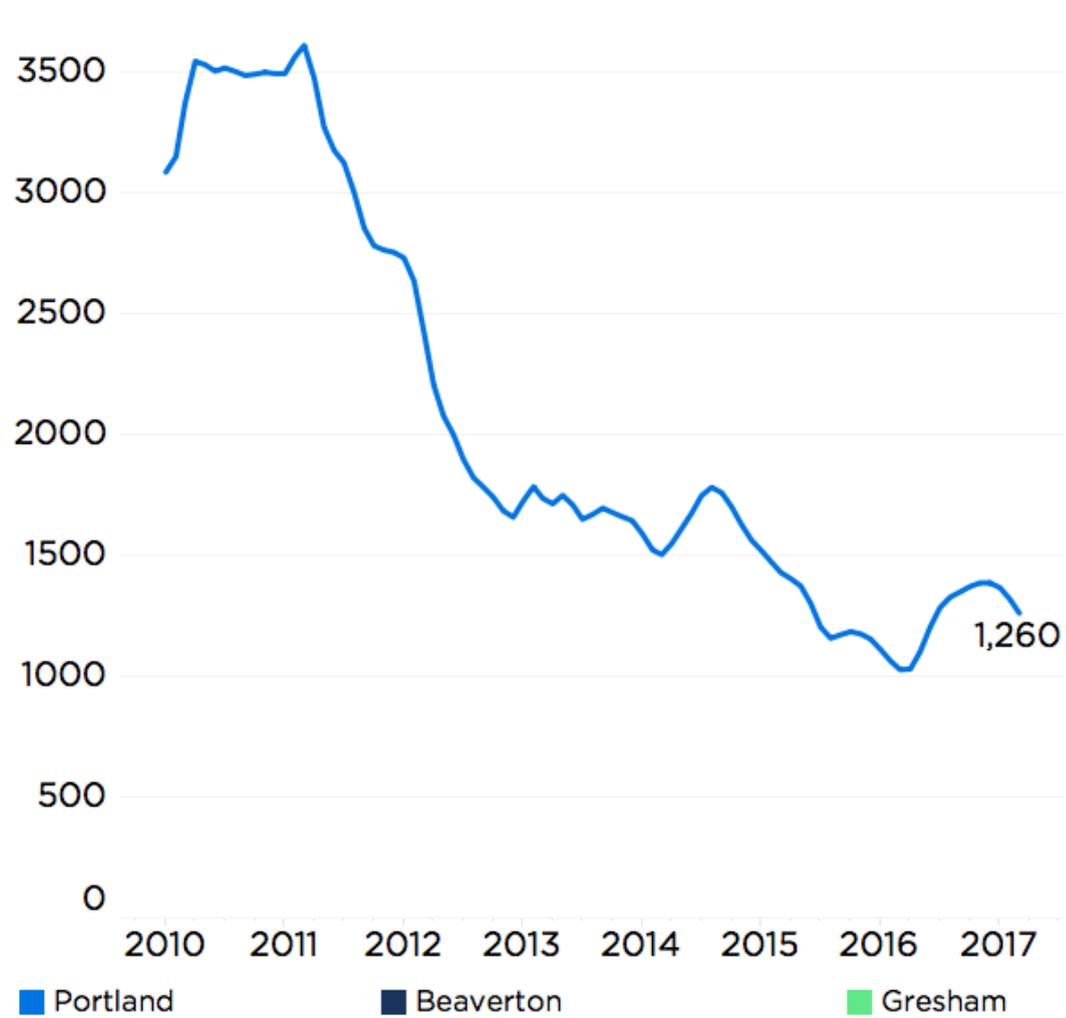
Seattle Metro Inventory, by Thirds



Bend Metro, City Inventory



Portland Metro, City Inventory



22.8%

Portland

-12.9

Vancouver

38.0%

Hillsboro

15.5%

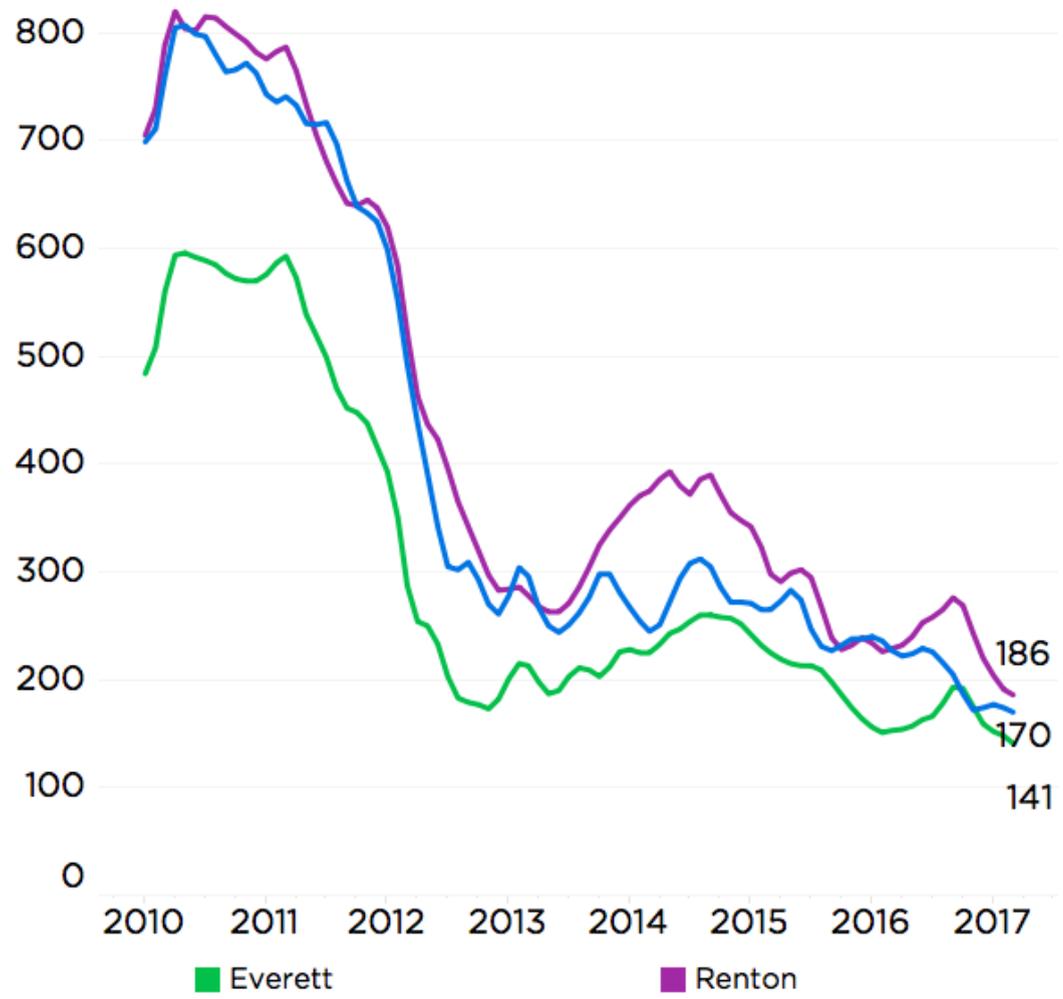
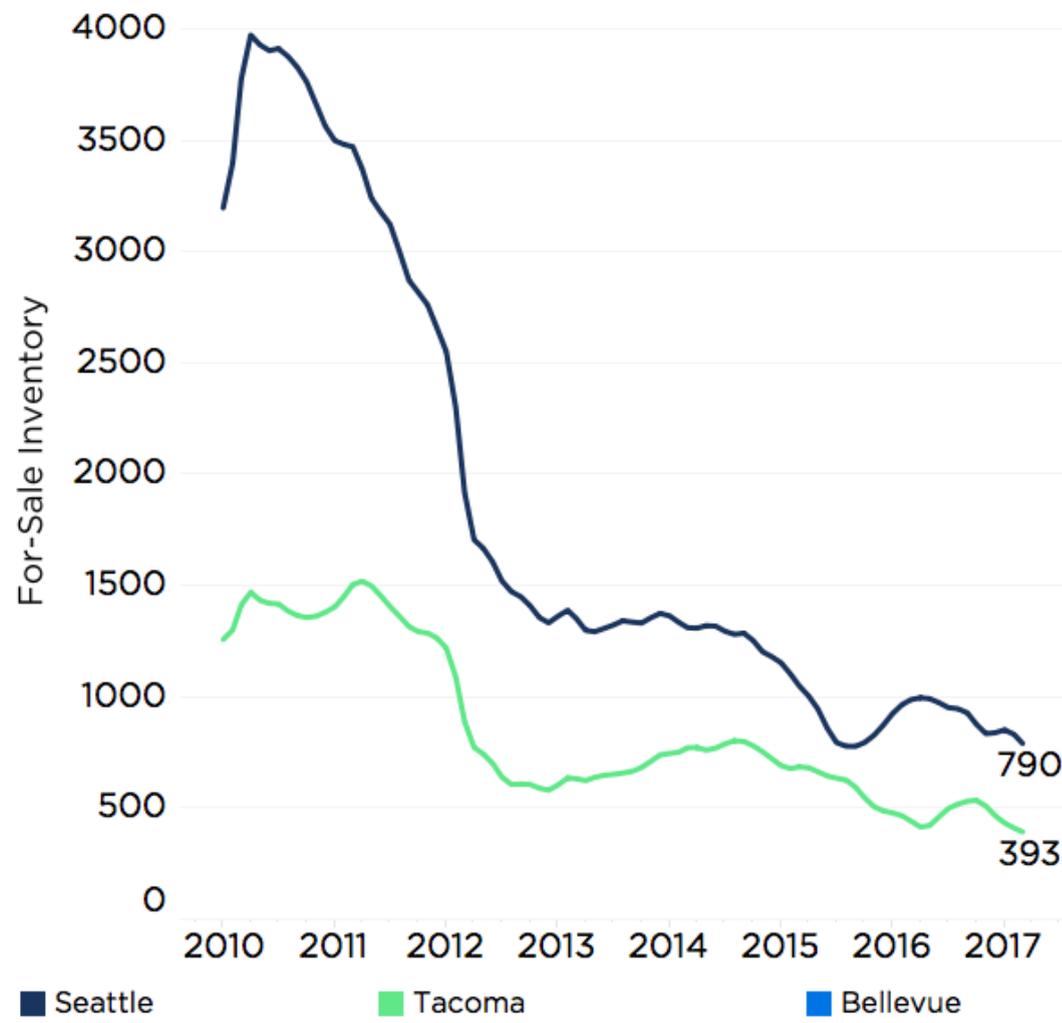
Beaverton

-16.7%

Gresham



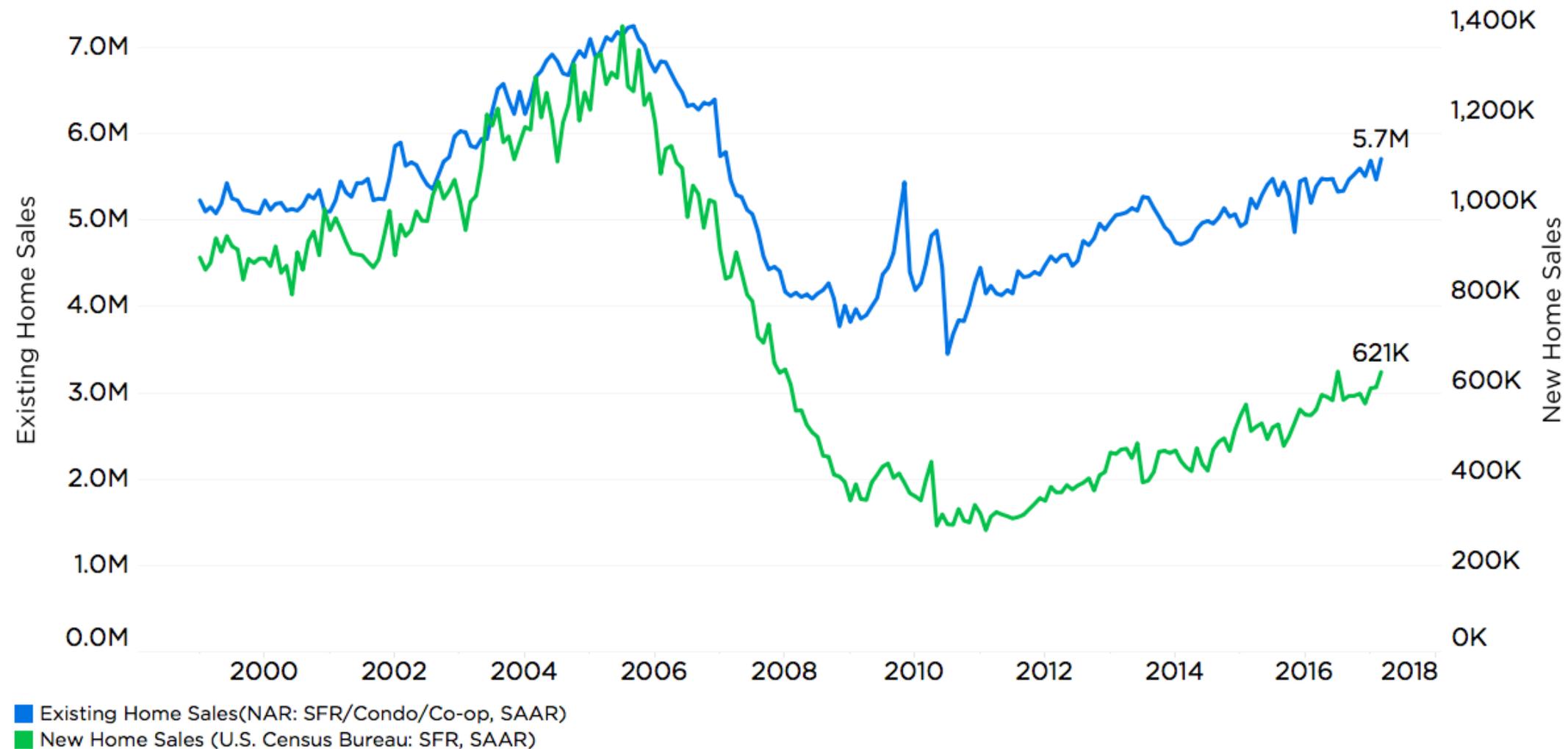
Seattle Metro, City Inventory



-20.0%
Seattle
-10.9%
Tacoma
-25.1%
Bellevue
-7.8%
Everett
-18.8%
Renton



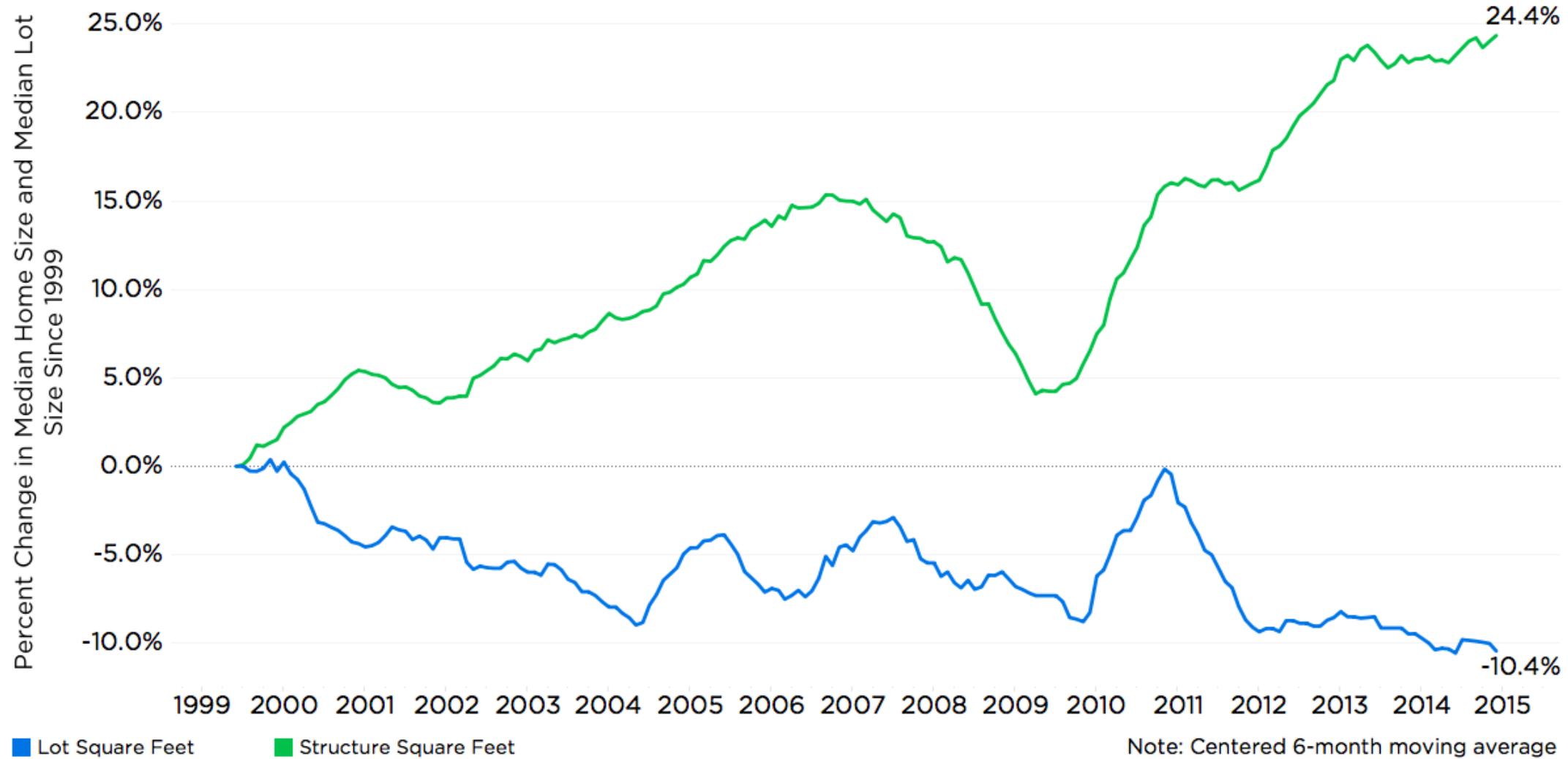
Sales of new homes in particular have struggled to get back to pre-recession levels



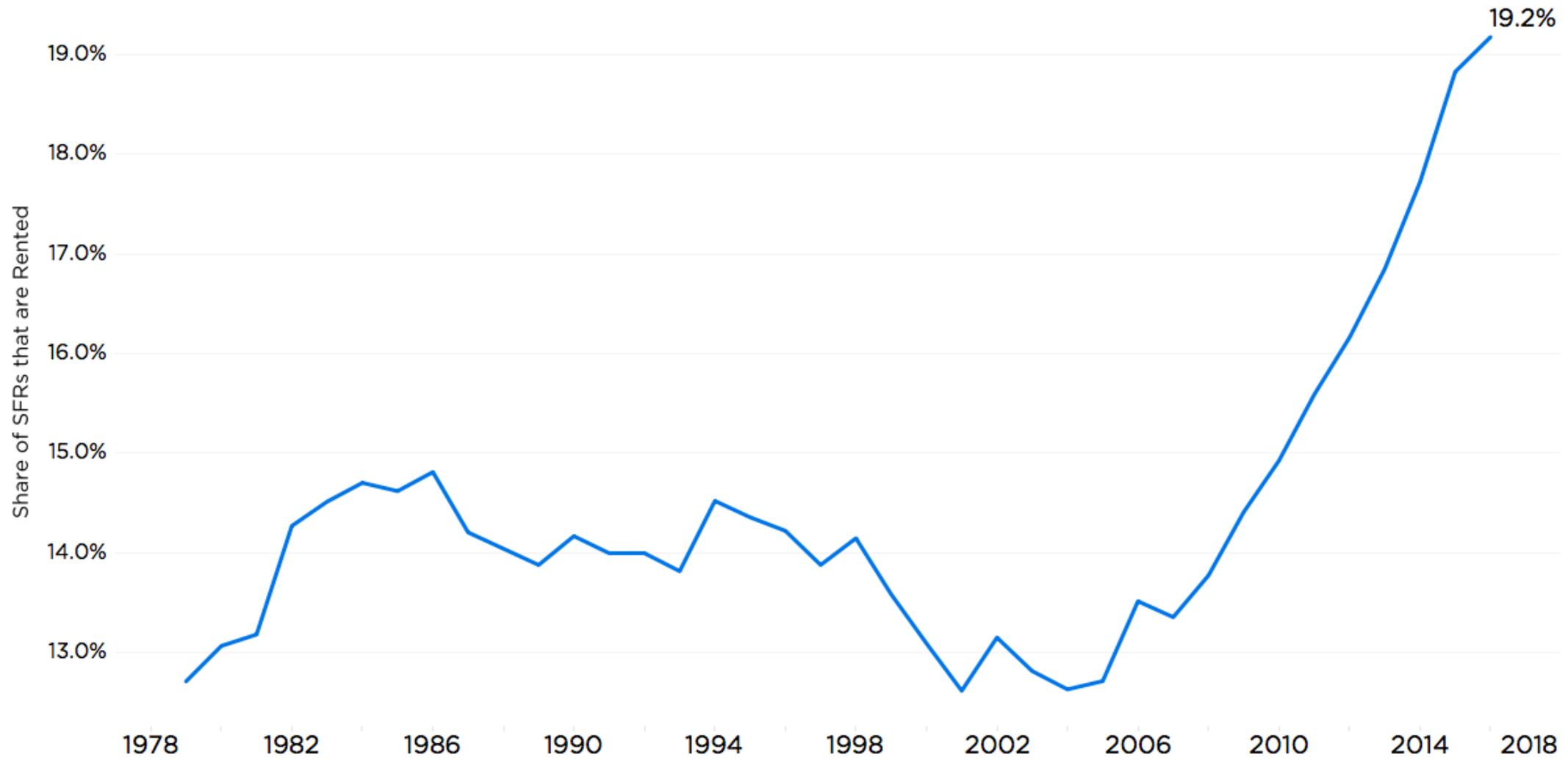
The age of sold homes has almost doubled since the housing collapse, largely because of a lack of new construction



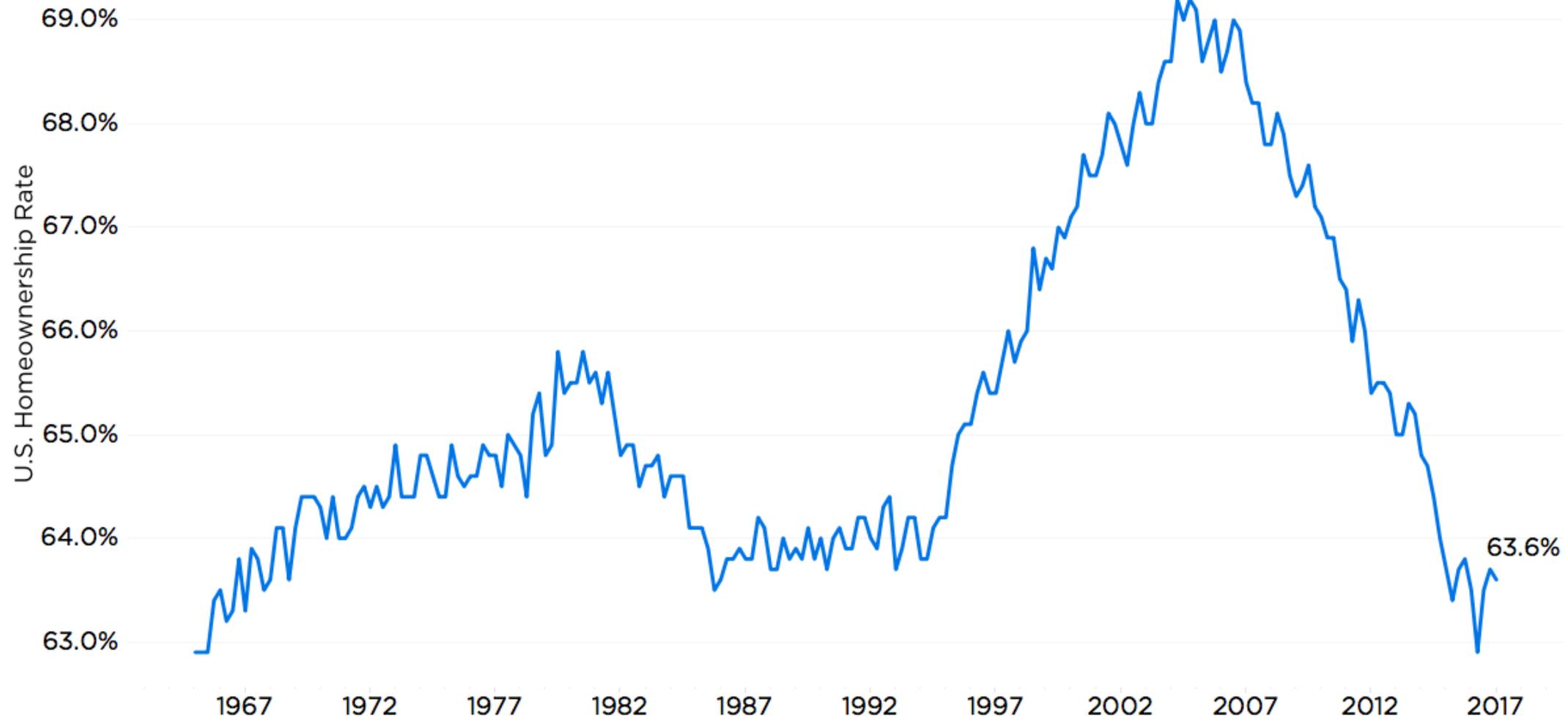
Since 1999, homes have gotten larger while lots have gotten smaller



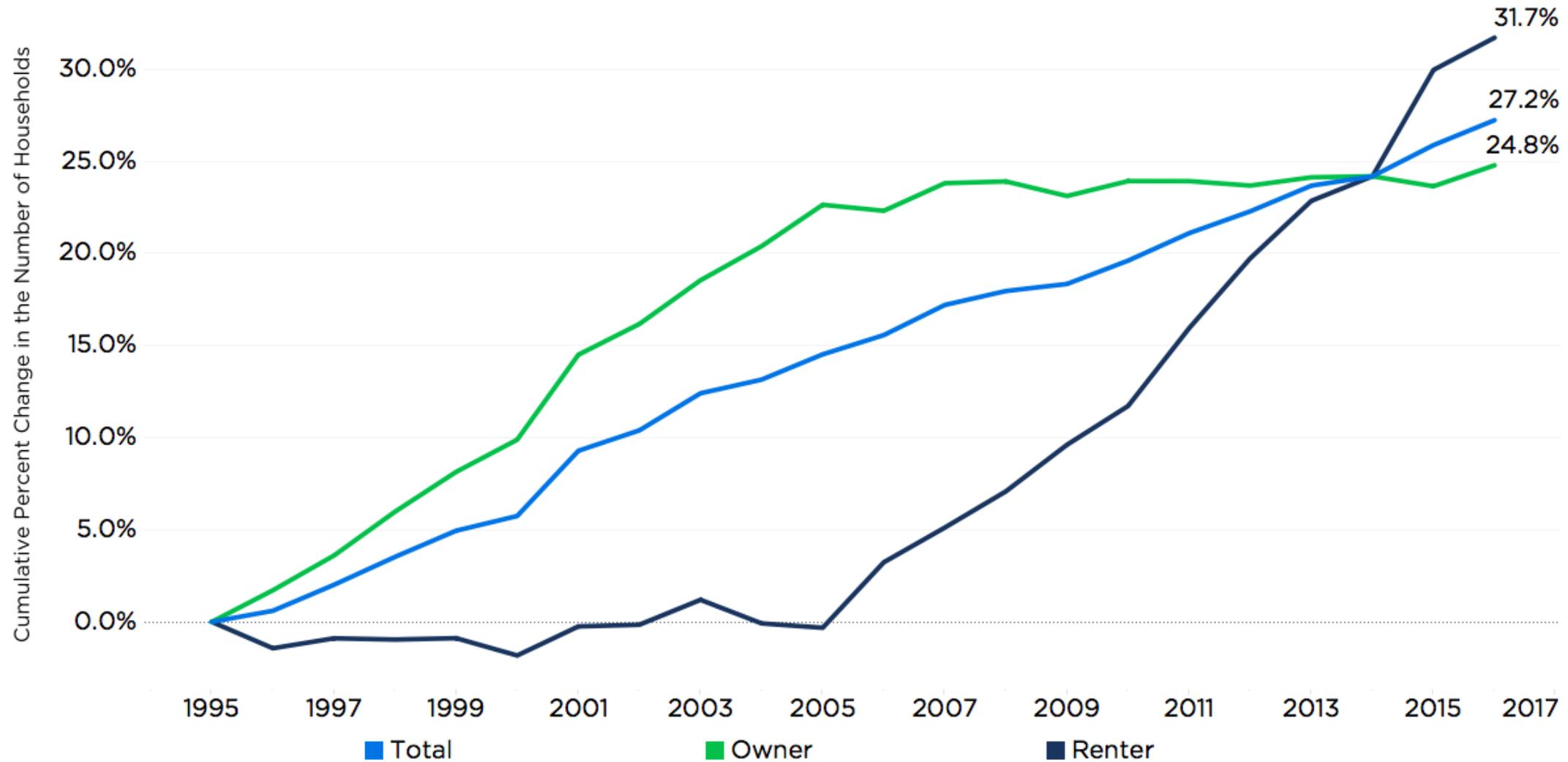
Renting single-family homes is increasingly popular



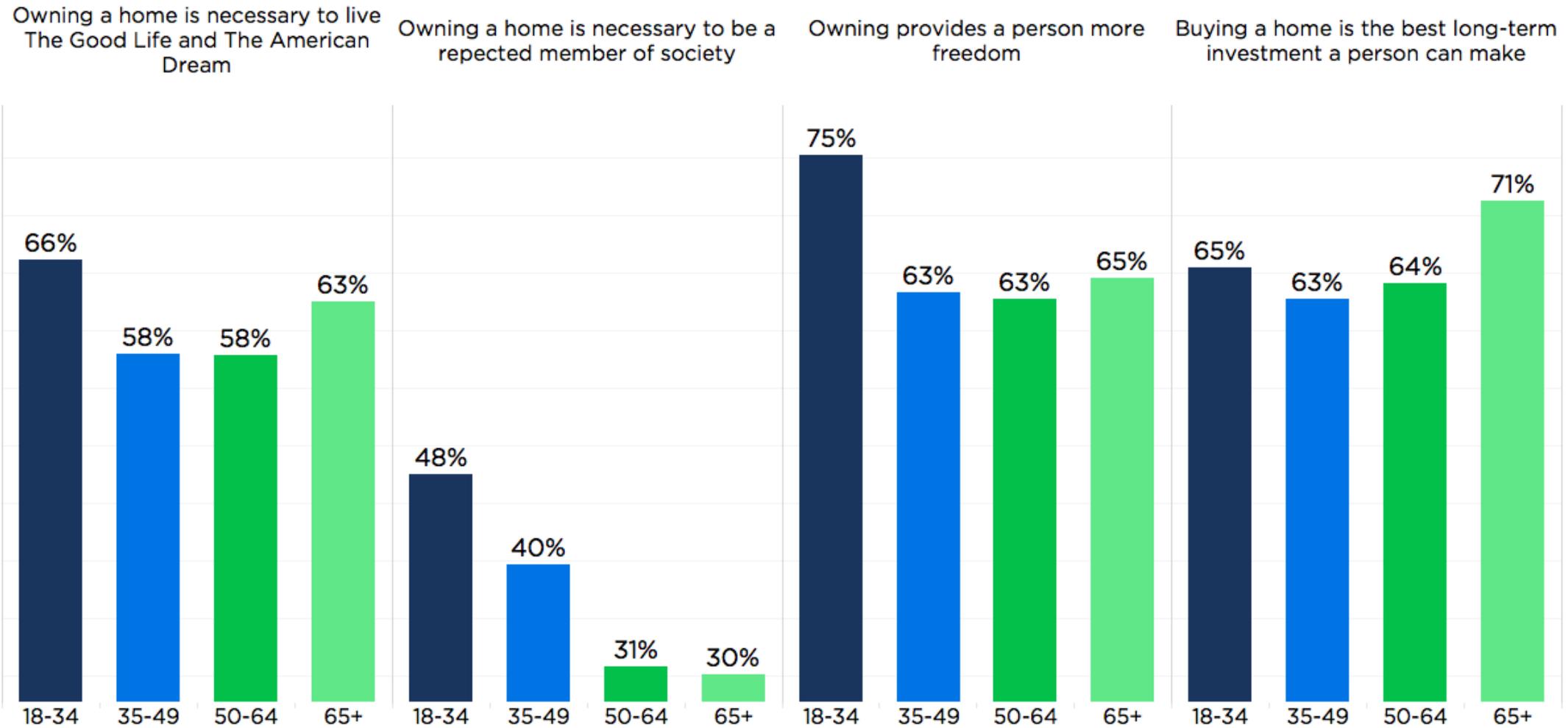
The U.S. homeownership rate is near historic lows



Since 2005, newly formed households have tended to rent



Millennials do have positive views of homeownership and their opinions tend to align most closely with those of their grandparents



Comparing first-time buyers now and then (mid 1970s)

1975-1979

Average age

29 years old

Household Size

2.6 people

Years renting before buying

4.6 years

Home value in today's dollars

\$99K

Income in today's dollars

\$55K

2010-2013

Average age

32.5 years old

Household Size

2 people

Years renting before buying

6 years

Home Value in today's dollars

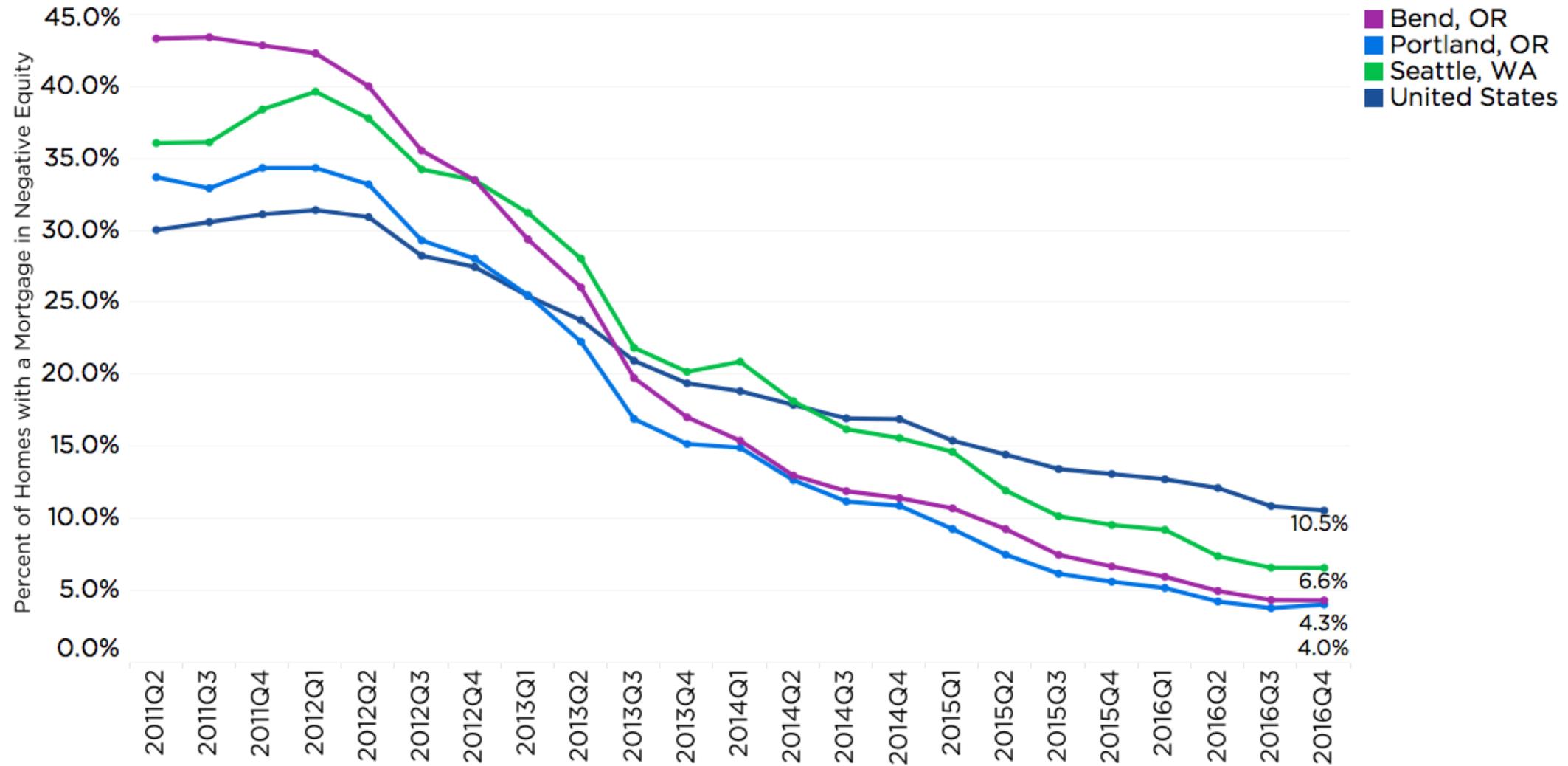
\$140K

Income in today's dollars

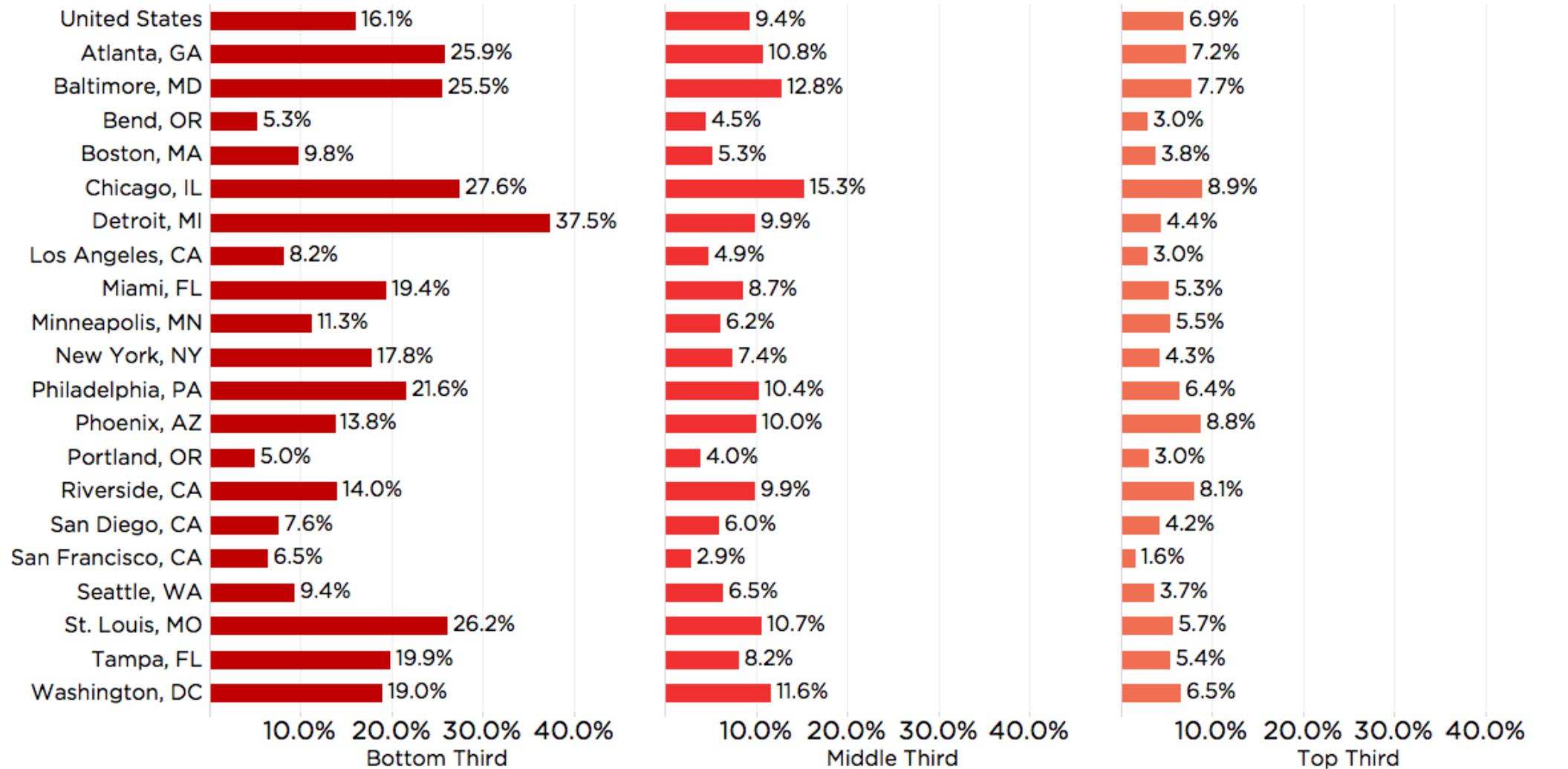
\$54K

JOBS, NEGATIVE EQUITY & BROADER ECONOMIC TRENDS

Negative equity has declined steadily since early 2012



Negative equity is worst among bottom-third homes



Mortgage interest rates spiked at the end of 2016 after staying low for much of the year in the face of global uncertainty

