

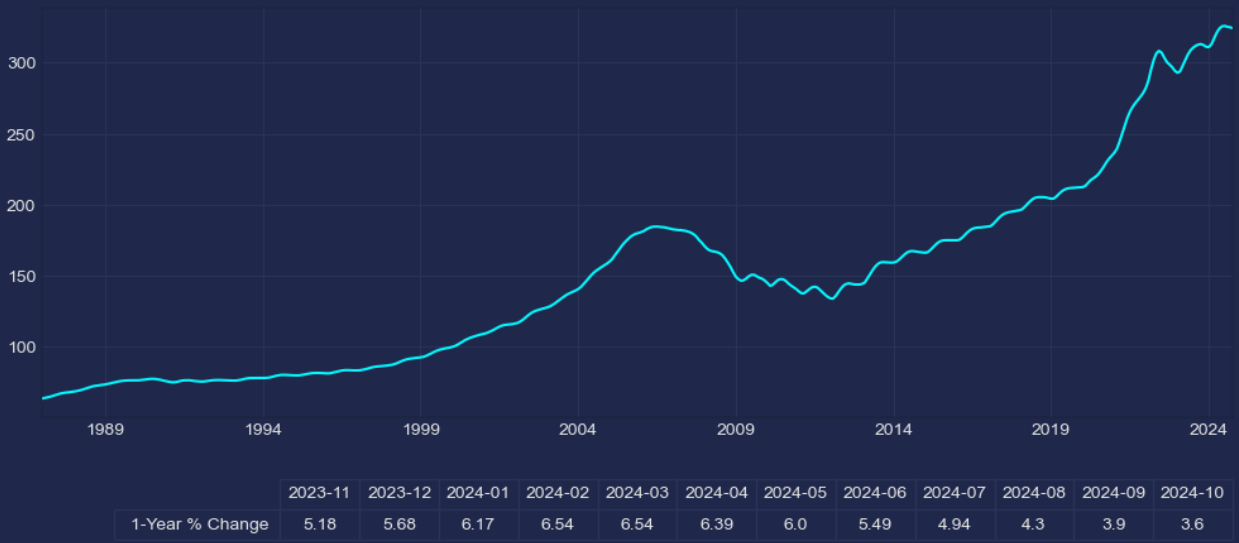
SEG Real Estate Report

Q4 2024

SUMMARY

In Q4 2024, mortgage rates significantly influenced the housing market, fluctuating between 6.2% in September and 7% by year-end despite three Federal Reserve rate cuts. This volatility created uncertainty for buyers and sellers. High home prices and elevated mortgage rates compounded affordability challenges, worsened by slower wage growth. The "lock-in effect" further shaped the market, as homeowners with low-interest mortgages were reluctant to sell, limiting inventory and increasing prices. Regionally, the South and West, including states like Texas, Florida, and Virginia, outperformed in home price growth and sales activity. Despite these challenges, the market showed resilience as prices continued to grow. The outlook for 2025 remained uncertain, with affordability, mortgage rates, and potential policy changes under the new presidential administration being key factors. Our model estimates the median home price to be excessive. We believe that either mortgage rates have to come down and/or incomes have to move higher to justify current prices.

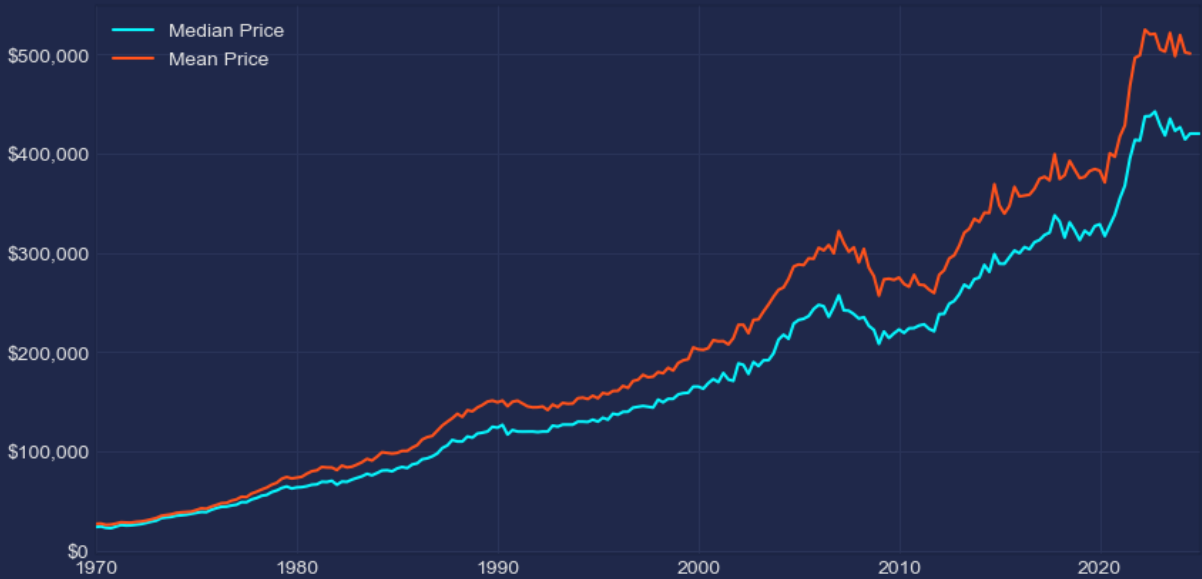
S&P CoreLogic Case-Shiller U.S. National Home Price Index



SEG Research | Data: US Federal Reserve Bank of St.Louis

Residential real estate prices have stagnated.

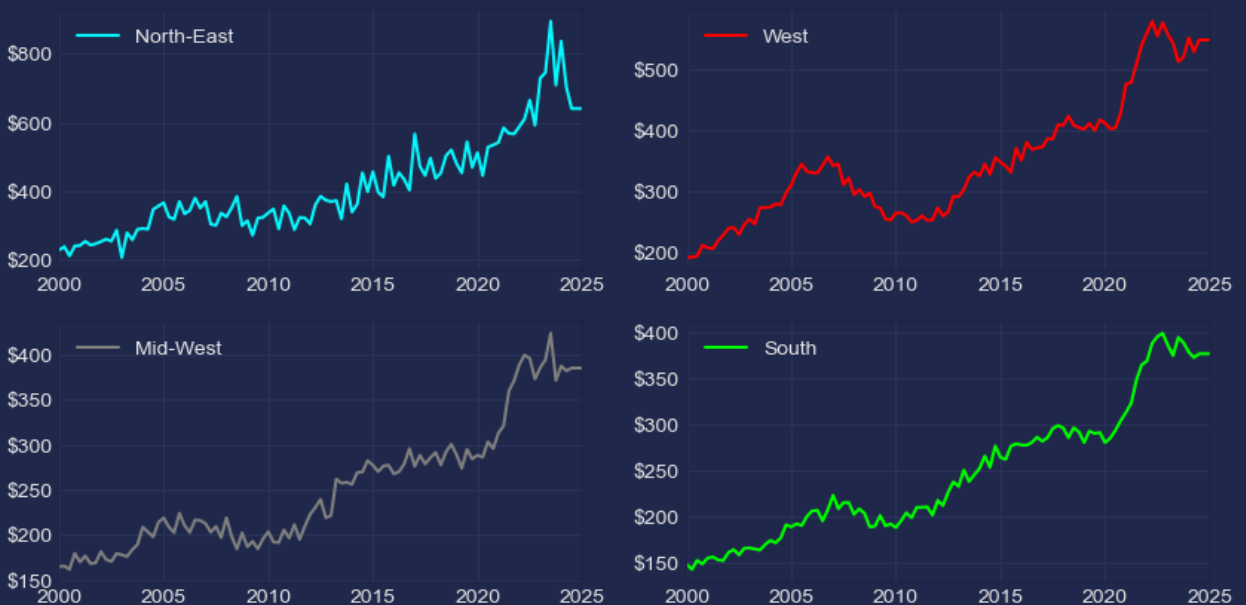
Home Prices (\$ in Thousands)



SEG Research | Data: US Federal Reserve Bank of St. Louis

Prices have declined, particularly in the Northeast. Home prices in the South appear remarkably resilient, despite the region experiencing a construction boom.

Median Home Price by Region (\$ in Thousands)



SEG Research | Data: US Federal Reserve Bank of St. Louis

Mortgage rates remain high despite the U.S. Federal Reserve cutting rates.

Fixed Mortgage Rates in the US



	2024-02	2024-03	2024-04	2024-05	2024-06	2024-07	2024-08	2024-09	2024-10	2024-11	2024-12	2025-01
30-Year Fixed Rate Mortgage	6.94	6.79	7.17	7.03	6.86	6.78	6.35	6.08	6.72	6.81	6.85	6.96
15-Year Fixed Rate Mortgage	6.26	6.11	6.44	6.36	6.16	6.07	5.51	5.16	5.99	6.1	6.0	6.16

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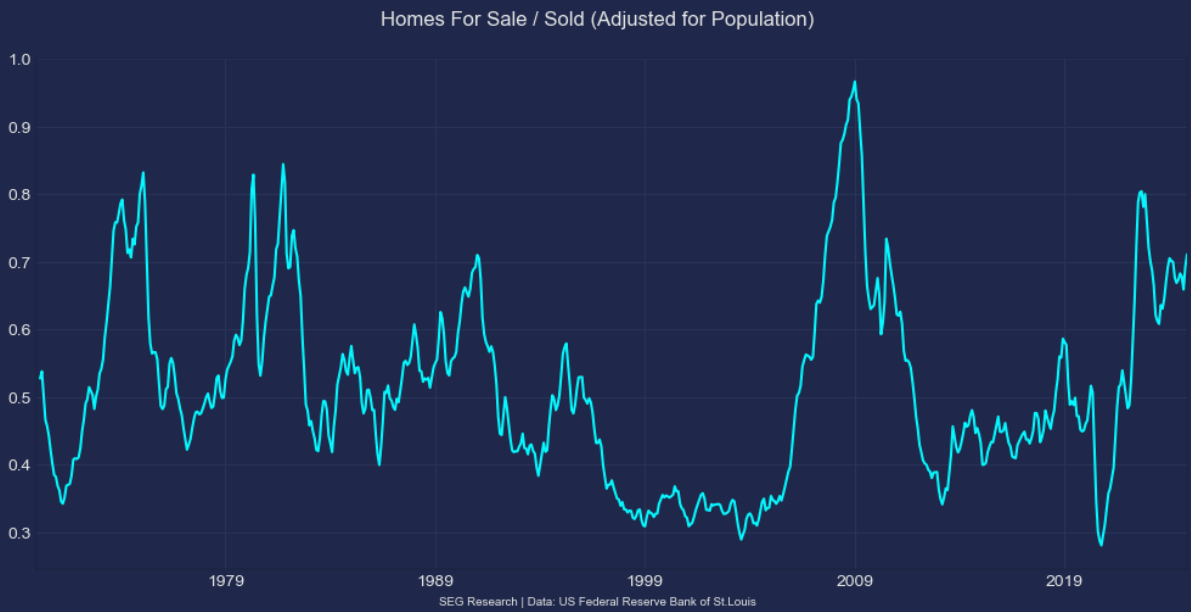
Delinquencies are record-low. Many homeowners locked in low mortgage rates, putting them in a great financial position. However, new entrants are avoiding the market.

Delinquency Rate on Single-Family Residential Mortgages

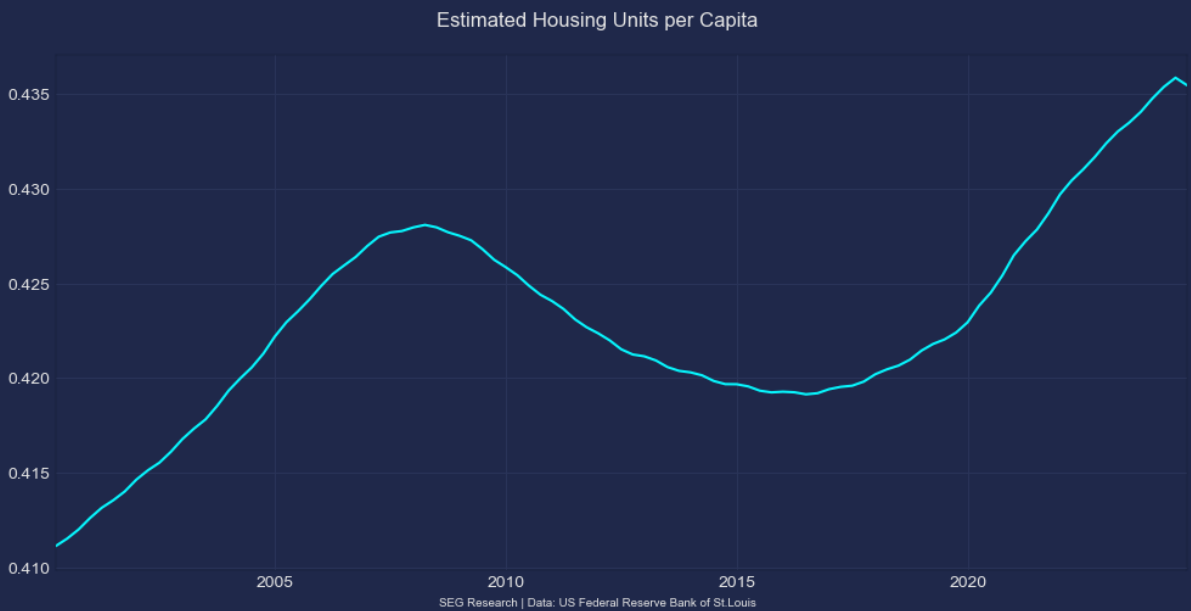


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Homes put up for sale are growing relative to homes sold. The market will have to see more new entrants for prices to remain elevated.

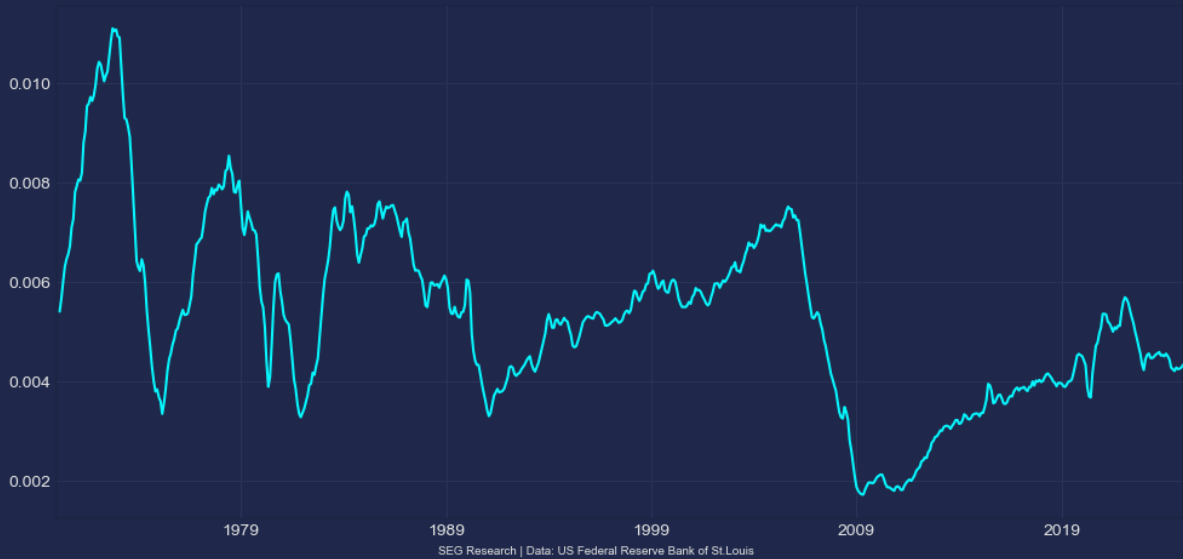


Housing units per U.S. capita are at record levels.



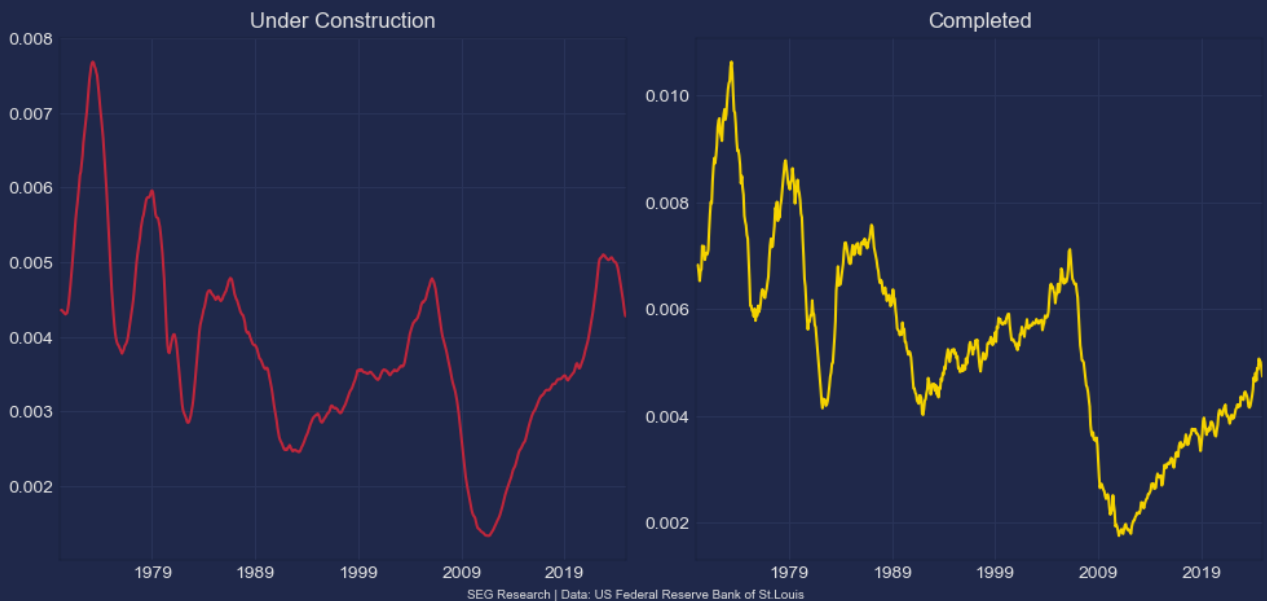
Although new permits have risen, they remain relatively low on historical standards.

New Construction Permits / Population (Rolling 3-Months)



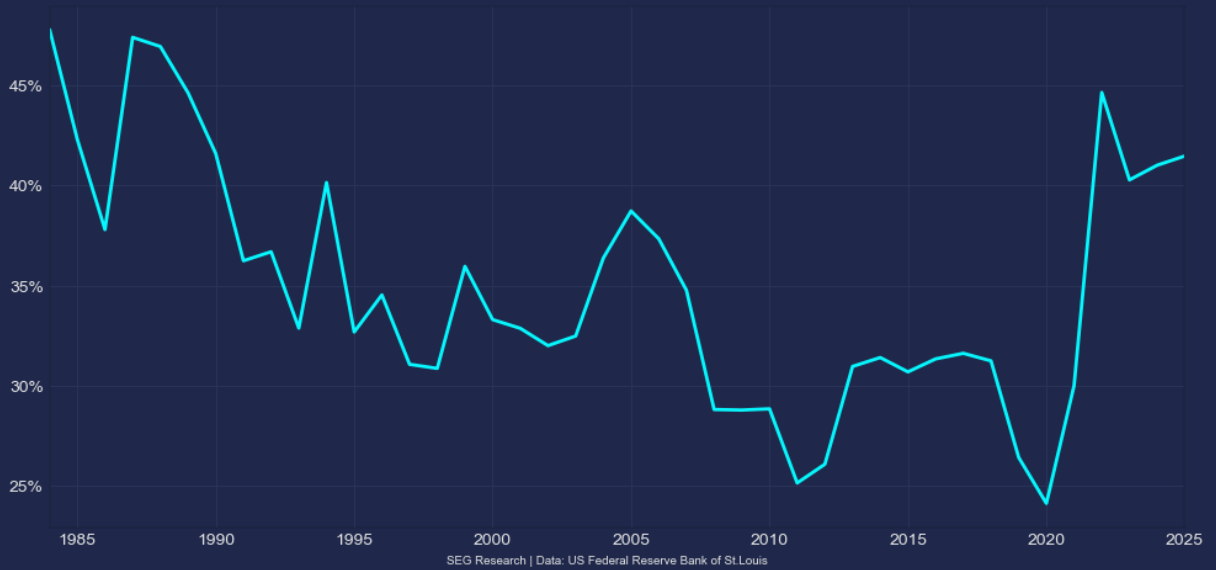
However, units under construction are near the 2006 high but falling.

Rolling 3-Months Mean Units / Population



Affordability remains low, annual mortgage costs are higher than in the Subprime crisis and not far from the levels seen during early 1990s real estate bubble.

Annual Mortgage Payment as Percentage of Median Household Income



Our model indicates that residential prices are significantly elevated. For prices to rise from this point, we will need either a decline in mortgage rates or an increase in incomes.

SEG Fair Value Estimate vs. U.S. Median-Priced Home

