
Single-Family Rentals, Investors and the Housing Market

2022 Casden Multifamily Forecast
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November 10, 2022

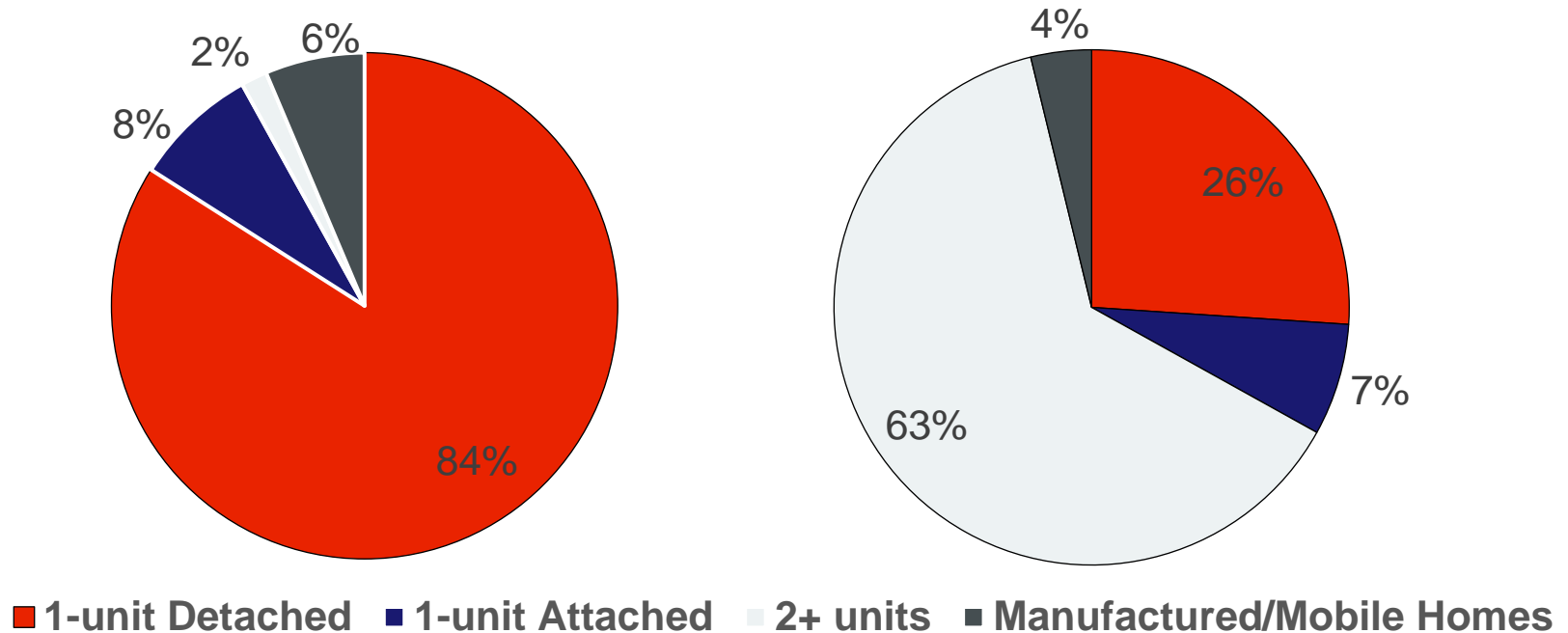


Rental Trends: Single-Family Rentals, Inflation and Investors

- Housing costs surged during the pandemic
 - Rent surge reflects shift in demand and relocation
 - Equalization of housing costs across markets
- Persistent inflation leads to more Fed tightening, higher mortgage rates
 - Affordability falls to historical low
 - Prices and rents decelerate at fastest pace in four decades
- Implications for inflation measurement
 - If Owners' Equivalent Rent (OER) lags market rent trends, then OER annual growth rate expected to peak in summer 2023
- Investor activity in single-family home persists
 - Investor share has a stronger correlation with prices than rents
 - Rent appreciation leads investor share, but not the reverse

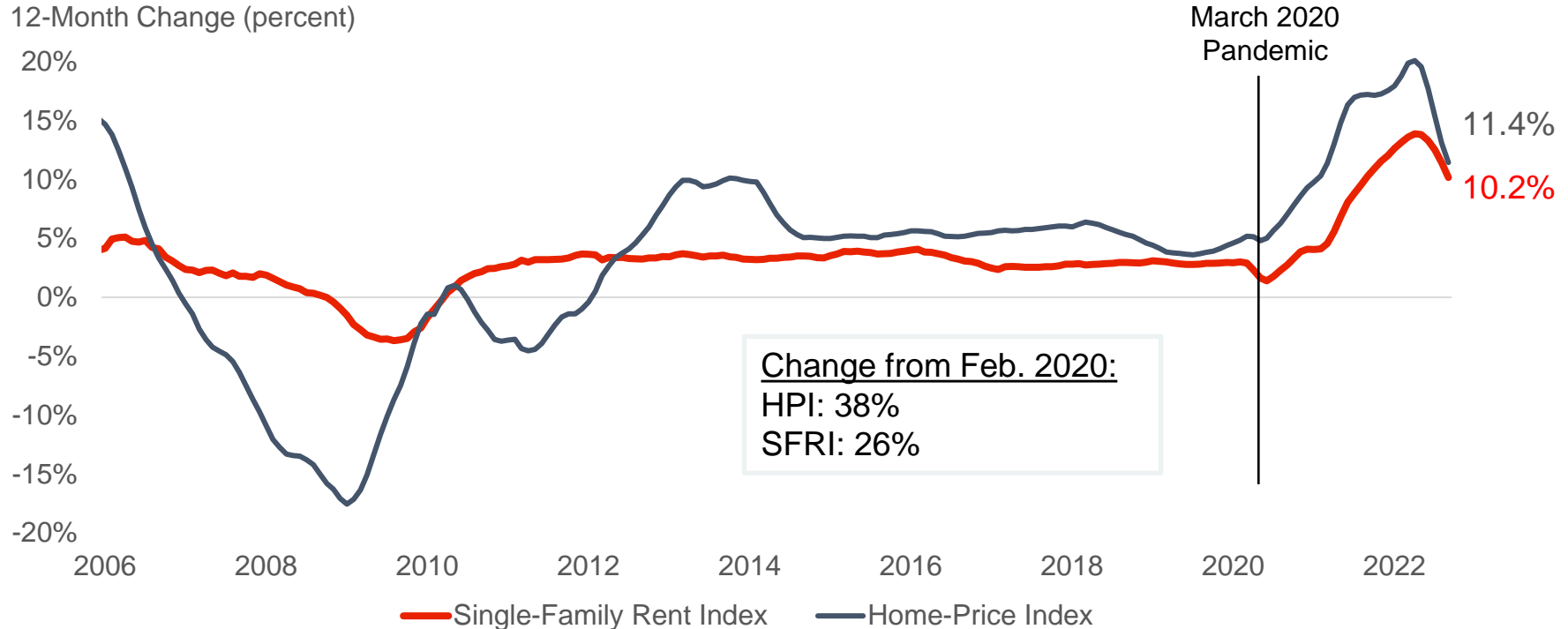
Why Matters: Single-family housing is the largest segment of the housing market

92% of owners and 33% of renters live in 1-unit properties



Rent and Price Growth Surged During the Pandemic

Rent growth peaked in April 2022 at 13.9%, HPI at 20%, but decelerating fast

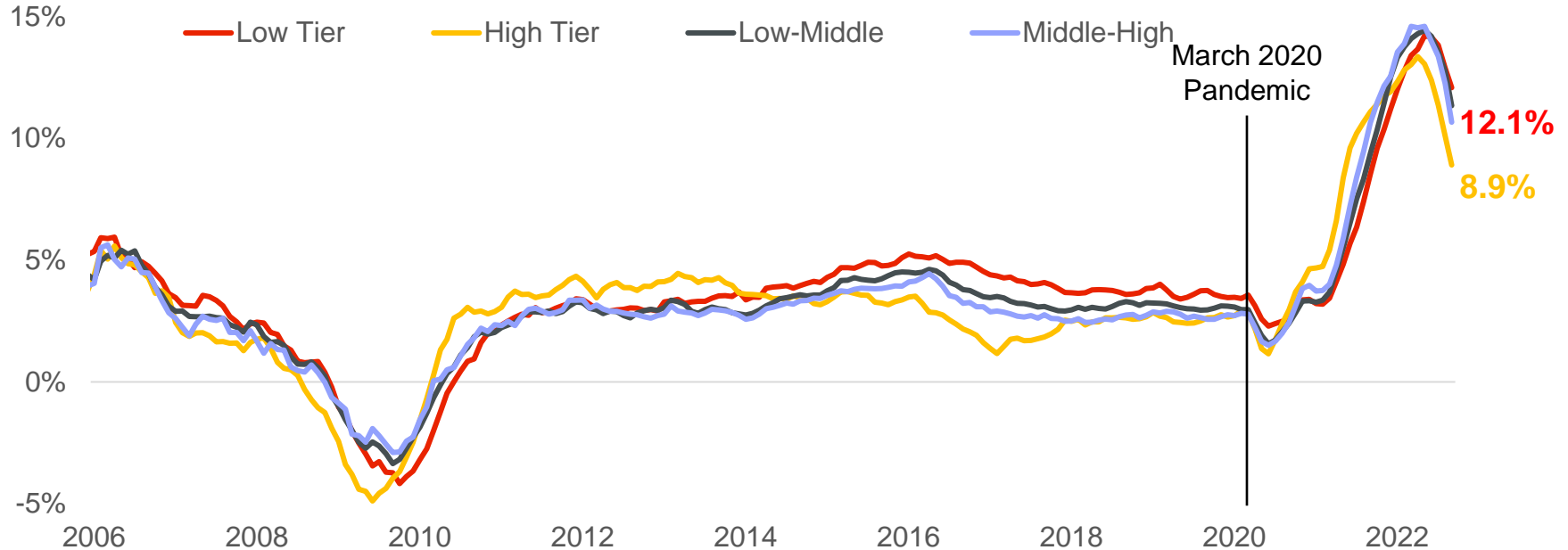


Source: CoreLogic Single-Family Rent Index (November 2022); CoreLogic Home Price Index (November 2022)

High Tier Rent Growth Accelerates First and Declines First

Rent growth across price tiers converged during the pandemic

12-Month Change (percent)

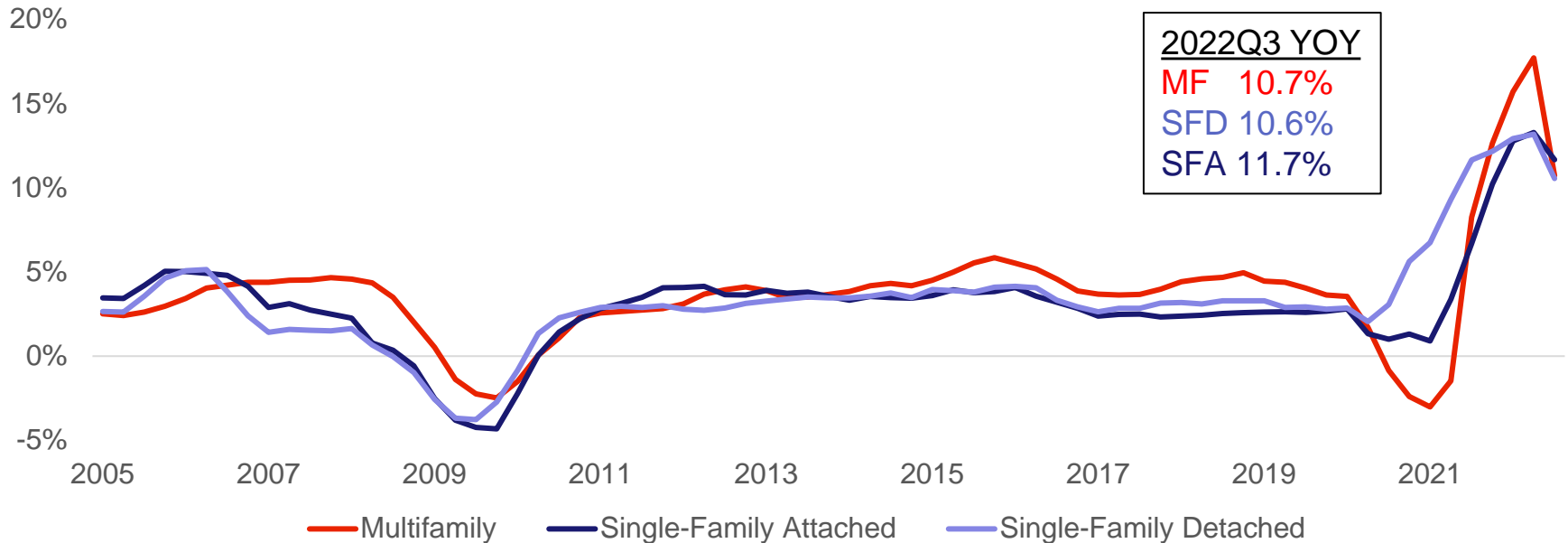


Source: CoreLogic Single-Family Rent Index (October 18, 2022)

Pandemic Started With Preference for Detached Homes

Three-year rent growth (2019Q3-2022Q3): SF Detached 28%, SF Attached 21%, MF 19%

Rent Growth (4-quarter percent change)

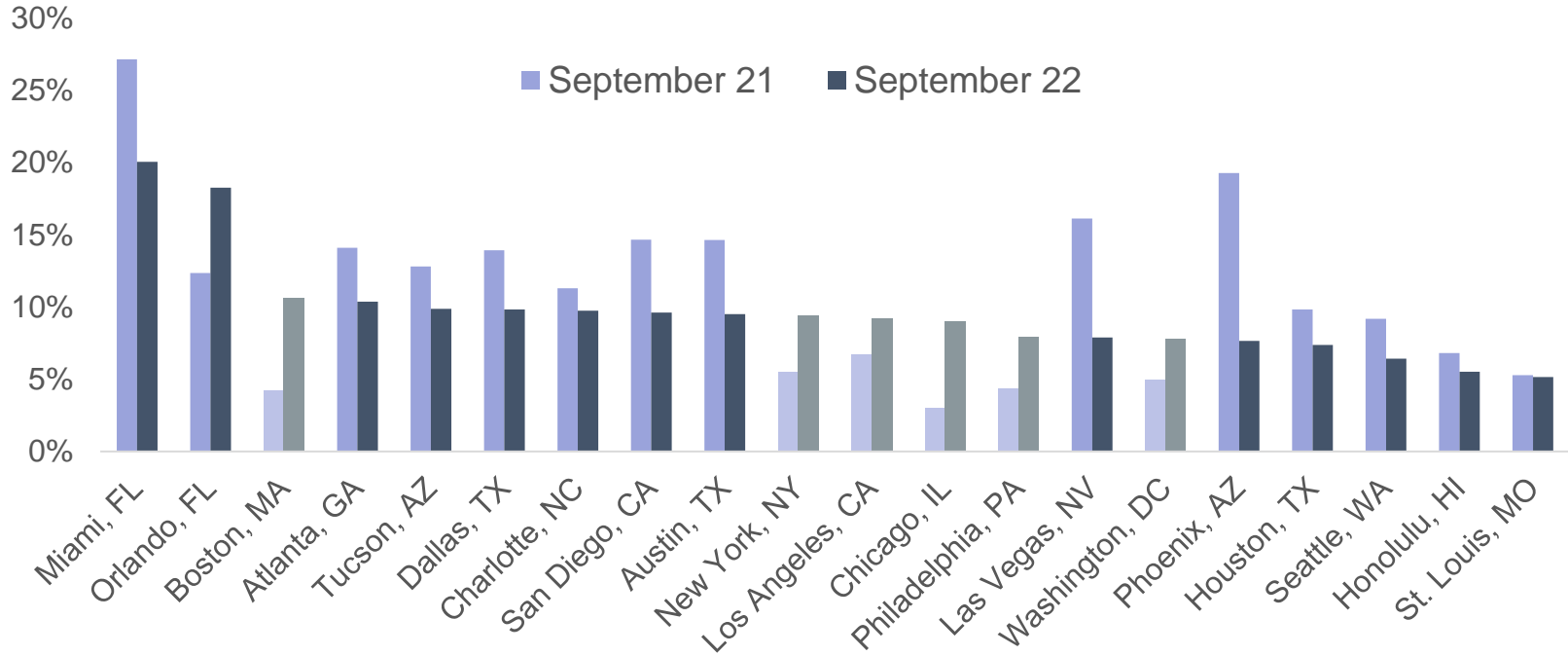


Source: CoreLogic Single-Family Rent Index, Moody's CRE Effective Rent, latest data plotted 2022Q3.

Rent Growth Remains Fastest in South and West

Phoenix and Las Vegas rent growth slows significantly; Boston, Chicago, Philly picks up

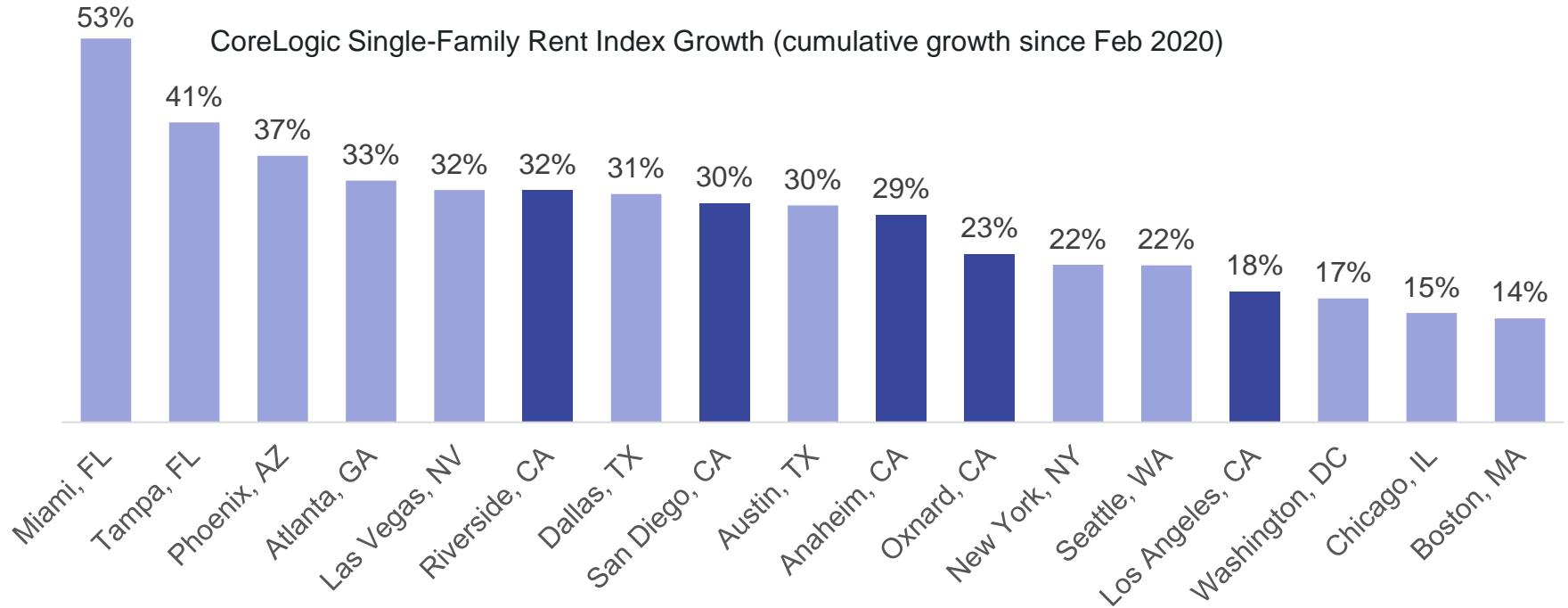
CoreLogic Single-Family Rent Index Growth (12-month percent change)



Note: Label shows first city in MSA or Metropolitan Division name; New York excludes Manhattan borough.
Source: CoreLogic Single-Family Rent Index (November 2022).

Outmigration/WFH Drives Rent Growth

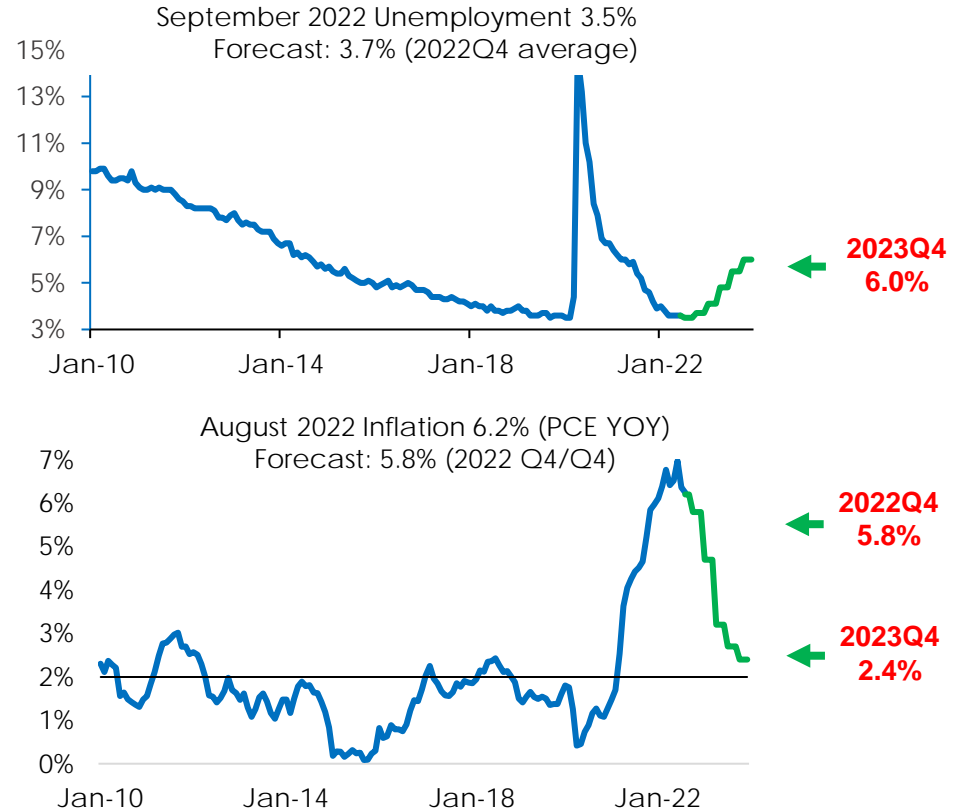
Affordable communities in California see more overall rent growth since pandemic



Note: Label shows first city in MSA or Metropolitan Division name; New York excludes Manhattan borough.
Source: CoreLogic Single-Family Rent Index (November 2022).

Fed Allowing Recession to Bring Down Inflation

- Congressional dual mandate:
 - Maximum employment
 - **Price stability**
- U.S. Unemployment rate 50-year low
 - “Full employment”: 4.0-4.4%
- Fed’s “price stability” definition:
 - 2% annual avg. (PCE)
 - Currently at highest levels since ‘82
- Fed funds target now 3.00-3.50%
 - By end of 2022: target 4.6% (higher than anticipated)
 - Fed rate increases likely to trigger shallow recession

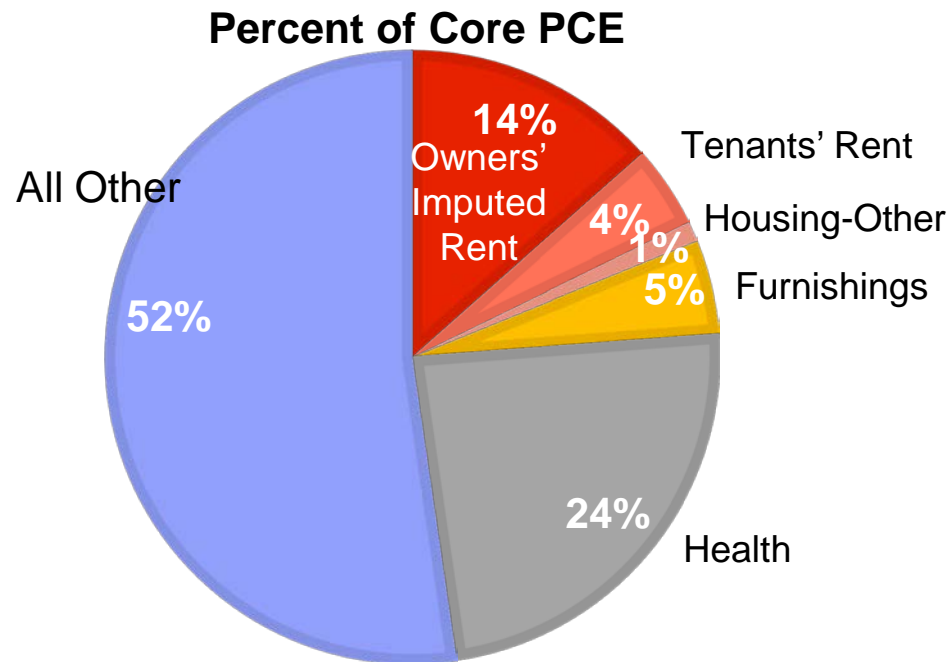
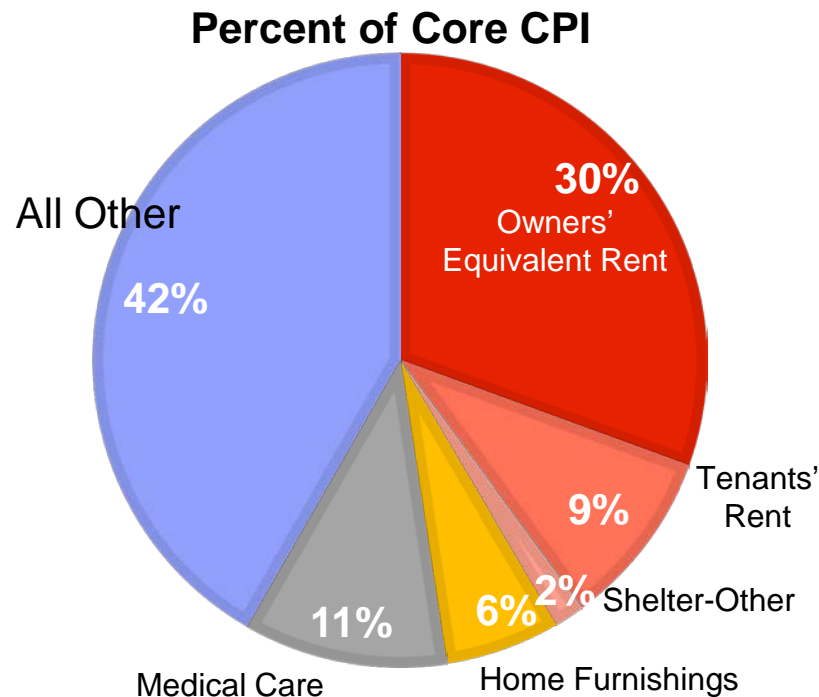


Source: BLS (unemployment rate), BEA (PCE price index), IHS Global Markit (October 11, 2022, unemployment and PCE inflation forecast)

Note: “Full employment” estimate from Federal Reserve Board (March 16, 2022, Median ‘Longer run’ projections of FRB members and Bank presidents) and Congressional Budget Office (July 2021, Noncyclical Rate of Unemployment).

Rising costs of renting and homeownership impact inflation and inflation measurement

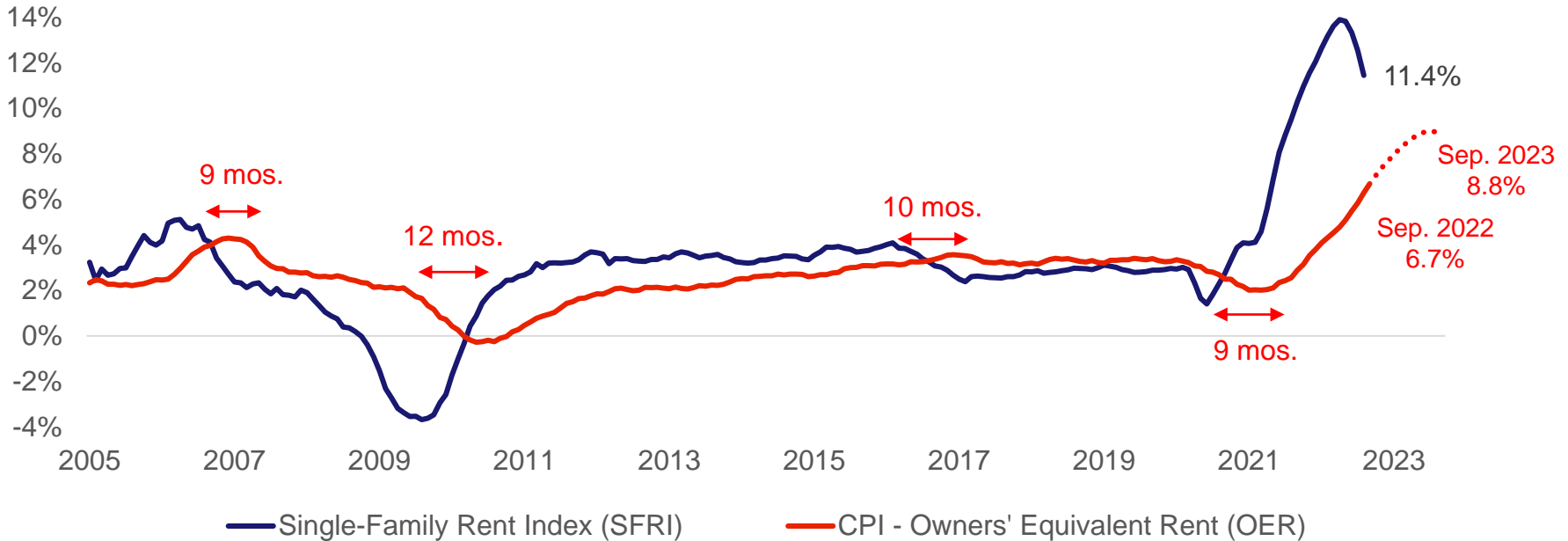
Rent is ~40% of Core CPI, ~20% of Core PCE



Single-Family Rent Index Suggests Shelter Inflation Peaks in Summer 2023

Important for how FED perceives inflation and their persistence on lowering inflation to 2%

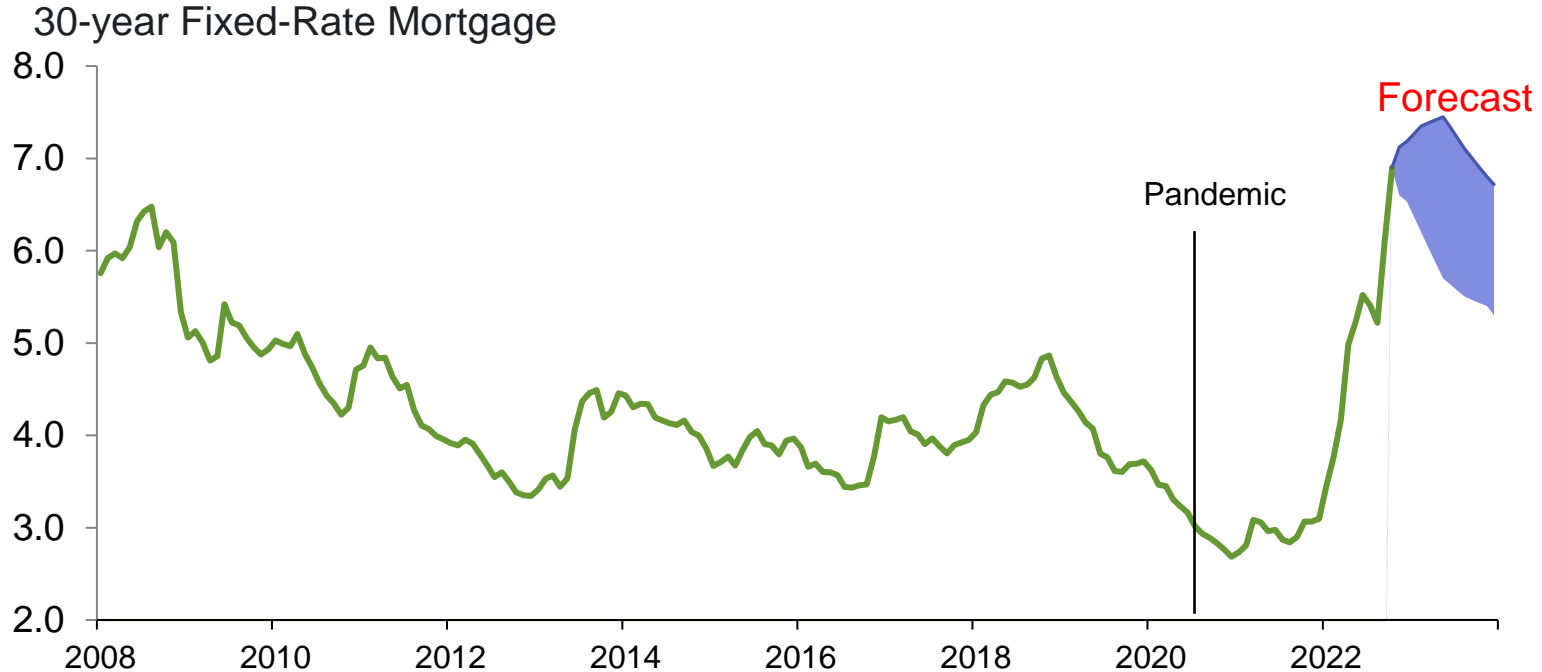
12-Month Change (percent)



Source: BLS Consumer Price Index (CPI), CoreLogic Single-Family Rent Index (SFRI October 18, 2022)

Mortgage Rates Surge to Early-2000s Levels

Increase in 2022 was the largest since 1980s, expected to stay in the 6% range



Source: Freddie Mac Primary Mortgage Market Survey®, forecast is consensus of five external forecasts

Jump in Mortgage Rates and Home Prices Erode Buyer Affordability

September 2022 real P&I payment was 51% higher than a year earlier; the highest on record

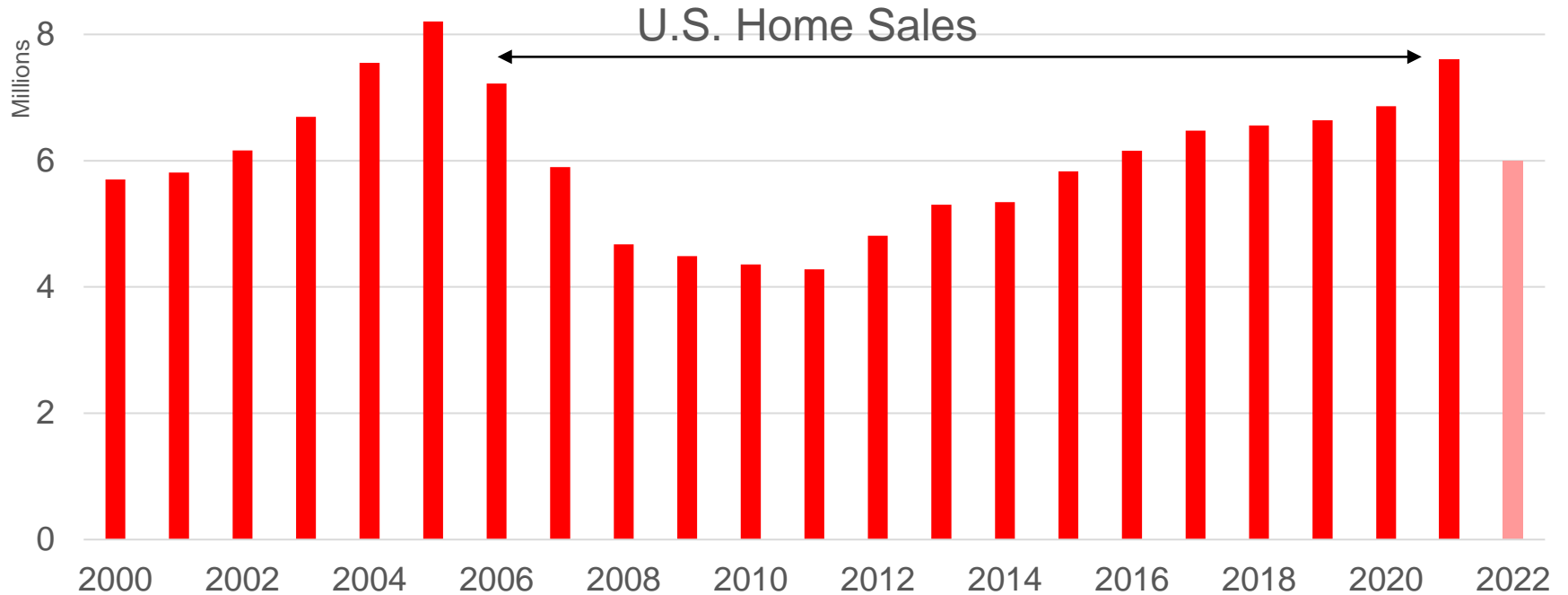


Source: CoreLogic MarketTrends, Bureau of Labor Statistics CPI, Freddie Mac PMMS, IHS Markit

Note: Typical mortgage payment is the calculated monthly principal and interest payment on a median-priced home with 20% down payment and 30-year fixed-rate mortgage. CPI All Urban Consumers is used for the inflation adjustment. Forecast for 30-year fixed-rate mortgage is consensus of five external forecasts (6.3% for August 2023) and prices are CoreLogic HPI Forecast (October 4, 2022 release).

Result: Home Buying Demand Collapses

2022 sales are forecast to be down 18% YOY; lowest since 2015

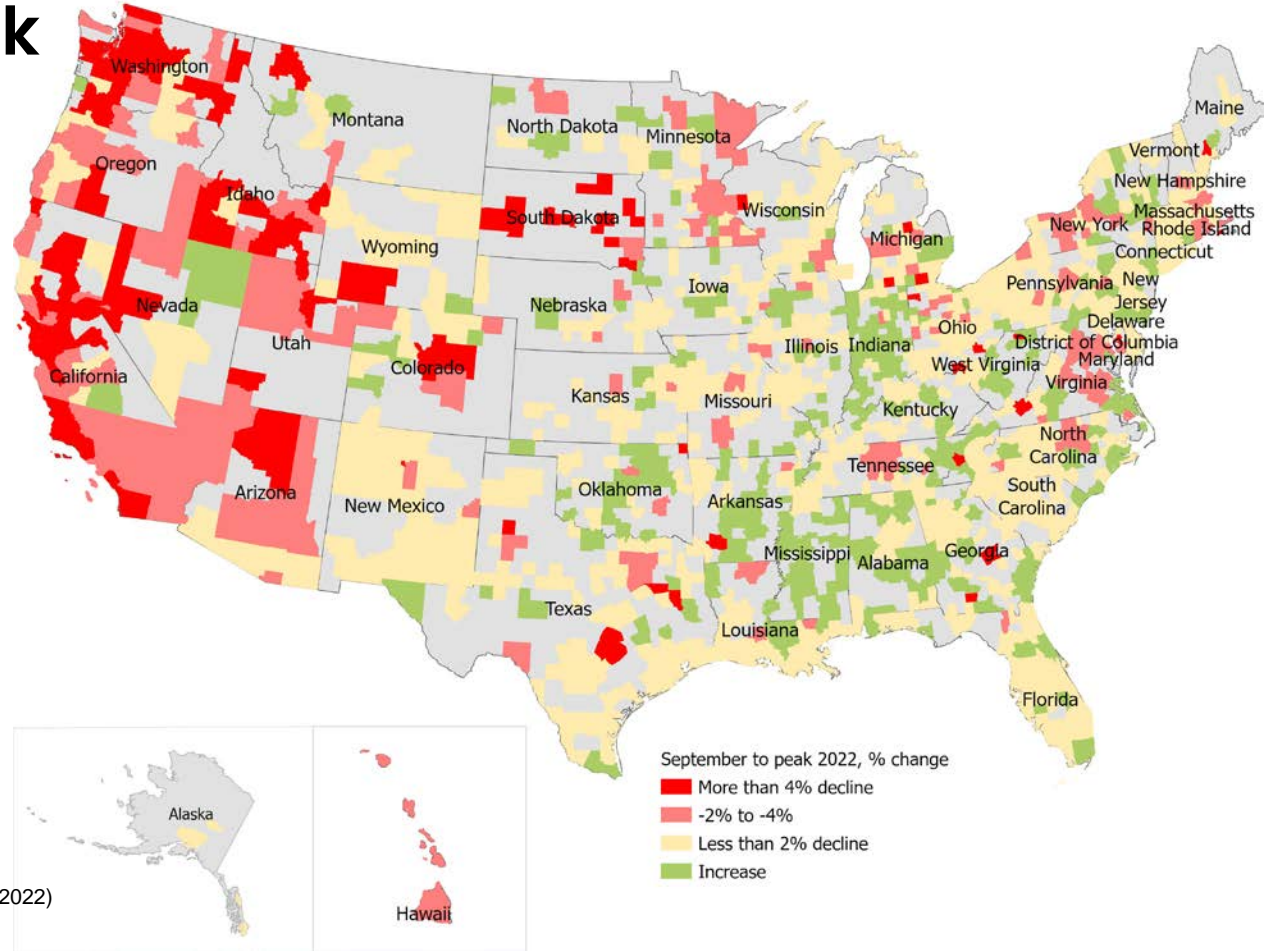


Source: CoreLogic MarketTrends, Total Sales, market consensus for forecast

Result: About 2/3 of Places Saw Home Price Declines From 2022 Peak

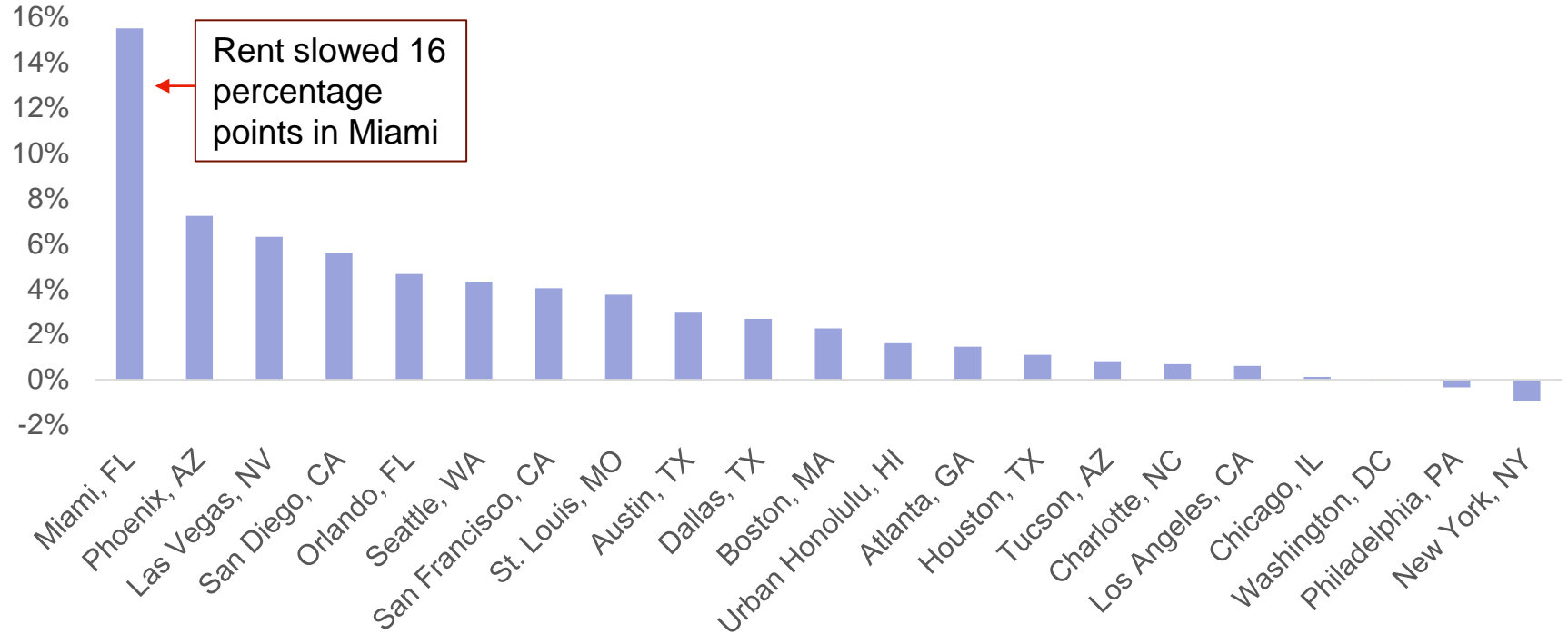
Price declines since 2022 peak are concentrated in:

- West,
- Mountain West,
- Mid-Atlantic



Result: SFRI Growth Deceleration In High-Appreciating Markets

% Point Change in CoreLogic Single-Family Rent Index Growth (August vs April 2022)

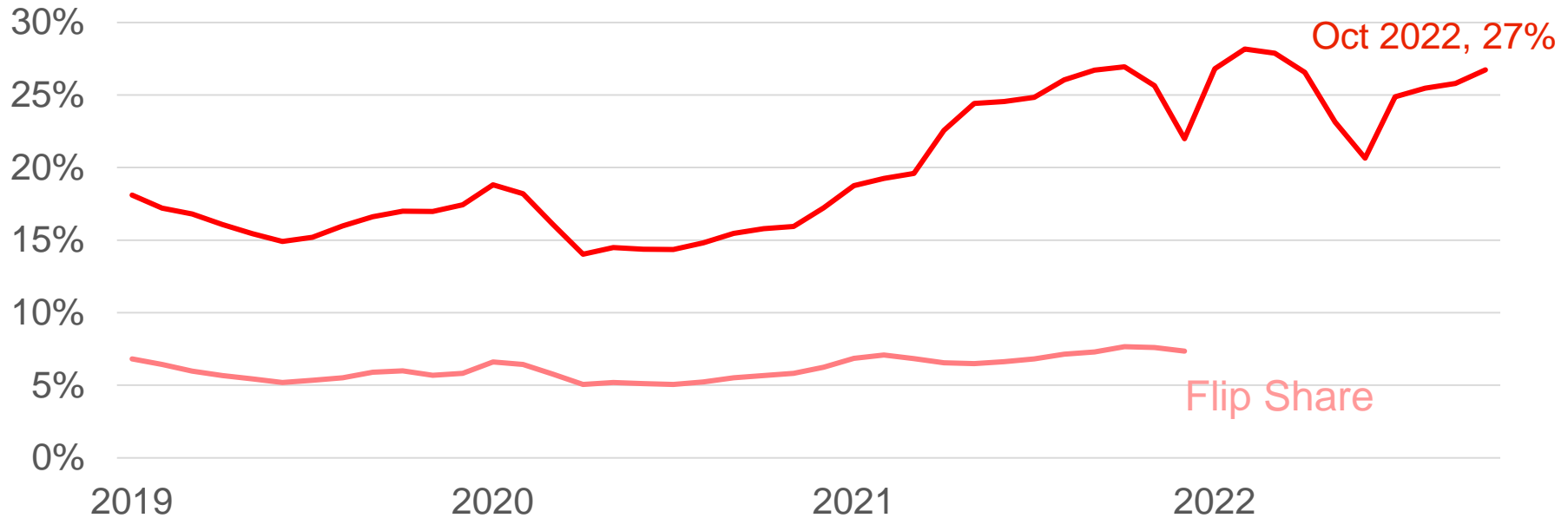


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Source: CoreLogic Single-Family Rent Index (October 18, 2022).

But, Single-Family Investor Share Remains Elevated in 2022

Total monthly purchases average 108K in 2022. Low share of flips implies many investors are landlords.

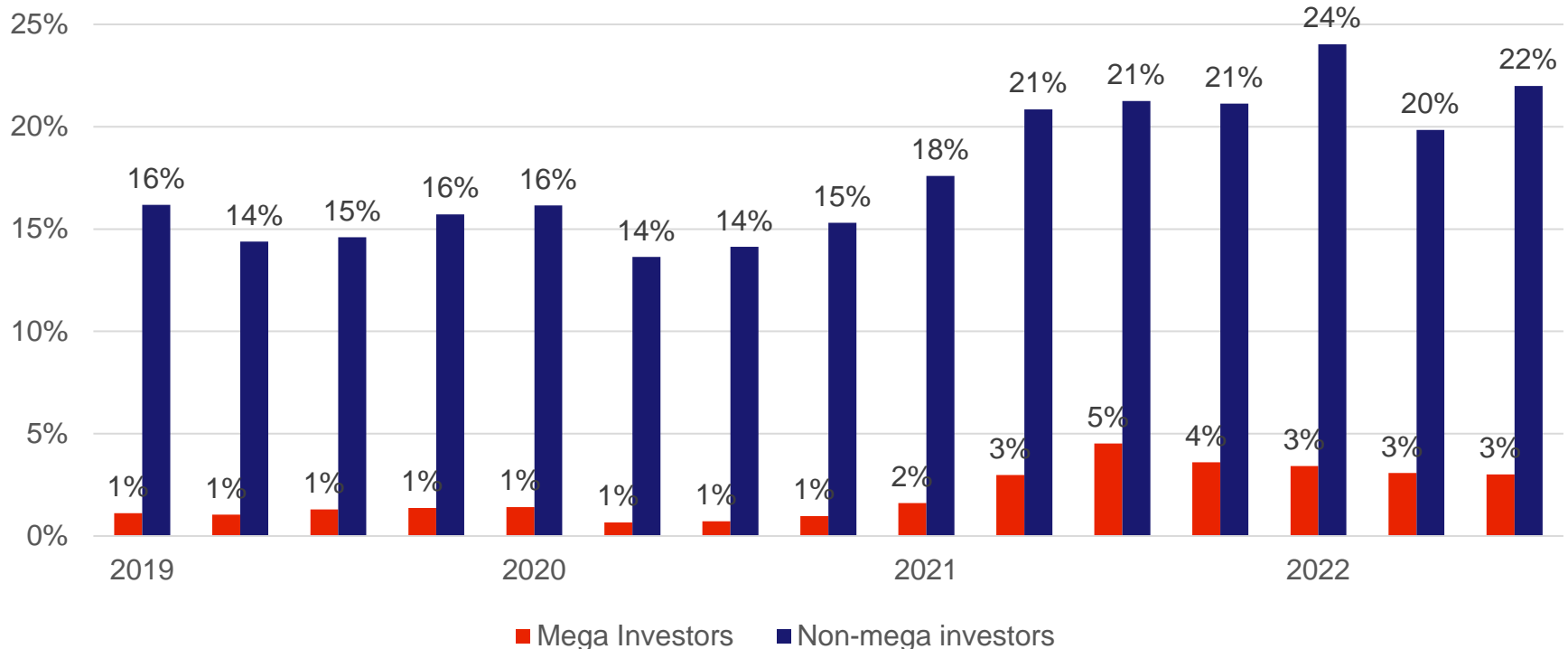
Investor Share/Purchases of Single-Family Homes



Investor Growth Driven by Non-Mega Investors

Growth was split between small (3-10) and medium (11-100) investors

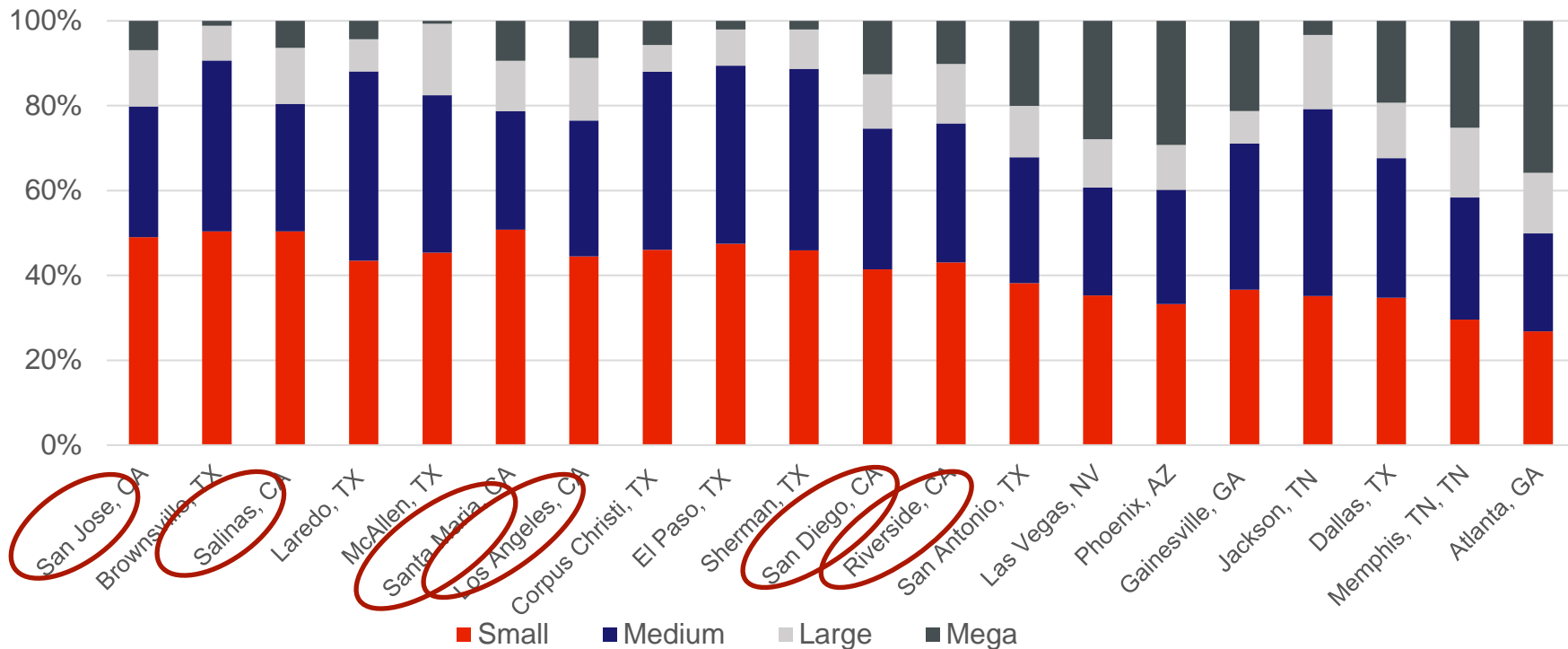
Investor Share of Sales by Investor Size



Source: CoreLogic public records, Mega investors are those with 1,001+ purchases in past 10 years.

But Many Were Driven by Small Investors

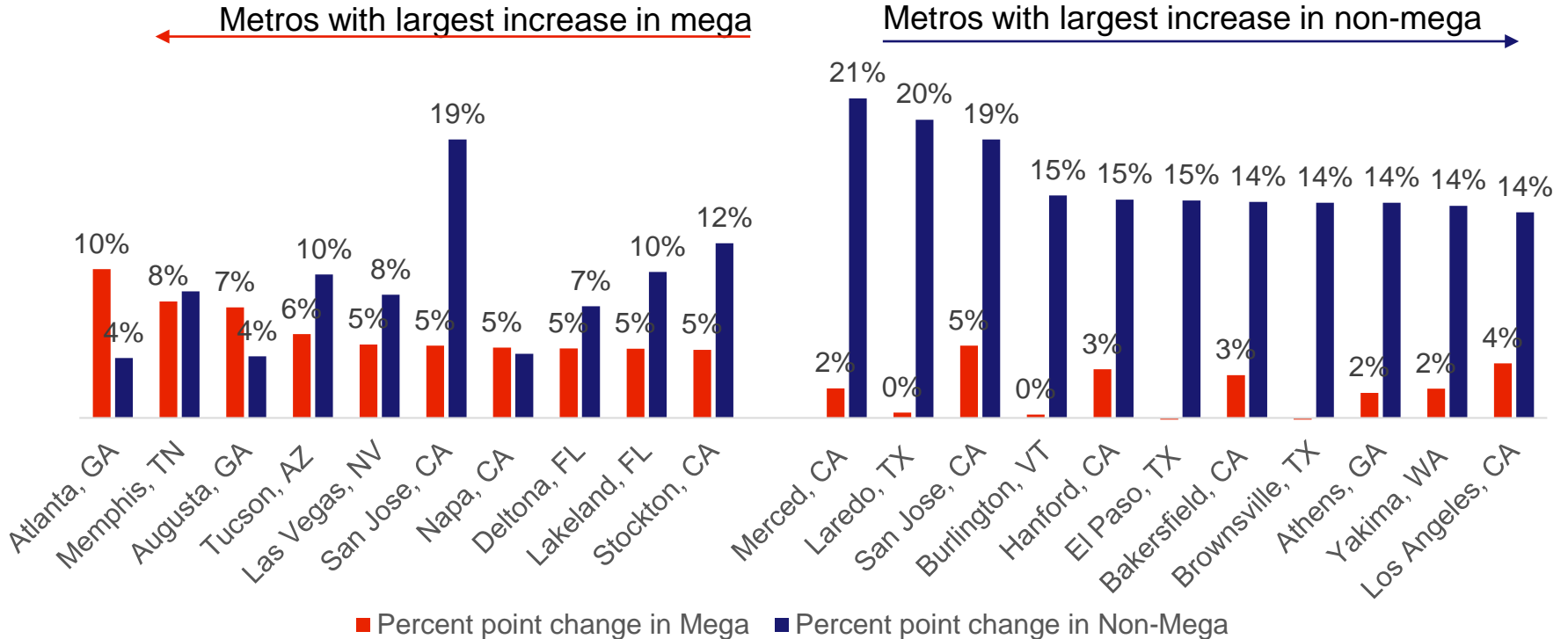
Among top 20 high-investor metros with investor share 30% to 40%, many are small investors in CA



Source: CoreLogic public records, Mega investors are those with 1,001+ purchases in past 10 years.

Some Metros Saw Large Mega Investor Growth

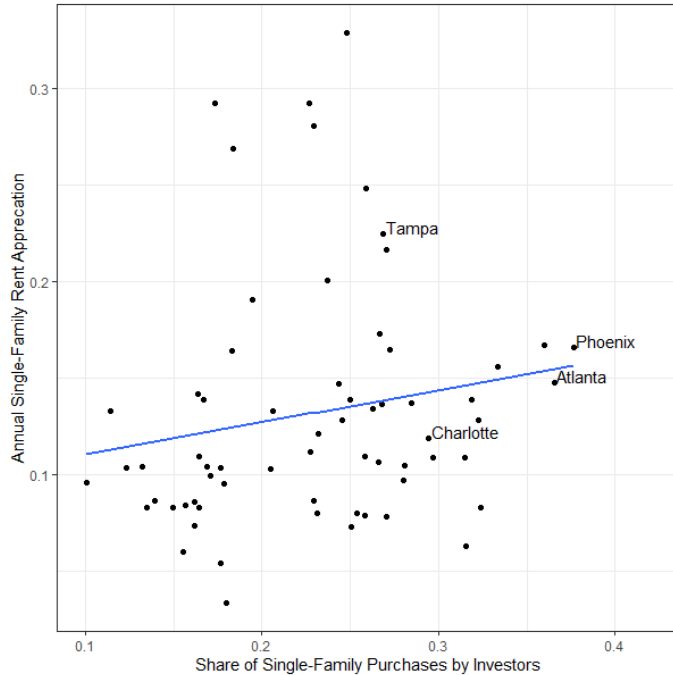
Investor Share Change from Q3 2019 to Q3 2022 (percentage point increase)



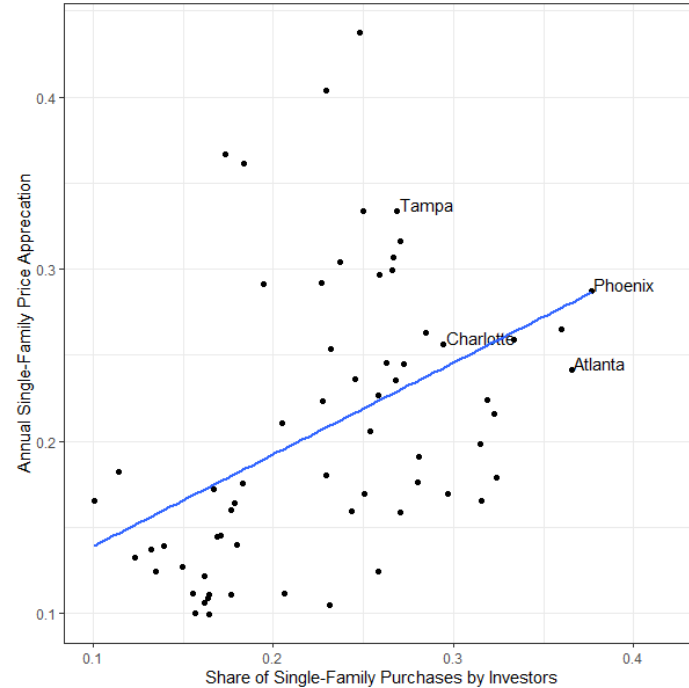
Source: CoreLogic public records, Mega investors are those with 1,001+ purchases in past 10 years.

Investor Share Has a Stronger Correlation with Prices than Rents

Annual Single-family Rent Change and Investor Share

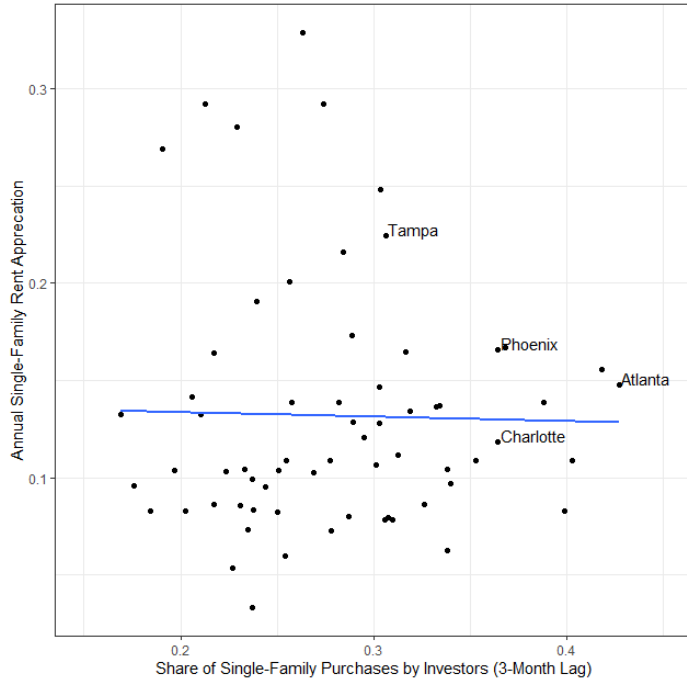


Annual Home Price Index Change and Investor Share

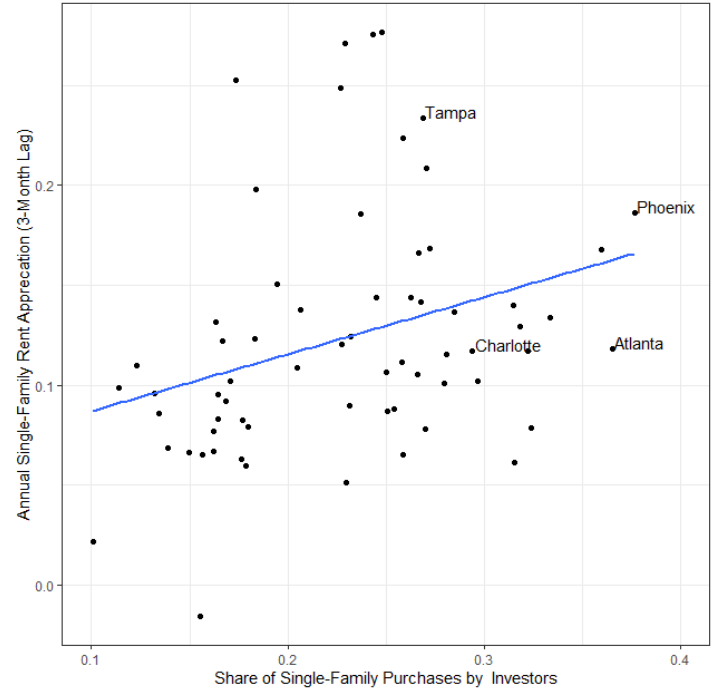


Rent Appreciation Leads Investor Share, but not the Reverse

3-month Lag Investor Share and Annual Single-family Rent Change



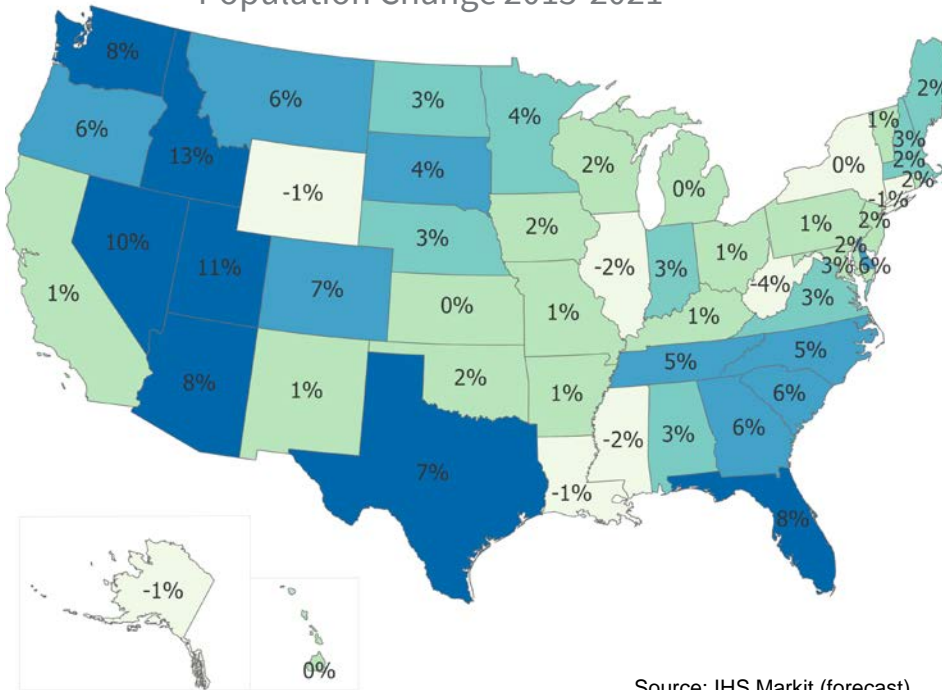
3-month Lag Annual Single-family Rent Change and Investor Share



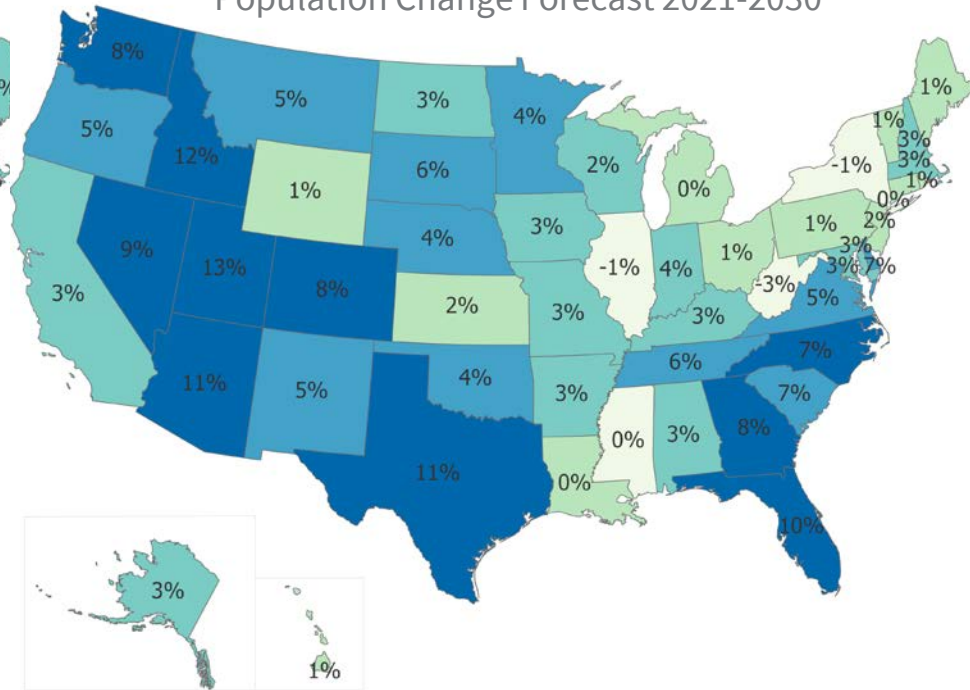
Population Growth Continues in Mountain West, Southeast and Texas

Strongest Acceleration in Population Growth in New Mexico, Texas, and Arizona

Population Change 2015-2021



Population Change Forecast 2021-2030



Source: IHS Markit (forecast)

Where to find more information

Look for regular updates to our housing forecast, commentary and data at

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