

**Comments on  
“The Foreclosure-House Price Nexus:  
Lessons from the 2007-2008 Housing Turmoil?”**

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# Factors Driving the Demand and Supply of Housing



## Demand

- Household growth, largely tied to employment and demographics
- Credit markets

## Supply

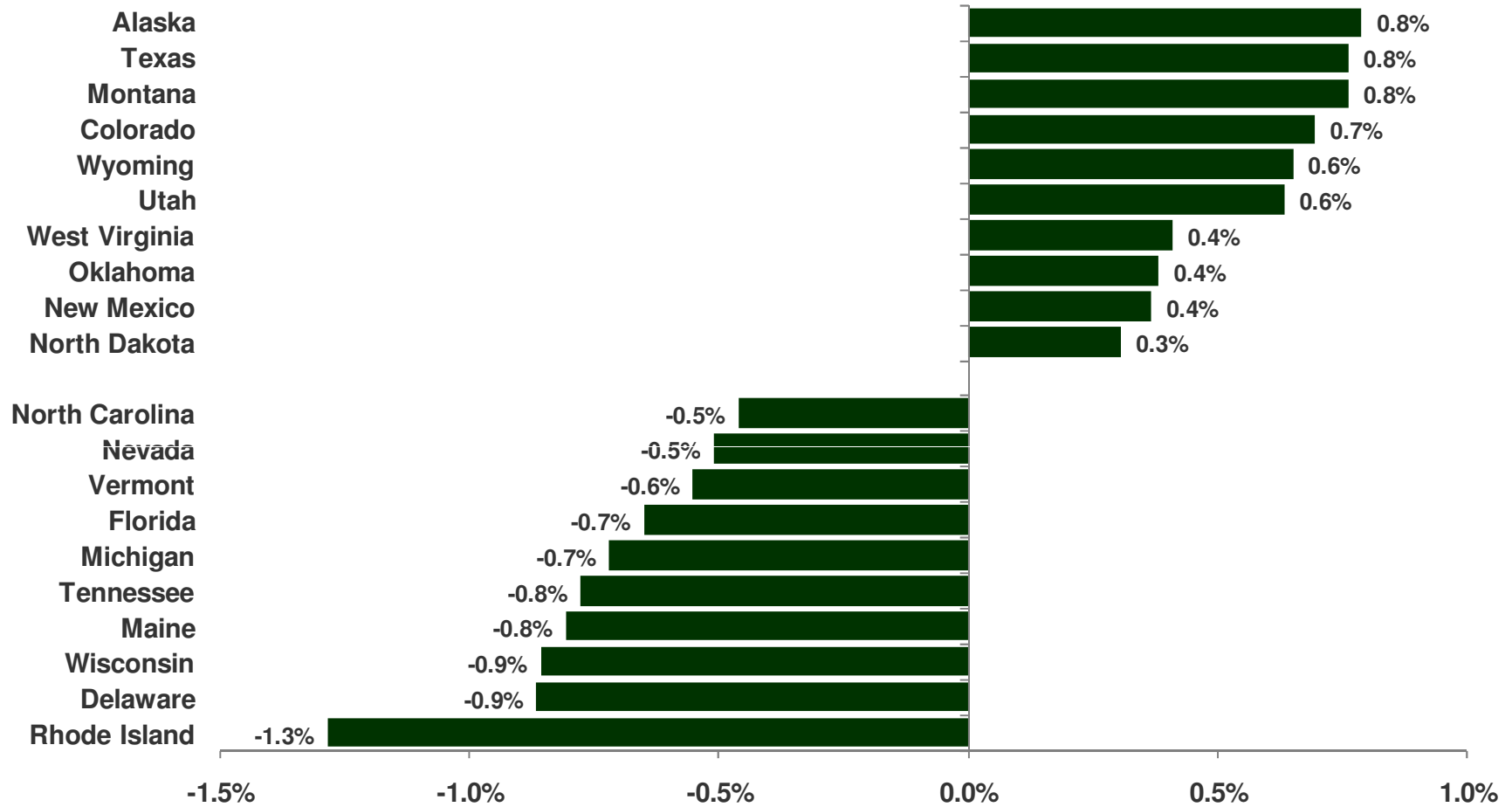
- New construction
- Voluntary sales
- Foreclosure liquidations (including tax liquidations)
- Attrition (fire, decay, expropriation, etc.)

## Substitution

- Rentals
- Distance

# Employment Change: December 2007 to April 2008

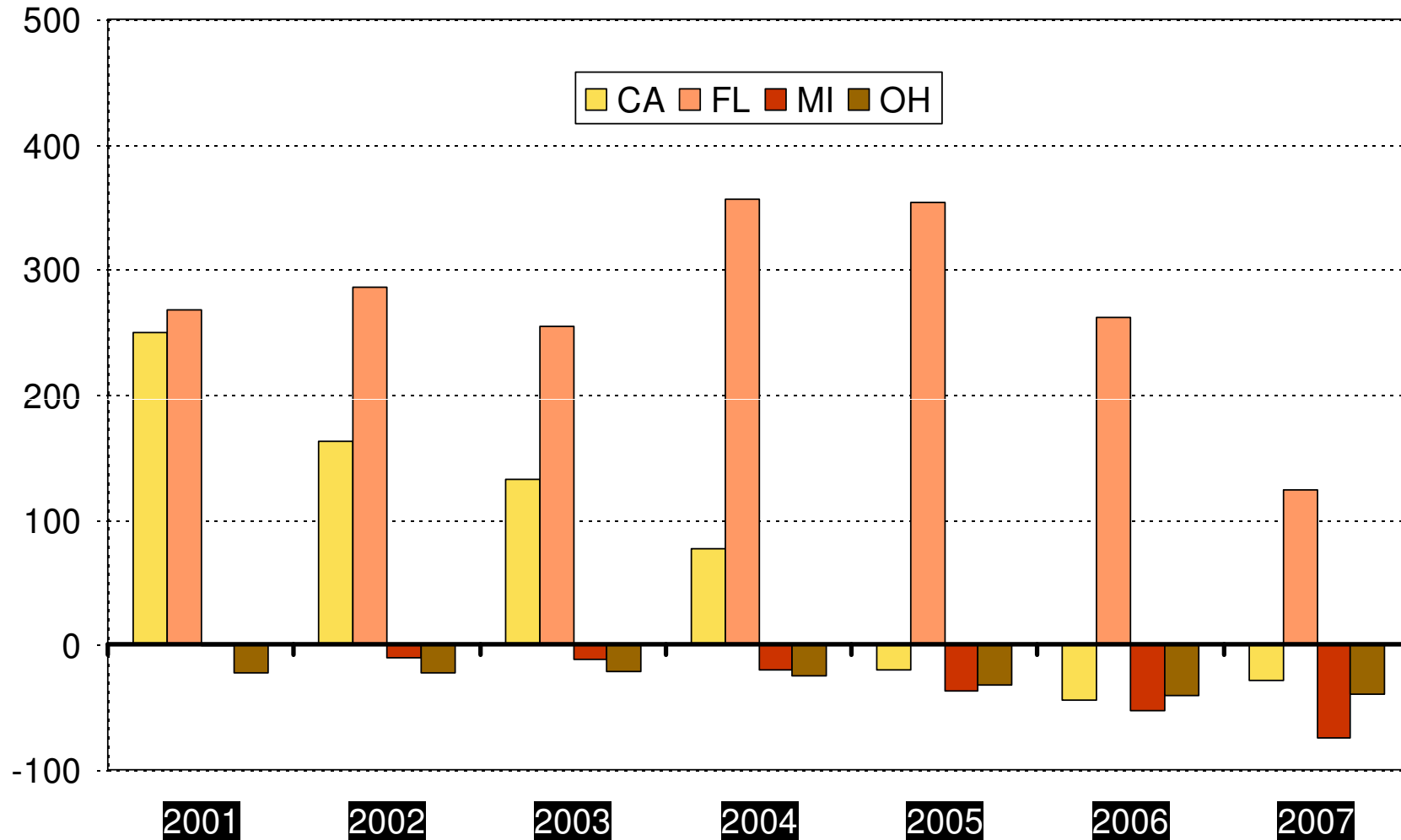
## Top-ten and Bottom-ten States



Source: Bureau of Labor Statistics

# Net Migration, Selected States

Thousands

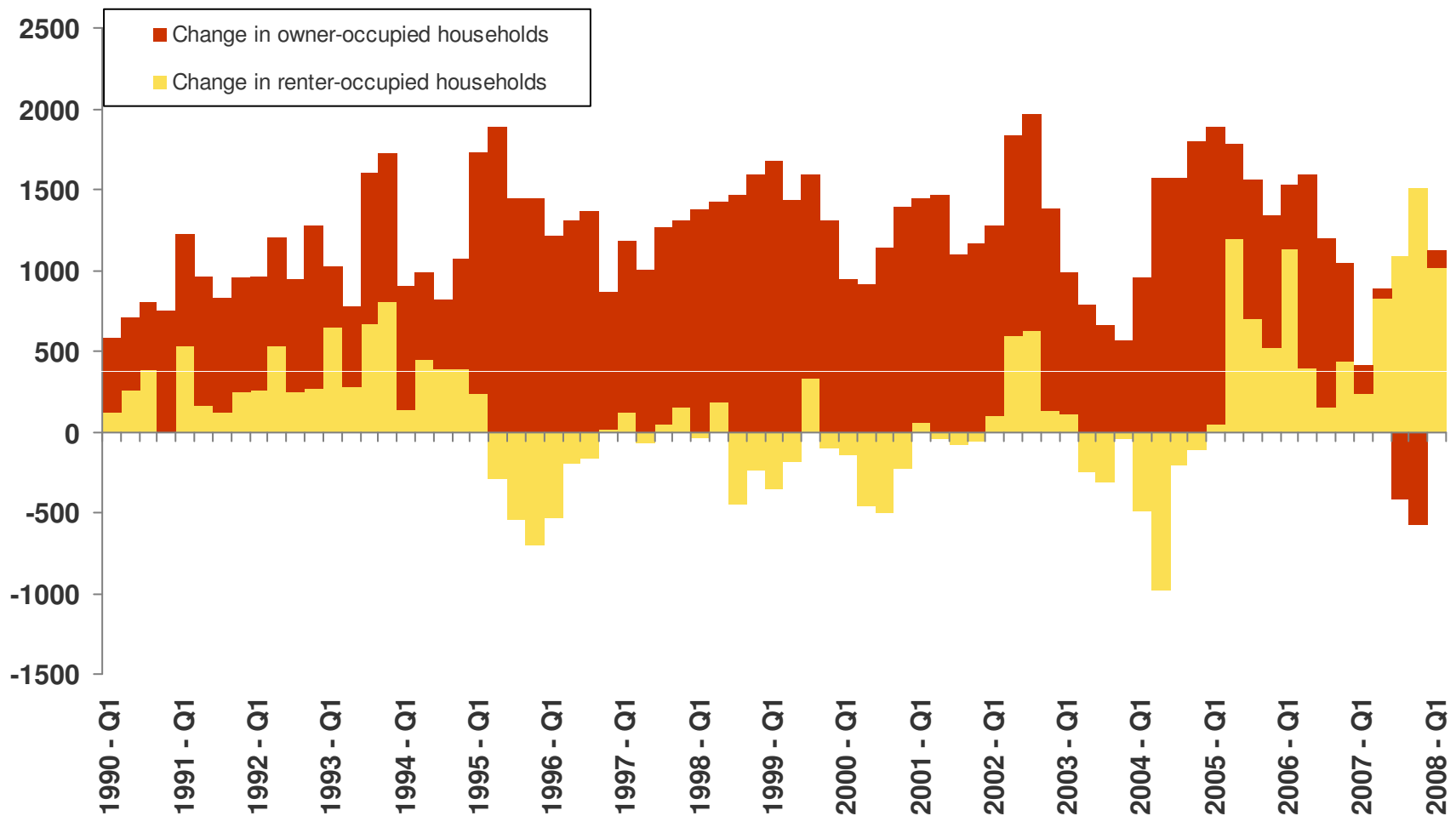


Source: Bureau of the Census

# Change in Number of Owner- and Renter-occupied Households, Year-over-year (additive)

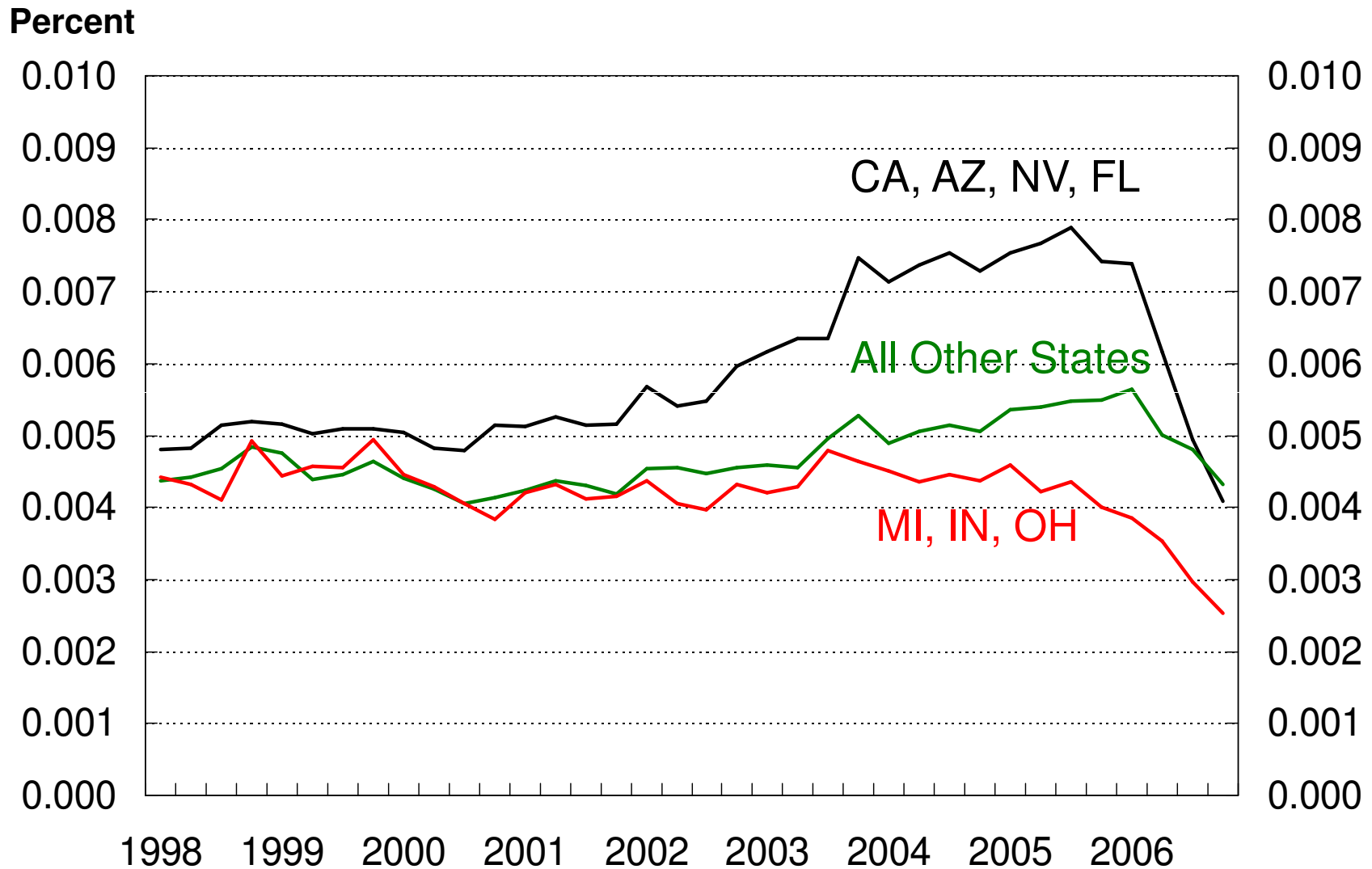


Thousands of households

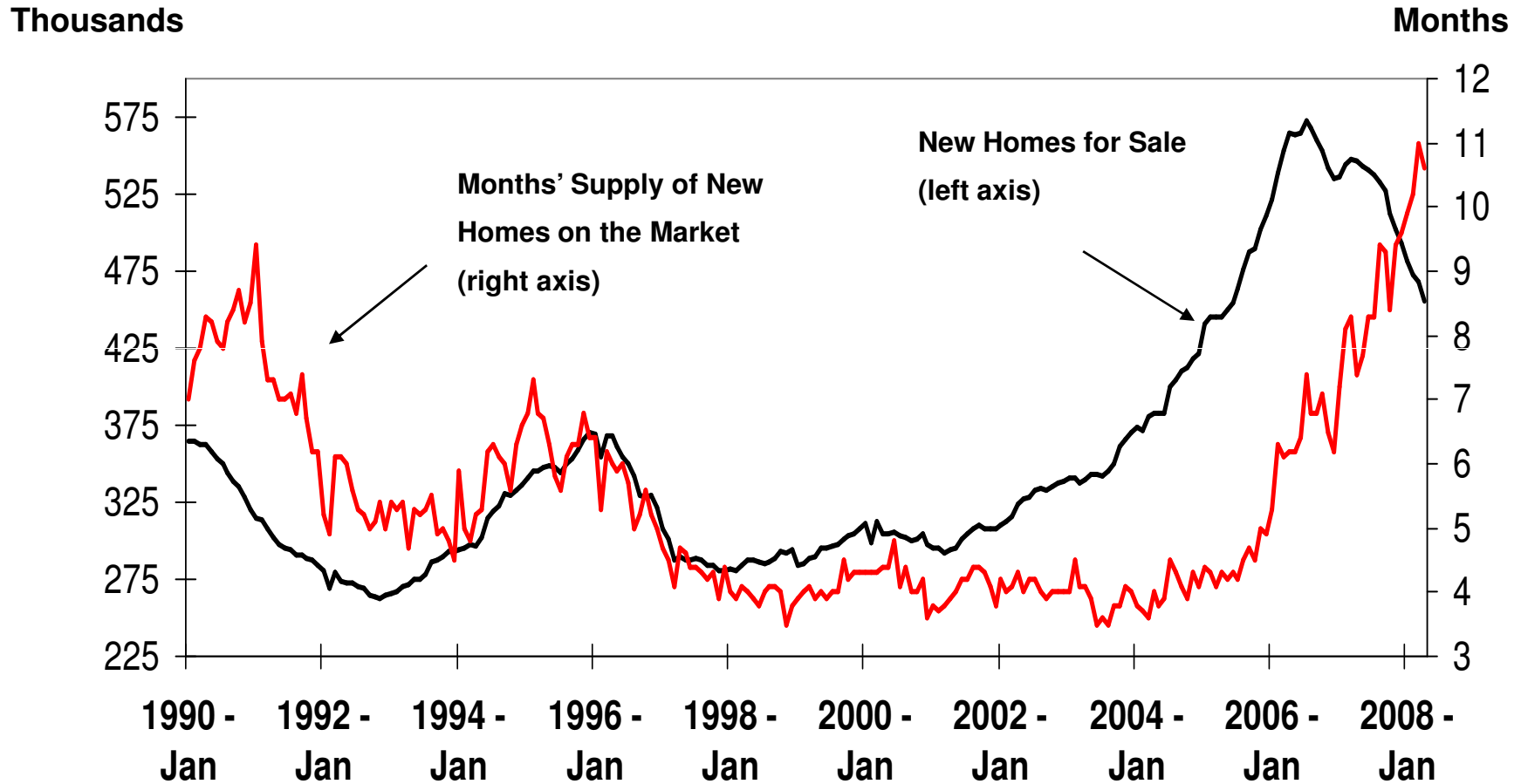


Source: Census Bureau and MBA

# Housing Starts Per Capita



# New Homes Available For Sale

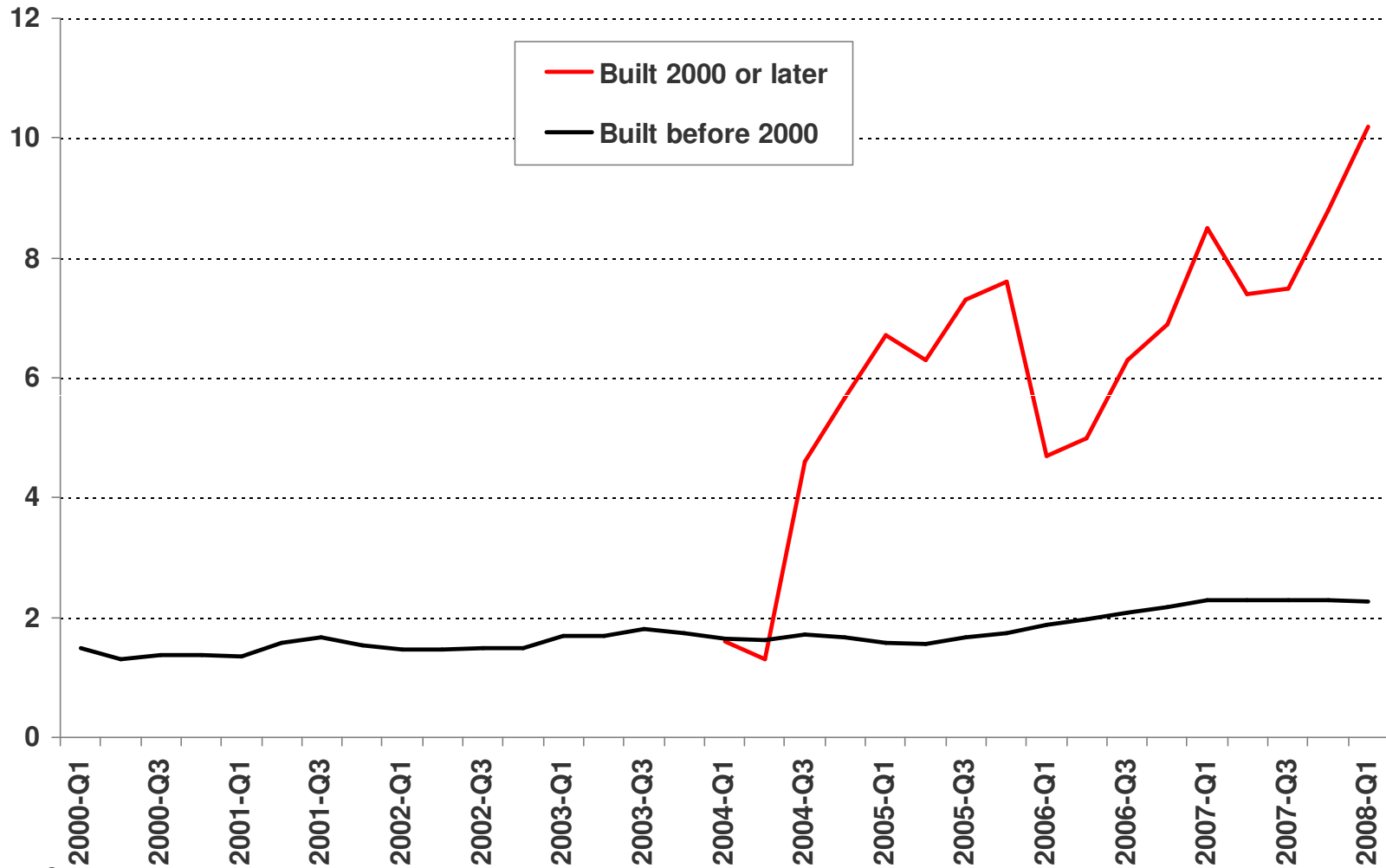


Source: Census Bureau

# Homeowner Vacancy Rate, by Year Structure Built



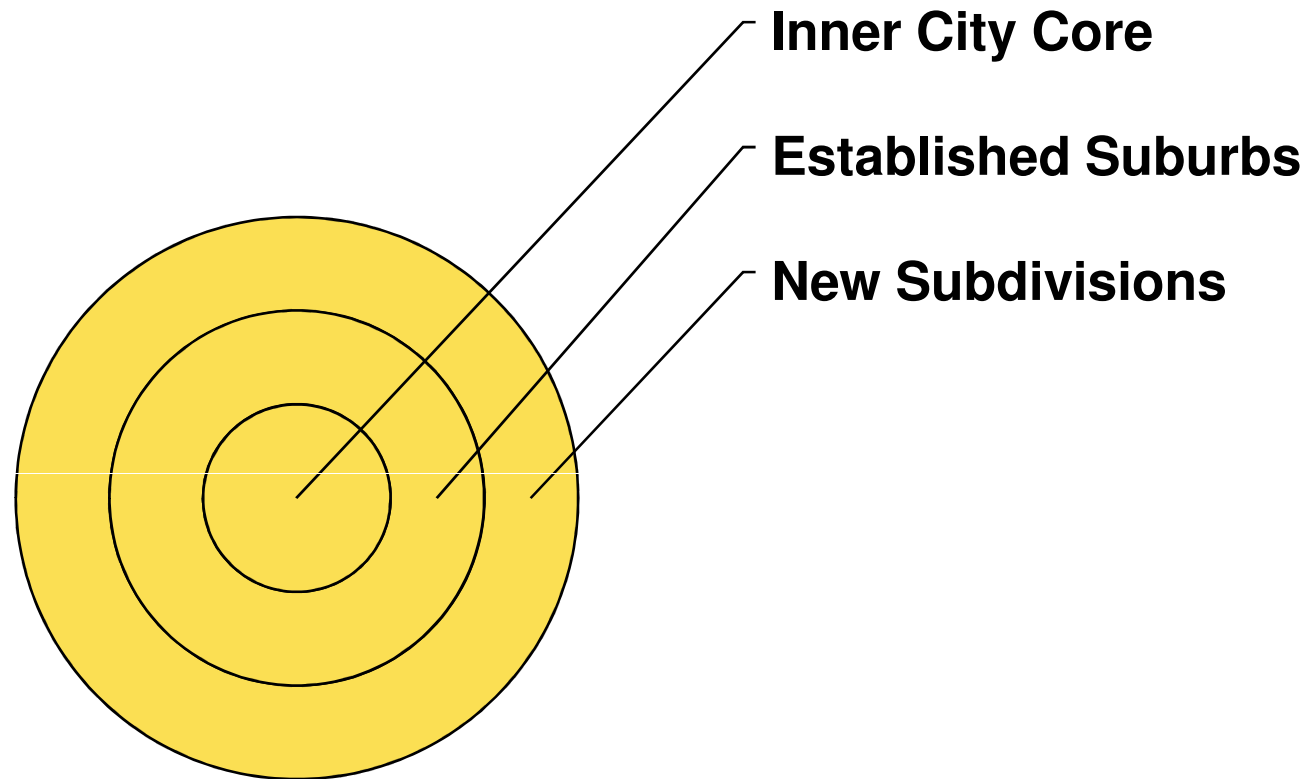
Percent vacant



Source: Census

Vacancy rate for "Built before 2000" is the simple average of the vacancy rates of properties built during each decade prior to the 2000s.

# Pricing Dynamics Within an MSA



# Has the Price Elasticity of Supply Changed?

Normal Market?

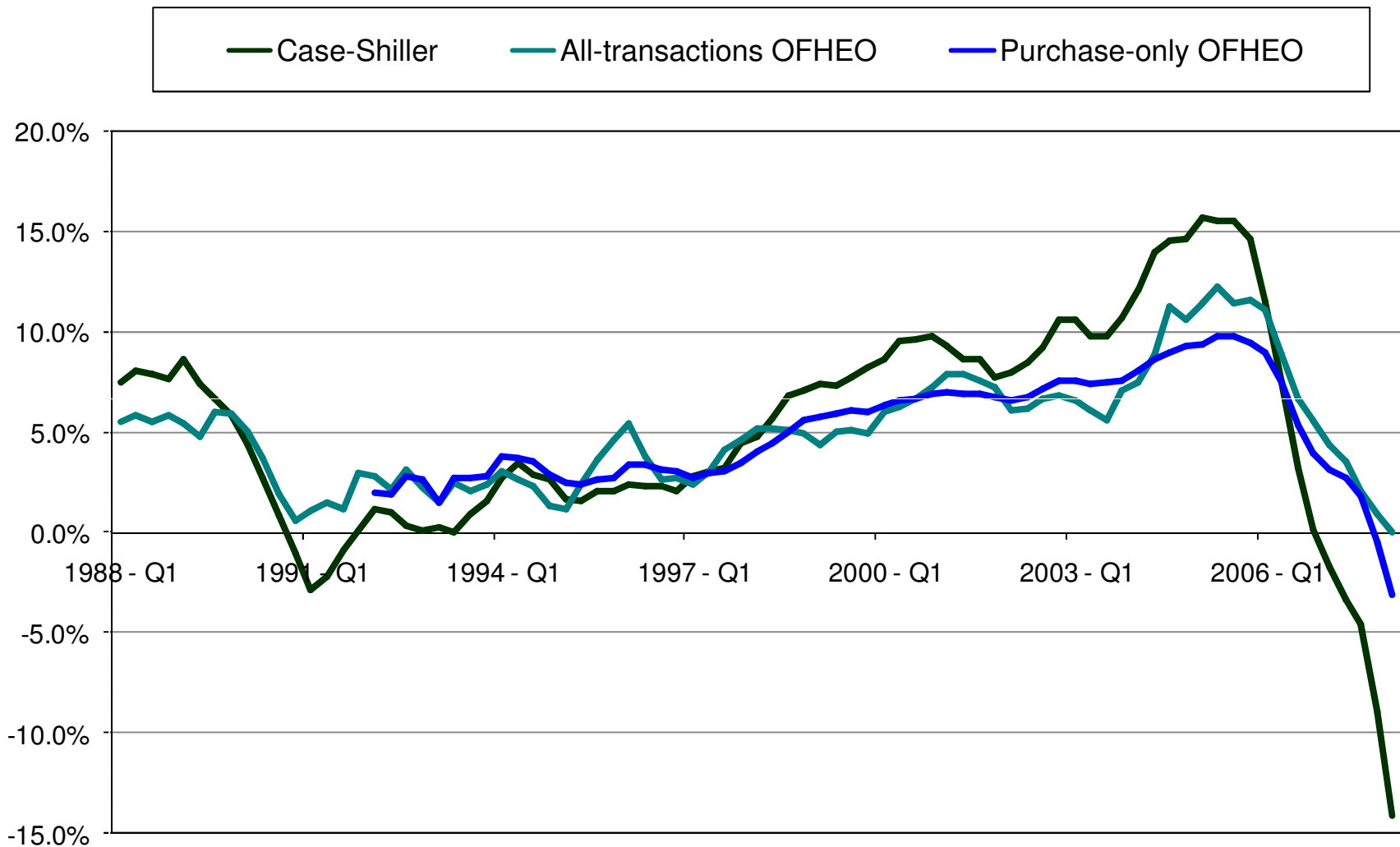


Current Market?



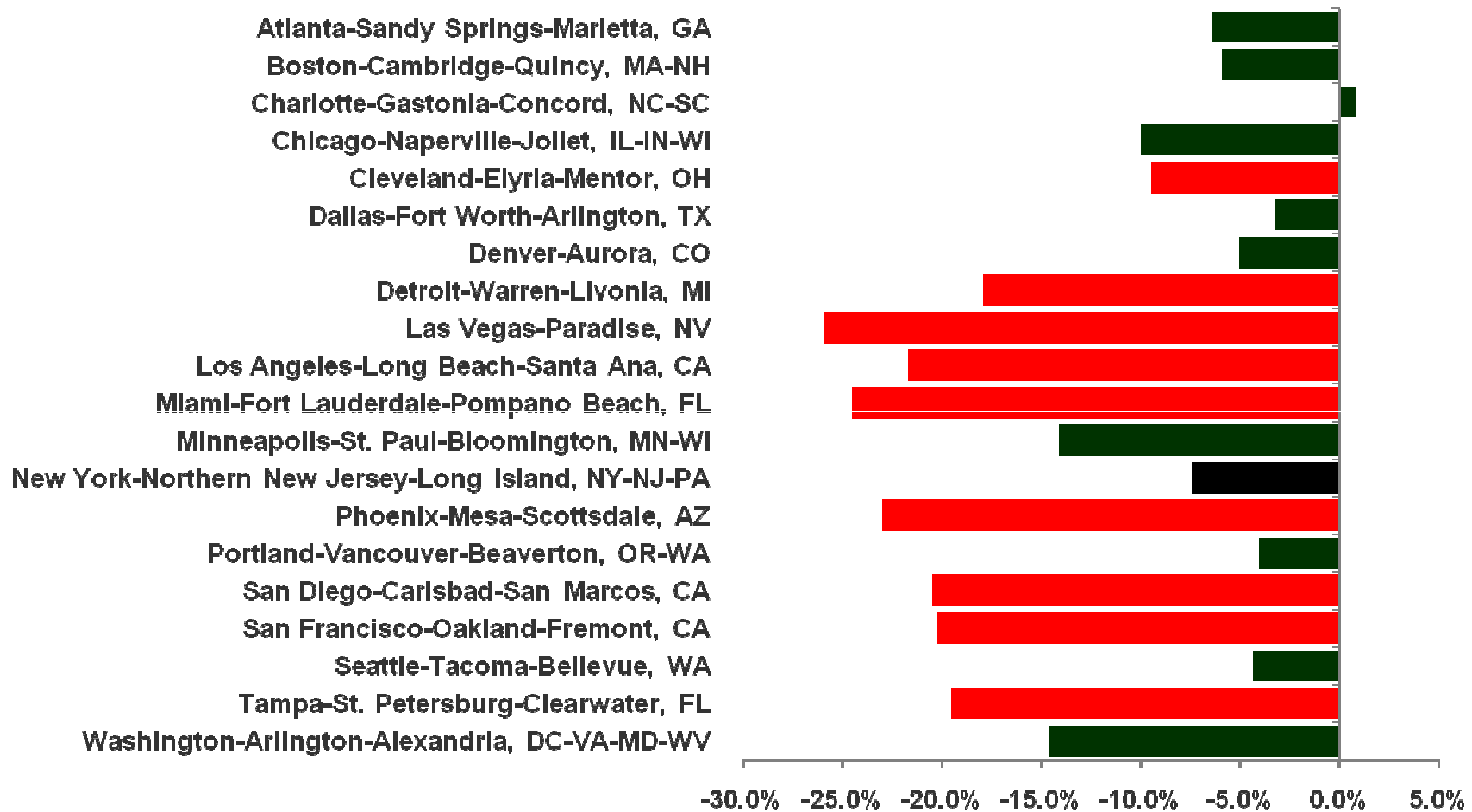
# Home Price Changes

## Who to Believe?



Source: Office of Federal Housing Enterprise Oversight and Standard and Poor's

# Standard and Poor's Case-Shiller Indices, 20 MSAs: March 2007 to March 2008



Source: Standard & Poor's Fiserv

## So which is true?

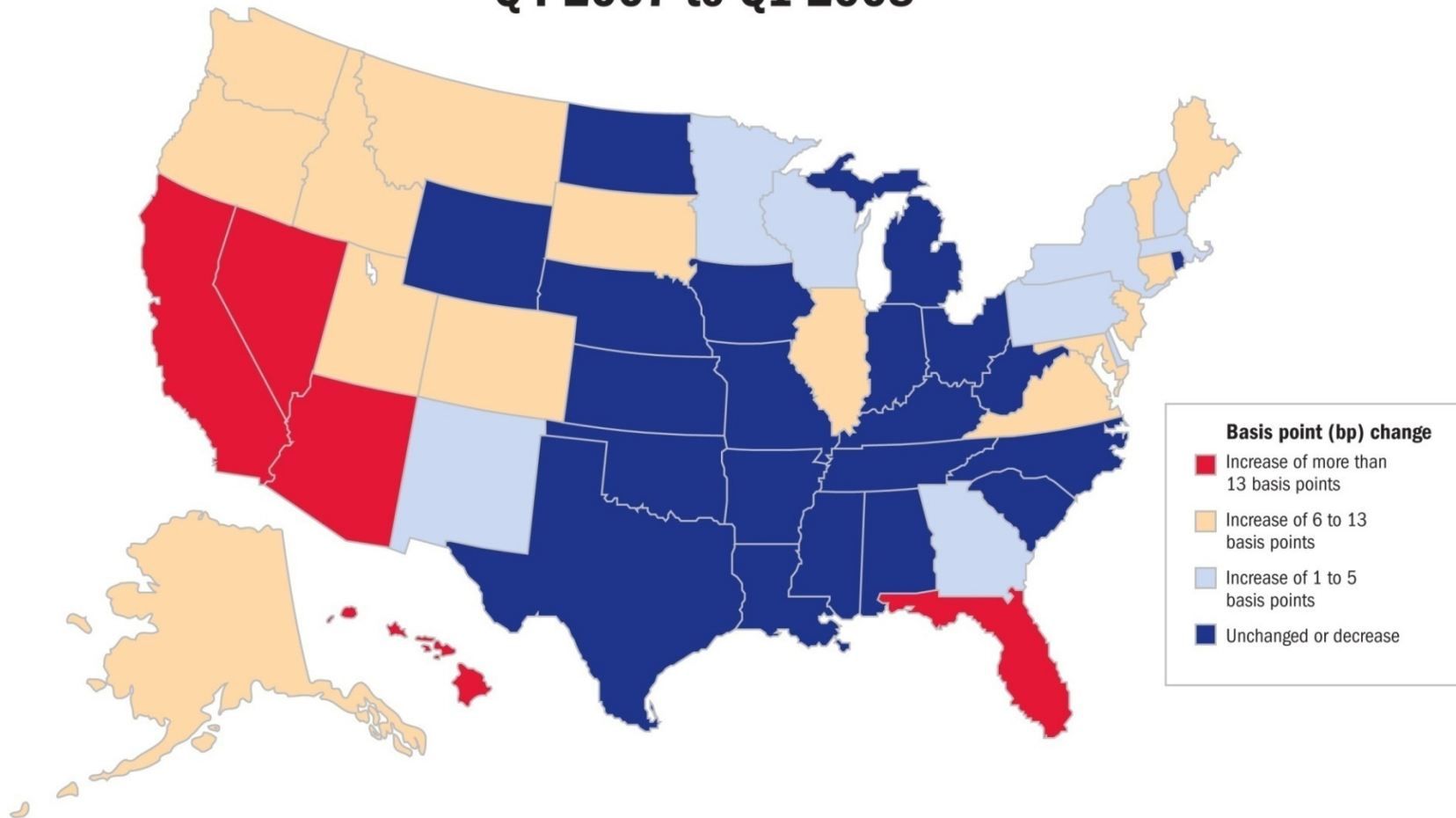


Prices = f( Foreclosures )

or

Foreclosures = f( Prices )

## NDS BPS Change in Foreclosure Starts Rate, Q4 2007 to Q1 2008



# CA, FL, AZ & NV Share of Foreclosure Starts

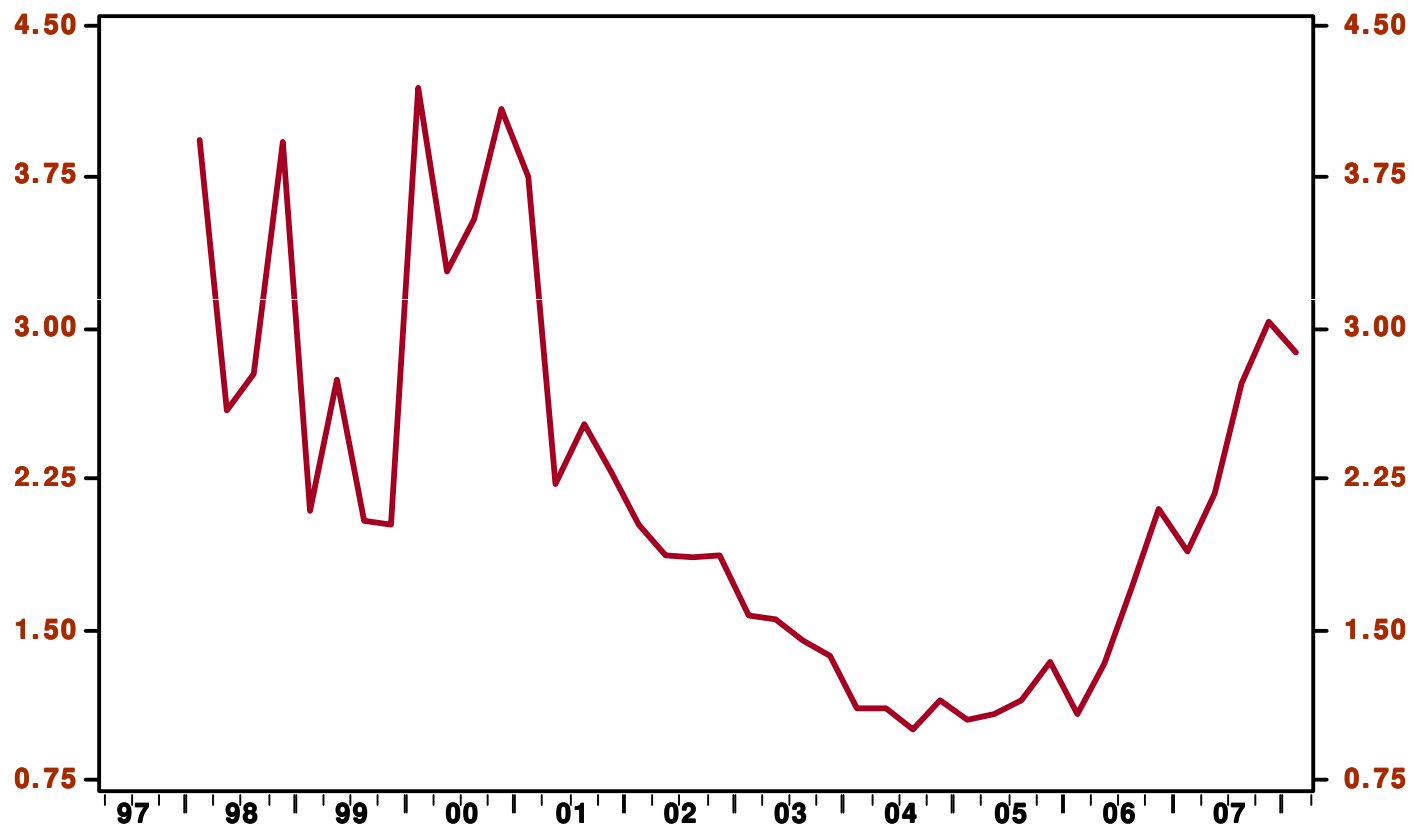


| <b>All Loans</b> |  |   |
|------------------|--|---|
| <b>State</b>     | <b>Percent of US Loans Outstanding</b> | <b>Percent of US Foreclosure Starts</b> |
| California       | 13%                                    | 21%                                     |
| Florida          | 8%                                     | 15%                                     |
| Nevada           | 1%                                     | 2%                                      |
| Arizona          | 3%                                     | 4%                                      |
| <b>Total</b>     | <b>25%</b>                             | <b>42%</b>                              |

They had 78% of the increase.

### Conventional Prime ARMs: 30 days Past Due, California

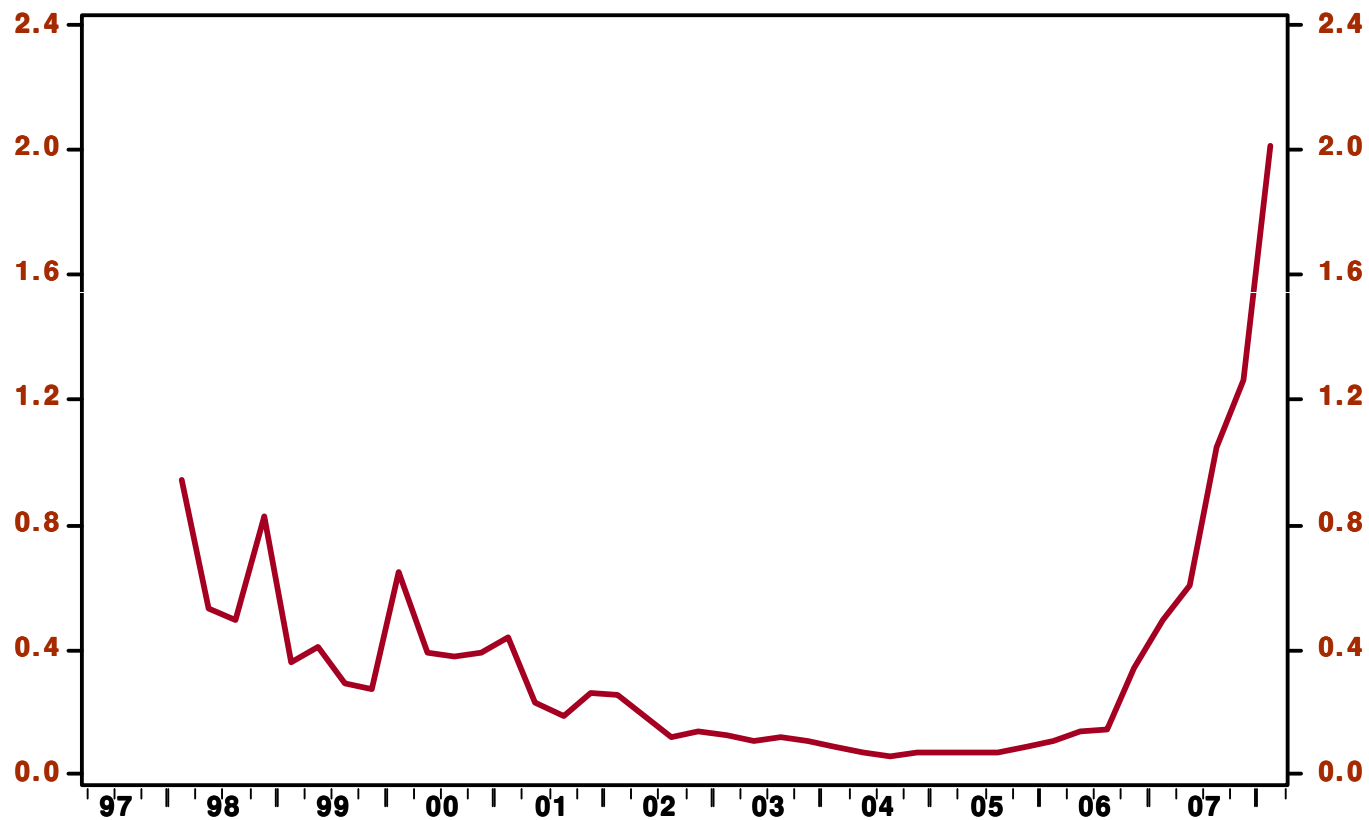
NSA, %



Source: Mortgage Bankers Association

### Conventional Prime ARMs: Foreclosures Started, California

NSA, %



Source: Mortgage Bankers Association

The paper makes several important contributions:

- Relates a number of different factors that drive house prices.
- Recognizes that there are substantive differences between states.
- Demonstrates the weaknesses of some of the home price measures most often cited in discussions of the current problems.