

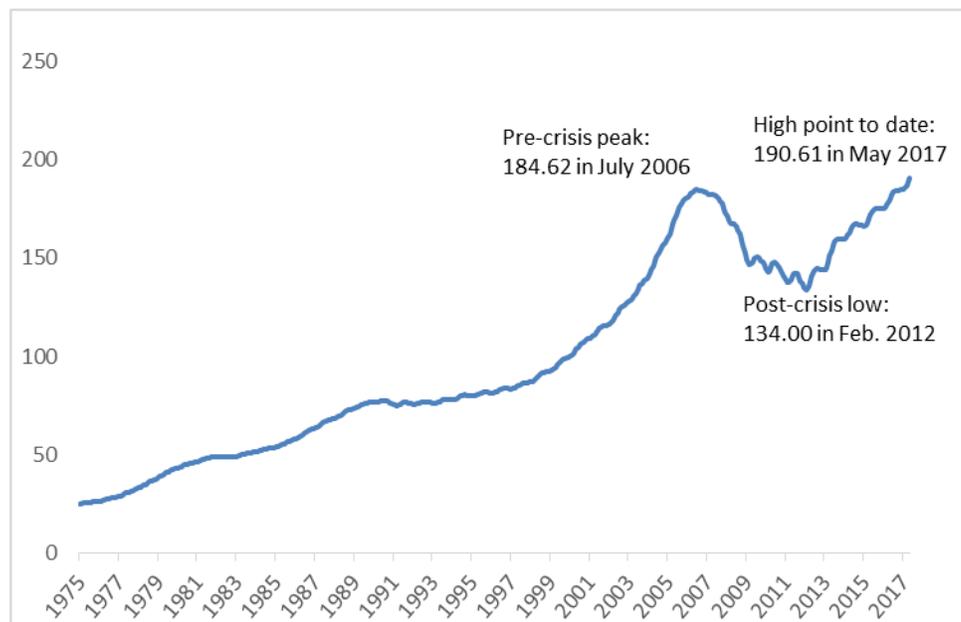
# A Home of Your Own -- The State of the American Dream

A decade after the housing bubble burst, consumers face a mixed picture on the cost of owning a home. Nationwide, the benchmark price for a single-family home has recovered from the steep drop it took during the financial crisis and its aftermath (i.e., 2007-2011). And mortgage rates are generally lower now than they were then.

Home prices are in about the same place they were 10 years ago. But with lower mortgage rates, houses can be more affordable now than they were then.

By many common measures, housing has actually become more affordable than it was a decade ago. On the other hand, housing supply remains a concern. Fewer homes are being built now than in the last decade. Those that are tend to be larger and more expensive than previously. As a result, younger families may face greater challenges getting started with their first homes.

## A Closer Look at the Track of Home Prices: 1975-2017

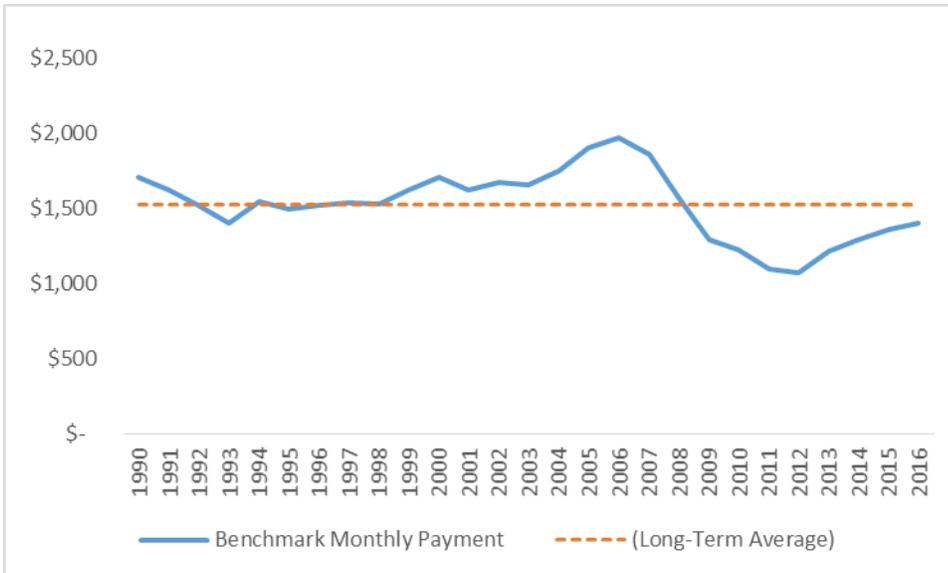


Source: S&P CoreLogic Case-Shiller U.S. National Home Price Index, January 1975 to May 2017, retrieved August 2, 2017. The index tracks changes in the value of real estate nationally. Data were not seasonally adjusted and assume the size, condition, and other quality factors remained constant. Index values do not represent the price changes for any specific property or location and do not reflect the costs of buying, selling, and maintaining real estate. Individual results will vary. Past performance does not predict future results.

## A Measure of Affordability: Average Monthly Mortgage

## Payment on a Median-Priced Home, 1990-2016

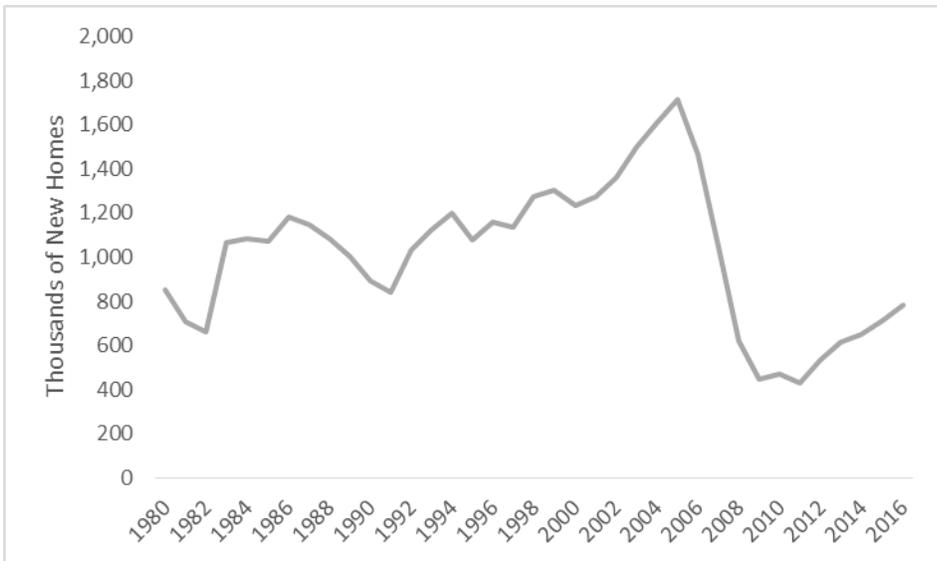
The estimated monthly payment required to carry the mortgage, taxes, and insurance on the median-priced existing single-family home remains below average, even after adjusting for the effects of inflation. So shoppers who can find a property and put together the down payment and closing costs could have an easier time financially now than 10 years ago.



Source: The State of the Nation's Housing -- 2017, Joint Center for Housing Studies of Harvard University (JCHS). The illustrated data points were derived from JCHS tabulations of National Association of Realtors® and Moody's Analytics Forecasted Single-Family Seasonally Adjusted Quarterly Median Home Price, annualized by DataBuffet, and the Freddie Mac Annual Primary Mortgage Market Survey. Computations assume a 5% down payment with property taxes of 1.25%, property insurance of 0.25%, and mortgage insurance of 0.5%. Values were adjusted to 2016 dollars using the Consumer Price Index for all items except shelter.

## The Picture of Supply: New Housing Construction

The pace of housing construction is often measured by the number of new houses whose construction is begun each year, statistics that are compiled by the Census Bureau as housing starts. As home prices rose during the housing bubble of the mid-2000s, builders rushed to add supply, so housing starts spiked. But when the up-trend in prices ended, so did the associated building boom. Starts plunged into a generational trough. Now, after significant recovery, the pace of housing starts remains well below where it was during the 1980s and 1990s, even as the population of the United States has grown significantly since then.



Source: The State of the Nation's Housing -- 2017, Joint Center for Housing Studies of Harvard University (JCHS).

## Considering the Alternatives

Buying a home is not right for everyone in every circumstance. In fact, the Pew Research Center reported recently that the number of U.S. households who rent is higher than at any point in the past half century -- more than 43 million.<sup>1</sup> Of course, the decision to rent or buy may be complex. An optimal solution will depend on your finances, your time horizon, and your location. There are many good calculators online that can help you.

<sup>1</sup>More U.S. Households Are Renting Than at Any Point in 50 Years, The Pew Research Center, July 19, 2017.