Missouri Homeownership Preservation Summit

The Economic Outlook for Housing

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The Economic Outlook for Housing

- National and Missouri economic conditions
  - State and US unemployment will remain high.
  - Tentative signs of job growth in some areas.

- Housing and mortgage markets
  - House prices remain at risk.
  - Homebuilding will stagnate.
  - Mortgage defaults will continue.
These comments do not necessarily reflect the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.
Missouri Unemployment Rate Tracking
National Average Higher

Missouri Unemployment Rate
Percent of labor force, seasonally adjusted

US Unemployment Rate
Percent of labor force, seasonally adjusted

Sources: Bureau of Labor Statistics
Monthly data through Nov. 2009 (MO) or Dec. 2009 (US)
Two Years Ago, Unemployment in Missouri Was About 5 Percent

Only one Missouri county had an unemployment rate above 8% in Nov. 2007

Highest: Barton County, 11.2%

Lowest: Nodaway County, 3.3%

Unemployment rates by county, not seasonally adjusted, Missouri November 2007

<table>
<thead>
<tr>
<th>NSA</th>
<th>Seasonally Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri</td>
<td>4.9%</td>
</tr>
<tr>
<td>USA</td>
<td>4.5%</td>
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<tr>
<td>USA</td>
<td>4.7%</td>
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</tbody>
</table>

By November 2009, Missouri Unemployment Had Nearly Doubled

35 Missouri counties had unemployment rates of 10% or more in Nov. 2009

Lowest: Nodaway County, 5.6%

Highest: Washington County, 14.1%

Unemployment rates by county, not seasonally adjusted, Missouri November 2009

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<tr>
<th>NSA</th>
<th>Seasonally Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri</td>
<td>9.2%</td>
</tr>
<tr>
<td>USA</td>
<td>9.4%</td>
</tr>
<tr>
<td>Missouri</td>
<td>9.5%</td>
</tr>
<tr>
<td>USA</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

The Worst is Over—Missouri Job Losses Are Slowing

Missouri Nonfarm Employment
Change from three months ago, in thousands

Source: Bureau of Labor Statistics / Haver Analytics
Monthly data through Nov. 2009
Missouri Education and Health Sectors Are Growing

Missouri Employment in Educational & Health Services

Thousands of employees

Source: Bureau of Labor Statistics / Haver Analytics

Monthly data through Nov. 2009
Missouri House Prices Among the Weakest in the Midwest

Loan Performance House Price Index, Missouri (SA, 2004 Dec=100) (I)
Loan Performance House Price Index, Arkansas (SA, 2004 Dec=100) (I)
Loan Performance House Price Index, Iowa (SA, 2004 Dec=100) (I)
Loan Performance House Price Index, Kansas (SA, 2004 Dec=100) (I)

Index equals 100 in Dec. 2004

Peak-to-trough declines
AR -9%
IA -5%
KS -14%
MO -19%

Sources: LP/HAVER/Haver
Monthly data through Aug. 2009
But Not As Weak As Elsewhere

House-Price Index for St. Louis MO-IL
House-Price Index for Missouri
House-Price Index for California
House-Price Index for US

Index equals 100 in Dec. 2004

Sources: LP/HAVER/Haver

Monthly data through Oct. 2009

Peak-to-trough declines

STL -16%
MO -19%
US 34%
CA 48%
Missouri Building Permits Decreased by 82 Percent From Peak to Trough

Missouri Private Building Permits for Housing Construction

Number of housing units

Data are seasonally adjusted

Q1.2006: 8101 units

Q1.2009: 1495 units

Source: Bureau of the Census/Haver Analytics
Quarterly data through Q3.2009, seasonally adjusted

Peak-to-trough change: -82%
St. Louis and Kansas City Homebuilding Have Bounced Back A Bit

Number of housing units

Sources: Bureau of the Census/Haver Analytics  Quarterly data through Q3.2009, seasonally adjusted
Percent of All First Liens Seriously Delinquent by County – April 2009

Source: Lender Processing Services (LPS)
Missouri Mortgage Delinquencies and Foreclosures Likely to Rise During 2010

Share of Missouri First-Lien Mortgages Delinquent or in Foreclosure

Decimal fraction: 0.10 equals 10%

Source: Mortgage Bankers’ Association
Quarterly data thru Q3.2009
The Outlook for 2010 and Beyond: Missouri Unemployment Will Remain Painfully High

Missouri Unemployment Rate
Percent

FOMC Projection of US Unemployment Rate
Percent

Percent of labor force

In Sum: The Economic Outlook for Housing in Missouri and Nationwide is Poor

- Unemployment will remain painfully high for the foreseeable future.
- Housing and mortgage markets could get worse in 2010 before they improve.
  - House prices likely to fall further, increasing negative equity.
  - Homebuilding not likely to pick up due to a supply glut and weak demand.
  - Mortgage defaults will continue at high rates during 2010.