Harrisburg - Carlisle Area
Local Market Report, First Quarter 2020
including the impact of COVID-19 on the local economy

Today's Market…

Median Price (Red Line) and One-year Price Growth

<table>
<thead>
<tr>
<th>Price Activity</th>
<th>Harrisburg</th>
<th>U.S.</th>
<th>Local Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Median Home Price (2020 Q1)</td>
<td>$176,600</td>
<td>$272,433</td>
<td>Prices continue to grow relative to last year</td>
</tr>
<tr>
<td>1-year (4-quarter) Appreciation (2020 Q1)</td>
<td>6.4%</td>
<td>7.7%</td>
<td></td>
</tr>
<tr>
<td>3-year (12-quarter) Appreciation (2020 Q1)</td>
<td>20.9%</td>
<td>18.1%</td>
<td></td>
</tr>
<tr>
<td>3-year (12-quarter) Housing Equity Gain*</td>
<td>$30,500</td>
<td>$41,733</td>
<td>Gains in the last 3 years have extended the trend of positive price growth after the recession</td>
</tr>
<tr>
<td>7-year (28 quarters) Housing Equity Gain*</td>
<td>$37,400</td>
<td>$96,500</td>
<td></td>
</tr>
<tr>
<td>9-year (36 quarters) Housing Equity Gain*</td>
<td>$34,900</td>
<td>$114,500</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Equity gain reflects price appreciation only

<table>
<thead>
<tr>
<th>Conforming Loan Limit**</th>
<th>Harrisburg</th>
<th>U.S.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$484,350</td>
<td>$726,525</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FHA Loan Limit</td>
<td>$314,827</td>
<td>$726,525</td>
<td>Most buyers in this market have access to government-backed financing</td>
</tr>
<tr>
<td>Local Median to Conforming Limit Ratio</td>
<td>36%</td>
<td>not comparable</td>
<td></td>
</tr>
</tbody>
</table>

Note: limits are current and include the changes made on January 1st 2019.

Local NAR Leadership

The Harrisburg - Carlisle market is part of region 2 in the NAR governance system, which includes all of New York, New Jersey, and Pennsylvania. The 2020 NAR Regional Vice President representing region 2 is Drew Fishman.
Benefits of Ownership:
Total Equity Appreciation

Total Equity Accrued to Owner by Year and Quarter of Purchase

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<tr>
<th>Price Activity</th>
<th>Harrisburg</th>
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<tbody>
<tr>
<td>1-year (4-quarter)</td>
<td>$13,105</td>
<td>$23,185</td>
<td>Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession</td>
</tr>
<tr>
<td>3-year (12-quarter)*</td>
<td>$37,621</td>
<td>$52,978</td>
<td></td>
</tr>
<tr>
<td>5-year (20-quarter)*</td>
<td>$43,074</td>
<td>$87,425</td>
<td></td>
</tr>
<tr>
<td>7-year (28 quarters)*</td>
<td>$56,271</td>
<td>$120,351</td>
<td></td>
</tr>
<tr>
<td>9-year (36 quarters)*</td>
<td>$56,483</td>
<td>$138,556</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Equity gain reflects price and principle payments since purchase, prevailing 30-year fixed rate mortgage at time of purchase and a 10% downpayment. Downpayment is not included in total equity
Drivers of Local Supply and Demand…

<table>
<thead>
<tr>
<th>Local Economic Outlook</th>
<th>Harrisburg</th>
<th>U.S.</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month Job Change (Mar)</td>
<td>2,700</td>
<td>Not Comparable</td>
<td>Employment growth has eased, but remains positive</td>
</tr>
<tr>
<td>12-month Job Change (Feb)</td>
<td>3,700</td>
<td>Not Comparable</td>
<td></td>
</tr>
<tr>
<td>36-month Job Change (Mar)</td>
<td>13,100</td>
<td>Not Comparable</td>
<td></td>
</tr>
<tr>
<td>Current Unemployment Rate (Mar)</td>
<td>4.7%</td>
<td>4.4%</td>
<td>Harrisburg's unemployment situation is worse than the national average and weighs on confidence</td>
</tr>
<tr>
<td>Year-ago Unemployment Rate</td>
<td>3.5%</td>
<td>3.8%</td>
<td>Local employment growth is poor and needs to improve</td>
</tr>
<tr>
<td>1-year (12 month) Job Growth Rate</td>
<td>0.8%</td>
<td>1.3%</td>
<td></td>
</tr>
</tbody>
</table>

Share of Total Employment by Industry

Harrisburg - Carlisle Area

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>18.5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>4.8%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>9.3%</td>
</tr>
<tr>
<td>Educ. &amp; Health Services</td>
<td>19.5%</td>
</tr>
<tr>
<td>Prof. &amp; Business Services</td>
<td>16.0%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>5.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7.0%</td>
</tr>
<tr>
<td>Trade/Transportation/Utilities</td>
<td>23.4%</td>
</tr>
<tr>
<td>Information</td>
<td>1.1%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

U.S.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Share of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>15.4%</td>
</tr>
<tr>
<td>Other Services</td>
<td>14.1%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>10.5%</td>
</tr>
<tr>
<td>Educational &amp; Health Services</td>
<td>16.3%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>14.1%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>14.1%</td>
</tr>
</tbody>
</table>

12-month Employment Change by Industry in the Harrisburg - Carlisle Area (Mar - 2020)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change (2020 - Mar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods Producing</td>
<td>NA</td>
</tr>
<tr>
<td>Natural Resources/Mining/Construction</td>
<td>-400</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
<td>NA</td>
</tr>
<tr>
<td>Construction</td>
<td>NA</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>400</td>
</tr>
<tr>
<td>Service Providing Excluding Government</td>
<td>NA</td>
</tr>
<tr>
<td>Trade/Transportation/Utilities</td>
<td>500</td>
</tr>
</tbody>
</table>

State Economic Activity Index

<table>
<thead>
<tr>
<th>Industry</th>
<th>Pennsylvania</th>
<th>U.S.</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month change (2020 - Mar)</td>
<td>-0.7%</td>
<td>1.2%</td>
<td>The economy of Pennsylvania is still in recession, but improved modestly from last month's -19.45% change</td>
</tr>
<tr>
<td>36-month change (2020 - Mar)</td>
<td>NA</td>
<td>7.0%</td>
<td></td>
</tr>
</tbody>
</table>
## New Housing Construction

<table>
<thead>
<tr>
<th>Local Fundamentals</th>
<th>Harrisburg</th>
<th>U.S.</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month Sum of 1-unit Building Permits through Mar</td>
<td>1,246</td>
<td>not comparable</td>
<td>The current level of construction is 13.0% above the long-term average</td>
</tr>
<tr>
<td>8-year average for 12-month Sum of 1-Unit Building Permits</td>
<td>1,102</td>
<td>not comparable</td>
<td>Production above trend for an extended period of time could cause prices to moderate as inventory is built up.</td>
</tr>
<tr>
<td>Single-Family Housing Permits (Mar) 12-month sum vs. a year ago</td>
<td>-1.5%</td>
<td>5.5%</td>
<td>Construction continues to decline from last year</td>
</tr>
</tbody>
</table>

### Construction: 12-month Sum of Local Housing Permits
(Historical Average Shown in Red Dashed Line)

![Construction Chart](chart1.png)

### State Total Foreclosure Rate vs. U.S Average
(U.S. Average in Blue Dashed Line)

![Foreclosure Chart](chart2.png)

Source: Mortgage Bankers' Association
Affordability

### Monthly Mortgage Payment to Income

<table>
<thead>
<tr>
<th></th>
<th>Harrisburg</th>
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<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio for 2019</td>
<td>7.3%</td>
<td>16.0%</td>
<td>Weak by local standards and could weigh on demand</td>
</tr>
<tr>
<td>Ratio for 2020 Q1</td>
<td>6.7%</td>
<td>14.6%</td>
<td></td>
</tr>
<tr>
<td>Historical Average</td>
<td>6.4%</td>
<td>18.4%</td>
<td>More affordable than most markets</td>
</tr>
</tbody>
</table>

### Median Home Price to Income

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Ratio for 2019</td>
<td>1.3</td>
<td>2.8</td>
<td>The price-to-income ratio is high by historic standards and getting worse</td>
</tr>
<tr>
<td>Ratio for 2020 Q1</td>
<td>1.2</td>
<td>2.7</td>
<td>Affordable compared to most markets</td>
</tr>
<tr>
<td>Historical Average</td>
<td>1.1</td>
<td>2.7</td>
<td></td>
</tr>
</tbody>
</table>
The first quarter of the year mostly encompassed a pre-pandemic economy that was characterized by low unemployment and a robust economy. Nevertheless, as a result of the COVID-19 outbreak, mortgage rates reached a then-historical low in March of 2020 fueling an increase in refinance activities. Specifically, at the end of the first quarter, mortgage rates declined 90 basis points compared to a year earlier. According to the mortgage finance provider Freddie Mac, the 30-year fixed rate mortgage dropped to 3.51 percent in Q1 2020 from 4.37 percent in Q1 2019. Looking ahead, NAR is forecasting the 30-year fixed rate mortgage to average 3.20 percent for 2020.
REALTOR® Price Expectations for the Next 12 Months
(U.S. Average in Blue Dashed Line)

Source: NAR

<table>
<thead>
<tr>
<th>REALTOR® Price Expectations</th>
<th>Pennsylvania</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2020 - Mar</td>
<td>2.6%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Prior 12 months</td>
<td>2.5%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

REALTORS® expect higher price growth in Pennsylvania than in the U.S. in the next 12 months. Their price expectations are also higher than a year ago.
Geographic Coverage for this Report

The Harrisburg area referred to in this report covers the geographic area of the Harrisburg - Carlisle metro area as officially defined by the Office of Management and Budget of the U.S. Government. The official coverage area includes the following counties:

Cumberland County, Dauphin County, Perry County

More information on the OMB's geographic definitions can be found at https://obamawhitehouse.archives.gov/omb/bulletins_default/