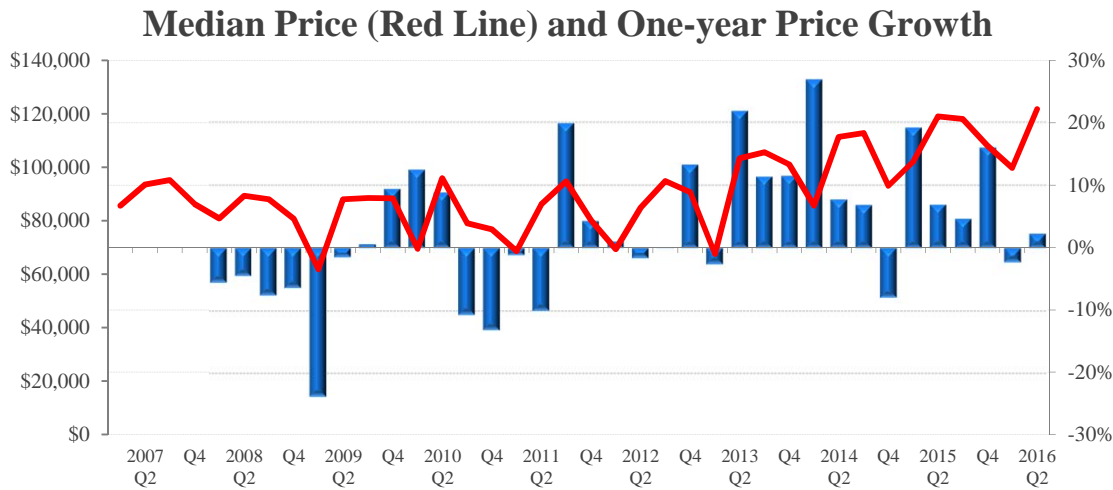


## South Bend-Mishawaka Area Local Market Report, Second Quarter 2016

### Today's Market...



Local Price Trends			
Price Activity	South Bend	U.S.	Local Trend
Current Median Home Price (2016 Q2)	\$121,800	\$239,167	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2016 Q2)	2.3%	4.9%	
3-year (12-quarter) Appreciation (2016 Q2)	17.8%	17.8%	
3-year (12-quarter) Housing Equity Gain*	\$18,400	\$36,200	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	\$33,700	\$64,800	
9-year (36 quarters) Housing Equity Gain*	\$28,200	\$15,400	

\*Note: Equity gain reflects price appreciation only

	South Bend	U.S.	
<b>Conforming Loan Limit**</b>	\$417,000	\$625,500	Most buyers in this market have access to government-backed financing
<b>FHA Loan Limit</b>	\$271,050	\$625,500	
<b>Local Median to Conforming Limit Ratio</b>	29%	not comparable	

Note: limits are current and include the changes made in November of 2012 and extended in November of 2013

#### Local NAR Leadership

The South Bend-Mishawaka market is part of region 7 in the NAR governance system, which includes all of Indiana, Illinois, and Wisconsin. The 2016 NAR Regional Vice President representing region 7 is Charlie Shook.

# Benefits of Ownership: Total Equity Appreciation

## Total Equity Accrued to Owner by Year and Quarter of Purchase



### Total Equity Gained\*\* through 2016 Q2 from quarter in which home was of purchased

Price Activity	SouthBend	U.S.	Local Trend
1-year (4-quarter)	\$4,666	\$14,963	Price appreciation and principle payments in the last 3 years have boosted total equity growth since the recession
3-year (12-quarter)*	\$23,840	\$46,878	
5-year (20-quarter)*	\$42,297	\$82,353	
7-year (28 quarters)*	\$43,376	\$77,054	
9-year (36 quarters)*	\$39,852	\$31,126	
If purchase in 2005, the national price peak	\$37,711	\$34,380	

\*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

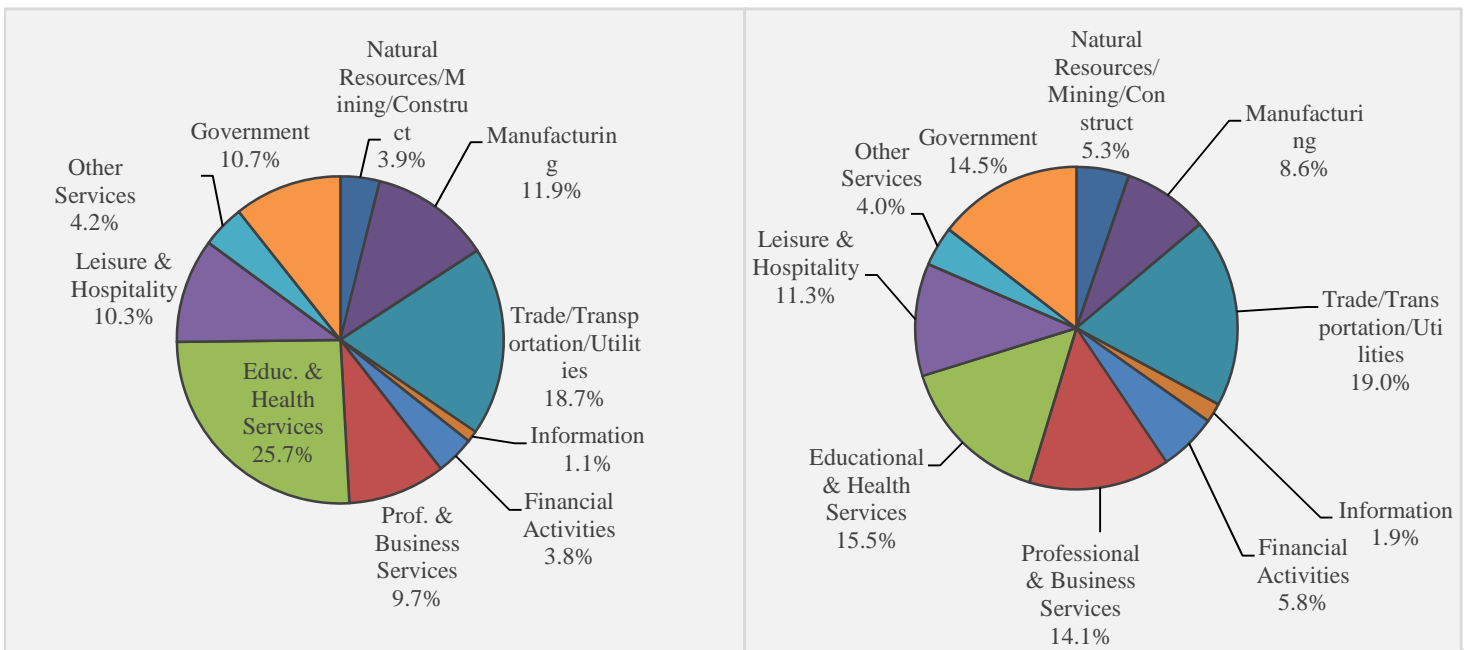
# Drivers of Local Supply and Demand...

Local Economic Outlook	South Bend	U.S.	
12-month Job Change (Jun)	3,700	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (May)	2,200	Not Comparable	
36-month Job Change (Jun)	12,300	Not Comparable	Unemployment in South Bend is better than the national average and improving
Current Unemployment Rate (Jun)	4.7%	4.9%	
Year-ago Unemployment Rate	5.0%	5.3%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	2.7%	1.9%	

## Share of Total Employment by Industry

South Bend-Mishawaka Area

U.S.



12-month Employment Change by Industry in the South Bend-Mishawaka Area (Jun - 2016)

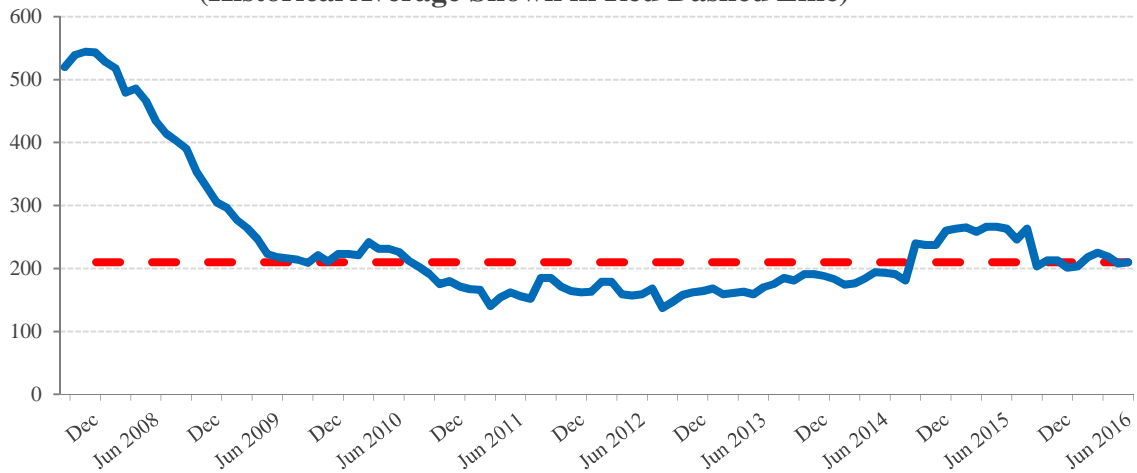
Goods Producing	NA	Information	-100
Natural Resources/Mining/Construction	0	Financial Activities	0
Natural Resources and Mining	NA	Prof. & Business Services	200
Construction	NA	Educ. & Health Services	2,500
Manufacturing	-700	Leisure & Hospitality	700
Service Providing Excluding Government	NA	Other Services	-100
Trade/Transportation/Utilities	1,100	Government	100

State Economic Activity Index	Indiana	U.S.	
12-month change (2016 - Jun)	3.0%	3.0%	Indiana's economy is stronger than the nation's, but slowed from last month's 3.09% change
36-month change (2016 - Jun)	12.2%	10.2%	

## New Housing Construction

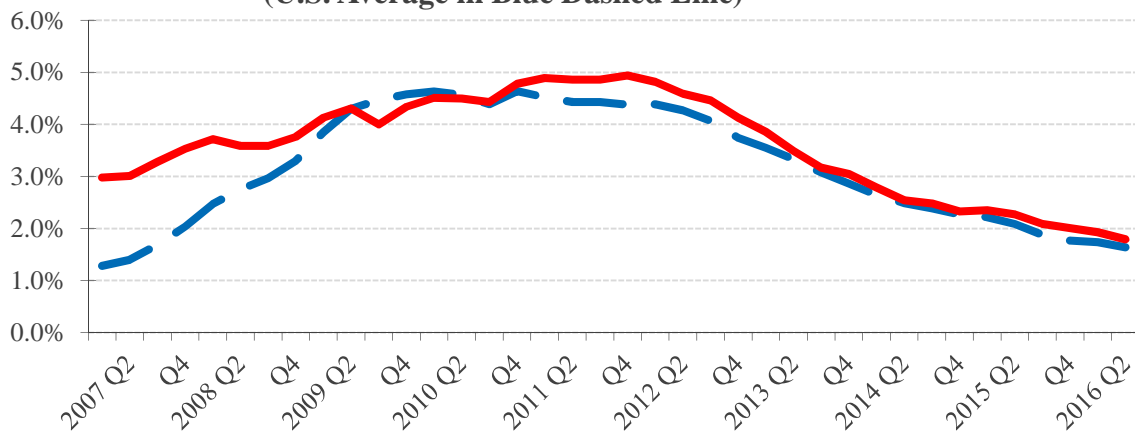
Local Fundamentals	South Bend	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2016	210	not comparable	The current level of construction is 0.0% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	210	not comparable	Production above trend for an extended period of time could cause prices to moderate as inventory is built up.
Single-Family Housing Permits (Jun 2016) 12-month sum vs. a year ago	-20.2%	10.6%	Construction is down from last year, but appears to have bottomed.

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



While new construction is the traditional driver of supply in real estate, foreclosures and short-sales now have a strong impact on inventories, particularly at the local level. Rising inventories, through construction or distressed sales, place downward pressure on the median home prices.

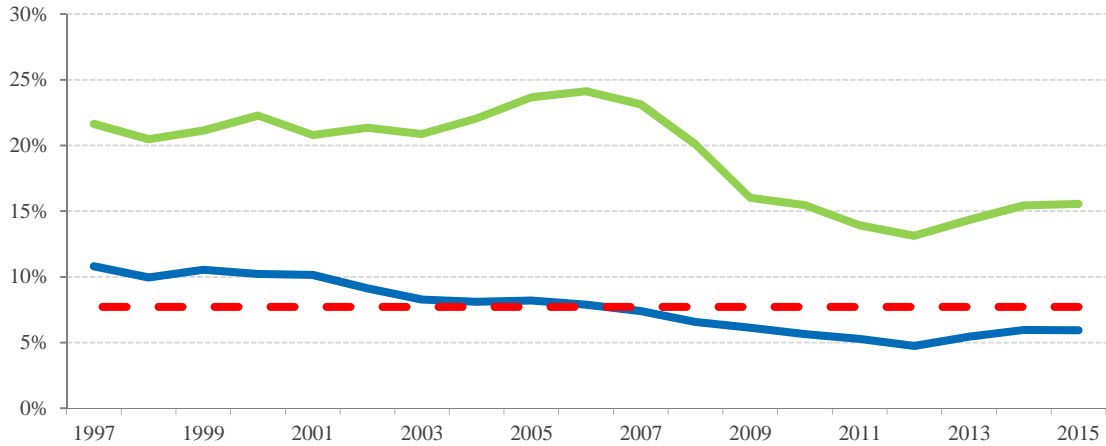
**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)



# Affordability

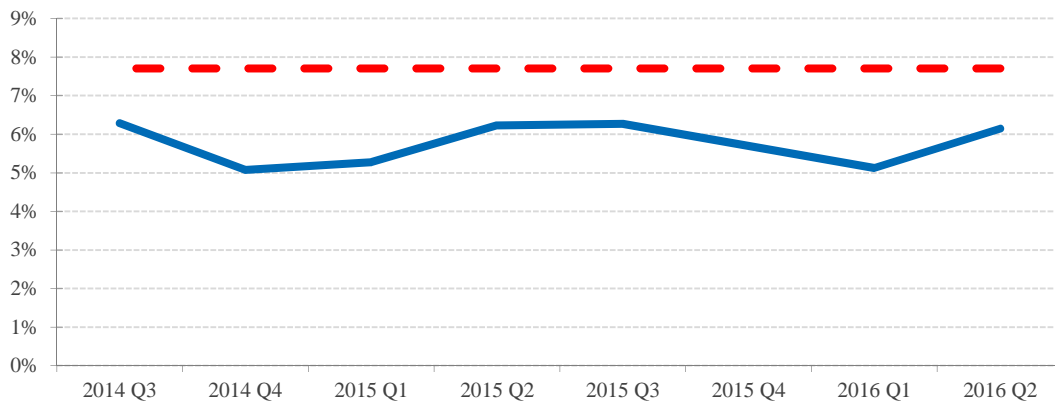


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)



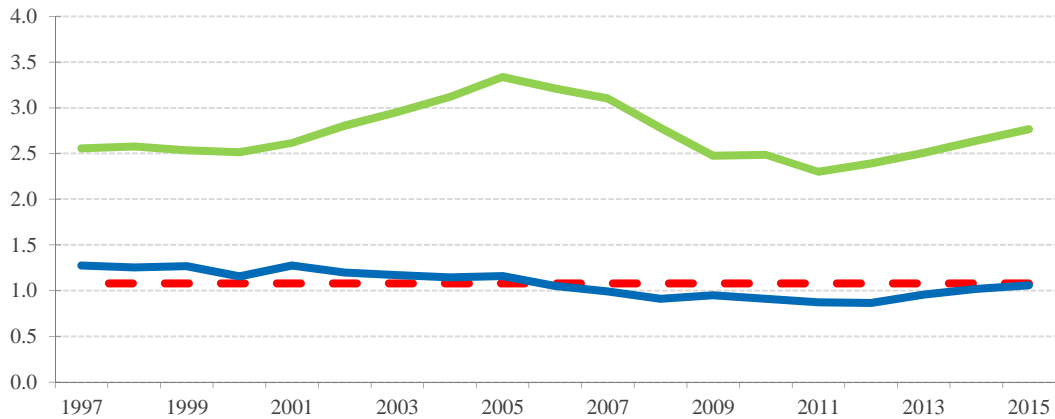
Monthly Mortgage Payment to Income	South Bend	U.S.	
Ratio for 2015	5.9%	15.6%	Historically strong, but weaker than the first quarter of 2016
Ratio for 2016 Q2	6.1%	15.8%	
Historical Average	7.7%	19.5%	More affordable than most markets

**Recent Trend - Local Mortgage Servicing Cost to Income**  
(Historical Average Shown in Red Dashed Line)



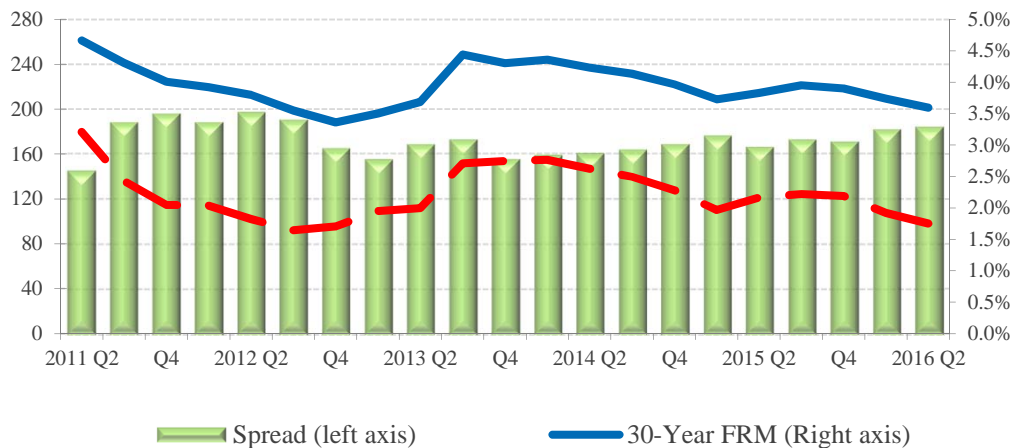
Median Home Price to Income	South Bend	U.S.	
Ratio for 2015	1.1	2.8	The price-to-income ratio is high by historic standards and getting worse
Ratio for 2016 Q2	1.1	2.9	
Historical Average	1.1	2.7	Affordable compared to most markets

**Ratio of Local Median Home Price to Local Average Income  
(Local Historical Average Shown in Red, U.S. Average in Green)**



## The Mortgage Market

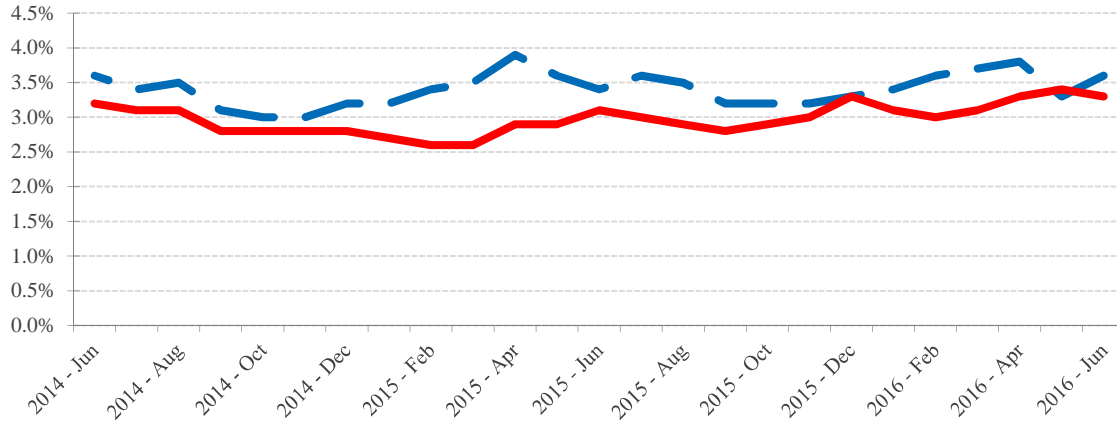
**30-year Fixed Mortgage Rate and Treasury Bond Yield**



The second quarter of 2016 has been quite tumultuous with the surprising “Brexit” vote in the United Kingdom. While British citizens voted to leave the European Union last June, the full impact of the vote could take several years to be seen. In the near future, low mortgage rates and stronger refinancing are expected in the U.S.. Meanwhile, the 30-year fixed-rate mortgages eased from 3.7 percent in the 1st quarter of 2016 to 3.6 percent in the second quarter of 2016. Similarly, the 10-year Treasury fell to 1.75 percent which is the lowest rate after Q4 2012. As a result of the current market conditions, existing homeowners benefit from low rates by refinancing their mortgages while home affordability is increasing for first-time homebuyers. Rates are likely to remain unchanged as global economies remain weak. The uncertainty in China, Japan, Russia and Eurozone is expected to boost safe-haven buying which benefits mortgage-backed securities market. NAR is now forecasting fewer rate hikes by the FED in 2016 and as a result the 30-year fixed rate mortgage is now expected to average just 4.3 percent for 2016.

# REALTOR® Price Expectations

**REALTOR® Price Expectations for the Next 12 Months**  
(U.S. Average in Blue Dashed Line)



Source: NAR

REALTOR® Price Expectations	Indiana	U.S.	
2016 - Jul	3.3%	3.6%	REALTORS® expect weaker price growth in Indiana than in the U.S. in the next 12 months although their local expectations are higher than a year ago.
Prior 12 months	3.1%	3.4%	



## Geographic Coverage for this Report

The South Bend area referred to in this report covers the geographic area of the South Bend-Mishawaka 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:

[Sf. Joseph County, IN; Cass County, MI](#)

More information on the OMB's geographic definitions can be found at [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)