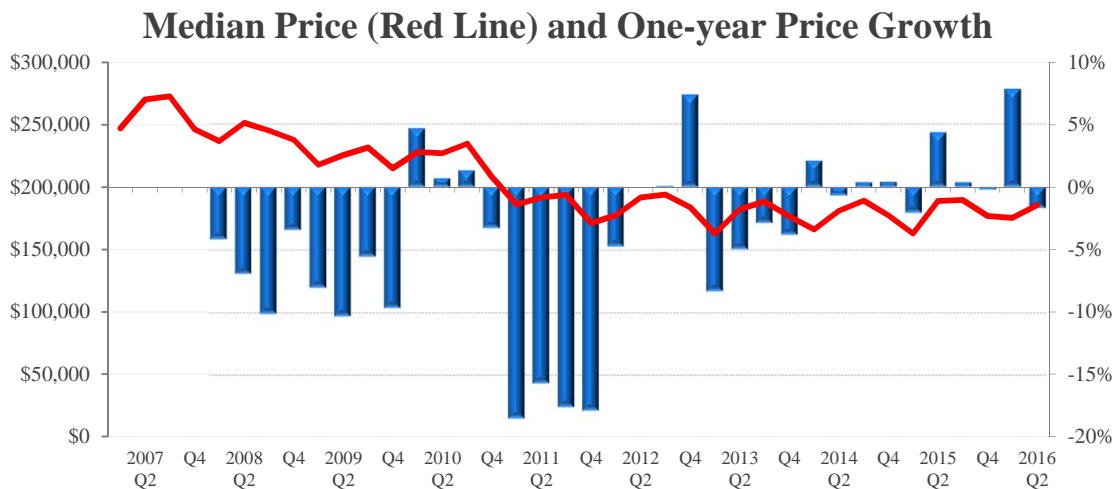


Allentown-Bethlehem-Easton Area

Local Market Report, Second Quarter 2016

Today's Market...



Local Price Trends			
Price Activity	Allentown	U.S.	Local Trend
Current Median Home Price (2016 Q2)	\$185,700	\$239,167	Year-over-year price growth swung negative this quarter after growing last quarter
1-year (4-quarter) Appreciation (2016 Q2)	-1.7%	4.9%	
3-year (12-quarter) Appreciation (2016 Q2)	1.9%	17.8%	
3-year (12-quarter) Housing Equity Gain*	\$3,500	\$36,200	Gains in the last 3 years have helped to pull the local market out of the post-recession price weakness
7-year (28 quarters) Housing Equity Gain*	-\$39,900	\$64,800	
9-year (36 quarters) Housing Equity Gain*	-\$84,500	\$15,400	

*Note: Equity gain reflects price appreciation only

	Allentown	U.S.	
Conforming Loan Limit**	\$417,000	\$625,500	Most buyers in this market have access to government-backed financing
FHA Loan Limit	\$372,600	\$625,500	
Local Median to Conforming Limit Ratio	45%	not comparable	

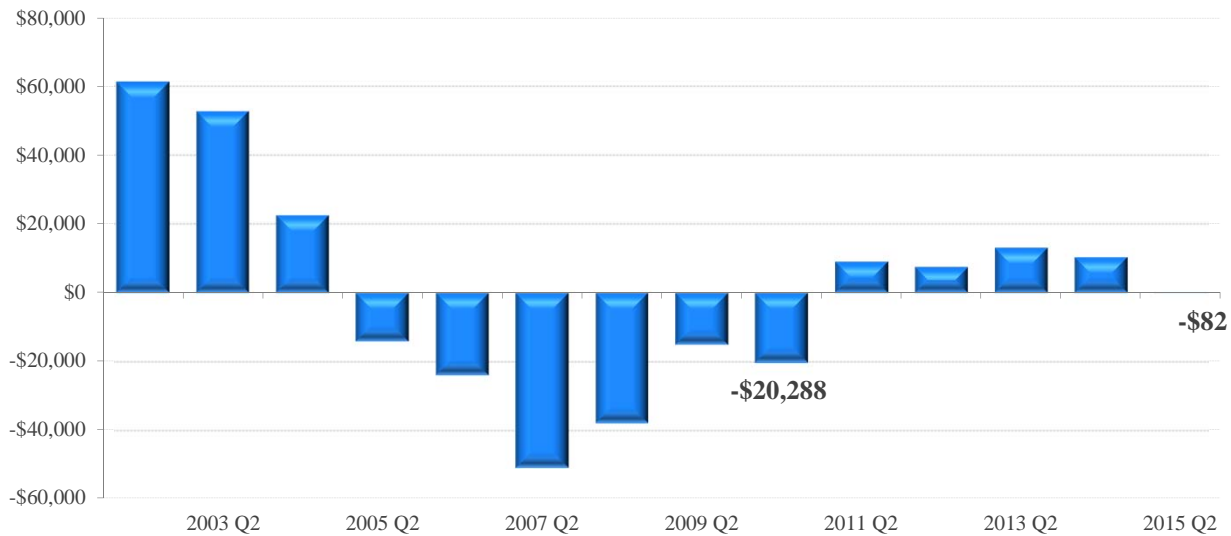
Note: limits are current and include the changes made in November of 2012 and extended in November of 2013

Local NAR Leadership

The Allentown-Bethlehem-Easton market is part of region 2 in the NAR governance system, which includes all of New York, New Jersey, and Pennsylvania. The 2016 NAR Regional Vice President representing region 2 is Bette McTamney.

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	Allentown	U.S.	Local Trend
1-year (4-quarter)	\$82	\$14,963	Price trends in the last three years have undercut the steady post-recession home equity growth despite owners paying down principle
3-year (12-quarter)*	\$13,085	\$46,878	
5-year (20-quarter)*	\$9,097	\$82,353	
7-year (28 quarters)*	\$15,123	\$77,054	
9-year (36 quarters)*	\$50,864	\$31,126	
If purchase in 2005, the national price peak	\$14,187	\$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

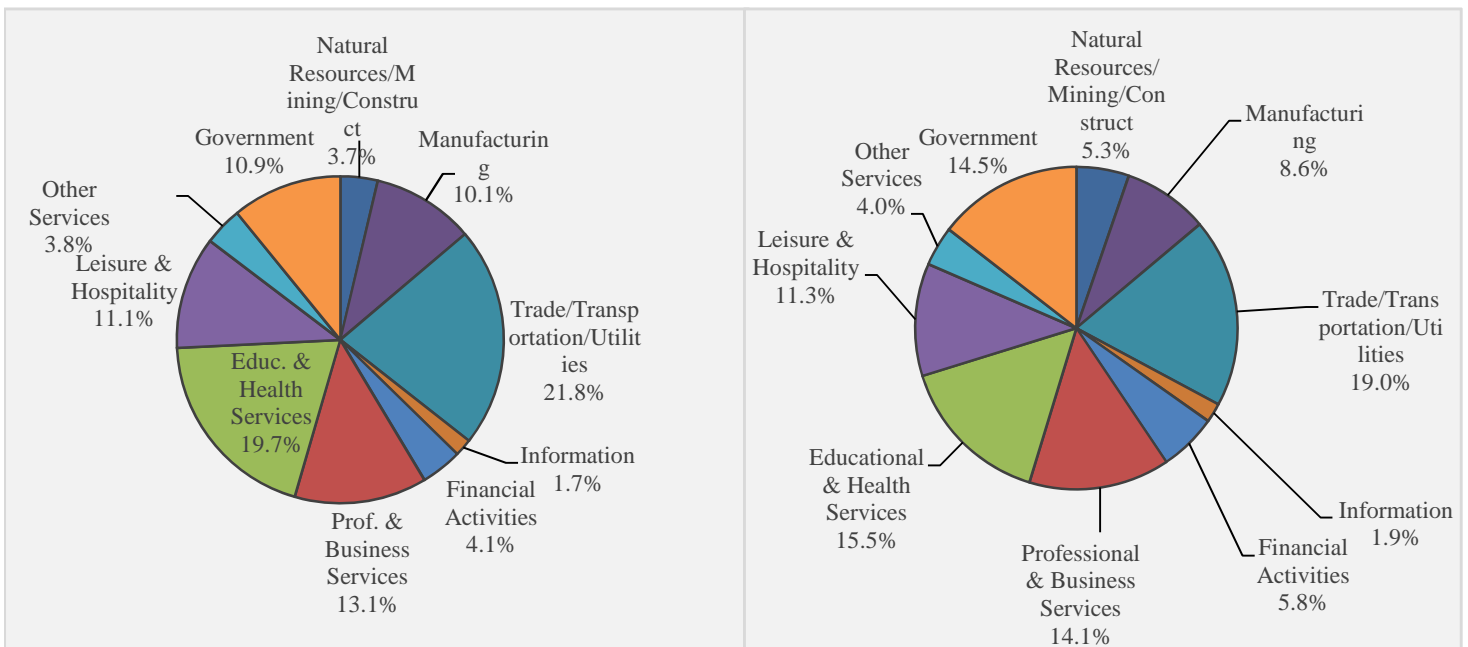
Drivers of Local Supply and Demand...

Local Economic Outlook	Allentown	U.S.	
12-month Job Change (Jun)	1,800	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (May)	-600	Not Comparable	
36-month Job Change (Jun)	10,300	Not Comparable	Allentown's unemployment rate lags the national average, but has improved relative to the same period last year
Current Unemployment Rate (Jun)	5.3%	4.9%	
Year-ago Unemployment Rate	5.5%	5.3%	Local employment growth is poor and needs to improve
1-year (12 month) Job Growth Rate	0.5%	1.9%	

Share of Total Employment by Industry

Allentown-Bethlehem-Easton Area

U.S.



12-month Employment Change by Industry in the Allentown-Bethlehem-Easton Area (Jun - 2016)

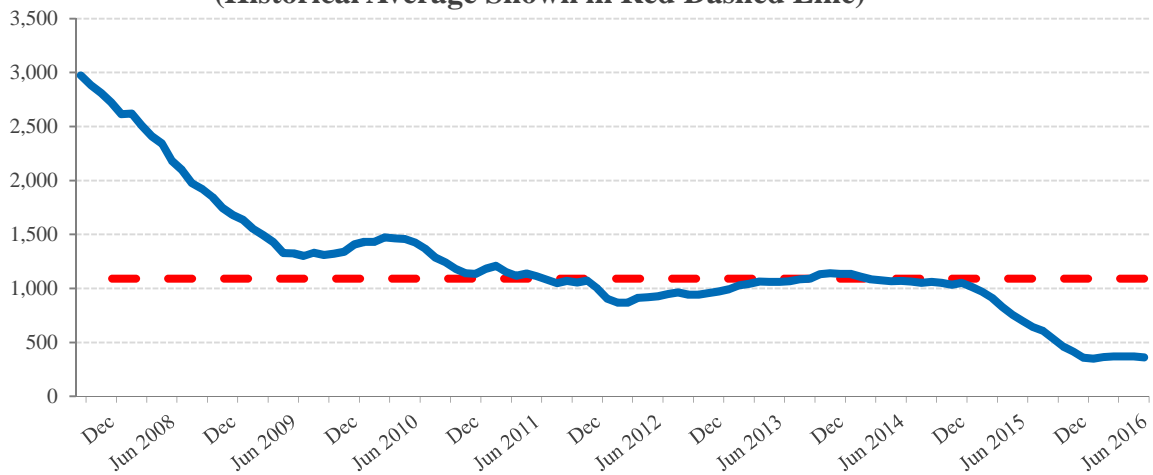
Goods Producing	NA	Information	-100
Natural Resources/Mining/Construction	0	Financial Activities	-400
Natural Resources and Mining	NA	Prof. & Business Services	-500
Construction	NA	Educ. & Health Services	-500
Manufacturing	200	Leisure & Hospitality	1,800
Service Providing Excluding Government	NA	Other Services	-100
Trade/Transportation/Utilities	1,400	Government	0

State Economic Activity Index	Pennsylvania	U.S.	
12-month change (2016 - Jun)	2.1%	3.0%	Pennsylvania's economy is growing, but decelerated from last month's 2.31% change and lags the rest of the nation
36-month change (2016 - Jun)	8.1%	10.2%	

New Housing Construction

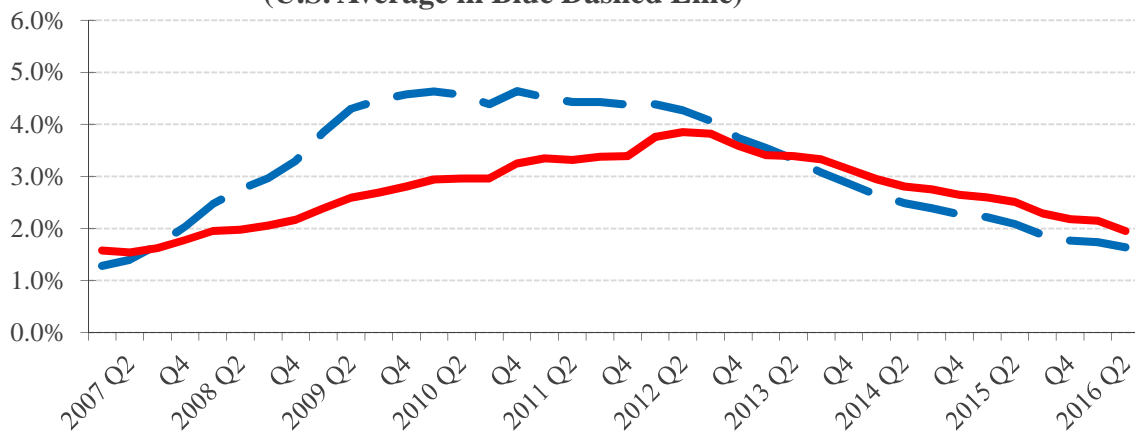
Local Fundamentals	Allentown	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2016	362	not comparable	The current level of construction is 66.8% below the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	1,089	not comparable	Reduced construction will limit new supply to the market, allowing demand to catch up with inventory more quickly
Single-Family Housing Permits (Jun 2016) 12-month sum vs. a year ago	-48.1%	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.

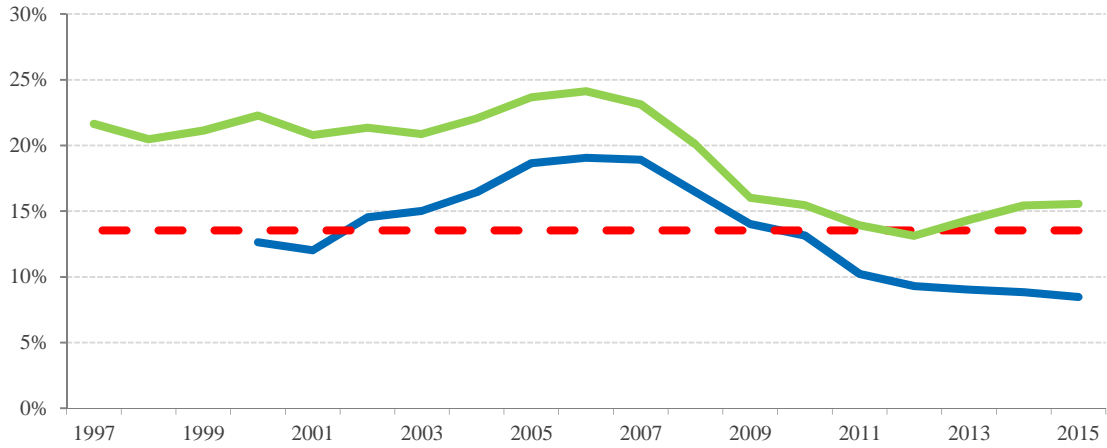
State Total Foreclosure Rate vs. U.S. Average
(U.S. Average in Blue Dashed Line)



Affordability

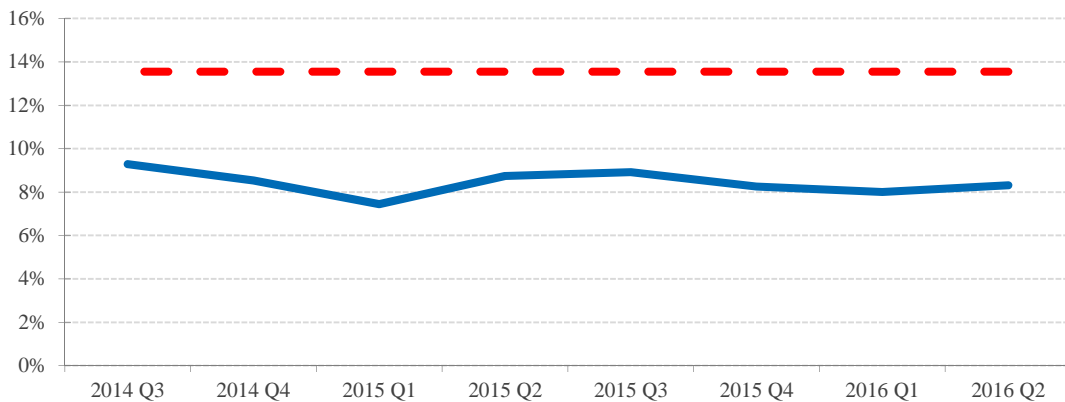


Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income
(Local Historical Average Shown in Red, U.S. Average in Green)



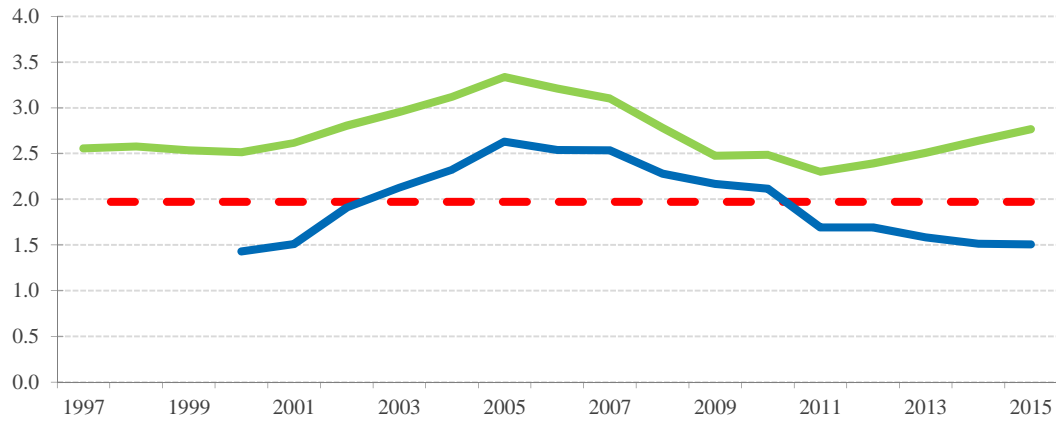
Monthly Mortgage Payment to Income	Allentown	U.S.	
Ratio for 2015	8.5%	15.6%	Historically strong, but weaker than the first quarter of 2016
Ratio for 2016 Q2	8.3%	15.8%	
Historical Average	13.6%	19.5%	More affordable than most markets

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



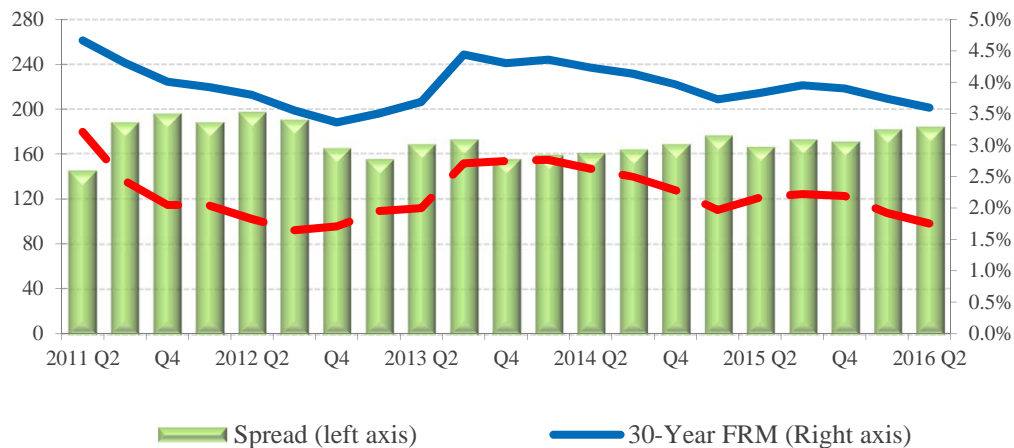
Median Home Price to Income	Allentown	U.S.	
Ratio for 2015	1.5	2.8	The price-to-income ratio rose, but is better than the historic average
Ratio for 2016 Q2	1.5	2.9	
Historical Average	2.0	2.7	Affordable compared to most markets

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



The Mortgage Market

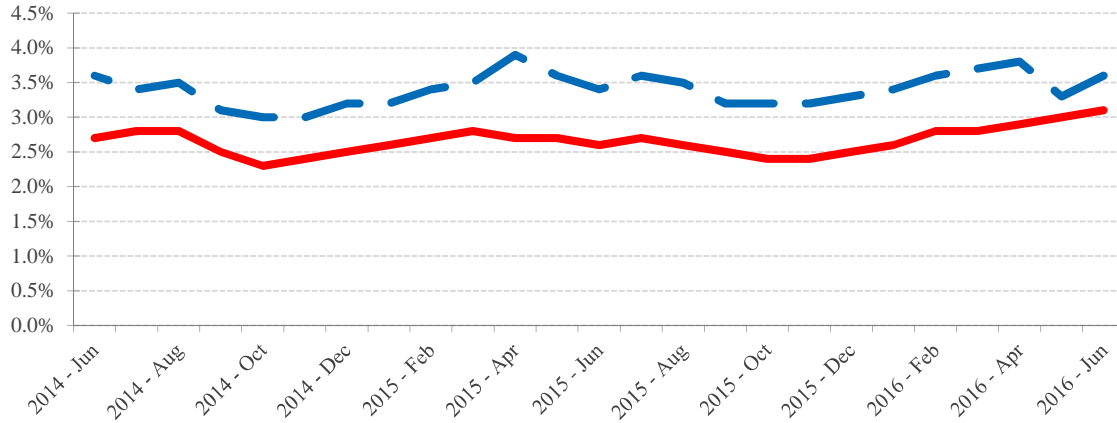
30-year Fixed Mortgage Rate and Treasury Bond Yield



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	Pennsylvania	U.S.	
2016 - Jul	3.1%	3.6%	REALTORS® expect weaker price growth in Pennsylvania than in the U.S. in the next 12 months although their local expectations are higher than a year ago.
Prior 12 months	2.6%	3.4%	



Geographic Coverage for this Report

The Allentown area referred to in this report covers the geographic area of the Allentown-Bethlehem-Easton 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:

[Carbon County](#), [Lehigh County](#), [Northampton County](#), and [Warren County](#)

More information on the OMB's geographic definitions can be found at http://www.whitehouse.gov/omb/inforeg_statpolicy/