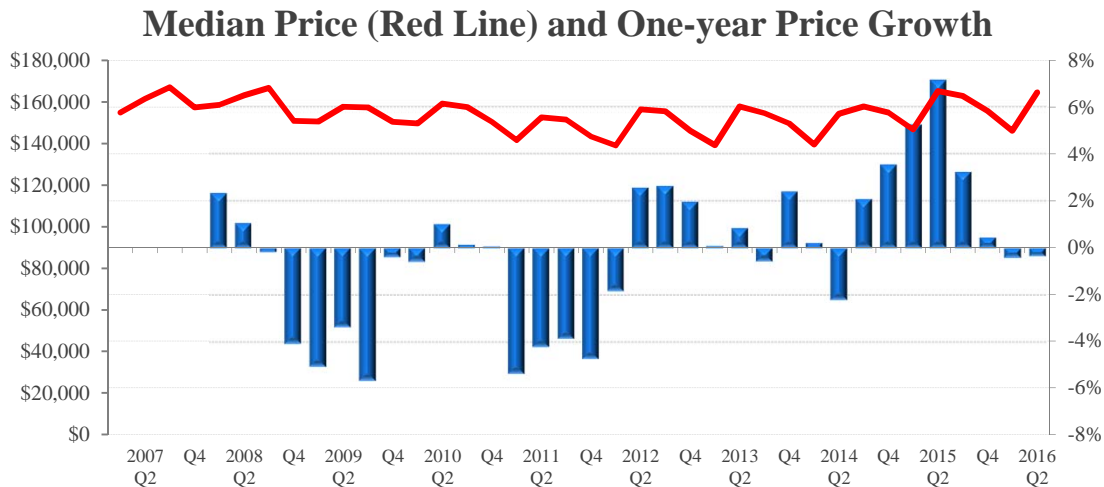


## Harrisburg - Carlisle Area

### Local Market Report, Second Quarter 2016

## Today's Market...



Local Price Trends			
Price Activity	Harrisburg	U.S.	Local Trend
Current Median Home Price (2016 Q2)	\$164,700	\$239,167	Prices are still down from a year ago, but the trend is improving
1-year (4-quarter) Appreciation (2016 Q2)	-0.4%	4.9%	
3-year (12-quarter) Appreciation (2016 Q2)	4.4%	17.8%	
3-year (12-quarter) Housing Equity Gain*	\$6,900	\$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*	\$7,000	\$64,800	
9-year (36 quarters) Housing Equity Gain*	\$3,200	\$15,400	

\*Note: Equity gain reflects price appreciation only

	Harrisburg	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>	39%	not comparable	

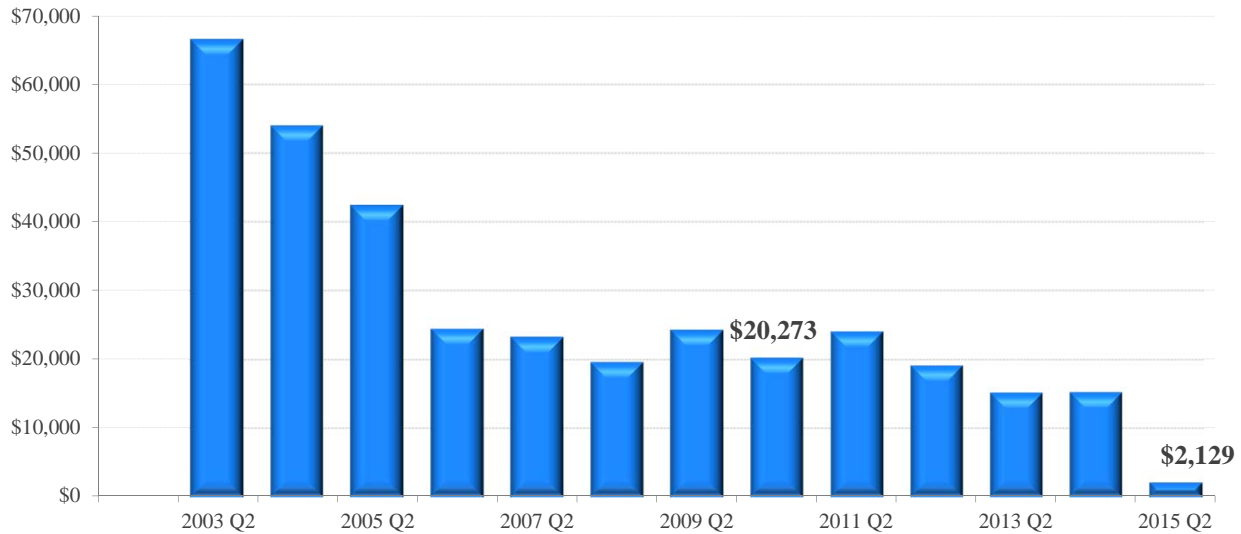
Note: limits are current and include the changes made in November of 2012 and extended in November of 2013

### Local NAR Leadership

The Harrisburg - Carlisle 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	Harrisburg	U.S.	Local Trend
1-year (4-quarter)	\$2,129	\$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)*	\$15,202	\$46,878	
5-year (20-quarter)*	\$24,118	\$82,353	
7-year (28 quarters)*	\$24,320	\$77,054	
9-year (36 quarters)*	\$23,304	\$31,126	
If purchase in 2005, the national price peak	NA	\$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

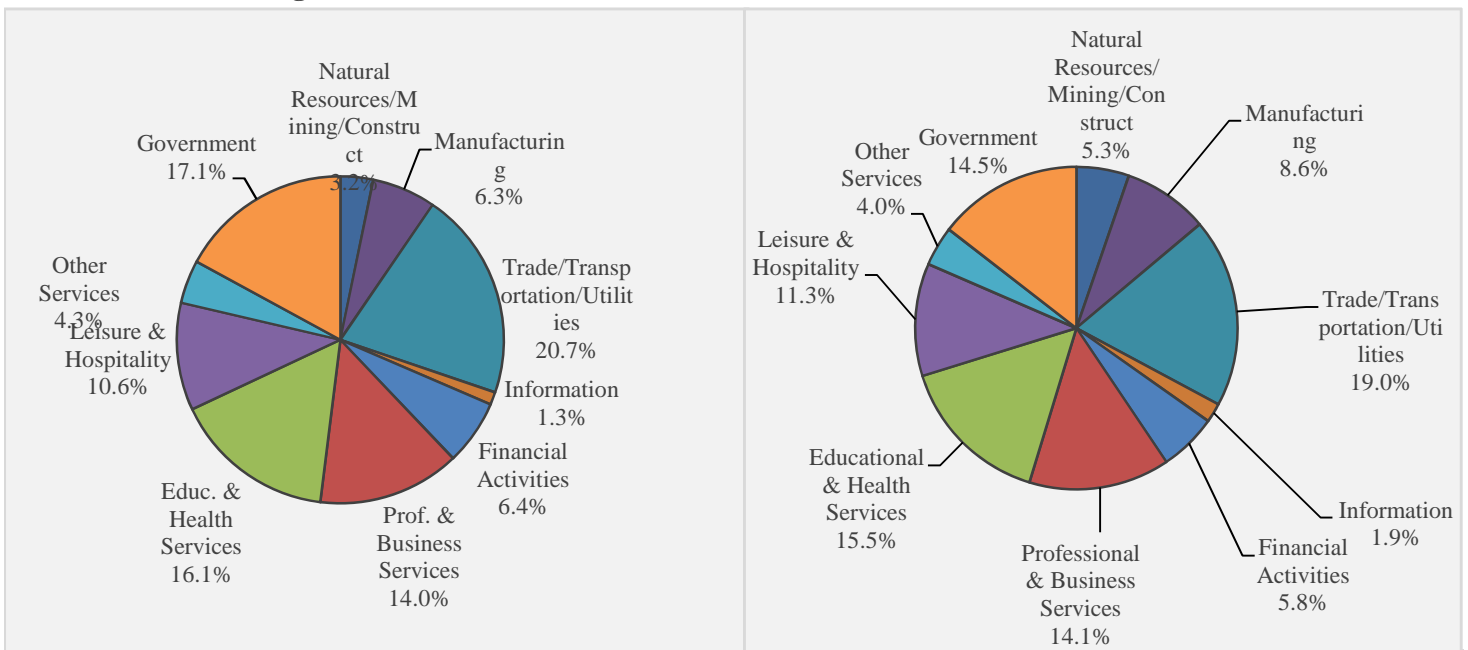
# Drivers of Local Supply and Demand...

Local Economic Outlook	Harrisburg	U.S.	
12-month Job Change (Jun)	6,700	Not Comparable	Employment has held up and is on an upward trend
12-month Job Change (May)	4,100	Not Comparable	
36-month Job Change (Jun)	15,300	Not Comparable	Unemployment in Harrisburg is better than the national average and improving
Current Unemployment Rate (Jun)	4.7%	4.9%	
Year-ago Unemployment Rate	4.7%	5.3%	Local employment growth is strong compared to other markets
1-year (12 month) Job Growth Rate	2.0%	1.9%	

## Share of Total Employment by Industry

Harrisburg - Carlisle Area

U.S.



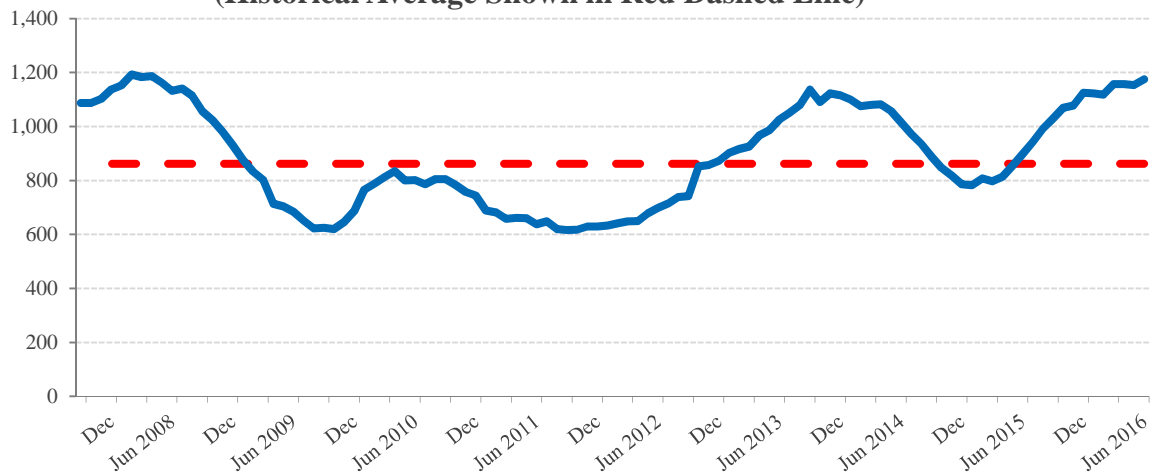
### 12-month Employment Change by Industry in the Harrisburg - Carlisle Area (Jun - 2016)

Goods Producing	NA	Information	-200
Natural Resources/Mining/Construction	100	Financial Activities	-300
Natural Resources and Mining	NA	Prof. & Business Services	800
Construction	NA	Educ. & Health Services	2,200
Manufacturing	-100	Leisure & Hospitality	1,700
Service Providing Excluding Government	NA	Other Services	-100
Trade/Transportation/Utilities	2,100	Government	500

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%	

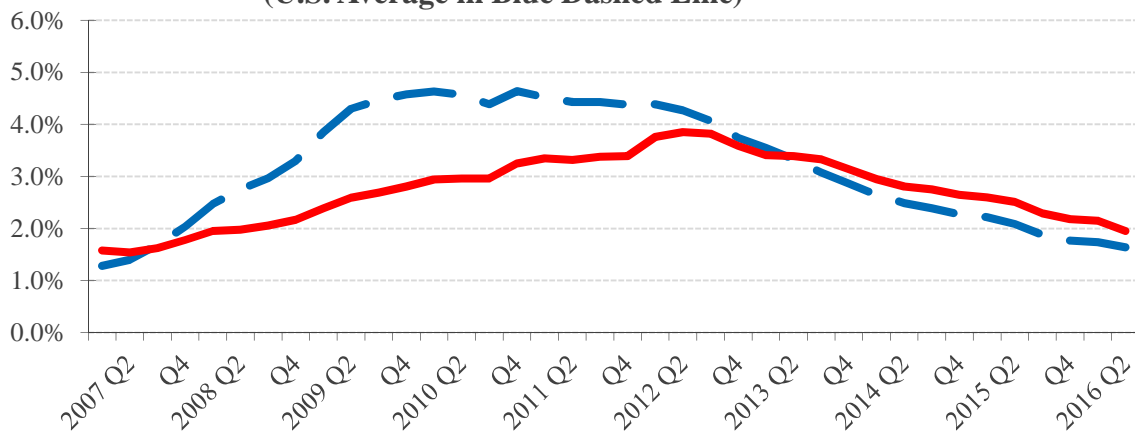
New Housing Construction			
Local Fundamentals	Harrisburg	U.S.	
12-month Sum of 1-unit Building Permits through Jun 2016	1,175	not comparable	The current level of construction is 36.4% above the long-term average
8-year average for 12-month Sum of 1-Unit Building Permits	862	not comparable	Production 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	31.0%	10.6%	Construction is on the rise relative to last year, suggesting that the local inventory has stabilized

**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.

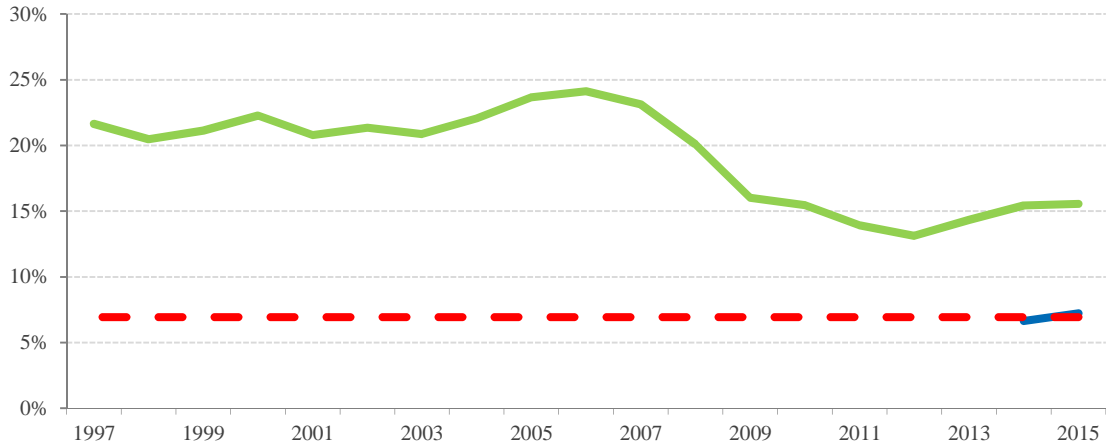
**State Total Foreclosure Rate vs. U.S. Average**  
(U.S. Average in Blue Dashed Line)



# Affordability

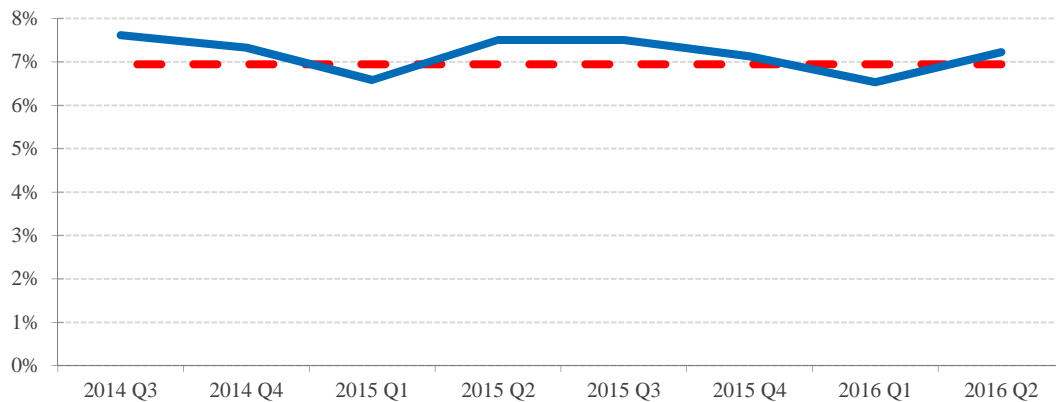


**Long-Term Trend: Ratio of Local Mortgage Servicing Cost to Income**  
(Local Historical Average Shown in Red, U.S. Average in Green)



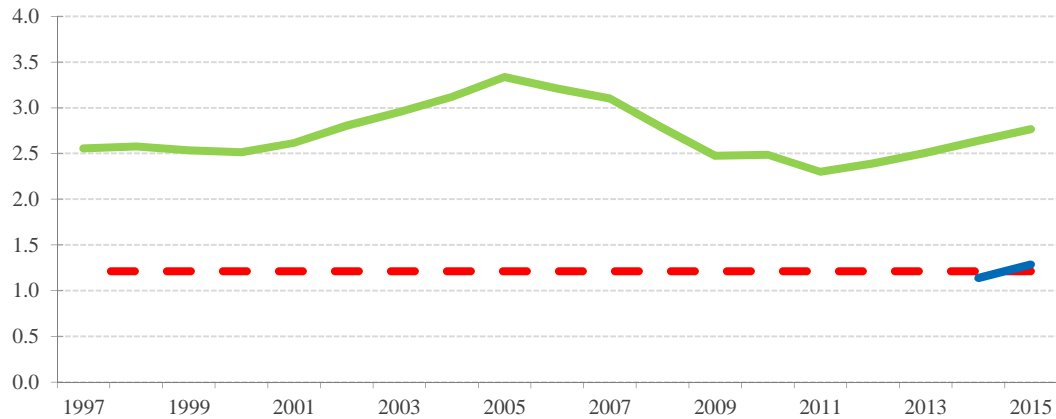
Monthly Mortgage Payment to Income	Harrisburg	U.S.	
Ratio for 2015	7.2%	15.6%	Weak by local standards and could weigh on demand
Ratio for 2016 Q2	7.2%	15.8%	
Historical Average	6.9%	19.5%	More affordable than most markets

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



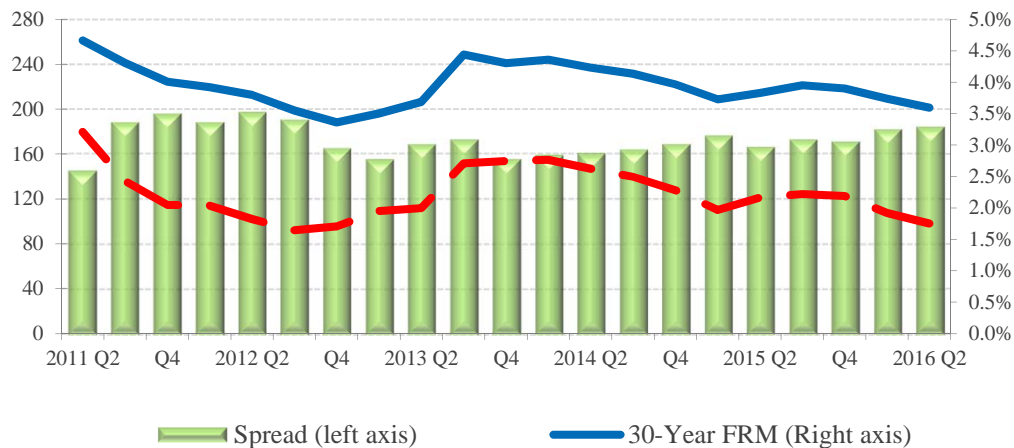
Median Home Price to Income	Harrisburg	U.S.	
Ratio for 2015	1.3	2.8	The price-to-income ratio is high by historic standards and getting worse
Ratio for 2016 Q2	1.3	2.9	
Historical Average	1.2	2.7	Affordable compared to most markets

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



## The Mortgage Market

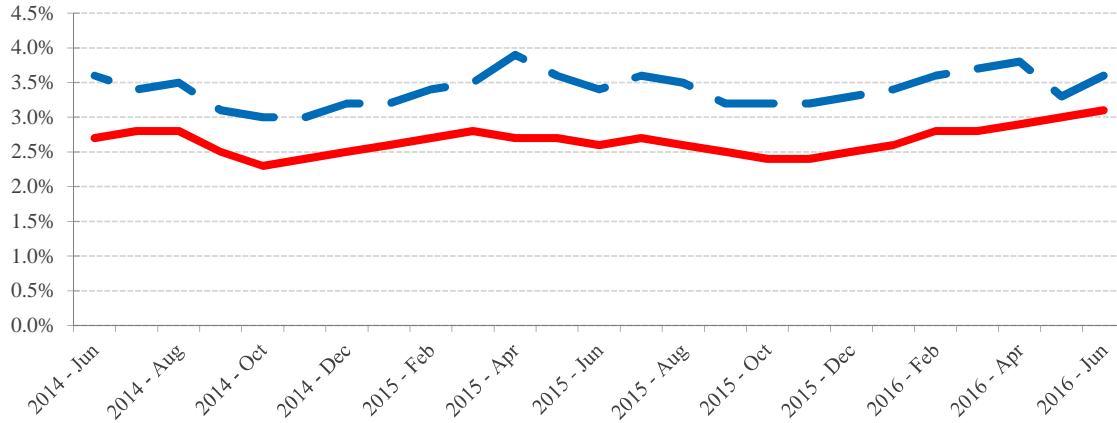
**30-year Fixed Mortgage Rate and Treasury Bond Yield**



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 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 [http://www.whitehouse.gov/omb/inforeg\\_statpolicy/](http://www.whitehouse.gov/omb/inforeg_statpolicy/)