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Black Knight: Affordability Outlook Improves as Interest Rates Fall; Annual Home Price Growth Continues to Slow, Prices See Fourth Consecutive Monthly Decline

- Annual home price appreciation has slowed for 10 consecutive months as of December 2018; falling from a high of 6.8 percent annual growth in February to 4.6 percent at the end of the year
- On a monthly basis, the average home price declined 0.3 percent in December, bringing the average home price down a combined -0.82 percent (-$2,440) over the past four months
- Combined with the average 30-year fixed rate declining by more than half a point over the last three months, housing is now the most affordable it's been since early in the 2018 homebuying season
- The decline has been enough to increase consumers' buying power by more than 6 percent while keeping monthly payments the same, or reducing the monthly payment on the average-priced home purchase by $62
- It now takes 22.2 percent of the median household income to make monthly principal and interest payments on the average-priced home purchase using a 20 percent down, 30-year fixed-rate mortgage

JACKSONVILLE, Fla. – March 7, 2019 – Today, the Data & Analytics division of Black Knight, Inc. (NYSE:BKI) released its latest Mortgage Monitor Report, based upon the company's industry-leading mortgage performance, housing and public records datasets. This month's report leveraged the latest data from the Black Knight Home Price Index (HPI) to look into the continued slowdown in annual home price appreciation (HPA) and its impact on home affordability. Ben Graboske, president of Black Knight's Data & Analytics division, explained that while home prices are still up year-over-year in all 50 states and the nation's 100 largest markets, slowing is noticeable nationwide and – combined with recent interest rate reductions – is helping to improve the overall affordability outlook.

"At the end of December, home prices at the national level had fallen 0.3 percent from November for their fourth consecutive monthly decline," said Graboske. "As a result, the average home has lost more than $2,400 in value since the summer of 2018. And while home prices are still up on an annual basis, the slowdown continues nationwide and, importantly, is not being driven by seasonal effects. December marked the 10th straight month of slowing annual home price appreciation, falling from a high of 6.8 percent annual growth in February to 4.6 percent at the end of the year. With more than 50 percent of areas reporting, early numbers for January suggest we're likely to see more of the same. That said, it's important to keep in mind that annual growth is still outpacing the 25-year average of 3.9 percent – although the gap is closing quickly. Also, it's yet to be seen what impact the recent pullback in interest rates may have on the national home price growth rate.

"There is good news in these numbers for prospective homebuyers, though. Combined with the average 30-year fixed rate declining by more than half a point over the last three months, housing is now the most affordable it's been since early in the 2018 homebuying season. It currently requires 22.2 percent of median income to purchase the average home with a 20 percent down payment on a 30-year fixed-rate loan. That's down from a post-recession high of 23.4 percent just

a few months ago, and well below the long-term average of 25 percent seen in the late 1990s through the early 2000s, before the housing bubble. The recent decline in rates has translated into a more than 6 percent increase in a homebuyer's purchase power – while keeping monthly payments the same – or a decrease of $62 a month in principal and interest on the average home bought with 20 percent down. While this is all welcome news for consumers heading into the spring homebuying season, it remains to be seen whether recent rate declines and easing affordability will be enough to halt the deceleration in home price growth."

Deceleration in HPA is seen most acutely on the West Coast, particularly Washington State, and even more so in California, which has seen its annual rate of appreciation fall from over 10 percent in February 2018 to just 3 percent as of the end of 2018. The slowdown has been most apparent in San Jose, Seattle and San Francisco, which have gone from being ranked first, third and fourth by annual HPA, respectively, to all three being in the bottom 25 percent of markets within the past 10 months. After seeing annual HPA rates above 20 percent in 2017, prices in San Jose are now nearly flat from where they were one year ago. Home prices in San Francisco are up just 1.9 percent, while in Seattle home prices are up 3.1 percent from one year ago, whereas both metro areas had until recently been experiencing double-digit growth.

About the Mortgage Monitor
The Data & Analytics division of Black Knight manages the nation's leading repository of loan-level residential mortgage data and performance information covering the majority of the overall market, including tens of millions of loans across the spectrum of credit products and more than 160 million historical records. The Black Knight HPI is one of the most complete, accurate and timely measures of home prices available, providing essential micro-level valuation data by covering nearly 90 percent of U.S. residential properties at the ZIP-code level. In addition, the company maintains one of the most robust public property records databases available, covering 99.9% of the U.S. population and households from more than 3,100 counties.

Black Knight's research experts carefully analyze this data to produce a summary supplemented by dozens of charts and graphs that reflect trend and point-in-time observations for the monthly Mortgage Monitor Report. To review the full report, visit:
https://www.blackknightinc.com/data-reports/

About Black Knight
Black Knight (NYSE:BKI) is a leading provider of integrated software, data and analytics solutions that facilitate and automate many of the business processes across the homeownership lifecycle.

As a leading fintech, Black Knight is committed to being a premier business partner that clients rely on to achieve their strategic goals, realize greater success and better serve their customers by delivering best-in-class software, services and insights with a relentless commitment to excellence, innovation, integrity and leadership. For more information on Black Knight, please visit
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