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Black Knight Reports Home Price Growth Continues to Slow, Falling Below 25-Year Average for First Time Since 2012; Affordability at Strongest Point in More Than a Year

- In March – a month that typically sees the largest home price gains of the year – prices rose by just 1%, marking 13 consecutive months of home price deceleration
- The annual rate of appreciation has now slipped to 3.8%, the first time annual home price growth has fallen below its 25-year average of 3.9% since 2012
- Home prices began to decelerate in February 2018 as rising interest rates put pressure on affordability, intensifying toward the end of the year as 30-year fixed rates peaked near 5% in November
- As of May, the monthly payment required to purchase the average-priced house with 20% down is $1,173, the lowest such payment in more than a year
- Likewise, the 22% of median income required to purchase the average-priced house is the lowest payment-to-income ratio in more than a year, well below the long-term (1995-2003) average of 25%
- Four states – California, Hawaii, Maine and Nevada – plus the District of Columbia remain less affordable than their own long-term averages

JACKSONVILLE, Fla. – June 3, 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, leveraging its McDash loan-level mortgage performance data in combination with the Black Knight Home Price Index (HPI), the company revisited the home price and affordability landscape. As Black Knight's Data & Analytics Division President Ben Graboske explained, home prices continued their trend of deceleration in March, but lower interest rates over the past three months have brought affordability to its best point in more than a year.

"In what is usually the calendar-year high point for home price gains, month-over-month appreciation in March 2019 was just 1%, down from 1.25% at the same time last year," said Graboske. "Likewise, the annual rate of appreciation has now slipped to 3.8%, the first time annual home price growth has fallen below its 25-year average of 3.9% since 2012. That makes 13 consecutive months of home price deceleration. As we've been reporting, home prices began to decelerate in February 2018 as rising interest rates started putting pressure on affordability. The situation intensified in the last half of the year as 30-year fixed rates peaked near 5% in November, bringing affordability levels close to their long-term averages. Of course, rates have since declined, and are now hovering close to 4%. However, they didn't fall below 4.25% until the last week of March, meaning we likely won't see the impact – if any – on home prices until May or June housing numbers.

"Regardless, falling rates have already had a positive impact on affordability. In fact, the monthly payment needed to purchase the average-priced home with a 20% down payment has declined by 6% in the last six months. It currently

requires $1,173 per month to make that purchase, the lowest such payment in more than a year. When we factor income into the equation, we see that it takes 22% of the median income to purchase the average-priced home. That's the lowest payment-to-income ratio in more than a year as well, and far below the long-term average of 25.1%. That the market reacted in terms of slowing home price growth even before we hit that long-term average suggests that a 25% payment-to-income ratio may not be sustainable in today's market, whether due to excess non-mortgage related debt, lending standards or other factors."

Of the 100 largest U.S. housing markets, 85 have seen their growth rate decrease over the past 12 months. Slowing continues to be strongest in the western U.S., with the most acute deceleration along the western coast of California and in Seattle, Wash. California's rate of appreciation has slowed by 8% (an 84% reduction) from 9.6% one year ago to just 1.6% as of March. San Jose, Seattle and San Francisco have all seen annual home price growth rates declining by more than 10 percentage points (-30%, -13%, and -12%) respectively. The median home price in San Jose is now down 6% from last year following three consecutive months of negative year-over-year movement; this comes after having seen double-digit growth for much of the last few years.

Even with rates pulling back to near 4%, and affordability improving, four states – California, Hawaii, Maine and Nevada plus the District of Columbia – remain less affordable than their own long-term averages. The disparity is most noticeable in California, where – despite interest rate declines and, in some cases, rapidly slowing home price growth – it requires 4% more of the median household income to buy the average-priced home, and is far less affordable than long-term benchmarks. This suggests that, while falling rates may have the ability to reheat some housing markets across the country, it may not be enough to alleviate the affordability constraints that have been putting downward pressure on California housing markets.

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 http://www.blackknightinc.com/.

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