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Black Knight Mortgage Monitor: Affordability Improves on Rate Drops, Reaches an 18-Month High in July; Home Price Growth Deceleration Begins to Level Off

- As 30-year mortgage interest rates fell to 3.75%, the share of the median monthly income needed to make principal and interest payments on the average home fell to 21.3%, a decline from 23.3% in November 2018
- Whereas nine states were less affordable than their long-term norms back in November – a key driver behind the subsequent deceleration in home prices – only California and Hawaii remained so as of July
- Despite the average home price rising by more than $12K from November, today's lower fixed interest rates have equated to a $108 monthly payment cut on the average home purchased with 20% down
- The decline in 30-year rates has been equivalent to a 15% increase in buying power, meaning that prospective homebuyers shopping for the average-priced home could now purchase $45,000 more than last fall while keeping monthly payments the same
- Early home price numbers for June suggest that the slowing home price growth seen over the past 15 months has now leveled off, driven by falling interest rates and improving home affordability

JACKSONVILLE, Fla. – August 5, 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. After 15 months of declining year-over-year home price growth, the company revisited the home affordability landscape. As Black Knight Data & Analytics President Ben Graboske explained, as a result of falling interest rates and slowing home price appreciation, affordability is the best it's been in 18 months.

 "For much of the past year and a half, affordability pressures have put a damper on home price appreciation," said Graboske. "Indeed, the rate of annual home price growth has declined for 15 consecutive months. More recently, declining 30-year fixed interest rates have helped to ease some of those pressures, improving the affordability outlook considerably. In November 2018 – when rising interest rates hit a seven-year high and home price growth fell by half a percent in a single month – it took 23.3% of the median household income to make the principal and interest payments when purchasing the average-priced home. As 30-year rates fell to 3.75%, that share fell to 21.3%, the lowest it's been in 18 months.

"This has changed the affordability landscape significantly. Whereas nine states were less affordable than their long-term norms back in November – a key driver behind the subsequent deceleration in home prices – only California and Hawaii remained so as of July. And despite the average home price rising by more than $12K since November, today's lower fixed interest rates have worked out to a $108 lower monthly payment when purchasing the average-priced home with 20% down. Lower rates have also increased the buying power for prospective homebuyers looking to purchase the average-priced home by the equivalent of 15%, meaning that they could effectively buy $45,000 'more house' while still keeping their payments the same as they would have been last fall. As affordability pressures have eased, it also appears

to be putting the brakes on the home price deceleration we've been tracking since February 2018. After 15 consecutive monthly declines, the national home price growth rate for June stayed level from May at 3.78%."

This month's analysis found that improved affordability has begun to curb the strong slowing in home prices in West Coast housing markets. In fact, California went from having one of the top five home price growth rates of any state (8.6%) one year ago to second-to-last as of June 2019, with home price growth slowing to just 1.3% year-over-year. While California is one of only two states that remain less affordable than their long-term norms, affordability in the state has improved significantly in recent months. It now requires 34% of the median income to purchase the average home in California, down from 38% in November.

Home price slowing has begun to level off in California as a whole and several of the West Coast's largest markets. While prices in Los Angeles, San Francisco, San Diego and Seattle, Wash. have all risen by 1.1% or less over the past 12 months, the rates at which they're slowing have begun to taper. Even in San Jose, where home prices are down by more than 6% from June 2018, the rate of decline has begun to flatten. These are all good signs, given these markets' sharp reaction to rising rates and tightening affordability in late 2018. Much more detail can be found in Black Knight's June 2019 Mortgage Monitor Report.

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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