



**ARCH MI'S FALL HAMMR REPORT MAKES 2020 PREDICTIONS FOR FIRST-TIME HOMEBUYERS,
THE SEVERITY OF A FUTURE RECESSION AND THE IMPACT OF IBUYERS**

According to the Quarterly Arch MI Risk Index, the Risk of Home Price Declines Remains Low

GREENSBORO, N.C. – Nov. 5, 2019 – Expect 2020 to bring increased competition for entry-level homes, a low risk of home price declines and stepped-up purchases by iBuyers — real estate investors who use automated valuation tools to make almost-instant cash offers on homes, according to the Fall edition of *The Housing and Mortgage Market Review* (HaMMR), released today by Arch Mortgage Insurance Company (“Arch MI”), a leading provider of mortgage insurance and a wholly owned subsidiary of Arch Capital Group Ltd.

The HaMMR report also spotlights 20 metro areas where it is better to rent than buy and 20 others where house payments, on average, are likely to be lower than rents.

Author Dr. Ralph G. DeFranco, Global Chief Economist for Arch Capital Services Inc., explained why he thinks any future recession will be mild for housing.

“Unlike past recessions, there is now an extremely low inventory of homes. That’s why we expect the price of entry-level homes to once again grow faster than incomes in 2020,” he said. “First-time homebuyers are in a difficult spot because builders aren’t constructing enough homes at the more affordable end of the market, but the positive side is that low inventory and very high mortgage quality will likely limit the severity of a future recession, though we aren’t predicting when the next downturn could occur.”

The quarterly Arch MI Risk Index, a statistical model based on nine indicators of the health of local housing markets, suggests the probability of home prices being lower in two years has held steady at 11%, the same as in the previous quarter. Nationally, the overall risk of a home price decline remains well below 20%, the average from 1980 to today.

The states with the highest risk of having lower home prices in two years are North Dakota and Oregon, both at 24%, followed by Colorado at 23%, West Virginia at 22% and Washington at 21%.

**Fall 2019 Arch MI Risk Index
States with the Highest Risk Index Values (Probability of Price Decline Times 100)**

| State | Risk Index | Change in Quarter |
|---------------|------------|-------------------|
| North Dakota | 24 | 0 |
| Oregon | 24 | 1 |
| Colorado | 23 | 1 |
| West Virginia | 22 | 0 |
| Washington | 21 | 0 |
| Alaska | 20 | -1 |
| California | 19 | 1 |

| | | |
|-------------|----|----|
| Idaho | 19 | -4 |
| Connecticut | 17 | -3 |
| Nevada | 16 | 6 |

Among the 100 largest metros, the Miami, Florida, area has the highest Risk Index value (37%), with a glut of unsold condos and home prices that look overvalued. The greater Lakeland, Florida, metro area near Tampa, Florida, looks overvalued after seeing rapid price appreciation over the past two years. The rest of the "Top 5" includes Denver, Colorado (34%), Riverside-San Bernardino-Ontario, California (31%) and Anaheim-Santa Ana-Irvine, California (29%).

Commentary resources:

- The *Housing and Mortgage Market Review* is posted at archmi.com/hammr. The Fall 2019 edition focuses on cities where renting can cost less than buying and predictions from Arch MI economists on key 2020 trends.
- DeFranco will host a Housing Update webinar discussing market conditions and the details of HaMMR on Thursday, Nov. 7 (1 p.m. ET/10 a.m. PT), and Friday, Nov. 8 (1 p.m. ET/10 a.m. PT). Registration is free at archmi.com/hammr.
- Detailed and interactive regional graphs and maps showing home prices are also available at archmi.com/hammr by clicking the [View Our HPI Charts and Maps](#) link.
- The HaMMR video blog provides DeFranco's brief overview of the report at insights.archmi.com/hammr-blog.

About Arch Mortgage Insurance Company

Arch Capital Group Ltd.'s U.S. mortgage insurance operation, Arch MI, is a leading provider of private insurance covering mortgage credit risk. Headquartered in Greensboro, North Carolina, Arch MI's mission is to protect lenders against credit risk, while extending the possibility of responsible home ownership to qualified borrowers. Arch MI's flagship mortgage insurer, Arch Mortgage Insurance Company, is licensed to write mortgage insurance in all 50 states, the District of Columbia and Puerto Rico. For more information, visit archmi.com.

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Source: Arch Mortgage Insurance Company

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