

MARCH 2016

We have forecast home prices for metro areas since 2009 and for counties since 2013. For the period 2008 to 2012 we might as well not have made a forecast, because prices in ALL local markets first were relentlessly lower until 2012 and then rebounded - though at different rates - once they hit the bottom.

OUR FORECAST GOALS

Our customers mainly want to know if future prices in a local market will strong or weak.



A strong market has:

a home price increase greater than 7 percent after one year, or a home price increase greater than 15 percent after two years.



A weak market has:

a home price increase less than 2 percent after one year, or a home price increase less than 5 percent after two years.

DEFINITION OF FORECAST ACCURACY

If we forecast prices **higher** than 7 percent after one year, but prices are not higher than 5 percent, our forecast was **wrong**.

If we forecast prices **higher** than 15 percent after two years, but prices are not higher than 10 percent, our forecast was **wrong**.

If we do not forecast prices **higher** than 7 percent after one year, but prices are higher than 10 percent, our forecast **messed** an opportunity.

if we do not forecast prices **higher** than 15 percent after two years, but prices are higher than 15 percent, our forecast **messed** an opportunity.

If we forecast prices **no higher than** 2 percent after one year, but prices are higher than 5 percent, our forecast was **wrong**.

If we forecast prices **no higher than** 5 percent after two years, but prices are higher than 10 percent, our forecast was **wrong**.

RESULTS FOR THE 100 LARGEST METRO AREAS

2-Year forecast made in 2013 Q4

We forecast 41 would be **strong** - 1 wrong. 2 missed opportunities.

We forecast 15 would be **weak** - none wrong.

ACCURACY

98%

1-Year forecast made in 2014 Q4

We forecast 36 would be **strong** - 1 wrong.

We forecast 14 would be **weak** - 1 wrong.

ACCURACY

96%

1-Year forecast made in 2013 Q3

We forecast 39 would be **strong** - 1 wrong. 1 missed opportunity.

We forecast 29 would be **weak** - 4 wrong.

ACCURACY

93%

1-Year forecast made in 2012 Q3

We forecast 3 would be **strong** - none wrong. 25 missed opportunities.

We forecast 93 would be **weak** - 30 wrong.

ACCURACY

69%

1-Year forecast made in 2011 Q3

We forecast 0 would be **strong** - none wrong. 1 missed opportunity.

We forecast 110 would be **weak** - 4 wrong.

ACCURACY

96%

1-Year forecast made in 2010 Q3

We forecast 2 would be **strong** - 2 wrong.

We forecast 107 would be **weak** - none wrong.

ACCURACY

98%



RESULTS FOR THE 310 METRO AREAS

2-Year forecast made in 2013 Q4

We forecast 85 would be **strong** - 4 wrong. 28 missed opportunities.

We forecast 99 would be **weak** - 6 wrong.

ACCURACY

95%

1-Year forecast made in 2014 Q4

We forecast 79 would be **strong** - 8 wrong. 3 missed opportunities.

We forecast 95 would be **weak** - 9 wrong.

ACCURACY

90%

1-Year forecast made in 2013 Q3

We forecast 72 would be **strong** - 2 wrong. 2 missed opportunities.

We forecast 114 would be **weak** - 13 wrong.

ACCURACY

92%

1-Year forecast made in 2012 Q3

We forecast 4 would be **strong** - none wrong. 42 missed opportunities.

We forecast 239 would be **weak** - 58 wrong.

ACCURACY

76%

1-Year forecast made in 2011 Q3

We forecast 1 would be **strong** - none wrong. 2 missed opportunities.

We forecast 302 would be **weak** - 8 wrong.

ACCURACY

97%

1-Year forecast made in 2010 Q3

We forecast 2 would be **strong** - 2 wrong.

We forecast 302 would be **weak** - 1 wrong.

ACCURACY

99%



RESULTS FOR THE 200 LARGEST COUNTIES

2-Year forecast made in 2013 Q4

We forecast 76 would be **strong** - 2 wrong. 13 missed opportunities.

We forecast 23 would be **weak** - 1 wrong.

ACCURACY

97%

RESULTS FOR ALL 443 LARGEST COUNTIES

2-Year forecast made in 2013 Q4

We forecast 110 would be **strong** - 10 wrong. 16 missed opportunities.

We forecast 120 would be **weak** - 7 wrong.

ACCURACY

93%

Accuracy is calculated as the number of correct forecasts divided by the total number of forecasts (strong or weak). Accuracy does not include missed opportunities.

Note that the accuracy measurements are for **actual forecasts** we made, they are not back-tests of how well our method would have performed historically.

