Forces Influencing the Housing Market Recovery

Is the single-family housing market recovering, or are we in for another leg-down?

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THE SINGLE-FAMILY housing boom of the mid-2000s was driven by low interest rates and speculative investing, resulting in overbuilding, low affordability and eventually a wave of foreclosures. Four years of house price declines and millions of foreclosures later, the for-sale housing market is beginning to show signs of recovery in most parts of the country. Mortgage rates are currently low, affordability has improved markedly, and several government-sponsored programs are fueling demand for single-family housing. Renewed housing demand, particularly at the low and middle ends of the market, is depleting inventory levels and helping to stabilize single-family home prices, despite the large numbers of current and potential foreclosures in some markets.

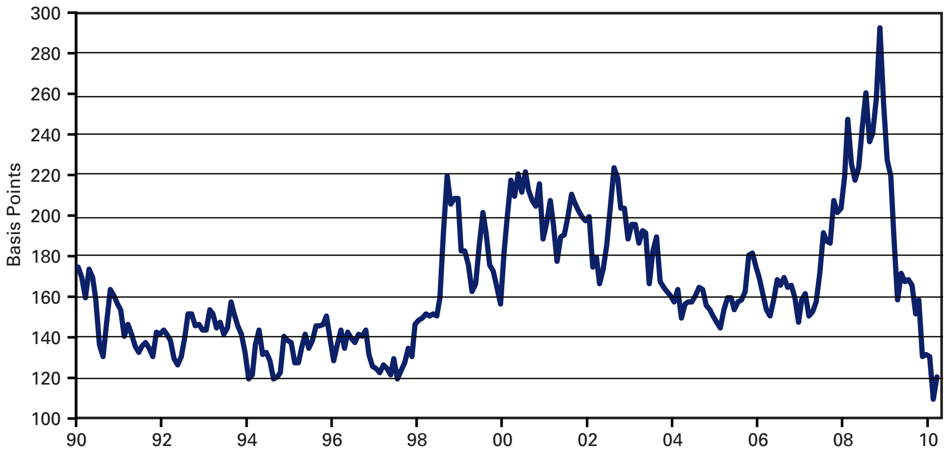
We believe that improved affordability levels, low mortgage interest rates, and government programs are driving the current housing recovery. Although some of these programs are scheduled to end in the first half of the year, improved employment conditions during the second half of the year could sustain the recovery. Additionally, because demand is seasonal, with more sales occurring during the spring and summer months, the dip in sales following the expiration of the tax credit will be less pronounced, helping to maintain momentum for the housing market recovery. A number of headwinds may abort the recovery, including foreclosures, stricter mortgage qualification requirements, increasing mortgage interest rates, and sustained high unemployment. Despite these headwinds, we believe that the recovery we have seen is real and sustainable, though at a moderate pace, and is not a temporary recovery that will lead to another leg down in the housing market and home prices. To back up this conclusion, we now turn to an analysis of the various forces influencing the single-family housing market in the next year.

GOVERNMENT INTERVENTION

Massive government intervention in the housing and residential mortgage markets has been a major force driving the housing recovery up to this point. Federal government intervention has taken four major routes: the purchase and holding of mortgage-backed securities by the Federal Reserve in order to keep mortgage interest rates low relative to other borrowing costs; the enactment, expansion and extension of a home purchase tax credit through April 2010 (including home sales closed by June 2010) to nearly all homebuyers; an aggressive mortgage guaranty program through the Federal Housing Administration (FHA) designed to support home purchases by low- to moderate-income households; and a commitment of $75 billion for a loan modification program to ease the foreclosure tsunami, as well as more than $2 billion in funding for innovative mortgage modification measures in the hardest hit housing and employment markets.

In late 2008 and 2009, the Federal Reserve committed to the purchase of $1.25 trillion worth of mortgage-backed securities to keep mortgage interest rates low in the near term and help stabilize the housing market. The plan worked, as the spread between the 30-year fixed agency mortgage rate and the 10-year Treasury

Figure 1: 30-Year Fixed Agency Mortgage vs. 10-Year Treasury

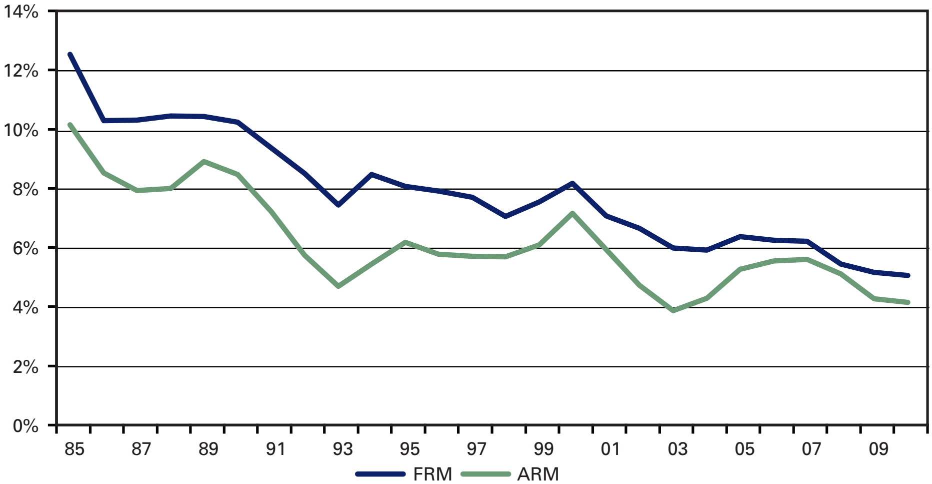


bond fell from a peak of 311 basis points in December 2008 to 119 basis points by April 1, 2010, even as Treasury bond rates declined to historical lows. This drop made home purchases more attractive and contributed to rising affordability levels, which, along with other government programs, spurred demand for housing.

The Federal Reserve ceased purchases of mortgage-backed securities at the end of March 2010 but will continue to hold the securities on its balance sheet. As the Federal Reserve stops purchasing mortgage-backed securities and the market returns to more normal levels, mortgage rates could increase. Rising Treasury rates and an increase in the mortgage interest Treasury spread to a more normal 150 basis point level could push the rate on a conventional 30-year loan to 6.3 percent in the second half of 2010, up from 5.0 percent during the fourth quarter of 2009. Even so, affordability will remain higher than during the boom years of the housing market, stimulating sales activity among buyers with stable incomes and keeping home prices from dropping further.

Although the Federal Reserve is set to stop purchasing mortgage-backed securities, talks are already under way about extending efforts to keep mortgage rates low if the housing market exhibits additional weakness. Given the aggressive stance the government has taken in bolstering the housing market thus far, we do not expect policy efforts to disappear if the market is still in need of stabilization during the coming year. Accordingly, we expect mortgage rates to be contained at a level that the market can handle, with

Figure 2: Residential Mortgage Rates

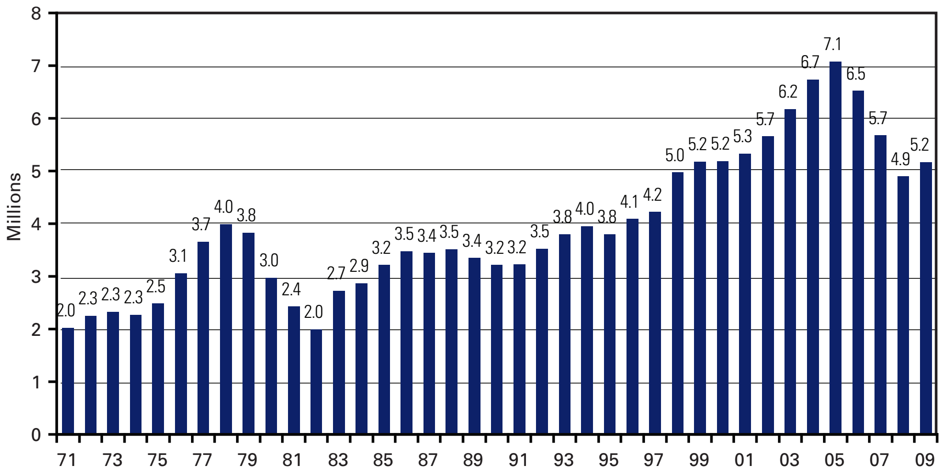


increased affordability from lower prices helping to offset the negative demand effects of an increase in interest rates through the short term.

In addition to keeping interest rates low, the government introduced a tax credit to stimulate home sales. The first-time homebuyer tax credit was introduced in February 2009 as part of the American Recovery and Reinvestment Act. The $8,000 tax credit originally applied only to first-time homebuyers who met income limits of $75,000 for a single taxpayer or $150,000 for married taxpayers filing joint returns. According to the latest data from the Internal Revenue Service, the tax credit helped 1.4 million families year-to-date as of September 2009. As a result, home sales increased, particularly those of entry-level properties at the low end of the market. In 2009, existing home sales (including condos and co-ops) rose to 5.2 million from 4.9 million in 2008.

In November 2009, the tax credit was extended through April 2010 for contracts and June 2010 for closings, and expanded to include higher income and repeat buyers. Through April, households that earn up to $125,000 for a single taxpayer and $225,000 for a married couple can qualify for the $8,000 credit if they are first-time homebuyers. Furthermore, qualified repeat buyers are eligible for a $6,500 credit, subject to the same income constraints. The extension allows households that required more time to accumulate the necessary down payment to take advantage of the tax credit and enter the market. The raised income limits also increase the pool of potential homebuyers, fueling demand

Figure 3: Existing Single Family Home Sales



for homes in the mid-range. Finally, the inclusion of repeat buyers contributes to an increase in trade-up activity.

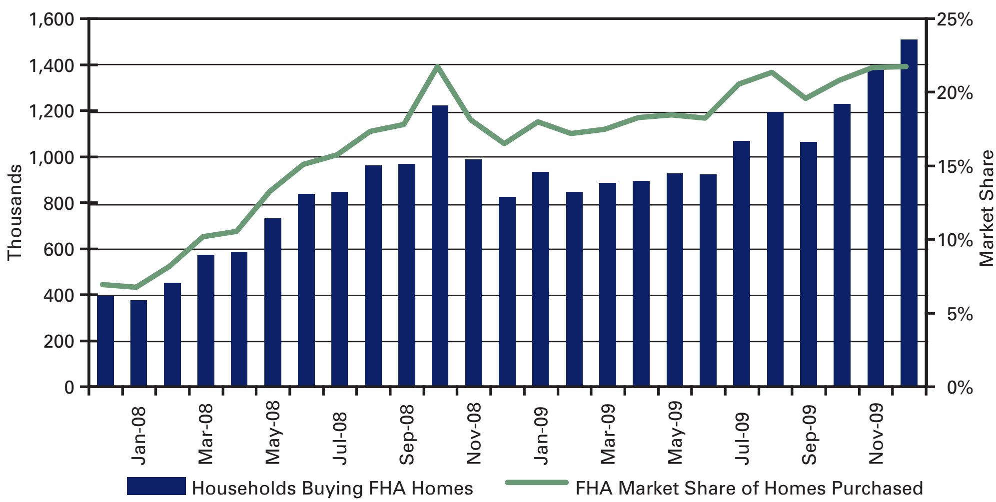
In addition to the federal credit, several states have offered incentives toward home purchases. In California, for example, Assembly Bill 183 was signed by Governor Schwarzenegger in late March providing a tax credit of up to $10,000 toward the purchase of a new home for all buyers, or a new or existing home for first-time buyers, for purchases made through December 31, 2010. The credit is available on a first-come, first-served basis, with the credit applied to owed taxes in equal amounts over three consecutive taxable years. The effects of the federal credit and the various state credits should cause an increase in home sales activity in the spring of 2010. We expect home sales might top 7.0 million annualized units in April and May and then fall back to 5.0 million annualized in the second half of the year. We expect 6.2 million existing home sales in 2010.

The probable expiration of the tax credit by June 2010 will not only cause a surge in sales during the first half of the year, but also could put some upward support to home prices, as demand is pulled forward from the second half of 2010. These trends will cause some potential buyers to purchase a home sooner than they otherwise would, in order to take advantage of the tax credit.

Actions taken by the Federal Reserve and tax credits are not the only federal government measures taken to support the housing market. The government has also provided support for homeownership through a number of dedicated housing agencies. The Federal Housing Administration (FHA) provides mortgage insurance for low- and moderate-income borrowers who cannot amass the resources for a 20 percent down payment. FHA-insured mortgages have a minimum down payment requirement of 3.5 percent. Private, FHA-approved lenders make the loan, and through FHA insurance, the federal government takes on the additional default risk. During the current crisis, the federal government announced support for an increase in the FHA's mortgage portfolio, thereby opening up homeownership to a much larger number of households. This government support for the mortgage market was particularly important as many private lenders had tightened their mortgage lending standards following the housing bust. According to the latest available data, the FHA market share of all homes purchased was 21.5 percent at a seasonally adjusted annual rate in November 2009, up from 6.4 percent in October 2007. During the same period, the number of households purchasing FHA-insured homes increased to more than 1.5 million from approximately 376,000 in October 2007. According to the FHA website as of March 2010, the agency currently insures 4.8 million single-family mortgages. By increasing the amount of loans the FHA can insure, the federal government provided support for low- and moderate-income homebuyers, further augmenting home sales.

Additionally, the Hope for Homeowners program, administered by the Department of Housing and Urban

Figure 4: Increased FHA Mortgage Activity



Development, provides another avenue for borrowers who are having difficulty making their mortgage payments to refinance to an FHA-insured home loan. Borrowers who refinance through the Hope for Homeowners program will have their loan written down to 90 percent of the home's current appraised value, helping both the borrower and the lender avoid the costly foreclosure process. This program is scheduled to last through September 2011.

The federal government has also been actively trying to stem the tide of foreclosures. The most recent legislation aiming to increase the practice of loan modification by banks was enacted in March 2009. The Making Home Affordable Program provides homeowners with the opportunity to refinance through Fannie Mae or Freddie Mac, provided they originally took out their loans through the GSEs. Additionally, the program provides $75 billion for a loan modification program that could affect up to four million at-risk households under the Home Affordable Modification Program (HAMP). According to the latest data, the number of monthly permanent modifications was only 116,000 in January 2010, but another 1.0 million mortgages are in the early stages of modification. In total, 1.3 million trial modifications have been offered to distressed borrowers, more than one million borrowers have started trial modifications and 940,000 borrowers have been able to reduce their monthly payments through the HAMP program. Although these figures are still small in comparison to the number of homeowners facing foreclosure, the efficacy of the program has been increasing rapidly, with the rate of loan modification doubling in December and January. These efforts resulted in a drop in the roll rate to foreclosure during 2009. As of December 2009, the percentage of loans that were 90 days delinquent that went into foreclosure was approximately 12 percent, down from a peak of nearly 30 percent in September 2007. Loans that were more than 120 days delinquent had a roll rate into foreclosure of approximately 8 percent in December 2009, down from a peak of nearly 30 percent in September 2007. Loans that were more than 150 days delinquent posted a roll rate of approximately 5 percent in December 2009, down from peaks of more than 20 percent.

In order to augment HAMP efforts, the Second-Lien Modification Program (2MP) was formed to tackle the problem of second lien holders, who have been impeding some willing borrowers from receiving modified terms or selling their homes to avoid foreclosure. The program requires second lien holders, if they have signed up for the program, of HAMP-modified loans to either modify the loan according to defined protocol or accept a lump sum payment from the Treasury

Department for extinguishment of the loan. Additionally, both the borrower and the holder of the second lien receive additional incentive fees for on-time payments of loans modified through the program. Three of the largest mortgage originators—Bank of America, Wells Fargo and JP Morgan—signed up for 2MP in recent months.

Formed to assist borrowers who either do not qualify for HAMP or who have re-defaulted on the HAMP-modified loan, the Home Affordable Foreclosure Alternatives Program (HAFA) aims to encourage mortgage stakeholders to submit to foreclosure alternatives such as short sales and deeds-in-lieu. HAFA was announced in November 2009 and will be in place by April 2010. HAFA provides compensation to borrowers, servicers and investors when a successful short sale or deed-in-lieu of foreclosure is completed. Originally, borrowers qualified for a $1,500 relocation assistance payment while servicers and servicers received up to $1,000 for each successful foreclosure alternative. Additionally, second lien holders can gain up to $3,000 per short sale in exchange for extinguishing the loan.

On March 26, 2010, the federal government enlarged the range of options for loan modification with a goal of offering a second chance to three to four million homeowners through 2012. The HAMP program was expanded to reach more borrowers, including those with FHA loans, borrowers in the bankruptcy process and underwater homeowners who are not necessarily in distress. Using $50 billion of housing-designated funds from the Troubled Asset Relief Program for incentive payments, several programs were created or expanded. Under a new initiative, the government will encourage servicers to provide temporary payment reductions to affordable levels for eligible unemployed homeowners for three to six months in an effort to reduce the number of unemployment-related foreclosures. Additionally, loan modification efforts will be enhanced through increased proportionate incentive payments for principal write-downs by investors and servicers of both first and second liens through the expansion of HAMP, 2MP and HAFA. Modified loans will then be issued with FHA insurance through new lenders, further reducing the risk to investors. Incentive payments to borrowers were also increased for several programs. Under the enhanced program, servicers will be required to consider an alternative modification approach, including principal reductions, for those owing more than 115 percent loan-to-value, helping some underwater homeowners. Finally, the announced plans included incentives to help homeowners relocate to more affordable housing.

In February 2010, the administration announced $1.5 billion in funding for innovative strategies aimed at homeowner assistance in the hardest hit housing markets. This program applied to states that have posted a drop of 20 percent or more in the average home price from its peak. Although the details have not yet been announced, the federal government will work with state and local housing finance agencies to fund a variety of programs to assist residents coping with the effects of high unemployment and significant home price declines. The initial $1.5 billion went to the states with the largest declines in single-family home prices—California, Nevada, Arizona, Florida and Michigan. In March 2010, another round of funding was announced, this time targeted at the states with the highest proportion of residents living in counties with unemployment rates of more than 12 percent. Up to $600 million in emergency aid will be distributed to agencies in Ohio, North Carolina, Oregon, South Carolina, and Rhode Island.

Fannie Mae and Freddie Mac have also started programs to help stabilize the housing market. In November 2009, Fannie Mae announced its "Deed for Lease" program, which rents-out properties to owners who do not qualify for loan modification. Borrowers will transfer their property to Fannie Mae, which will then rent the same property back to them at market rents. Freddie Mac has a similar initiative. These programs will help communities avoid blight and the price declines associated with proximity to abandoned, bank-owned properties.

In addition to these national programs, a number of states and localities enacted their own foreclosure prevention and homeowner assistance programs. All of the federal and local efforts on behalf of the housing market will help a number of homeowners avoid foreclosure, or at least stay in their homes, contributing to the stabilization of house prices in 2010.

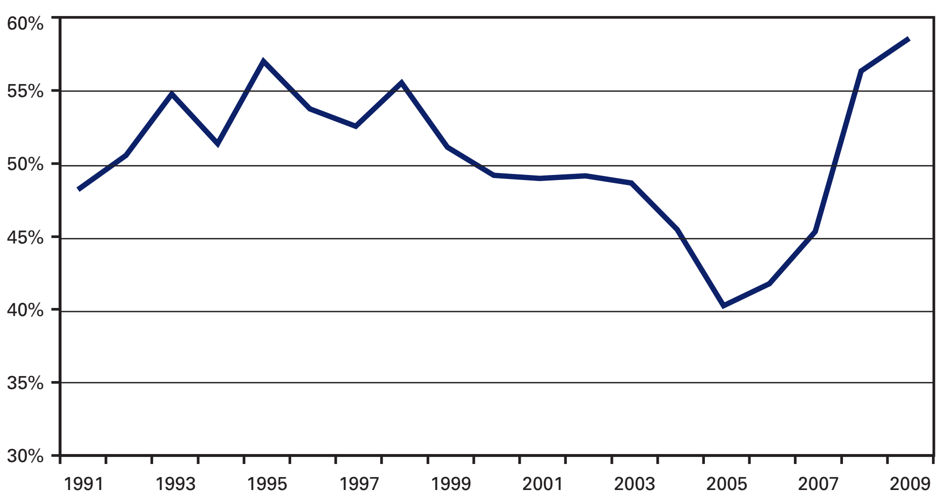
FUNDAMENTAL IMPROVEMENTS

Several fundamental improvements in the single-family housing market are contributing to increased demand for for-sale housing, bolstering the aforementioned government efforts and supporting a real single-family housing market recovery. Positive trends, including improved affordability levels due to price declines and low mortgage rates, are critical to a single-family housing recovery and price stabilization.

Affordability is measured as the number of households with sufficient income to purchase the median-priced home utilizing a conventional, thirty-year fixed rate mortgage with an 80 percent loan-to-value ratio and spending 31 percent or less of household income for mortgage payments and property taxes. Affordability is a primary driver of housing demand as it indicates the share of households that are able to afford a median-priced home in a given area. Affordability was at record lows at the peak of the boom, despite relatively low mortgage interest rates, because strong demand and speculative investors drove up the median price in many markets. For example, in Miami affordability fell to a low of 16.4 percent in 2005 from 40.2 percent in 2001. During the same period, the median price of a single-family home increased by an average of 22.5 percent annually from year-end 2002 through year-end 2005. Similarly, affordability dropped to 11.8 percent in Los Angeles in 2005 from 32.9 percent in 2001, while the median price increased an average of 21.9 percent annually during the same period. In addition to the demand that traditionally stems from owner-occupiers, strong demand from speculative investors inflated the home price bubble. In Miami and Los Angeles, 15.2 percent and 11.2 percent of mortgages, respectively, were used to purchase investment property in 2005. As the price of a single-family home grew unaffordable for the majority of households, many chose to utilize exotic mortgage instruments to stretch their income further in order to purchase a home. The negative consequences of these practices are now widely understood.

As the bubble deflated, home values dropped and contributed to a jump in affordability levels. In the largest 75 metropolitan statistical areas, 58.3 percent of

Figure 5: U.S. Single Family Housing Affordability

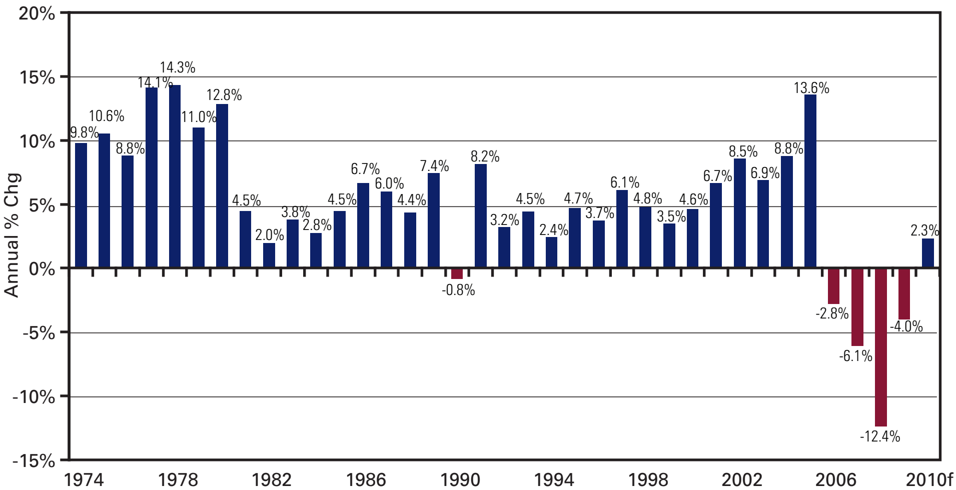


households were able to afford the median-priced home in the third quarter of 2009, up from an annual low of 40.1 percent in 2005. Sustained high affordability levels will be a major demand driver going forward, helping to stimulate sales activity and stabilize the market. Already, improved affordability is fueling sales at the low end of the market, with first-time homebuyers taking advantage of the federal tax credit, FHA loans, and cut-rate prices to purchase homes. Coupled with improved affordability levels, the expansion of the tax credit is also driving demand for mid-range, "trade-up" homes. Through the remainder of 2010, improved affordability levels will lead to higher sales volumes, driving the overall stability of the single-family housing market. Notably, it was the decline in prices during the last four years that pushed affordability back to sustainable levels.

Improved affordability levels are largely a result of a decline in home prices, as well as historically low mortgage interest rates. The decline in home prices, however, stemmed from oversupply, weak demand as a result of fewer credit options, and poor economic conditions. Strong demand for single-family housing during the boom period, prompted by low mortgage interest rates and easy access to credit, caused builders to construct homes at a rapid pace, in some cases ahead of demand. As the market unraveled, inventory levels in many areas increased sharply. When adjustable rate mortgages began to reset and many households found themselves unable to afford the monthly payment, foreclosures started to increase, further compounding the effects of high inventory levels. Partly as a result of these negative trends in housing, the national economy entered the "Great Recession" and skyrocketing unemployment contributed to an increase in the number of foreclosures. All of these factors resulted in price declines, bringing the median price back to a more affordable level. With the economy now entering a recovery phase and housing affordability back to sustainable levels, demand has picked up, particularly with the aid of government intervention, thus creating a market environment that supports home price appreciation.

During the fourth quarter of 2009, the national median price of a single-family home declined 4.0 percent year-over-year to $172,900. However, this is an improvement from the low of $167,300 during the first quarter of 2009. Government intervention in the housing market helped stabilize prices during the last three quarters of 2009 and, despite modest increases, still-low home prices will contribute to demand through the remainder of 2010. Because prices have stabilized, with the national median price averaging approximately $175,000 during the final three quarters of 2009, we expect a slight annu-

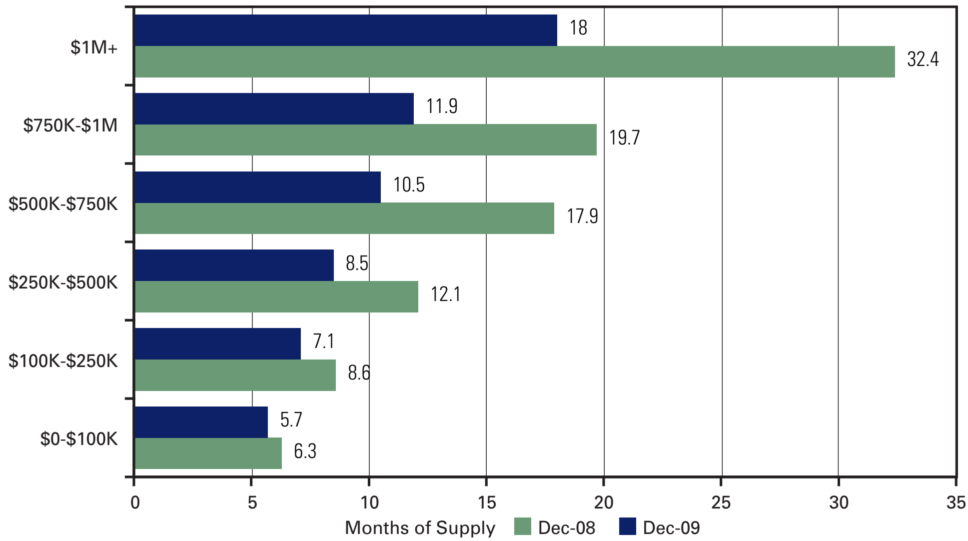
Figure 6: Median Home Price Appreciation



al increase in the median by the fourth quarter of 2010. Even with the expected increase in mortgage interest rates, affordability will remain relatively high, stimulating sales activity among buyers with stable incomes. Additionally, buyer demand will be driven by improving employment conditions during the second half of 2010, which will further stabilize home prices and preserve the price gains produced in the first half of the year.

Already sales activity has improved with the implementation of government programs and improving demand-side drivers, particularly benefiting sales in the low- to mid-price ranges. Home sales activity increased by 12.7 percent year-over-year in December 2009 according to the National Association of Realtors. However, compared with November, when the tax credit was initially scheduled to expire, existing home sales declined by 16.8 percent, reflecting a "bunching up" in demand. The extension of the tax credit to include homes closed by June 2010 and the expansion to most buyers could create a surge in home sales during the spring of 2010, with more sales occurring during the final months before the program's expiration date as buyers scramble to take advantage of the credit. People who were planning to purchase a home in 2010 may accelerate their purchase to the first half of the year. Although a drop-off in sales activity is inevitable once the credit expires, we believe the drop-off will not be significant enough to stall the housing recovery.

Figure 7: U.S. Months Supply by Price Range

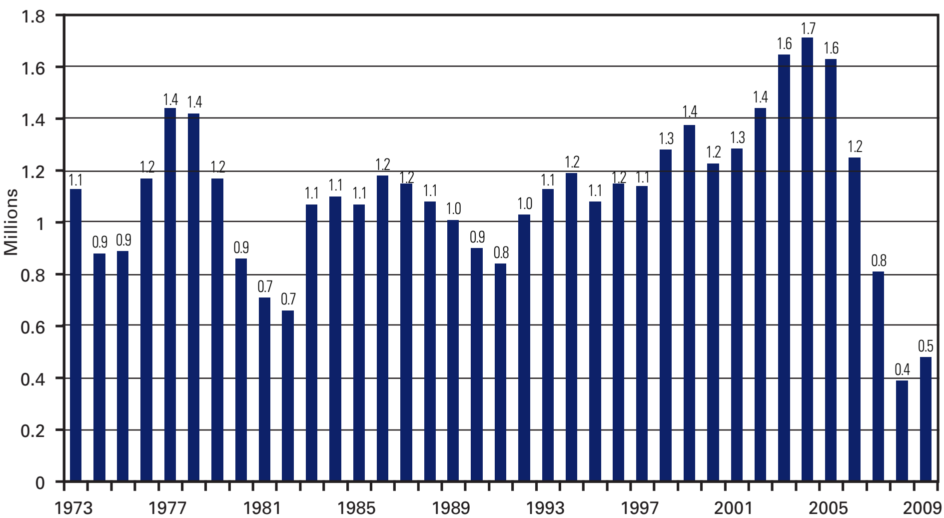


Sales have been concentrated in the low- to mid-price range, as the tax credit initially applied only to first-time buyers. However, inventory levels have come down markedly at all price ranges, reflecting strong demand. The supply of existing single-family homes declined 11.3 percent year-over-year to 2.8 million homes in December 2009. Even as credit has been expanded to include all buyers, these buyers are mainly targeting entry-level and trade-up homes, rather than homes priced far beyond the median price. Therefore, the months' supply of low- and mid-priced homes is markedly less than the months' supply of higher-priced homes. In December 2009, the months' supply of homes priced from $100,000 to $250,000 was 7.1 months. In contrast, the months' supply of homes priced at more than $1 million was 18.0 months in December 2009. Competition for assets at the low end of the market effectively raised the home price floor. This trend countered the negative skewing effect foreclosure sales previously had on median price statistics and as a result home prices have stabilized. Builders are eager to capitalize on this trend and have been building more homes in the entry-level and trade-up price ranges to take advantage of increased demand in these segments, as well as to compete with foreclosures in some markets.

Single-family housing starts have picked up in conjunction with declining inventory levels at the low- to mid-price range. Some builders are taking advantage of cheap land opportunities and the demand created by the extended and expanded homebuyer tax credit. Some builders lost sales during the last quarter of 2009 because they did not have enough homes available for sale to buyers wishing to take advantage of the initial tax credit. Single-family housing starts reached a recent peak of 508,000 units at a seasonally adjusted annualized rate in September 2009 as builders hoped to take advantage of the then-expiring tax credit. Starts dropped to a 471,000 seasonally adjusted annualized rate in October 2009, but increased to 502,000 seasonally adjusted annualized starts in January 2010. Starts have increased at a marginal level, however, limiting the risk of oversupply. Starts will drop off during the second half of the year when the tax credit expires, mirroring the trend in sales, but this will control inventory levels through the remainder of the year.

An increase in the number of new homes will add to inventory levels in the short term, but a majority of these homes are entry-level or trade-up homes, and will be in demand from those utilizing the tax credit to purchase a home. The increase in starts signals builder confidence in the single-family housing market recovery as much as it reflects their desire to take advantage of the tax credit to boost their own sales. Although home sales activity could surge during the spring of 2010 in response to the tax credit, seasonality factors should sustain a reasonable level of

Figure 8: Single Family Housing Starts



demand through the fall of 2010 because more homes are typically sold in the warmer spring and summer months. Additionally, as employment conditions continue to improve, demand should strengthen. These factors should keep inventory levels from increasing to unsustainable levels, particularly in the low- and mid-priced ranges.

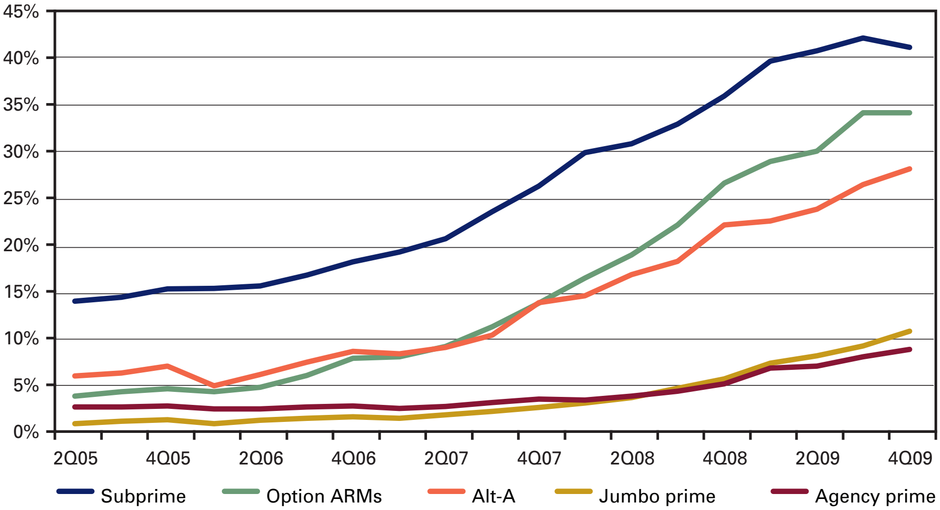
Despite the many positive factors benefiting the single-family housing market, notable headwinds remain and could threaten the housing market recovery in 2010. Affordability has improved, employment conditions are stabilizing, and inventory levels are more sustainable; however, high long-term unemployment could exacerbate the foreclosure problem, which could drag down prices. Additionally, higher mortgage interest rates and restrictive lending requirements could further temper demand during the second half of the year.

While we think the bottom in the single-family housing market has been reached, the recovery faces significant hurdles. Even as the first signs of recovery emerge, headwinds persist for the housing market in the form of ongoing foreclosures. Additionally, mortgage qualification requirements may tighten further when certain government programs end. This, compounded with higher mortgage interest rates, could further hurt demand in the second half of 2010.

The greatest headwind to the housing market recovery is the foreclosure problem plaguing most markets. Even if employment conditions improve as expected, foreclosures could continue to mount despite government intervention. Those who own a home worth less than the value of their mortgage, considered "underwater," have less incentive to repay their loans despite the negative stigma associated with strategic default. In some cases, these households are able to afford the mortgage but choose not to repay because the value of the asset has declined to such an extent that it makes little financial sense to continue, despite the credit risks associated with such practices. In the same vein, many households are simply unable to pay their mortgage because of employment troubles or higher monthly payments following a rate adjustment on their loan. Further, those households with a home valued at less than the value of the mortgage are often unable to sell their home at a price high enough to cover the mortgage, and with few options available are forced to endure a short sale.

Already, problem loans are at all-time highs. The share of loans considered delinquent, or more than thirty days late, increased to 9.5 percent during the fourth quarter of 2009 from 7.9 percent in the fourth quarter of 2008, and from 5.8 percent during the same period in 2007. All

Figure 9: Total Non-Performing Loans by Type



of the problems facing homeowners could push foreclosures higher, which would drag down prices in some markets and stall the housing market recovery.

Further compounding the foreclosure problem, the employment recovery could be weaker than we expect, which would stifle demand during the second half of the year. Sustained high unemployment levels and lack of job creation could both decrease home sales and add to foreclosures. Should this occur, home prices will recover more slowly as demand falls and supply increases.

Similarly, a pullback in the number of mortgages guaranteed by the government would lead to stricter mortgage qualifications, putting homeownership out of reach for many households. Tightening credit policies also pose a similar risk, as private lenders could respond by increasing their mortgage lending standards to the same effect. These federal actions represent another uncertainty that could prove a headwind to the housing market recovery.

In addition to the risks posed by high unemployment and a spike in foreclosures, a rise in mortgage interest rates beyond our forecast could prematurely stifle demand for housing while the market is still recovering. Higher mortgage interest rates would decrease affordability and cause many households to delay home purchases. This drop-off in demand would weaken sales and price growth, representing another headwind to a housing market recovery.

CONCLUSION

We expect the median price for existing single-family homes to increase by 2.3 percent in 2010. This relatively positive outlook is due to increased housing affordability across the country and aggressive policy moves made by the Federal government in the past year. A high level of affordability will drive demand for housing; however, improved affordability does not mean that everyone who can afford to become a homeowner will choose to buy. Instability in the job market is still a major factor in acquiring a loan and in making purchase decisions. As such, even as sales improve compared with the lows of recent years, market conditions will remain fragile, with prices stabilizing but not improving much through the short term. As consumer confidence grows with the recovery of the overall economy, increased sales at the middle and upper ends of the market will contribute to an increase in the median price during the next couple of years.

On the supply side, foreclosures will remain elevated, but not spiral out of control, in part due to government action as well as stabilized employment. Most of the homes that do become bank-owned will add to entry level-priced inventory, the exact segment of the market being stimulated by the federal housing tax credit, reducing the impact on the median home price during the next few months. Additionally, the expanded tax credit to higher income and repeat buyers will increase trade-up activity. The combination of increased competition, particularly in the low and middle price range, and rising confidence should serve to stabilize home prices.

Government policies will start to be phased out in the next year, but we believe the national economy and job situation will be improved by year-end, sustaining housing demand through the remainder of 2010. Those who are already considering buying a home in 2010 could advance their purchase to the first half of the year to take advantage of the government programs. Additionally, because many households prefer to purchase a home in the spring and summer months, seasonality will play a role in sustaining housing demand. The tax credit will result in sales "bunching up" toward the first half of the year, but as the overall economy improves and the employment situation stabilizes, demand during the second half of the year will be healthy enough to support median price growth.