



National single-family home prices maintain solid growth Las Vegas is heating up, while Dallas is cooling down

- US housing market grew at a solid 5.3% Y-o-Y in April 2018 according to Amherst Home Price Index.
- Detroit is set to surpass its pre-crisis peak for the first time in the coming months.
- Las Vegas – the slowest big city to recover – has finally shown strong signs of picking up with Y-o-Y HPA of 12.1%.
- Seattle continues its 15-month streak of two-digit Y-o-Y HPA and maintains its #1 rank in the nation.
- Data indicates a slowing down of home price growth and possibly a change in momentum, in Dallas. Its current trailing one-year HPA is at 5.9%, compared to a stable level around 8% between 2014 and early 2017.
- Overall, US single family price growth has significantly lagged the post-crisis recoveries witnessed in equities and commercial real estate. The pace of new single family housing construction remains anemic by historical norms even as we expect greater demand from more millennials entering family formation ages in the coming years. We remain optimistic on the US home price growth for the foreseeable future.



US HOUSING MARKET CONTINUES ITS UPWARD MARCH:

According to Amherst Home Price Index (HPI), national single-family detached home prices appreciated by 1.0% in April 2018, without seasonal adjustment. Adjusting for seasonality, April HPA was 0.4%. For the year ending in April 2018, US locked in a solid HPA of 5.3% (as shown in Figure 1). The strong growth was coupled with a

significant decline in the share of distressed sales by 3.8% from the previous year to 13.6%. Meanwhile, cash purchases remained high and increased marginally by 1% to 33.4% for the year (as shown in Figure 2). We expect national home prices to continue their solid growth, with an HPA forecast of 4.3% next year.

FIGURE 1. NATIONAL AMHERST HOME PRICE INDEX IS TRENDING UP

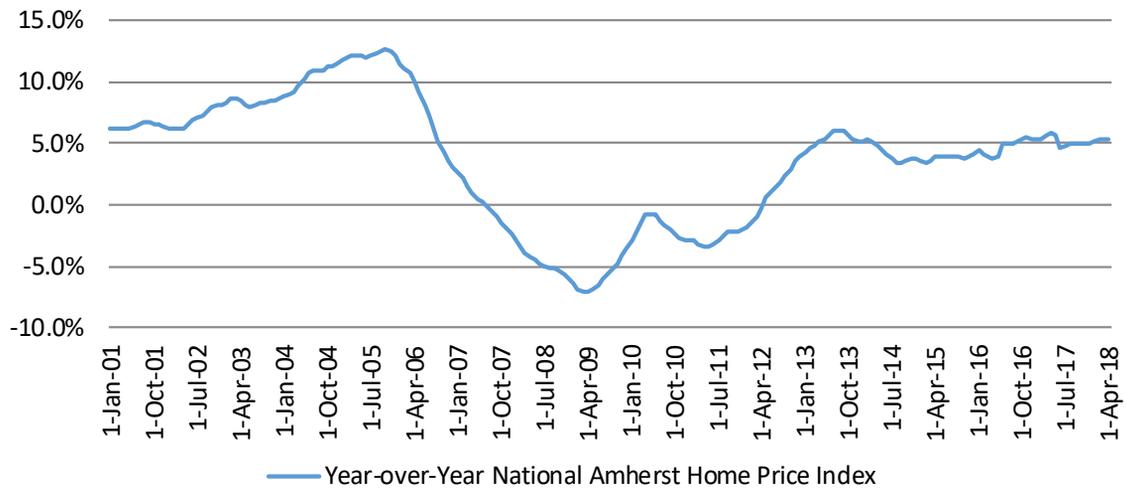
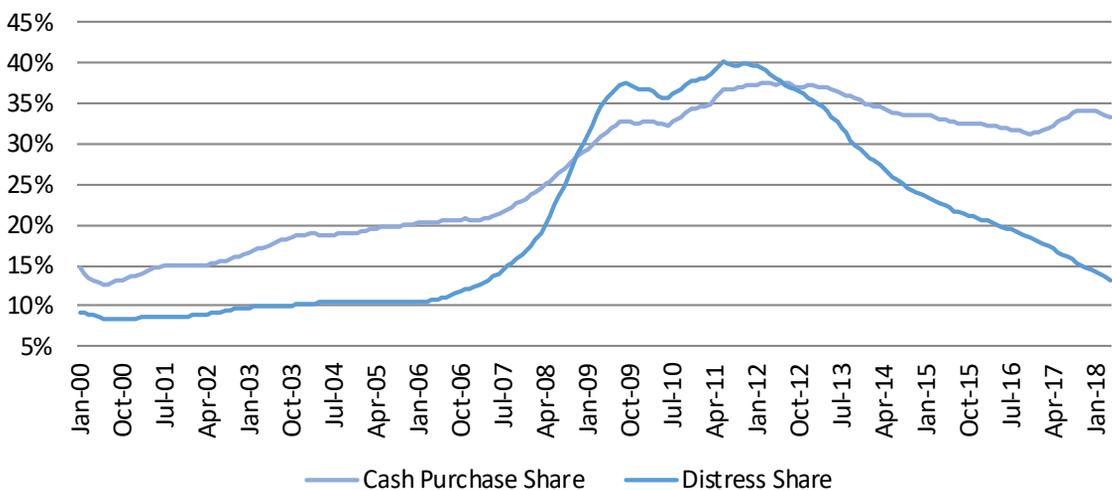


FIGURE 2. NATIONAL AMHERST HOME PRICE INDEX IS TRENDING UP



Source: Amherst Capital Management as of June 26, 2018



STRONG PERFORMANCE ACROSS MAJOR MARKETS, DETROIT NEAR PEAK

17 out of 20 major cities had positive April 2018 seasonally adjusted HPA (Figure 3). Based on the Amherst Home Price index, we find that Detroit is finally within 1% of its pre-crisis peak. This was on the back of a strong 7.2% Y-o-Y growth in April 2018 and

we fully expect it to reach new records in the next couple of months. When that happens, 13 of the top 20 big cities will have surpassed their pre-crisis peaks. Some of the notable big cities still below pre-crisis levels are Las Vegas, Phoenix and Miami.

FIGURE 3. APRIL 2018 AMHERST 20-CITY HPA

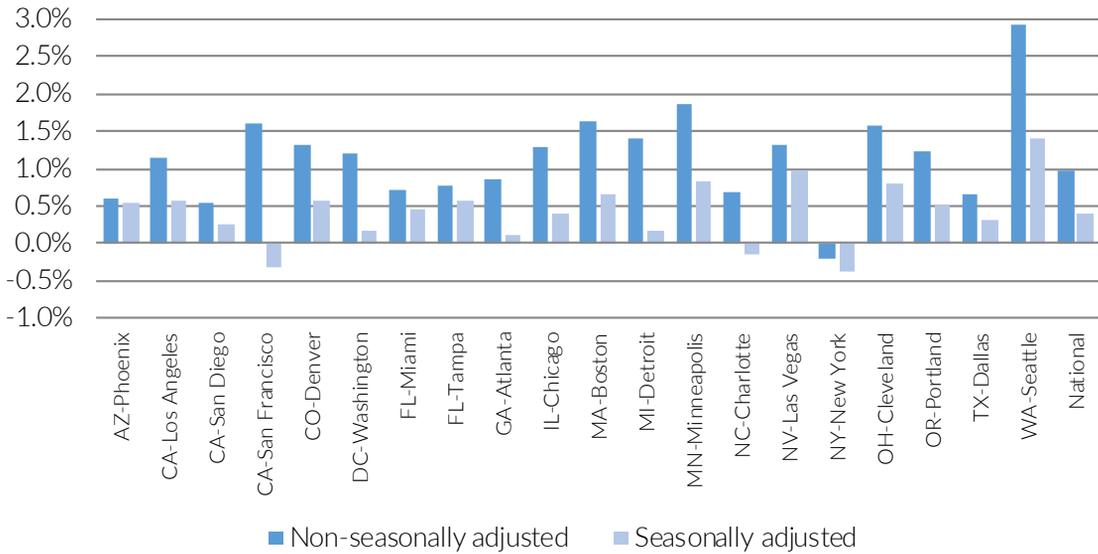
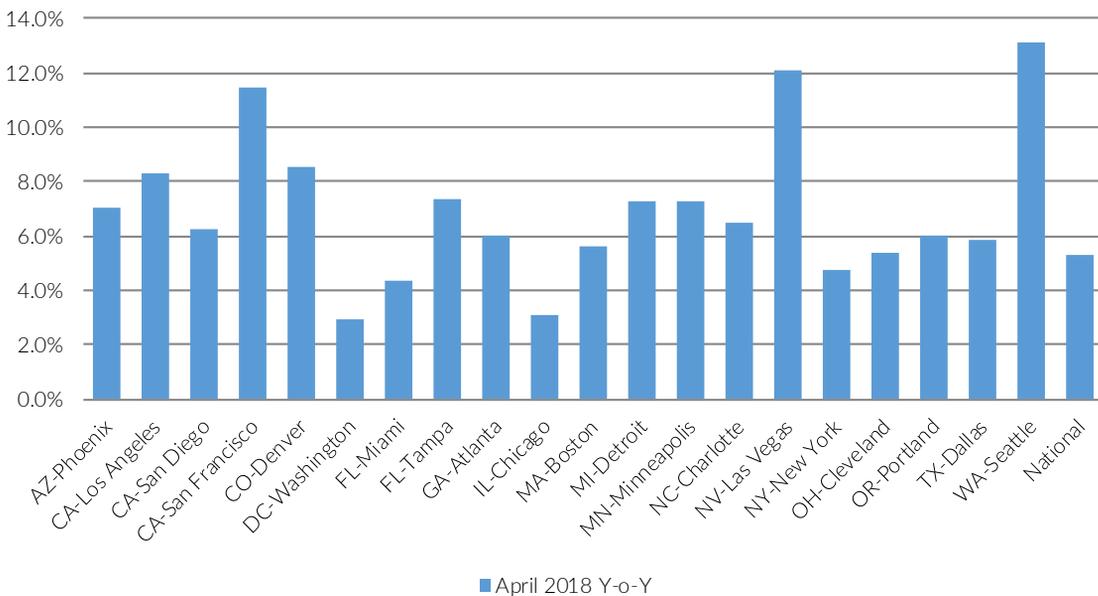


FIGURE 4. YEAR-OVER-YEAR APRIL 2018 AMHERST 20-CITY HPA



Source: Amherst Capital Management as of June 15, 2018



LAS VEGAS IS HEATING UP, SEATTLE REMAINS STRONG, WHILE DALLAS AND PORTLAND ARE LOSING PACE

Among the larger markets, Las Vegas has been the slowest one to recover. As of April based on our index, it was still more than 20% below its historical peak. However, we have witnessed some significant pick-up there: it was one of the only 3 cities in the top 20 cities to have a two-digit April Y-o-Y HPA growth of 12.1% (the other two were Seattle and San Francisco). High momentum together with its current fundamental undervaluation of 8.6% as suggested by the Amherst Home Price Forecast Model will provide strong growth support going forward. We expect Las Vegas to grow 9.2% next year.

The support from tech boom and tight housing supply helped Seattle to remain the hottest housing market in the US and there was no sign of cooling off, with Y-o-Y HPA of 13.1%. April was the 15th continuous

month that Seattle maintained a positive two-digit Y-o-Y HPA, exactly half the length of its historical longest two-digit HPA streak between August 2004 and January 2007. We expect Seattle to remain the highest growth metro in the nation, with a one-year forecast HPA of 9.5%.

Unlike Seattle, Dallas and Portland witnessed a material slowdown in their growth pace. In April, Dallas' current trailing one-year HPA was at 5.9%, compared to a stable level of around 8% between 2014 and early 2017. We believe this may be a change in momentum for Dallas likely portending lower future growth in the coming years as compared to the last few years. Similarly, Portland's one-year HPA decreased to 6.0% from a solid 10.1% in January 2017.

WE REMAIN OPTIMISTIC ON THE FUTURE OF HOME PRICE GROWTH

Single family price growth has lagged multi-family and other commercial real estate ("CRE") sectors since the crisis. On average, single family home prices today are 12.6% higher vs. the historical peak according to the Amherst Home Price Index. The comparable numbers for CRE and multi-family are approximately 25% and 60%, respectively². Further, as we discussed in multiple publications in the last few years – US population distribution suggests a

significant number of people moving in family formation ages in the coming years who would demand single family homes. Unfortunately, new construction supply has remained anemic for long enough to not only eat away at the construction excesses of the Great Financial Crisis but to create a meaningful shortage, especially of single family houses. We remain optimistic on the future of home prices expect the US to grow at 4.3% over the coming year.

¹ The Amherst Home Price Model computes fundamental valuation based on how much homebuyers can afford given their household income, macro-economic conditions and region-specific supply and demand characteristics

² Costar as of May 2018



IMPORTANT DISCLOSURES

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ABOUT THE AMHERST HOME PRICE INDEX

Amherst home price index is generated and maintained by Amherst Insightlabs LLC ("AIL"). The index tracks price changes of single-family detached properties in 90 core-based statistical areas (CBSA) and 50 states in the US. The index is published monthly and is based on the Case Shiller

repeated sales methodology. Unlike HPI published by S&P Case Shiller Weiss, Corelogic and Federal Housing Finance Agency (FHFA), Amherst HPI is a distressed-free index which does not include price changes due to foreclosures, short-sales, bank repossession and REO resale. The repeated sales HPI rely on tracking price changes in transactions of the same house over time. For each arms-length and distressed-free home sale transaction, a search is conducted to find information regarding previous arms-length and distressed-free sales of the same house. If an earlier transaction is found, the two transactions are paired into a "sale pair." Sale pairs are designed to track price changes over time for the same house, while holding the quality and size of each house constant. After sales pairs are formed, the index is calculated under a weighted least square framework, in which weights are based on price anomalies and time interval within pairs.

ABOUT AMHERST CAPITAL

Amherst Capital Management LLC is a real estate investment specialist with approximately \$6.0 billion¹ of assets under management. Amherst Capital was established in 2014 as a majority-owned subsidiary of BNY Mellon, and is minority-owned by Amherst Holdings, LLC a financial services holding company with more than 10 years of history of utilizing its mortgage expertise to assist clients in navigating the real estate capital markets. Amherst Holdings is not an affiliate of BNY Mellon. Texas Treasury Safekeeping Trust Company is a founding seed investor of Amherst Capital.² Amherst Capital offers traditional and alternative real estate investment strategies to private and institutional investors globally. Amherst Capital's investment strategies are grounded in deep intellectual capital and proprietary technology designed to help clients meet their portfolio needs. For more information please visit www.amherstcapital.com

(1) As of December 31, 2017. This amount includes \$4.3 billion assets pertaining to certain discretionary multi-sector fixed income clients of our affiliate BNY Mellon Asset Management North America Corporation (AMNA), for which certain Amherst Capital employees provide advice acting as dual officers of AMNA. In addition, discretionary portfolios with approximately \$371 million are managed by certain of our employees in their capacity as dual officers of The Dreyfus Corporation. AUM includes gross assets managed in the single-family equity and commercial real estate strategies, which includes \$242 million and \$65 million of leverage, respectively.

(2) Seed capital Investor. It is not known whether the listed client approves or disapproves of the adviser or the advisory services provided.