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Veros Forecasts Nation's 10 Hottest and Coldest Markets

—Proven forecasting technology reveals slowing home price appreciation for hottest markets—

SANTA ANA , Calif. , JUNE 30, 2006 – Veros has released the results of its quarterly forecasting of the nation's real estate markets, revealing the top 10 hottest and coldest markets for the next 12 months. Veros performs its analysis quarterly and revealed the results of its most recent forecast for Q206 through Q107 (i.e. 4/1/2006-3/30/2007) at the Predictive Methods Conference (PMC 2006) in mid-June. In addition, Veros released performance statistics for its forecasts for each of the previous three years, indicating that its automated home valuation analytics are highly accurate and dependable.

According to Veros, the ten markets in its coverage area that will see the greatest home price appreciation over the next 12 months, along with the expected appreciation rate will be: Seattle, 11%; San Bernadino County, Calif., 9%; Jacksonville, 9%; Raleigh/Durham, 8%; Tampa, 8%; Tucson, 7%; Riverside County, Calif., 7%; Oakland, 7%; Los Angeles, 7%; and Nashville, 7%.

The markets that show the least home price appreciation over the next 12 months are expected to be: Rochester, -4%; Worchester, -2%; Sacramento, -2%; Memphis, -1%; Dayton , -1%; Grand Rapids, 0%; Boston, 0%; Cleveland, 0%; Detroit, 0%; and Fall River, MA, 0%. Veros Vice President of Technology Eric Fox presented the material at PMC 2006 in Dana Point, Calif. "We expect some home price appreciation on the hot market side, but nothing compared to what we've seen in the past. There are no 25%-plus markets in our projections. Appreciation is slowing way down." Fox compared Veros' predictions from April 2005 for the period Q205 through Q106 to actual home appreciation measured in the 10 hot and cold markets the company identified at that time. The projections made at the time proved to be very accurate. Using a typical measure used by statisticians to measure forecasting accuracy, R-squared, Veros scored 0.68 out of 1.0, indicating that nearly 70% of the variation in the results had been accurately predicted. Performing the same analysis on the results from the predictions made in April 2004 yielded an R-squared of 0.78. The prediction made in April 2003 yielded a 0.65.

"R-squared is one of the metrics others have used to determine their performance, which identifies the relationship between your forecasted prediction and what actually happened," said Veros CEO Darius Bozorgi. "If you look back over three years of our forecasting history, we're consistently around 0.7, which is very good in terms of forecast predictions."

According to Bozorgi, his company's proven accuracy is causing mortgage industry stakeholders to look at automated home price forecasting in new ways. Risk mitigation professionals are now seeking ways to integrate these types of forecasts into their automated systems. But Bozorgi says forward-thinking companies are going beyond

that.

“Our forecasts are certainly another type of predictive analytic that stakeholders in the mortgage industry can use in their credit risk policies. When people talk about predictive analytics, they are typically talking about risk,” Bozorgi said. “But there is another half of that equation that people often forget about. When you think about effective enterprise risk management, it’s not only about managing risk, it’s also about identifying opportunities.”

According to Fox, the key to effectively forecasting future home prices is to study multiple predictive economic variables. Where most forecasts fall short is in considering too few variables, he said. Some analytics focus on a single metric, such as mortgage interest rates, which Fox claims are not reliable. Veros uses over 50 metrics in its calculations. These economic indicators include interest rates, unemployment rates, inflation, population, buildable land, current inventory and more. In addition, Fox says that in order to achieve a meaningful forecast, property types, price tiers and locations must all be treated separately. “In a given location, the appreciation for a million dollar single family home and an entry level condo may be completely different, and forecast models must recognize this,” stated Fox.

As for the coming 12 months, Fox says that we should expect to see less variation in home price appreciation that at any time in the past four years. Even so, some markets are still expected to perform very well, including Washington and North Carolina, which both scored relatively well compared to previous years.

But even those markets that are expected to do relatively poorly will not depreciate much. The coldest market, Rochester, New York, will fall only 4%. While Arizona and Florida, two of last years hottest markets, will see home price appreciation slow, both markets are considered firm over the next 12 months. Even so, Veros considers its current 12-month home price forecast to be an indication of a generally softening U.S. housing market.

Veros Real Estate Solutions, a proven leader in enterprise risk management and collateral valuation services, uniquely combines the power of predictive technology, data analytics and industry expertise to deliver advanced automated decisioning solutions. Veros products and services, integrated into industry leading companies, are now optimizing millions of profitable decisions throughout the mortgage industry from loan origination through servicing and securitization. Veros provides solutions to control risk and increase profits including automated and secured valuations, fraud and disaster risk detection, portfolio analysis, forecasting and next-generation collateral risk management platforms. Veros is headquartered in Santa Ana, Calif. For more information visit www.verovalue.com. www.verovalue.com.

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