

# **Economic and Real Estate Outlook**

By Lawrence Yun, Ph.D.  
Chief Economist  
National Association of REALTORS®

Presentation at NAR Mortgage Conference  
June 3, 2015  
Arlington, VA



# How's the Economy?



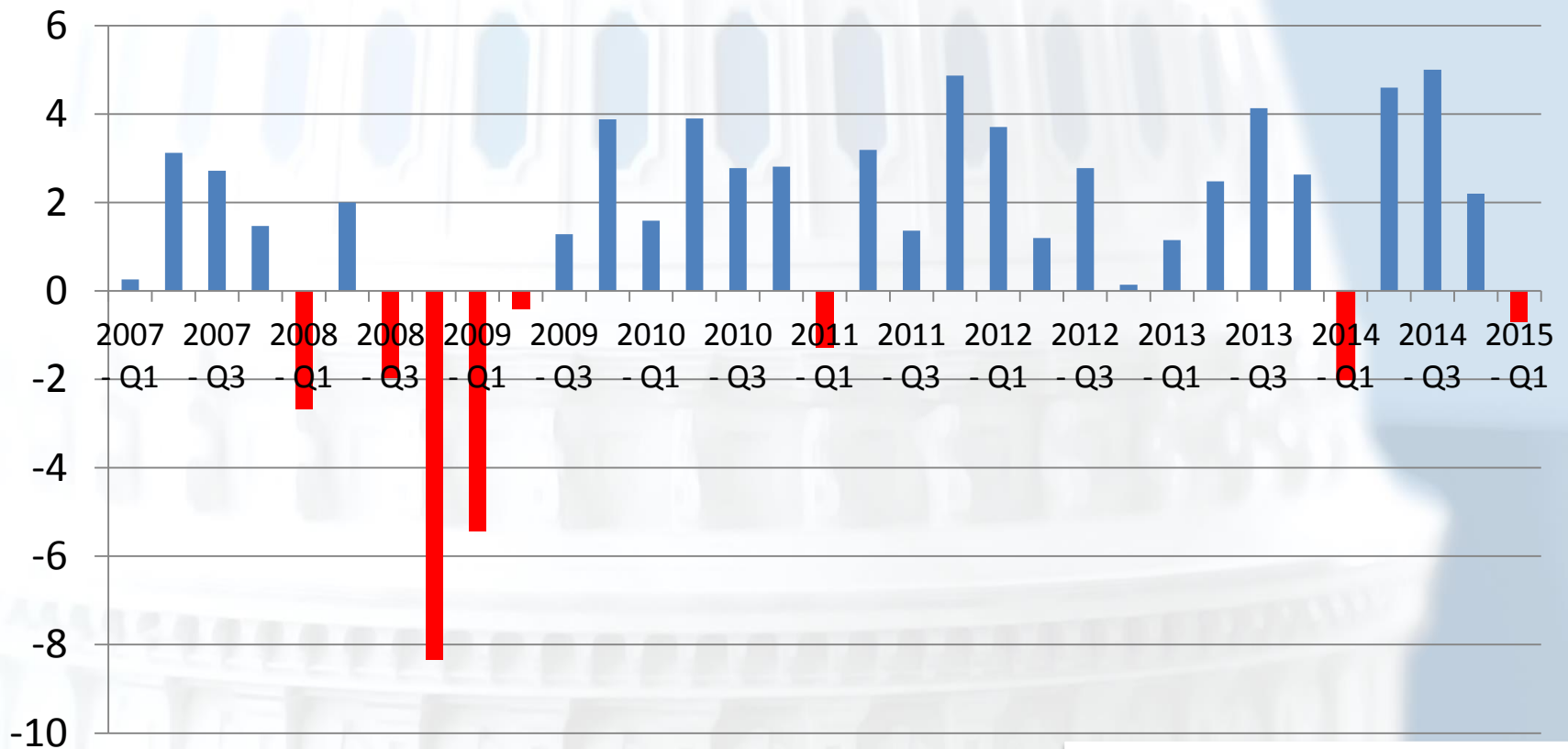
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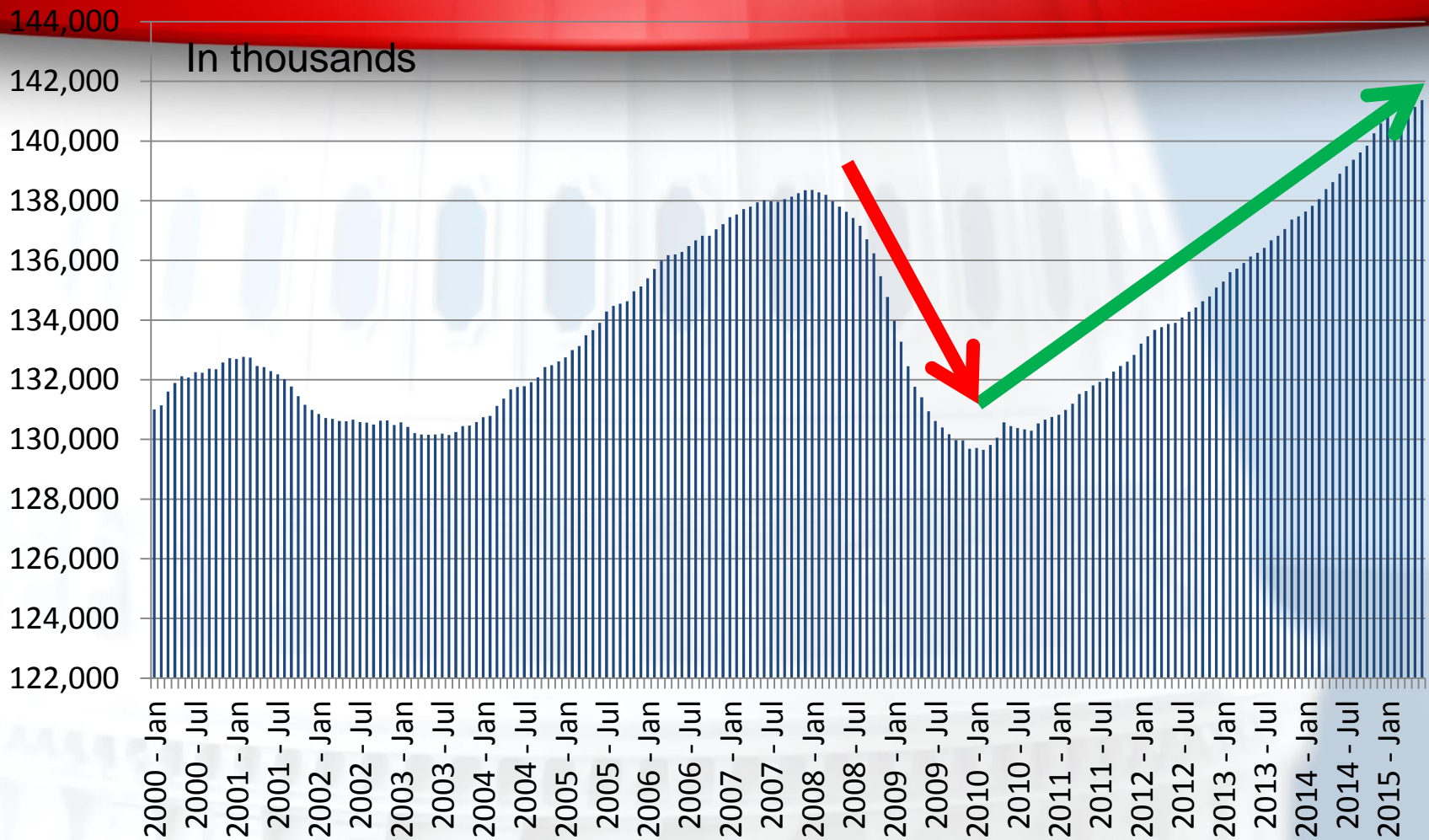
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# GDP Quarterly Activity

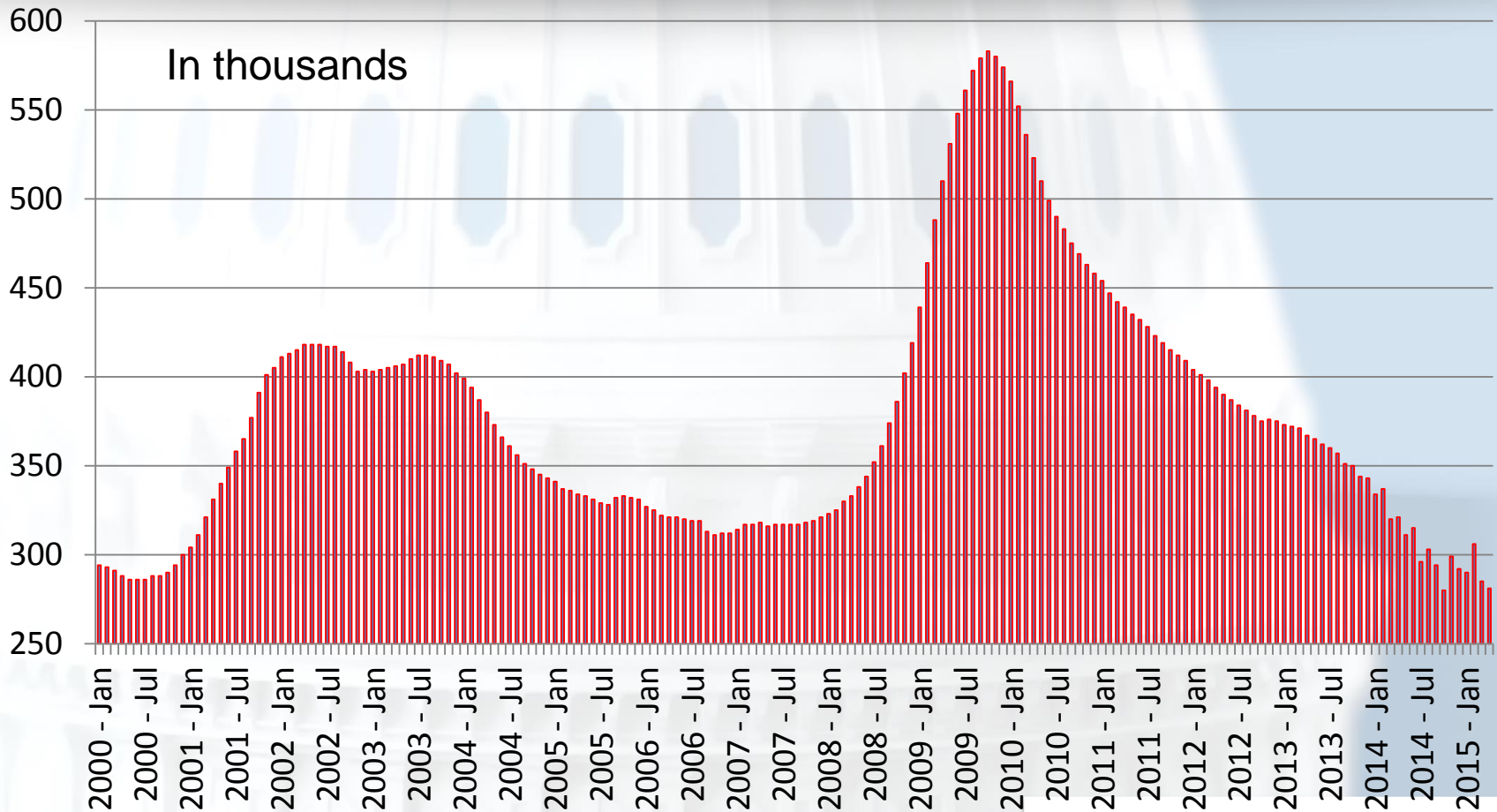
## Annualized Growth Rate



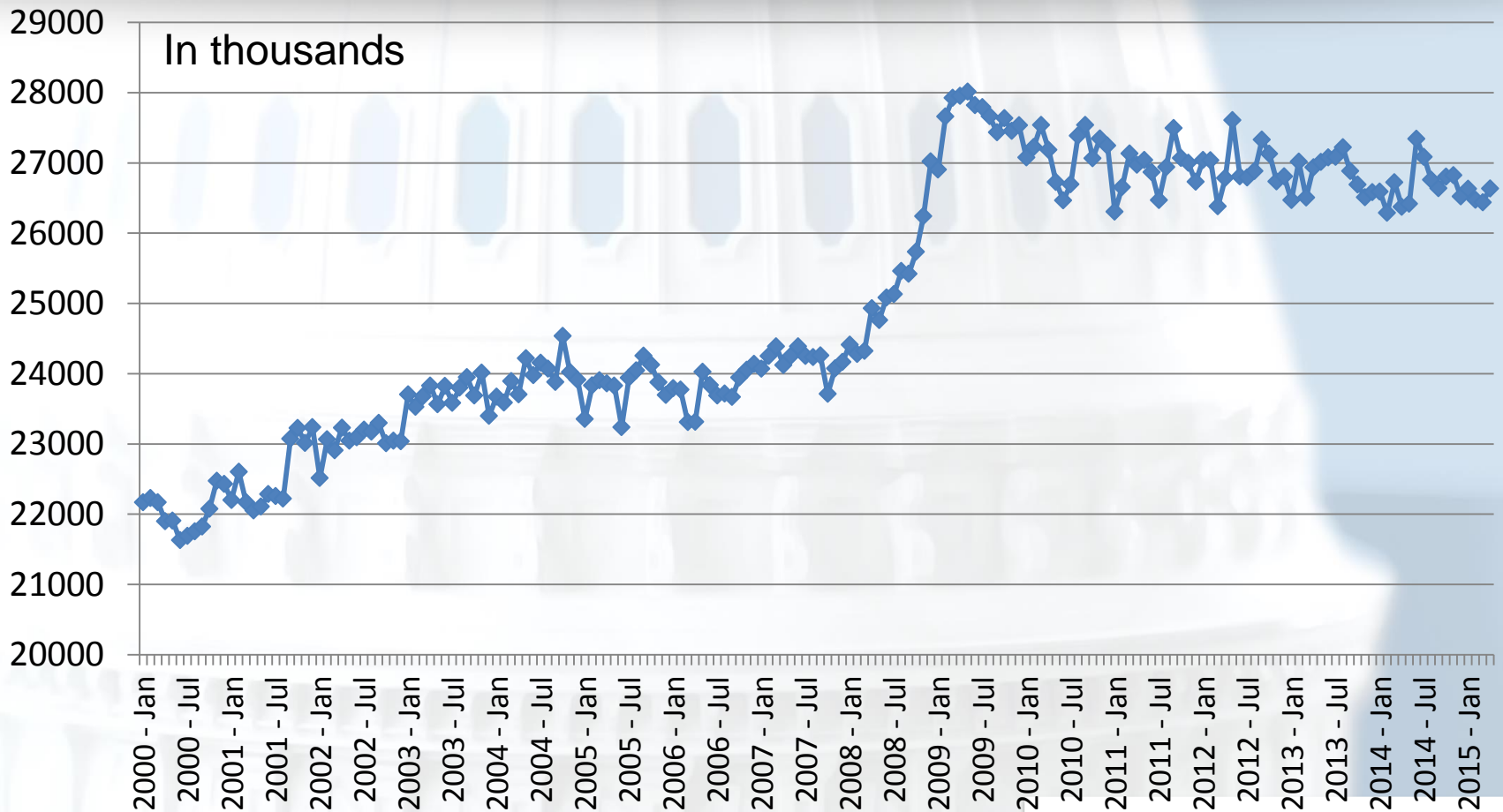
# Jobs (8 million lost ... 12 million gained)



# Fresh Unemployment Insurance Claims

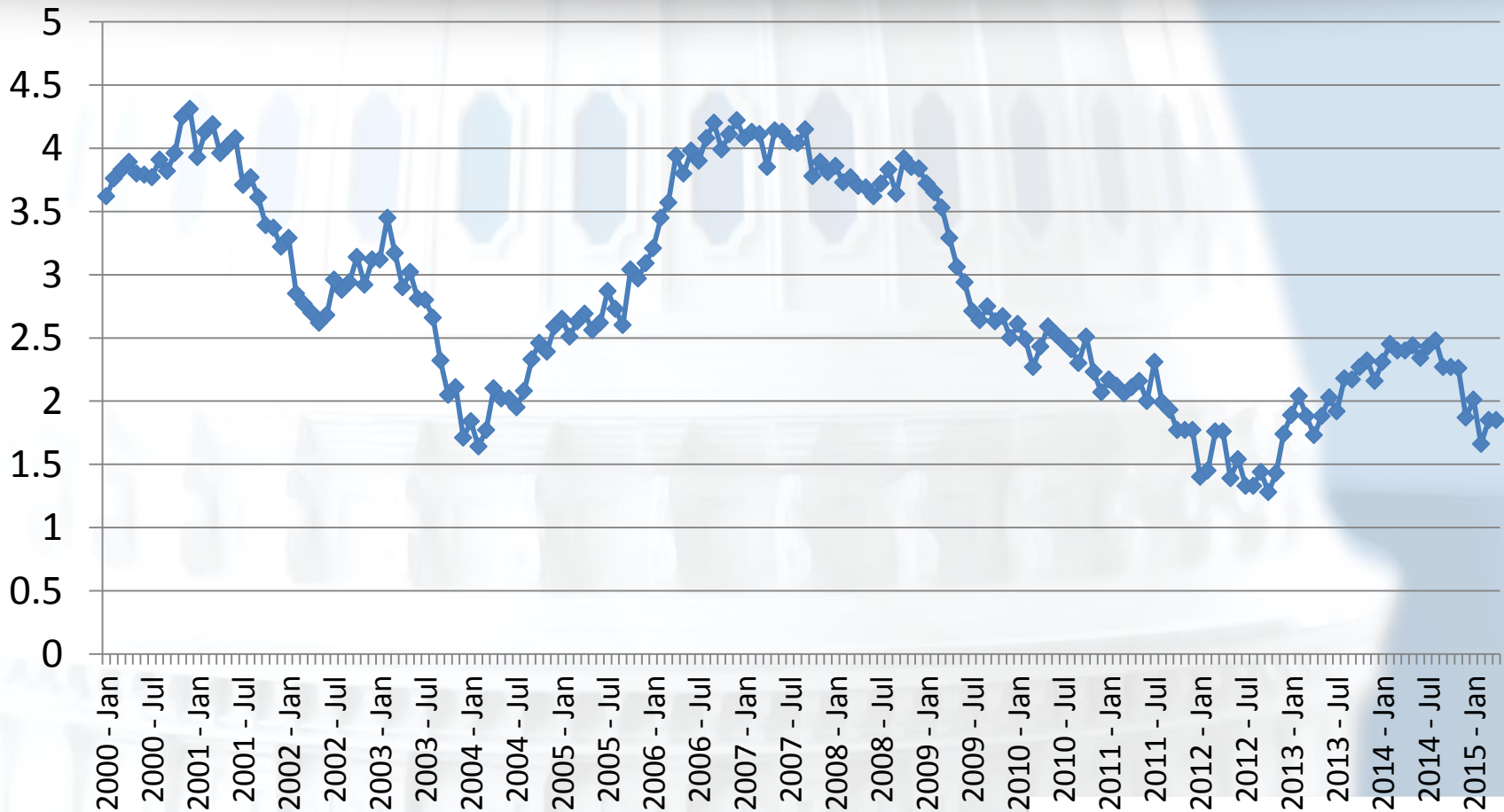


# Part-time Workers

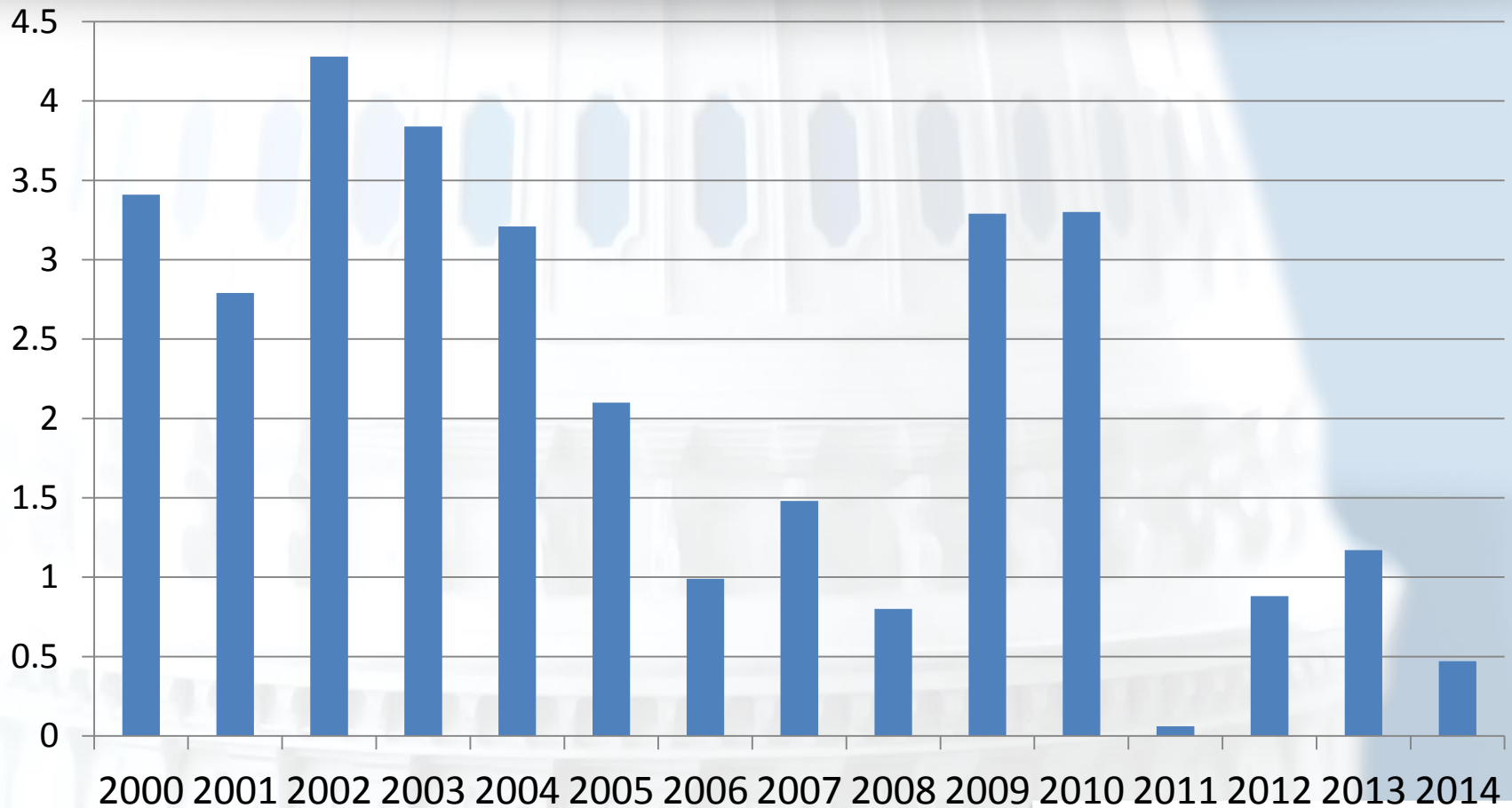


# Wage Growth

(% change from one year ago)



# Slow Productivity Growth ... Scale Back Hiring Plans





# Top and Bottom States for Jobs

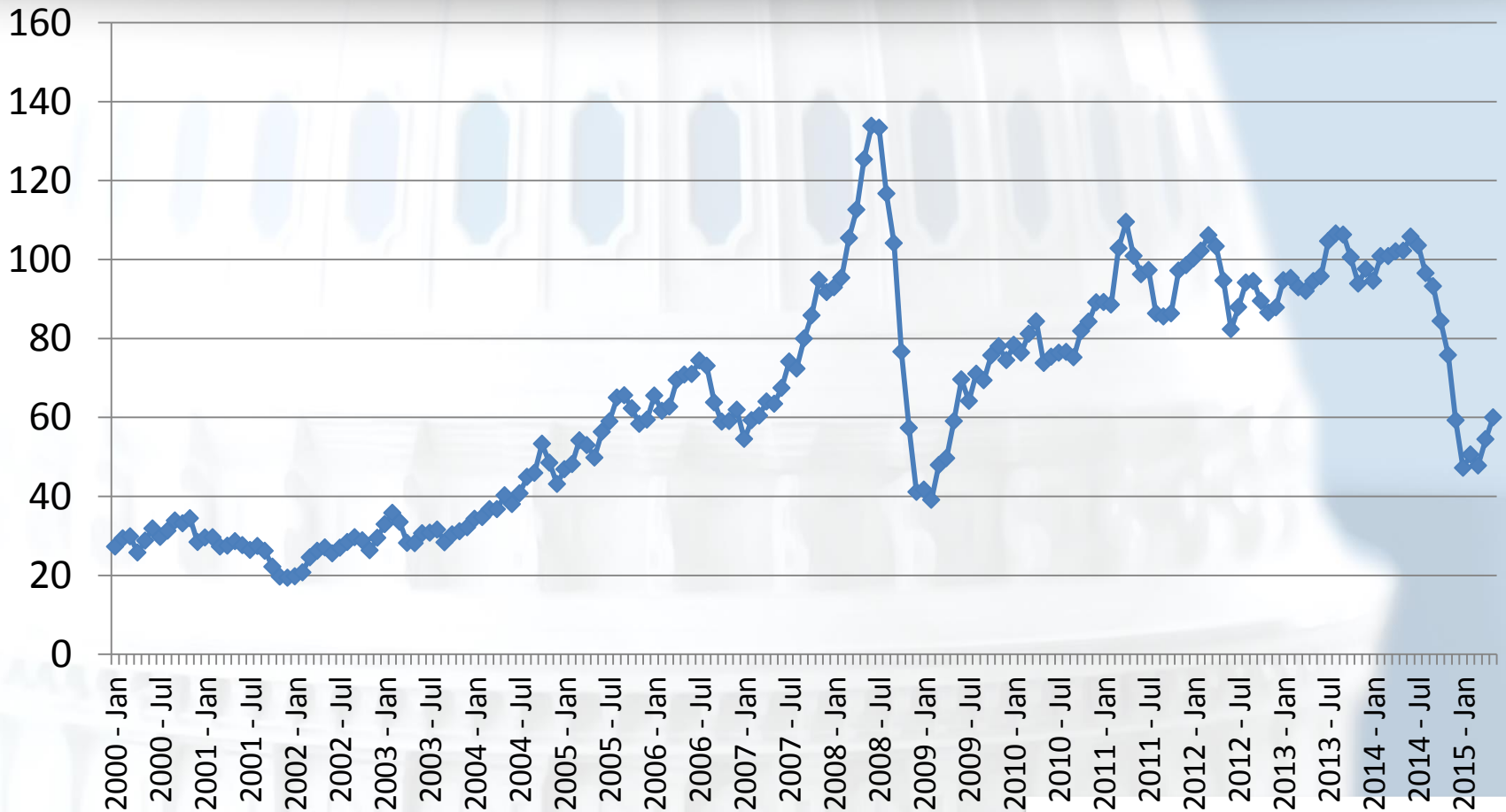
The Best	% Gain in 12 months
Utah	4.0%
Florida	3.8%
Oregon	3.4%
Washington	3.4%
California	3.2%
Georgia	3.2%
North Dakota	3.2%
Nevada	3.0%

The Worst	% Gain in 12 months
West Virginia	-0.7%
Mississippi	0.5%
Maine	0.5%
Montana	0.6%
Alaska	0.6%

Pennsylvania at 1.0%

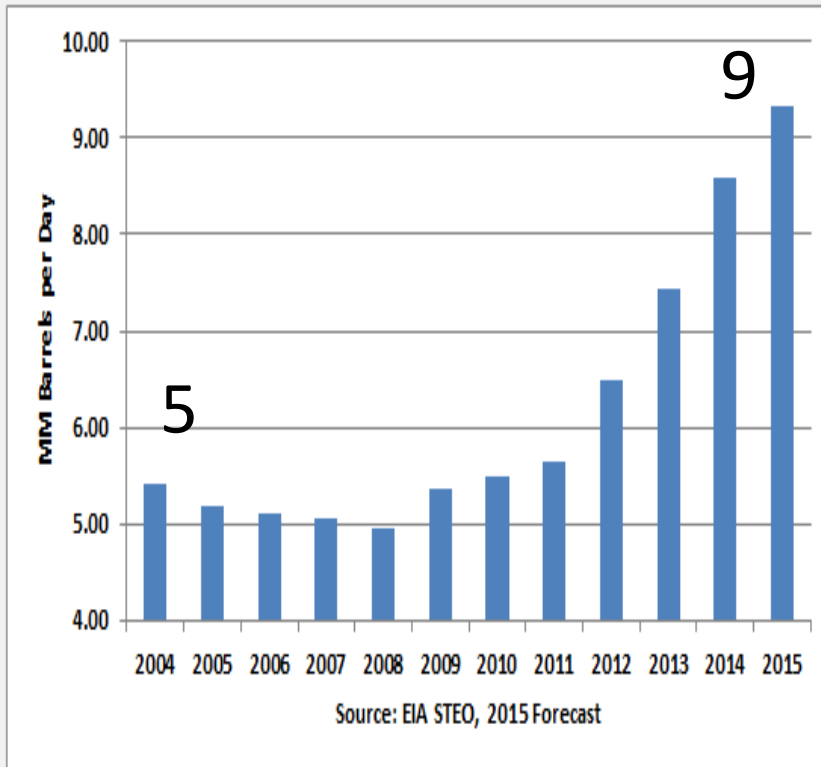
# Consumer Spending Impact

# Oil Price

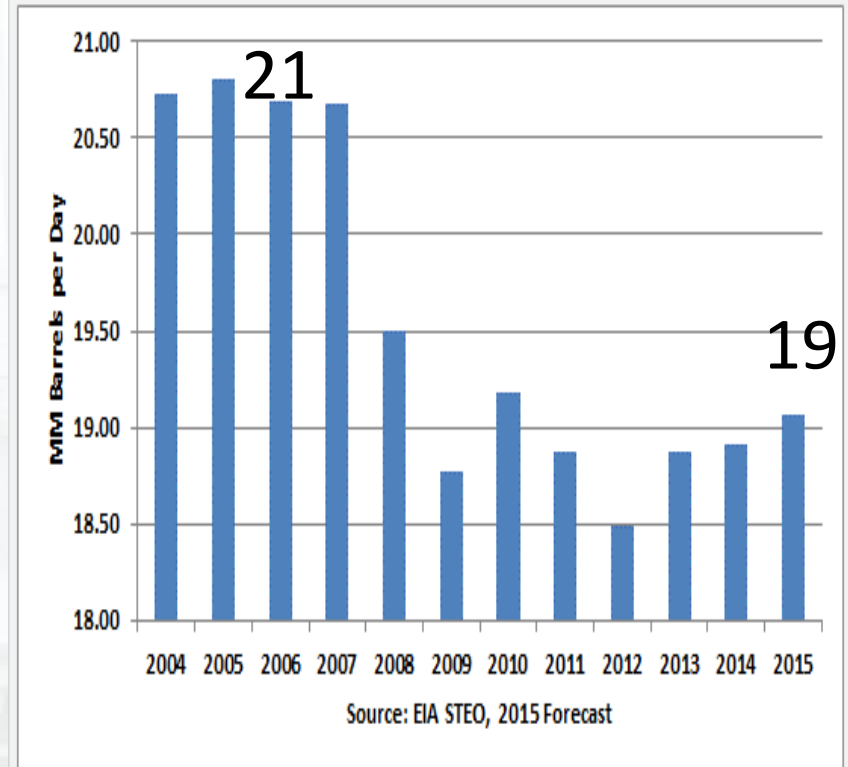


# Supply and Demand: Oil in U.S.

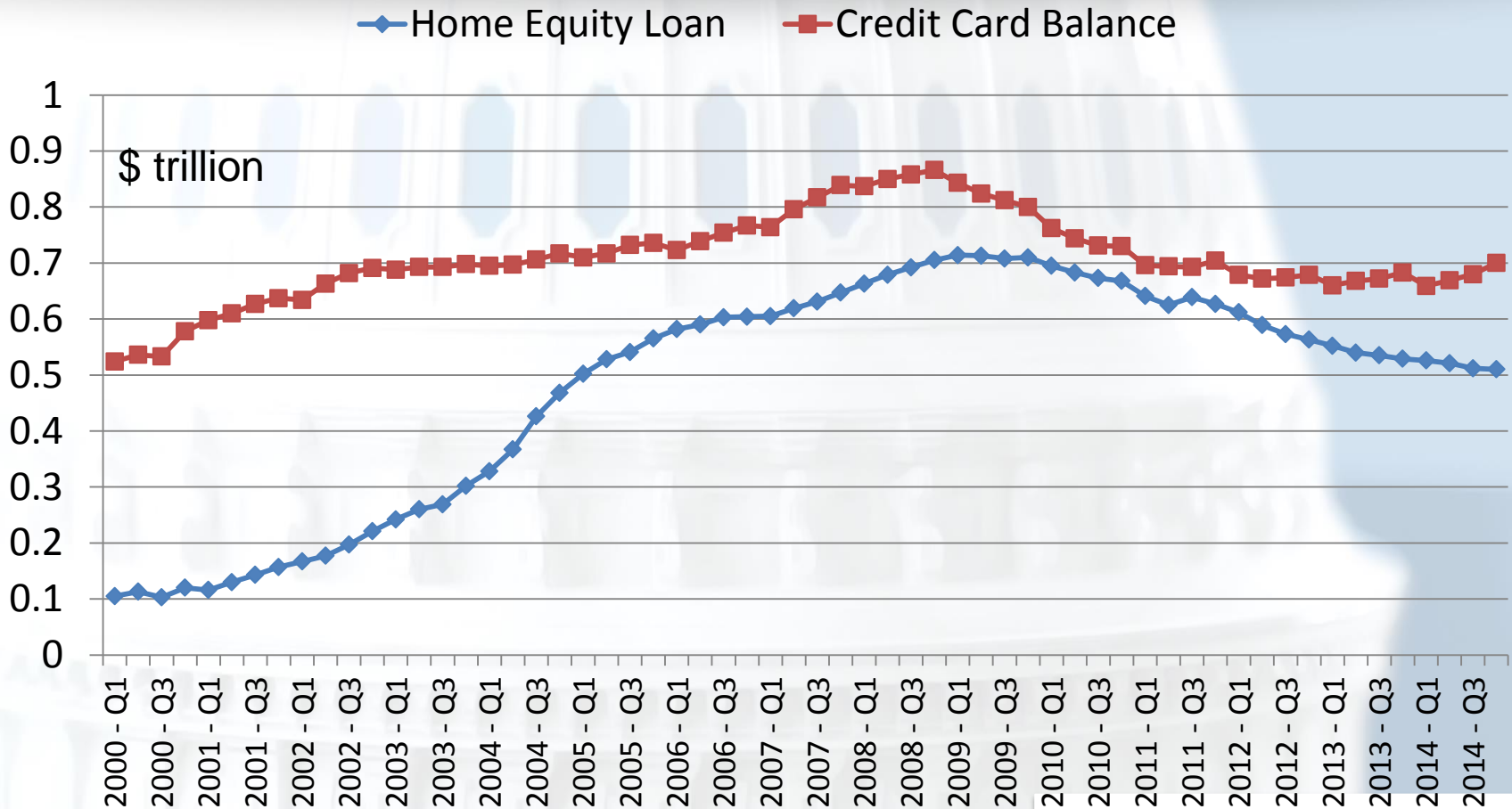
## Domestic Crude Oil Production



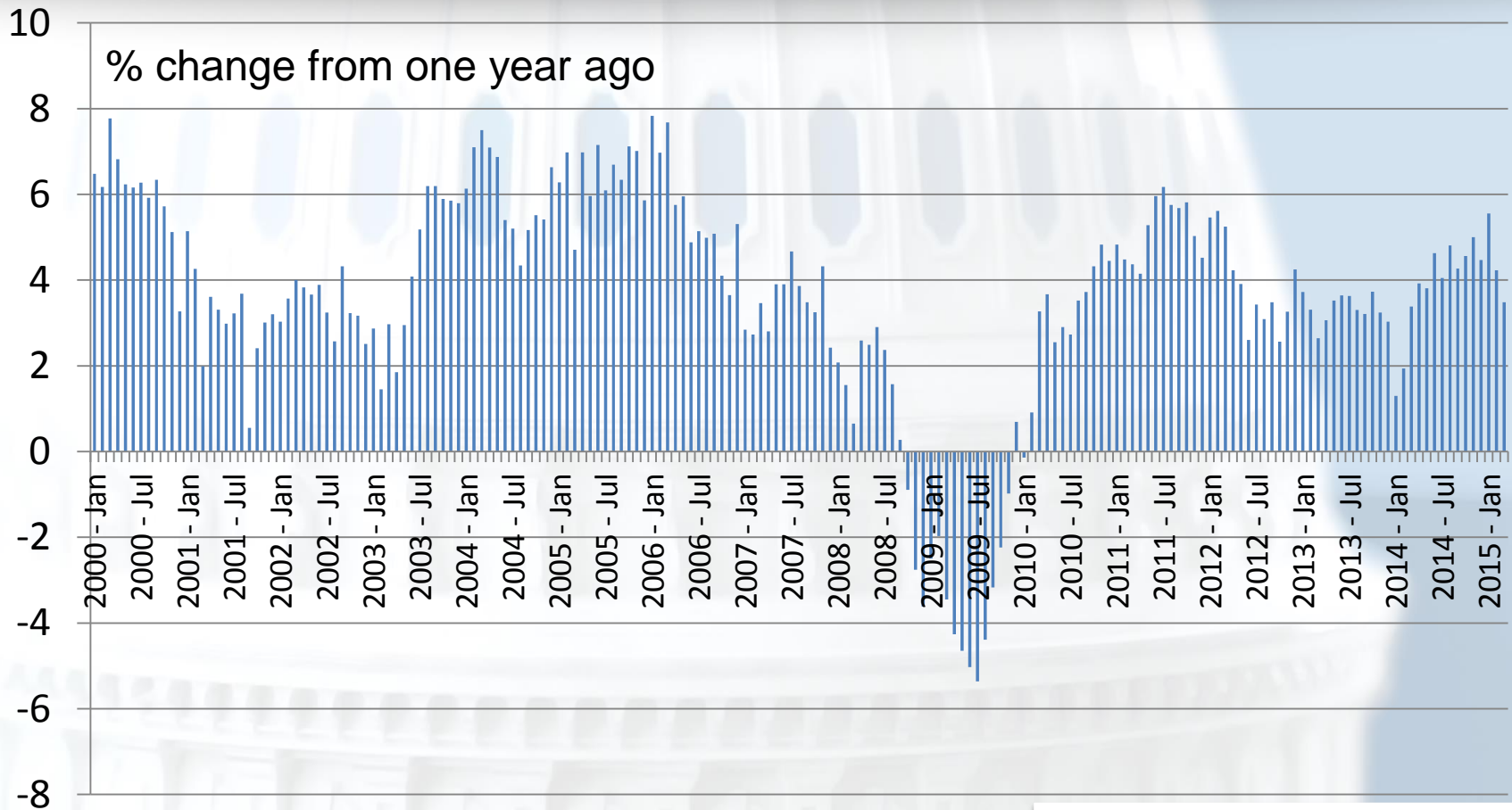
## Total Crude Oil Consumption



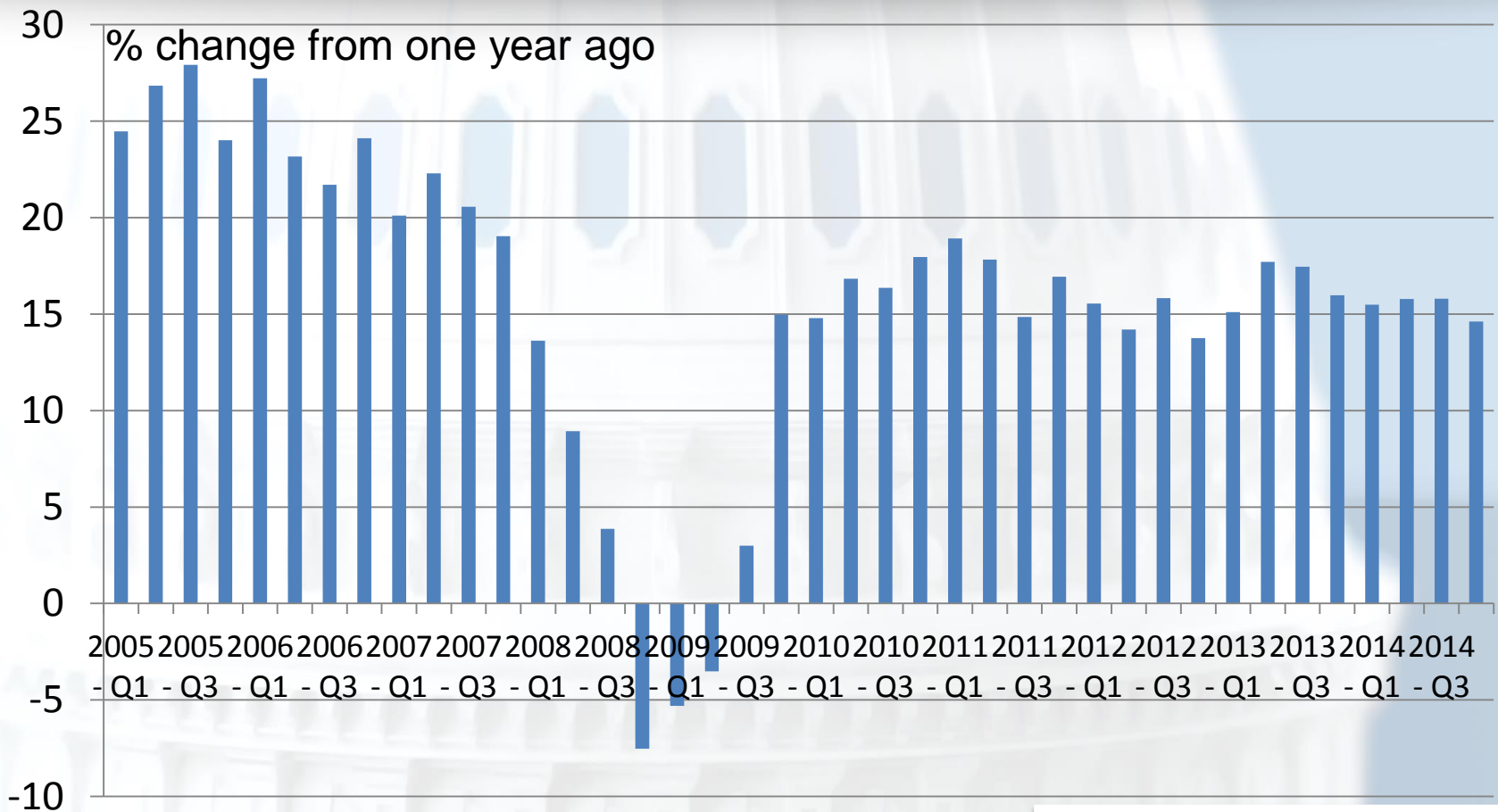
# Manageable Consumer Debt



# Retail Sales (excluding autos and gasoline)



# E-Commerce Retail Sales

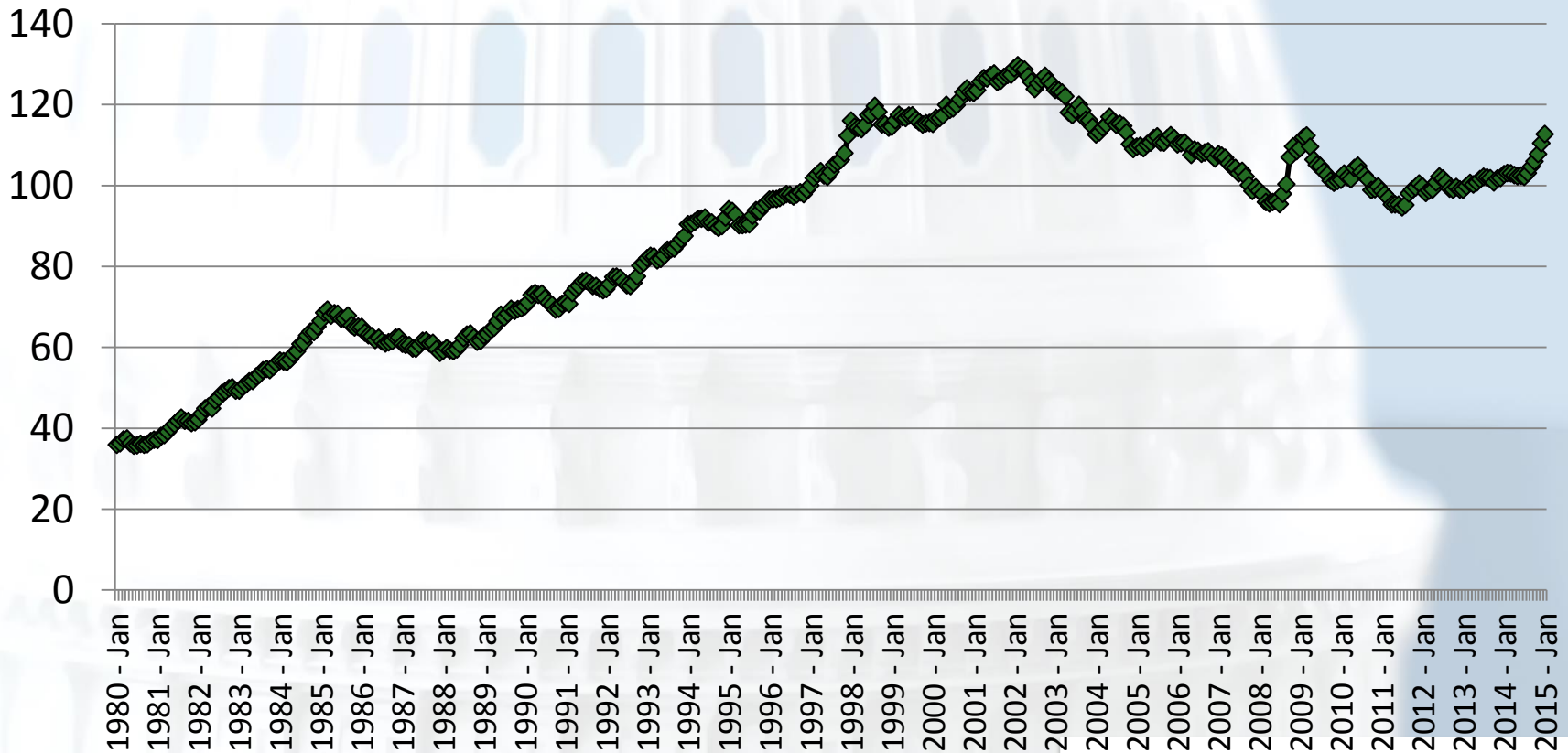


# Strong Dollar Impact



# U.S. Dollar – The Most Trusted

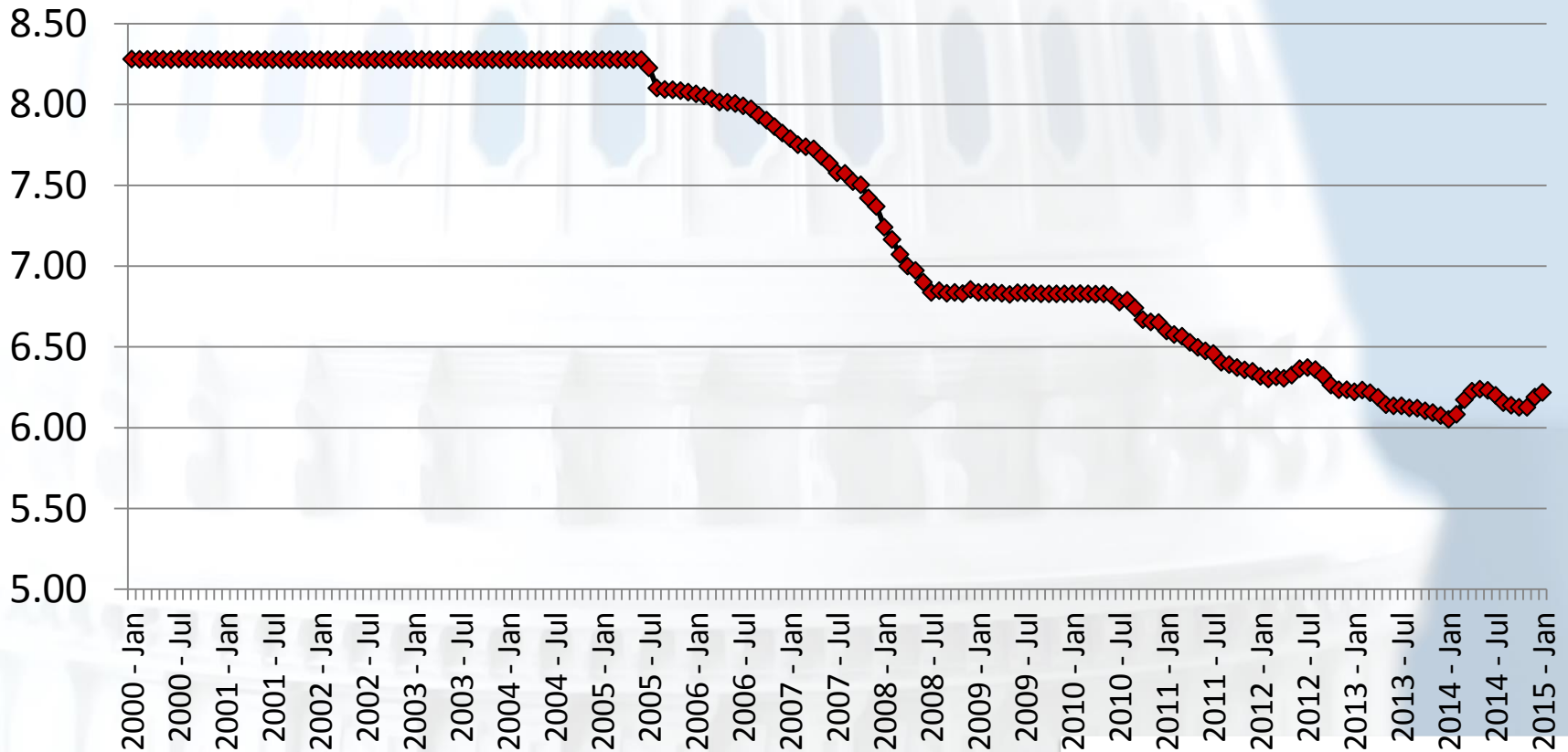
## Dollar Strength Index – Trade Weighted



# Who is Stalking the Dollar?

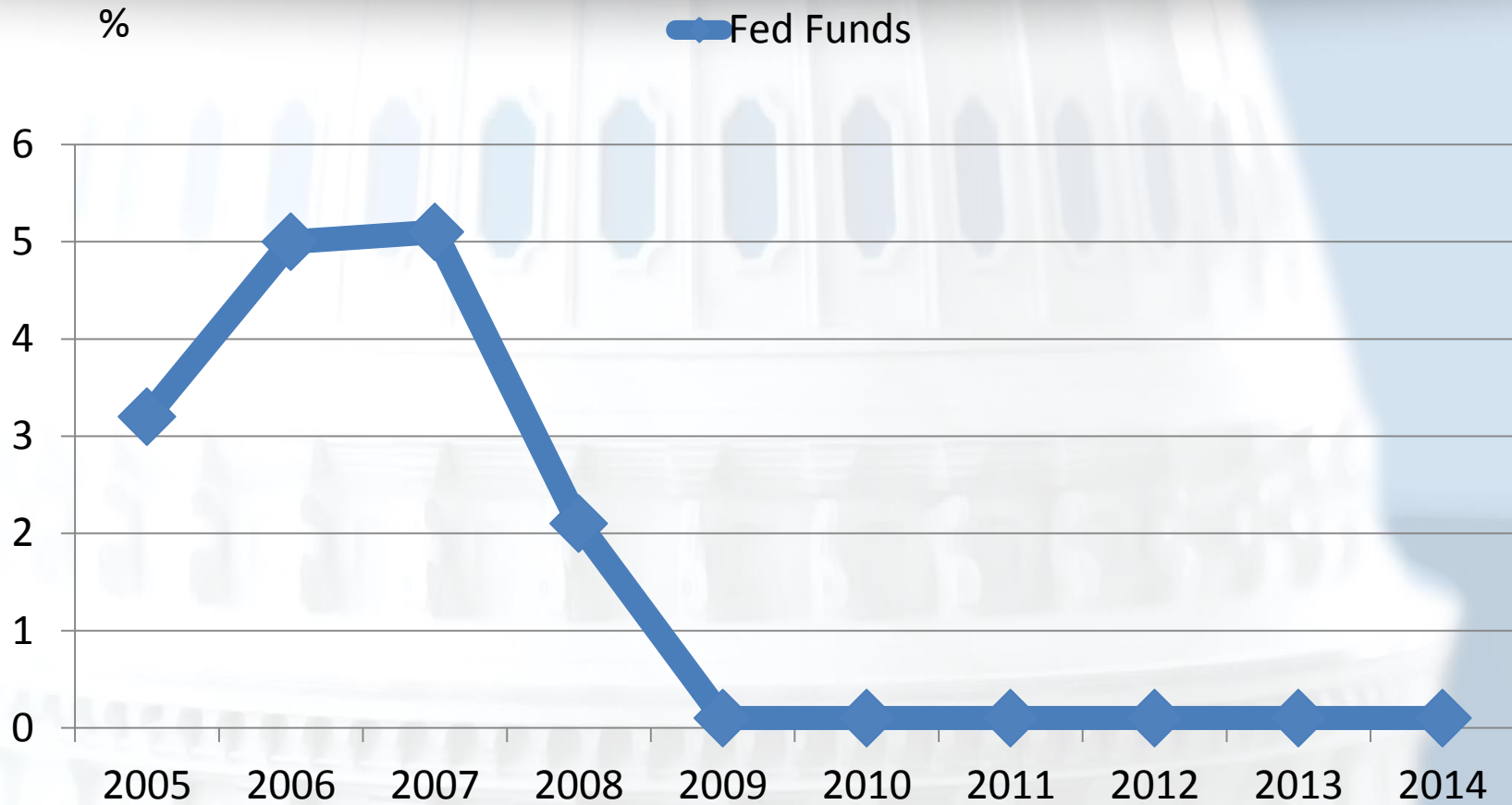
(U.S. weakening against China)

## Yuan per Dollar



# Monetary Policy and Forecast

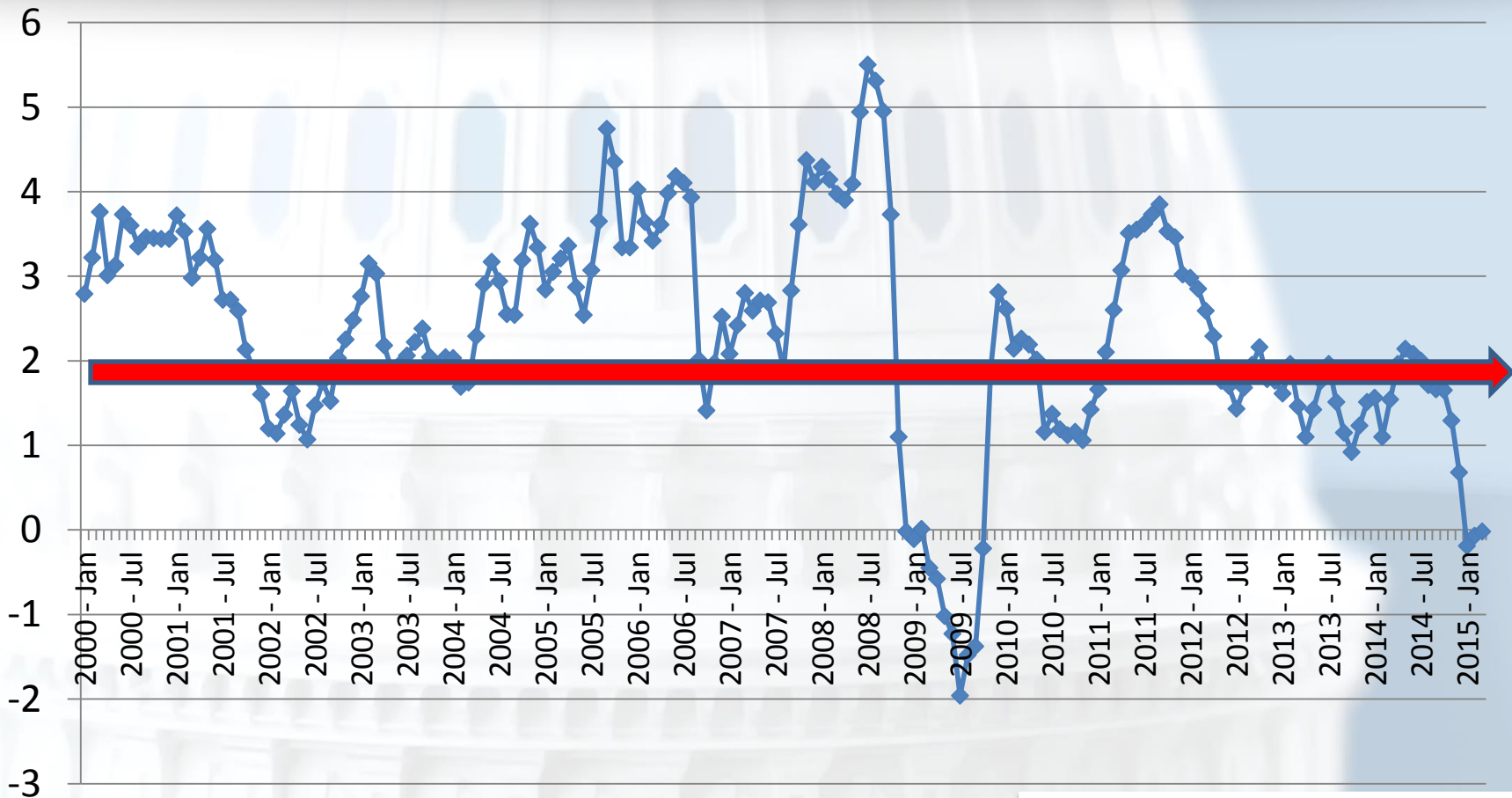
# Monetary Policy by Federal Reserve (zero rate policy ... 7<sup>th</sup> and final year)



# 10-year Treasury Rates

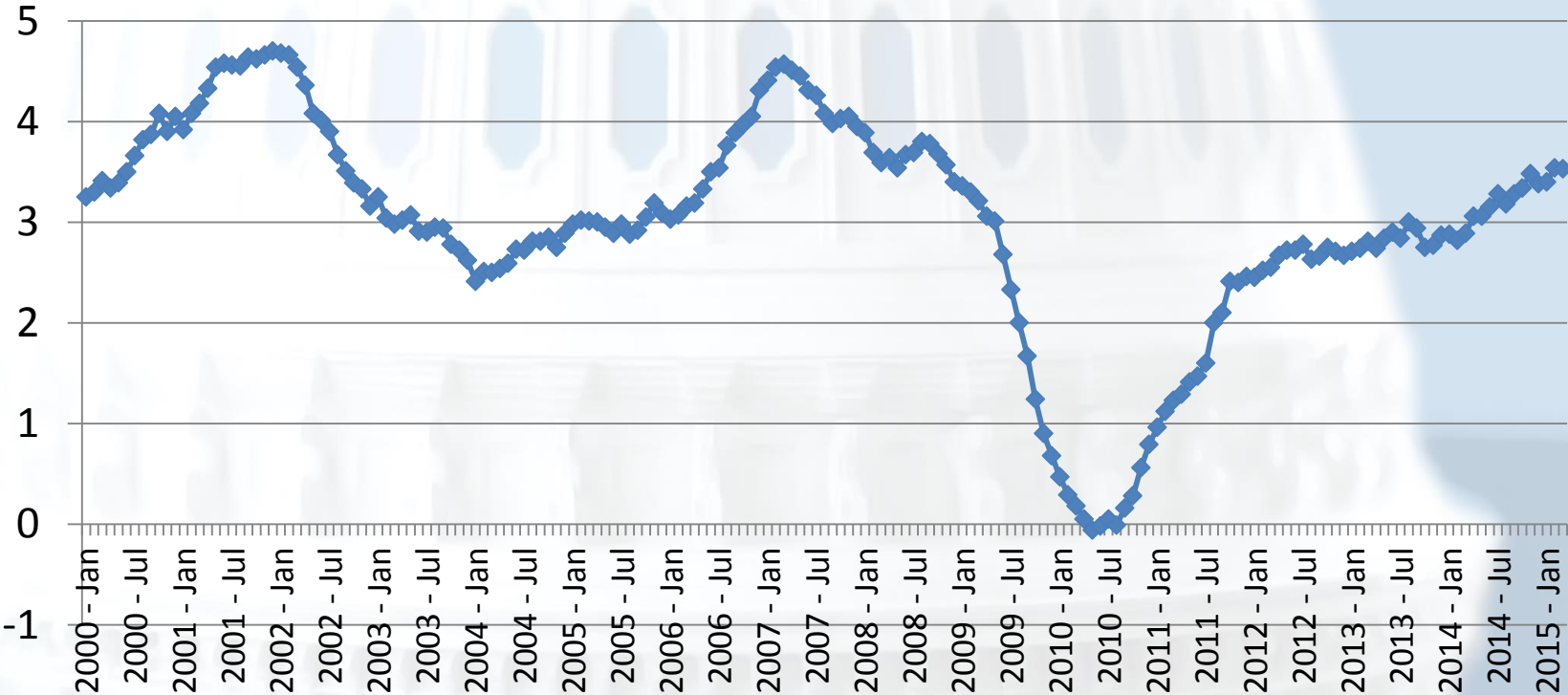


# No CPI Inflation – Yet



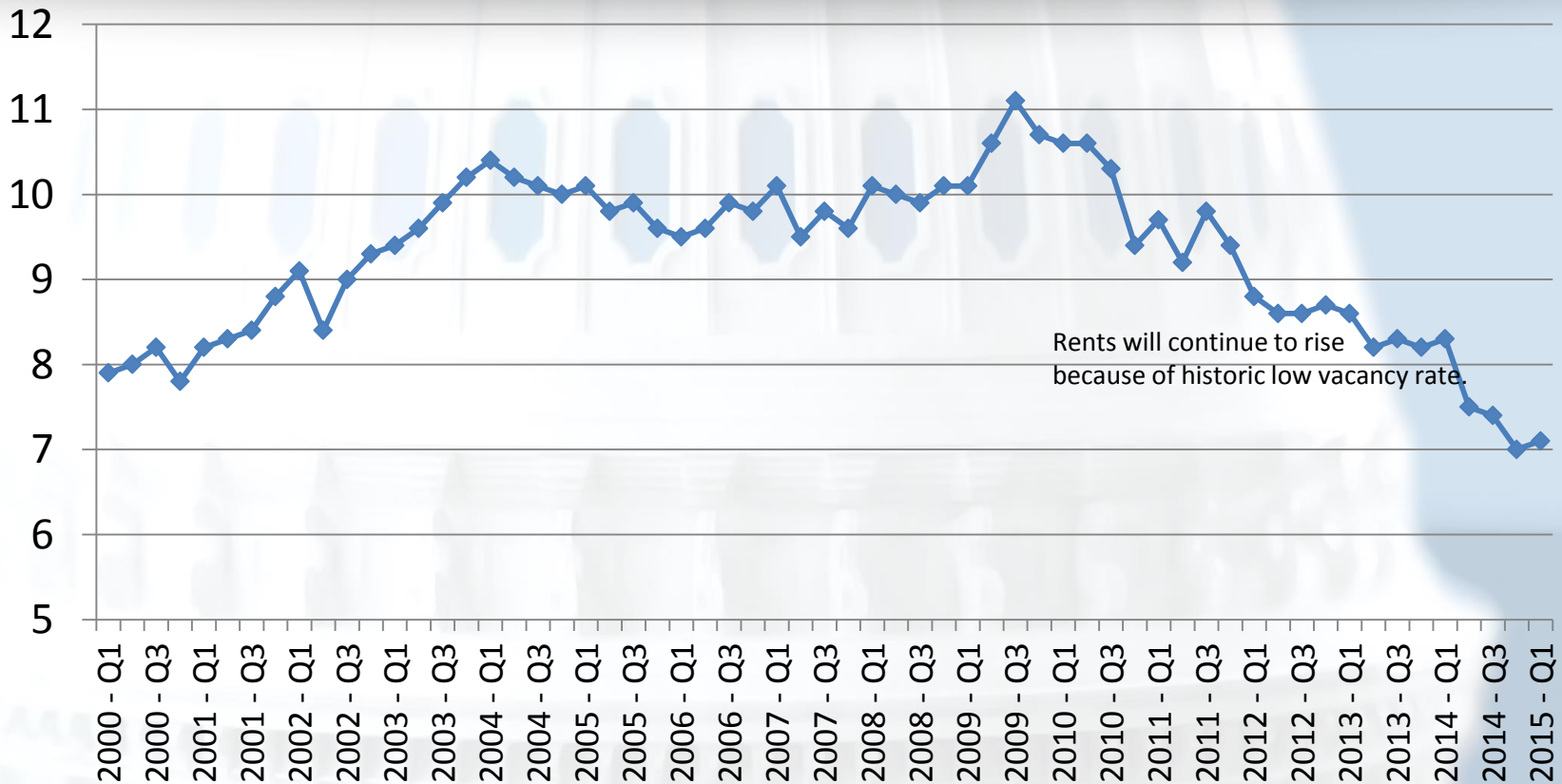
# Rents Rising at 7-year high

## Renters' Rent



# Rental Vacancy Rate

(Census Measurement)





# Monetary Policy

- Quantitative Easing ... Finished
- Fed Funds Rate hike ... September 2015
- 10-year Treasury reaching
  - 2.5% by end of 2015
  - 3.5% by end of 2016

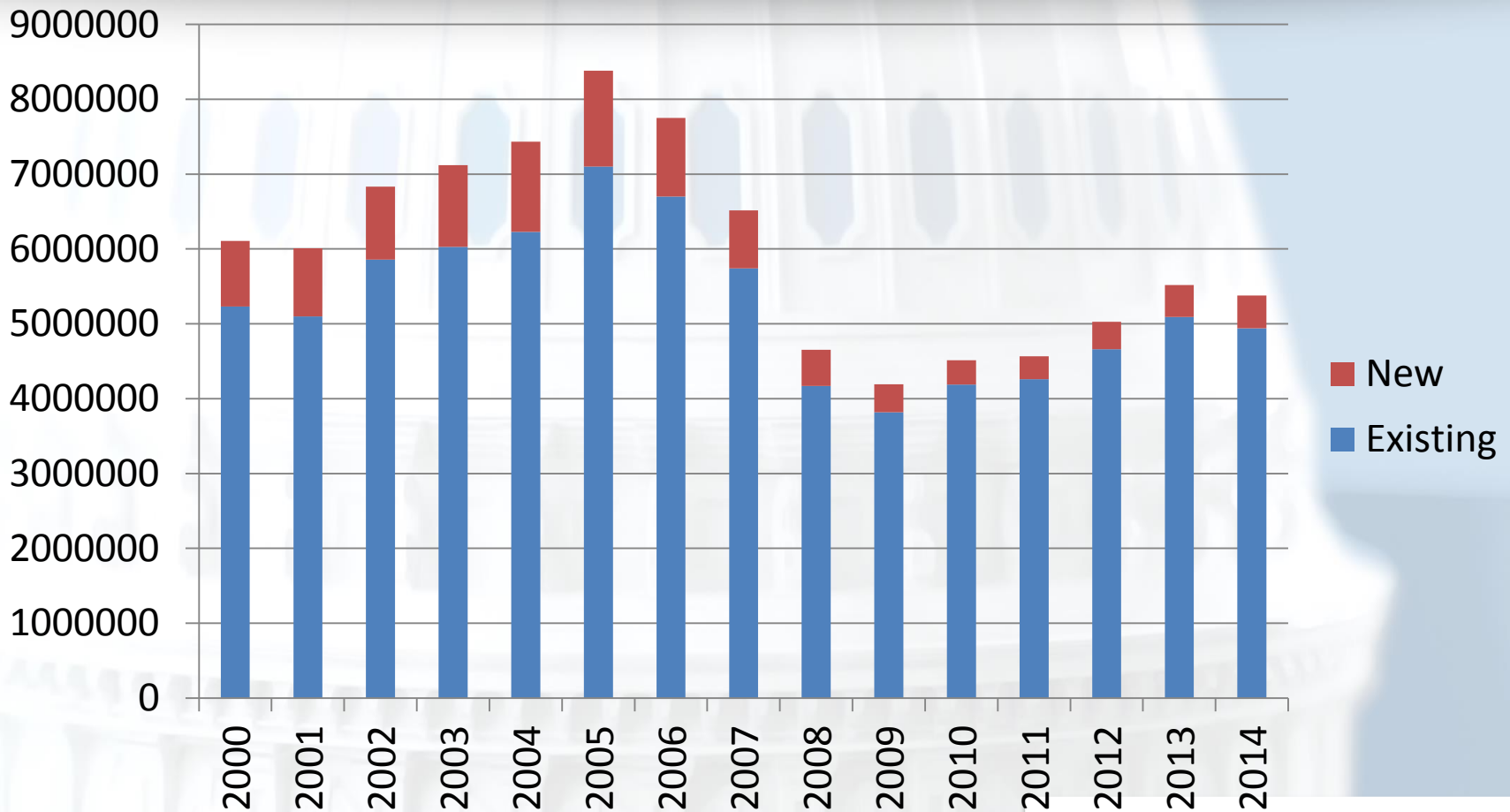
# Credit Box Opens?

- FICO New Method
- Fannie/Freddie
  - Lower down payment products
- FHA premiums ... lowered
- Portfolio Lending ... historic low mortgage default rates on recent vintages (2010-2014)

# Real Estate Market?

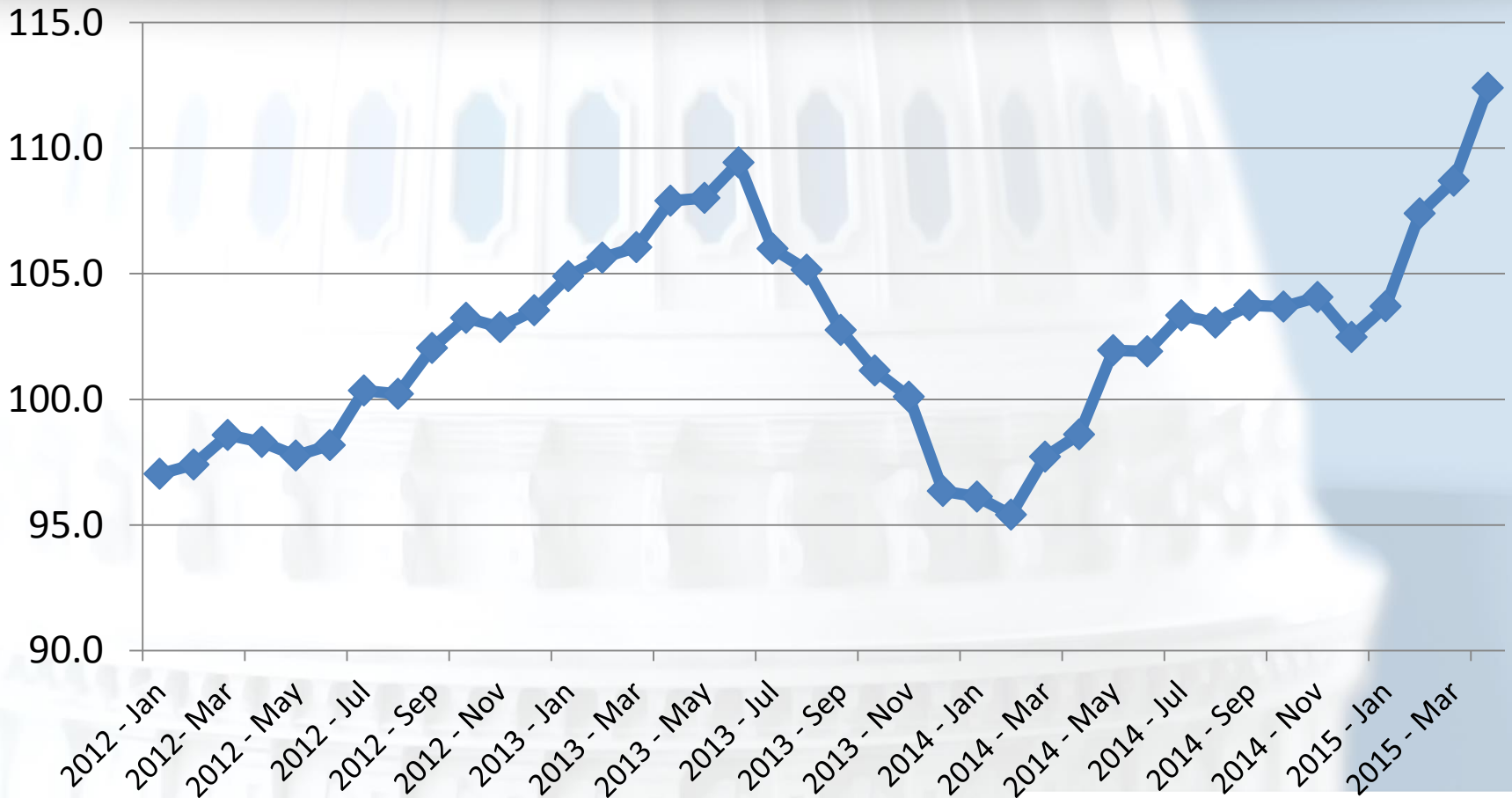


# Annual Home Sales



# Monthly Pending Sales Index

(Seasonally Adjusted)

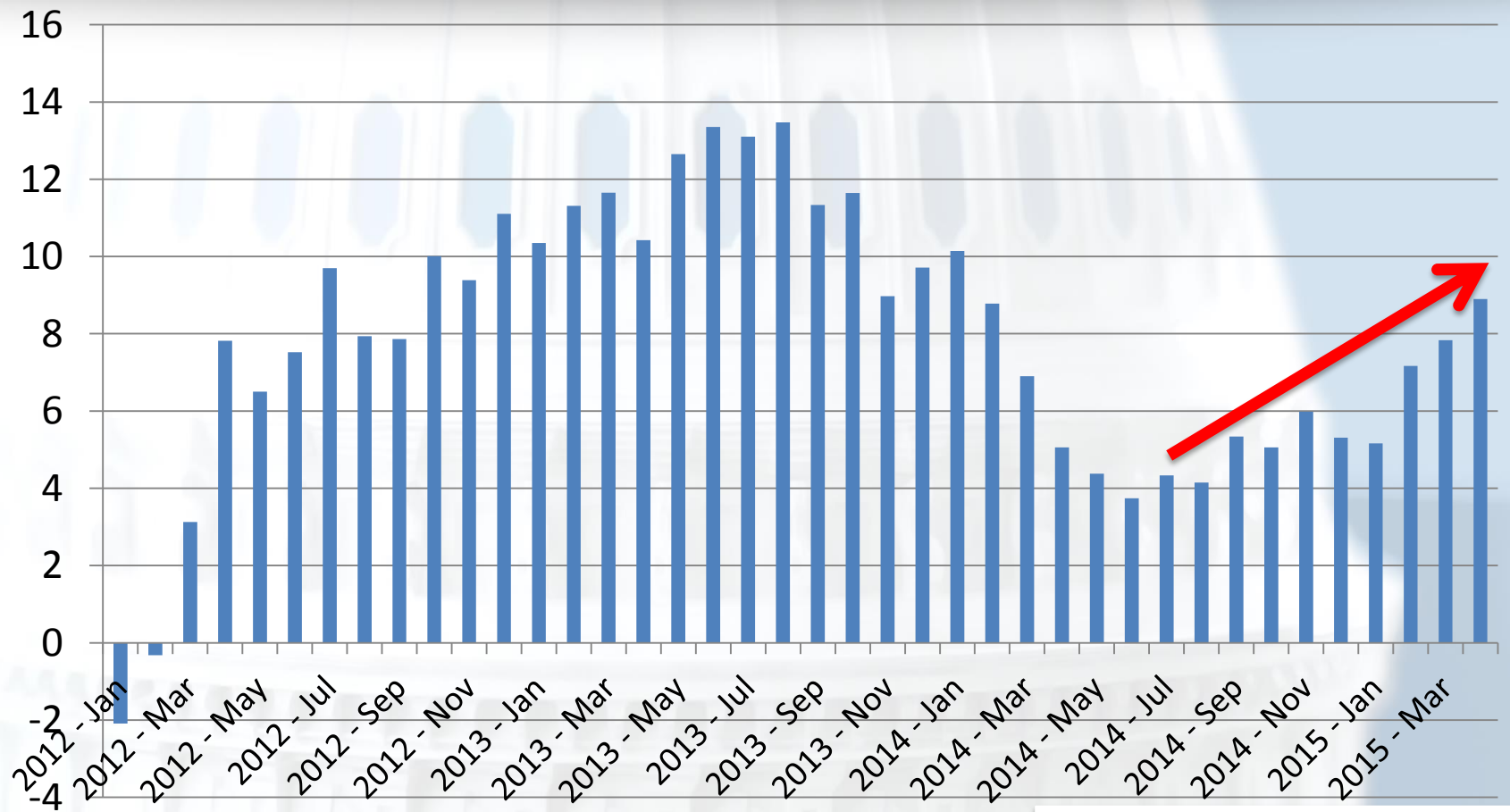


Source: NAR

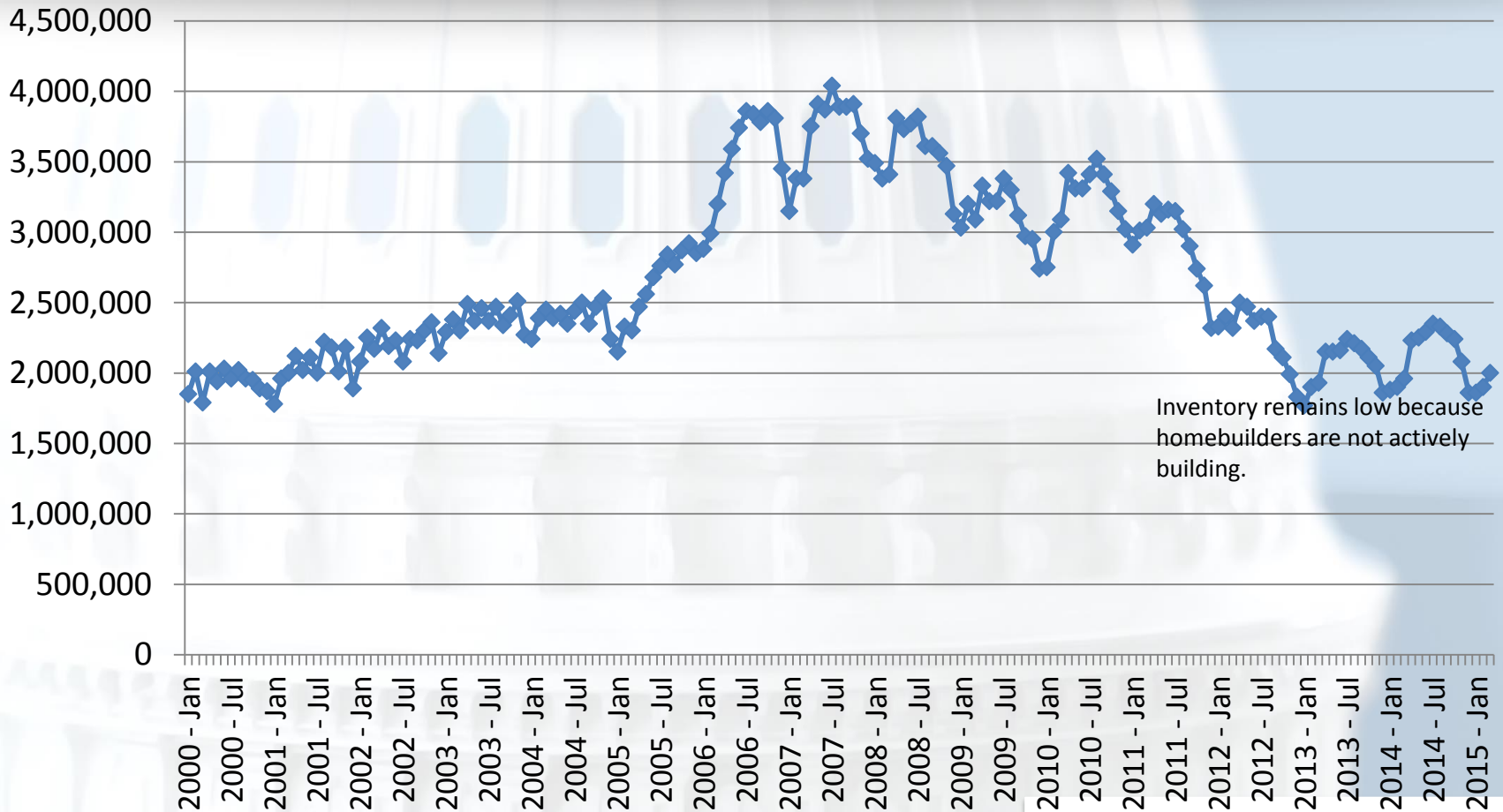


# Median Home Price Appreciation

(% change from one year ago)

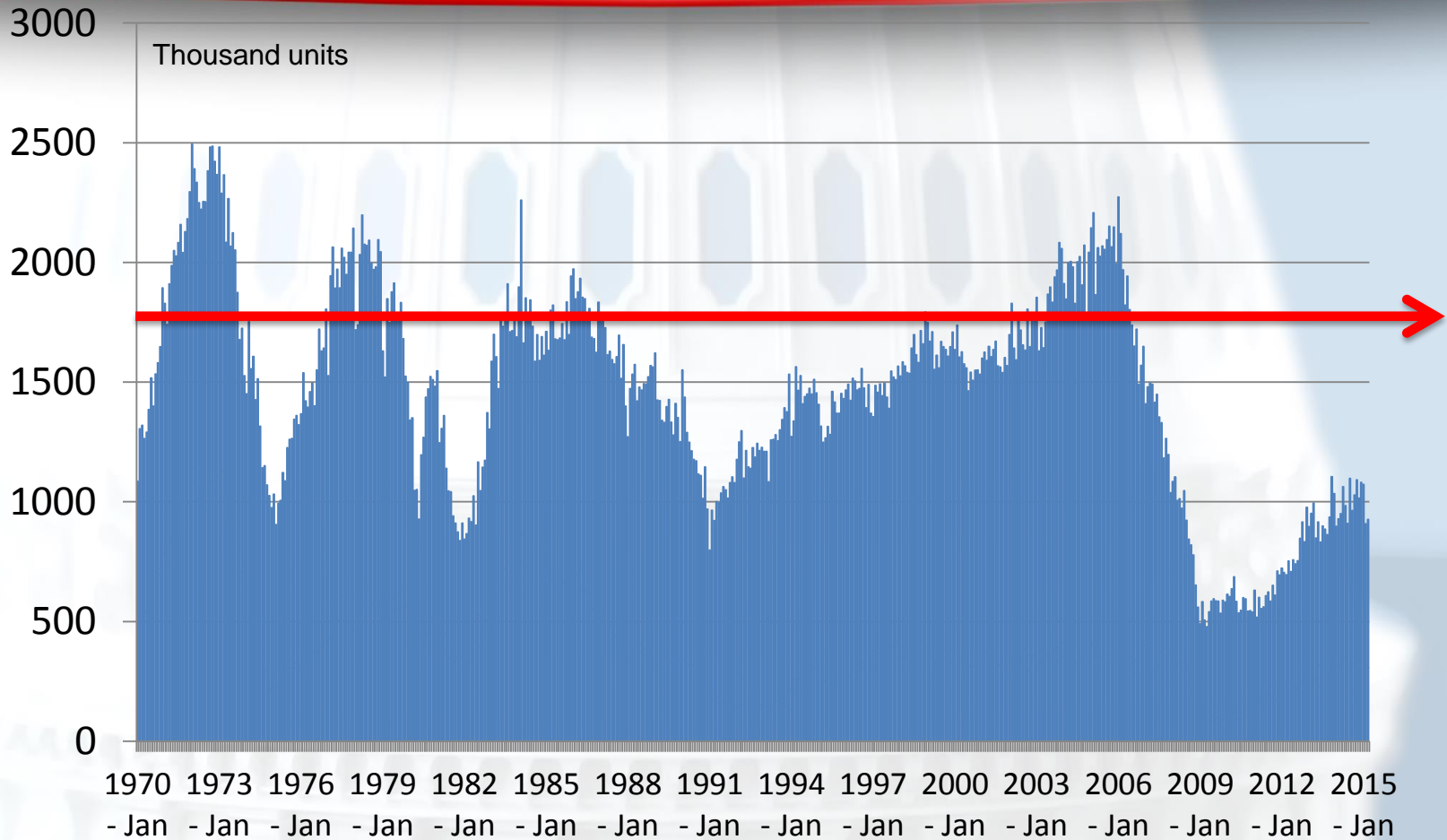


# Inventory of Homes For Sale



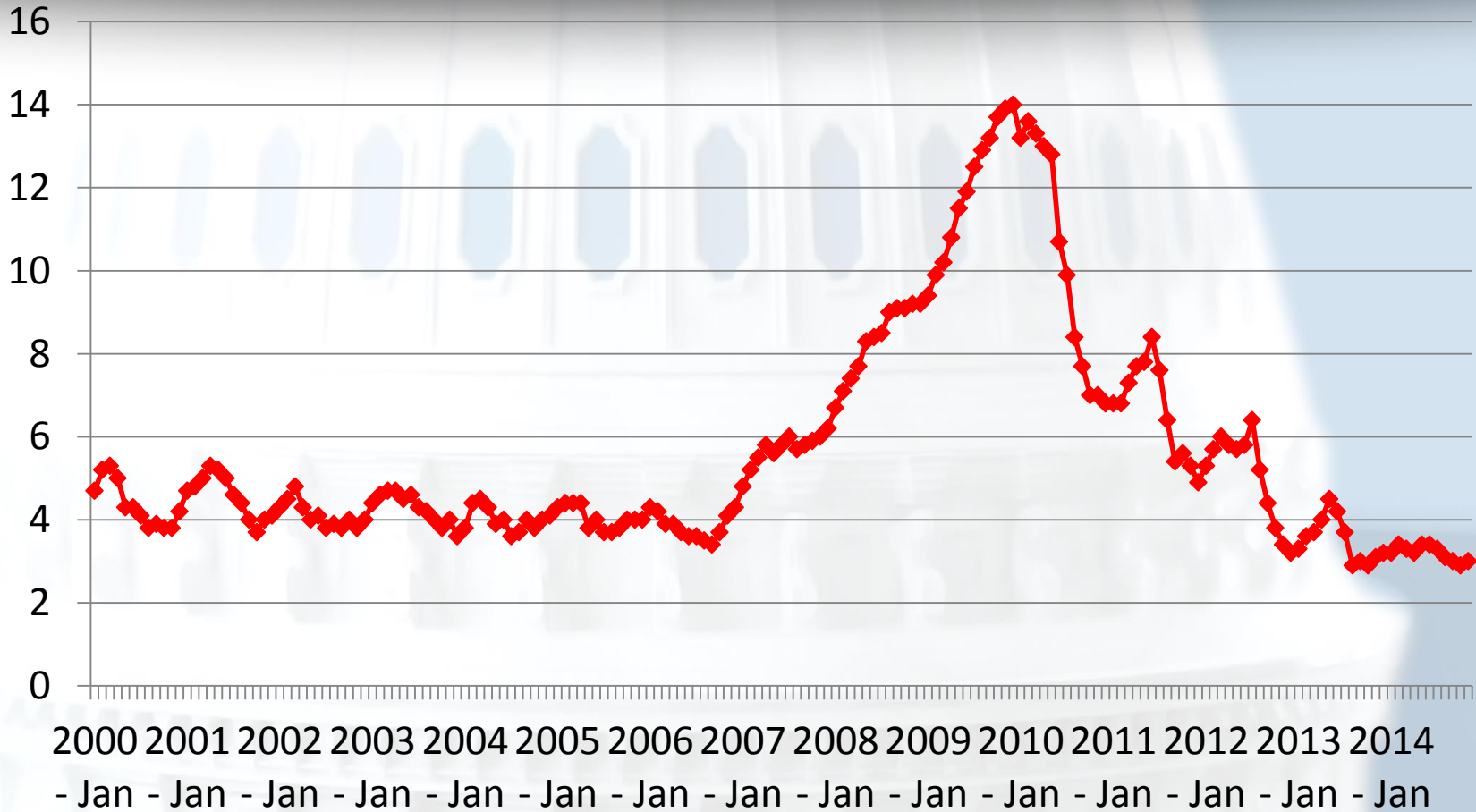
Inventory remains low because homebuilders are not actively building.

# Housing Starts Recovering ... Too Slowly

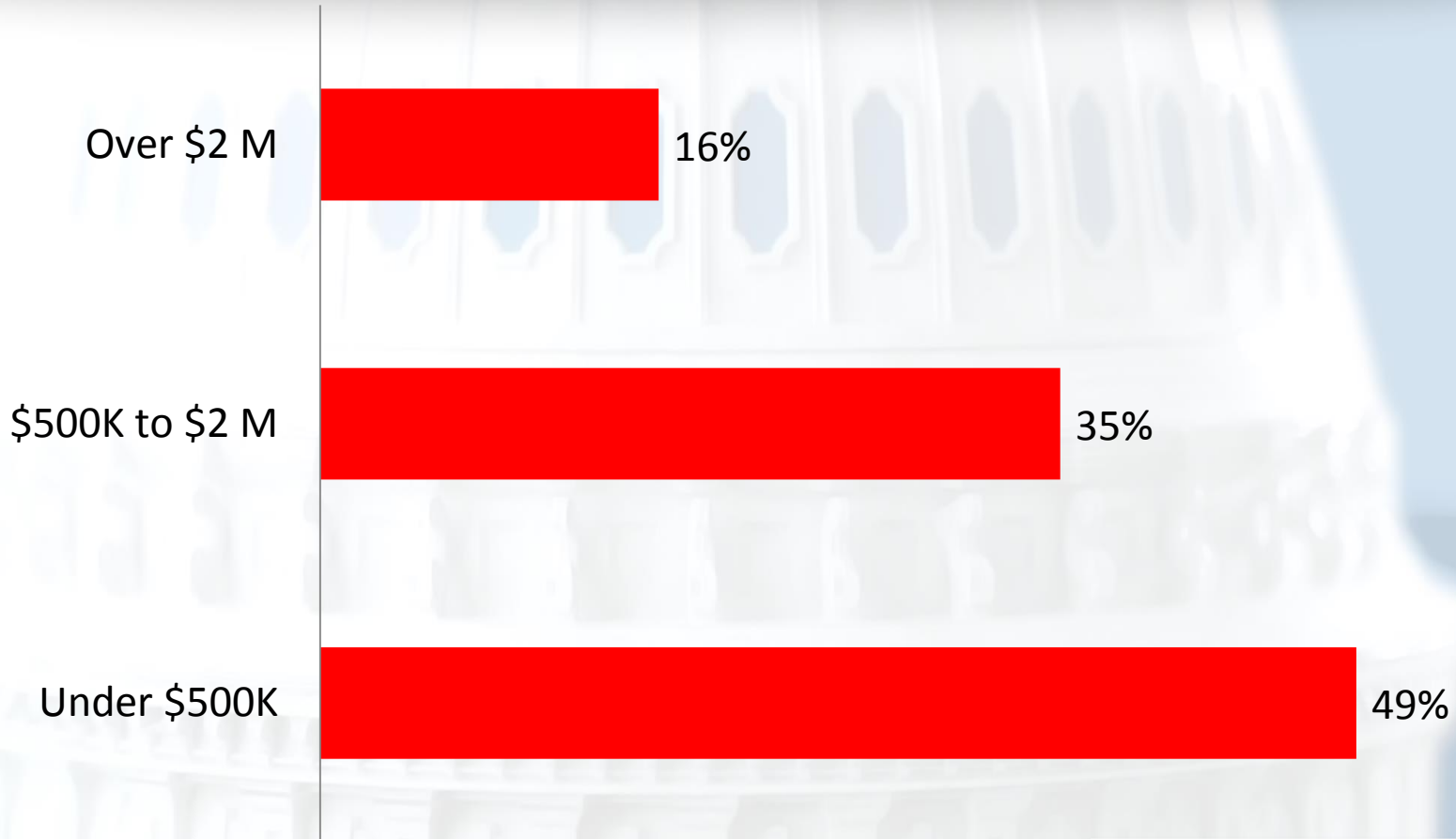




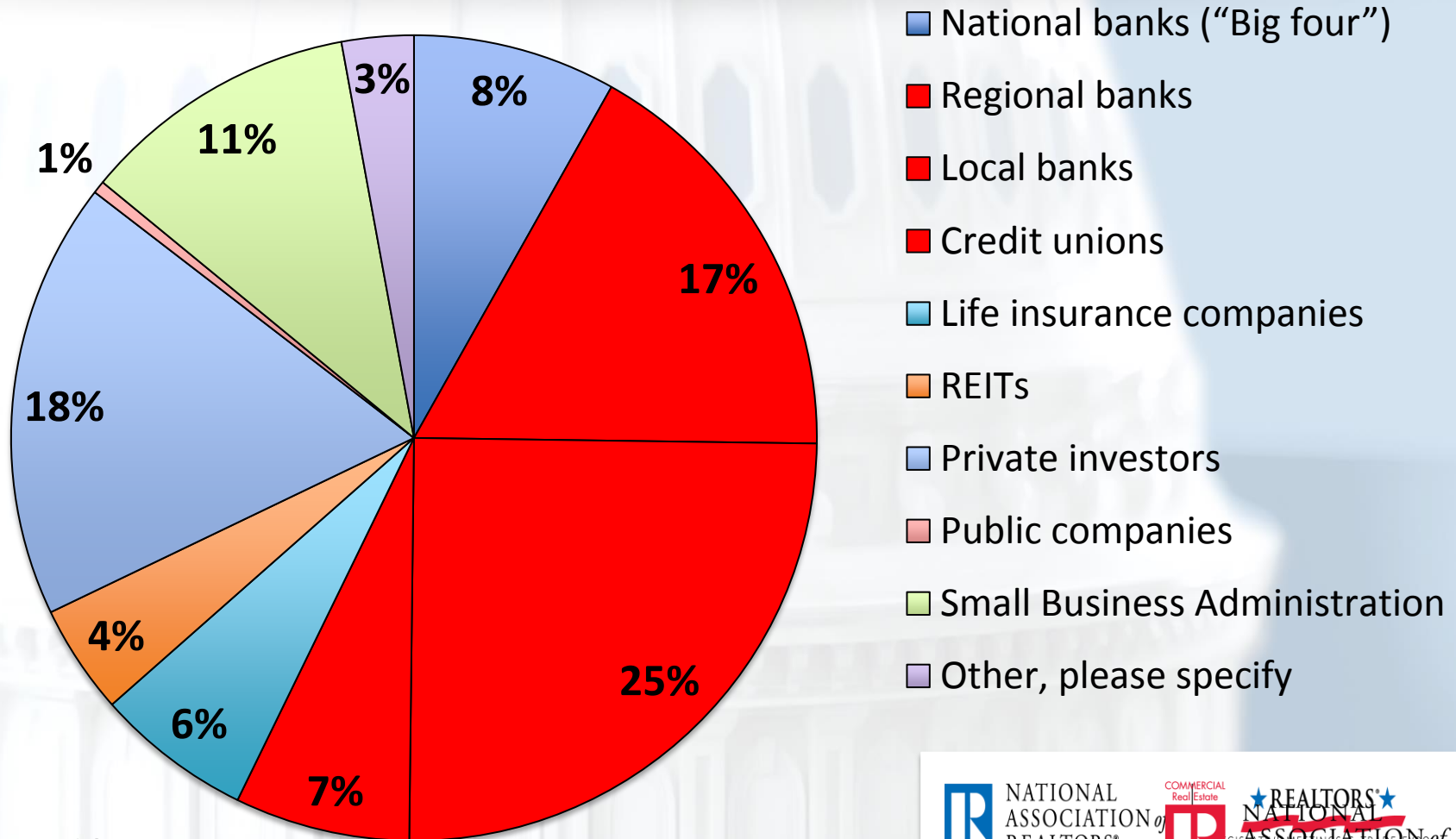
# Time to Sell a New Spec Home (in months)



# REALTOR® Deal Size (Not \$2.5 million Properties)



# Sources of Financing for Deals



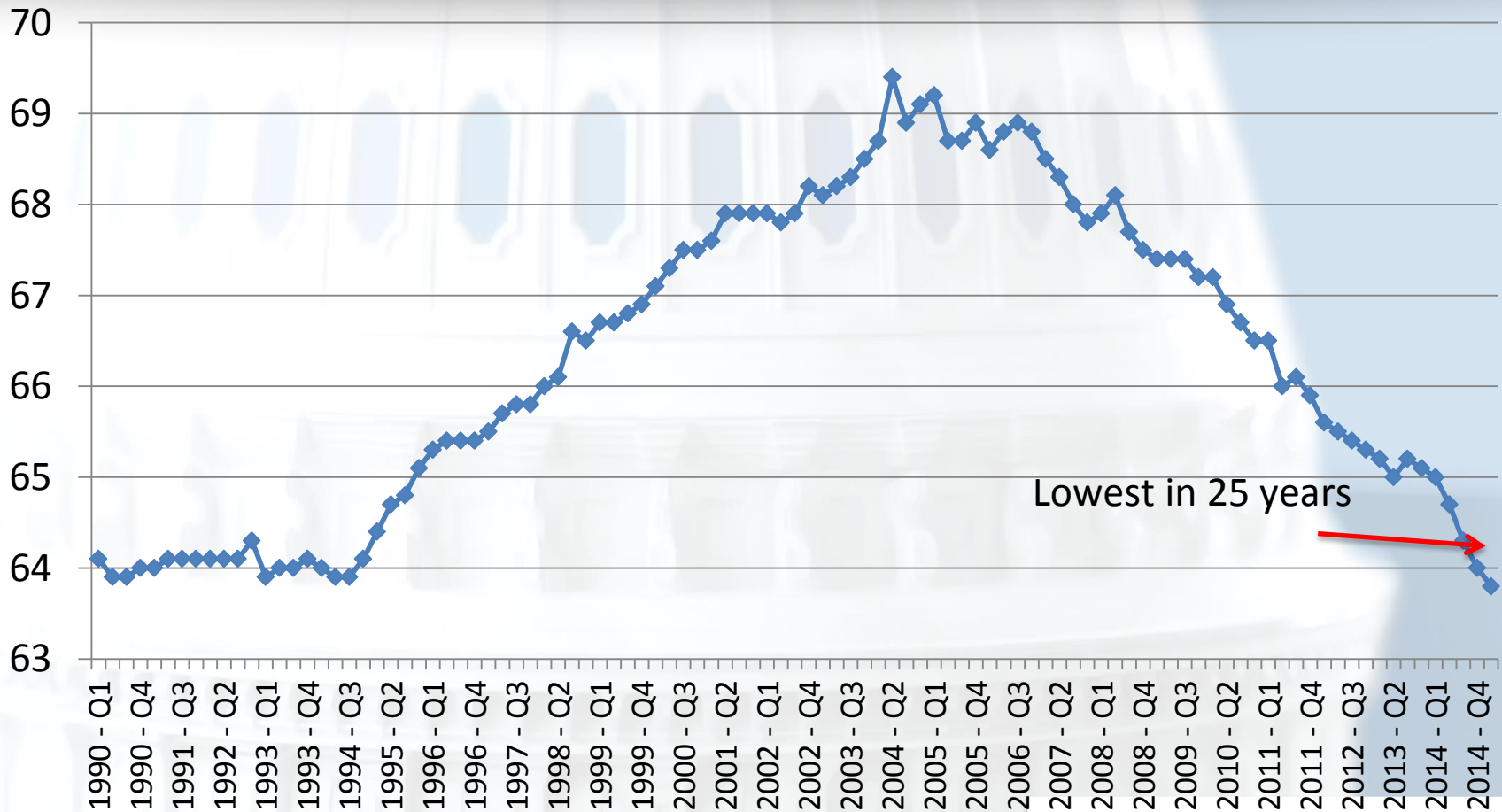
Source: NAR

# Dodd-Frank?

- Big homebuilders in the game
- Small homebuilders not really in the game
- Big commercial deals happening
- Small commercial deals slowly happening

# American Inequality?

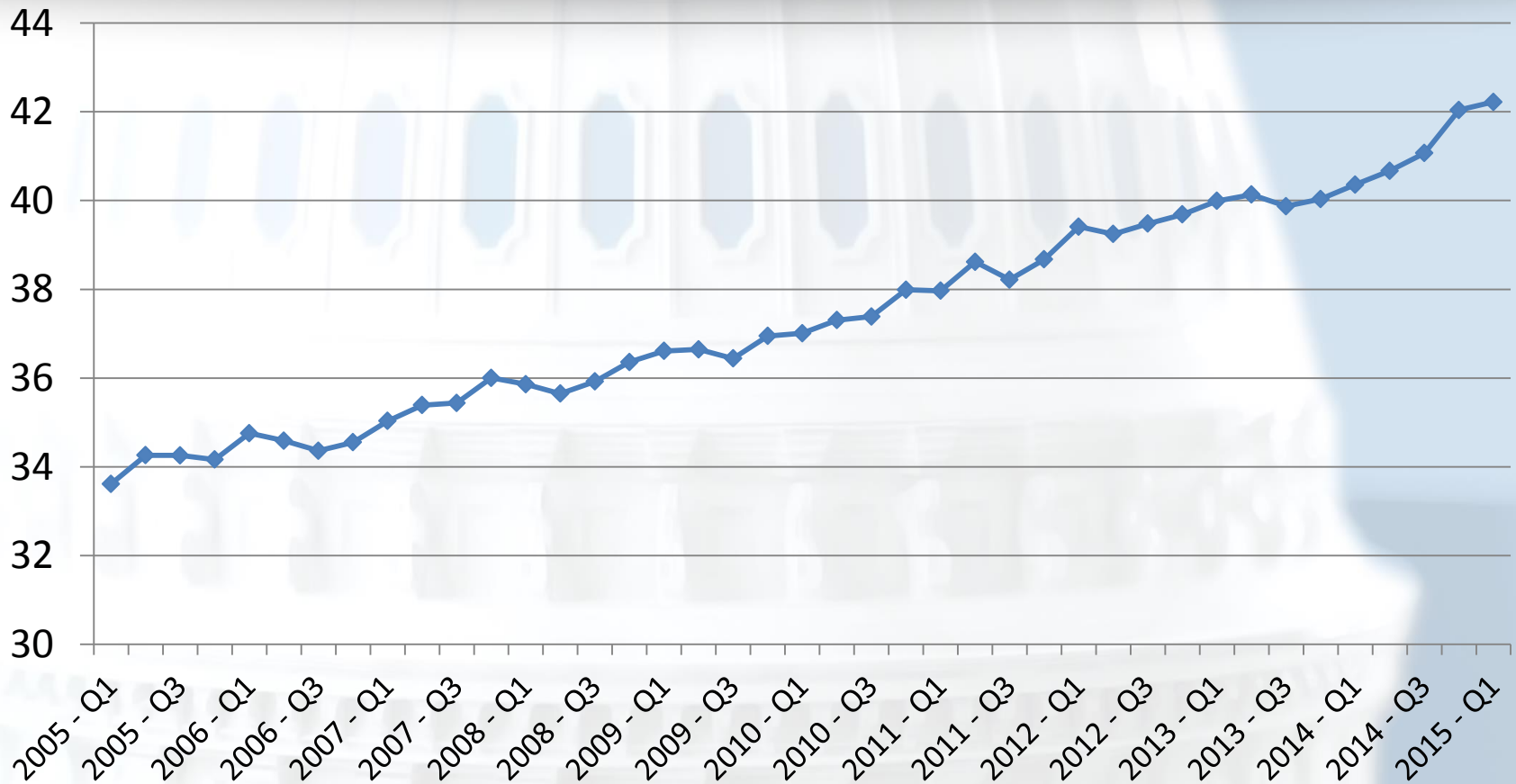
# Homeownership Rate from 1990



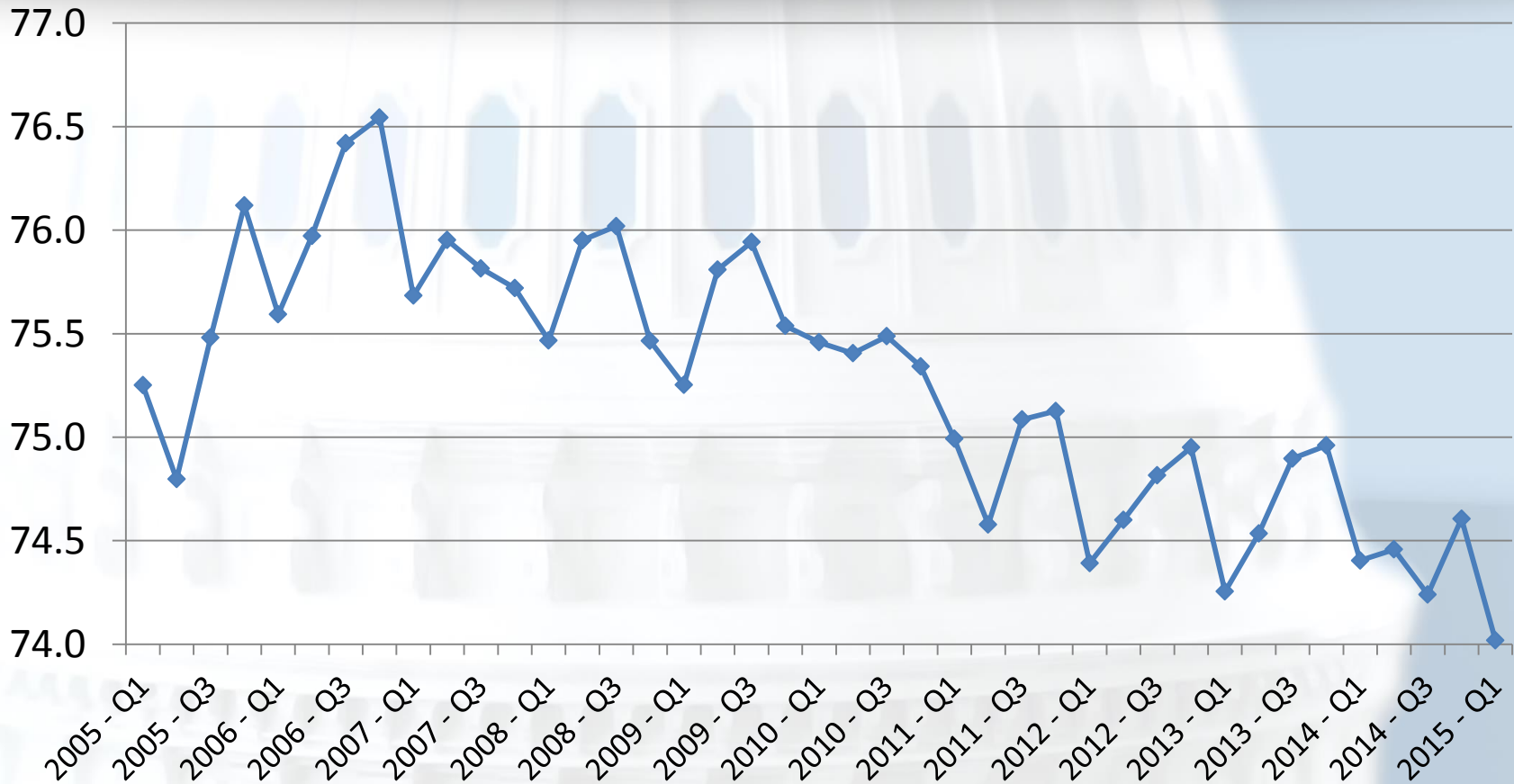
Lowest in 25 years

# Renters

(8 million more households)

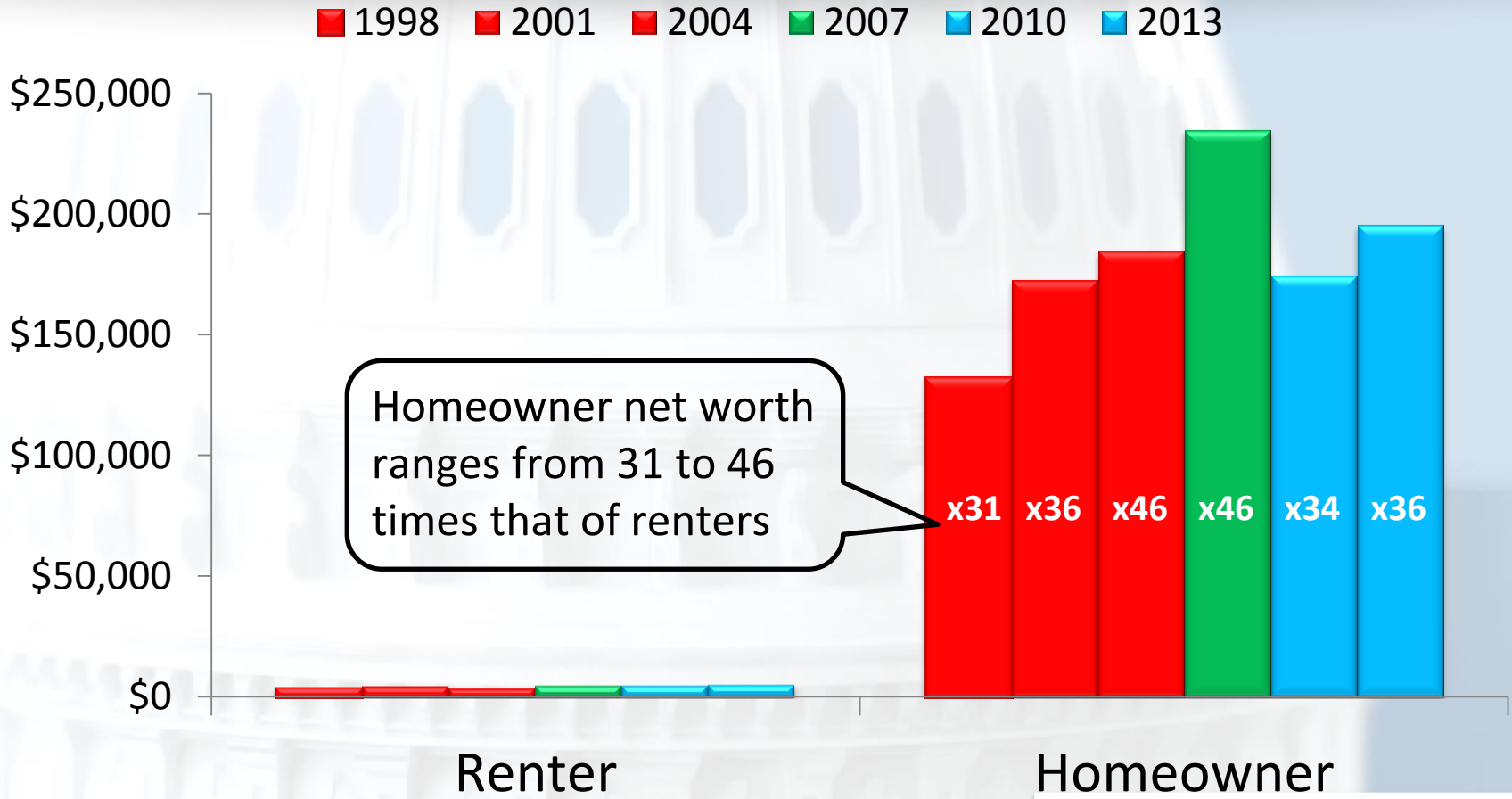


# Homeowners (2.5 million fewer households)





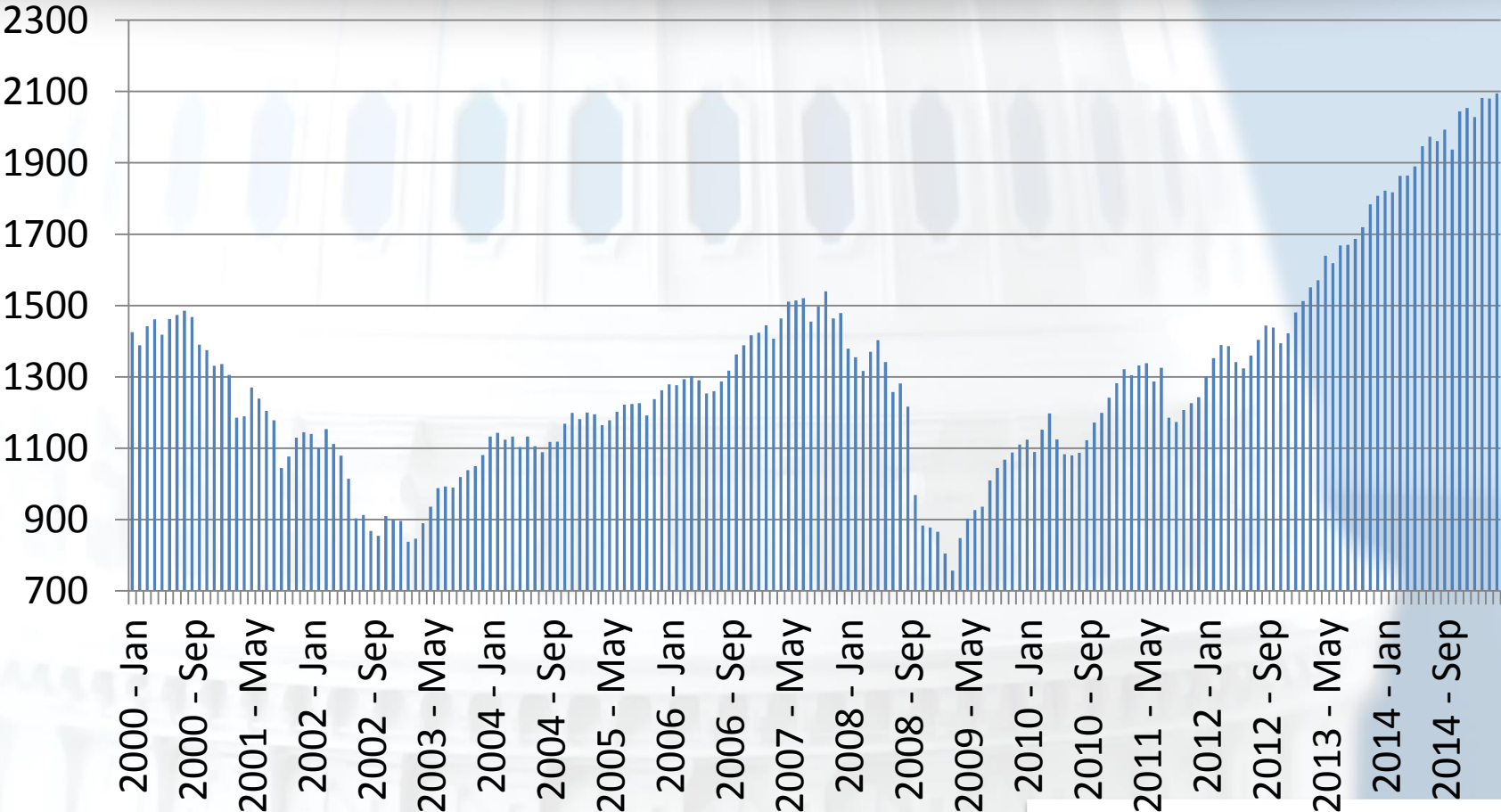
# Household Net Worth (\$5,500 vs. \$195,500)



Source: Federal Reserve Survey of Consumer Finances

# Stock Market

## S&P 500 Index

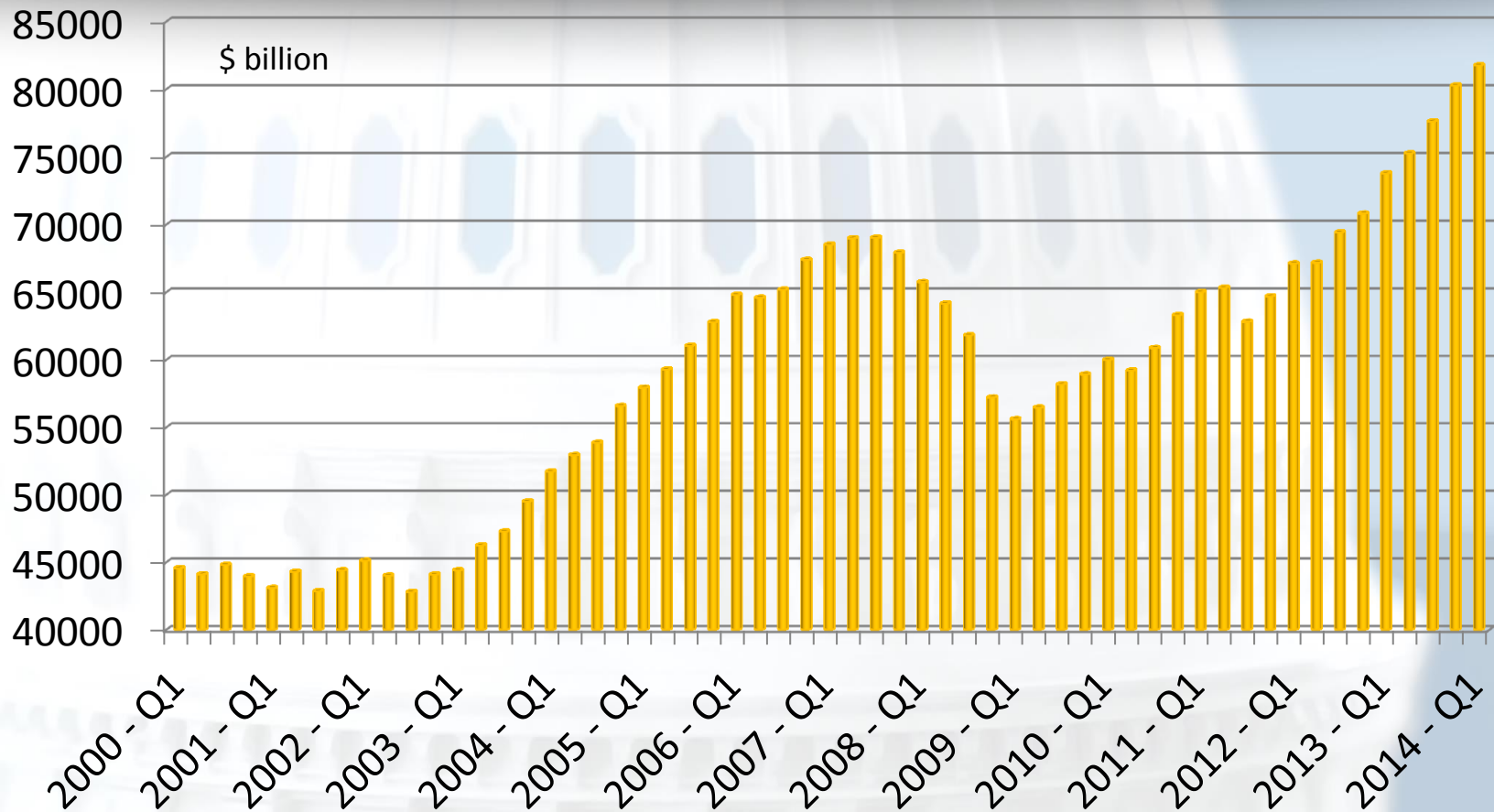


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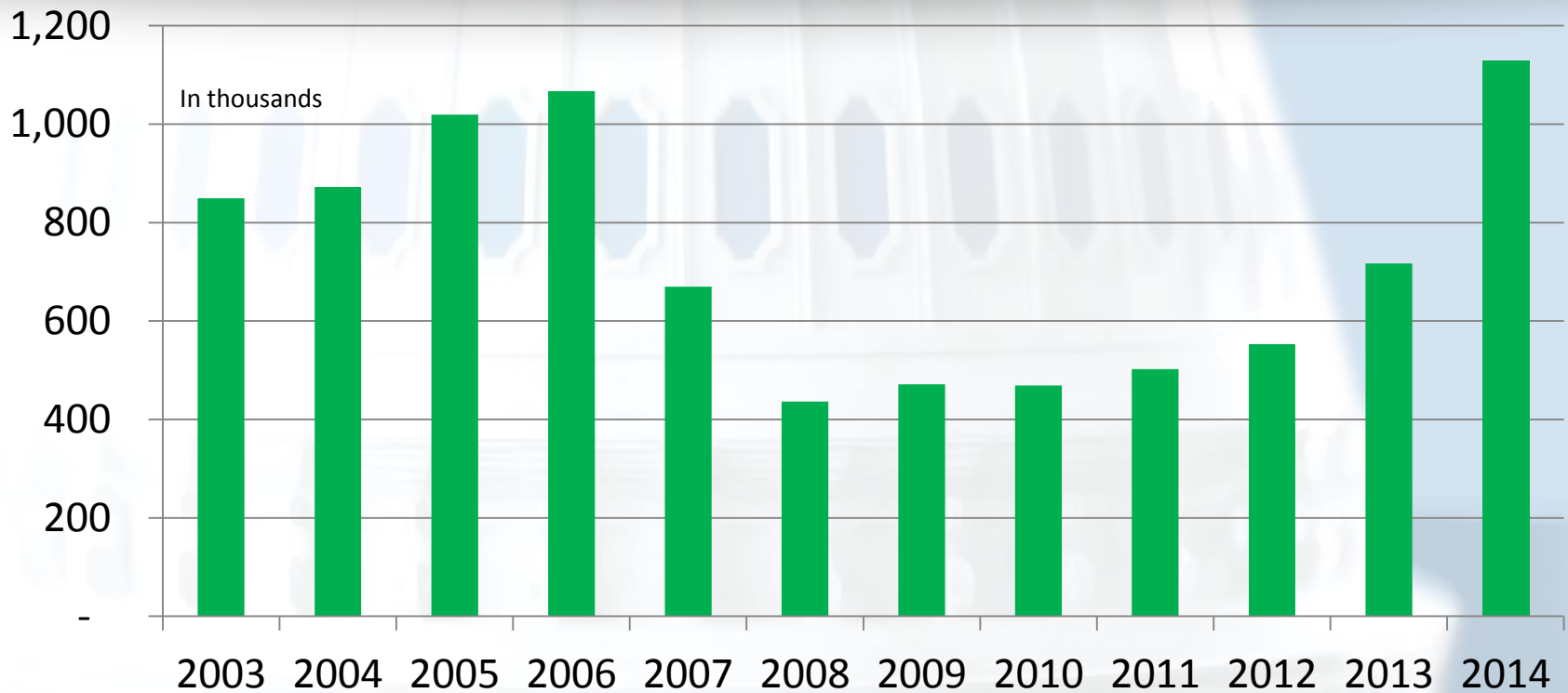


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# Household Net Worth at All-Time High



# Vacation Home Sales



# Economic Forecast

	2013	2014	2015 Forecast	2016 Forecast
GDP Growth	2.2%	2.6%	2.0%	3.1%
Job Growth	+2.3 million	+3.0 million	+2.2 million	+2.7 million
CPI Inflation	1.5%	1.6%	0.2%	3.2%
Consumer Confidence	73	87	98	100
10-year Treasury	2.5%	2.6%	2.2%	2.9%

# Housing Forecast

	2013	2014	2015 Forecast	2016 Forecast
Housing Starts	925,000	1,001,000	1.1 million	1.4 million
New Home Sales	430,000	437,000	570,000	720,000
Existing Home Sales	5.1 million	4.9 million	5.25 million	5.5 million
Median Price Growth	+ 11.5%	+ 5.7%	+ 7%	+ 4%
30-year Rate	4.0%	4.2%	4.0%	4.8%
Underwriting Standards	Strict	Strict	Transition	Normal