

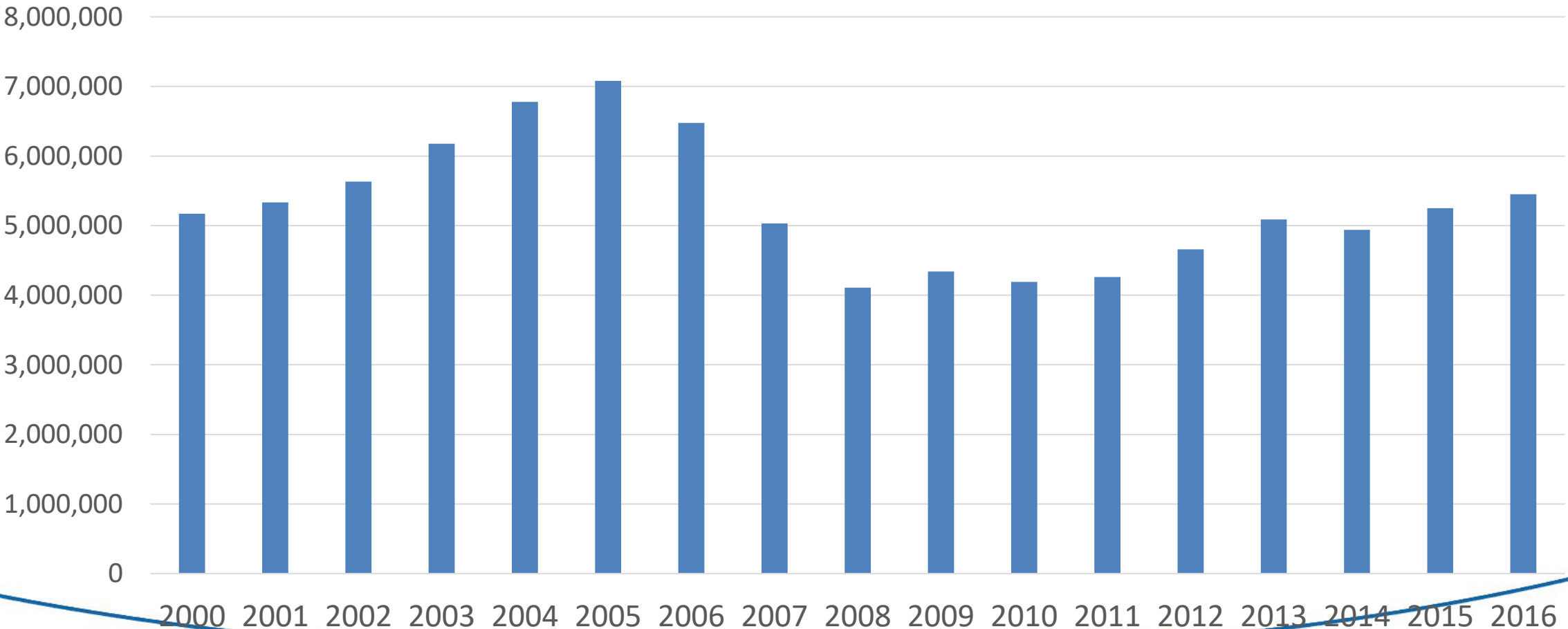
Economic and Real Estate Market Outlook

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

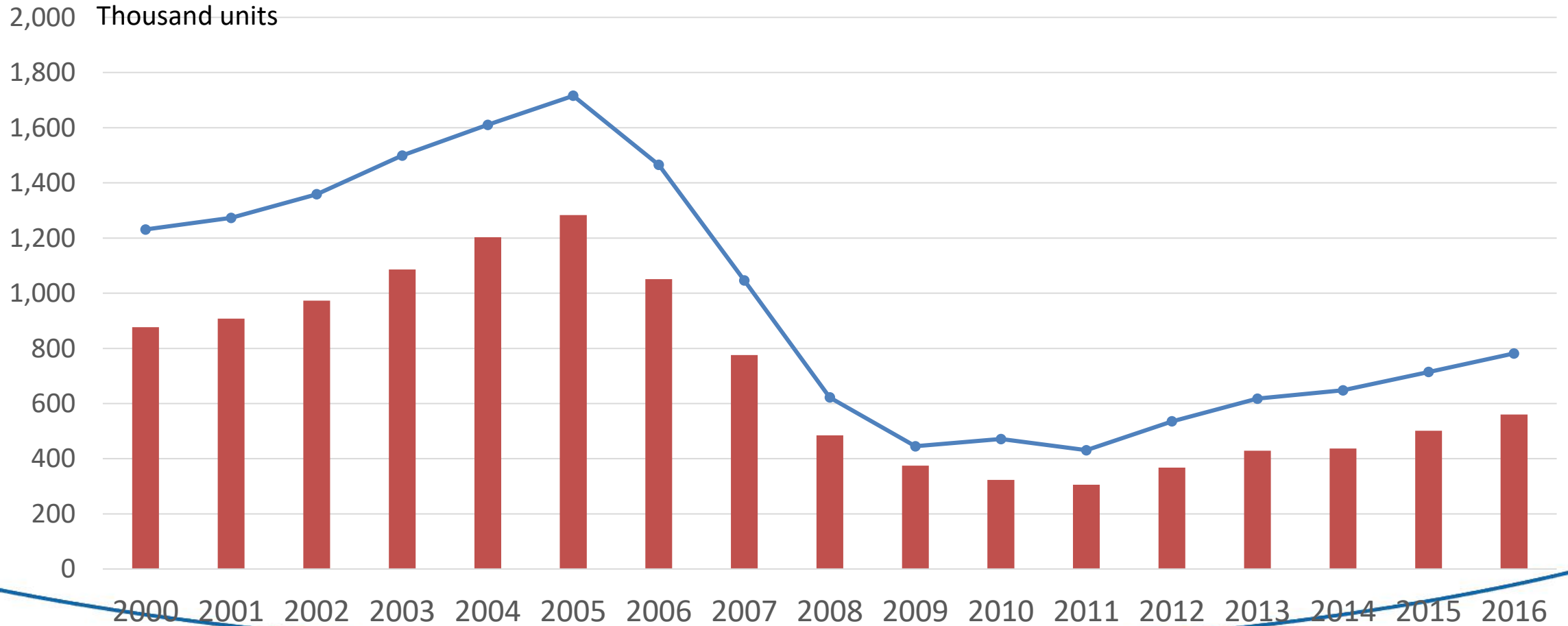
Presentation at NAR Real Estate Service
San Diego, CA

April 3, 2017

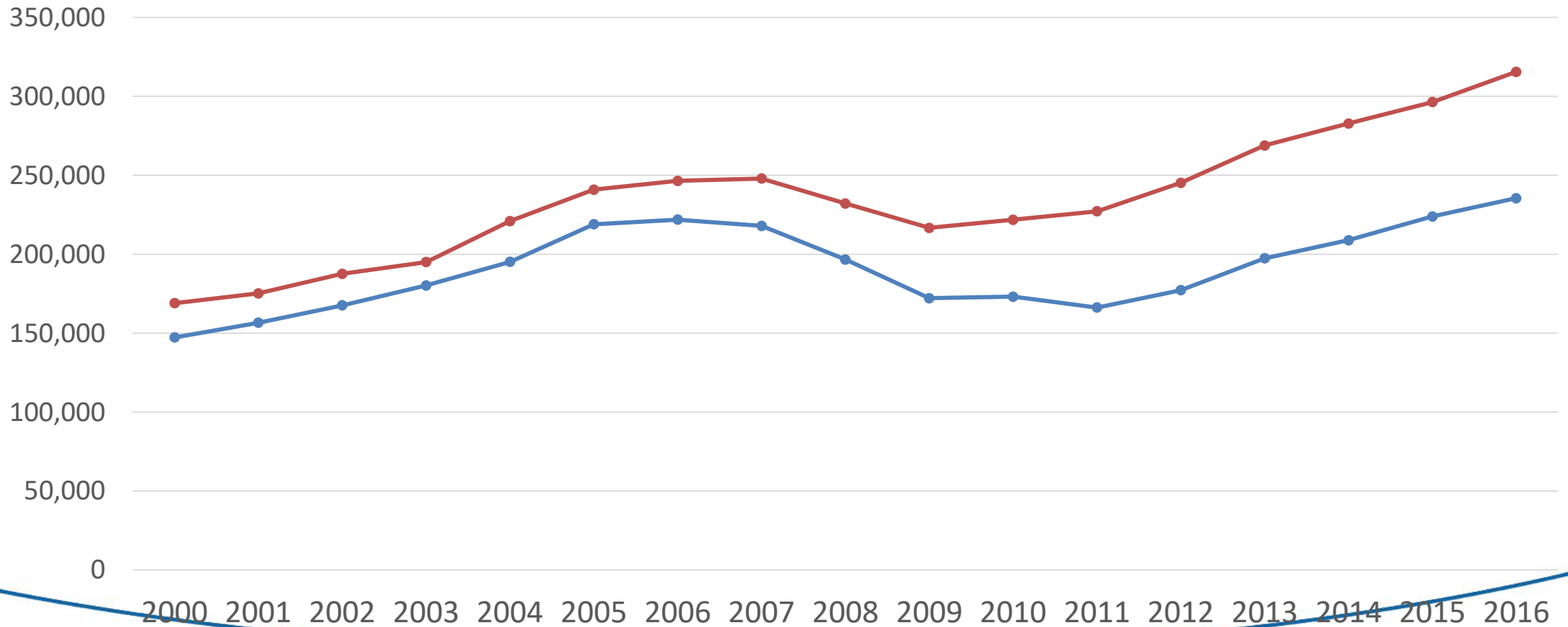
Existing Home Sales



Single-Family Starts and New Home Sales

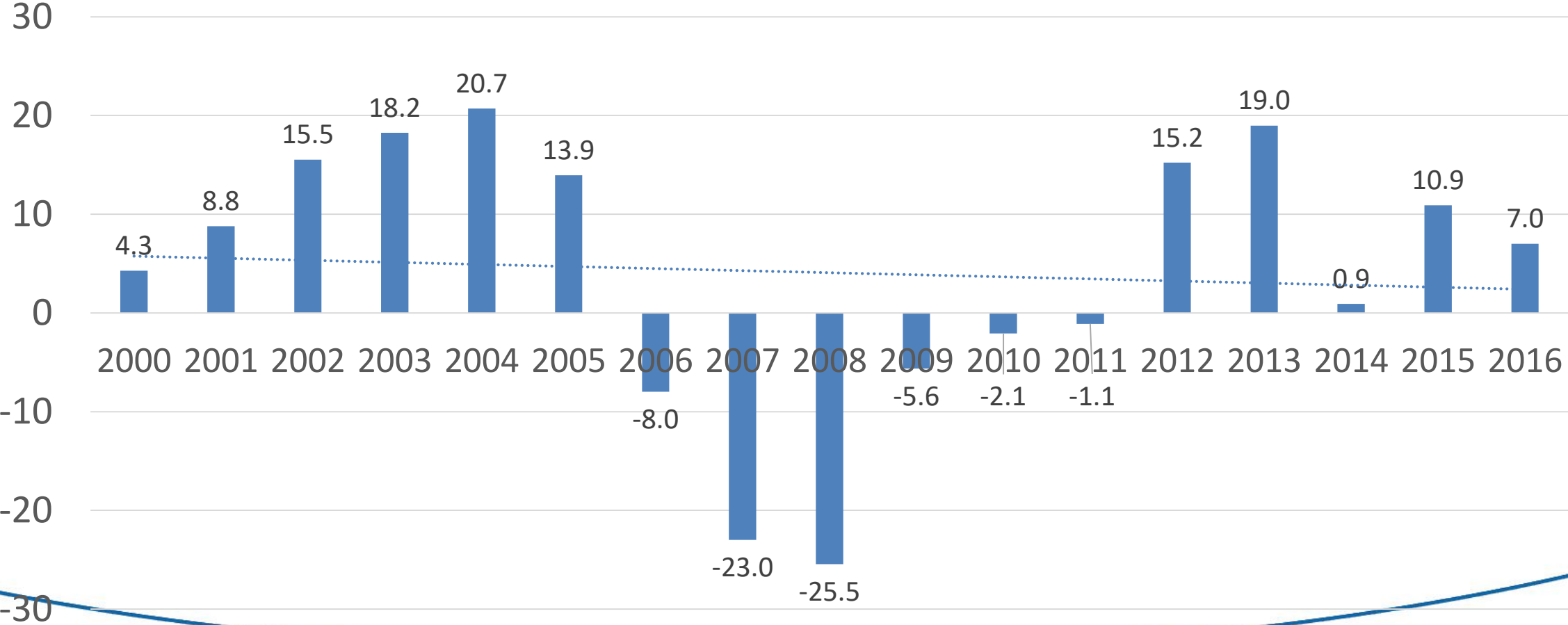


Median Home Price New vs. Existing

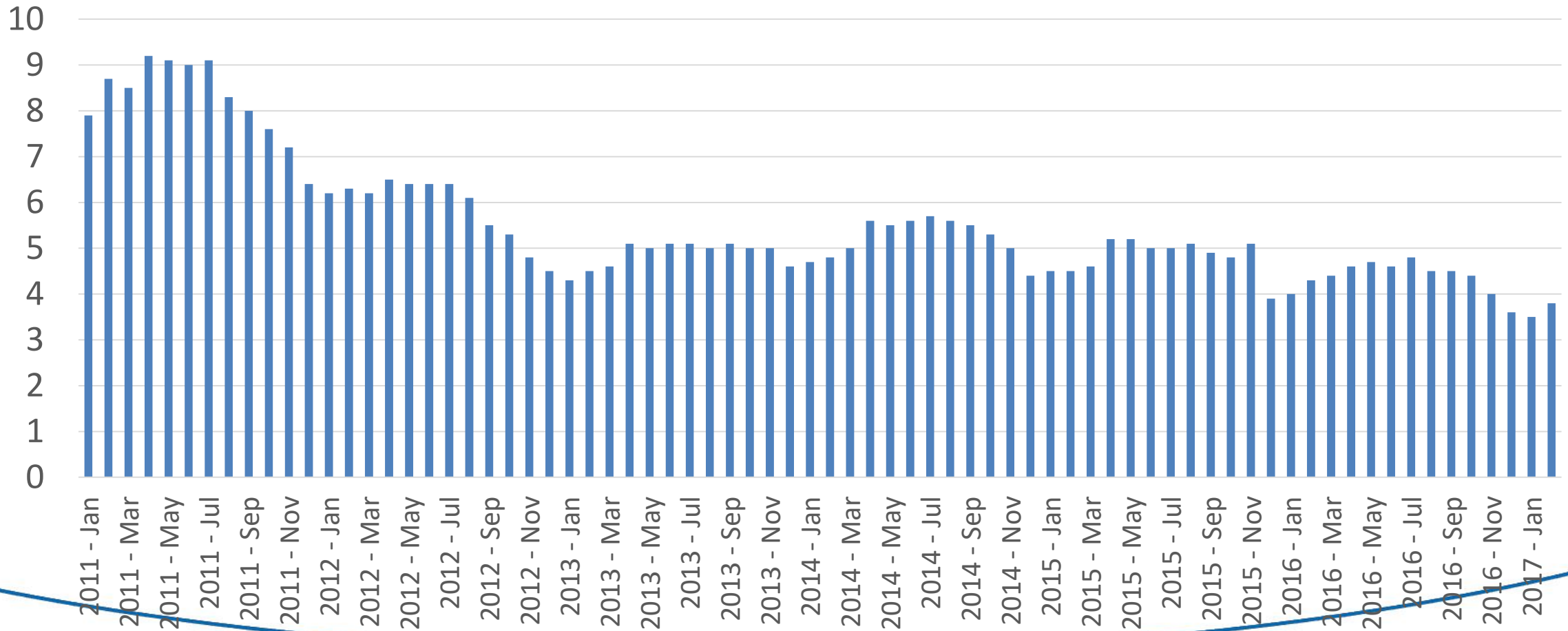


Commission Dollar Volume Change

%



Inventory of Homes – Months Supply

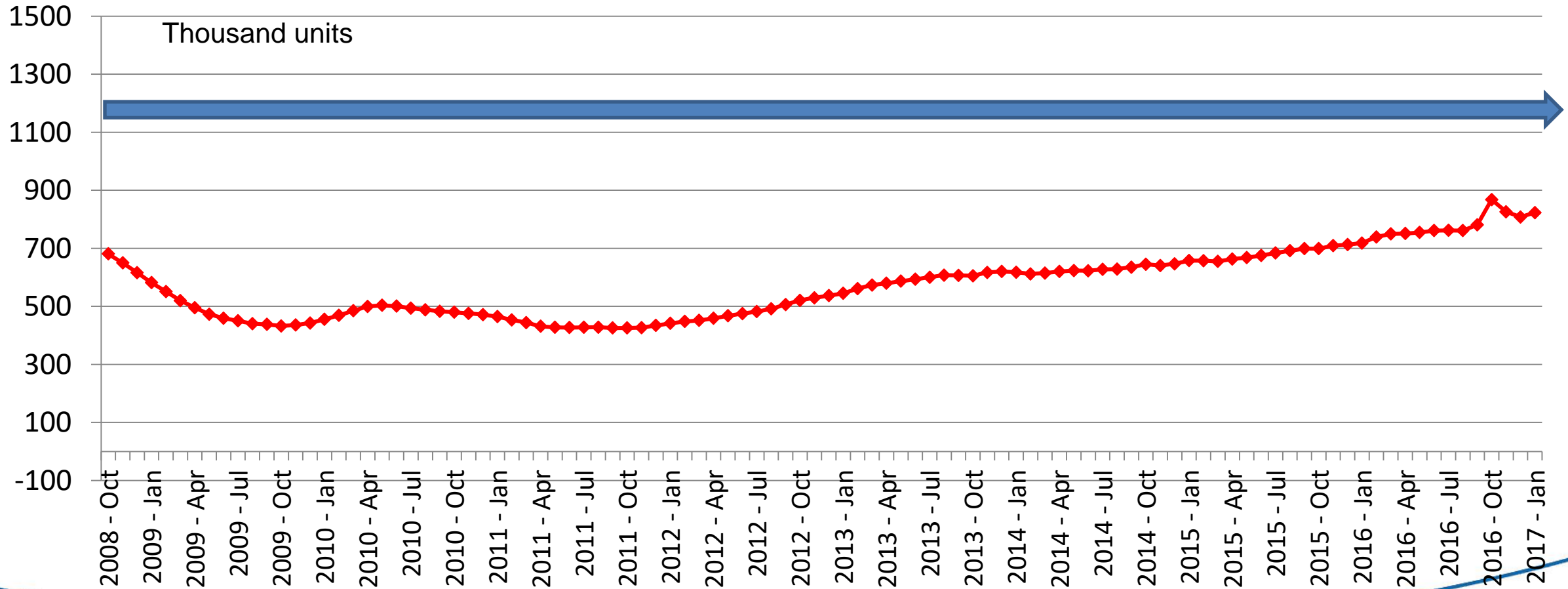


Months to Sell a Newly Built Home

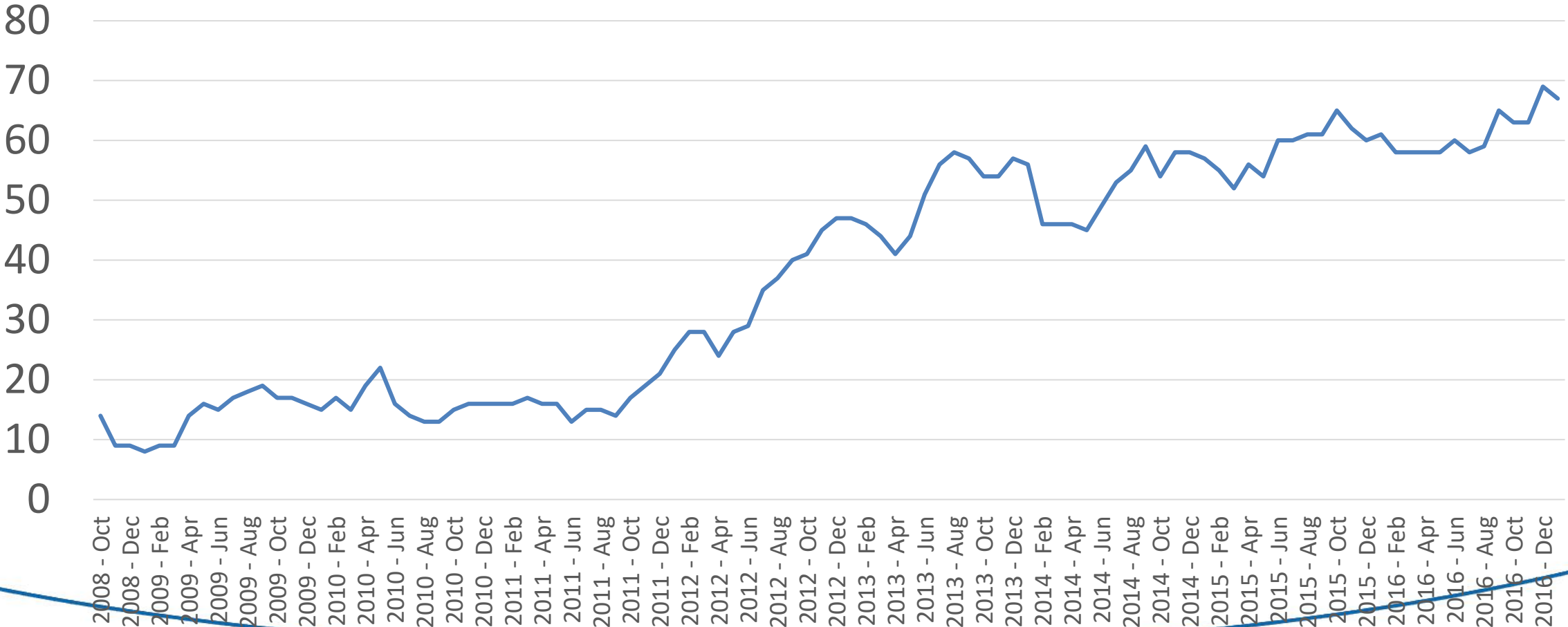
(Cannot Ramp Up because of Lots, Labor, Lending, Lumber)



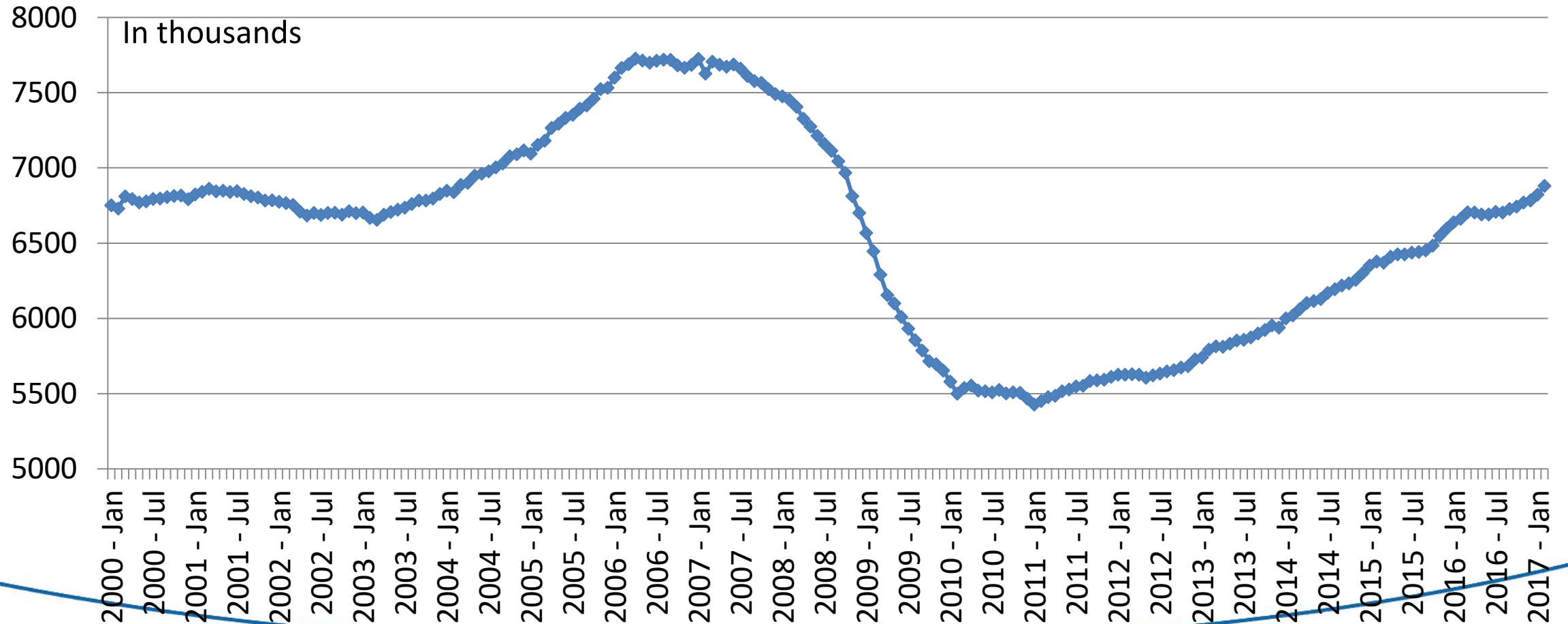
Single-family Housing Starts



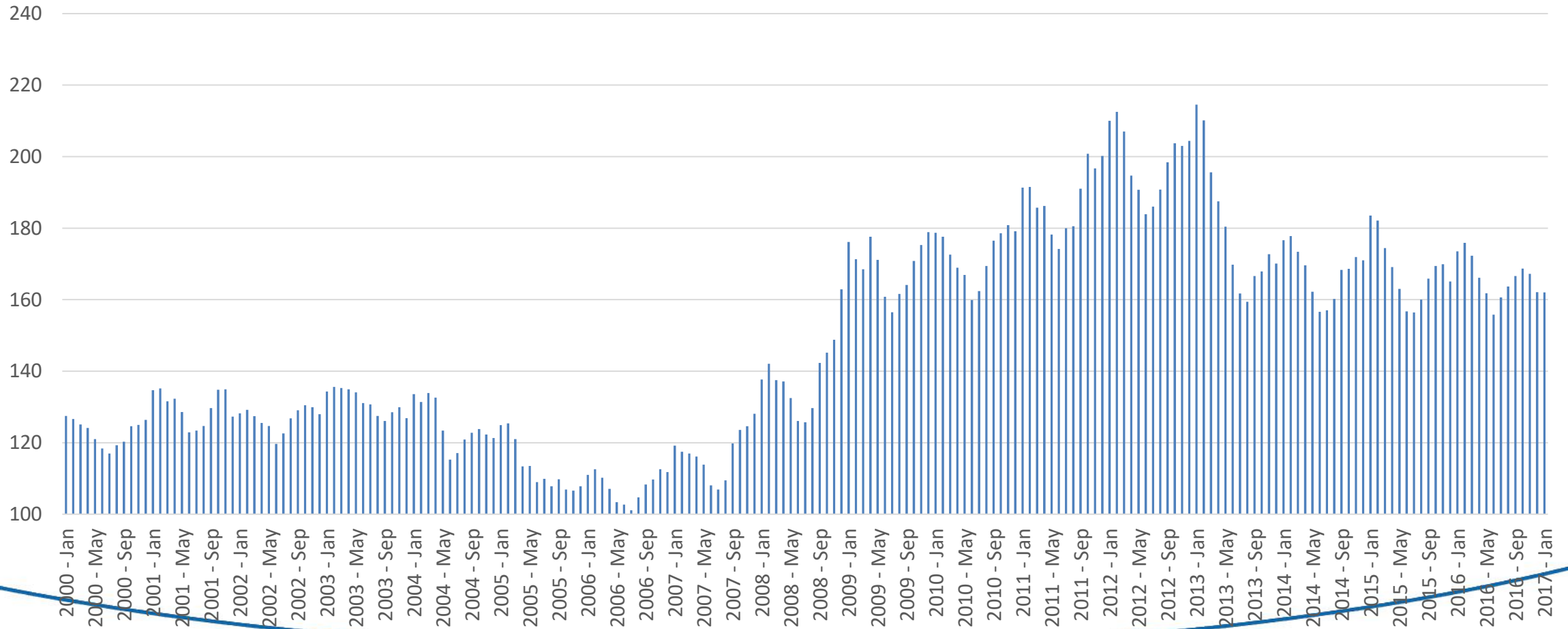
Homebuilders Market Index



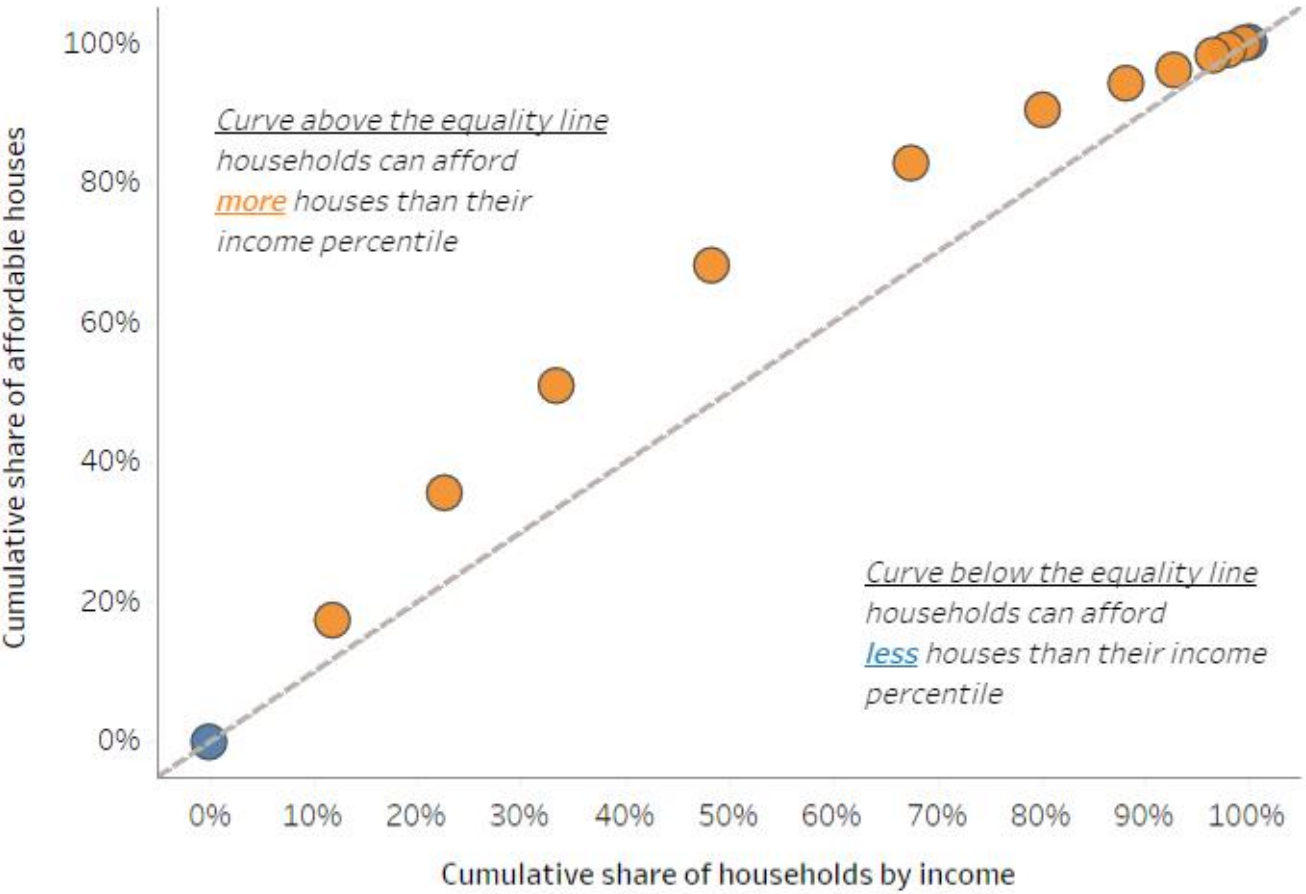
All Construction Jobs



NAR Affordability Index

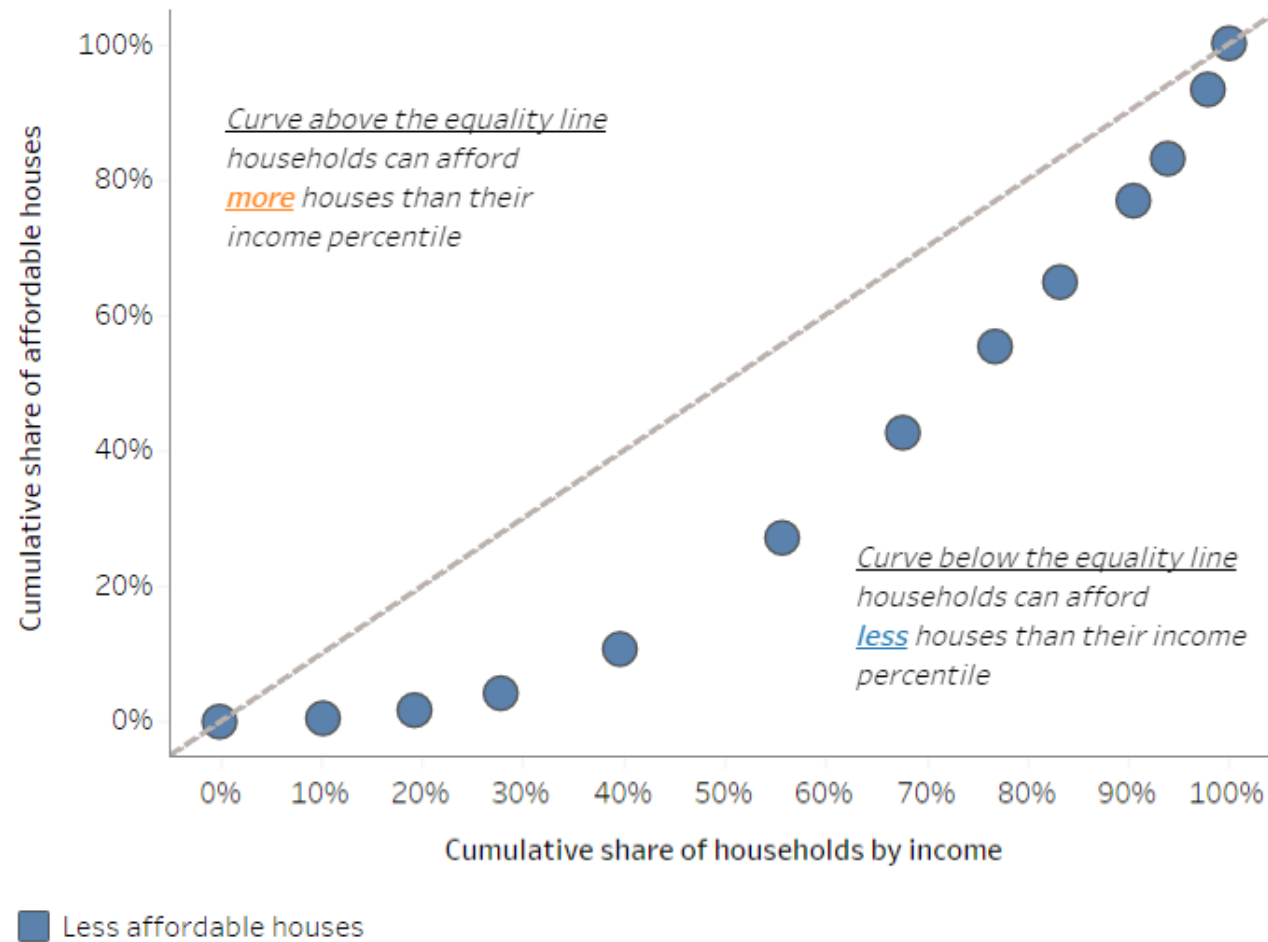


Indiana Affordability Distribution



More affordable houses Less affordable houses

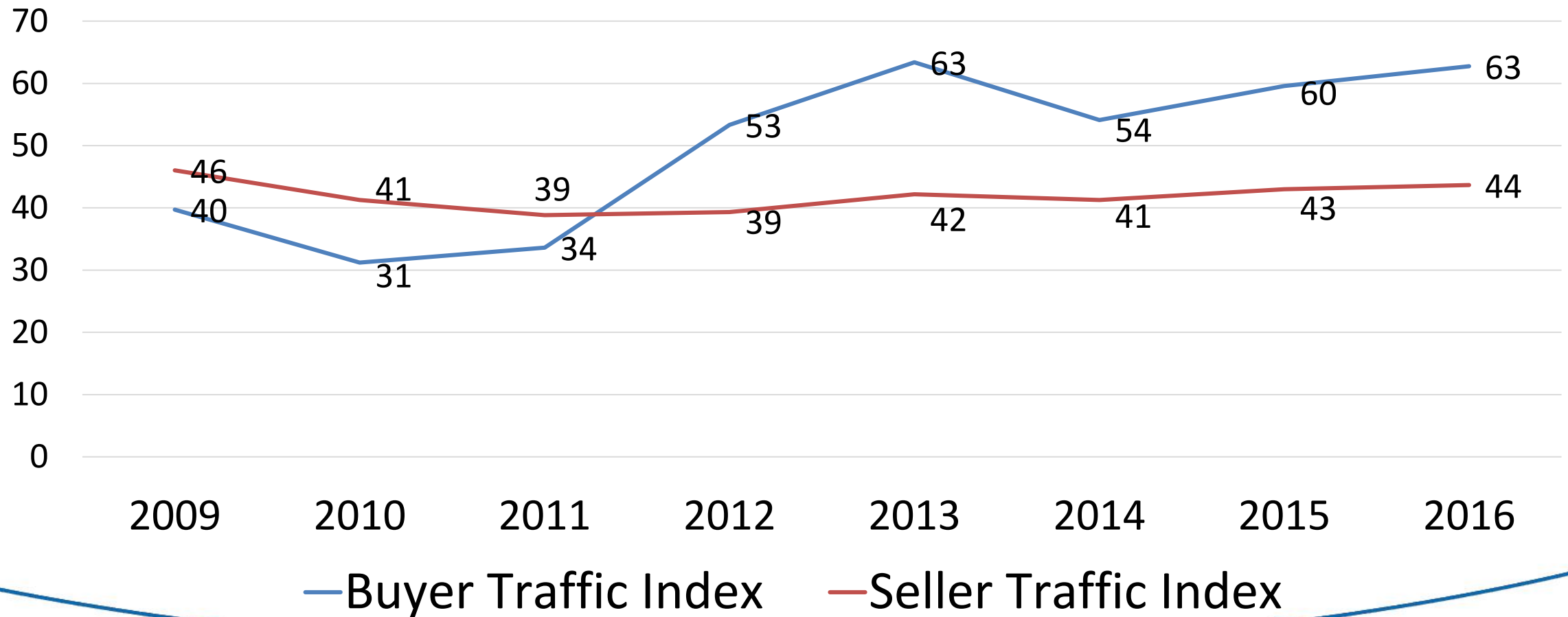
California Affordability Distribution



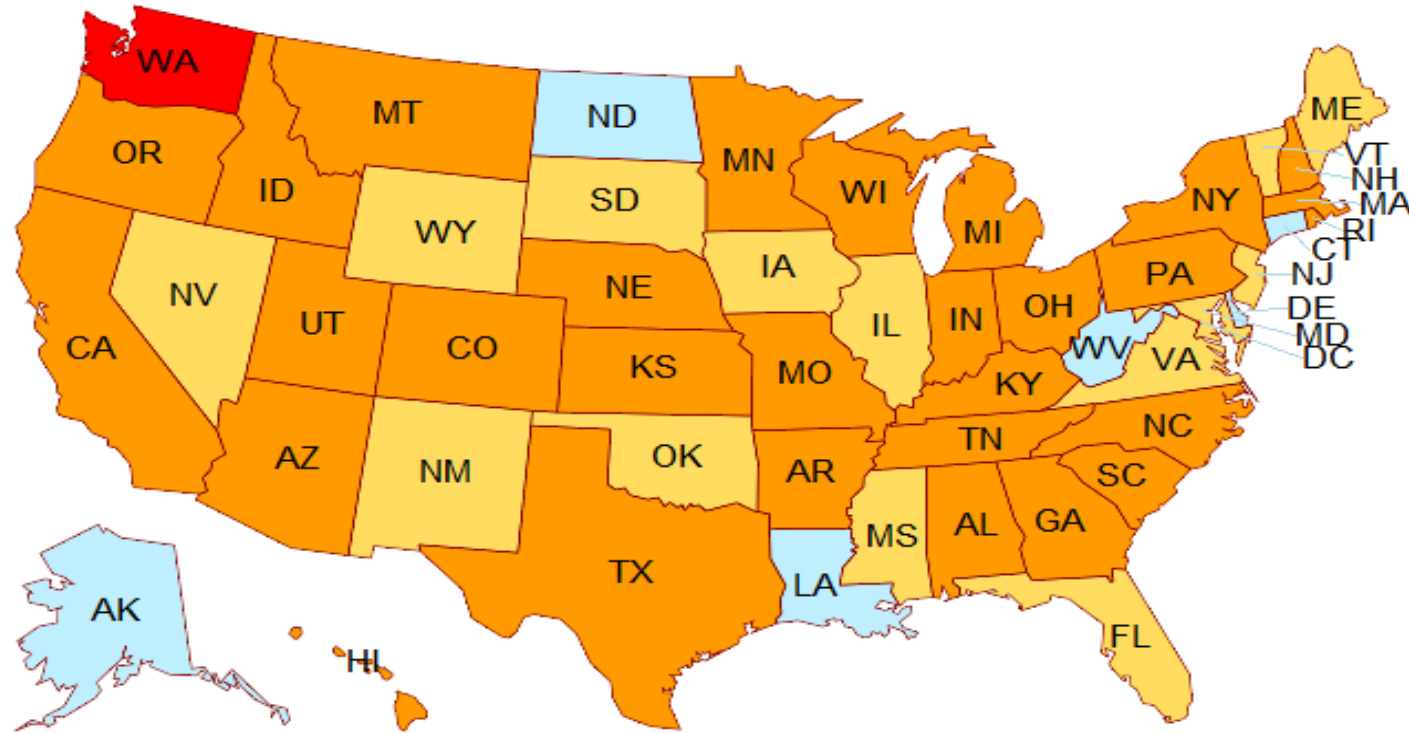
Local Markets with Solid Jobs but Turning Negative in Sales?

- San Francisco
- Boston
- Miami
- Naples (was down ... but now up)
- Portland (barely positive ... from strongly positive)
- Seattle (barely positive ... from strongly positive)
- Southern Cal (small positive)

REALTOR Survey on Traffic



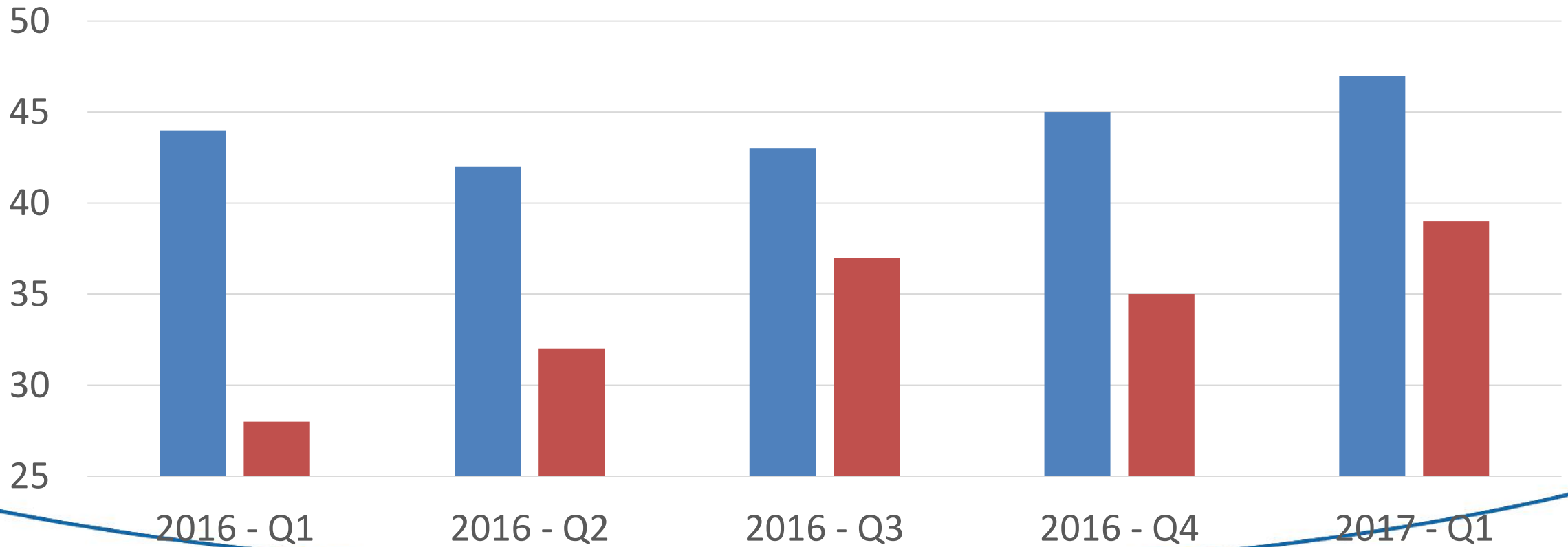
Buyer Traffic



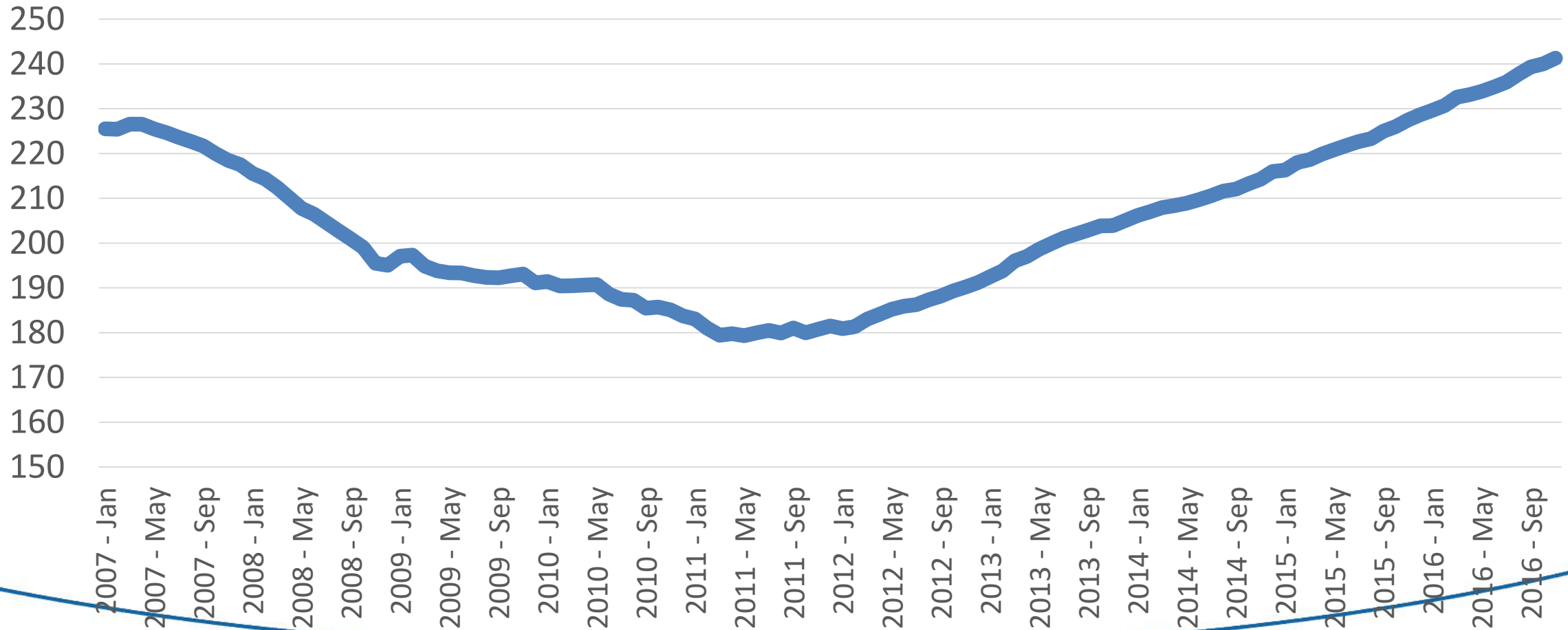
NAR HOME Survey of Consumers

Good Time to Buy/Sell Strongly

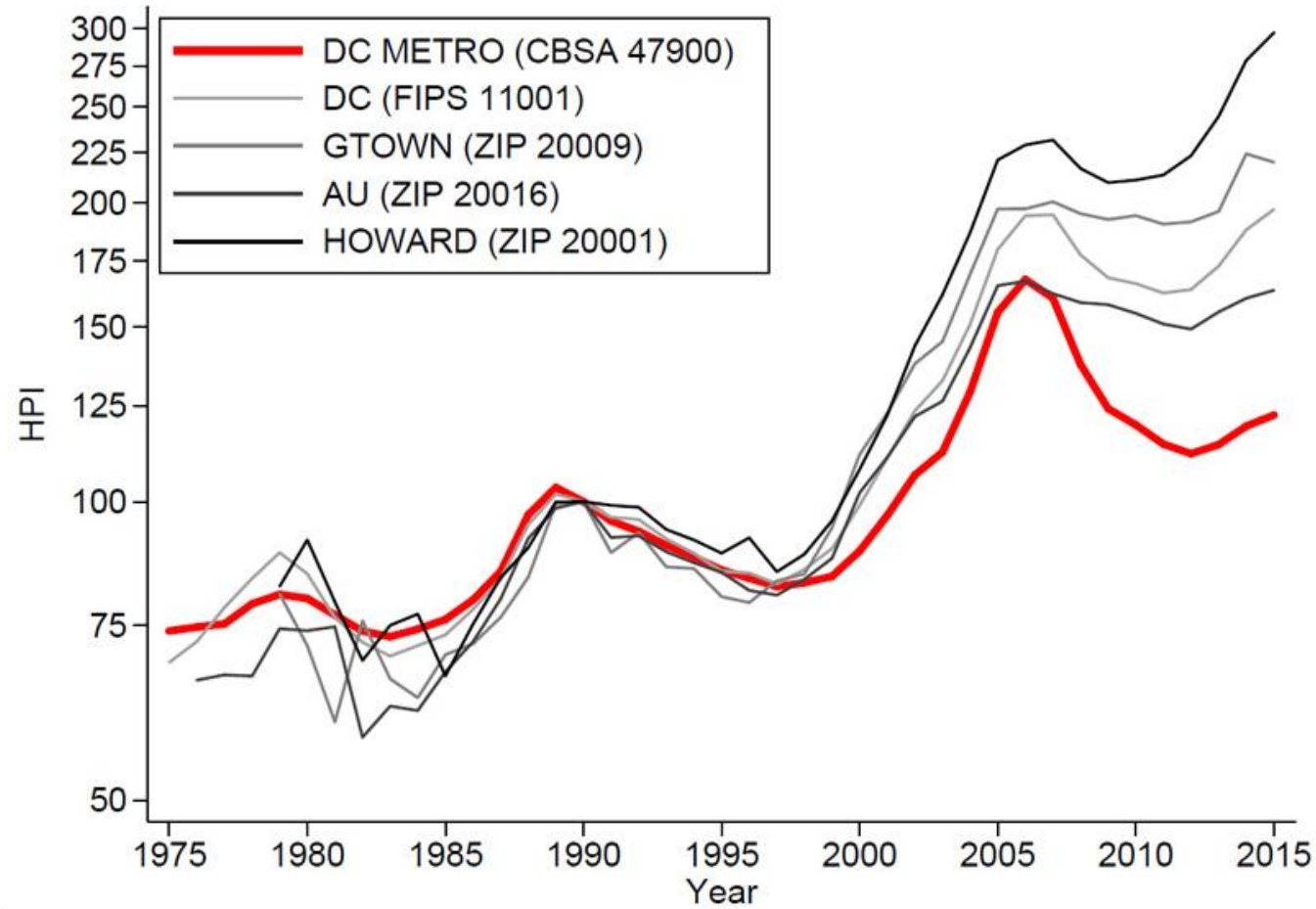
Buy Sell



Home Price Index: U.S.

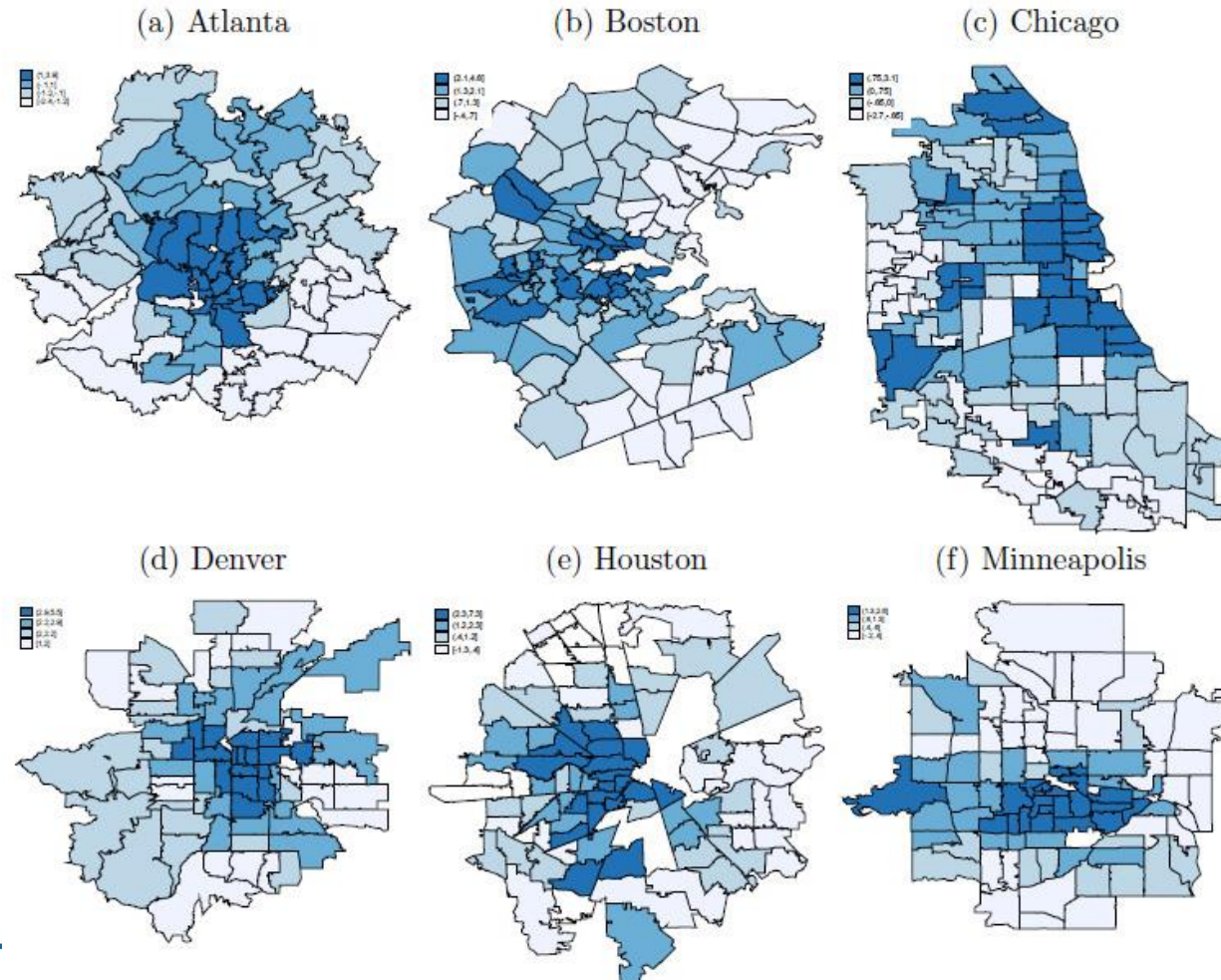


FHFA Home Price Index: County and Zip



Source: Dr. Doerner, FHFA

FHFA Home Price Index: County and Zip

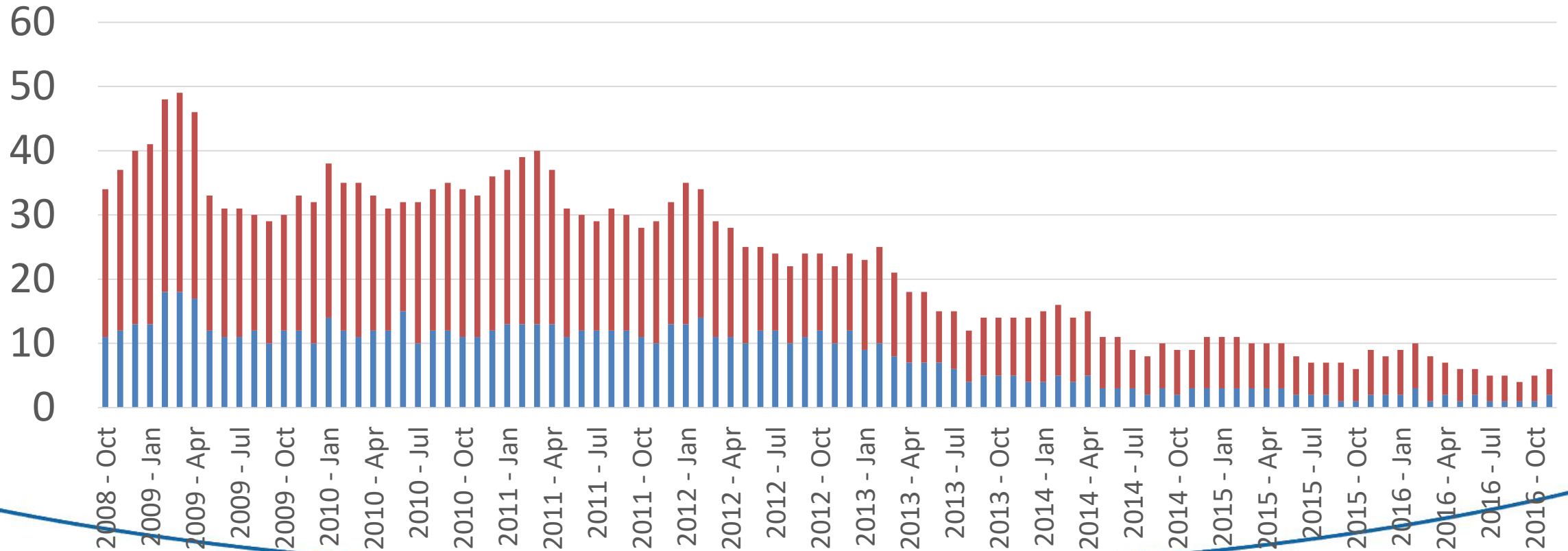


Source: Dr. Doerner, FHFA

Distressed Property Sales

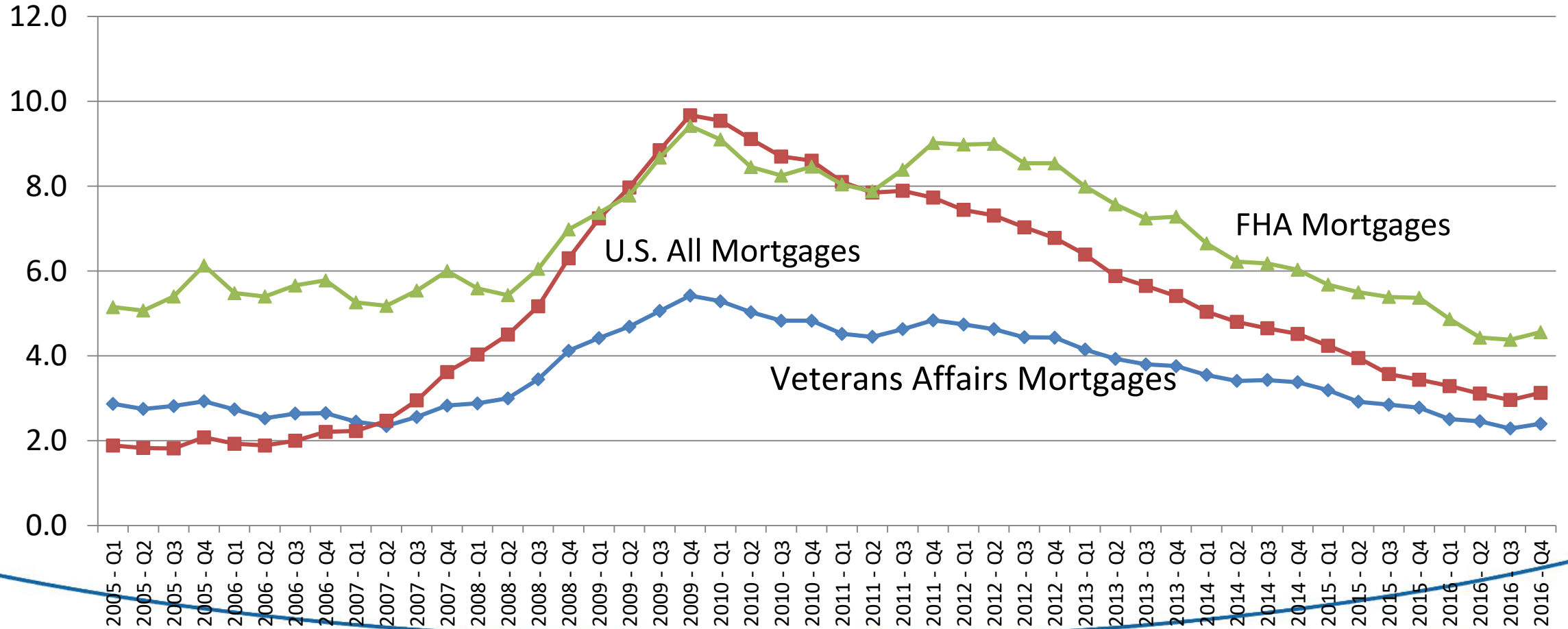
(% of Total Sales)

■ Short Sale ■ Foreclosure

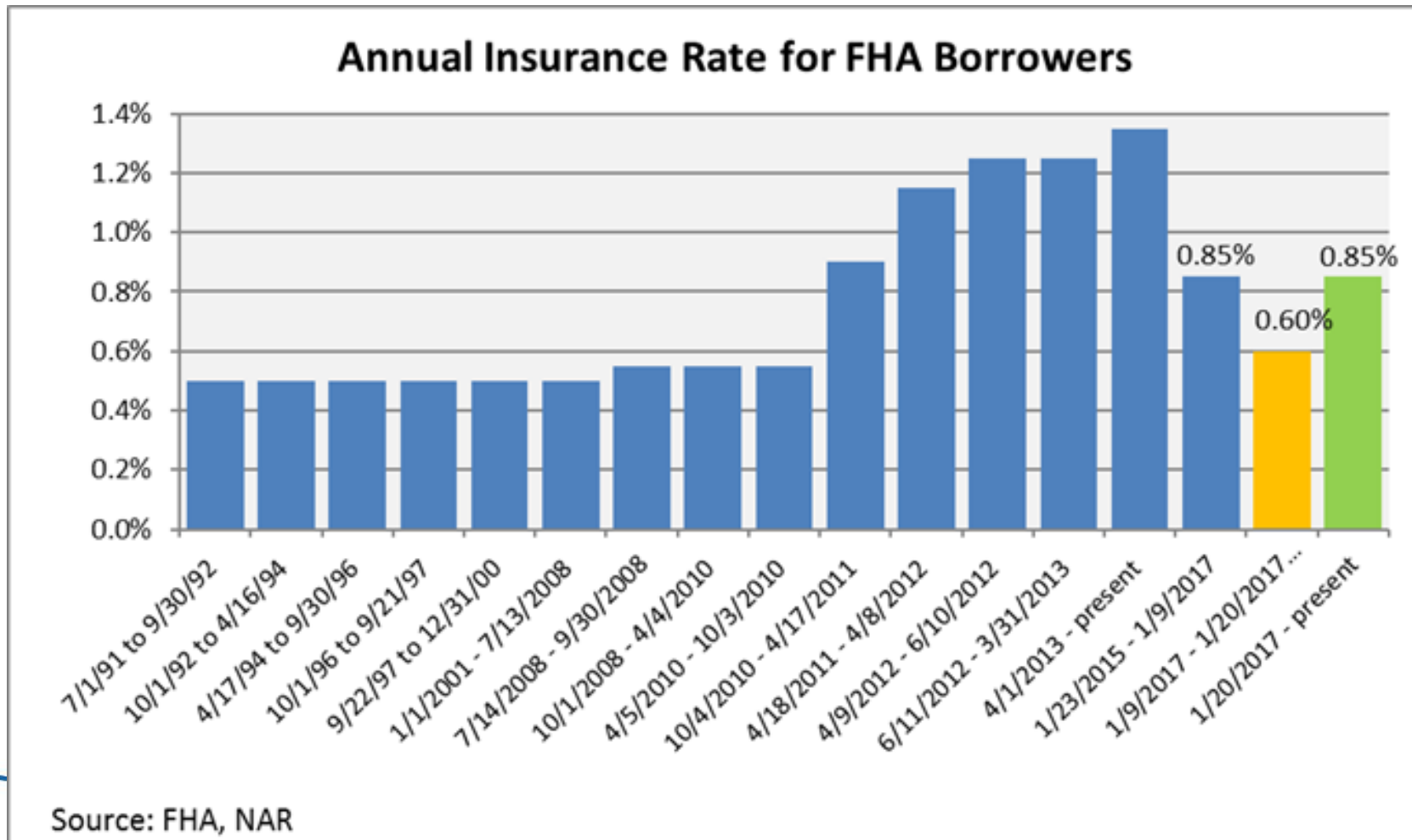


Borrowers Not Defaulting

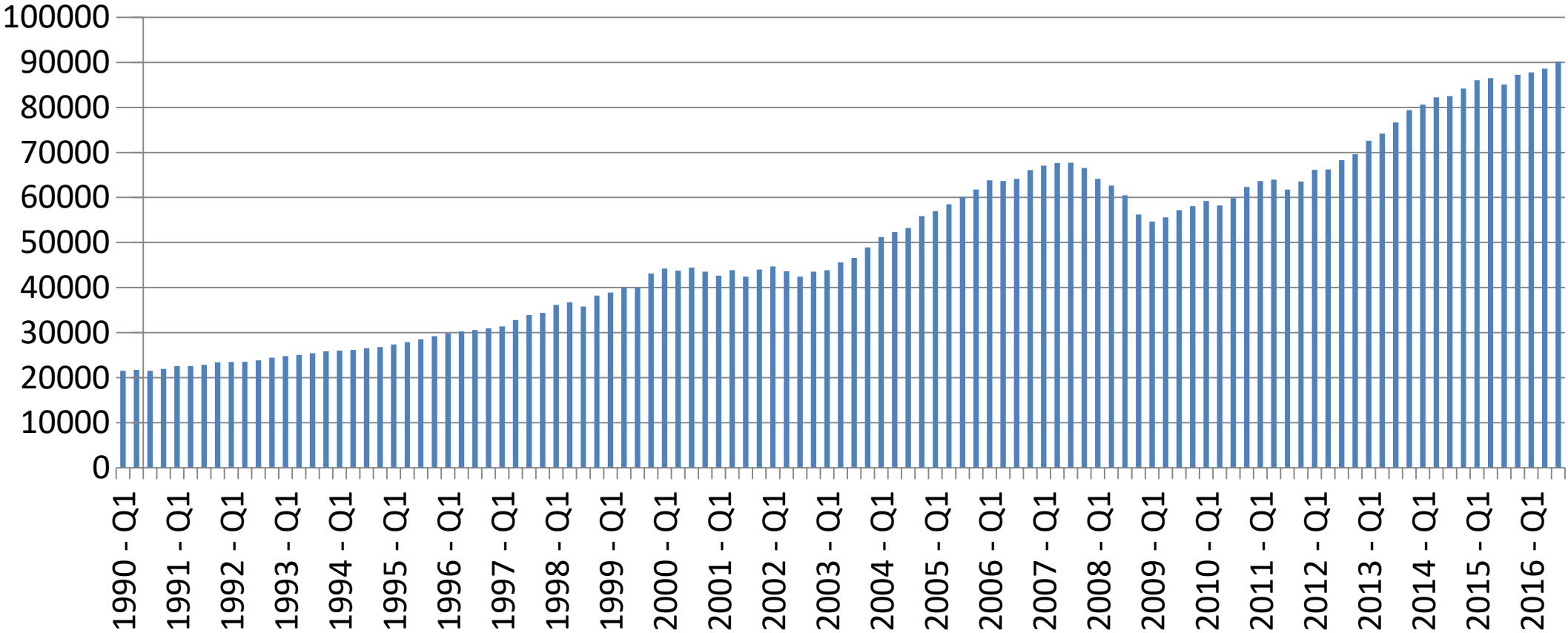
(Serious Delinquency Rate)



FHA Insurance Premium - High

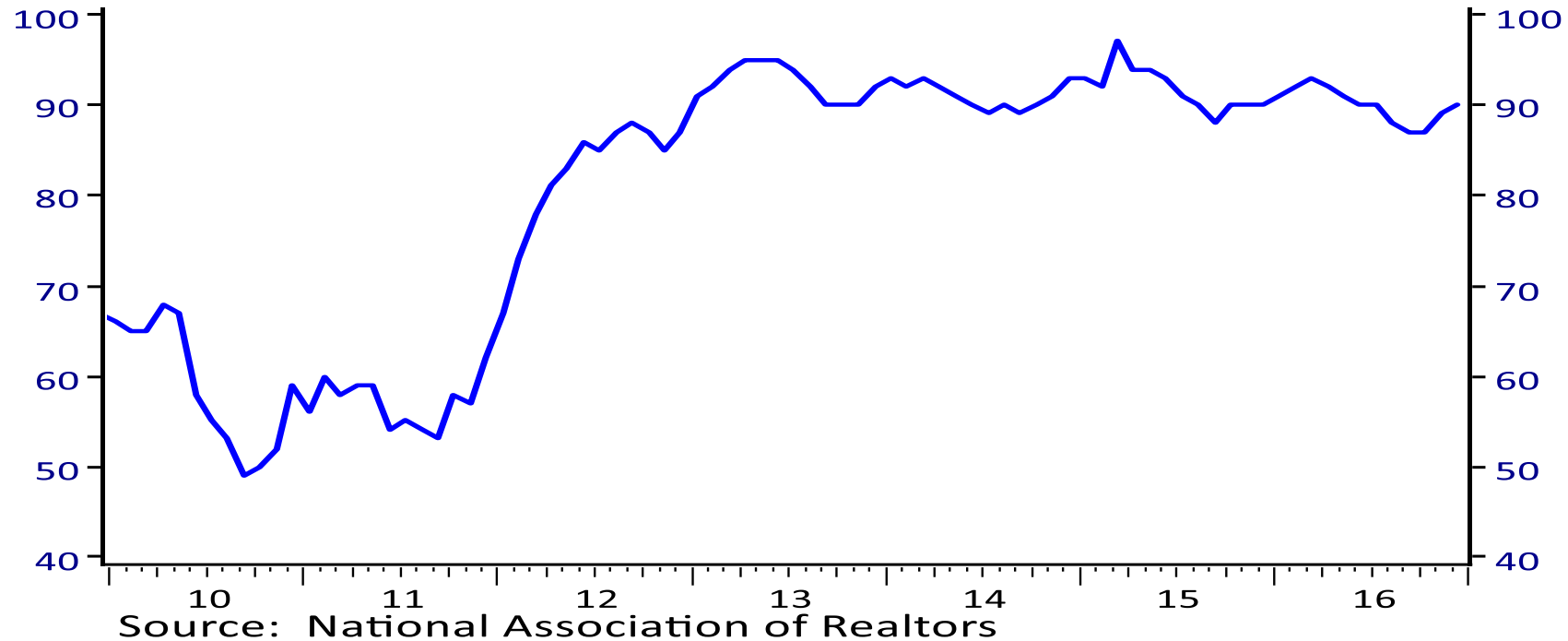


Lifetime Wealth at All-Time High



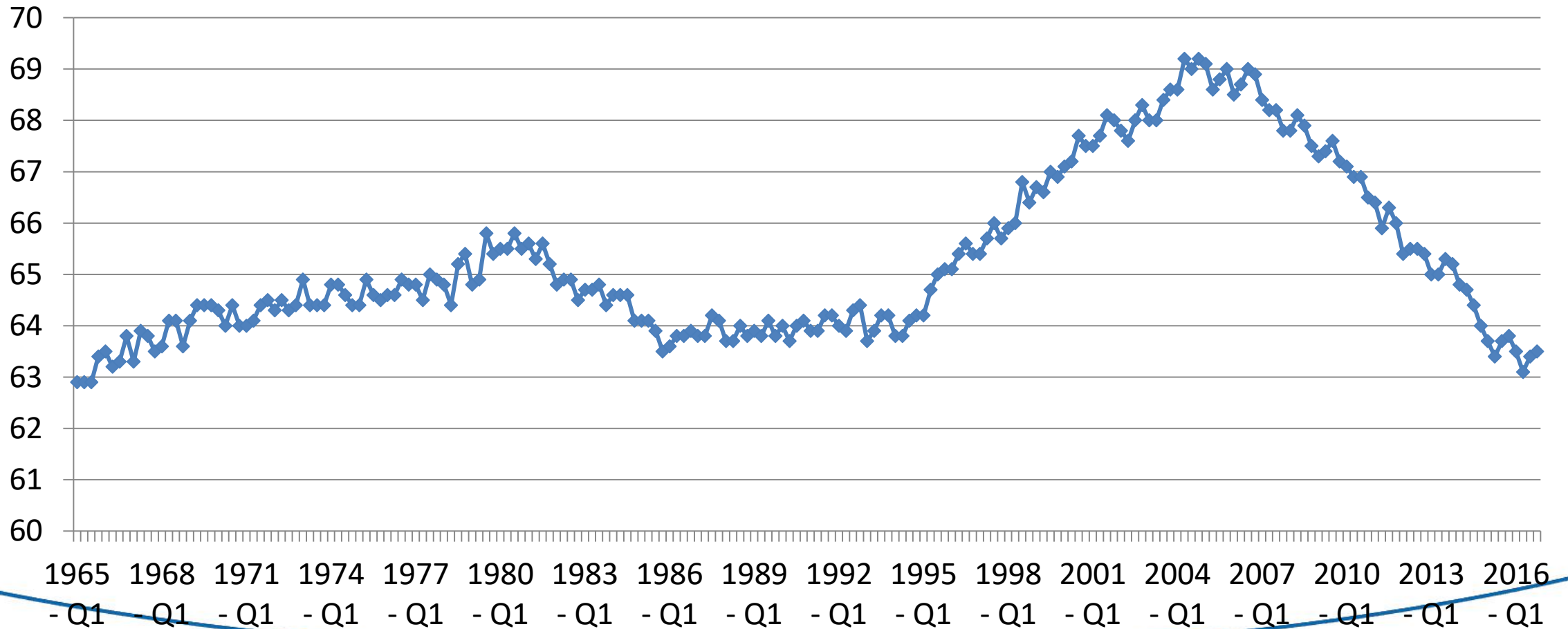
REALTOR® Price Expectation

Price Expectations in Next 12 Mo to be Higher or Constant
% of respondents

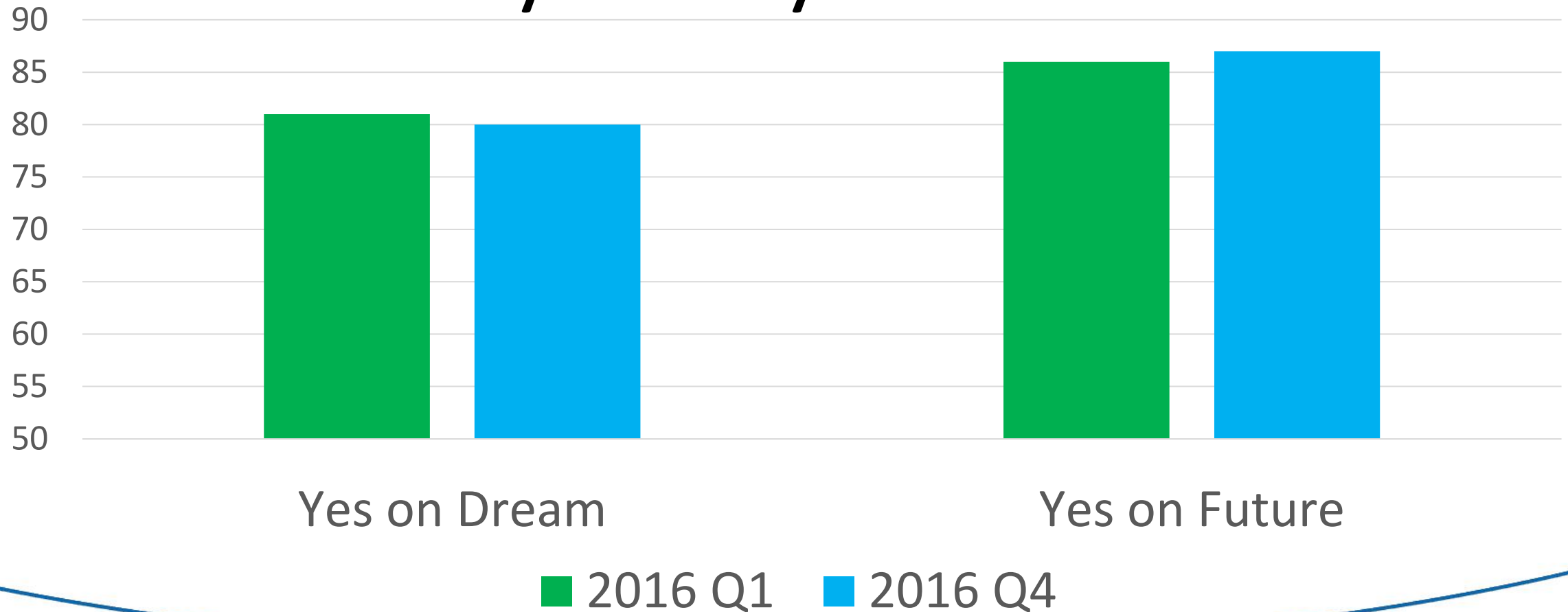


Homeownership Rate

Near 50-year low



Is Owning still American Dream? Will you Buy in Future?



Berkeley Housing Conference

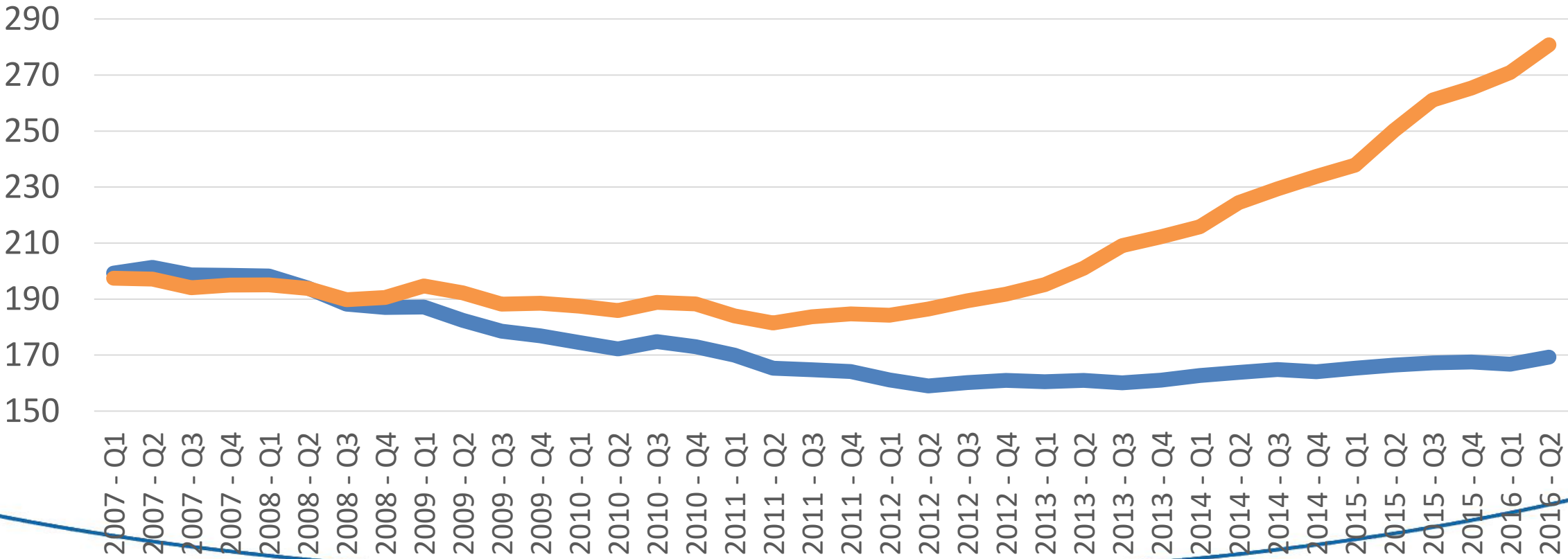
- Dr. Ken Rosen and his team on research findings
- June 9th at Berkeley Stadium
 - Business Venue Section

Upcoming from Rosen Consulting

1. Homeownership in Crisis
2. Major Hurdles Facing Housing Market
 - Dodd-Frank, mortgage availability, student debt, deteriorating affordability, zoning restrictions, construction costs
3. Policies to Safely increase Homeownership Rate
 - Alternative credit scores, GSEs, Lease-Purchase, financial counseling, building starter homes

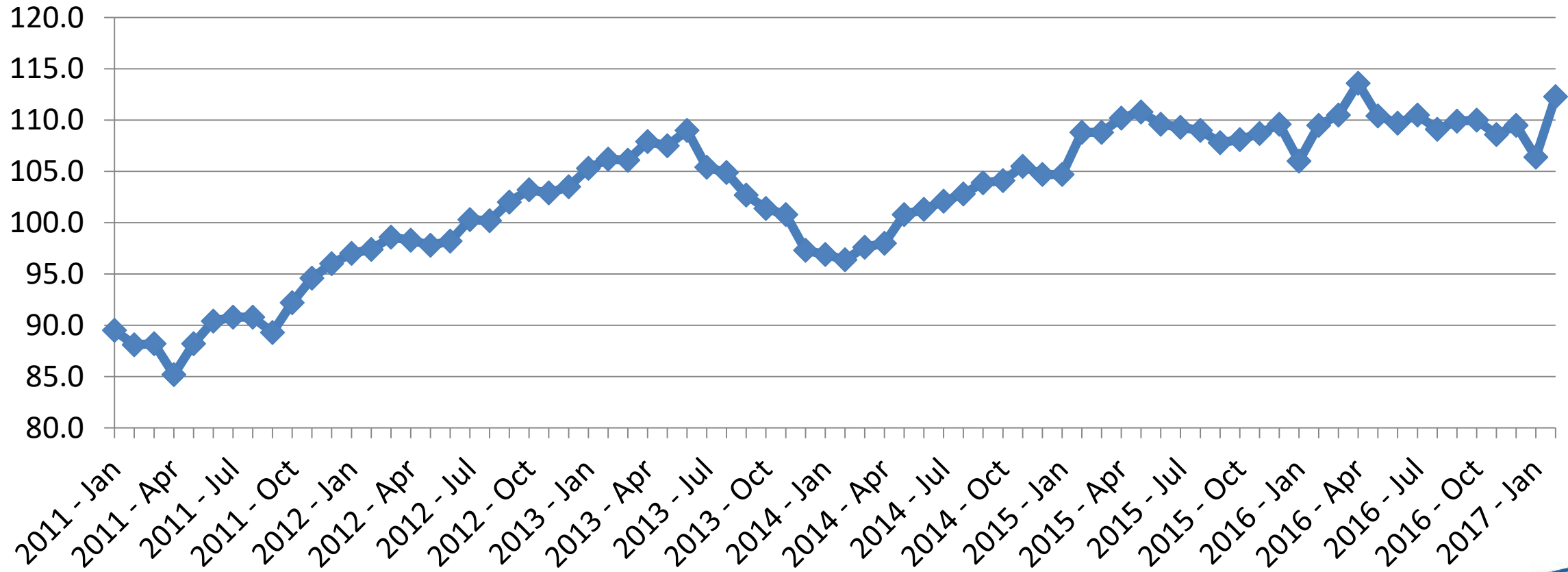
Home Price in Other Swing States: CO and PA

— Allentown — Denver



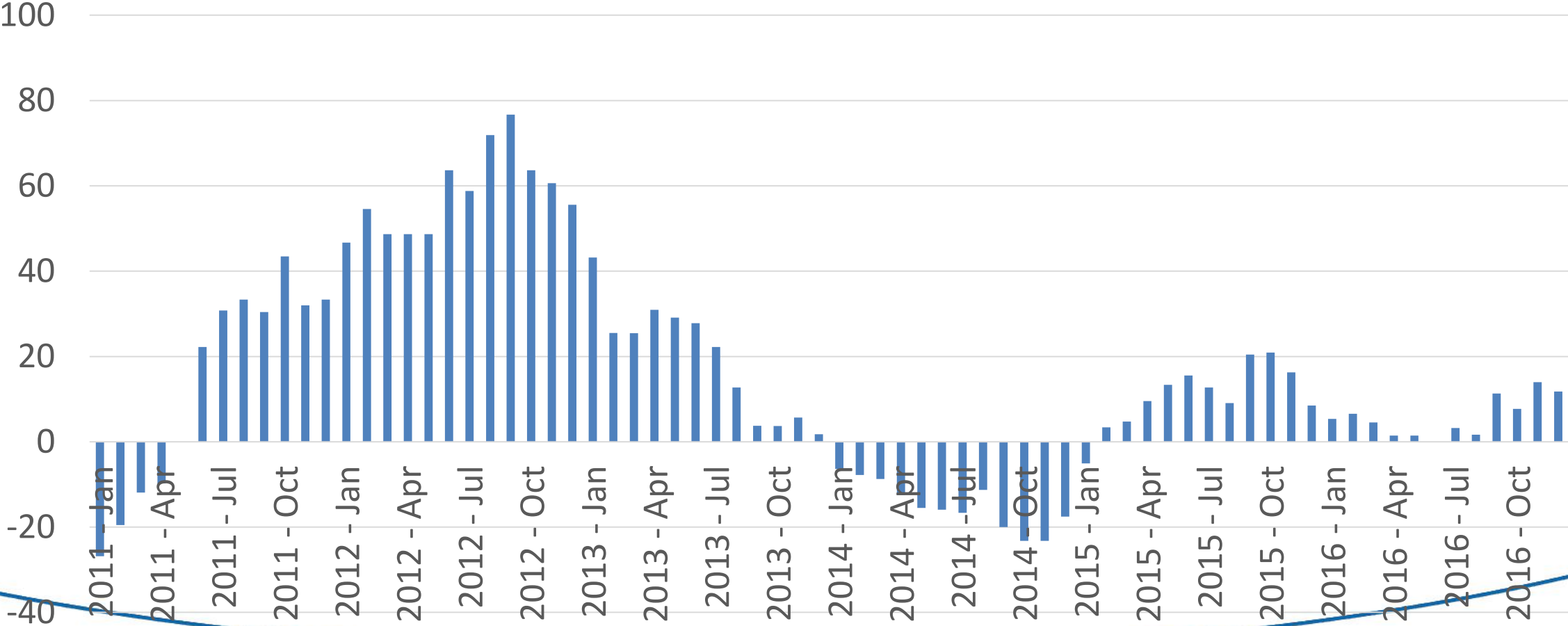
National Pending Sales Index

(Seasonally Adjusted)



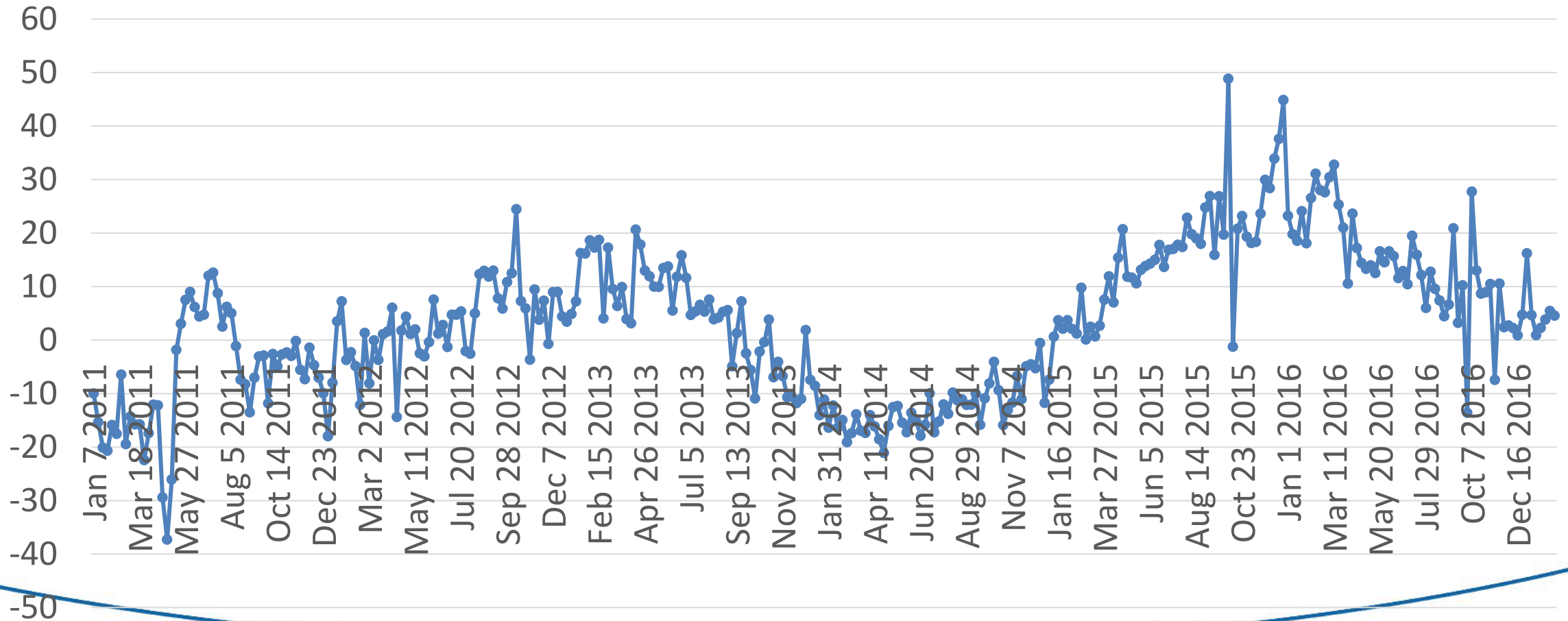
Source: NAR

REALTOR Buyer Traffic Index (% change from a year ago)



Mortgage Purchase Applications

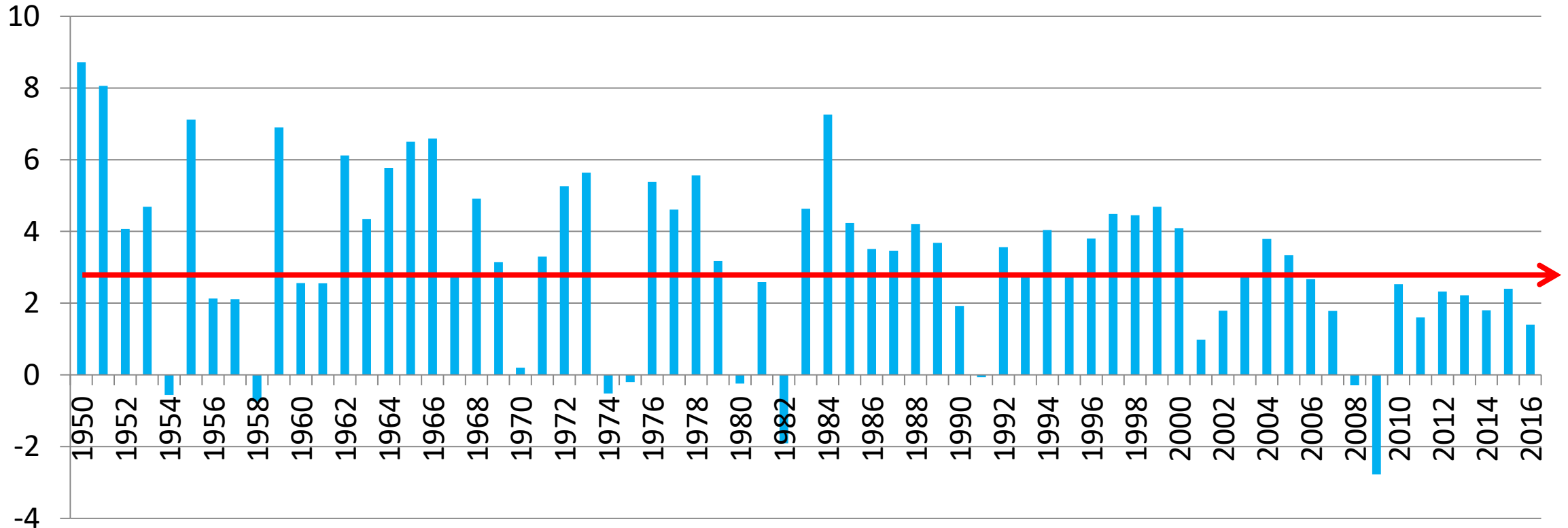
(% change from a year ago)



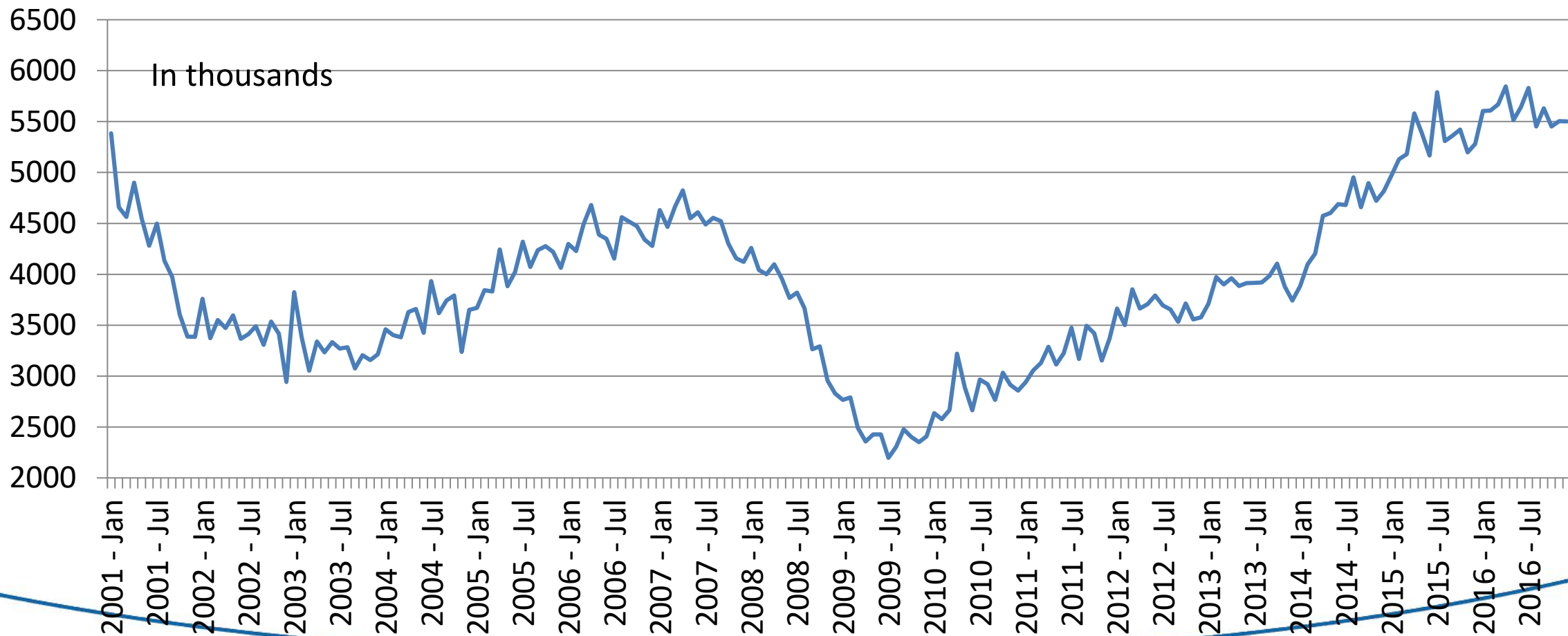
Economy?

Annual GDP ...

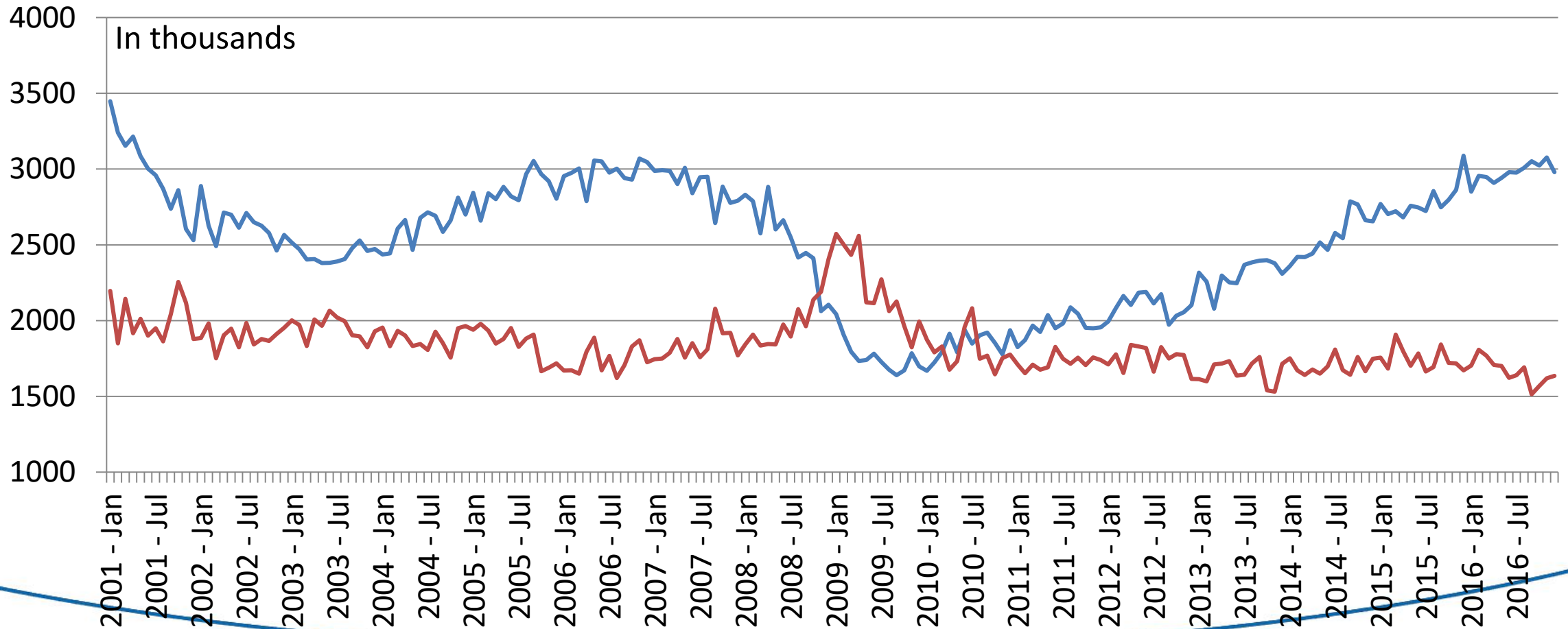
Below 3% for 11 straight years



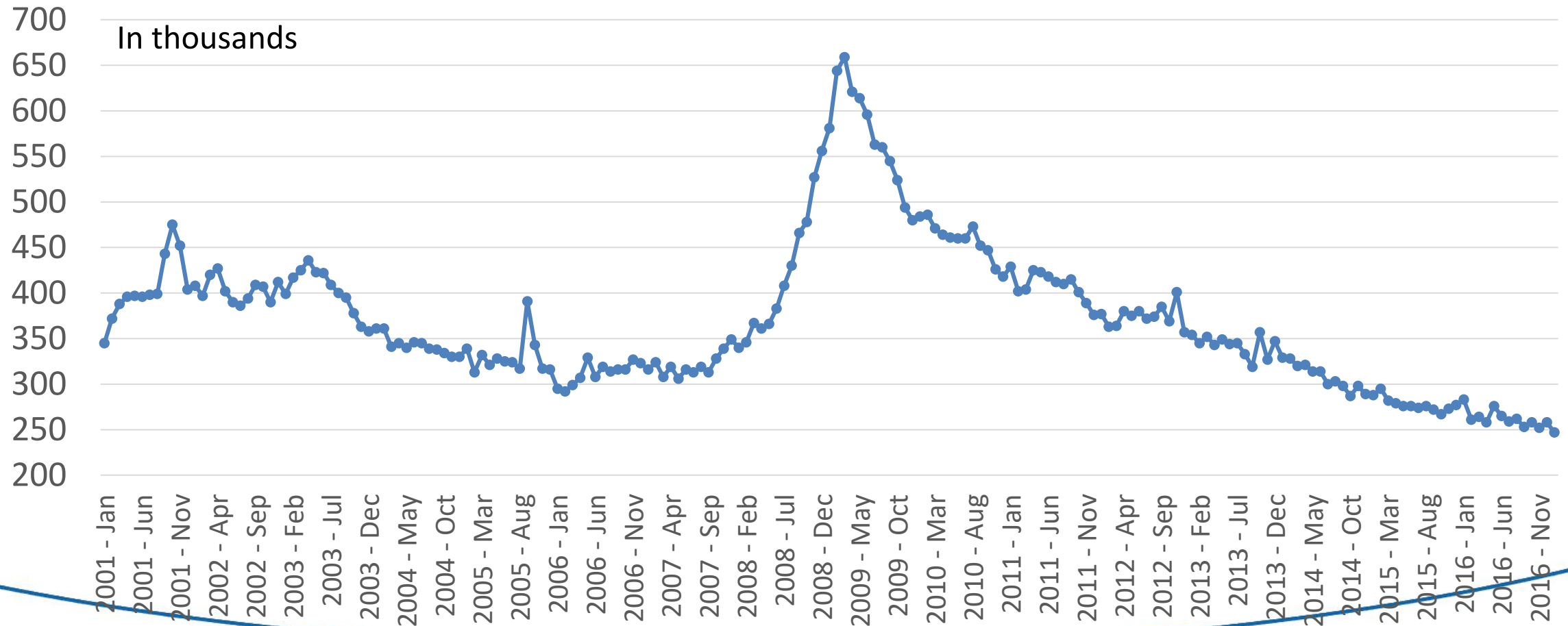
Total Job Openings



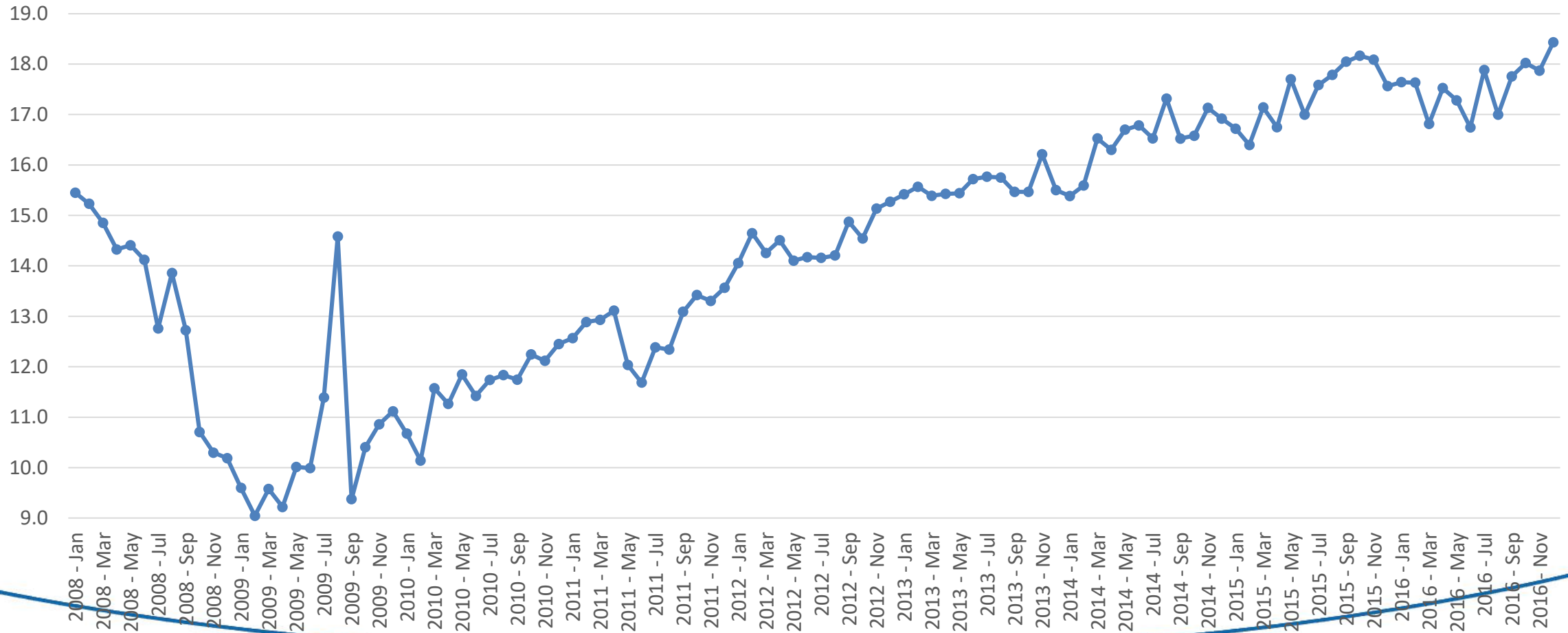
Total Job Separations (Layoffs and Quits)



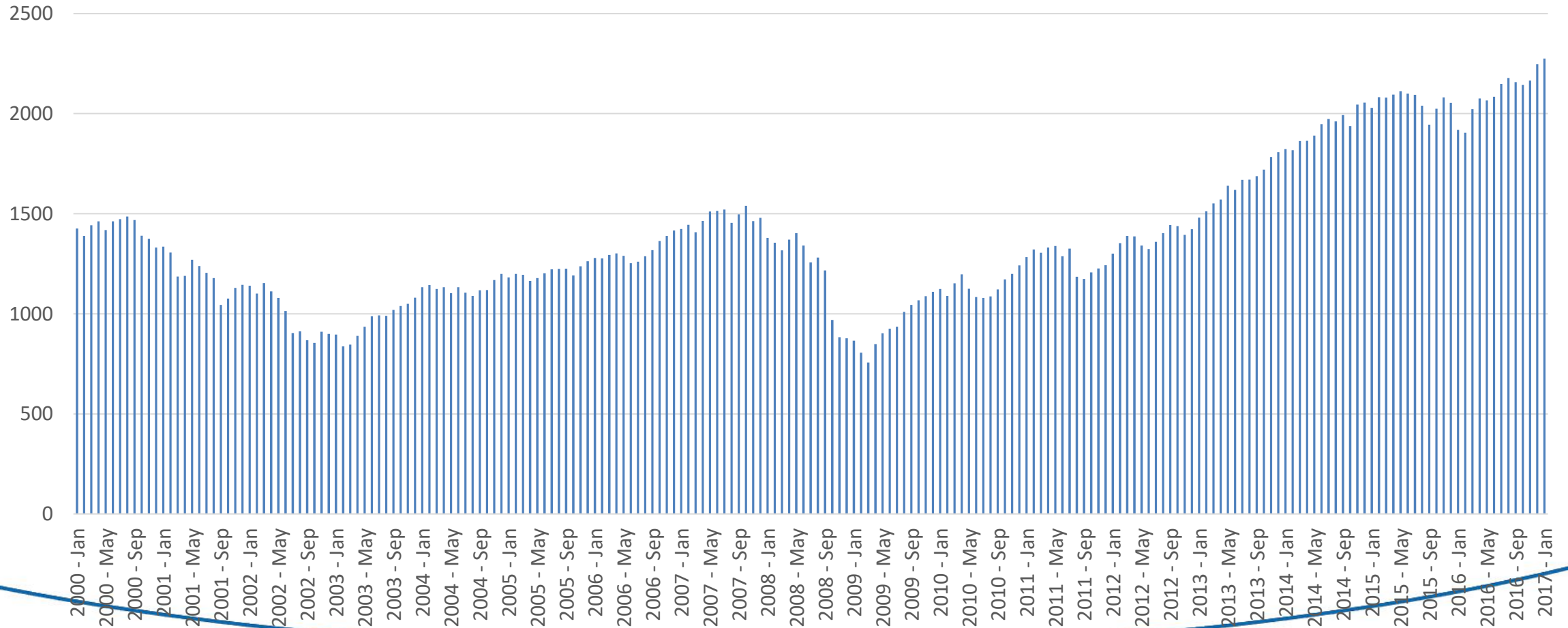
Weekly Initial Unemployment Insurance Filings



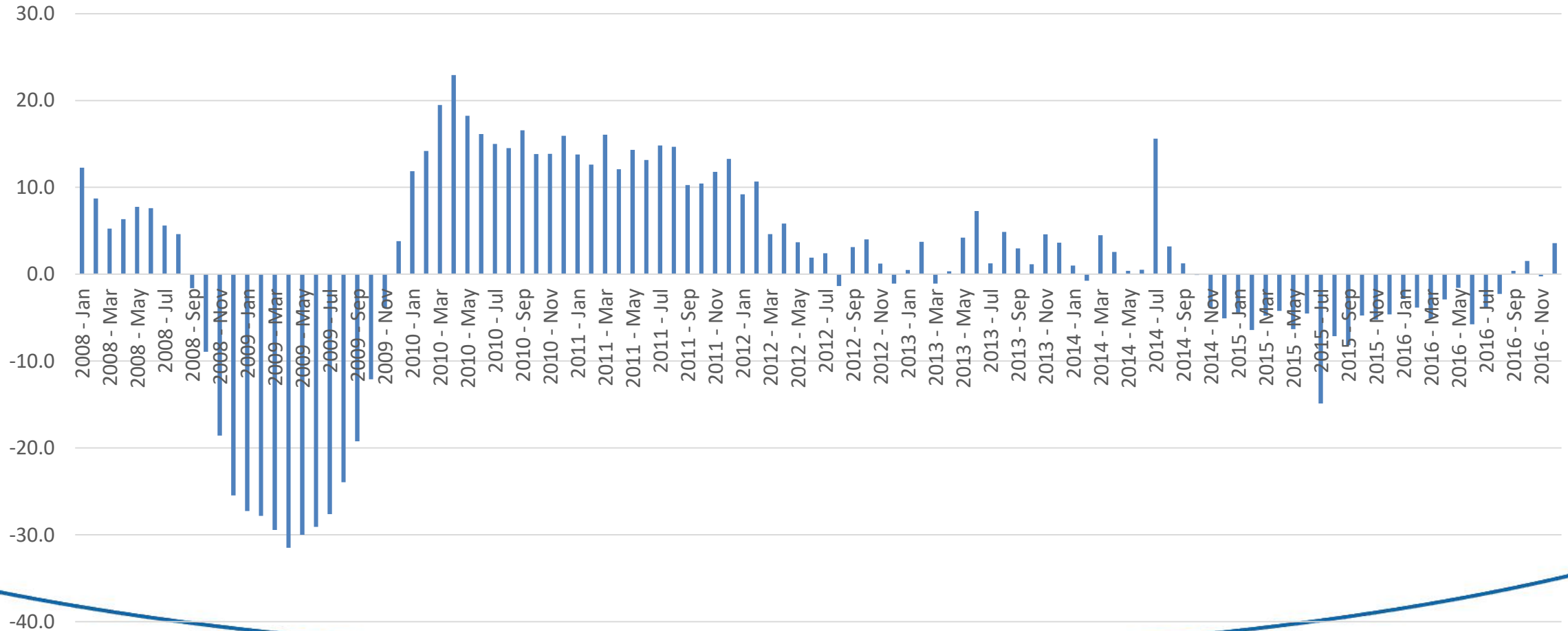
Auto Sales (Annualized Rate)



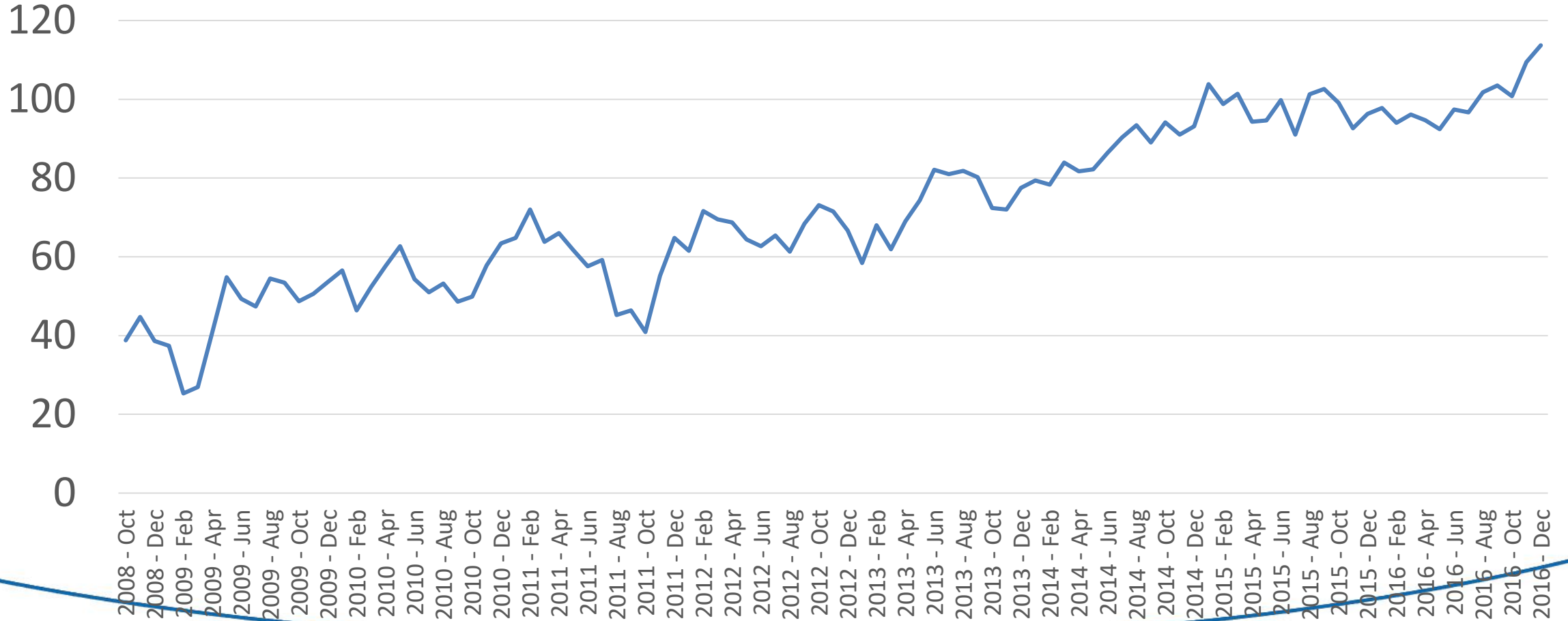
Stock Market: S&P 500 Index



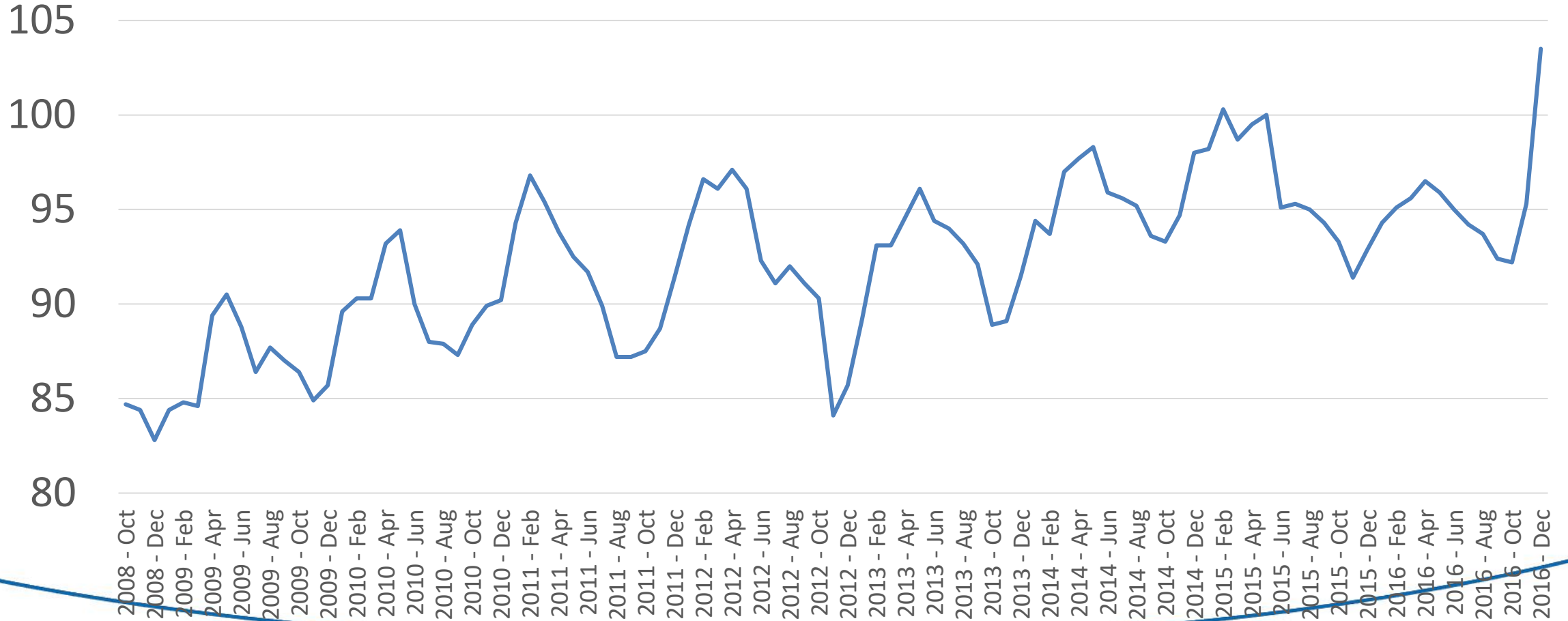
New Capital Orders excluding Defense (% change from a year ago)



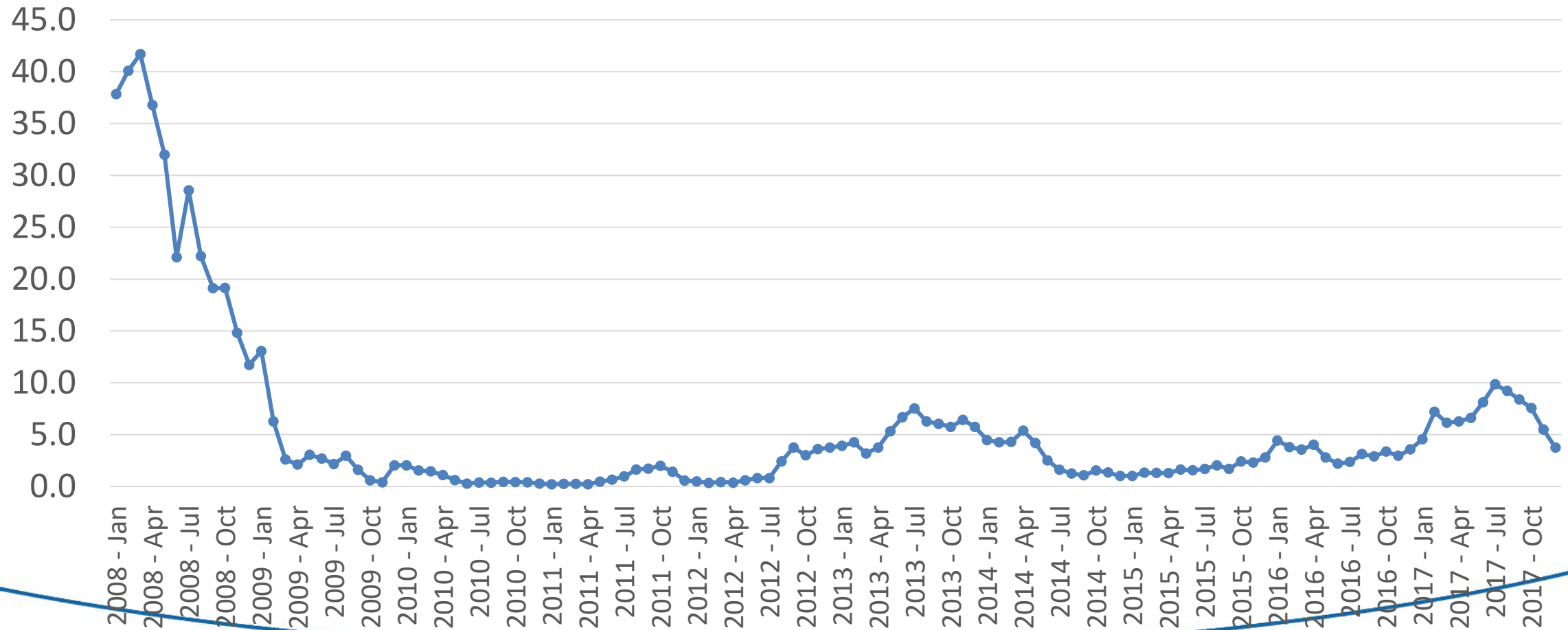
Animal Spirit Revival? Consumer Confidence



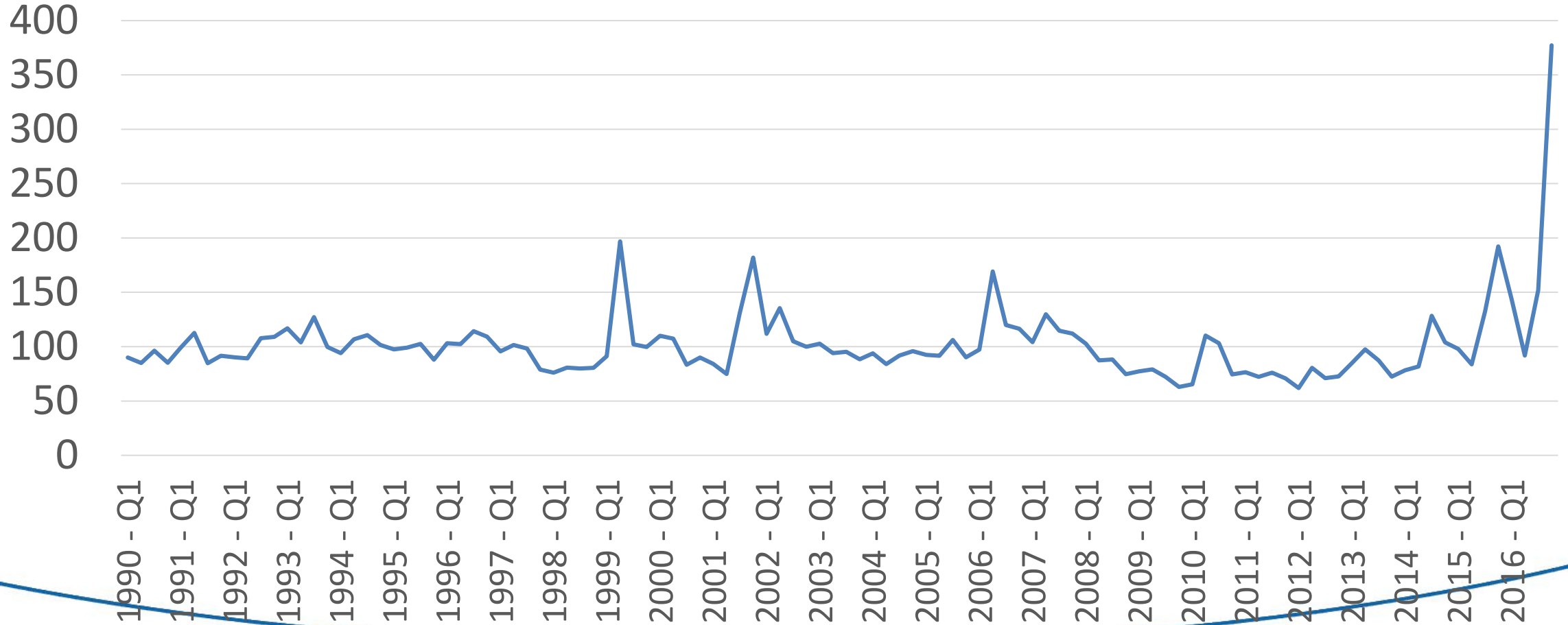
Animal Spirit Revival? Small Business Optimism



Probability of Recession – one year out (NY Fed: based on interest rate spread)

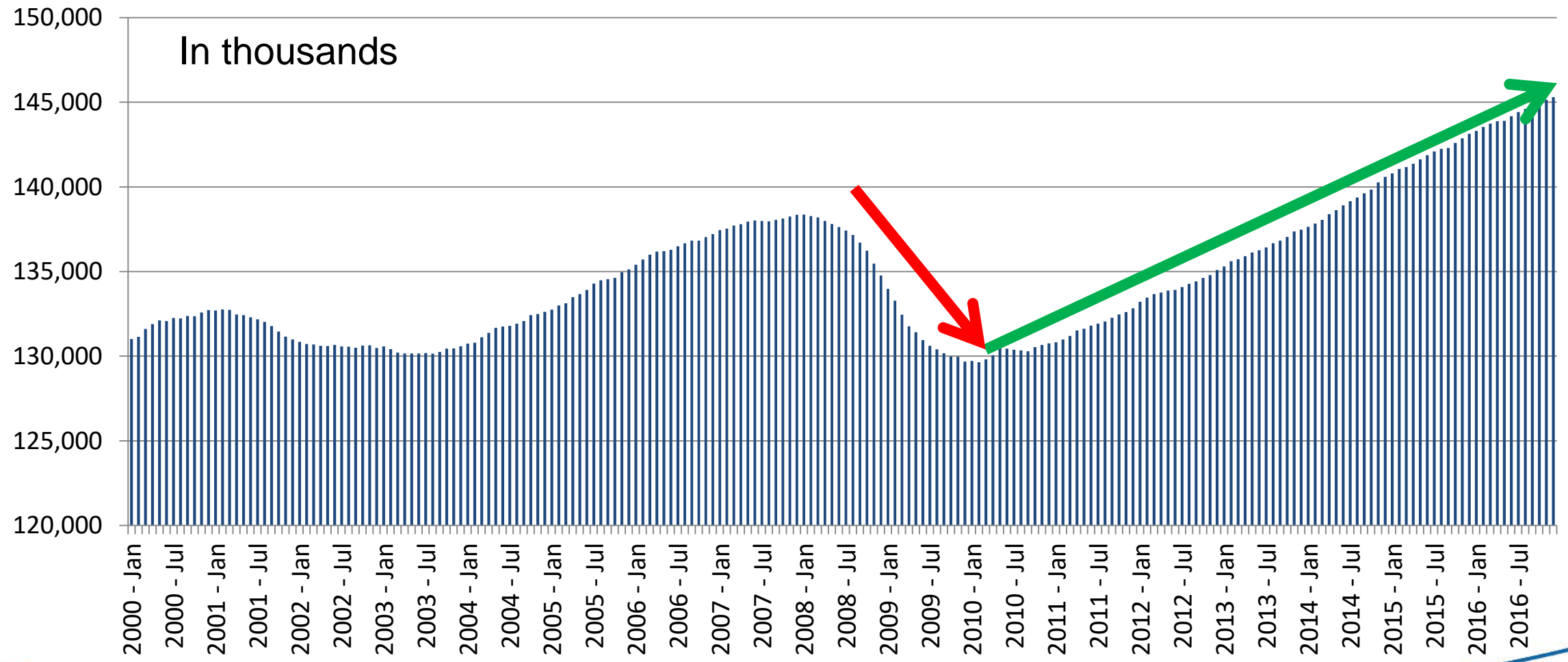


Migration Fear Index



Jobs

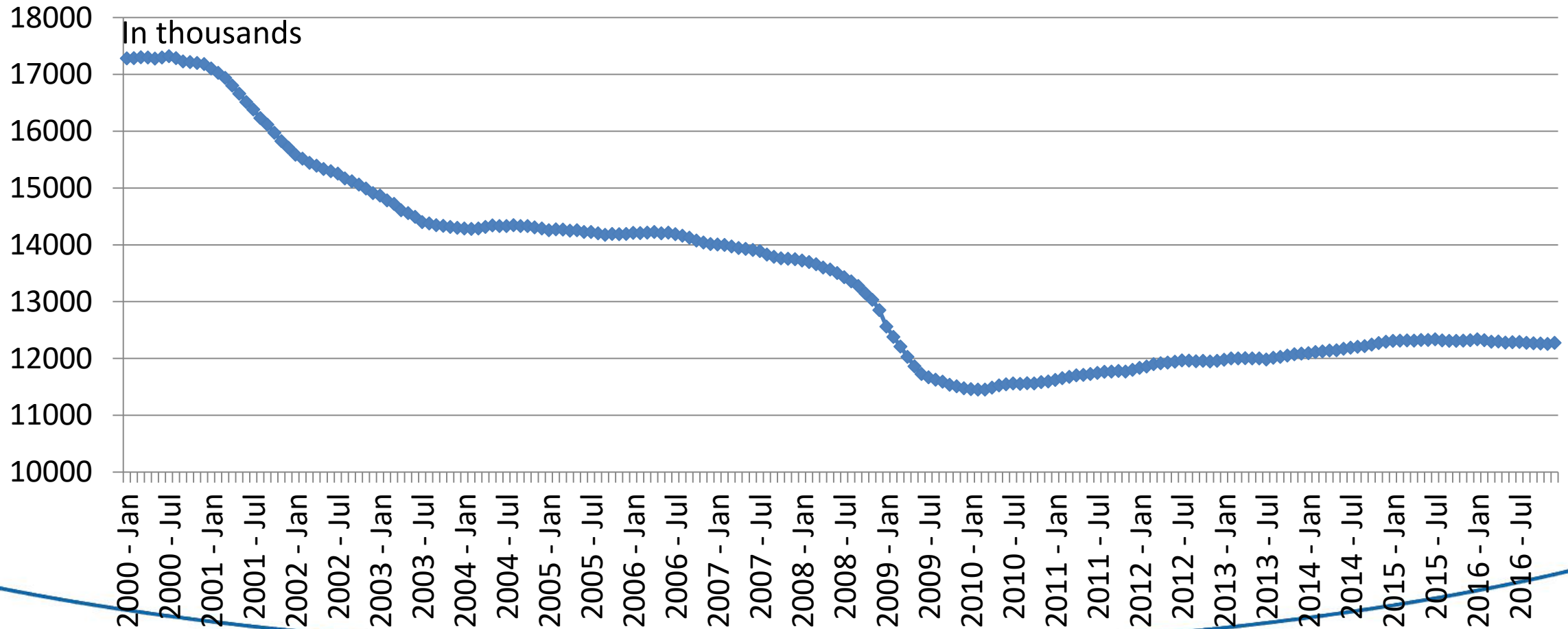
(8 million lost ... 15 million gained)



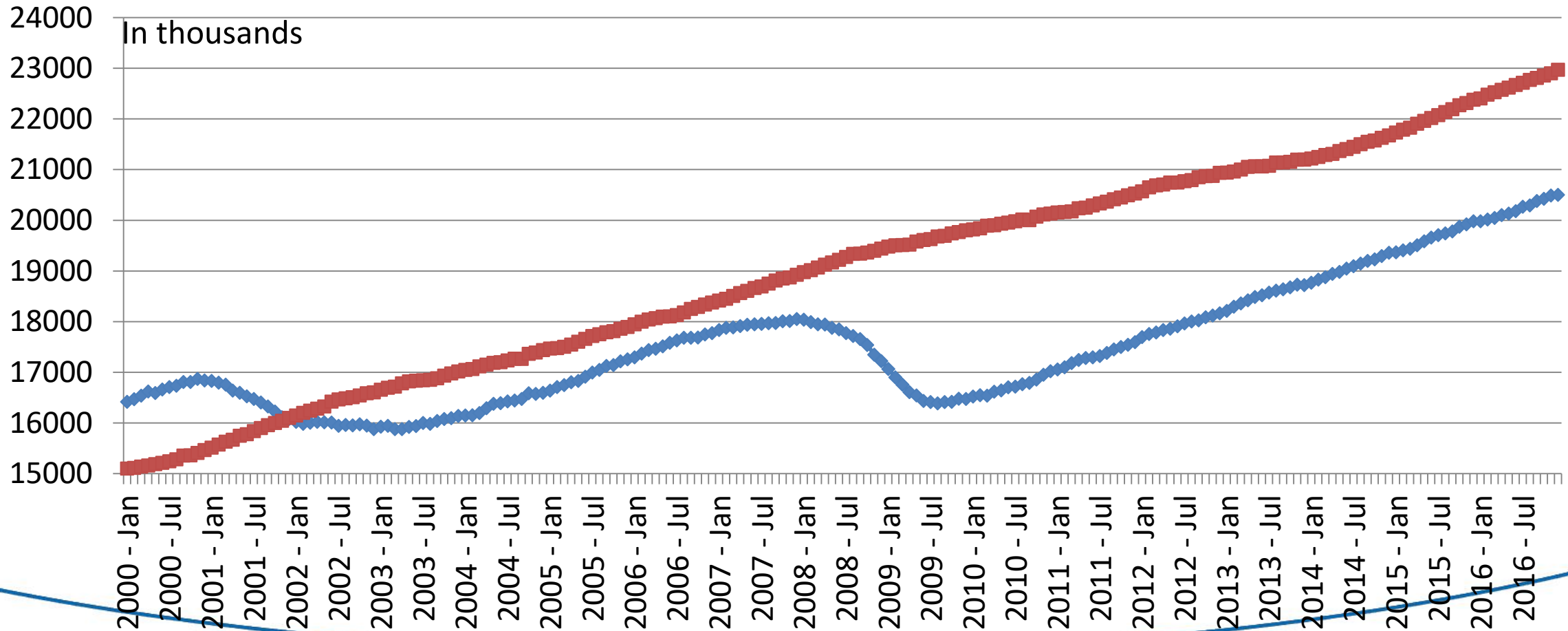
Non-farm Employment Growth By State



Manufacturing Jobs



Professional Business Service and Health/Education Jobs



Forecast

Fed Rate Hike in December '15
in December '16

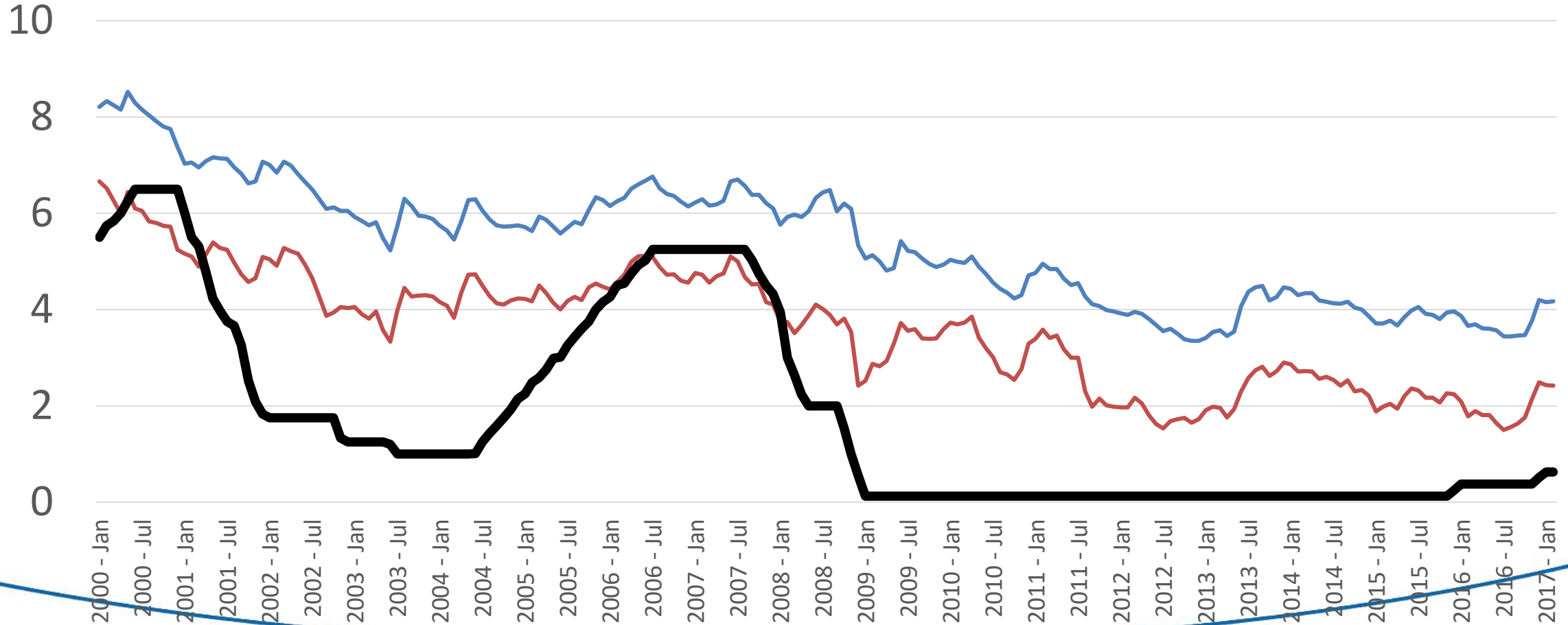
How many times in '17?

Also, unwinding of Fed Bond Purchases?

How to tame inflation and slow the pace of Fed rate hikes?

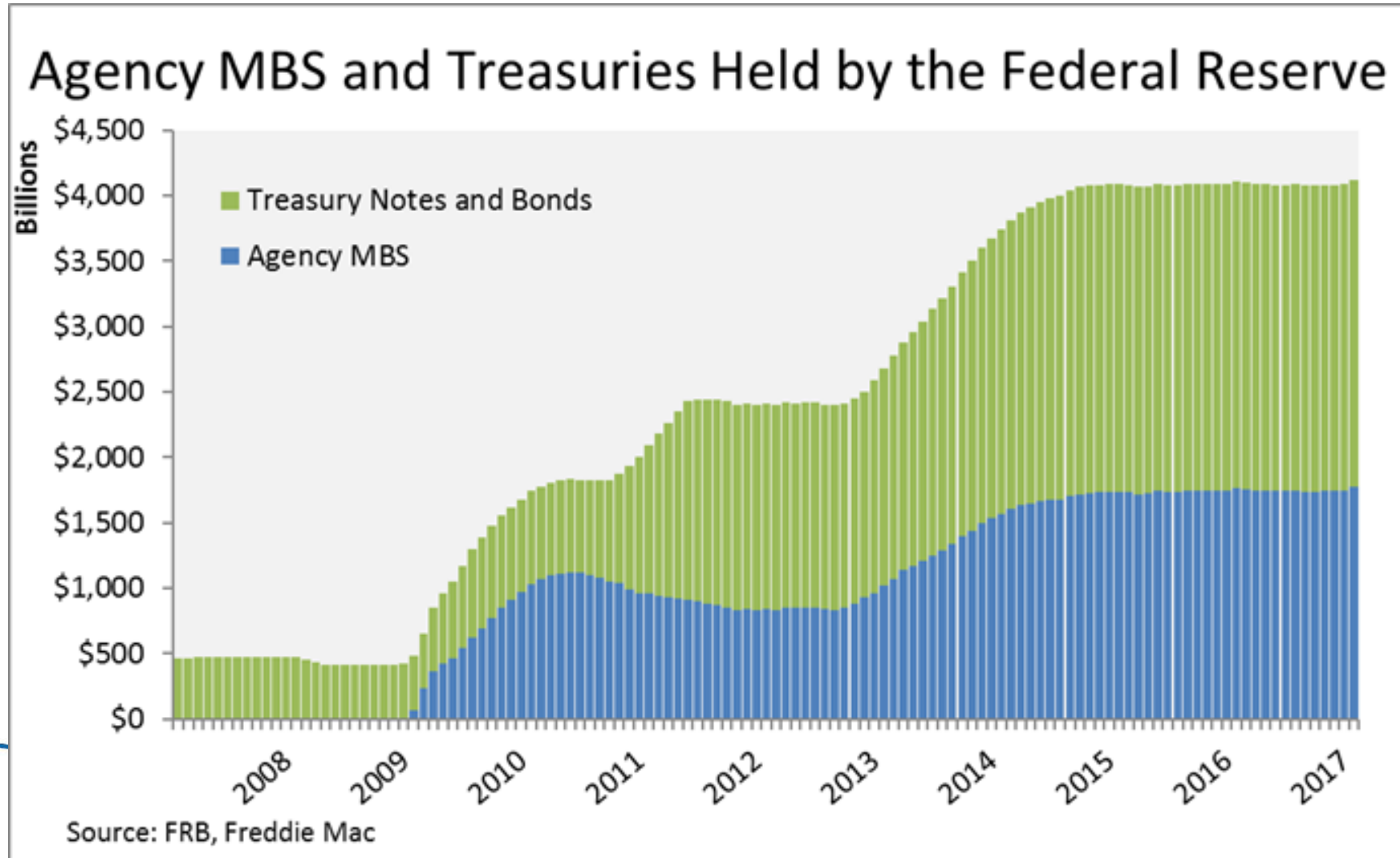
Build More Homes

Fed Funds Rate and Long-Term Rates (10-year Treasury and 30-yr Mortgage)



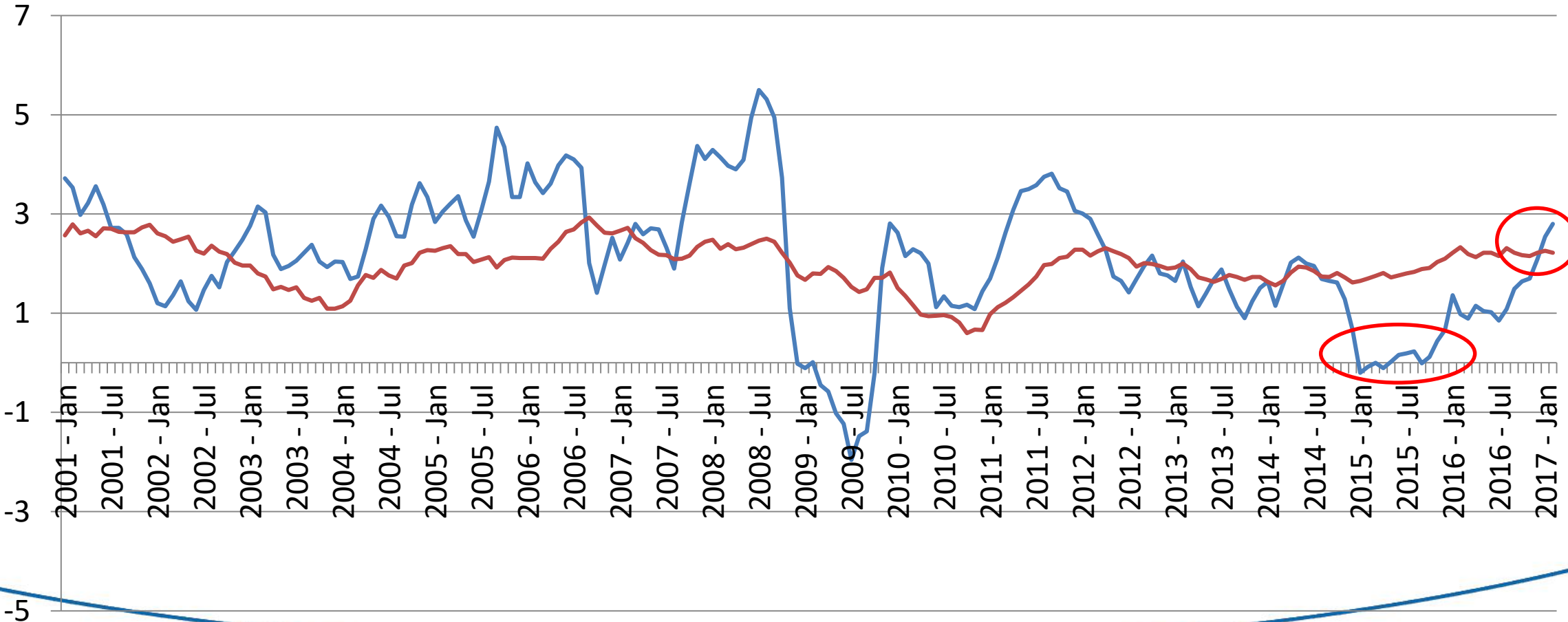
Federal Reserve Balance Sheet

Pace and Impact of Unwinding?



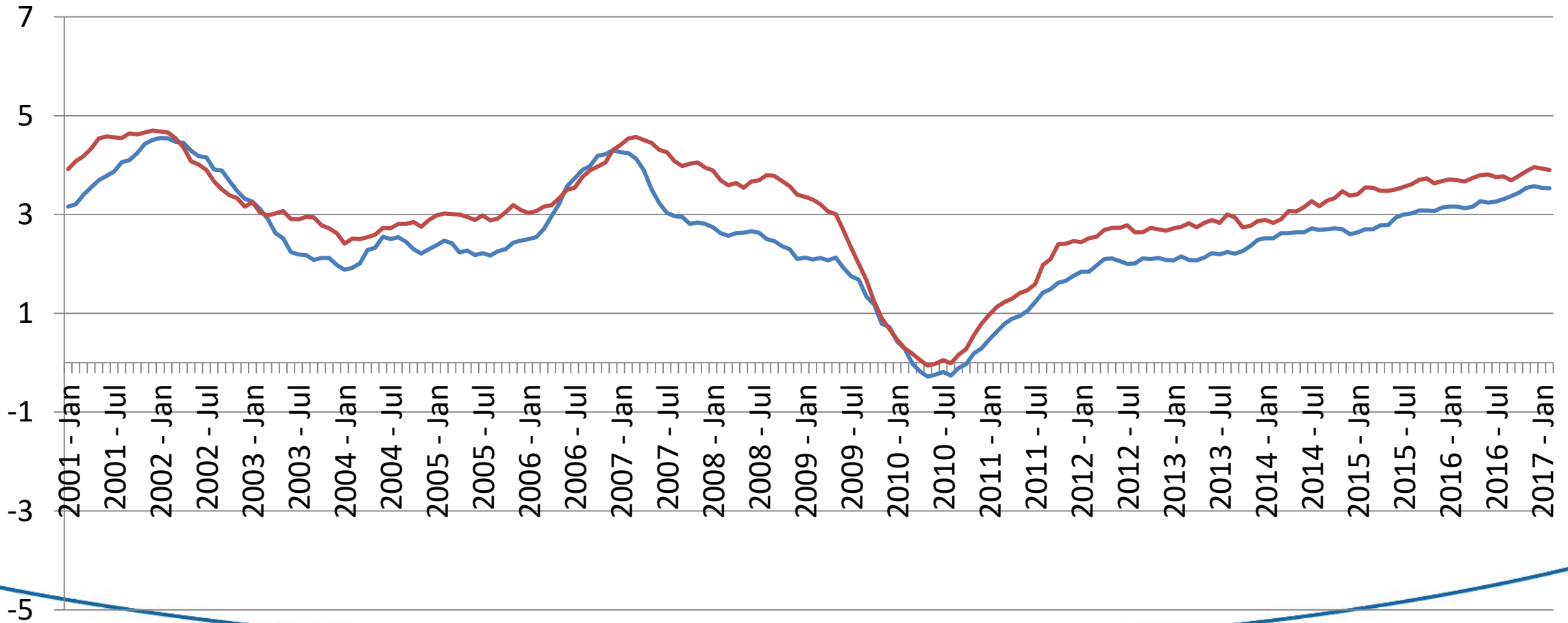
CPI Inflation

(Overall and Core)



CPI Housing Components: Above 3%

(Renters' Rent and Owner's Equivalent Rent)



Economic Forecast

	2015	2016 Likely	2017 Forecast	2018 Forecast
GDP Growth	2.6%	1.5%	2.1%	2.5%
Job Growth	+2.6 million	+2.0 million	+2.1 million	+2.4 million
CPI Inflation	0.3%	1.2%	2.5%	2.5%

Normal vs. Now

Plenty of Pent-Up Demand

	2000 (Likely Normal)	2016
Existing Home Sales	5.2 million	5.3 million
New Home Sales	900,000	500,000
Population	282 million	324 million
Jobs	132 million	145 million
Total U.S. Household Wealth	\$44 trillion	\$85 trillion

Locked-in Effect

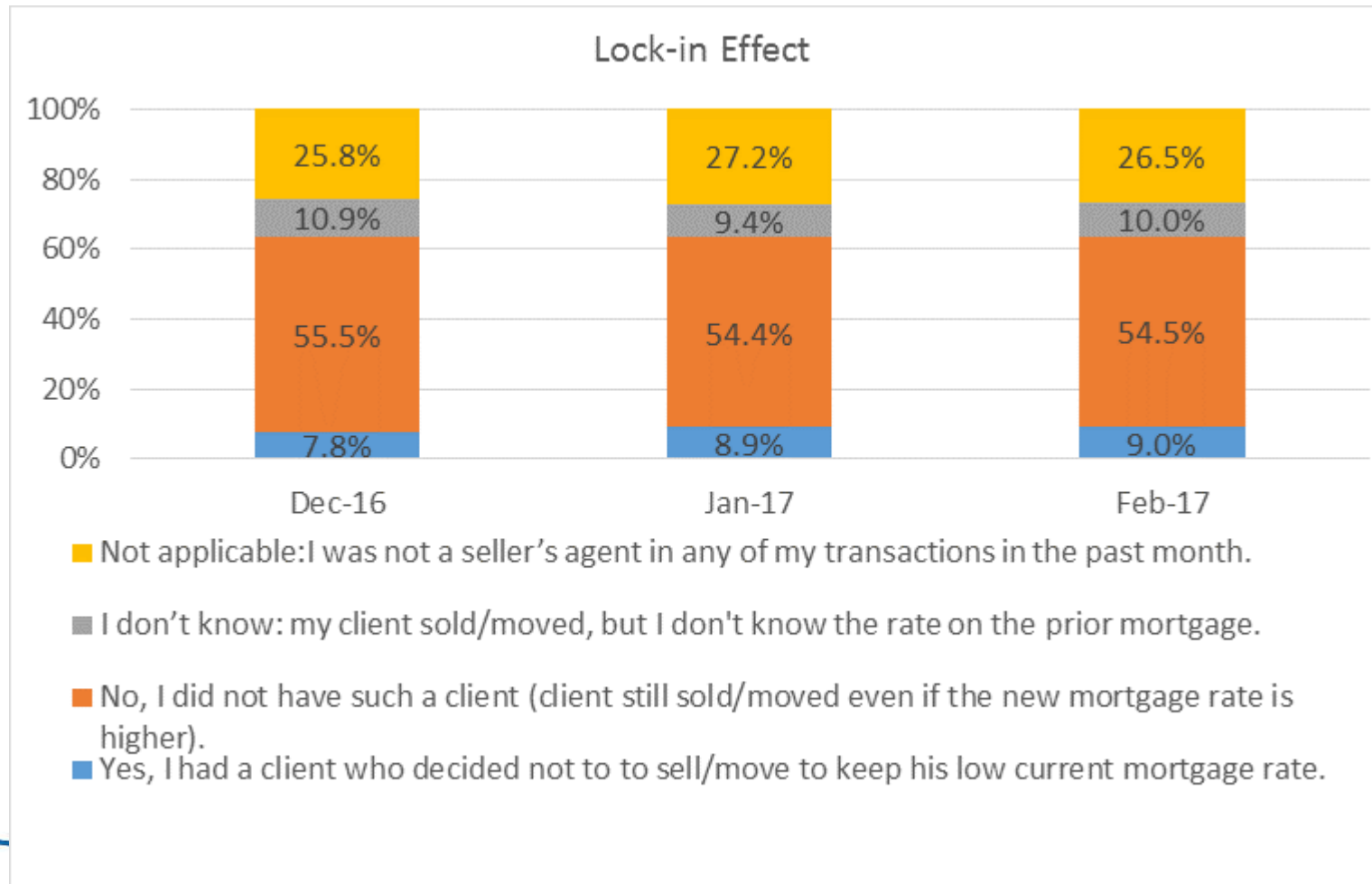
Will Not give up Low Rates?

EXHIBIT 6-20 PRIMARY REASON FOR SELLING PREVIOUS HOME, BY FIRST-TIME AND REPEAT SELLERS

(Percentage Distribution)

	All Sellers	First-time Seller	Repeat Seller
Home is too small	18%	31%	9%
Want to move closer to friends or family	15	9	18
Job relocation	14	13	14
Neighborhood has become less desirable	10	12	9
Change in family situation (e.g., marriage, birth of a child, divorce)	10	9	11
Home is too large	10	5	14
Moving due to retirement	7	4	9
Upkeep of home is too difficult due to health or financial limitations	5	4	6
Want to move closer to current job	5	5	4
To avoid possible foreclosure	3	4	1
Can not afford the mortgage and other expenses of owning home	2	1	3
Other	1	1	1

With mortgage rates rising, homeowners who currently have a low mortgage rate may want to stay put to keep their old rate. Based on your client interactions in the past month, did you have ANY client who decided NOT TO SELL/MOVE to keep his current mortgage rate?



Housing Forecast

	2015	2016	2017 Forecast	2018 Forecast
New Home Sales	500,000	560,000	600,000	650,000
Existing Home Sales	5.3 million	5.4 million	5.6 million	5.8 million
Median Price Growth	+ 6.8%	+5.1%	4.2%	3.1%
30-year Rate	3.9%	3.6%	4.4%	5.0%

Trump Presidency

- Dodd-Frank?
- Need Construction Workers ... Community College Training
- Fannie/Freddie and Mortgage Availability?
- Tax Simplification? and Mortgage Interest Deduction and 1031 exchange
- Natural Disaster and Flood Insurance?
- EPA, land use, development fees?
- Mark Calabria

REALTOR® University Lecture Series

- Social Media ... ask clients to post positive experience
- Student Debt hinders home buying
- Immigrants impact on Real Estate
- Credit Tightness and FHA changes
- FHFA Zip Code Home Price Index
- FHA premium change and new buyers