

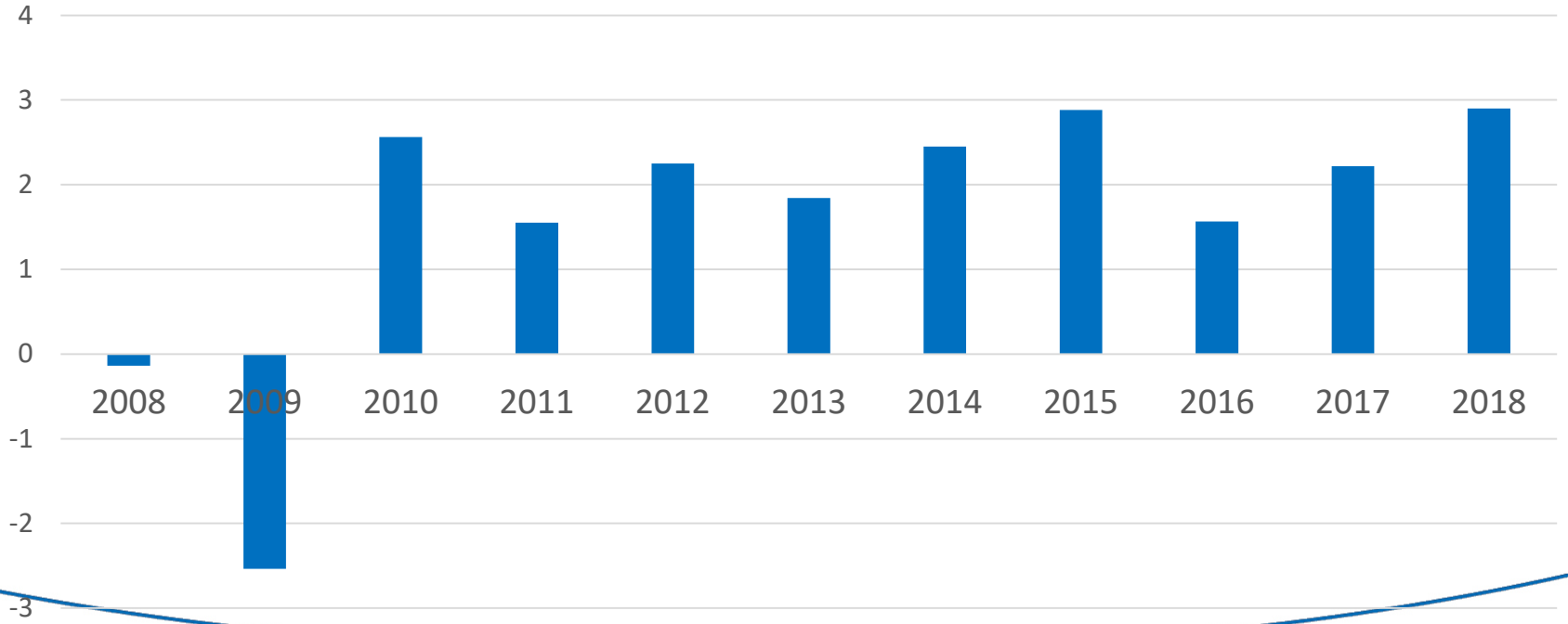
Economic & Real Estate Market Outlook

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

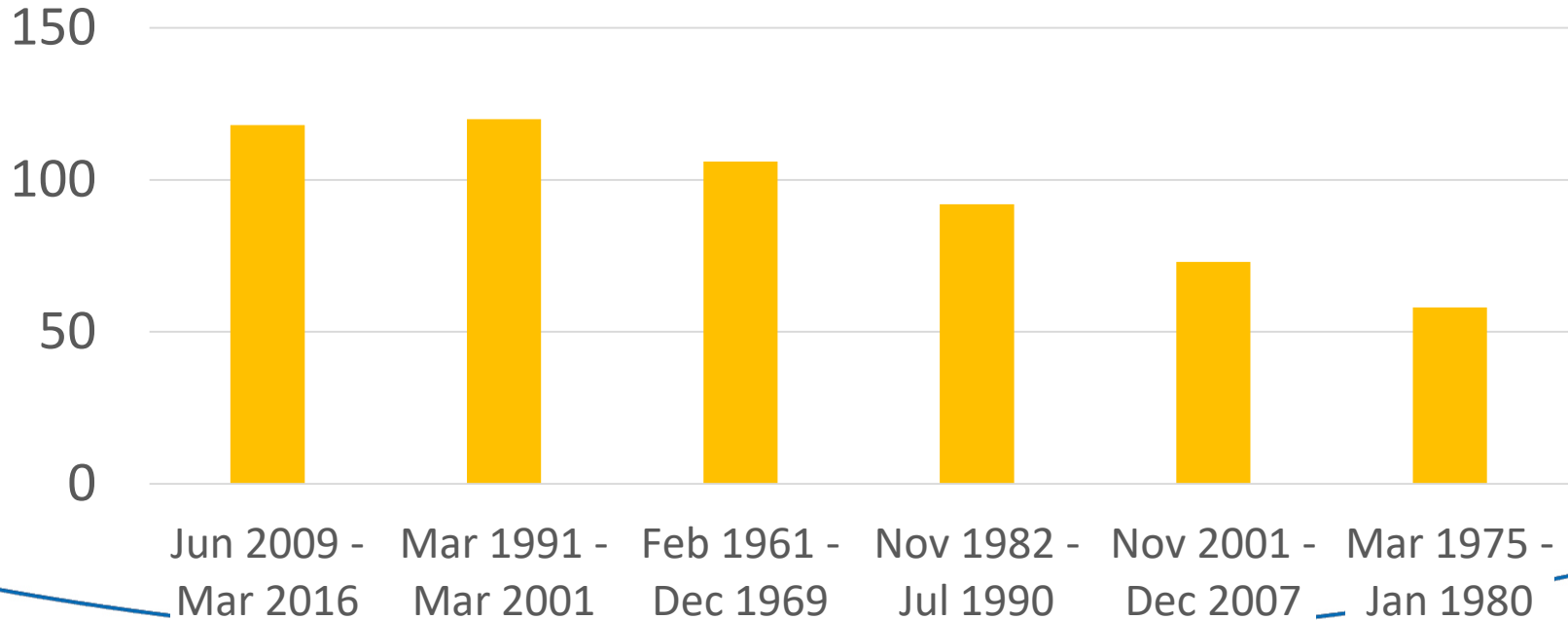
Presentation to Real Estate Service Group of NAR

April 24, 2019

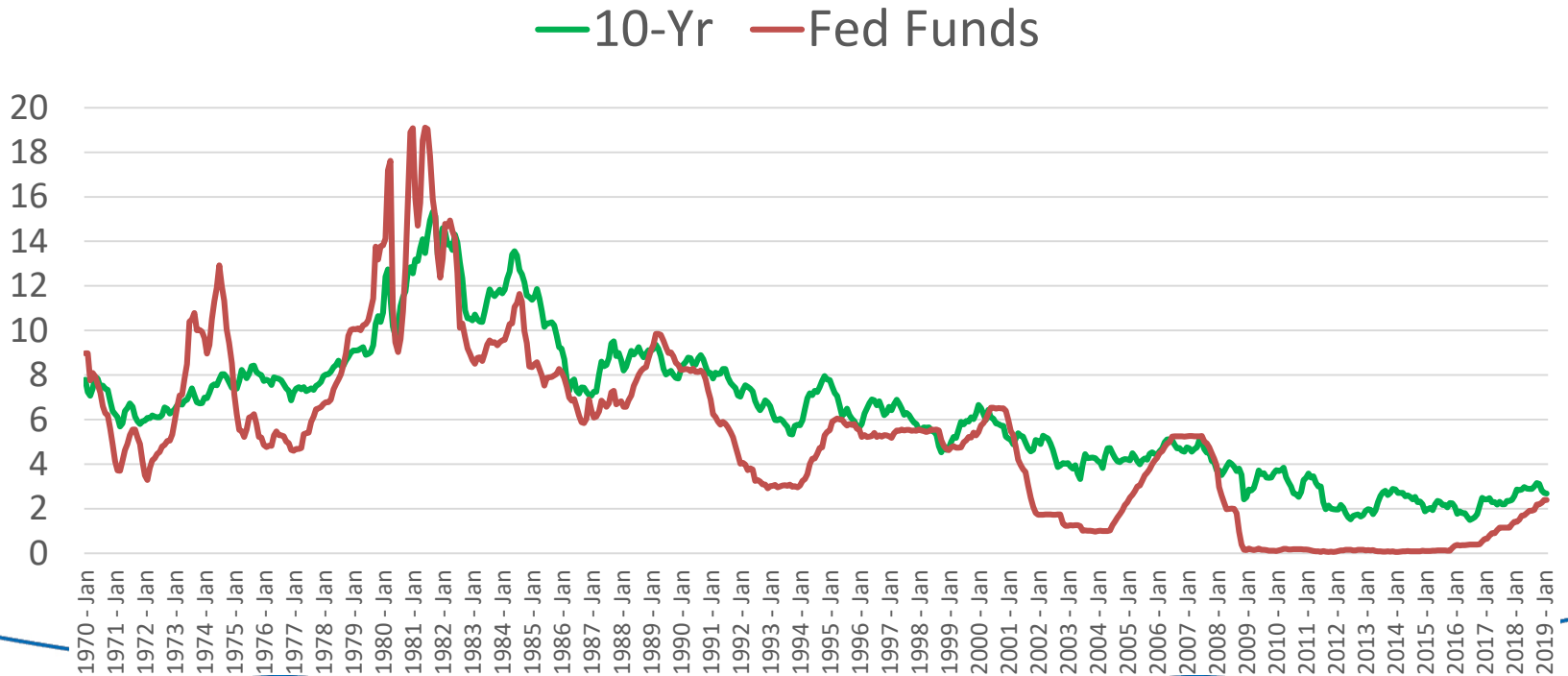
Annual GDP Growth Rate of 2.9% in 2018? (Q4 to Q4 at 3.0%)



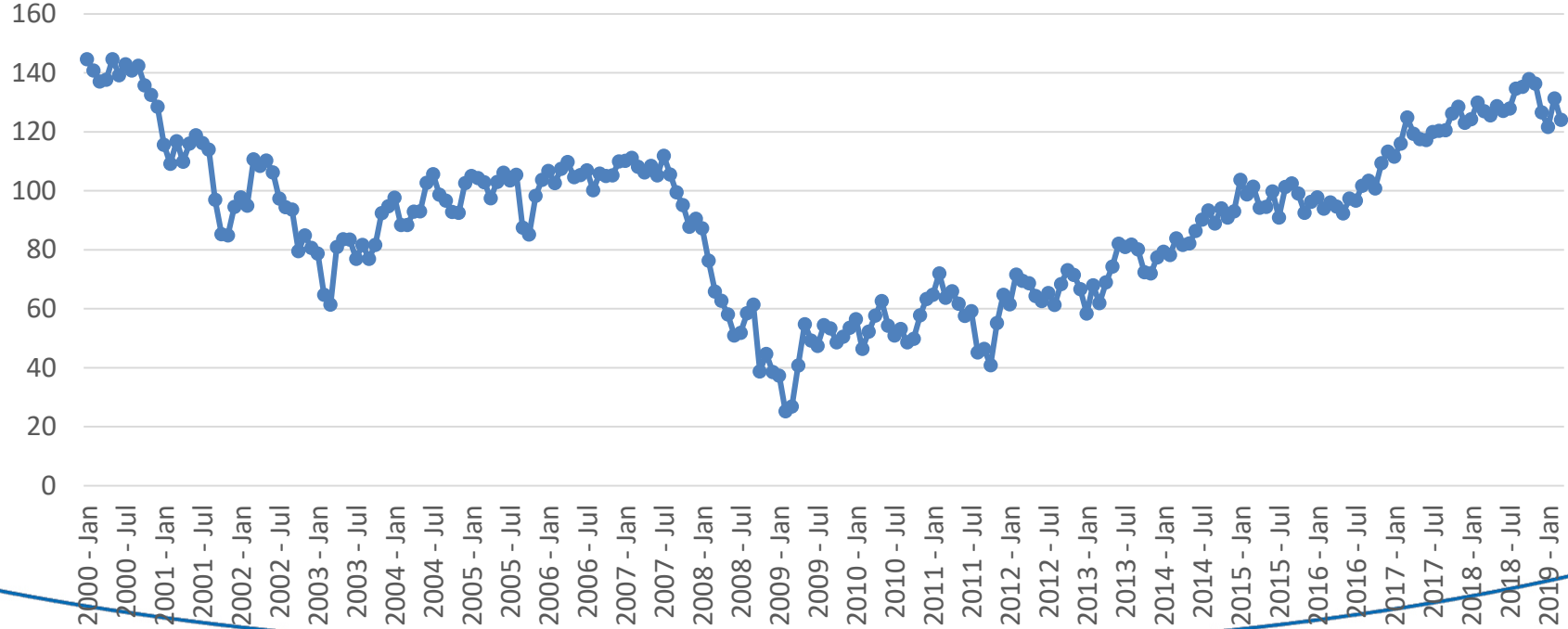
Longest Expansion Ever? # of months of GDP growth



Inverted Yield Curve? What is Different This Time?

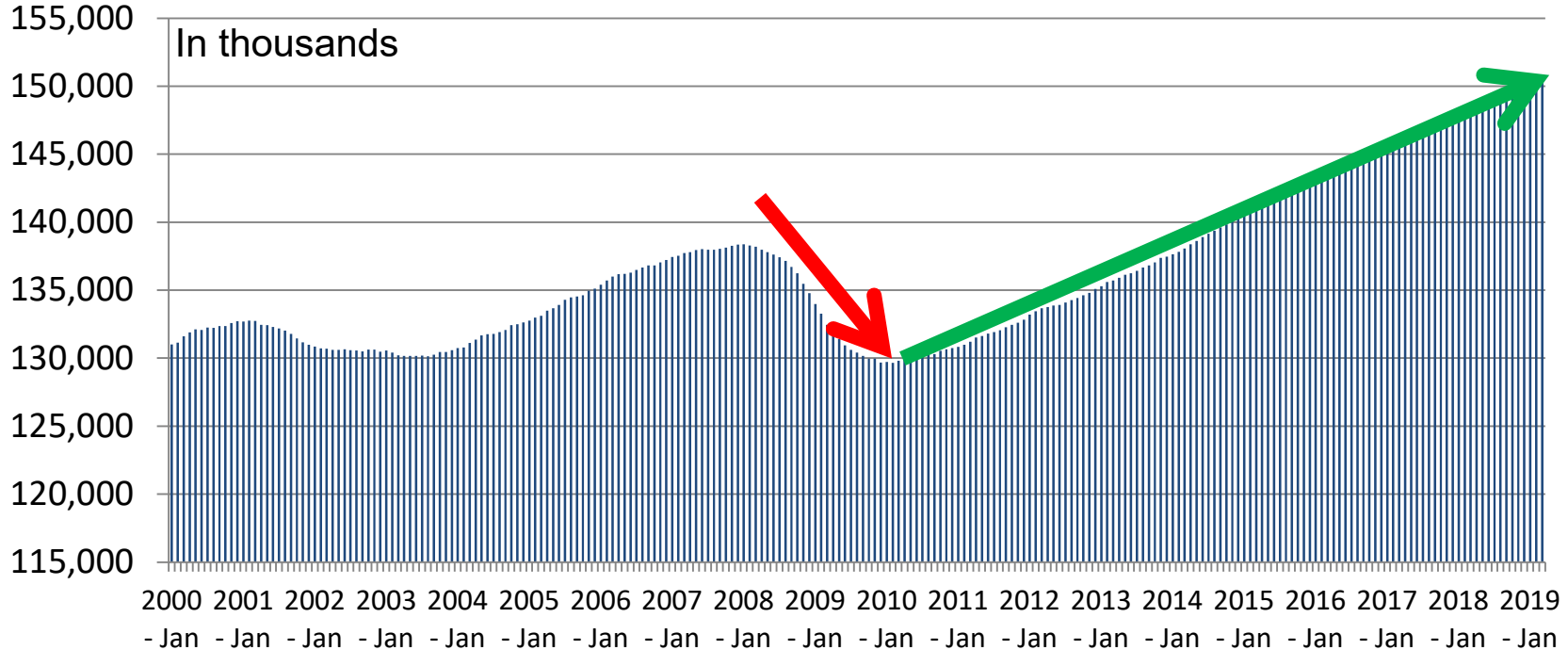


Consumer Confidence Remains High



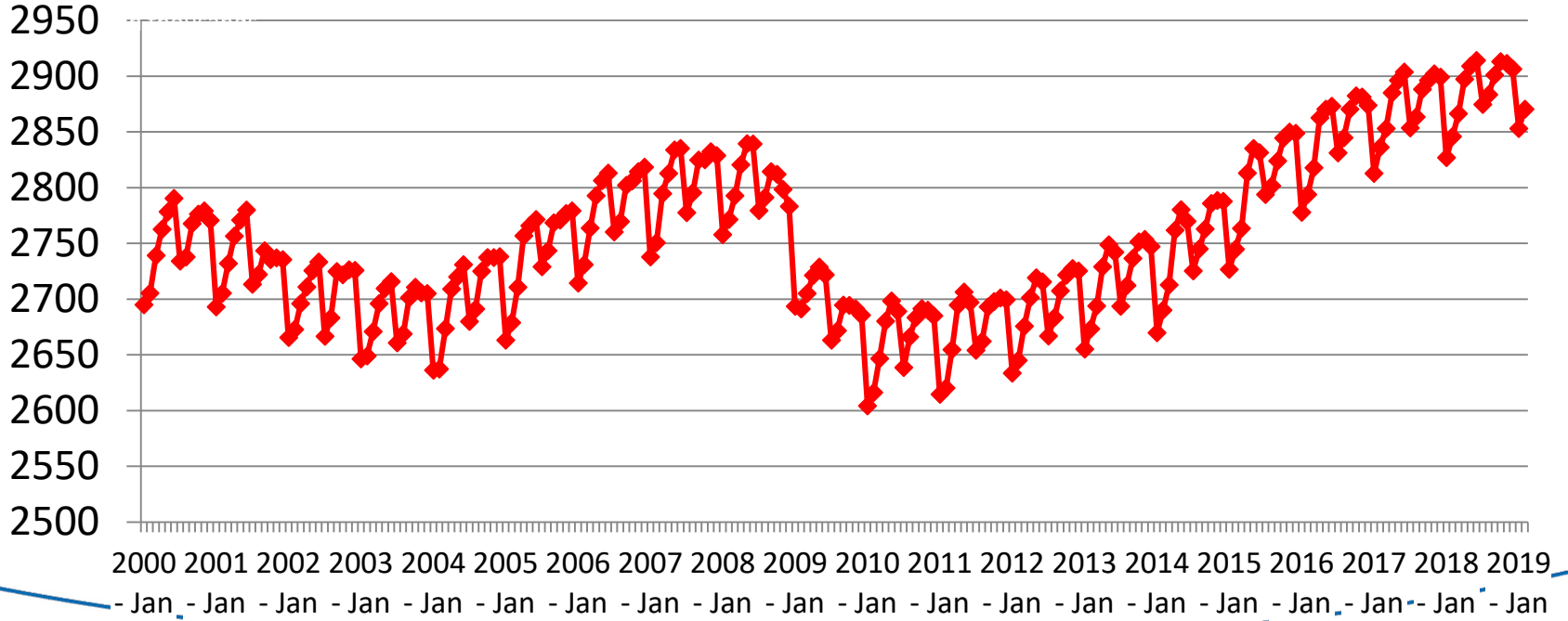
Jobs

(21 million gained from 2010 ... 2.5 million in 12 months)



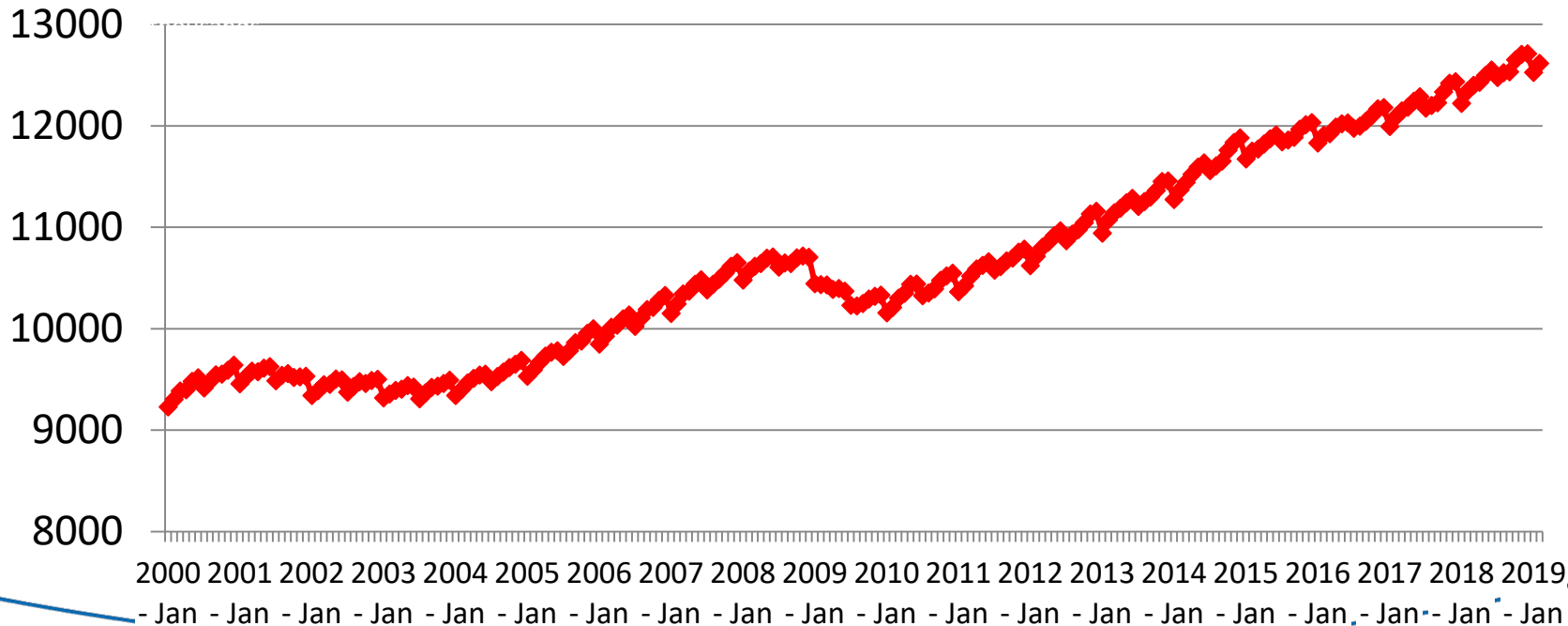
Total Jobs Missouri

(6% growth vs 13% nationwide from 2000)

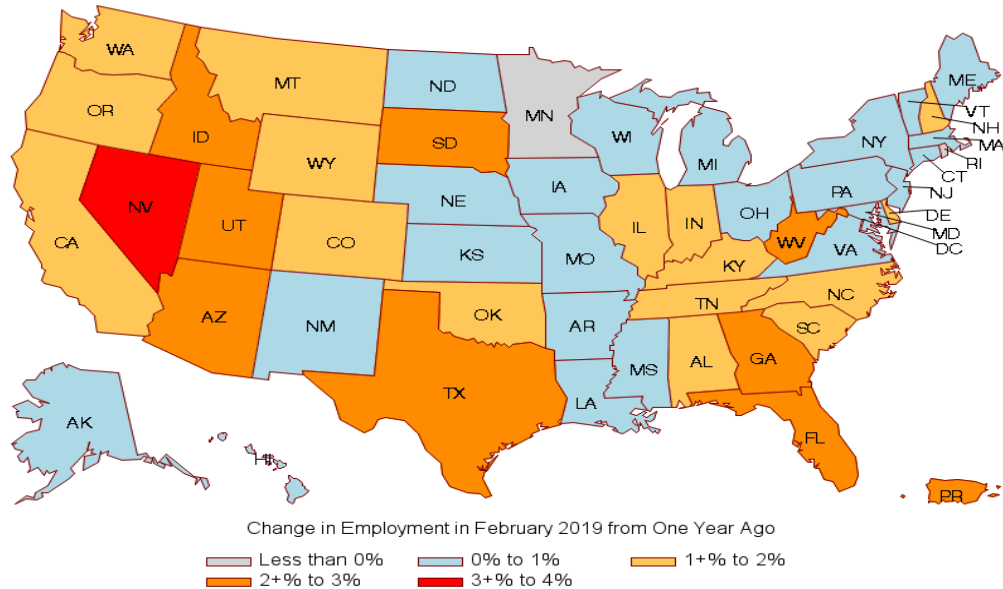


Total Jobs Texas

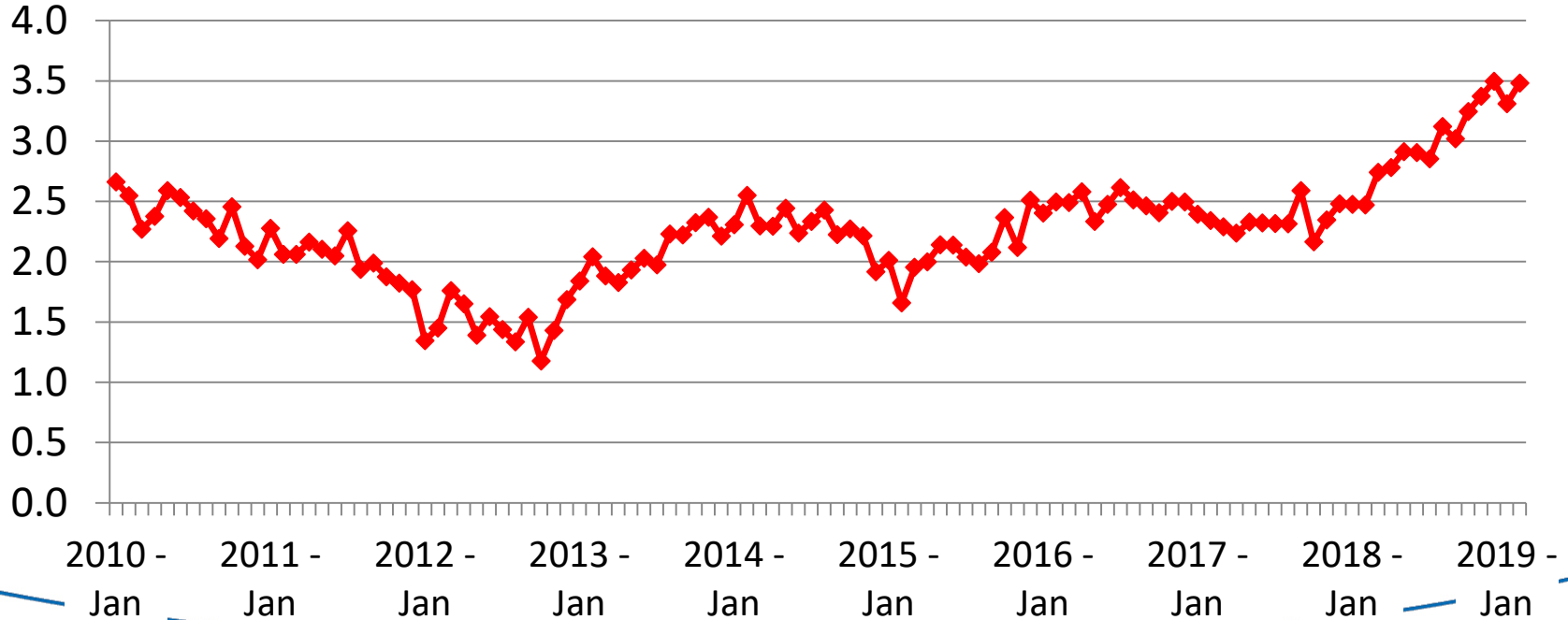
(32% growth vs 13% nationwide from 2000)



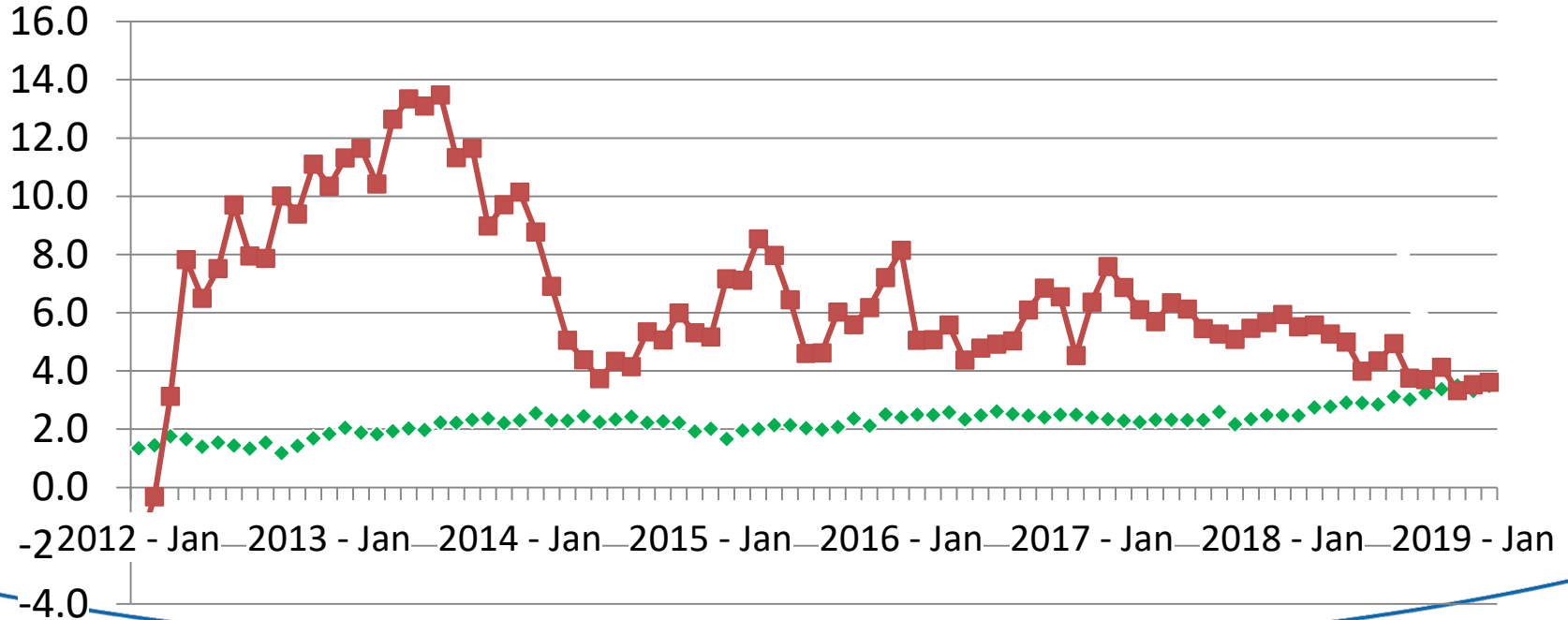
Job Growth (Feb 2018 to Feb 2019)



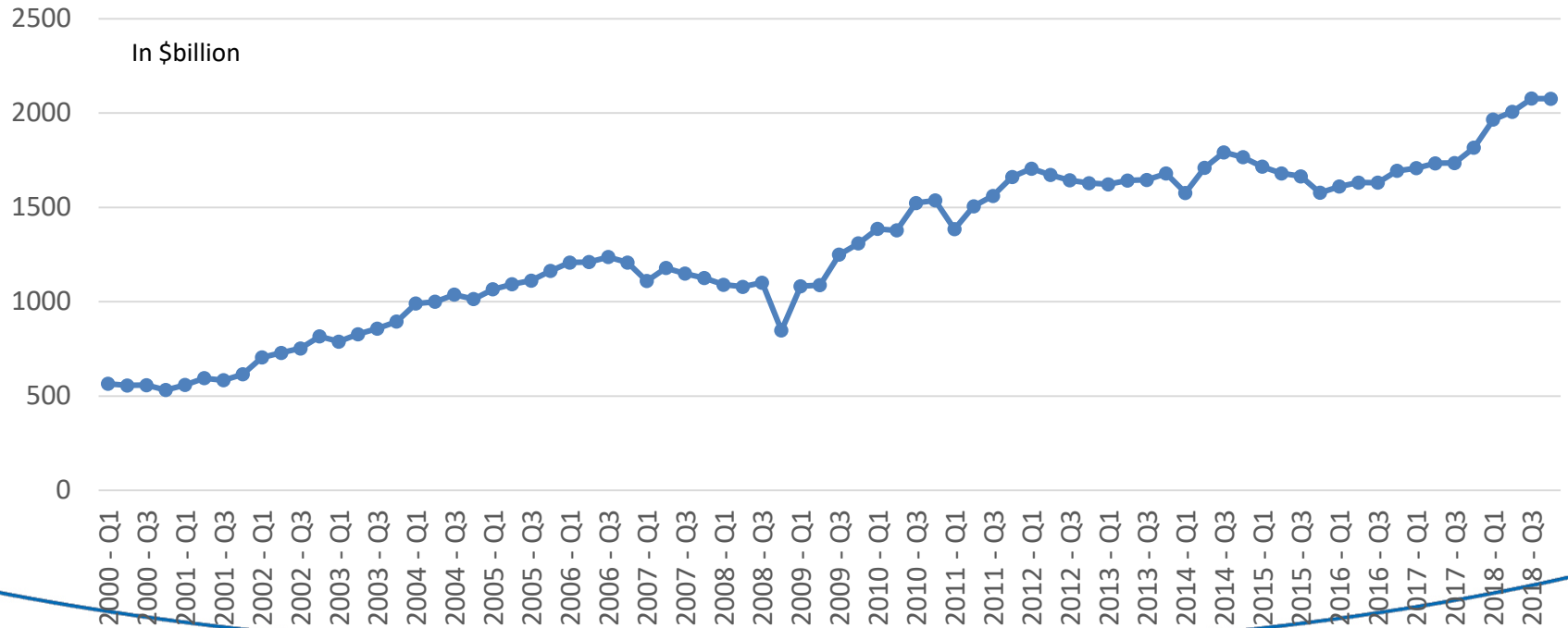
Average Hourly Wage Increase



Wage Growth and Home Price Growth



After-Tax Corporate Profits



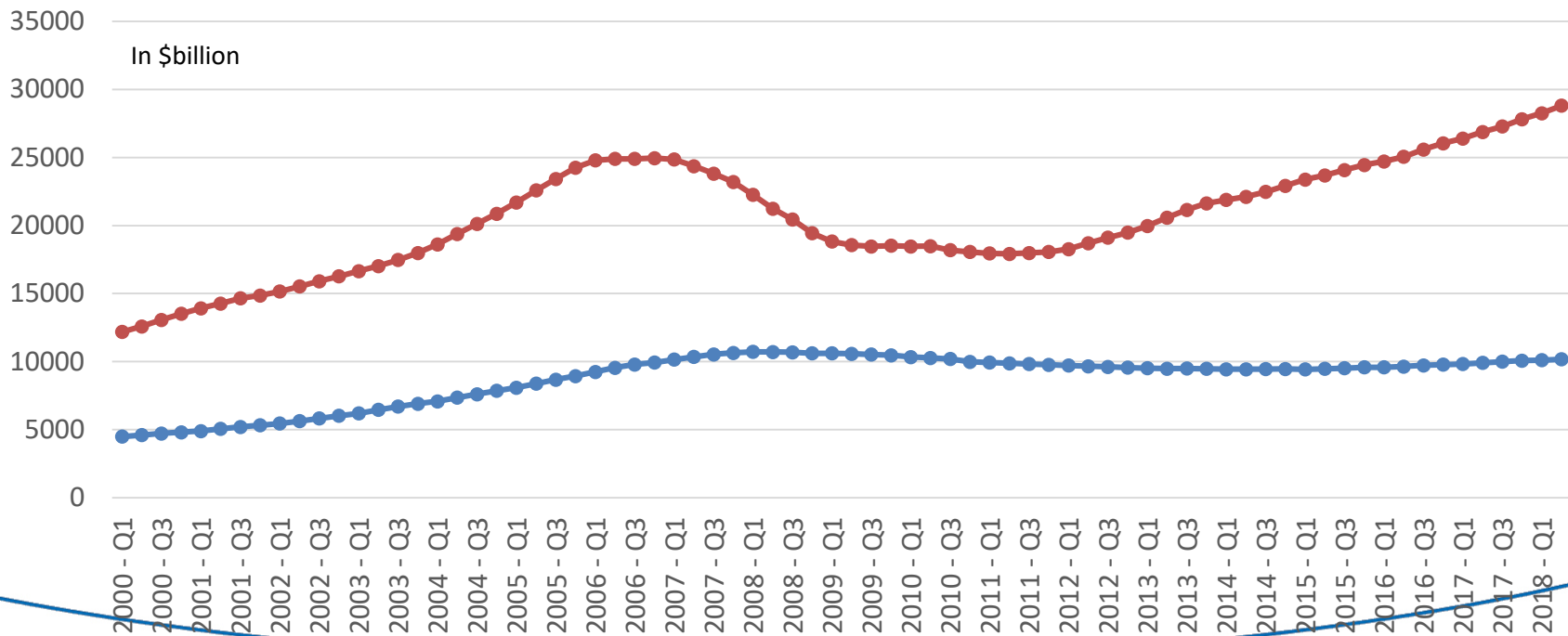
GDP components

	2018	2019 Forecast
Consumer Spending	+2.6%	Positive
Business Investment	+7.0%	Positive
Residential Investment	-0.3%	Positive
Government Spending	+1.5%	Neutral
Net Exports	Larger Trade Deficit	Larger Trade Deficit

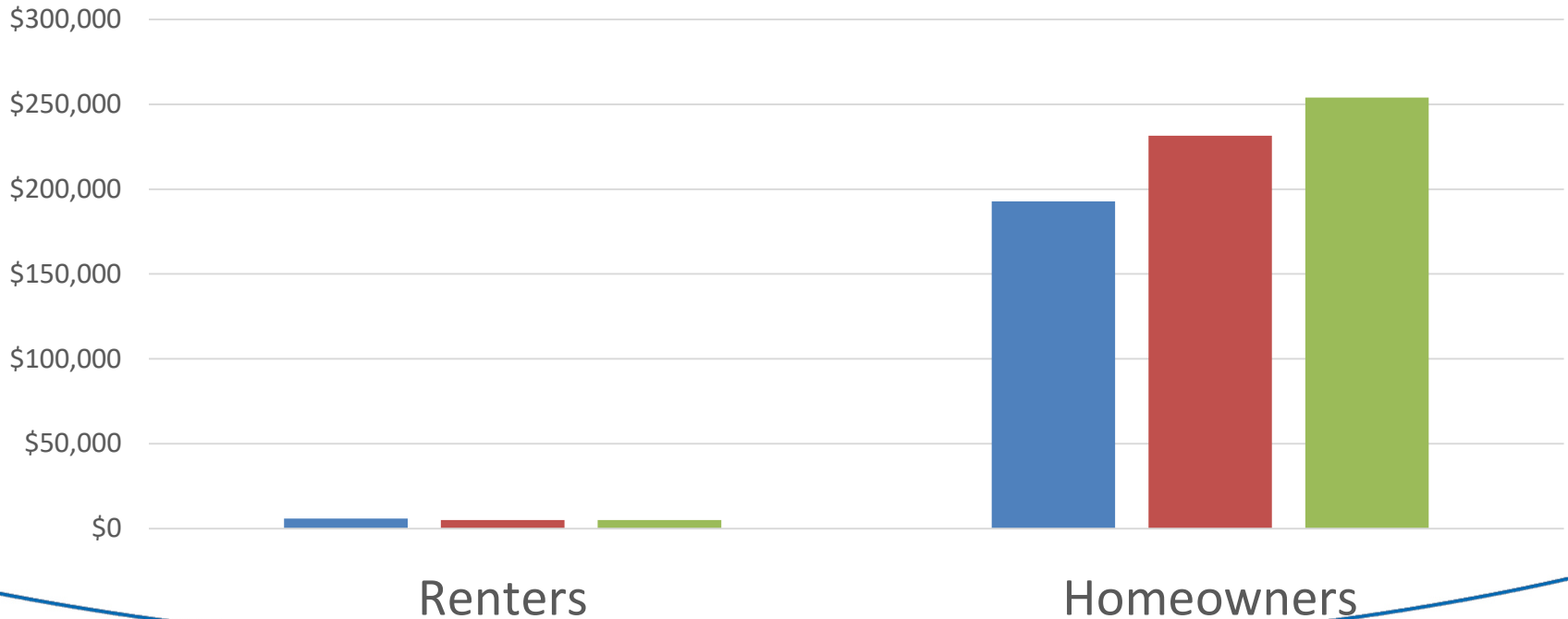
Too Much Borrowing?

- Households ... homeowners with sizable equity, but not renters
- Corporations ... huge profits, but to diminish, and elevated borrowing
- Government ... ???

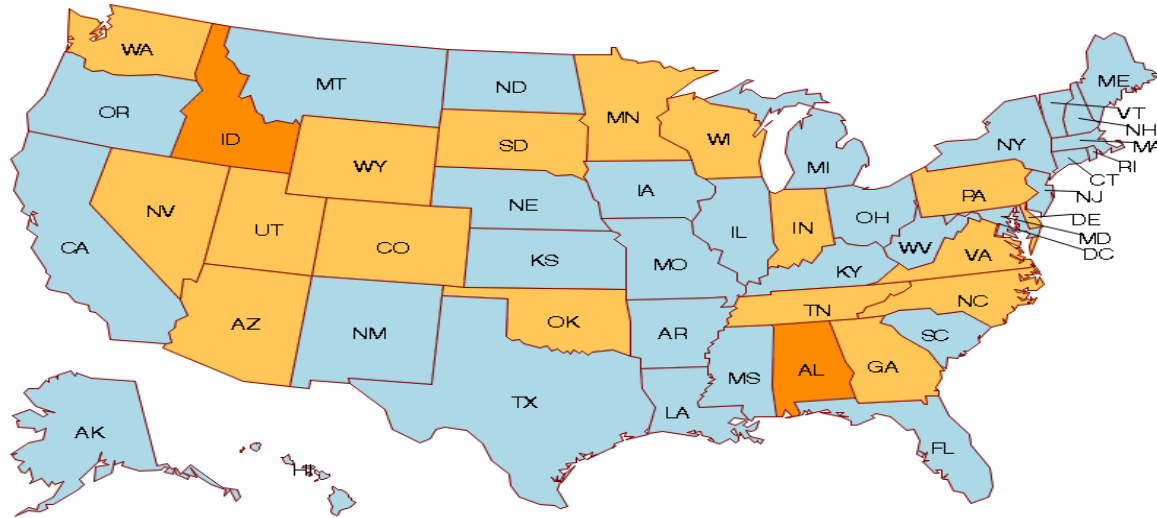
Real Estate Wealth = Asset - Mortgage



Wealth: From 2000 to 2016 to 2018



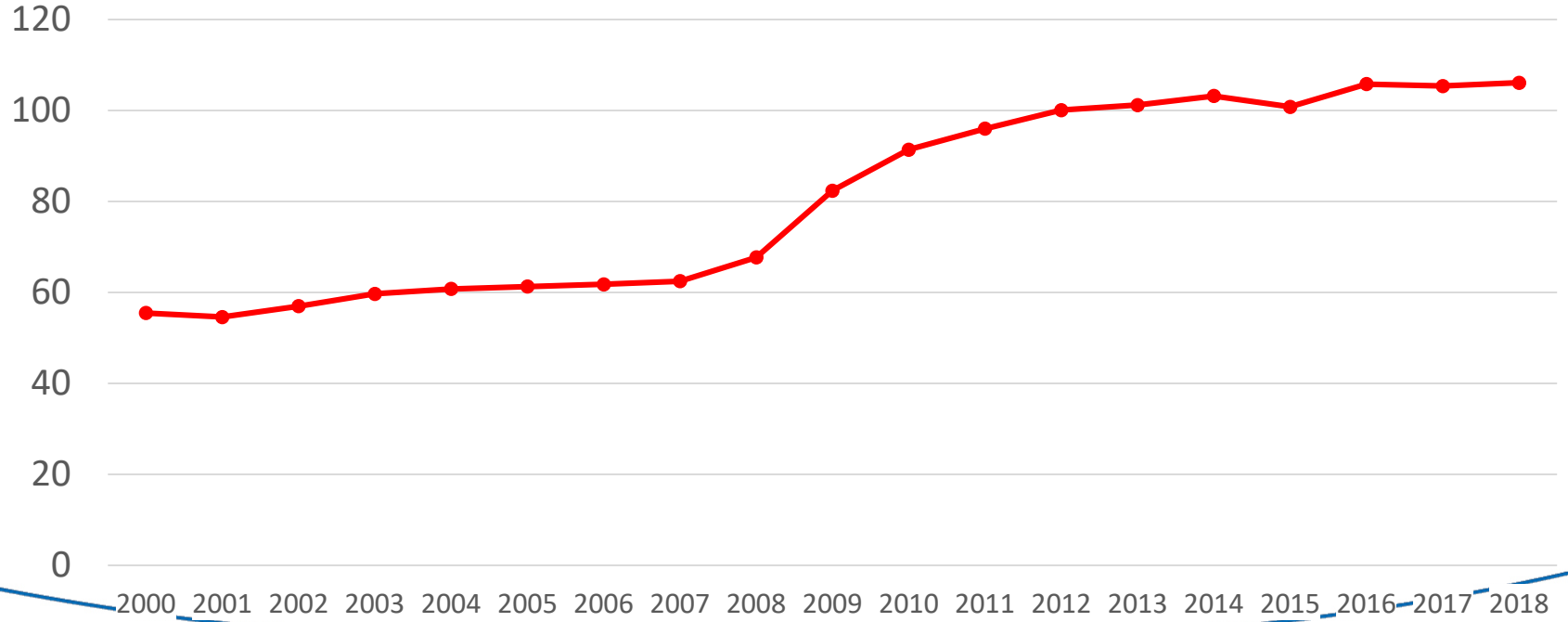
REALTORS[®] Median Expected Price Change in Next 12 Months



Median Expected Price Change Within Next 12 Months (in %) Among REALTOR[®] Respondents

— 0% to 2% — 2% to 3% — 3% to 5%

National Debt to GDP (%)

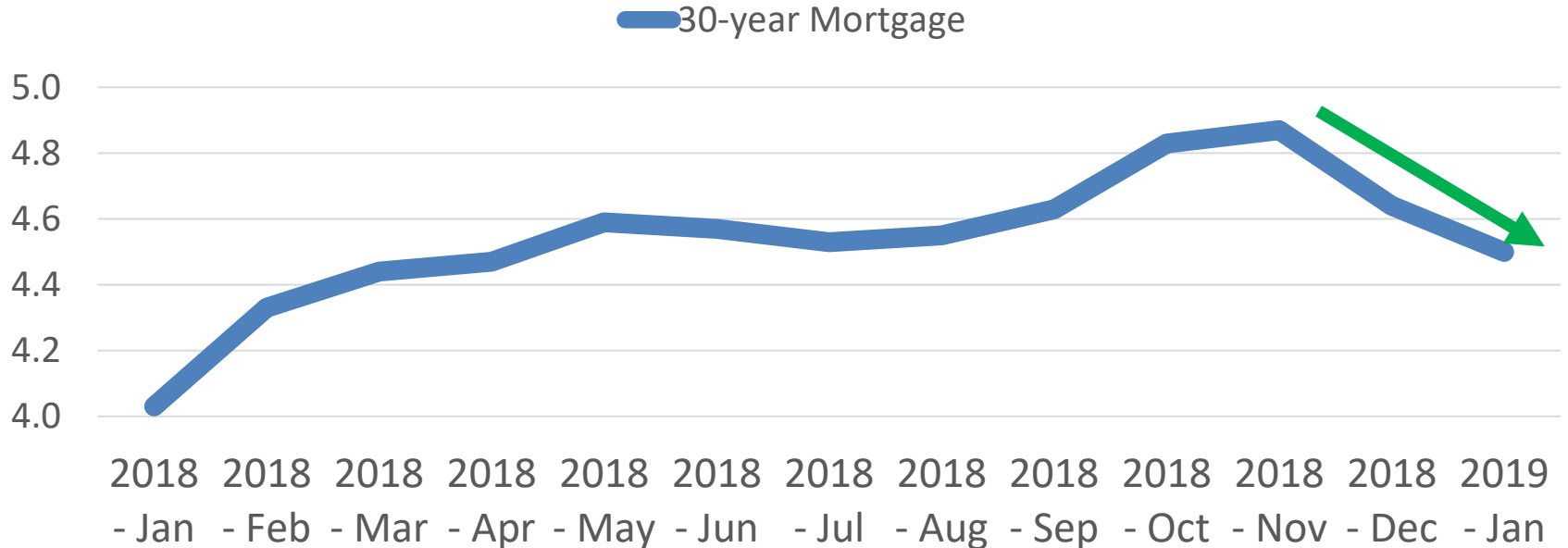


January: The Fed to be “Patient”

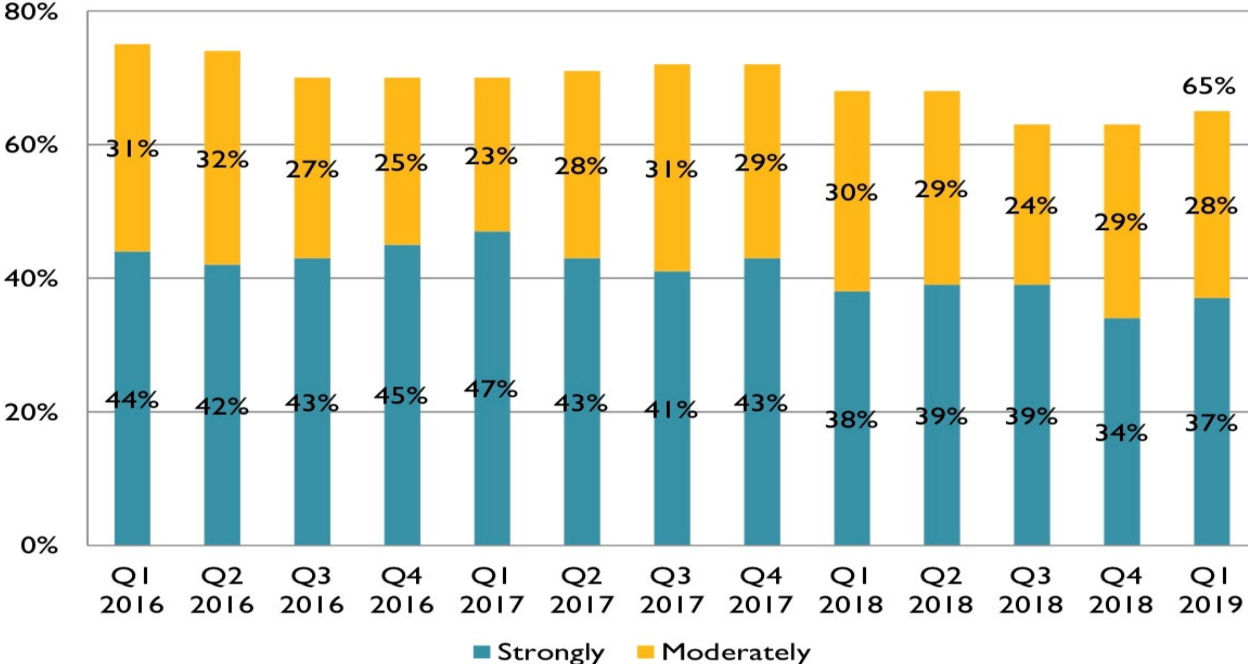
Dow Jones Industrial Average



Impact on Mortgage Rates

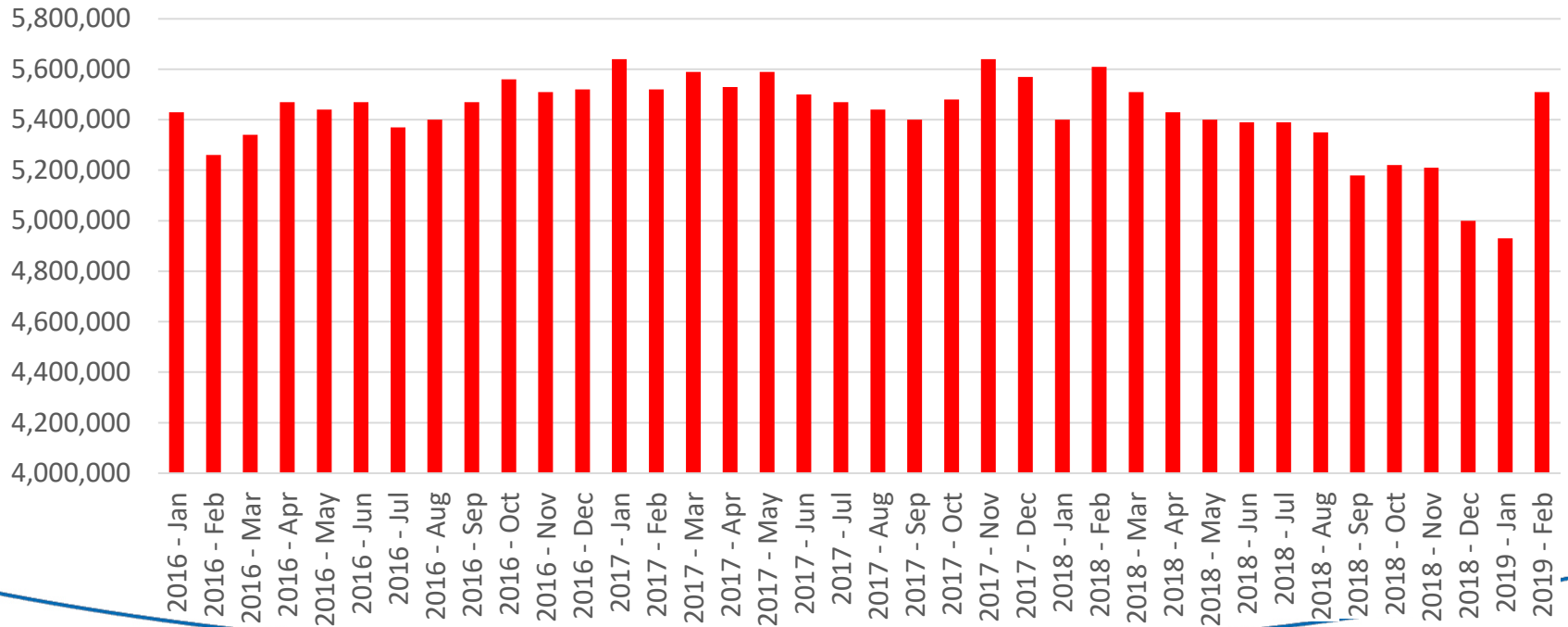


Good Time to Buy a Home, Strongly or Moderately



2019 NAR HOME Survey

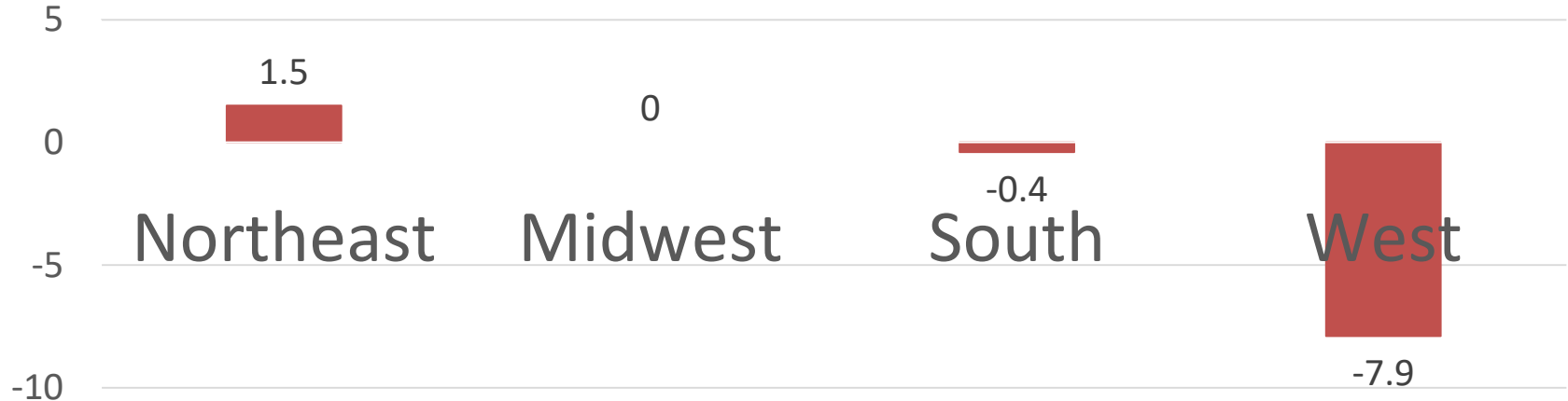
National Existing Home Sales



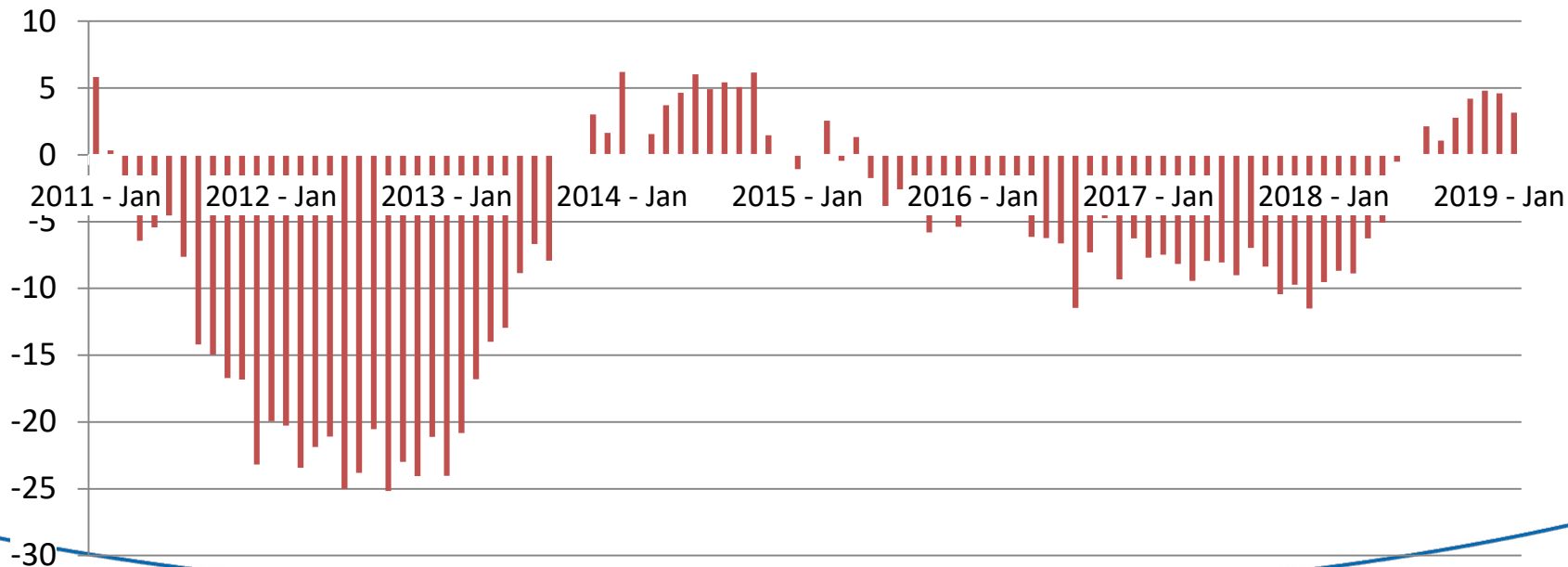
Regional Variations

West hit by Unaffordability (not jobs)

% change in Closings from one year ago



Inventory Growth: 7th straight months (% change from one year ago)

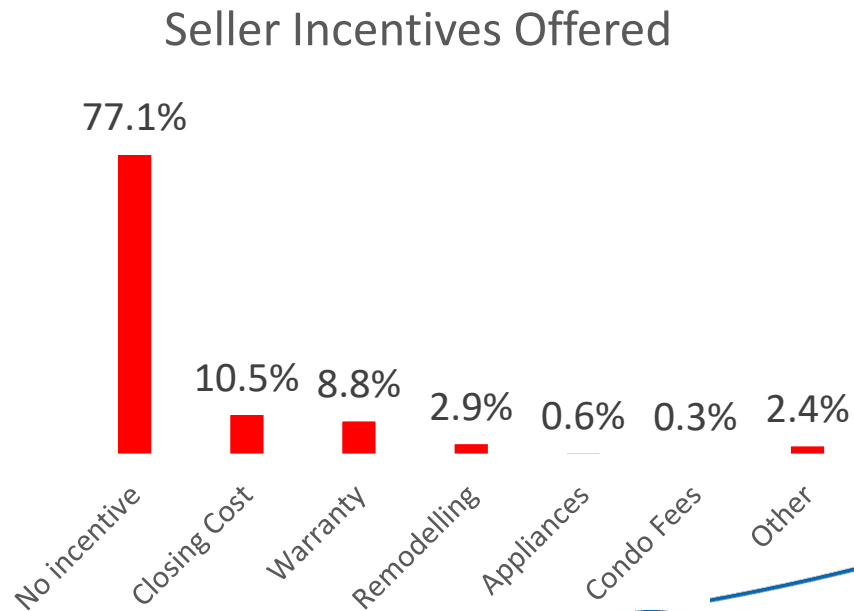
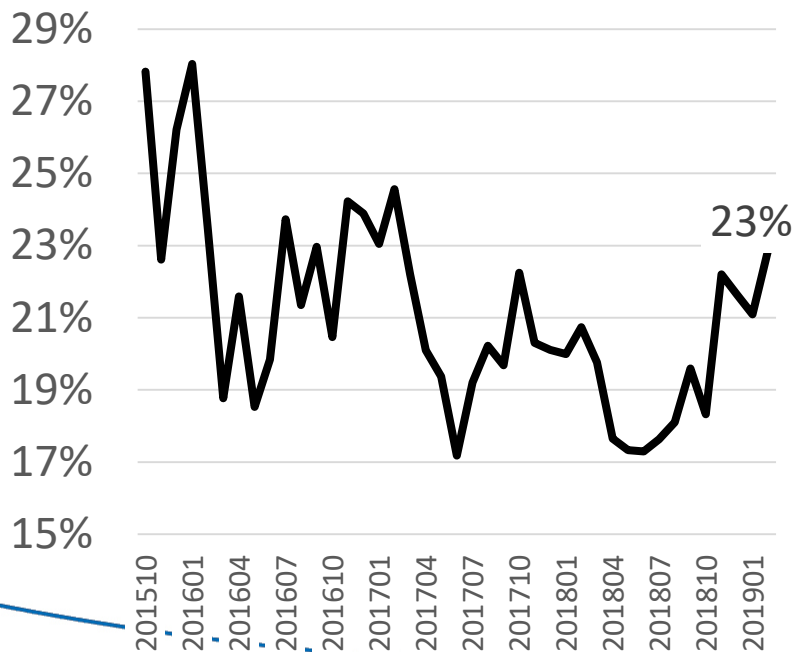


Source: NAR

Inventory of Homes For Sale – Still Low



Percent of Closed Sales Where Seller Offered Incentives

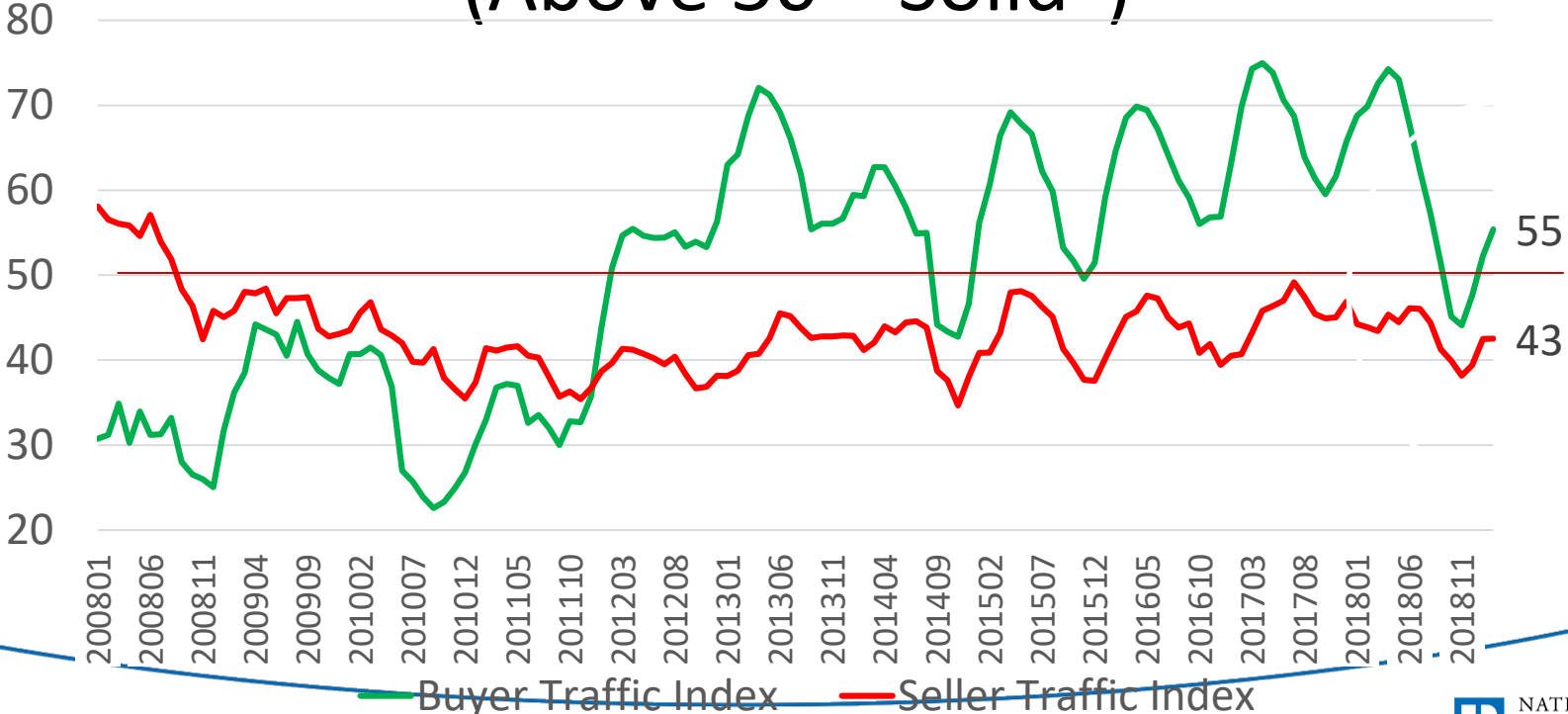


Mortgage Purchase Applications

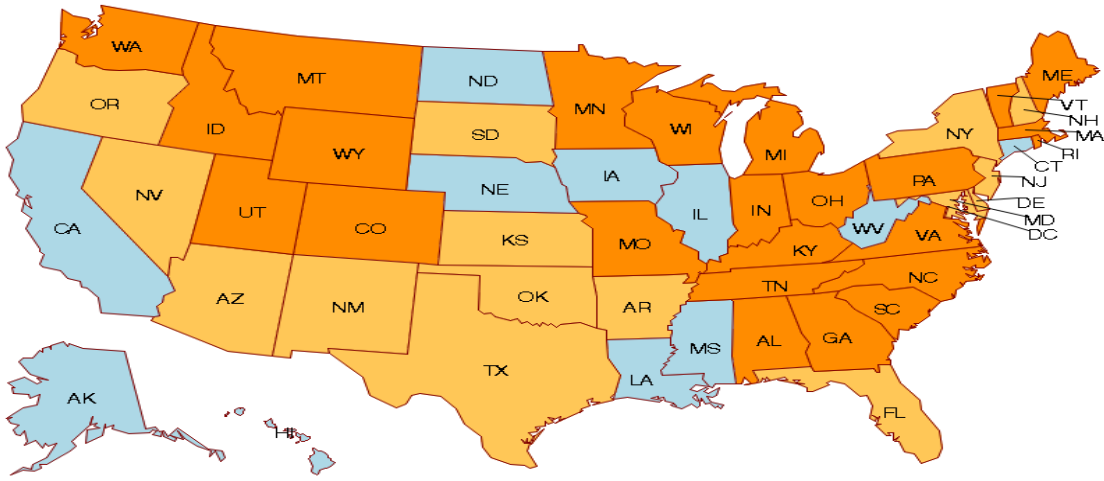
4-week moving average



REALTORS® Buyer and Seller Traffic Index (Above 50="Solid")

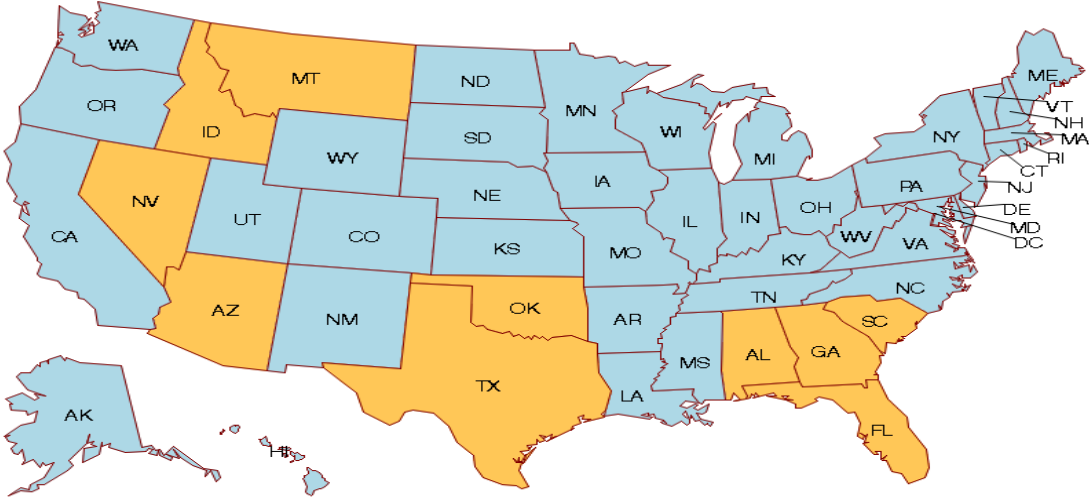


REALTORS® Buyer Traffic Index



REALTORS® Buyer Traffic Index
Weak (25+ to 45) Stable (45+ to 55) Strong (55+ to 75)

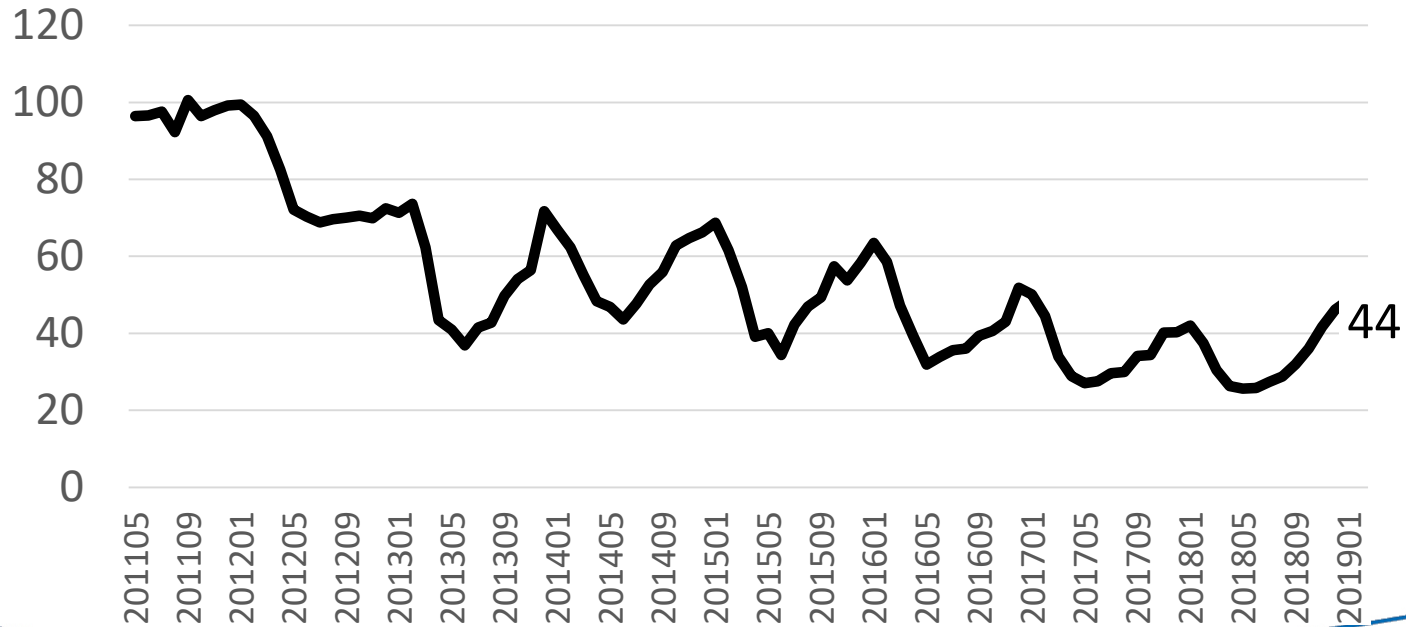
REALTORS® Seller Traffic Index



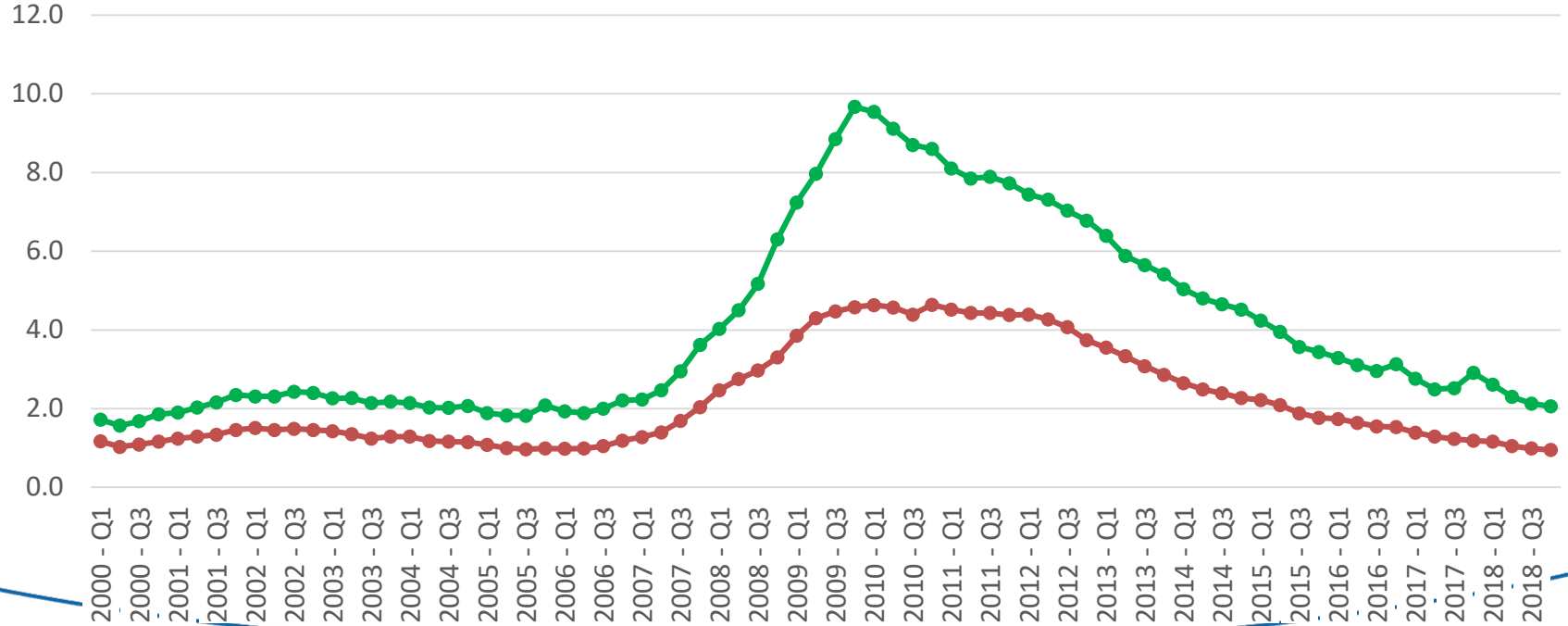
REALTORS® Seller Traffic Index

Very weak (0 to 25) Weak (25 to 45) Stable (45+ to 55)

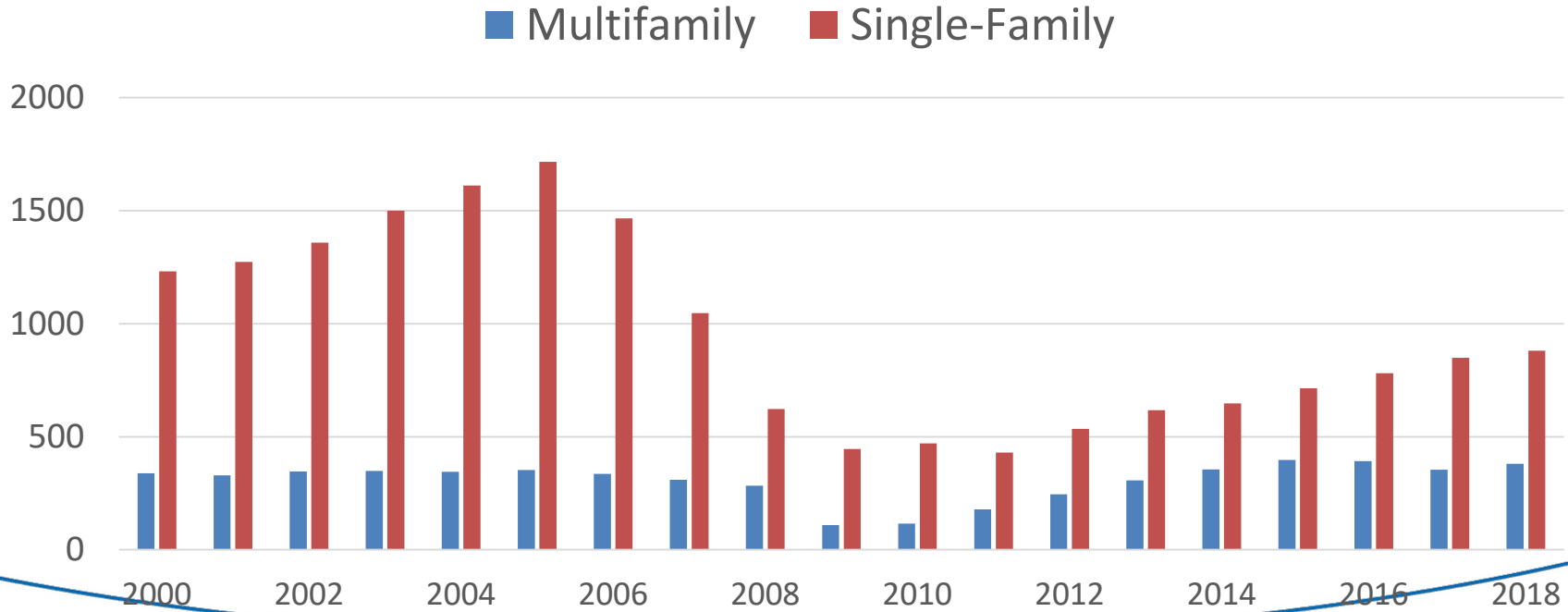
Median Days on Market



Mortgages in Foreclosure and Seriously Delinquent (%)



U.S. Housing Starts ... Not Enough Short by 5 to 6 million units



Consequence and Solutions

- BAD: Homeowners staying put for longer period
- BAD: Home prices outpace income growth ... hurts affordability
- BAD: Slower economic growth

- Reduce local supply constraints ... zoning laws, long permit process
- Plentiful skilled workers ... trade school training
- Federal spending tied to allow more home construction
- Opportunity zones ... tax incentives to develop and re-develop

Tax Reform

- Tax cut for most households
- Mortgage interest cap at \$750,000; SALT cap at \$10,000
- Over 90% of Homeowners will be fully able to deduct without hitting the limit
- However, many will not itemize and do a standard deduction

Economic Forecast

	2016	2017	2018	2019 Forecast	2020 Forecast
GDP Growth	1.5%	2.2%	2.9%	2.0%	1.8%
Job Growth	+2.5 million	+2.2 million	+2.4 million	+2.0 million	+1.5 million
CPI Inflation	1.3%	2.1%	2.4%	1.4%	1.8%

Housing Forecast

	2016	2017	2018	2019 Forecast	2020 Forecast
New Home Sales	560,000	613,000	627,000	635,000	700,000
Existing Home Sales	5.4 million	5.5 million	5.3 million	5.3 million	5.5 million
Median Price Growth	+5.1%	+5.7%	+4.9%	+2.7%	+3.0%
30-year Rate	3.6%	4.0%	4.6%	4.3%	4.6%

iBuyer Survey

- Right narrative?
 - iBuyer as in innovative tech iPhone
 - We Buy Ugly Homes
- Only 5% of US households have heard of iBuyers
 - Of those aware of iBuyer—28% said they do know of someone who used one
 - Among the 28% that knew of personal use—
 - 24% were somewhat satisfied
 - 52% were either not very satisfied or not at all satisfied

iBuyer Survey (cont.)

- After iBuyers were explained to respondents—
 - Likely to use:
 - 18% were either very or somewhat likely to try an iBuyer to ever sell a home
 - 79% were either not very likely or not at all likely to try an iBuyer to sell
 - Discounted price:
 - 14% would not take a discounted price
 - 16% reiterated they would never use this type of sale
 - 21% would consider taking 5% or less
 - 10% would consider taking 10% or less
 - 8% would consider taking 15% or more
 - 33% were not sure

Thank You !