

All Real Estate is Local:

*Local Trends and
Local Forecasts*



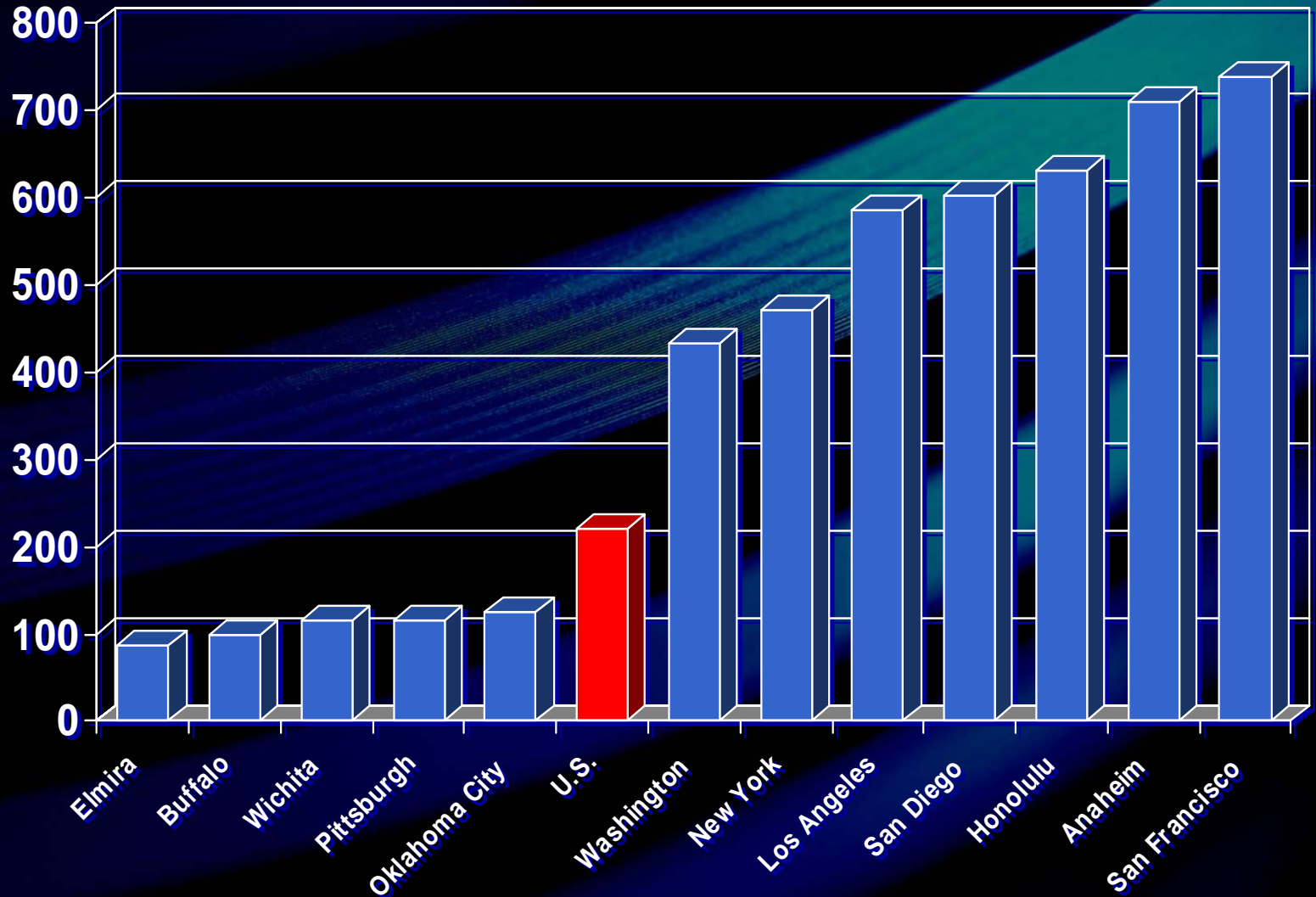
Lawrence Yun, Ph.D.
Senior Economist
NATIONAL ASSOCIATION OF REALTORS®



**Economic Issues and Residential
Real Estate Business Trends Forum**
*NAR Midyear Meetings
Washington, D.C.
May 17, 2007*

Home Price Distribution

(2006)

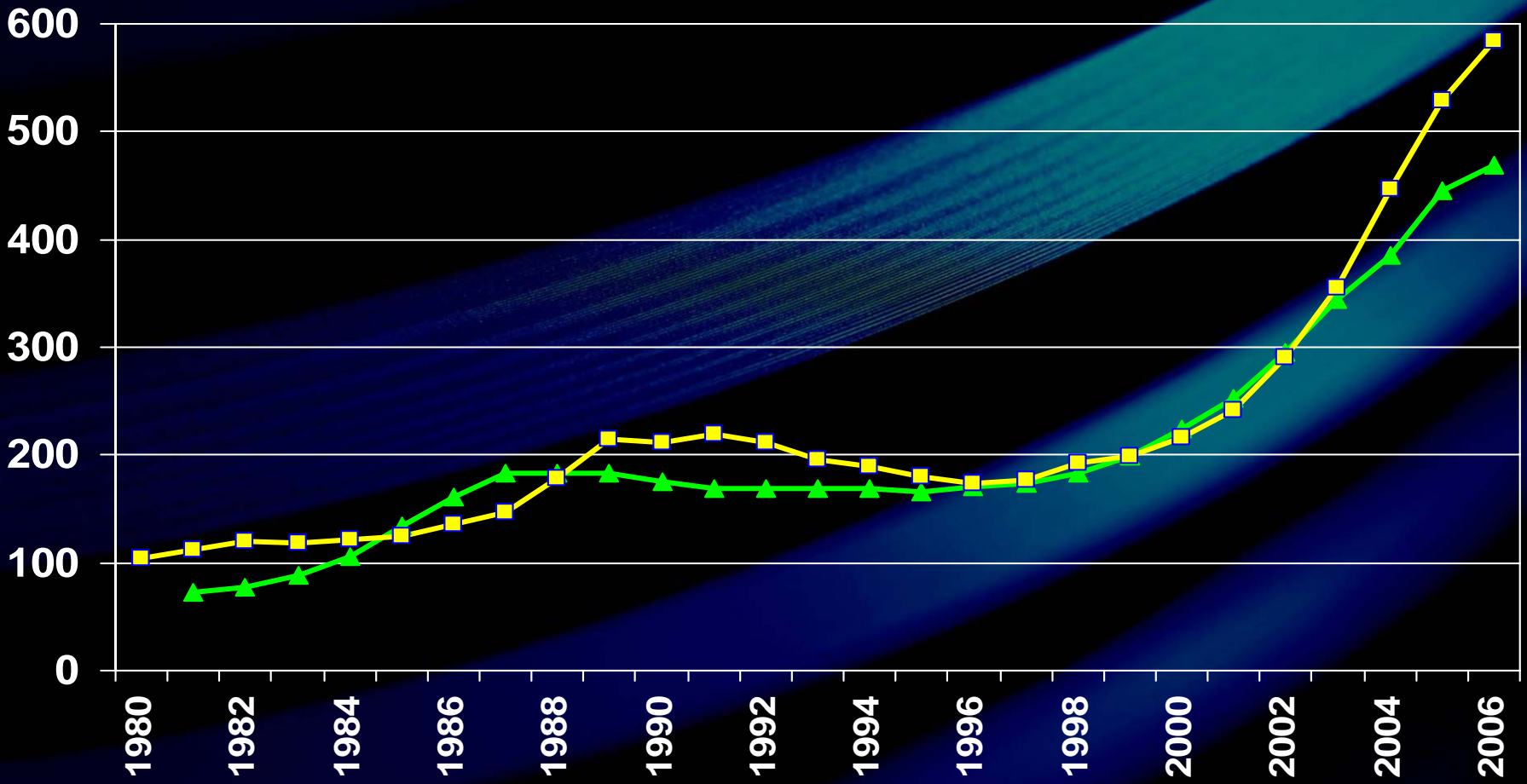


Source: NAR

New York and Los Angeles

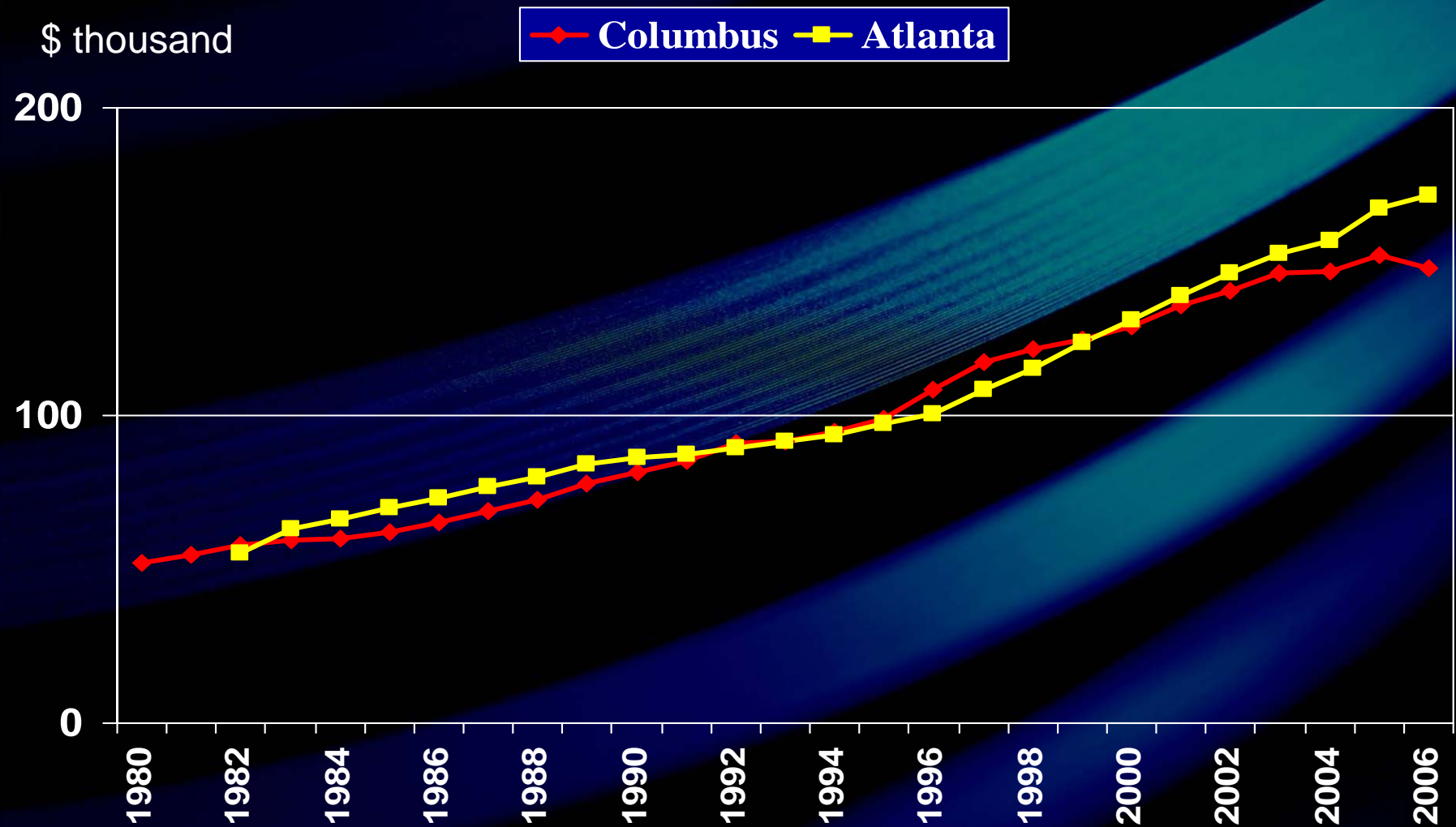
\$ thousand

▲ New York ■ Los Angeles



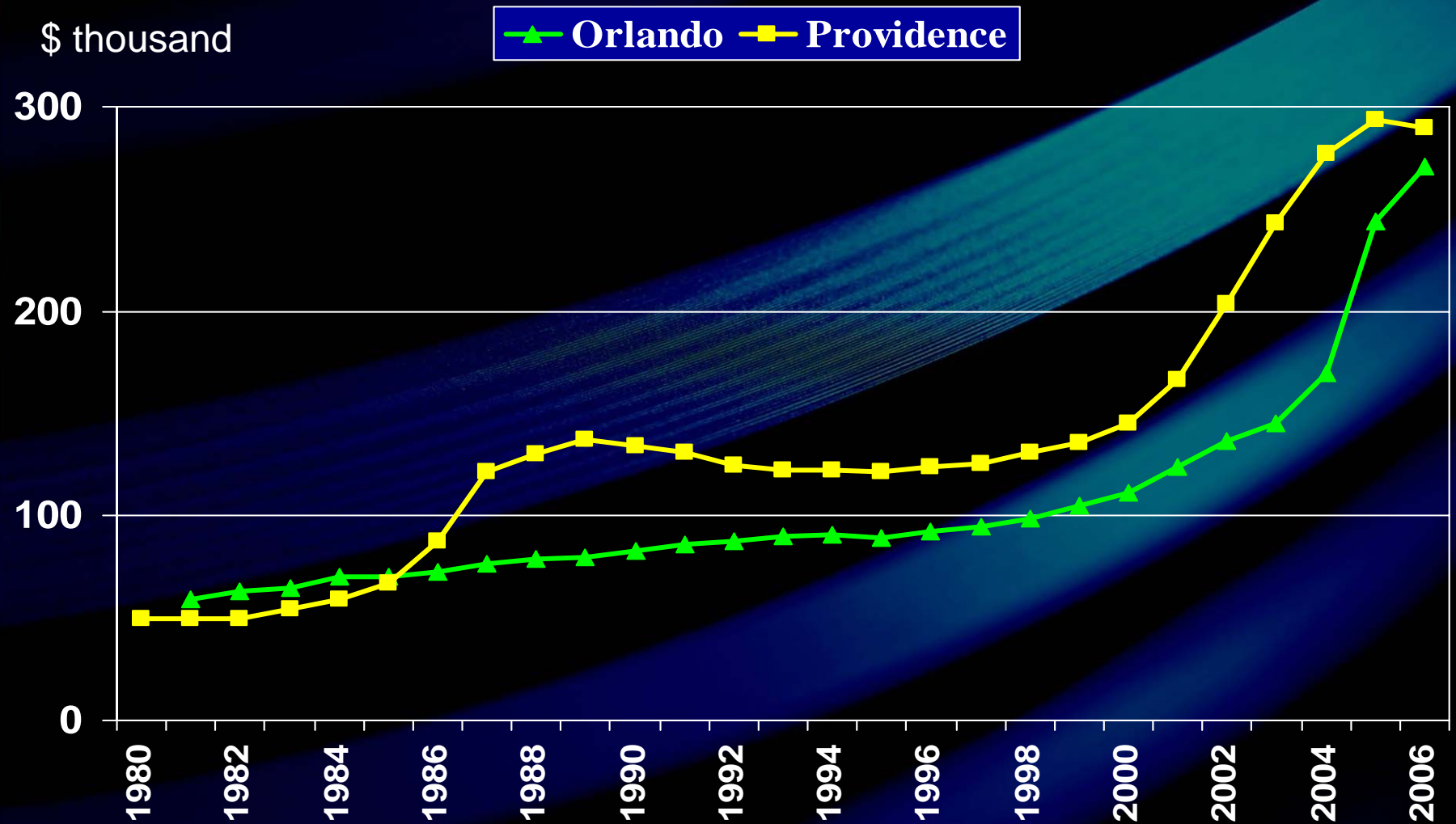
Source: NAR

Atlanta and Columbus



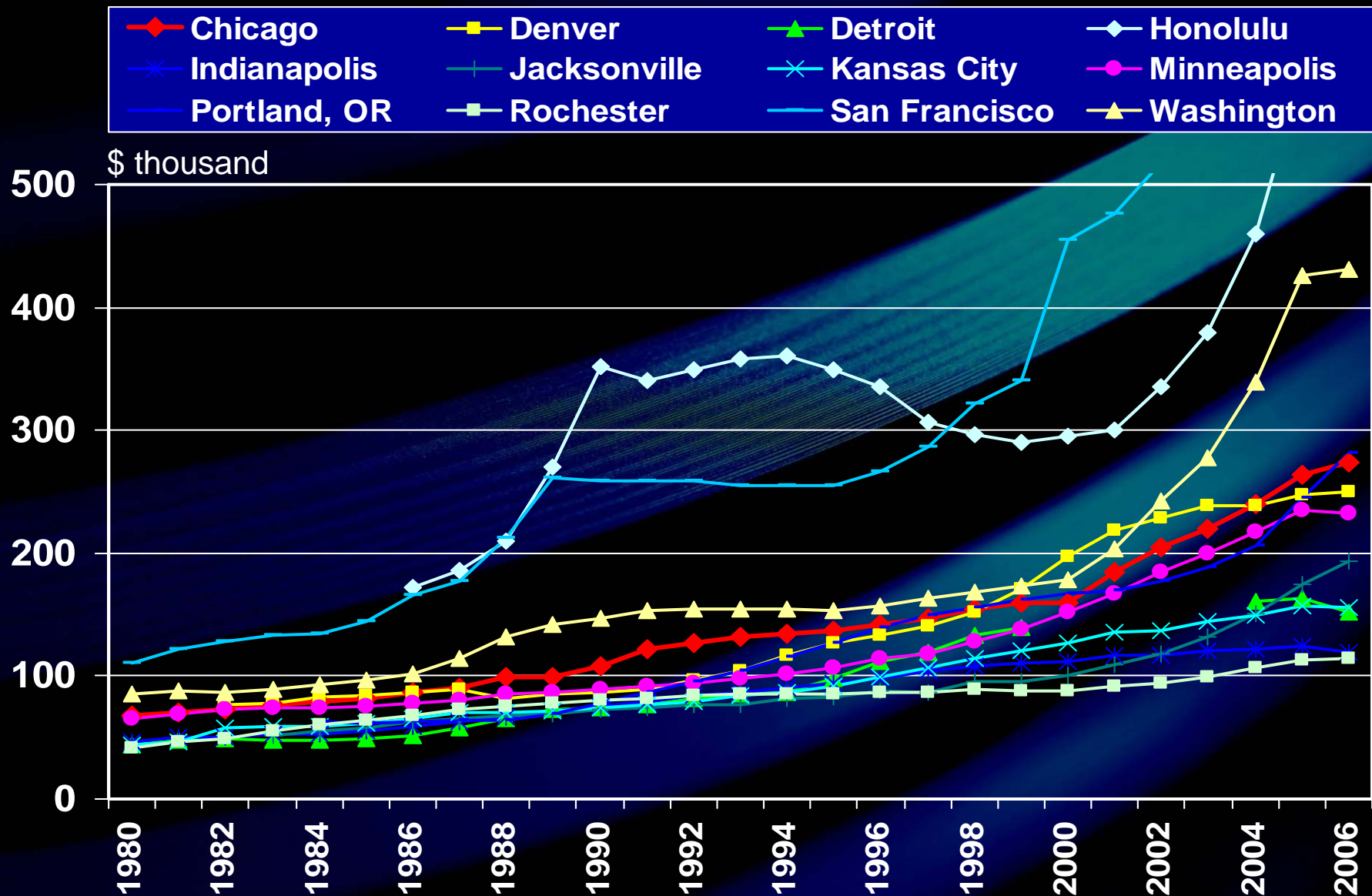
Source: NAR

Orlando and Providence



Source: NAR

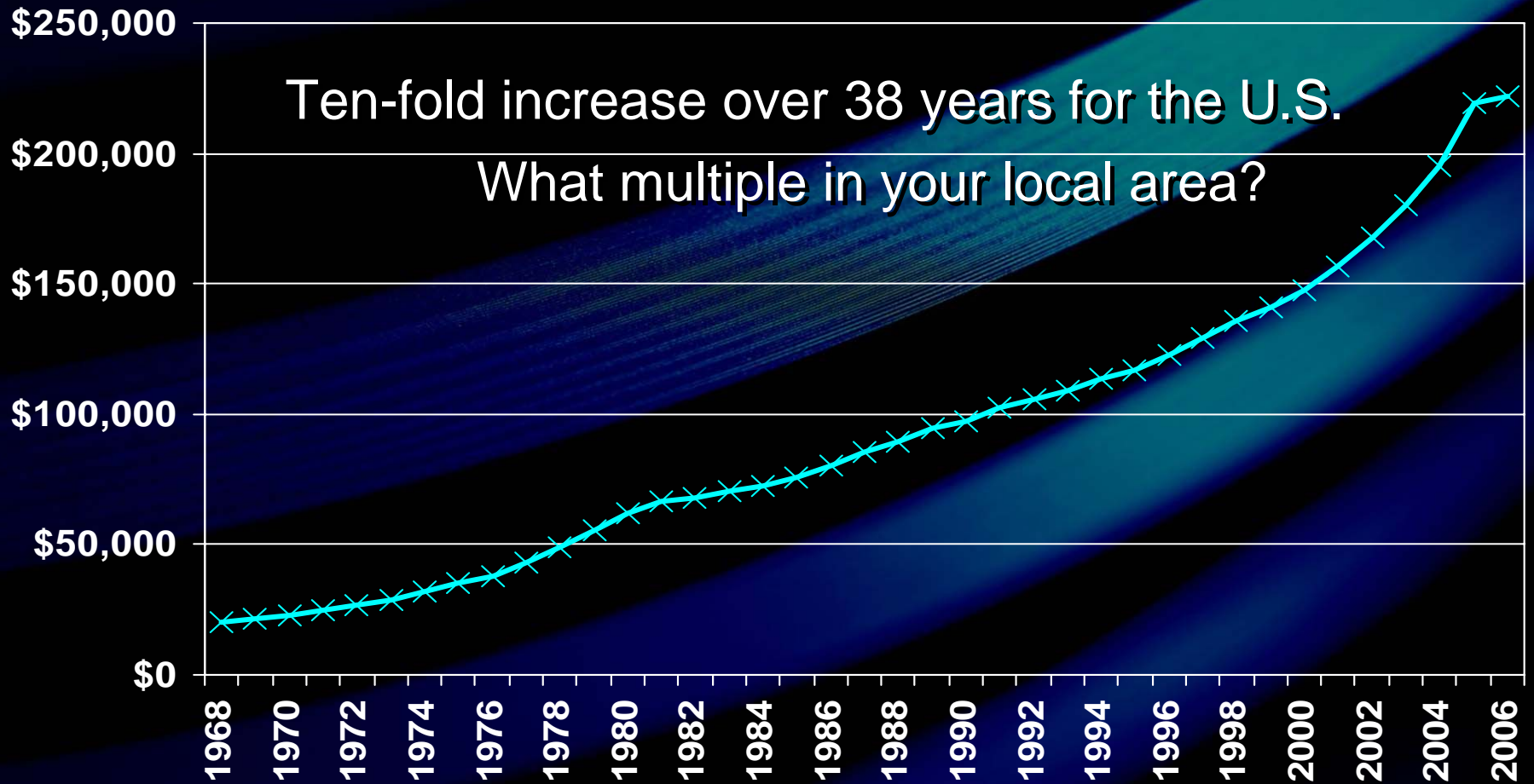
Local Markets Are All Different



Source: NAR

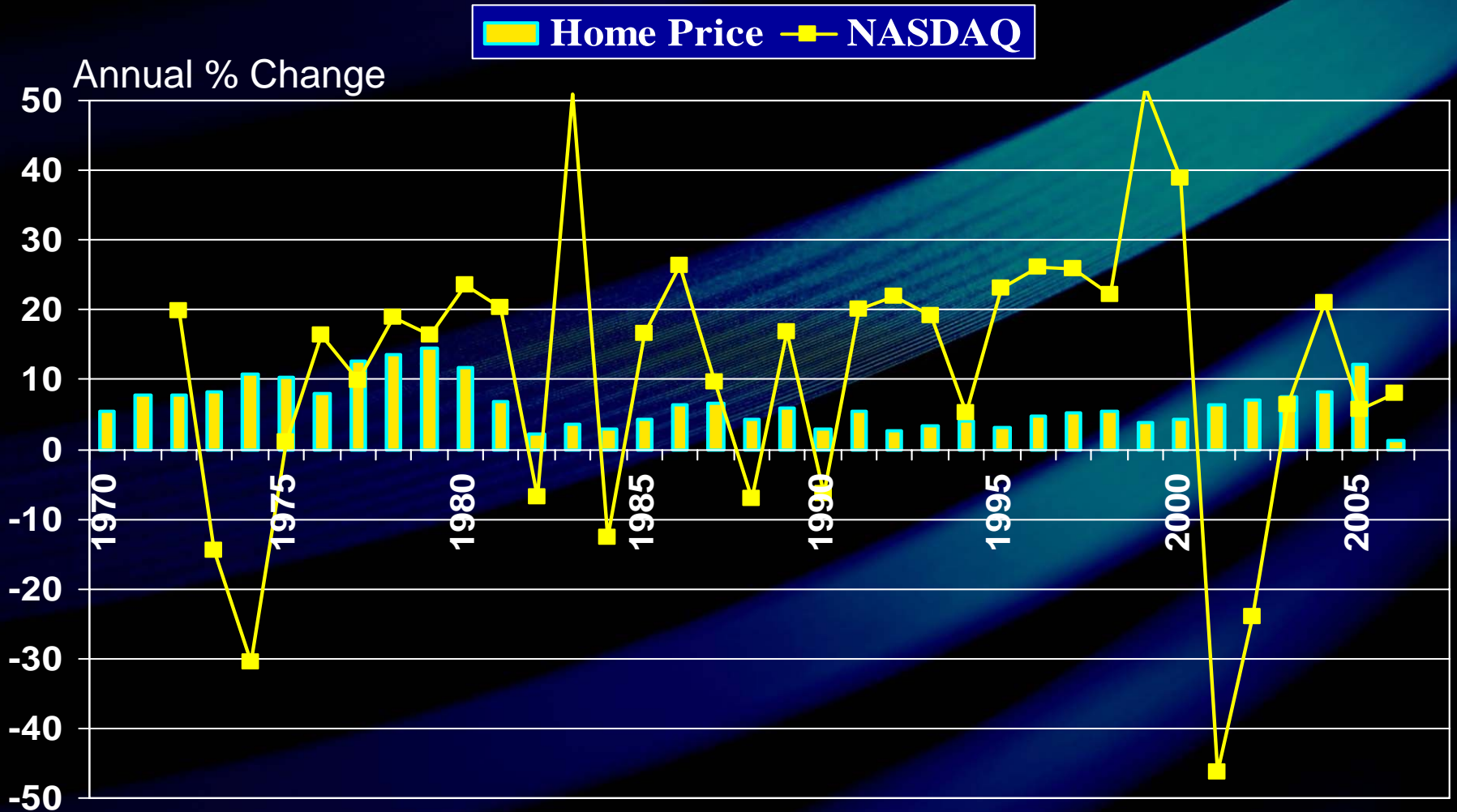
Typical U.S. Home Price

—x— U.S.



Source: NAR

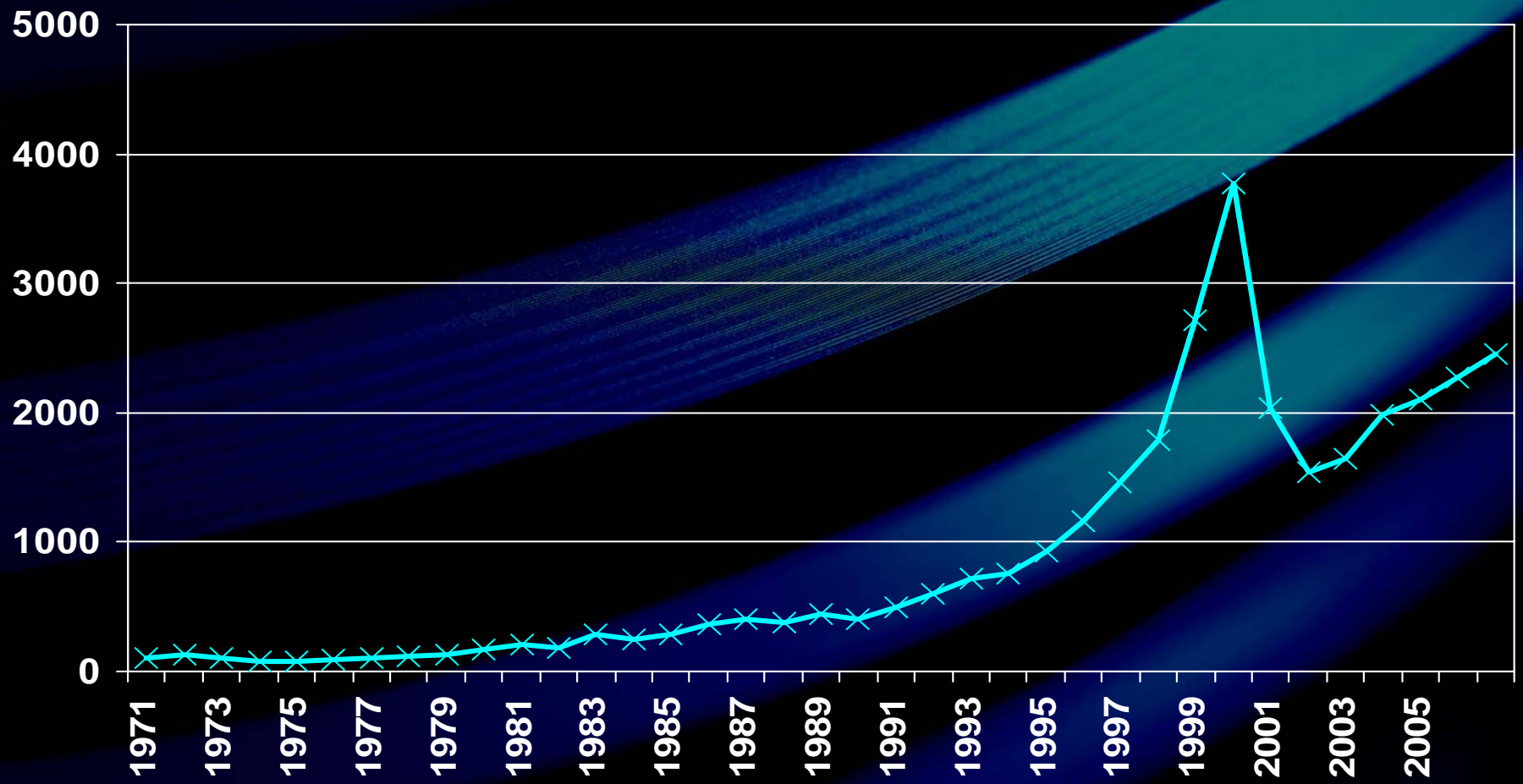
Soft or Hard Landing?



Source: NAR, Dow Jones, NASDAQ

NASDAQ Index

—x— NASDAQ



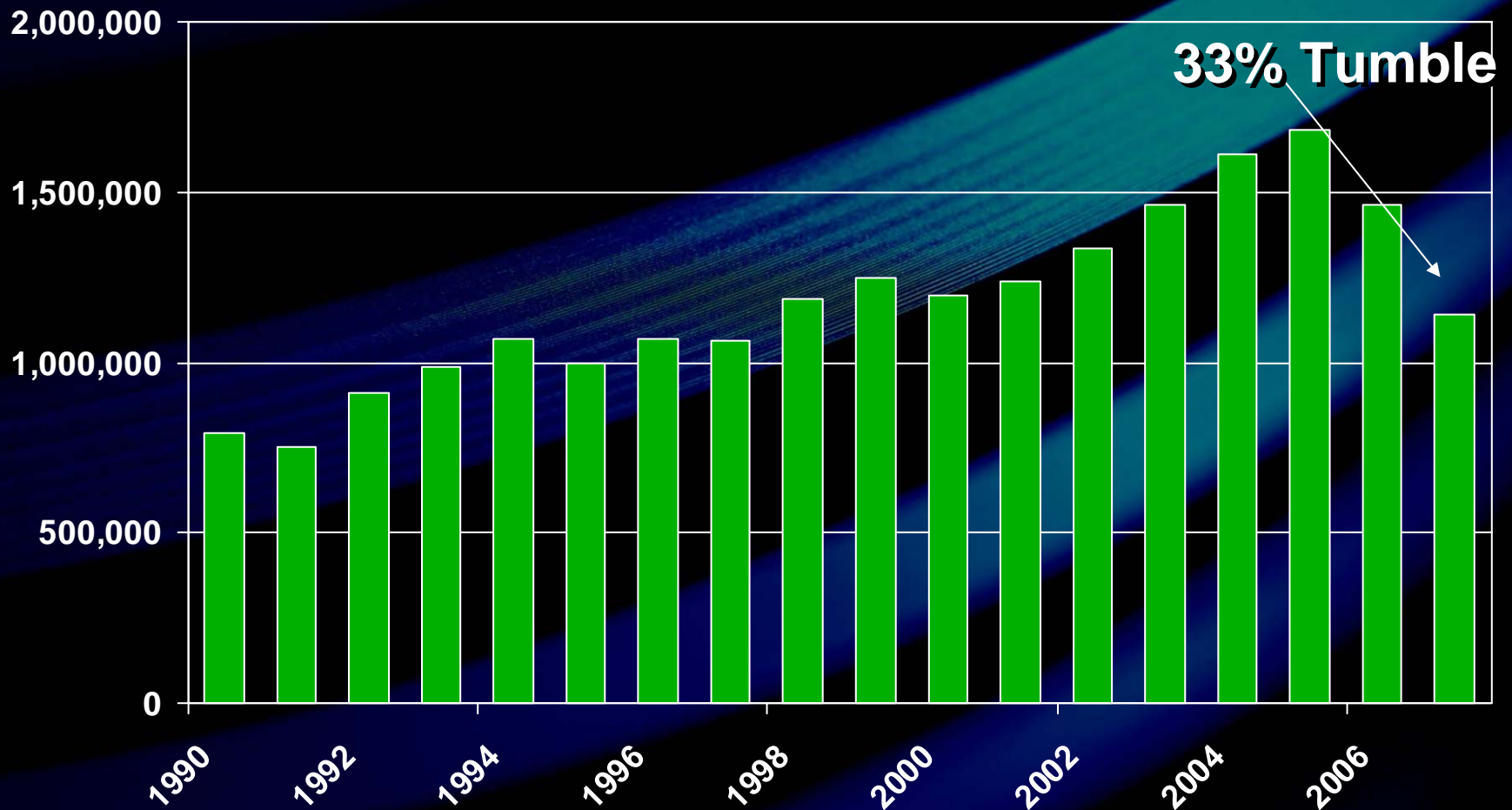
Source: NASDAQ



**Where is the
Housing
Correction?**

U.S. New Single-Family Construction

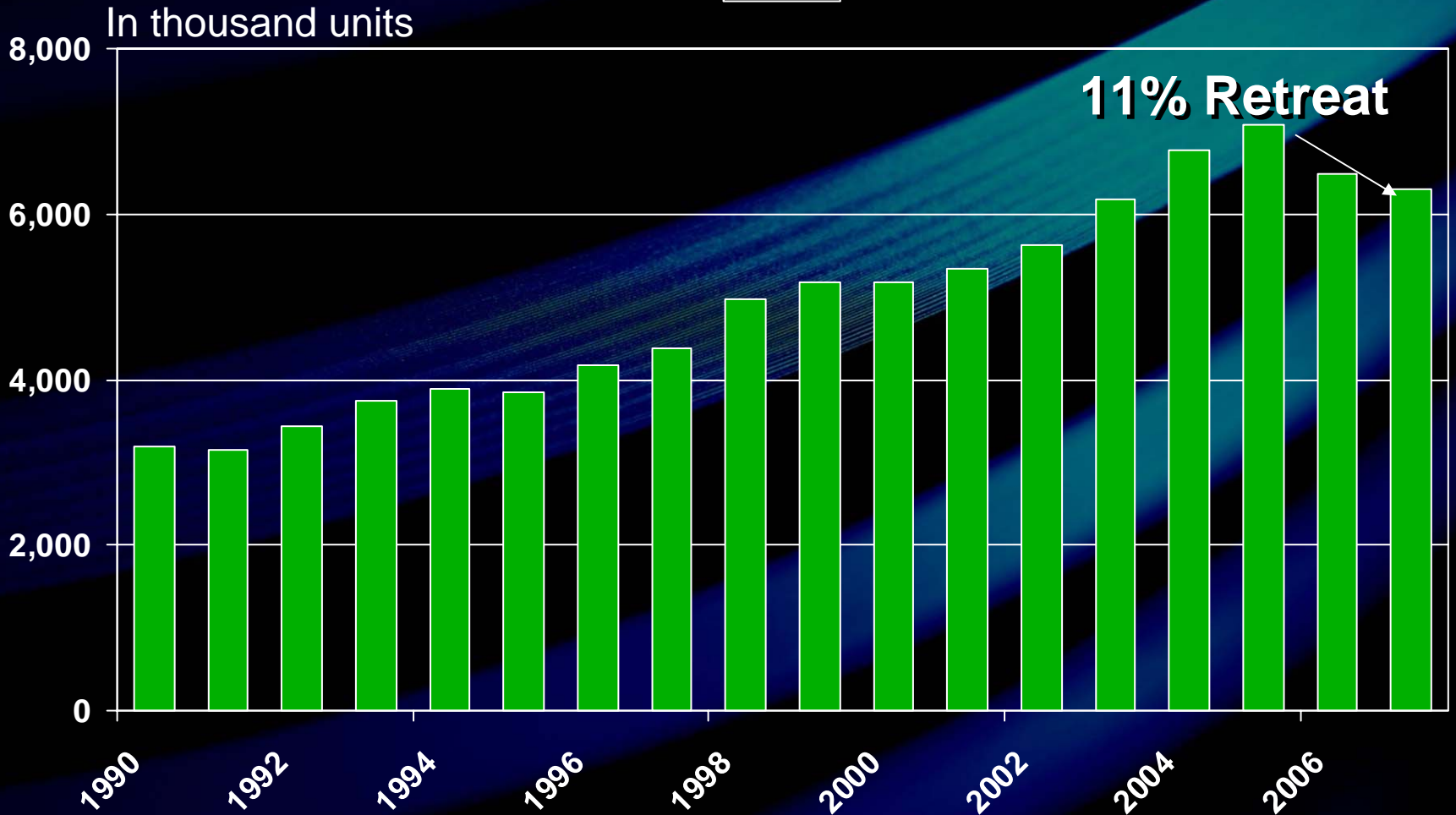
Starts



Source: Census

U.S. Existing-Home Sales

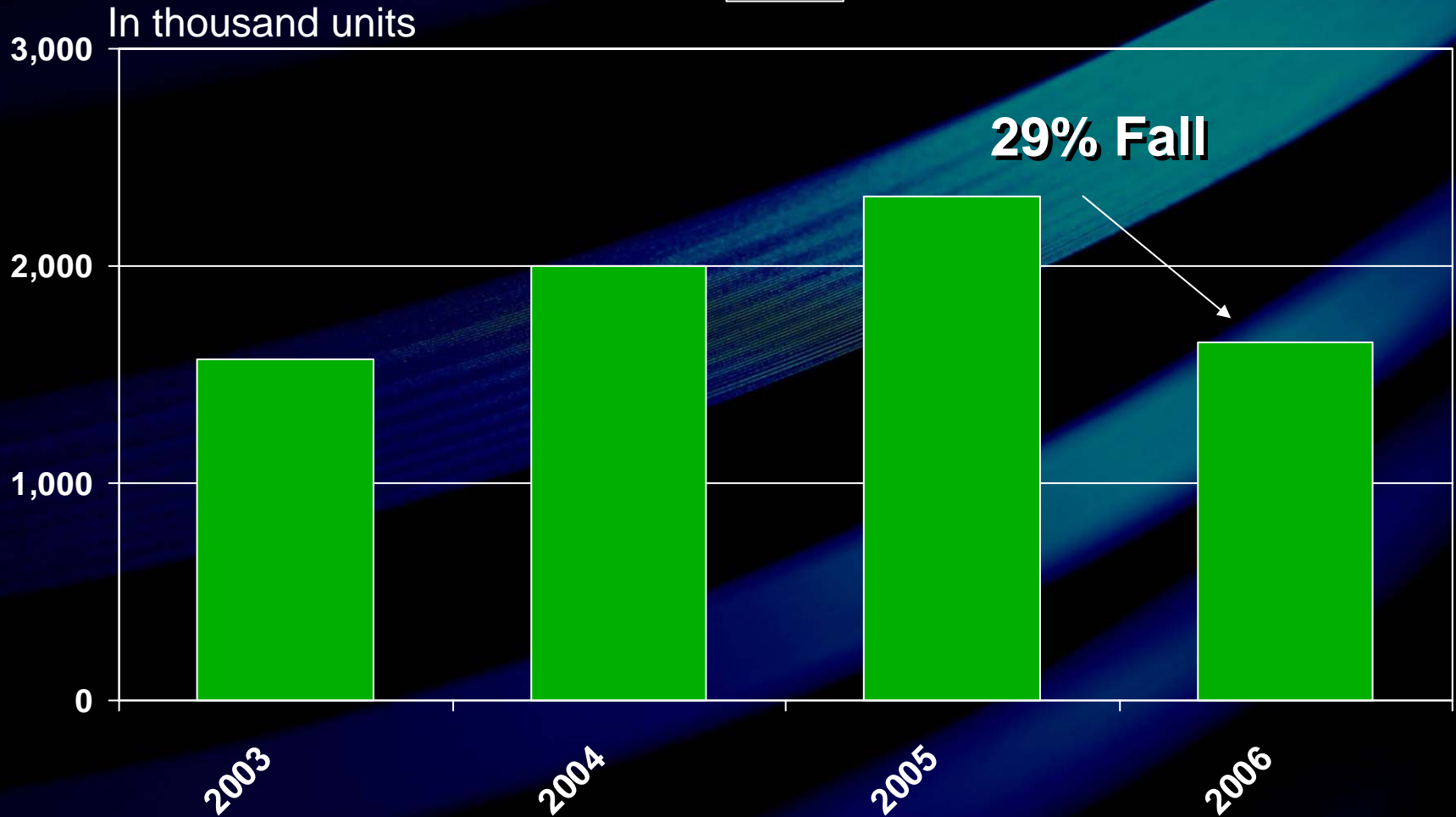
EHS



Source: Census

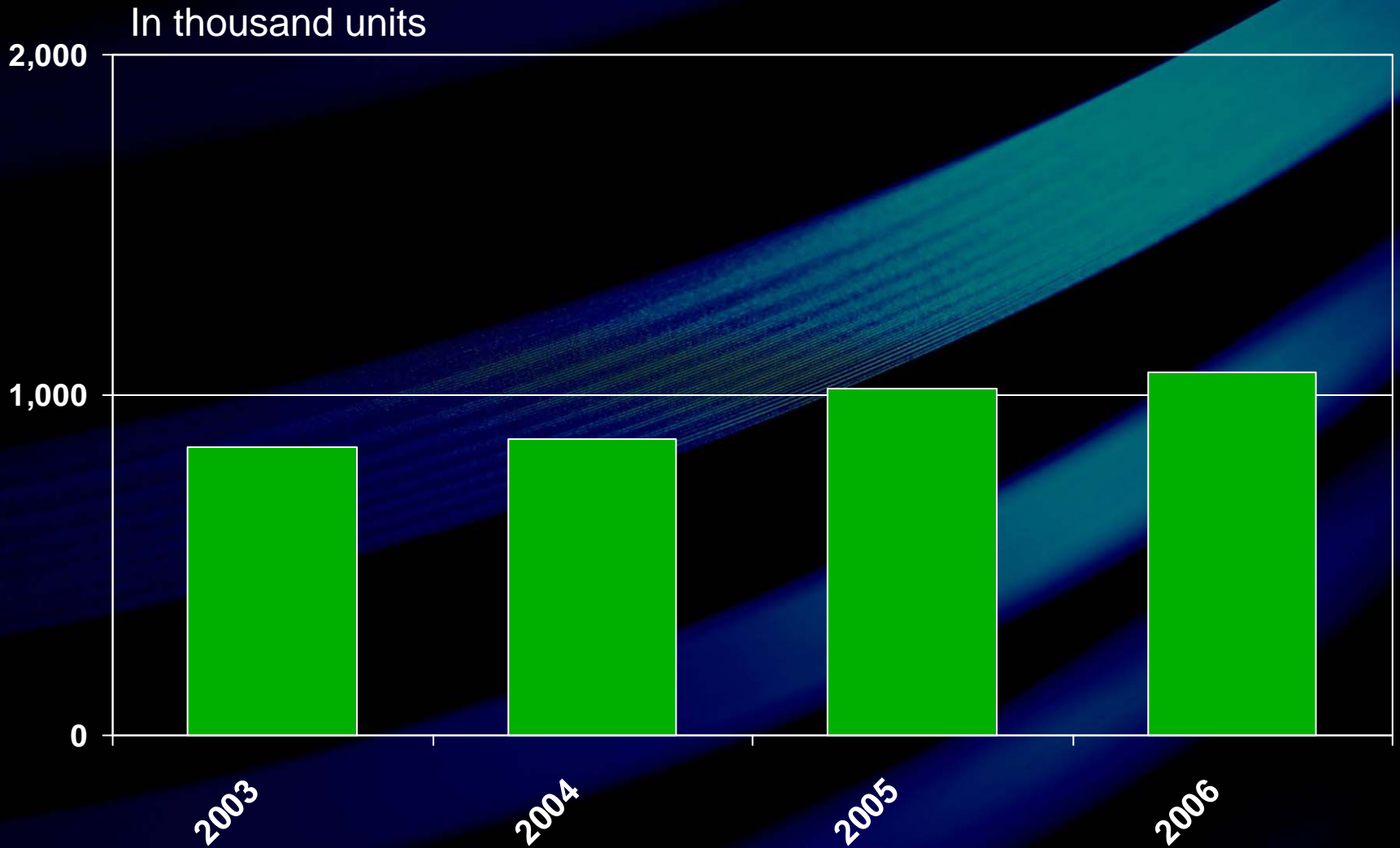
Investor (Speculative) Home Sales

■ EHS



Source: NAR

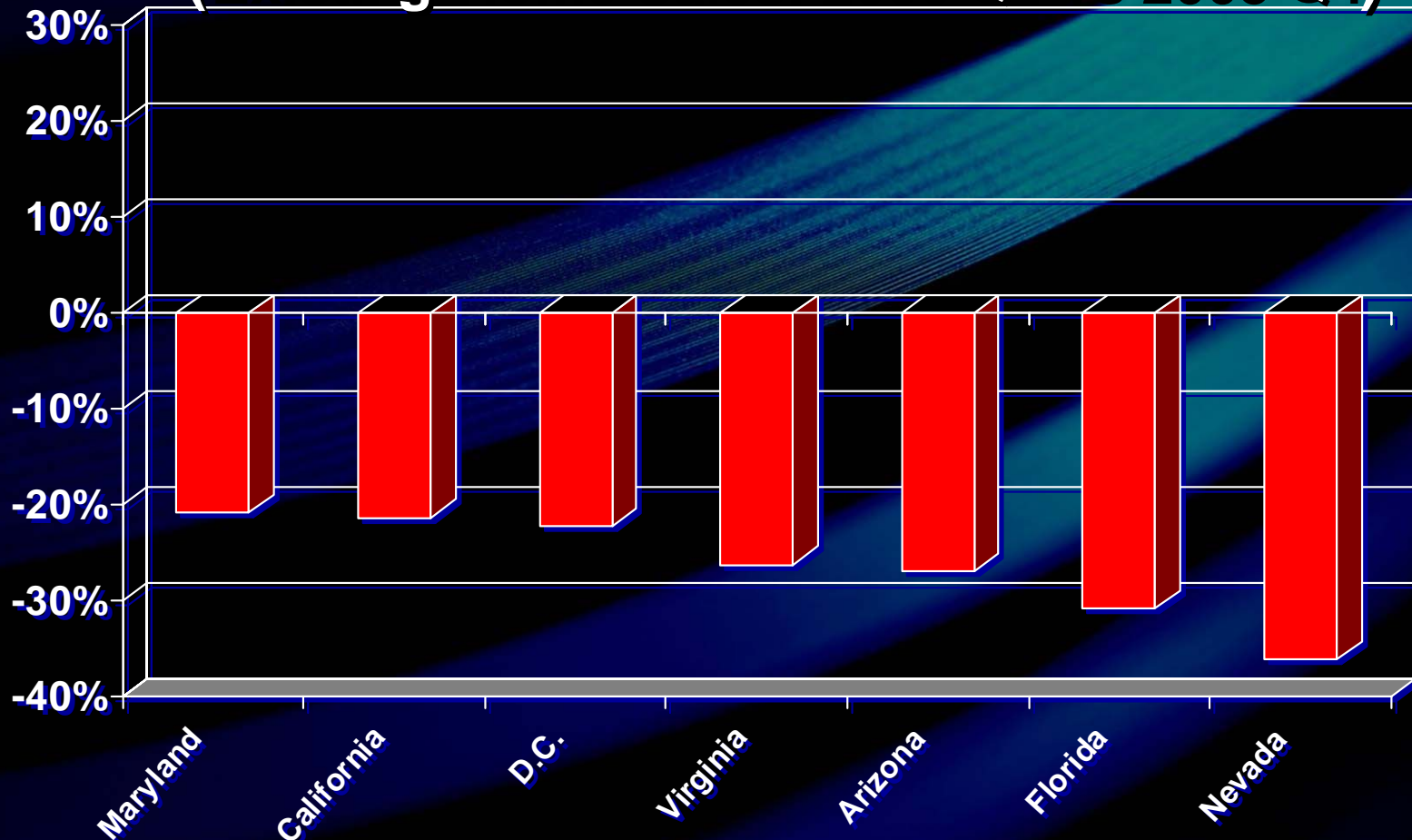
Vacation Home Sales



Source: NAR

Investor-Heavy Markets Now Taking a Hit

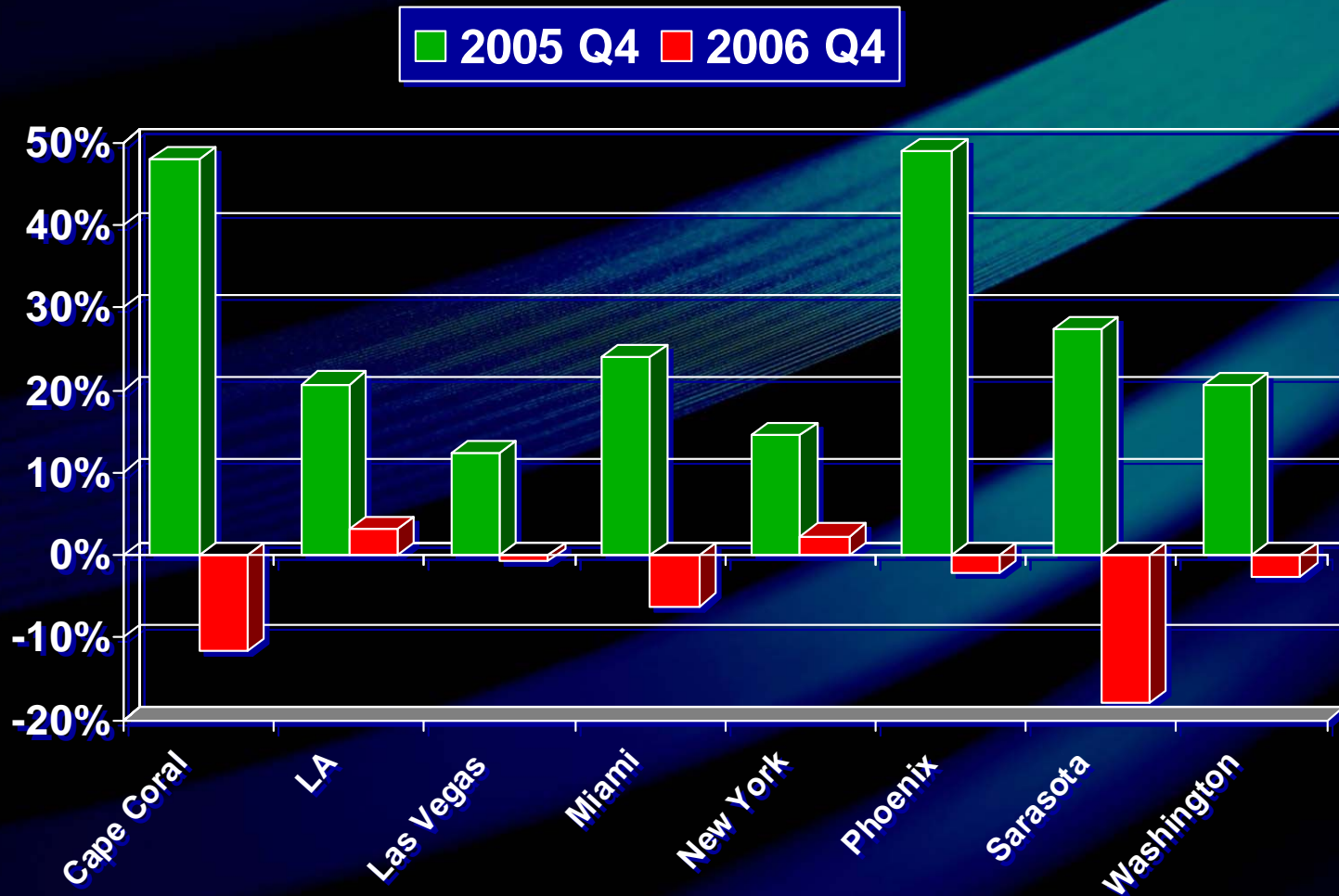
(Existing-Home Sales: 2006 Q4 vs 2005 Q4)



Source: NAR

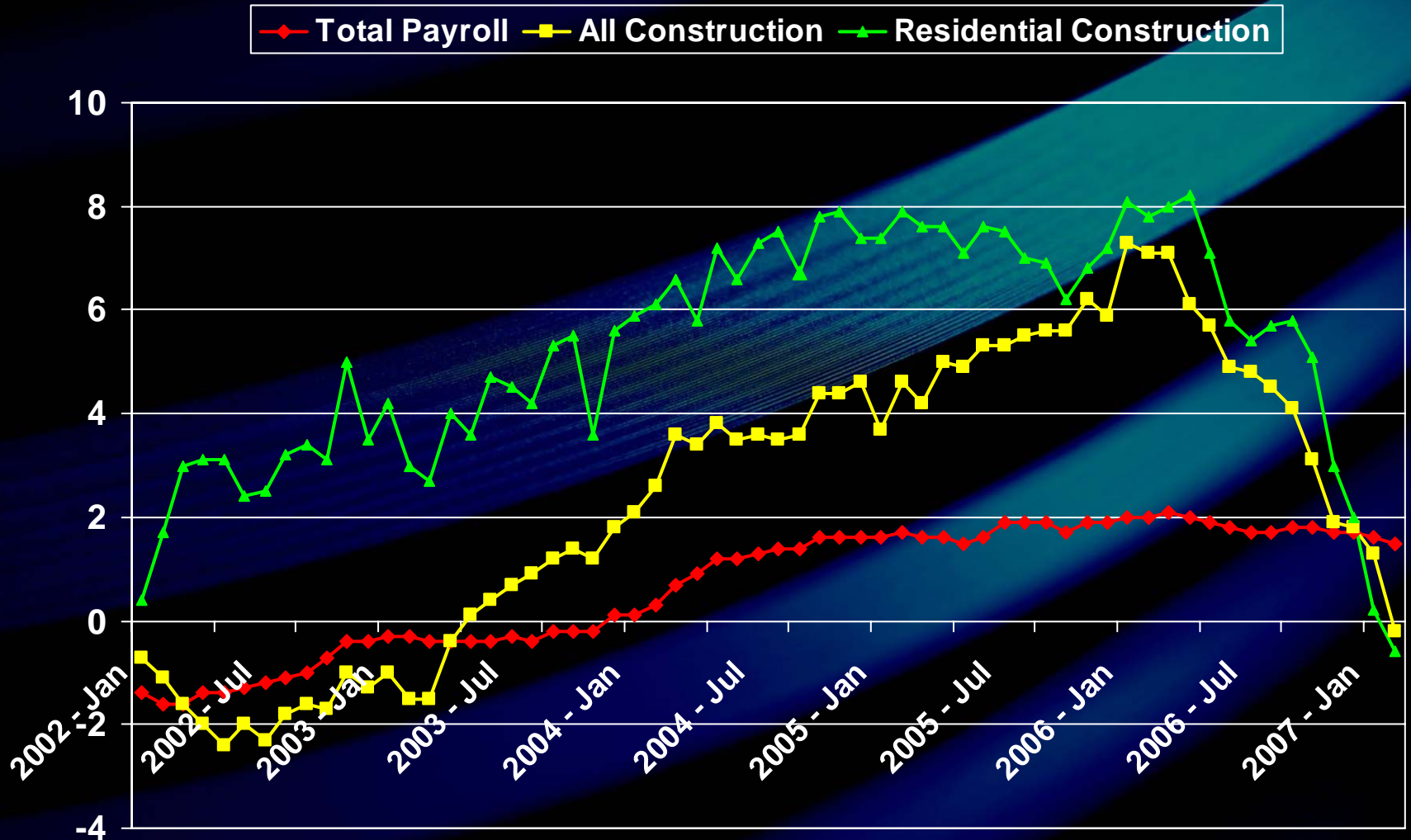
Rapid Change in Prices

(1-year Home Price Growth)



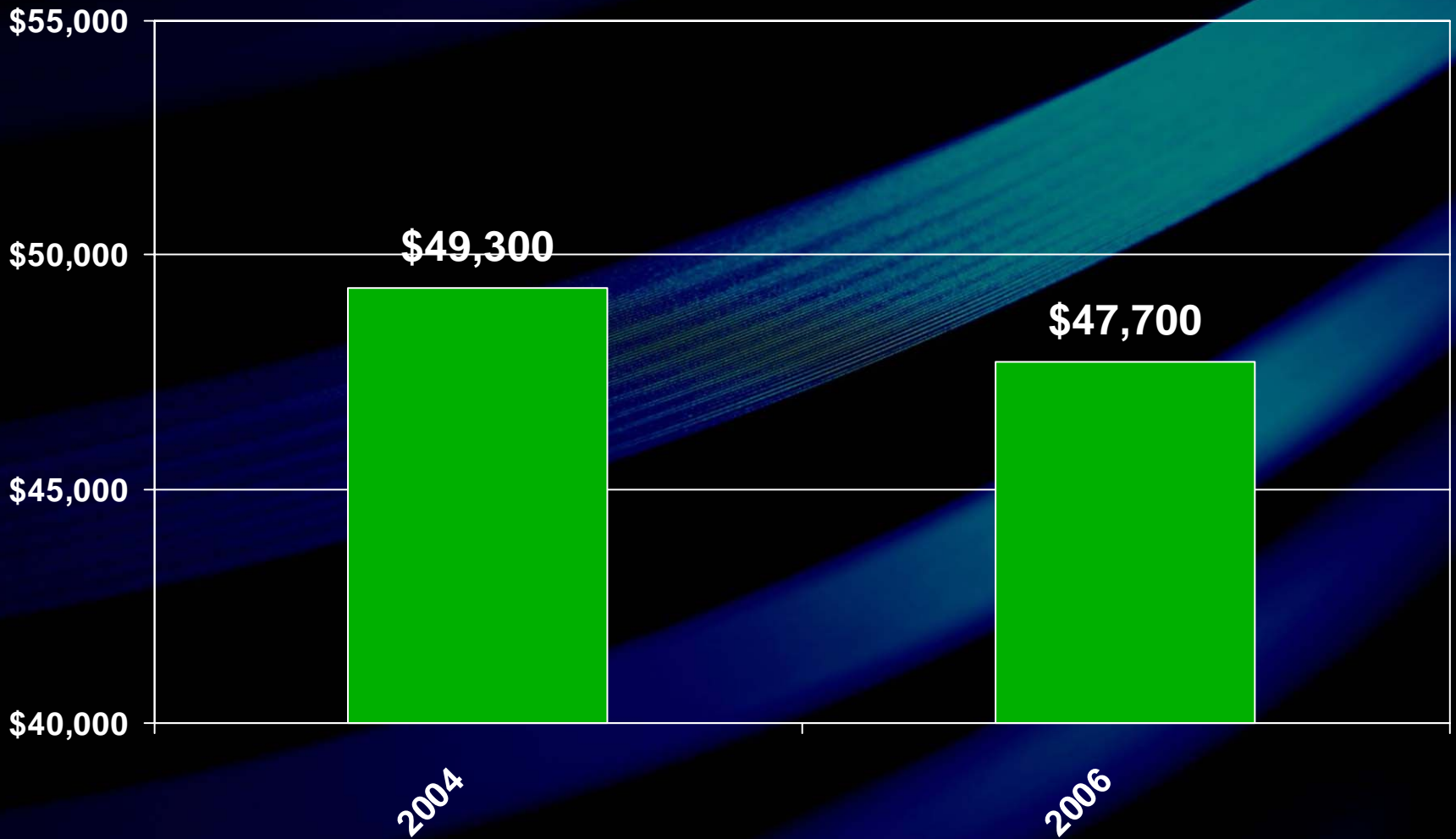
Source: NAR

Construction Jobs Now Falling



Source: NAR

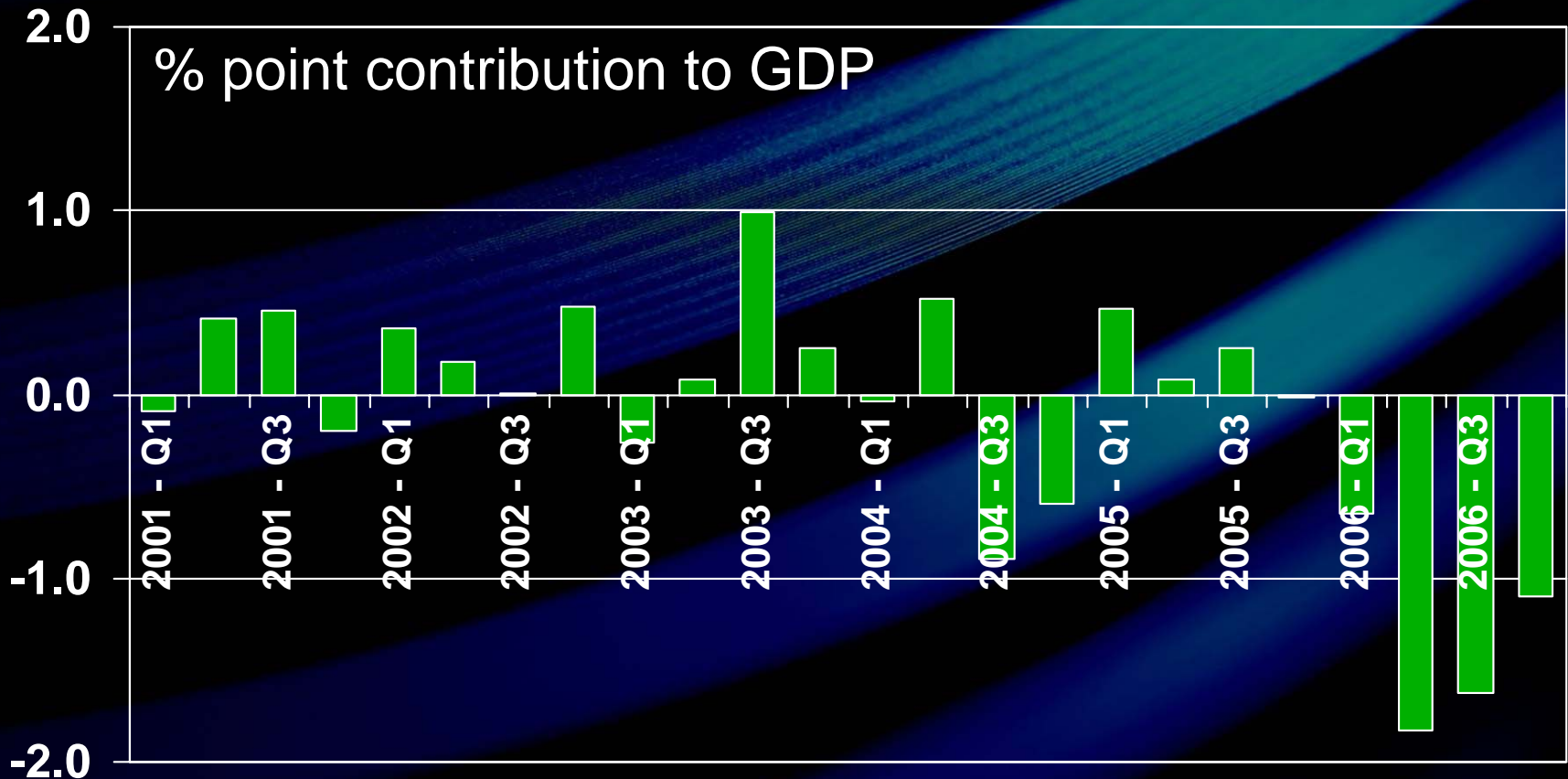
Income of REALTORS®



Source: NAR

Housing's Contribution to Economy

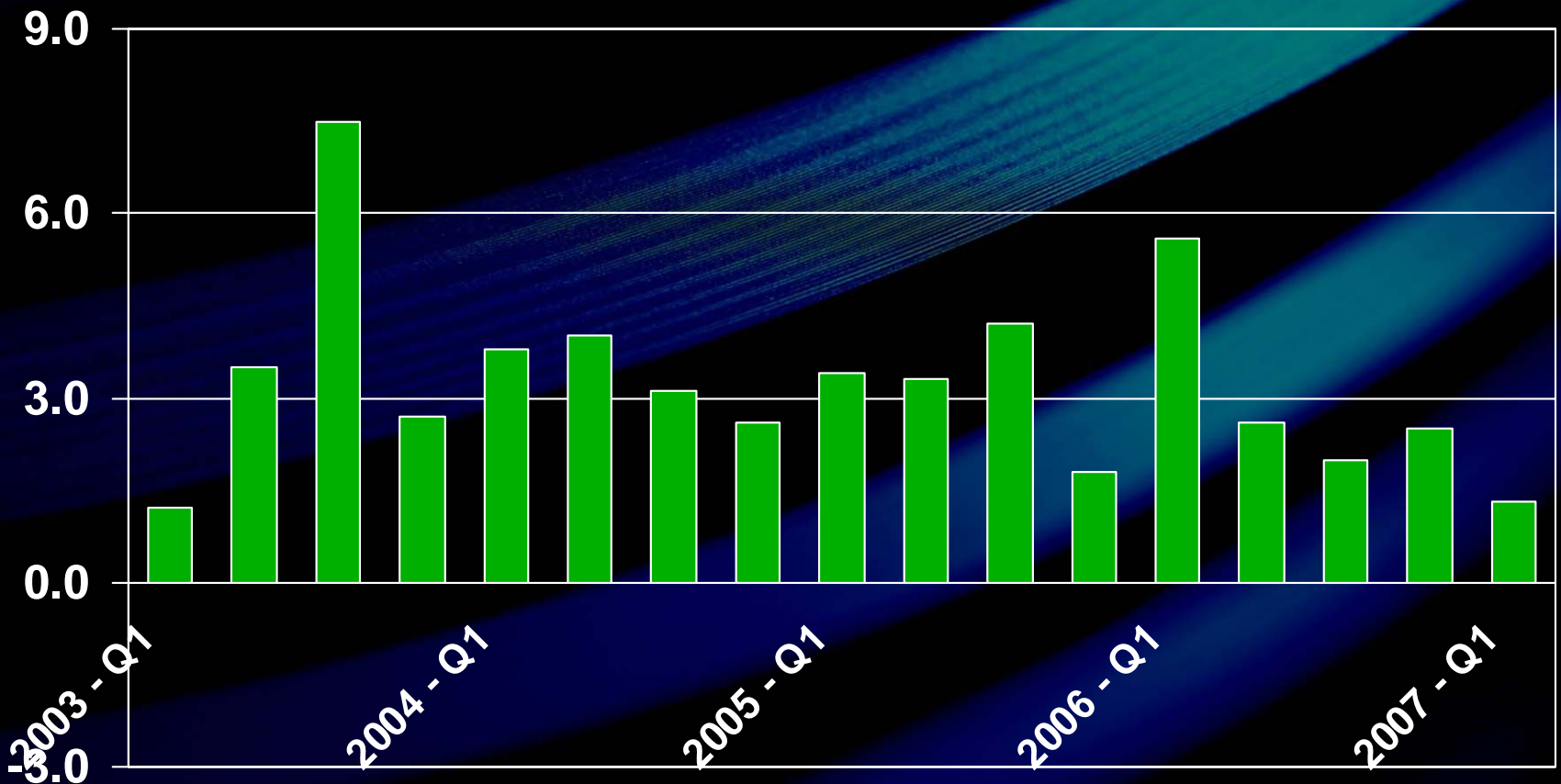
■ Residential Construction Contribution to GDP Growth



Source: BEA

Sub-Par Economic Growth

■ Residential Construction Contribution to GDP Growth



Source: BEA

Property Taxes, Transfer Taxes, Impact Fees, Recordation Expenses ...

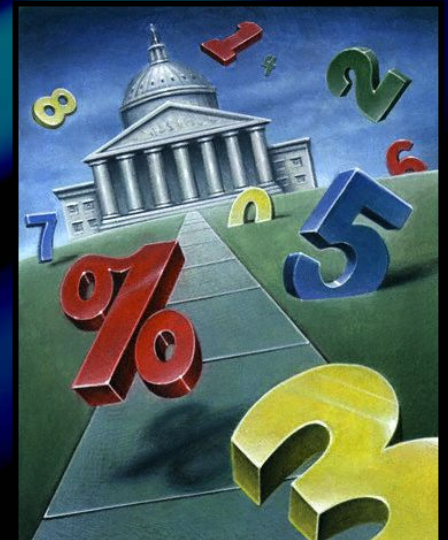
Local government spending needs = Inflation rate + population growth

- Inflation rate = about 3%
- Population growth = -1% to +8%

Government Spending Needs

- On average = $3\% + 1\% = 4\%$
- At most = $3\% + 8\% = 11\%$

How much has your local government revenue risen?



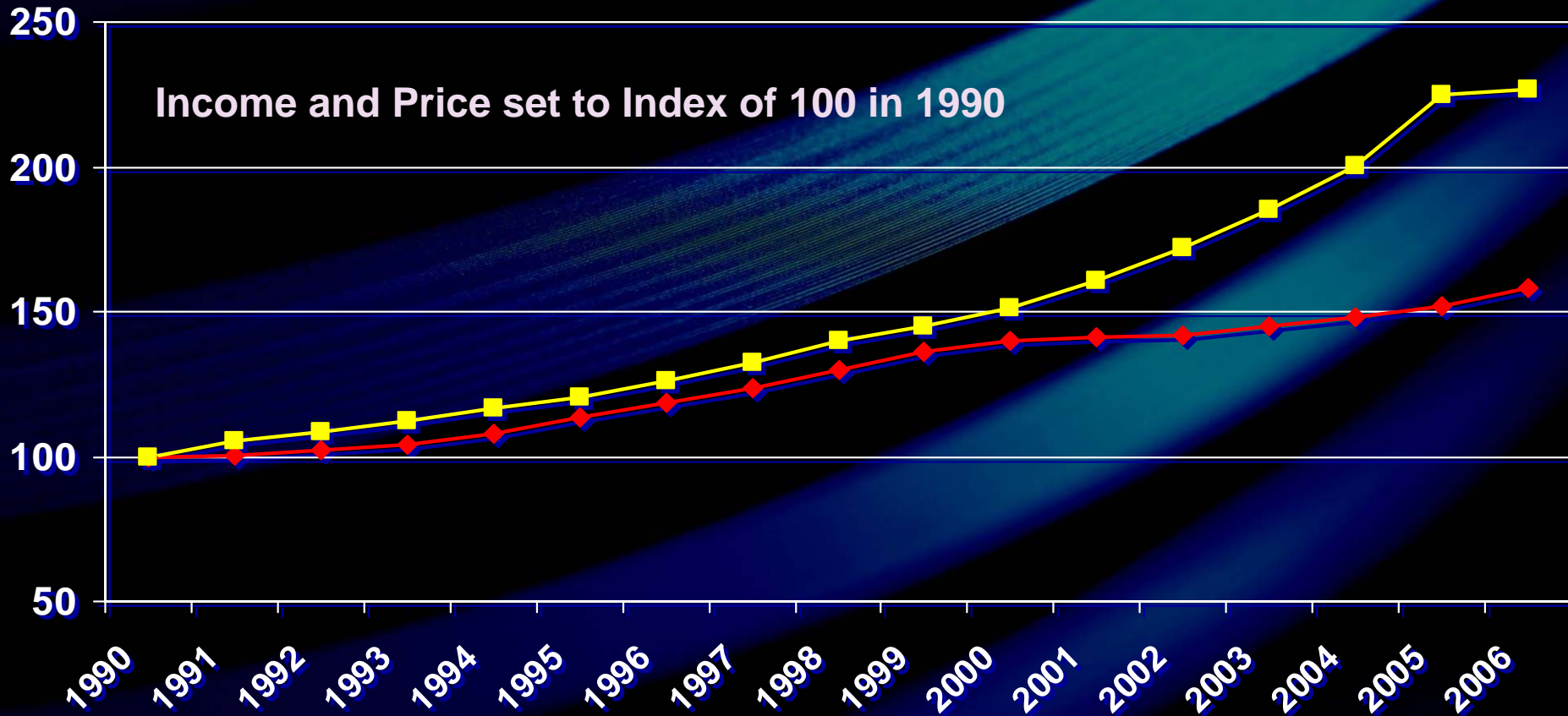
Fight the Bubble



Something is Out of Whack!

◆ Income ■ Home Price

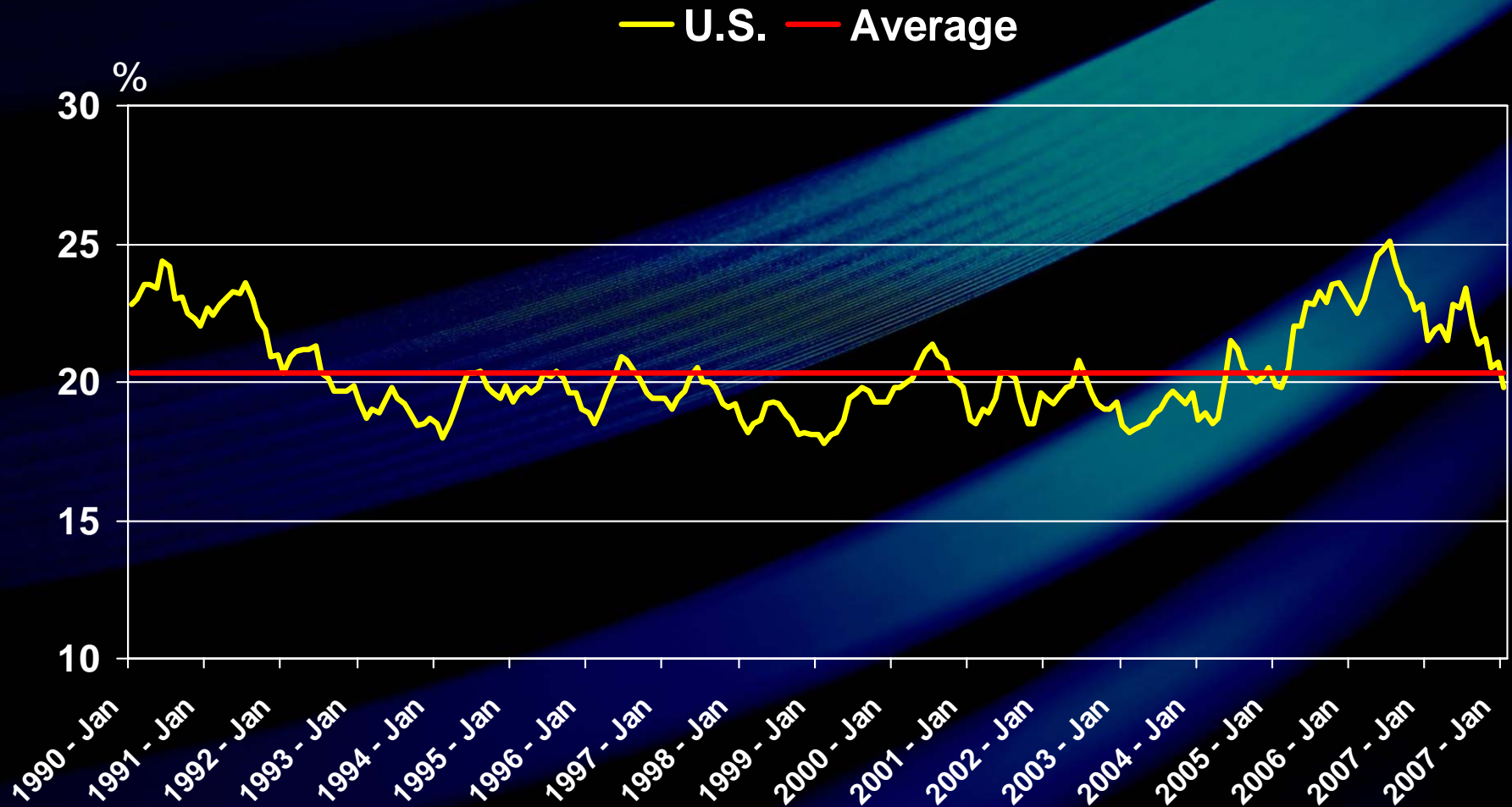
Income and Price set to Index of 100 in 1990



Source: NAR

Mortgage Obligation to Income

Manageable

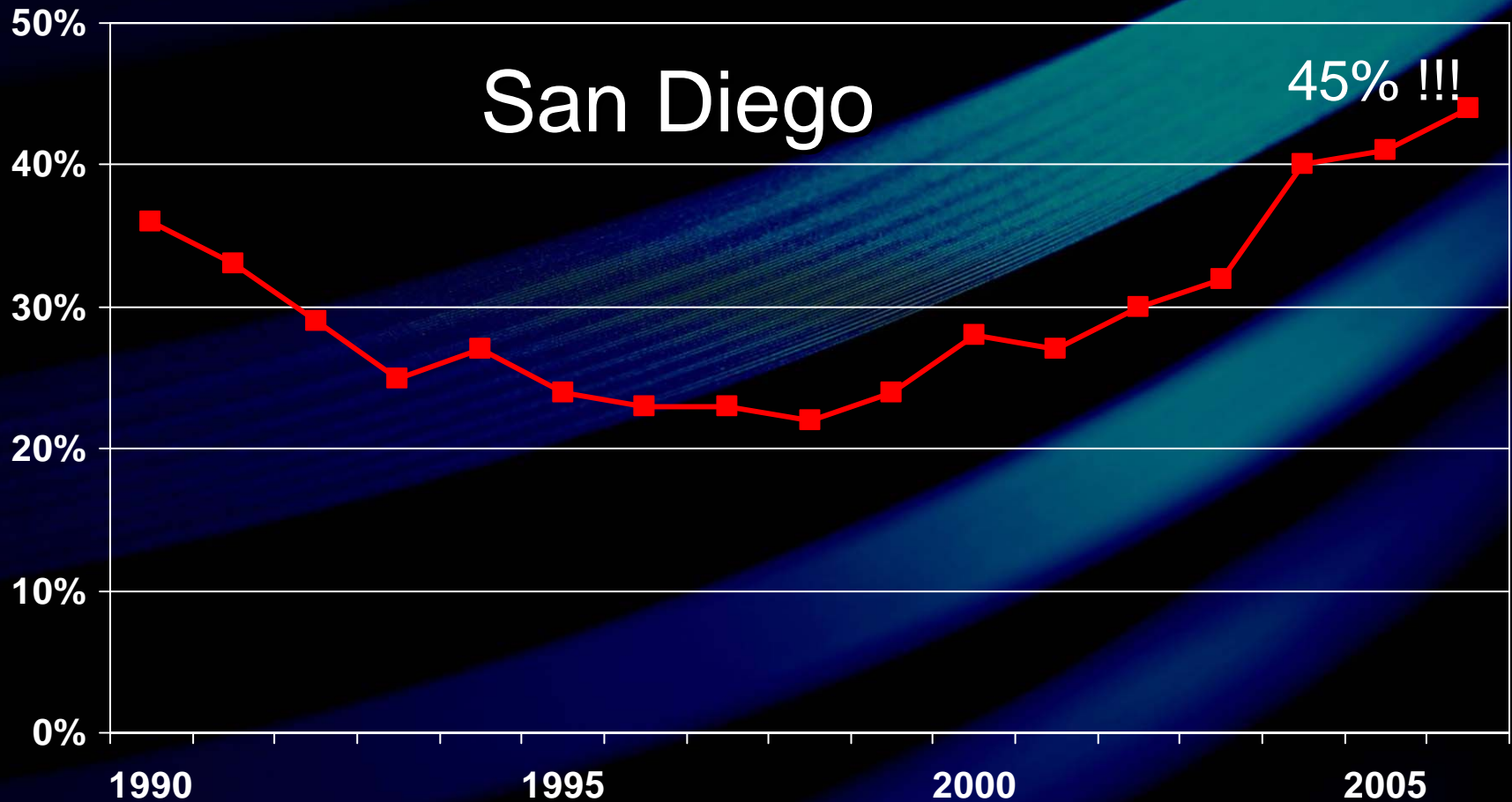


Source: NAR

Mortgage Obligation to Income

Very High in Some Markets

■ debt service to buy a median priced home by a middle income family



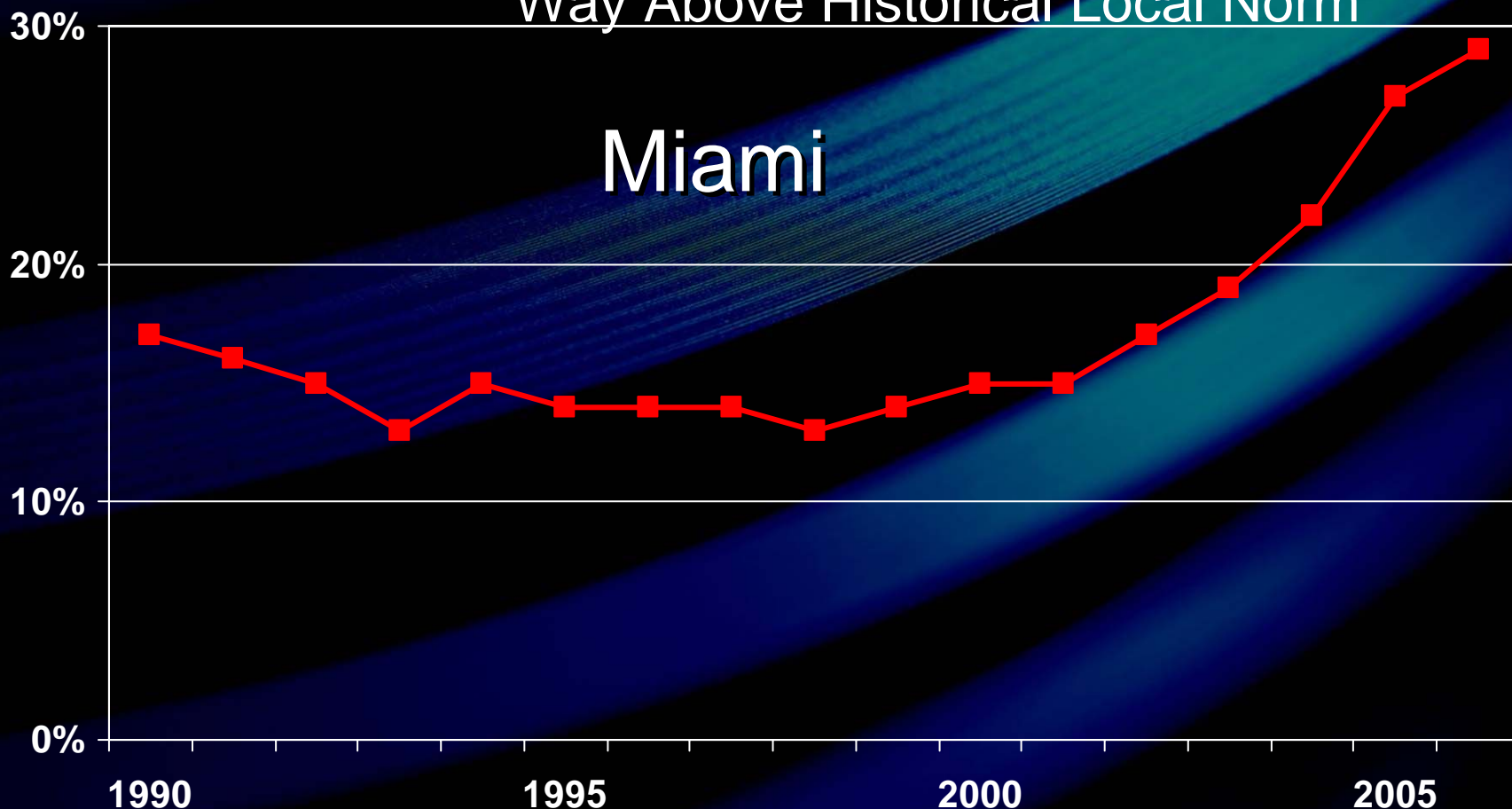
Source: NAR

Mortgage Obligation to Income

Historically High in Some Markets

■ debt service to buy a median priced home by a middle income family

Way Above Historical Local Norm



1990

1995

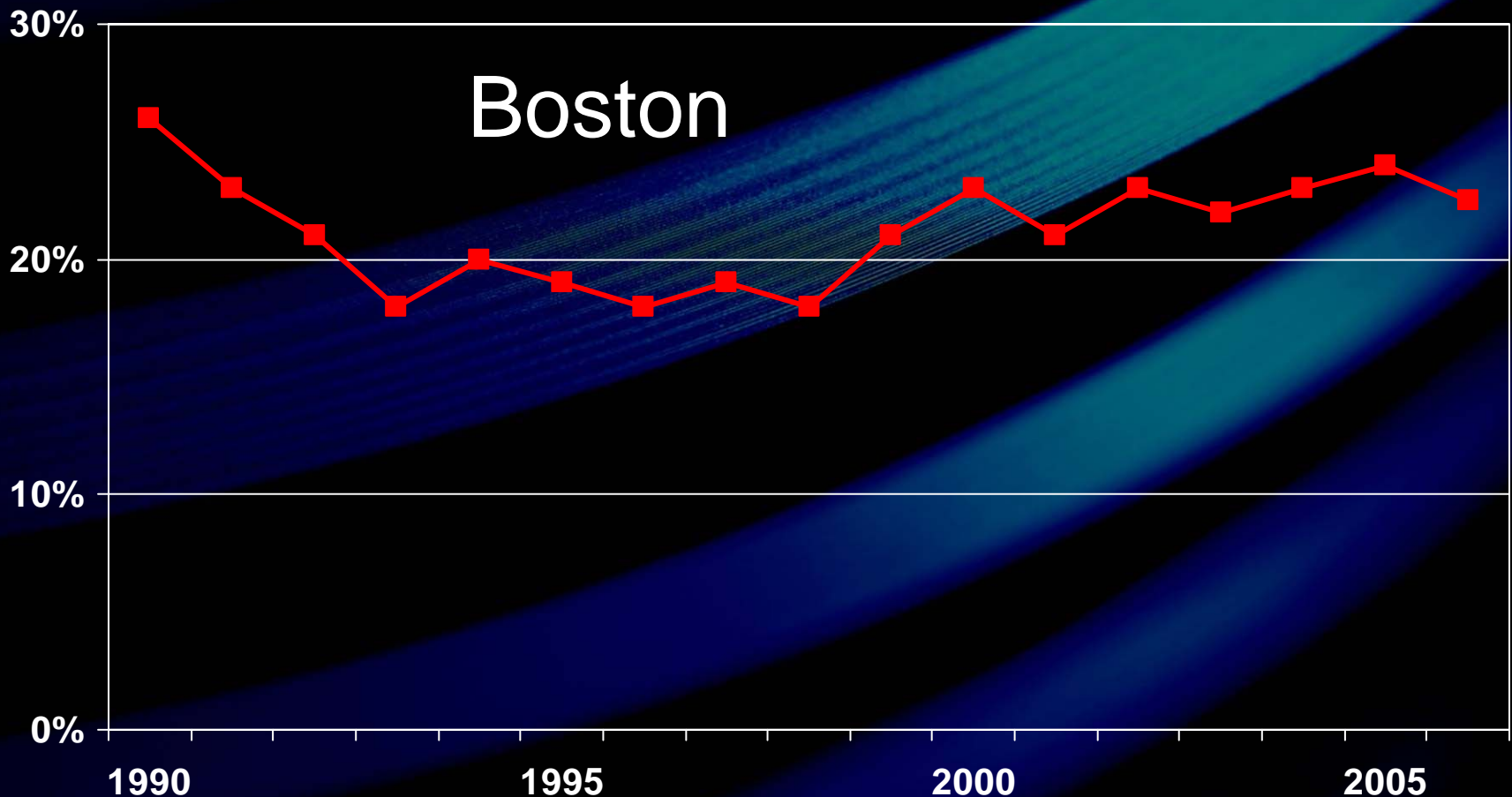
2000

2005

Source: NAR

Mortgage Obligation to Income Manageable in Boston Region

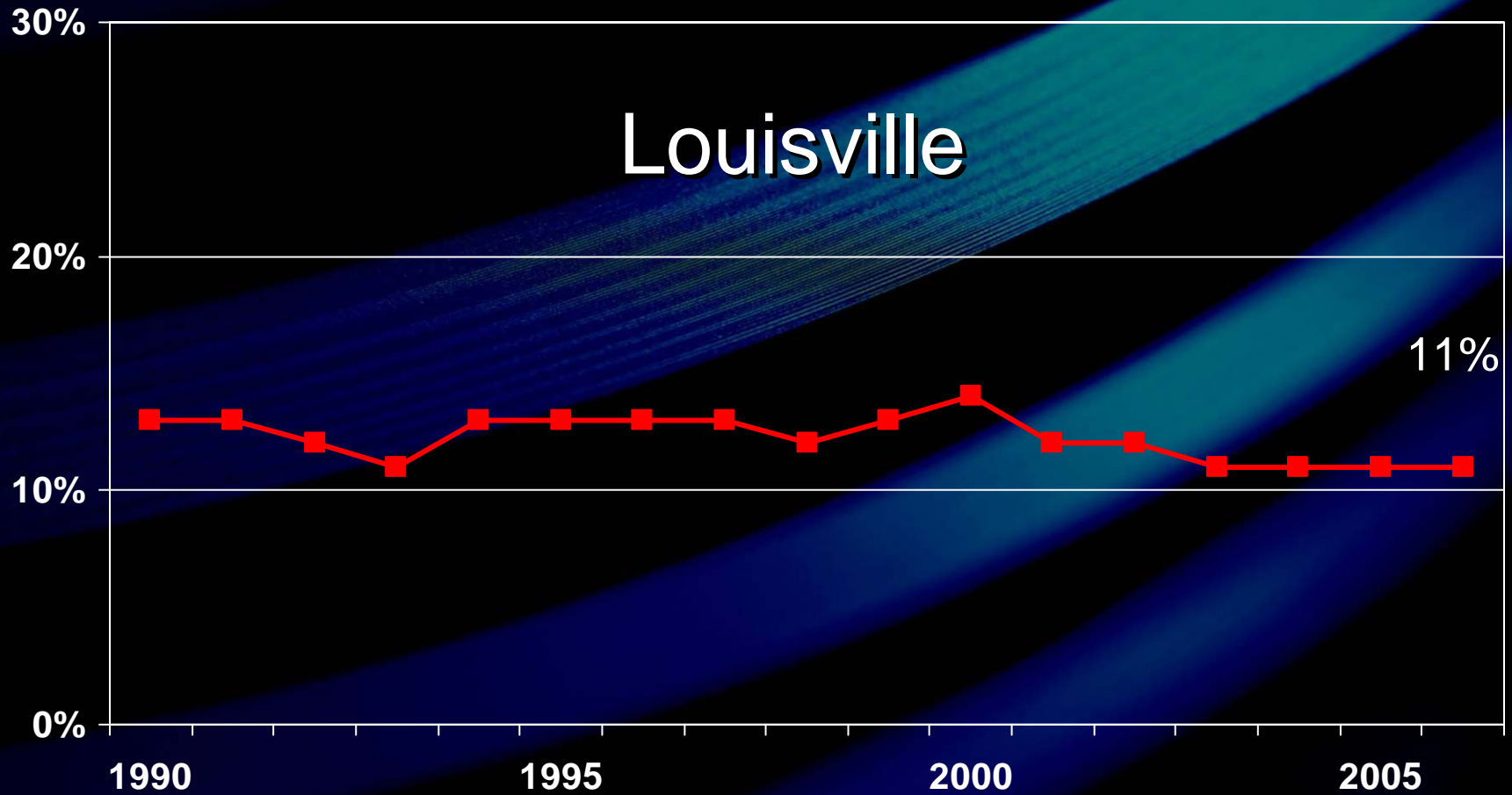
■ debt service to buy a median priced home by a middle income family



Source: NAR

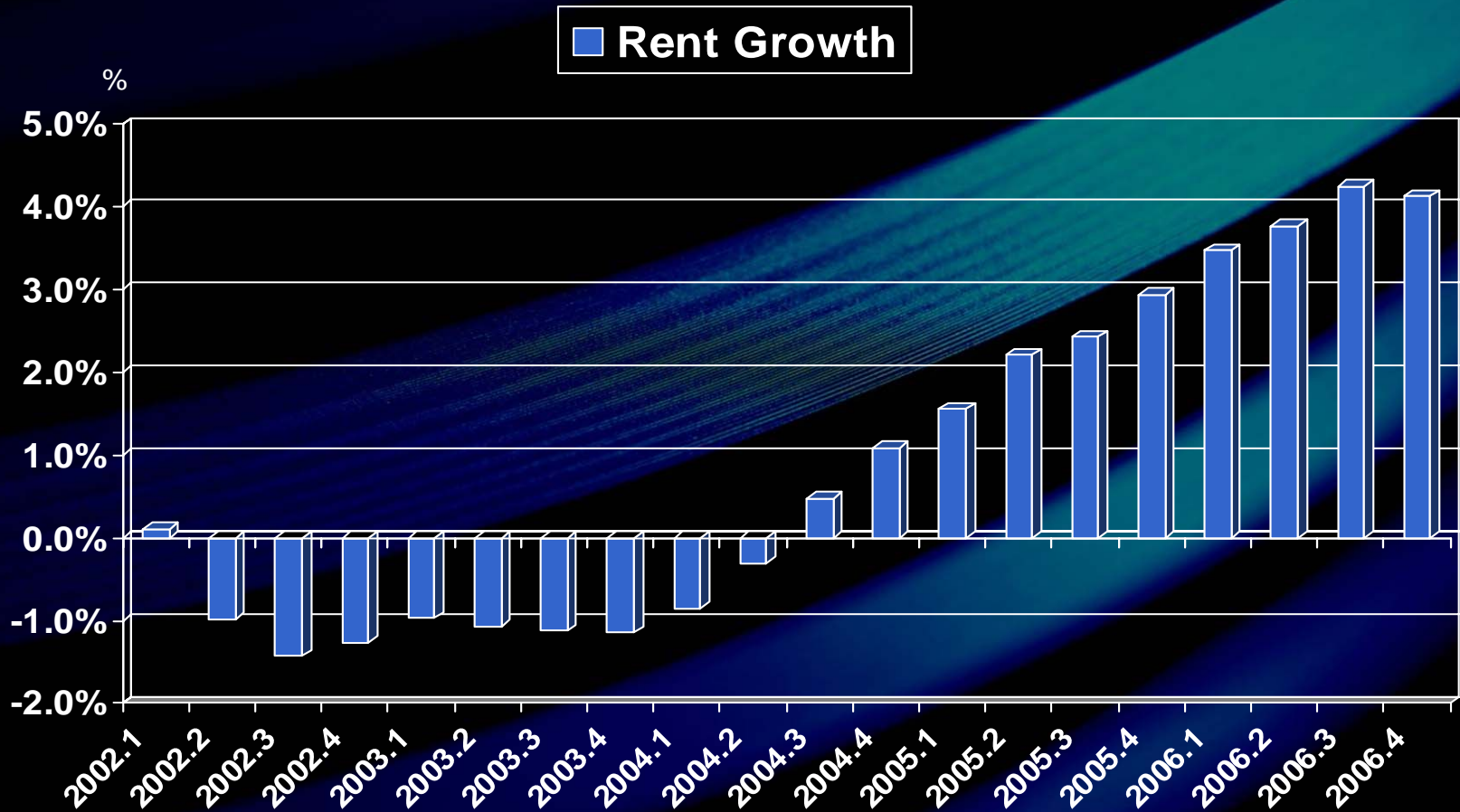
Mortgage Obligation to Income *Favorable in Louisville*

—■— Louisville



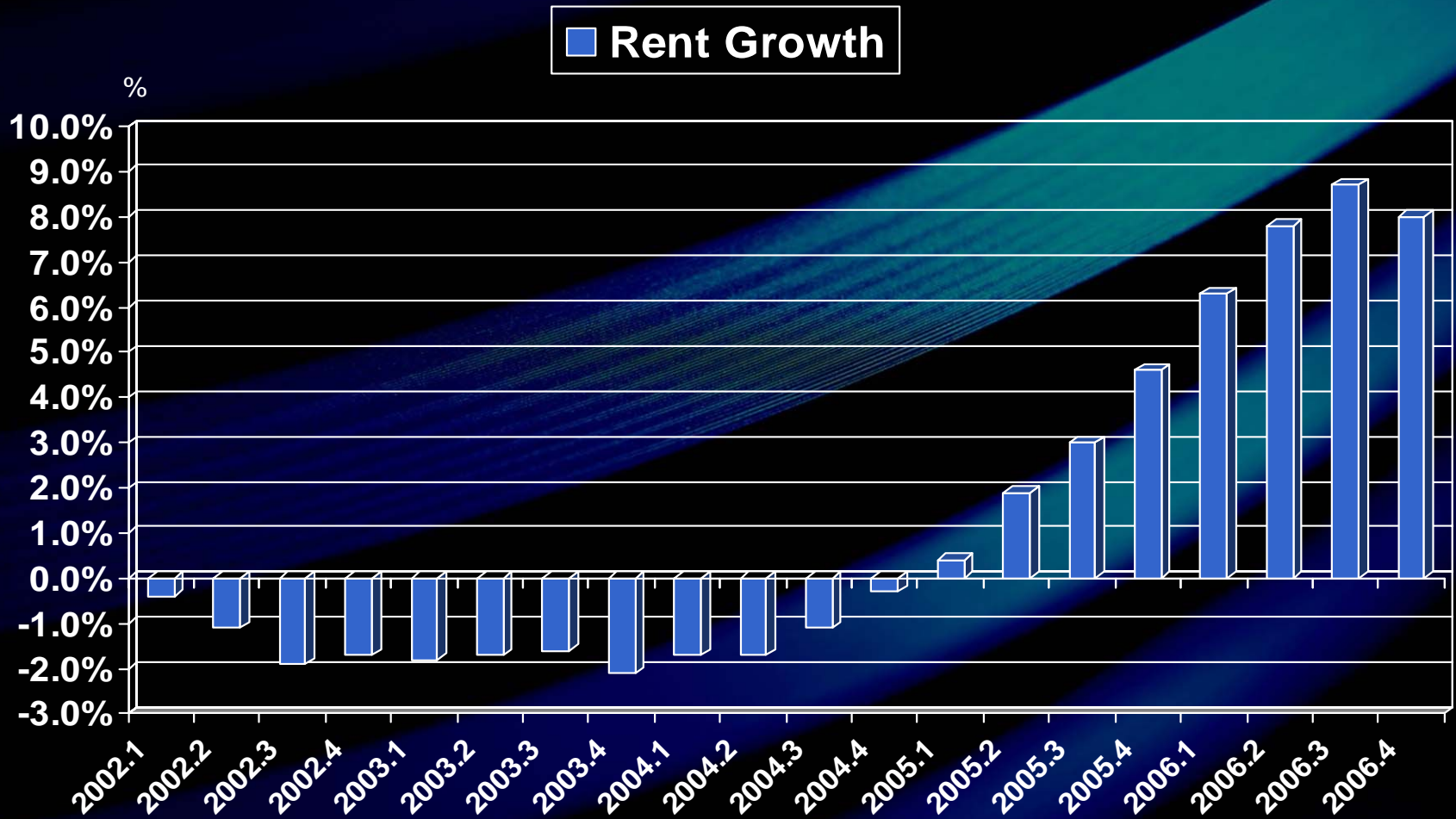
Source: NAR

Renters Beginning to Get Squeezed – U.S.



Source: Torto-Wheaton Research

Markets Like Phoenix -- *Strong in Jobs but Weak in Housing* – Feel the Squeeze



Source: Torto-Wheaton Research

Subprime Impact

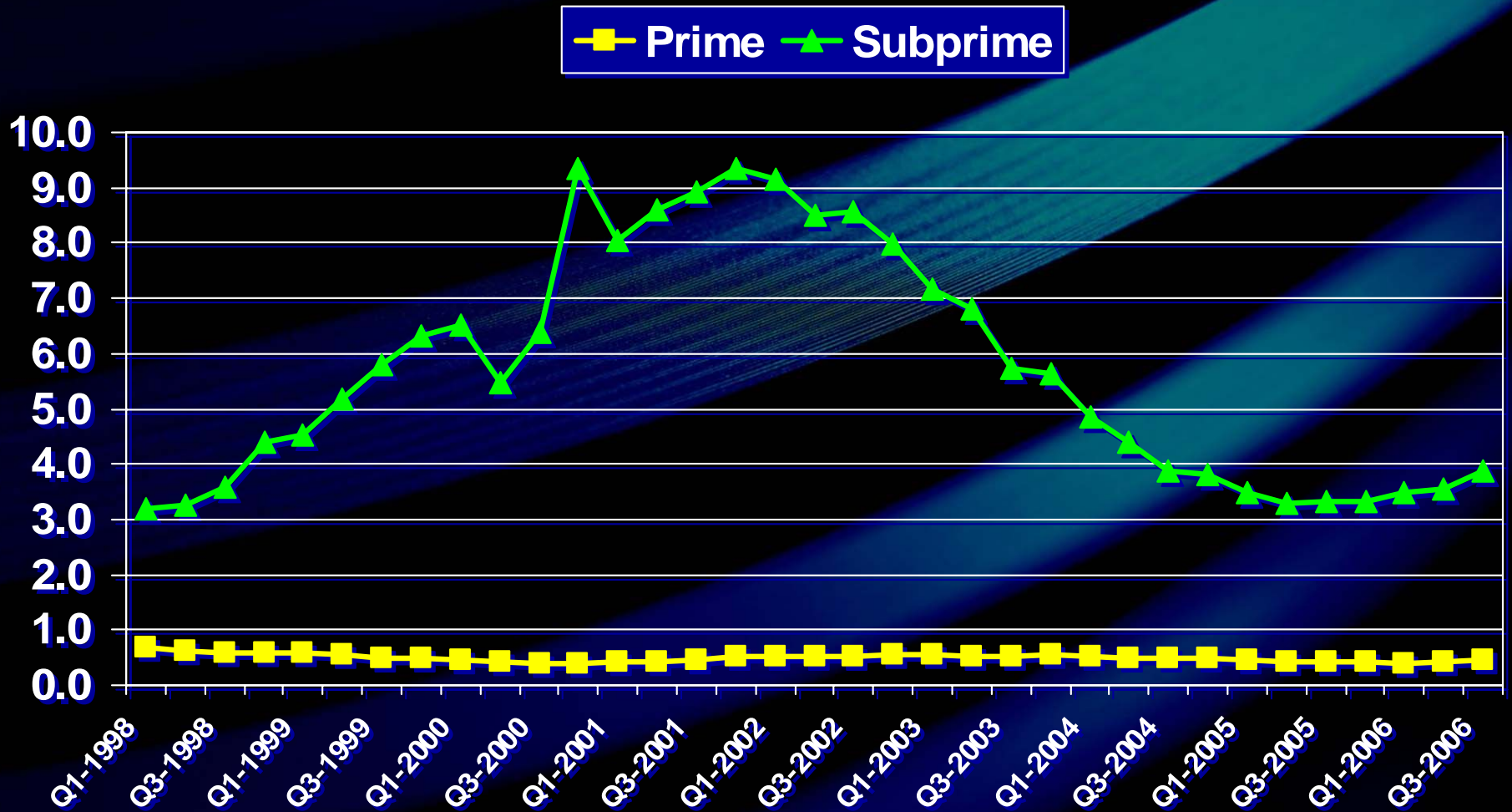


Mortgage Delinquencies



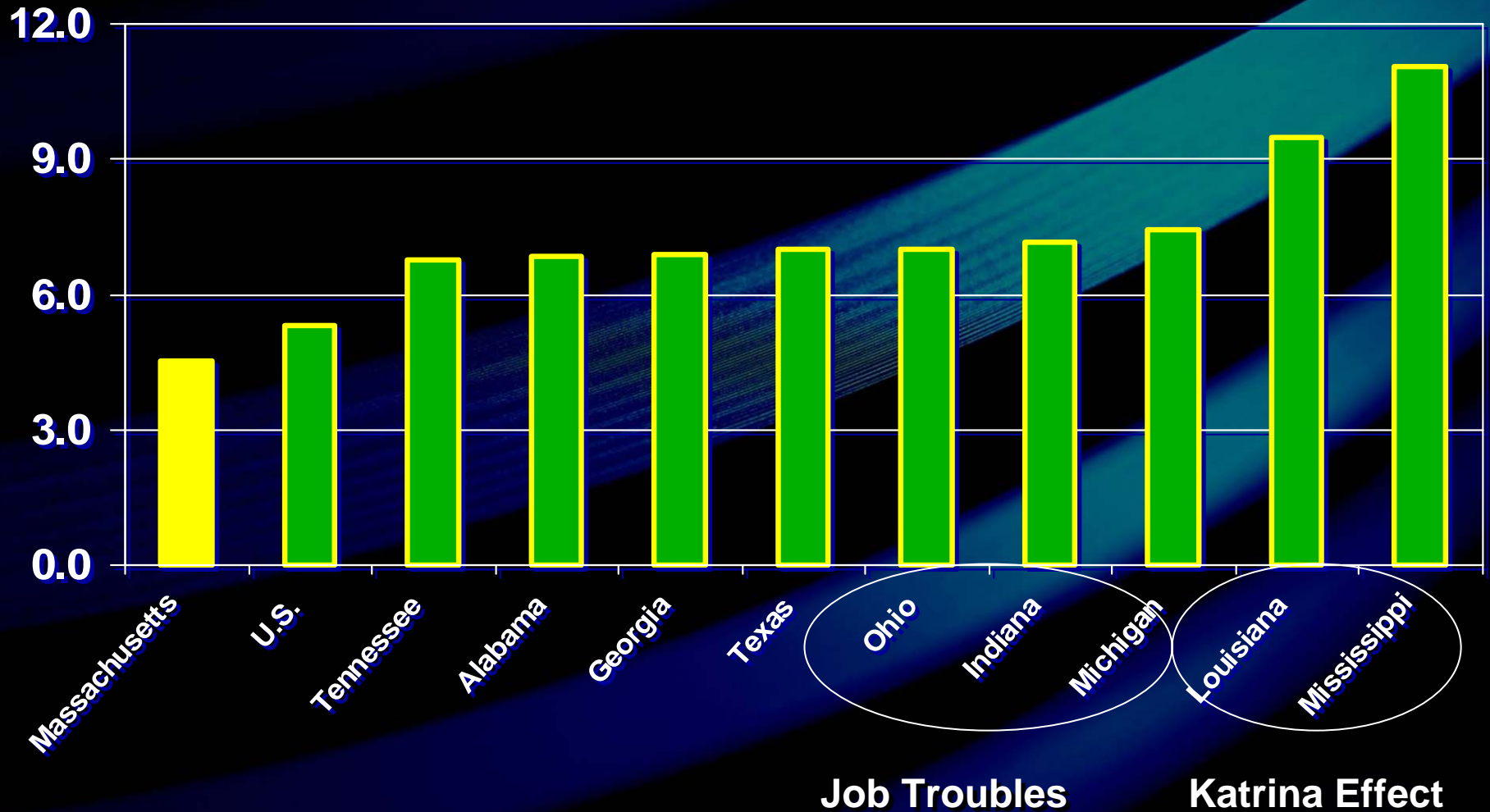
Source: MBA

Mortgage Loan Foreclosures: All Action in the Subprime Markets



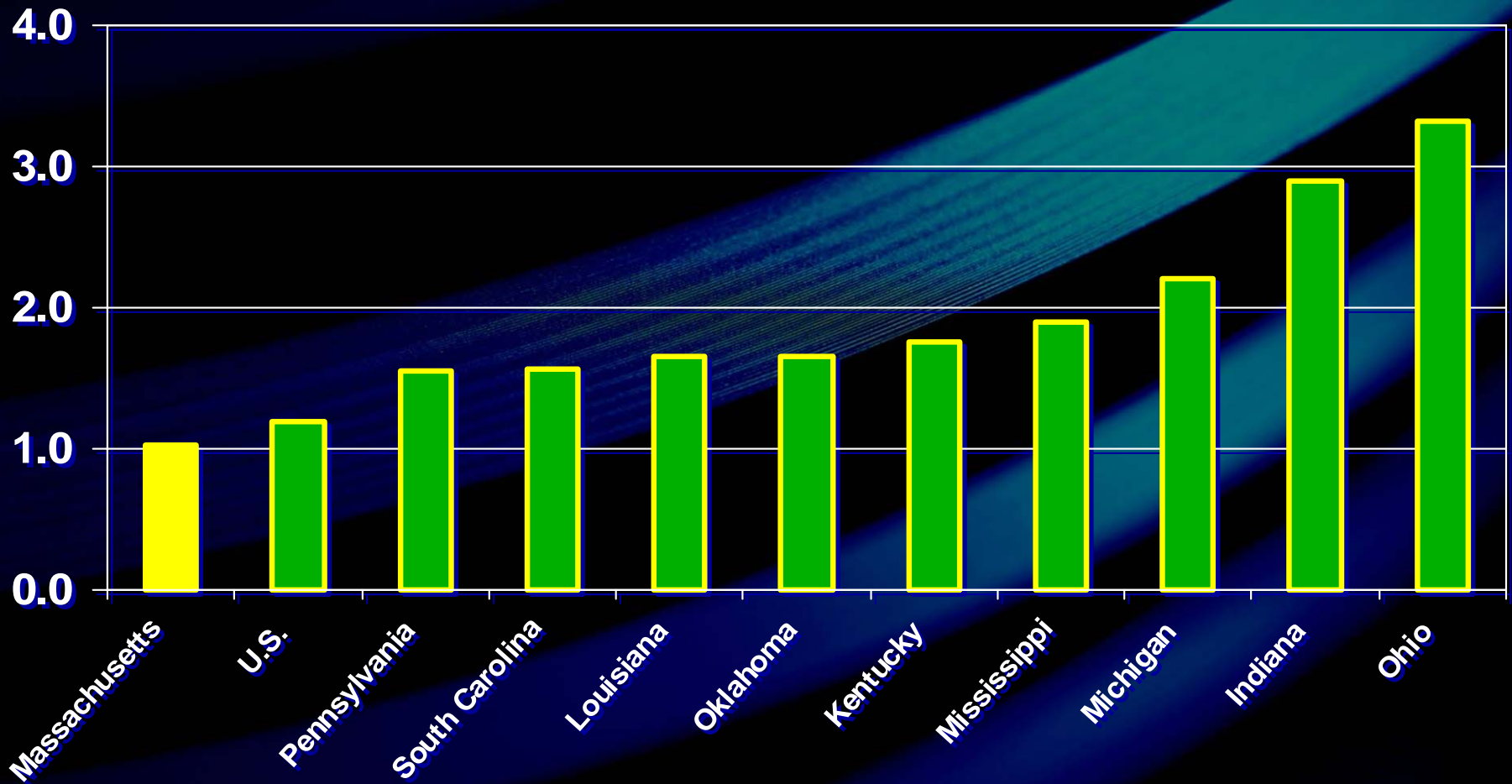
Source: MBA

High Delinquencies



Source: MBA

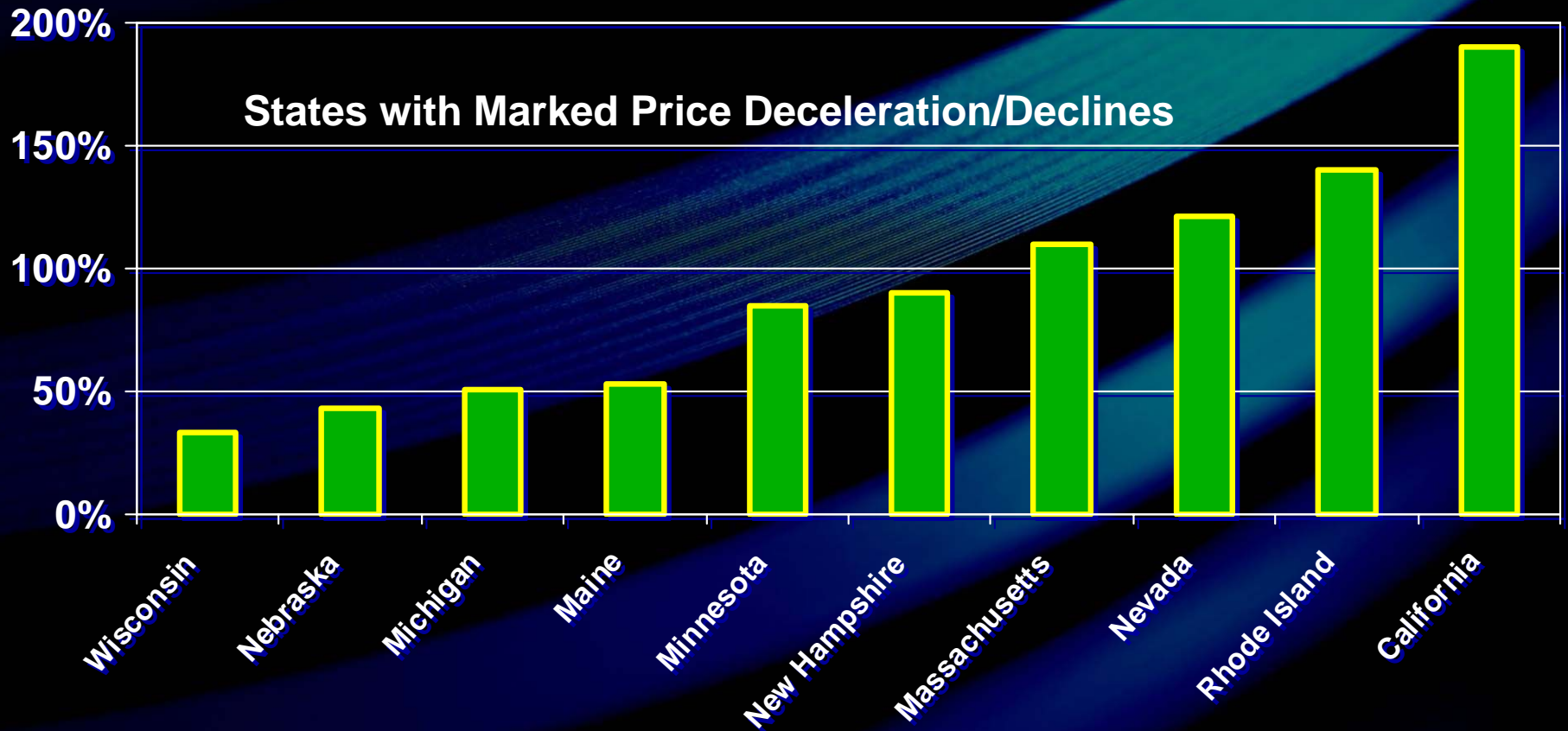
High Foreclosures



Source: MBA

Rising Foreclosures

■ Foreclosure rate change from 2005 Q1 to 2006 Q4

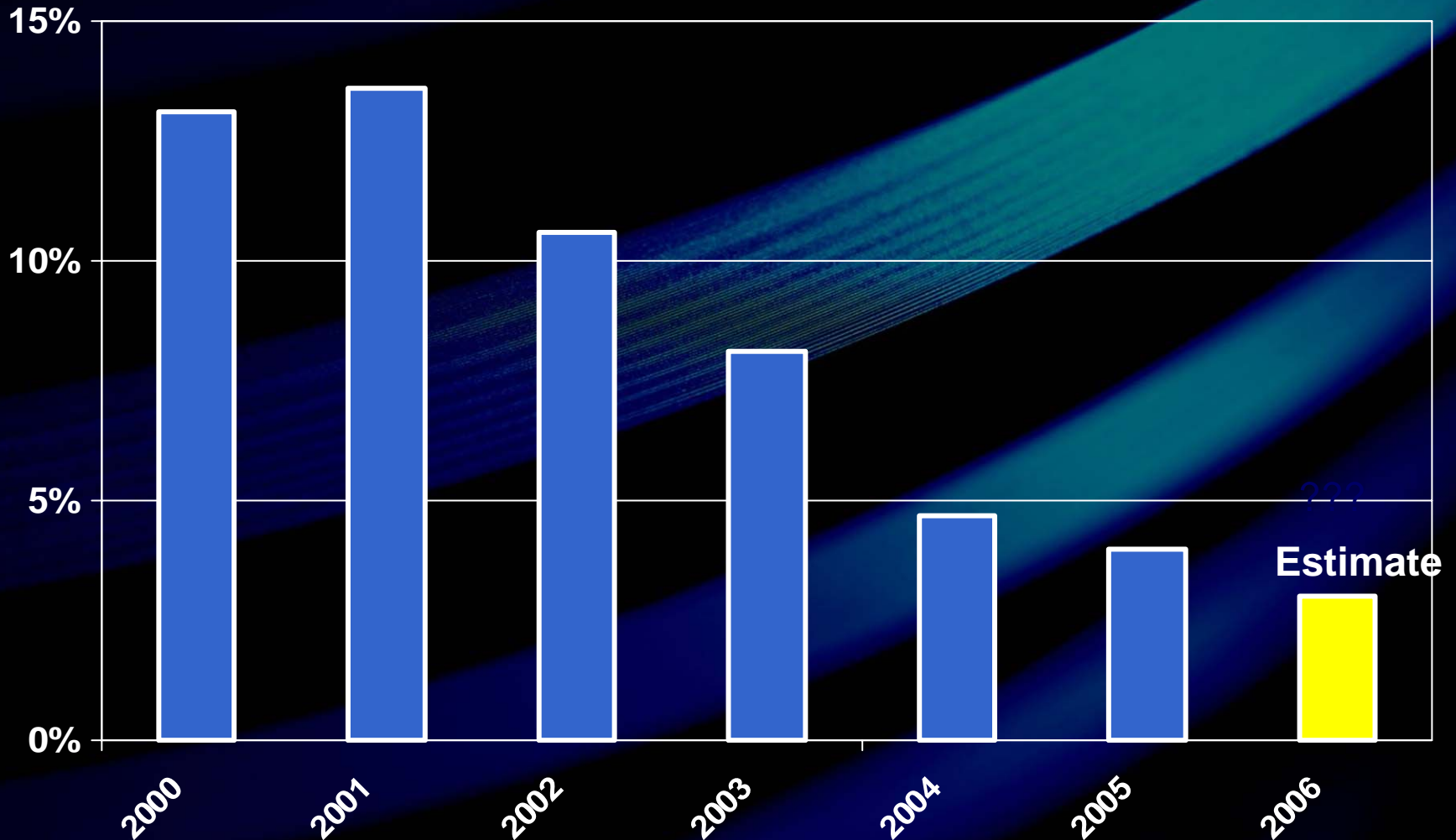


Falling Foreclosures

Foreclosure rate change from 2005 Q1 to 2006 Q4



FHA Market Share ...Revival Ahead?

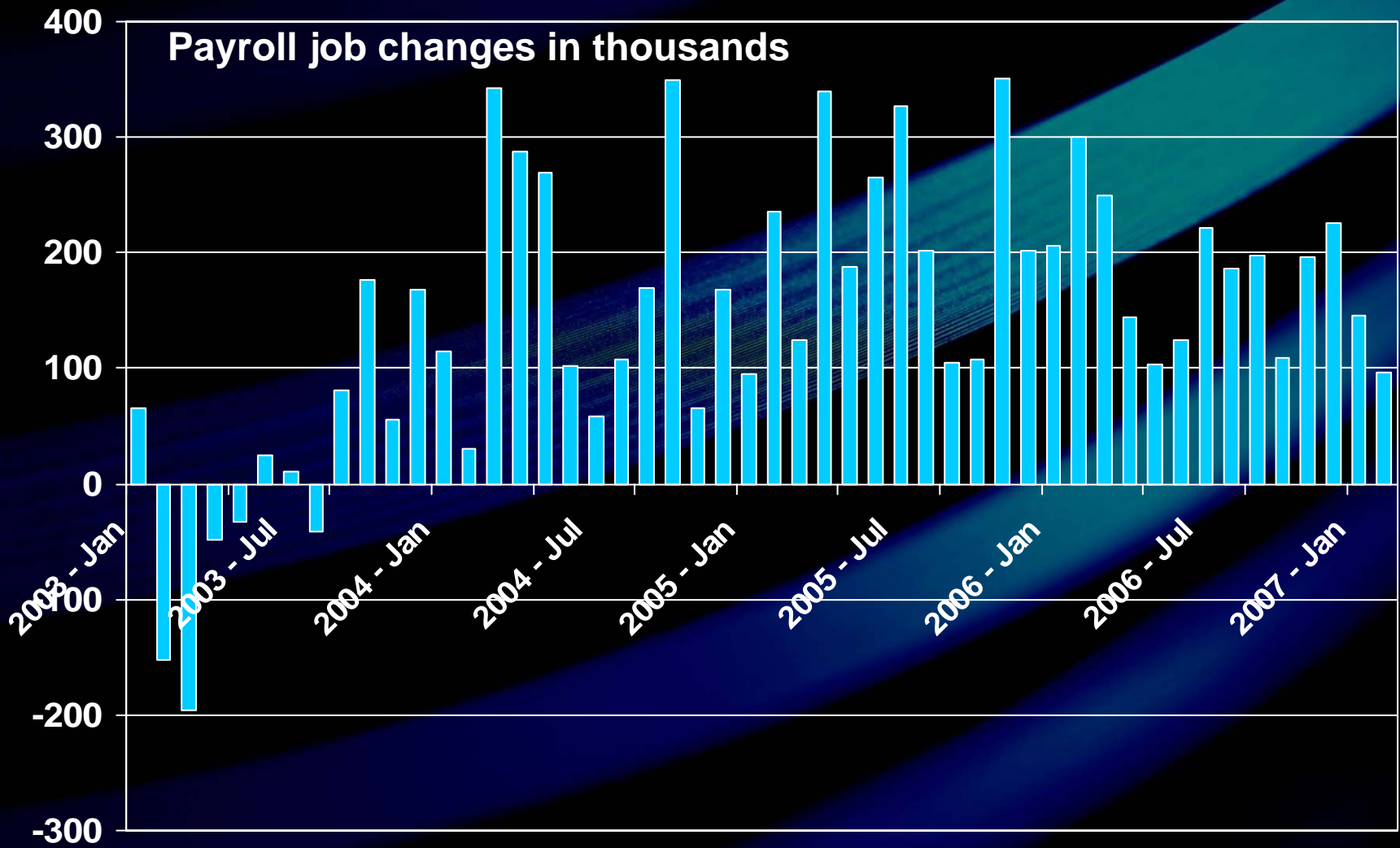


Source: HMDA

Jobs Will Buffer the Subprime Fallout



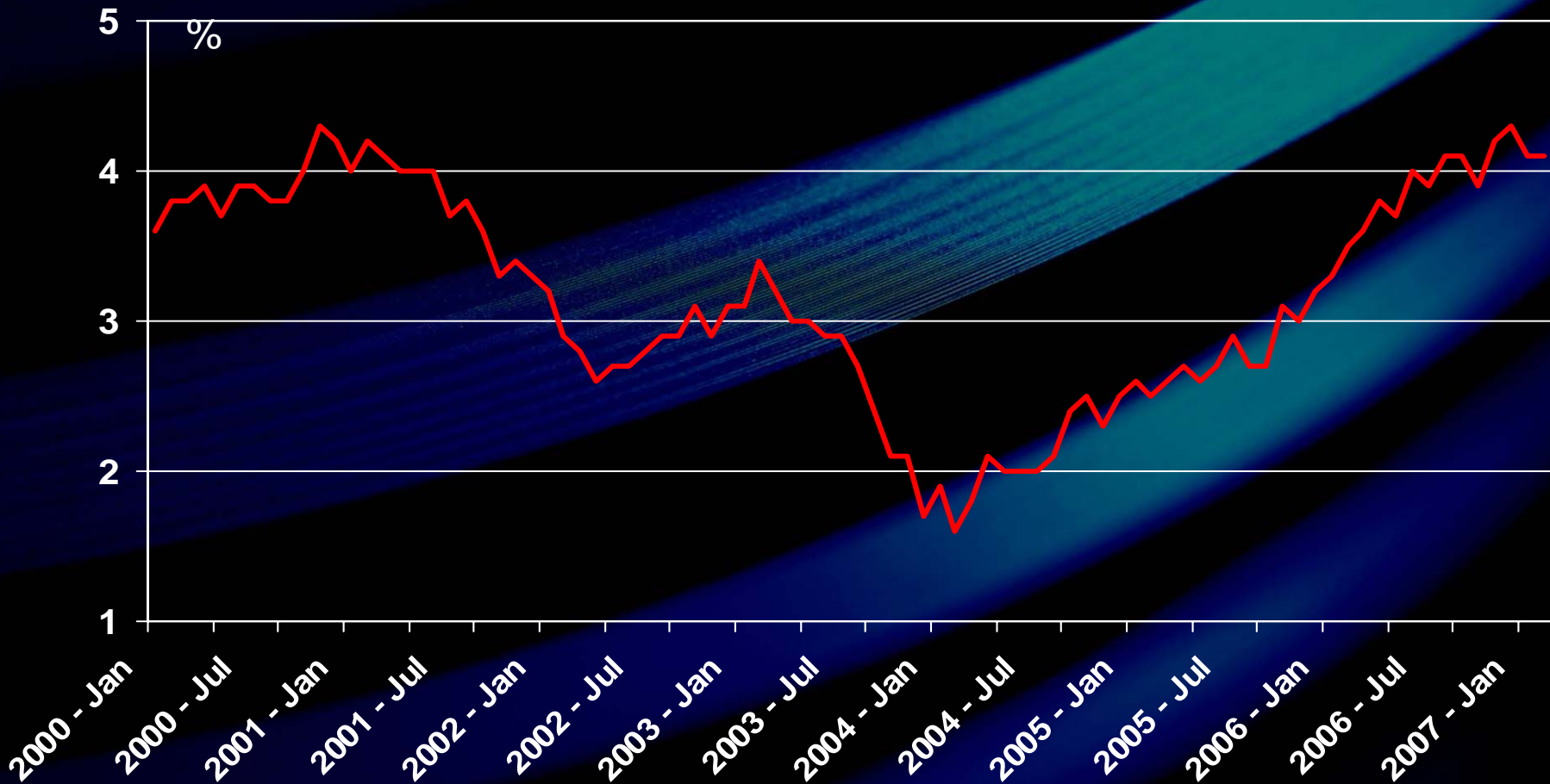
Steady U.S. Job Gains 2 Million in Past 12 months



Source: BLS

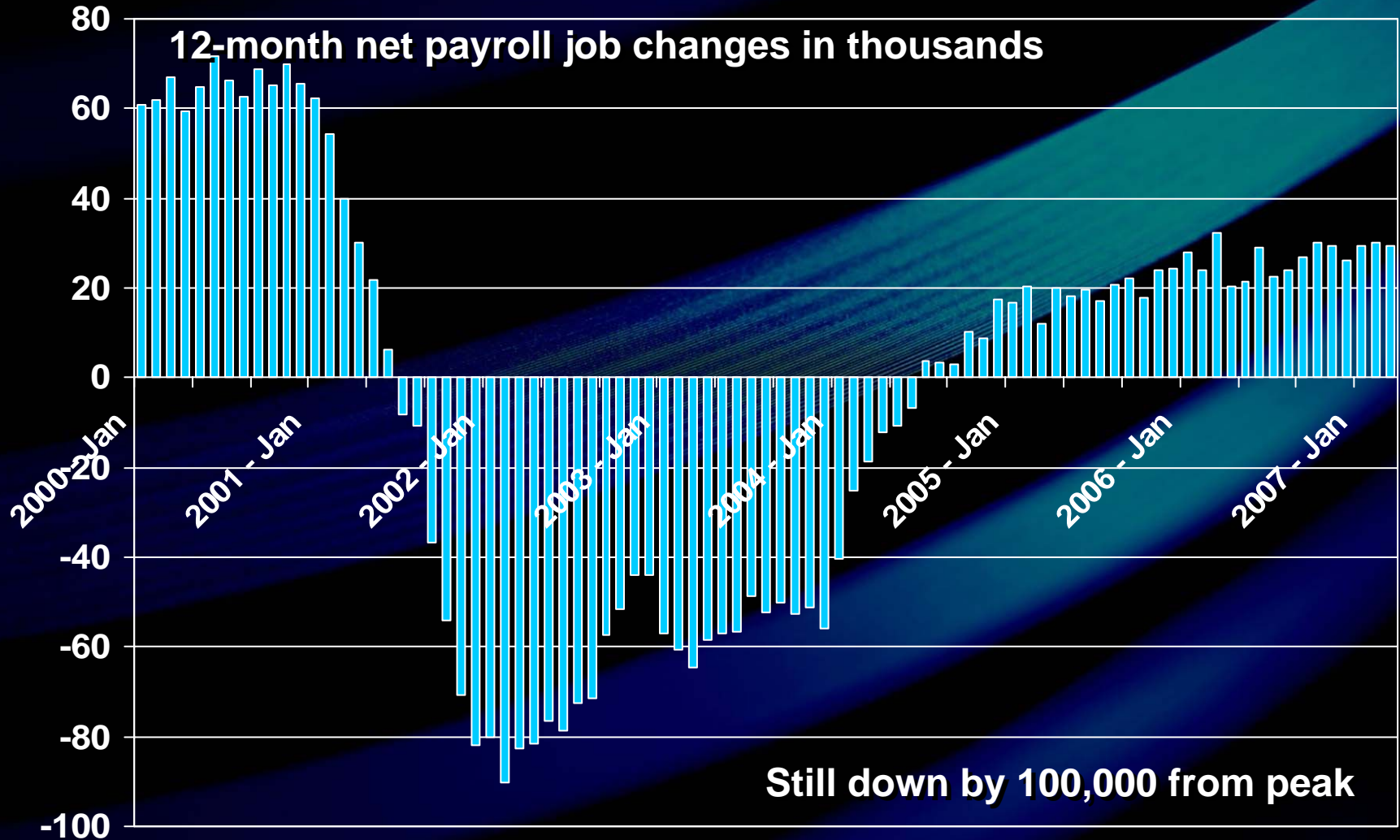
Wage Growth Picking Up

— % change from a year ago



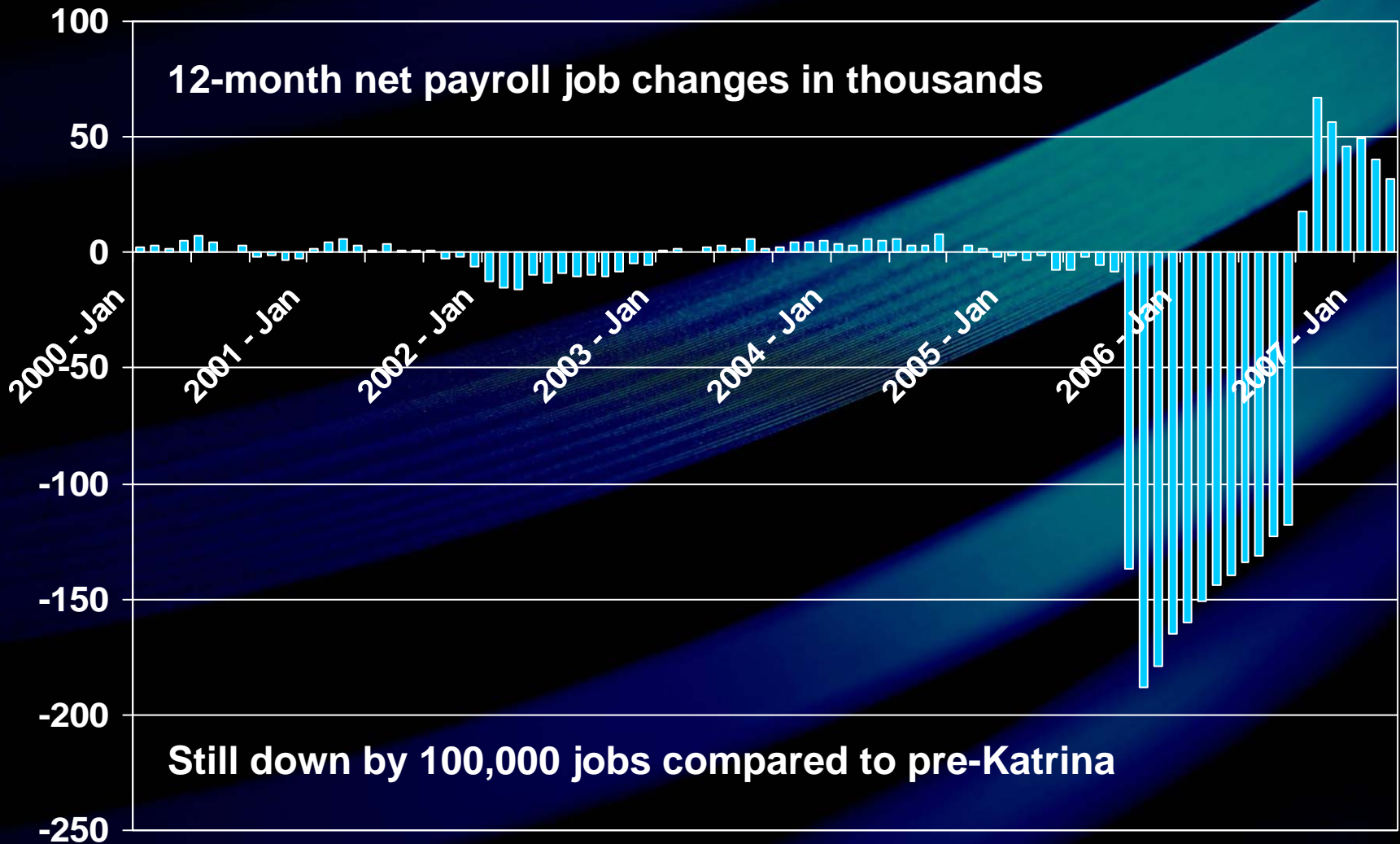
Source: BLS

Job Gains in Boston Region



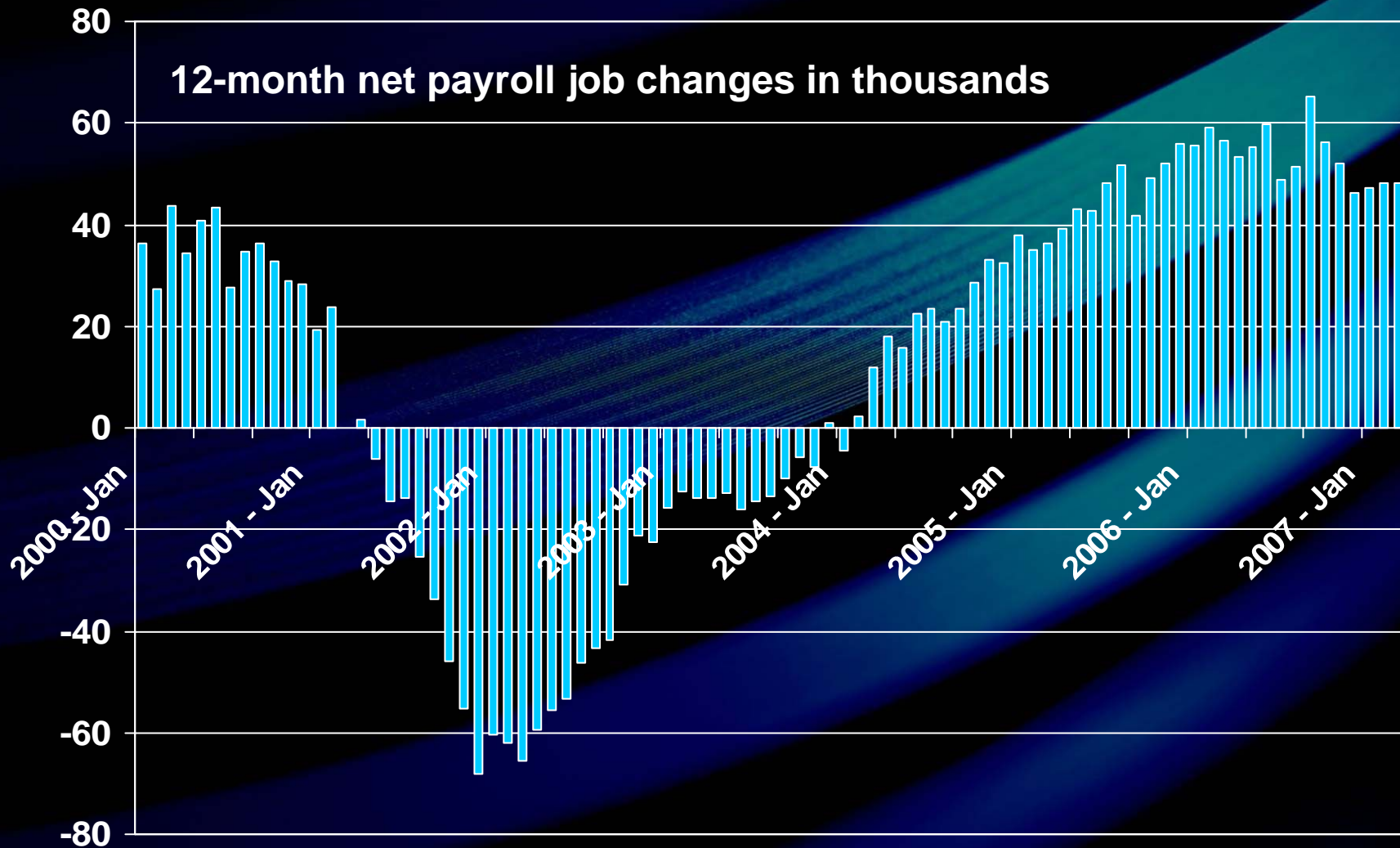
Source: BLS

Job Gains in New Orleans



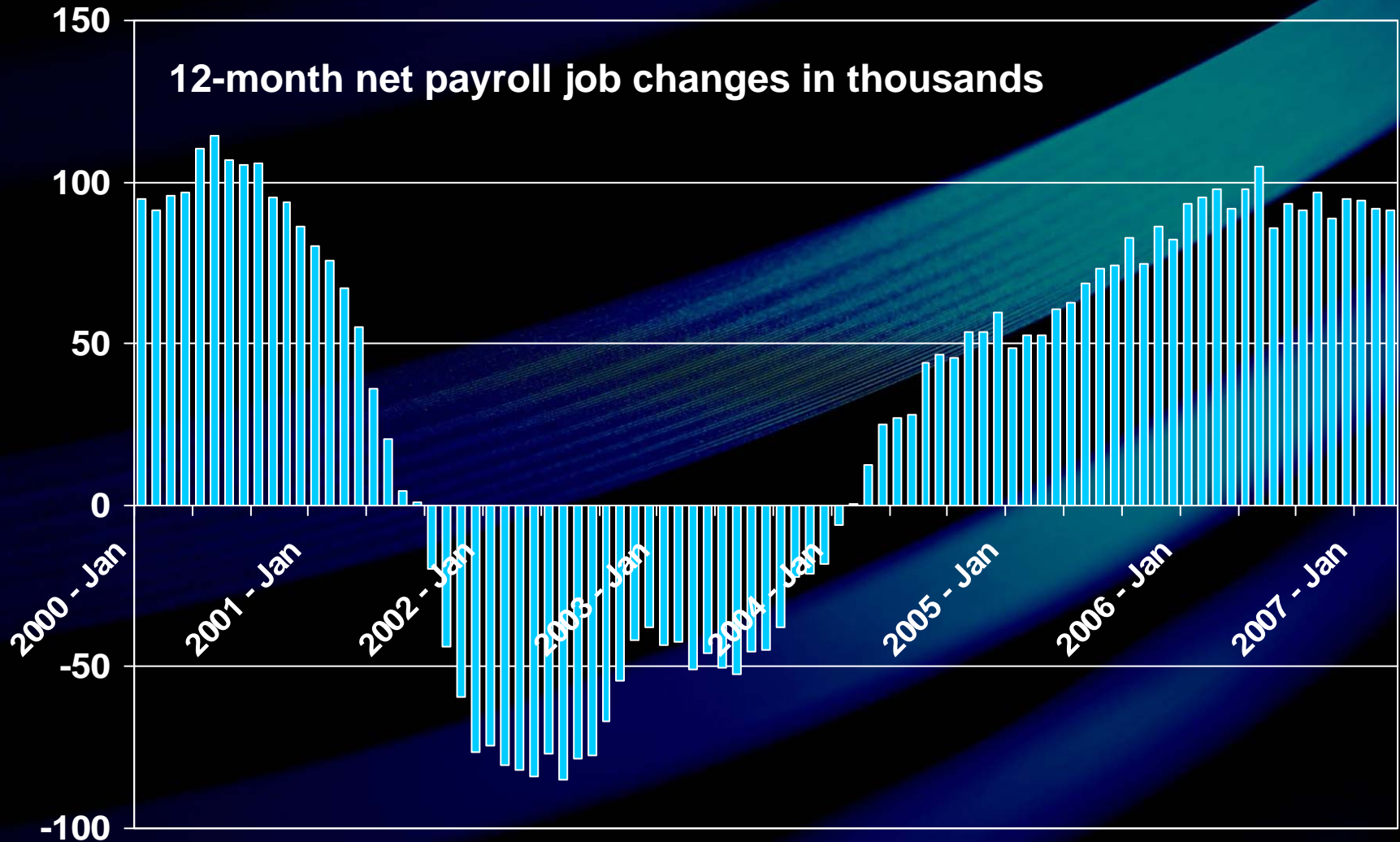
Source: BLS

Job Gains in Seattle Region



Source: BLS

Jobs in Dallas- Ft. Worth Region



Source: BLS

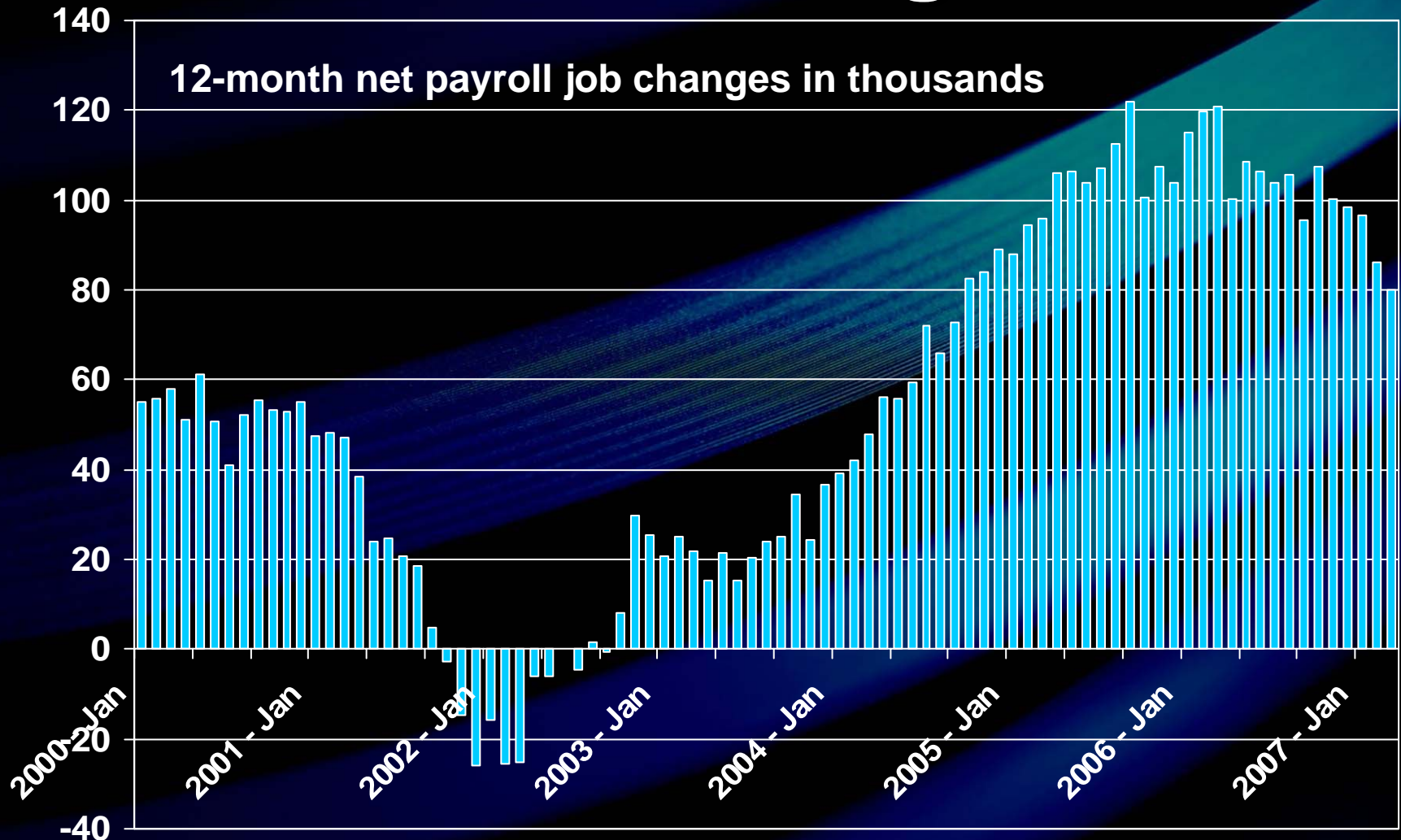
Job Gains

Tampa-St. Petersburg Region



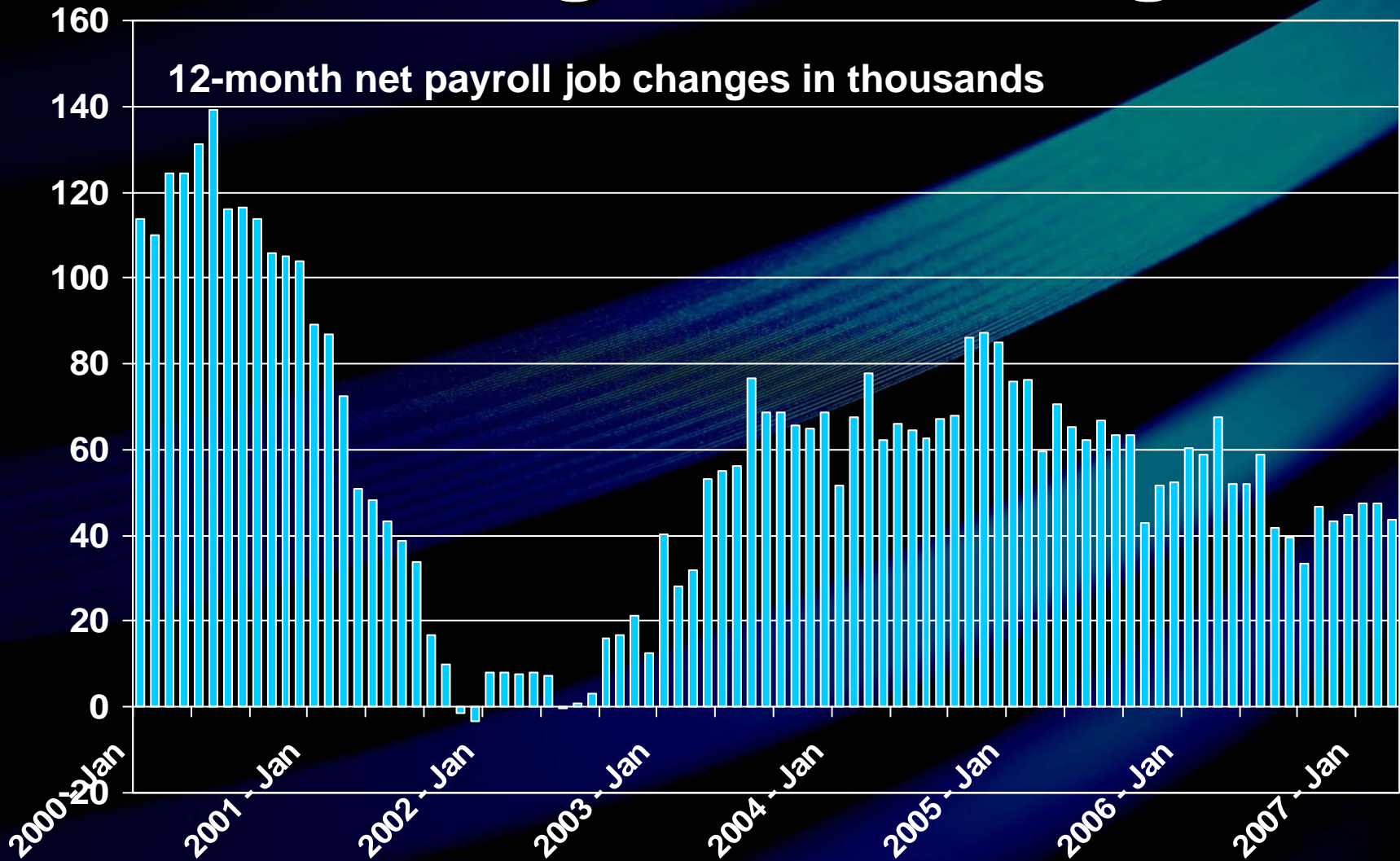
Source: BLS

Job Gains Phoenix Region



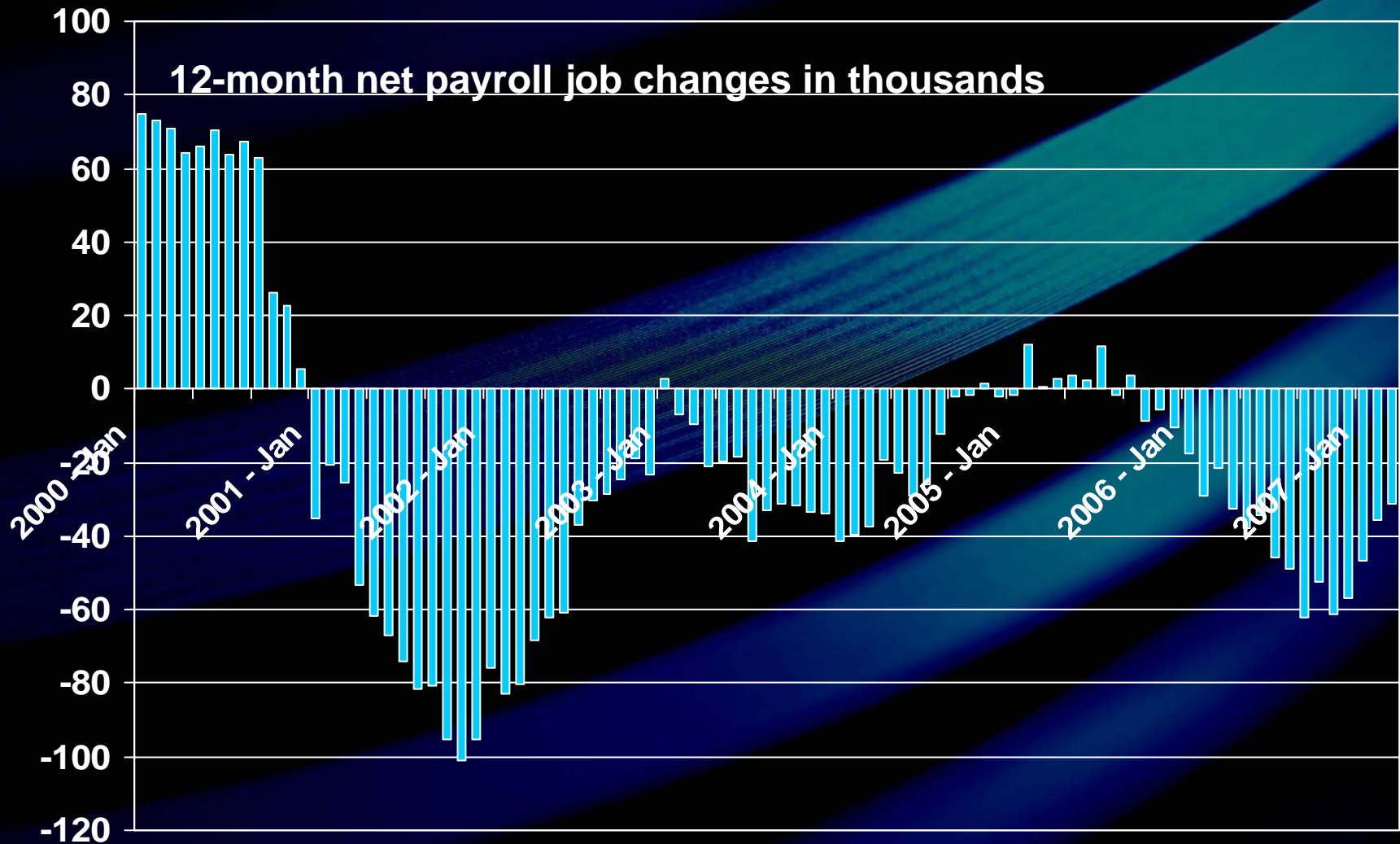
Source: BLS

Job Gains Washington D.C. Region



Source: BLS

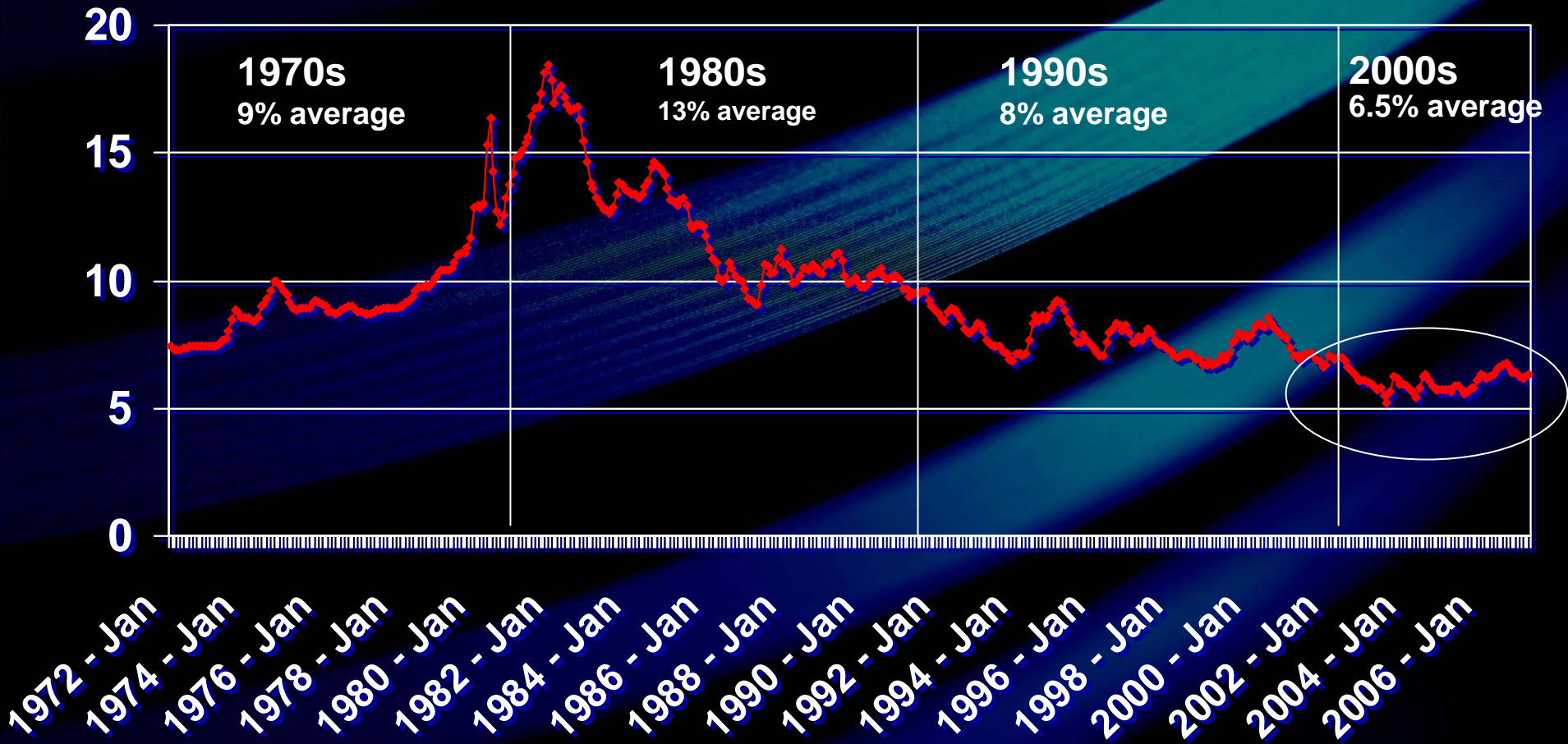
Jobs: Detroit Region



Source: BLS

Rates: Near 45-Year Lows

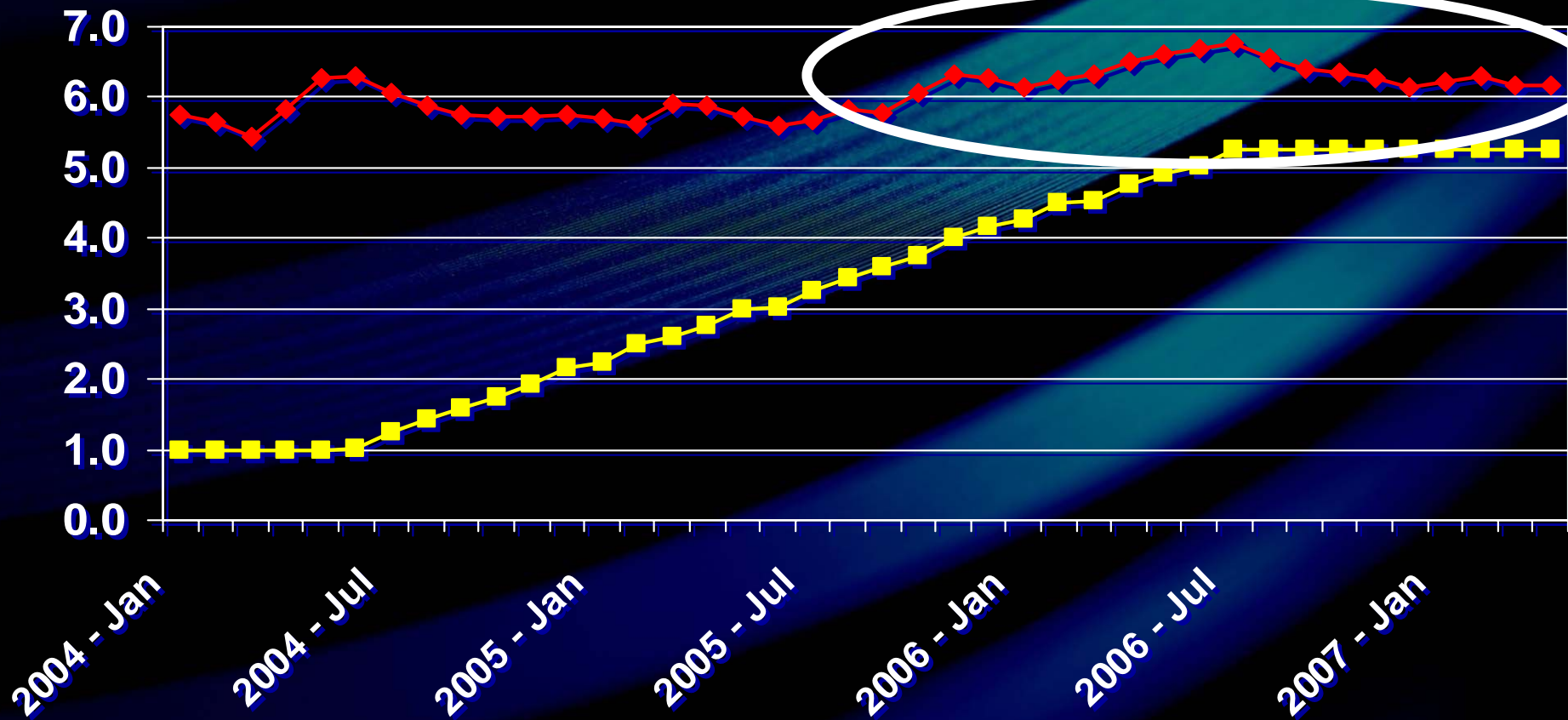
—●— Mortgage Rate



Source: Freddie Mac

Stable Mortgage Rates

◆ Mortgage Rate ■ Fed Funds Rate



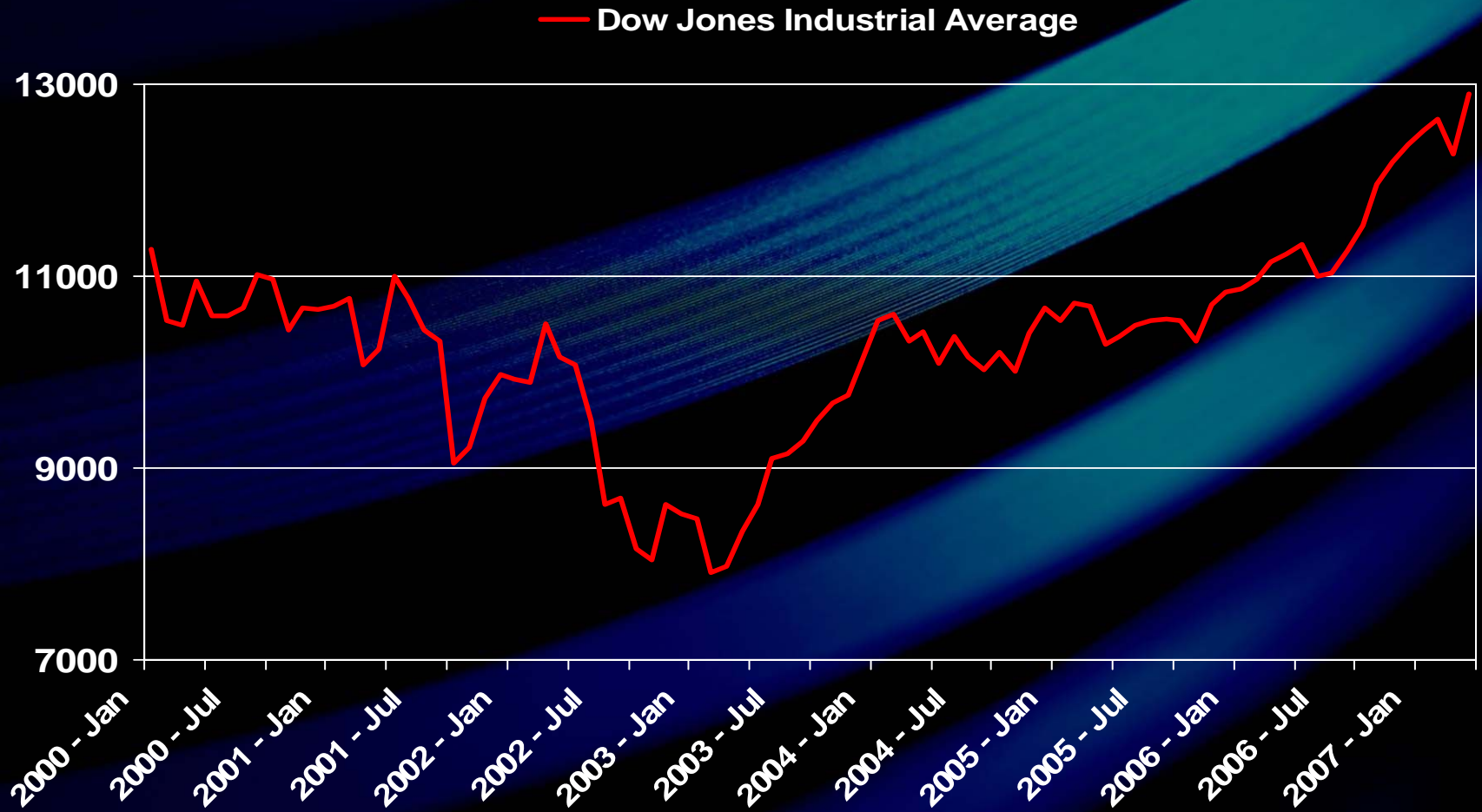
Source: Freddie Mac

Mortgage Rates Retreat *But Where are the Buyers?*



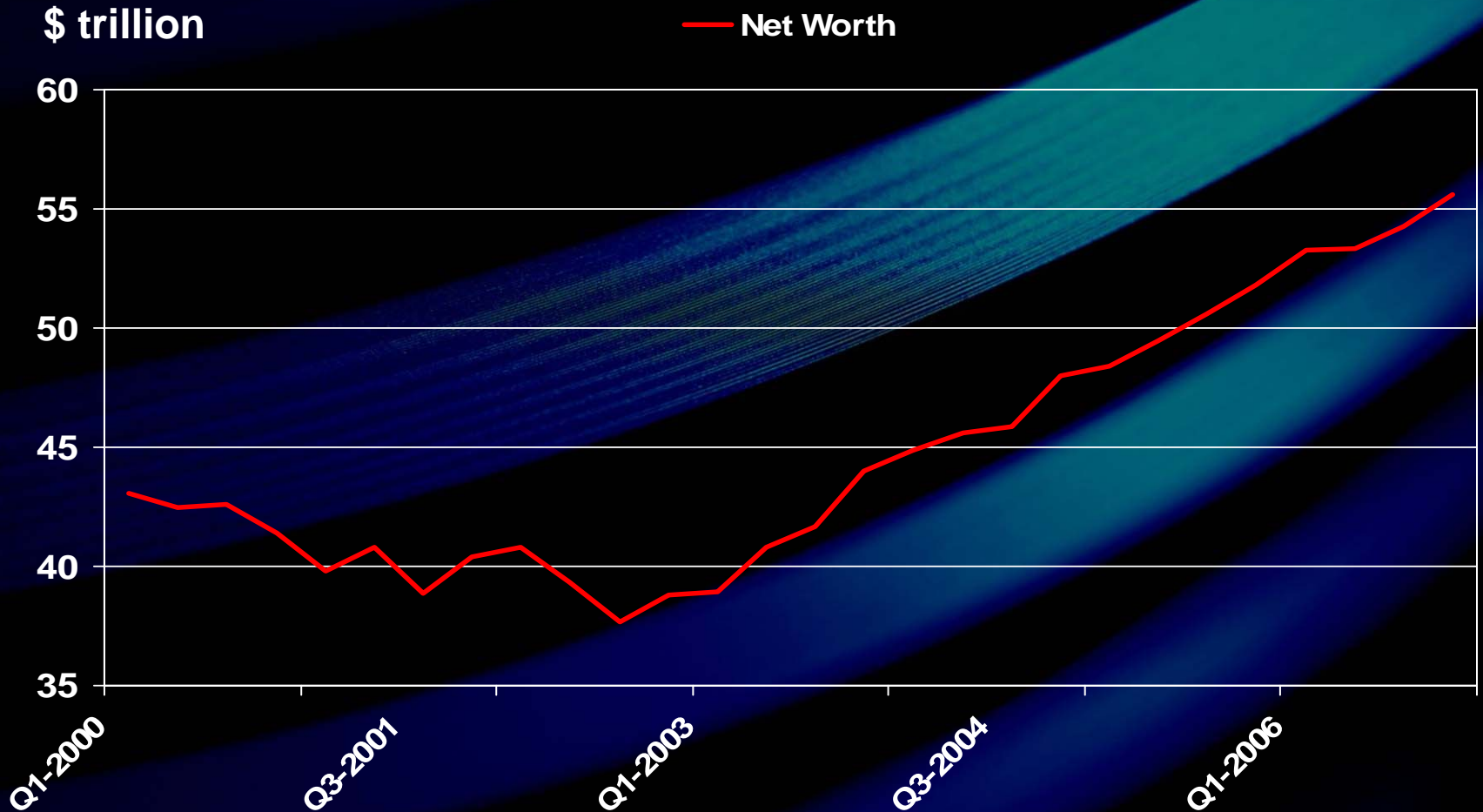
Source: Freddie Mac

Dow Jones Industrial Average



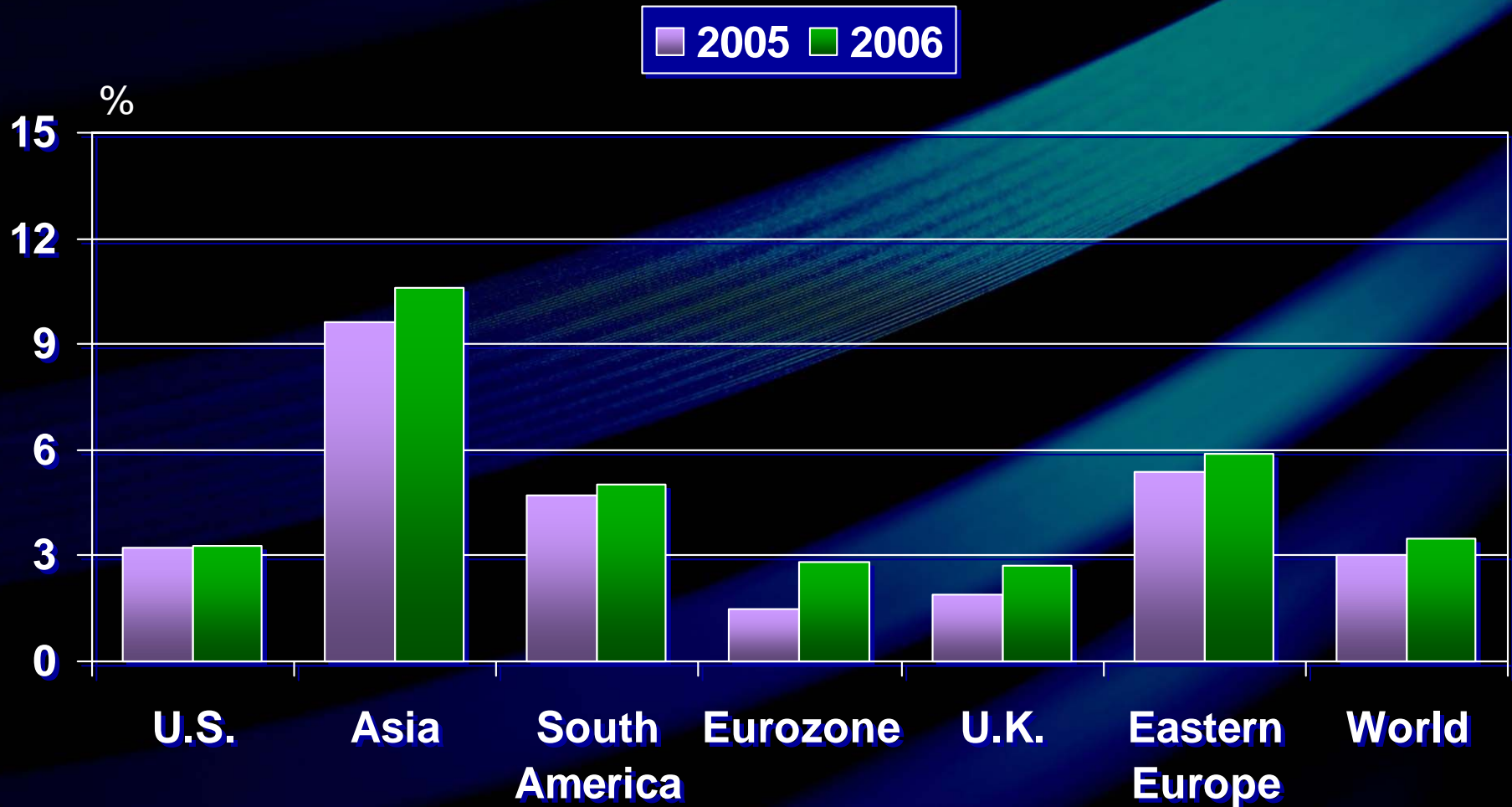
Source: NYSE

Record Household Wealth



Source: Federal Reserve

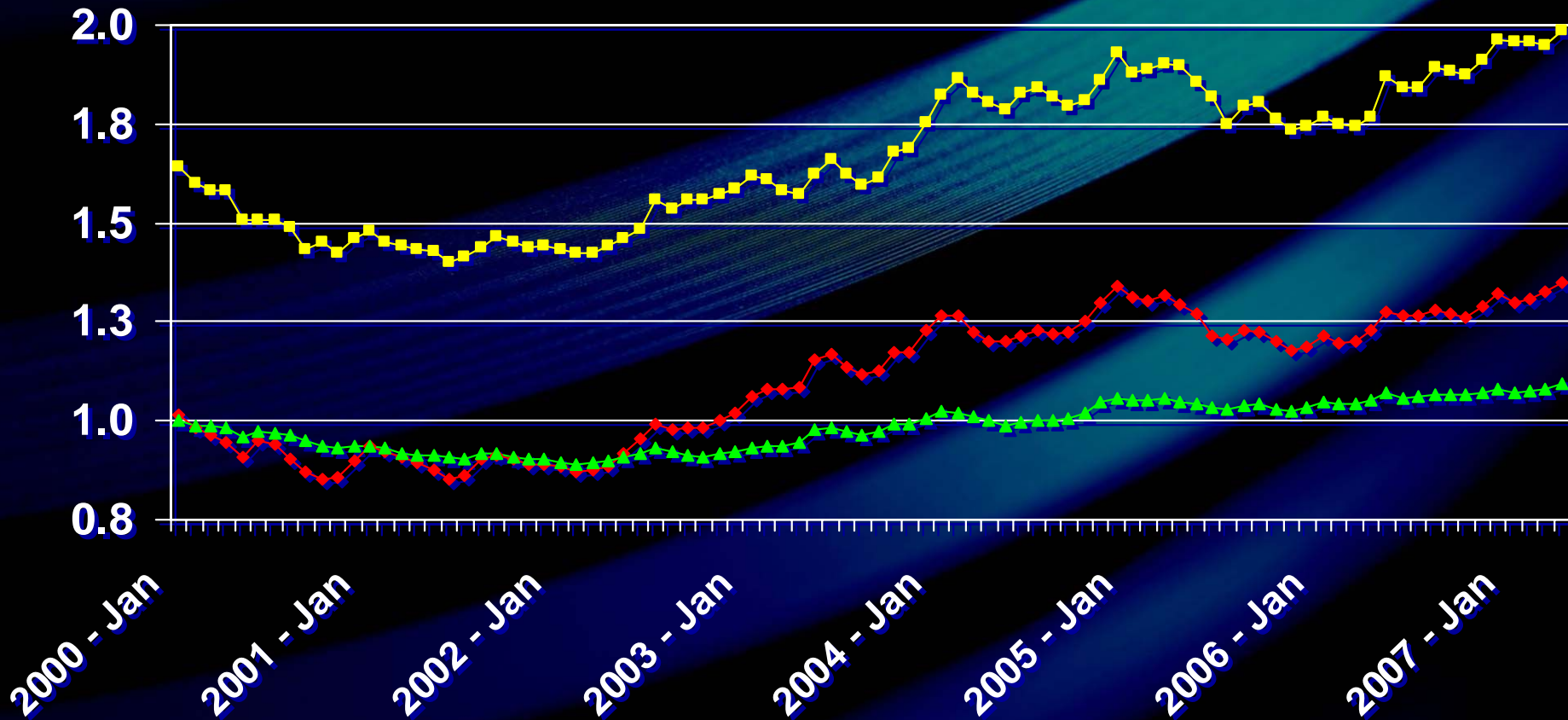
Expanding World Economy



Source: World Bank

U.S. vs Foreign Currencies

◆ \$/Euro ■ \$/Pound ▲ Weighted Trade Exchange Value Index



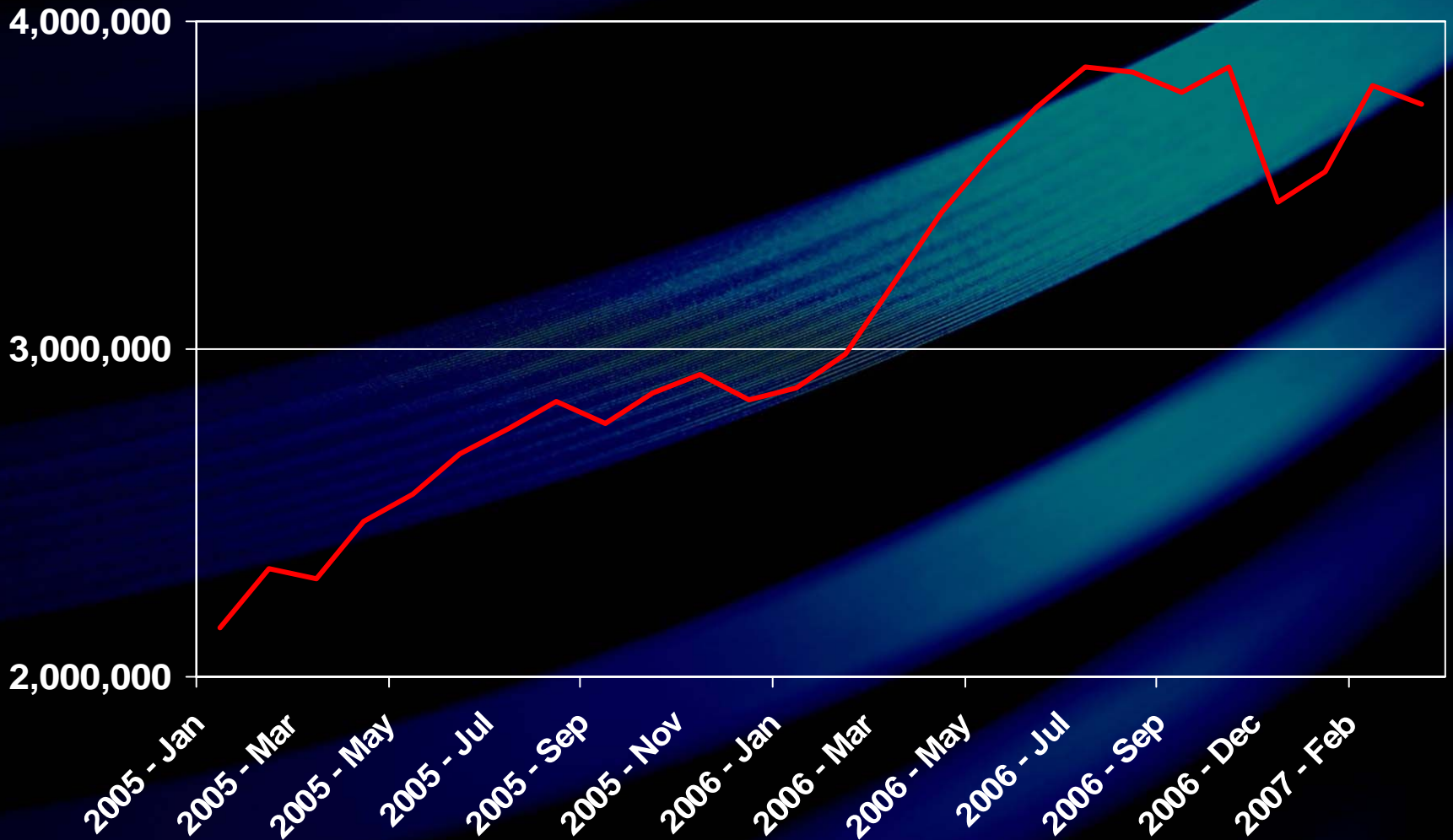
Source: Federal Reserve

Housing Comeback

- Jobs being created
- Rates at near historic lows
- Address tax and insurance problems
- No further artificial swings by speculators
- Raise buyer confidence
- Set the record straight:
All Real Estate is Local

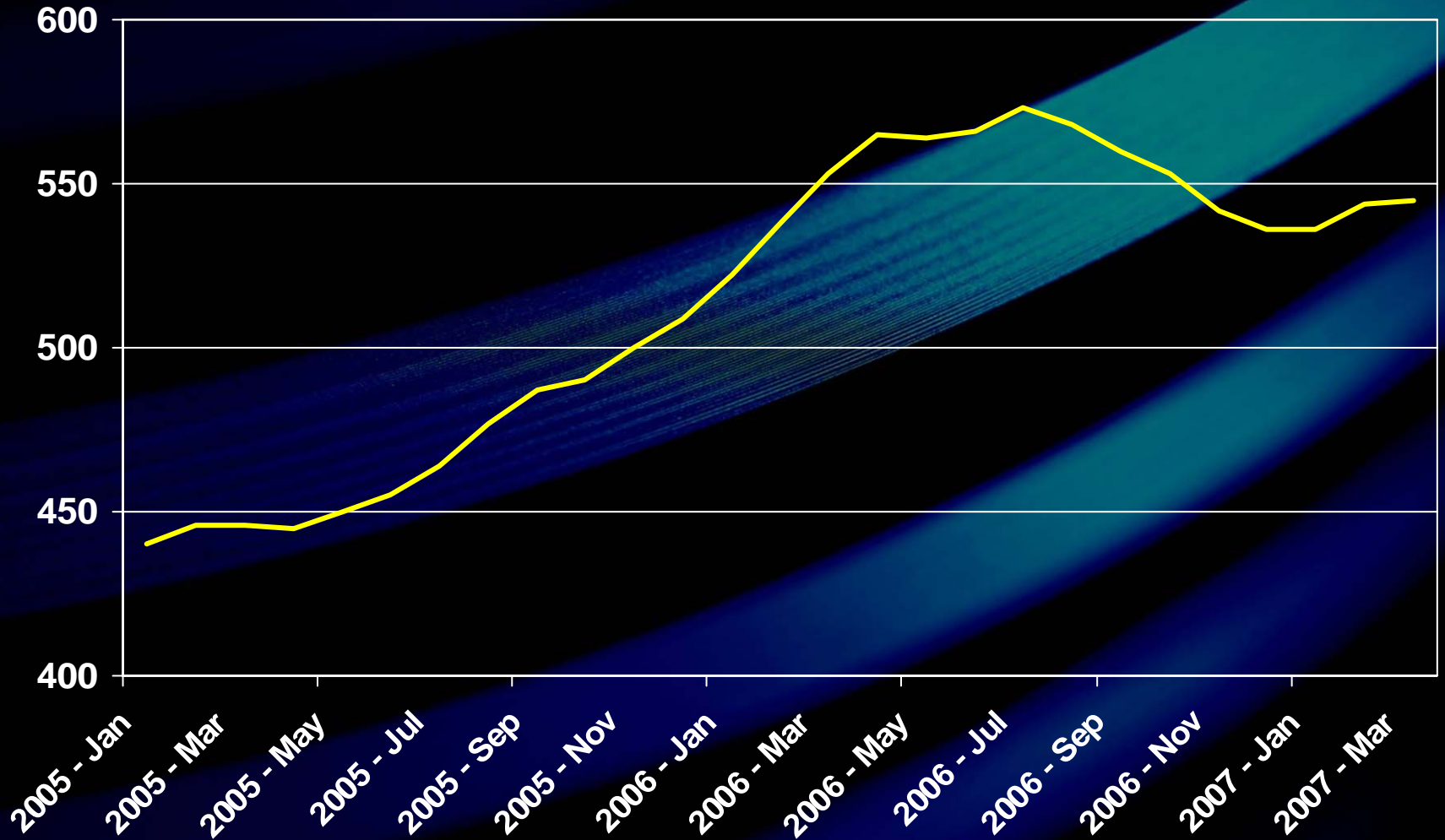


Existing Housing Inventory



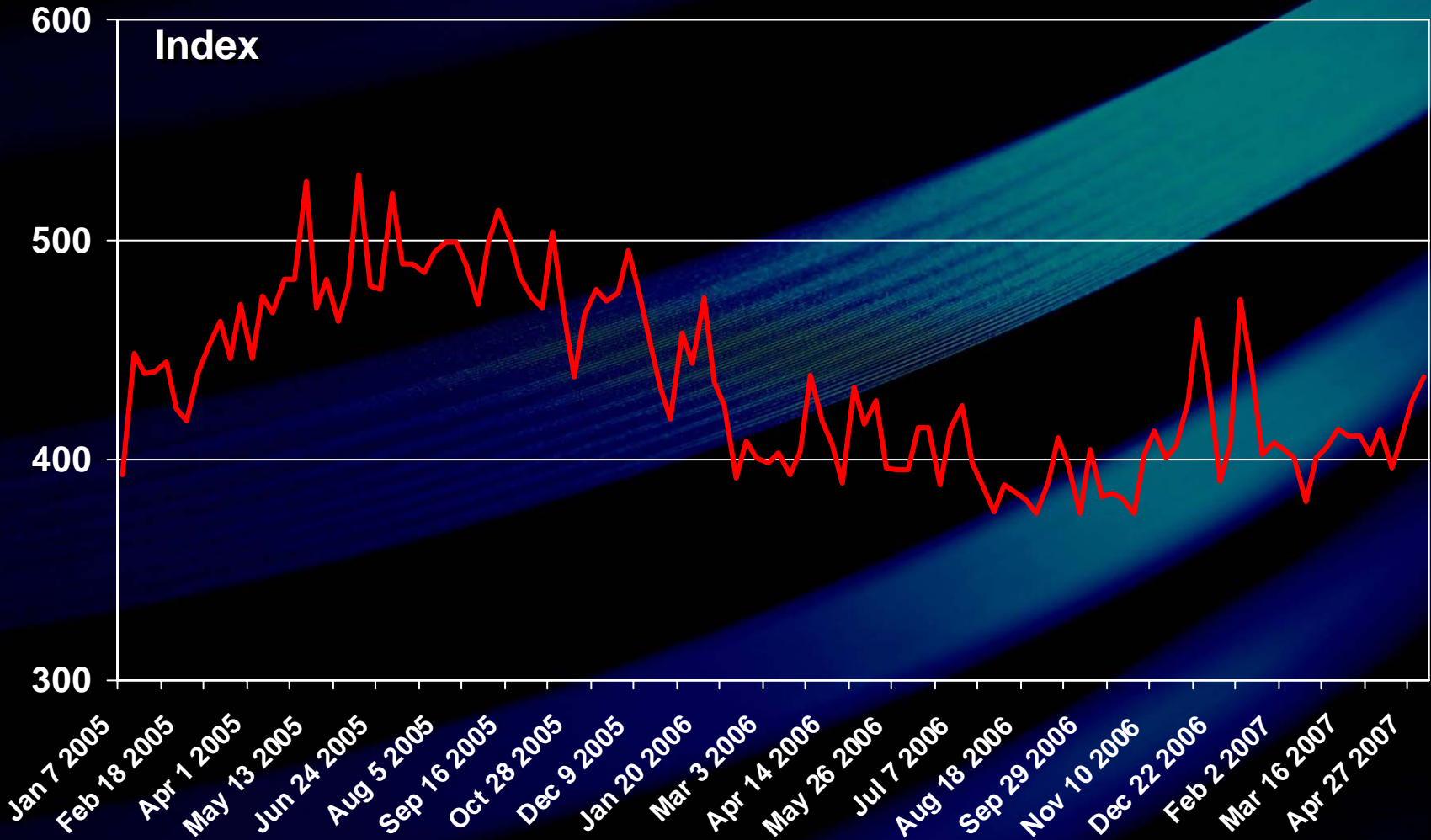
Source: NAR

New-Home Inventory



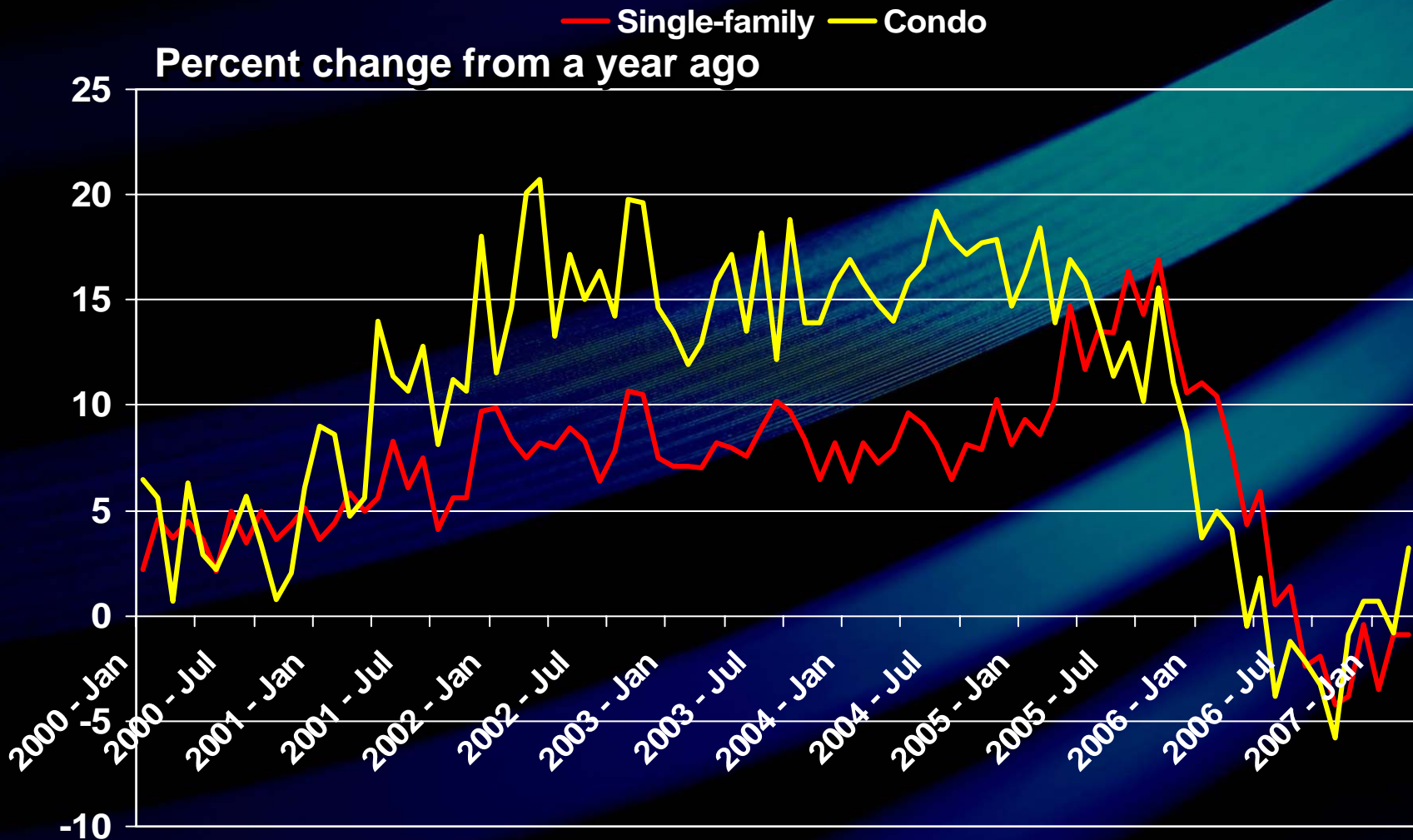
Source: Census

Mortgage Purchase Applications



Source: MBA

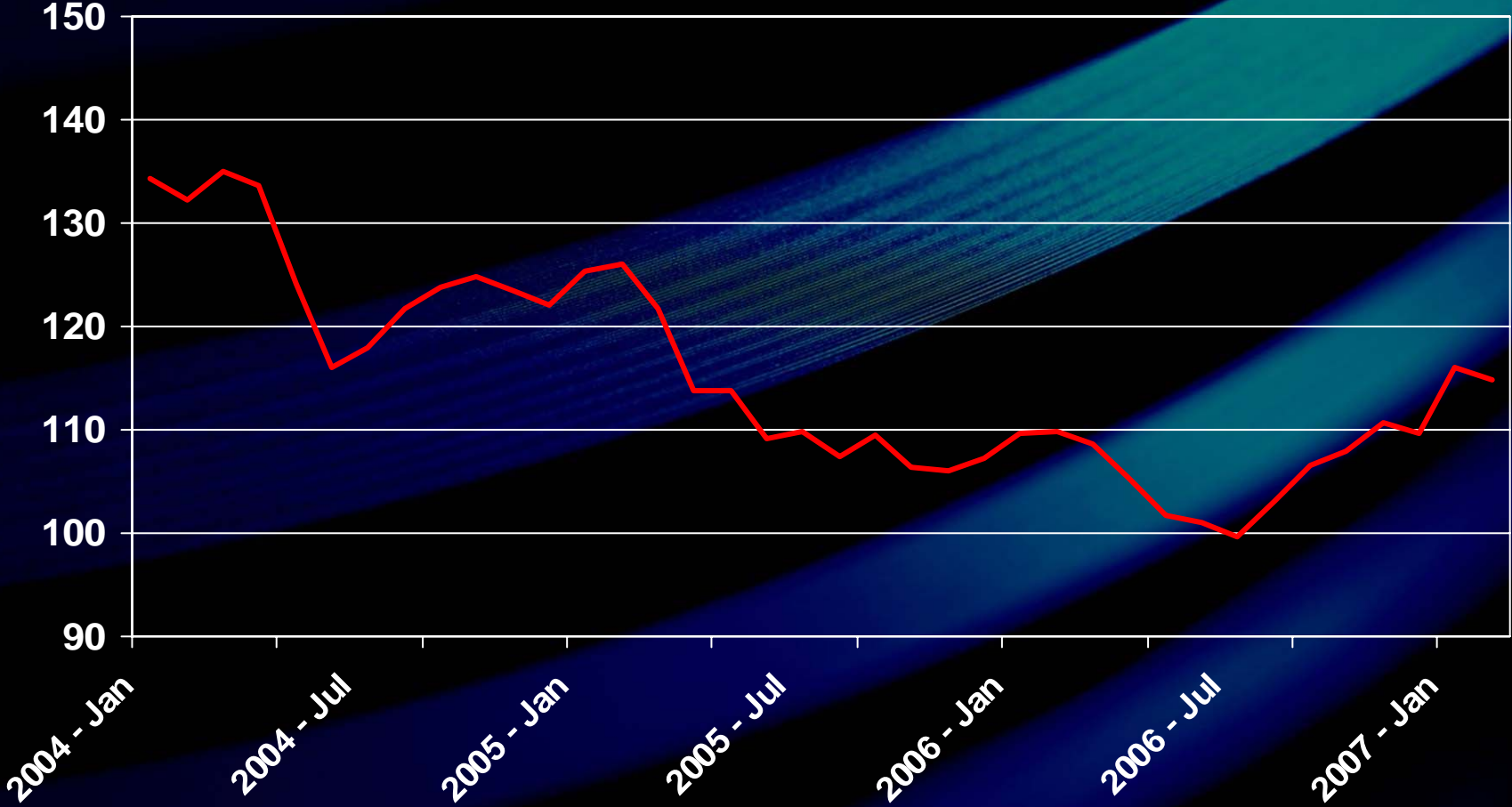
Price Correction – Ending?



Source: NAR

Improving Housing Affordability

— Composite Affordability Index



Source: NAR

Housing Market Tracker

Based on Real-Time Data from MLSs

- Sweeping real-time data daily from 14 metro markets
- Providing early signals on market direction
- Soon, will sweep data at more frequent intervals – hourly or at every 15-minutes
- Will sweep data from more MLSs over time
- To be on Realtor.org site in July (estimated)

The screenshot displays the REALTOR.org website interface. At the top, the REALTOR.org logo is visible with the tagline "NAR is The Voice for Real Estate®". Below the logo, the text "NATIONAL ASSOCIATION OF REALTORS®" is displayed. A search bar is present with the text "Search REALTOR.org" and a "Go" button. To the right of the search bar, there are links for "Store | Library | Directories | Need Help?", "Register | Login | My Account | NRDS".

The main content area is titled "RESEARCH" and includes a sub-header "Home > Research". Below this, there is a section for "MARCH 30 (Today's reading and percent change from previous day)" with the following data: Price \$220,000 ▲ 2%, Sales 6.2M ▲ 1%, Inventory 3.75M ◀ 0%.

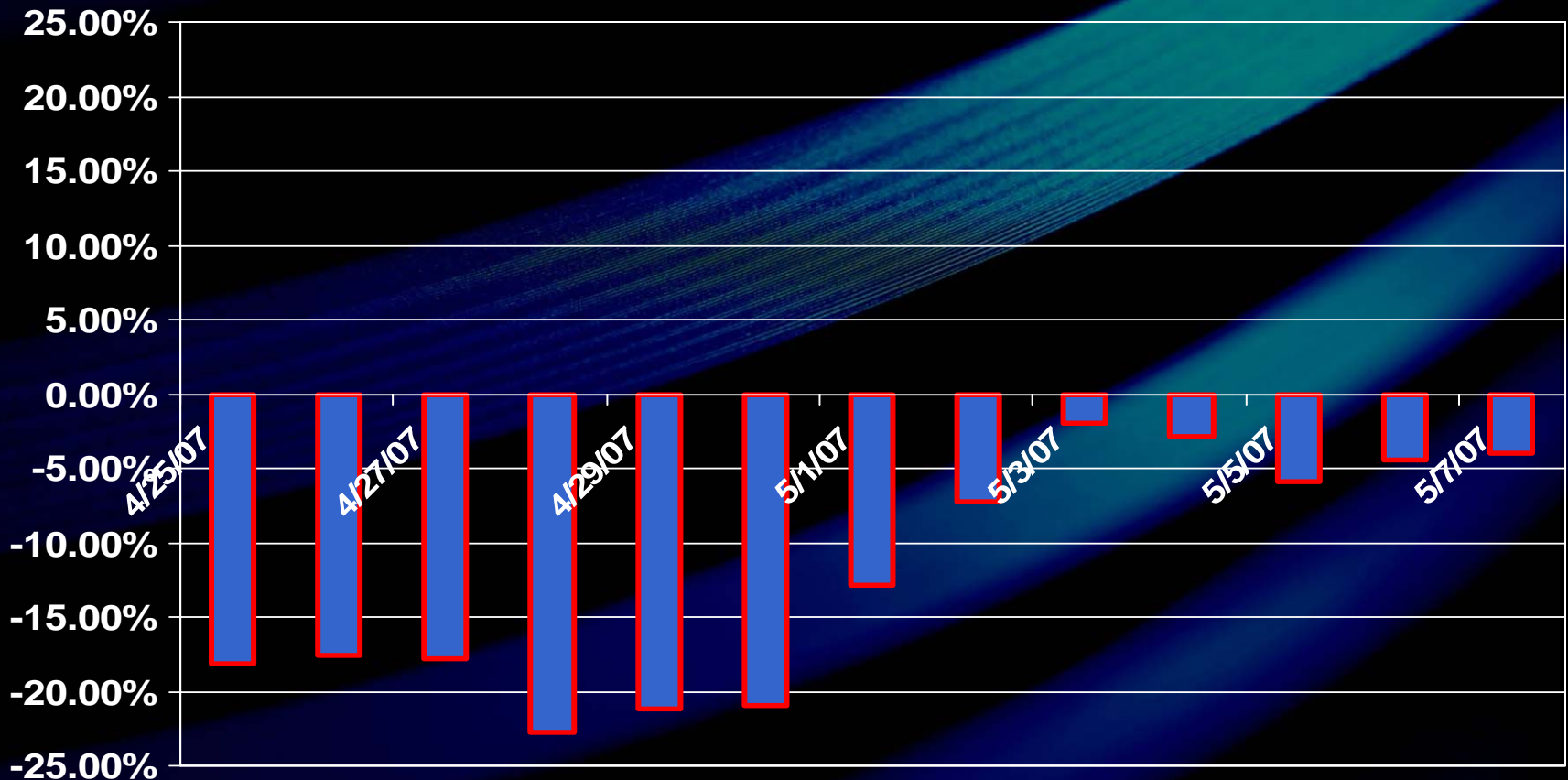
A news article titled "Housing Recovery Likely in '07, Timing Unclear" (March 13) is featured, with a "Read more >" link. Below this, another article titled "This week's price analysis" (April 24) is shown, also with a "Read more >" link.

On the right side of the page, there is a "This Week's Market" section with a line graph showing market trends over the last 7 days, 4 days ago, and today. Below the graph is a "Housing Statistics" section with links to "Existing-Home Sales", "Pending Home Sales Index", "Metropolitan Area Prices", "State Existing-Home Sales", and "Housing Affordability Index".

A left sidebar contains navigation links under "RESOURCES FOR REALTORS® & Business Specialties" (Association Executives, News Media, Home Buyers & Sellers) and "SITE BY TOPIC" (About NAR, Education, Government Affairs, Law & Policy, Meetings & Expo).

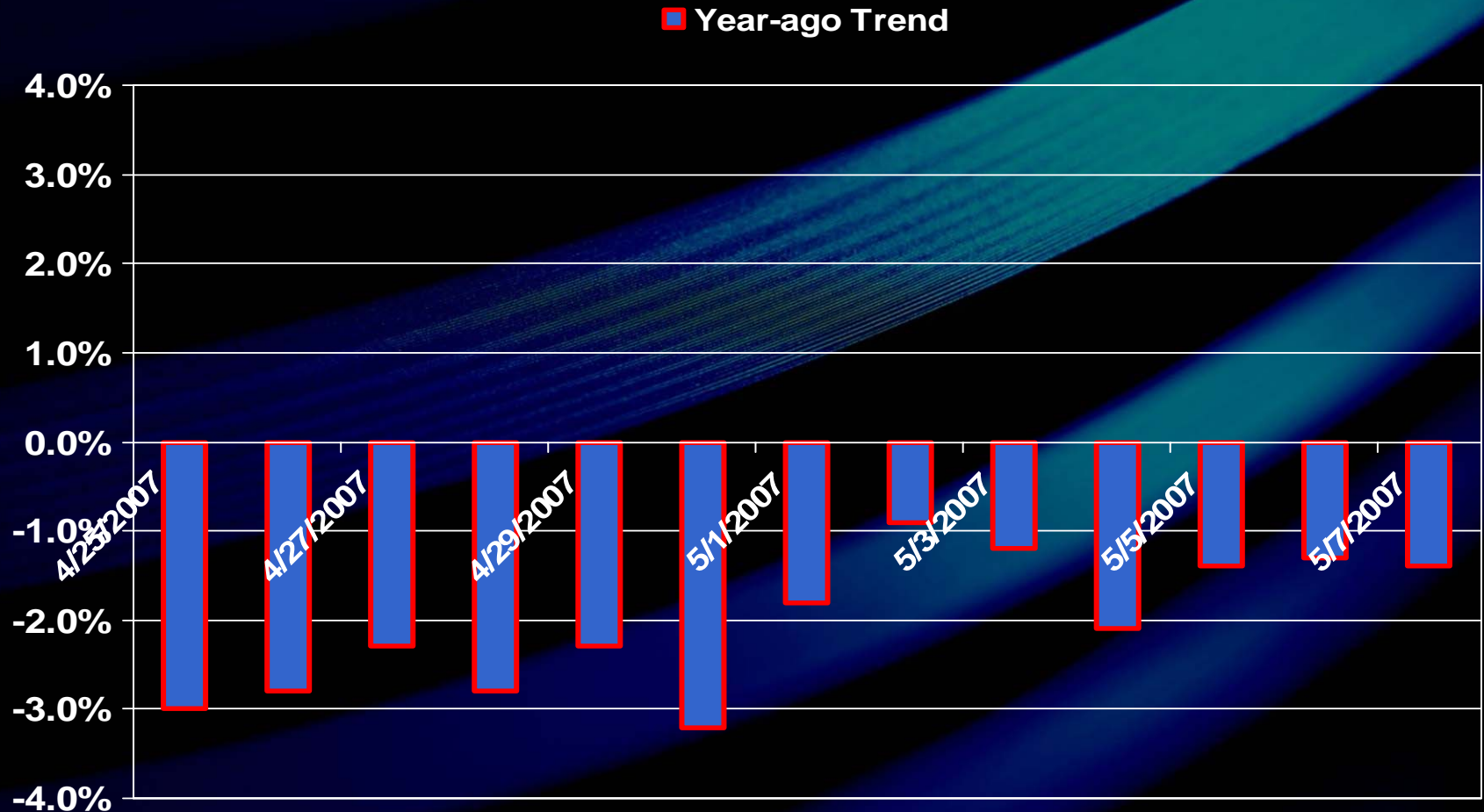
Latest Daily Home Sales Tracker: Becoming Less Negative

■ Year-ago Trend



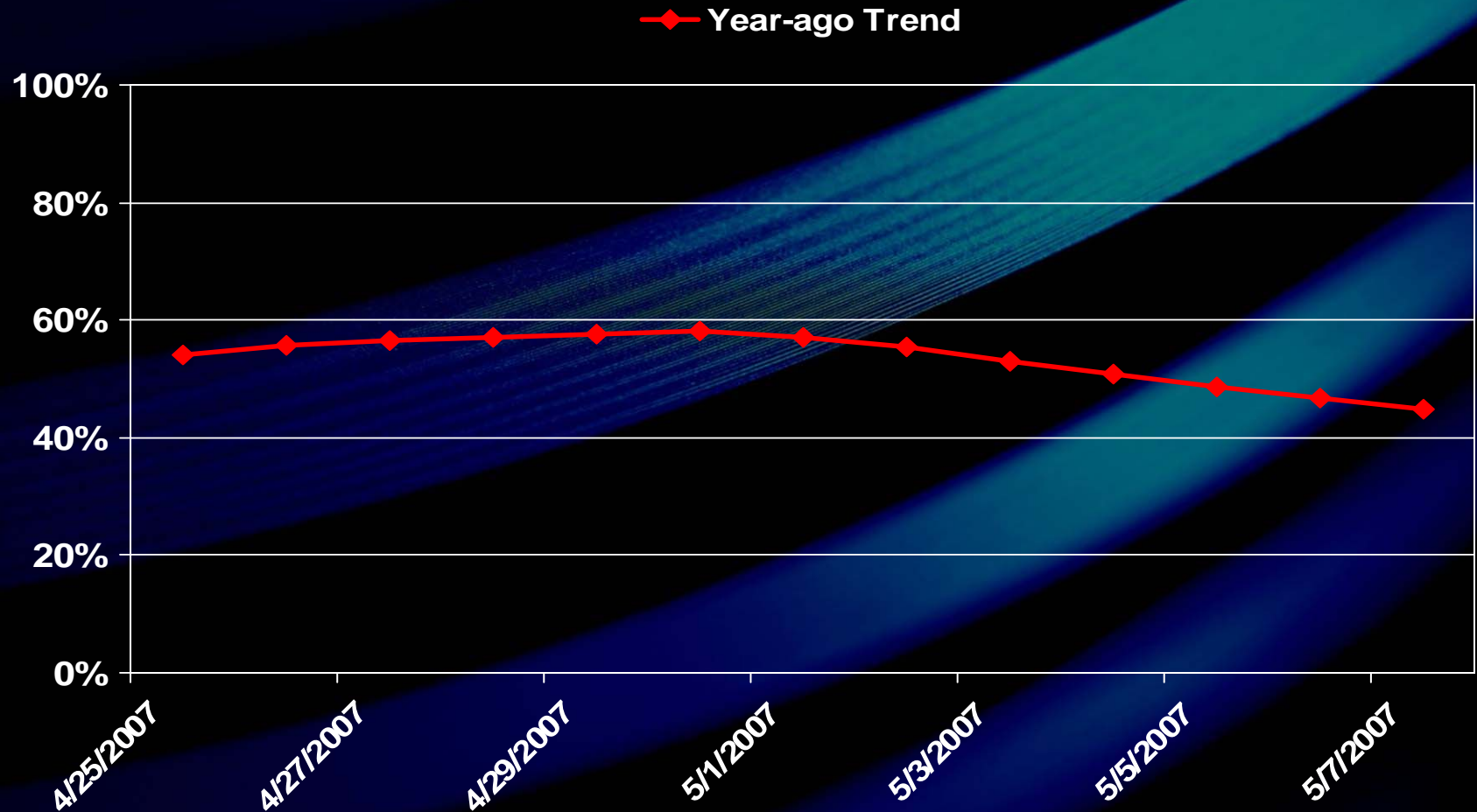
Source: NAR

Latest Daily Home Price Tracker: Also Less Negative



Source: NAR

Latest Daily Inventory Tracker: Modest Tightening in Months Supply



Source: NAR

Economic Outlook

	2006	2007	2008
GDP	3.3%	2.1%	3.0%
Unemployment Rate	4.6%	4.6%	4.8%
CPI Inflation	3.2%	2.5%	2.5%
10-year Treasury	4.8%	4.8%	5.0%

The Fed cuts rate in early 2008

National Housing Outlook

	2006	2007	2008
Existing-Home Sales	6.48 million	6.29 million	6.49 million
New Home Sales	1.05 million	0.86 million	0.94 million
Housing Starts	1.80 million	1.46 million	1.52 million
30-Year FRM	6.4%	6.4%	6.7%
1-Year ARM	5.5%	5.5%	5.1%
Existing-Home Price Growth	1.0%	-1.0%	1.4%

Local Forecasts: Who Will be on Top?



Top Five Markets

(in random order)



Nashville

Austin

Salt Lake City

Denver

Raleigh-Durham

*Watch out for these
small markets*

St. George, UT

Myrtle Beach, SC

Top Global Livable Cities

(Ranked by Economist Intelligence Unit)

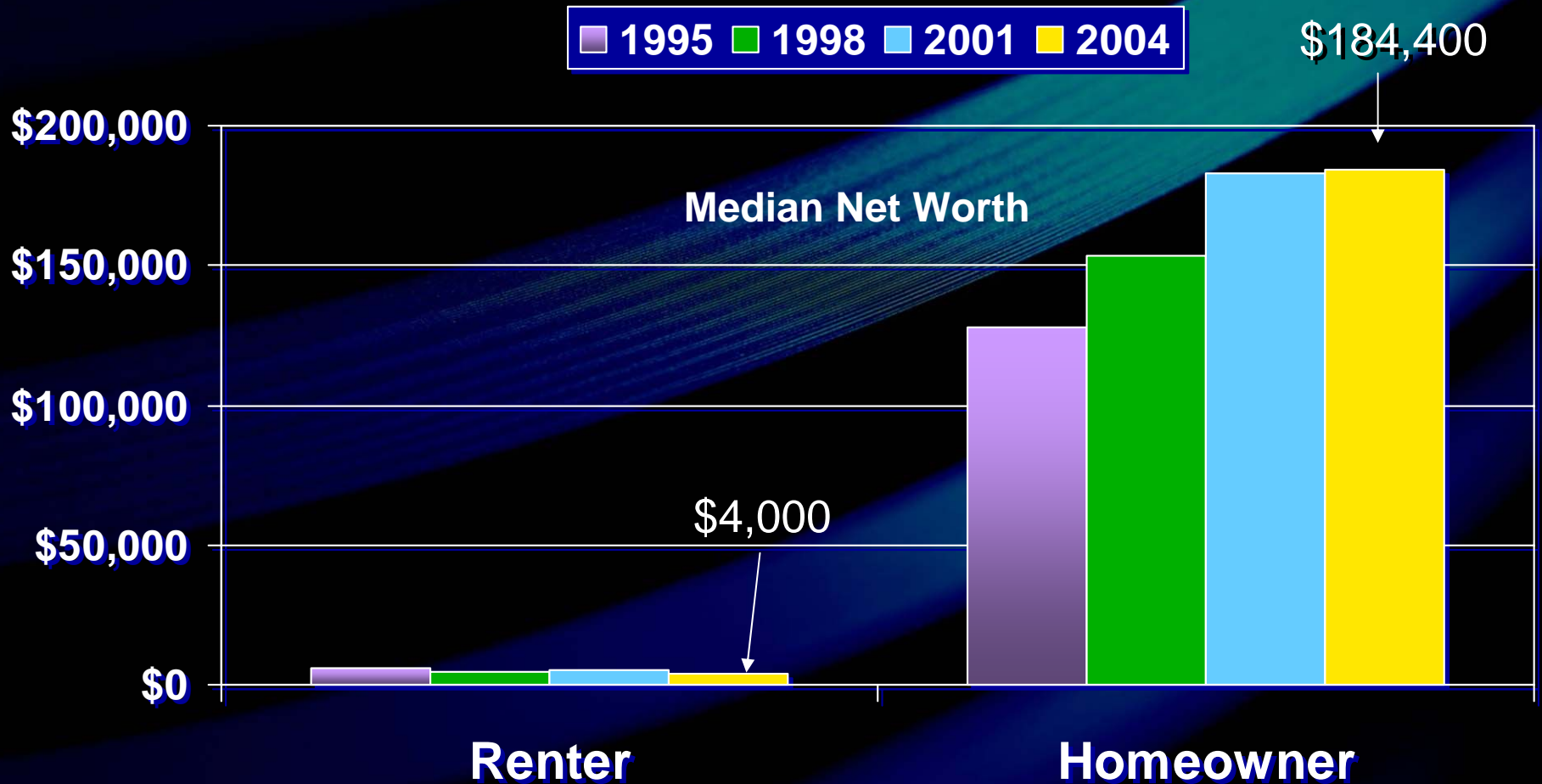
1. Vancouver
26. Cleveland
26. Pittsburgh
33. Honolulu
33. Boston
33. Chicago
33. Miami
33. Seattle

Others:

Atlanta, D.C., Detroit, Houston



Best Evidence: Household Wealth Accumulation



Source: Federal Reserve

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**Economic Issues and Residential Real
Estate Business Trends Forum**
*NAR Midyear Meetings
Washington, D.C.
May 17, 2007*