

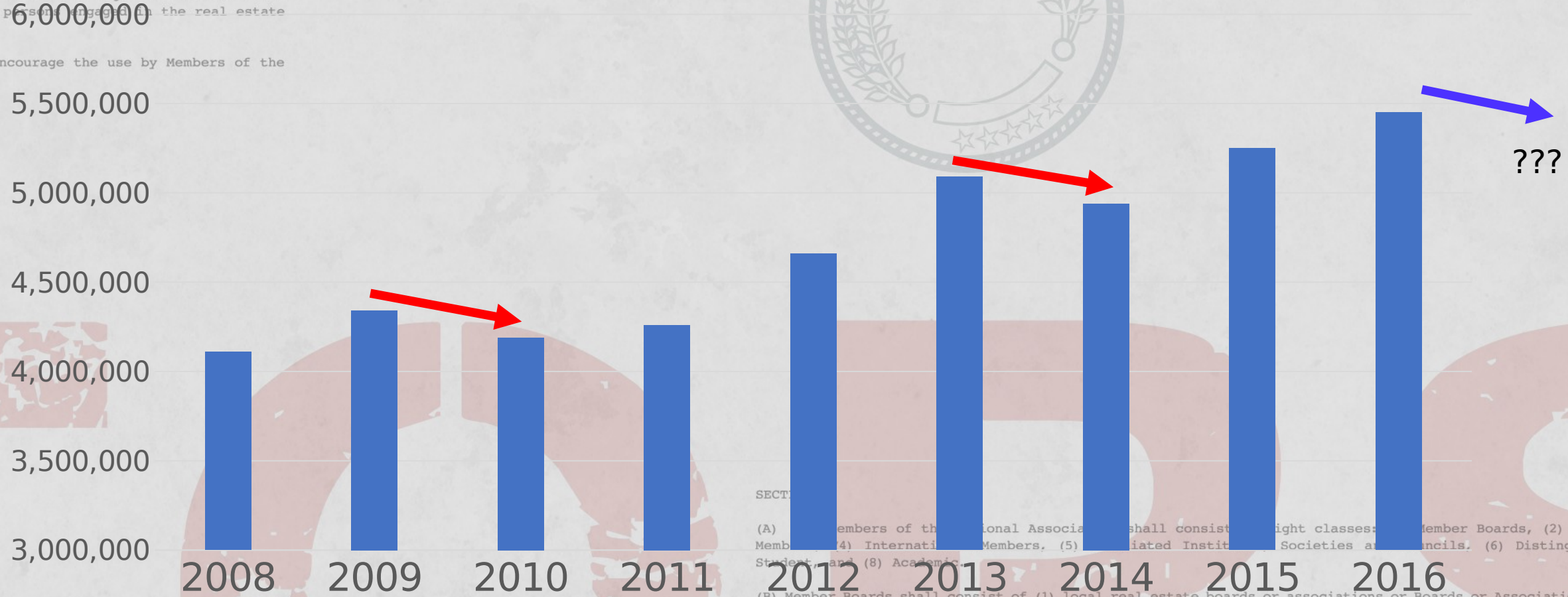
# Economic and Real Estate Market Outlook

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

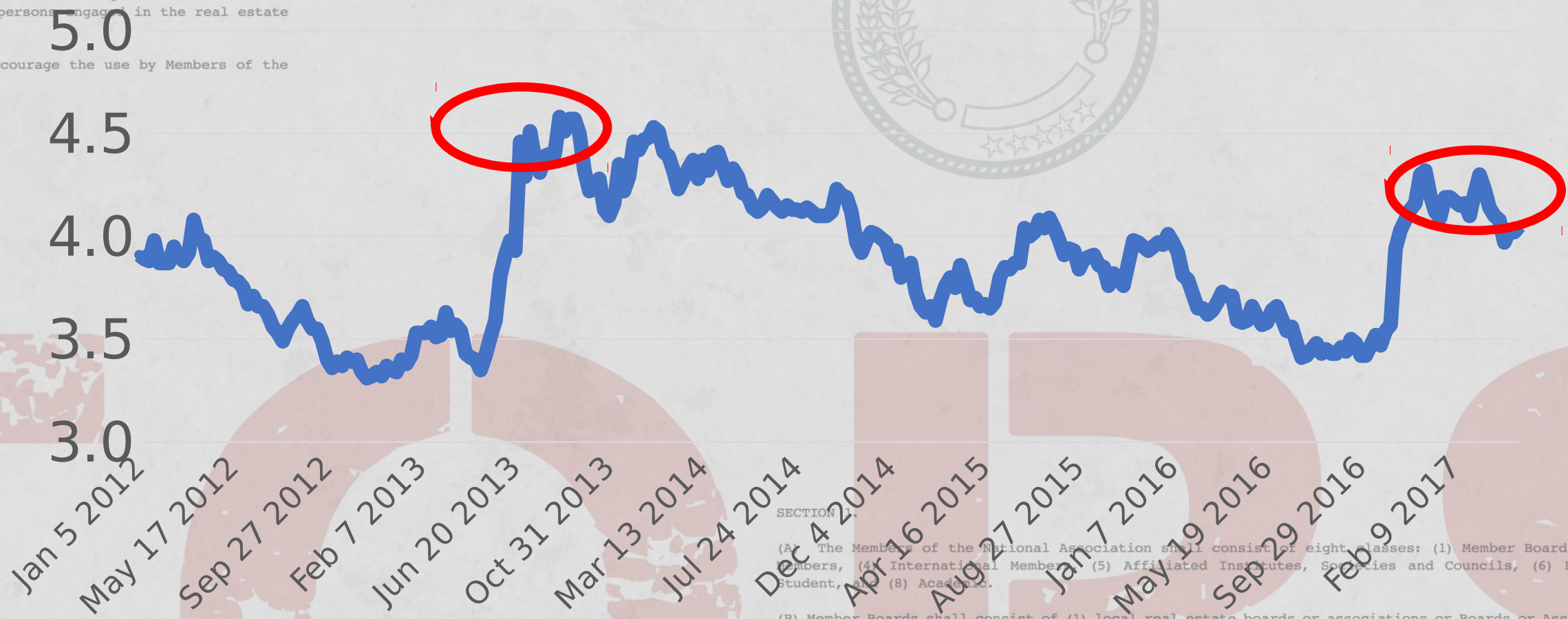
Presentation at NAR Legislative Meetings  
Washington, DC

May 18, 2017

# Existing Home Sales – Mostly Rising in Recent Years (Exceptions: when home buyer tax credit ended and “taper tantrum”)



# Mortgage Rates 30-year Fixed Rate



SECTION 5.

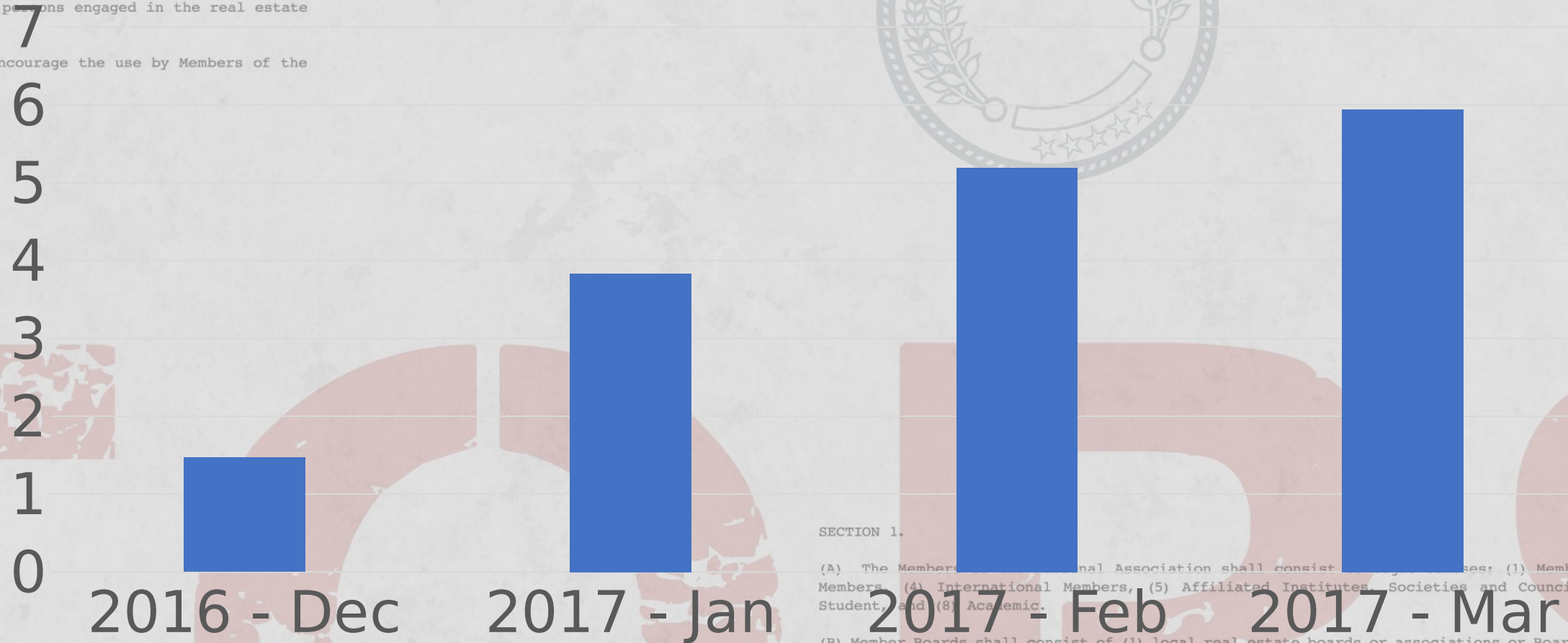
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(C) Board Members shall be either REALTOR®, REALTOR-ASSOCIATE®, or Institute Affiliate Members in good standing.

(1) REALTOR® Members shall be:

# Existing Home Sales Rising After Election (% change from one year ago)



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# New Home Sales Rising – After Election

20

15

10

5

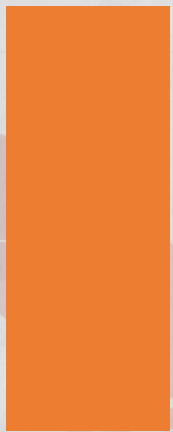
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2016 - Dec

2017 - Jan

2017 - Feb

2017 - Mar



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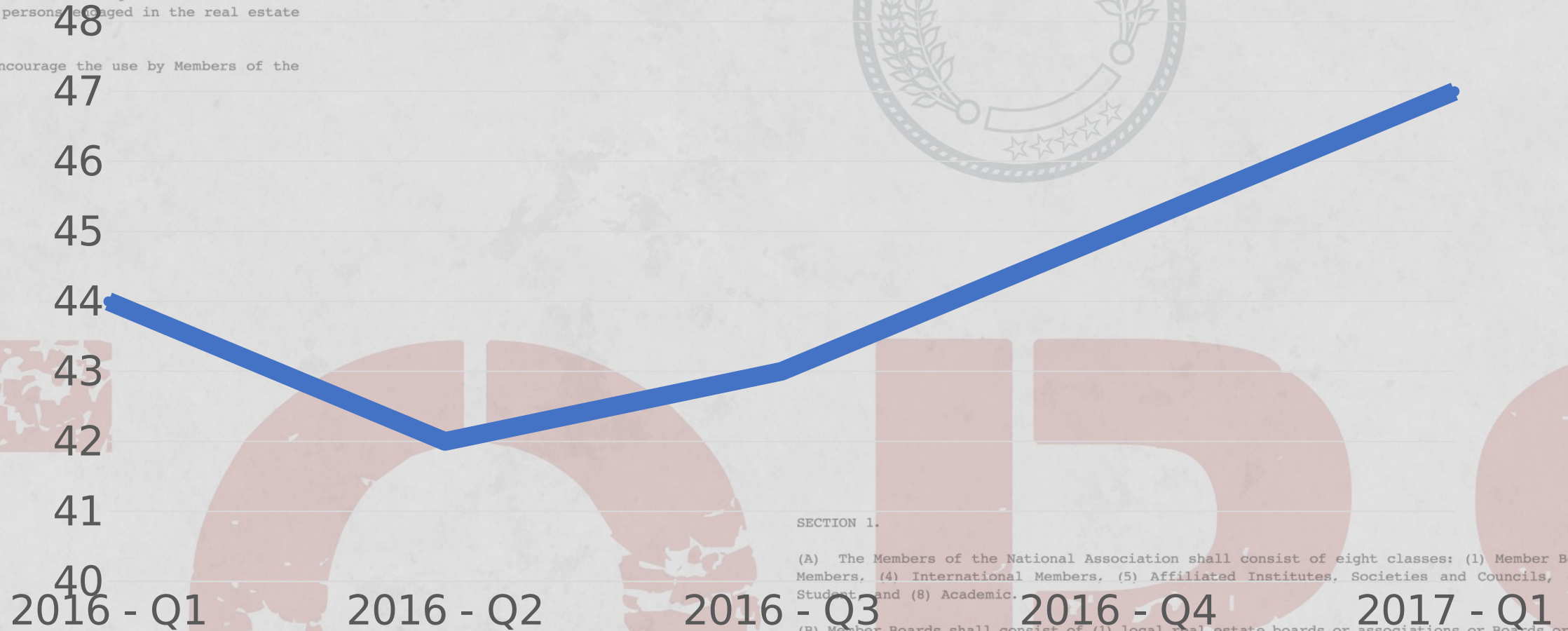
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# NAR HOME Survey of Consumers

## % Strongly indicating Good Time to Buy



SECTION 1.

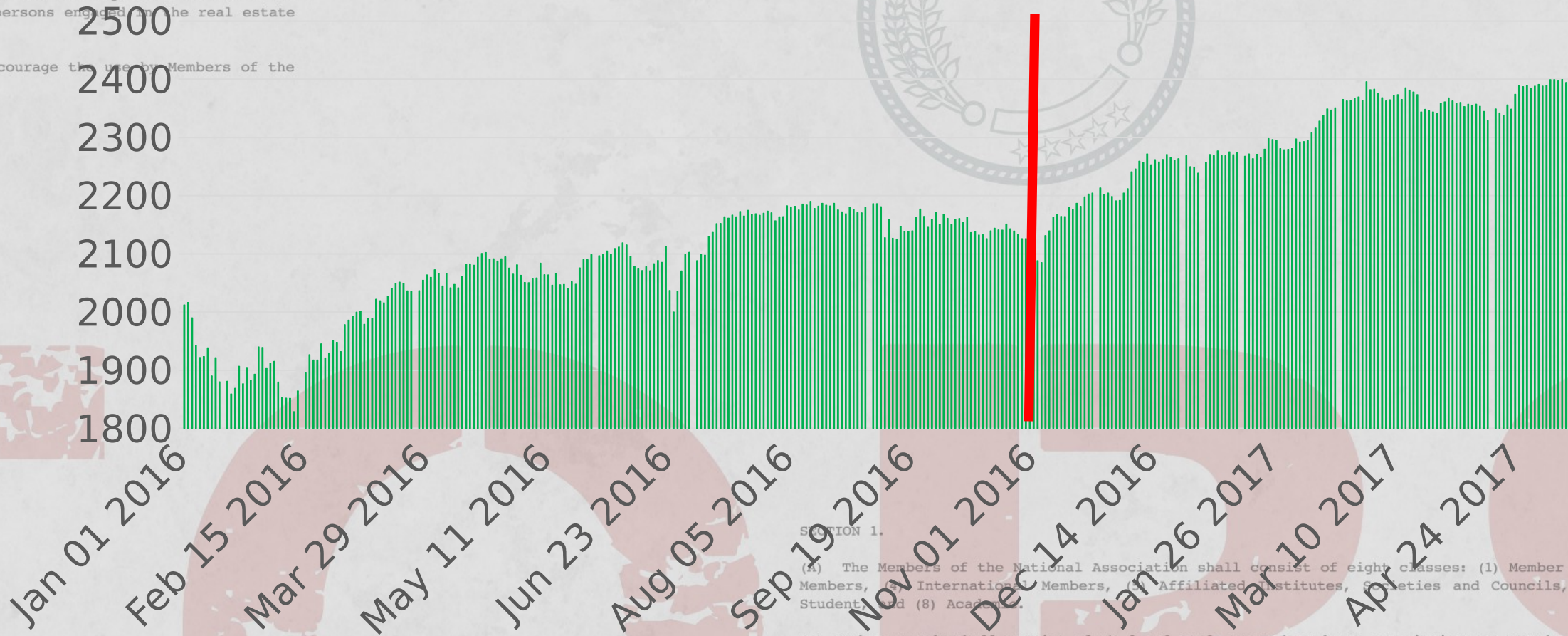
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# Stock Market: S&P 500 Index



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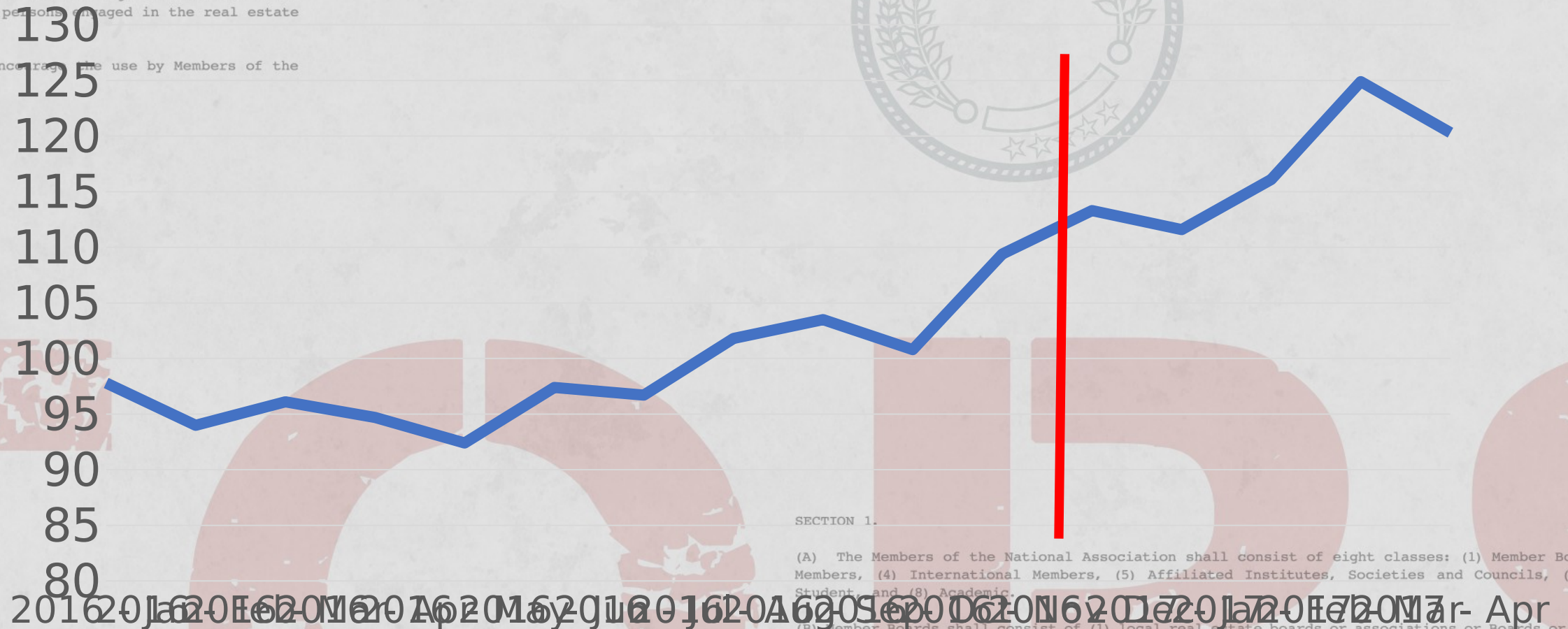
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# Animal Spirit Revival of Consumers? Consumer Confidence Index



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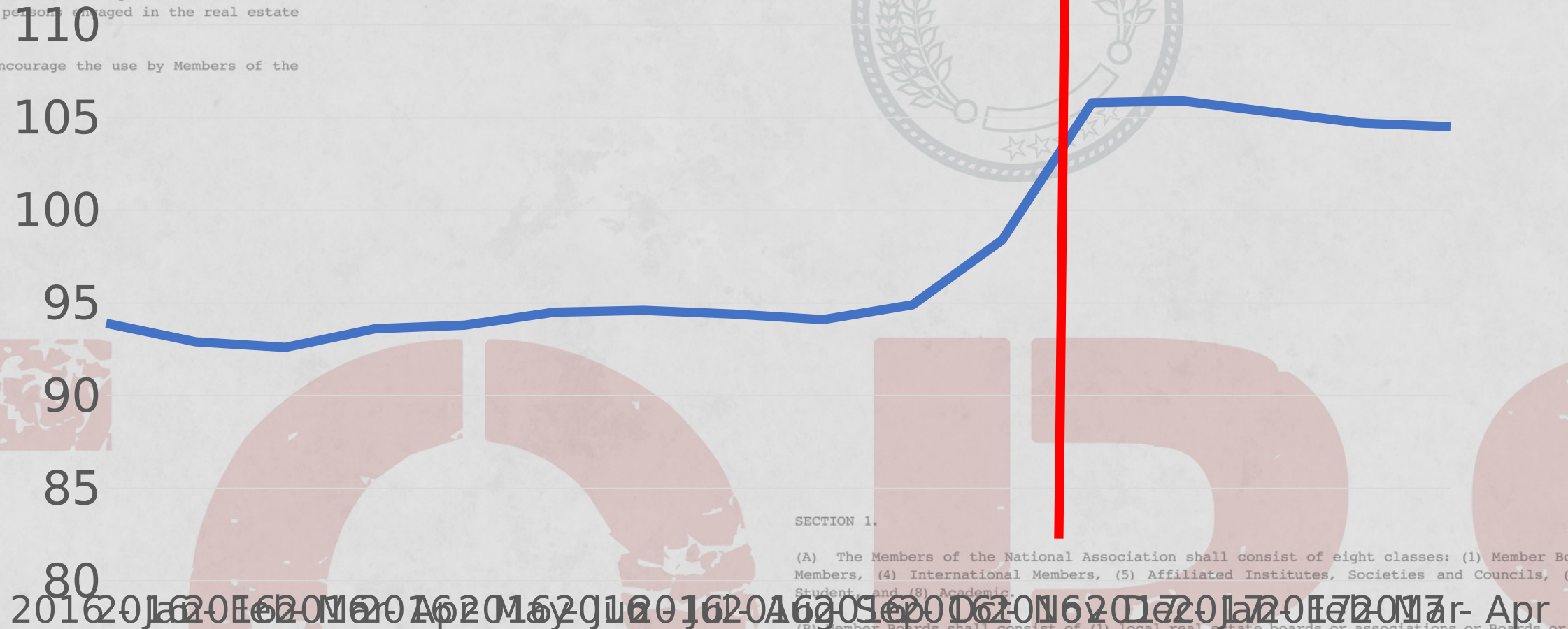
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# Animal Spirit Revival of Businesses? Small Business Optimism Index



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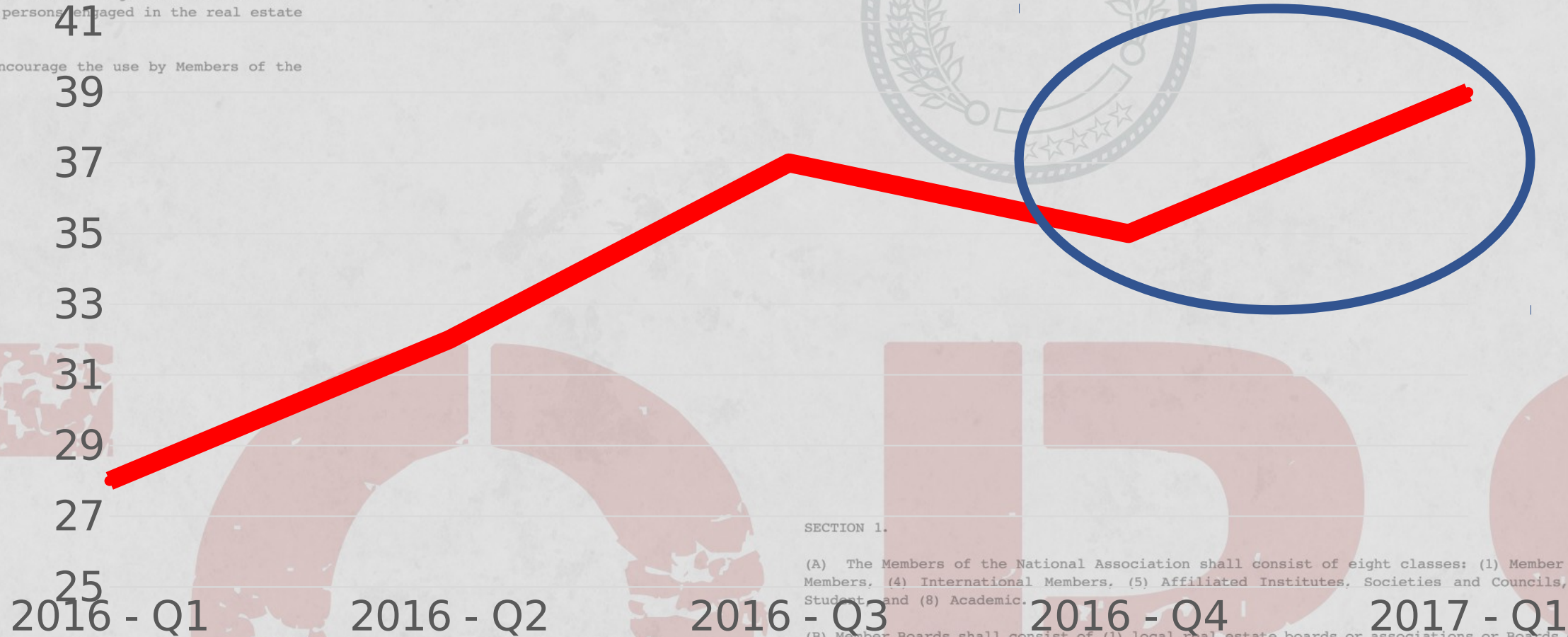
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# NAR HOME Survey of Consumers

## % Strongly indicating Good Time to Sell



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# Contradiction?

## More indicating Good Time to Buy and Good Time to Sell !!!



○ Portia in the ***Merchant of Venice***

“Mercy is twice blessed ...  
it blesseth him that gives and him  
that takes”

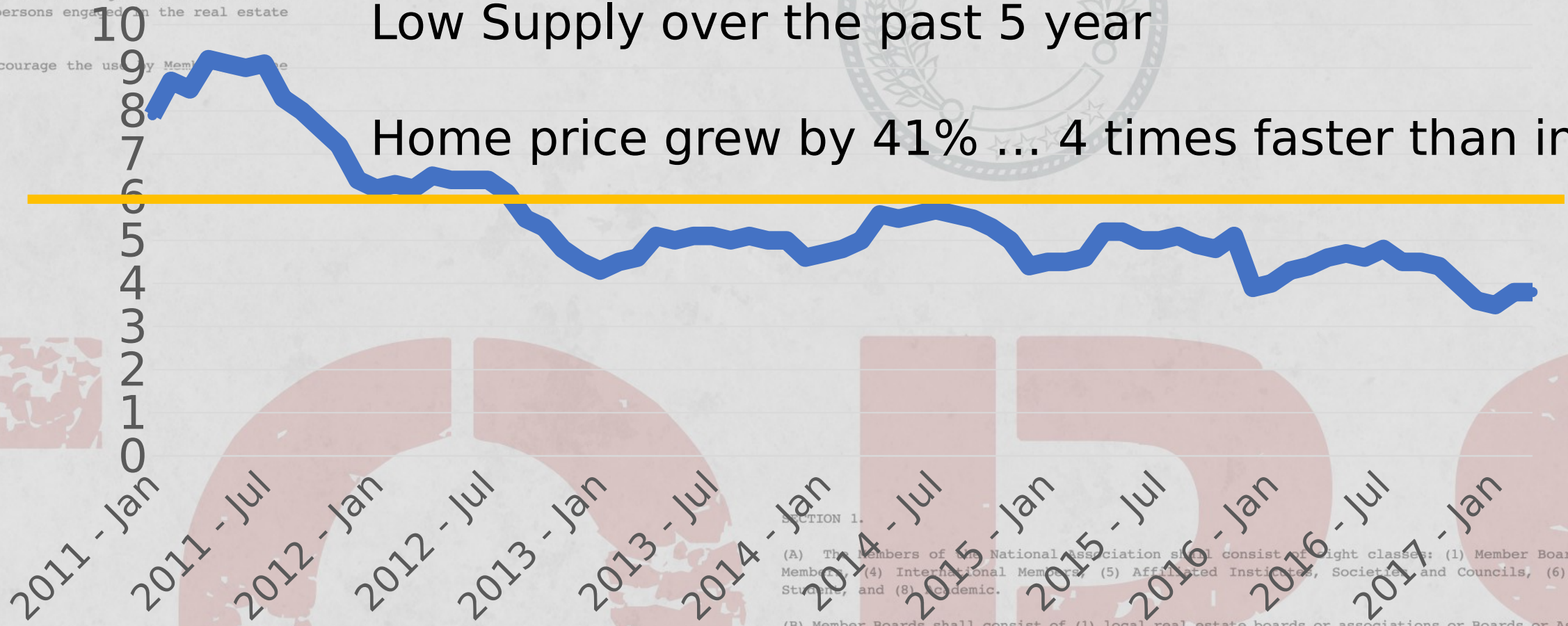
○ Commercial exchange is twice  
blessed ... not a zero-sum game

- Benefits the buyer
- Benefits the seller

# Inventory of Homes - Low Months Supply

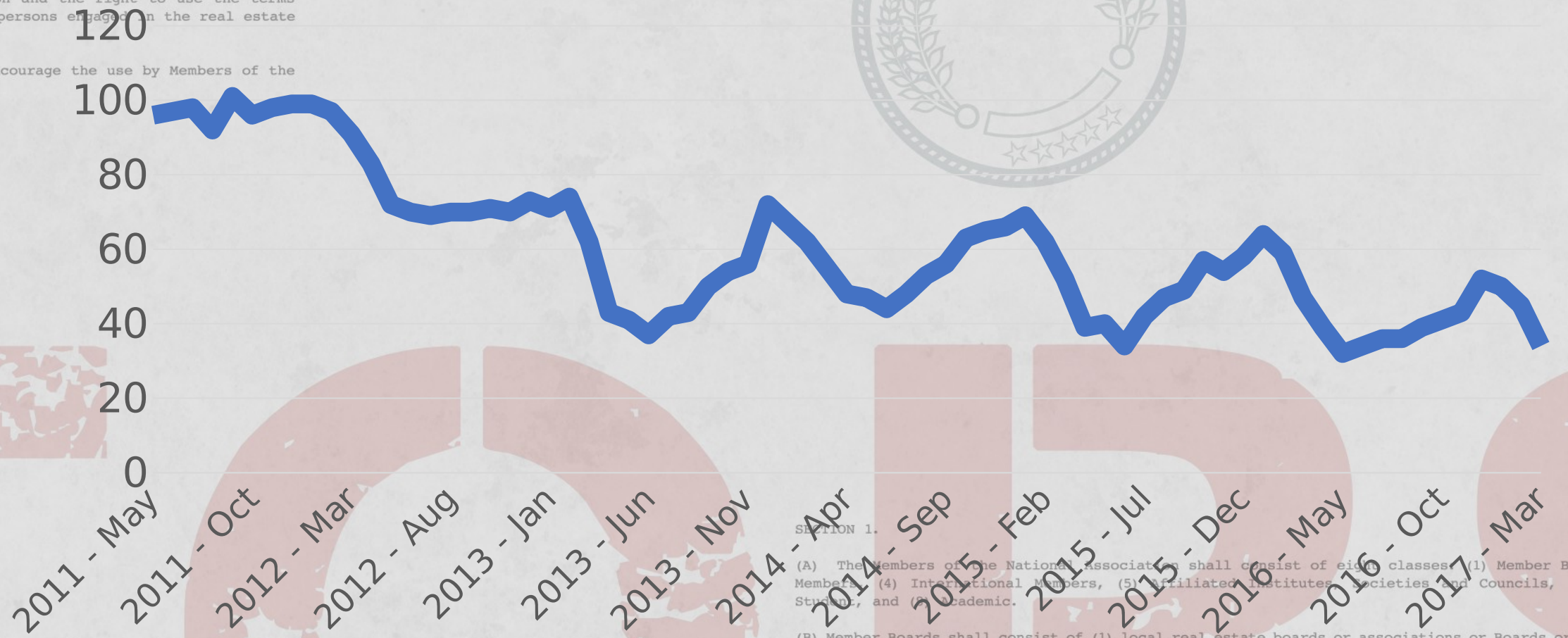
Low Supply over the past 5 year

Home price grew by 41% ... 4 times faster than income



# Median Days on Market

## 34 days vs 47 days one year ago



SECTION 1.

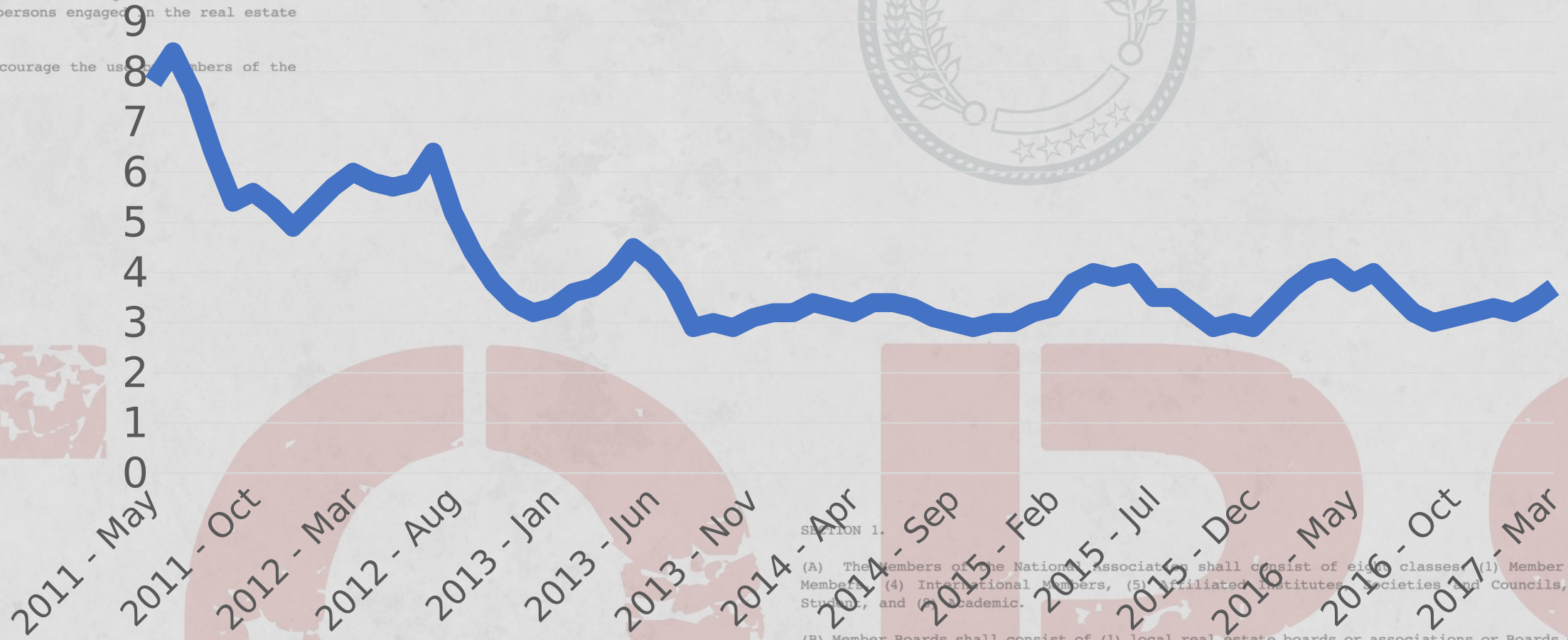
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# Months to Sell a Newly Built Home



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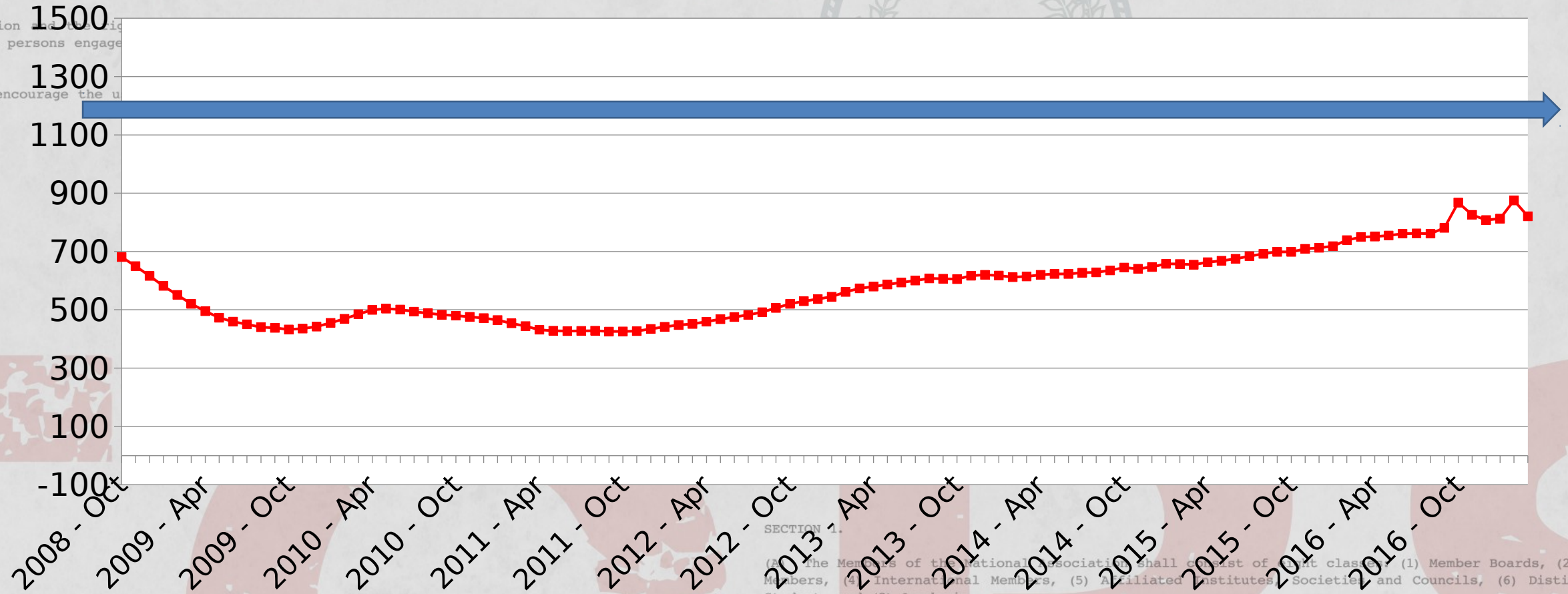
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# Single-family Housing Starts

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



## SECTION 1.

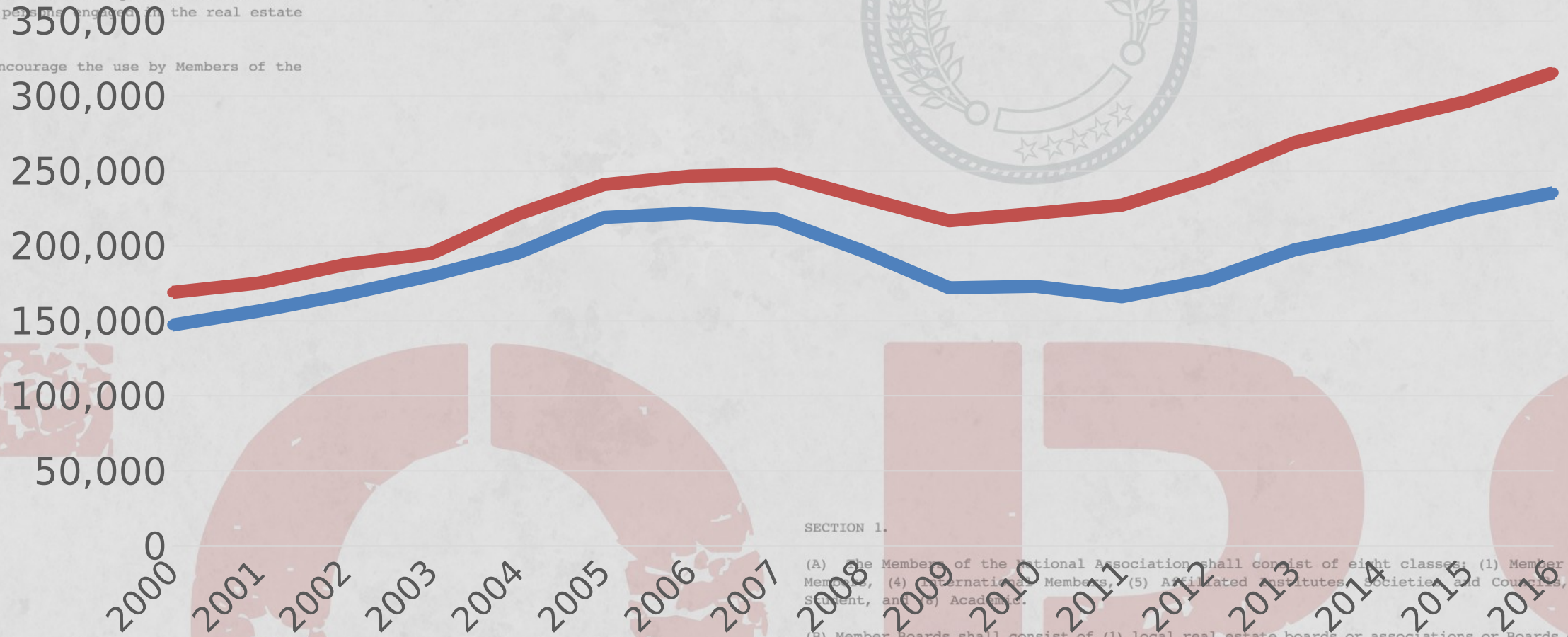
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# Median Home Price: New vs. Existing



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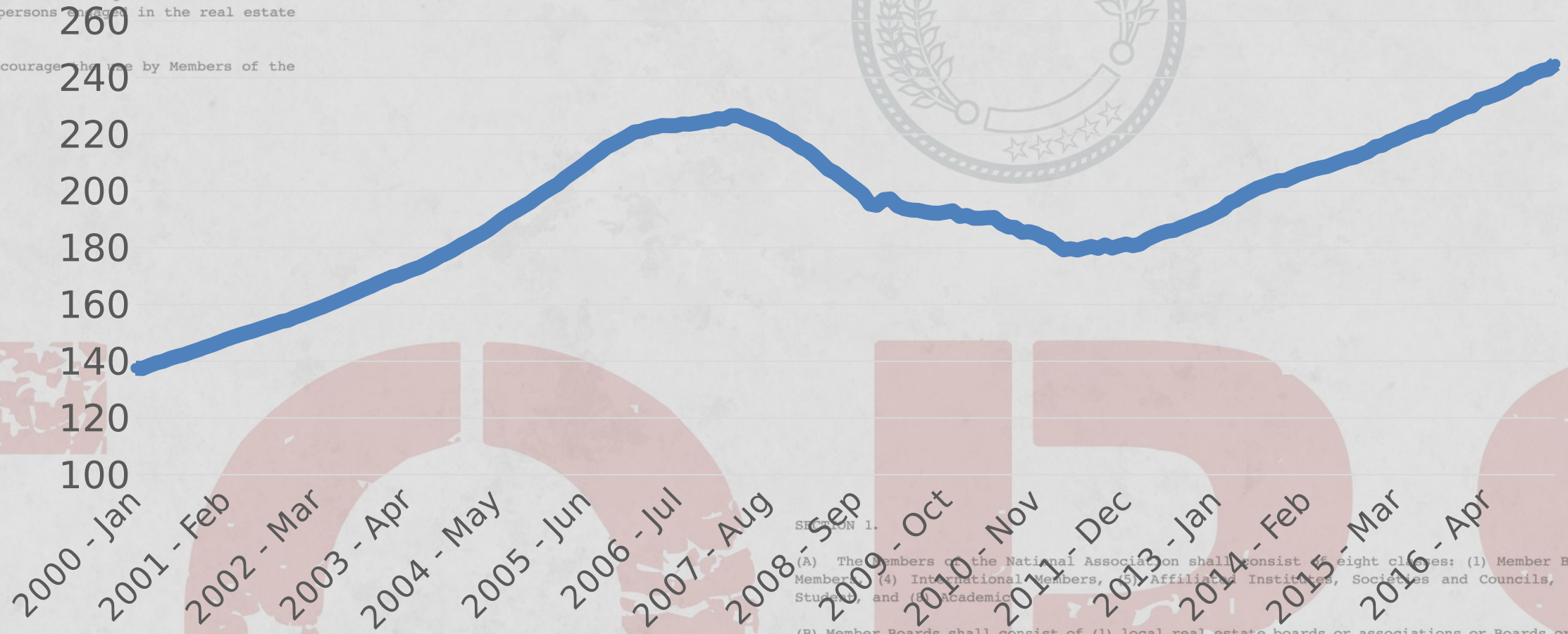
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(1) REALTOR® Members shall be:



# U.S. Home Price Index (FHFA)



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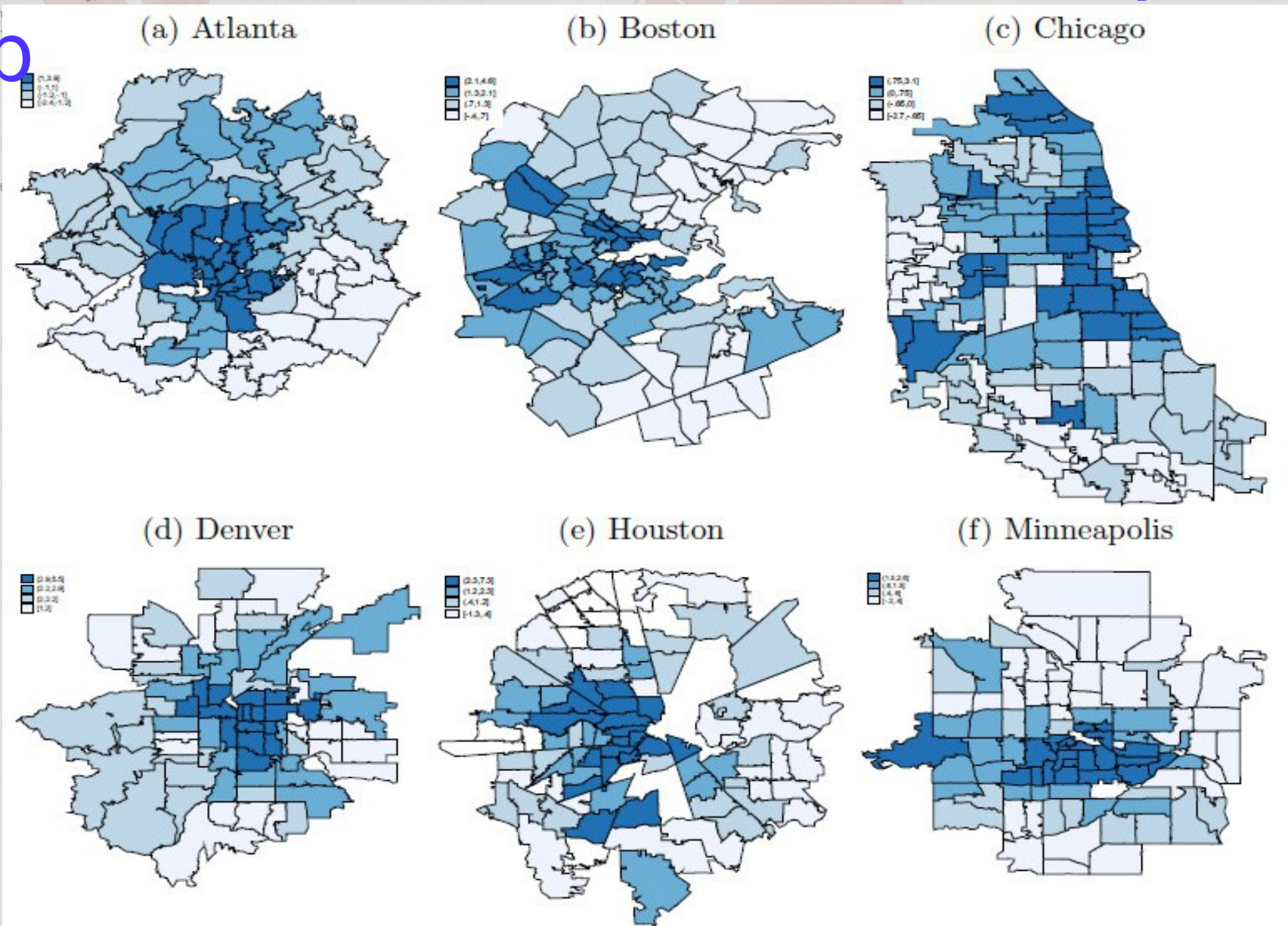
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# FHFA Home Price Index: County and Zip

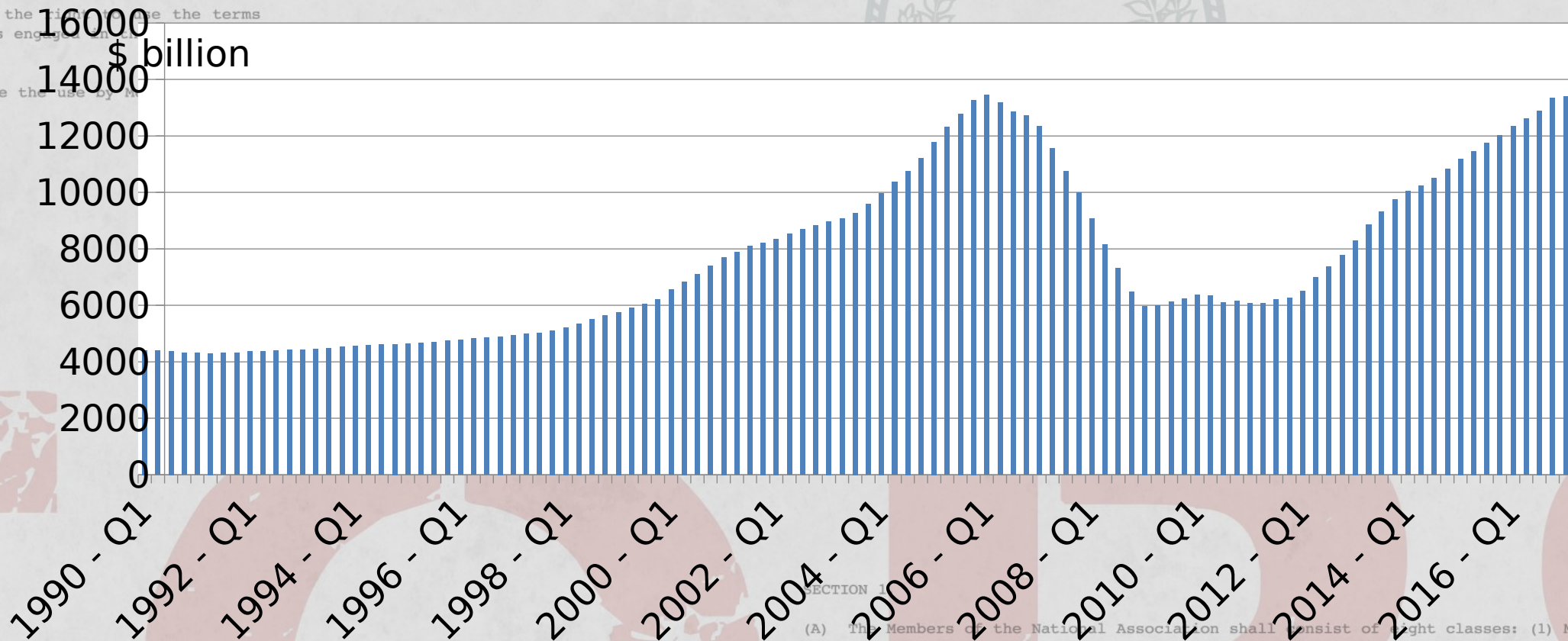


Source: Dr. Doerner, FHFA

... classes: (1) Member Boards, (2) Bo...  
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 ... associations or Boards or Associations...  
 ... or inter-state Boards, and also (2)...  
 ... OR- ASSOCIATE® Members of which sha...  
 ... case may be.

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# Homeowners Equity in Real Estate



## SECTION 1

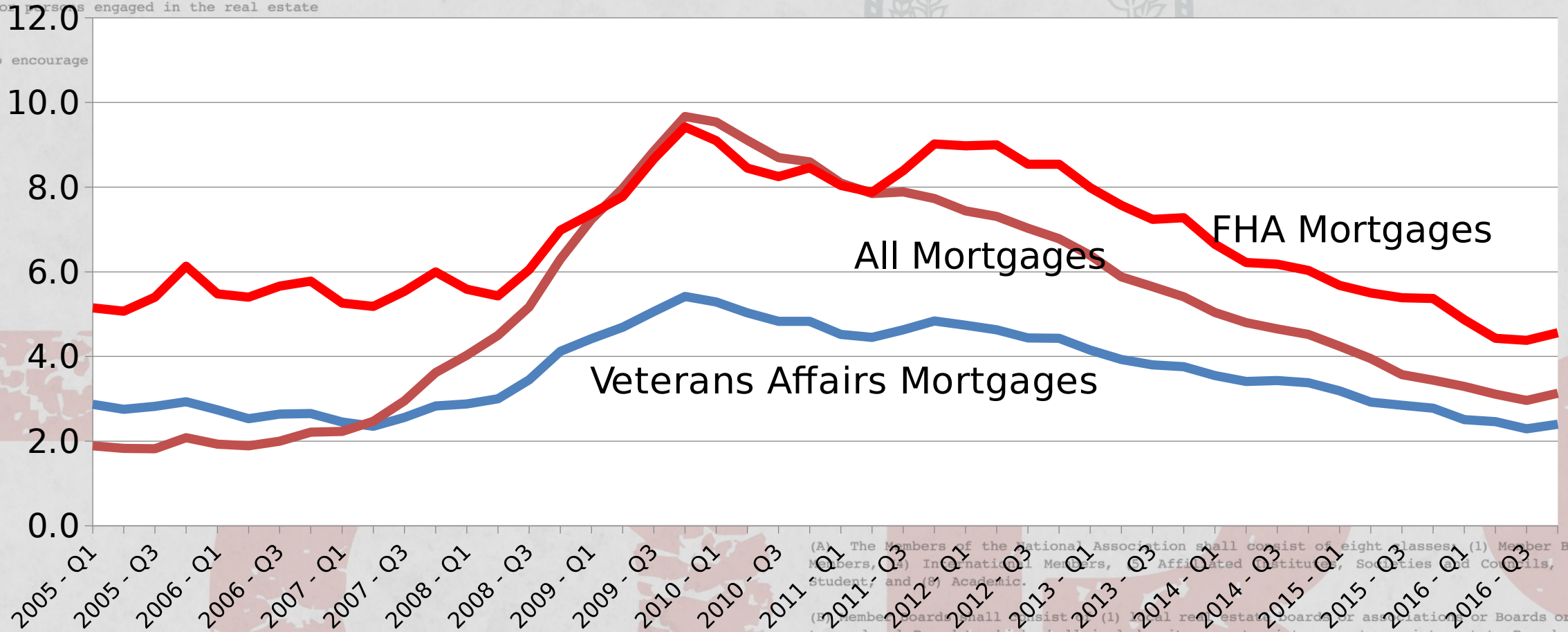
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# Borrowers Not Defaulting (Serious Delinquency Rate)



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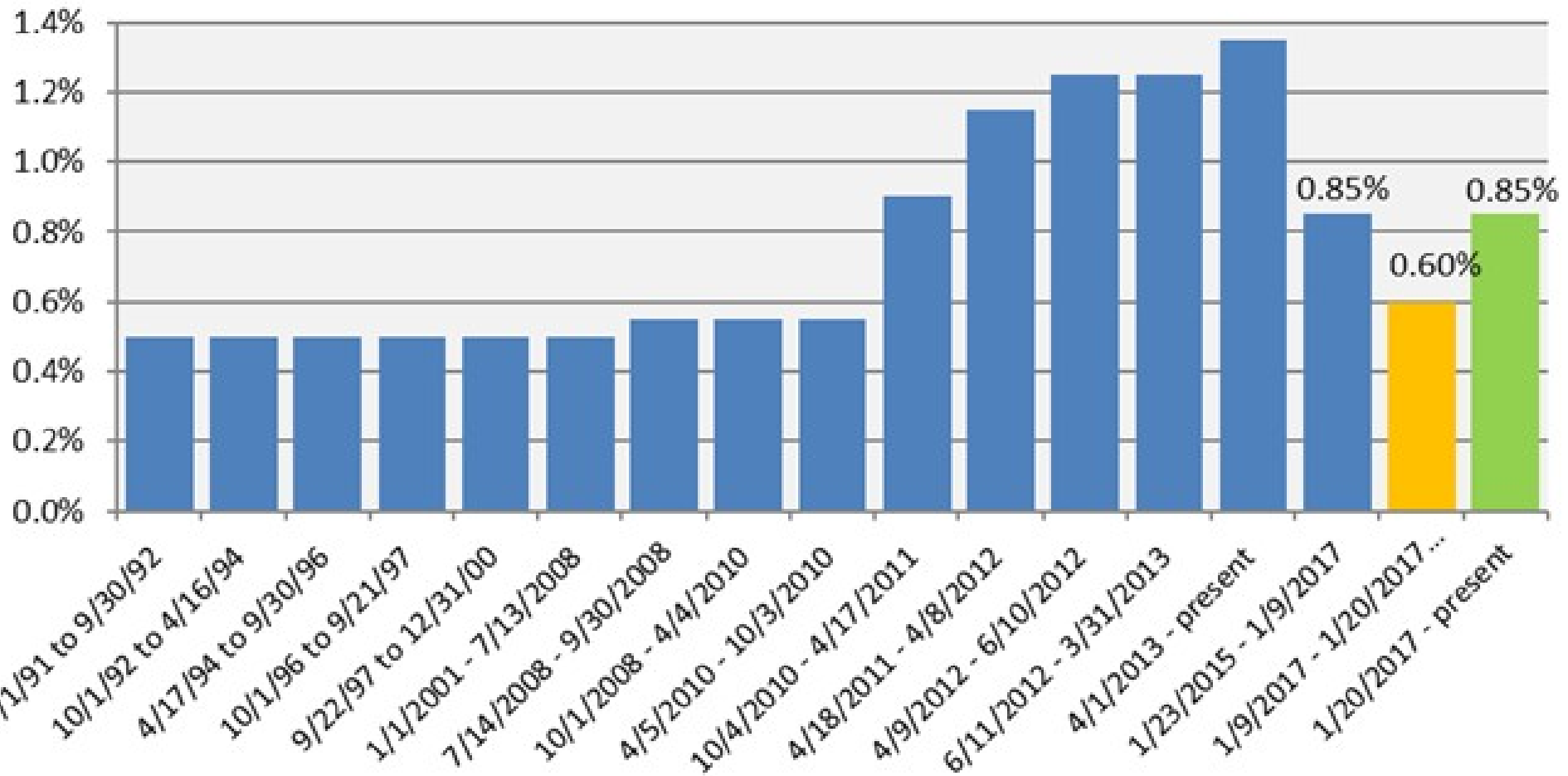
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(1) REALTOR® Members shall be:

# FHA Insurance Premium - High

## Annual Insurance Rate for FHA Borrowers



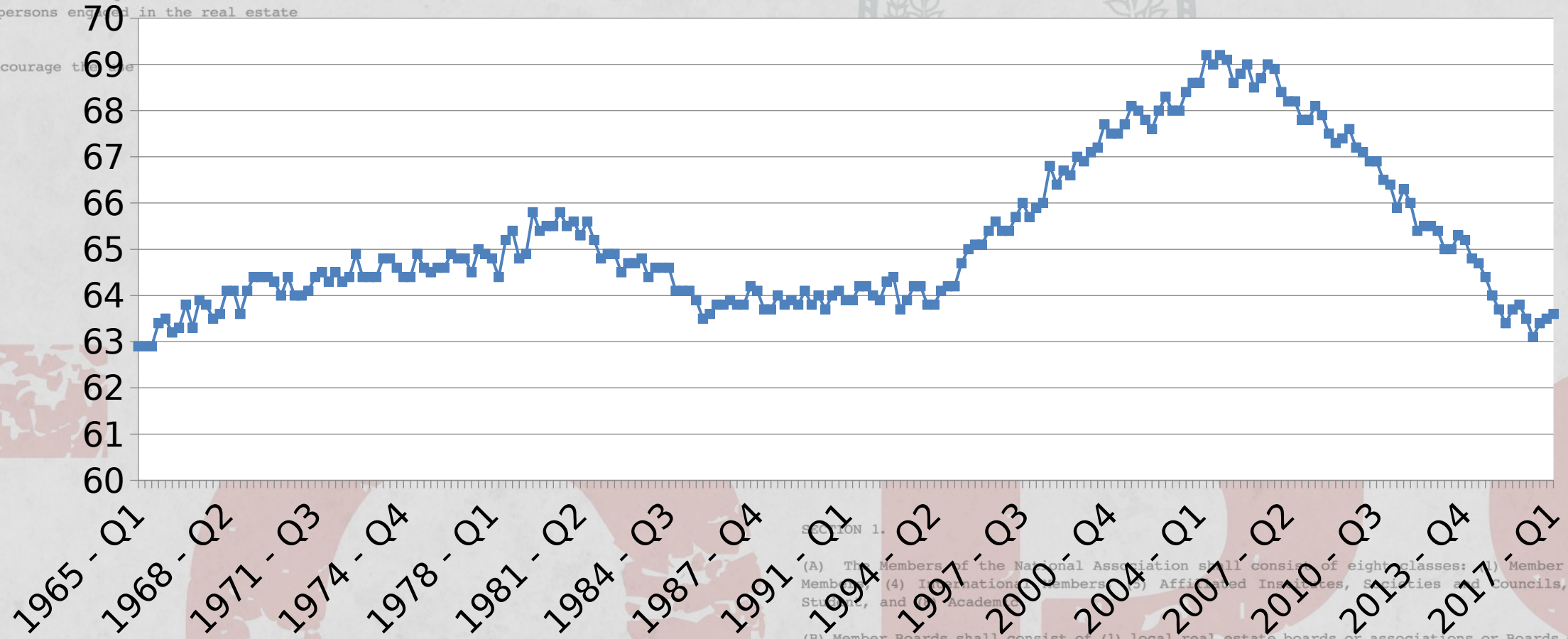
Source: FHA, NAR

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# Homeownership Rate Still Near 50-year Lows



SECTION 1.

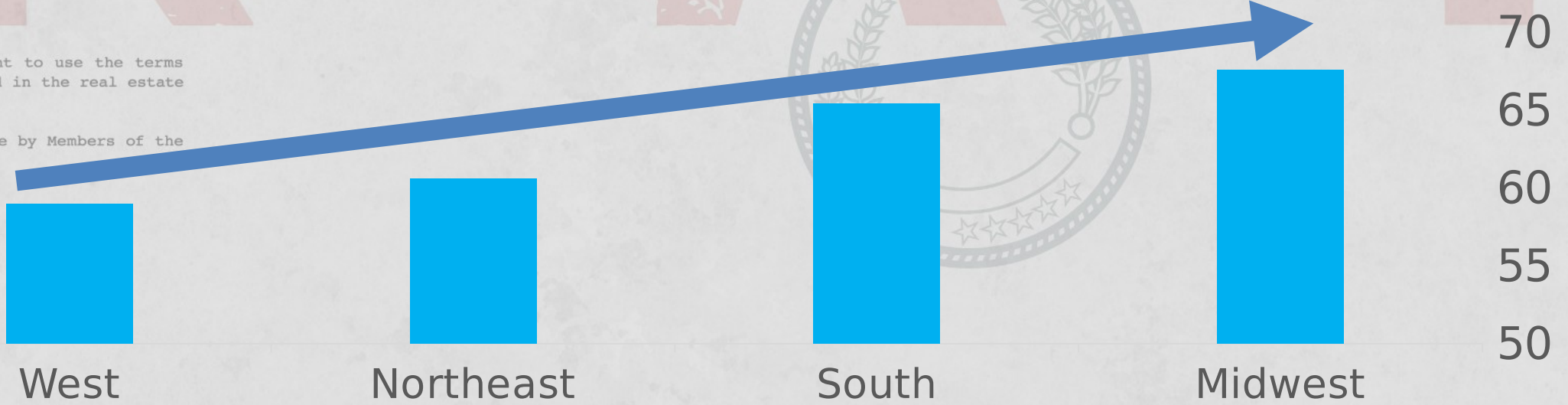
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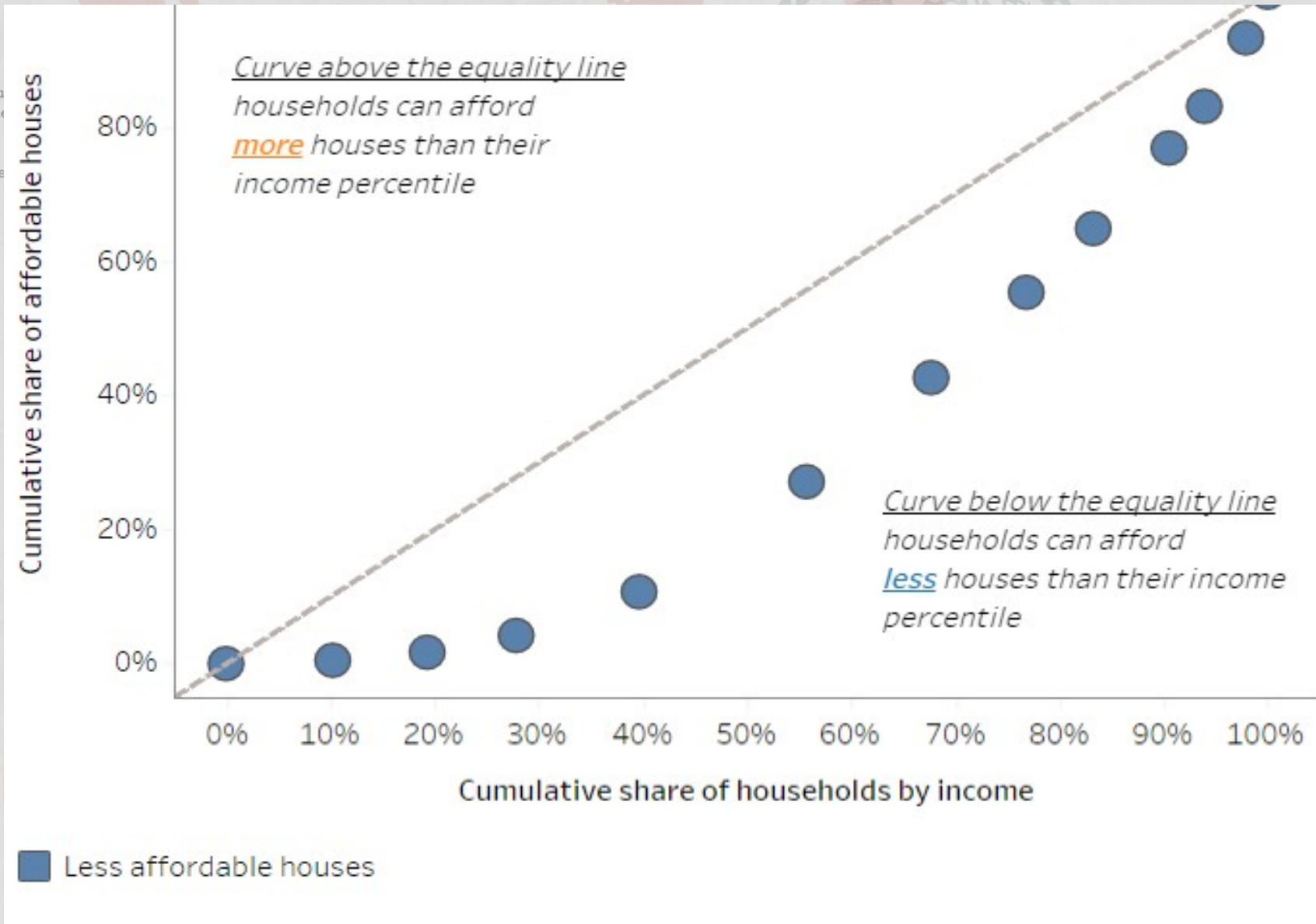
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# Homeownership Rate and Home Price By Region



# California Affordability Distribution: Ownership Rate of 55%



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the real estate business;

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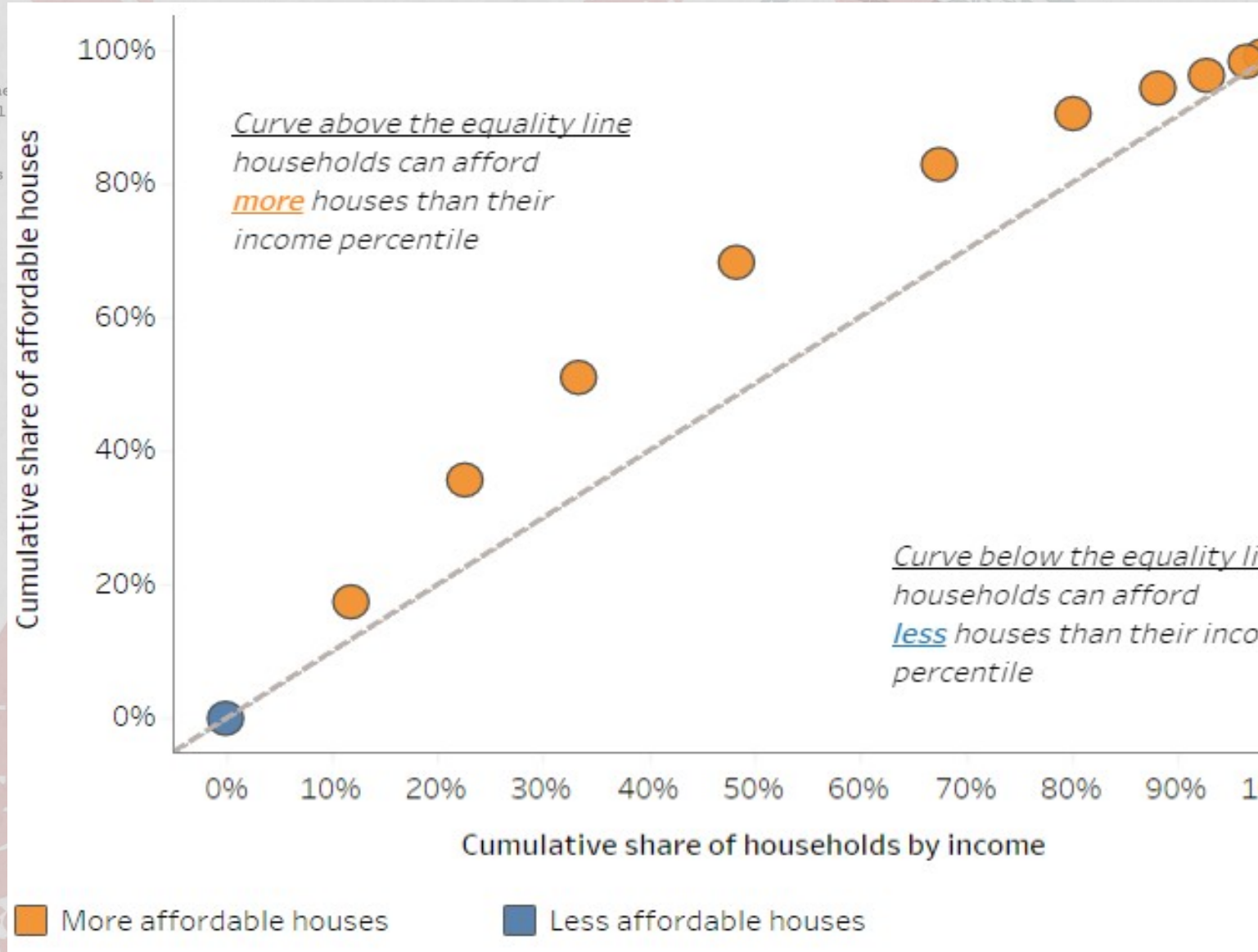
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Institute Affiliate Members in goo

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# Indiana Affordability Distribution: Ownership Rate of 70%



# Home Price Growth Expectations

REALTORS®	Consumers NY Fed Survey	Economists WSJ Panelists	Consumers Fannie Mae	Consumers NAR HOME Survey
4.0%	5.1%	4.1%	53% prices will rise	51% prices will rise
Next 12 months	Next 12 months	Next 12 months	8% prices will fall	7% price will fall

# NEW ERA OF HOMEOWNERSHIP CONFERENCE IN DC

June 1<sup>st</sup> at  
HUD

**Secretary Ben Carson**

**Kevin Kane, Chief Market  
Analyst at HUD**

**Jonathan Spader, Harvard**

**Joel Kan, Mortgage Bankers  
Association**

**Christie Peale, NYC  
Neighborhoods**

**Lawrence Yun, NAR**



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# SUSTAINABLE HOMEOWNERSHIP CONFERENCE - JUNE 9<sup>TH</sup> AT BERKLEY STADIUM

**Dr. Ken Rosen of UC Berkeley and  
his team on research findings**

**Dr. Jim Gaines of Texas A&M**

**Joel Singer of California Assoc.  
REALTORS®**

**Former FHA Commissioners**

**Current Trump Administration  
Official (invited)**

**Bill Brown and Lawrence Yun, NAR**



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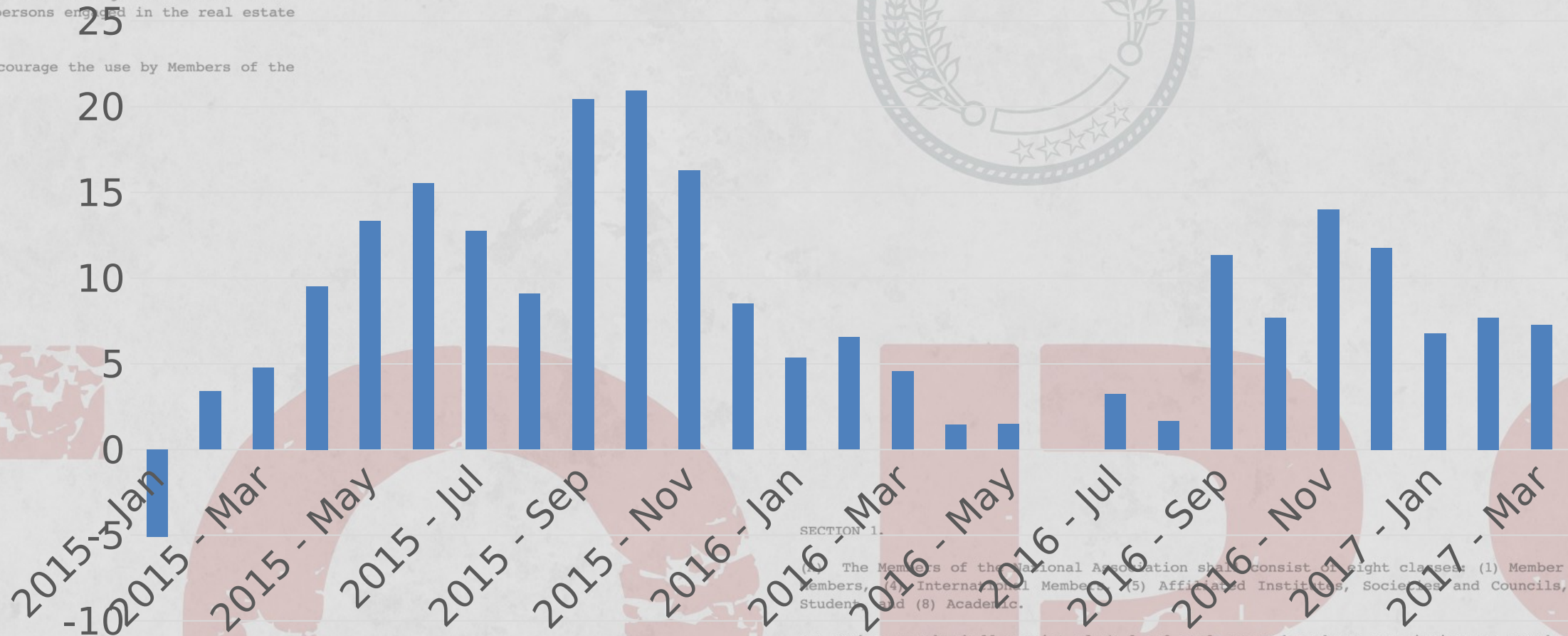
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# REALTOR Buyer Traffic Index - Resilient (% change from a year ago)



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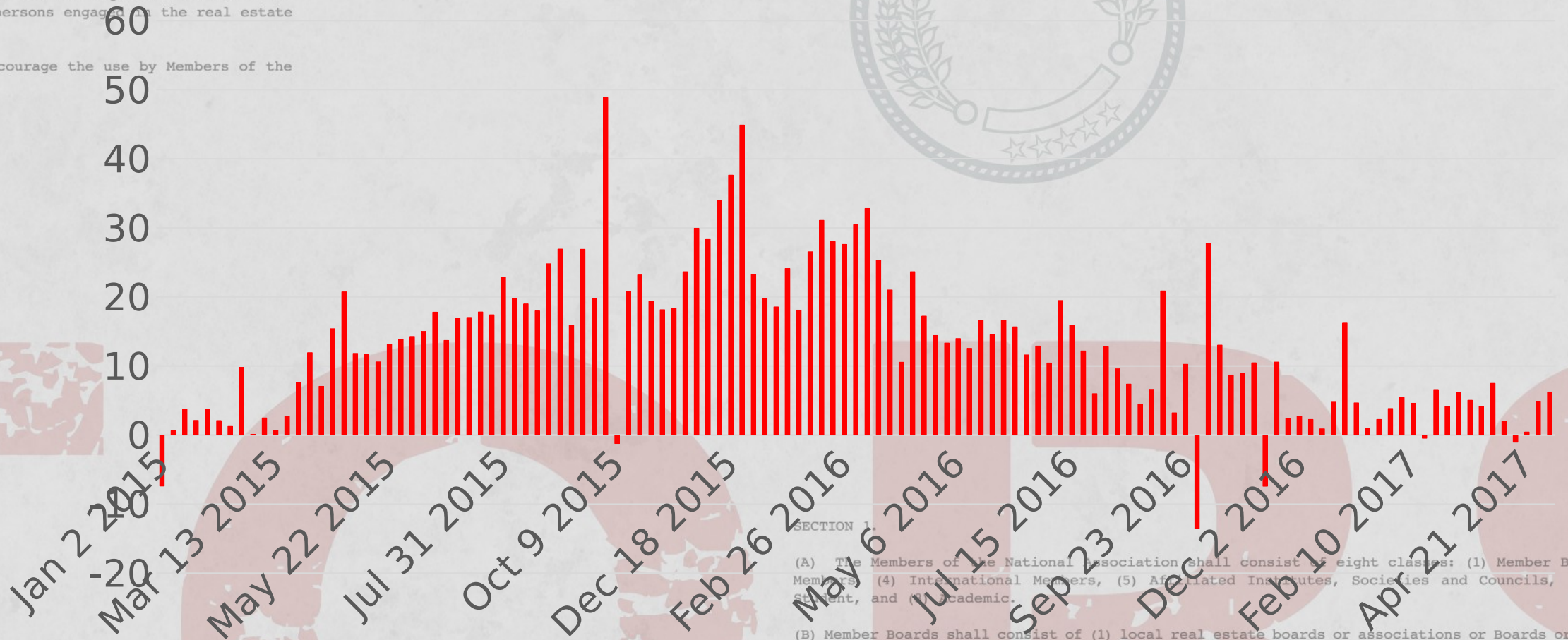
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# Mortgage Purchase Applications: Not Buckling (% change from a year ago)



SECTION 1

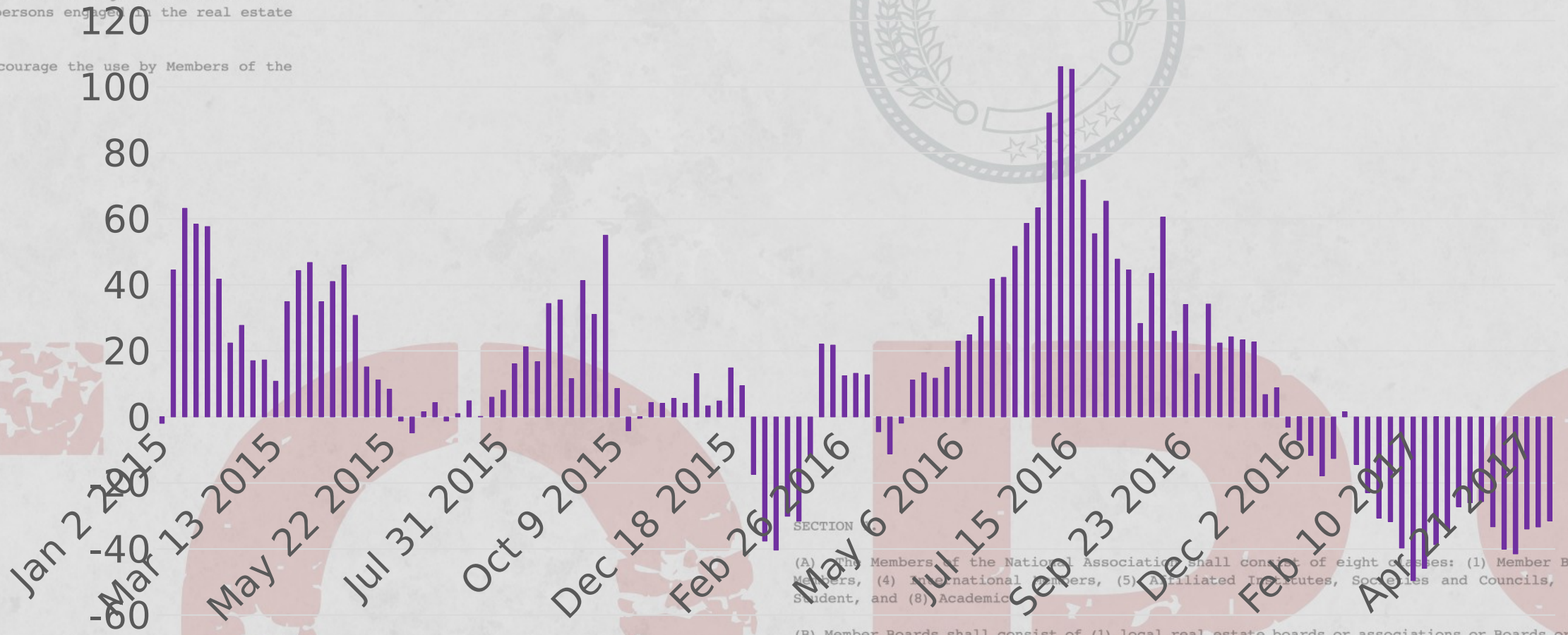
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# Mortgage Refinance Applications: Buckling (% change from a year ago)



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y a person or persons engaged in the real estate

RS®, and to encourage the use by Members of the

**Economy?**

**Growing with Job Creation**

**Pent-up Household Formation**



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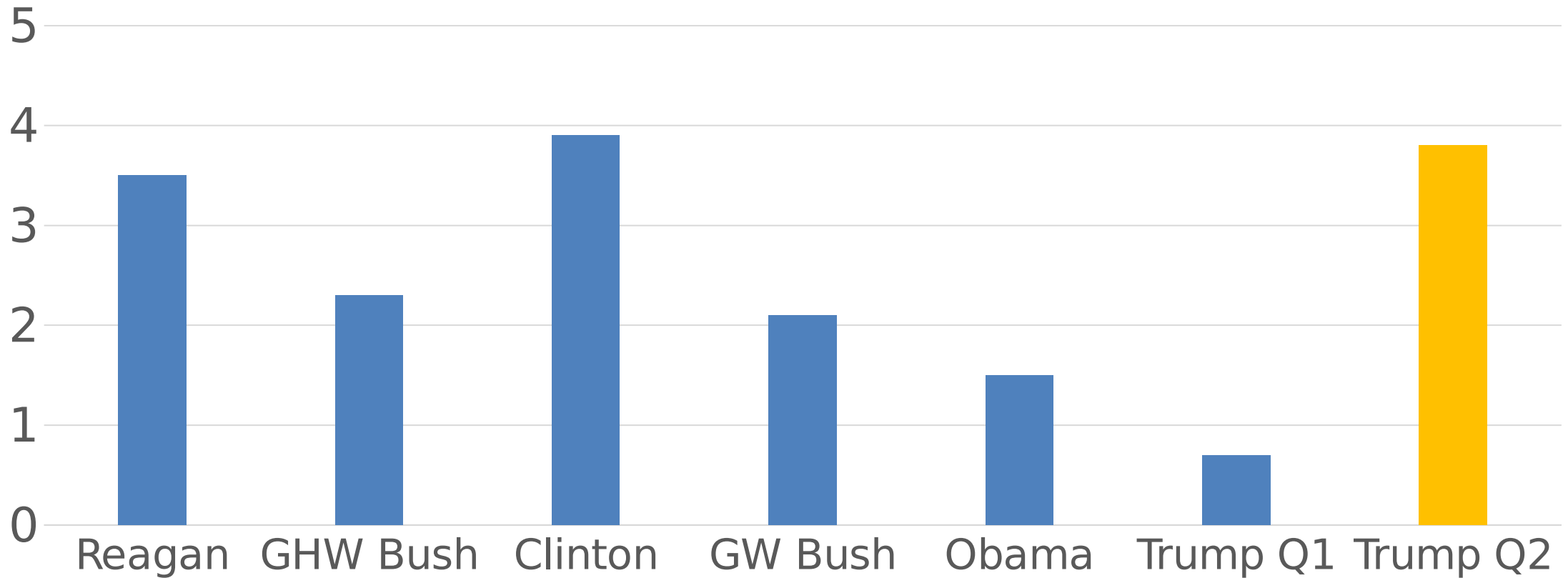
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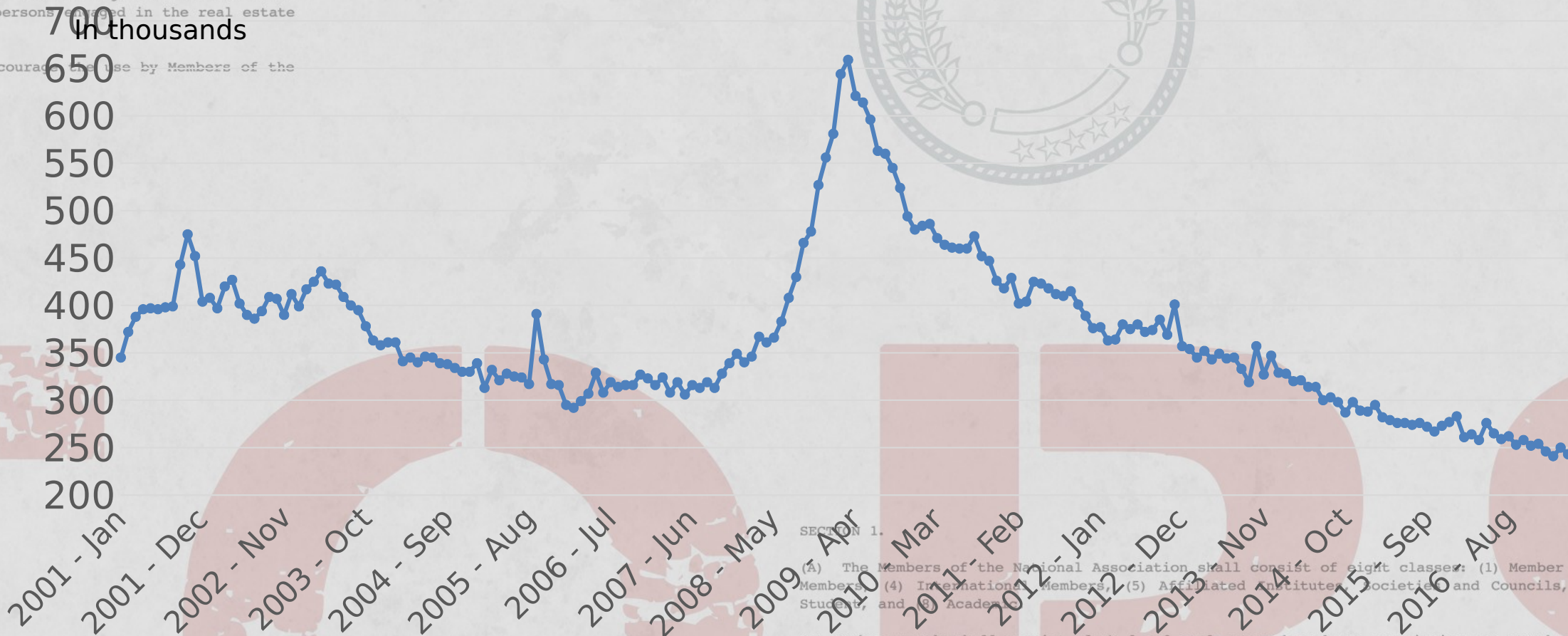
# GDP Growth Rates



# Total Job Openings



# Weekly Initial Unemployment Insurance Filings



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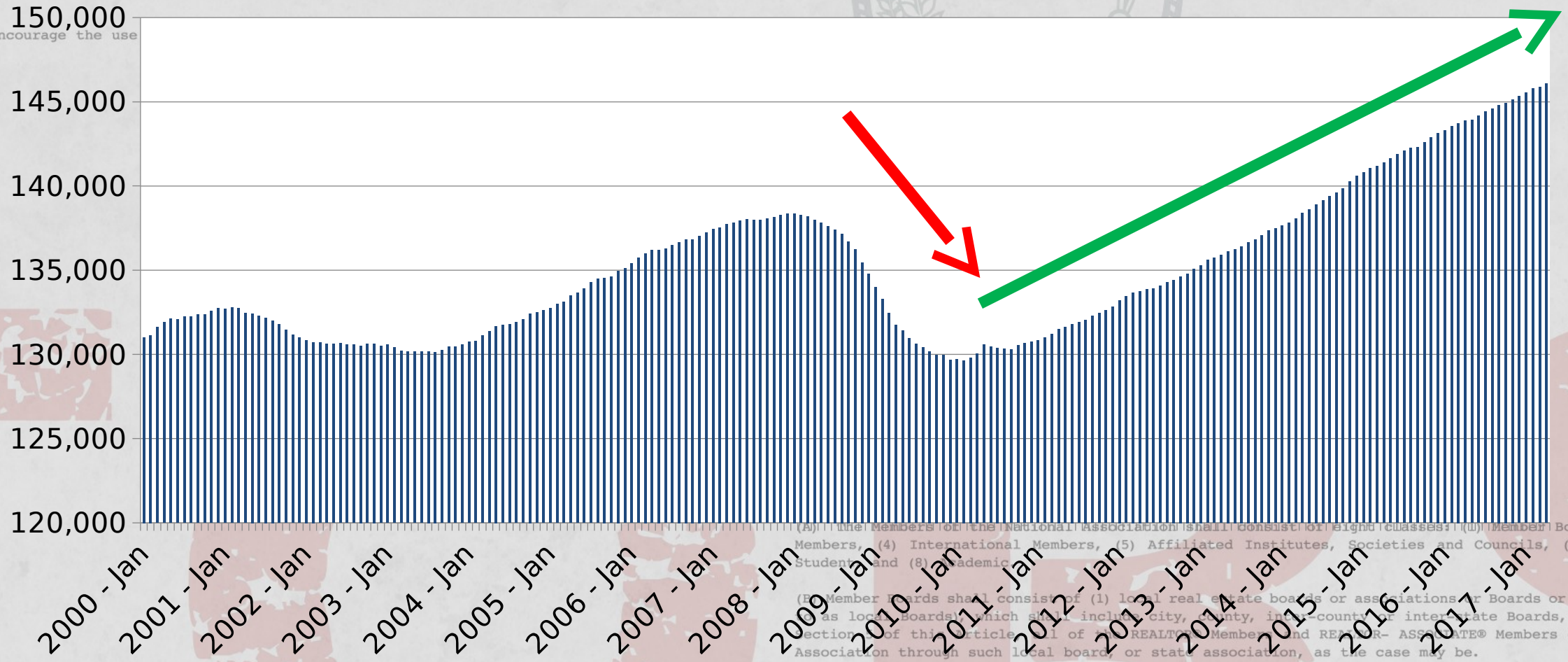
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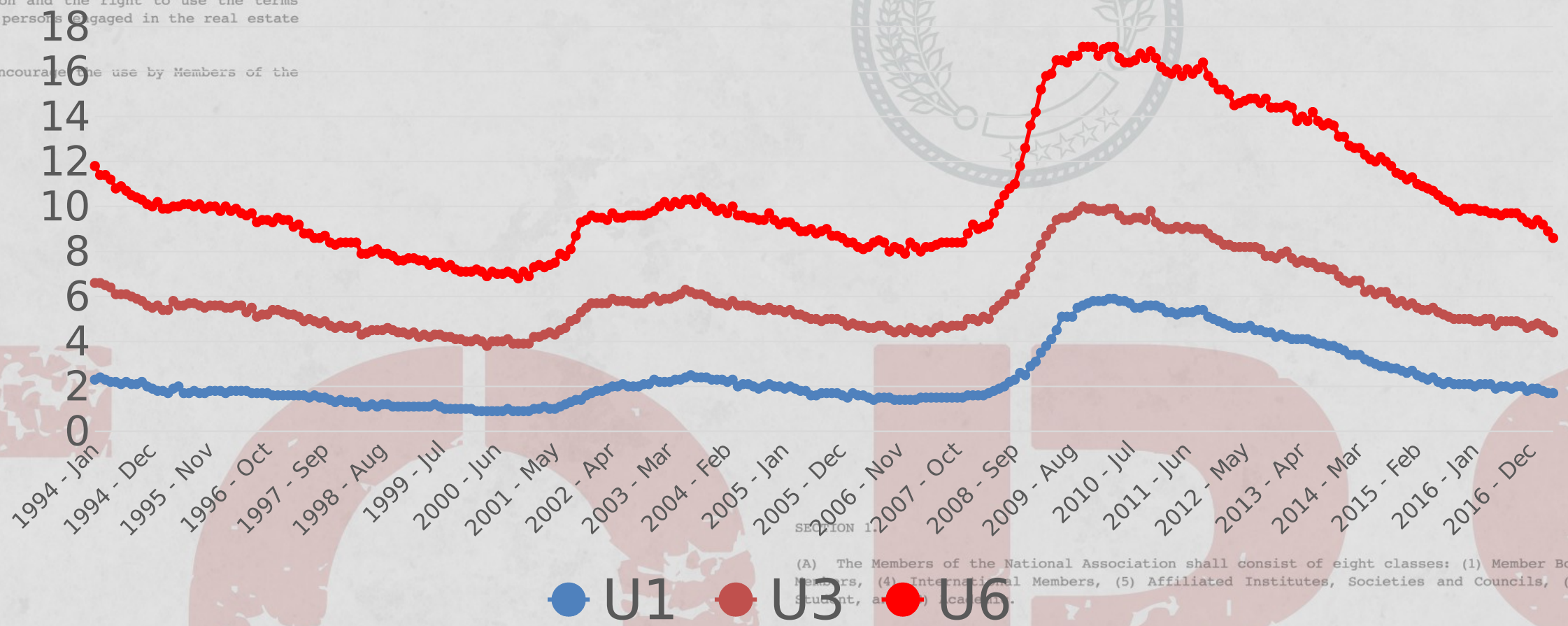
# Jobs

(8 million lost ... 16 million gained)

In thousands



# Different Unemployment Rates (Alternative Facts): Same Conclusion



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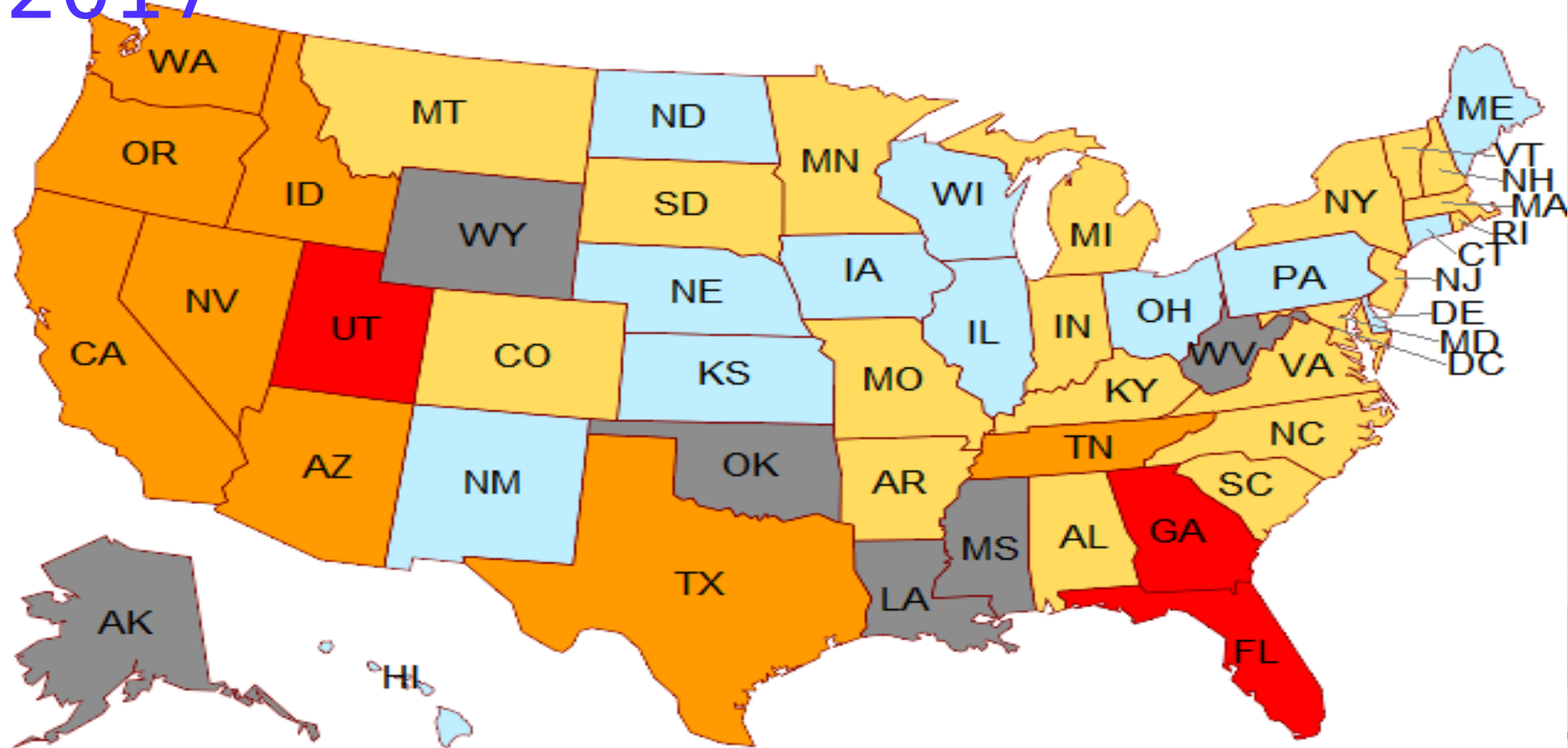
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# Change in Employment in March 2017

## 2017

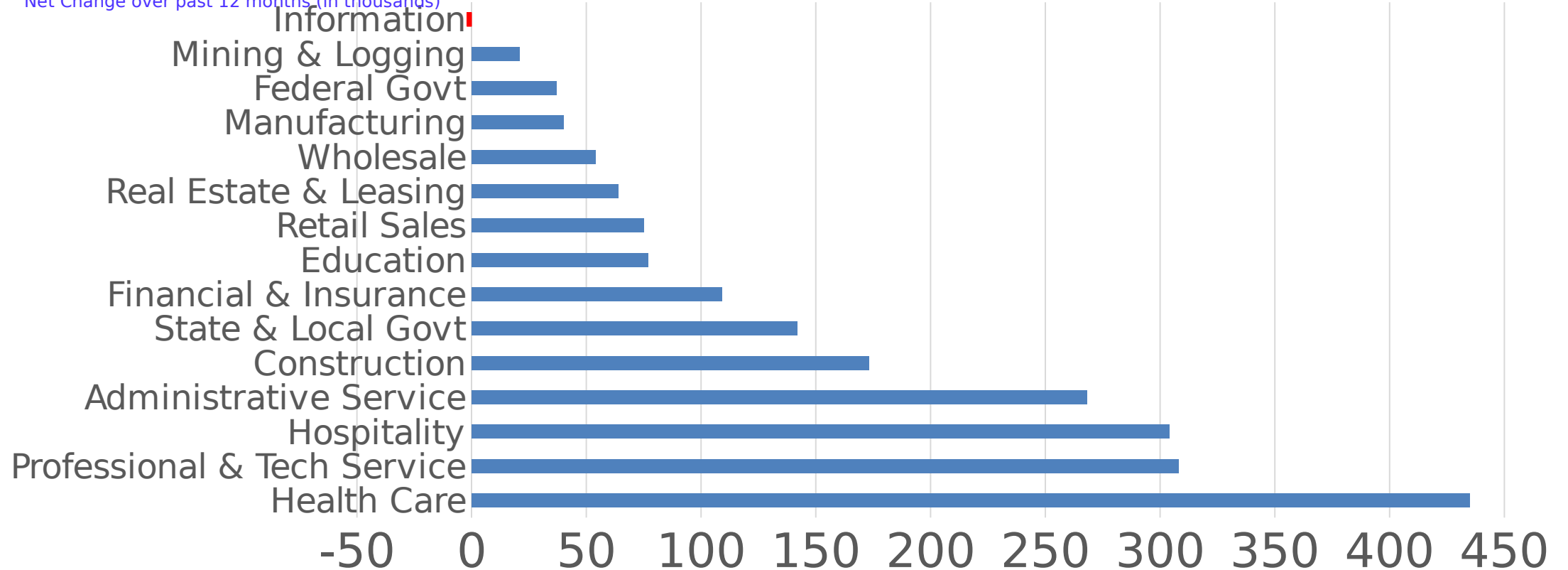


**Change in Nonfarm Employment in March 2017 from One Year Ago**

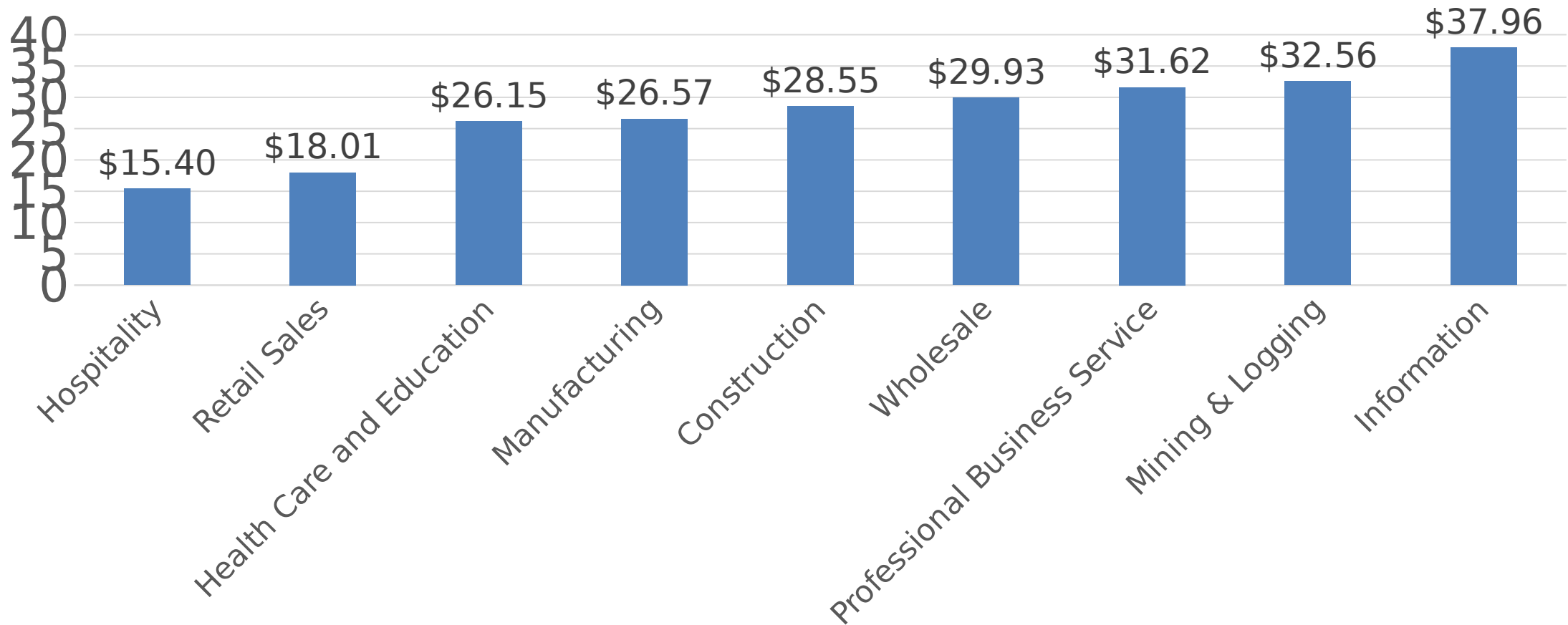
■ Less than 0%   ■ 0% to 1%   ■ 1+% to 2%   ■ 2+% to 3%   ■ 3+% to 4%

## Jobs by Sector

Net Change over past 12 months (in thousands)



# Hourly Wage Rate by Sector

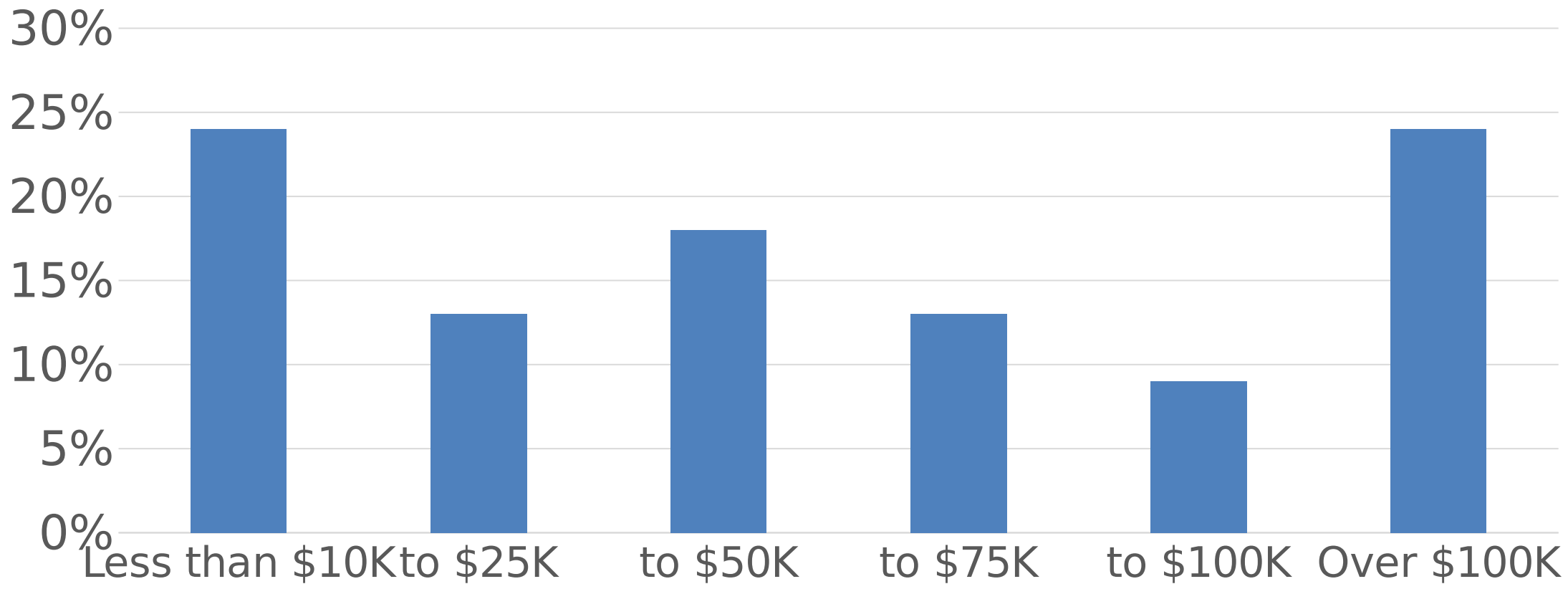




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### REALTOR® Gross Income Distribution

Median Income of \$42,500



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# UNESCO World Heritage Site Charlottesville, Virginia



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(1) REALTOR® Members shall be:



# Something's Not Right about Not Wanting to Move

## Historic versus Modern Dorms

- Dorms are randomly assigned
- 90% were glad they were assigned that dorm
- Either  $A > B$  or  $B > A$  ... Cannot logically be both A and B is much better than A and B
- Heavy Inertia about not wanting to move

# living in a wrong house?

○Retiree living in San Francisco could be **super-happy** living in

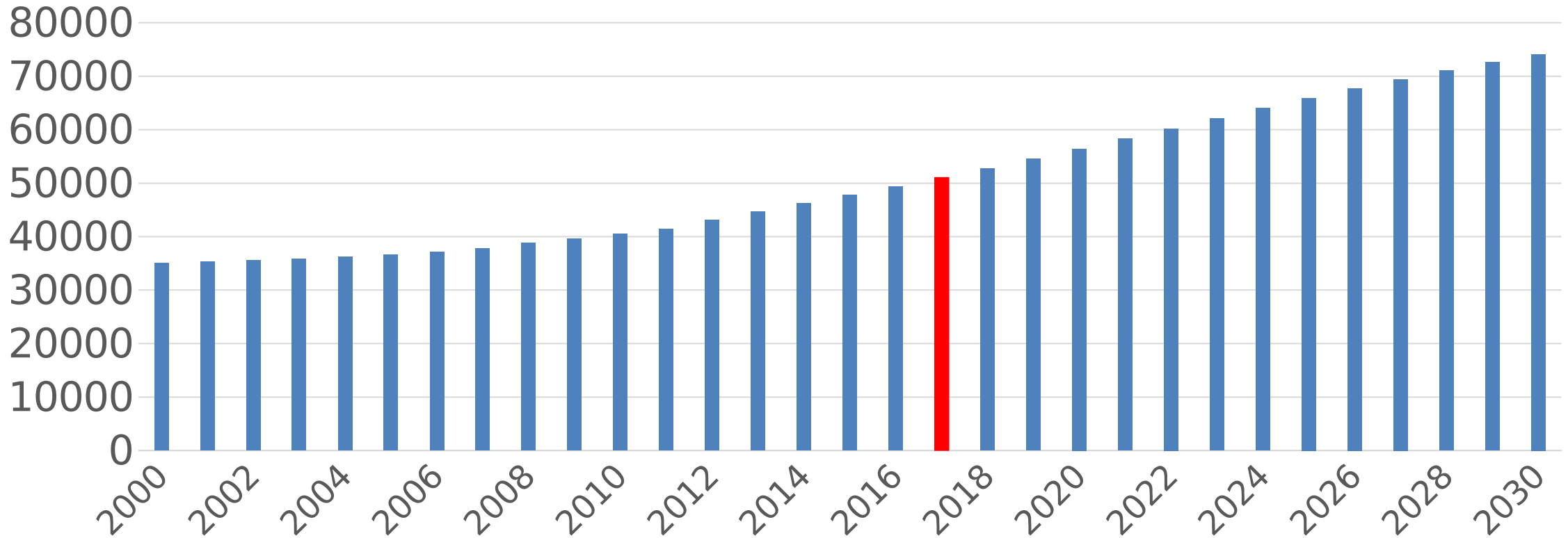
- Sedona
- Bend
- Asheville
- Cape Cod
- Sarasota
- Traverse City
- Lake home in Wisconsin ...

○Airline overbooked seats

- More volunteers when offer made before boarding; not after seated

# Retiree Population Projection

(in thousands)



# Behavioral Economics ... Nudge People

## Homebuyer Savings Account

- Colorado
- Mississippi
- Montana
- Virginia
  
- On-Deck
  - Iowa
  - Missouri
  - Oklahoma

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# Forecast

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(1) REALTOR® Members shall be:

# Economic Forecast

	2015	2016	2017 Forec ast	2018 Forec ast
GDP Growth	2.6%	1.6%	2.2%	2.4%
Job Growth	+2.6 million	+2.0 million	+2.1 million	+2.4 million
CPI Inflation	0.3%	1.3%	2.3%	2.2%

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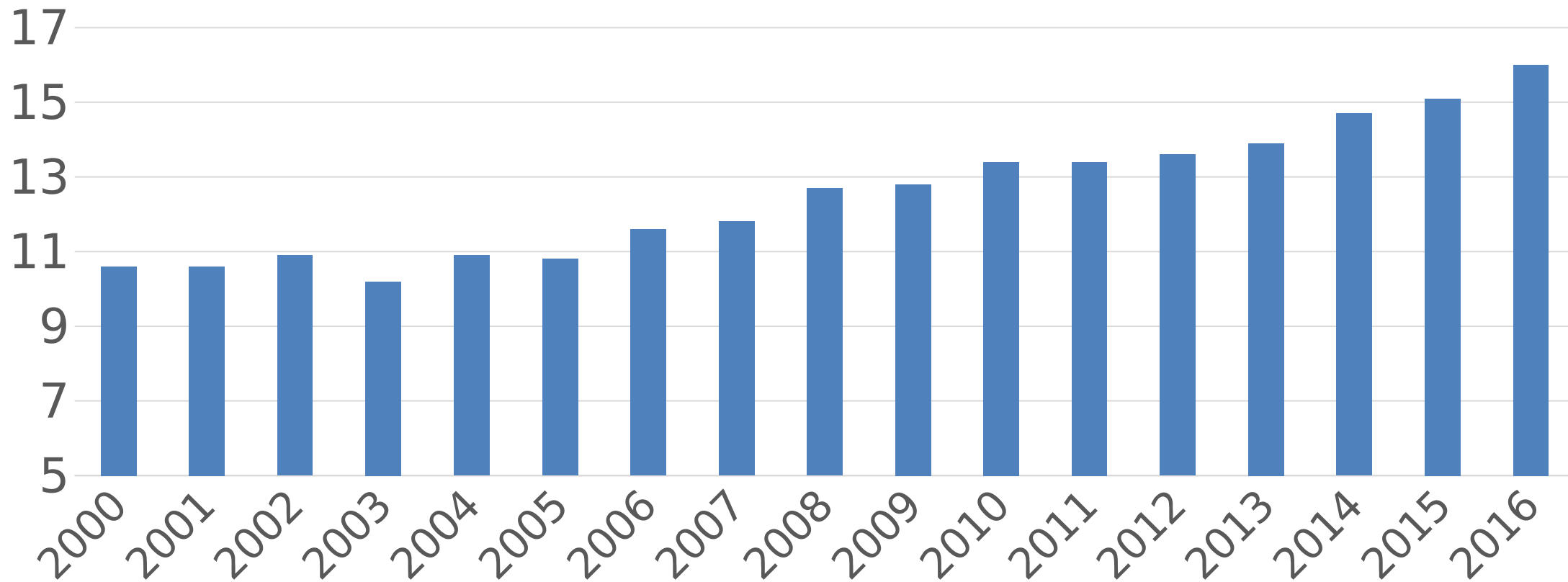


# Monetary Policy

- Fed Funds Rate: 2 more hikes in 2017
- Unwinding Bond and MBS Asset Holding:
  - Unlikely to buy more mortgages from MBS proceeds (refis and full payment)
  - Gradual ... Gradual ... Gradual ... 20 year process
  - Without Fed Buying ... Fewer buyers of Mortgages ... Mortgage rates will rise



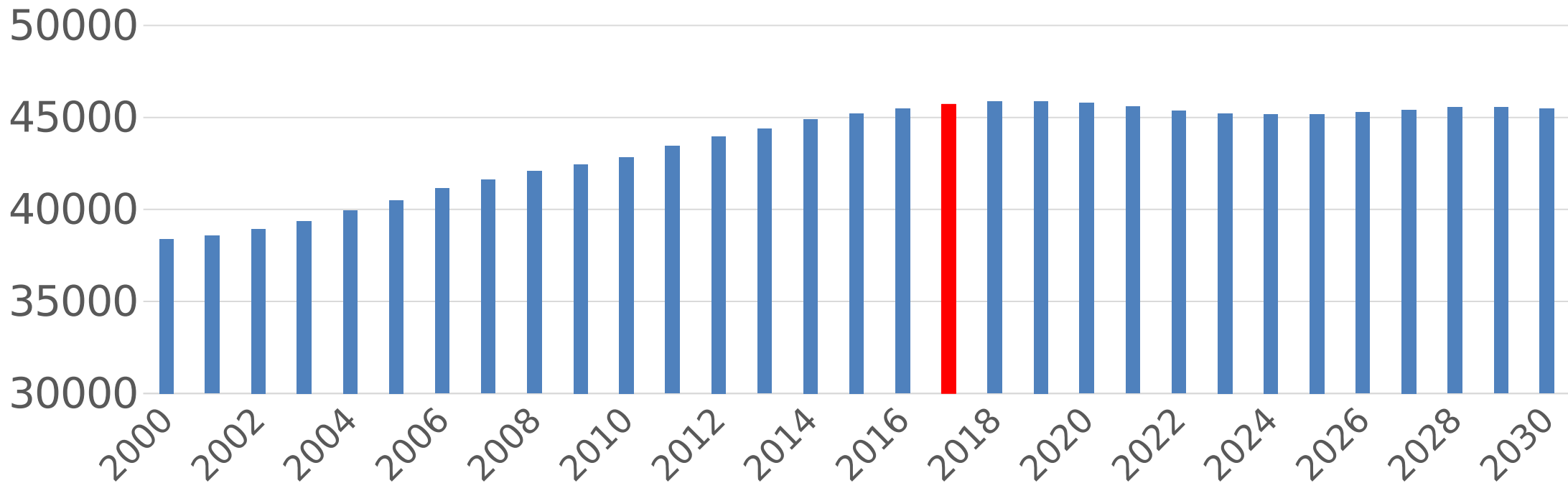
## Young Adults Living with Parents % of those aged 25 to 34



# Softening Rental Demand

Investors slowly sell single-family rental homes?

Population in their 20s (in thousands)



# Housing Forecast

	<b>2015</b>	<b>2016</b>	<b>2017 Foreca st</b>	<b>2018 Foreca st</b>
New Home Sales	500,000	560,000	620,000	670,000
Existing Home Sales	5.3 million	5.4 million	5.6 million	5.8 million
Median Price Growth	+ 6.8%	+5.1%	+5.0%	+3.5%
30-year Rate	3.9%	3.6%	4.3%	5.0%

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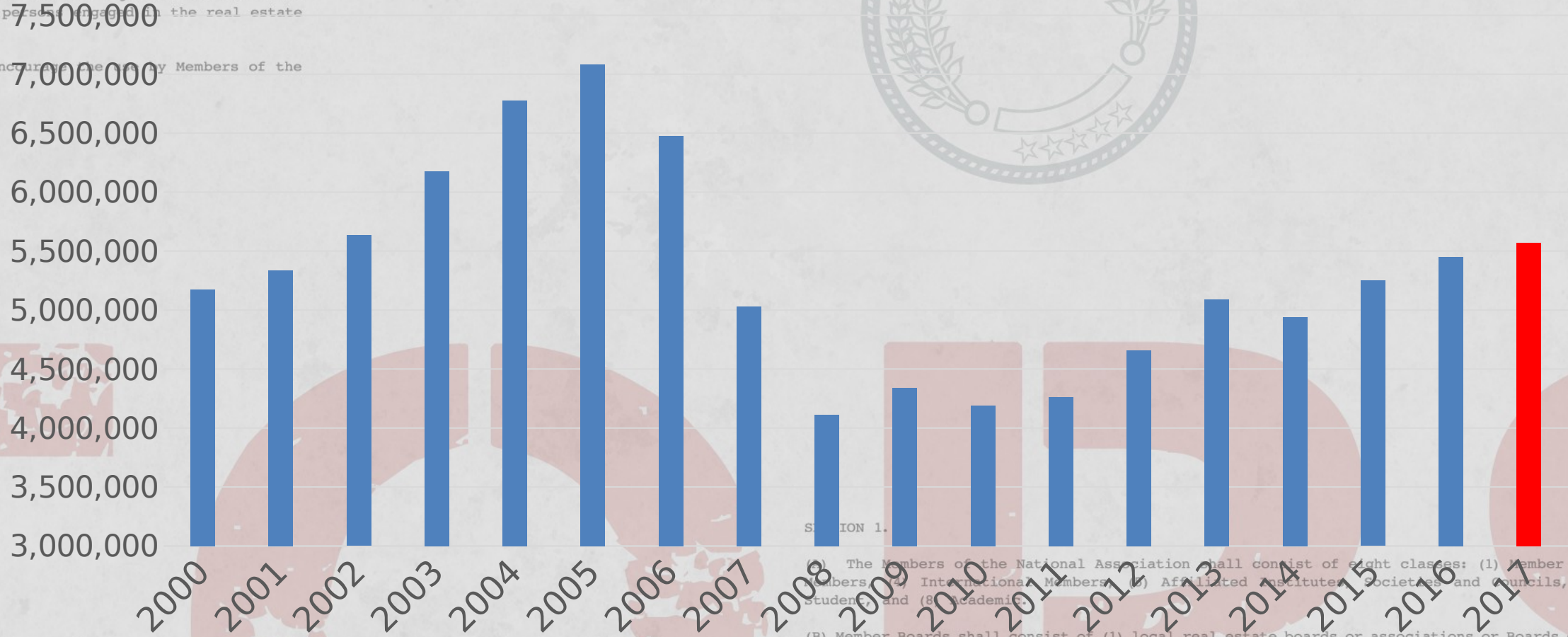
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# Existing Home Sales



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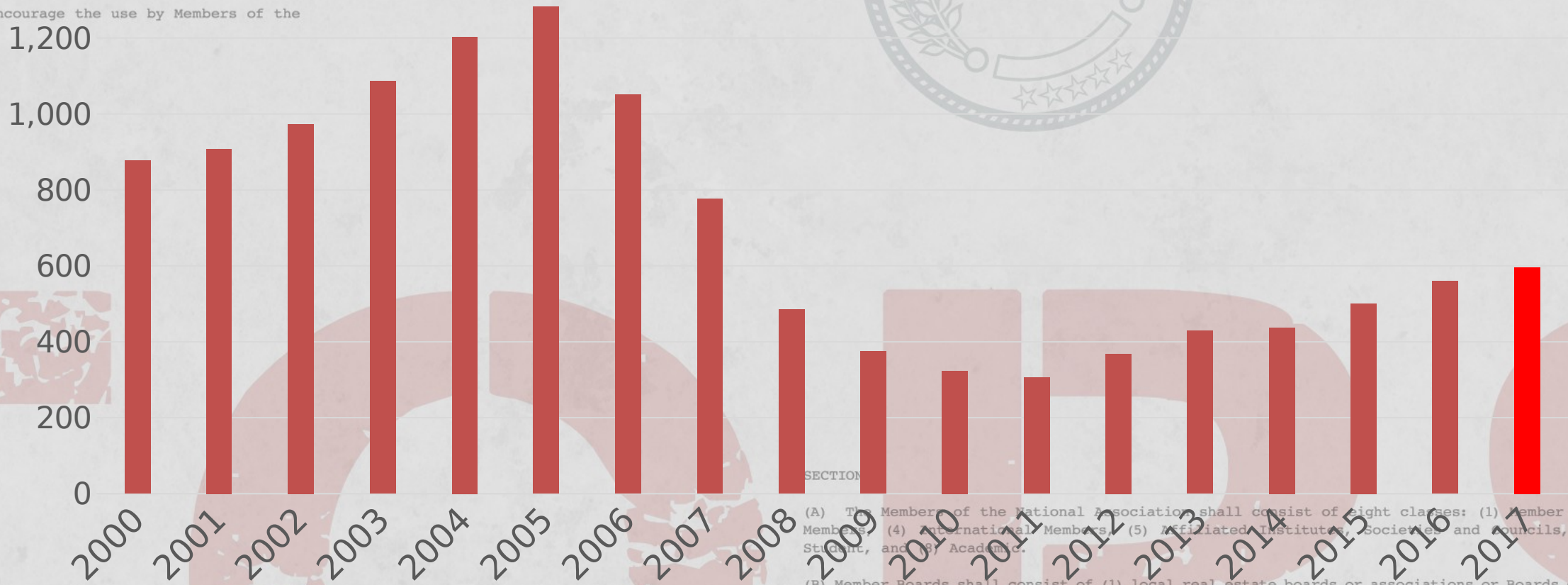
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# New Home Sales

Thousand units



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# Trump Presidency

- Dodd-Frank?
- Fannie/Freddie and Mortgage Availability?
- Tax Simplification? and Mortgage Interest Deduction and 1031 exchange?
- International Trade? ... Viewing as Zero-Sum Game?
- EPA, land use, development fees?



# REALTOR® University Lecture Series

- Social Media impact on Buying Interest in LA zipcode
  - ask clients to post about the experience
  - correct misconception about down payment requirements
- FHA changes and Home Buying Impact
- Higher Future Earnings ... from Home Price Appreciations
- Immigrants impact on Real Estate
- CBO's long-term budget deficit projections ... **very ugly!**
  - buy real estate and other tangible asset

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