



# Housing and Economic Outlook

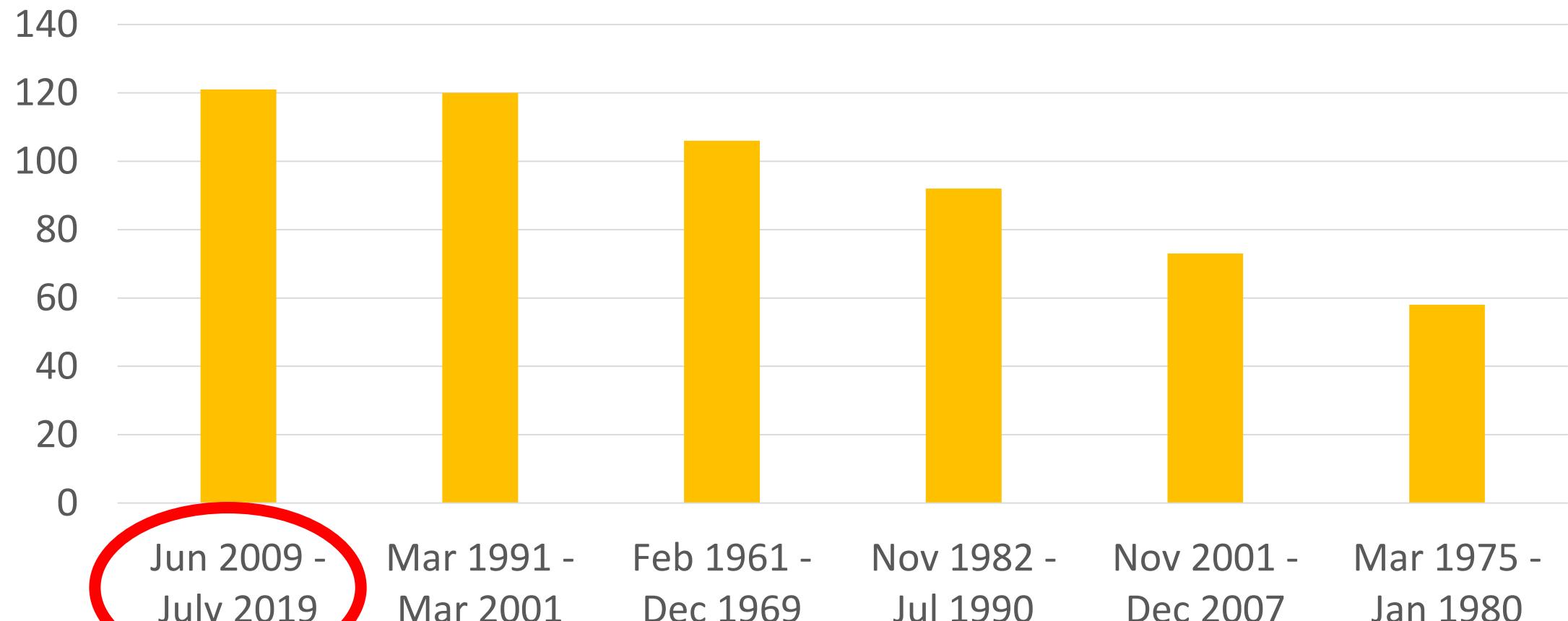
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Chief Economist  
National Association of REALTORS®

Presentation at NAR Legislative Meetings in  
Washington, DC  
May 16, 2019



GDP Growth Q1 at 3.2%

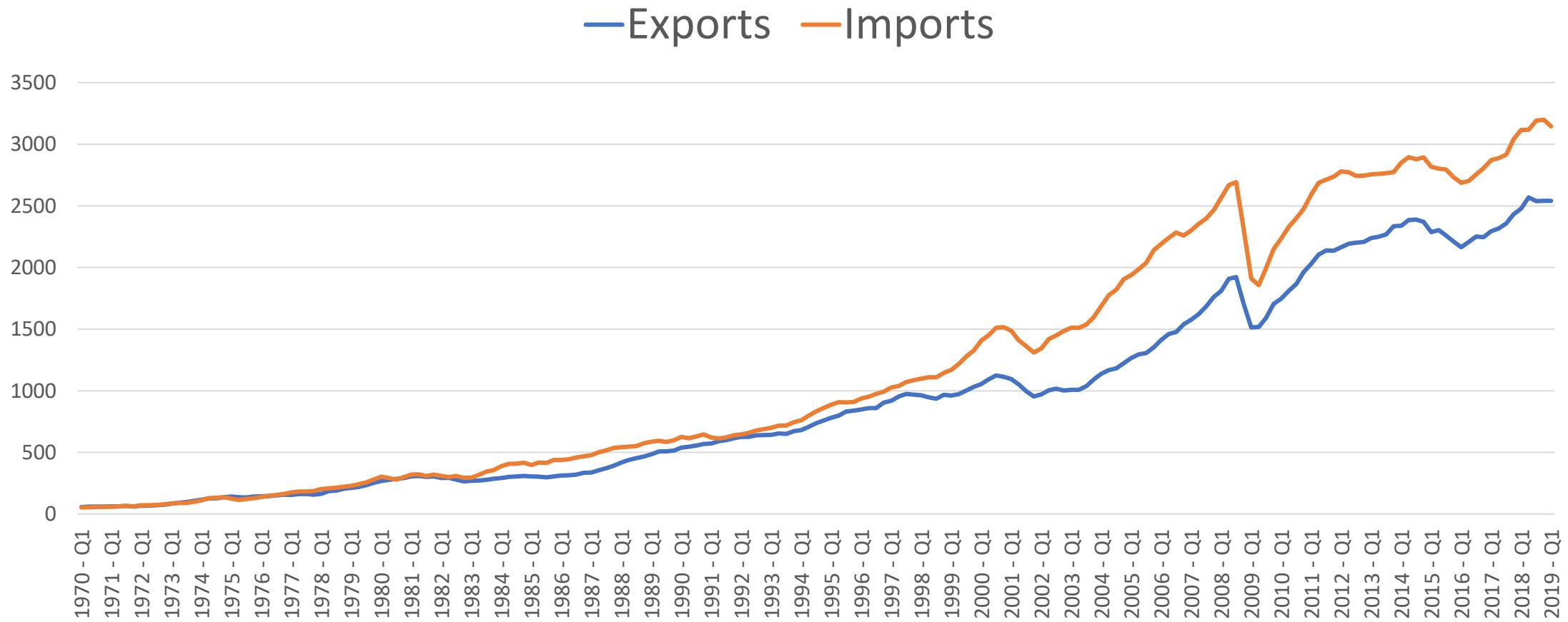
By the 4th of July ... Longest Economic Expansion Ever



# Trade War? How Much Risk to Economic Growth?

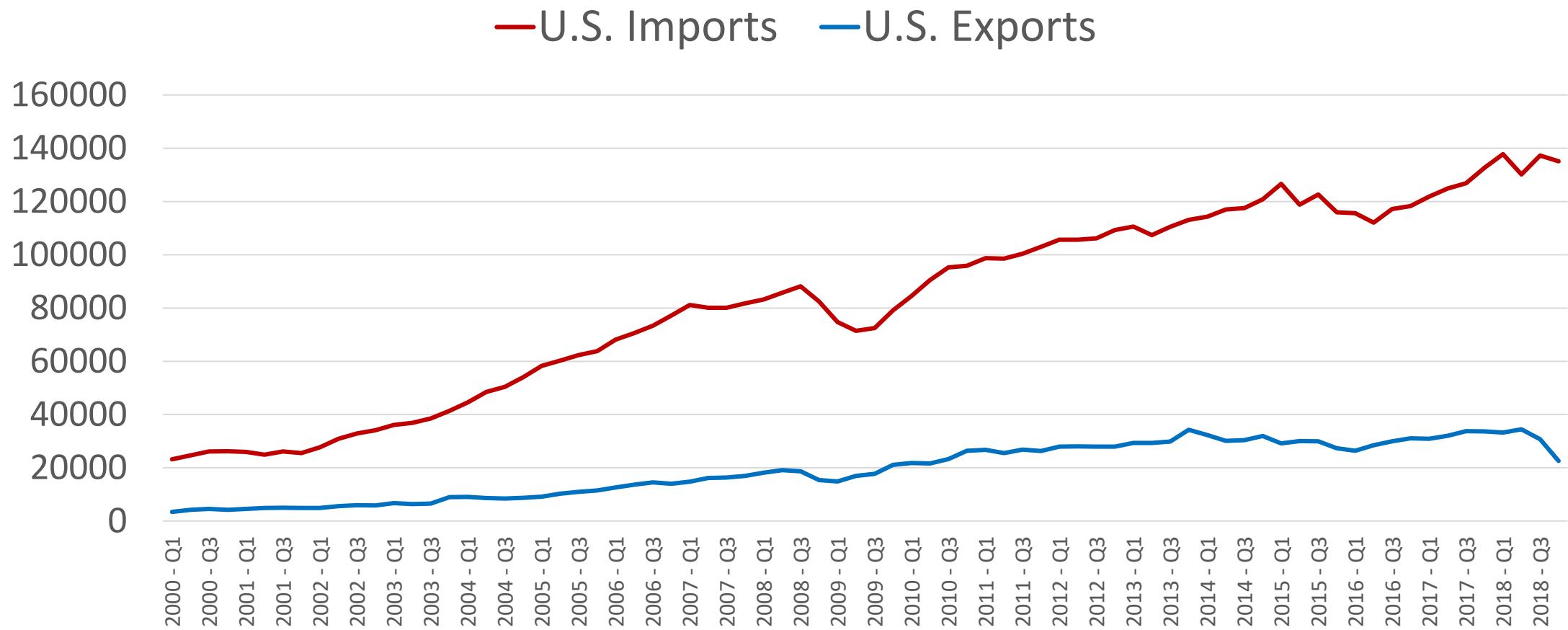
## Imports > Exports ... nearly every year

(\\$ million)

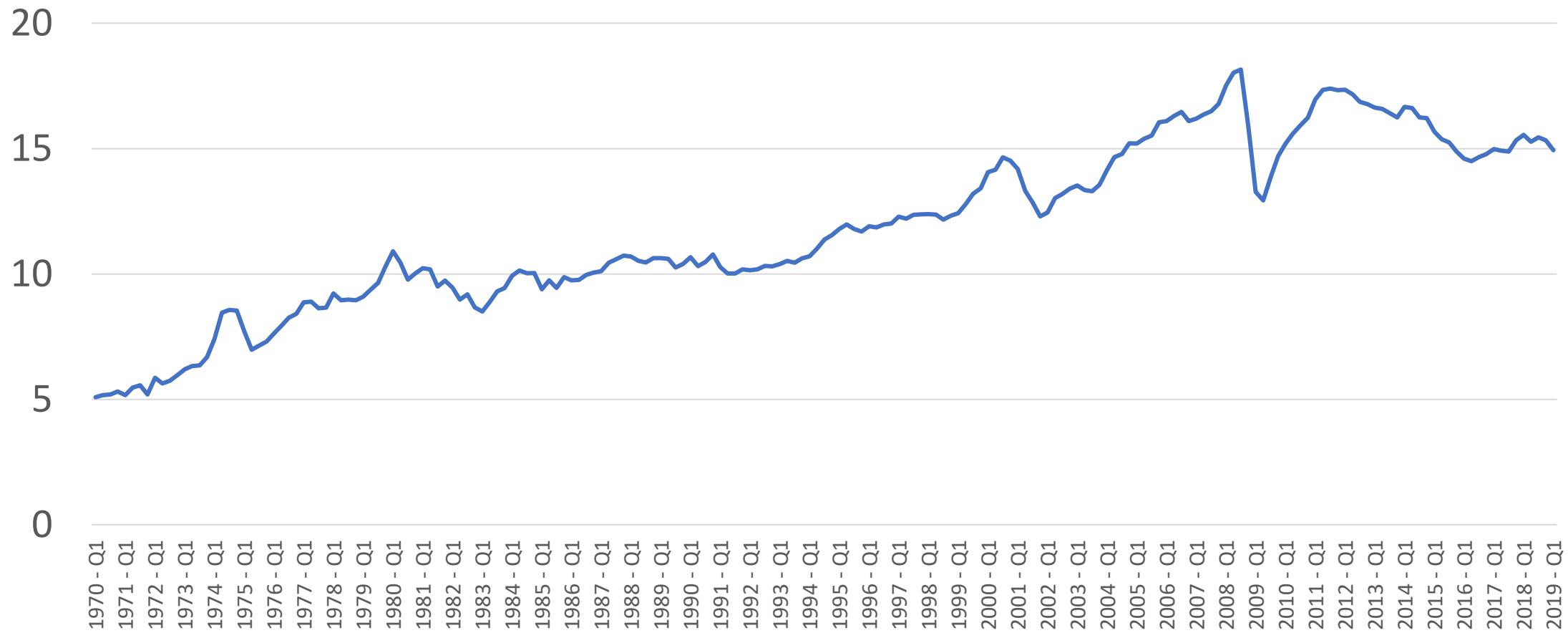


# Trade in Goods with China

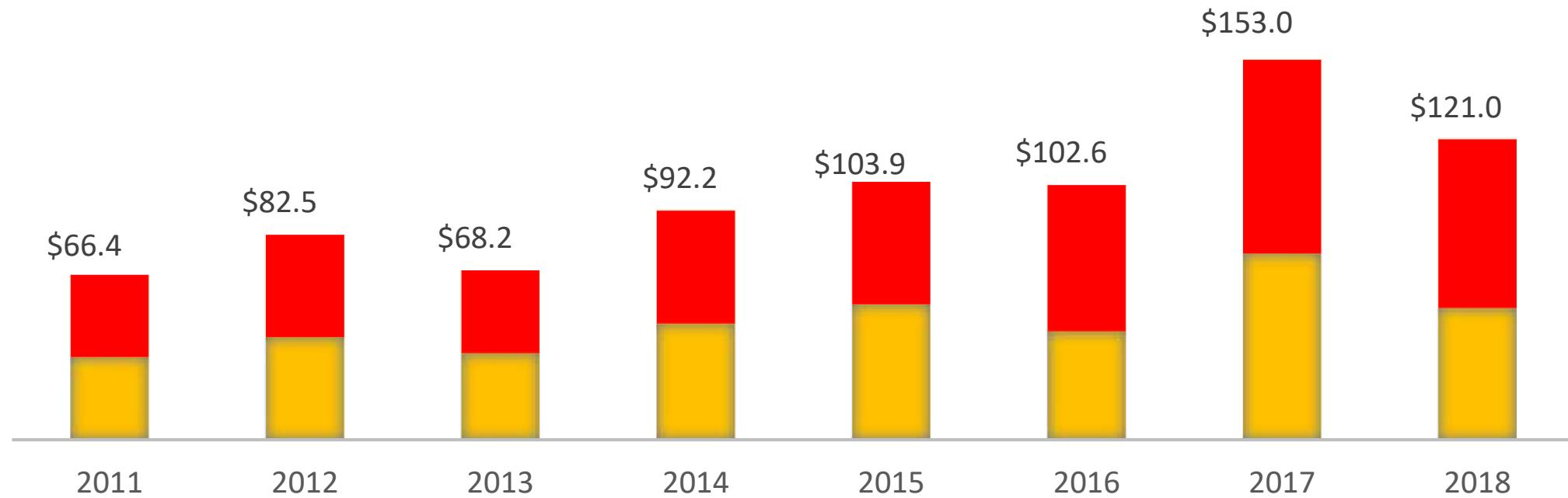
(in \$thousand)



# Trade as % of U.S. GDP

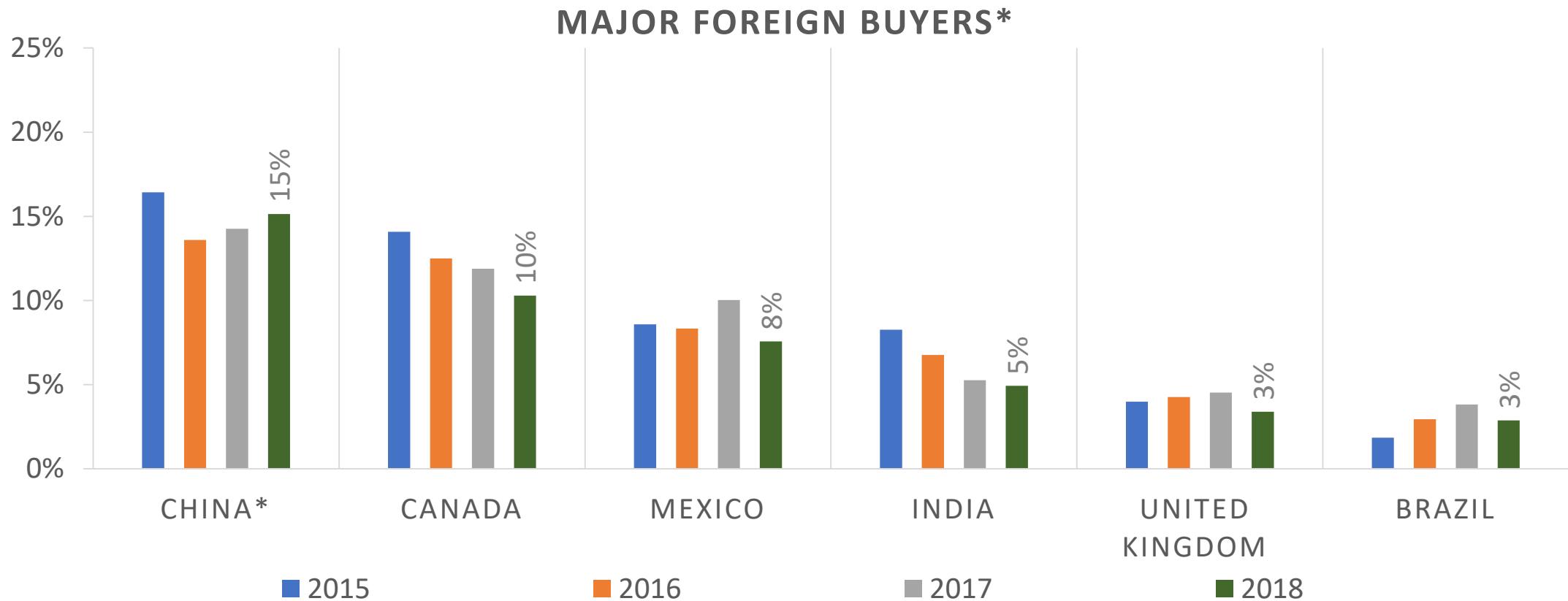


# Global Dimension of Home Buyers in the U.S. (Foreigners and Recent Immigrants in \$billion)



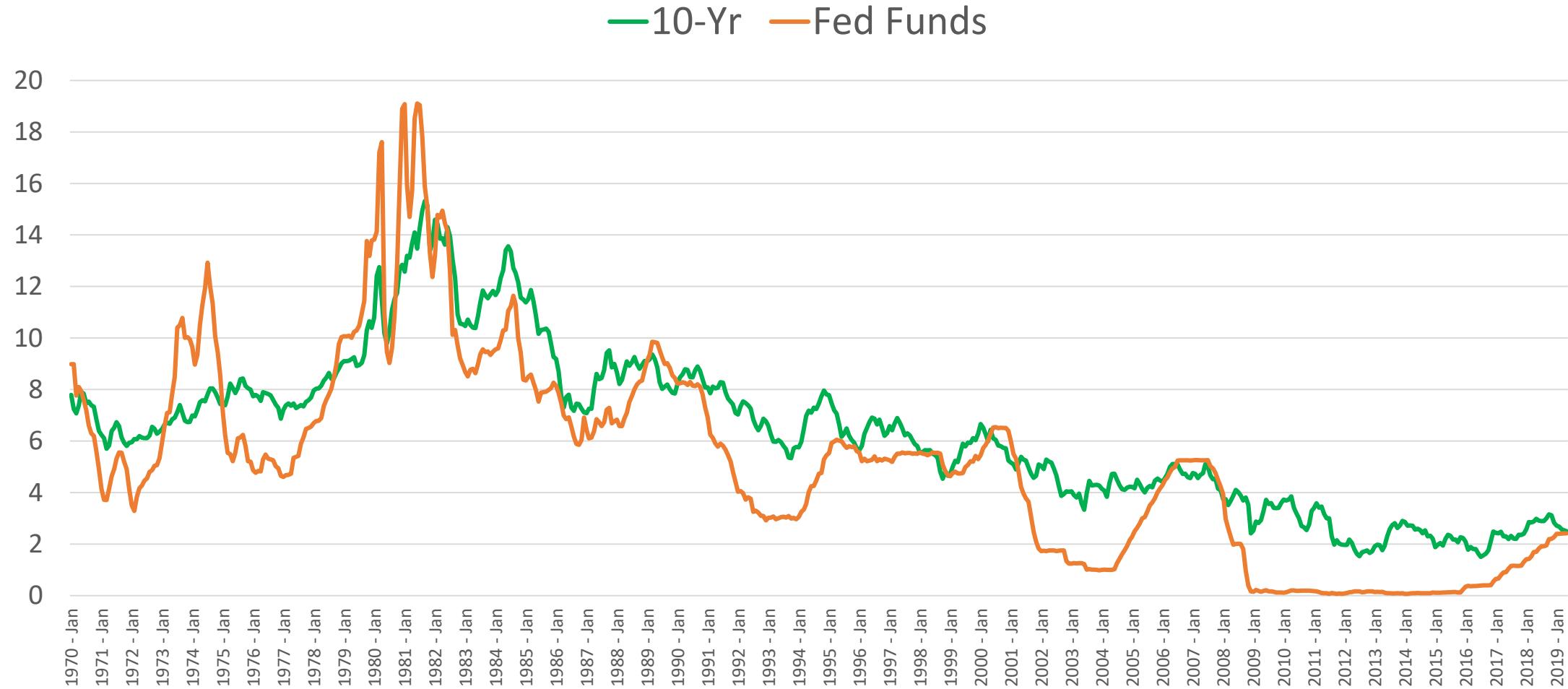
*Note: Based on transactions in the 12 months ending March of each year.*

# Top Foreign Buyers From: China, Canada, Mexico, India, U.K., Brazil



\*China includes People's Republic of China, Hong Kong, and Taiwan.

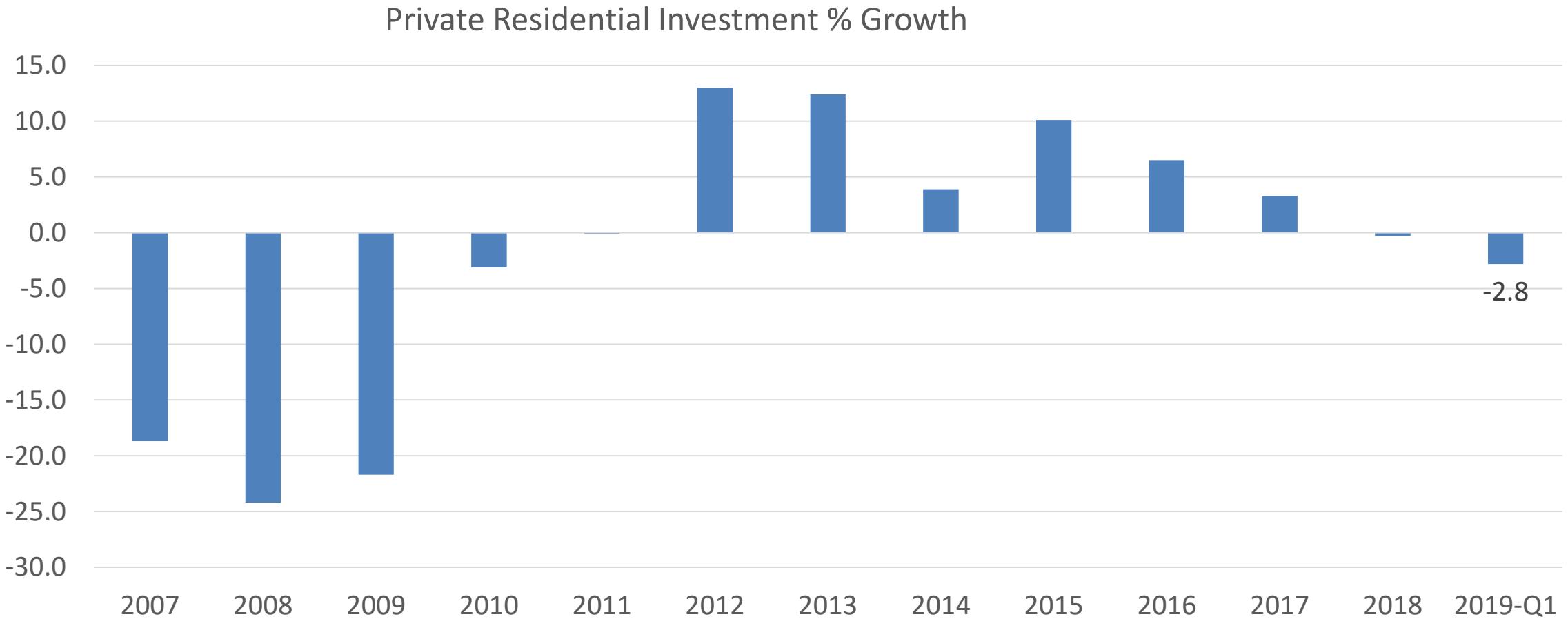
# Other Risk to the Economy: Inverted Yield Curve? What is Different This Time?



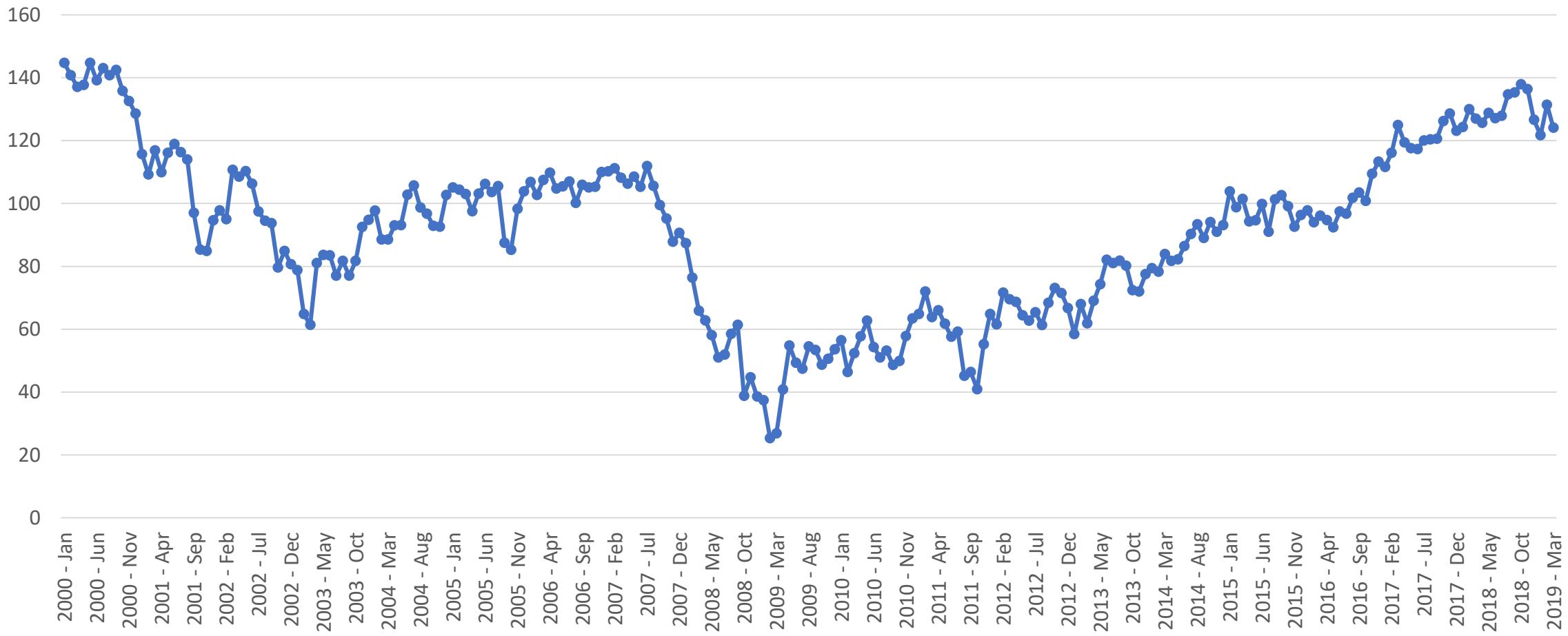
# GDP components ... says no recession in 2019

	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	Large Trade Deficit	Larger Trade Deficit

# Housing Sector Component of GDP: Fallen But will rise with more home construction and more home sales

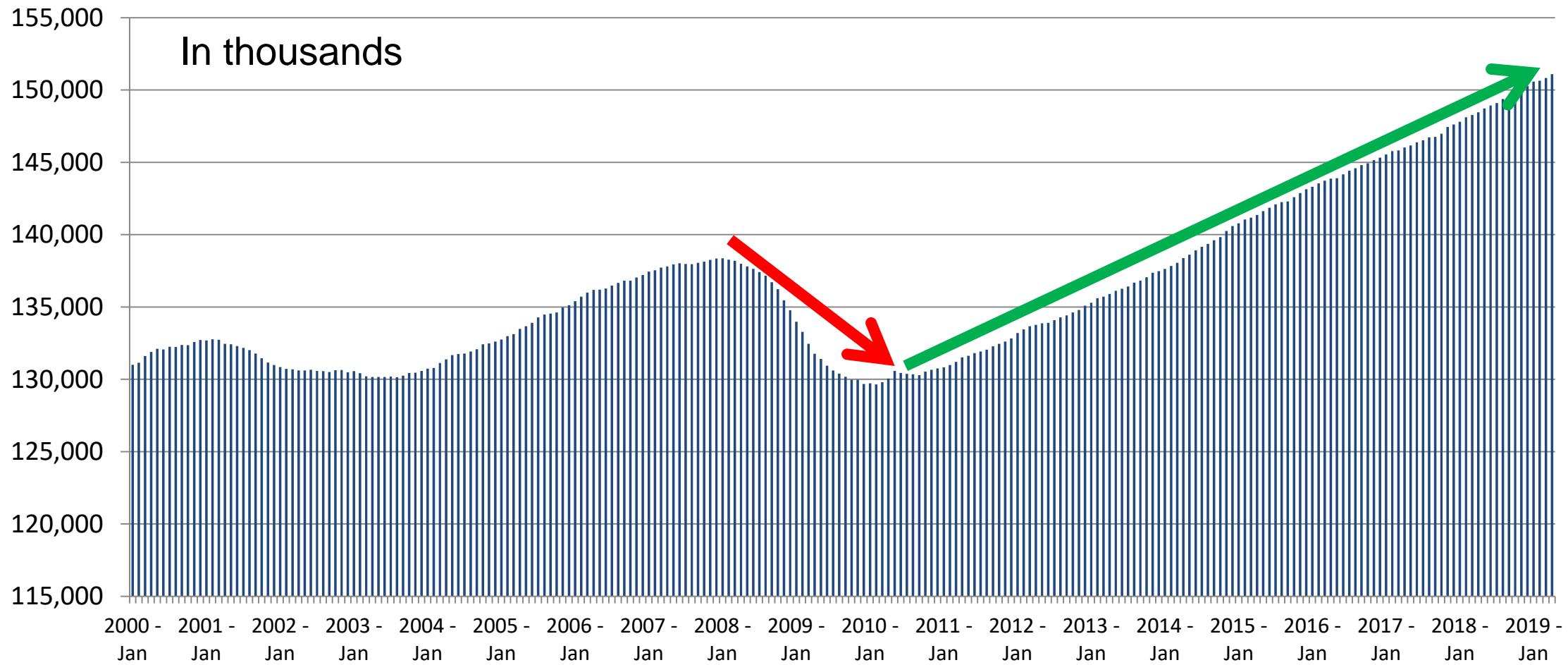


# Consumer Confidence Remains High



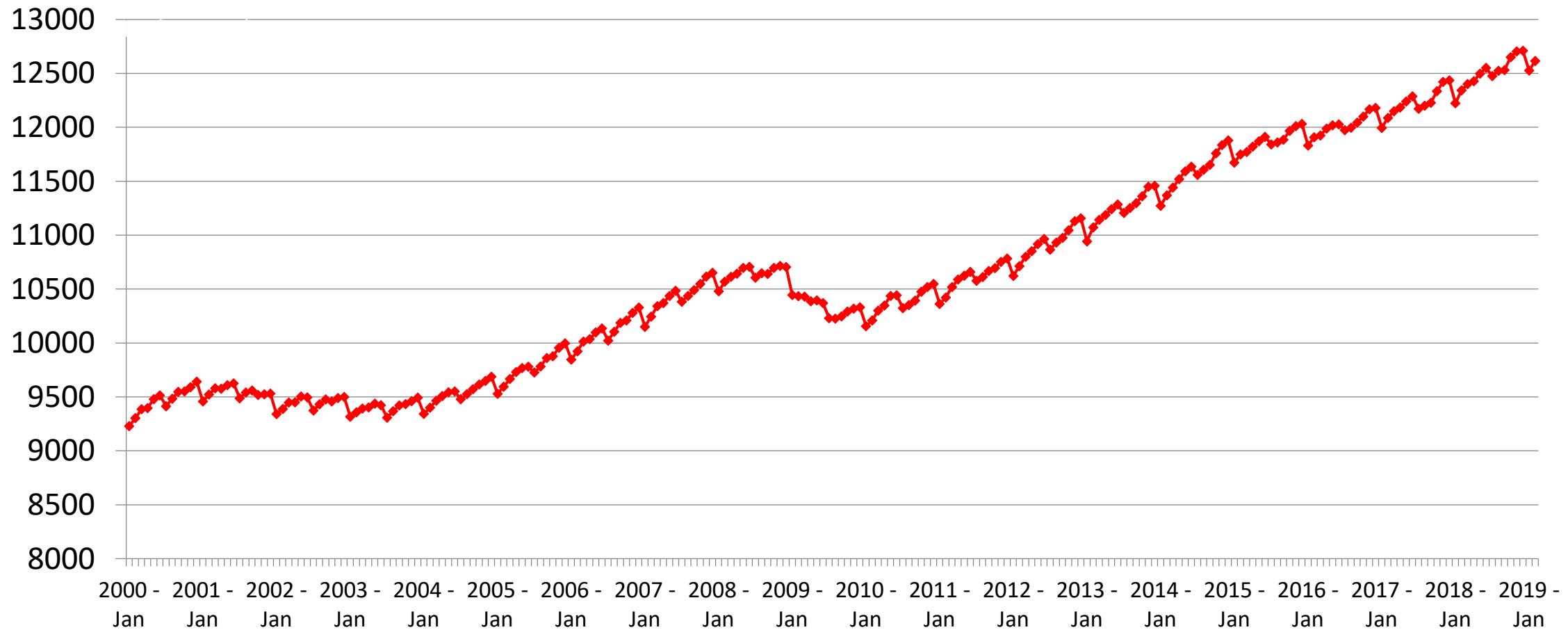
# Jobs

(21 million gained from 2010 ... 2.6 million in 12 months)



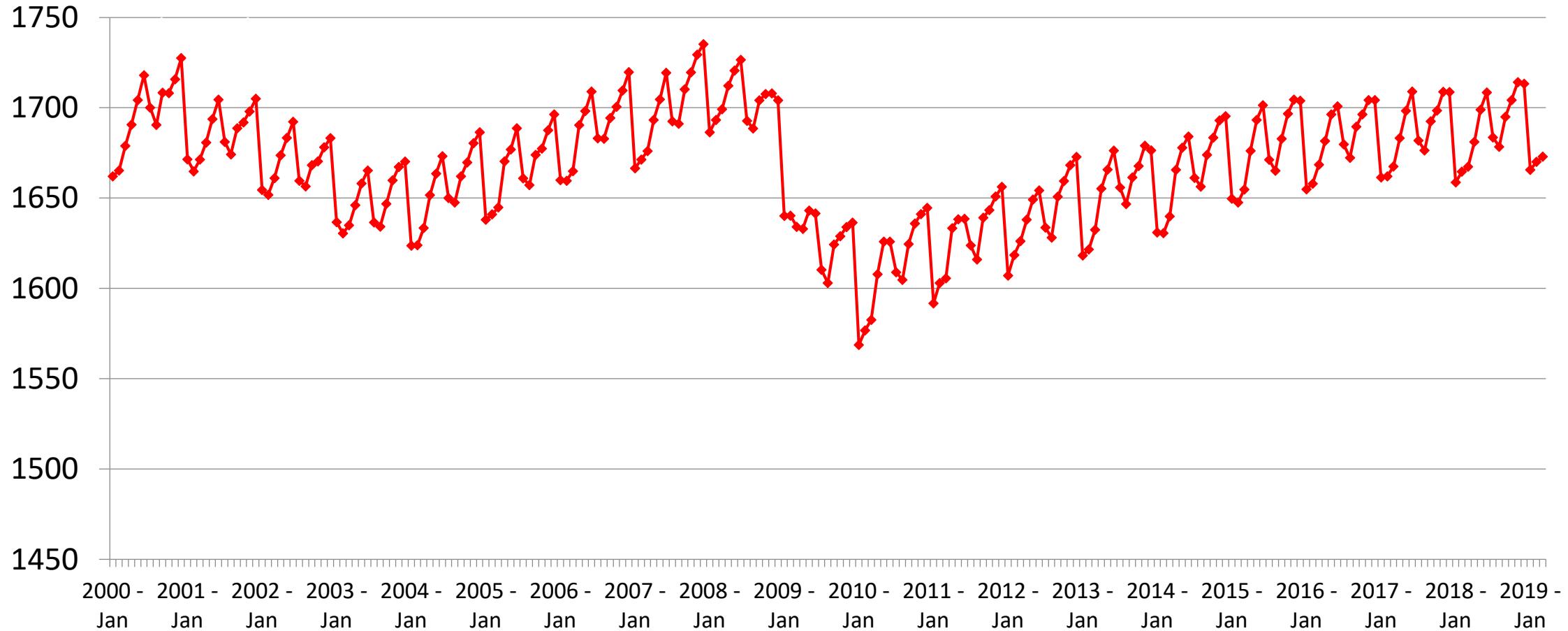
# Total Jobs Texas

(32% growth vs 13% nationwide from 2000)

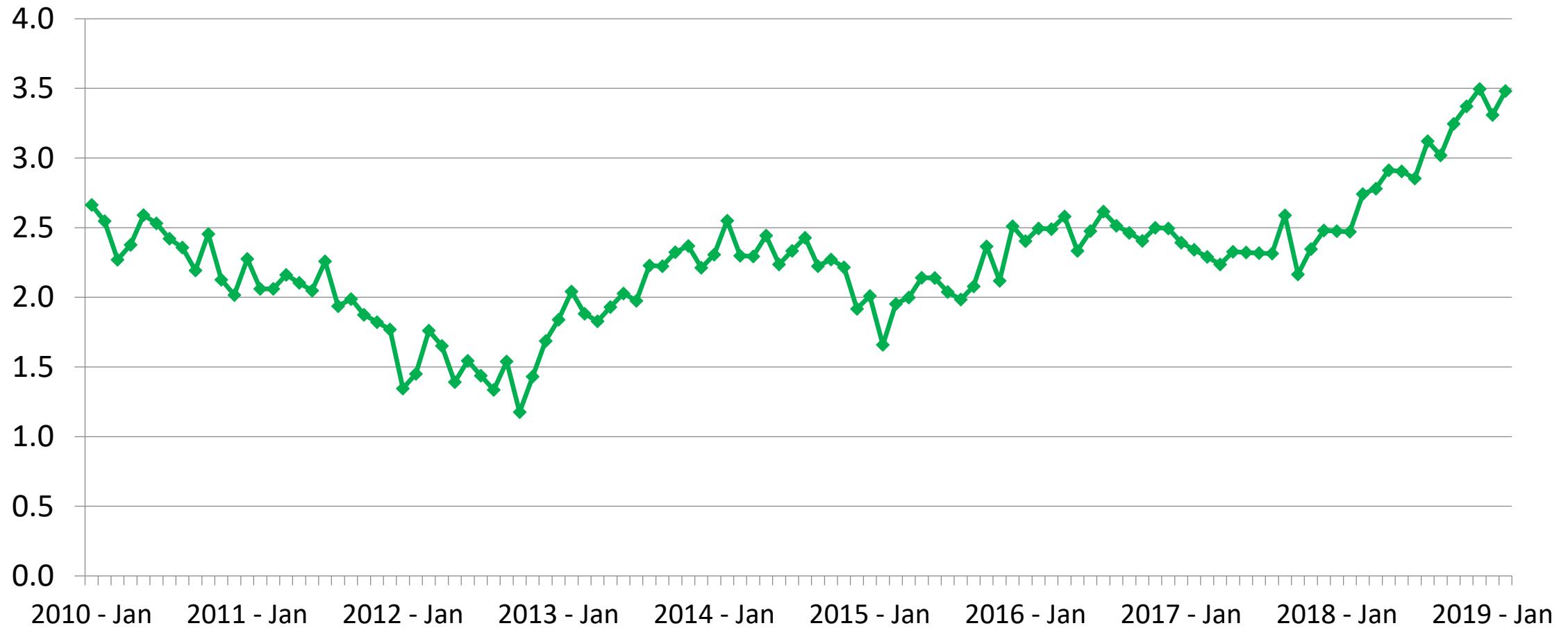


# Total Jobs Connecticut

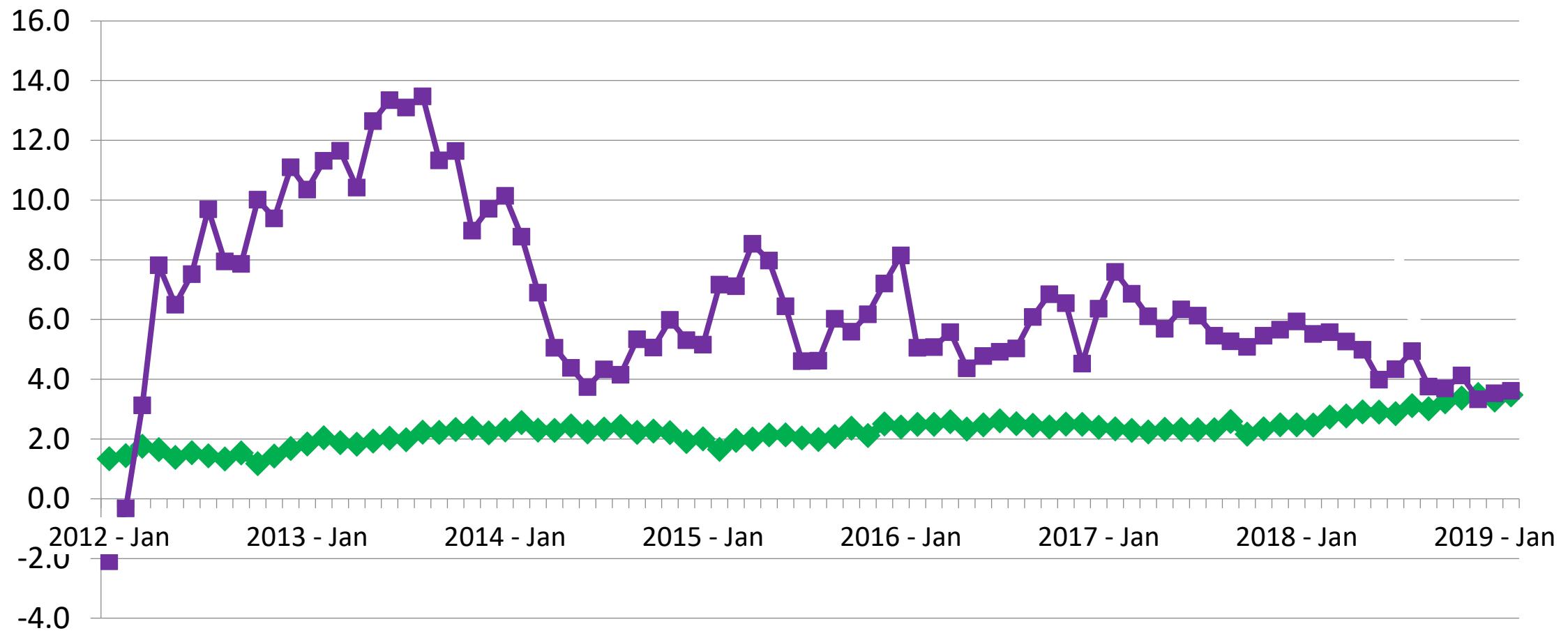
(-1% growth vs 13% nationwide from 2000)



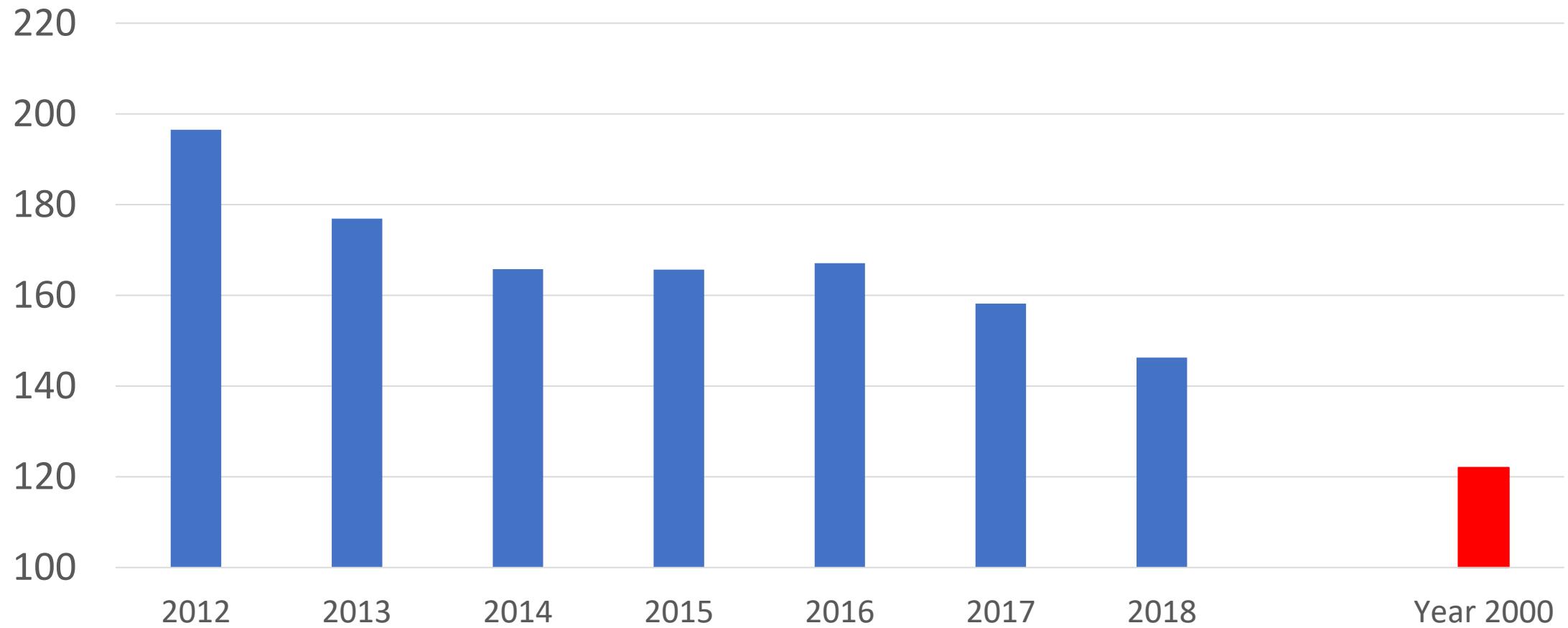
# Average Hourly Wage Accelerating



# Finally, Wage Growth = Home Price Growth



# Sinking Housing Affordability Index – though still above the level set in 2000



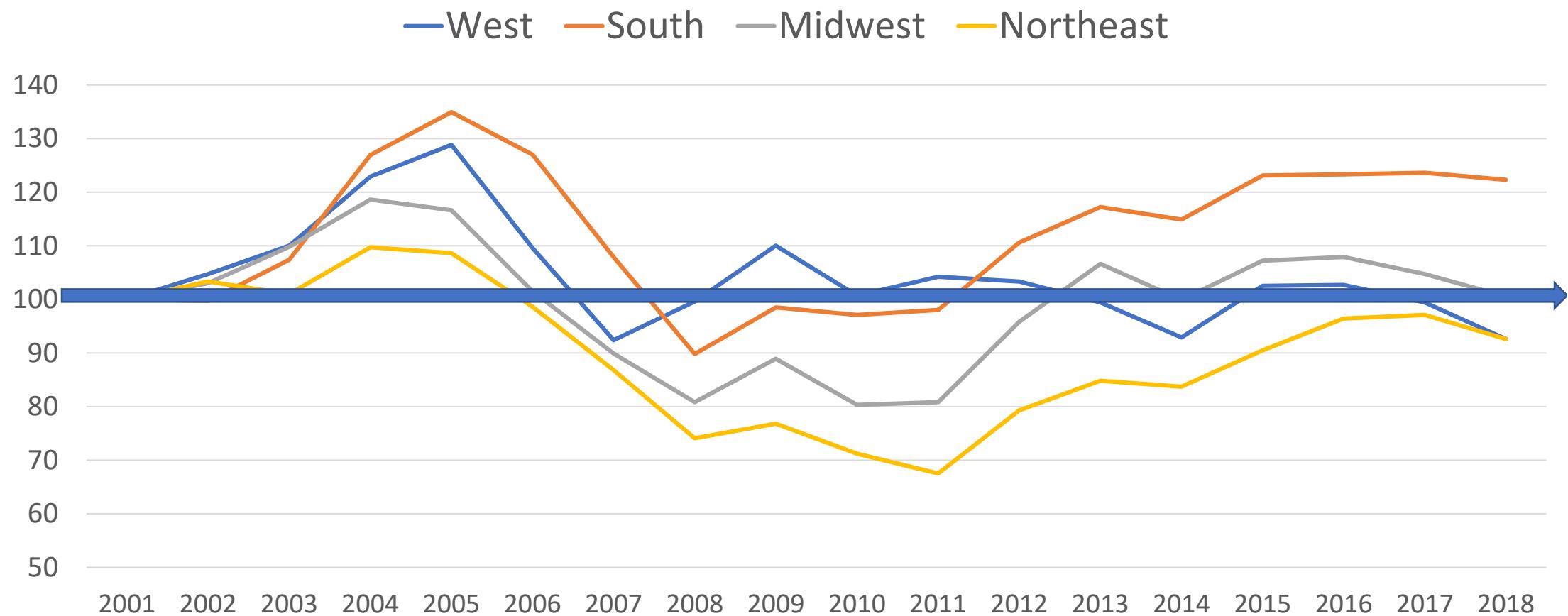
# Mortgage Rate



# 2000 versus 2019 comparison

	2000	2019	Comment
Housing Affordability	122	146	Better
30-year mortgage rate	8.1%	4.5%	Better
Population	282 million	329 million	Better
Population (16 yrs old and over)	218 million	263 million	Better
Households	103 million	122 million	Better
Jobs	132 million	152 million	Better
Total Home Sales (New + Existing)	6.1 million	5.9 million	Worse

# Pending Home Sales by Region: South Rules

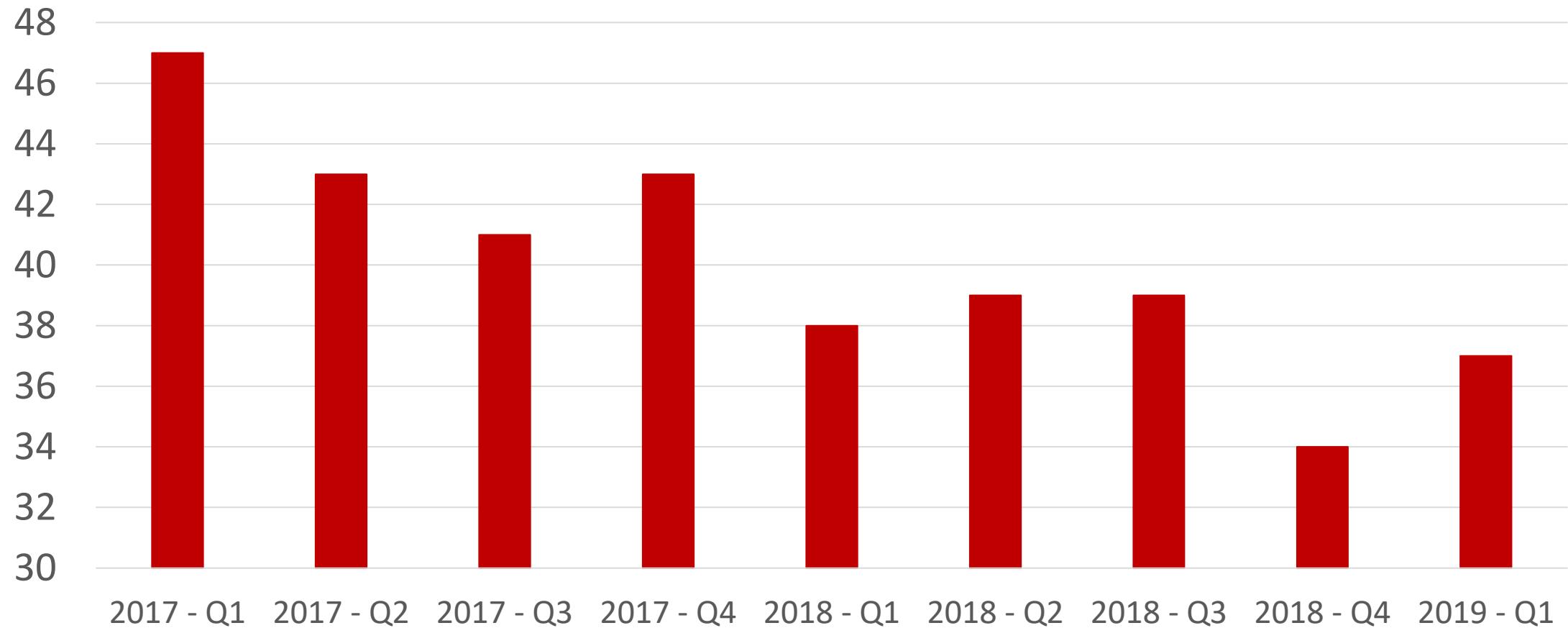


# May 2018 versus May 2019

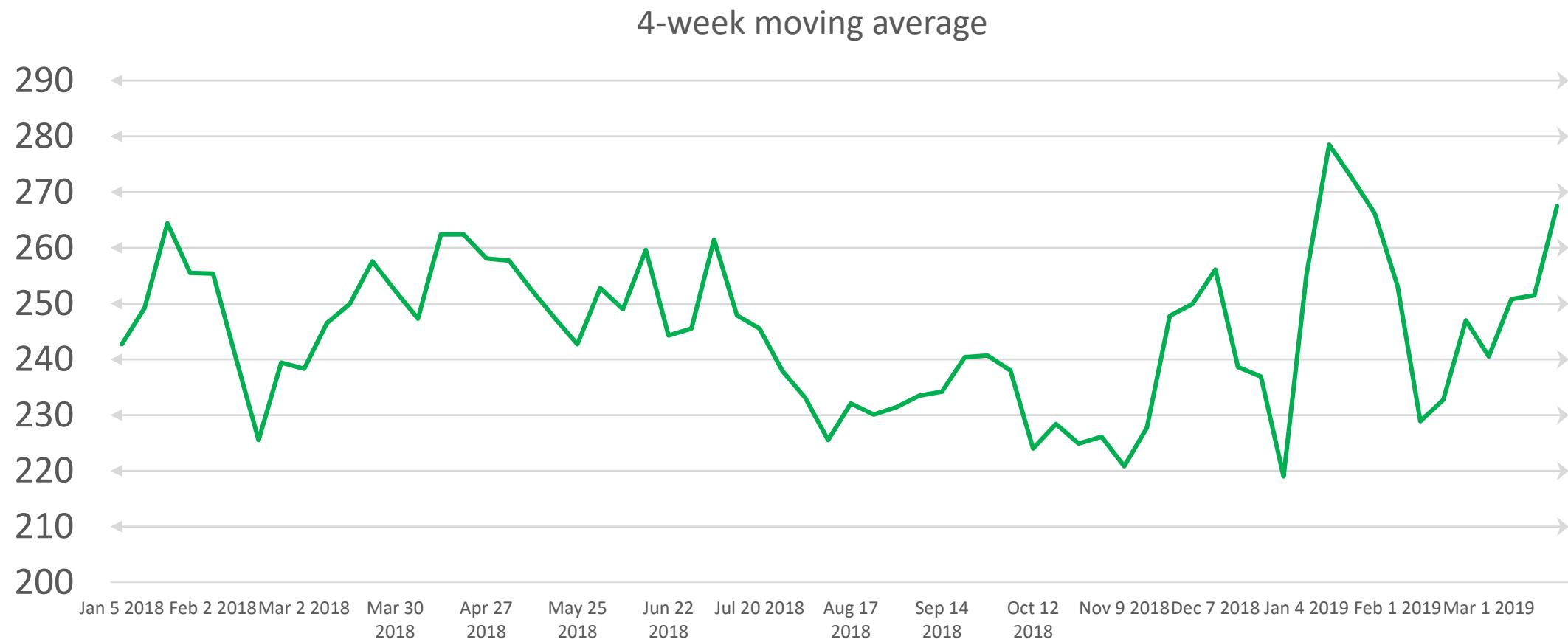
	May 2018	May 2019 (or most recent data)	Comment
Jobs	148.7 million	151.1 million	Better
Hourly Wage Rate	\$22.62	\$23.31	Better
Housing Equity	\$14.5 trillion	\$15.5 trillion	Better
Mortgage Rate	4.6%	4.2%	Better
Mortgage Applications to Purchase	250 index	270 index	Better
Inventory	1.64 million	1.68 million	Better
New Home Sales	672,000	692,000 annualized rate	Better
Existing Home Sales	5.51 million	5.21 million annualized rate	Worse

# Good Time To Buy?

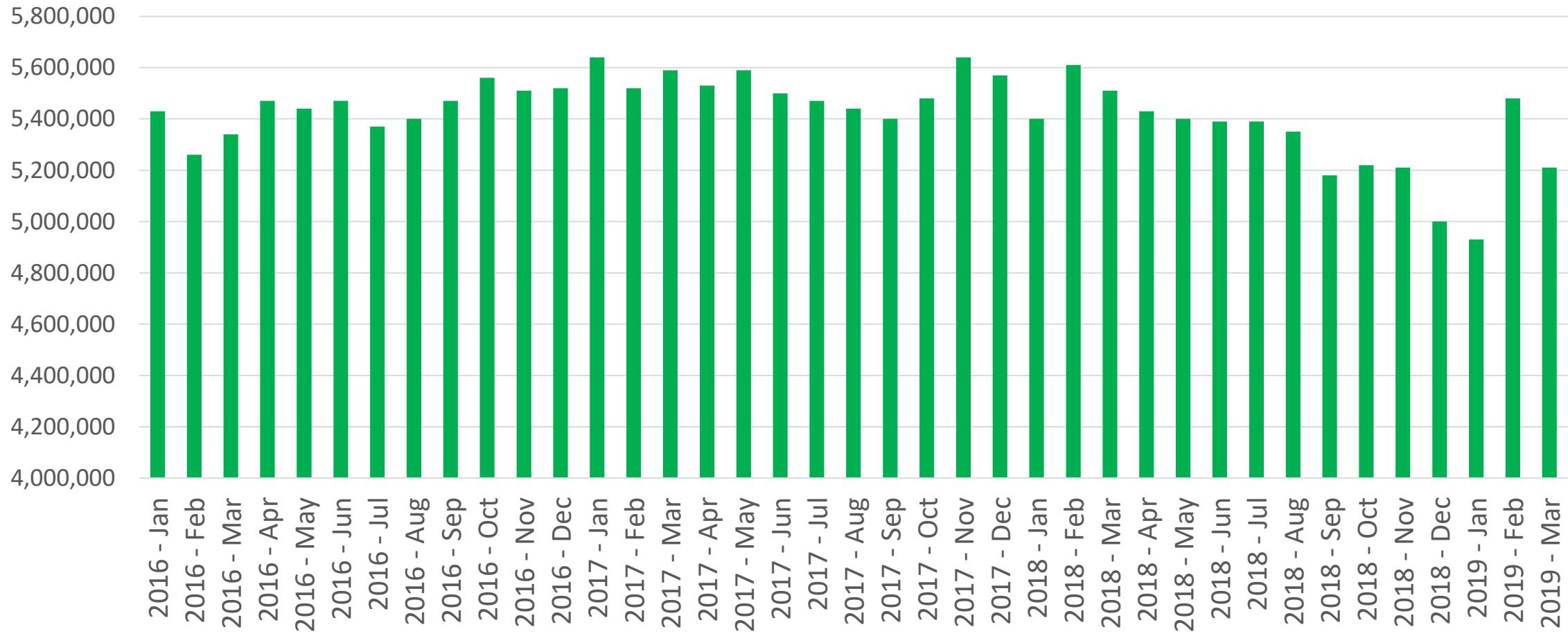
(% consumers who strongly agree)



# Mortgage Purchase Applications

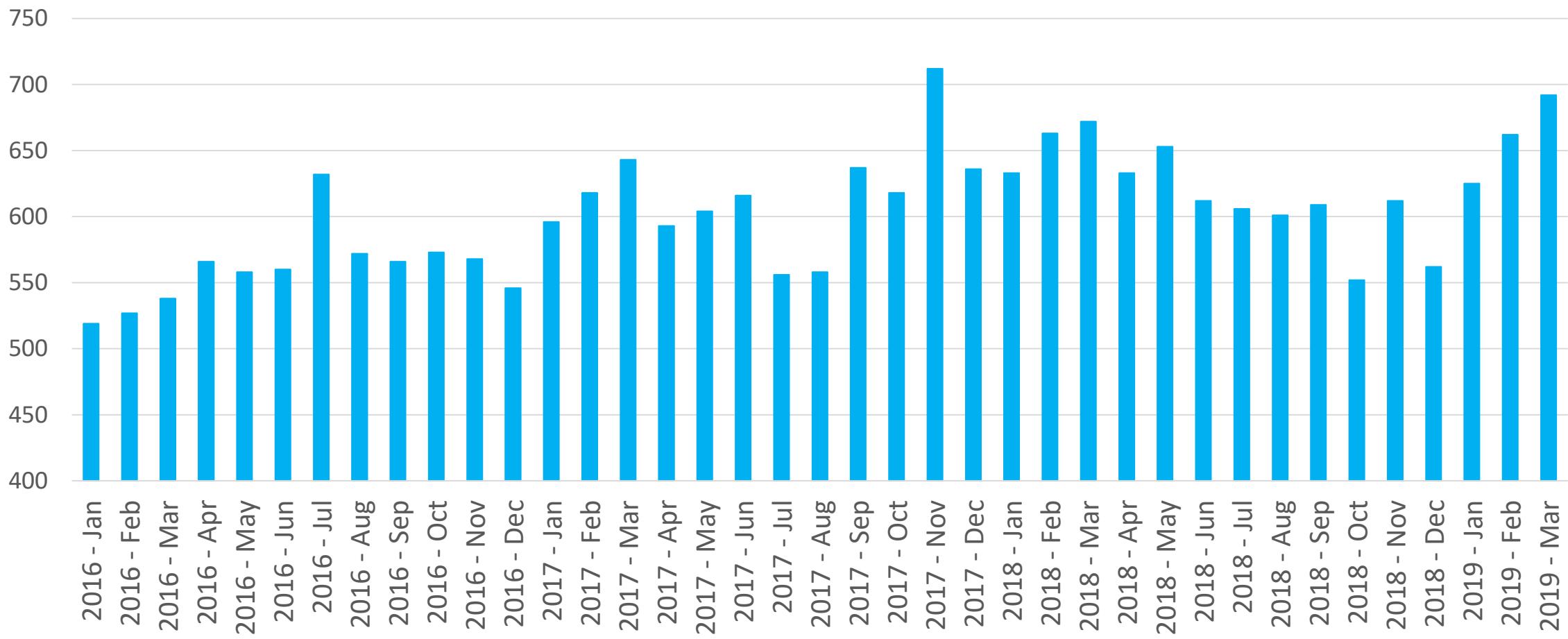


# National Existing Home Sales

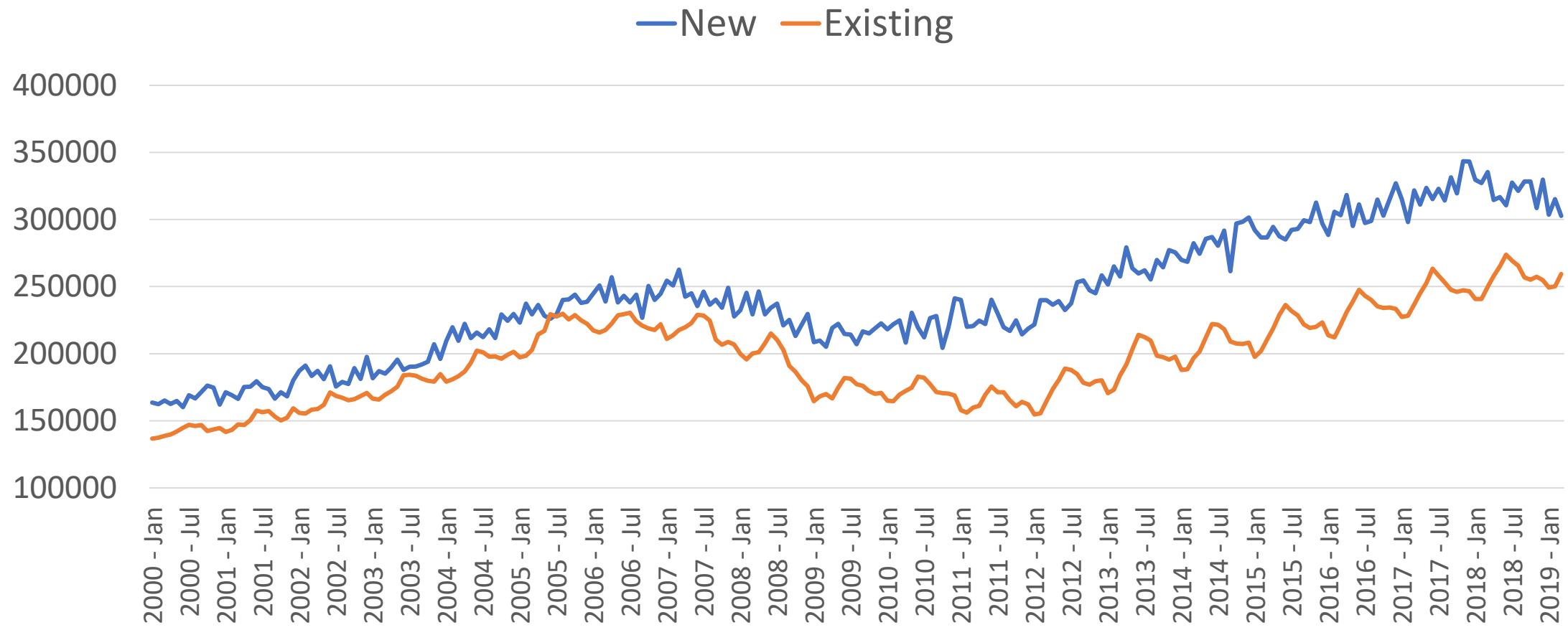


# National New Home Sales

(in thousand units)

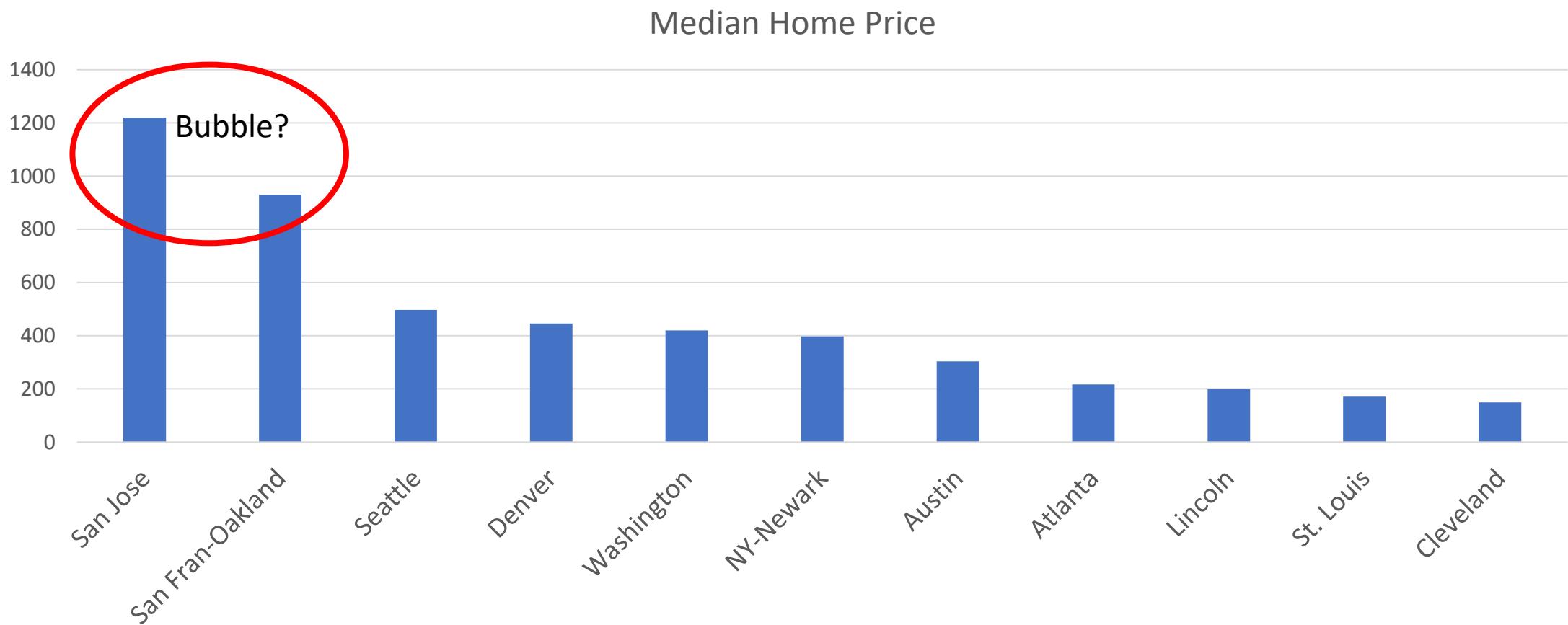


# Home Price: New and Existing



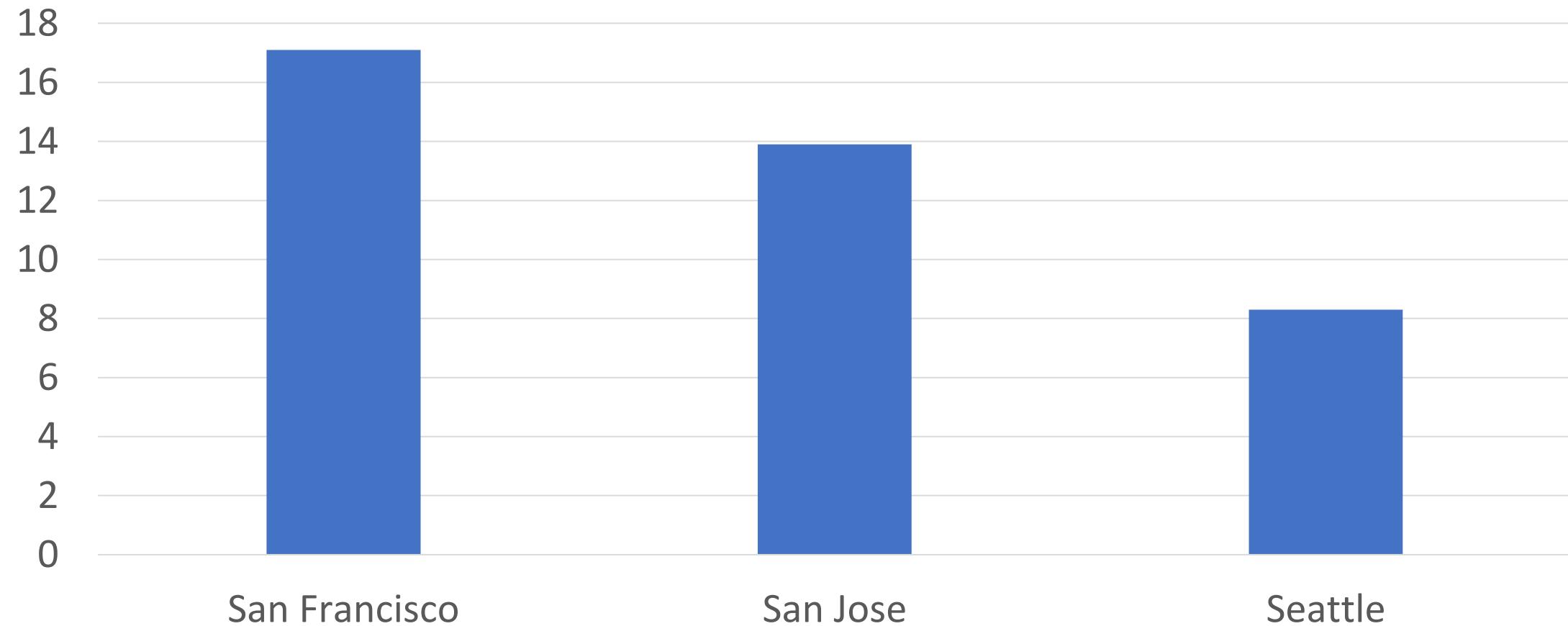
# Median Home Price Comparisons

(in \$ thousands)



# Tech Share of Workers

Professional-Scientific-Technical Service Workers (NAICS 54)



# New Migration to Affordable Market?

- New York City: We don't need Amazon HQ2
- San Francisco and Oakland: Rent Control and Social Tensions
- Oregon: “Reasonable” Rent Control of 7% maximum annual rent growth
- Technology companies want to save cost
- Workers want affordable housing
- Federal Government Jobs ... Mostly in DC? Or spread the jobs across the affordable regions of the country?

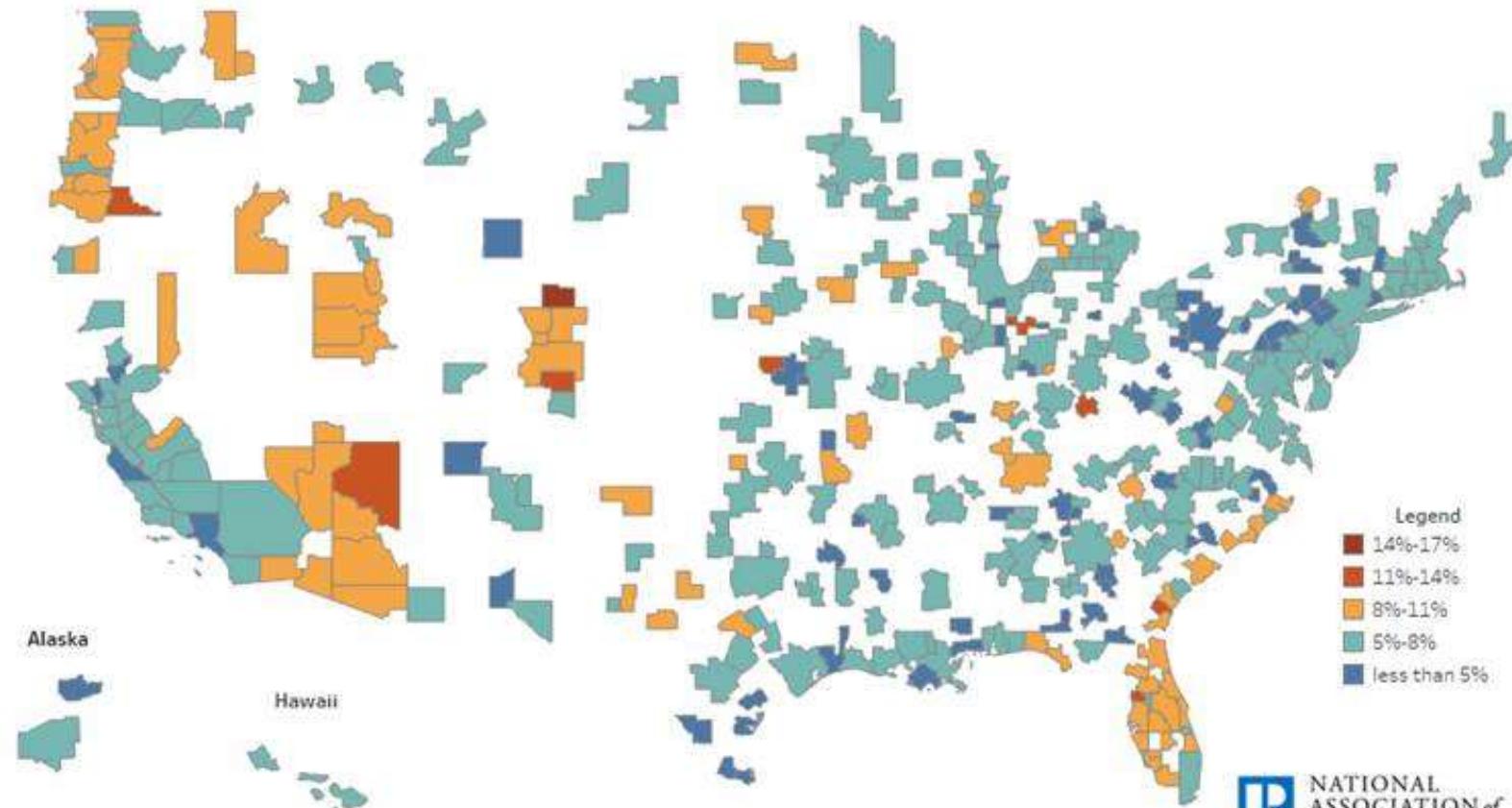
# TOP 5 MOST POPULAR AREAS FOR MILLENNIALS

WHERE THEY MOVE + STAY



# Top Markets with New Neighbors who are owners (i.e., more home sales)

Where are people buying homes?



# Top and Bottom Markets for New Owner Neighbors

<b>Top 10 Buyers</b>	
Colorado Springs, CO	11.1%
Las Vegas-Henderson-Paradise, NV	10.8%
Cape Coral-Fort Myers, FL	10.6%
Phoenix-Mesa-Scottsdale, AZ	10.0%
Provo-Orem, UT	9.8%
Tucson, AZ	9.3%
Boise City, ID	9.2%
Tampa-St. Petersburg-Clearwater, FL	9.2%
Ogden-Clearfield, UT	9.0%
Orlando-Kissimmee-Sanford, FL	8.9%

<b>Bottom 10 Buyers</b>	
Youngstown-Warren-Boardman, OH-PA	3.6%
McAllen-Edinburg-Mission, TX	3.7%
Bridgeport-Stamford-Norwalk, CT	4.5%
Chattanooga, TN-GA	4.7%
Pittsburgh, PA	4.8%
Syracuse, NY	4.9%
Harrisburg-Carlisle, PA	4.9%
Allentown-Bethlehem-Easton, PA-NJ	5.0%
Los Angeles-Long Beach-Anaheim, CA	5.0%
Rochester, NY	5.2%

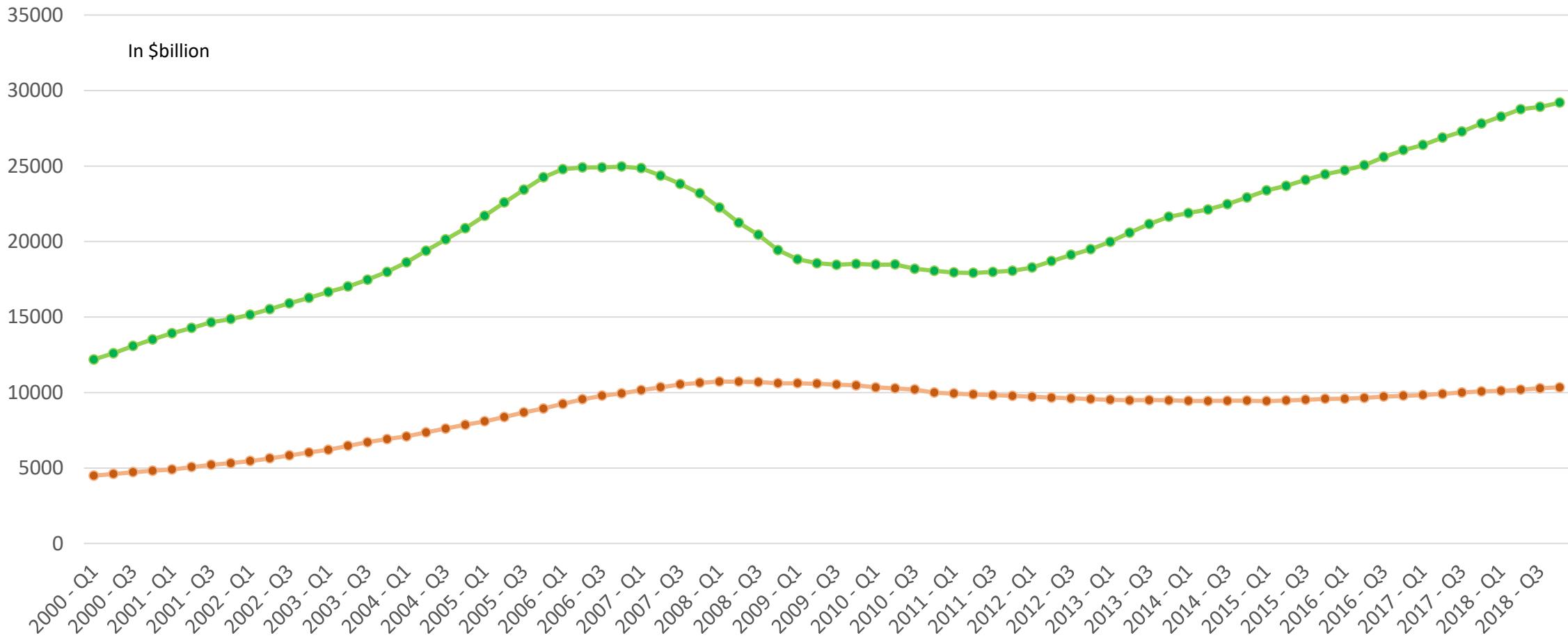
# SALT and Mortgage Interest Deductions in 2016

Income	% itemizing	SALT	Mortgage Interest
Up to \$10,000	4%	\$ 3,879	\$ 6,818
\$25,000	7%	\$ 3,527	\$ 6,335
\$50,000	19%	\$ 4,094	\$ 6,095
\$75,000	38%	\$ 5,600	\$ 6,519
\$100,000	53%	\$ 7,363	\$ 7,342
\$200,000	76%	\$ 11,244	\$ 8,847
\$500,000	94%	\$ 23,195	\$ 12,818
\$1,000,000	94%	\$ 55,656	\$ 18,204
Over \$1,000,000	92%	\$ 271,559	\$ 21,662

# SALT Comparisons: CT and TN

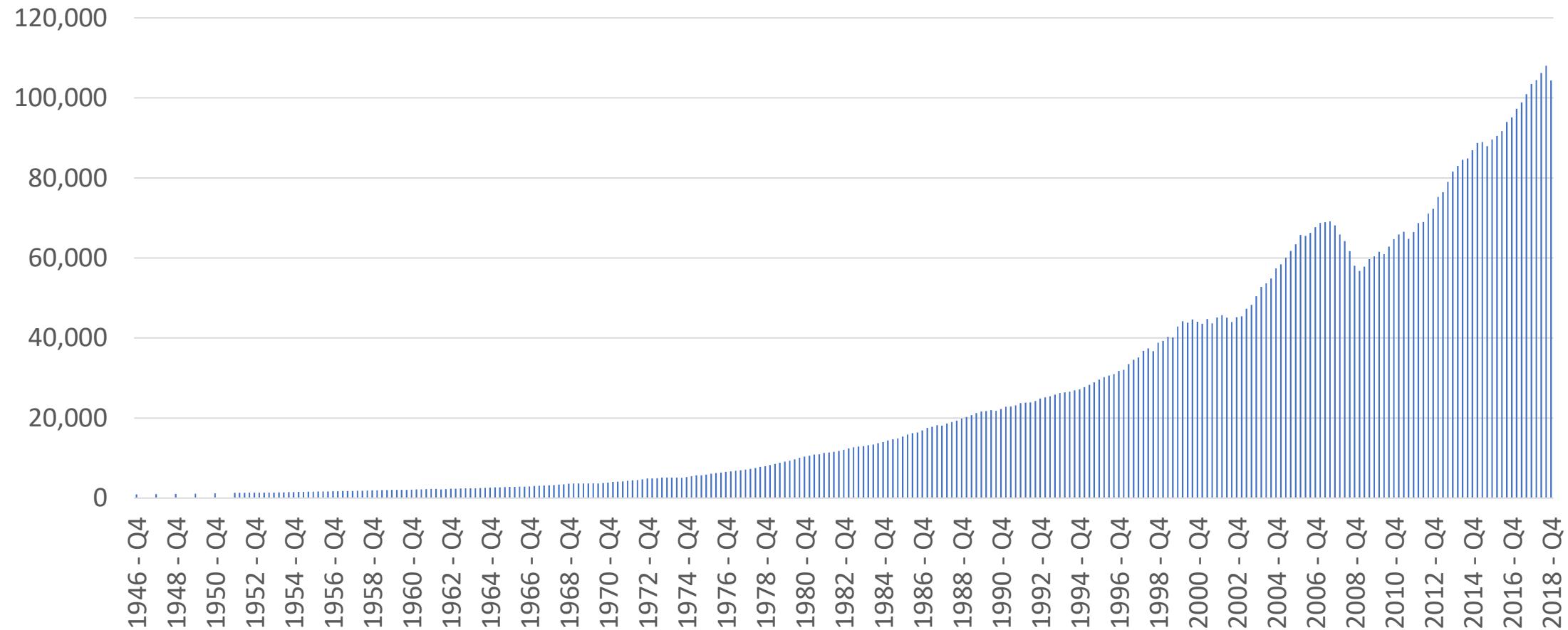
Income	SALT in CT	SALT in TN
Up to \$10,000	\$ 6,079	\$ 2,580
\$25,000	\$ 5,728	\$ 2,547
\$50,000	\$ 6,283	\$ 2,884
\$75,000	\$ 8,049	\$ 3,518
\$100,000	\$ 10,203	\$ 4,324
\$200,000	\$ 14,863	\$ 5,946
\$500,000	\$ 29,627	\$ 10,314
\$1,000,000	\$ 71,448	\$ 19,589
Over \$1,000,000	\$ 321,229	\$ 84,904

# Rising Home Price means Rising Real Estate Wealth (Total Asset – Outstanding Mortgage)

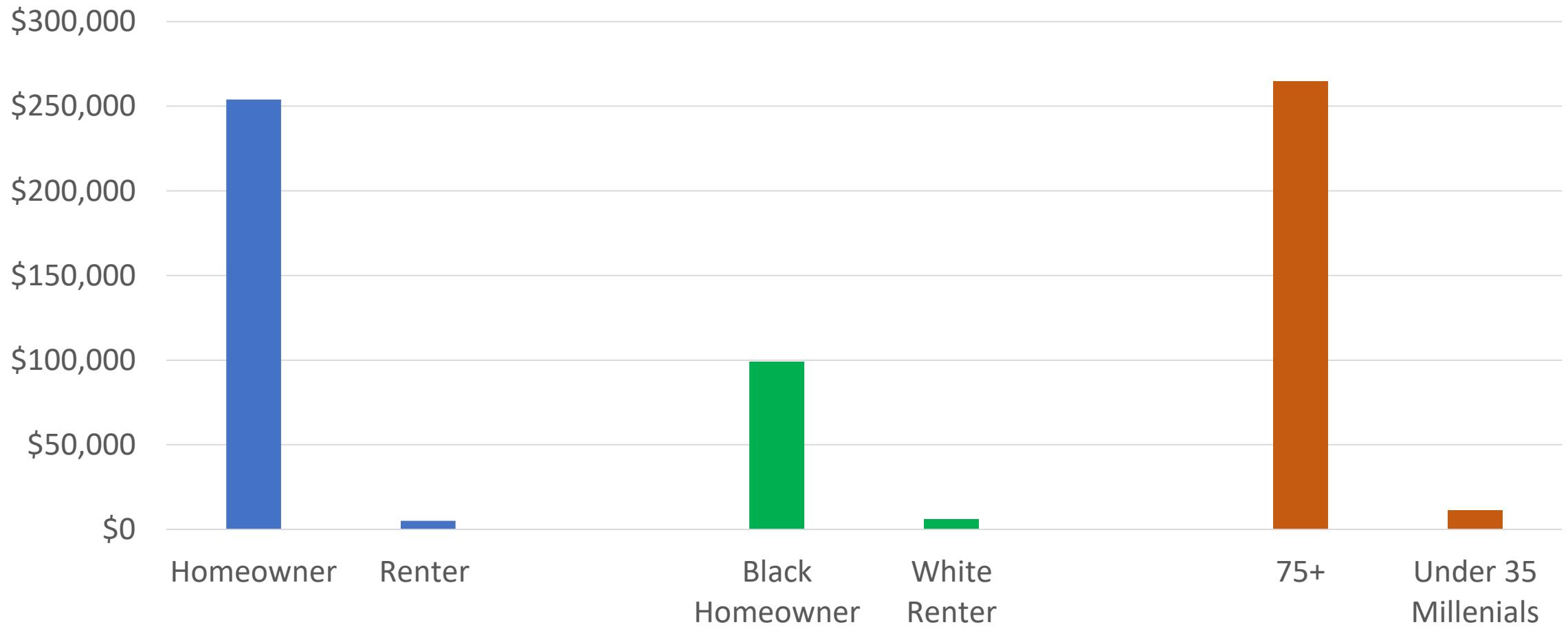


# Total Wealth – Real Estate, Stocks, Bonds, etc.

## \$104 trillion (5 times GDP)



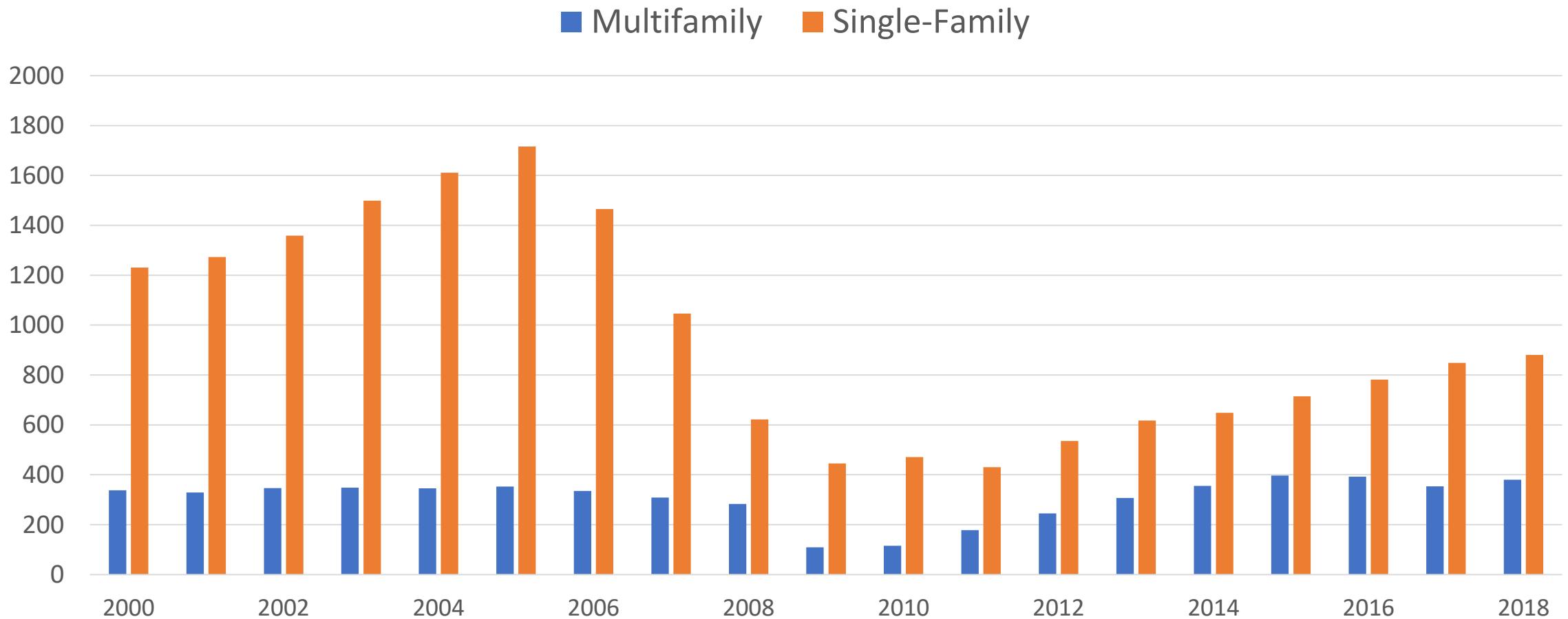
# Net Worth: Comparisons



# Wealth Transfer to Buy a Home

- Huge Wealth ... held by older generations
- First-time Savings Account in 10 states
  - Allow Grandma to deposit
- Down Payment Assistance from Family members
  - 1/3 of first-time buyers had help from family members
- Warning: Watch out for scammers going after trusting widows

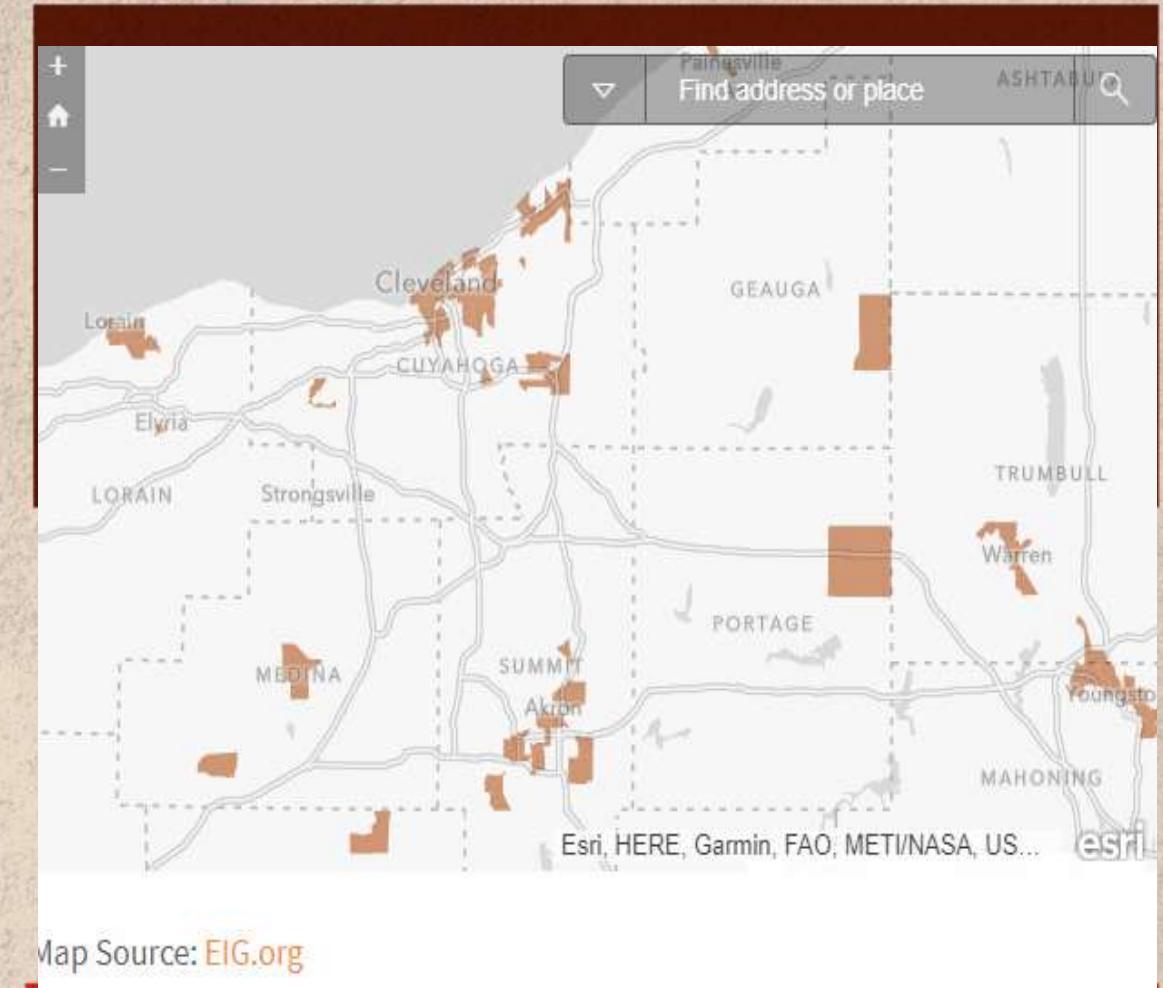
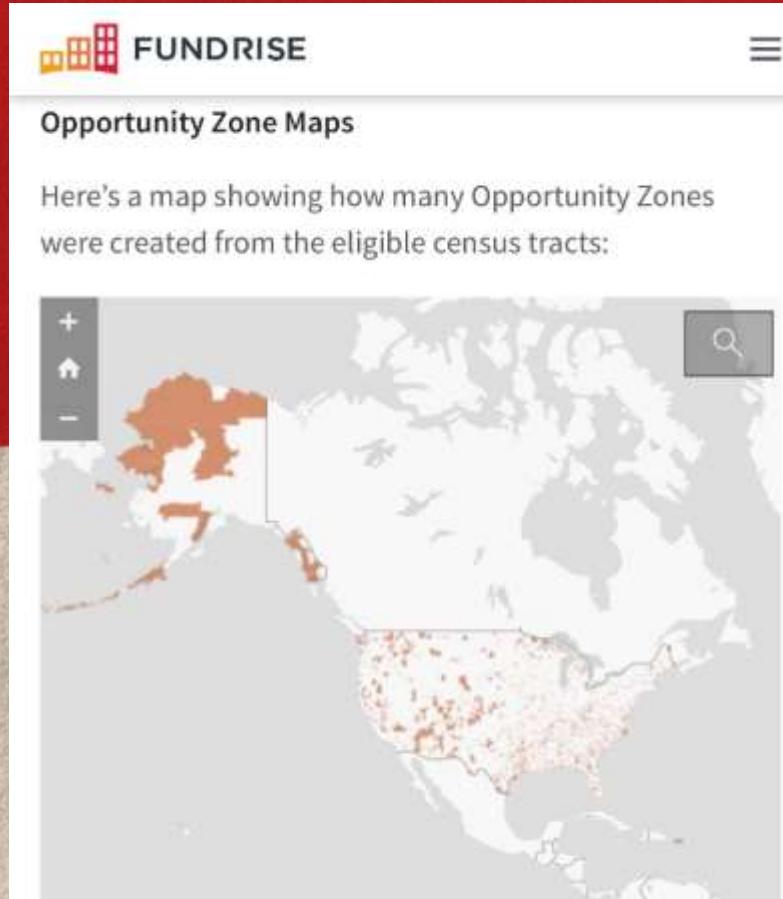
# U.S. Housing Starts ... Not Enough Short by 5 to 6 million units



# Champions



# Opportunity Zones: U.S. and Cleveland/Akron



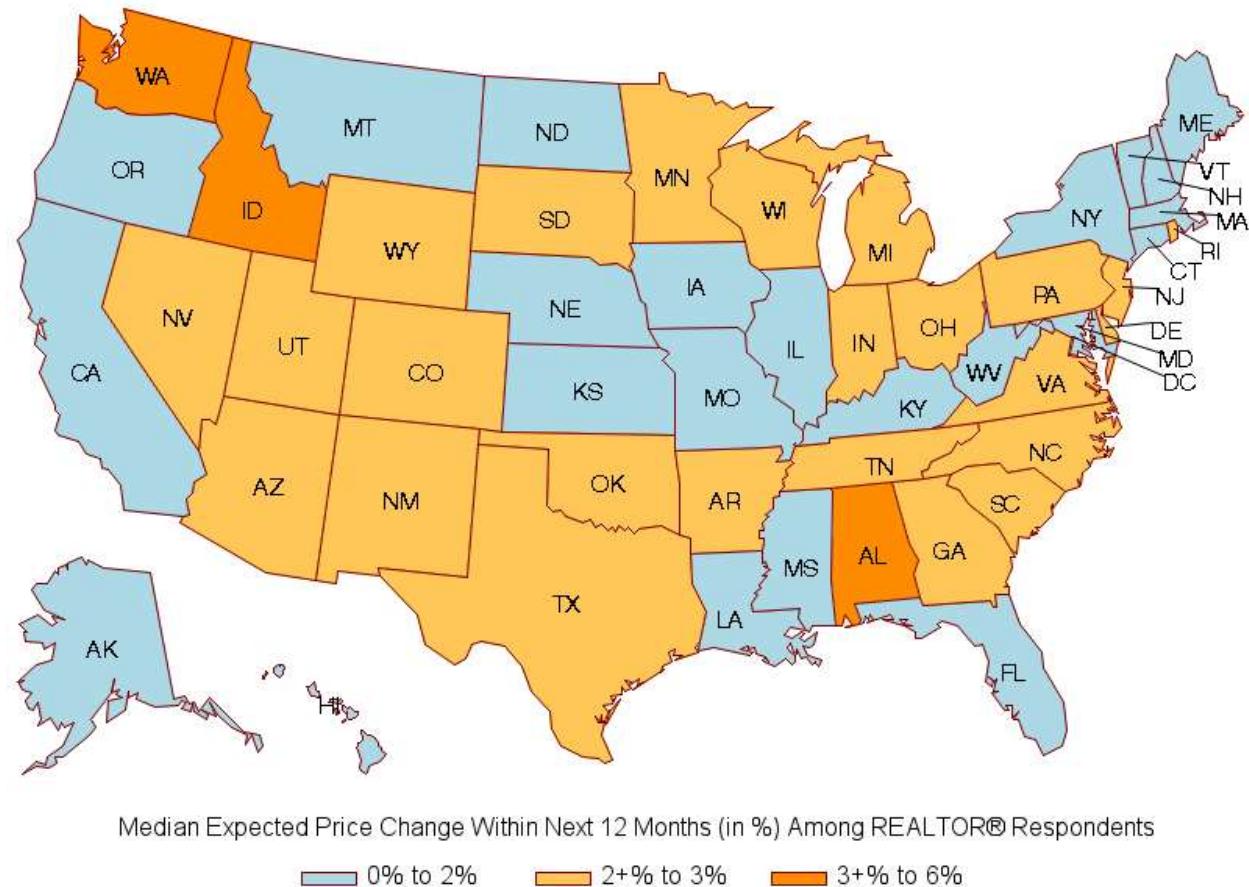
# Encourage College GAP Year – Work, Not Travel

- GI Bill had expanded college opportunities and homeownership
- Construction vocational work is not a tradeoff between college and no college
- Work, Save, and then College with no student debt
- Non-supervisory construction job openings high
  - average hourly wage at \$30.60 as of April 2019
  - annual income at \$61,200

# Economic Forecast: No Recession

	2016	2017	2018	2019 Forecast	2020 Forecast
GDP Growth	1.5%	2.2%	2.9%	2.5%	2.0%
Job Growth	+2.5 million	+2.2 million	+2.4 million	+2.2 million	+1.5 million
CPI Inflation	1.3%	2.1%	2.4%	1.2%	1.8%

# REALTORS® Median Expected Price Change in Next 12 Months



# Housing Forecast: Moderate Growth

	2016	2017	2018	2019 Forecast	2020 Forecast
New Home Sales	560,000	613,000	627,000	667,000 (+6%)	720,000 (+8%)
Existing Home Sales	5.4 million	5.5 million	5.3 million	5.3 million (no change)	5.5 million (+4%)
Median Price Growth	+5.1%	+5.7%	+4.9%	+2.3%	+3.3%
30-year Rate	3.6%	4.0%	4.5%	4.3%	4.6%

Thank You !