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Chief Economist and SVP of Research
NATIONAL ASSOCIATION OF REALTORS®
Magic of Low Interest Rates
Fed Funds Rate and 30-year Mortgage Rate
Mortgage Rates tied to 10-year Treasury
Spread at Upper-End
Existing and New Home Price
REALTORS® Buyer Traffic Index

The map illustrates the REALTORS® Buyer Traffic Index across the United States, categorized as follows:

- **Weak (25+ to 45)**: Areas marked in light blue exhibit weak buyer traffic.
- **Stable (45+ to 55)**: Areas in orange indicate stable buyer traffic.
- **Strong (55+ to 75)**: States shaded in dark orange have strong buyer traffic.

The map includes states such as California (CA), Texas (TX), and Florida (FL), among others.
Homeownership Rate Inching Higher
63% to 65%
Millennial (under-35) Homeownership Recovery
34% to 38%
First-time Homebuyers ... more sensitive to rates
(% of all transactions; monthly and 6-month average)
Screw up to low interest rates
Interest Rates will Rise Because …

• Fannie and Freddie and GSE reform goes wrong
  • No government guarantee means higher interest rates
  • Corollary: No FDIC means bank runs

• Inflation surprises on the upside
  • Strengthening economy
  • Tariffs ... tax on consumers and businesses
  • Housing shortage ... Housing inflation

• Budget Deficit
  • Tax revenue rises ... but spending rises even more
  • Deficit gets added then multiplied (the power of compound interest)
Inflation Rate at 1.7% ... consistently undershooting
Housing Inflation Rate ... consistently overshooting Tenant Rent and Owner-equivalent Rent
Inflation of 1970s ... led to high interest rates
U.S. Housing Starts ... Insufficient
Need more Construction to tame housing inflation

![Graph showing the number of housing starts from 2000 to 2019, with bars representing single-family and multifamily construction.]
Total Inventory (Existing and New) and 1-Year Change
Distressed Property Sales
(% foreclosures or short-sales)
Housing Sector Contribution to GDP Growth Rate (% points)
GDP Growth and Housing Growth
Total Payroll Employment Growth

Annual Percent Change in Payroll Employment in September 2019

- No job growth
- Greater than 0% to 1%
- 1% to 2%
- Greater than 2%

[Map showing various states with color coding for employment growth percent changes]
Tax Revenue and Government Spending

![Graph showing the trend of tax revenue and government spending from 2000 to 2019. The graph indicates a generally increasing trend for both revenue and spending, with fluctuations. The revenue line is represented in blue, and the spending line in orange. The x-axis represents the years from 2000 to 2019, and the y-axis represents the amount in millions of dollars.]
Federal Deficit
(one-year measure of overspending)
Deficit as a % of GDP
National Debt = Cumulative Deficits (as % of GDP)
Foreign Holdings of U.S. Securities (Treasury, Corporate, Fannie and Freddie)
Foreign Holdings of U.S. Securities by Japan (blue) and China (red)
Short Economic History of China

**China is Good**

1912 - 1949
- Emperor ousted
- Japan is Bad
- Hong Kong Booms

**China is Bad**

1949 to 1976
- Socialism - Maoism
- Starvation and Deaths
- Japan is Good
- Taiwan Booms

**China: Good or Bad?**

1977 to Today
- Socialism with Chinese Characteristics
- “We will get Wealthy, Some before Others.”
Lessons to Draw from San Francisco
San Francisco-Oakland: Haves and Have-Nots
Who bought a home in 1990s? Who didn’t?
Regional Homeownership Rate and Home Price

Homeownership Rate

<table>
<thead>
<tr>
<th>Region</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>West</td>
<td>60</td>
</tr>
<tr>
<td>Northeast</td>
<td>50</td>
</tr>
<tr>
<td>South</td>
<td>60</td>
</tr>
<tr>
<td>Midwest</td>
<td>70</td>
</tr>
</tbody>
</table>

Median Home Price (in $thousands)

<table>
<thead>
<tr>
<th>Region</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>500</td>
</tr>
<tr>
<td>Northeast</td>
<td>400</td>
</tr>
<tr>
<td>South</td>
<td>300</td>
</tr>
<tr>
<td>Midwest</td>
<td>200</td>
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</tbody>
</table>
West Region: Bubble Concerns or Capitulation?
More optimistic about price, yet more say it is not a good time to buy

<table>
<thead>
<tr>
<th></th>
<th>Not A Good Time to Buy</th>
<th>Price Increased in the past 12 months</th>
<th>Believe Prices will Rise in Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>35</td>
<td>58</td>
<td>40</td>
</tr>
<tr>
<td>Midwest</td>
<td>34</td>
<td>64</td>
<td>40</td>
</tr>
<tr>
<td>South</td>
<td>31</td>
<td>65</td>
<td>47</td>
</tr>
<tr>
<td>West</td>
<td>50</td>
<td>78</td>
<td>55</td>
</tr>
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</table>
Forecast
## Economic Forecast: No Recession If No Major Trade War

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>GDP Growth</strong></td>
<td>1.5%</td>
<td>2.2%</td>
<td>2.9%</td>
<td>2.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td><strong>Job Growth</strong></td>
<td>+2.5 million</td>
<td>+2.2 million</td>
<td>+2.4 million</td>
<td>+2.0 million</td>
<td>+1.5 million</td>
</tr>
<tr>
<td><strong>CPI Inflation</strong></td>
<td>1.3%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>2.0%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>
Housing Forecast: Moderate Growth

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>New Home Sales</td>
<td>560,000</td>
<td>613,000</td>
<td>617,000</td>
<td>670,000 (+9%)</td>
<td>750,000 (+11%)</td>
</tr>
<tr>
<td>Existing Home Sales</td>
<td>5.4 million</td>
<td>5.5 million</td>
<td>5.3 million</td>
<td>5.5 million (1%)</td>
<td>5.6 million (+4%)</td>
</tr>
<tr>
<td>Median Price Growth</td>
<td>+5.1%</td>
<td>+5.7%</td>
<td>+4.9%</td>
<td>+4.3%</td>
<td>+3.6%</td>
</tr>
<tr>
<td>30-year Rate</td>
<td>3.6%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>
THAT’S WHO WE