



NATIONAL  
ASSOCIATION *of*  
REALTORS®

# Economic and Real Estate Outlook

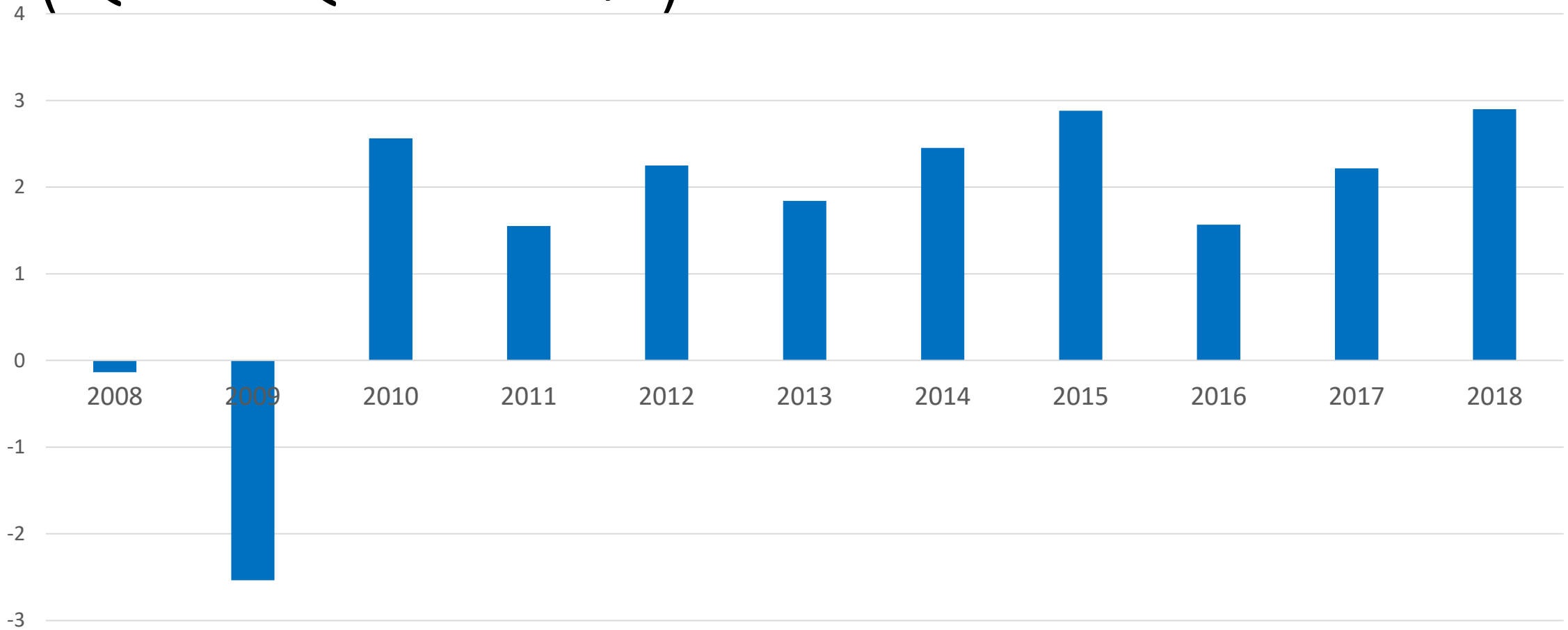
By Lawrence Yun, Ph.D.  
Chief Economist, National Association of REALTORS®

Presentation at Association Executive Institute

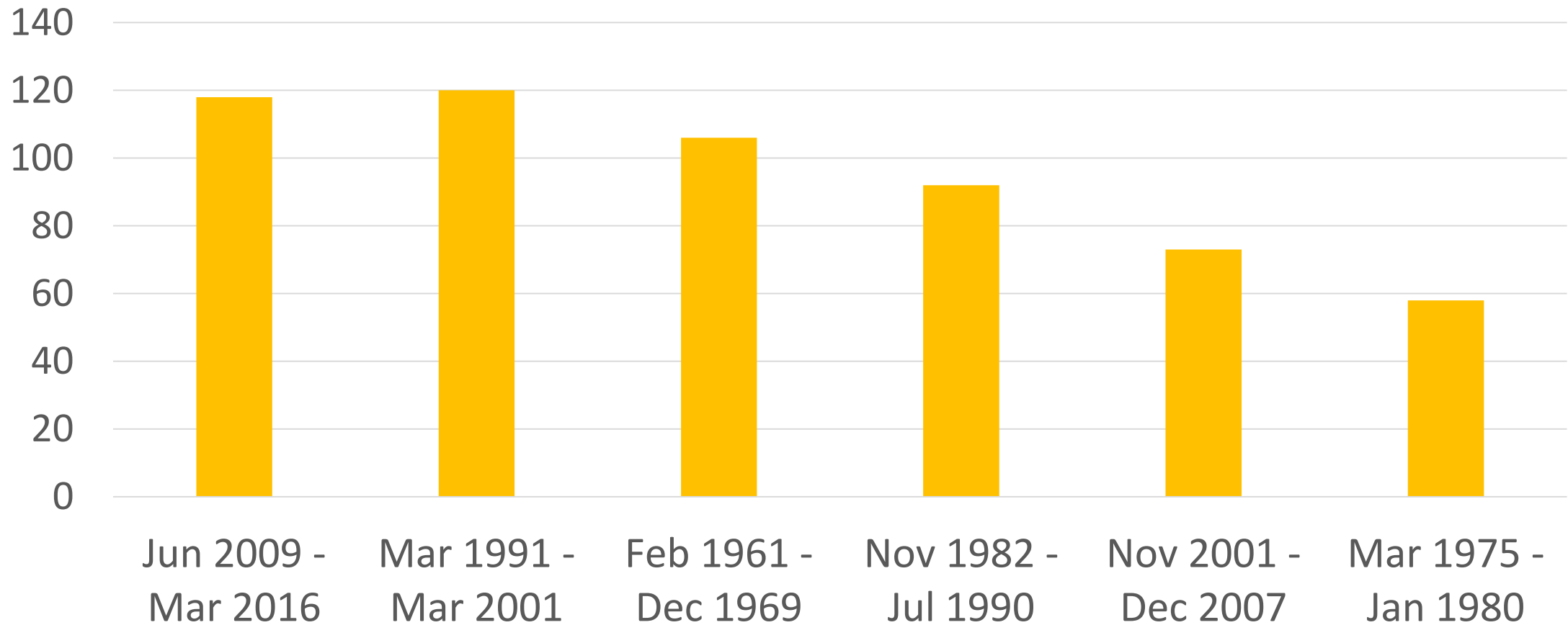
April 1, 2019



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

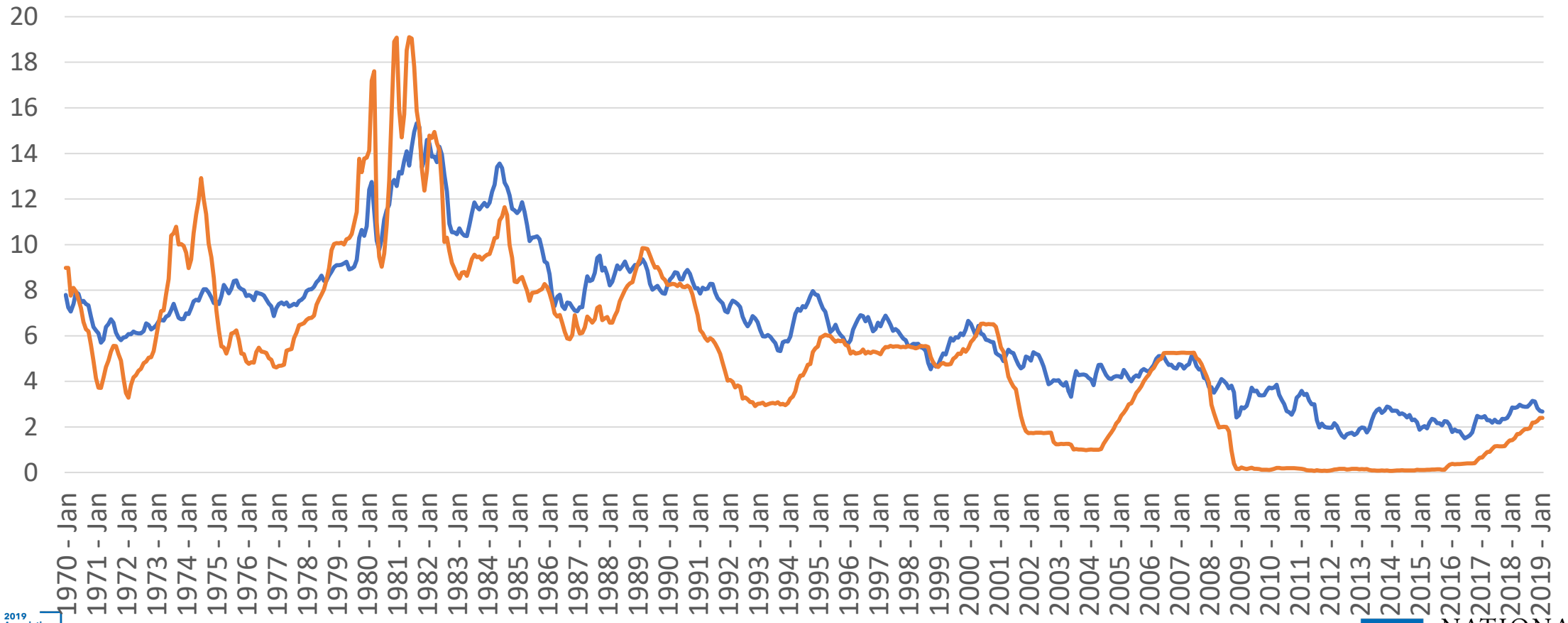


# Longest Expansion Ever? # of months of GDP growth

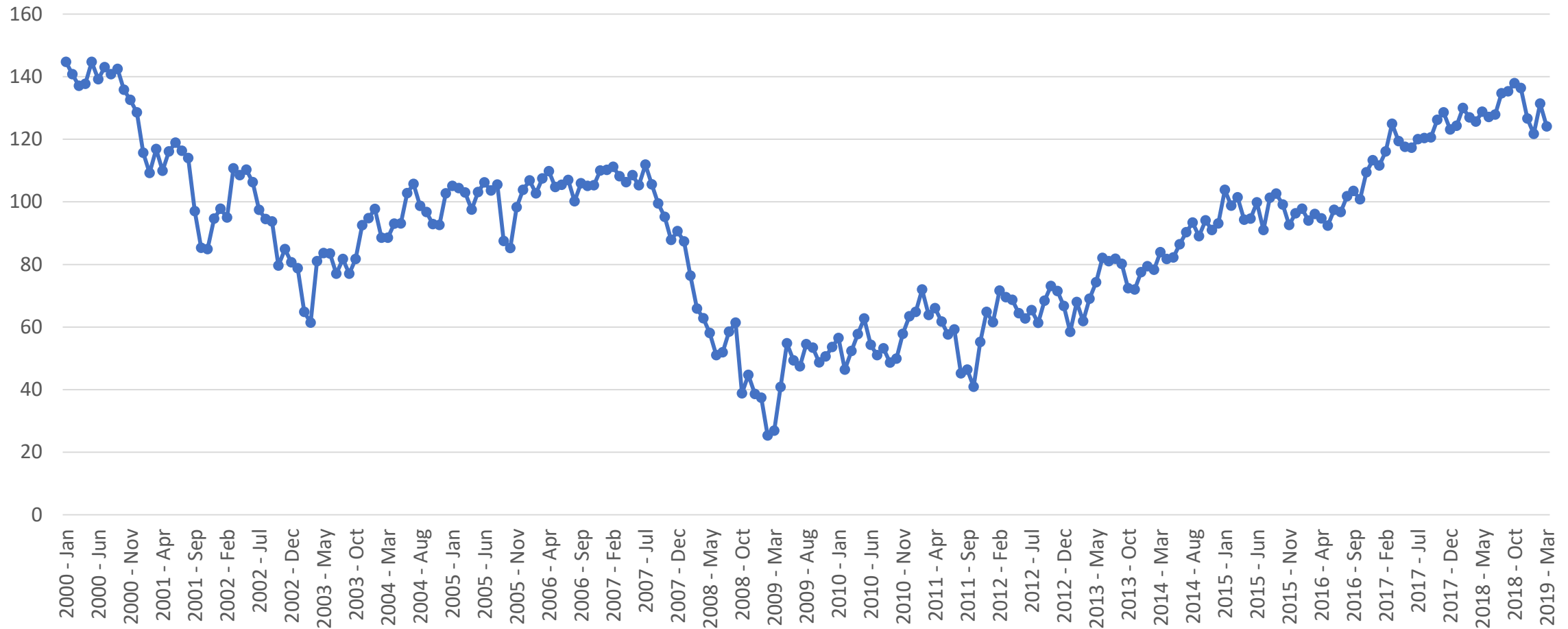


# Inverted Yield Curve? What is Different This Time?

— 10-Yr — Fed Funds

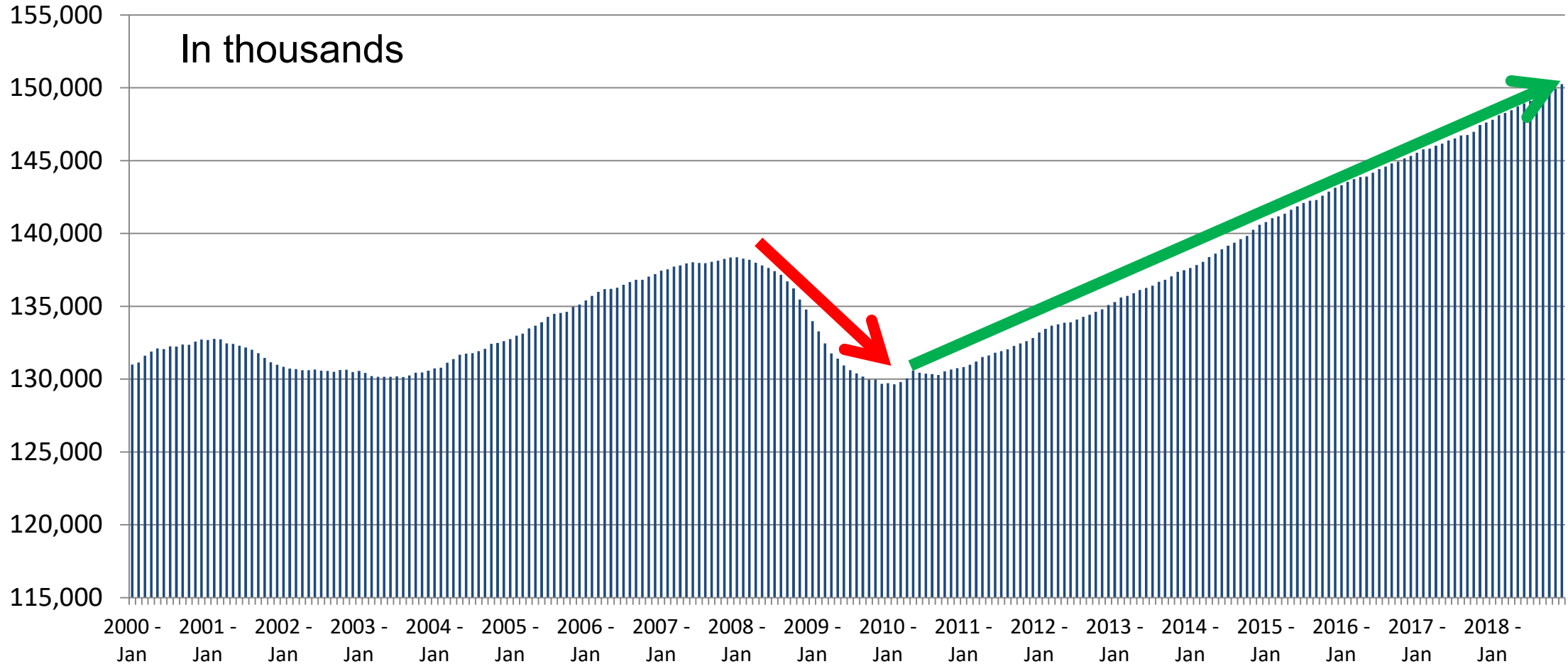


# Consumer Confidence Remains High



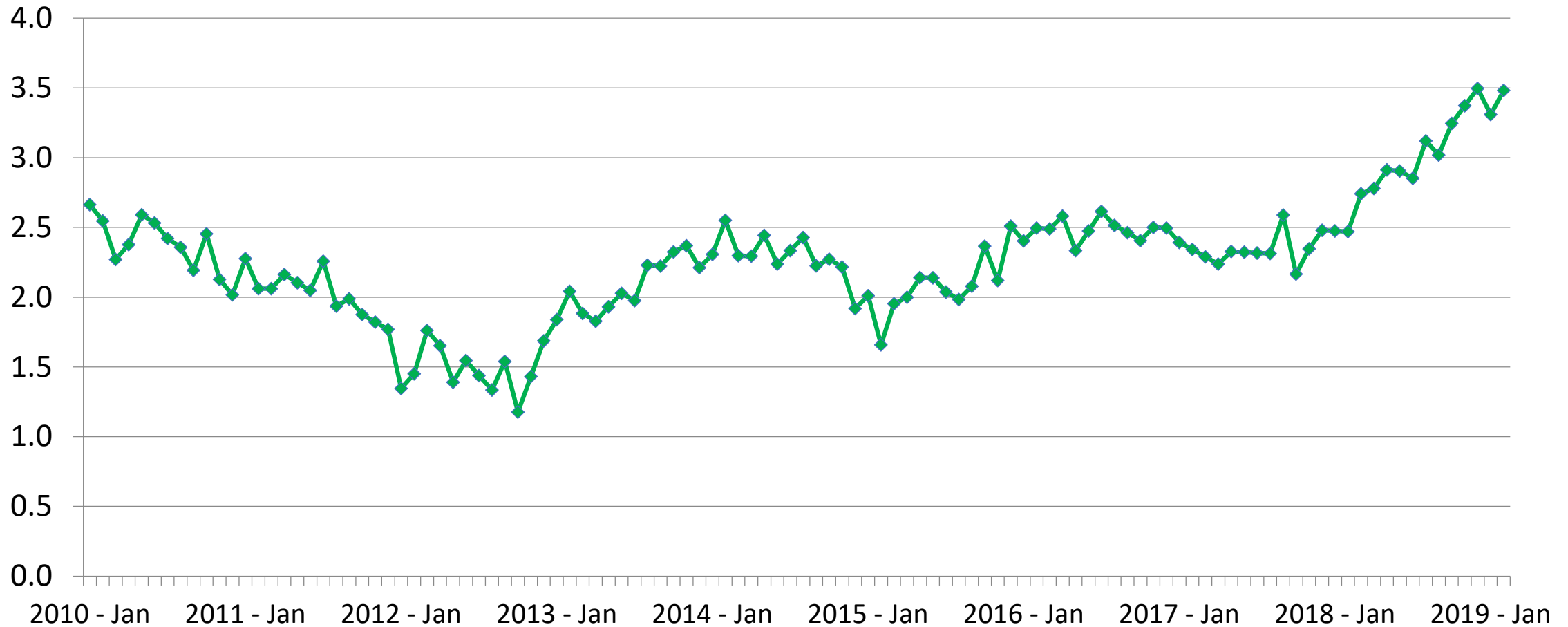
# Jobs

(20 million gained from 2010 ... more than 2 million per year)





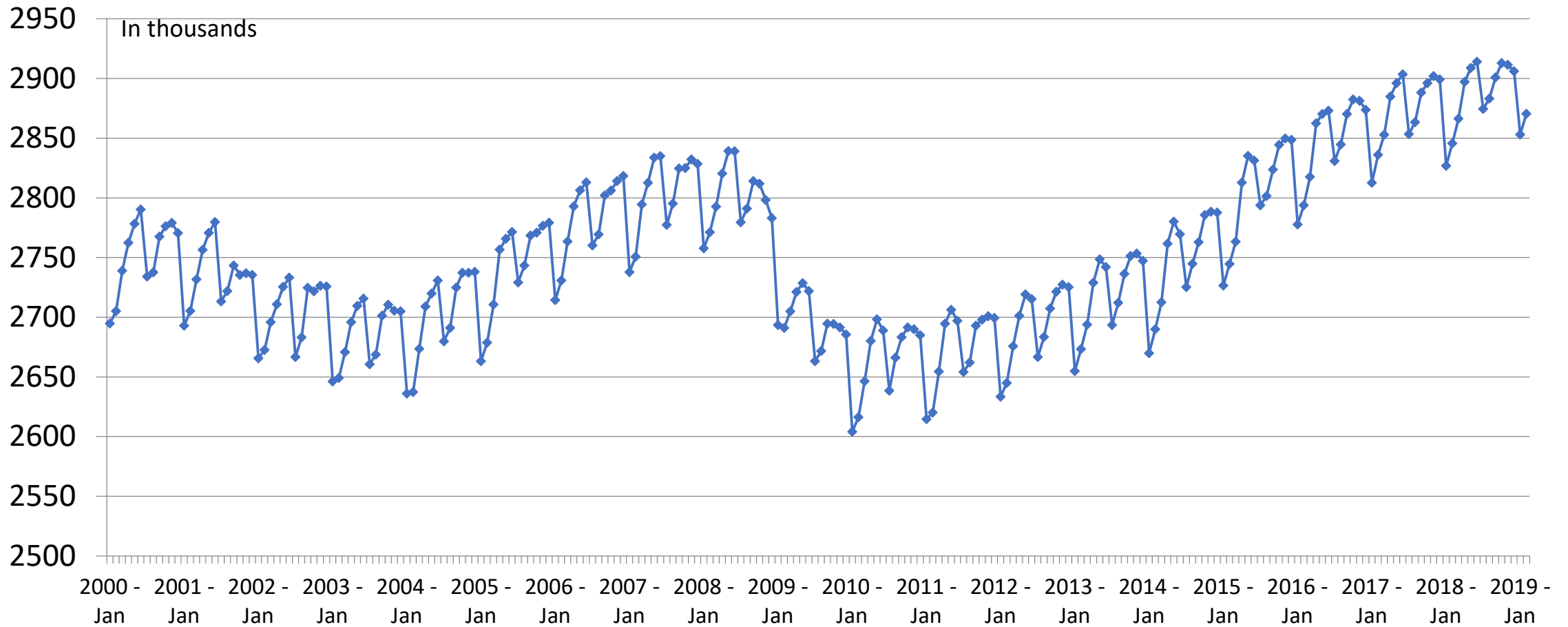
# Average Hourly Wage





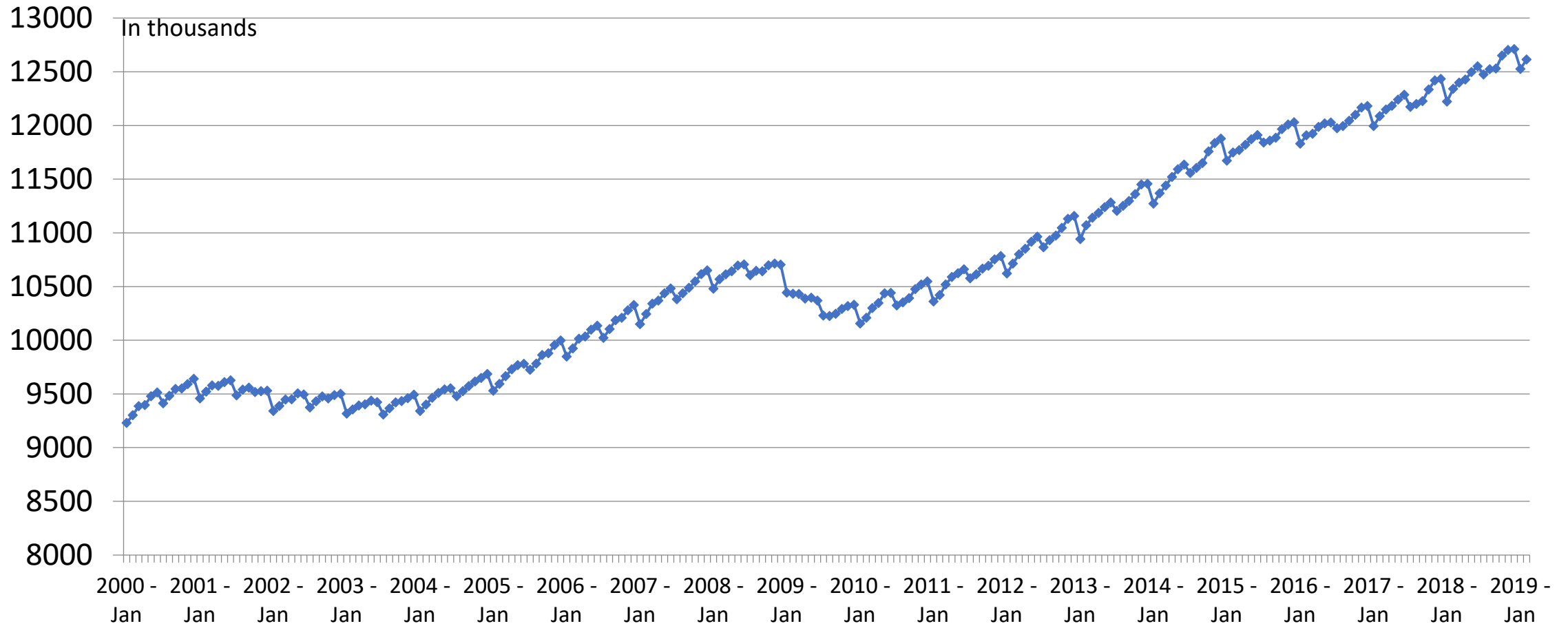
# Total Jobs Missouri

(6% growth vs 13% nationwide from 2000)



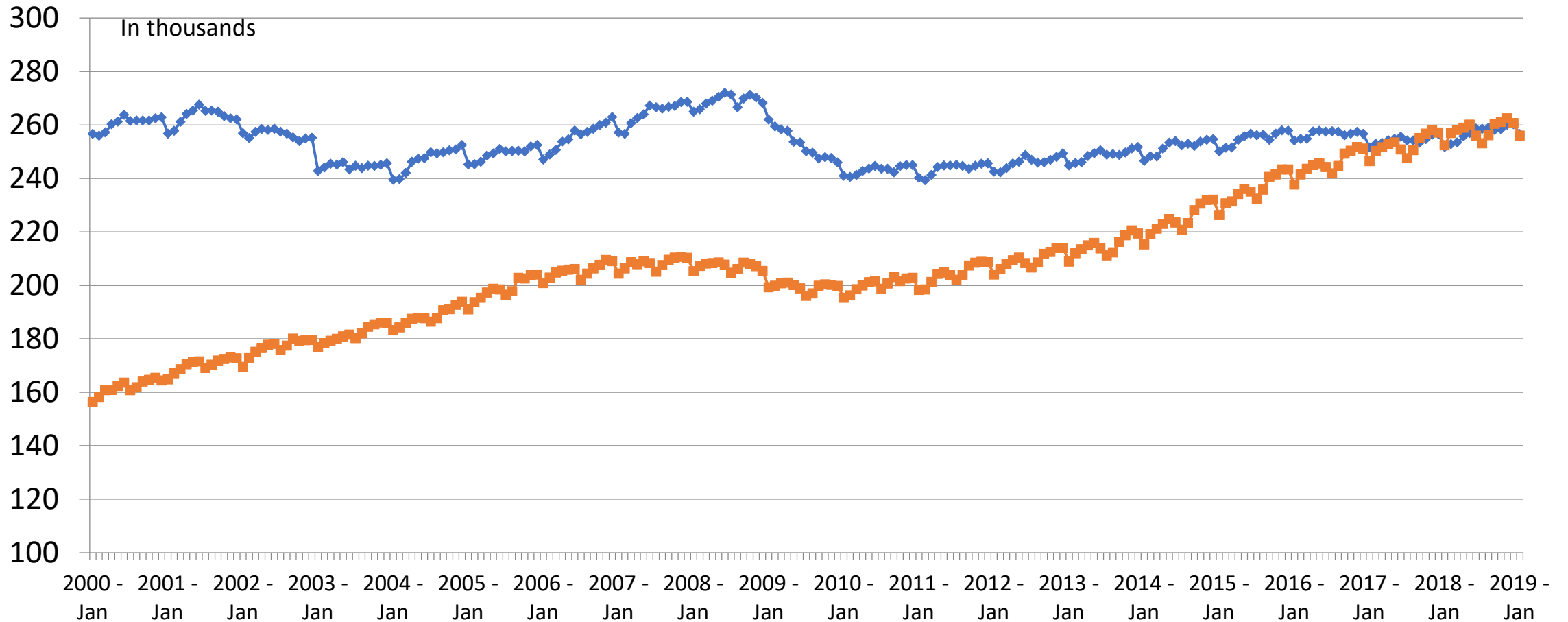
# Total Jobs Texas

(32% growth vs 13% nationwide from 2000)

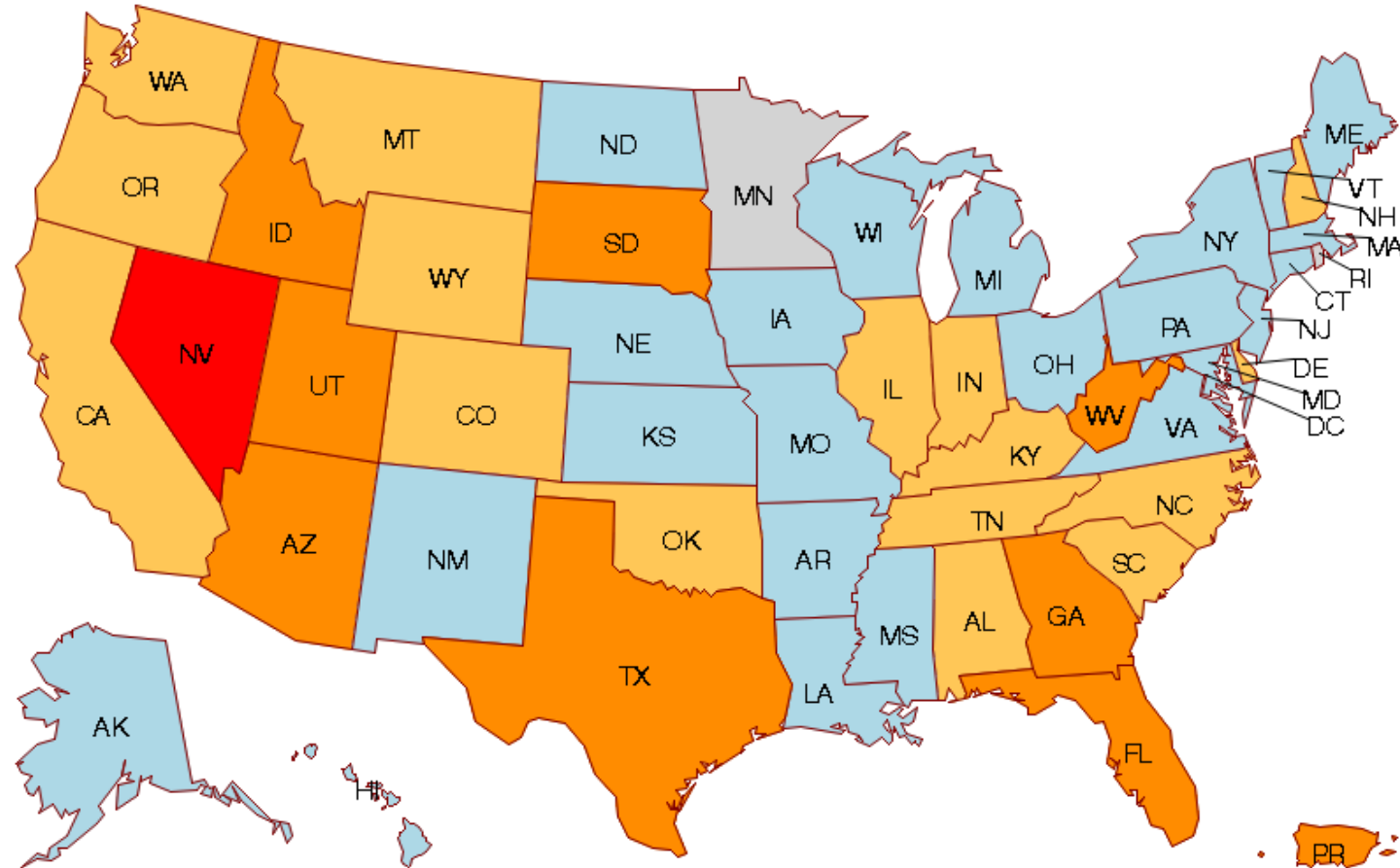


# Total Jobs Wichita and Fayetteville

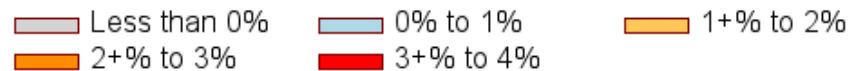
(0% growth and 64% nationwide from 2000)



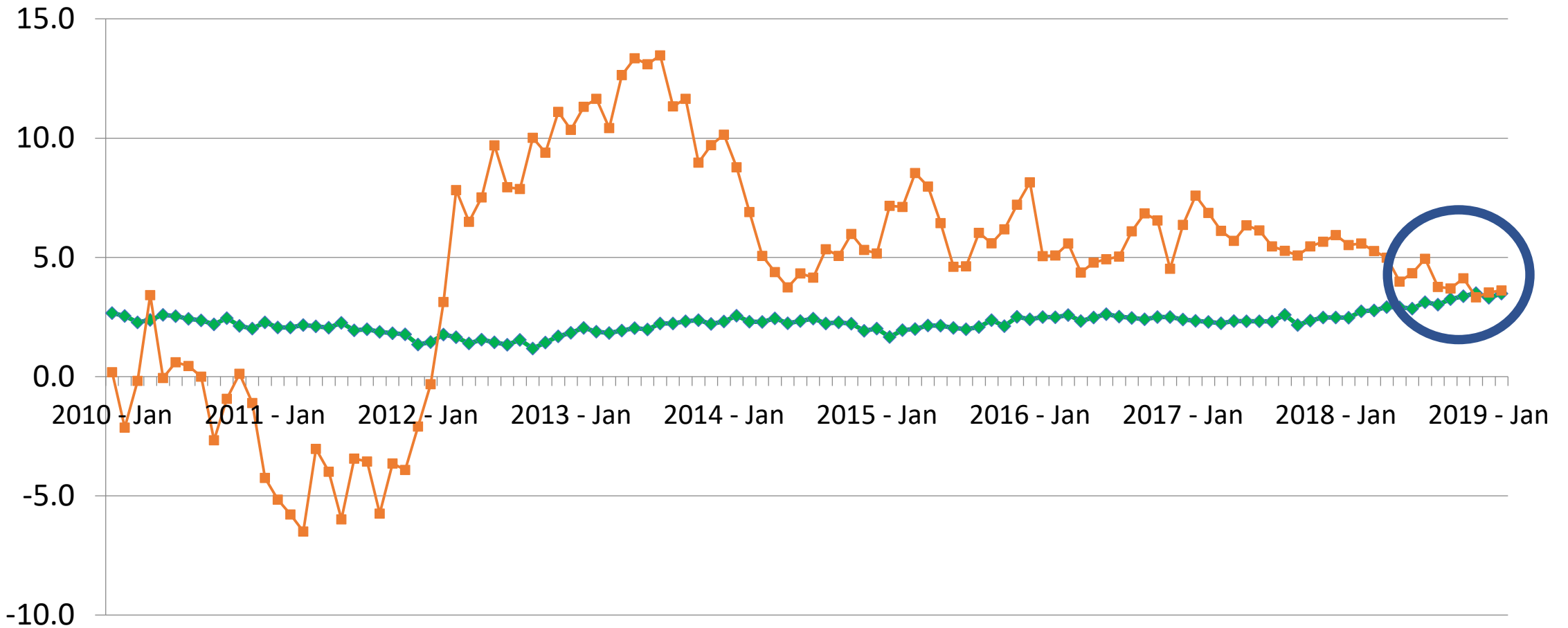
# Job Growth (Feb 2018 to Feb 2019)



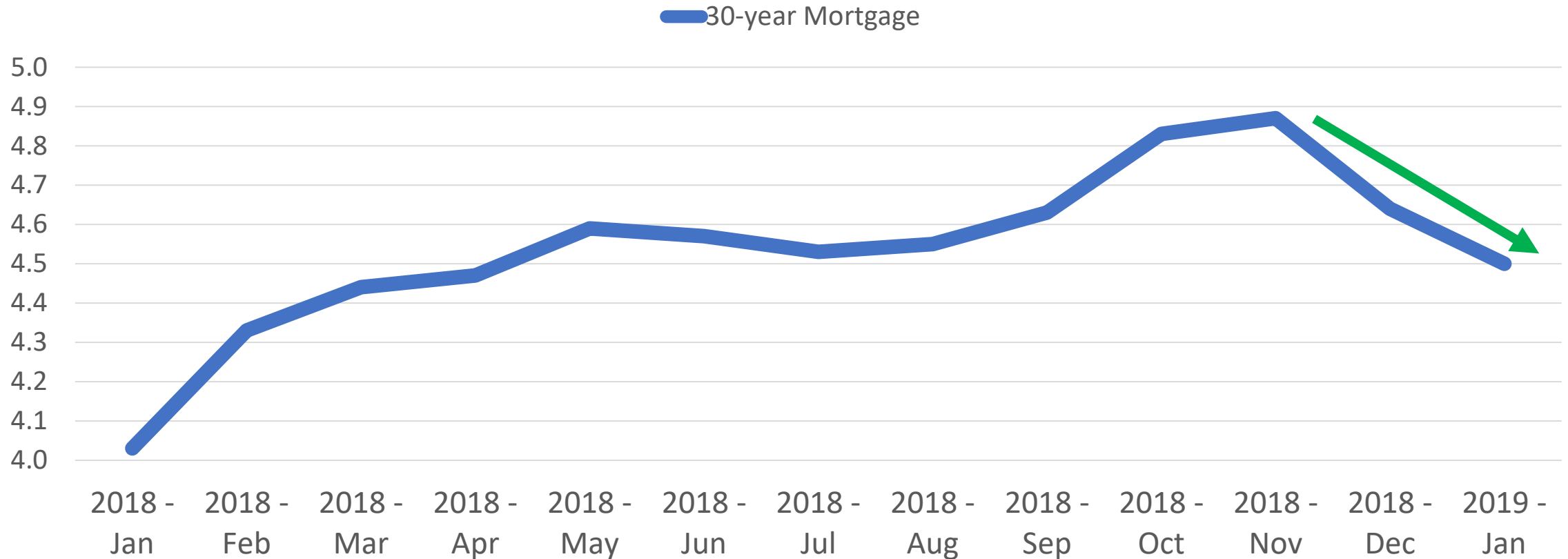
Change in Employment in February 2019 from One Year Ago



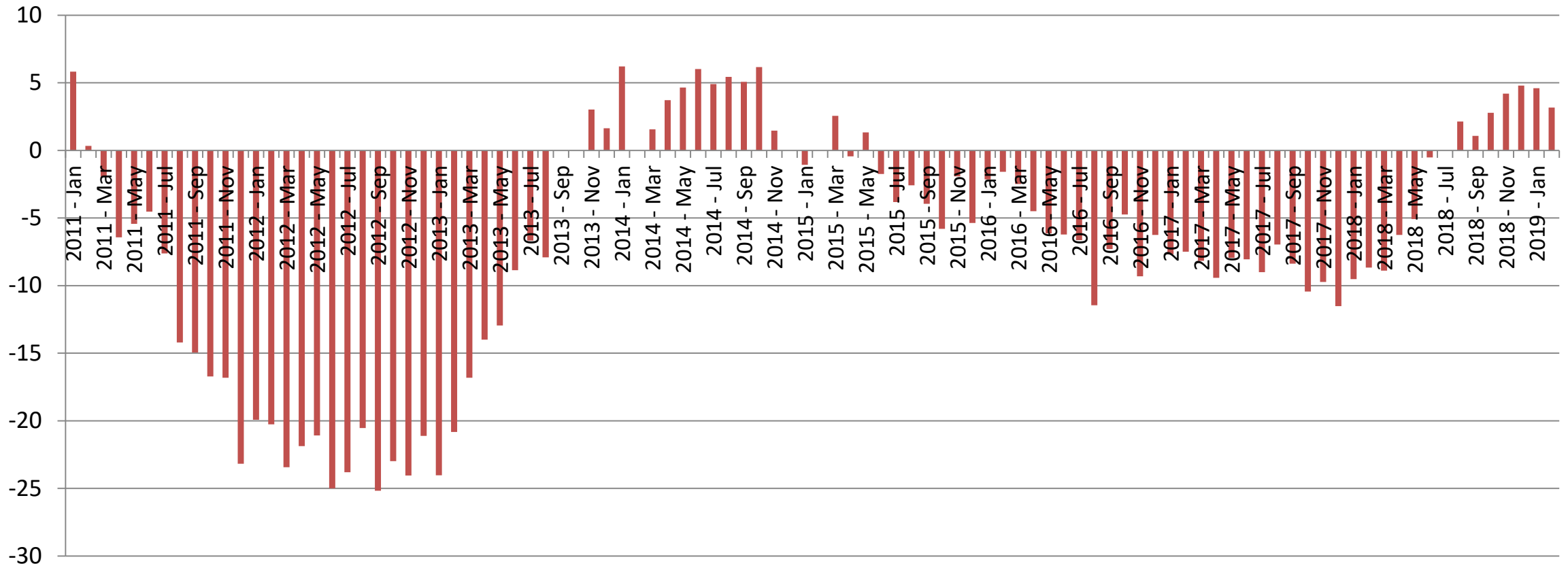
# Wage Growth and Home Price Growth



# “Patient” Fed ... Impact on Mortgage Rates



# Inventory Growth: 7<sup>th</sup> straight months (% change from one year ago)



Source: NAR



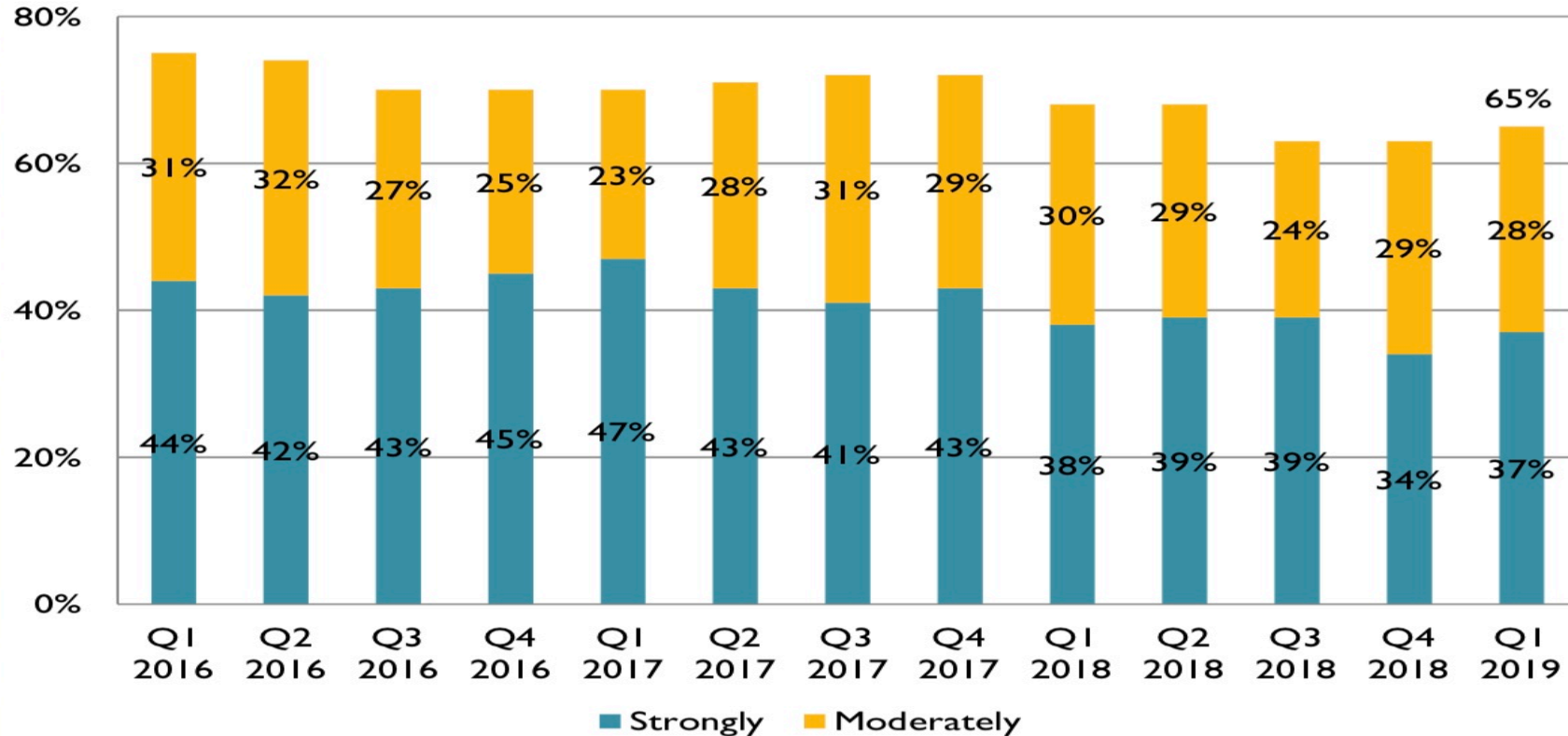


# Inventory of Homes For Sale

(7<sup>th</sup> straight months of increase on a year-over-year basis)

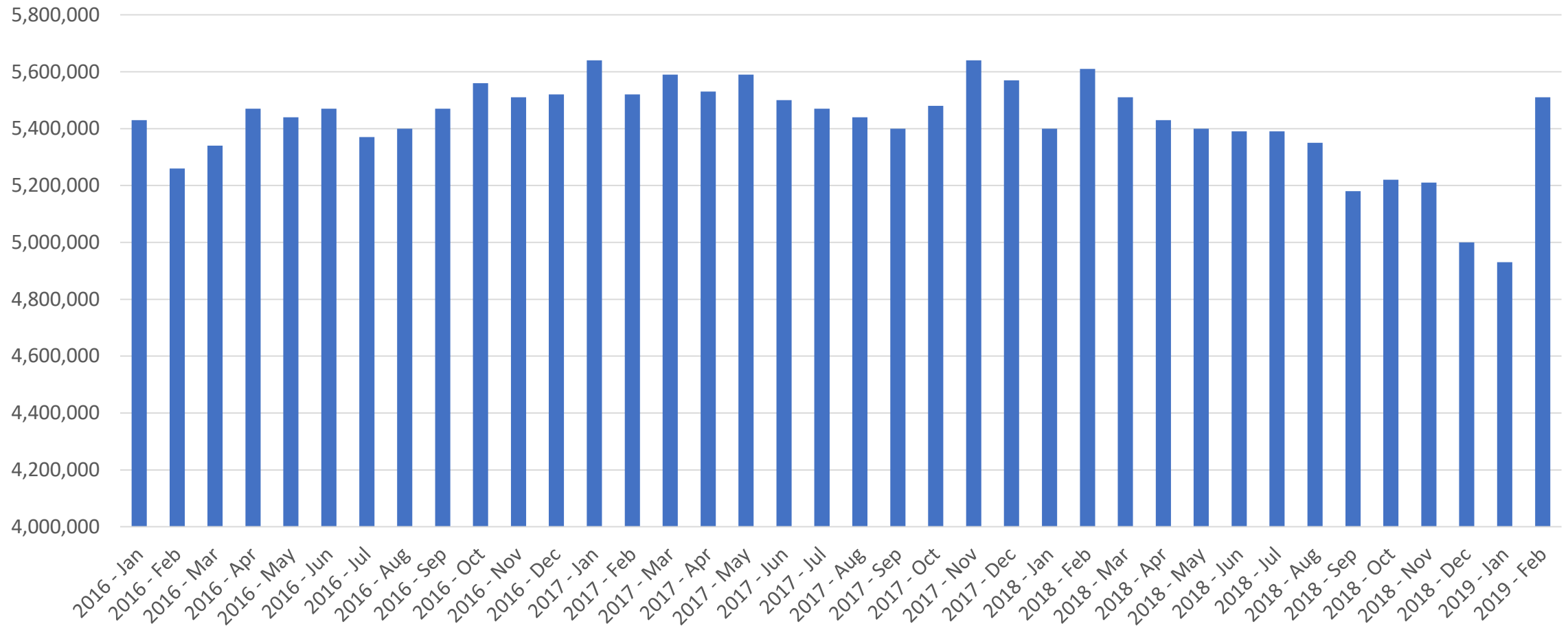


## Good Time to Buy a Home, Strongly or Moderately



**2019 NAR HOME Survey**

# National Existing Home Sales - Sideways Since 2016

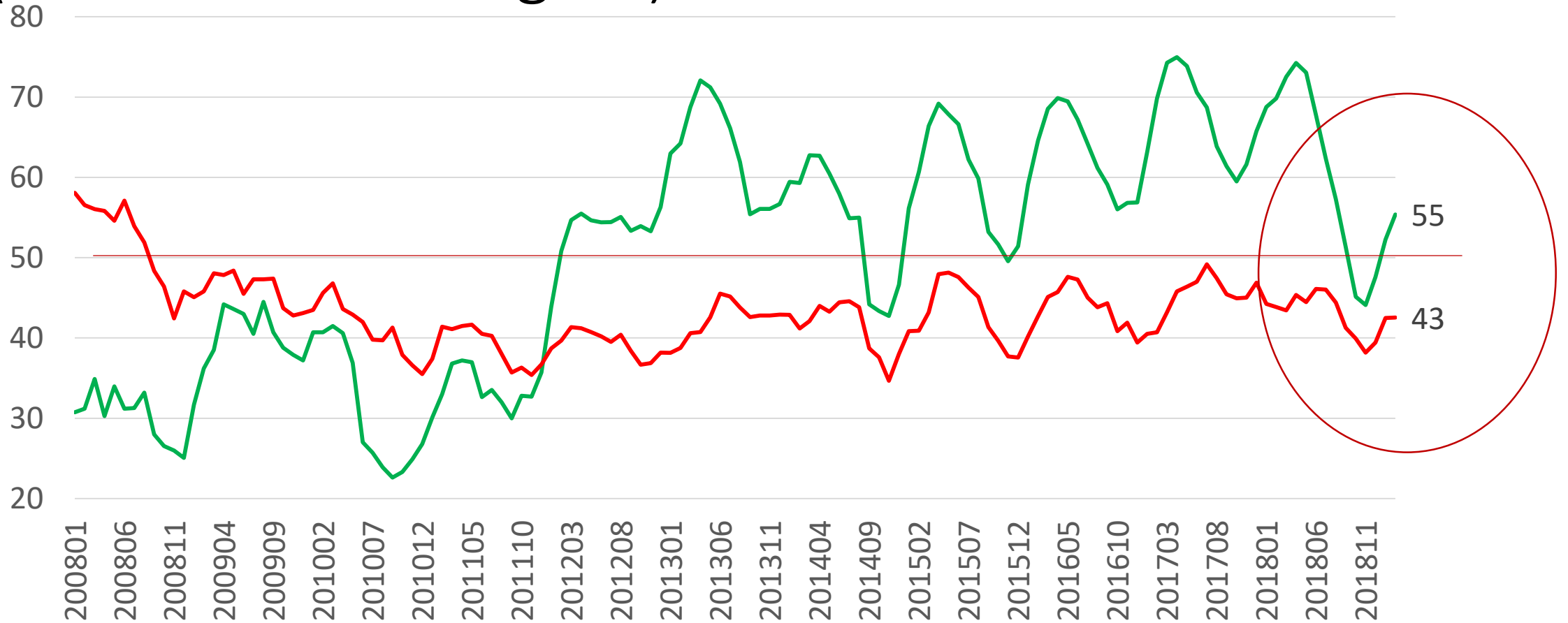


# Mortgage Purchase Applications

4-week moving average

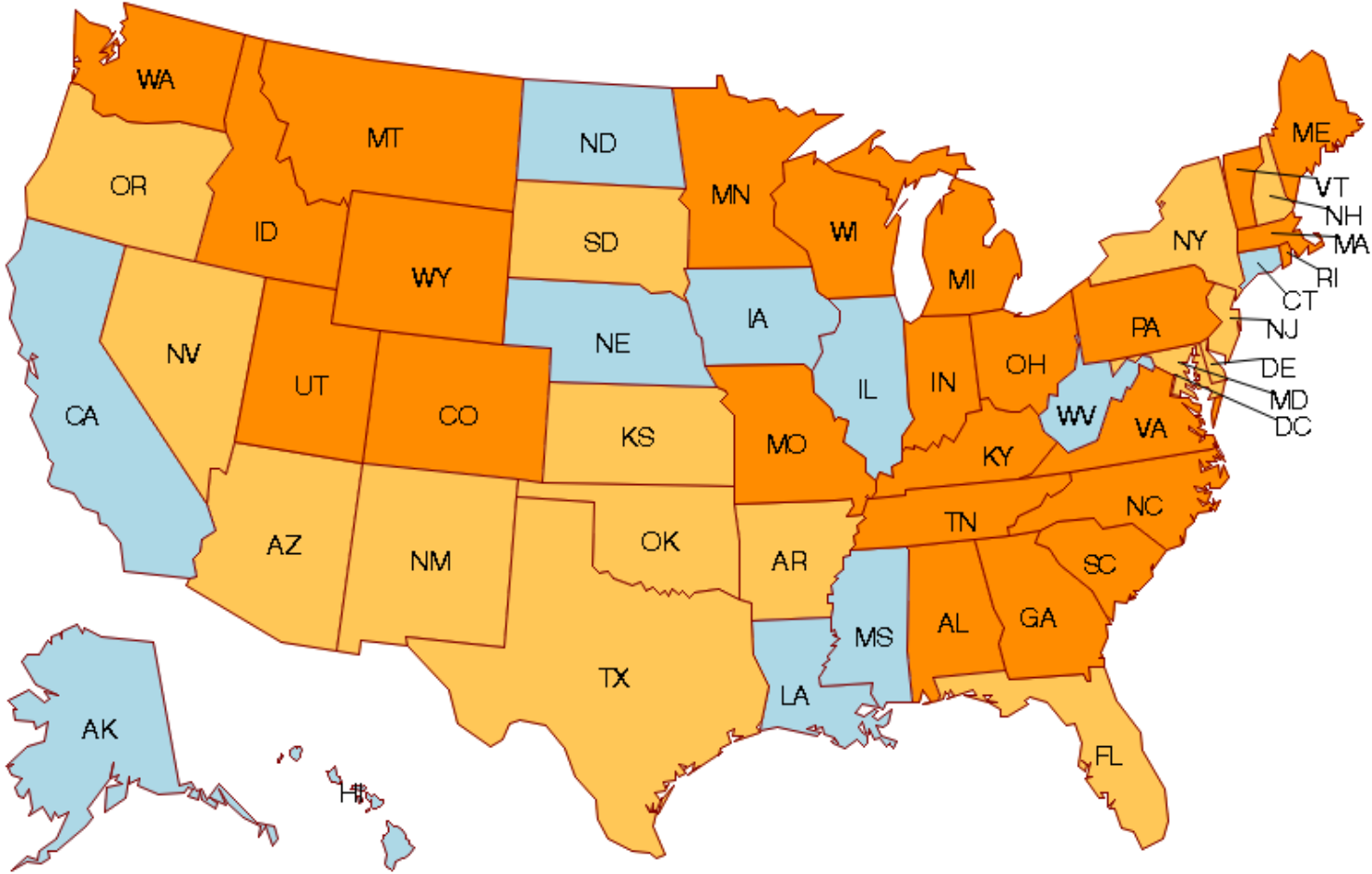


# REALTORS® Buyer and Seller Traffic Index (Above 50="Stronger")



— Buyer Traffic Index — Seller Traffic Index

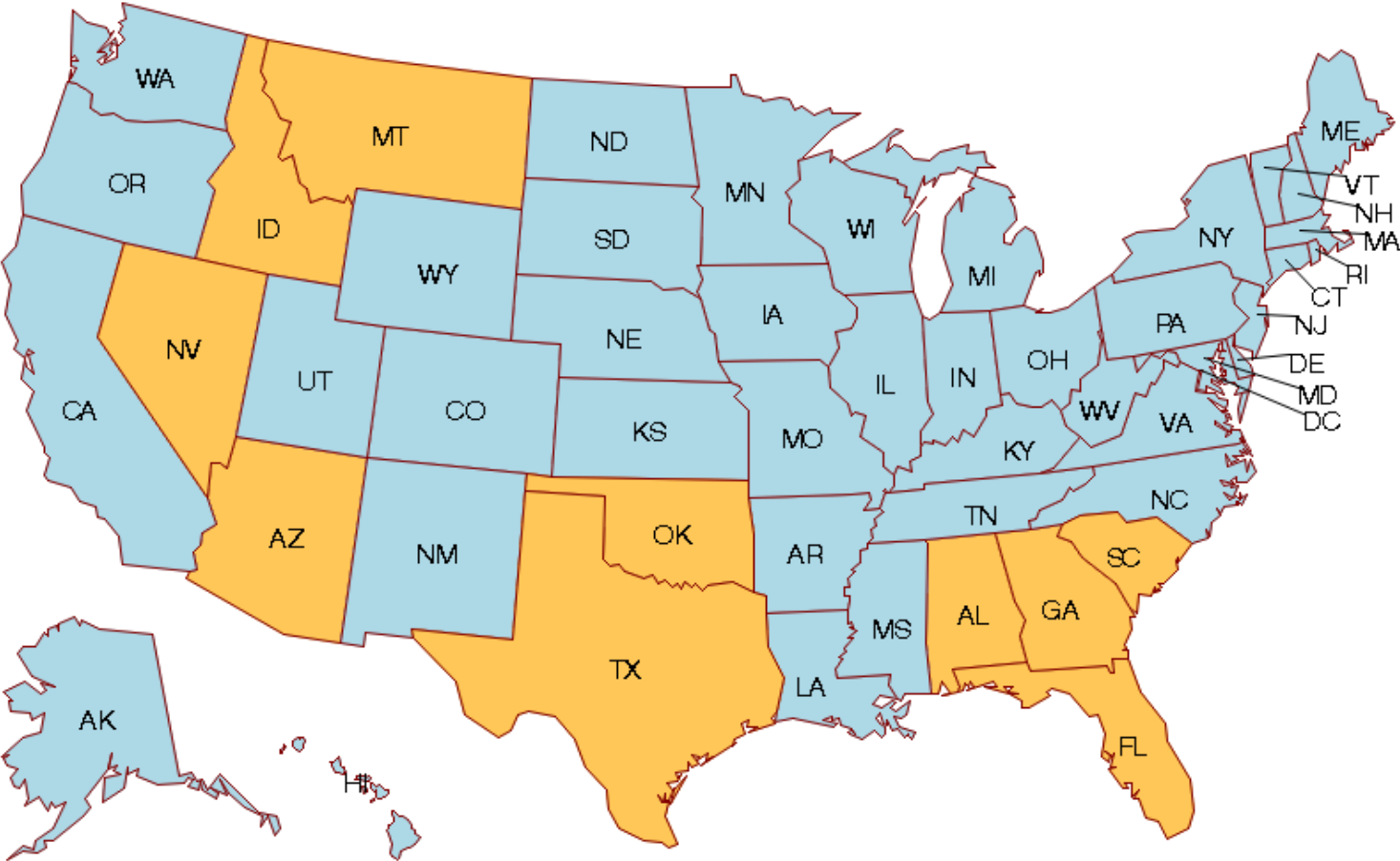
# REALTORS® Buyer Traffic Index



REALTORS® Buyer Traffic Index

Weak (25+ to 45)    Stable (45+ to 55)    Strong (55+ to 75)

# REALTORS® Seller Traffic Index



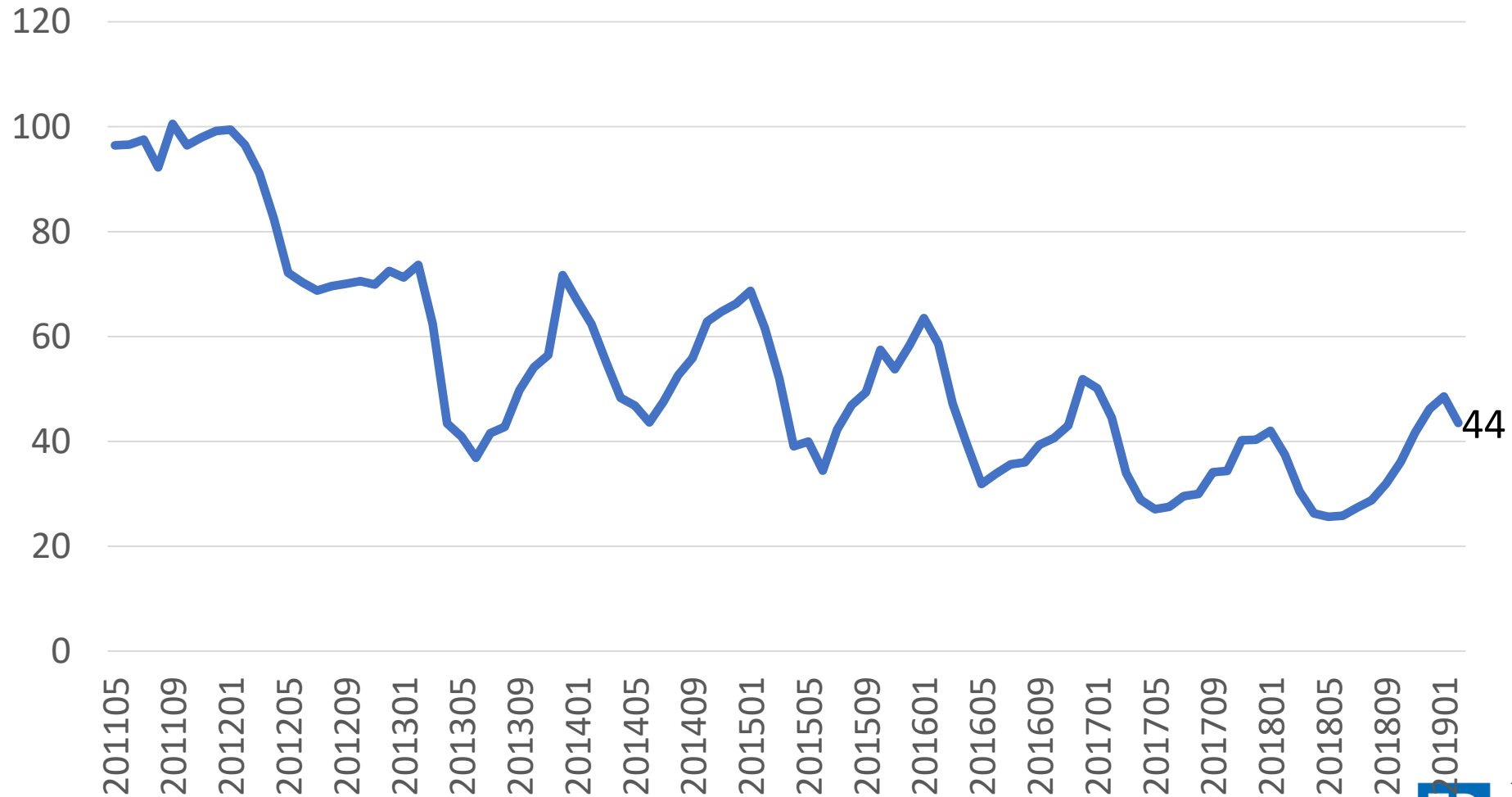
REALTORS® Seller Traffic Index

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

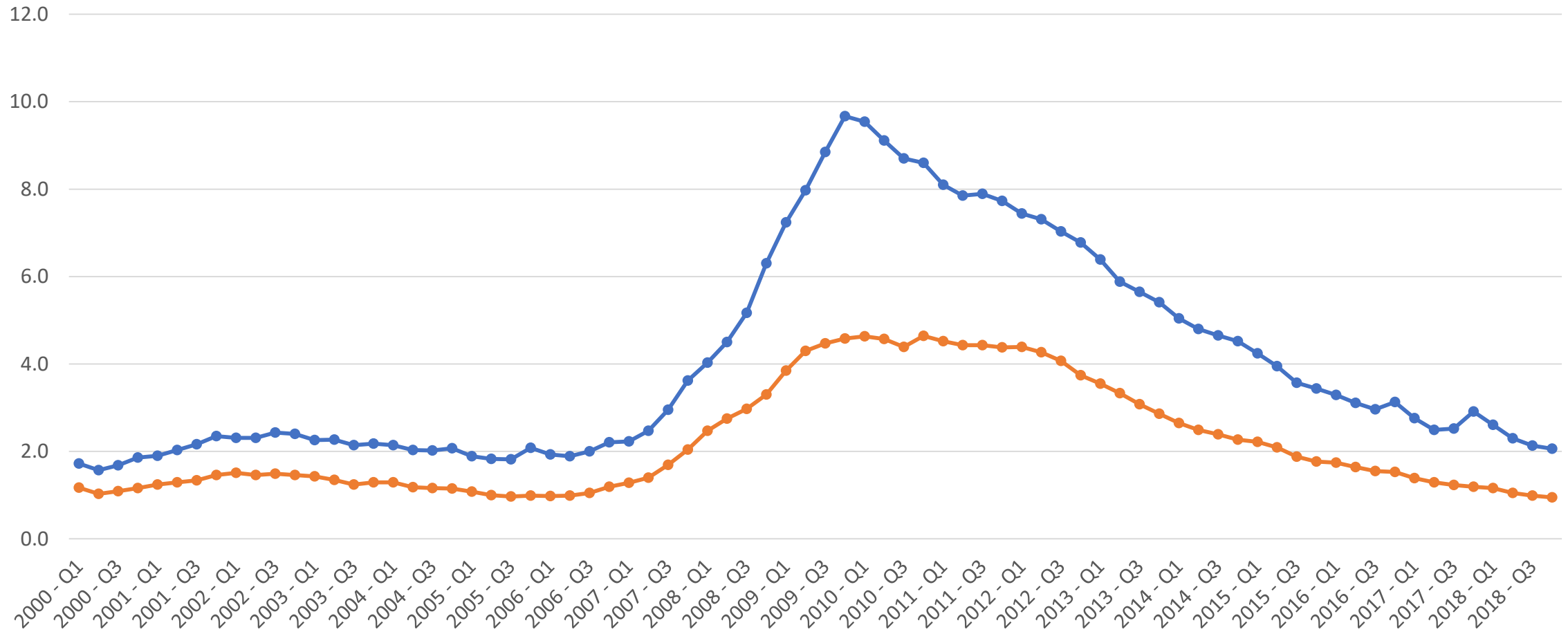




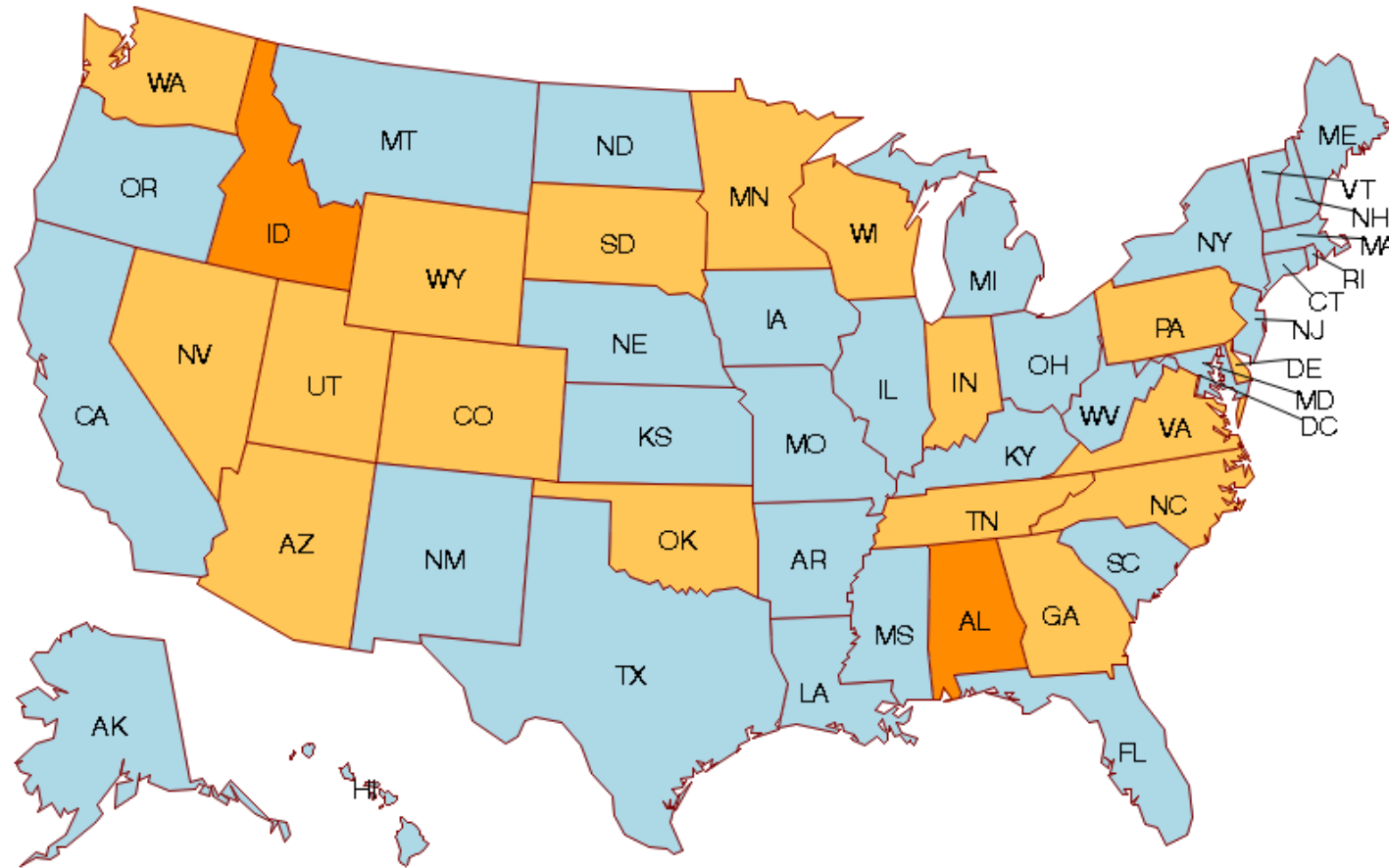
# REALTORS® Median Days on Market



# Mortgages in Foreclosure and Seriously Delinquent (%)



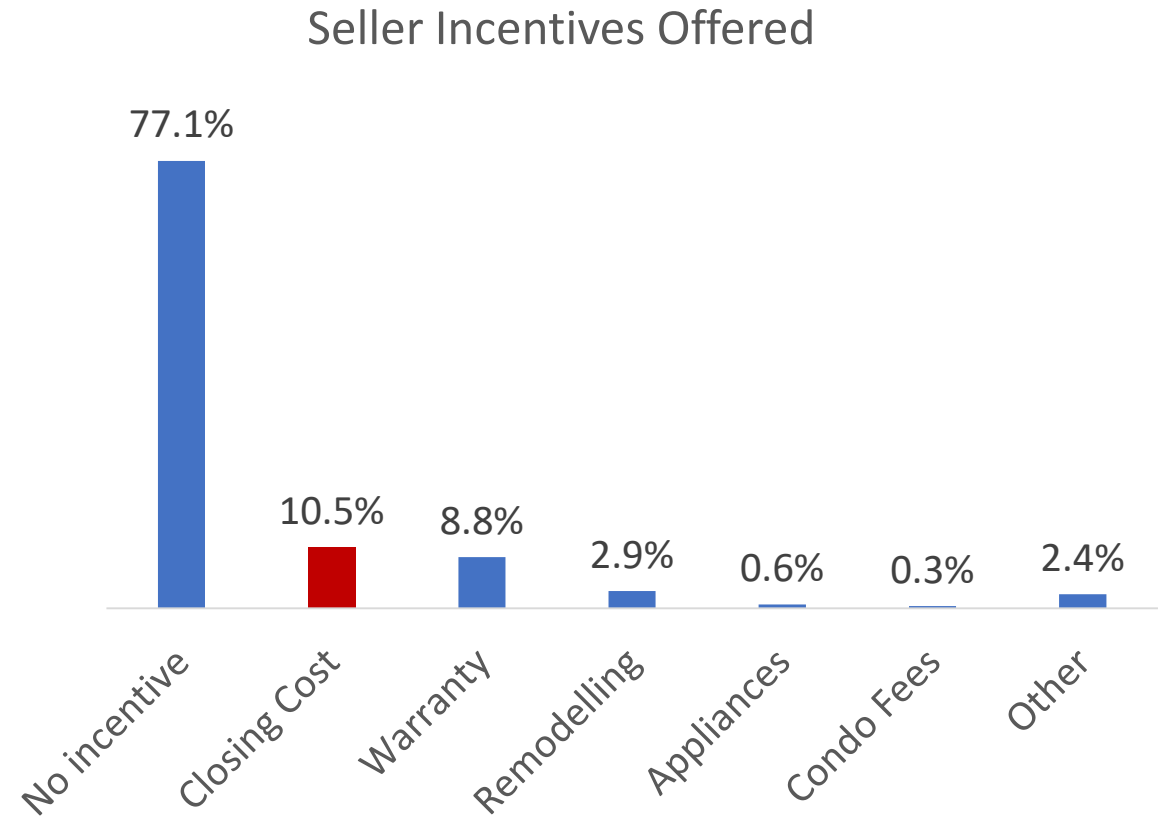
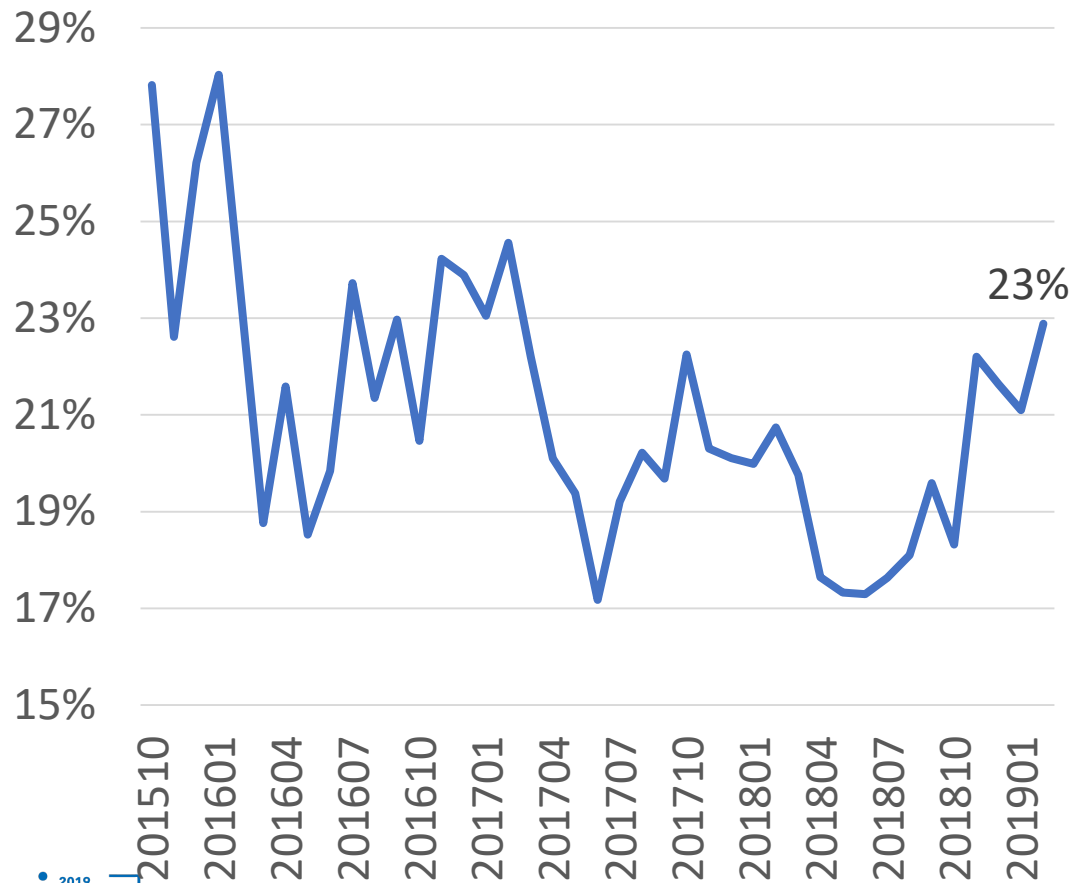
# REALTORS® Median Expected Price Change in Next 12 Months



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

0% to 2%    2% to 3%    3% to 5%

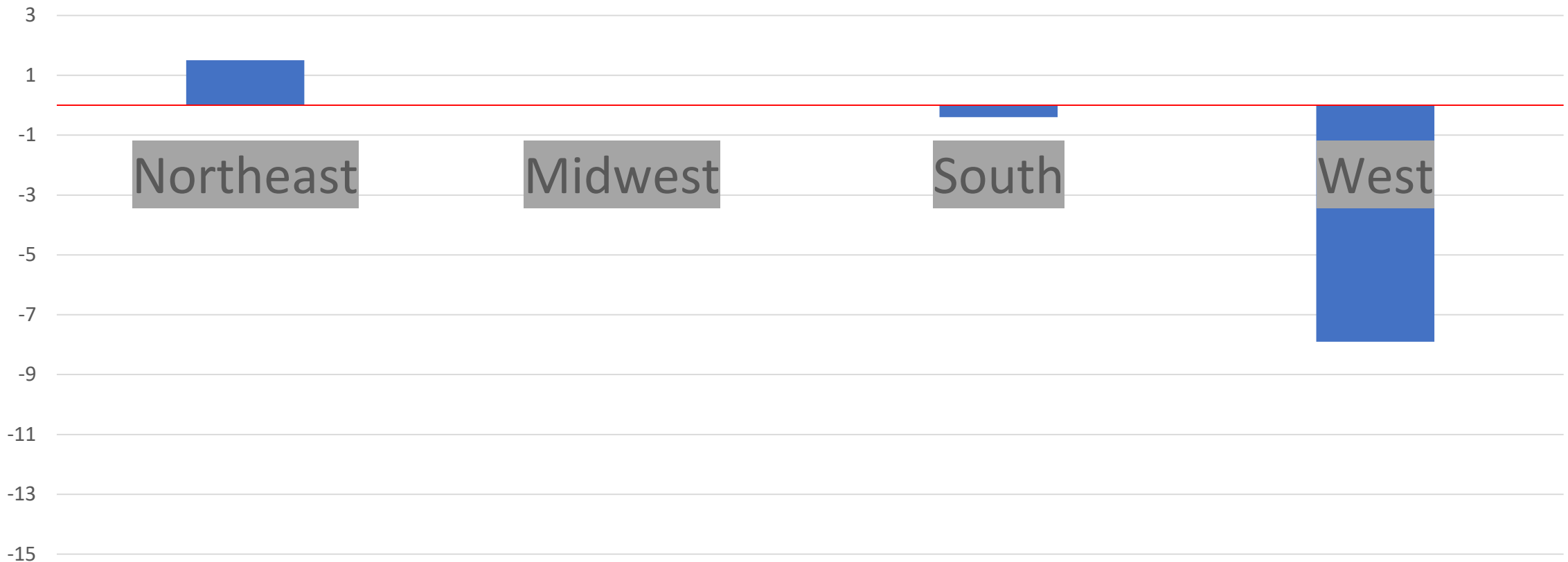
# Percent of Closed Sales Where Seller Offered Incentives



# Regional Variations

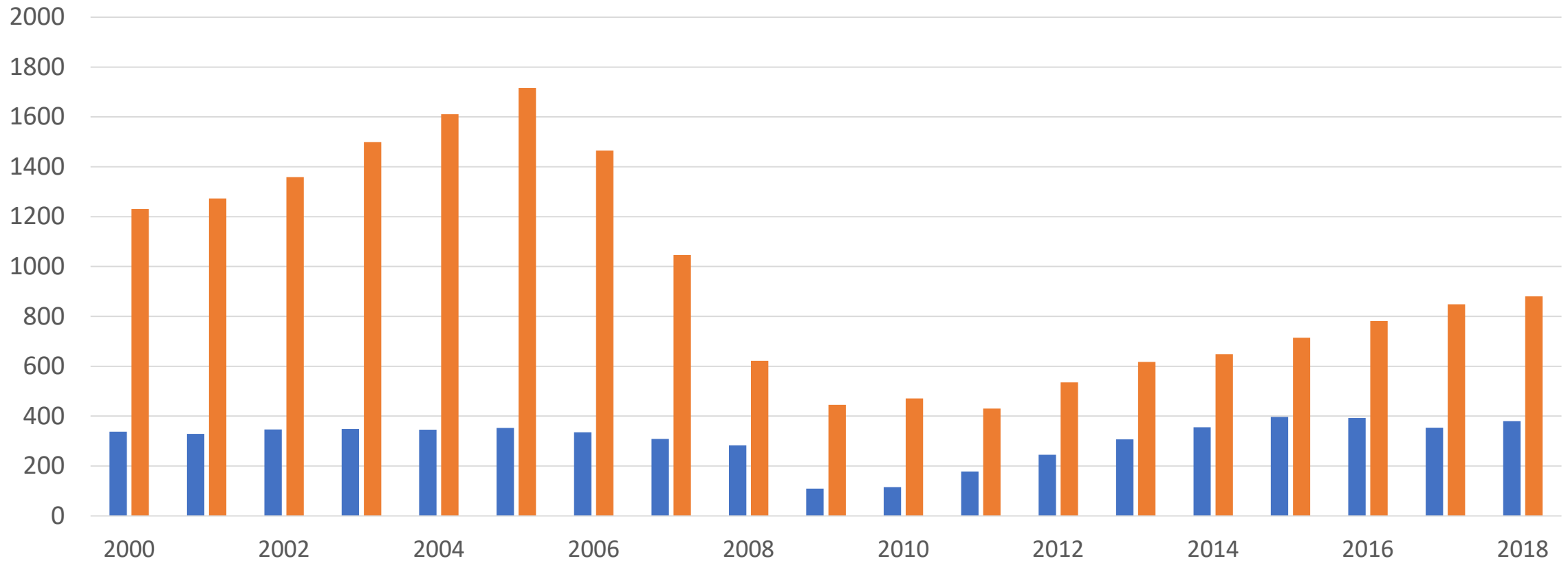
## West hit by Unaffordability (not jobs)

% change in Closings from one year ago



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

■ Multifamily ■ Single-Family



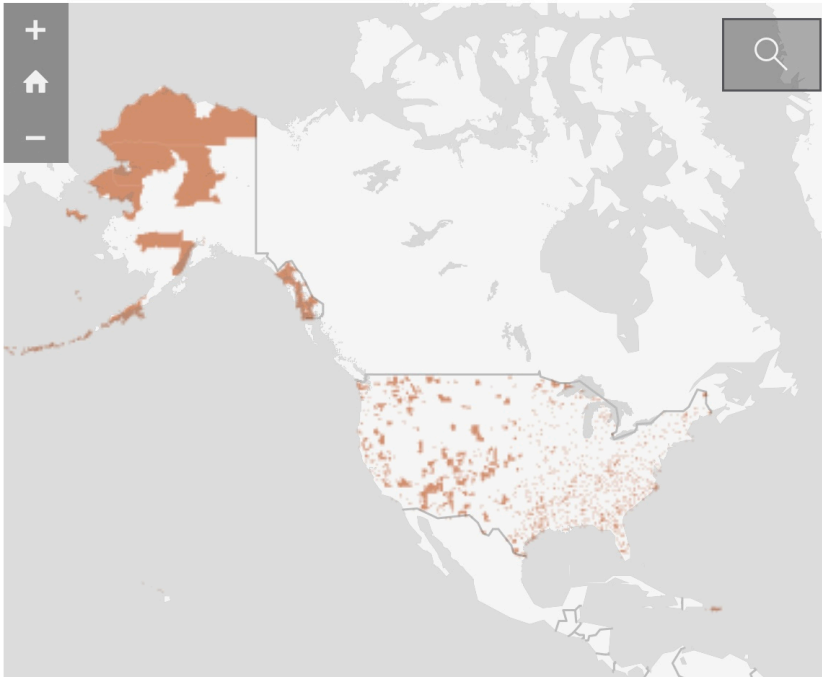
# Consequence and Possible Solutions

- BAD: Homeowners staying put for longer period
- BAD: Home prices outpace income growth ... hurts affordability
- BAD: Slower economic growth
- BAD: Rent Control discussion come alive
  
- 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



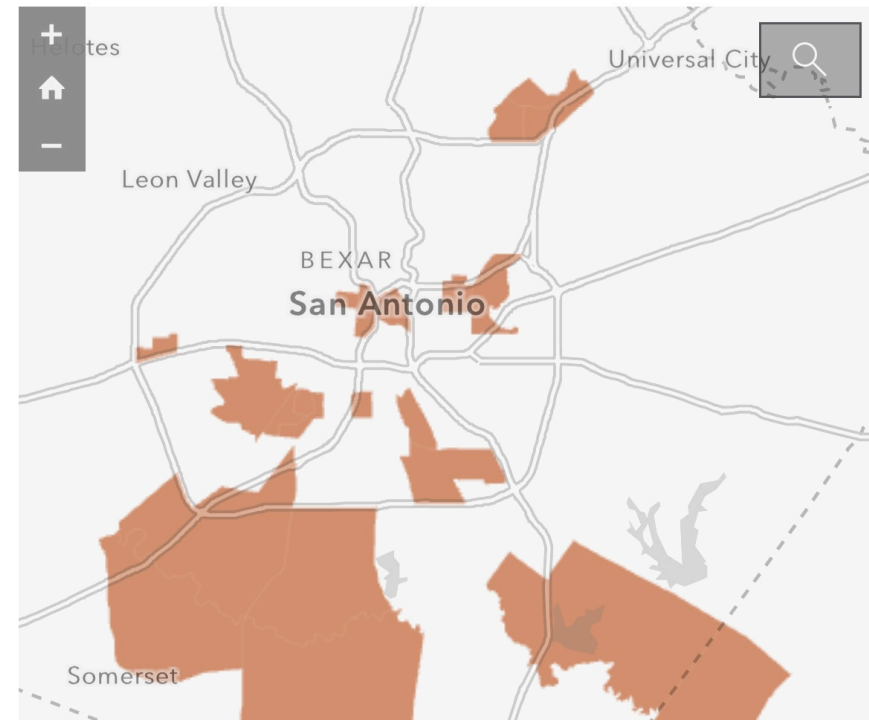
### Opportunity Zone Maps

Here's a map showing how many Opportunity Zones were created from the eligible census tracts:

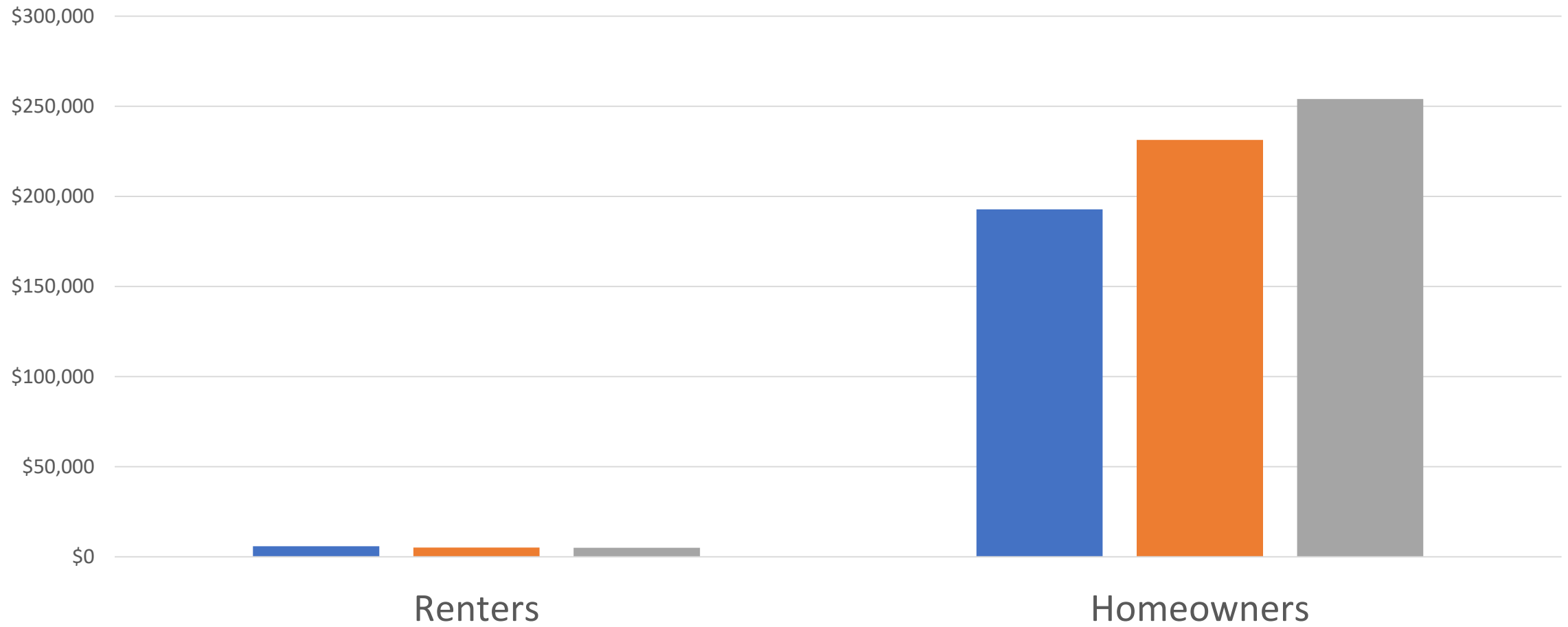


### Opportunity Zone Maps

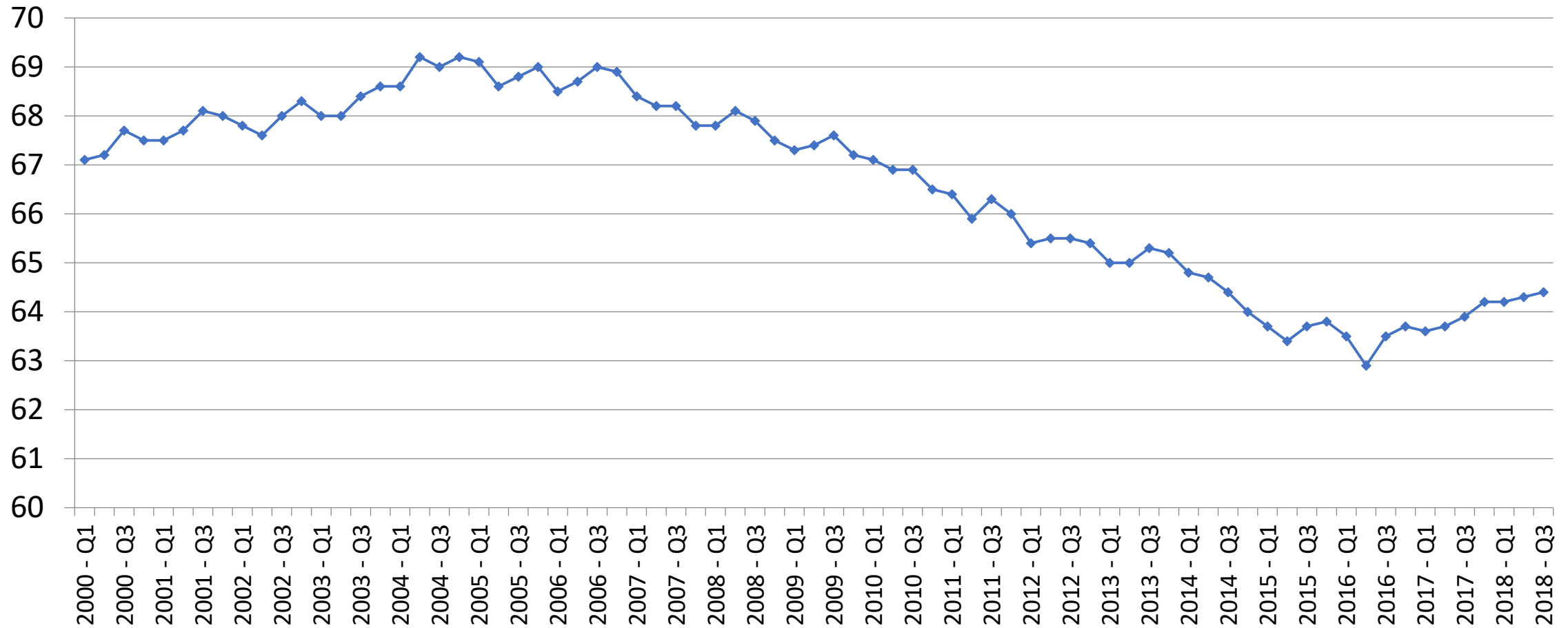
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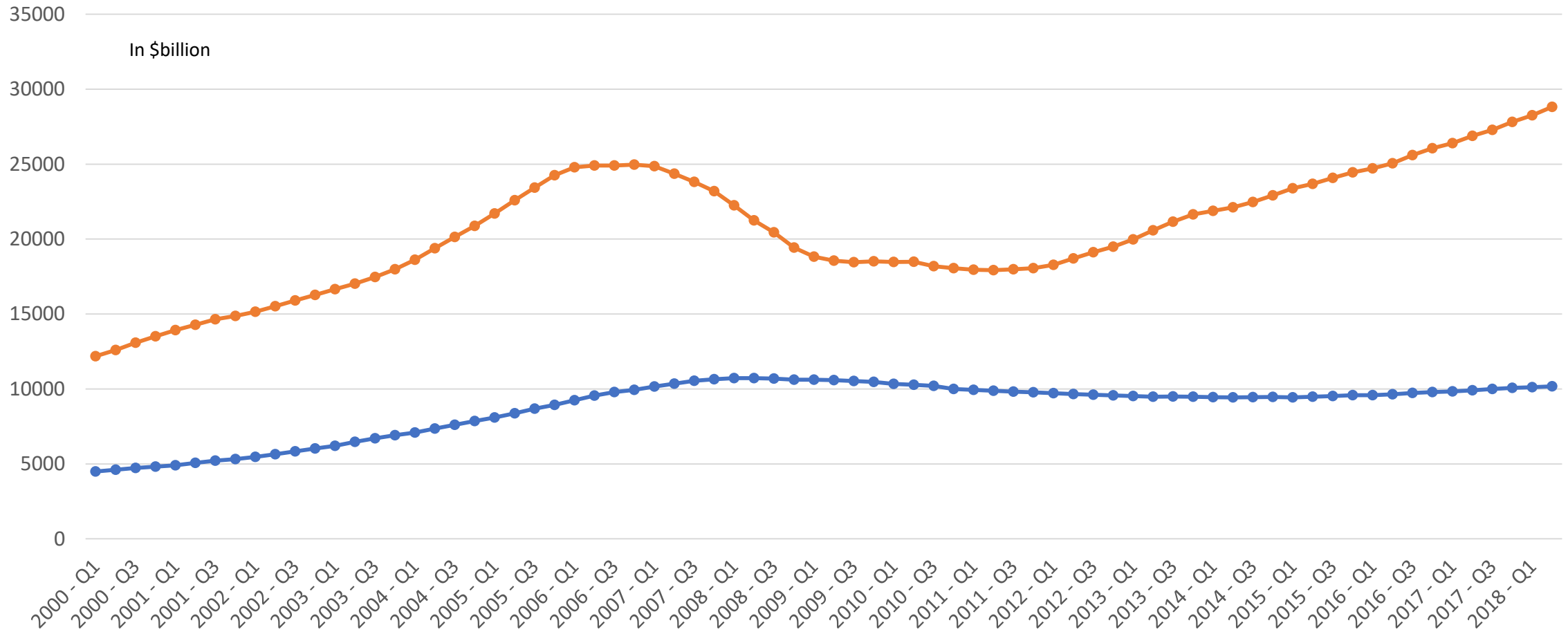
# Wealth: From 2000 to 2016 to 2018



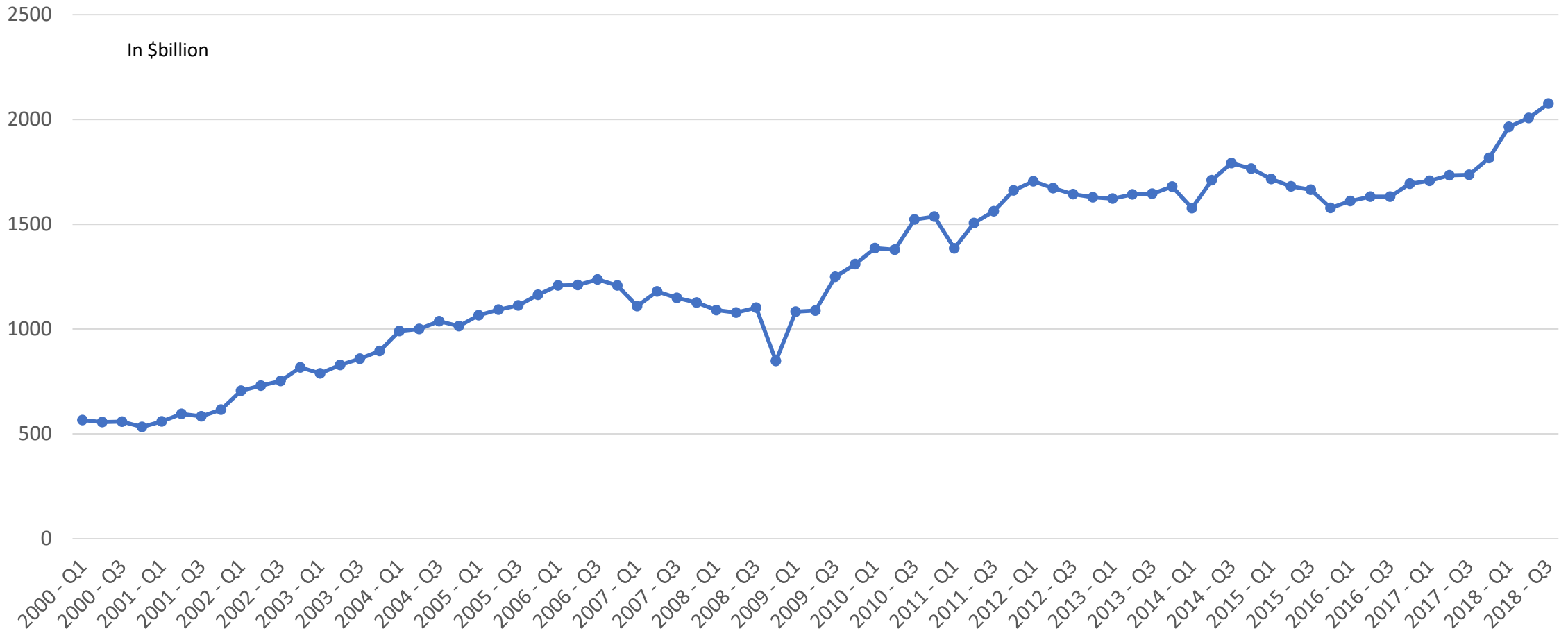
# Homeownership Rate Trying to Make a Comeback



# Real Estate Wealth = Asset - Mortgage



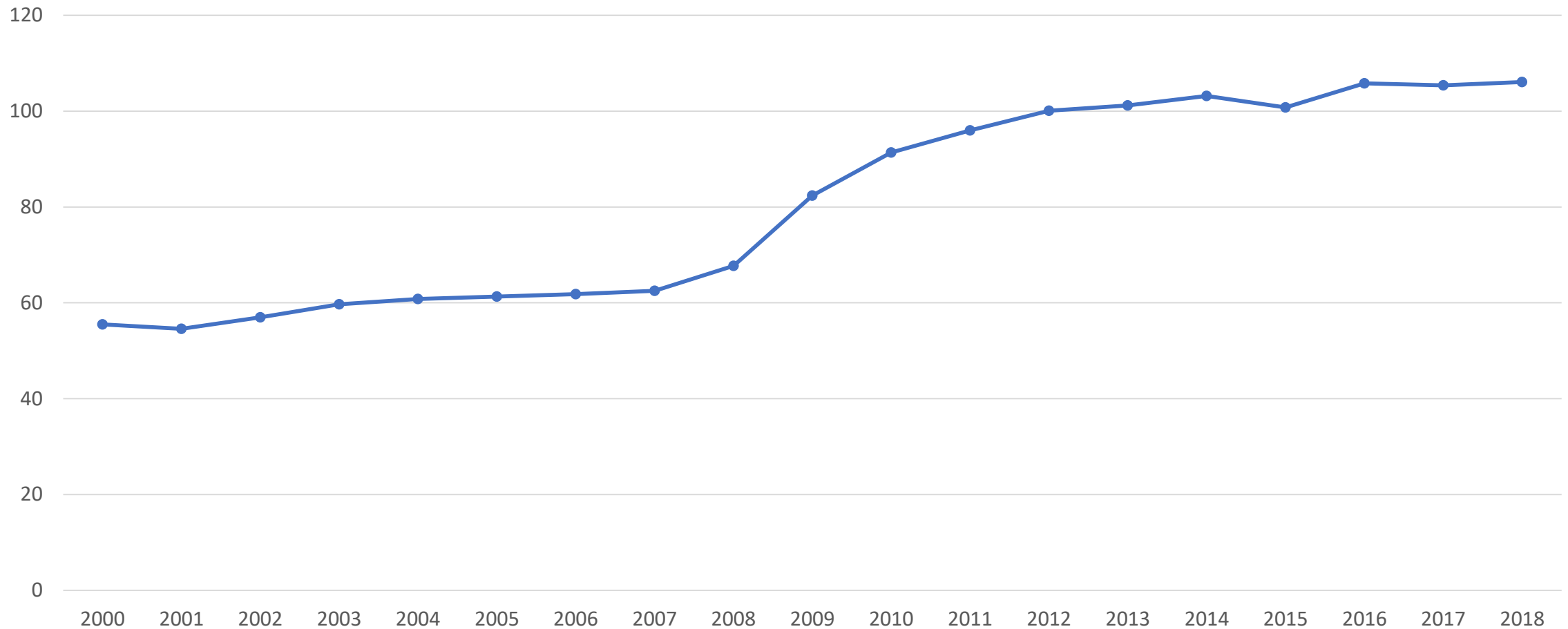
# After-Tax Corporate Profits



# Too Much Borrowing?

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

# National Debt to GDP (%)



# 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



# Oklahoma SALT

## SALT Deduction

### By income level

In Oklahoma, 24% of taxpayers claimed the SALT deduction in 2016.

Looking at the average deduction by income level, the taxpayers who paid above \$10,000 on average for state and local taxes make up 2.9%\* of all taxpayers in Oklahoma.

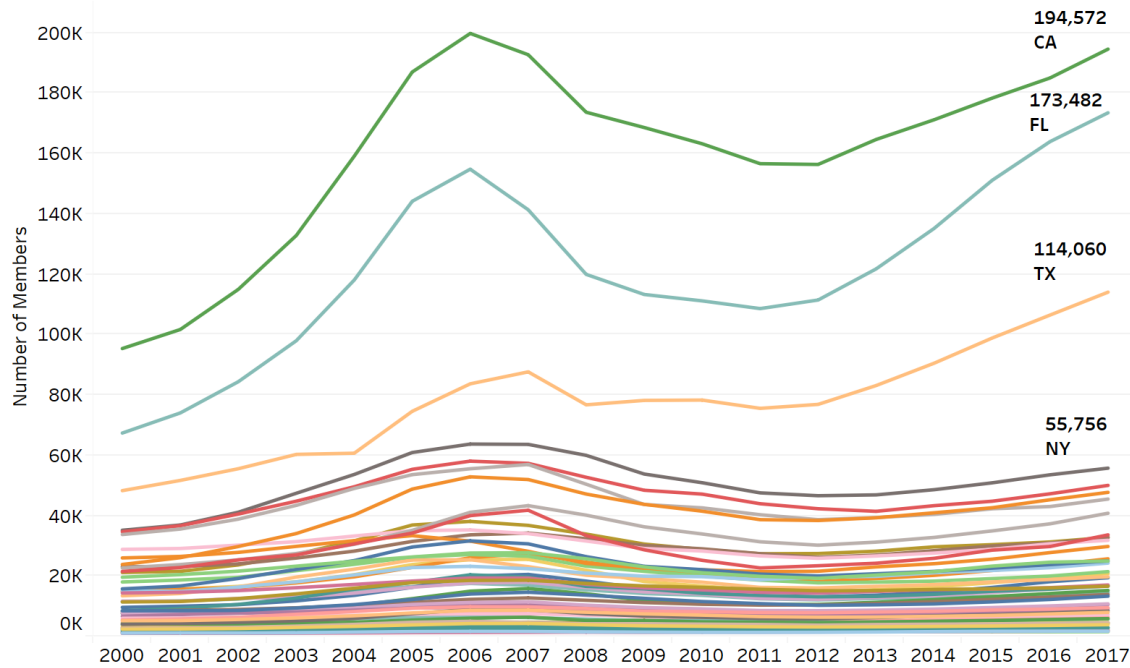
**Total number of returns: 1.6M**

Income Category	Number of taxpayers claiming SALT deduction	Share of taxpayers claiming SALT deduction	Avg SALT deduction
\$1-\$10K	7,090	3%	\$2,418
\$10K-\$25K	22,210	6%	\$2,258
\$25K-\$50K	60,360	15%	\$2,809
\$50K-\$75K	68,210	31%	\$3,965
\$75K-\$100K	61,080	44%	\$5,270
\$100K-\$200K	117,230	69%	\$8,224
\$200K-\$500K	37,930	94%	\$17,192
\$500K-\$1M	6,160	96%	\$39,164
\$1M+	2,550	92%	\$126,333

Source: NAR Calculations of 2016 IRS data

# NAR Membership by State

(2000-2017)



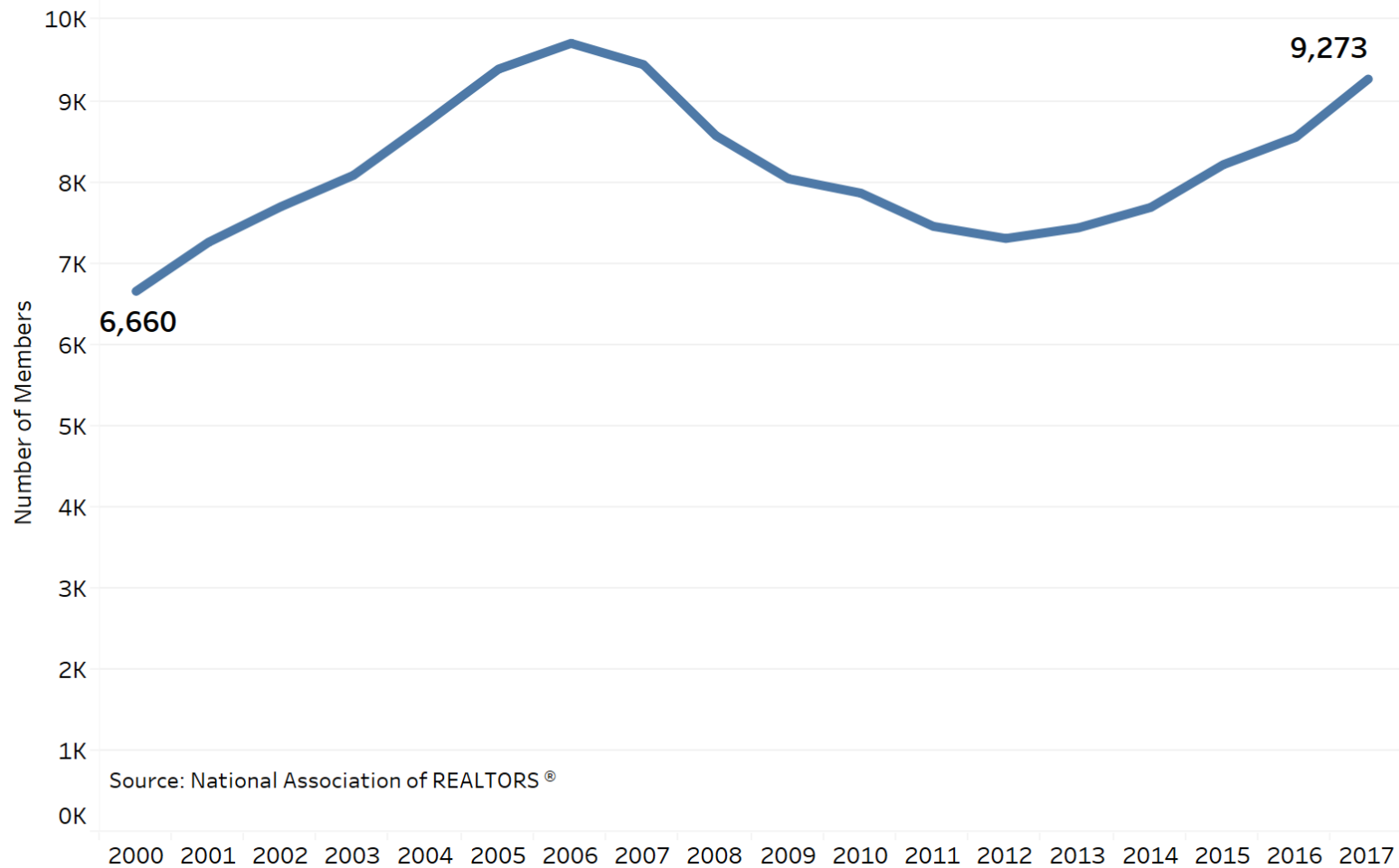
- States
- |                    |          |               |                |                |               |
|--------------------|----------|---------------|----------------|----------------|---------------|
| Alabama            | Florida  | Louisiana     | Nebraska       | Oklahoma       | Vermont       |
| Alaska             | Georgia  | Maine         | Nevada         | Oregon         | Virginia      |
| Arizona            | Hawaii   | Maryland      | New Hampshire  | Pennsylvania   | Washington    |
| Arkansas           | Idaho    | Massachusetts | New Jersey     | Rhode Island   | West Virginia |
| California         | Illinois | Michigan      | New Mexico     | South Carolina | Wisconsin     |
| Colorado           | Indiana  | Minnesota     | New York       | South Dakota   | Wyoming       |
| Connecticut        | Iowa     | Mississippi   | North Carolina | Tennessee      |               |
| Delaware           | Kansas   | Missouri      | North Dakota   | Texas          |               |
| District of Colu.. | Kentucky | Montana       | Ohio           | Utah           |               |

Source: National Association of REALTORS®



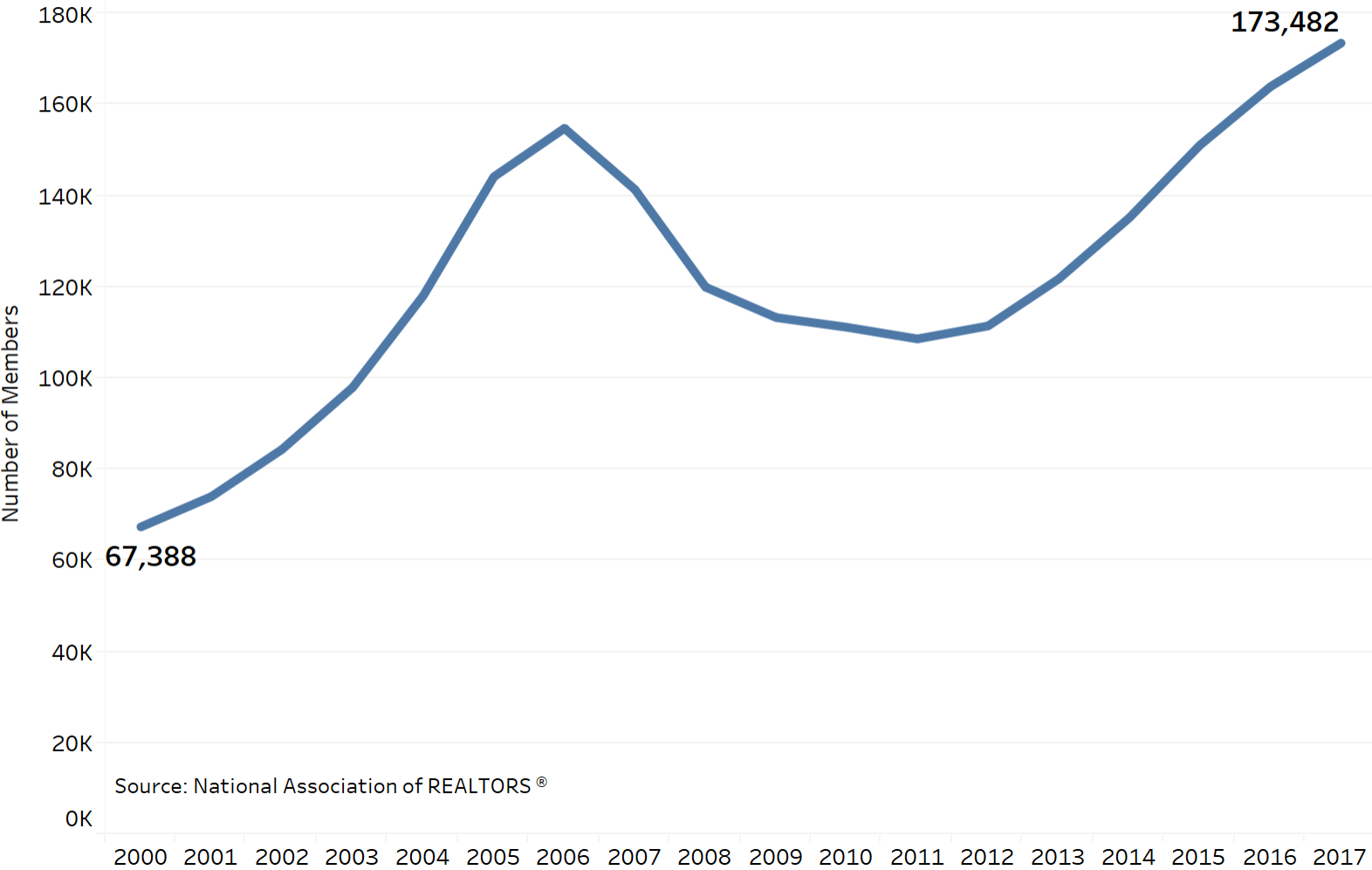
# NAR Membership in Kansas

(2000-2017)



# NAR Membership in Florida

(2000-2017)

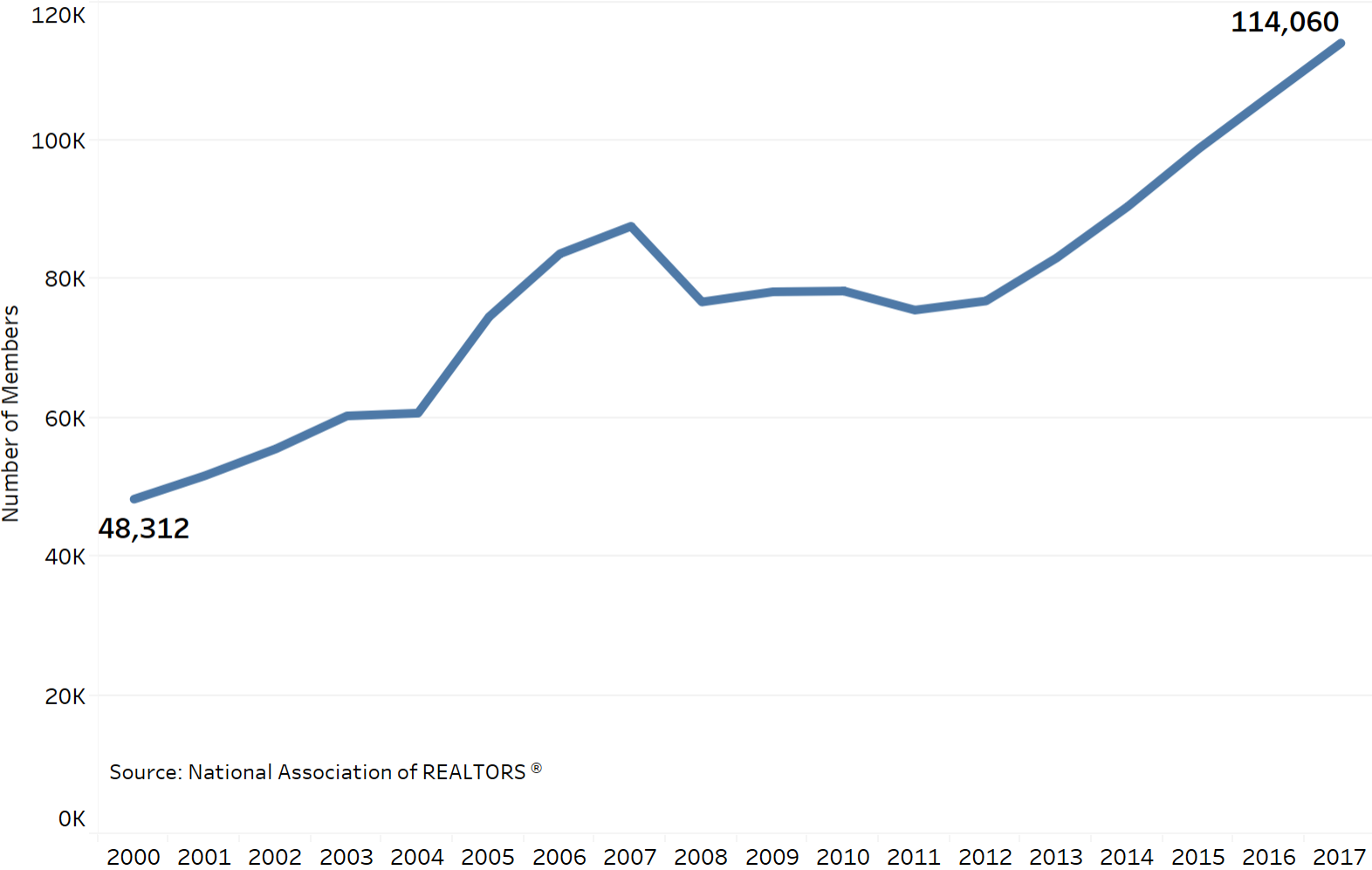


Source: National Association of REALTORS®



# NAR Membership in Texas

(2000-2017)

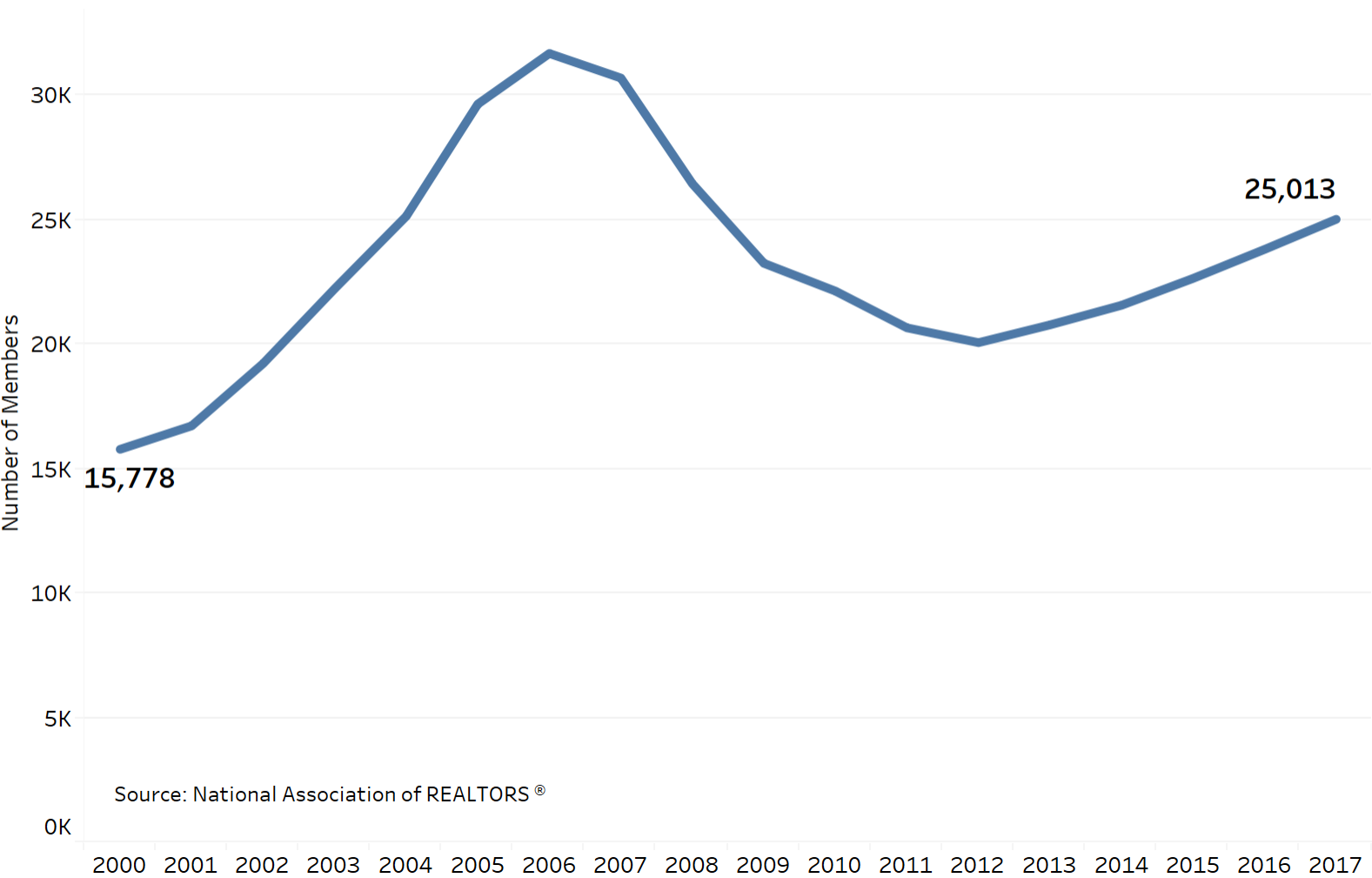


Source: National Association of REALTORS®



# NAR Membership in Maryland

(2000-2017)

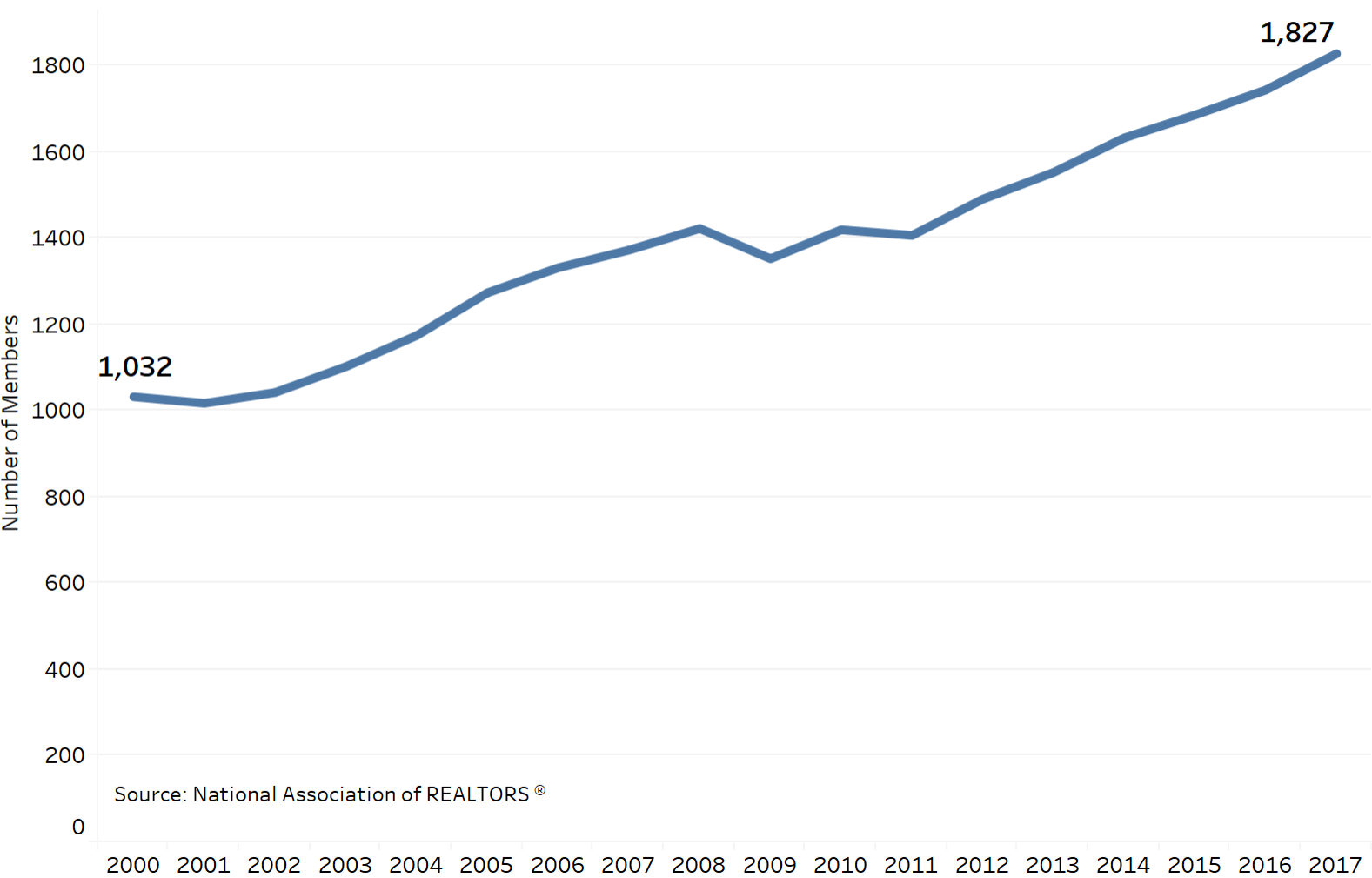


Source: National Association of REALTORS®



# NAR Membership in North Dakota

(2000-2017)

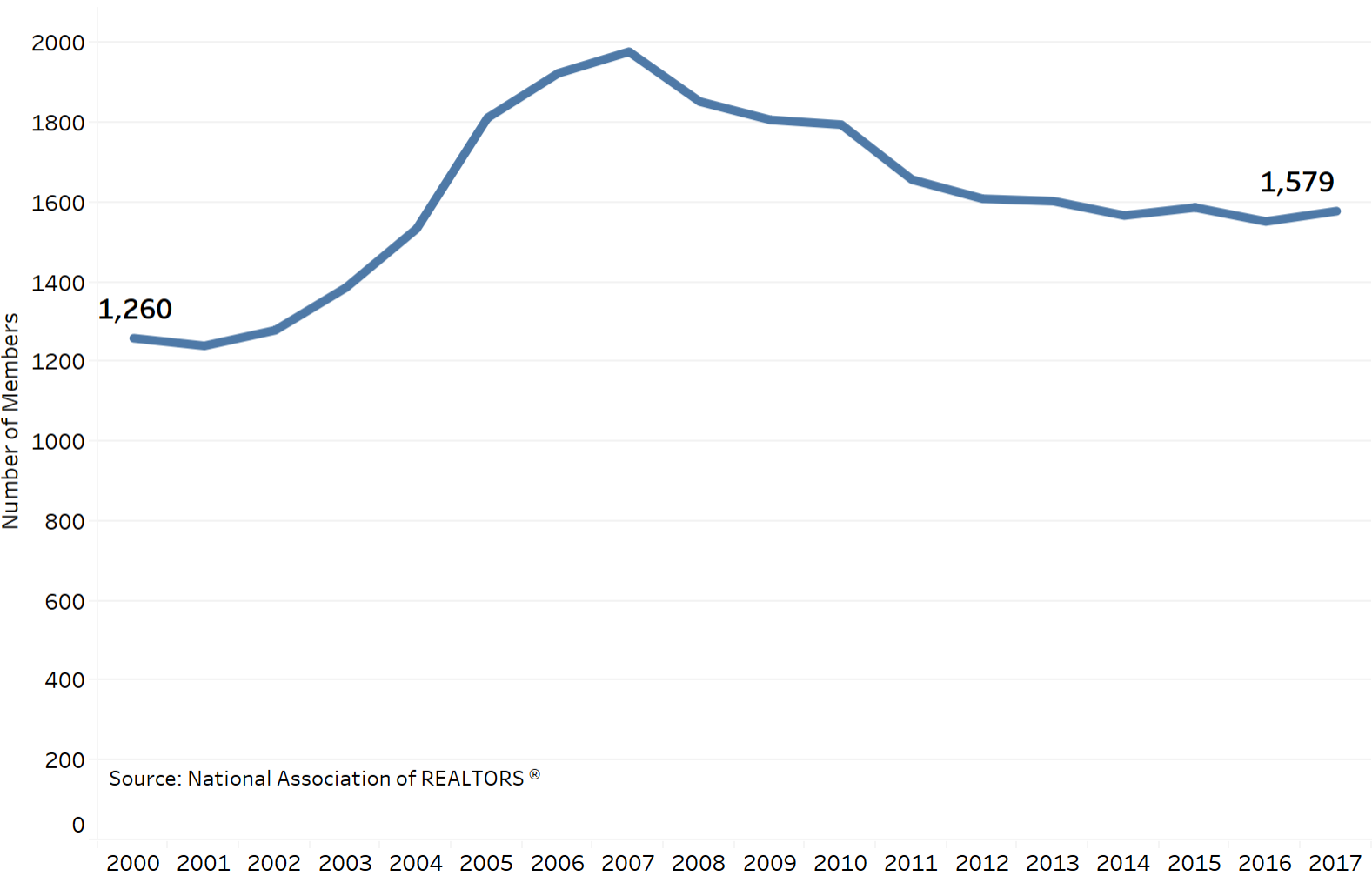


Source: National Association of REALTORS®



# NAR Membership in Vermont

(2000-2017)



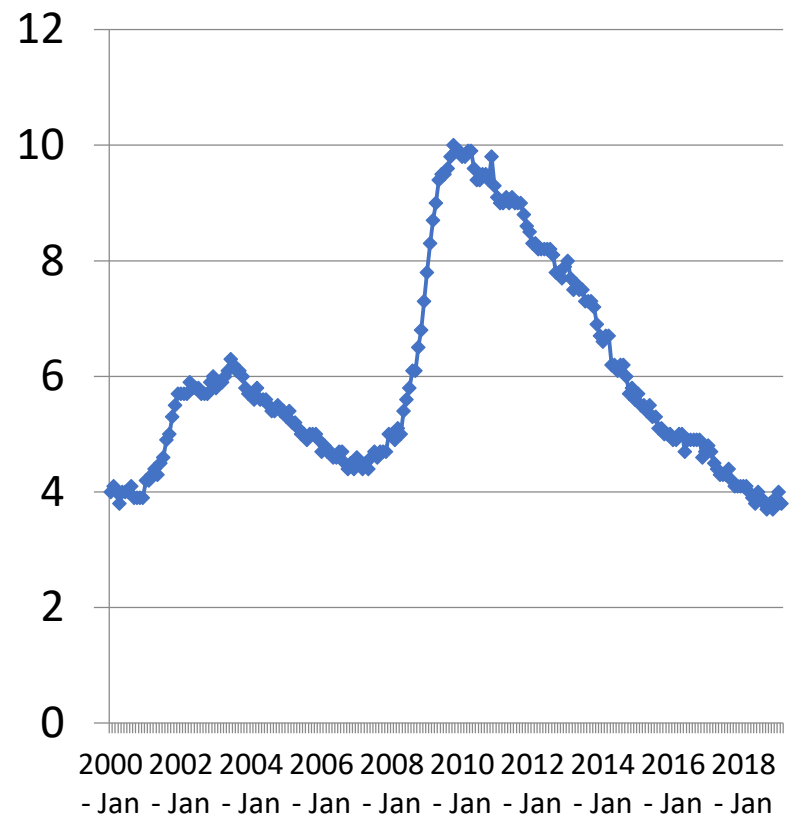
Source: National Association of REALTORS®



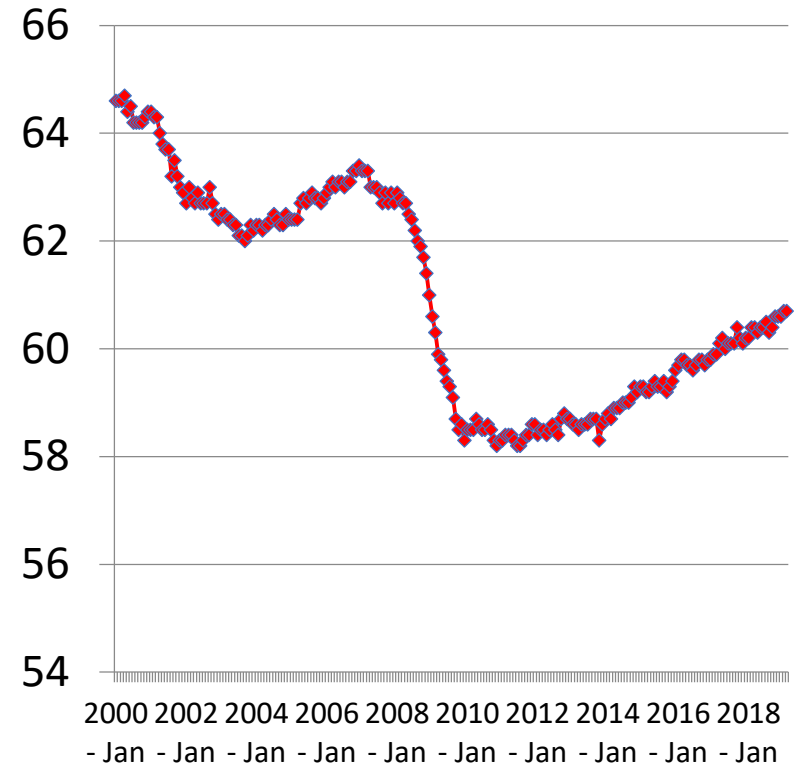


# Broad Labor Market Conditions

### Unemployment Rate



### Employment Rate (% of population with job)



# 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%

Thank You !

