



# Economy in 2017: Accelerating Changes

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Commercial Economic Issues & Trends Forum  
REALTORS® Legislative Meetings & Trade Expo | @NARLegislative  
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# We are in the wake of a historic year...

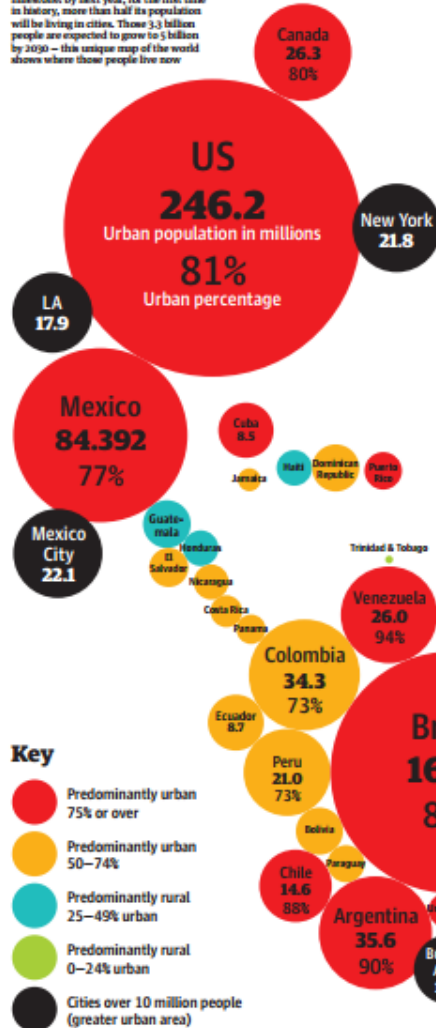
- Summer Olympics in Rio
- U.K. Referendum: Brexit (?)
- Stock market sets new records
- Central banks resort to negative interest rates
- Cannabis legalization: recreational in 8 states + DC; medical in 28 states
- Cubs win World Series after 108 years
- Presidential campaign | One party controls Congress & White House
- Fed FOMC funds rate hikes after 10 years of near-zero; more to come



# Global population exceeds 7.5 billion in 2017...

## The new urban world

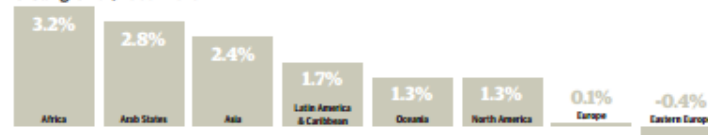
The earth reaches a momentous milestone by next year, for the first time in history, more than half its population will be living in cities. These 3.3 billion people are expected to grow to 5 billion by 2030 – this unique map of the world shows where those people live now



At the beginning of the 20th century, the world's urban population was only 200 million, mostly in the west

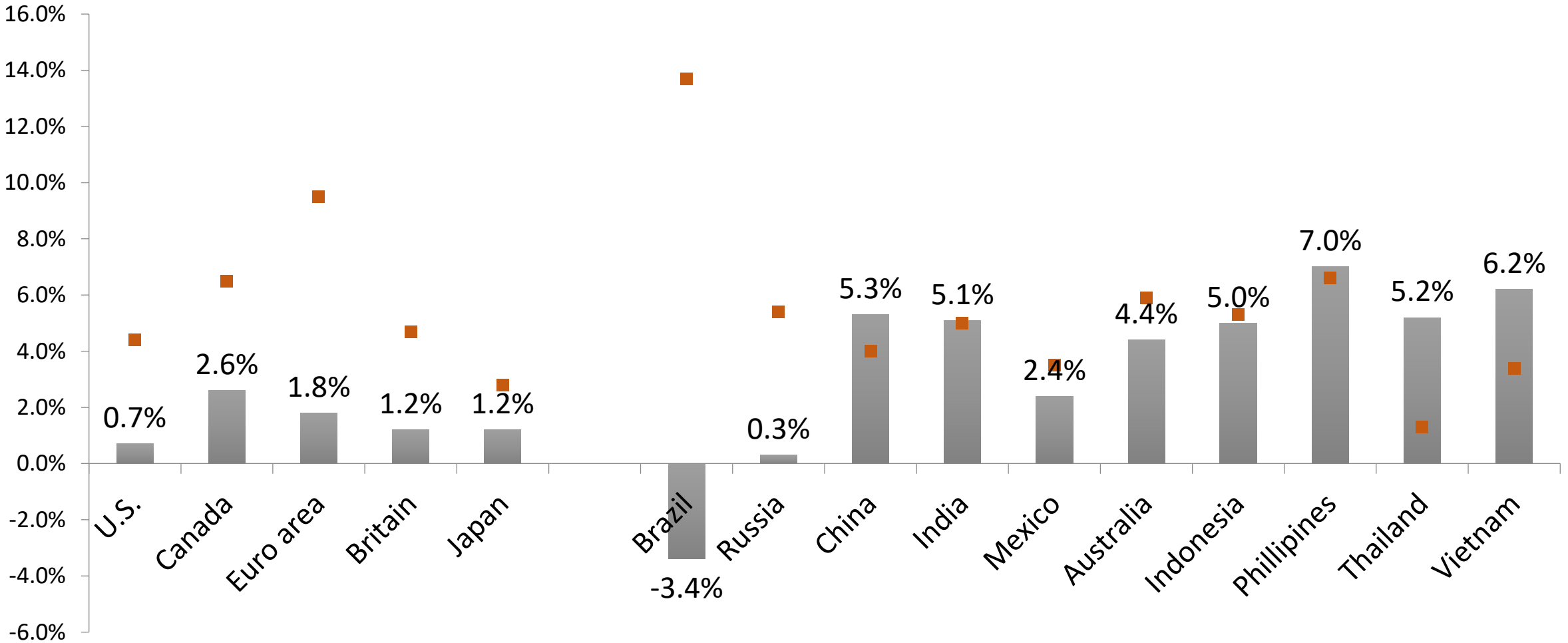
By 2030, the towns and cities of the developing world will make up 80% of urban humanity

### Urban growth, 2005–2010



# ...As global economies face moderate growth...

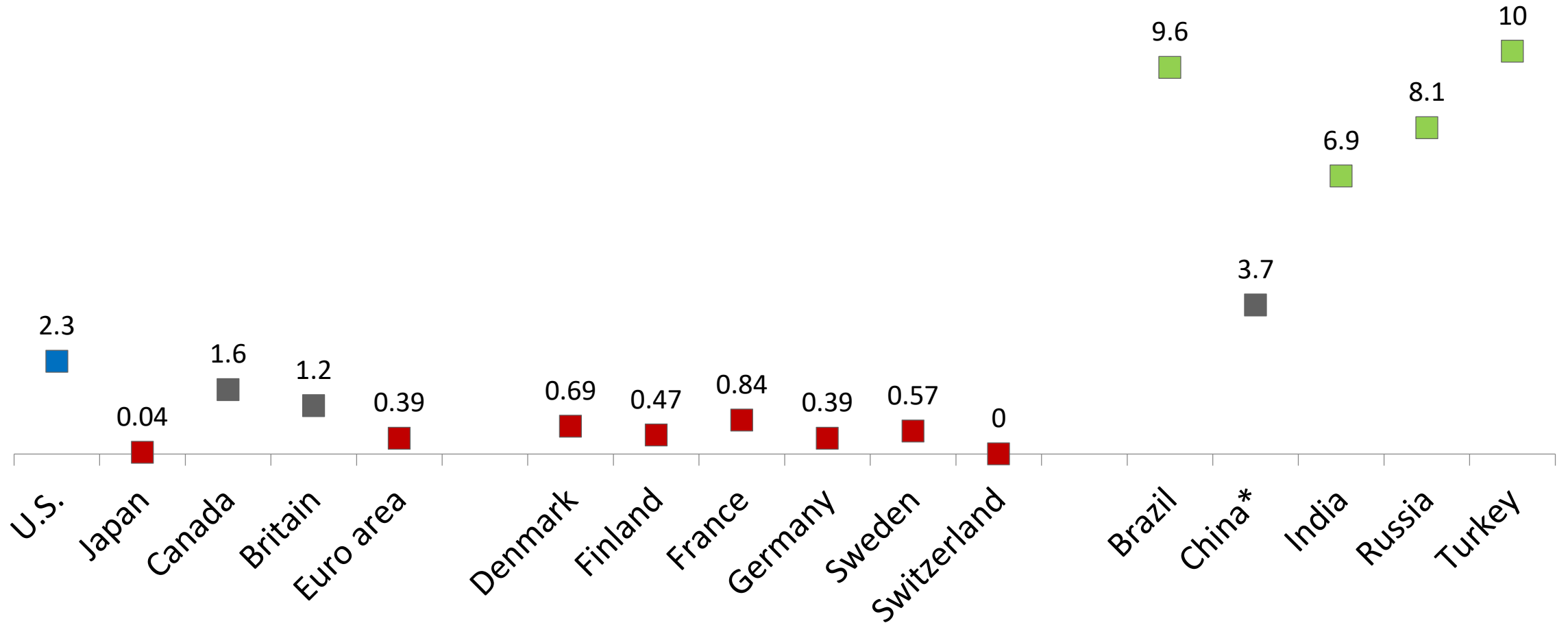
■ GDP (2017.Q1)    ■ Unemployment Rate\*



\*Reporting period varies by country

...And central banks continue monetary easing...except U.S.

Interest Rates % (10-yr Gov bonds)



Source: Economist Intelligence Unit; \*5-year yield

U.S. Economy: Back to 'normal' ..... however:

Demographic...

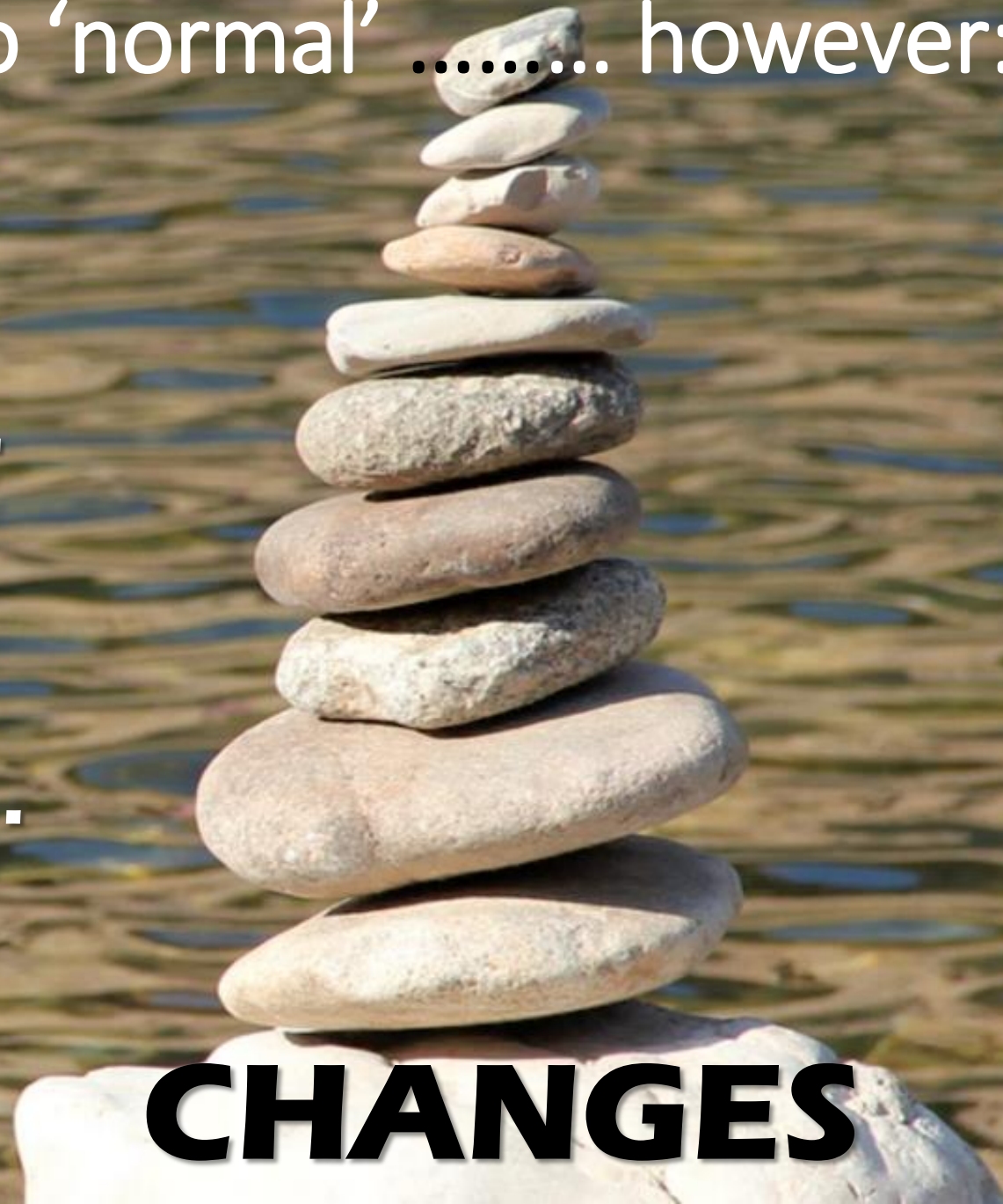
Economic...

Political...

Technological...

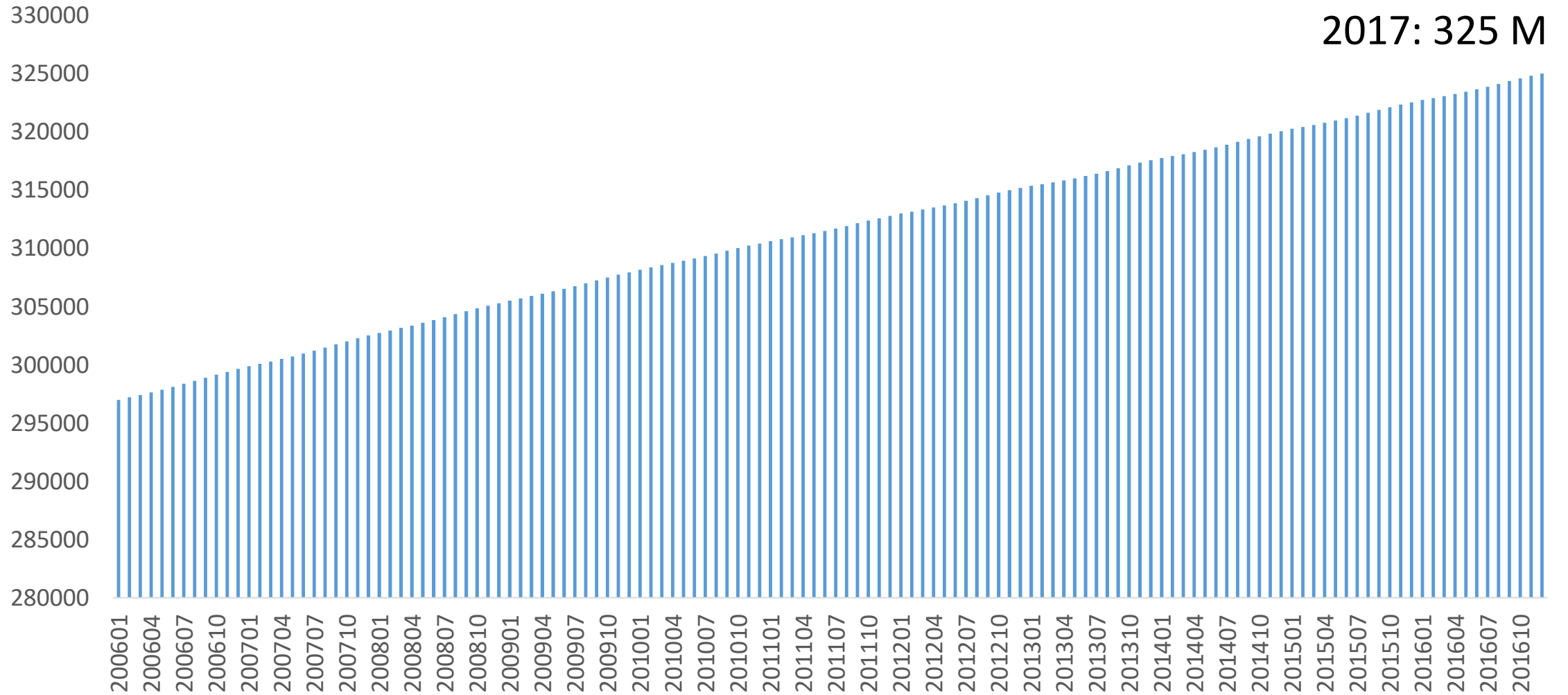
Real estate...

**CHANGES**



# U.S. population grows 9% in past decade...

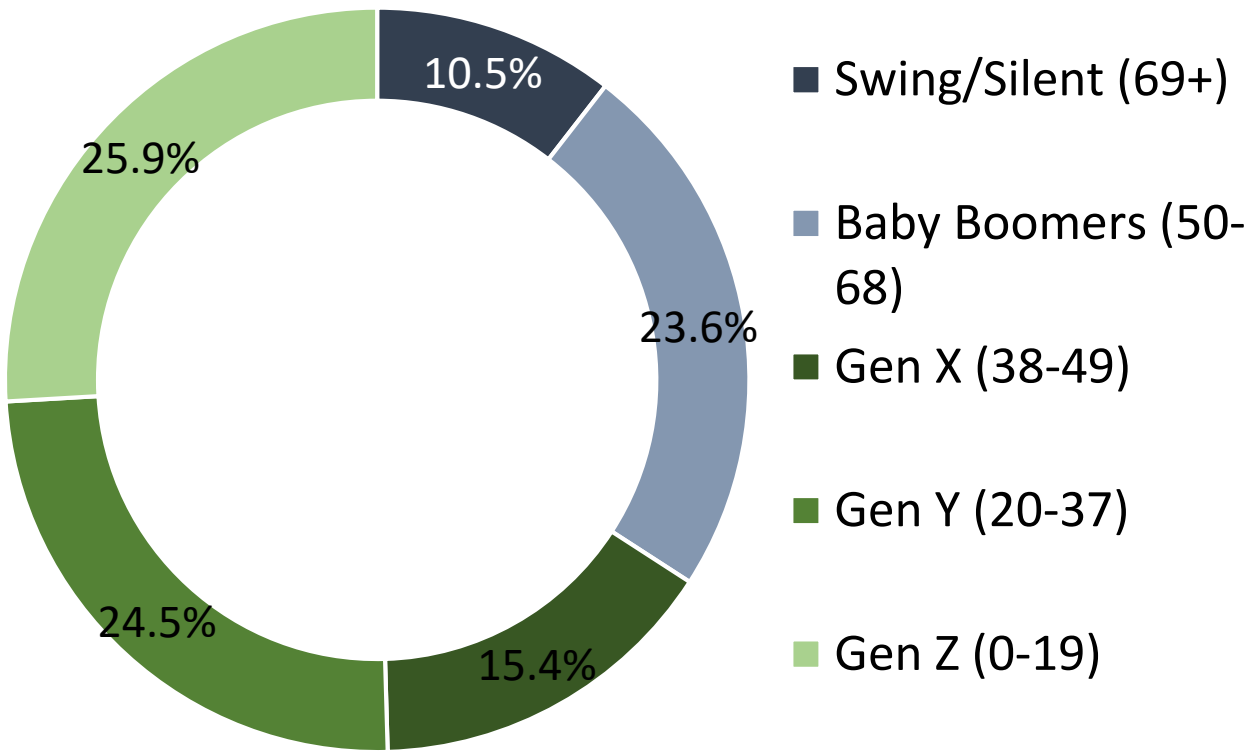
U.S. Estimate of Resident Population (000s)



Source: Census Bureau

# ...As demographics speed up change

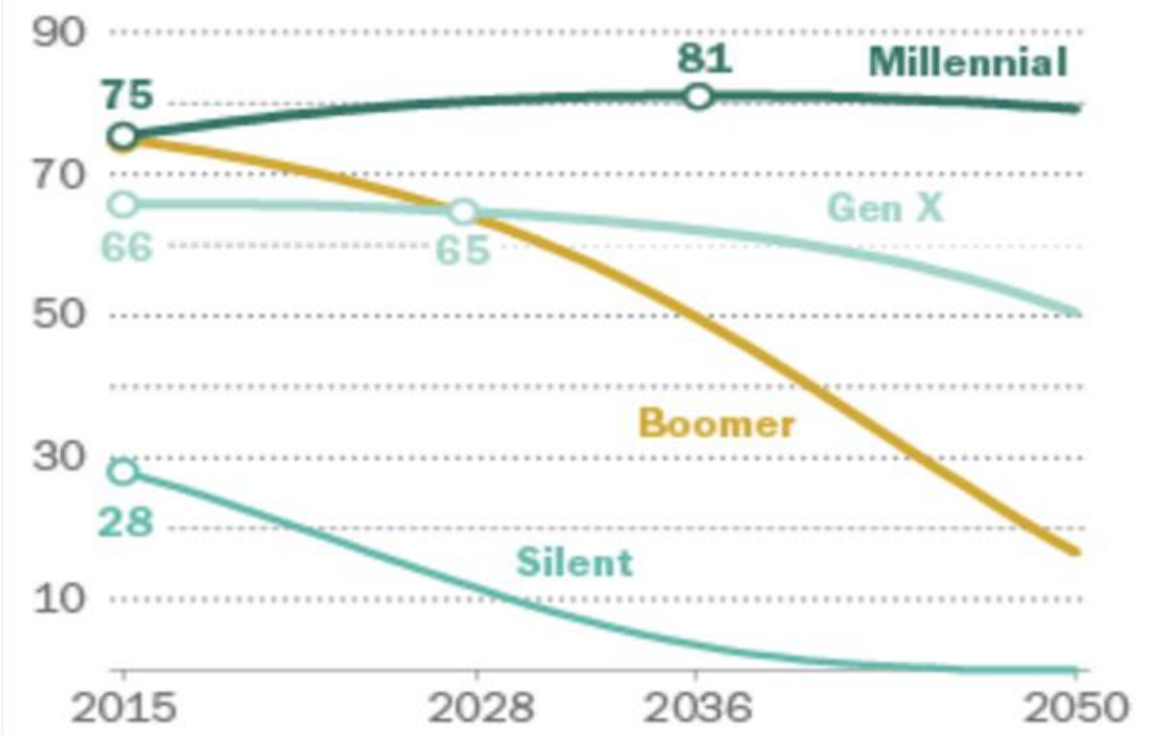
2017 U.S. Population by Demographic Cohort



Source: Sparks & Honey

## Projected population by generation

*In millions*

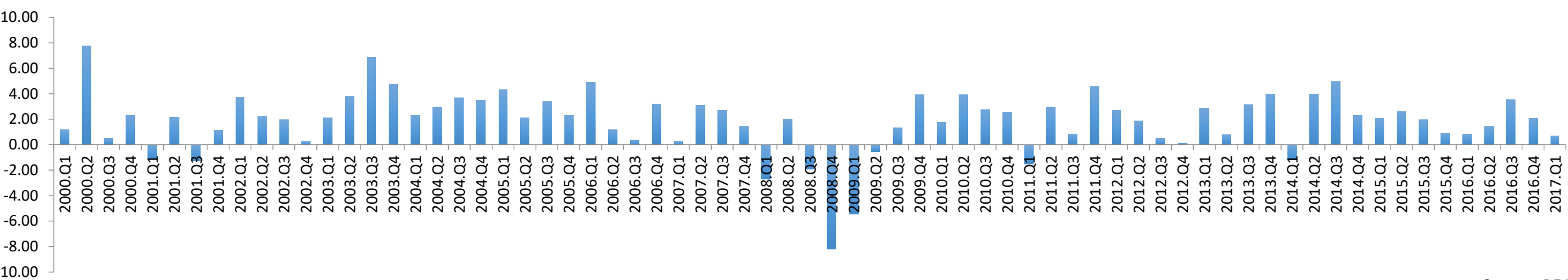


Source: Pew Research Center



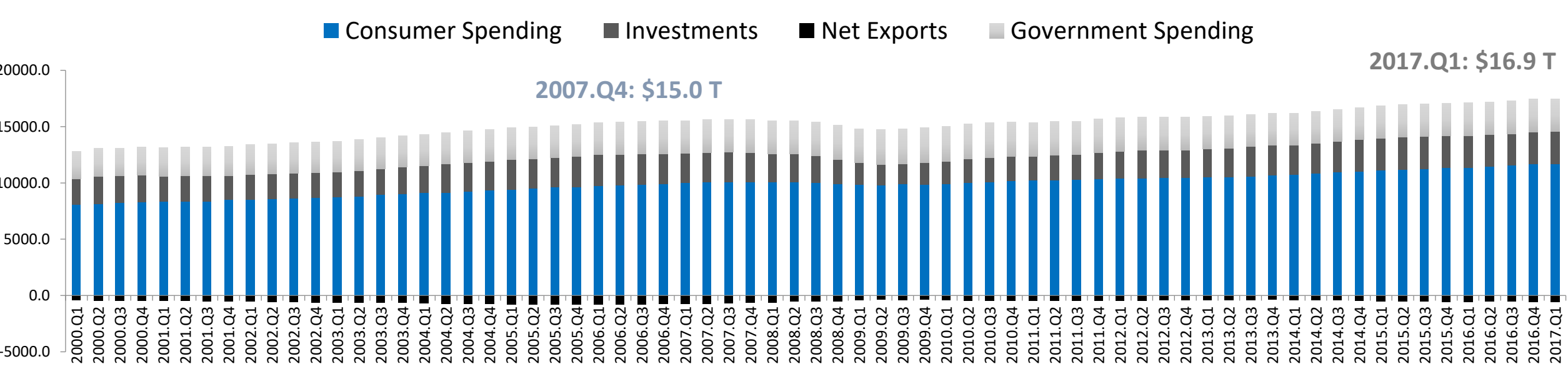
# Upside: consumers remain economic growth engine...

Real Gross Domestic Product (SAAR, Chn.2009\$) % Change - Annual Rate



Source: BEA

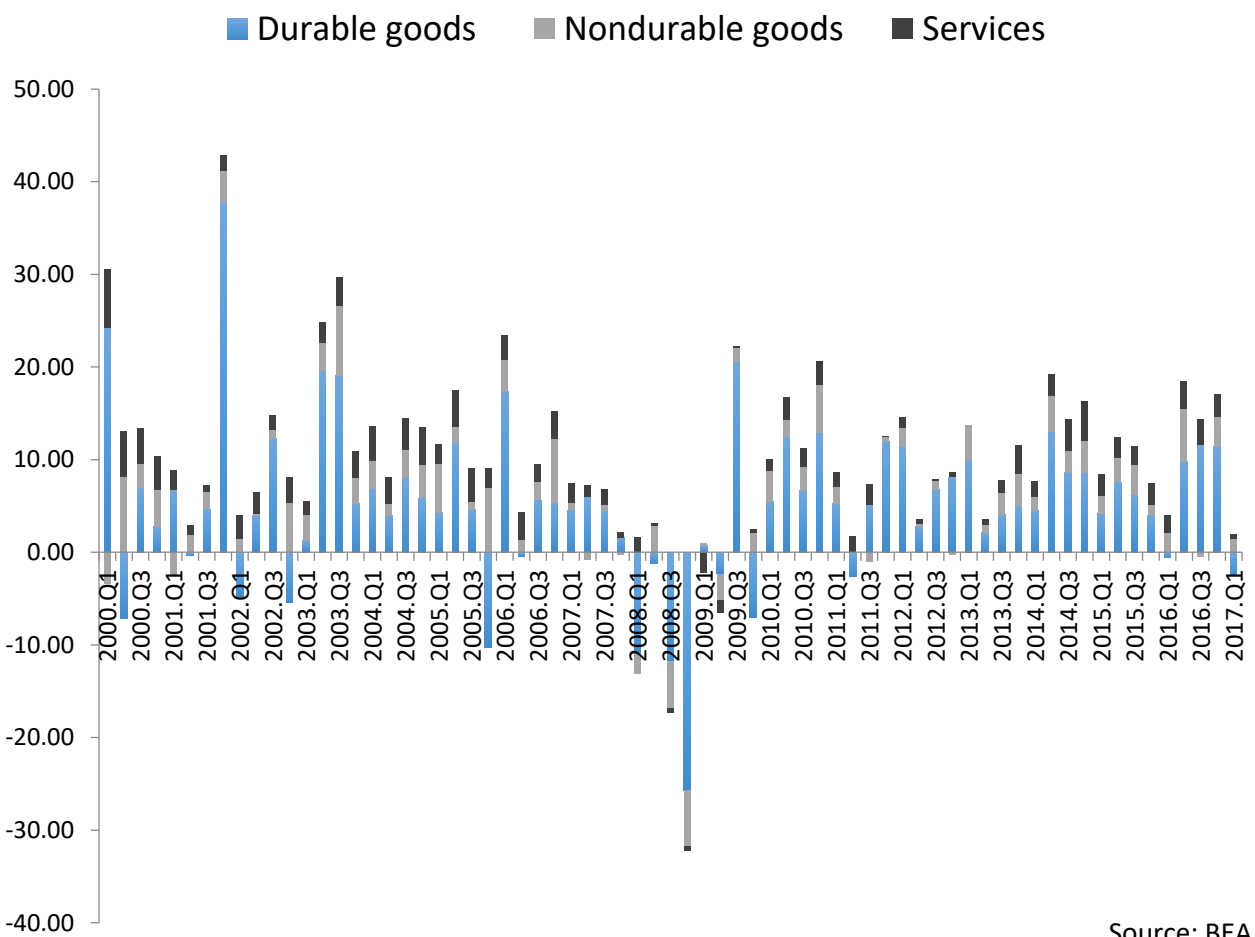
Real GDP (SAAR, Bil.Chn.2009\$)



Source: BEA

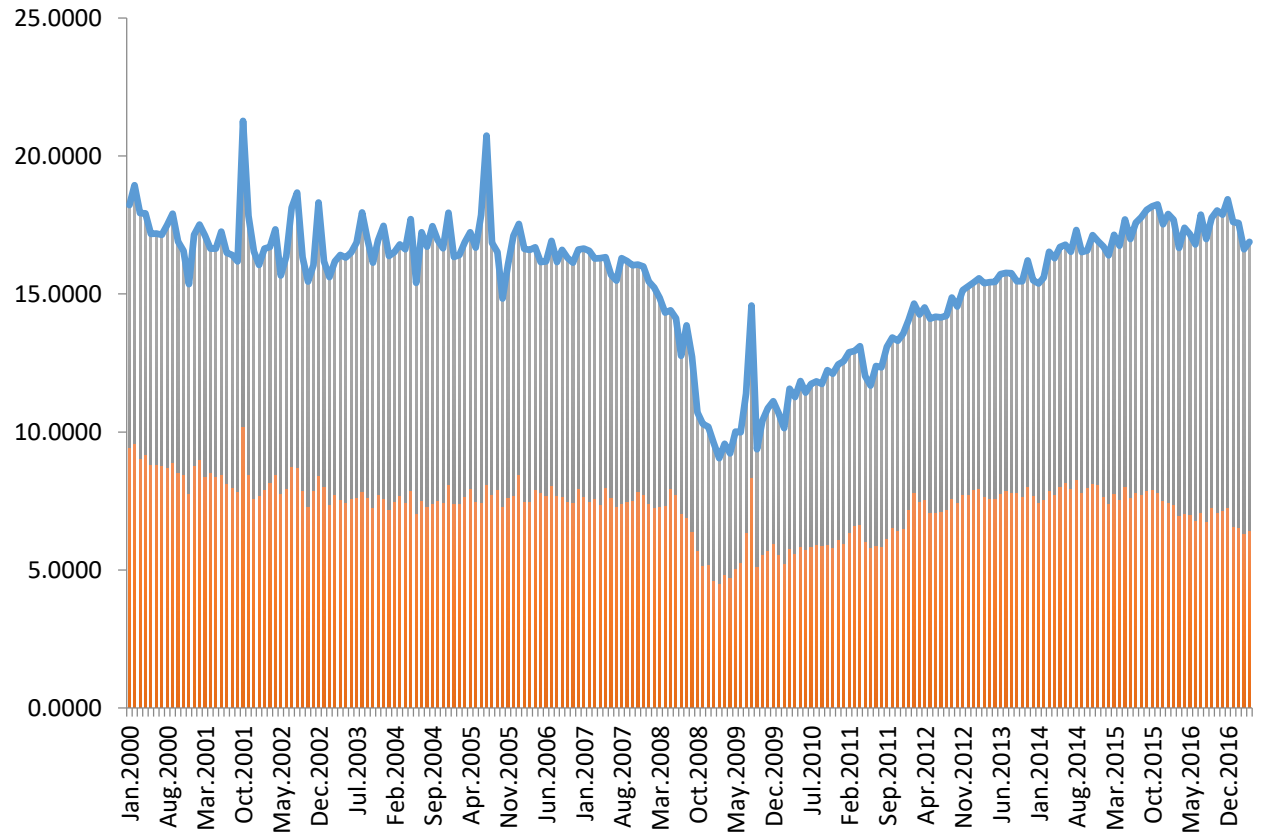
# ...With spending focused on goods

Personal Consumption (SAAR, Chn.2009\$) % Chg Annual Rate



Source: BEA

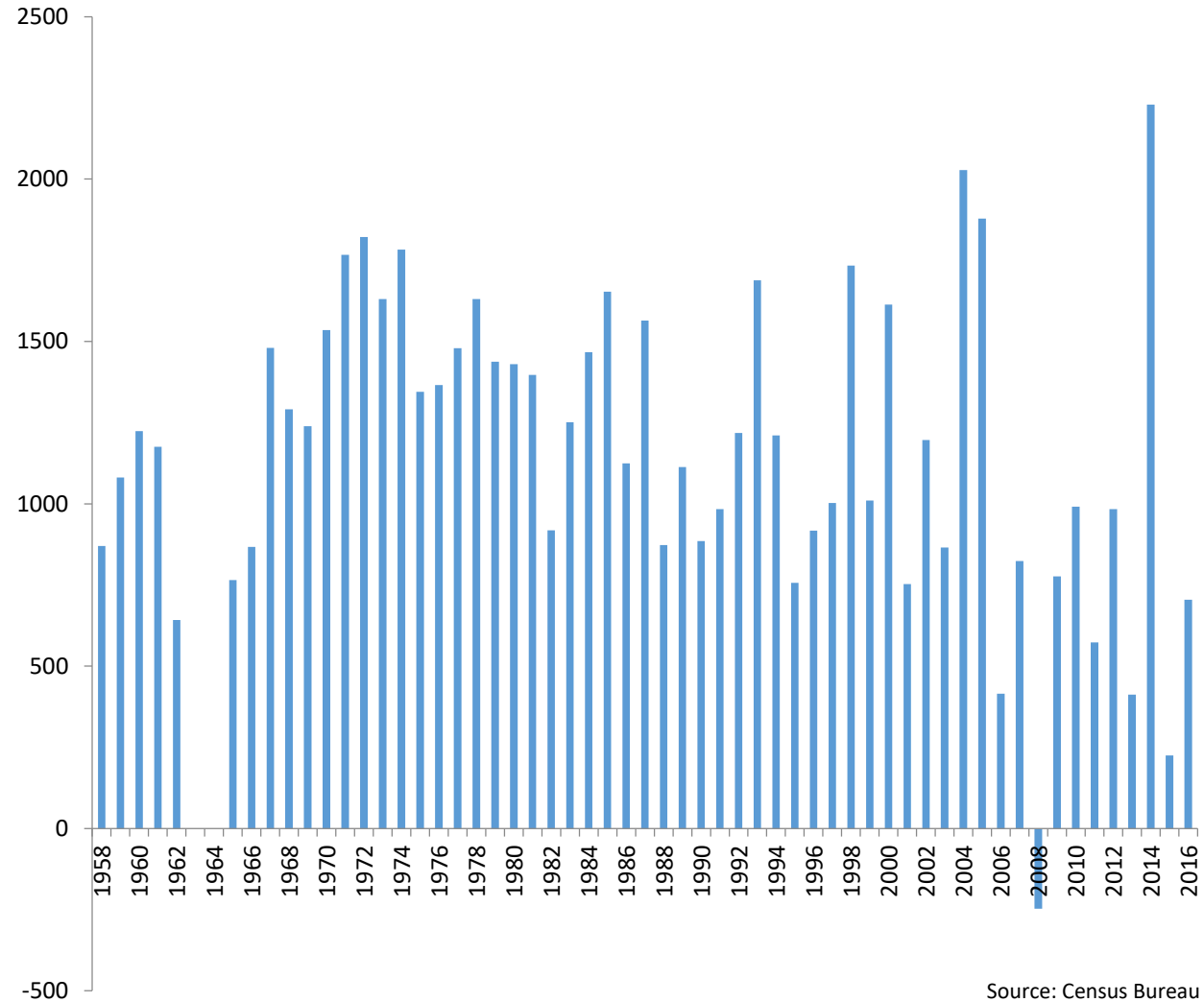
Total Light Truck Retail Sales [Imported+Domestic] (SAAR, Mil. Units)  
 Total Car Retail Sales [Imported+Domestic] (SAAR, Mil. Units)  
 Total Light Vehicle Retail Sales [Imported+Domestic] (SAAR, Mil. Units)



Source: Autodata

# Downside: population growth outpaces housing supply...

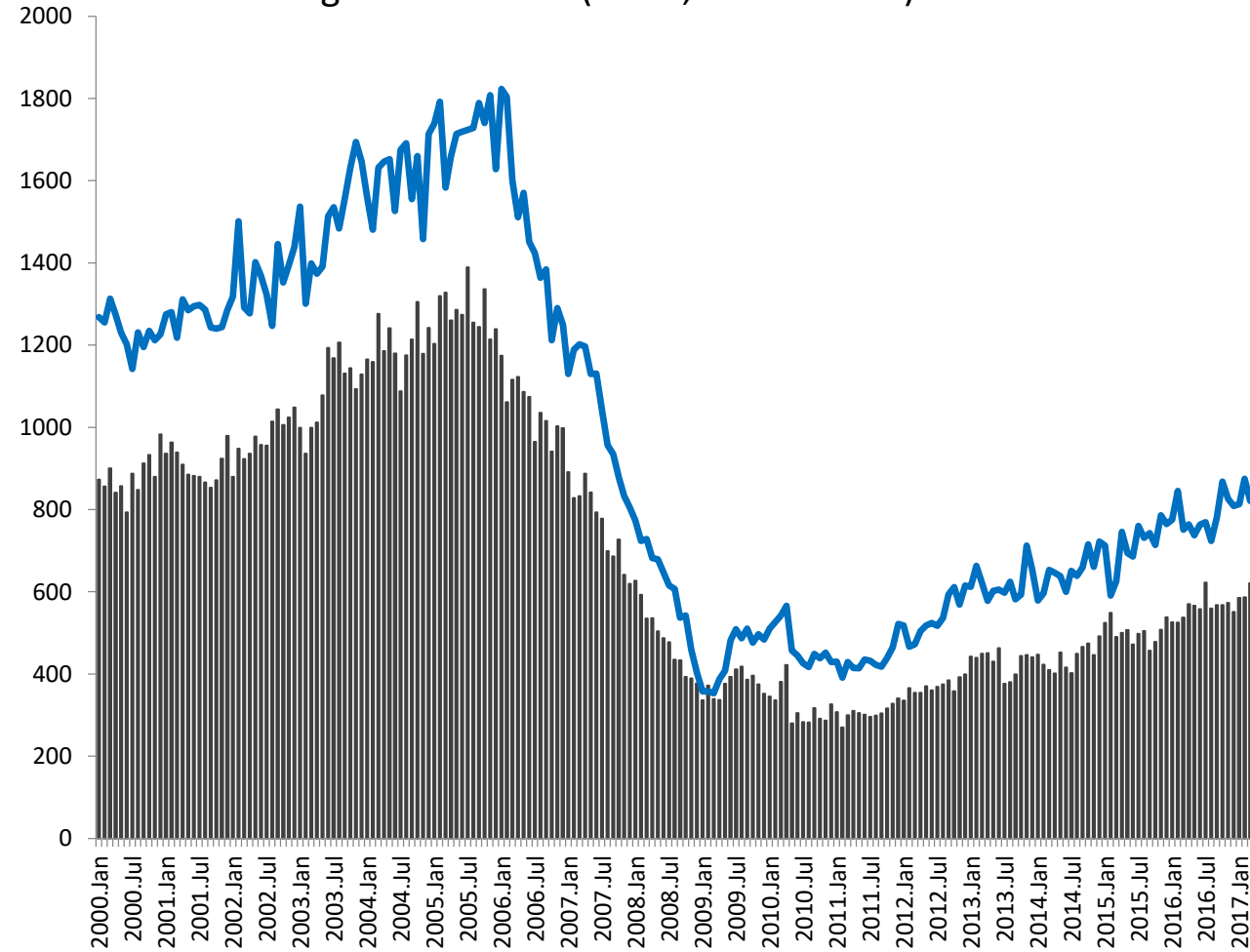
### Net Household Formation (Thous)



Source: Census Bureau

### New 1-Family Houses Sold: United States (SAAR, Thous)

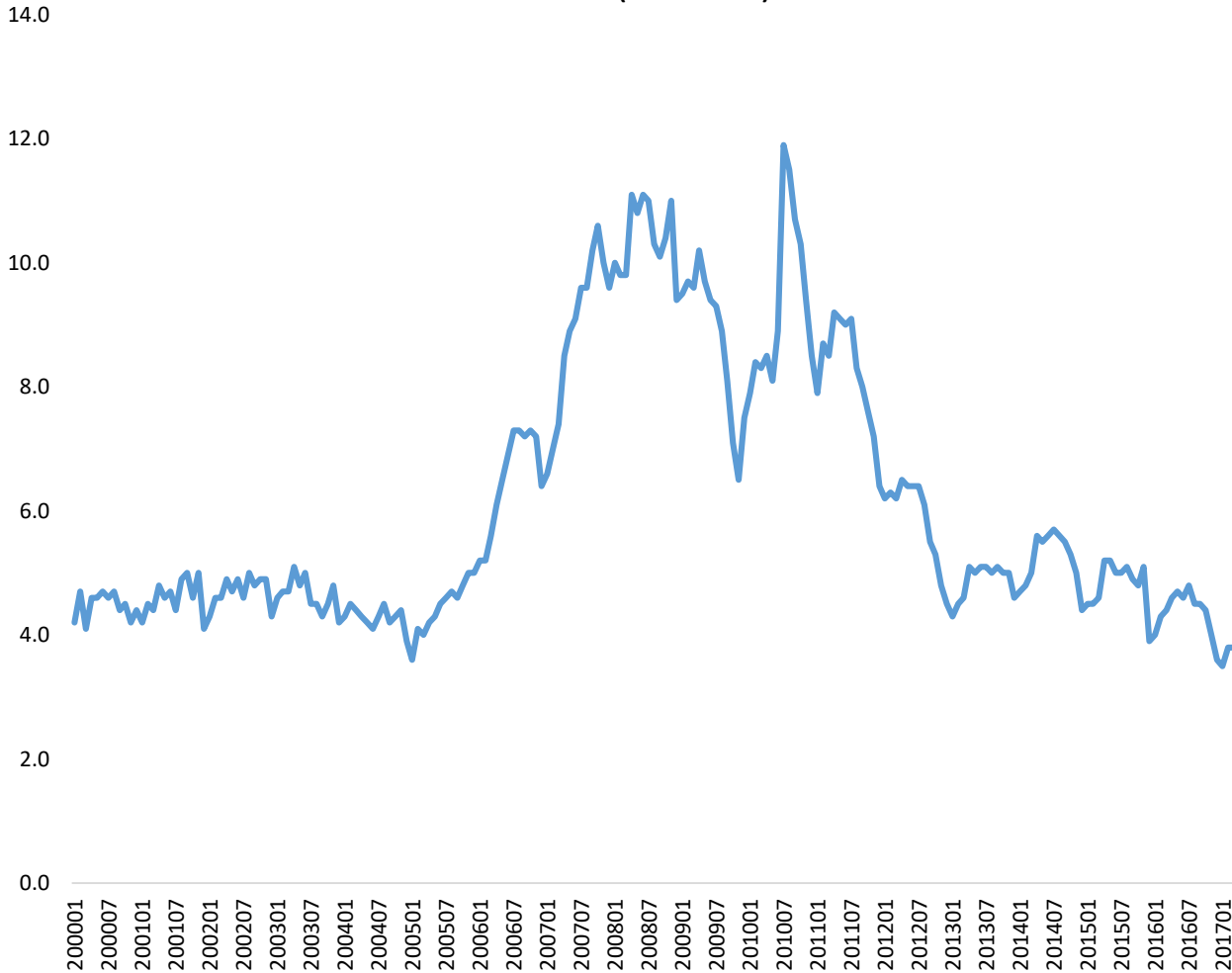
### Housing Starts: 1 Unit (SAAR, Thous.Units)



Source: Census Bureau

# ...Leading to inventory shortage and rising prices

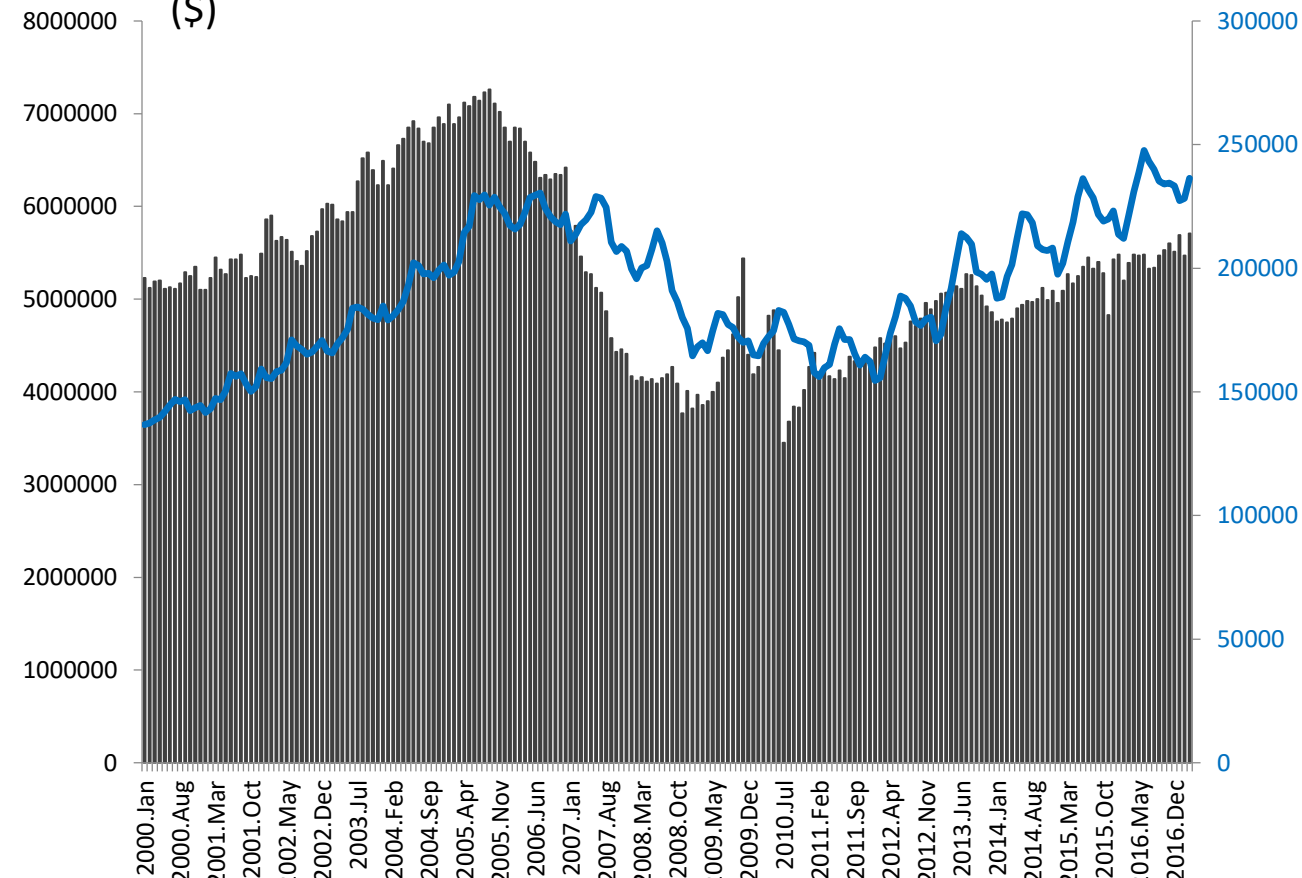
## NAR Months' Supply of Total Existing Homes, United States (Months)



Source: National Association of REALTORS®

## NAR Total Existing Home Sales, United States (SAAR, Units)

## NAR Median Sales Price: Total Existing Homes, United States (\$)



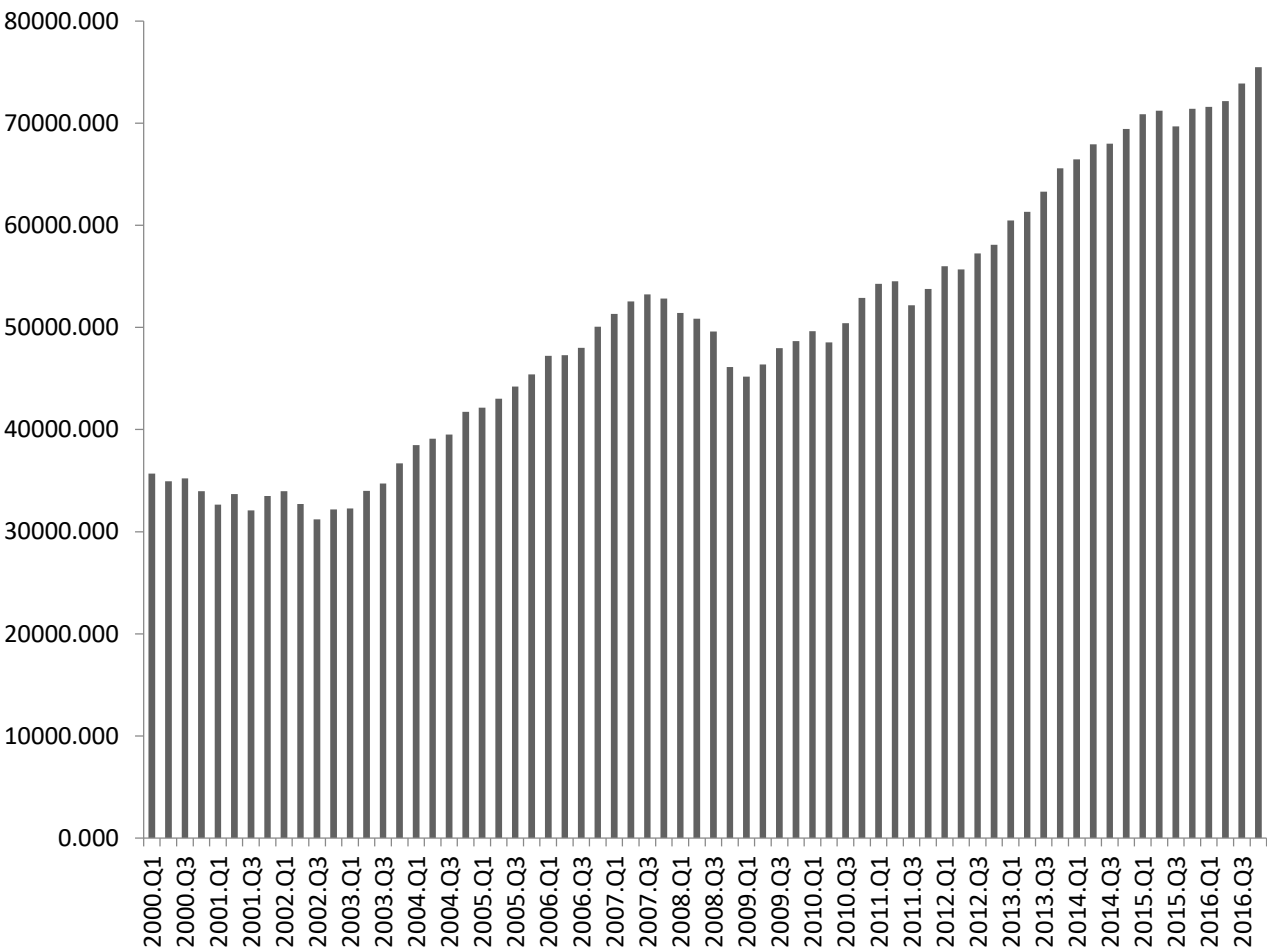
Source: National Association of REALTORS®

# Consumers are getting squeezed



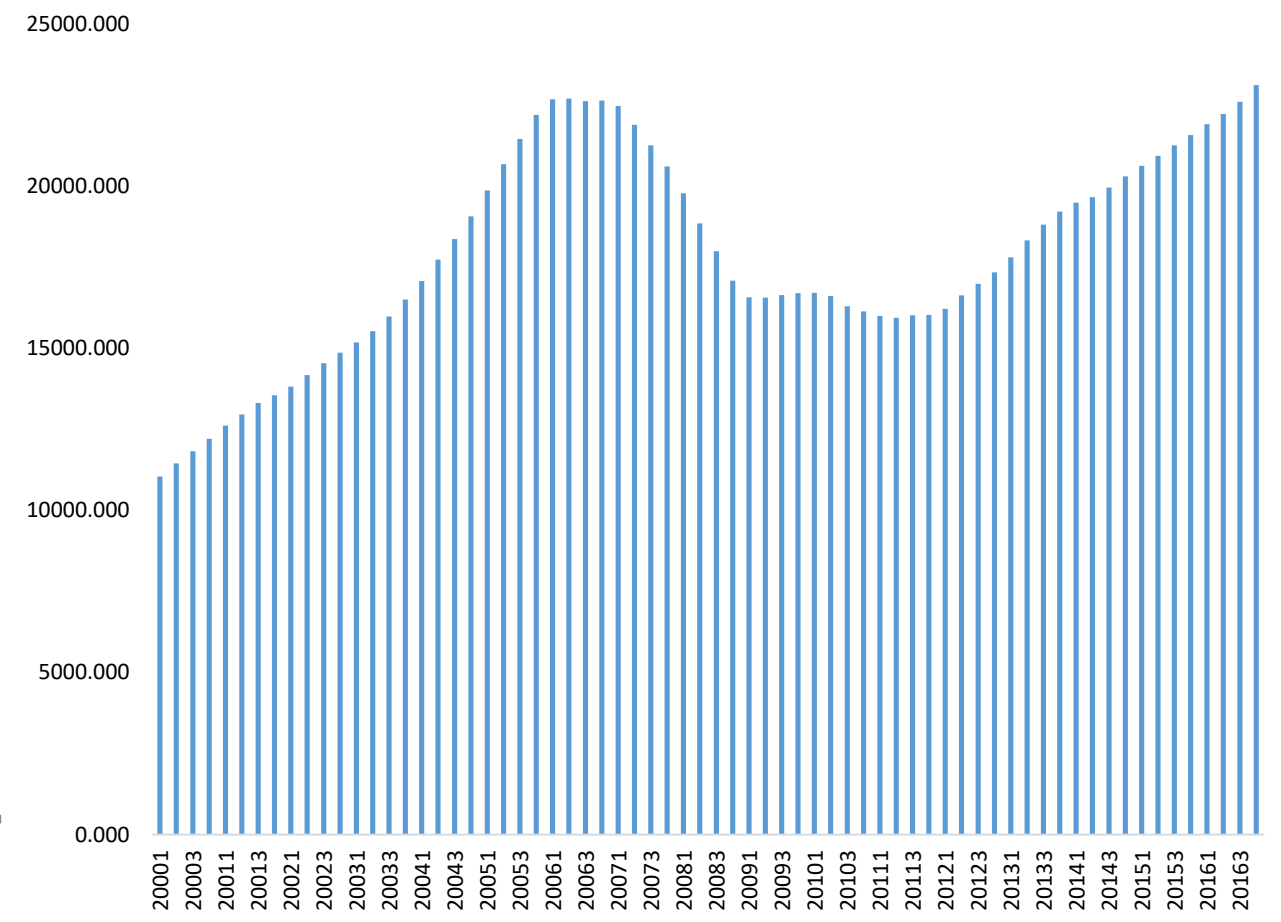
# Capital holders ride a rising tide...

Households & Nonprofit Org: Total Financial Assets (NSA, Bil.\$)



Source: Federal Reserve Board

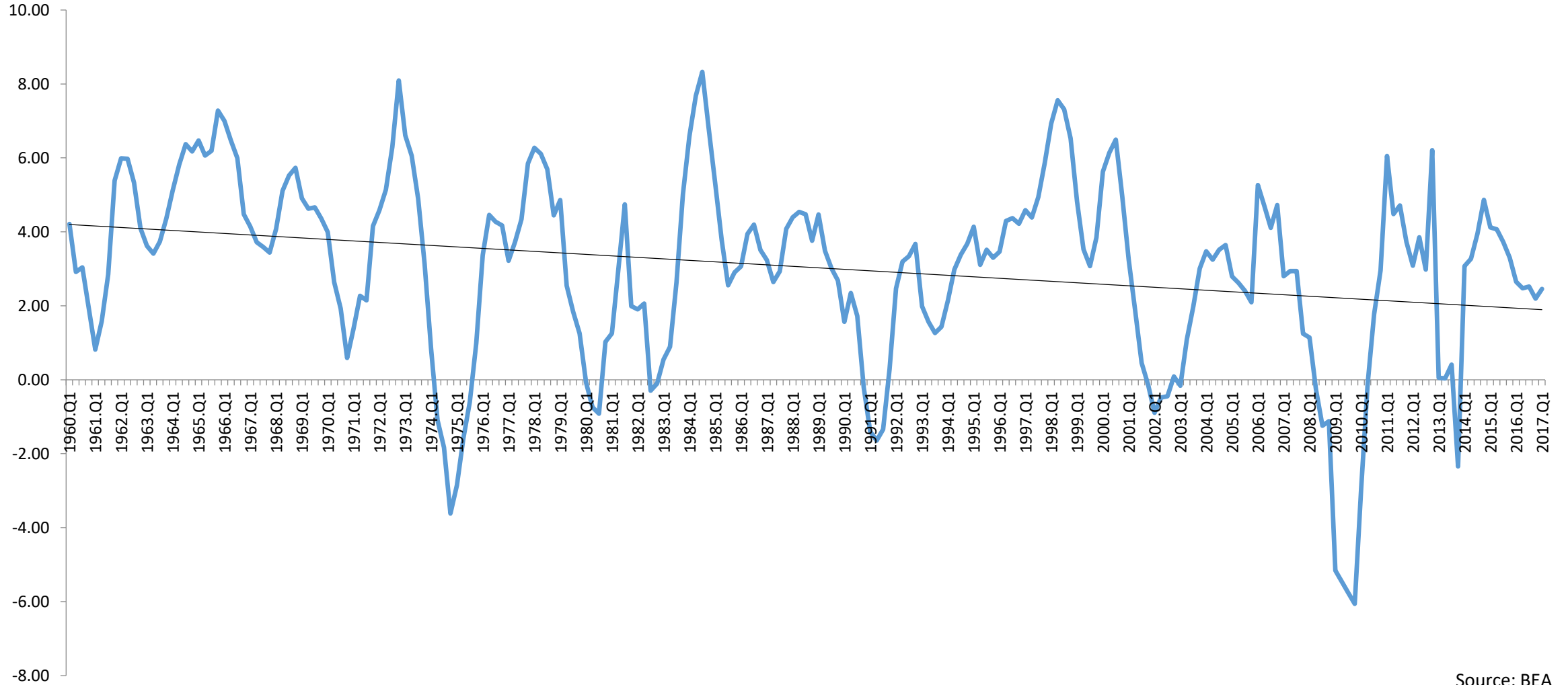
Households: Nonfinancial/Tangible Assets: Real Estate (NSA, Bil.\$)



Source: Federal Reserve Board

# ...While consumers without assets lag on stagnating wages

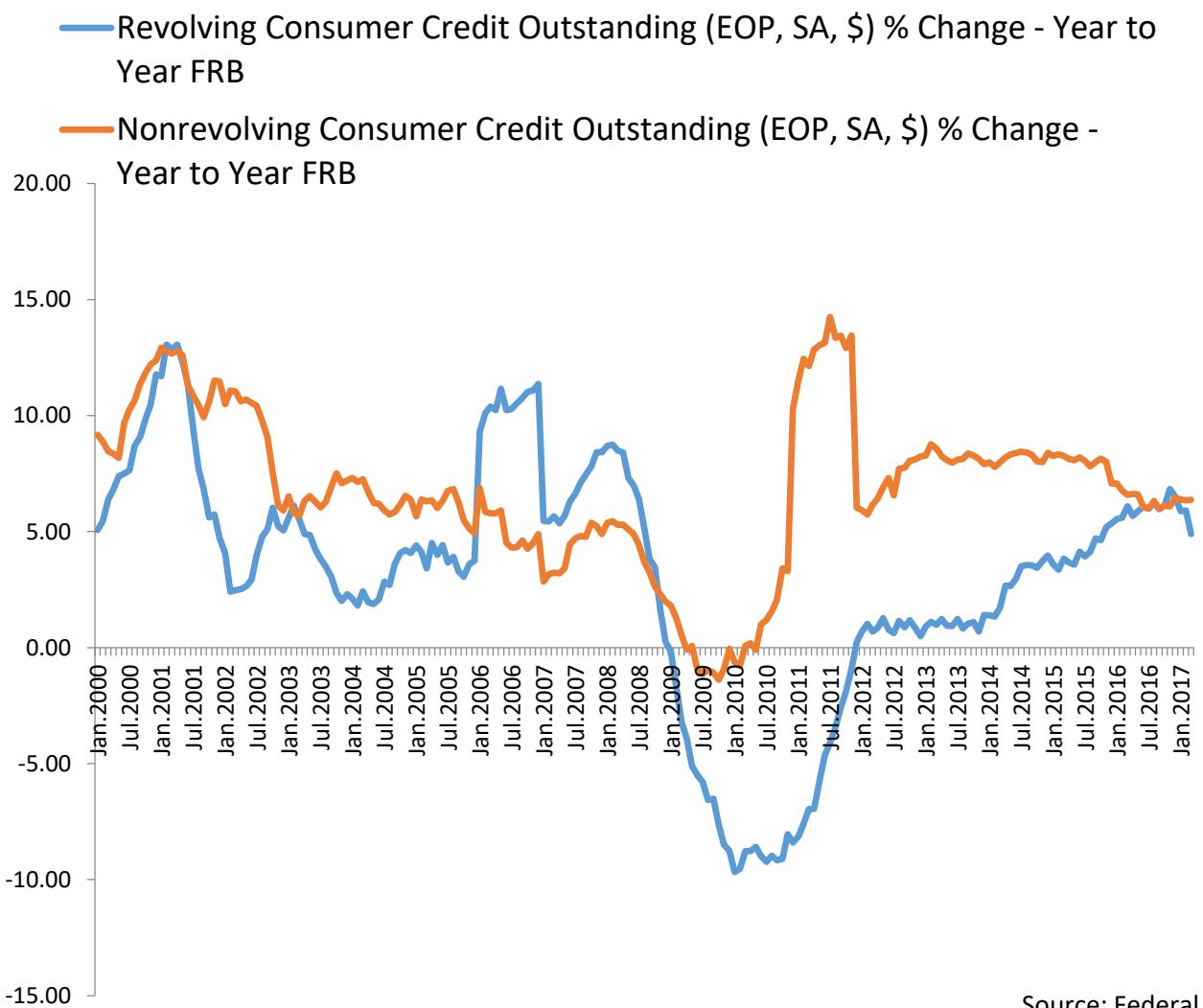
Real Personal Income excluding Current Transfer Receipts (SAAR, Chn.2009\$) % Change - YoY



Source: BEA

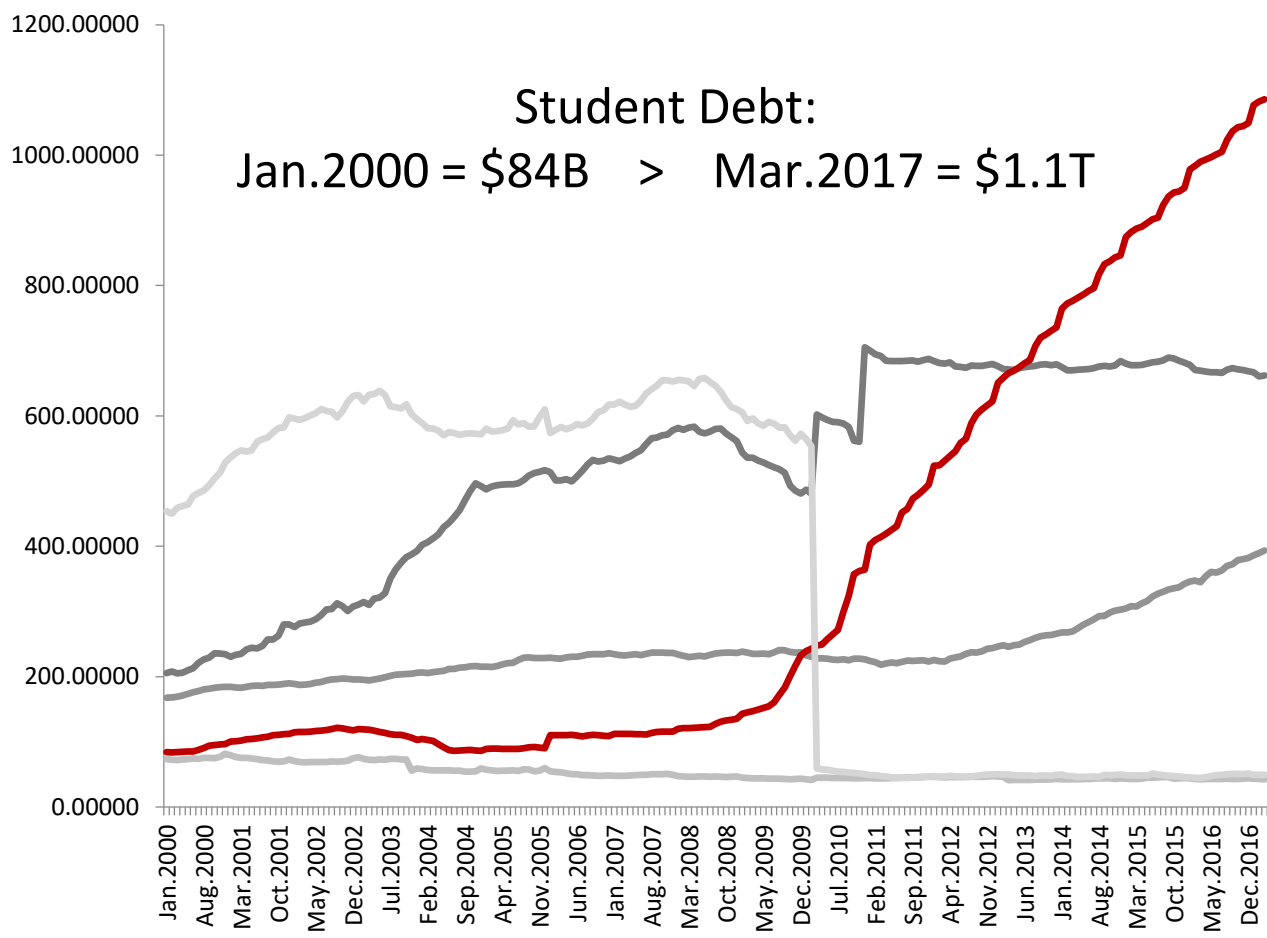
# Consumer credit grows...as does student debt

Consumer Credit - YoY % Change (EOP, SA, Bil.\$)



Source: Federal

Finance Companies  
Credit Unions  
Federal Government  
Nonfinancial Businesses  
Securitized Assets

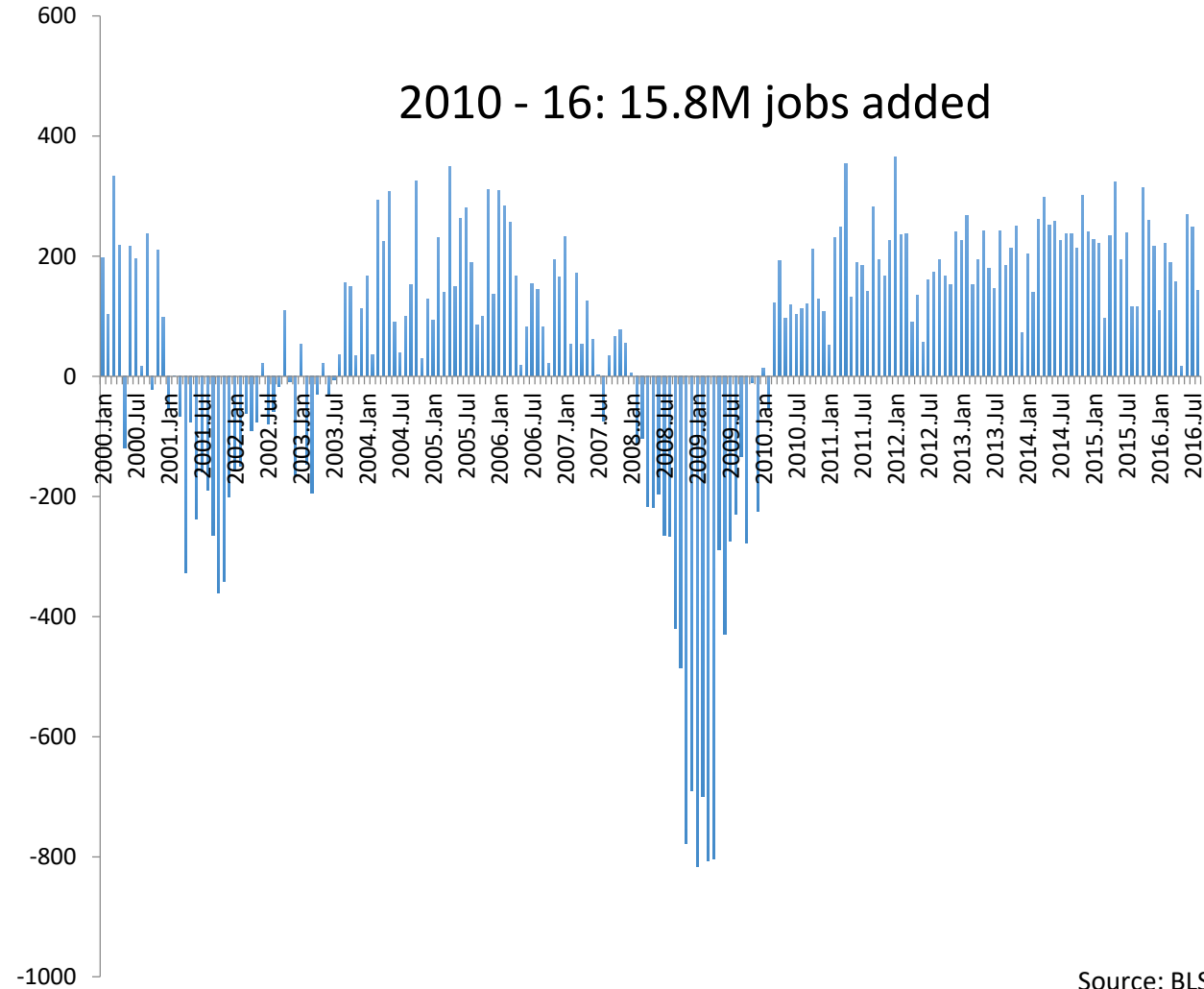


Source: Federal Reserve Board

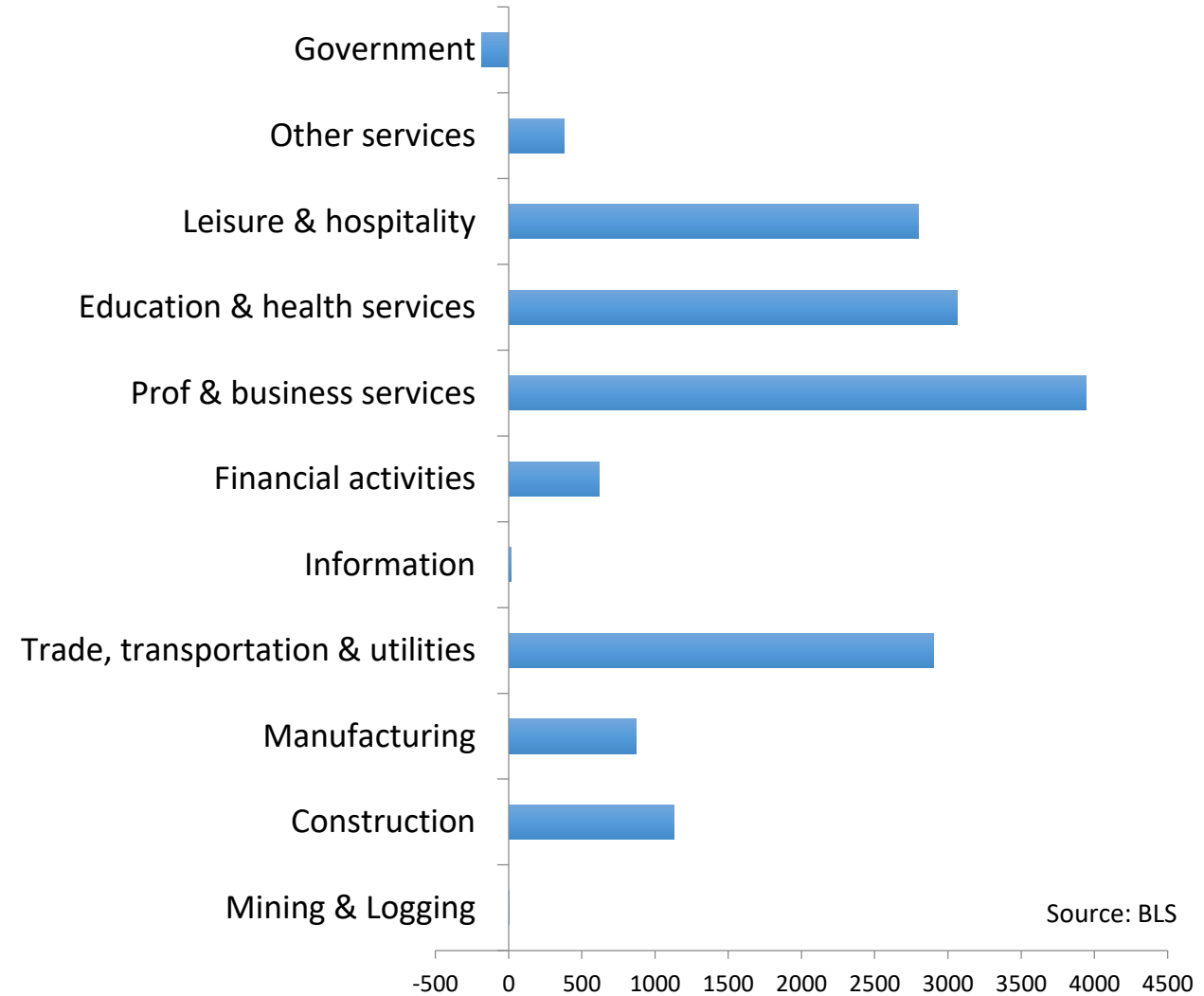


# Employment maintains momentum...

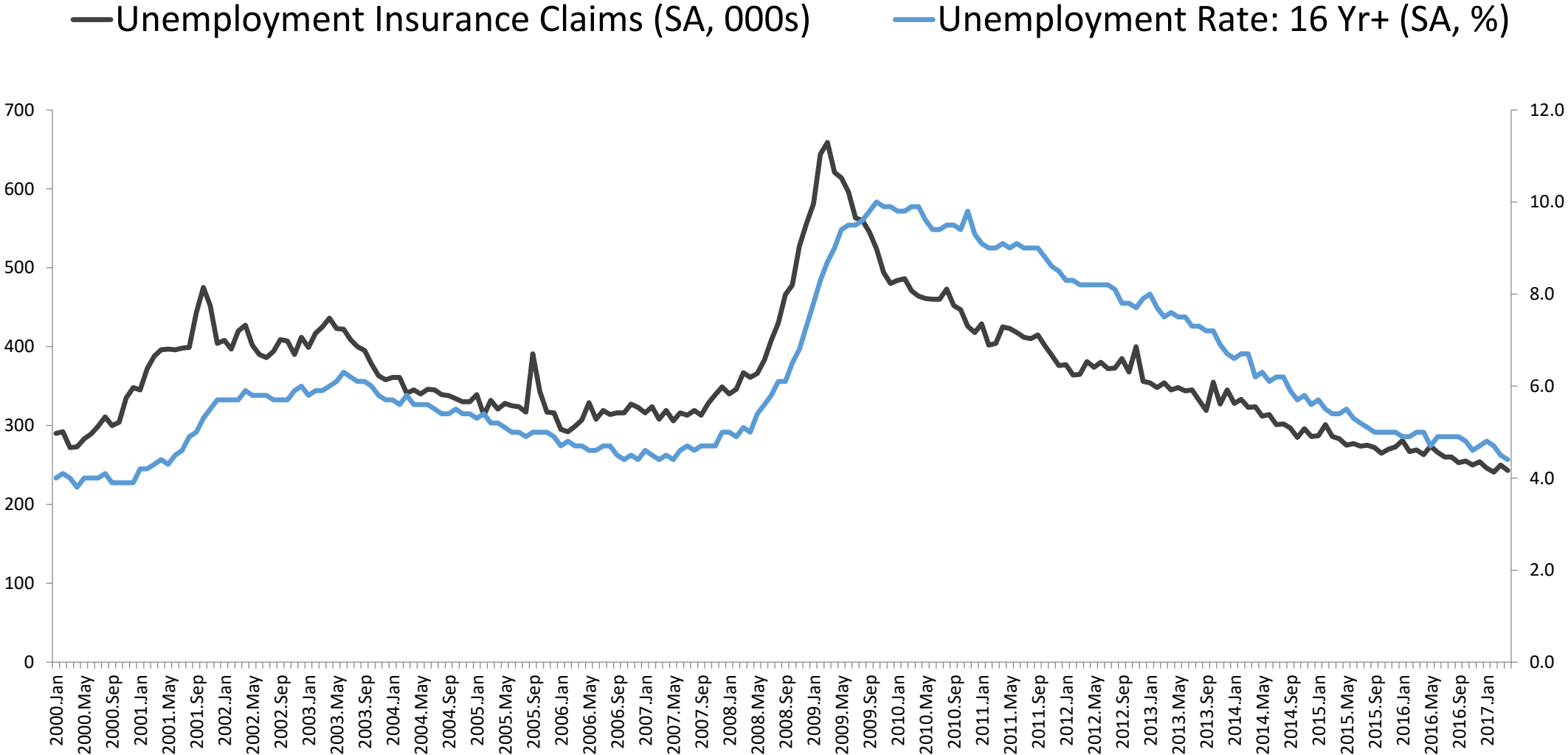
One-month Payroll Job Changes (in thousands)



2010-16: Payroll Employment Growth by Sector (SA, 000s)

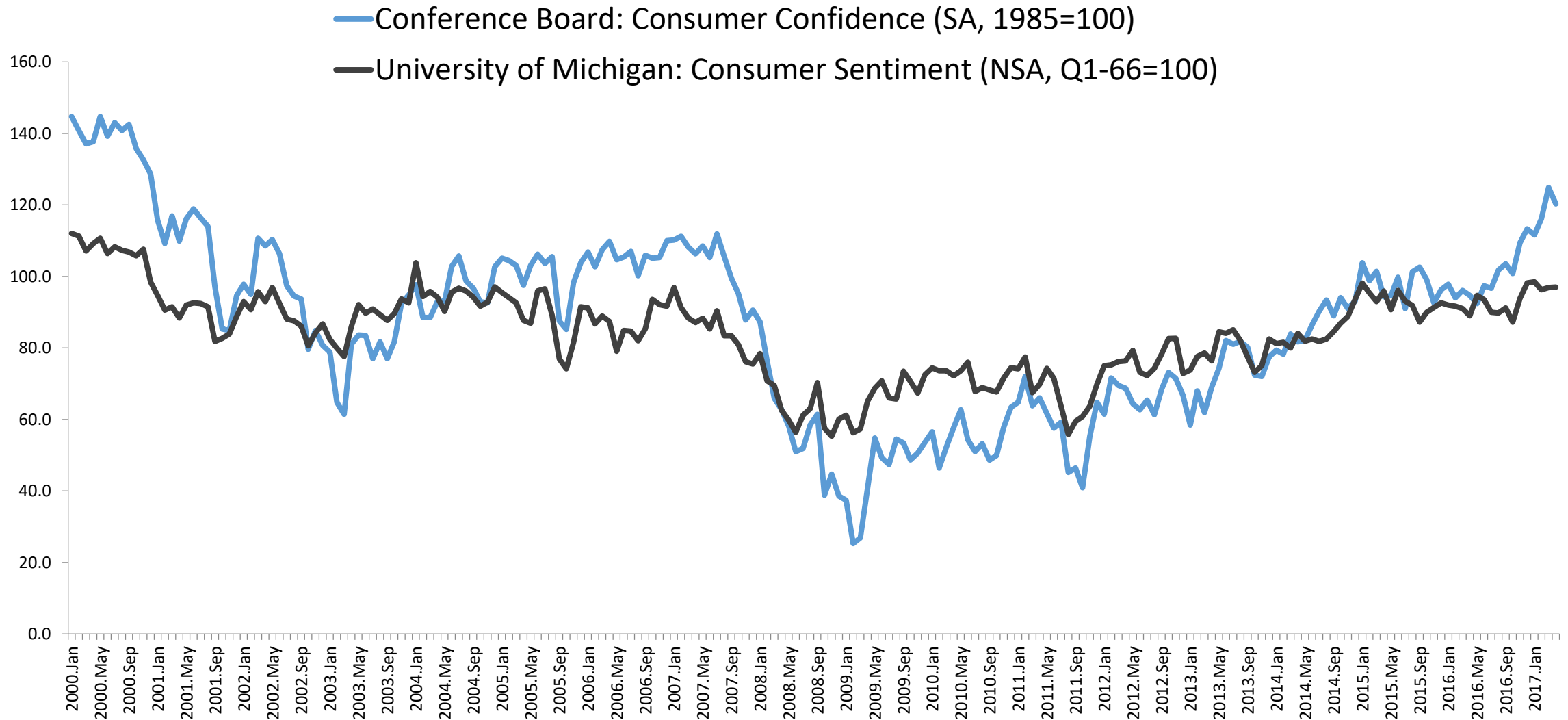


# ...And unemployment rate declines to 4.4%



Sources: DoL, BLS

# Consumer confidence picks up post-election...



Sources: The Conference Board, University of Michigan

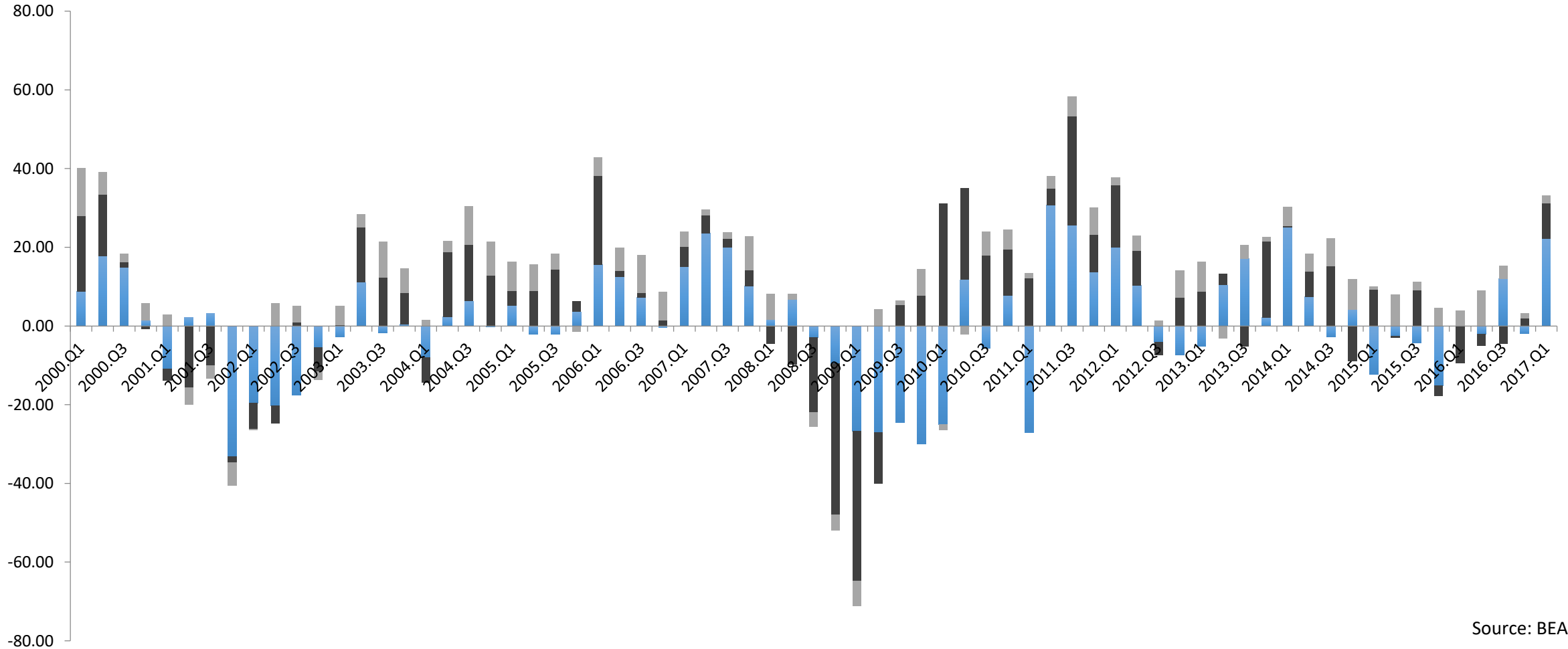
A wide-angle, slightly blurred photograph of a busy city street. In the foreground, a large crowd of pedestrians is walking across a crosswalk, their figures blurred to convey a sense of motion. The background shows a multi-lane road with various vehicles, including cars, buses, and taxis. A green sign on a traffic light pole reads "PASO PEATONAL EN DOS TIEMPOS DE LOS VERDES". The scene is set in an urban environment with trees and buildings visible in the distance.

How's business?

# Investments rebound; double-digit bump on structures Q1

Real Private Nonresidential Investment (SAAR, Chn2009\$, %Chg Annual Rate)

Structures Equipment Intellectual Property

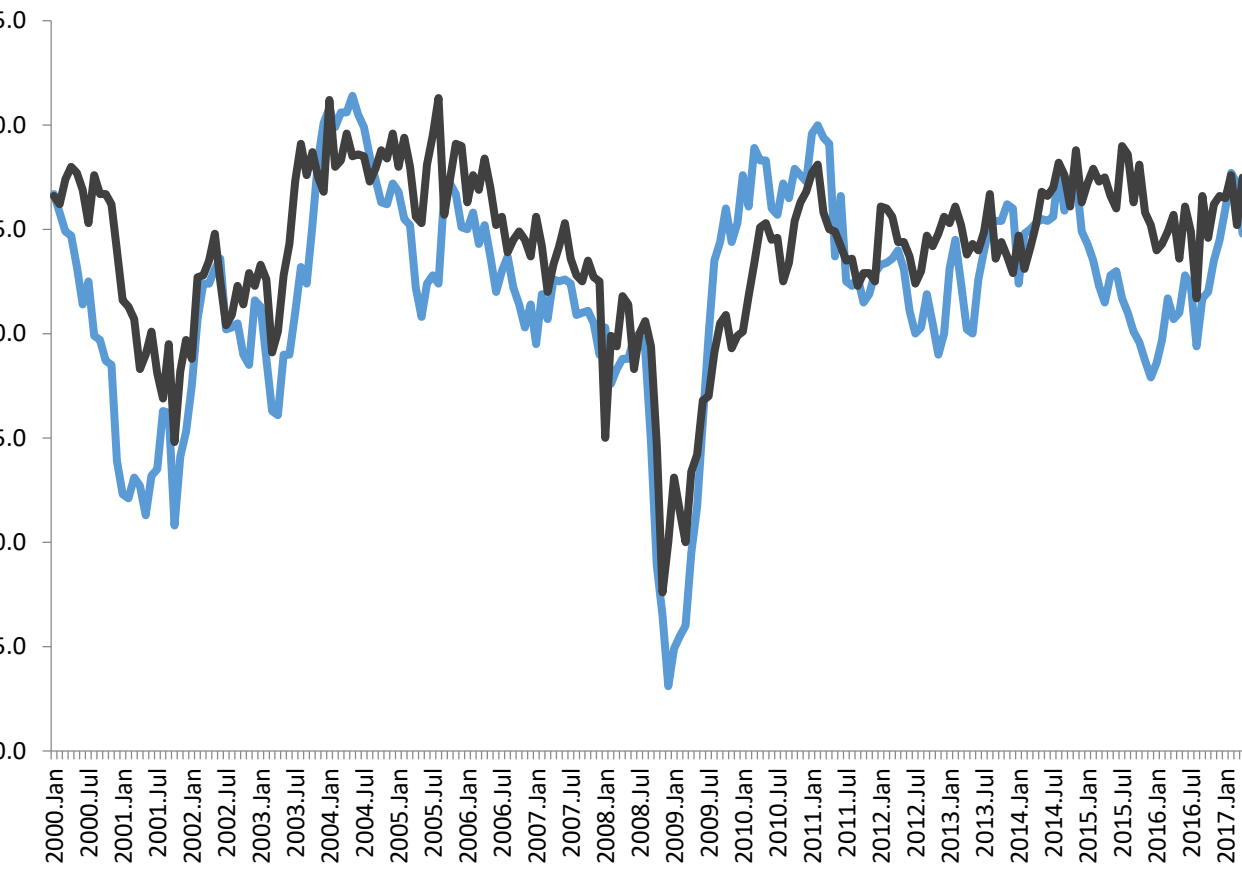


Source: BEA

# Expansion and productivity gains continue

### ISM Index (SA, 50+ Increasing)

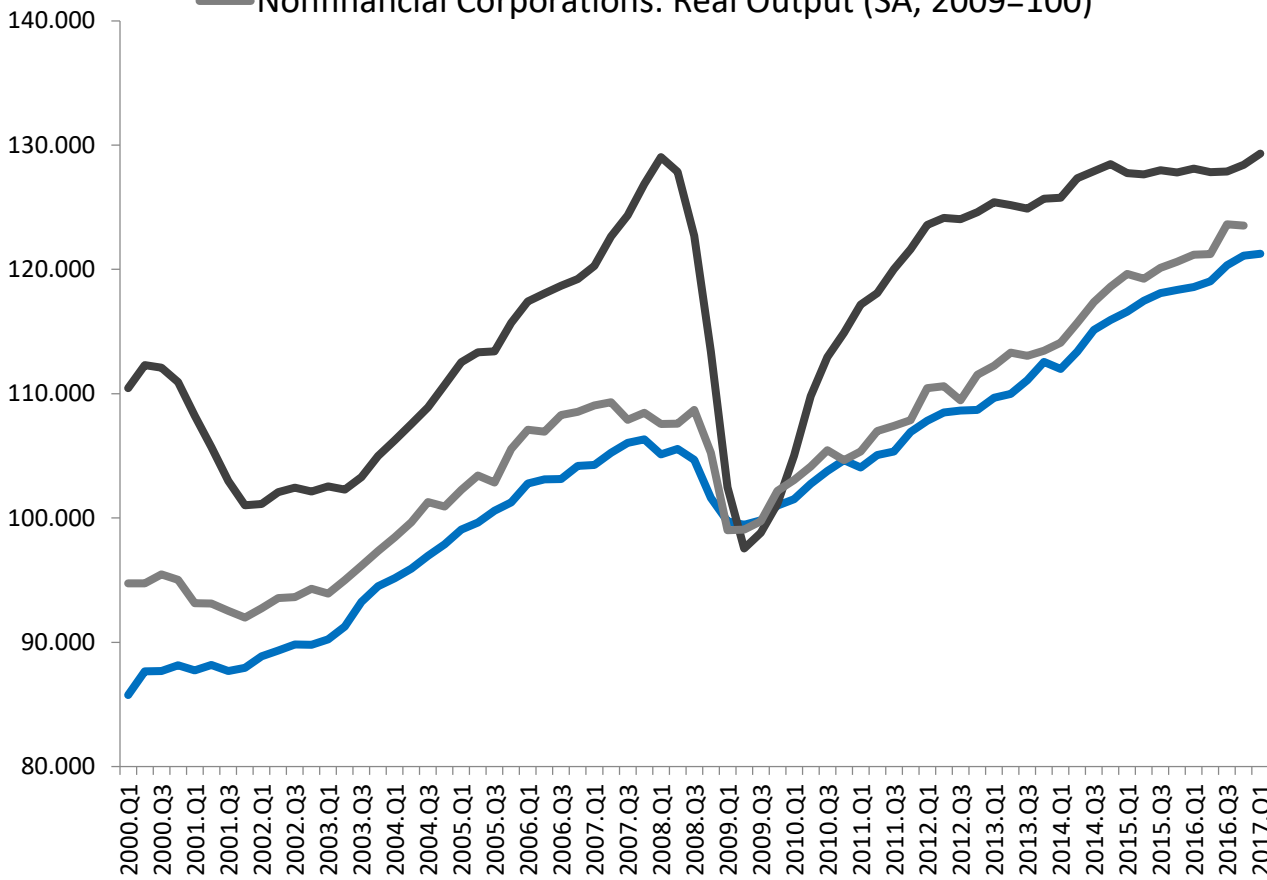
— ISM Manufacturing    — ISM Nonmanufacturing



Source: Institute for Supply

### Productivity

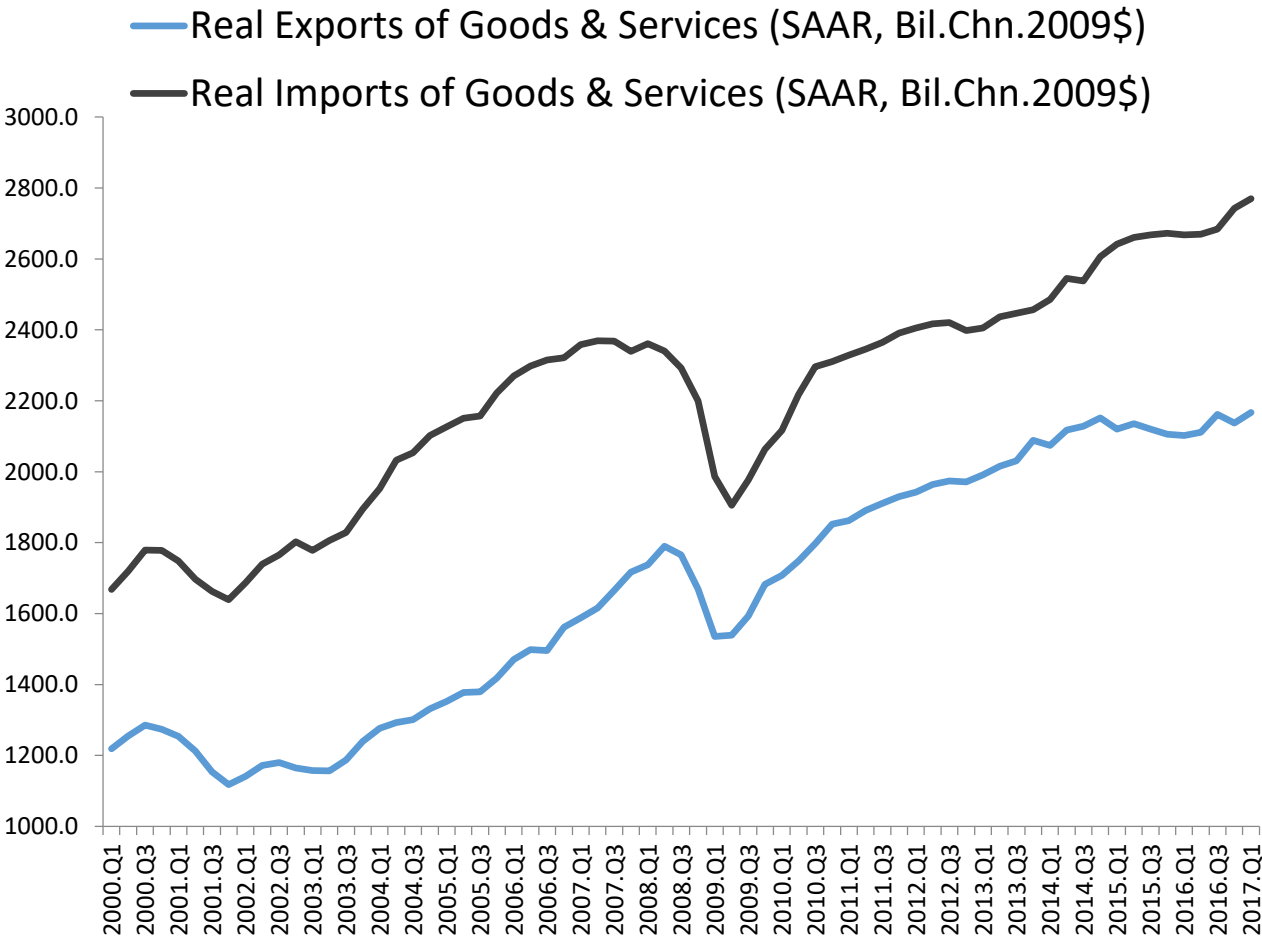
— Business Sector: Real Output (SA, 2009=100)  
— Manufacturing Sector: Real Output (SA, 2009=100)  
— Nonfinancial Corporations: Real Output (SA, 2009=100)



Source: BLS

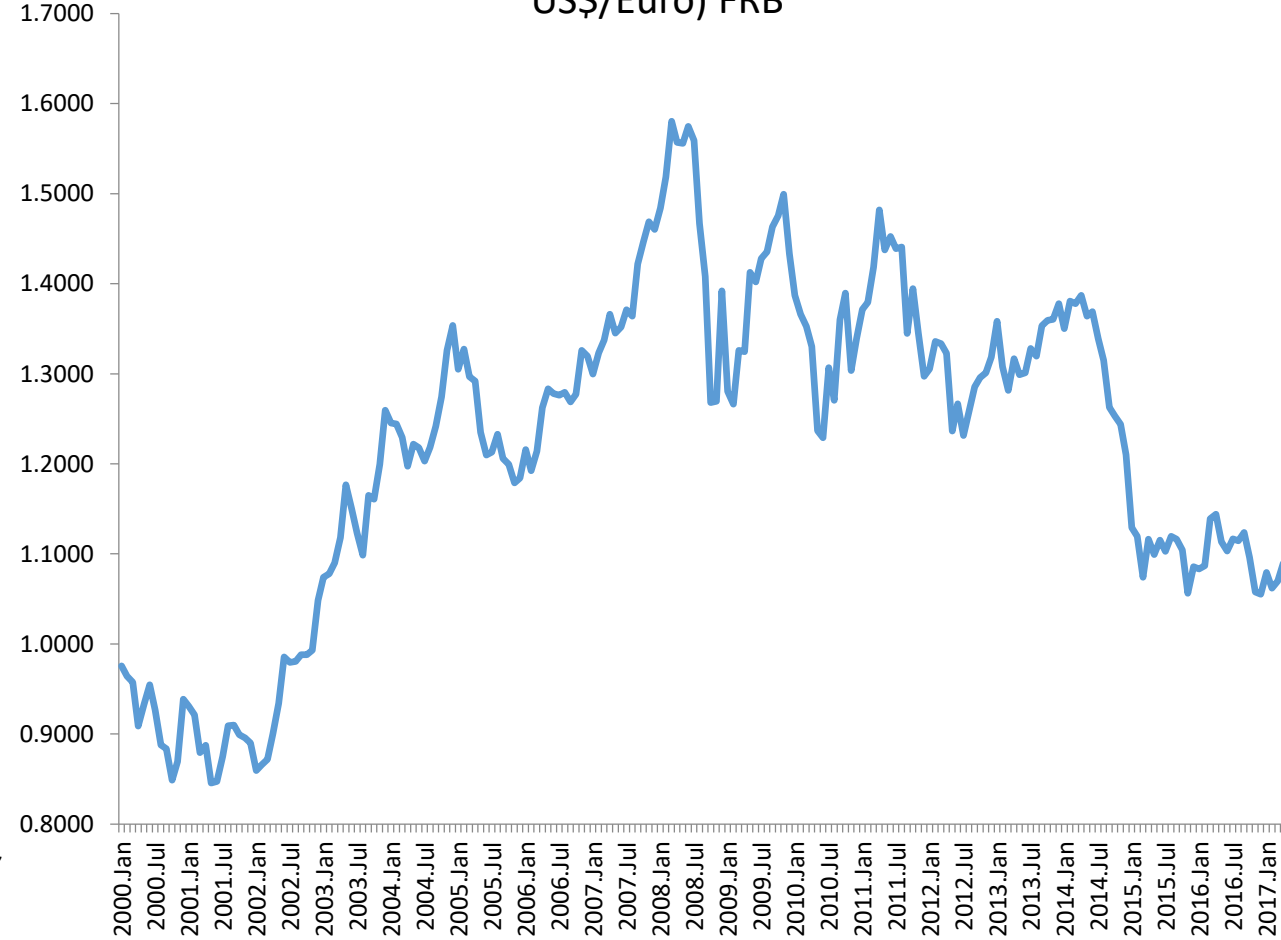
# Net exports feel the impact of a stronger dollar

## International Trade



Source: BEA

## Foreign Exchange Rate: European Monetary Union (EOP, US\$/Euro) FRB

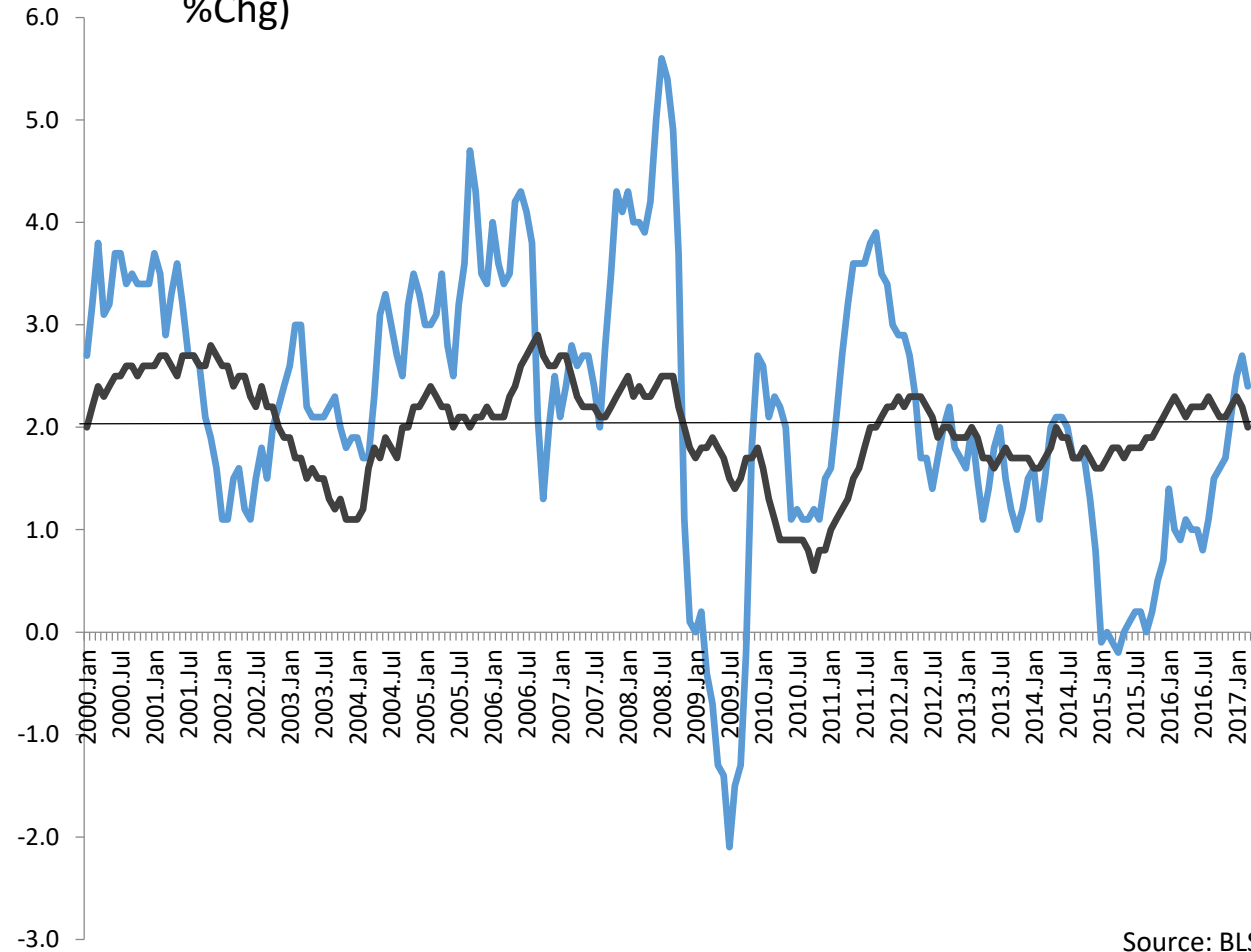


source: Federal Reserve

# Inflation moves up, as Fed indicates more hikes

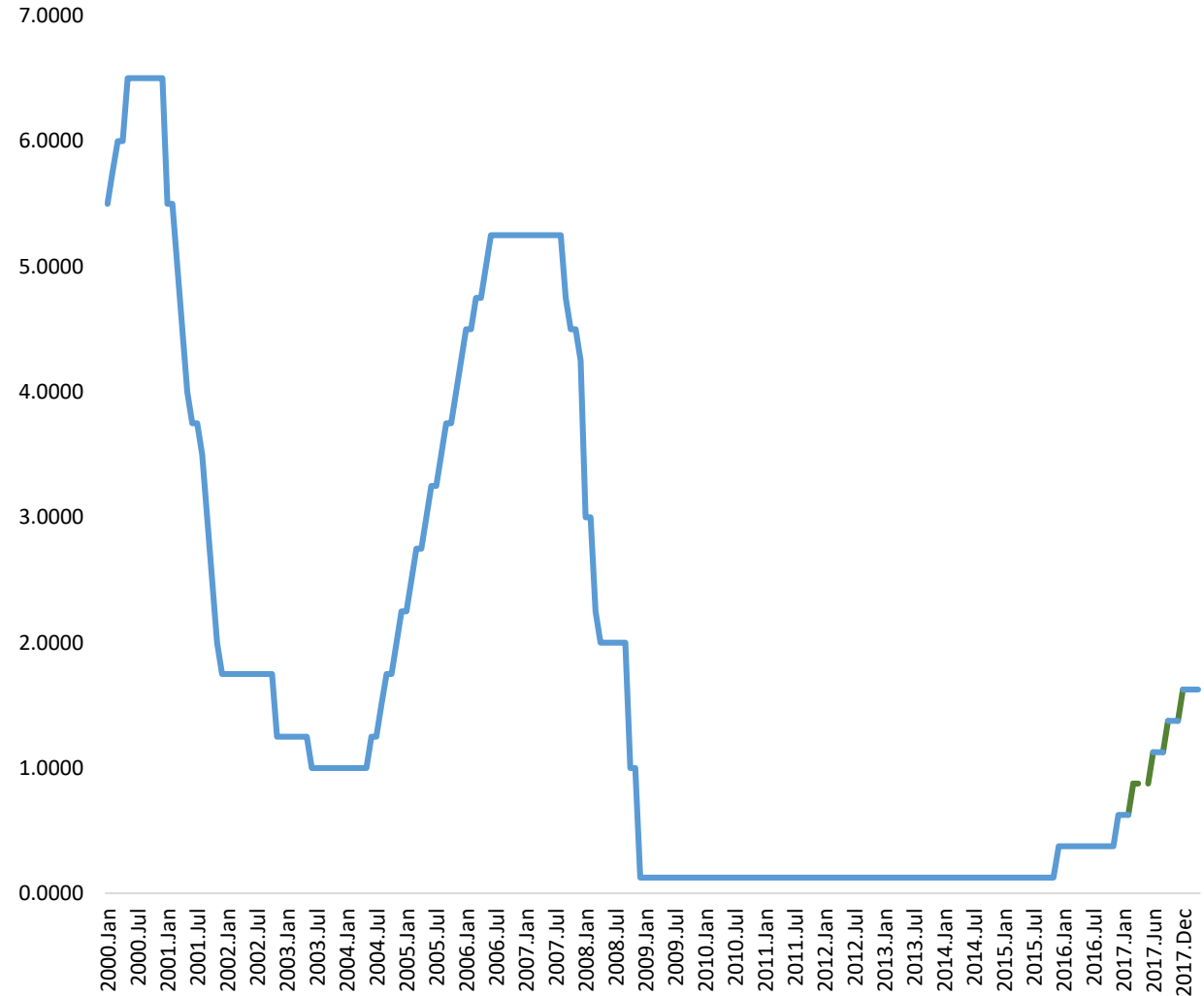
— CPI-U: All Items, 1982-84=100 (Y/Y %Change)

— CPI-U: All Items Less Food and Energy: 1982-84=100 (Y/Y %Chg)



Source: BLS

FOMC Fed Funds Target Rate Forecast

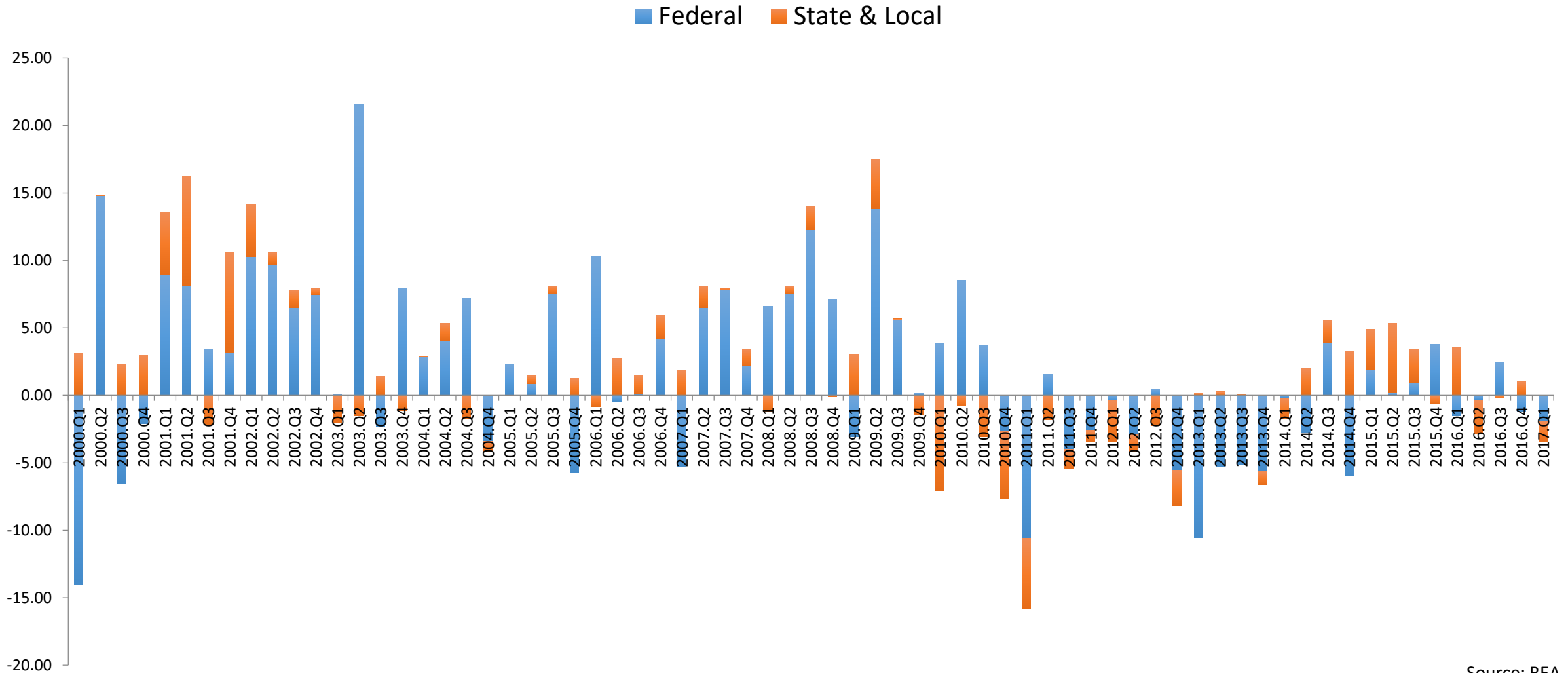


Source: Federal Reserve Board, NAR



# Government spending reflects a “skinnier budget”

Government Spending (SAAR, Chn.2009\$) %Chg Annual Rate

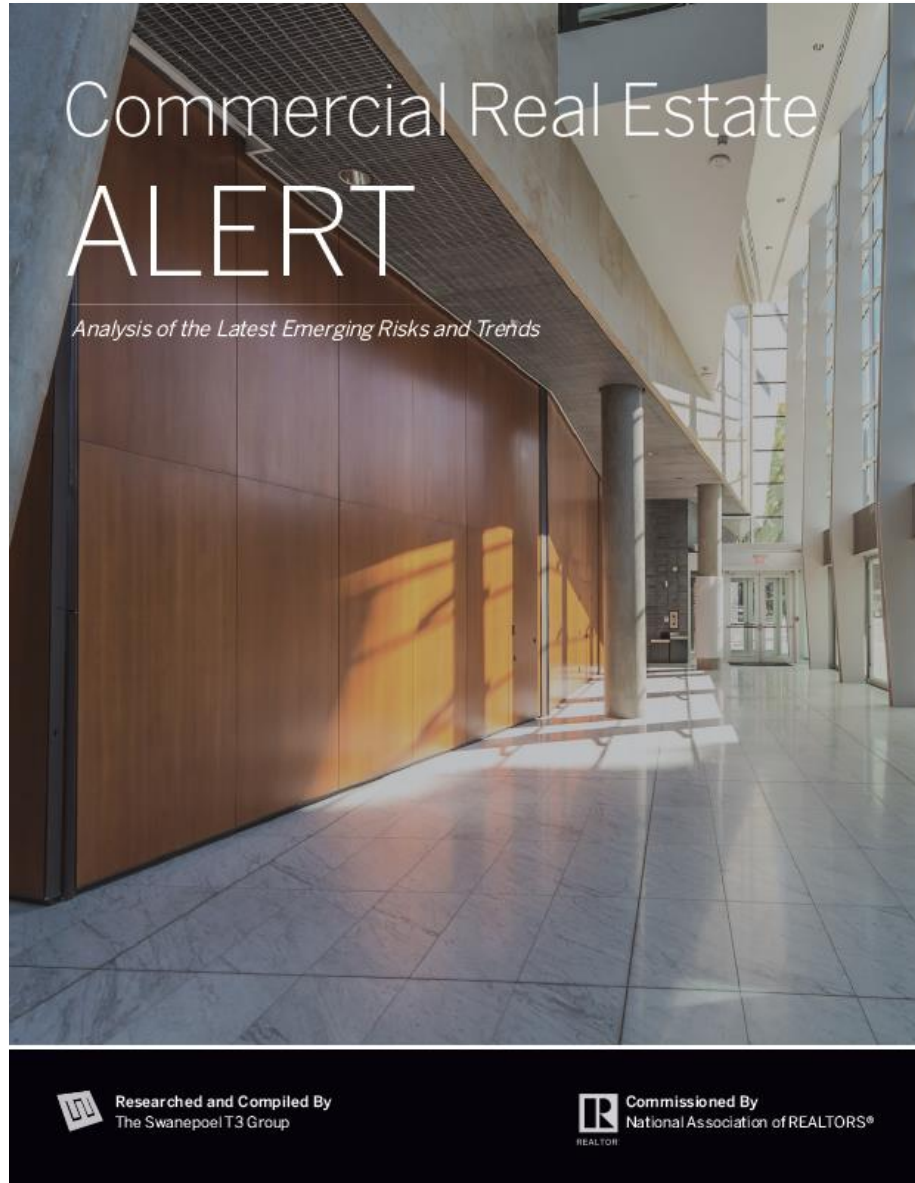


# Economic Outlook

## U.S. ECONOMIC OUTLOOK — April 2017

	2015	2016	2017	2018
<i>Annual Growth Rate, %</i>				
Real GDP	2.4	1.6	2.3	2.2
Nonfarm Payroll Employment	2.1	1.8	1.7	1.5
Consumer Prices	0.2	1.3	2.6	2.3
<i>Level</i>				
Consumer Confidence	98	100	117	123
<i>Percent</i>				
Unemployment	5.3	4.8	4.6	4.5
Fed Funds Rate	0.1	0.4	1.0	1.8
3-Month T-bill Rate	0.1	0.3	0.9	1.8
Corporate Aaa Bond Yield	3.9	3.9	4.3	4.9
10-Year Gov't Bond	2.1	1.8	2.7	3.3
30-Year Gov't Bond	2.8	2.6	3.3	3.8

# Commercial Real Estate ALERT Report



- NAR Strategic Thinking Committee & Swanepoel T3 Group

- Capital Markets
- In Search of Debt
- Crowdfunding
- Technology
- E-Commerce
- Demographics
- Sustainability
- Regulations
- Other Trends



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