

2015 REALTOR[®] BROKER SUMMIT



CHARLOTTE, NORTH CAROLINA
SEPTEMBER 24-25



NATIONAL
ASSOCIATION *of*
REALTORS[®]

Economic and Real Estate Outlook

By Lawrence Yun, Ph.D.

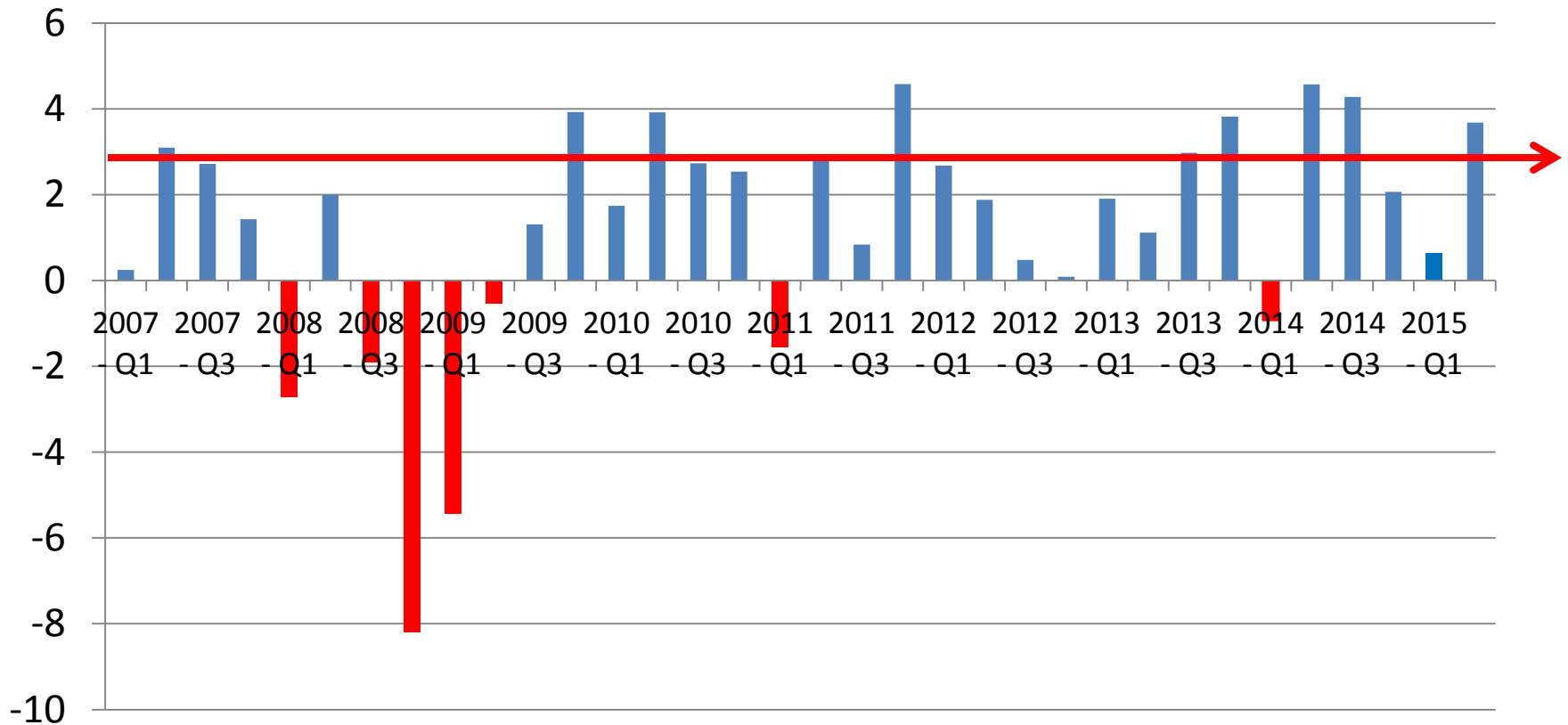
Chief Economist

National Association of REALTORS®

How's the Economy?

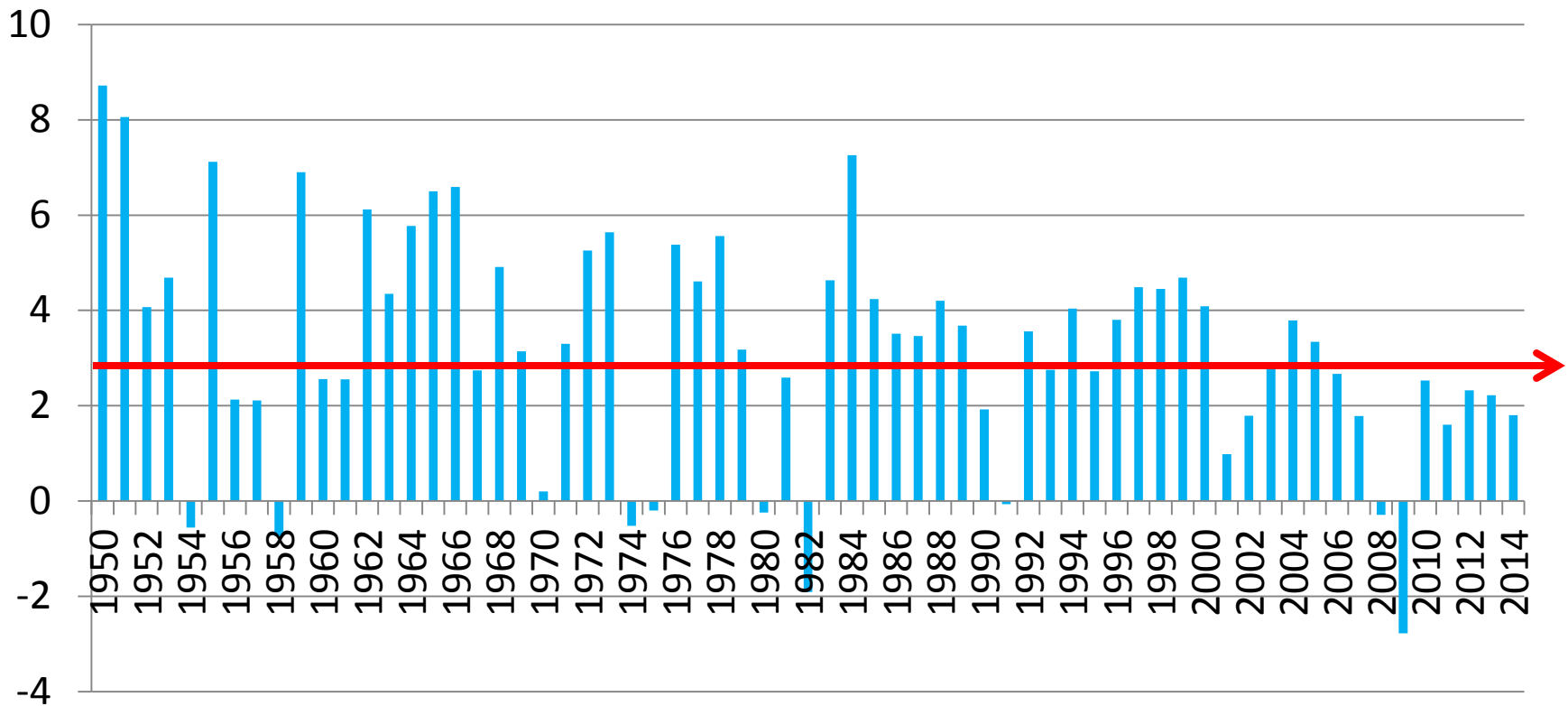
GDP Quarterly Activity (Awesome?)

Annualized Growth Rate



Annual GDP ...

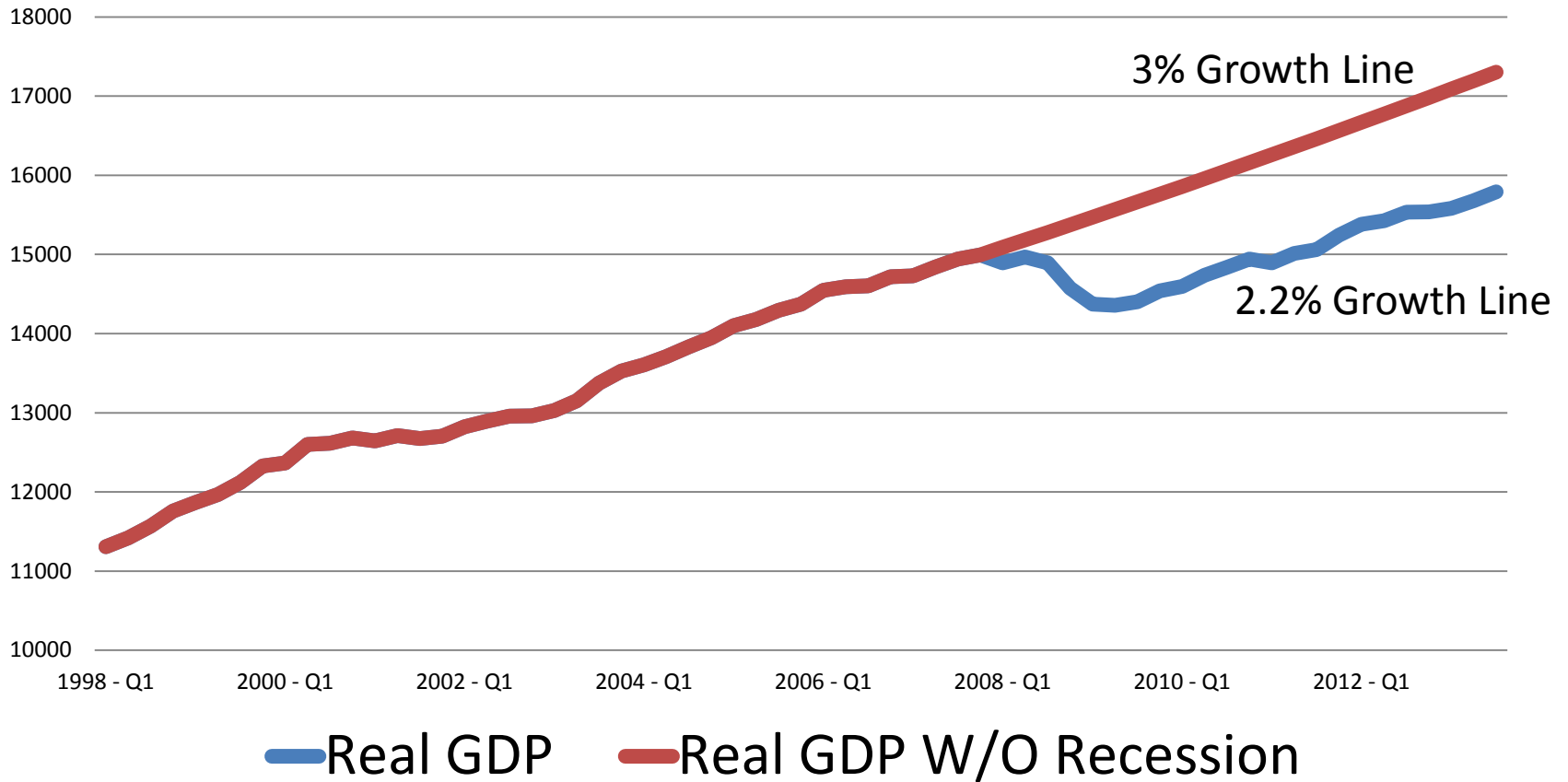
Below 3% for 10 straight years



Sluggish Growth + Gap after Recession

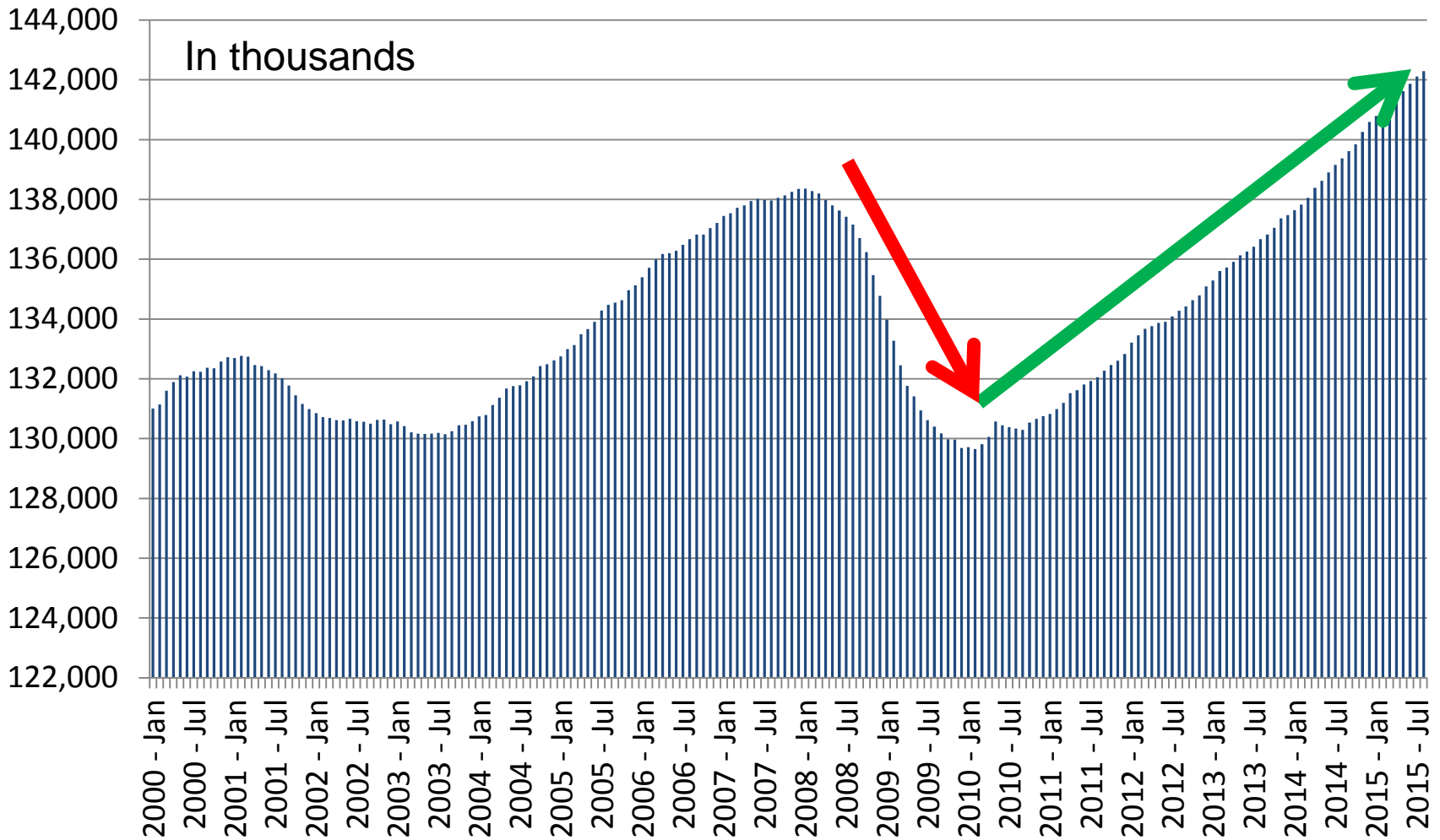
(\$1.7 trillion gap ... \$5,000 per person)

GDP in 2009 Dollars

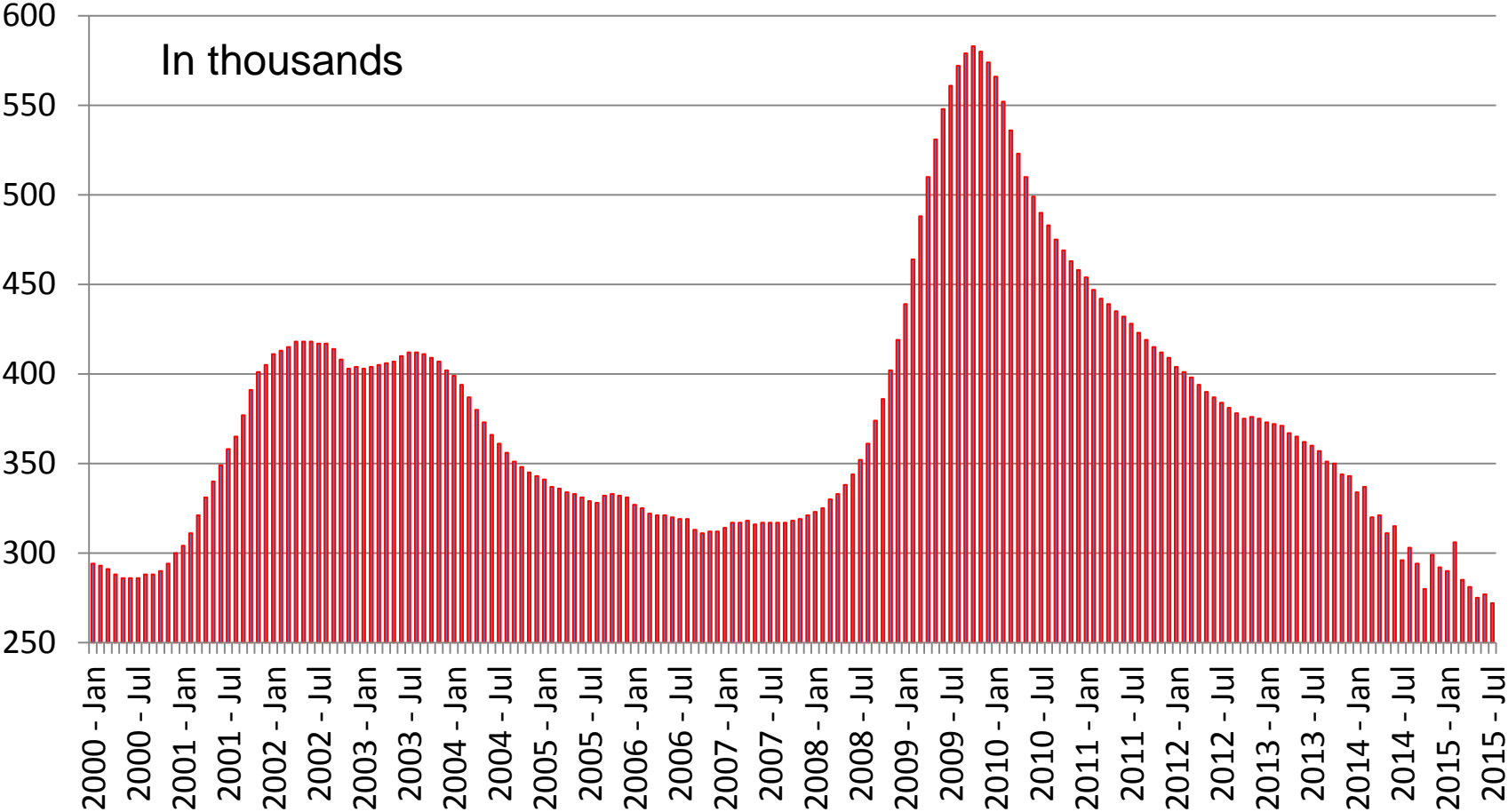


Jobs

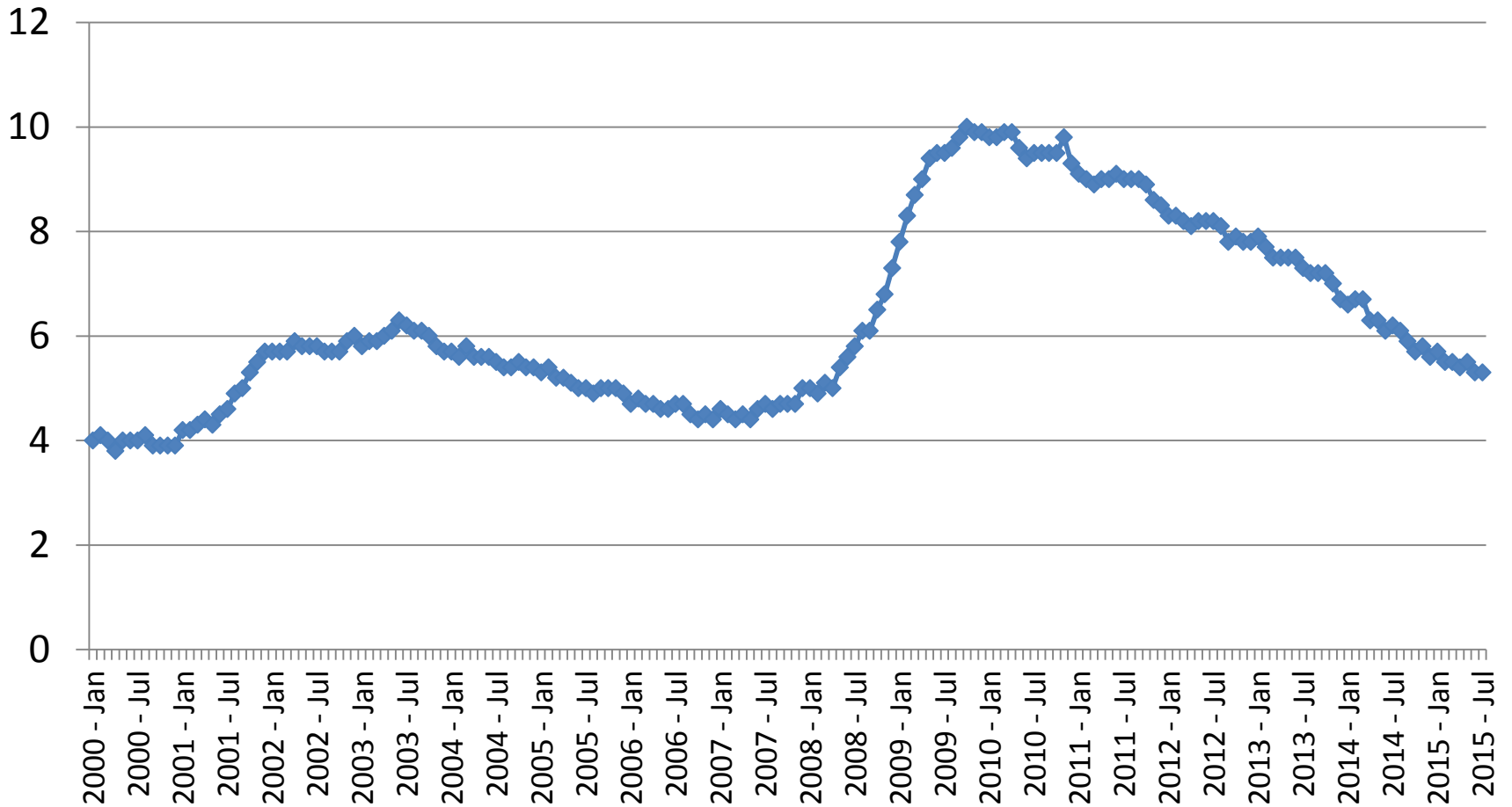
(8 million lost ... 12 million gained)



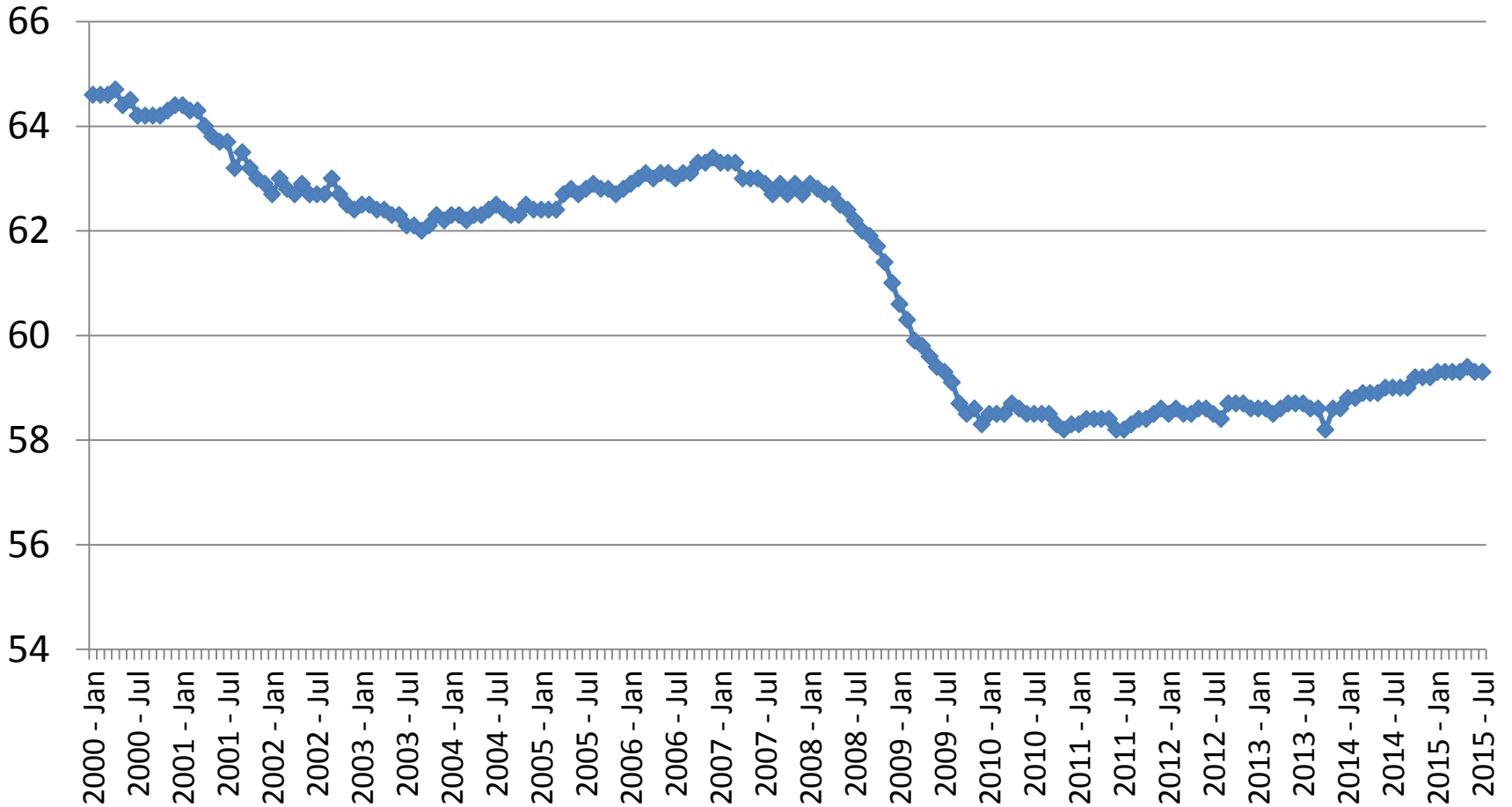
Fresh Unemployment Insurance Claims



Unemployment Rate Falling



But Employment Rate Not Rising



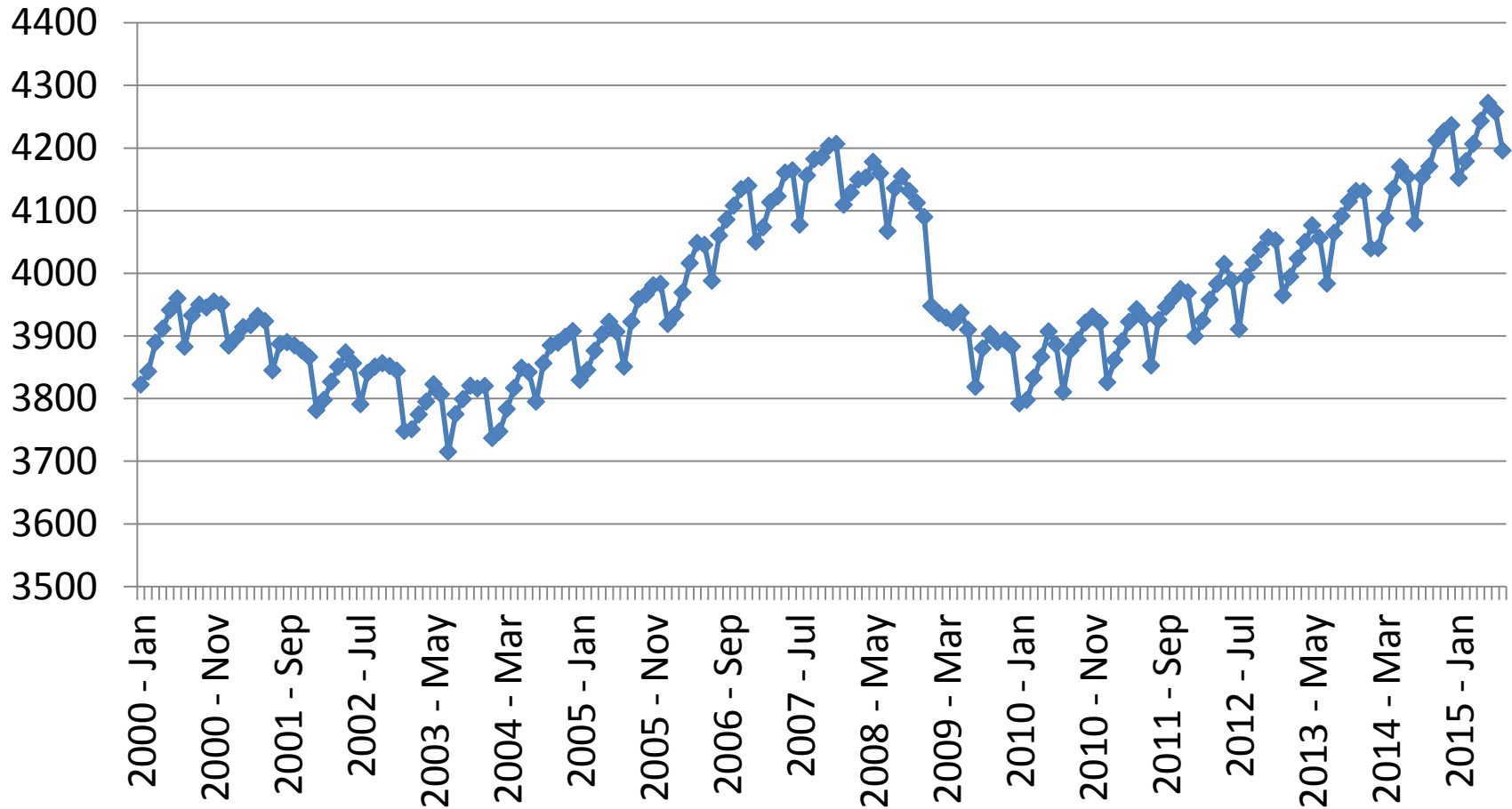
Top and Bottom States for Jobs

The Best	% Gain in 12 months
Utah	4.5%
Florida	3.6%
Nevada	3.6%
Washington	3.5%
Oregon	3.5%
California	3.2%
Idaho	3.1%
South Carolina	3.0%
North Carolina	2.9%

The Worst	% Gain in 12 months
West Virginia	-1.8%
North Dakota	-0.5%
Wyoming	0.4%
Alaska	0.6%
Louisiana	0.7%

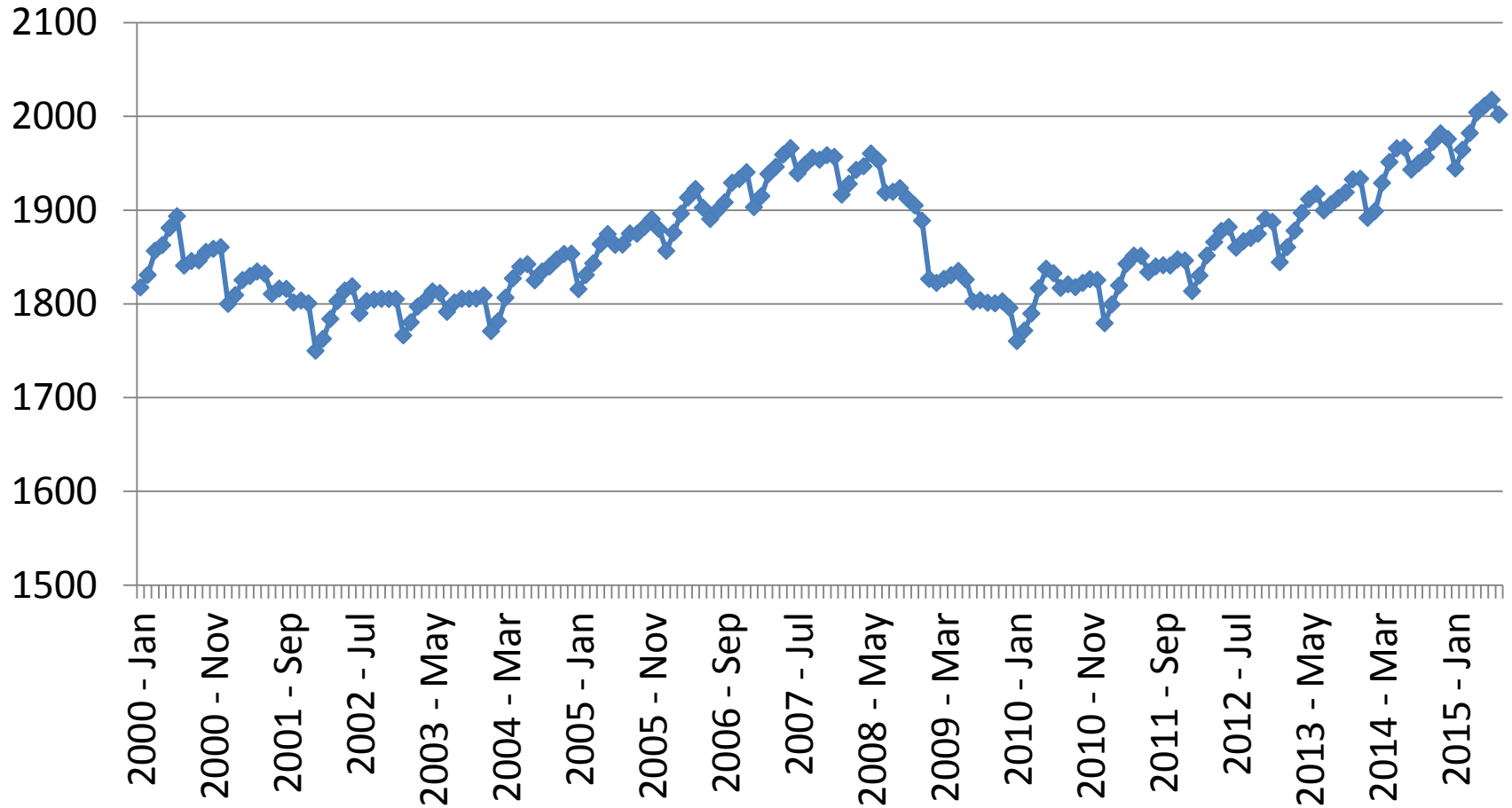
NC Total Jobs

(10% growth vs 8% national growth rate from 2000)



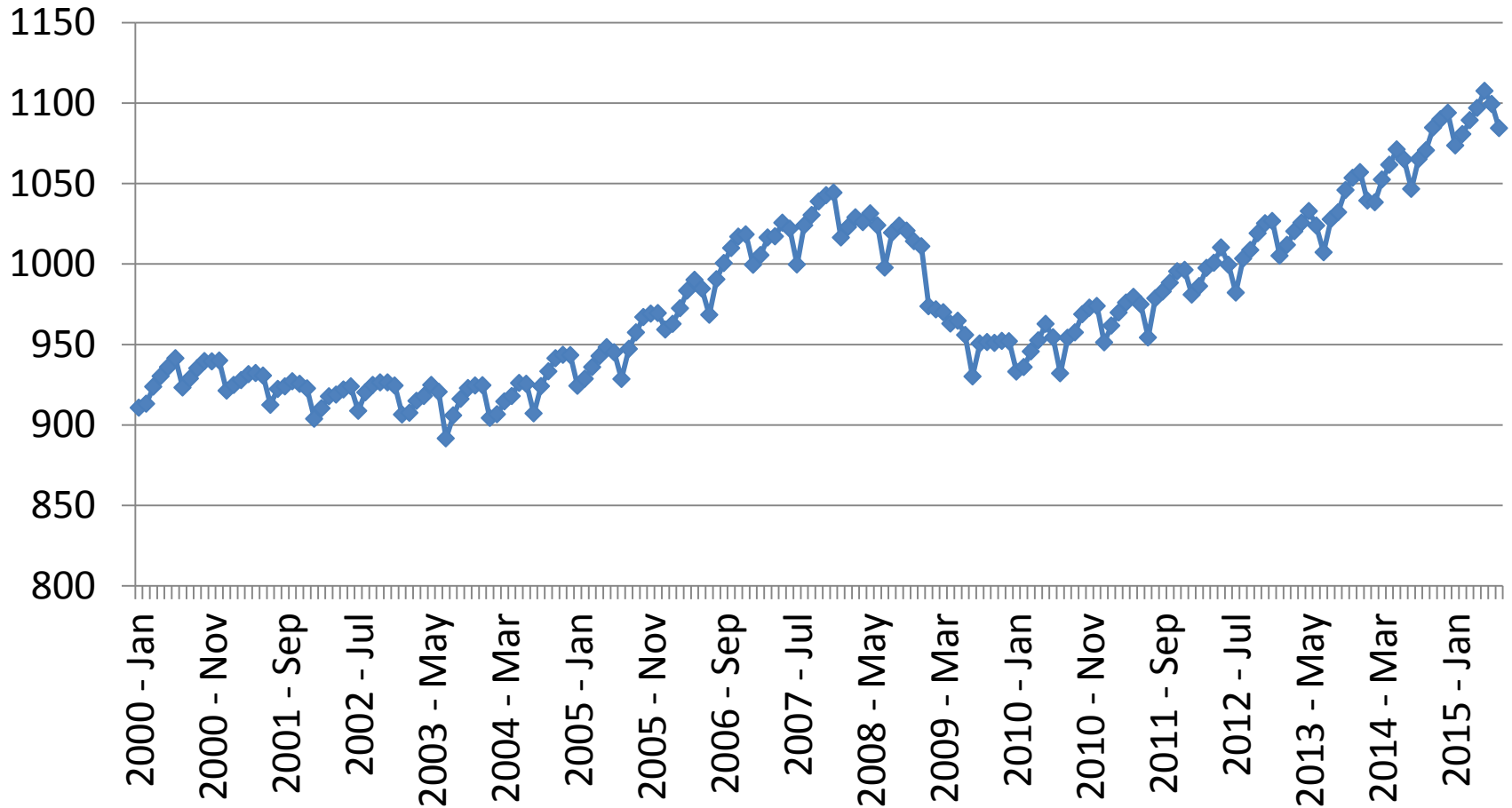
SC Total Jobs

(10% growth vs 8% national growth rate from 2000)



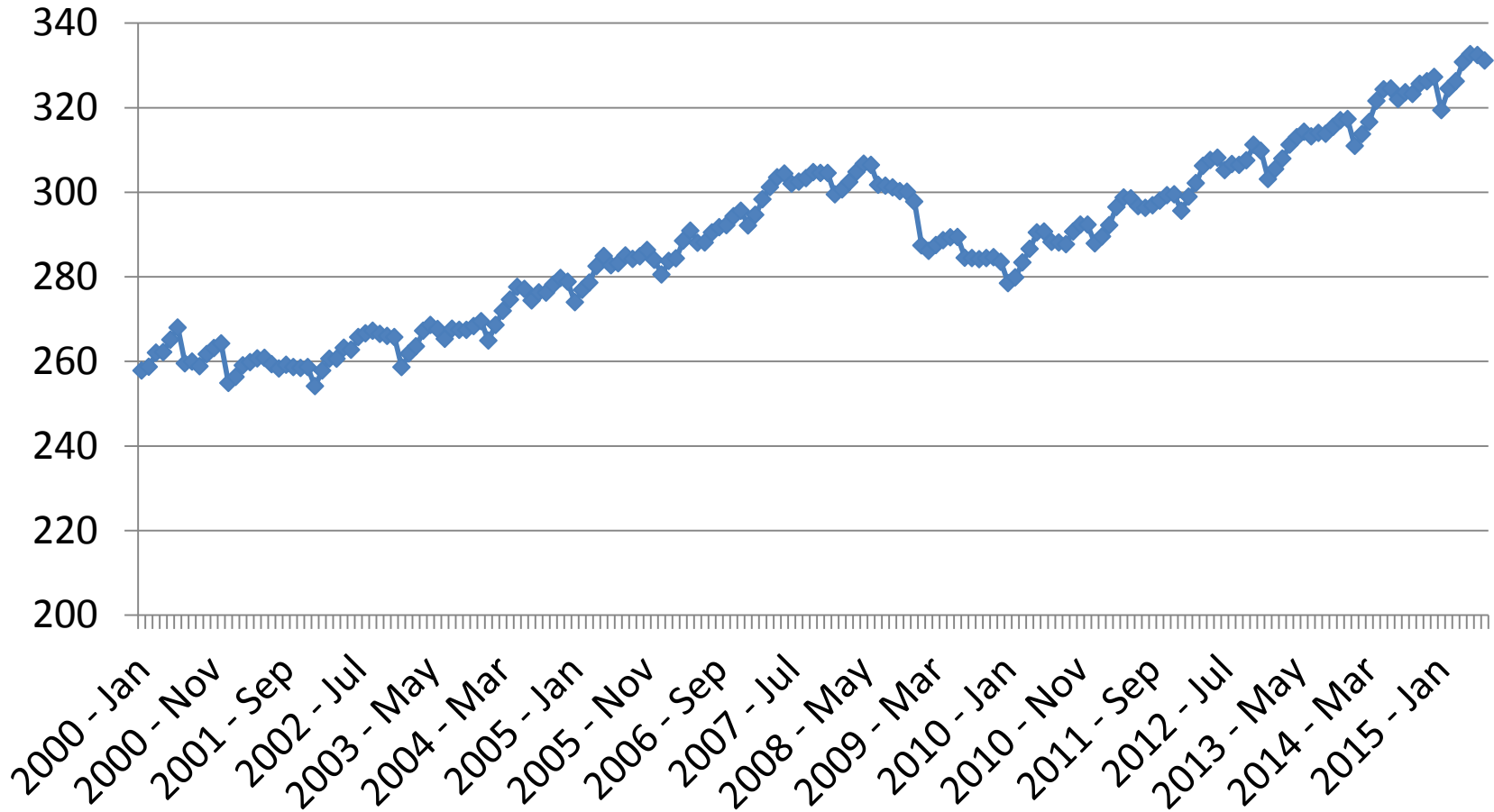
Charlotte Total Jobs

(18% growth vs 8% national growth rate from 2000)



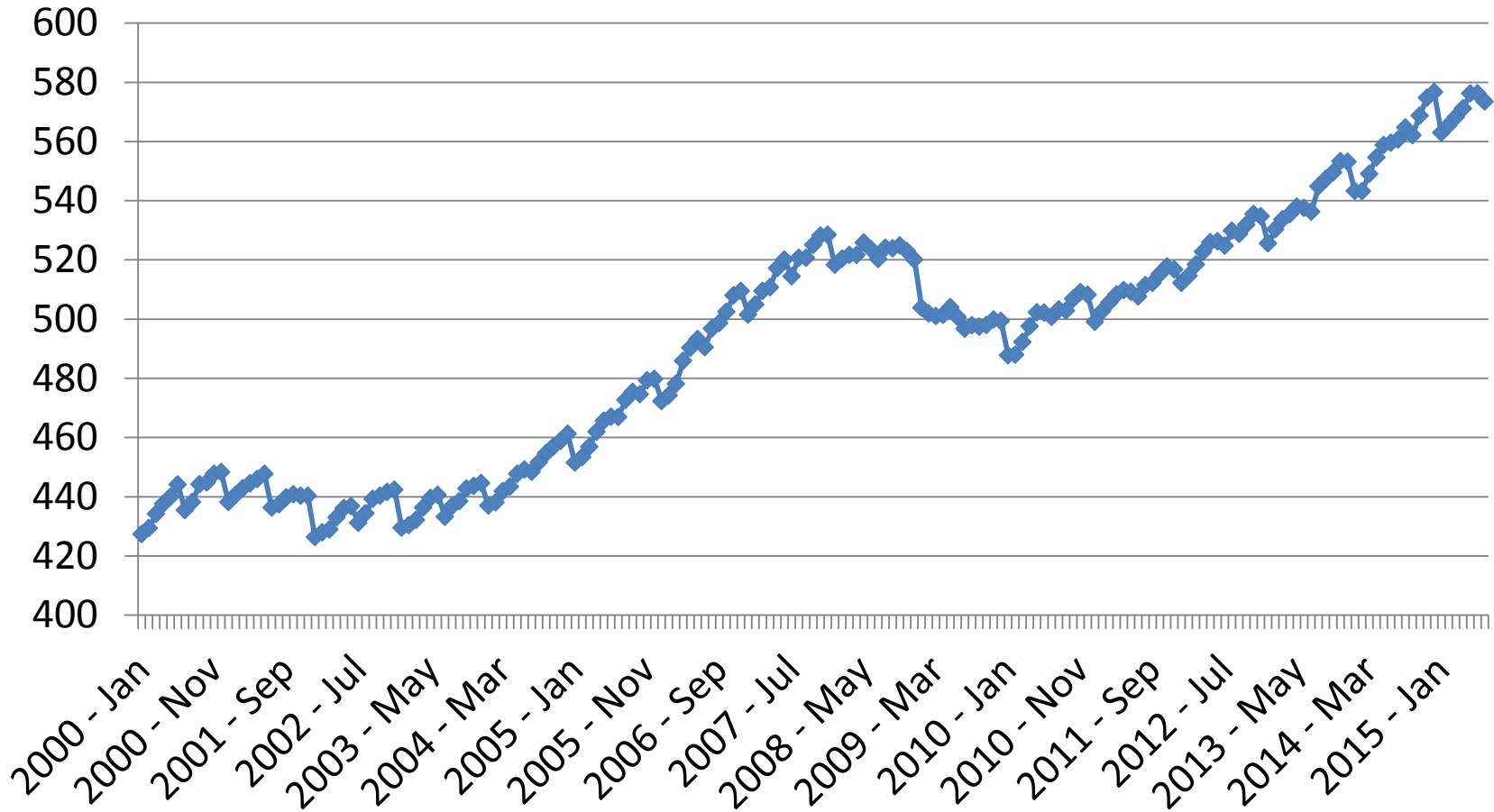
Charleston Total Jobs

(29% growth vs 8% national growth rate from 2000)



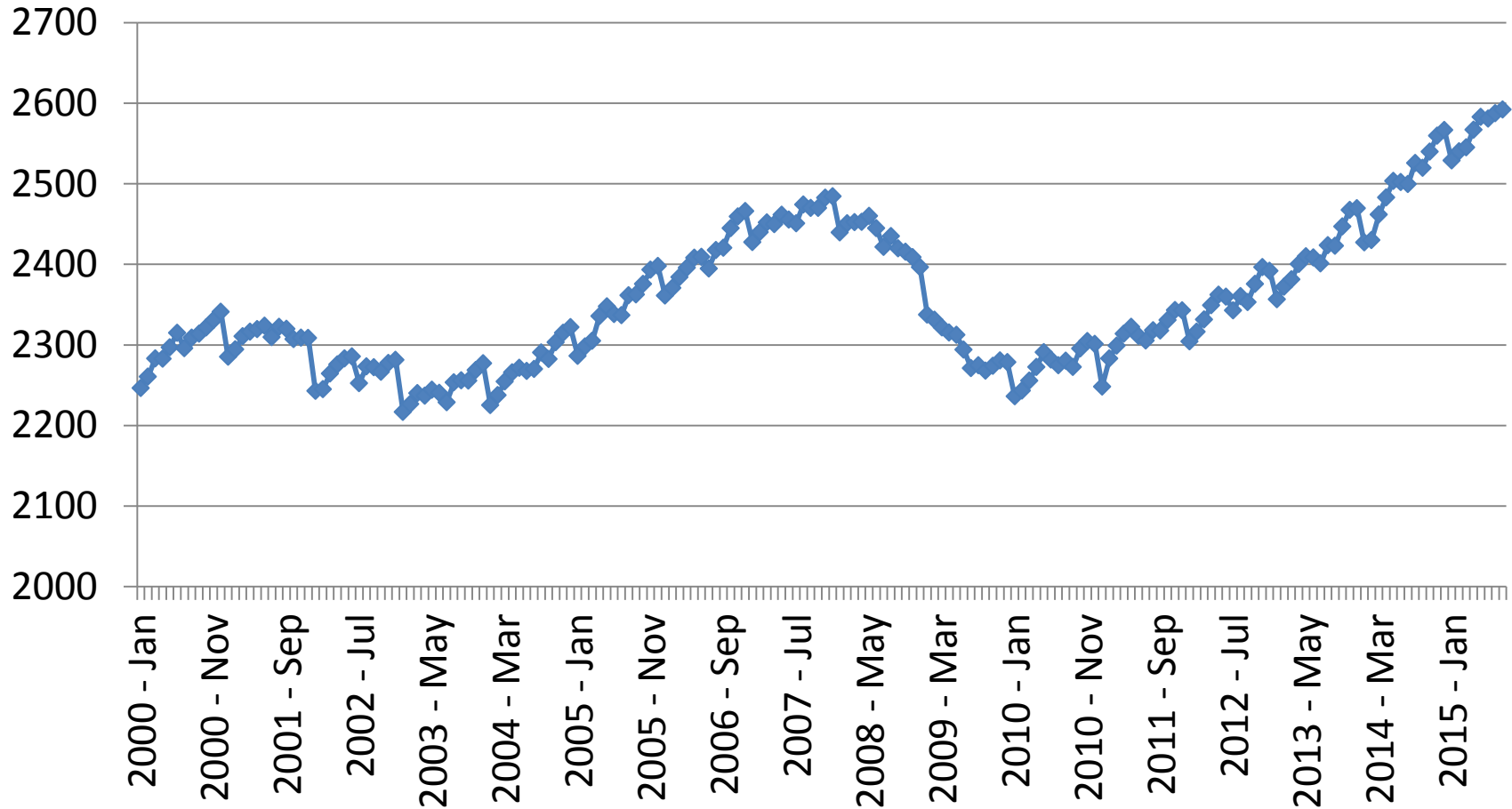
Raleigh Total Jobs

(34% growth vs 8% national growth rate from 2000)



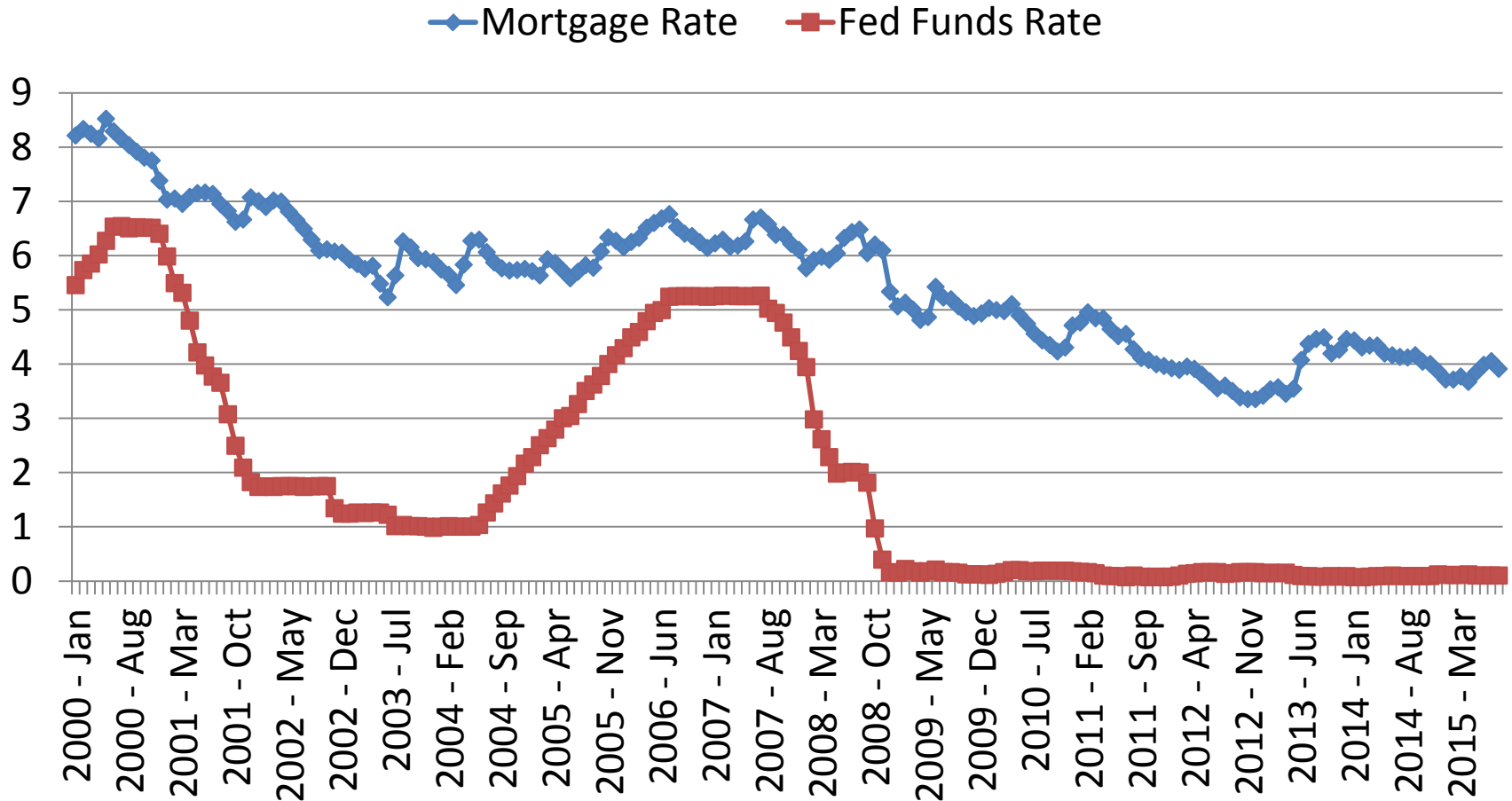
Atlanta Total Jobs

(15% growth vs 8% national growth rate from 2000)



Monetary Policy and Mortgage Credit

Fed Policy and Mortgage Rate

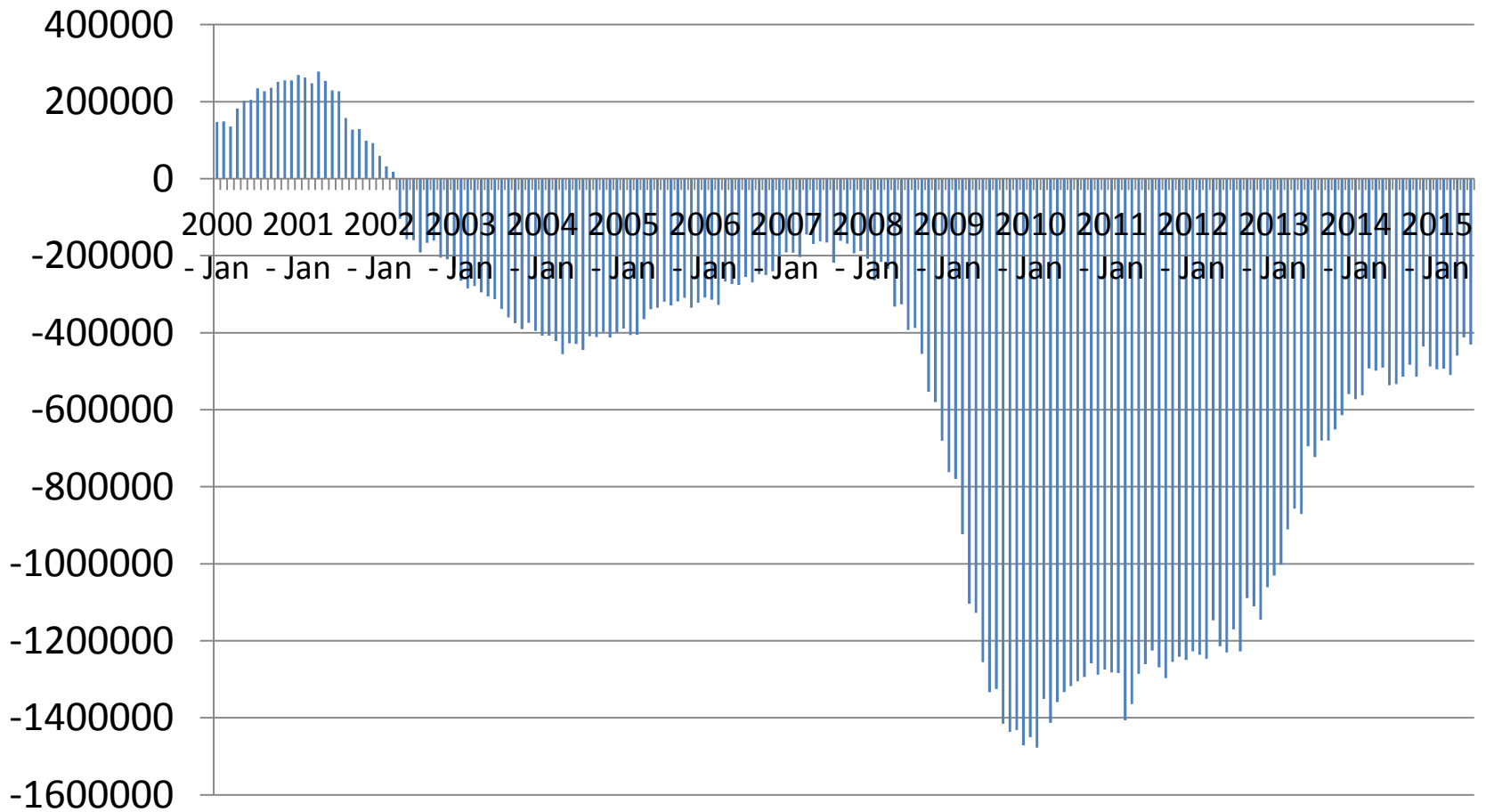


What Determines Bond Yields?

- Federal Reserve's short-term rate changes
- Inflation and erosion of purchasing power
- Foreign capital flow and demand for dollar
- Savings rate
- U.S. budget deficit
- Printing of money
- ...

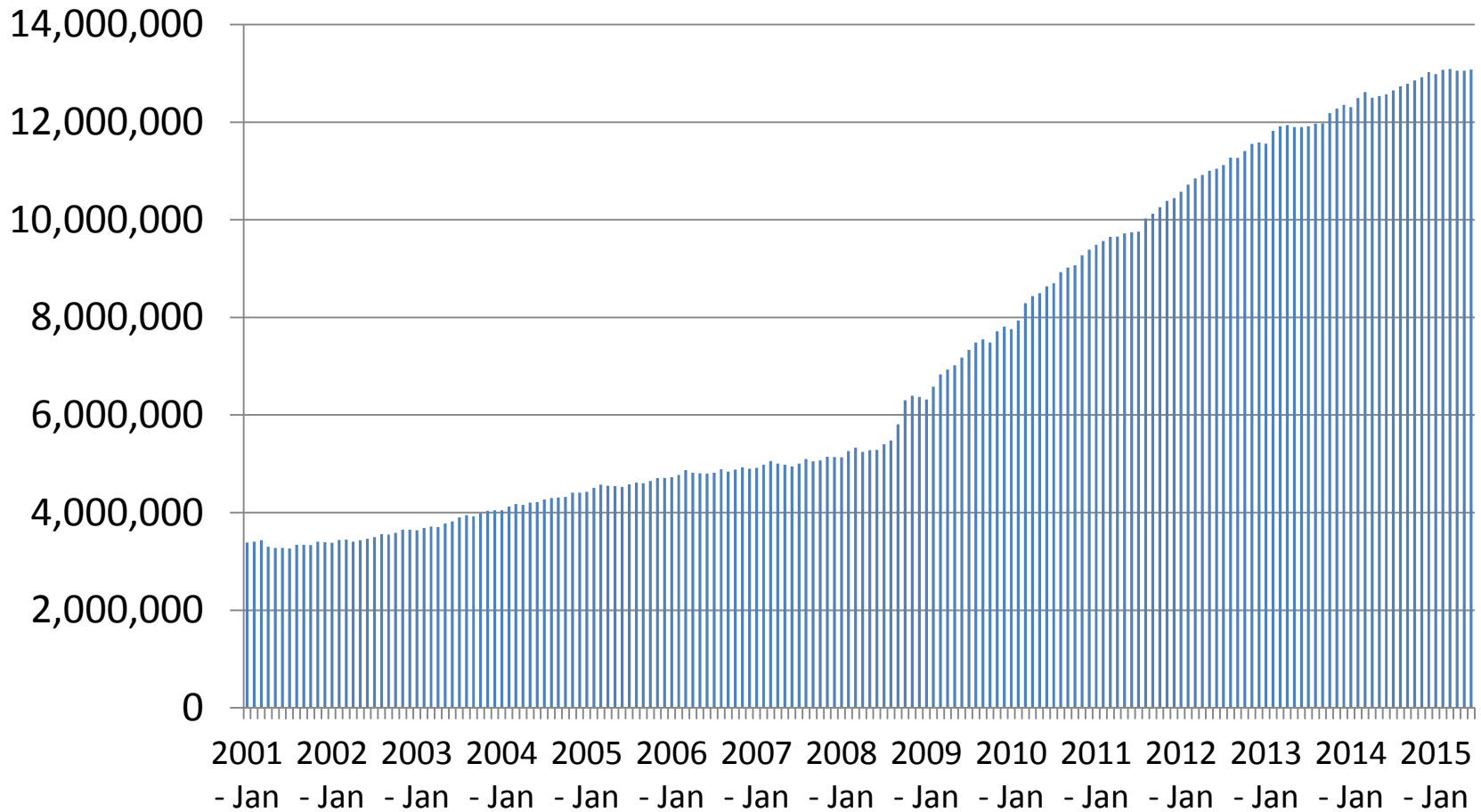
Federal Deficit - Shrinking

(\$ million, 12 month total)



Federal Debt ... Cumulative

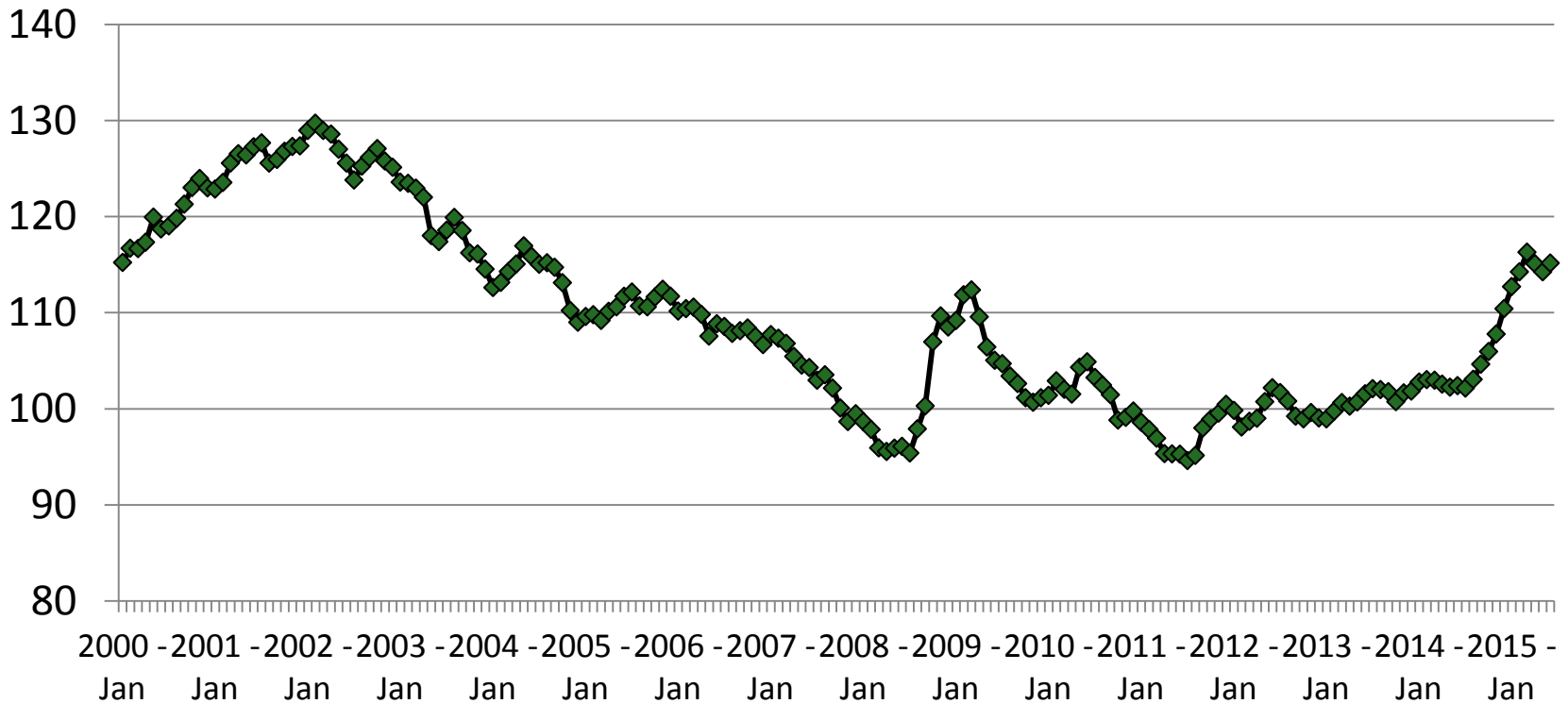
(\$ million; debt held by public excluding intra-governmental holdings)



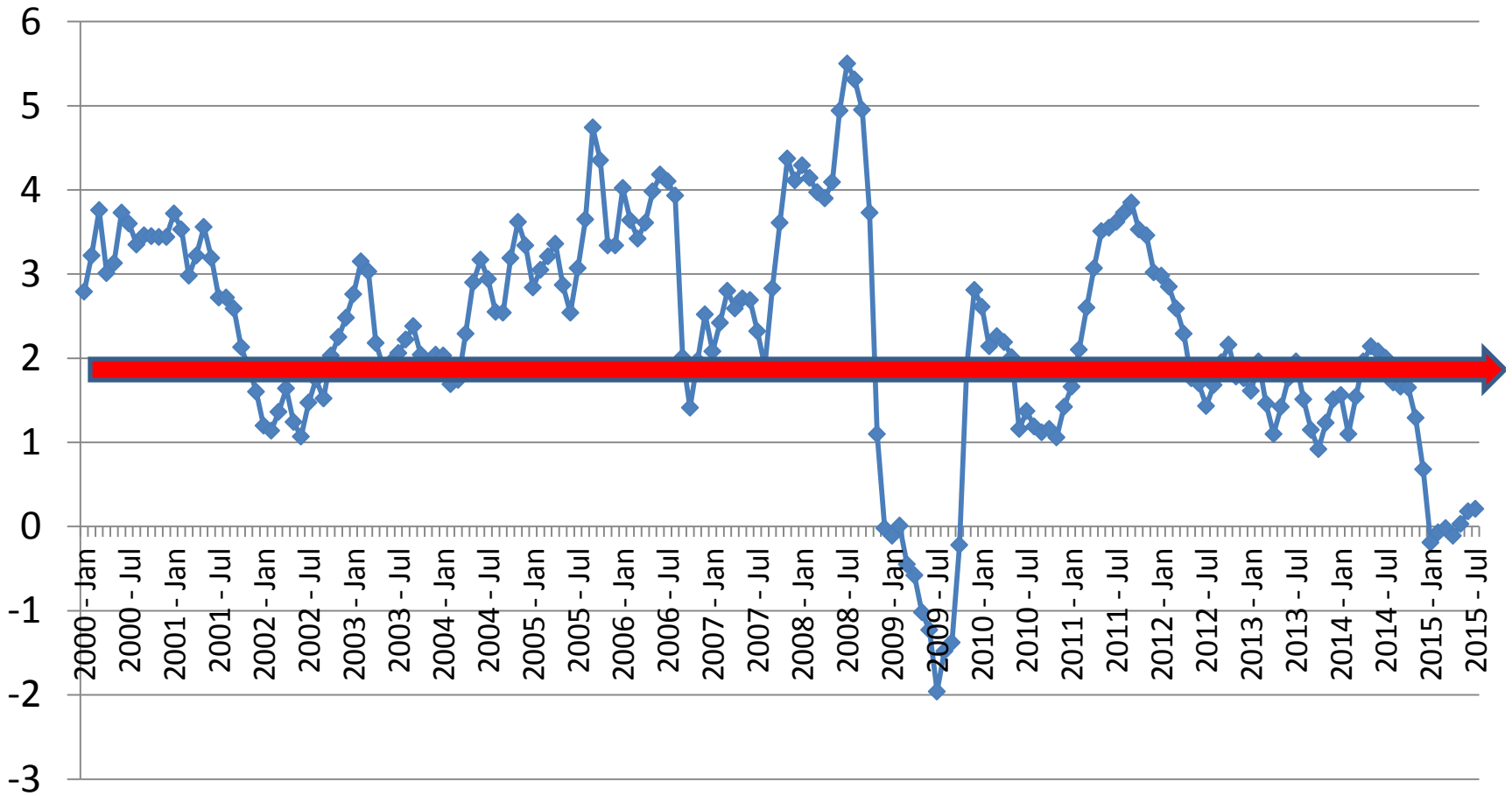
U.S. Dollar

Reversing the Decline ... Stronger and Stronger

Dollar Strength Index – Trade Weighted

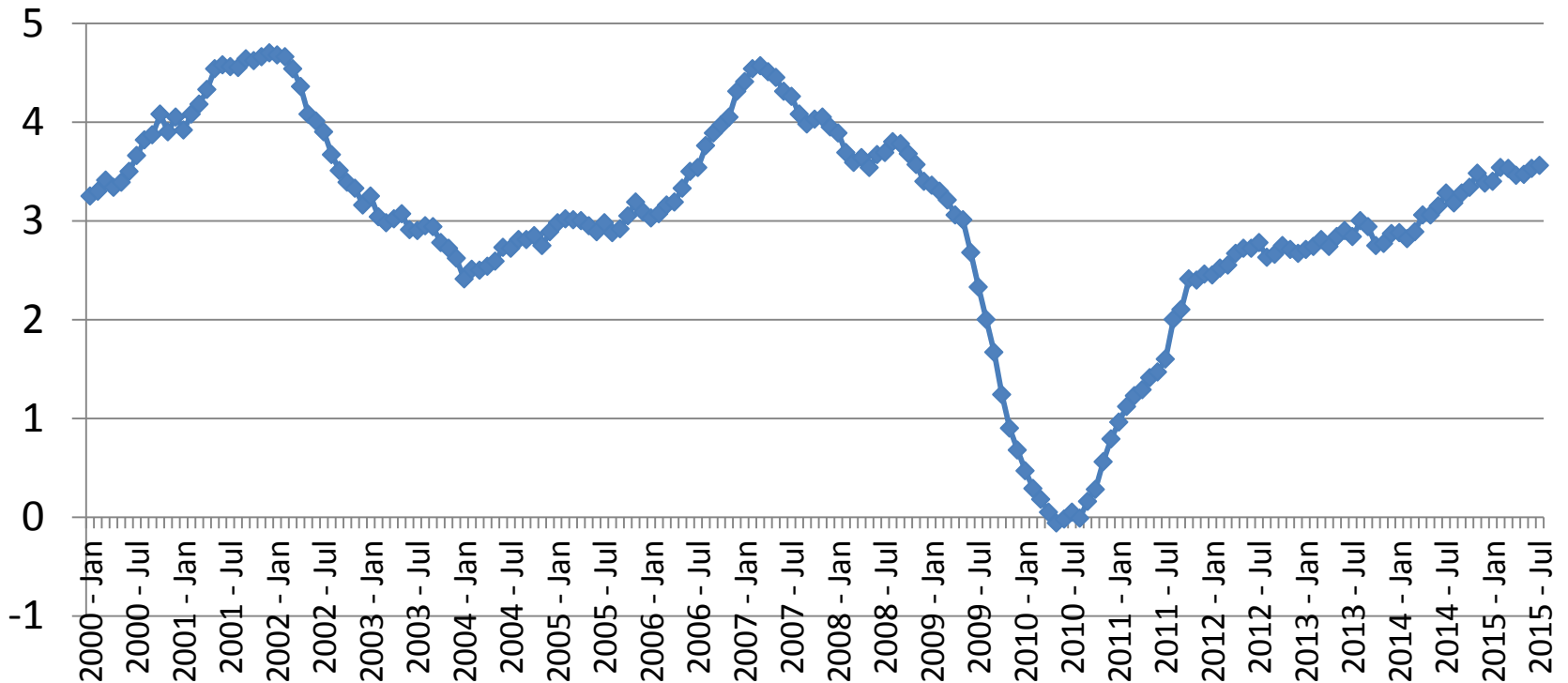


No CPI Inflation – Yet



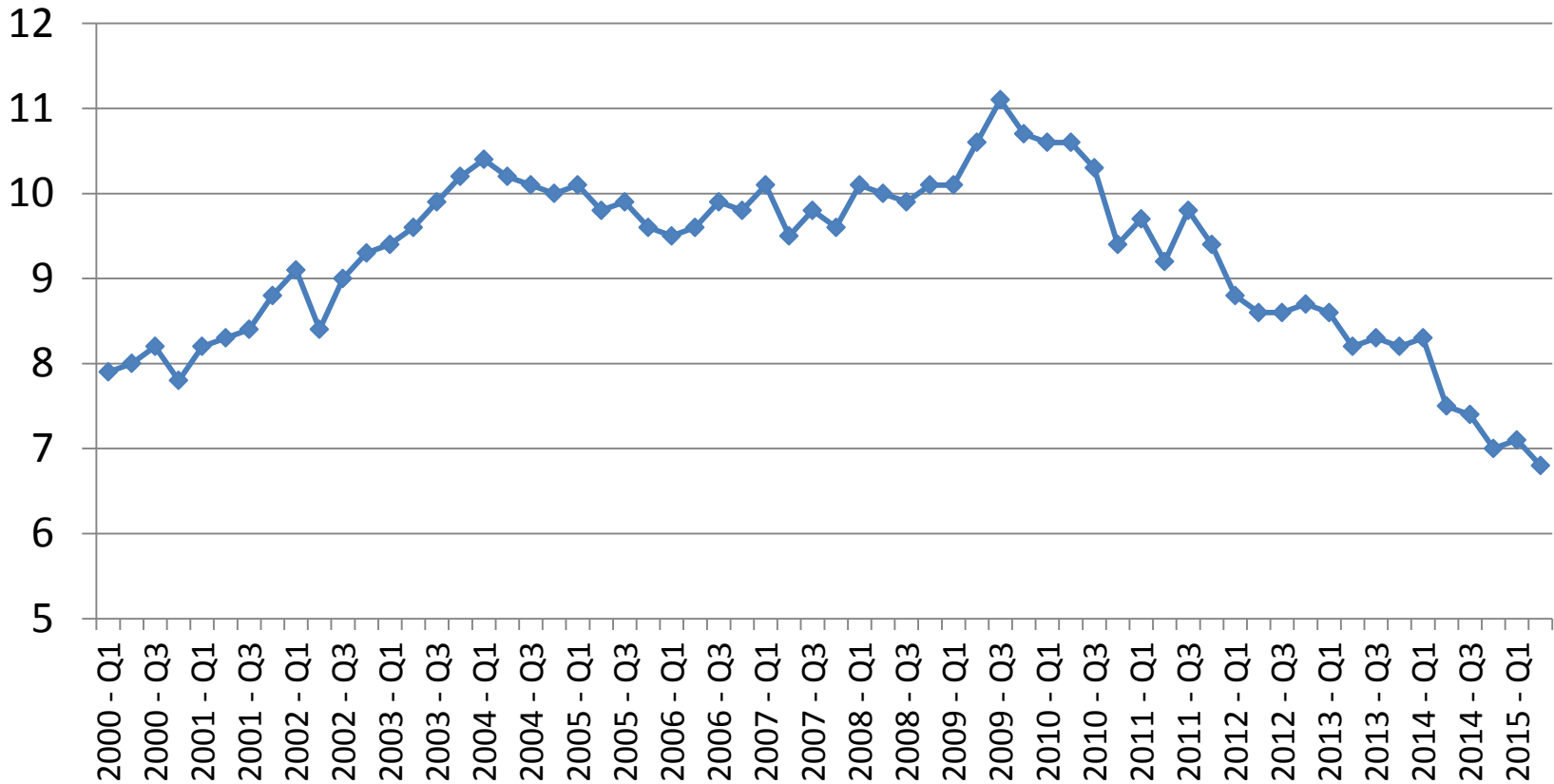
Rents Rising at 7-year high

Renters' Rent



Rental Vacancy Rate

(30-year low)



Monetary Policy

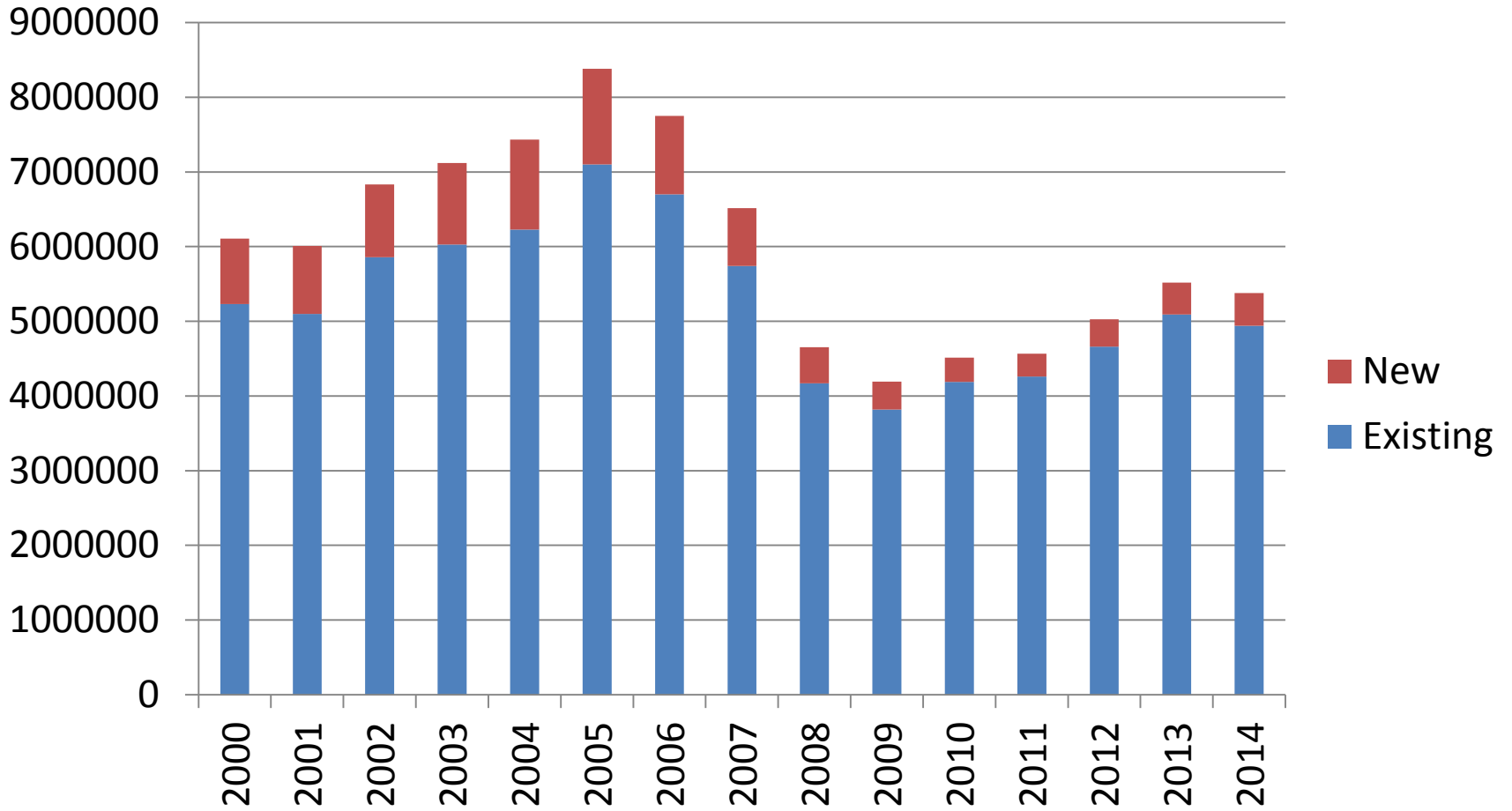
- Quantitative Easing ... Finished
- Fed Funds Rate hike ... October/December
- 10-year Treasury reaching
 - 2.3% by end of 2015
 - 3.0% by end of 2016

Credit Box Opens?

- FICO New Method
- Fannie/Freddie
 - Lower down payment products
- FHA premiums ... lowered
- Portfolio Lending ... historic low mortgage default rates on recent vintages (2010-2014)

Housing Market

Annual Home Sales



Home Sales in NC and SC

- North Carolina
 - Home Sales ... up 17%
 - Median Price ... up 7%
 - Business \$ volume ... up 24%
- South Carolina
 - Home Sales ... up 15%
 - Median Price ... up 8%
 - Business \$ volume ... up 23%

New Price Bubble?

2005-2006 Bubble

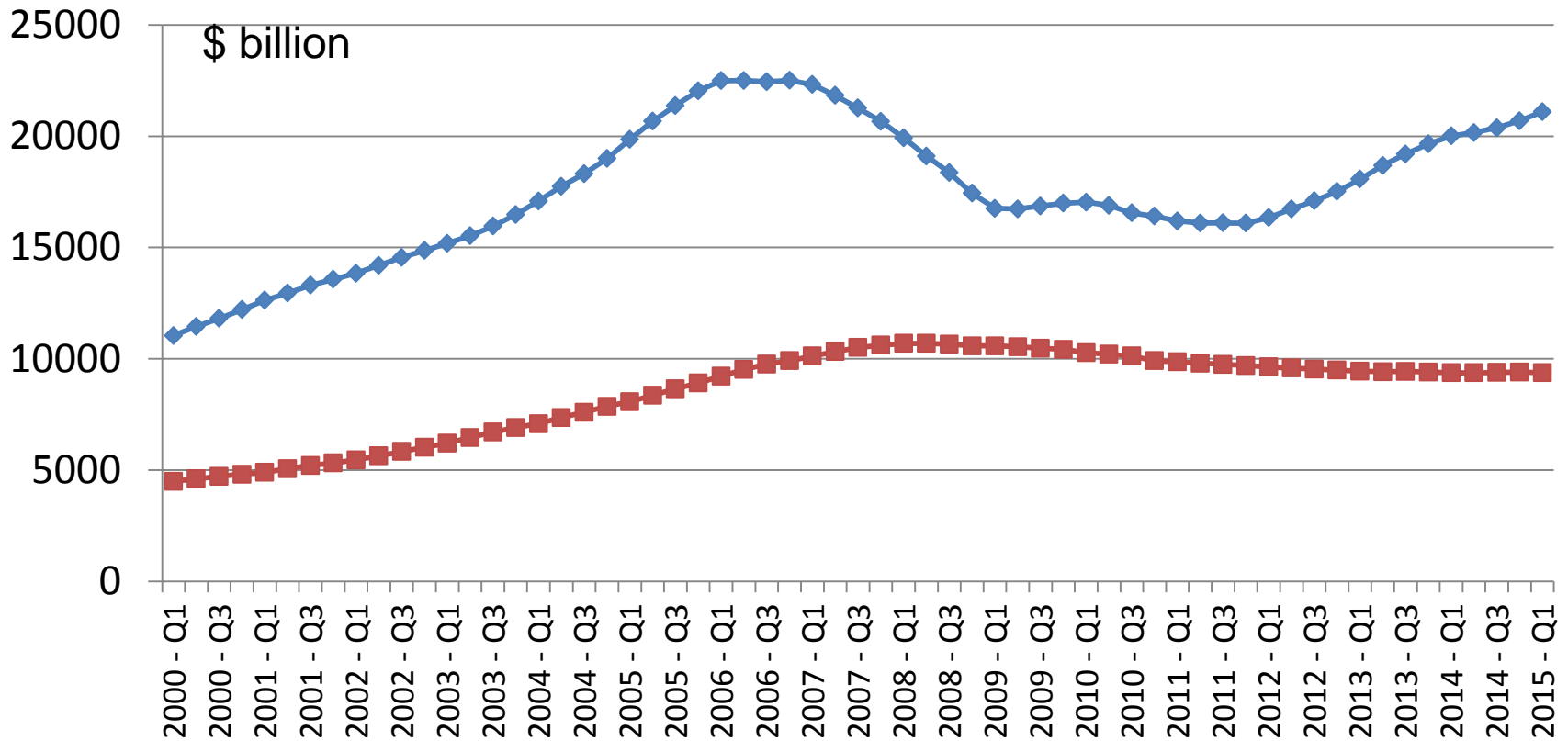
- 7.2 m existing home sales
- 1.3 m new home sale
- Loose Credit
- 2.1 m housing starts

2015

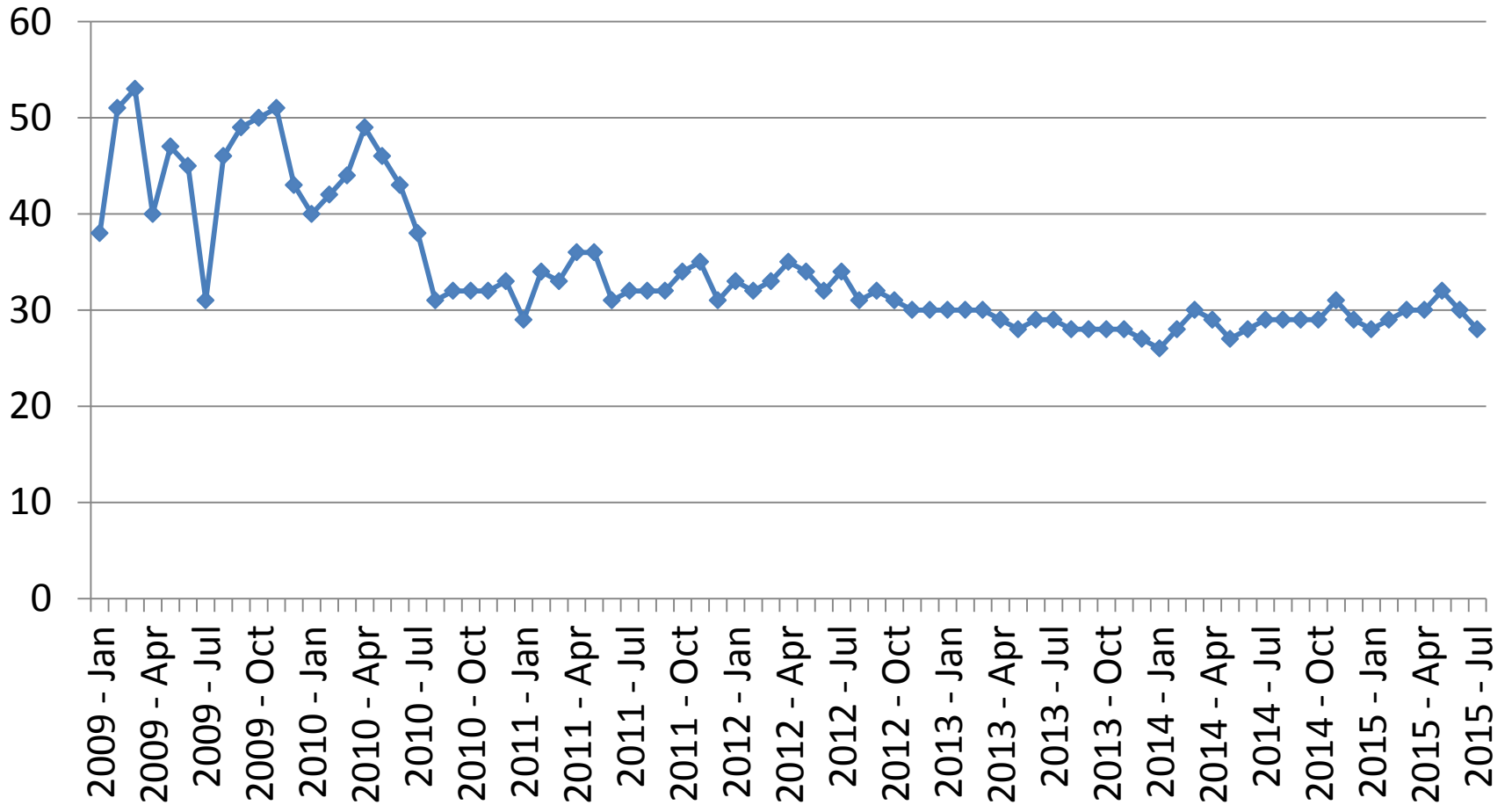
- 5.3 m existing home sales
- 0.6 m new home sales
- Tight Credit and all-cash
- 1.1 m housing starts

Trade-Up Opportunities from Housing Equity

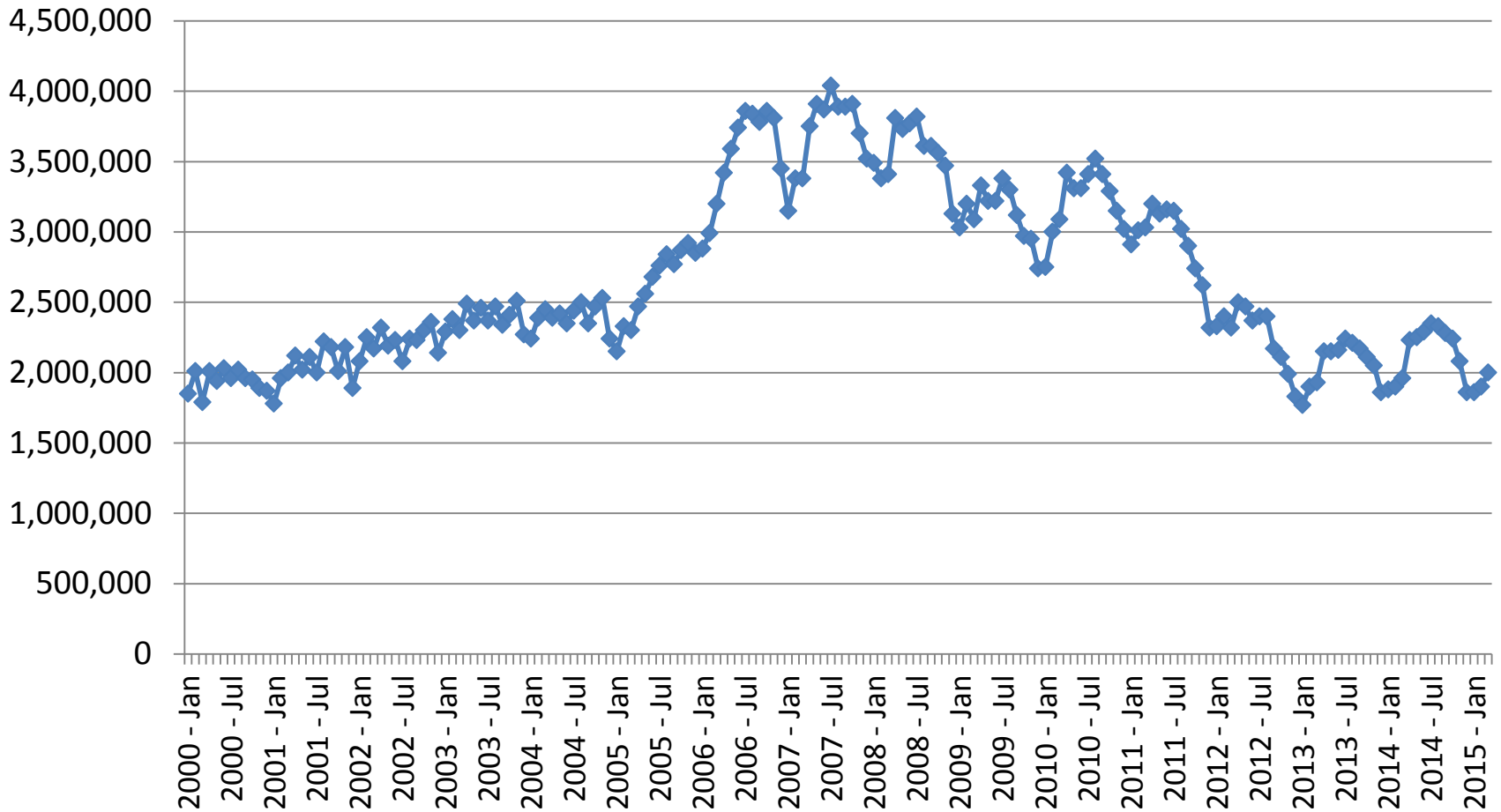
—◆— Real Estate Value —■— Mortgage Debt



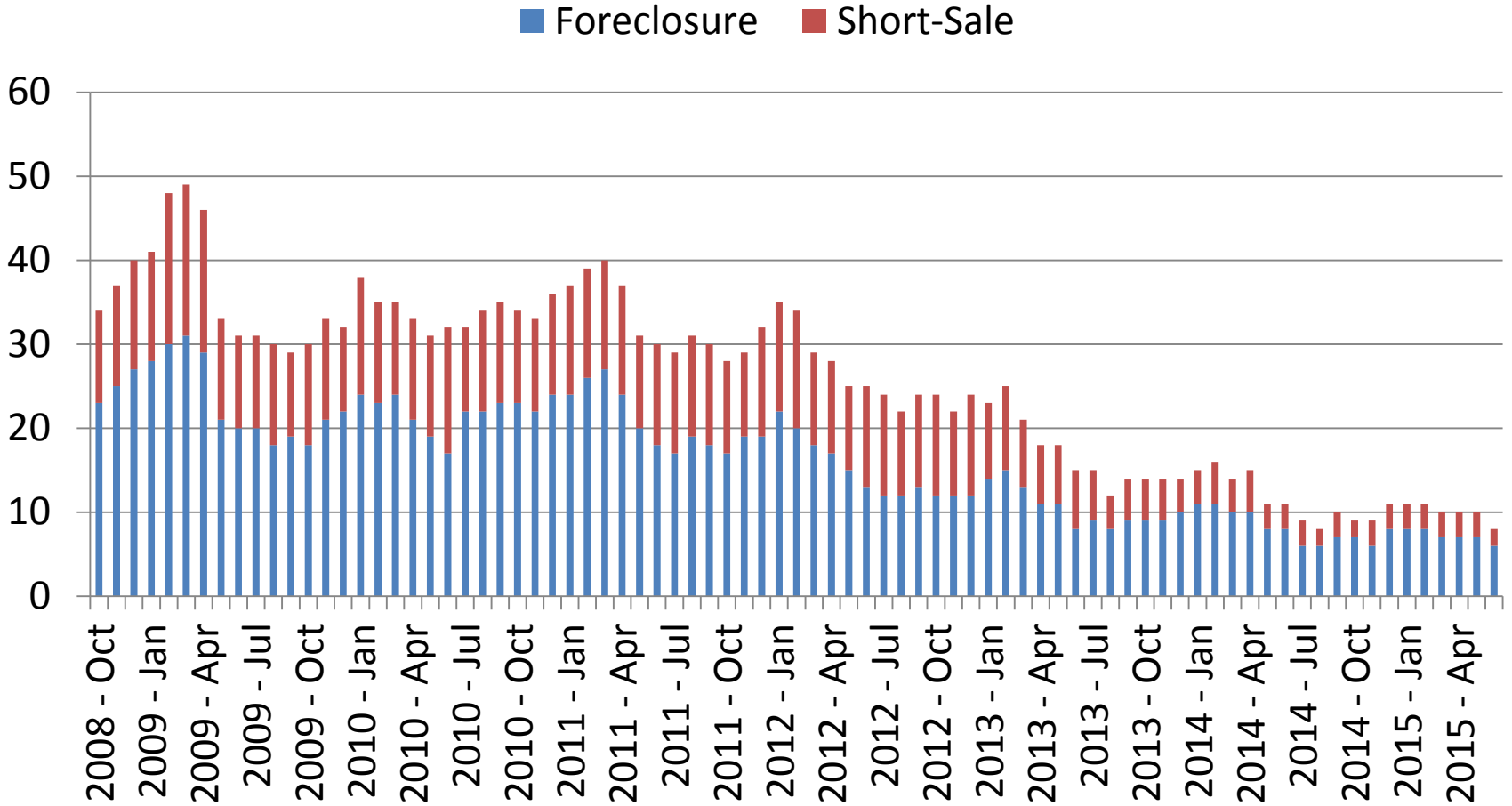
First-time Buyers (mostly Millennials)



Inventory of Homes For Sale

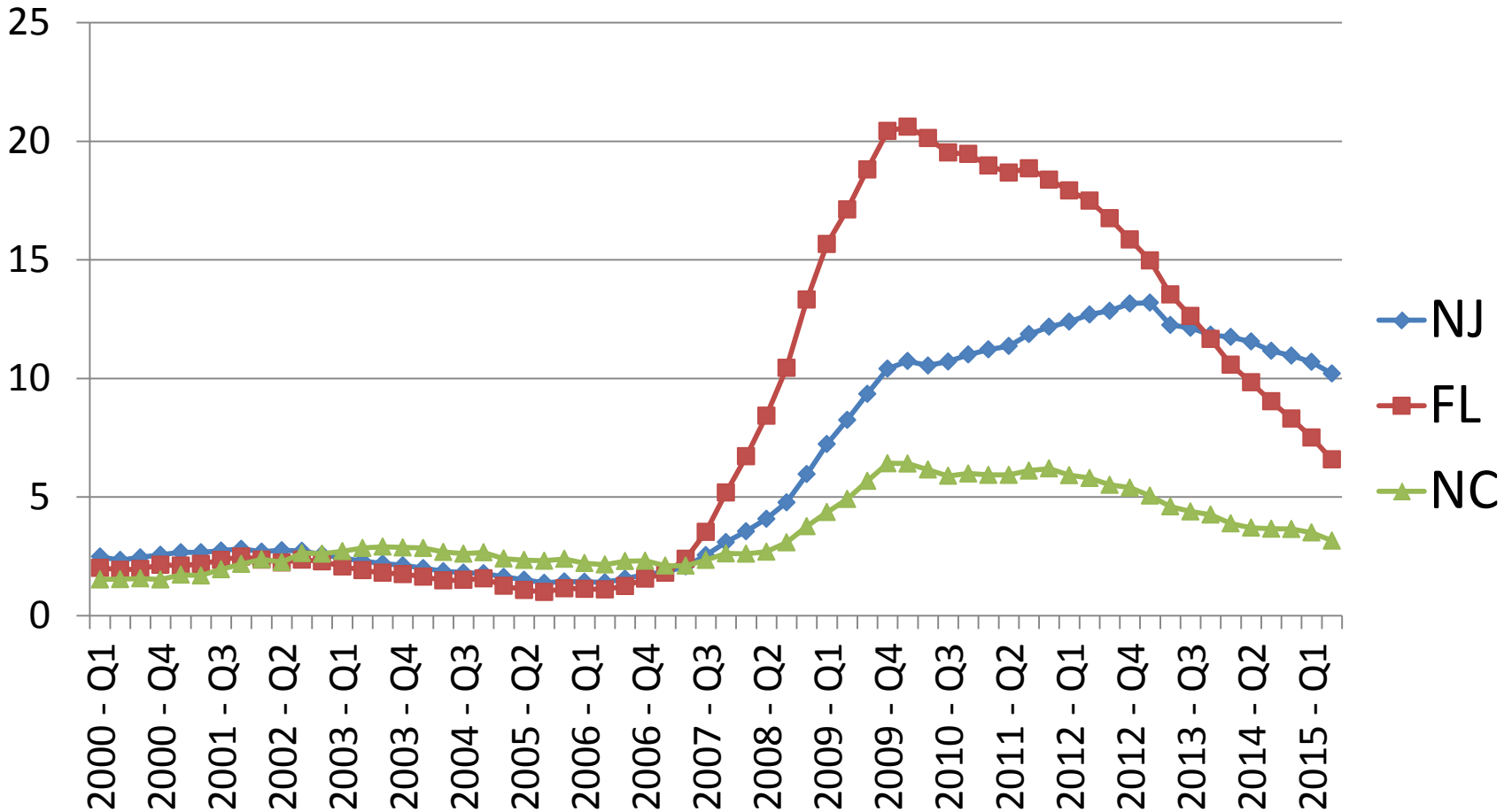


Distressed Sales



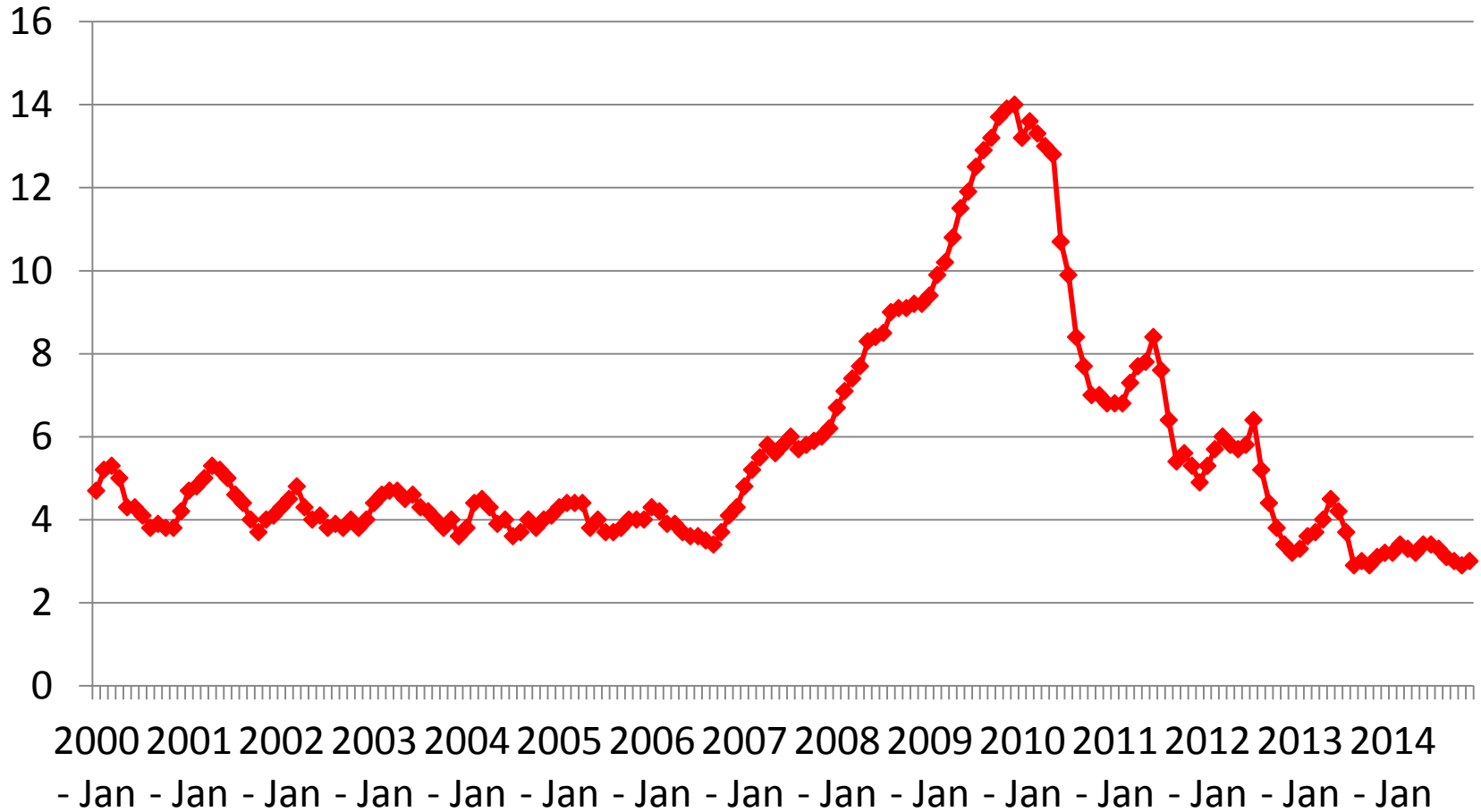
Shadow Inventory

(% of mortgages in foreclosure or late payment)



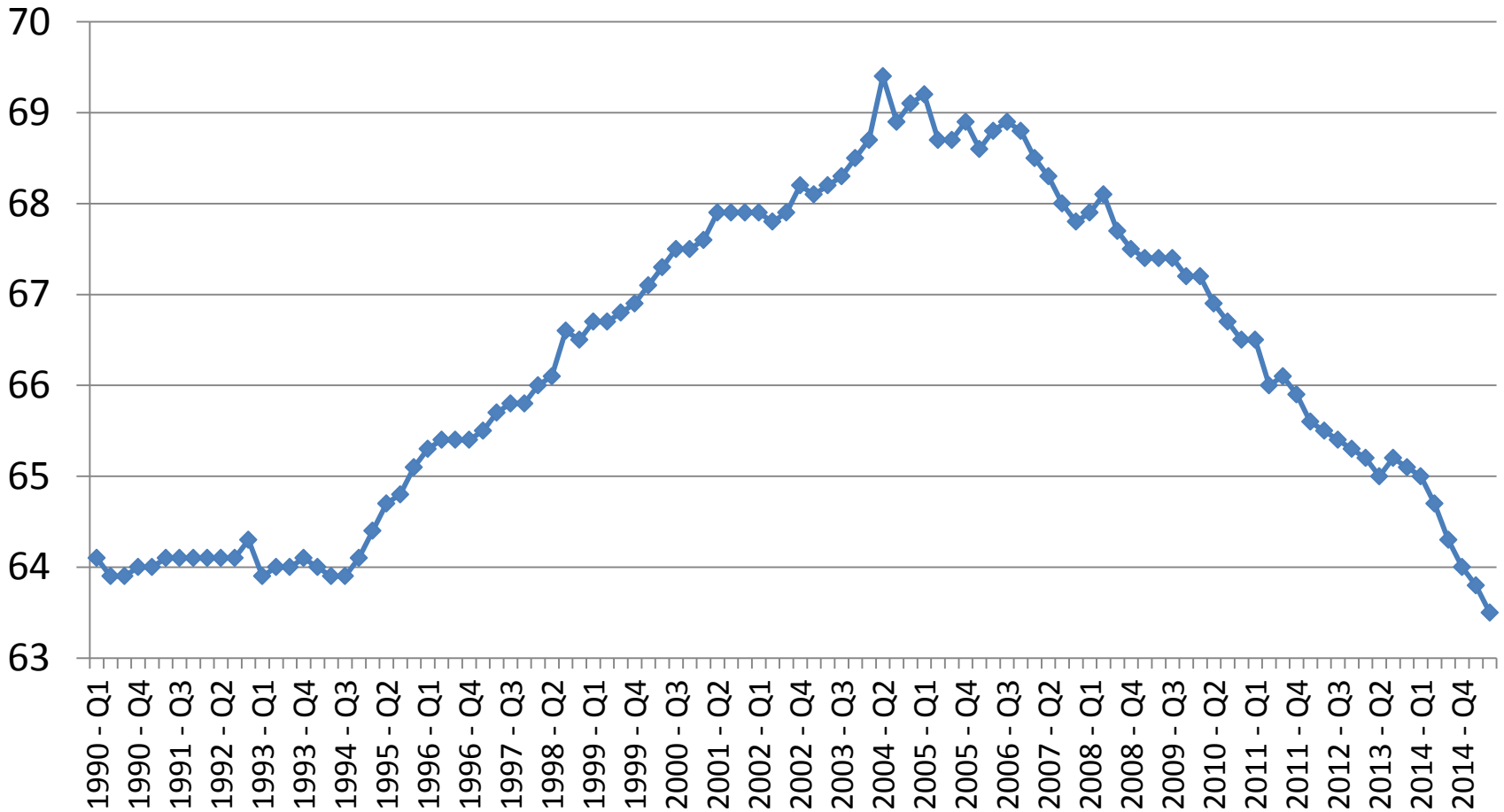
Time to Sell a New Spec Home

(in months)



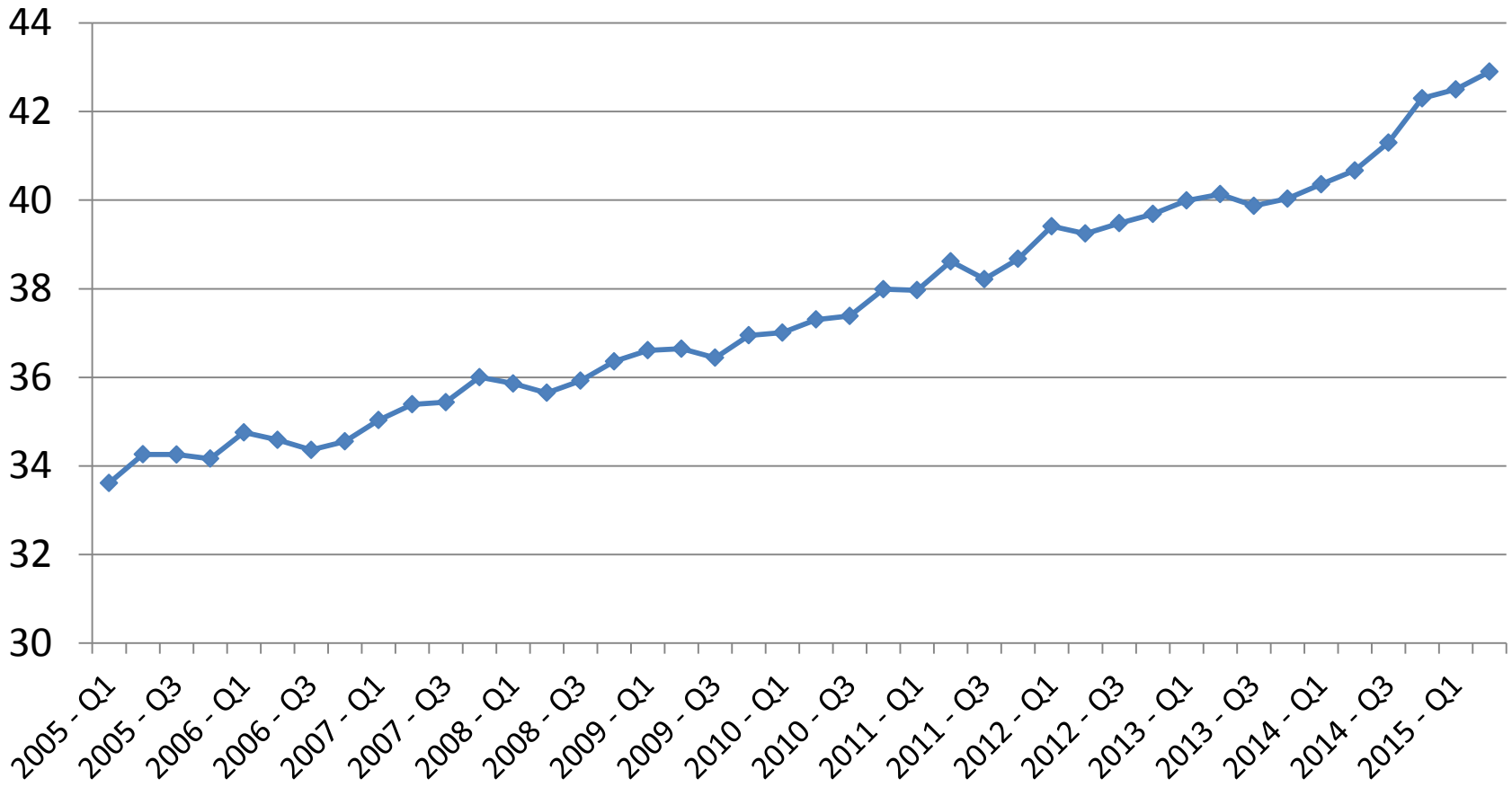
American Inequality?

Homeownership Rate (50-year low)



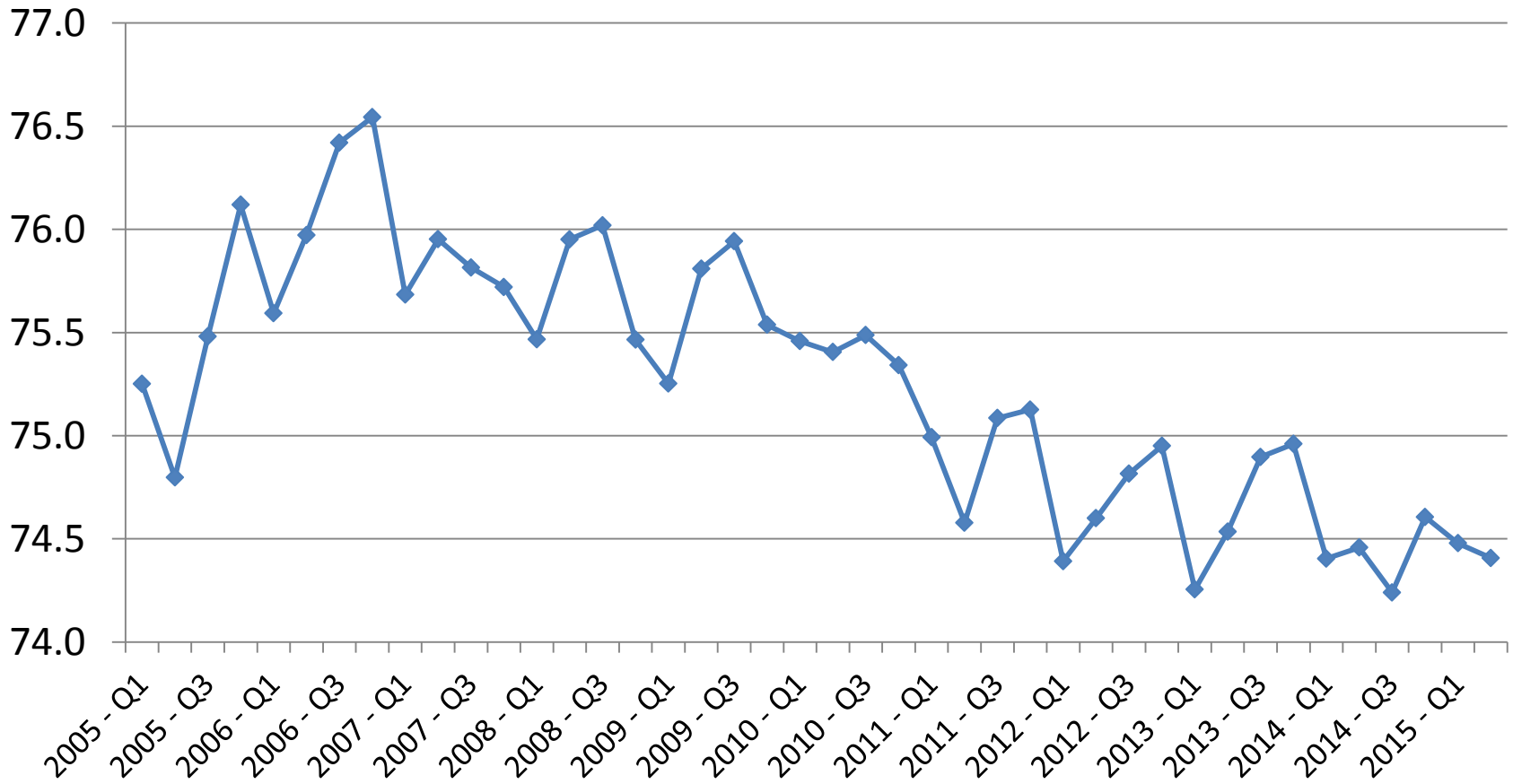
Renters

(8 million more households)



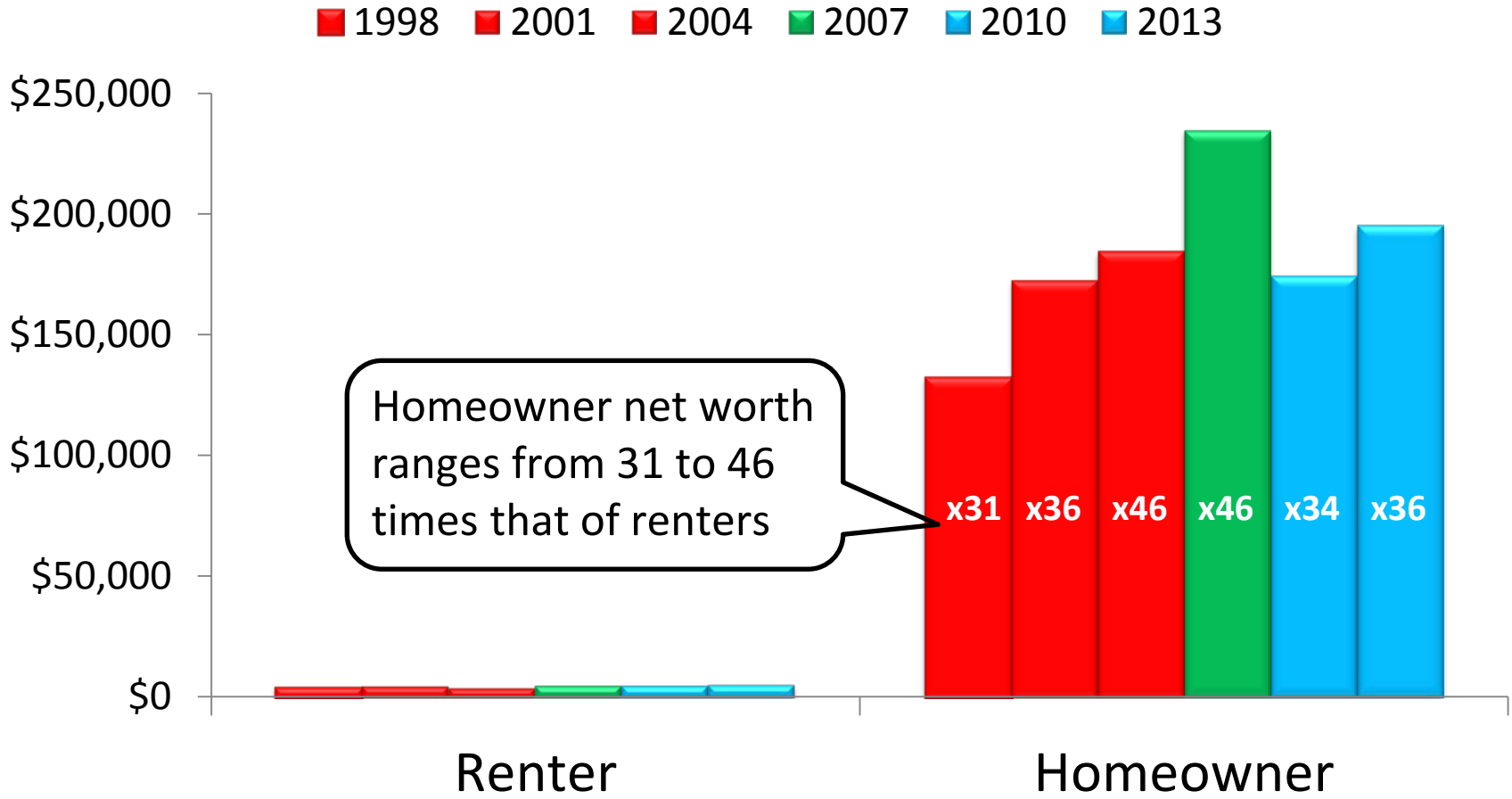
Homeowners

(2.5 million fewer households)



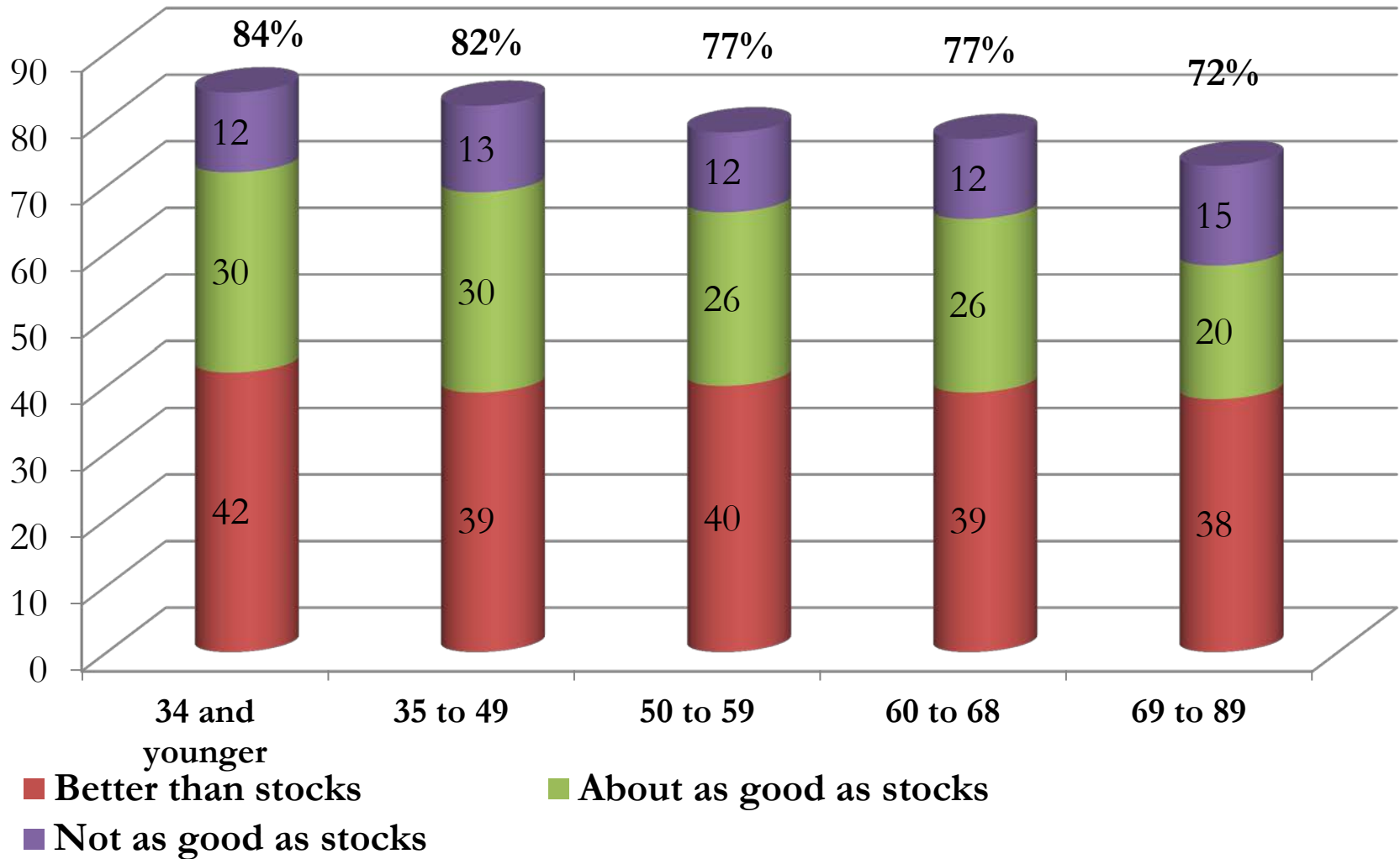
Household Net Worth

(\$5,500 vs. \$195,500)

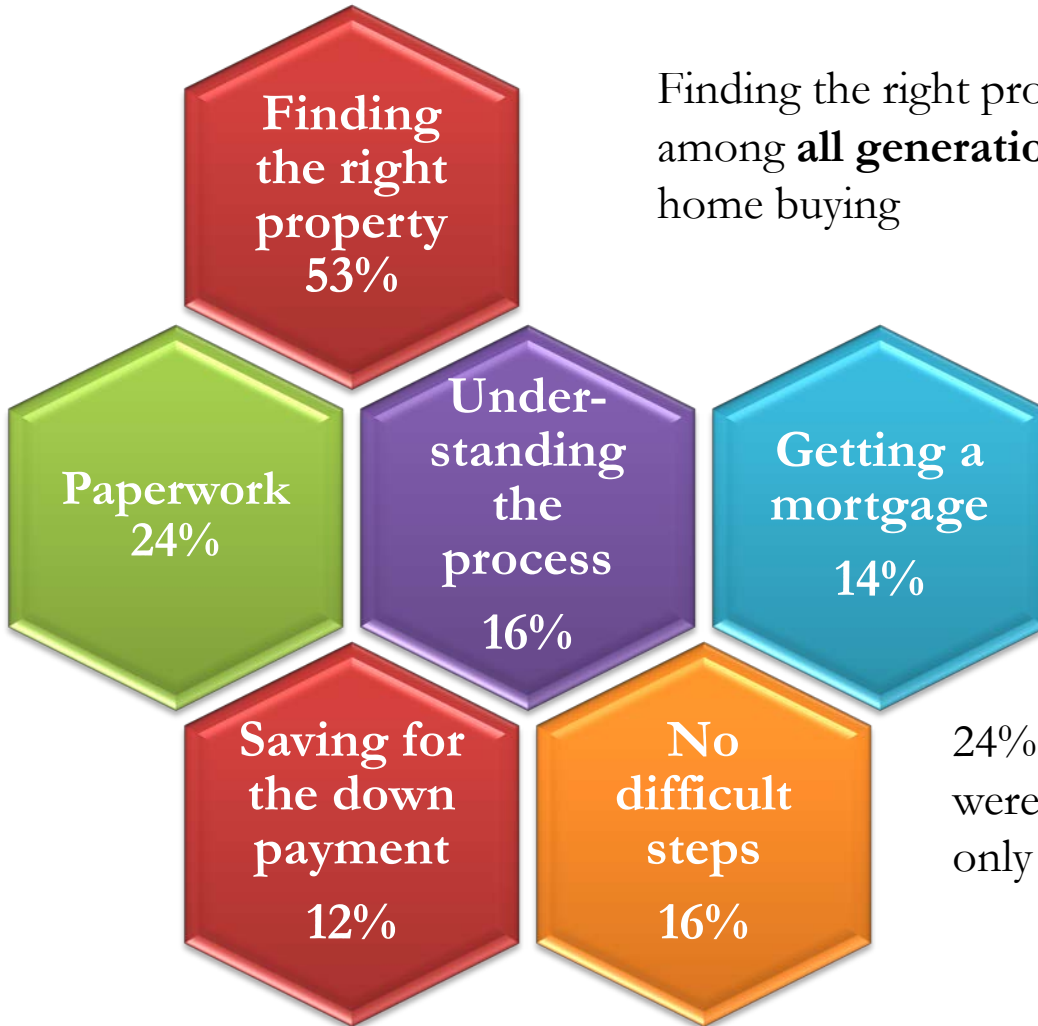


Source: Federal Reserve Survey of Consumer Finances

Younger Buyers Have Optimism—View of Home as Good Financial Investment



Most Difficult Steps of Home Buying Process



Finding the right property was ranked highest among **all generations** for the **MOST DIFFICULT STEP** in home buying

Paperwork and understanding the process was more difficult for **Millennials** than any other generation

24% of **Baby Boomers** noted there were no difficult steps compared to only 9% of **Millennials**

Forecast and Risks

Economic Forecast

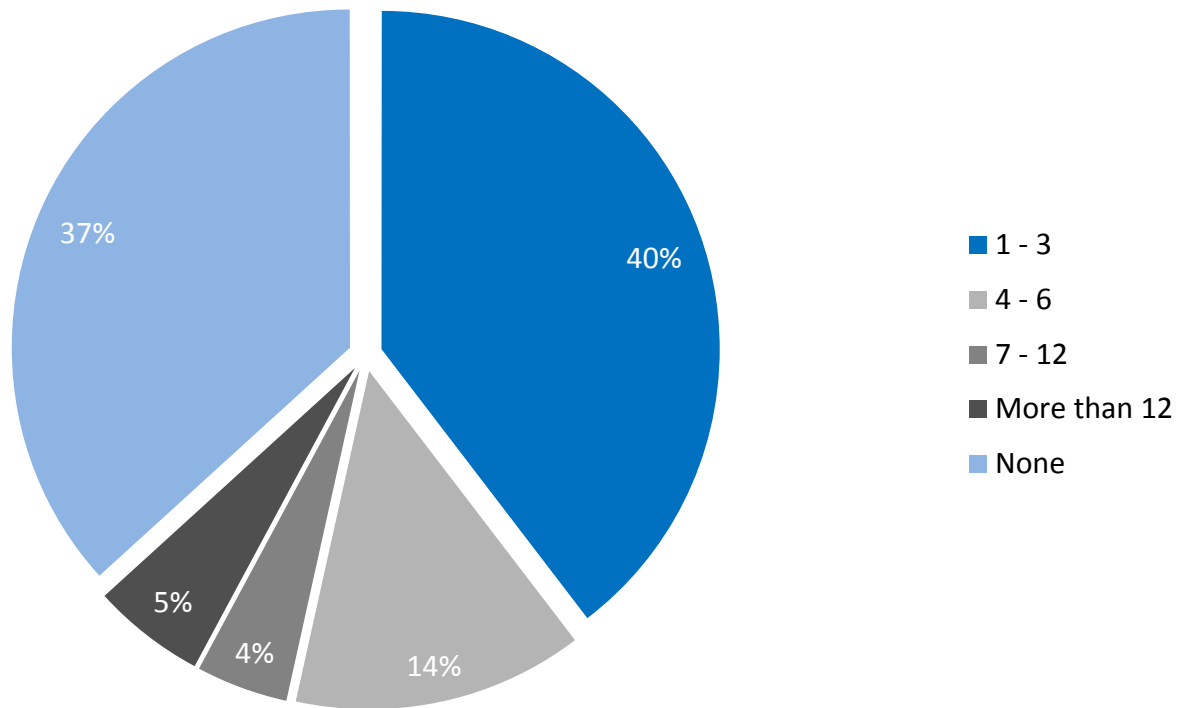
	2013	2014	2015 Forecast	2016 Forecast
GDP Growth	2.2%	2.6%	2.3%	3.0%
Job Growth	+2.3 million	+3.0 million	+2.4 million	+2.7 million
CPI Inflation	1.5%	1.6%	0.3%	3.2%
Consumer Confidence	73	87	99	101
10-year Treasury	2.5%	2.6%	2.2%	3.3%

Housing Forecast

	2013	2014	2015 Forecast	2016 Forecast
Housing Starts	925,000	1 million	1.1 million	1.4 million
New Home Sales	430,000	437,000	570,000	720,000
Existing Home Sales	5.1 million	4.9 million	5.3 million	5.5 million
Median Price Growth	+ 11.5%	+ 5.7%	+ 6%	+ 4%
30-year Rate	4.0%	4.2%	4.0%	5.2%
Underwriting Standards	Strict	Strict	Transition	Normal

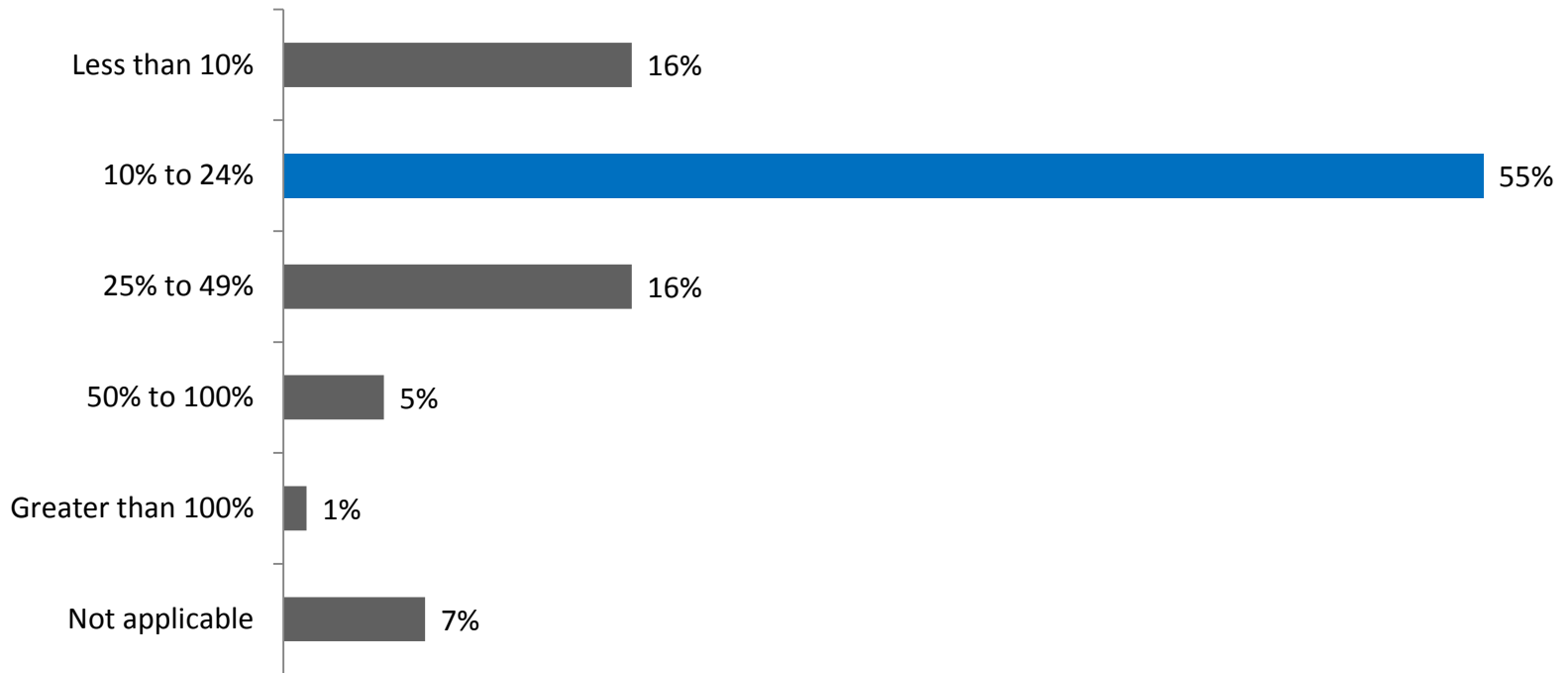
2/3 of Members used 1031 Like-Kind Exchanges

Exhibit 3-1: Number of LKE Transactions for All Members 2011-14



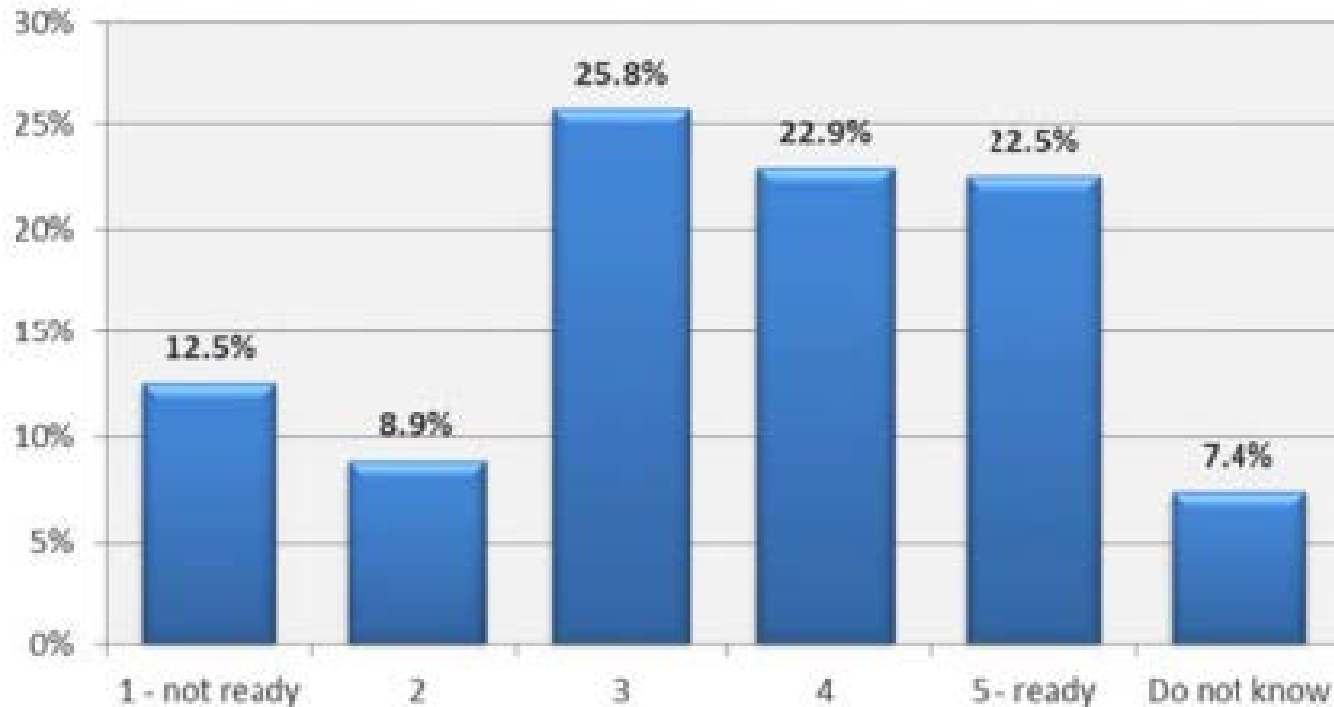
1031 and Economic Impact

Exhibit 3-9: Average Capital Investment in Property Improvements (% of Property's Fair Market Value)



TRID Preparedness

How prepared are you for the new changes?



Source: NAR

2015 REALTOR® BROKER SUMMIT



CHARLOTTE, NORTH CAROLINA
SEPTEMBER 24-25

