

# 2015 REALTOR® BROKER SUMMIT



SEATTLE, WASHINGTON  
AUGUST 17-18



NATIONAL  
ASSOCIATION *of*  
REALTORS®



# Economic and Real Estate Outlook

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National Association of REALTORS®

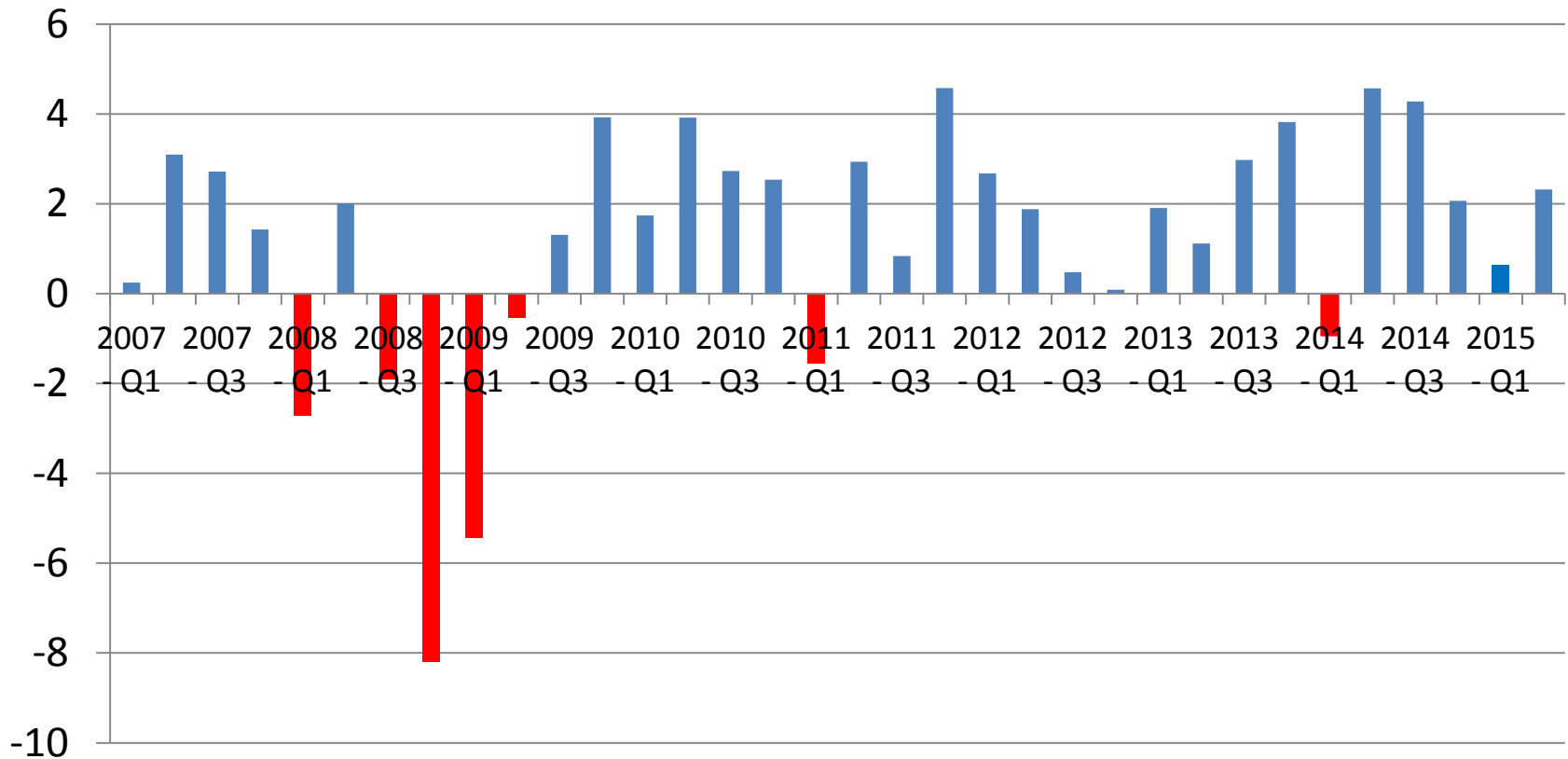


# How's the Economy?



# GDP Quarterly Activity

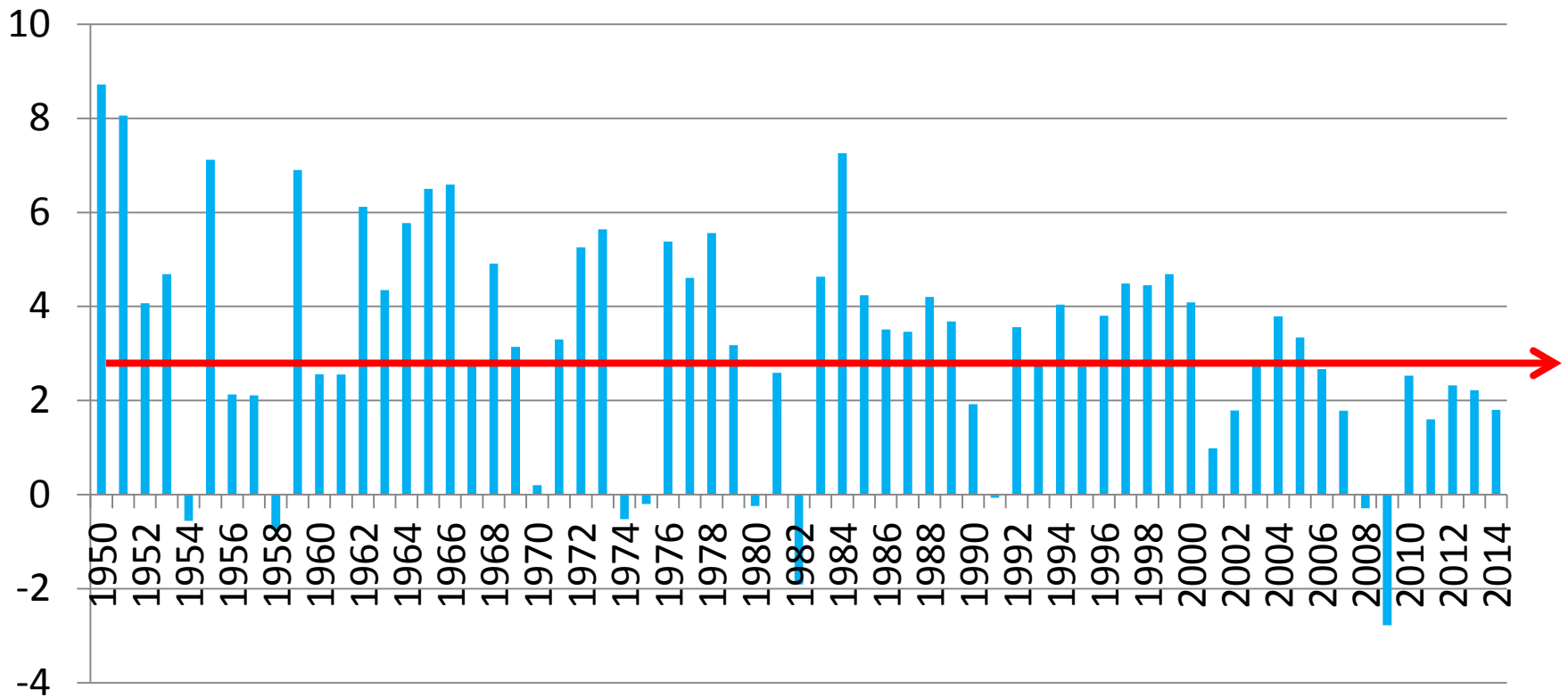
## Annualized Growth Rate





# Annual GDP ...

Below 3% for 10 straight years

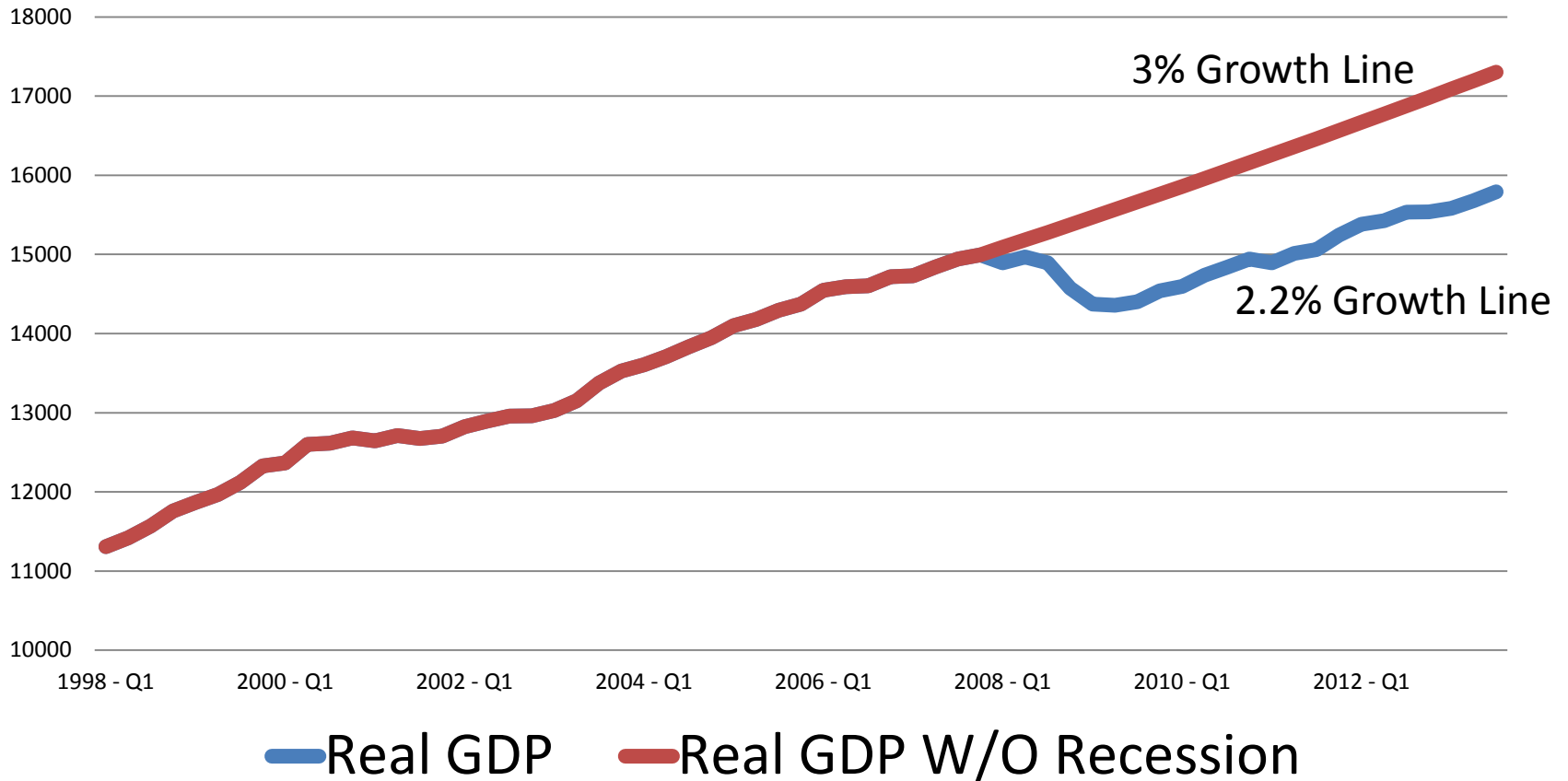




# Sluggish Growth + Gap after Recession

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

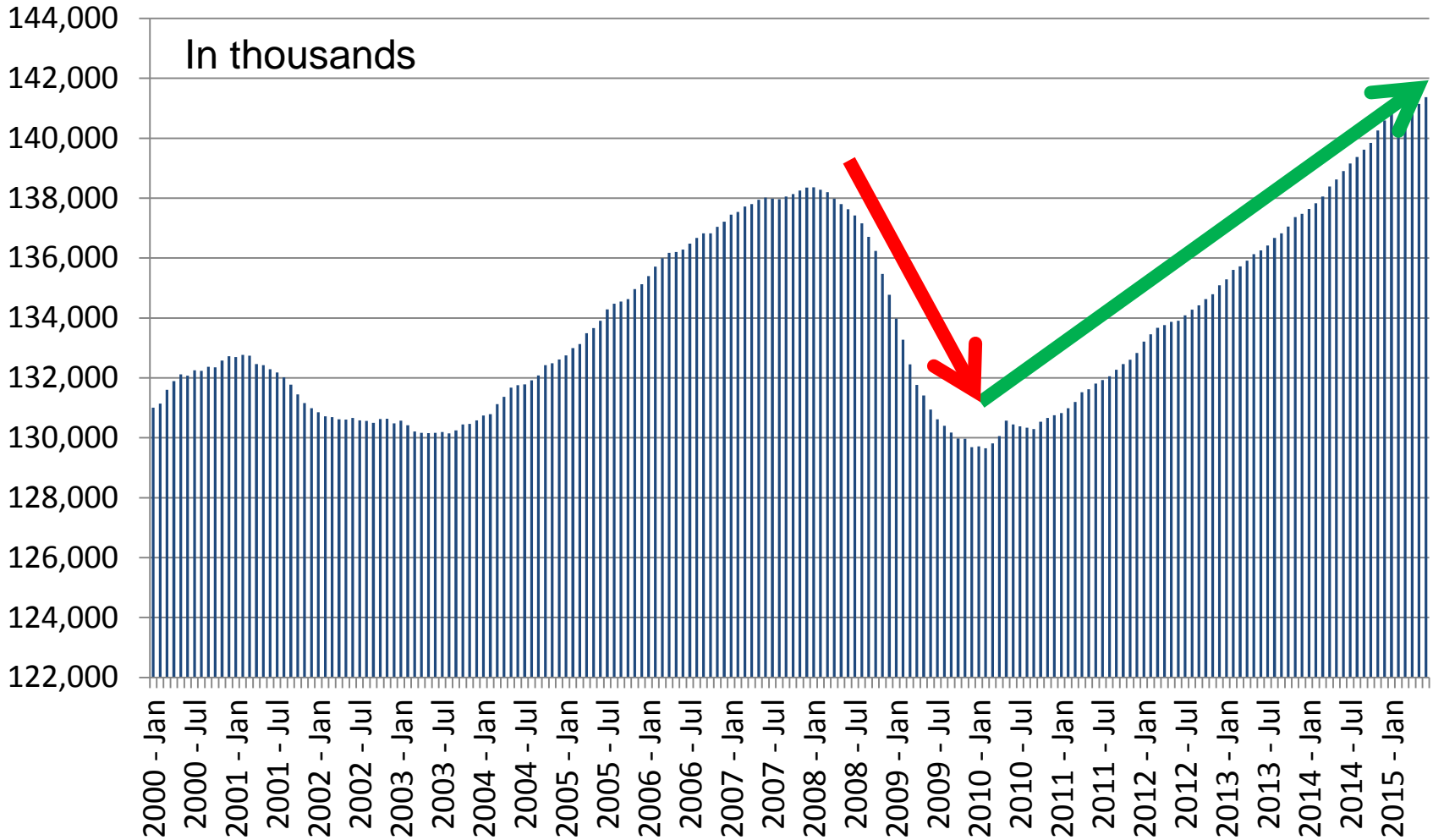
## GDP in 2009 Dollars





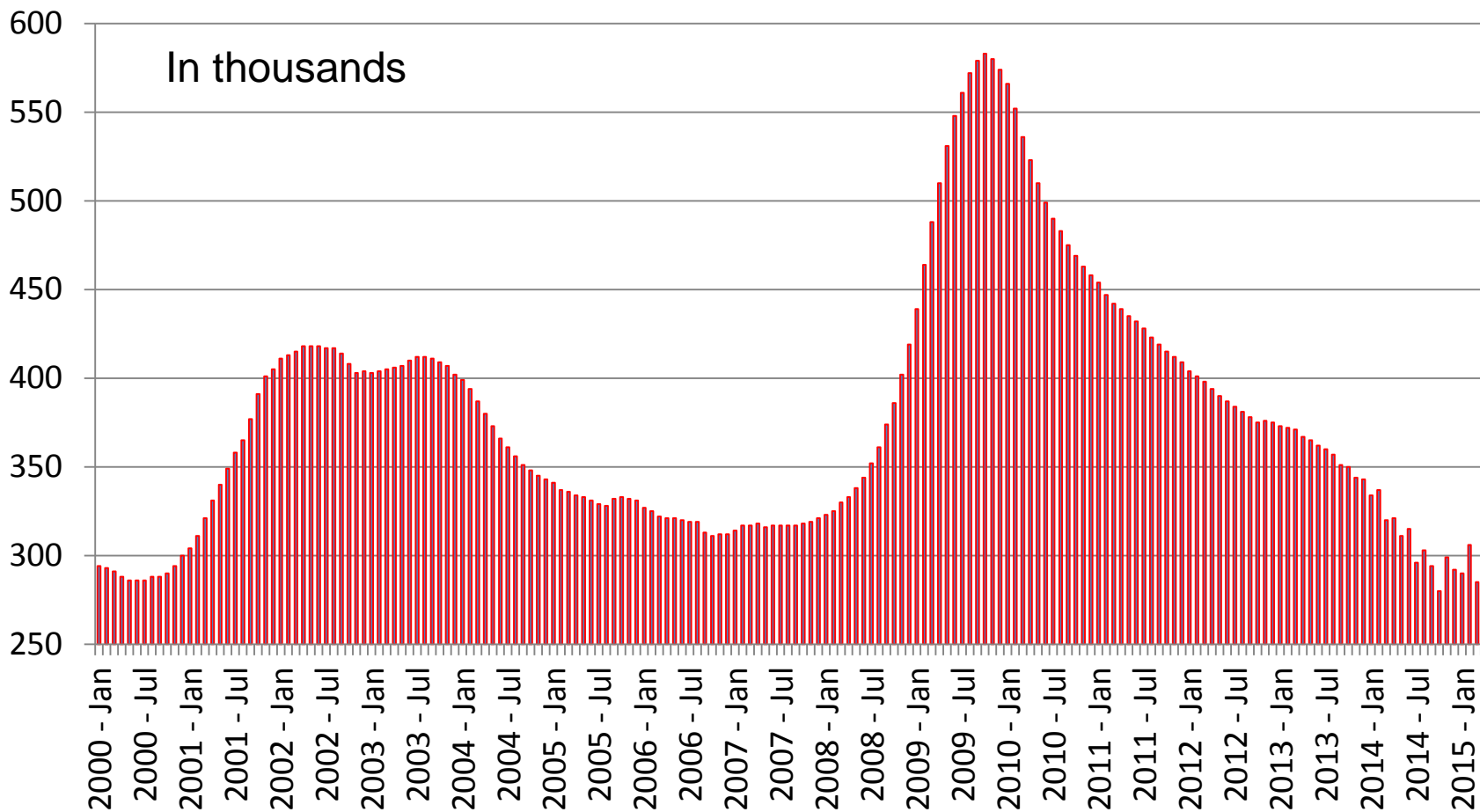
# Jobs

(8 million lost ... 12 million gained)





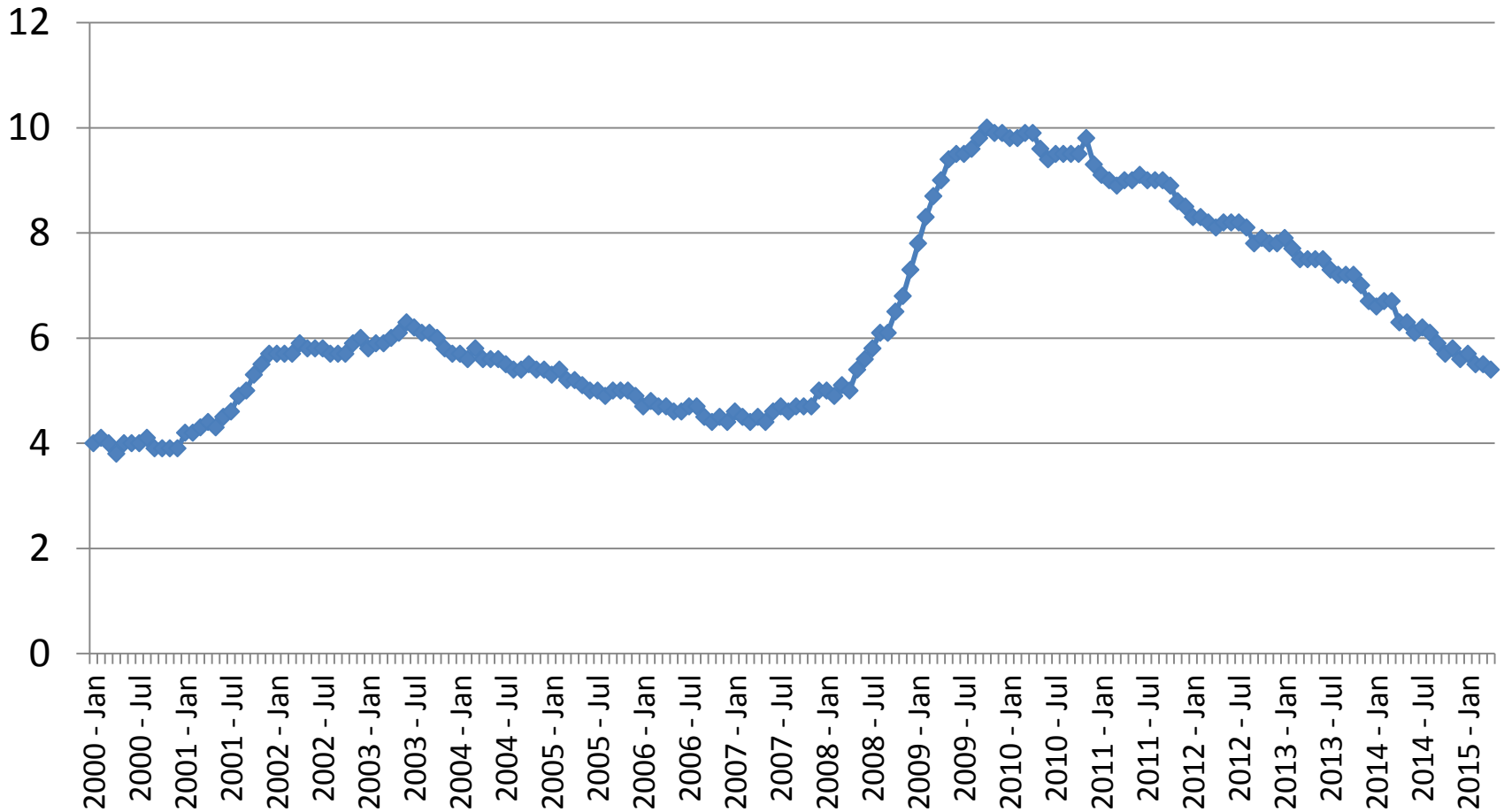
# Fresh Unemployment Insurance Claims





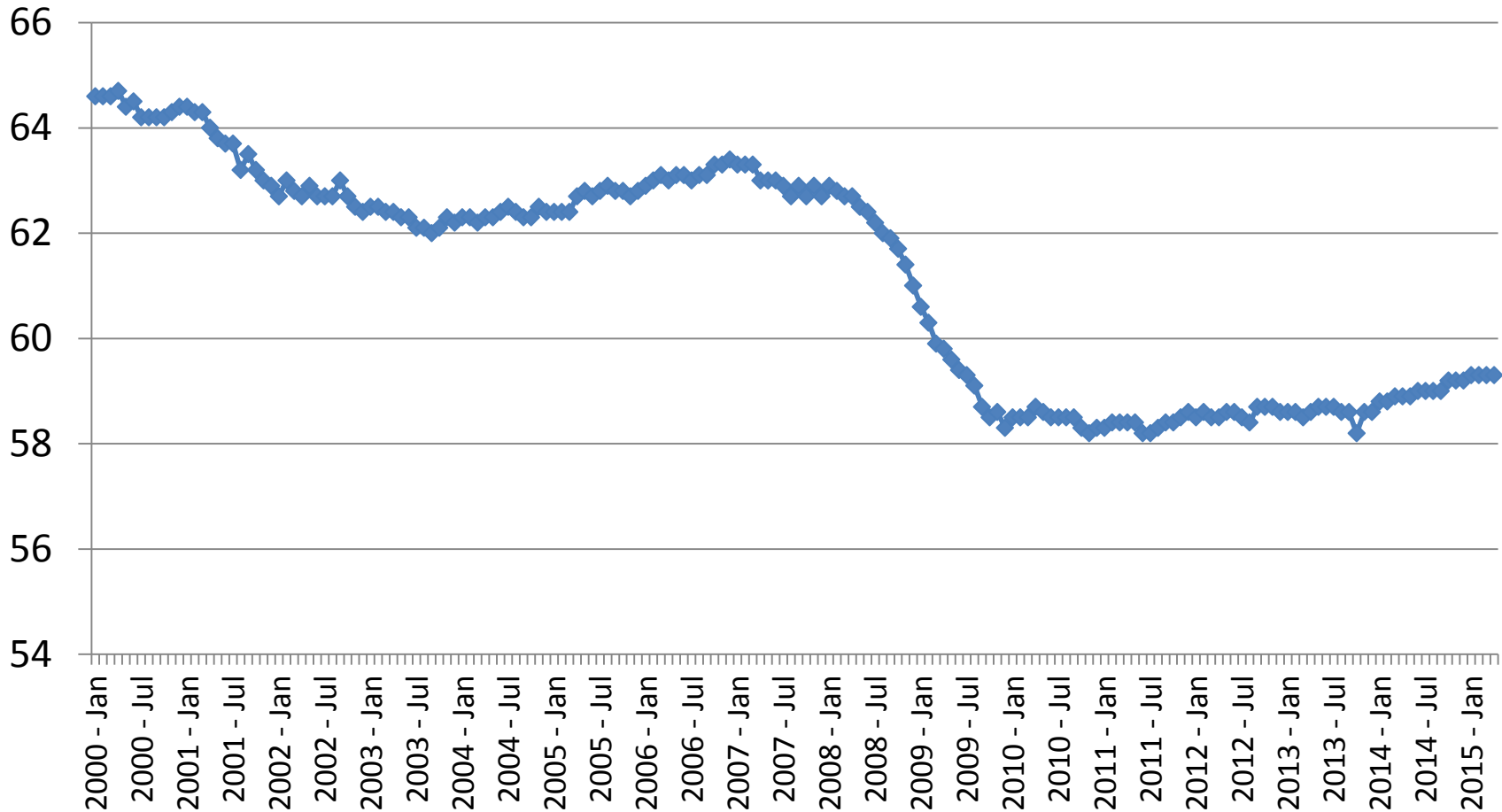


# Unemployment Rate Falling



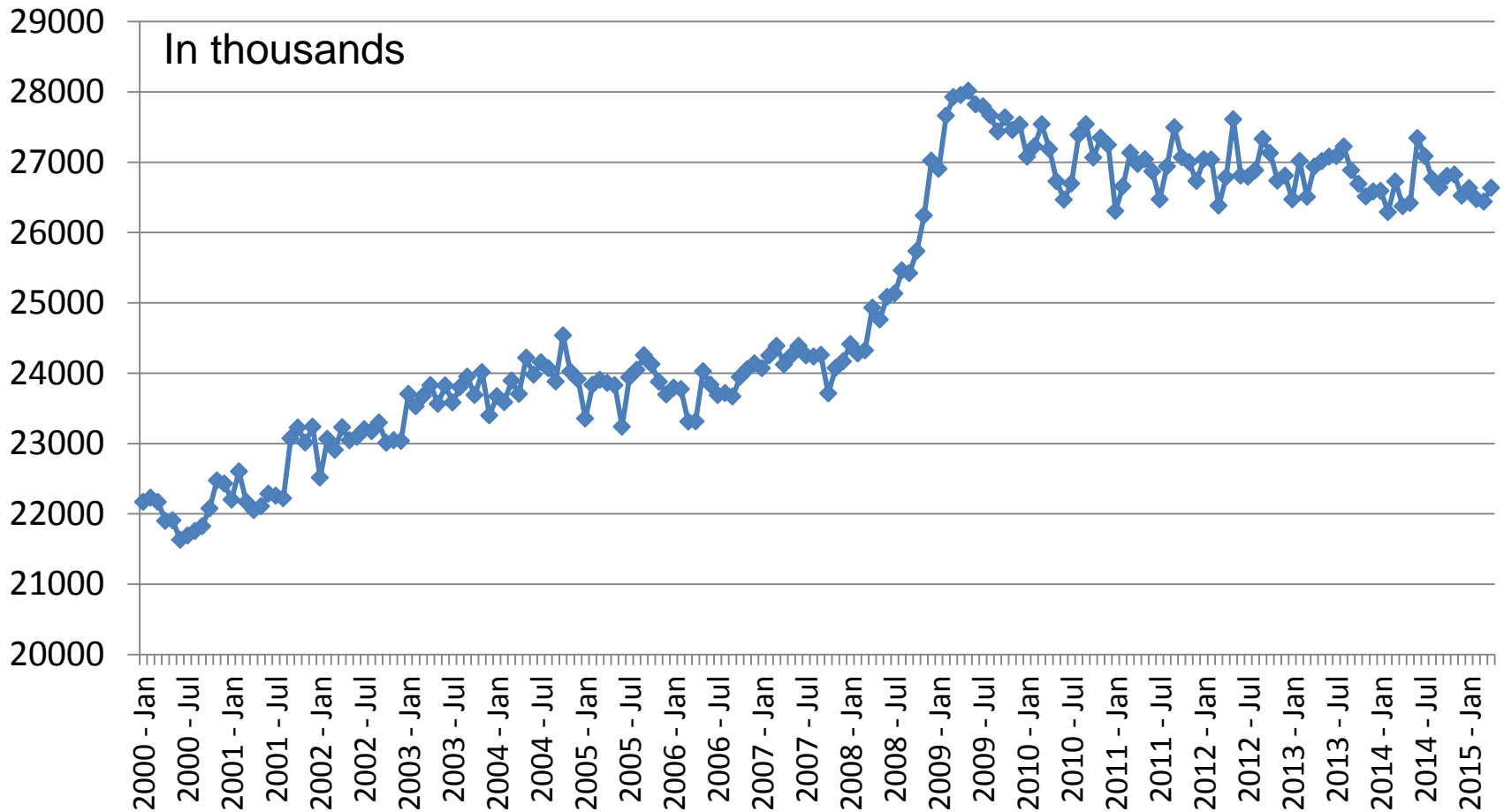


# But Employment Rate Not Rising





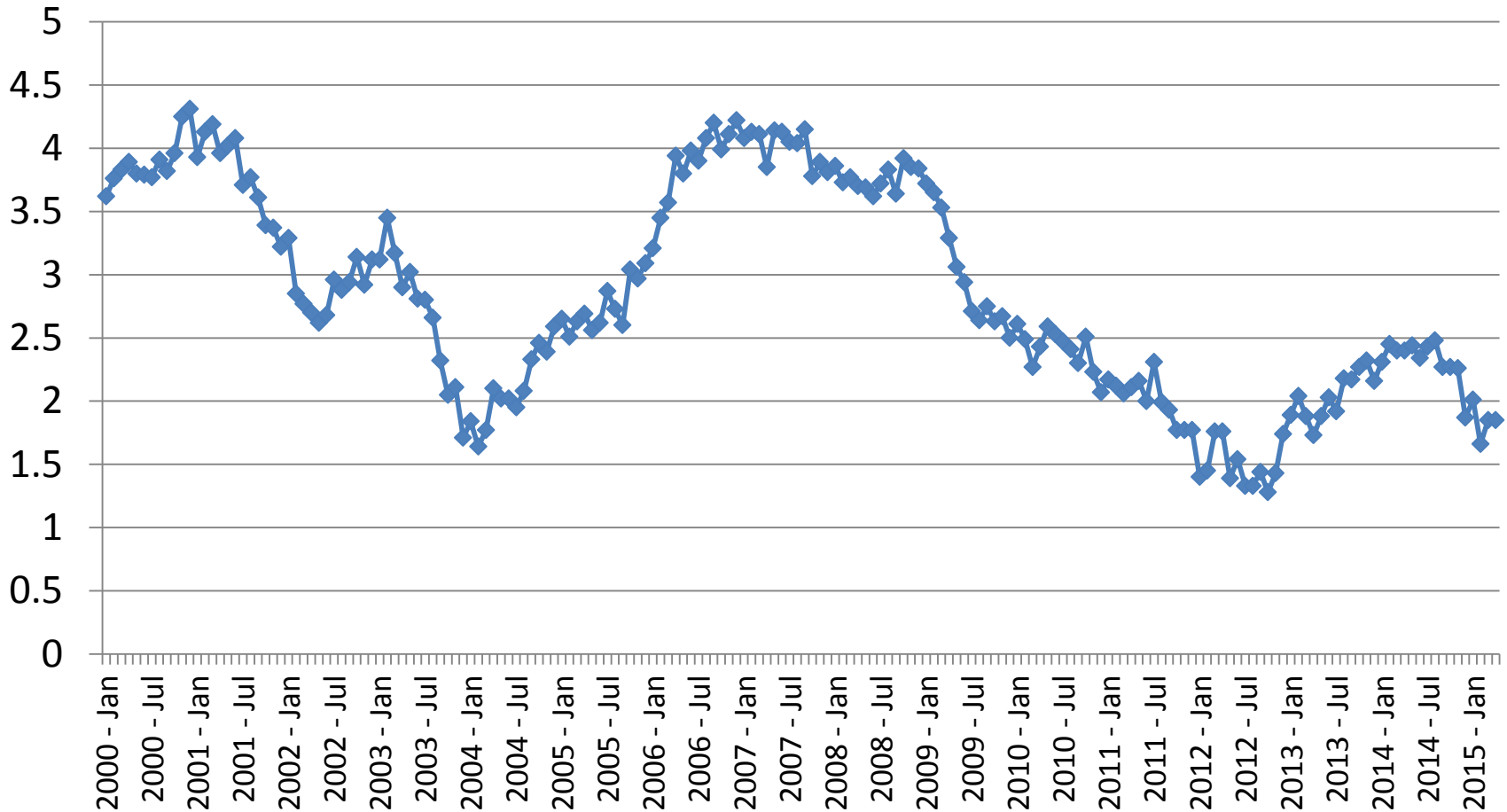
# Part-time Workers





# Wage Growth

(% change from one year ago)





# Top and Bottom States for Jobs

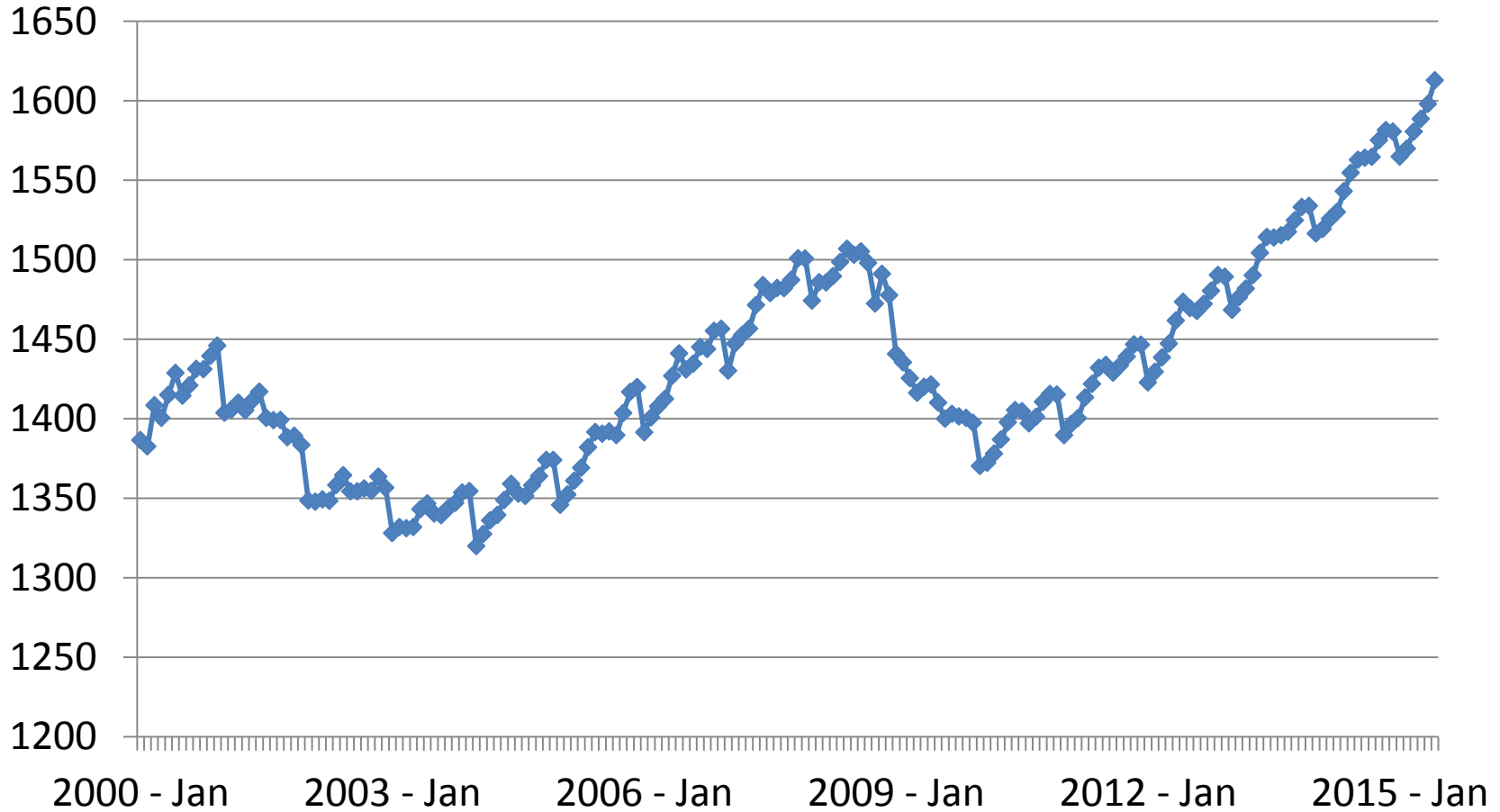
The Best	% Gain in 12 months
Utah	4.0%
Florida	3.8%
Oregon	3.4%
Washington	3.4%
California	3.2%
Georgia	3.2%
North Dakota	3.2%
Nevada	3.0%
Idaho	2.9%

The Worst	% Gain in 12 months
West Virginia	-0.7%
Mississippi	0.5%
Maine	0.5%
Montana	0.6%
Alaska	0.6%



# Seattle – Red Hot

(jobs in thousands)



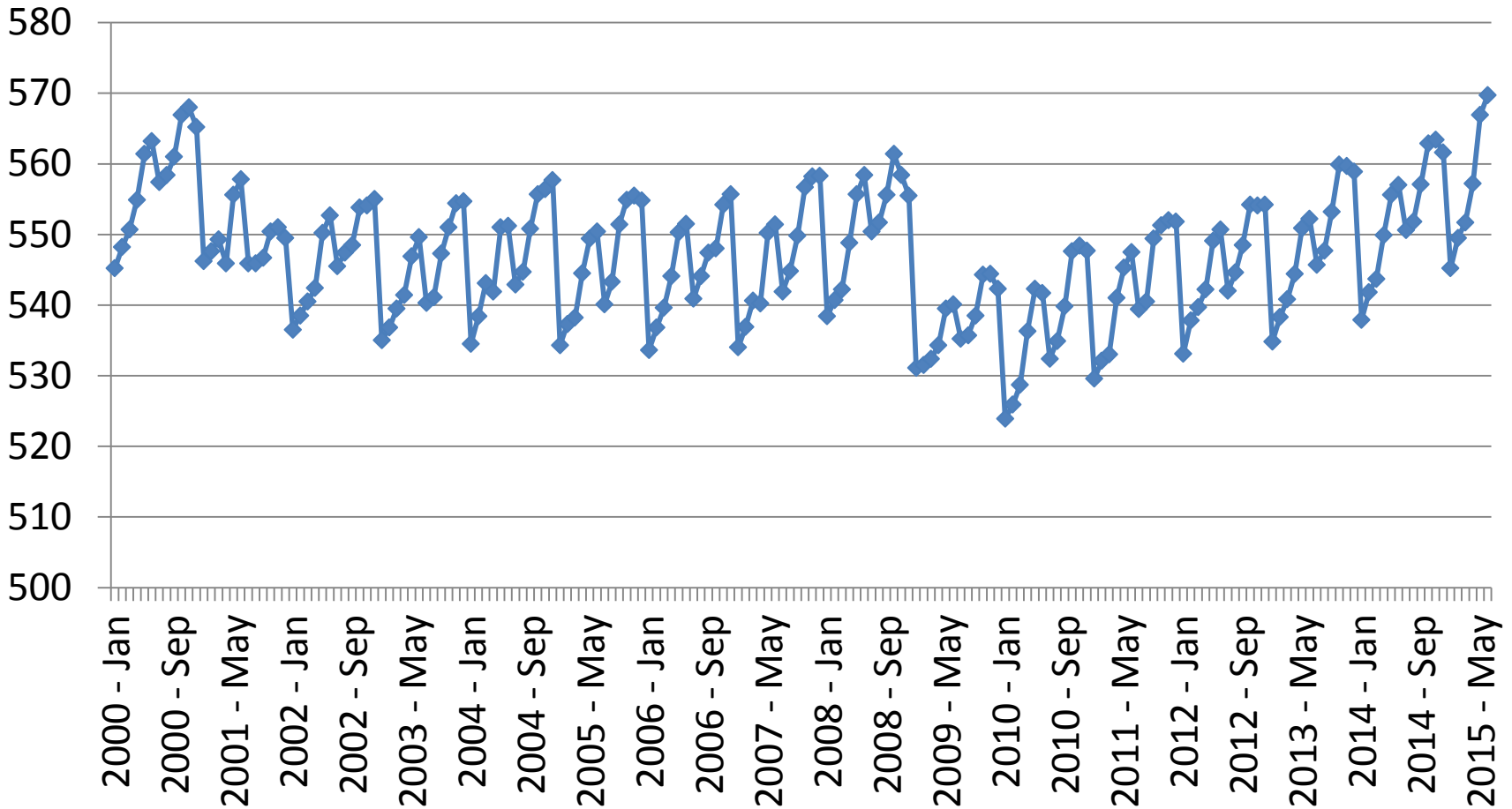


# Lake Erie Downfall and Resurgence





# Buffalo Jobs – New Highs (+30,000 net new jobs from 2010)

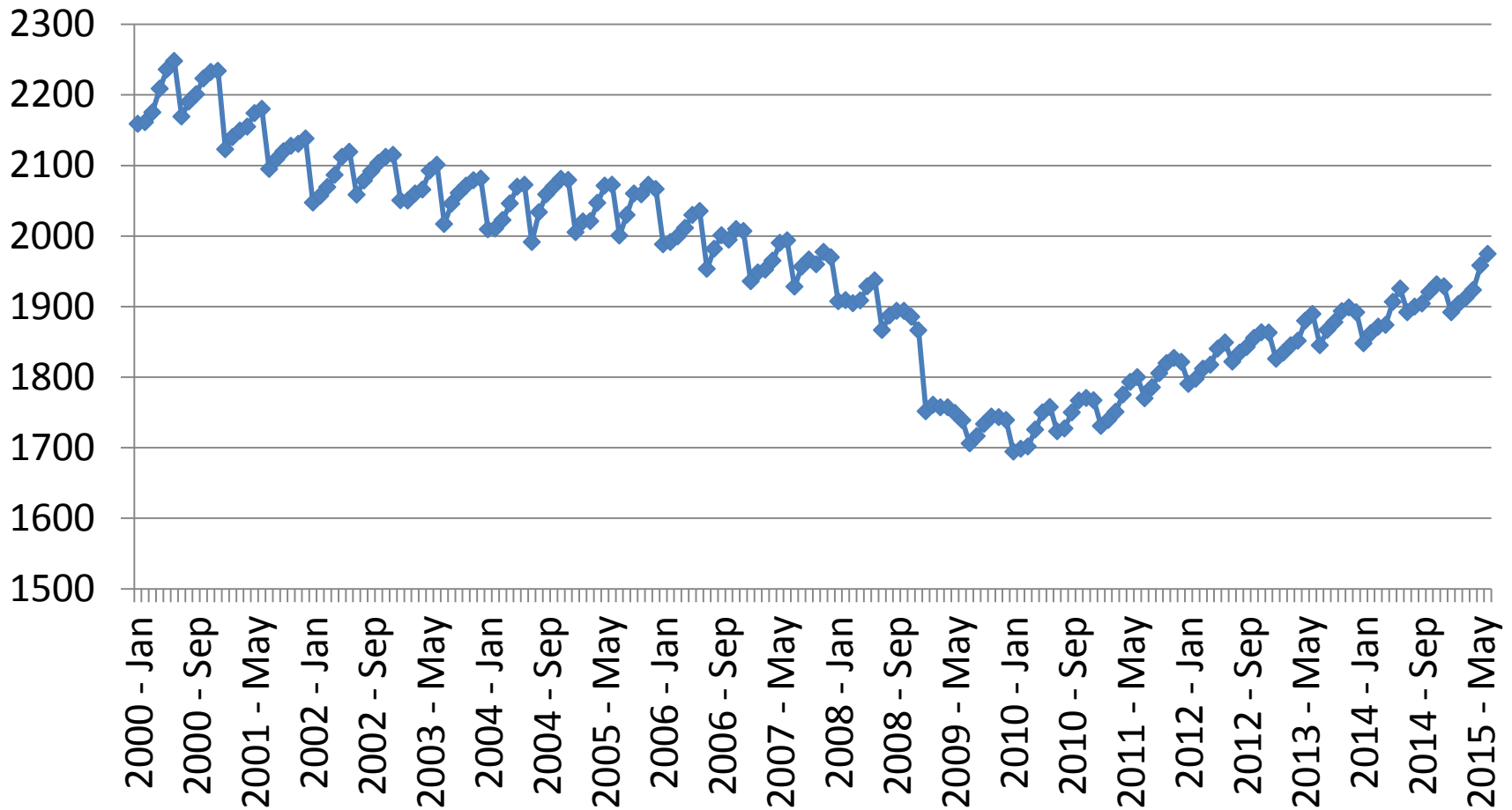






# Detroit Jobs

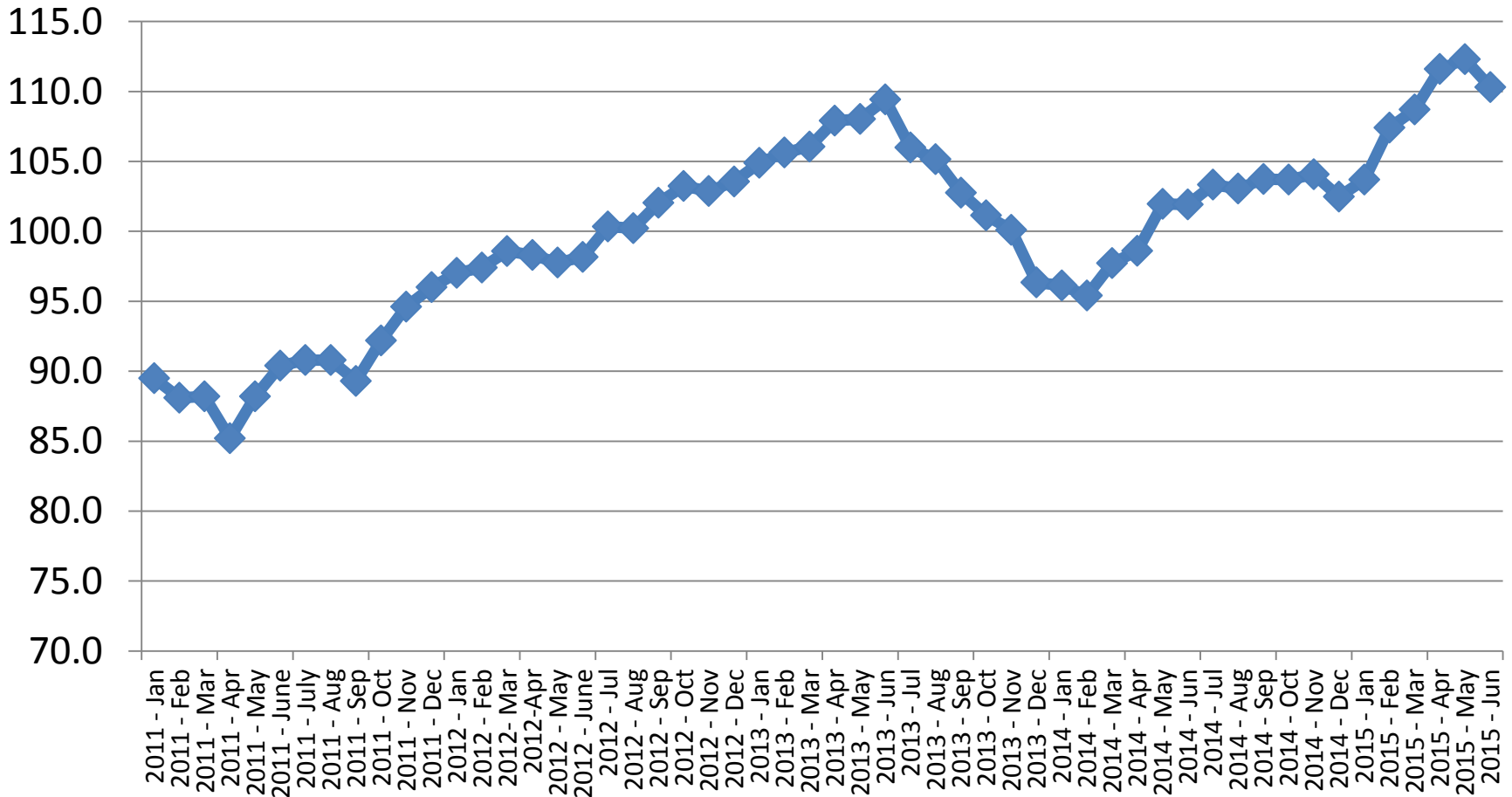
(+300,000 net new jobs from 2010)





# Monthly Pending Sales Index

(Seasonally Adjusted)

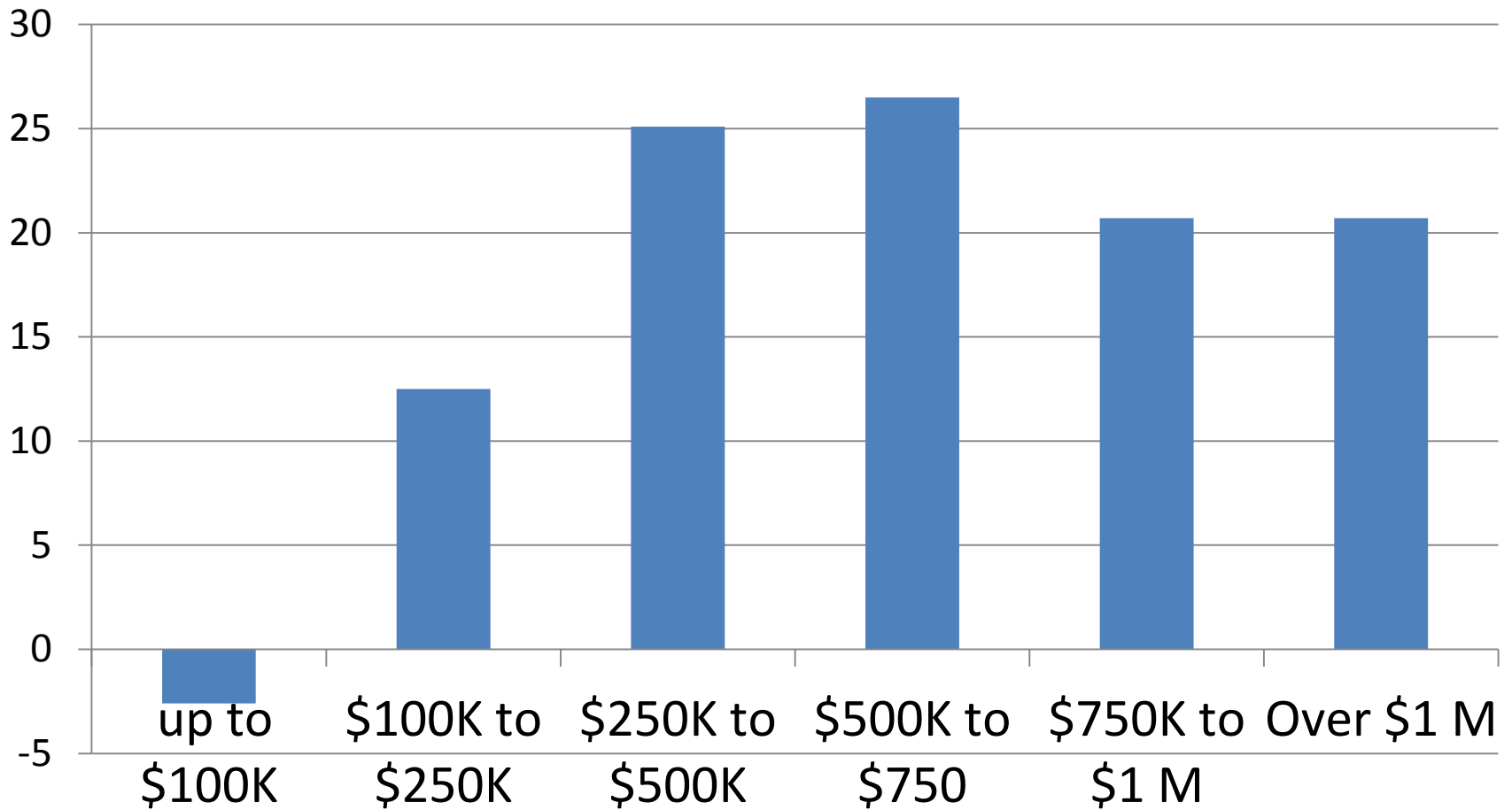


Source: NAR



# Sales Change by Price Points

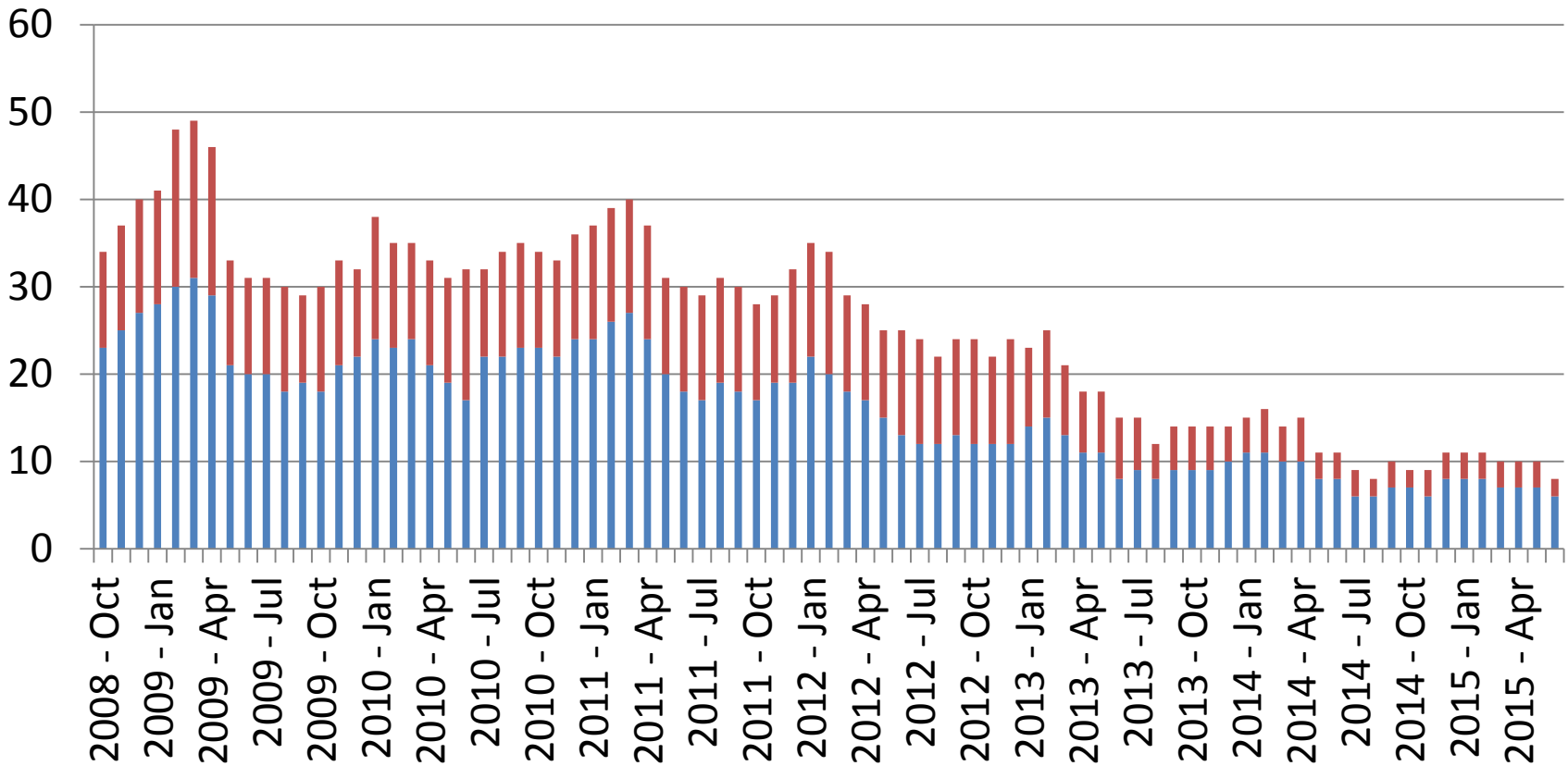
(% change from one year ago)





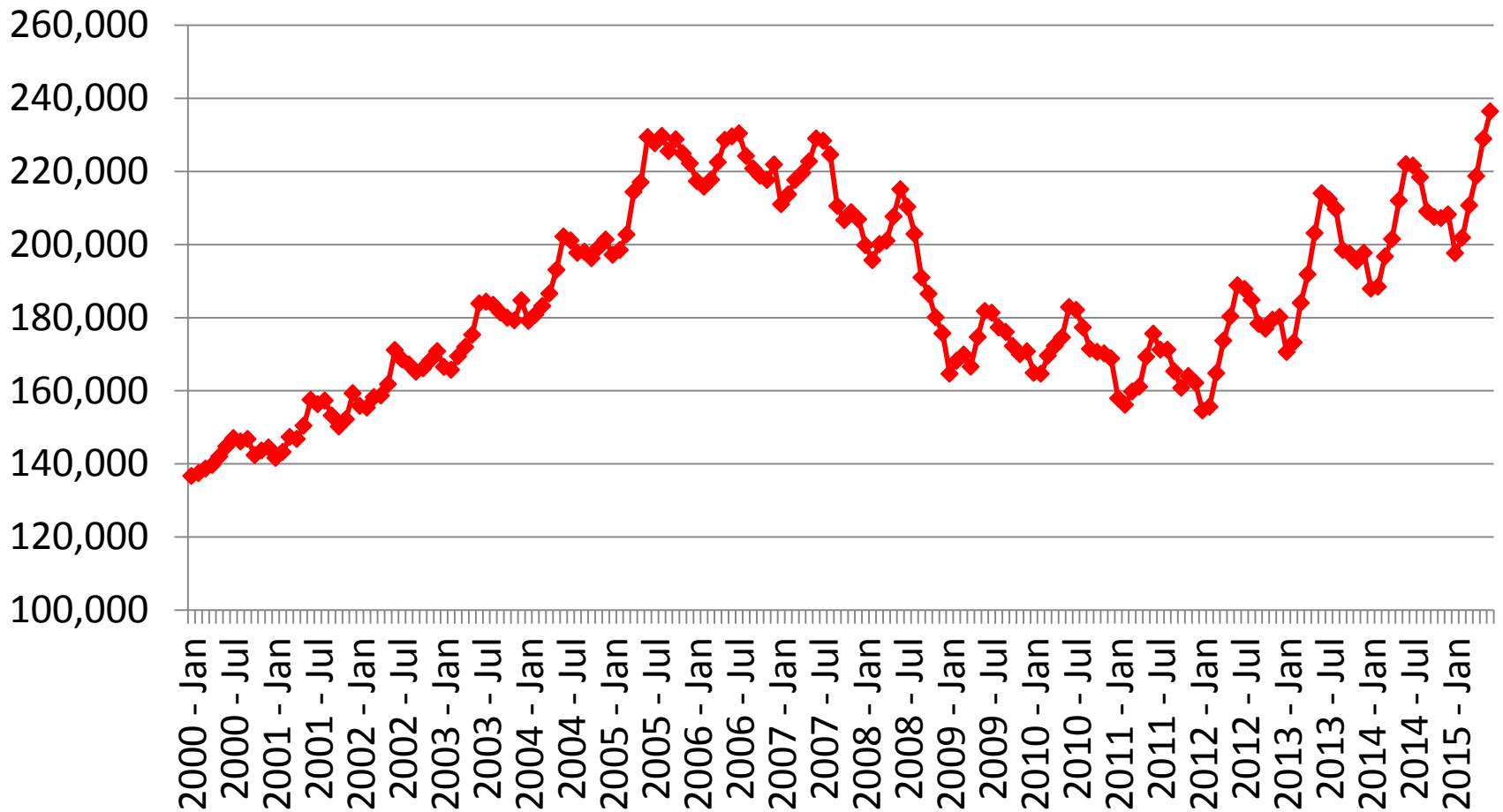
# Distressed Sales

■ Foreclosure ■ Short-Sale



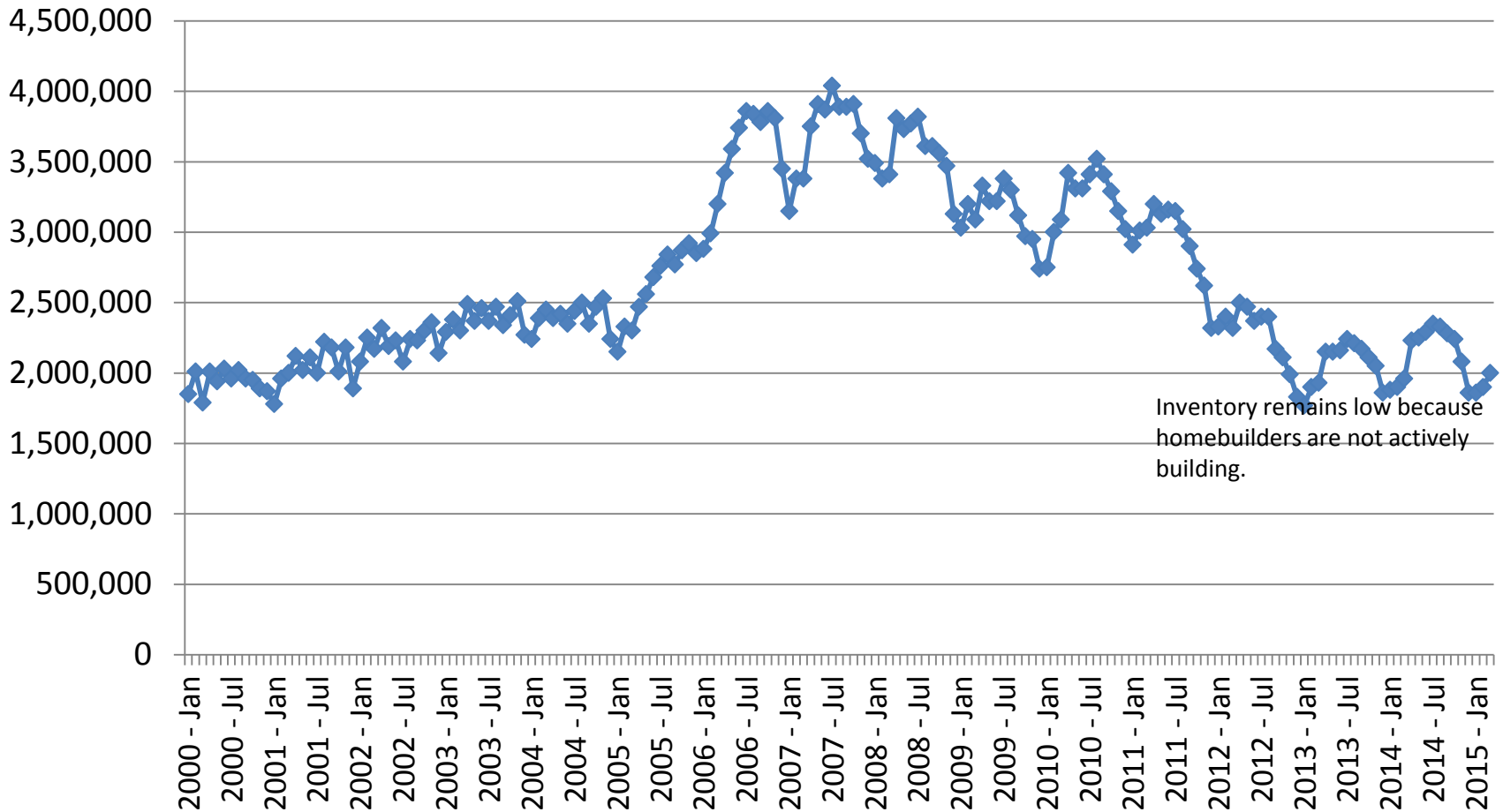


# Median Home Price



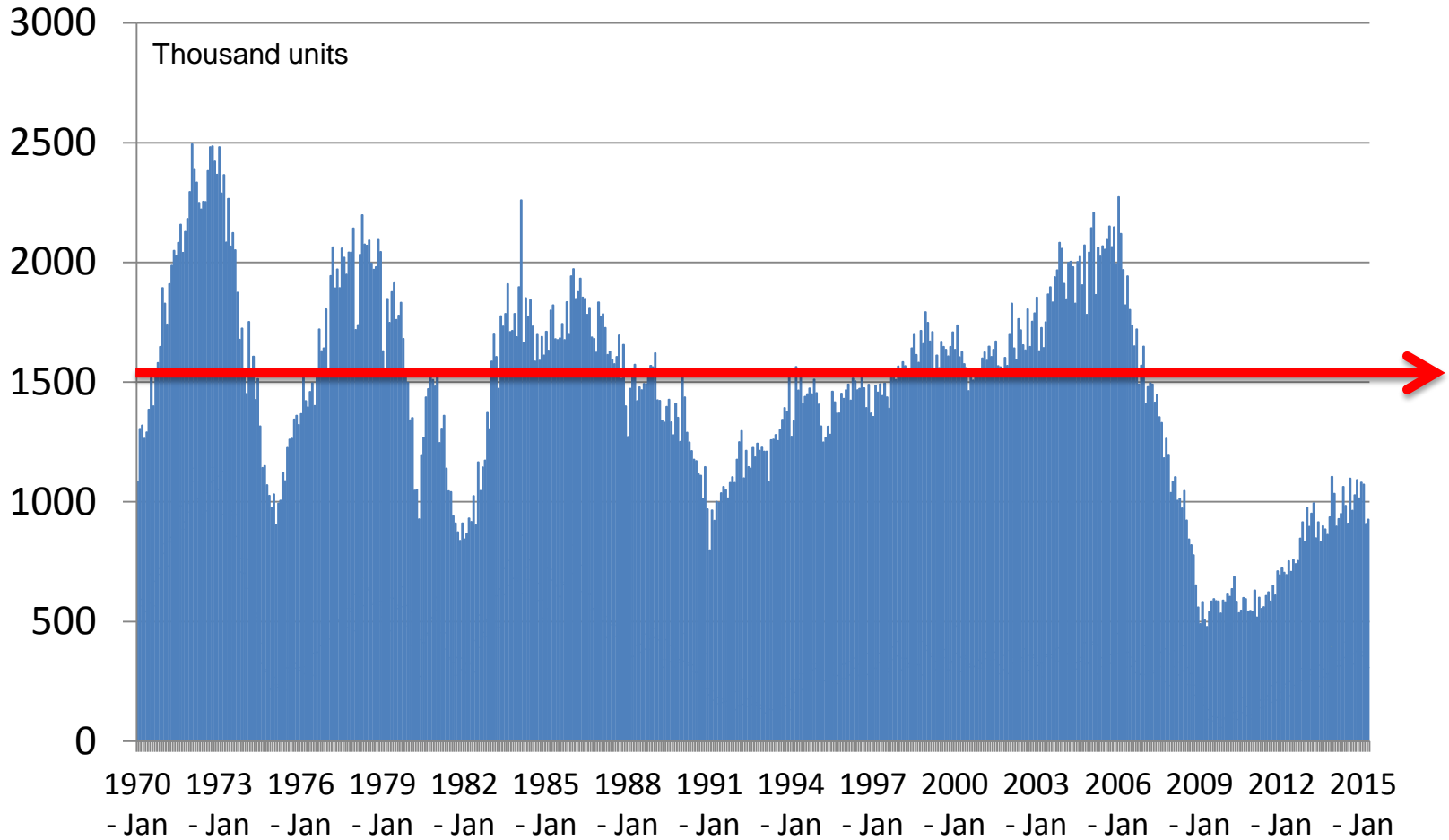


# Inventory of Homes For Sale





# Housing Starts Recovering ... Too Slowly

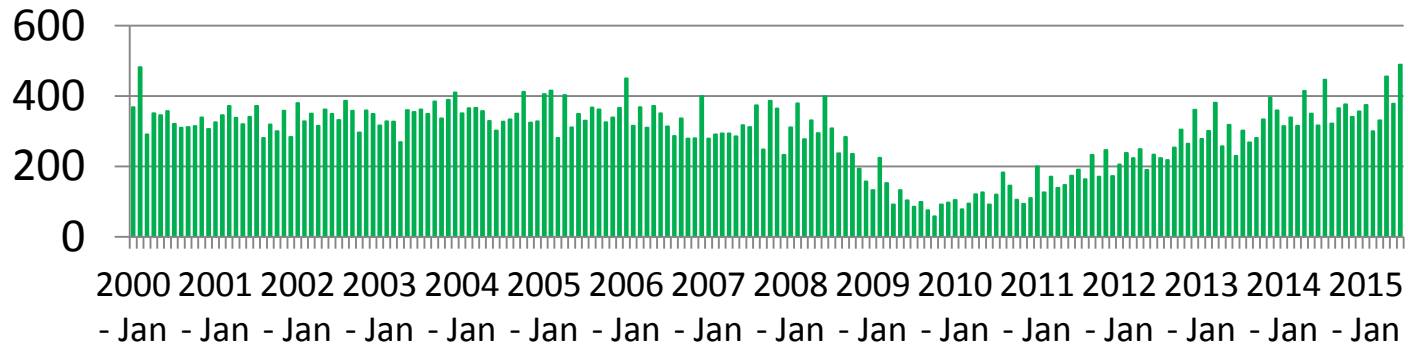




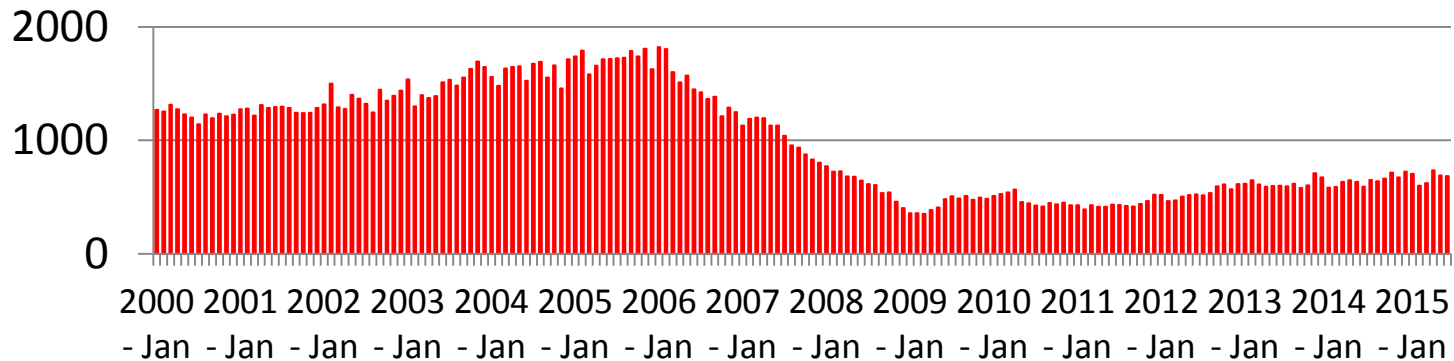
# Multifamily: Back to Normal Single-family: Not!

Thousand units

## Multifamily



## Single-family

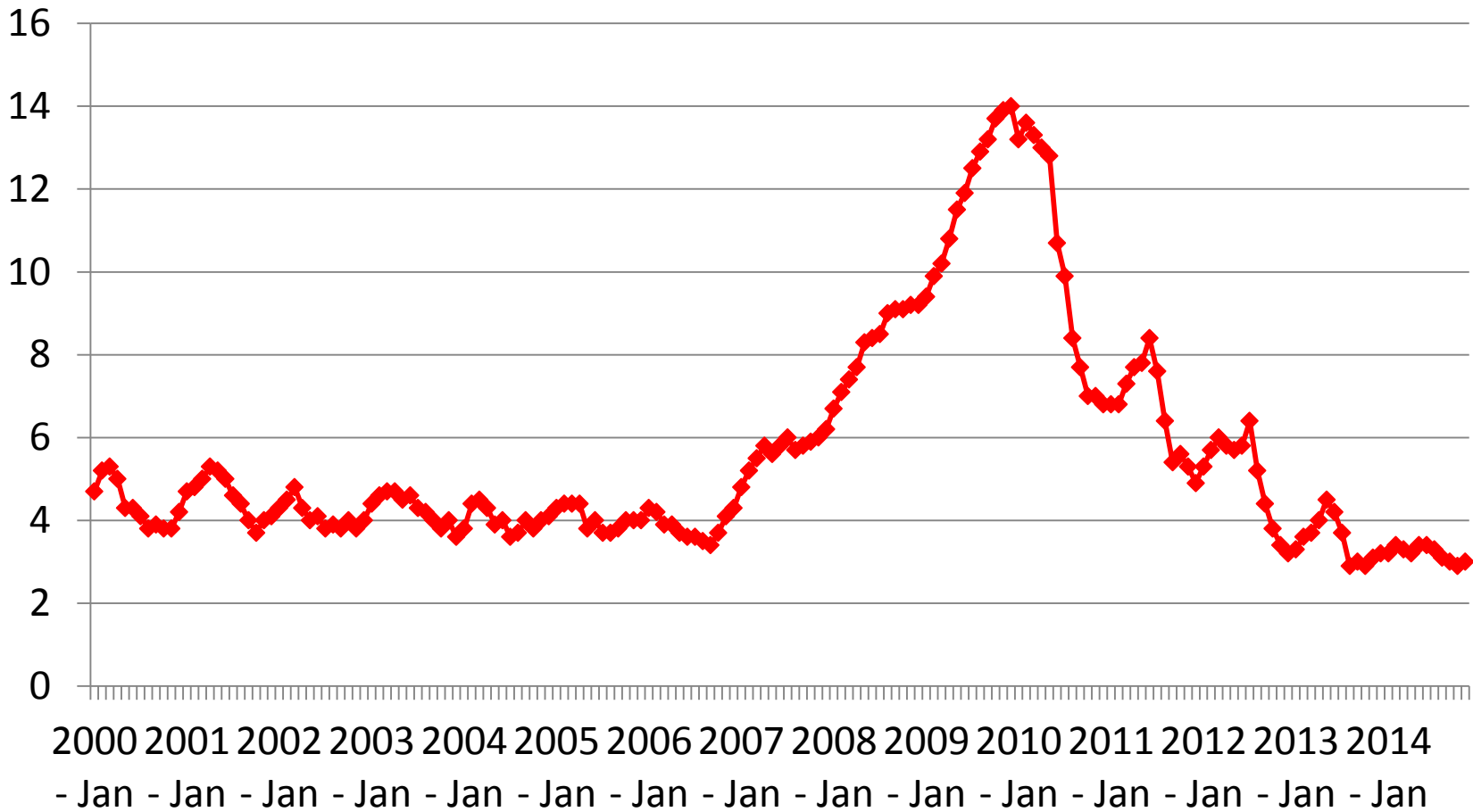






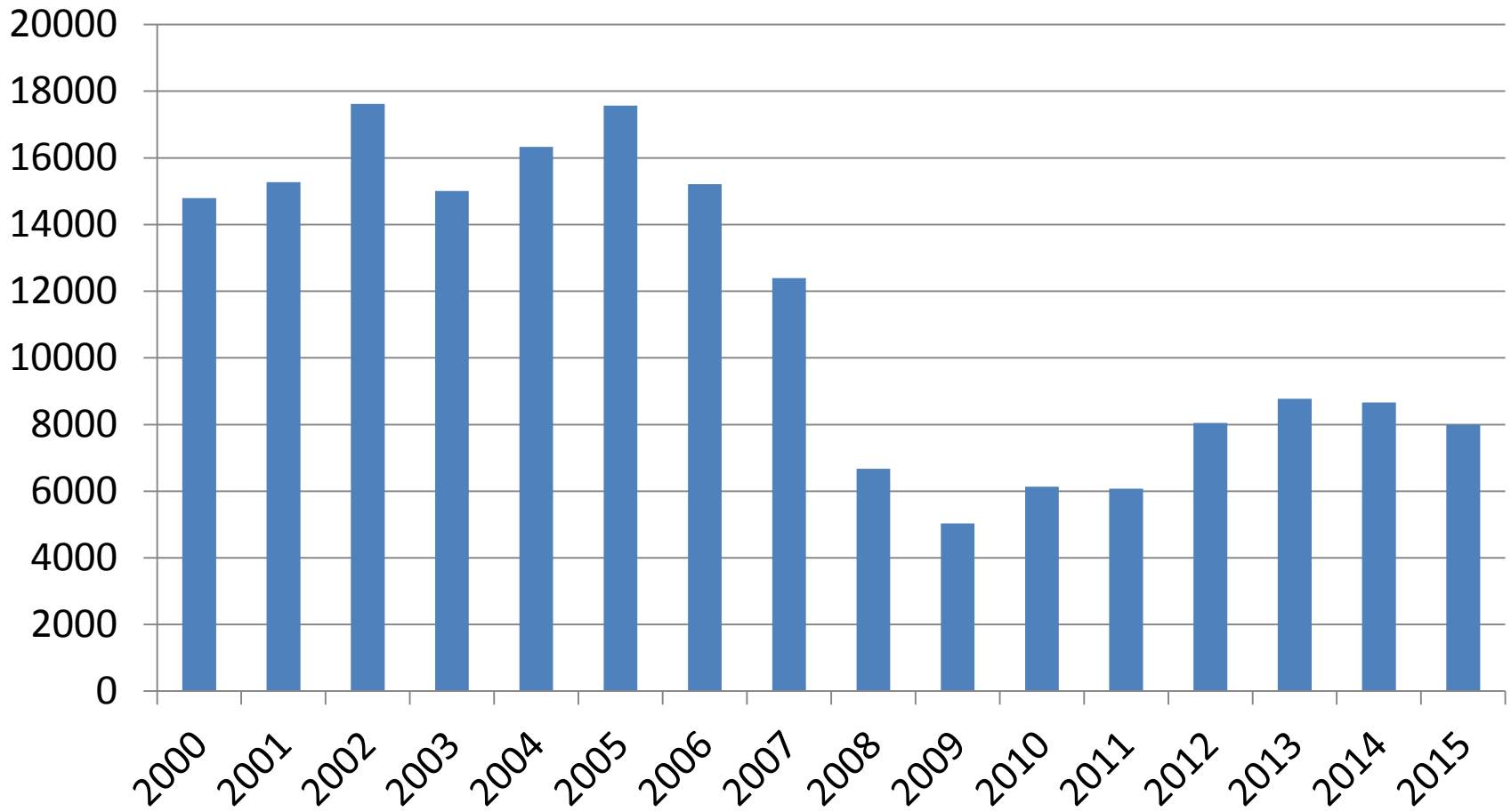
# Time to Sell a New Spec Home

(in months)



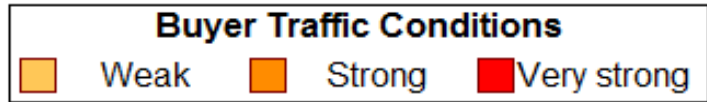
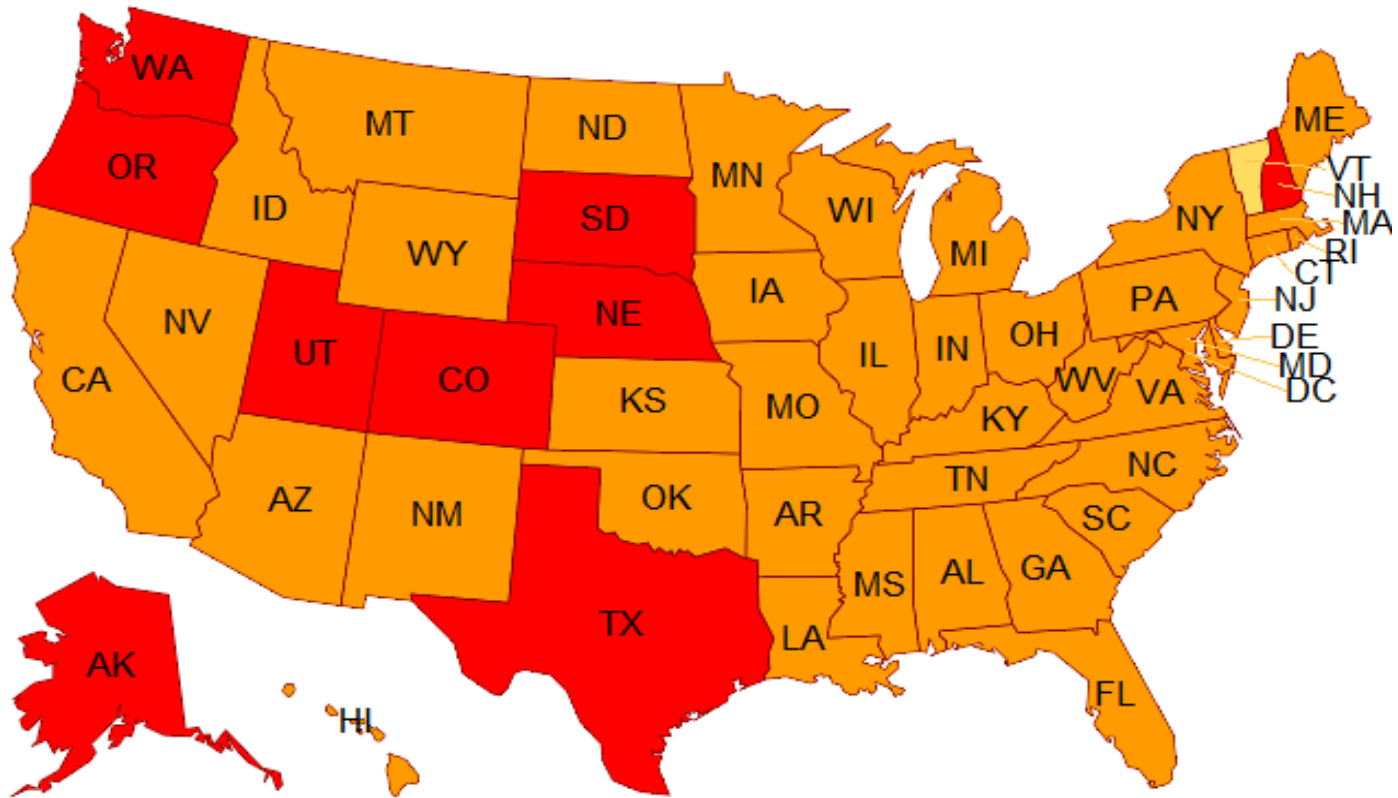


# Seattle Single-family Housing Permits





# Buyer Traffic Conditions



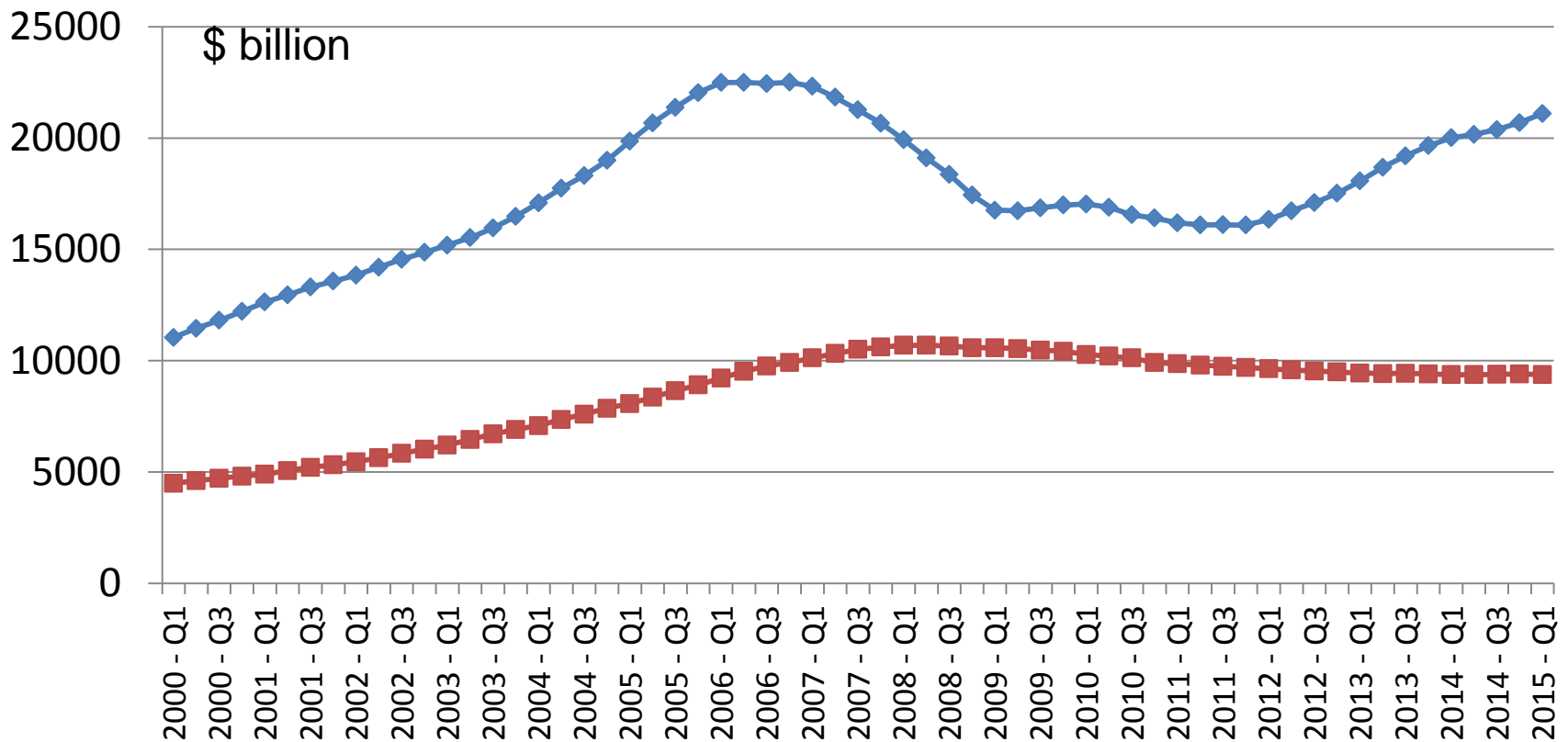


# New Consumer Survey



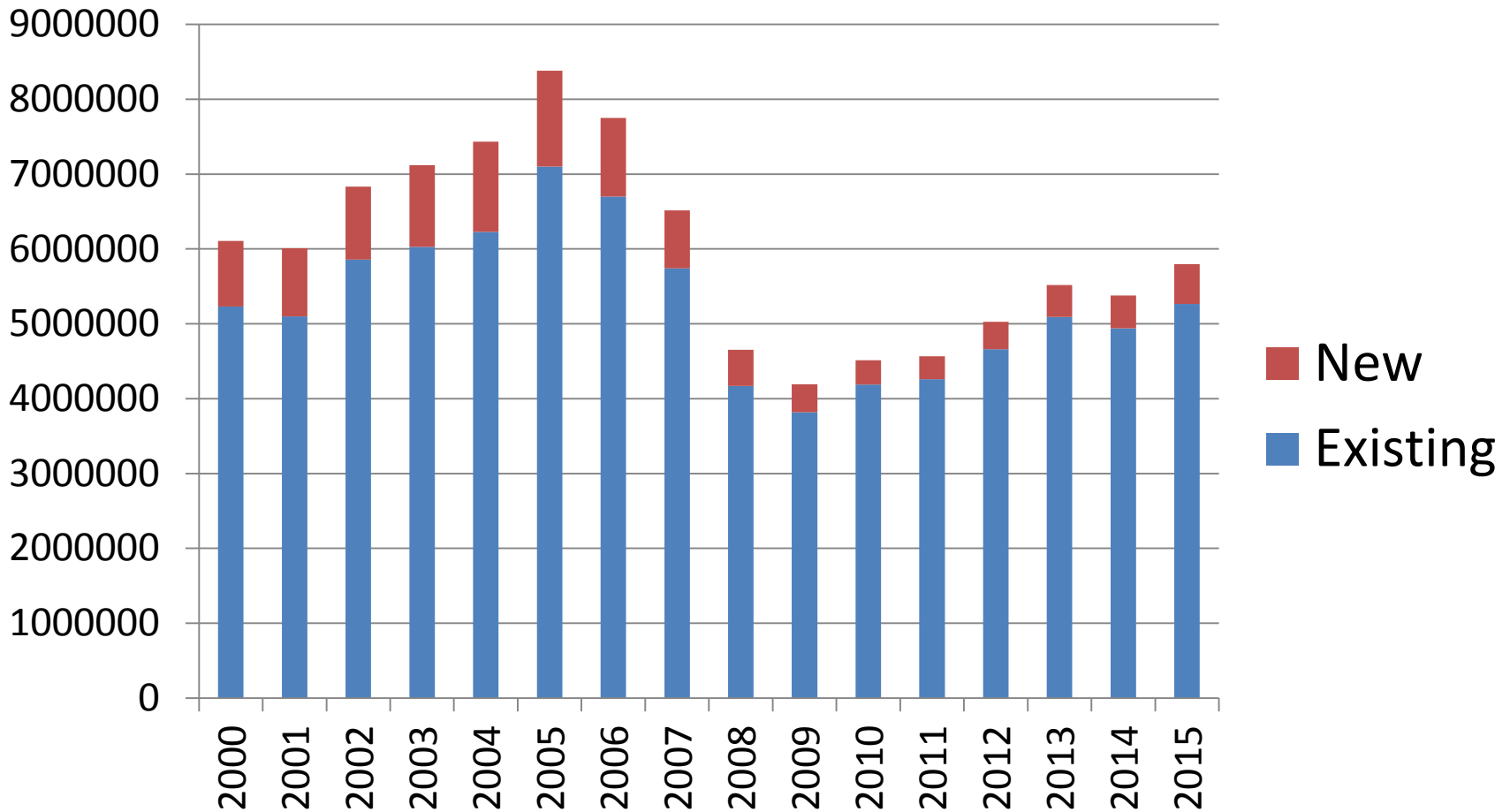
# Trade-Up Opportunities from Housing Equity

◆ Real Estate Value    ■ Mortgage Debt





# Annual Home Sales





# 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



# Home Price Forecast for 2016 ...

## 3% to 5%

### First Scenario

- New construction slowly recover ... housing shortage
- Prices initially rise fast
- Chokes demand and sales fall
- Home price grows 3% to 5%
- Not Desirable

### Second Scenario

- New construction robustly recover ... inventory relief
- Home price grows 3% to 5%
- Demand expands and sales rise
- Increase mobility and boost jobs
- Desirable

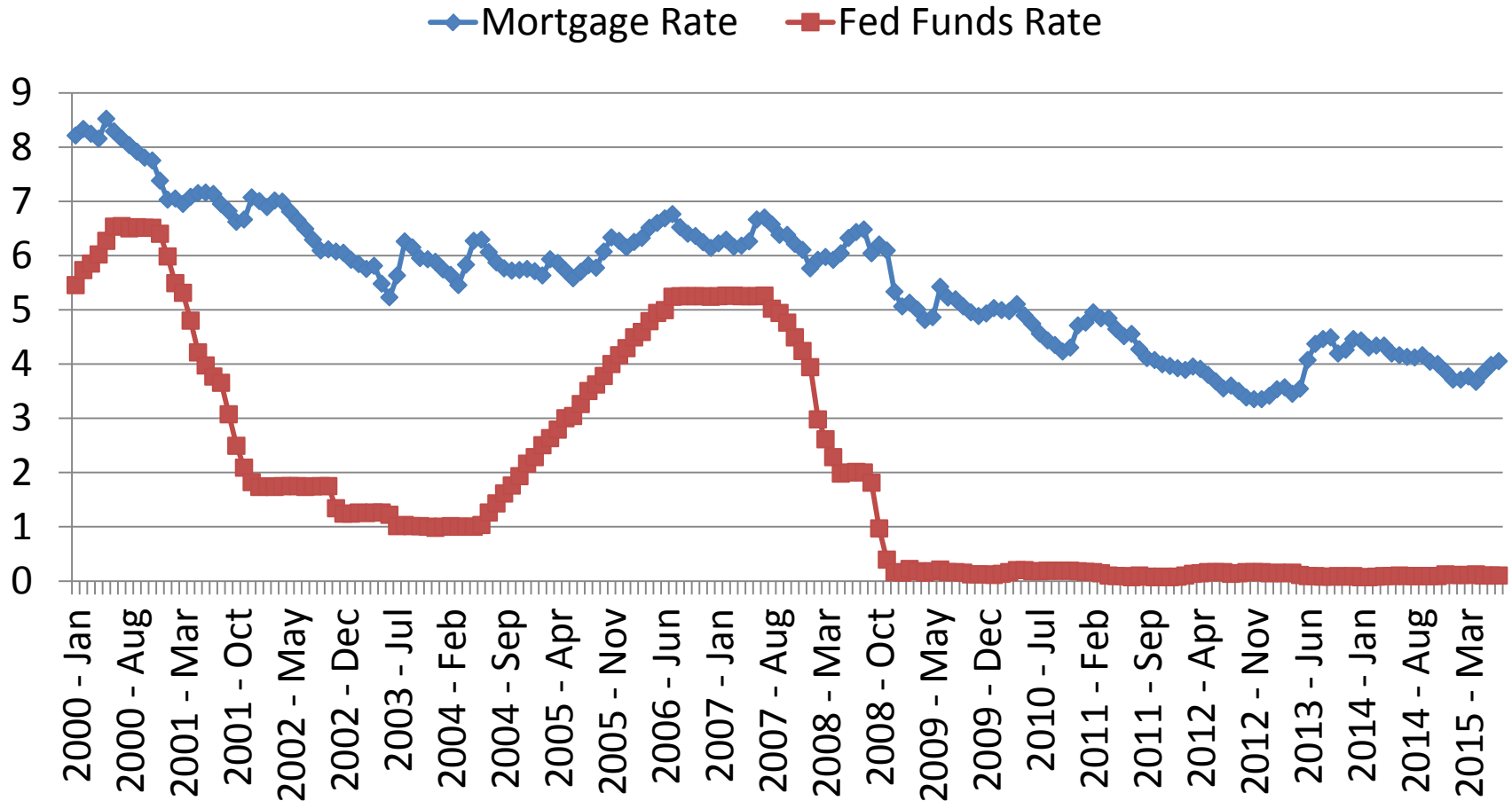




# Monetary Policy and Forecast



# Fed Policy and Mortgage Rate



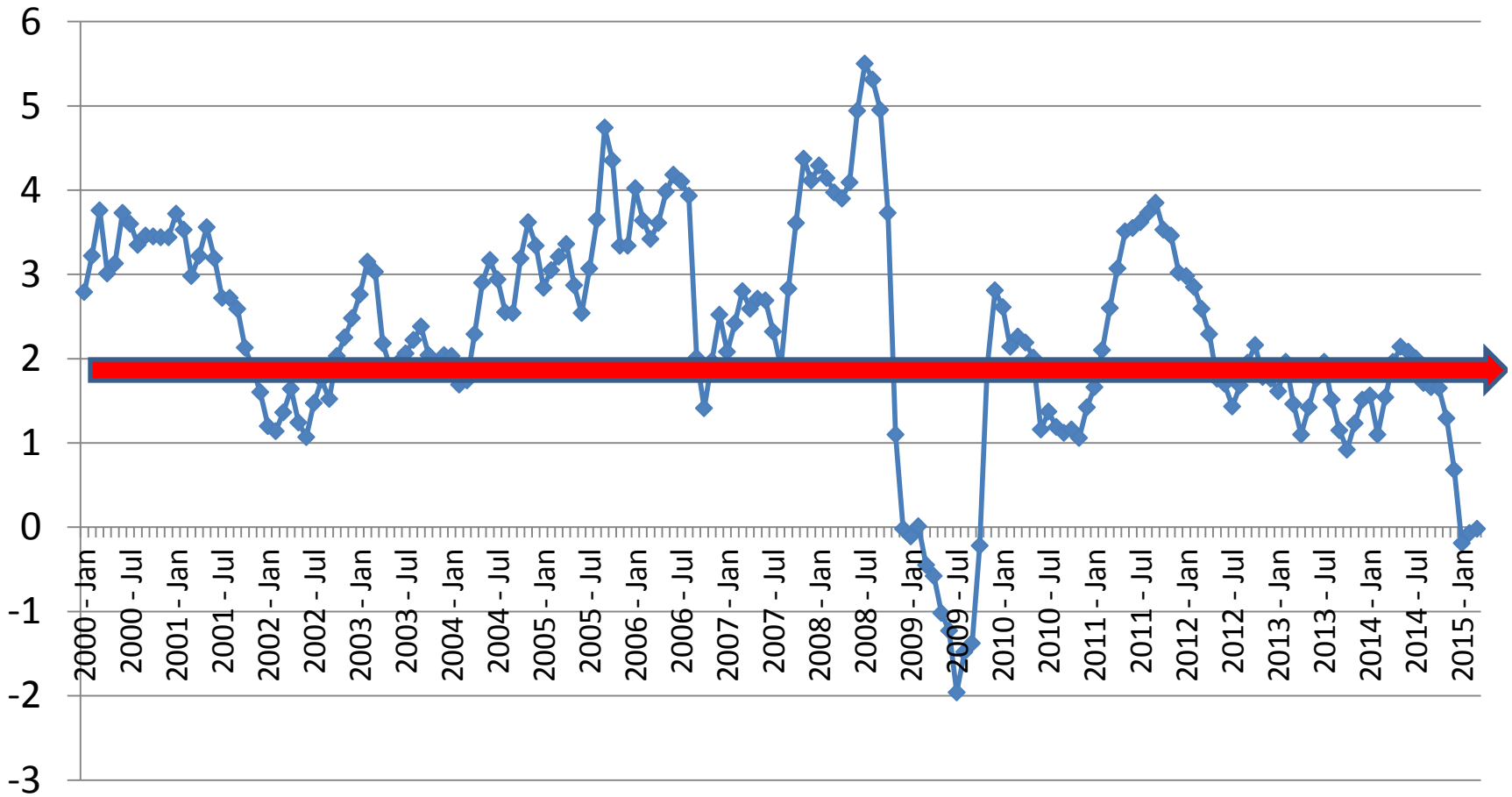


# What Determines Bond Yields?

- 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
- ...

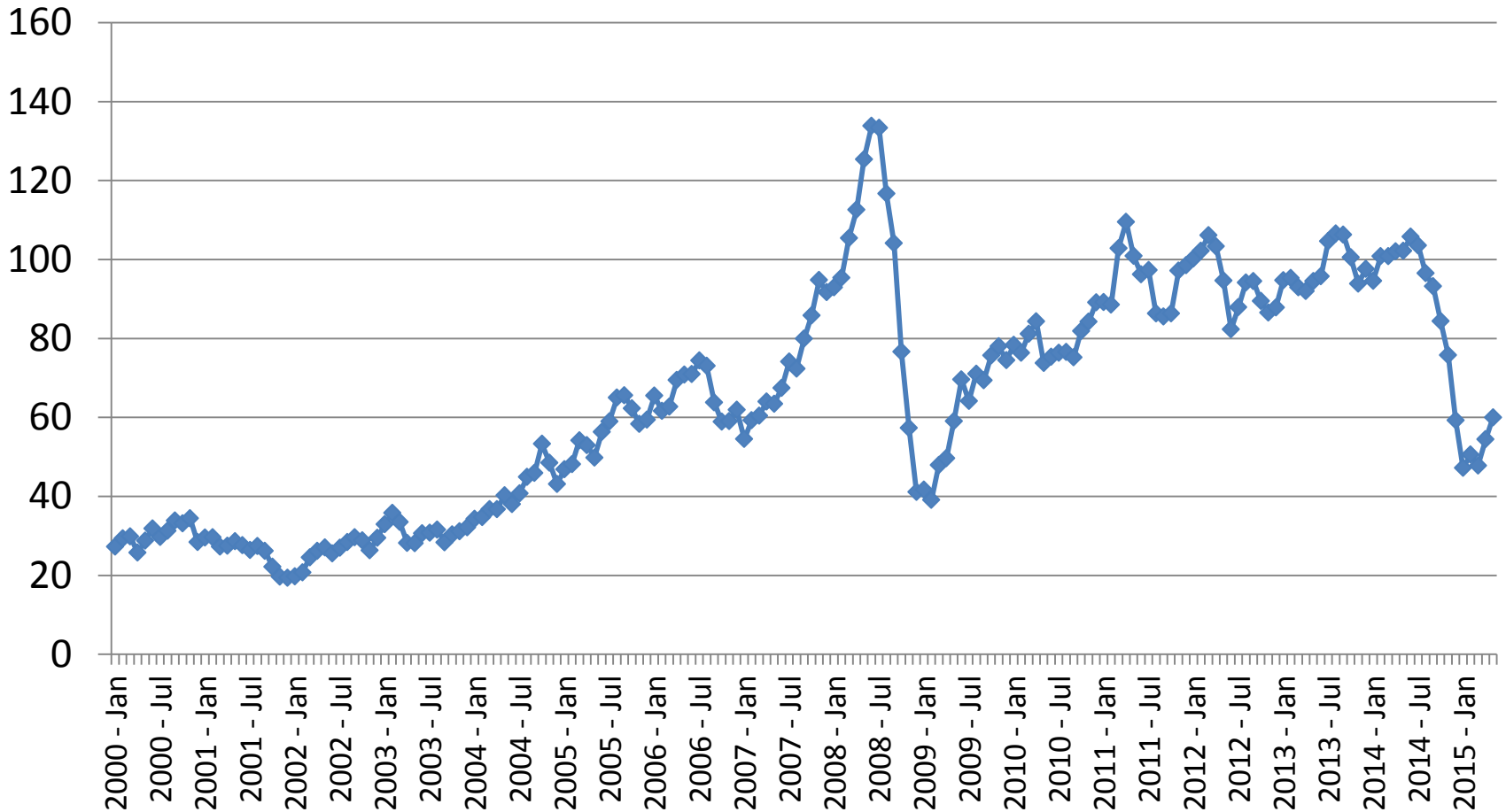


# No CPI Inflation – Yet





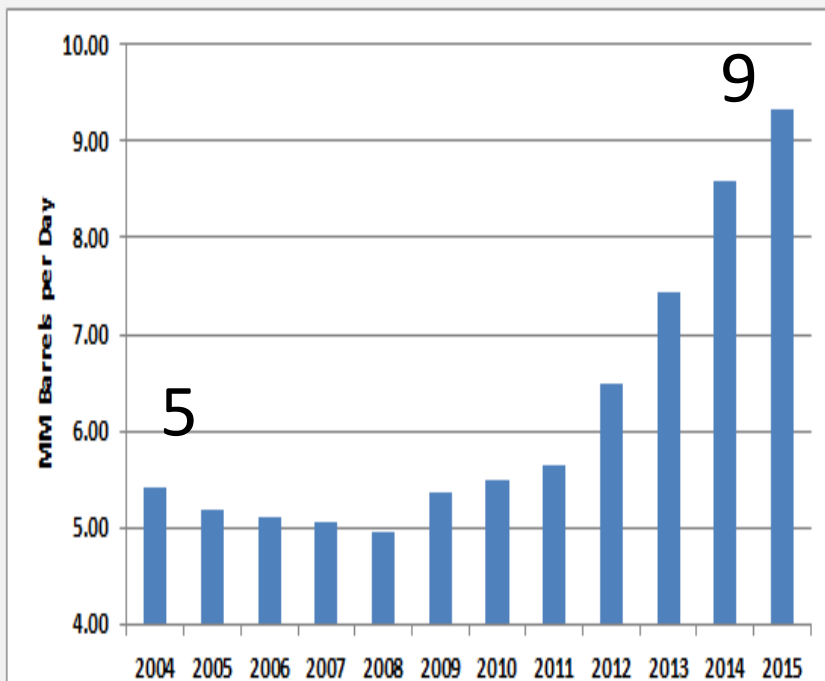
# Oil Price





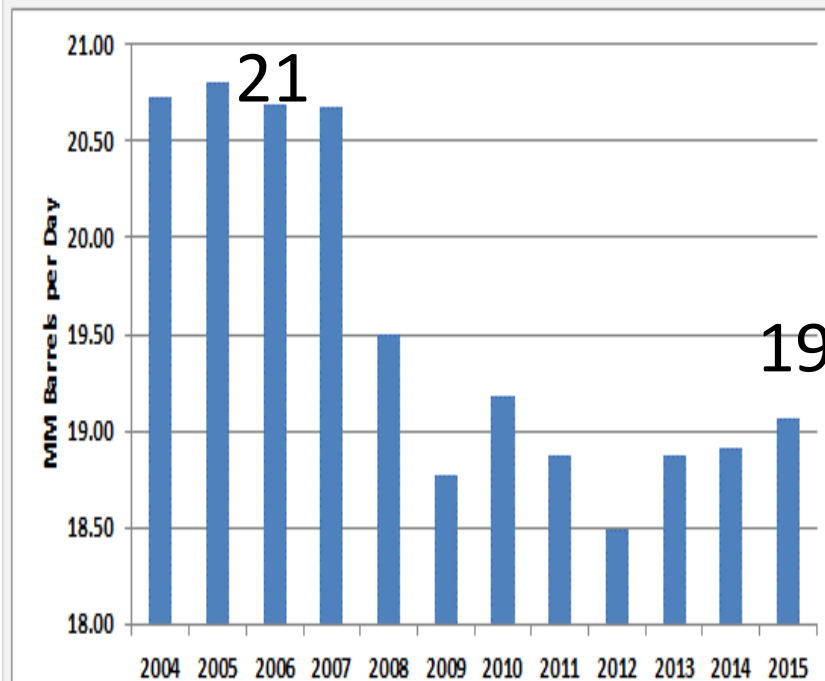
# Supply and Demand: Oil in U.S.

## Domestic Crude Oil Production



Source: EIA STEO, 2015 Forecast

## Total Crude Oil Consumption

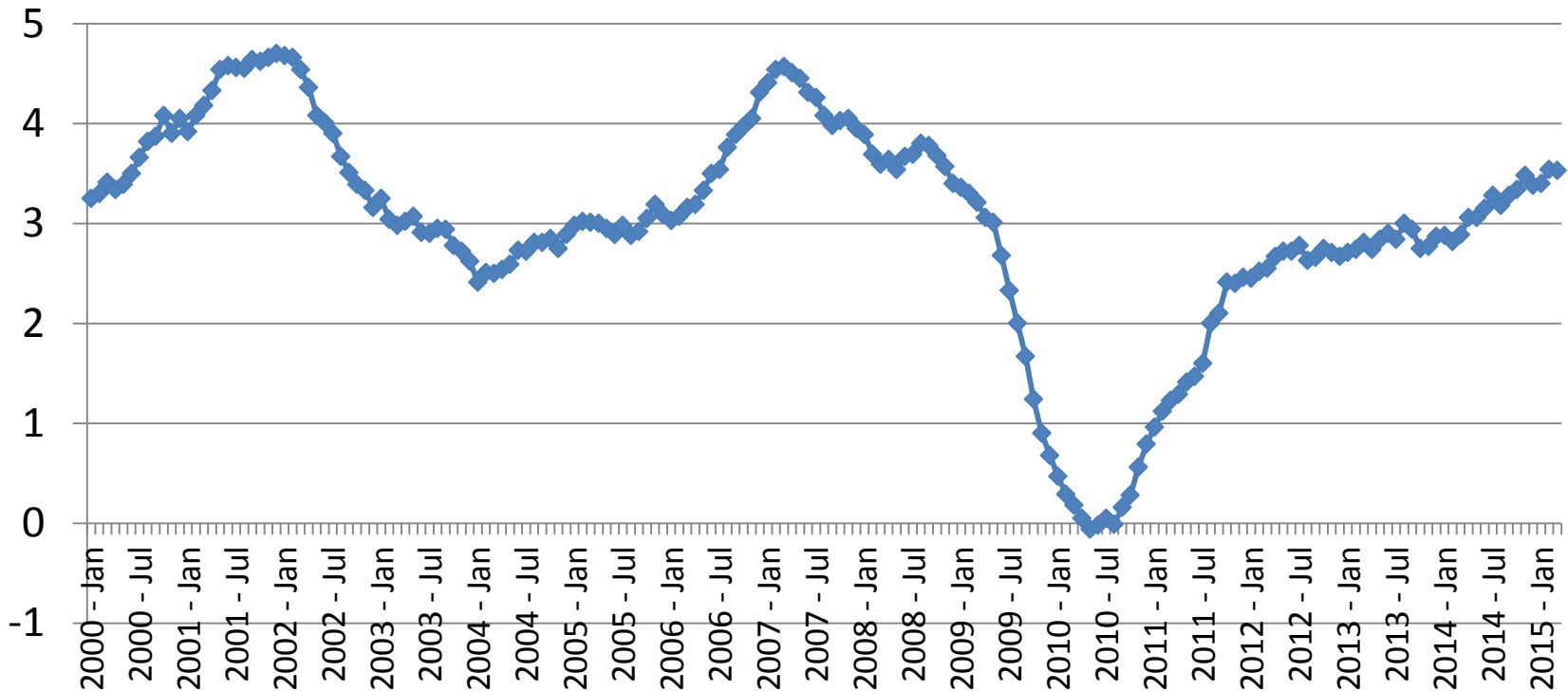


Source: EIA STEO, 2015 Forecast



# Rents Rising at 7-year high

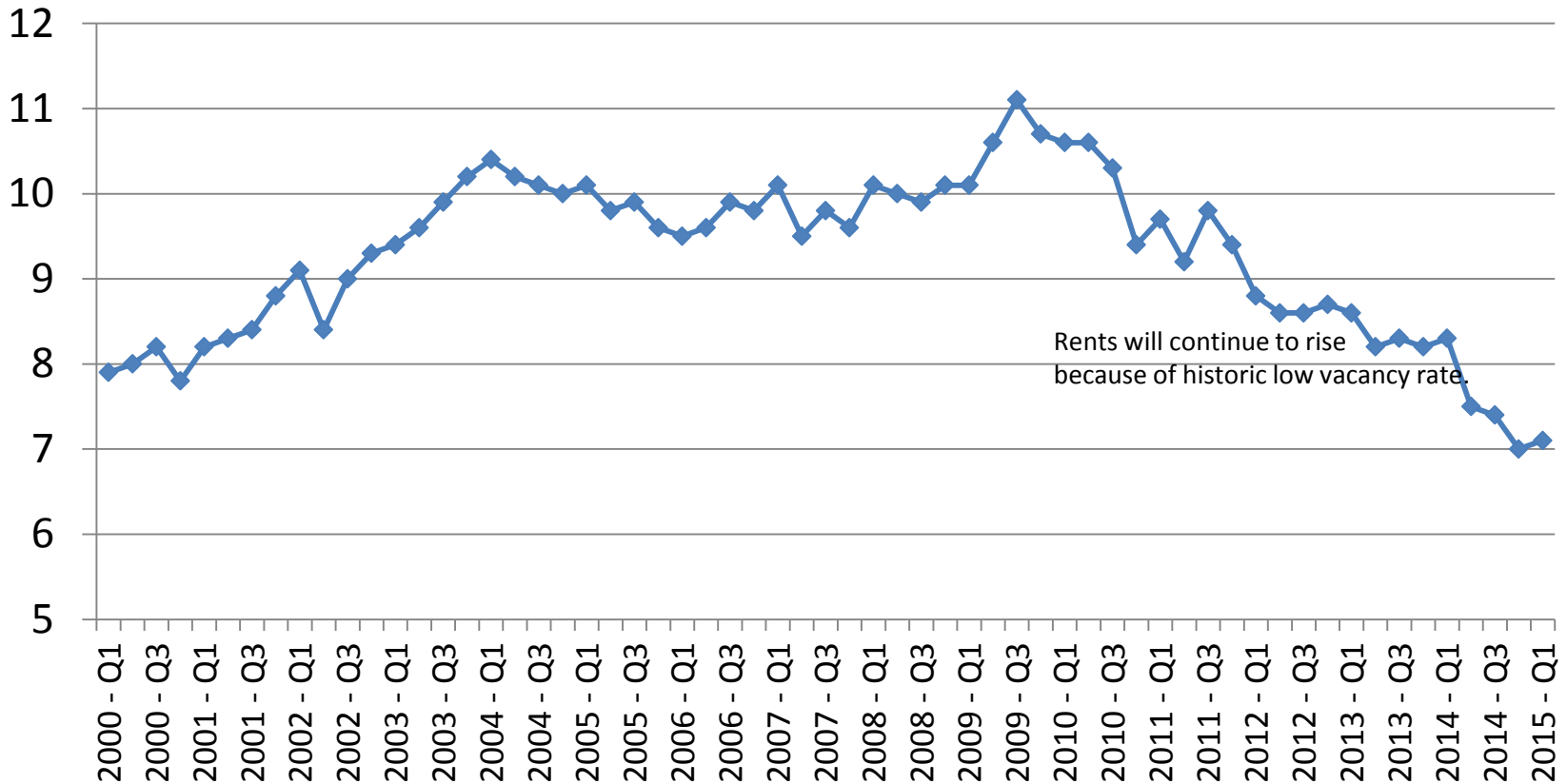
## Renters' Rent





# Rental Vacancy Rate

(Census Measurement)



Rents will continue to rise  
because of historic low vacancy rate.





# Monetary Policy

- Quantitative Easing ... Finished
- Fed Funds Rate hike ... September/October
- 10-year Treasury reaching
  - 2.5% by end of 2015
  - 3.5% by end of 2016



# Credit Box Opens?

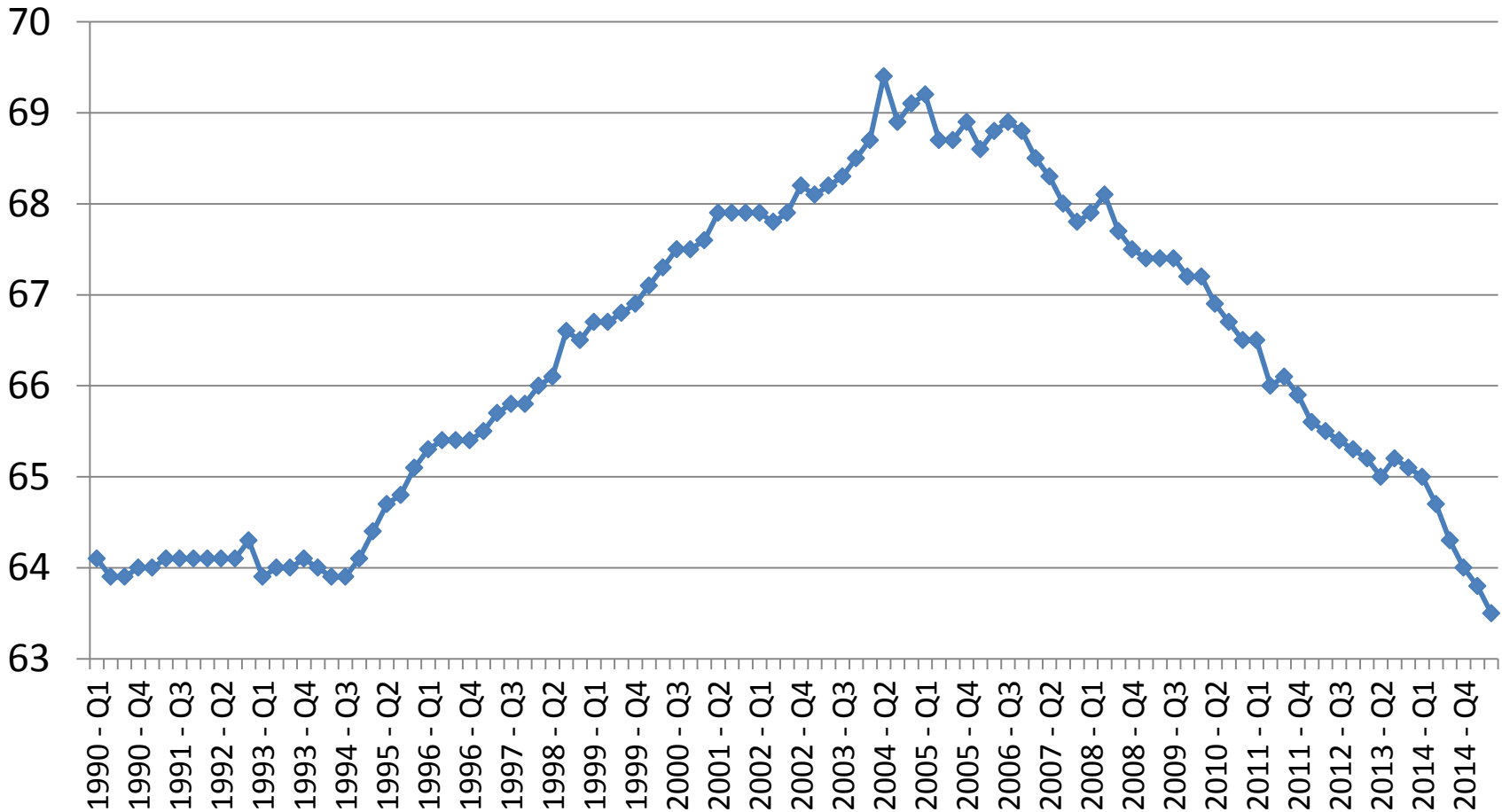
- FICO New Method
- Fannie/Freddie
  - Lower down payment products
- FHA premiums ... lowered
- Portfolio Lending ... historic low mortgage default rates on recent vintages (2010-2014)



# American Inequality?



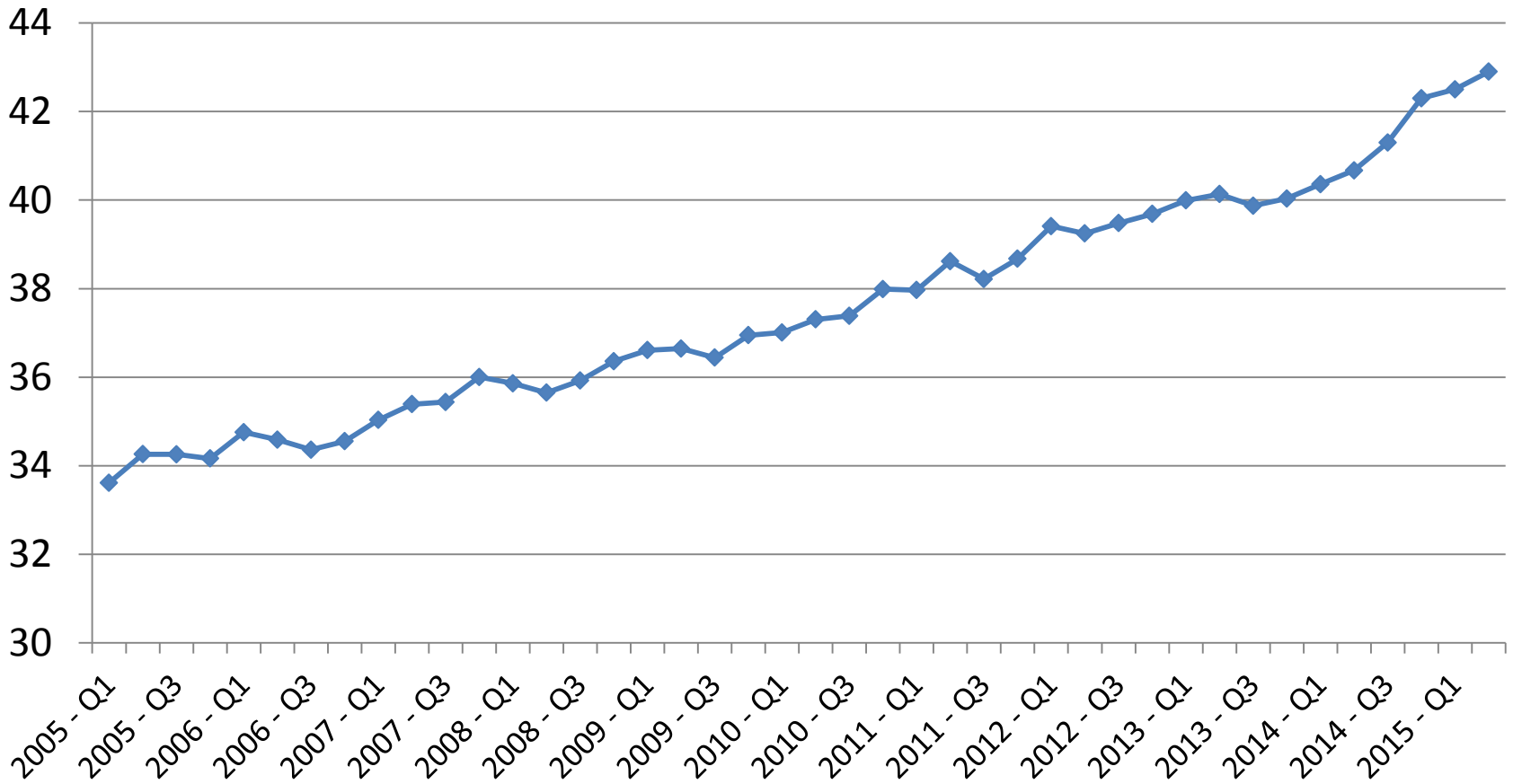
# Homeownership Rate (50-year low)





# Renters

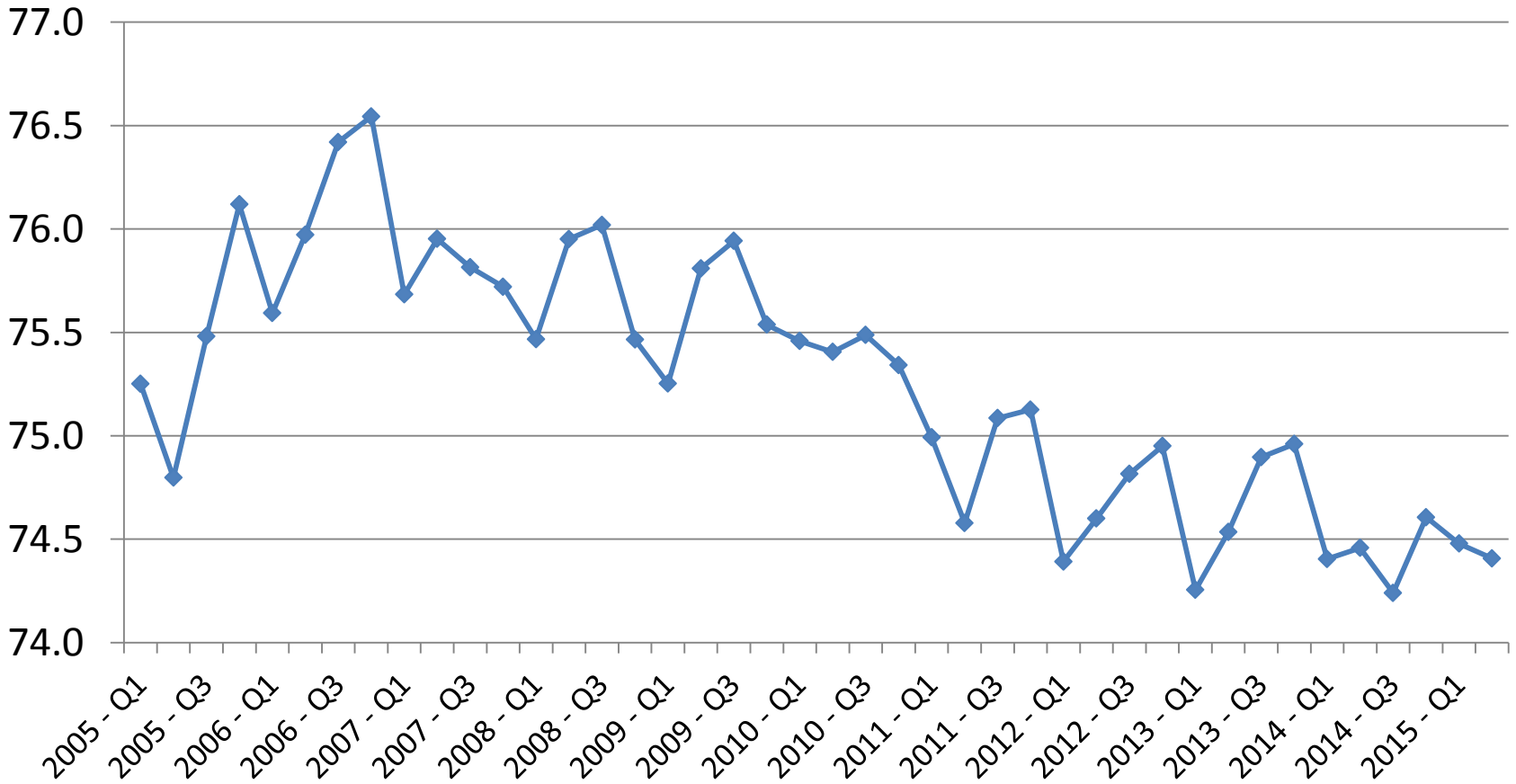
(8 million more households)





# Homeowners

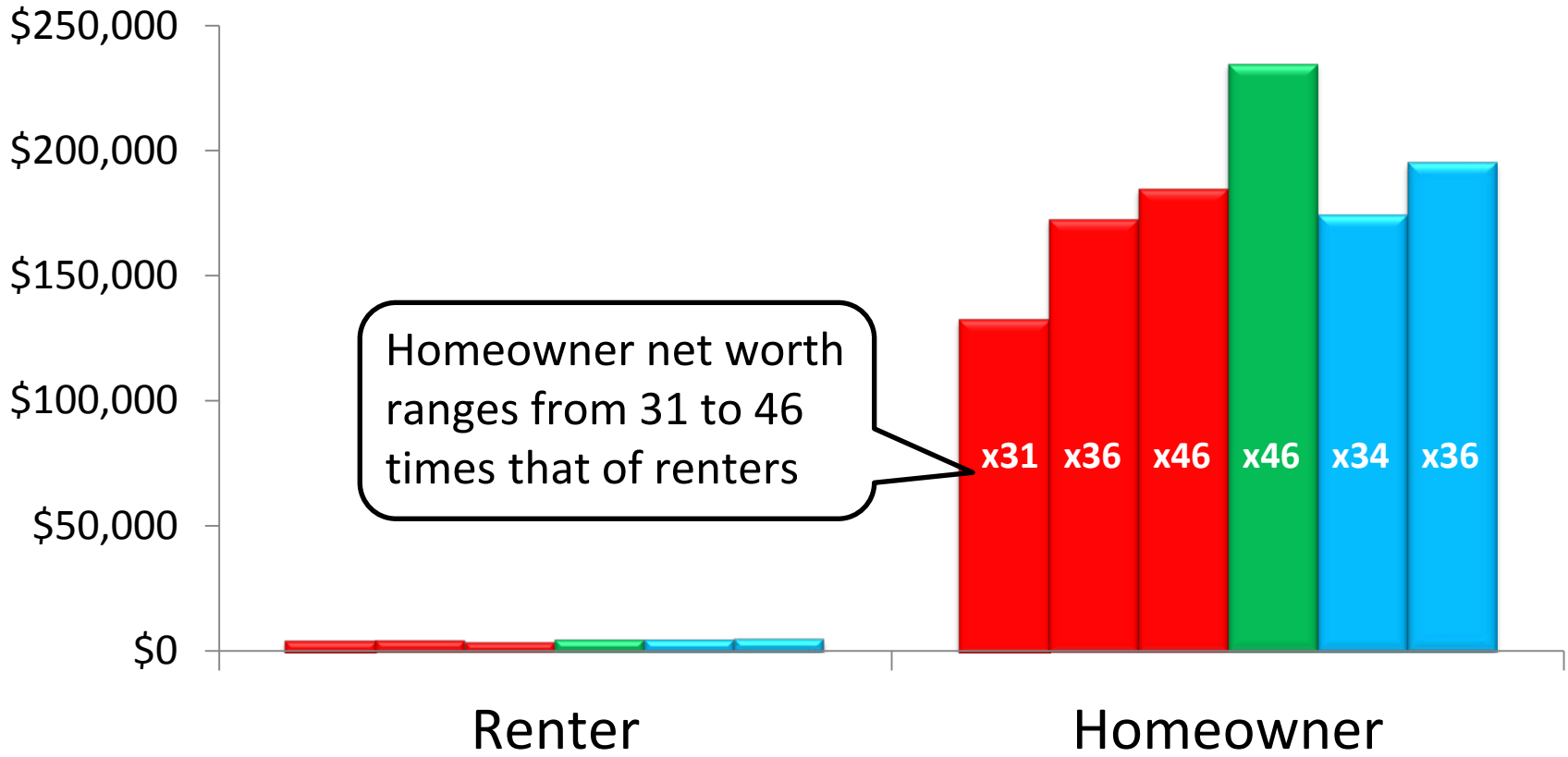
(2.5 million fewer households)





# Household Net Worth (\$5,500 vs. \$195,500)

■ 1998 ■ 2001 ■ 2004 ■ 2007 ■ 2010 ■ 2013



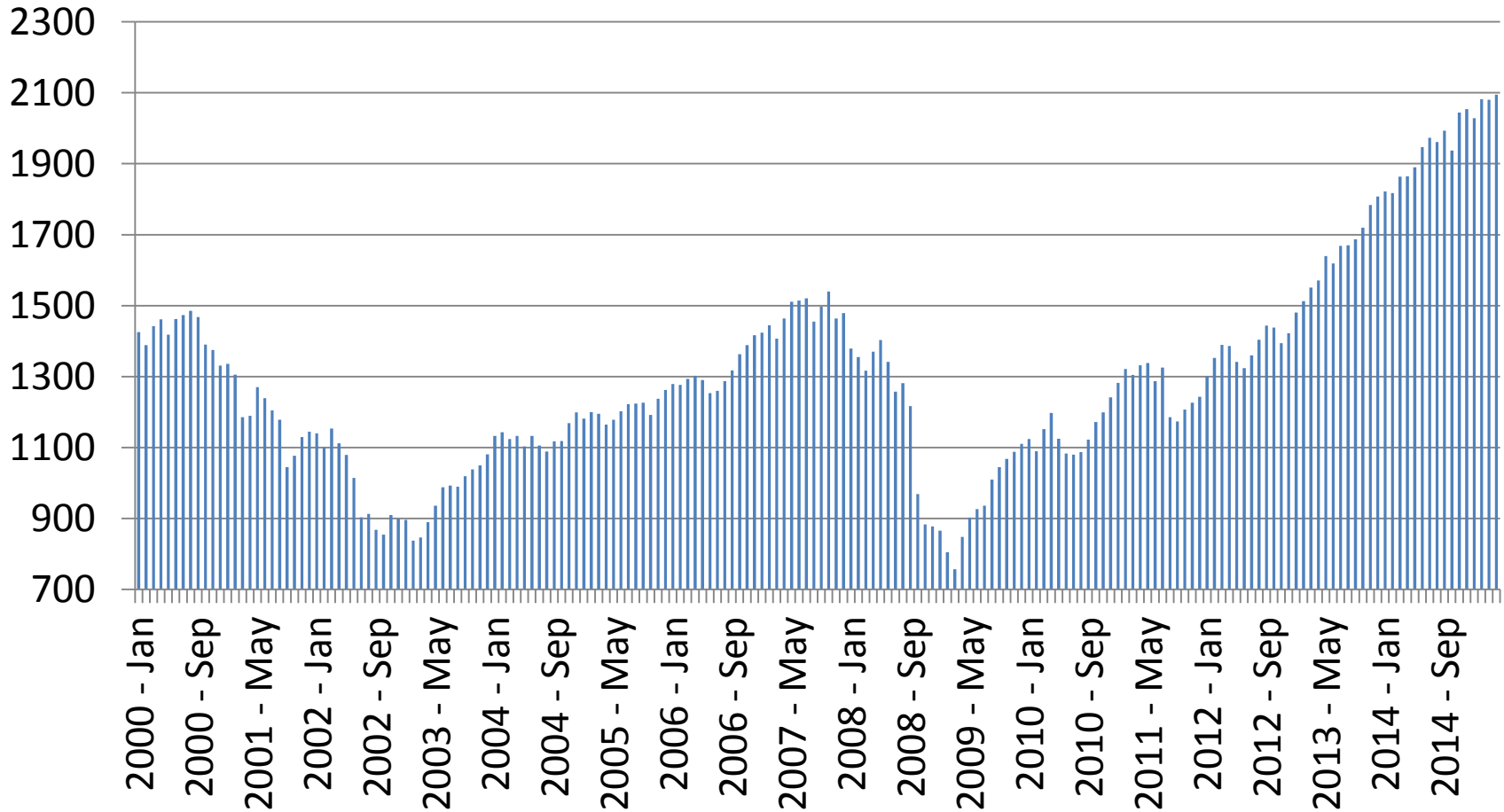
Source: Federal Reserve Survey of Consumer Finances

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# Stock Market

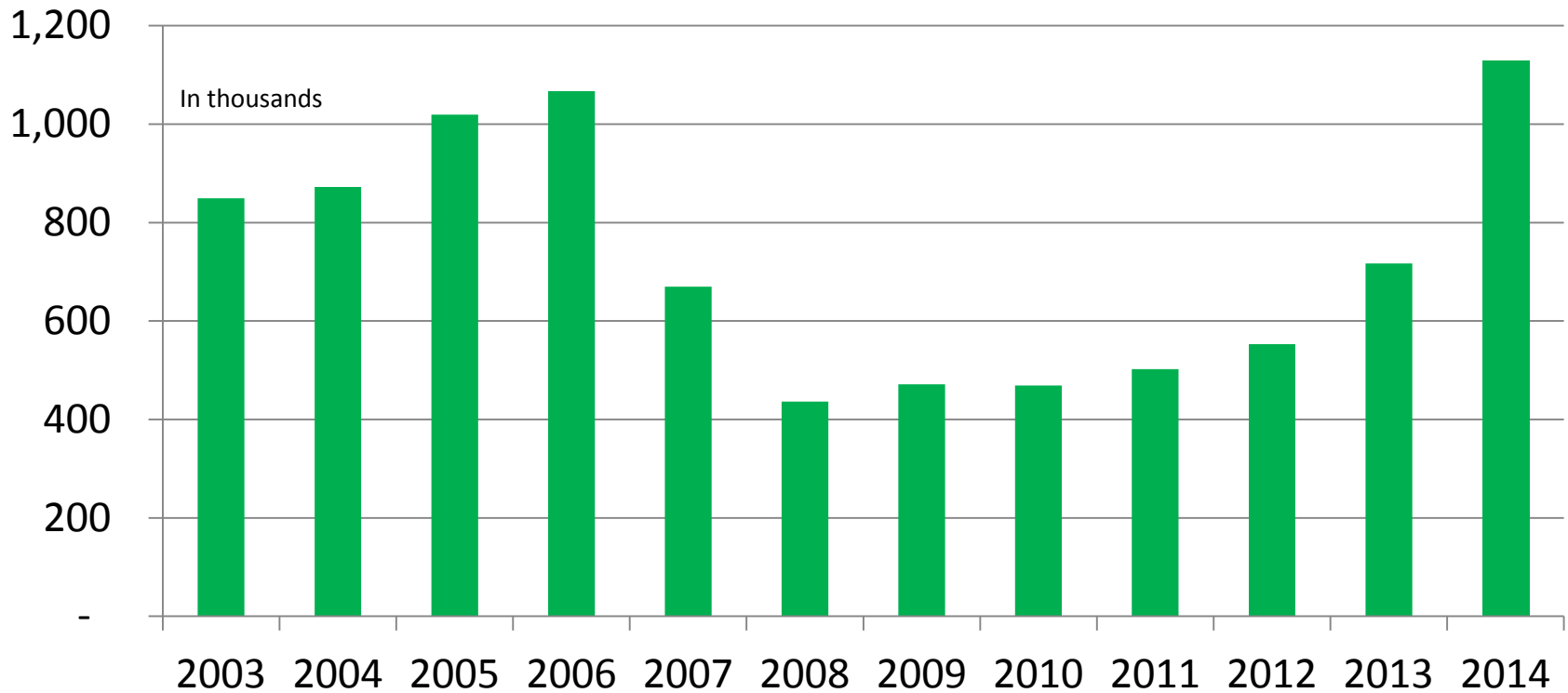
S&P 500 Index







# Vacation Home Sales





# 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



# Washington Risks

- TRID?
- Mortgage Availability?
- Tax Preference Changes?

## State and Local Risks

- Foreclosure rules?
- Eminent Domain?
- Tax Preference Changes?

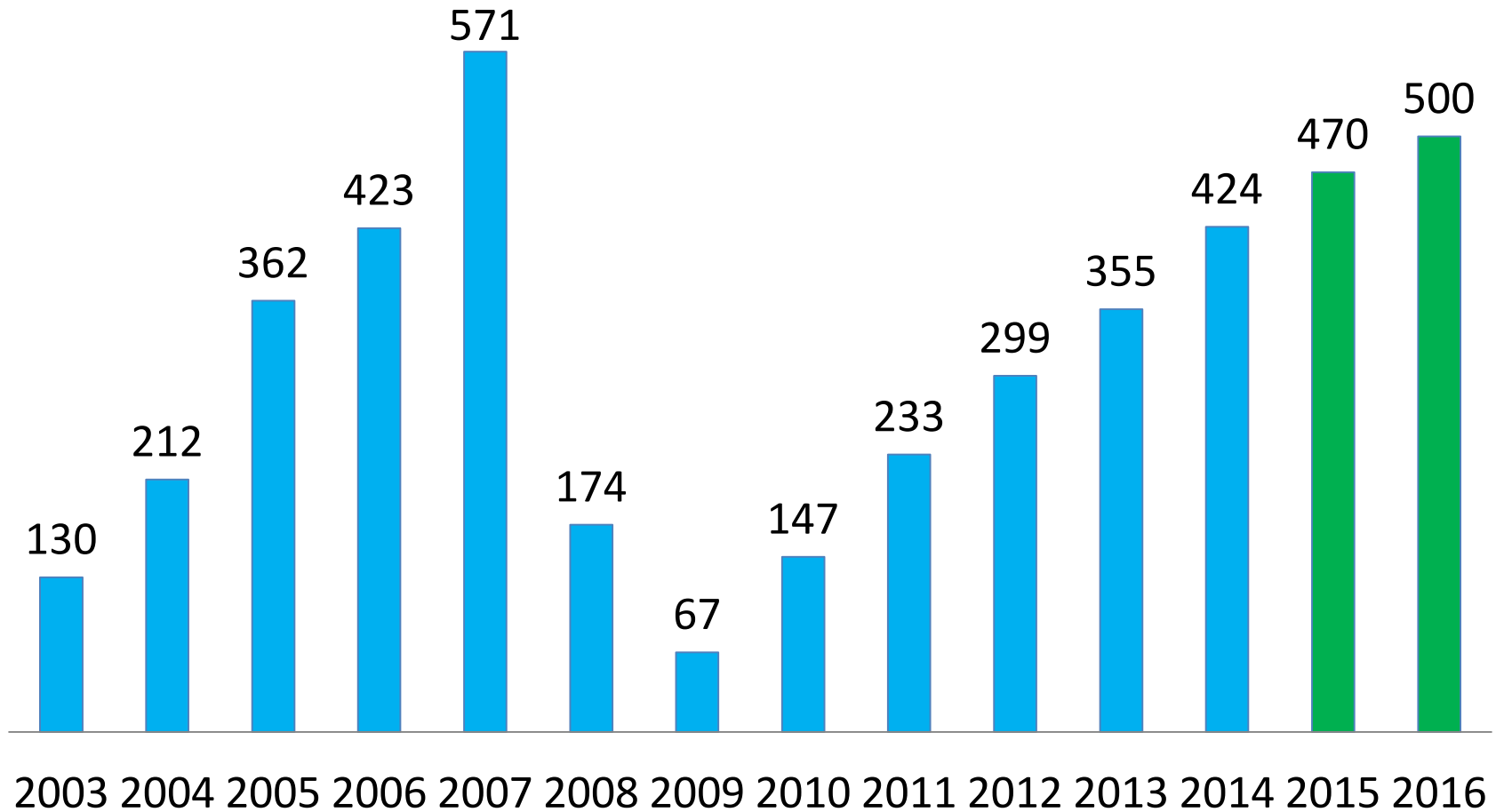


# Commercial Real Estate



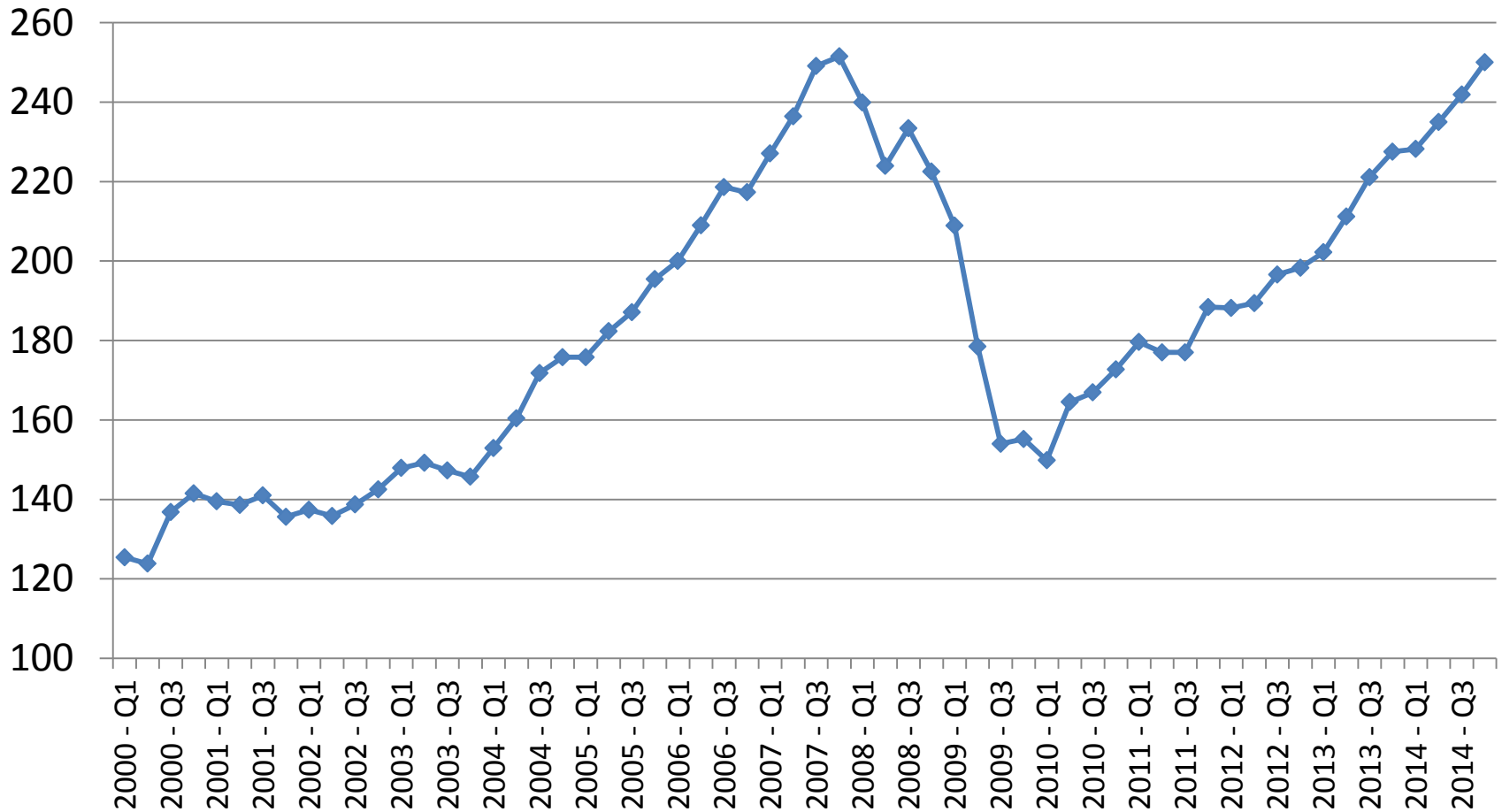
# Commercial Investment Sales of Large Properties

(Properties valued at \$2.5 million and over)





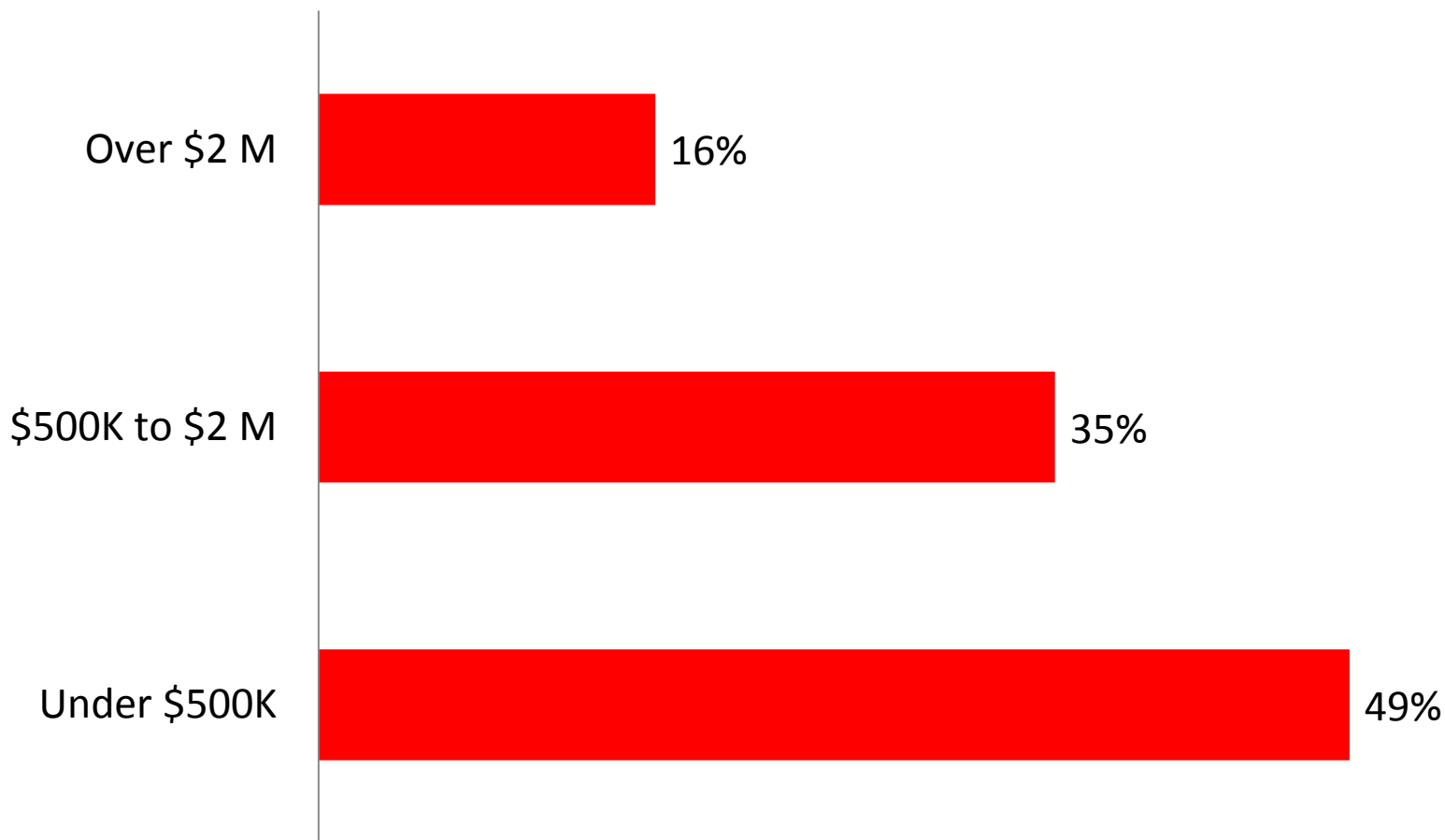
# Federal Reserve Commercial Property Price Index





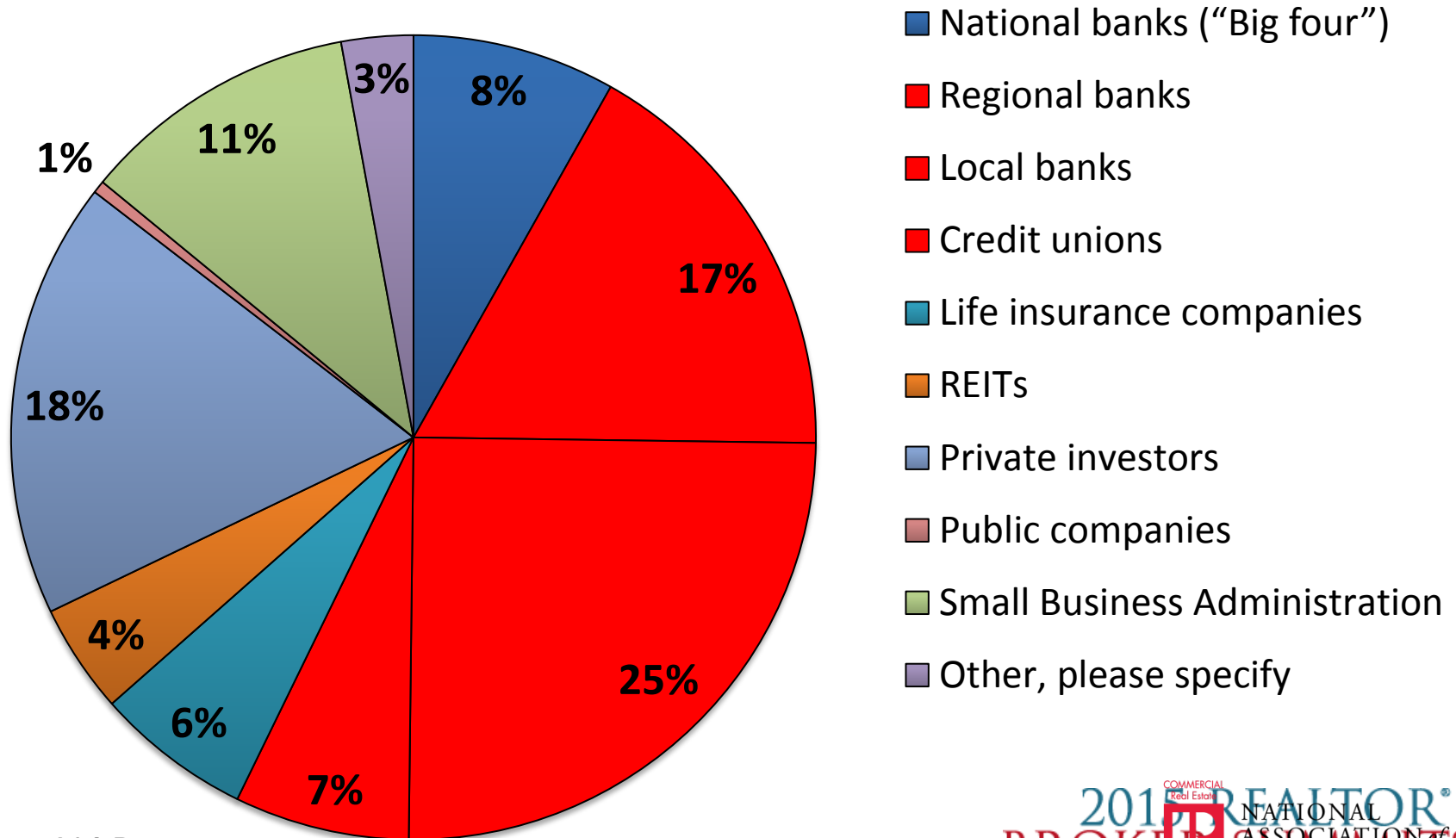


# REALTOR<sup>®</sup> Deal Size (Not \$2.5 million Properties)





# Sources of Financing for Deals



Source: NAR



# Dodd-Frank?

- Big homebuilders in the game
- Small homebuilders not really in the game
  
- Big commercial deals happening
- Small commercial deals slowly happening



# 1031 Like-Kind Exchanges 2/3 of Members Used

## Number of 1031 Transactions from 2011-14

