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NOV. 14-16 // ANAHEIM, CA



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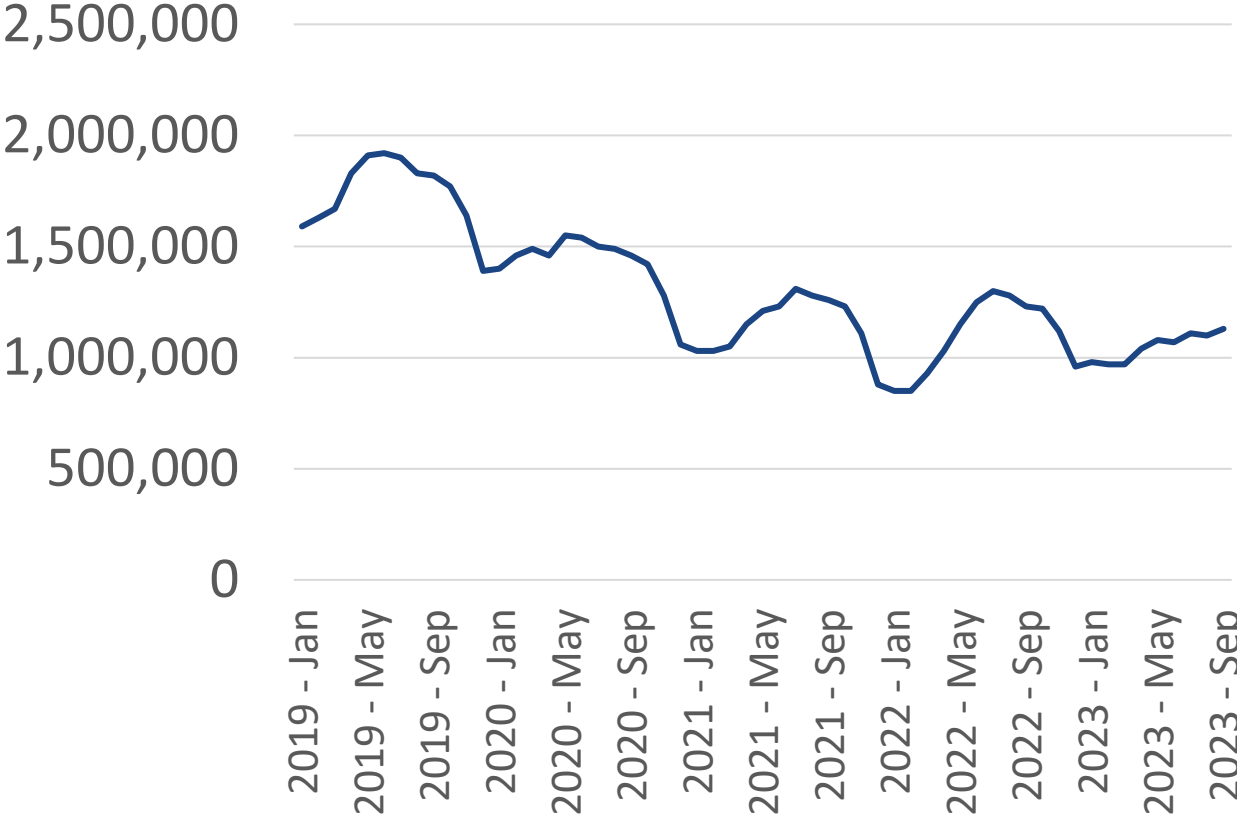
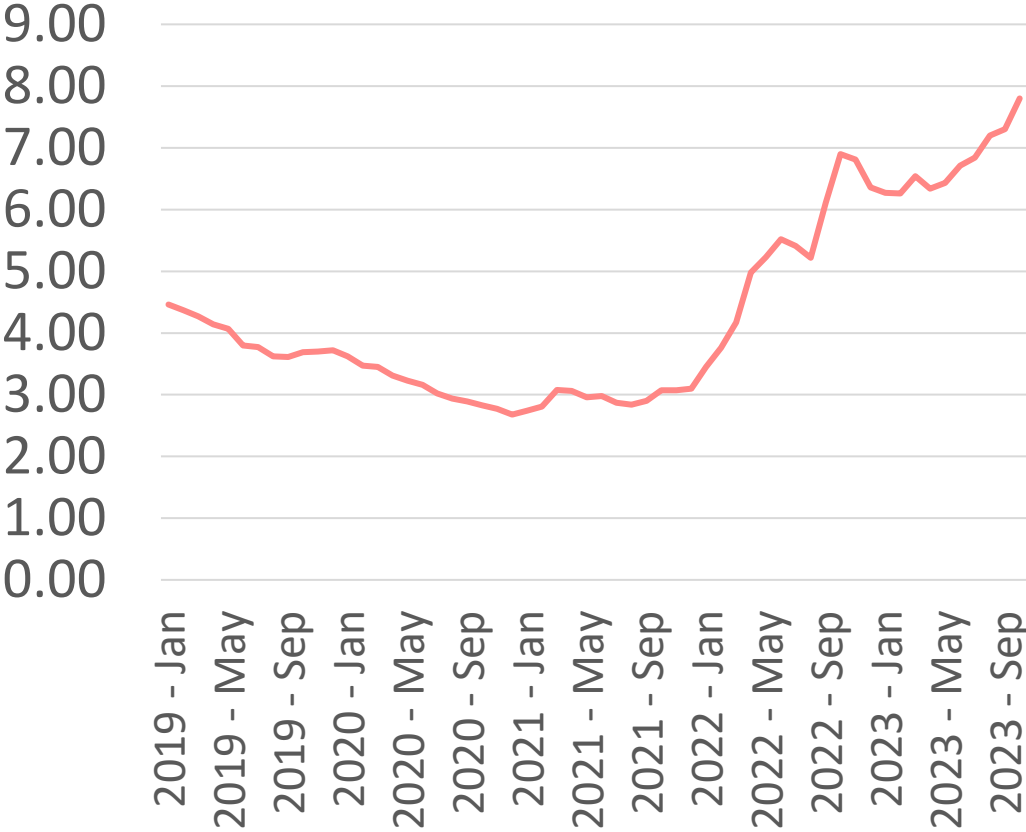
Housing and Economic Outlook

Lawrence Yun, Chief Economist

Anaheim Convention Center, Hall D, Level One -
Main Building



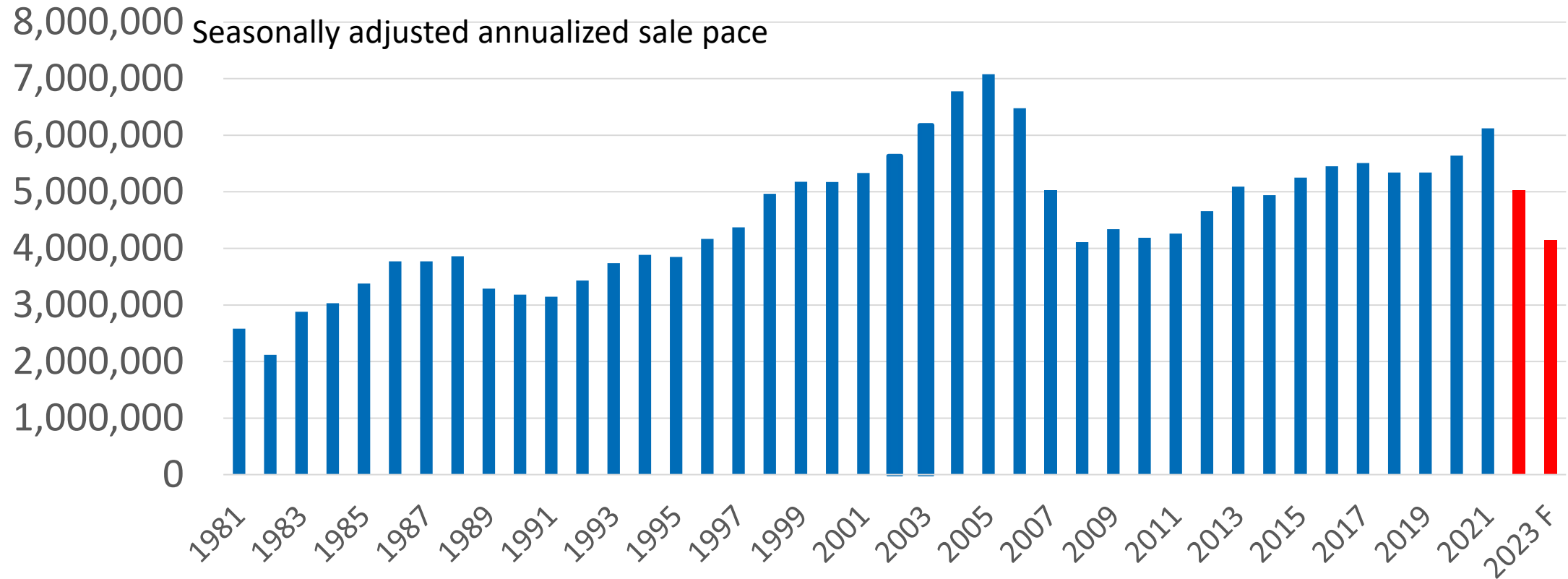
2019-2023: High Mortgage Rates and Low Inventory



Source: Freddie Mac and NAR

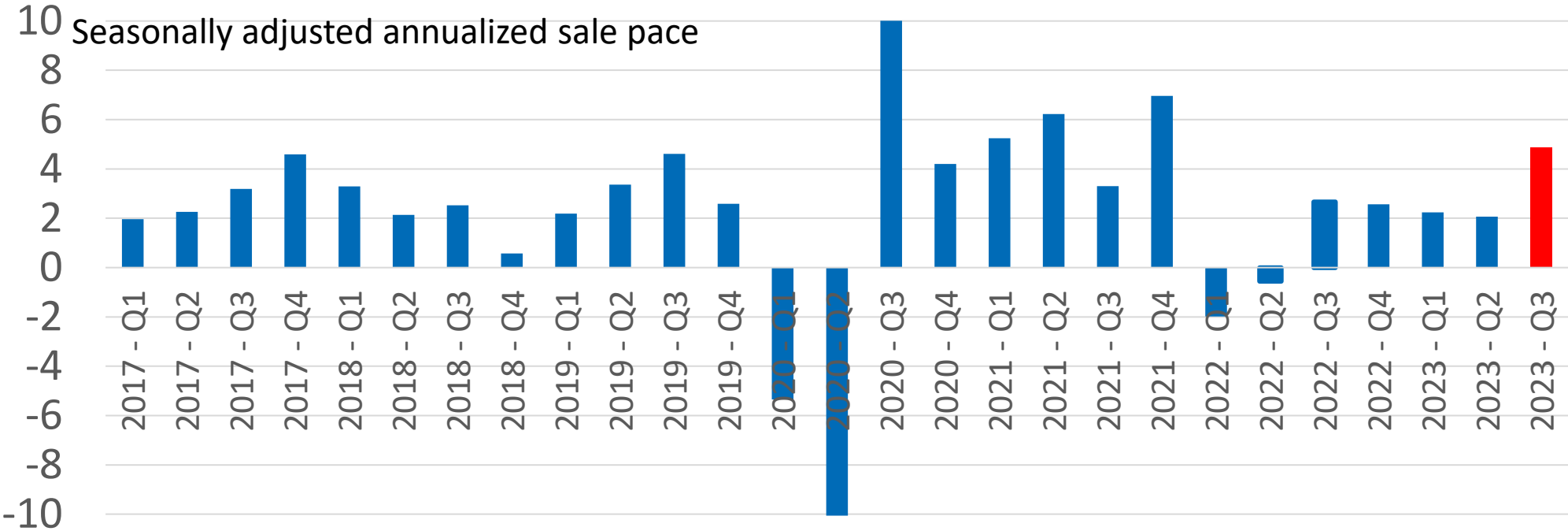


Annual Existing-Home Sales: 18% Decline



Source: NAR

Strong Economy: GDP Growth at 4.9%



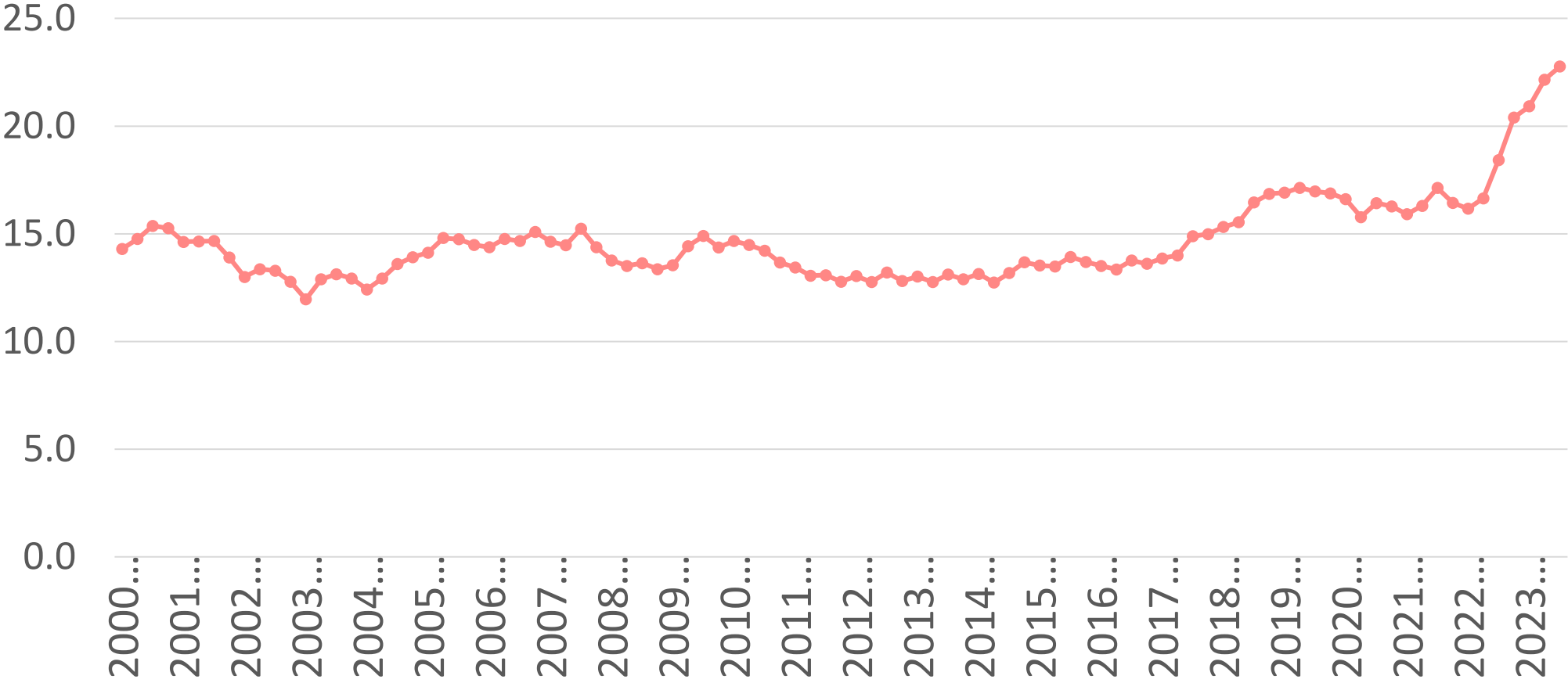
Source: NAR

Consumers Adding to GDP Growth; but Worrying Signs Developing



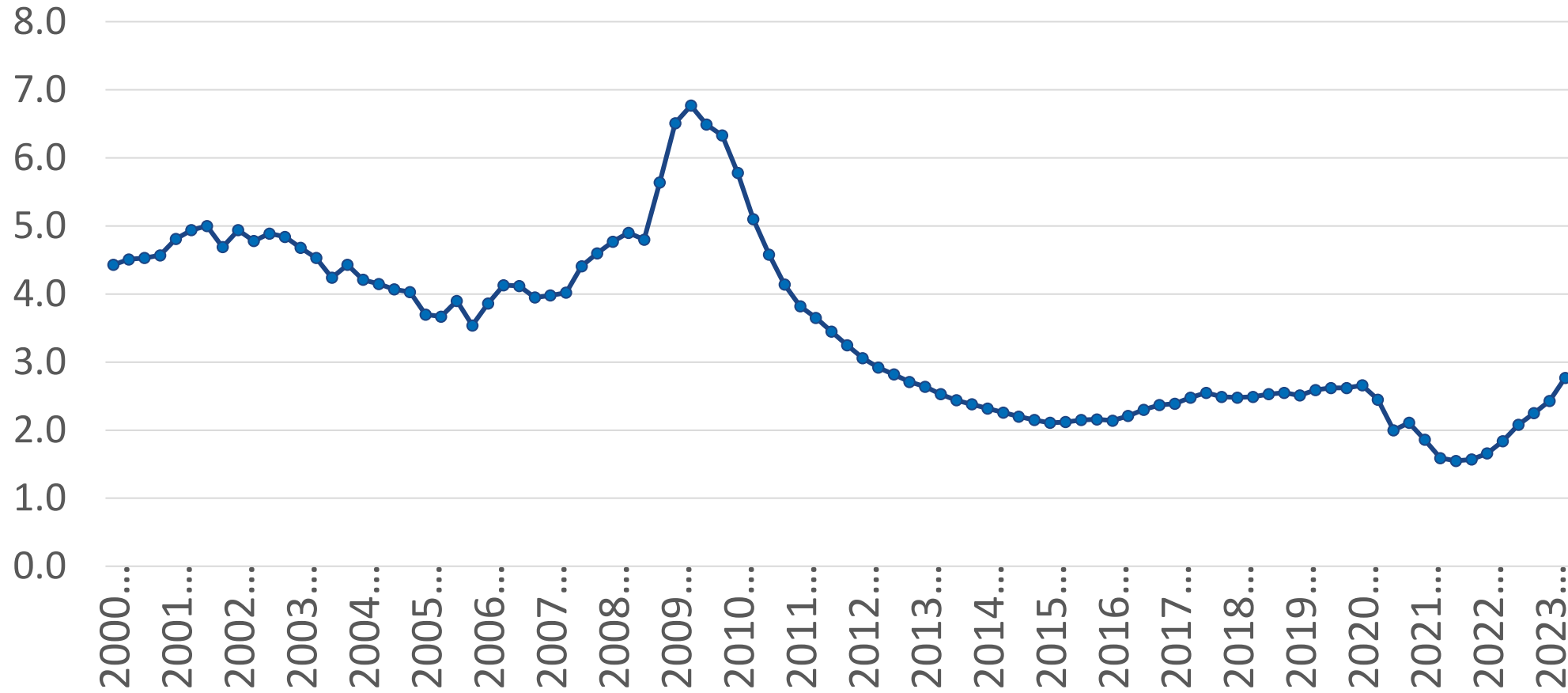
Source: Department of Commerce

Average Interest Rates on Credit Cards



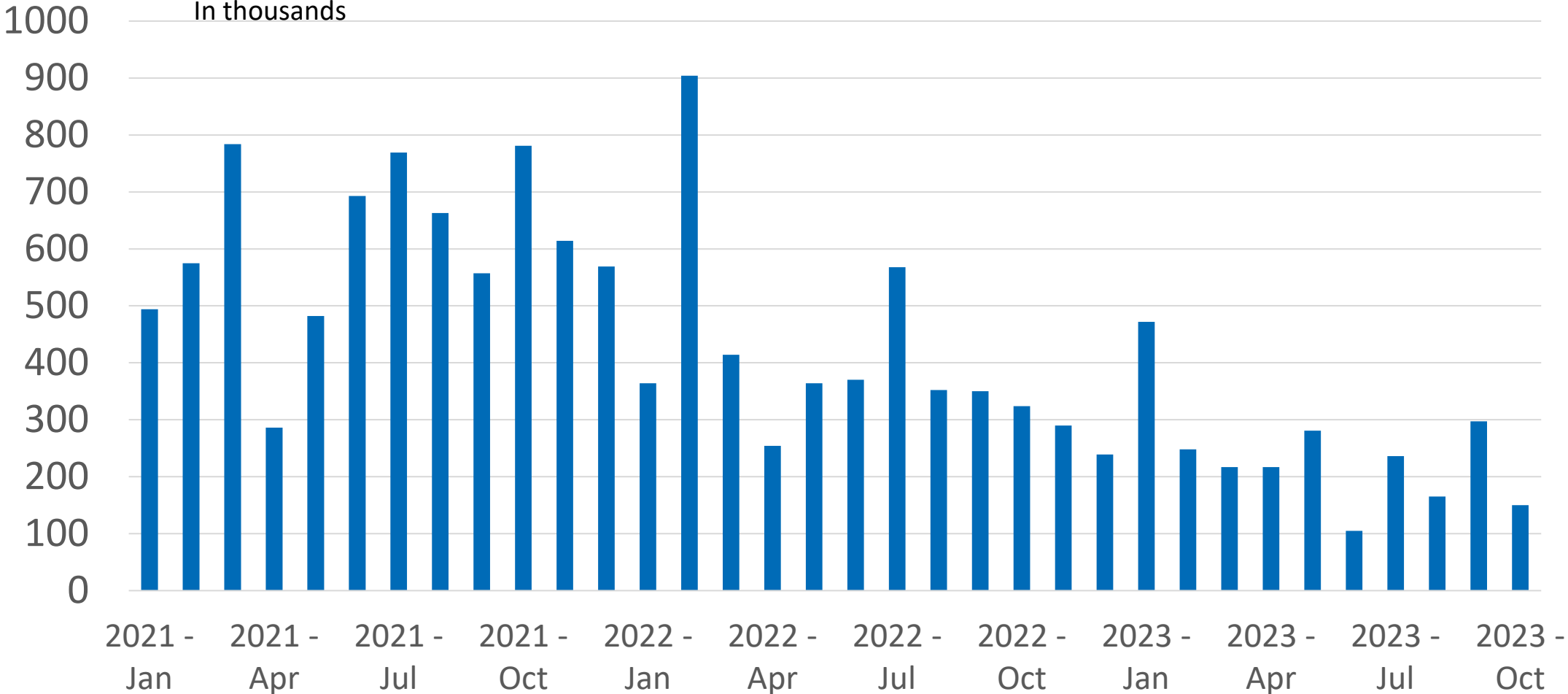
Source: Census

Credit Card Delinquency Rate



Source: Federal Reserve

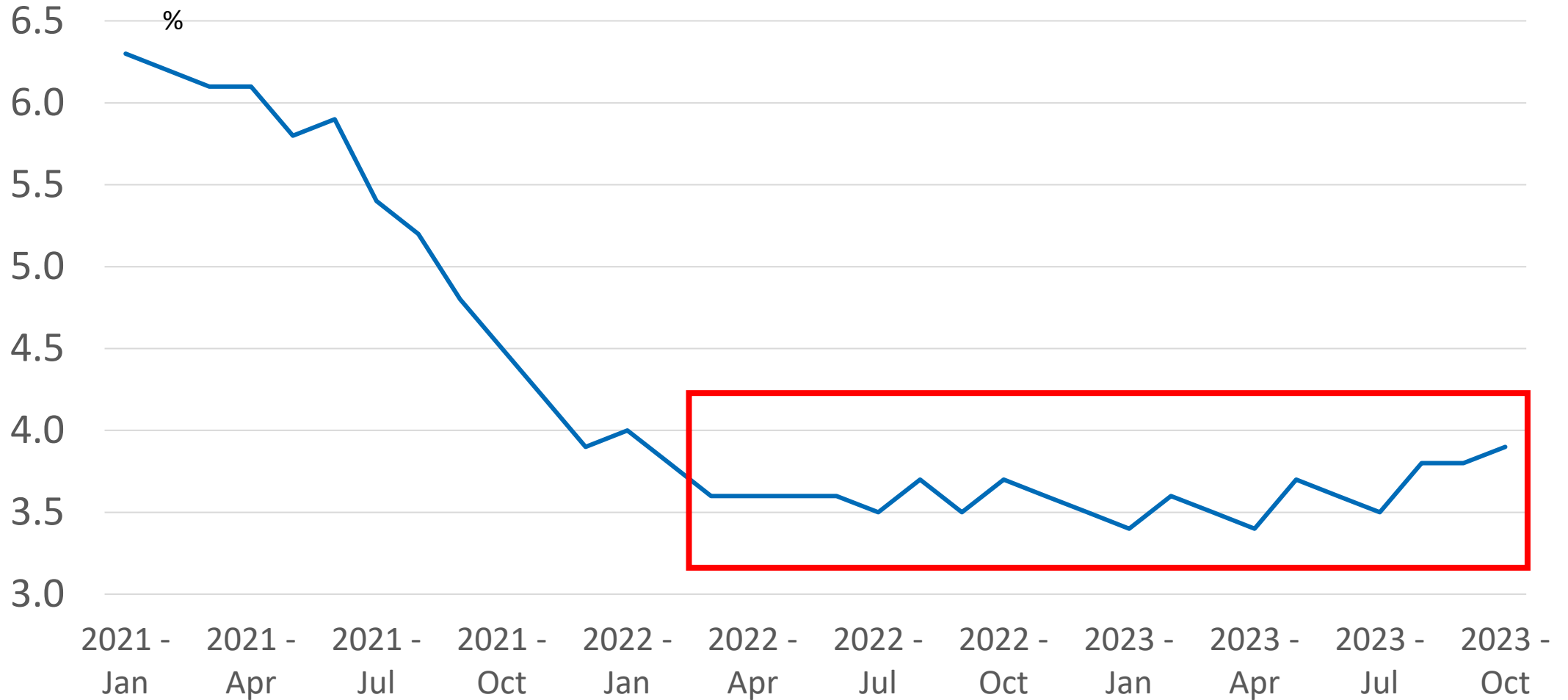
Monthly Job Gains Softening



Source: BLS

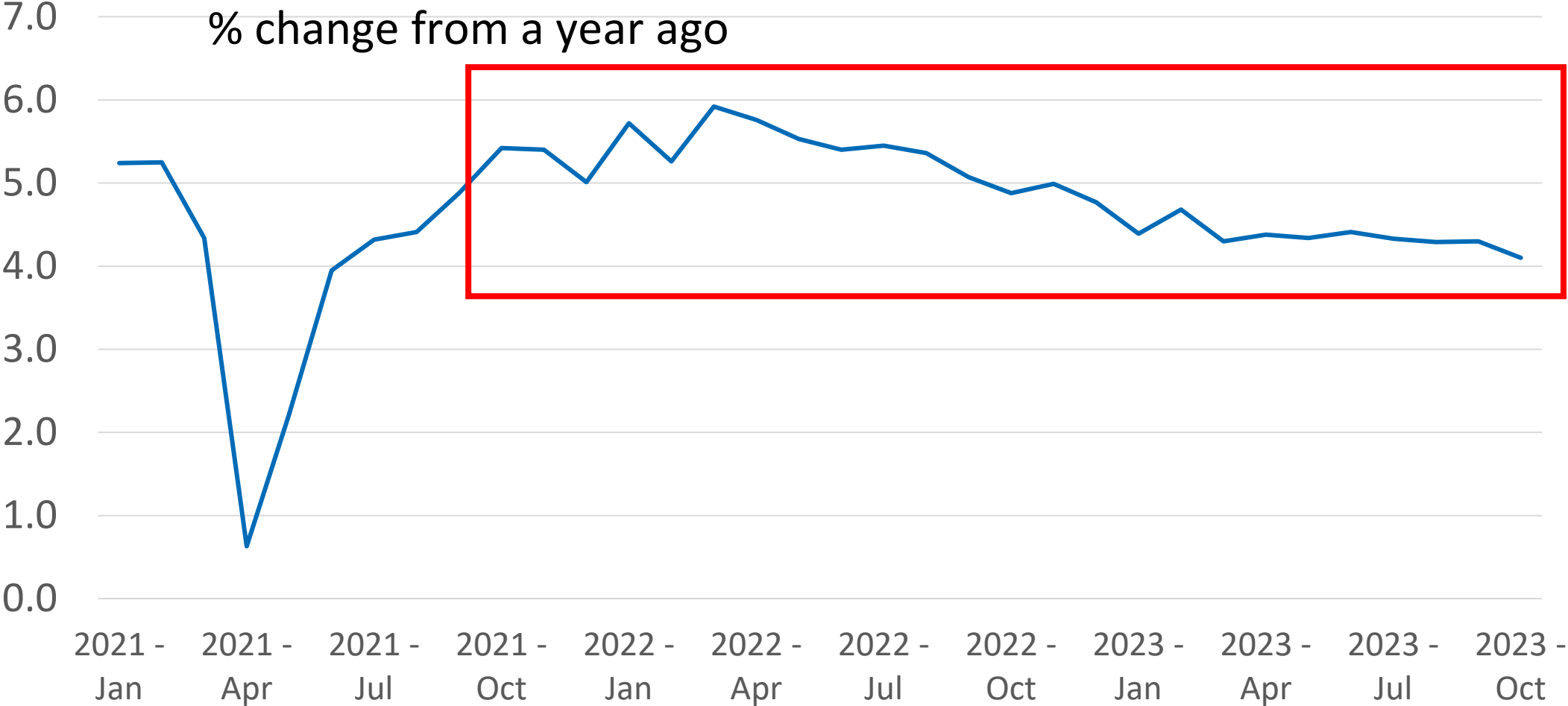


Unemployment Rate - Highest in Nearly 2 Years



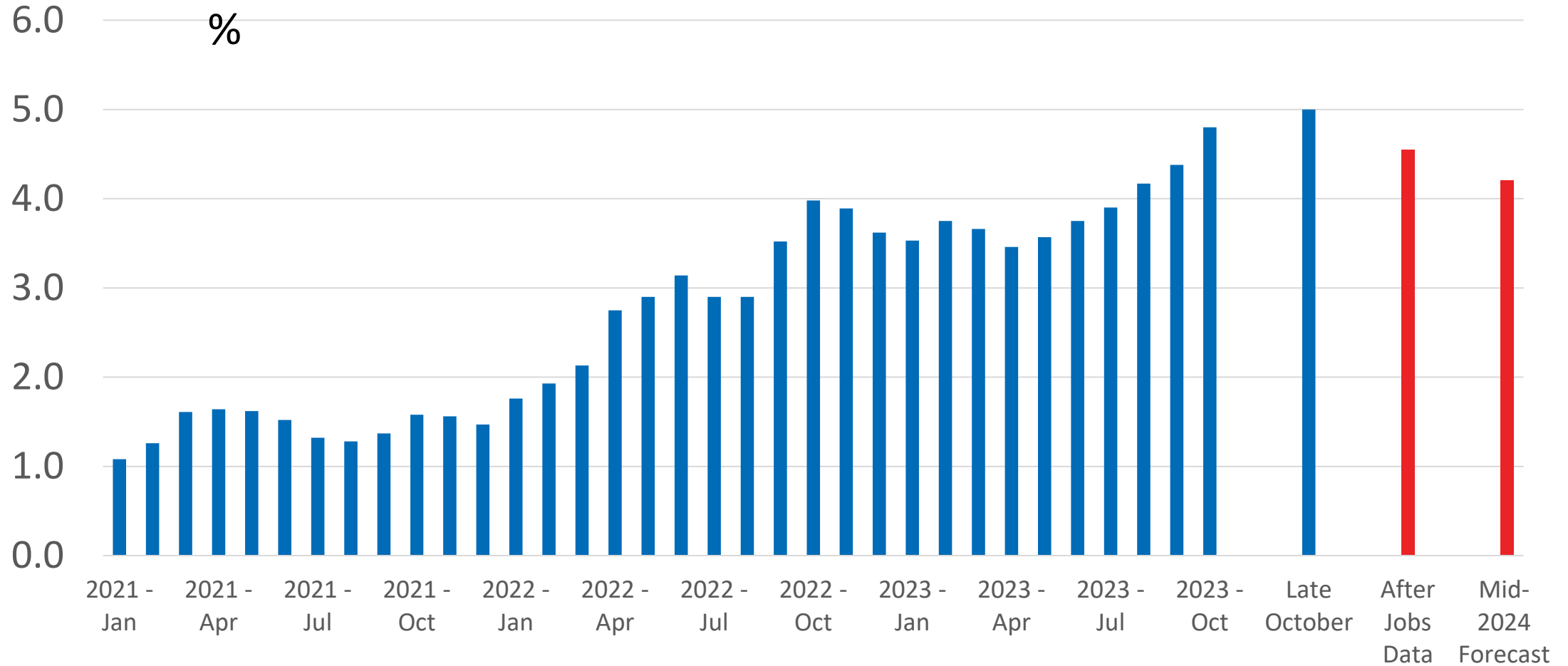
Source: BLS

Higher Unemployment dampening Wage Growth ... Weakest in 2 ½ years



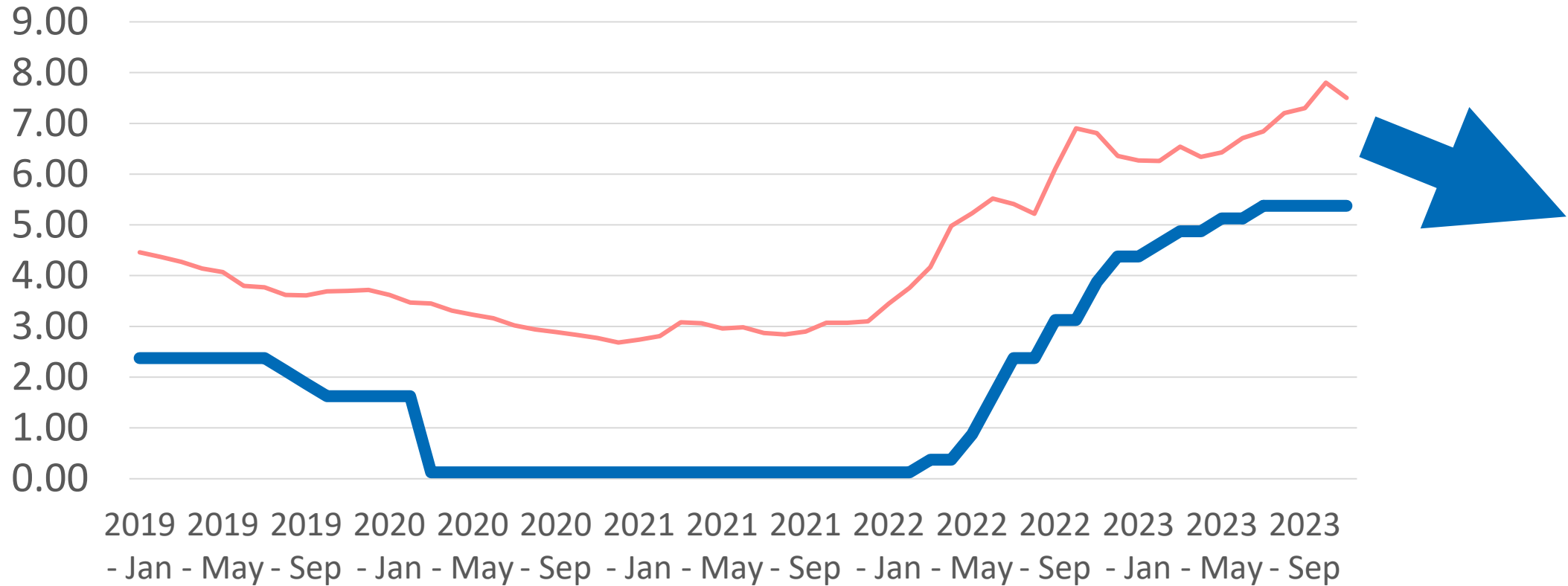
Source: BLS

10-year Treasury Yield Drops - Telling the Fed to Pivot



Source: BLS

30-year Mortgage and Fed Funds Rate Has Likely Peaked



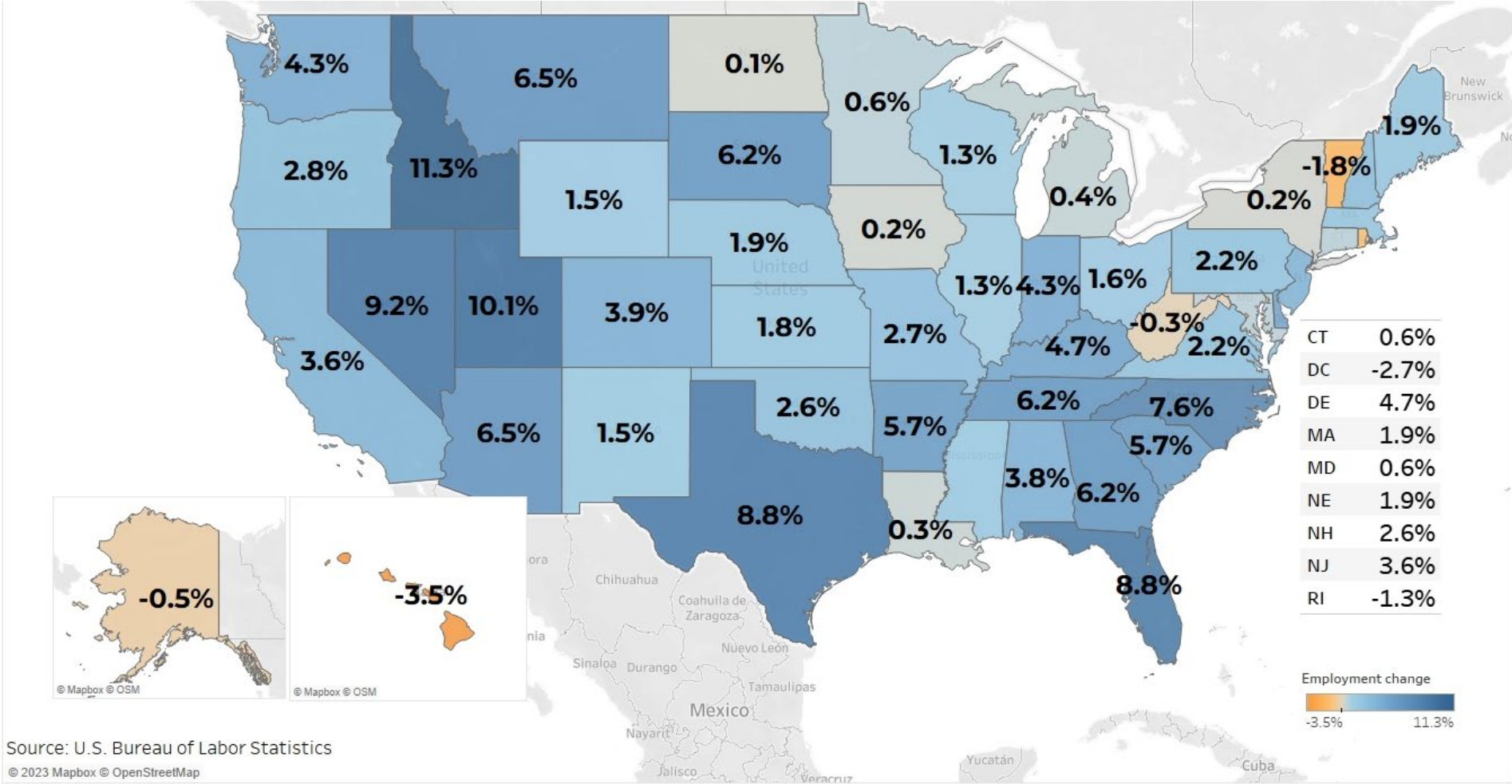
Source: U.S. Treasury and Federal Reserve

Consumers to Fade or Remain Strong?

- **COVID stimulus money mostly depleted**
- **Rising consumer debt servicing cost**
- **Weaker job gains**
- **Job opening > unemployed**
- **Massive (illiquid) housing wealth**
- **Job gains continuing**

Job Gains Since Pre-COVID Record High Payroll Employment

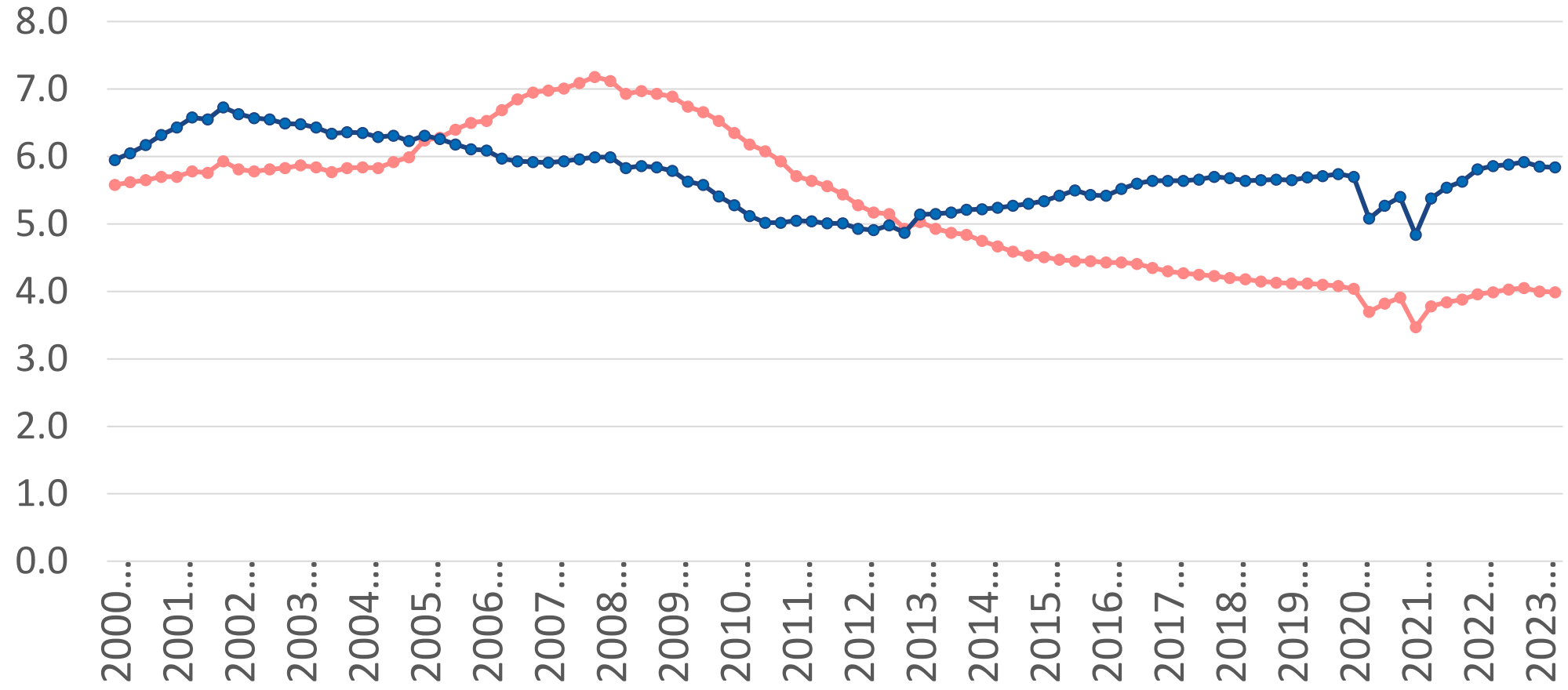
(% change from March 2020 to September 2023)



Source: NAR Analysis of BLS data

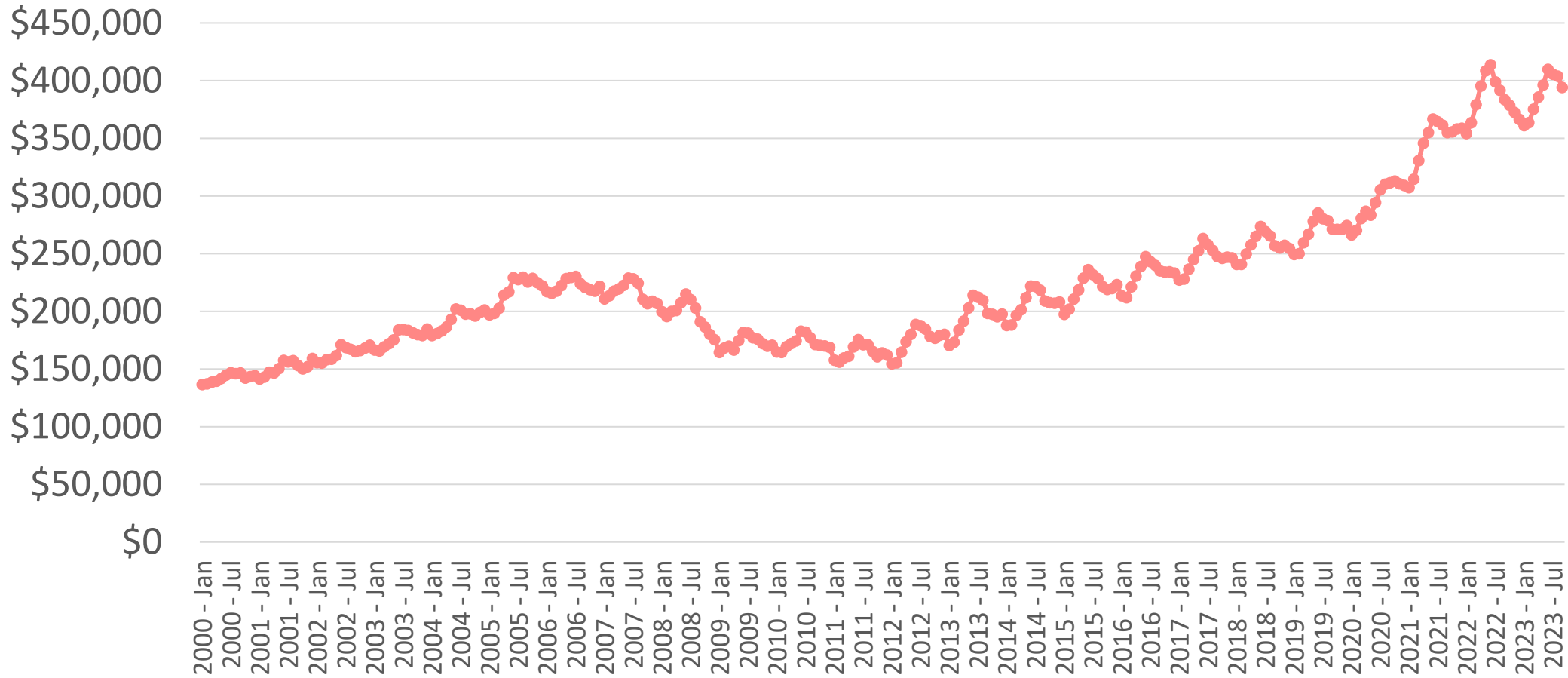
Debt Service Ratio (debt payment to income)

Mortgage Debt Service Low but Other Loan Service High



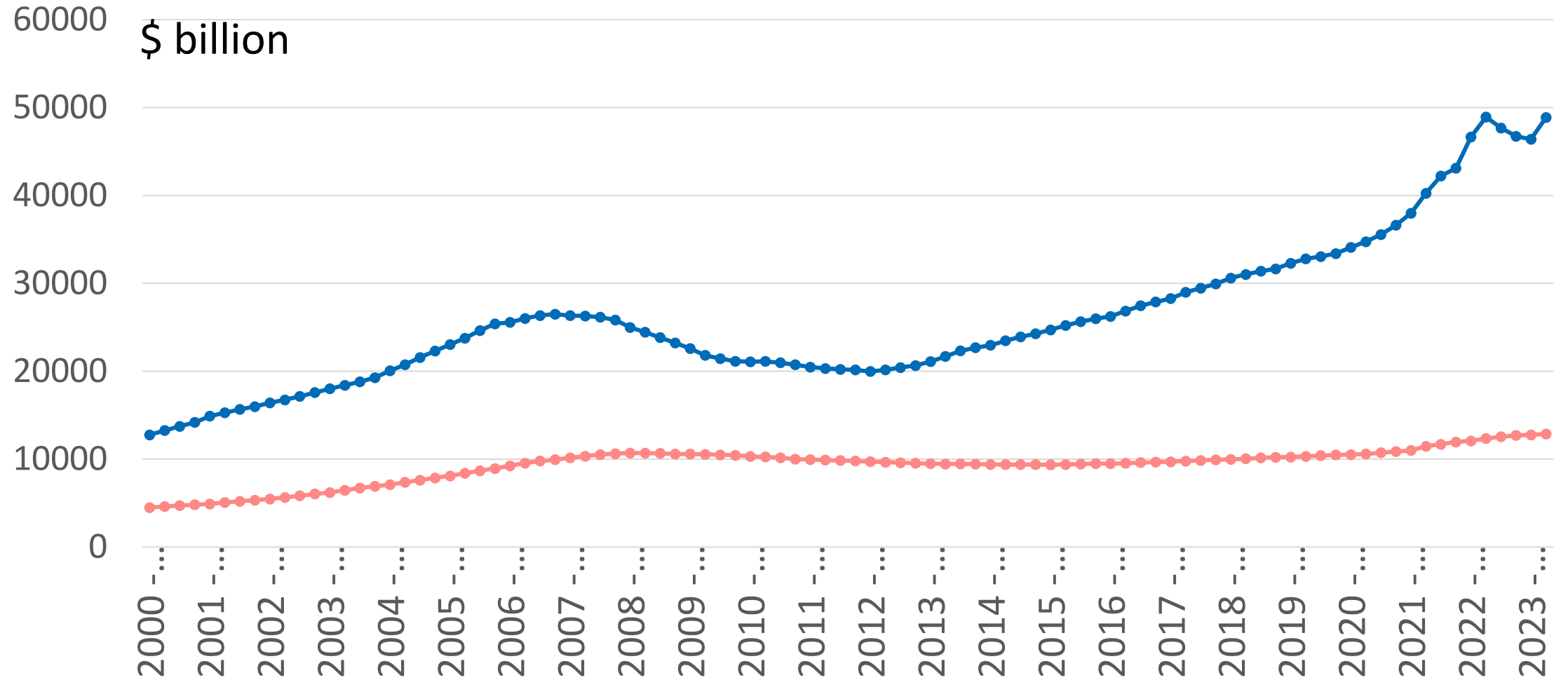
Source: Federal Reserve

National Median Home Price



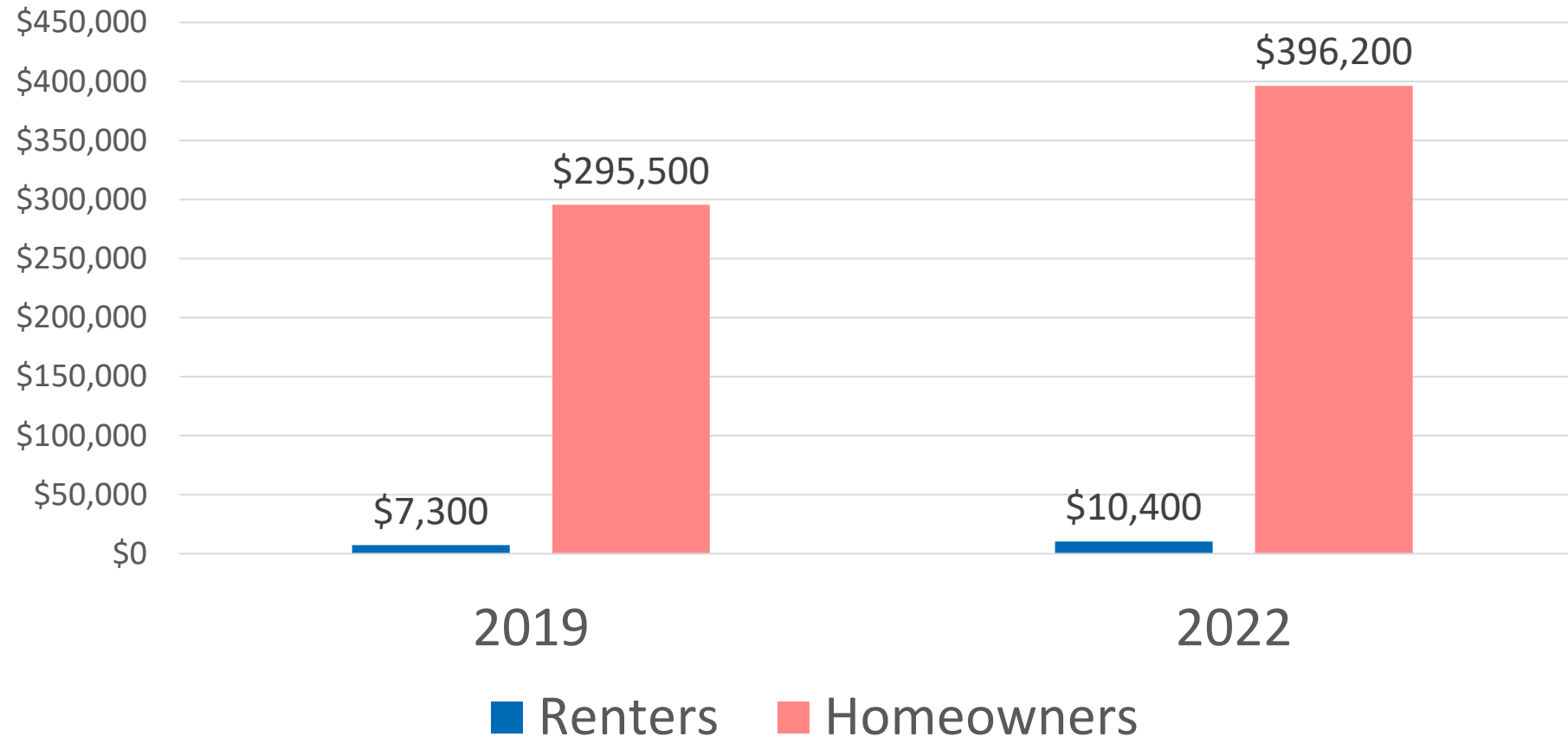
Source: NAR

Home Value Asset and Mortgage Debt Liability



Source: Federal Reserve

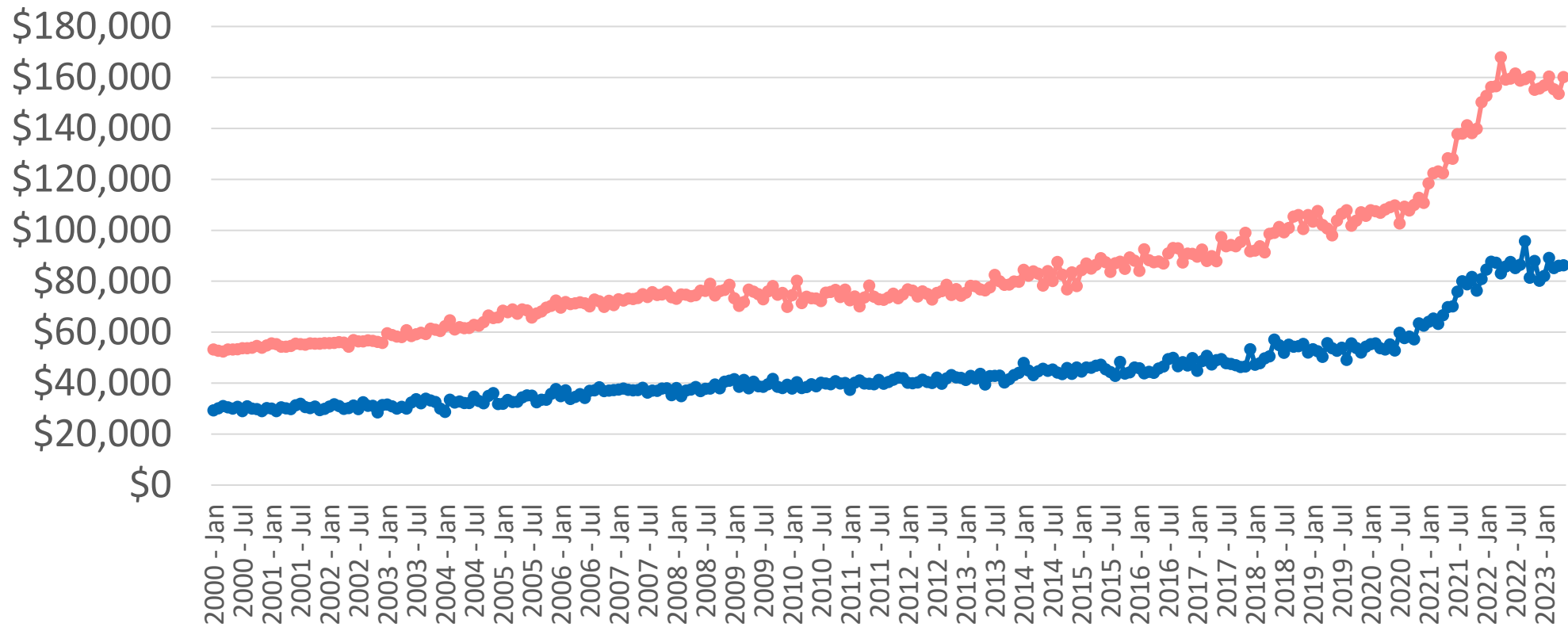
Wealth Comparison: Owners and Renters



Source: Median Net Worth from Federal Reserve Survey of Consumer Finance

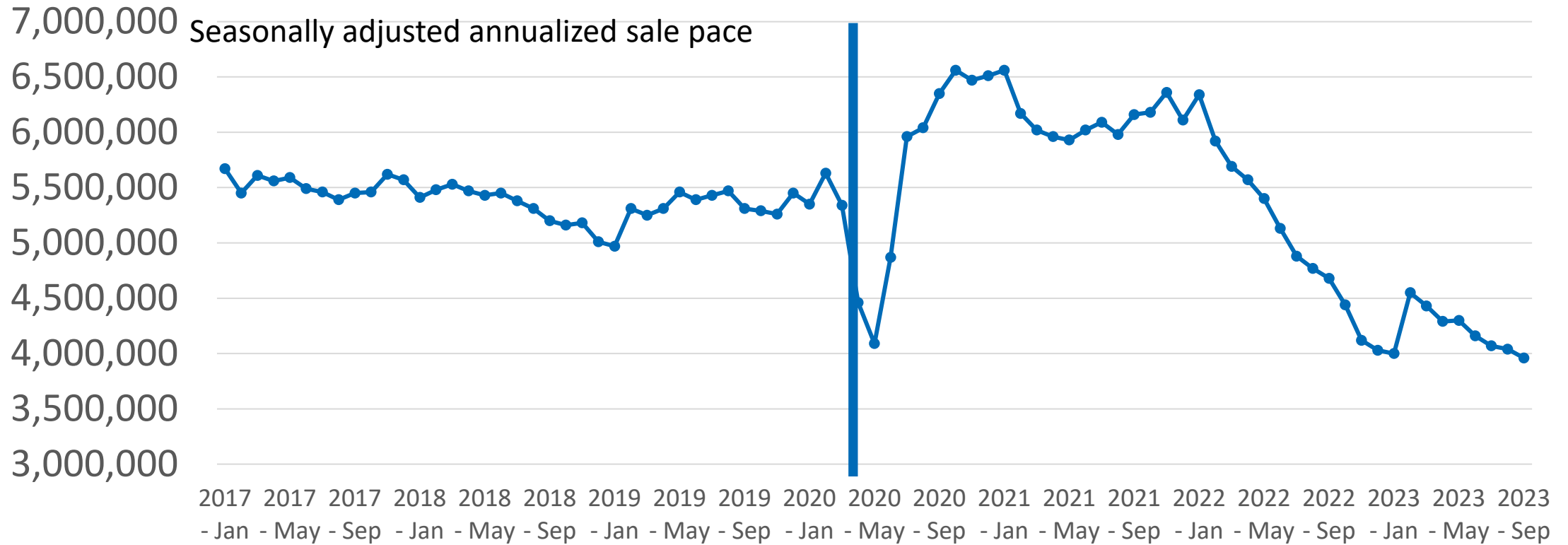
Not Wealth Gain, but a Testament of Housing Shortage

Average Price of Mobile Homes: Double-sized and Single-sized Big Price Gain of 58% from pre-pandemic 2019



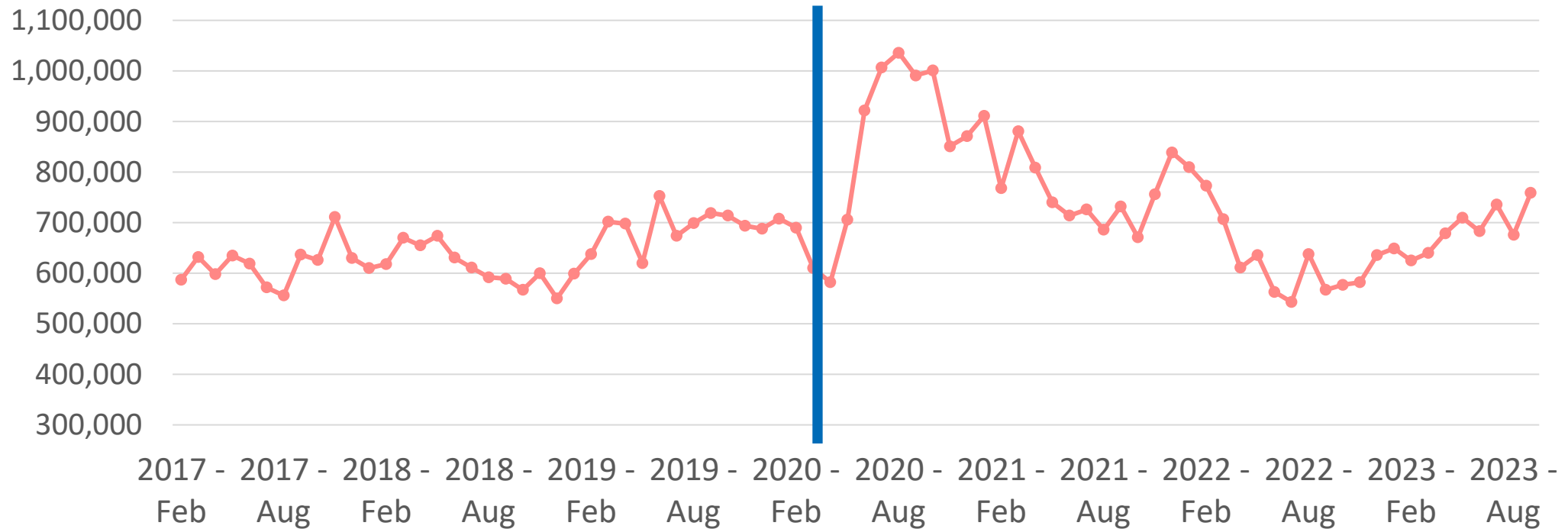
Source: Census

Existing-Home Sales Below Pre-COVID Down 21% Year-to-Date



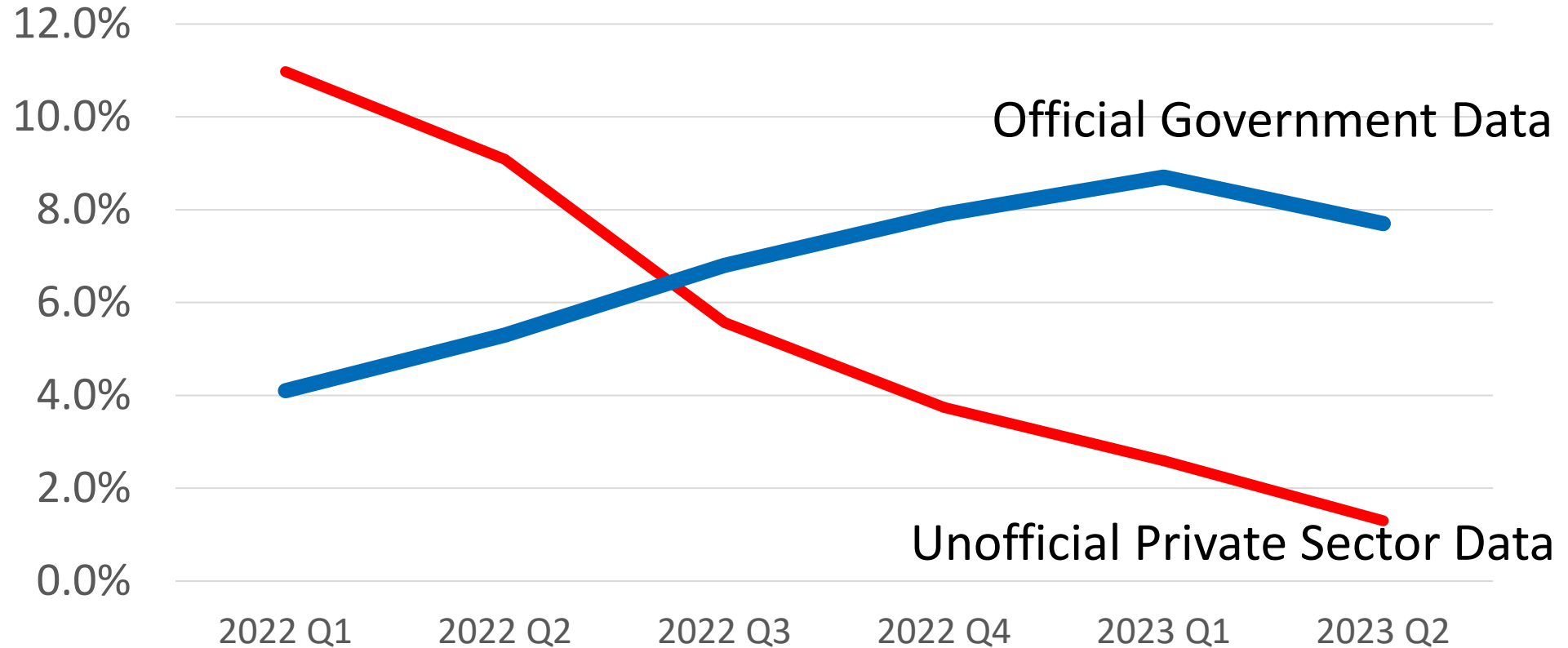
Source: NAR

Newly Constructed Home Sales Back to Pre-COVID, Up 5% Year-to-Date



Source: HUD

Rents Strengthening or Softening?

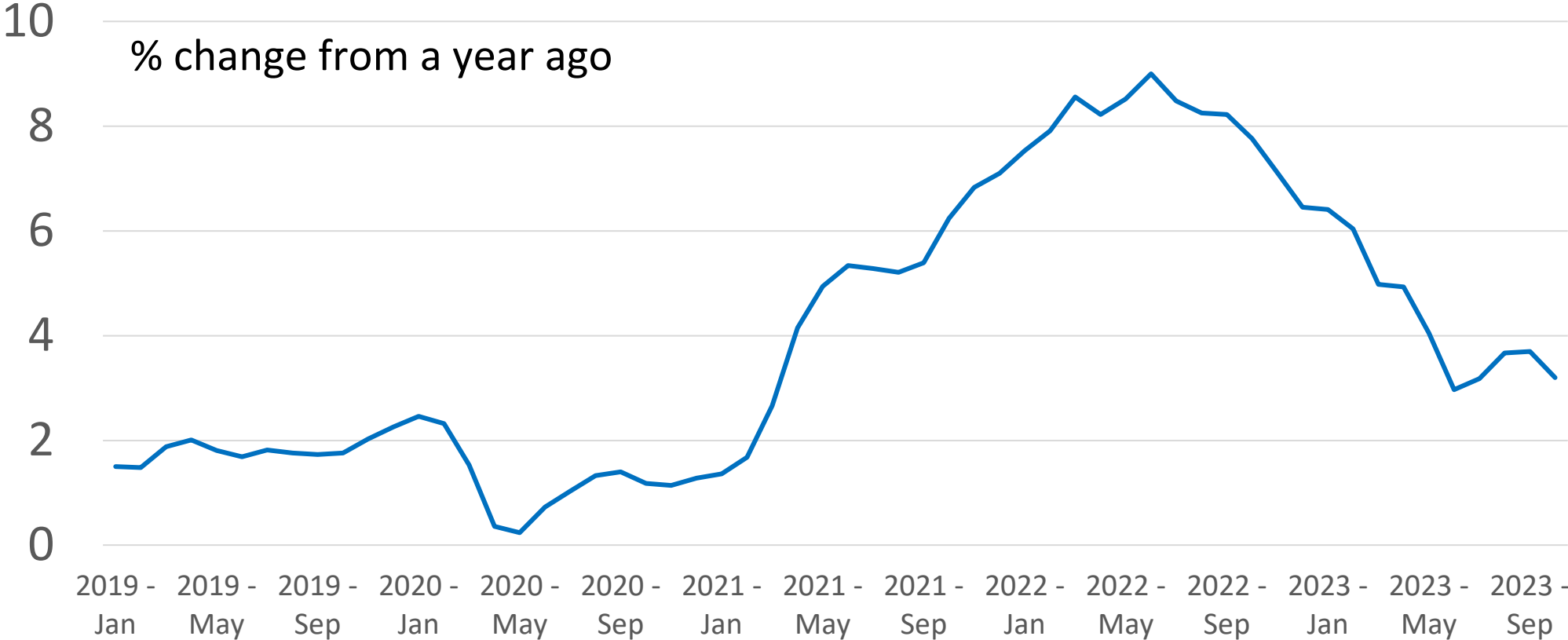


Source: BLS and CoStar

Official Consumer Price Inflation: 3.2% in October

Unofficial Consumer Price Inflation: less than 2%

Time to Cut Rates



Source: BLS

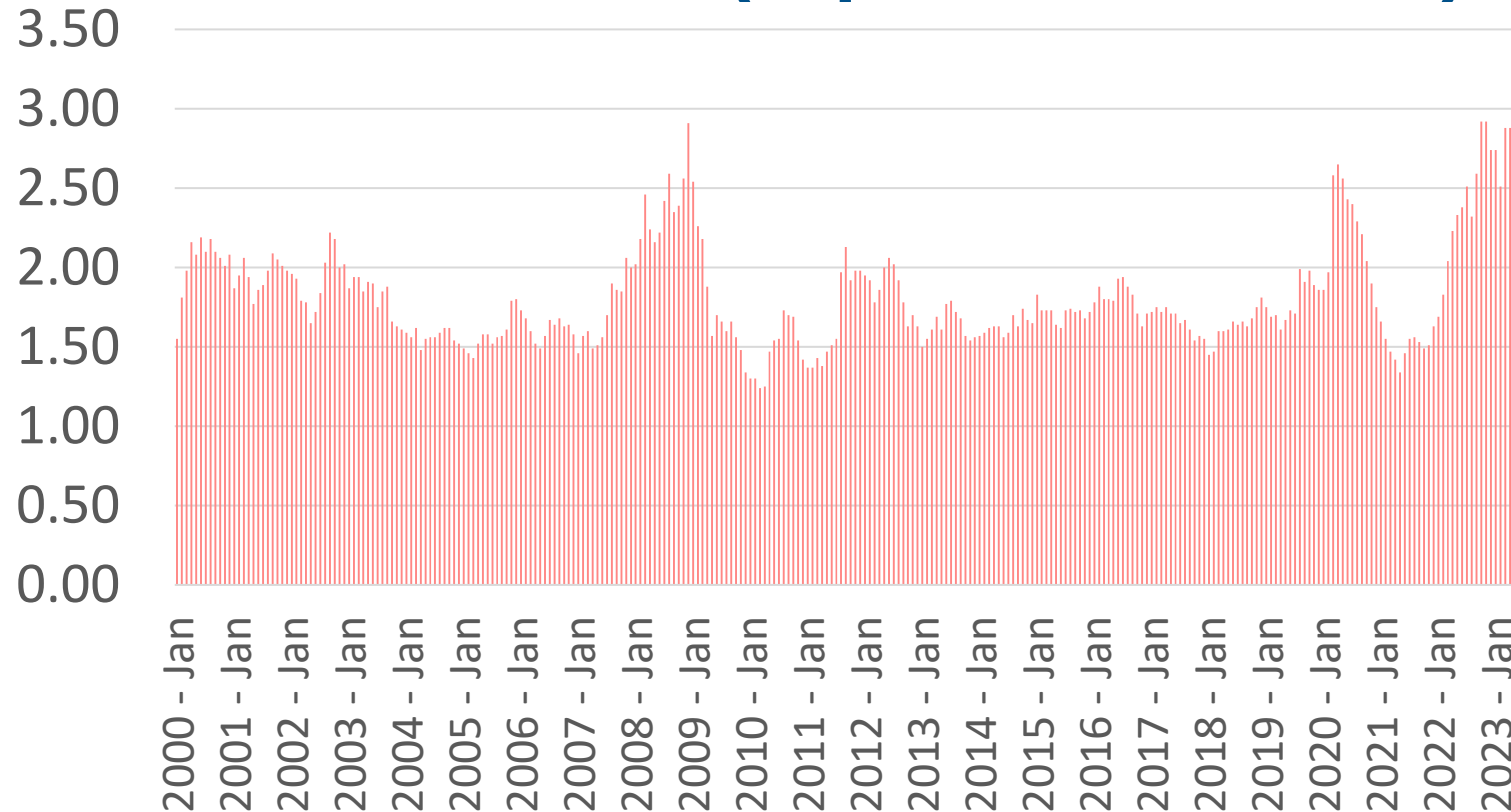
Forecast

Mortgage Rates to Fall?

30-year Fixed Rate to be 6%-7% by early spring

- **Rents will calm down further - Holds down CPI, and will make the Fed stop raising the interest rate**
- **Community banks are suffering from high interest rates**
- **Spread with government bond with a return to normal**

The Spread between 10-year Treasury and 30-year Mortgage (% point difference)



**Mortgage Rate
today
(before the
Fed Rate Cuts)
could be at
6.1% to 6.6%**

Source: NAR Analysis of Interest Rates

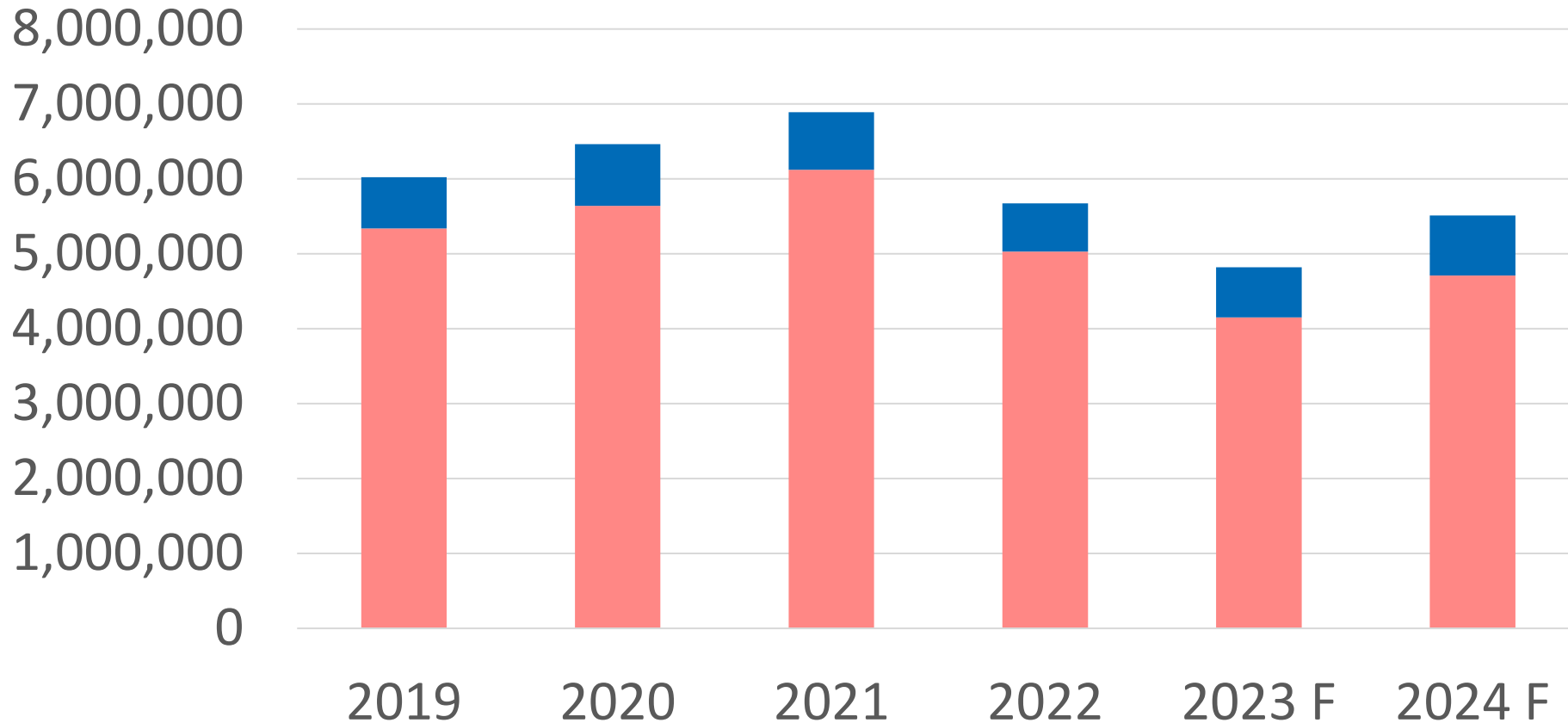
Pent-Up Sellers Cannot Wait Any Longer

What Happens over 2 Years?

- **7 million new-born babies**
- **3 million marriages**
- **1.5 million divorces**
- **7 million turn 65 years old**
- **4 million deaths**
- **4 million net new jobs**
- **50 million job switches**

Total Home Sales: Bottoming This Year Before Upturn Next Year

New Sales Up 19%, Existing-Home Sales Up 13%

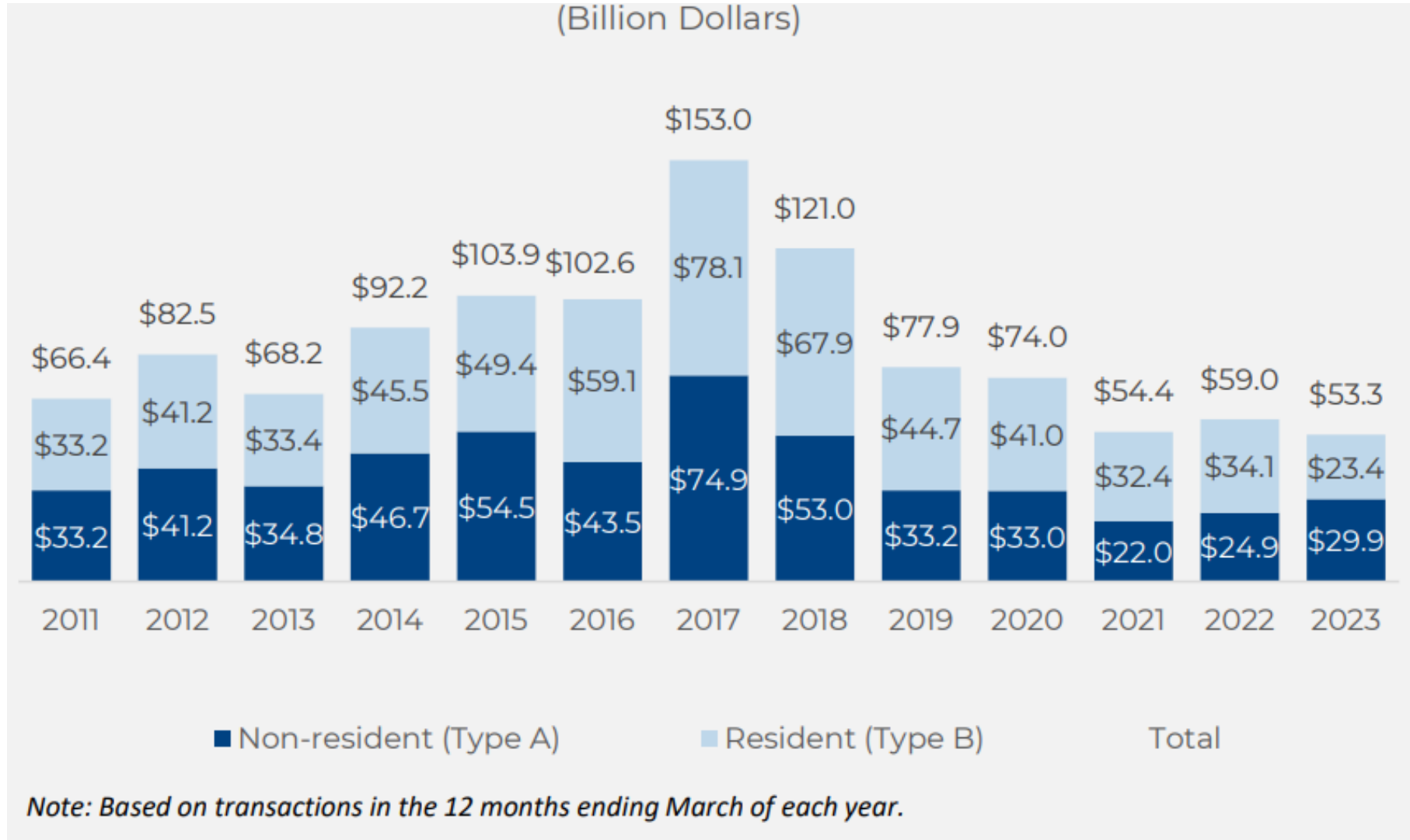


Source: NAR forecast and HUD

Upside and **Downside Risks**

- **Return of International Buyers**
- **Most common age is 33 (then 32, 34, 31, 35)**
- **Flood Insurance Shutdown**
- **Lawsuit**

International Purchases by \$ Volume Lowest in Decade



Source: NAR

Top Countries of Origin: China, Mexico, Canada, India, and Colombia

	China*	Mexico	Canada	India	Colombia	All Foreign Buyers	Share of Top 5
2009	\$3.8	\$3.8	\$8.5	\$5.7	\$0.5	\$38.8	36%
2010	\$11.2	\$6.5	\$17.1	\$5.0	\$0.5	\$66.0	33%
2011	\$7.0	\$4.2	\$13.1	\$5.1	\$0.6	\$66.4	27%
2012	\$12.0	\$6.5	\$15.9	\$5.2	\$0.6	\$82.5	26%
2013	\$12.8	\$3.6	\$11.8	\$3.9	\$0.5	\$68.2	23%
2014	\$22.7	\$4.5	\$13.8	\$5.8	\$0.5	\$92.2	21%
2015	\$28.5	\$4.9	\$11.2	\$8.0	\$0.9	\$103.9	18%
2016	\$27.3	\$4.8	\$8.9	\$6.1	\$1.2	\$102.6	15%
2017	\$31.7	\$9.3	\$19.0	\$7.8	\$1.0	\$153.0	17%
2018	\$30.4	\$4.2	\$10.5	\$7.2	\$1.2	\$121.0	15%
2019	\$13.4	\$3.7	\$8.0	\$4.2	\$0.8	\$77.9	16%
2020	\$11.5	\$5.8	\$9.5	\$5.4	\$1.3	\$74.0	20%
2021	\$4.8	\$2.9	\$4.2	\$3.1	\$1.1	\$54.4	13%
2022	\$6.1	\$2.9	\$5.5	\$3.6	\$1.0	\$59.0	15%
2023	\$13.6	\$4.2	\$6.6	\$3.4	\$0.9	\$53.3	19%

Source: NAR

Top Destinations by Foreign Buyers: Florida, California, Texas, North Carolina, and Arizona

	FL	CA	TX	NC	AZ	IL	NY	OH	PA	NJ
2009	23%	13%	11%	3%	7%	4%	2%	2%	2%	1%
2010	22%	12%	8%	2%	11%	1%	4%	2%	2%	2%
2011	31%	12%	9%	2%	6%	3%	3%	1%	2%	3%
2012	26%	11%	7%	2%	7%	3%	4%	2%	2%	1%
2013	23%	17%	9%	1%	9%	2%	3%	2%	1%	2%
2014	23%	14%	12%	2%	6%	3%	3%	1%	3%	3%
2015	21%	16%	8%	2%	5%	3%	3%	2%	2%	3%
2016	22%	15%	10%	3%	4%	4%	4%	1%	1%	4%
2017	22%	12%	12%	3%	4%	3%	3%	1%	2%	4%
2018	19%	14%	9%	3%	5%	3%	5%	3%	2%	4%
2019	20%	12%	10%	3%	5%	3%	3%	2%	1%	4%
2020	22%	15%	9%	3%	3%	3%	5%	2%	2%	4%
2021	21%	16%	9%	3%	5%	3%	4%	3%	1%	4%
2022	24%	11%	8%	4%	7%	3%	4%	2%	2%	3%
2023	23%	12%	12%	4%	4%	4%	3%	3%	2%	2%

Top 10 list is based on the most recent year.

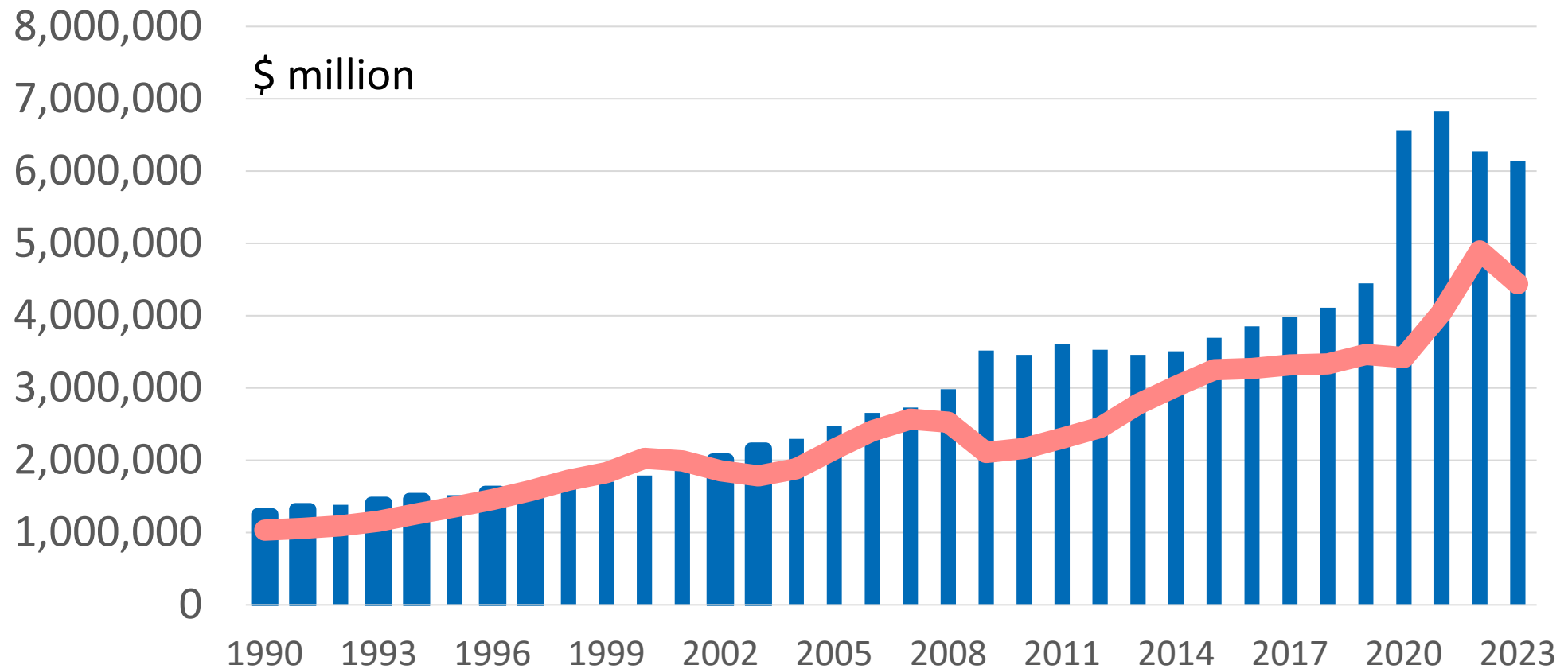
Source: NAR

Another Government Shutdown Risk Mid-November

State	Residential Homes (2021)	NFIP Policy Count (2021)	NFIP Claim Count (2021)	Total NFIP Claim Payout (2021)	Average Claim Amount
California	14,512,262	201,819	333	\$4,670,540	\$14,026
Florida	10,054,693	1,825,036	1,123	\$21,327,246	\$18,991
Georgia	4,475,640	82,095	527	\$8,385,784	\$15,912
Hawaii	564,878	70,527	245	\$6,383,138	\$26,054
Illinois	5,440,254	35,468	159	\$1,632,346	\$10,266
Louisiana	2,093,490	510,797	22,830	\$1,083,634,191	\$47,465
Maryland	2,546,364	69,141	735	\$11,019,172	\$14,992
Massachusetts	3,017,772	56,847	264	\$3,388,038	\$12,833
New Jersey	3,779,591	227,918	9,425	\$329,860,658	\$34,998
New York	8,530,610	169,726	5,005	\$156,148,458	\$31,198
North Carolina	4,801,733	147,217	528	\$16,765,645	\$31,753
South Carolina	2,395,861	253,086	335	\$5,566,363	\$16,616
Texas	11,867,551	776,631	2,975	\$47,469,759	\$15,956
Virginia	3,652,522	105,398	296	\$2,518,041	\$8,507
Grand Total	142,149,454	5,148,368	55,807	\$2,028,577,283	\$36,350

A Downgrade of USA Debt ???

Federal Outlay (blue bar) > Tax Receipts (orange line)



Source: Congressional Budget Office

First-time Homebuyer Down Payment

Down Payment	% of Home Price
0%	16% of buyers
1% to 5%	22% of buyers
6% to 10%	16% of buyers
11% to 20%	20% of buyers
More than 20%	26% of buyers

Source: NAR

First-time Homebuyer Challenges

Hardest Part of Buying (more than one answer permitted)	% of First-time buyers
Finding the Right Property	61% of buyers
Saving for Down Payment	38% of buyers
Understanding the Process	38% of buyers
Paperwork	23% of buyers
Getting a Mortgage and Appraisal	17% of buyers

Source: NAR

Theory of Monopoly/Conspiracy and Counter-Arguments

- **One or Few Dominant Companies - Bad for Consumers, Government Intervention Required**
- **Explicit Collusion and Tacit Collusion are possible if there are only a few companies**
- **Real World Counter-Arguments ... Collusion is difficult to keep**
 - **OPEC agreed to conspire but ended up quietly violating**
 - **NCAA recruitment violations in money-generating sports**

Real Estate Industry: Textbook Perfect Competition?

- **Many business owners competing ... 1.5 million business models?**
- **Many new entrants and exits constantly trying out entrepreneurship**
- **Real Estate Industry with Maximum Consumer Choice**
 - **From FSBO to Limited Service to Cash Rebates to Full Service to ibuyers to etc.**
 - **Negotiable commission**
 - **Consumer Satisfaction**

THANK YOU.



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