

Real Estate Market Outlook

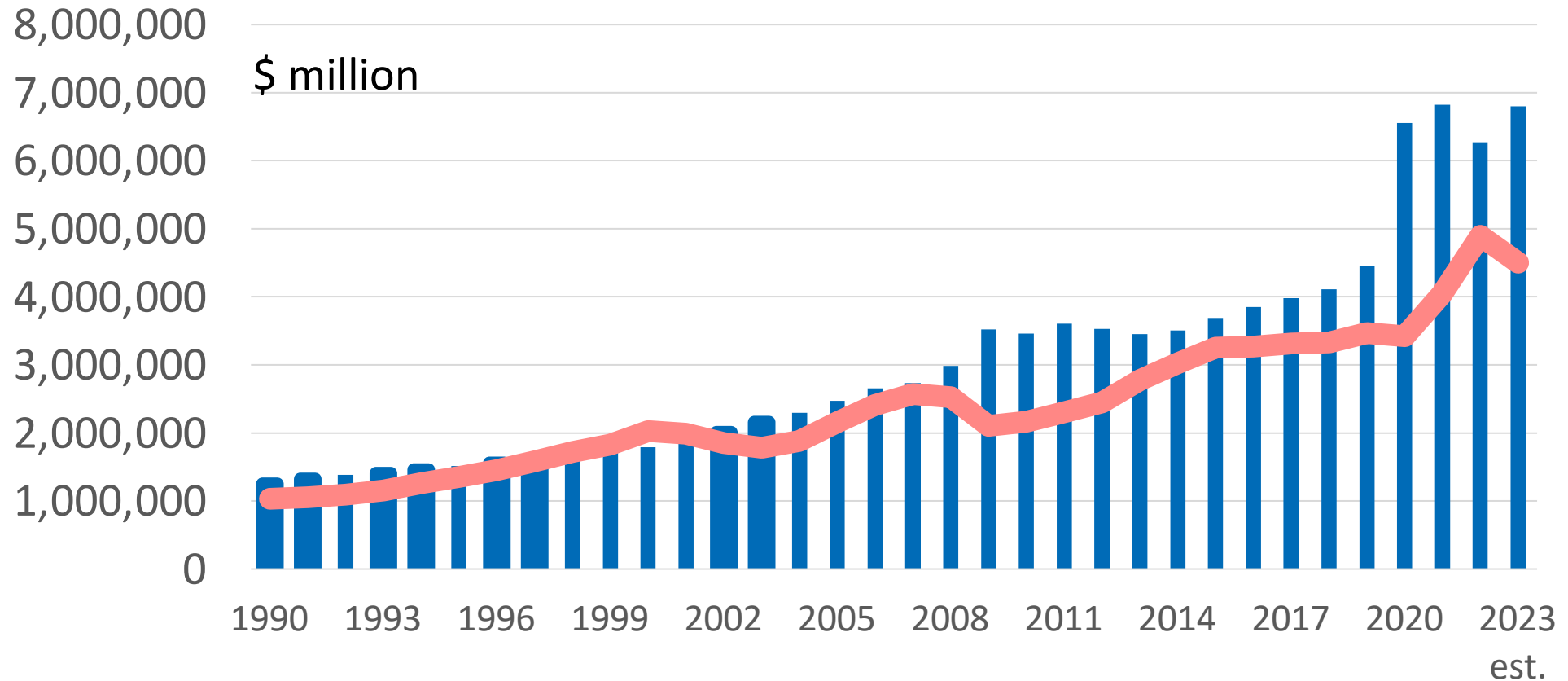
Lawrence Yun, Ph.D.

Chief Economist

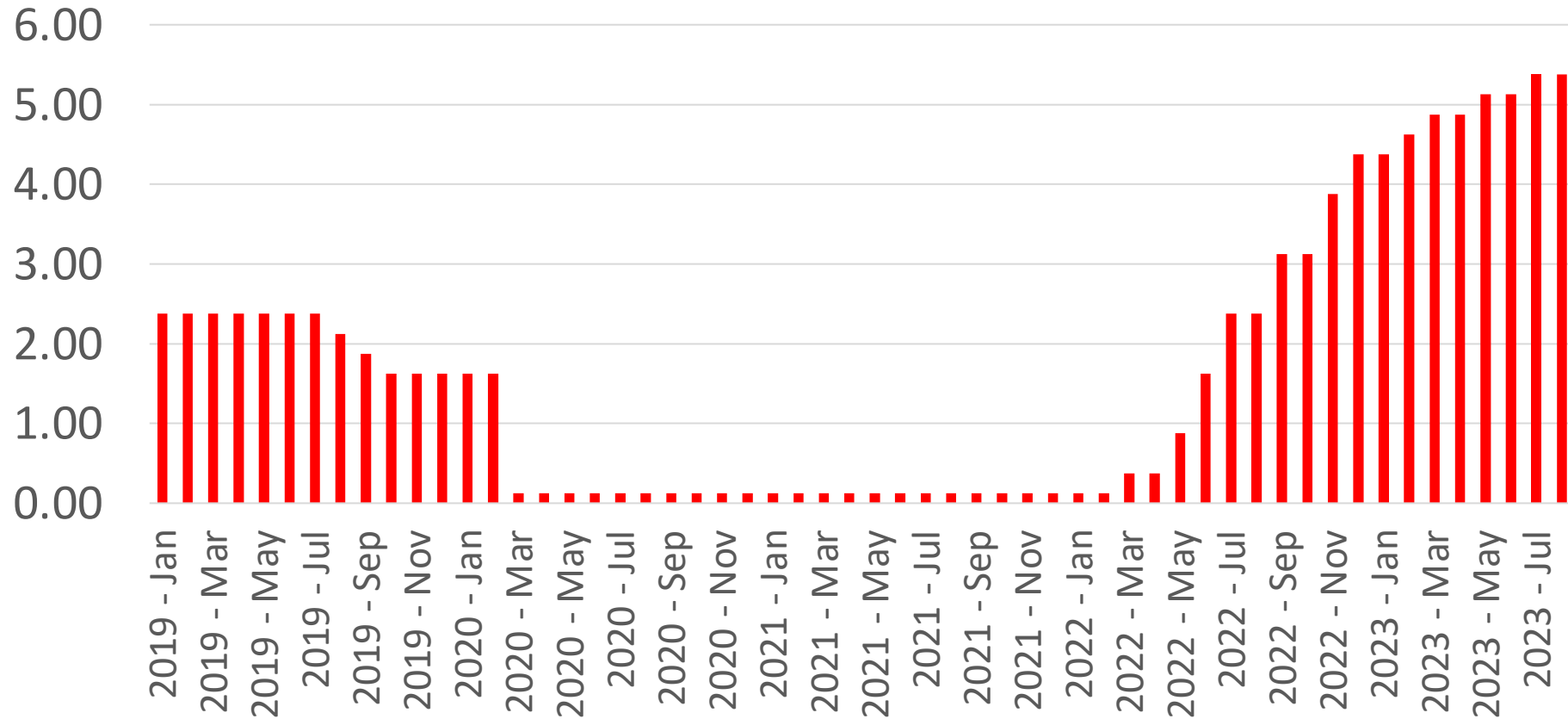
National Association of REALTORS®

Downgrade of USA Debt ???

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

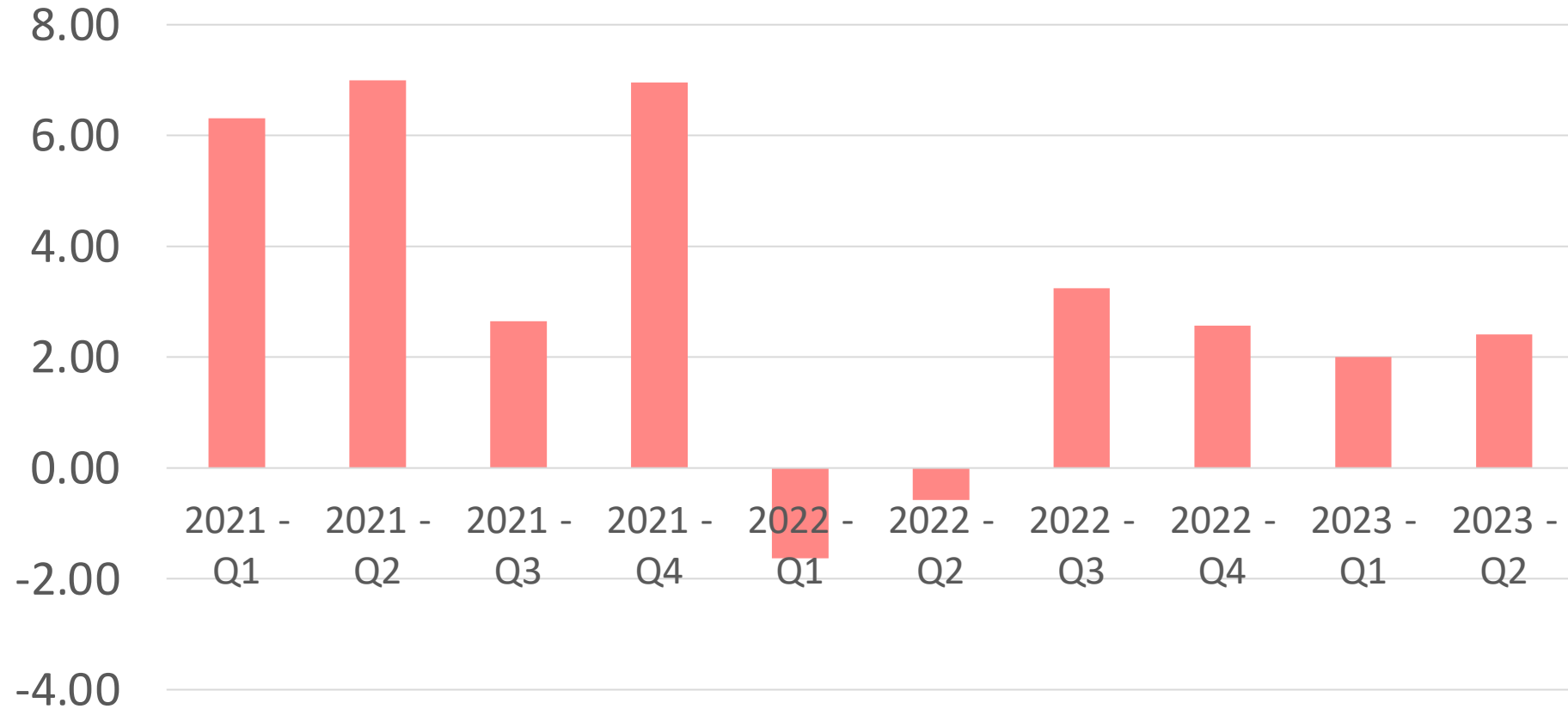


Federal Reserve Rate Hikes ... Next meeting in late September



GDP Growth Rate

% change annualized



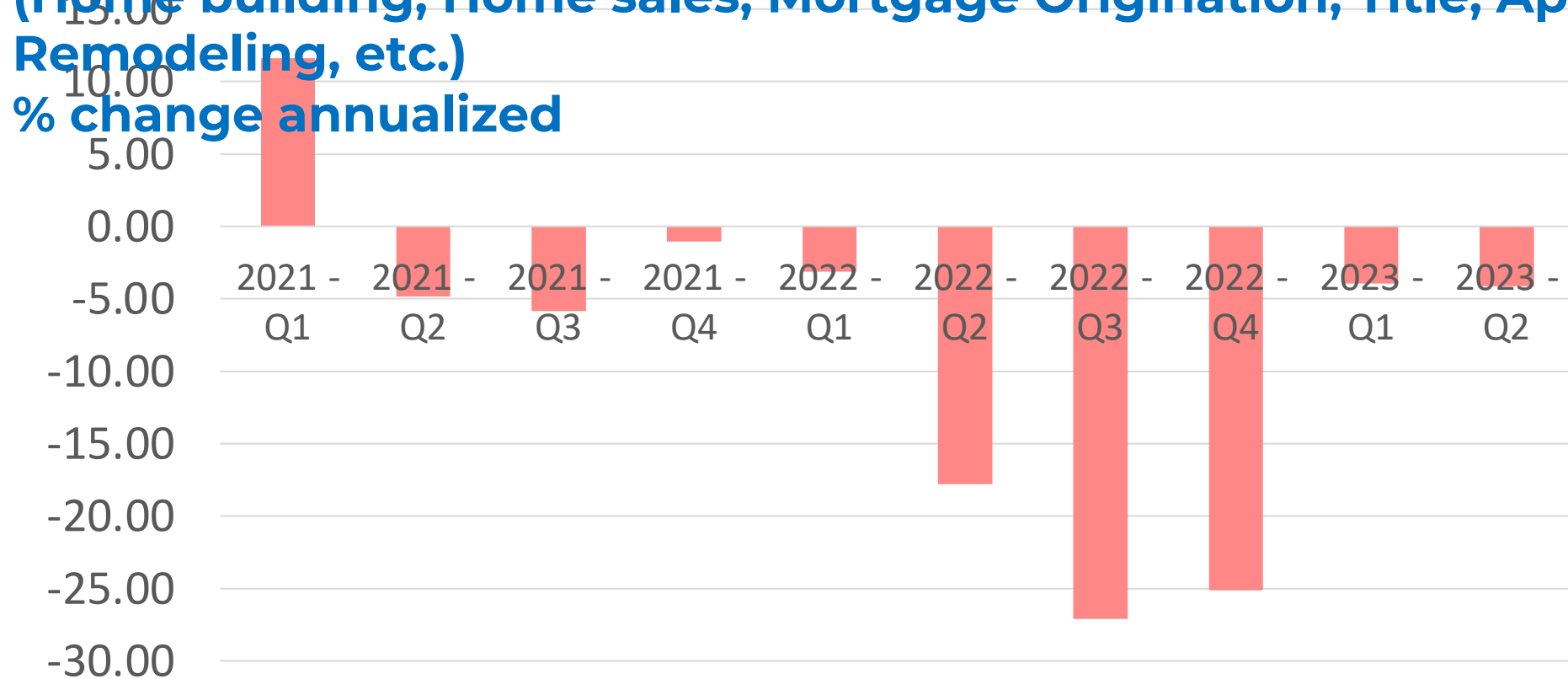
Source: Department of Commerce

GDP Component on Residential Housing

Investment

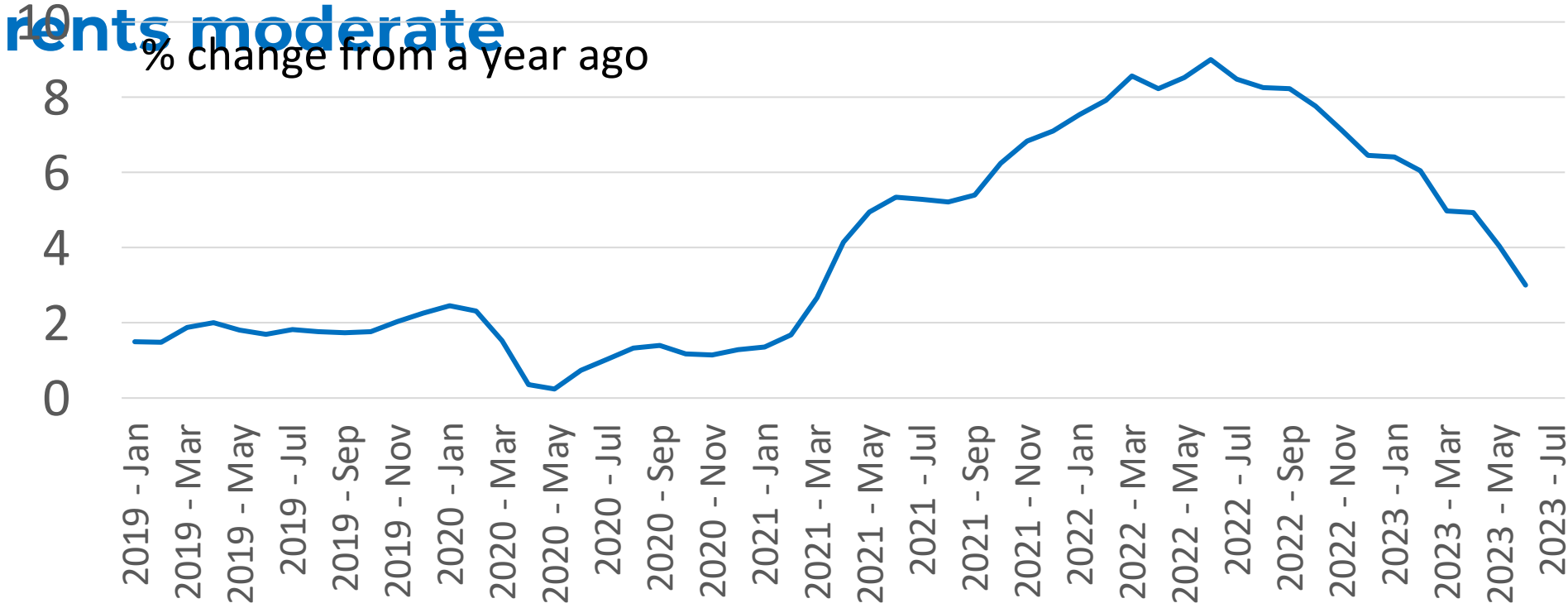
(Home building, Home sales, Mortgage Origination, Title, Appraisal, Remodeling, etc.)

% change annualized



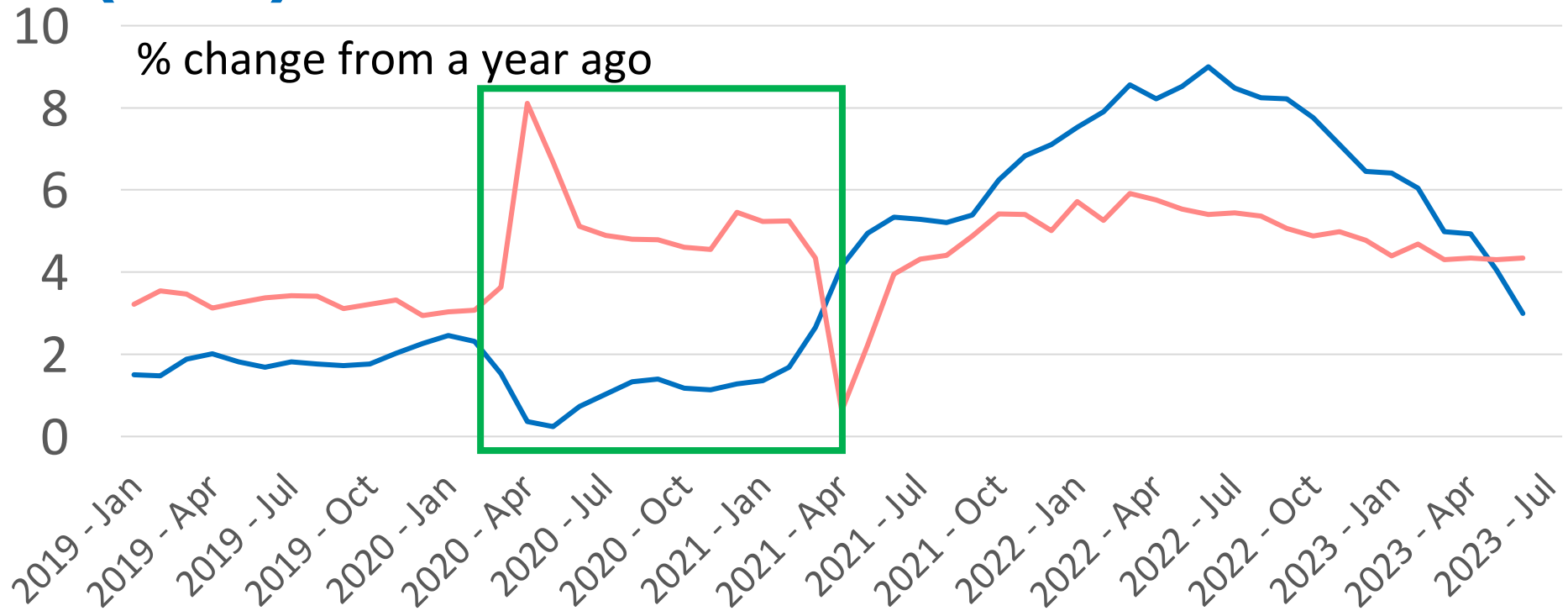
Source: Department of Commerce

Inflation Steadily Calming Down ... 3% in June With more deceleration underway as wage and rents moderate



Source: BLS

Wage Growth (red) now outpacing Inflation (blue)



Source: BLS

Price Growth by Key Items

Item	% change from a year ago
Car Insurance	16.9%
Rent	8.3%
Food	5.8%
Electricity	5.4%
Lodging Away from Home (Hotel/Airbnb)	5.0%
New Car	4.1%
Clothes	3.1%
Medical Service	-1%
Airfare	-13%
Gasoline	-27%

Source: BLS

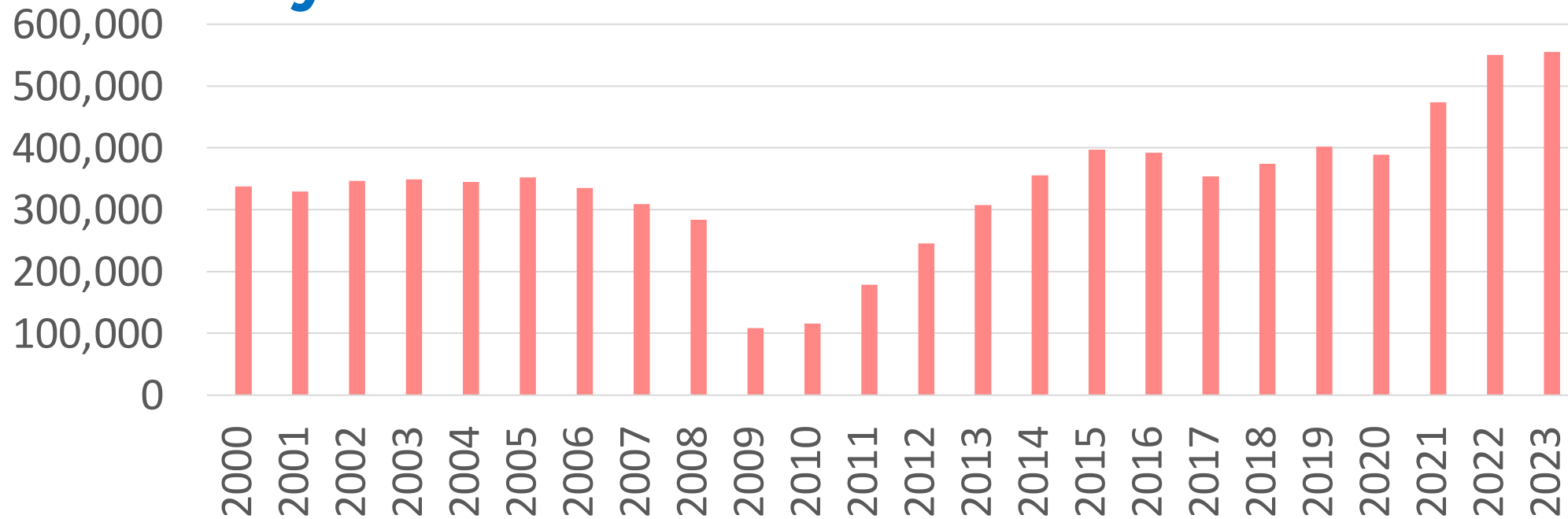
Rent of Primary Residence ... Start of Deceleration



Source: BLS

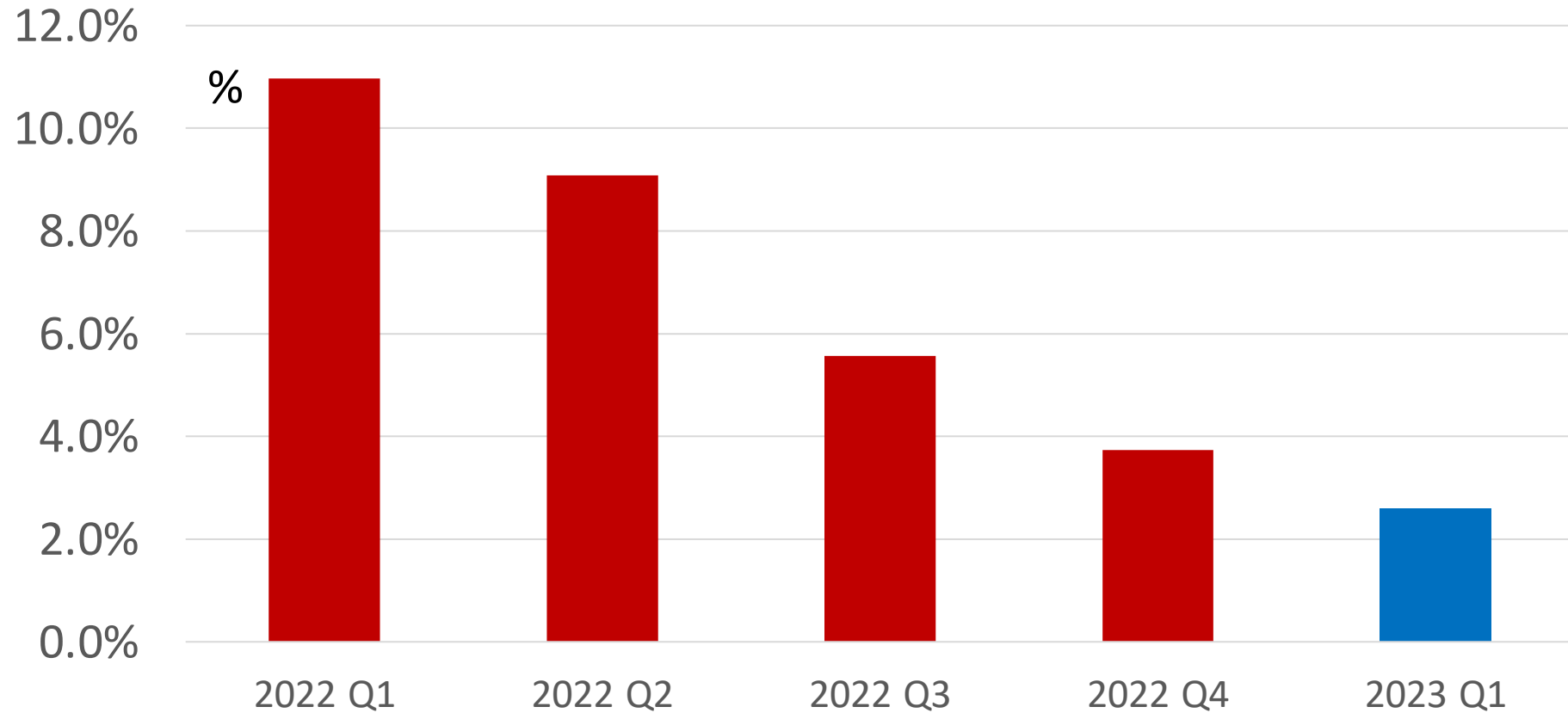
Annual Apartment Construction of 40 year high

... Why has Rent not calmed down?



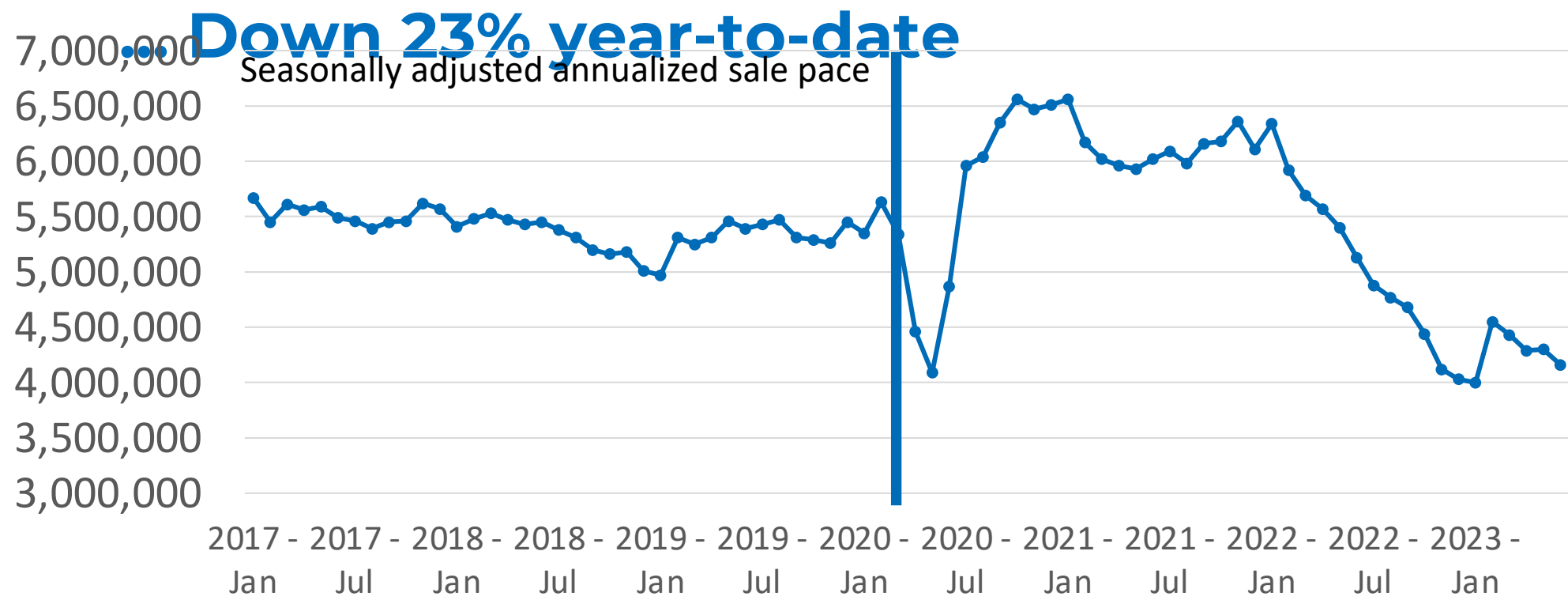
Source: Census/HUD

Apartment Rent Growth in Private Sector Data



Source: CoStar

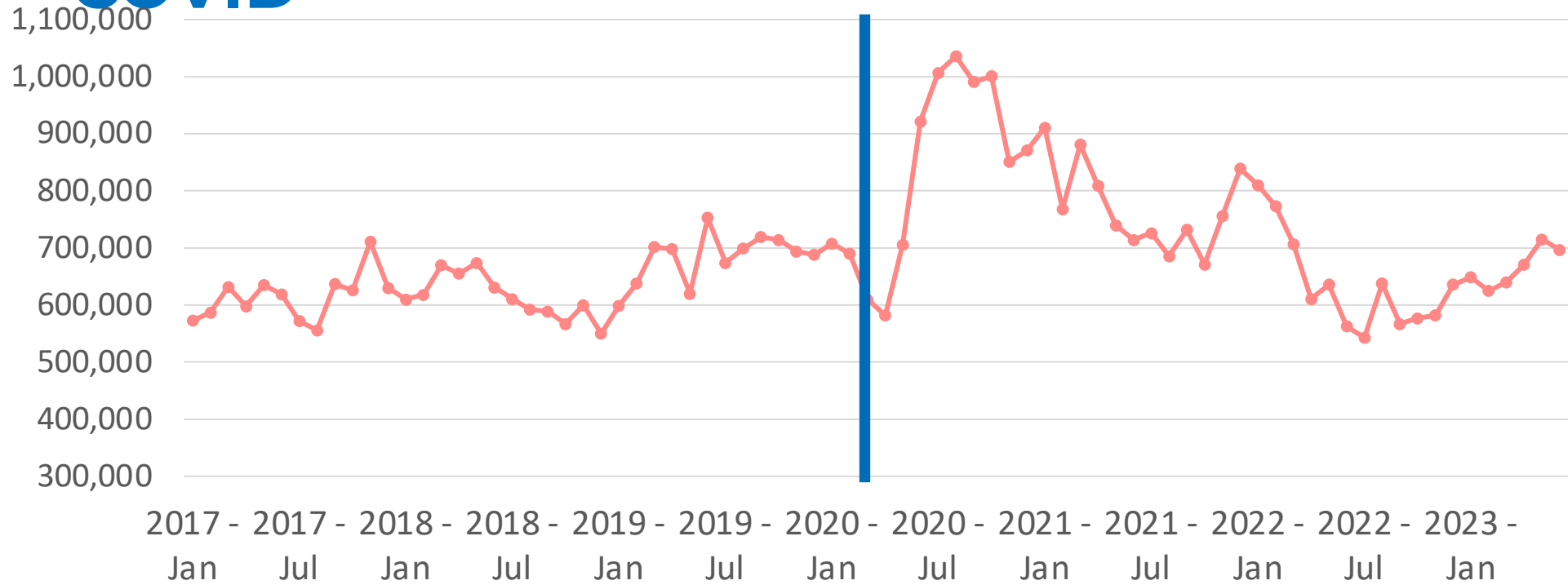
Weaker Home Sales ... Existing Home Sales below Pre-COVID



Source: NAR

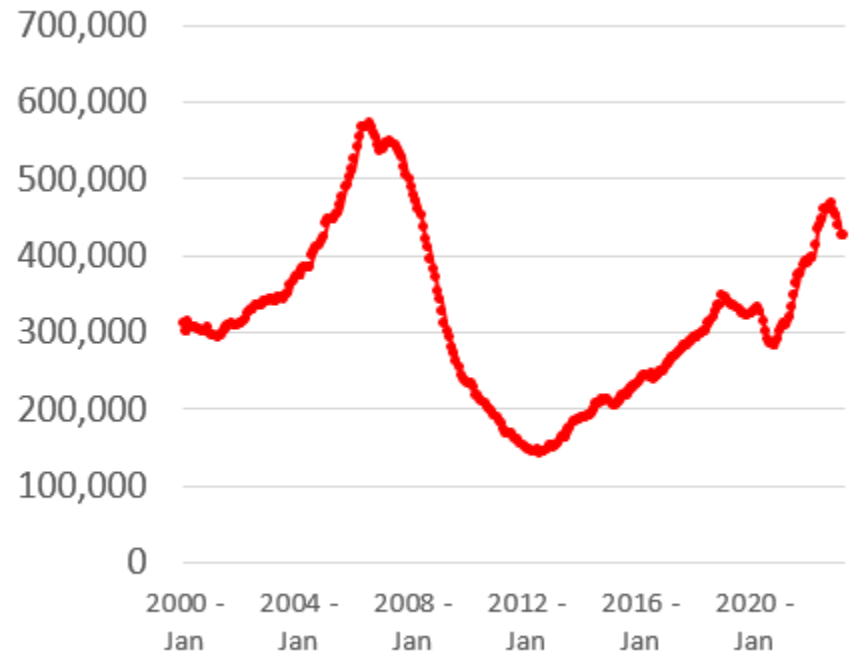
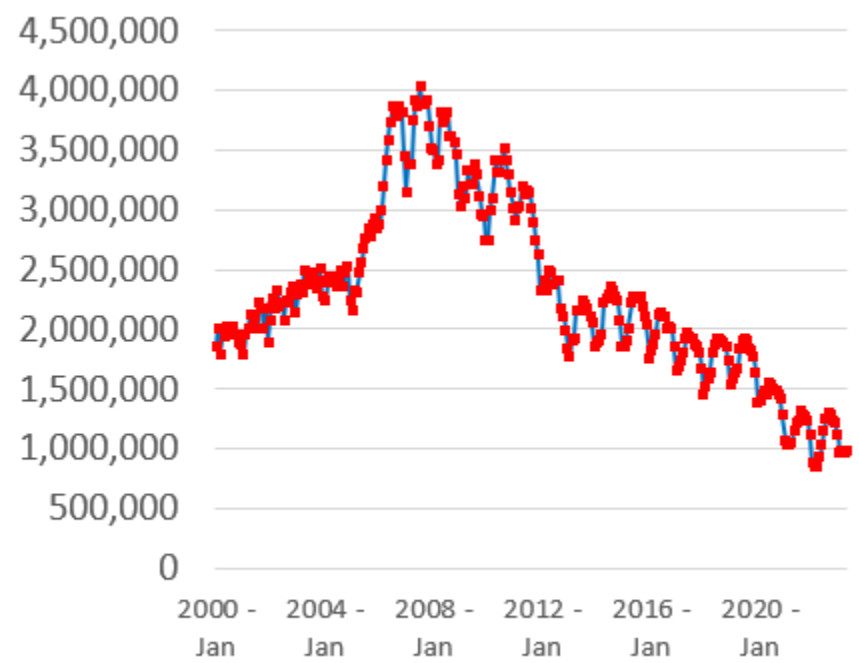


Newly Constructed Home Sales .. Back to Pre-COVID



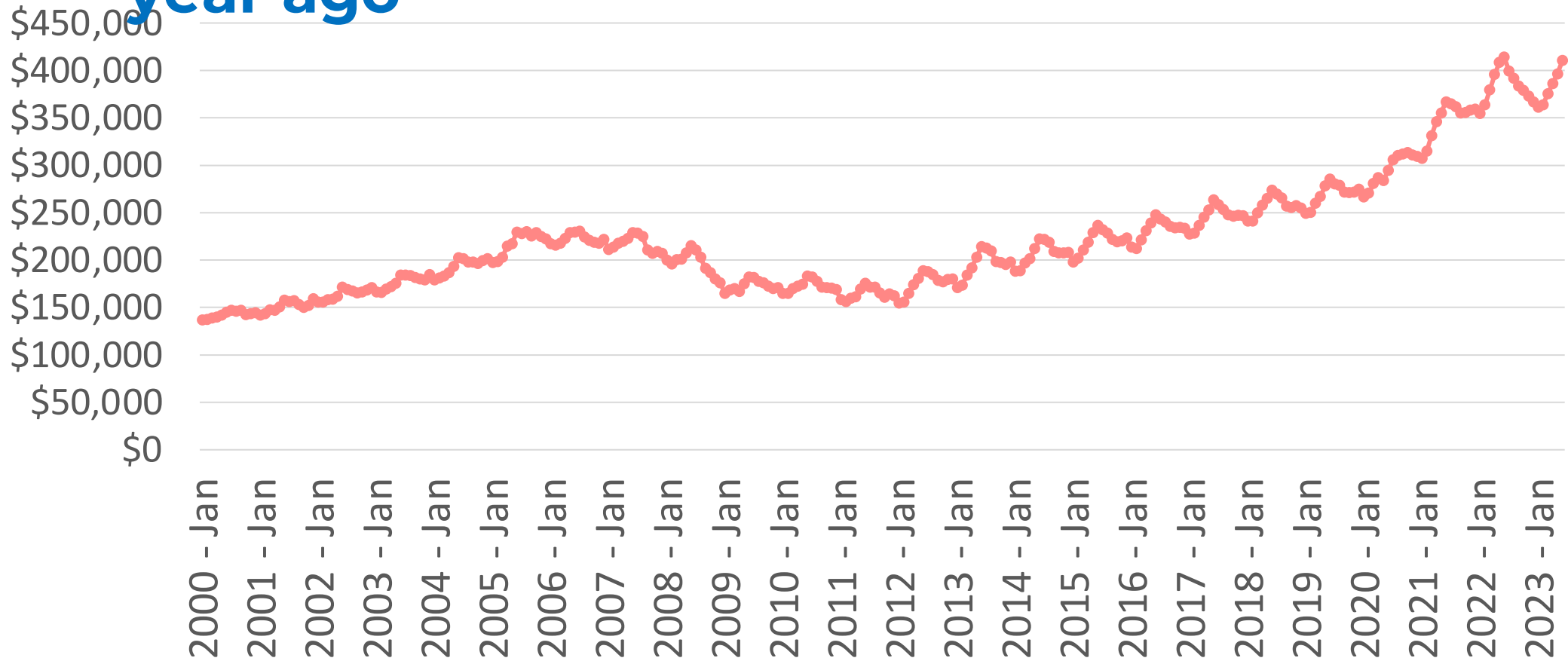
Source: HUD

Inventory of Existing Homes Low ... New Homes High



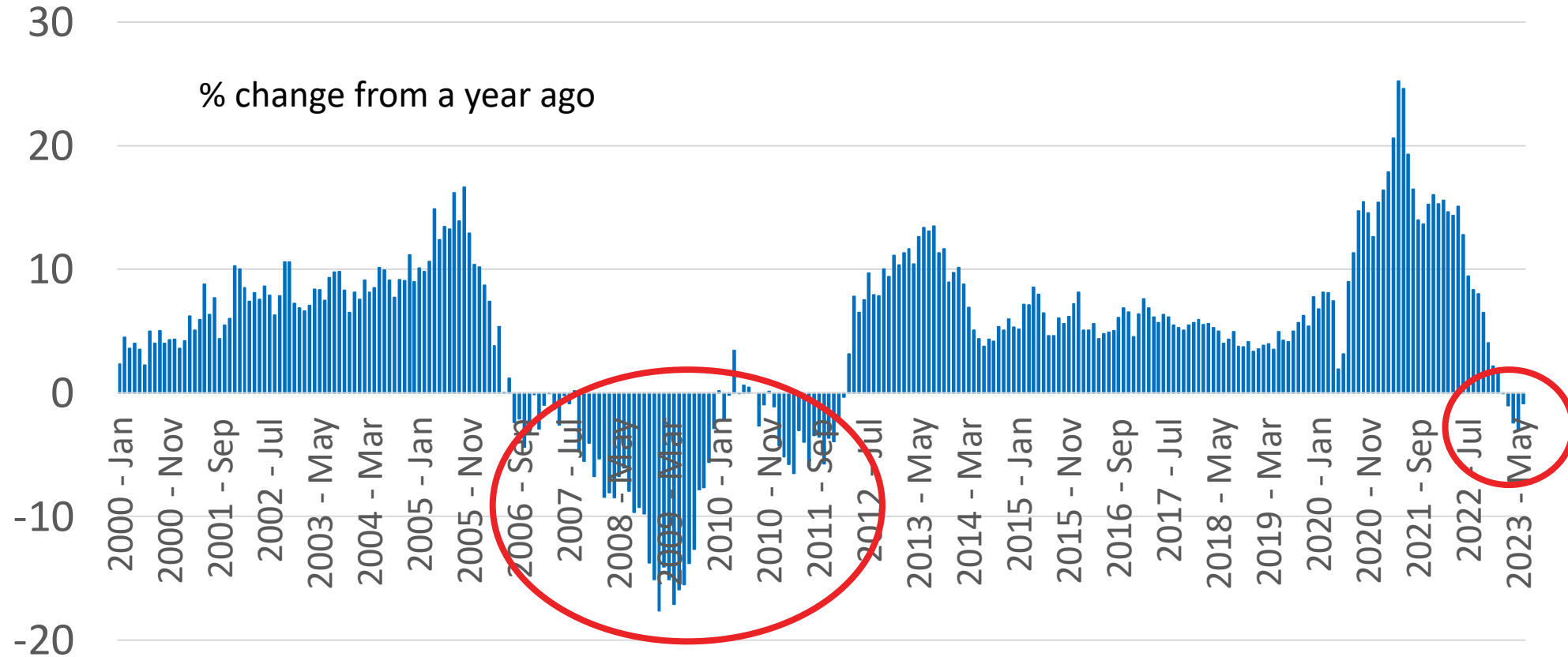
Source: NAR and HUD

National Median Home Price .. Down 1% from one year ago



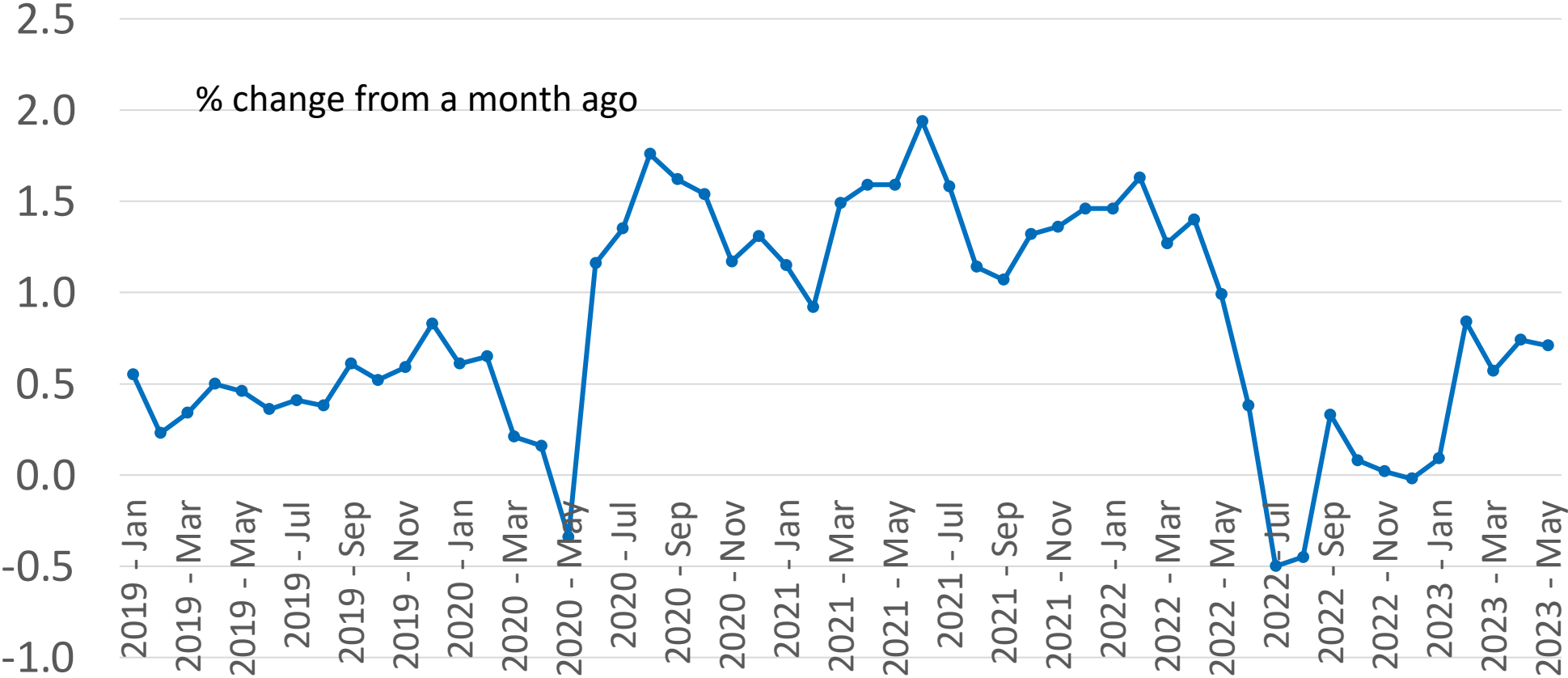
Source: NAR

Median Home Price Change ... Recent Declines Ending?



Source: NAR

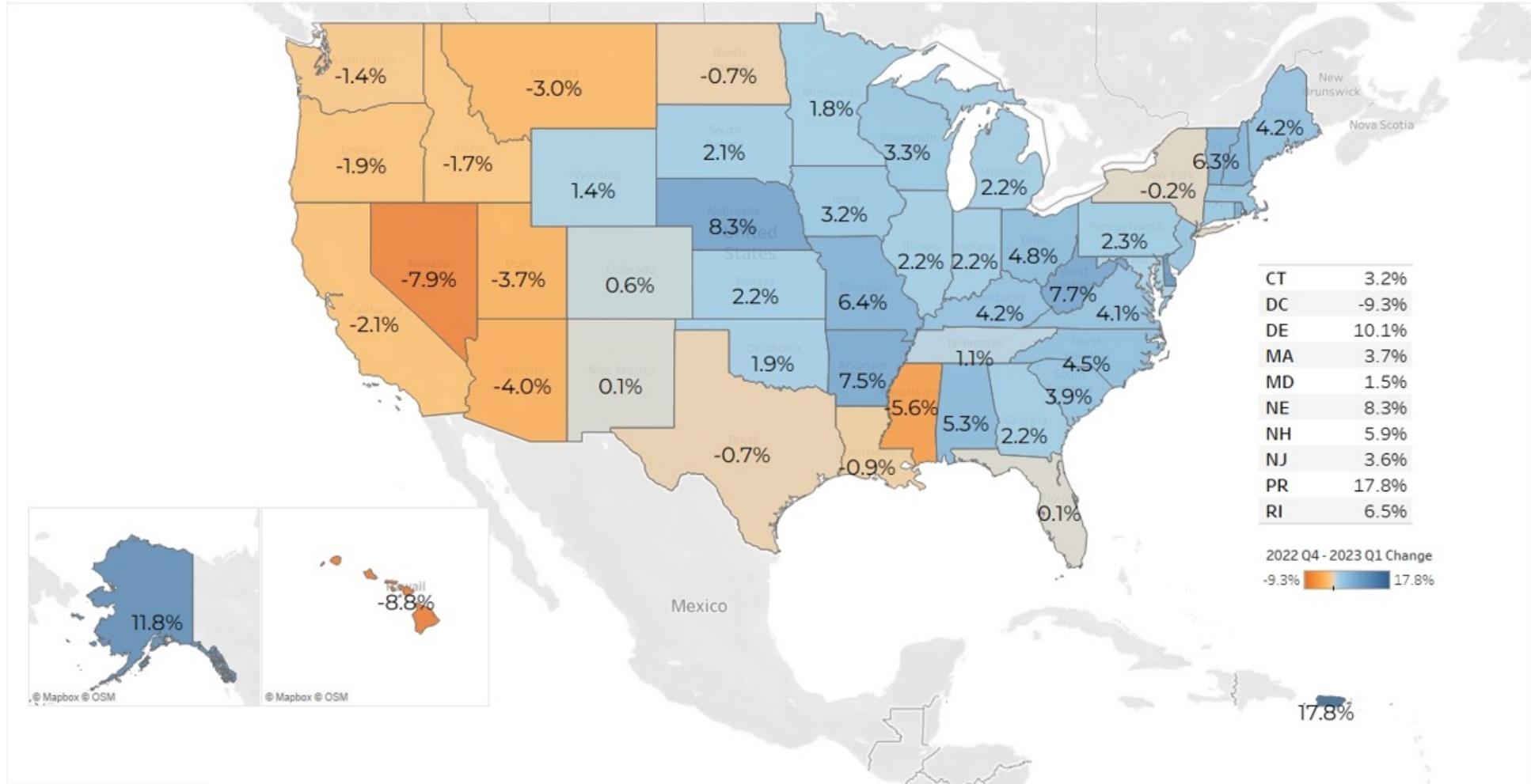
Federal Housing Finance Agency Price Index ... Monthly Change



Source: FHFA

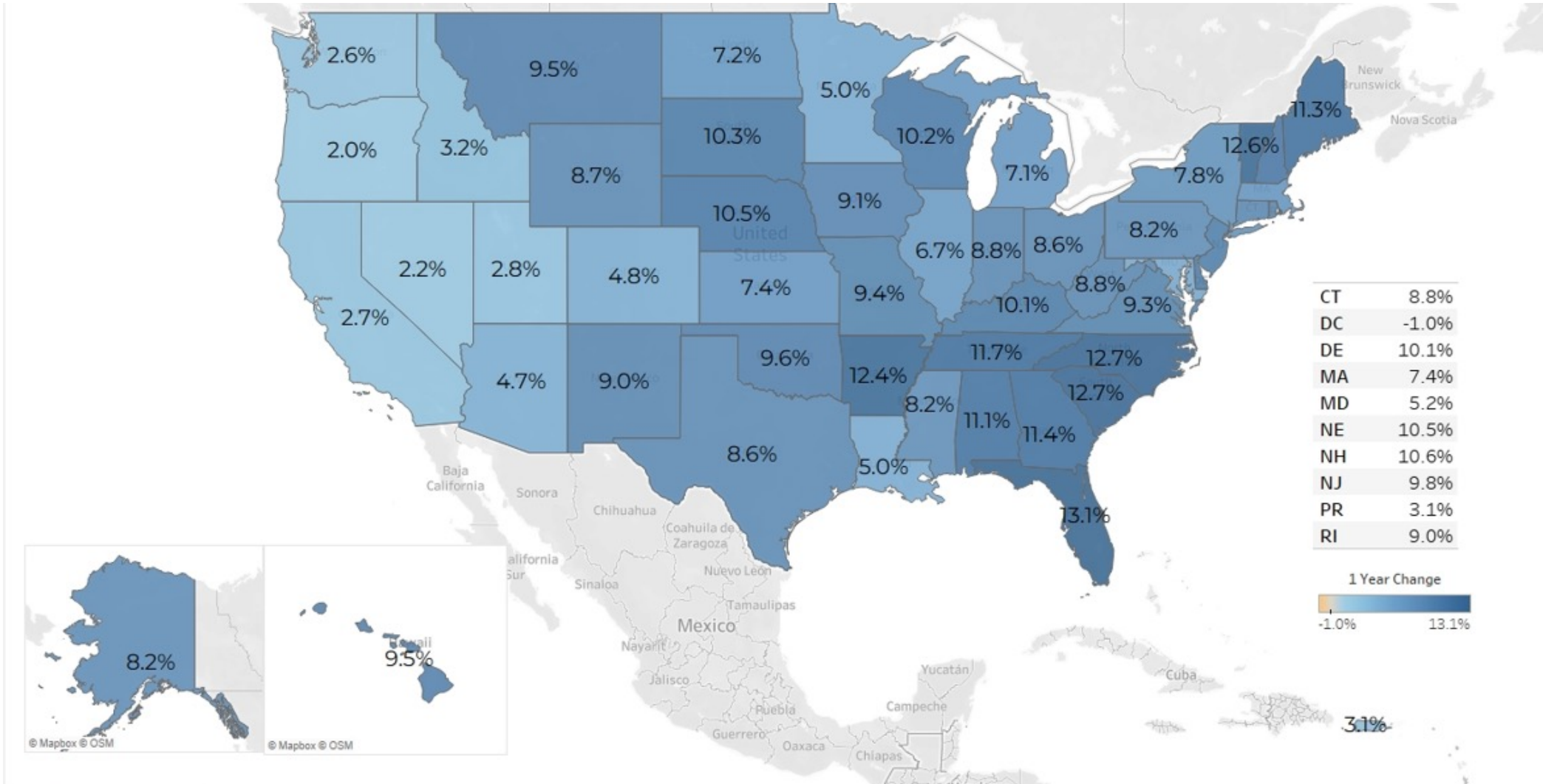
Home Price Change in 2023 Q1 from prior quarter

FHFA House Price Index Annualized Change 2022 Q4 to 2023 Q1



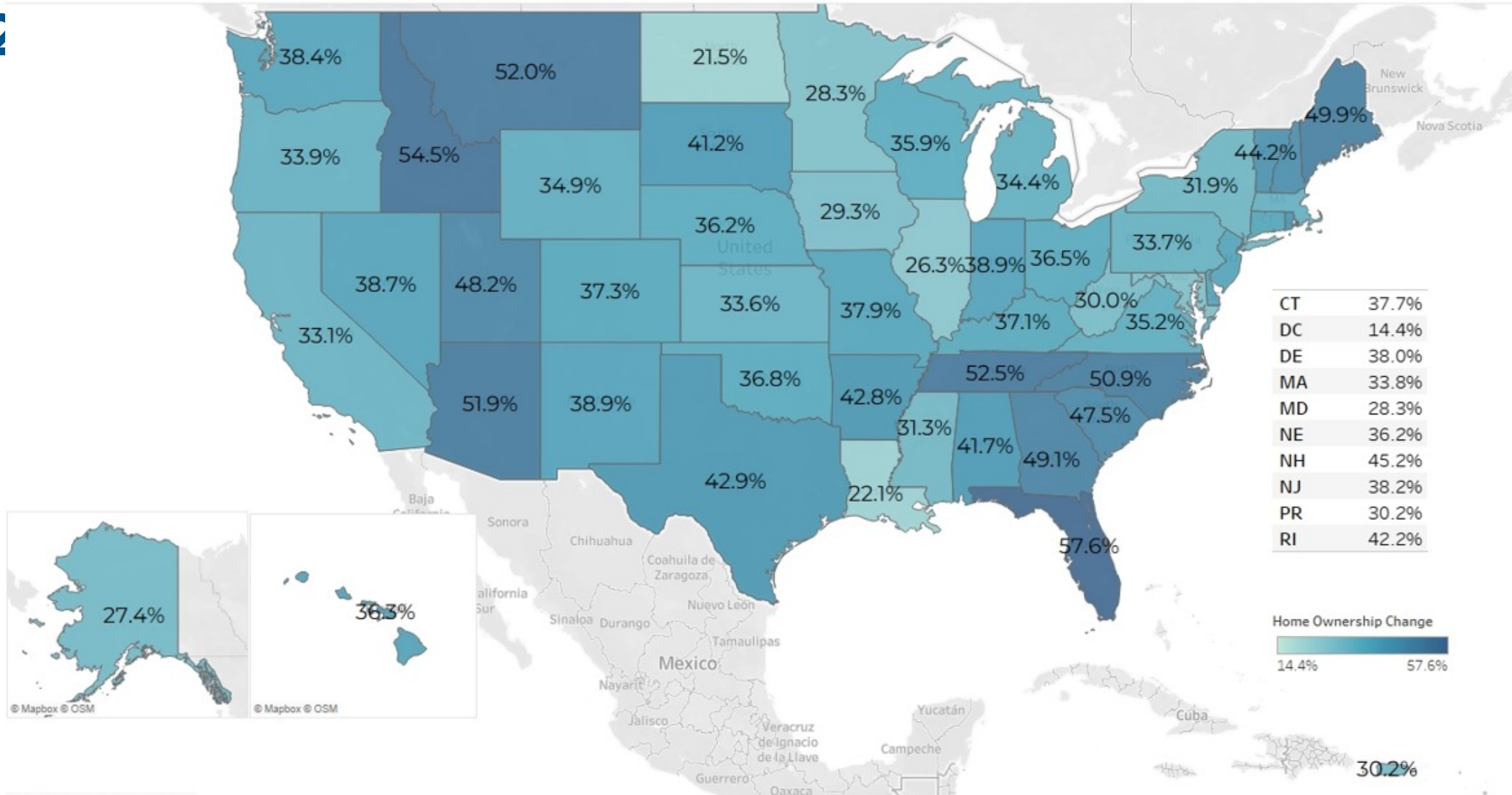
Source: NAR Analysis of FHFA data

Home Price Change in 2023 Q1 from one year ago



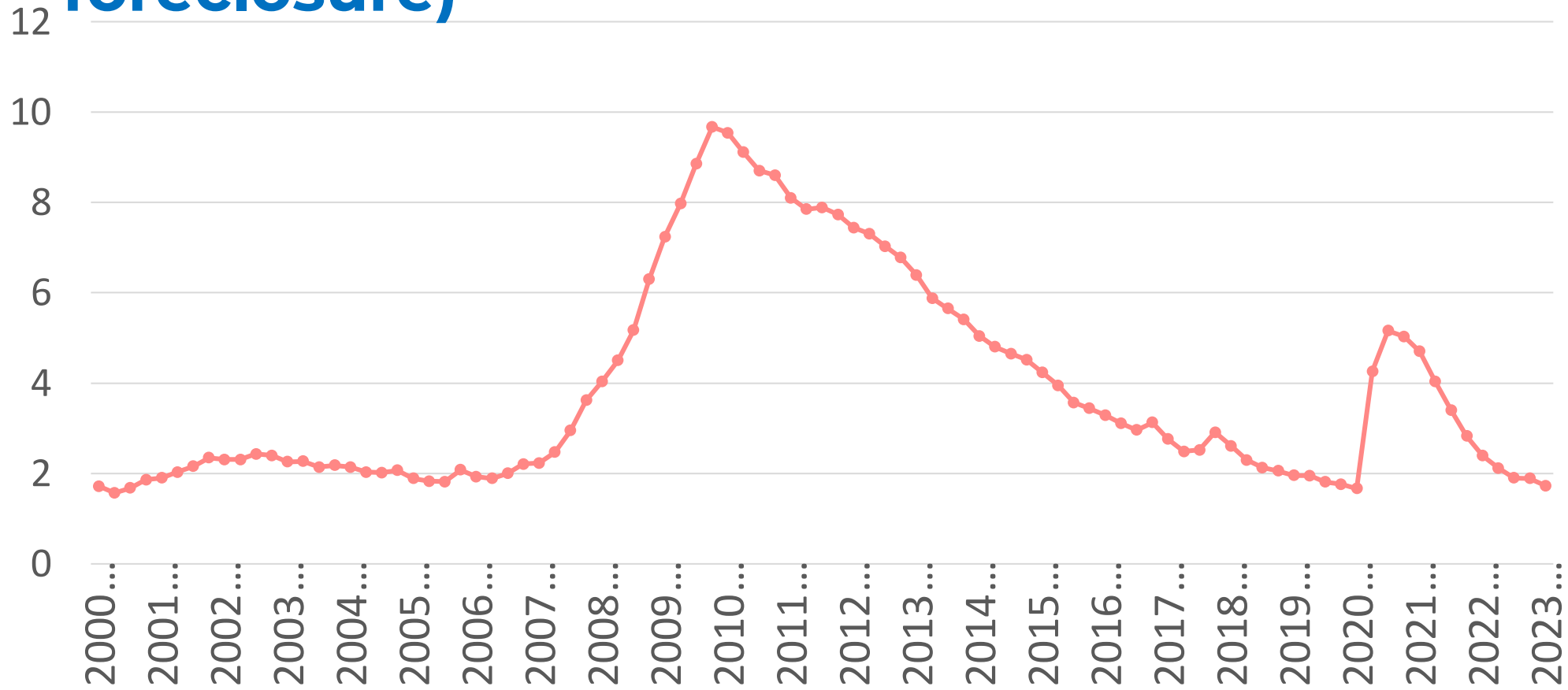
Source: NAR Analysis of FHFA data

Home Price Change from onset of COVID (2020 Q1 to 2021 Q1)



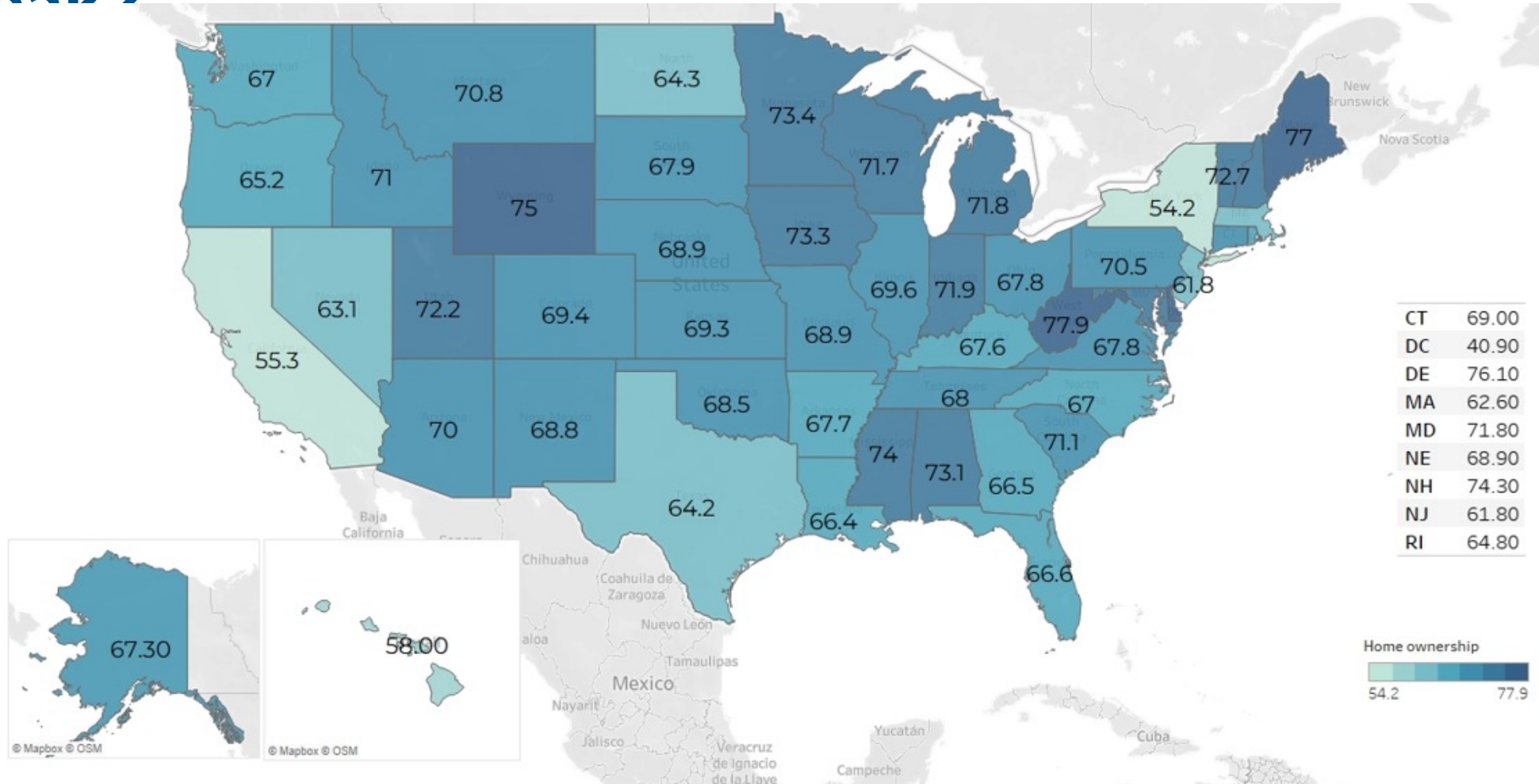
Source: NAR Analysis of FHFA data

Serious Mortgage Delinquency (Late by 90 days or foreclosure)



Source: Mortgage Bankers Association

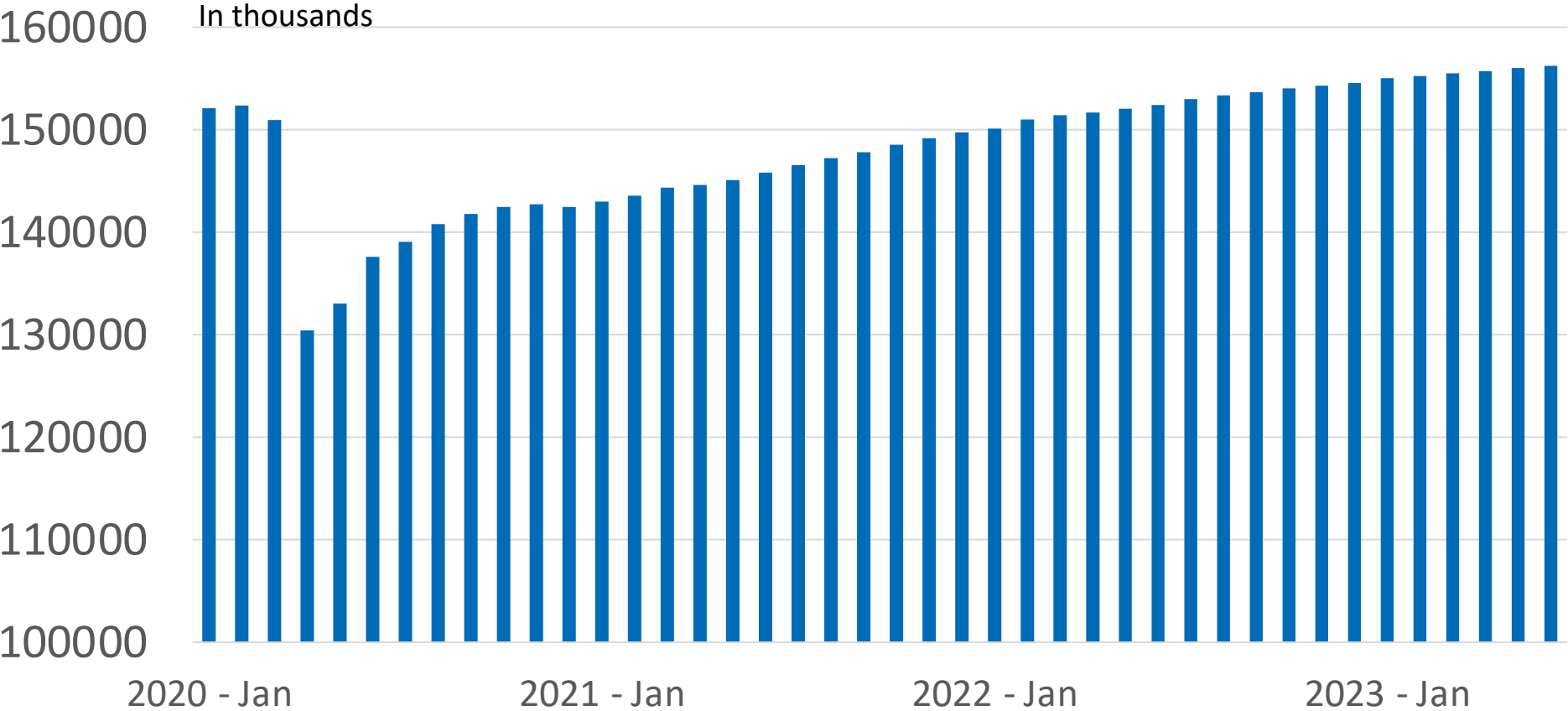
Homeownership Rate by State ... And at Peak?



Source: NAR Analysis of FHFA data

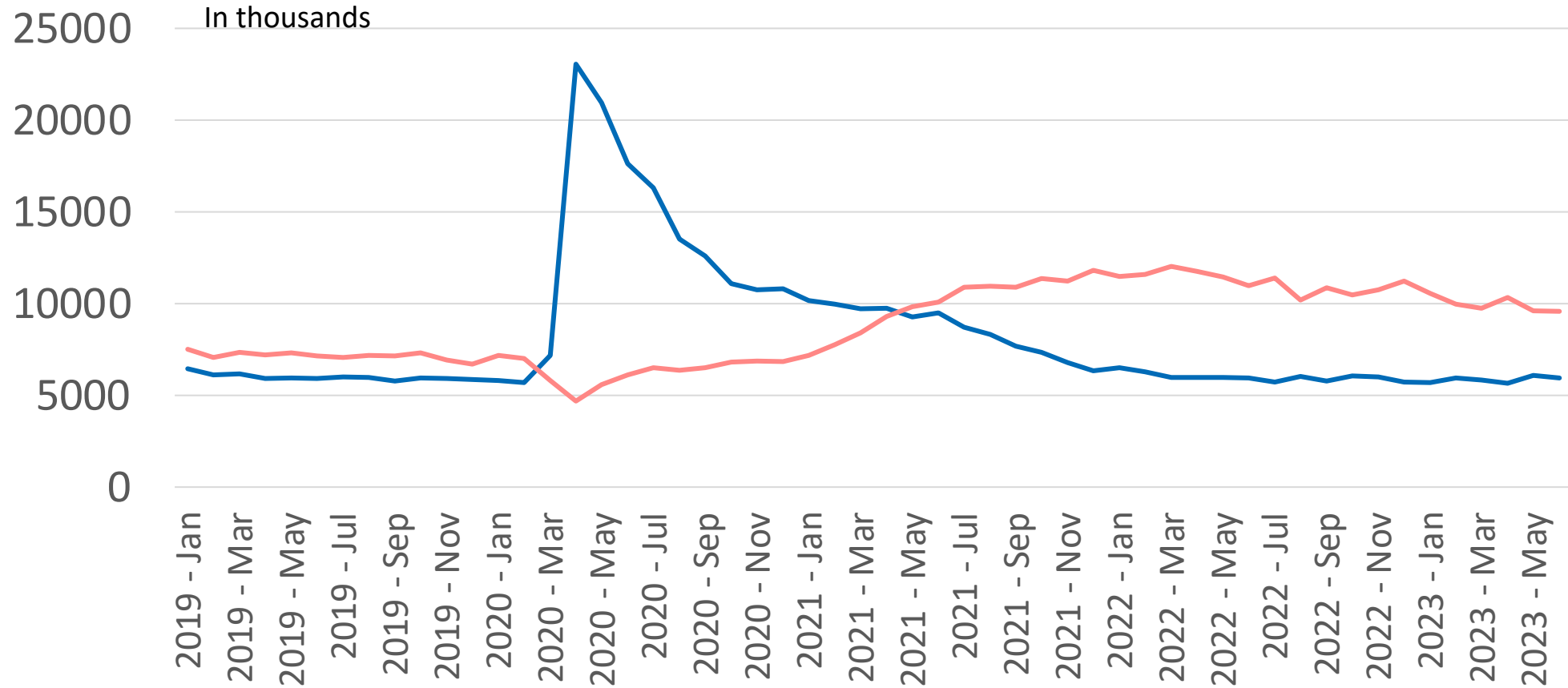
Job Market

Total Payroll Jobs ... 4 million more from pre-covid



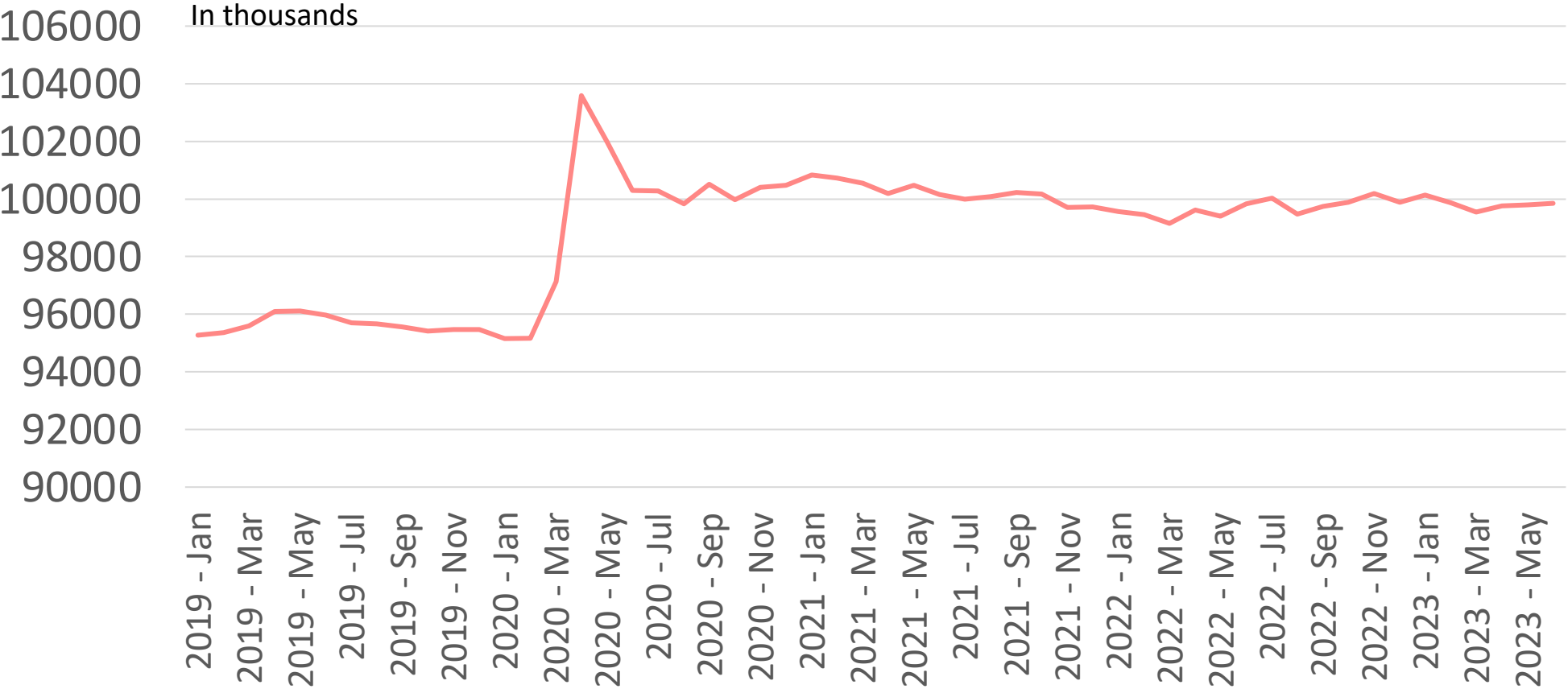
Source: BLS

Job Openings > Those Searching for Job



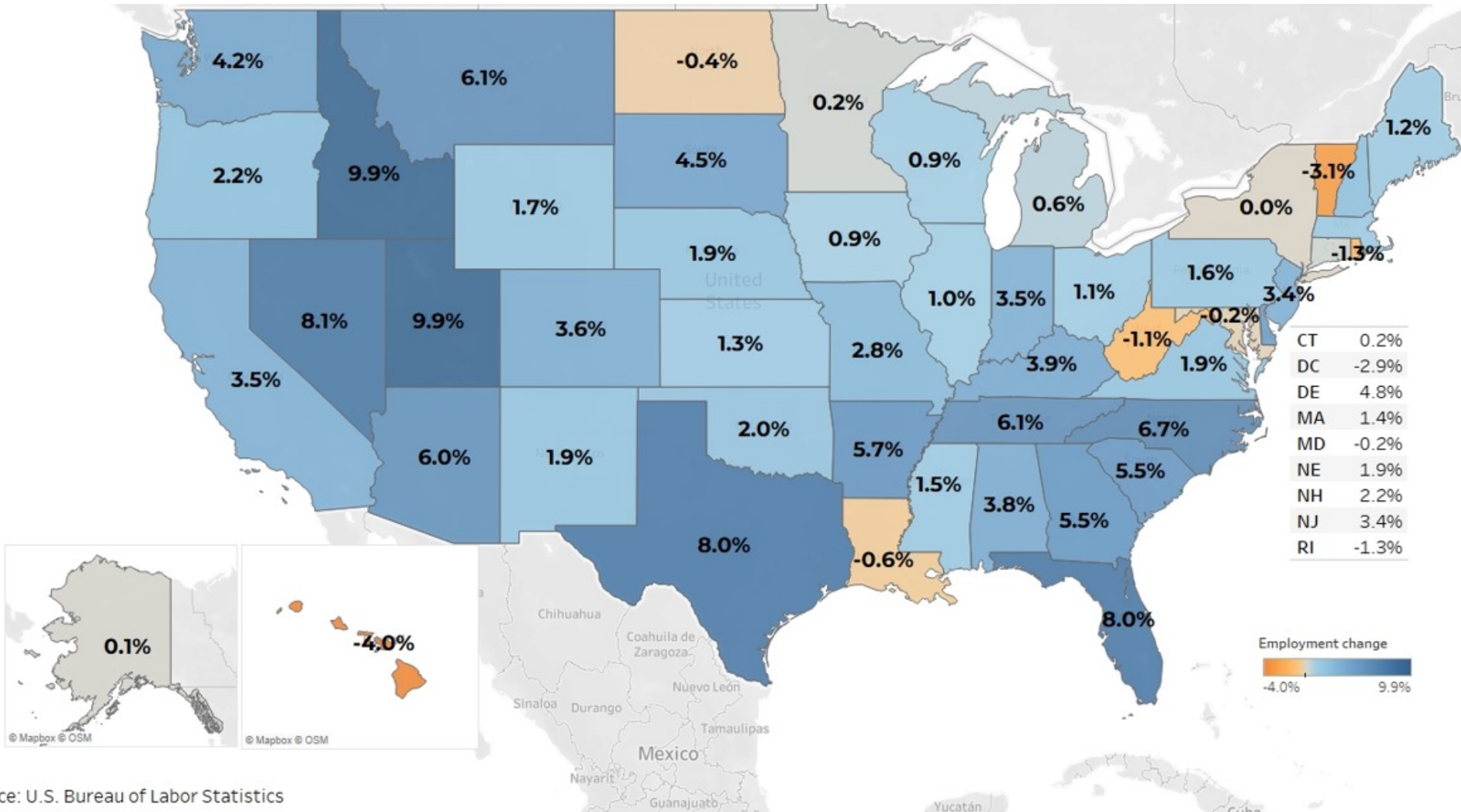
Source: BLS

Out of Labor Force and Not Searching for Job



Source: BLS

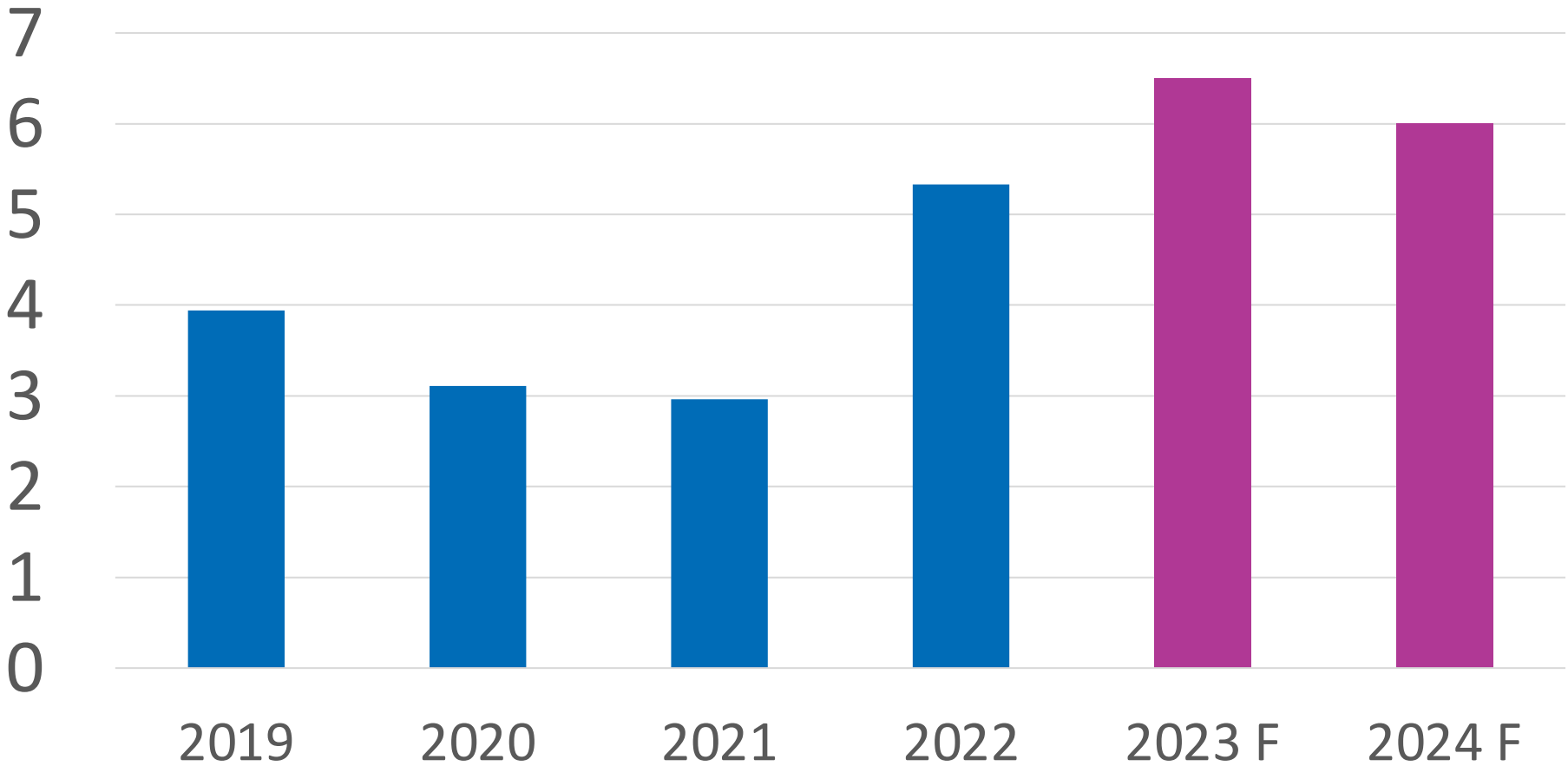
Job Gains Since Pre-Covid Record High Payroll Employment (% change from March 2020 to June 2023)



Source: U.S. Bureau of Labor Statistics

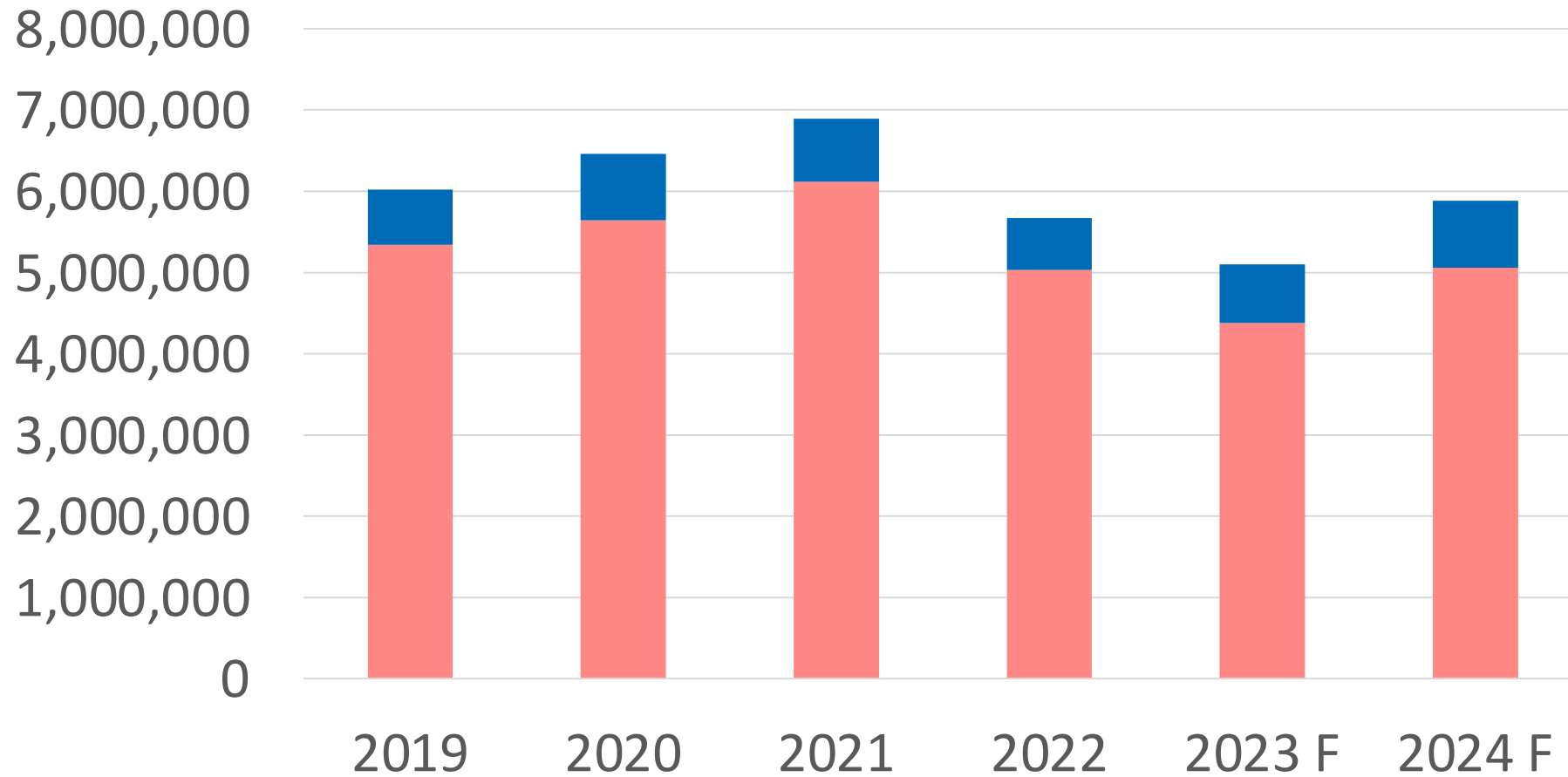
Source: NAR Analysis of BLS data

Mortgage Rate Forecast



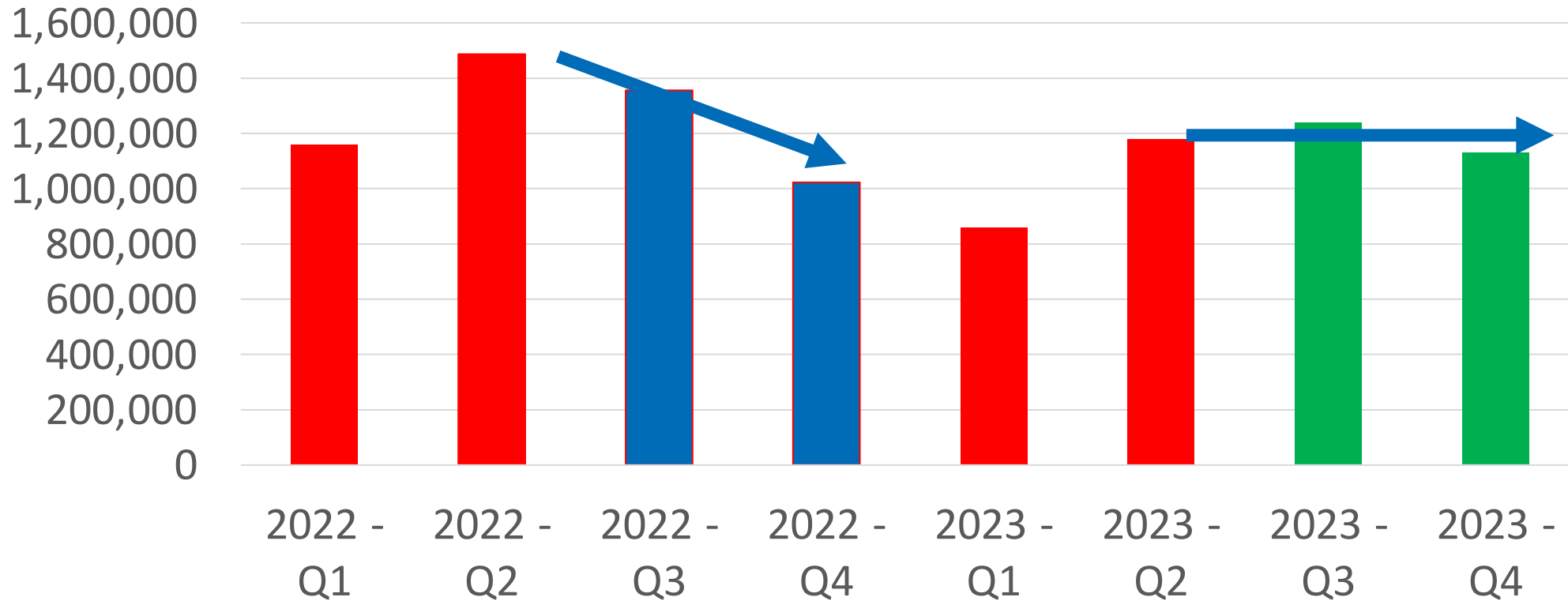
Source: Freddie Mac and NAR forecast

Total Home Sales: New and Existing Bottoming this year before upturn next year



Source: NAR forecast and HUD

Close-Up: Raw Count of Existing Home Sales in 2022 and 2023



Source: NAR

Why Should Mortgage Rate Fall?

30-year Fixed Rate to be near 6% by the year end

- **Rents will calm down ... Holds down CPI ... and make the Fed stop raising interest rate**
- **Community banks are suffering from high interest rates**
- **Spread with government bond with**

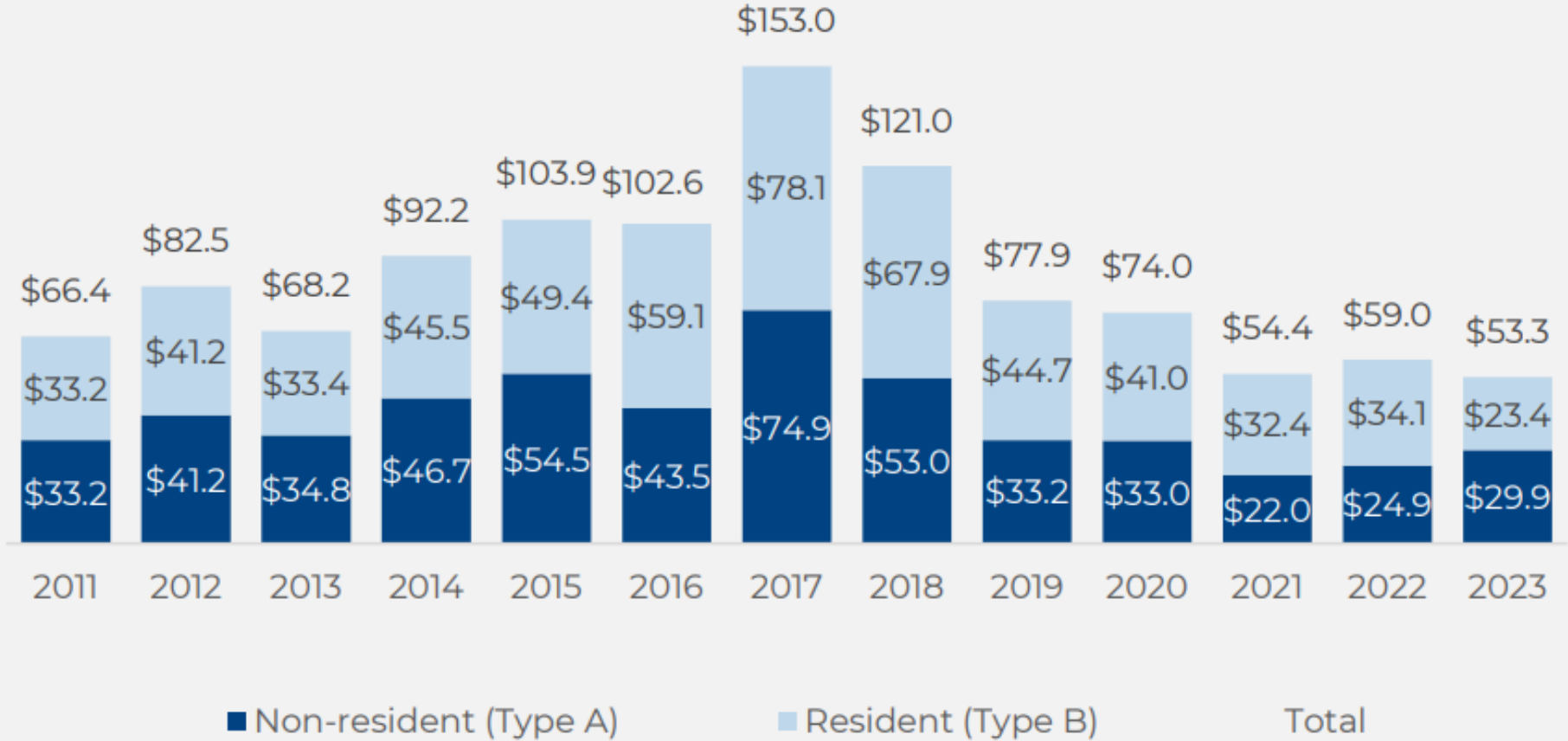


International Home Buyers

Foreigners and Very Recent Immigrants

International Purchases by \$ Volume

(Billion Dollars)



Note: Based on transactions in the 12 months ending March of each year.

Source: NAR



Top Countries of Origin

	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

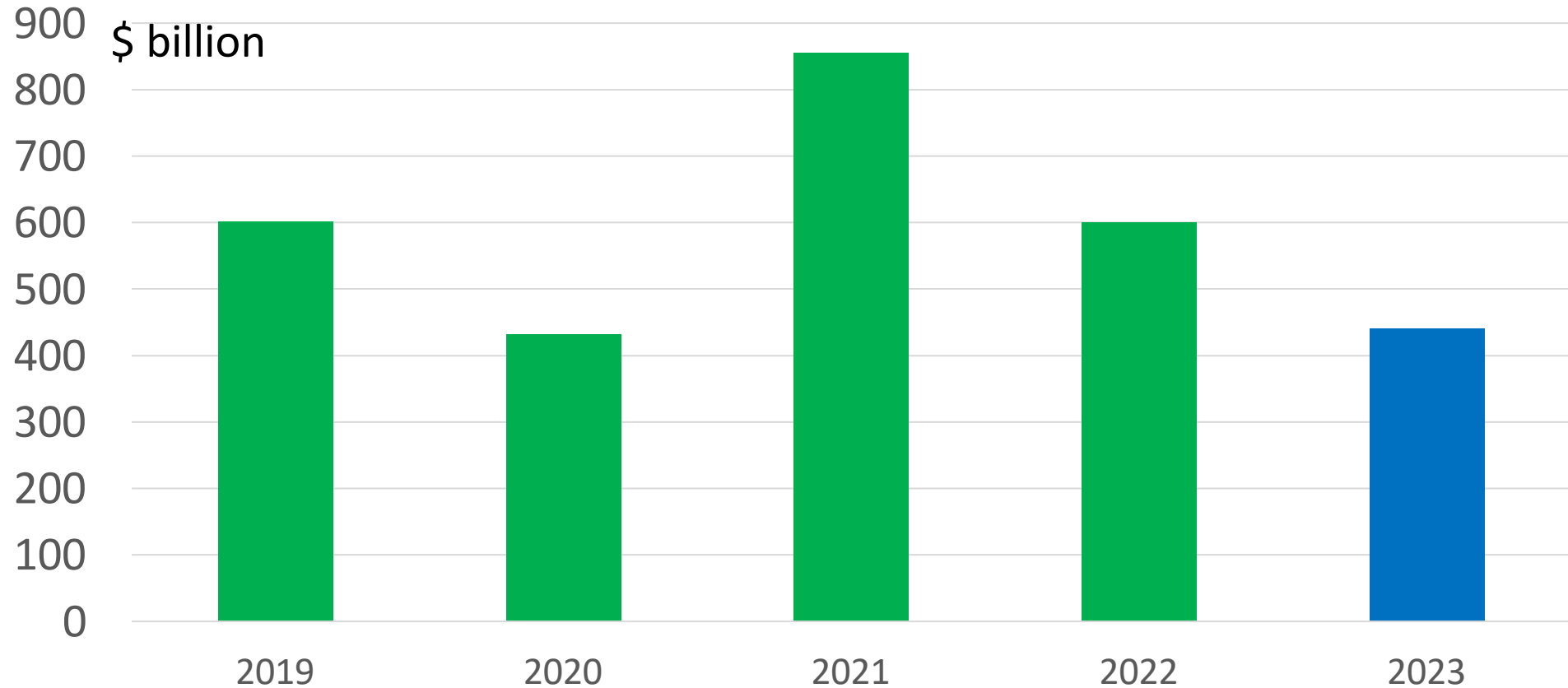
	FL	CA	TX	NC	AZ	IL	NY	OH	PA	NJ
2009	23%	13%	11%	3%	7%	4%	2%	2%	2%	1%
2010	22%	12%	8%	2%	11%	1%	4%	2%	2%	2%
2011	31%	12%	9%	2%	6%	3%	3%	1%	2%	3%
2012	26%	11%	7%	2%	7%	3%	4%	2%	2%	1%
2013	23%	17%	9%	1%	9%	2%	3%	2%	1%	2%
2014	23%	14%	12%	2%	6%	3%	3%	1%	3%	3%
2015	21%	16%	8%	2%	5%	3%	3%	2%	2%	3%
2016	22%	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

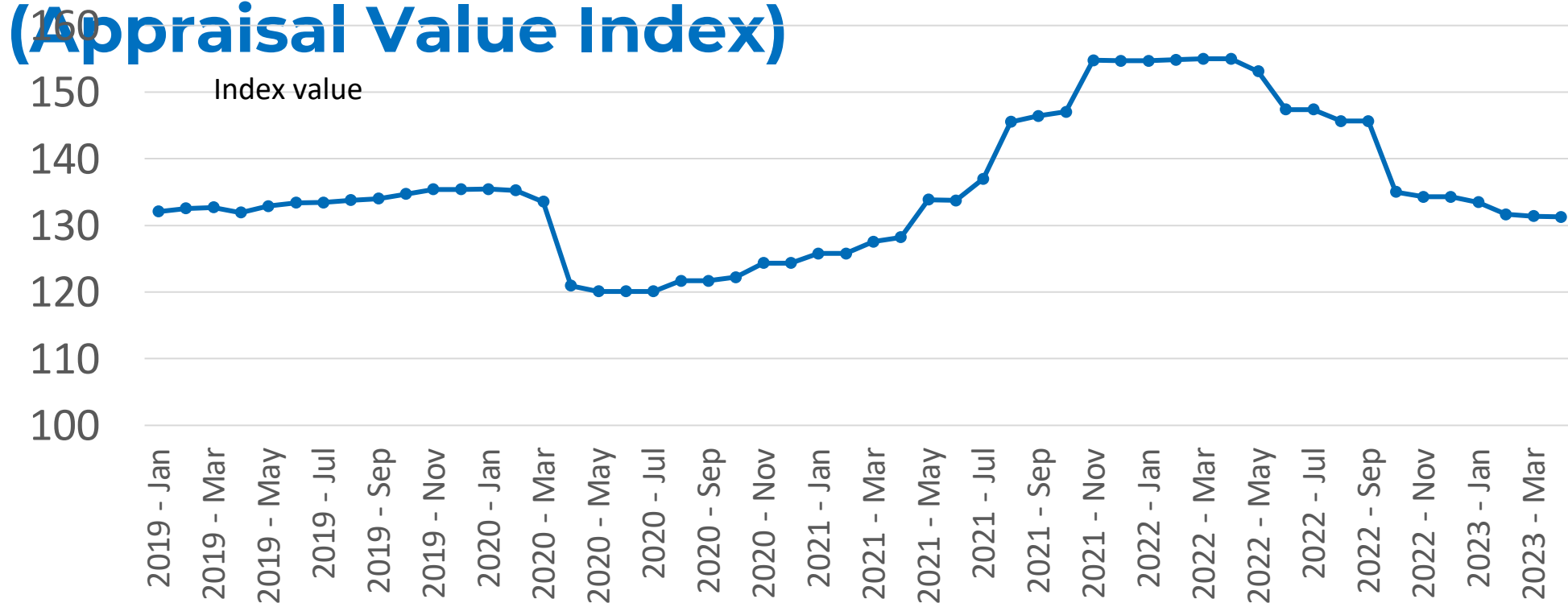
Commercial Real Estate

Commercial Real Estate Transactions (\$2.5 million property or greater)



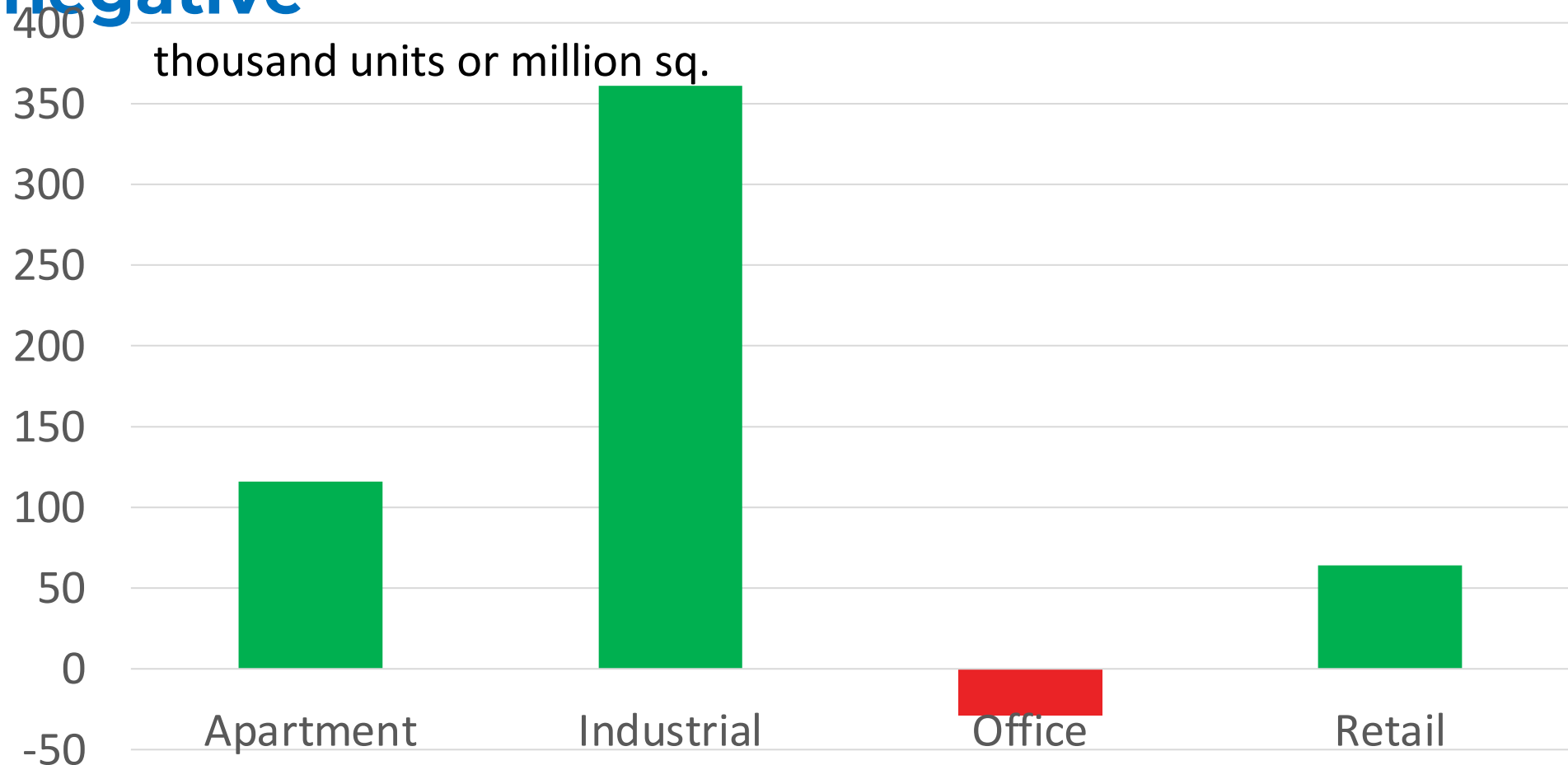
Source: MSCI/RCA

Pressuring Commercial Property Prices to Fall ... 15% off Peak (Appraisal Value Index)



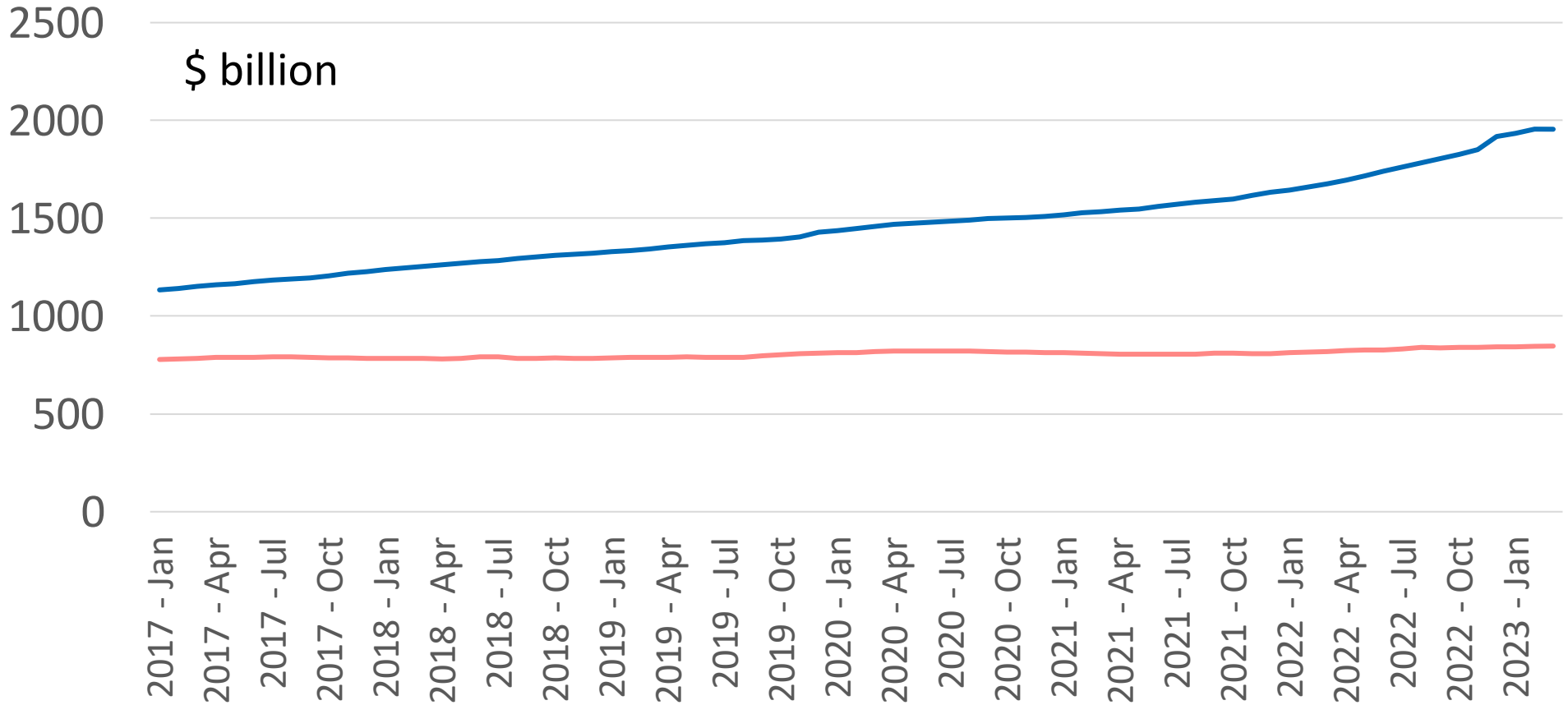
Source: Green Street Advisors

Net Absorption past 12 months .. Office is still negative



Source: CoStar

Commercial Real Estate Loans by Small Banks > Large Banks



Source: Federal Reserve



THANK YOU !