



THE YEAR AHEAD 12.12.23



REAL ESTATE FORECAST SUMMIT

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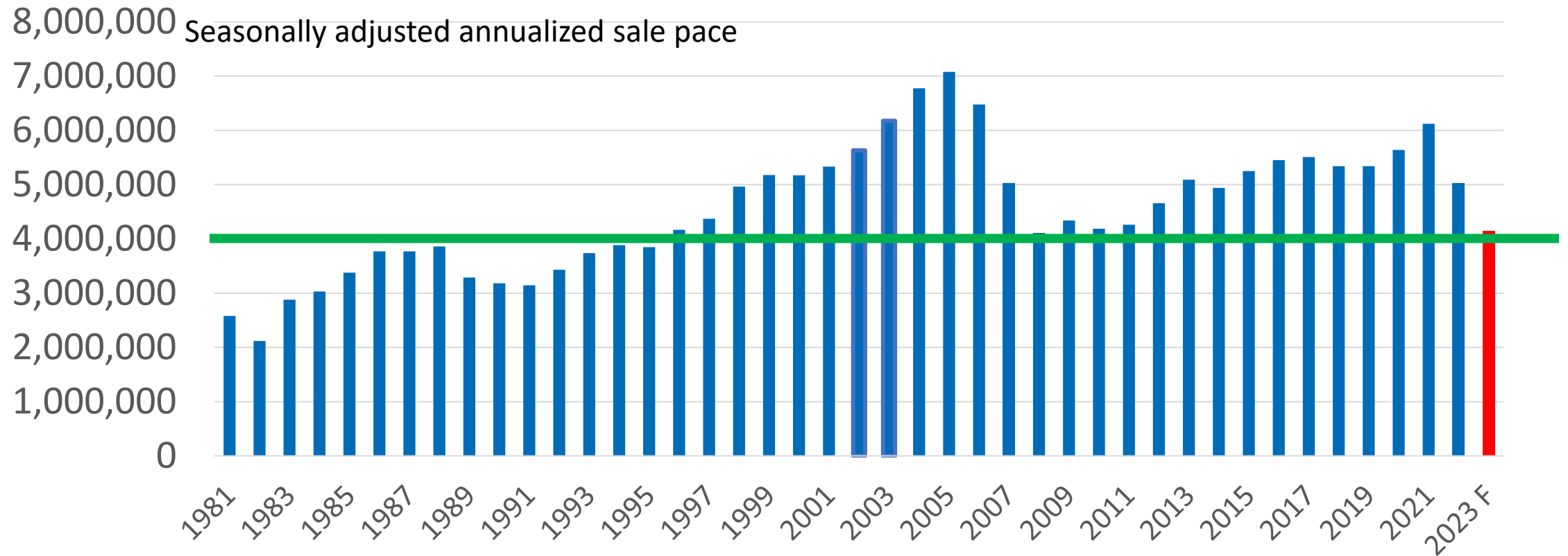


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ECONOMIC & REAL ESTATE OUTLOOK

Lawrence Yun, PhD
NAR Chief Economist and
Senior Vice-President for Research

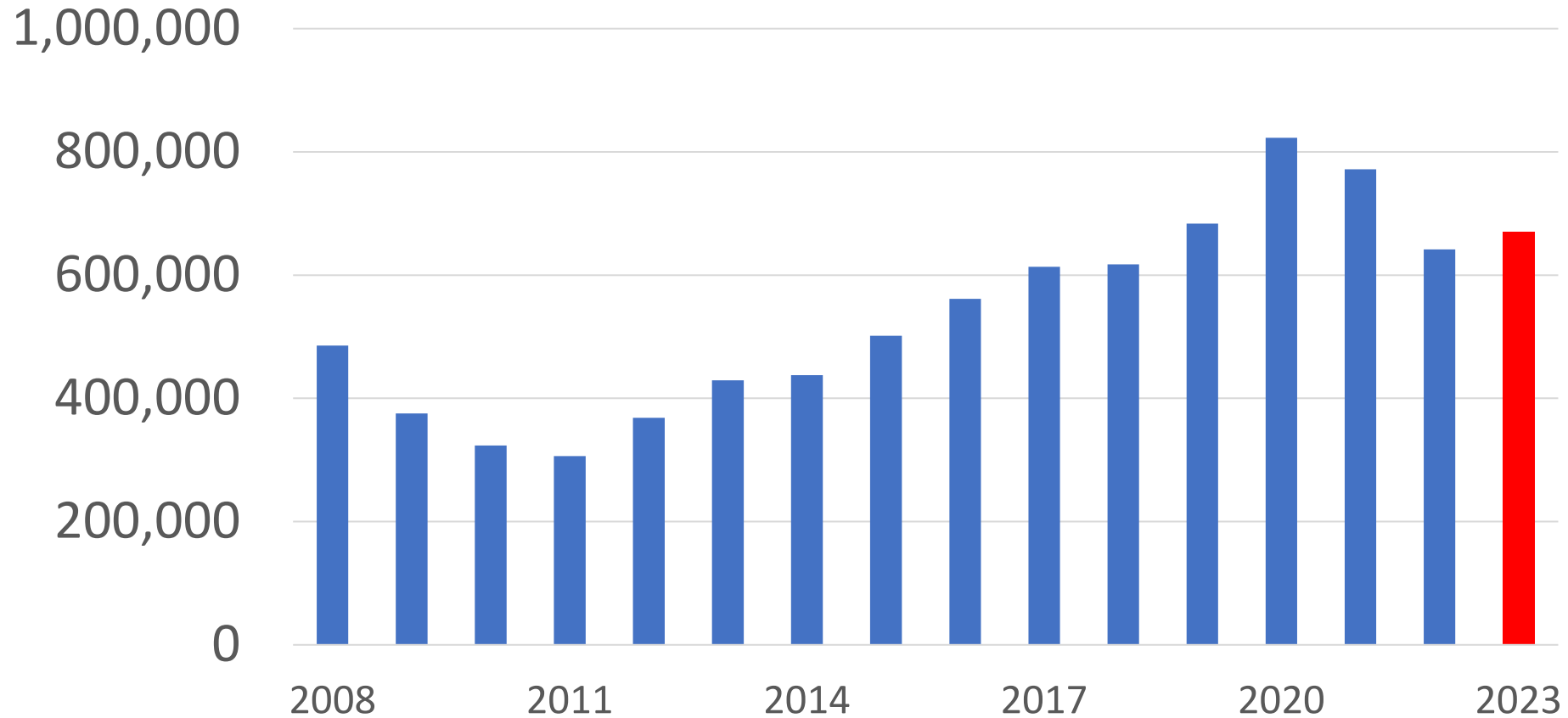
Annual Existing-Home Sales: Likely 18% Decline, On track for the worst year since 2008 or since 1995



Source: NAR

New Home Sales Up 4.5% year-to-date to October

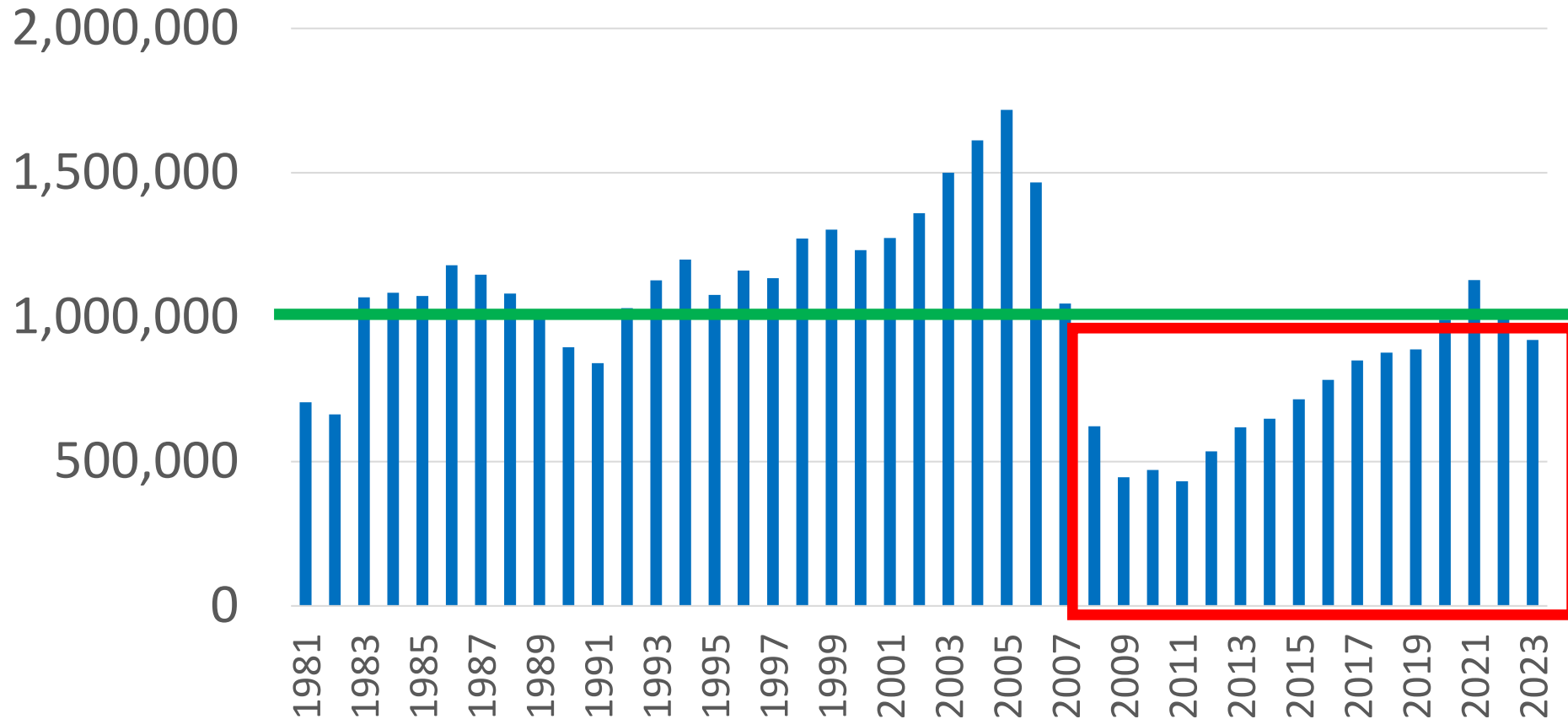
On track for the 3rd or 4th best year since 2008 foreclosure year



Source: NAR forecast and HUD

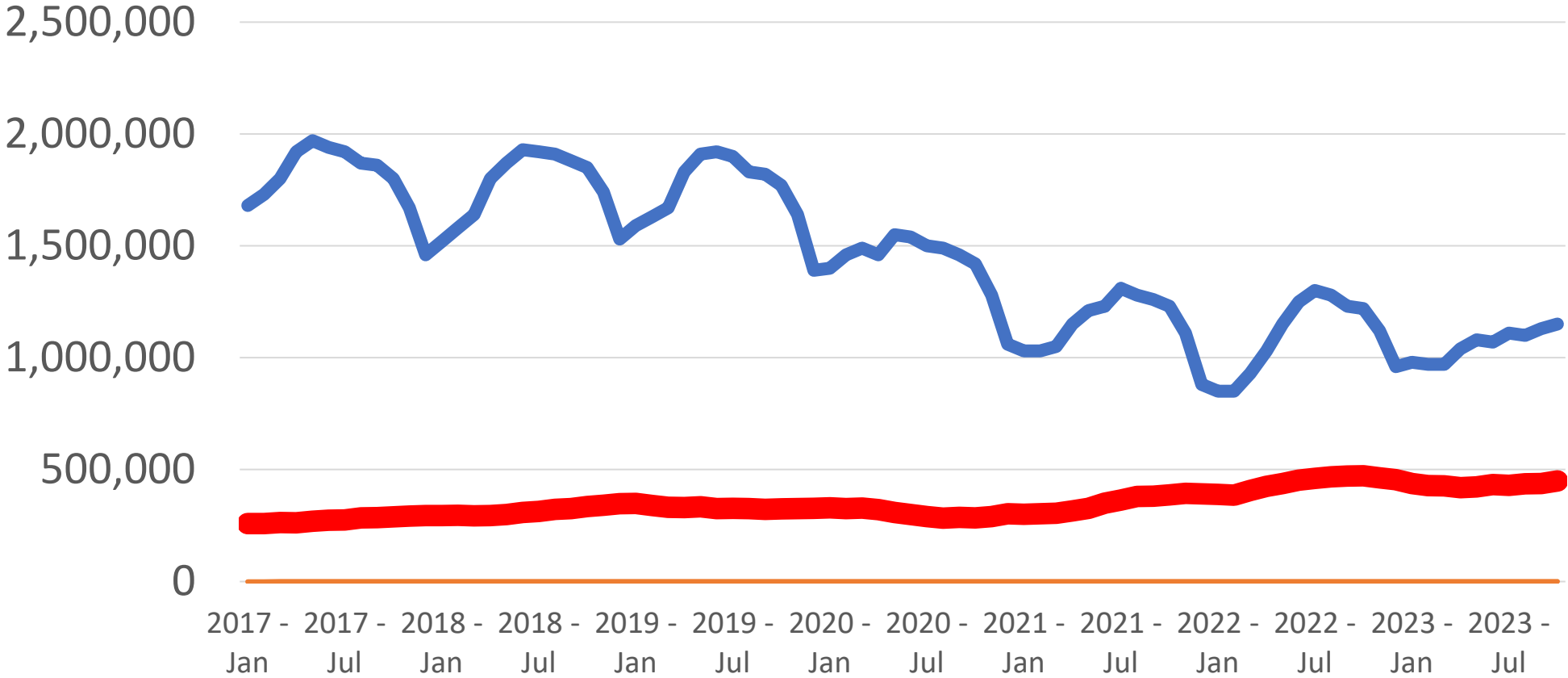
Single-family Housing Starts

Trying to return to normal after a decade of underproduction



Source: NAR forecast and HUD

Existing-Home Inventory and **New Home Inventory**

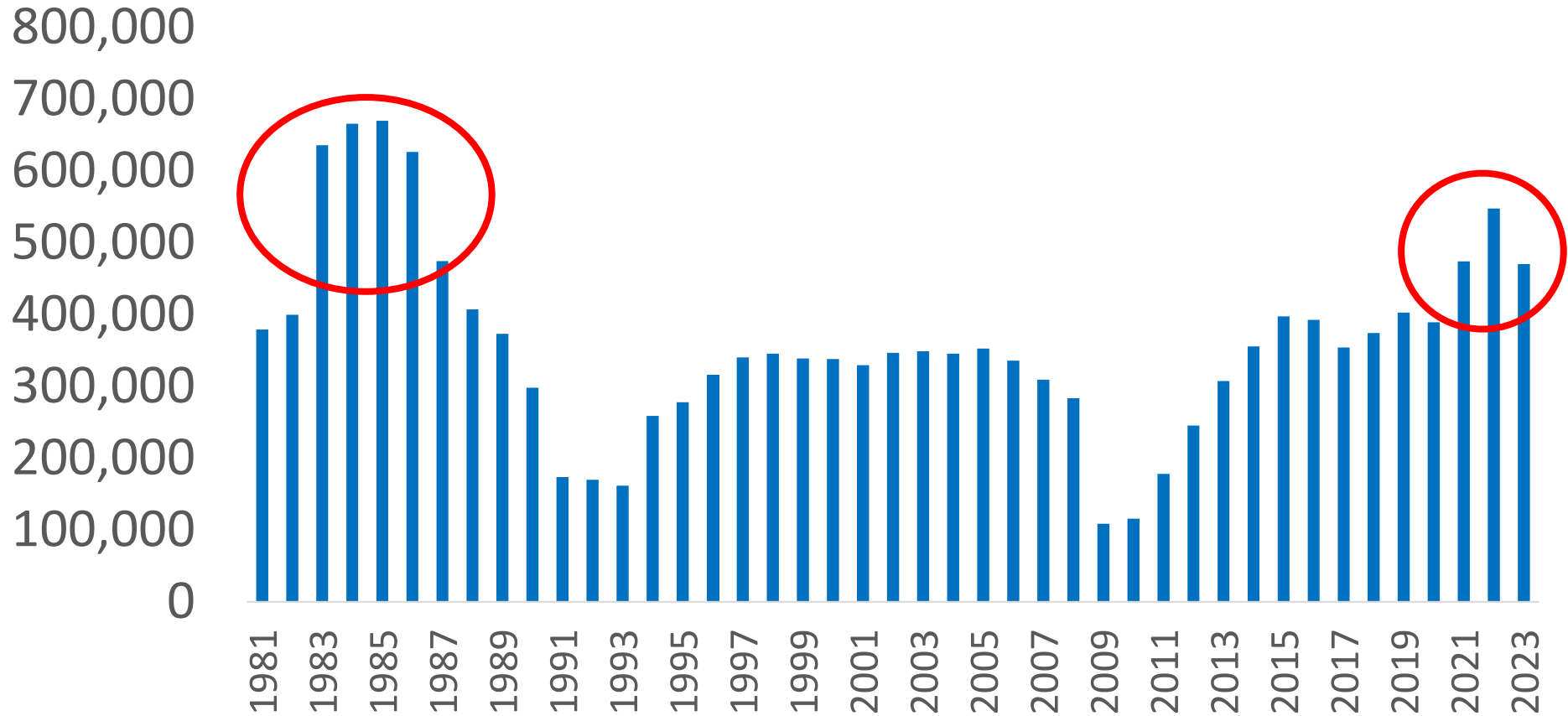


Source: NAR and HUD



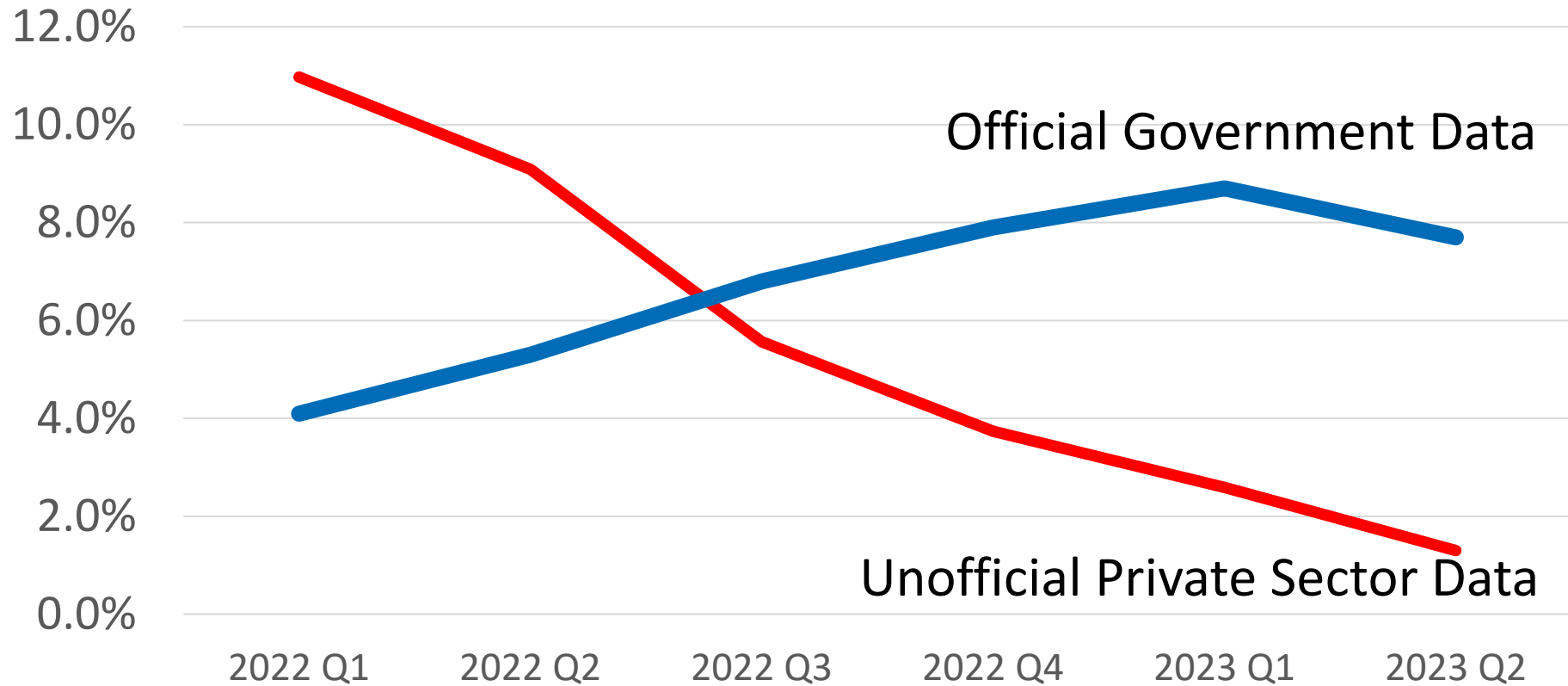
Multifamily Housing Starts

3 years of cyclical highs



Source: NAR forecast and HUD

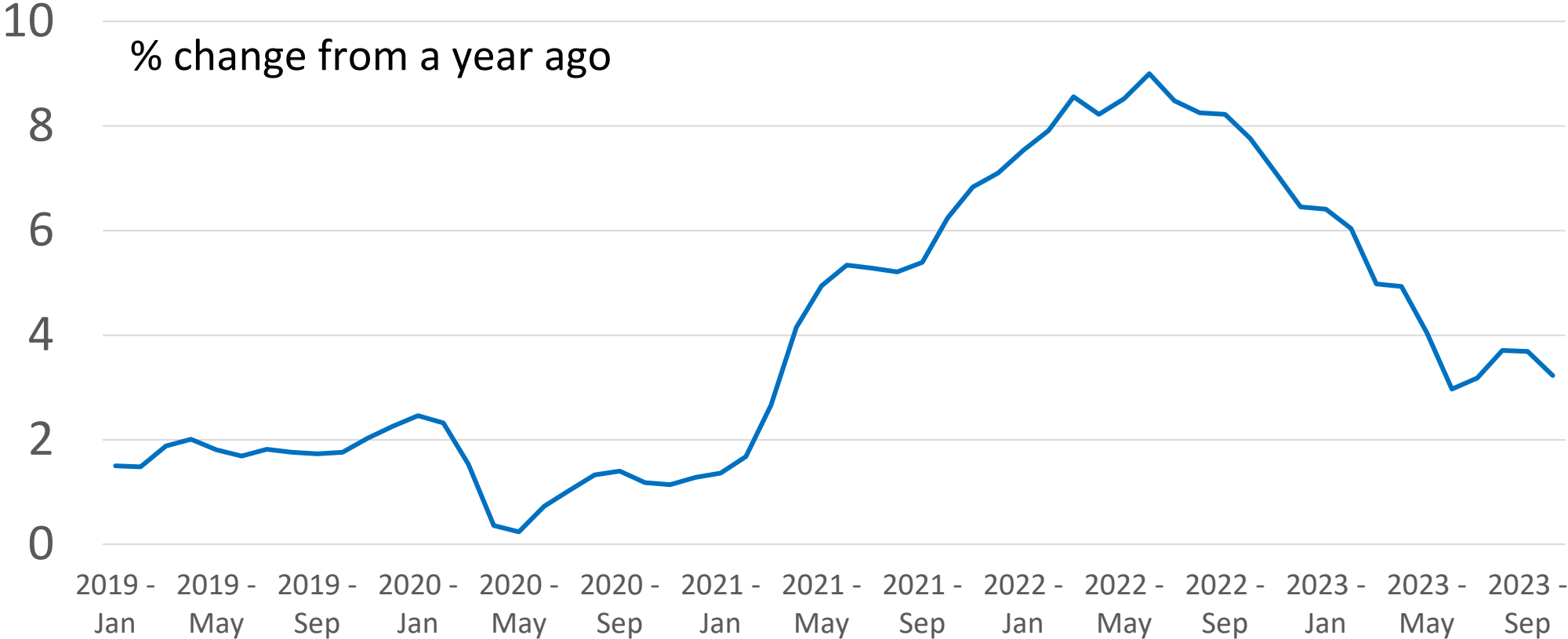
Rent Growth Softening?



Source: BLS and CoStar

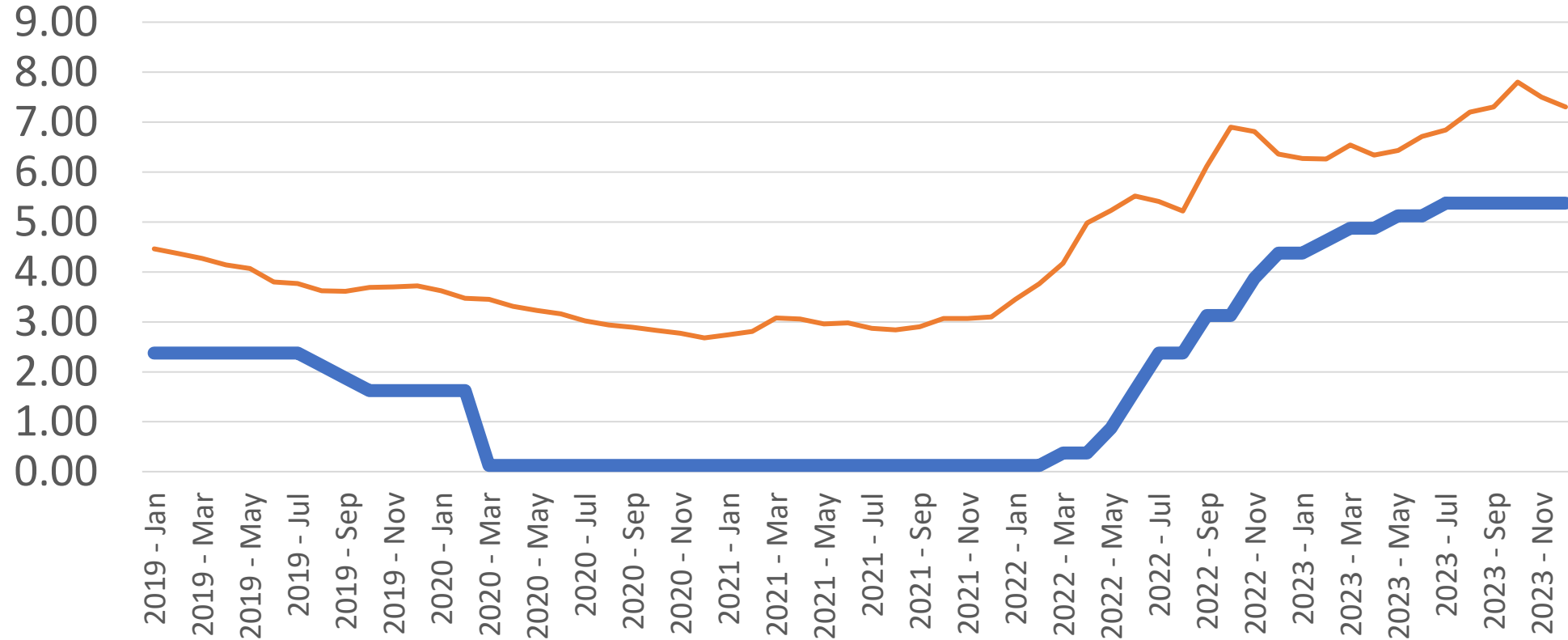
Official Consumer Price Inflation at 3.2% in October

Unofficial Consumer Price Inflation at less than 2% - time to cut rates



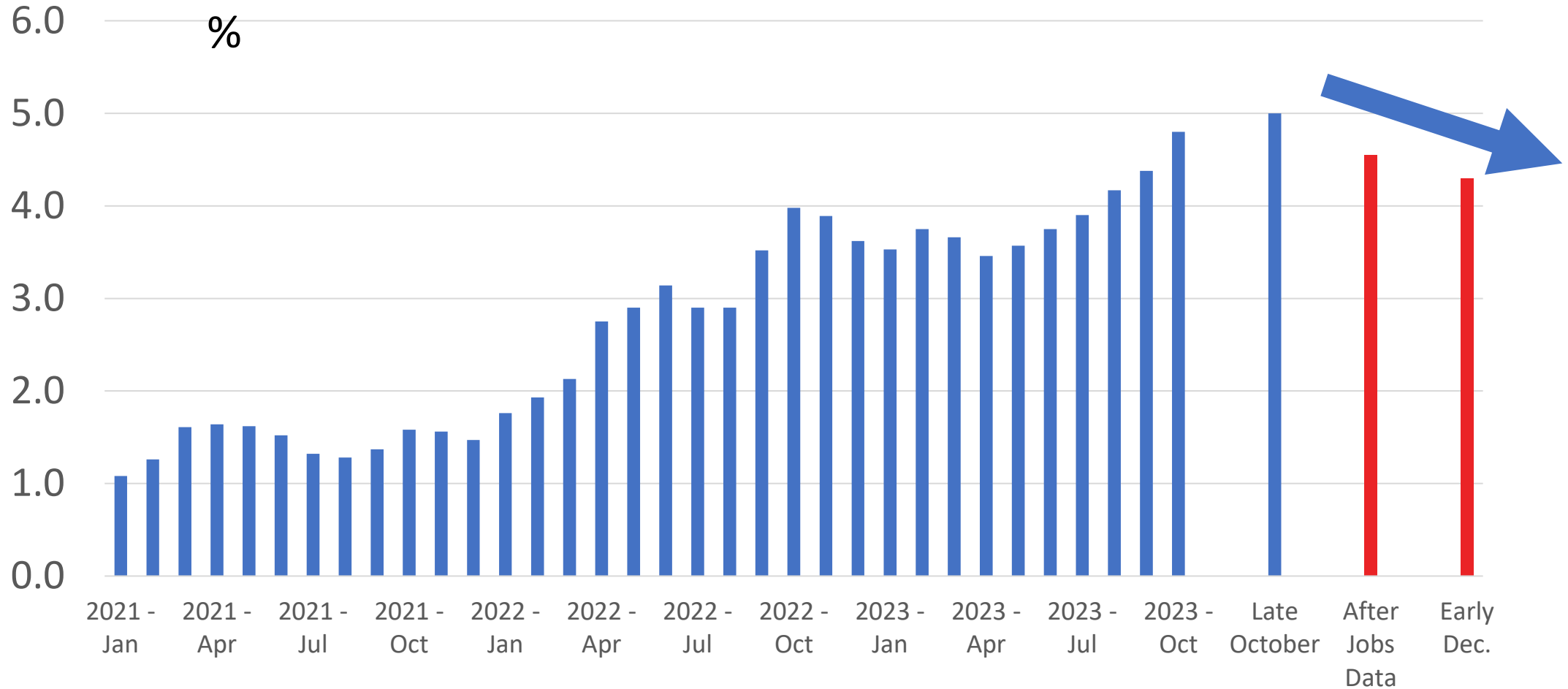
Source: BLS

30-year Mortgage and Fed Funds Rate: Likely Peaked



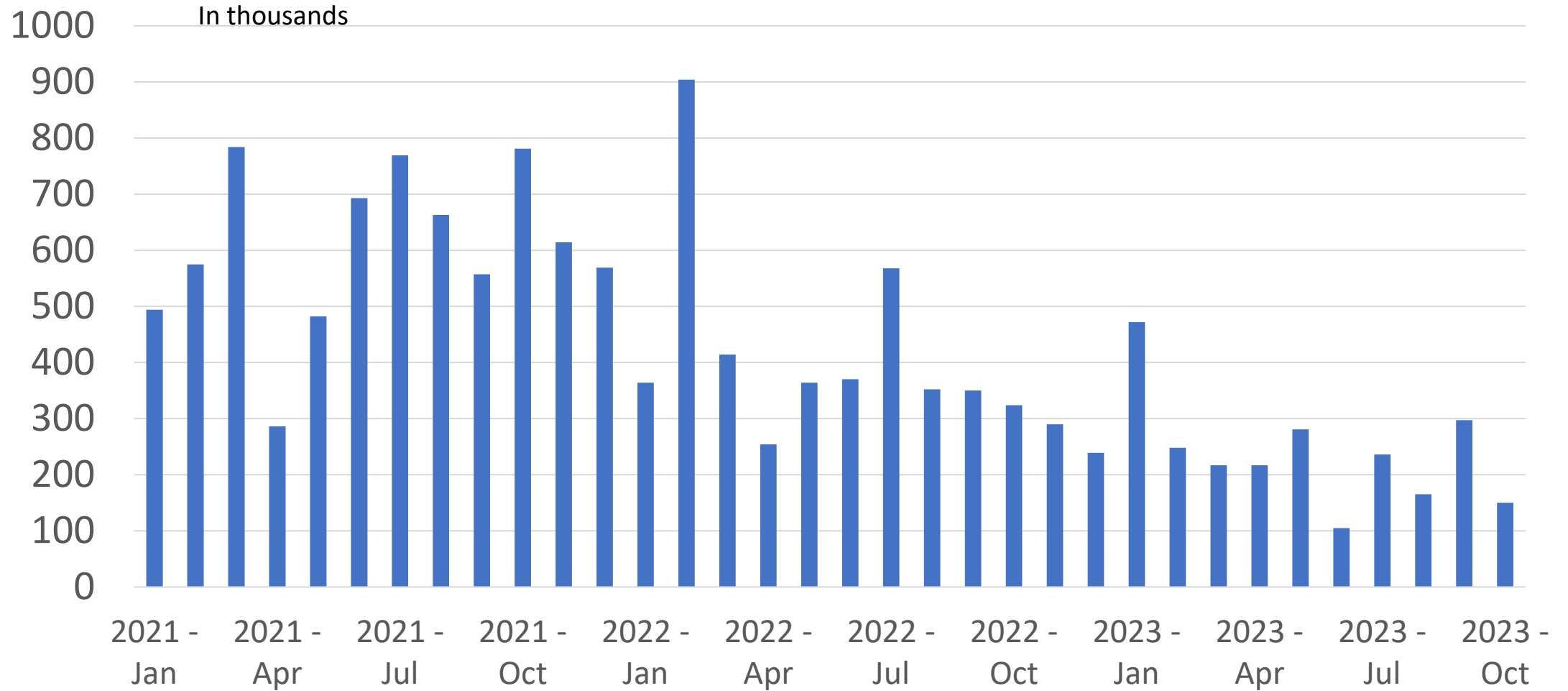
Source: U.S. Treasury and Federal Reserve

10-year Treasury Yield Drops Telling the Fed to Pivot



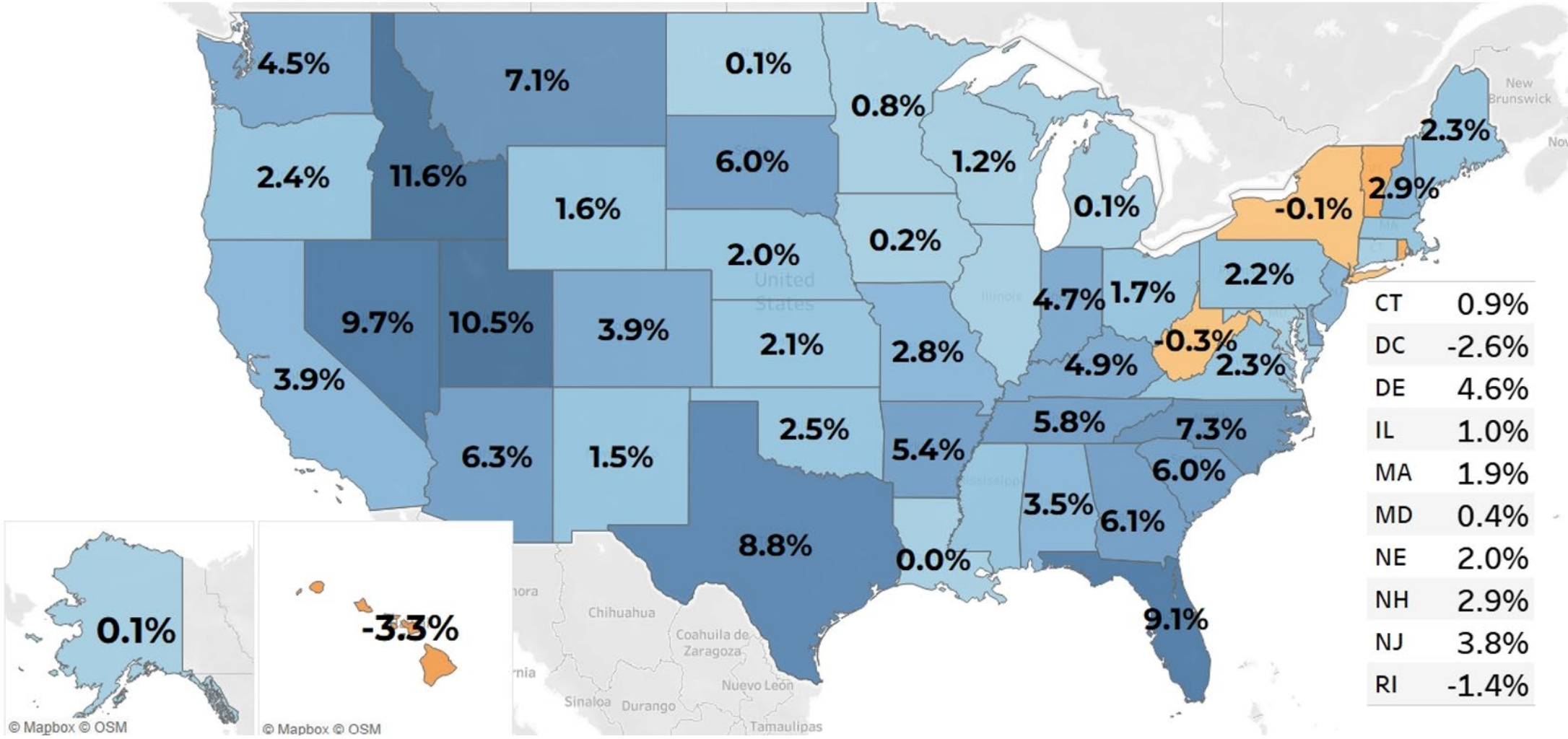
Source: U.S. Treasury

Monthly Job Gains Softening



Source: BLS

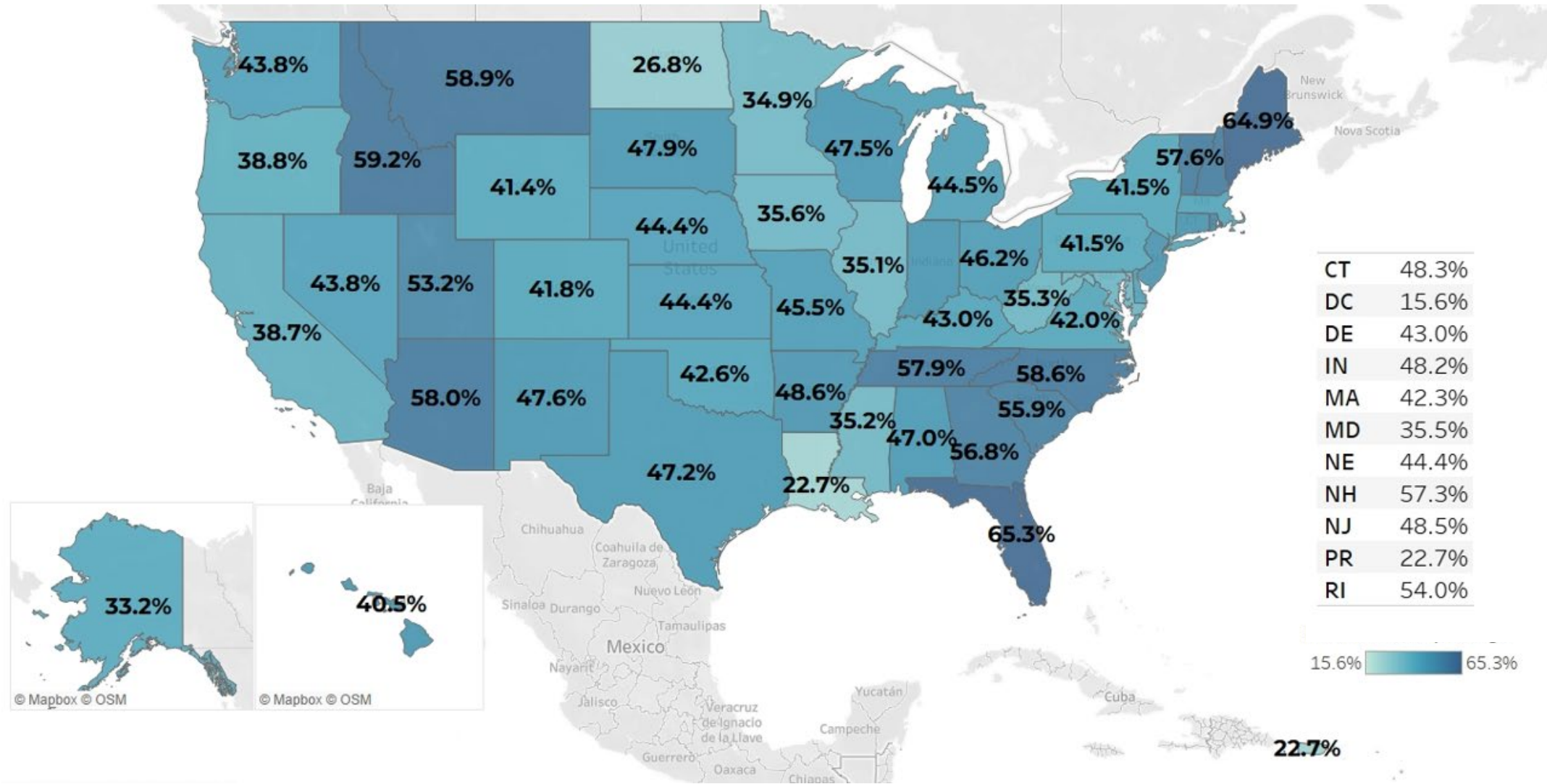
Job Gains Since Pre-COVID Record High Payroll Employment (% change from March 2020 to October 2023)



Source: NAR Analysis of BLS data

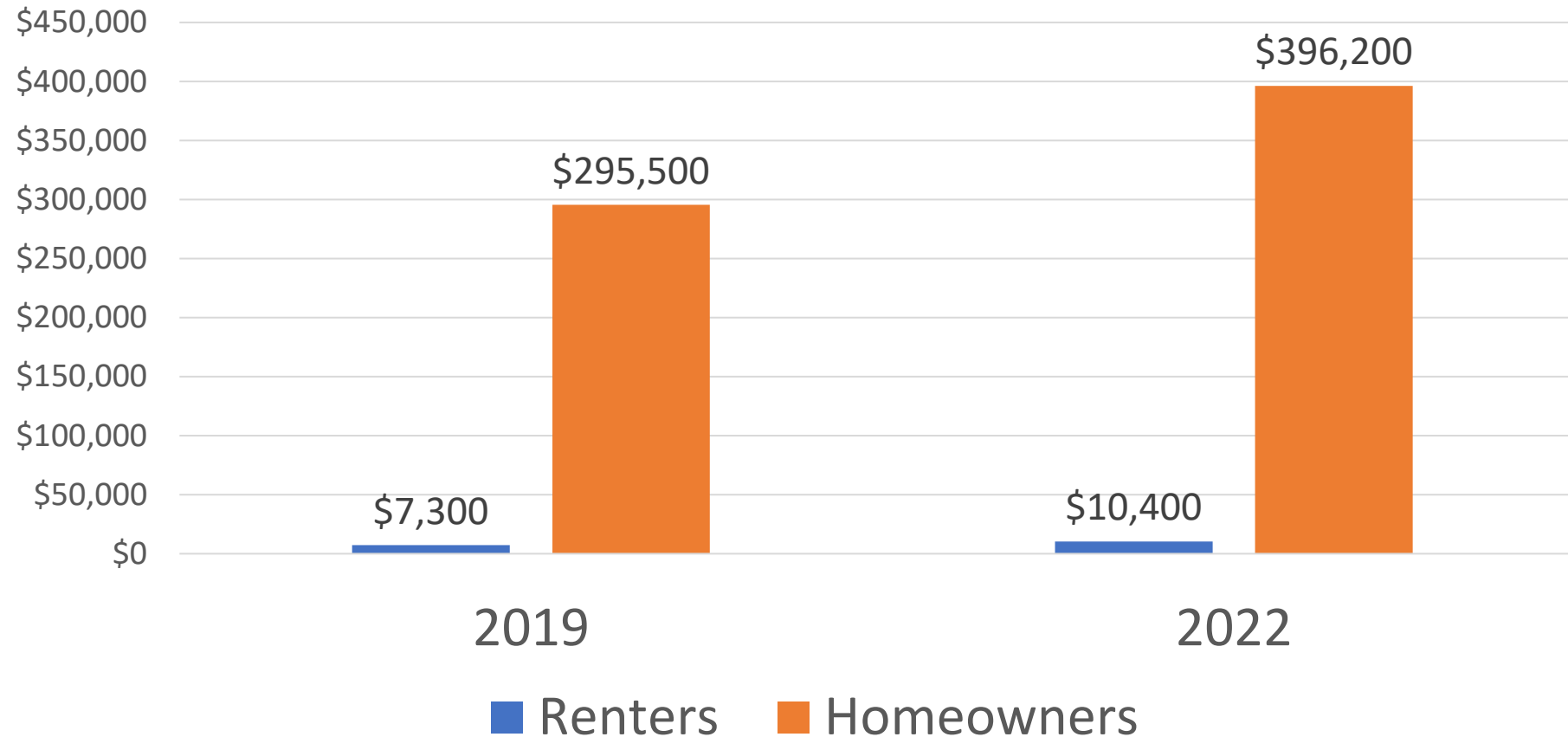
Home Price Appreciation Since COVID Arrival

(% change from 2020 Q1 to 2023 Q3)



Source: NAR Analysis of FHFA Home Price Index

Wealth Comparison Between Owners and Renters

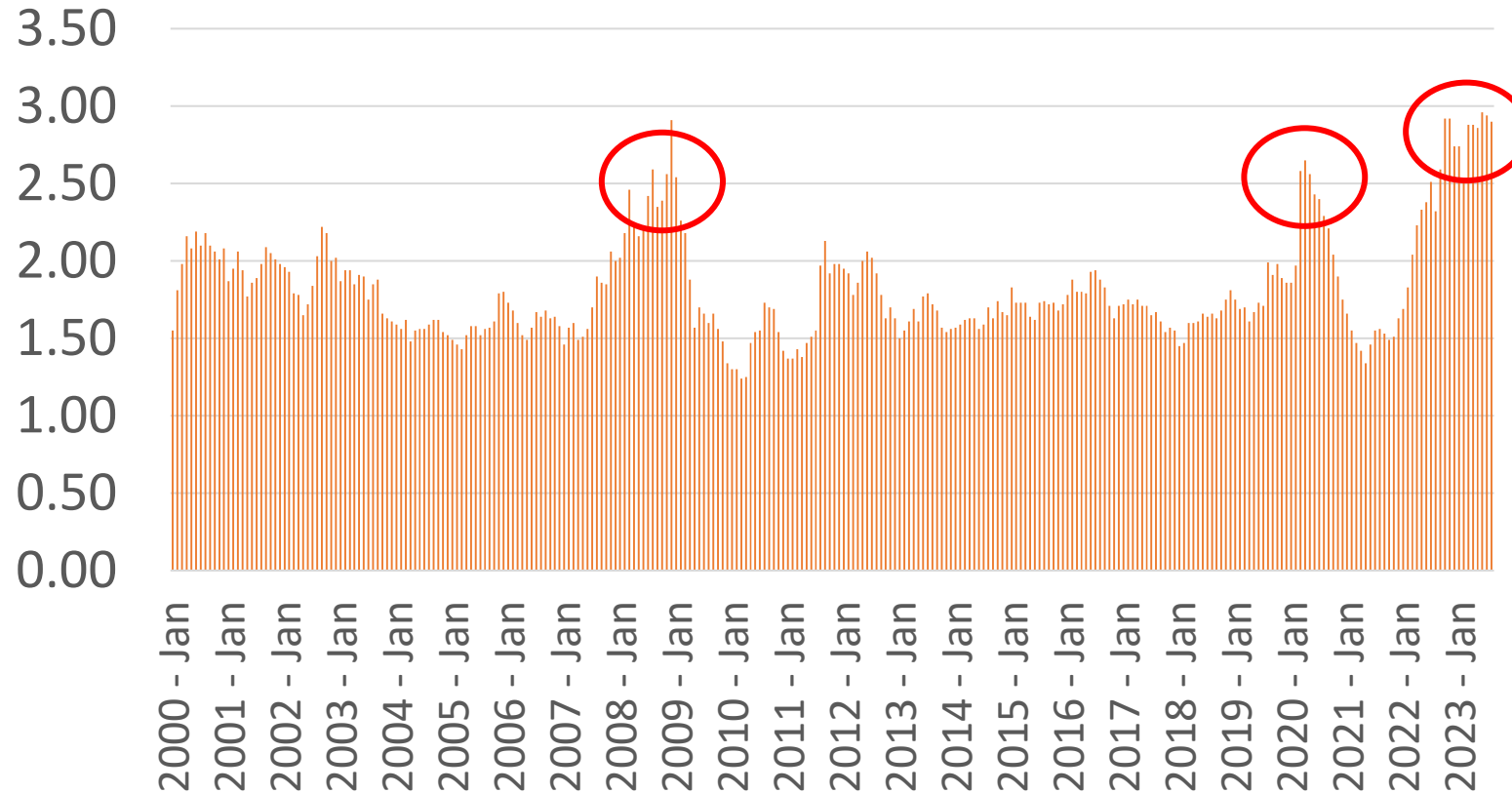


Source: Median Net Worth from Federal Reserve Survey of Consumer Finance

Forecast: 30-year Fixed Rate to average 6.3% in 2024

- 1. Rents will calm down further, which holds down CPI and will make the Fed cut rates 4 times**
- 2. Community banks are suffering from high interest rates ... Special credit line ending in March 2024**
- 3. Spread with government bond will return to normal**

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



Mortgage Rate

**(before the
Fed Rate Cuts)**

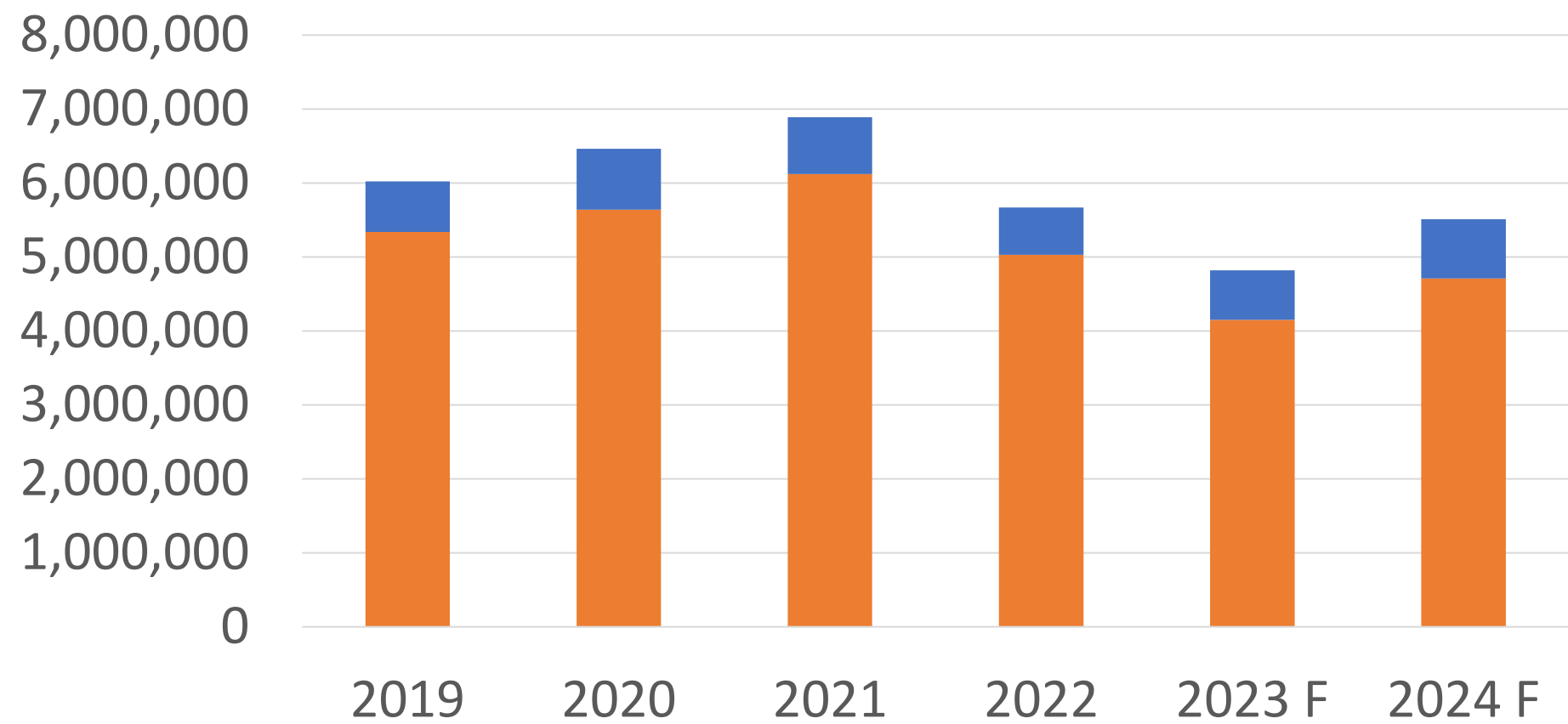
could be

6.1% to 6.6%

Source: NAR Analysis of Interest Rates

Total Home Sales: Bottoming This Year Before Upturn Next Year

New Sales up 19% and Existing-Home Sales up 13%



Source: NAR forecast and HUD



Lower Rates: More Buyers and Potential for More Sellers



Source: NAR

Top Pent-Up Demand Markets

Metros in Midwest/South	Metros in East
Austin-Round Rock-Georgetown	Durham-Chapel Hill
Dallas-Ft. Worth-Arlington	Harrisburg-Carlisle
Houston-Woodlands-Sugar Land	Philadelphia-Camden-Wilmington
Nashville	Portland, ME
Dayton-Kettering	Washington-Arlington-Alexandria

Source: NAR



Risks to First-time Buyers



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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

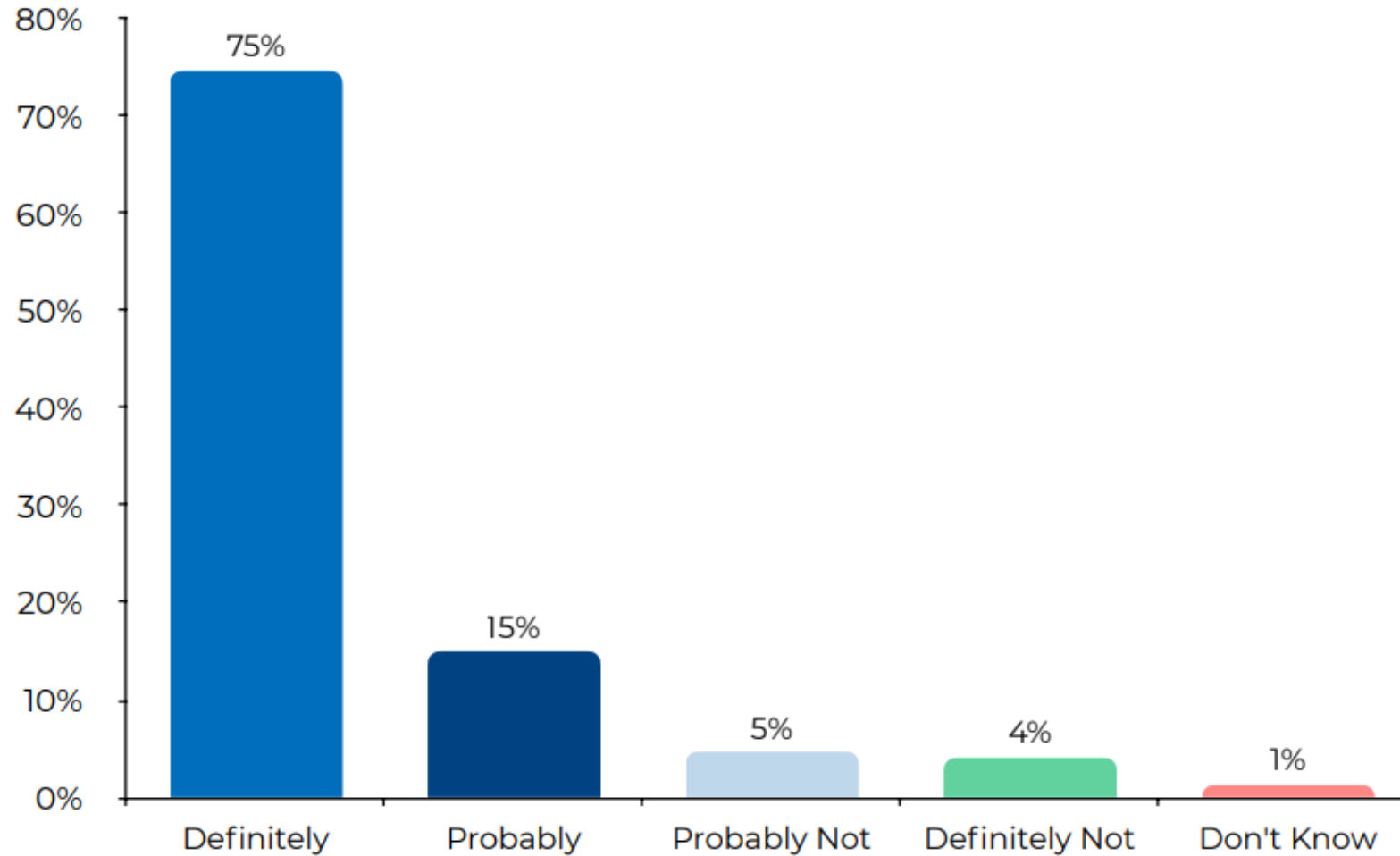
First-time Homebuyer Challenges

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

Would Homebuyer Use the Same Agent Again or Recommend to Others?

(Percentage Distribution)



First-time Home Buyers and Home Sellers

First-time Buyers	% breakout
White	69%
Hispanic	7%
Black	7%
Asian	6%
Mixed/Other	6%

Home Sellers	% breakout
White	89%
Hispanic	5%
Black	4%
Asian	3%
Mixed/Other	2%

Source: NAR Survey of Home Buyers and Home Sellers

THANK YOU



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