

Real Estate and Economic Outlook

Midyear NAR Forecast Summit

July 22, 2024

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Chief Economist

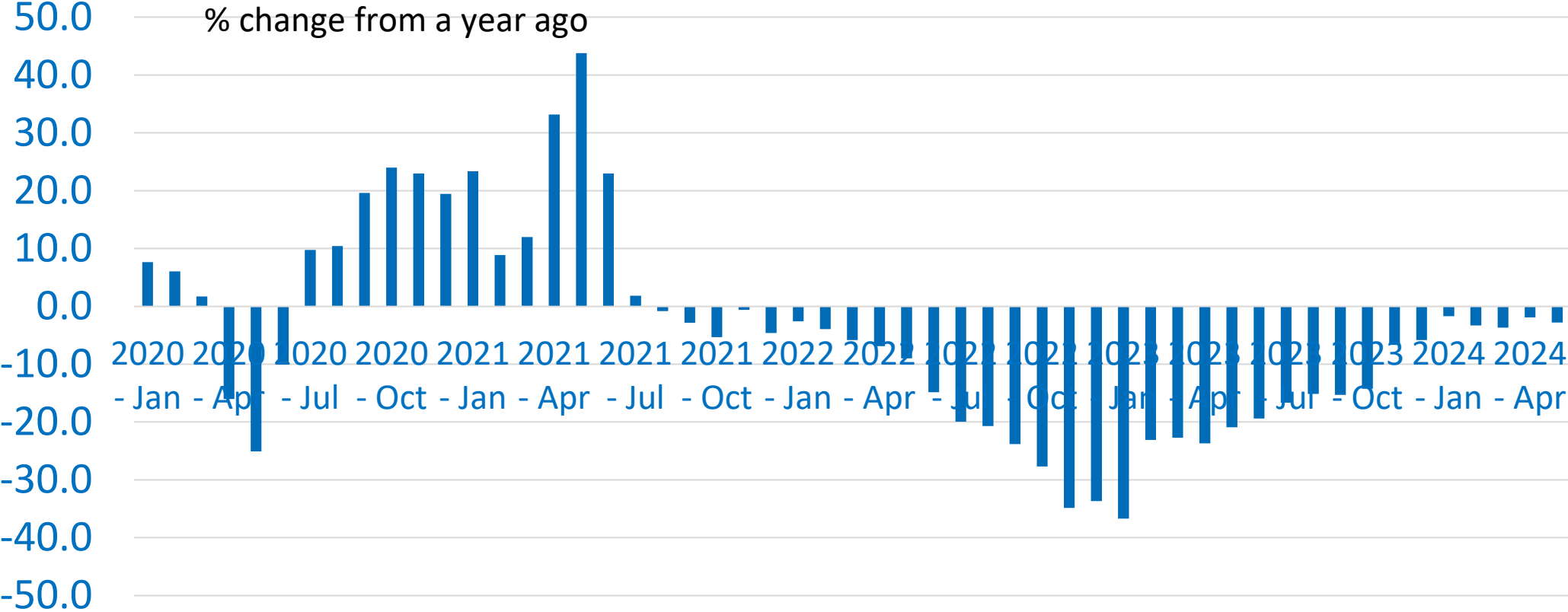
National Association of REALTORS®

Pending Contracts in May .. Worst Ever (since 2001)



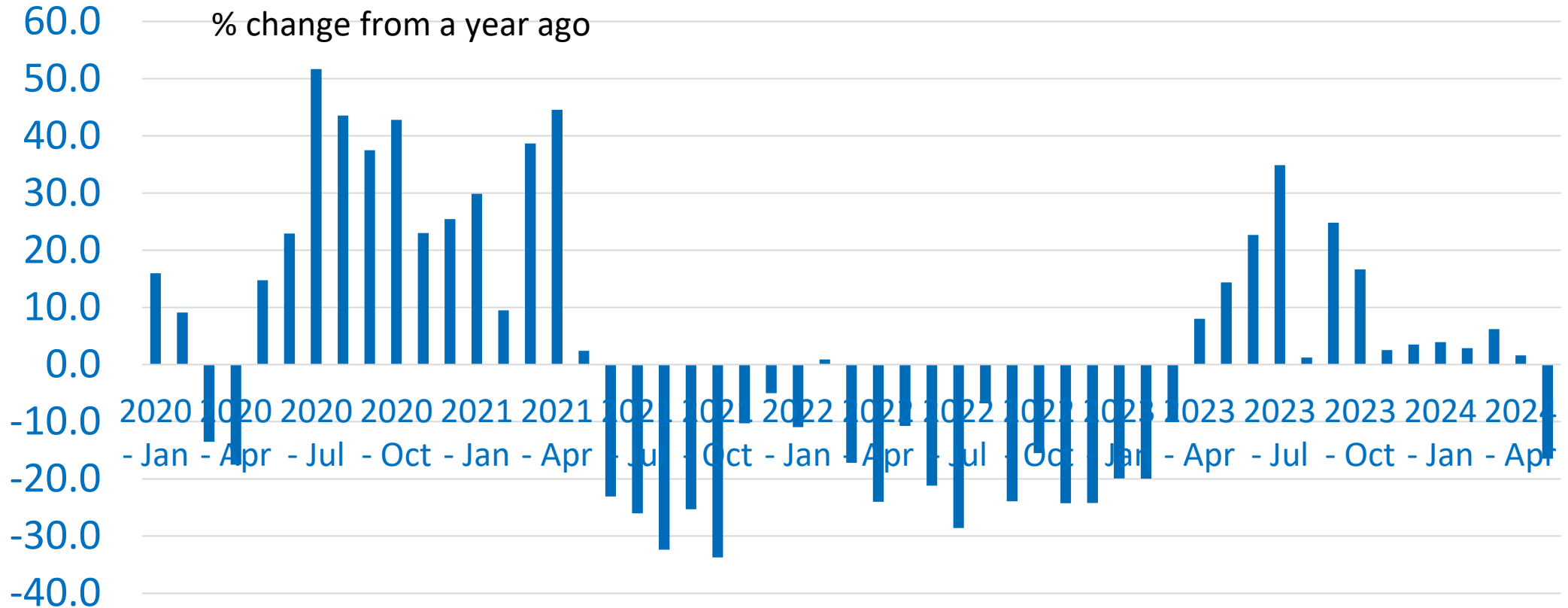
Source: NAR

Existing Home Sales .. Still down from a year ago



Source: NAR

New Home Sales .. Mostly up in recent months



Source: NAR

Home Sales Pre-Covid and Recent Year

| Year | Existing Home Sales | New Home Sales |
|-------------|---------------------|-------------------|
| 2017 | 5.51 m | 613 k |
| 2018 | 5.34 m | 617 k |
| 2019 | 5.34 m | 683 k |
| 2020 | 5.64 m | 822 k |
| 2021 | 6.12 m | 771 k |
| 2022 | 5.03 m | 641 k |
| 2023 | 4.09 m | 666 k |
| 2024 so far | Same as last year | Same as last year |

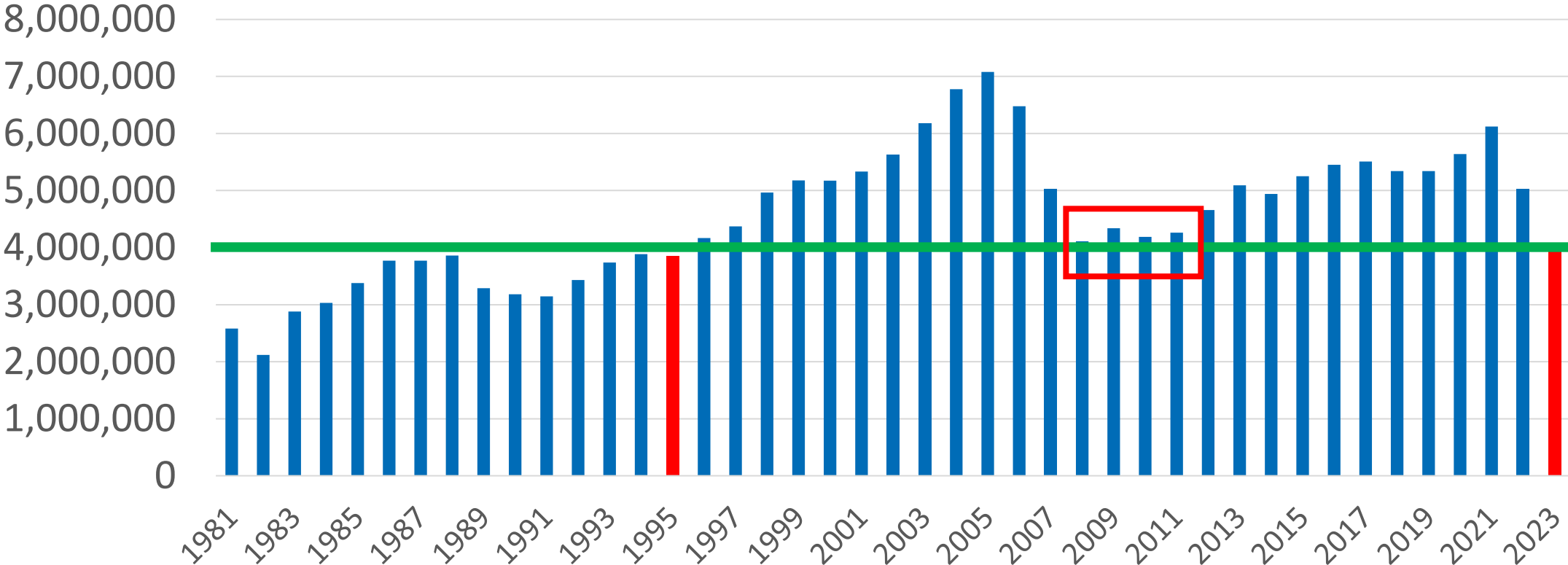
Source: NAR and Census

3 years before and after Covid: Existing vs. New Sales

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Source: NAR and Census

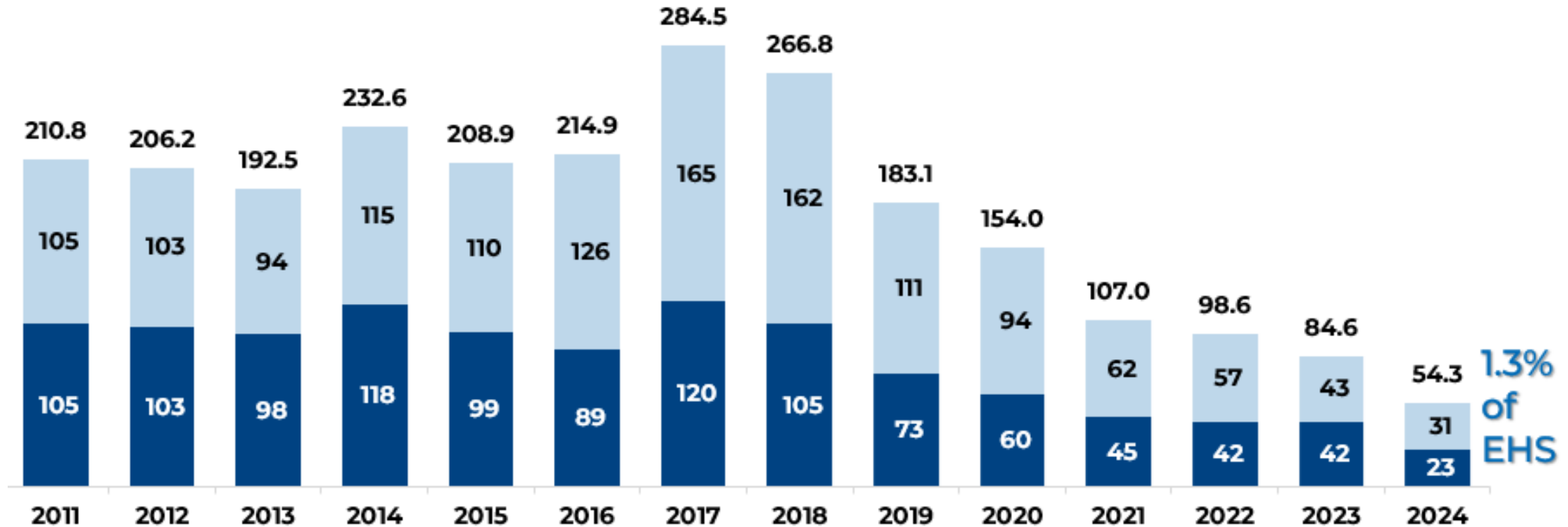
Annual Existing Home Sales: Worst Year since 1995



Source: NAR



International Buyers also Down to Lowest since our tracking from 2009



Source: NAR

Top Origins of Foreign Buyers

1

Canada

13% of foreign buyers
\$5.9B

2

China

11% of foreign buyers
\$7.5B

3

Mexico

11% of foreign buyers
\$2.8B

4

India

10% of foreign buyers
\$4.1B

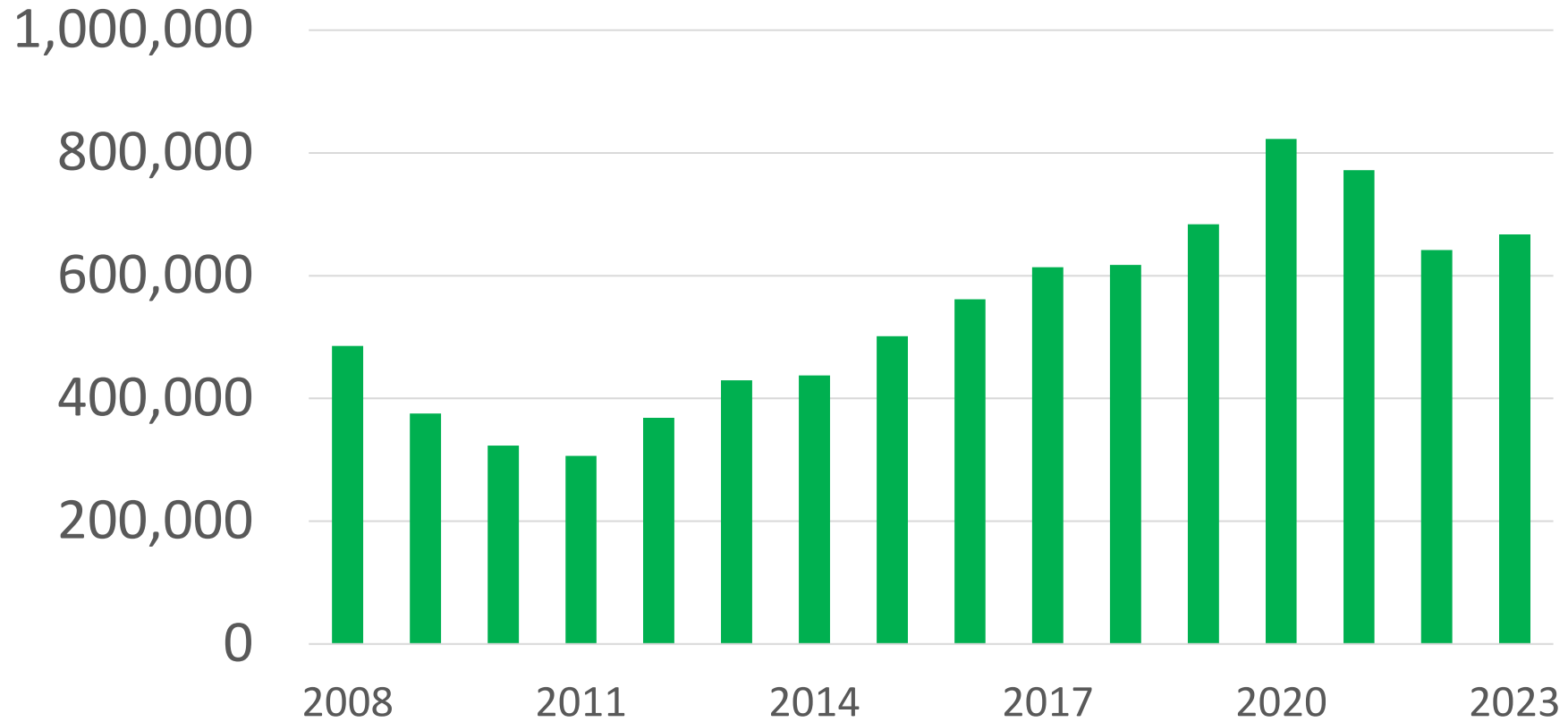
5

Colombia

4% of foreign buyers
\$0.7B

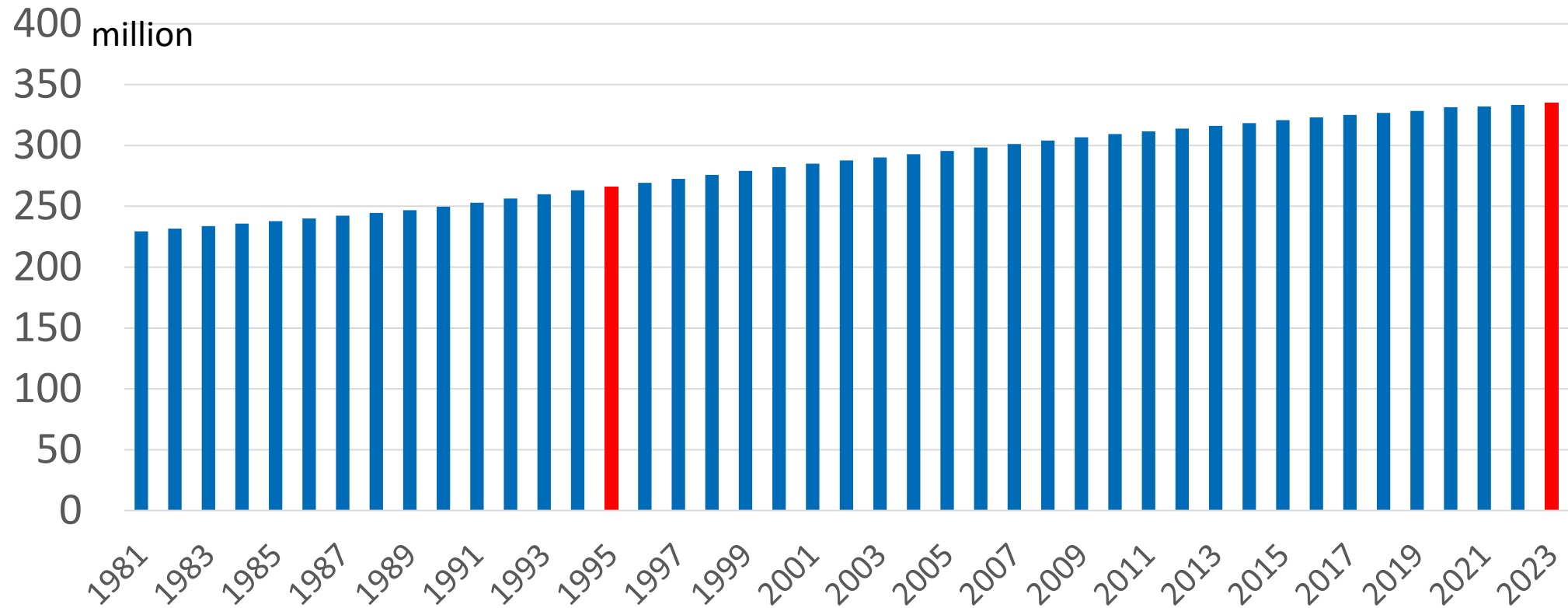
Source: NAR

Annual New Home Sales



Source: Census and HUD

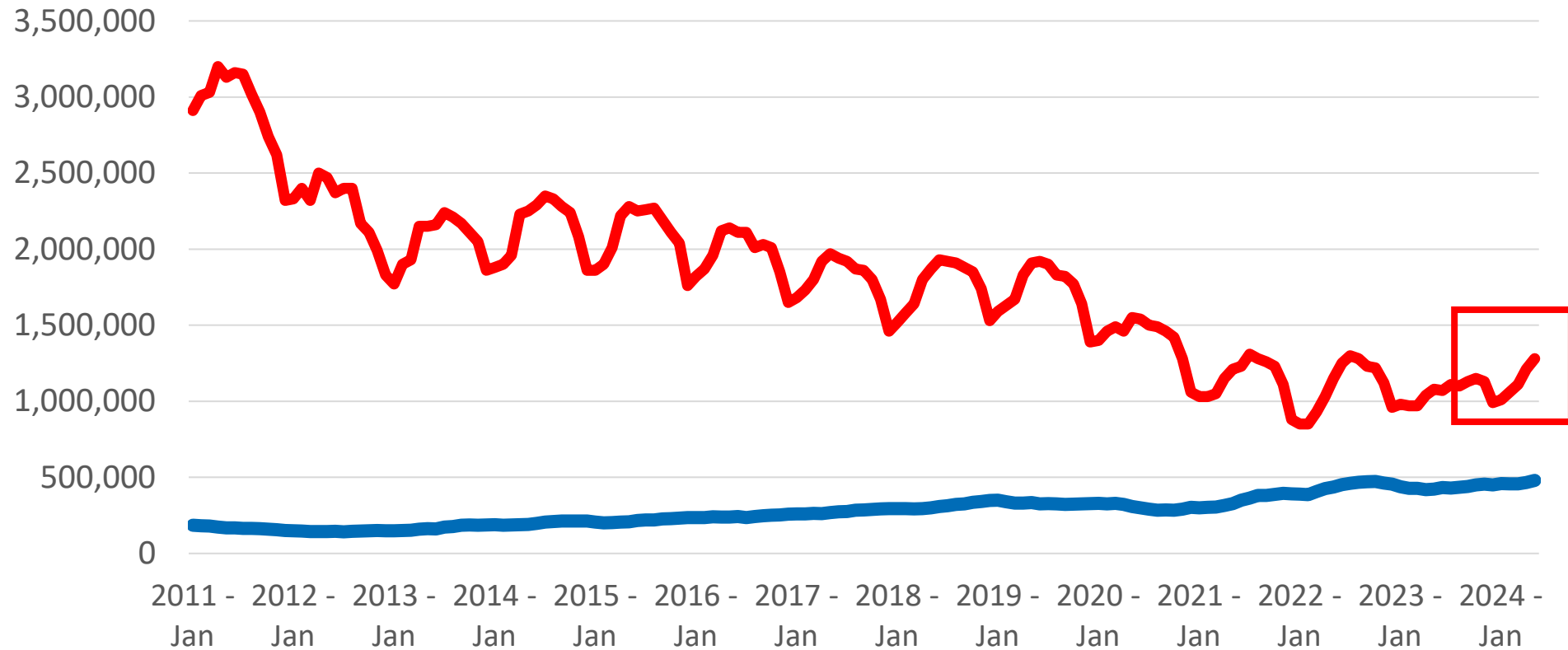
U.S. Population .. 70 million more people



Source: NAR

Inventory of Existing Homes Finally Turning Up

Inventory of New Homes Up and Up



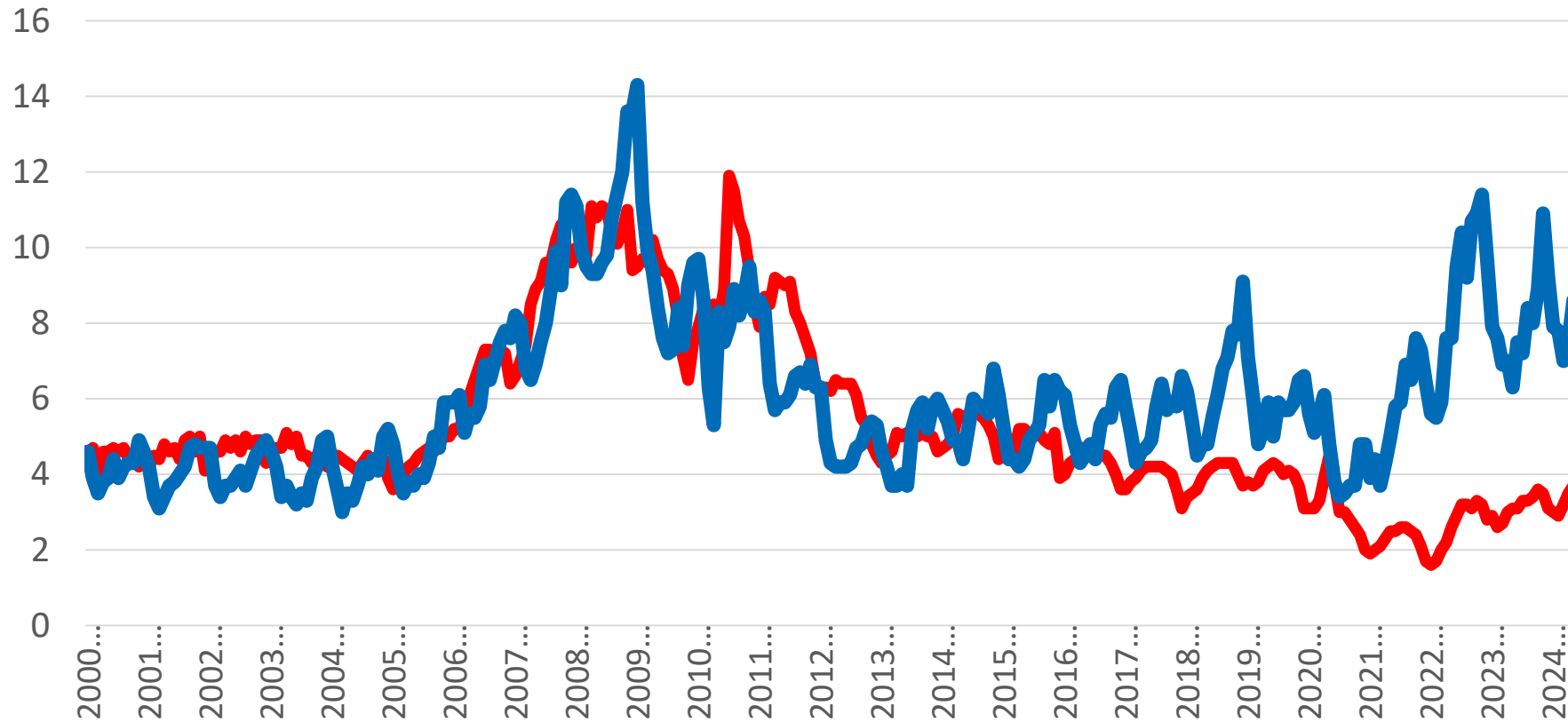
Source: NAR

Delayed Sellers Cannot Wait Longer

What happened over 2 years ... lock-in effect to be less strong over time

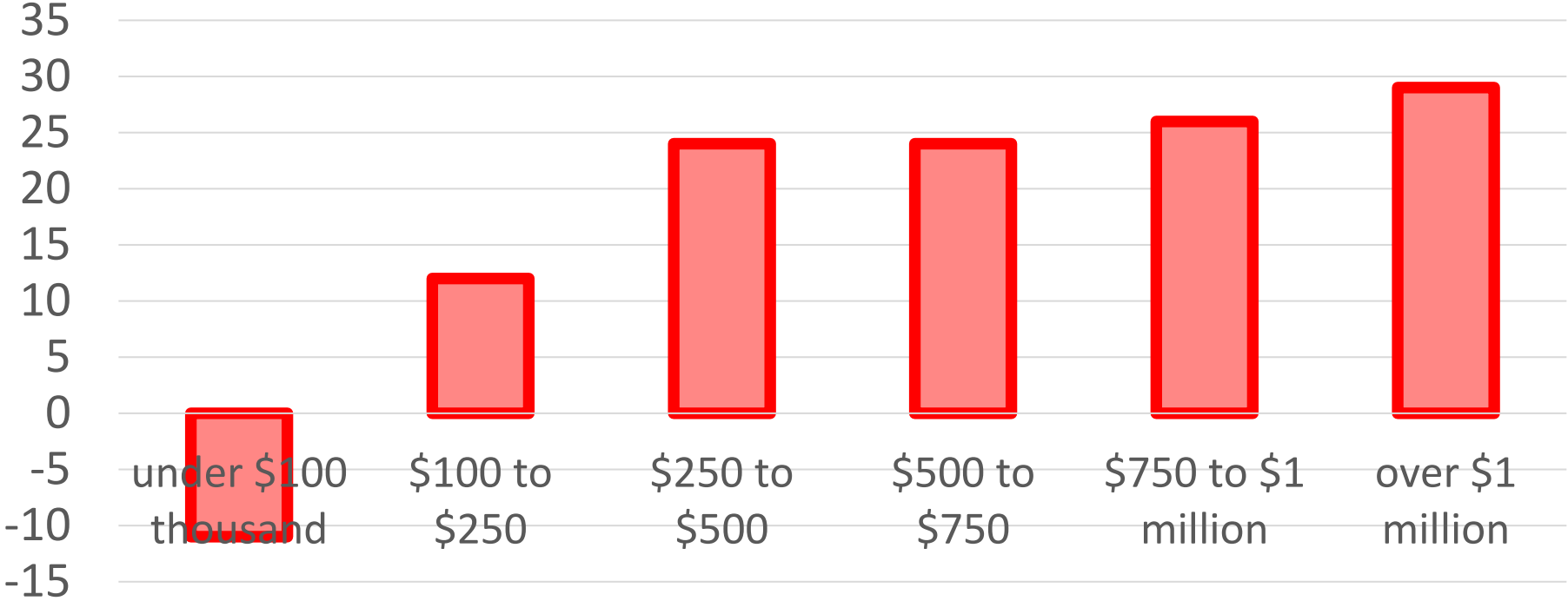
- **7 million new-born babies**
- **3 million marriages**
- **1.5 million divorces**
- **7 million turn 65 years old**
- **4 million deaths**
- **6 million net new jobs**
- **50 million job switches**

Months Supply of Inventory New and Existing



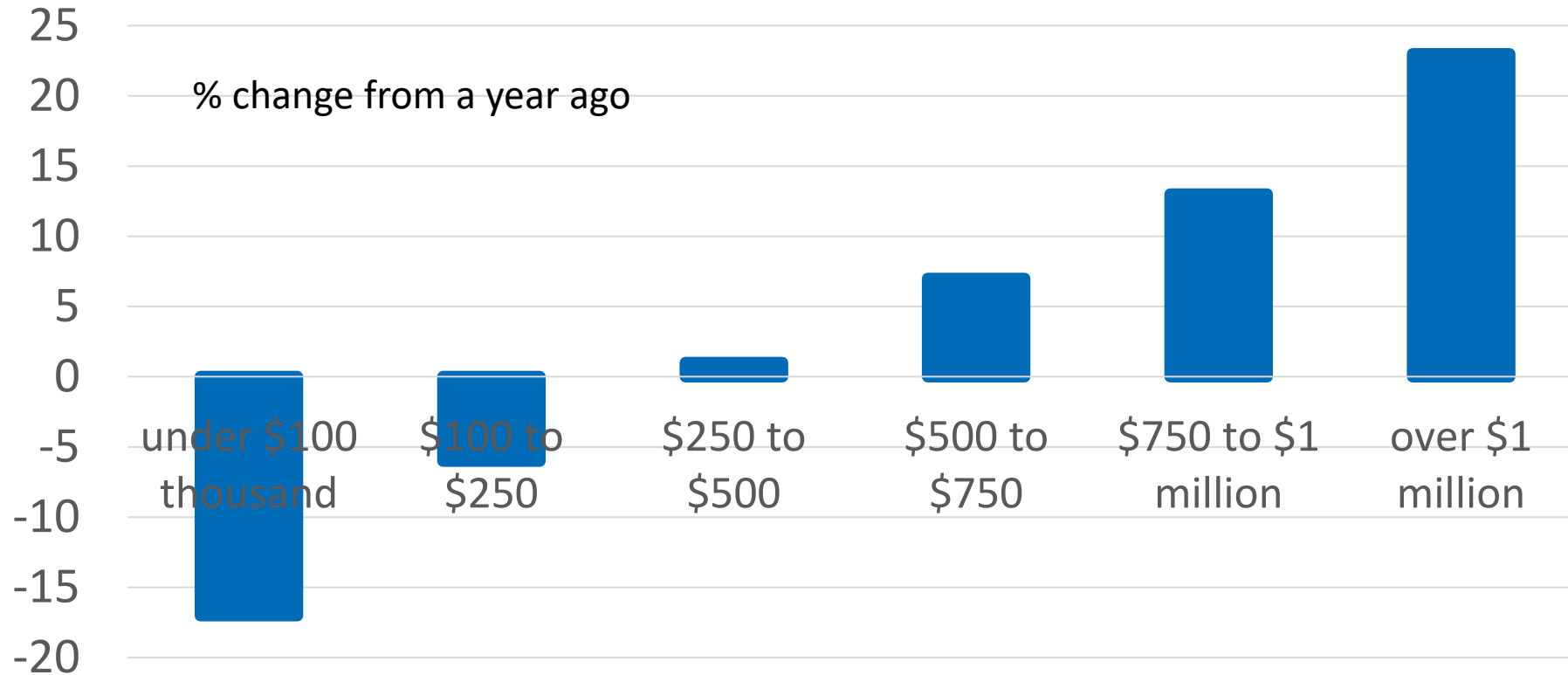
Source: NAR and Census

Inventory of Existing Homes by Price Buckets



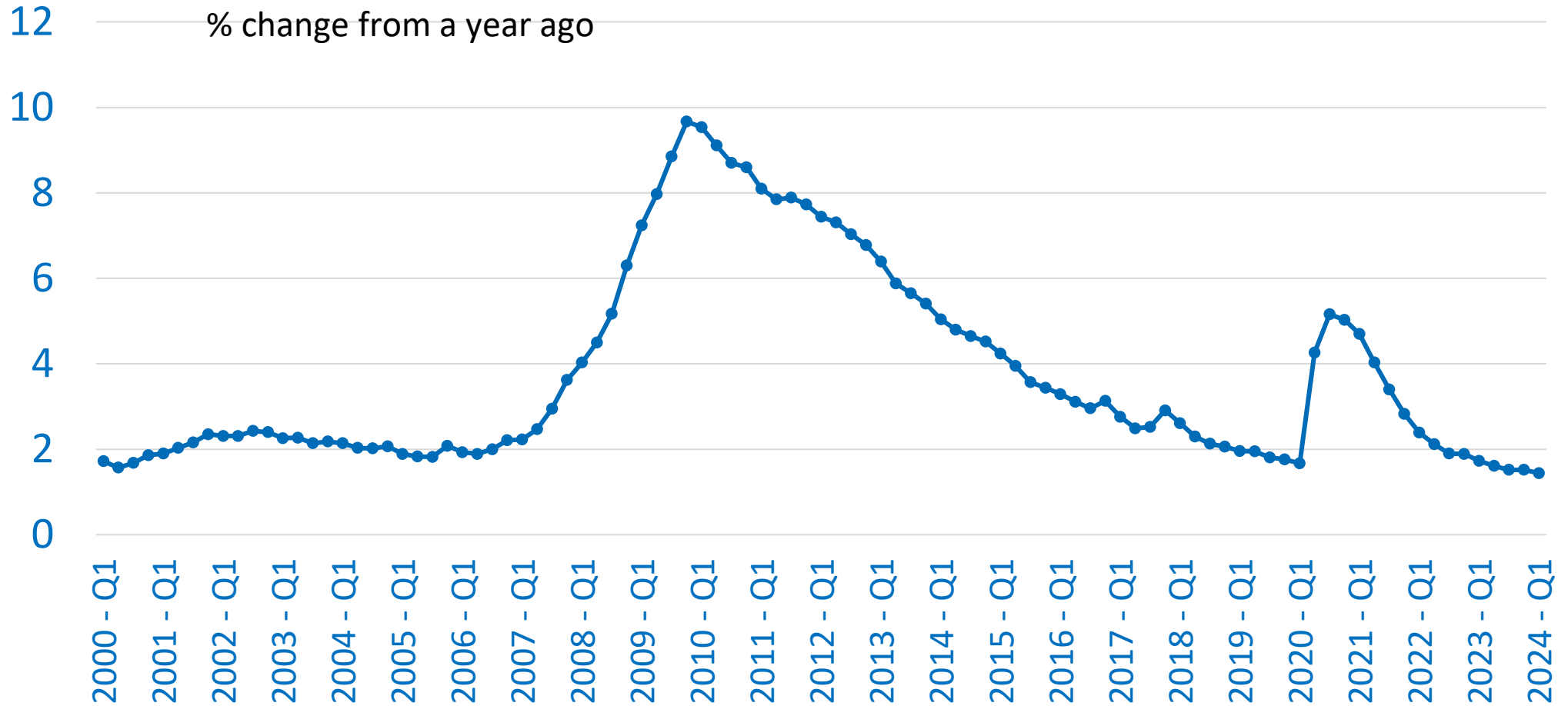
Source: NAR

Home Sales by Price Buckets



Source: NAR

Seriously Delinquent Mortgages



Source: MBA

The Larger Price Cuts the Longer the Days on Market (June 2024)

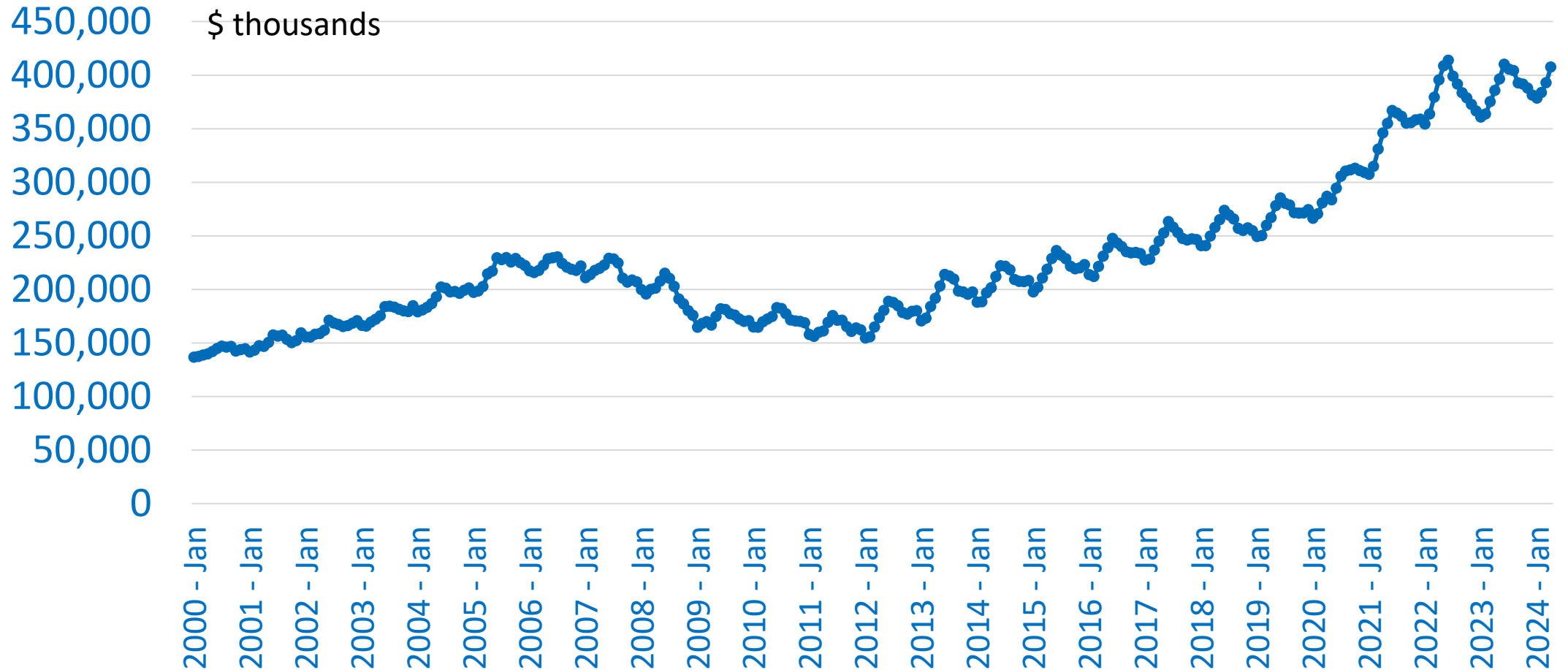
| Days on Market | Price cut on Pending | Price cut on Closing |
|----------------|----------------------|----------------------|
| 0 to 14 | 4.0% | 4.8% |
| 15 to 21 | 4.1% | 5.3% |
| 22 to 30 | 4.3% | 5.9% |
| 31 to 60 | 4.9% | 6.8% |
| 61 to 90` | 6.0% | 8.3% |
| 91 to 120 | 6.9% | 9.6% |
| 120 + | 9.1% | 12.2% |

Source: NAR

Happy Homeowners

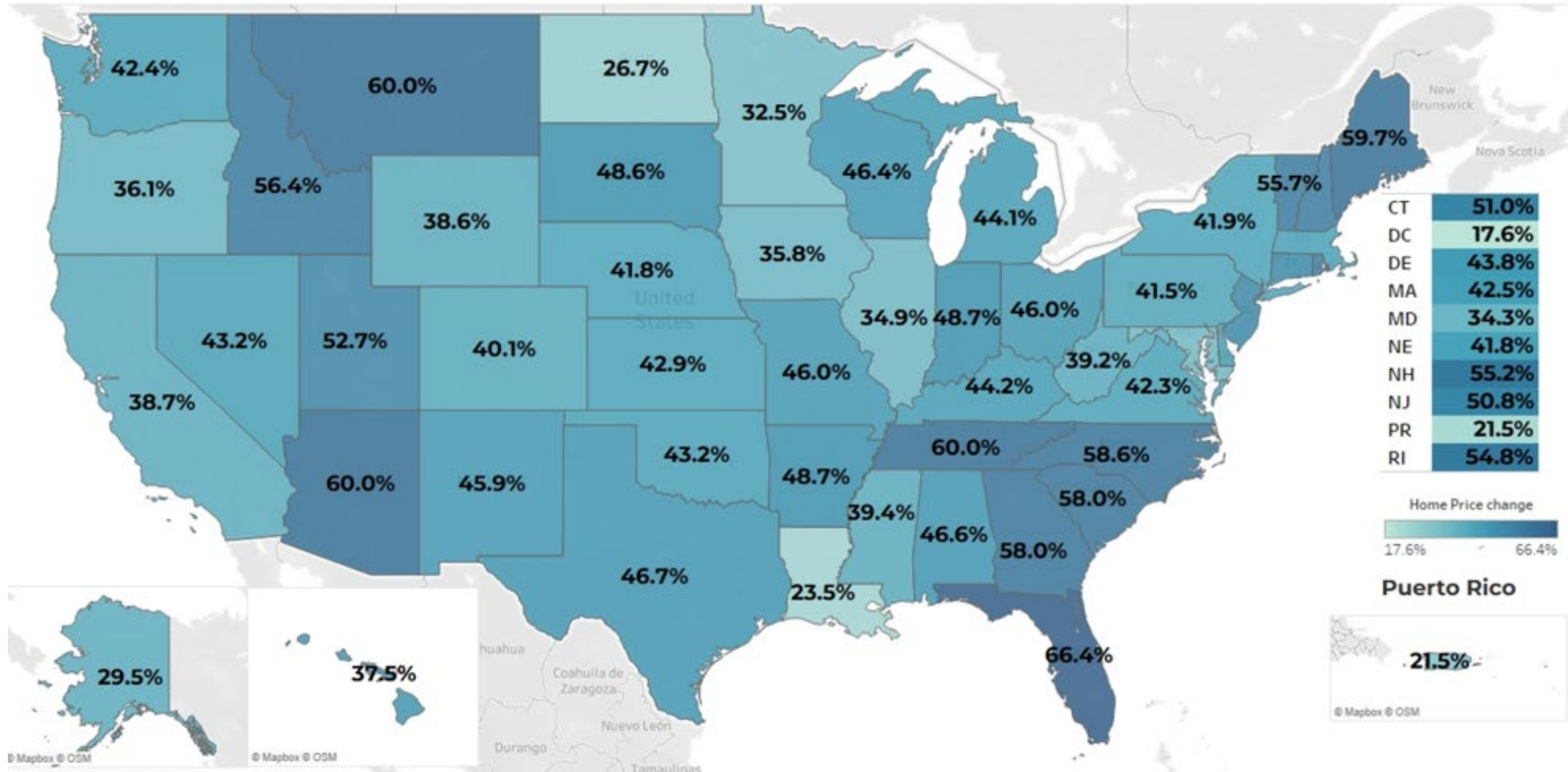
Unhappy Young Homebuyers

Median Home Price



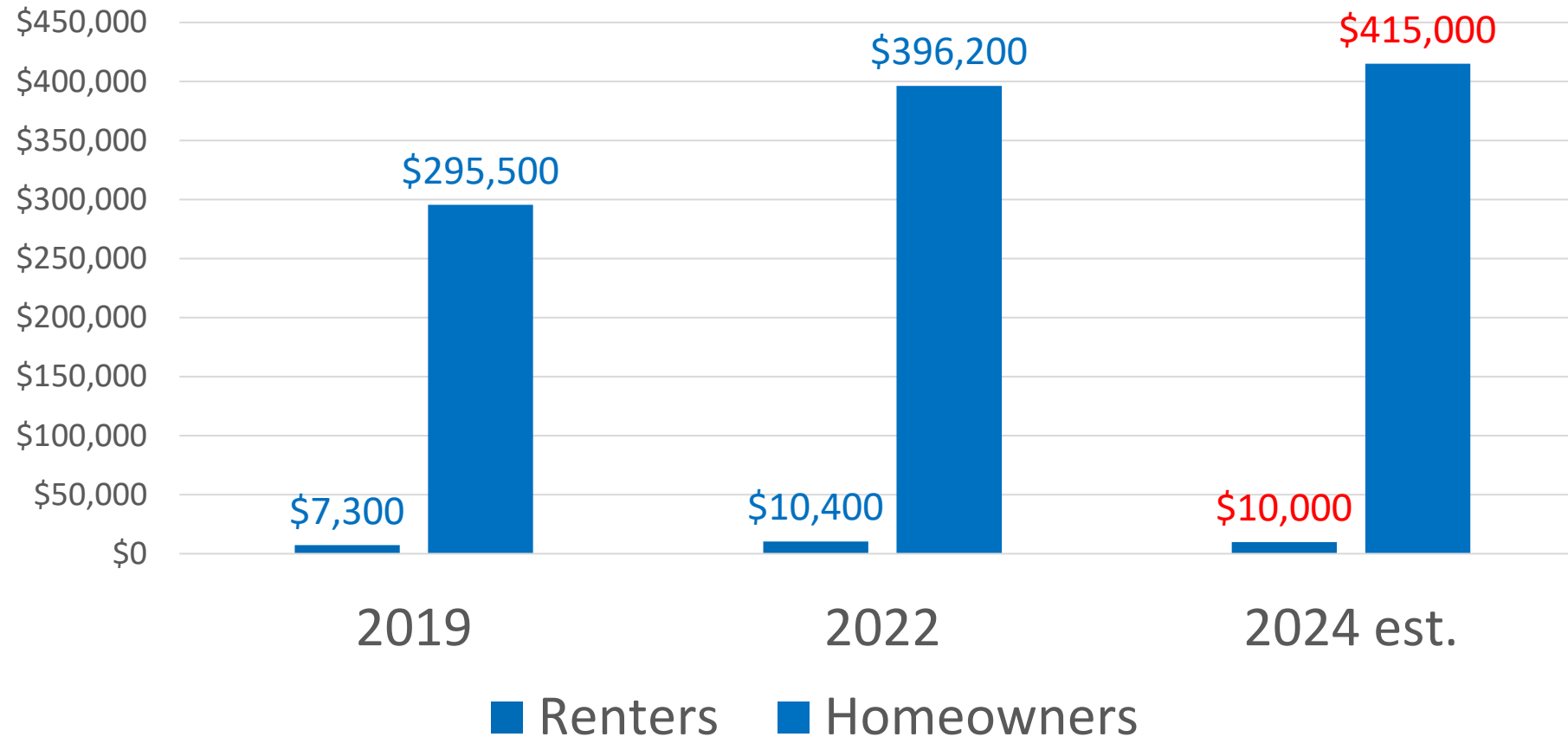
Source: NAR

Home Price Appreciation from Pre-Covid



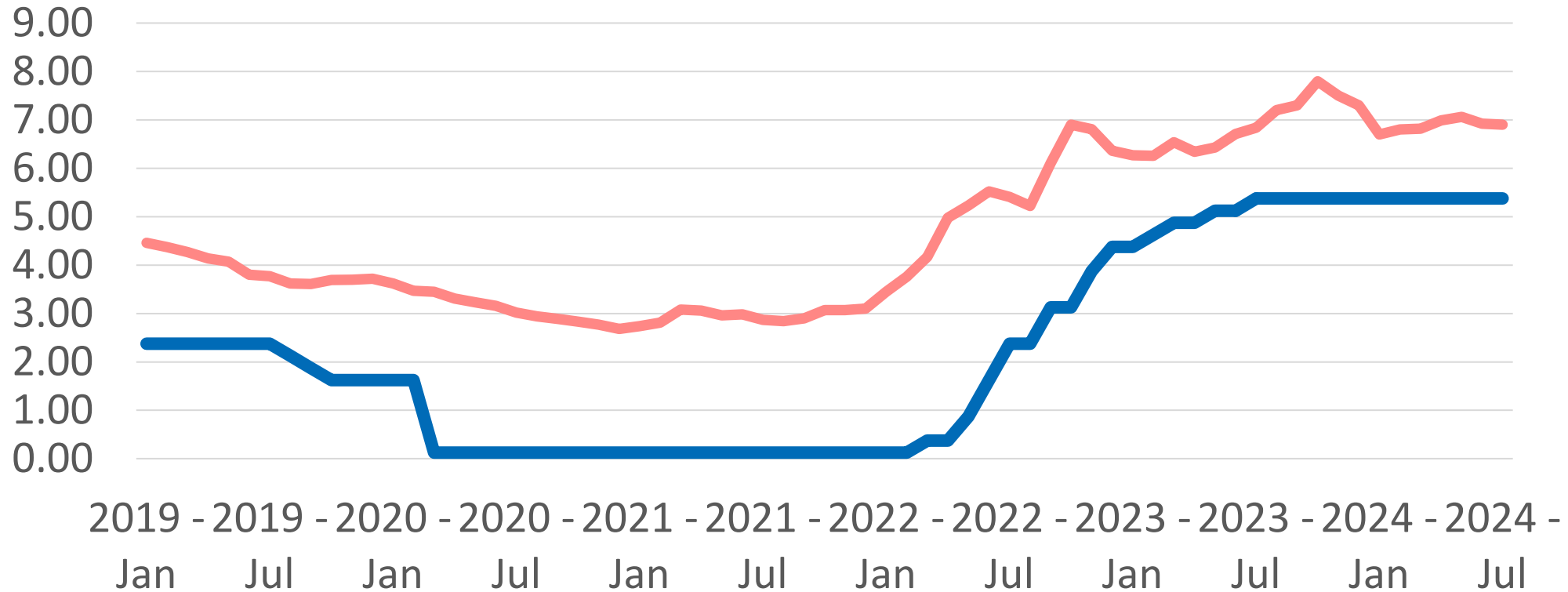
Source: FHFA

Wealth Comparison between Owners and Renters



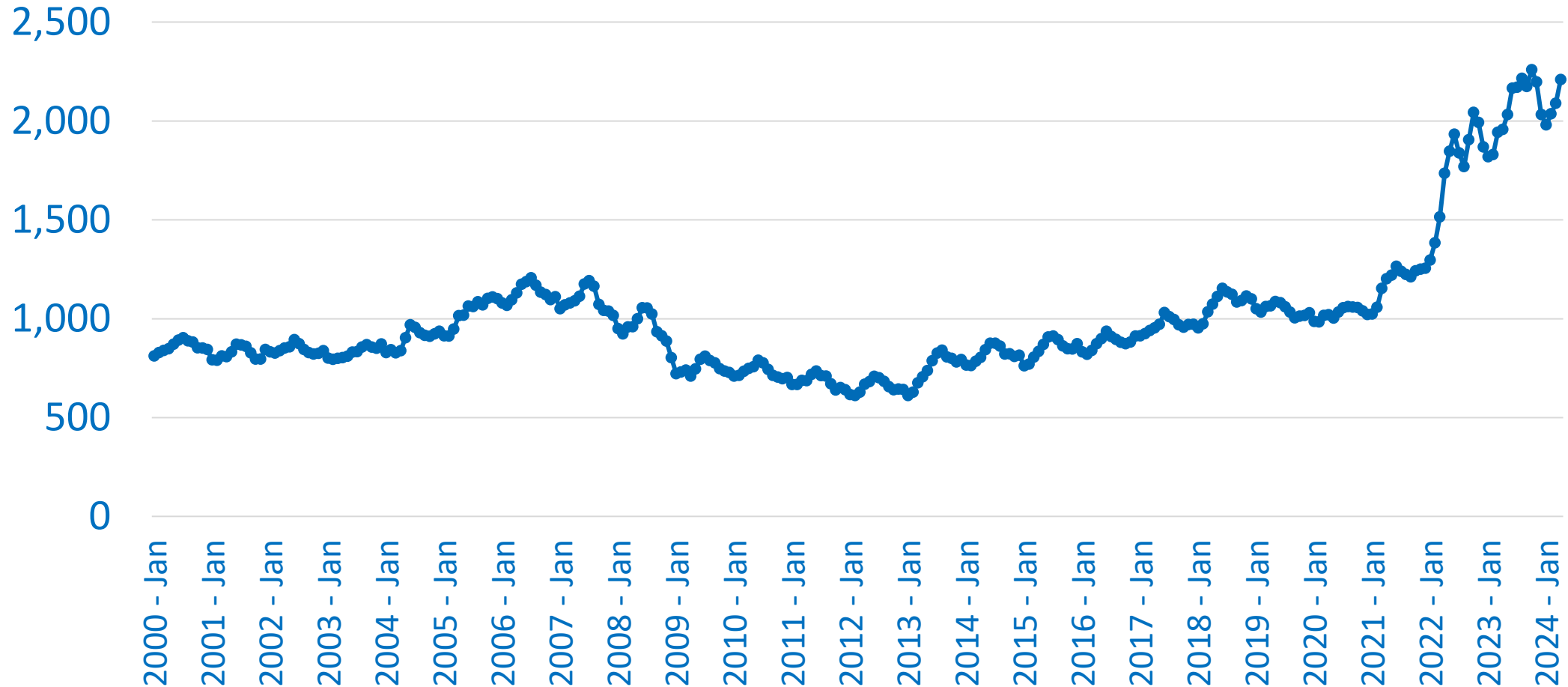
Source: Median Net Worth from Federal Reserve Survey of Consumer Finance

30-year Mortgage and Fed Funds Rate ... High Rate Environment



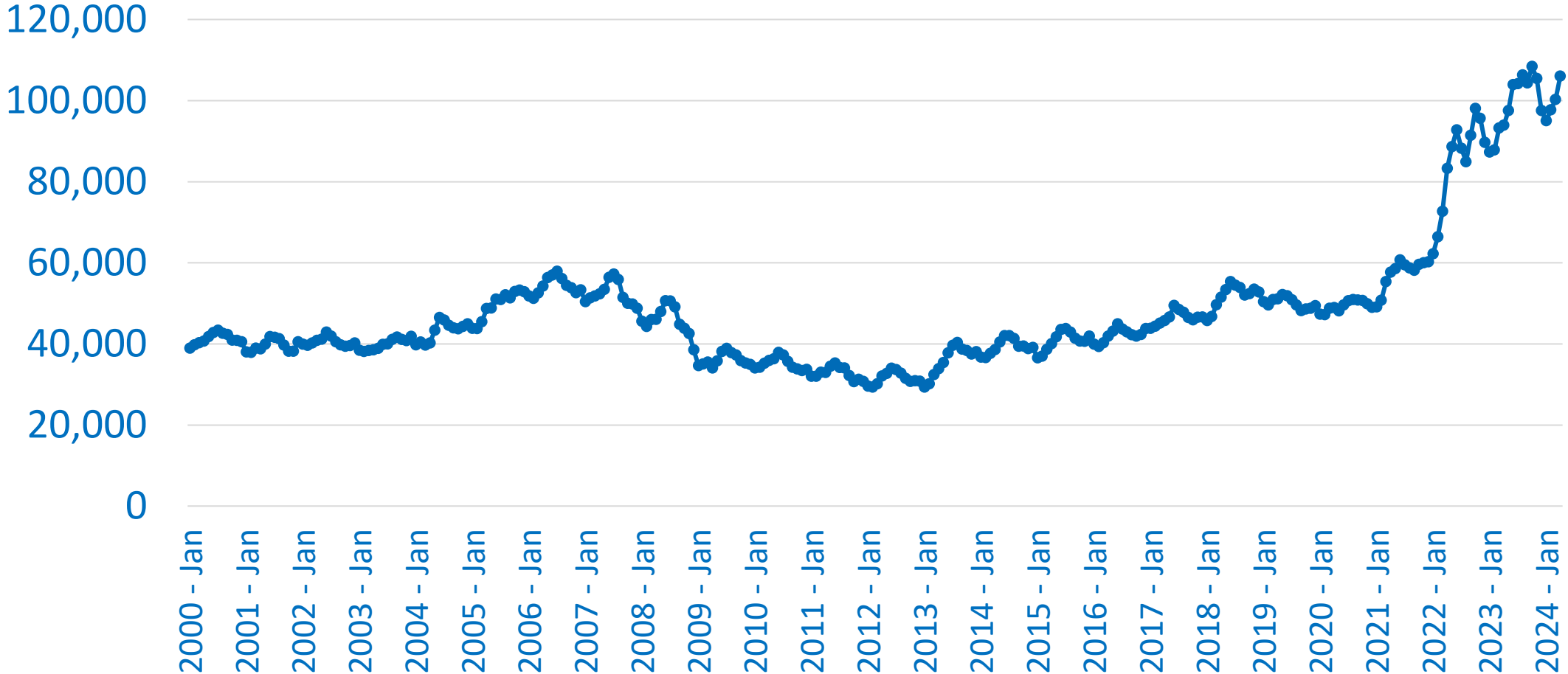
Source: U.S. Treasury and Federal Reserve

Monthly Payment to Buy Median Priced Home



Source: NAR

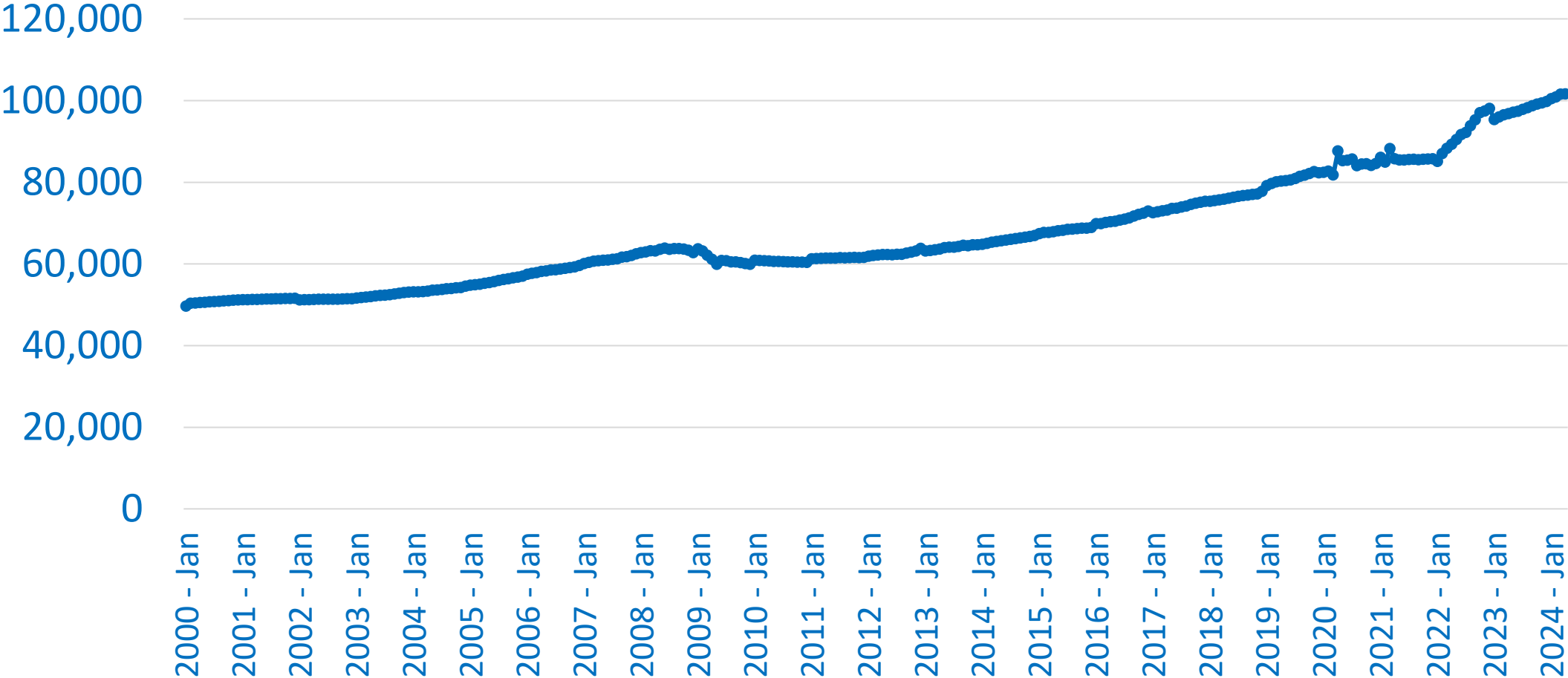
Income Required to Buy Median Priced Home



Source: NAR

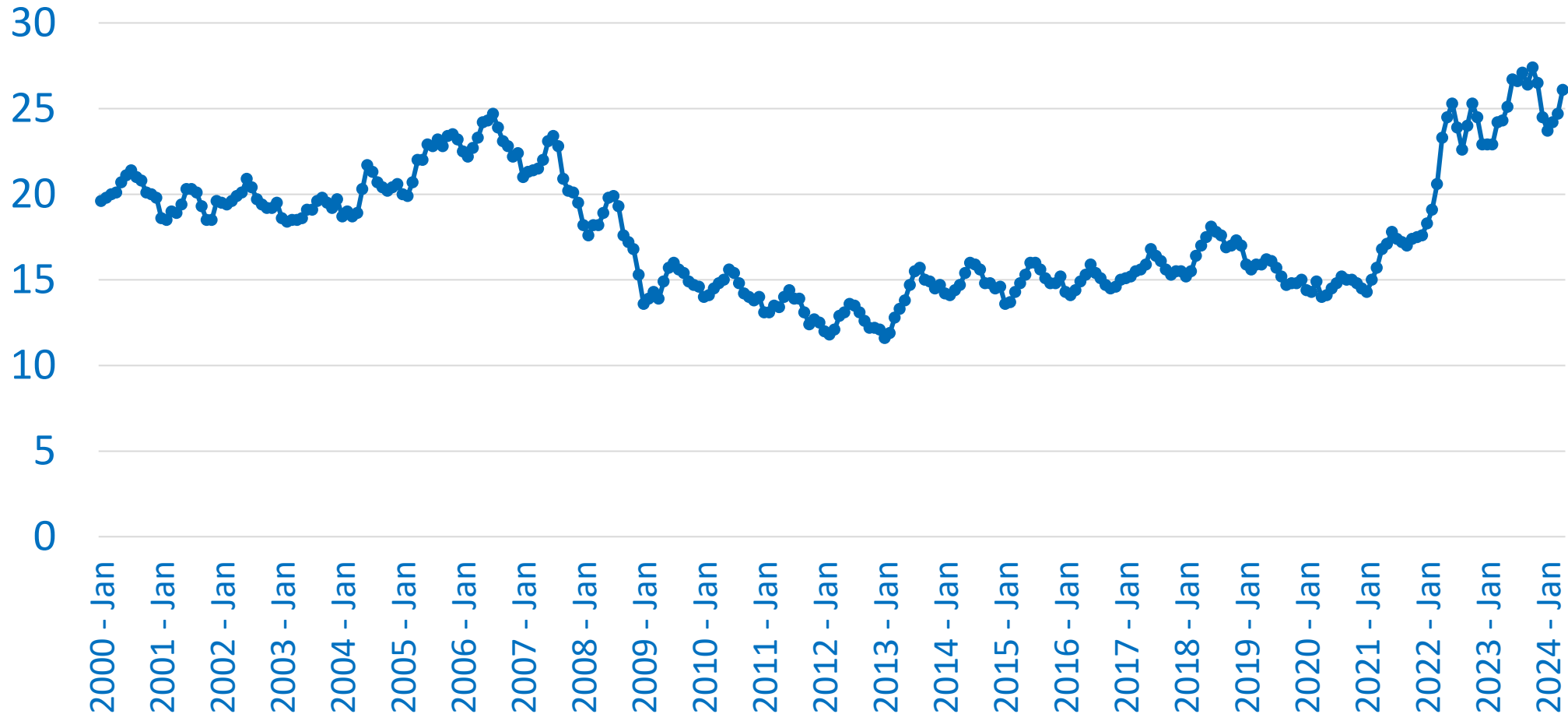


Median Family Income



Source: NAR

% of income for mortgage payment

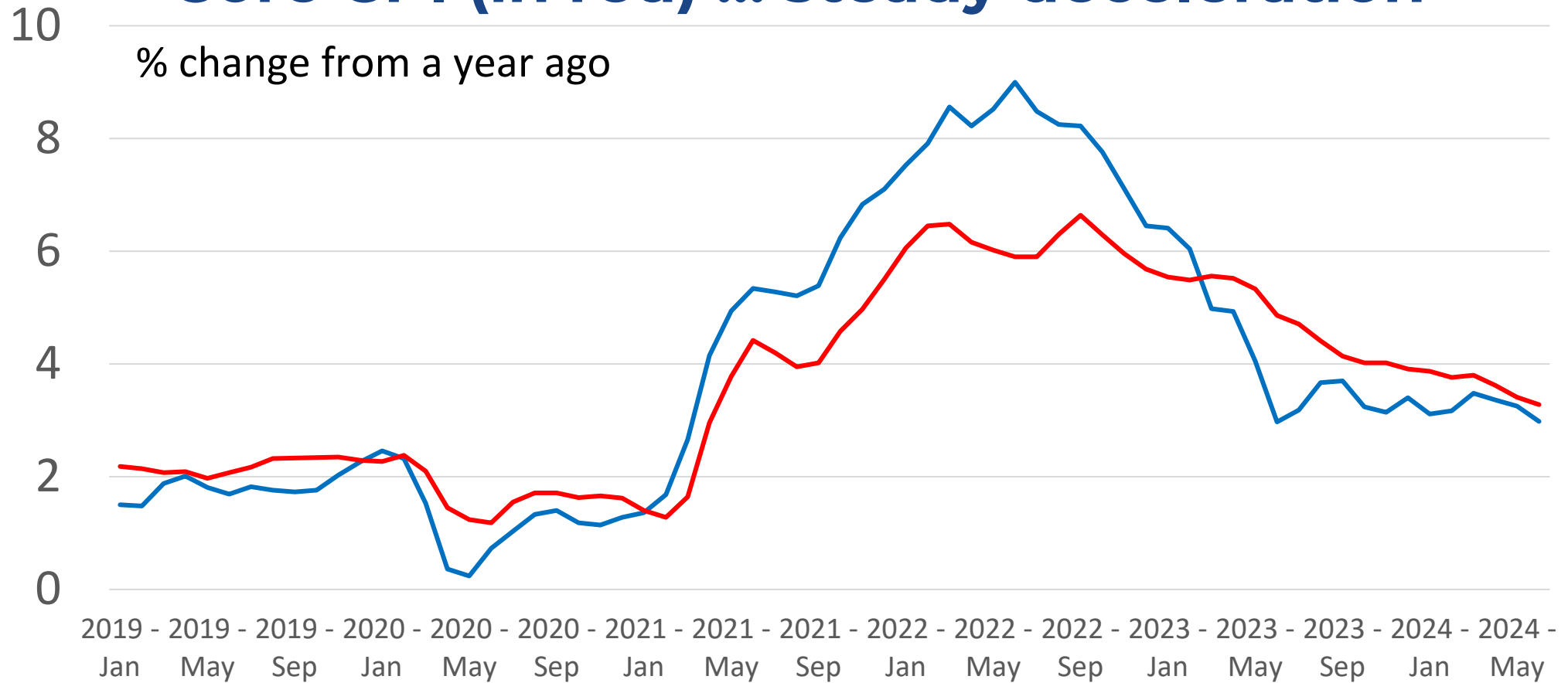


Source: NAR

Fed is waiting for CPI to reach 2%

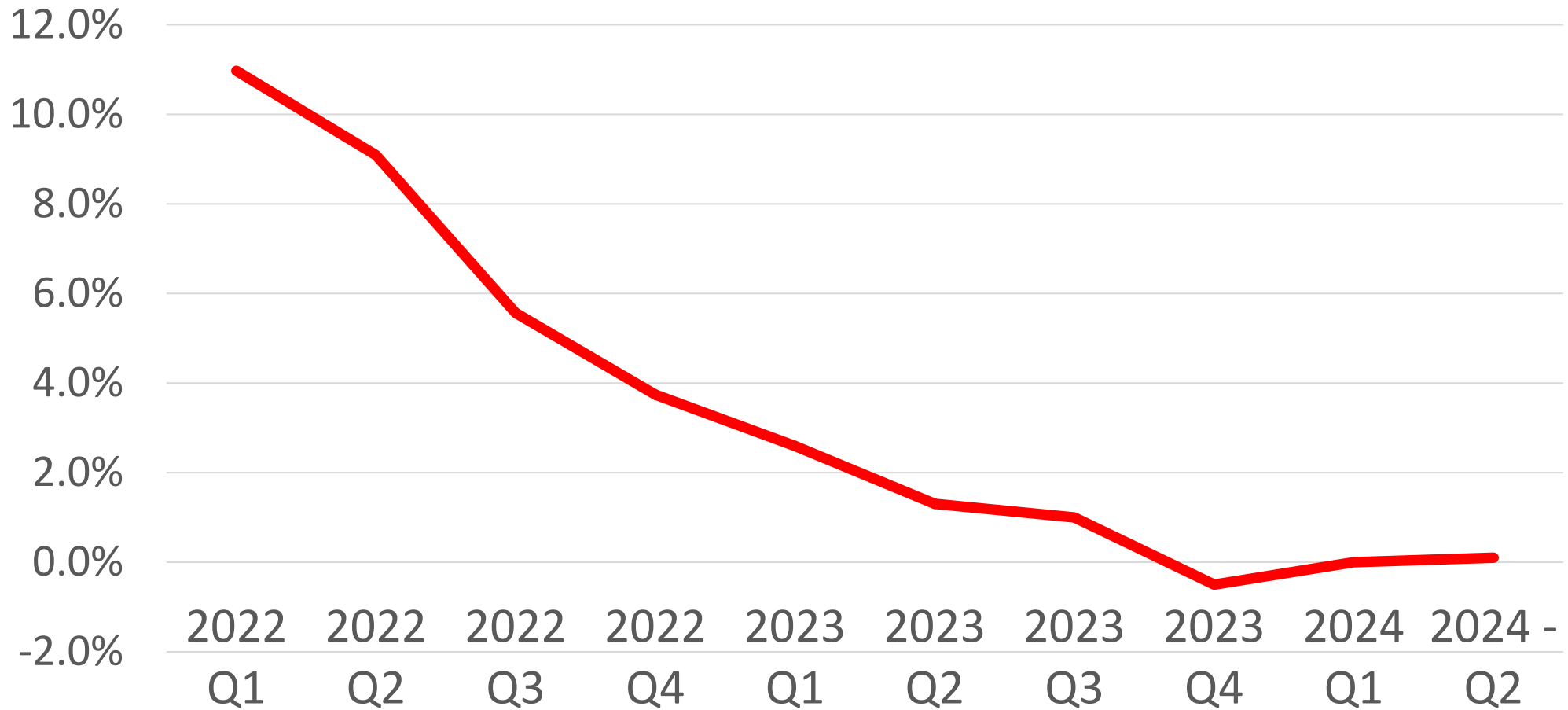
CPI ... 3.0% in June

Core CPI (in red) ... steady deceleration



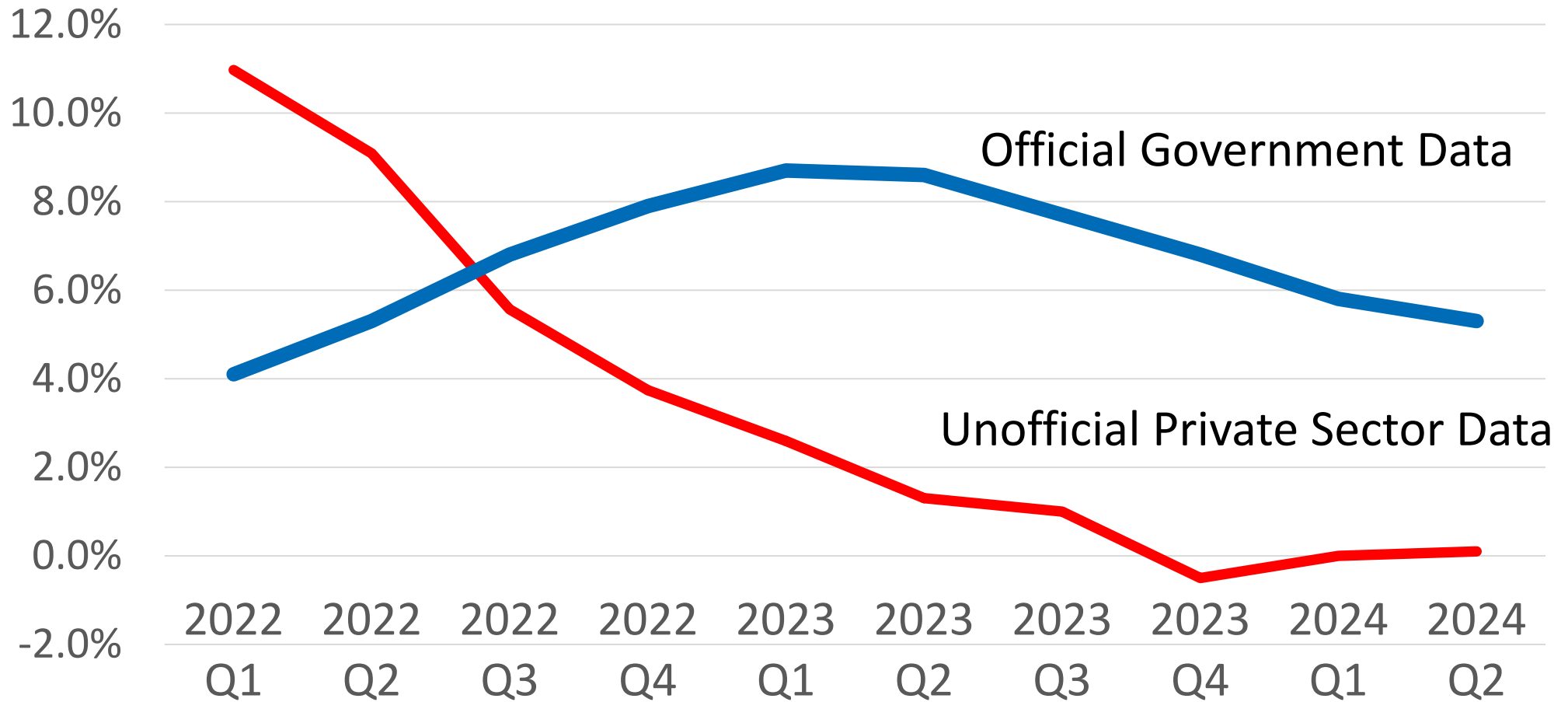
Source: BLS

Rents no longer Rising in private sector data



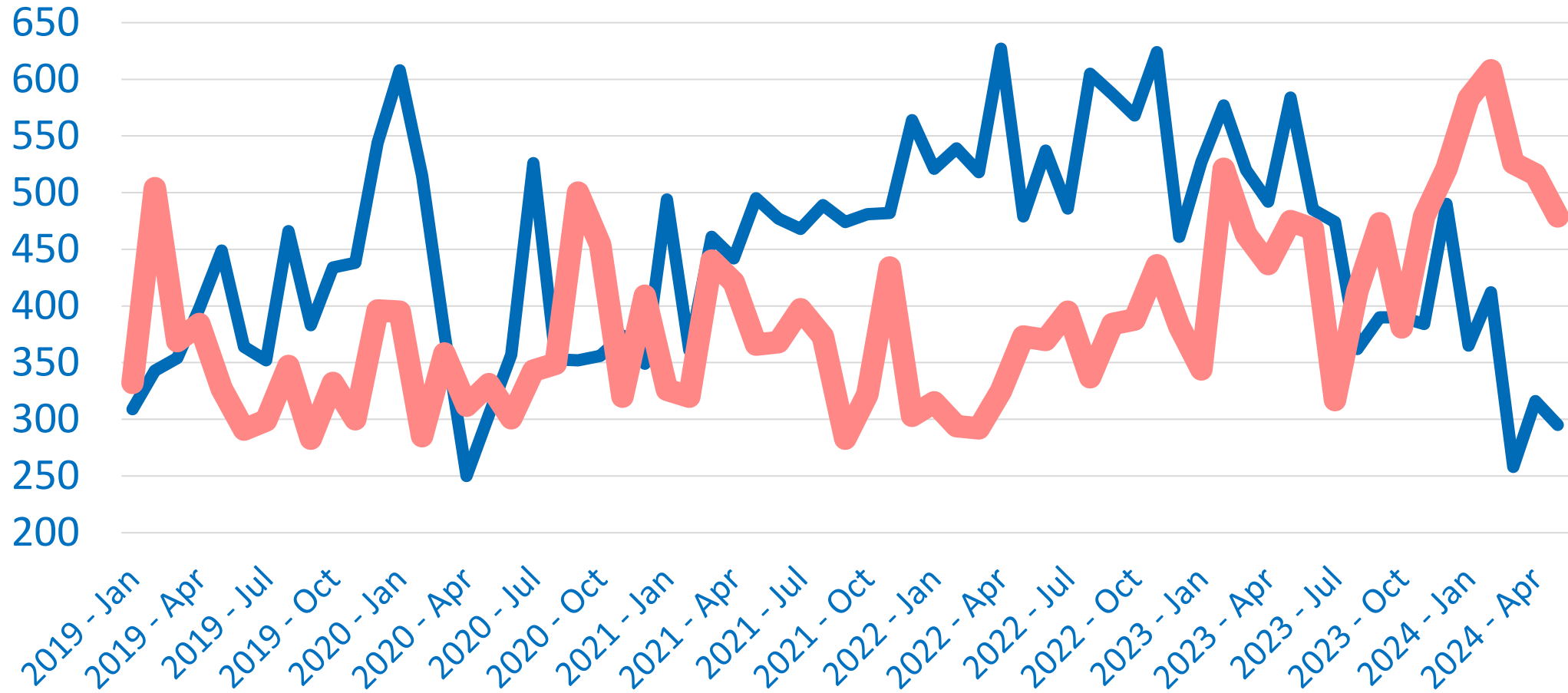
Source: NAR Analysis of CoStar data

Rents are Rising at 5.3% in Government CPI data



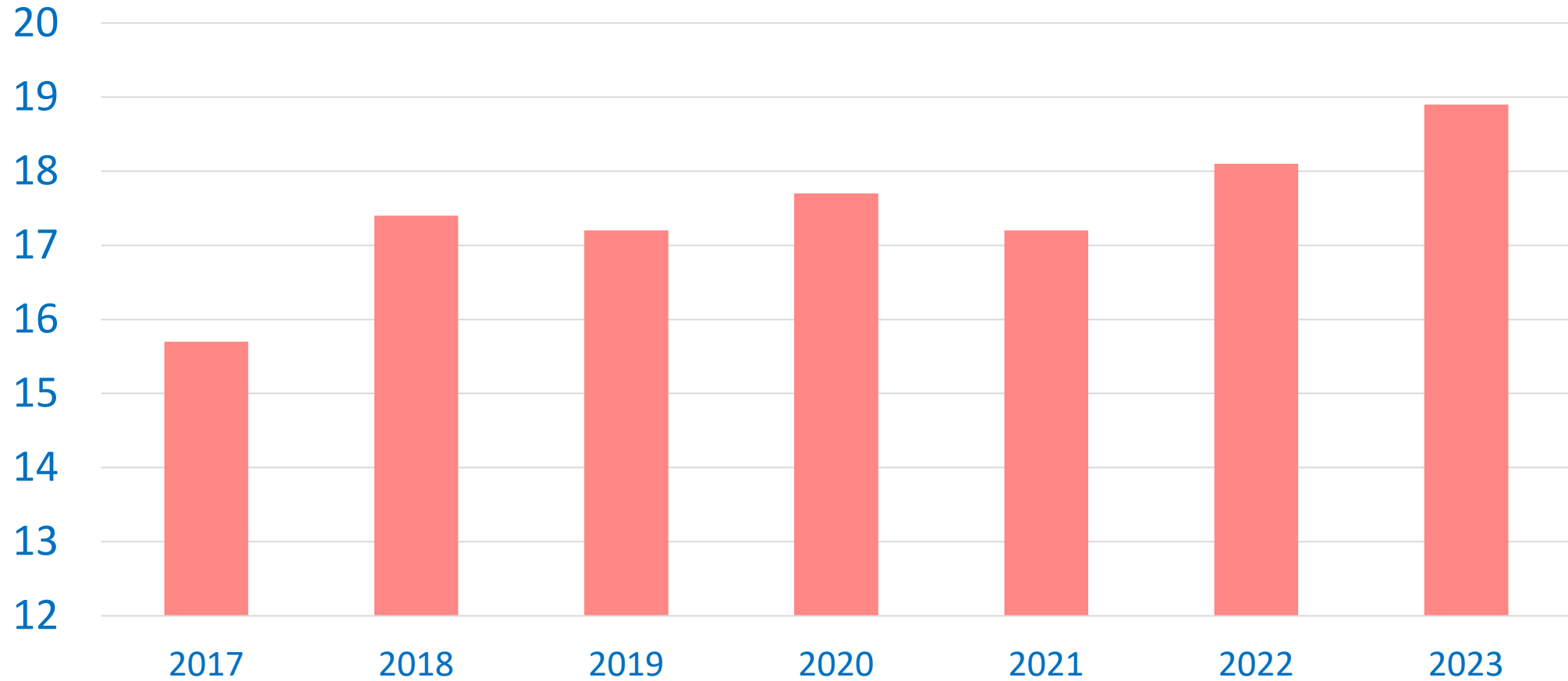
Source: BLS and CoStar

Multifamily Completions are High But Multifamily Starts are Collapsing



Source: NAR

Months to Complete from Start time for Multifamily 20+ units



Source: NAR

Upcoming Rent Growth should be Calmer

Future CPI should be Calmer

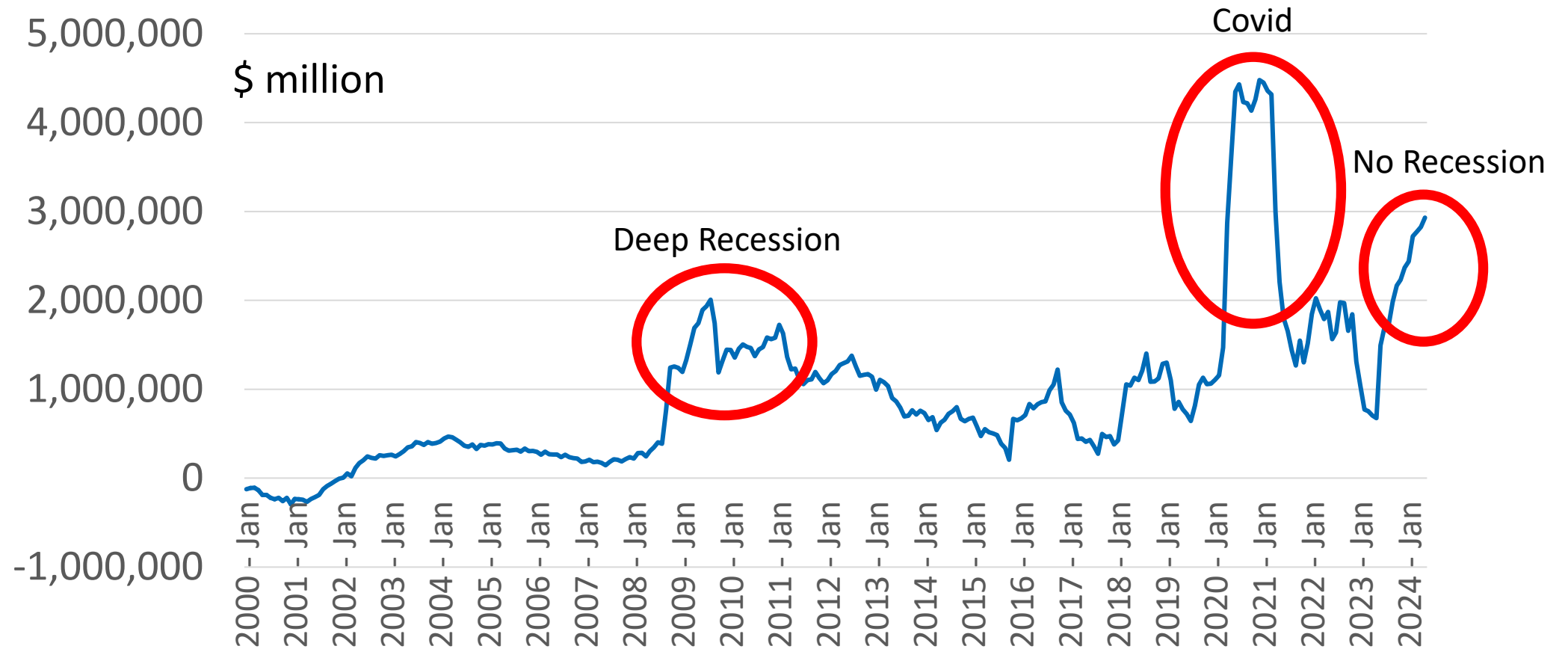
The Fed can cut interest rates ... 6 to 8 rounds

But

Further Pivot could be limited by Budget Deficit

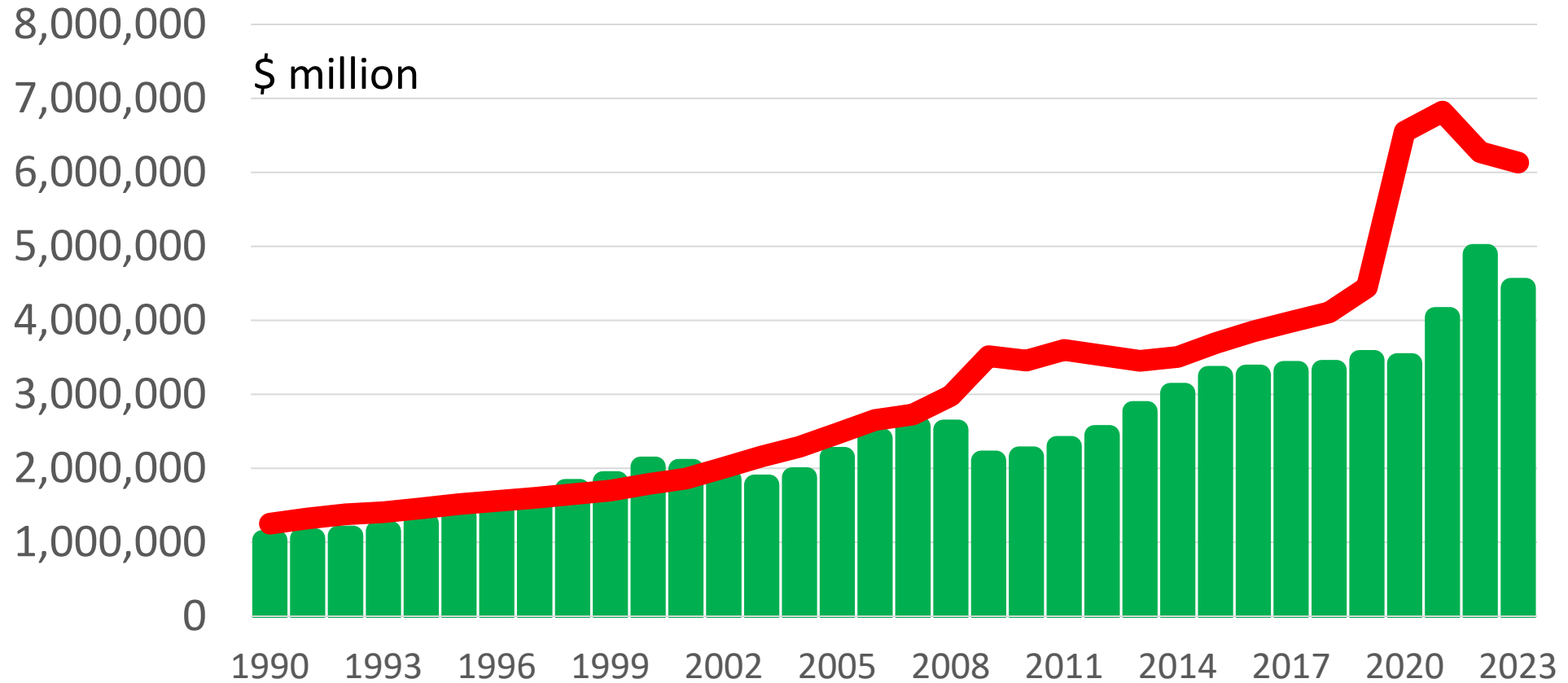
Future Rent (in 2-3 years) could accelerate

12-month total of Public Borrowing



Source: Congressional Budget Office

Government Outlay > Tax Revenue



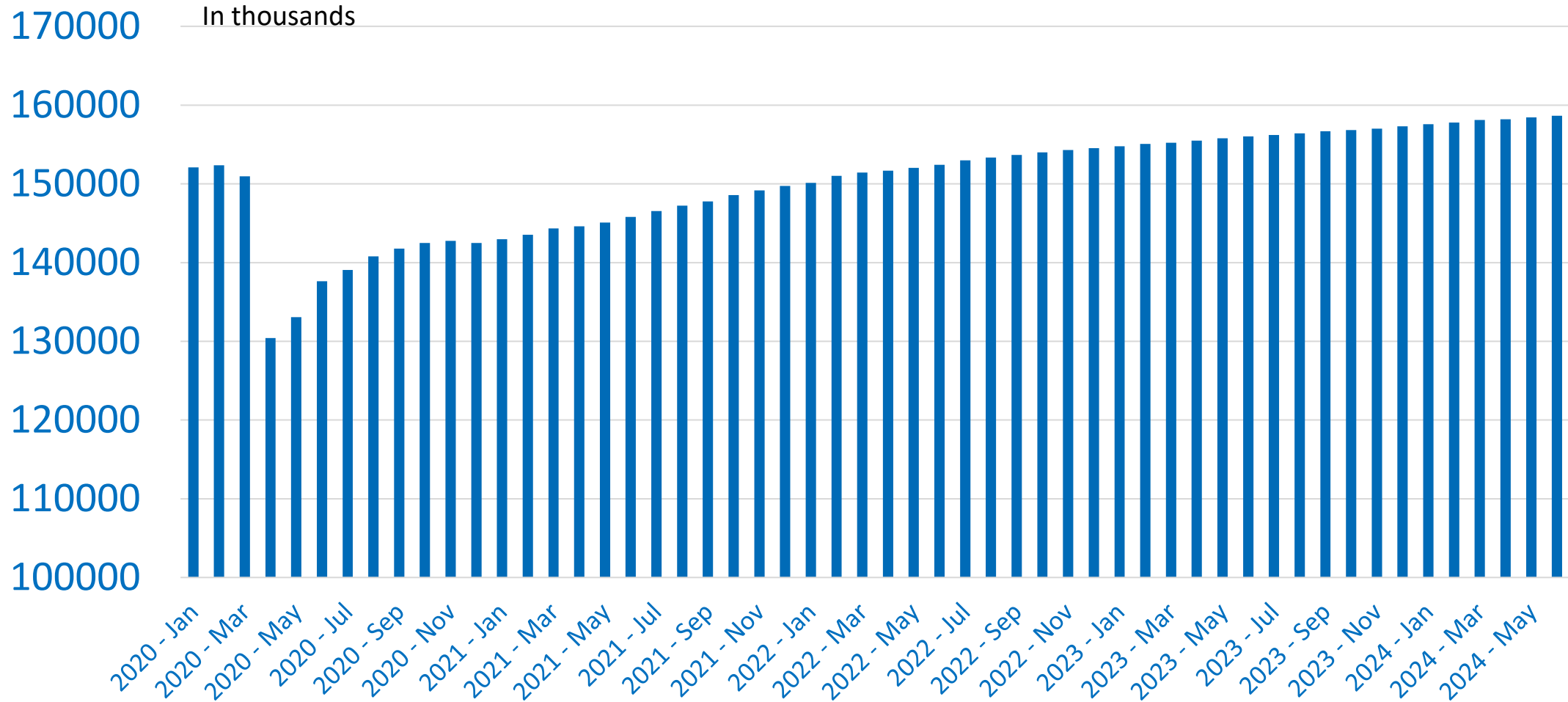
Source: Congressional Budget Office

Long-Term Real Estate Demand

Come from Jobs Jobs Jobs

Total Payroll Jobs

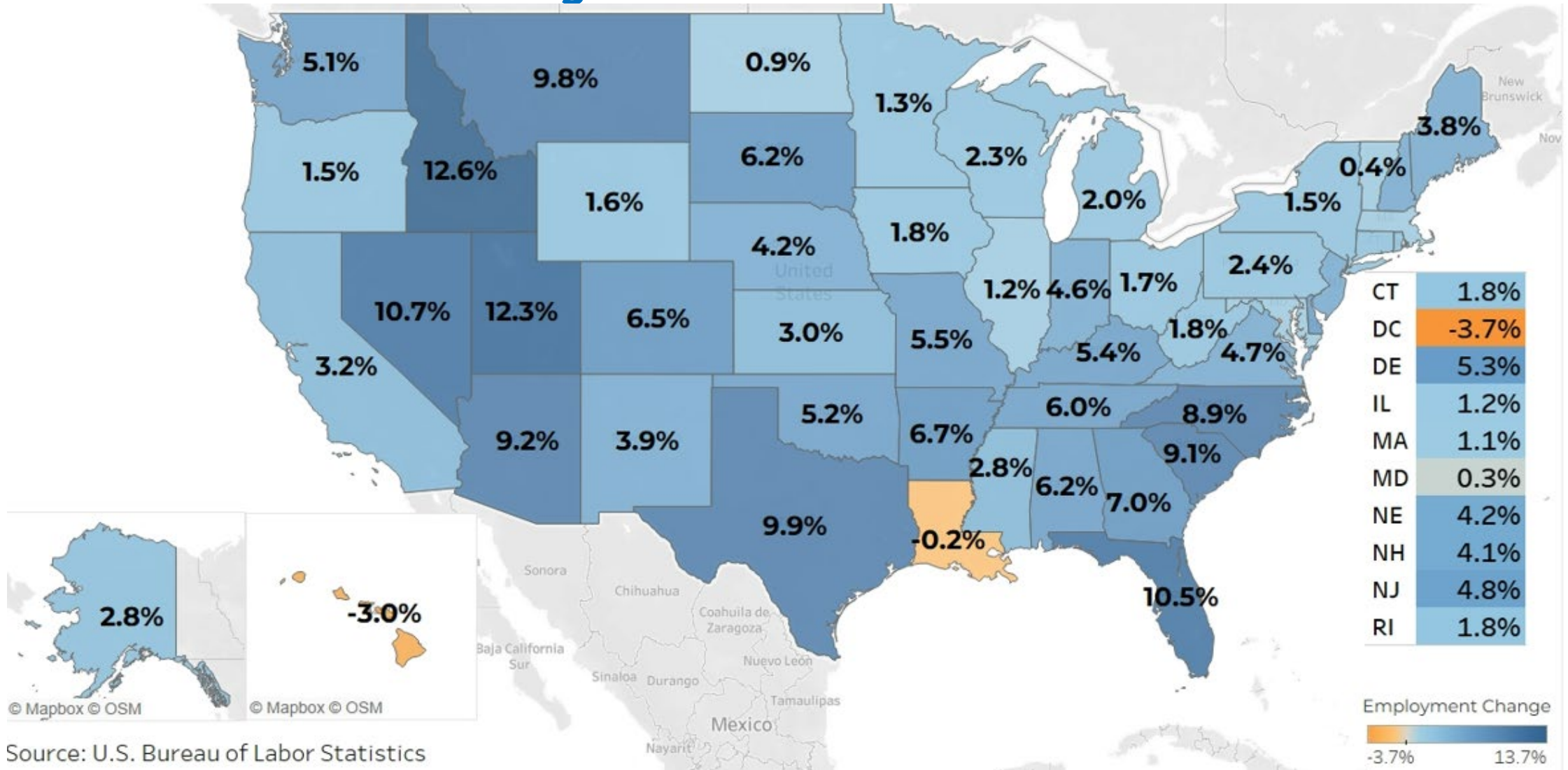
6.3 million more compared to pre-covid highs



Source: BLS

Job Gains Since Pre-COVID Record High Payroll Employment

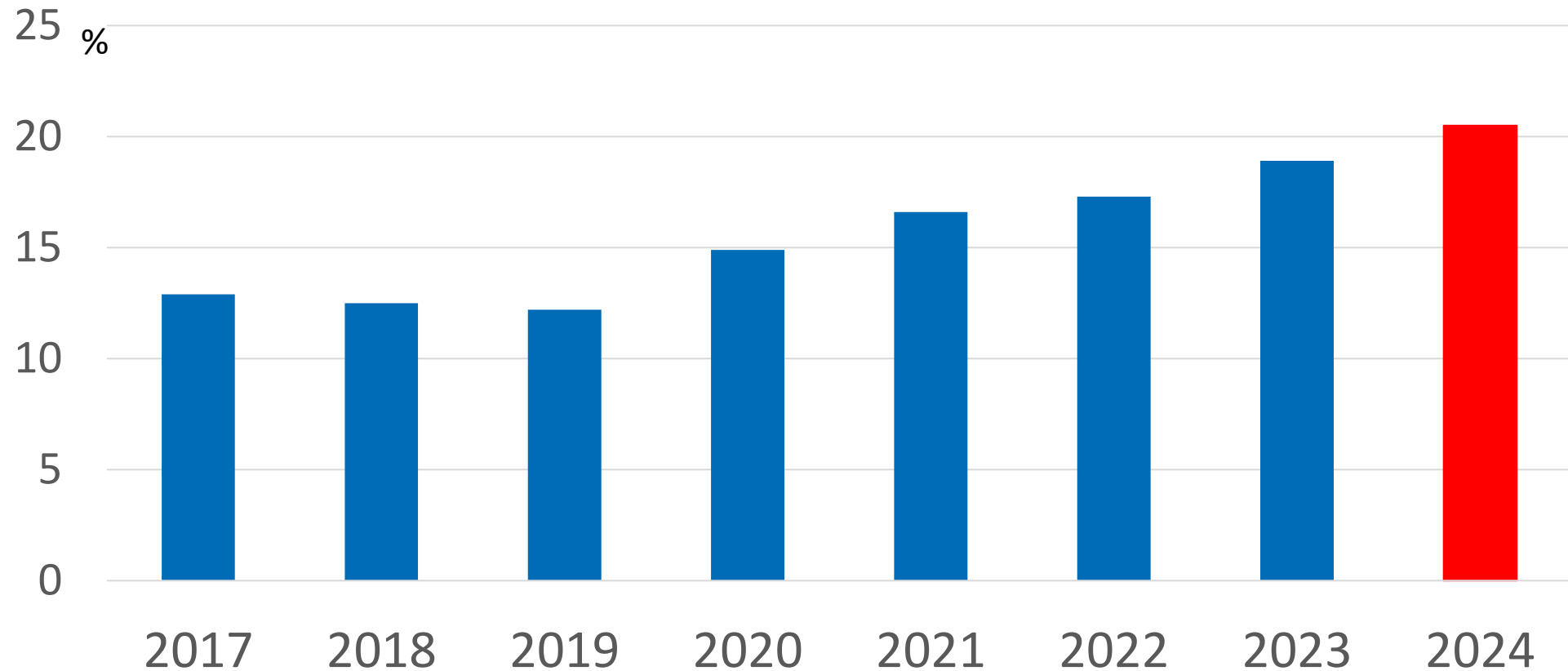
% change from March 2020 to June 2024



Source: U.S. Bureau of Labor Statistics

Source: NAR Analysis of BLS data

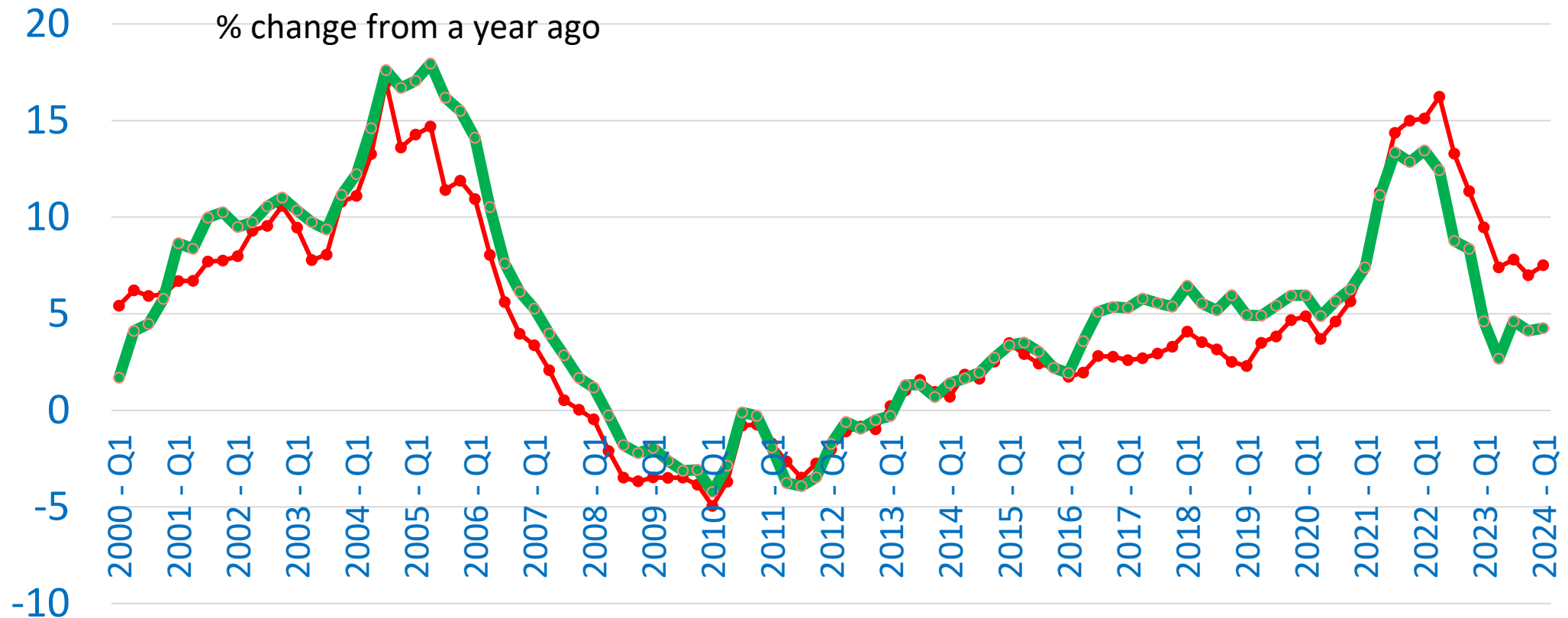
Rising Office Vacancy Rate ... Good for Outer Suburbs and Fun Destinations



Source: CBRE/ULI and NAR Forecast

Home Price Change

Philadelphia Metro vs. Montgomery-Bucks-Chester Counties

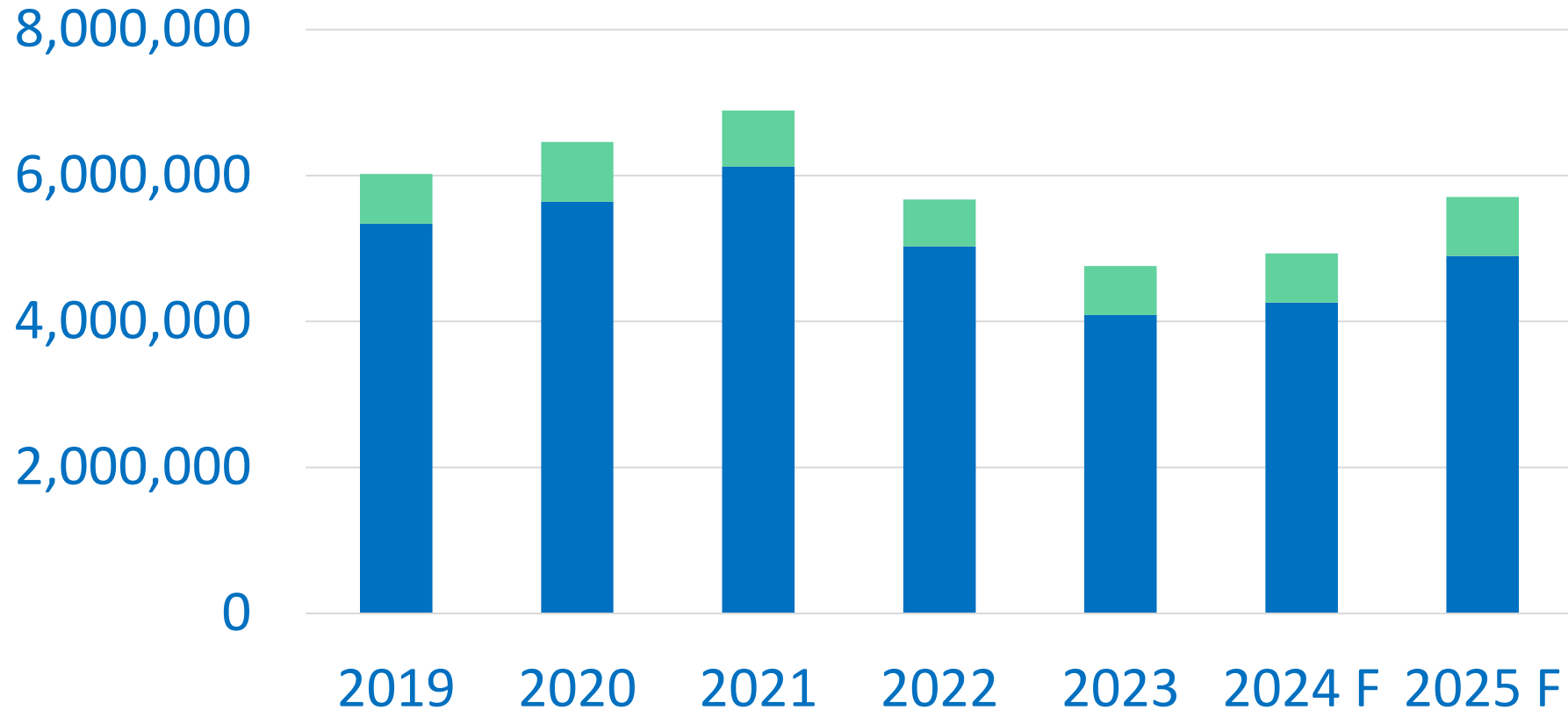


Source: FHFA

Long-term Interest Rates to Fall?

- 1. Rents will calm down further ... Holds down CPI ... and make the Fed cut interest rates**
- 2. Community banks are suffering from high interest rates**
- 3. Credit Spread is abnormally high**

Total Home Sales: Rising and Back to 2019 pre-covid levels in 2026



Source: NAR forecast and HUD

Thank You