

Economic & Housing Outlook

By Lawrence Yun, Ph.D.
Chief Economist, National Association of REALTORS®

Presentation at
Annual Conference of National Association of REALTORS®
Chicago, IL

November 3, 2017

Tax Reform

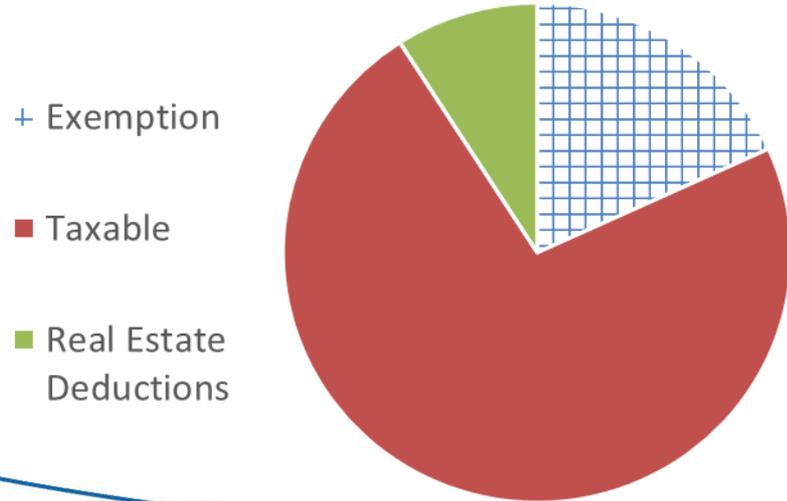
- Mortgage interest deduction?
- Property tax deduction?
- Personal Exemption?
- 1031 Exchange?

- Not the Same as 1986 Reform ... removed “passive losses” for non real estate professional

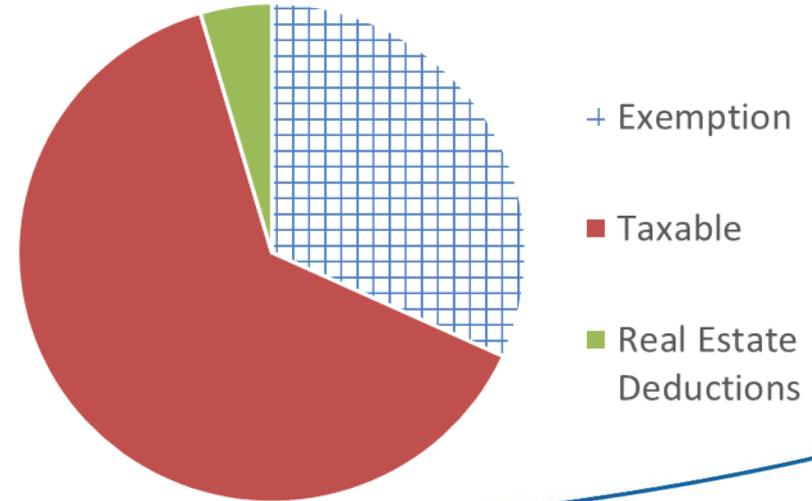
Taxable Income after Deductions

(Figures are for illustrative purpose only)

Taxable Income with
Same Standard Deduction

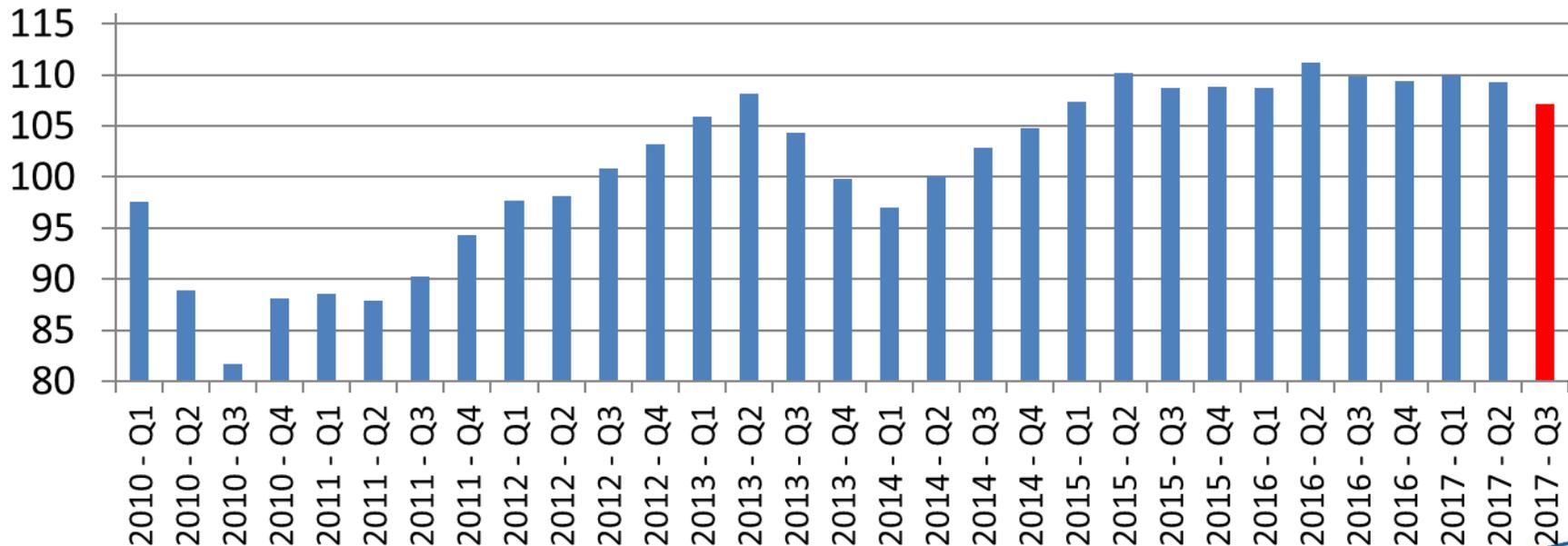


Taxable Income with
Higher Standard Deduction



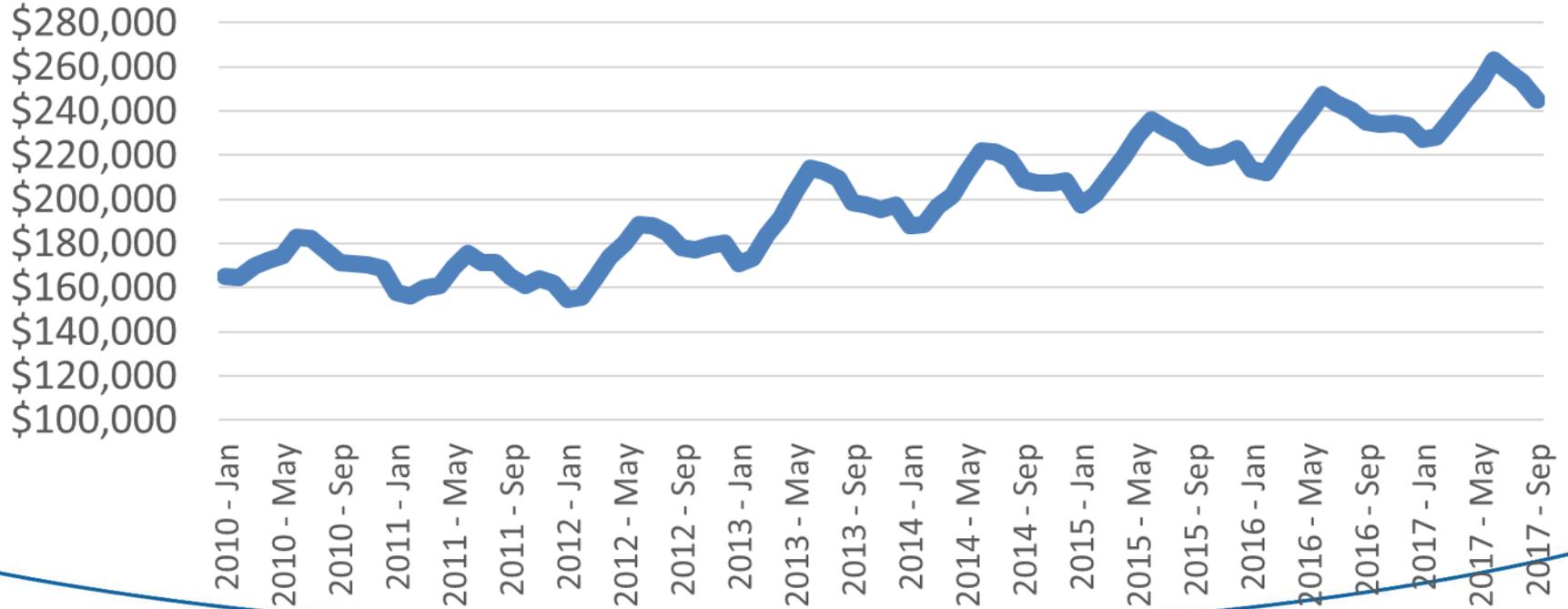
Pending Sales Index ... Losing a Step

(Quarterly Seasonally Adjusted)



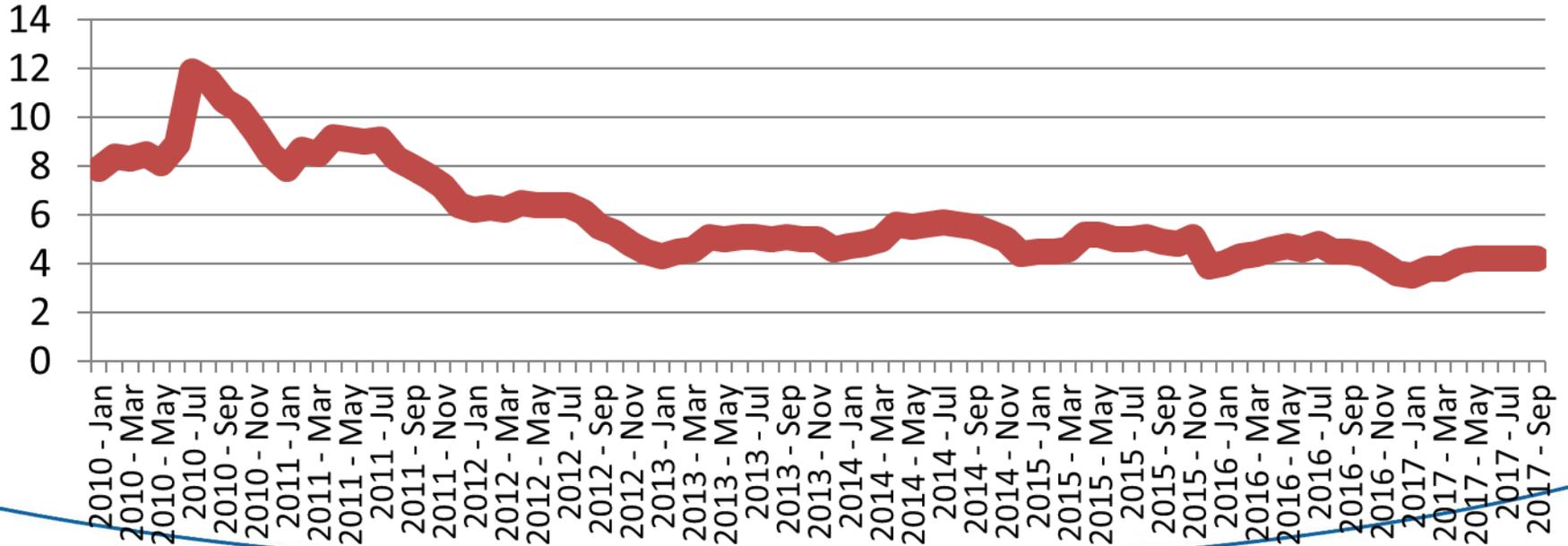
Source: NAR

Median Home Price



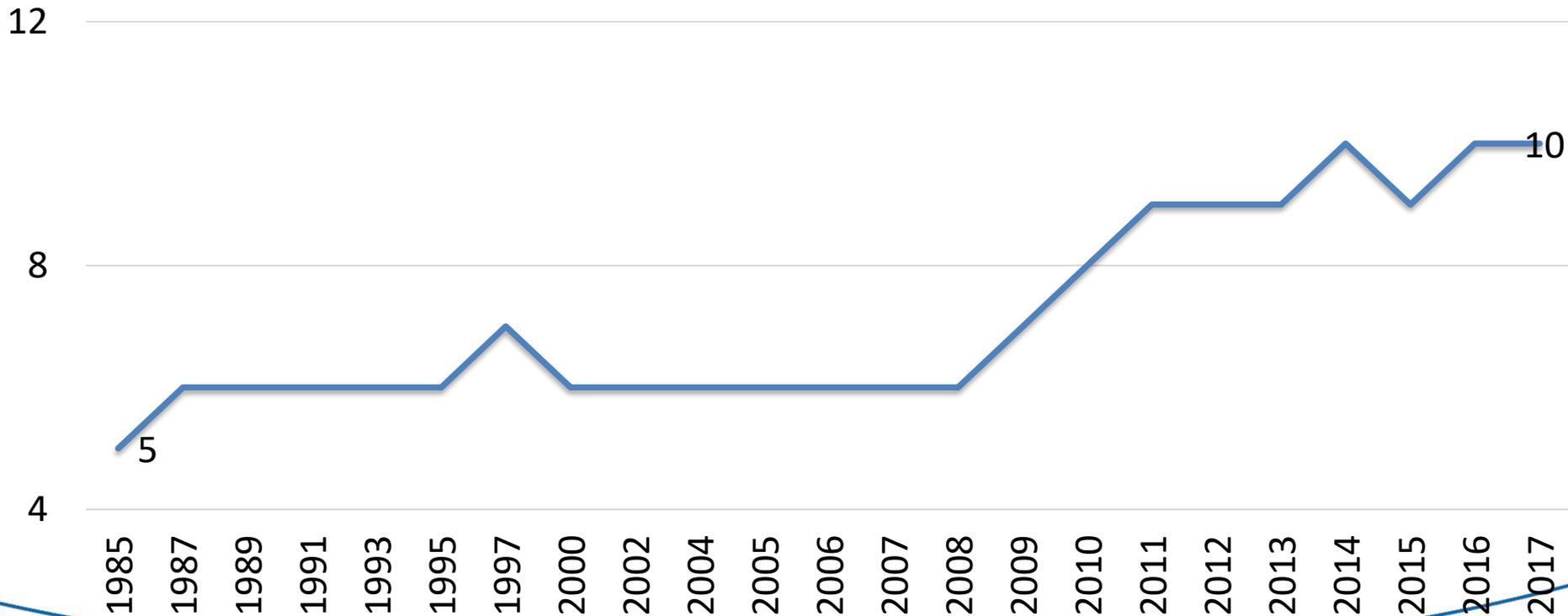
Source: NAR

Months Supply of Inventory

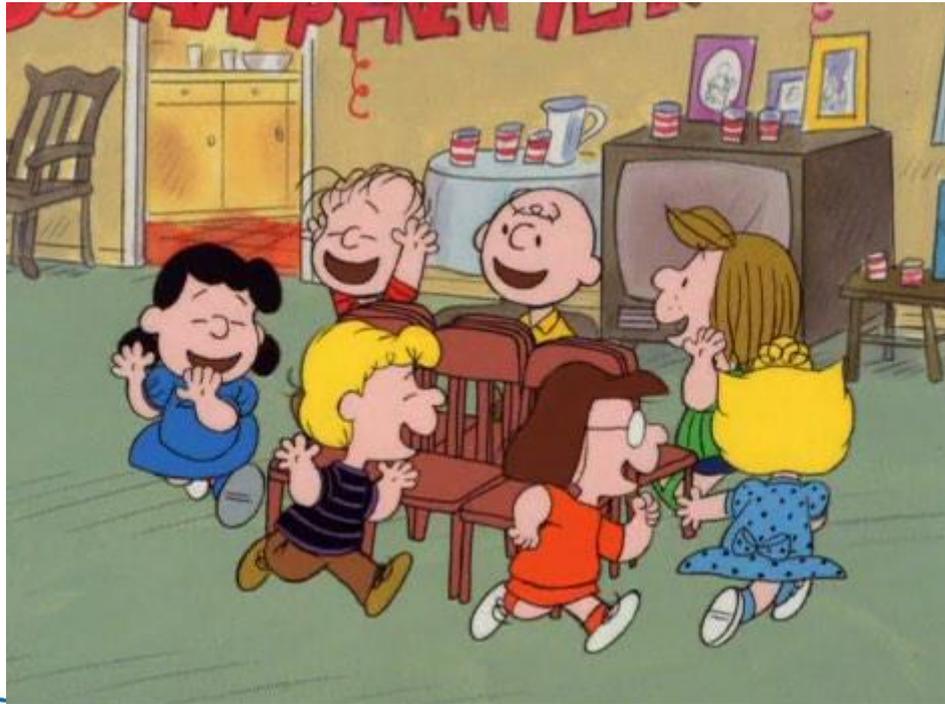


Source: NAR

Actual Tenure in Home is Elevated



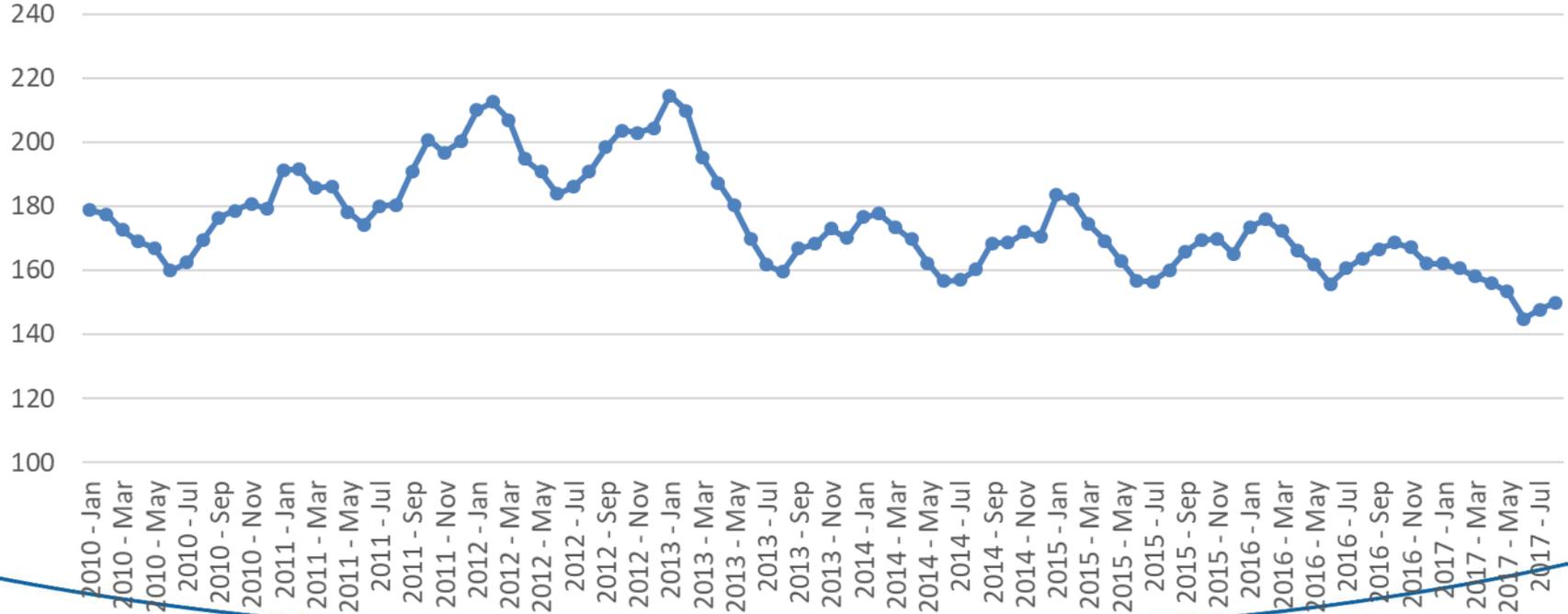
Intense Musical Chairs



<https://www.thesecondconsul.com/musical-chairs-cartoon/>

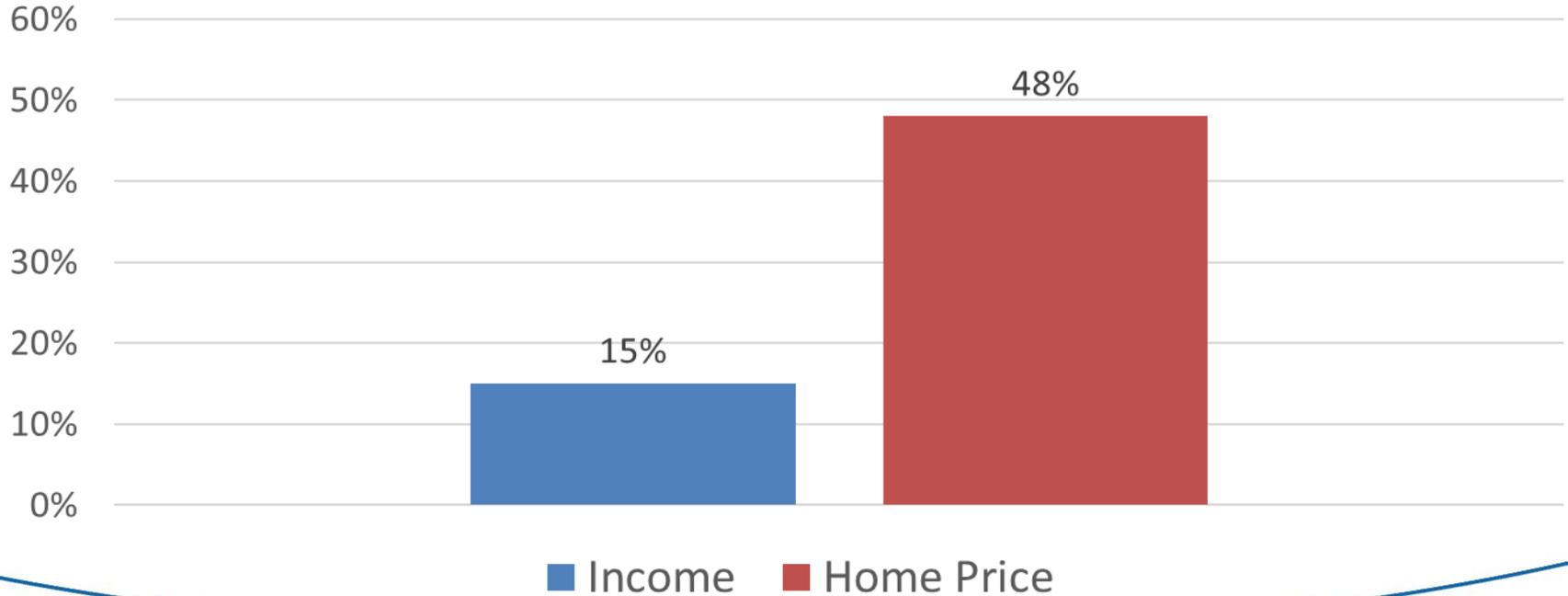
Housing Affordability Index

... Steadily Less Affordable

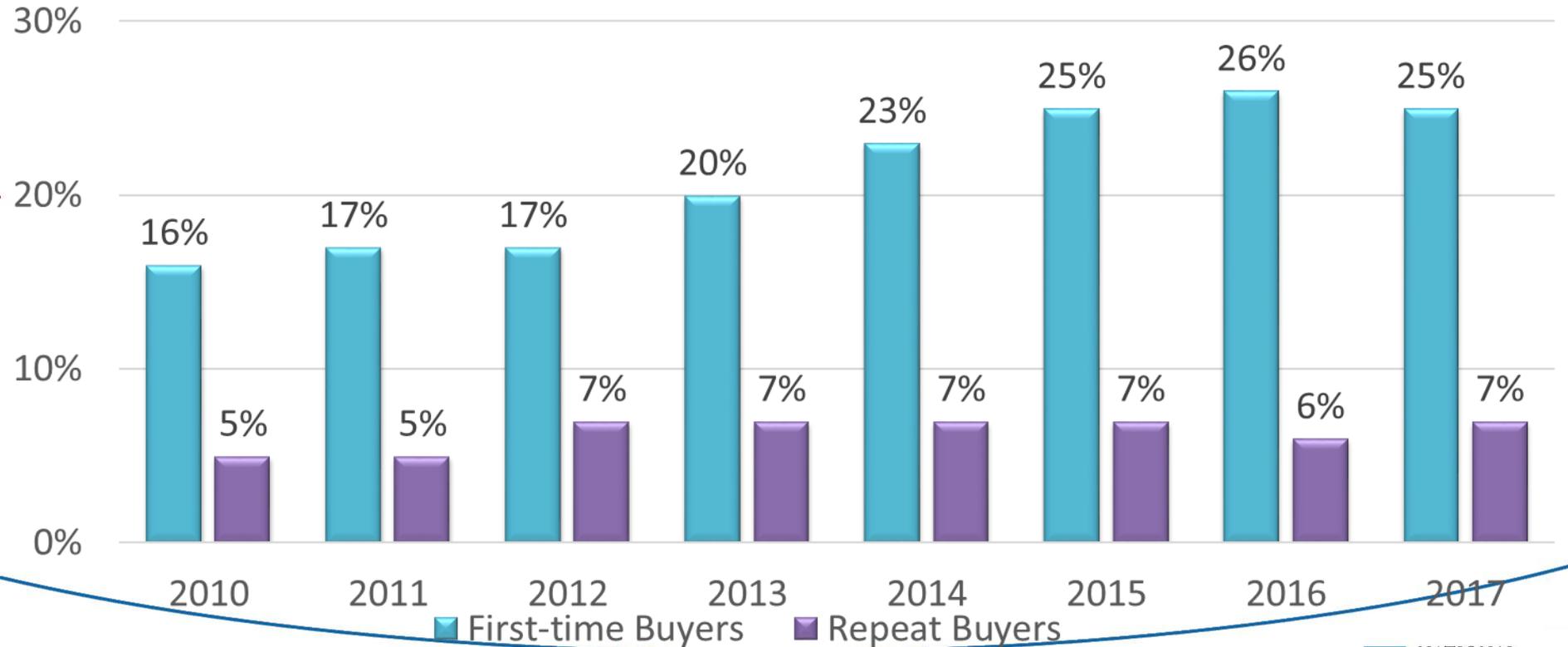


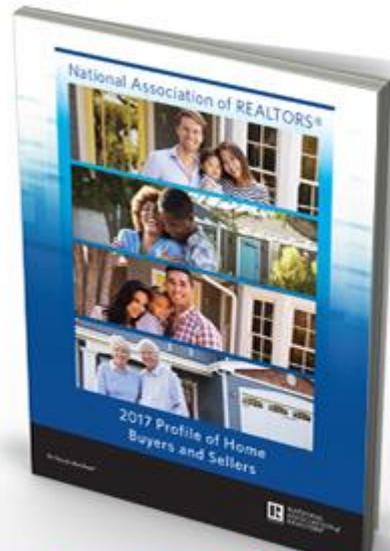
Income Growth and Home Price Growth

(from lows in 2011 to 2017)



Difficulty Saving for Downpayment





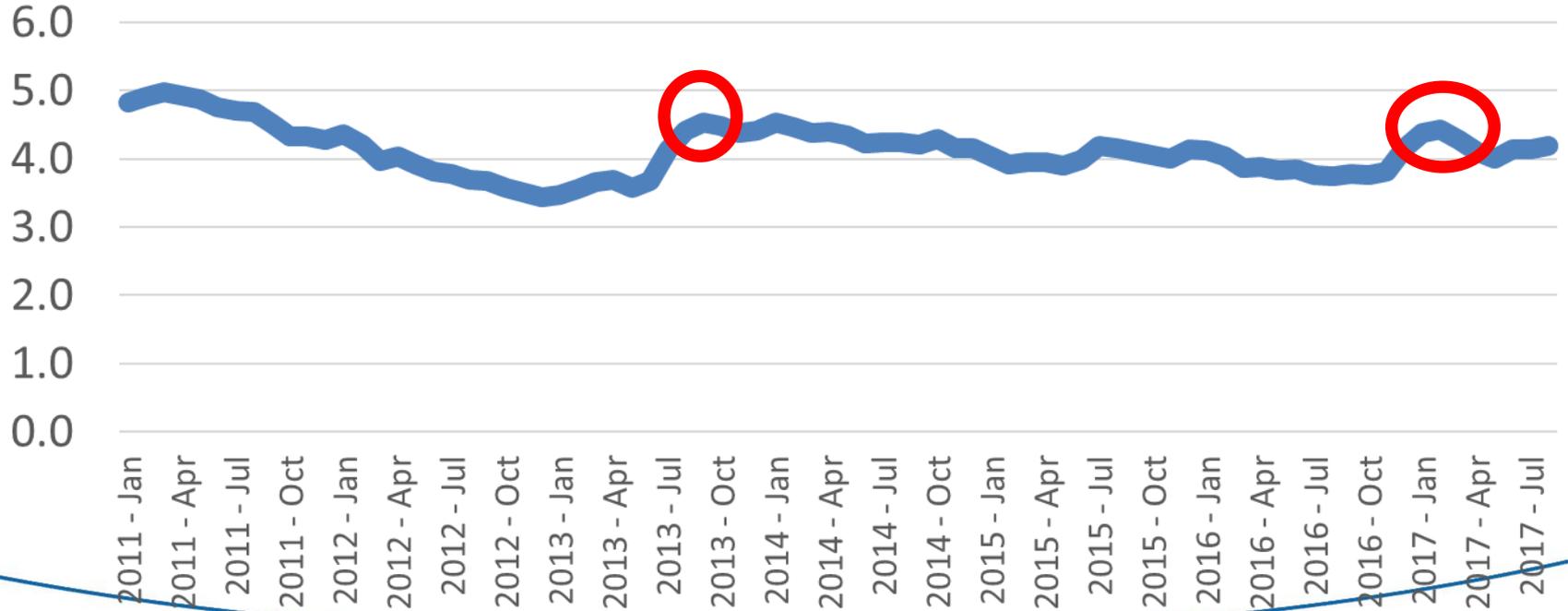
2017 Edition!

>> Respond to the
Tax Reform Call to Action

Receive **2017 Profile of Home Buyers and Sellers** — Download >>

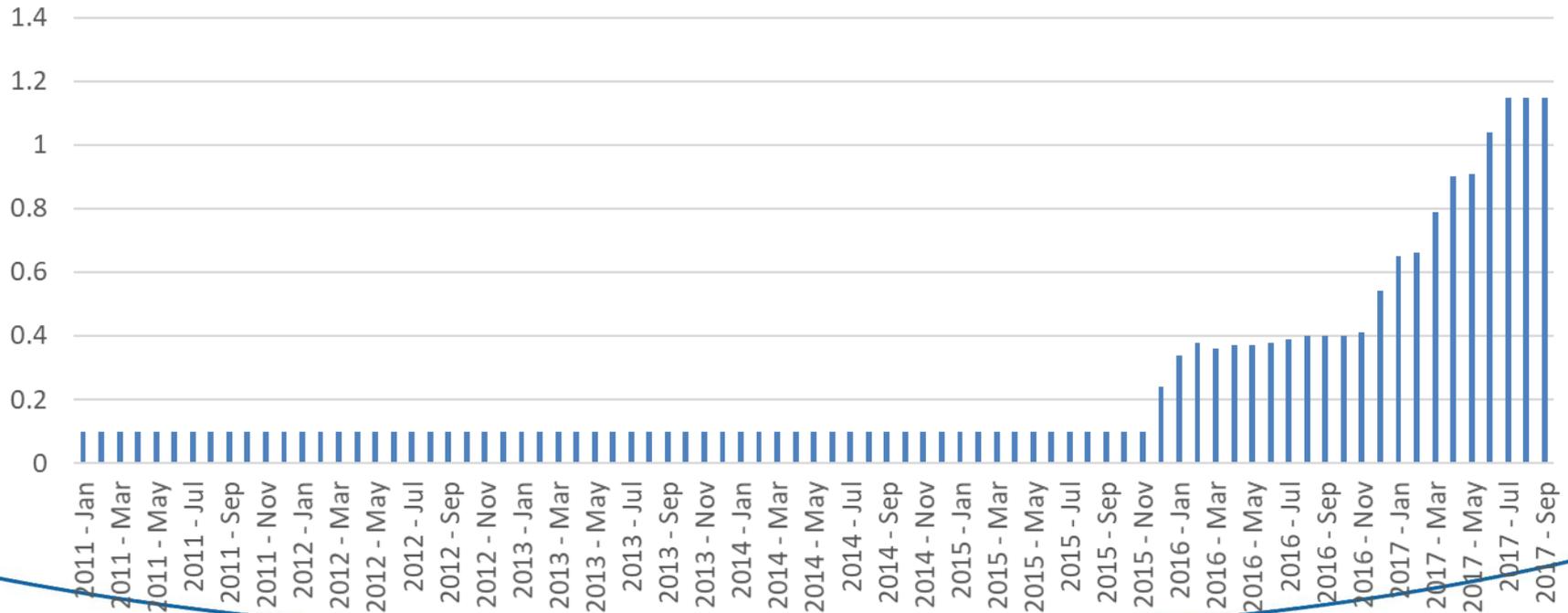
Mortgage Rates

30-year Fixed Rate



Tightening Monetary Policy

Fed Funds Rate



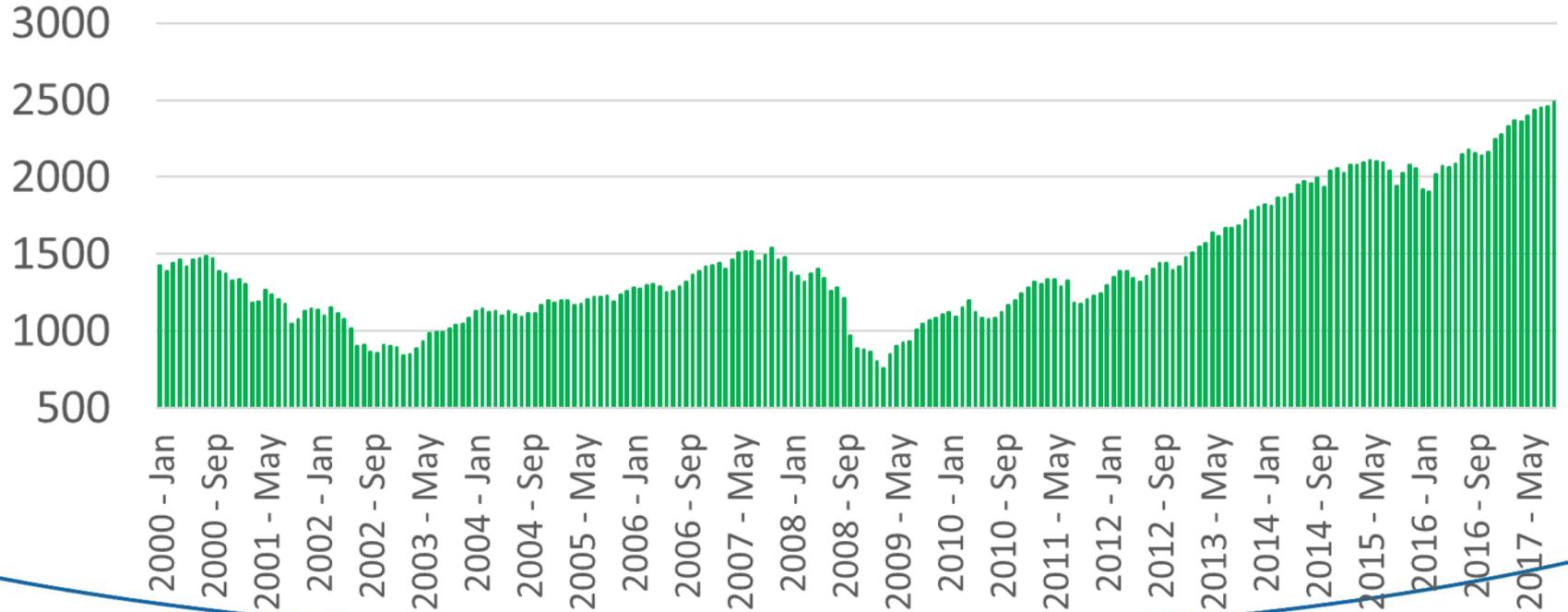
Question for the New Chair of the Federal Reserve?



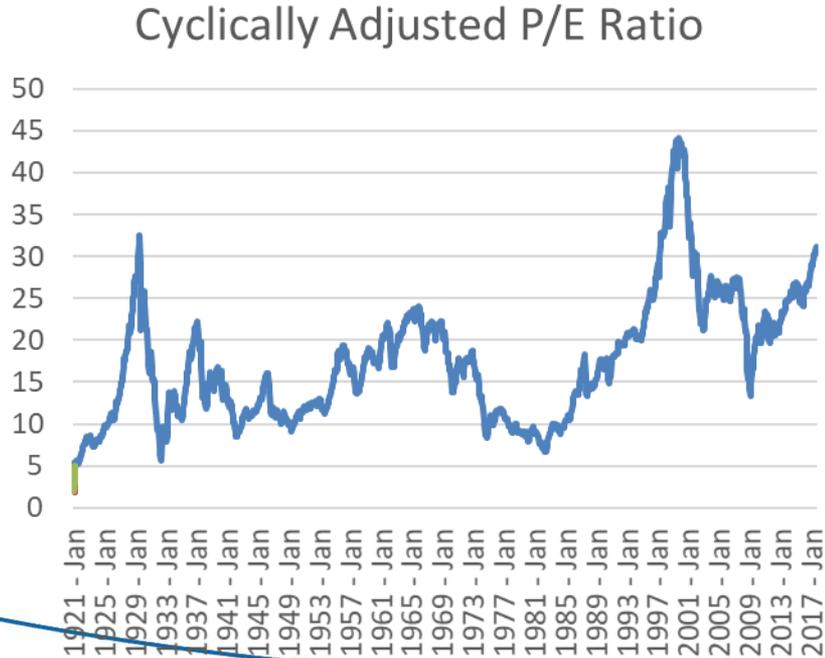
Bubbles Everywhere?



Stock Market: S&P 500 Index



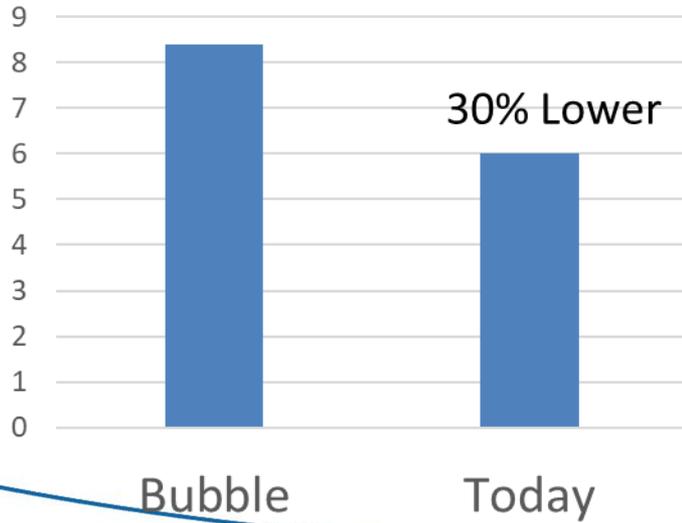
Bubbles Everywhere?



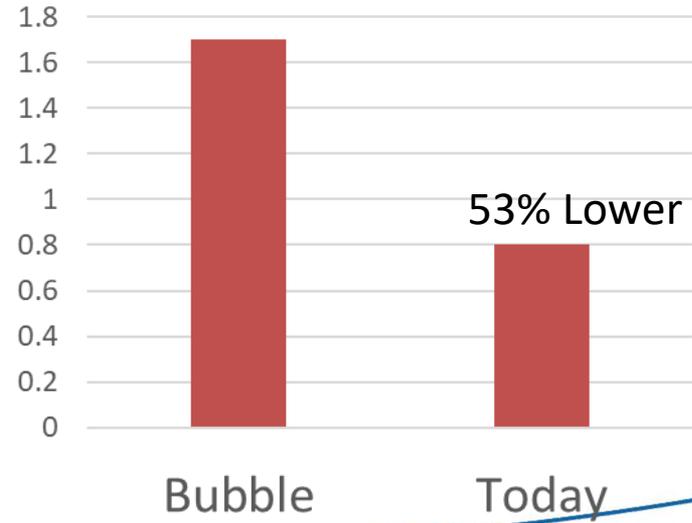
- Commodities/Oil?
- Gold?
- Stock Prices?
- Bonds?
- Commercial Real Estate?
- Residential Real Estate?
- Real Estate Abroad ?
- Bitcoin?

U.S. Residential – No Bubble Nationwide

Home Sales
(in millions)



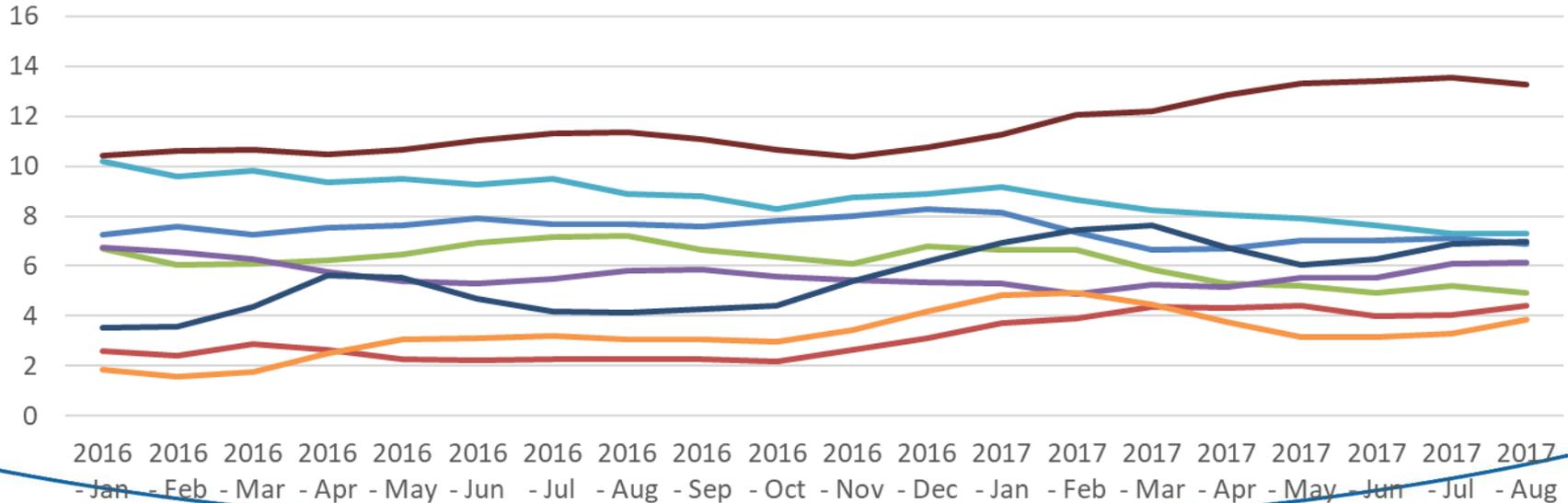
Single-family Housing Starts
(in millions)



Home Price Appreciations

(Case-Shiller Constant Quality Index)

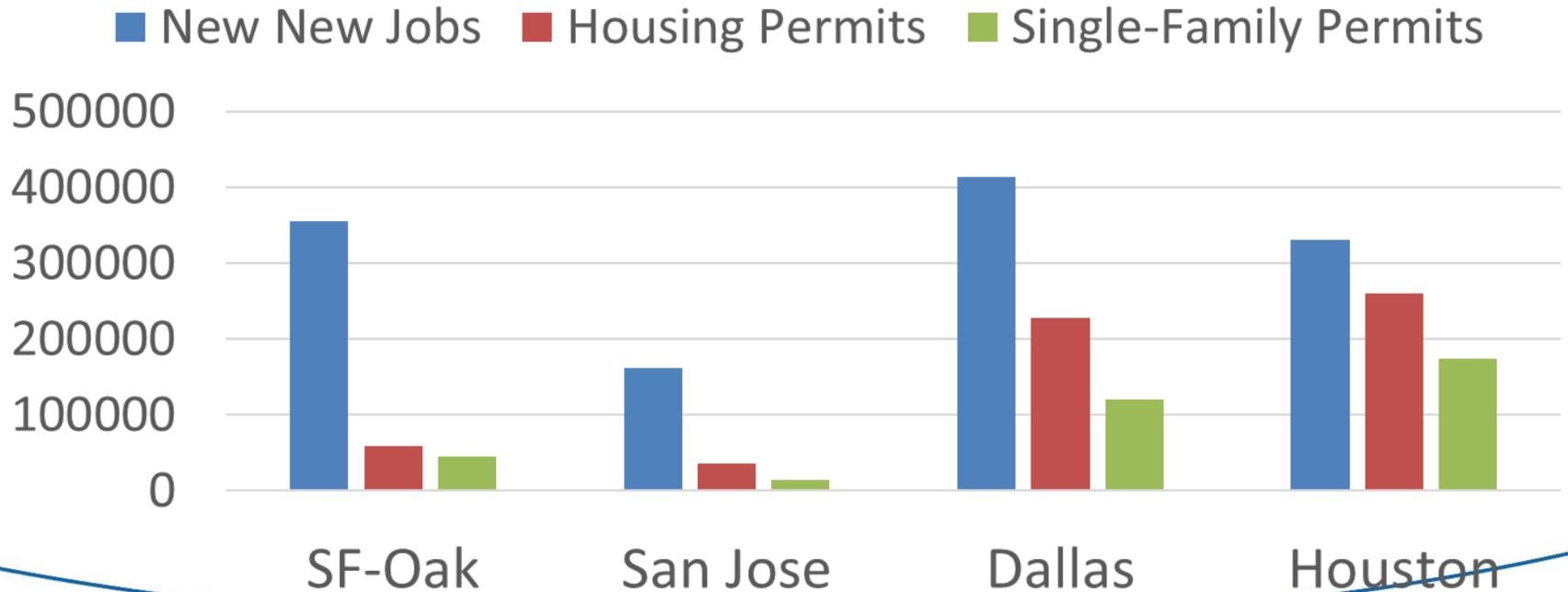
Seattle Celebration



Who will get Amazon HQ2?

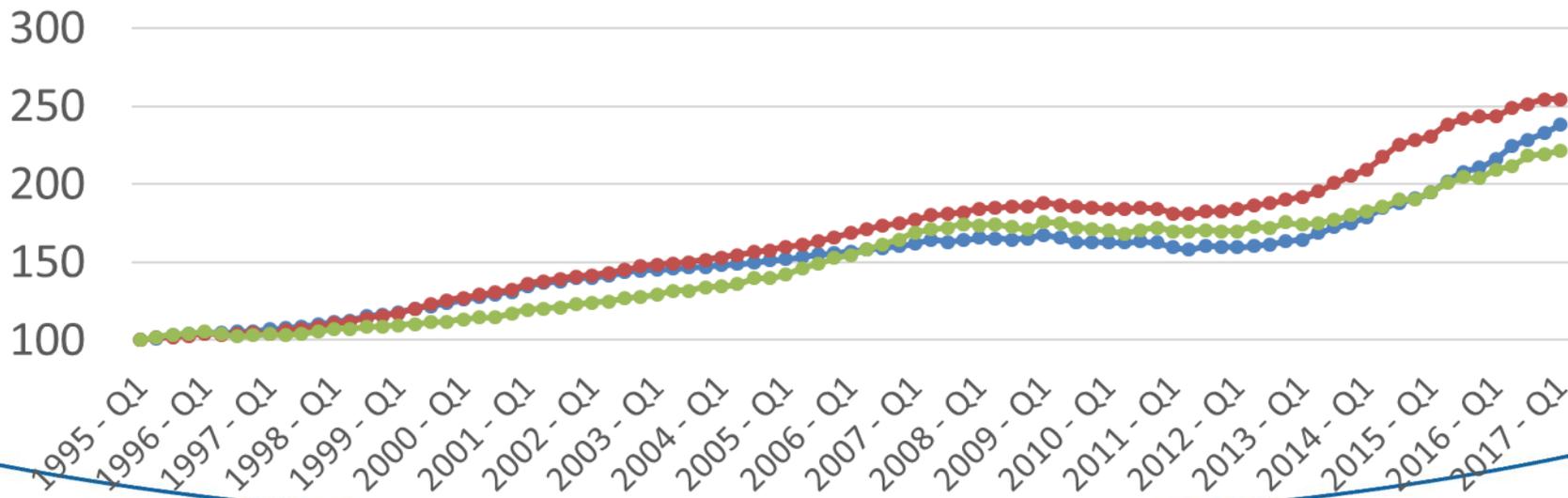
- Washington DC, Boston, Raleigh-Durham, Dallas, Nashville
- What was San Jose like before becoming Silicon Valley?
- Other Company Expansions
 - Charleston, Mobile, Savannah?
- No Matter
 - Direct winners will be \$100,000 salary workers
 - Indirect winners will be property owners
 - Indirect losers will be renters
 - For all ... Massive traffic jam
- “Slow Moving” Real Estate Prices compared to Stock/Bond Prices

Job Creation and Housing Construction Cumulative over Recent 5 years



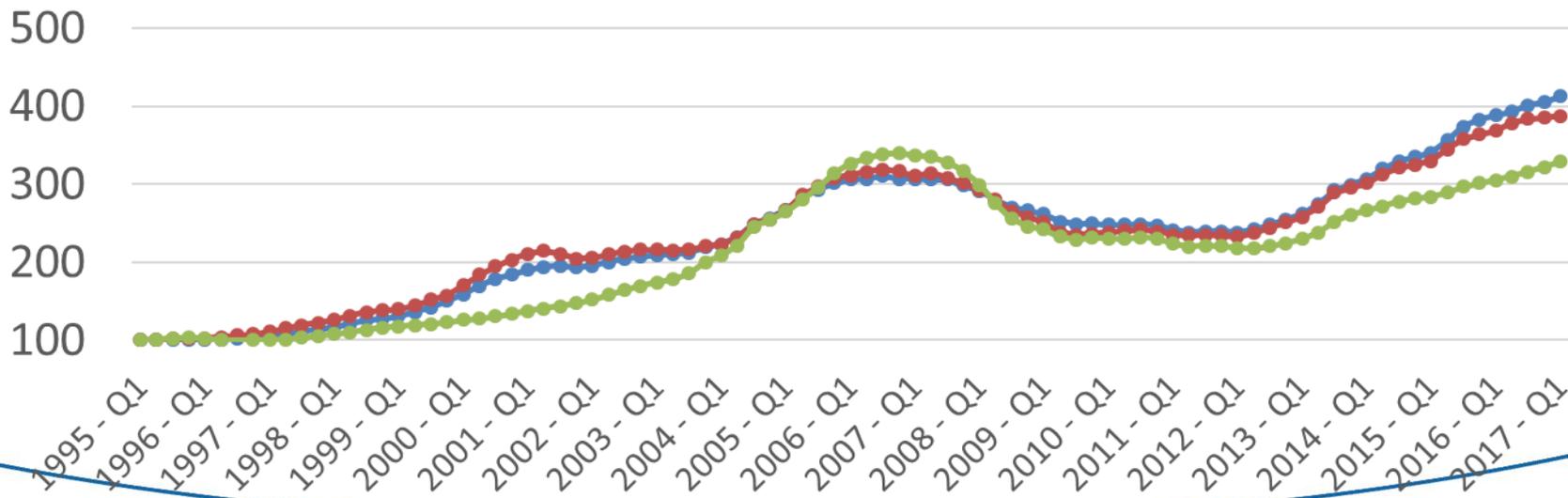
Texas Markets: Home Price Index (Doubling in Price in 20 years)

— Dallas — Houston — San Antonio



CA Markets: Home Price Index (Quadrupling in Price in 20 years)

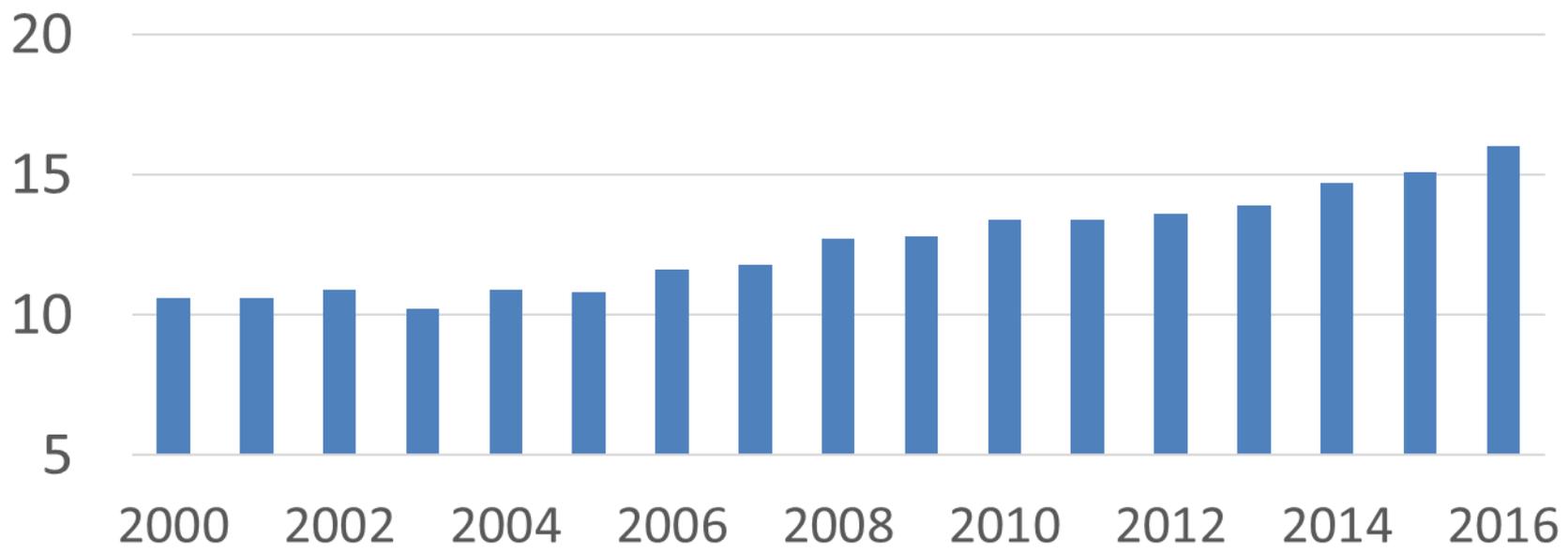
— SF-Oak — SJ — LA



Young Adults Living with Parents

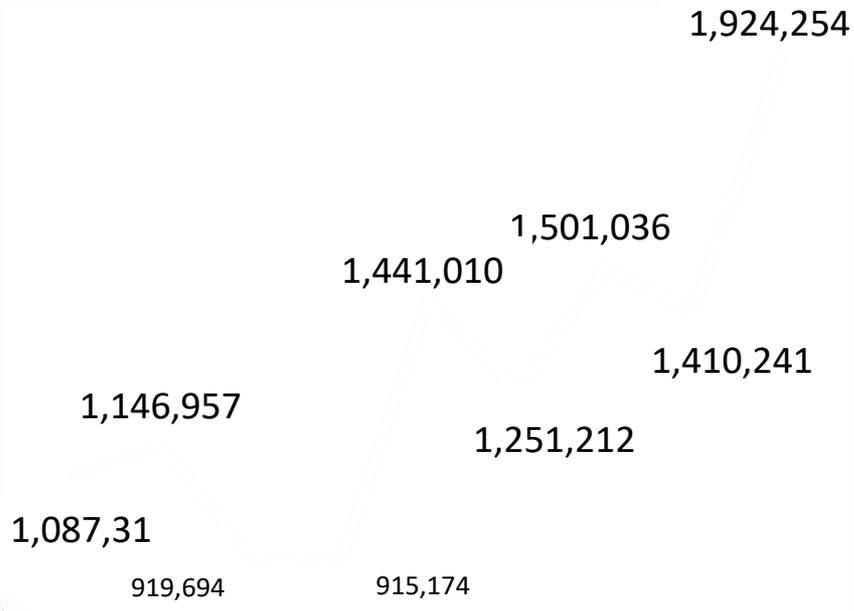
(Headship Rate lowest in High Home Price Regions)

% of those aged 25 to 34



"Forced to Move"

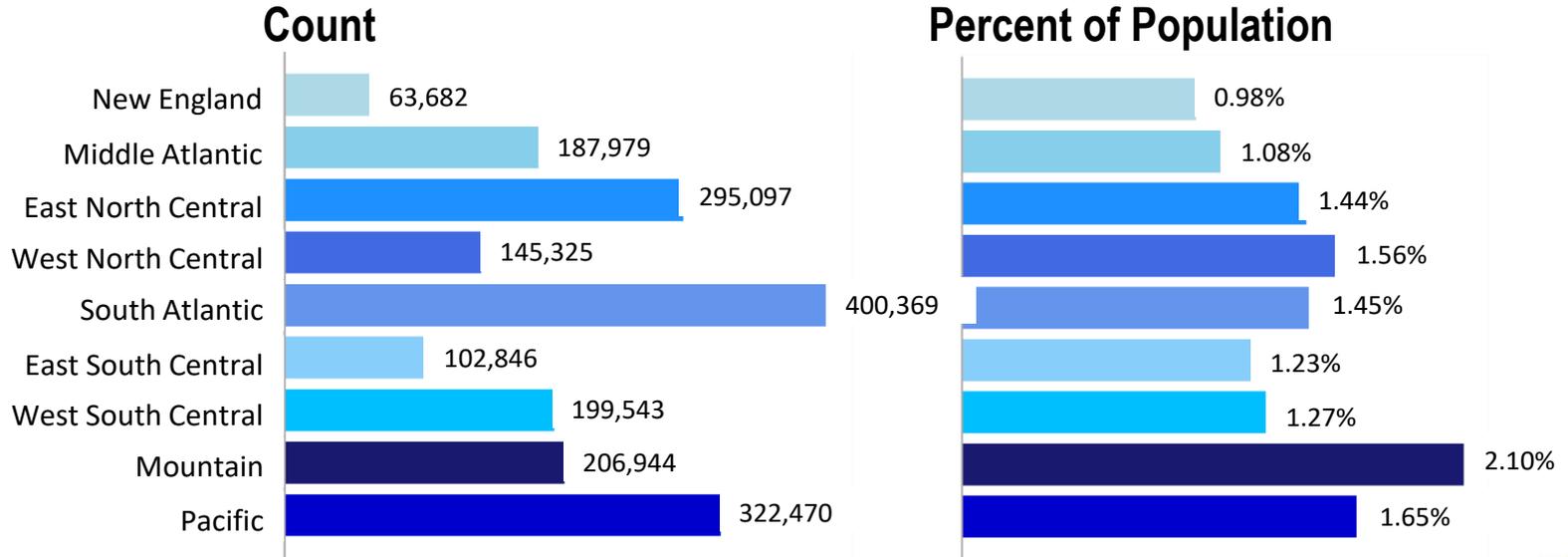
By Count



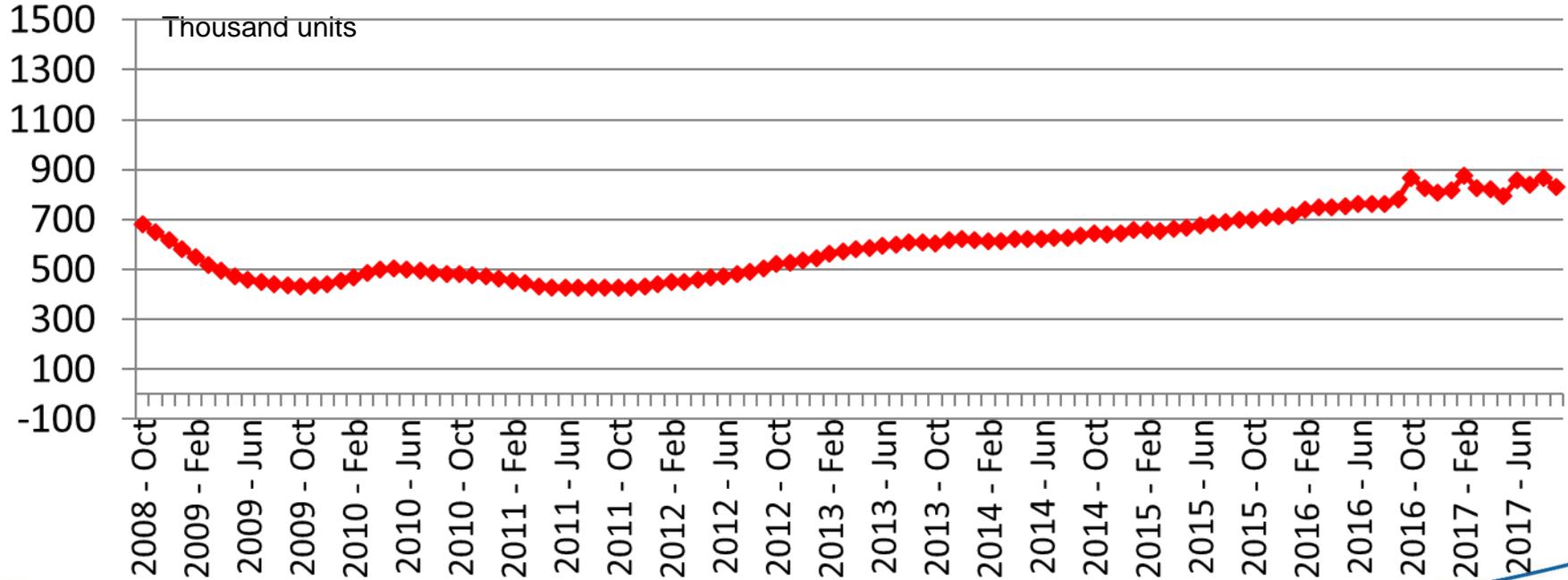
By Percentage



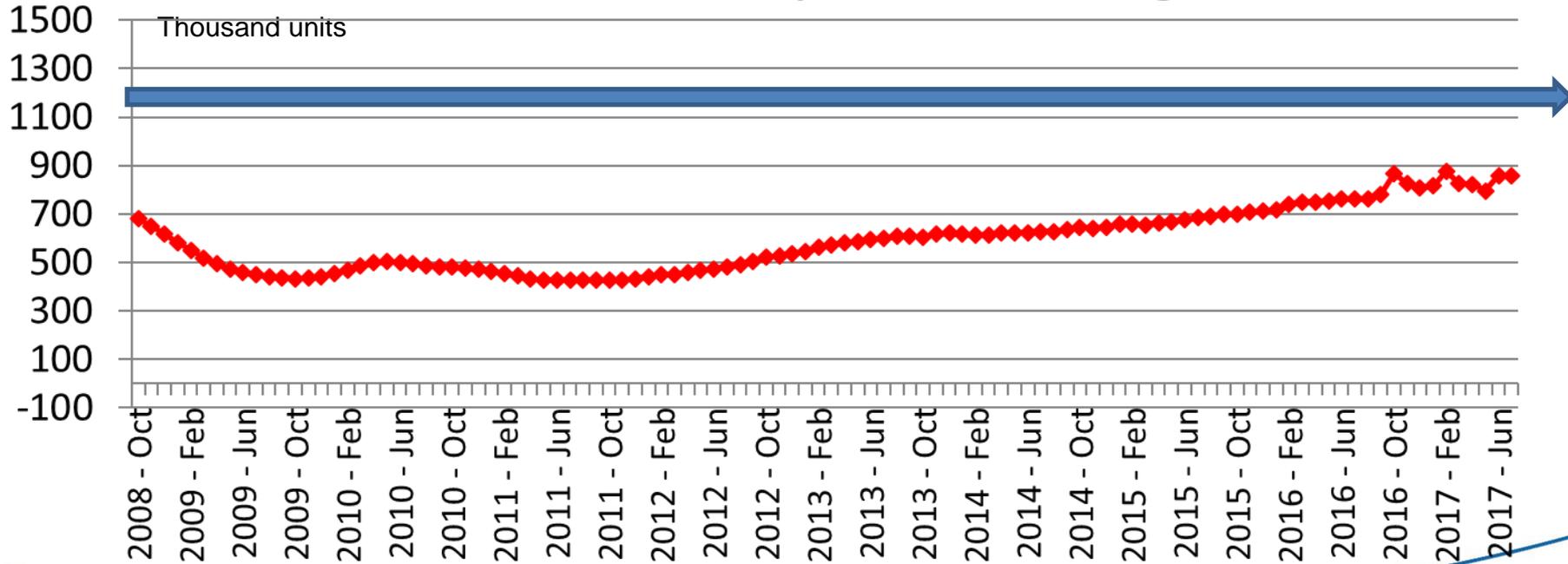
"Forced to Move" by Regions (Strong Economies in Mountain and Pacific Regions)



Single-family Housing Starts Determines New Home Sales



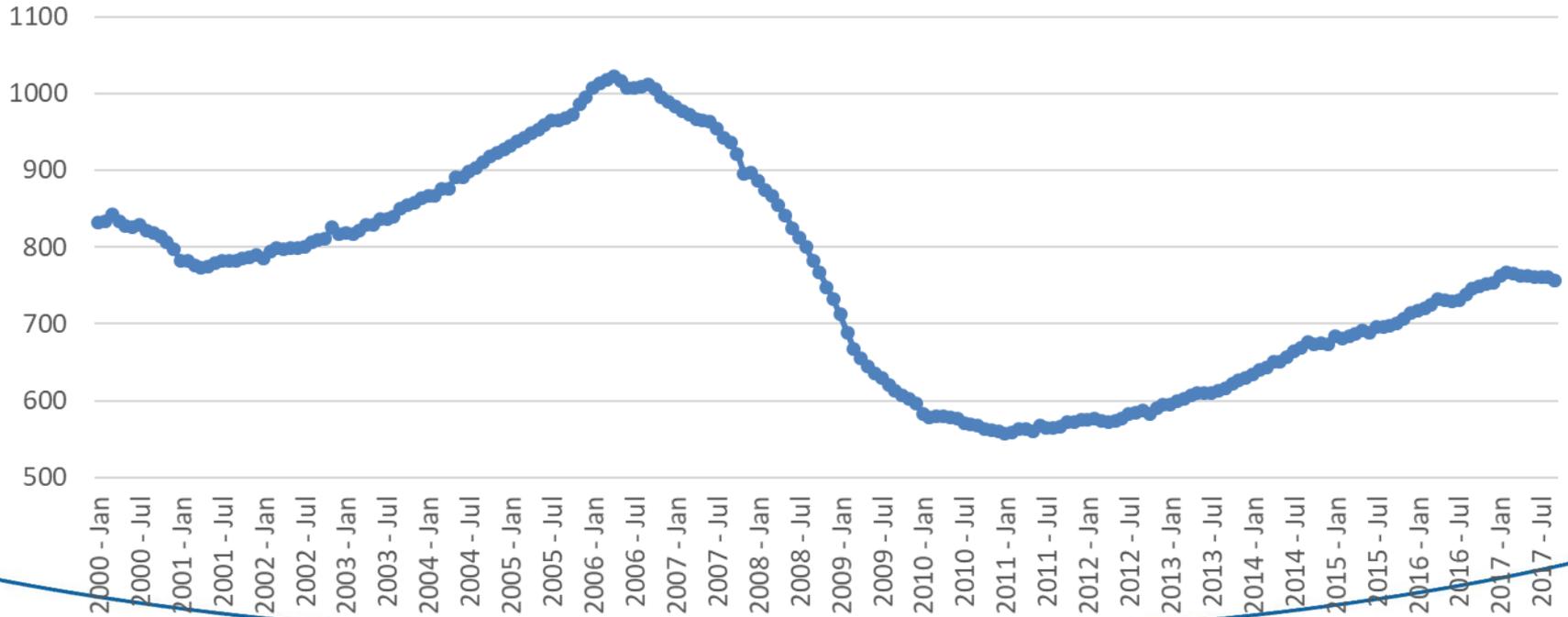
Single-family Housing Starts ... Well Below 50-year Average



Hurricane Impact

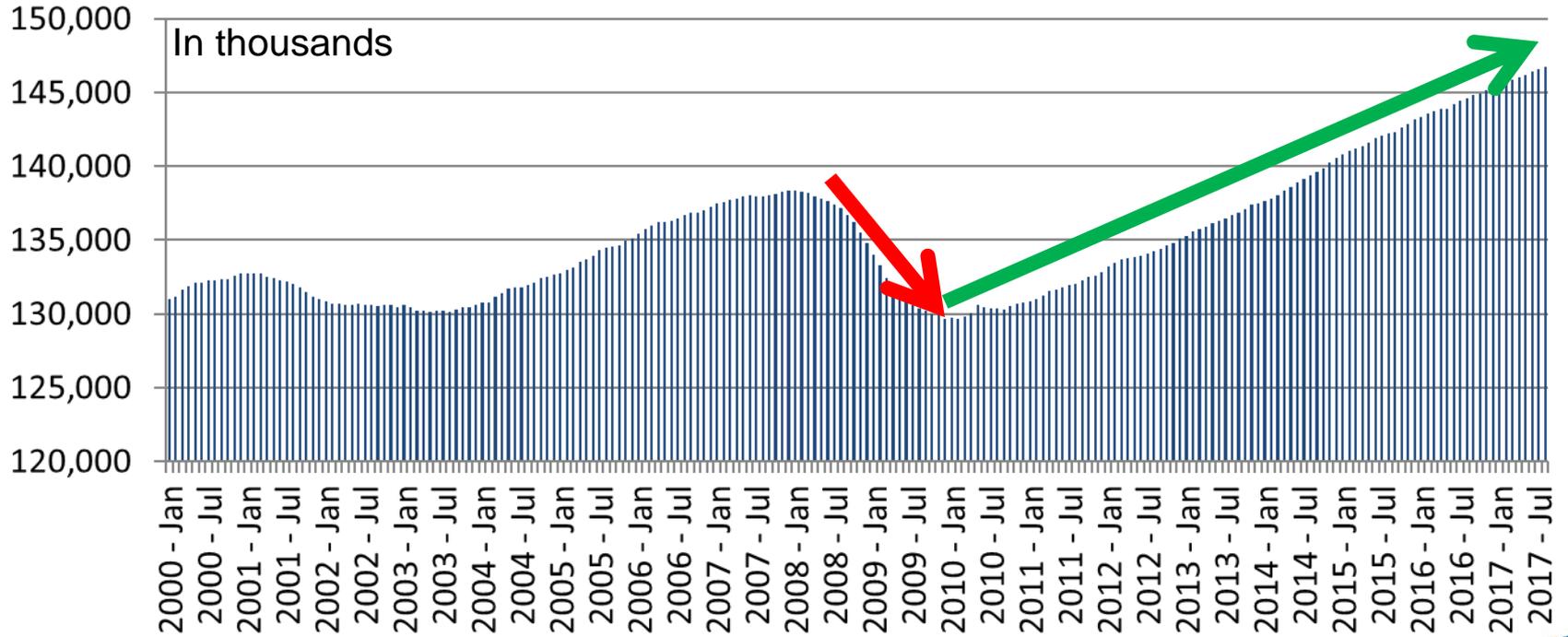
- Houston
 - 10,000 homes uninhabitable
 - 50,000 homes major damage
- Florida
 - 70,000 homes major damage
- Puerto Rico and U.S. Virgin Islands
 - Too many damage

Residential Construction Workers

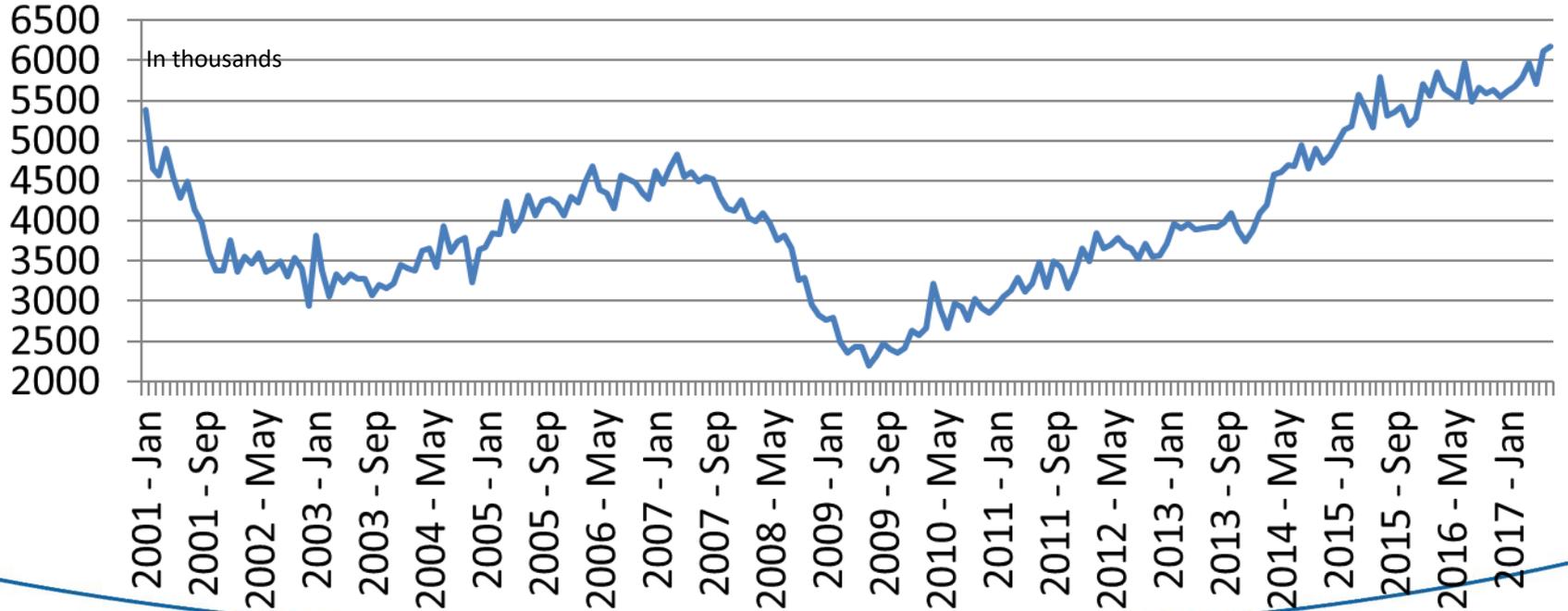


Jobs

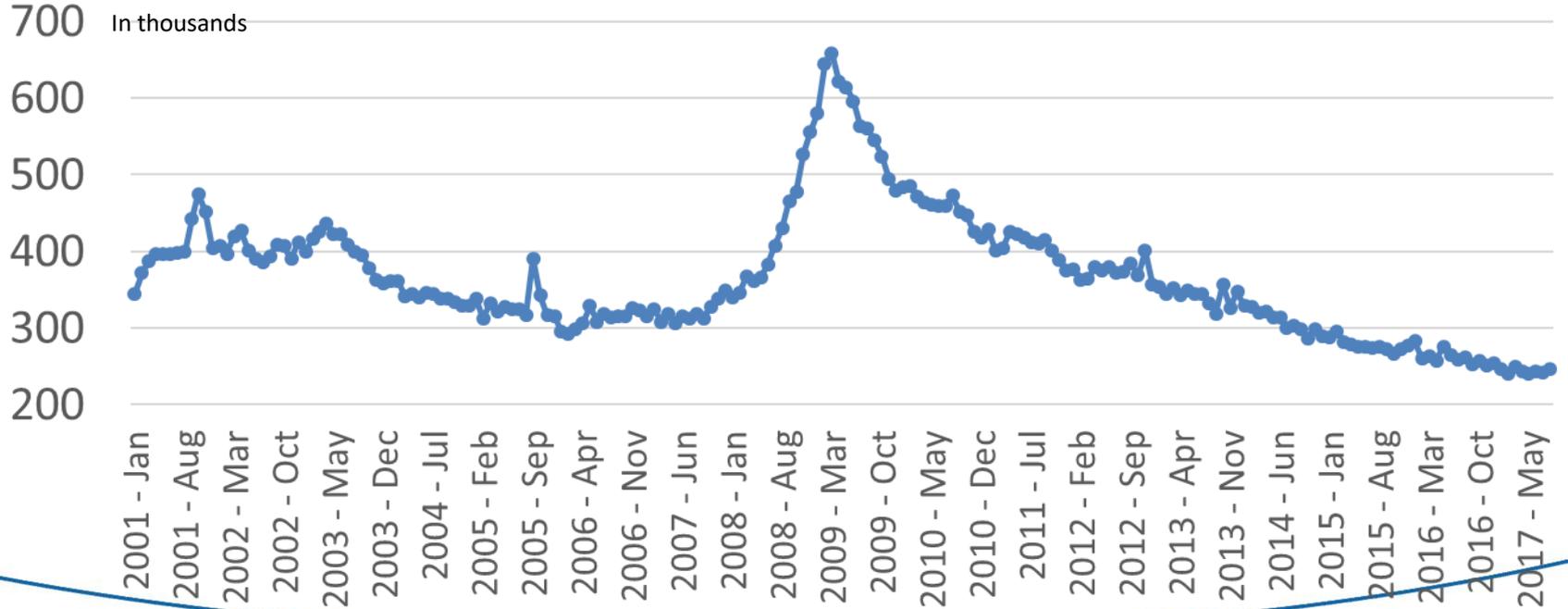
(8 million lost ... 16 million gained)



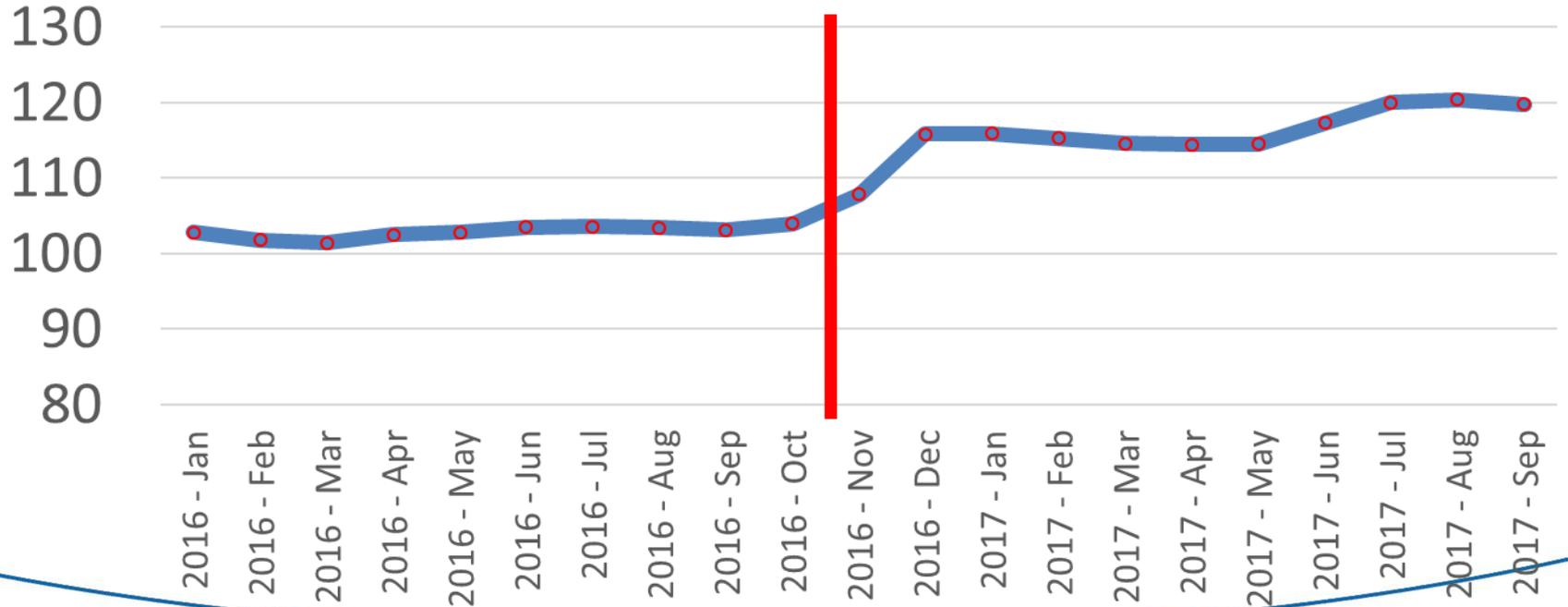
Total Job Openings



Weekly Initial Unemployment Insurance Filings

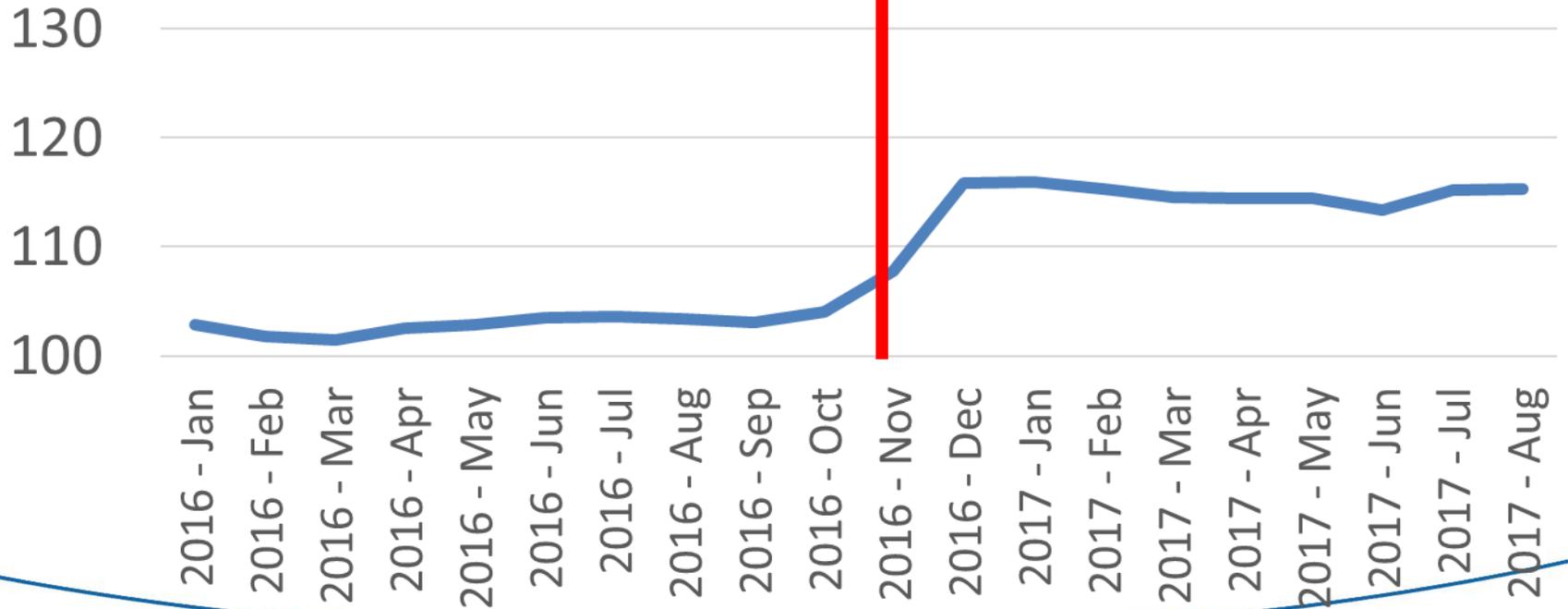


Animal Spirit Revival of Consumers? Consumer Confidence Index

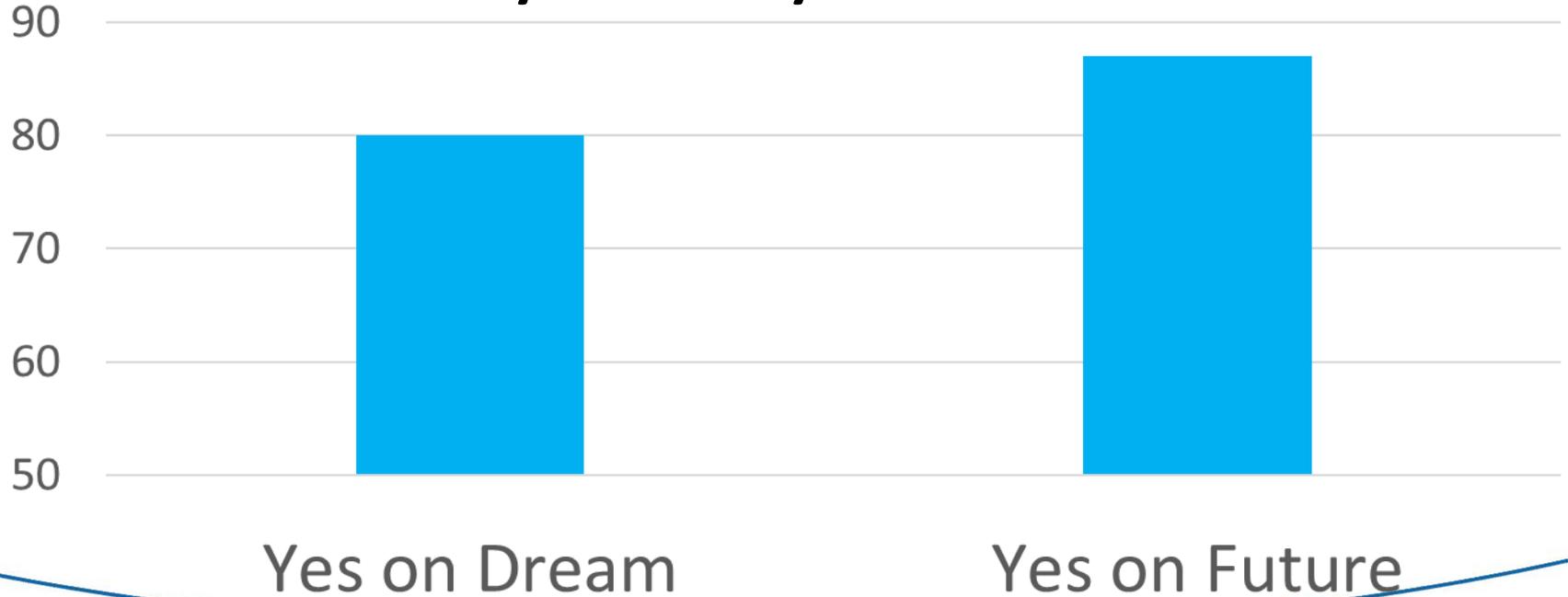


Animal Spirit Revival of Businesses?

Small Business Optimism Index

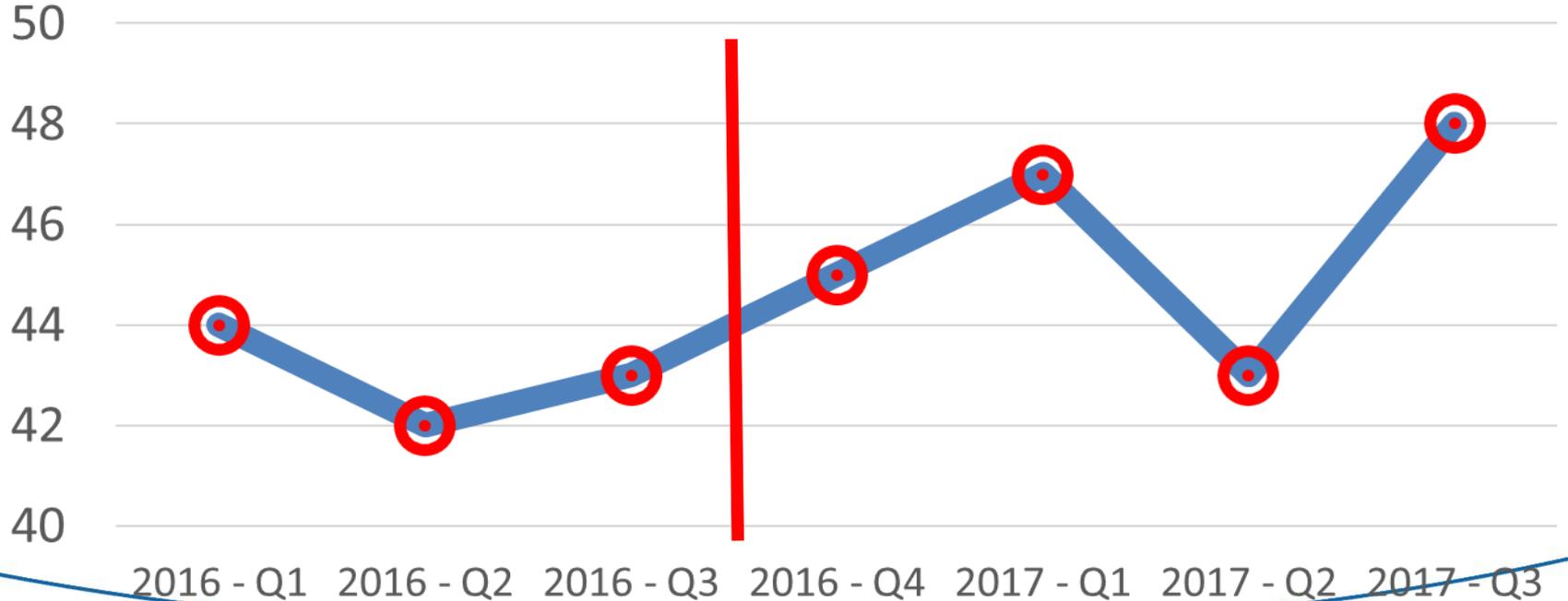


Is Owning still American Dream? Will you Buy in Future?



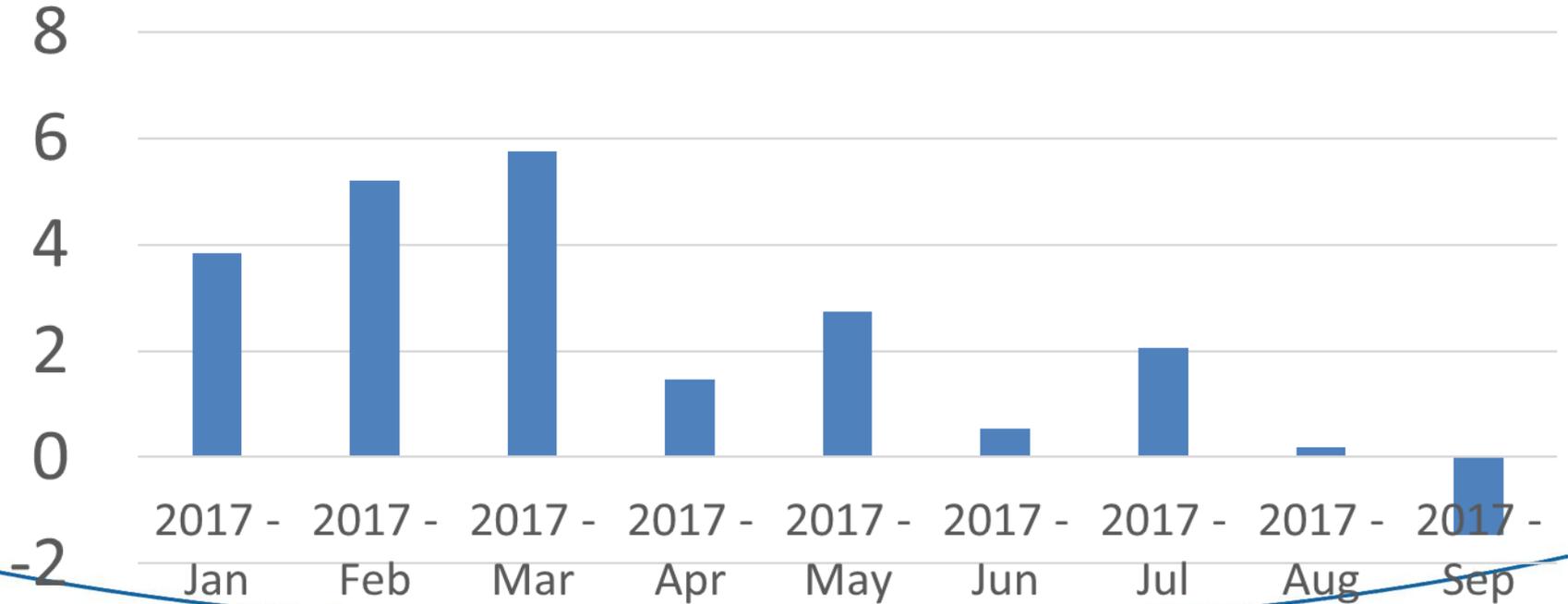
NAR HOME Survey of Consumers

% Strongly indicating Good Time to Buy



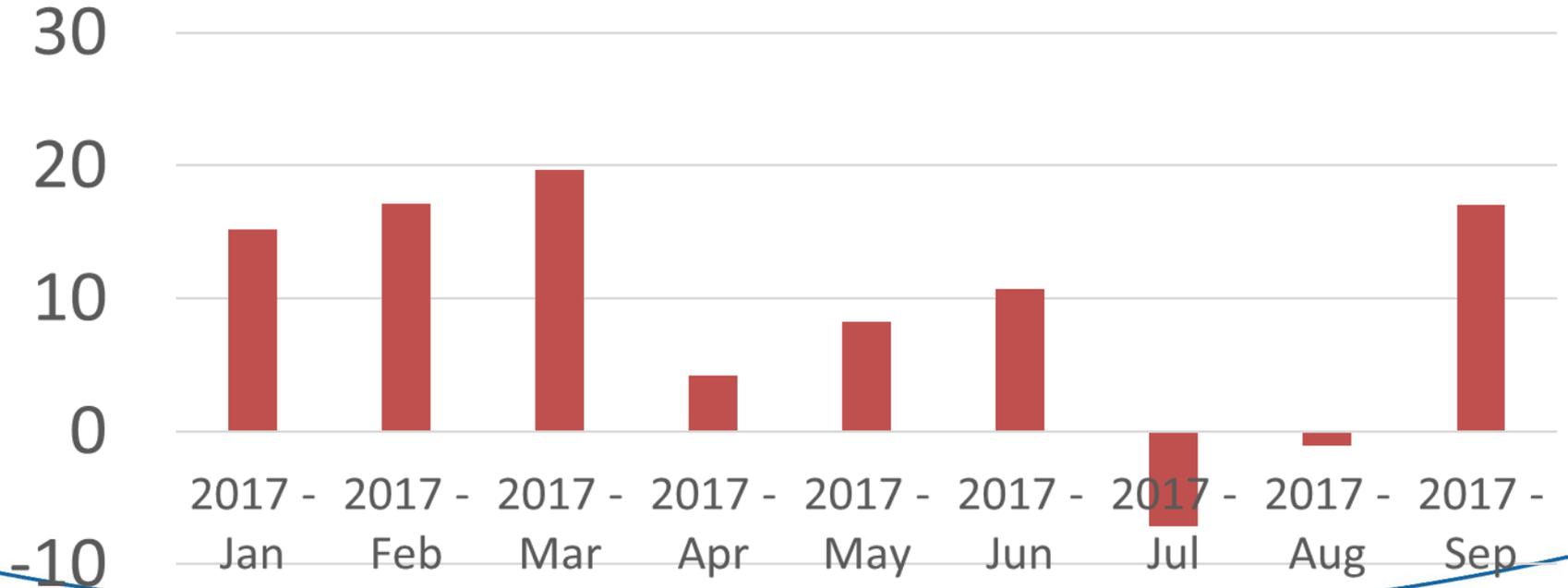
Existing Home Sales in 2017

(% change from one year ago)

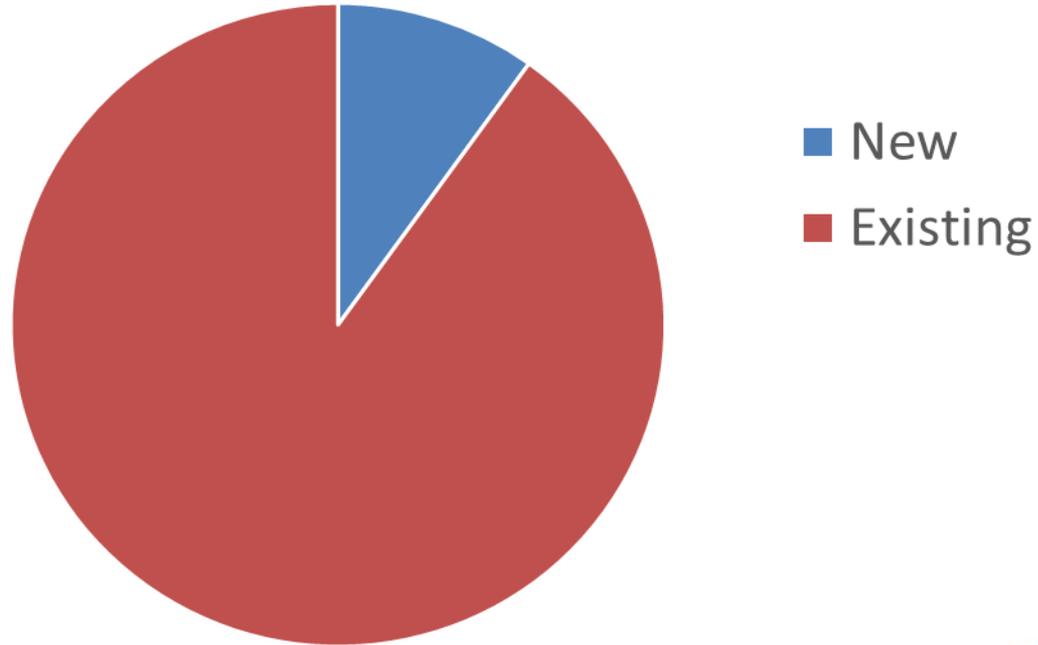


New Home Sales in 2017

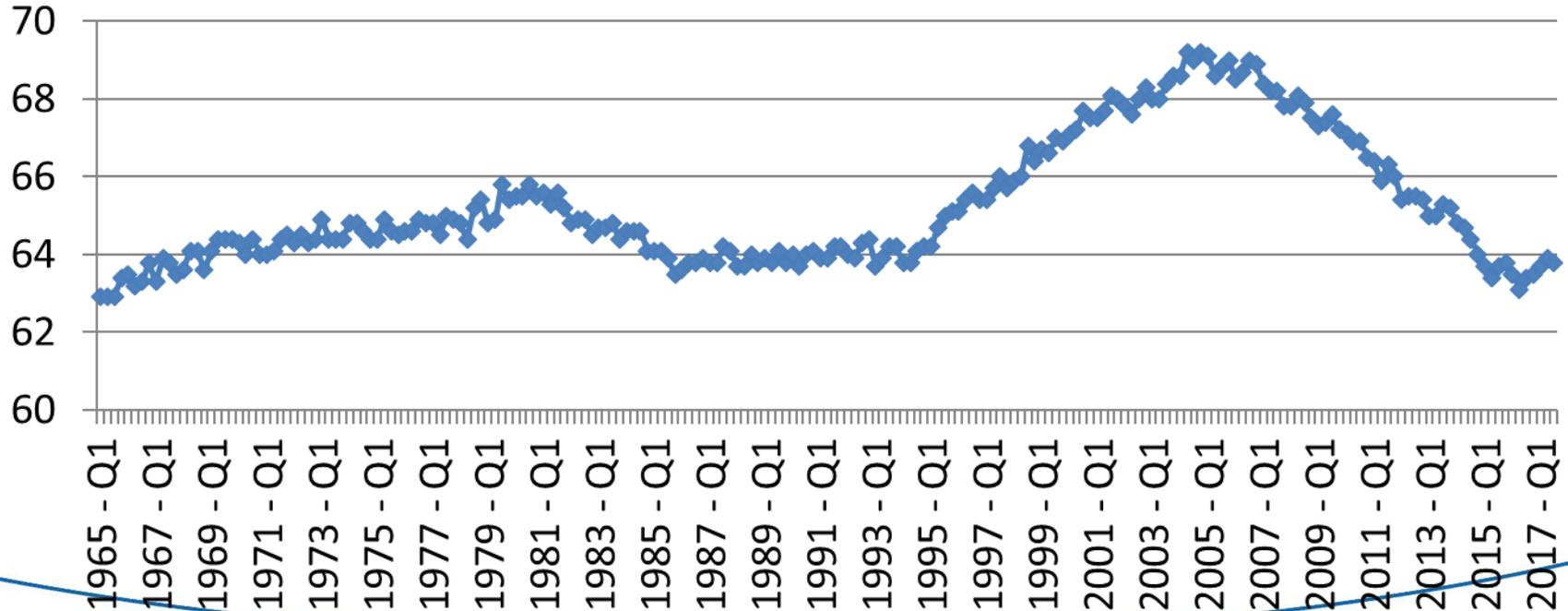
(% change from one year ago)



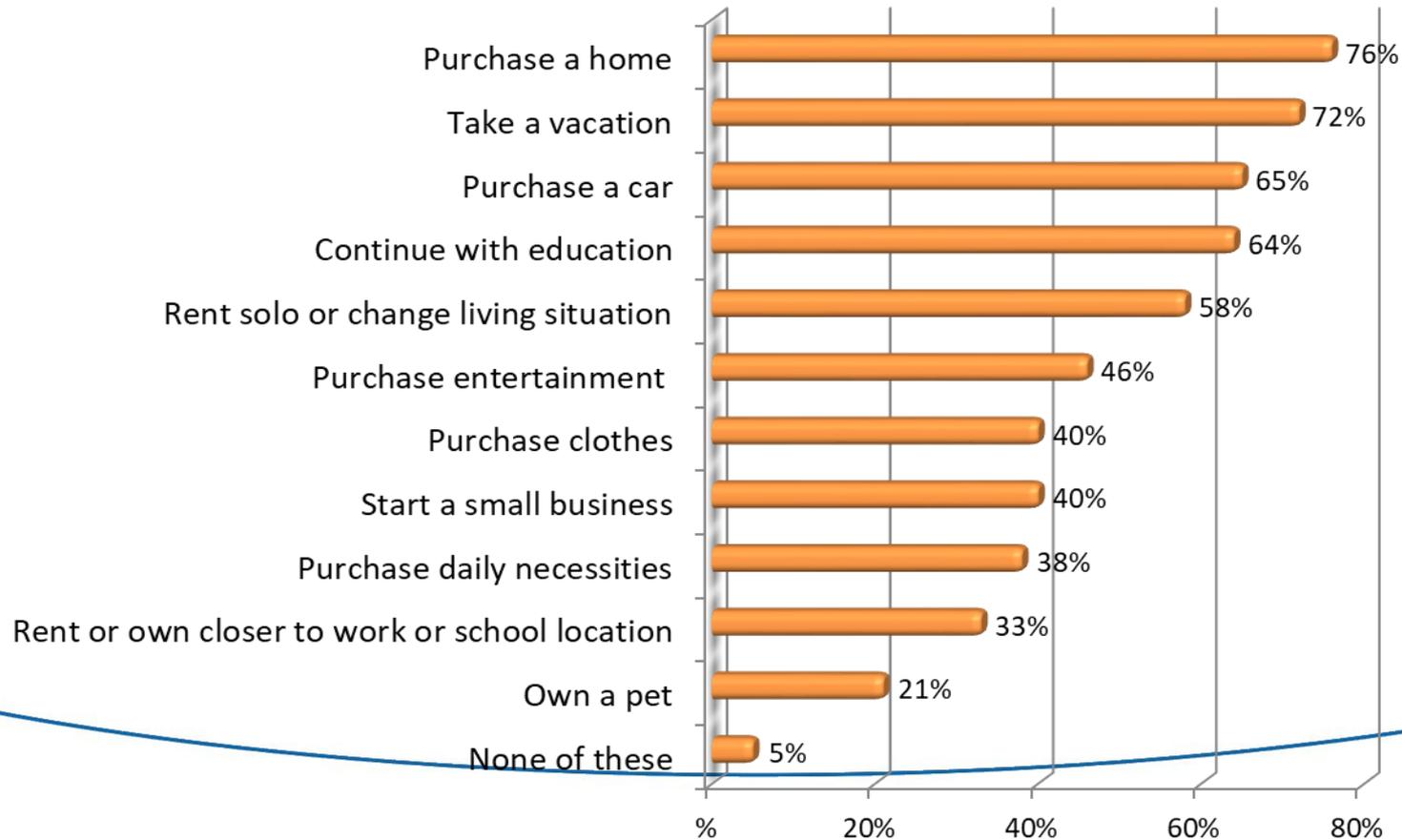
New Home Sales is Small Share



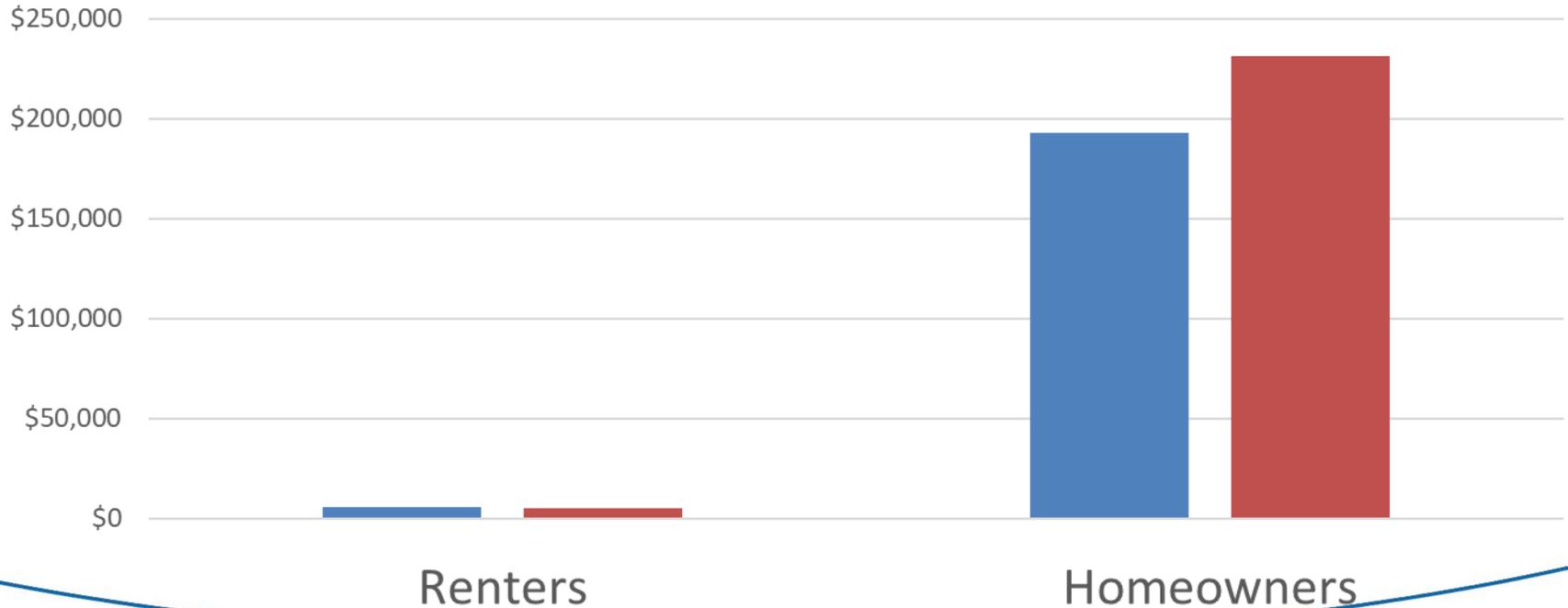
Homeownership Rate Still Near 50-year Lows



Student Loan Debt Impacted

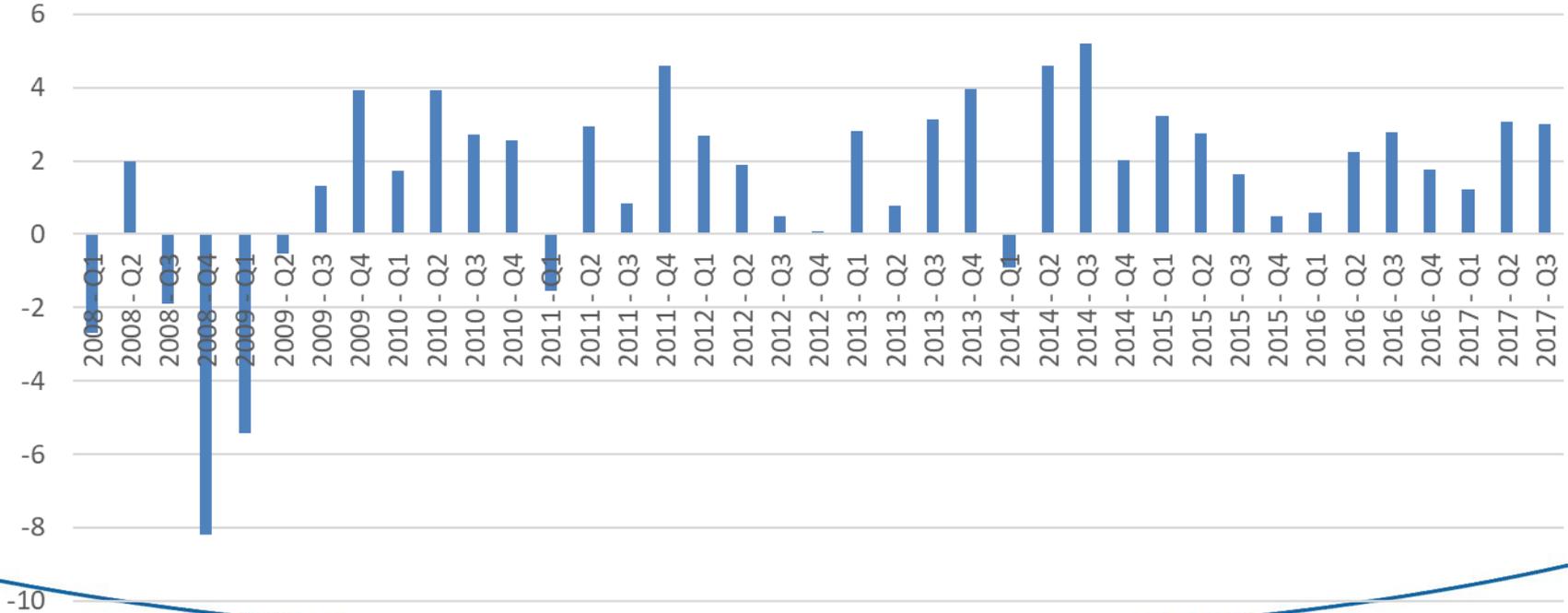


Wealth: From 2000 to 2016



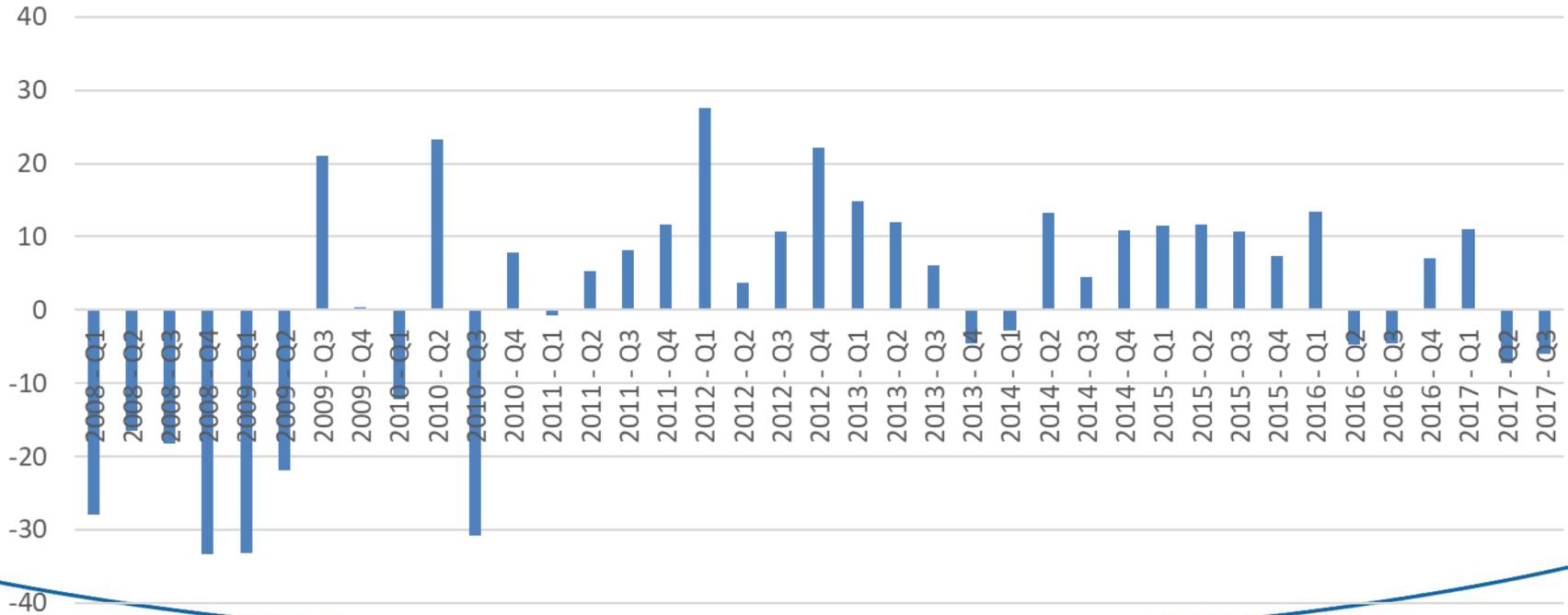
GDP Growth Rate

3% in Q2 and Q3



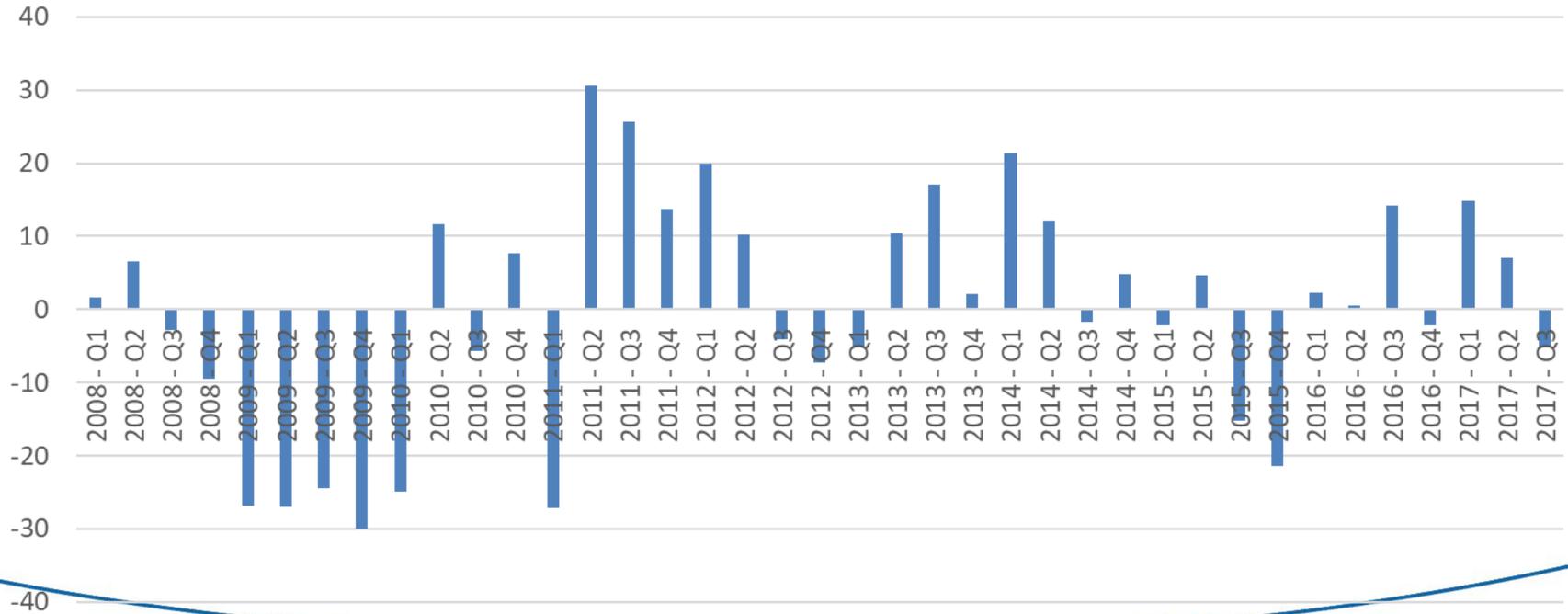
Residential Real Estate Investment Growth Rate

Negative in Q2 and Q3



Commercial Real Estate Investment Growth Rate

Volatile and Negative in Q3



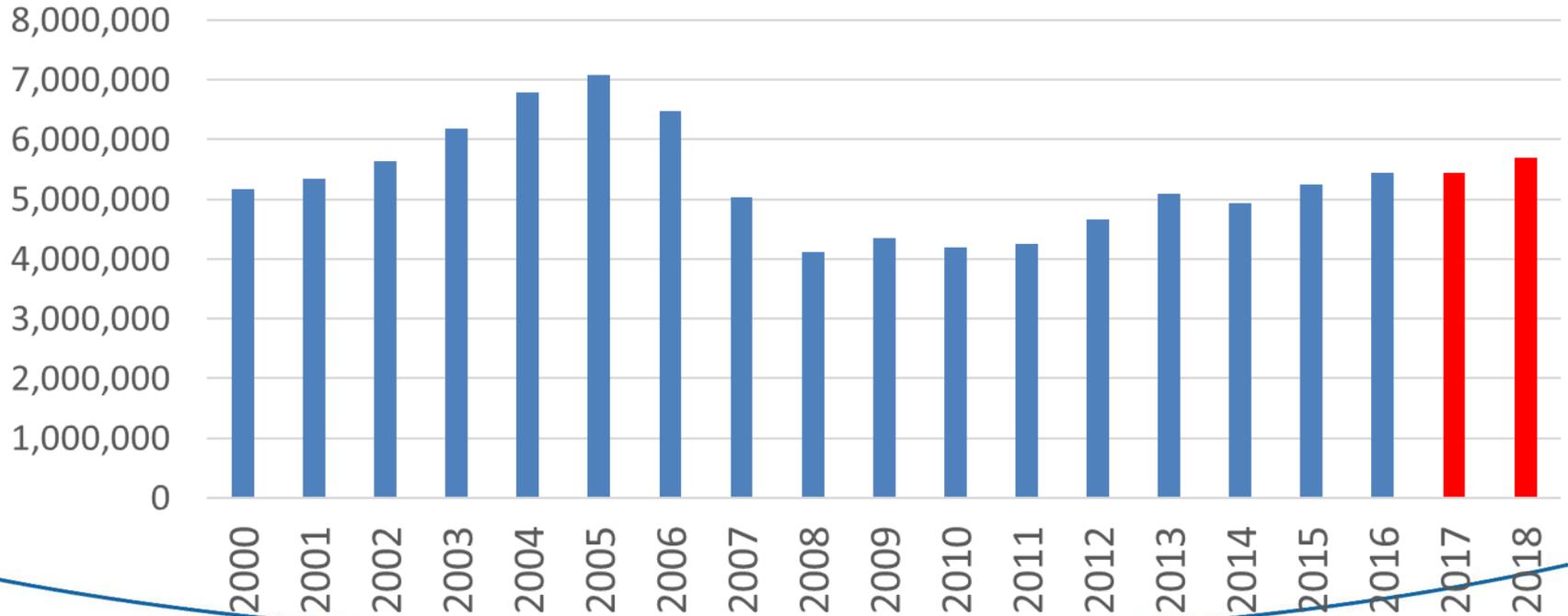
Economic Forecast

| | 2015 | 2016 | 2017 Forecast | 2018 Forecast |
|---------------|-----------------|-----------------|------------------|------------------|
| GDP Growth | 2.9% | 1.5% | 2.2% | 2.7% |
| Job Growth | +2.6 million | +2.0 million | +1.8 million | +2.4 million |
| CPI Inflation | 0.3% | 1.3% | 2.0% | 2.5% |

Housing Forecast

| | 2015 | 2016 | 2017 Forecast | 2018 Forecast |
|---------------------|-------------|-------------|---------------|---------------|
| New Home Sales | 500,000 | 560,000 | 600,000 | 700,000 |
| Existing Home Sales | 5.3 million | 5.4 million | 5.5 million | 5.7 million |
| Median Price Growth | + 6.8% | +5.1% | +6.0% | +5.0% |
| 30-year Rate | 3.9% | 3.6% | 4.0% | 4.5% |

Existing Home Sales + Forecast



Go Go Go !!!



Richmond Realtors®
Children Cancer Recovery

Northeast Realtors®
Recovery after opioid addiction

Renting to Owning
Renting to Owning
Renting to Owning