

LEADERSHIP WEEK

AUGUST 13-17, 2023



NARdotRealtor



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#NARLeadershipWeek



Lawrence Yun, Ph.D.



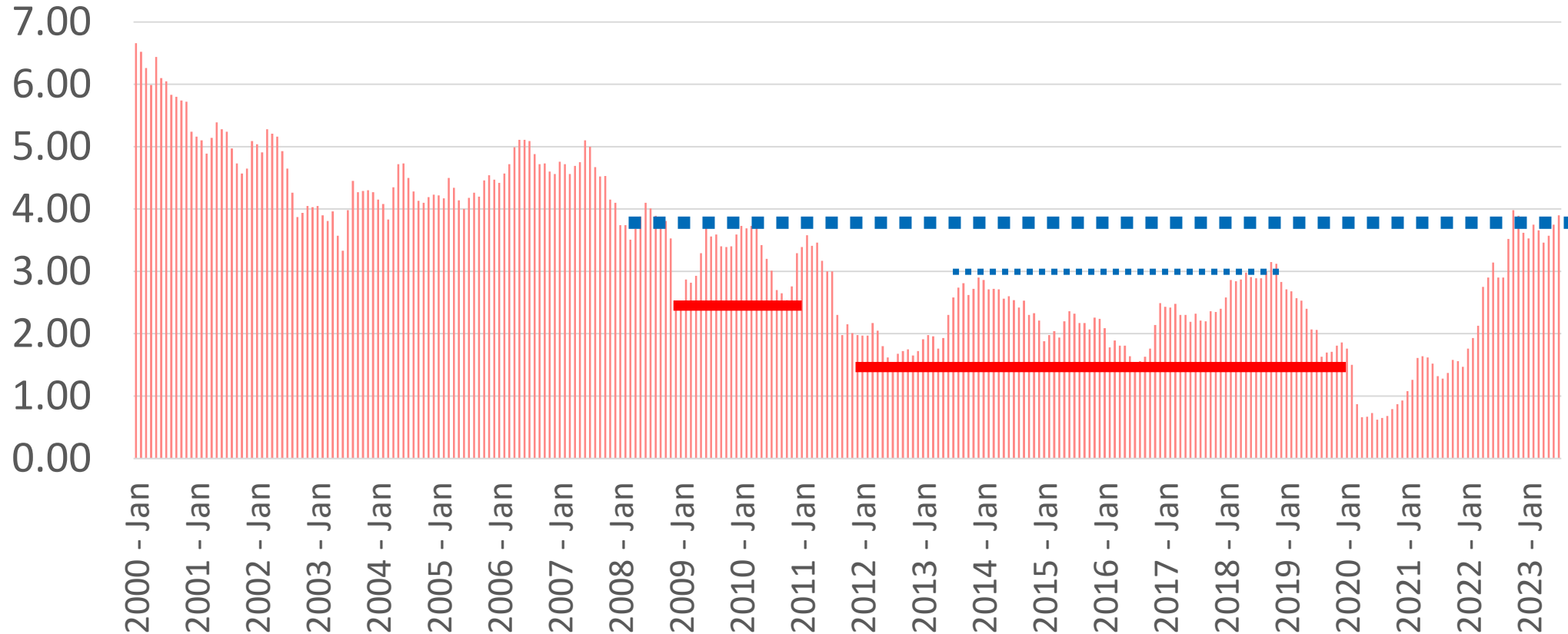
Chief Economist

National Association of REALTORS®

2023 Leadership Summit

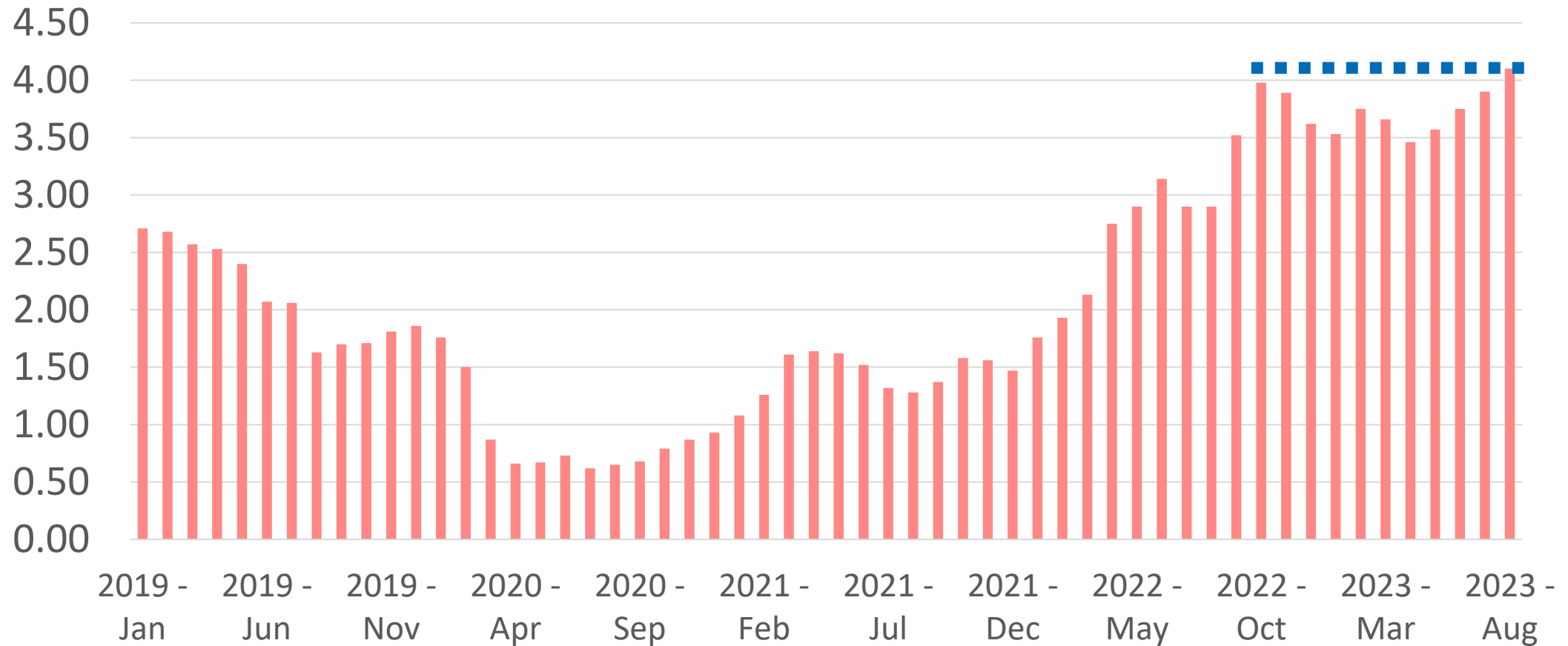
Real Estate Market Outlook

Scary Chart: 10-year Treasury Borrowing Rate Testing Resistance Line

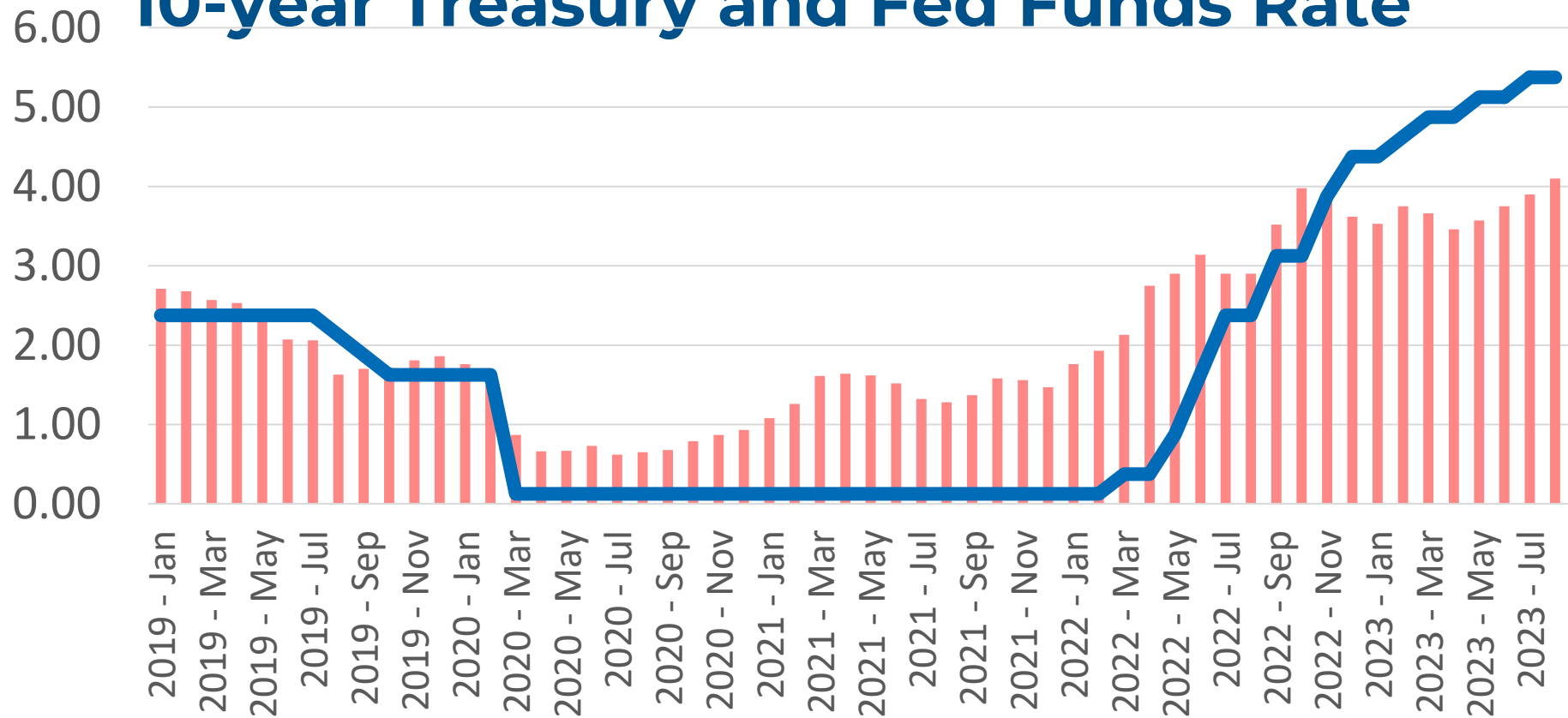


Source: U.S. Treasury and Federal Reserve

Scary Chart Zoom-in: 10-year Treasury Borrowing Rate Testing Resistance Line



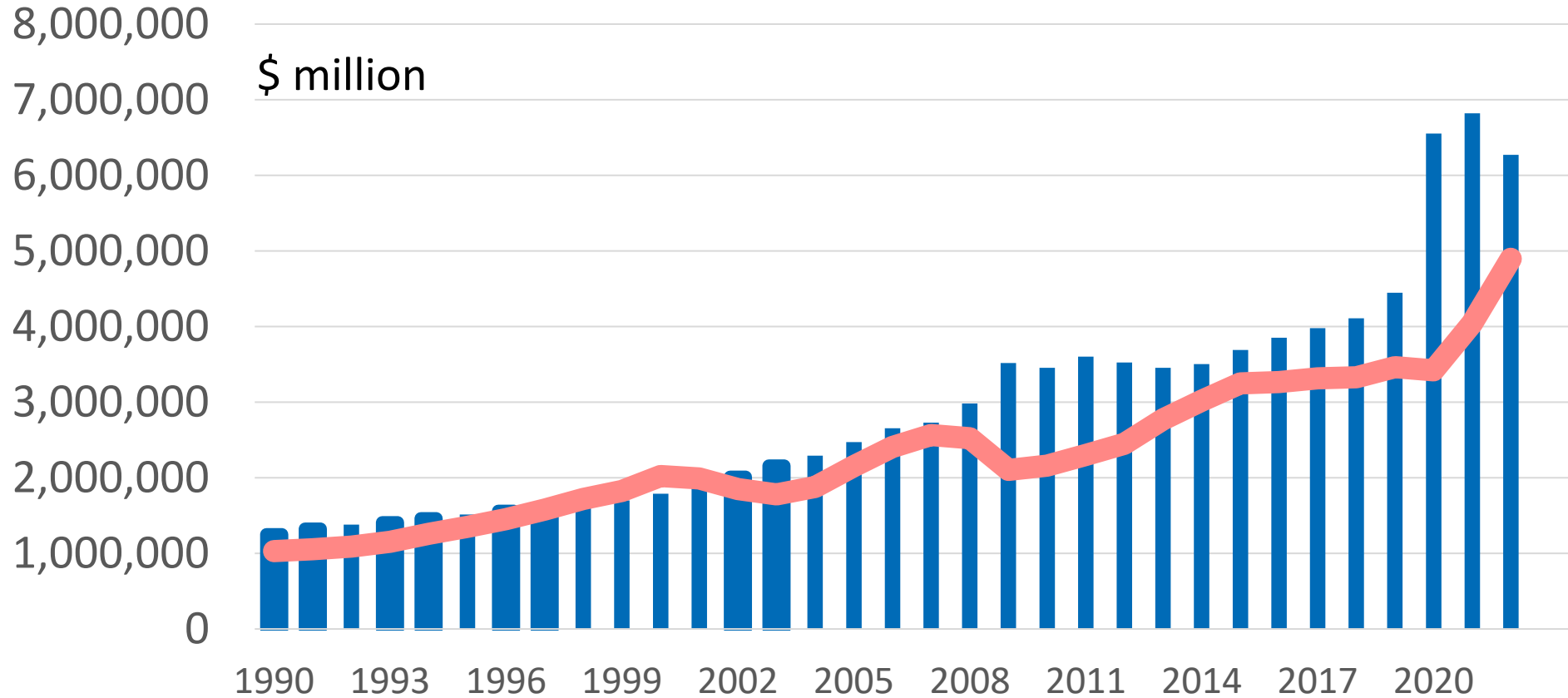
High Borrowing Costs from Fed's Aggressive Policy: 10-year Treasury and Fed Funds Rate



Source: U.S. Treasury and Federal Reserve

Downgrade of USA Debt ???

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



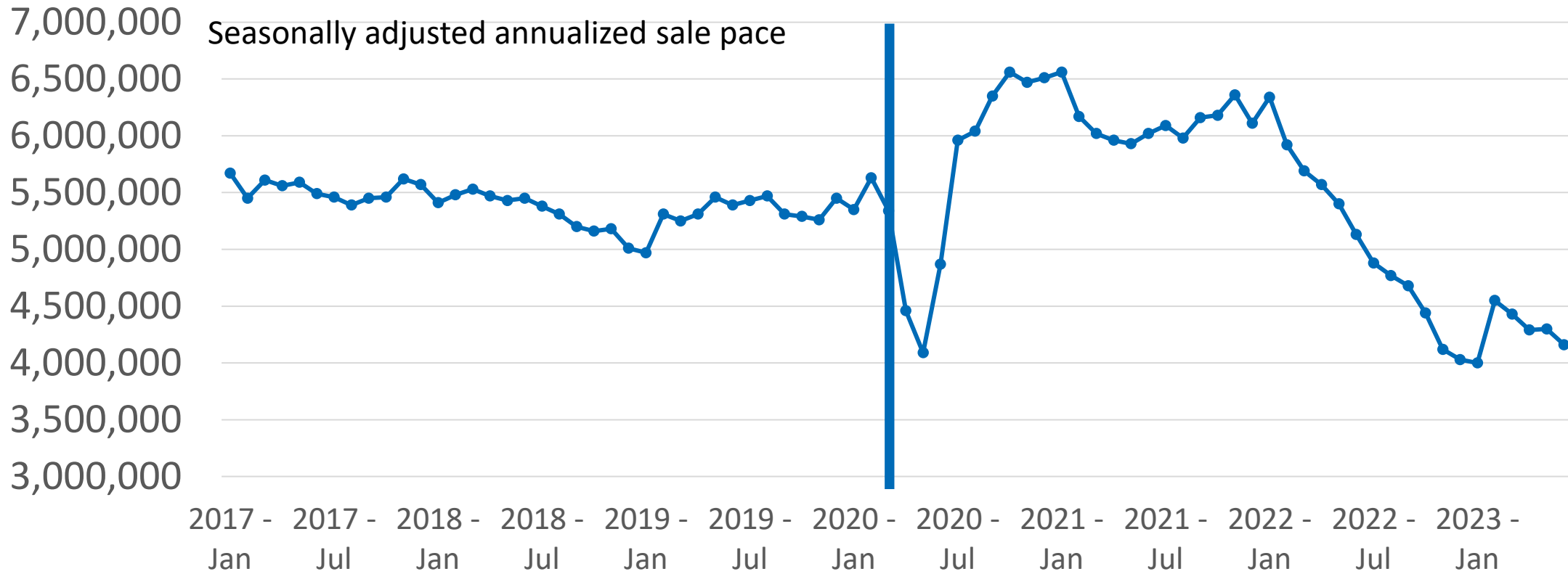
Source: Congressional Budget Office

Damage from High Interest Rates

Case Sales Down

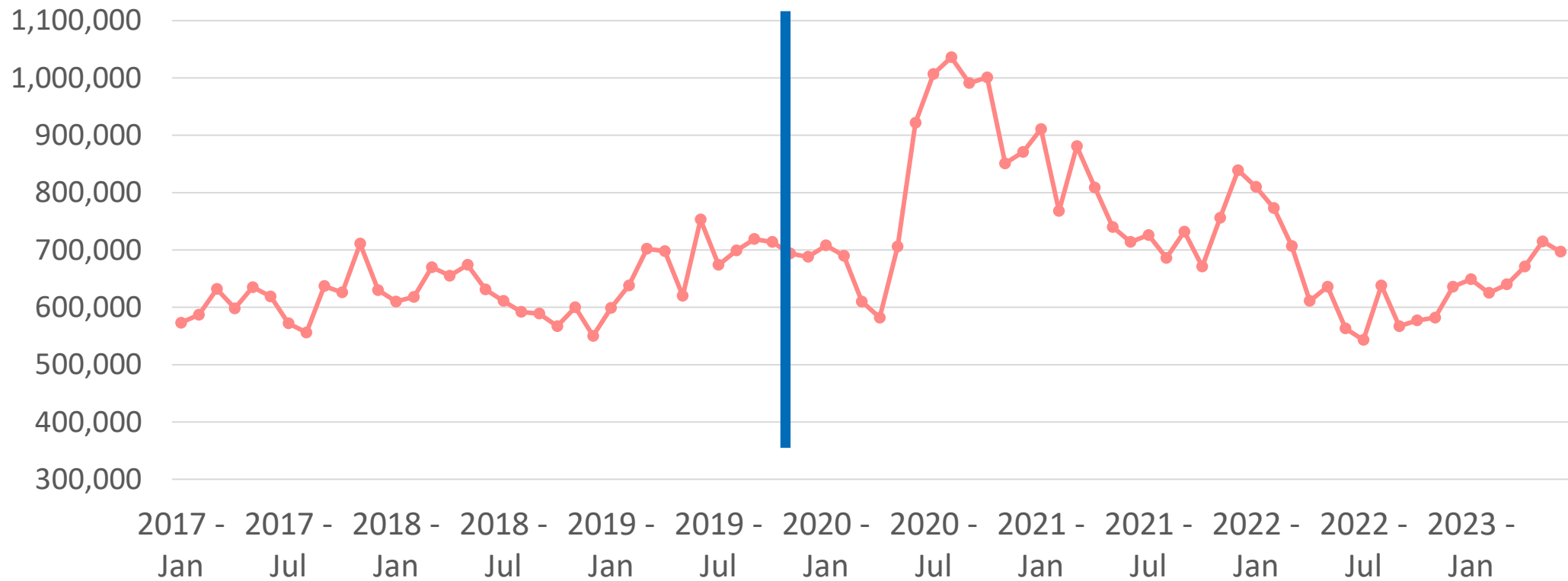
- **Commercial Real Estate Transactions Down**
- **Commercial Real Estate Property Prices Down**
- **Community Banks in a Mess from Interest Rate Mismatch**
- **Community Banks in a Mess from Commercial Real Estate Loan Exposure**
- **Economic Slowdown**
- **Interest Expenditure of Federal Debt Rising**

Weaker Home Sales - Existing-Home Sales Below Pre-COVID...Down 23% Year-to-Date



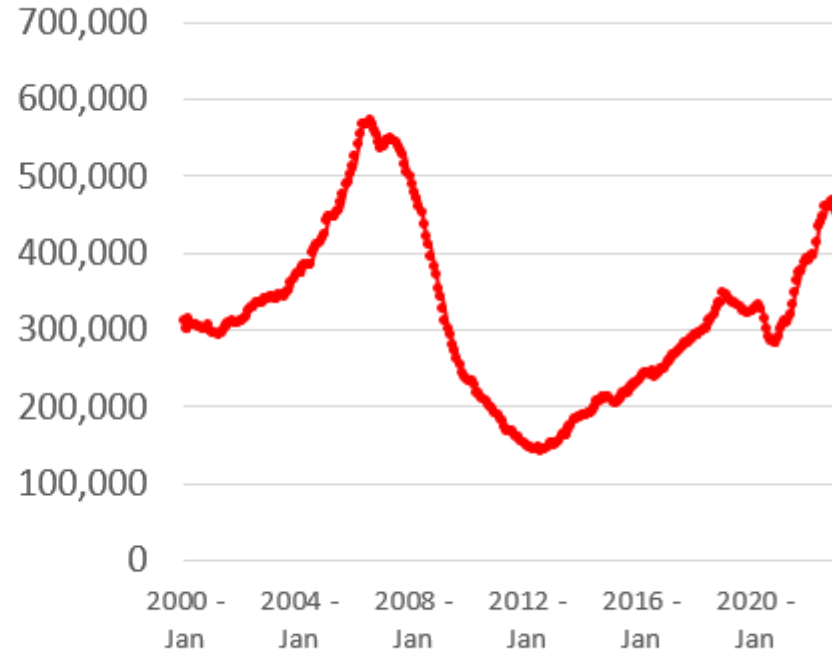
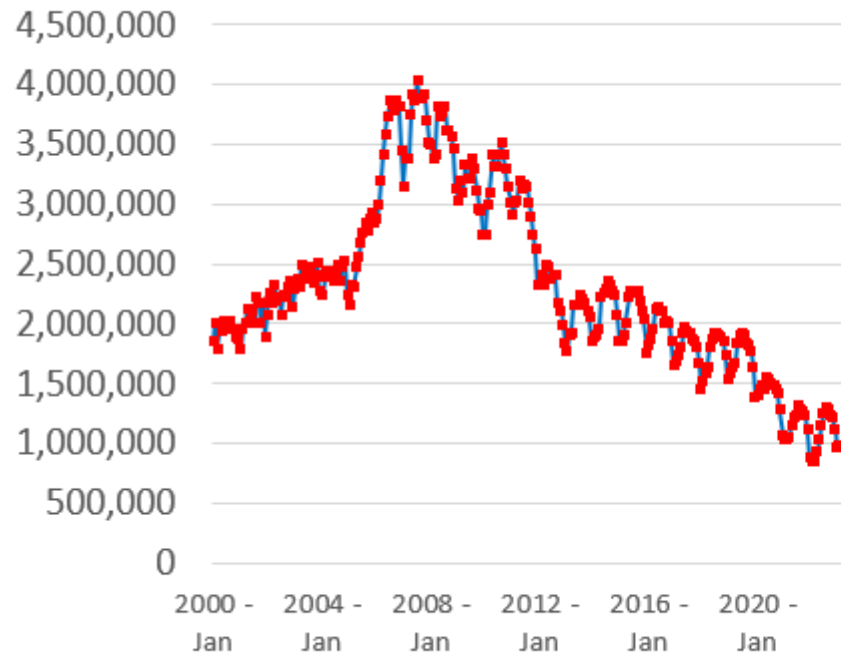
Source: NAR

Newly Constructed Home Sales...Back to Pre-COVID



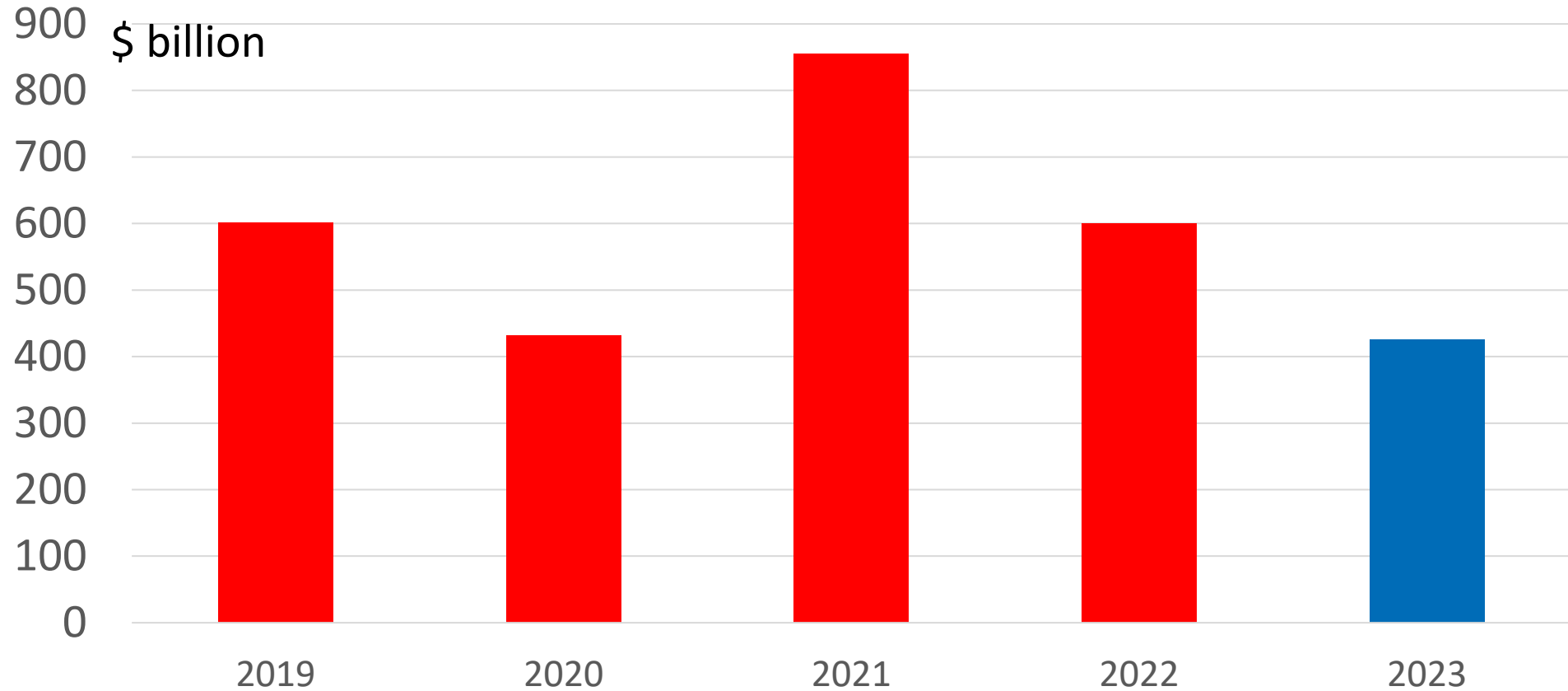
Source: HUD

Inventory of Existing Homes Low ... New Homes High



Source: NAR and HUD

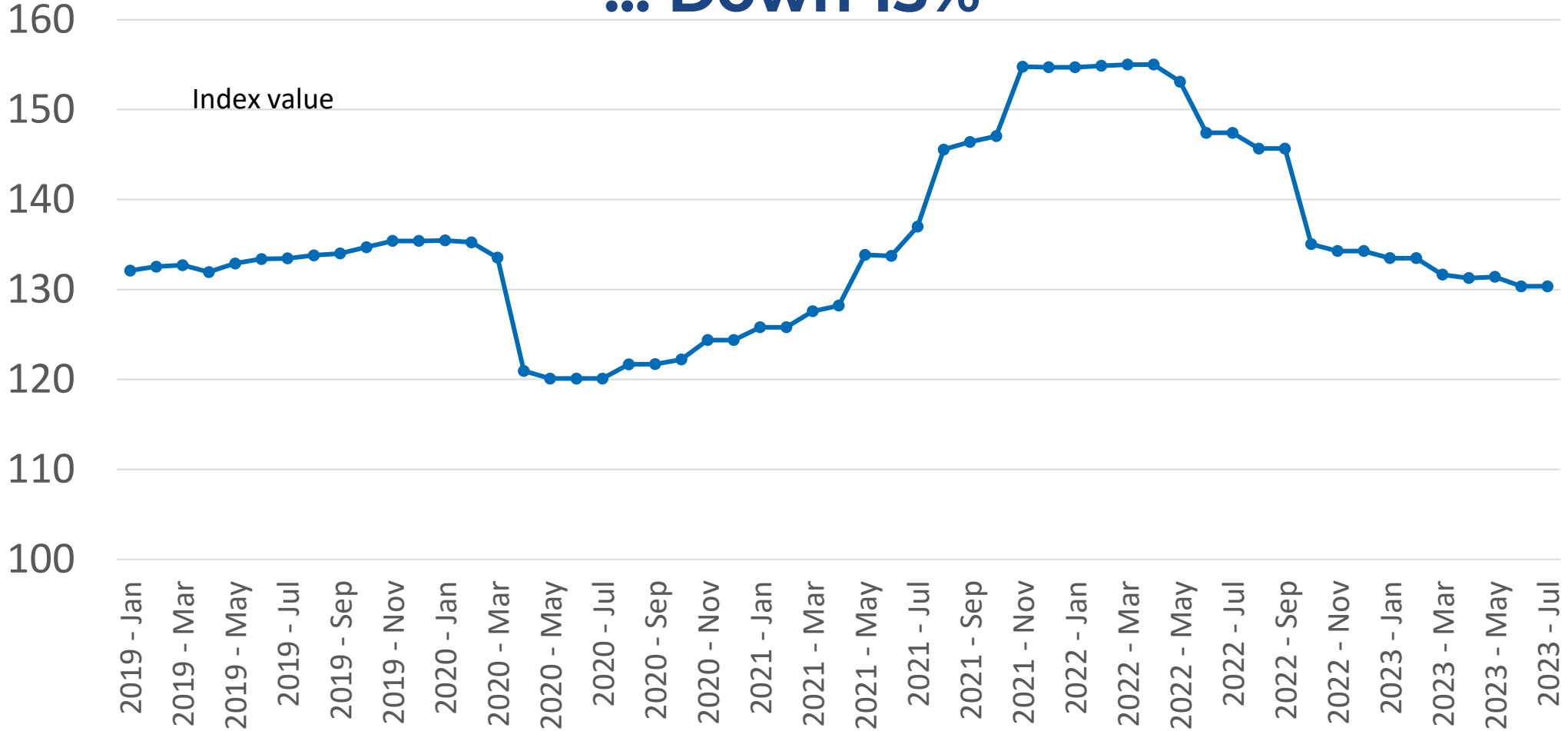
Commercial Real Estate Transactions ... Down 50% (properties valued at \$2.5 million and above)



Source: MSCI

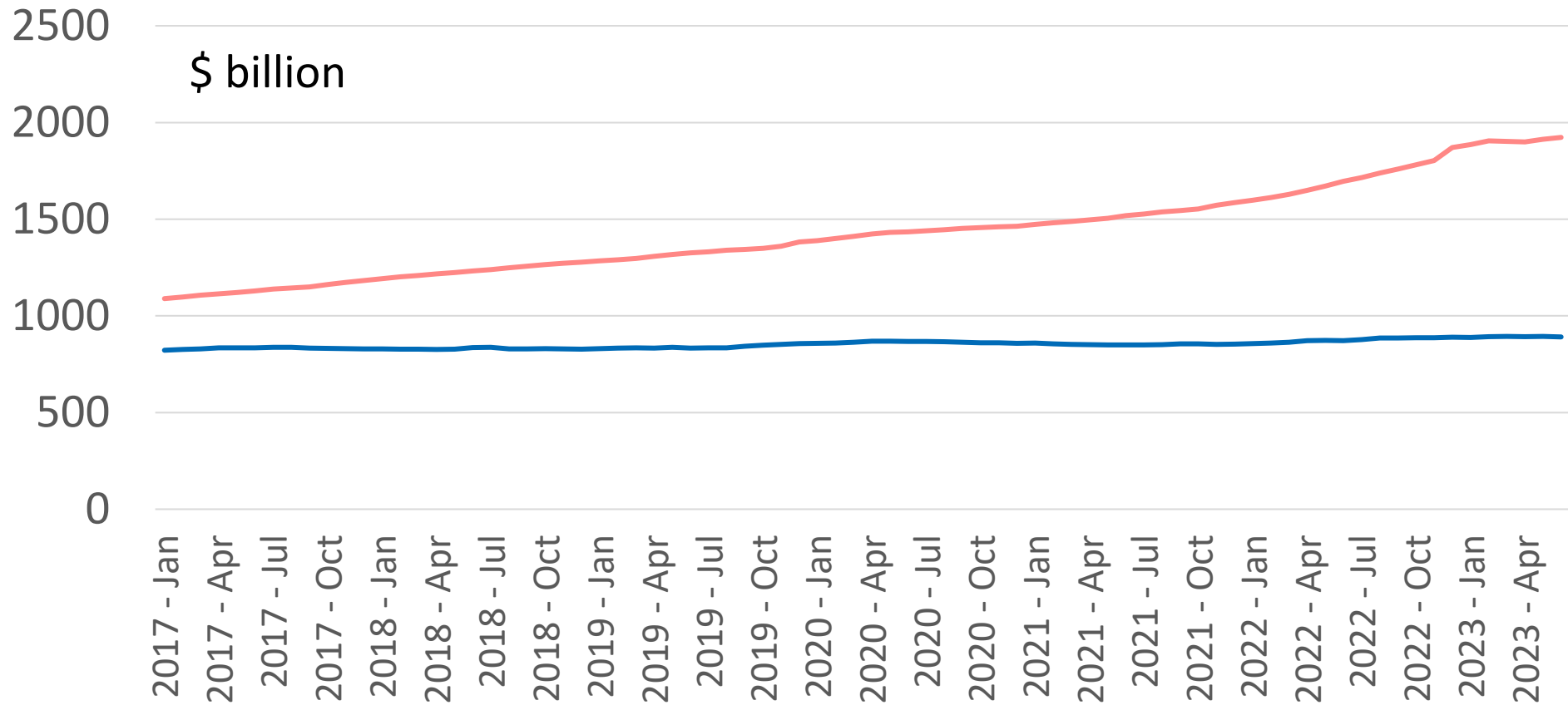
Commercial Real Estate Property Price Index

... Down 15%



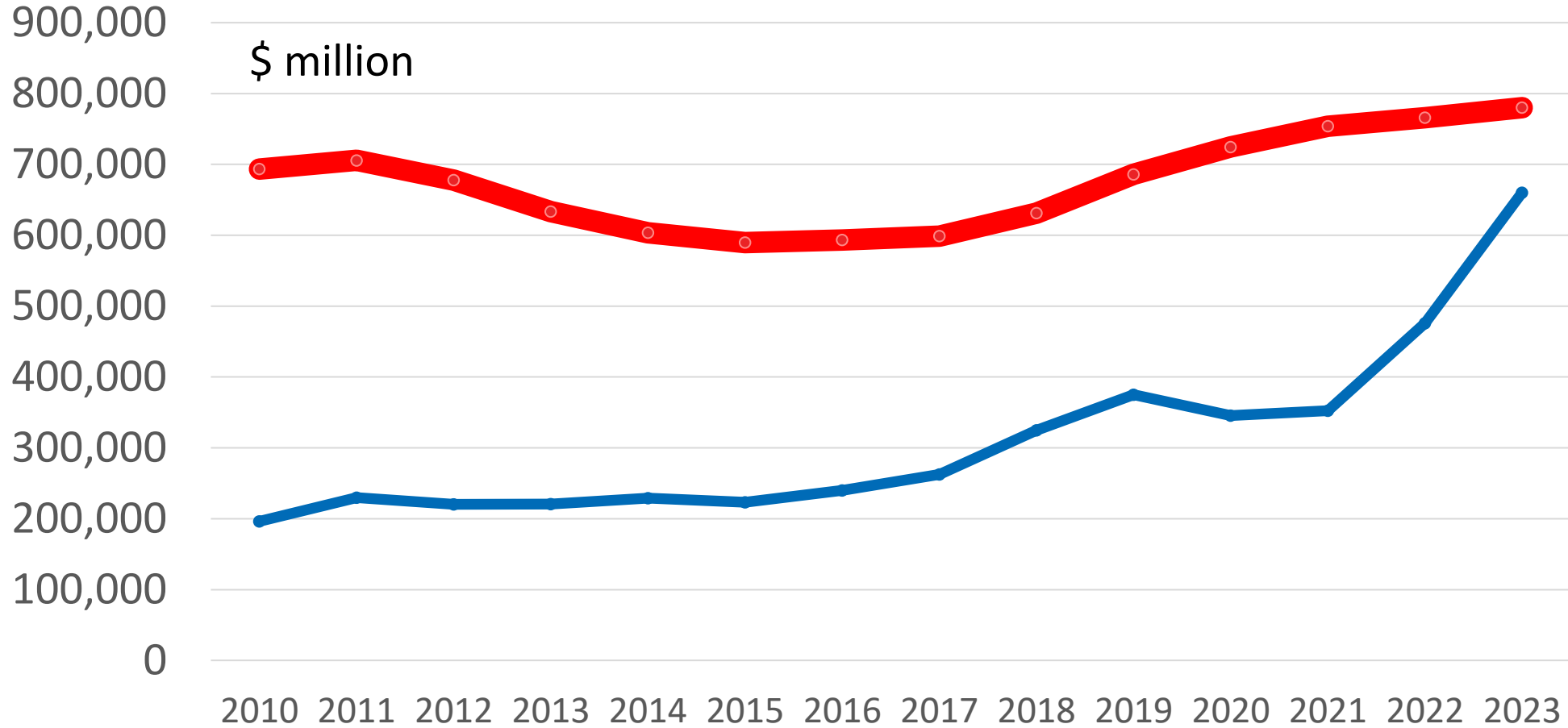
Source: Green Street

Commercial Real Estate Loans Held by Top-25 Banks and 1000 Small Banks



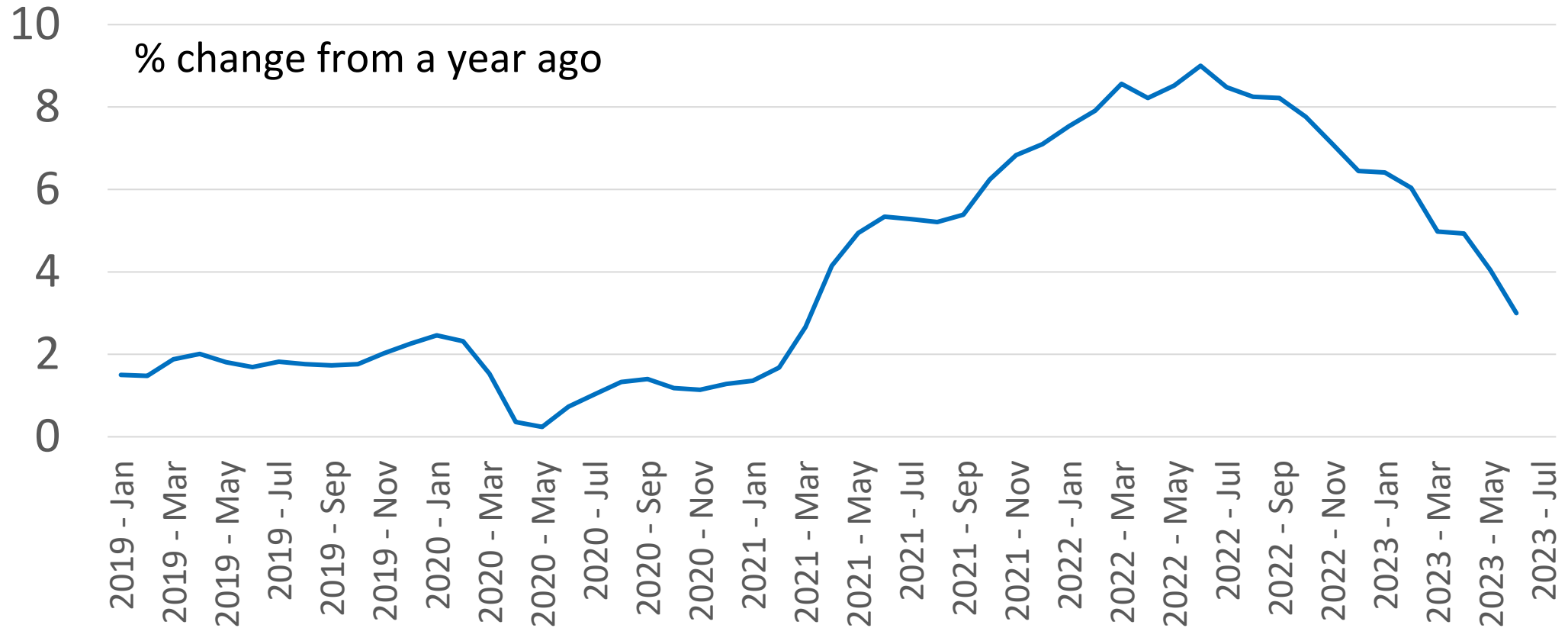
Source: Federal Reserve

National Defense and Interest Payment



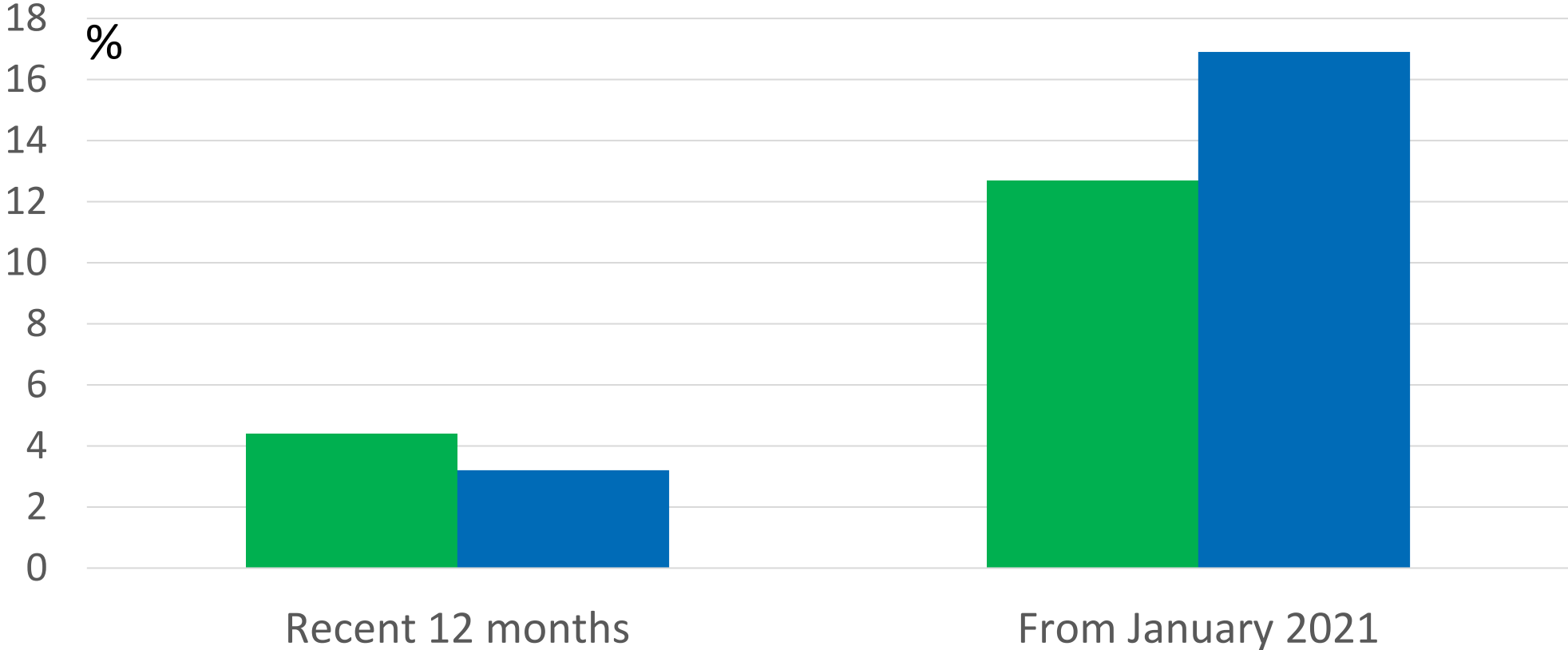
Why is the Fed Raising Interest Rates?

Inflation Steadily Calming Down: 3% in June, but Not Yet 2%, With More Deceleration Underway as Wage and Rents Moderate



Source: BLS

More Jobs and Less Inflation ... But Voters Saying It Ain't So



Democrat Narrative
**Wage Growth > CPI
Inflation
in recent 12 months**

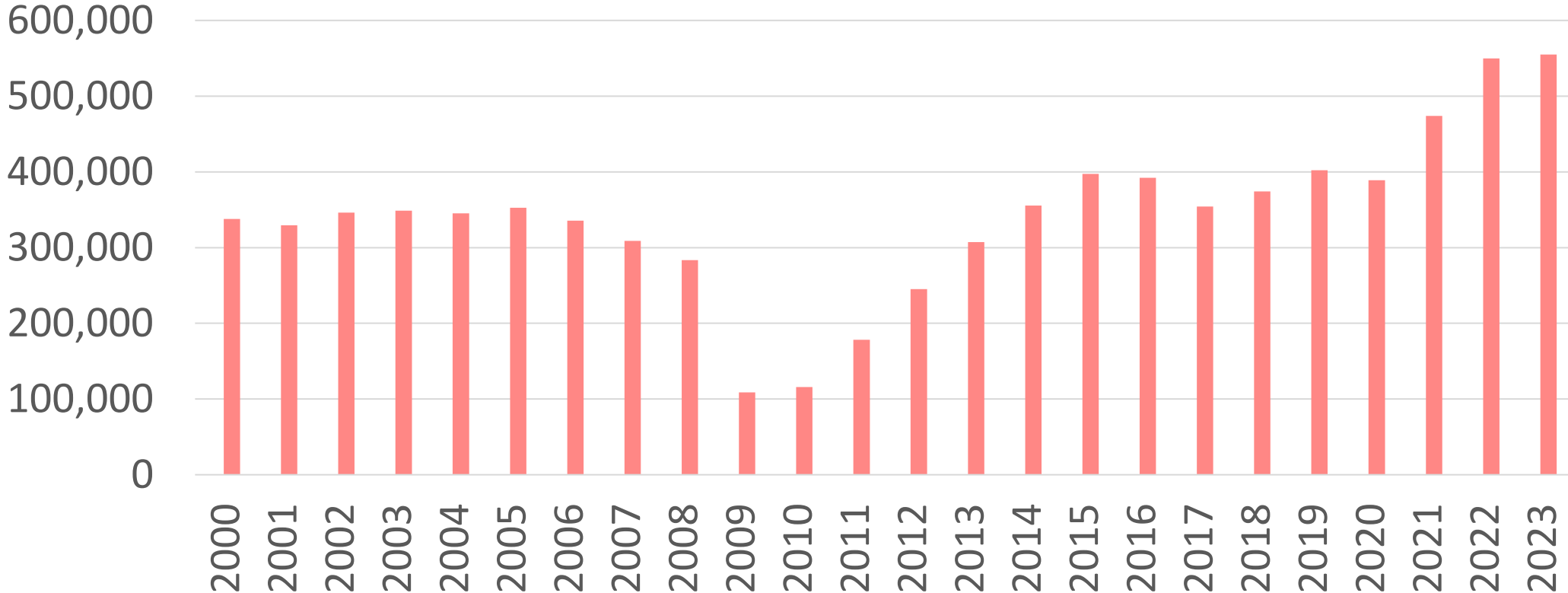
Republican Narrative
**Wage Growth < CPI Inflation
since Biden Inauguration**

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%

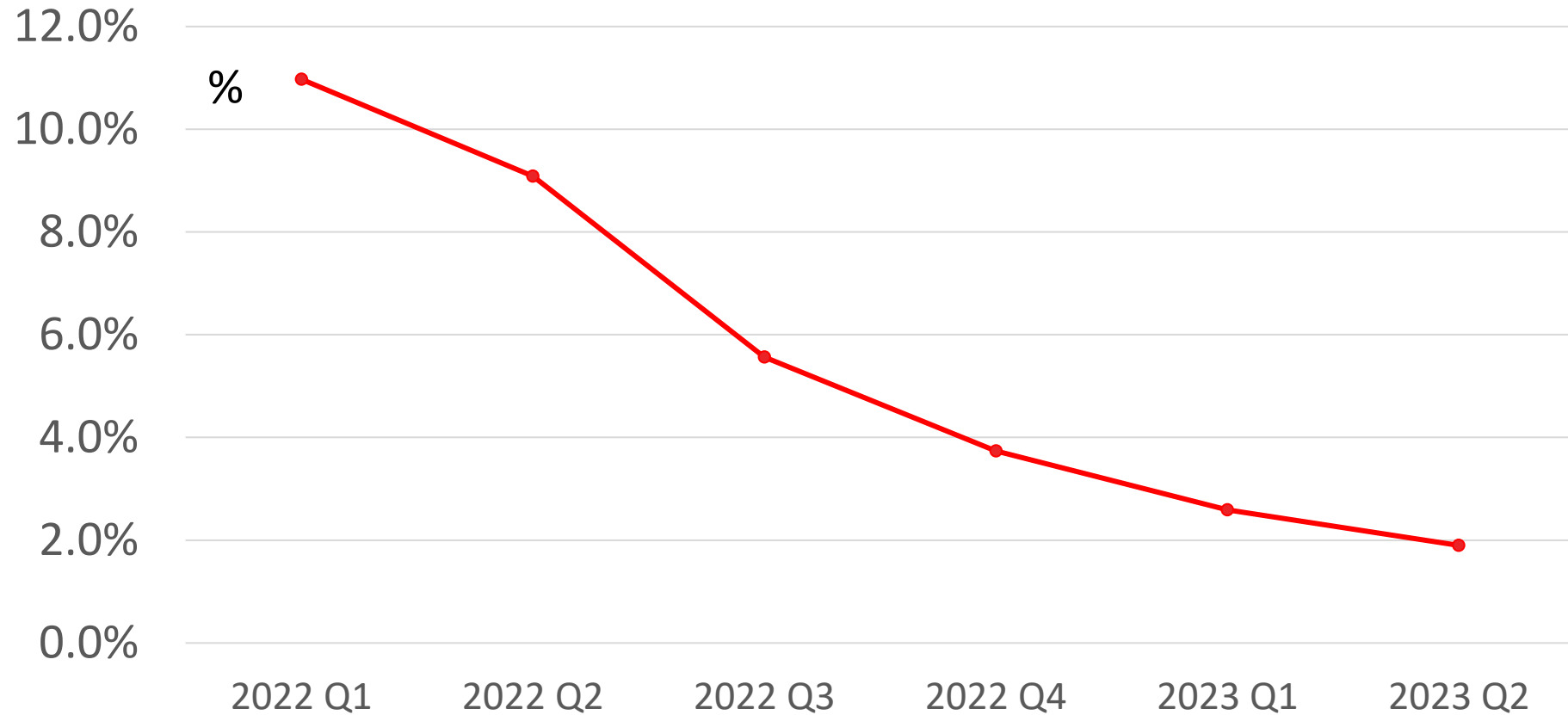
Source: BLS

Annual Apartment Construction at 40-year High... Why has Rent Not Calmed Down?



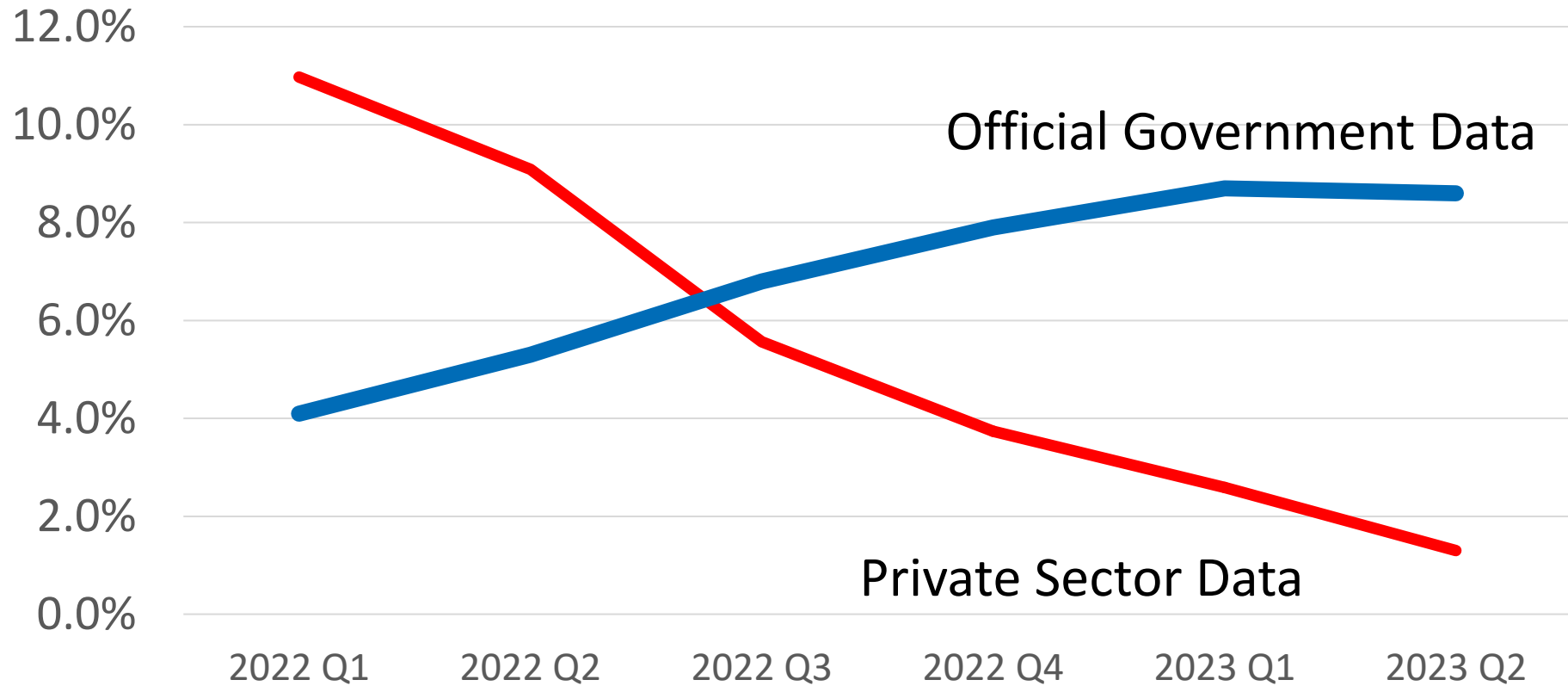
Source: Census/HUD

Apartment Rent Growth in Private Sector Data



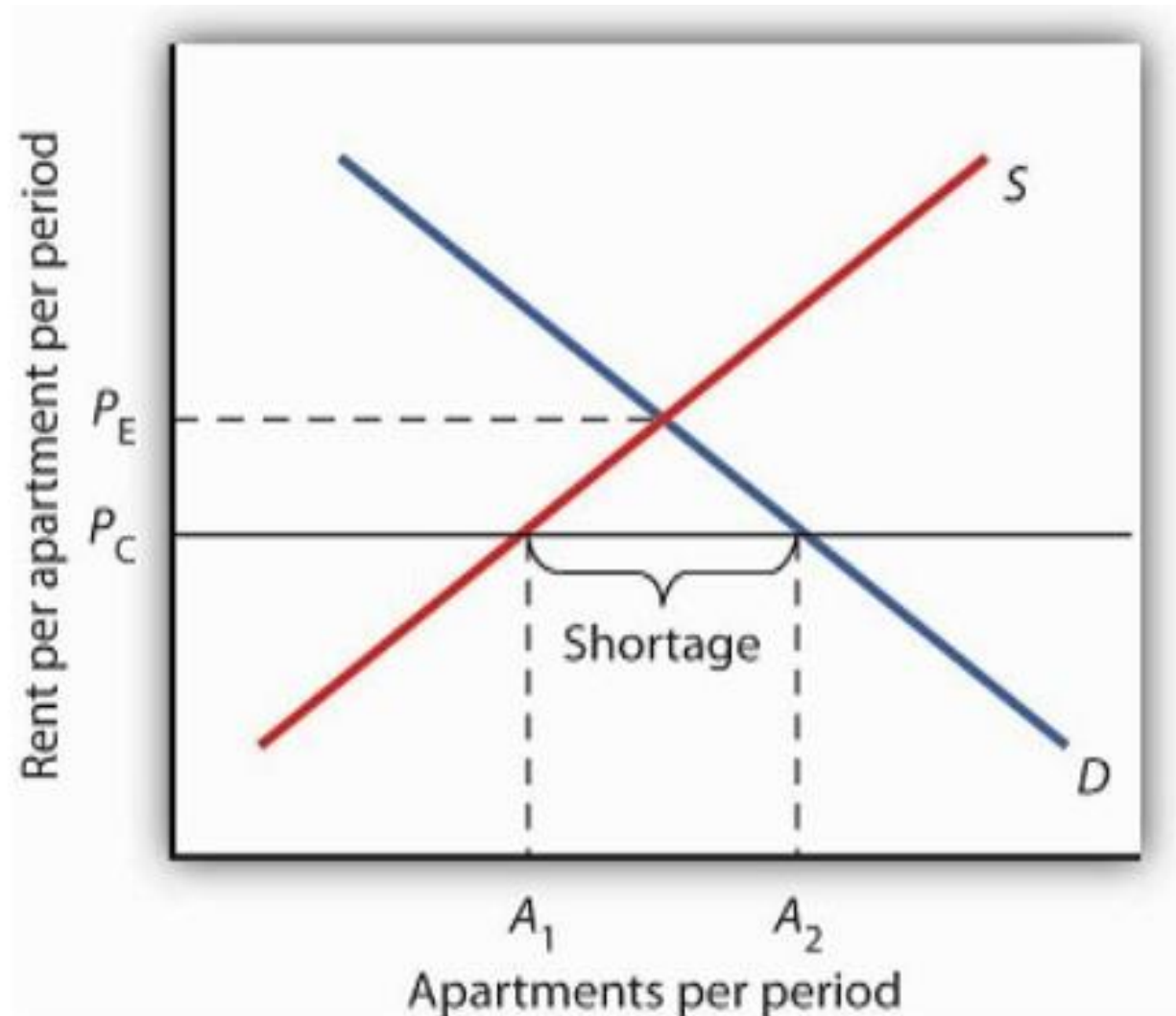
Source: CoStar

Rents Rising or Softening?



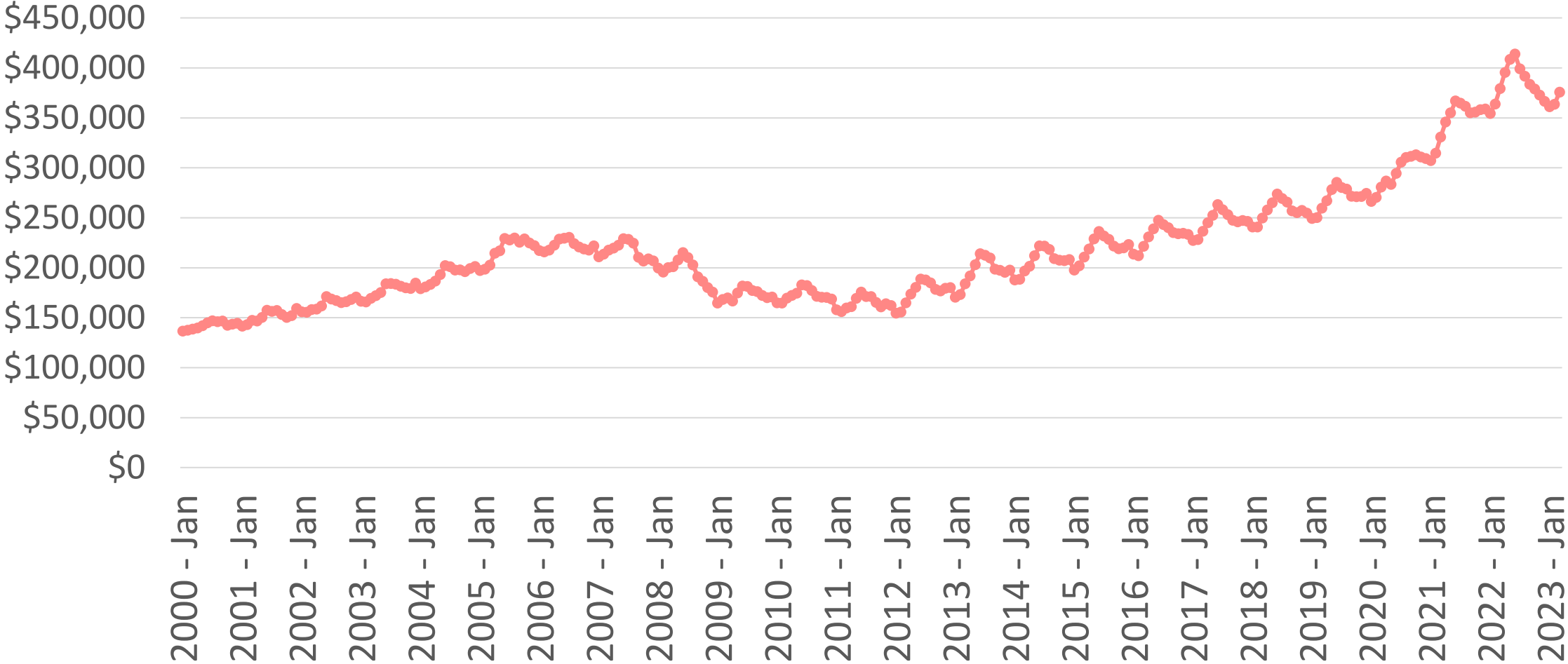
Source: BLS and CoStar

Financial Literacy on Rent Control: Supply and Demand Graph



Home Prices: Not Part of CPI

National Median Home Price

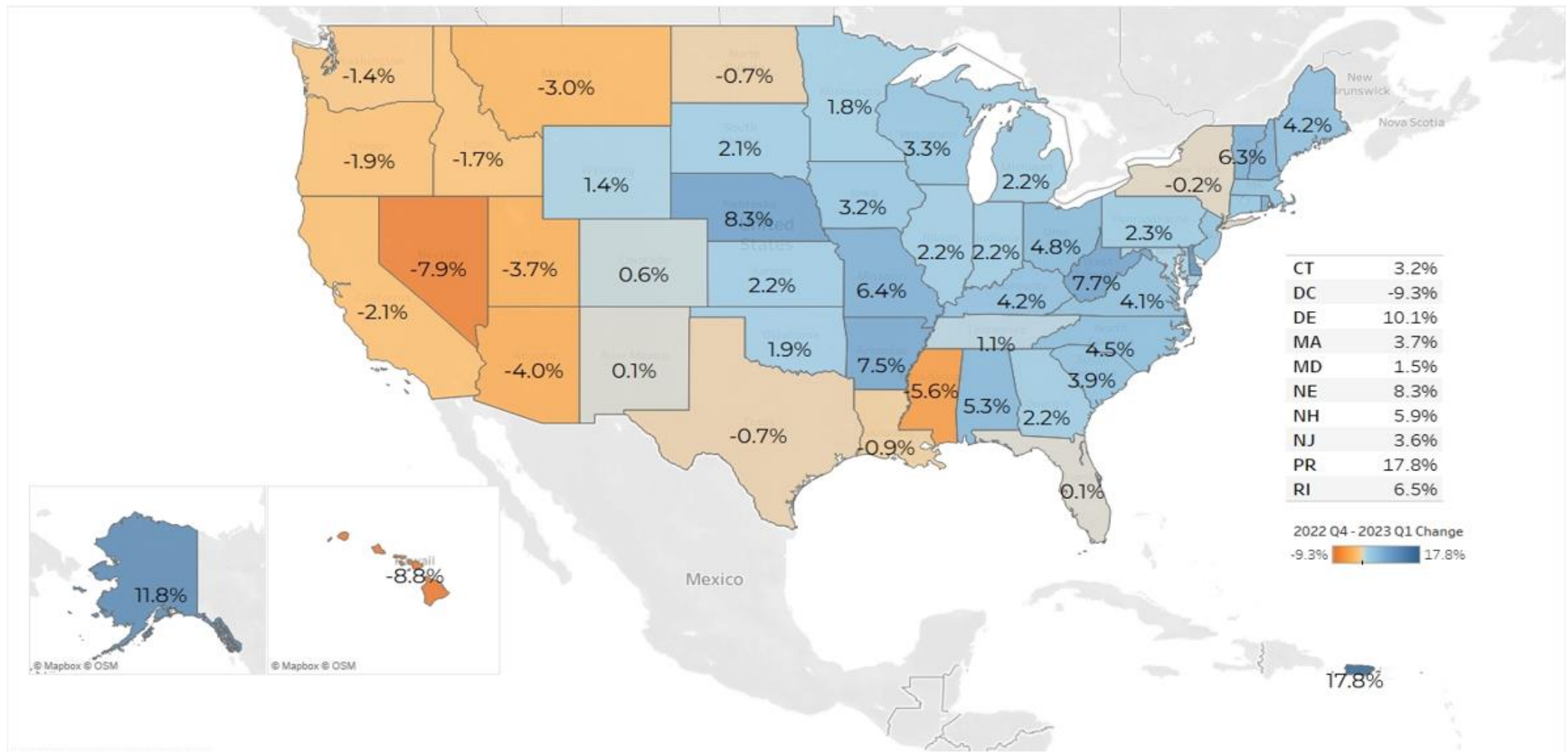


Source: NAR



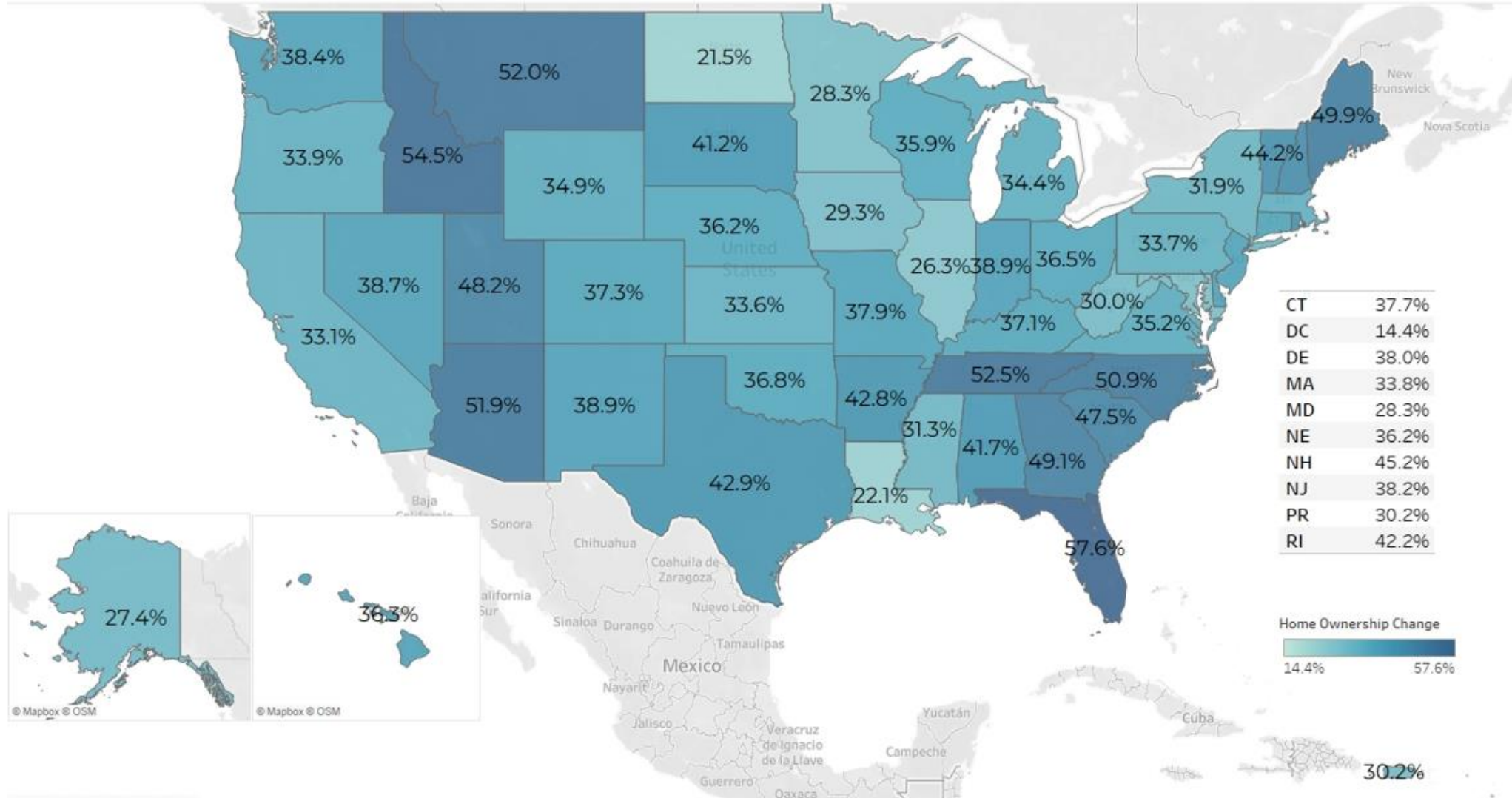
Home Price Change in 2023 Q1 from Prior Quarter

FHFA House Price Index Annualized Change 2022 Q4 to 2023 Q1



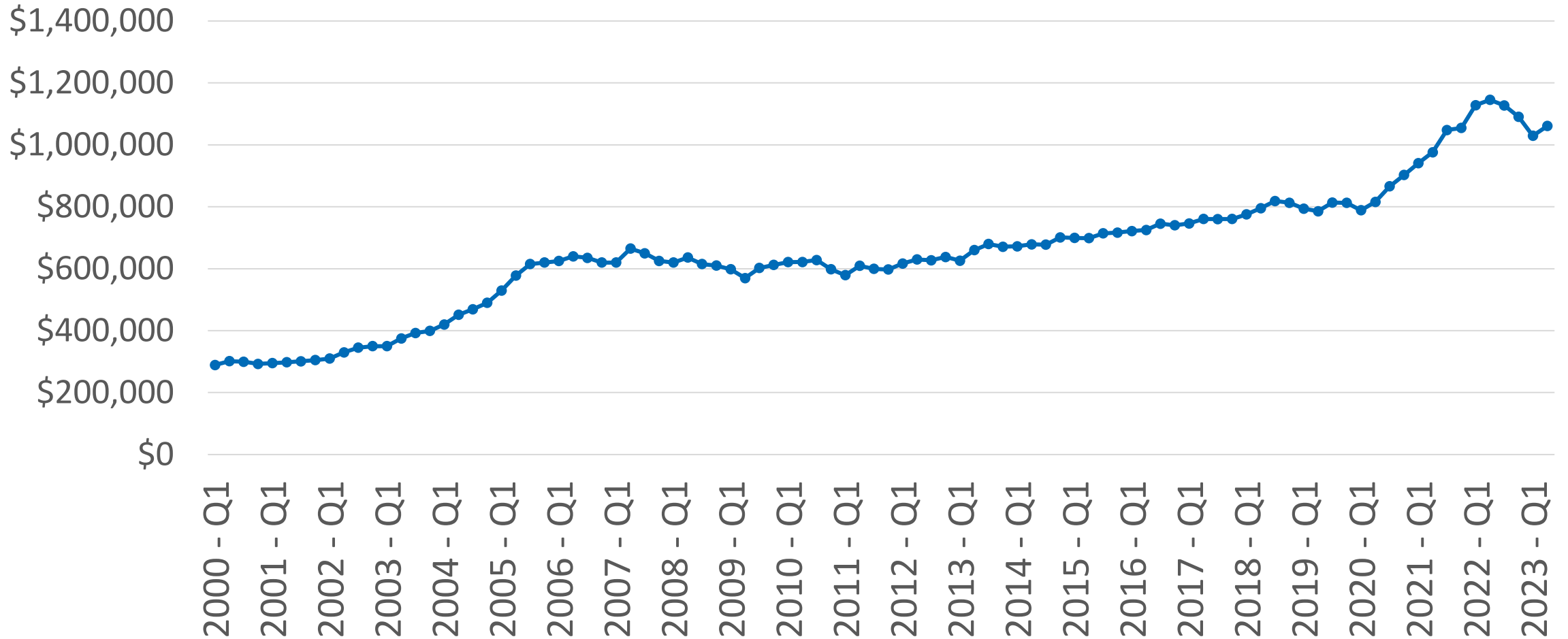
Source: NAR Analysis of FHFA data

Home Price Change from Onset of COVID (2020 Q1 to 2023 Q2)



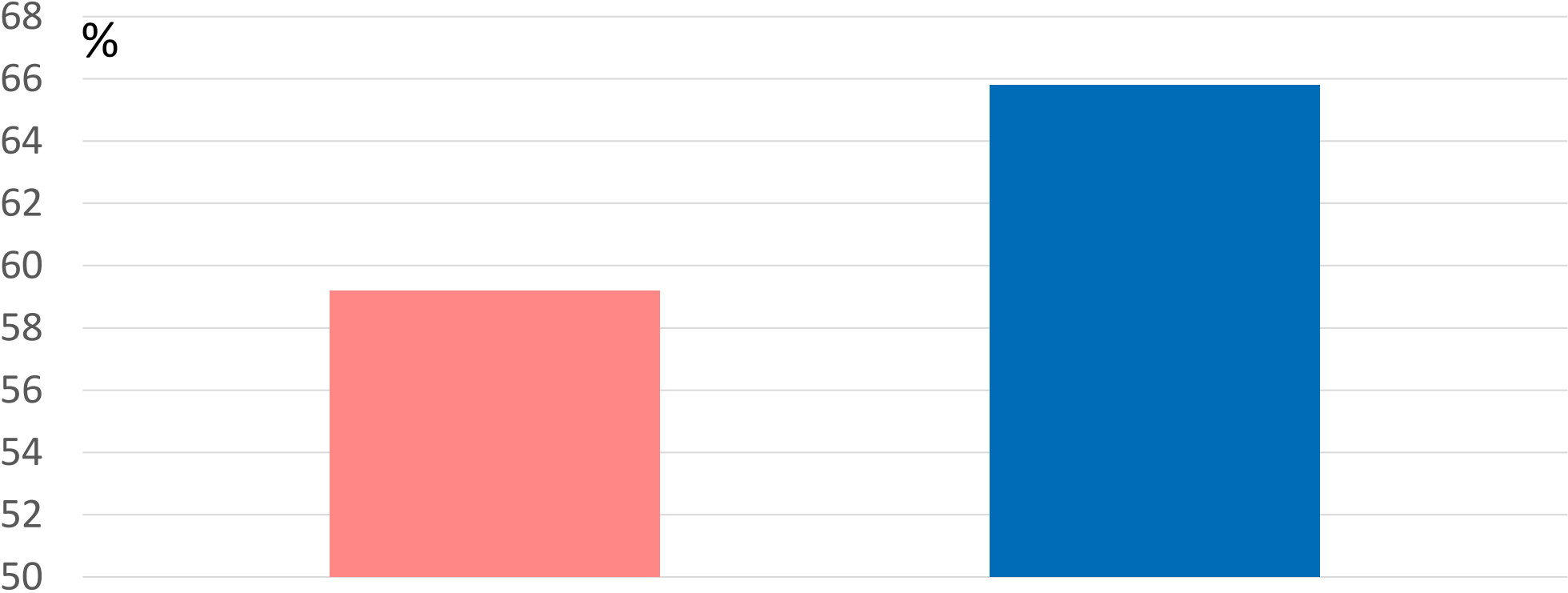
Source: NAR Analysis of FHFA data

Median Home Price - Hawaii



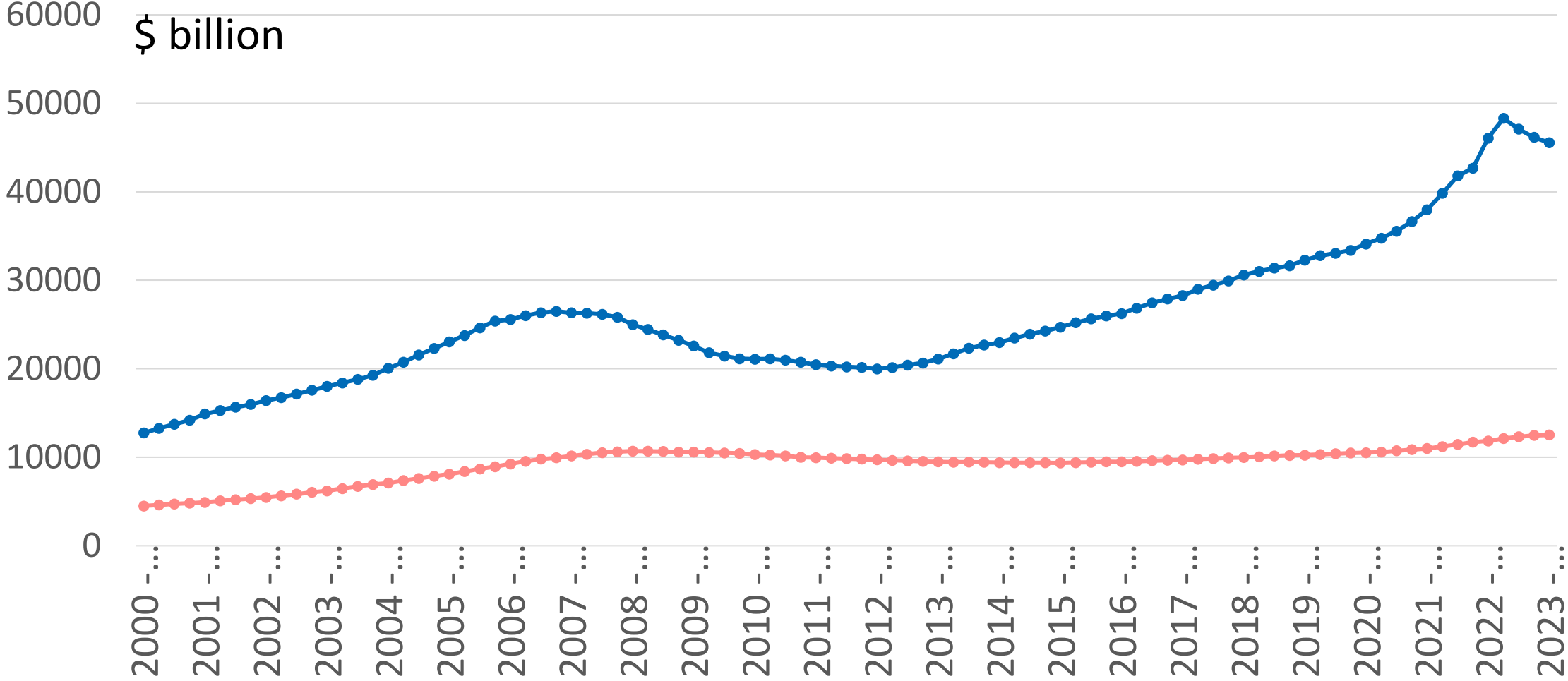
Source: NAR

Homeownership Rate in Hawaii and U.S.



Source: Census

Home Value (fell \$3 trillion) and Mortgage Debt (rose \$1 trillion)



Source: Federal Reserve

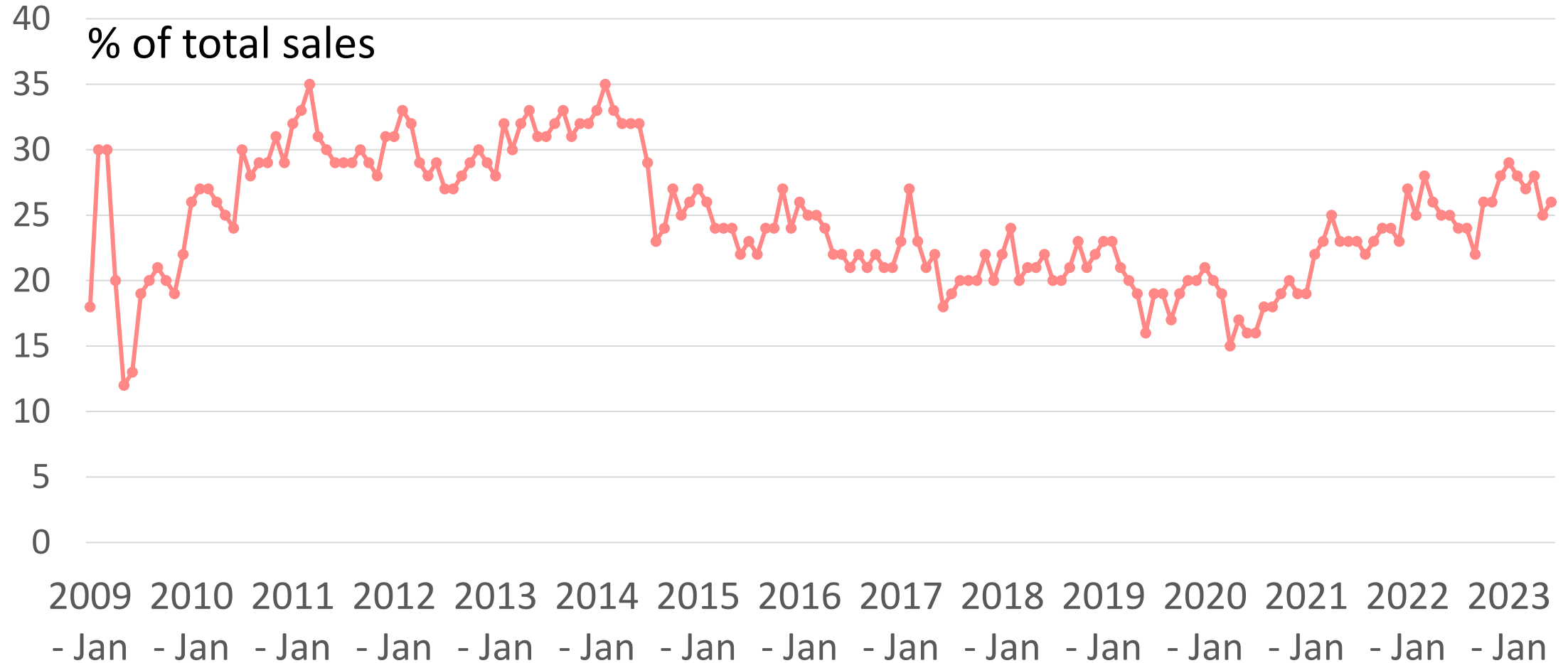


Shockingly High Monthly Mortgage Payment To Buy Typical Home at Prevailing Mortgage Rate - Not Part of CPI



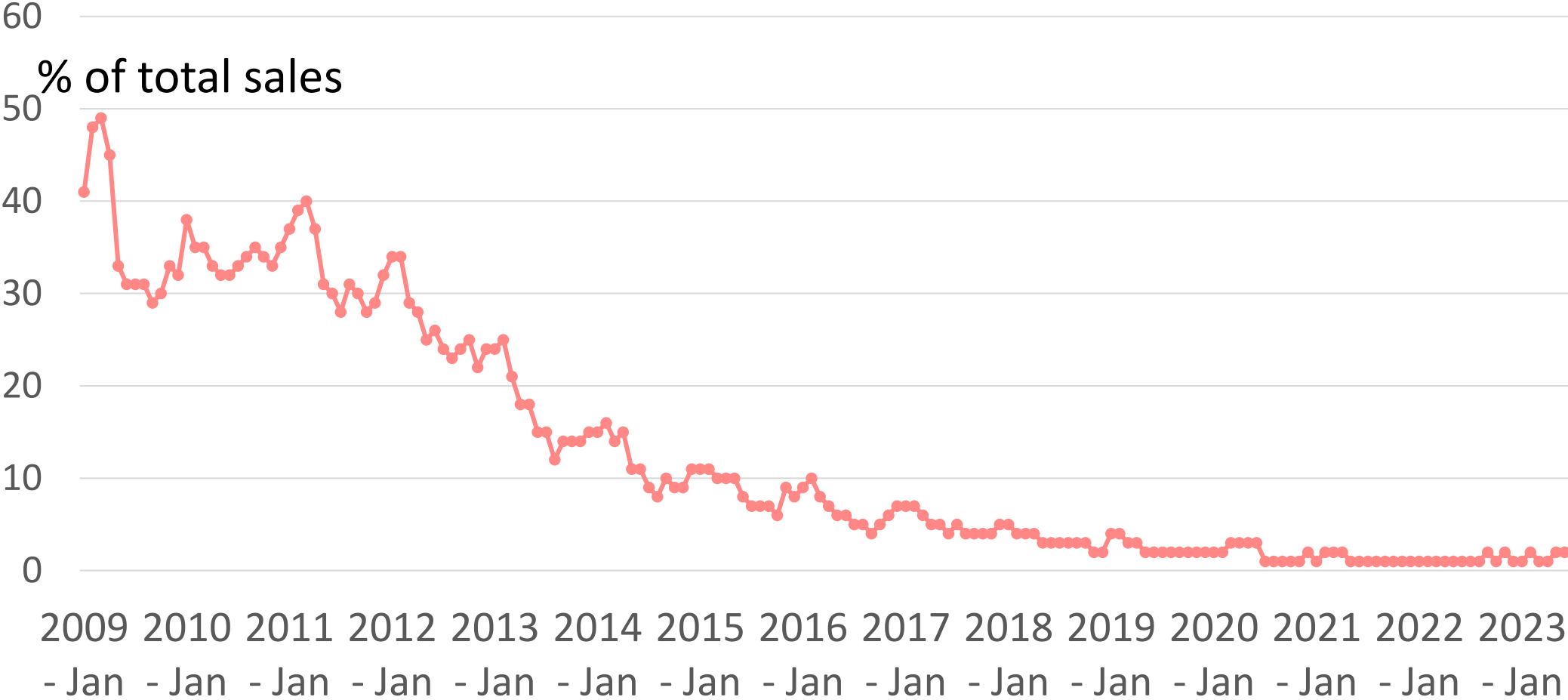
Source: NAR

More Turning to Cash Sales



Source: NAR

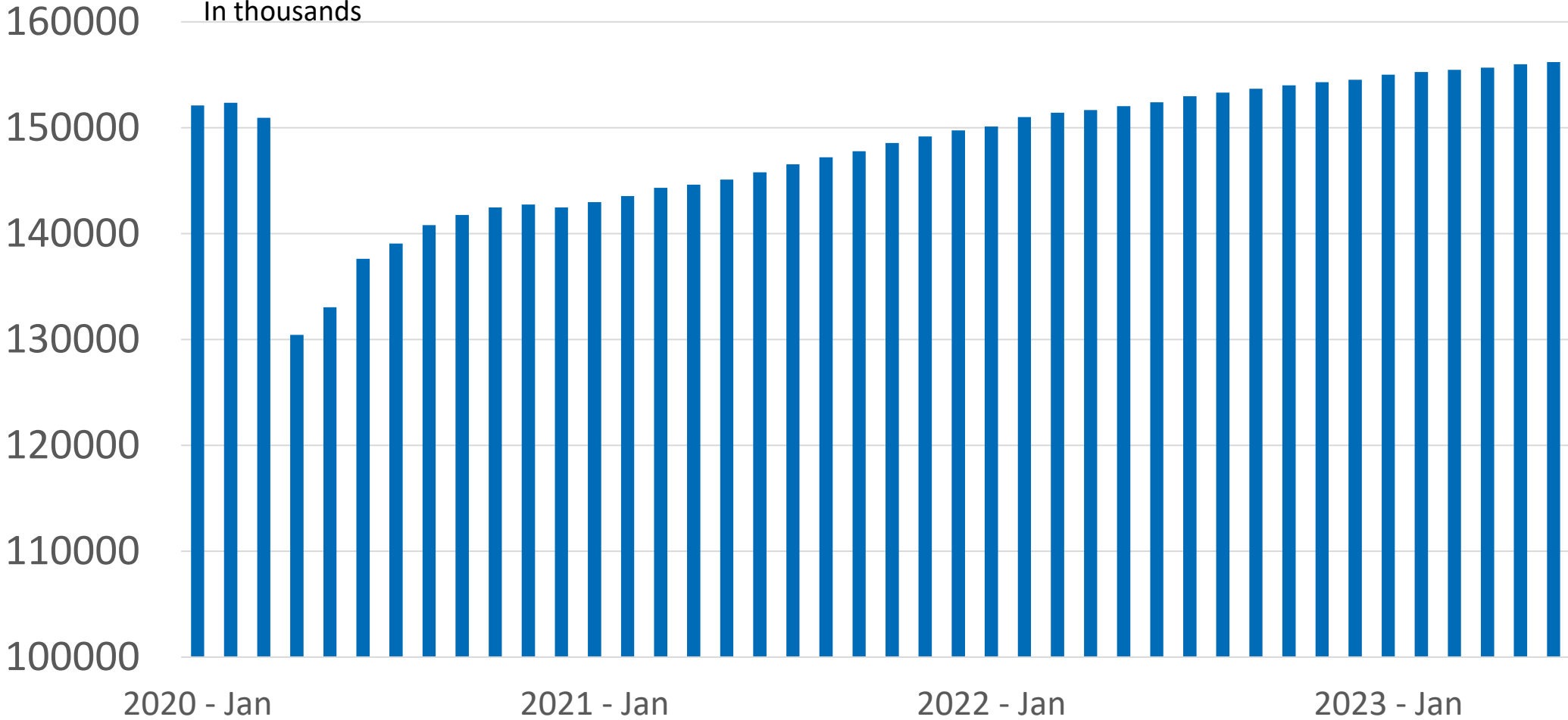
Distressed Property Sales Rising from 1% to 2% ... Non-Existent



Source: NAR

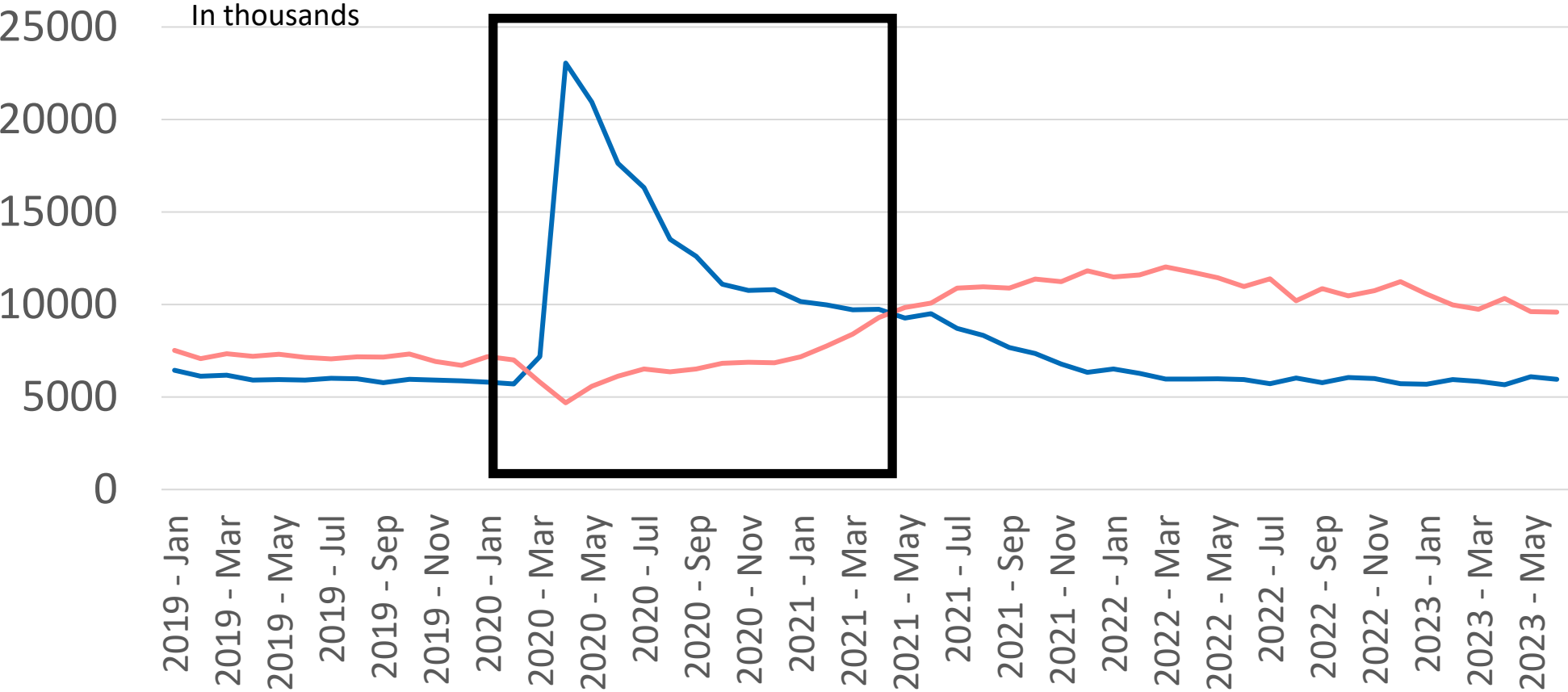
Job Market

Total Payroll Jobs ... 4 Million More from Pre-Covid



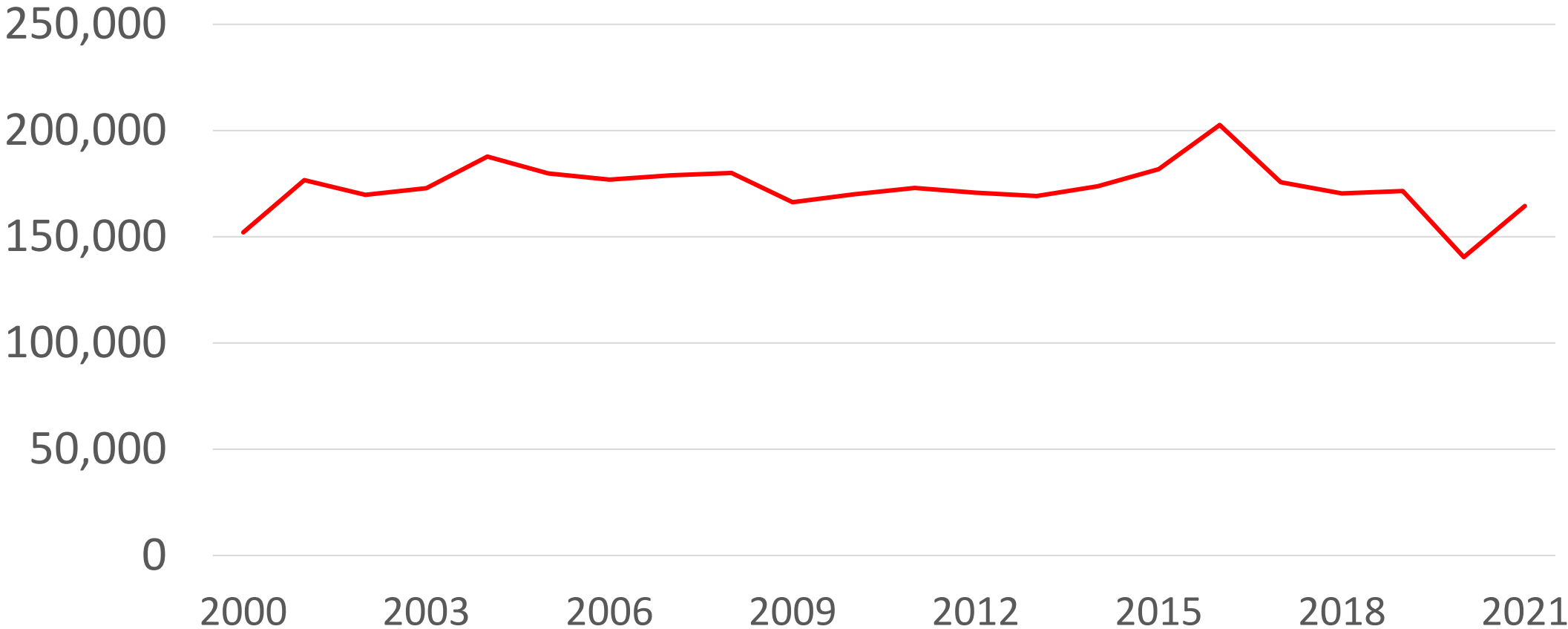
Source: BLS

Job Openings > Those Searching for Job



Source: BLS

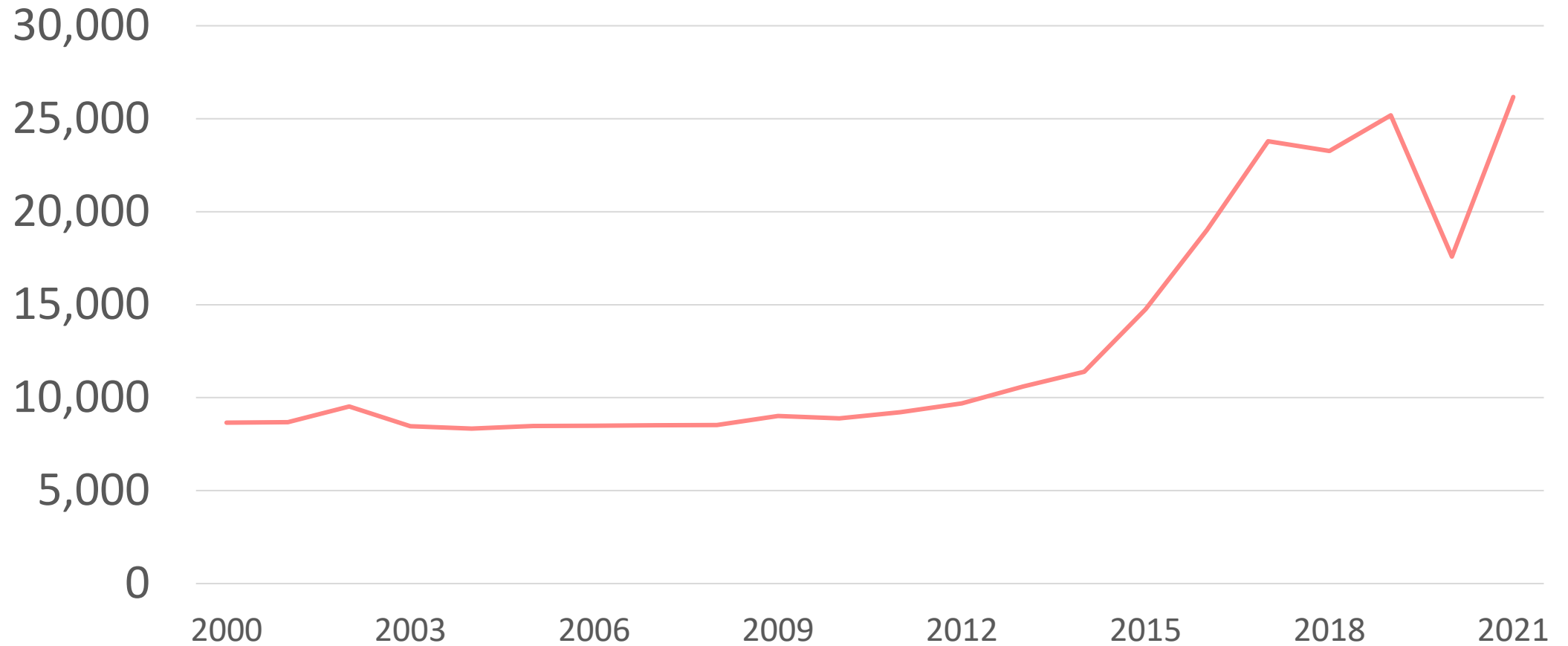
Hollywood Before the Strike: Motion Picture Jobs in California



Source: BLS



Motion Picture Jobs in Georgia



Source: BLS

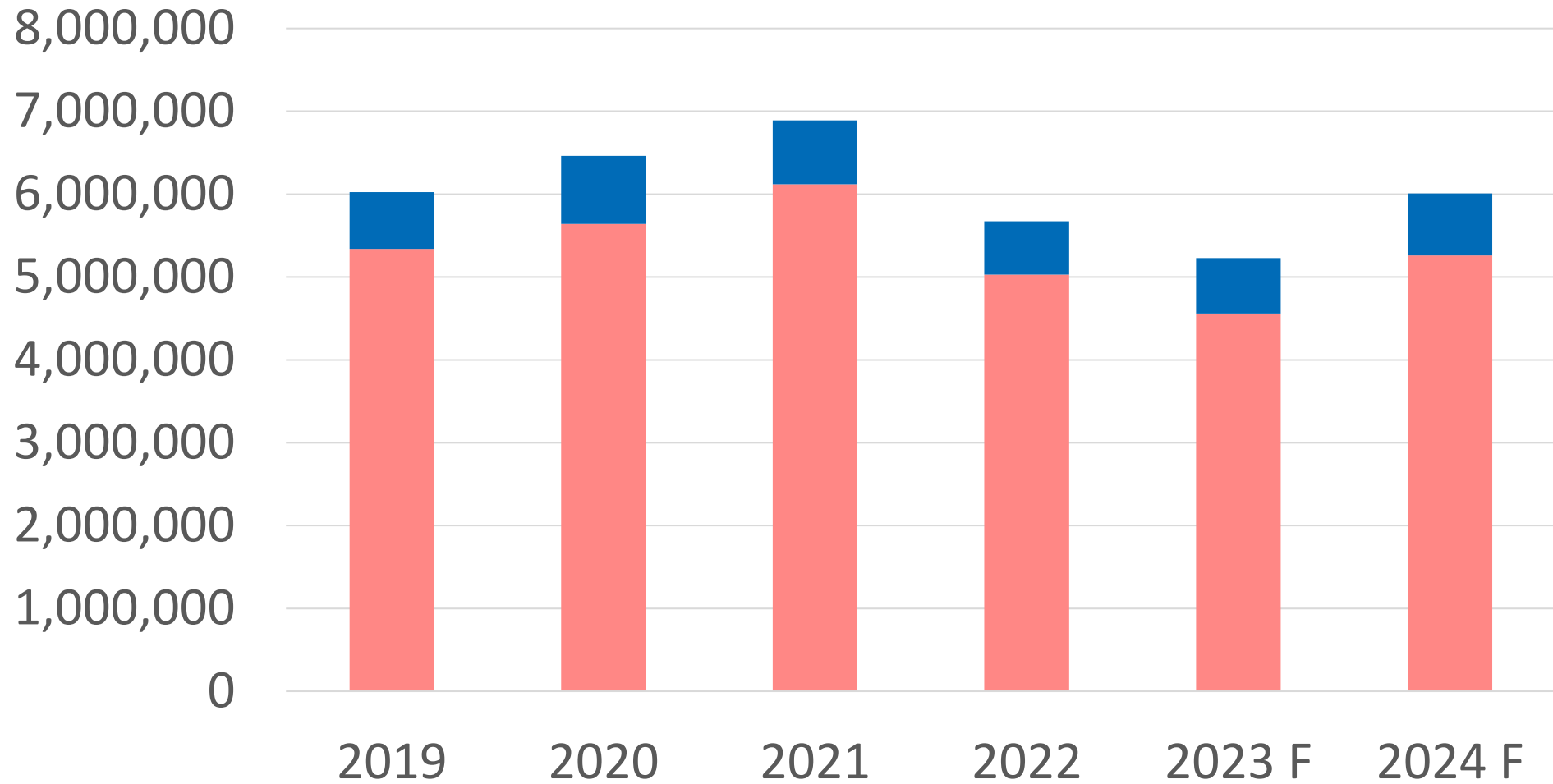
Forecast

Mortgage Rates to Fall?

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

- **Rents will calm down further ... Holds down CPI ... and 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**

Total Home Sales: New and Existing Bottoming This Year Before Upturn Next Year

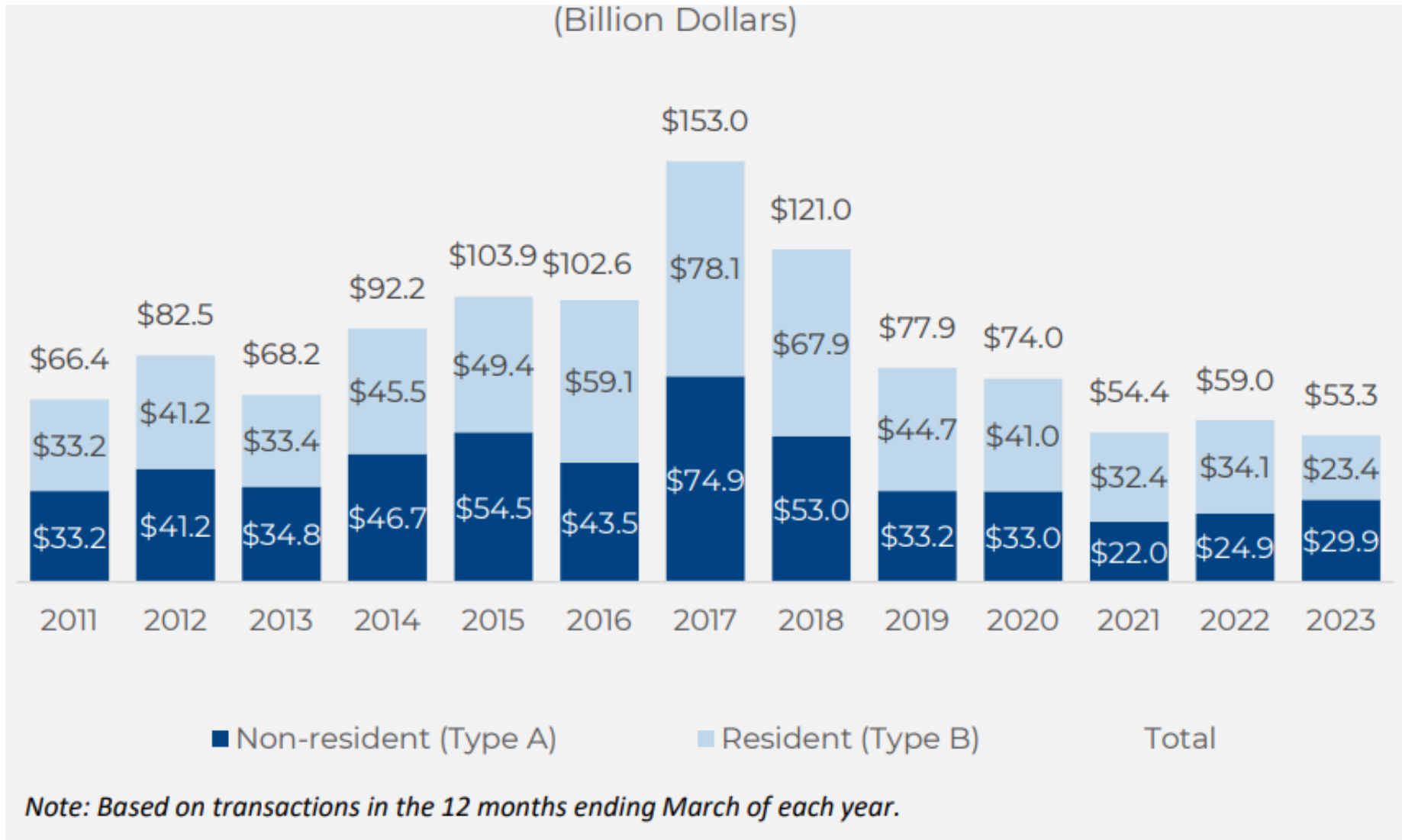


Source: NAR forecast and HUD

Extra Demand from International Home Buyers?

Foreigners and Very Recent Immigrants

International Purchases by \$ Volume



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

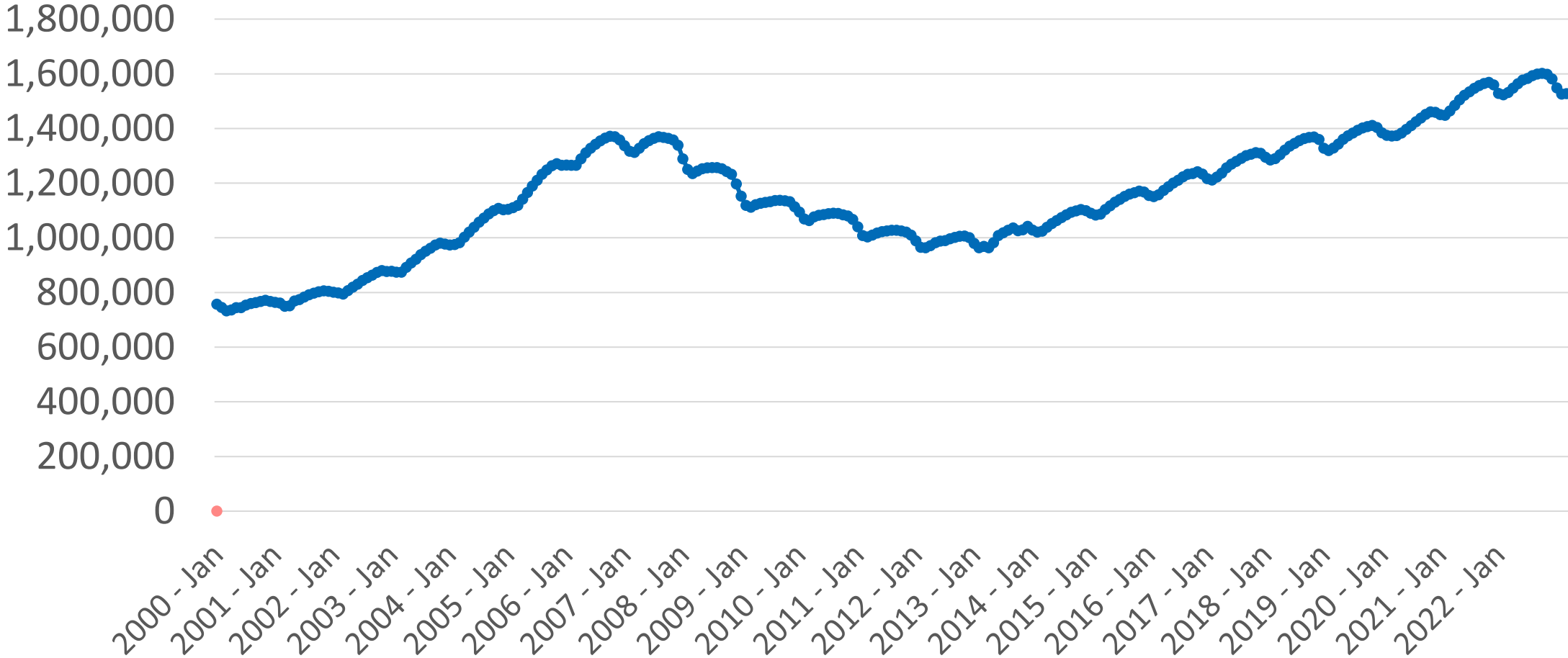
	FL	CA	TX	NC	AZ	IL	NY	OH	PA	NJ
2009	23%	13%	11%	3%	7%	4%	2%	2%	2%	1%
2010	22%	12%	8%	2%	11%	1%	4%	2%	2%	2%
2011	31%	12%	9%	2%	6%	3%	3%	1%	2%	3%
2012	26%	11%	7%	2%	7%	3%	4%	2%	2%	1%
2013	23%	17%	9%	1%	9%	2%	3%	2%	1%	2%
2014	23%	14%	12%	2%	6%	3%	3%	1%	3%	3%
2015	21%	16%	8%	2%	5%	3%	3%	2%	2%	3%
2016	22%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

NAR Membership

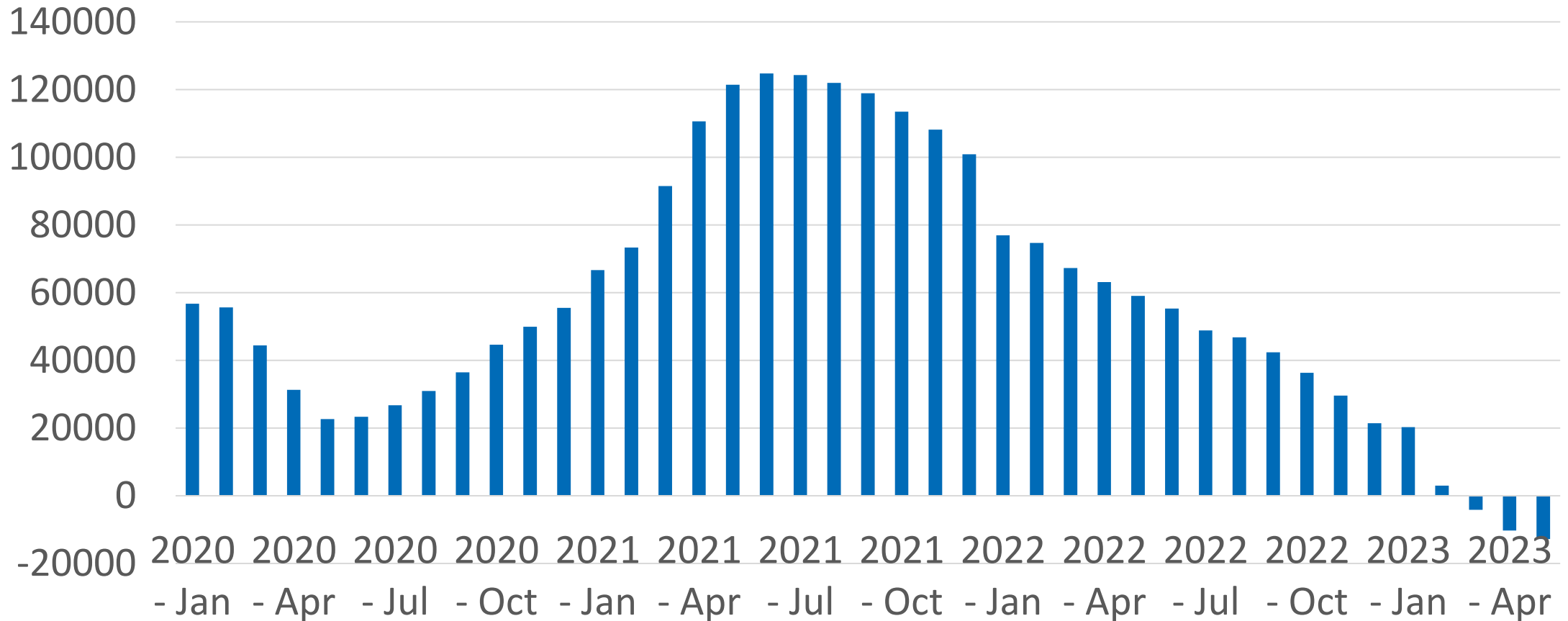
NAR Membership



Source: NAR

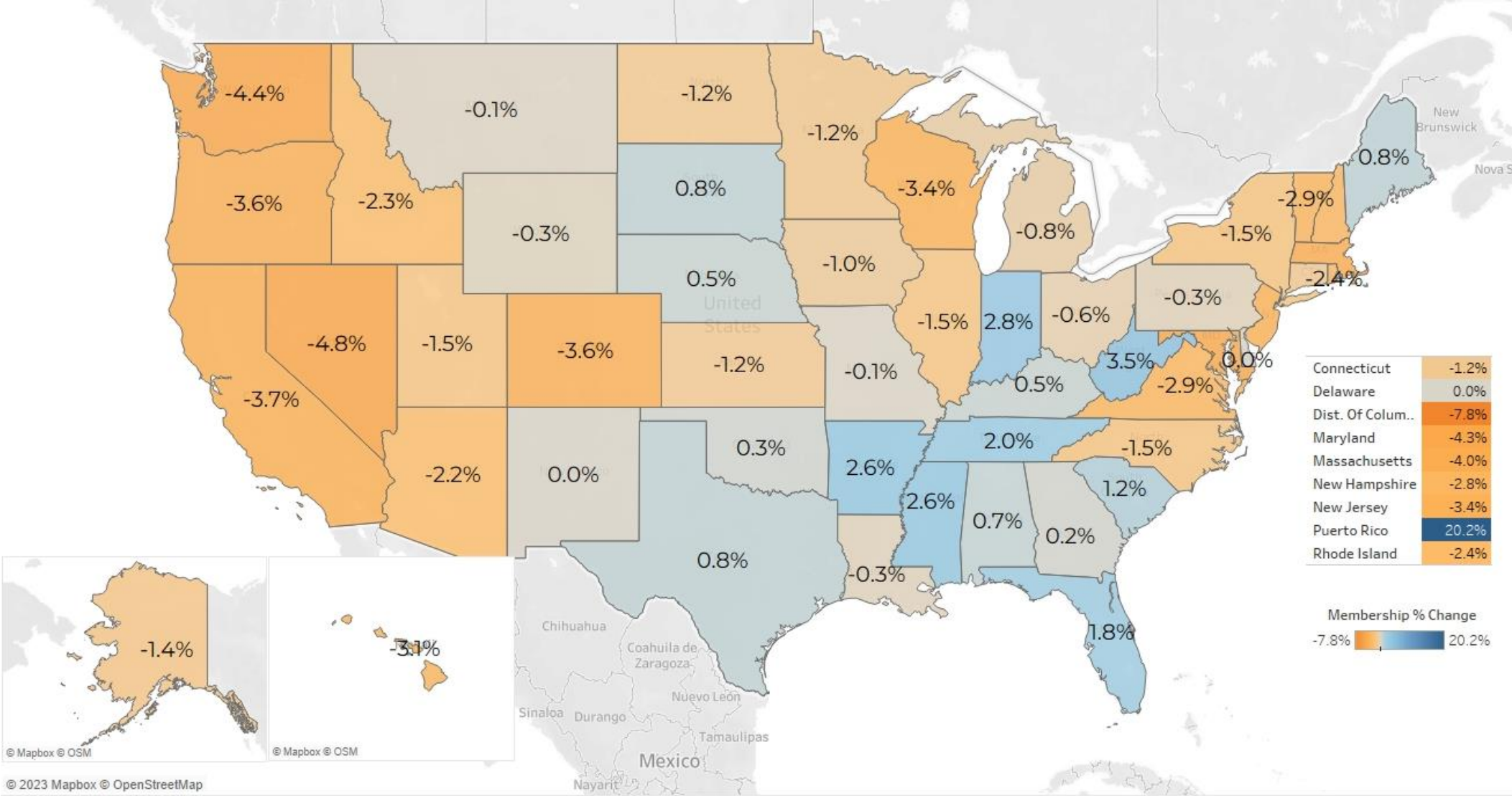


Membership Change From a Year Ago



Source: NAR

Membership Changes from One Year Ago to July 2023



Source: NAR



THANK YOU.



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