

2023 REALTORS
LEGISLATIVE MEETINGS

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WASHINGTON, DC • MAY 6-11, 2023



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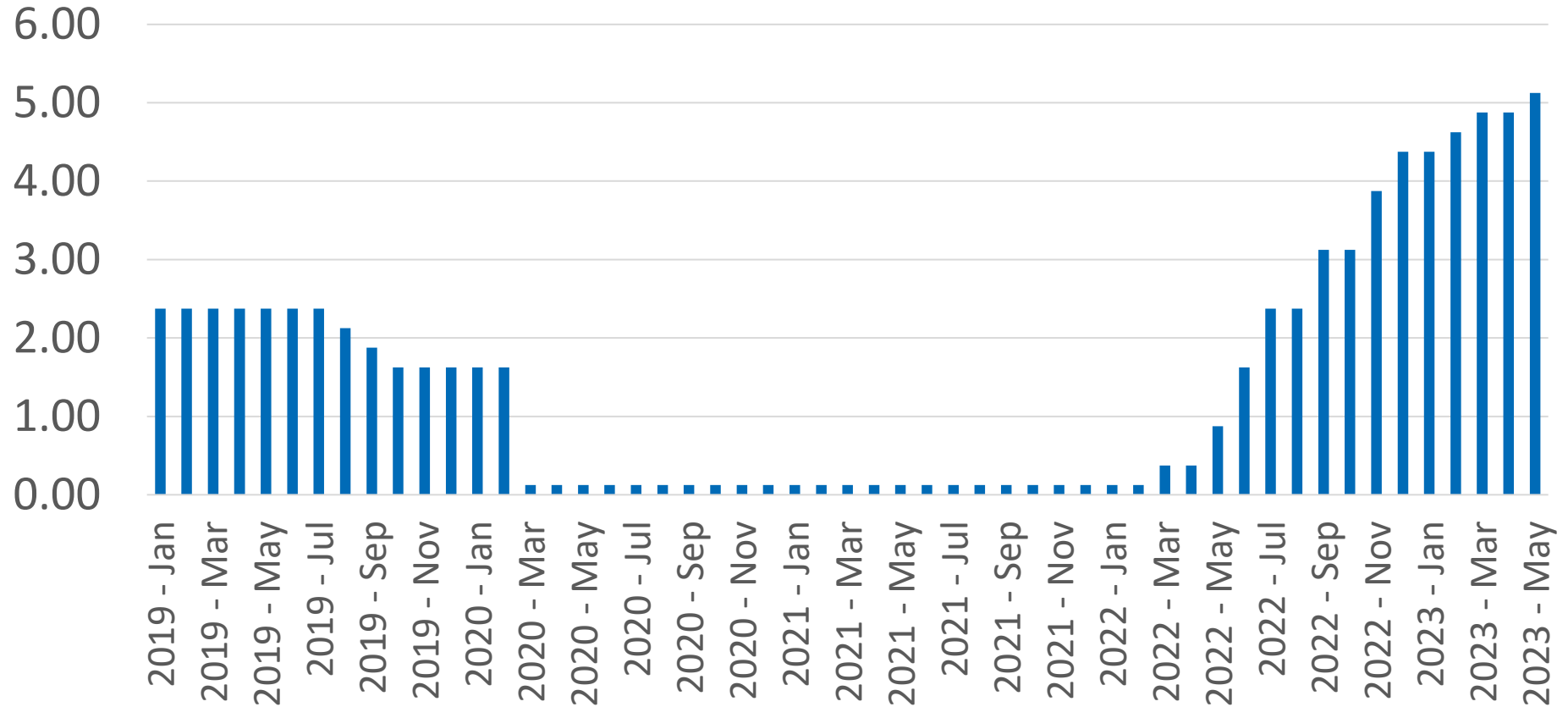
Lawrence Yun

Chief Economist, NAR

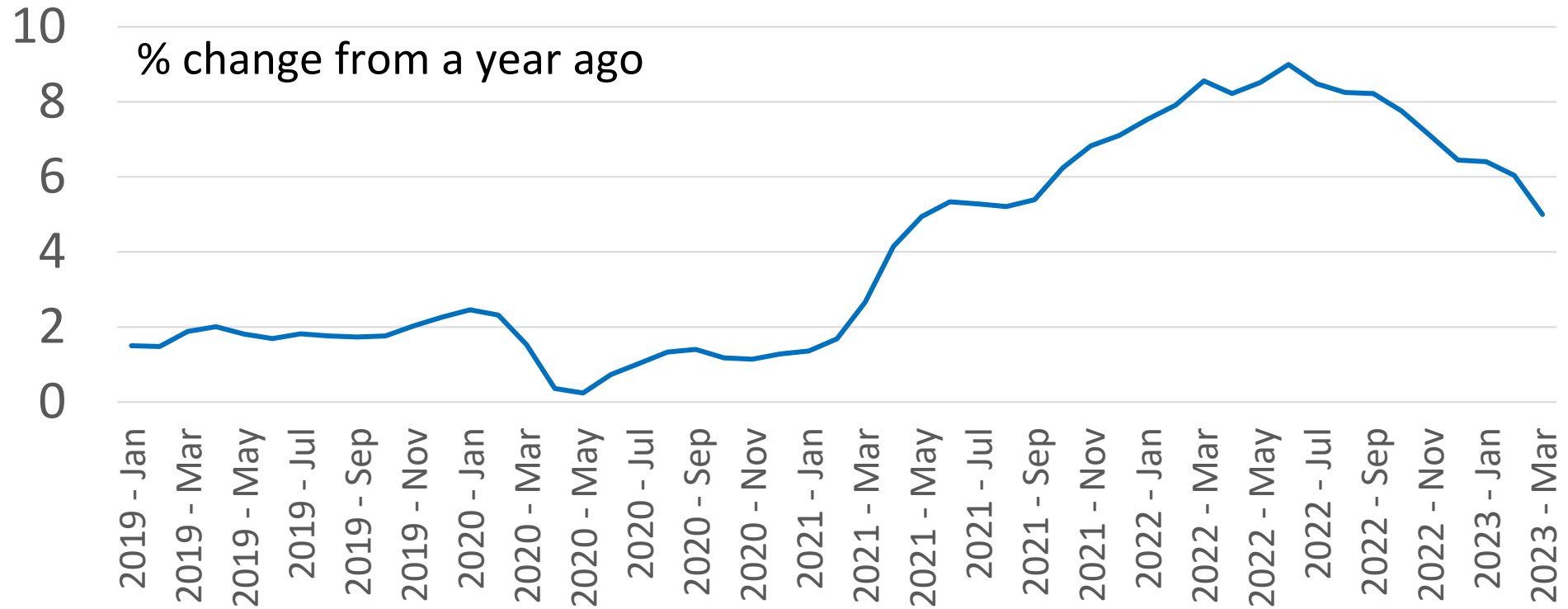
Washington, D.C.

Fed Raises Interest Rate

Tightening Federal Reserve Policy on Short-term Fed Funds Rate



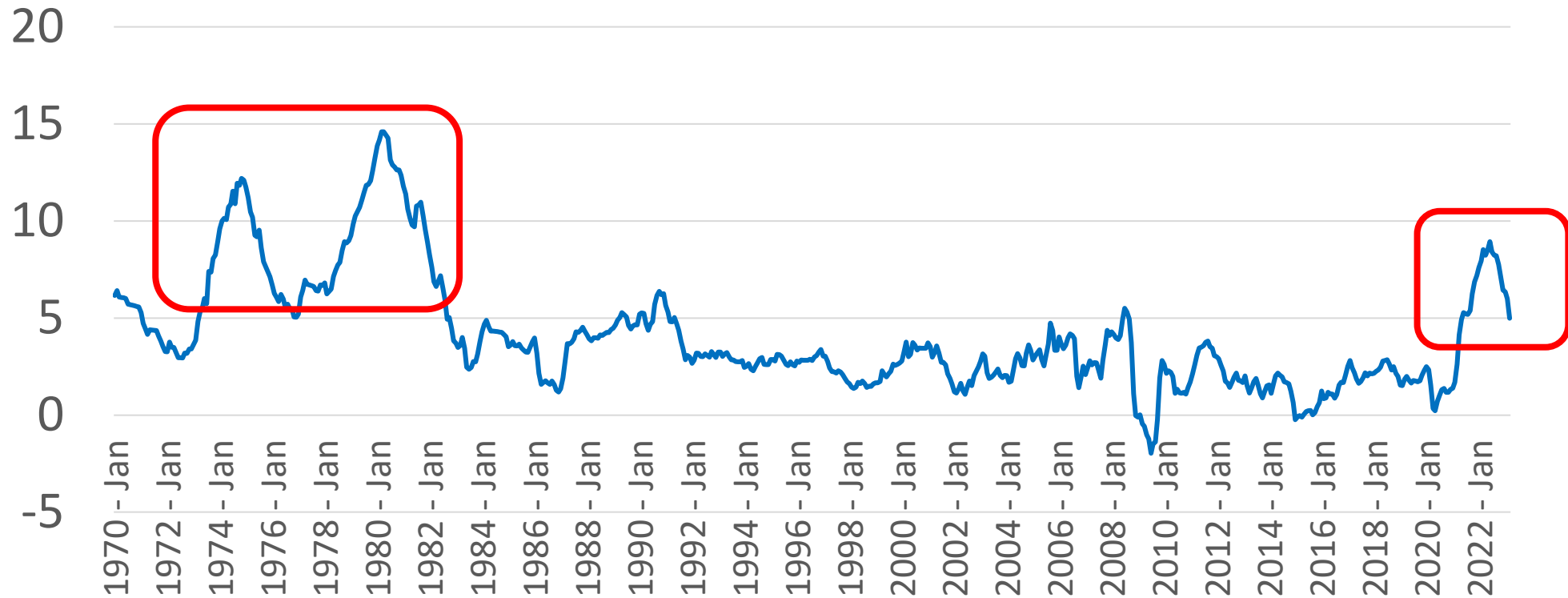
Inflation is Calming Down Already



Source: BLS

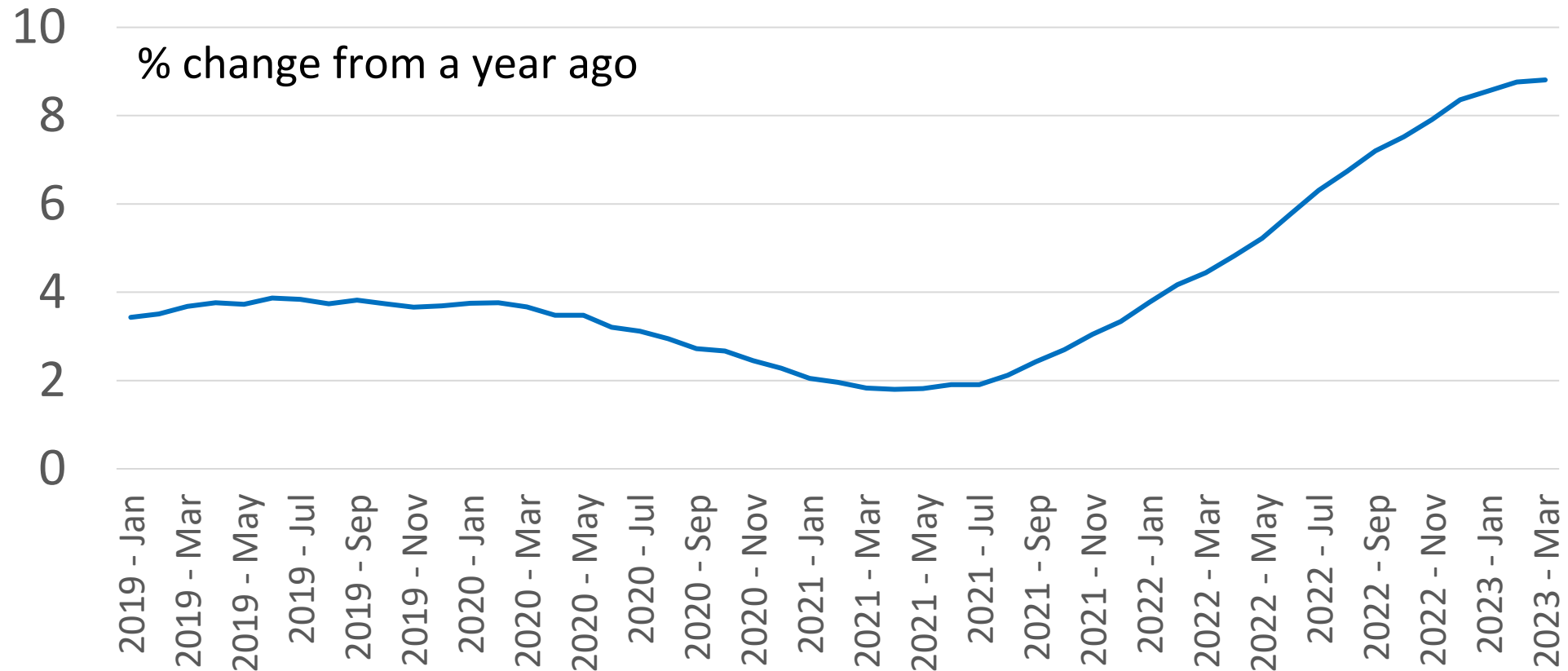
COVID Inflation was the highest in 40 years

1970s Inflation from belief the Fed can solve all problems



Source: BLS

But ... Rents (apartments and single-family homes) have not calmed down ... yet



Source: BLS

Robust Apartment Construction of 40 year high... Why has Rent not calmed down?



Source: Census/HUD

Extra Tightening Monetary Policy from Regional Bank Blowups

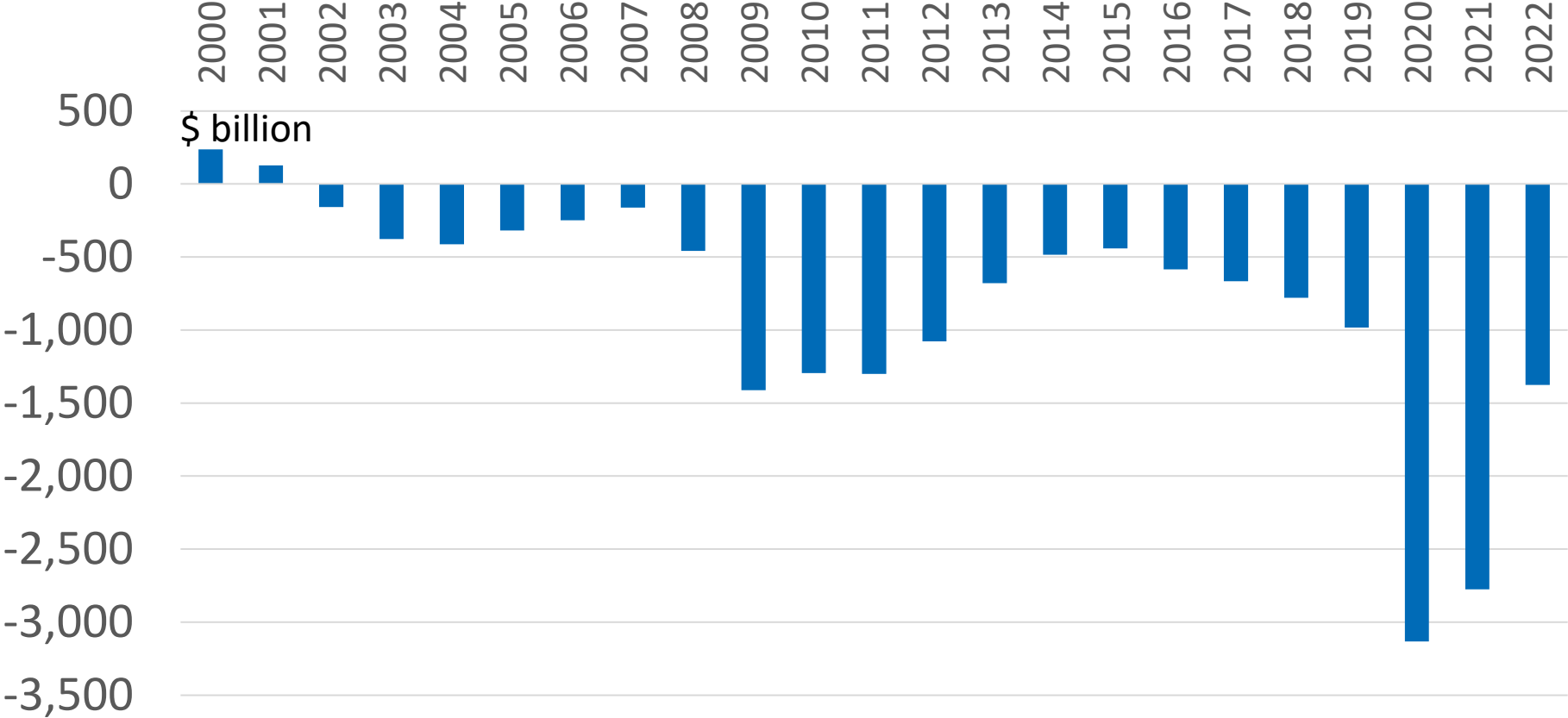
**\$1 million deposit at 0% interest rate
Bank invest into \$1 million into safe asset at 2% rate (\$20,000 profit)**

**Need to pay interest rate 2%, 3%, 4% to attract deposits
\$1 million in old asset at 2% rate ... Losing money
If needing to sell asset ... Lose more money**

**Regional Banks do not have enough capital
Regional Banks do not have enough money to lend**

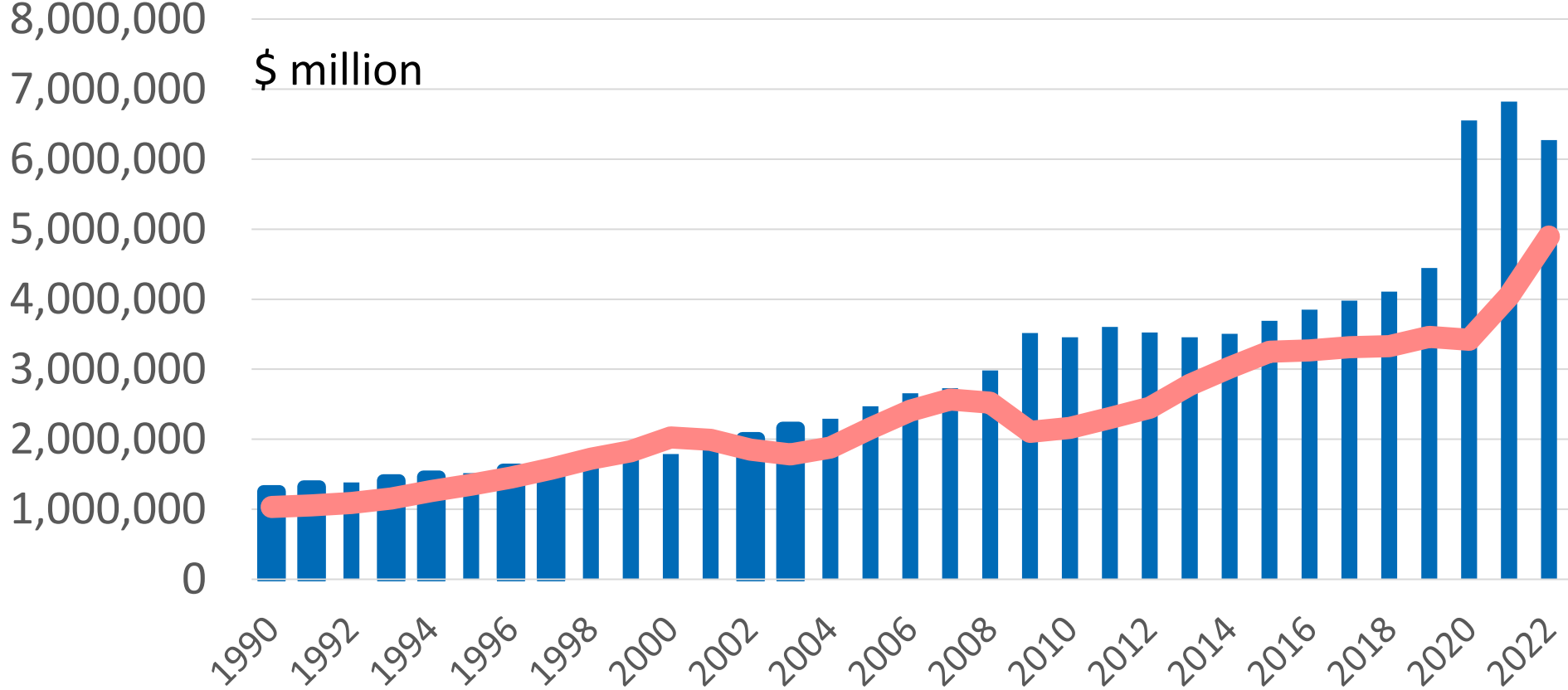
Temporarily the Fed will SWAP at original \$1 million to help banks meet depositors

Why Regional Banks bought Government Bonds? Huge U.S. Government Deficit (Borrowing)



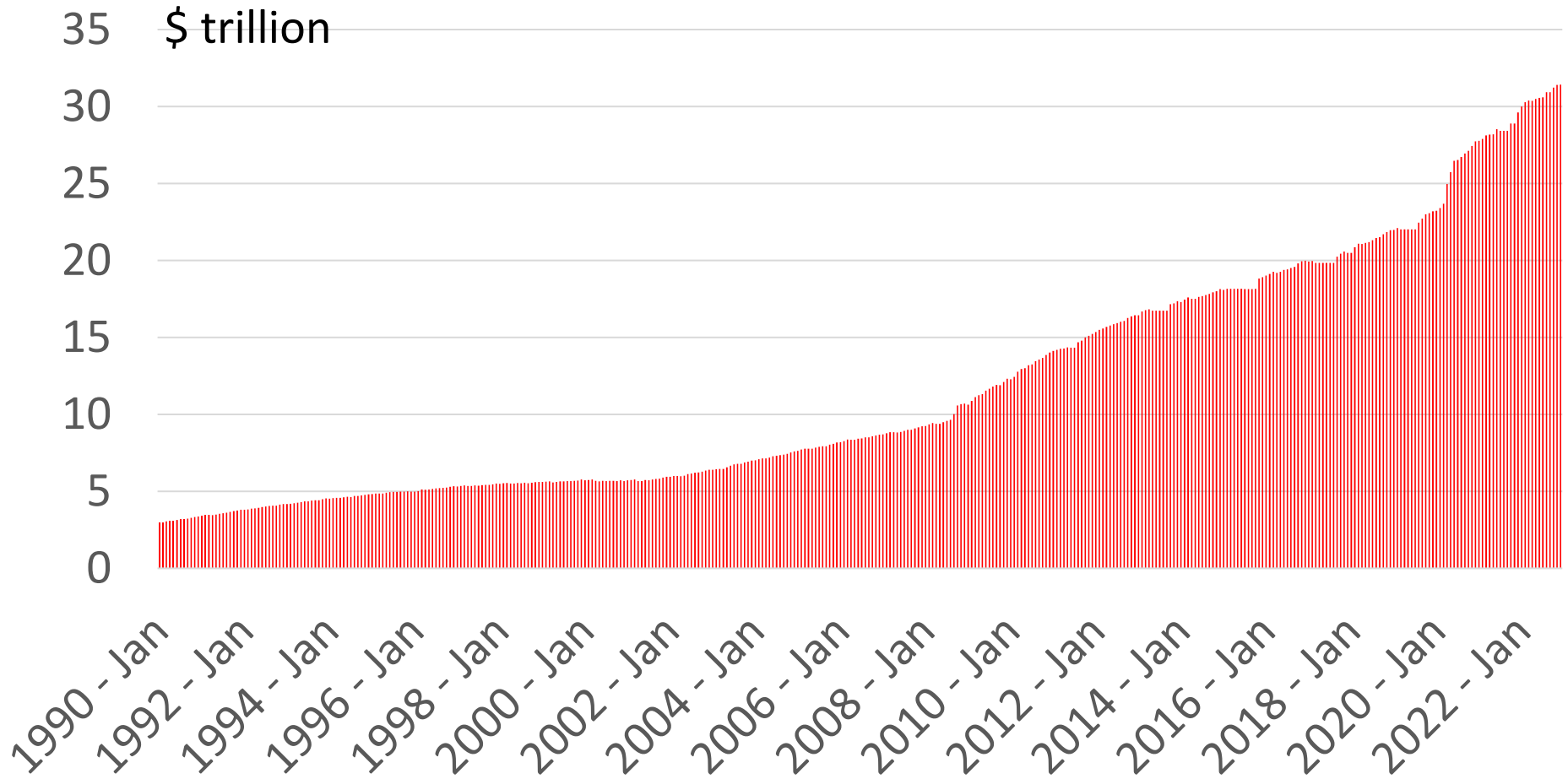
Source: OMB

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



Source: CBO

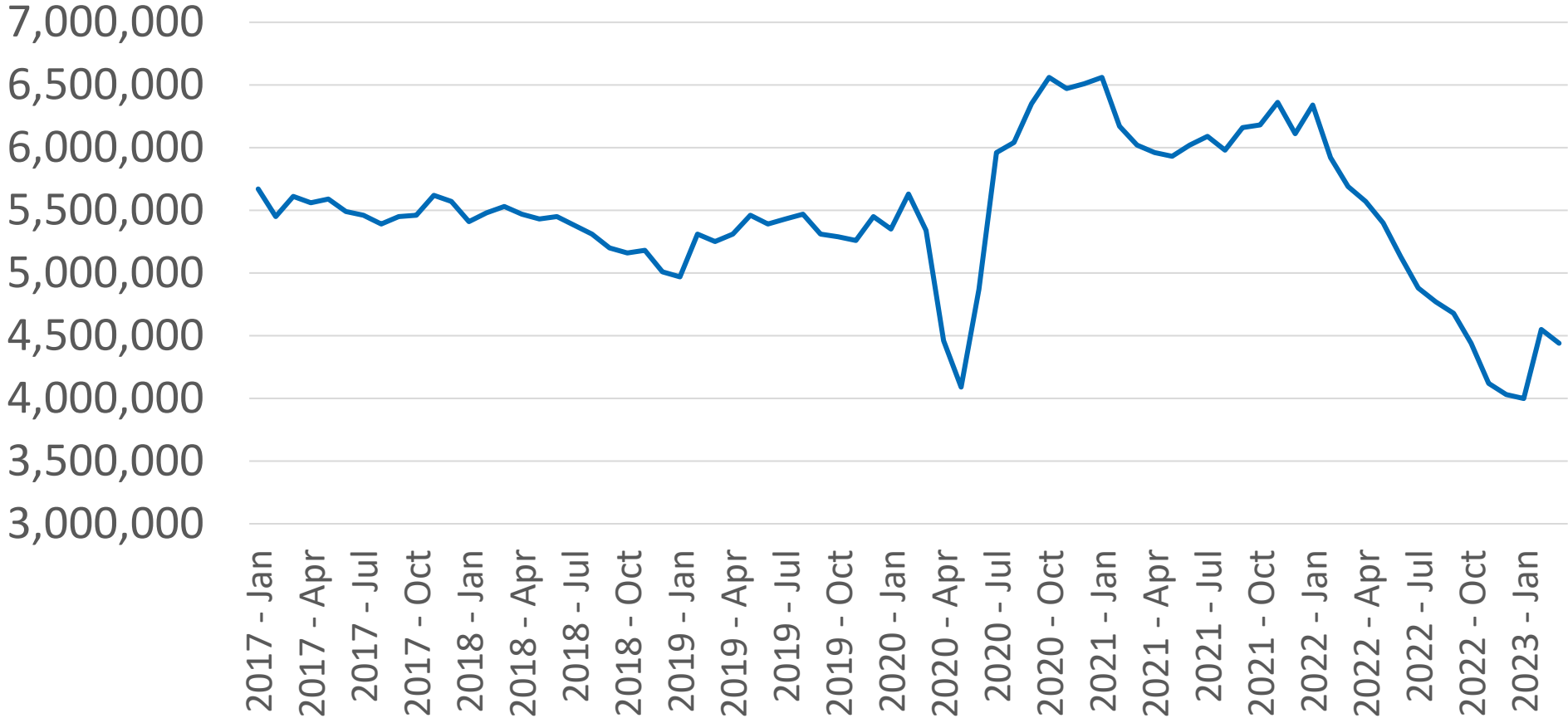
National Debt at \$31 trillion (cumulative of all deficits)



Source: CBO

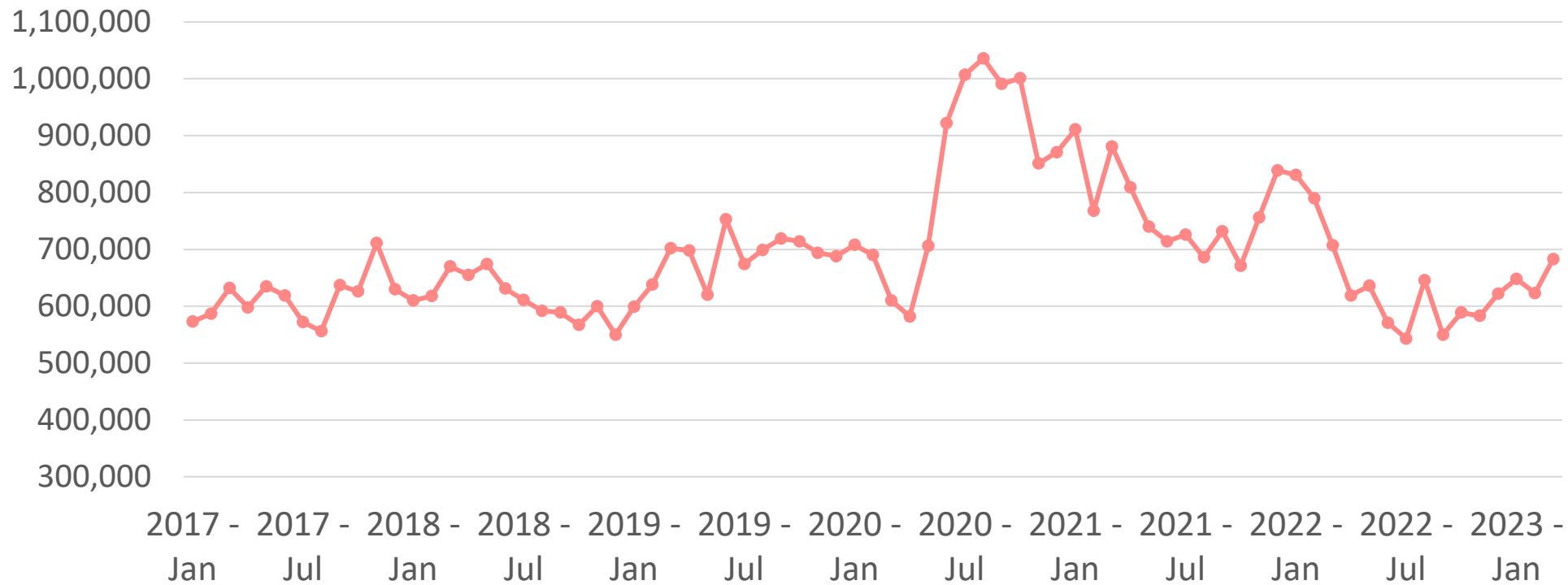
Housing Market Held Back by Lack of Inventory

Weaker Home Sales ... Existing-Home Sales below Pre-COVID... But stabilizing or modest recovery



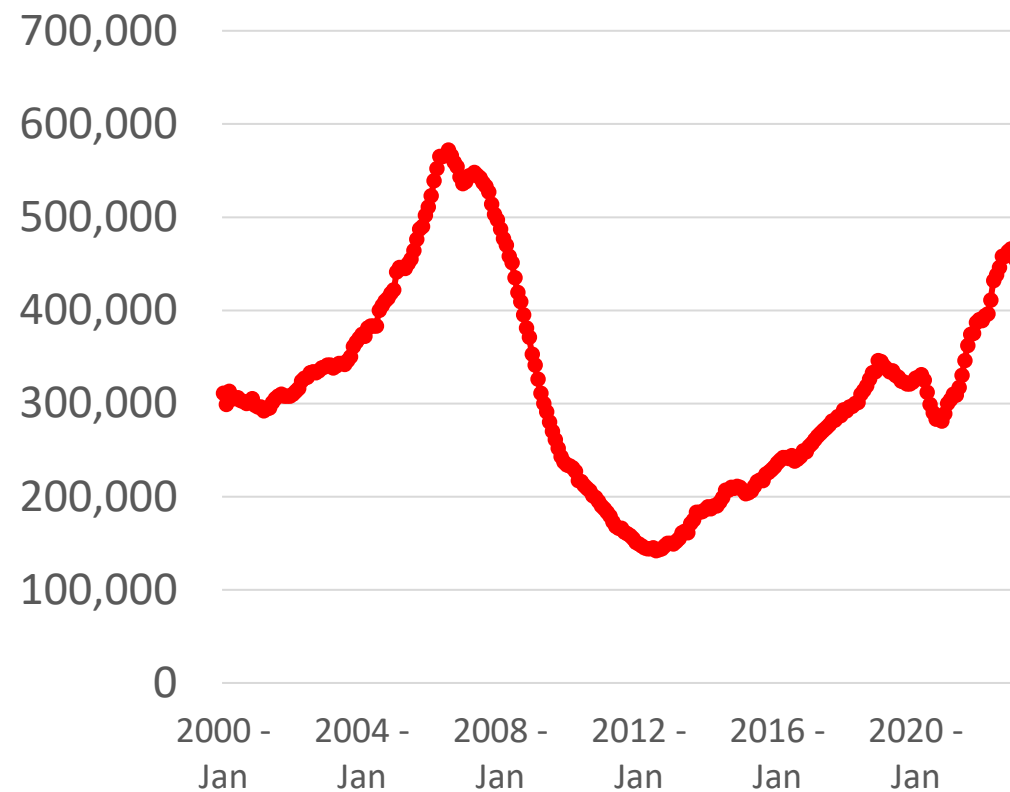
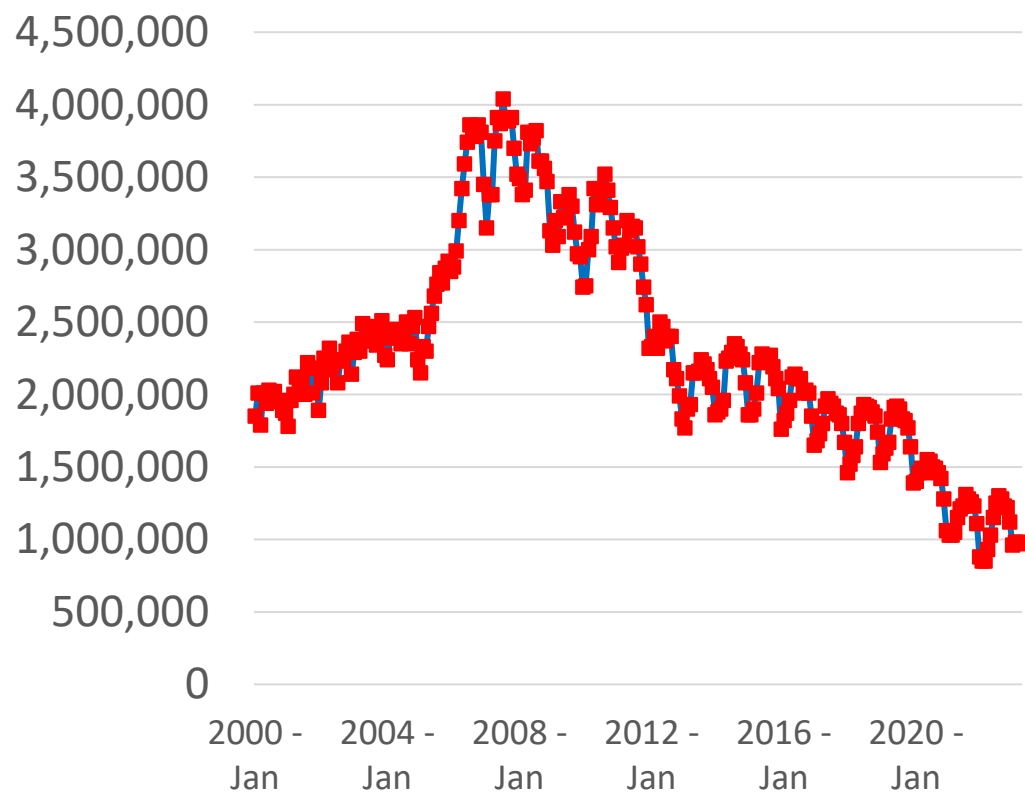
Source: BLS

New Home Sales ... Back to Pre-COVID



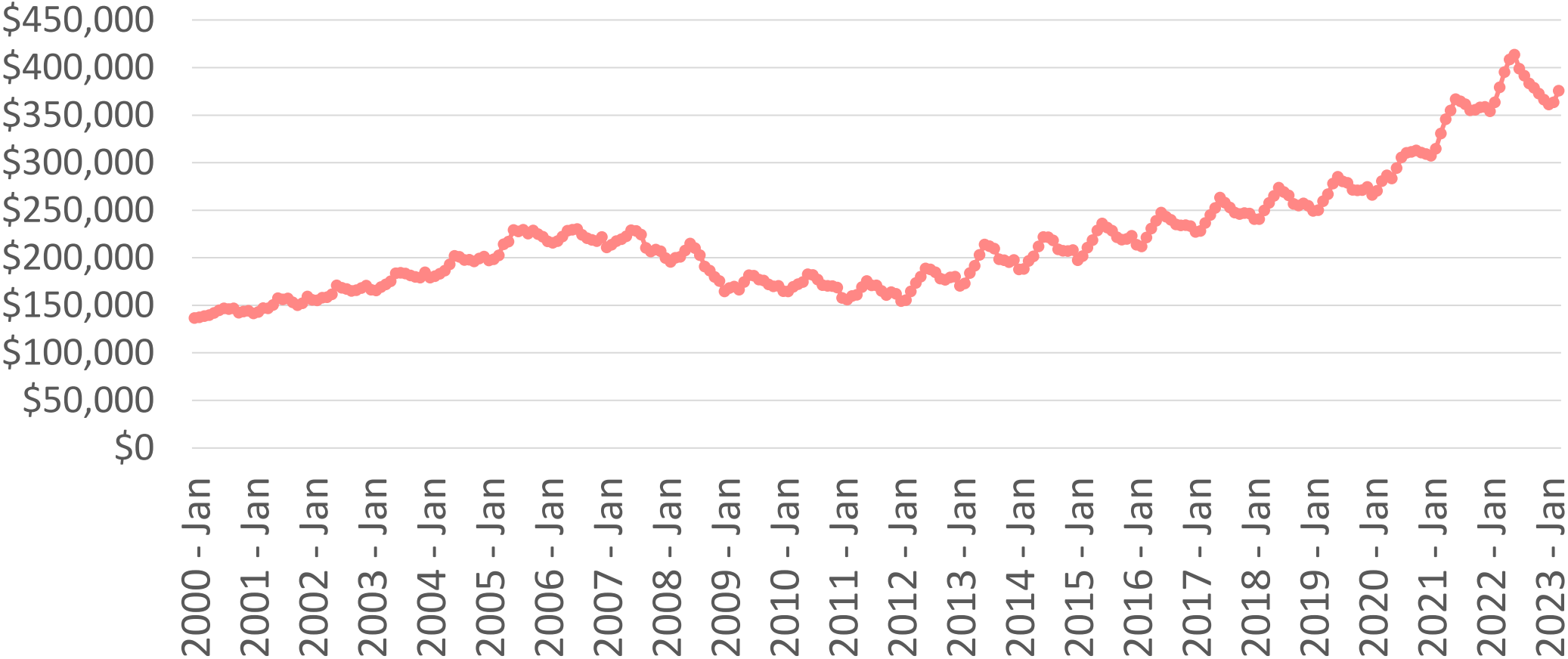
Source: HUD

Inventory of Existing Homes Low .. New Homes High



Source: NAR and HUD

Median Home Price



Source: NAR

Housing Wealth Gain by Race/Ethnicity to 2022

Holding Period	White	Black	Asian	Hispanic
5 years	\$92,810	\$90,410	\$141,190	\$109,570
10 years	\$138,430	\$115,430	\$239,430	\$162,450
15 years (bubble year 2007)	\$114,150	\$107,890	\$174,840	\$92,720

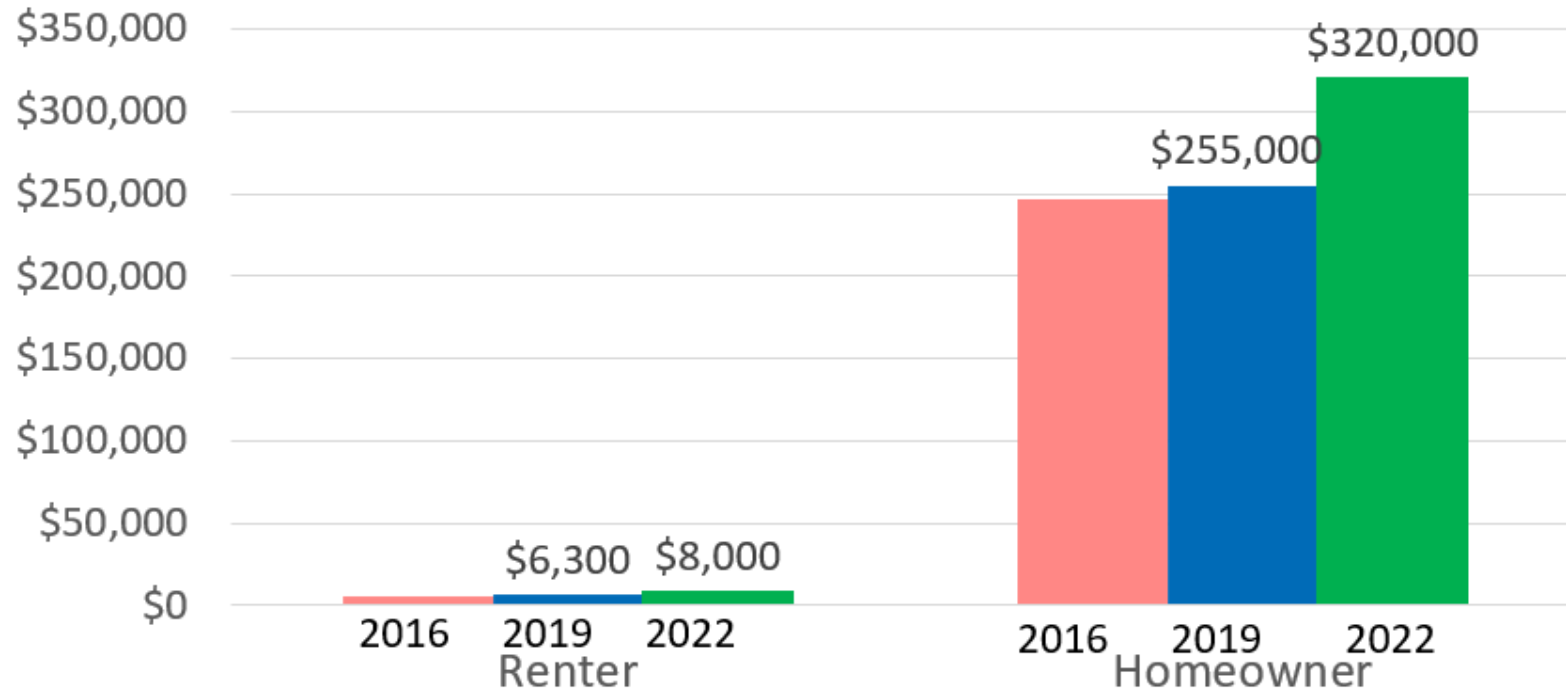
Source: NAR



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Overall Wealth Comparison between Owners and Renters

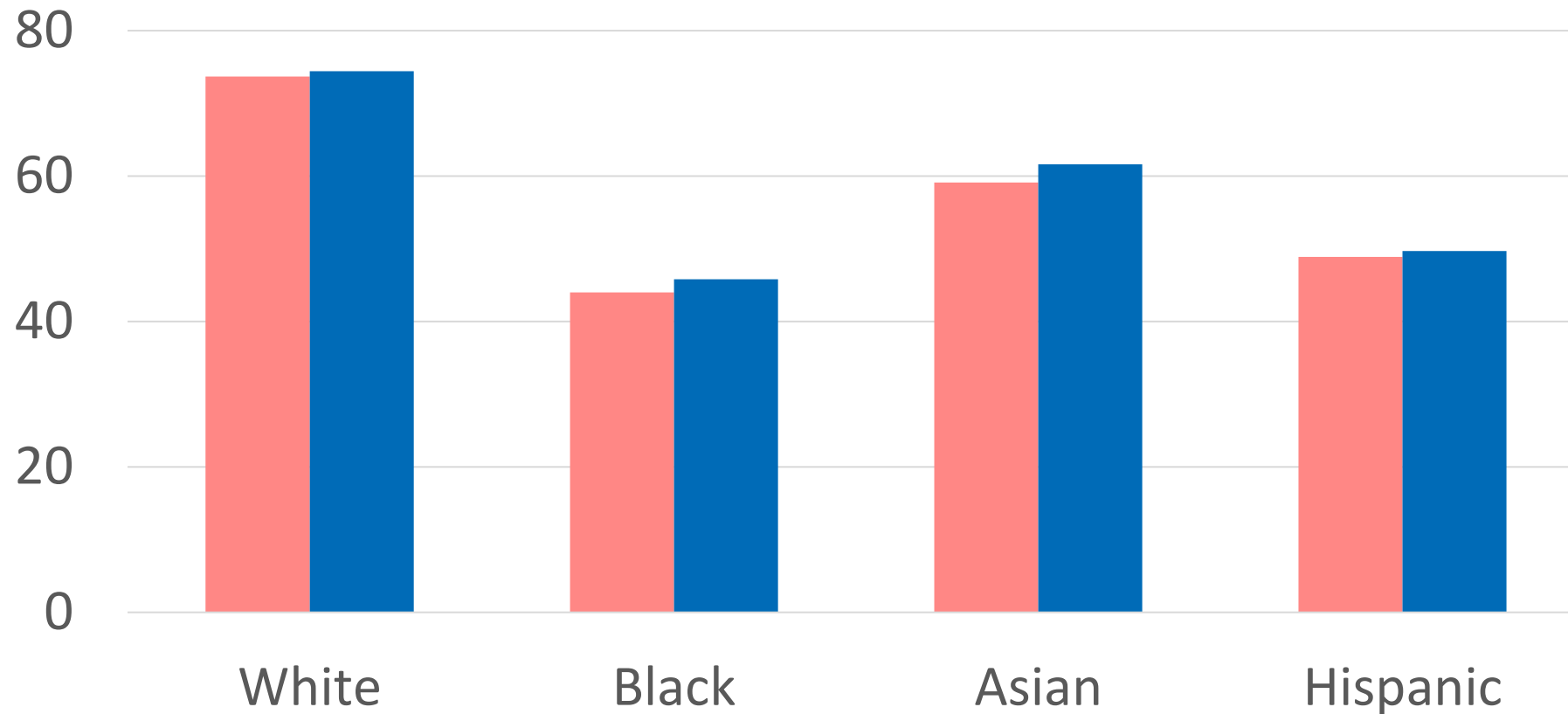
Wealth Gap



Source: Federal Reserve Survey of Consumer Finance, 2019 is actual, and 2021 is NAR estimate

Homeownership Rate by Race/Ethnicity

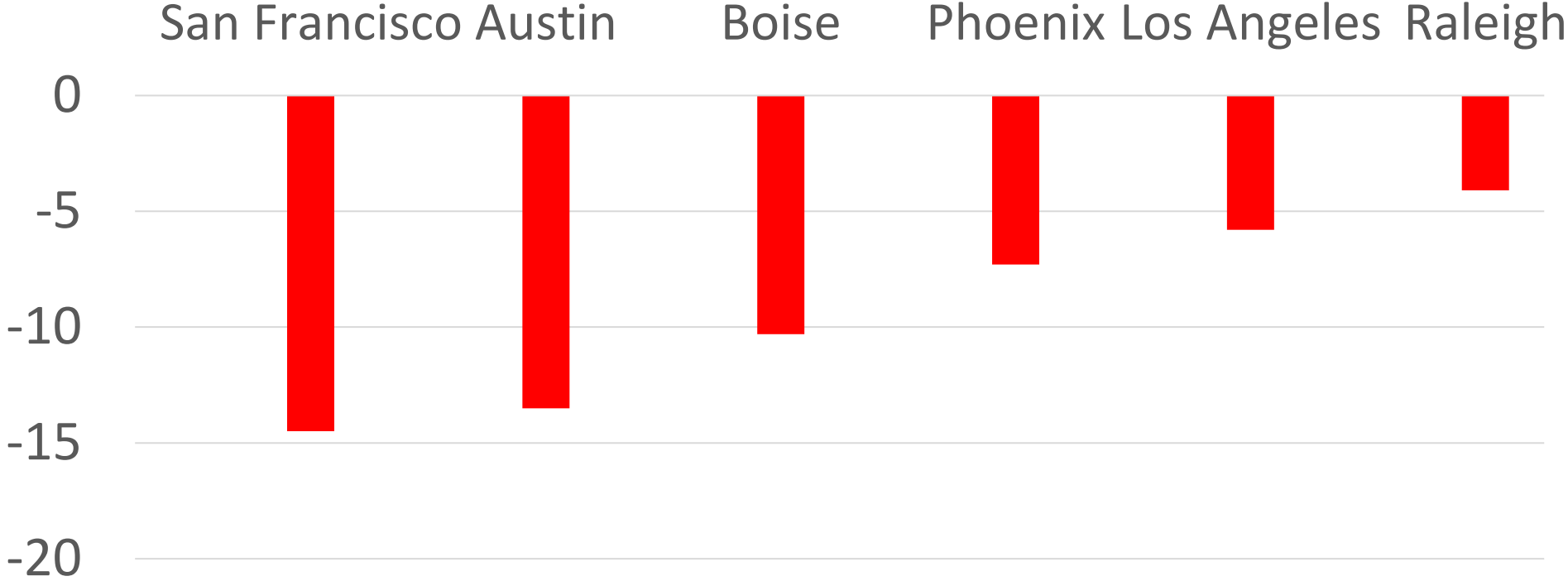
Higher Now compared to Pre-COVID (2023 Q1 versus 2020 Q1)



Source: Census

Noteworthy Home Price Declines

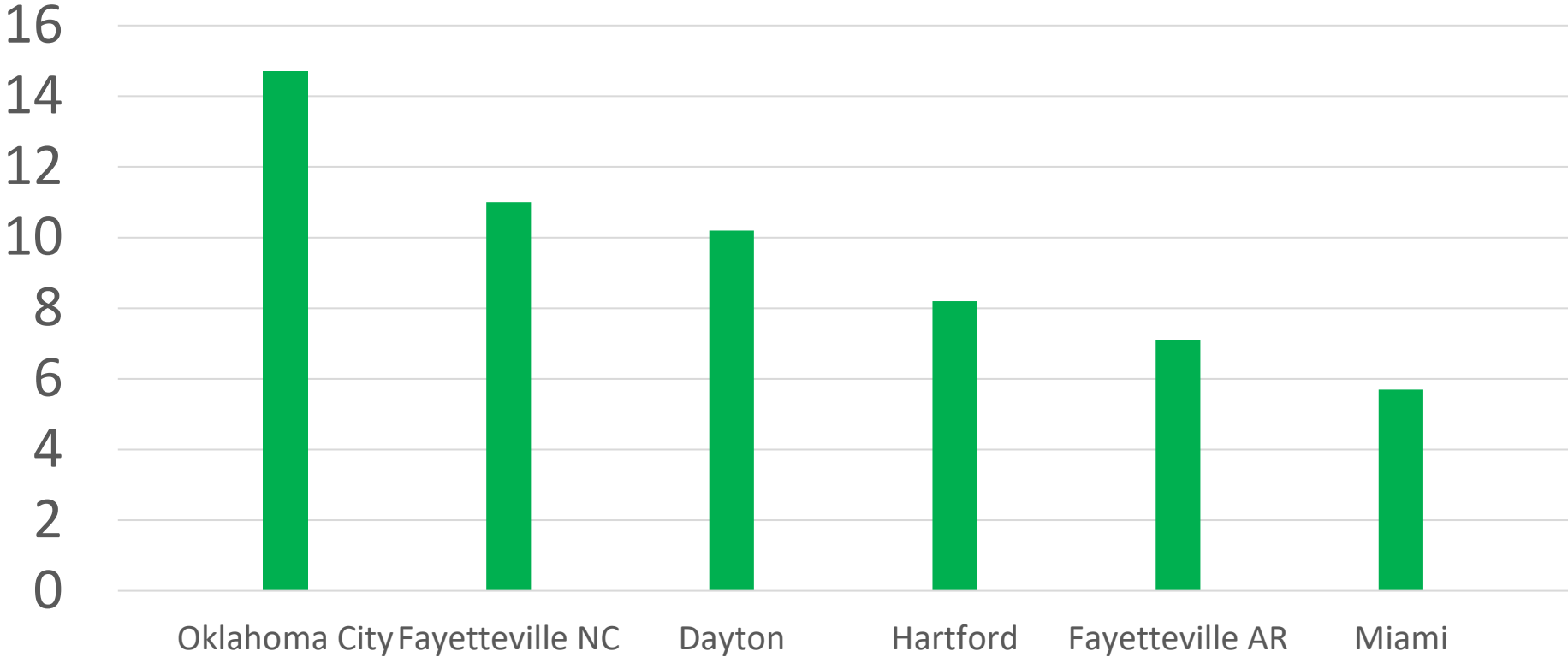
% change from a year ago in 2023 Q1



Source: NAR

Noteworthy Home Price Gains

% change from a year ago in 2023 Q1

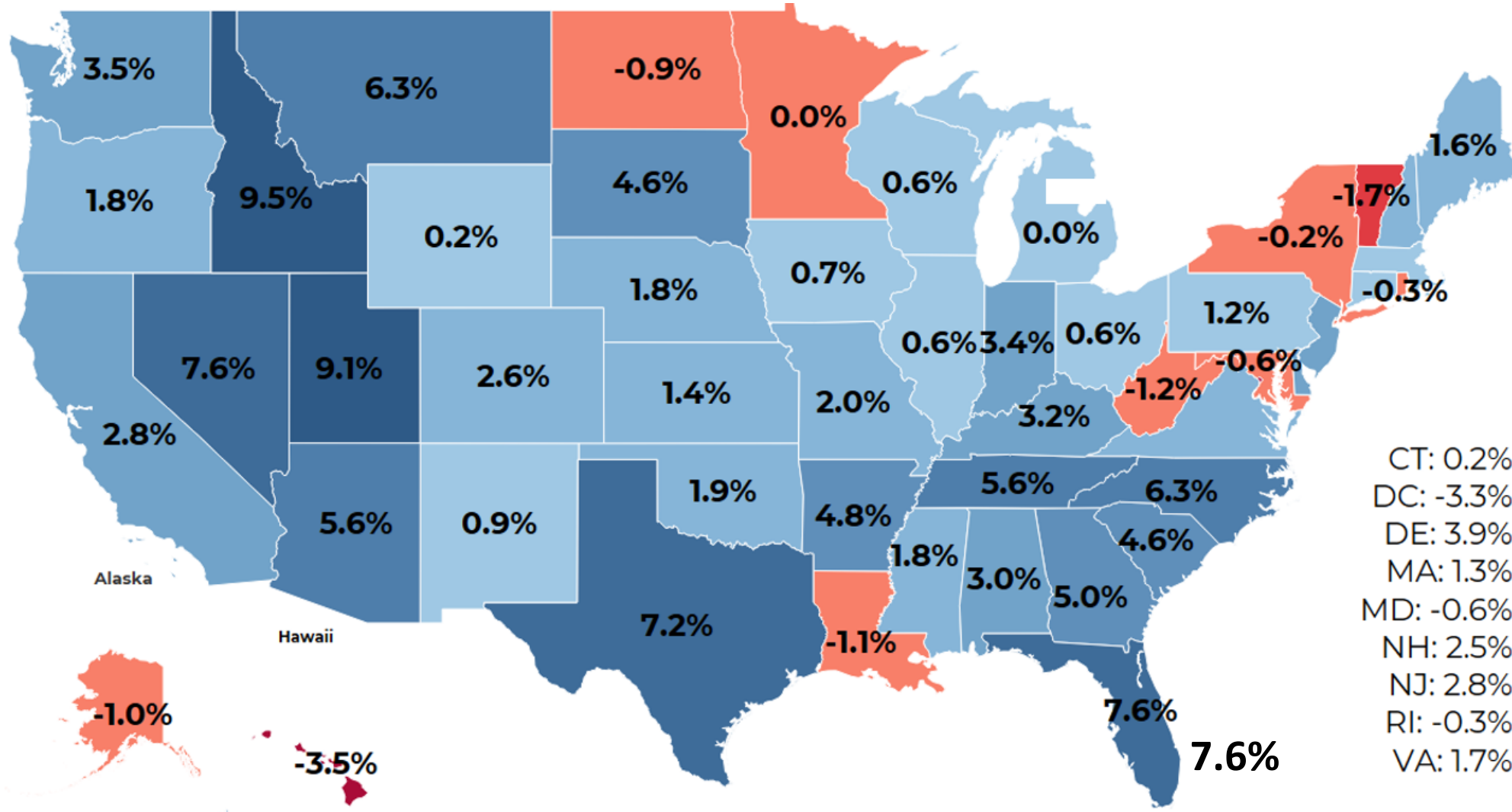


Source: NAR



3-year Job Gains Since Pre-Covid Record High Payroll Employment

(% change from March 2020 to March 2023)



Source: U.S. Bureau of Labor Statistics

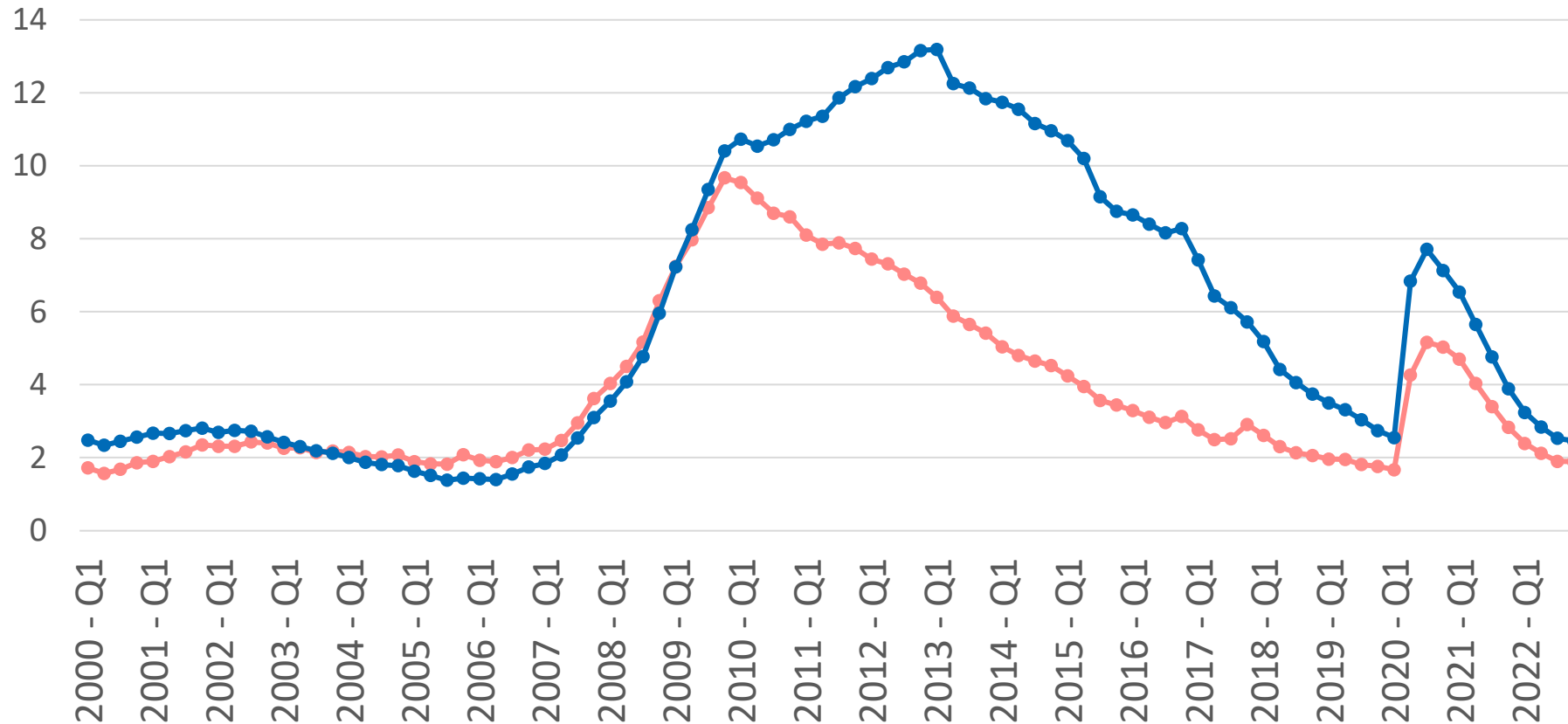
Source: NAR Analysis of BLS data

Strong and Strong Buying Activity on Starter Homes and in Affordable Regions

- **28% are multiple offers**
- **60% of homes sold within a month**
- **Median Days on Market ... 29 days ... fastest if excluding COVID years**
- **Price reductions bring buyers back ... now home prices rising?**

Source: NAR

Minimal Distressed Properties: Mortgage Delinquency Rate (at least 90 days) Low in U.S. and ... Low Even in New Jersey

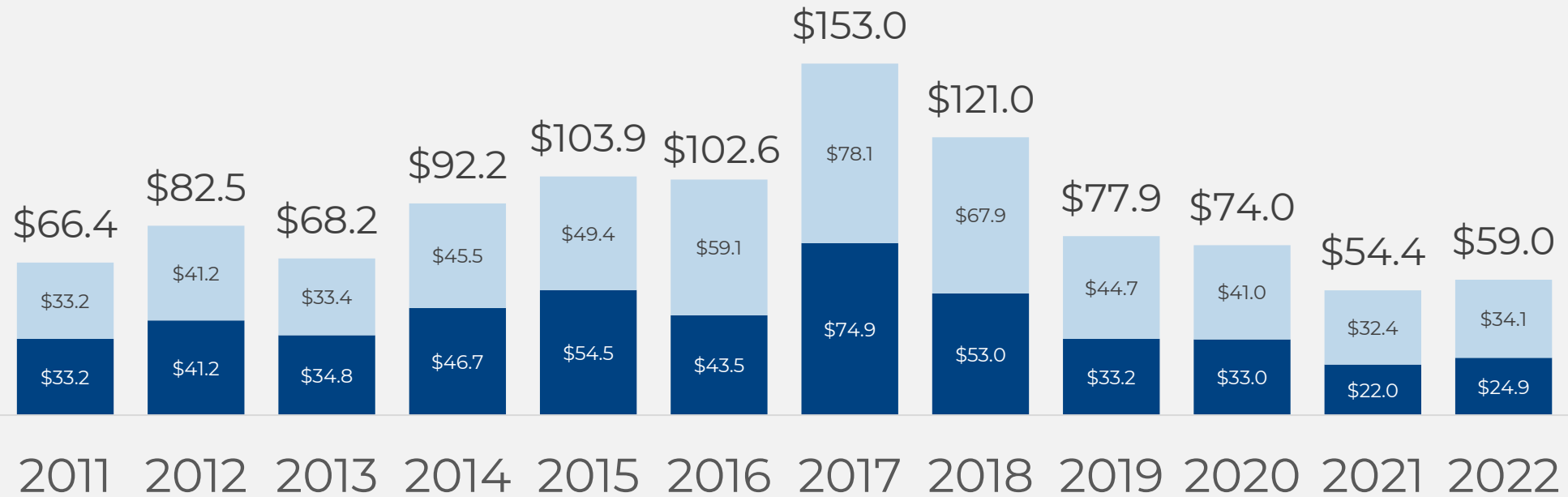


Source: Mortgage Bankers Association

Demographics Drivers to Housing Demand

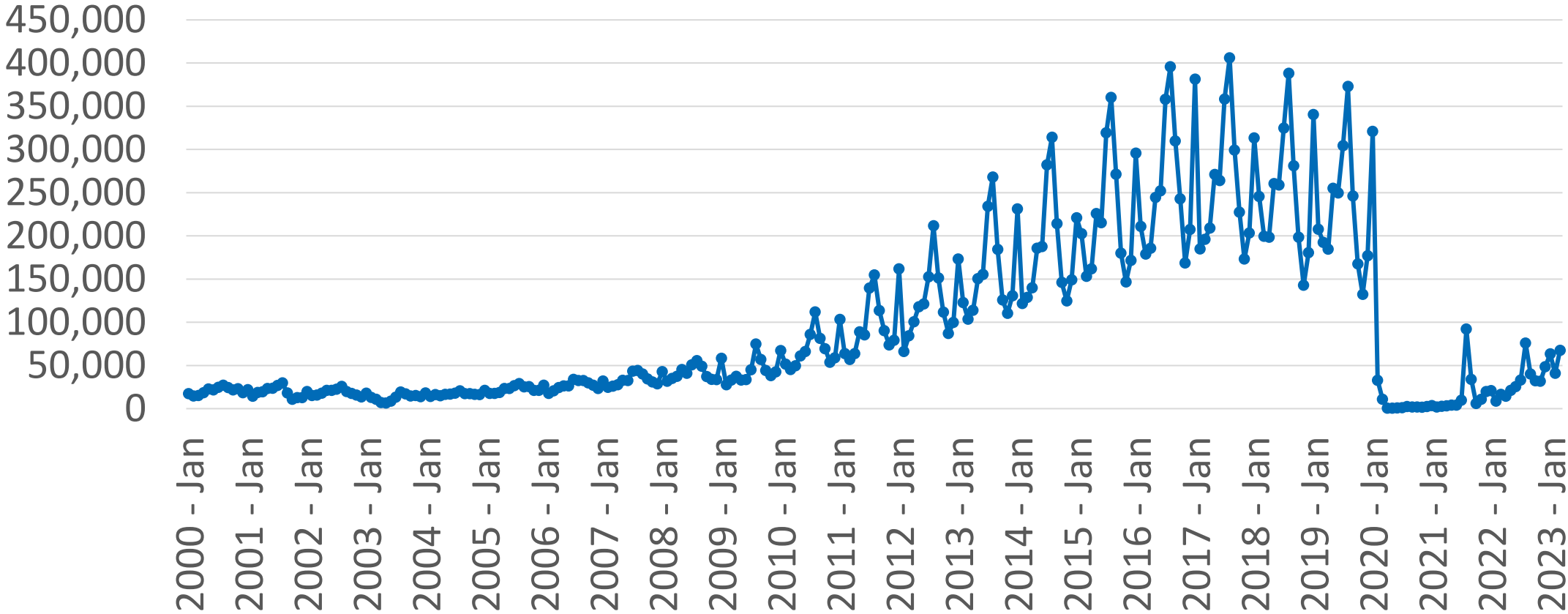
- **Population Gain ... 1 million more in 2022**
- **Deaths ... 3.3 million in 2022**
- **Births ... 3.7 million in 2022**
- **Marriages ... 2.0 million in 2021**
- **Divorces ... 690,000 in 2021**
- **Turning 30 ... 4.4 million in 2022**

Demand from Return of International Buyers?



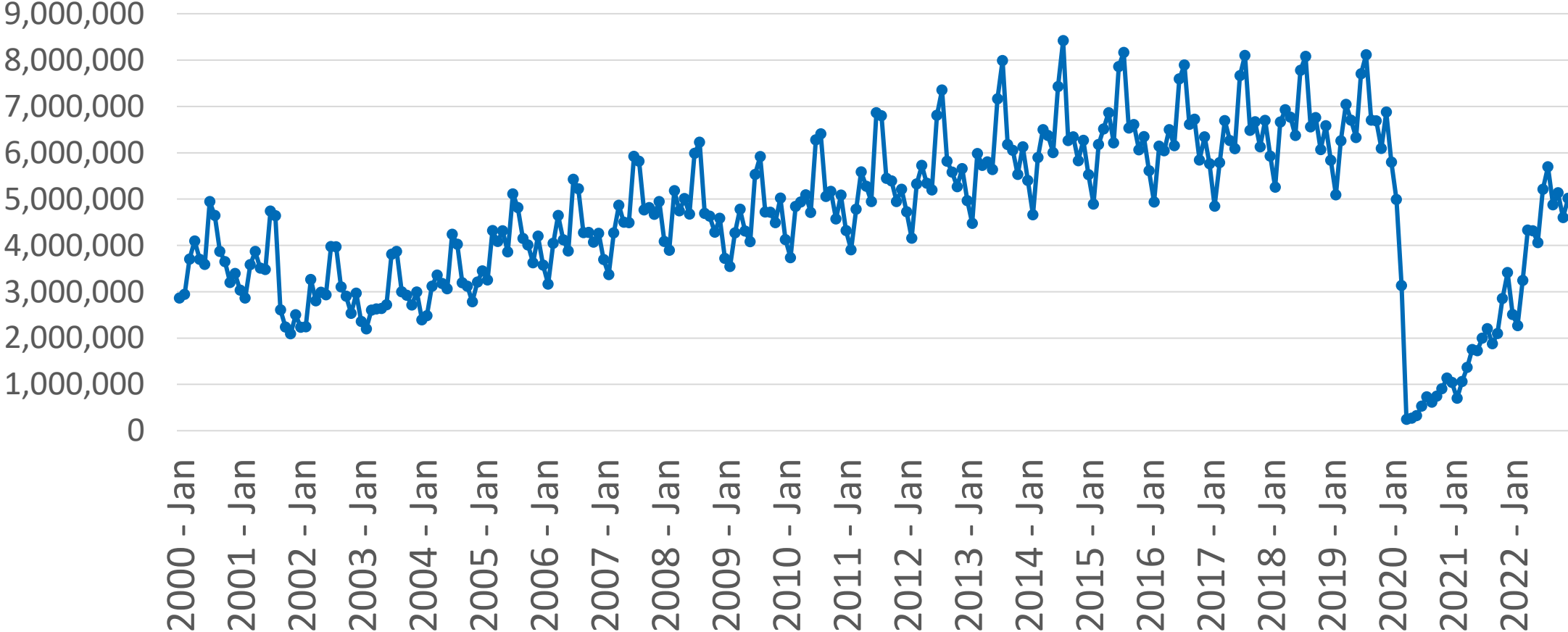
Source: NAR

Tourist Arrival from China



Source: National Travel and Tourism Office

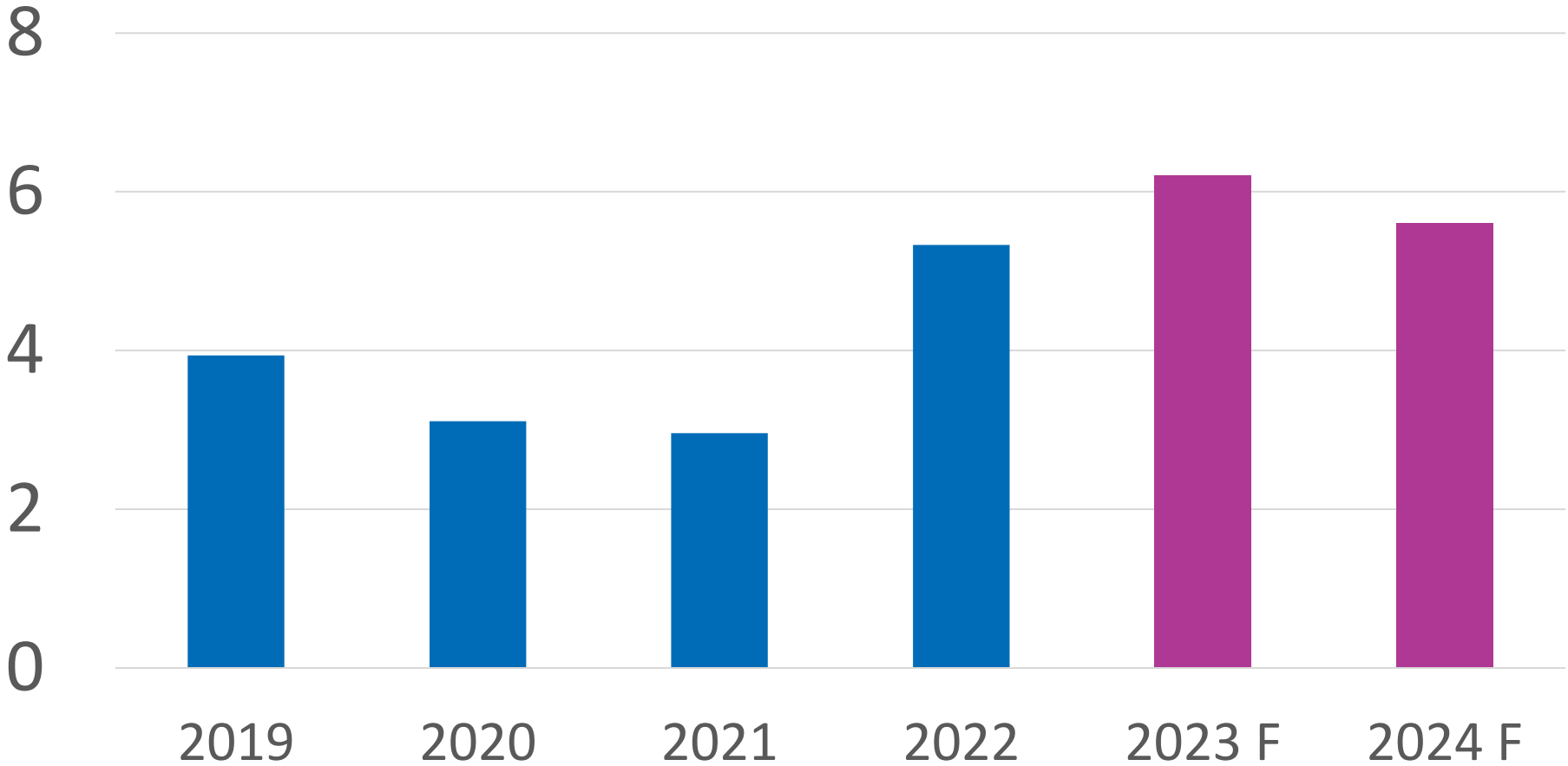
Tourists Arrival from All Countries



Source: National Travel and Tourism Office

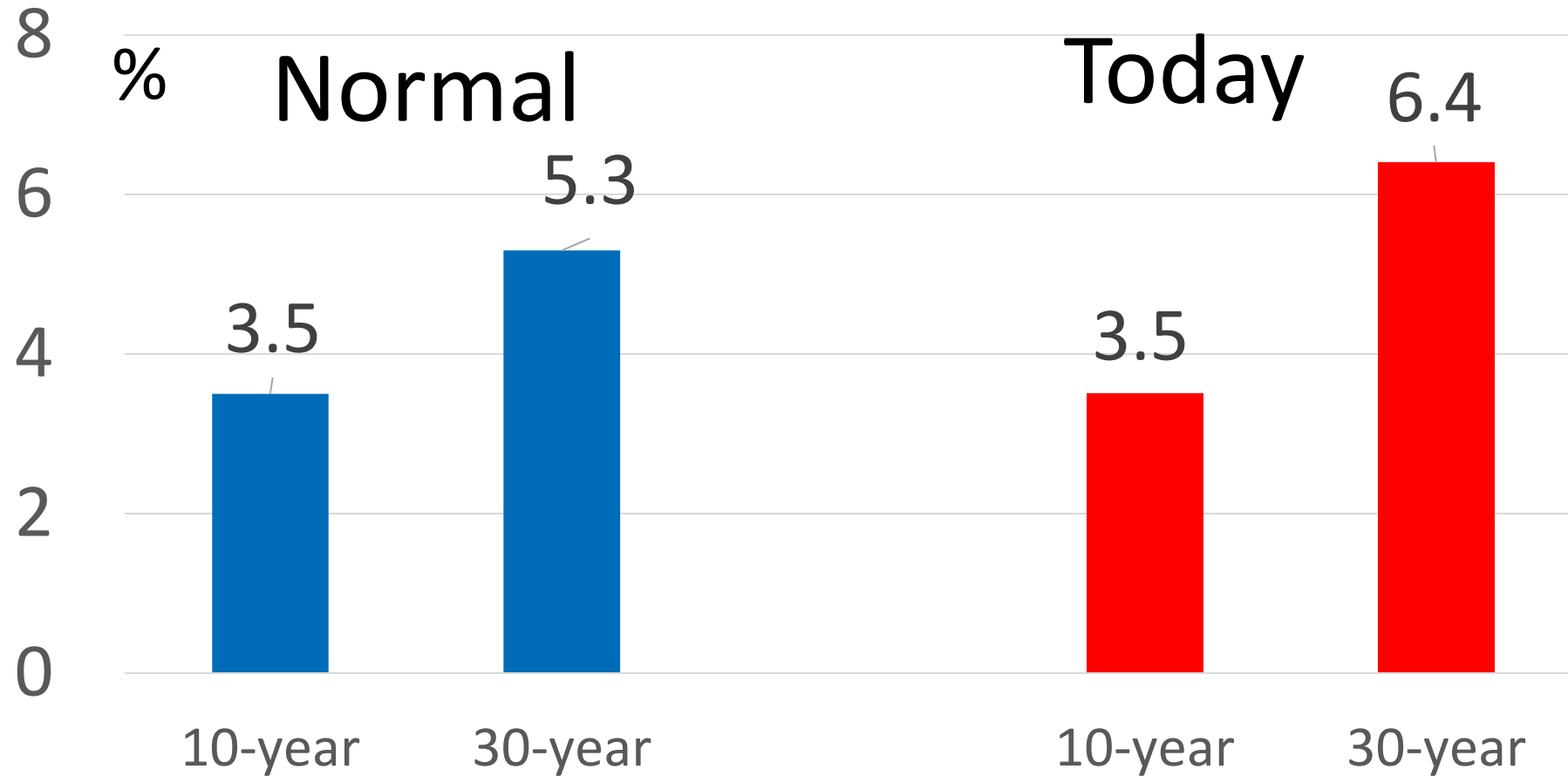


Mortgage Rate Forecast



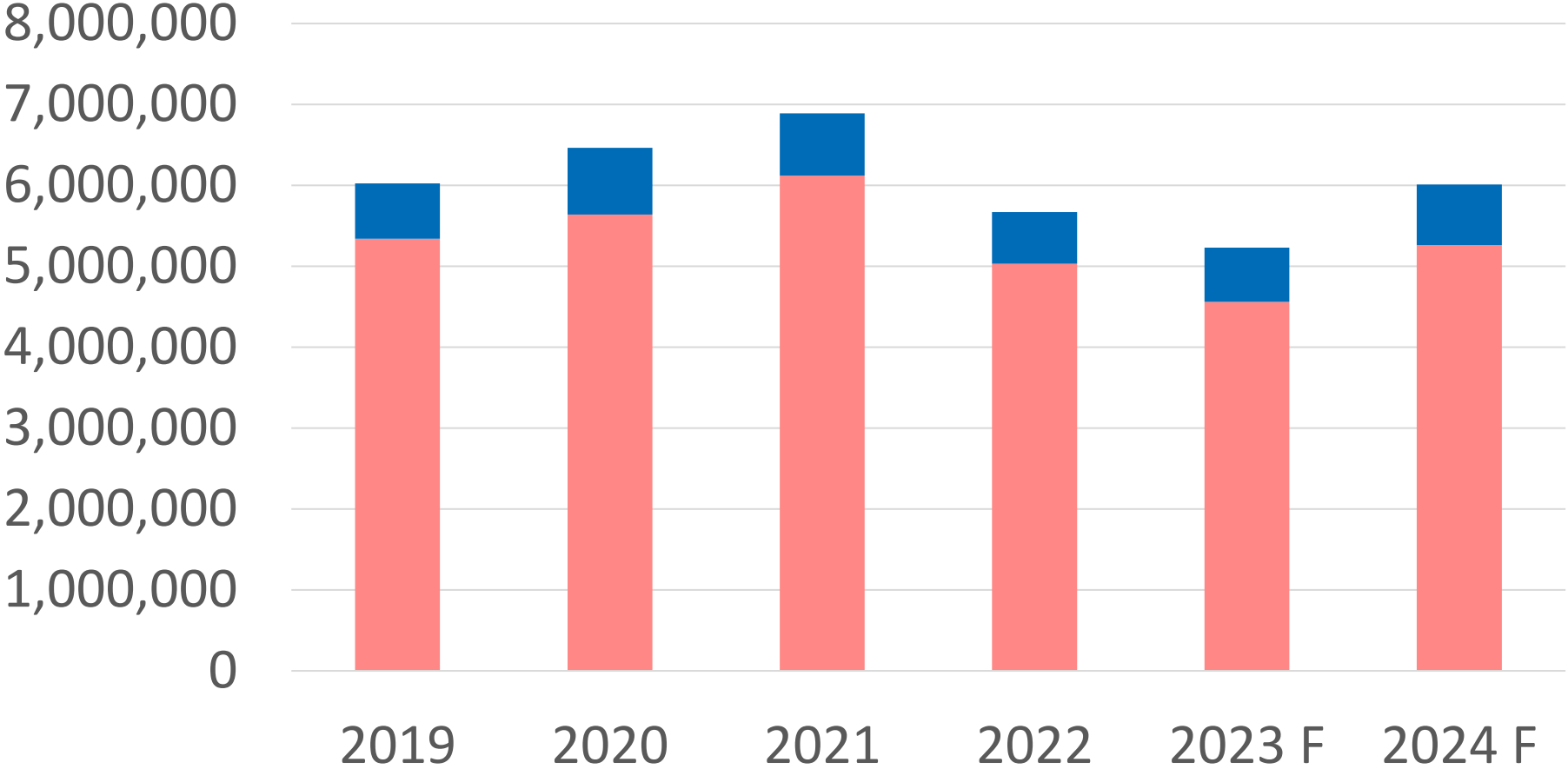
Source: Freddie Mac and NAR forecast

Abnormally High Spread between 10-year Treasury and 30-year Mortgage



Source: Freddie Mac and NAR Analysis

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



Source: NAR forecast and HUD

THANK YOU.



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