



Economic and Real Estate Outlook

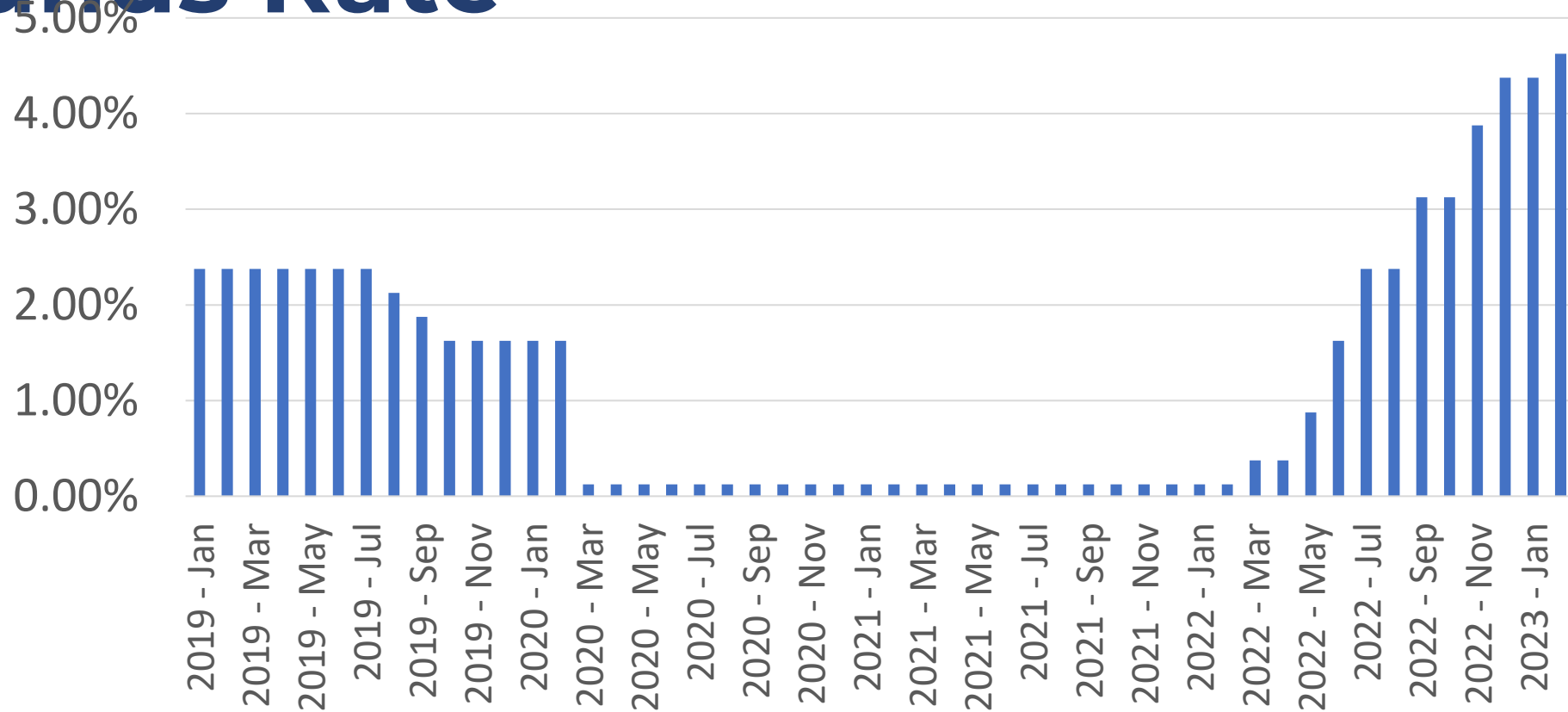
Lawrence Yun

Chief Economist

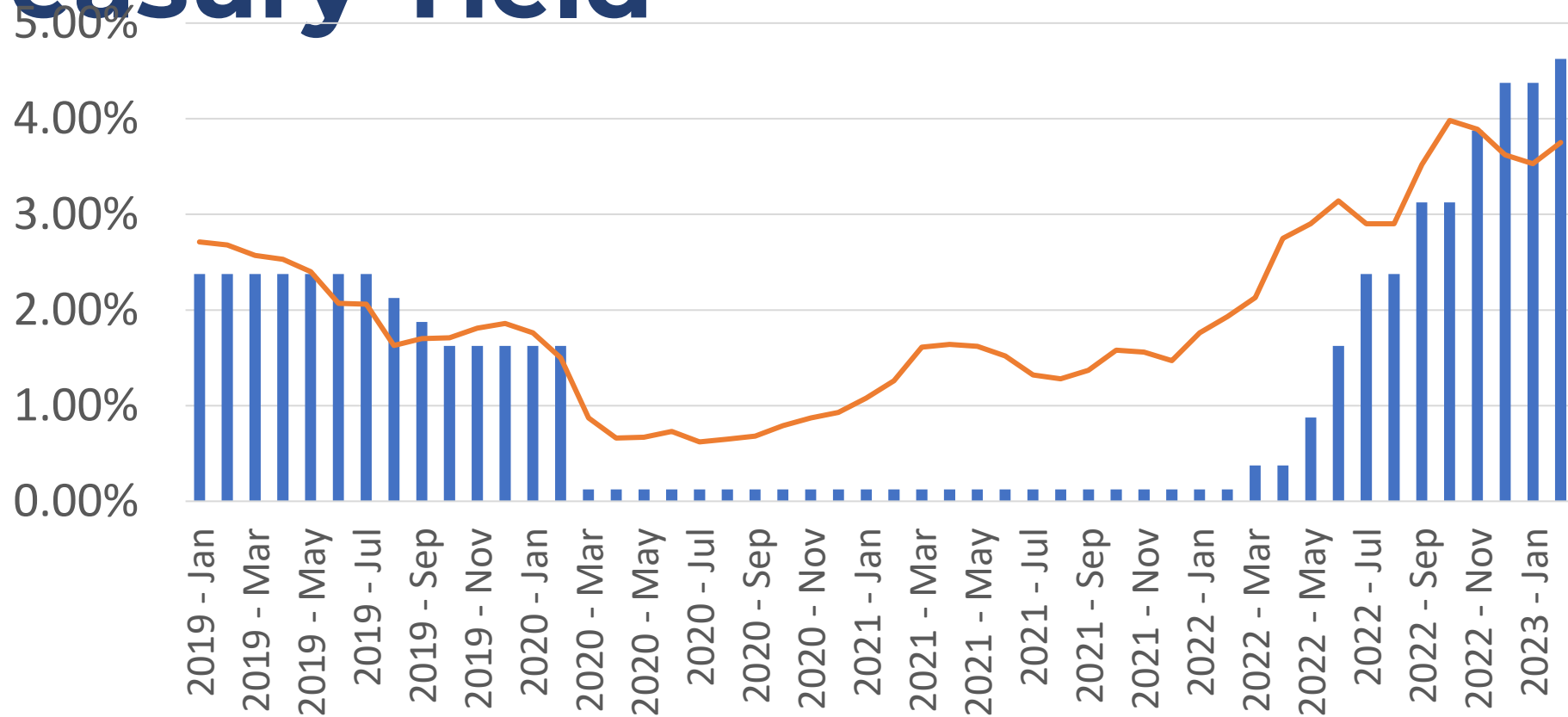
National Association of Realtors

April 25, 2023

Federal Reserve Policy on Fed Funds Rate



Fed Funds Rate and 10-Year Treasury Yield



Silicon Valley Bank Failure and Impact

\$1 million safe asset at 2% coupon rate (\$20,000)

=

\$500,000 safe asset at 4% coupon rate (\$20,000)

Regional Banks do not have enough capital

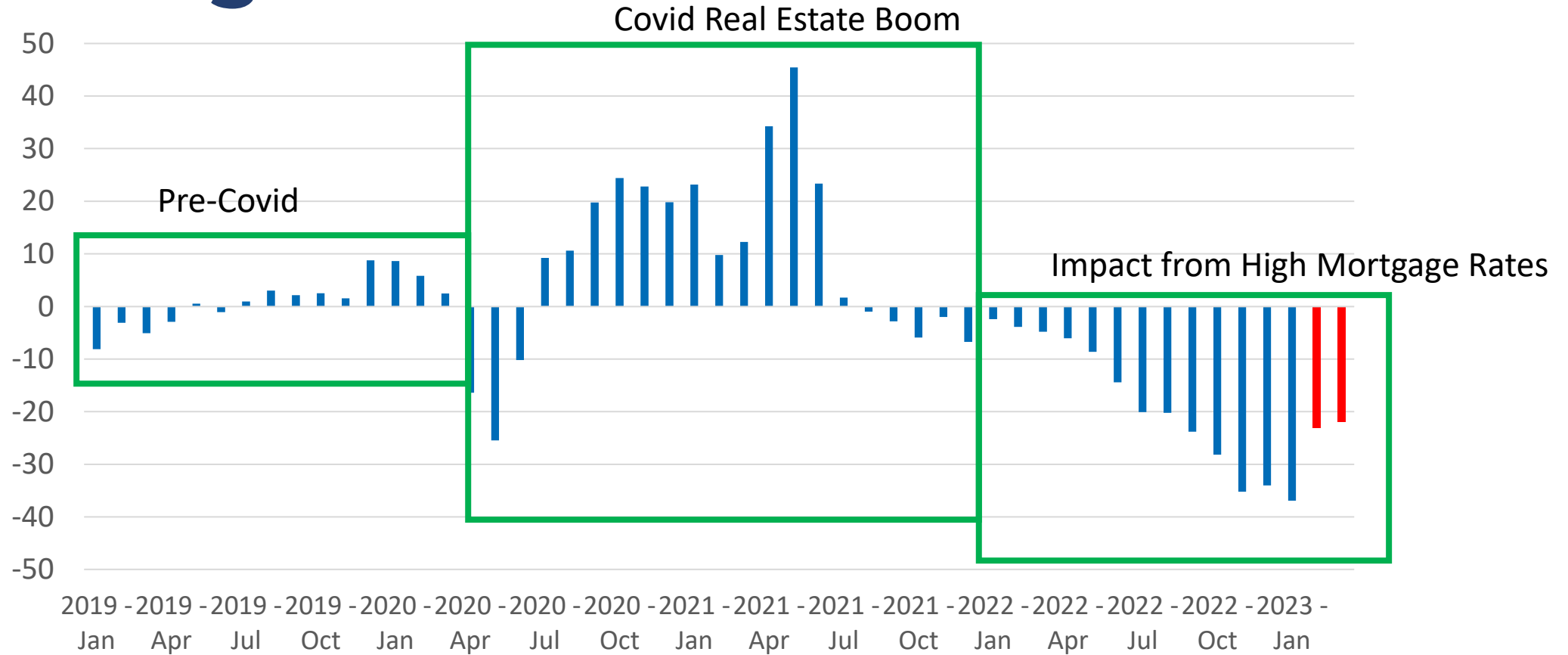
Regional Banks do not have enough money to lend

**But Federal Reserve will pay \$1 million original price to help banks
meet depositors**

Plunging Mortgage Rate since SVB collapse

Date	10-year Treasury Yield	30-year Mortgage Rate (average)
Late April	3.5% ???	6.5% ???
Friday March 10 th	3.70%	6.76%
Thursday March 9 th	3.93%	7.00%
Wednesday March 8 th	3.98%	7.05%
Tuesday March 7 th	3.97%	7.03%
Monday March 6 th	3.98%	6.99%

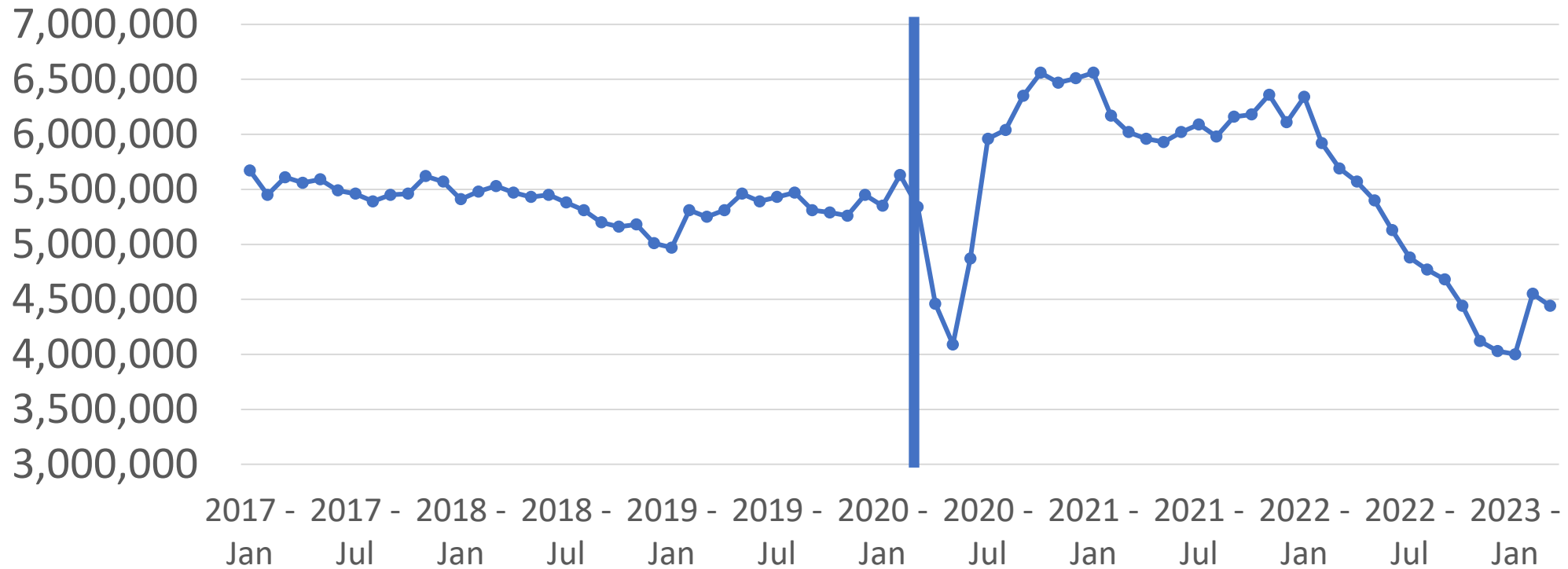
Existing Home Sales % change from a year ago



Source: NAR

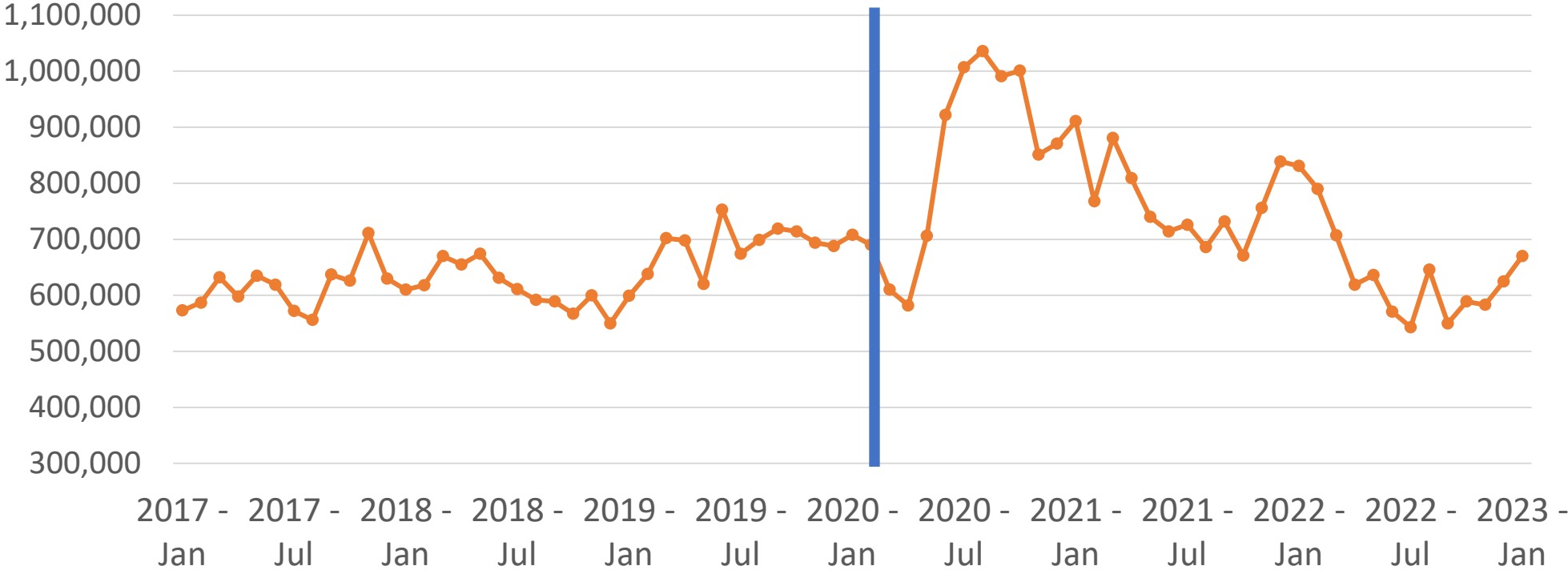
Existing Home Sales (Closings) ... Up 14.5% in February

Seasonally Adjusted Annualized Sales

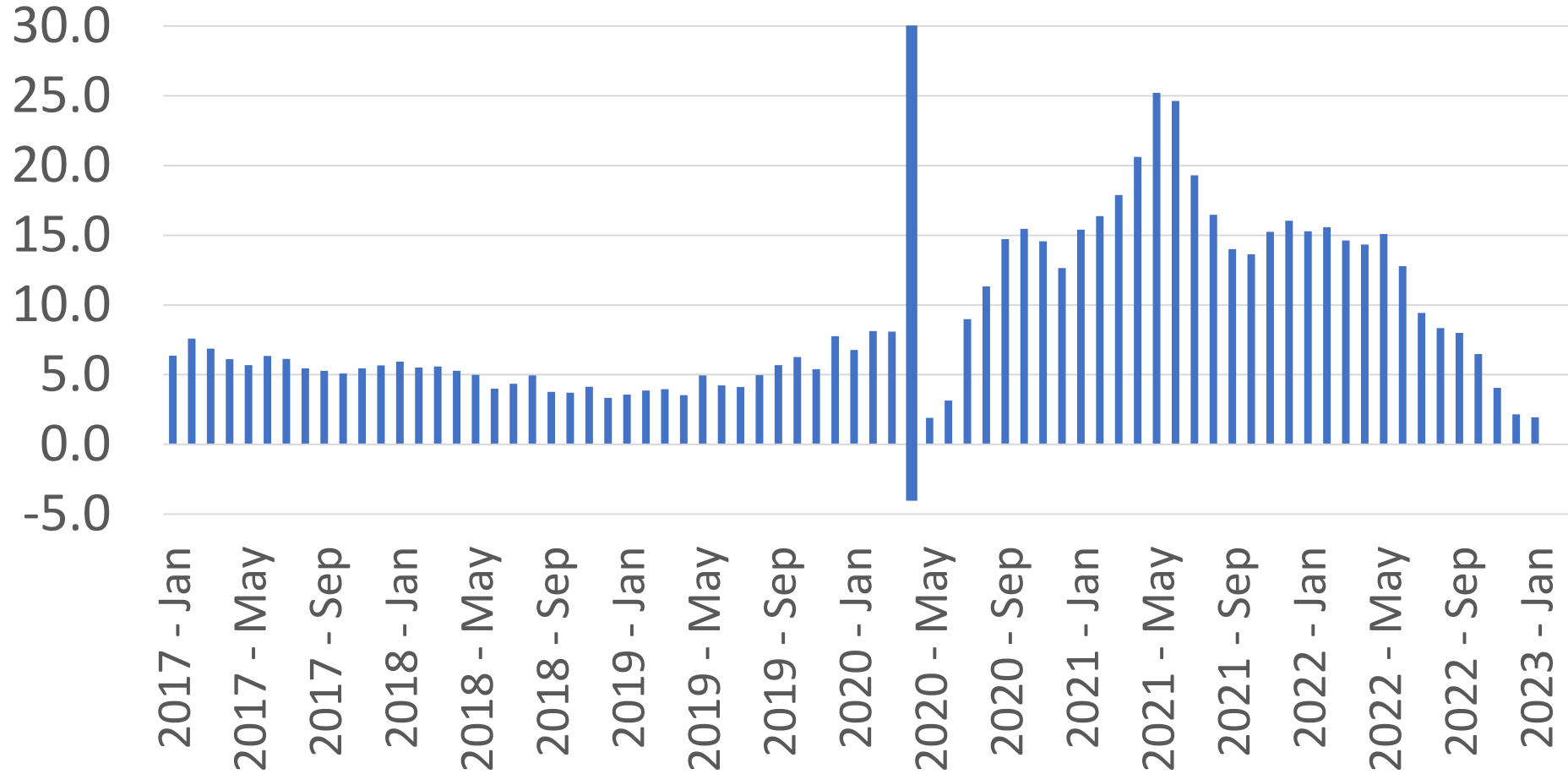


Newly Constructed Home Sales .. up 7% in January

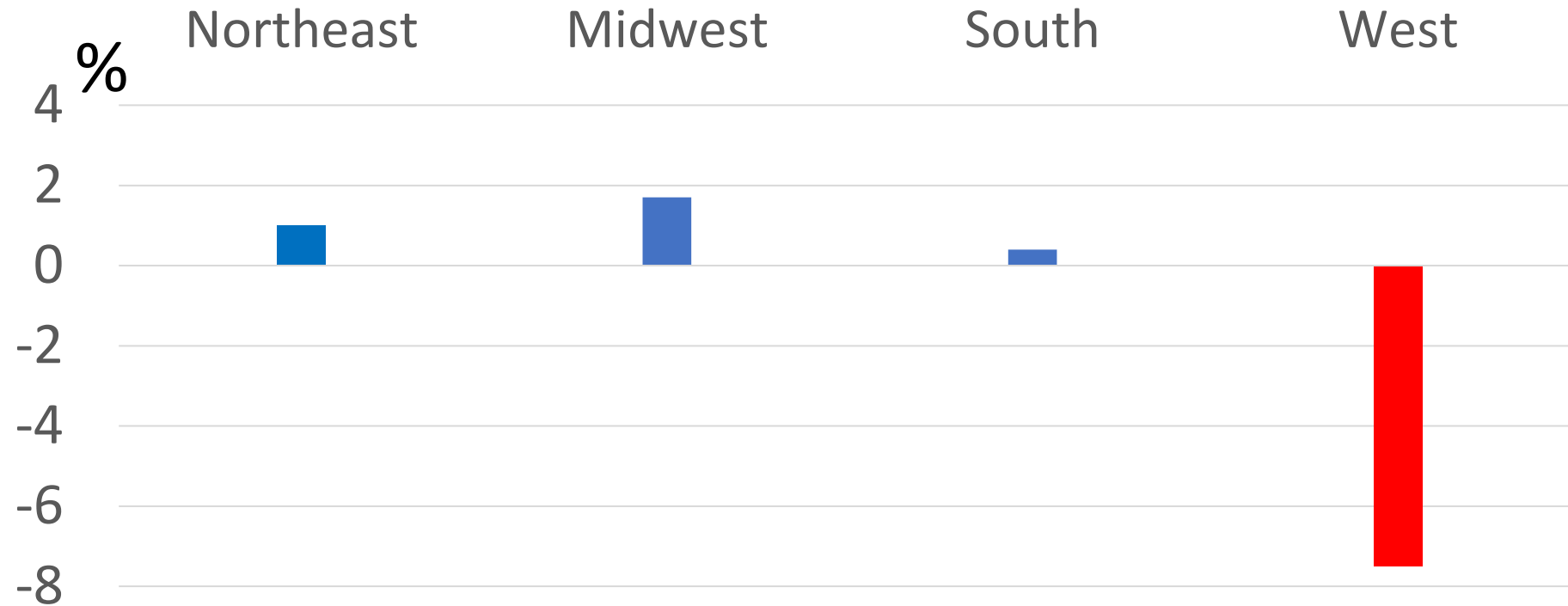
Seasonally Adjusted Annualized Sales



Median Home Price % change from a year ago



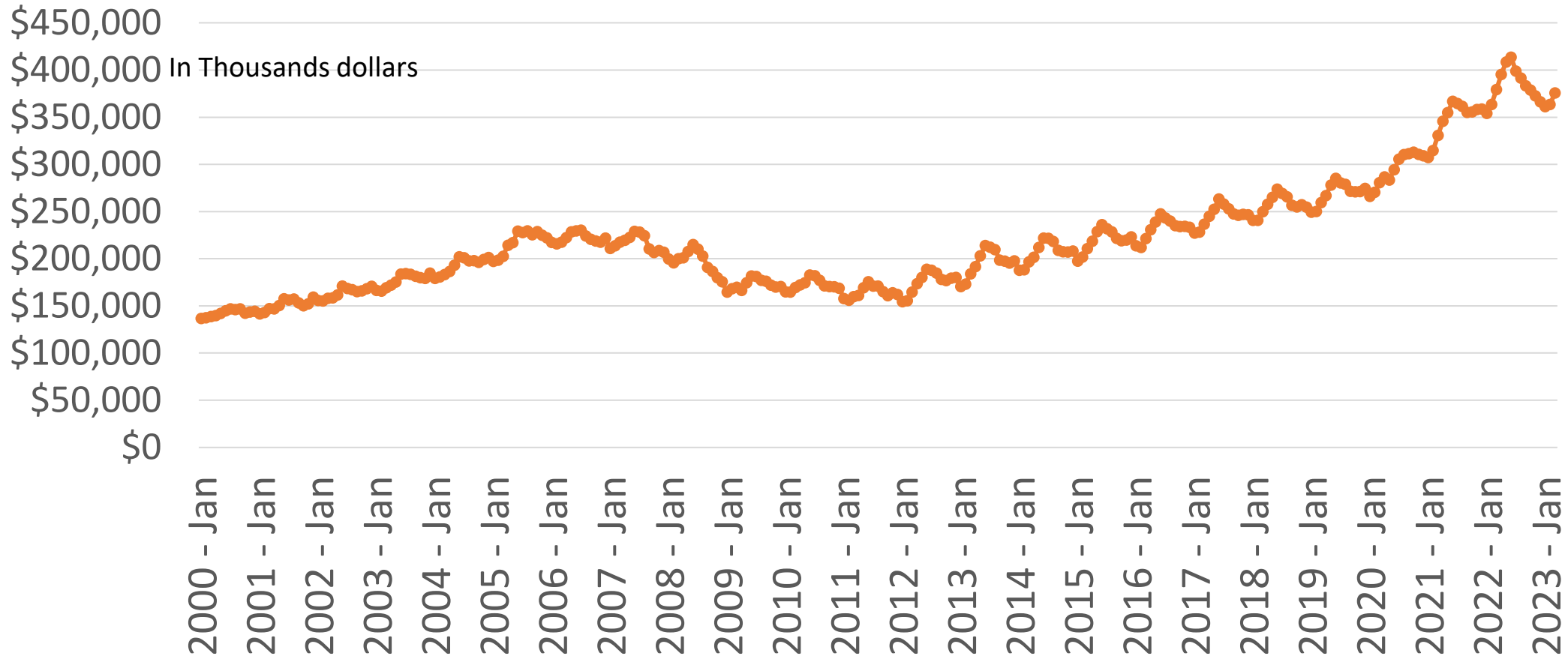
Median Home Price Change from a year ago to February



Price Negotiations in mid-March; Note Pending Price is not Closed Price

Days on Market	Price Change from Original on still Active Listing	Price Change from Original on Pending Contracts	Price Change from Original on Closed Home
15 to 21	4.4%	4.9%	5.4%
22 to 30	4.6%	5.0%	6.0%
31 to 60	5.2%	5.6%	7.0%
61 to 90	6.1%	6.7%	8.5%
91 to 120	7.0%	7.6%	10.1%
Over 120	9.2%	10.0%	13.1%

Median Home Price: U.S.



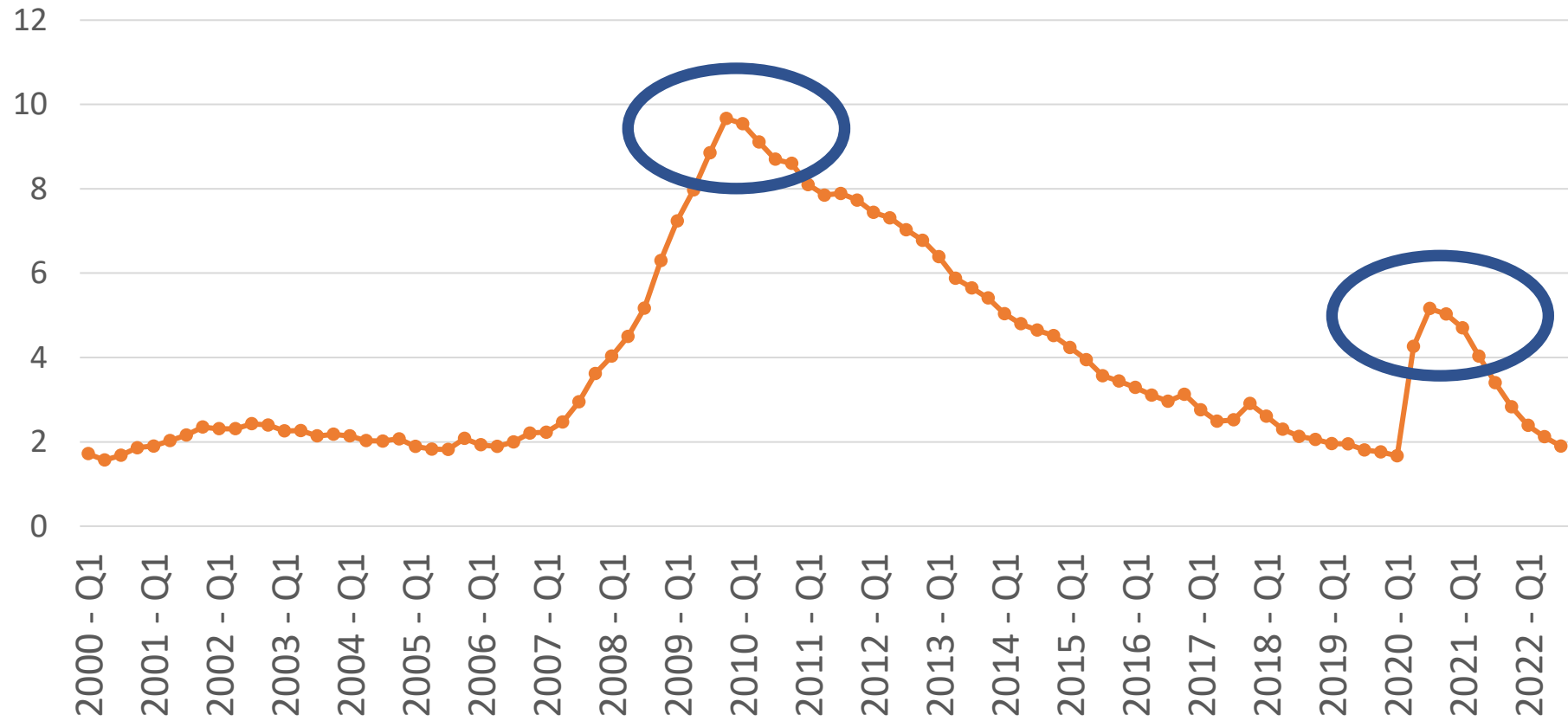
Source: NAR

Home Price Crashing Coming?

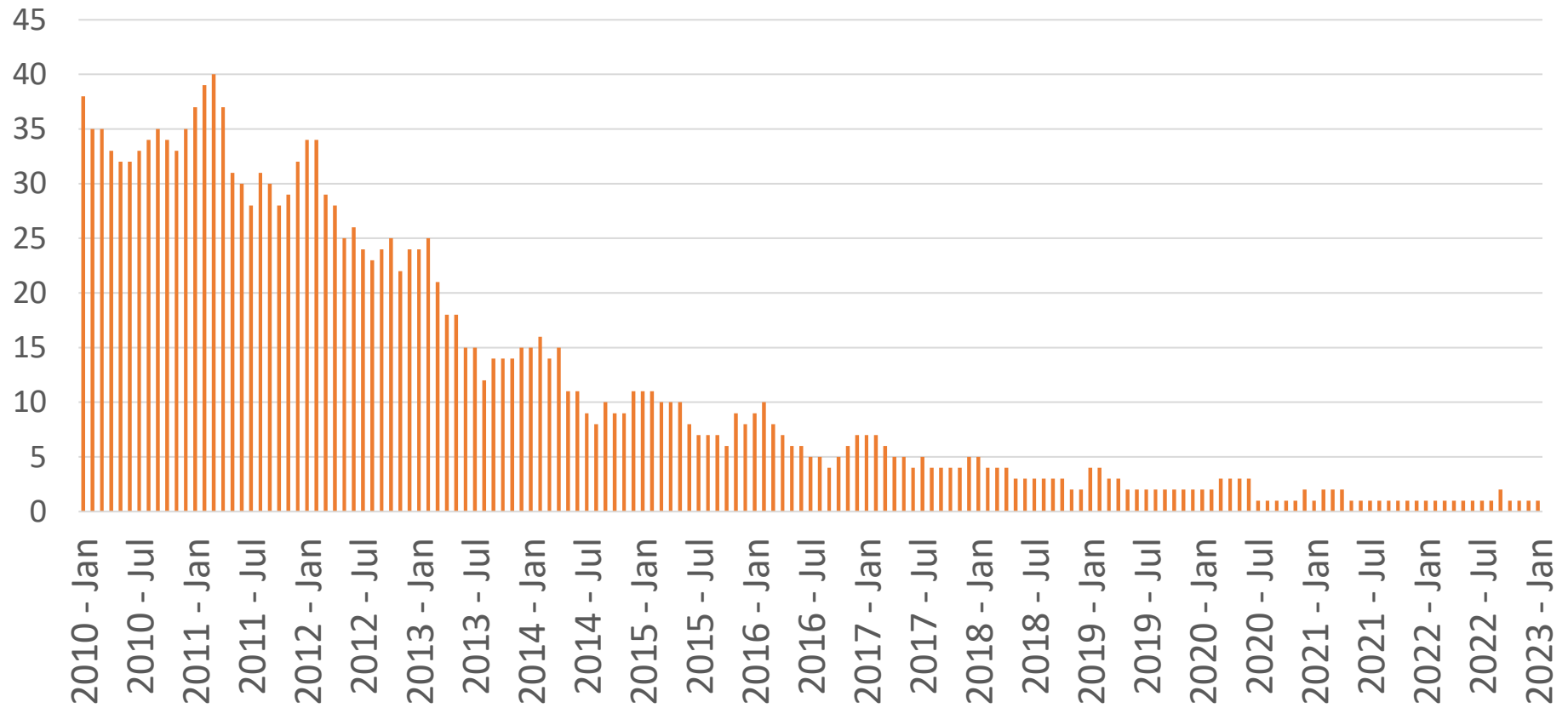
Key Variables	Last Housing Cycle	Current Housing Cycle
Job Cuts (net of gains and losses)	8 million	none
Total Payroll Jobs (W-2 salary jobs)	130 million	155 million
Total Jobs (Household survey)	138 million	161 million
Subprime Loans	Prevalent	Virtually none
5-year cumulative to new home construction before crash	7.65 million	4.6 million
Inventory on Market	3.8 to 4 million	1 to 1.2 million
Mortgage Delinquency	10.1%	3.6%
Homes in Foreclosure	4.6%	0.6%

Source: NAR Analysis of BLS, MBA, NAR data

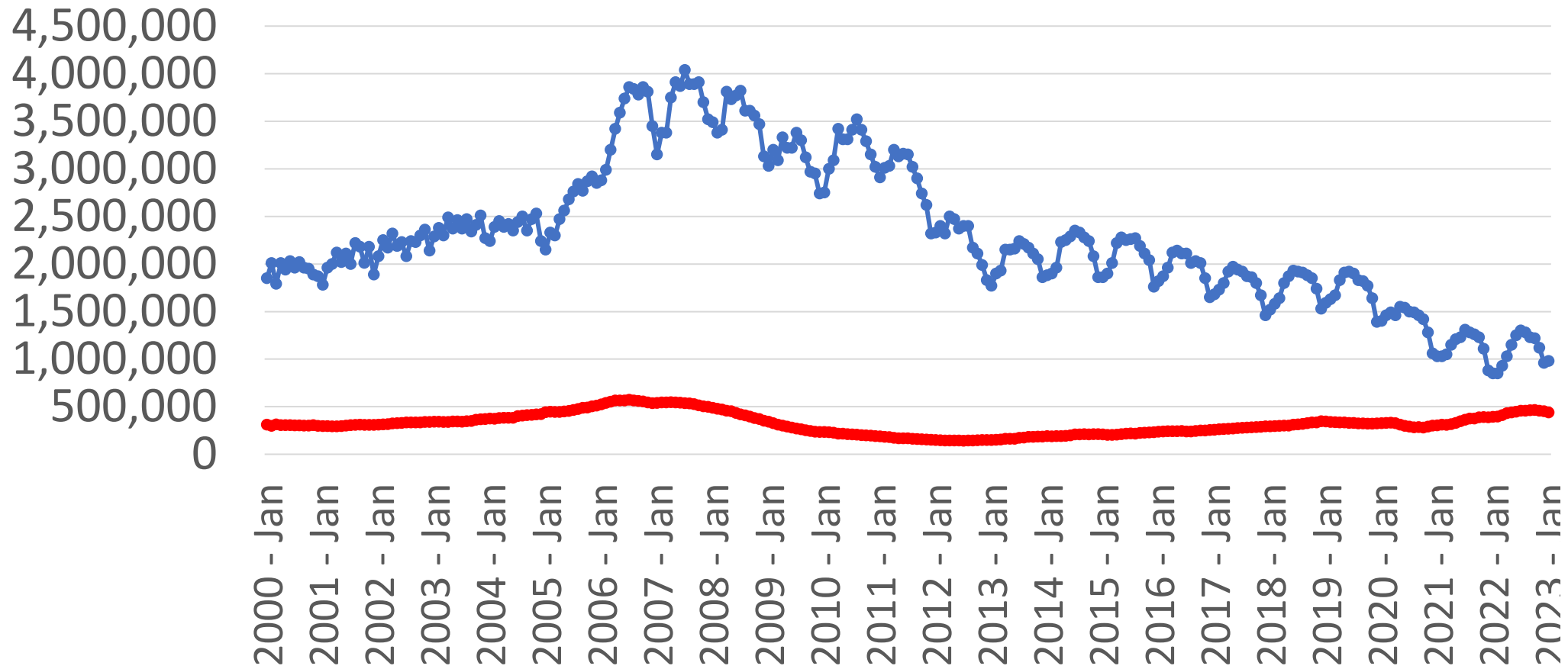
Mortgage Delinquency Rate by at least 90 days



Distressed Property Sales as % of Total (Short Sale or Foreclosures)



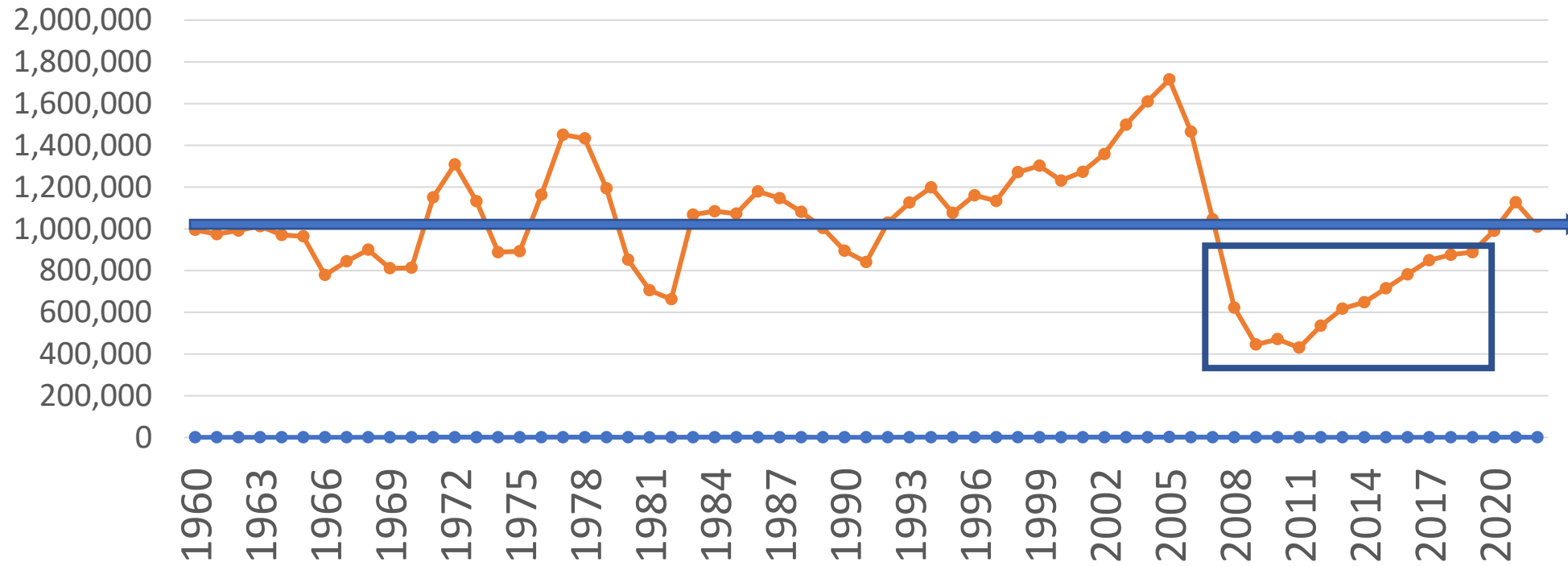
Inventory of Homes on Market: Existing in blue and Builders in red (lot, unfinished, finished)



Source: NAR and Census/HUD

Long-term Single Family Housing Starts

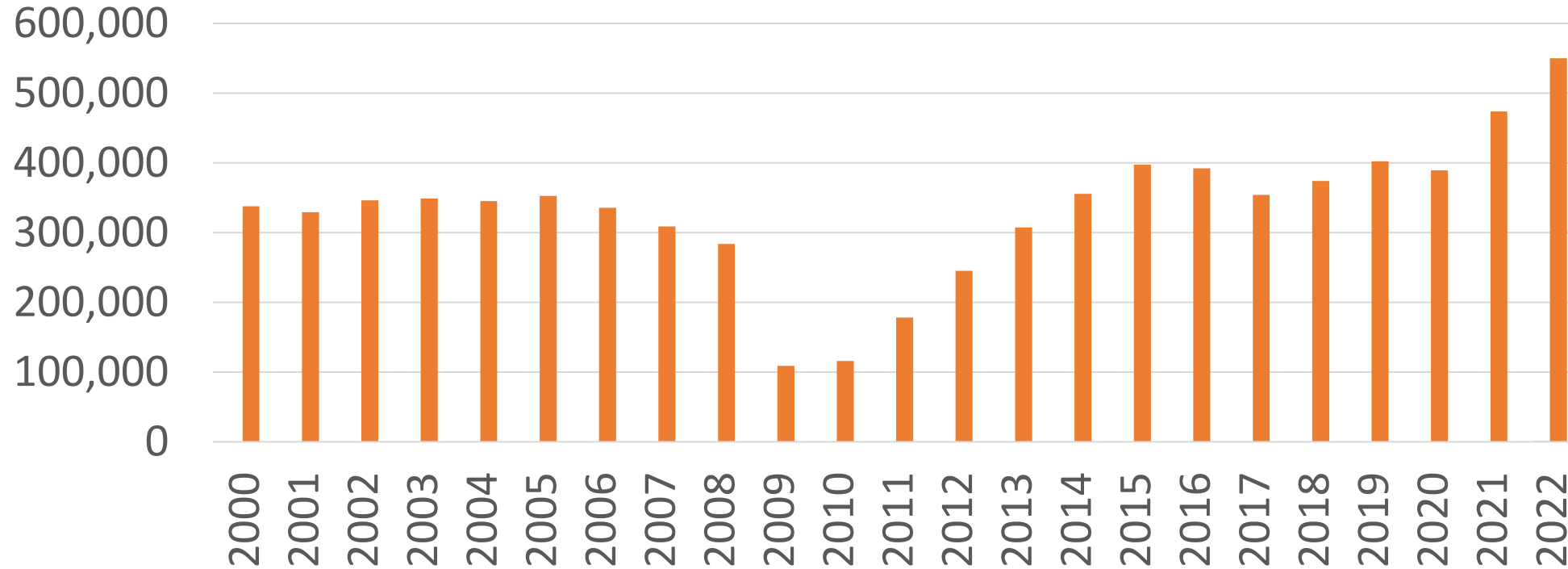
Historical average of 1.02 million per year



Source: Census/HUD

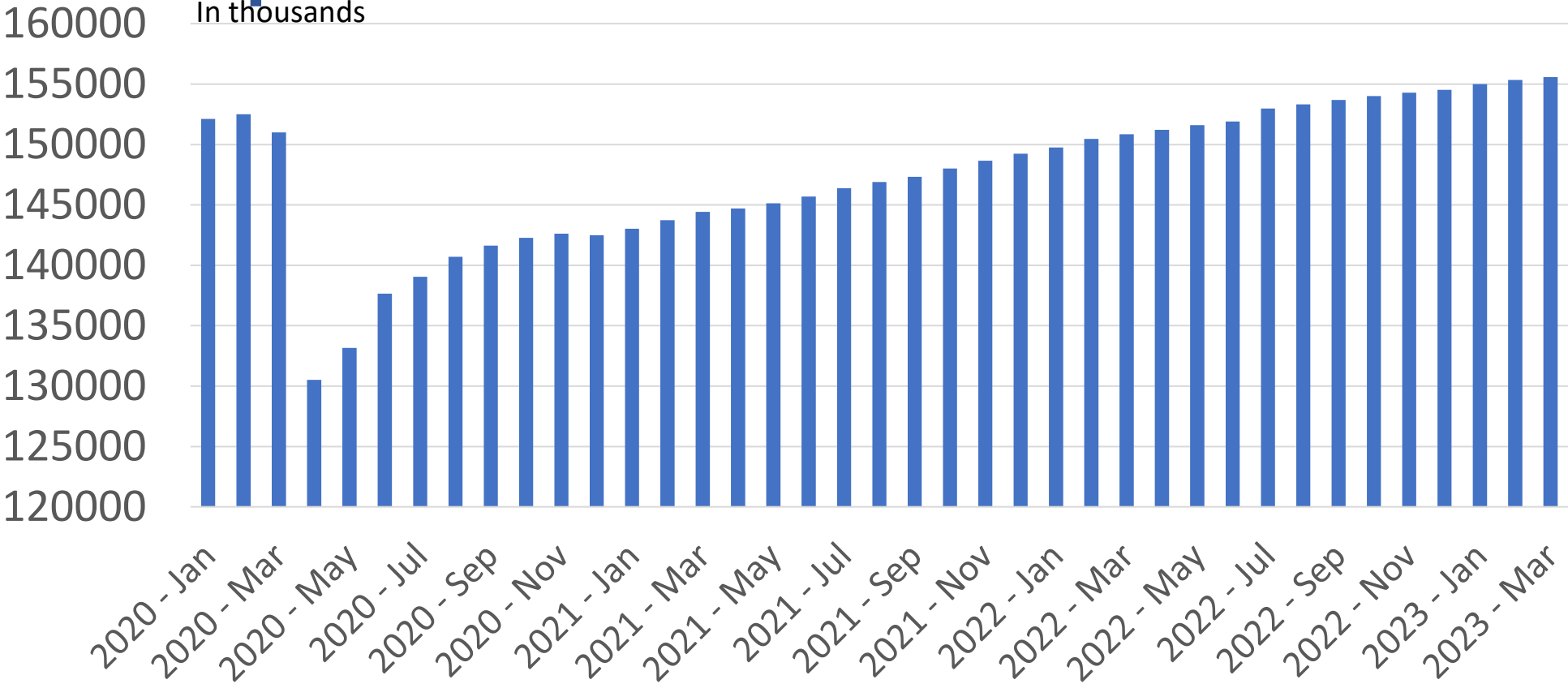
Robust Multifamily Housing Starts

Historical average of 375,000 million per year

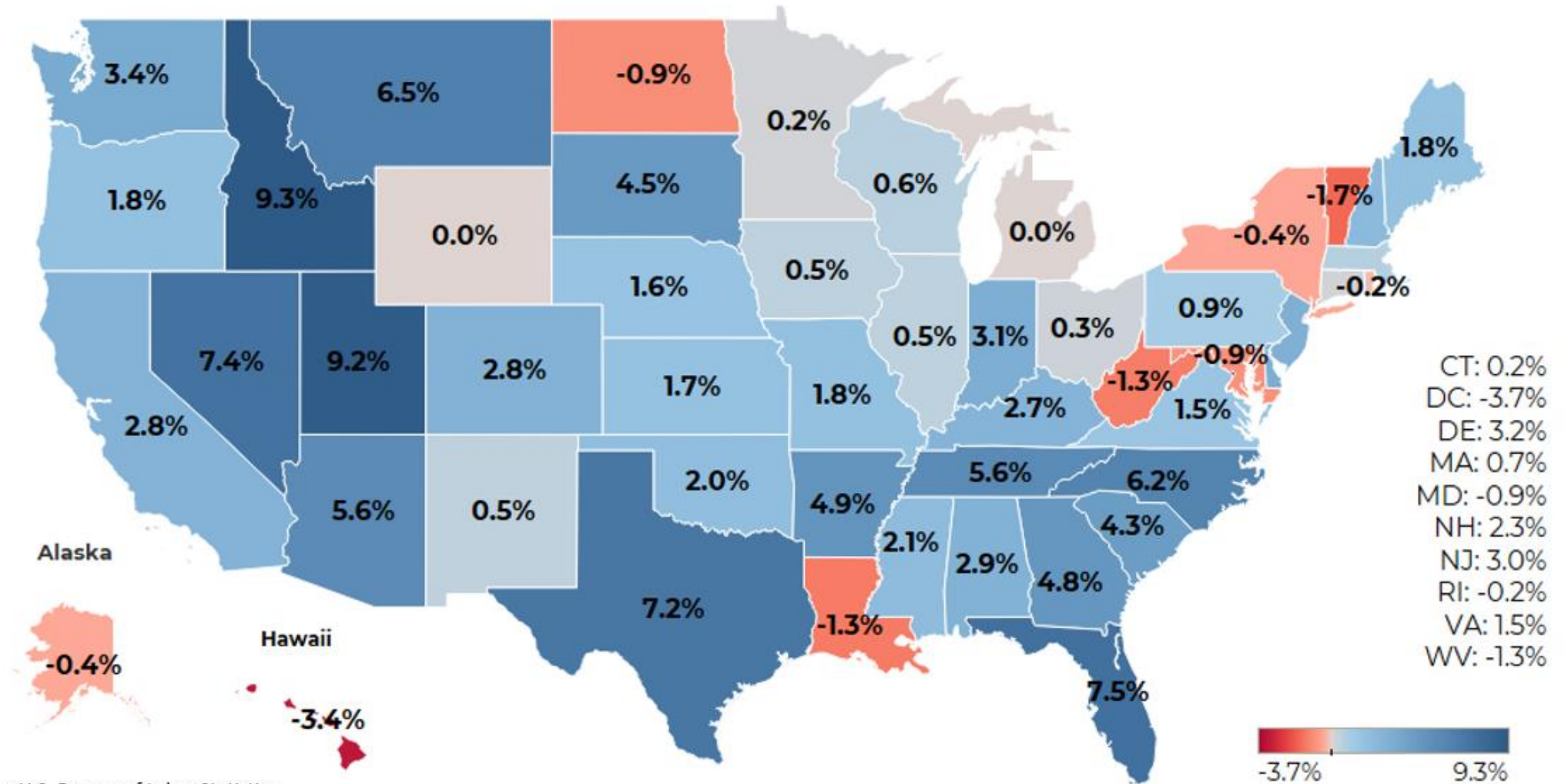


Source: Census/HUD

Record High Payroll Jobs after Covid Disruption

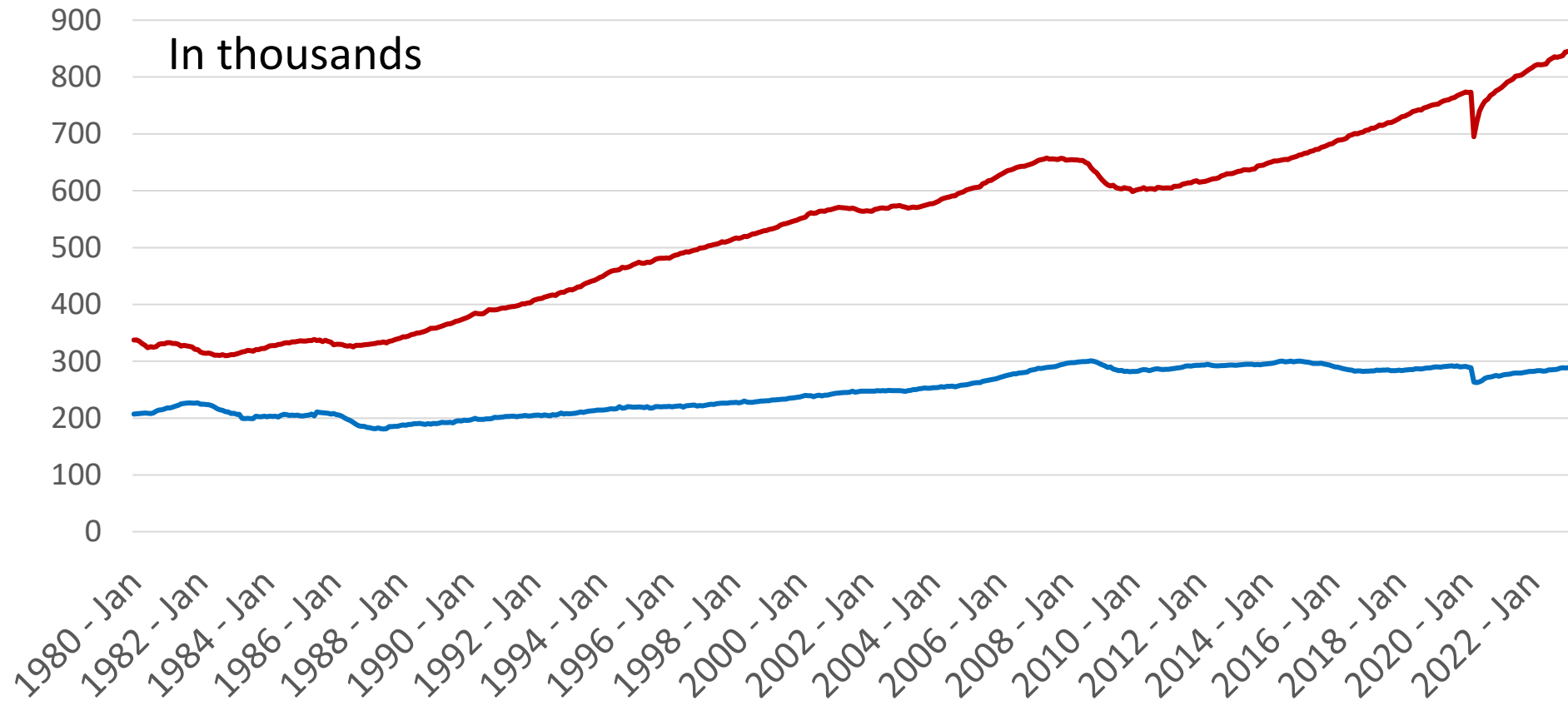


Job Gains Since Pre-Covid Record High Employment Conditions (% change from March 2020 to February 2023)

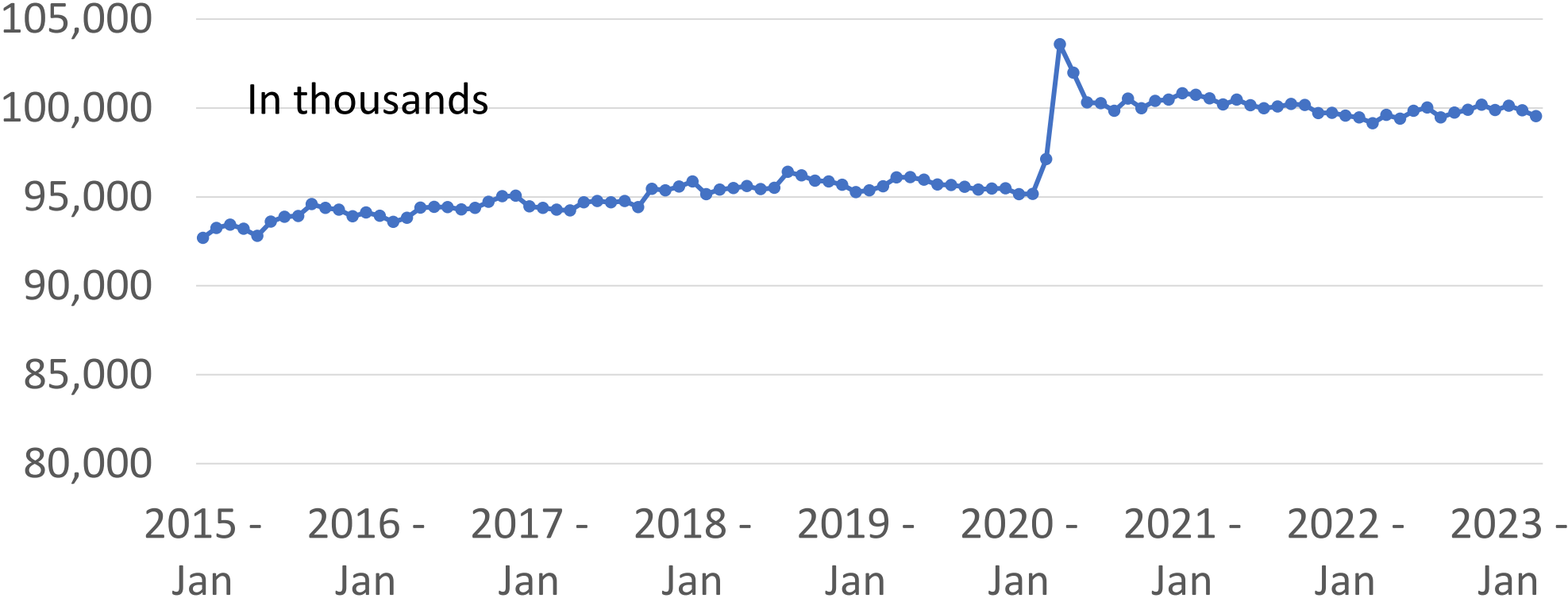


Source: U.S. Bureau of Labor Statistics

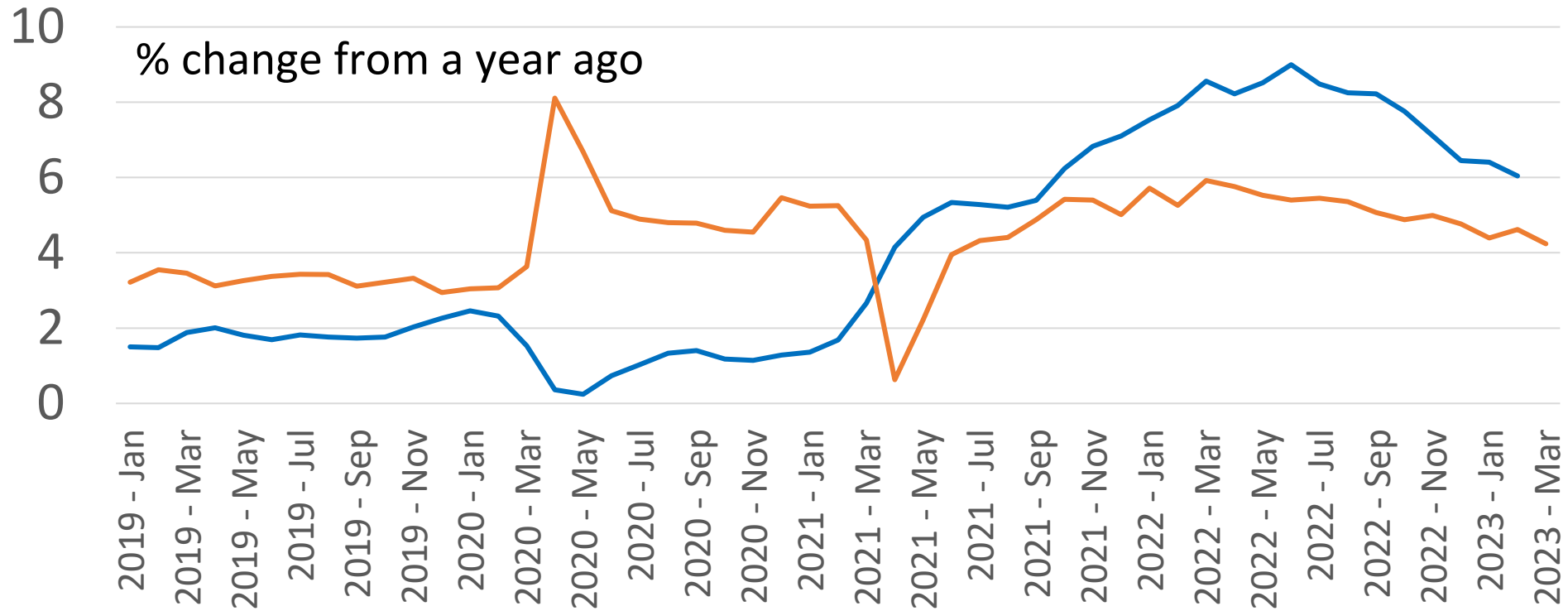
Payroll Jobs in Idaho and Wyoming



Out of the Labor Force



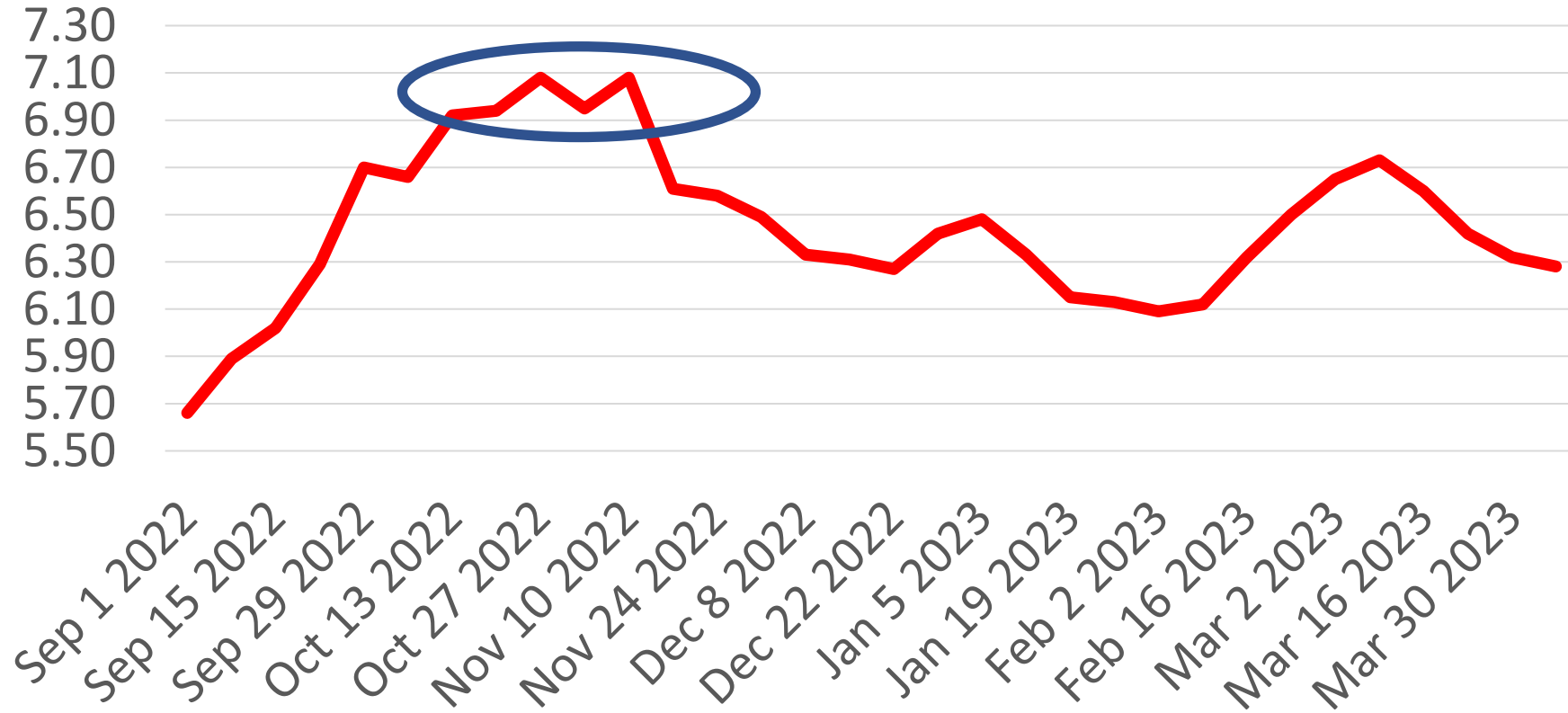
Wage Growth still lagging behind Consumer Price Inflation



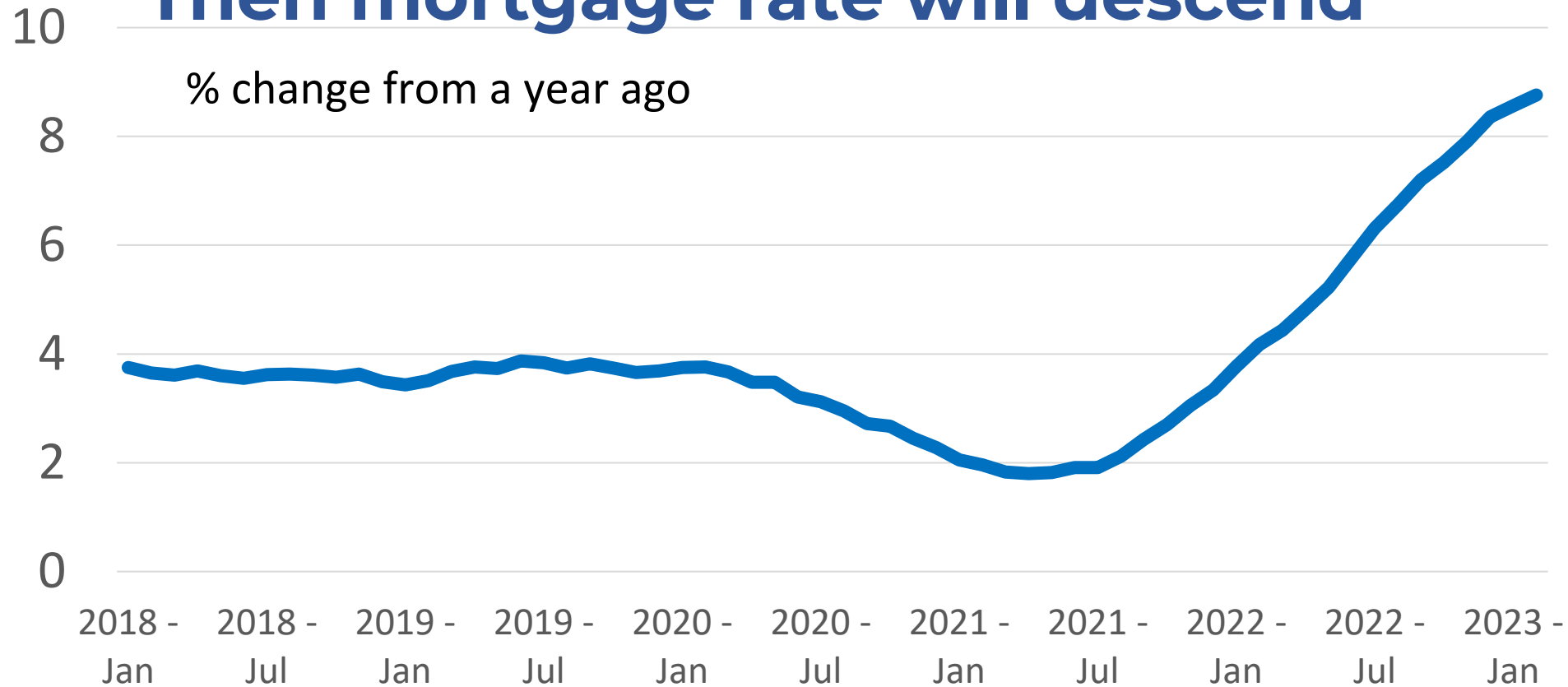
Mortgage Rate?

**30-year Fixed Rate at 5.5% by the year
end**

Mortgage Rates .. Topped Out .. Descending

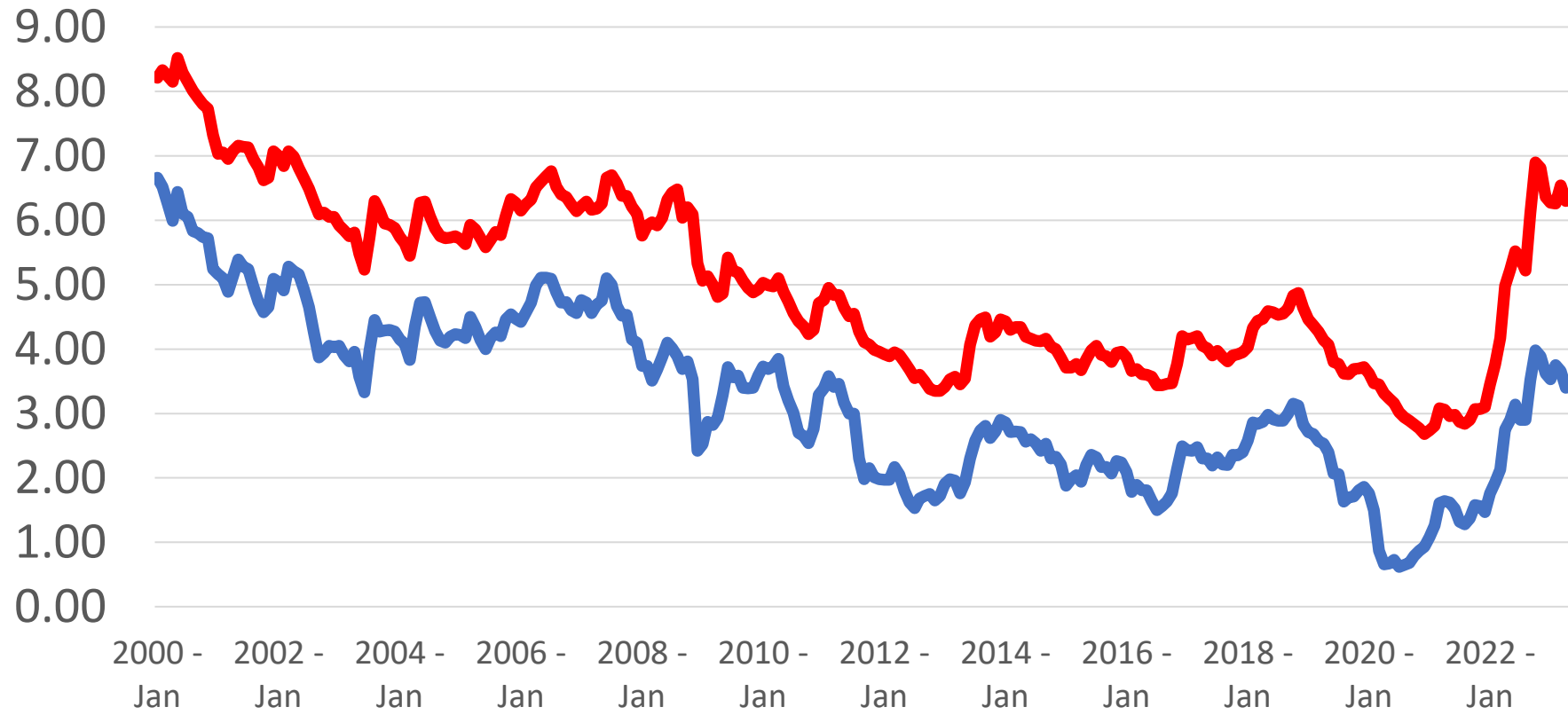


When Rent Component will calm down ... Then mortgage rate will descend



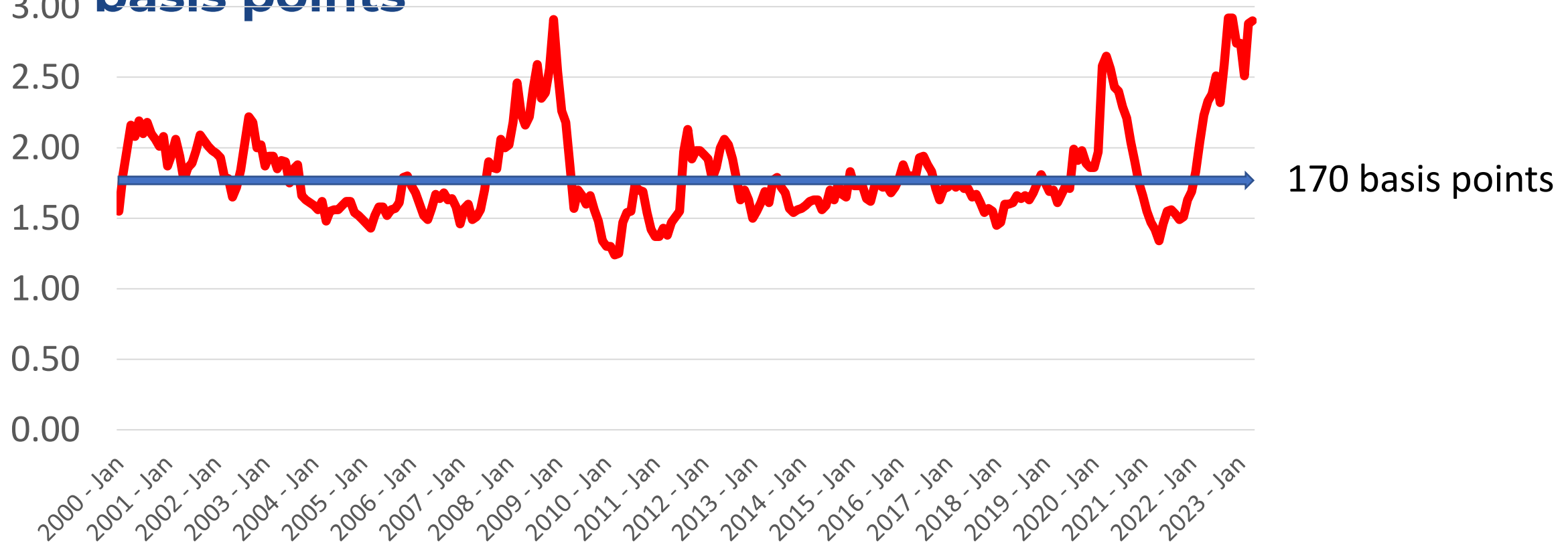
Source: BLS

Long History: 10-year Treasury and 30-year Mortgage



Mortgage Rate to Descend as the Spread returns to Average

3.50 **... Average = 170 basis points .. In April 2023 = 290**
3.00 **basis points**



National Home Sales Revenue

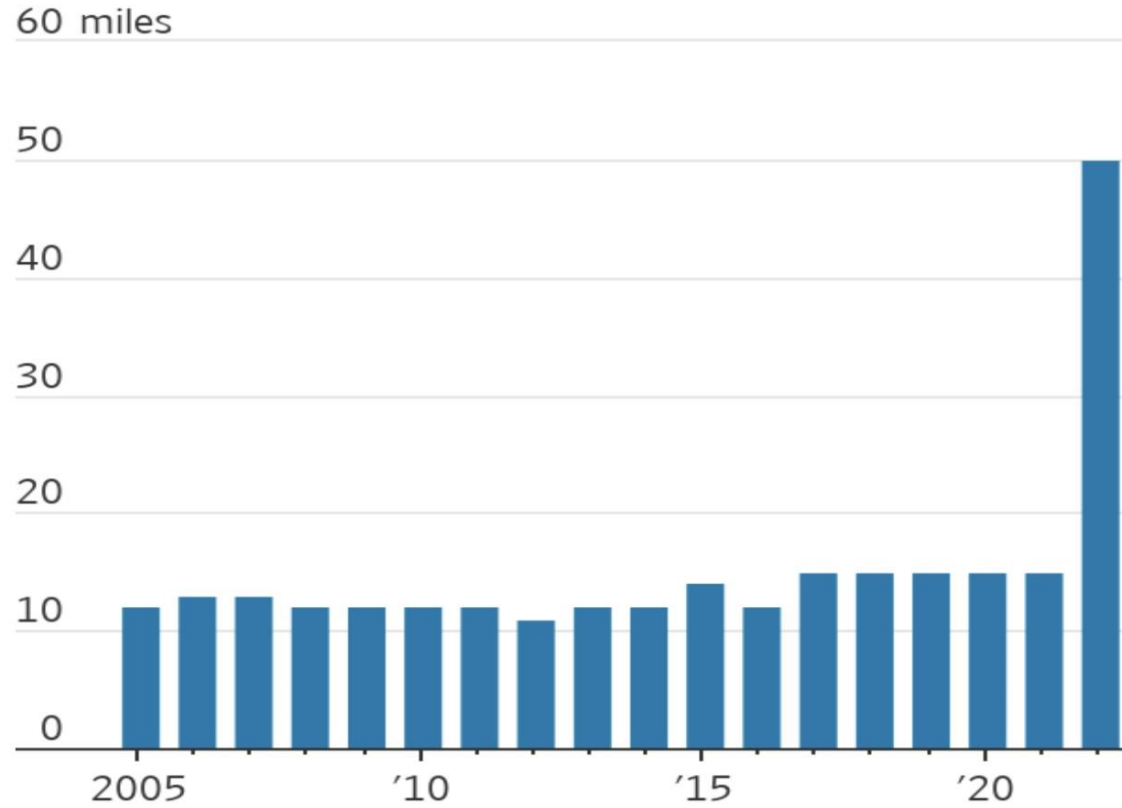
Forecast

Year	Unit Sales	Home Price	Dollar Volume
2019	0.0%	+4.9%	+5%
2020	+5.6%	+9.1%	+15%
2021	+8.5%	+16.9%	+25%
2022	-18%	+10%	-8%
2023 forecast	-11%	-2%	-13%
2024 forecast	+18%	+3%	+21%

Risks and Uncertainties

The Clash of Culture in the U.S.?

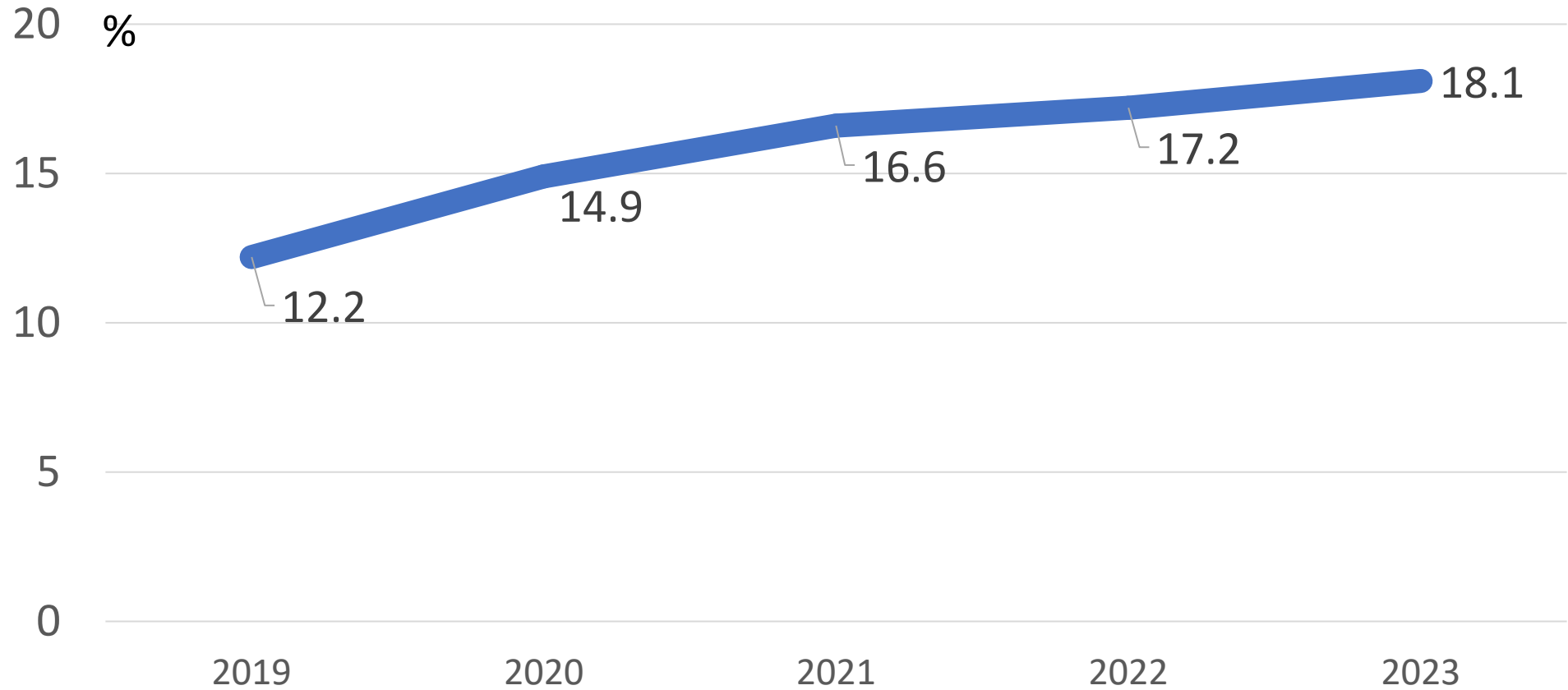
Median distance between recently purchased home and previous residence



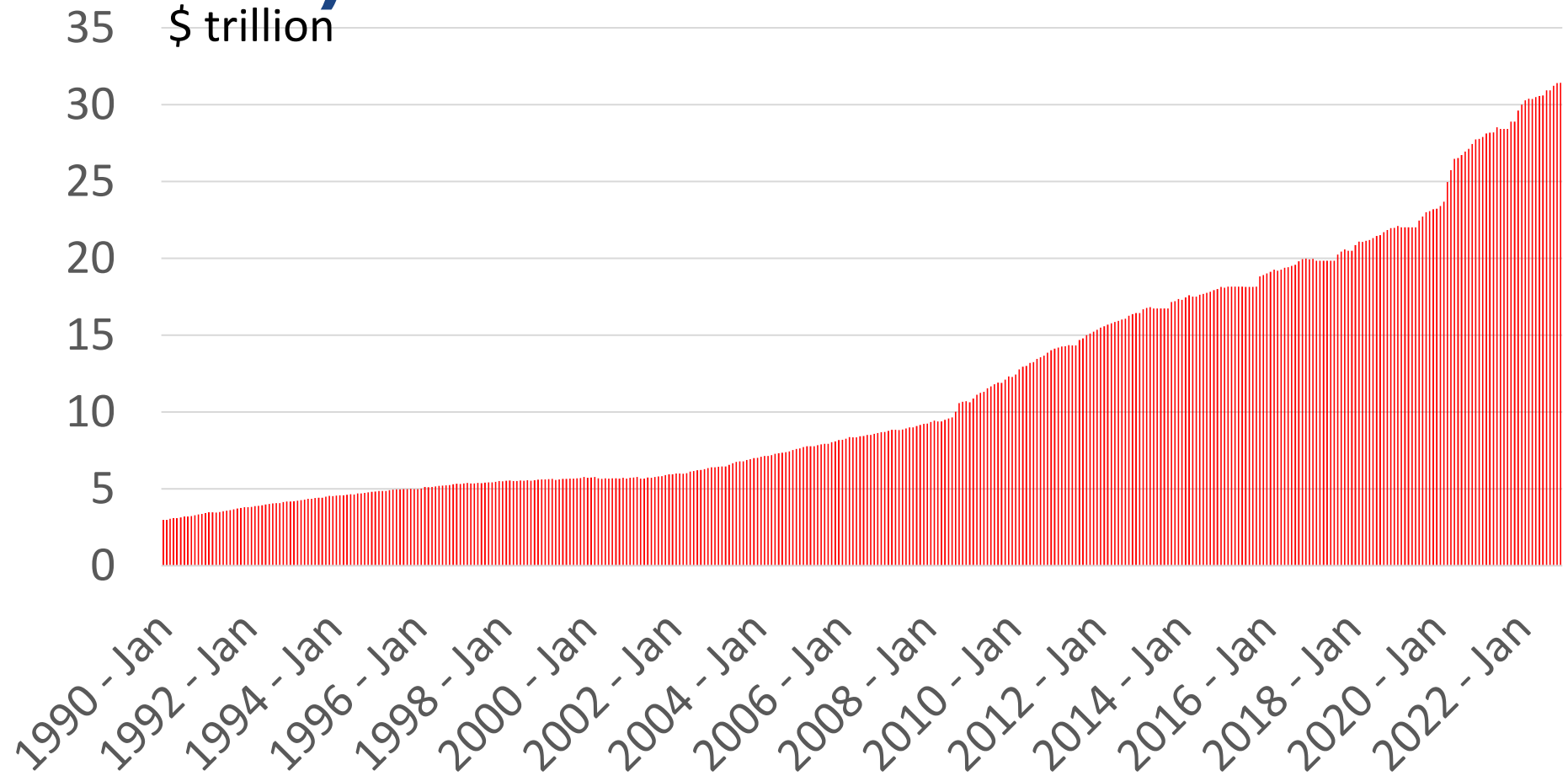
Note: Data are for years ended in June.

Source: National Association of Realtors

Office Vacancy Rate

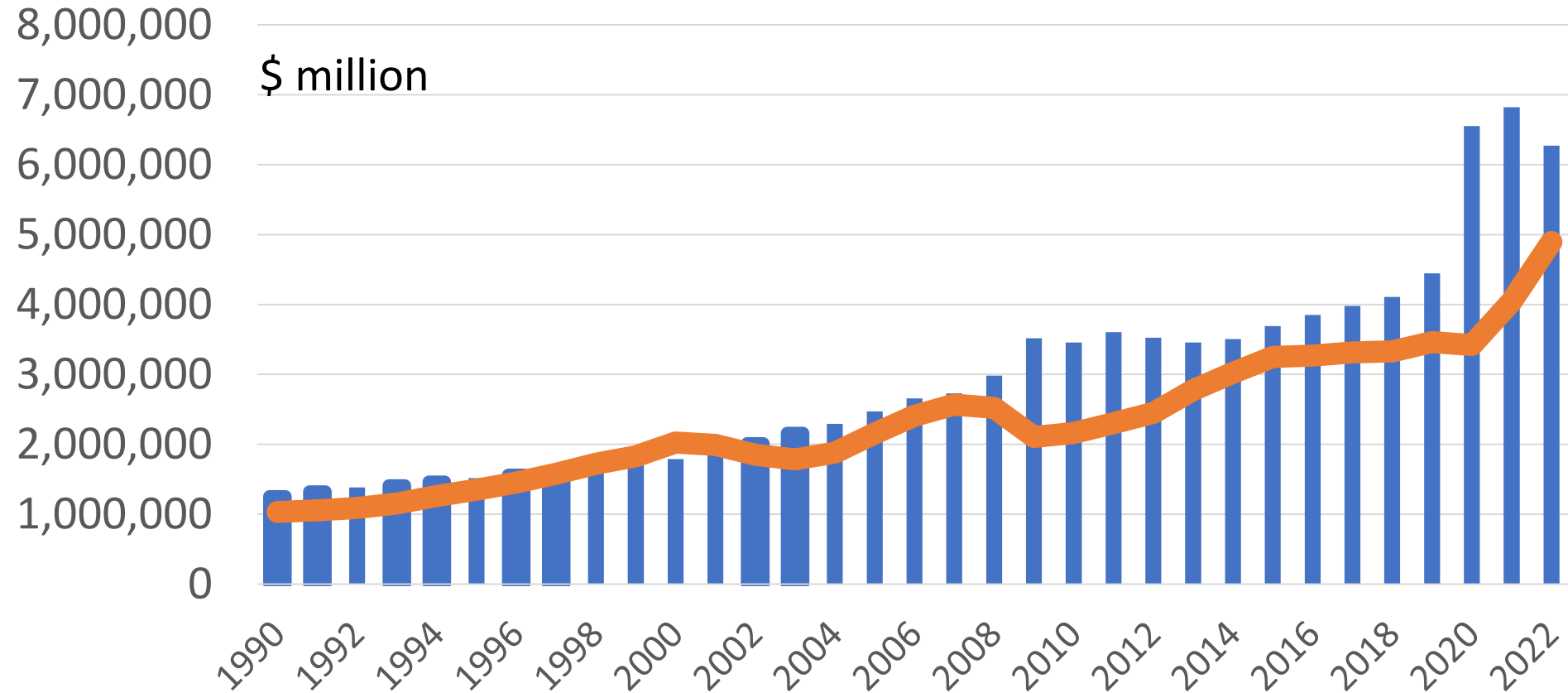


National Debt (cumulative of all deficits)



Source: U.S. Treasury

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

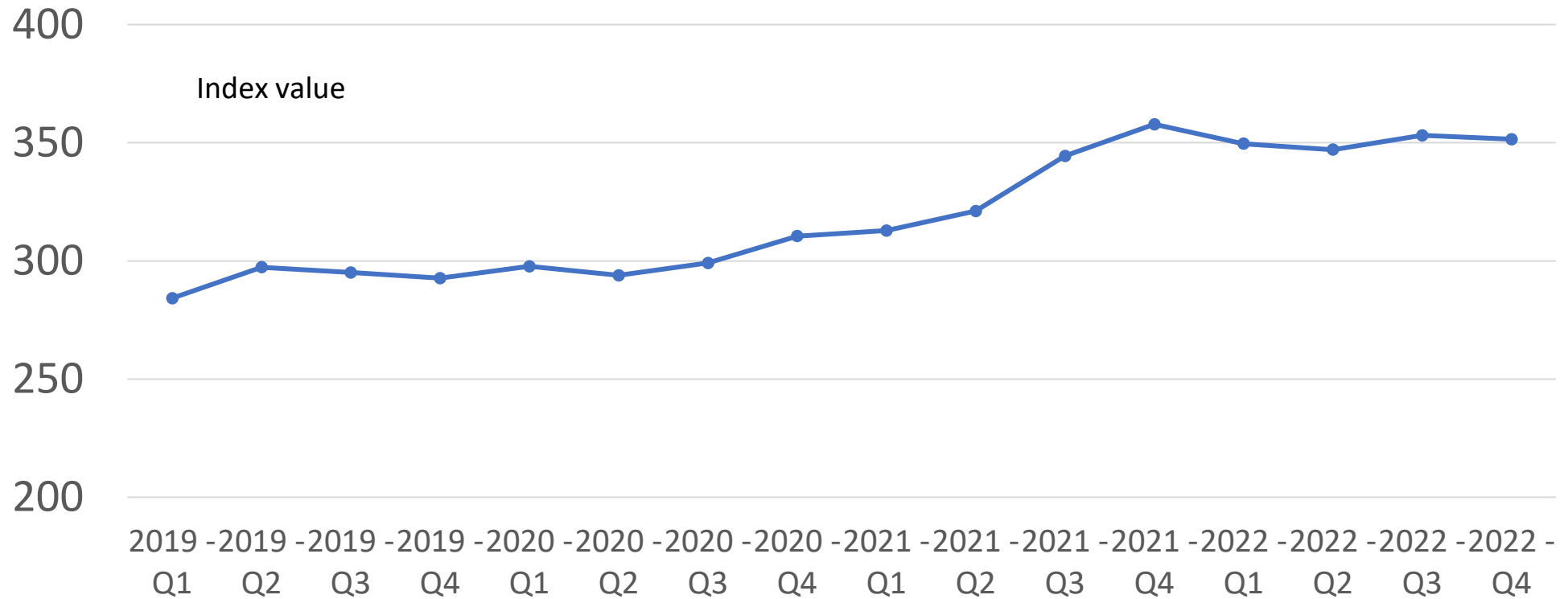


Source: U.S. Treasury

Commercial Real Estate

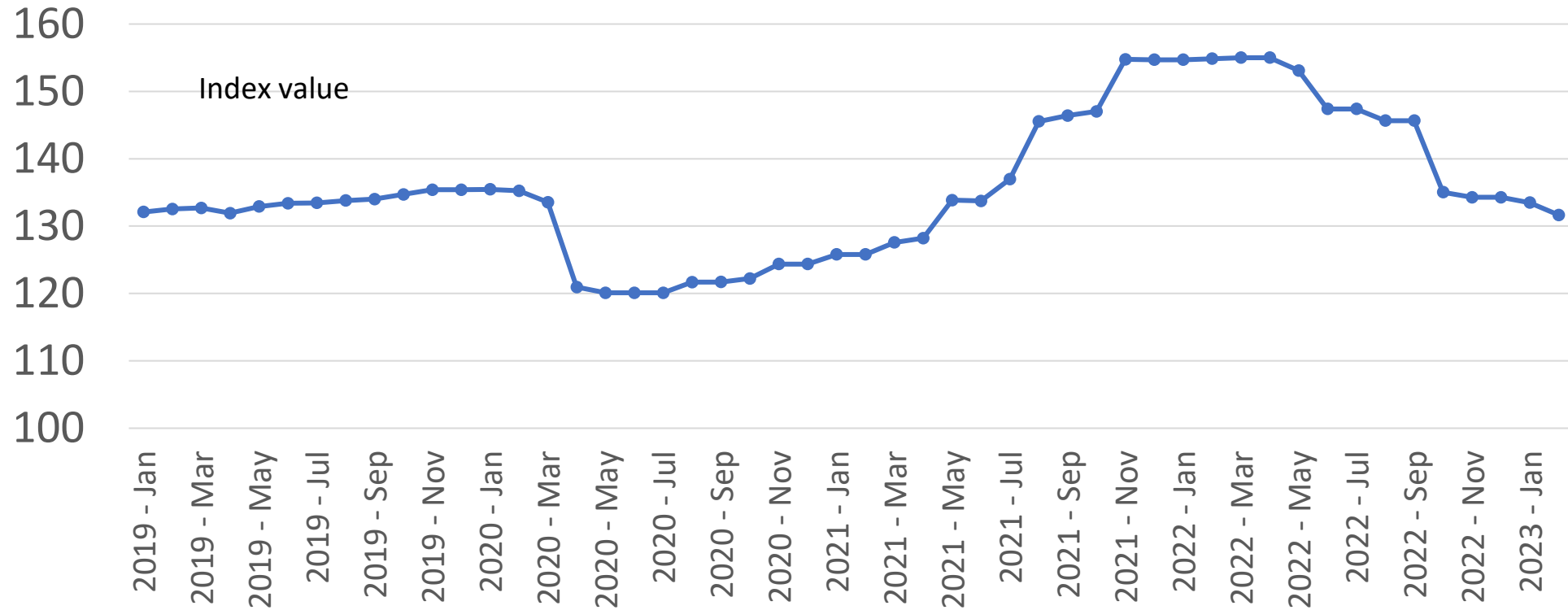
Commercial Real Estate Price Index

... 2% off peak



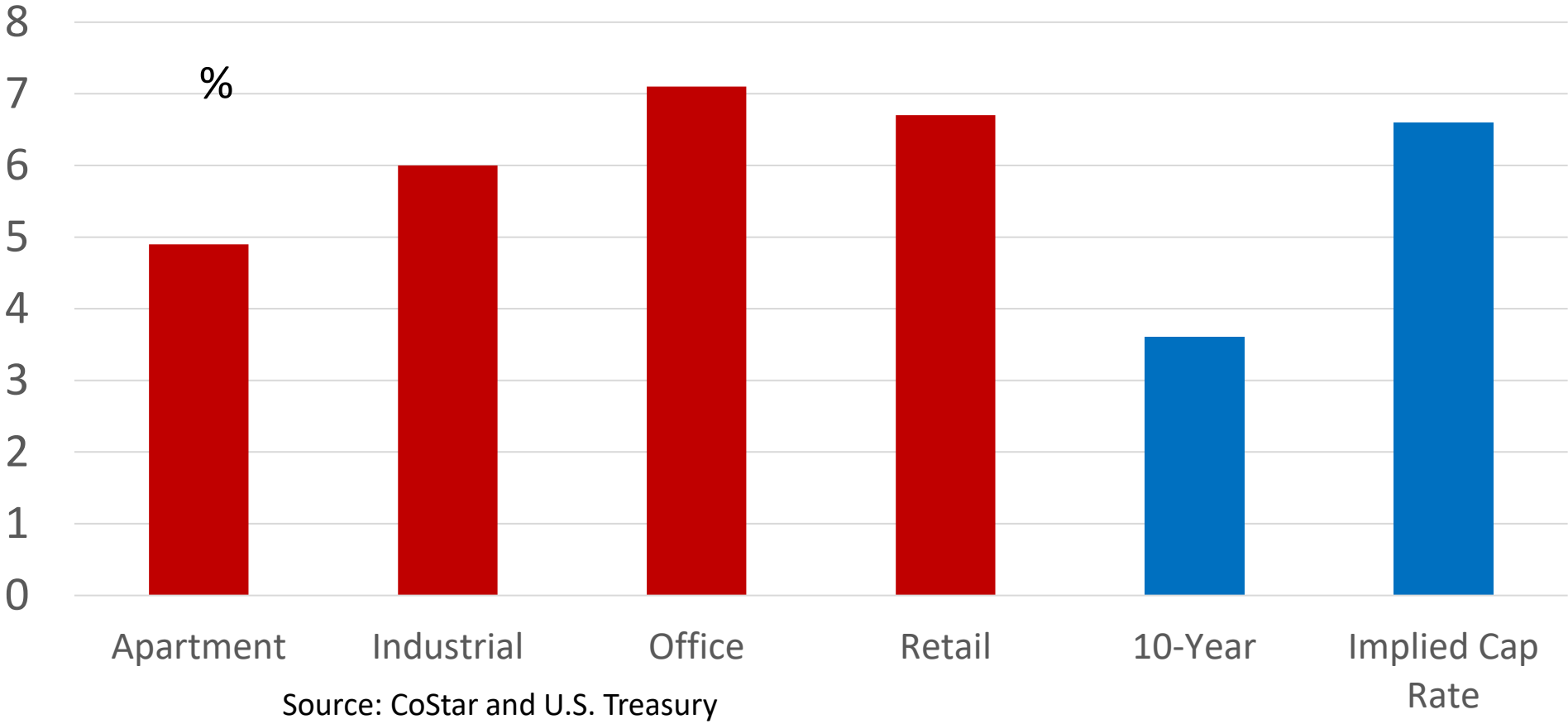
Source: Federal Reserve

Commercial Appraisal Value .. 16% off peak



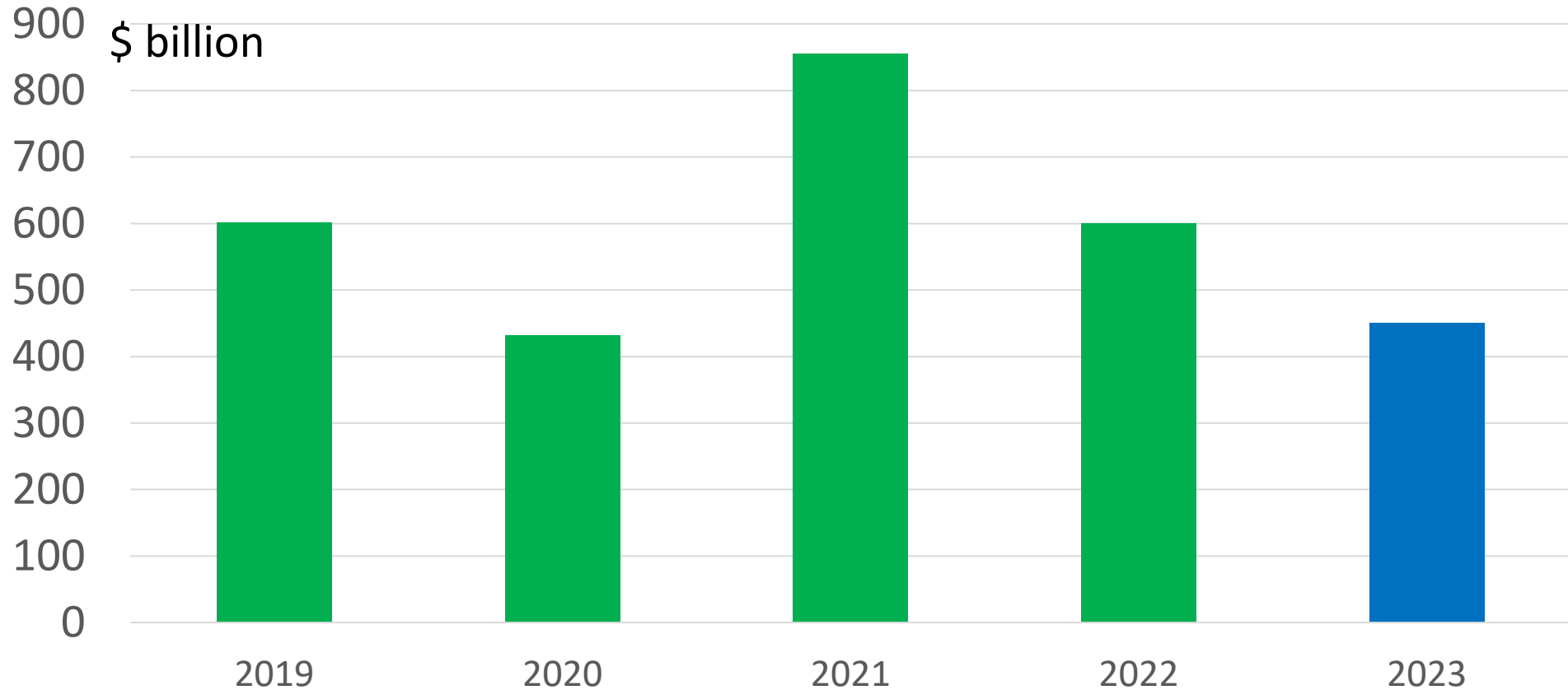
Source: Green Street Advisors

Cap Rates by Commercial Property Types



Commercial Property Transactions to Decline

(Properties valued at \$2.5 million and over)



Source: MSCI and NAR forecast

THANK YOU !