

Economic and Real Estate Outlook

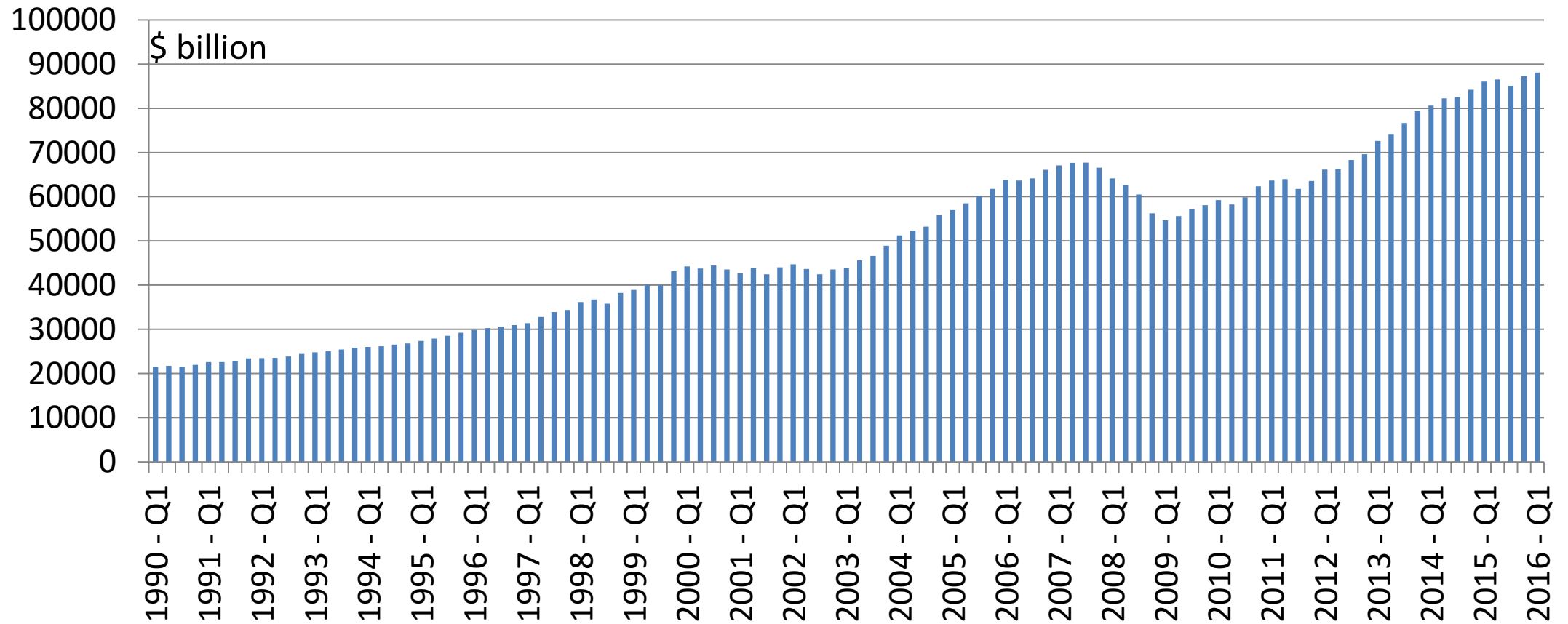
By Lawrence Yun, Ph.D.

Chief Economist, National Association of REALTORS®

Presentation at Charlottesville Area Association of REALTORS®

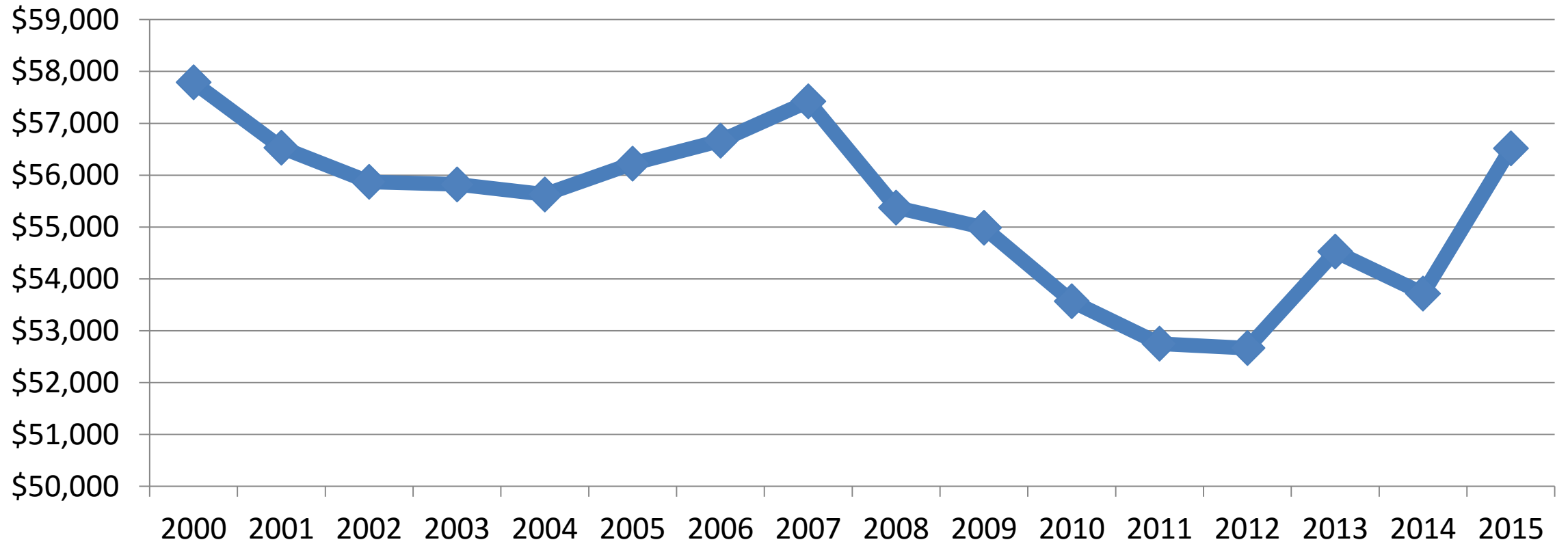
October 13, 2016

Lifetime Wealth at near All-Time High



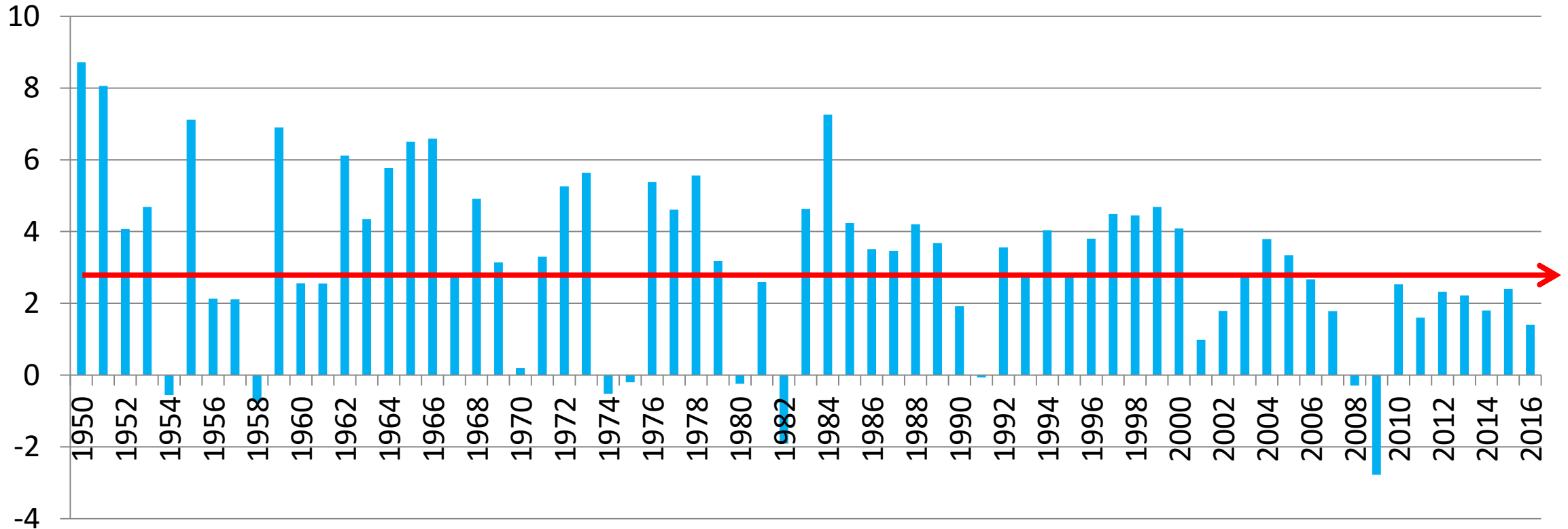
Median Household Income

(Inflation Adjusted)



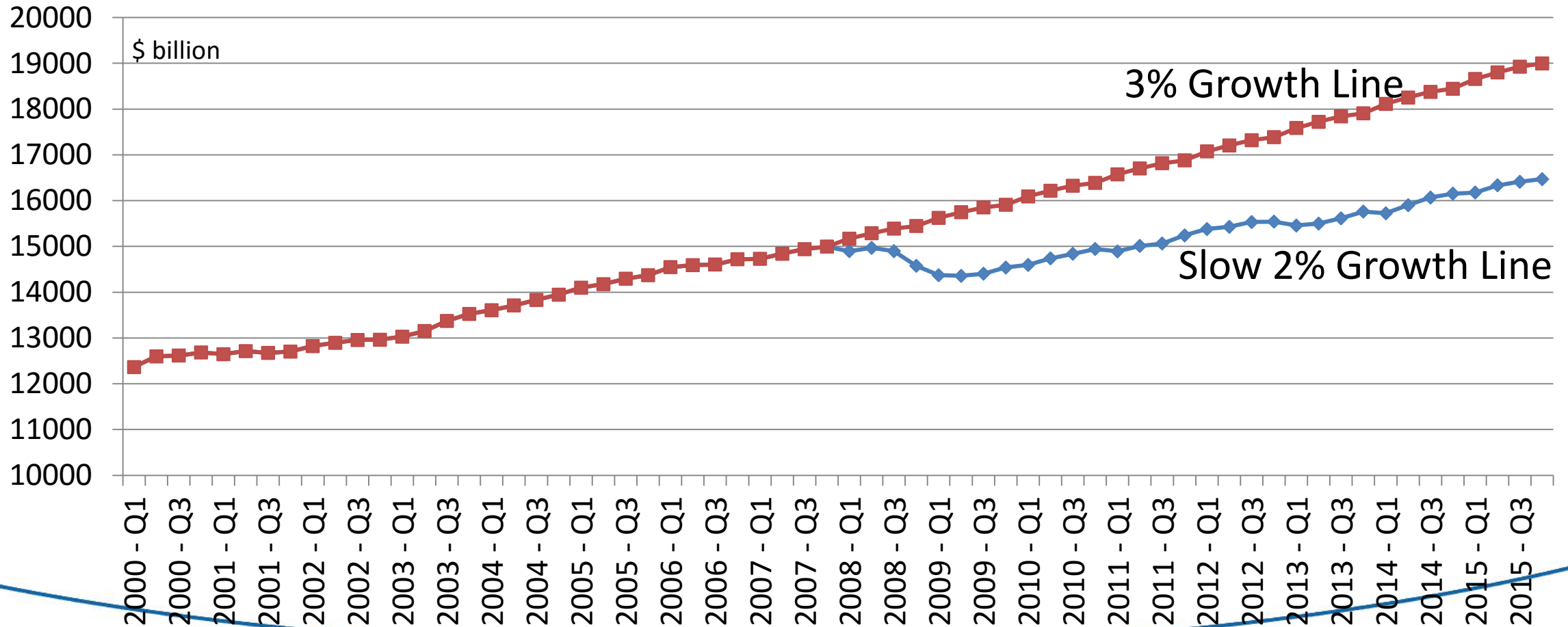
Annual GDP ...

Below 3% for 11 straight years

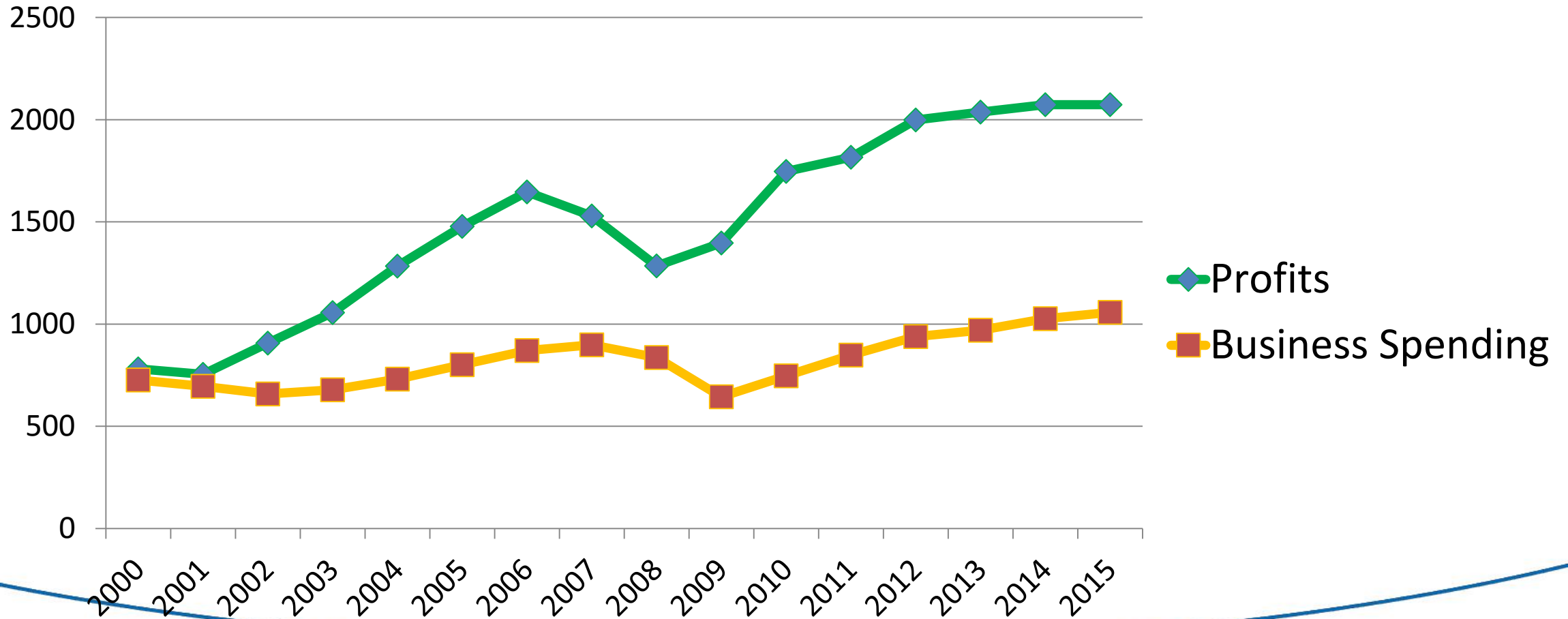


Sluggish GDP and Gap after Recession

(\$2.5 trillion gap ... \$7,000 per person)

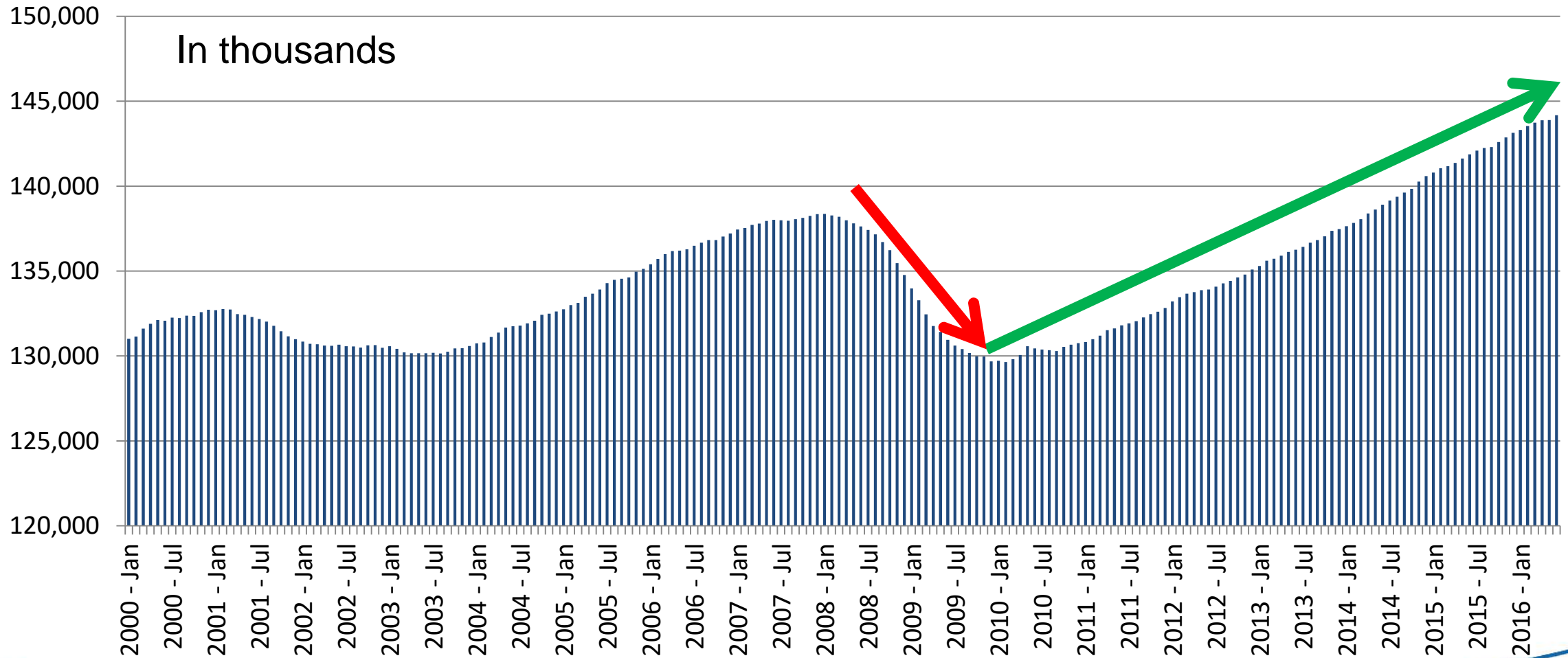


Sluggish Business Spending Despite High Profit



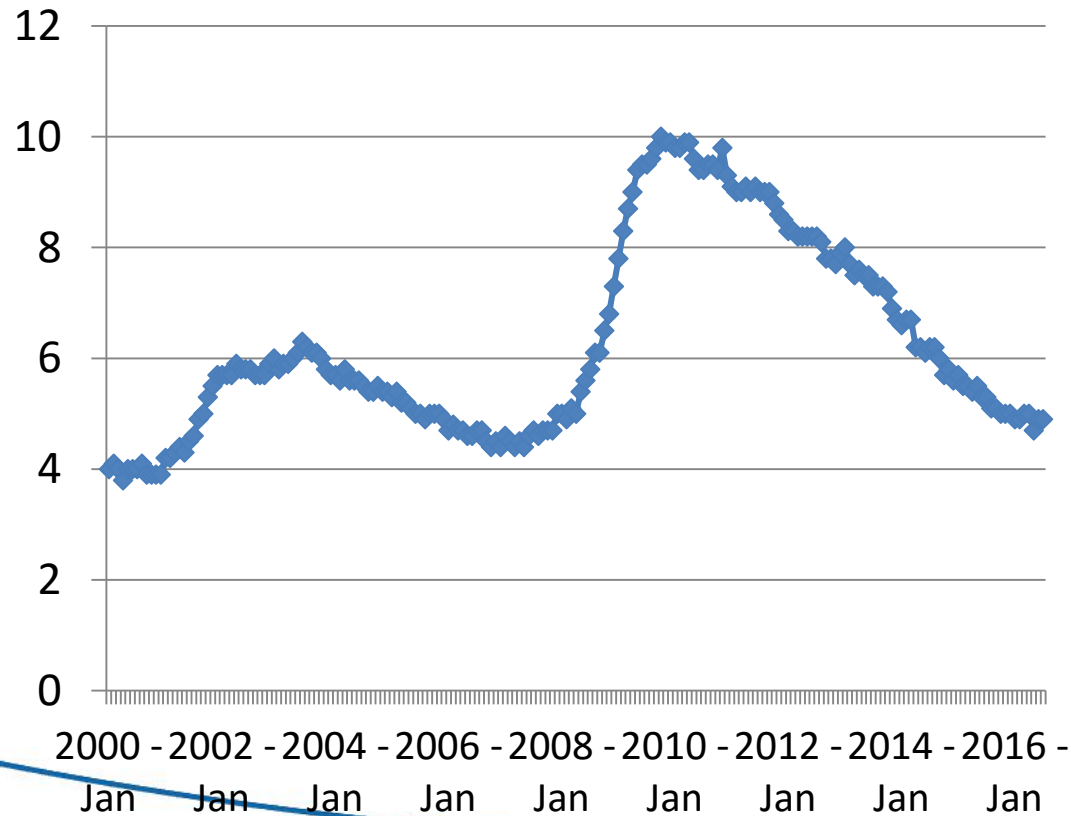
Jobs

(8 million lost ... 15 million gained)

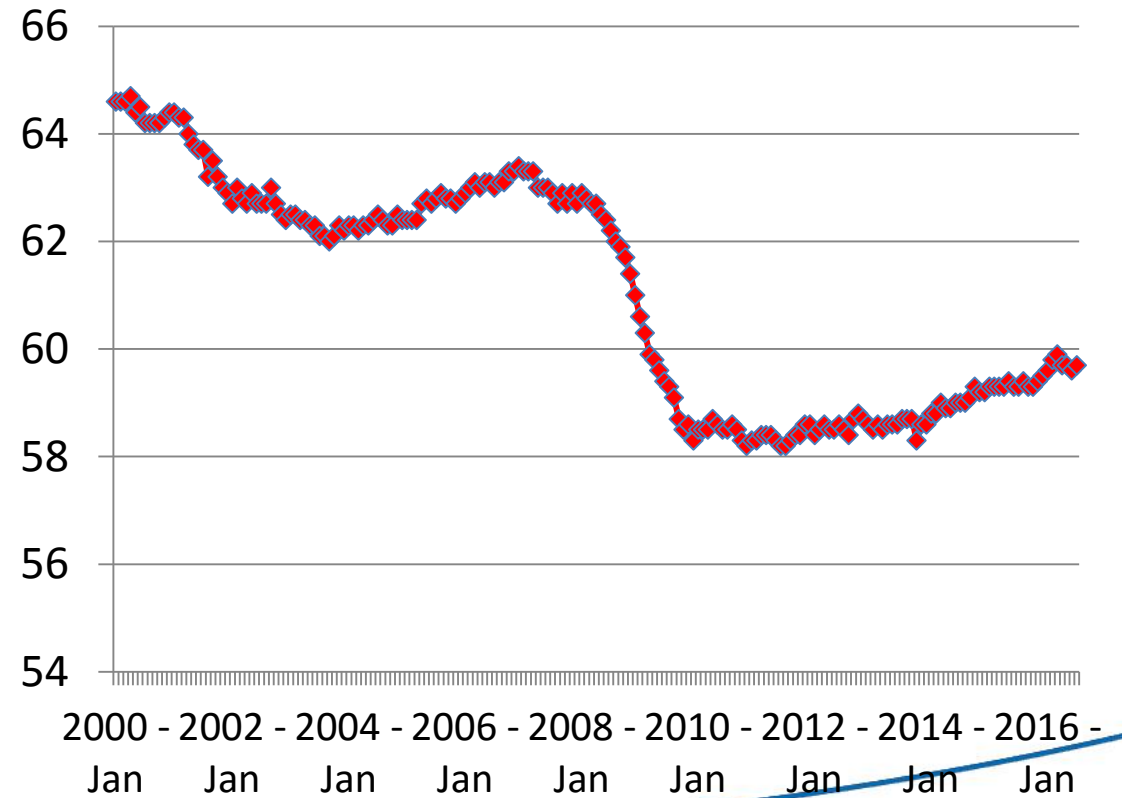


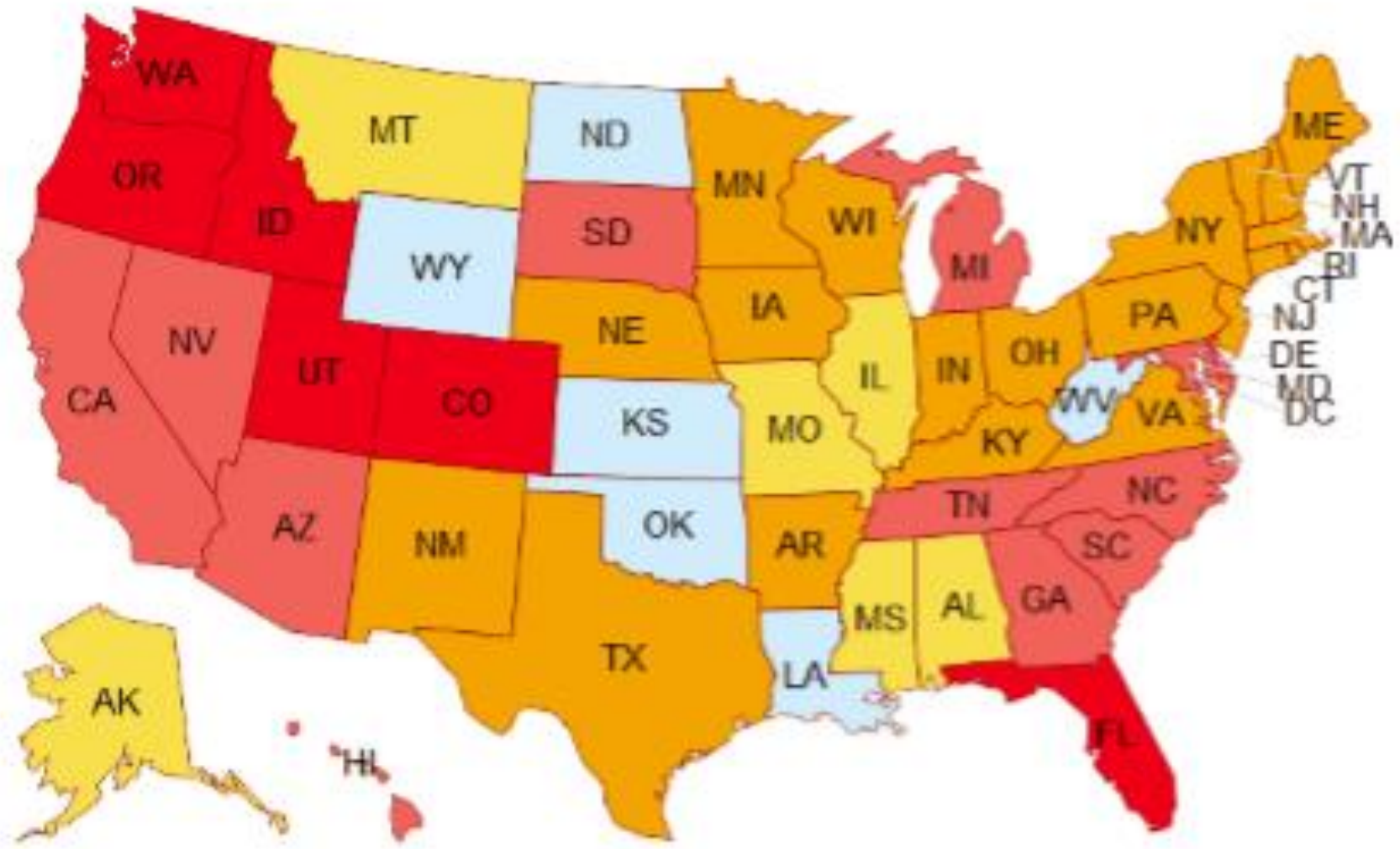
Unemployment Rate vs. Employment Rate

Unemployment Rate



Employment Rate

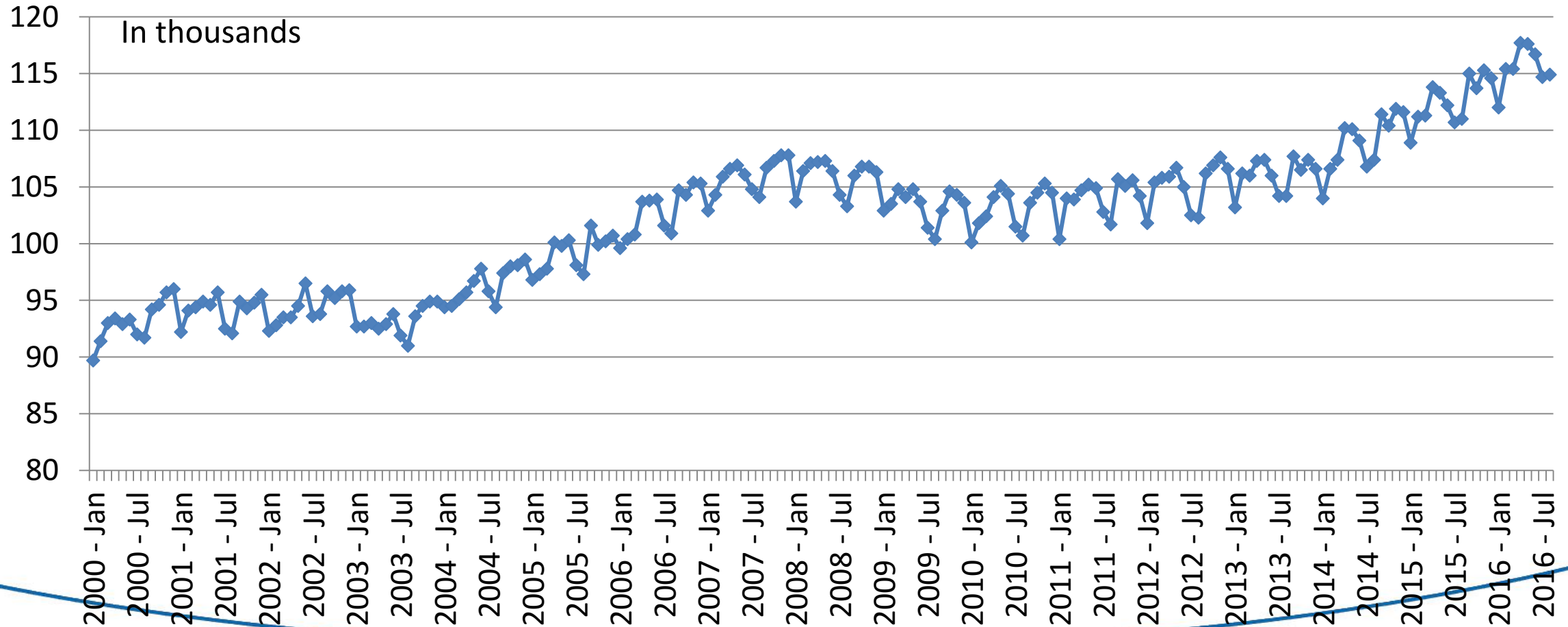




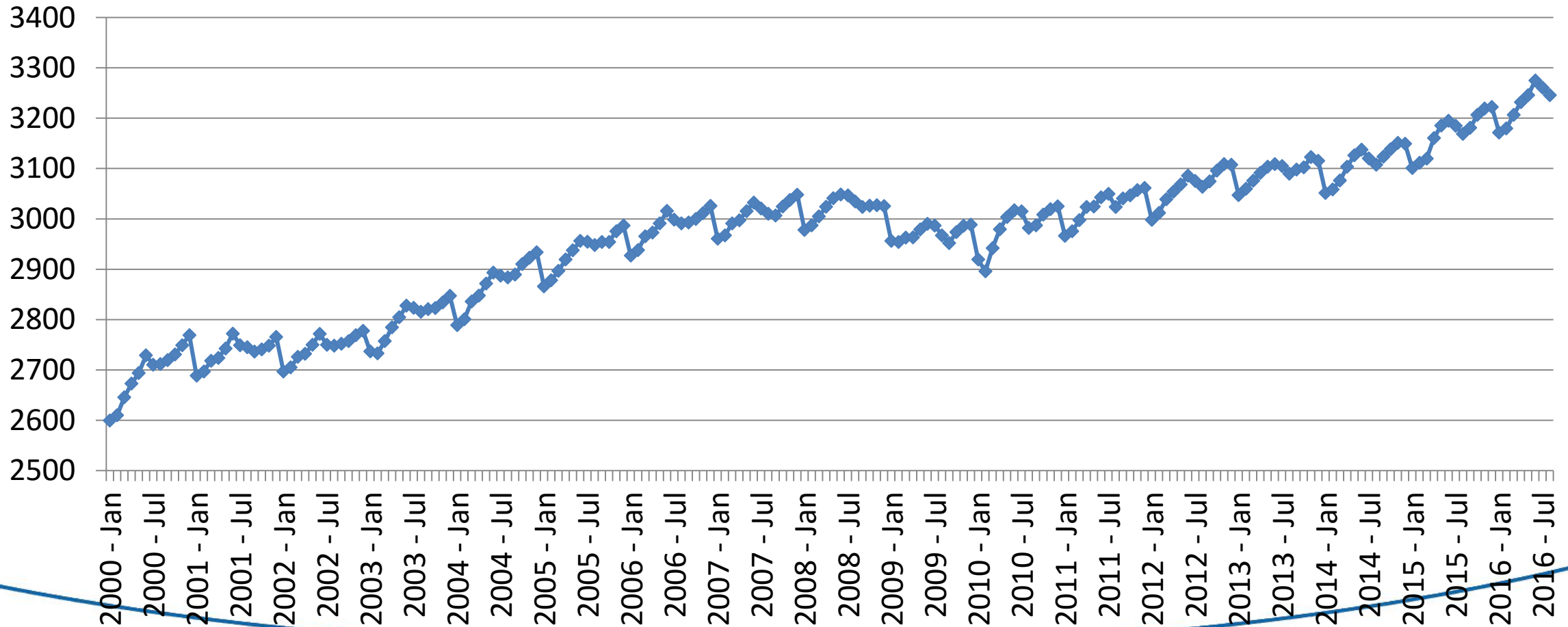
Change in Nonfarm Employment in July 2016 from One Year Ago

Negative
 0% to 1%
 1%+ to 2%
 2%+ to 3%
 3%+ to 3.5%

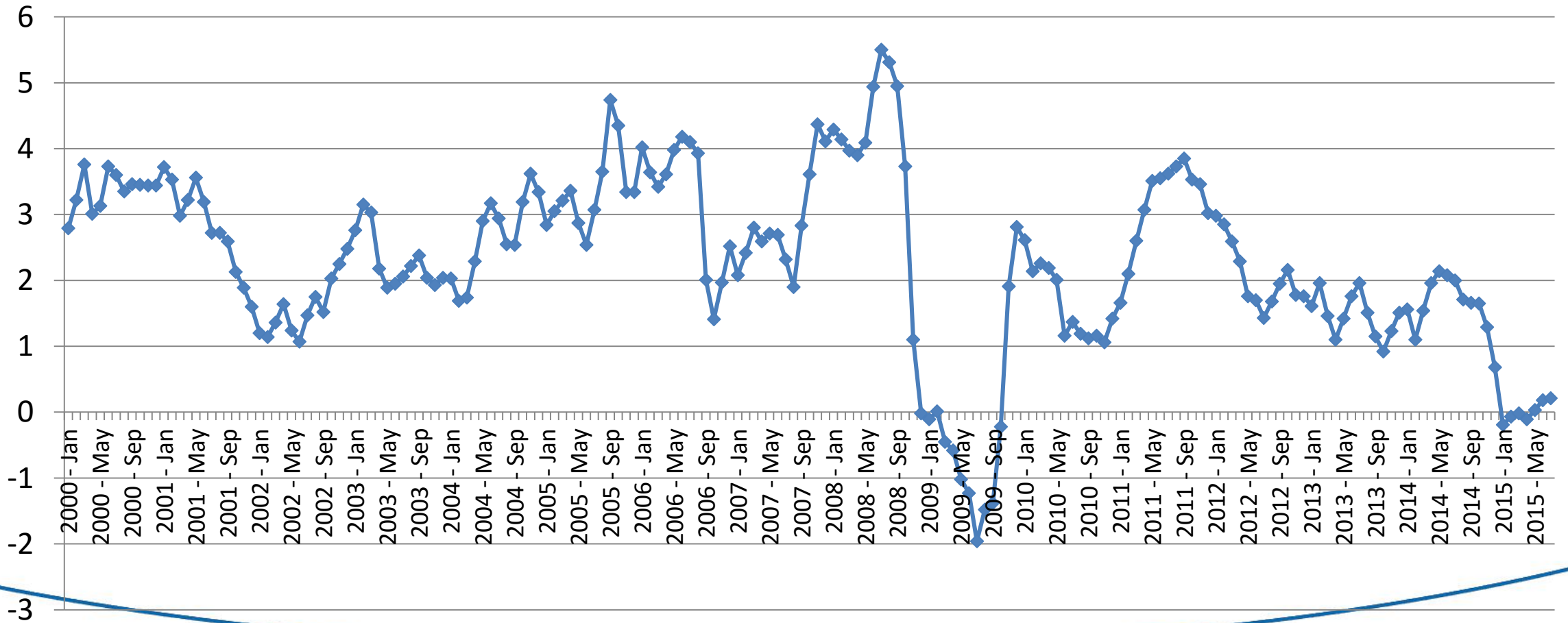
Jobs in Charlottesville



Jobs in Washington, D.C. metro

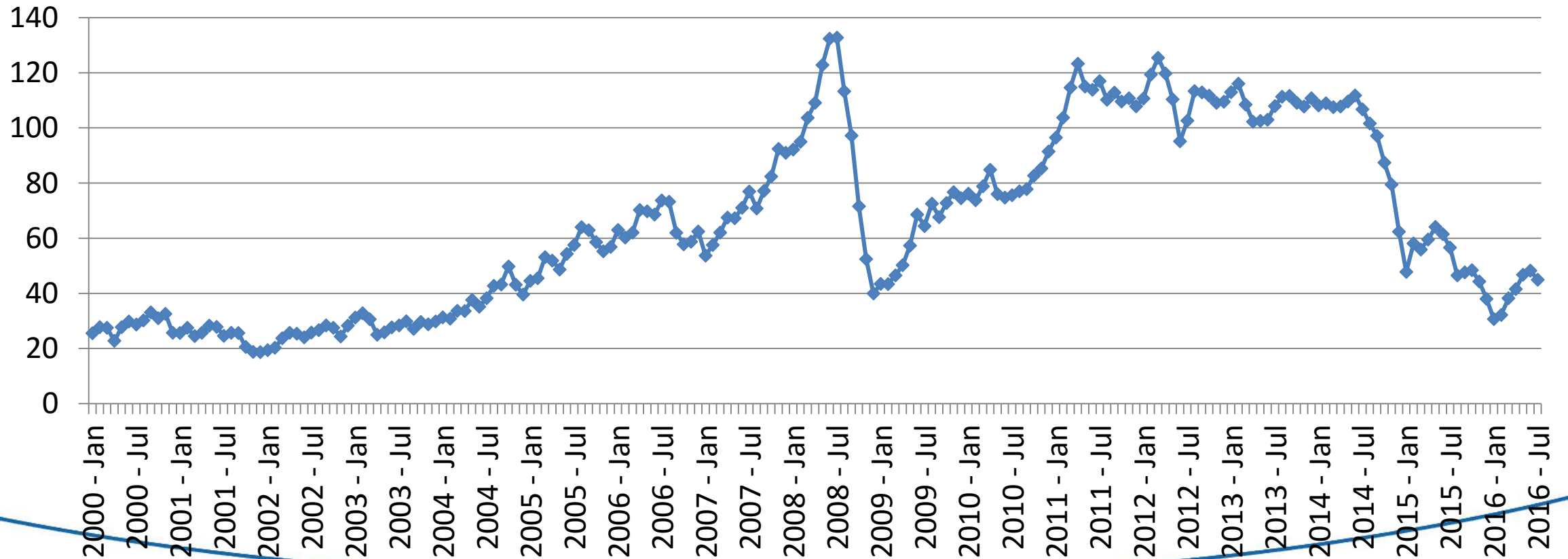


No CPI Inflation – Yet



Oil Price

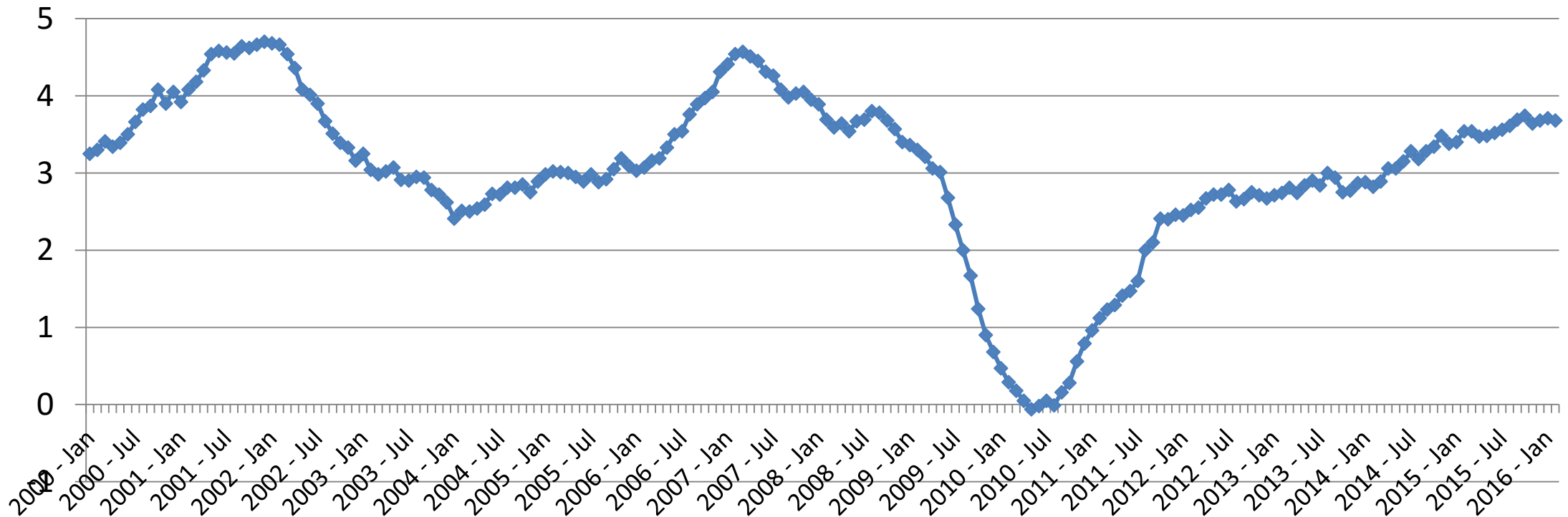
Brent Crude



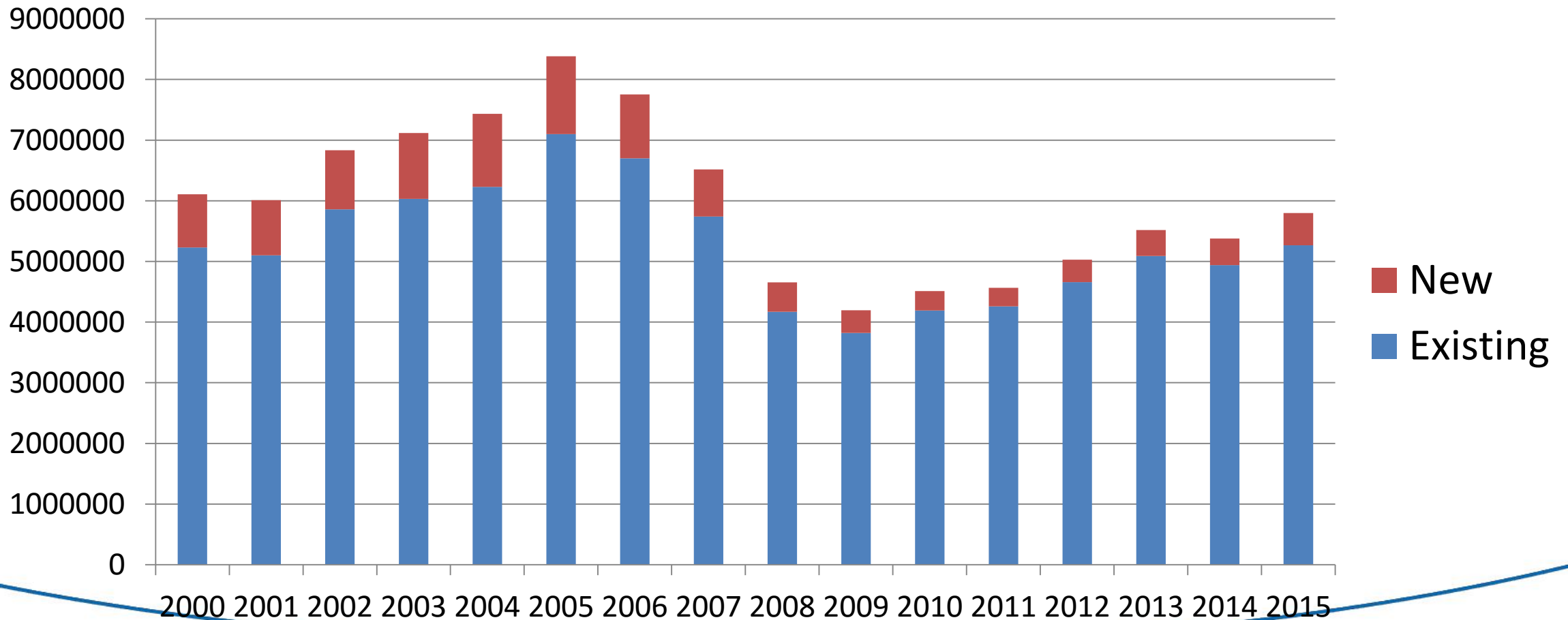
Renting Painful

Rents Rising at 7-year high

Renters' Rent

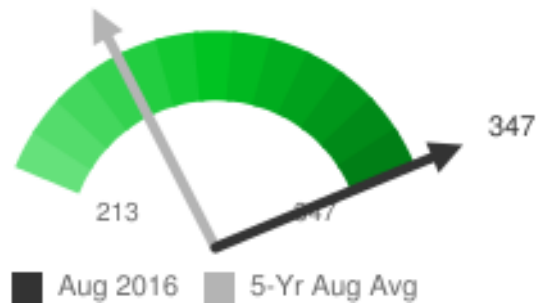


Home Sales Rising

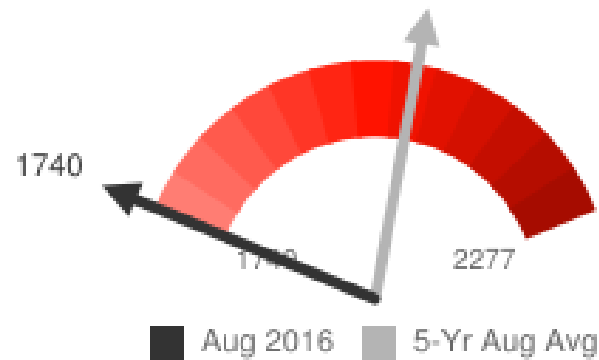


CAAR Dash Board

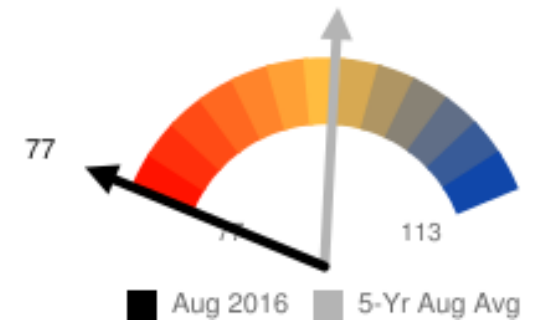
GC - Closed Sales



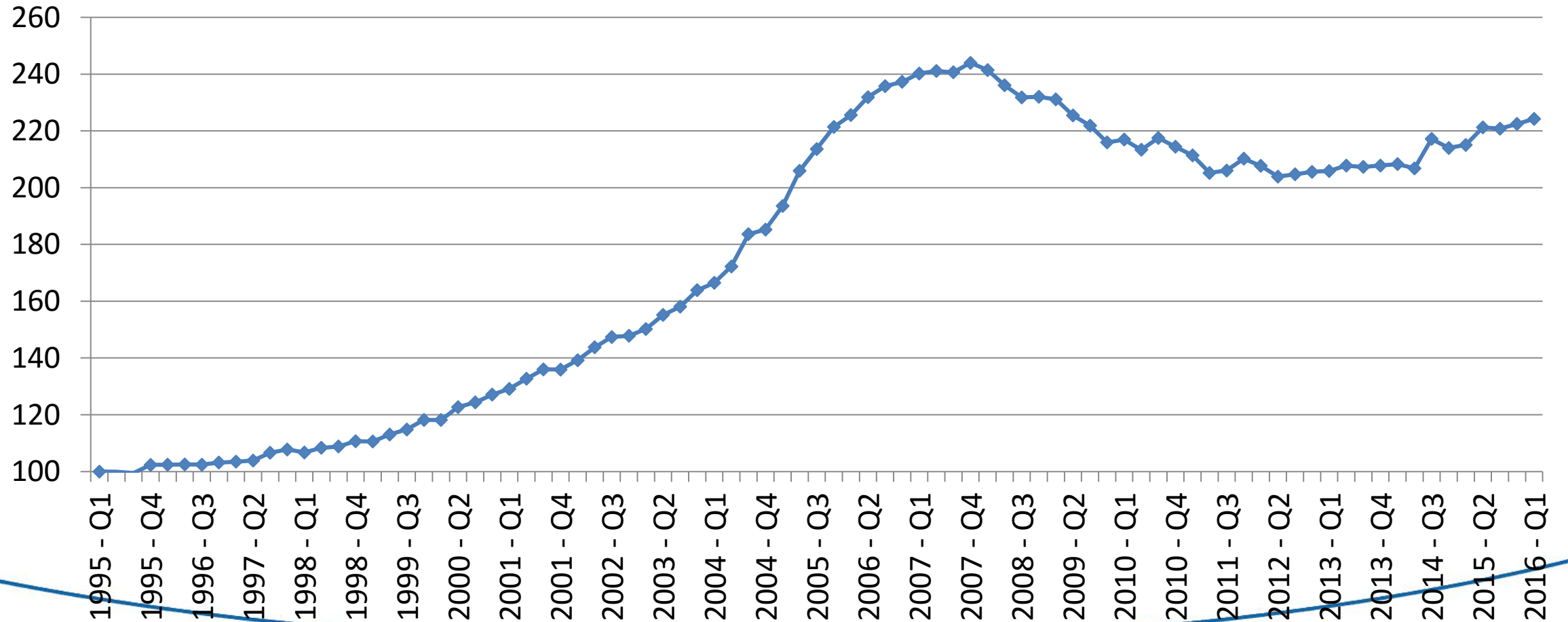
GC - Active Listings



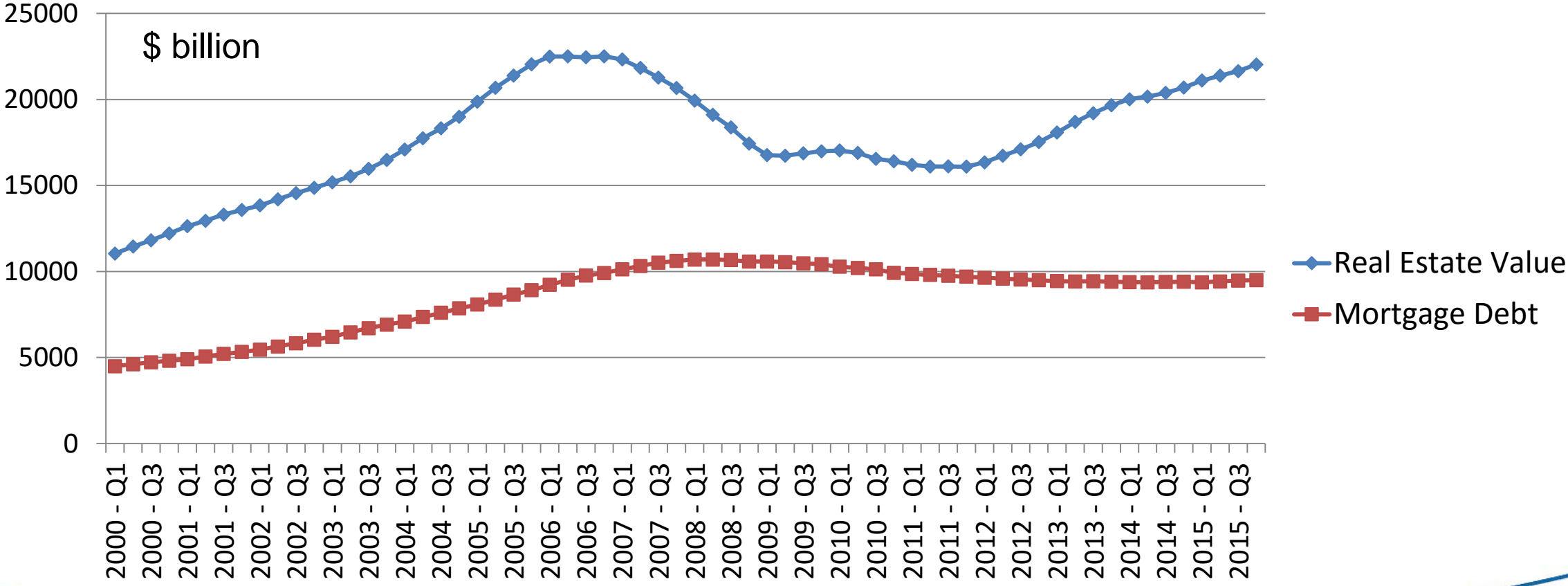
GC - Avg DOM Before Sale



Charlottesville Home Price Index

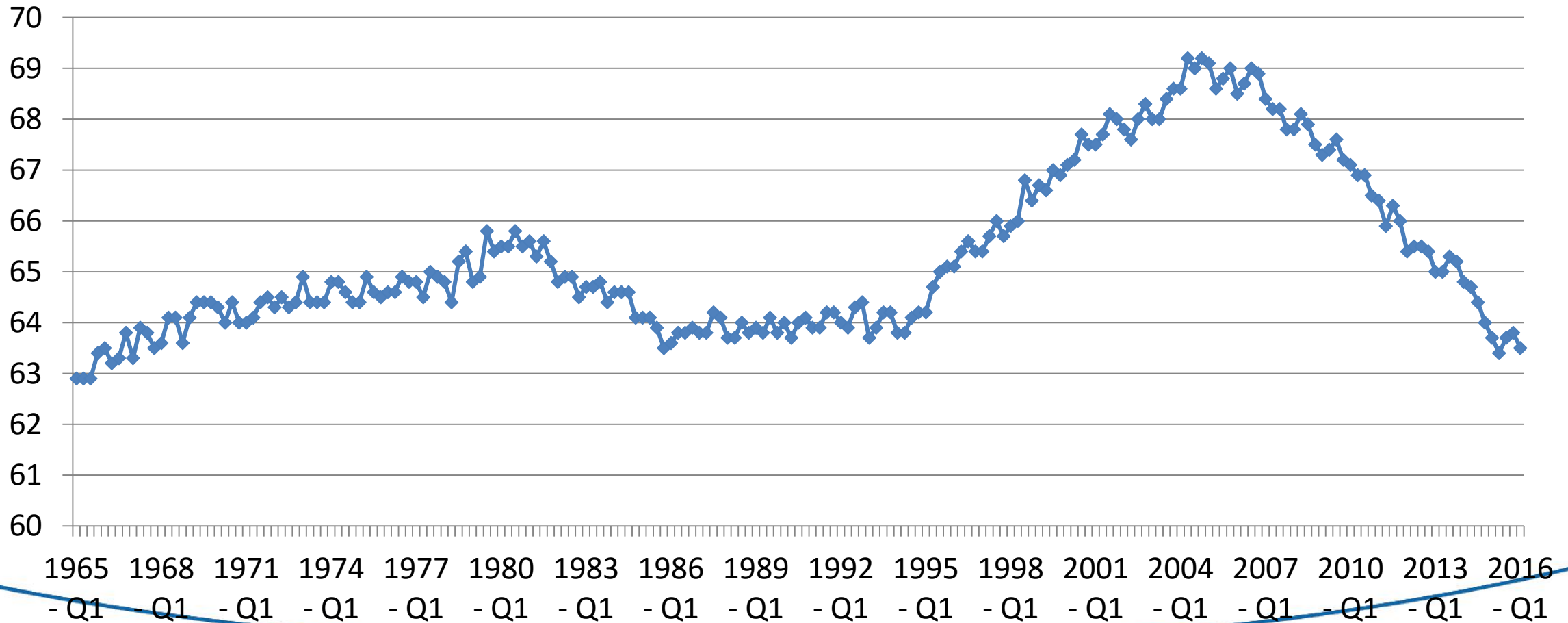


Rising Home Price and Rising Housing Wealth

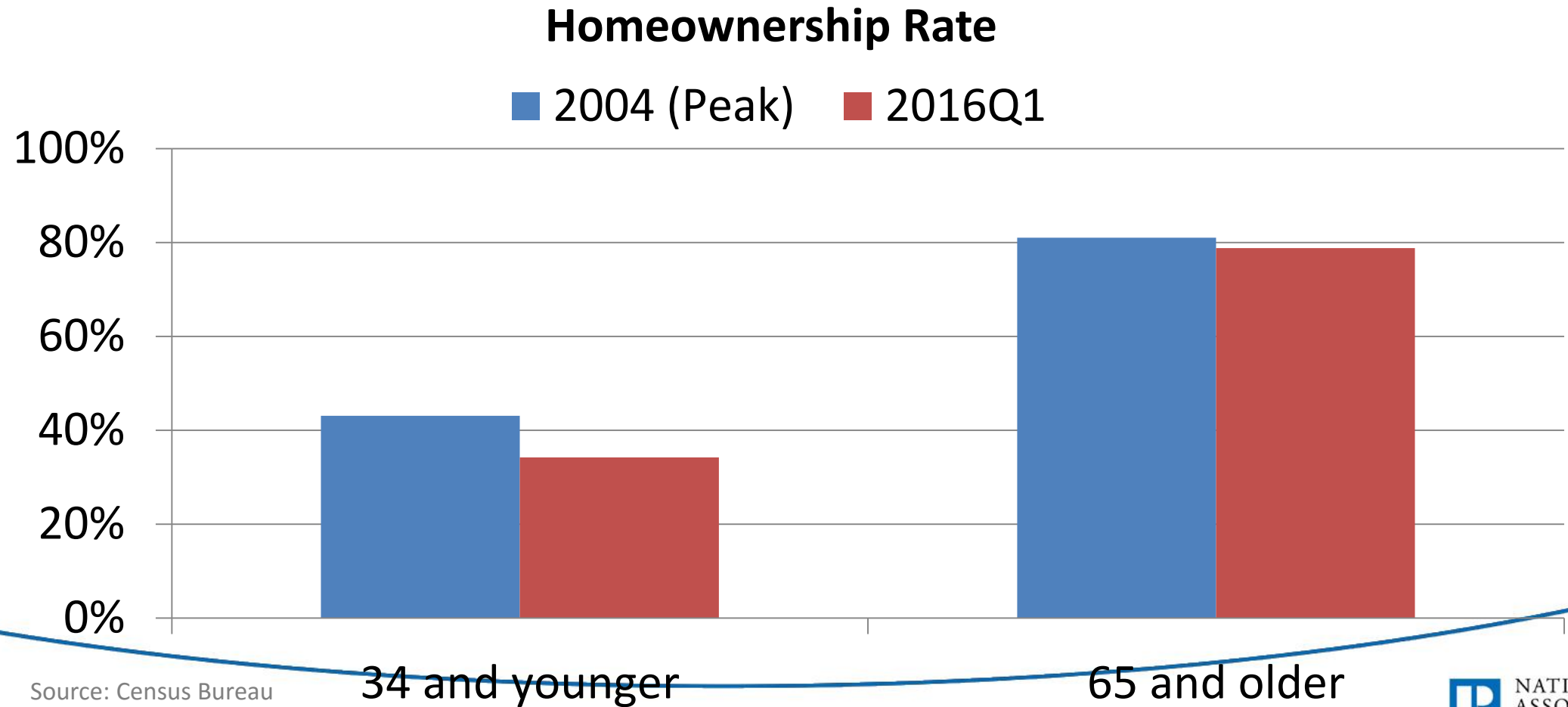


Homeownership Rate

Near 50-year low



Younger Households Less Likely to Own a Home



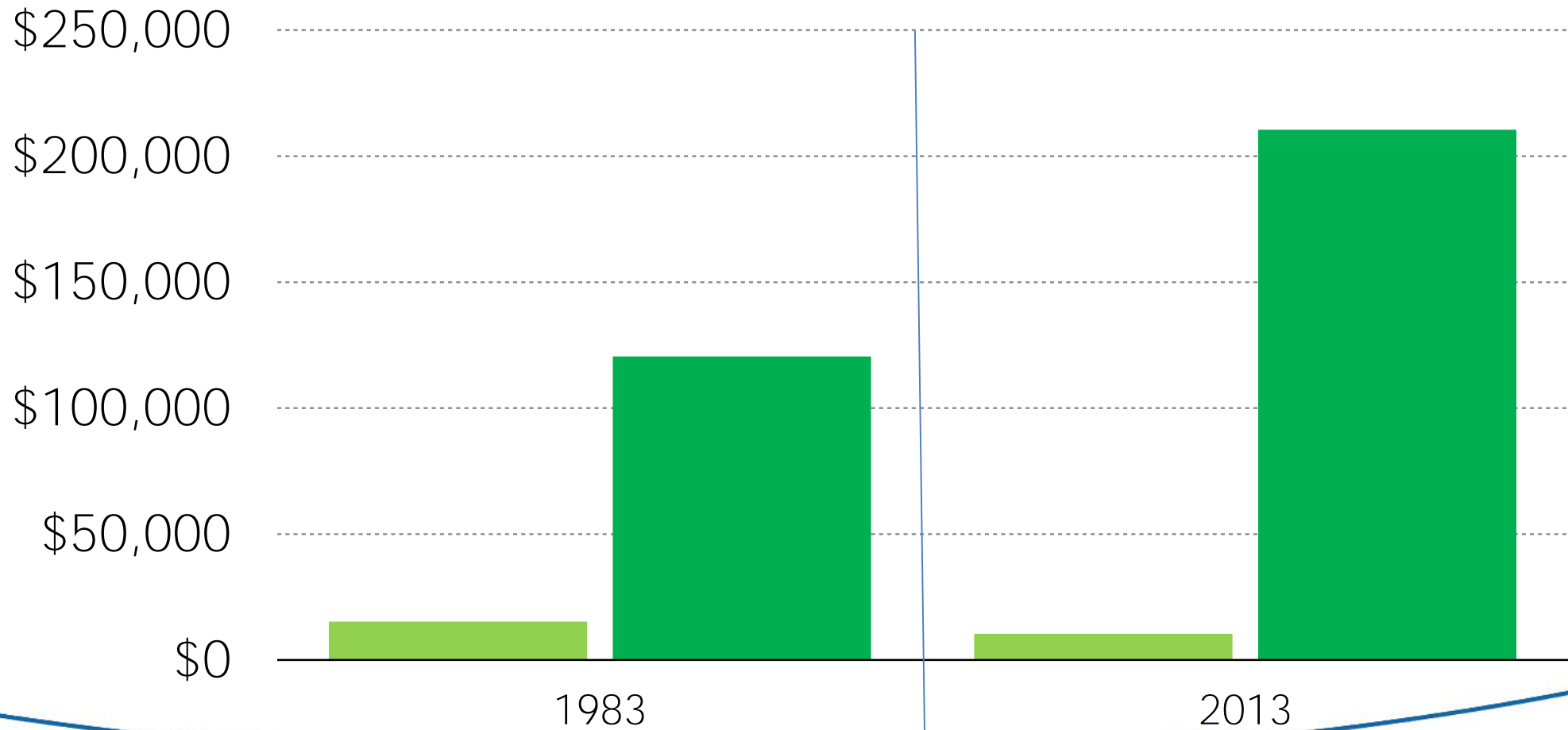
Source: Census Bureau

34 and younger

65 and older

Wealth Gap Between Young Adults (under-35) and Retiree (65+) in 1983 and 2013

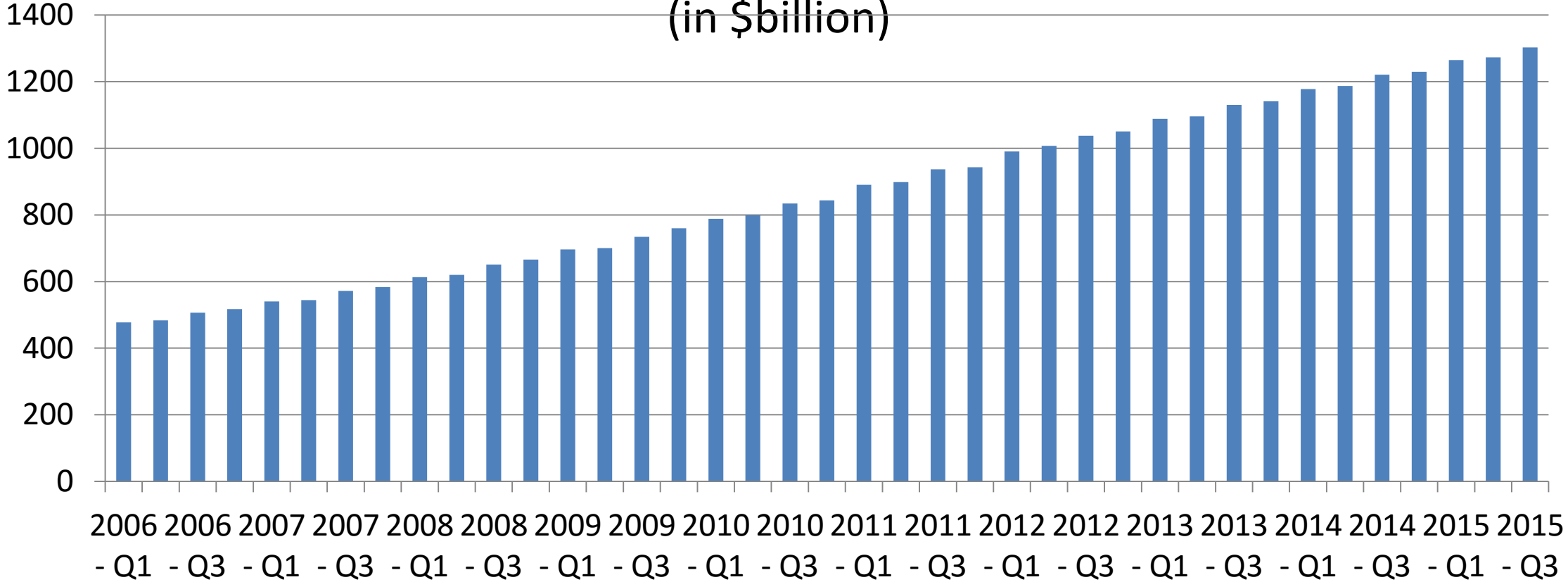
Median net worth of households headed by...



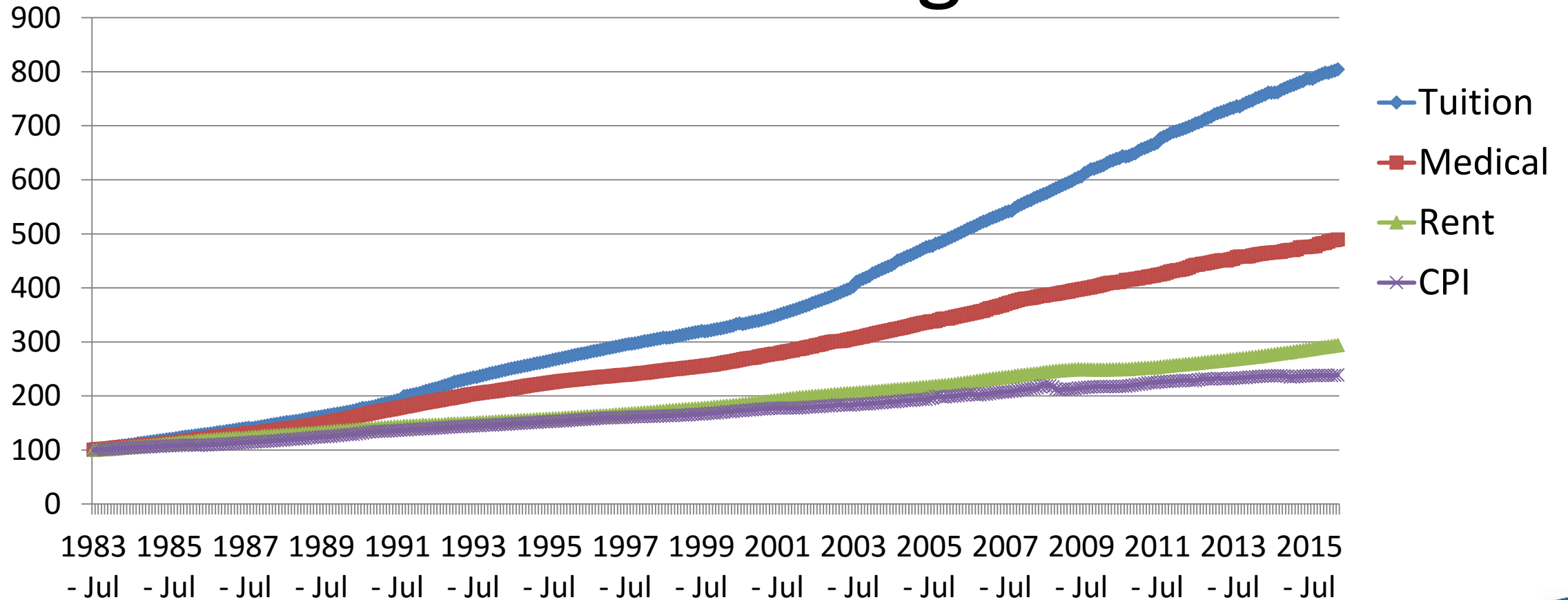
Student Loan ...

NAR-ASA Study implies 5 year Delay

(in \$billion)



Consumer Price Index over the Long Haul



Social Benefits to Homeownership

- Higher student test score
- Lower juvenile delinquency rate
- Better health outcome and higher self-esteem from having a sense of control in life
- Increased charitable donations and volunteering
- Local civic engagement

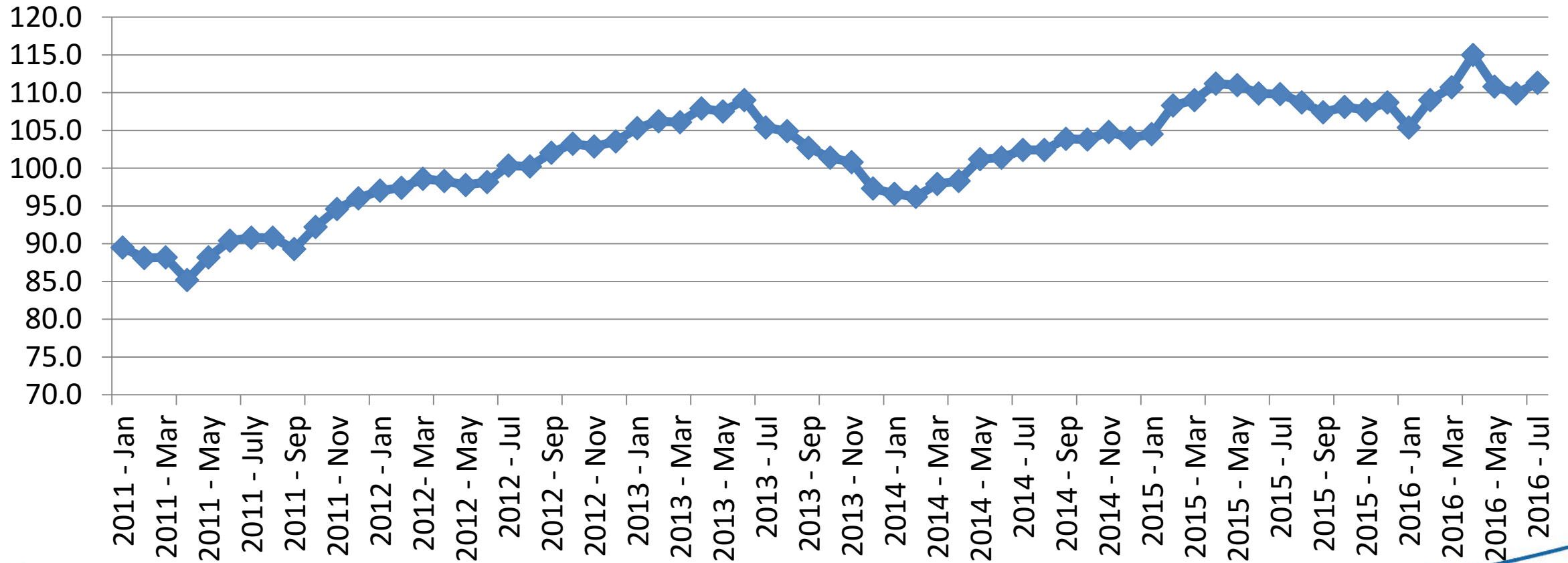
- Terrible social results if foreclosure ... therefore need sustainable homeownership

Barrack

“Real Estate Market is Getting
Bubblicious”

National Pending Sales Index

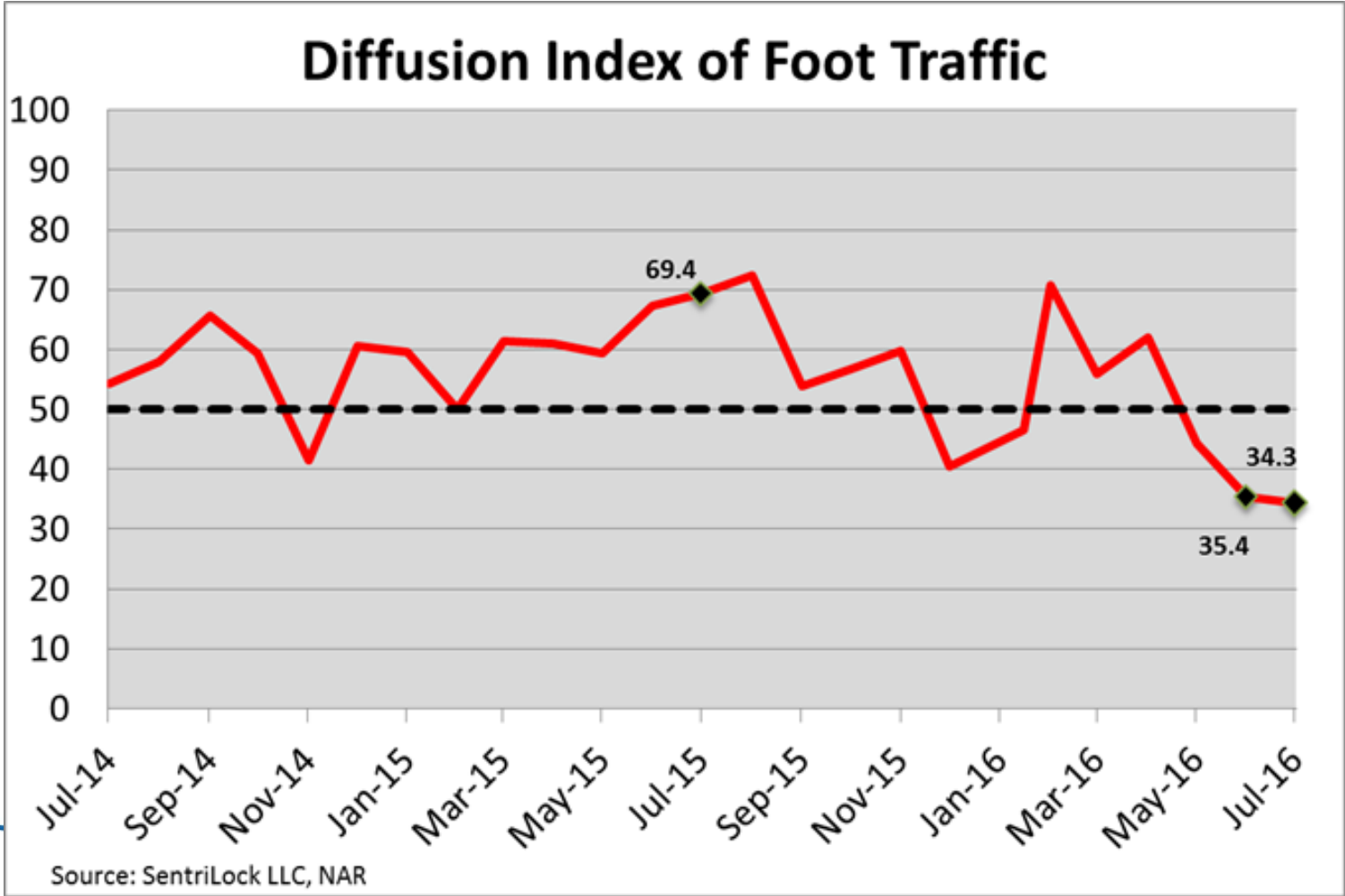
(Seasonally Adjusted)



Source: NAR

Foot Traffic

(Lockbox openings - below 50 Reading for 3 straight months)



Business

MAR 14, 2016 @ 12:41 PM 50,762 VIEWS

Are We Entering A New Housing Bubble?



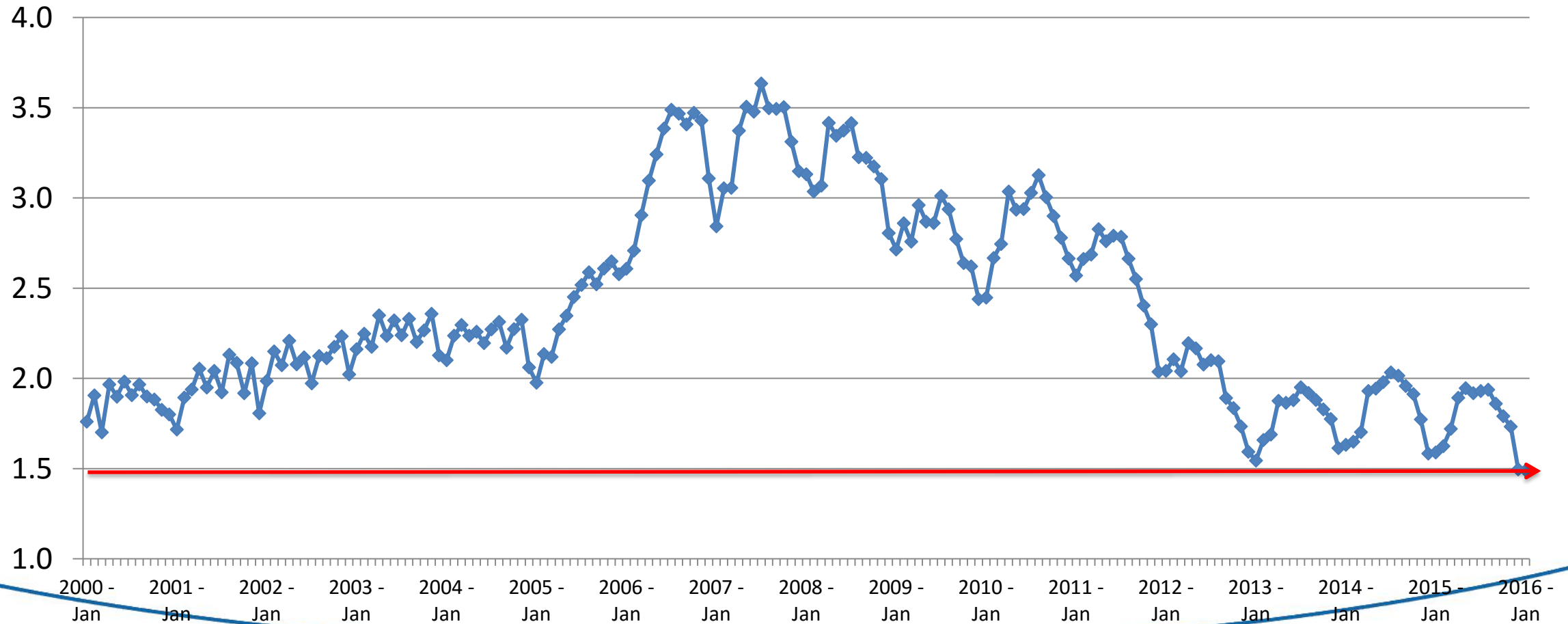
Lawrence Yun, CONTRIBUTOR

I monitor and look for unique developments in the real estate market. [FULL BIO](#) ✓

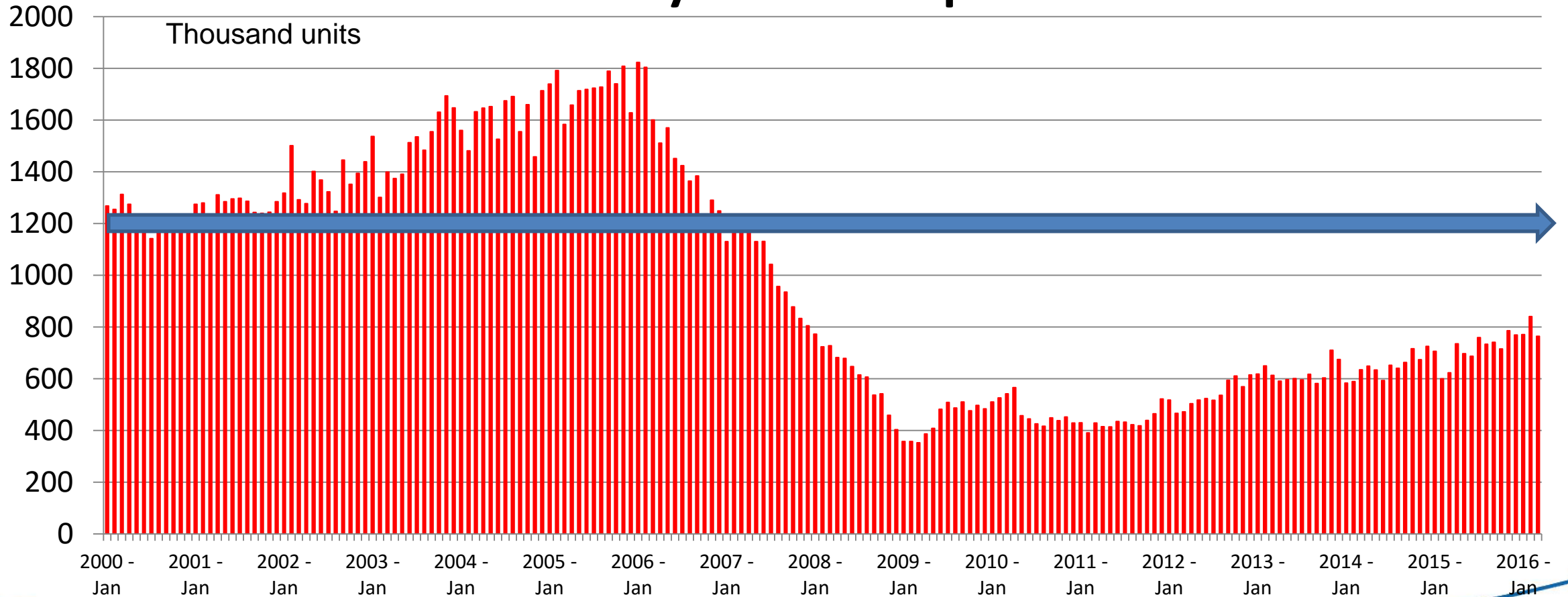
Home prices are rising too fast in much of the country. In Dallas and Denver, prices have surpassed their prior peak and have risen over the past two years by 18% and 20%, respectively. Similar gains

Inventory of Homes per Households

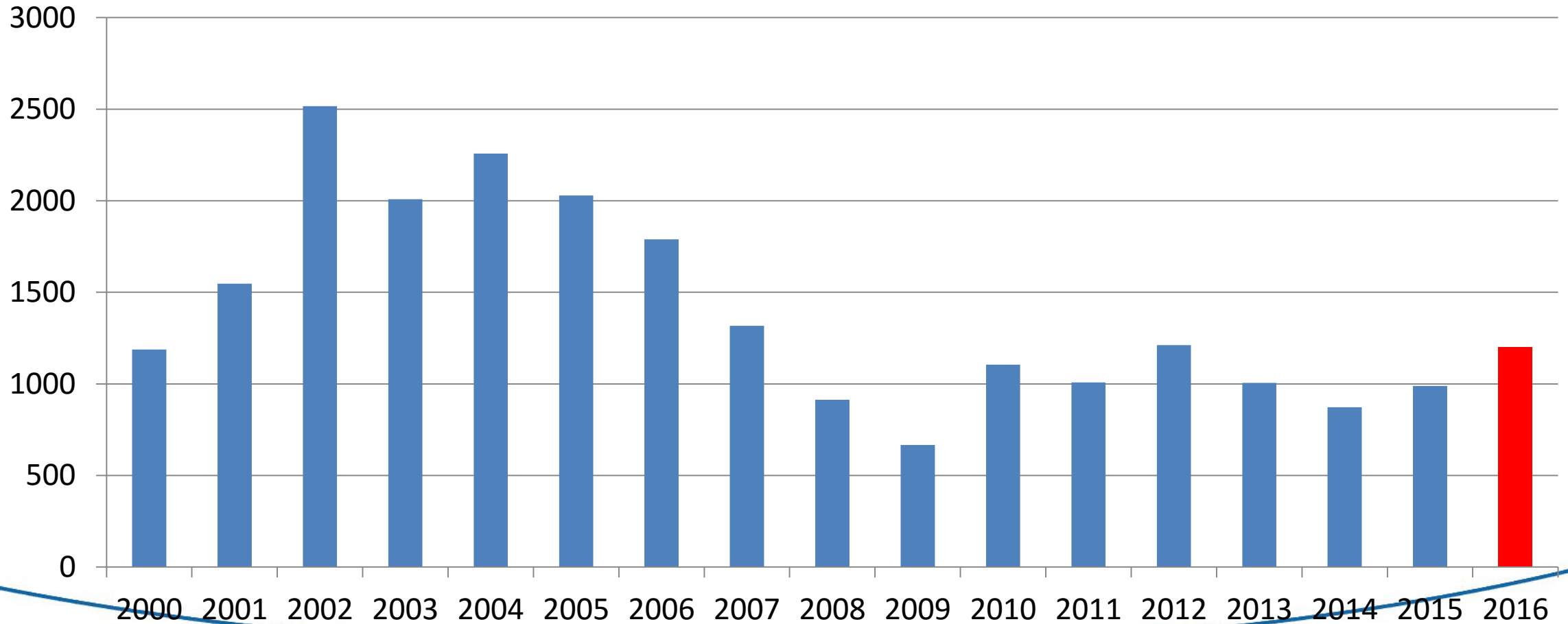
(currently 1.5 homes for 100 households)



Single-family Housing Starts – Grossly Inadequate

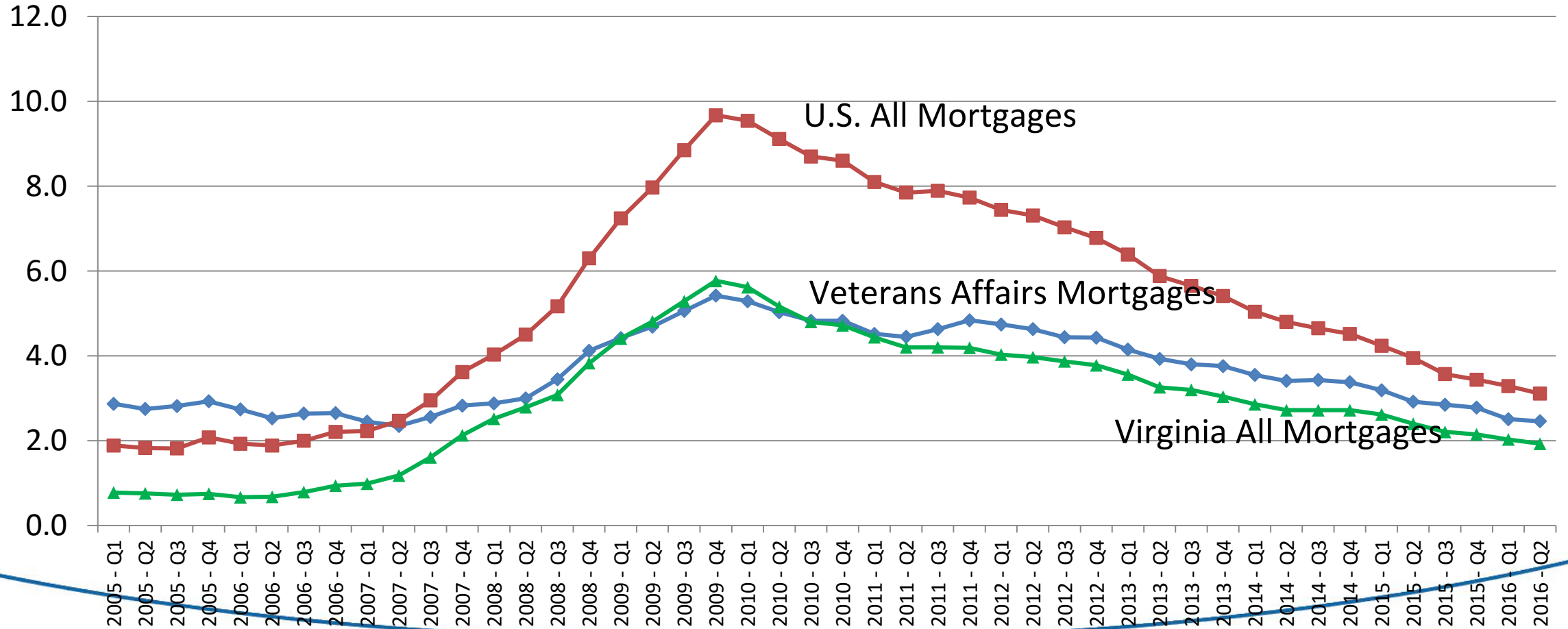


Charlottesville Housing Permits

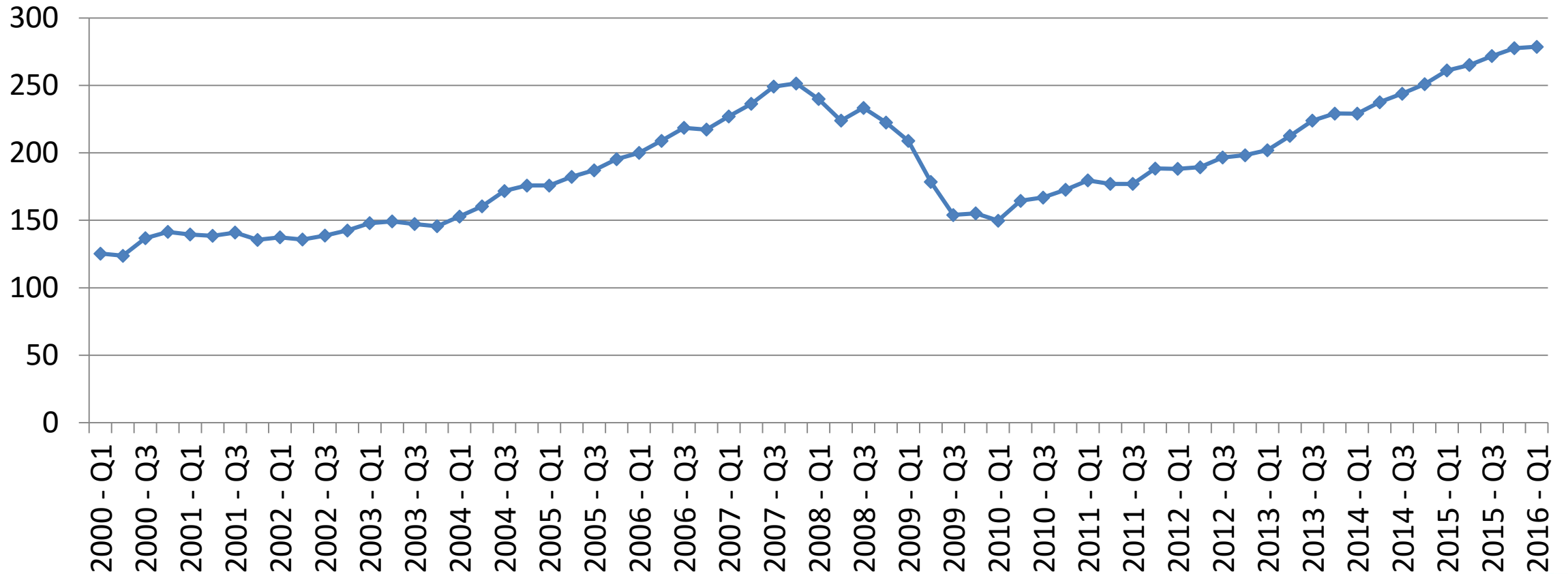


Borrowers Not Defaulting

(Serious Delinquency Rate)



Commercial Property Price may be Bubblish



Source: Federal Reserve

Rising Cap Rates and Commercial Real Estate Prices

- Steady prices in mid-tier markets
- Price drops in trophy properties
 - Green Street price index could fall 4% to 8% over the next two years

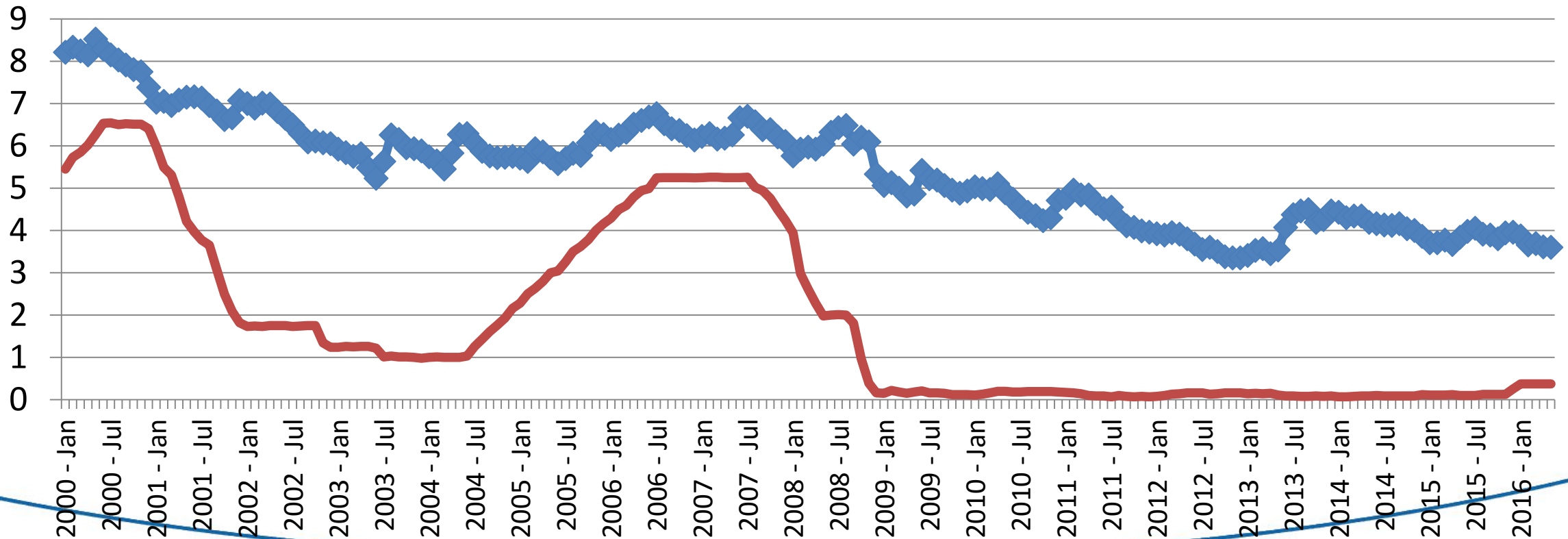
Fed Rate Hike in December '15

Next hike in December '16?

then again in ...

Fed Policy and Mortgage Rate

◆ Mortgage Rate — Fed Funds Rate



Forecast

Normal vs. Now

	2000 (Likely Normal)	2015
Existing Home Sales	5.2 million	5.2 million
New Home Sales	900,000	500,000
Population	282 million	320 million
Jobs	132 million	144 million
Total U.S. Household Wealth	\$44 trillion	\$85 trillion

Economic Forecast

	2014	2015	2016 Forecast	2017 Forecast
GDP Growth	2.6%	2.1%	1.6%	2.2%
Job Growth	+3.0 million	+2.6 million	+2.0 million	+2.2 million
CPI Inflation	1.6%	0.3%	1.4%	2.7%

Housing Forecast

	2014	2015	2016 Forecast	2017 Forecast
New Home Sales	437,000	500,000	540,000	600,000
Existing Home Sales	4.9 million	5.3 million	5.4 million	5.5 million
Median Price Growth	+ 5.7%	+ 6.8%	+4.5%	3.2%
30-year Rate	4.2%	3.9%	3.7%	4.1%

Commercial Real Estate Forecast 2016-2017

	Vacancy	Rent
Apartment	From 4.7% to 5.0%	3.5% per year
Office	From 13% to 12%	4% per year
Industrial	Stable at near 9%	4% per year
Retail	Stable at near 11%	2% per year