Real Estate Market Outlook

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Chief Economist
National Association of REALTORS®
Downgrade of USA Debt ???
Federal Outlay (blue bar) > Tax Receipts (orange line)
Federal Reserve Rate Hikes ... Next meeting in late September
GDP Growth Rate
% change annualized

Source: Department of Commerce
GDP Component on Residential Housing Investment
(Home building, Home sales, Mortgage Origination, Title, Appraisal, Remodeling, etc.)
% change annualized

Source: Department of Commerce
Inflation Steadily Calming Down ... 3% in June
With more deceleration underway as wage and rents moderate

% change from a year ago

Source: BLS
Wage Growth (red) now outpacing Inflation (blue)

% change from a year ago

Source: BLS
# Price Growth by Key Items

<table>
<thead>
<tr>
<th>Item</th>
<th>% change from a year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Insurance</td>
<td>16.9%</td>
</tr>
<tr>
<td>Rent</td>
<td>8.3%</td>
</tr>
<tr>
<td>Food</td>
<td>5.8%</td>
</tr>
<tr>
<td>Electricity</td>
<td>5.4%</td>
</tr>
<tr>
<td>Lodging Away from Home (Hotel/Airbnb)</td>
<td>5.0%</td>
</tr>
<tr>
<td>New Car</td>
<td>4.1%</td>
</tr>
<tr>
<td>Clothes</td>
<td>3.1%</td>
</tr>
<tr>
<td>Medical Service</td>
<td>-1%</td>
</tr>
<tr>
<td>Airfare</td>
<td>-13%</td>
</tr>
<tr>
<td>Gasoline</td>
<td>-27%</td>
</tr>
</tbody>
</table>

Source: BLS
Rent of Primary Residence ... Start of Deceleration

% change from a year ago

Source: BLS
Annual Apartment Construction of 40 year high... Why has Rent not calmed down?

Source: Census/HUD
Apartment Rent Growth in Private Sector Data

Source: CoStar
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
National Median Home Price ... Down 1% from one year ago

Source: NAR
Median Home Price Change ... Recent Declines Ending?

% change from a year ago

Source: NAR
Federal Housing Finance Agency Price Index ... Monthly Change

Source: FHFA
Home Price Change in 2023 Q1 from prior quarter

Source: NAR Analysis of FHFA data
Home Price Change in 2023 Q1 from one year ago

Source: NAR Analysis of FHFA data
Home Price Change from onset of COVID (2020 Q1 to 2021)

Source: NAR Analysis of FHFA data
Serious Mortgage Delinquency (Late by 90 days or foreclosure)

Source: Mortgage Bankers Association
Homeownership Rate by State ... And at Peak?

Source: NAR Analysis of FHFA data
Job Market
Total Payroll Jobs ... 4 million more from pre-covid

Source: BLS
Job Openings > Those Searching for Job

Source: BLS
Out of Labor Force and Not Searching for Job

In thousands

Source: BLS
Job Gains Since Pre-Covid Record High Payroll Employment
(% change from March 2020 to June 2023)

Source: NAR Analysis of BLS data
Mortgage Rate Forecast

Source: Freddie Mac and NAR forecast
Total Home Sales: New and Existing Bottoming this year before upturn next year

Source: NAR forecast and HUD
Close-Up: Raw Count of Existing Home Sales in 2022 and 2023

Source: NAR
Why Should Mortgage Rate Fall?

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

• Rents will calm down ... Holds down CPI ... and make the Fed stop raising interest rate

• Community banks are suffering from high interest rates

• Spread with government bond with return to normal
International Home Buyers
Foreigners and Very Recent Immigrants
International Purchases by $ Volume

(Billion Dollars)

2011: $66.4 Non-resident, $33.2 Resident, Total $99.6
2012: $82.5 Non-resident, $41.2 Resident, Total $123.7
2013: $68.2 Non-resident, $33.4 Resident, Total $101.6
2014: $92.2 Non-resident, $45.5 Resident, Total $137.7
2015: $103.9 Non-resident, $49.4 Resident, Total $153.3
2016: $102.6 Non-resident, $59.1 Resident, Total $161.7
2017: $153.0 Non-resident, $78.1 Resident, Total $231.1
2018: $121.0 Non-resident, $67.9 Resident, Total $188.9
2019: $77.9 Non-resident, $47.7 Resident, Total $125.6
2020: $74.0 Non-resident, $41.0 Resident, Total $115.0
2021: $54.4 Non-resident, $32.4 Resident, Total $86.8
2022: $59.0 Non-resident, $34.1 Resident, Total $93.1
2023: $53.3 Non-resident, $23.4 Resident, Total $76.7

Note: Based on transactions in the 12 months ending March of each year.

Source: NAR
## Top Countries of Origin

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Mexico</th>
<th>Canada</th>
<th>India</th>
<th>Colombia</th>
<th>All Foreign Buyers</th>
<th>Share of Top 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$3.8</td>
<td>$3.8</td>
<td>$8.5</td>
<td>$5.7</td>
<td>$0.5</td>
<td>$38.8</td>
<td>36%</td>
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<tr>
<td>2010</td>
<td>$11.2</td>
<td>$6.5</td>
<td>$17.1</td>
<td>$5.0</td>
<td>$0.5</td>
<td>$66.0</td>
<td>33%</td>
</tr>
<tr>
<td>2011</td>
<td>$7.0</td>
<td>$4.2</td>
<td>$13.1</td>
<td>$5.1</td>
<td>$0.6</td>
<td>$66.4</td>
<td>27%</td>
</tr>
<tr>
<td>2012</td>
<td>$12.0</td>
<td>$6.5</td>
<td>$15.9</td>
<td>$5.2</td>
<td>$0.6</td>
<td>$82.5</td>
<td>26%</td>
</tr>
<tr>
<td>2013</td>
<td>$12.8</td>
<td>$3.6</td>
<td>$11.8</td>
<td>$3.9</td>
<td>$0.5</td>
<td>$68.2</td>
<td>23%</td>
</tr>
<tr>
<td>2014</td>
<td>$22.7</td>
<td>$4.5</td>
<td>$13.8</td>
<td>$5.8</td>
<td>$0.5</td>
<td>$92.2</td>
<td>21%</td>
</tr>
<tr>
<td>2015</td>
<td>$28.5</td>
<td>$4.9</td>
<td>$11.2</td>
<td>$8.0</td>
<td>$0.9</td>
<td>$103.9</td>
<td>18%</td>
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<tr>
<td>2016</td>
<td>$27.3</td>
<td>$4.8</td>
<td>$8.9</td>
<td>$6.1</td>
<td>$1.2</td>
<td>$102.6</td>
<td>15%</td>
</tr>
<tr>
<td>2017</td>
<td>$31.7</td>
<td>$9.3</td>
<td>$19.0</td>
<td>$7.8</td>
<td>$1.0</td>
<td>$153.0</td>
<td>17%</td>
</tr>
<tr>
<td>2018</td>
<td>$30.4</td>
<td>$4.2</td>
<td>$10.5</td>
<td>$7.2</td>
<td>$1.2</td>
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<td>2019</td>
<td>$13.4</td>
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<td>$8.0</td>
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<td>$0.8</td>
<td>$77.9</td>
<td>16%</td>
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<td>2020</td>
<td>$11.5</td>
<td>$5.8</td>
<td>$9.5</td>
<td>$5.4</td>
<td>$1.3</td>
<td>$74.0</td>
<td>20%</td>
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<tr>
<td>2021</td>
<td>$4.8</td>
<td>$2.9</td>
<td>$4.2</td>
<td>$3.1</td>
<td>$1.1</td>
<td>$54.4</td>
<td>13%</td>
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<tr>
<td>2022</td>
<td>$6.1</td>
<td>$2.9</td>
<td>$5.5</td>
<td>$3.6</td>
<td>$1.0</td>
<td>$59.0</td>
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<td>2023</td>
<td>$13.6</td>
<td>$4.2</td>
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<td>$3.4</td>
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Source: NAR
## Top Destinations by Foreign Buyers

<table>
<thead>
<tr>
<th>Year</th>
<th>FL</th>
<th>CA</th>
<th>TX</th>
<th>NC</th>
<th>AZ</th>
<th>IL</th>
<th>NY</th>
<th>OH</th>
<th>PA</th>
<th>NJ</th>
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</tr>
</tbody>
</table>

*Top 10 list is based on the most recent year.*

Source: NAR
Commercial Real Estate
Commercial Real Estate Transactions ($2.5 million property or greater)

Source: MSCI/RCA
Pressuring Commercial Property Prices to Fall ...
15% off Peak (Appraisal Value Index)

Source: Green Street Advisors
Net Absorption past 12 months ... Office is still negative

Source: CoStar
Commercial Real Estate Loans by Small Banks > Large Banks

$ billion

Source: Federal Reserve
THANK YOU!