2022 REALTORS® LEGISLATIVE MEETINGS

HOME FRONT

PROTECTING RIGHTS. EXPANDING ACCESS. BUILDING PROSPERITY.

NATIONAL HARBOR, MD • MAY 1-6, 2022

NARLegislative

nar.realtor
Lawrence Yun

Chief Economist, NAR
Stagflation?

Inflation?

Housing Market Bubble?

Recession?

Long Bear Stock Market?

War!
Fed Tightening of Fed Funds Rate (short-term interbank rate)
Mortgage Rates Sharply Higher in anticipation of Fed Tightening

- Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan

7% 5%

3.00 4.00 5.00 6.00 7.00 8.00 9.00 10.00 11.00

9% 8% 7% 5%
Existing Home Sales and Mortgage Rate Increases

1,000,000 2,000,000 3,000,000 4,000,000 5,000,000 6,000,000 7,000,000

- Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan - Jan

9% 8% 7% 5%
## Monthly Mortgage Payment for Same House ... One year ago vs. Now

<table>
<thead>
<tr>
<th>Mortgage Rate</th>
<th>Principal + interest</th>
<th>$400,000 Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>3%</td>
<td>$1686</td>
<td></td>
</tr>
<tr>
<td>4%</td>
<td>$1910</td>
<td></td>
</tr>
<tr>
<td>5%</td>
<td>$2147</td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td>$2398</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td>$3510</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mortgage Rate</th>
<th>Principal + interest</th>
<th>$480,000 Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1%</td>
<td>$2606</td>
<td></td>
</tr>
</tbody>
</table>

55% cost increase in the American Dream
What about Cash Deals? ... highest since 2010-2012 period

Source: NAR
Pending Contracts Falling

Source: NAR
Newly Constructed Single-Family Sales (contracts)

Source: HUD
Tabloid Headline: Who Stole the American Dream?
Wage Growth Rising by 6% ... Worker Shortage

Source: Bureau of Labor Statistics
Wage Growth Rising ...
But Wiped Away by Consumer Price Inflation 8.5%

Source: Bureau of Labor Statistics
## Which Inflation Component is Rising?

<table>
<thead>
<tr>
<th>Item</th>
<th>% change from a year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>48%</td>
</tr>
<tr>
<td>Used Car</td>
<td>35%</td>
</tr>
<tr>
<td>Airfare</td>
<td>24%</td>
</tr>
<tr>
<td>Electricity</td>
<td>11%</td>
</tr>
<tr>
<td>Grocery</td>
<td>10%</td>
</tr>
<tr>
<td>Clothes</td>
<td>7%</td>
</tr>
<tr>
<td>Rent</td>
<td>5%</td>
</tr>
<tr>
<td>Medical Service</td>
<td>3%</td>
</tr>
</tbody>
</table>

American Dream ... 55% ... not included
Shipments of Drilling Equipment in U.S.

$ million (seasonally adjusted)

Source: Dept of Commerce
Federal Budget Deficit ... from “Free Money”

Source: CBO
Recession? Total Payroll Jobs keep Rising

Source: Bureau of Labor Statistics
Recession? Job Growth Rate from Pre-covid Days

Source: Bureau of Labor Statistics
Household Wealth ... Renters vs. Homeowners

Real Estate Asset vs. Mortgage Debt

In $ billion

Source: Federal Reserve Survey of Household Finance
Homeownership Rate by Race/Ethnicity

Source: Census
Homeownership Rate by Region and Median Home Price

- Midwest: 70% Median Home Price: $273,800
- South: 65% Median Home Price: $347,800
- Northeast: 60% Median Home Price: $397,900
- West: 55% Median Home Price: $522,500
Median Home Price getting bubblish?

Source: NAR
CoreLogic Case-Shiller Index – parabolic upswing

Source: CoreLogic
Inventory still at historic lows

Source: NAR
Single-Family Housing Starts ... Recovering

In thousand units

Source: HUD
Availability of Developed Residential Land Lots?

% of respondents

- Very Little: 68
- Adequate: 22
- Plenty: 10

Source: RLI/NAR
Mortgage Delinquency (90+ days), **Foreclosure Starts** and **Foreclosure Inventory**

% of mortgages

Source: Mortgage Bankers Association
Multifamily Housing Starts … Bursting Loose

In thousand units

Source: HUD
Rents Strongly Rising Just About Everywhere

34% of metro areas have double-digit apartment asking rent growth (orange areas)

Source: CoStar
## Consumer Expectations (February 2022)

<table>
<thead>
<tr>
<th>Variable</th>
<th>1-year ahead</th>
<th>Annual average over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Price Growth</td>
<td>5.1%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Rent Growth</td>
<td>6.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Buying is Good Financial Investment</td>
<td>73.6%</td>
<td>N/A</td>
</tr>
<tr>
<td>Buying is Bad Financial Investment</td>
<td>6.6%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: NY Federal Reserve
Near-term Unit Sales Forecast

% from a year ago
<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Sales</th>
<th>Home Price</th>
<th>Dollar Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>+1.1%</td>
<td>+5.7%</td>
<td>+7%</td>
</tr>
<tr>
<td>2018</td>
<td>-3.1%</td>
<td>+4.9%</td>
<td>+2%</td>
</tr>
<tr>
<td>2019</td>
<td>0.0%</td>
<td>+4.9%</td>
<td>+5%</td>
</tr>
<tr>
<td>2020</td>
<td>+5.6%</td>
<td>+9.1%</td>
<td>+15%</td>
</tr>
<tr>
<td>2021</td>
<td>+8.5%</td>
<td>+16.9%</td>
<td>+25%</td>
</tr>
<tr>
<td>2022 forecast</td>
<td>-9%</td>
<td>+8%</td>
<td>-1%</td>
</tr>
<tr>
<td>2023 forecast</td>
<td>-1%</td>
<td>+4%</td>
<td>+3%</td>
</tr>
</tbody>
</table>
THANK YOU.

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HOME FRONT MAY 1-6 2022

#NARLegislative
THAT’S WHO WE ARE
NATIONAL ASSOCIATION OF REALTORS®