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Fed Rate Hike
Tightening Federal Reserve Policy on short-term Fed Funds Rate
Inflation is Calming Down Already

% change from a year ago

Source: BLS
Covid Inflation was the highest in 40 years

Source: BLS
Rent Growth in government data have not calmed down ... yet

% change from a year ago

Source: BLS
Robust Apartment Construction at 40 year high... Why has rent not calmed down?

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

Source: CoStar
Extra Tightening Monetary Policy from Regional Bank Blowups

$1 million deposit at 0% interest rate
Put into $1 million safe asset at 2% coupon rate ($20,000)

Need to pay interest rate 2%, 3%, 4% to attract deposits
$1 million in old asset at 2% coupon 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
Commercial Real Estate Loans by Small Banks vs. Large Banks

$ billion

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

Source: MSCI/RCA
Rate Hikes ... Pushing Up Cap Rates

Source: CoStar and U.S. Treasury
Pressuring Commercial Property Prices to Fall ... 15% off Peak (Appraisal Value Index)

Source: Green Street Advisors
Strong Job Market
Record High Payroll Jobs after Covid Disruption

In thousands

Source: BLS
Hollywood Jobs (Jobs in Motion Picture and Sound Recording Industries)

In thousands

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

Source: NAR Analysis of BLS data
Payroll Jobs in NY and Florida

In thousands

Source: BLS
Historically Low Unemployment Rate

Source: BLS
<table>
<thead>
<tr>
<th>Industry</th>
<th>Wage Rate</th>
<th>Wage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure and Hospitality</td>
<td>$21.01</td>
<td>5.7%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>$23.86</td>
<td>4.8%</td>
</tr>
<tr>
<td>Transport/Warehousing</td>
<td>$28.80</td>
<td>4.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>$32.02</td>
<td>3.9%</td>
</tr>
<tr>
<td>Education/Health</td>
<td>$32.77</td>
<td>4.0%</td>
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<tr>
<td>Construction</td>
<td>$36.19</td>
<td>5.4%</td>
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<tr>
<td>Wholesale Trade</td>
<td>$36.76</td>
<td>5.5%</td>
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<tr>
<td>Mining/Logging/Oil</td>
<td>$37.56</td>
<td>6.6%</td>
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<tr>
<td>Professional Business Service</td>
<td>$40.20</td>
<td>4.4%</td>
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<tr>
<td>Financial Service</td>
<td>$42.64</td>
<td>3.7%</td>
</tr>
<tr>
<td>Information/Tech</td>
<td>$47.50</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Source: BLS
Elevated Number of People Not in the Labor Force Comparing 3 years before/after COVID

Source: BLS
Weakening Economy
Job Openings > Unemployed … But Job Openings 20% lower

Source: BLS
Signs of a Weakening Economy: GDP Growth of only 1%

Source: Department of Commerce
Signs of a Weakening Economy: Consumer Spending Not Robust

Source: Department of Commerce
Signs of a Weakening Economy: Investment Spending Falling

% change from a year ago

Source: Department of Commerce
Signs of a Weakening Economy: Consumer Confidence about Future Expectations Falling

Index of 100 = neutral

Source: Conference Board
Signs of a Weakening Economy: Weaker Home Sales ... Existing-Home Sales below Pre-COVID

Source: NAR
Retail Sales (in-store shops) ... Only 1.5% growth in March (CPI 5%)
Online Shopping ... 6.8% growth in March (CPI 5%)

Source: BLS
Rental Households ... Not rising

Source: Census
Commercial Market Fundamentals
Rate Hikes ... Pushing Up Cap Rates

Source: CoStar and U.S. Treasury
Rent Growth in the past 12 months (CPI at 5%)

Source: CoStar and U.S. Treasury
Net Absorption past 12 months ... Office is still negative

Source: CoStar
Long-term Risk
U.S. Government Deficit (Borrowing)

$ billion

Why? Federal Outlay (blue bar) > Tax Receipts (orange line)
National Debt at $31 trillion (cumulative of all deficits)
THANK YOU.

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