2023 REALTORS LEGISLATIVE MEETINGS

HOME FRONT

PROTECTING RIGHTS.
EXPANDING ACCESS.
BUILDING PROSPERITY.

WASHINGTON, DC • MAY 6–11, 2023
Lawrence Yun
Chief Economist, NAR
Washington, D.C.
Fed Raises Interest Rate
Tightening Federal Reserve Policy on Short-term Fed Funds Rate
Inflation is Calming Down Already

Source: BLS
COVID Inflation was the highest in 40 years. 

1970s Inflation from belief the Fed can solve all problems.

Source: BLS
But ... Rents (apartments and single-family homes) have not calmed down ... yet

% change from a year ago

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

Source: Census/HUD
Extra Tightening Monetary Policy from Regional Bank Blowups

$1 million deposit at 0% interest rate
Bank invest into $1 million into safe asset at 2% rate ($20,000 profit)

Need to pay interest rate 2%, 3%, 4% to attract deposits
$1 million in old asset at 2% 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
Why Regional Banks bought Government Bonds?
Huge U.S. Government Deficit (Borrowing)

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

Source: CBO
National Debt at $31 trillion (cumulative of all deficits)

Source: CBO
Housing Market Held Back by Lack of Inventory
Weaker Home Sales … Existing-Home Sales below Pre-COVID... But stabilizing or modest recovery

Source: BLS
New Home Sales ... Back to Pre-COVID

Source: HUD
Inventory of Existing Homes Low ... New Homes High

Source: NAR and HUD
## Housing Wealth Gain by Race/Ethnicity to 2022

<table>
<thead>
<tr>
<th>Holding Period</th>
<th>White</th>
<th>Black</th>
<th>Asian</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years</td>
<td>$92,810</td>
<td>$90,410</td>
<td>$141,190</td>
<td>$109,570</td>
</tr>
<tr>
<td>10 years</td>
<td>$138,430</td>
<td>$115,430</td>
<td>$239,430</td>
<td>$162,450</td>
</tr>
<tr>
<td>15 years</td>
<td>$114,150</td>
<td>$107,890</td>
<td>$174,840</td>
<td>$92,720</td>
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<td>(bubble year 2007)</td>
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Source: NAR
Overall Wealth Comparison between Owners and Renters

Wealth Gap

Source: Federal Reserve Survey of Consumer Finance, 2019 is actual, and 2021 is NAR estimate
Homeownership Rate by Race/Ethnicity

Higher Now compared to Pre-COVID (2023 Q1 versus 2020 Q1)

- White: [Height]
- Black: [Height]
- Asian: [Height]
- Hispanic: [Height]

Source: Census
Noteworthy Home Price Declines
% change from a year ago in 2023 Q1

Source: NAR
Noteworthy Home Price Gains
% change from a year ago in 2023 Q1

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

Source: NAR Analysis of BLS data
Strong and Strong Buying Activity on Starter Homes and in Affordable Regions

- 28% are multiple offers
- 60% of homes sold within a month
- Median Days on Market ... 29 days ... fastest if excluding COVID years
- Price reductions bring buyers back ... now home prices rising?

Source: NAR
Minimal Distressed Properties: Mortgage Delinquency Rate (at least 90 days) Low in U.S. and ... Low Even in New Jersey

Source: Mortgage Bankers Association
Demographics Drivers to Housing Demand

• Population Gain ... 1 million more in 2022
• Deaths ... 3.3 million in 2022
• Births ... 3.7 million in 2022
• Marriages ... 2.0 million in 2021
• Divorces ... 690,000 in 2021
• Turning 30 ... 4.4 million in 2022
Demand from Return of International Buyers?

Source: NAR
Tourist Arrival from China

Source: National Travel and Tourism Office
Tourists Arrival from All Countries

Source: National Travel and Tourism Office
Mortgage Rate Forecast

Source: Freddie Mac and NAR forecast
Abnormally High Spread between 10-year Treasury and 30-year Mortgage

<table>
<thead>
<tr>
<th></th>
<th>Normal</th>
<th>Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-year</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>30-year</td>
<td>5.3</td>
<td>6.4</td>
</tr>
</tbody>
</table>

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

Source: NAR forecast and HUD
THANK YOU.

#NARLegislative