Real Estate and Economic Outlook

Midyear NAR Forecast Summit

July 22, 2024

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Chief Economist
National Association of REALTORS®
Pending Contracts in May ... Worst Ever (since 2001)

% change from a year ago

Source: NAR
Existing Home Sales ... Still down from a year ago

Source: NAR
New Home Sales ... Mostly up in recent months

% change from a year ago

Source: NAR
## Home Sales Pre-Covid and Recent Year

<table>
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<th>Year</th>
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<th>New Home Sales</th>
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Source: NAR and Census
# 3 years before and after Covid: Existing vs. New Sales

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Source: NAR and Census
Annual Existing Home Sales: Worst Year since 1995

Source: NAR
International Buyers also Down to Lowest since our tracking from 2009

Source: NAR
Top Origins of Foreign Buyers

1. **Canada**
   - 13% of foreign buyers
   - $5.9B

2. **China**
   - 11% of foreign buyers
   - $7.5B

3. **Mexico**
   - 11% of foreign buyers
   - $2.8B

4. **India**
   - 10% of foreign buyers
   - $4.1B

5. **Colombia**
   - 4% of foreign buyers
   - $0.7B

Source: NAR
Annual New Home Sales

Source: Census and HUD
U.S. Population ... 70 million more people

Source: NAR
Inventory of Existing Homes Finally Turning Up
Inventory of New Homes Up and Up

Source: NAR
Delayed Sellers Cannot Wait Longer

What happened over 2 years ... lock-in effect to be less strong over time

- 7 million new-born babies
- 3 million marriages
- 1.5 million divorces
- 7 million turn 65 years old
- 4 million deaths
- 6 million net new jobs
- 50 million job switches
Home Sales by Price Buckets

% change from a year ago

-20
-15
-10
-5
0
5
10
15
20
25

under $100 thousand
$100 to $250
$250 to $500
$500 to $750
$750 to $1 million
over $1 million

Source: NAR
Seriously Delinquent Mortgages

% change from a year ago

Source: MBA
# The Larger Price Cuts the Longer the Days on Market

(June 2024)

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<th>Days on Market</th>
<th>Price cut on Pending</th>
<th>Price cut on Closing</th>
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<tr>
<td>0 to 14</td>
<td>4.0%</td>
<td>4.8%</td>
</tr>
<tr>
<td>15 to 21</td>
<td>4.1%</td>
<td>5.3%</td>
</tr>
<tr>
<td>22 to 30</td>
<td>4.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>31 to 60</td>
<td>4.9%</td>
<td>6.8%</td>
</tr>
<tr>
<td>61 to 90</td>
<td>6.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>91 to 120</td>
<td>6.9%</td>
<td>9.6%</td>
</tr>
<tr>
<td>120 +</td>
<td>9.1%</td>
<td>12.2%</td>
</tr>
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Source: NAR
Happy Homeowners

Unhappy Young Homebuyers
Median Home Price

Source: NAR
Home Price Appreciation from Pre-Covid

Source: FHFA
Wealth Comparison between Owners and Renters

Source: Median Net Worth from Federal Reserve Survey of Consumer Finance
30-year Mortgage and Fed Funds Rate ... High Rate Environment

Source: U.S. Treasury and Federal Reserve
Monthly Payment to Buy Median Priced Home

Source: NAR
Income Required to Buy Median Priced Home

Source: NAR
Median Family Income

Source: NAR
% of income for mortgage payment

Source: NAR
Fed is waiting for CPI to reach 2%
CPI ... 3.0% in June
Core CPI (in red) ... steady deceleration

% change from a year ago

Source: BLS
Rents no longer Rising in private sector data

Source: NAR Analysis of CoStar data
Rents are Rising at 5.3% in Government CPI data

Source: BLS and CoStar
Multifamily Completions are High
But Multifamily Starts are Collapsing

Source: NAR
Months to Complete from Start time for Multifamily 20+ units

Source: NAR
Upcoming Rent Growth should be Calmer

Future CPI should be Calmer

The Fed can cut interest rates ... 6 to 8 rounds

But

Further Pivot could be limited by Budget Deficit

Future Rent (in 2-3 years) could accelerate
12-month total of Public Borrowing

Source: Congressional Budget Office
Long-Term Real Estate Demand

Come from Jobs Jobs Jobs
Total Payroll Jobs
6.3 million more compared to pre-covid highs

Source: BLS
Job Gains Since Pre-COVID Record High Payroll Employment
% change from March 2020 to June 2024

Source: NAR Analysis of BLS data
Rising Office Vacancy Rate
... Good for Outer Suburbs and Fun Destinations

Source: CBRE/ULI and NAR Forecast
Home Price Change
Philadelphia Metro vs. Montgomery-Bucks-Chester Counties

% change from a year ago

Source: FHFA
Long-term Interest Rates to Fall?

1. Rents will calm down further ... Holds down CPI ... and make the Fed cut interest rates

2. Community banks are suffering from high interest rates

3. Credit Spread is abnormally high
Total Home Sales: Rising and Back to 2019 pre-covid levels in 2026

Source: NAR forecast and HUD
Thank You