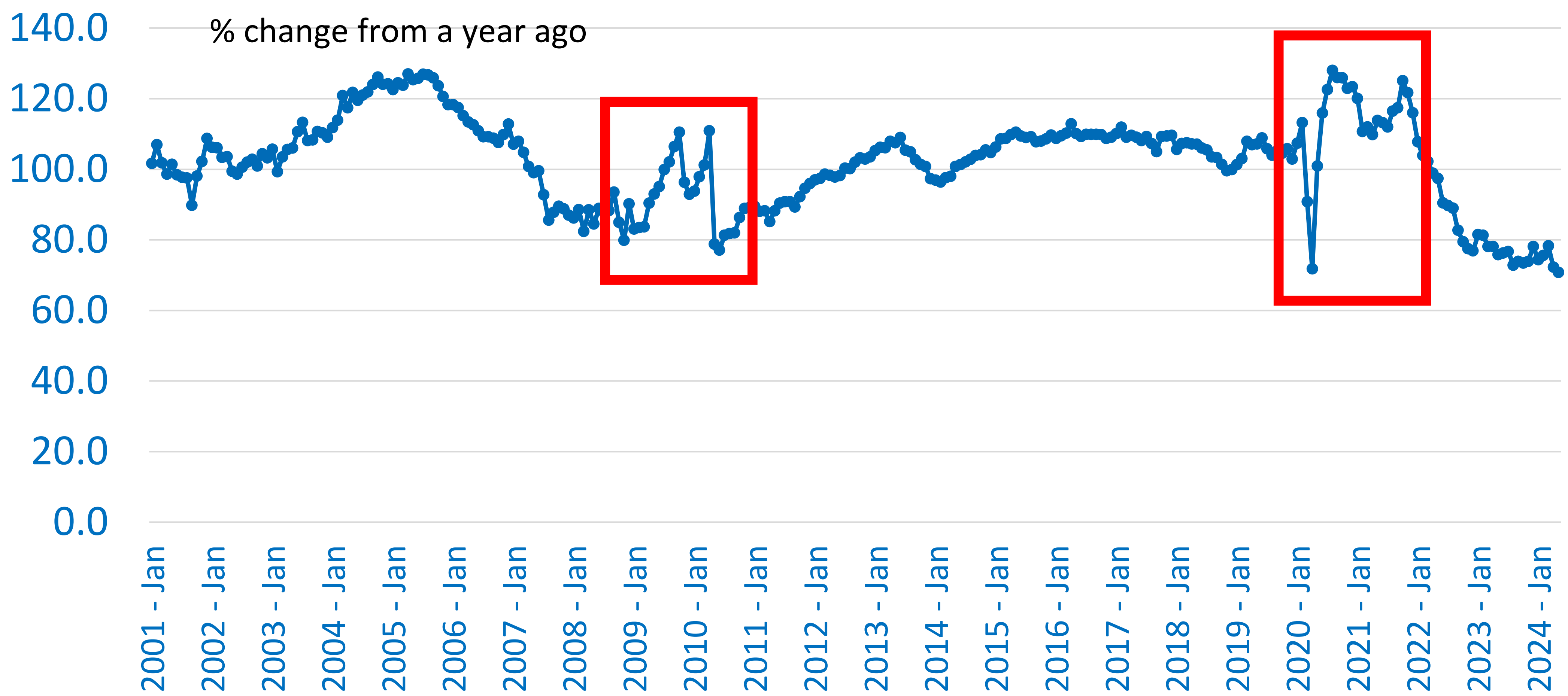
# Real Estate and Economic Outlook

# Midyear NAR Forecast Summit

## July 22, 2024

**Lawrence Yun, Ph.D.**
**Chief Economist**
**National Association of REALTORS®**

# Pending Contracts in May … Worst Ever (since 2001)




Source: NAR

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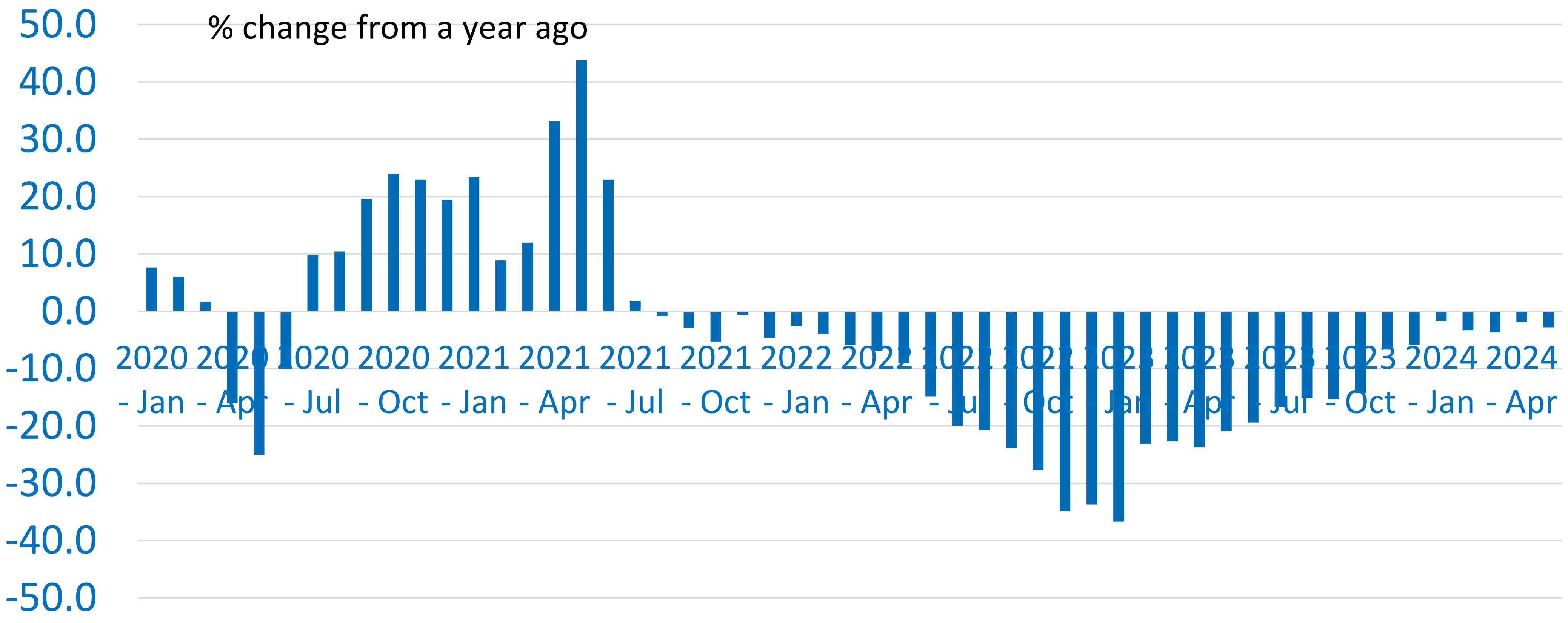
# Existing Home Sales … Still down from a year ago




Source: NAR

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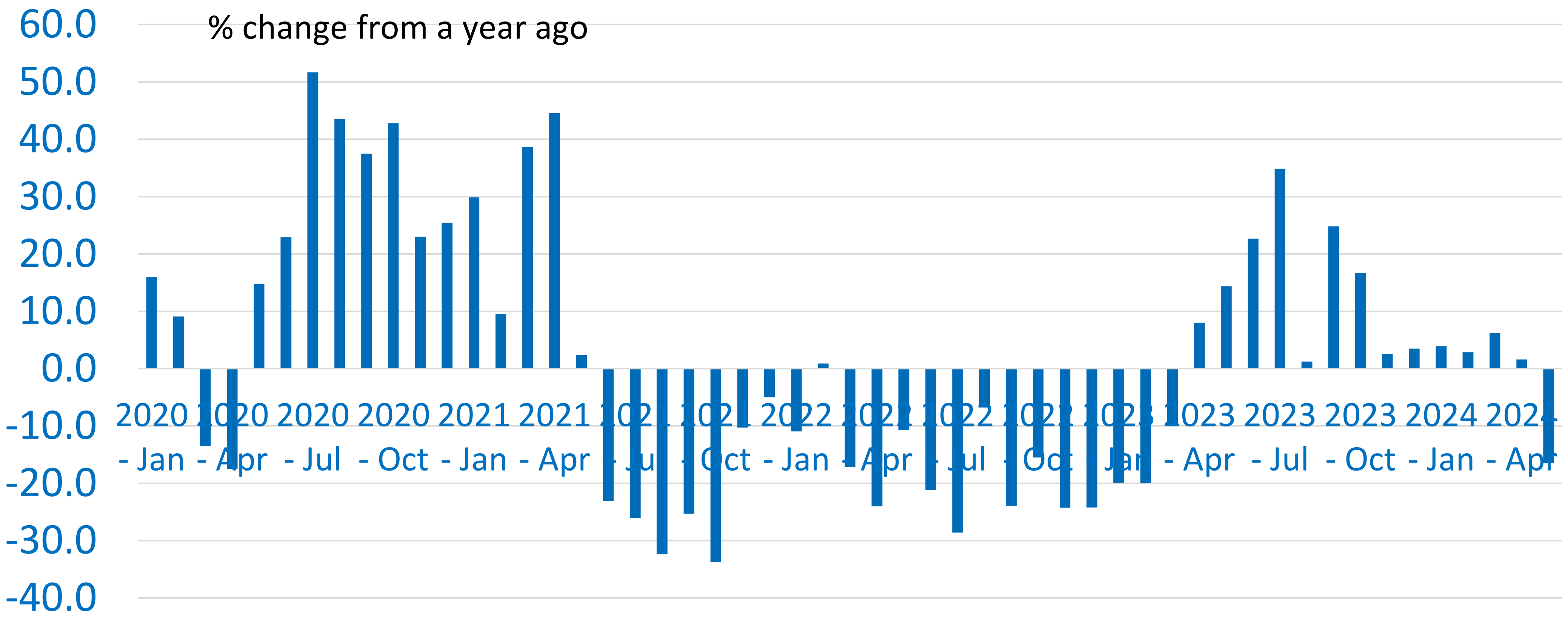
# New Home Sales … Mostly up in recent months




Source: NAR

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# Home Sales Pre-Covid and Recent Year

| Year | Existing Home Sales | New Home Sales |
|---|---|---|
| 2017 | 5.51 m | 613 k |
| 2018 | 5.34 m | 617 k |
| 2019 | 5.34 m | 683 k |
| 2020 | 5.64 m | 822 k |
| 2021 | 6.12 m | 771 k |
| 2022 | 5.03 m | 641 k |
| 2023 | 4.09 m | 666 k |
| 2024 so far | Same as last year | Same as last year |

Source: NAR and Census

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# 3 years before and after Covid: Existing vs. New Sales

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Source: NAR and Census

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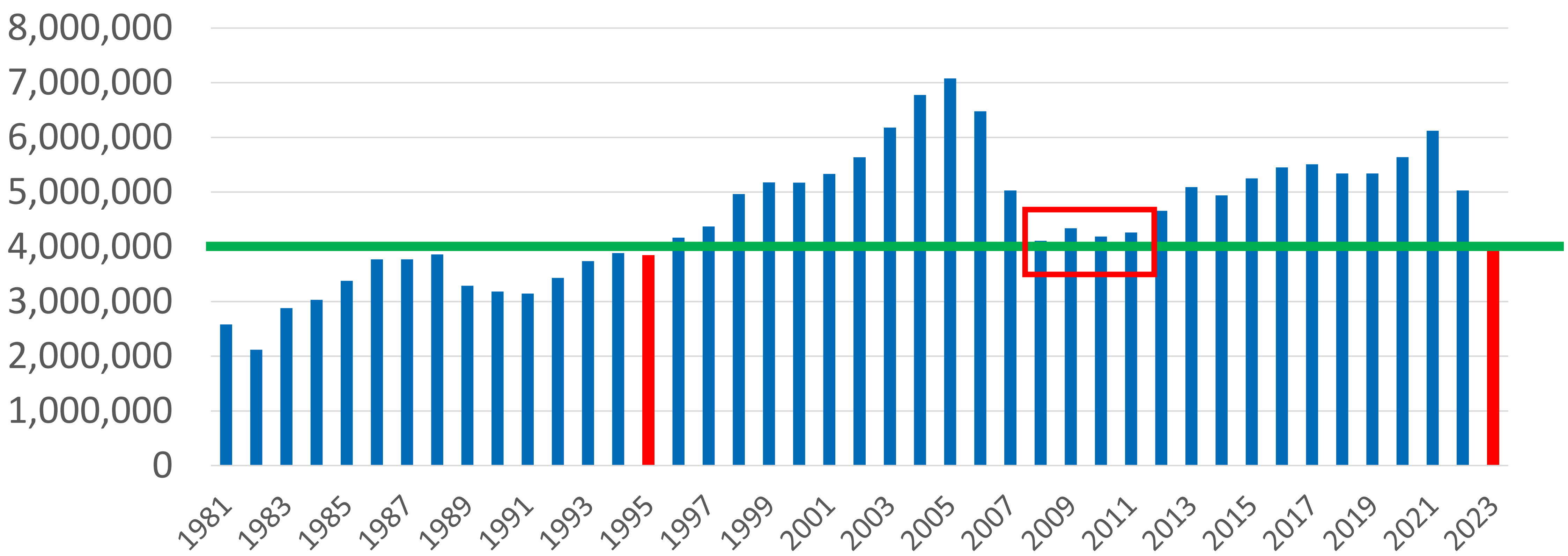
# Annual Existing Home Sales: Worst Year since 1995




Source: NAR

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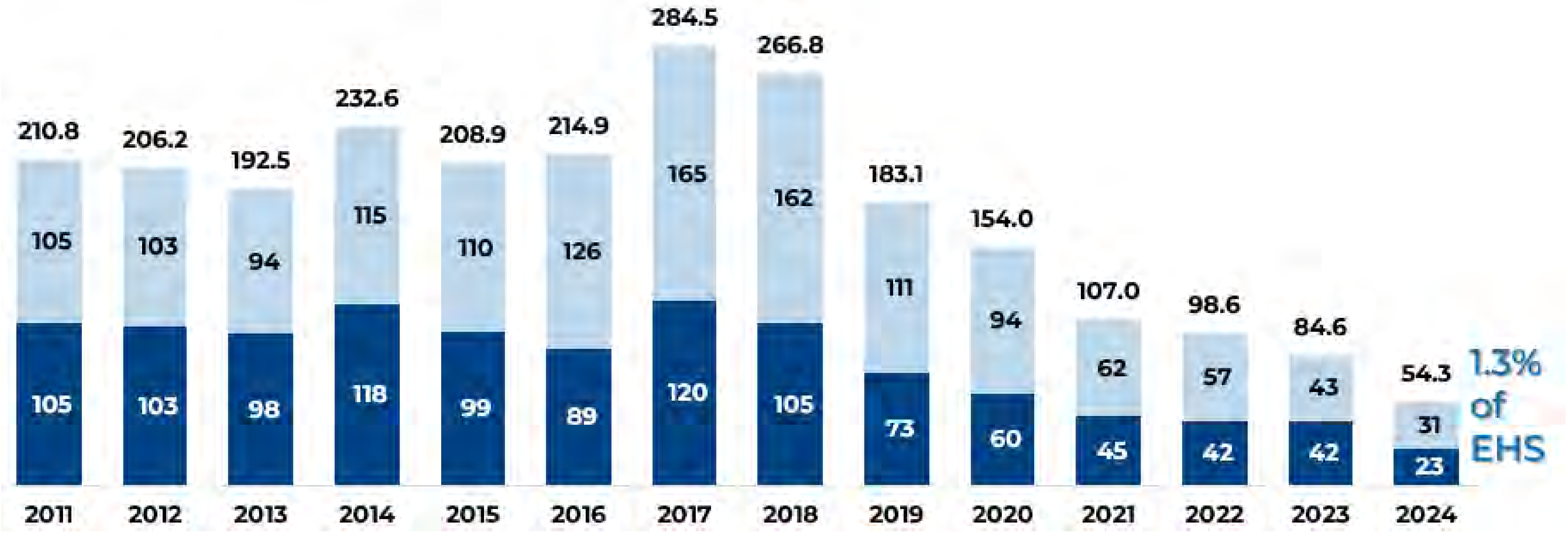
# International Buyers also Down to Lowest since our tracking from 2009




Source: NAR

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# 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

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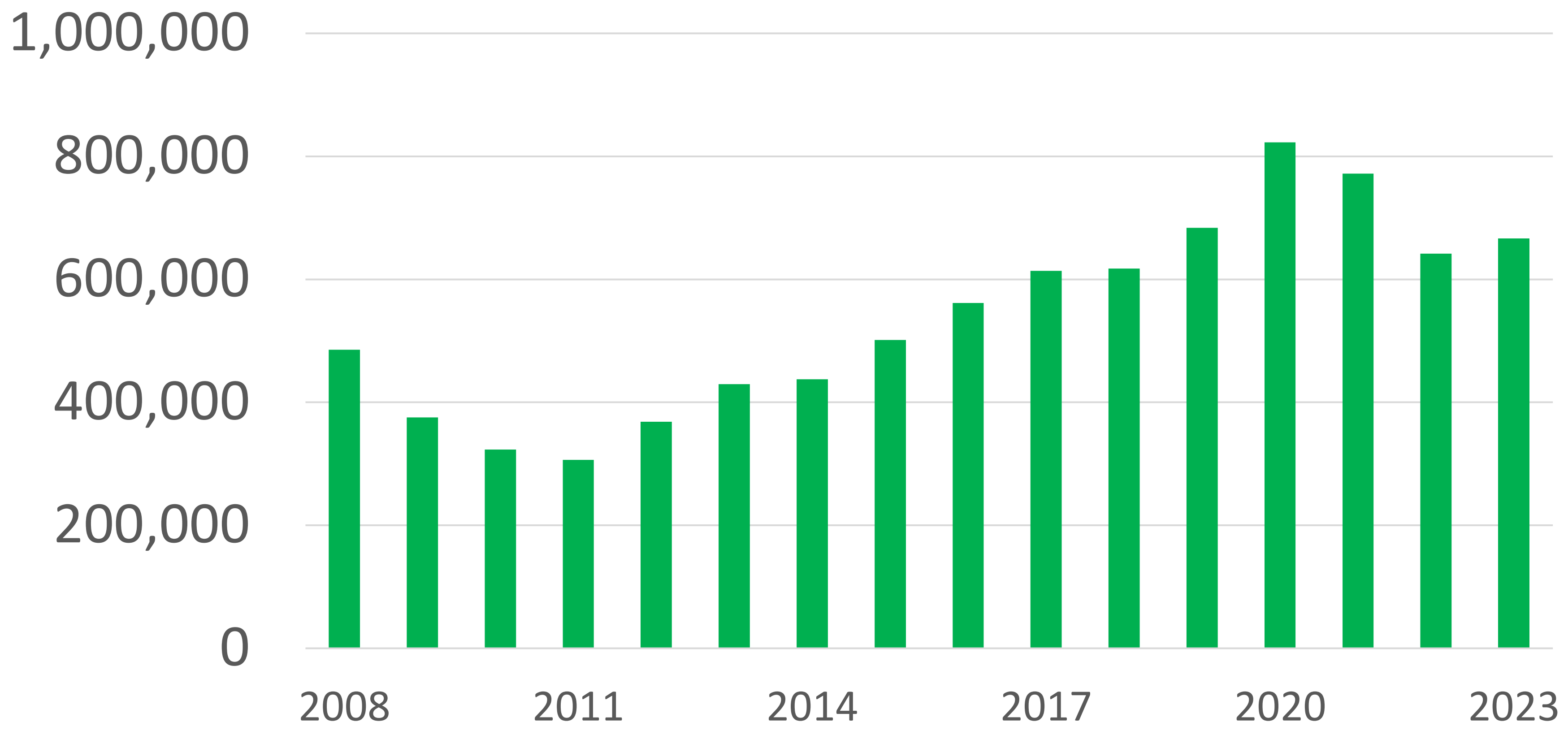
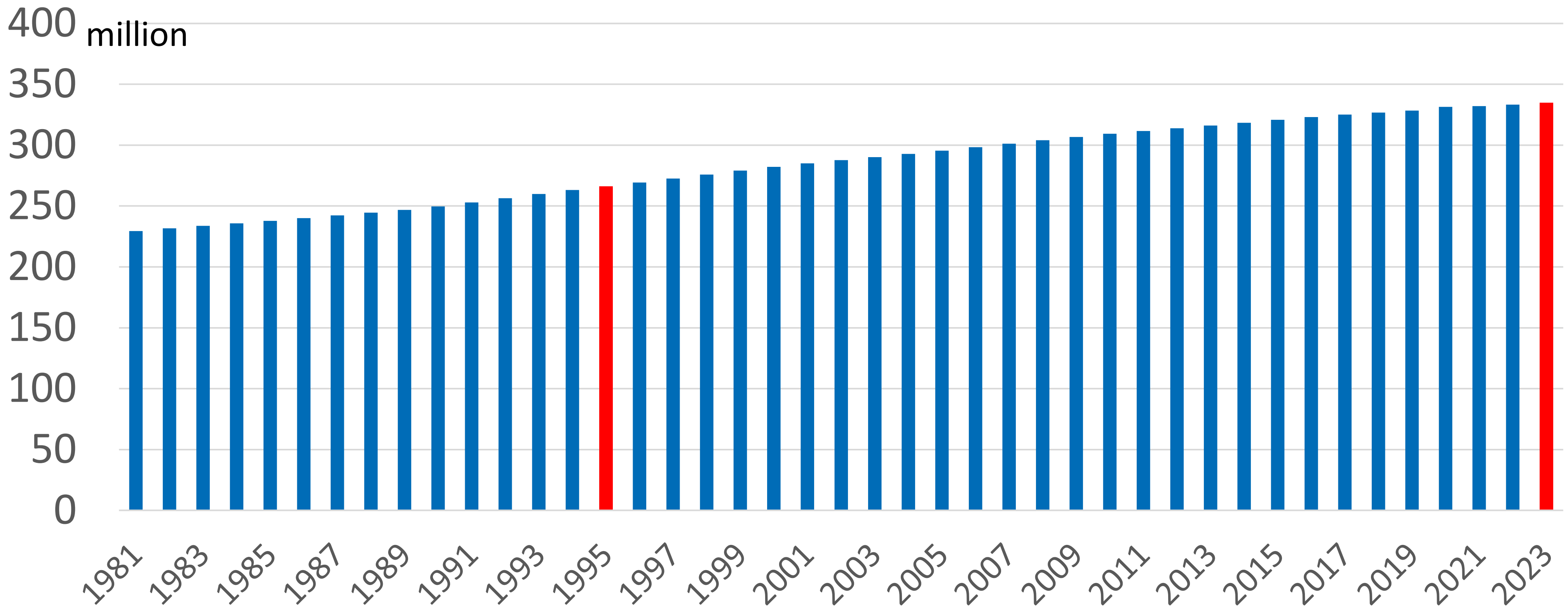
# Annual New Home Sales




Source: Census and HUD

# U.S. Population … 70 million more people




Source: NAR

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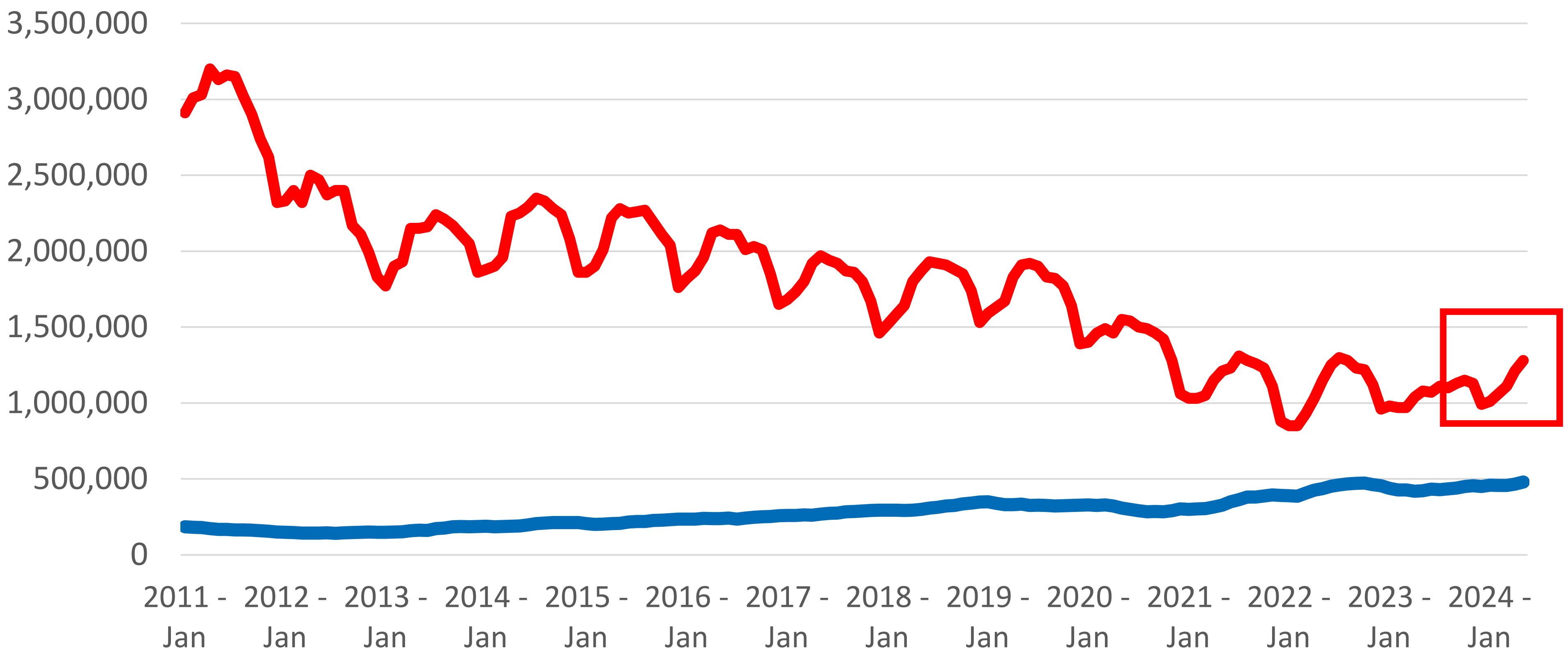
# Inventory of Existing Homes Finally Turning Up
# Inventory of New Homes Up and Up




Source: NAR

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# 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

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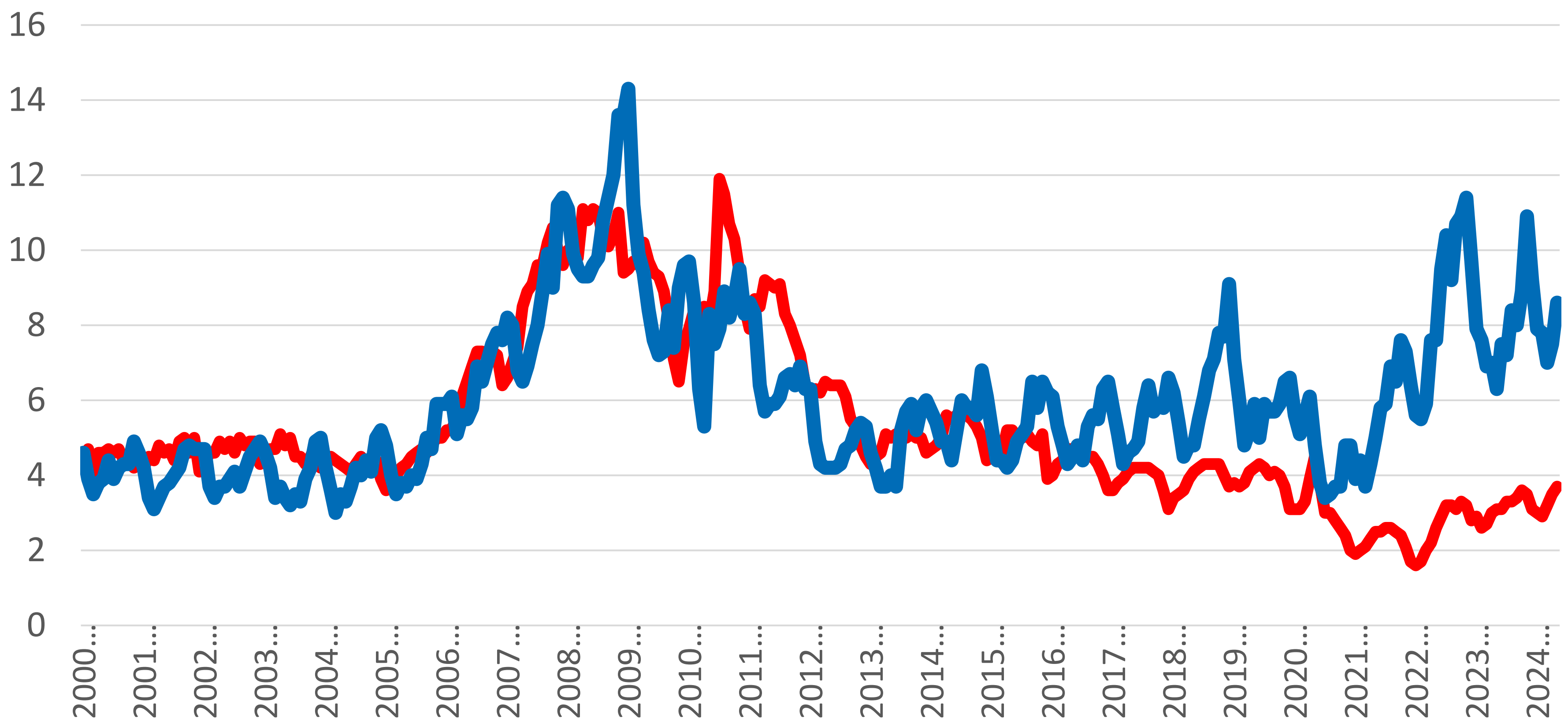
# Months Supply of Inventory
# New and Existing




Source: NAR and Census

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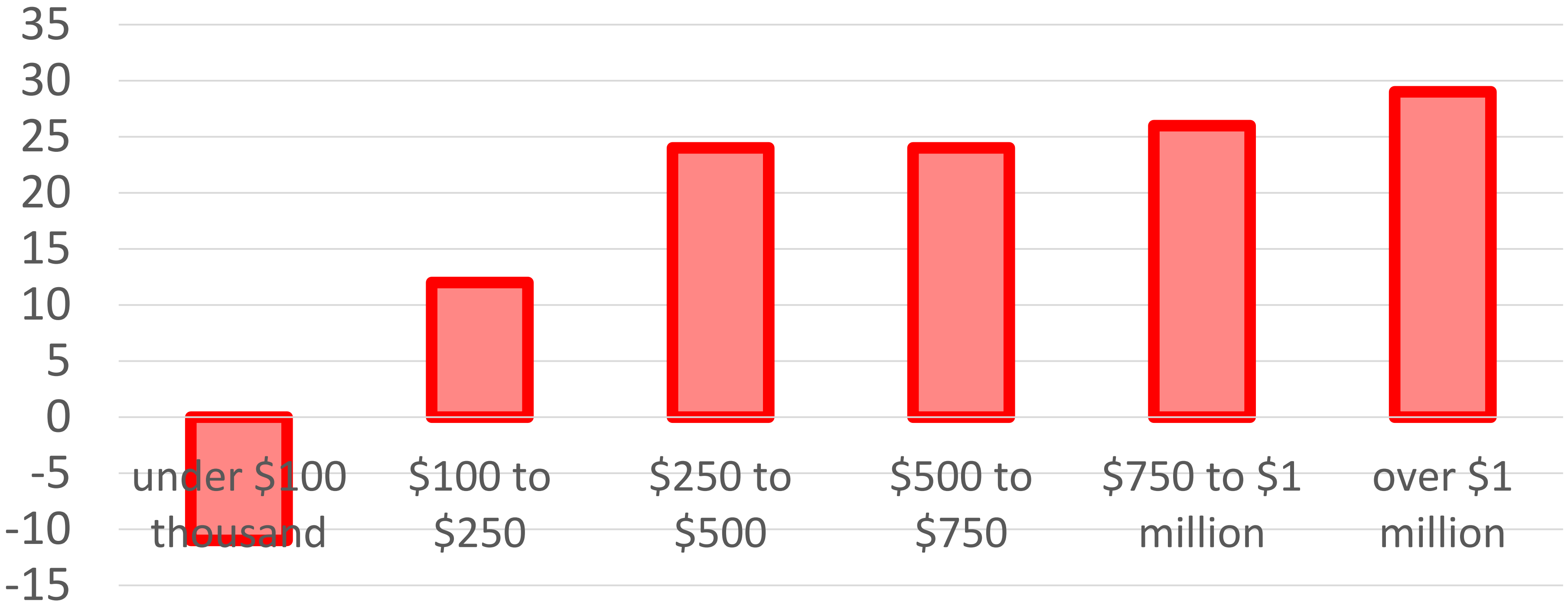
# Inventory of Existing Homes by Price Buckets




Source: NAR

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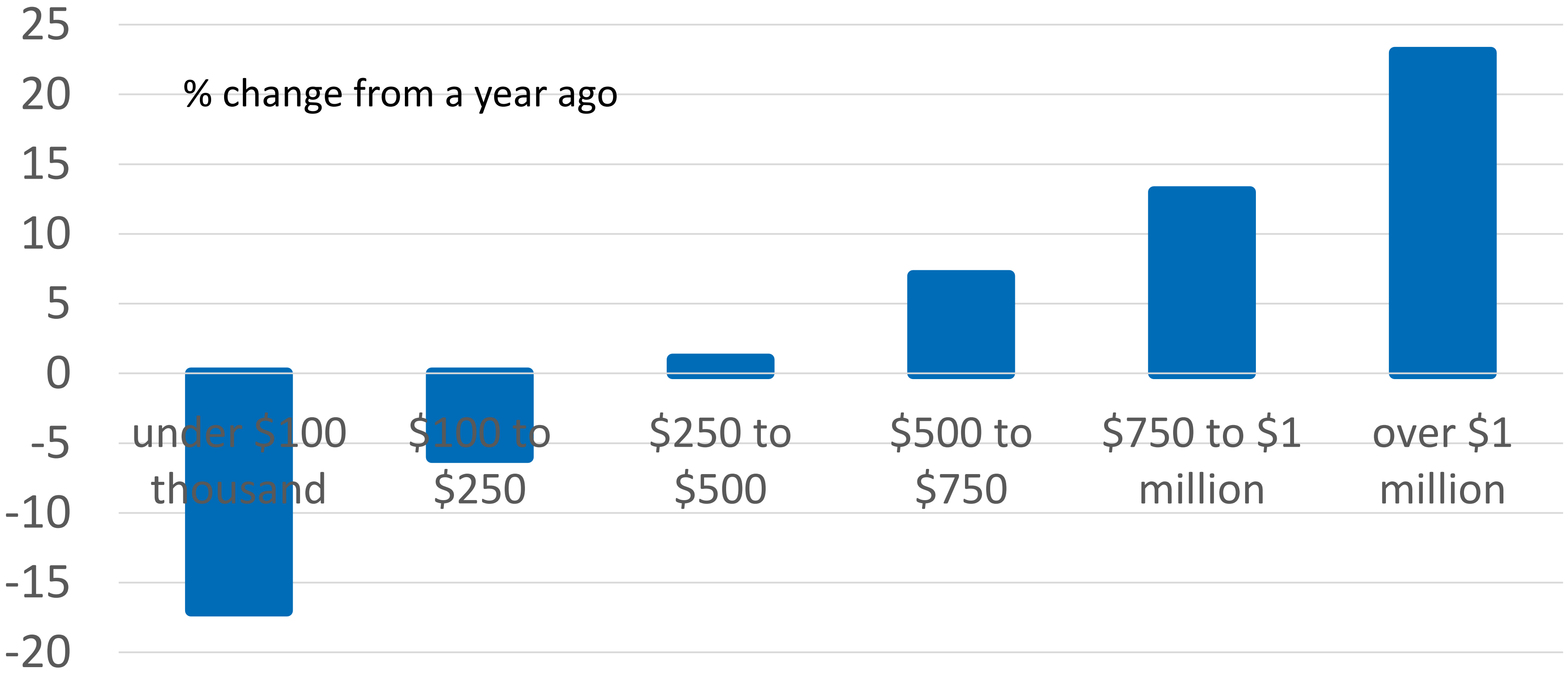
# Home Sales by Price Buckets




Source: NAR

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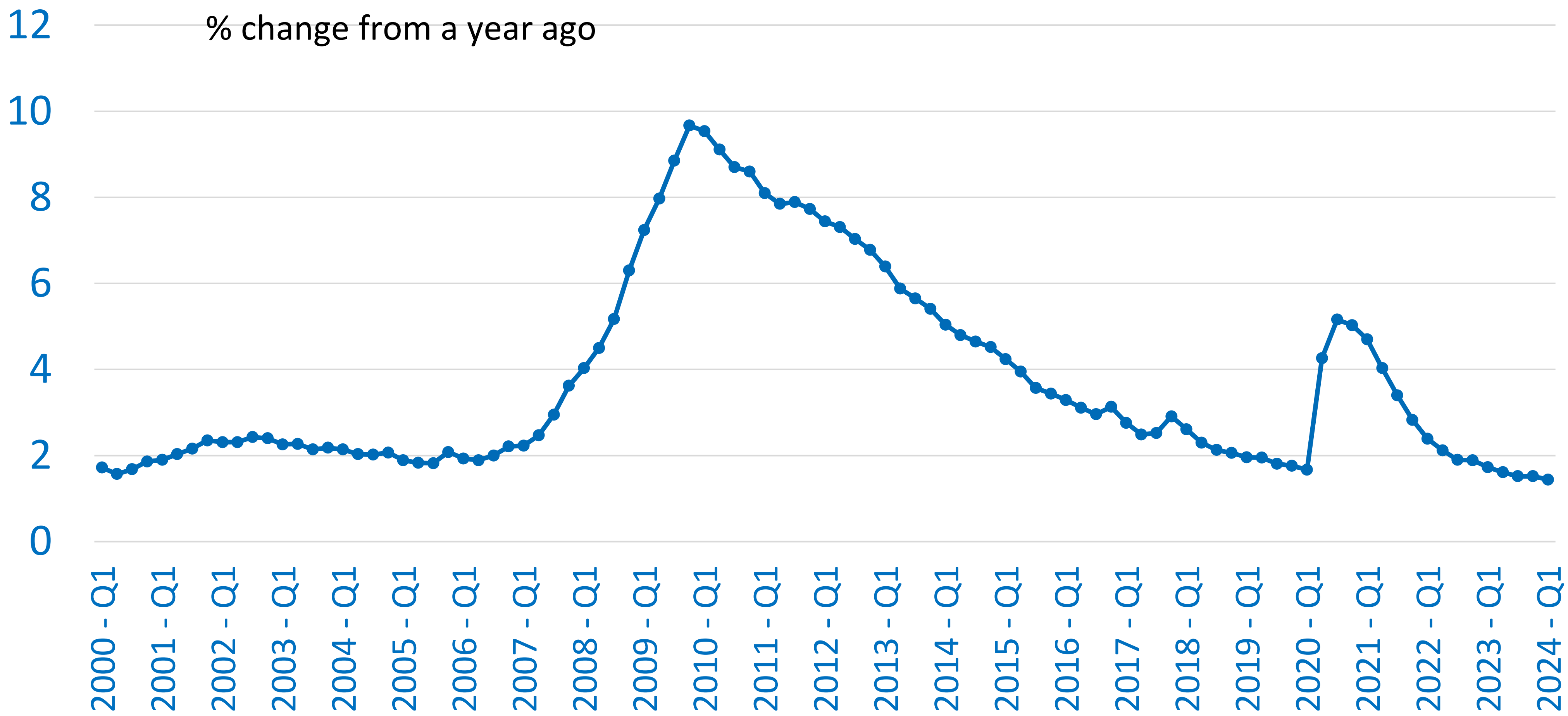
# Seriously Delinquent Mortgages




Source: MBA

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# The Larger Price Cuts the Longer the Days on Market
## (June 2024)

| Days on Market | Price cut on Pending | Price cut on Closing |
| --- | --- | --- |
| 0 to 14 | 4.0% | 4.8% |
| 15 to 21 | 4.1% | 5.3% |
| 22 to 30 | 4.3% | 5.9% |
| 31 to 60 | 4.9% | 6.8% |
| 61 to 90` | 6.0% | 8.3% |
| 91 to 120 | 6.9% | 9.6% |
| 120 + | 9.1% | 12.2% |

Source: NAR

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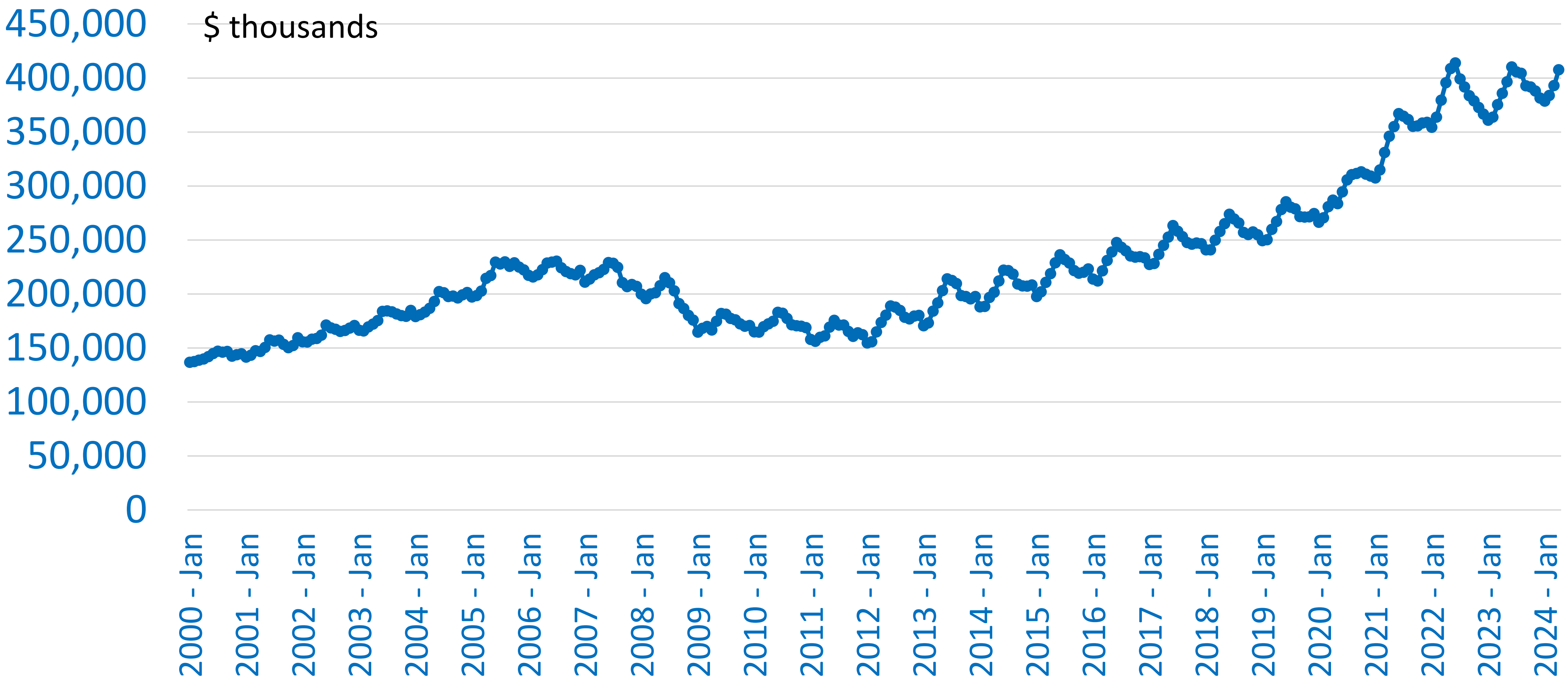
# Happy Homeowners

# Unhappy Young Homebuyers

# Median Home Price




Source: NAR

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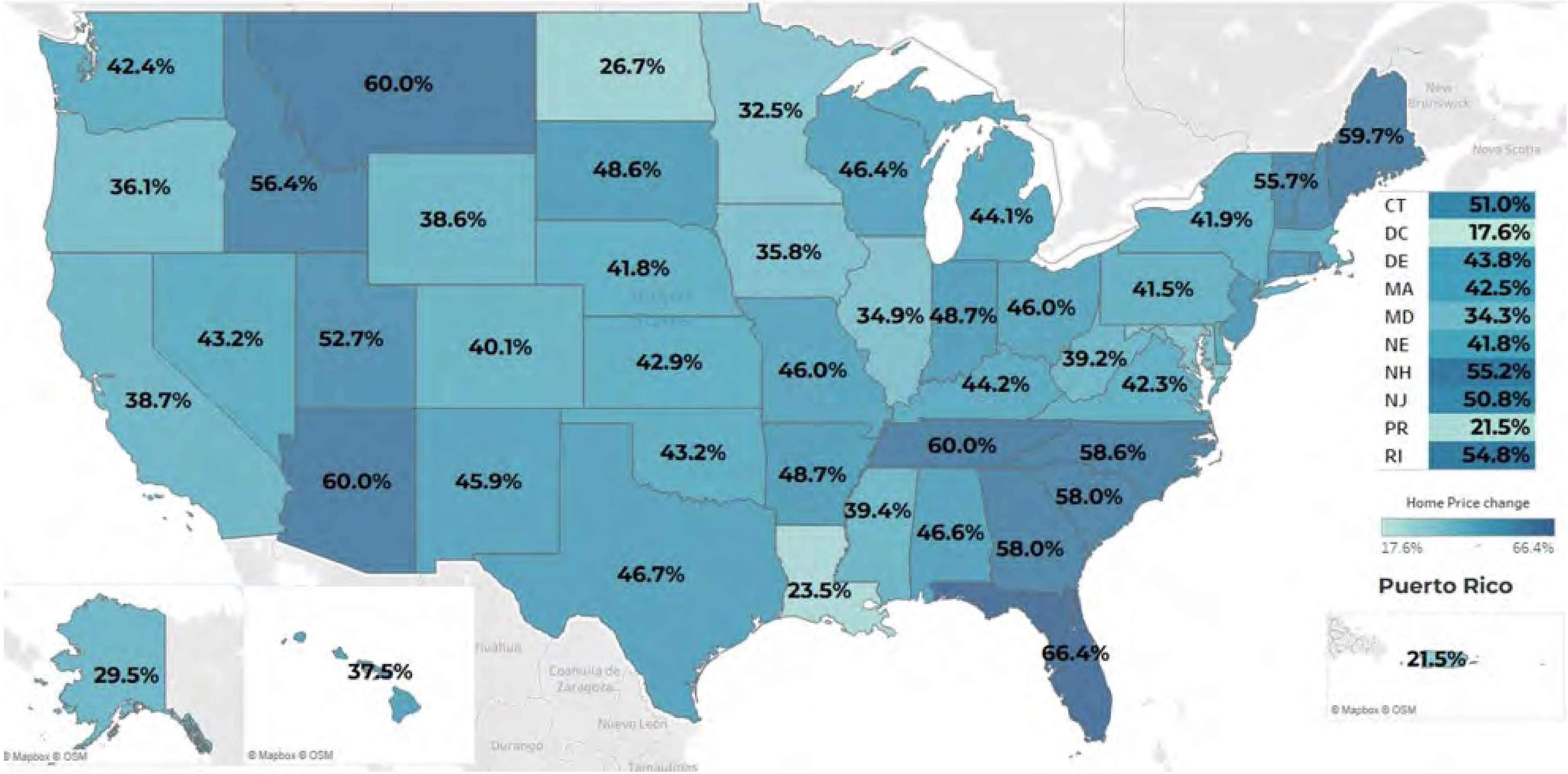
# Home Price Appreciation from Pre-Covid




Source: FHFA

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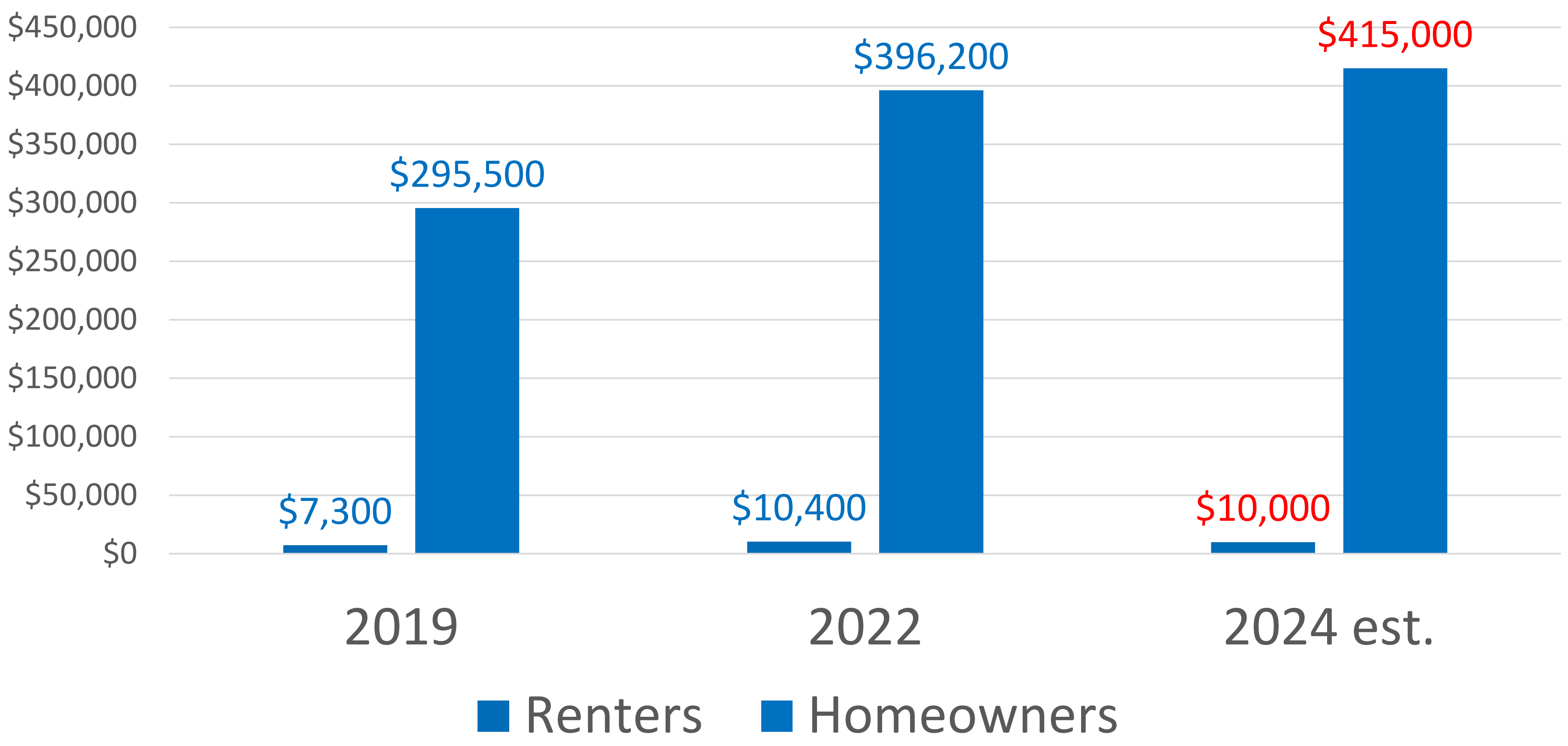
# Wealth Comparison between Owners and Renters




**Source: Median Net Worth from Federal Reserve Survey of Consumer Finance**

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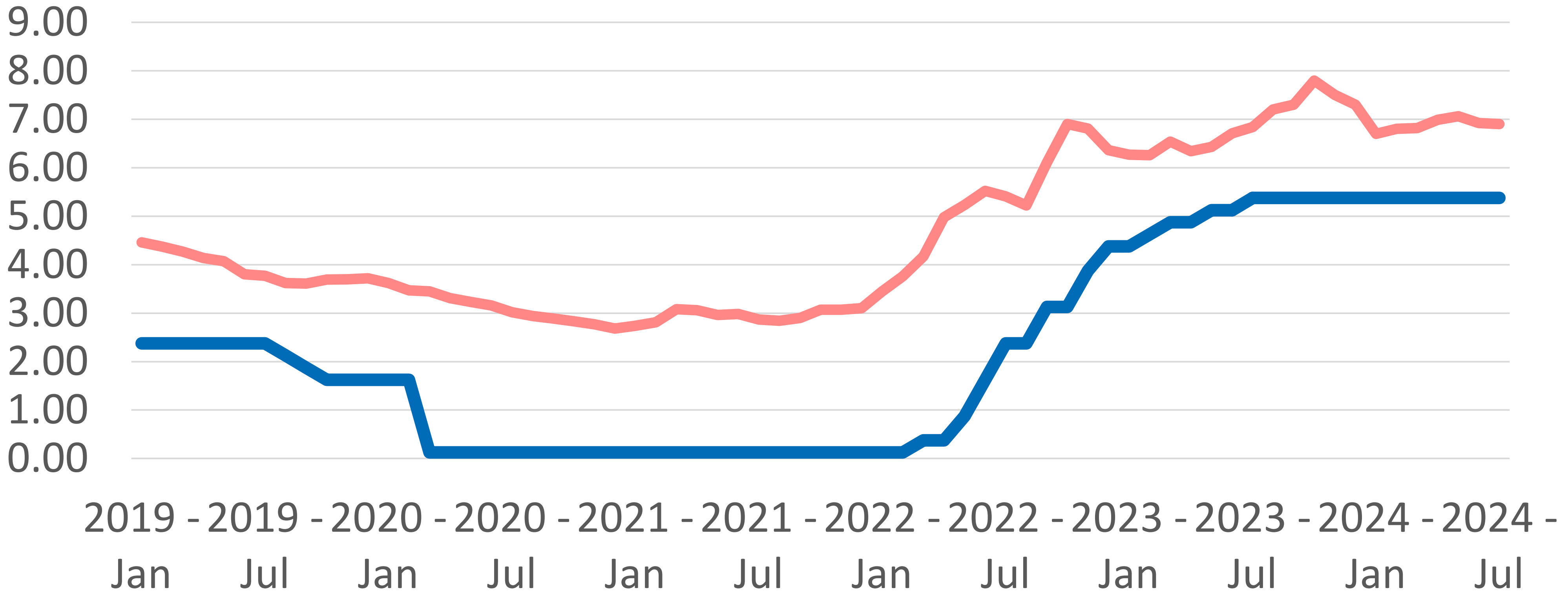
# 30-year Mortgage and Fed Funds Rate …
# High Rate Environment




Source: U.S. Treasury and Federal Reserve

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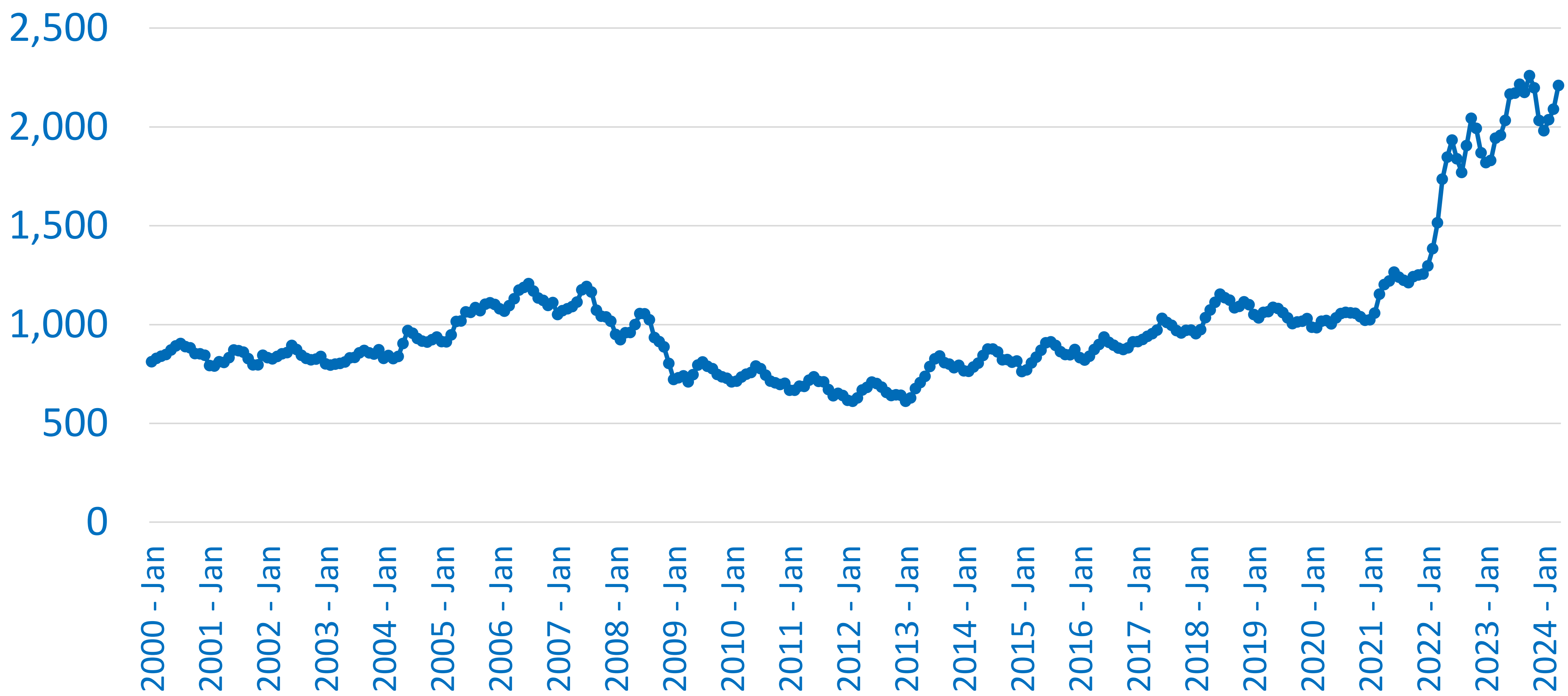
# Monthly Payment to Buy Median Priced Home




Source: NAR

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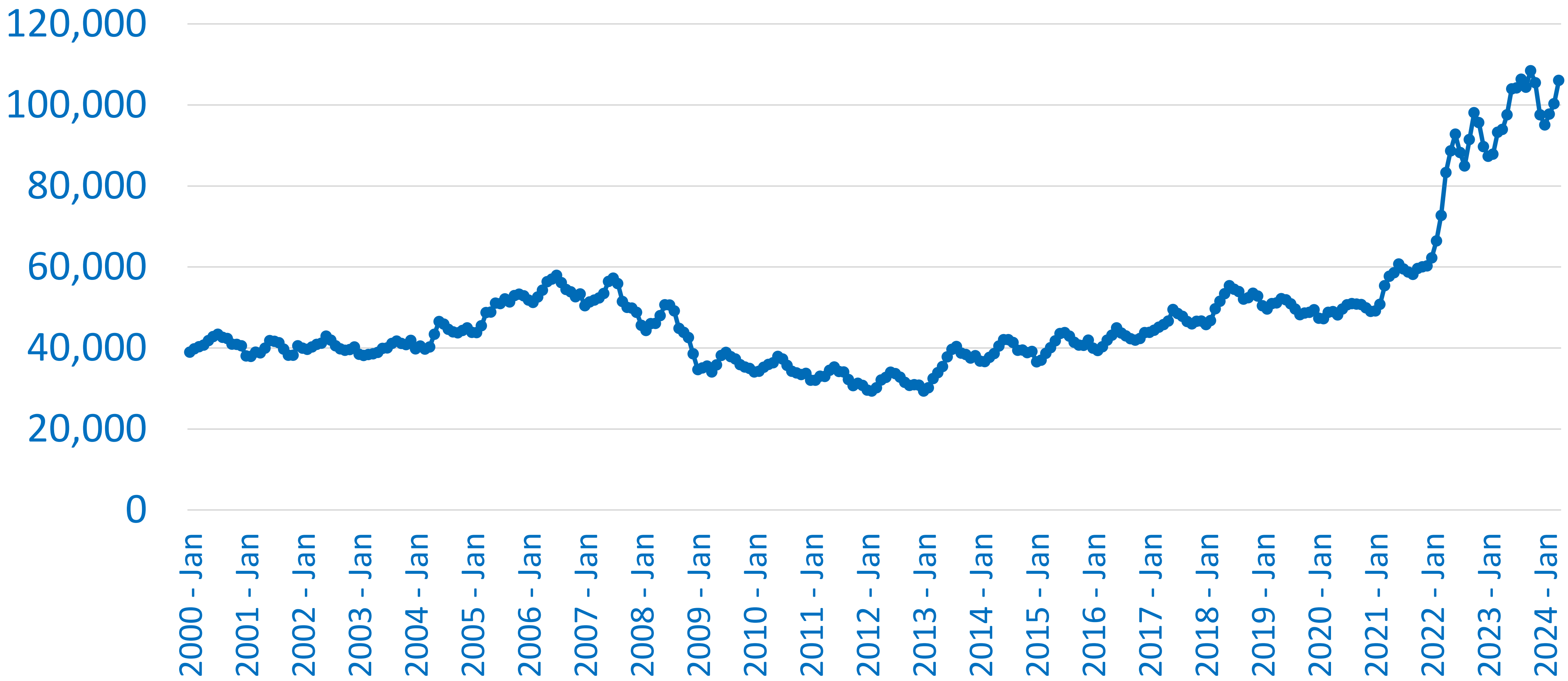
# Income Required to Buy Median Priced Home




Source: NAR

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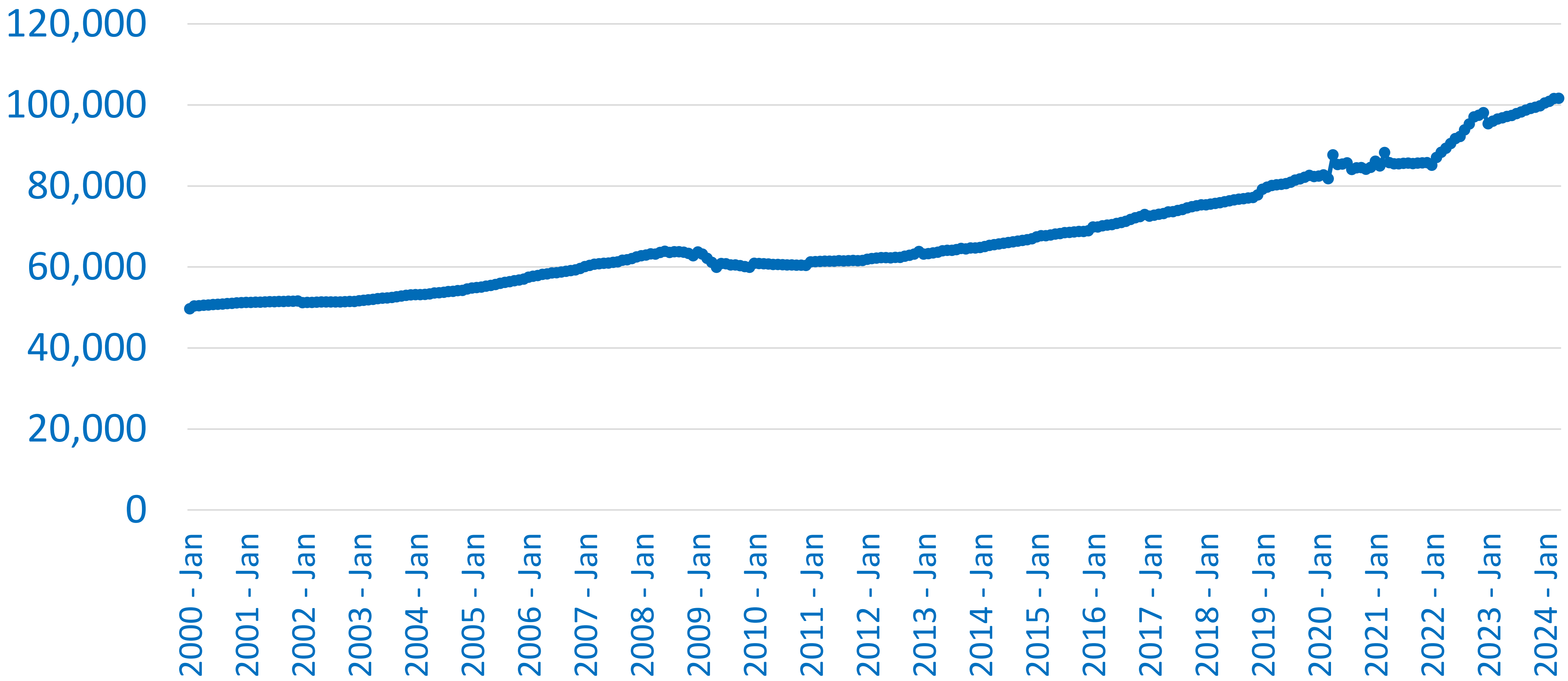
# Median Family Income




Source: NAR

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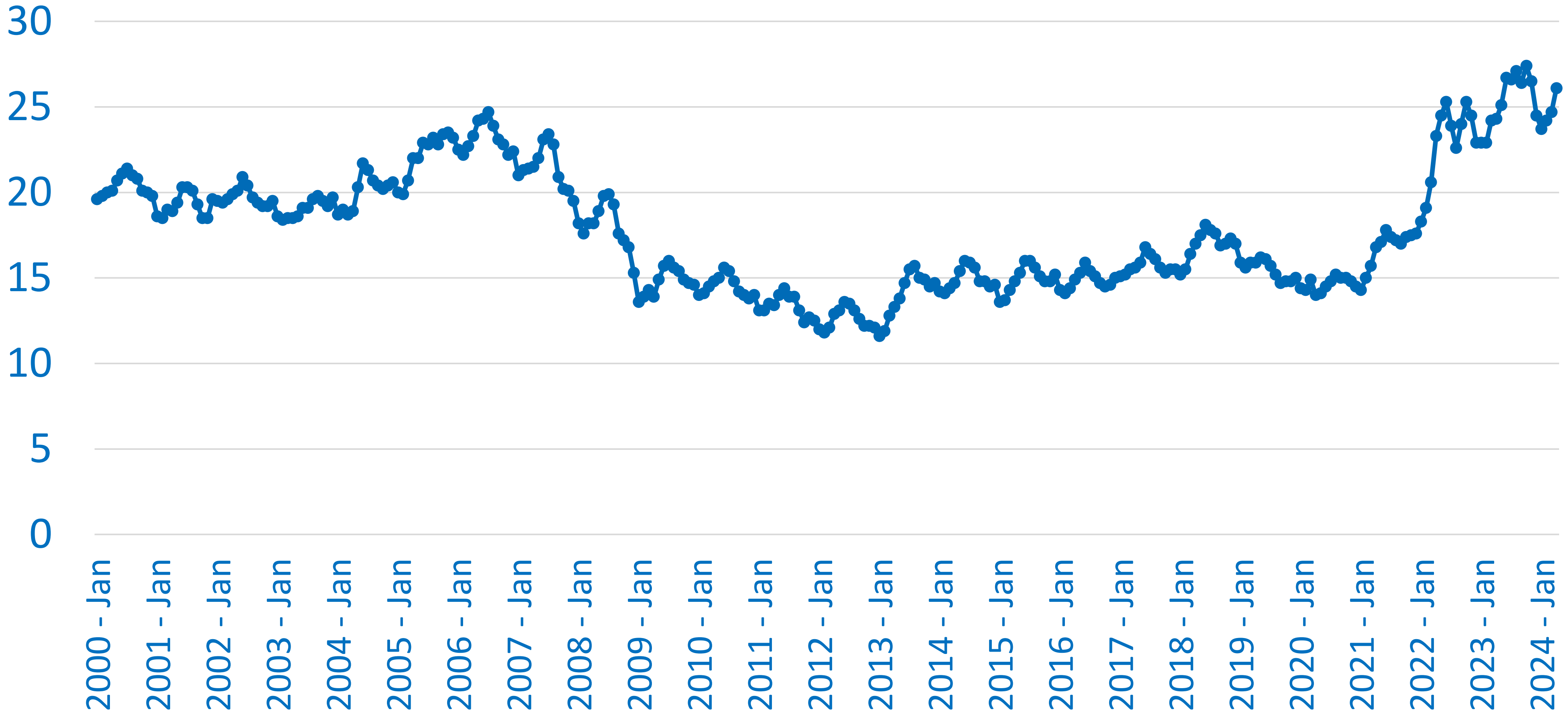
# % of income for mortgage payment




Source: NAR

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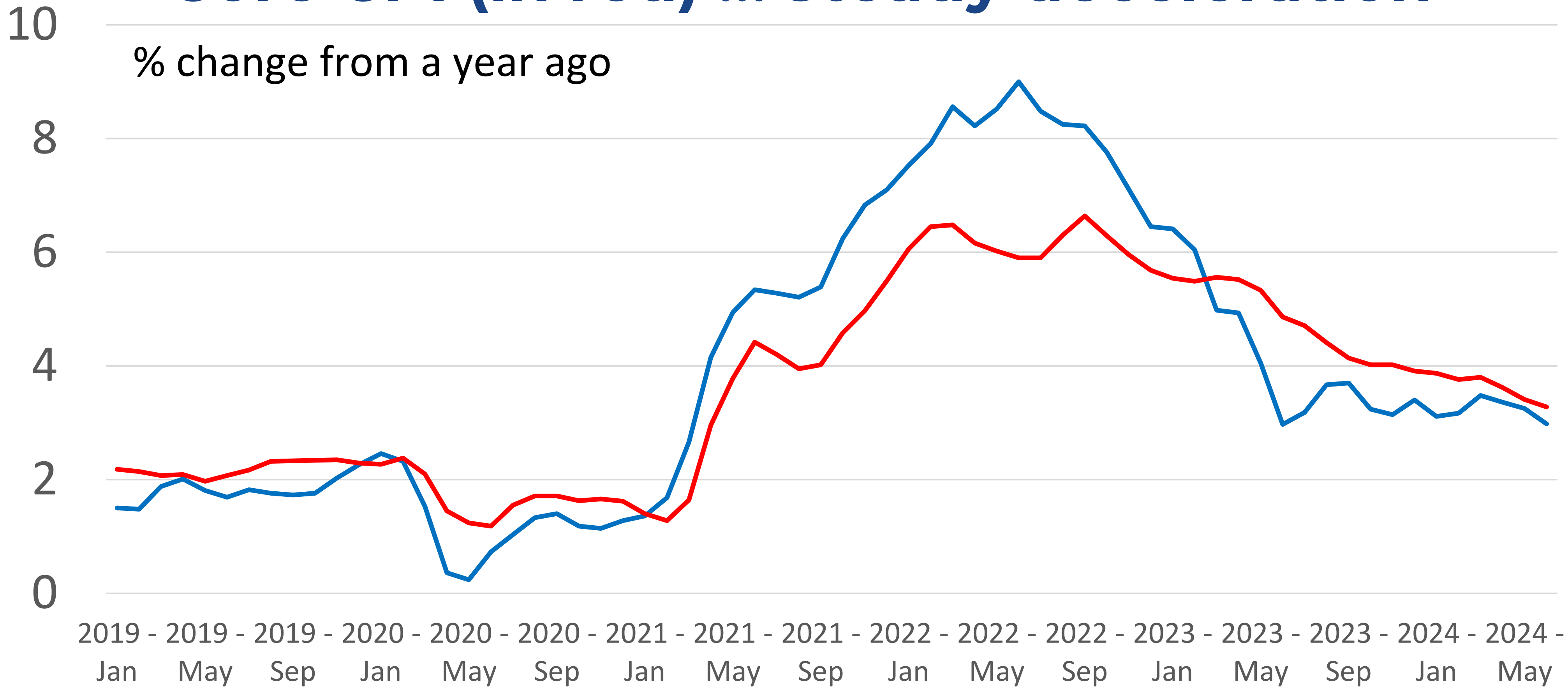
# Fed is waiting for CPI to reach 2%
# CPI … 3.0% in June
# Core CPI (in red) … steady deceleration




Source: BLS

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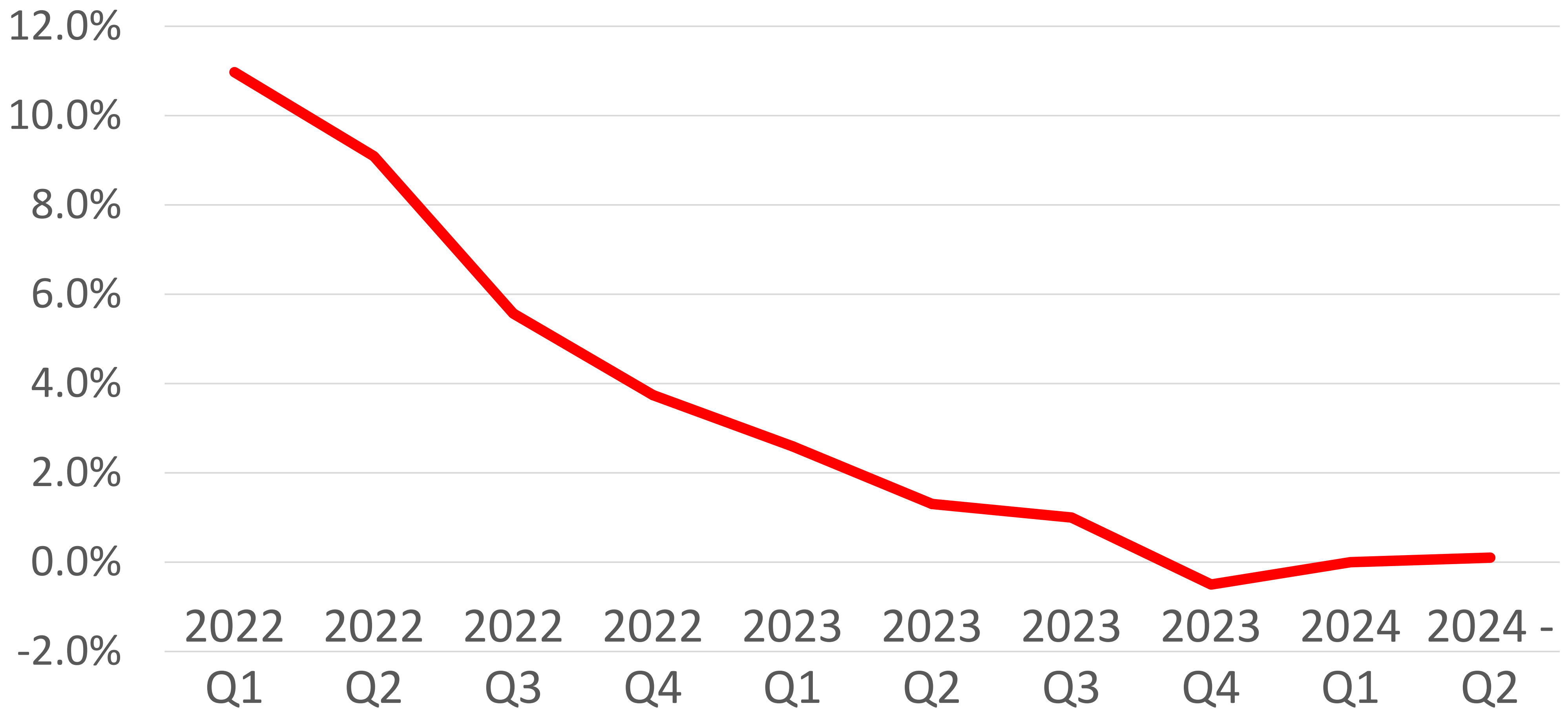
# Rents no longer Rising in private sector data




Source: NAR Analysis of CoStar data

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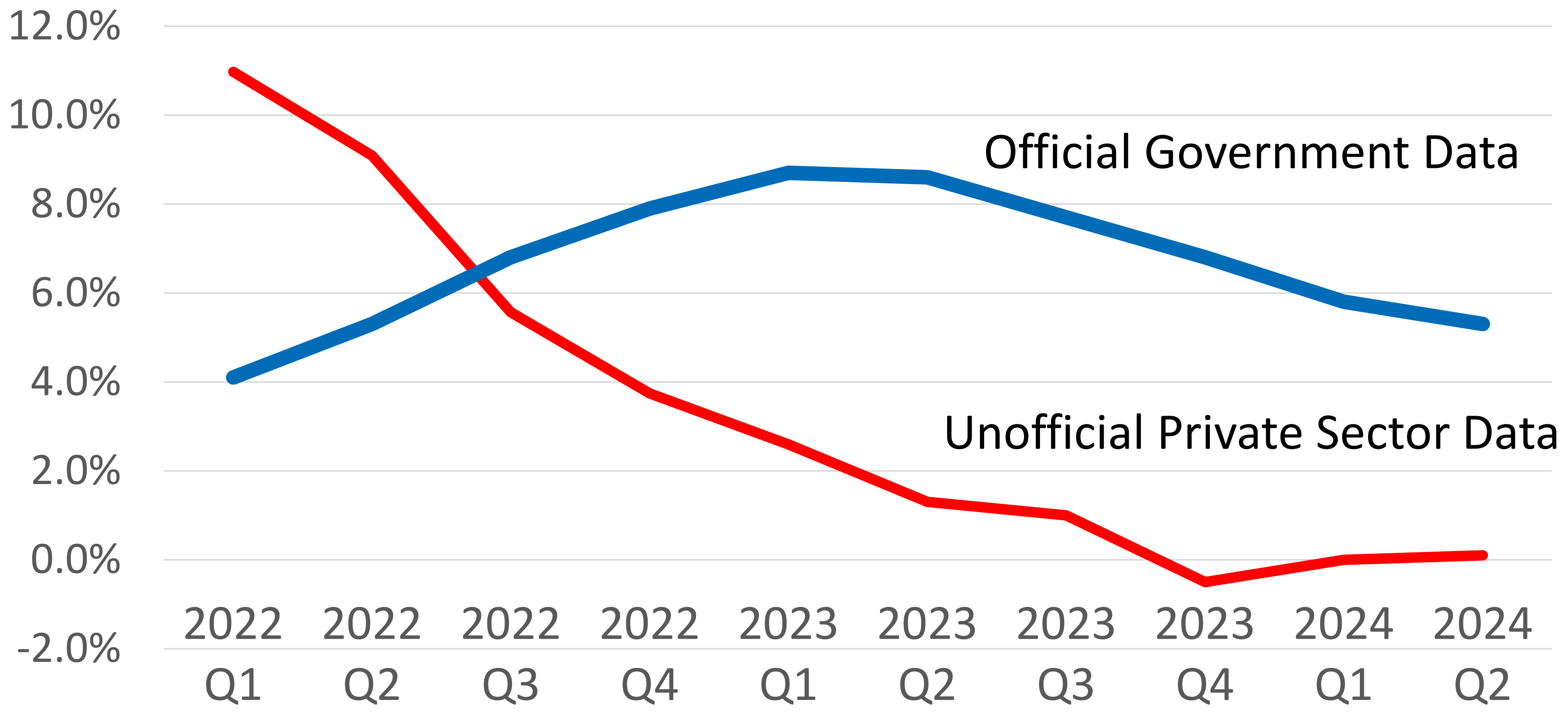
# Rents are Rising at 5.3% in Government CPI data




Source: BLS and CoStar

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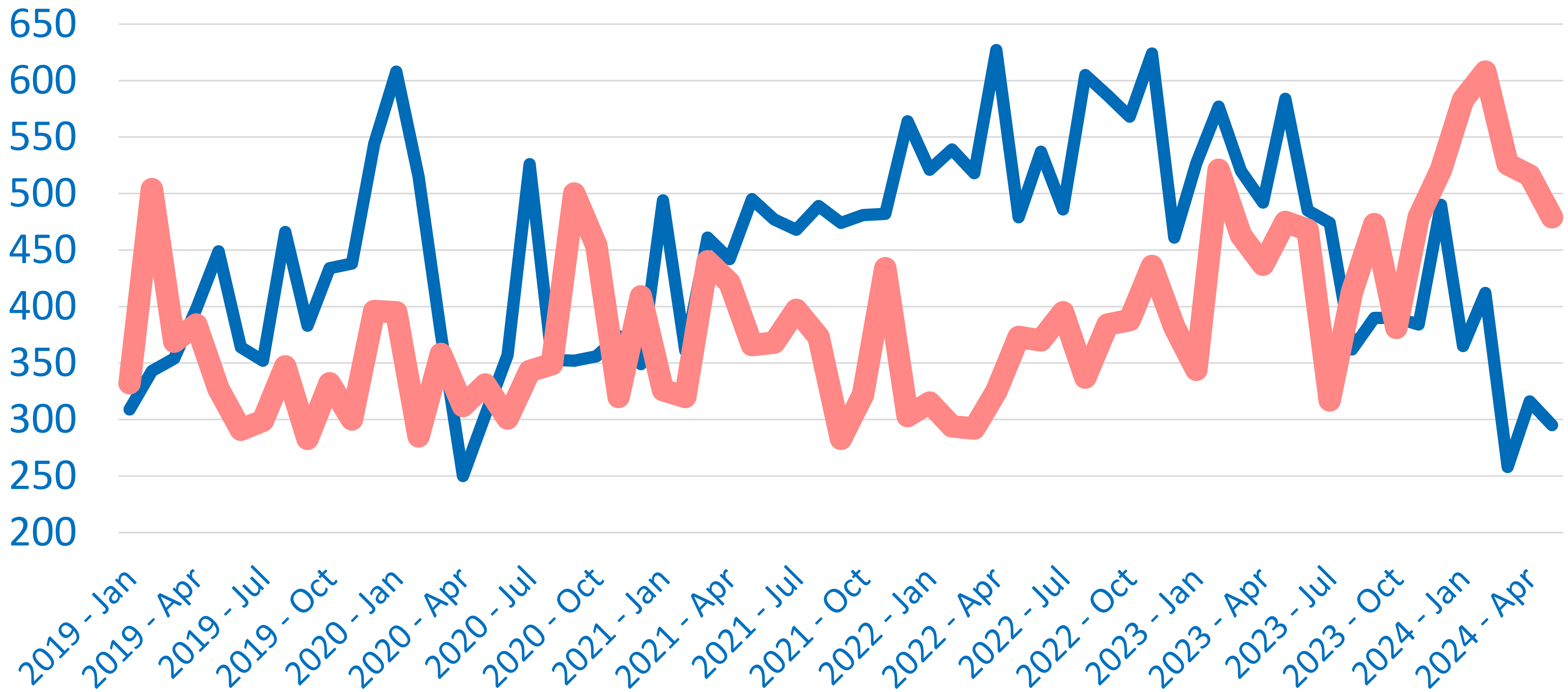
# Multifamily Completions are High But Multifamily Starts are Collapsing




Source: NAR

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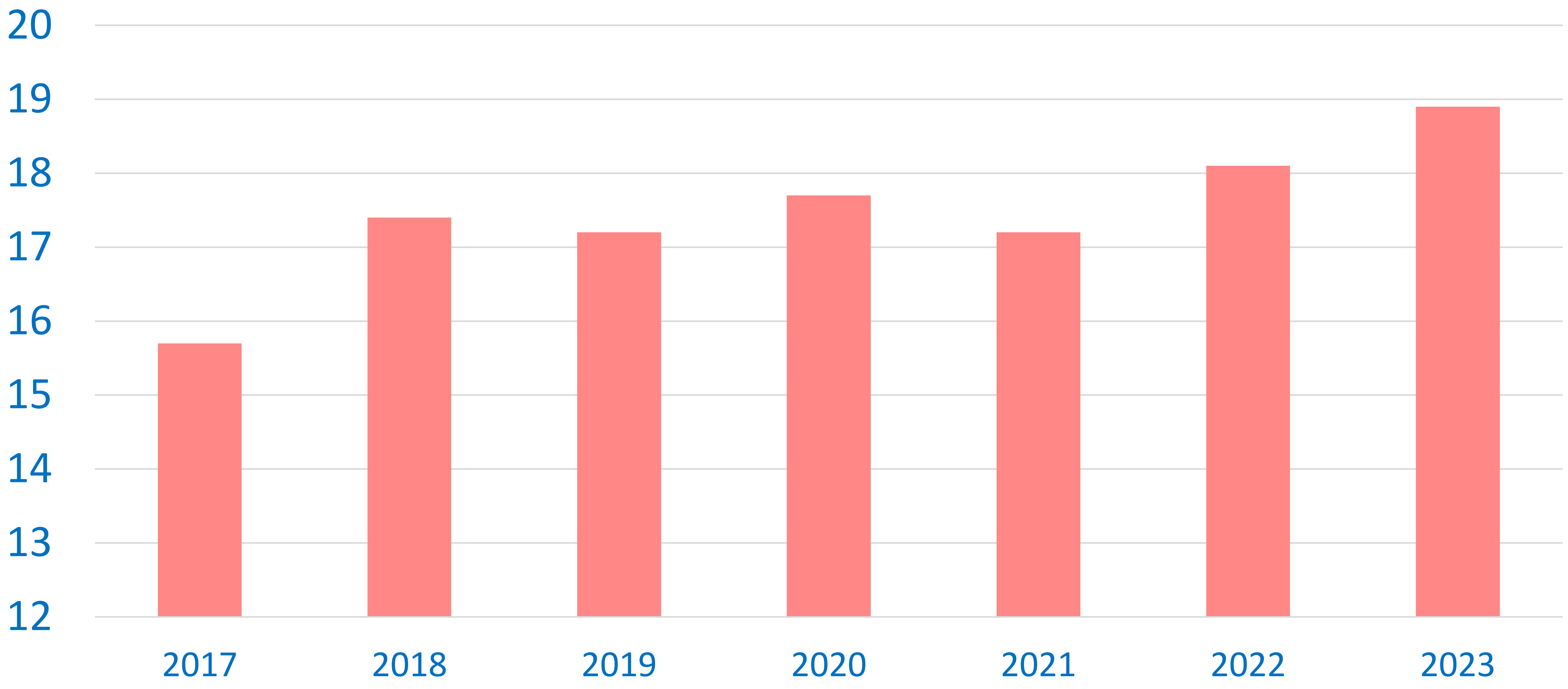
# Months to Complete from Start time for Multifamily 20+ units




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

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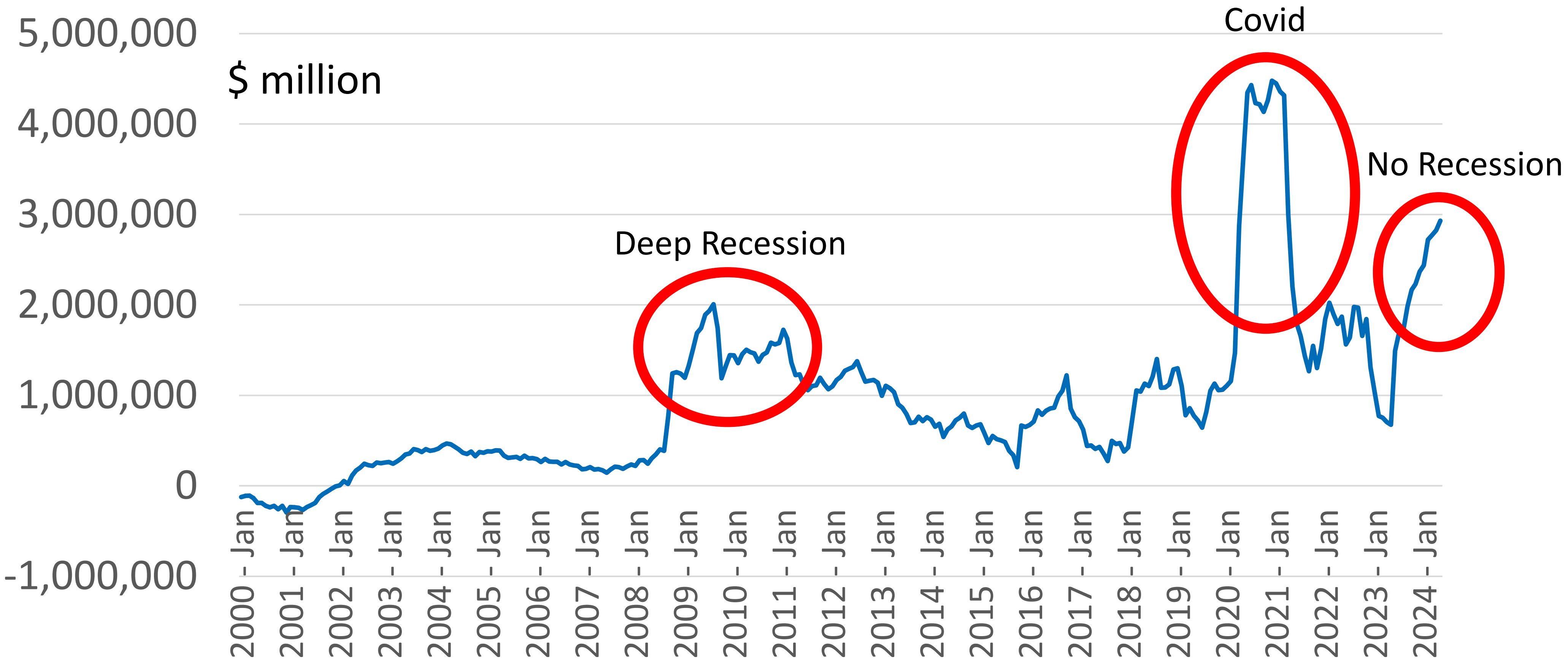
# 12-month total of Public Borrowing




Source: Congressional Budget Office

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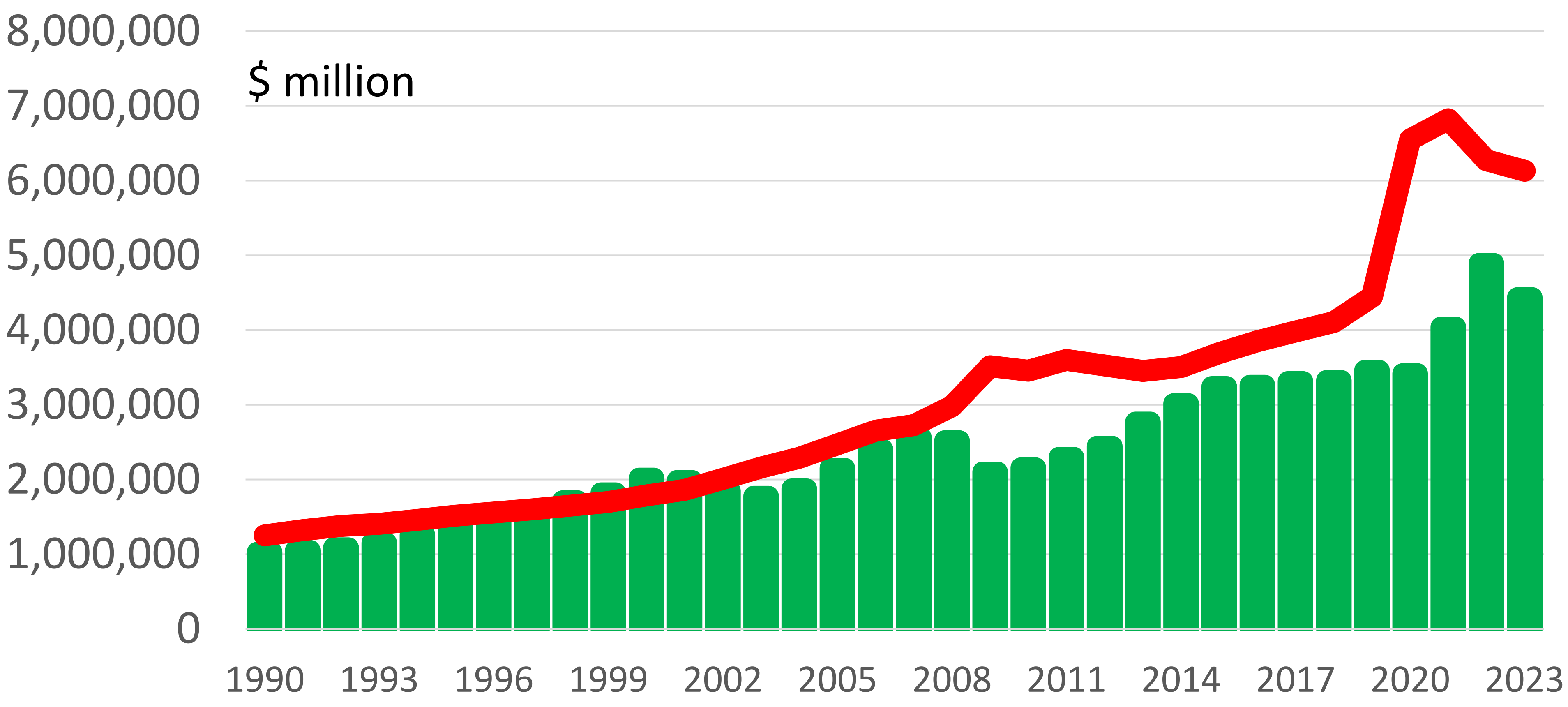
# Government Outlay > Tax Revenue

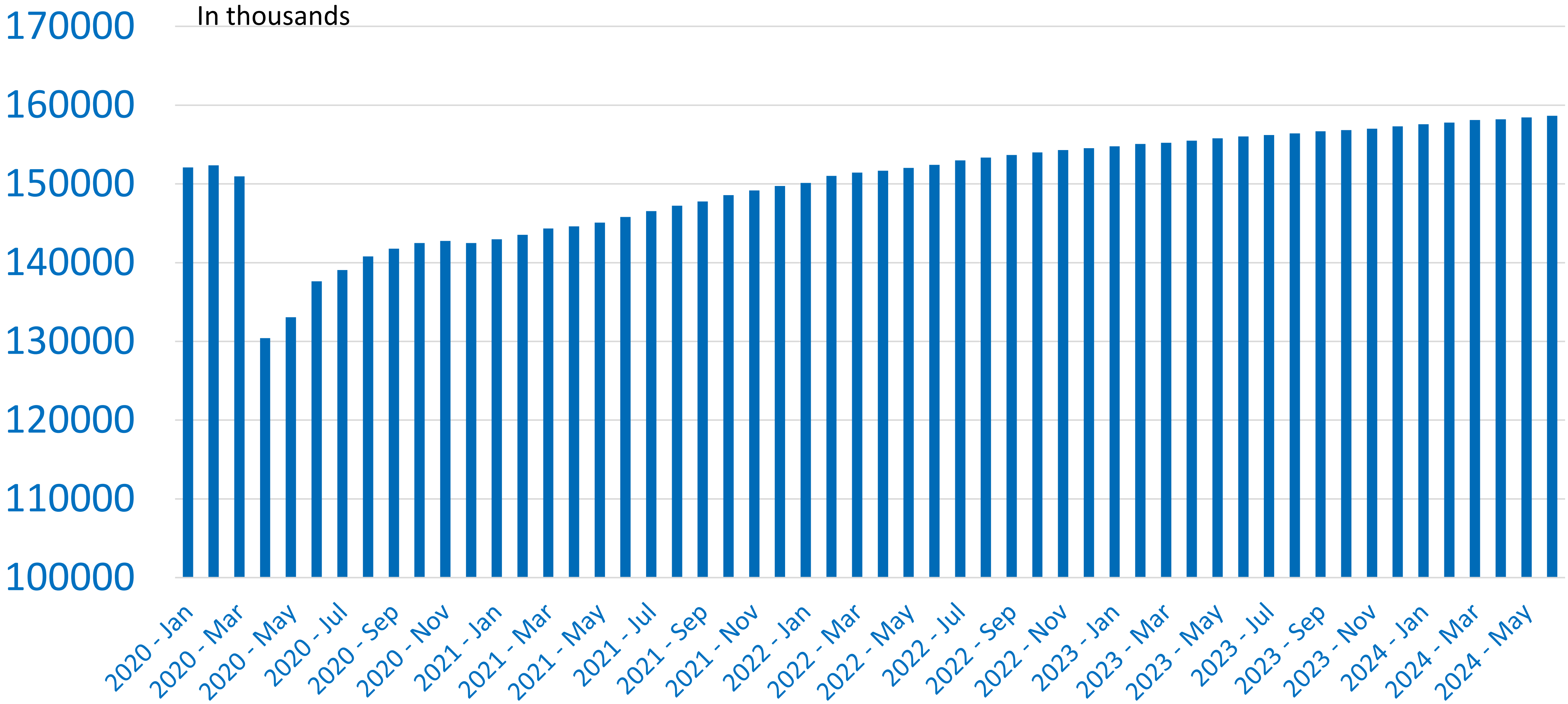



Source: Congressional Budget Office

# Long-Term Real Estate Demand

# Come from Jobs Jobs Jobs

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




Source: BLS

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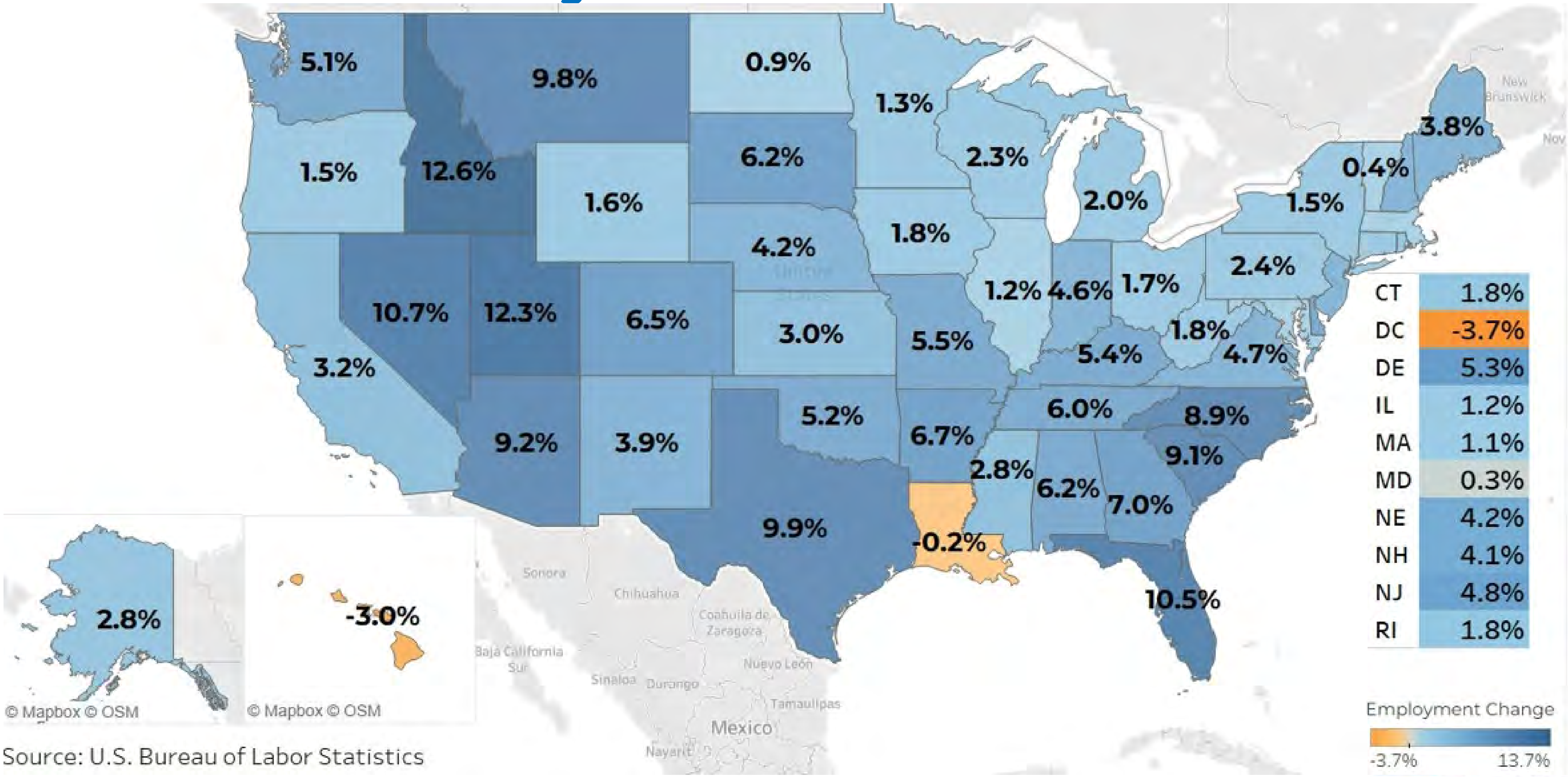
# Job Gains Since Pre-COVID Record High Payroll Employment

## % change from March 2020 to June 2024




Source: NAR Analysis of BLS data

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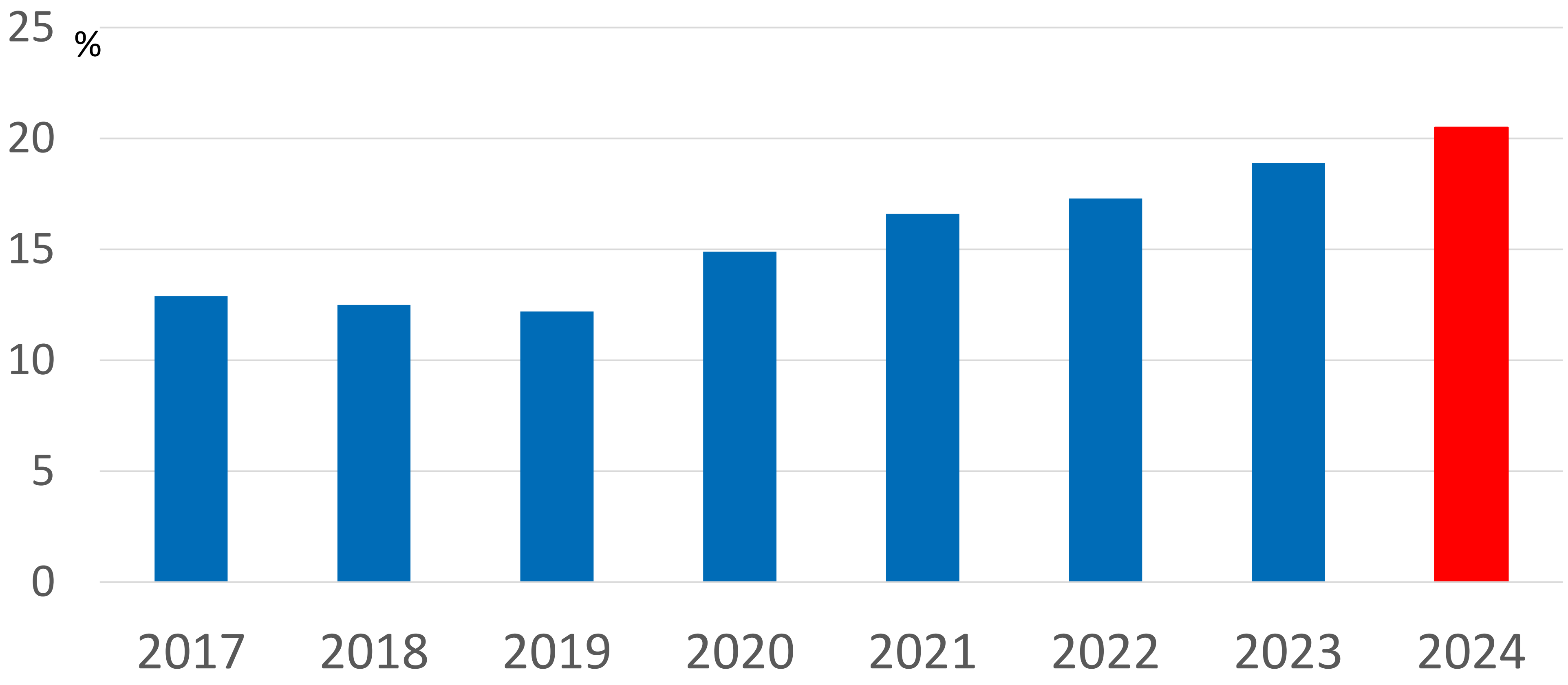
# Rising Office Vacancy Rate
# … Good for Outer Suburbs and Fun Destinations




Source: CBRE/ULI and NAR Forecast

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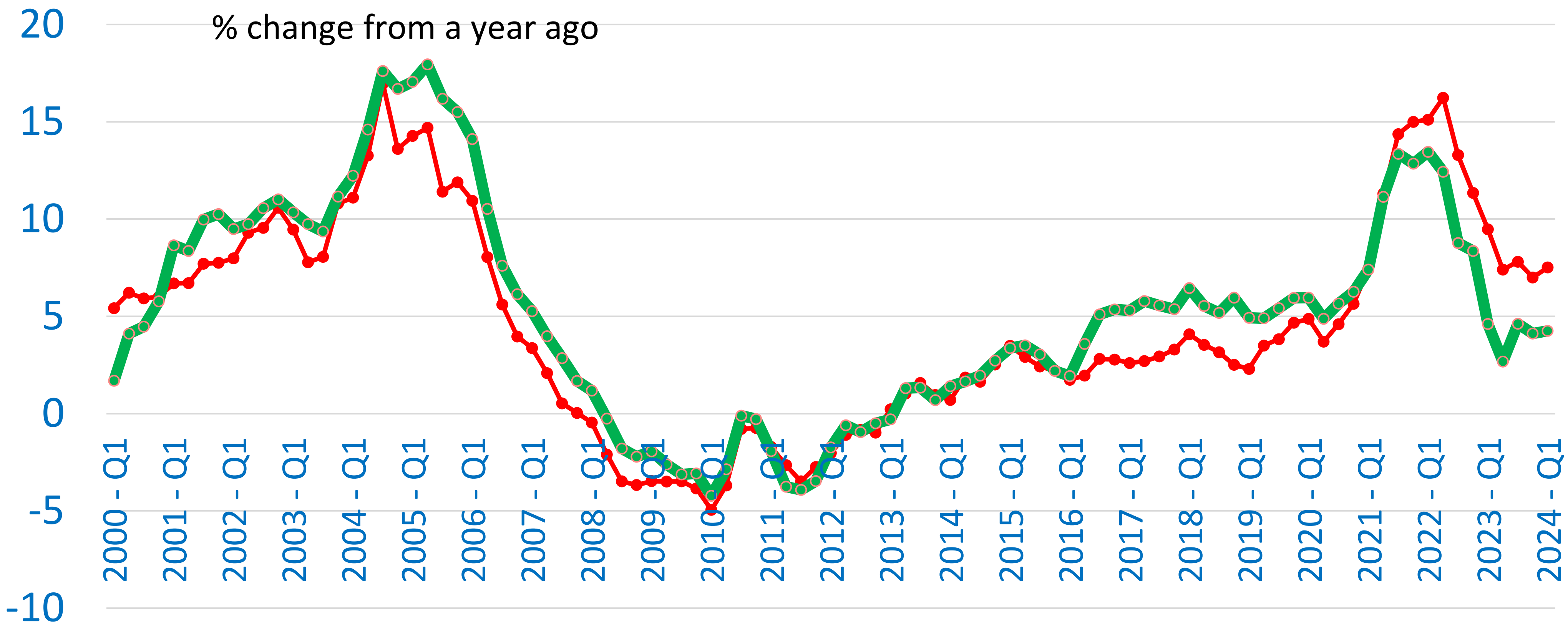
# Home Price Change

## Philadelphia Metro vs. Montgomery-Bucks-Chester Counties




Source: FHFA

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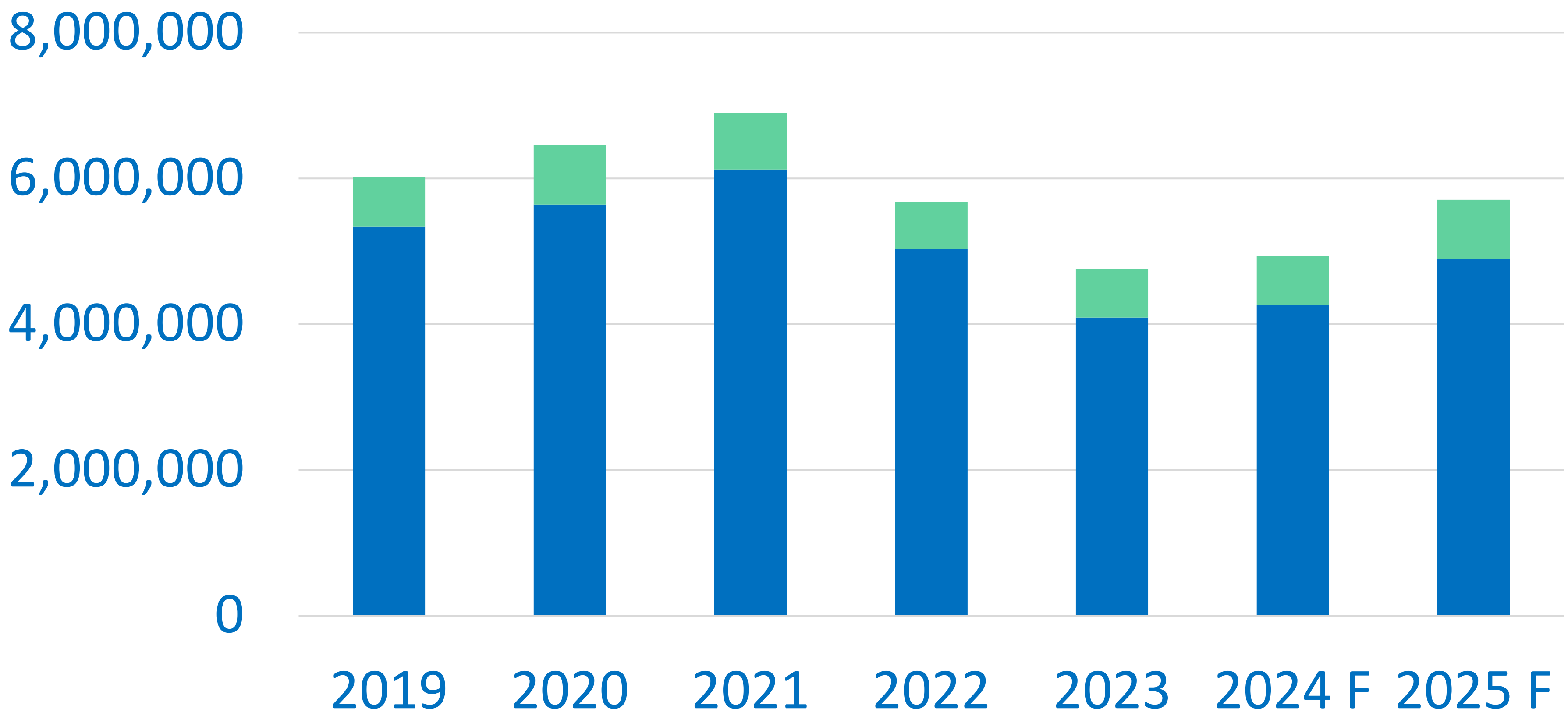
# Long-term Interest Rates to Fall?

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

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# Thank You

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