

Economic & Real Estate Outlook

By Lawrence Yun, Ph.D.

Chief Economist, National Association of REALTORS®

Presentations at MetroTex Association of REALTORS®

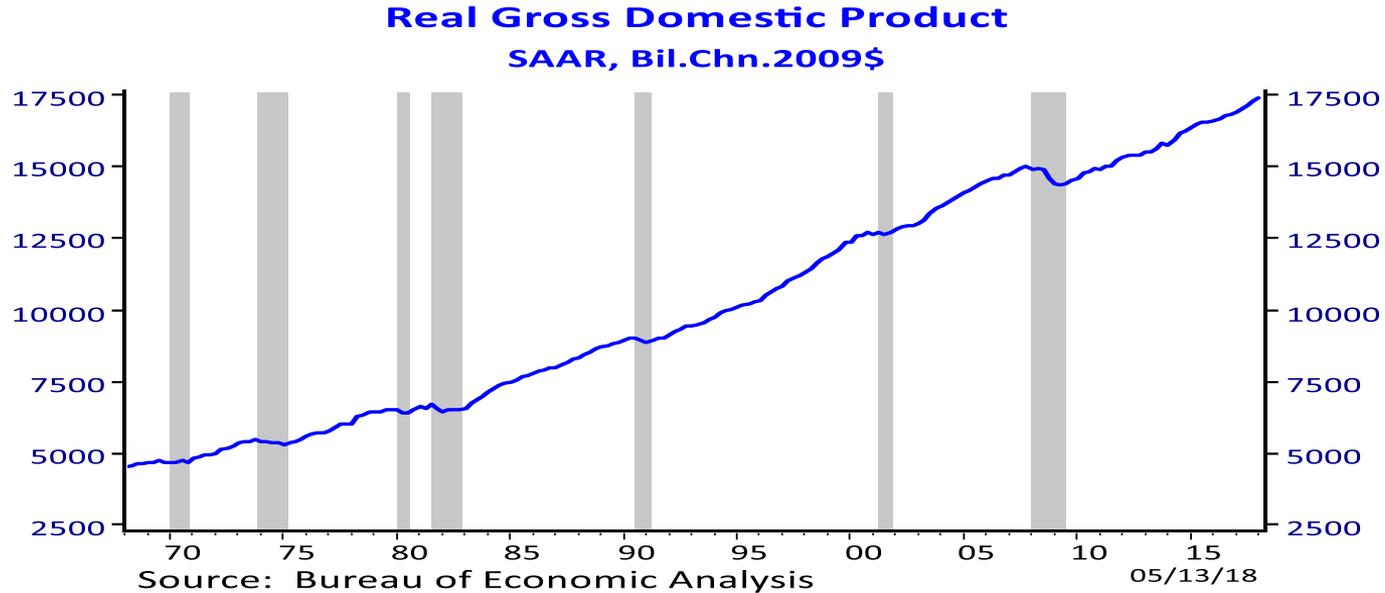
Dallas, TX

October 5, 2018

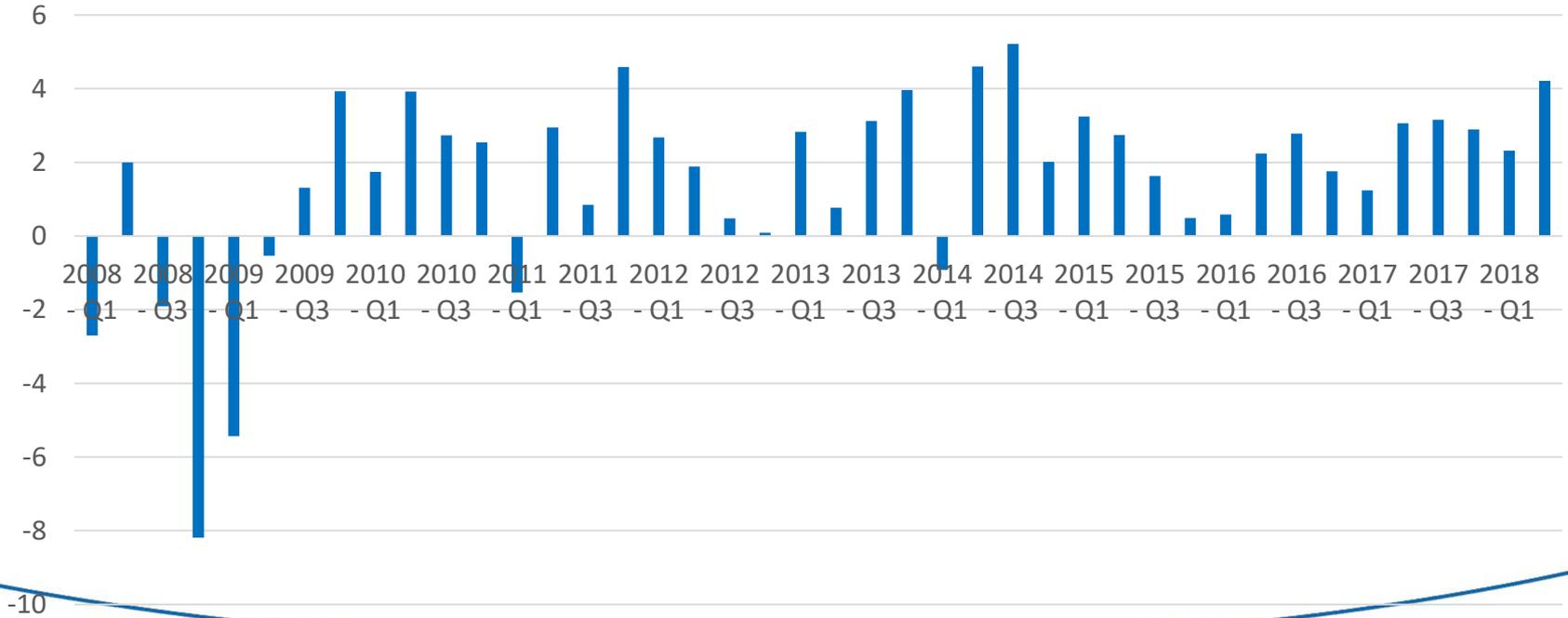
Good Economy

- Job Additions for 8 straight years
- Unemployment Rate 4%
- High Stock Market
- High Net Worth
- Wages picking up

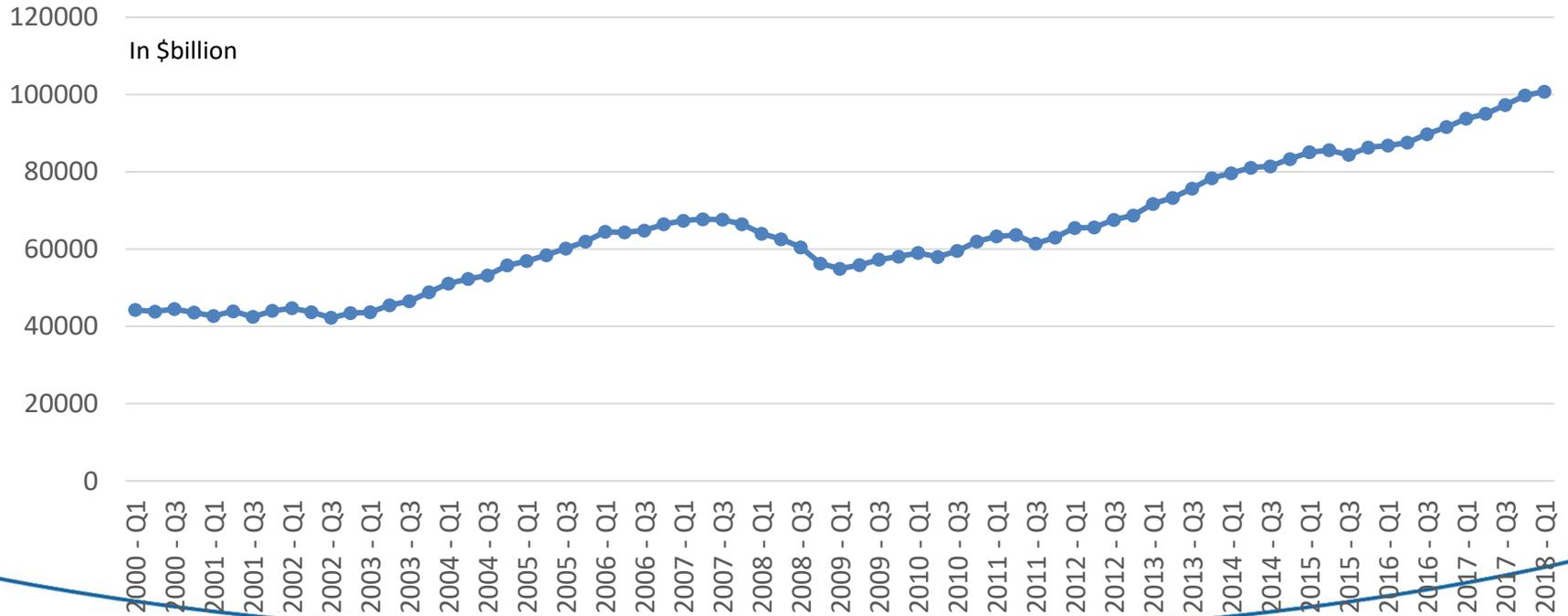
Very Long Economic Expansion



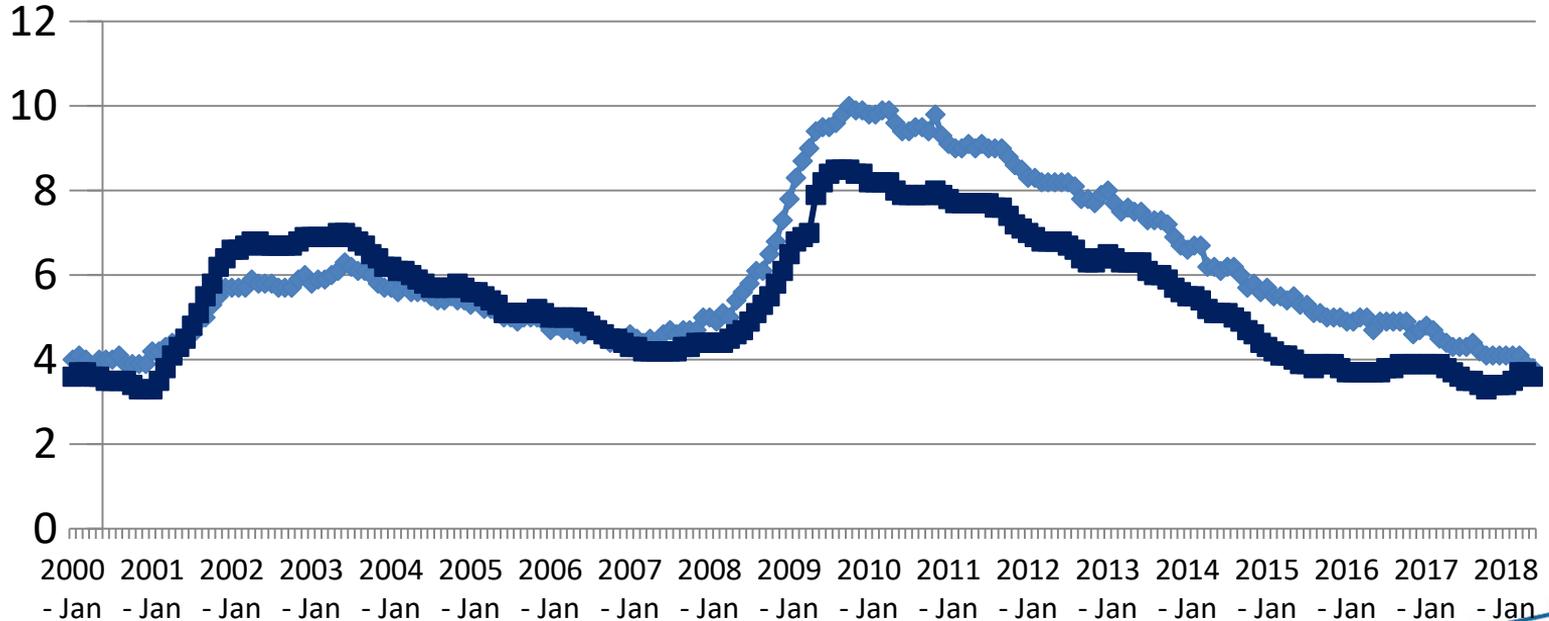
Q2 GDP Growth Rate of 4.2%



Record High Wealth

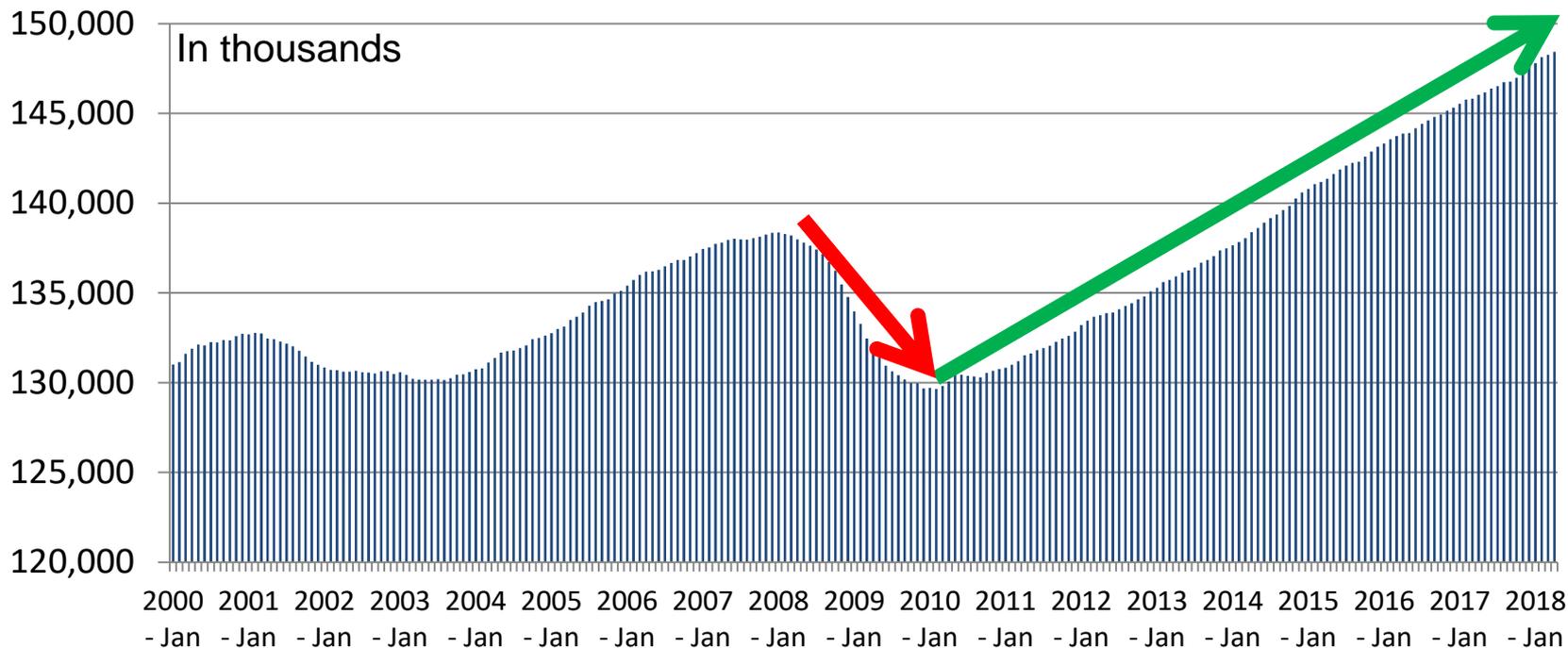


Unemployment Rate U.S. and Dallas-Plano-Irving



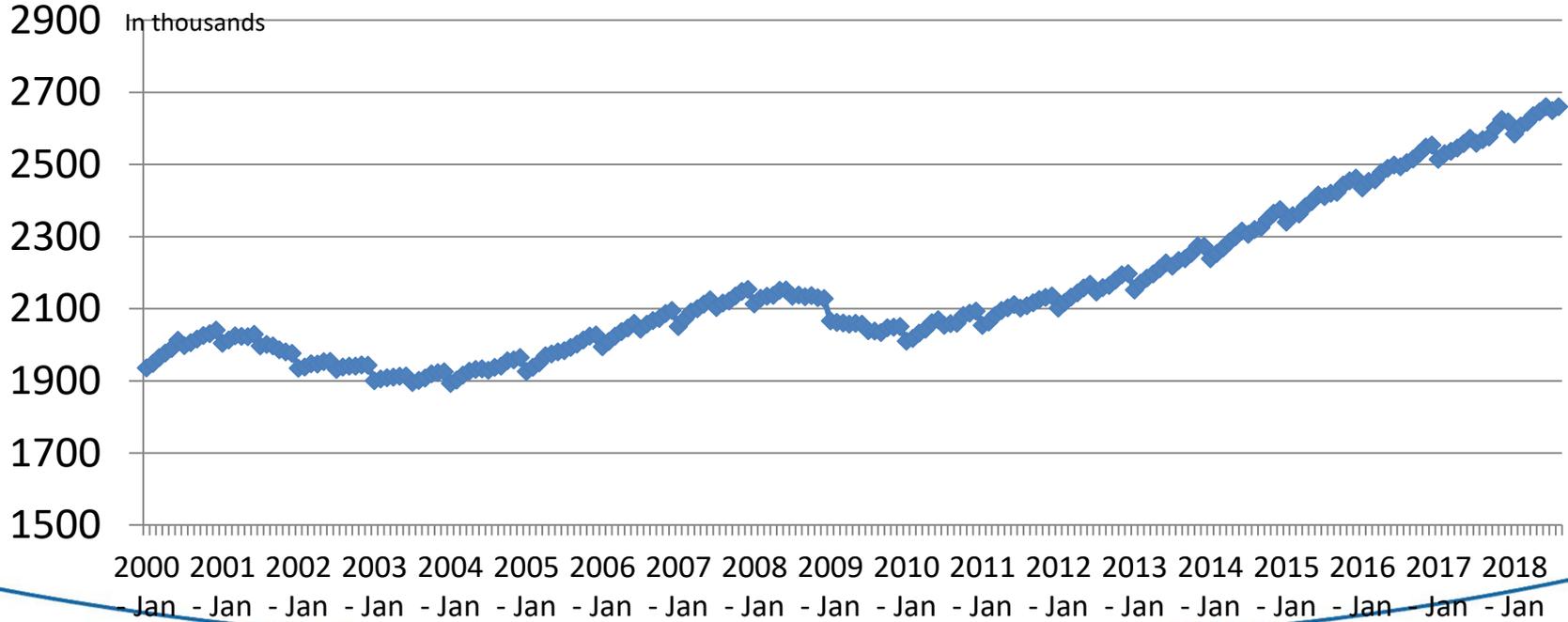
Jobs

(18 million gained from 2010)

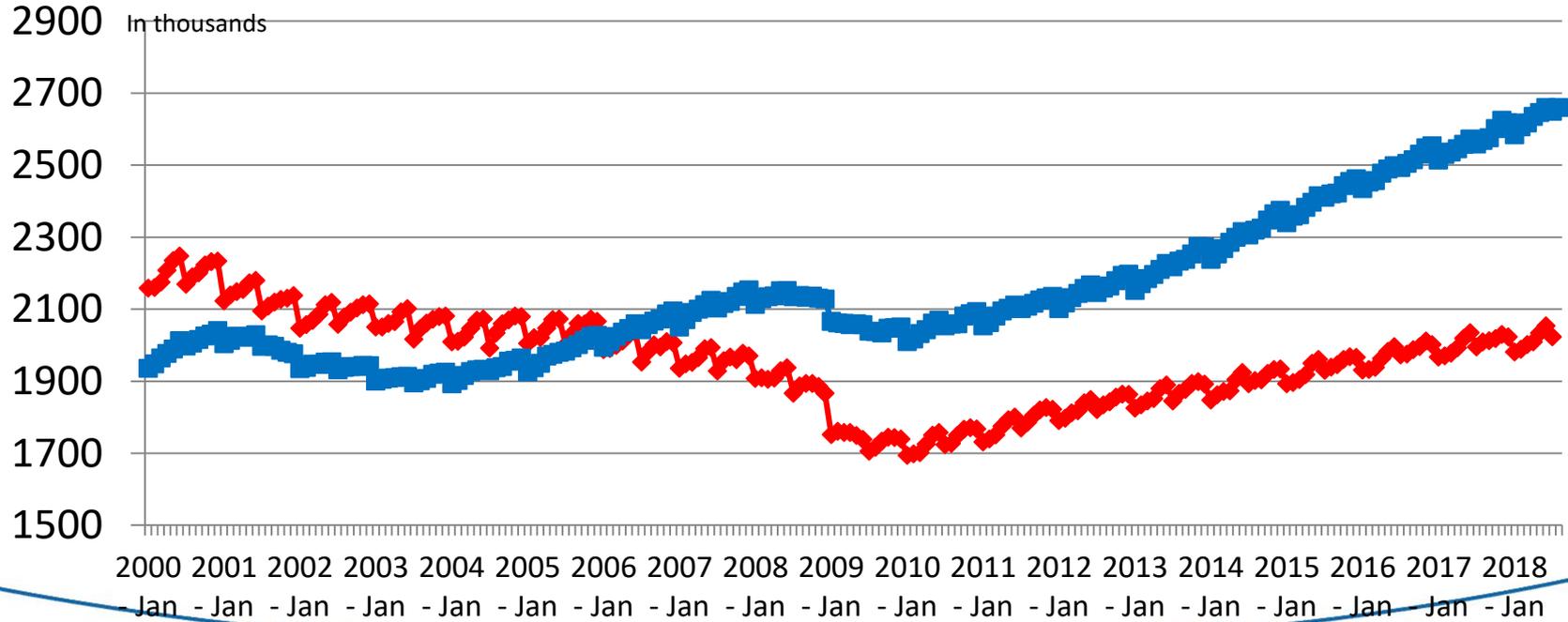


Total Jobs Dallas-Plano-Irving

(32% growth vs 13% nationwide from 2000)



Total Jobs Dallas and Detroit



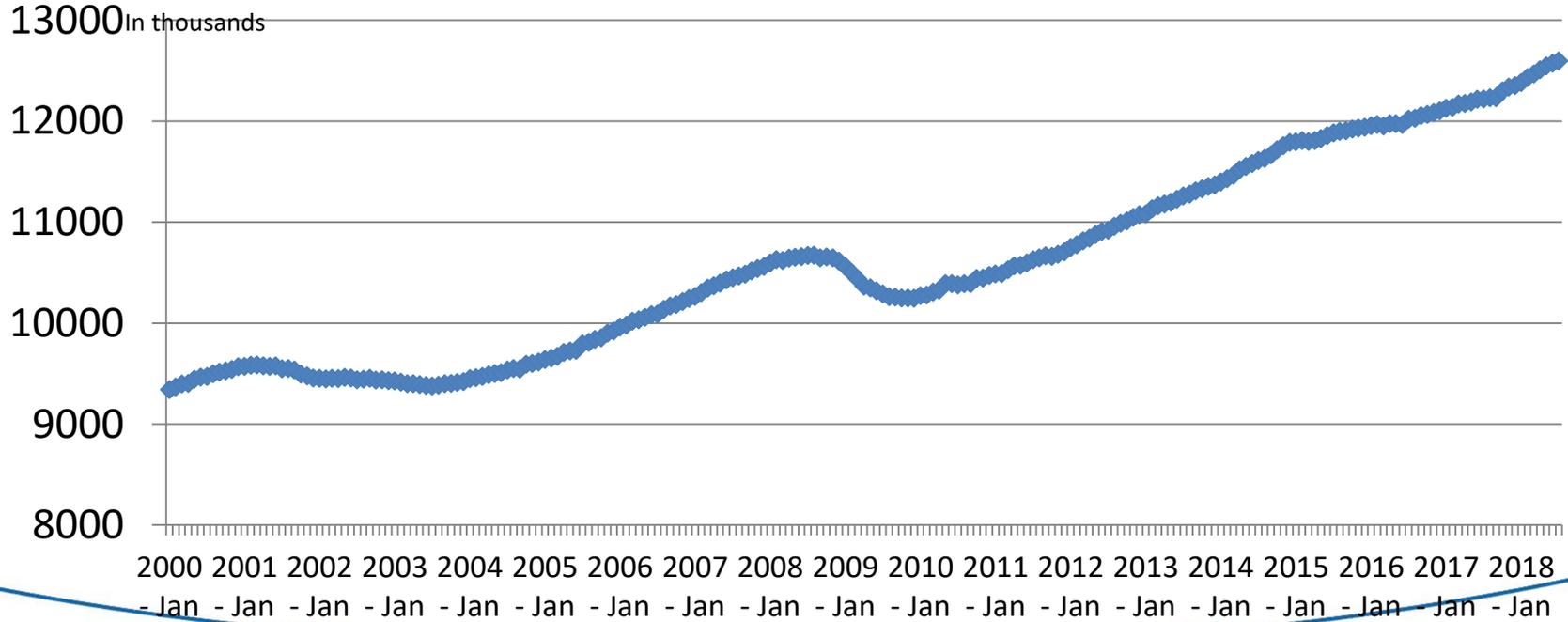
Oil Price – Bouncing Off Lows

West Texas Intermediate

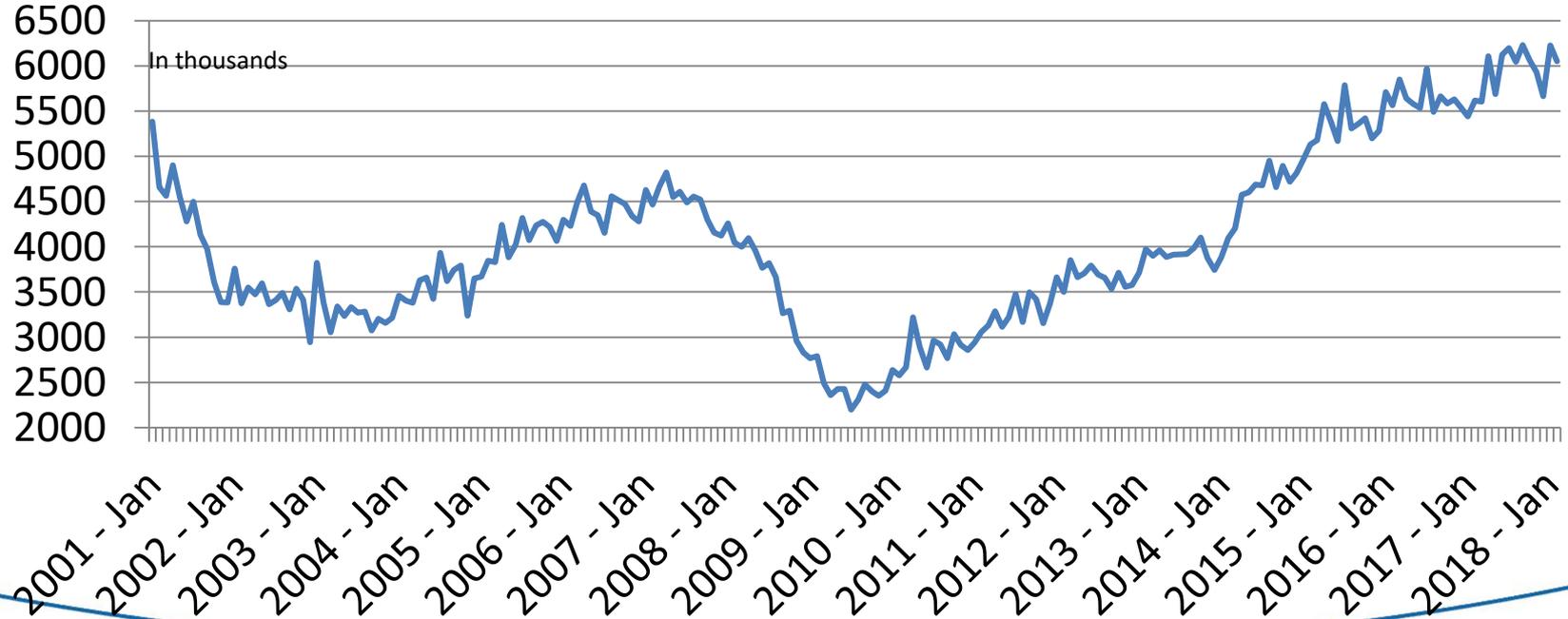


Total Jobs Texas – Hot and not oil dependent

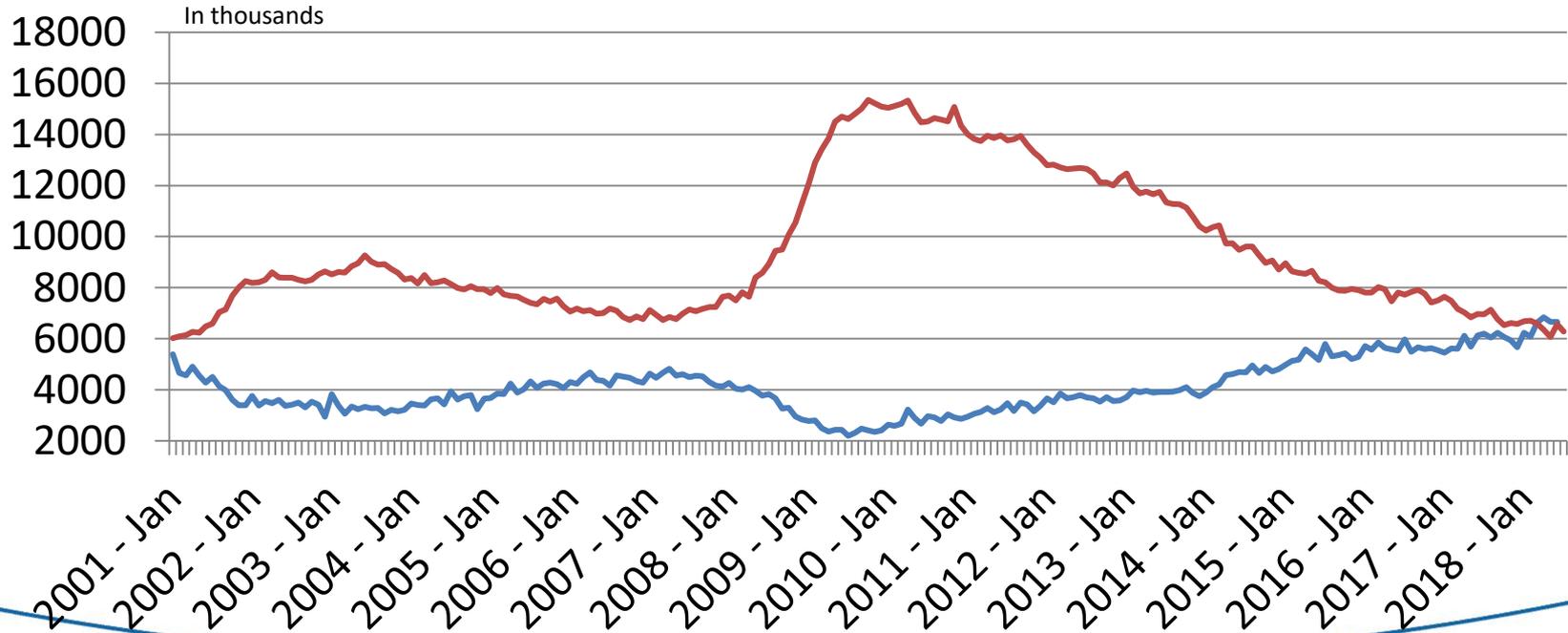
(33% growth vs 13% nationwide from 2000)



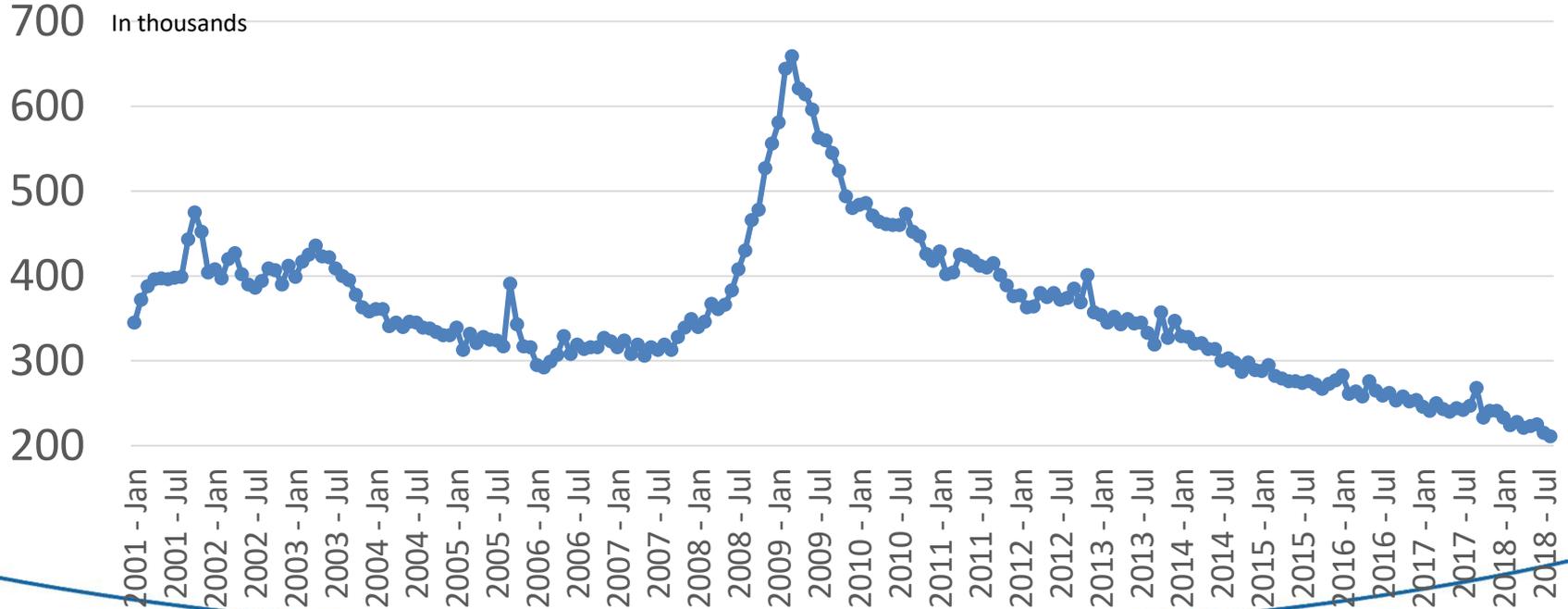
Total Job Openings



Job Openings = Unemployed



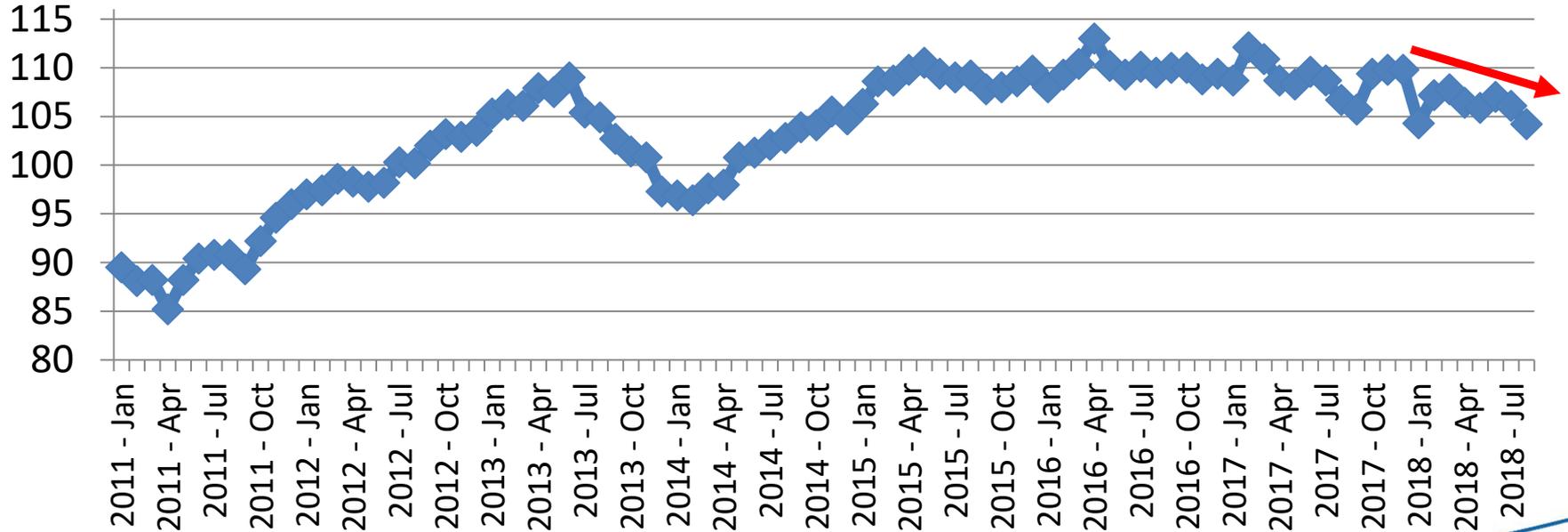
Weekly Initial Unemployment Insurance Filings



Home Sales Not Breaking Higher

- Pending Contracts stable and neutral
- Low Inventory
- Weakening Affordability
- Low Homeownership Rate
- Low First-Time Buyers
- Diminished Optimism of Home Buying

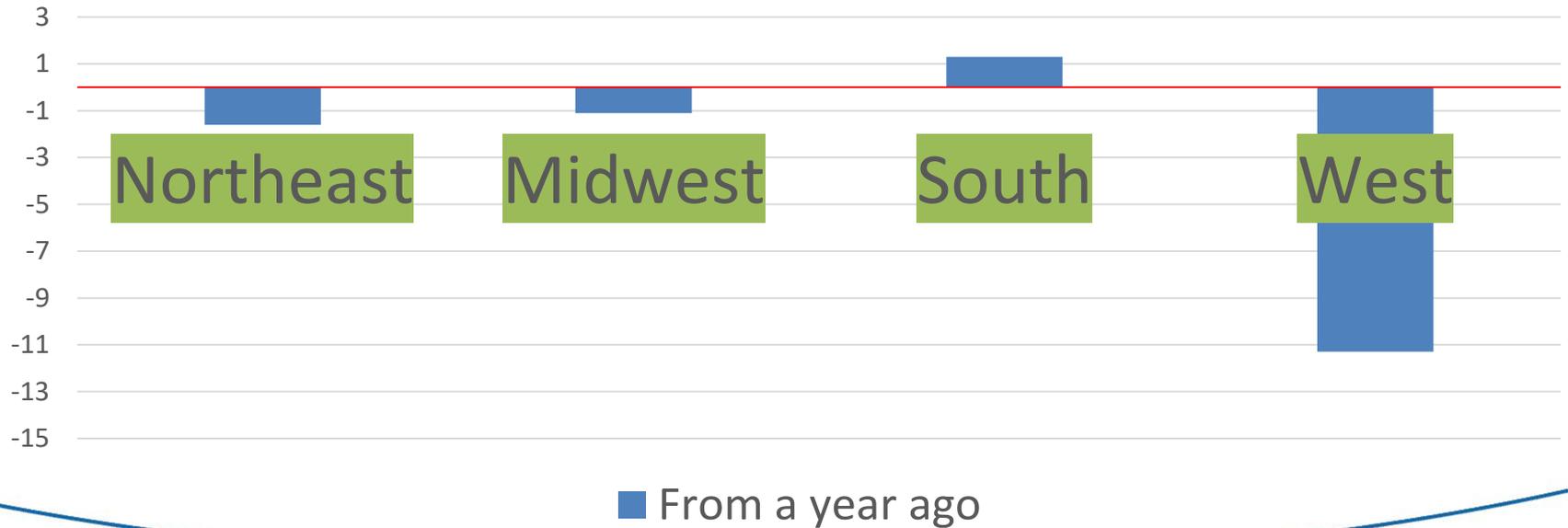
National Pending Sales Index: Lower Every Month in 2018 (seasonally adjusted)



Source: NAR

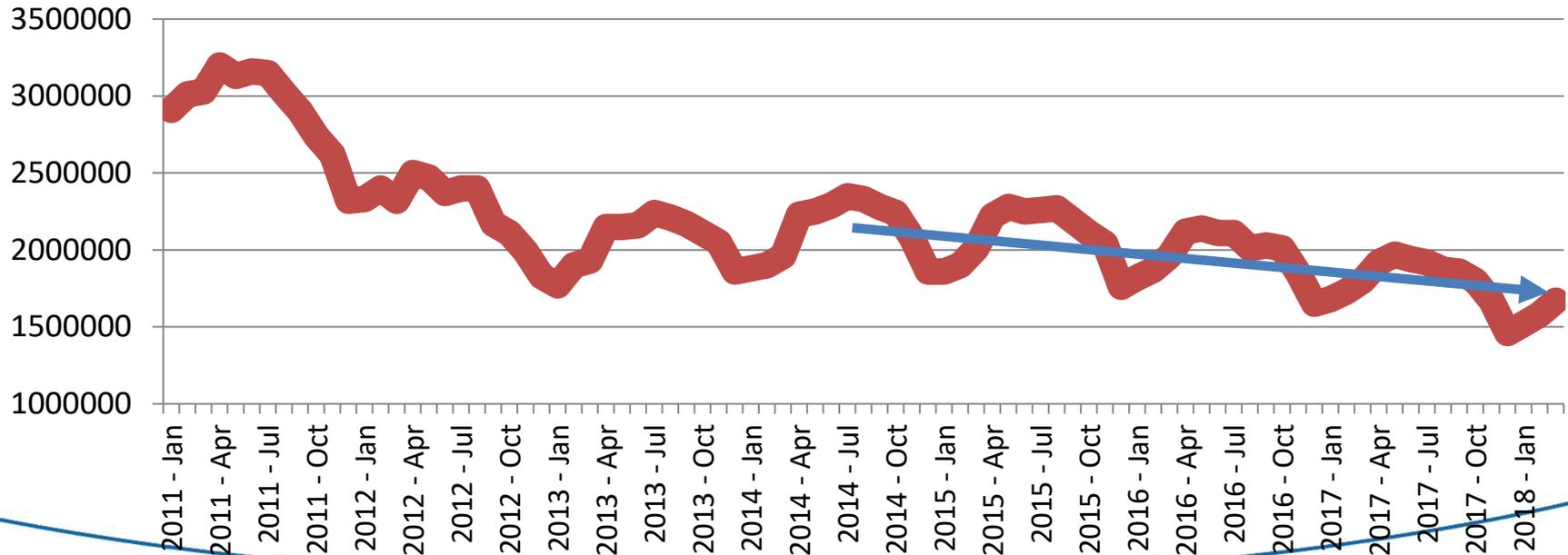
Regional Variation in August

% change in Pending Contracts



Inventory of Homes on Market

(Lowest Inventory in a generation)



Source: NAR

Dallas County

- Closing ... down 1.6% in August
- Months Supply ... 2.8 months
- Median Price ... up 4%

Collin County

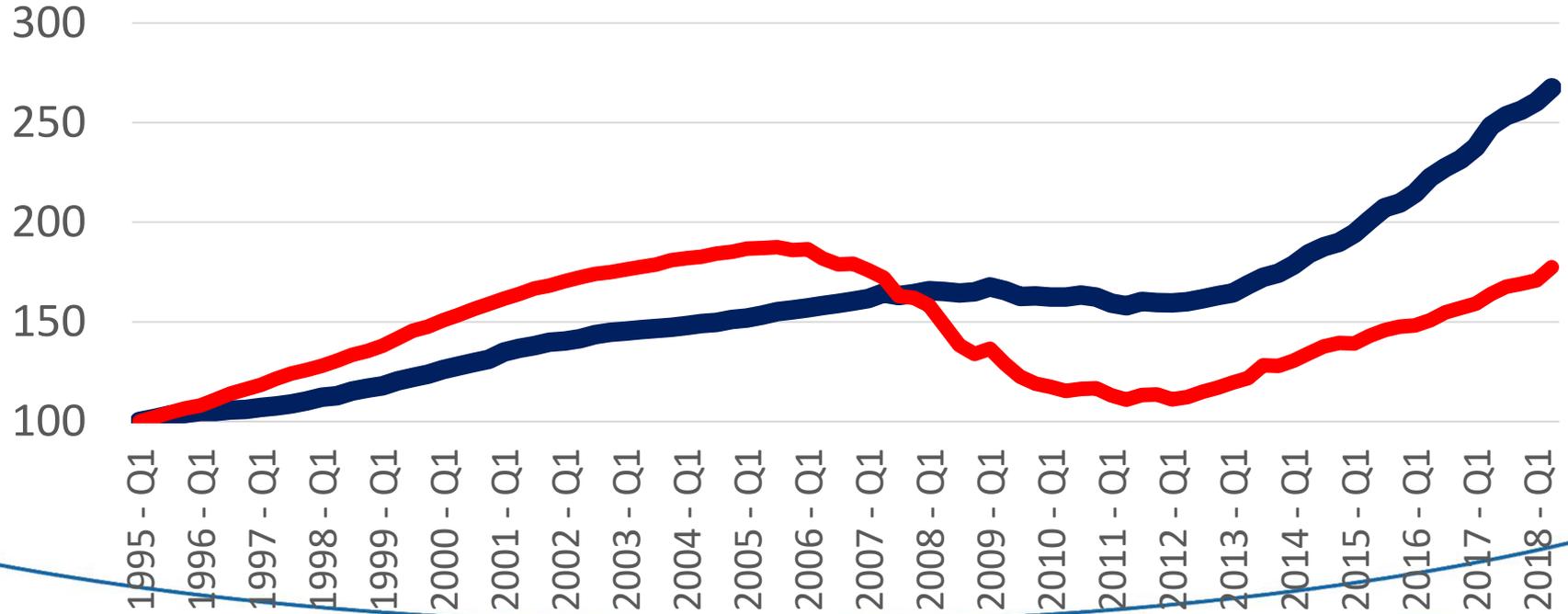
- Closing ... down 10.2% in August
- Months Supply ... 3.8 months
- Median Price ... up 3%

Tarrant County

- Closing ... down 0.2% in August
- Months Supply ... 2.6 months
- Median Price ... up 3%

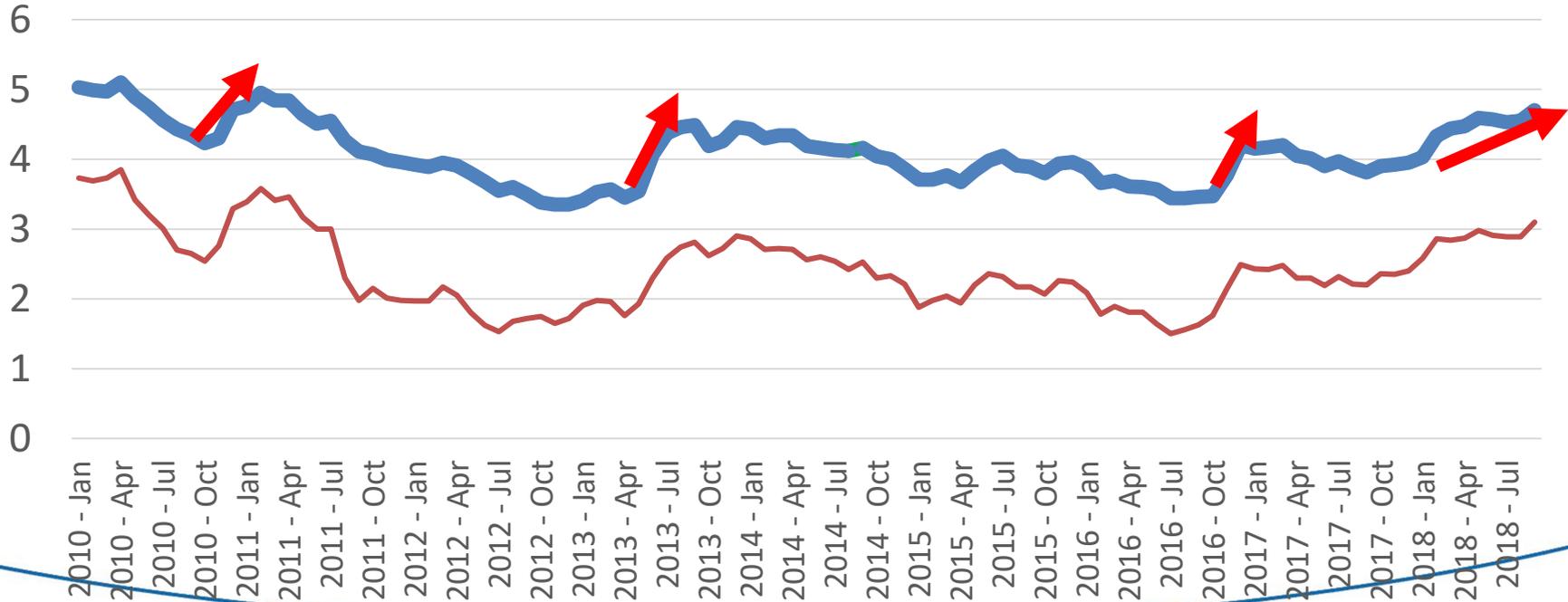
Home Price Index (Constant Quality)

Dallas and Detroit



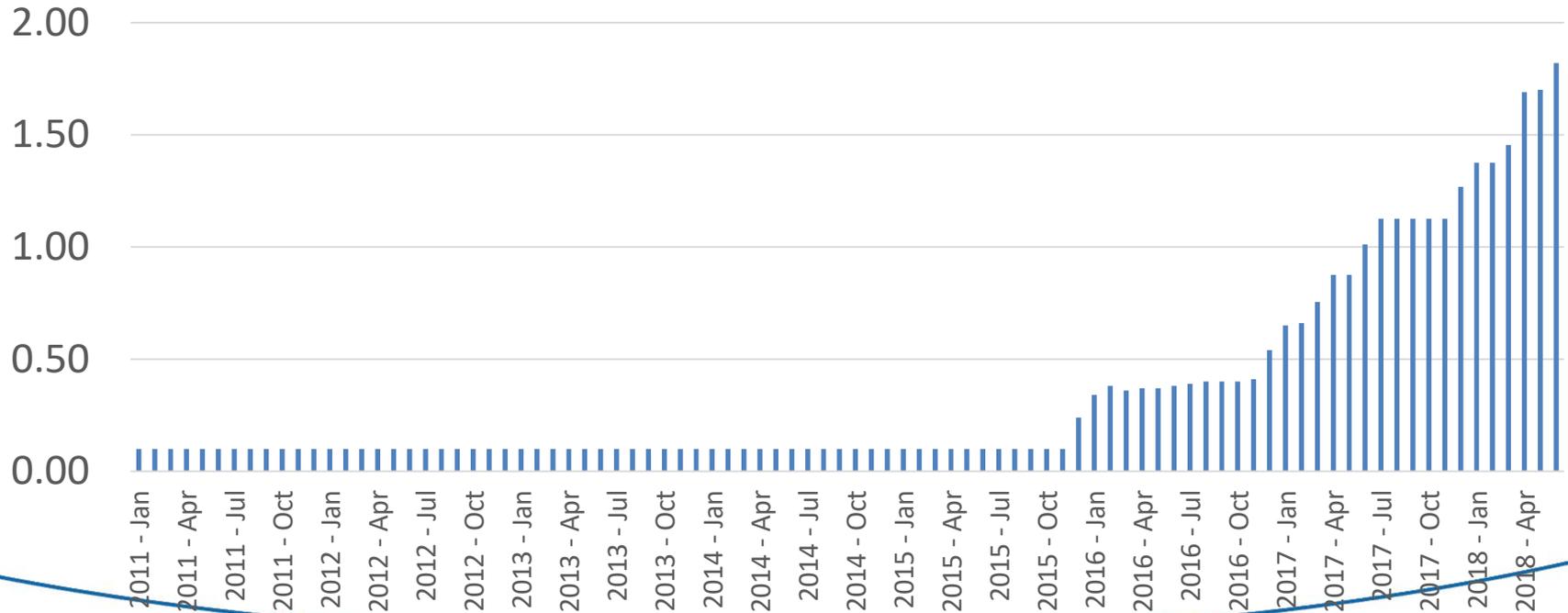
Mortgage Rates to Rise Permanently

(around 170 basis points spread above 10 year Treasury)



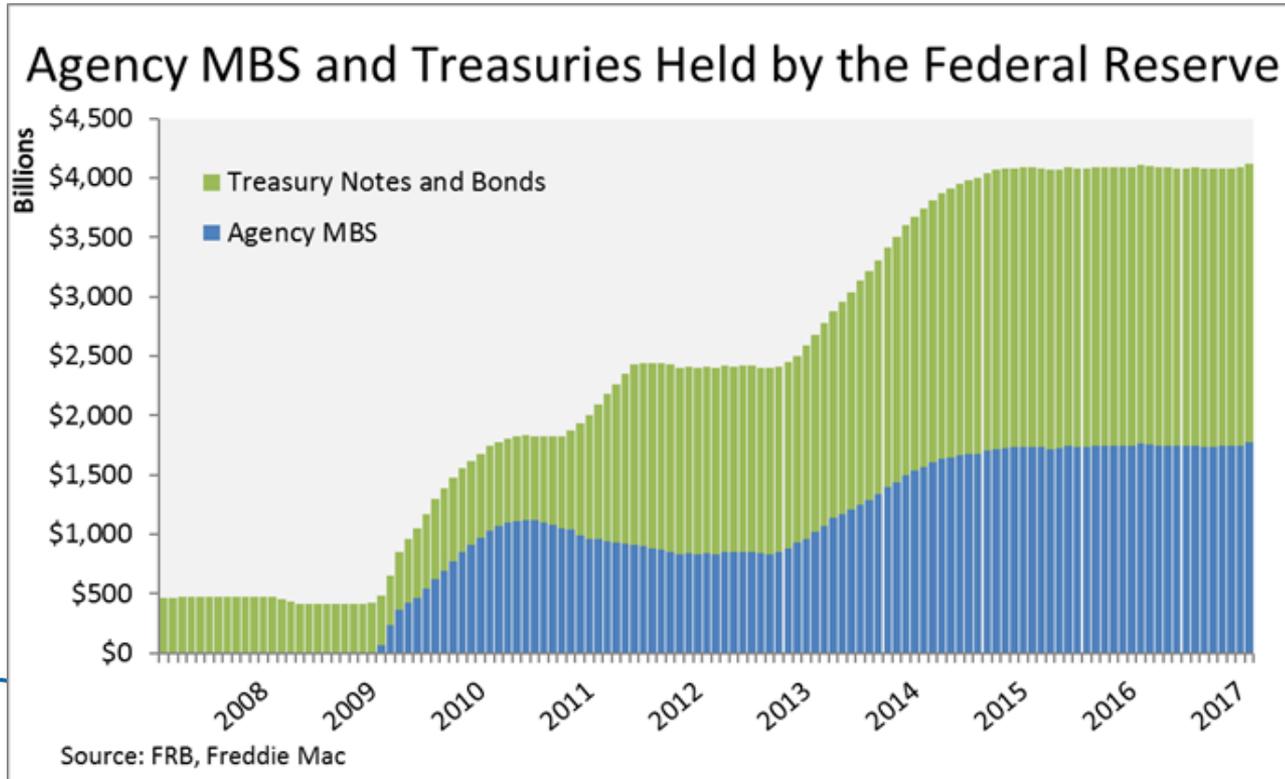
Tightening Monetary Policy

Fed Funds Rate ... from zero to ...



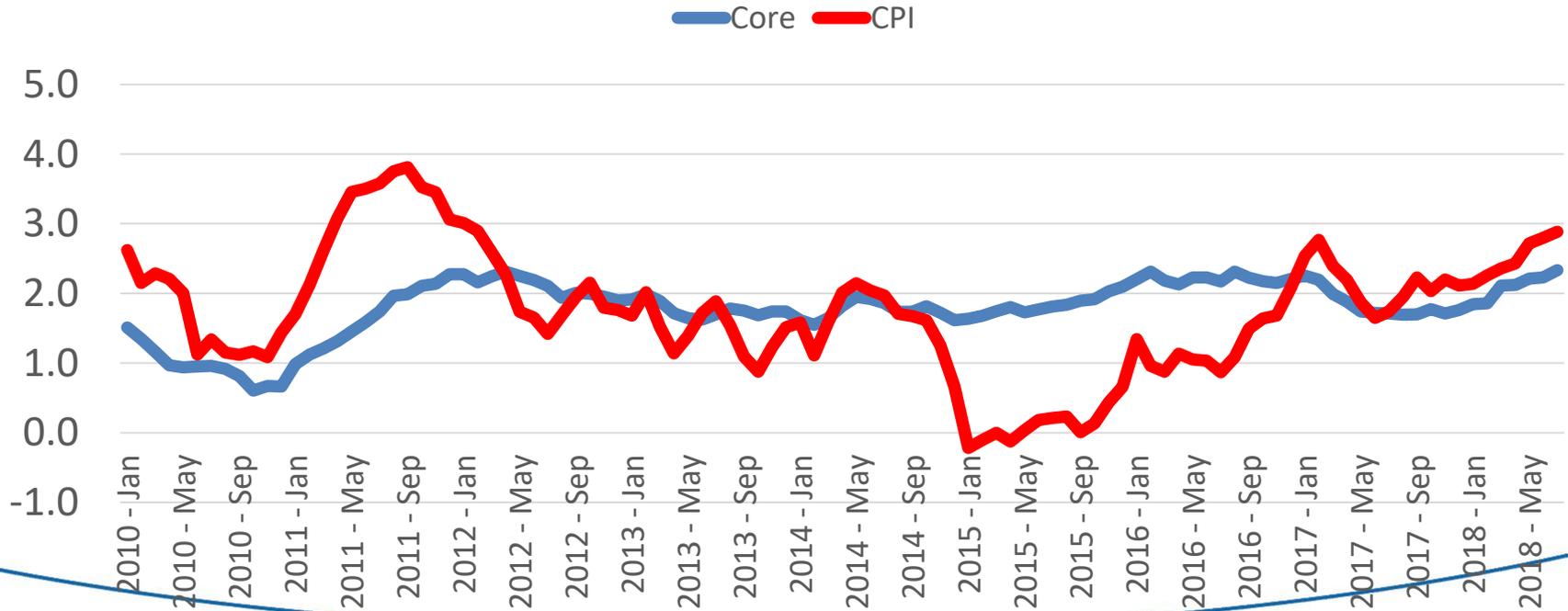
Federal Reserve Balance Sheet

Pace and Impact of Unwinding? Slow but Uncertain



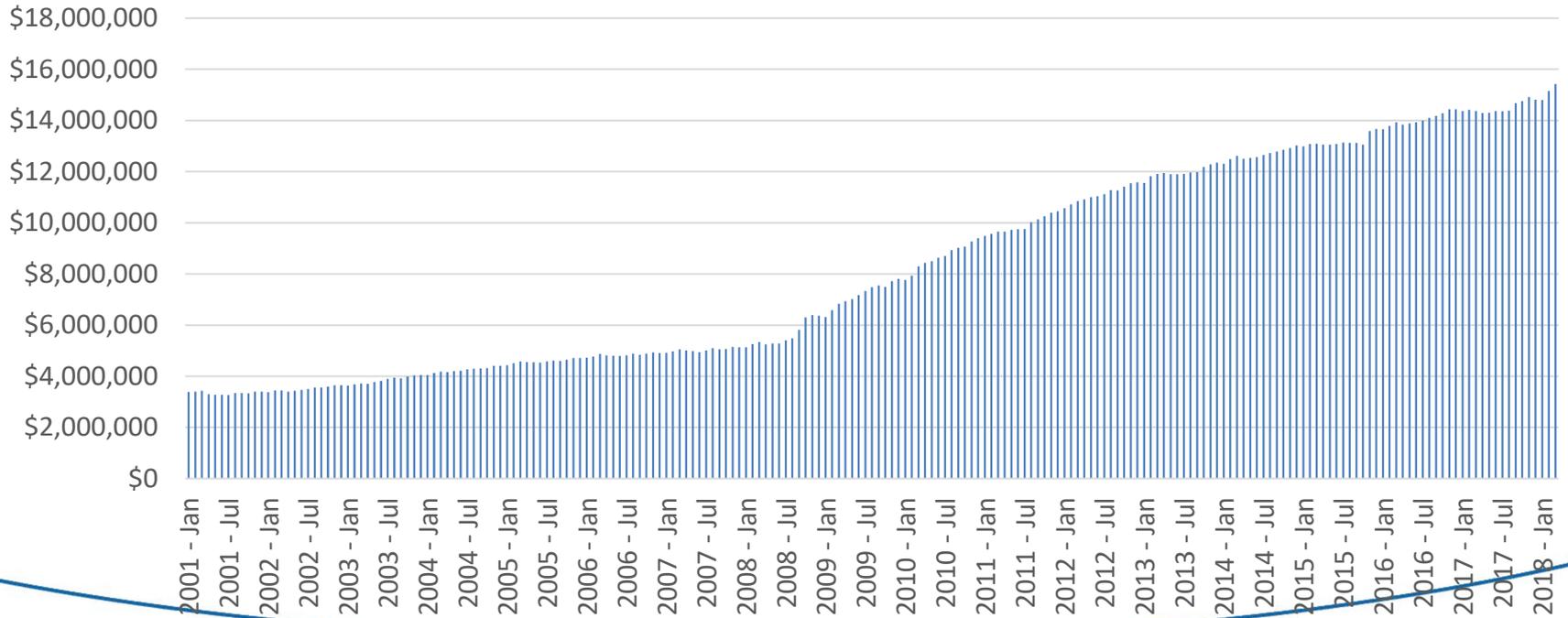
Consumer Inflation Slowly Moving Up

(year over year % growth)



National Debt

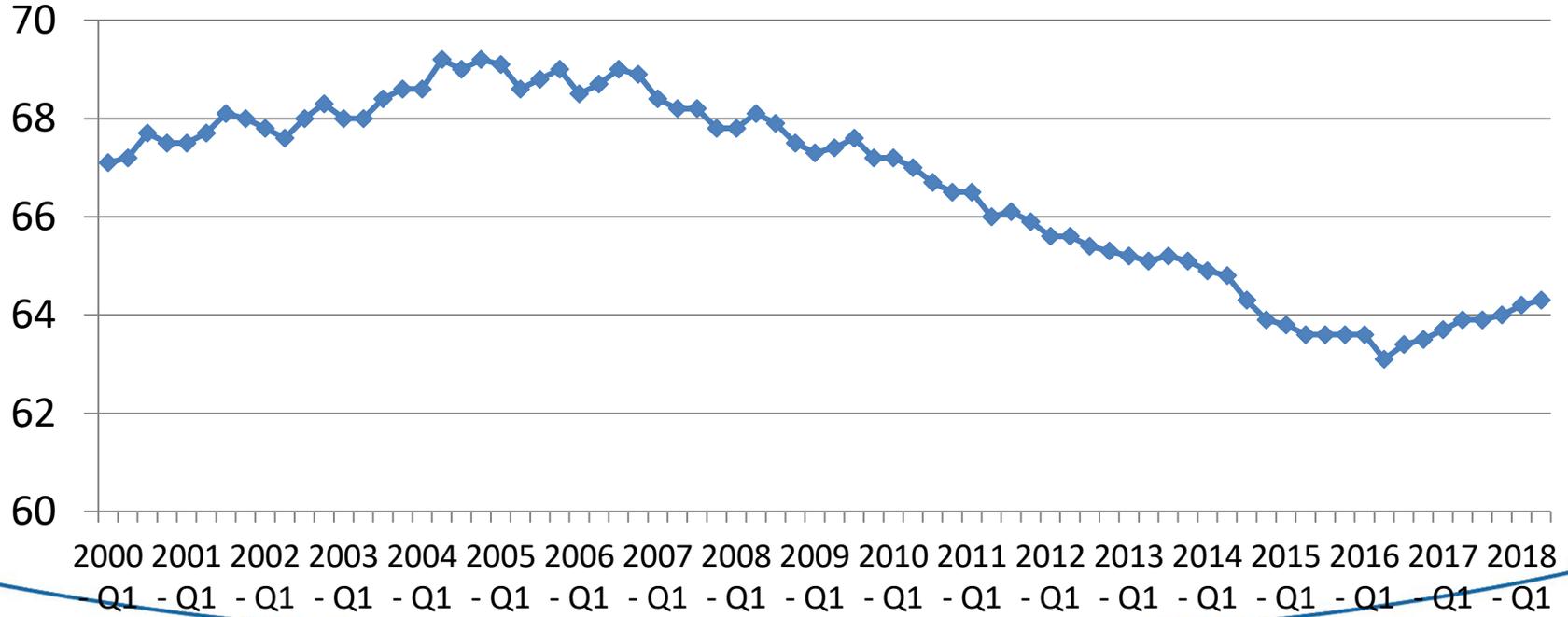
in \$ billion



Rising Rates and Home Sales

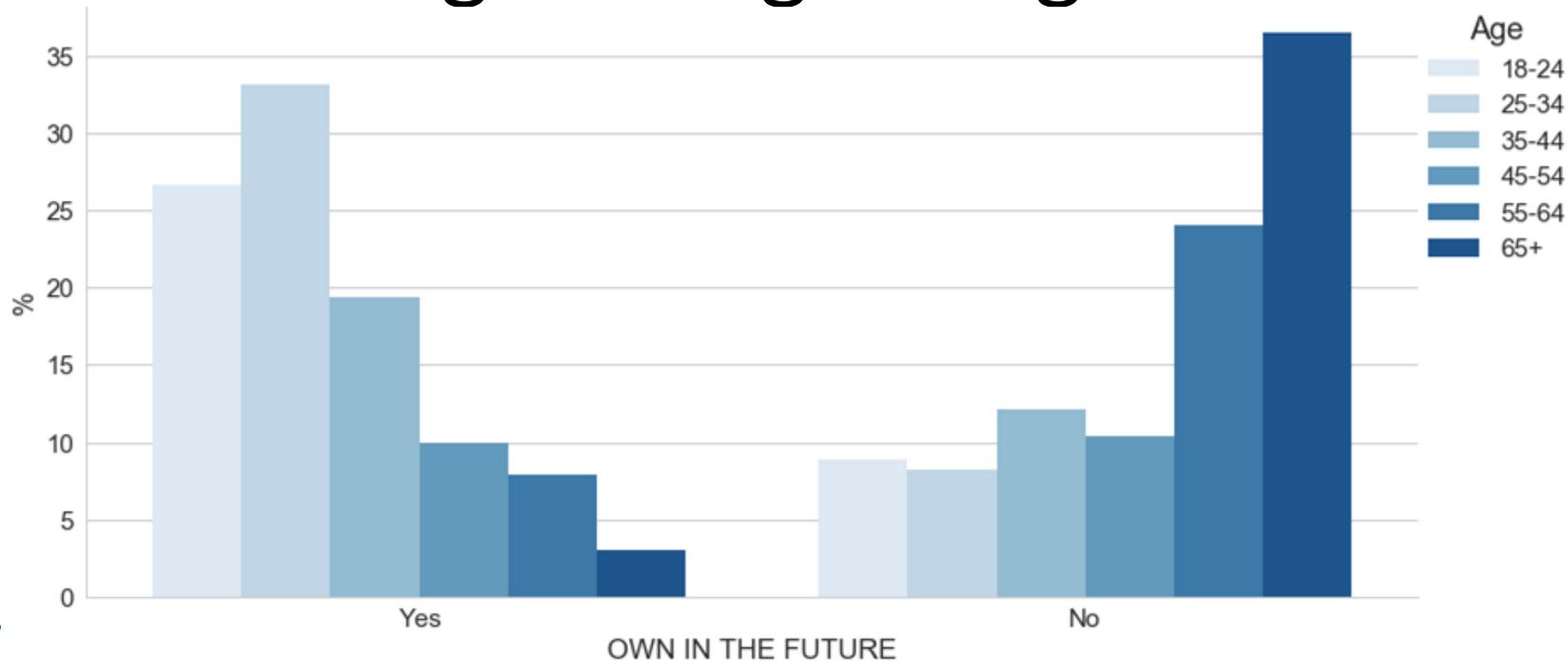
	Rate Change	Home Sales Change (around that year)
1984	12% to 15%	Increased
1987	9% to 11%	Stable
1994	7% to 9%	Stable
1999	6.5% to 8%	Stable
2008	5.5% to 6.5%	Crashed (sub-prime blowup)
2014	3.5% to 4.5%	Stable

Homeownership Rate Trying to Make a Comeback

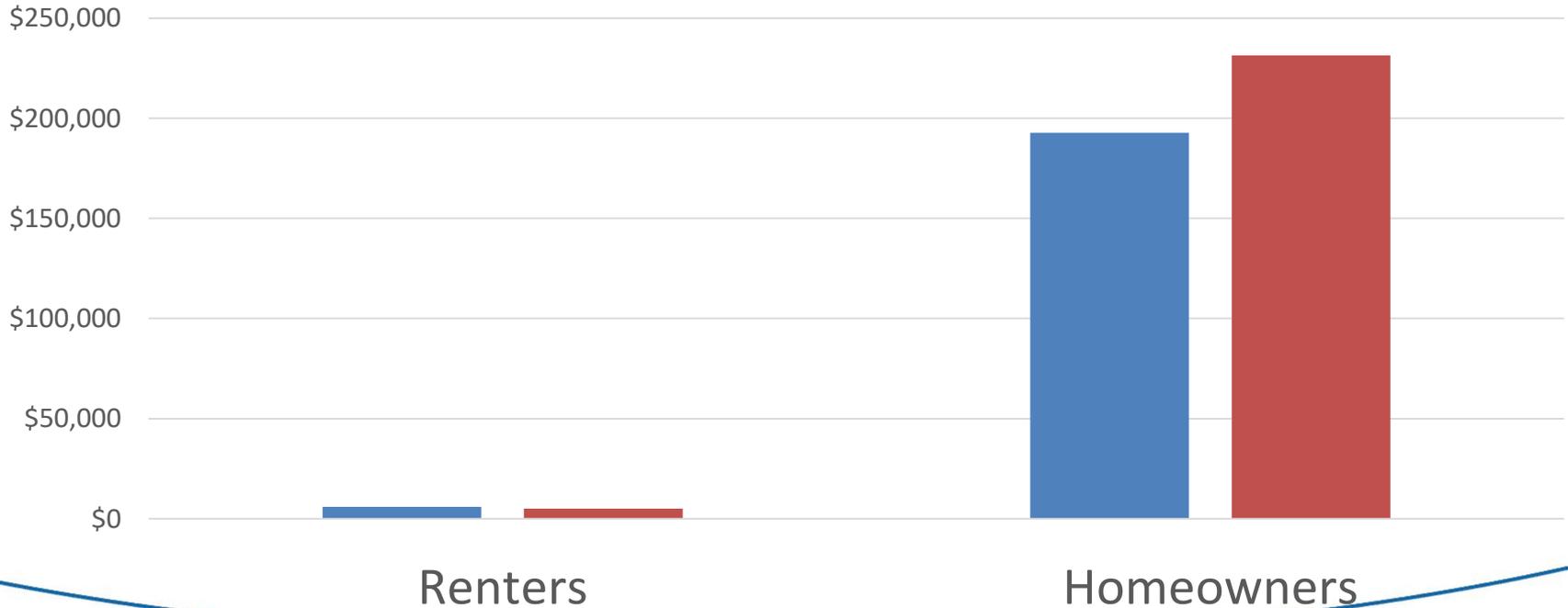


Renters' Desire to Own in Future?

Strong Among Young Adults



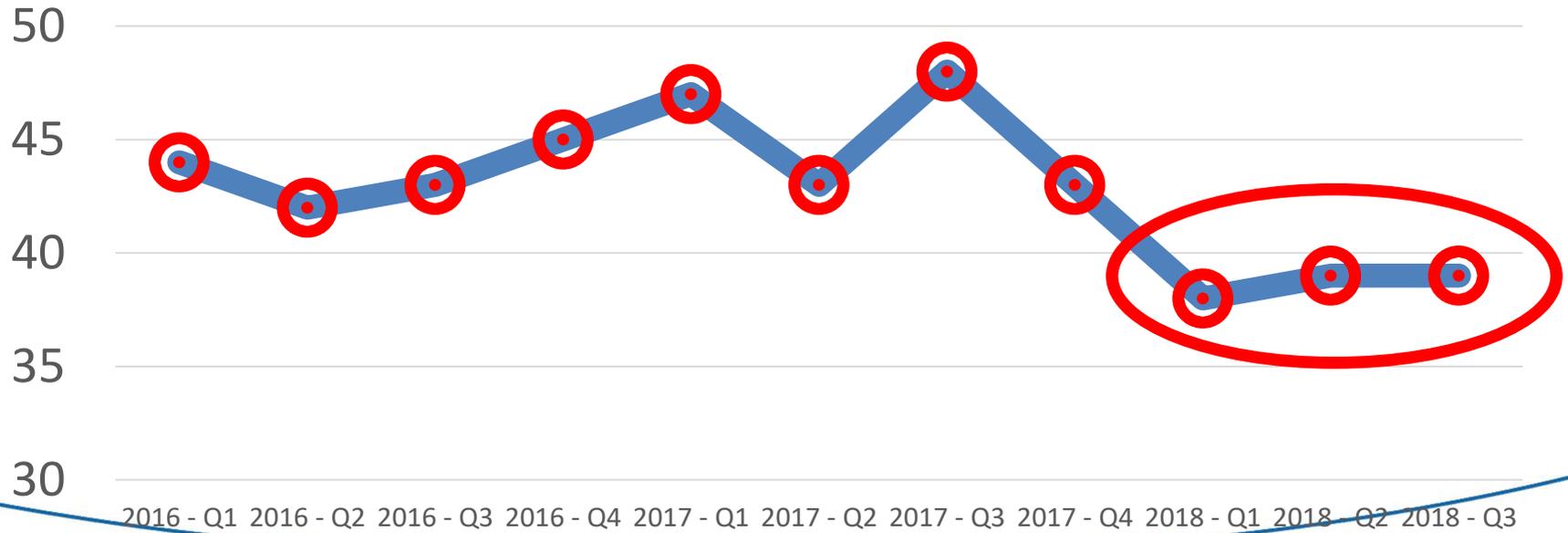
Wealth: From 2000 to 2016



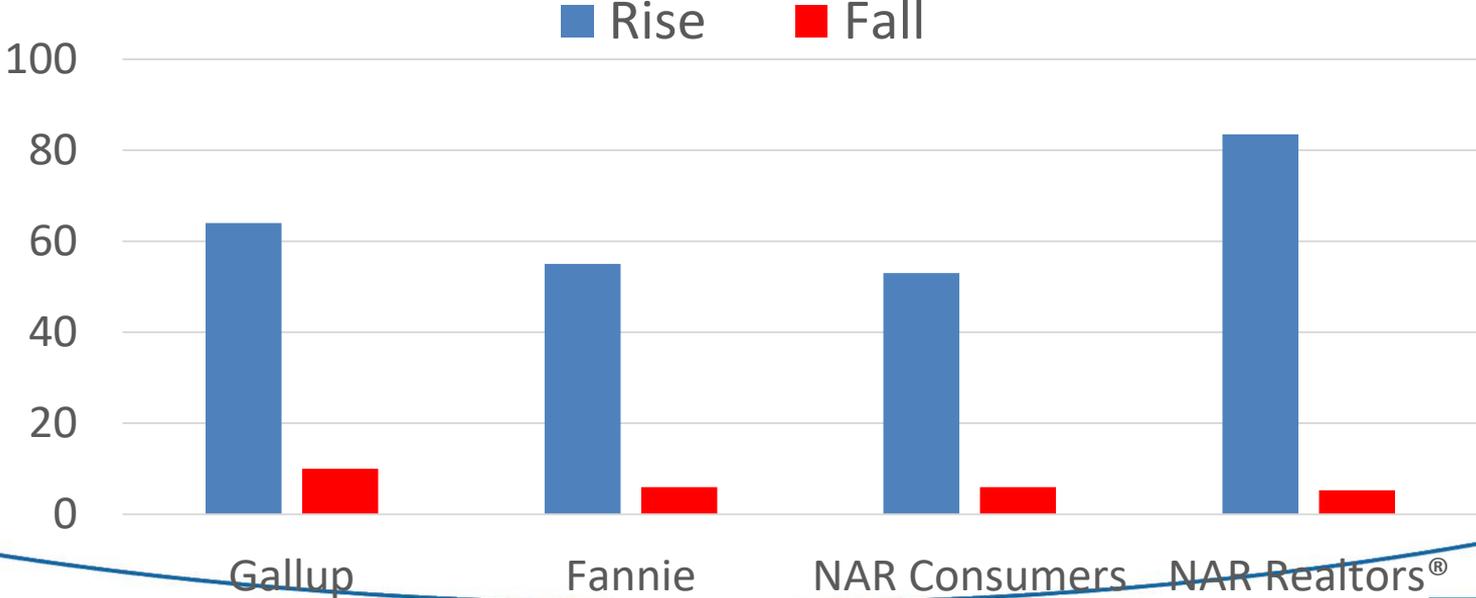
Diminished Optimism

NAR Survey of Consumers

% Strongly indicating Good Time to Buy

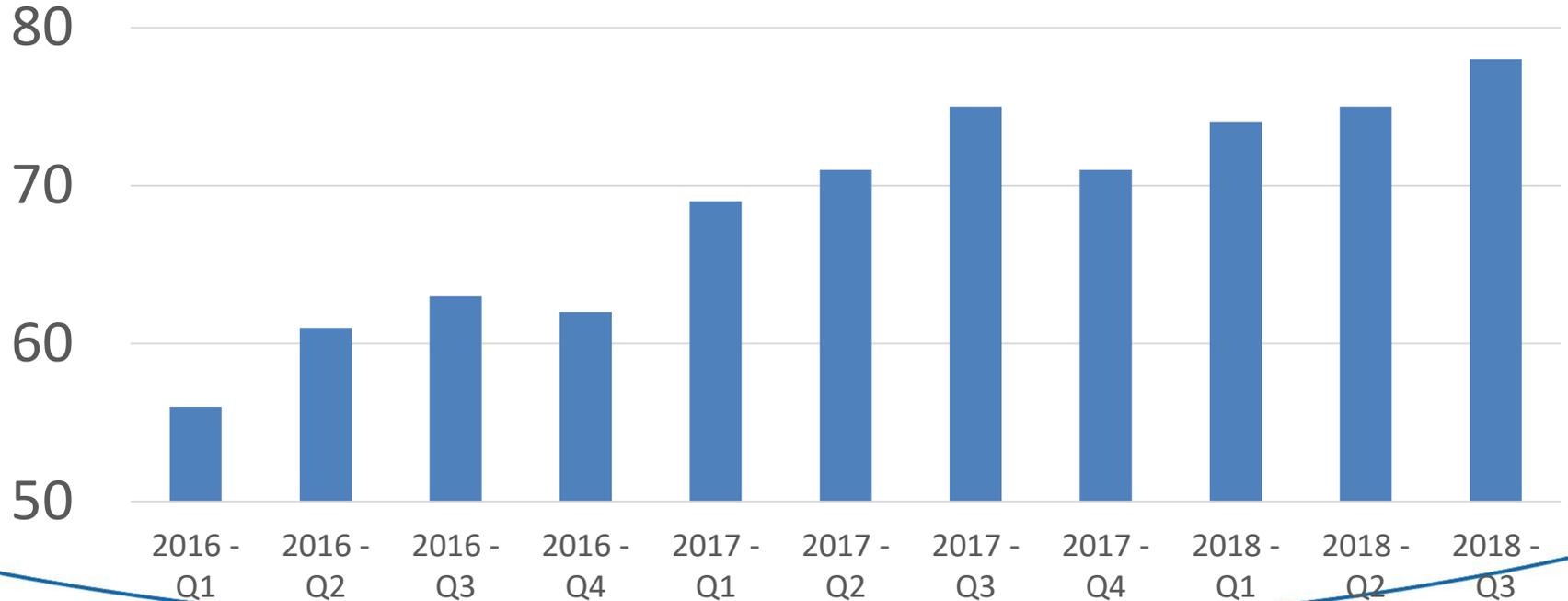


Home Price Expectation



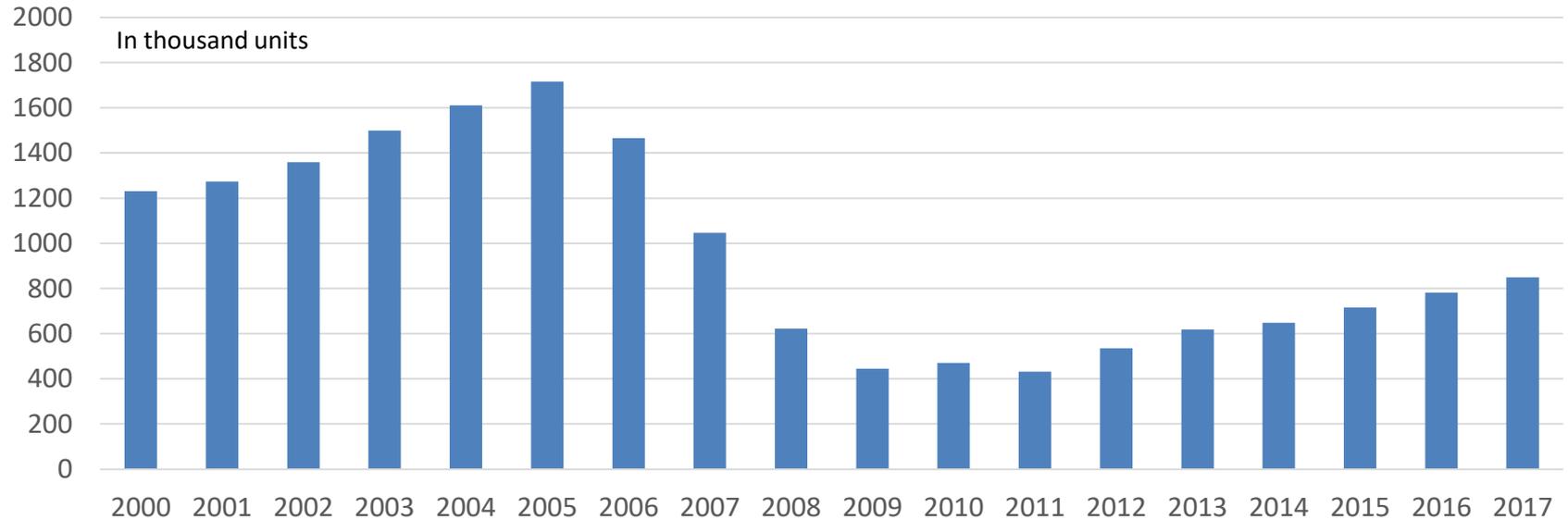
Good Time to Sell?

% indicating yes

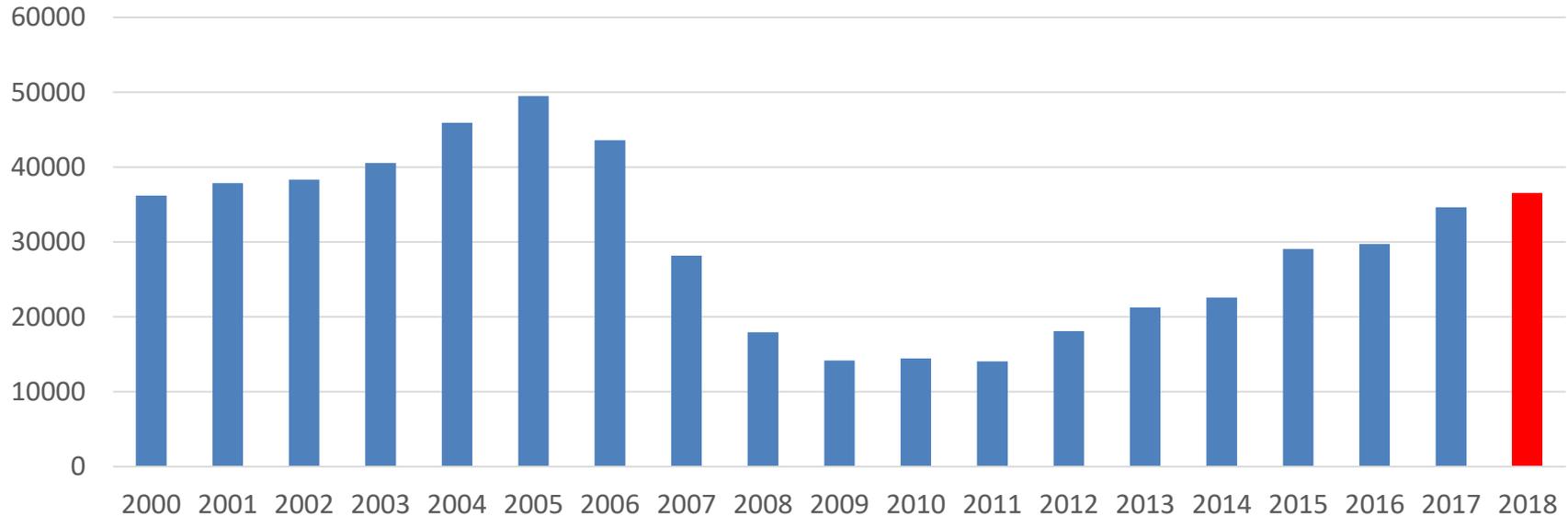


Source: NAR

Diminished Optimism Because of Lack of Supply Need to Boost Single-Family Housing Starts



Dallas-Ft. Worth Metro Single-family Housing Starts

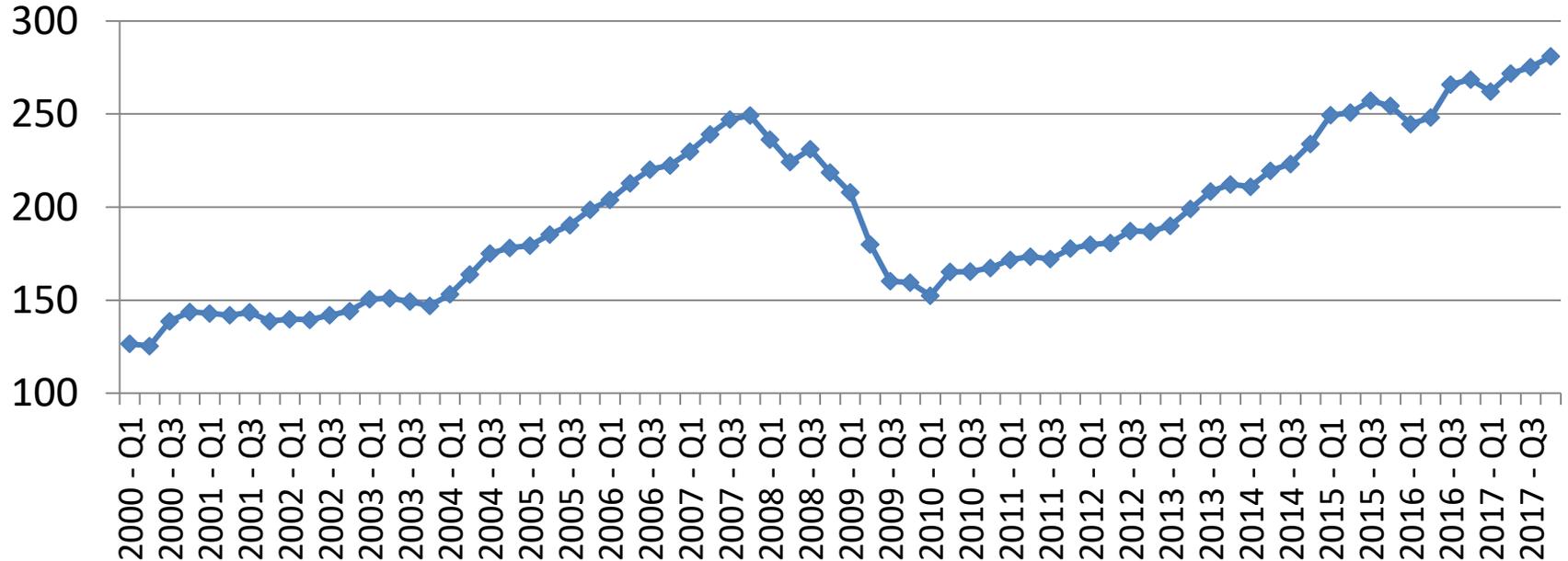


How to Boost Home Construction

- Provide Regulatory Relief to Community Banks
- Remove Tariff on Lumber and Building Materials
- Don't be Too Stringent on Zoning Land Use
- Repurpose Malls into Condominiums
- Vocational Training for Construction Industry

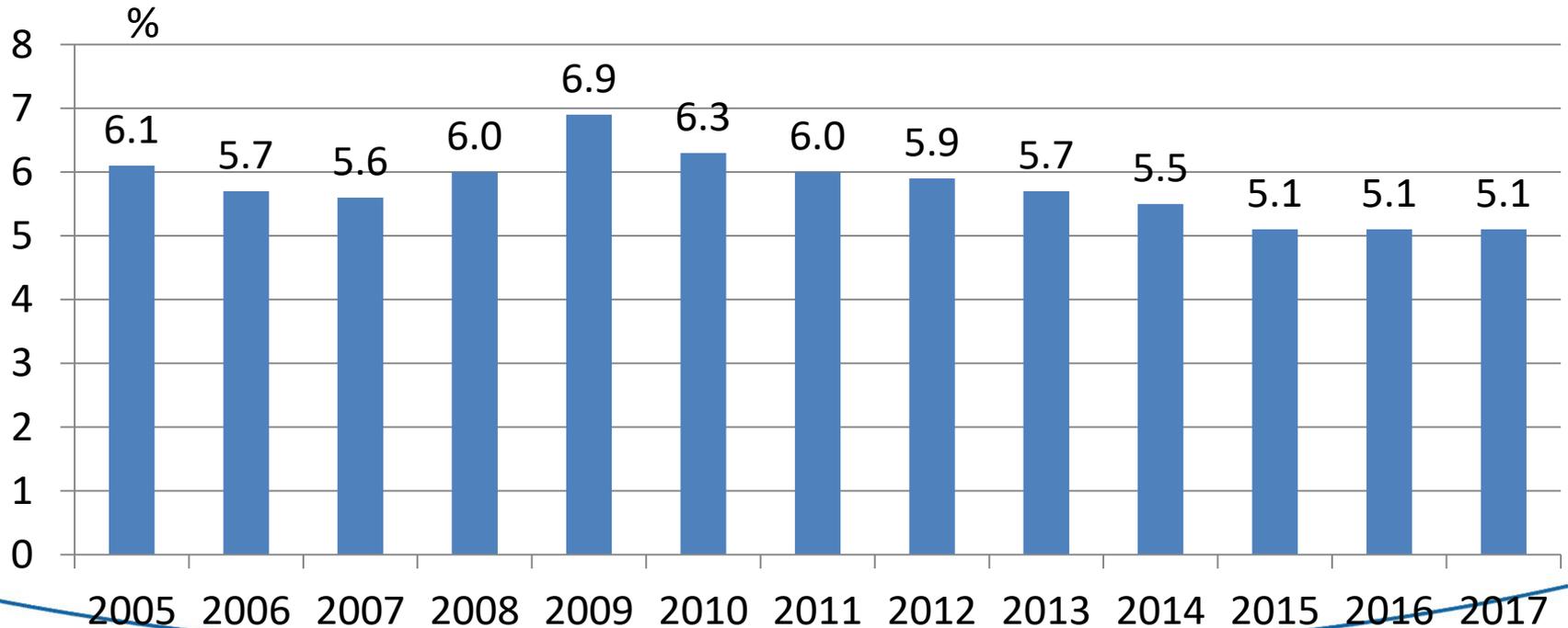
Commercial Real Estate Outlook

Commercial Property Price – New Highs (85% gain in 7 years)



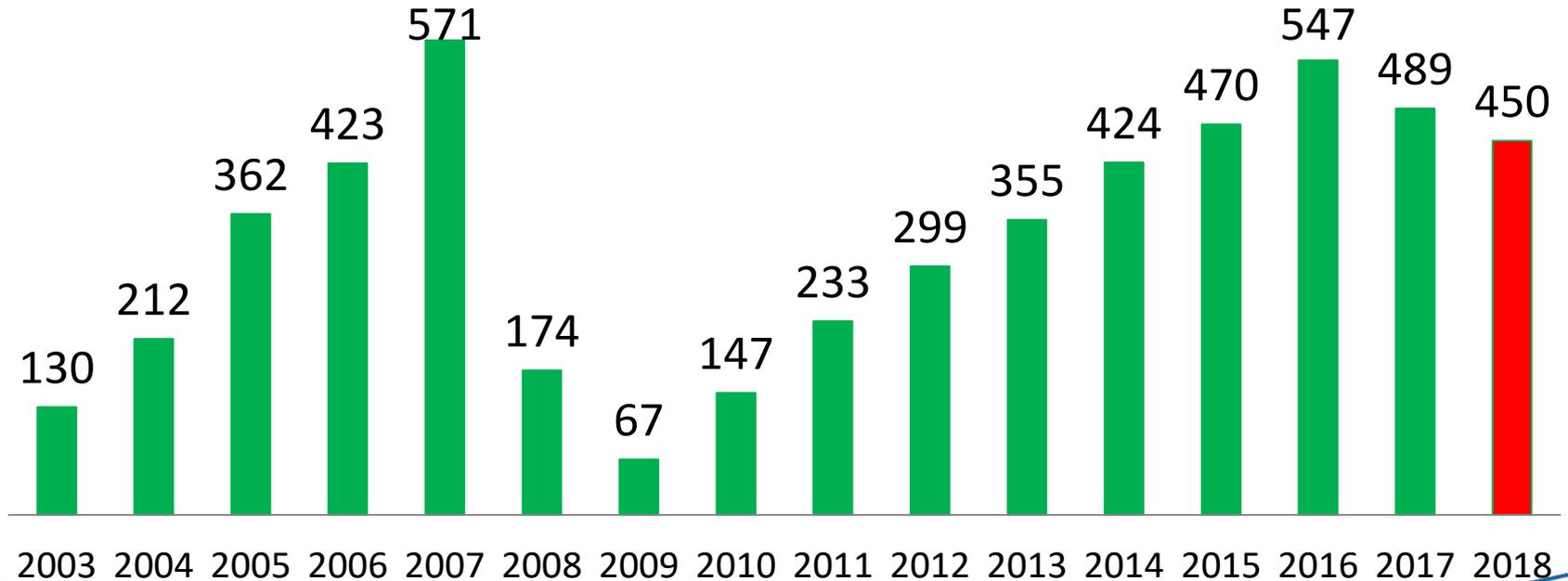
Source: Federal Reserve

NCREIF Cap Rates – Likely Already Hit Cyclical Low



Commercial Investment Sales of Large Properties

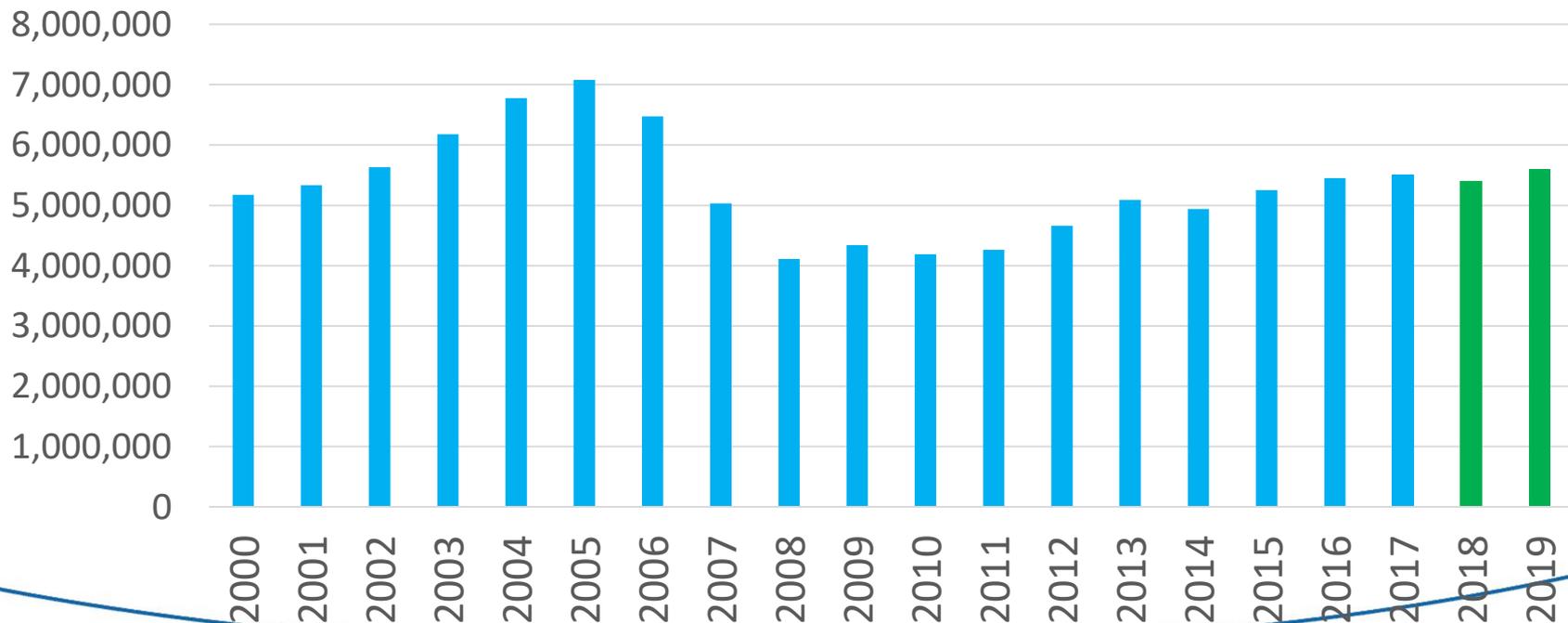
(Properties valued at \$2.5 million and over)



Forecast

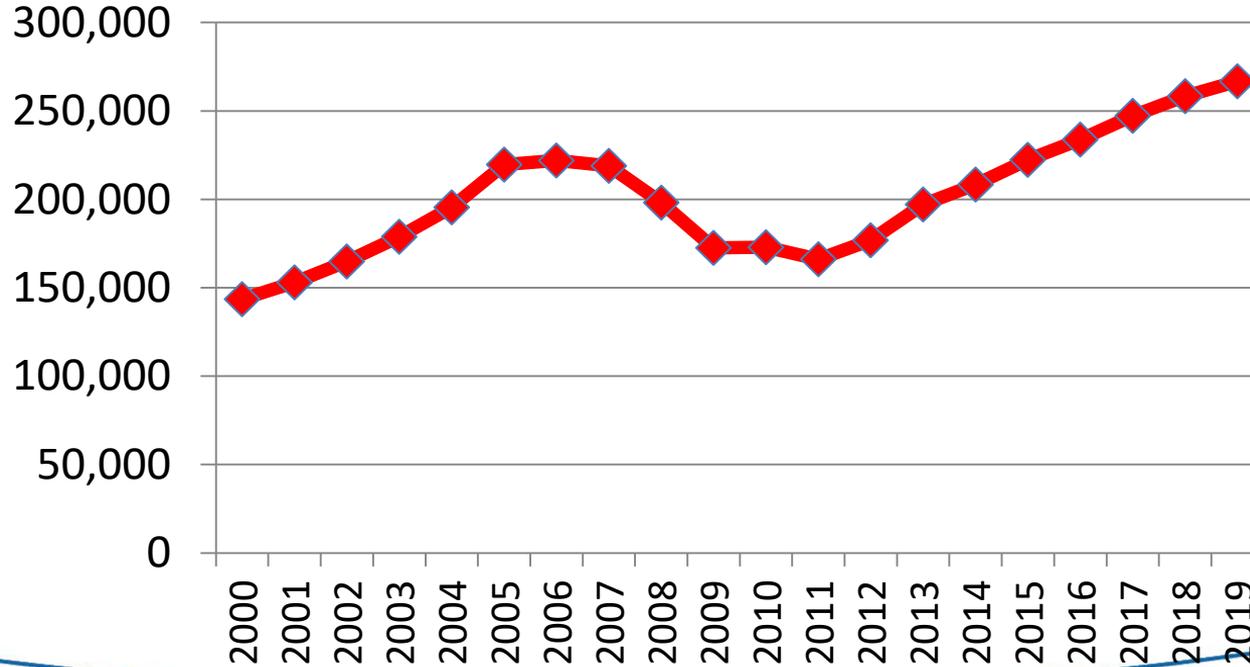
National Existing Home Sales

Little Drop in 2018; Gain in 2019



Median Home Price

Rising 8% over 2 years



Rising Cap Rates and Commercial Real Estate Prices

- Fewer transactions as buyers and sellers face-off without budging on price (5% to 10% decline in unit sales)
- Steady prices in mid-tier markets
- Modest price correction in big cities and trophy properties
 - (3% to 7% drop in 2018 after 90% increase)

Thank You !