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# ***Housing Market Trends & Outlook***

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***Presentation at NAR Annual  
Conference in San Diego***

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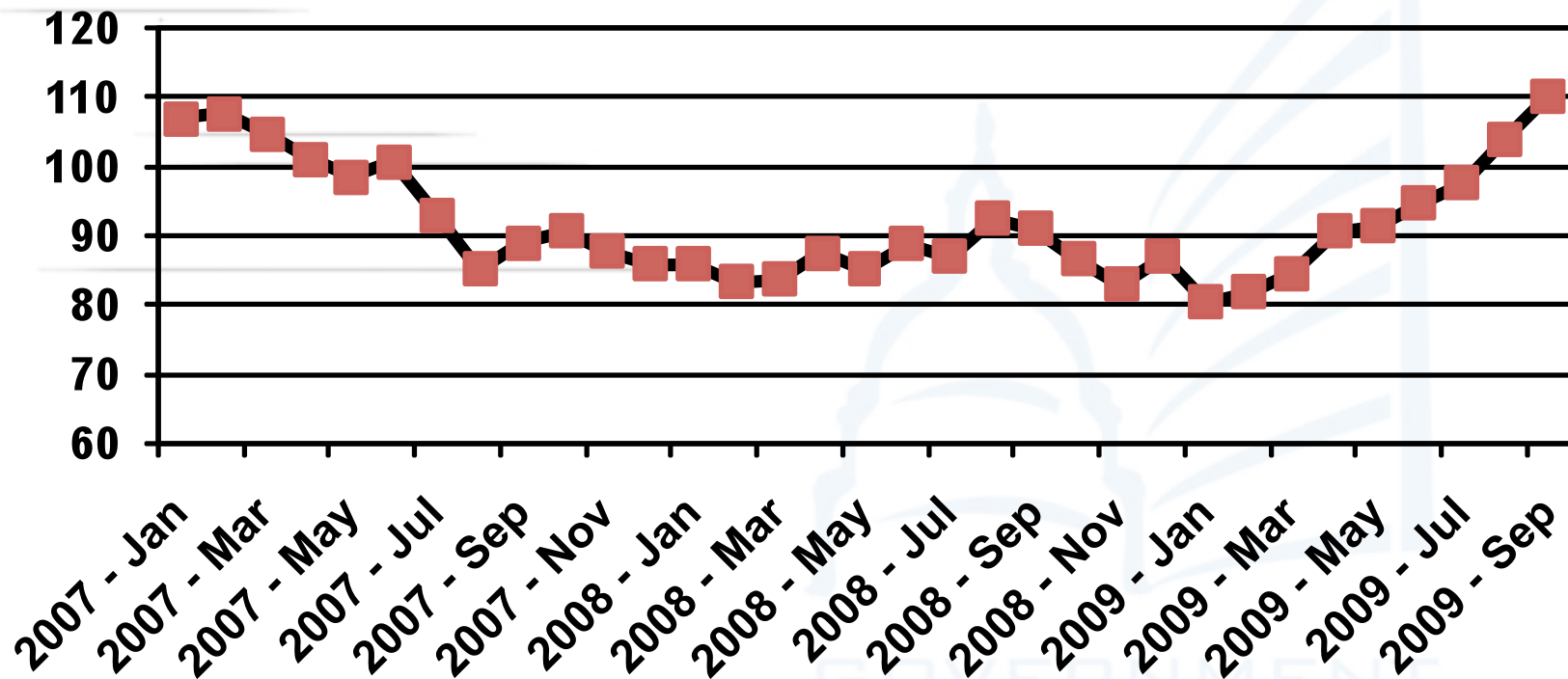
# ***Housing Stimulus Impact***

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- ***Tax Credit and Higher Loan Limit***
- ***Raised Sales by 350,000 to 400,000 among First-time buyers in 2009***
- ***In 2010***
  - ***Existing Home Sales gets 15% boost***
  - ***Home Price gets 3% to 5% boost***
- ***Preservation of Middle-Class Wealth***

# Recent Pending Home Sales

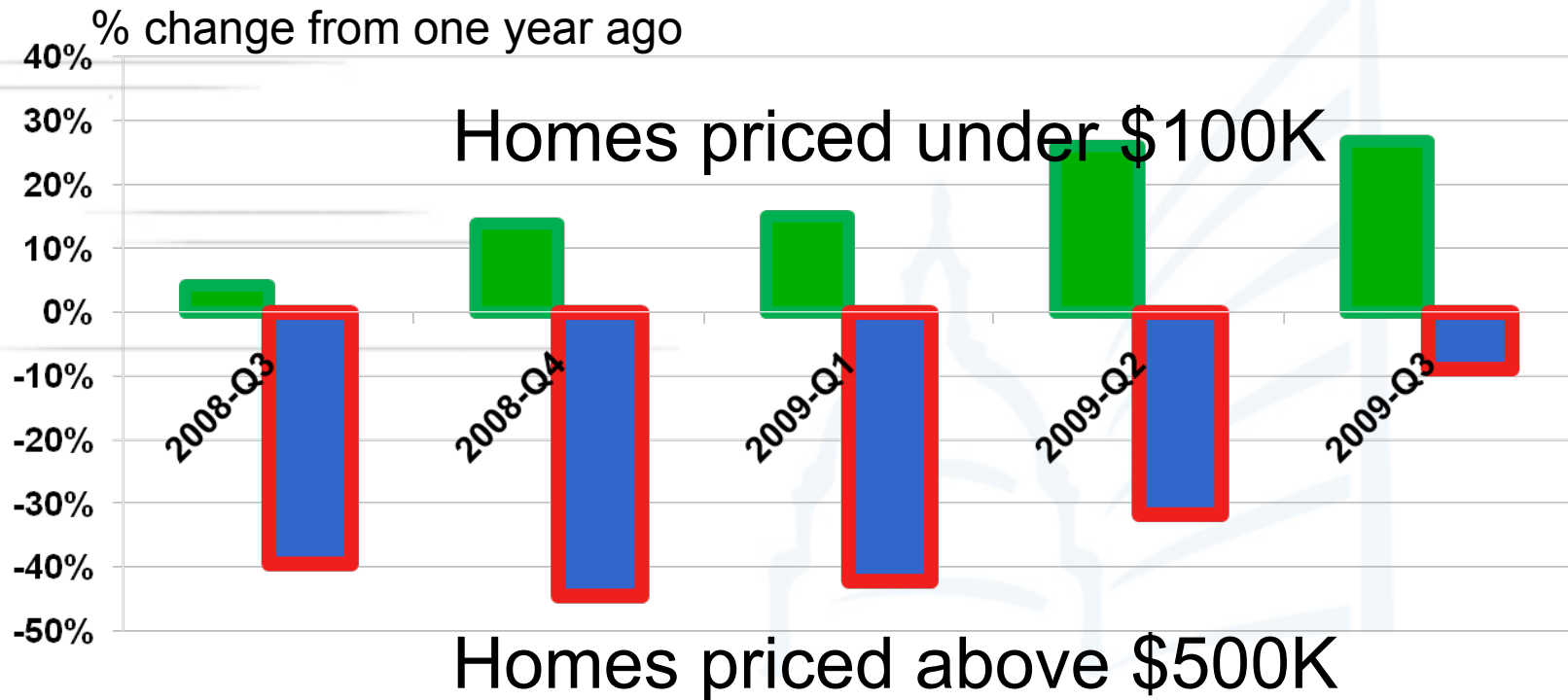
Recovery pre-dominantly in lower-end and taking longer to close in recent months



Source: NAR



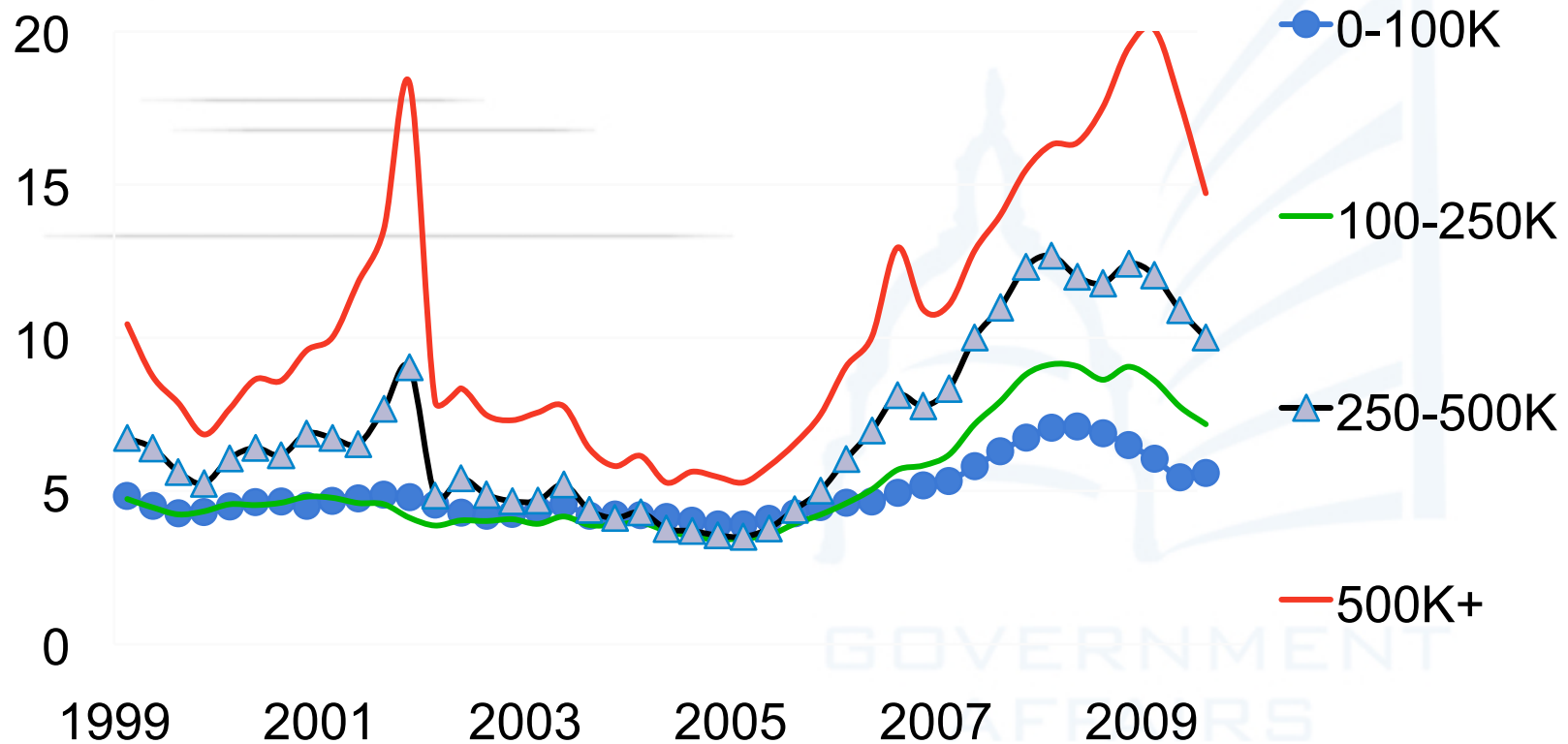
# Bifurcated Recovery



Source: NAR



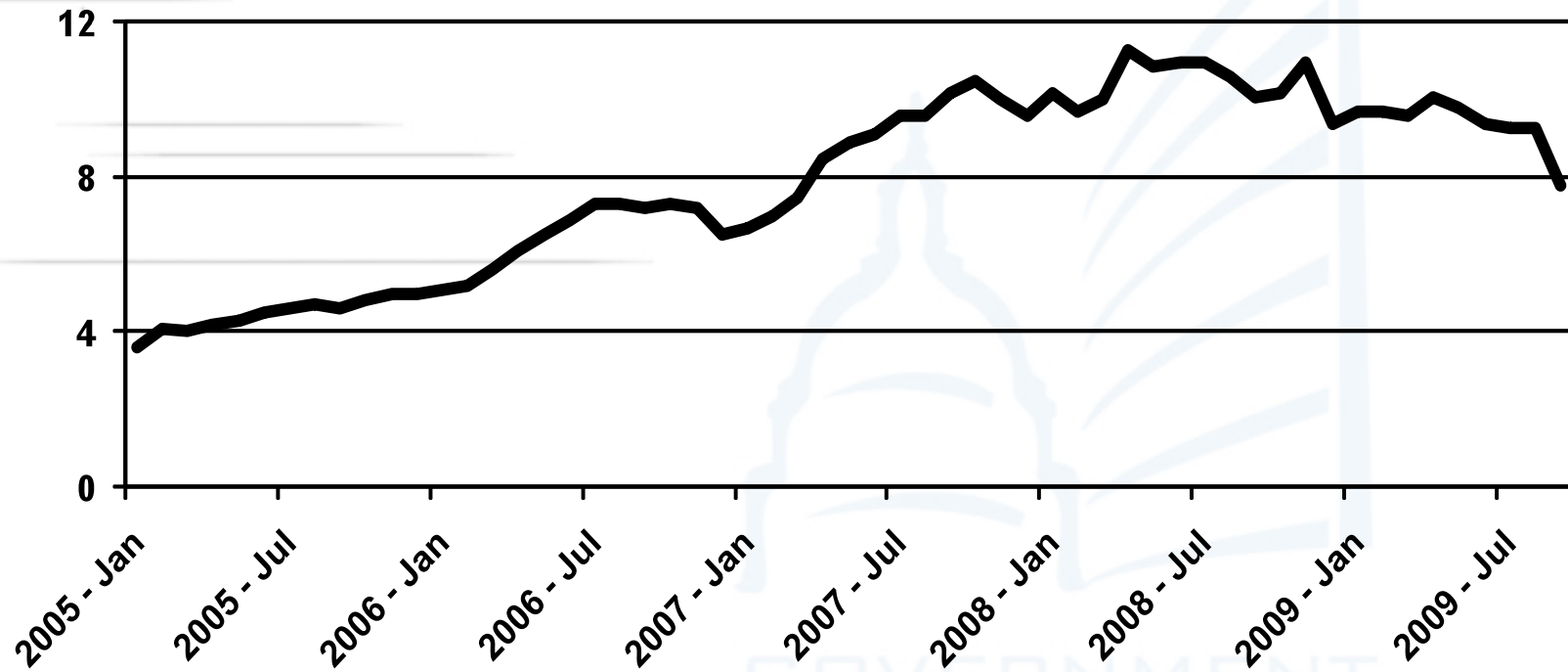
# Months Supply of Inventory



Source: NAR



# Aggregate Months Supply



Source: NAR



# ***First-Time Buyers Used Up or Pent-Up Demand ?***

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- ***In year 2000 (pre-boom)***
  - ***11 million renters with qualifying income to buy a median priced home***
- ***In 2009***
  - ***16 million renters with qualifying income to buy a median priced home***
- ***Most renters are not qualified and should not be homeowners***

# ***First-Time Buyers Used Up or Pent-Up Demand ?***

	2000 (pre-boom)	2009 (3 months prior to tax credit)	2009 (recent 3 months with tax credit)
Existing Home Sales	5.2 m	4.6 m	5.3 m
New Home Sales	880 K	364 K	418 K
Payroll Jobs	131.8 m	135.0 m	131.4 m
Household Jobs	136.9 m	143.2 m	140.0 m
Median Home Price	\$143,600	\$173,600	\$177,900
Mortgage Rates	8.1%	5.5%	5.2%
Underwriting Standard + FHA %	Normal (not loose) FHA about 10%	About Normal FHA 24%	About Normal FHA 15% to 20% with higher credit score
Household Income	\$41,990	\$50,303	\$50,303
# renters that could buy a median priced home (assume no tax credit)	11.5 million	16.2 million	16.1 million
Change in Pool of Potential 1 <sup>st</sup> Time Buyers (without tax credit)	N/A	4.7 million	4.6 million
Change in Pool of Potential 1 <sup>st</sup> Time Buyers (with tax credit)	N/A/	4.7 million	5.4 million
Fear Factor Impact (Waiting to buy later at a lower price)	N/A	Hard to Measure	Hard to Measure



# ***Tax Credit to More Buyers?***

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- ***Bifurcated inventory conditions ... need more inventory on lower priced homes***
- ***Increased velocity stimulate economic activity and helps price stabilization (even though no net change in inventory; months supply falls)***
- ***HVCC/appraisal issue becomes less problematic if there are more comparables.***

## ***Tax Credit to More Buyers? ... cont.***

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- ***Financial gains/losses on FHA, Fannie-Freddie and Federal Reserve MBS depend upon home price recovery***
- ***Bring financially healthy buyers ... 4.8 million renters with income above \$75,000***
- ***Home value recovery ... improves bank balance sheet ... greater lending in other areas like small business loans***
- ***Home value recovery ... lessens foreclosure pressure ... lessens re-default rate after loan modification***



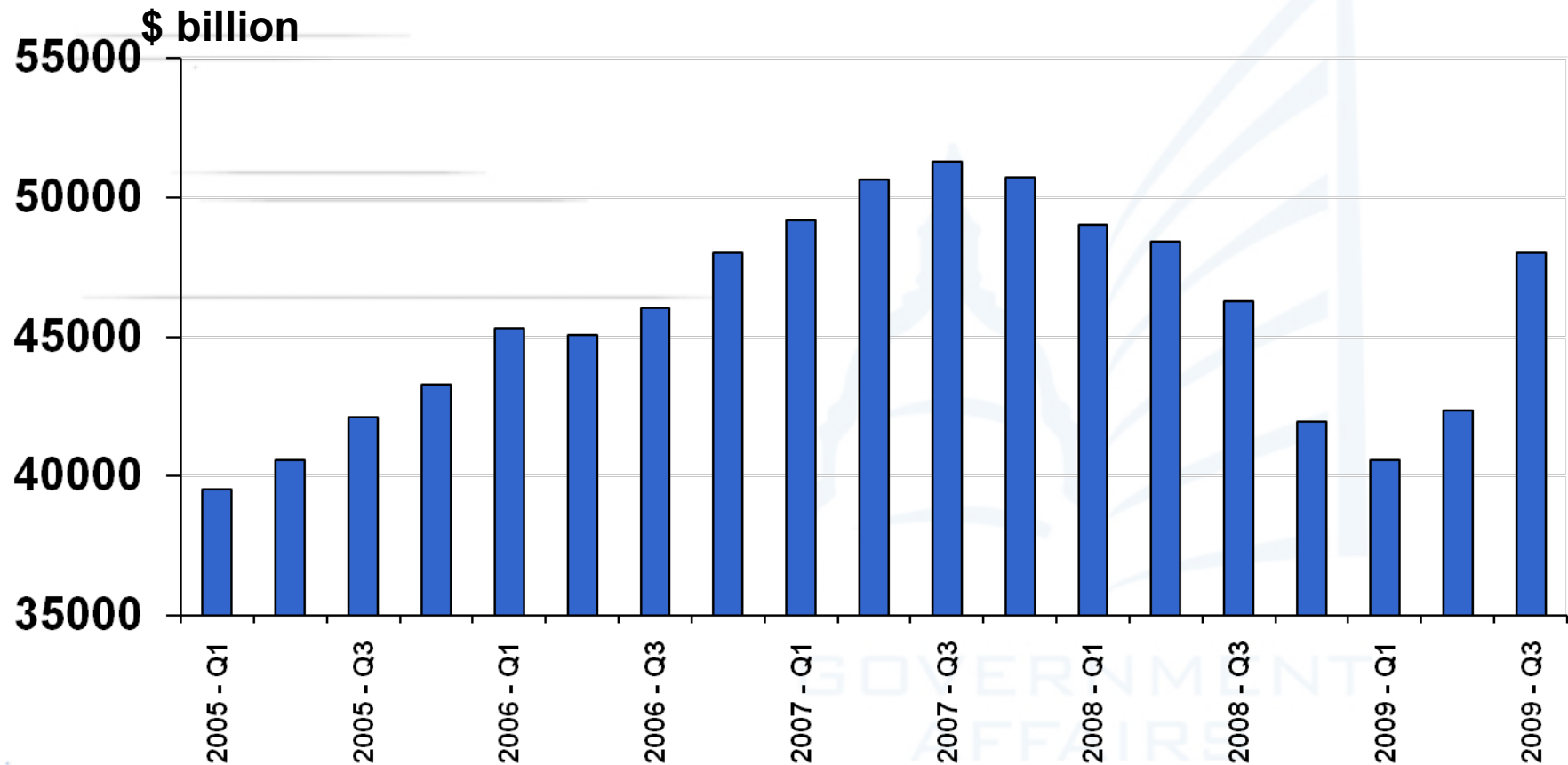
# ***Preservation of Middle Class Wealth***

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- ***\$8000 Price Drop or \$8000 Tax Credit ?***
- ***No difference from buyer's perspective***
- ***Major differences on market impact***
  - ***\$8,000 or 4% decline value means \$730 billion in housing wealth destruction***
  - ***Consumer wealth effects***
  - ***Consumer's rational postponement of purchase***

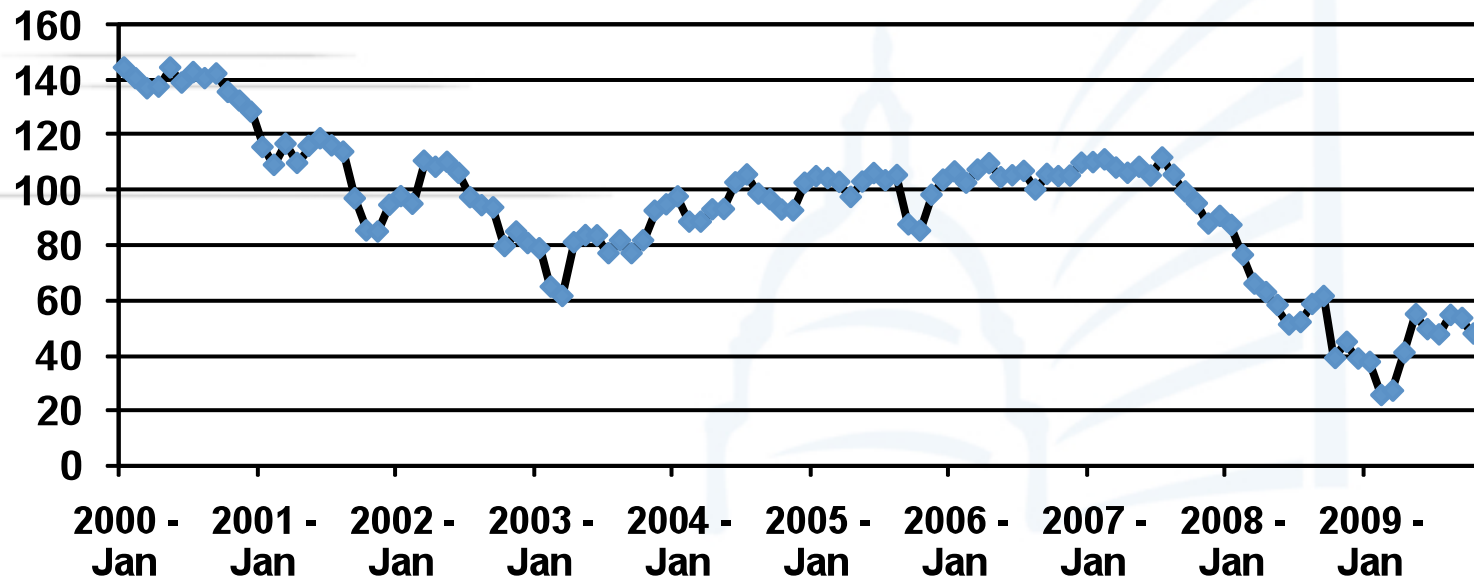
# Stock Market Wealth Rising



Source: Federal Reserve, NAR estimate



# *But Consumers Confidence is Down*



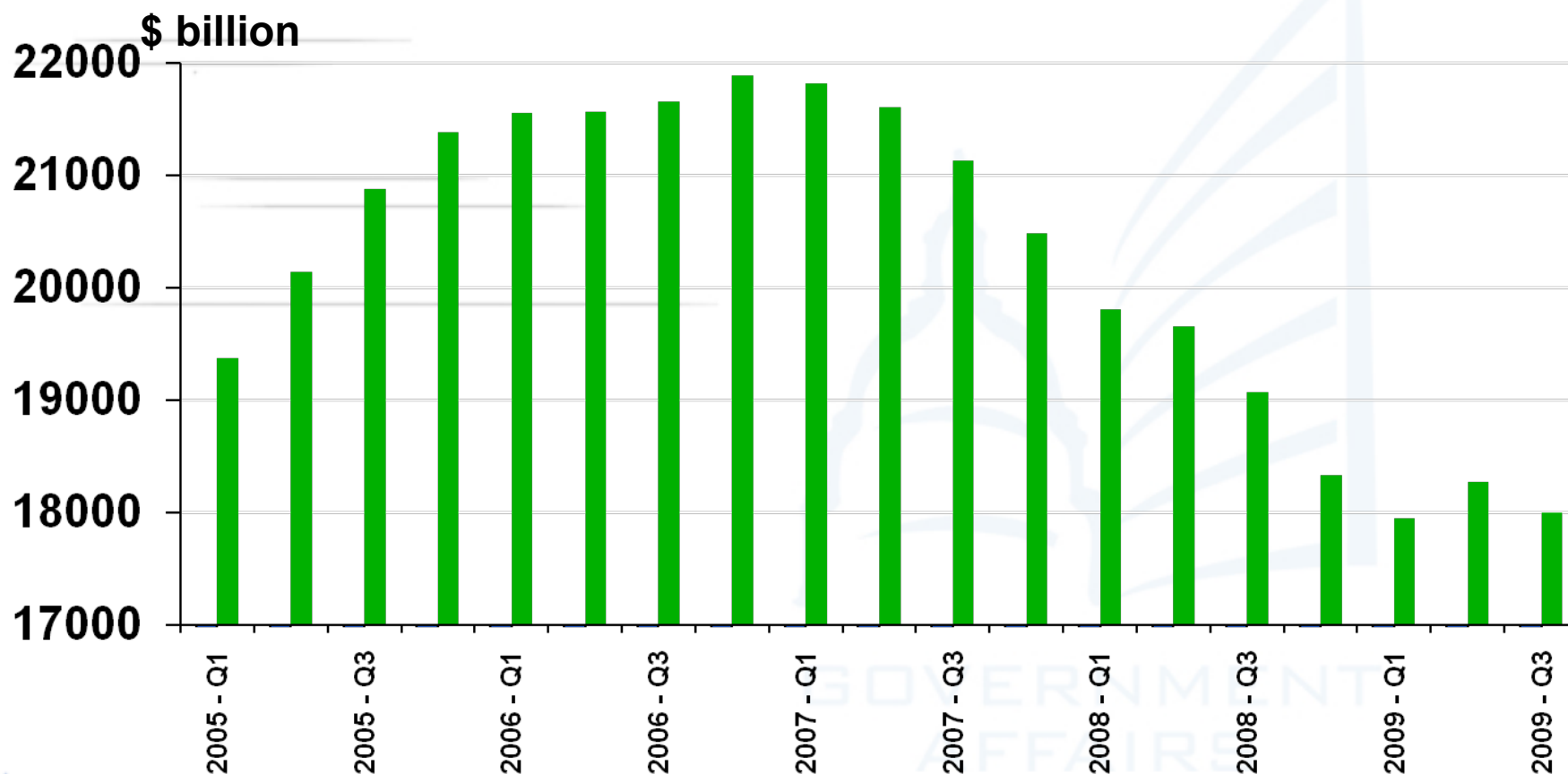
Source: Conference Board



# *Housing Wealth to Rise*

**(\$4 trillion wealth loss in housing from peak)**

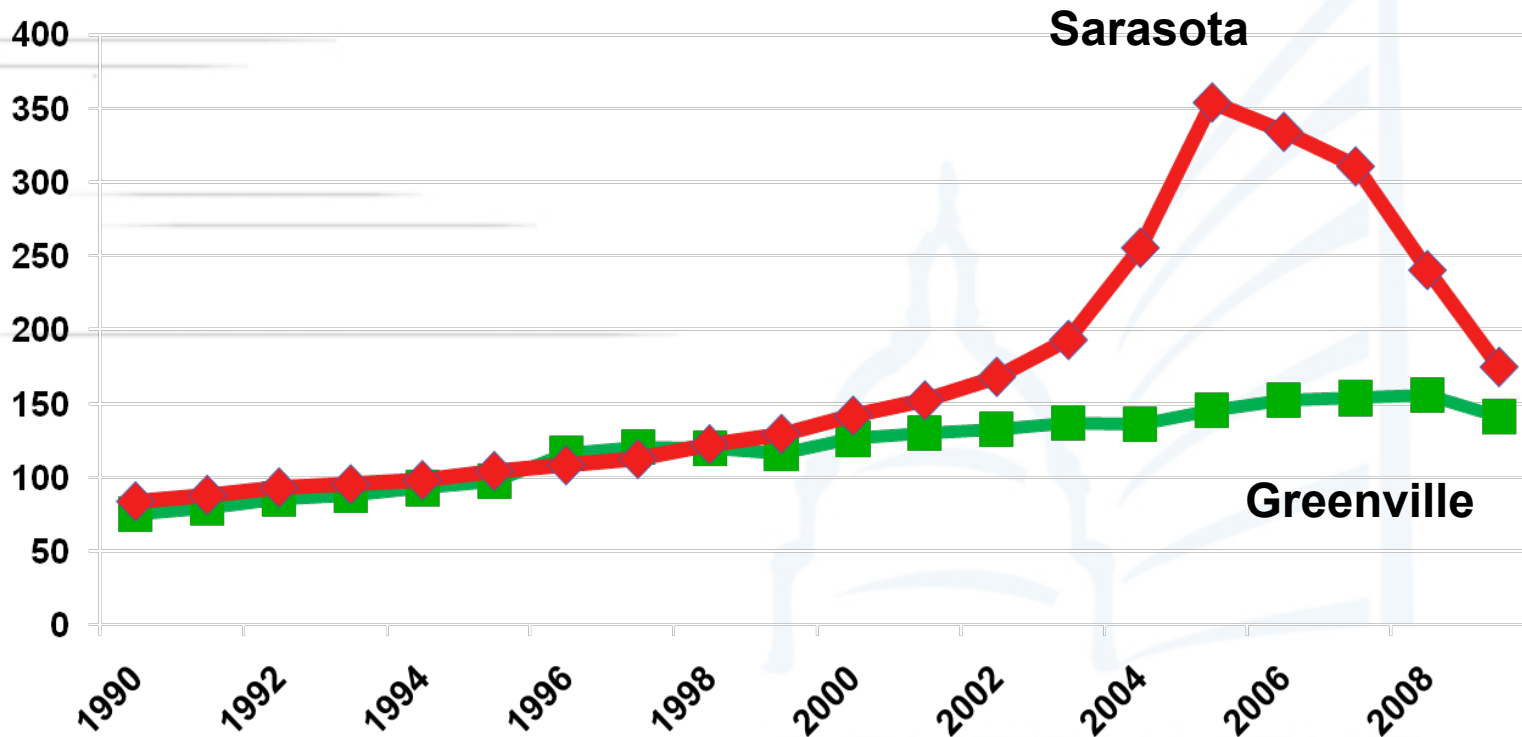
**If additional \$8,000 price decline ... \$700 billion further loss**



Source: Federal Reserve, NAR estimate



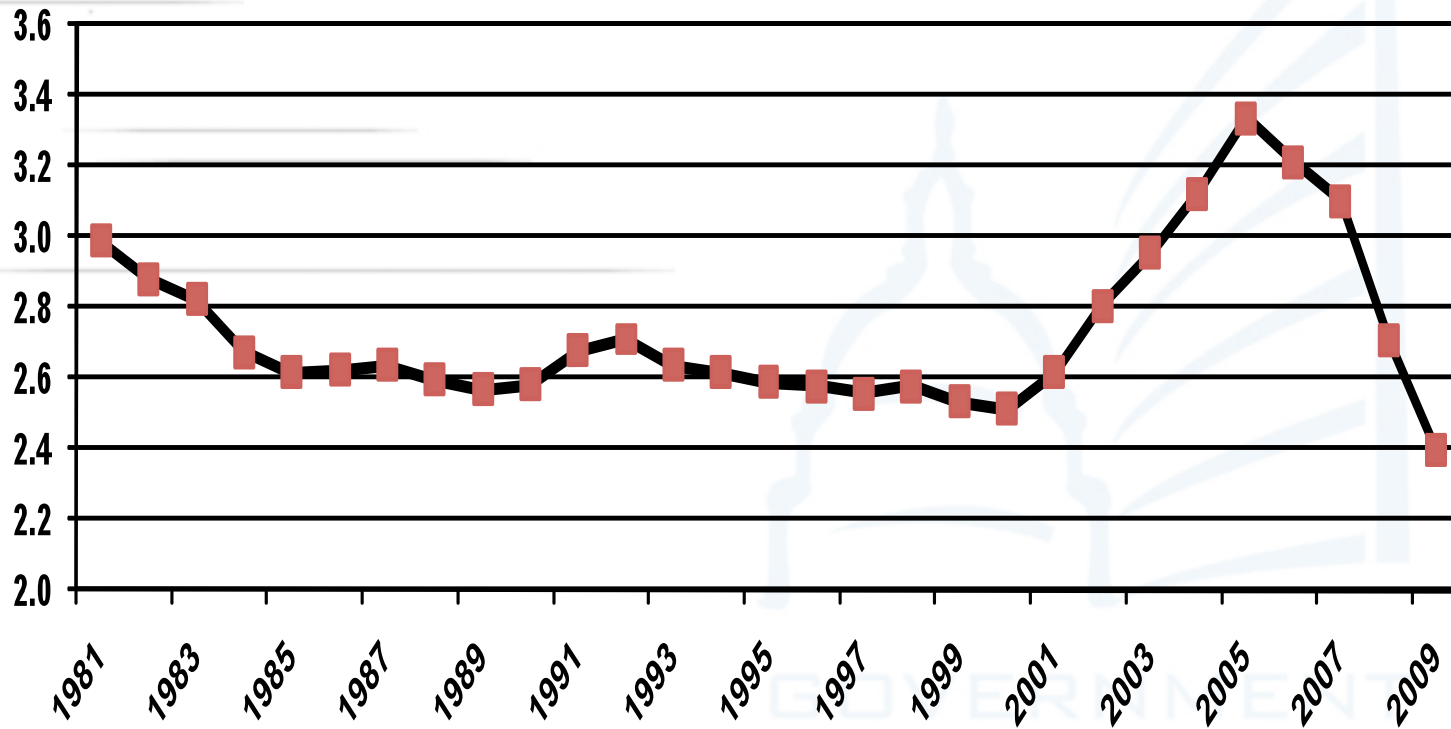
# Bubble Wealth All Removed



Source: NAR



# ***Overcorrection Needs to be Halted*** ***(Home Price to Income Ratio)***

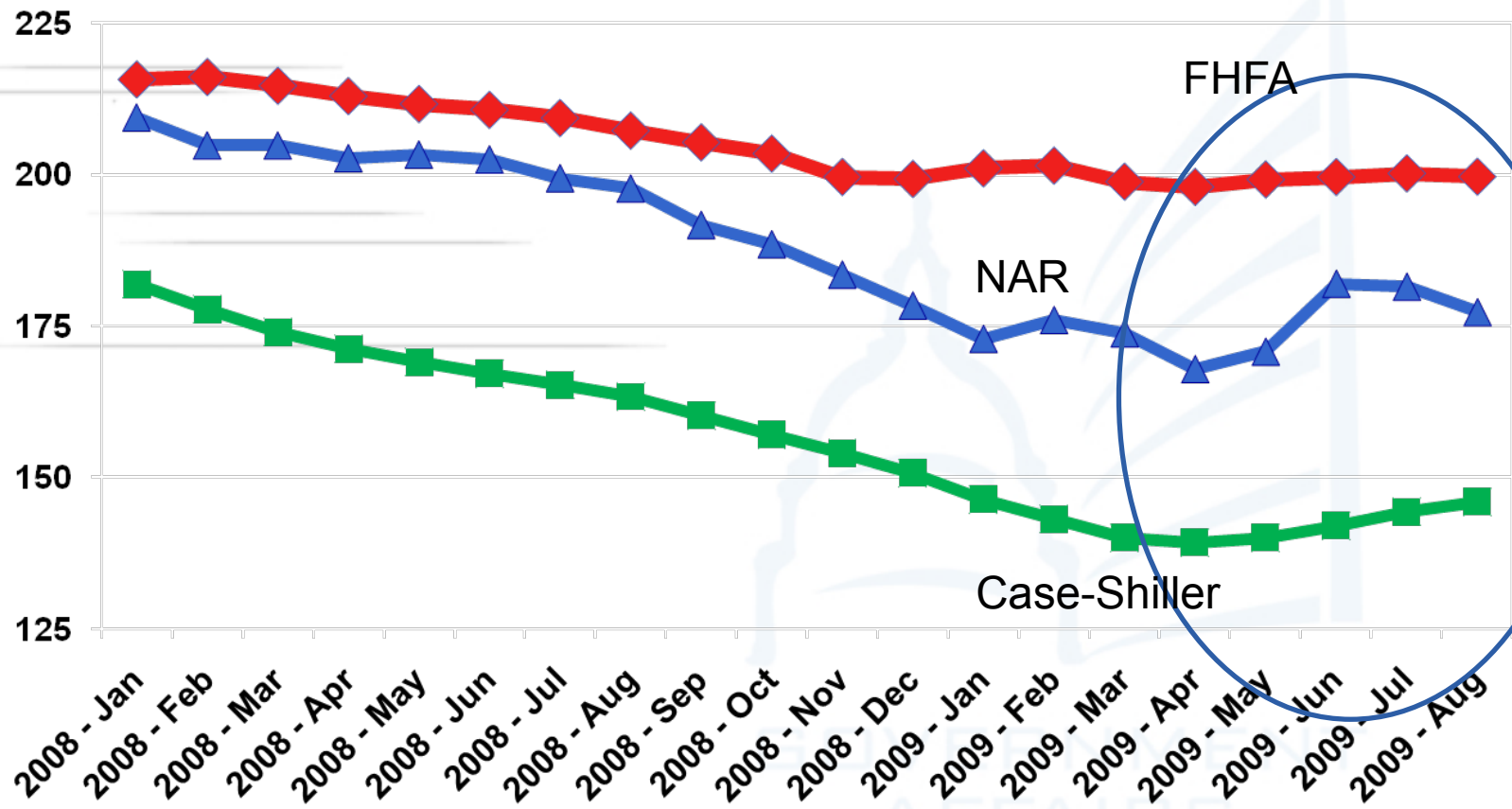


Source: NAR



# Latest Monthly Home Price Trend

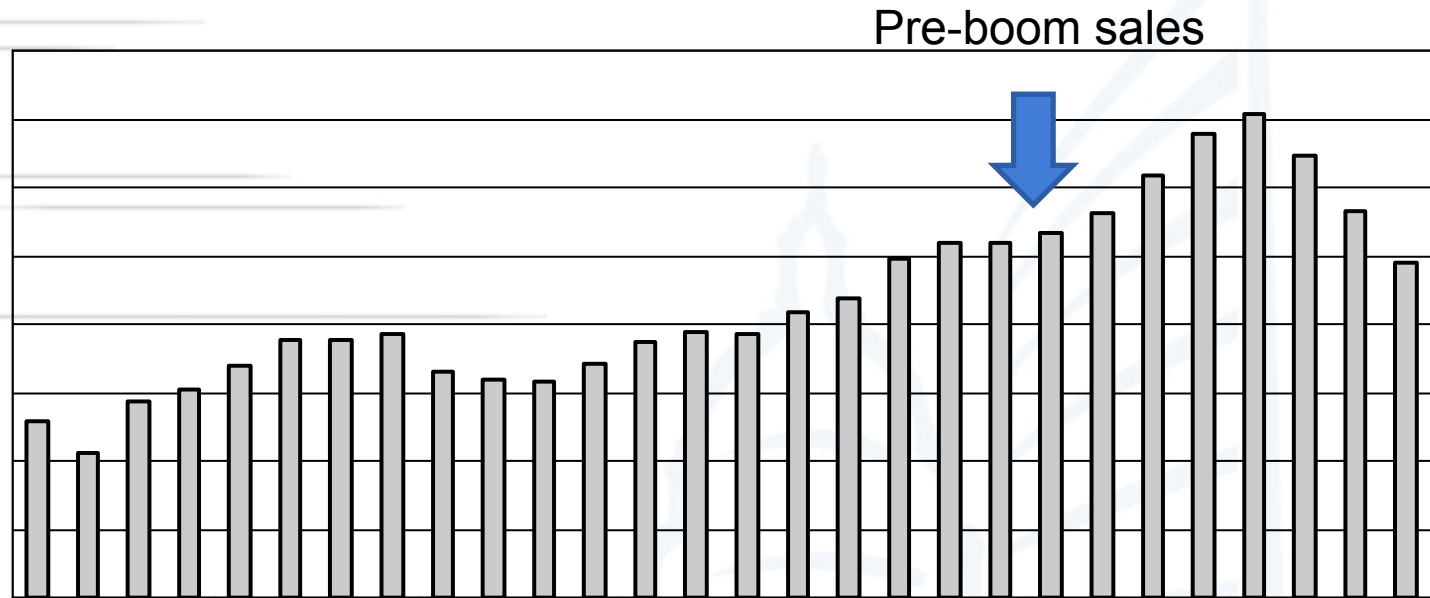
Case-Shiller, Govt (FHFA), NAR ... Seasonally Adjusted Data



# ***National Existing Home Sales***

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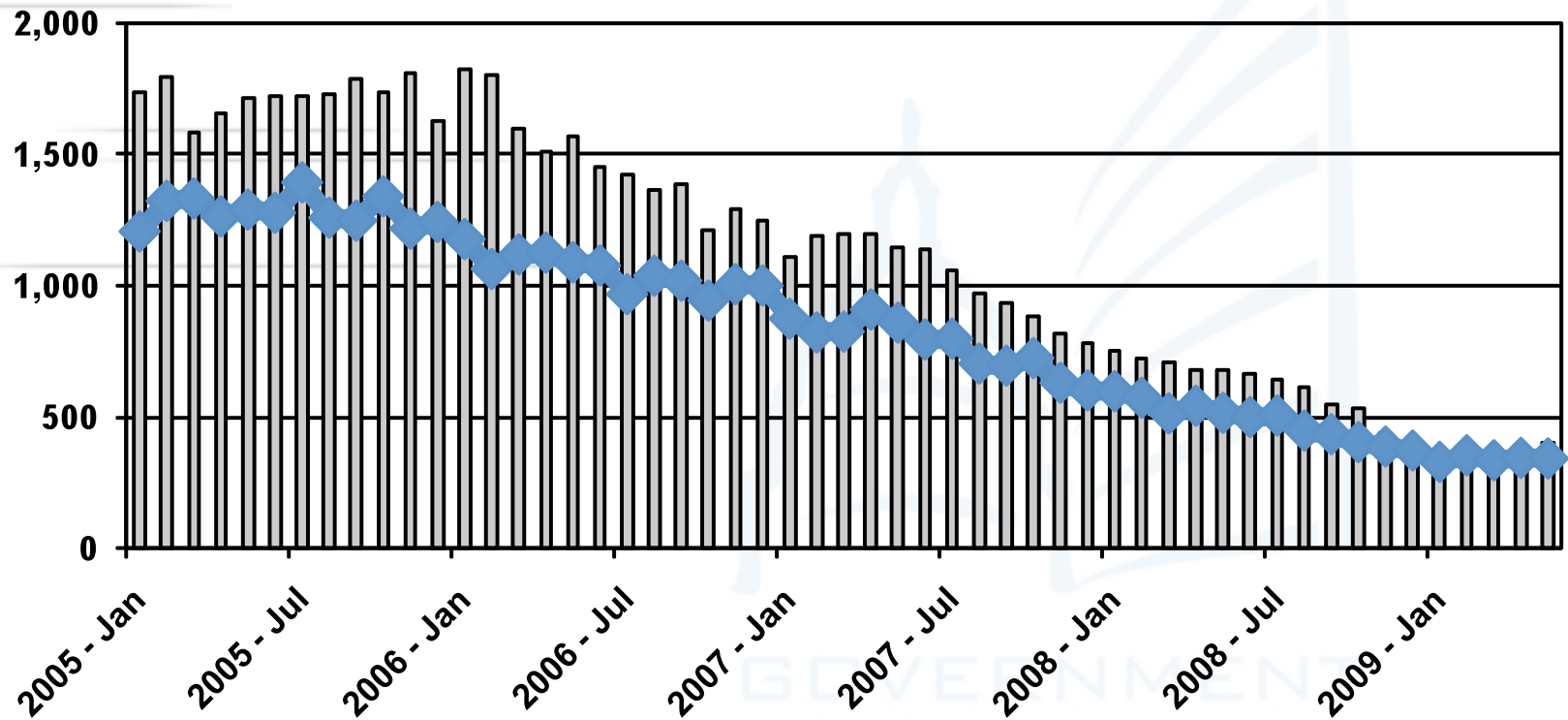
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# Homebuilders Down and Out

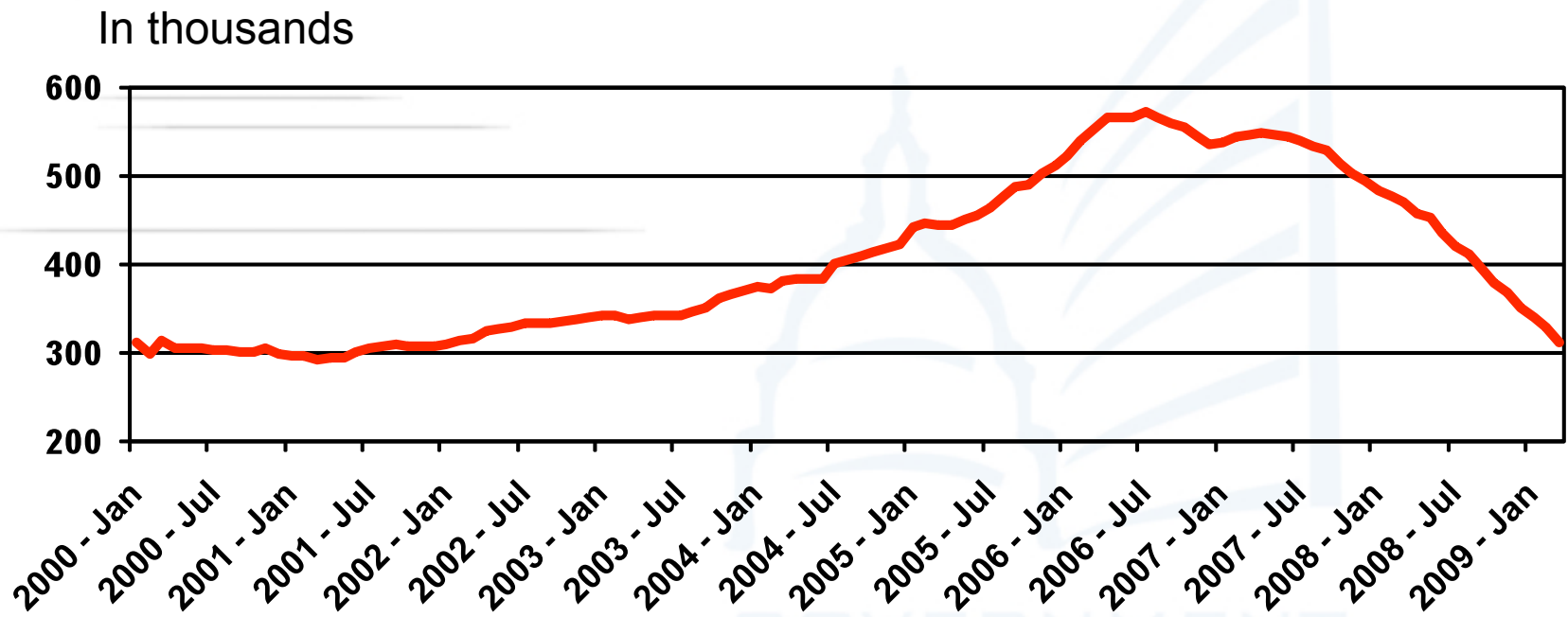
## (Single Family Starts and New Home Sales)



Source: Census



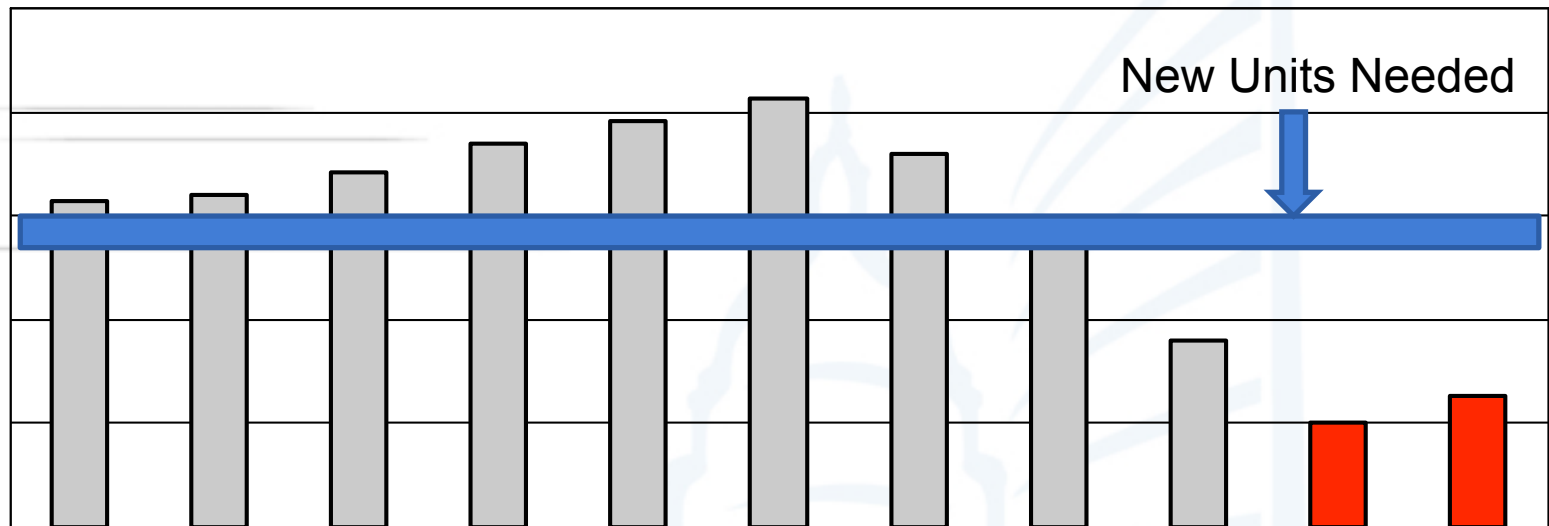
# New Home Inventory for Sale



Source: Census

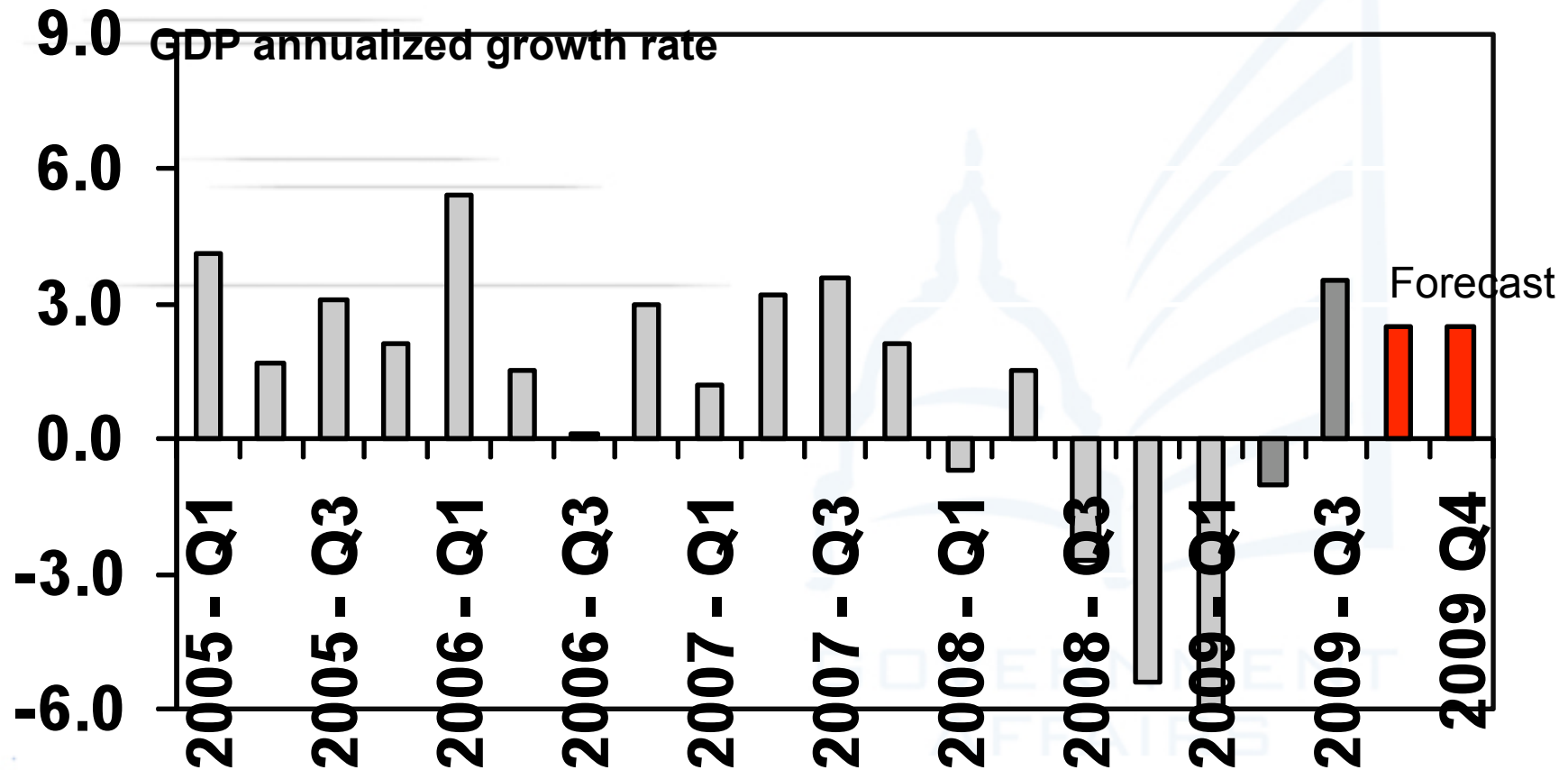


# Housing Starts: Too Much to Too Little



3 million more people each year ... 1 to 1.4 million household formation  
... need to account for 300,000 demolitions .... need 1.3 to 1.7 new units

# Economy Recovering

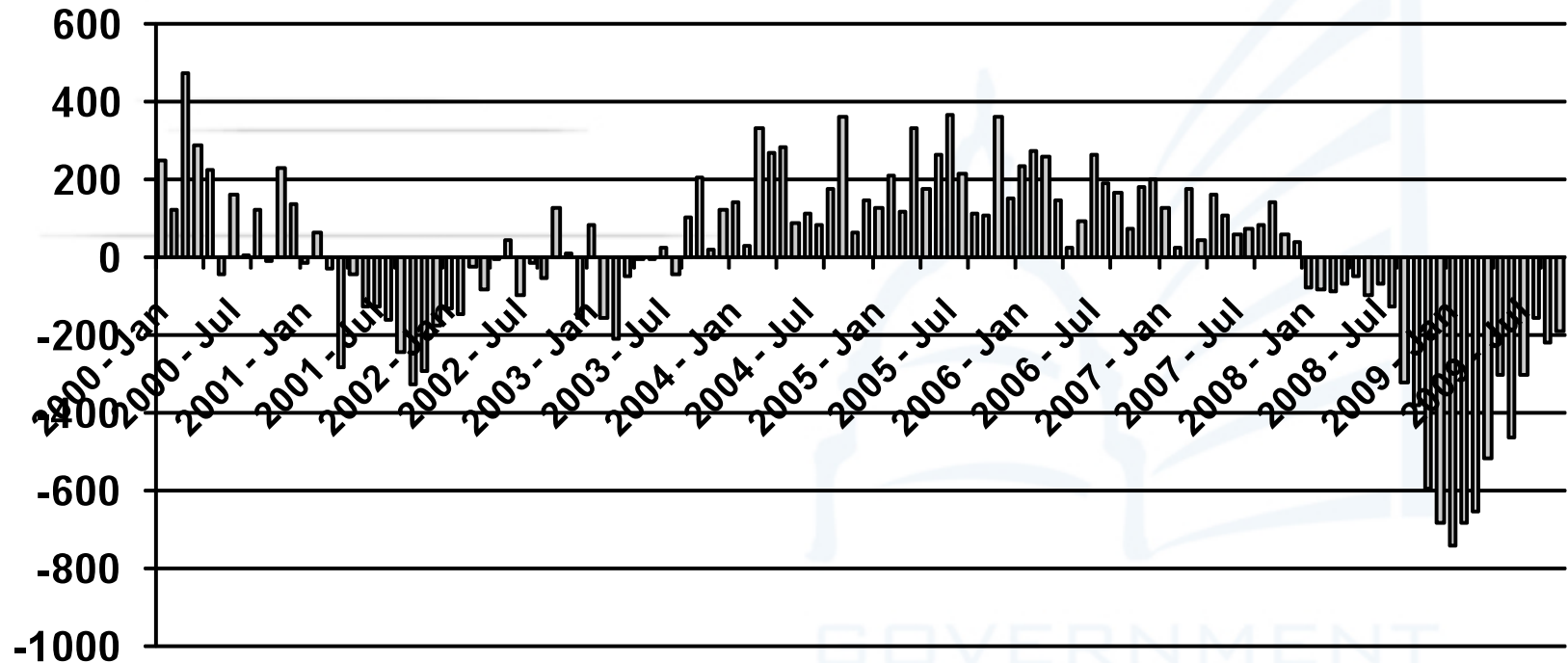


Source: BEA



# Job Changes in U.S.

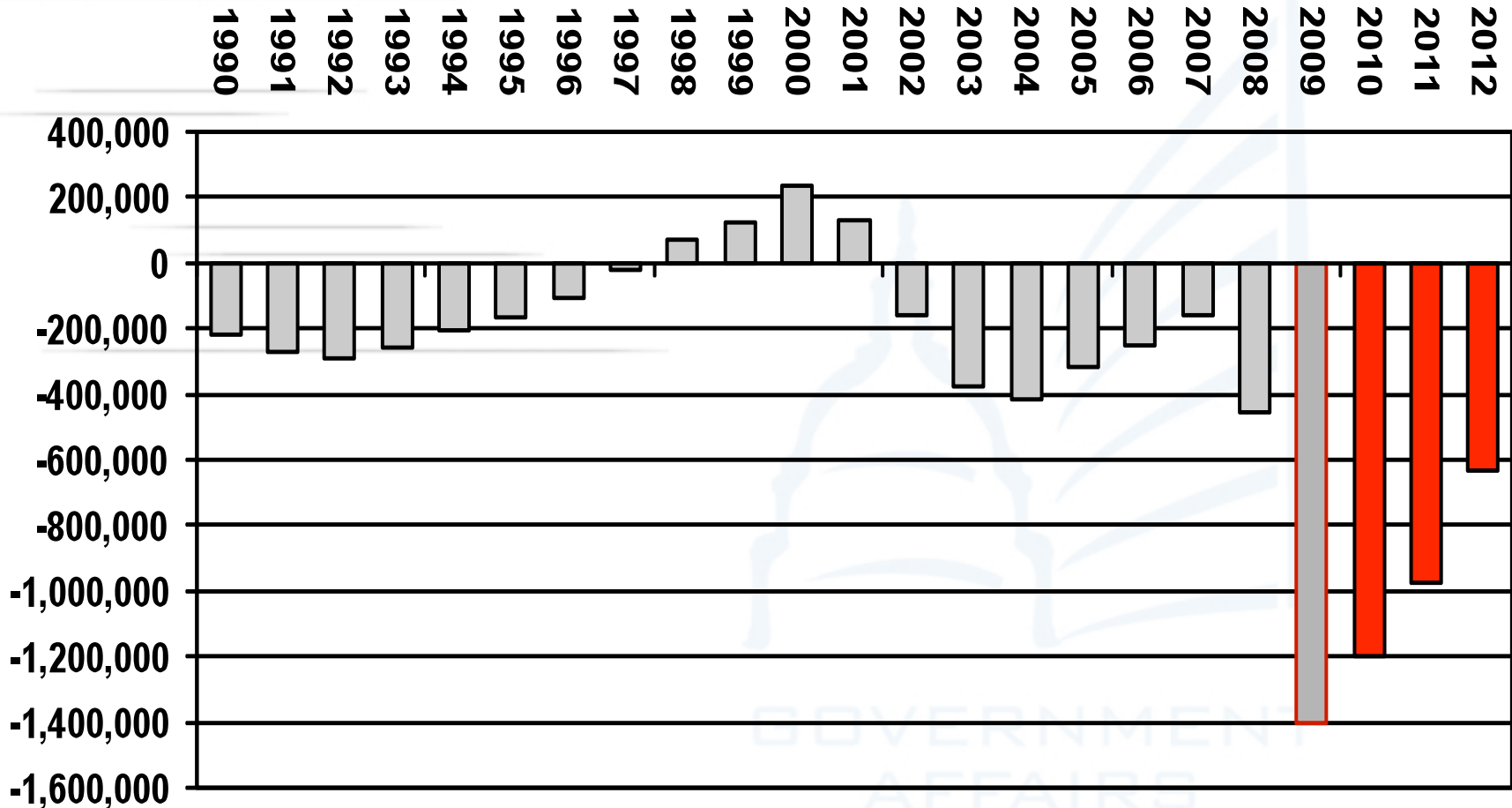
One-month payroll job changes in thousands



Source: BLS



# Federal Budget Deficit

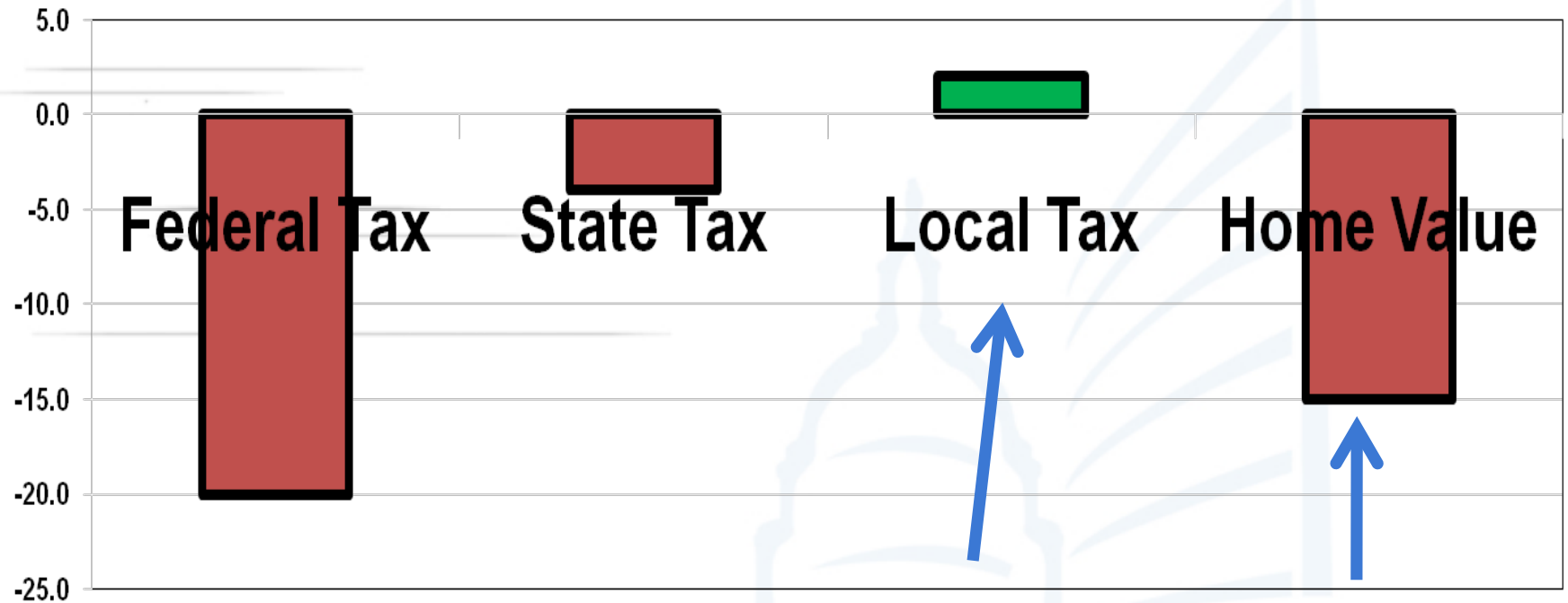


Source: CBO, NAR estimate



# Tax Revenue Collections

(4-quarter change as of 2009 Q1)



Tax Assessors and Appraisers  
need to meet

# ***Economic Outlook***

	<b>2008</b>	<b>2009</b>	<b>2010 forecast</b>
<b>GDP</b>	<b>0.4%</b>	<b>-2.5%</b>	<b>2.7%</b>
<b>CPI Inflation</b>	<b>3.8%</b>	<b>-0.4%</b>	<b>1.6%</b>
<b>Unemployment Rate</b>	<b>5.8%</b>	<b>9.3%</b>	<b>9.9%</b>
<b>10-year Treasury</b>	<b>3.7%</b>	<b>3.2%</b>	<b>3.7%</b>

# *Housing Outlook*

	<b>2008</b>	<b>2009</b>	<b>2010 forecast</b>
<b>Existing Home Sales</b>	<b>4.9 m</b>	<b>5.0 m</b>	<b>5.8 m</b>
<b>New Home Sales</b>	<b>485 k</b>	<b>397 k</b>	<b>560 k</b>
<b>Home Price Growth</b>	<b>-10%</b>	<b>-13%</b>	<b>4%</b>
<b>Mortgage Rate</b>	<b>6.1%</b>	<b>5.2%</b>	<b>5.7%</b>
<b>Price Fear Factor</b>	<b>?</b>	<b>?</b>	<b>None</b>

