

Economic & Housing Outlook

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

Presentation at
Greater Boston Association of REALTORS®
Boston, MA

November 16, 2017

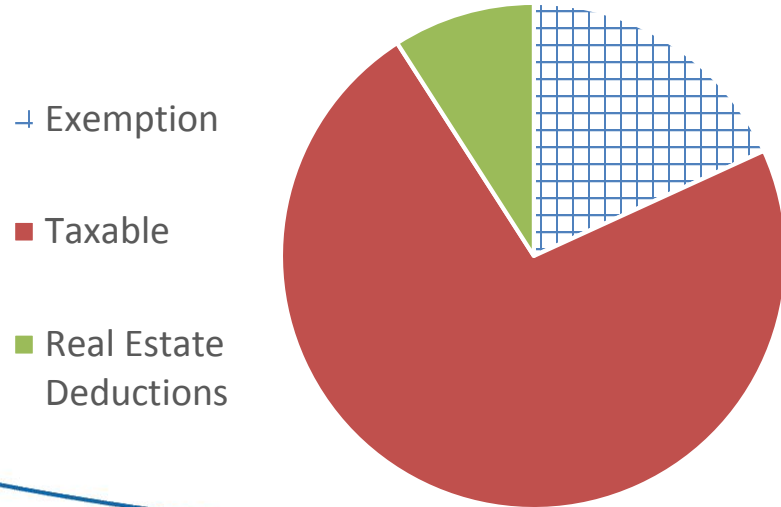
Tax Reform

- Mortgage interest deduction?
 - Property tax deduction?
 - Personal Exemption?
 - 1031 Exchange?
-
- Not the Same as 1986 Reform ... removed “passive losses” for non real estate professional

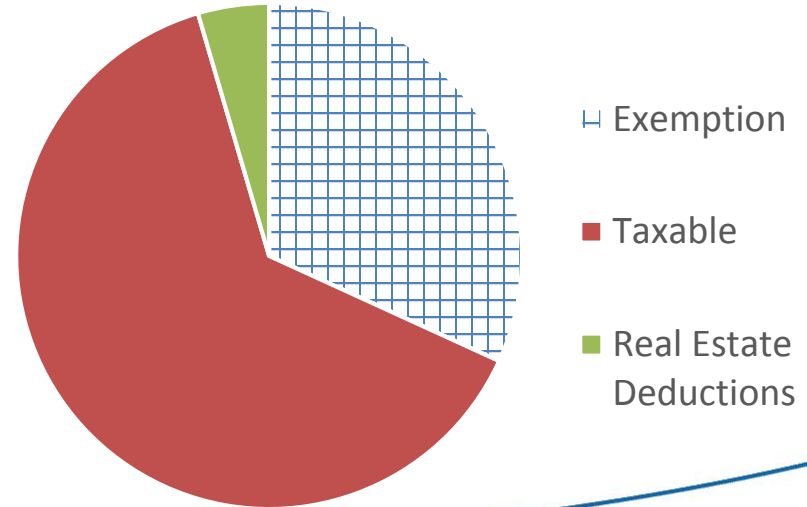
Taxable Income after Deductions

(Figures are for illustrative purpose only)

Taxable Income with
Same Standard Deduction

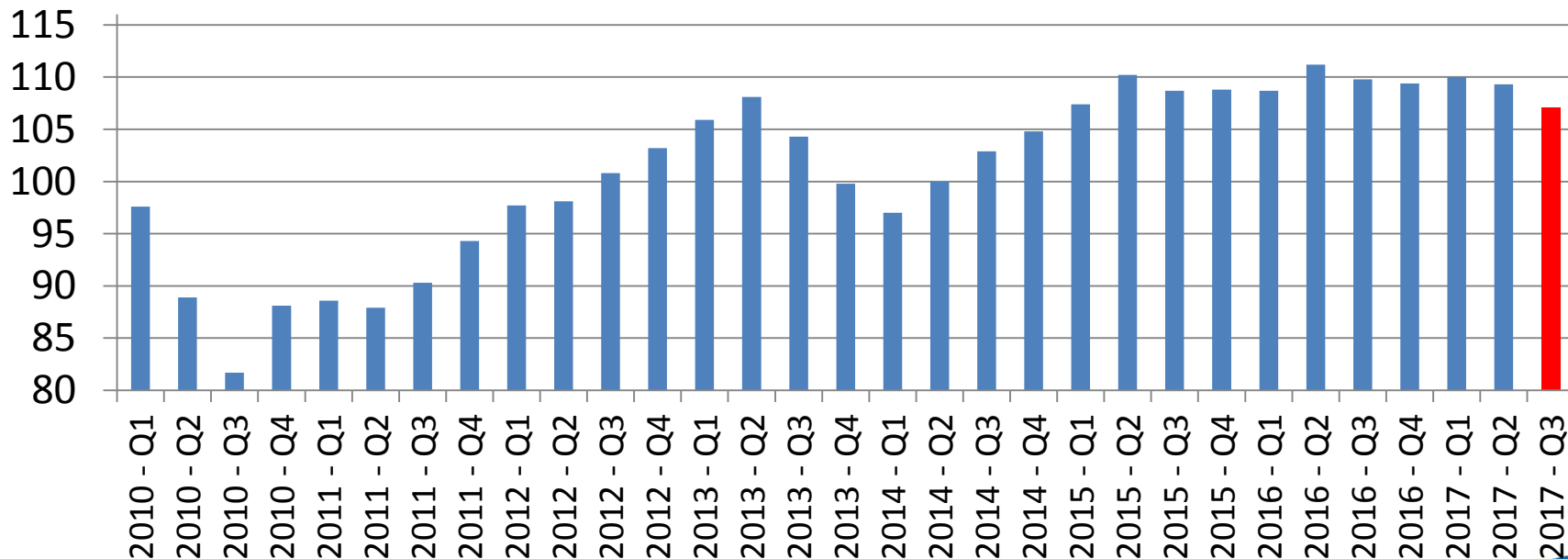


Taxable Income with
Higher Standard Deduction



Pending Sales Index ... Losing a Step

(Quarterly Seasonally Adjusted)

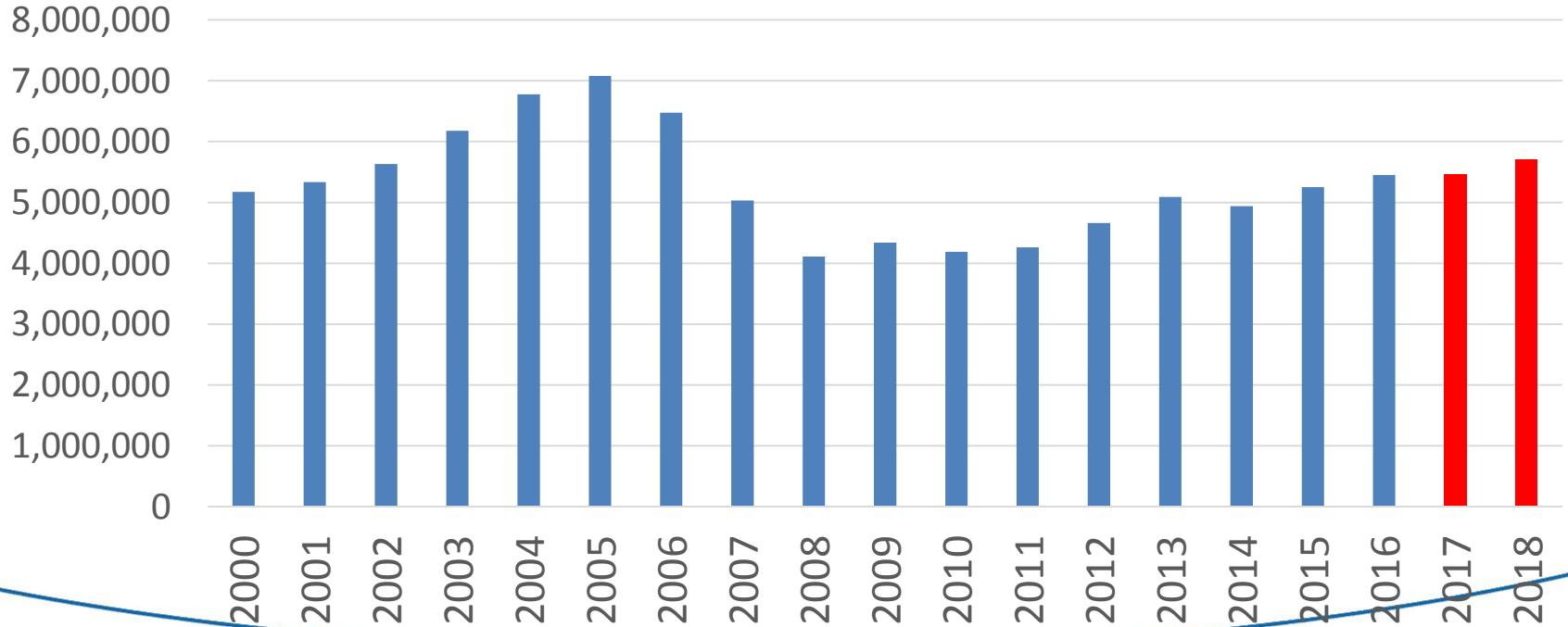


Source: NAR

Boston Metro Housing Statistics

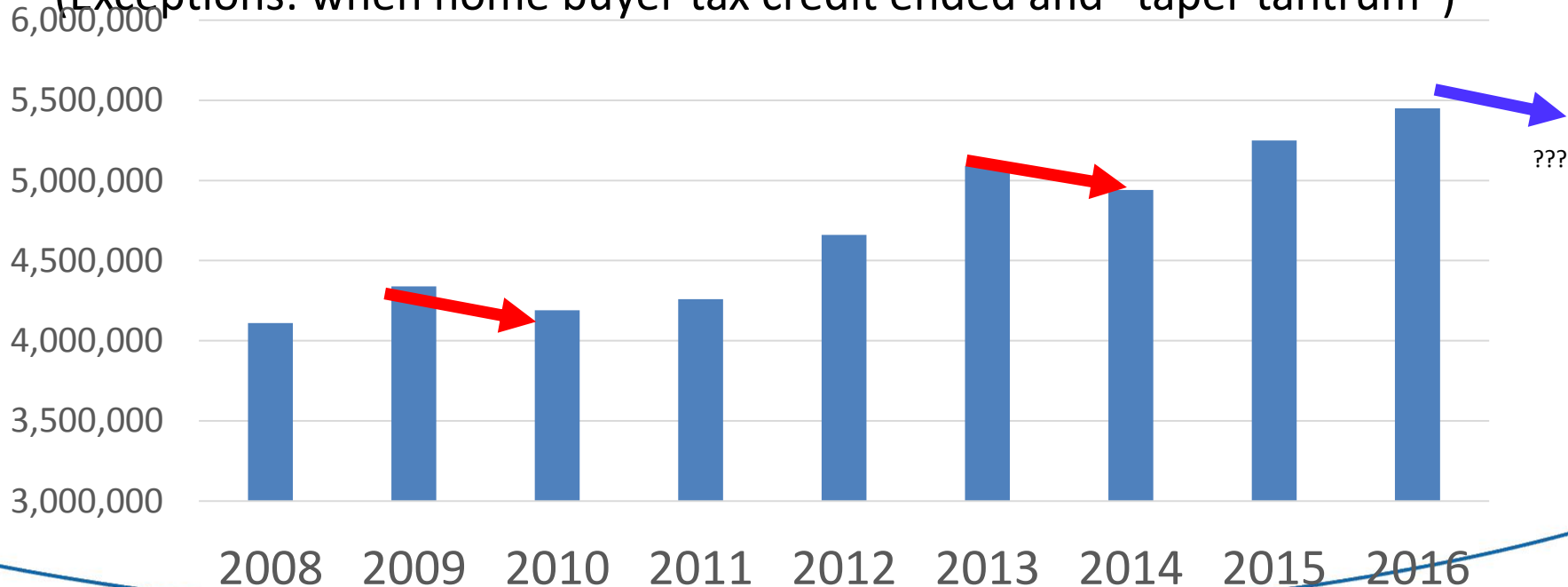
- Home Sales Sold ... down 4% year-to-date (September)
- Median Price ... up 7%
- Inventory ... down 3%
- Months Supply ... 3.2 months for single-family
- Months Supply ... 2.6 months for condominium

Existing Home Sales + Forecast



Existing Home Sales – Mostly Rising in Recent Years

(Exceptions: when home buyer tax credit ended and “taper tantrum”)



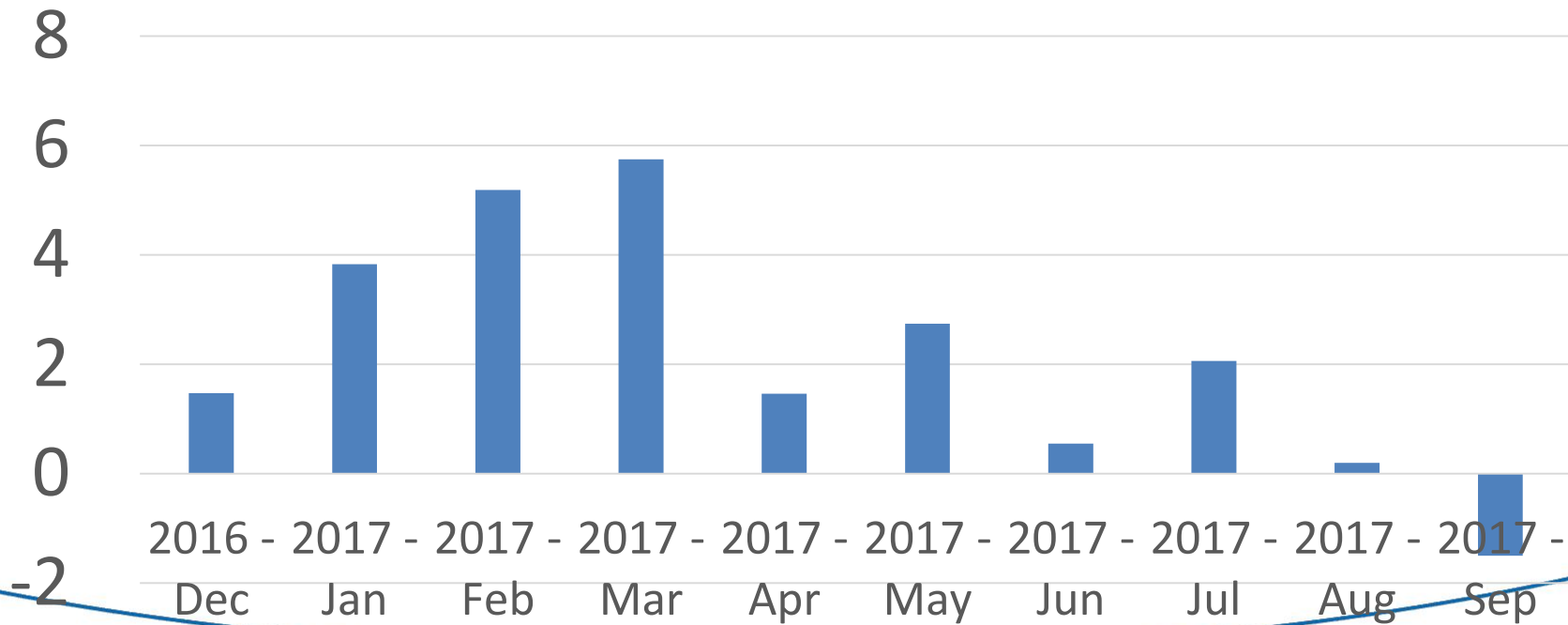
Mortgage Rates

30-year Fixed Rate

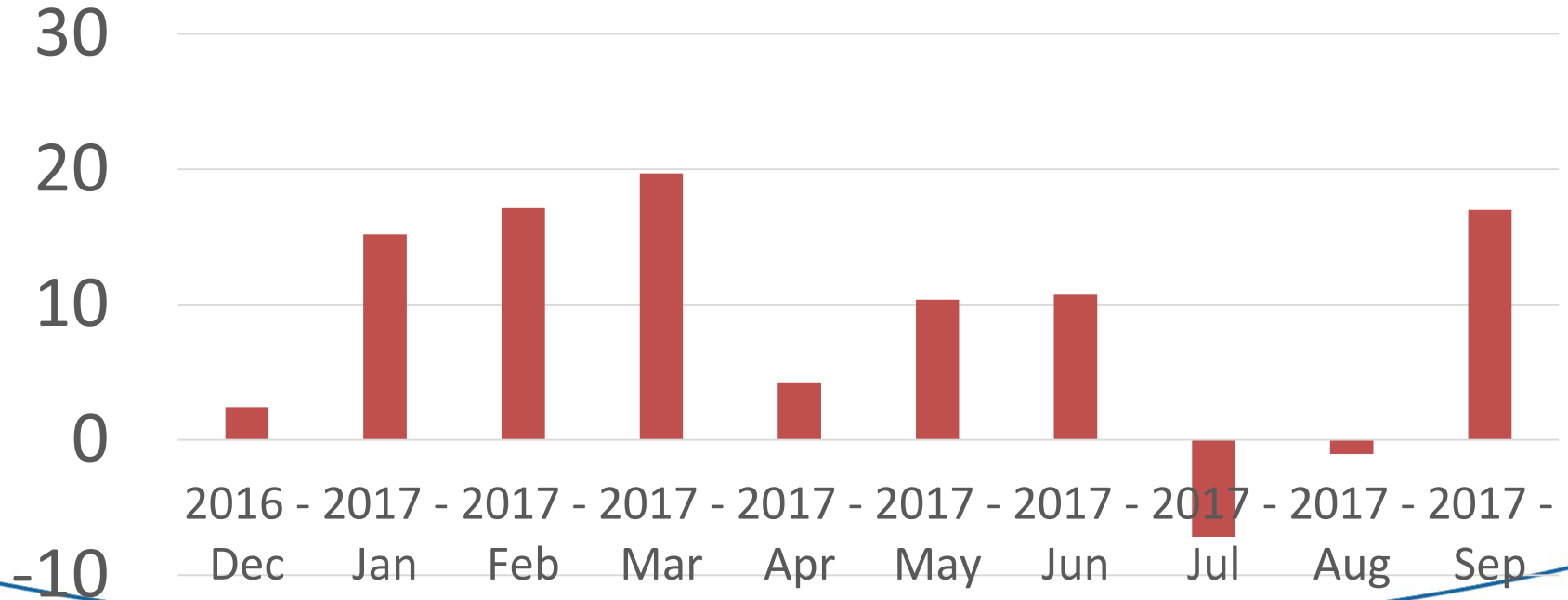


Existing Home Sales Rising After Election

(% change from one year ago)

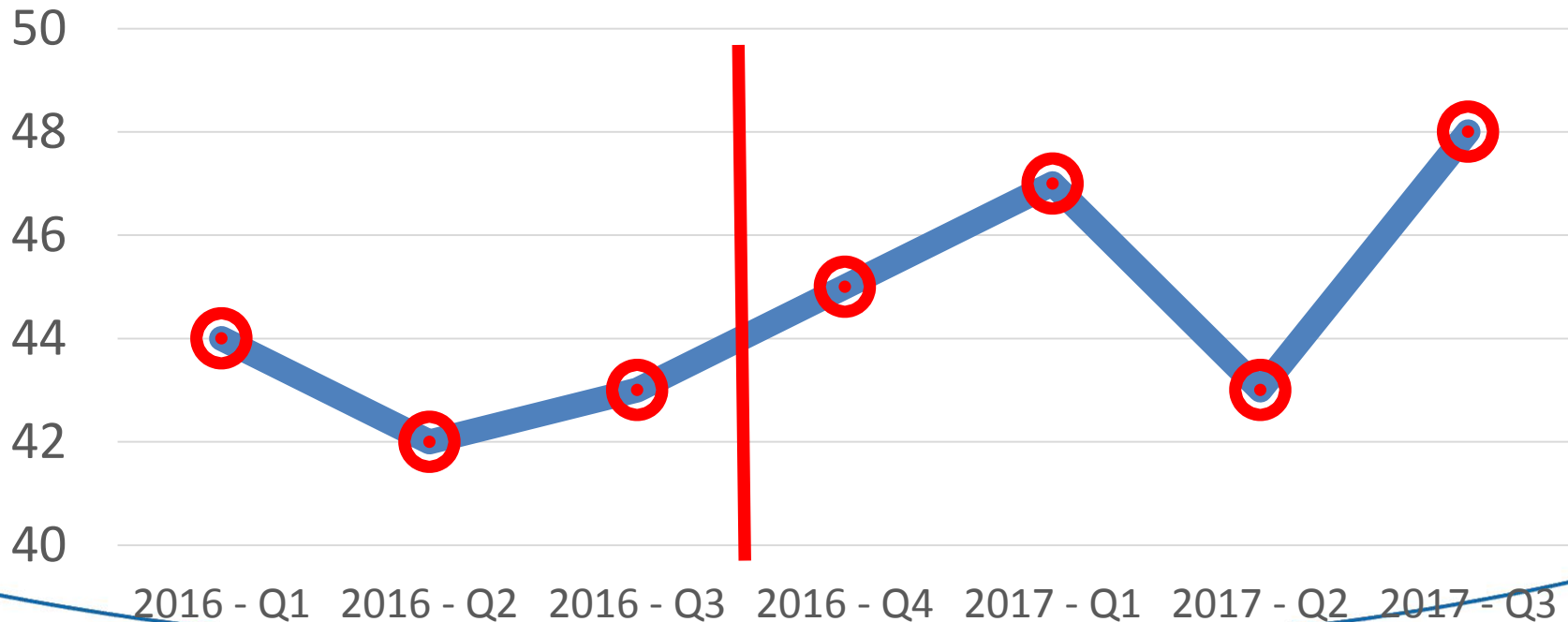


New Home Sales Rising – After Election

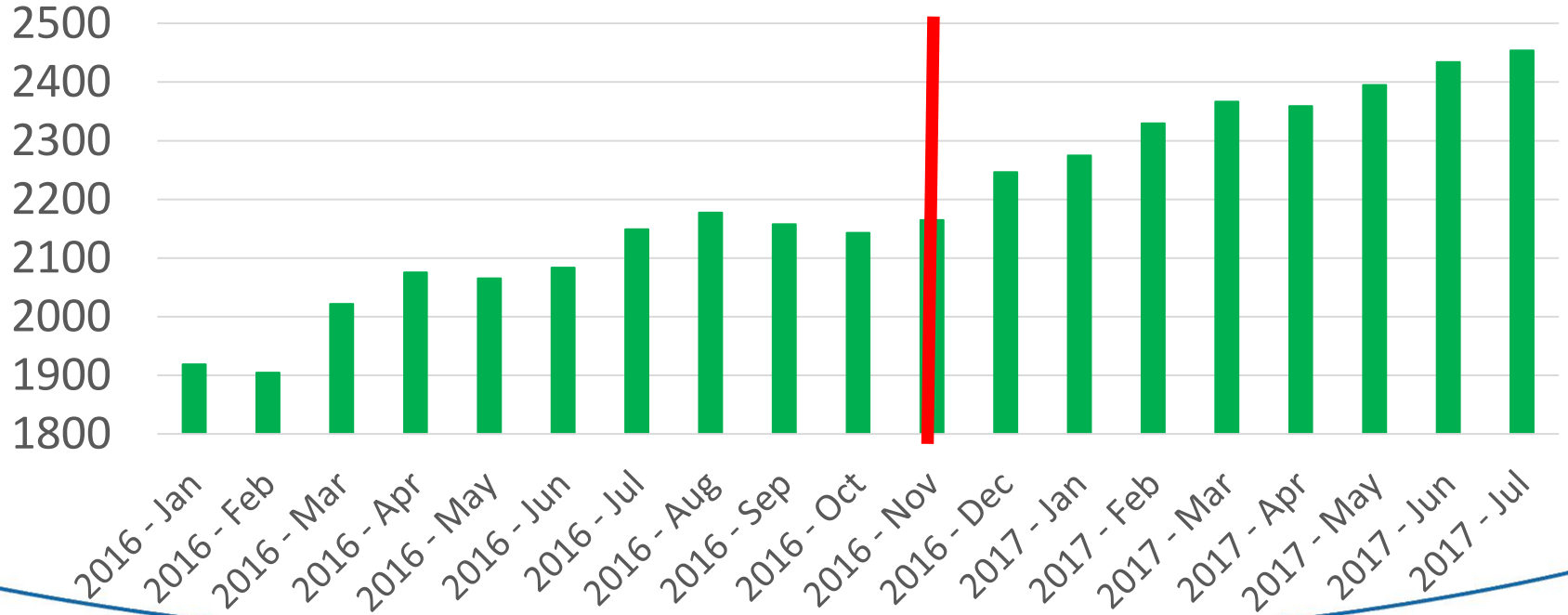


NAR HOME Survey of Consumers

% Strongly indicating Good Time to Buy

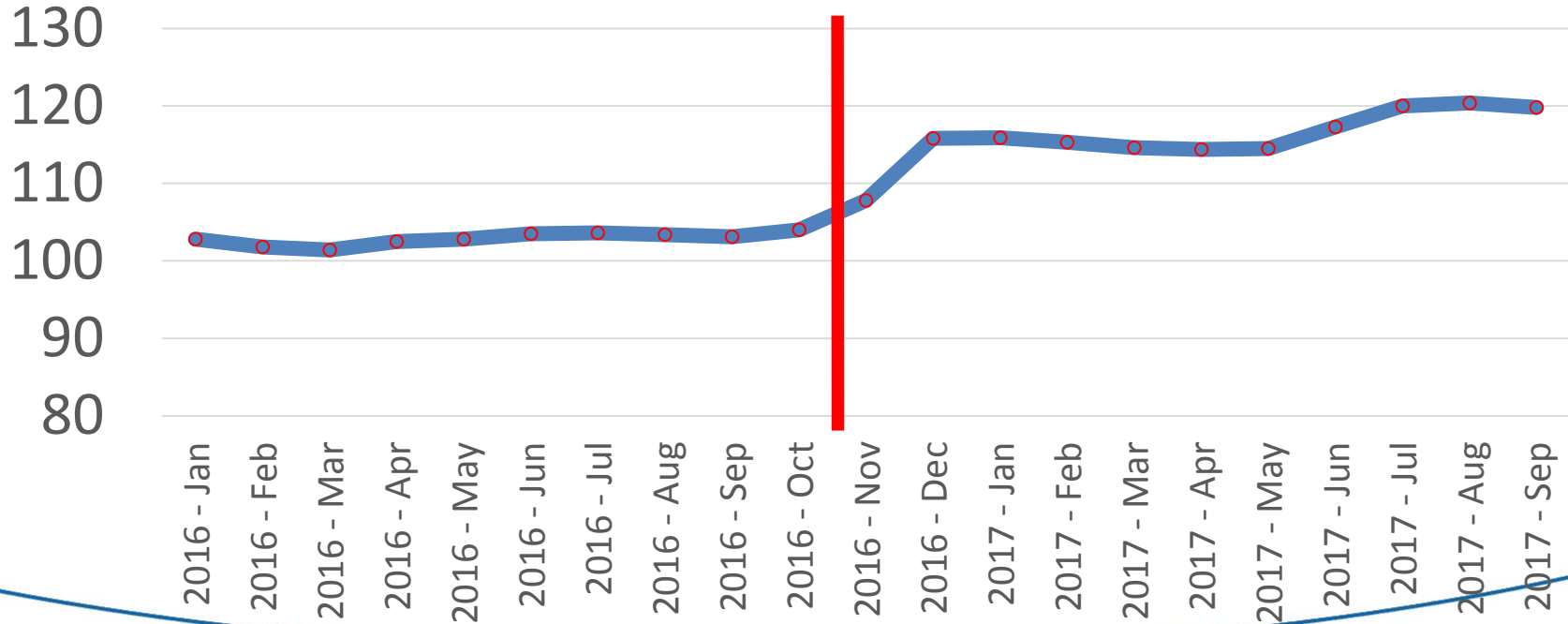


Stock Market: S&P 500 Index



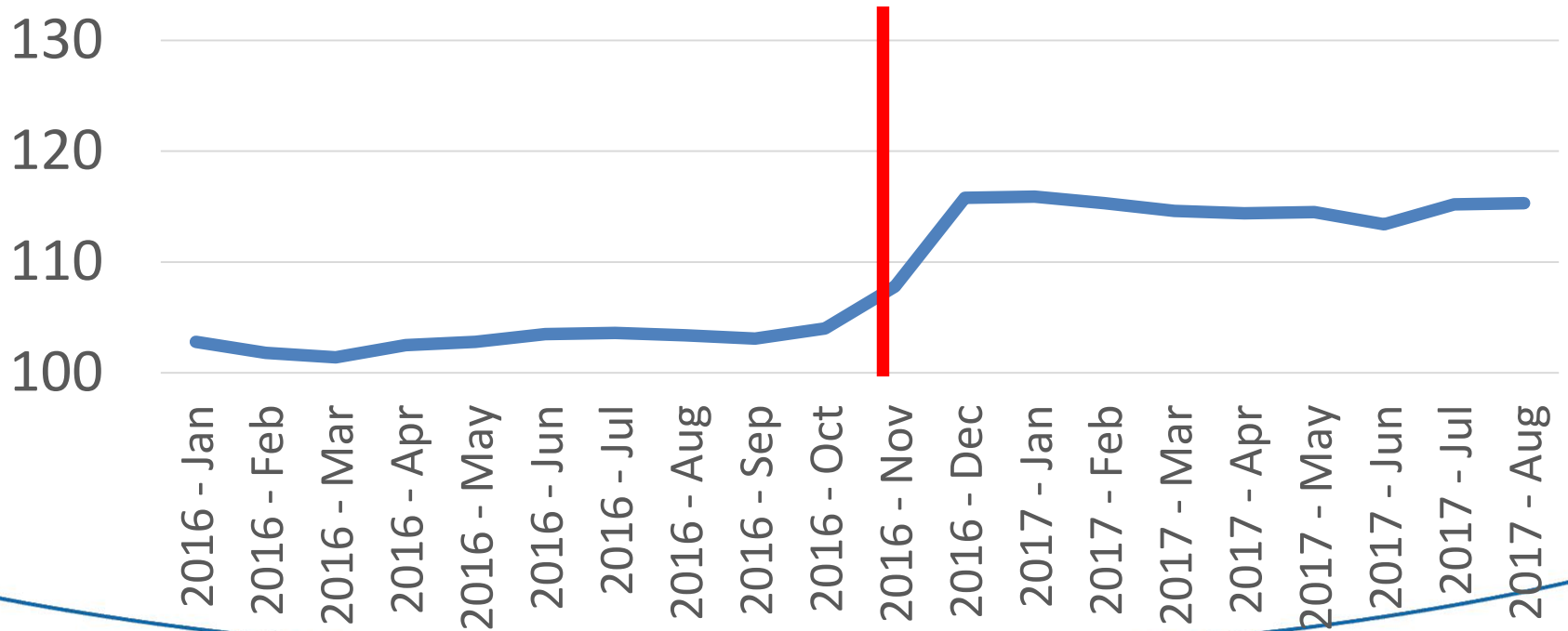
Animal Spirit Revival of Consumers?

Consumer Confidence Index

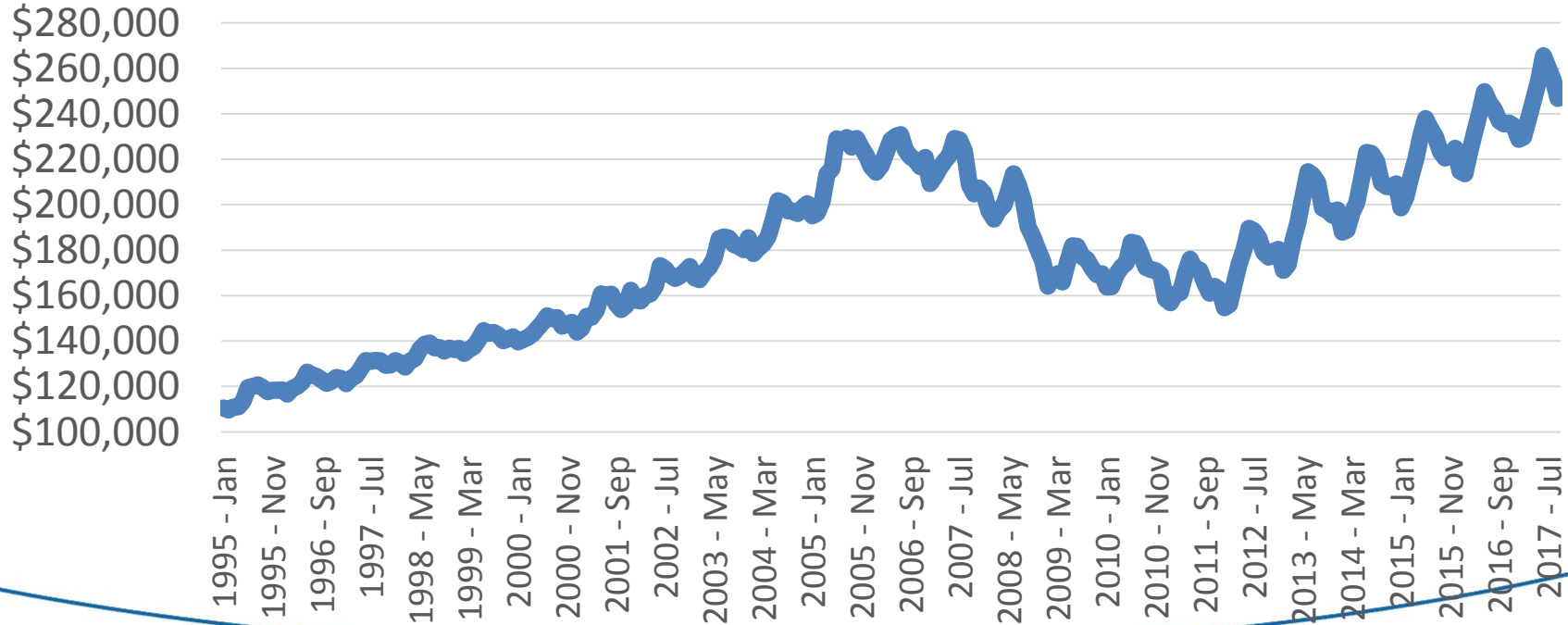


Animal Spirit Revival of Businesses?

Small Business Optimism Index



National Median Home Price



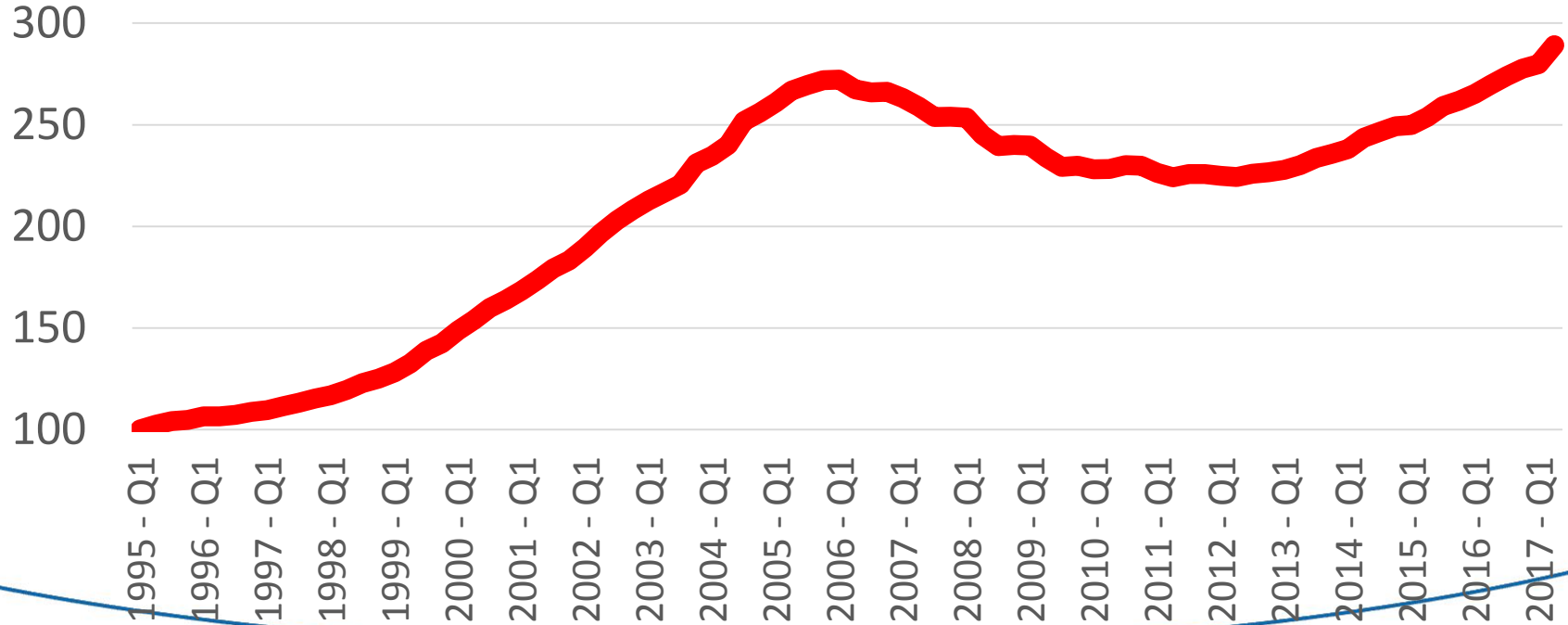
Source: NAR

Boston Median Home Price



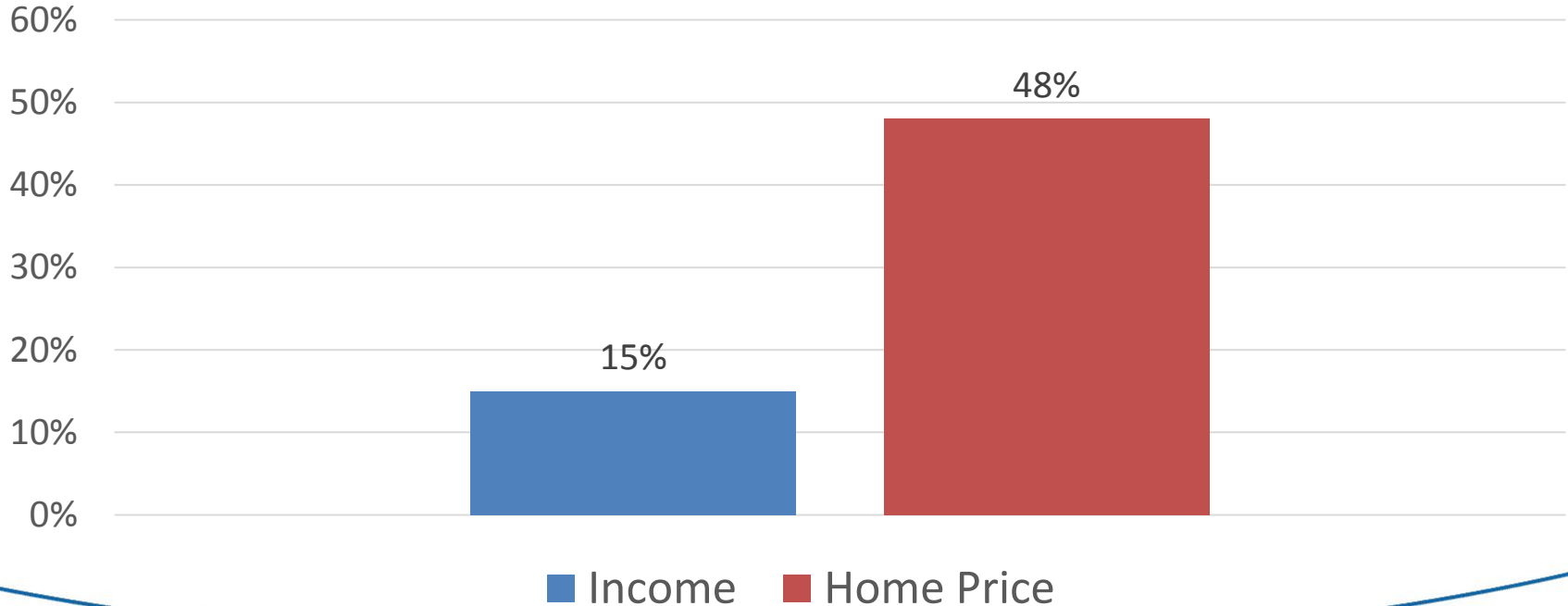
Source: NAR

Home Price Index (Constant Quality) Boston Metro Division

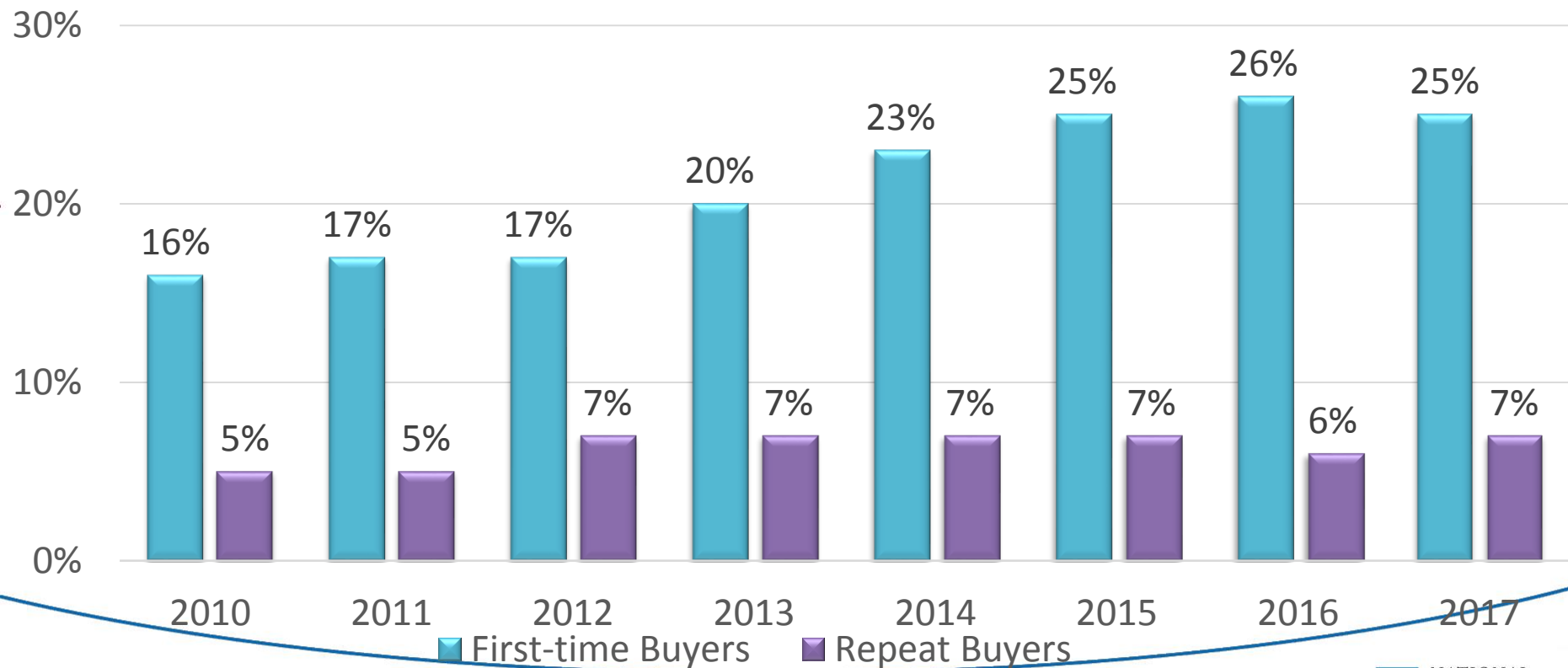


Income Growth and Home Price Growth

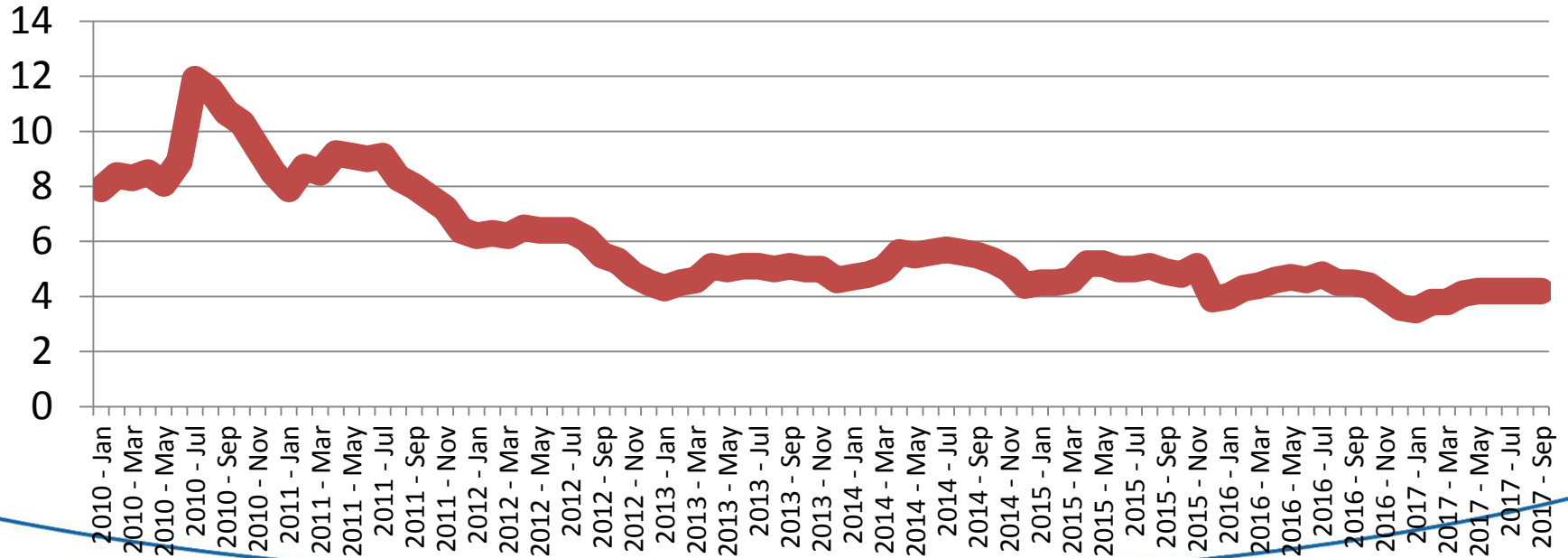
(from lows in 2011 to 2017)



Difficulty Saving for Downpayment

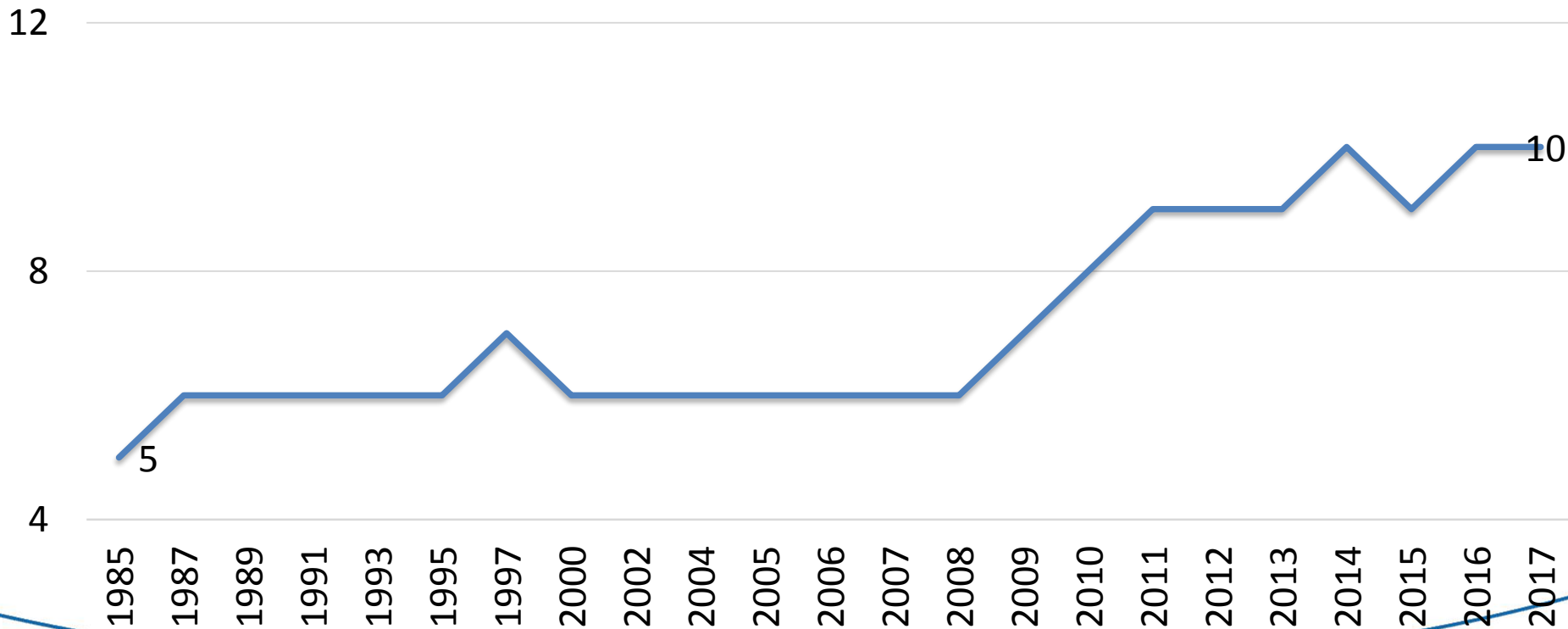


Months Supply of Inventory

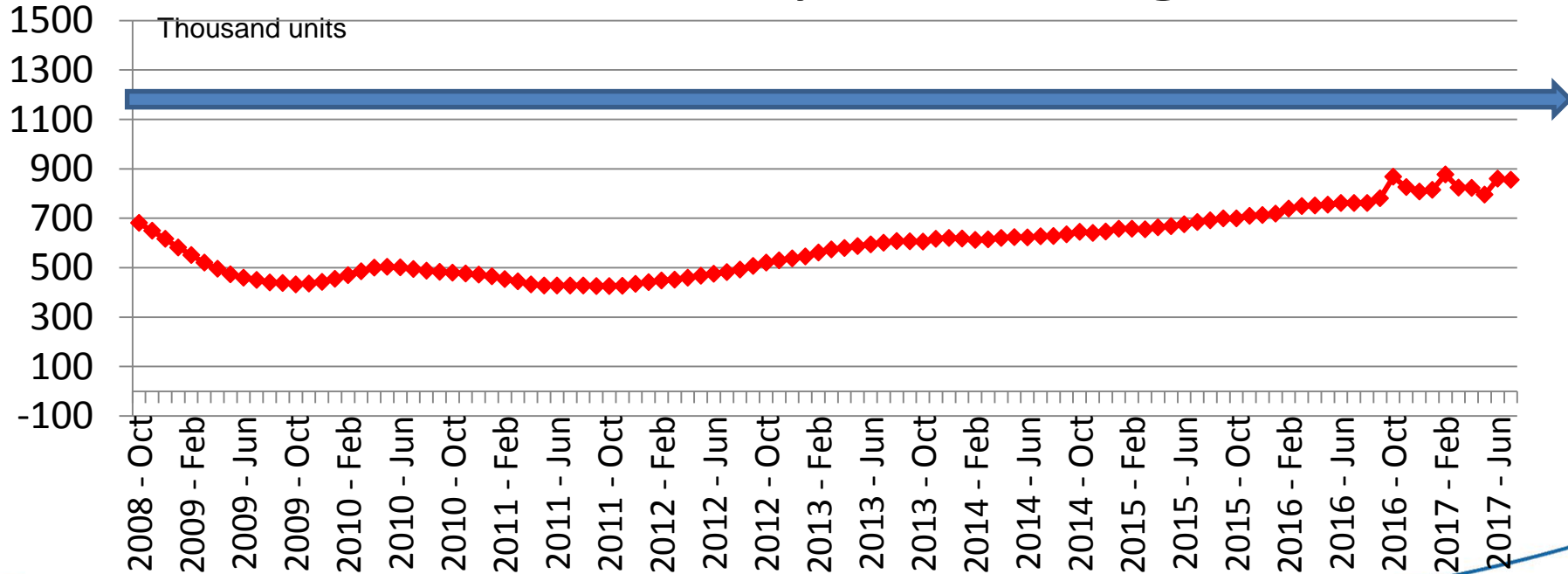


Source: NAR

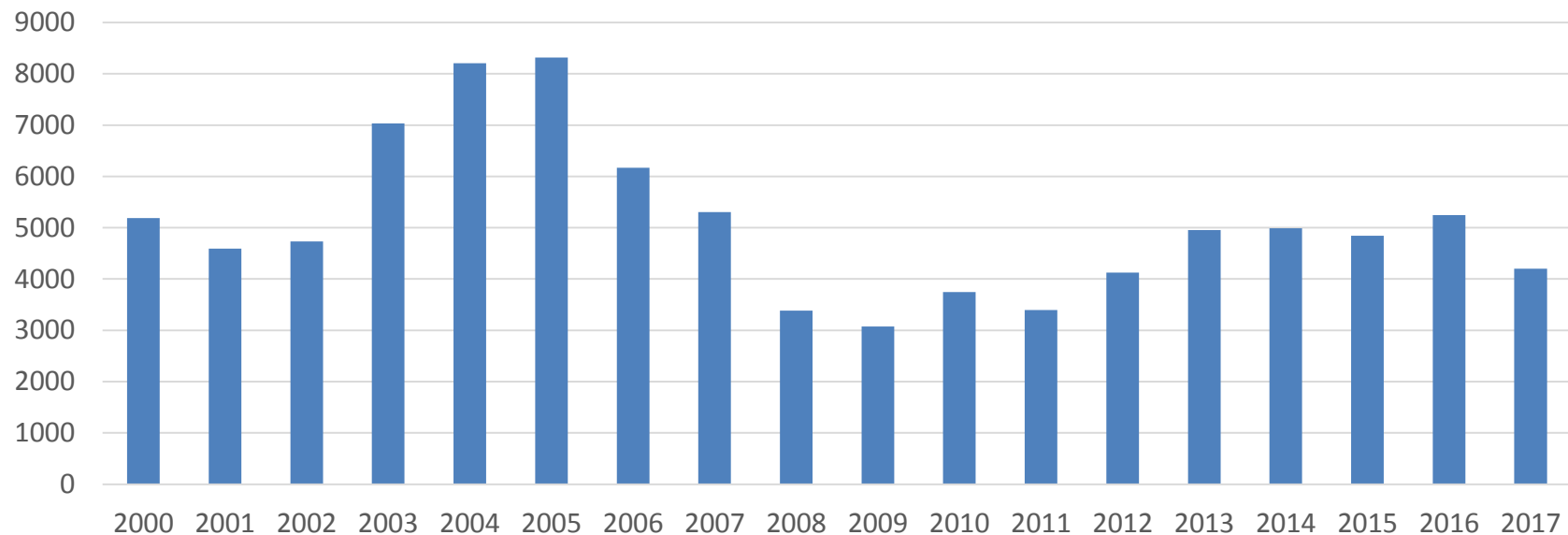
Actual Tenure in Home is Elevated



Single-family Housing Starts ... Well Below 50-year Average



Boston Metro Single-Family Permits

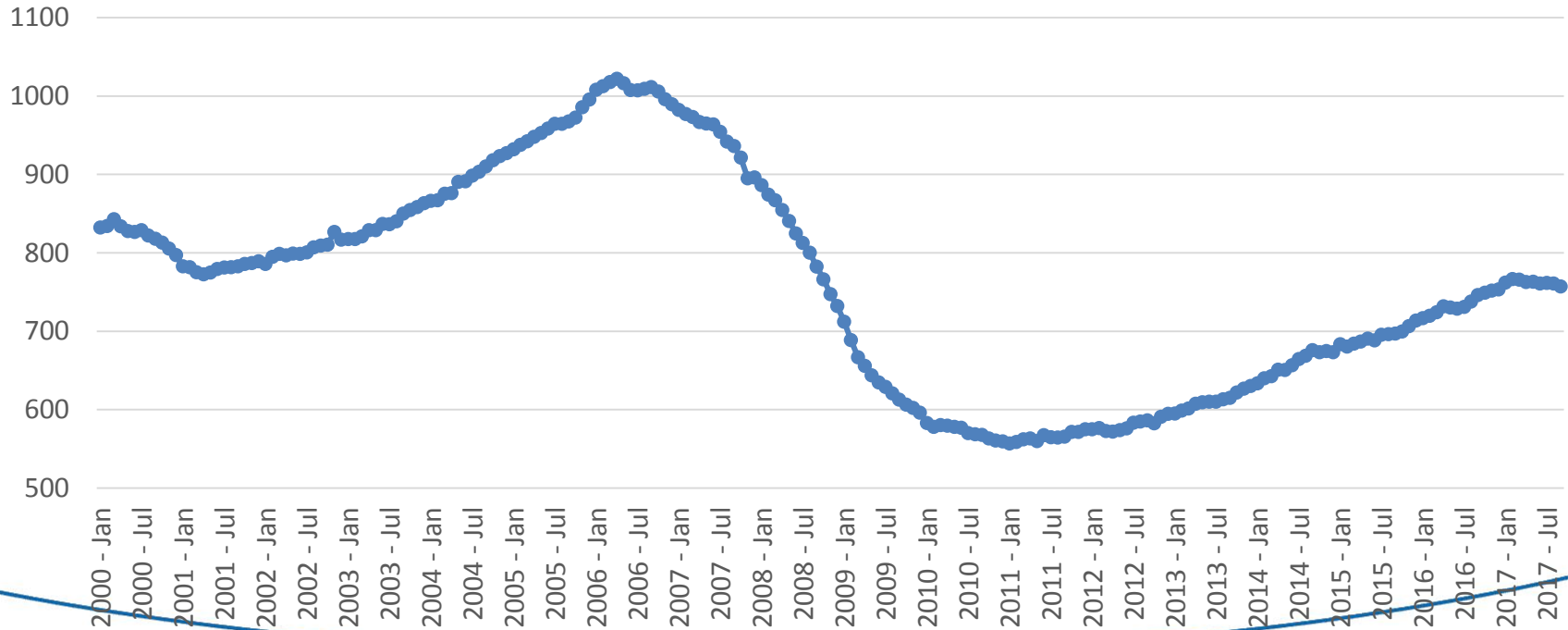


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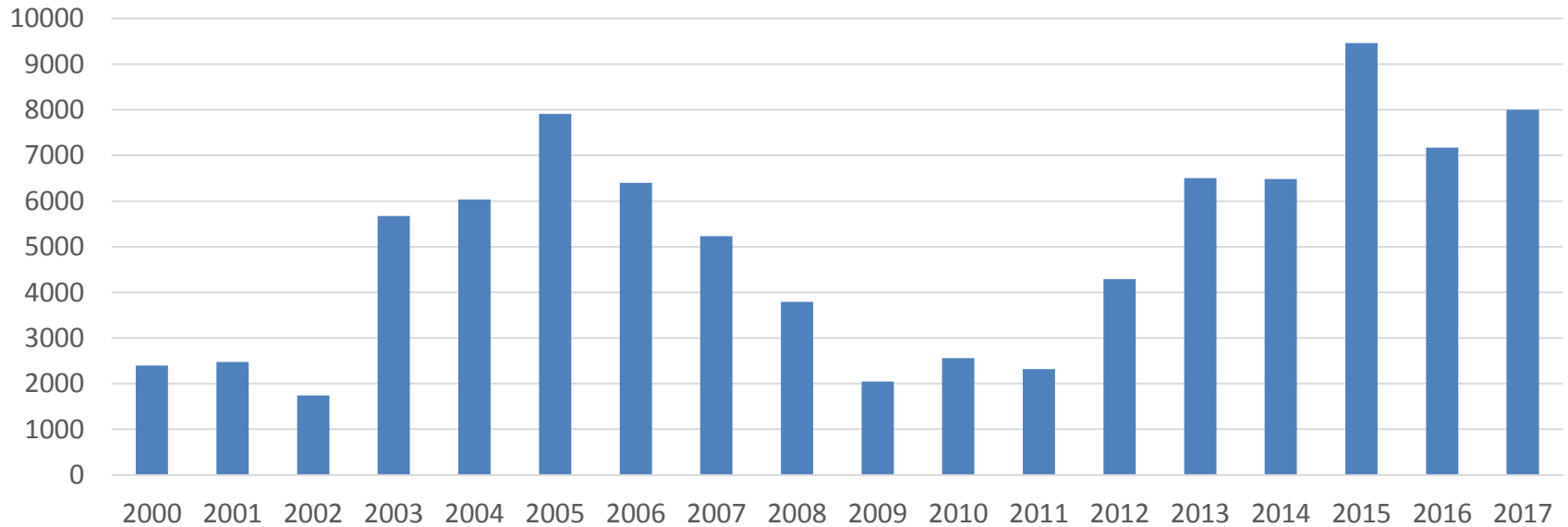


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Residential Construction Workers

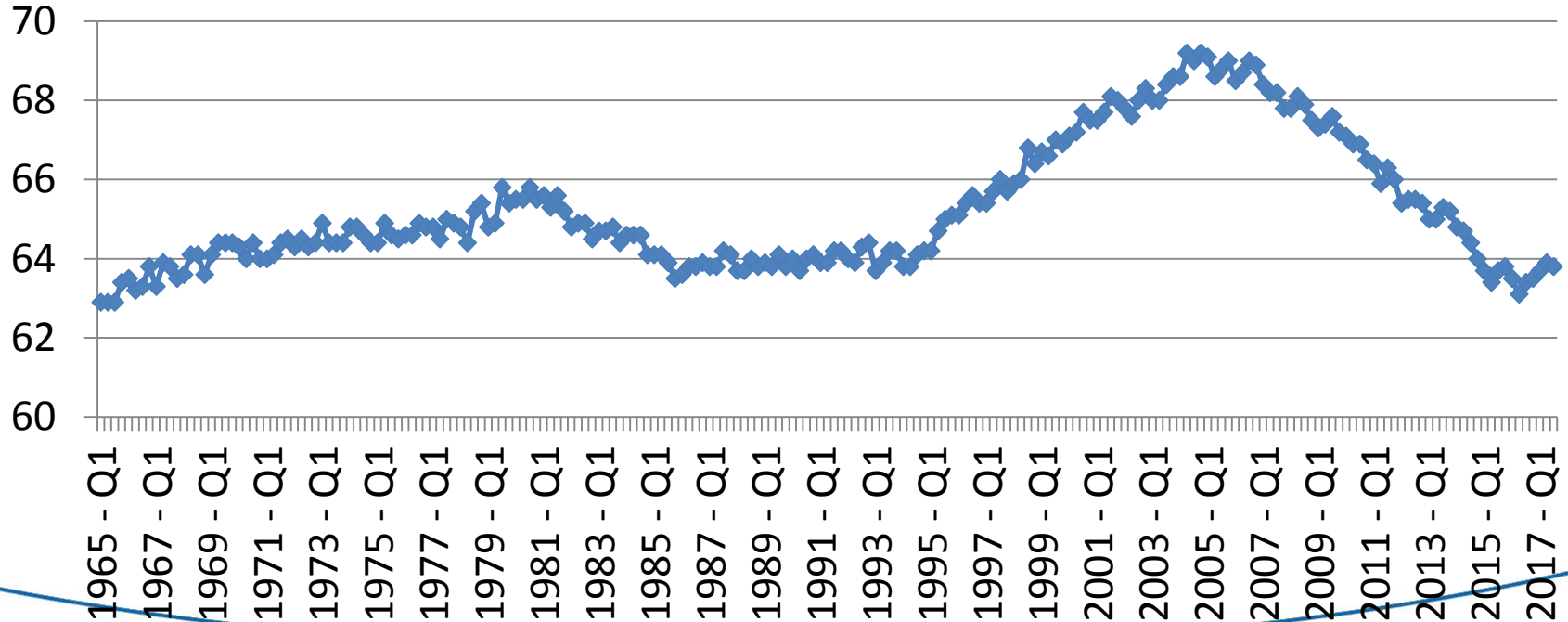


Boston Metro Multifamily Permits



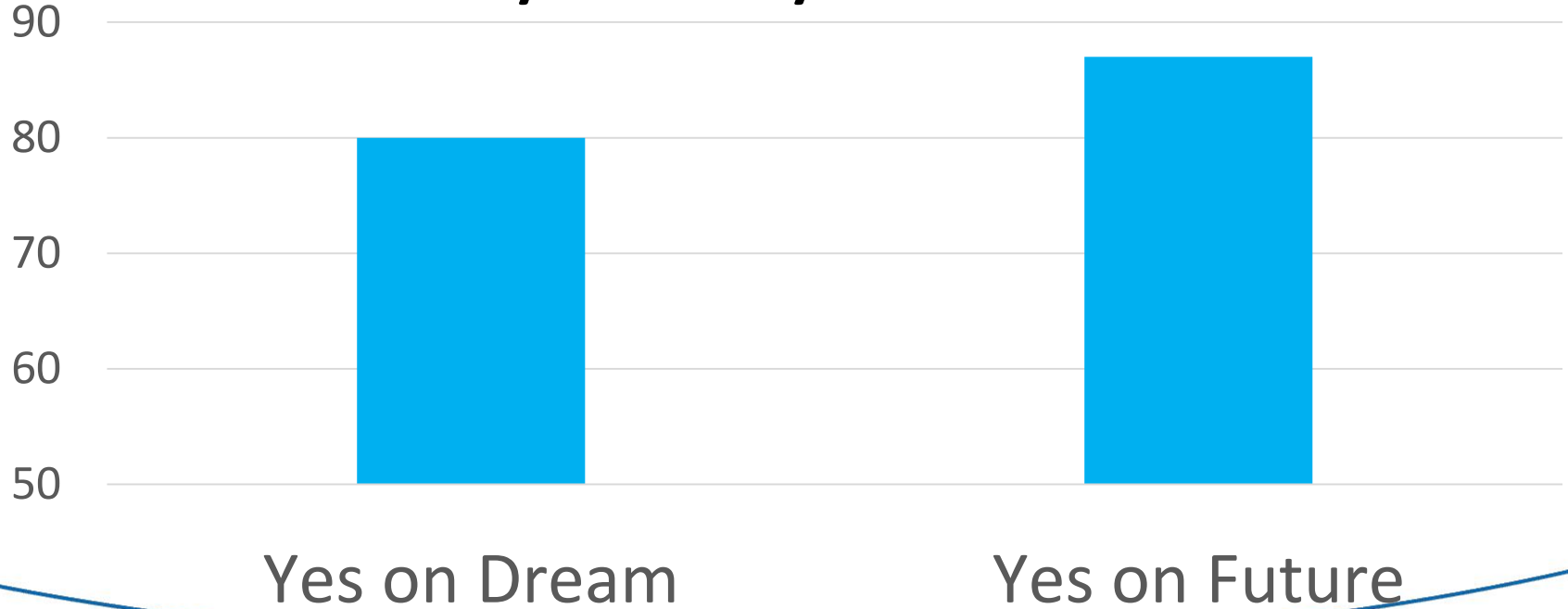
*

Homeownership Rate Still Near 50-year Lows

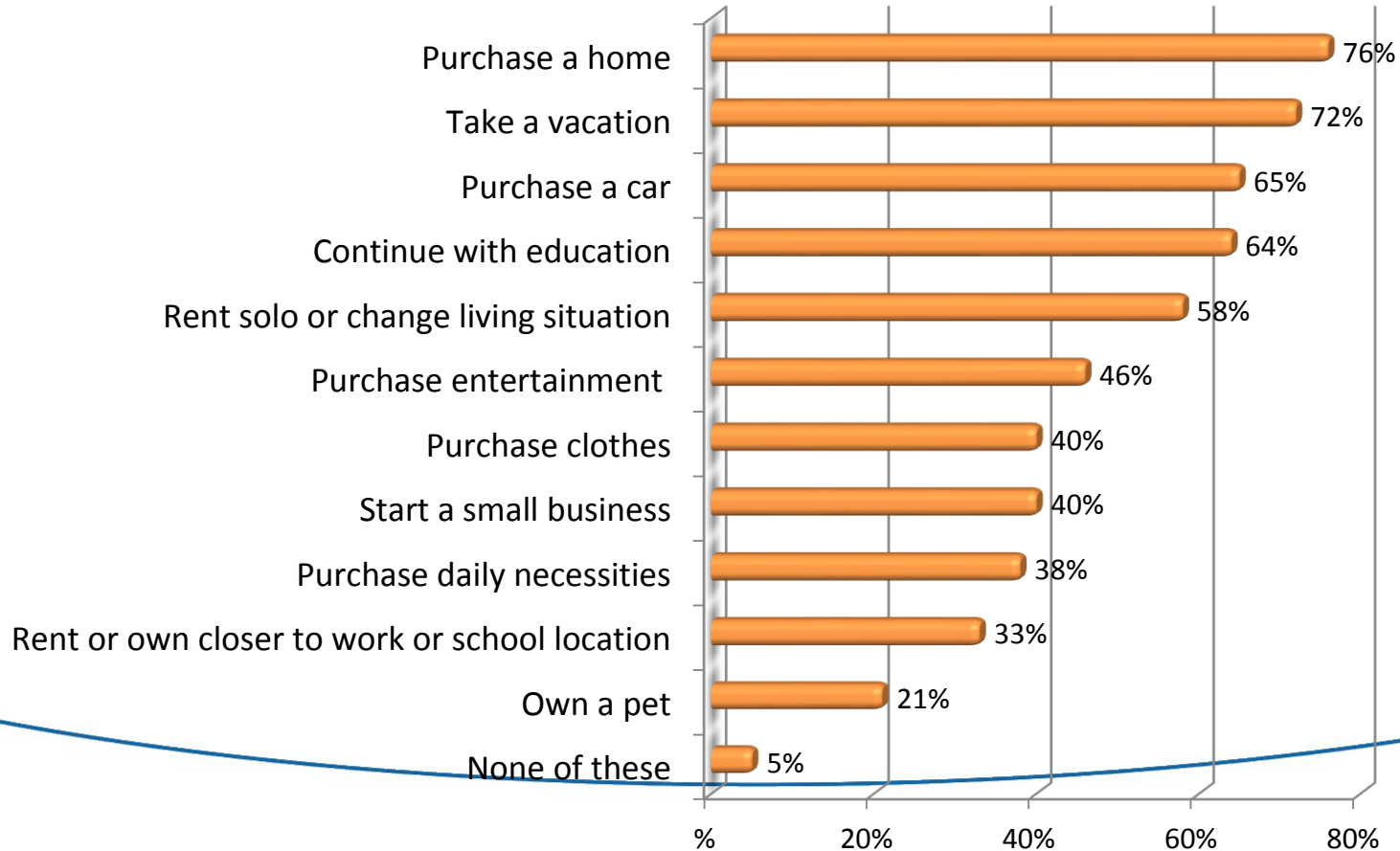


Is Owning still American Dream?

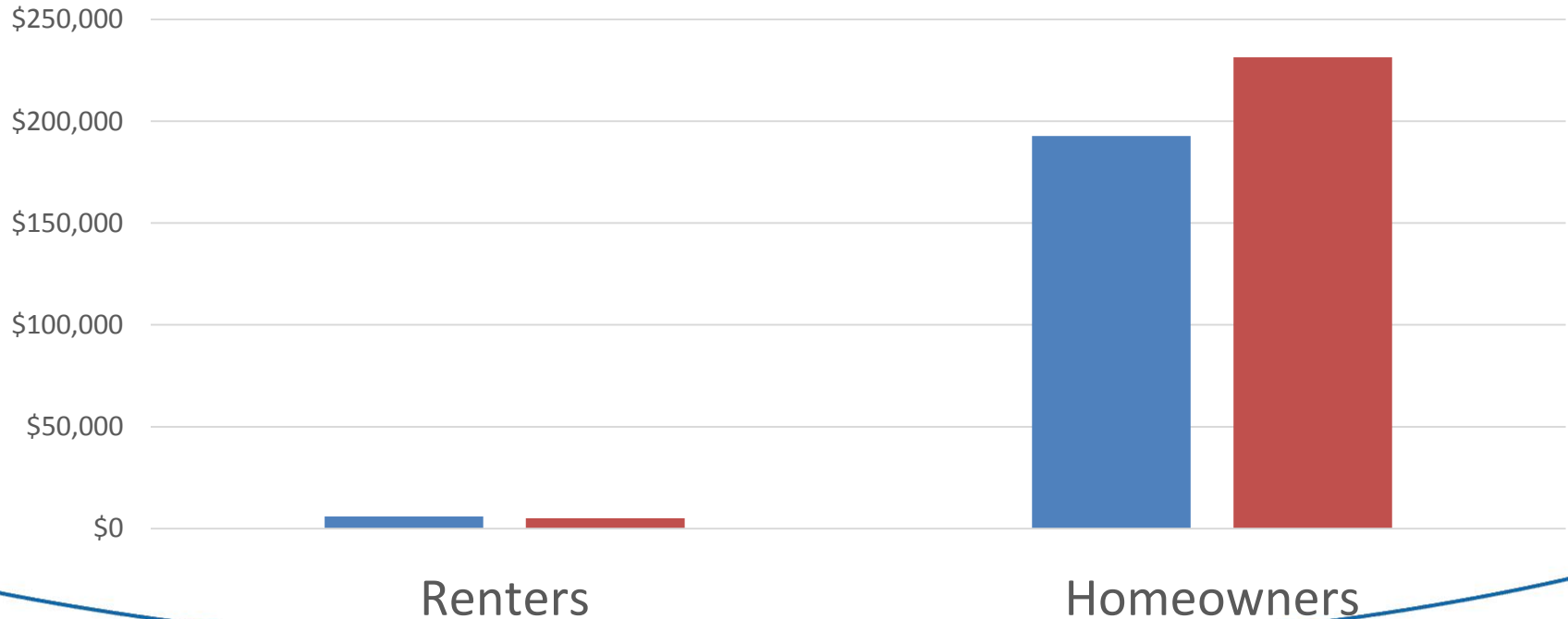
Will you Buy in Future?



Student Loan Debt Impacted

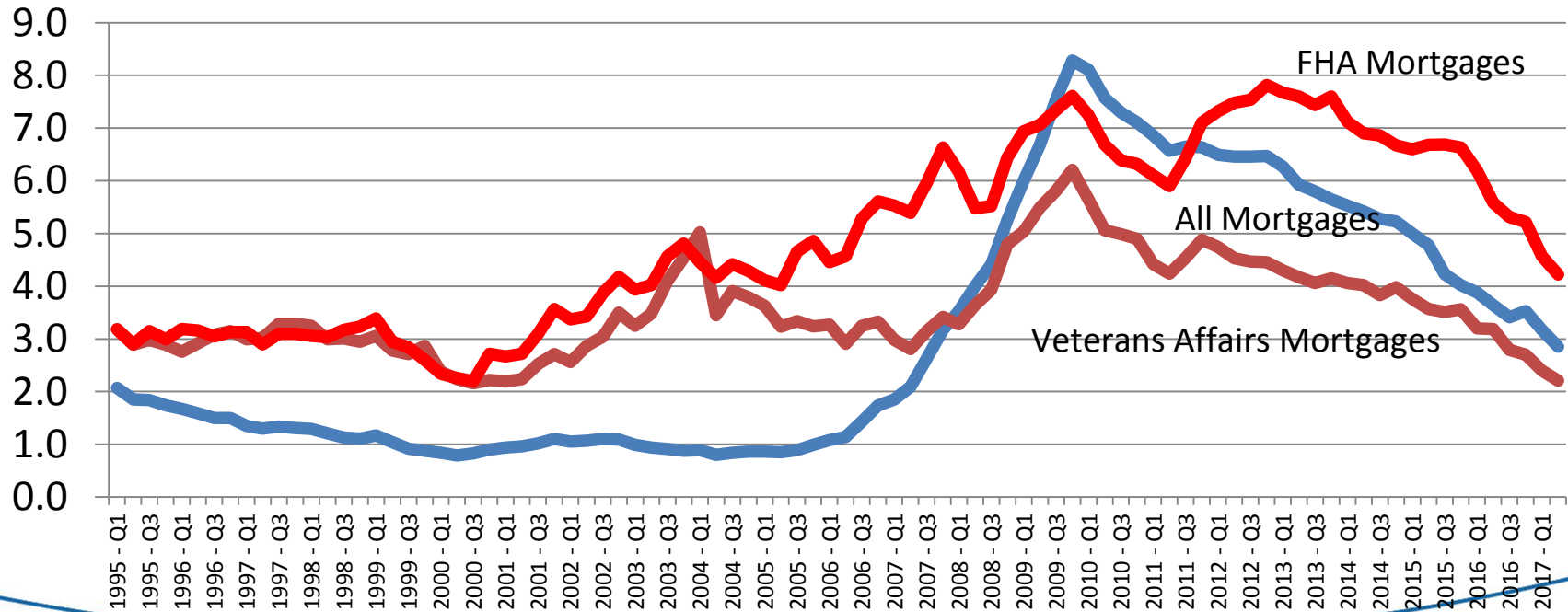


Wealth: From 2000 to 2016

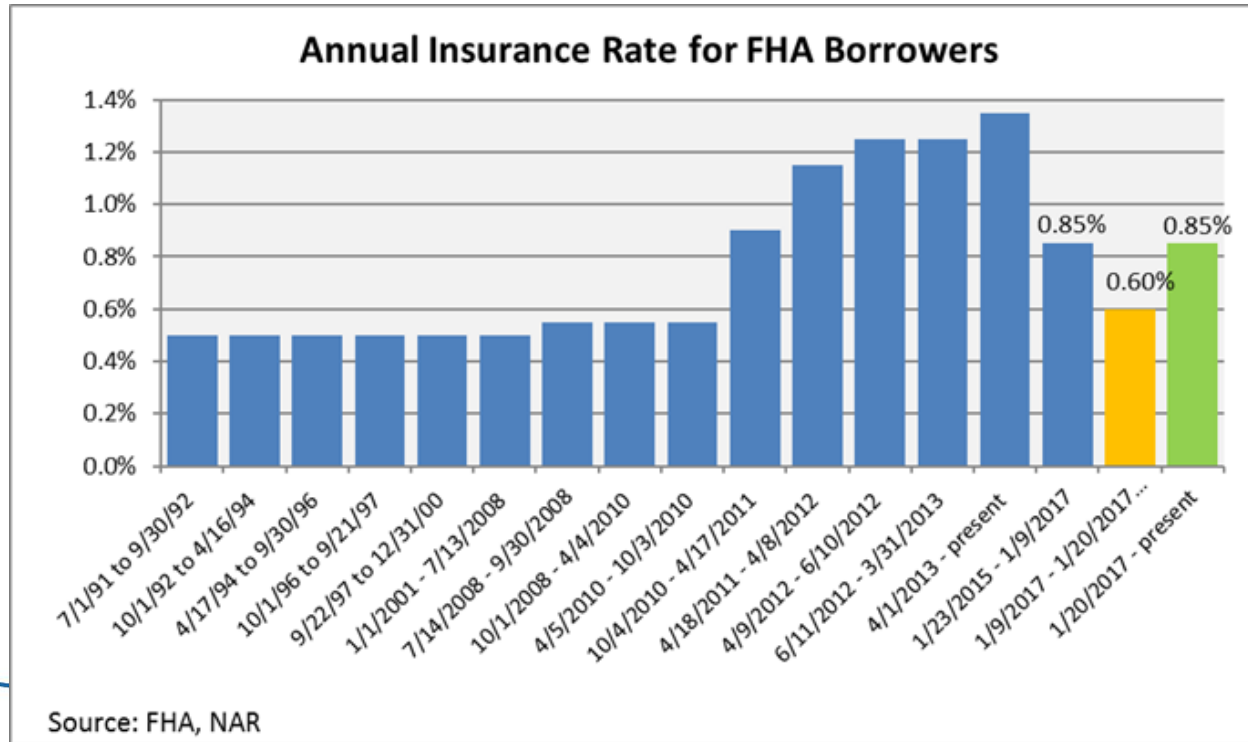


Fewer Borrowers Defaulting in Massachusetts

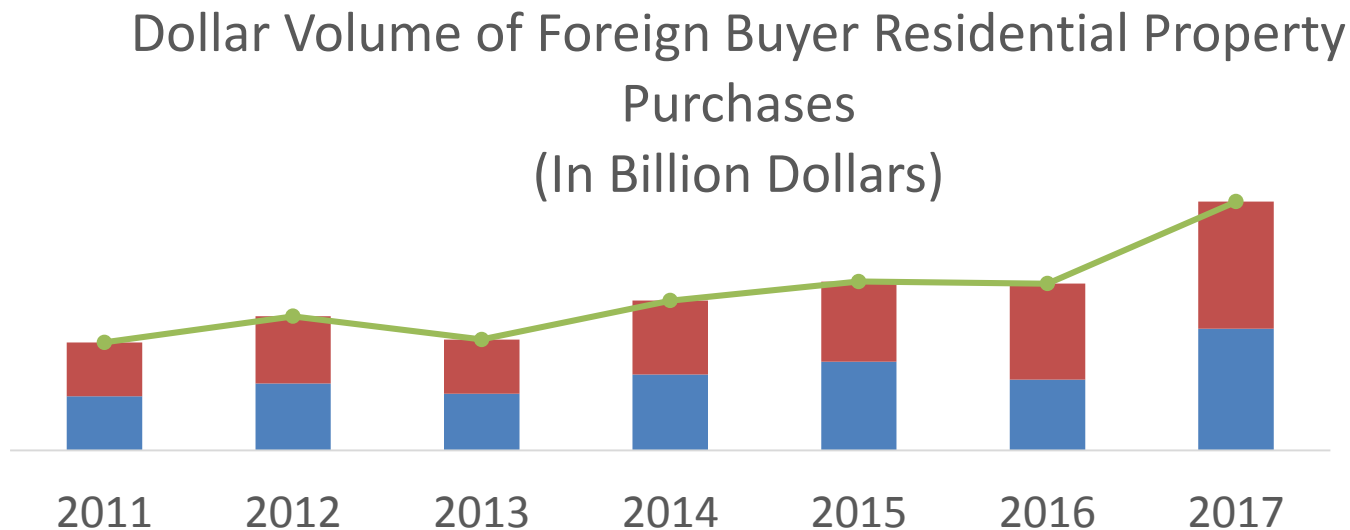
(Serious Delinquency Rate)



FHA Insurance Premium - High



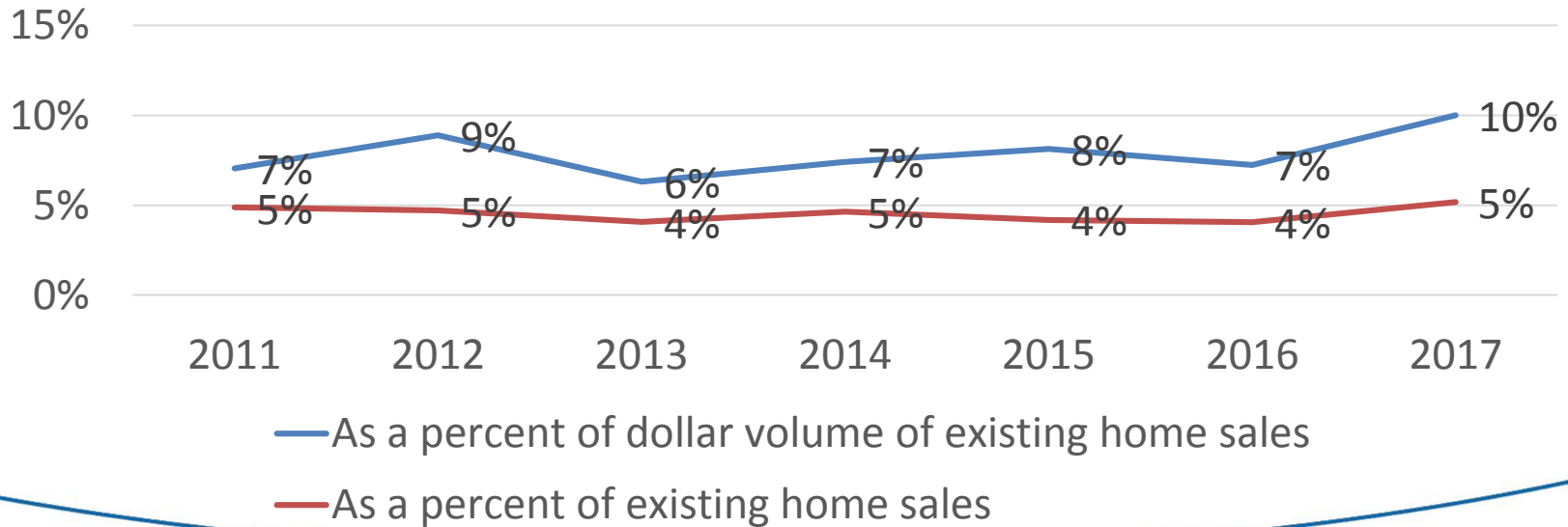
Dollar Volume of Residential International Sales in 2017: \$153 B



Note: Based on transactions in the 12 months ending March of each year.

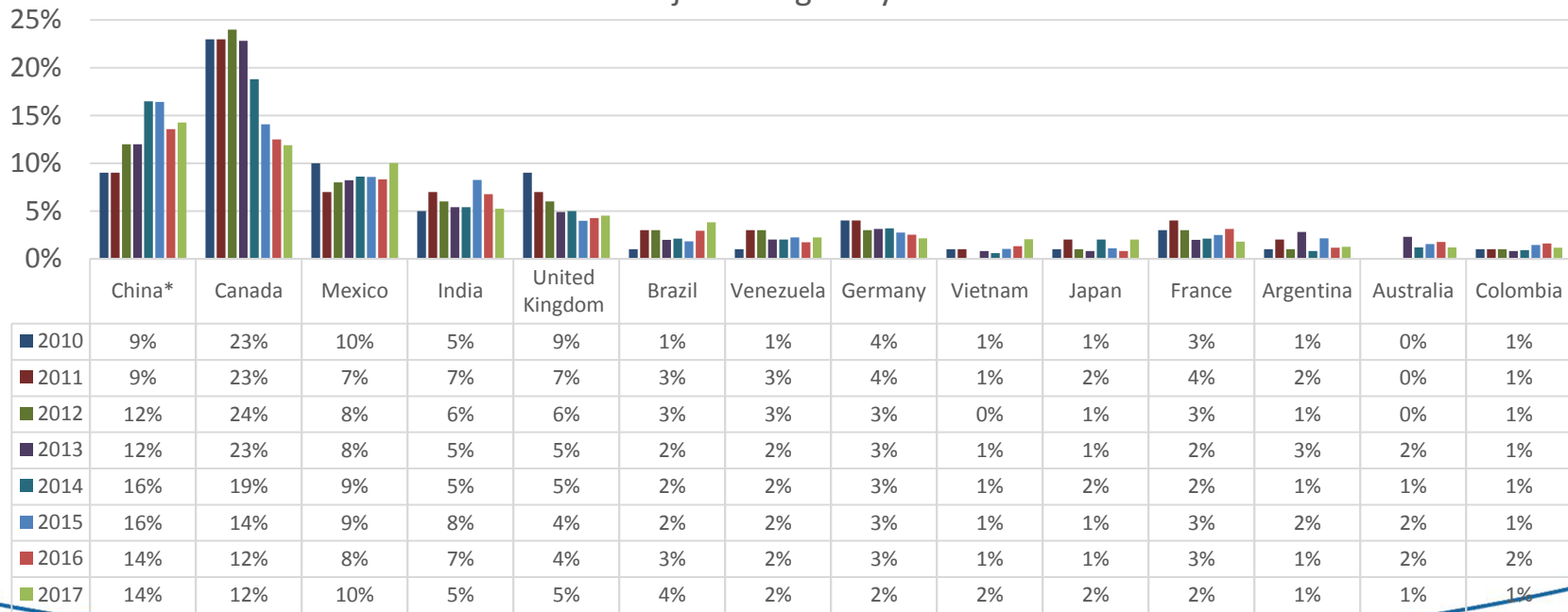
International Sales Importance

International Sales as a Percent of Existing Home Sales



Major Countries of Origin

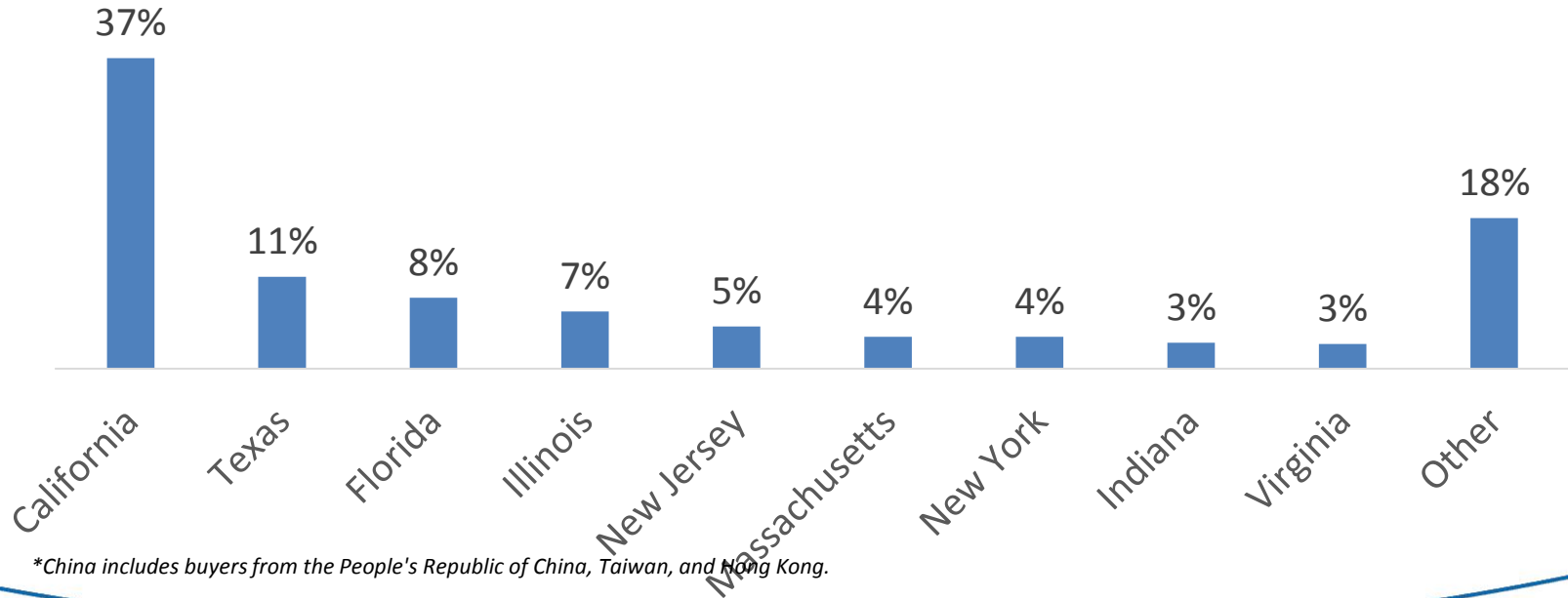
Major Foreign Buyers*



*China includes People's Republic of China, Hong Kong, and Taiwan.

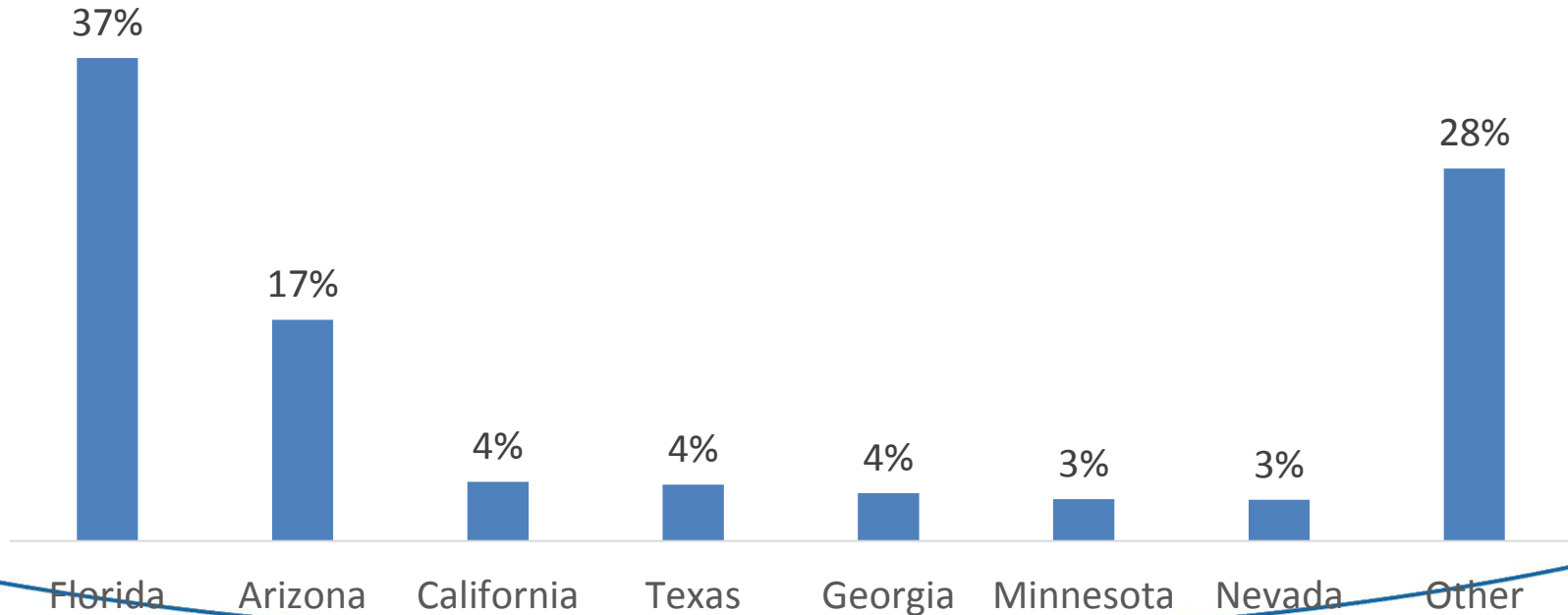
Major Destinations of Chinese Buyers

Major Destinations Among Foreign Buyers from China*



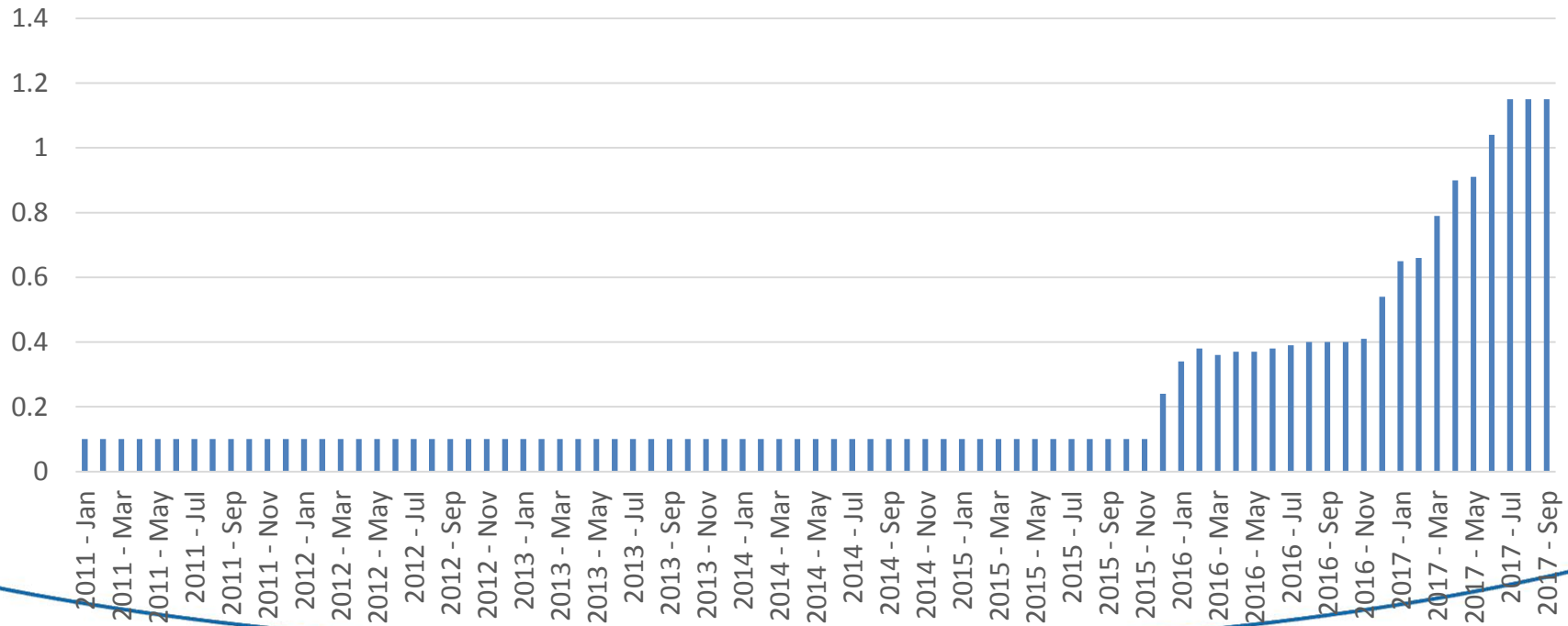
Major Destinations of Canadian Buyers

Major Destinations of Foreign Buyers from Canada



Tightening Monetary Policy

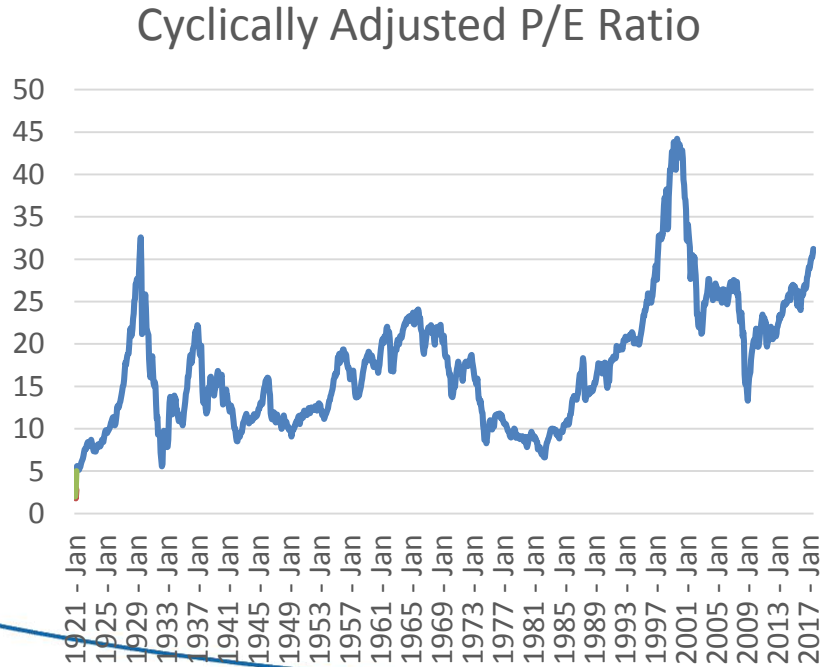
Fed Funds Rate



Bubbles Everywhere?



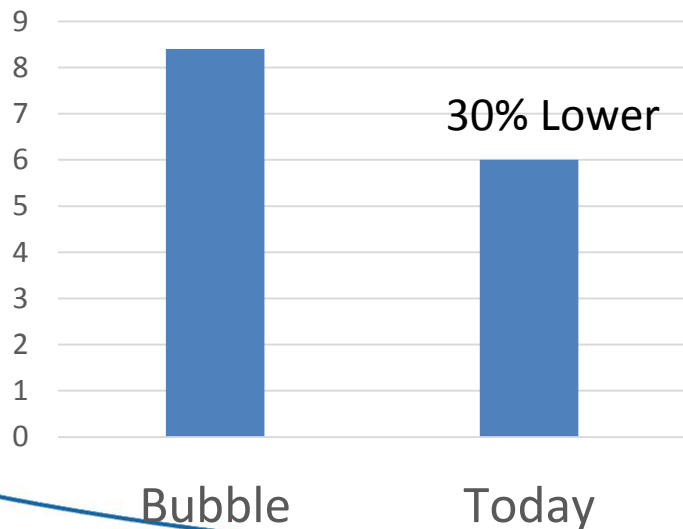
Bubbles Everywhere?



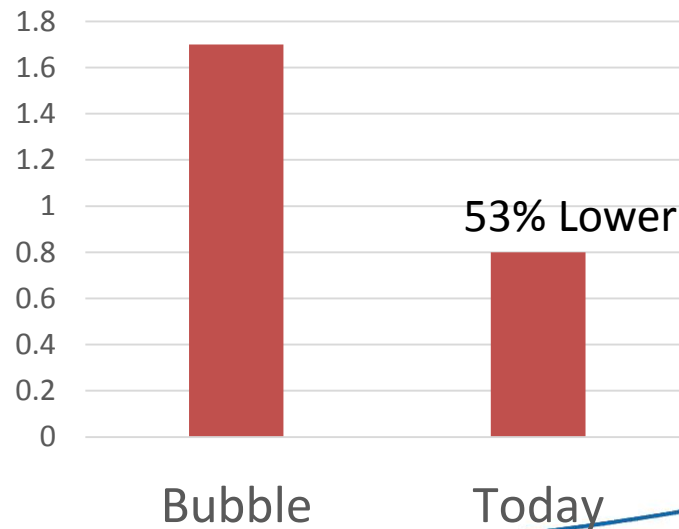
- Commodities/Oil?
- Gold?
- Stock Prices?
- Bonds?
- Commercial Real Estate?
- Residential Real Estate?
- Real Estate Abroad ?
- Bitcoin?

U.S. Residential – No Bubble Nationwide

Home Sales
(in millions)



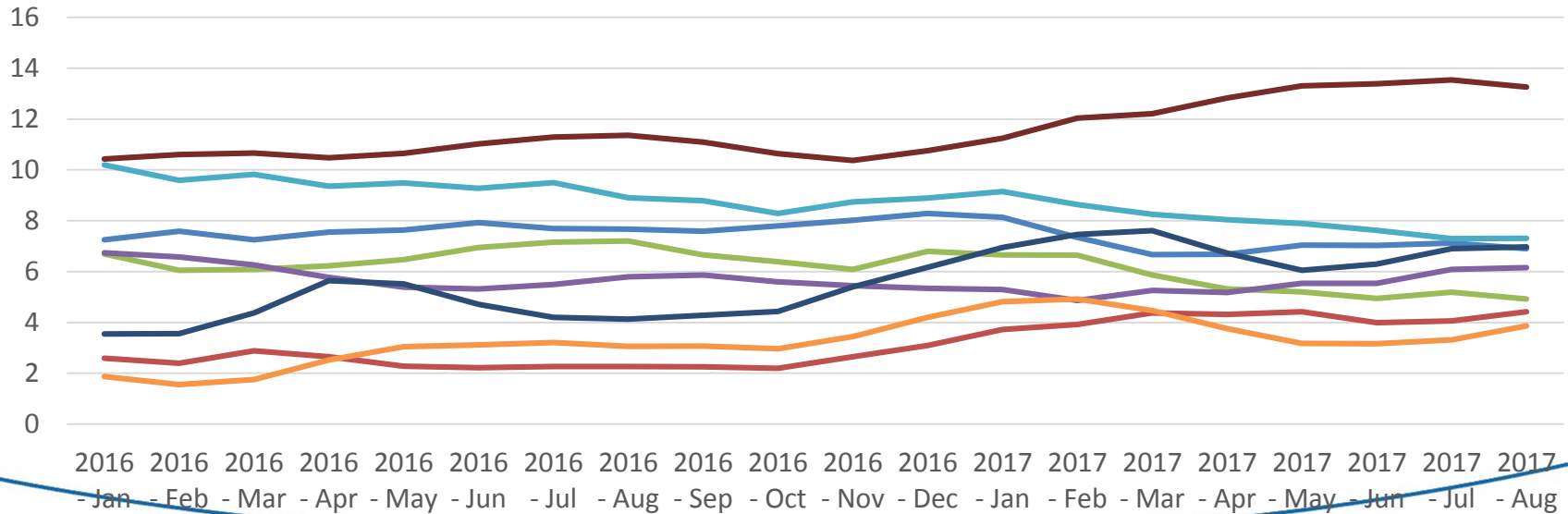
Single-family Housing Starts
(in millions)



Home Price Appreciations

(Case-Shiller Constant Quality Index)

Seattle Celebration

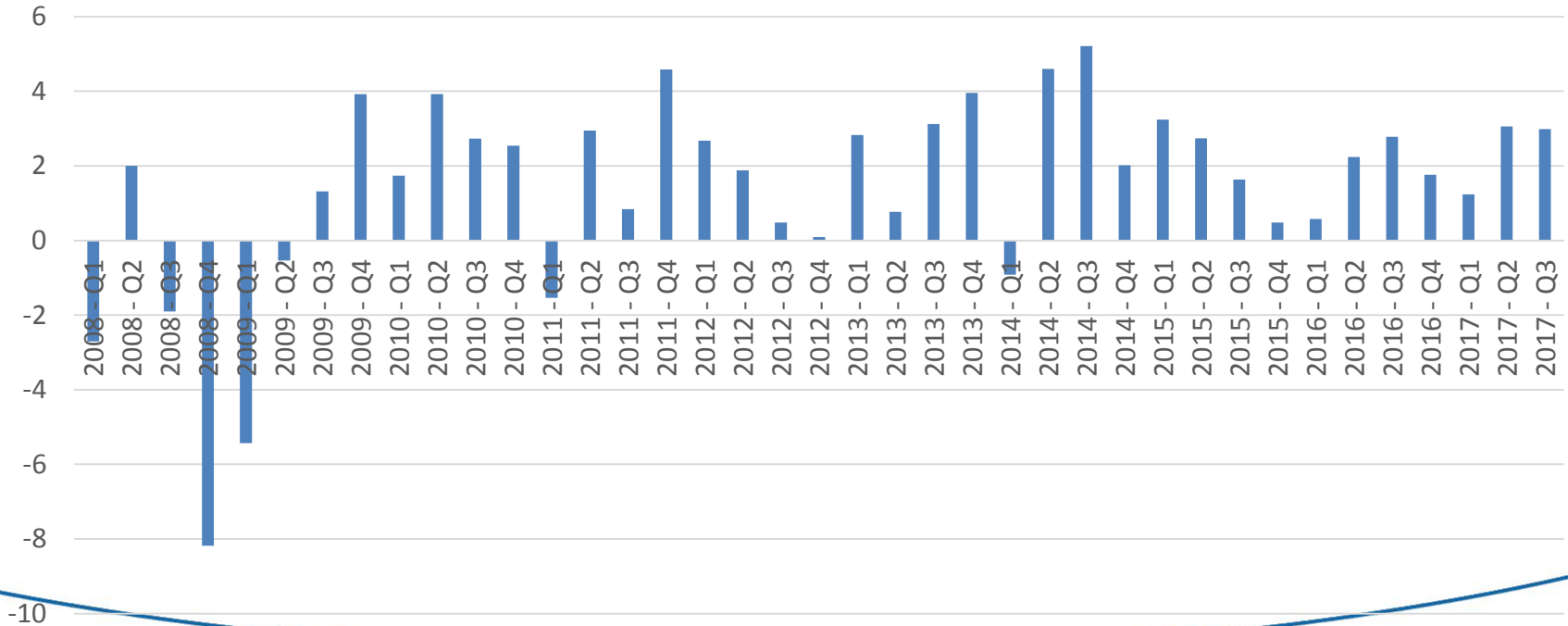


Who will get Amazon HQ2?

- Washington DC, Boston, Raleigh-Durham, Dallas, Nashville, Atlanta
- What was San Jose like before becoming Silicon Valley?
- Other Company Expansions
 - Charleston, Mobile, Savannah?
- No Matter
 - Direct winners will be \$100,000 salary workers
 - Indirect winners will be property owners
 - Indirect losers will be renters
 - For all ... Massive traffic jam
- “Slow Moving” Real Estate Prices compared to Stock/Bond Prices

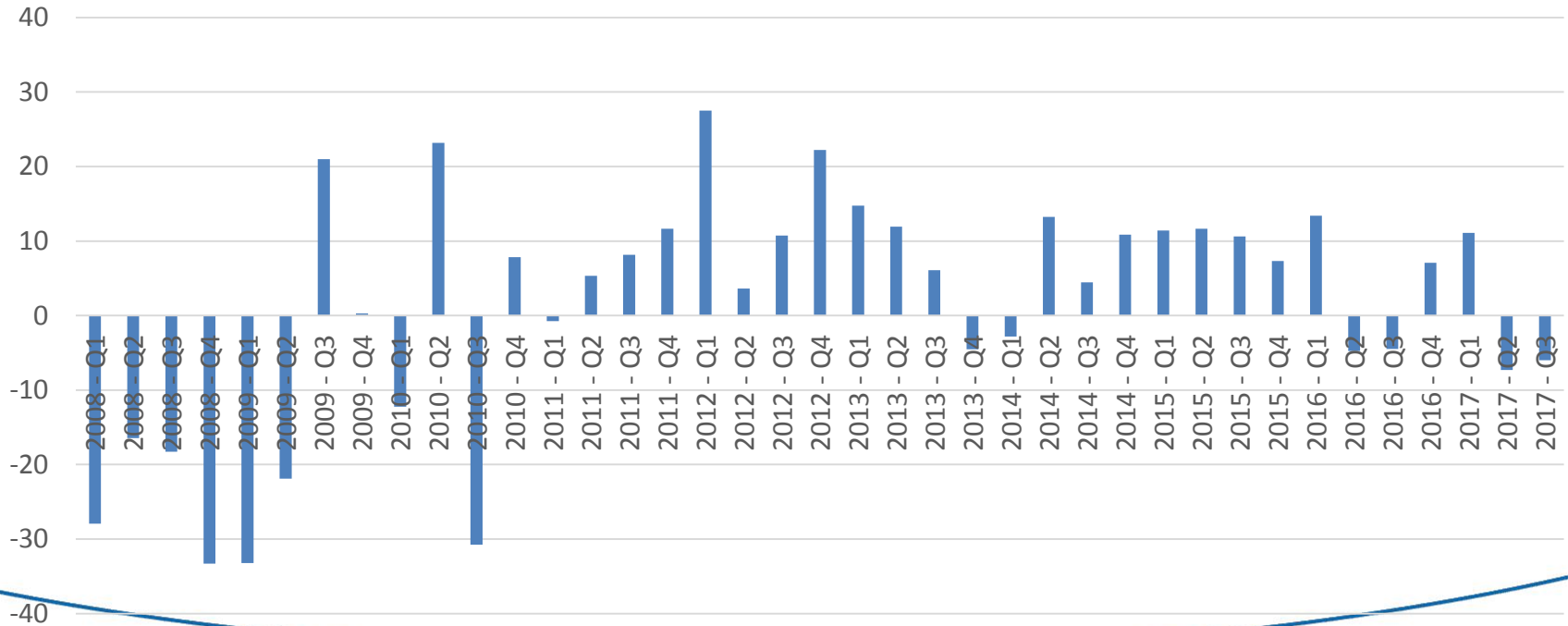
GDP Growth Rate

3% in Q2 and Q3



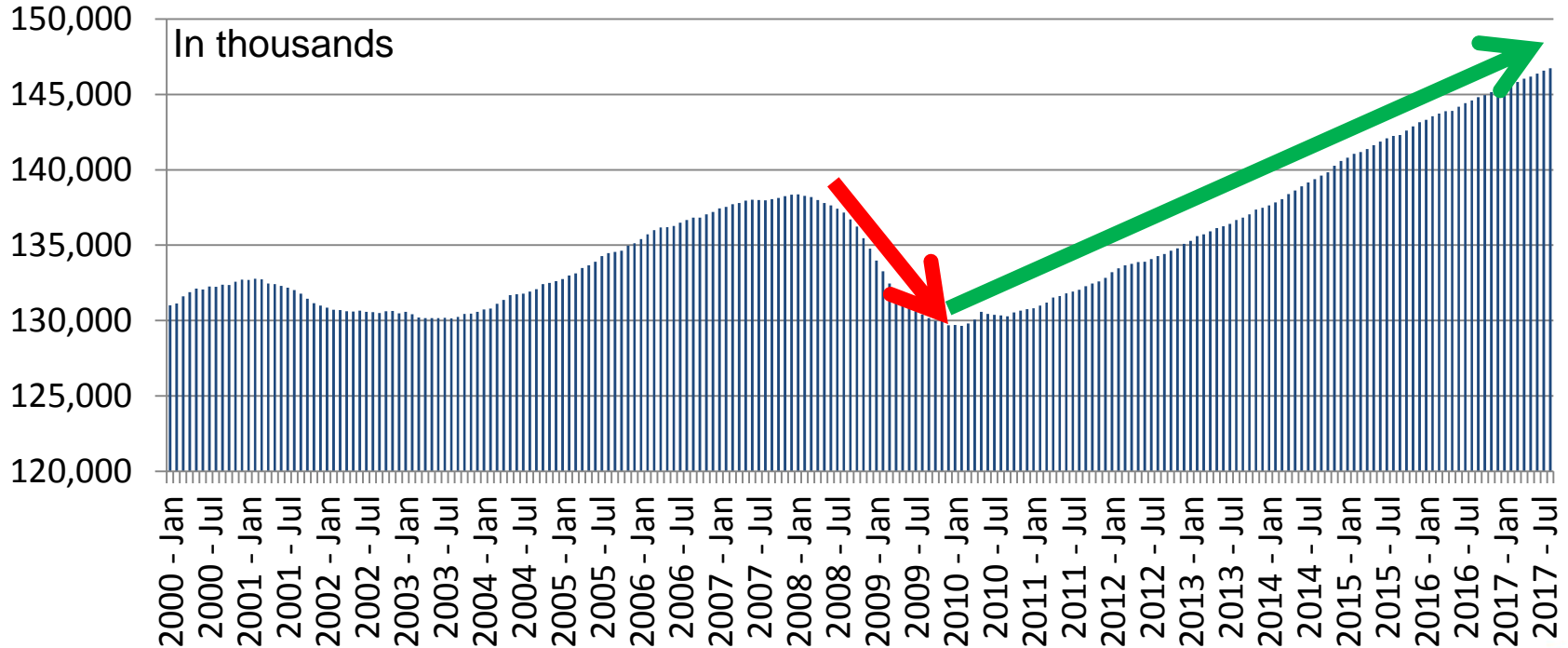
Residential Real Estate Investment Growth Rate

Negative in Q2 and Q3



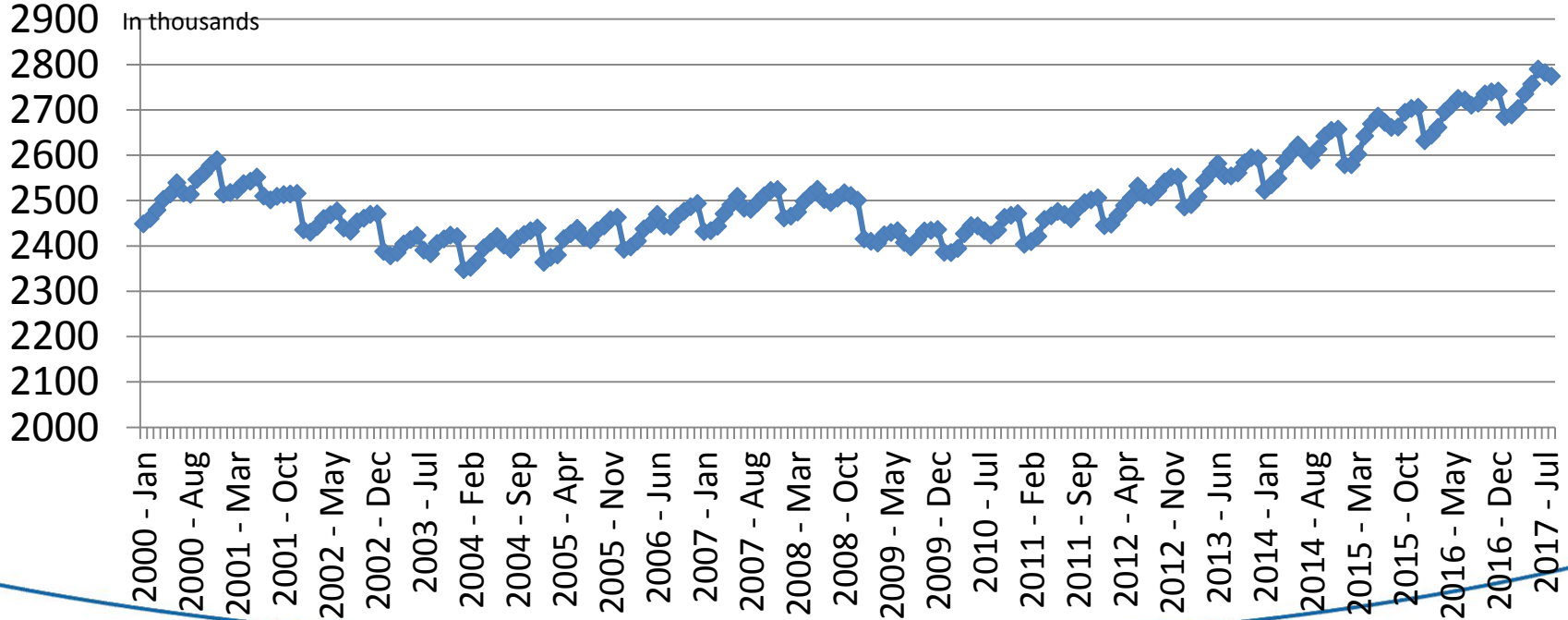
Jobs

(8 million lost ... 16 million gained)

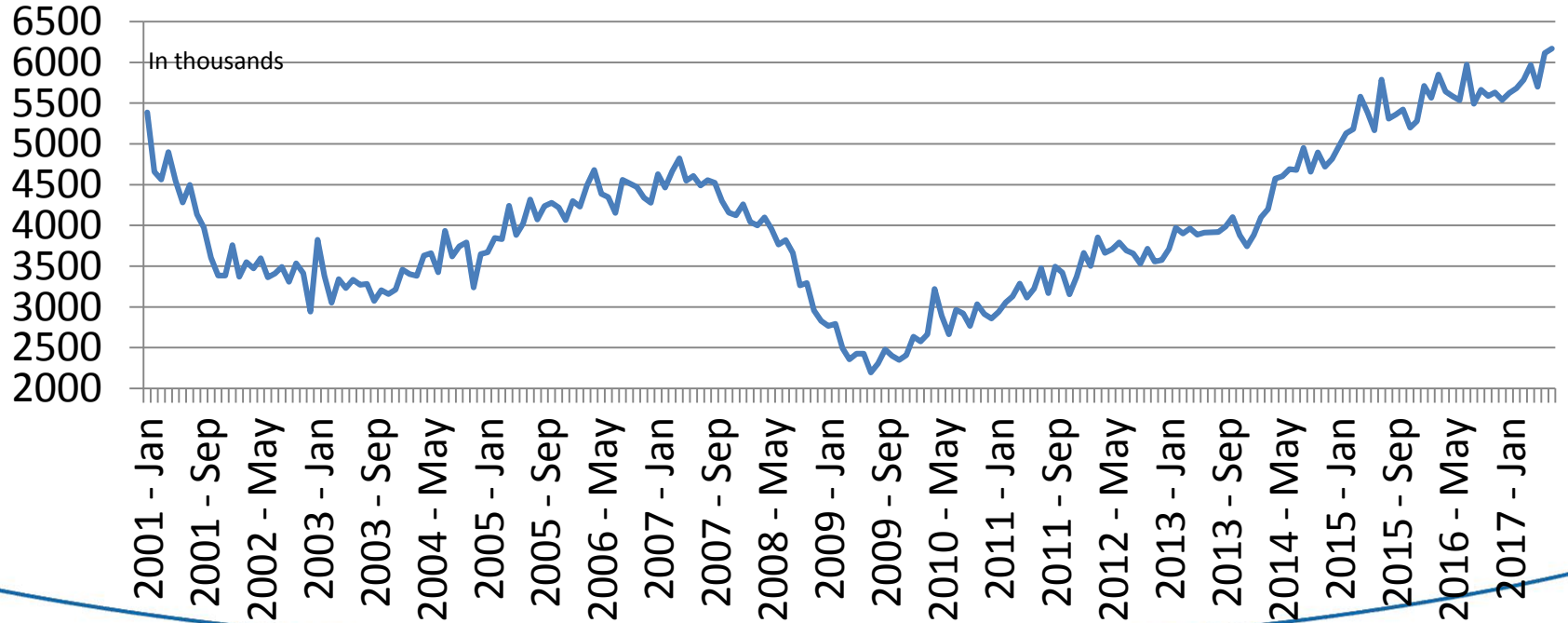


Total Jobs in Boston Metro

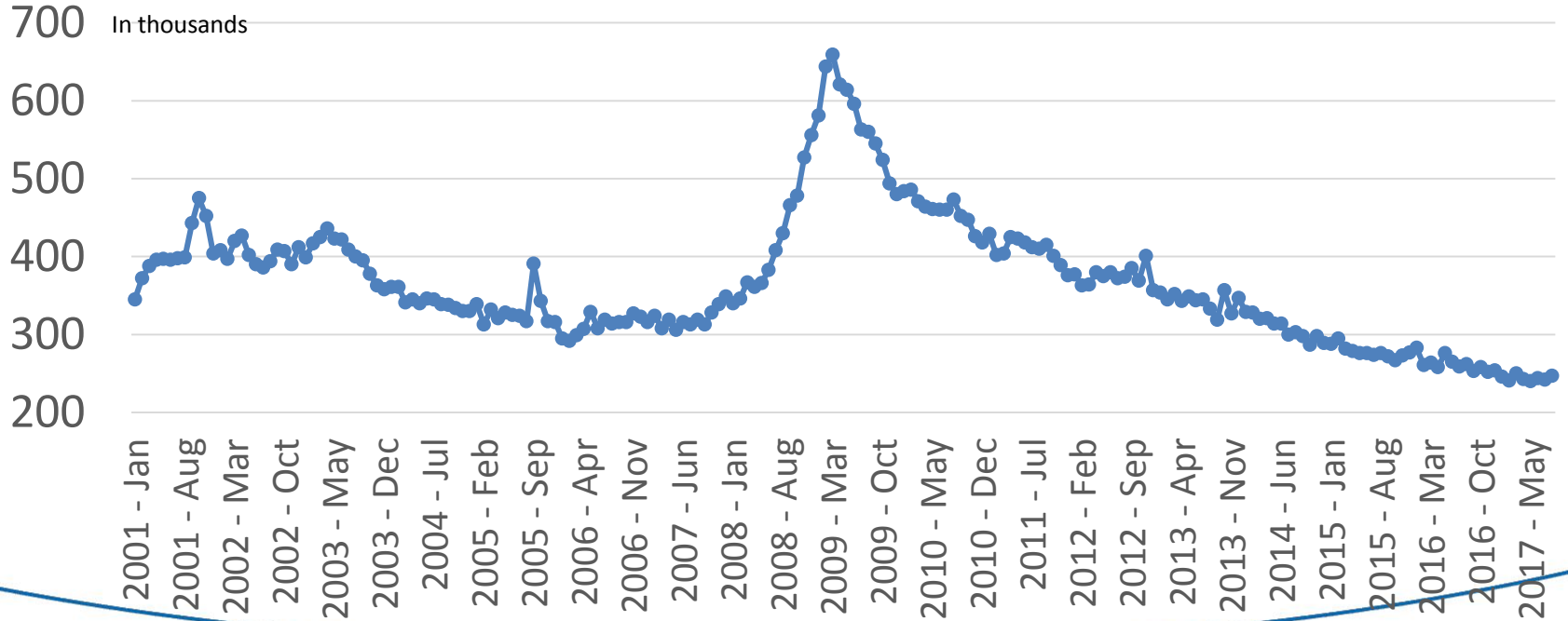
(10% growth vs 11% nationwide from 2000)



Total Job Openings



Weekly Initial Unemployment Insurance Filings



Economic Forecast

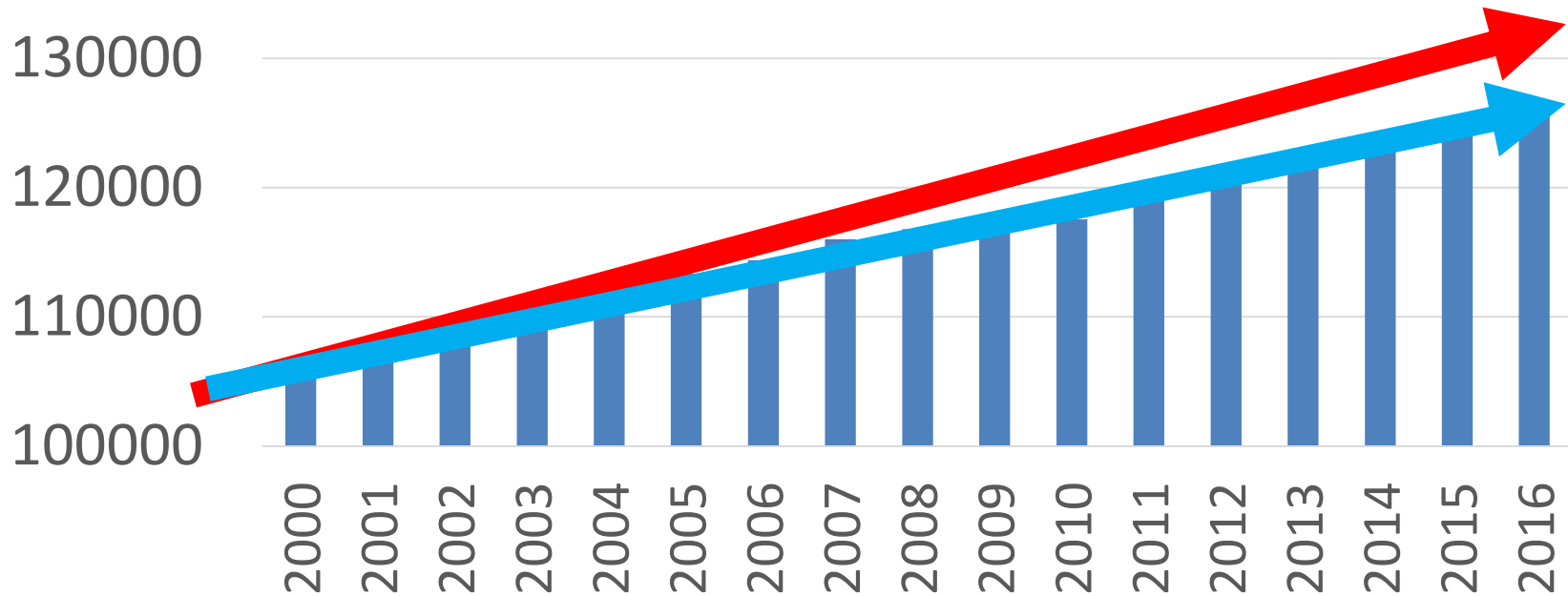
	2015	2016	2017 Forecast	2018 Forecast
GDP Growth	2.9%	1.5%	2.2%	2.7%
Job Growth	+2.6 million	+2.0 million	+1.8 million	+2.4 million
CPI Inflation	0.3%	1.3%	2.0%	2.5%

Housing Forecast

	2015	2016	2017 Forecast	2018 Forecast
New Home Sales	500,000	560,000	600,000	700,000
Existing Home Sales	5.3 million	5.4 million	5.5 million	5.7 million
Median Price Growth	+ 6.8%	+5.1%	+6.0%	+5.0%
30-year Rate	3.9%	3.6%	4.0%	4.5%

Actual versus projected Households

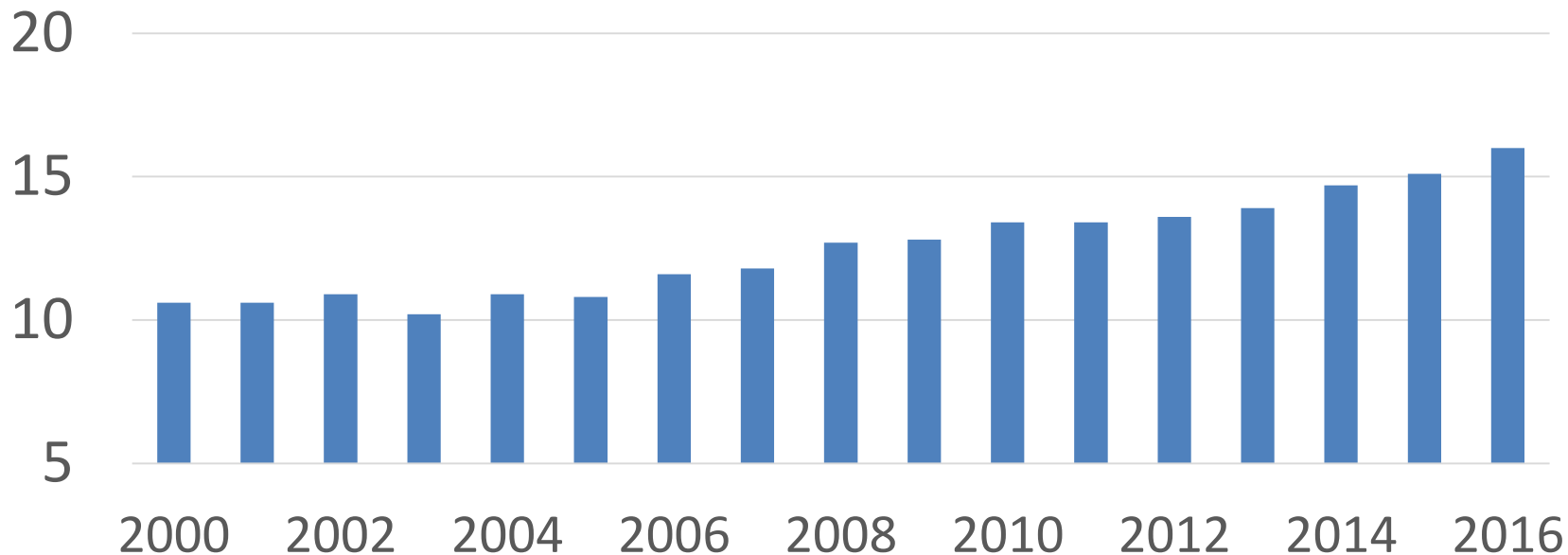
KC Federal Reserve estimate of 6.9 million missing households



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Young Adults Living with Parents

% of those aged 25 to 34



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Trump Presidency

- Flood Insurance Availability? Extended ... Thank You for Responding
- Dodd-Frank?
- Fannie/Freddie and Mortgage Availability?
- Tax Simplification?
 - Mortgage Interest Deduction
 - Property Tax Deduction
 - 1031 exchange?
 - Capital Gains Exclusion?



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