Real Estate Market Outlook
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High Borrowing Costs from Fed’s Aggressive Policy:
30-year Mortgage and Fed Funds Rate

Source: U.S. Treasury and Federal Reserve
Downgrade of USA Debt ???

Federal Outlay (blue bar) > Tax Receipts (orange line)

Source: Congressional Budget Office
Damage from High Interest Rates

- Home Sales Down
- Commercial Real Estate Transactions Down
- Commercial Real Estate Property Prices Down
- Community Banks in a Mess from Interest Rate Mismatch
- Community Banks in a Mess from Commercial Real Estate Loan Exposure
- Economic Slowdown
- Interest Expenditure of Federal Debt Rising
Weaker Home Sales - Existing-Home Sales Below Pre-COVID...Down 21% Year-to-Date

Source: NAR
Newly Constructed Home Sales...Back to Pre-COVID Up 2% year-to-date

Source: HUD
Inventory of Existing Homes Low ... New Homes High

Source: NAR and HUD
Greater Boston Market Summary

Includes all 64 towns within the GBAR jurisdictional area

**Single Family Homes**

<table>
<thead>
<tr>
<th></th>
<th>Sep 2023</th>
<th>Sep 2022</th>
<th>YoY</th>
<th>Aug 2023</th>
<th>MoM</th>
<th>2023</th>
<th>2022</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Sales Price</strong></td>
<td>$849,950</td>
<td>$761,000</td>
<td>↑ 11.7%</td>
<td>$877,500</td>
<td>↓ 3.1%</td>
<td>$853,312.5</td>
<td>$820,000</td>
<td>↑ 4.1%</td>
</tr>
<tr>
<td><strong>Closed Sales</strong></td>
<td>752</td>
<td>1,110</td>
<td>↓ 32.3%</td>
<td>1,097</td>
<td>↓ 31.4%</td>
<td>7,424</td>
<td>9,796</td>
<td>↓ 24.2%</td>
</tr>
<tr>
<td><strong>New Listings</strong></td>
<td>1,258</td>
<td>1,502</td>
<td>↓ 16.2%</td>
<td>862</td>
<td>↑ 45.9%</td>
<td>9,685</td>
<td>12,655</td>
<td>↓ 23.5%</td>
</tr>
<tr>
<td><strong>Pending Sales</strong></td>
<td>783</td>
<td>901</td>
<td>↓ 13.1%</td>
<td>796</td>
<td>↓ 1.6%</td>
<td>7,732</td>
<td>9,818</td>
<td>↓ 21.2%</td>
</tr>
<tr>
<td><strong>Median Days on Market</strong></td>
<td>17</td>
<td>20</td>
<td>↓ 15.0%</td>
<td>20</td>
<td>↓ 15.0%</td>
<td>17</td>
<td>16</td>
<td>↑ 6.3%</td>
</tr>
</tbody>
</table>
Commercial Real Estate Transactions ... Down 50% (properties valued at $2.5 million and above)

Source: MSCI
Commercial Real Estate Property Price Index

... Down 15%

Index value

Source: Green Street
Commercial Real Estate Loans Held by Top-25 Banks and 1000 Small Banks

$ billion

Source: Federal Reserve
Office Vacancy Rate Still Rising ... Remote/Hybrid Work...

Source: CoStar
Why is the Fed Raising Interest Rates?
Consumer Price Inflation at 3.7% in September

% change from a year ago

Source: BLS
## Price Growth by Key Items

<table>
<thead>
<tr>
<th>Item</th>
<th>% change from a year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Insurance</td>
<td>18.9%</td>
</tr>
<tr>
<td>Rent</td>
<td>7.4%</td>
</tr>
<tr>
<td>Lodging Away from Home (Hotel/Airbnb/Dorm)</td>
<td>7.3%</td>
</tr>
<tr>
<td>Food</td>
<td>3.7%</td>
</tr>
<tr>
<td>Gasoline</td>
<td>3.0%</td>
</tr>
<tr>
<td>Electricity</td>
<td>2.6%</td>
</tr>
<tr>
<td>New Car</td>
<td>2.5%</td>
</tr>
<tr>
<td>Clothes</td>
<td>2.3%</td>
</tr>
<tr>
<td>Medical Service</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Airfare</td>
<td>-13.4%</td>
</tr>
</tbody>
</table>

Source: BLS
Annual Apartment Construction at 40-year Highs for two years ... Why has Rent Not Calmed Down?

Source: Census/HUD
Rents Strengthening or Softening?

![Graph showing the comparison between Official Government Data and Private Sector Data for rent changes from 2022 Q1 to 2023 Q2. The graph illustrates a decrease in rent changes for both datasets, with a slight increase in the Private Sector Data in 2022 Q4. The data is sourced from BLS and CoStar.](image_url)
Home Prices: Not Part of CPI
Home Price Change in 2023 Q2

Source: NAR Analysis of FHFA data
Home Price Change from Onset of COVID (2020 Q1 to 2023 Q2)

Source: NAR Analysis of FHFA data
Home Price Appreciation in Boston MSA

% change from a year ago

Source: FHFA
Distressed Property Sales Rising from 1% to 2% ... Non-Existent

% of total sales

Source: NAR
Job Market
Total Payroll Jobs ... 4 Million More from Pre-Covid

Source: BLS
Job Gains Since Pre-Covid Record High Payroll Employment
(% change from March 2020 to September 2023)
Source: NAR Analysis of BLS data
State Payroll Jobs in Boston MSA

Source: BLS
Forecast
Mortgage Rates to Fall?

30-year Fixed Rate to be 6% to 7% by the early spring

• Rents will calm down further ... Holds down CPI ... and make the Fed stop raising the interest rate

• Community banks are suffering from high interest rates

• Spread with government bond with a return to normal
Pent-Up Sellers Cannot Wait Longer
What happens over 2 years?

- 7 million new-born babies
- 3 million marriages
- 1.5 million divorces
- 7 million turn 65 years old
- 4 million deaths
- 4 million net new jobs
- 50 million job switches
Total Home Sales: New and Existing ... Downgraded a notch
Bottoming This Year Before Upturn Next Year

Source: NAR forecast and HUD
Thank You!