
Housing Market Trends & Outlook

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***Presentation to the Kansas City
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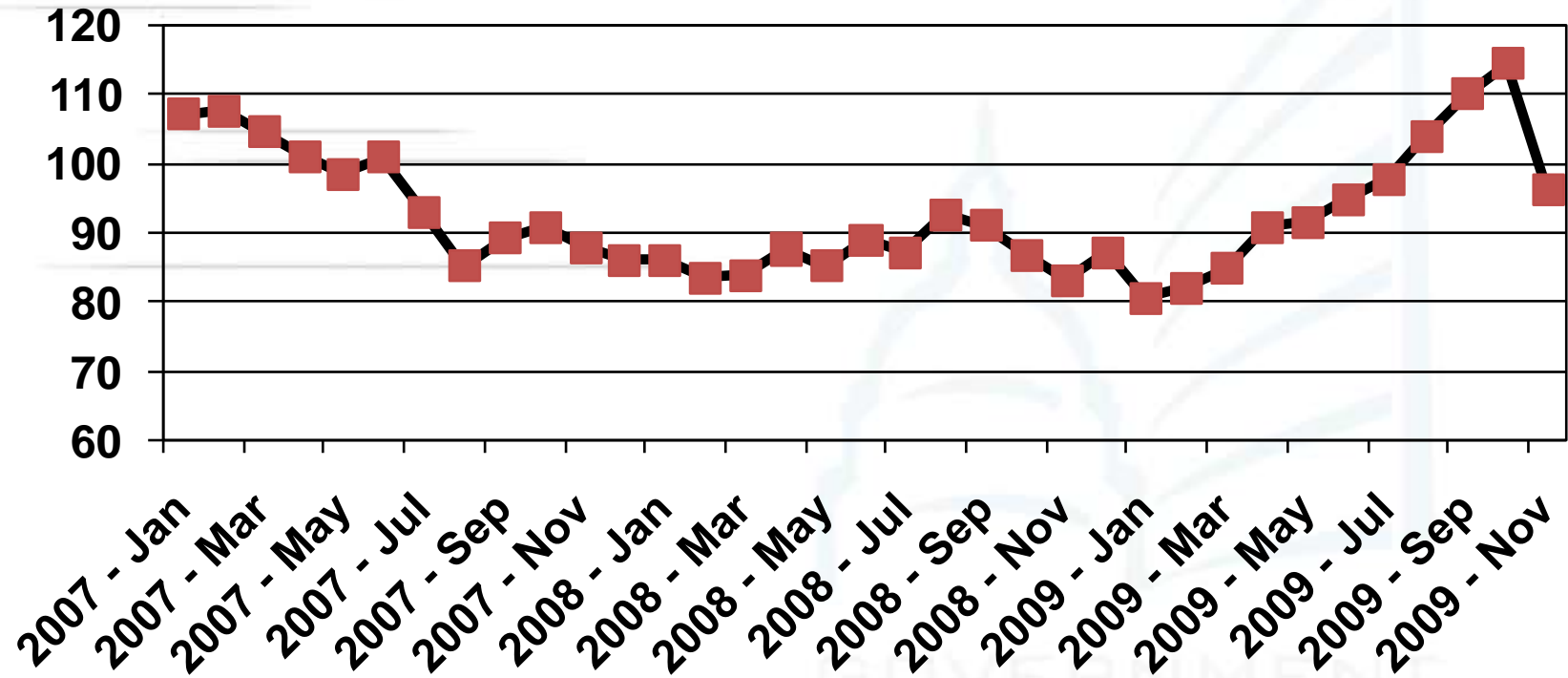


Housing Stimulus Impact

- ***Tax Credit and Higher Loan Limit***
- ***2 million 1st-time buyers could claim to date***
- ***Additional 2.4 million buyers (1st time and many repeat buyers) by end of June 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

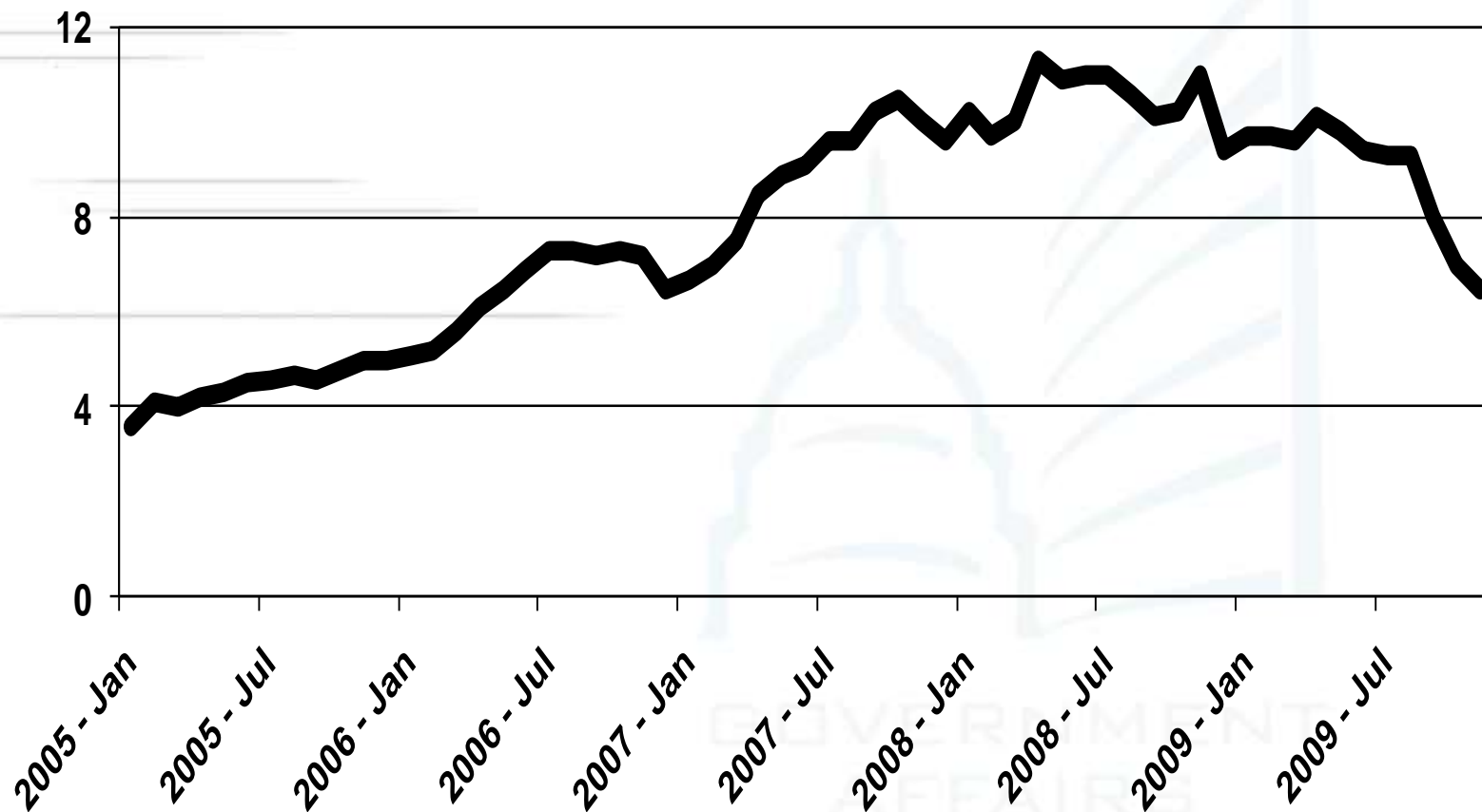


Bifurcated Recovery



Source: NAR

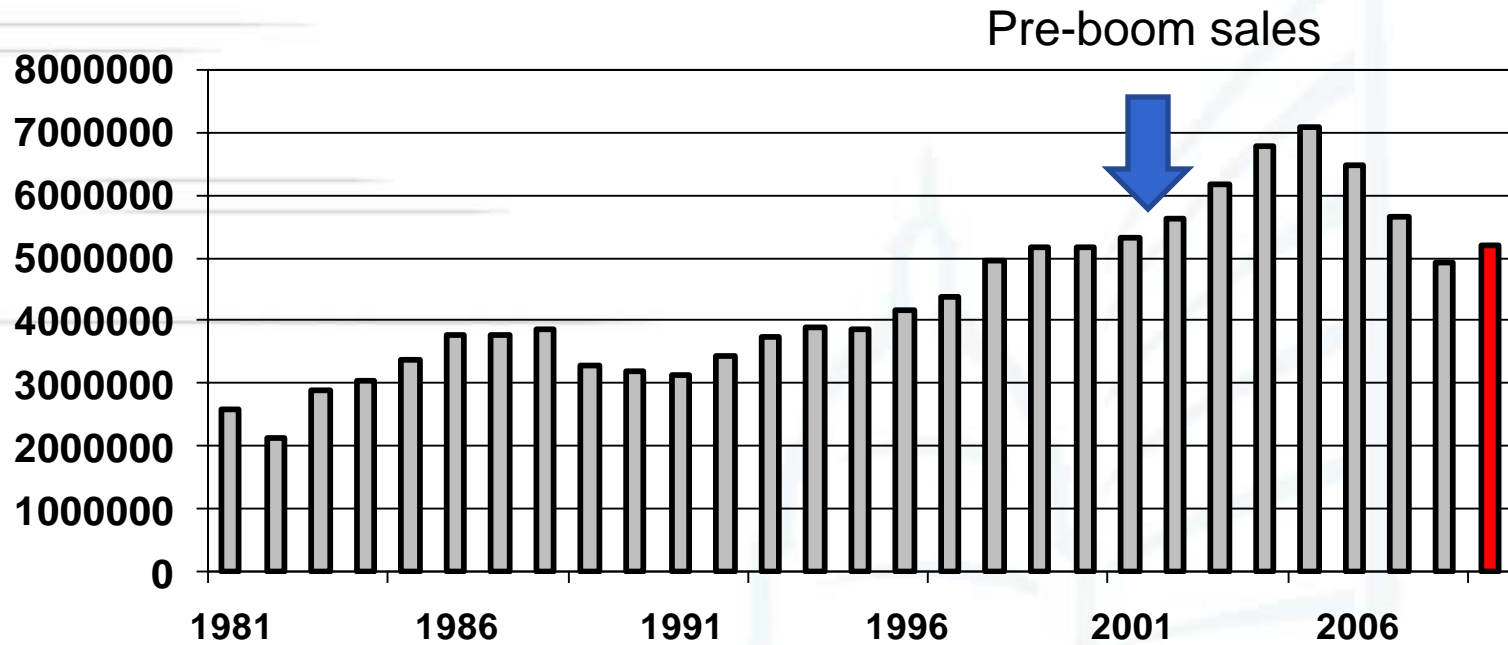
Aggregate Months Supply



Source: NAR



National Existing Home Sales



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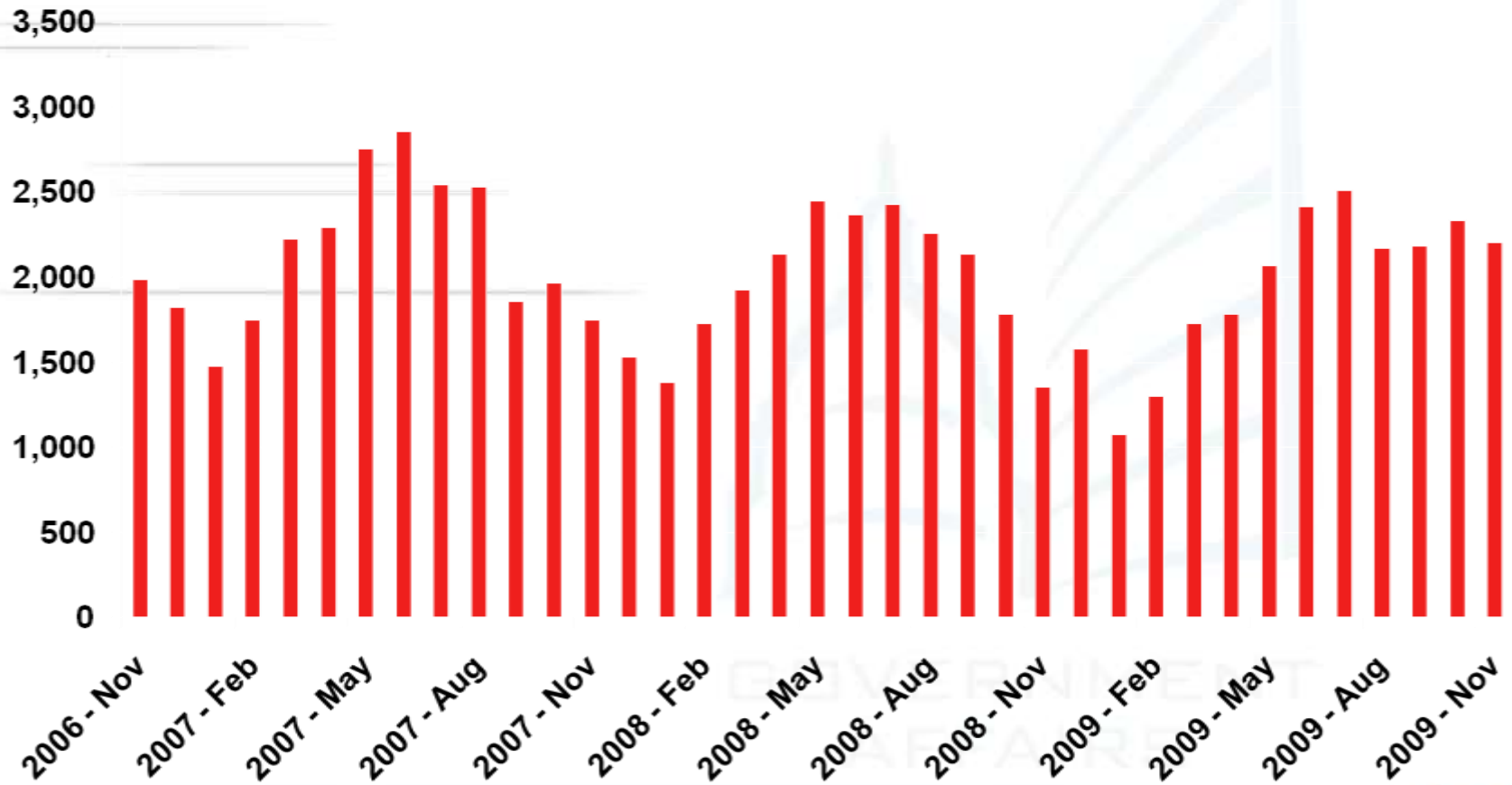
Sales Recovery but Not Yet Income Recovery

- ***Unit Sales up 6%***
 - ***Price down 13%***
 - ***Dollar Sale Volume down 7%***
-
- ***Tough Business for Rookies***



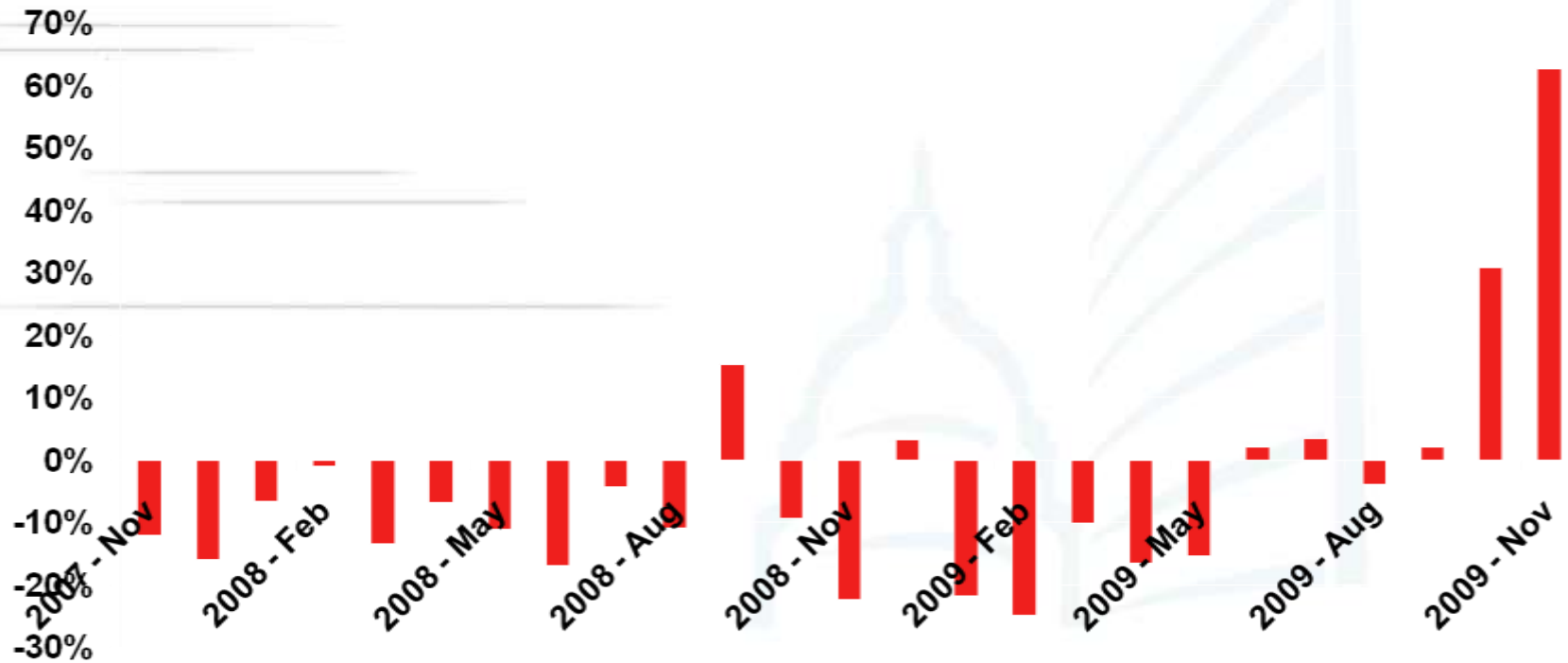
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Kansas City Existing Home Sales



Kansas City Existing Home Sales

Nov 08 to Nov 09 Sales Up 62%



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

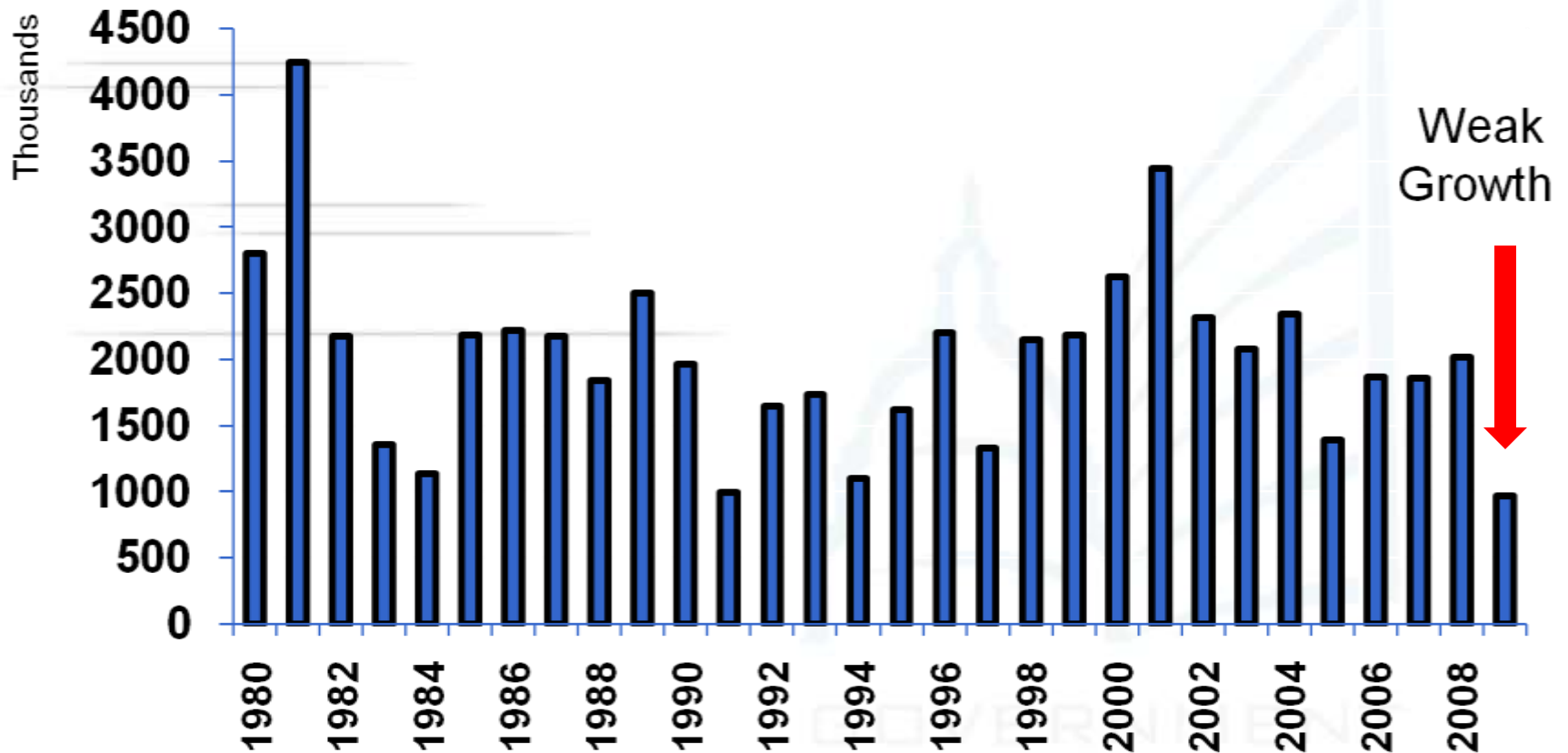
- ***In year 2000 (pre-boom)***
 - ***11 million renters with qualifying income to buy a median priced home***
- ***In 2009***
 - ***16 million renters with qualifying income to buy a median priced home***
- ***Most renters are not qualified and should not be homeowners***

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 st Time Buyers (without tax credit) | N/A | 4.7 million | 4.6 million |
| Change in Pool of Potential 1 st 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 |

Household Formation

(2-year moving average)



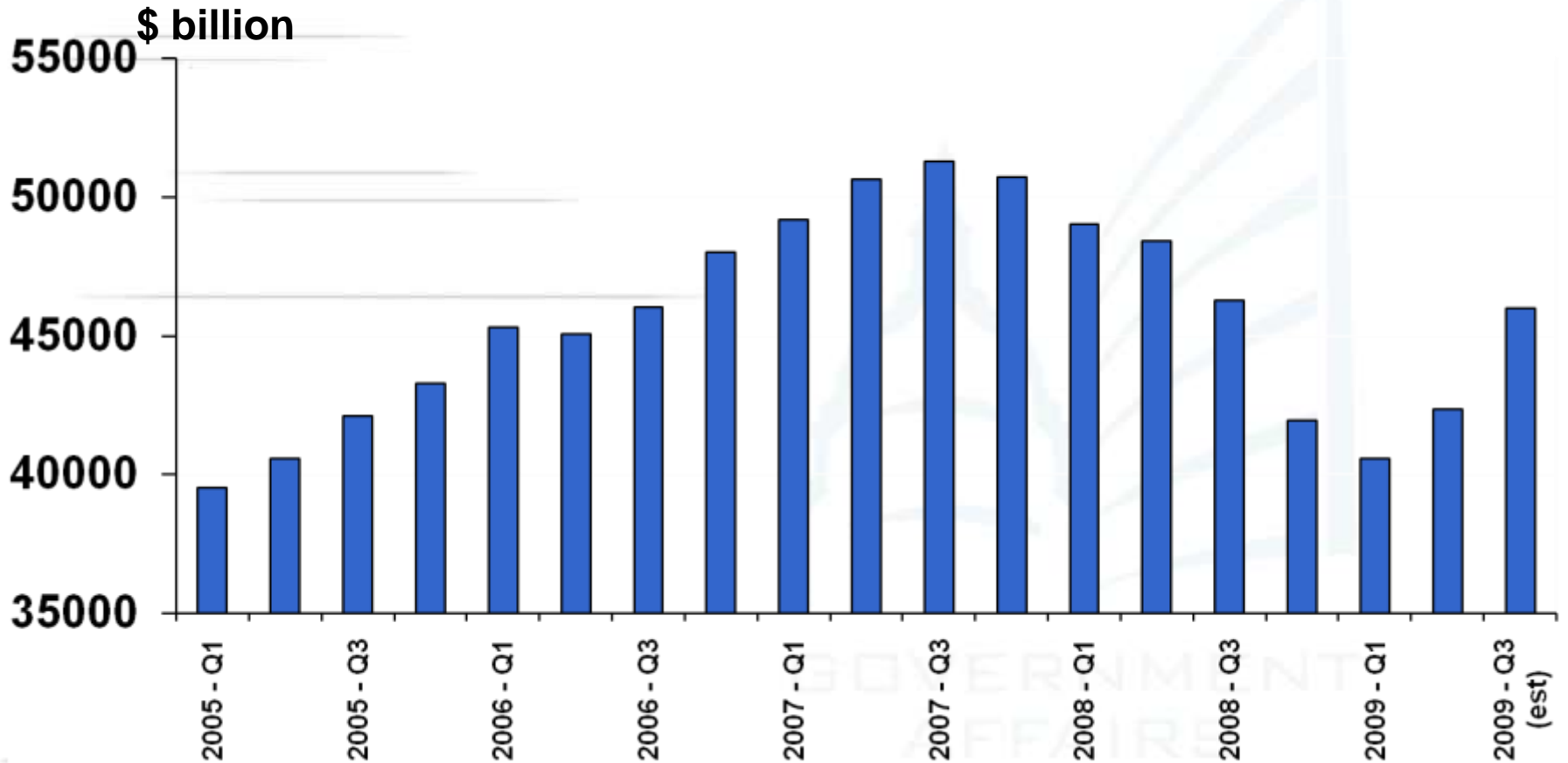
Source: Census

Preservation of Middle Class Wealth

- ***\$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***

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Financial Wealth Rising



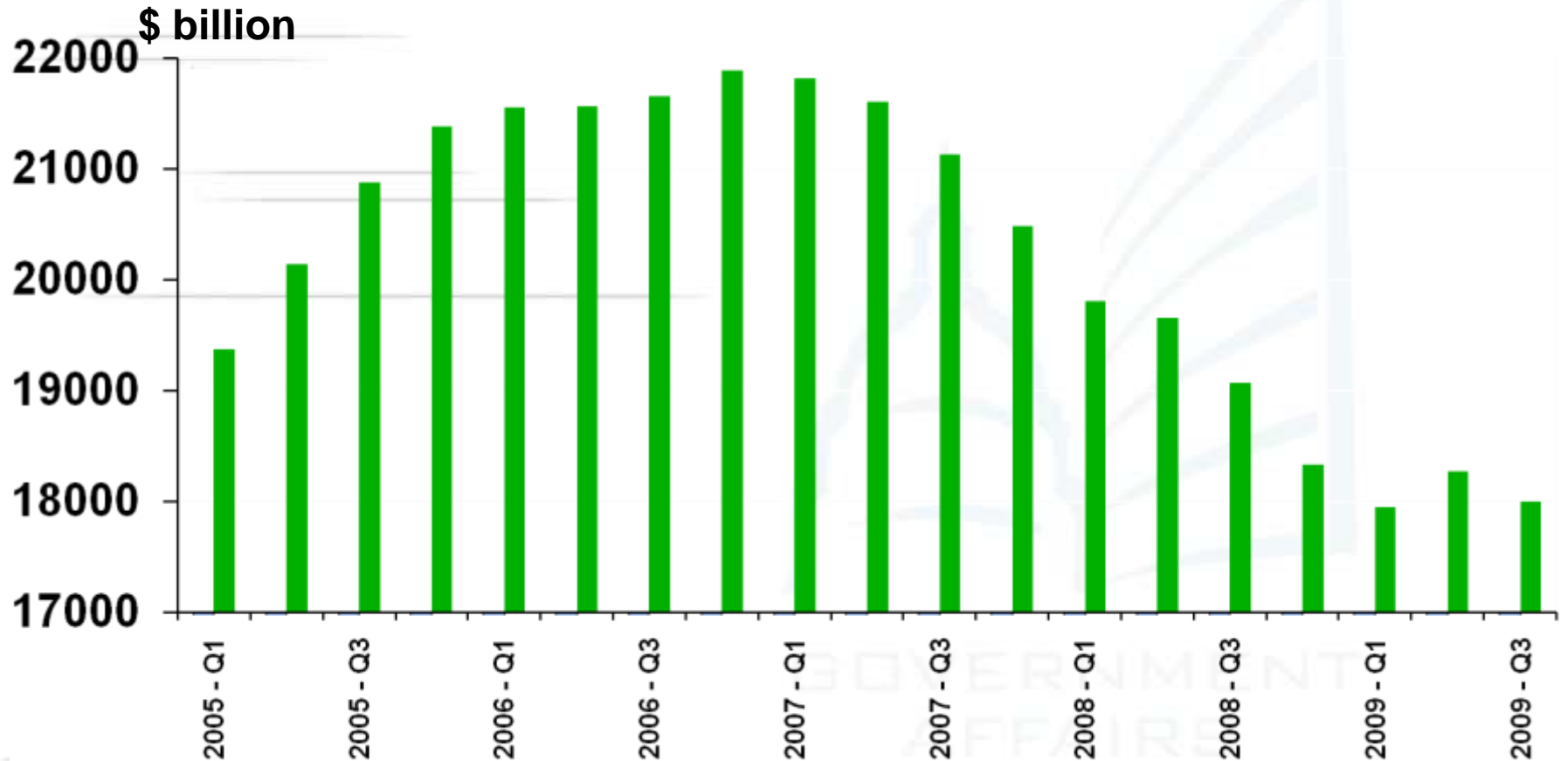
Source: Federal Reserve, NAR estimate



Housing Wealth to Rise

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

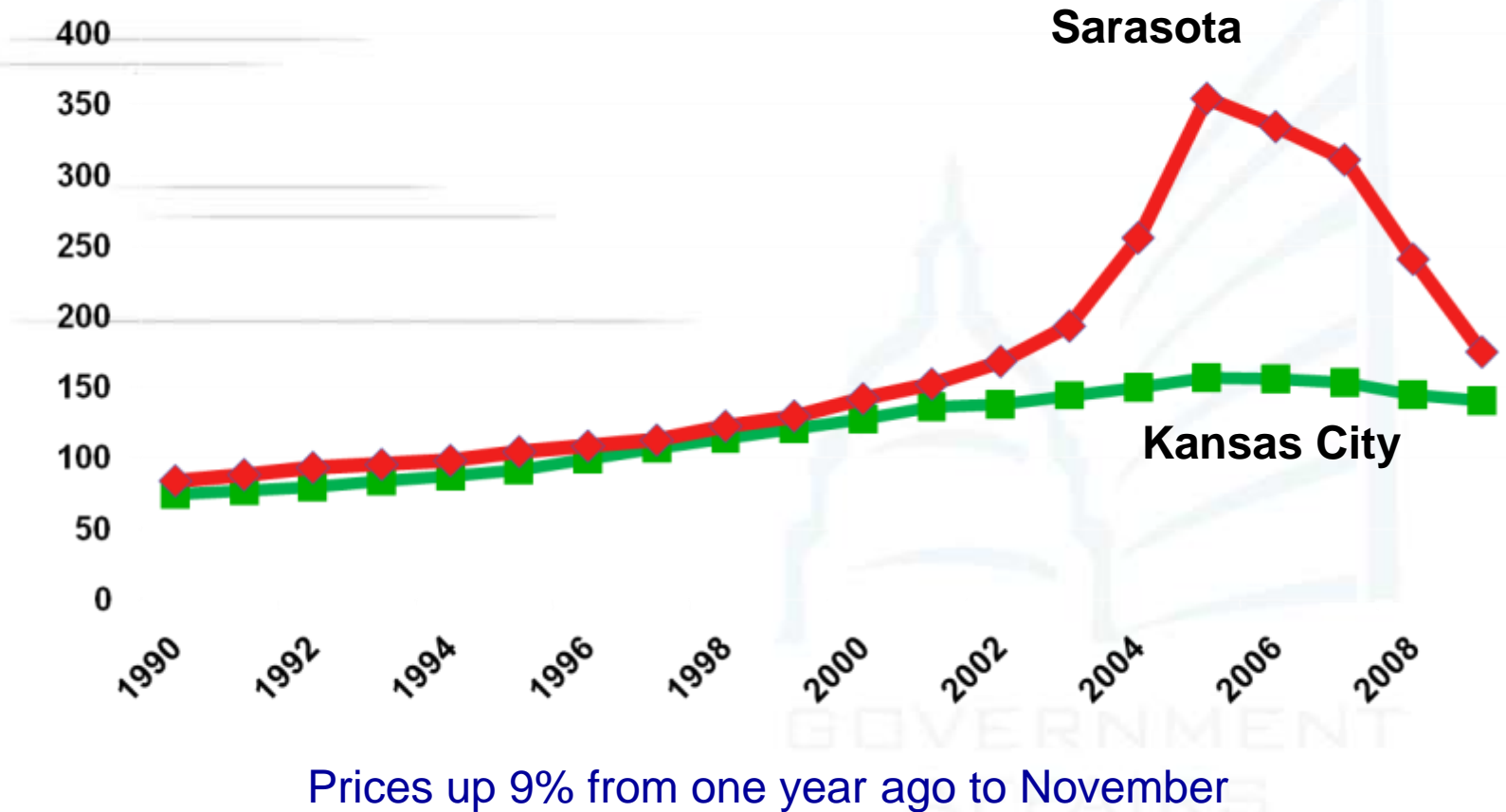
If additional \$8,000 price decline ... \$700 billion further loss



Source: Federal Reserve, NAR estimate



Bubble Wealth All Removed

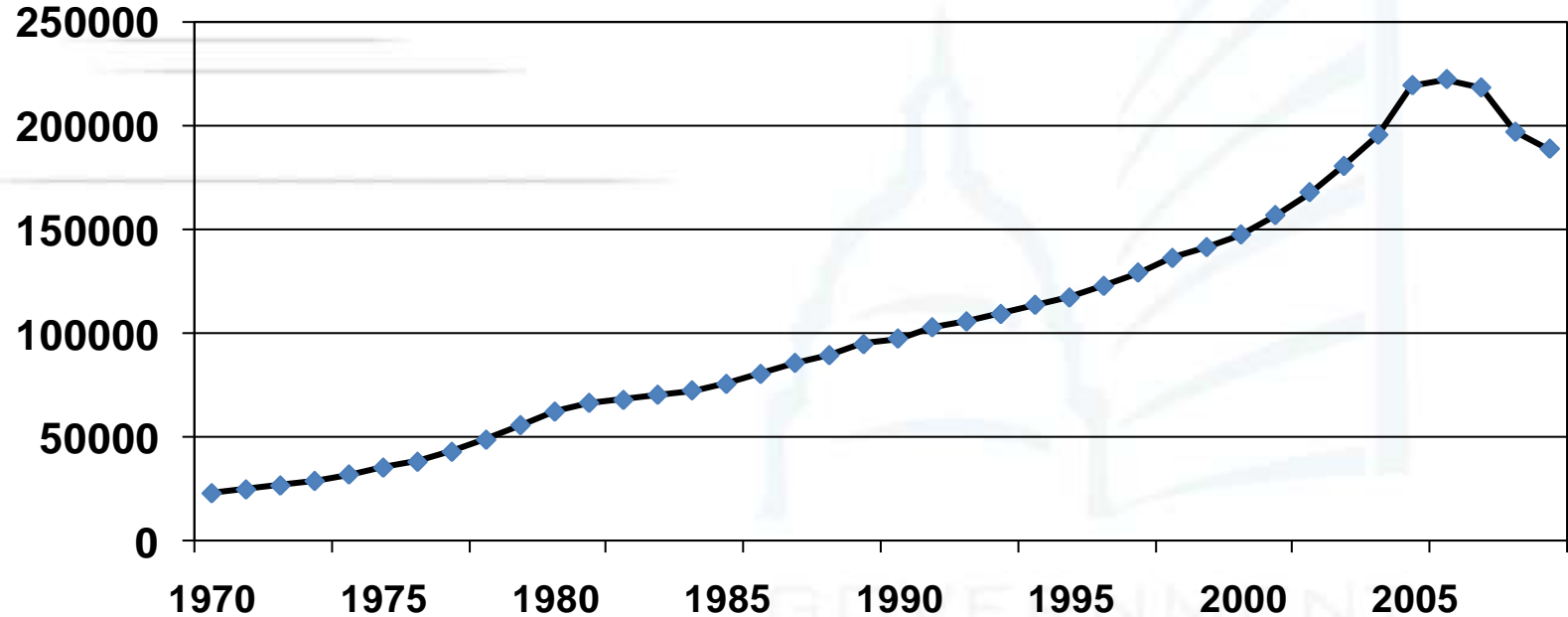


Source: NAR, KCAR

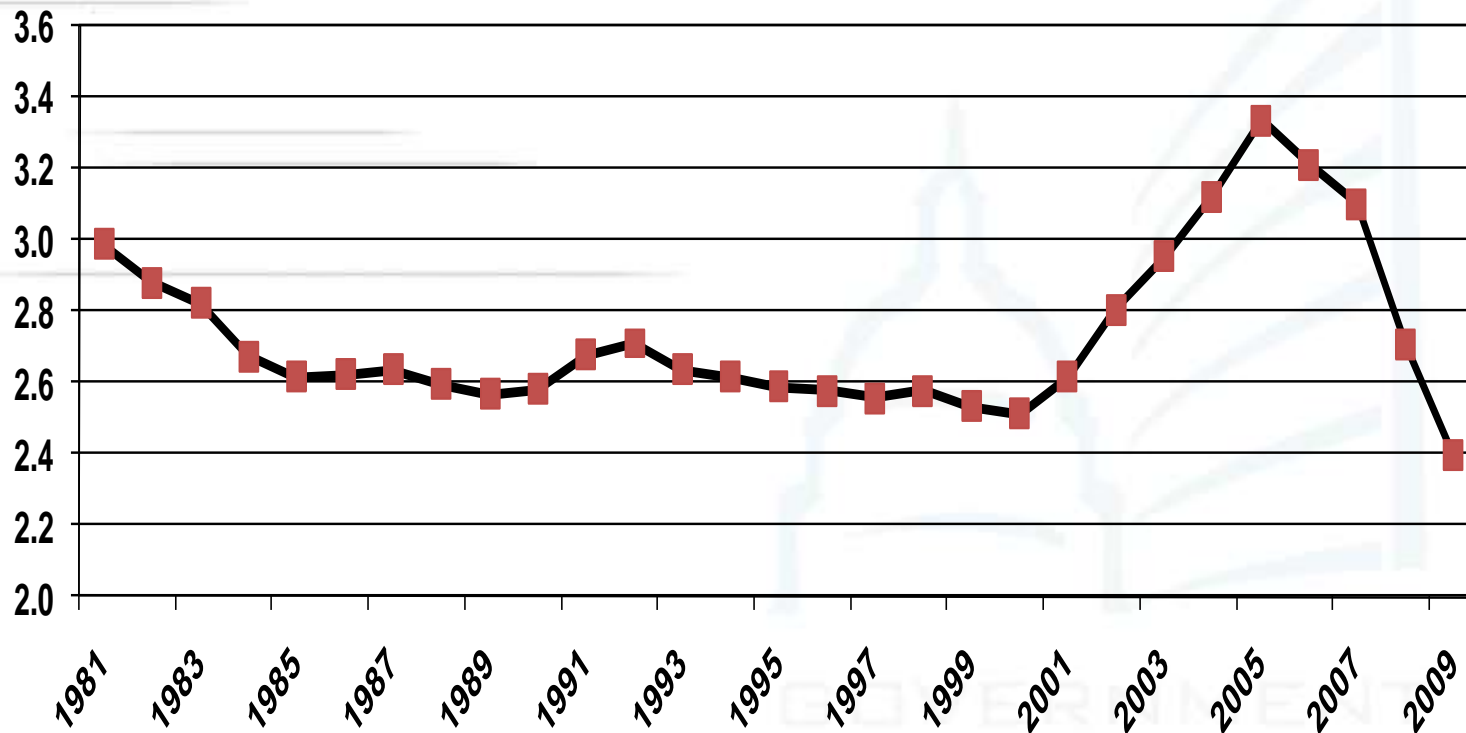


National Existing Home Price

First-time buyers attracted to deeply discounted distressed sale properties.



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

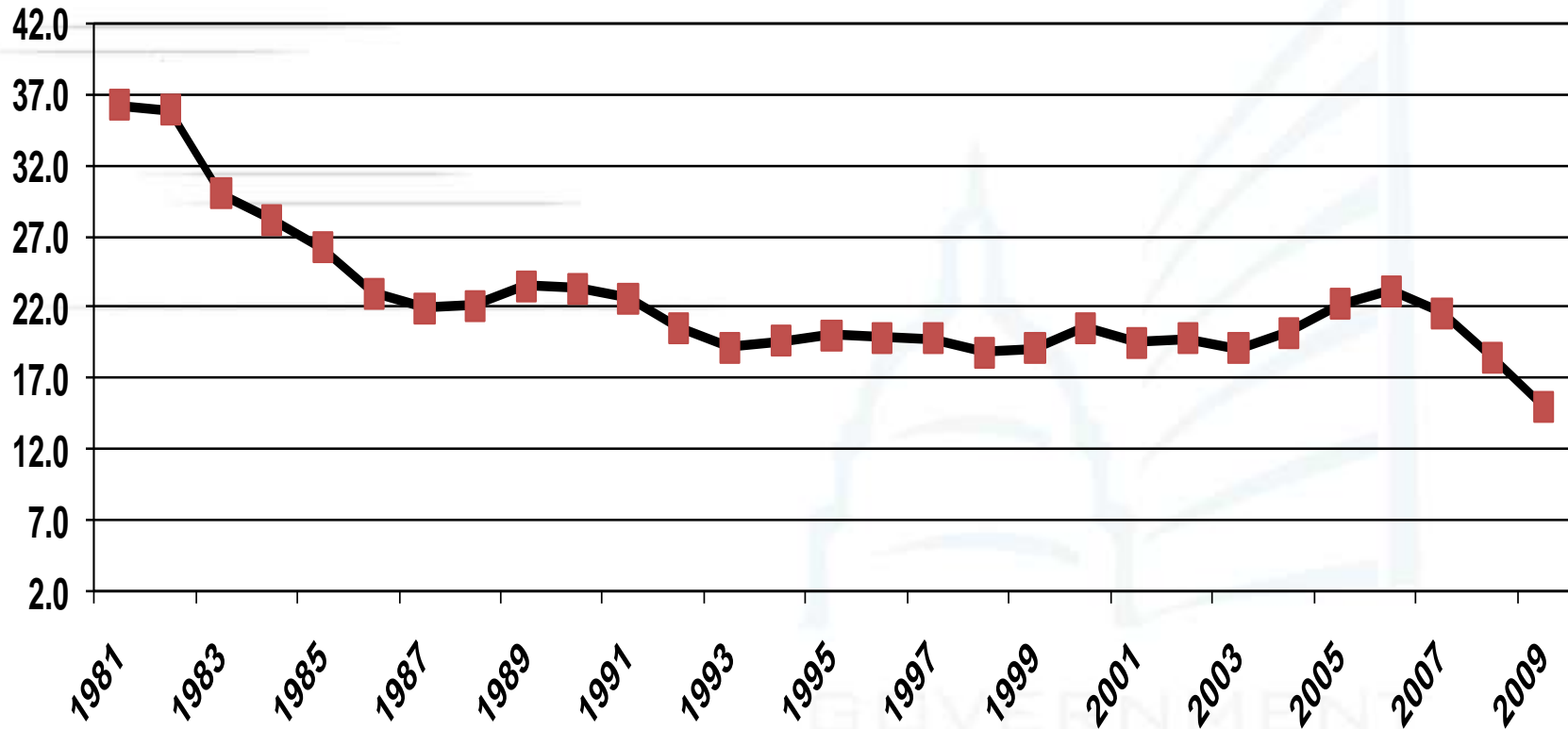


Source: NAR



Mortgage Payment to Income

(by middle income person buying a median priced home)

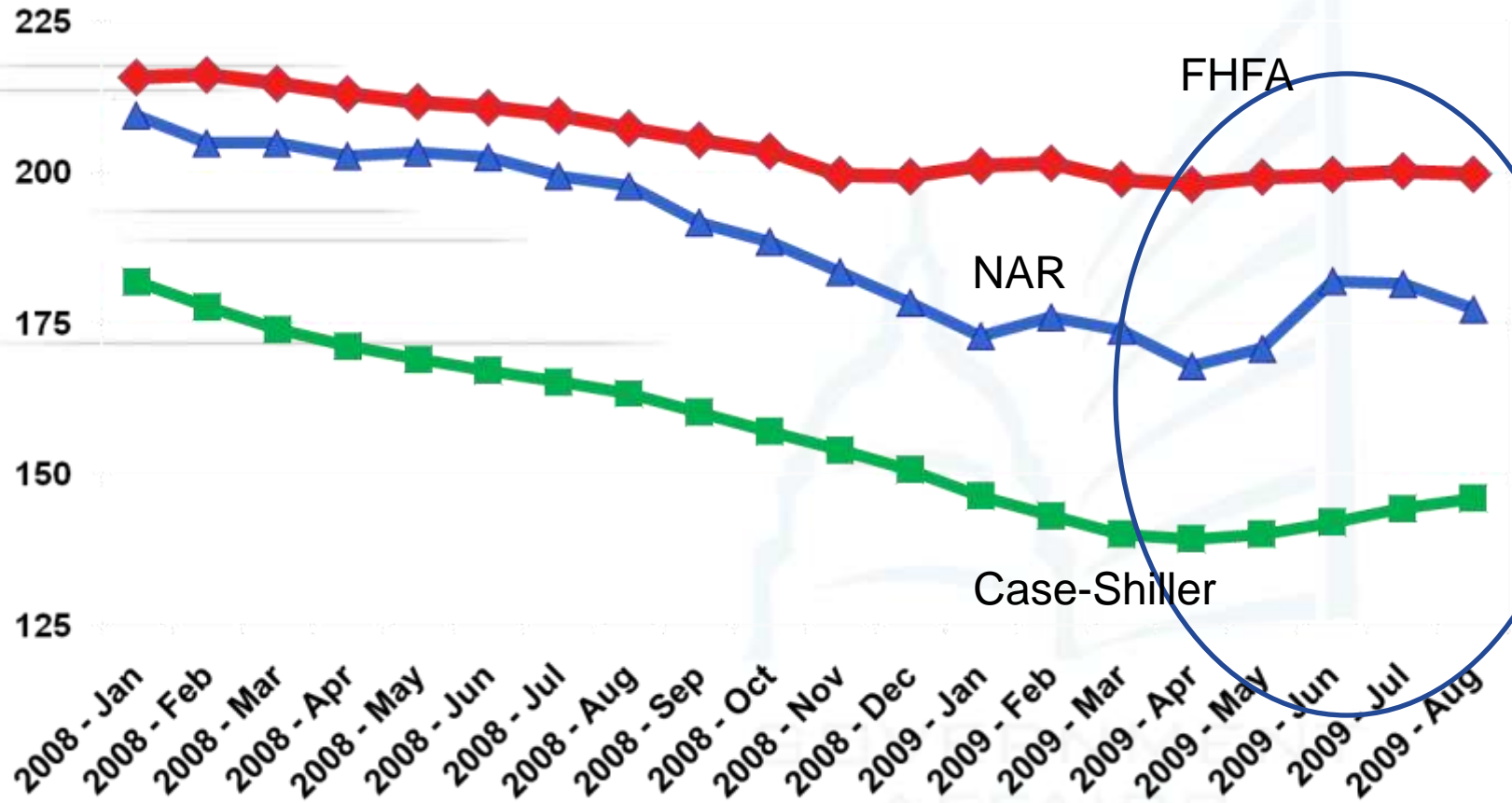


Source: NAR

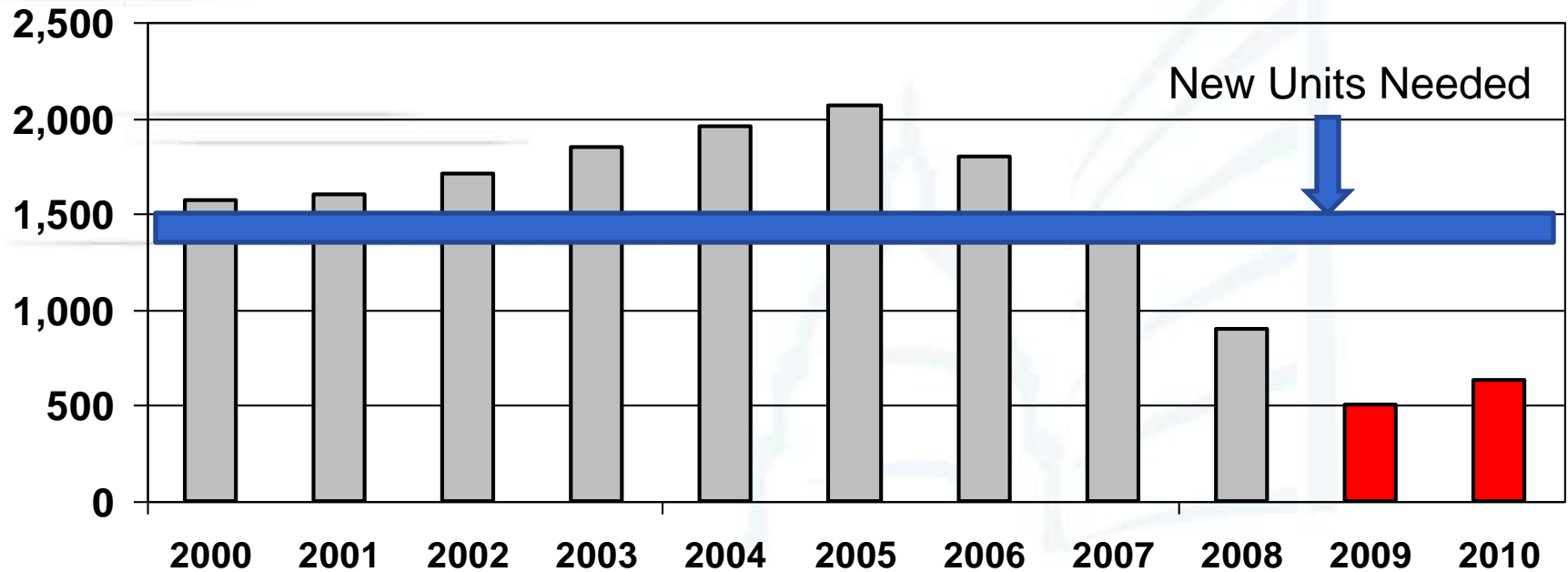


Latest Monthly Home Price Trend

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

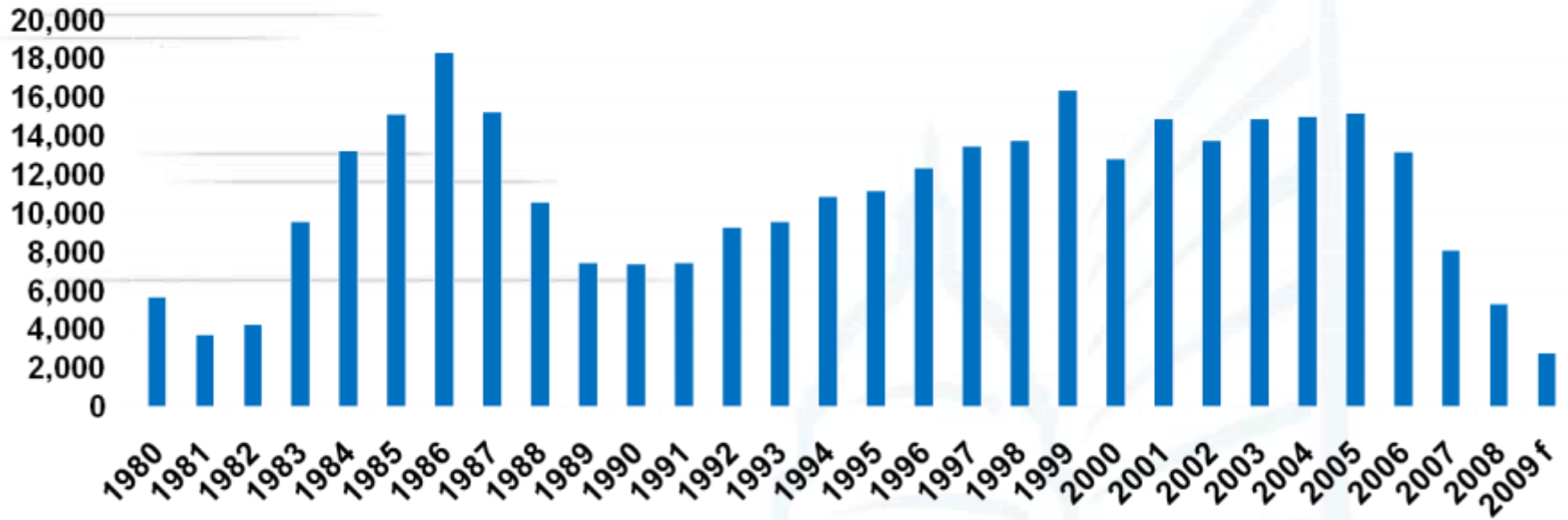


Housing Starts: Too Much to Too Little



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

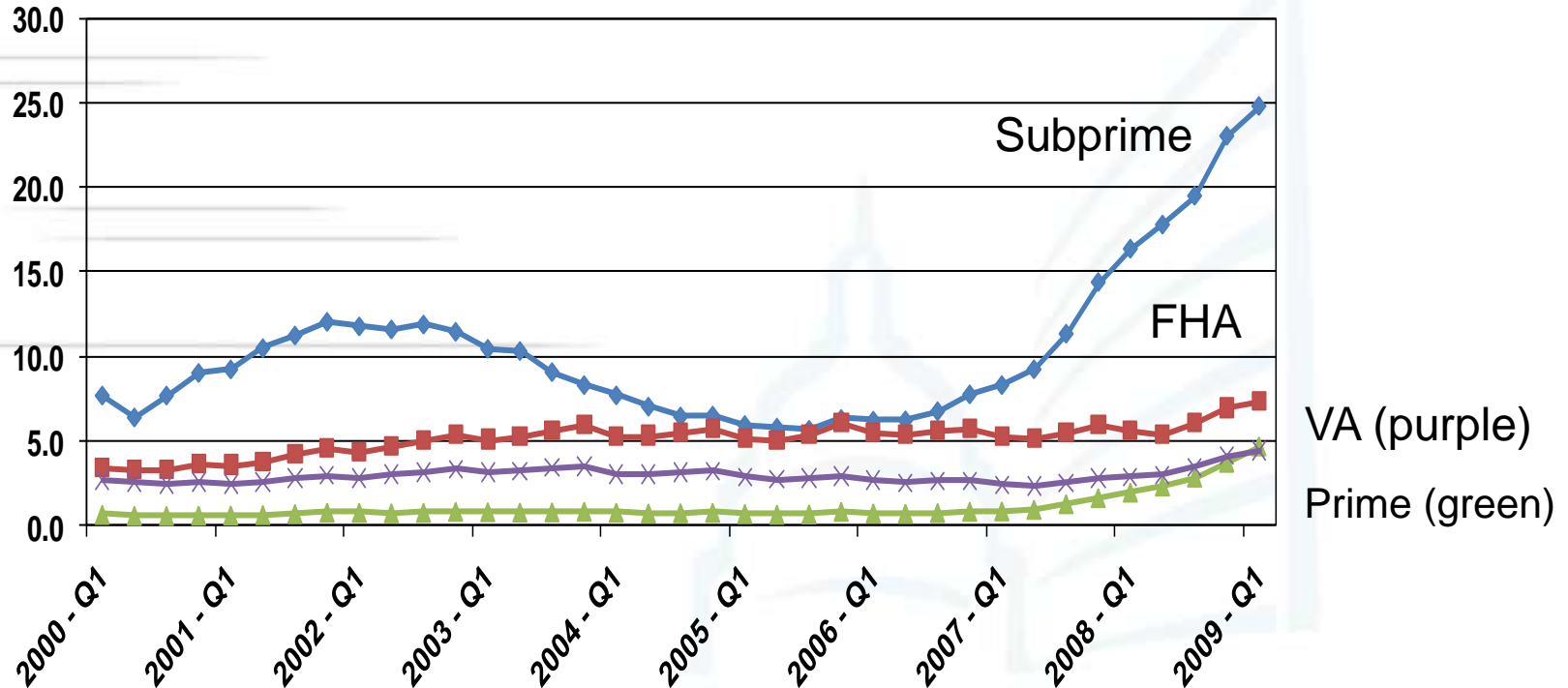
Kansas City Housing Permits



Source: Census

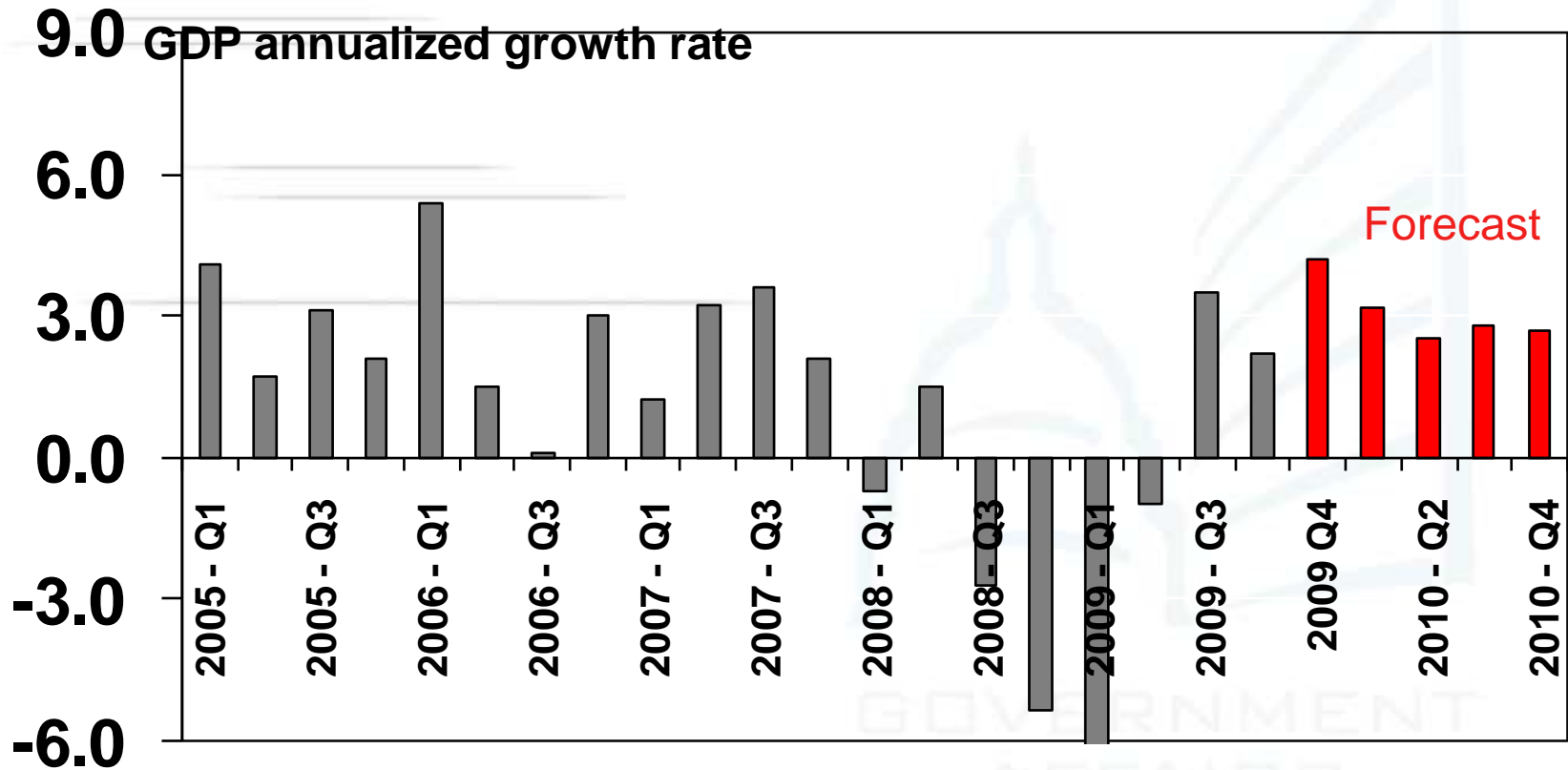


Serious Delinquency Rate (90+ days late or foreclosure)



- FHA Reserve Fund depleting ... may need funds to implement a countercyclical policy
- Fannie-Freddie will need funds ... future reform of the secondary mortgage market
- Veterans Affairs backed mortgages ... slight rise ... even though a zero-down product ... stay within budget and all will be OK!

Economy Recovering

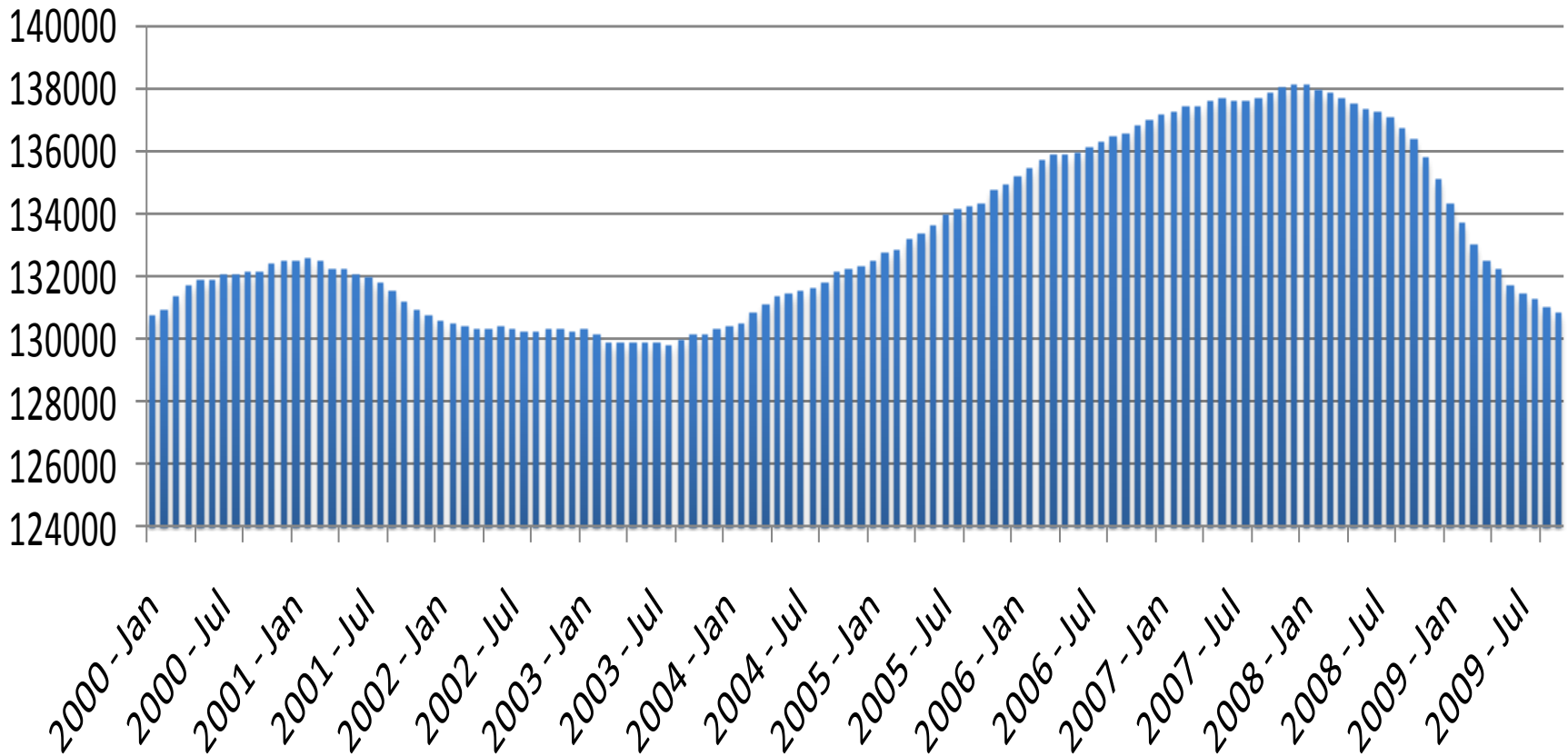


Source: BEA



Total Jobs in U.S.

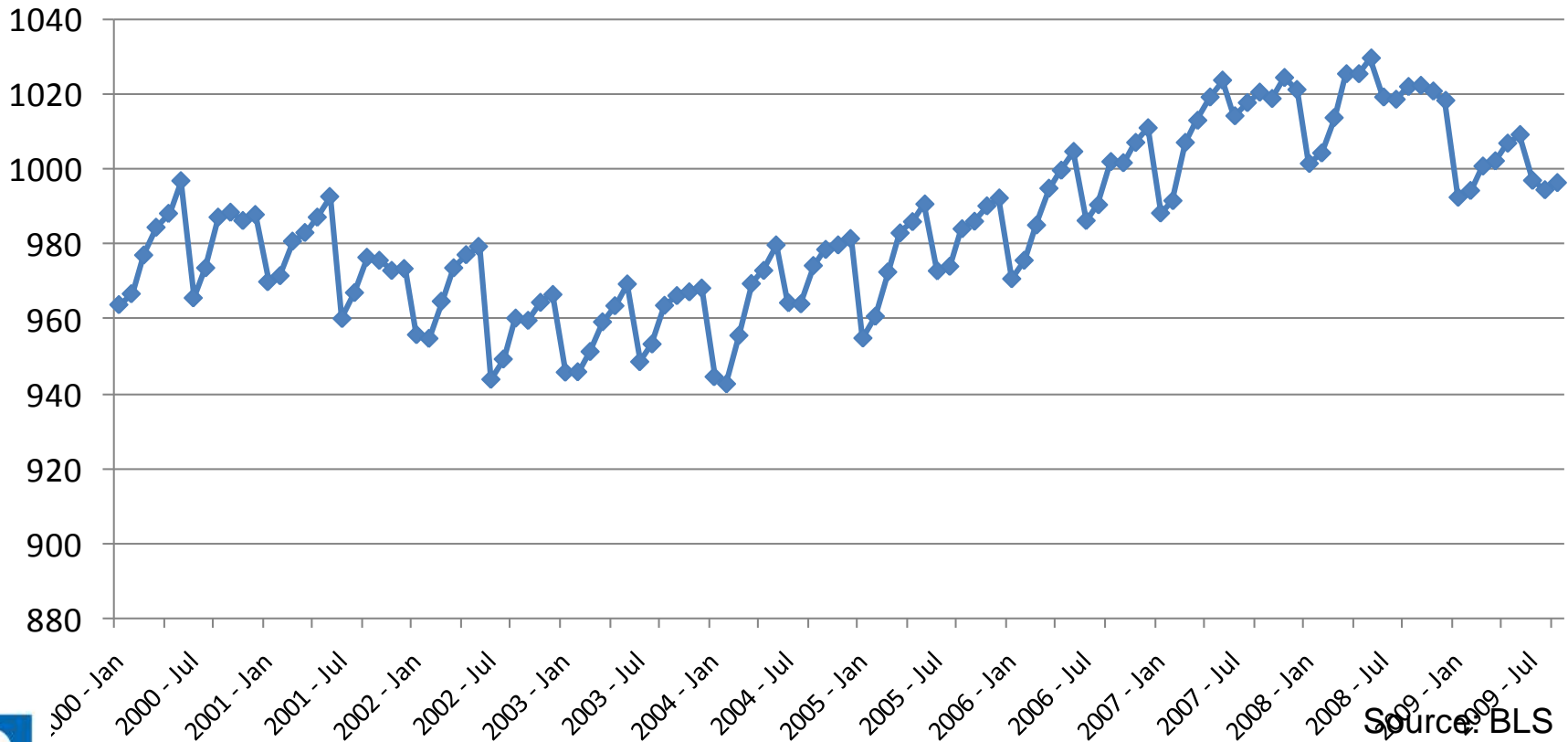
In thousands



Source: BLS

Total Payroll Jobs in Kansas City Region

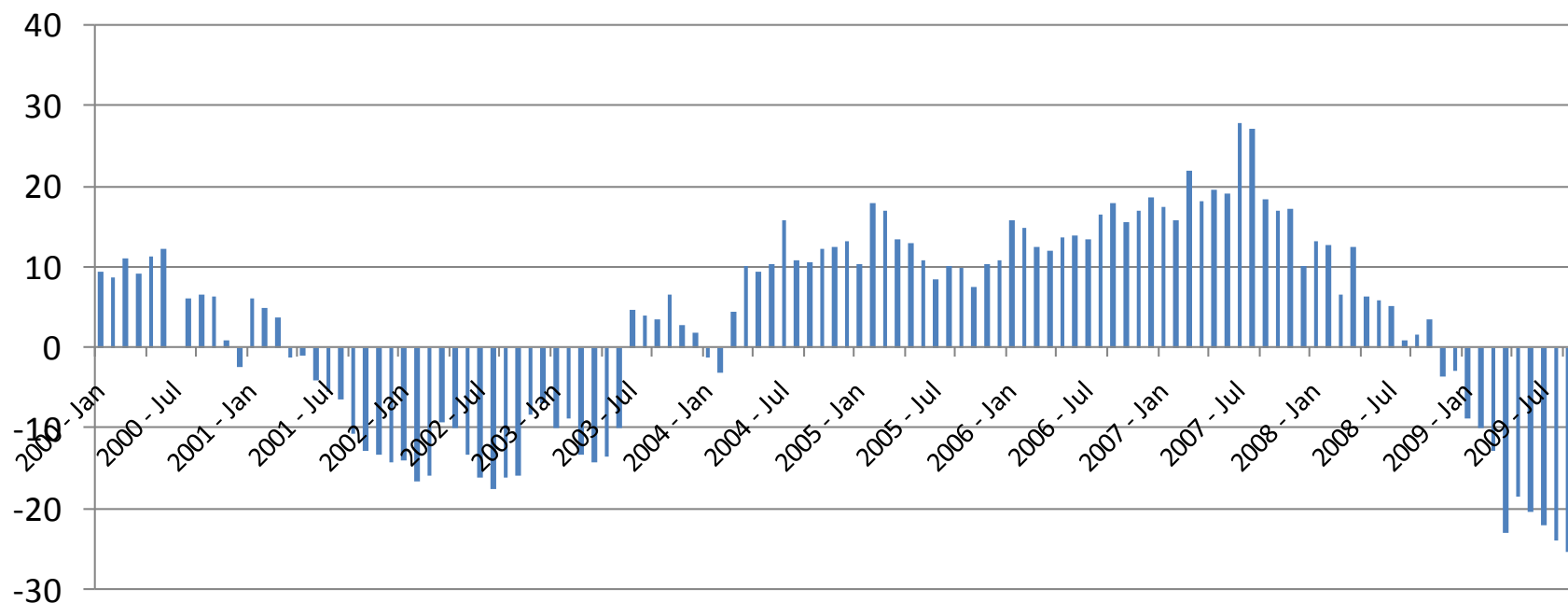
In thousands



Source: BLS

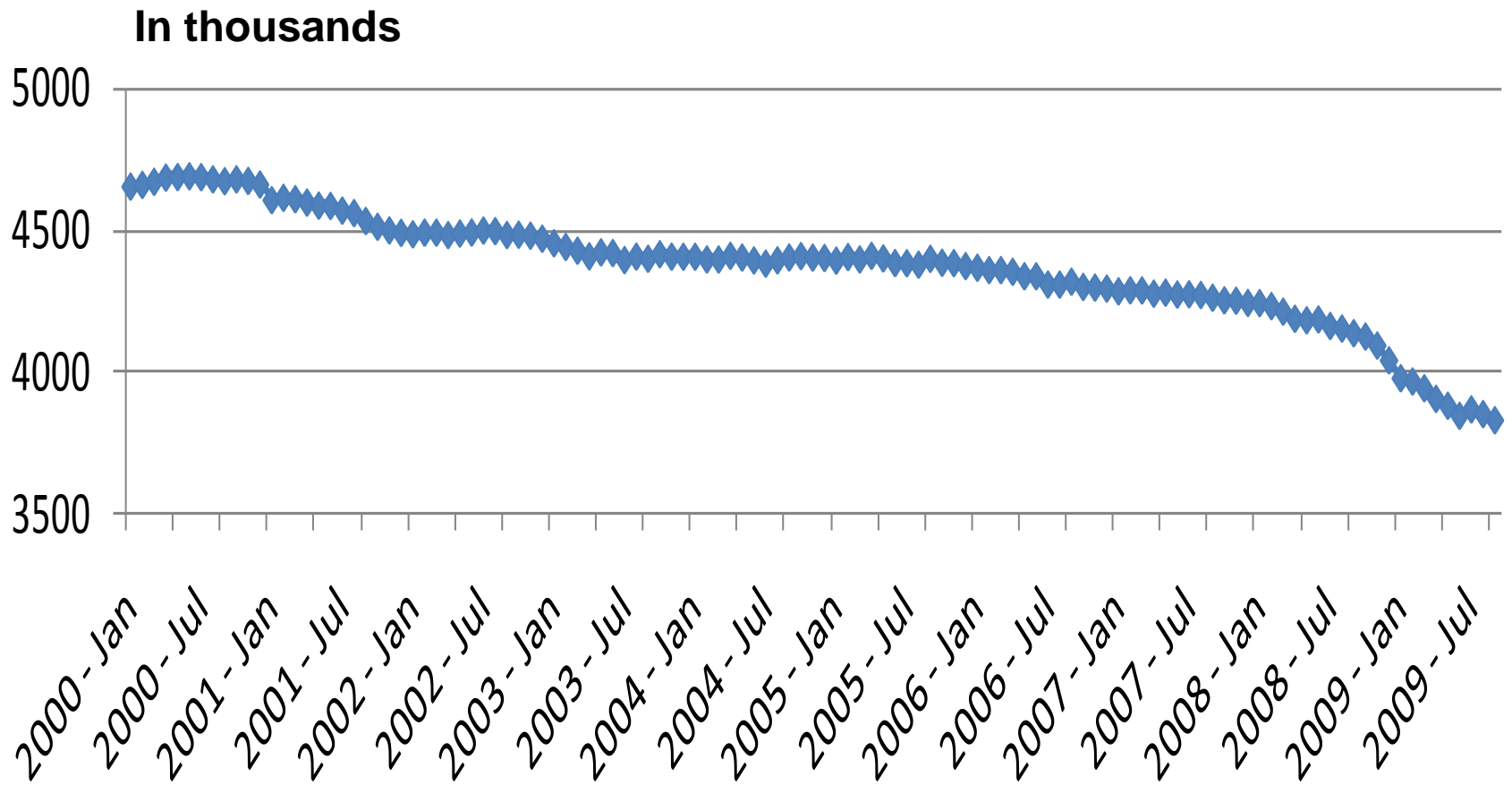
Job Additions in Kansas City Region

In thousands



Source: BLS

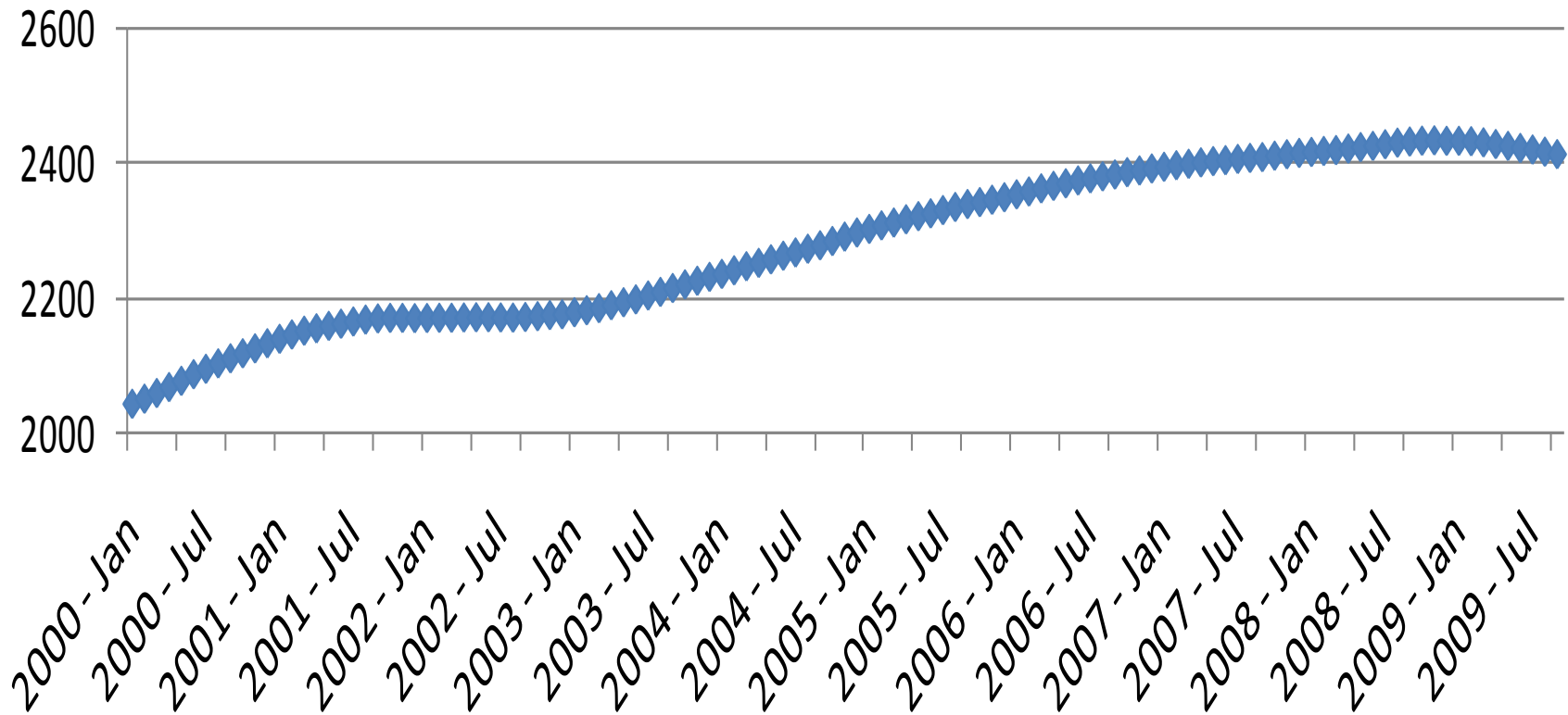
Total Payroll Jobs in Michigan



Source: BLS

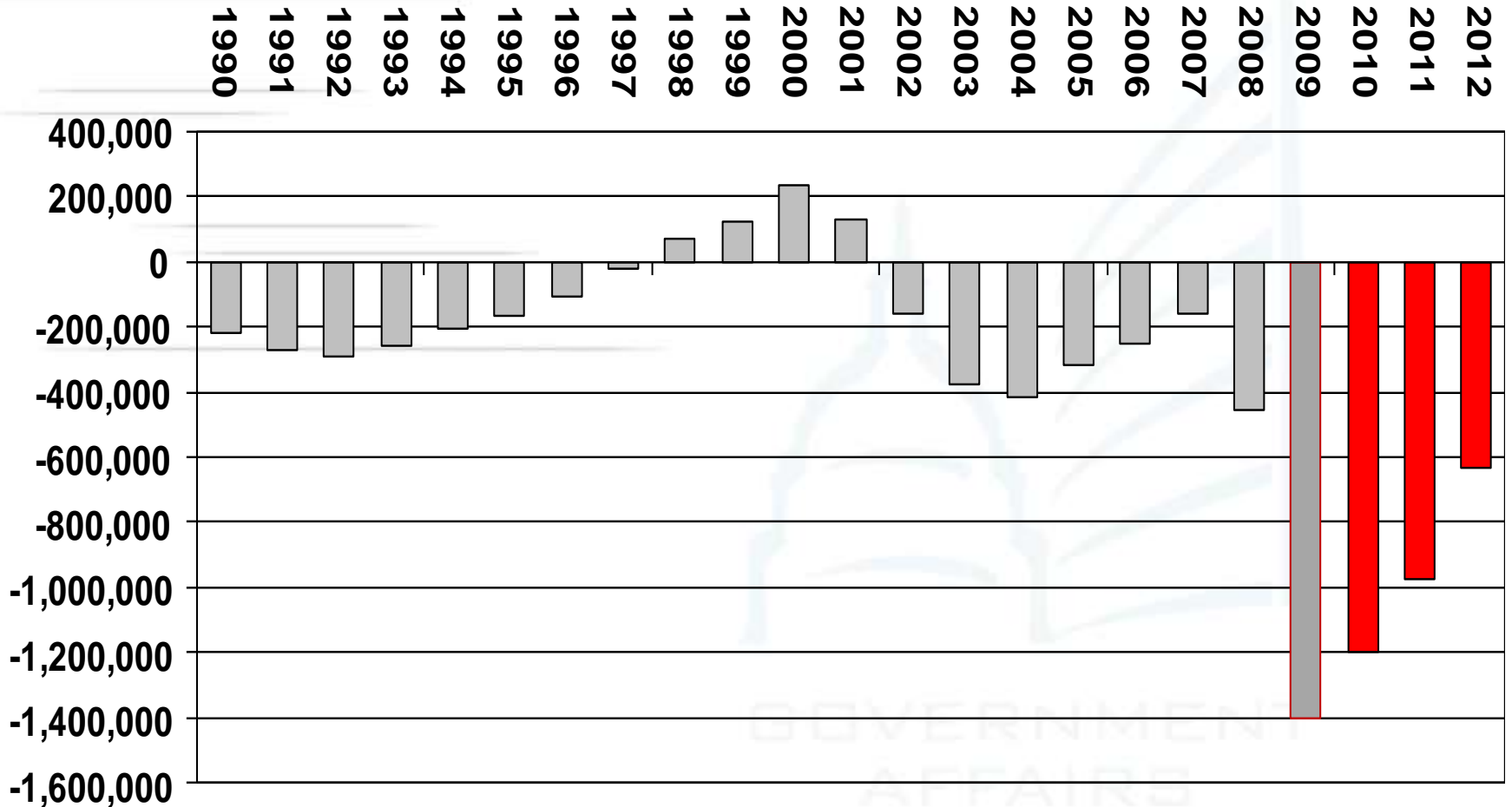
Total Payroll Jobs in Washington D.C. Metro

In thousands



Source: BLS; (12-month moving average)

Federal Budget Deficit



Source: CBO, NAR estimate



Federal Housing Policy

- ***Tax Favoritism***
 - ***Mortgage interest deduction***
 - ***Capital gains tax exclusion***
 - ***Property tax deduction***
 - ***But who pays taxes?***
- ***Ownership and Positive Externalities***
 - ***Student test scores, teen pregnancy, juvenile delinquency***
- ***What is the proper homeownership rate?***
- ***Any Ownership vs Successful Ownership***

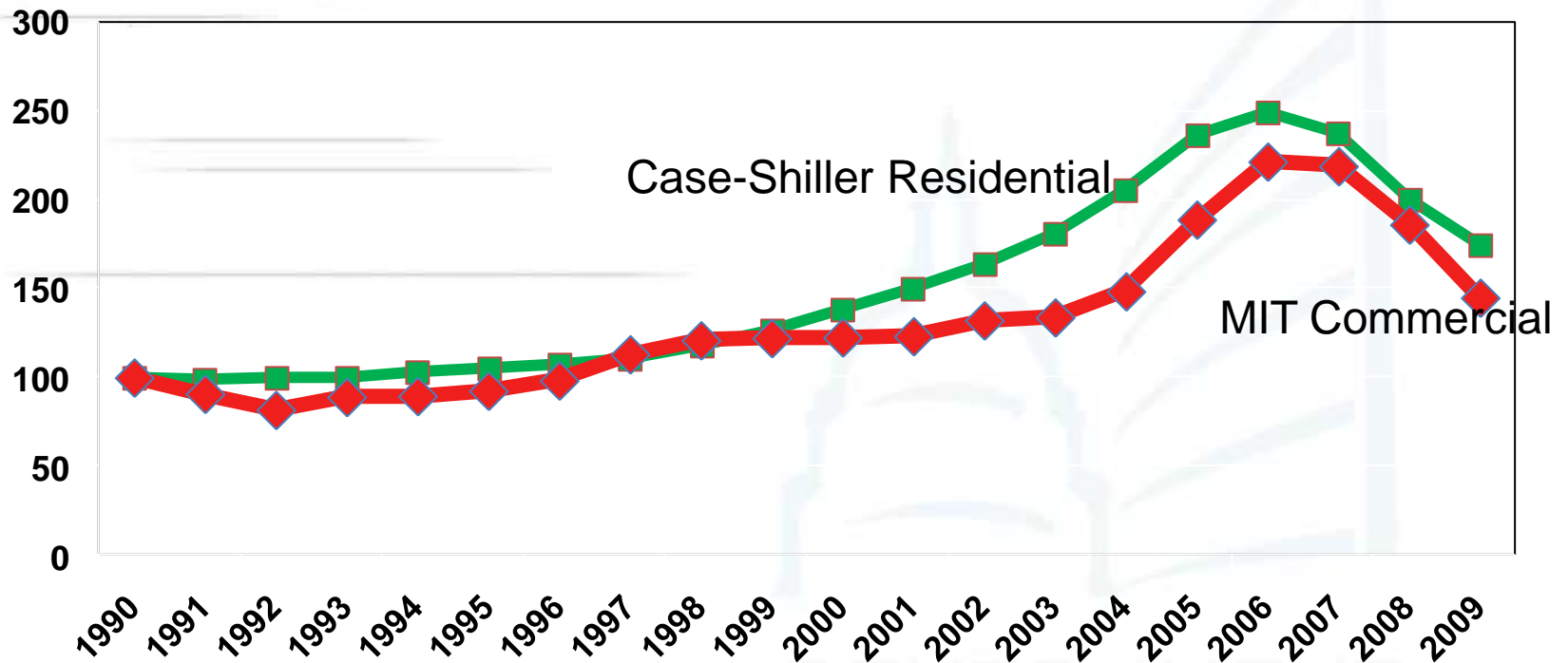
Economic Outlook

| | 2008 | 2009 | 2010 forecast |
|--------------------------|-------------|--------------|--------------------------|
| GDP | 0.4% | -2.5% | 2.8% |
| CPI Inflation | 3.8% | -0.2% | 1.3% |
| Unemployment Rate | 5.8% | 9.3% | 9.9% |
| 10-year Treasury | 3.7% | 3.3% | 3.8% |

Housing Outlook

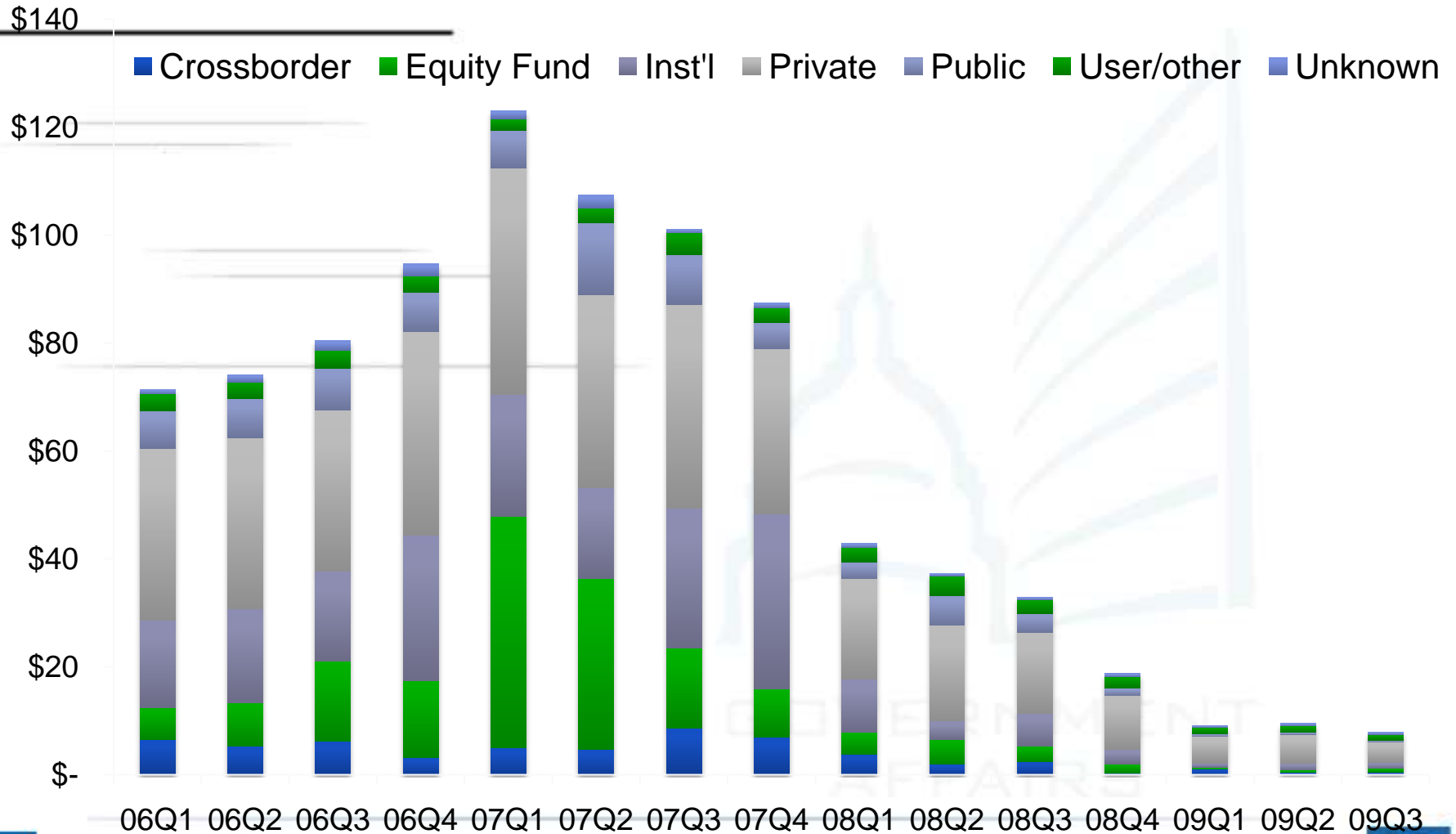
| | 2008 | 2009 | 2010 forecast |
|----------------------------|--------------|--------------|--------------------------|
| Existing Home Sales | 4.9 m | 5.2 m | 5.7 m |
| New Home Sales | 485 k | 380 k | 530 k |
| Home Price Growth | -10% | -13% | 4% |
| Mortgage Rate | 6.1% | 5.1% | 5.5% |
| Price Fear Factor | ? | ? | None |

Commercial and Residential Property Prices



2009 data is for Q2

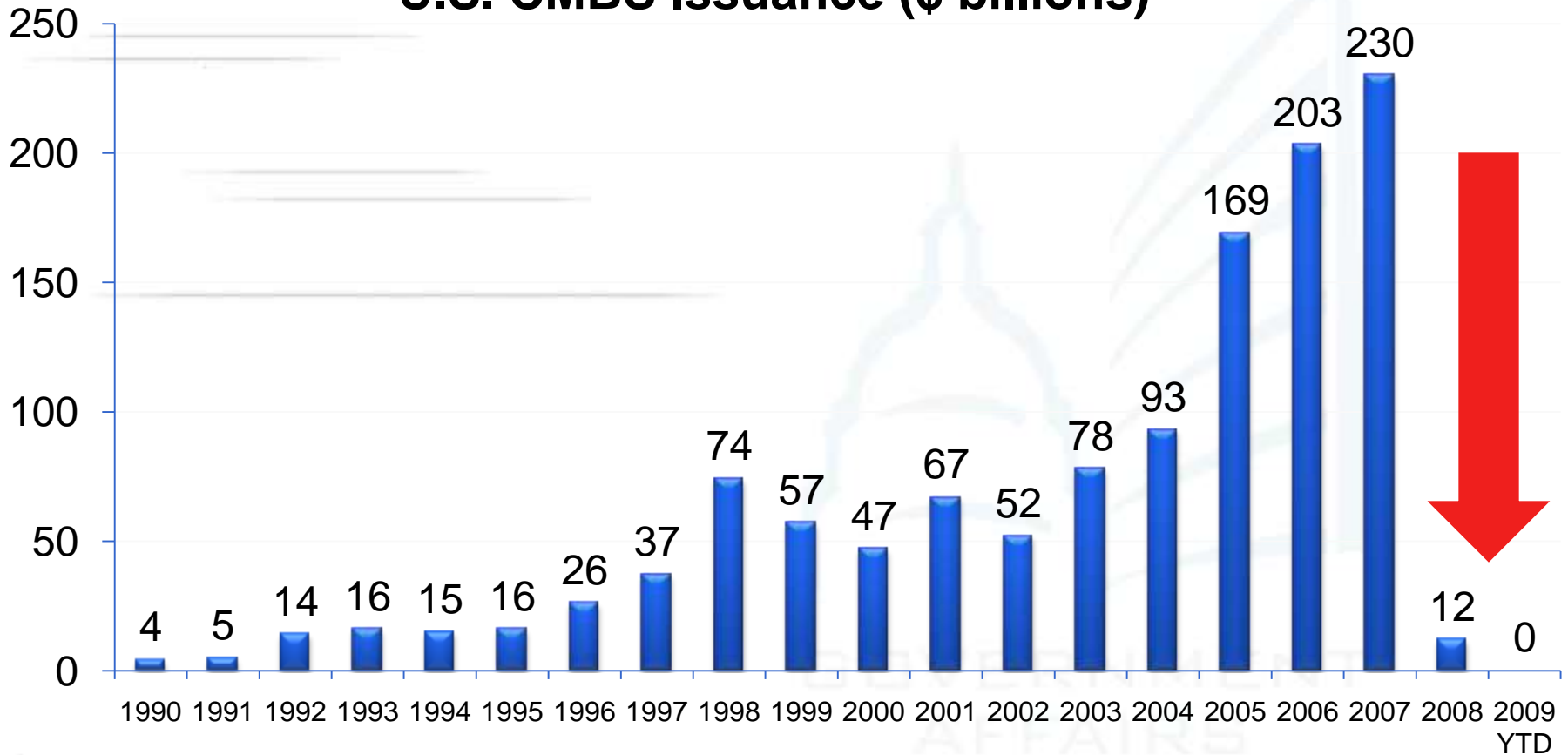
Who Is Buying?



Source: Real Capital Analytics

Commercial Credit Freeze

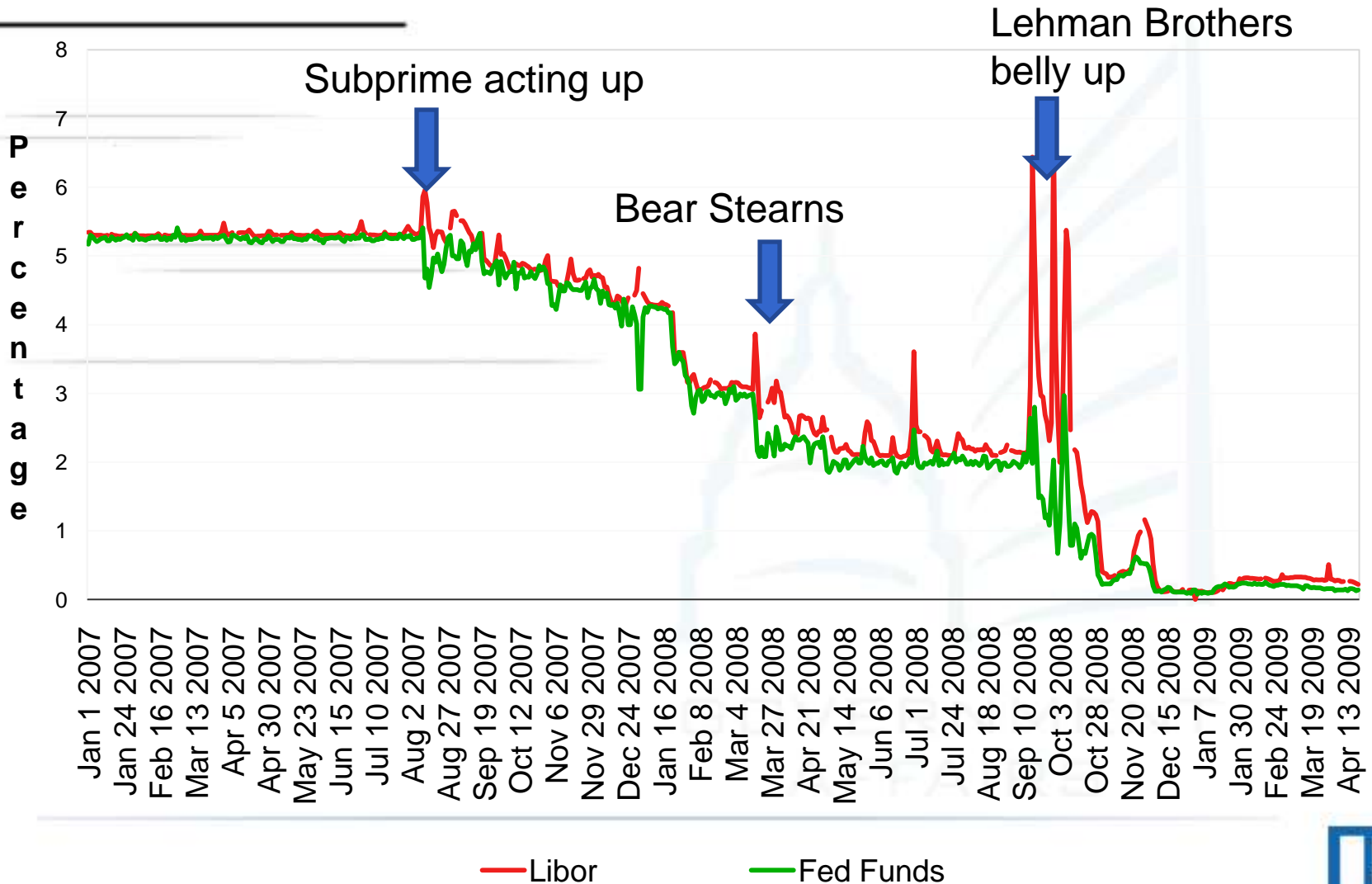
U.S. CMBS Issuance (\$ billions)



Source: Commercial Mortgage Alert



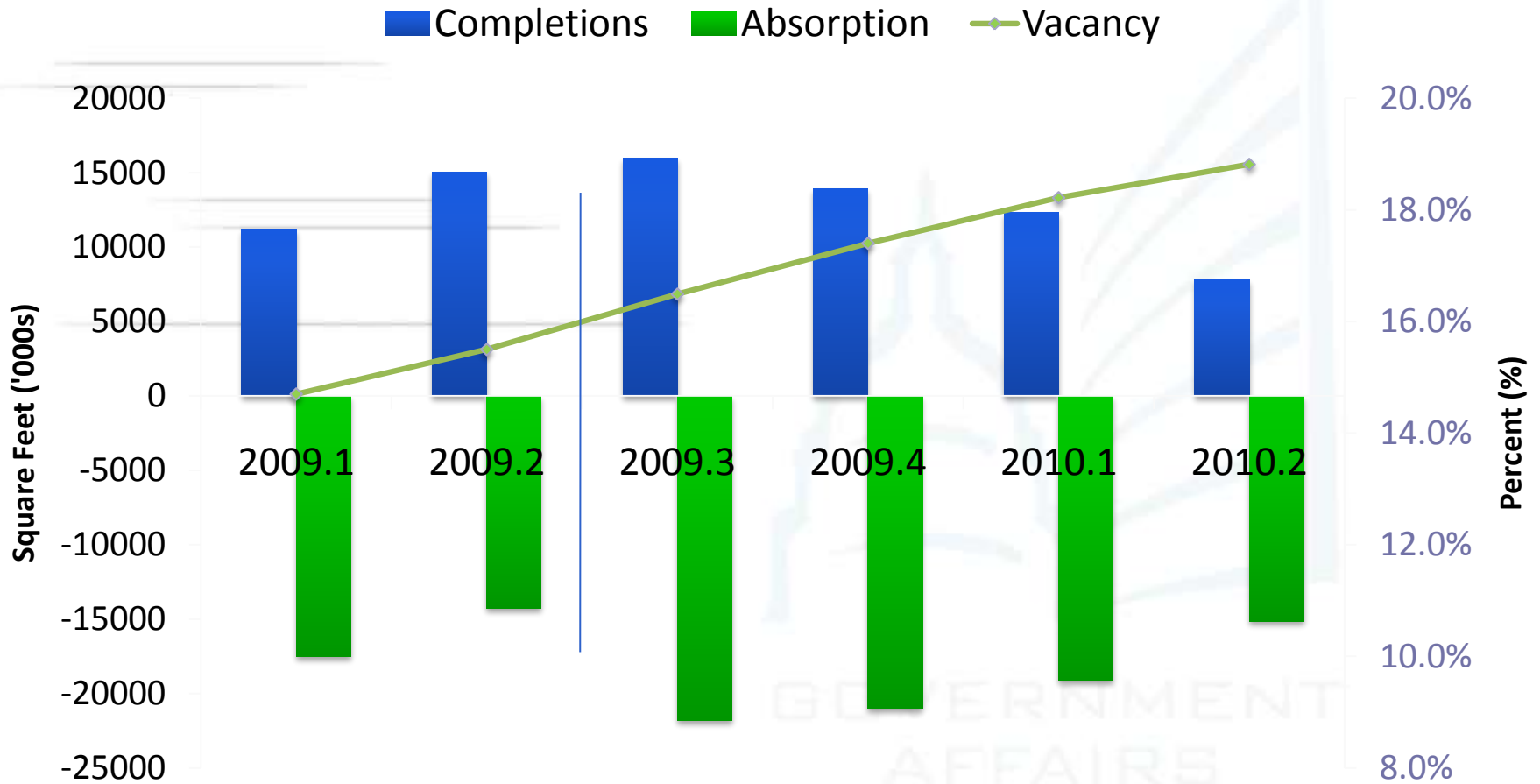
Credit Crisis 2008: Libor vs. Fed Funds Rate



Credit Crunch Ending?

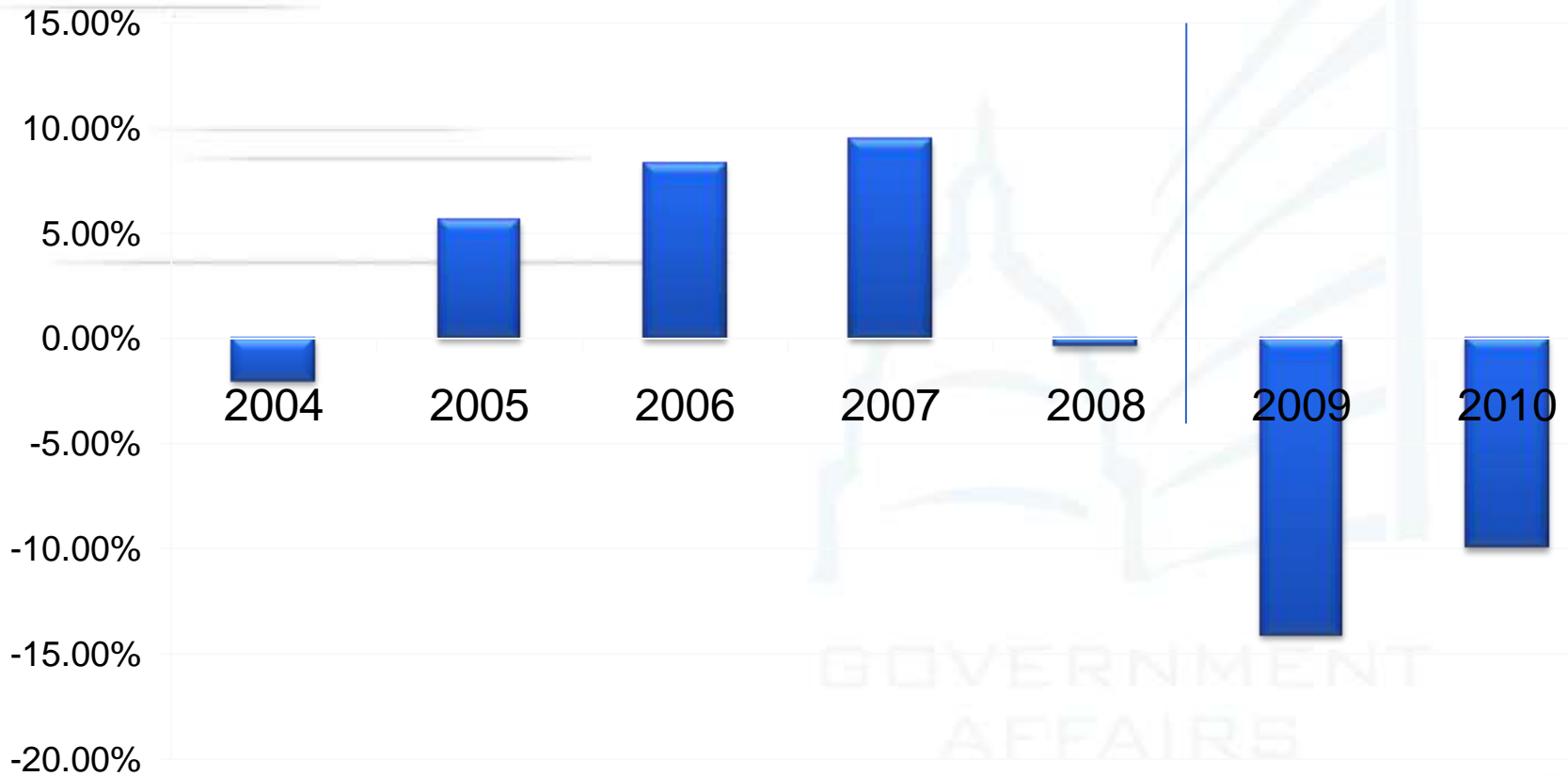
- ***Libor Rates improving***
- ***Junk Bond yields becoming less wild***
- ***Banks making profit ... but are they getting too big again (75% of assets controlled by 10 banks)***
- ***Federal Reserve lending at zero (though not to consumers)***
- ***Not Yet ... Need to see***
 - ***Lower rate on jumbo mortgages***
 - ***Lower rate on second home purchases***
 - ***Lower rate on condo purchases***
 - ***Lower rate on commercial real estate loans***

Office Market Fundamentals



Source: NAR/CBRE-EA

Office Rent Growth



Source: NAR/CBRE-EA

Commercial Market Outlook

- ***2008 to 2009***
 - ***Net absorption turns negative***
 - ***Rising Vacancy Rates and Stagnant Rent***
 - ***Markedly Fewer Transactions***
 - ***Property Prices Falling***
 - ***Distress Rising***
- ***2010***
 - ***Economic recovery***
 - ***Local market recovery***
 - ***Commercial recovery with lag time***
 - ***Modestly Positive net absorption***
 - ***Rent struggles to move positive***

Right Tools Right Now

- ***Many Free Products***
 - ***Relocation Reports***
 - ***REALTOR Member Profile***
 - ***Home Buyer and Home Seller Survey***
 - ***Daily Forecast Update***
- **www.realtors.org**
 - ***click “Right Tools Right Now”***
 - ***Or click Research***