

# ***Economic and Real Estate Market Outlook***

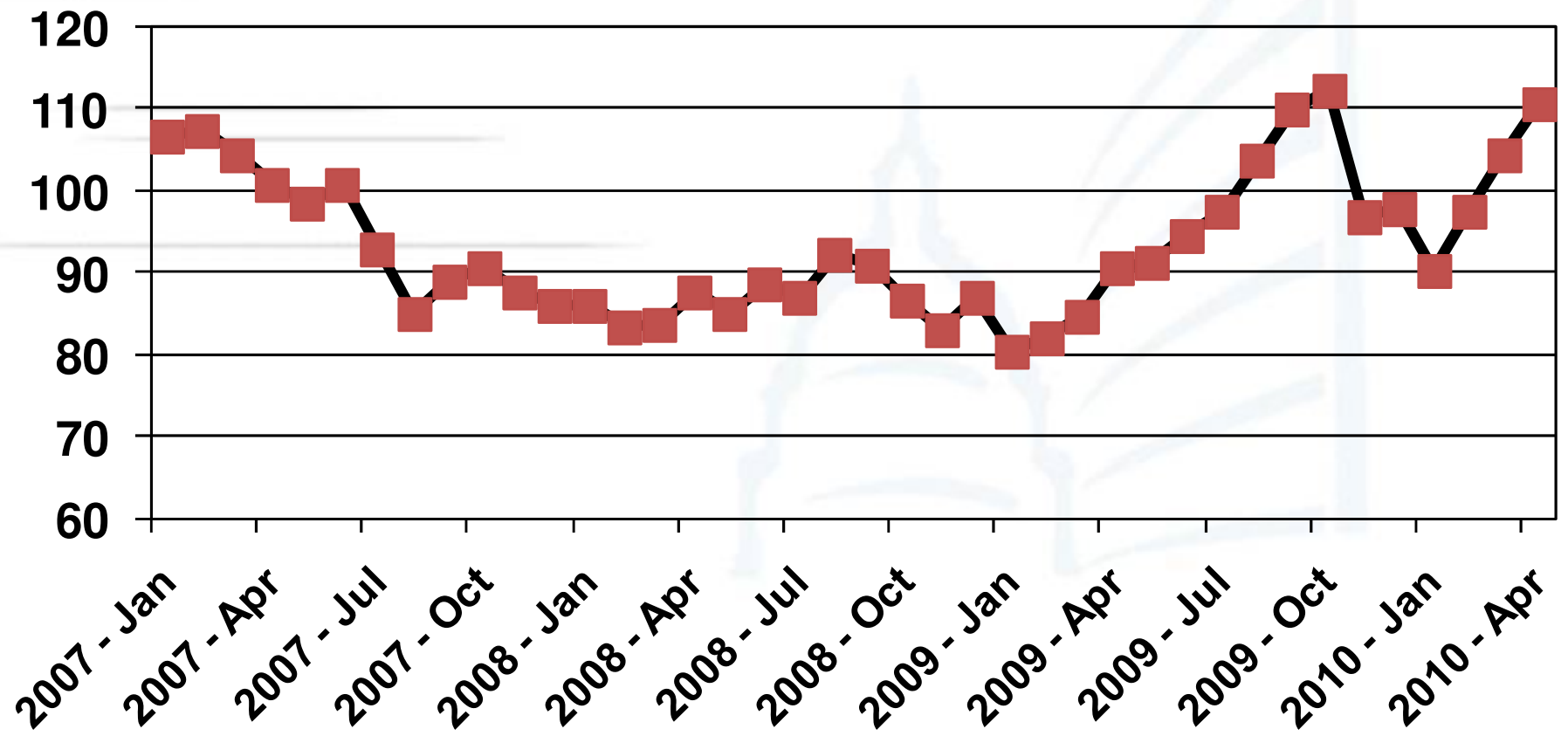
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***Chief Economist***  
***NATIONAL ASSOCIATION OF REALTORS®***

***Presentation at RealSource  
Association of REALTORS®***

***June 18, 2010***

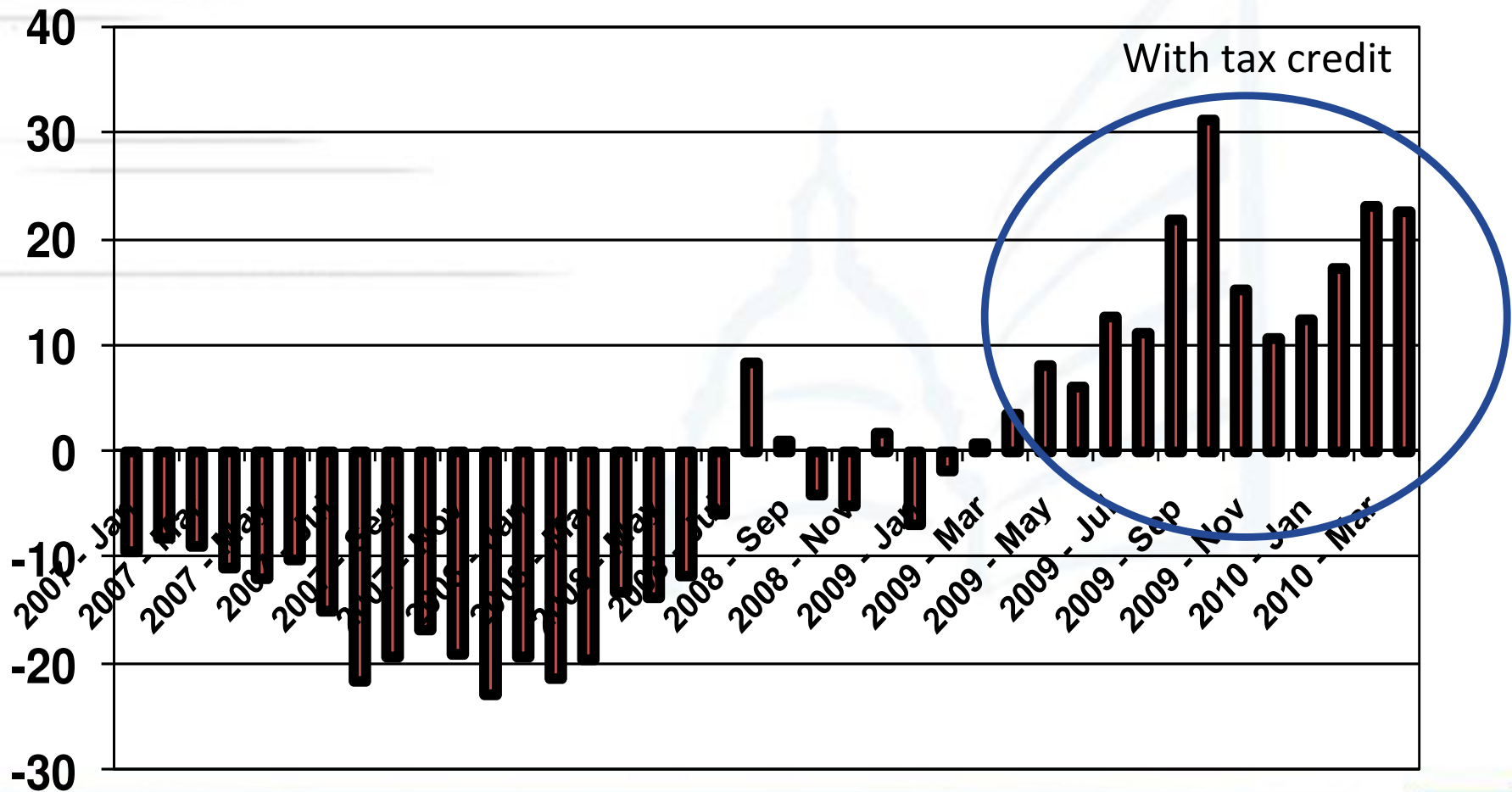


# Pending Contract Index



Source: NAR

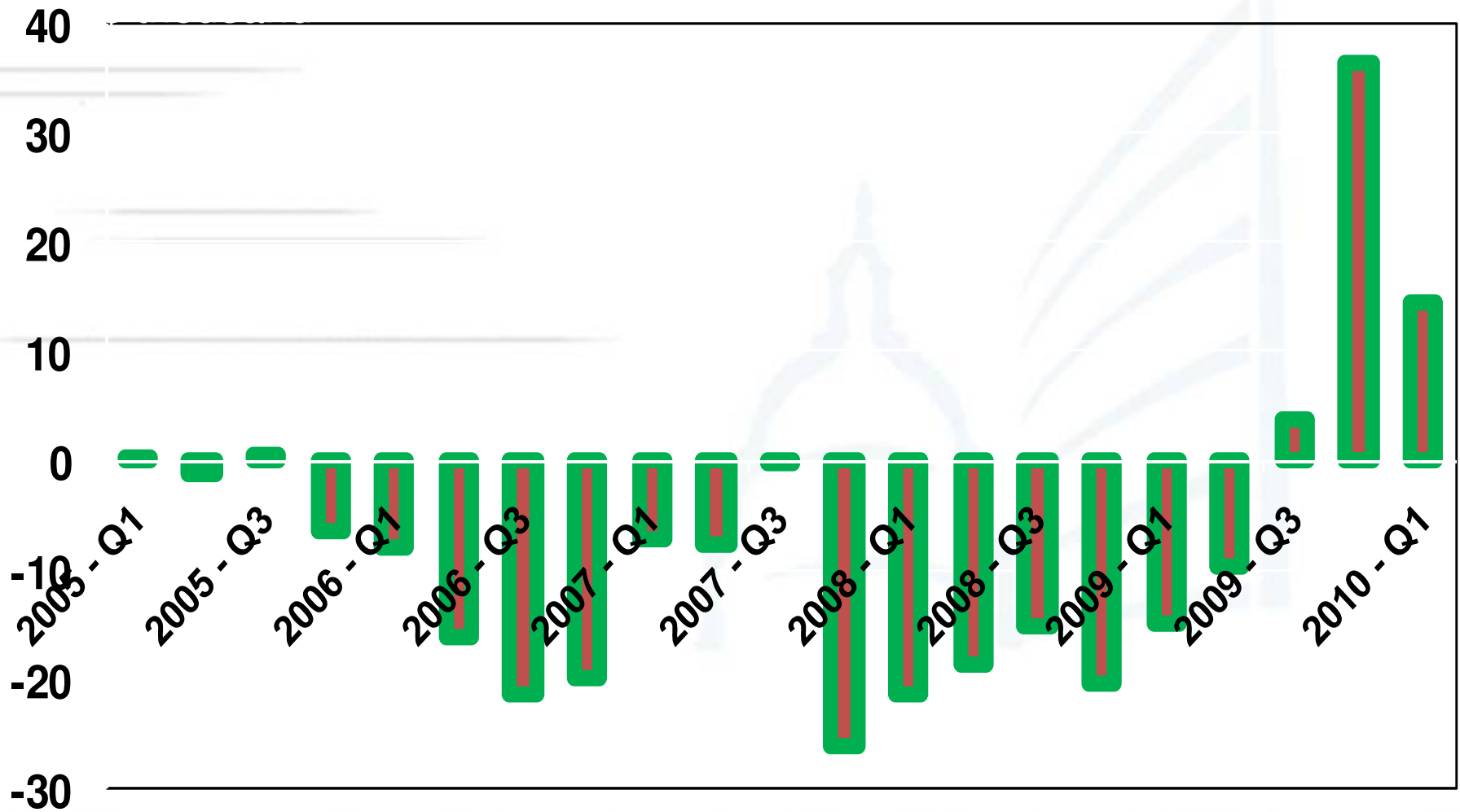
***(year-over-year % change)***



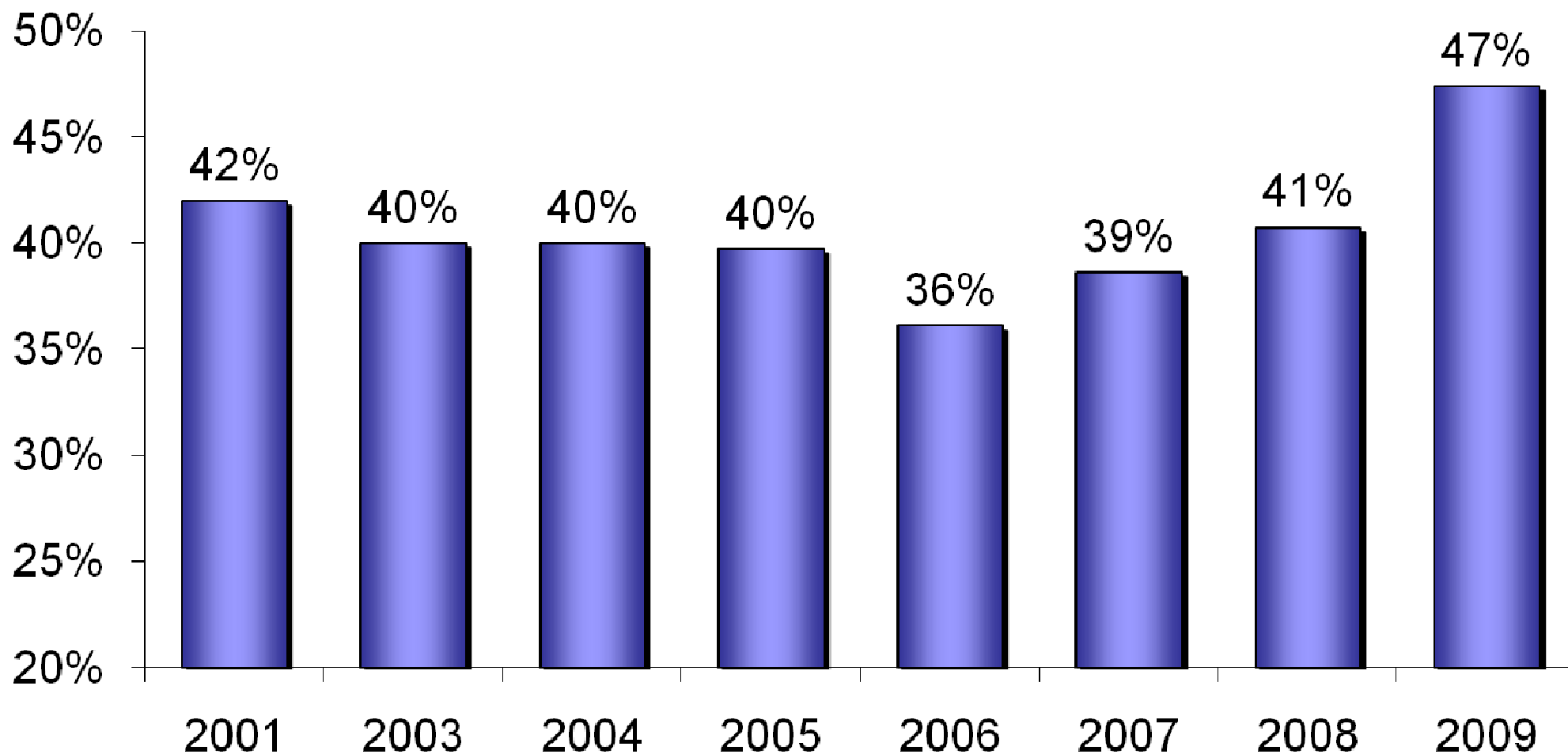
**Source: NAR**

# NJ Home Sales

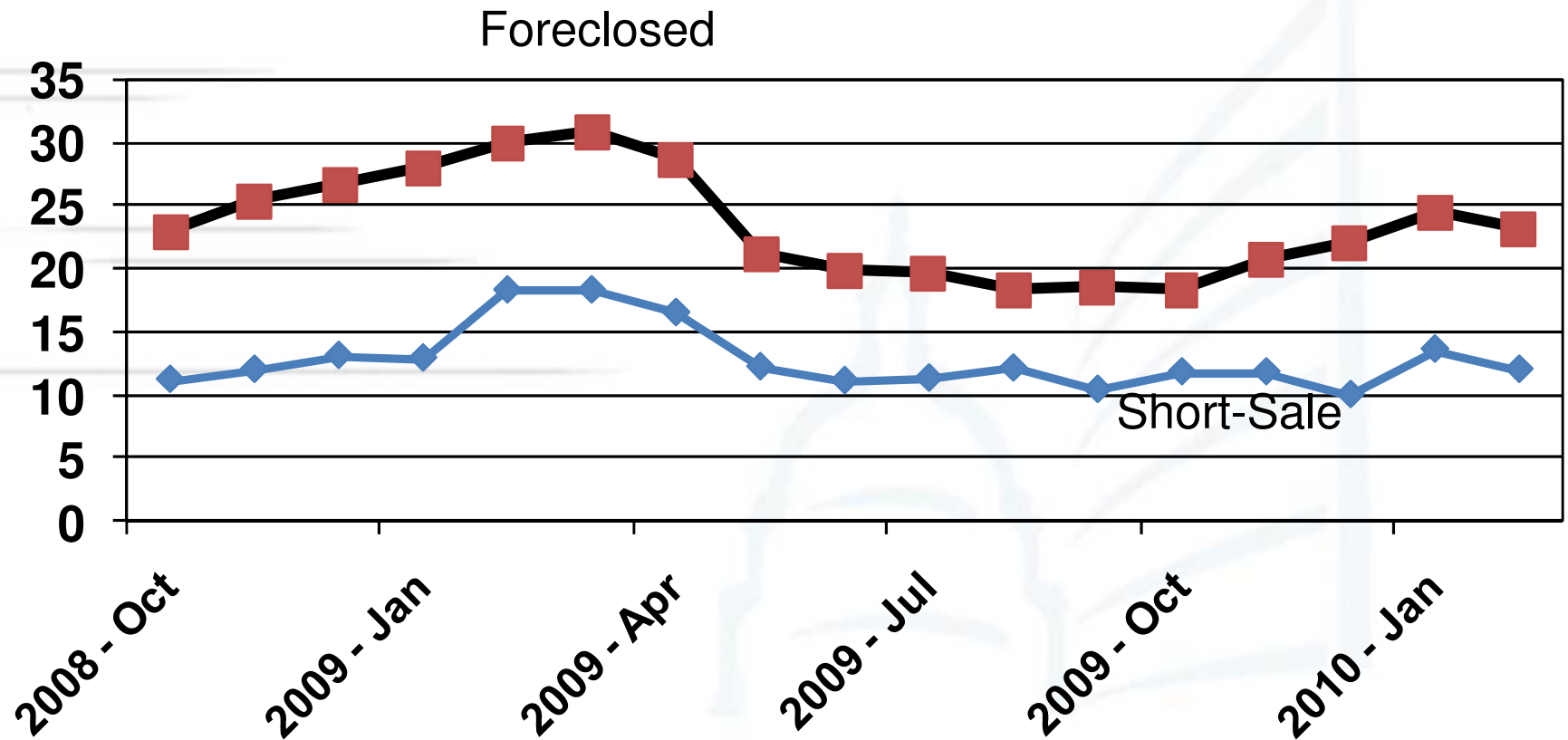
(% change from year before)



# ***Share of First-Time Buyers***



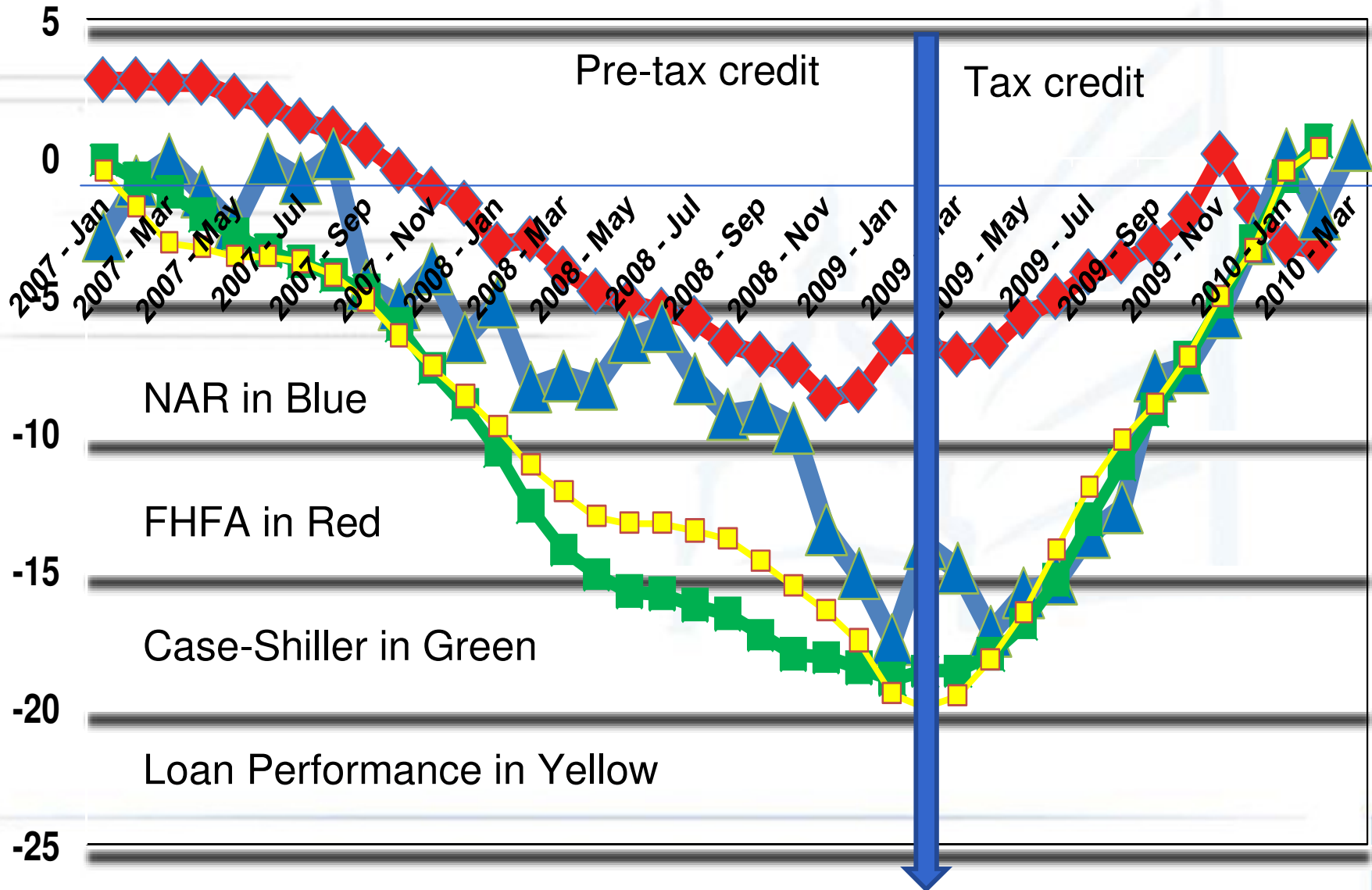
# ***Distressed Home Sales***



Source: NAR

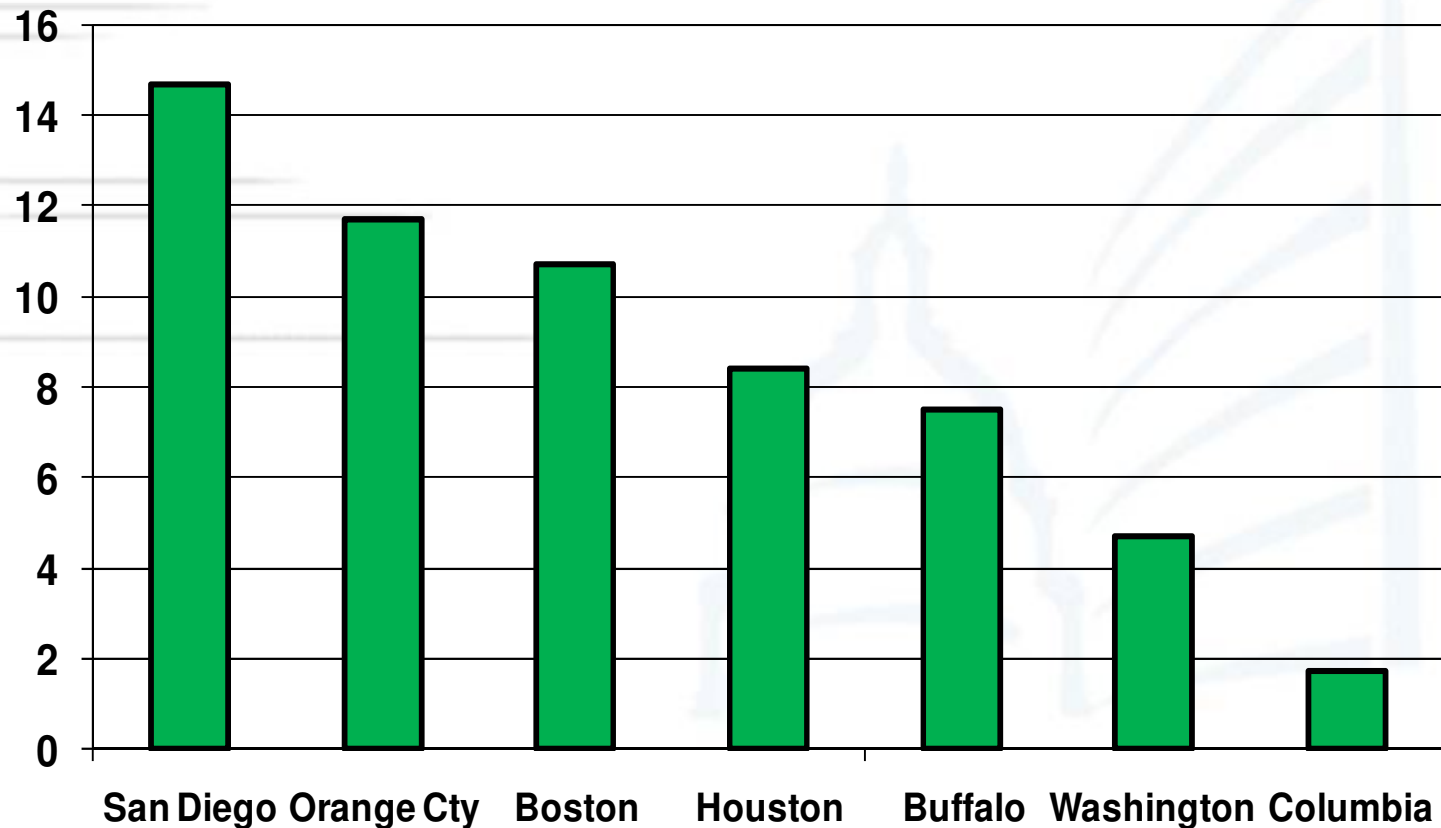
# Latest Home Price Trend - Stabilizing

% change from one year ago



# ***Sample Markets with Price Increases***

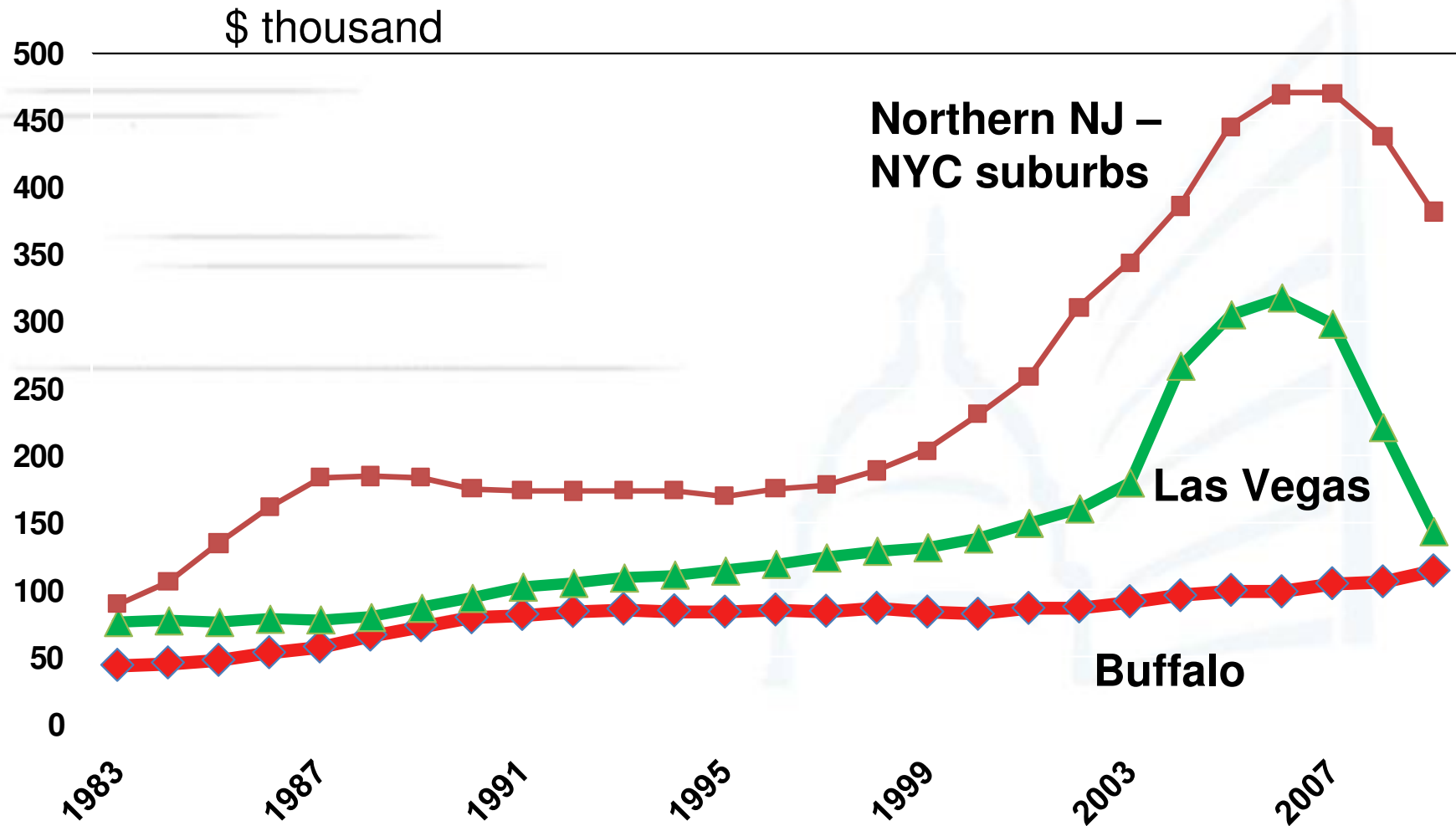
% change from one year ago



Source: NAR

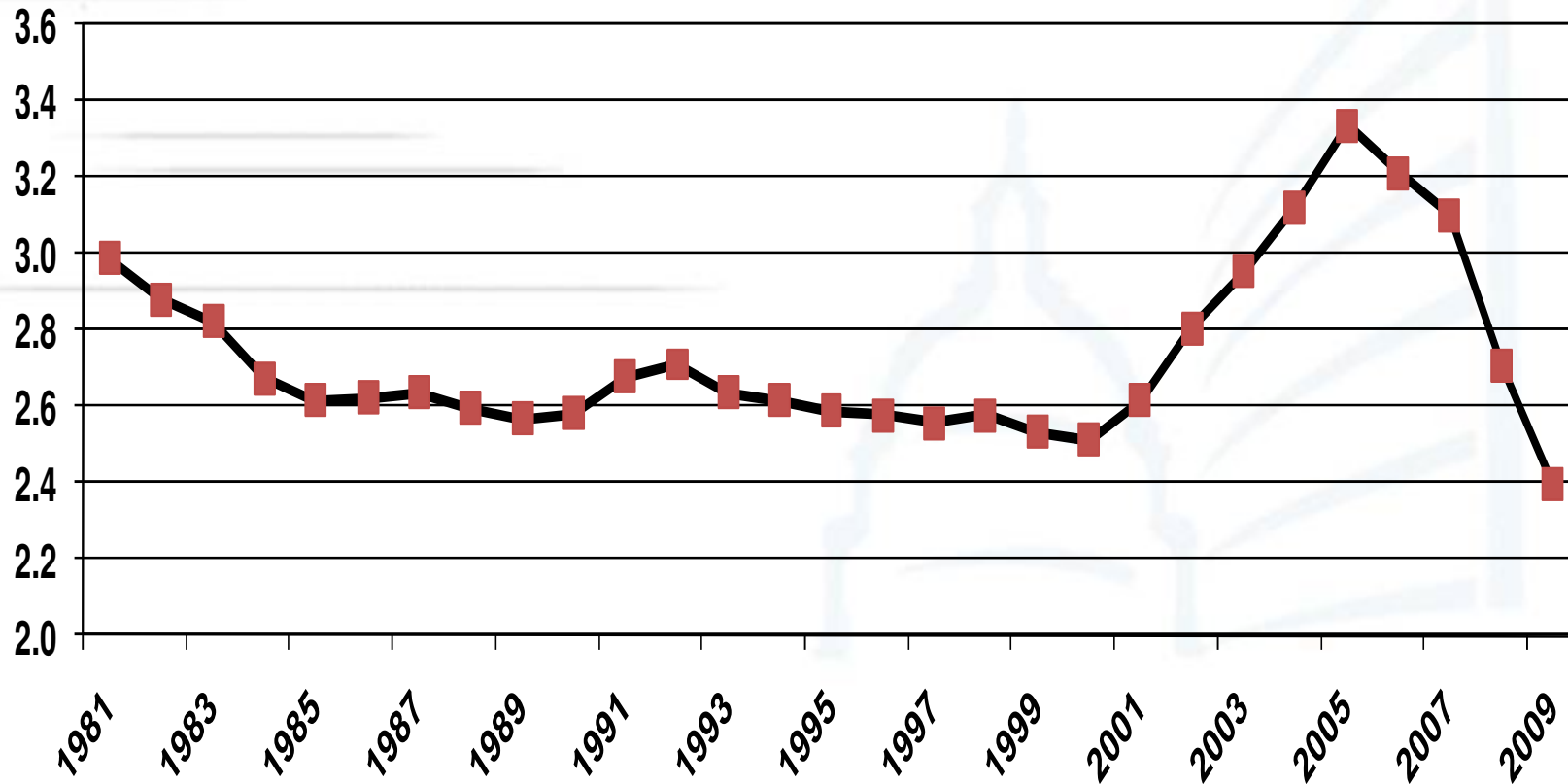


# ***Metro Median Home Price***



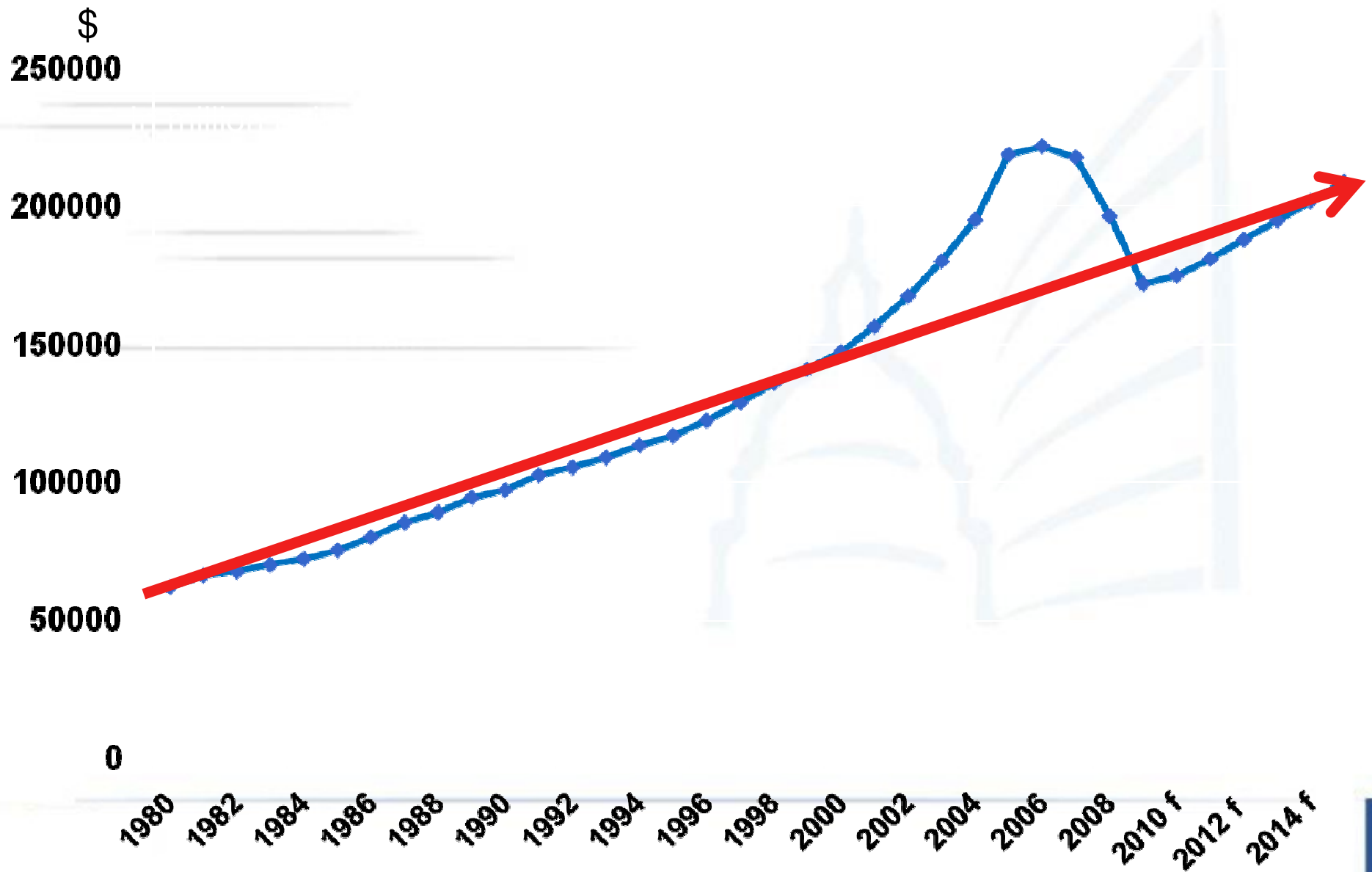
Source: NAR

# *Home Price to Income Ratio*



Source: NAR

# ***Median Home Price Forecast to 2015***



# ***Tax Credit was Not-Impactful***

- ***4.4 million homebuyers to get tax credit***
  - ***2/3 to 1<sup>st</sup>-time buyers***
  - ***1/3 to repeat buyers***
- ***1.0 million buyers would not have entered without tax credit (stimulative impact)***
- ***3.4 million getting bonus money***
- ***\$30 billion tax credit wasted on people who would have bought anyway***

# ***Tax Credit was Huge Success***

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- ***1 million additional buyers***
- ***1 million fewer inventory***
- ***Reduced months supply by 2 to 2.5 months***
- ***Correspond to price impact of 5% to 8% points***
- ***Preserved Housing Wealth (mostly middle-class) by nearly \$1 trillion***
- ***Consumer spending impact***
- ***Banks' capital pushed above 'stress levels'***
- ***Builds home buying confidence ... with no further big price worries***
- ***Limit future foreclosures***

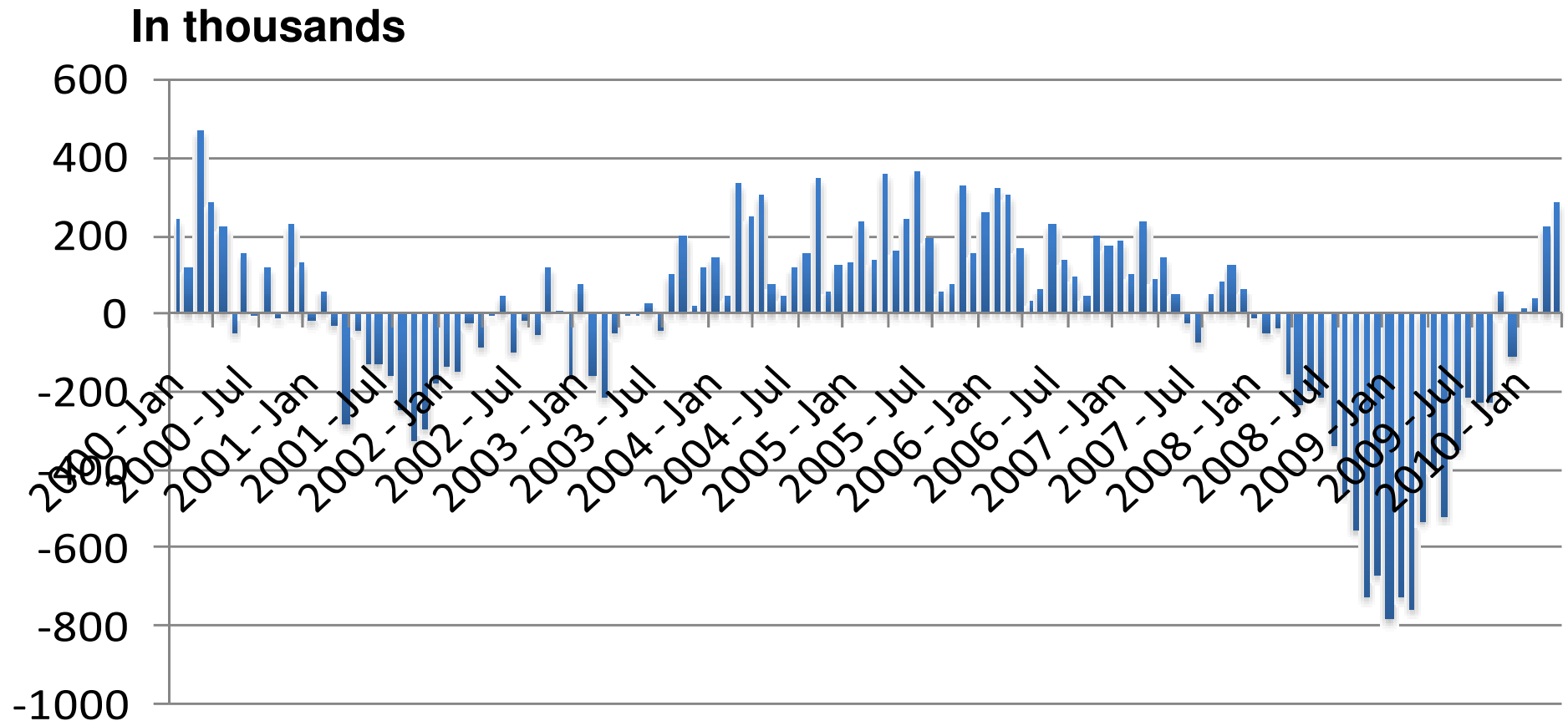
# ***After the Tax Credit***

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- ***Need Job Creation***
- ***Need Household Formation***
- ***Need Mobility***
- ***Improved Consumer Confidence***
- ***Low Mortgage Rates***
- ***Lending for Jumbo and Second Home Mortgages***

# NET Job Changes in U.S.

(Monthly Payroll Job Change)

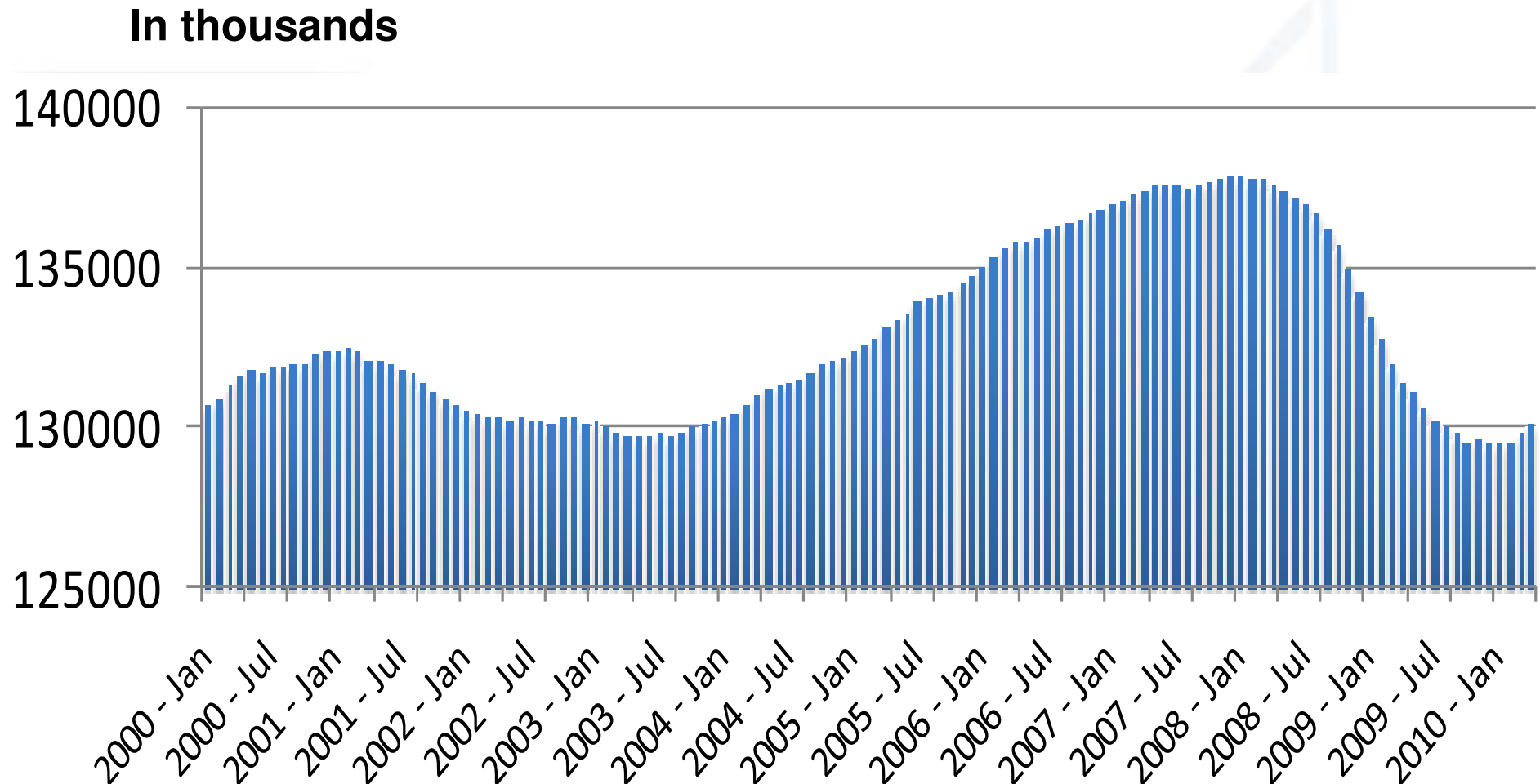


2 million job creation each year ... will take 4 years to recover all the job losses ...  
will take 6 years to fully absorb new workers and get back to 6% unemployment rate

Source: BLS



# ***Total Payroll Jobs ... Long Way to Go Before Full Recovery***



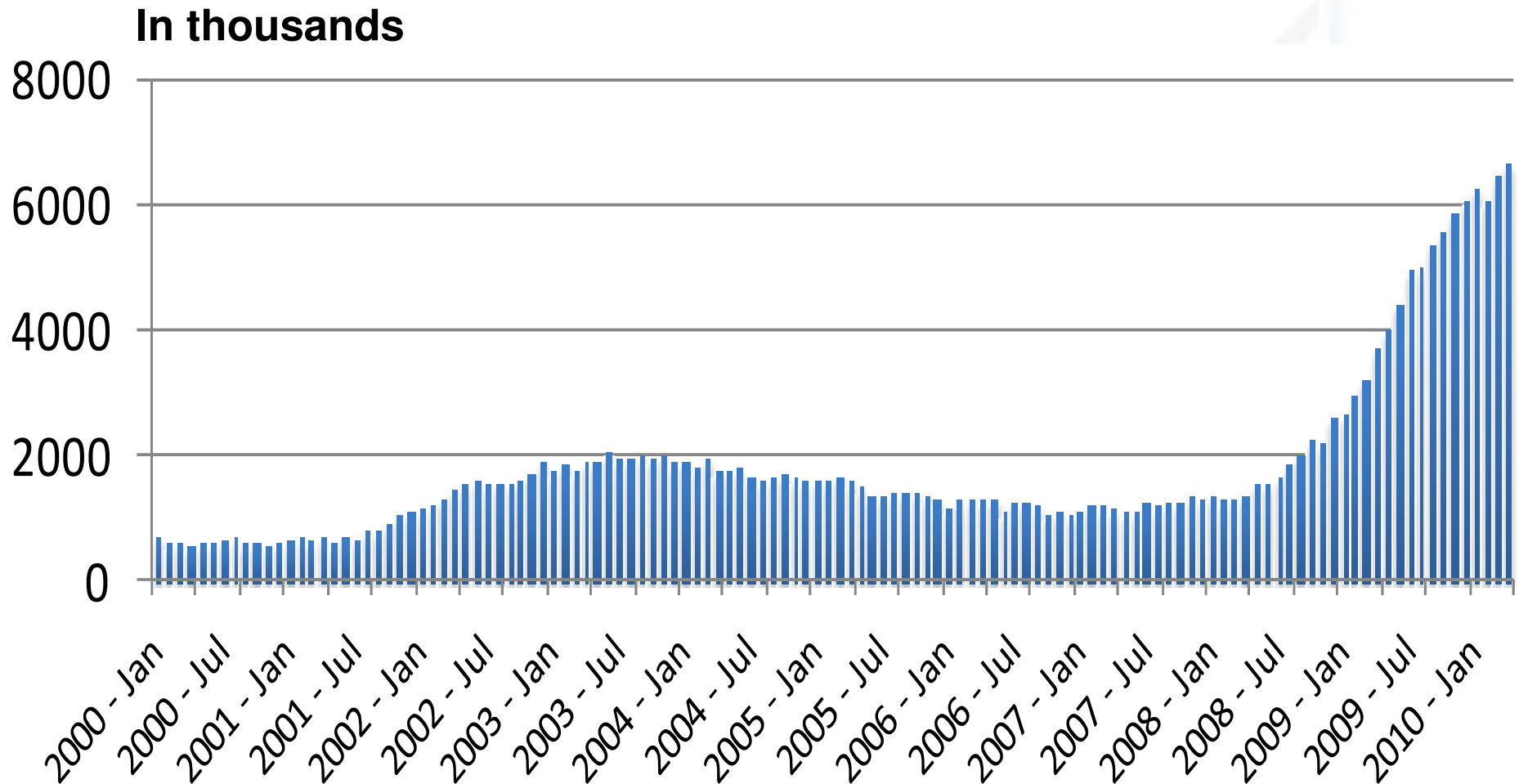
Source: BLS





# ***Long-Term Unemployed***

***(unemployed for more than 26 weeks)***

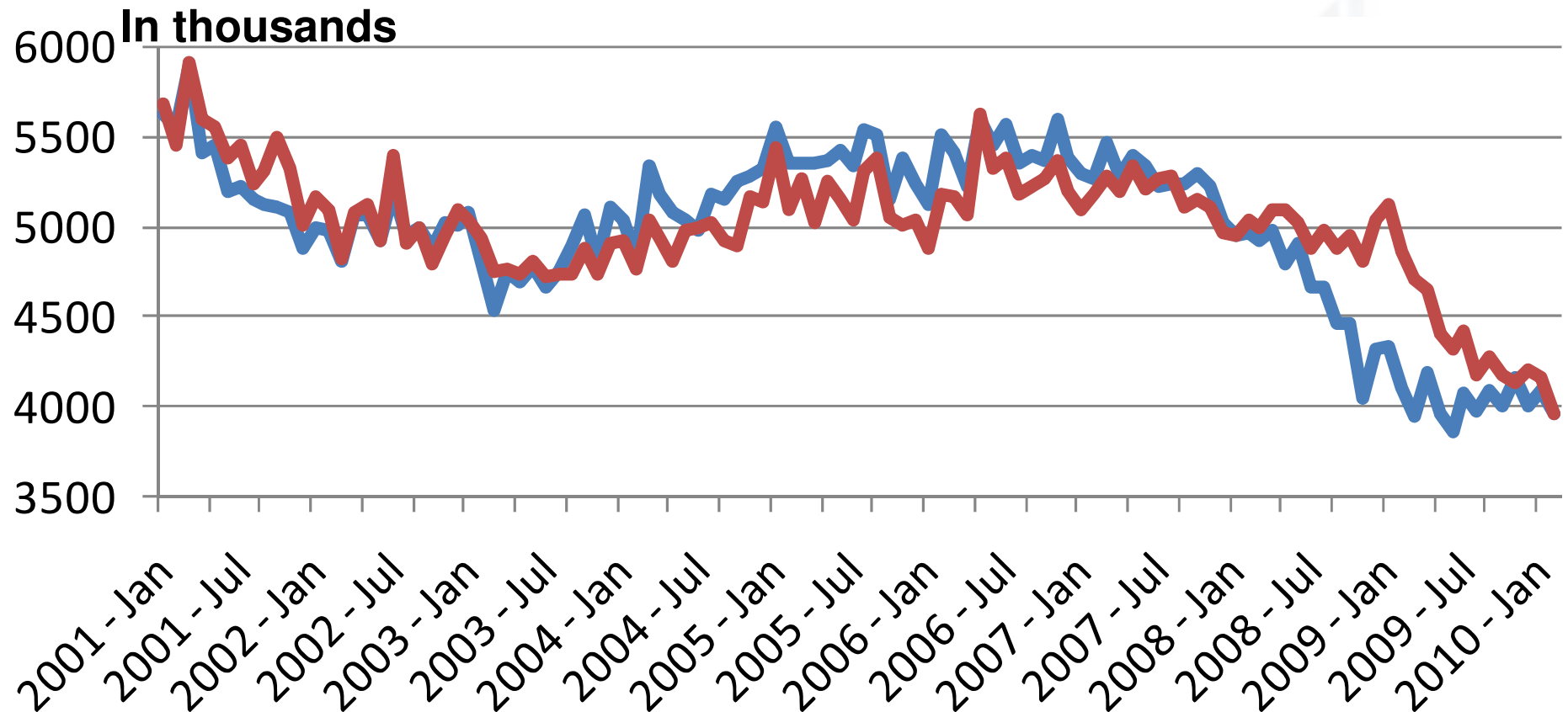


Source: BLS



# Job Turnover in U.S.

(Total job gains and total job losses)

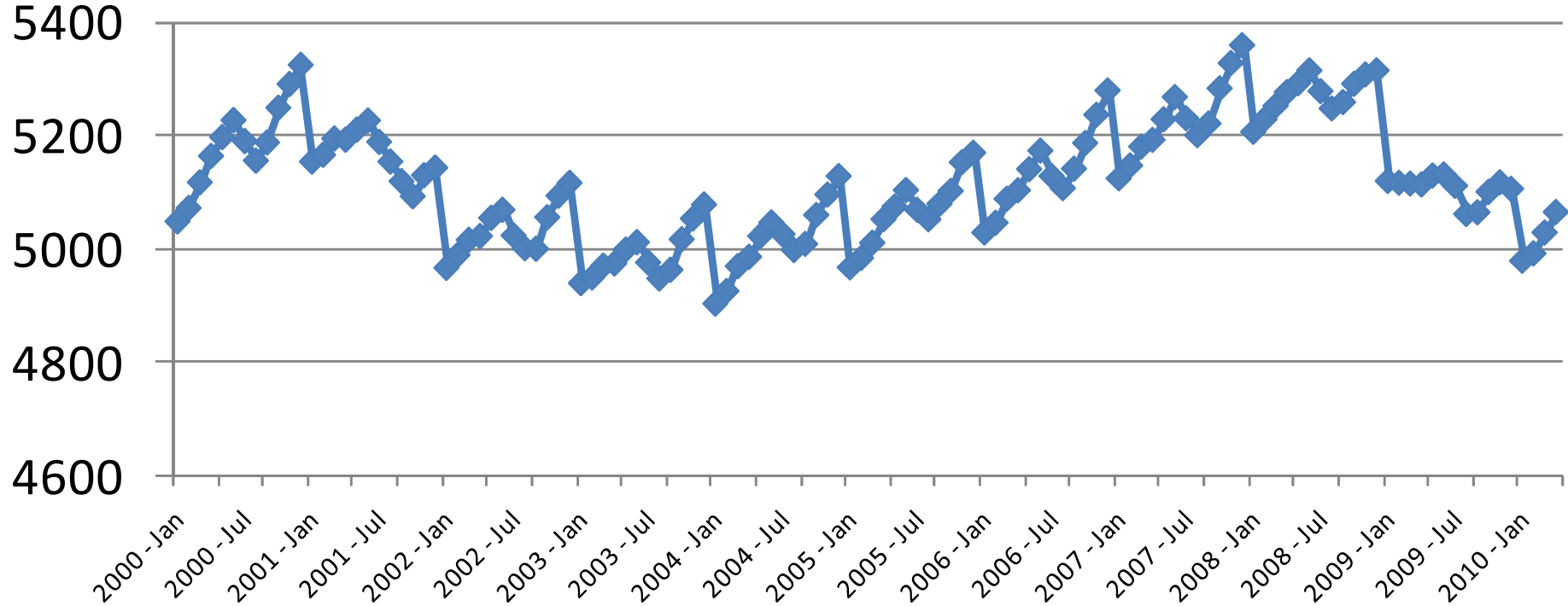


Fewer firings but people seeking for unemployment insurance because of lack of hirings

Source: BLS

# Total Payroll Jobs in NY-NJ Metro Division

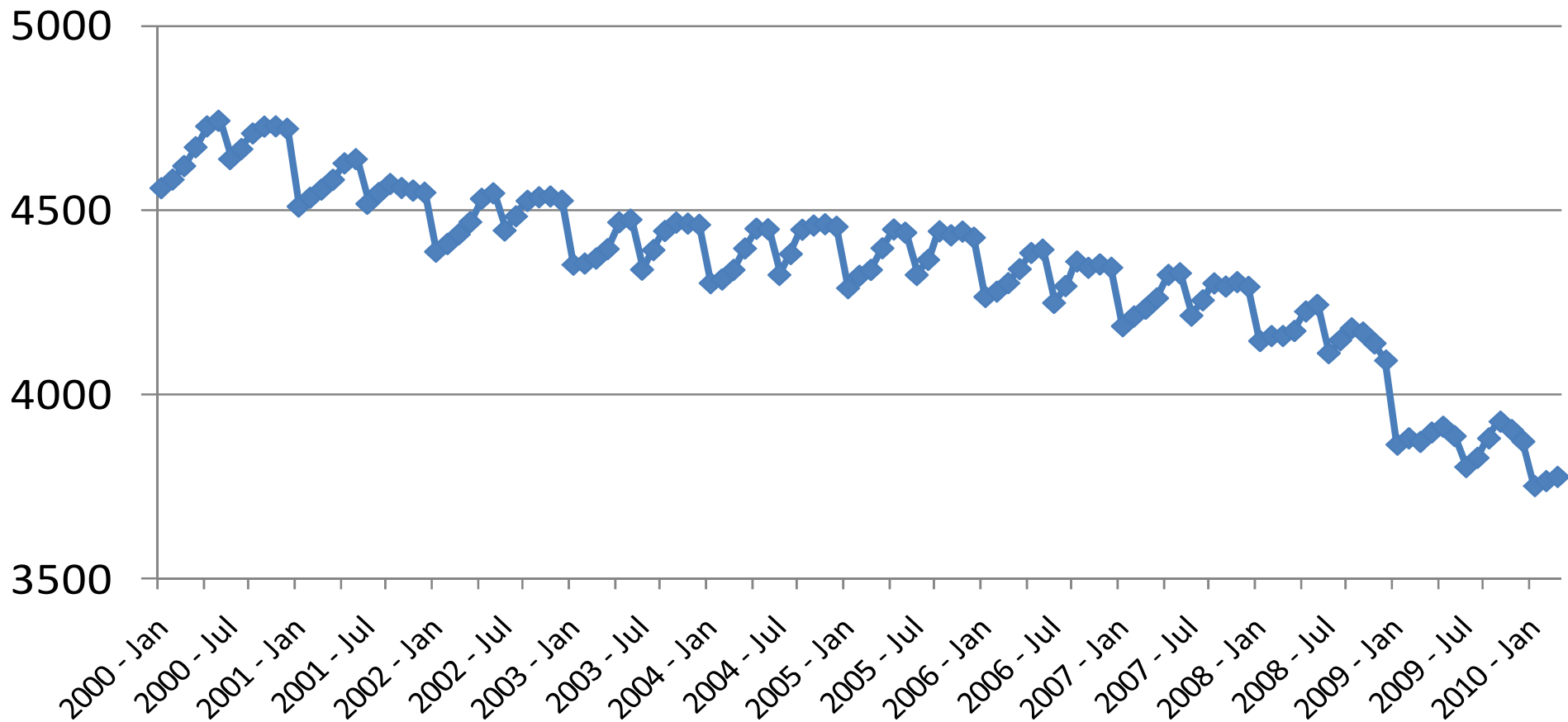
In thousands



Source: BLS

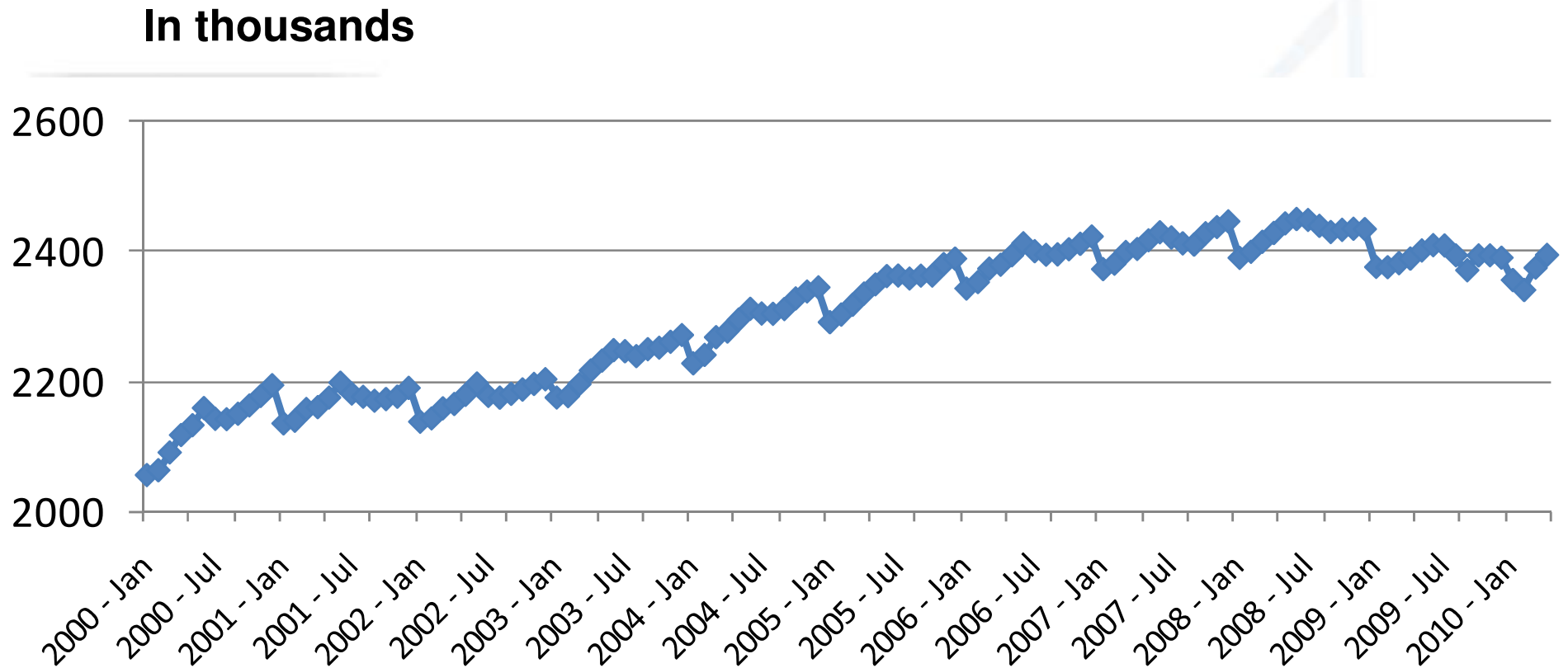
# Total Payroll Jobs in Michigan

In thousands



Source: BLS

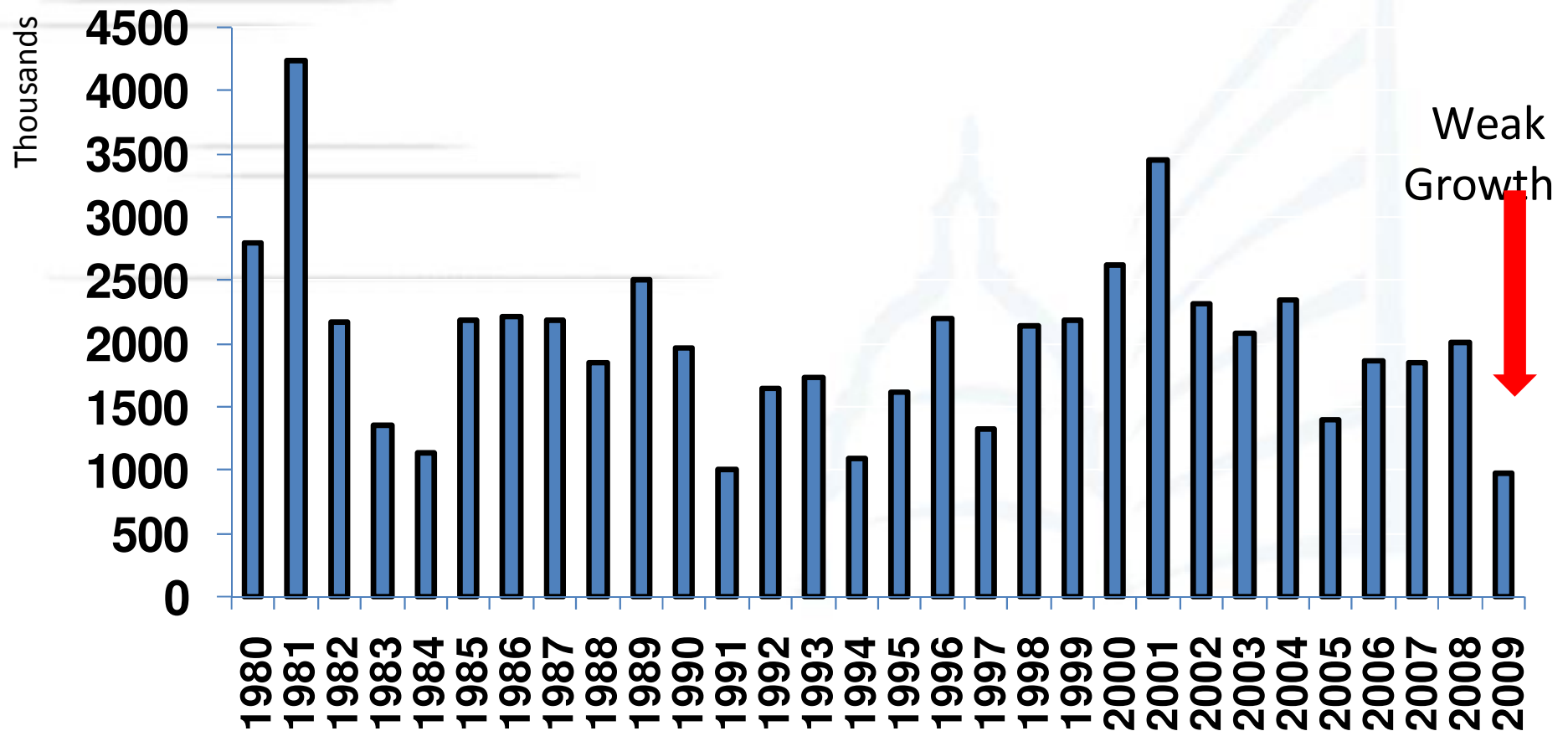
# Total Payroll Jobs in Washington D.C. Metro



Source: BLS)

# Household Formation

*(2-year moving average)*

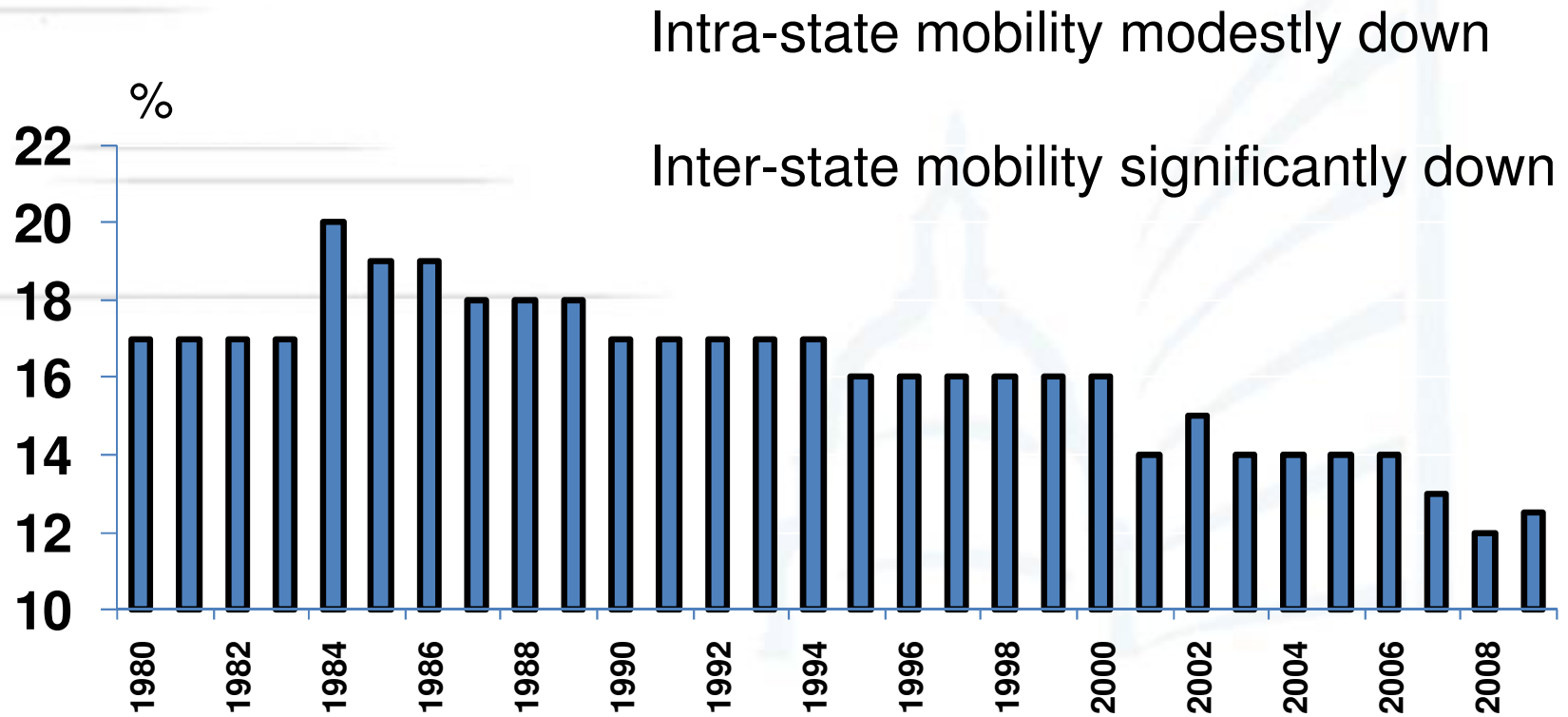


Source: Census



# People Mobility

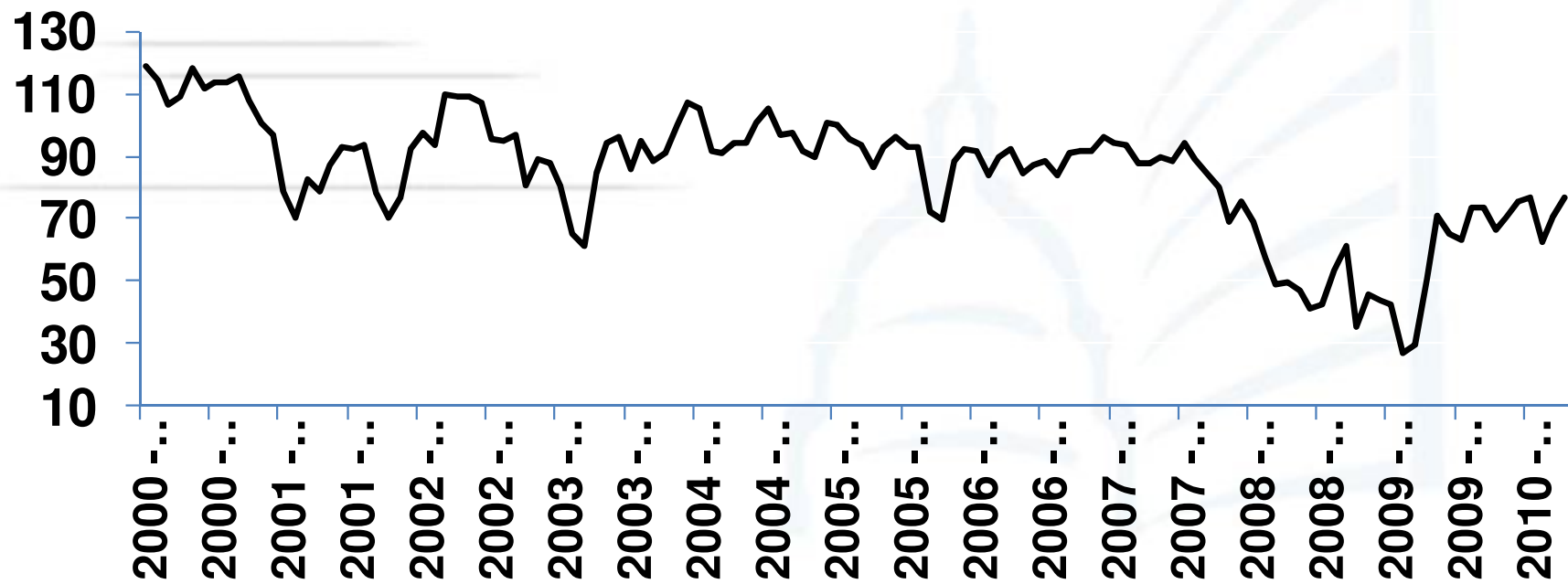
*(How many move each year?)*



# *Consumer Confidence*

Chart about future expectations according to Conference Board

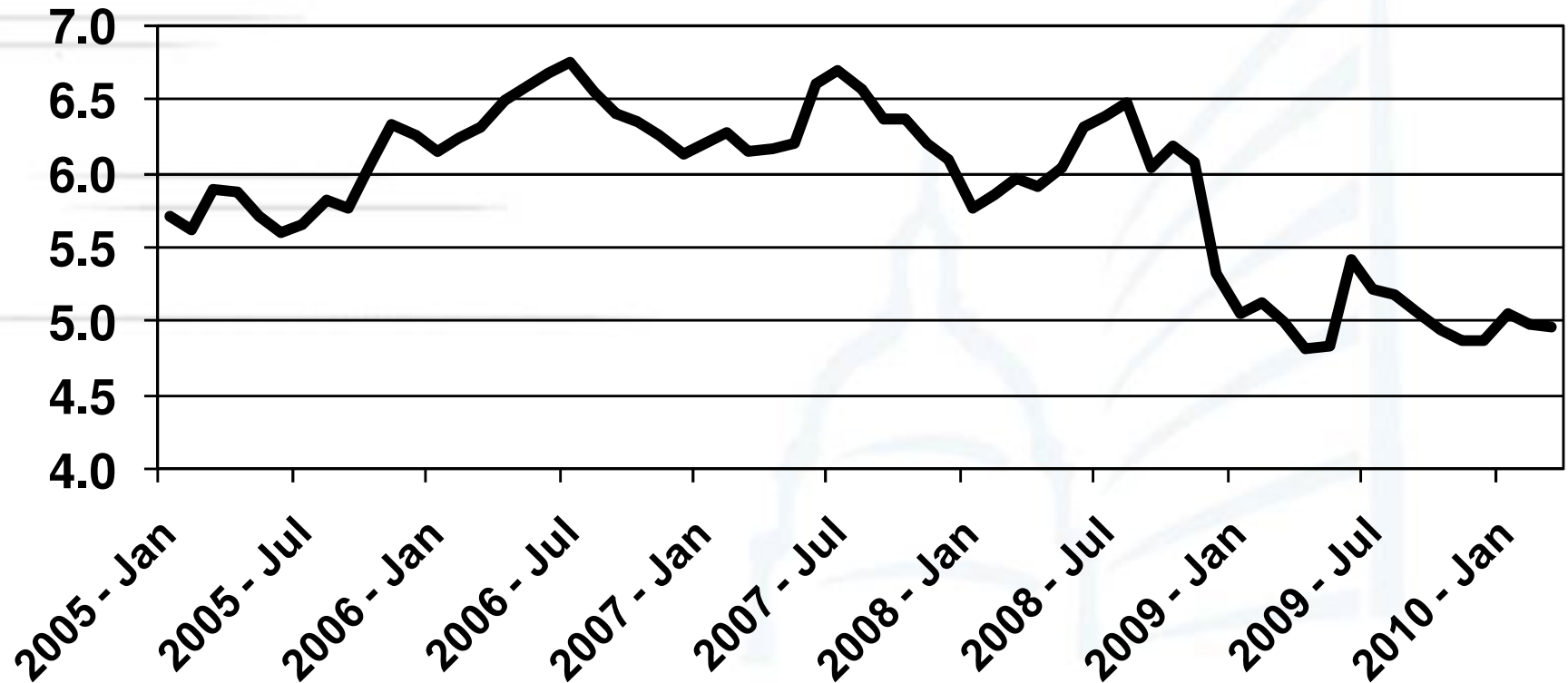
But no true measure for home buying confidence





# ***30-year Rate on Conforming and FHA***

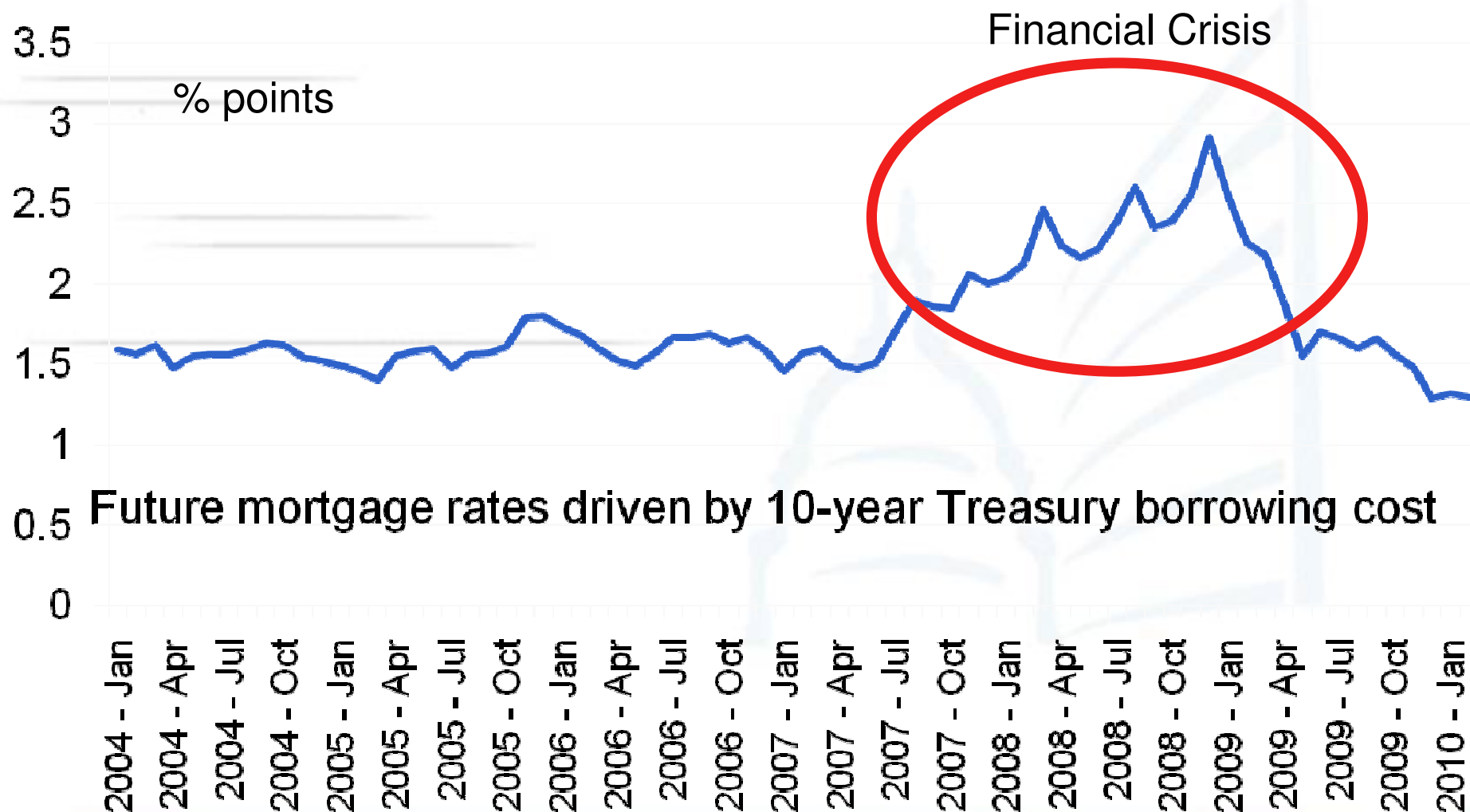
***(Not Jumbo or 2<sup>nd</sup> Home)***



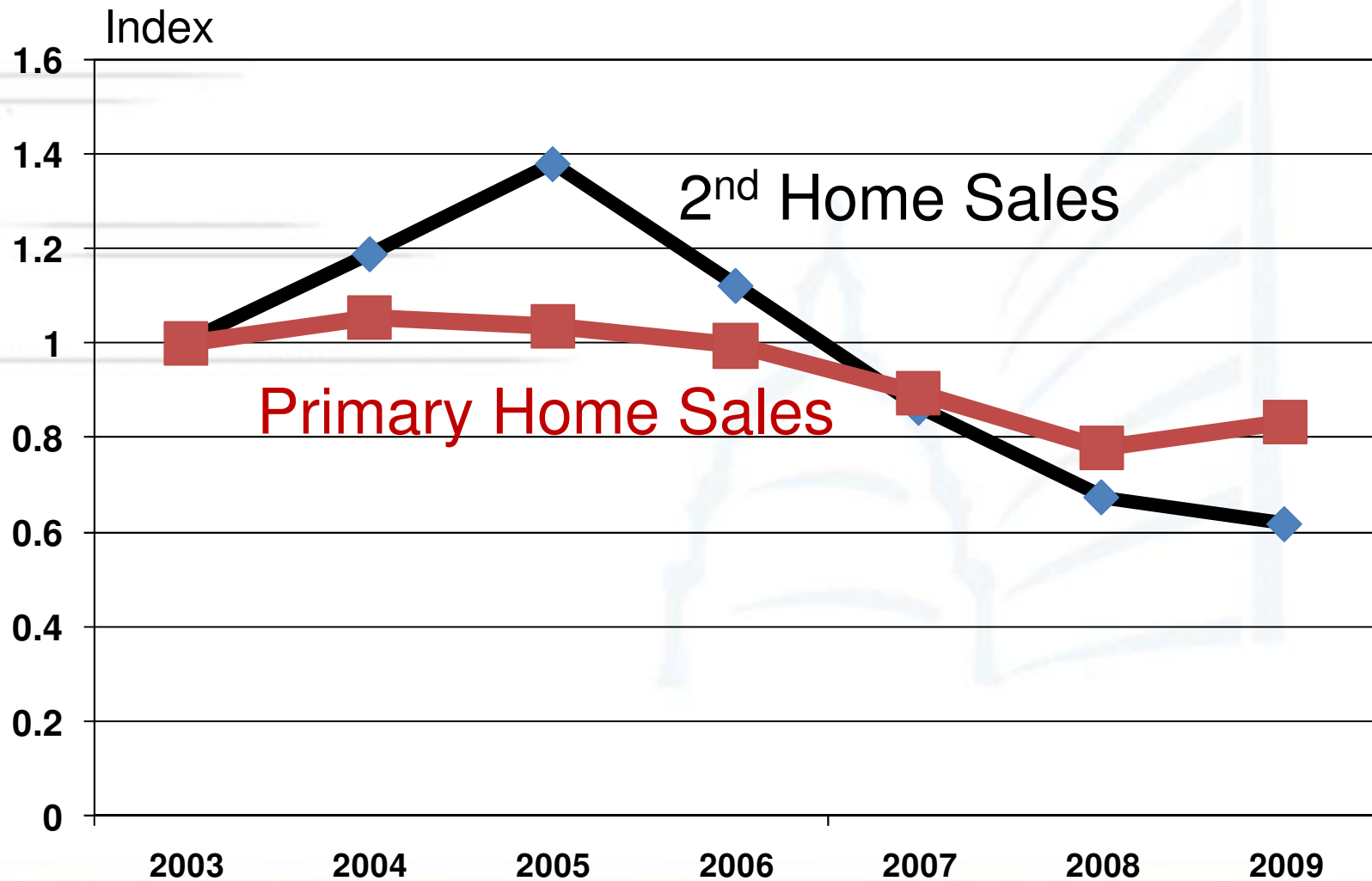
Source: Freddie Mac



# ***30yr Mortgage and 10yr Treasury Spread***



# ***Swings in Primary and Second Home Sales***



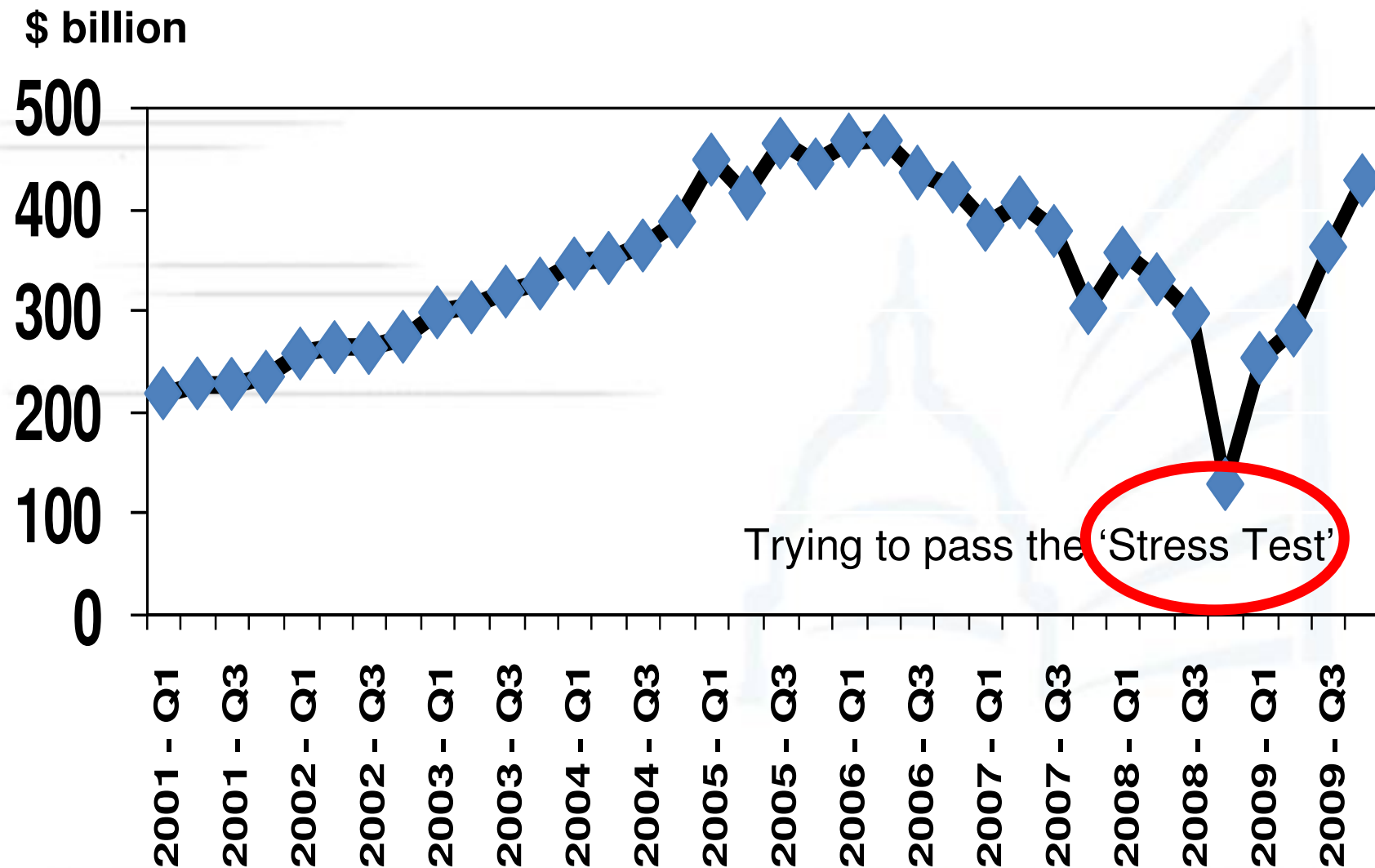
Source: NAR

# ***Non-Government Backed Mortgages***

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- ***Jumbo Mortgages***
- ***Second Home Mortgages***
- ***Commercial Real Estate Loans***
- ***Construction Loans***
- ***Many Small Business Loans***
  
- ***Showing nascent recovery signs because banks are making profits and easily above 'stress-test levels'***

# Financial Holding Company Profit



Source: BEA

# ***Greece***

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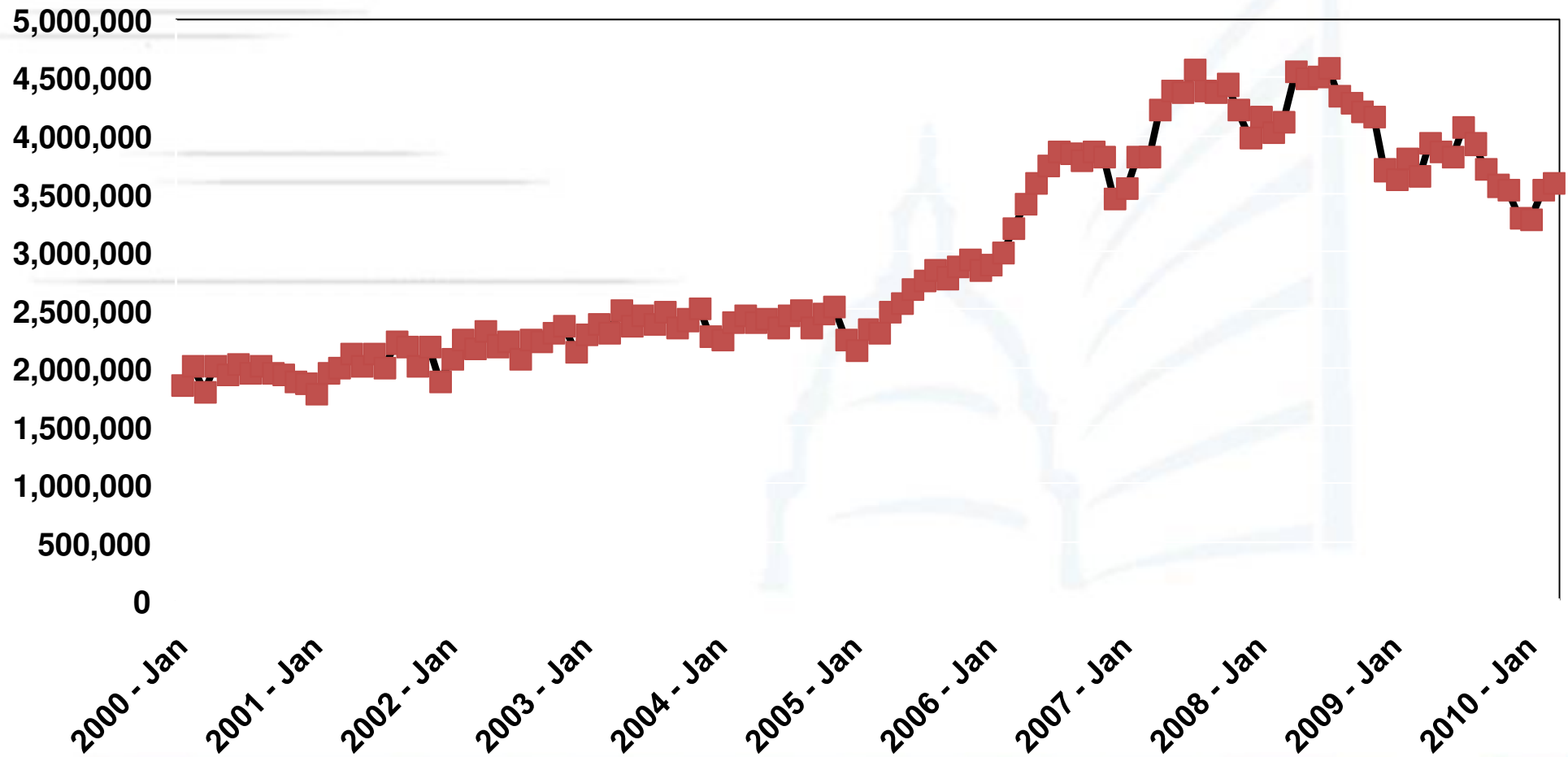
- ***One of the Highest Homeownership Rate with few mortgage defaults***
    - ***Bridal families often buy a home all-cash***
  - ***But Greece Government potential default***
    - ***Too high deficit and too high debt***
    - ***Default ... European banks' capital reserve take hit ... less lending to Portugal and Spain***
    - ***Debt default contagion spreads***
-  ***Less capital available for jumbo and 2<sup>nd</sup> homes***

# ***Risk to Recovery***

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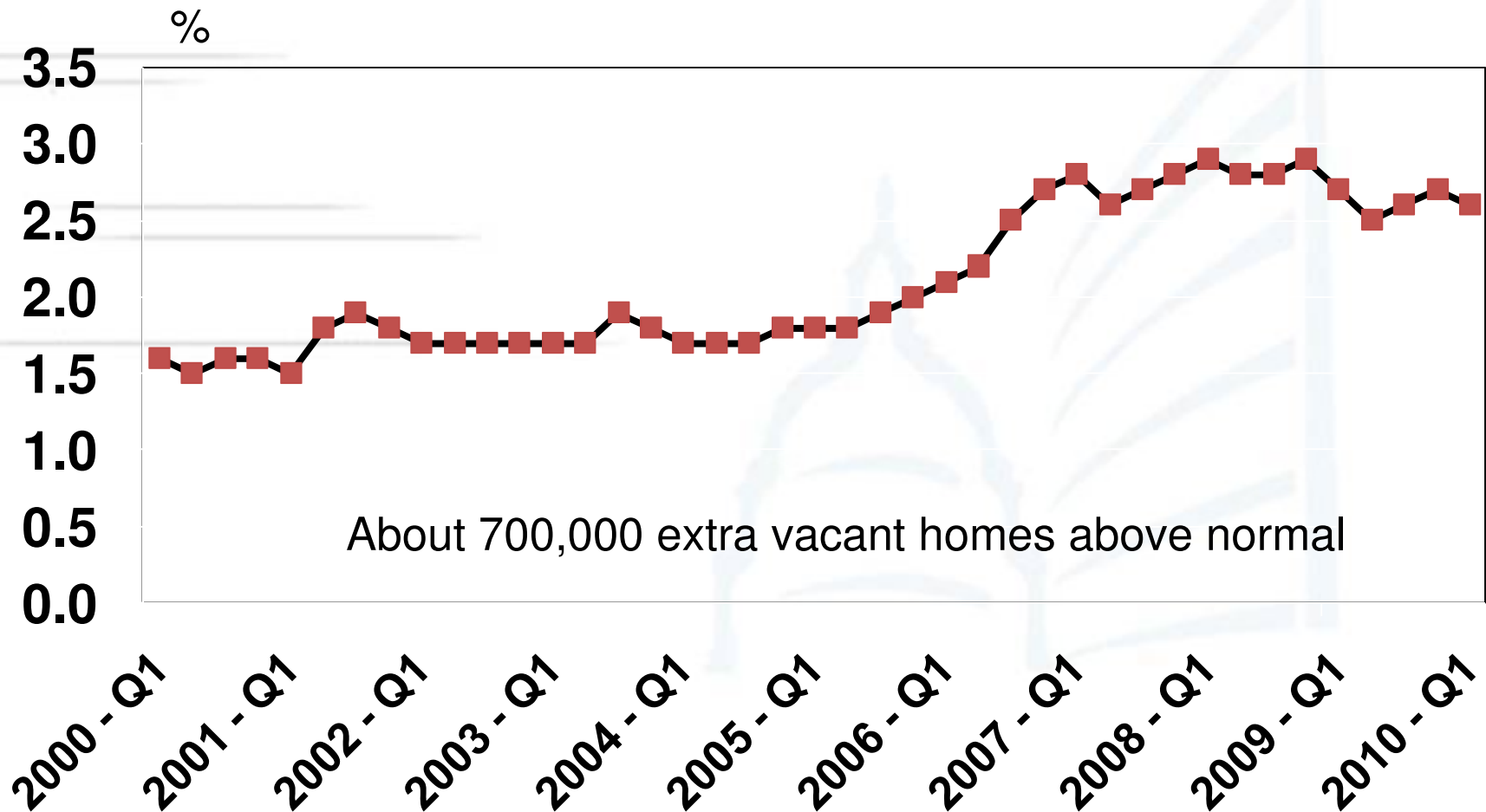
- ***Future Housing Shortage***
  - ***Too fast price growth means fewer buyers qualifying for mortgages***
  - ***Past lax lending should not and will not return***
- ***Lingering Past Lending Mistakes and Continuing High Foreclosures***
- ***Greece***

# *High Existing Home Inventory*

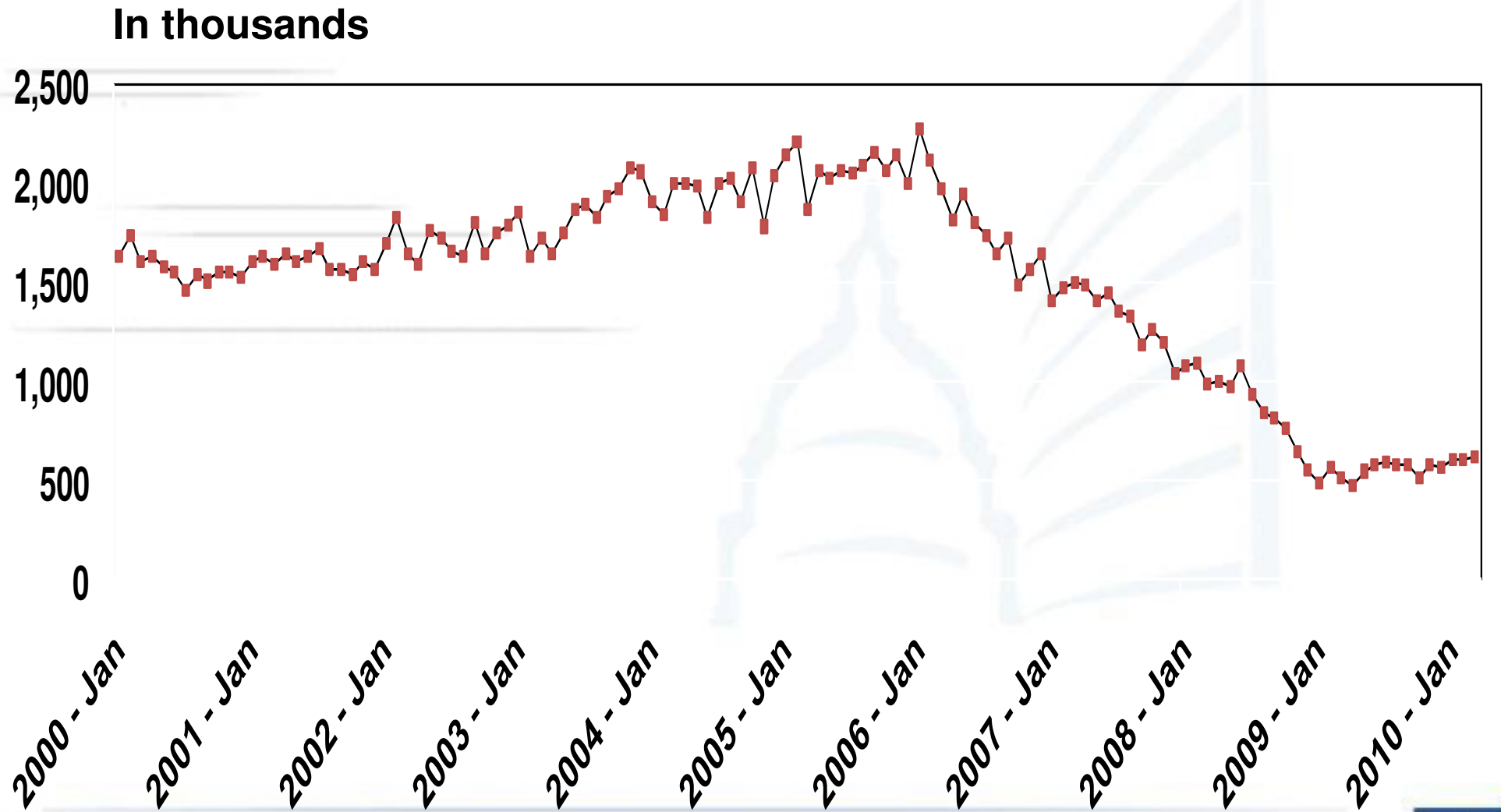




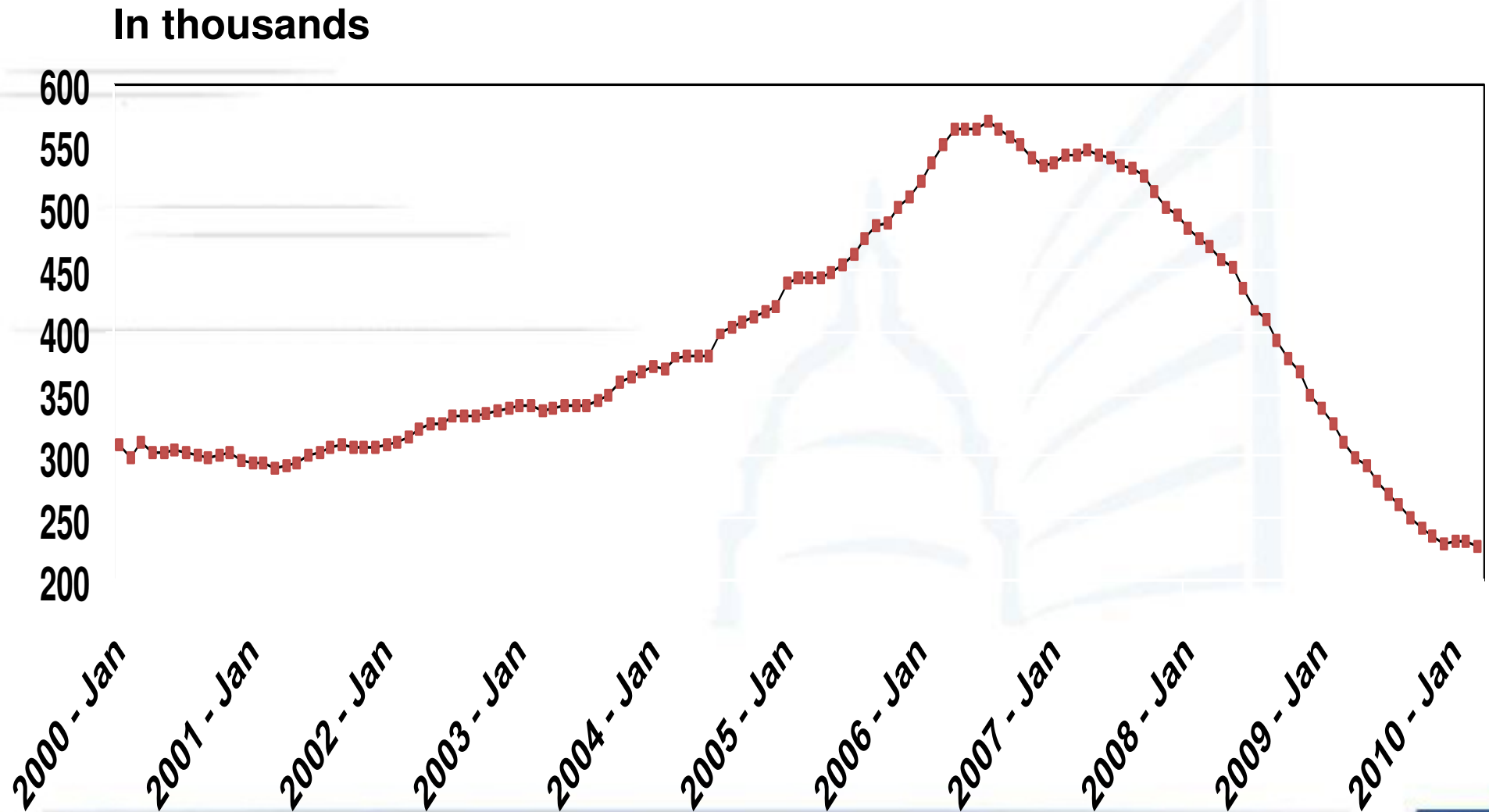
# High Homeowner Vacancy Rate



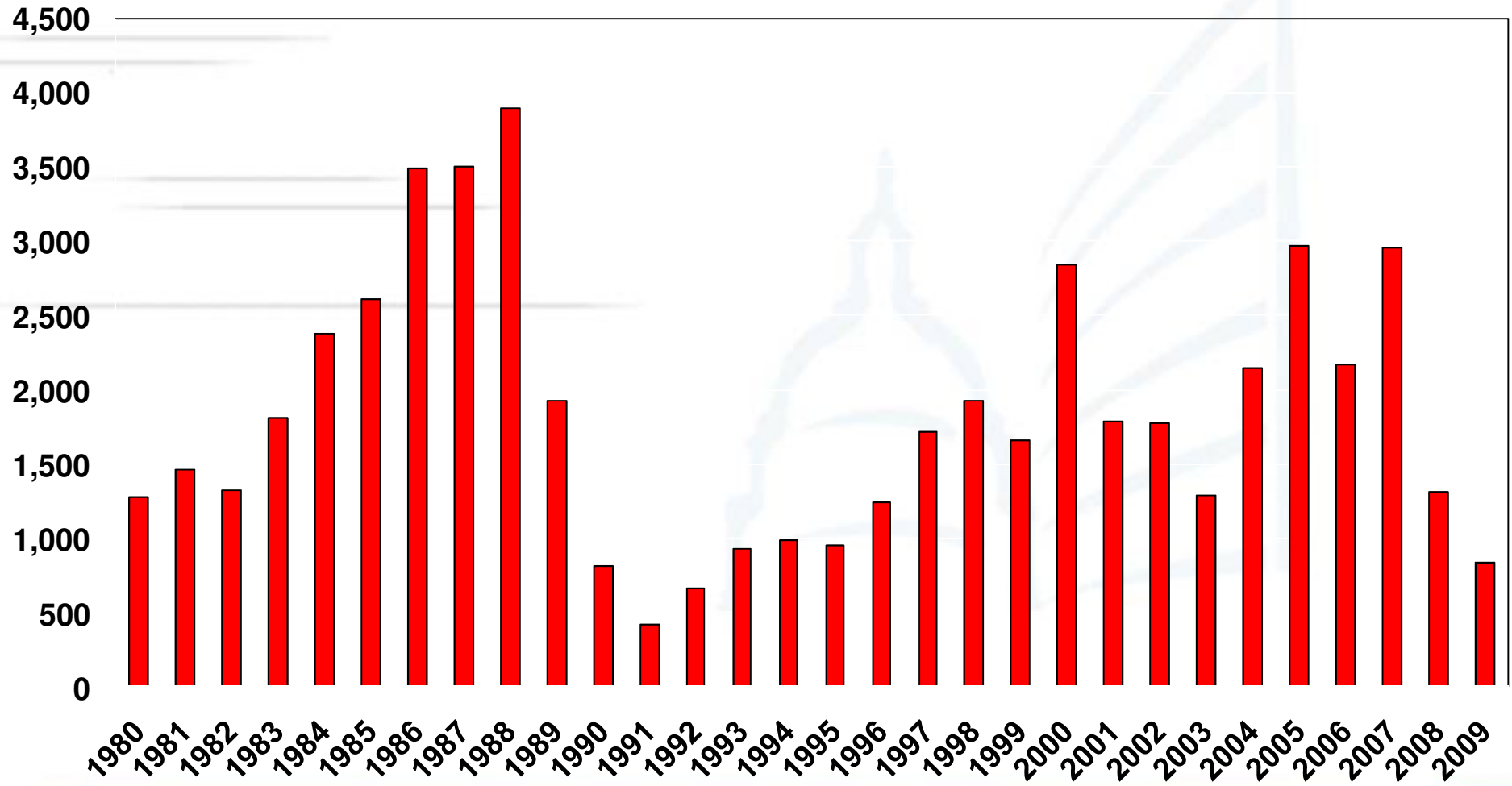
# ***Depressed Housing Starts***



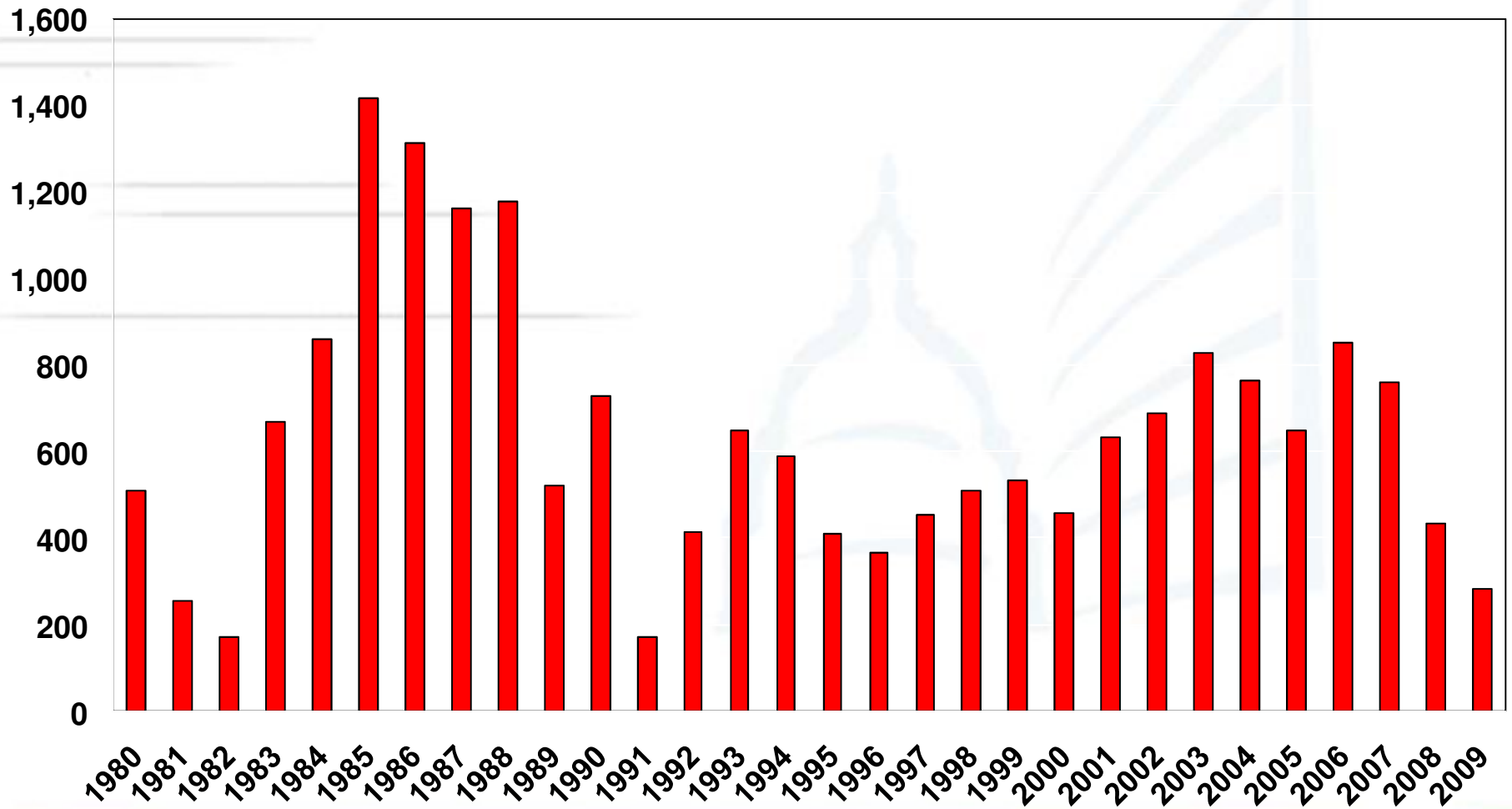
# ***Low New Home Inventory***



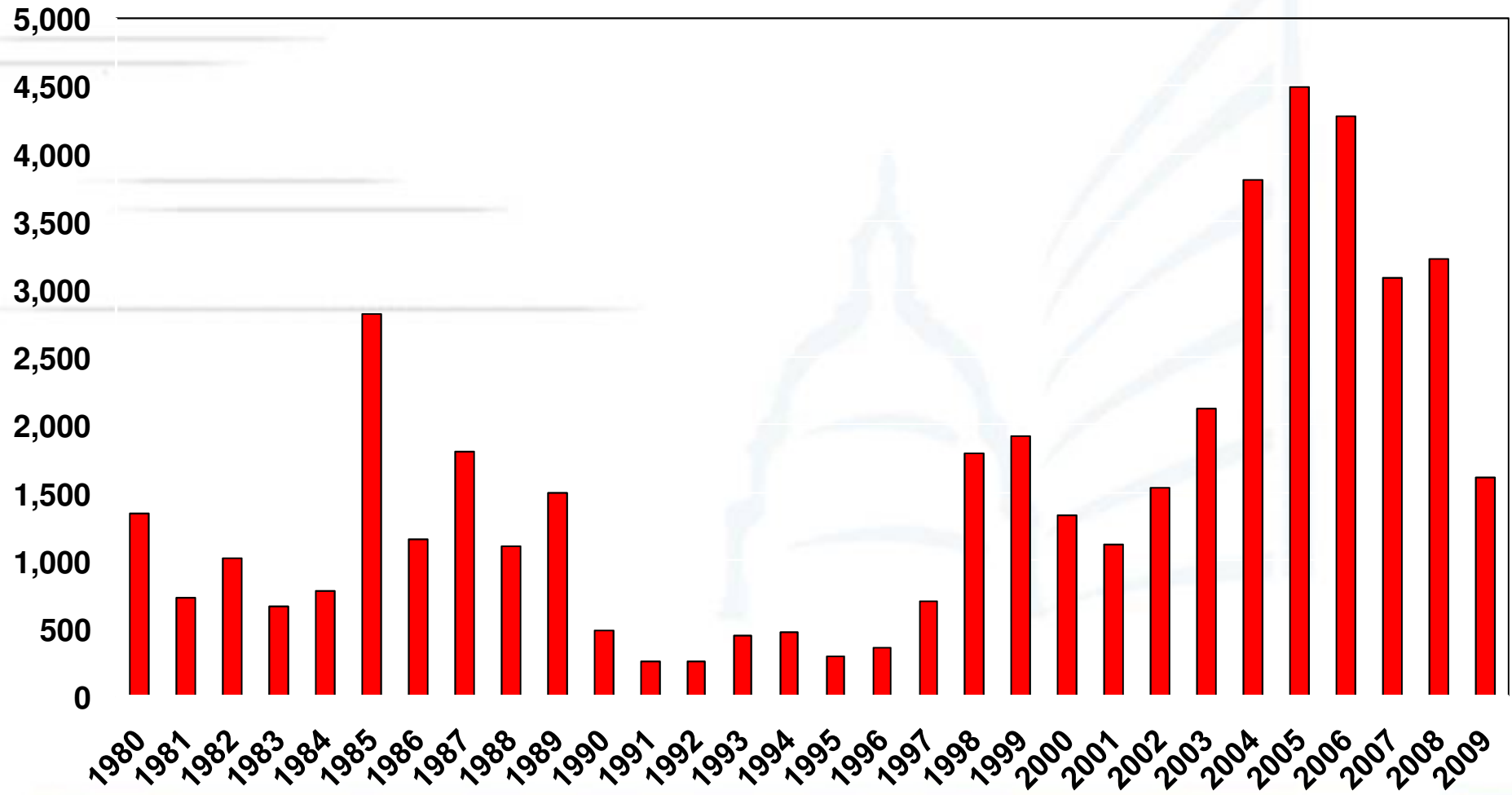
# ***Bergen Housing Permits***



# ***Passaic Housing Permits***



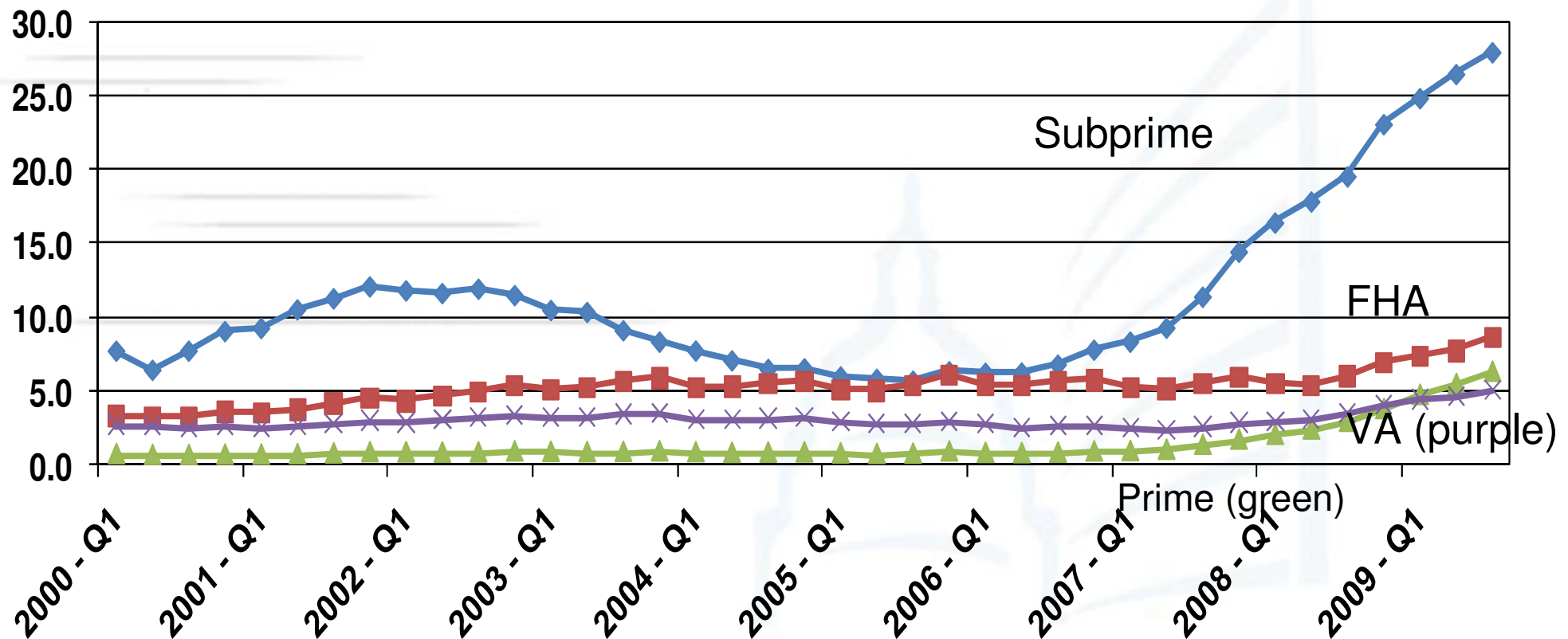
# *Hudson Housing Permits*



# ***Future Housing Shortage?***

<b>Year</b>	<b>Housing Starts</b>	<b>Historical Normal</b>	<b>Cumulative Surplus/Deficit</b>
2003	1.85 million	1.6 million	+ 0.25 million
2004	1.95 million	1.6 million	+ 0.60 million
2005	2.07 million	1.6 million	+ 1.07 million
2006	1.81 million	1.6 million	+ 1.28 million
2007	1.34 million	1.6 million	+1.02 million
2008	0.90 million	1.6 million	+ 0.32 million
2009	0.55 million	1.6 million	- 0.73 million
2010 forecast	0.68 million	1.6 million	-1.65 million
2011 forecast	0.95 million	1.6 million	- 2.30 million

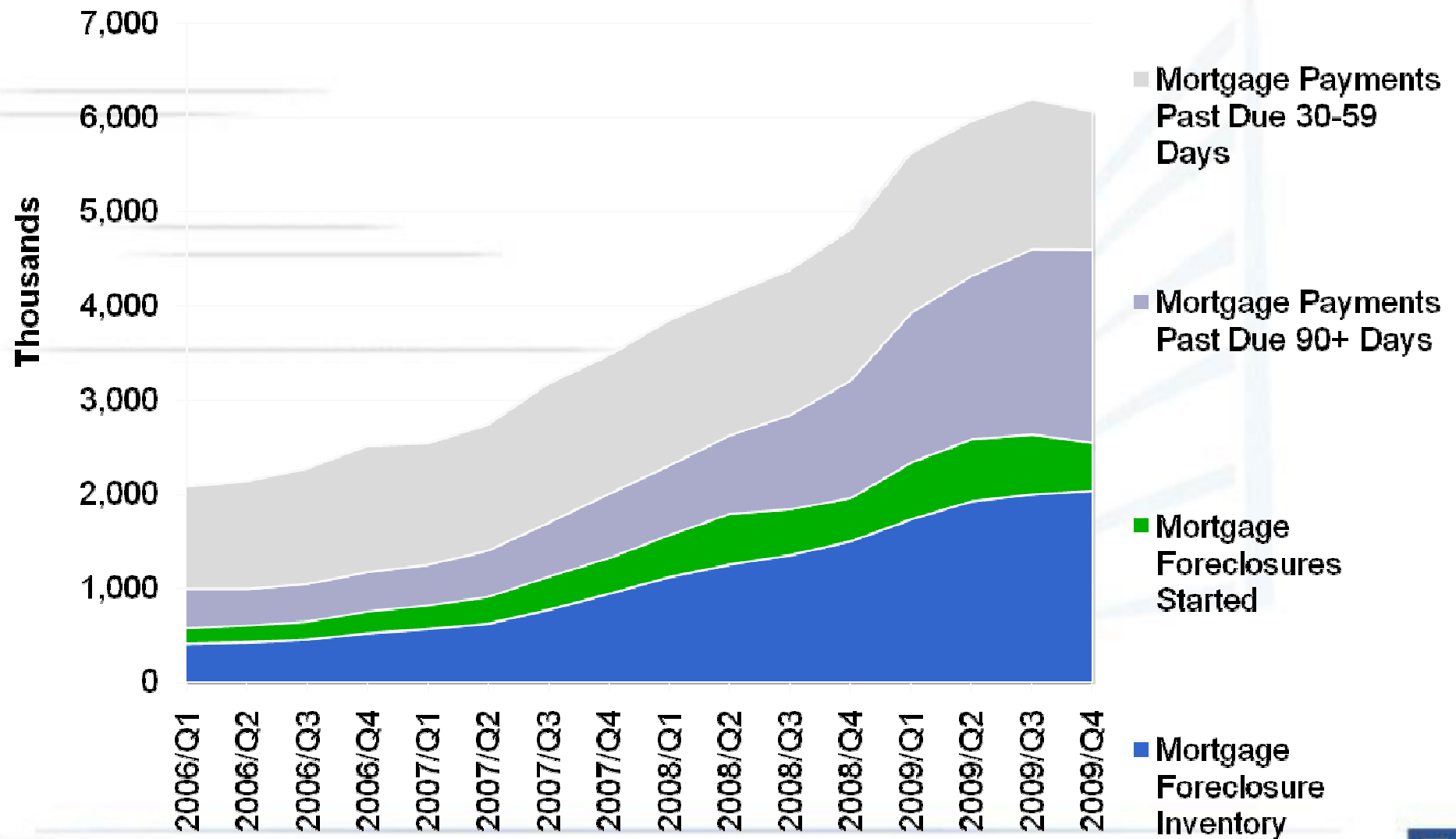
# Serious Delinquency Rate (90+ days late or foreclosure)



- FHA Reserve Fund depleting ... Bailout ???
- Fannie-Freddie ... future reform without private profit and taxpayer loss
- Veterans Affairs backed mortgages ... slight rise ... even though a zero-down product ... stay within budget and all will be OK!



# Number of Distressed Loans



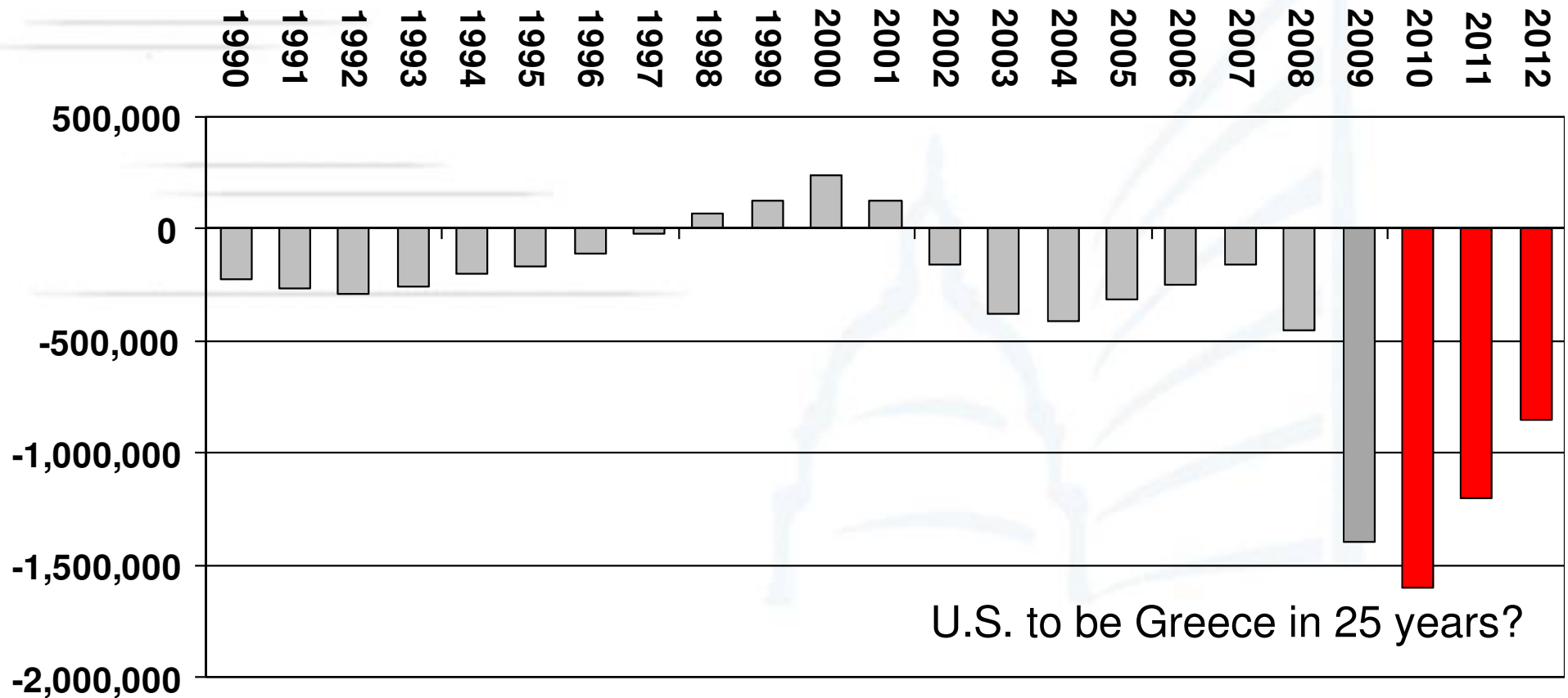
# ***Economic Outlook***

	<b>2008</b>	<b>2009</b>	<b>2010 forecast</b>
<b>GDP</b>	<b>0.4%</b>	<b>-2.5%</b>	<b>3.1%</b>
<b>CPI Inflation</b>	<b>3.8%</b>	<b>-0.2%</b>	<b>2.0%</b>
<b>Unemployment Rate</b>	<b>5.8%</b>	<b>9.3%</b>	<b>9.7%</b>
<b>10-year Treasury</b>	<b>3.7%</b>	<b>3.3%</b>	<b>3.9%</b>

# ***Housing Outlook***

	<b>2008</b>	<b>2009</b>	<b>2010 forecast</b>
<b>Existing Home Sales</b>	<b>4.9 m</b>	<b>5.2 m</b>	<b>5.4 m</b>
<b>New Home Sales</b>	<b>485 k</b>	<b>375 k</b>	<b>400 k</b>
<b>Home Price Growth</b>	<b>-10%</b>	<b>-13%</b>	<b>2% to 3%</b>
<b>Mortgage Rate</b>	<b>6.1%</b>	<b>5.1%</b>	<b>5.3%</b>
<b>Consumer confidence about home buying</b>	<b>Down</b>	<b>Down</b>	<b>Up</b>

# ***U.S. Budget Deficit***



Source: CBO, NAR estimate

# ***Right Tools Right Now***

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- ***Many Free Products***
  - ***Commercial REALTOR Member Profile***
  - ***Homebuyer and Homeseller Survey***
  - ***Daily Economic Forecast Update***
  - ***Much more ...***
  - ***Connect to Facebook***
- ***www.realtors.org/Research***
  - ***Then click > Research***

