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DR. LAWRENCE YUN

Chief Economist, National
Association of REALTORS®



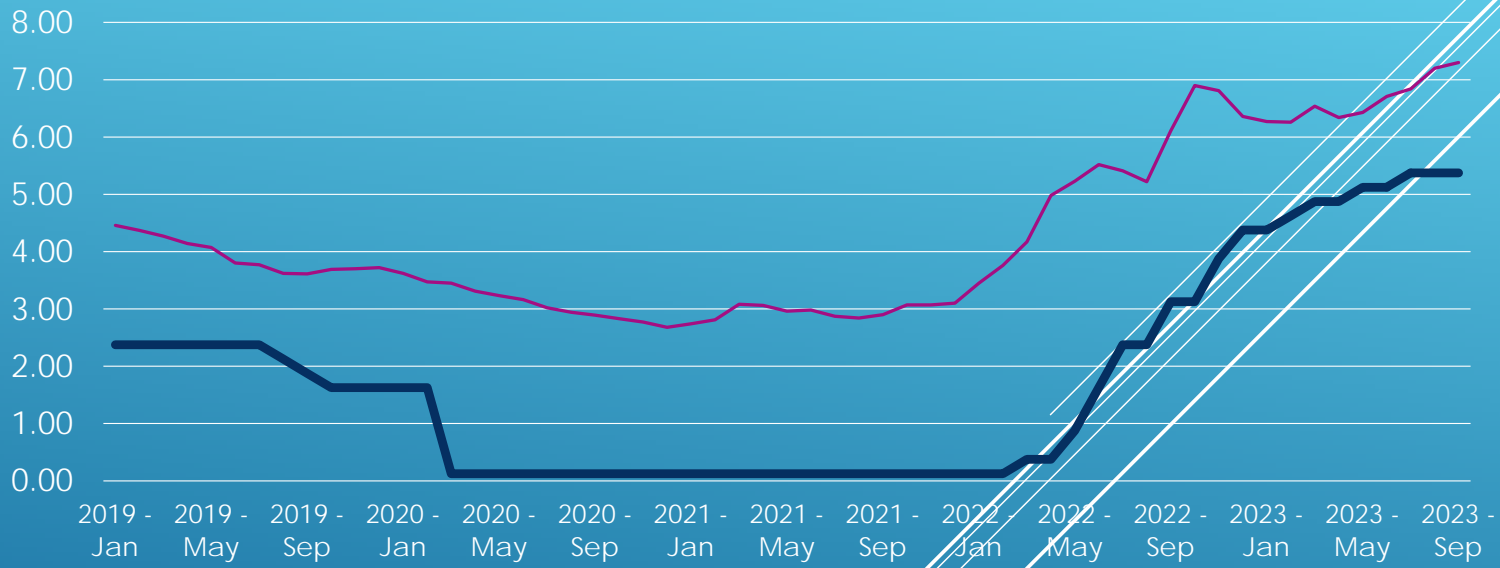
Real Estate Market Outlook

Lawrence Yun,
Ph.D.

Chief Economist
NAR



High Borrowing Costs from Fed's Aggressive Policy: 30-year Mortgage and Fed Funds Rate

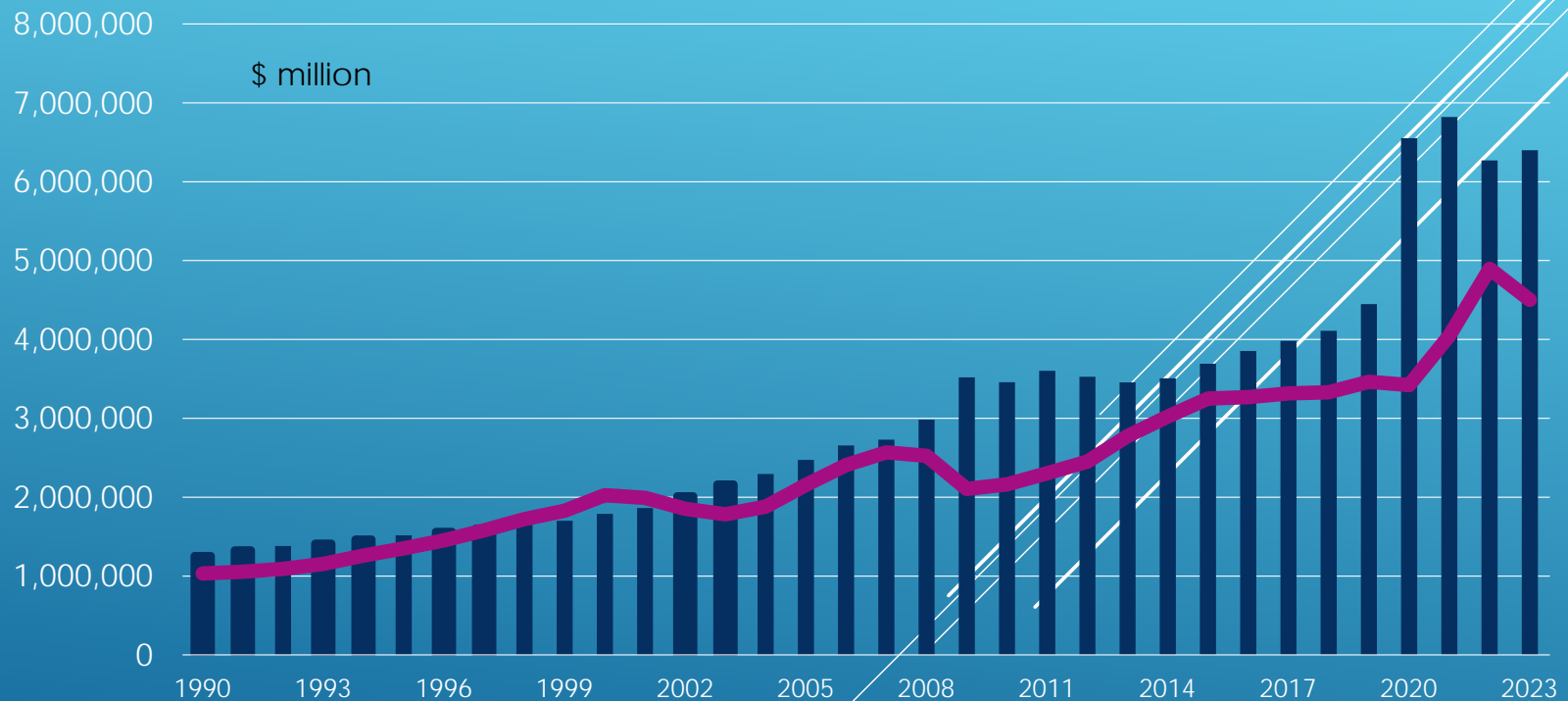


Source: U.S. Treasury and Federal Reserve



Downgrade of USA Debt ???

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

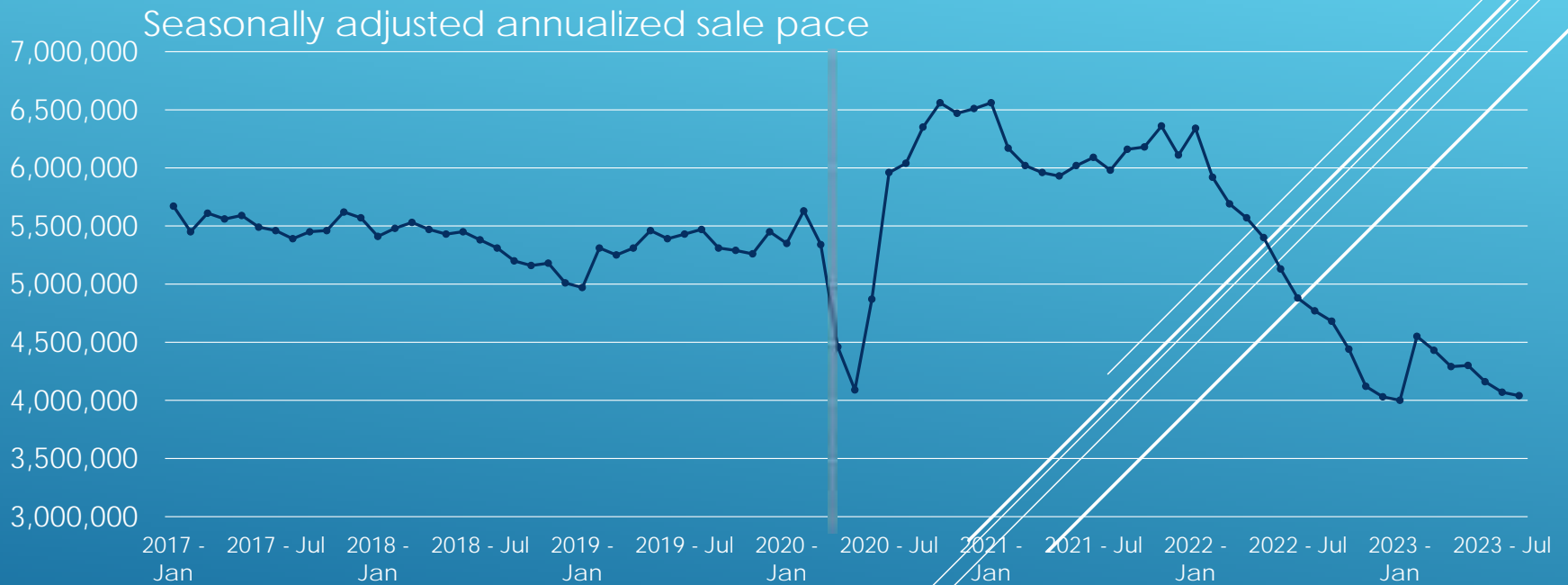


Source: Congressional Budget Office

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

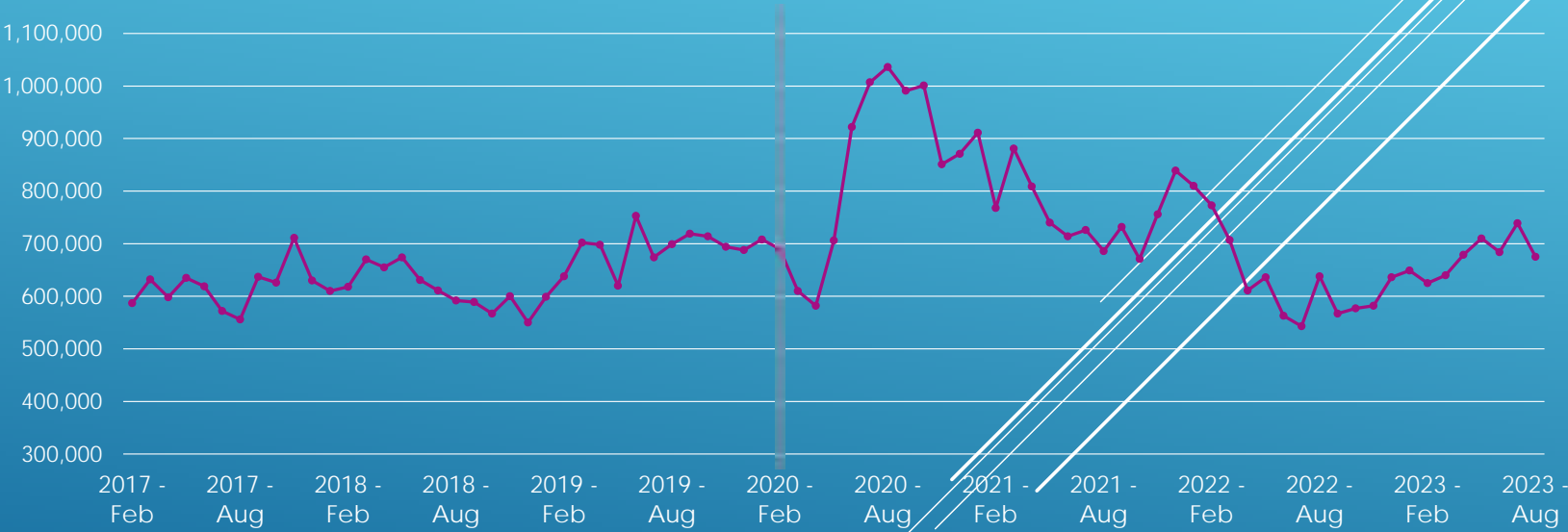
Weaker Home Sales - Existing-Home Sales Below Pre-COVID...Down 21% Year-to-Date



Source: NAR



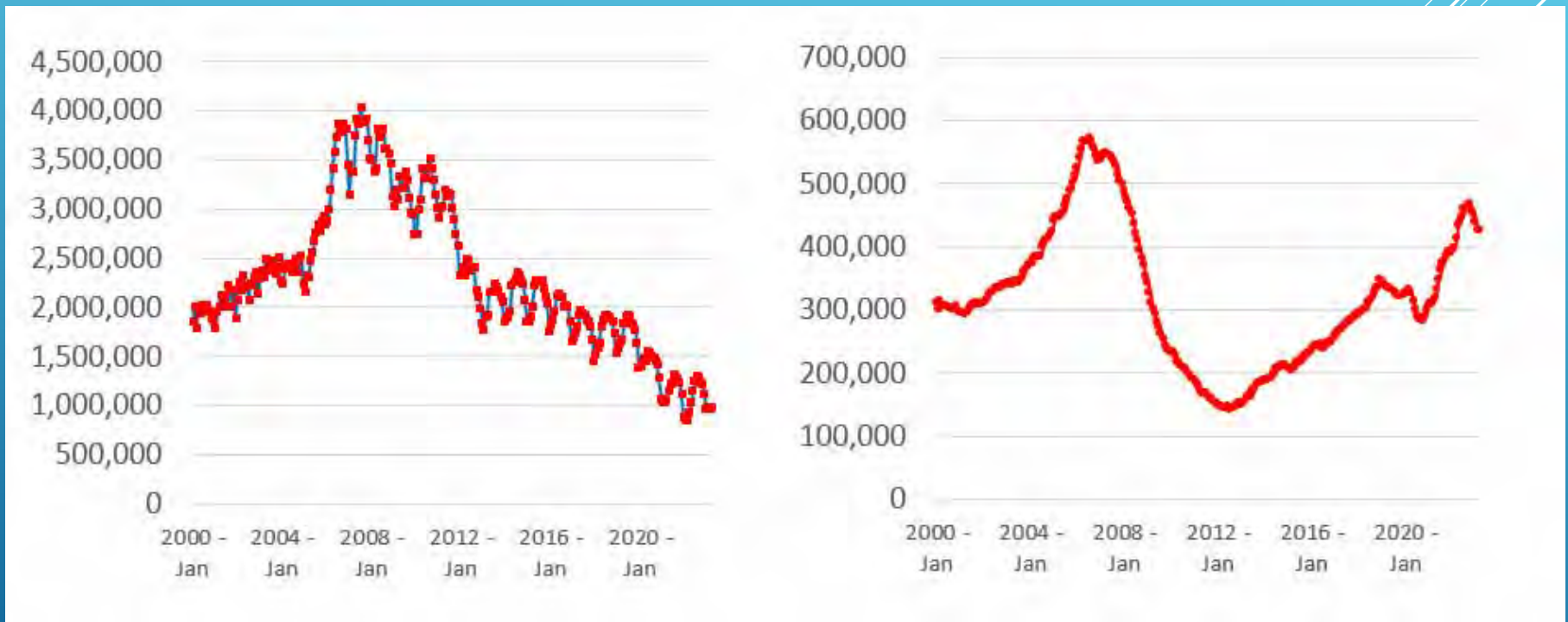
Newly Constructed Home Sales...Back to Pre-COVID Up 2% year-to-date



Source: HUD



Inventory of Existing Homes Low ... New Homes High

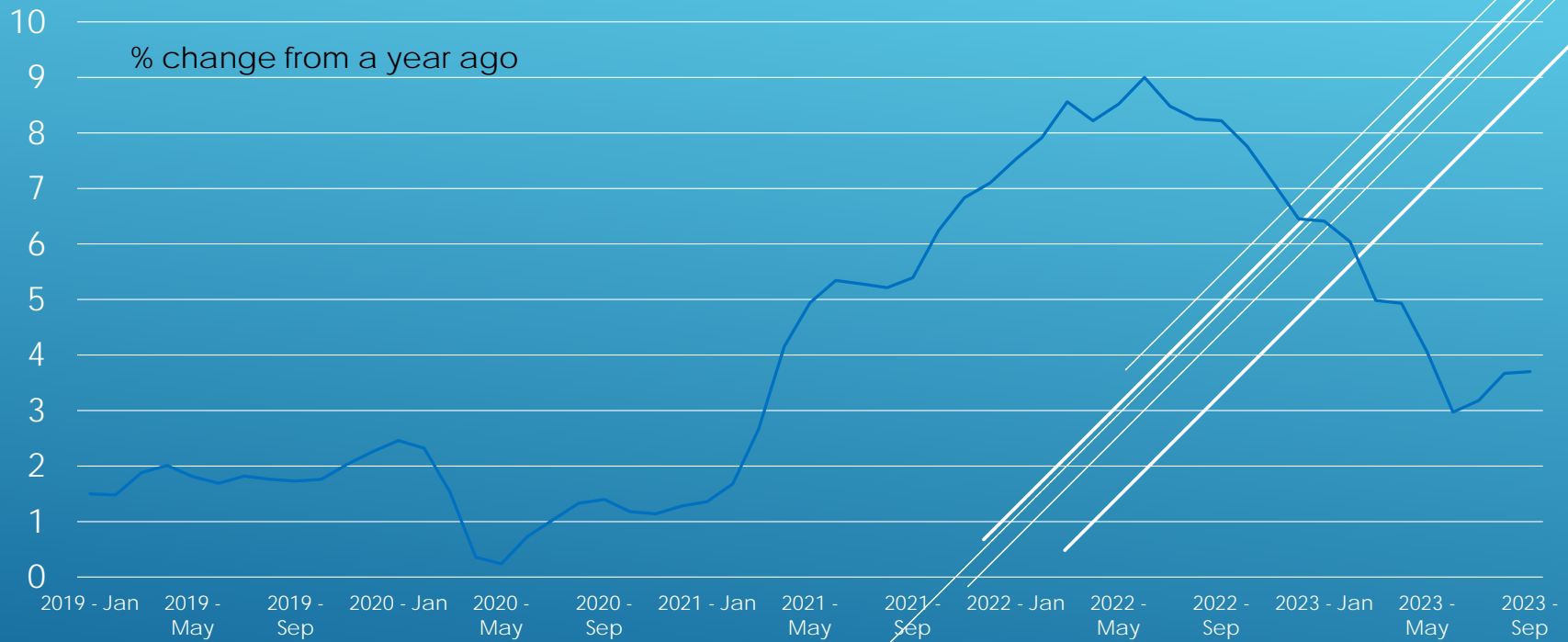


Source: NAR and HUD



Why is the Fed Raising Interest Rates?

Consumer Price Inflation at 3.7% in September



Source: BLS

Price Growth by Key Items

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

Source: BLS

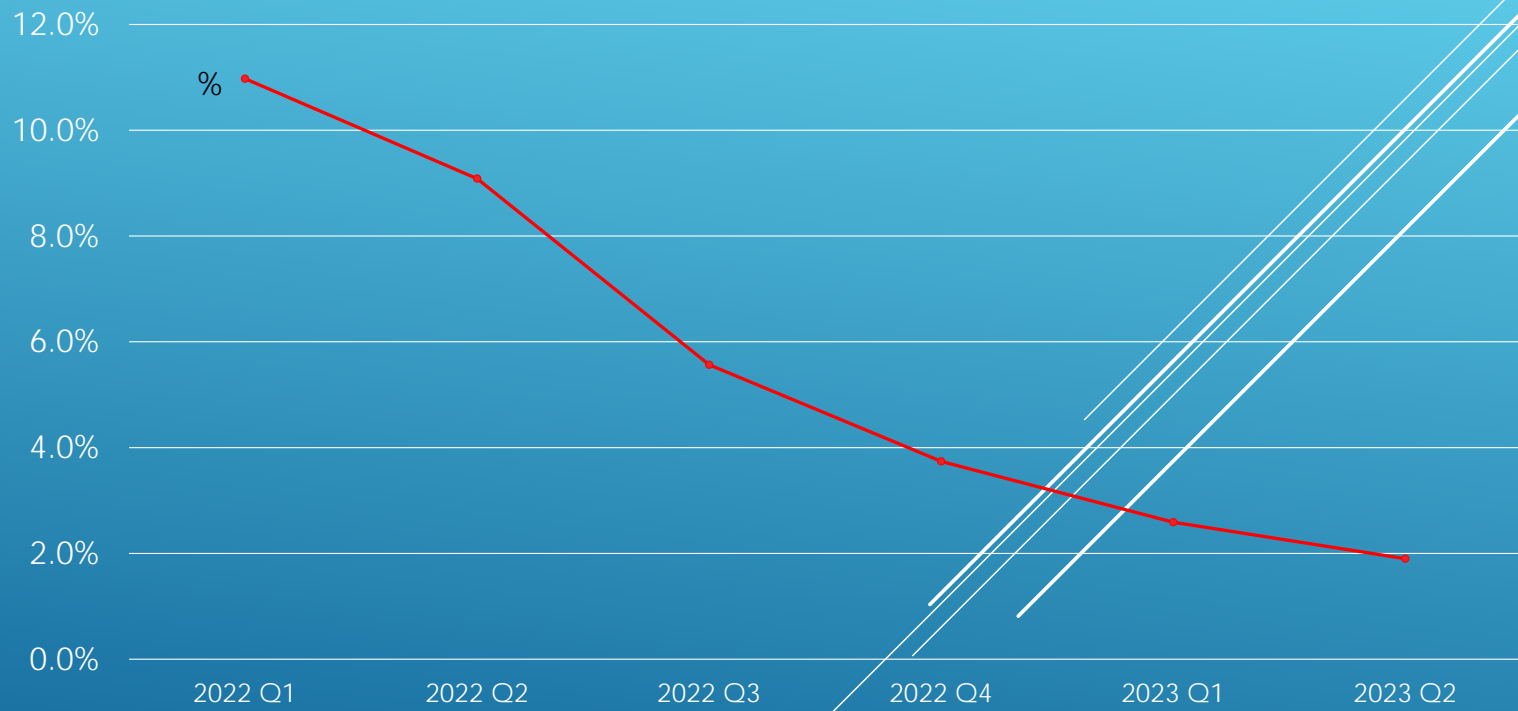
Annual Apartment Construction at 40-year Highs for two years ... Why has Rent Not Calmed Down?



Source: Census/HUD



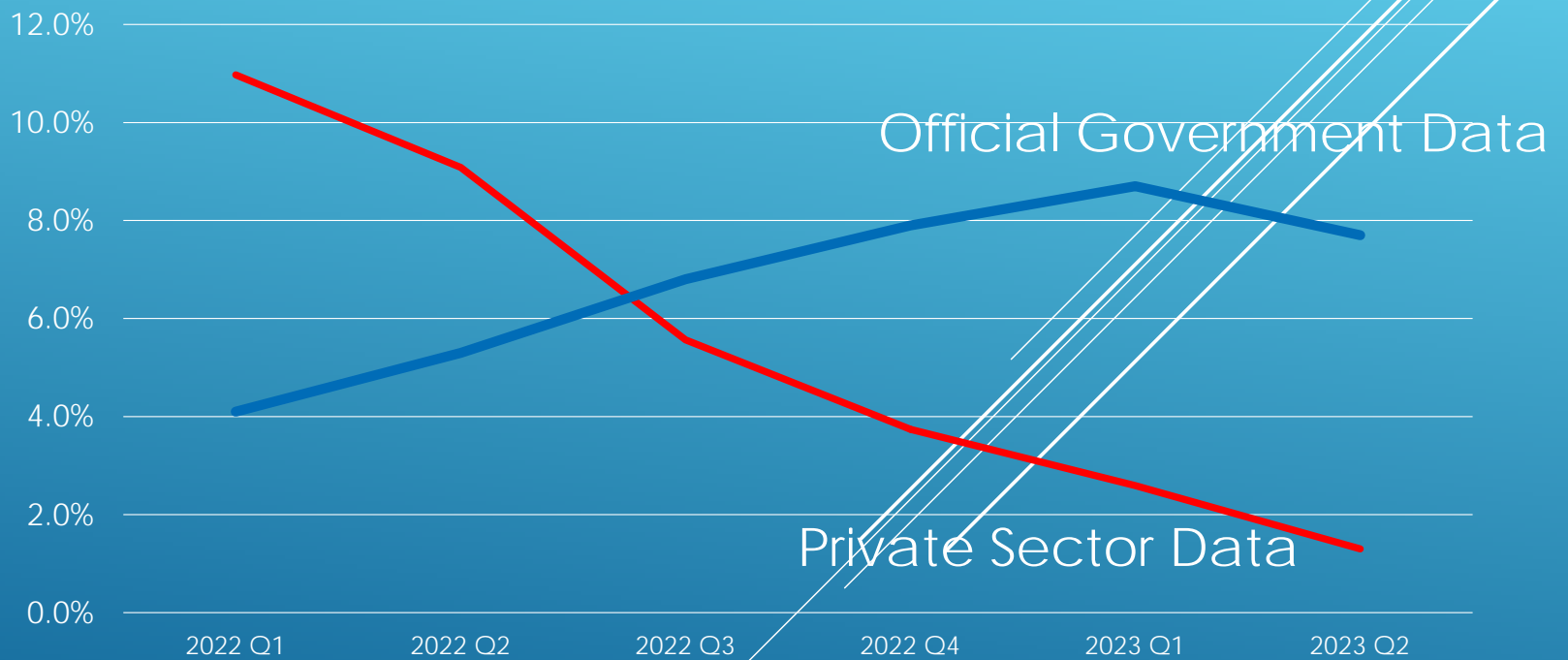
Apartment Rent Growth in Private Sector Data



Source: CoStar



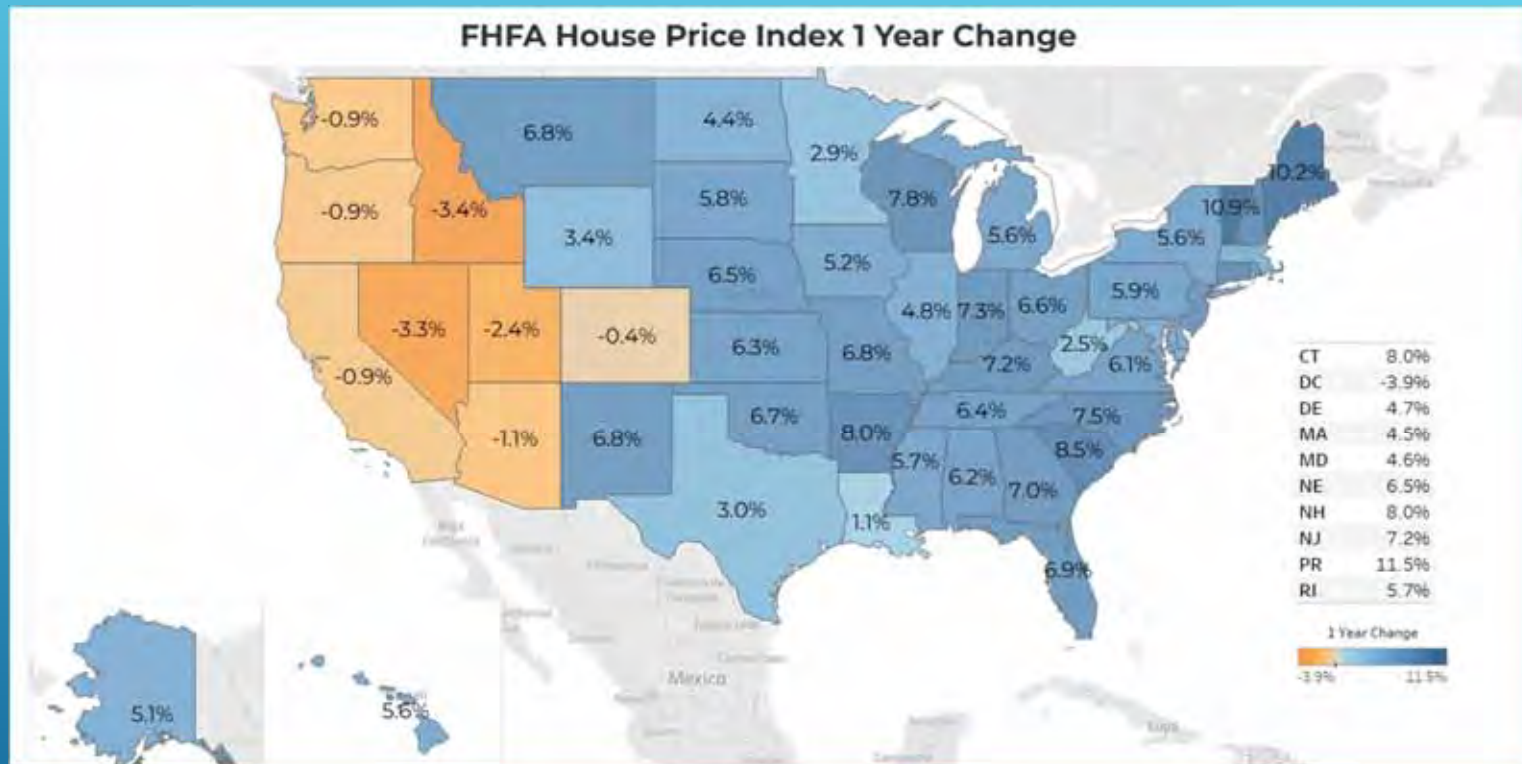
Rents Strengthening or Softening?



Source: BLS and CoStar

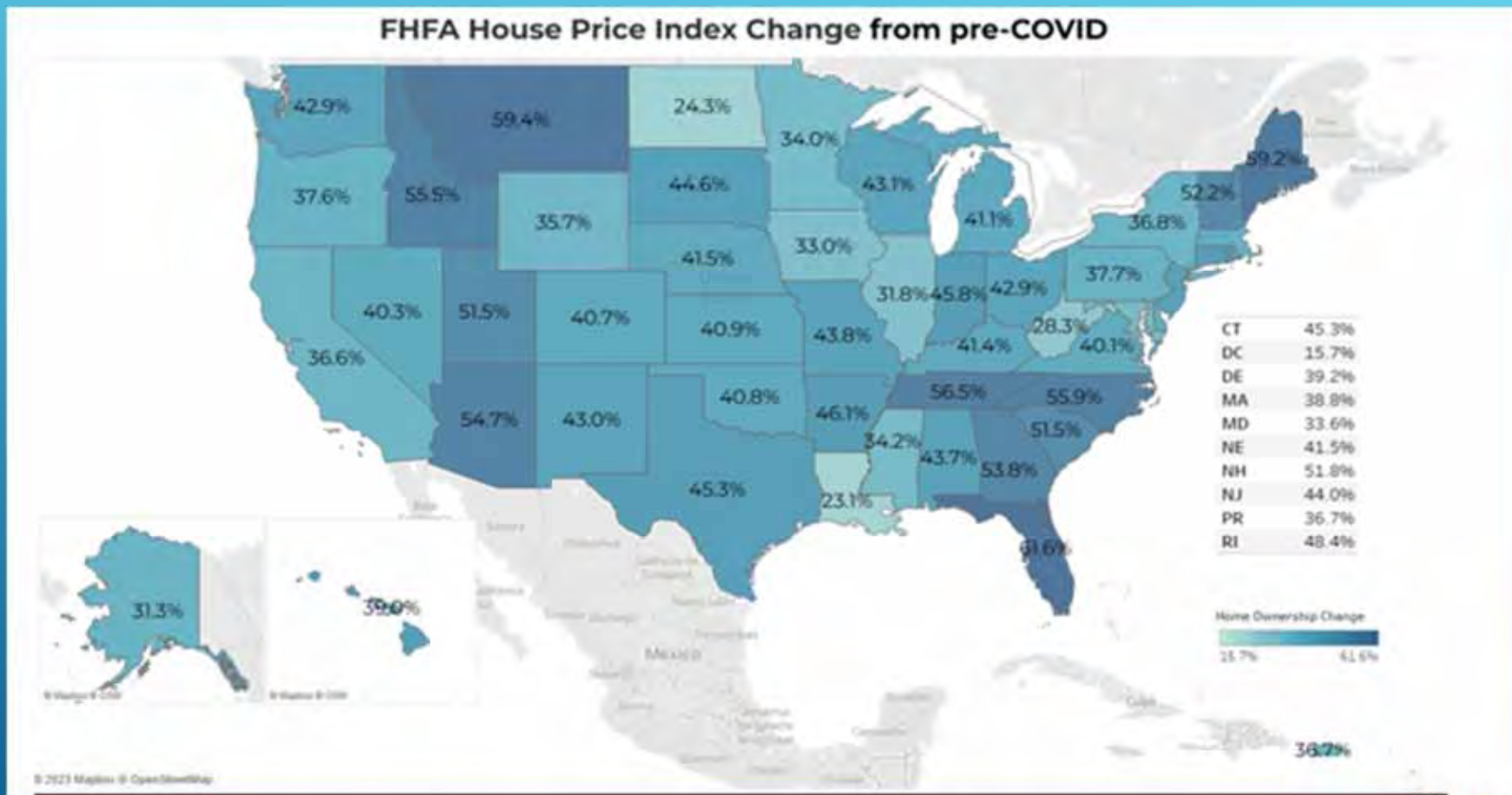
Home Prices: Not Part of CPI

Home Price Change in 2023 Q2



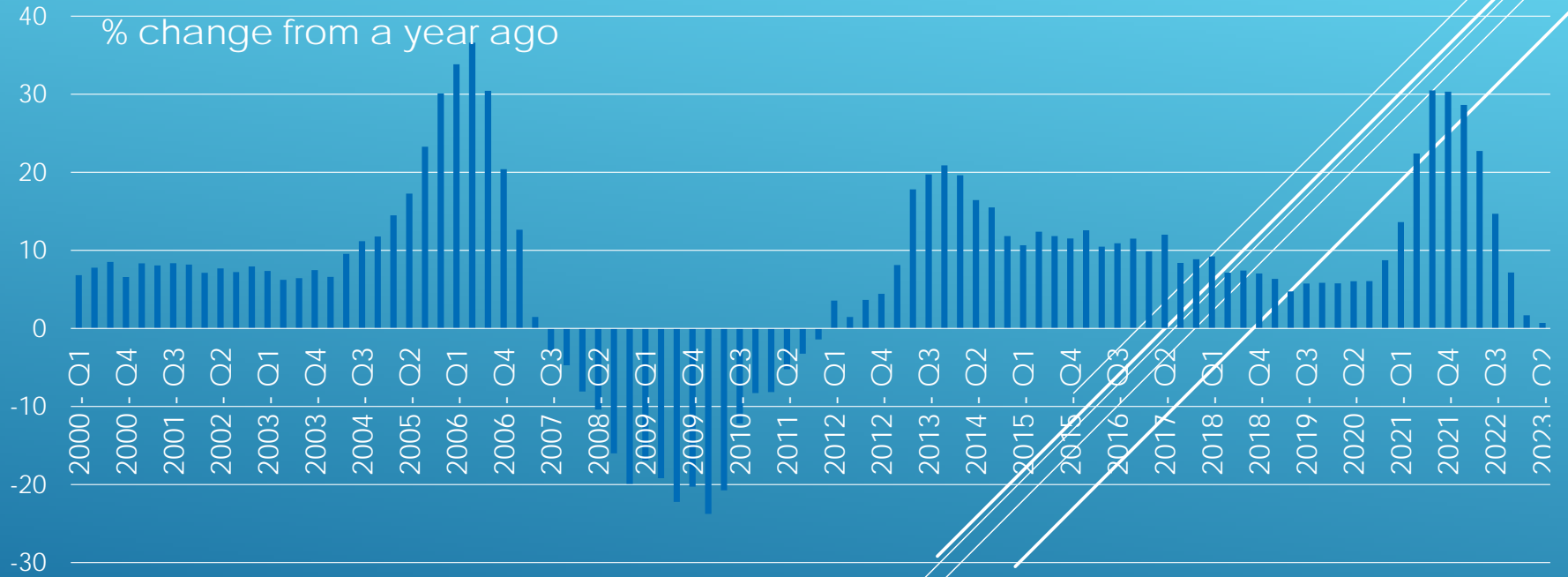
Source: NAR Analysis of FHFA data

Home Price Change from Onset of COVID (2020 Q1 to 2023 Q2)



Source: NAR Analysis of FHFA data

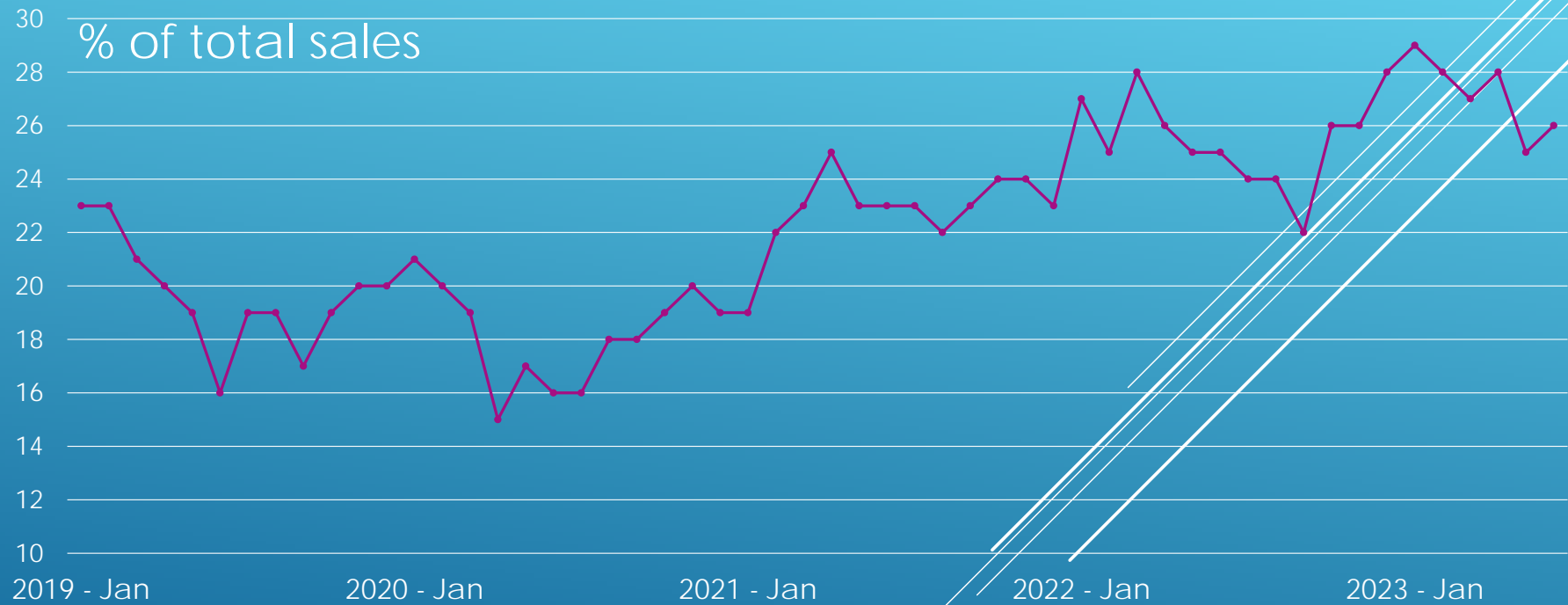
Home Price Appreciation in Bend OR



Source: FHFA



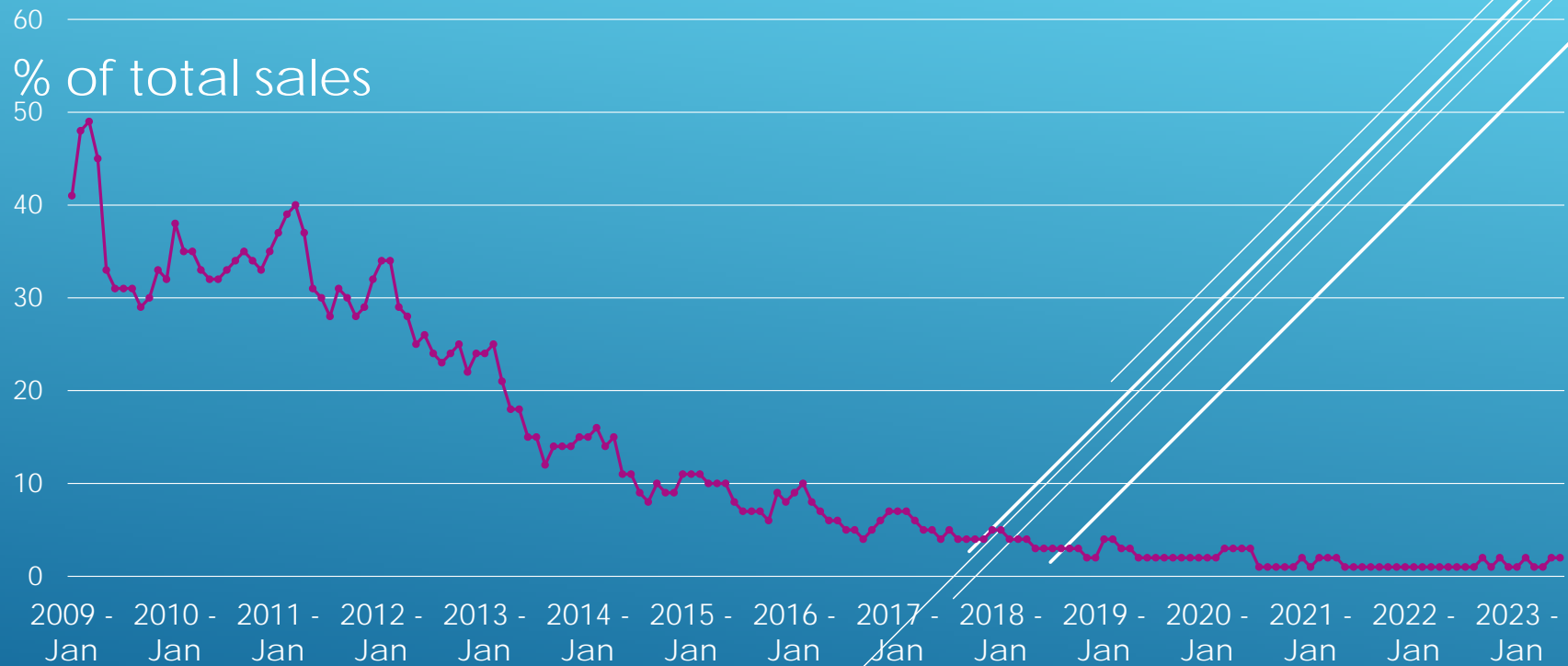
More Turning to Cash Sales



Source: NAR



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

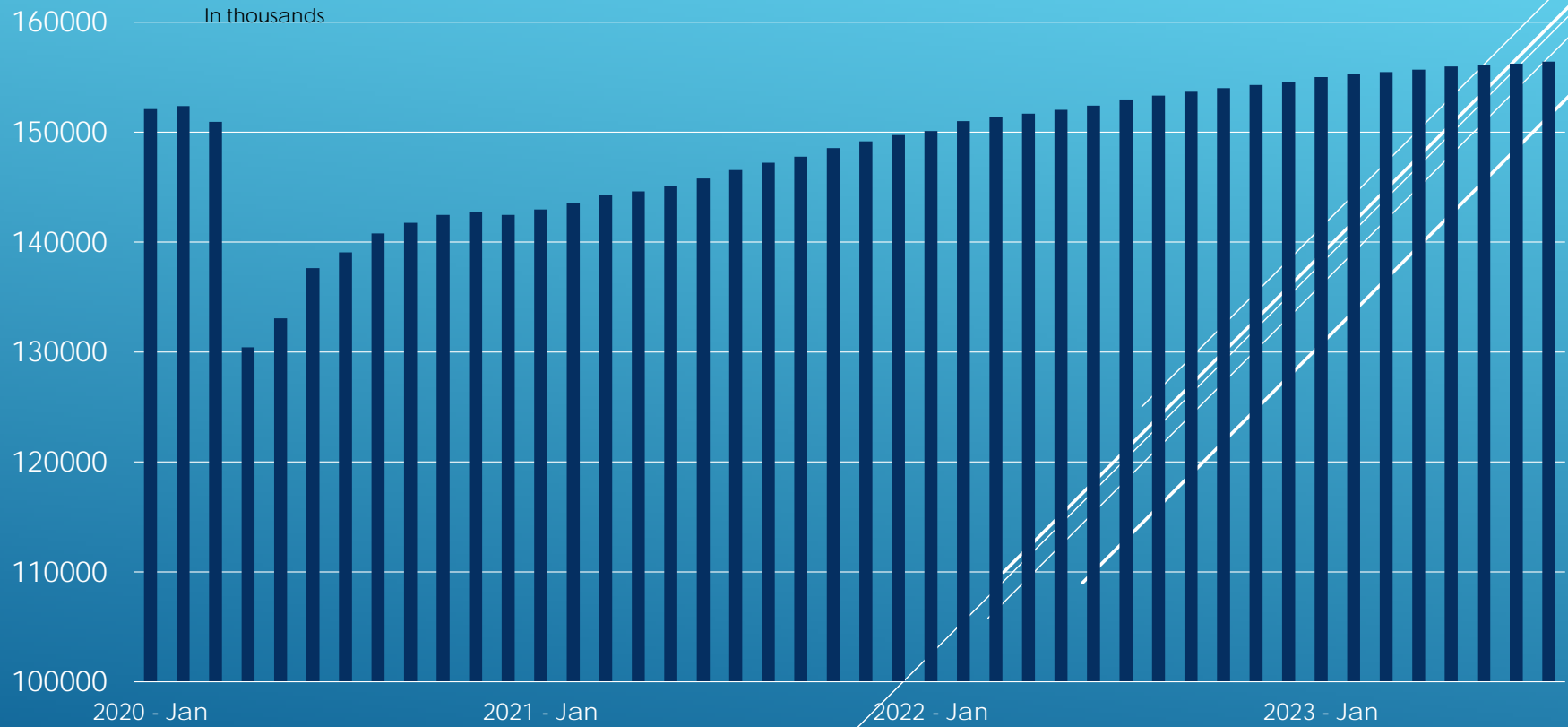


Source: NAR



Job Market

Total Payroll Jobs ... 4 Million More from Pre-Covid

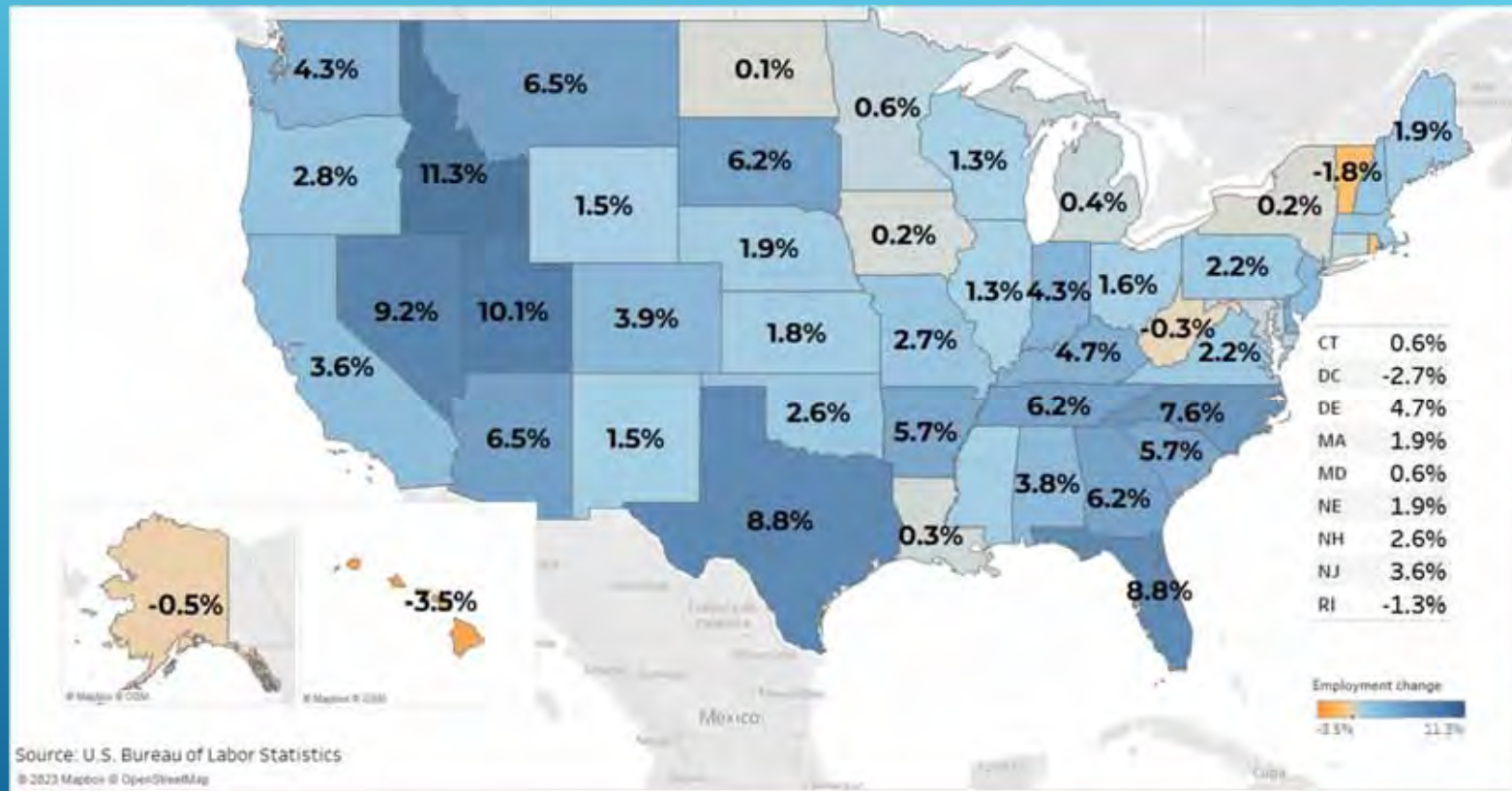


Source: BLS



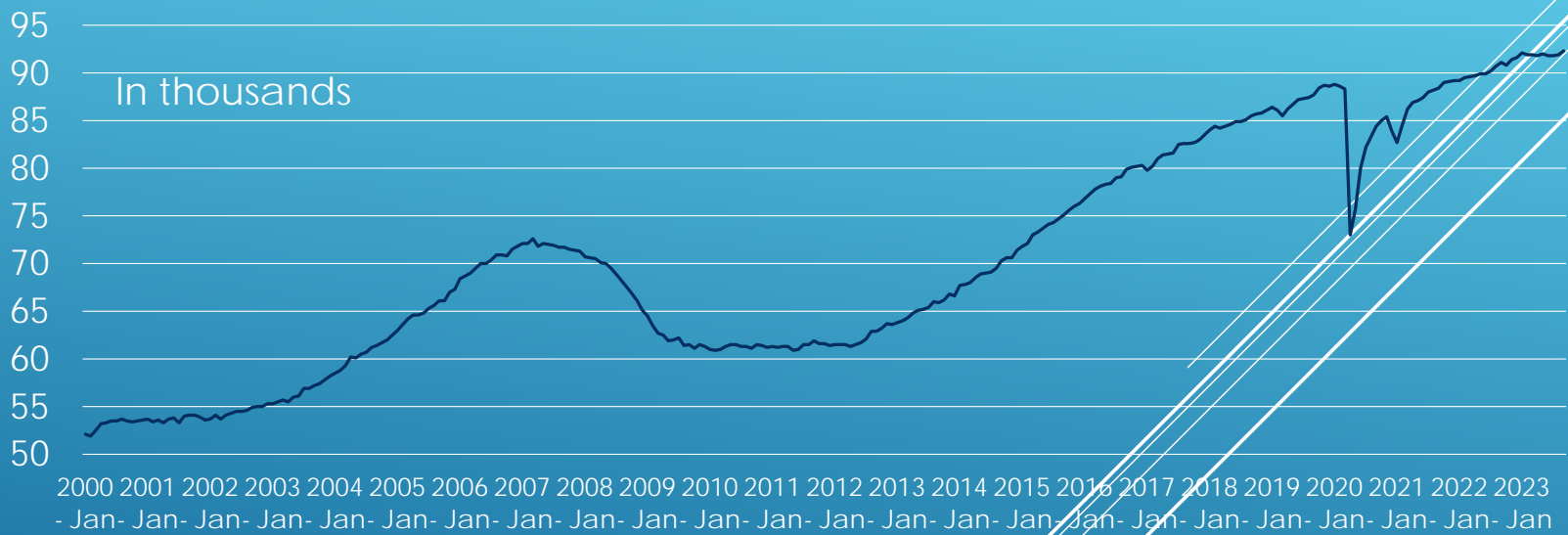
Job Gains Since Pre-Covid Record High Payroll Employment

(% change from March 2020 to September 2023)



Source: NAR Analysis of BLS data

Payroll Jobs in Bend-Redmond MSA



Source: BLS



Forecast

Mortgage Rates to Fall?

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

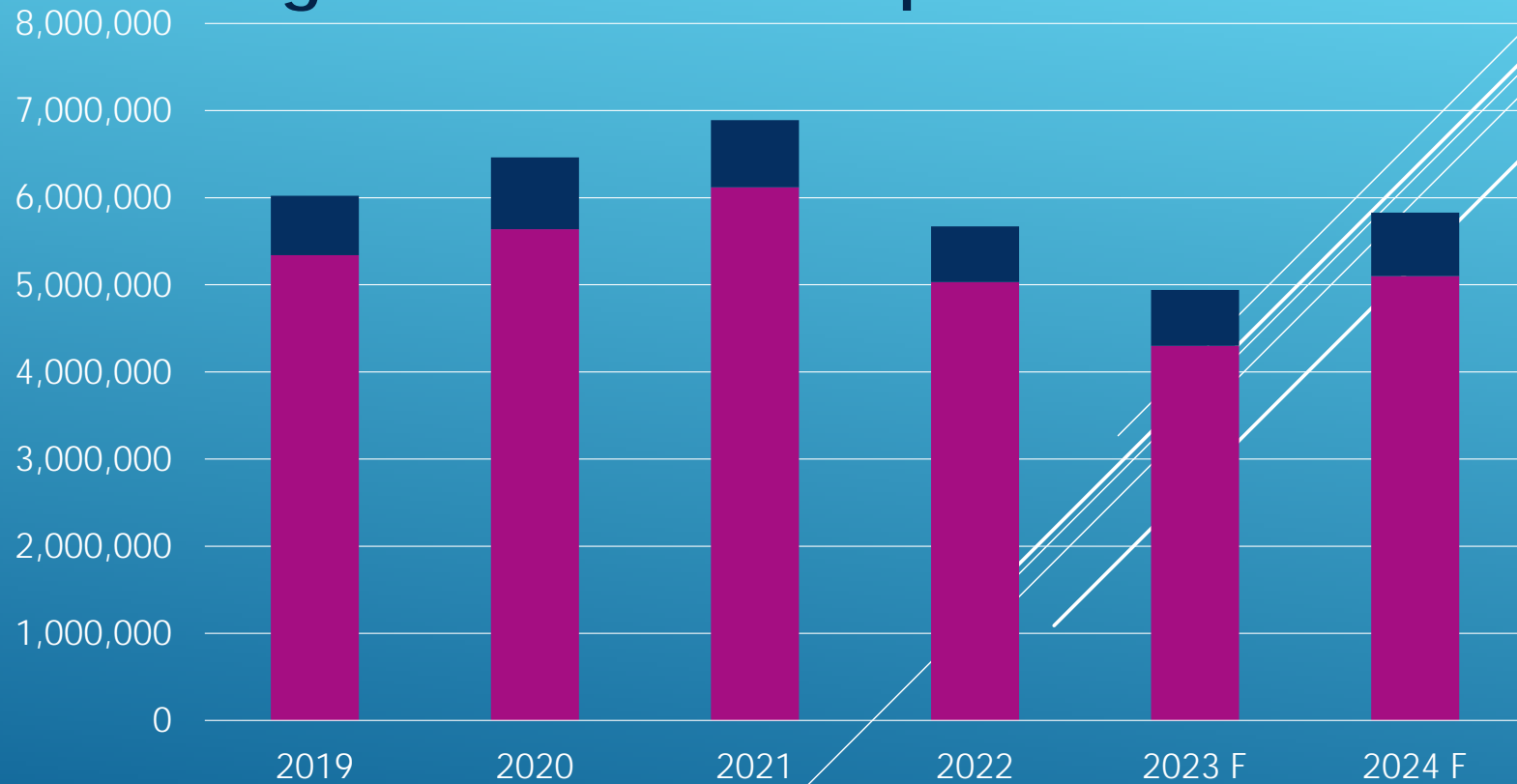
- Rents will calm down further ... Holds down CPI ... and make the Fed stop raising the interest rate
- Community banks are suffering from high interest rates
- Spread with government bond with a return to normal

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 !





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