

Economic & Real Estate Market Outlook

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

Presentations at Regional Leadership Day
Woodbridge, VA

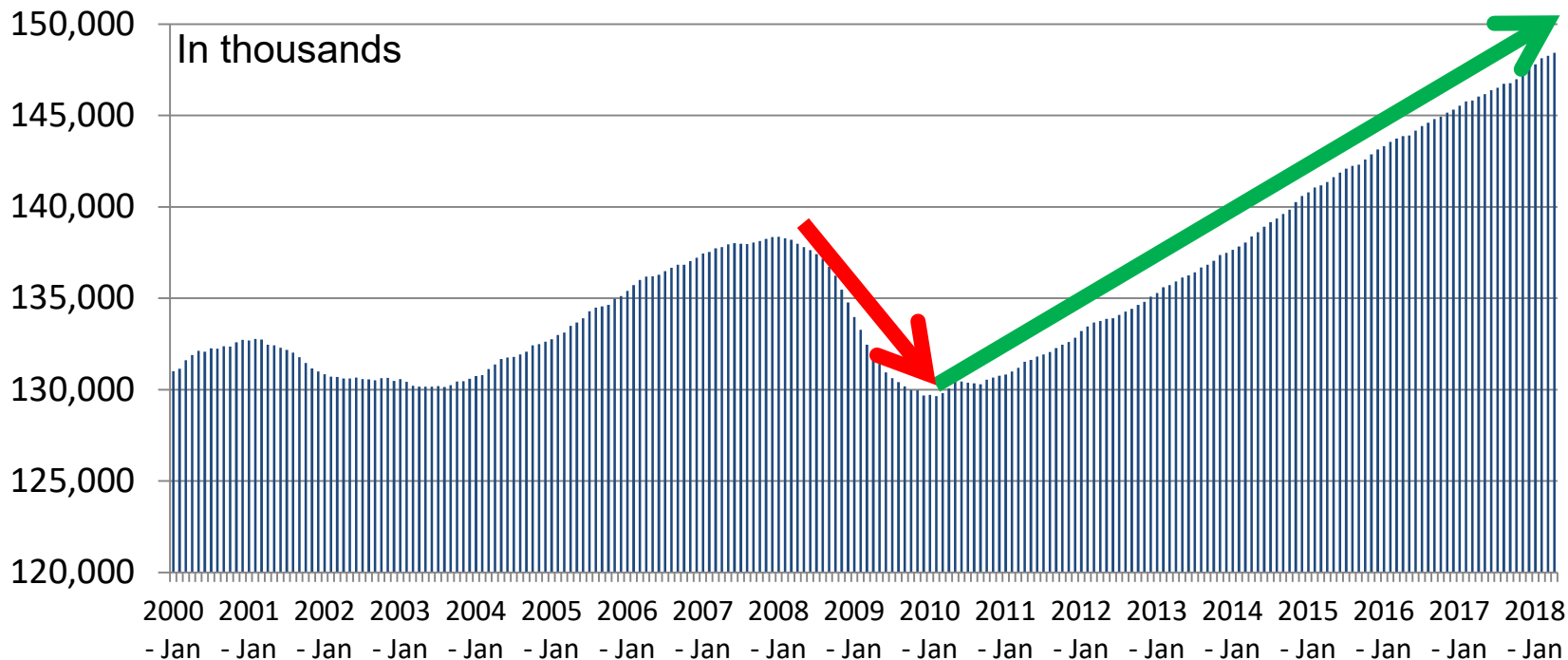
January 10, 2018

Good Economy

- Job Additions for 8 straight years
- Unemployment Rate 3.9%
- Record High Job Openings
- Historically Low Jobless Claims
- High Net Worth
- Wages picking up

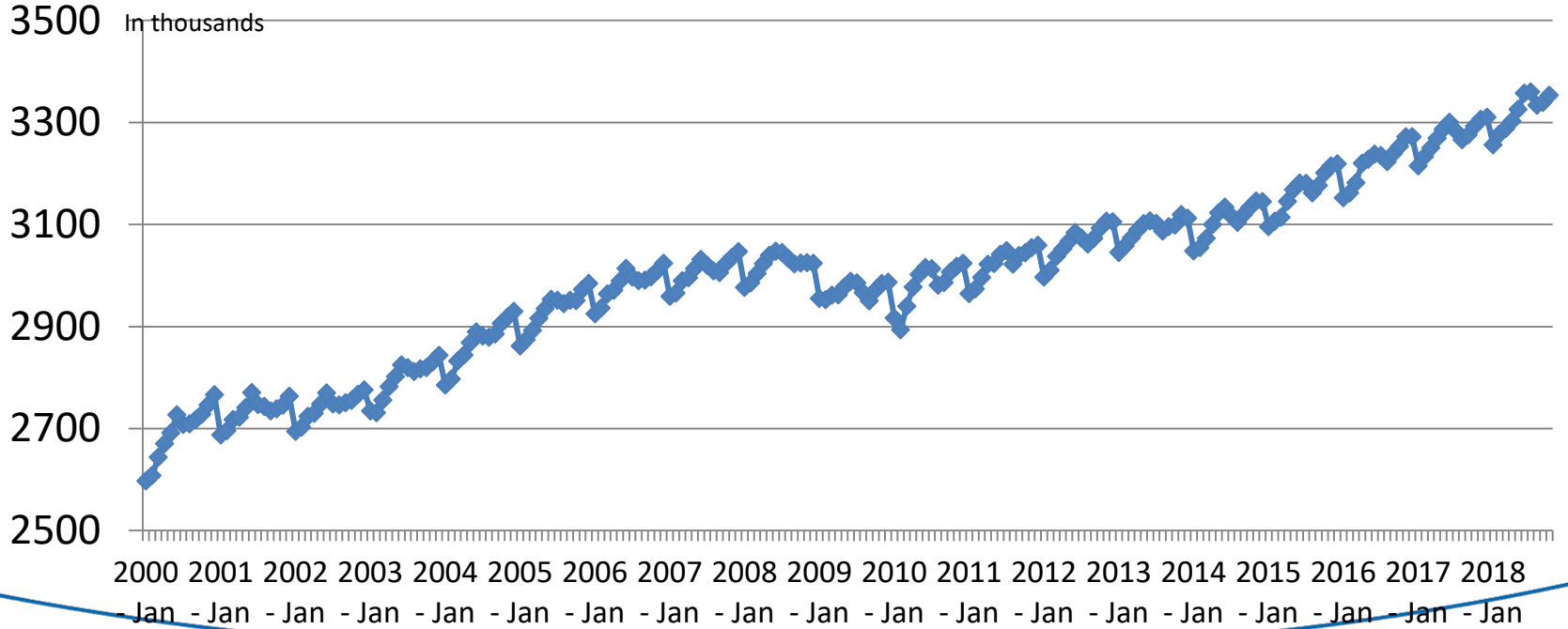
Jobs

(18 million gained from 2010)



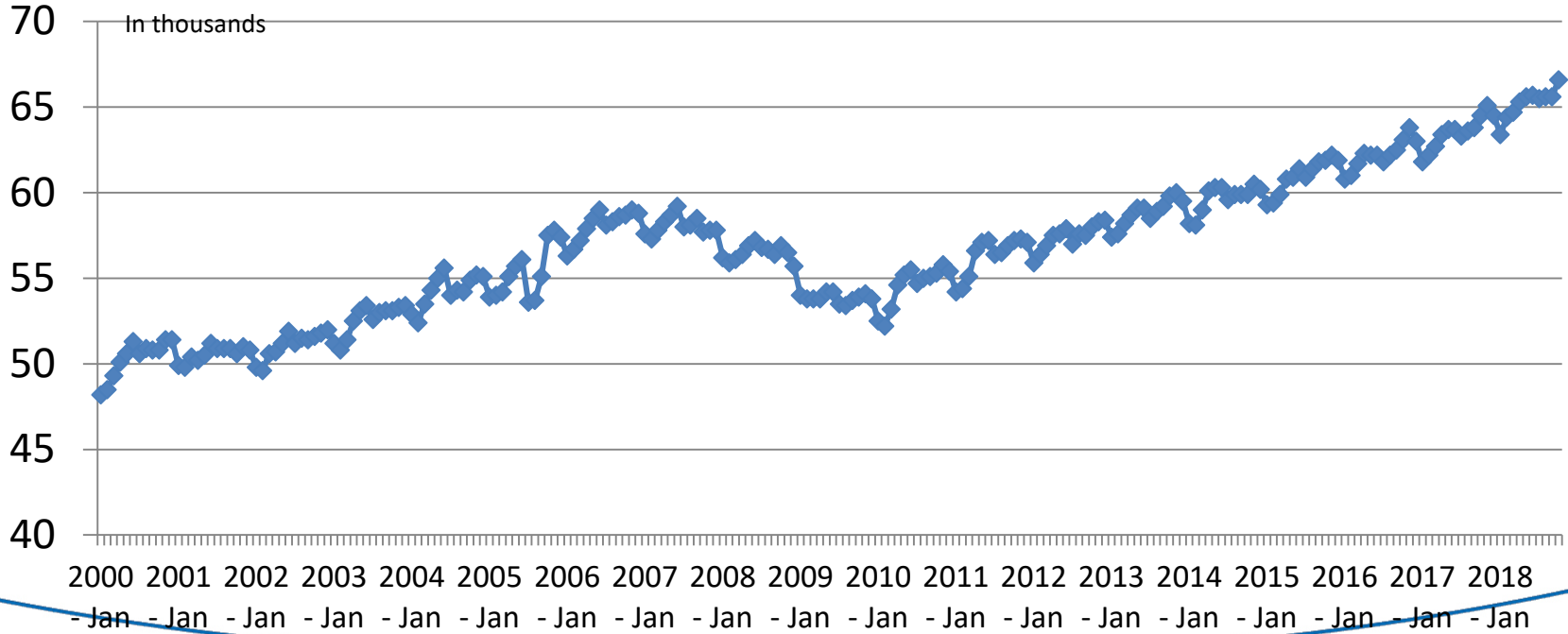
Total Jobs Washington DC Metro

(23% growth vs 13% nationwide from 2000)

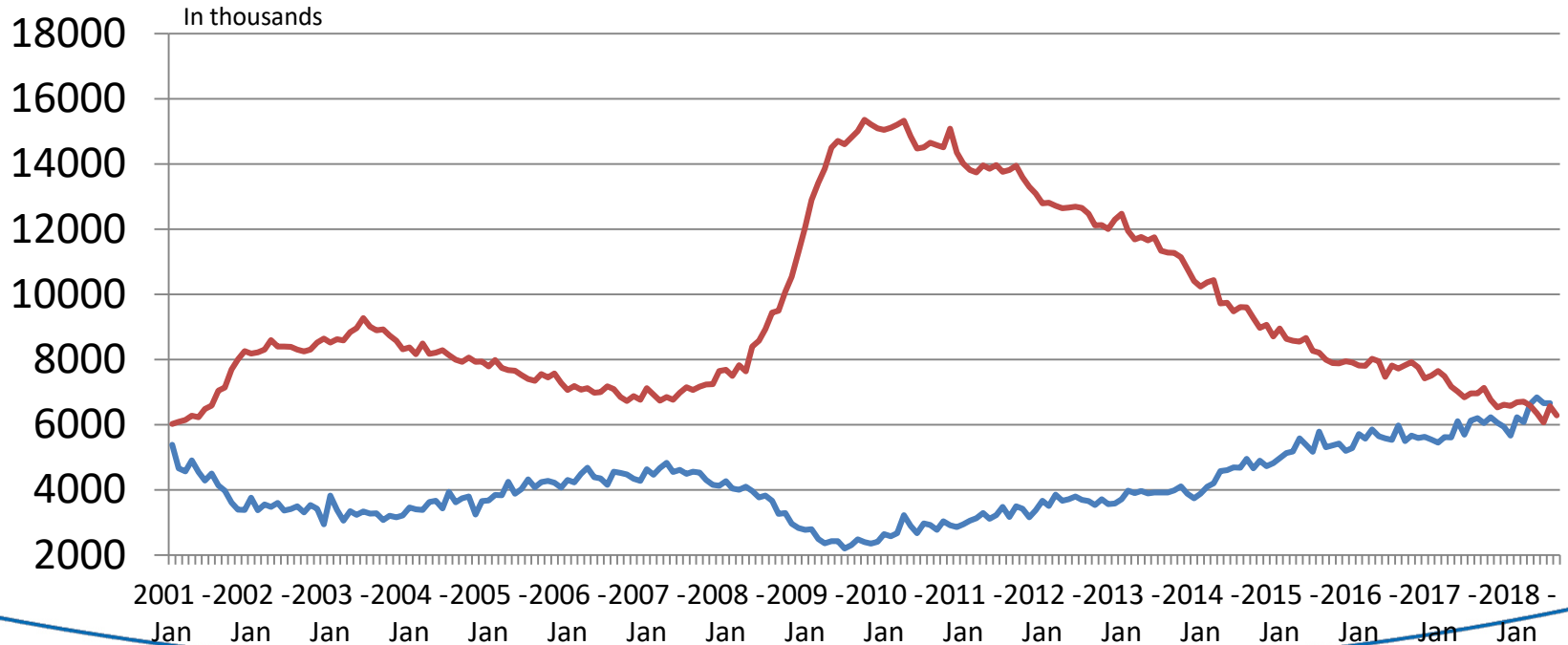


Total Jobs in Winchester

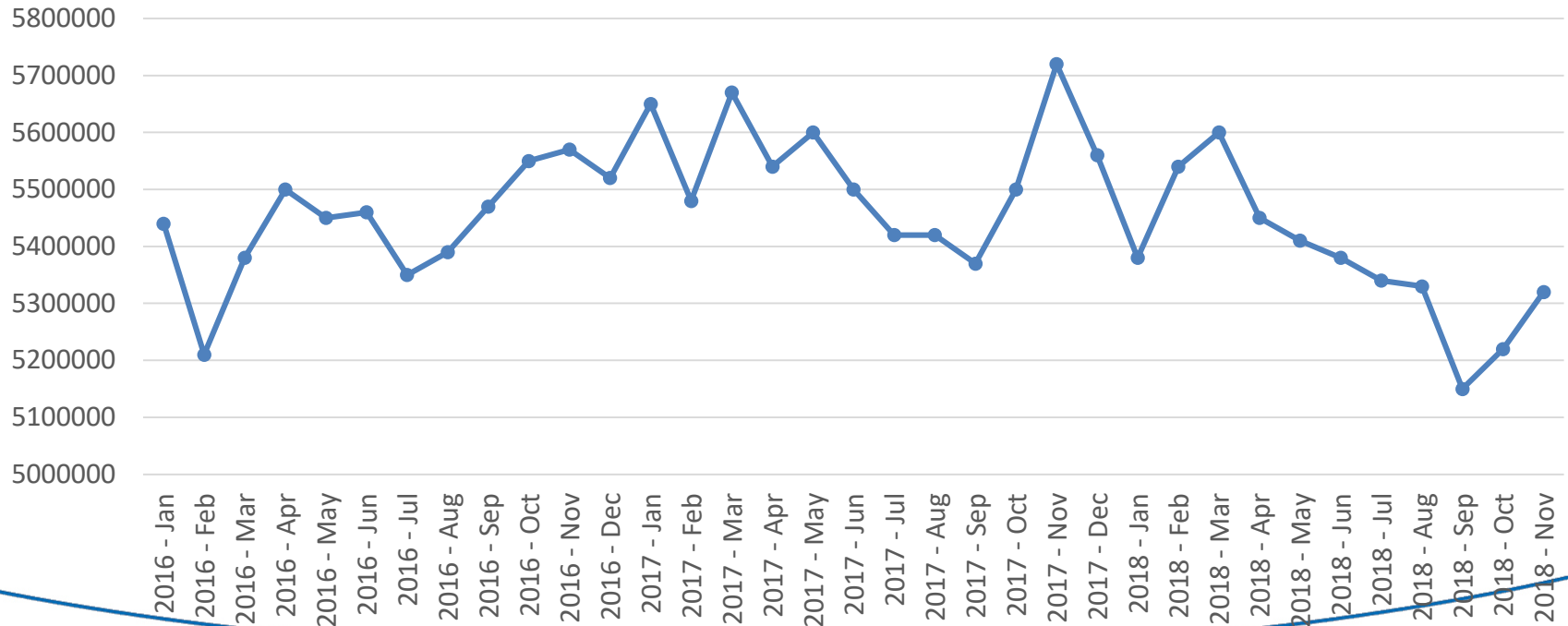
(31% growth vs 13% nationwide from 2000)



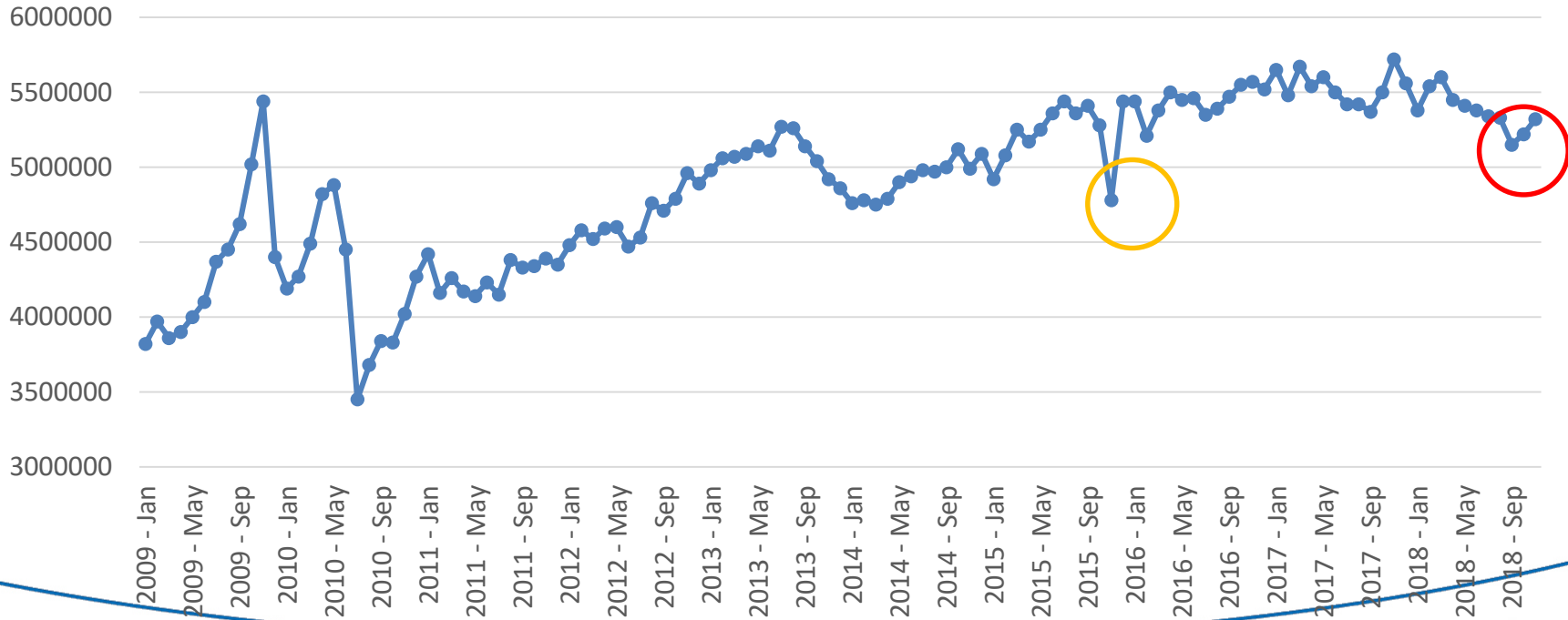
Job Openings = Unemployed



Existing Home Sales Since 2016



Existing Home Sales Since 2009



150 Metro Prices

- 90% with Price Gains
- 10% with Price Declines

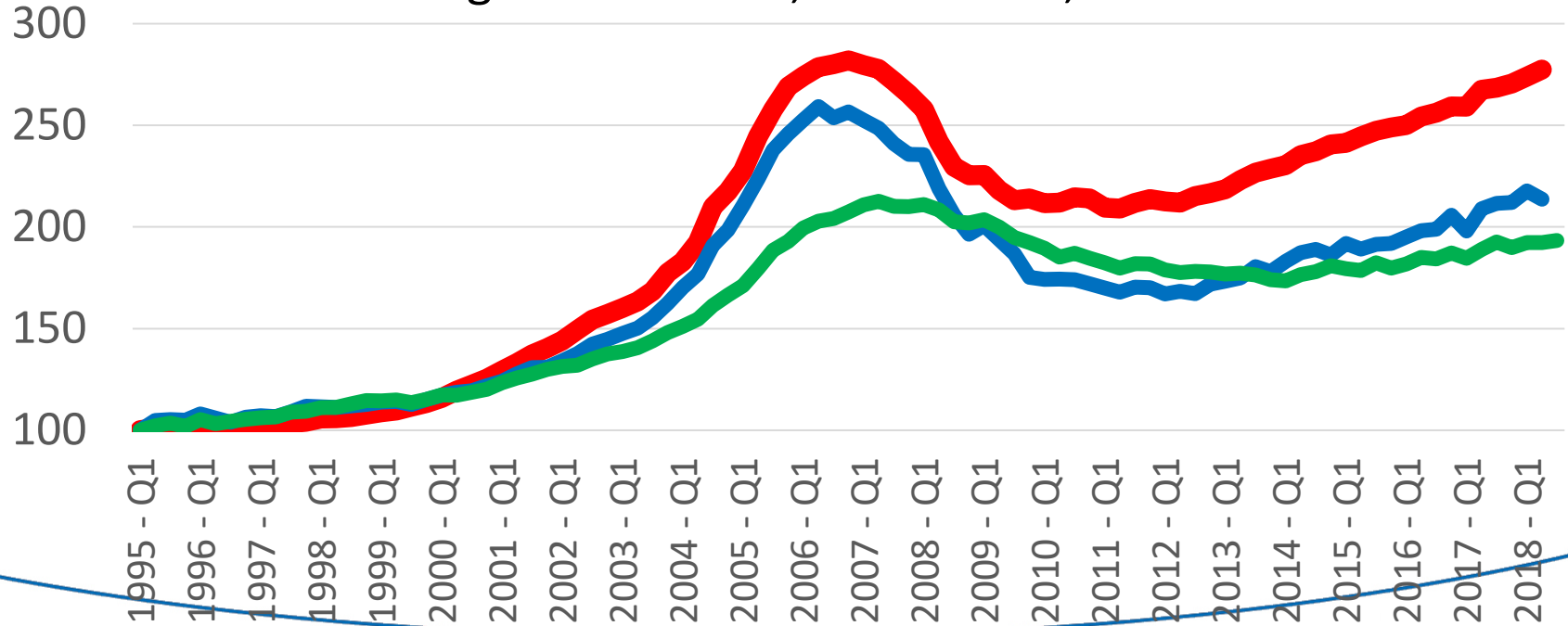
- Lower-end ... Stronger Price Gains
- Upper-end ... Weaker Price Gains or Price Cuts

- Near Downtown ... Stronger Price Gains
- Distant Suburbs and Rural Areas ... Softer Gains

Recovering Home Prices

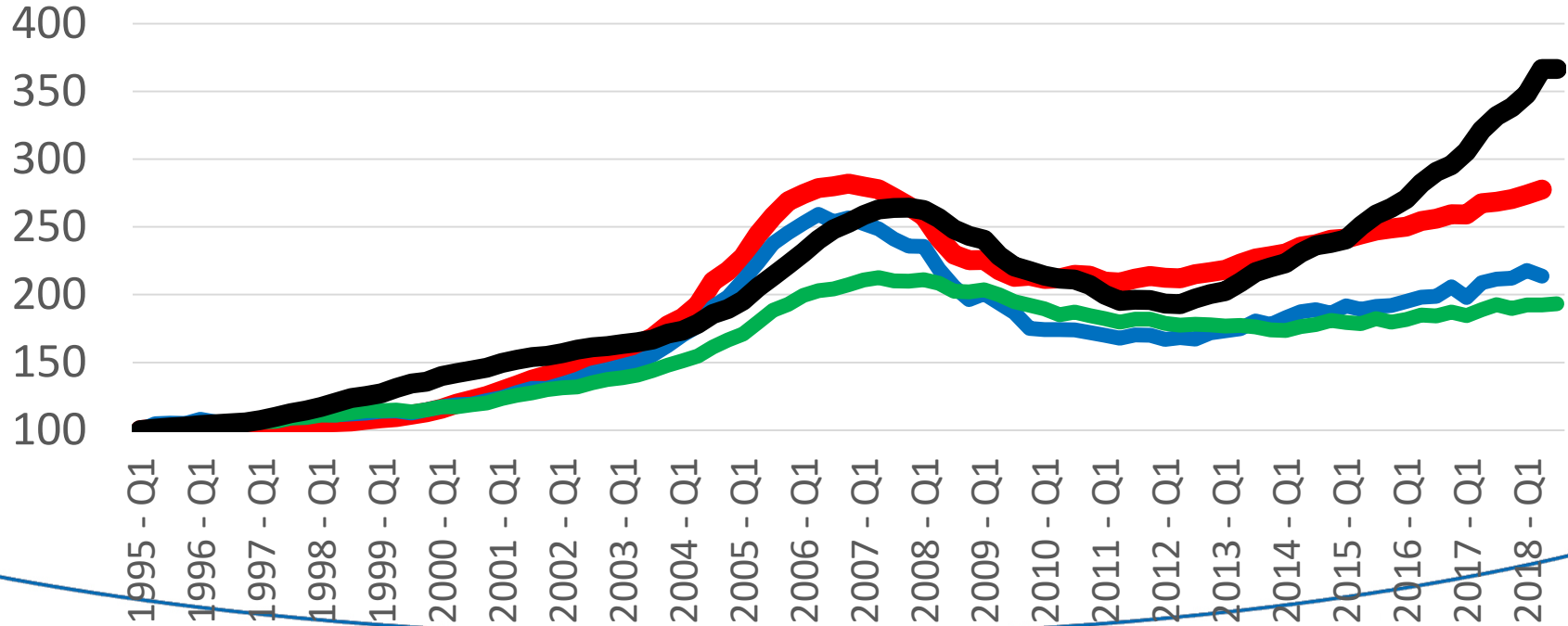
(Constant Quality Index)

Washington DC Metro, Winchester, Rural VA

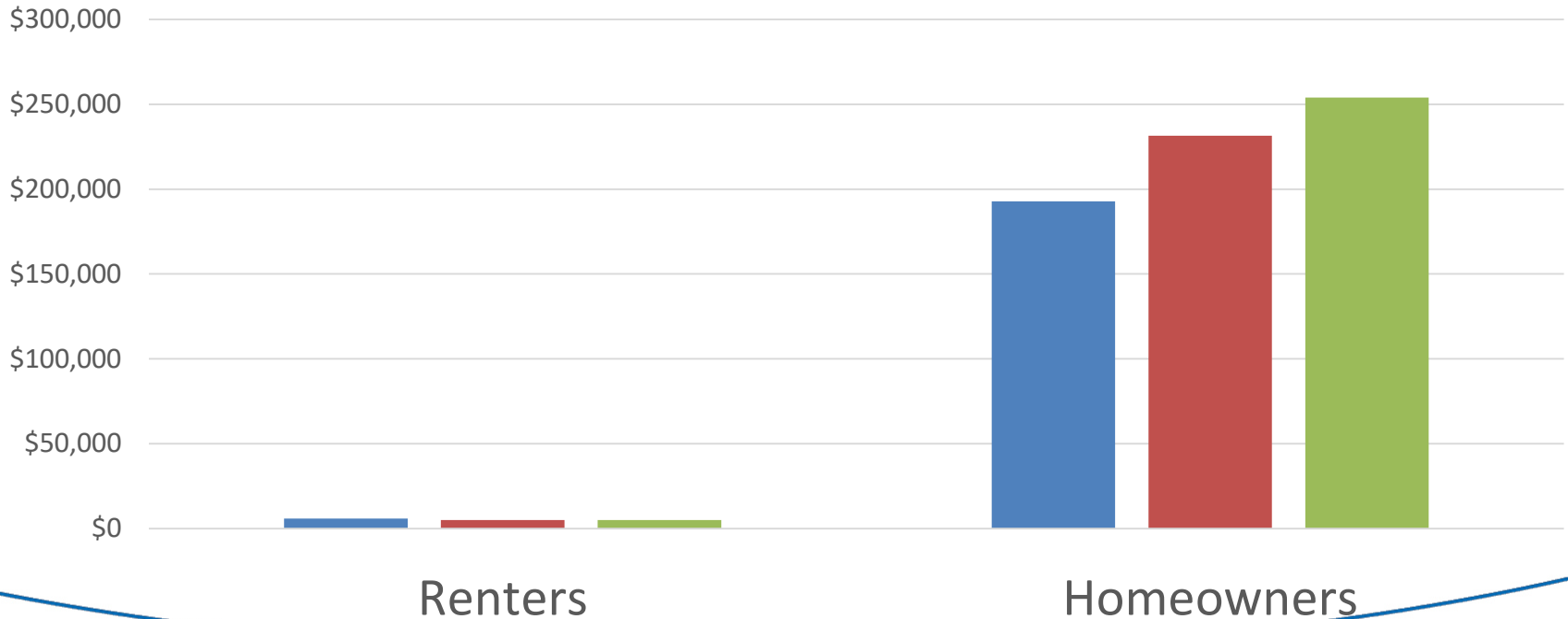


Booming Home Price

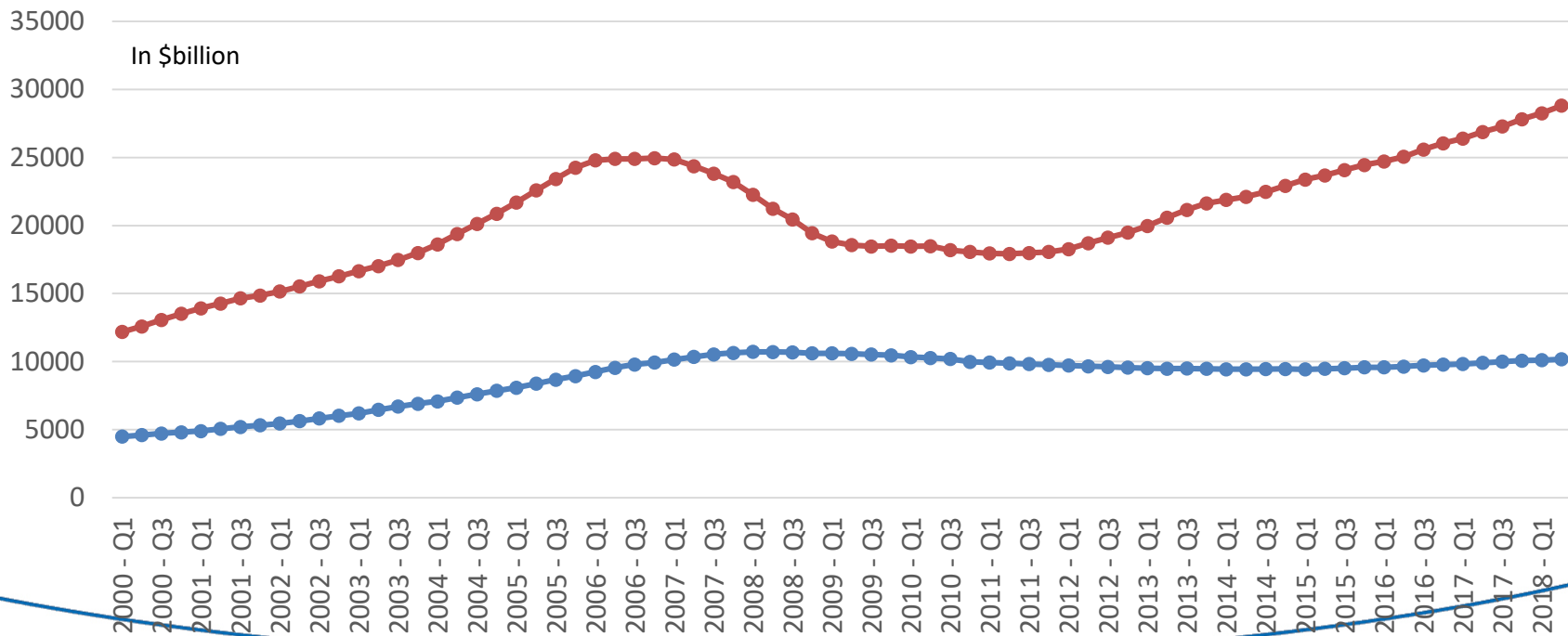
Which Market is That?



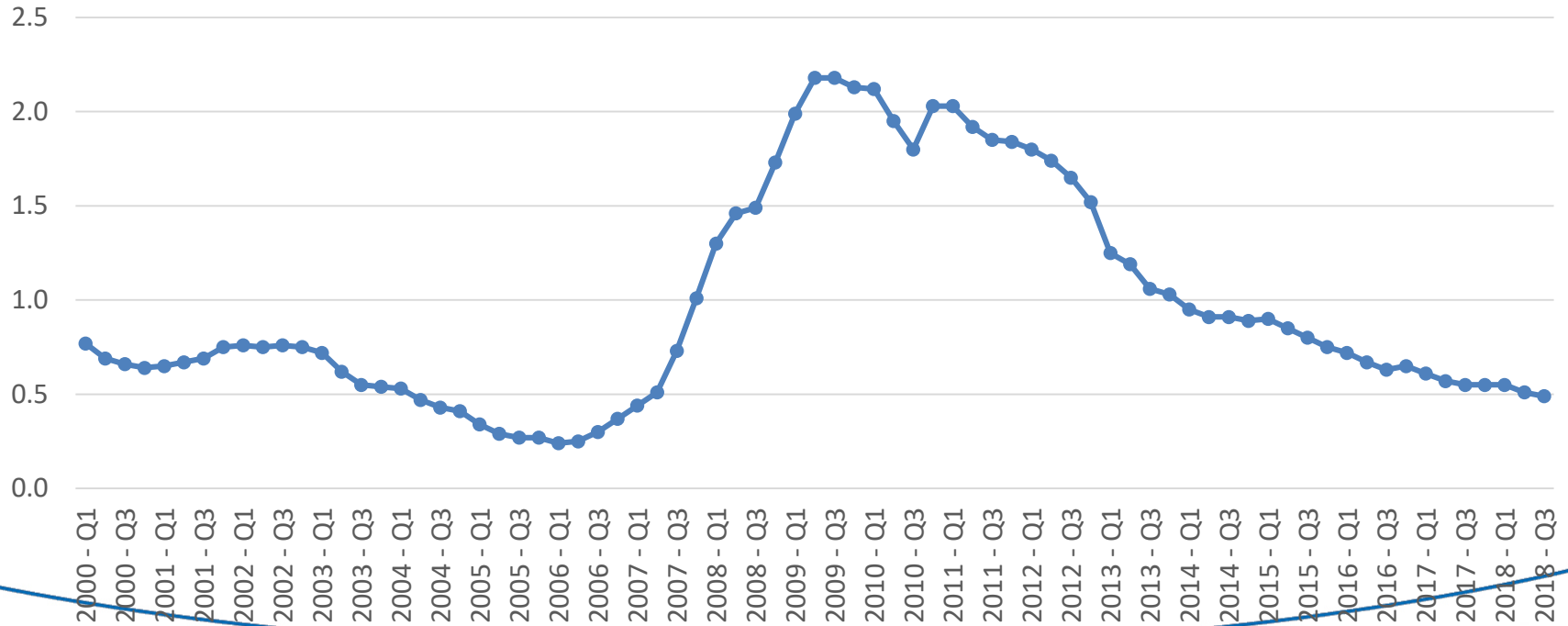
Wealth: From 2000 to 2016 to 2018



Real Estate Wealth = Asset - Mortgage



Homes in Foreclosure in Virginia

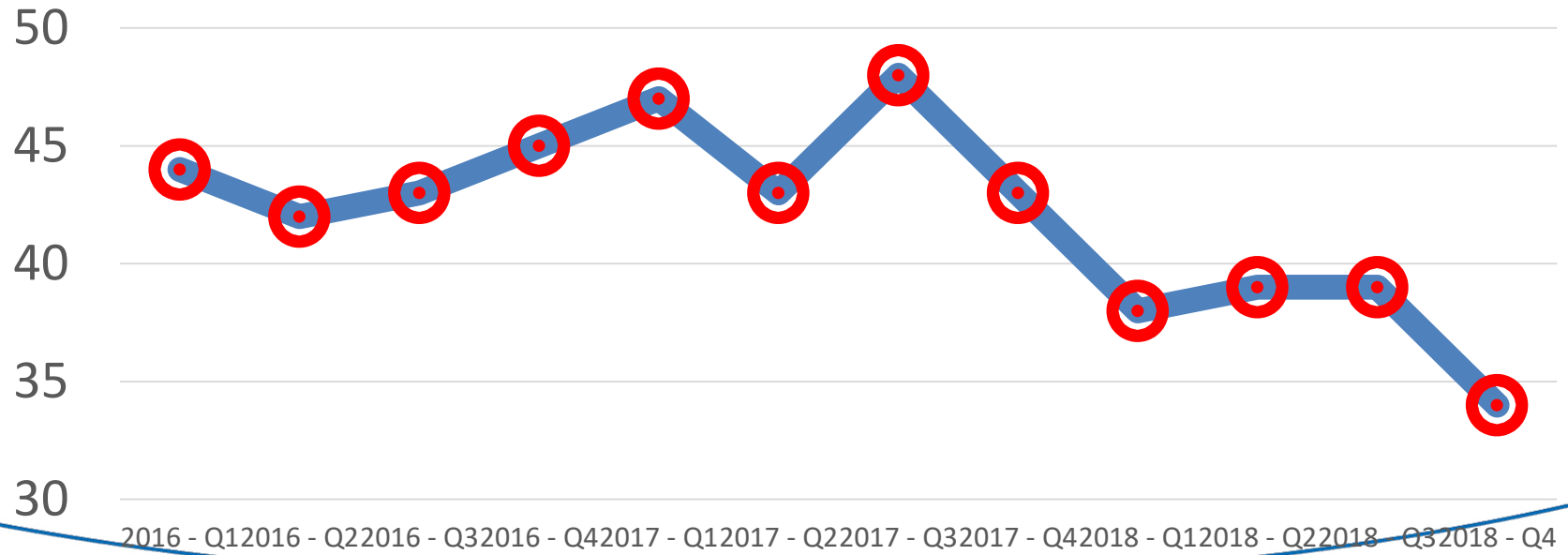


Concerns?

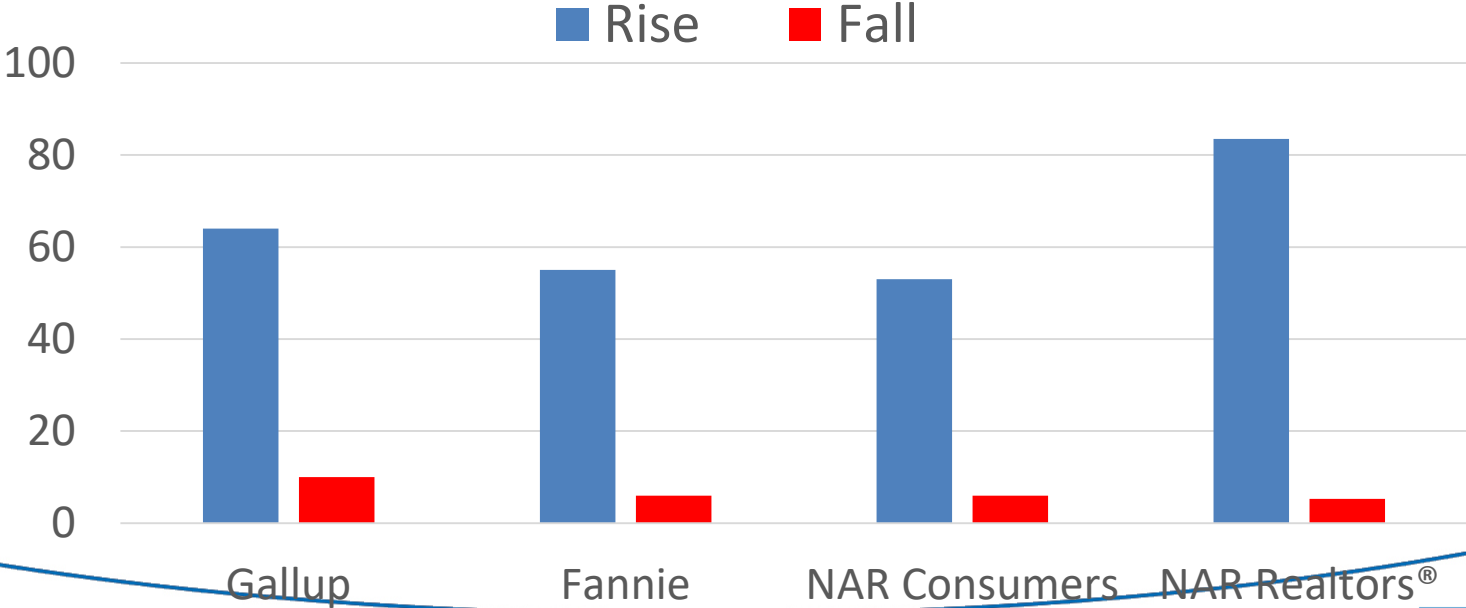
Diminished Optimism

NAR Survey of Consumers

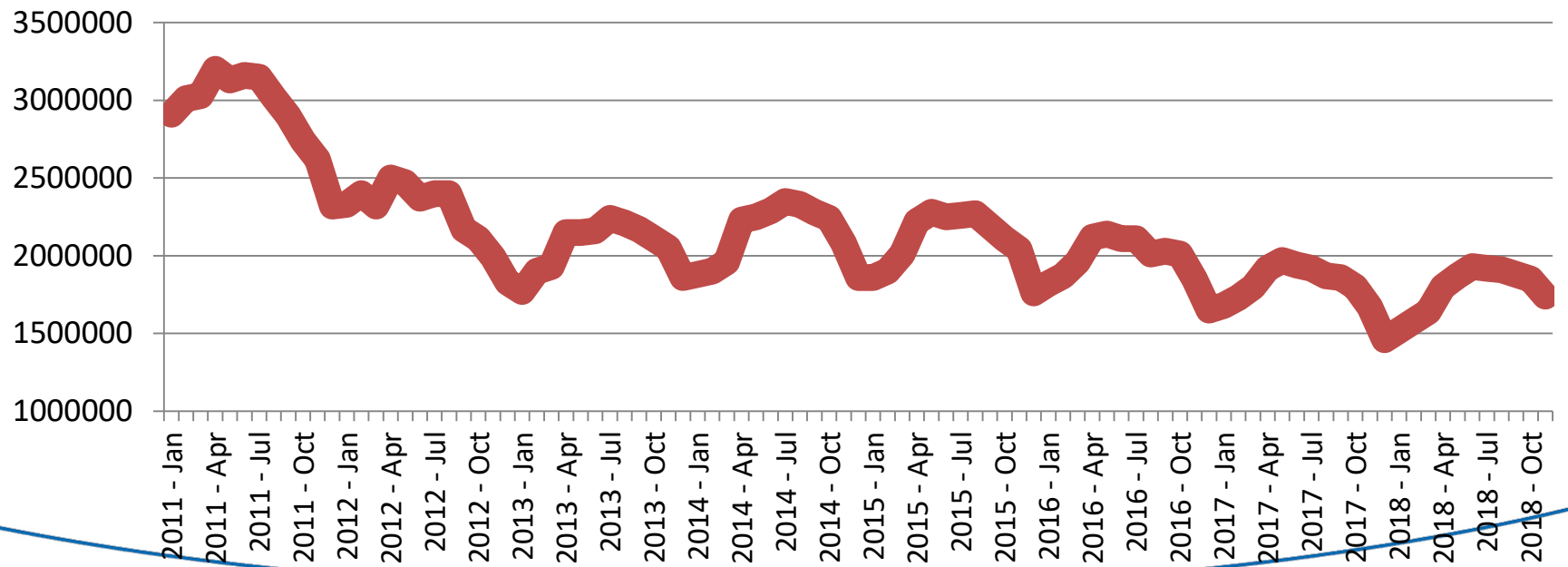
% Strongly indicating Good Time to Buy



Home Price Expectation

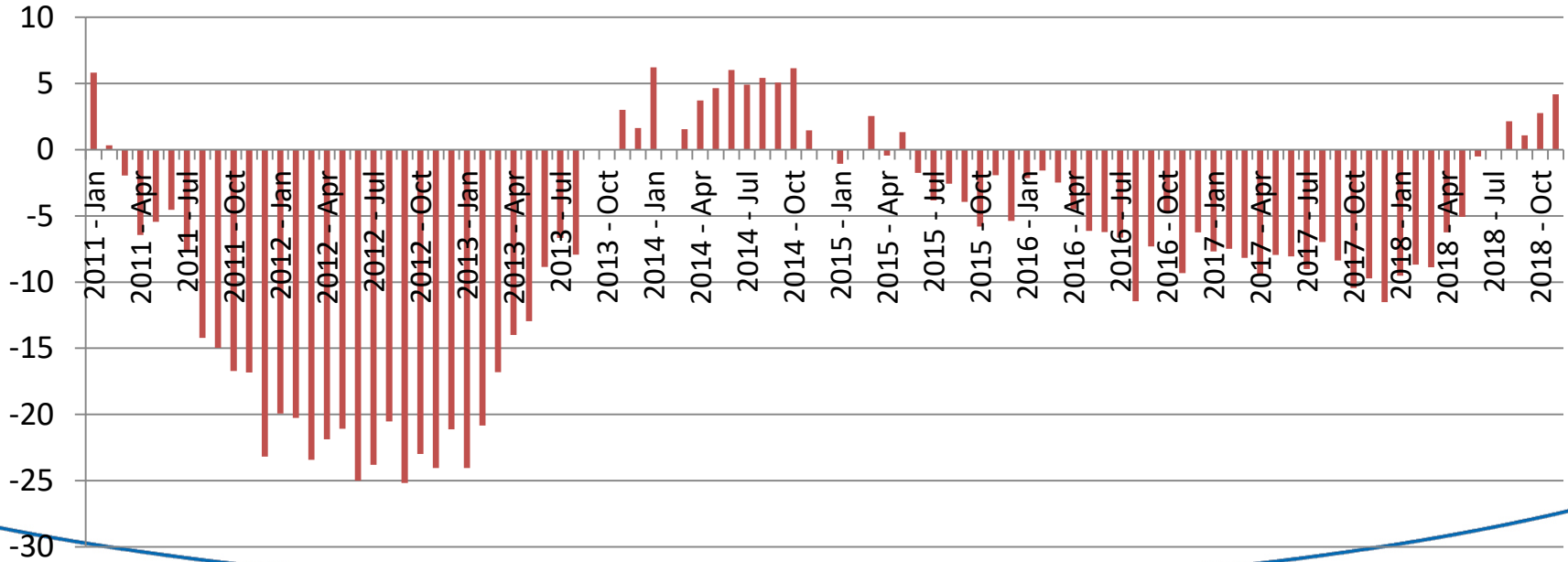


Inventory of Homes Finally Turning Higher



Source: NAR

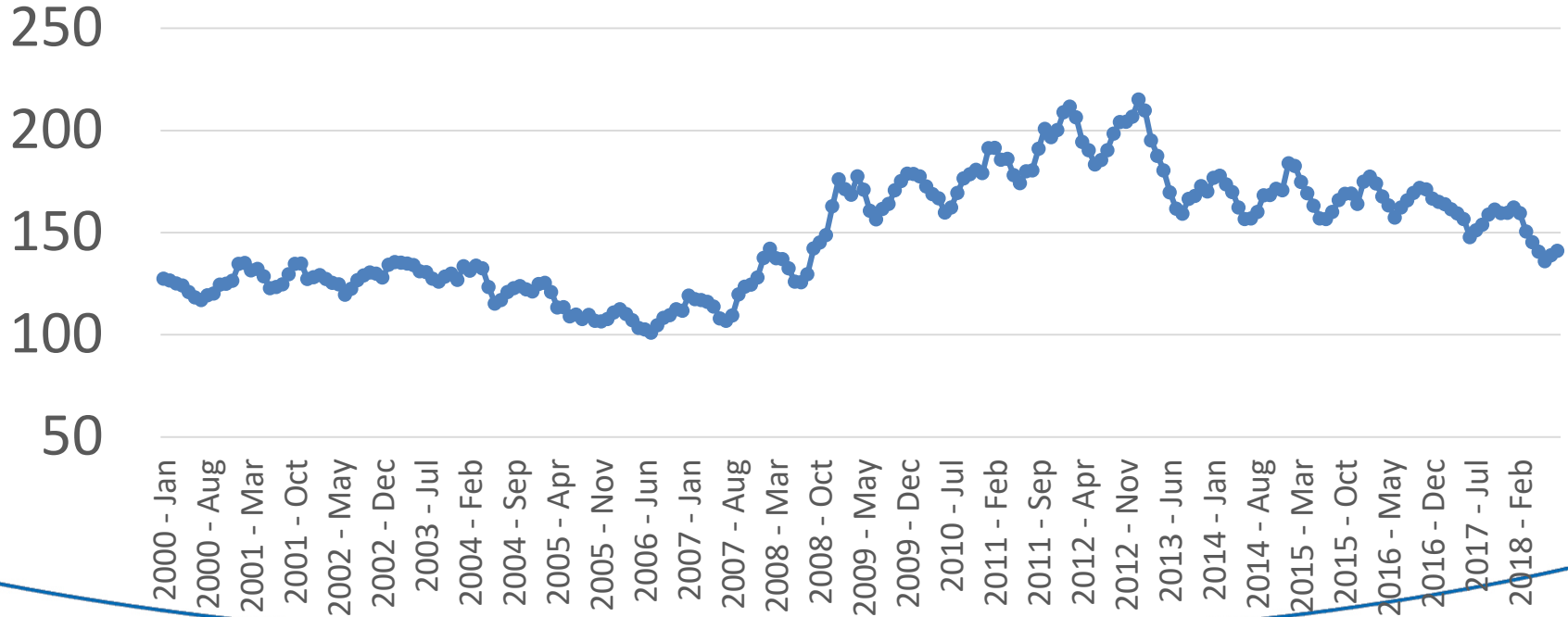
Inventory Growth (% change from one year ago)



Source: NAR

Affordability Index

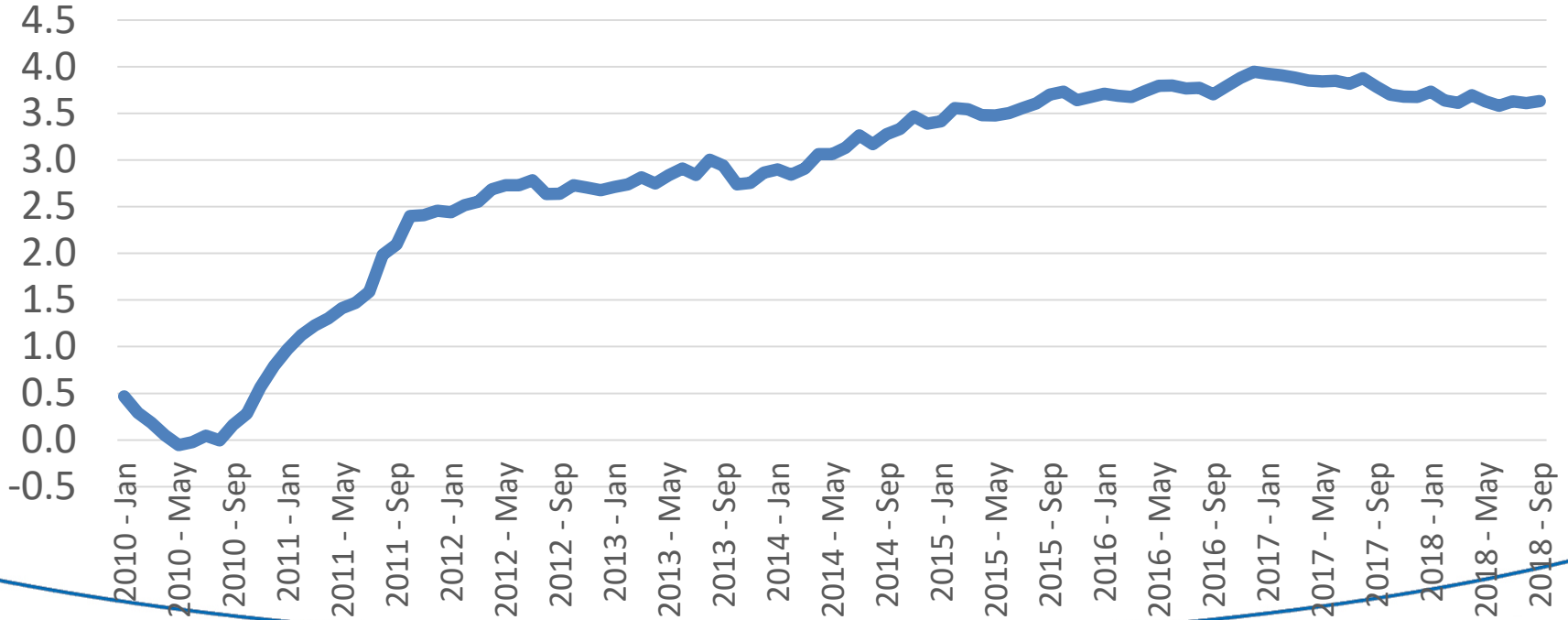
Weakest in 10 years



Source: NAR

Rent Growth Solid but now Slowing?

(year over year % growth)



Risk Factors

- International Trade Wars
- Rising Rates and Inverted Yield Curve
- Shift to Snowballing Pessimism

Forecast

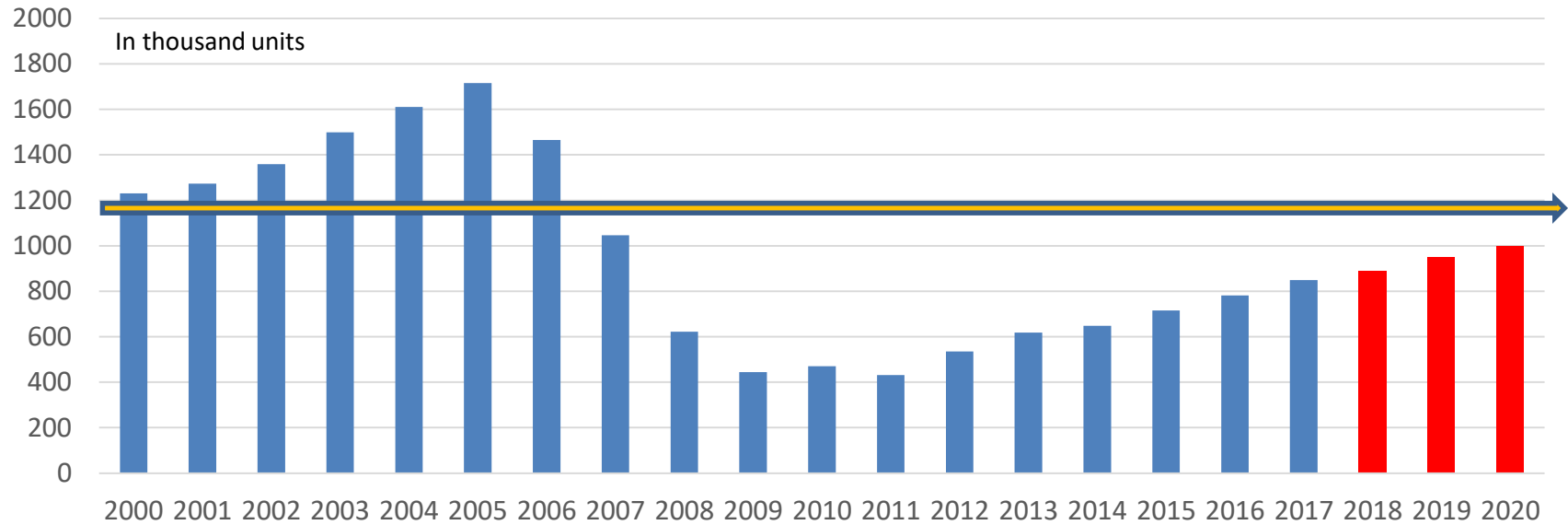
Forecast of Home Sales: Boring!

	Existing Home Sales	Newly Constructed	Total
2016	5,450,000	561,000	6.0 million
2017	5,510,000	613,000	6.1 million
2018 forecast	5,345,000	623,000	6.0 million
2019 forecast	5,400,000	690,000	6.1 million
2020 forecast	5,550,000	740,000	6.3 million
2000 Reference	5,173,000	877,000	6.1 million

Forecast of Home Price

	Median Home Price	% change
2016	\$233,800	5.1%
2017	\$247,200	5.7%
2018 forecast	\$258,900	4.7%
2019 forecast	\$266,800	3.1%
2020 forecast	\$274,000	2.7%

Forecast Dependent Upon Rising Single-Family Housing Starts



Local Solutions to Consider

Short-term approaches

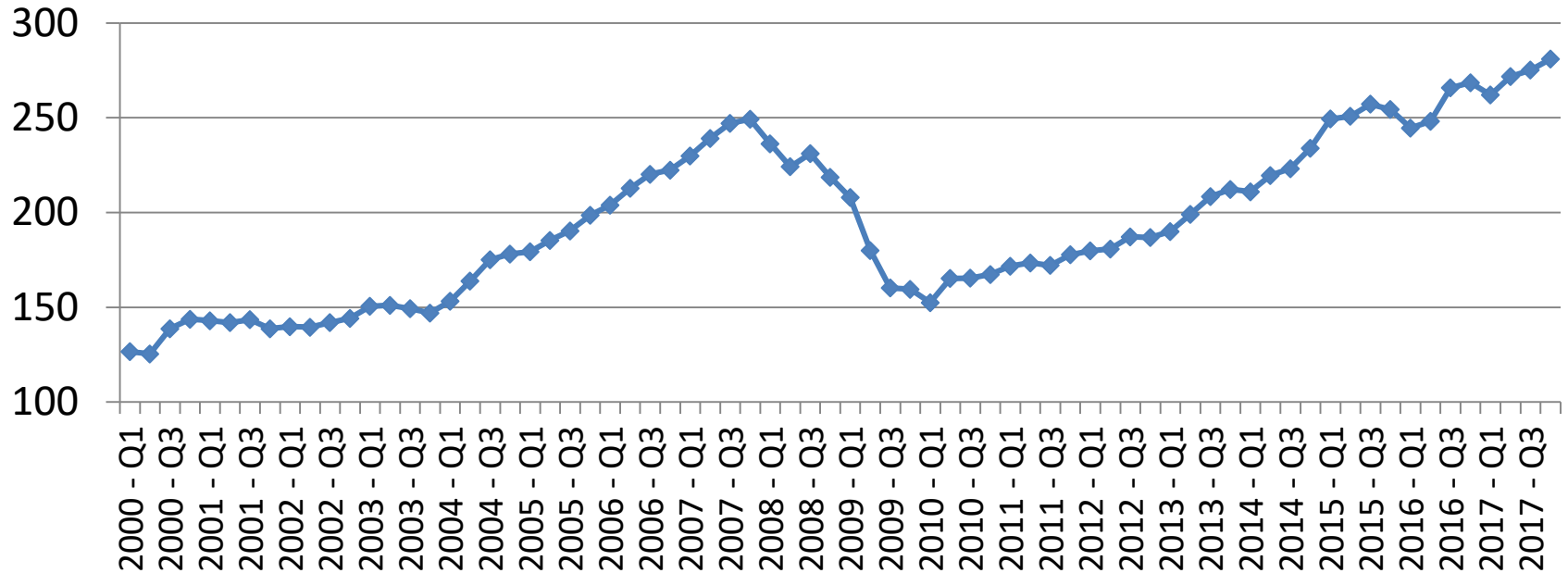
- Promote Accessory Dwelling Units
- Use Publicly-Owned Land for Affordable Housing Production
- Reduce impact fees and streamline approval processes
- Support Trade School and Apprenticeship Programs
- Update and reduce parking requirements in location-efficient areas
- Work with Community Banks to increase lending for housing development

Long-term approaches

- Amend Housing Rehabilitation Codes
- Reform Land Use and Zoning Regulations
- Updating Condominium Construction Defect Laws

Commercial Real Estate Outlook

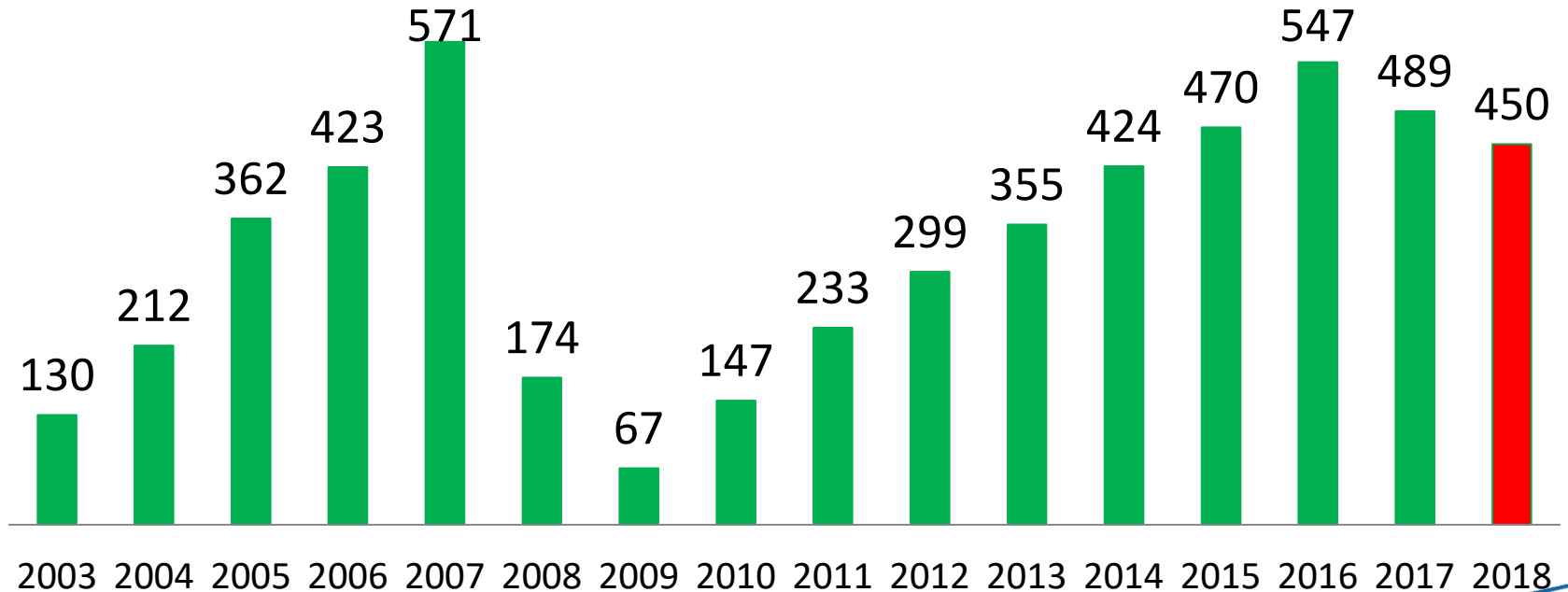
Commercial Property Price – New Highs (85% gain in 7 years)



Source: Federal Reserve

Commercial Investment Sales of Large Properties

(Properties valued at \$2.5 million and over)



Rising Cap Rates and Commercial Real Estate Prices

- Fewer transactions as buyers and sellers face-off without budging on price (5% to 10% decline in unit sales)
- Steady prices in mid-tier markets
- Modest price correction in big cities and trophy properties
 - (3% to 7% drop in 2018 after 90% increase)

Thank You !