

THE WEBINAR WILL BEGIN MOMENTARILY
PLEASE MUTE YOUR PHONES

Restoring Neighborhoods Task Force

January 21, 2020

@natlhousingconf

www.nhc.org



WEBINAR AGENDA

January 21, 2020

- **Welcome and Introductions**
- **Outlook for the 2020 Housing Economy**
 - Sam Khater, *Freddie Mac*
 - Lawrence Yun, *National Association of REALTORS*
 - Mike Fratantoni, *Mortgage Bankers Association*
- **Q&A**

Join NHC!

Member benefits include:

- Discounted registration for Solutions convenings
- Early notice of NHC publication releases
- Members-only email newsletters with regular updates on policy and the housing field
- Participation in policy and issue working groups
- Gala tickets and table discounts





2020 Session Topics include:

Advocating to end homelessness: How communicators can spur action, gain support & counter opposition

GoodComm: Messaging for affordable housing

The future of housing news



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Outlook for the 2020 Housing Economy

Sam Khater, Freddie Mac

Lawrence Yun, National Association of REALTORS

Mike Fratantoni, Mortgage Bankers Association

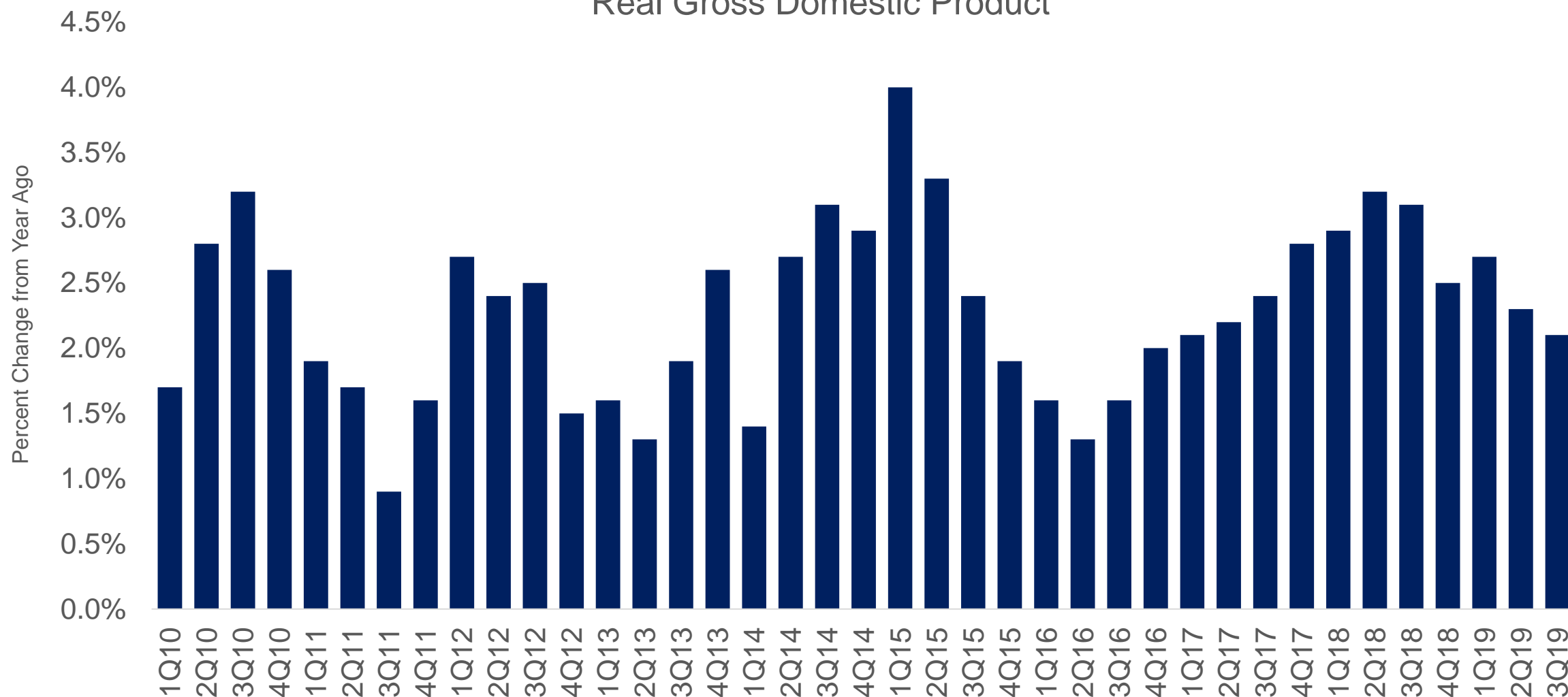
Economic and Housing Market Outlook

Sam Khater, Chief Economist
January 2020

- Economic Growth is Slowing Due to Weaker Investment and Global Growth
- But Strong Job Market Leading to Solid Consumer Spending
- Lower Rates Led to a Rebound in Home Sales But Supply Shortage is Limiting Sales Rebound
- Lack of Supply is a Major Obstacle to Proper Functioning House Market Causing Many Downstream Ripple Effects
 - Lower Household Formations and a Failure to Launch for Young Adults
 - High Number of Renters Scramble for Shrinking Inventory
 - Intense Competition Drives Up Entry Level Home Prices Much More than Luxury Prices
 - Older Affordable Homes Being Raided by Higher Income Households
 - First Time Buyers Move Further Out

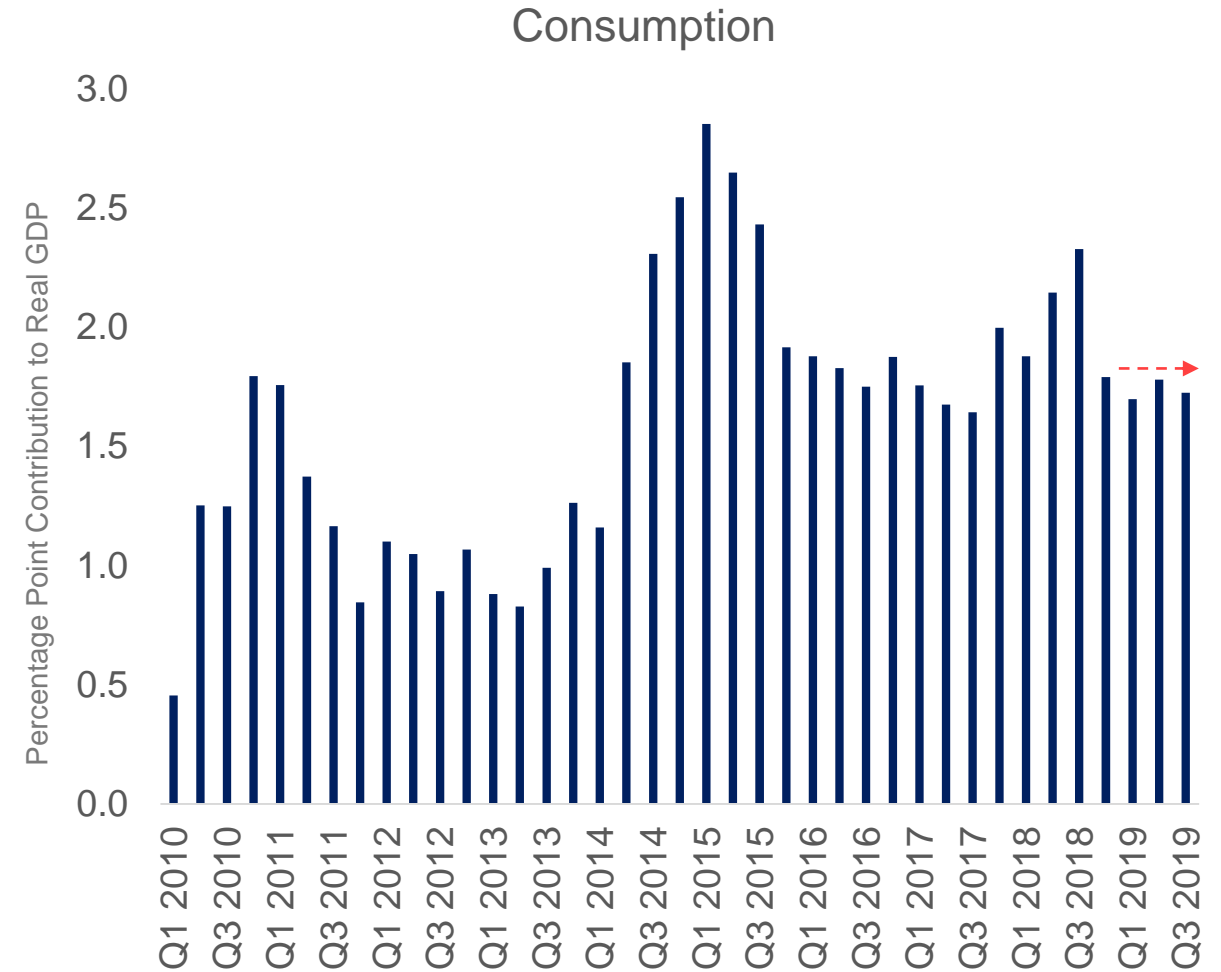
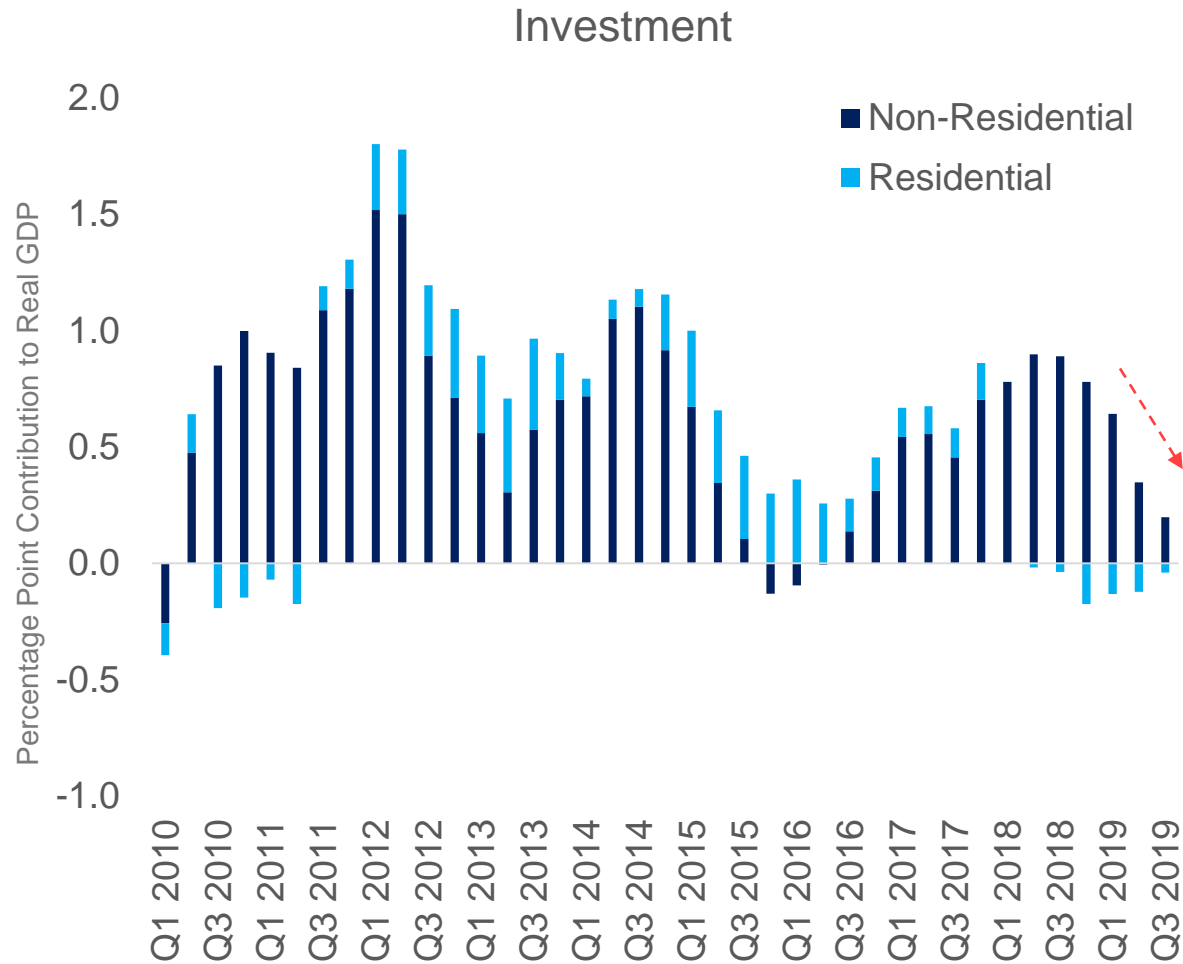
Economic Growth is Decelerating...

Real Gross Domestic Product



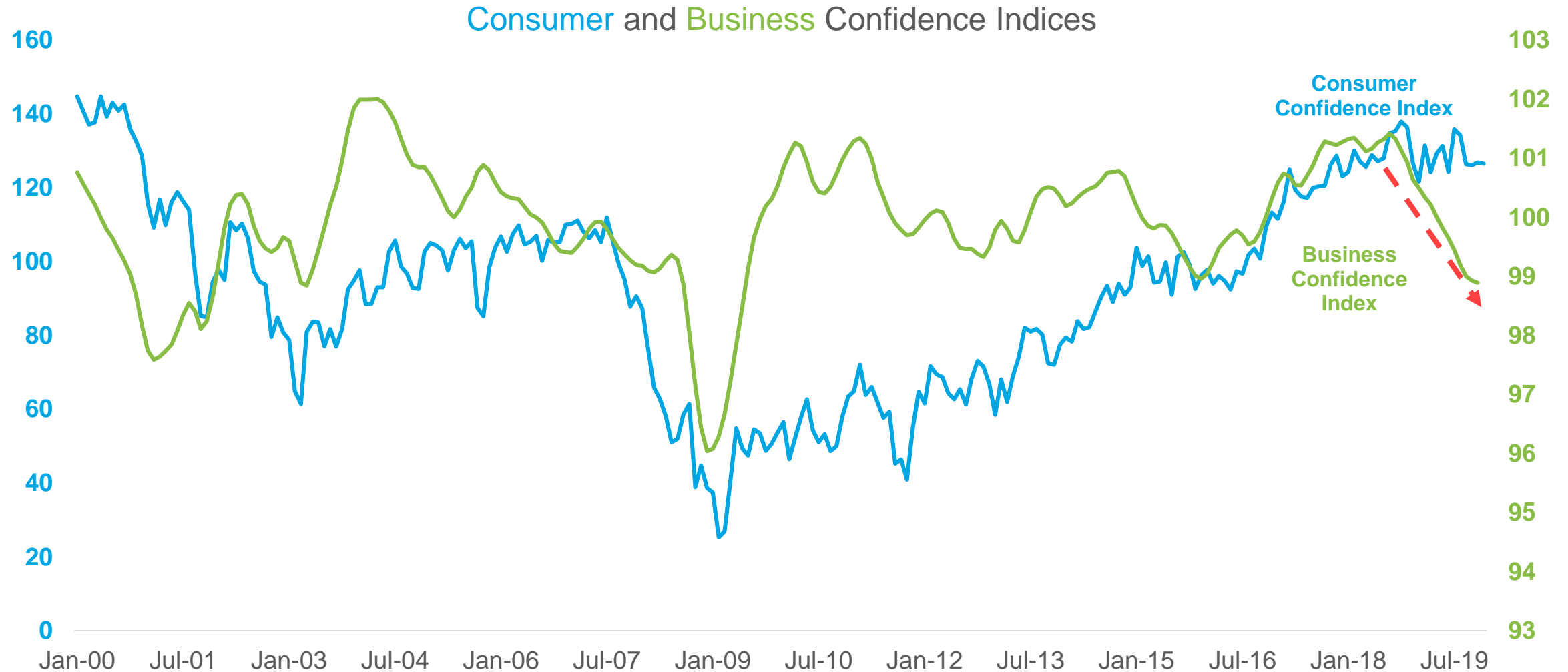
Source: US Bureau of Economic Analysis

...Driven by Contraction in Investment but Consumer Spending Remains Firm



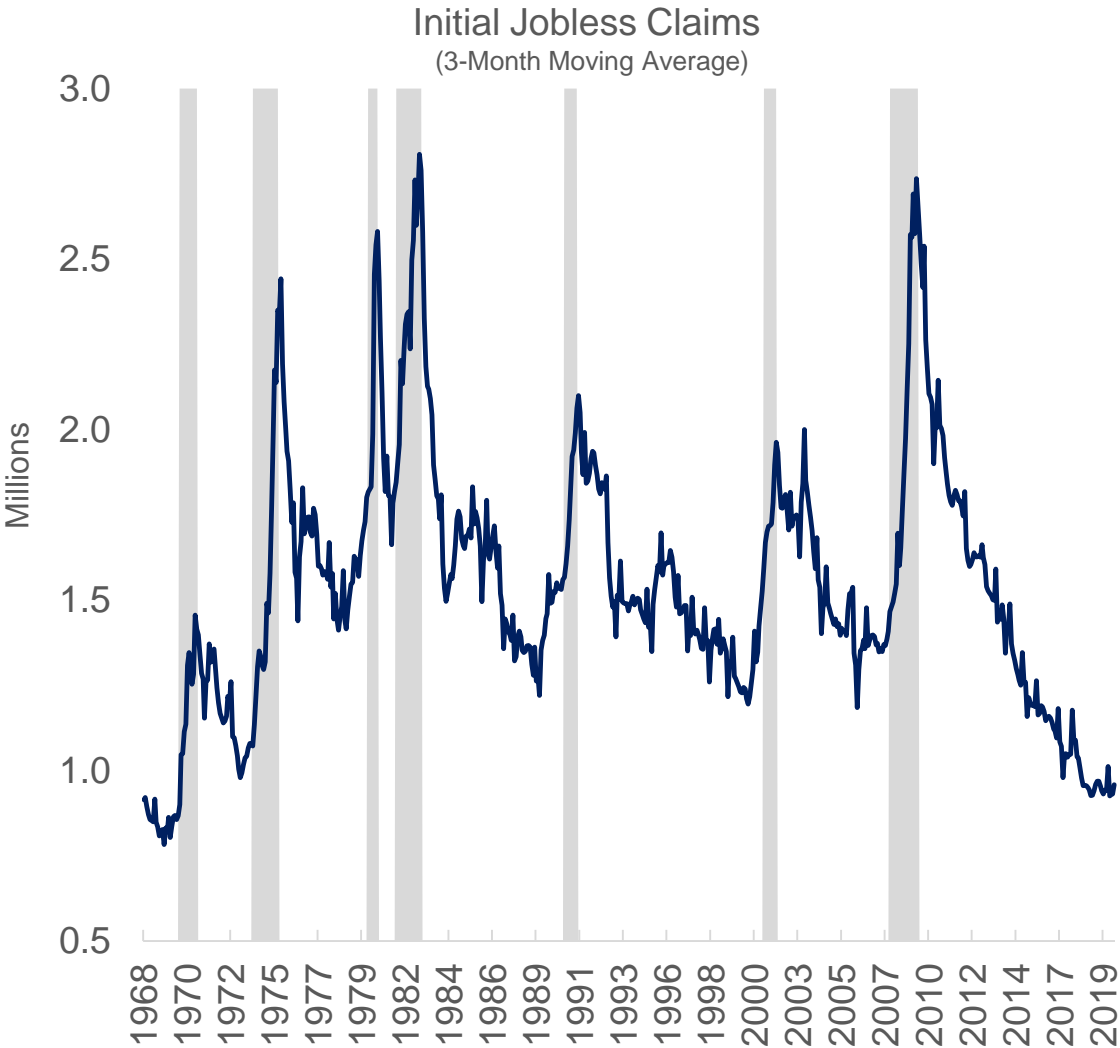
Source: US Bureau of Economic Analysis, 4 quarter moving average

Business Confidence Declines, but Consumers Remain Firm

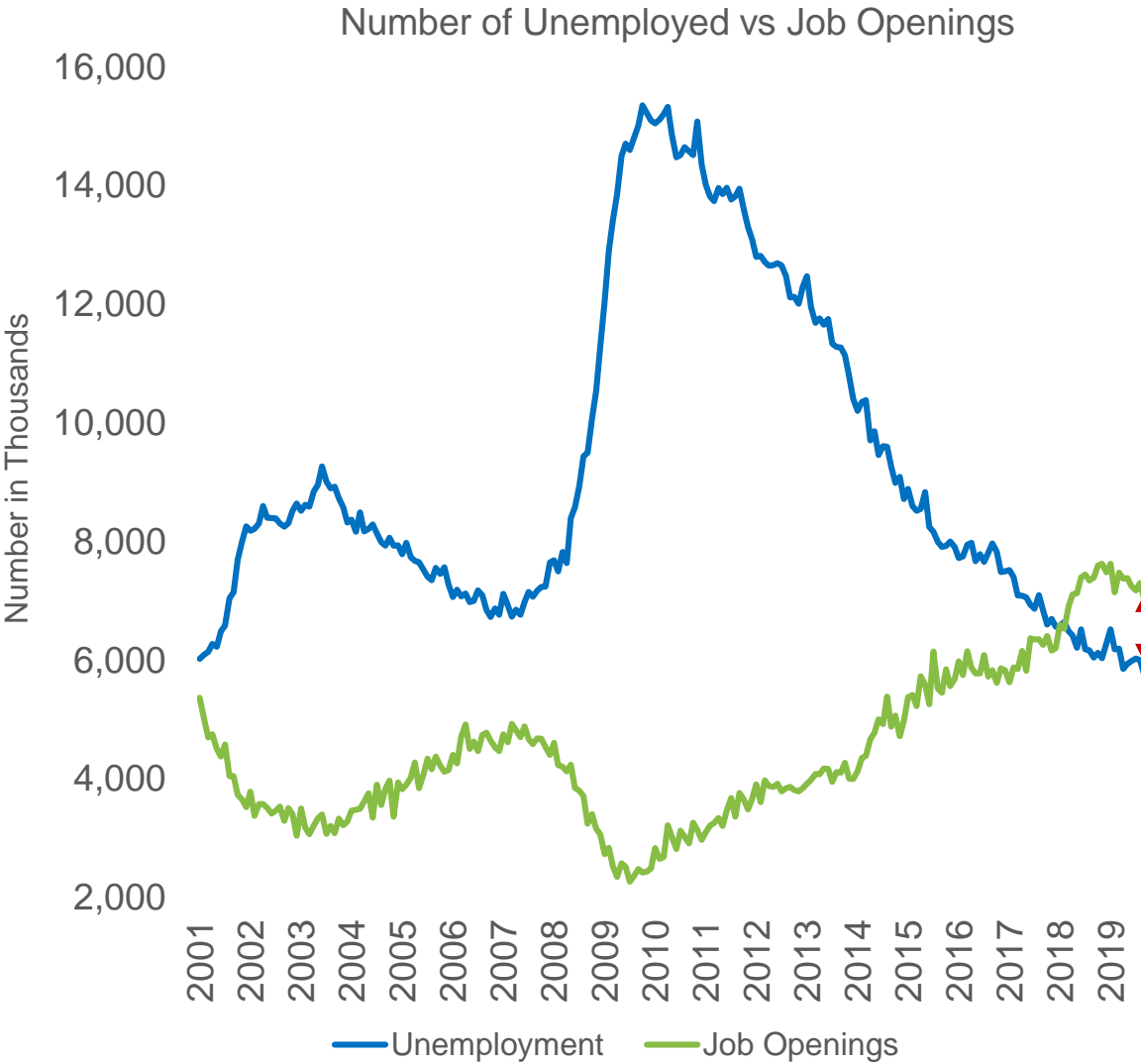


Source: Conference Board and OECD

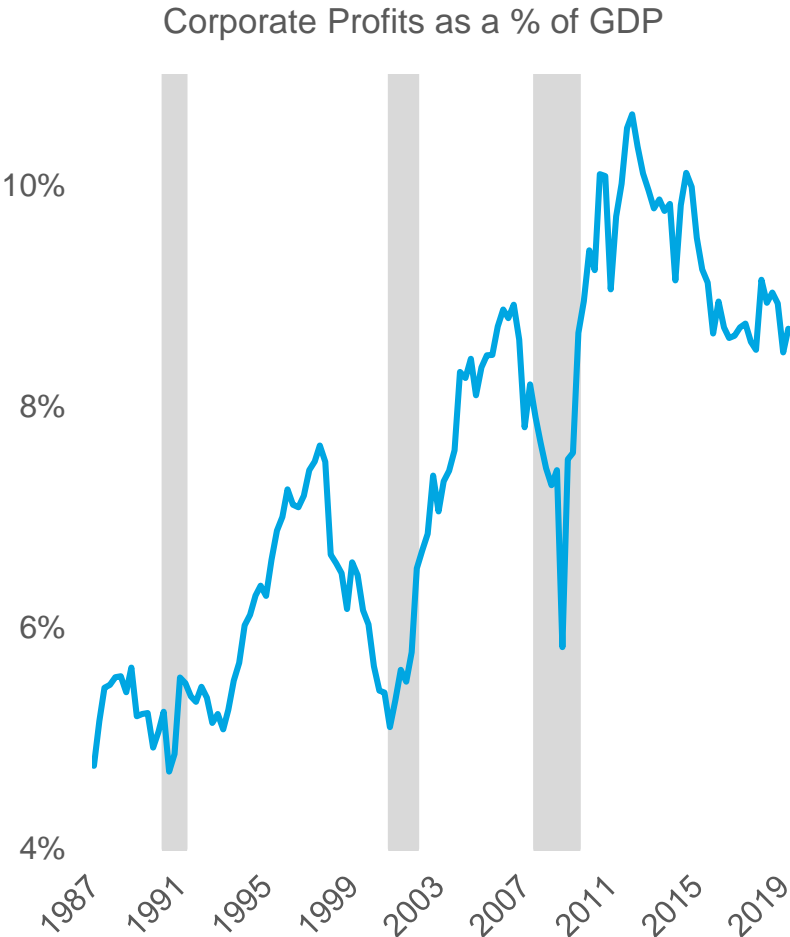
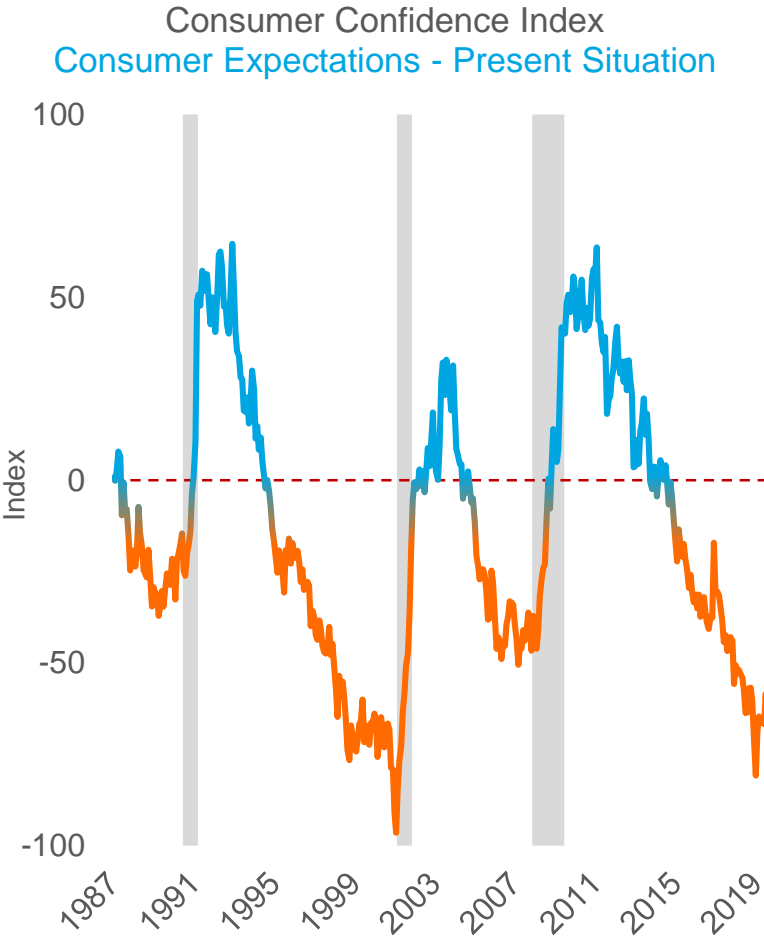
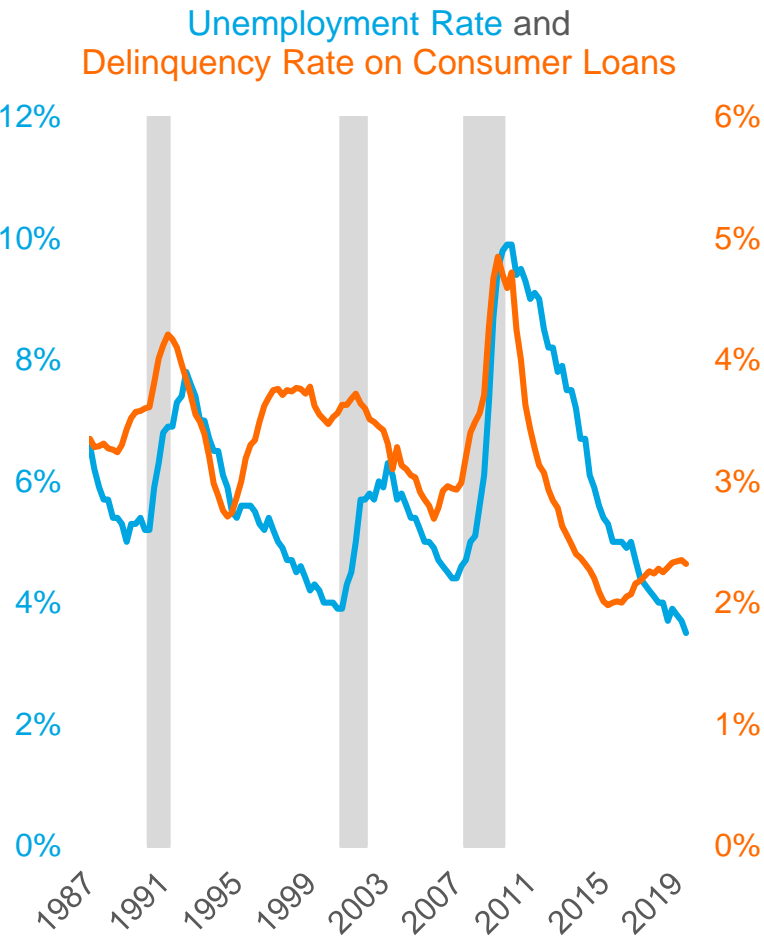
Consumers are Confident Because Unemployment at 50 Year Lows and There Are More Job Openings Than Unemployed



Source: ETA and BLS



Economy on Solid Ground But Some Warning Signs are Emerging

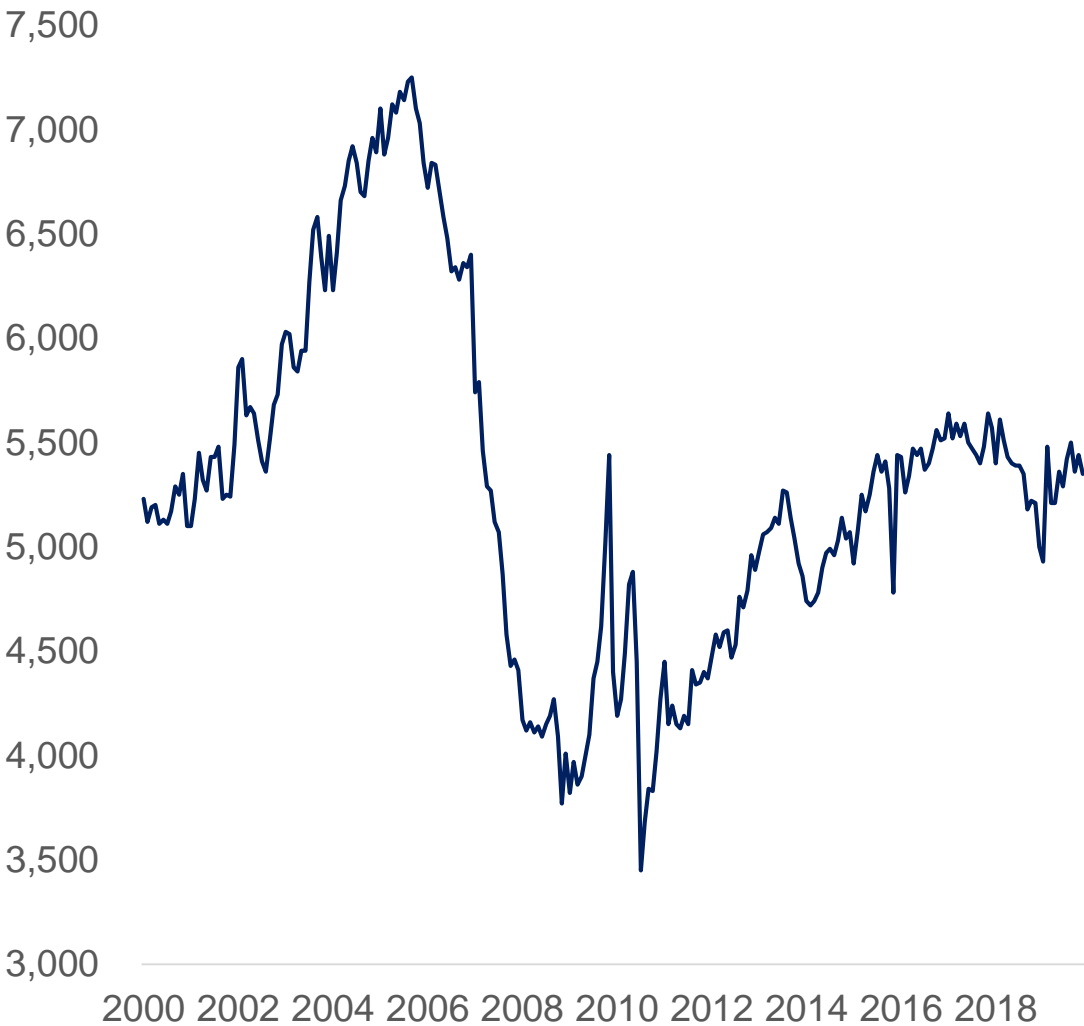


Source: FDIC, Conference Board, BLS and BEA

Existing Home Sales Regain Some Momentum in 2019, But Have Already at the Speed Limit

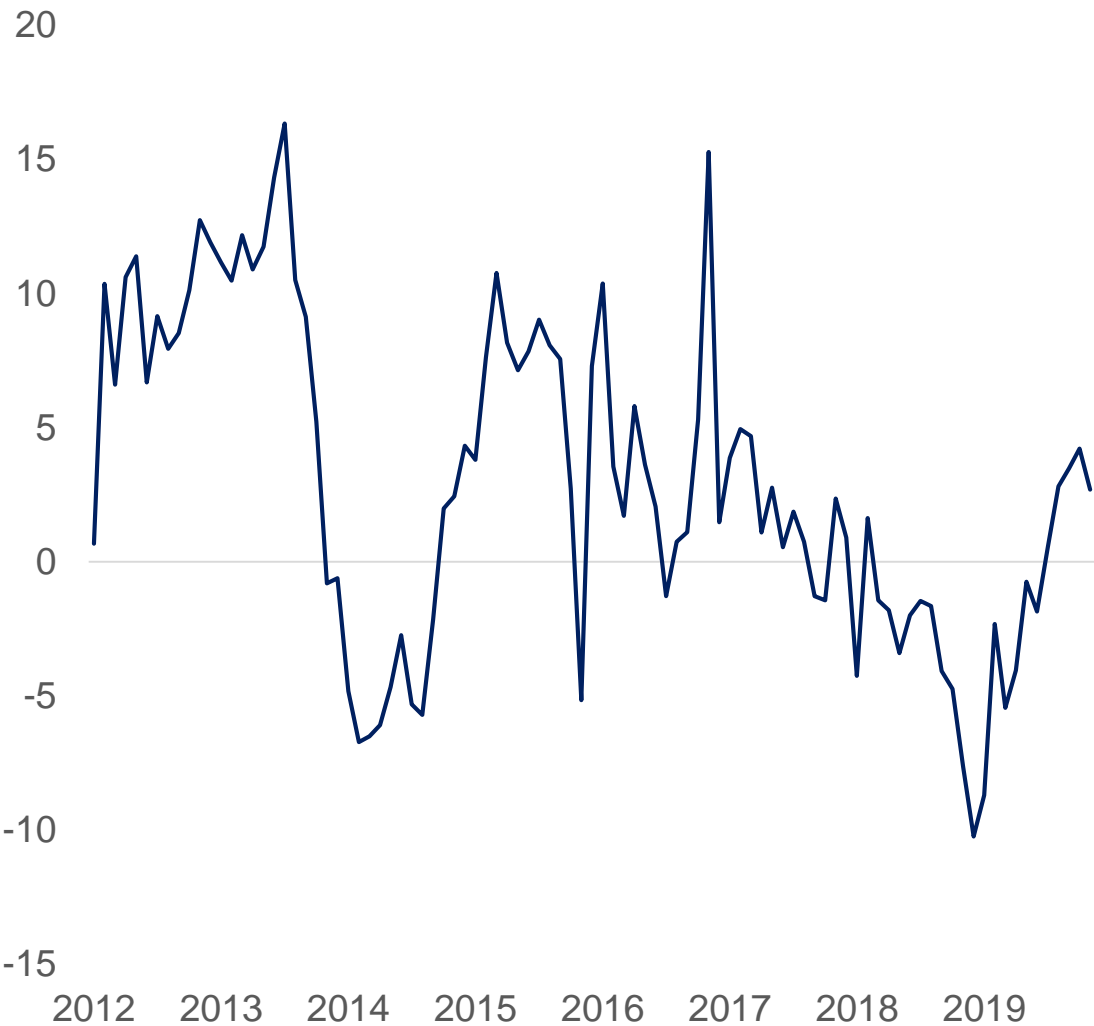


Existing Home Sales (Ths. #, SAAR)

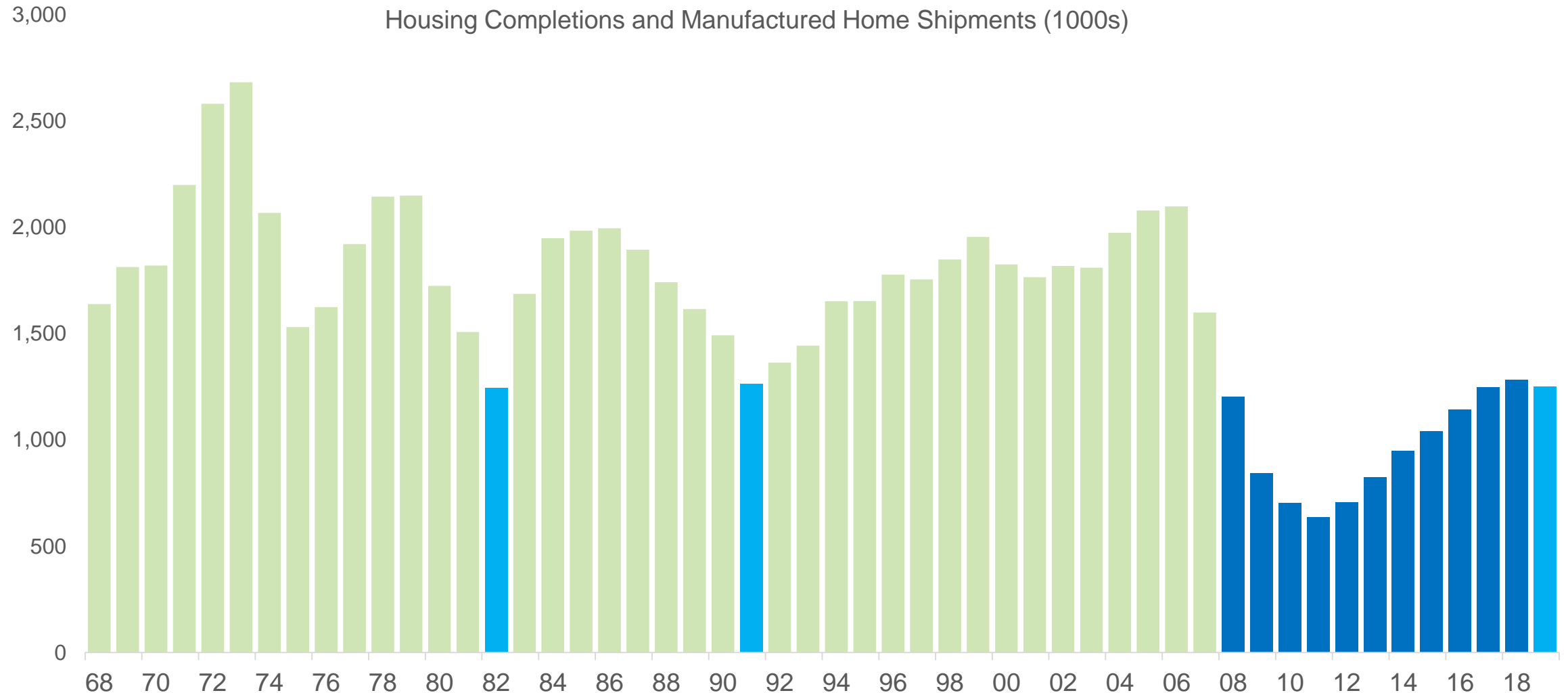


Source: National Association of Realtors

Existing Home Sales (Pct Change YOY)



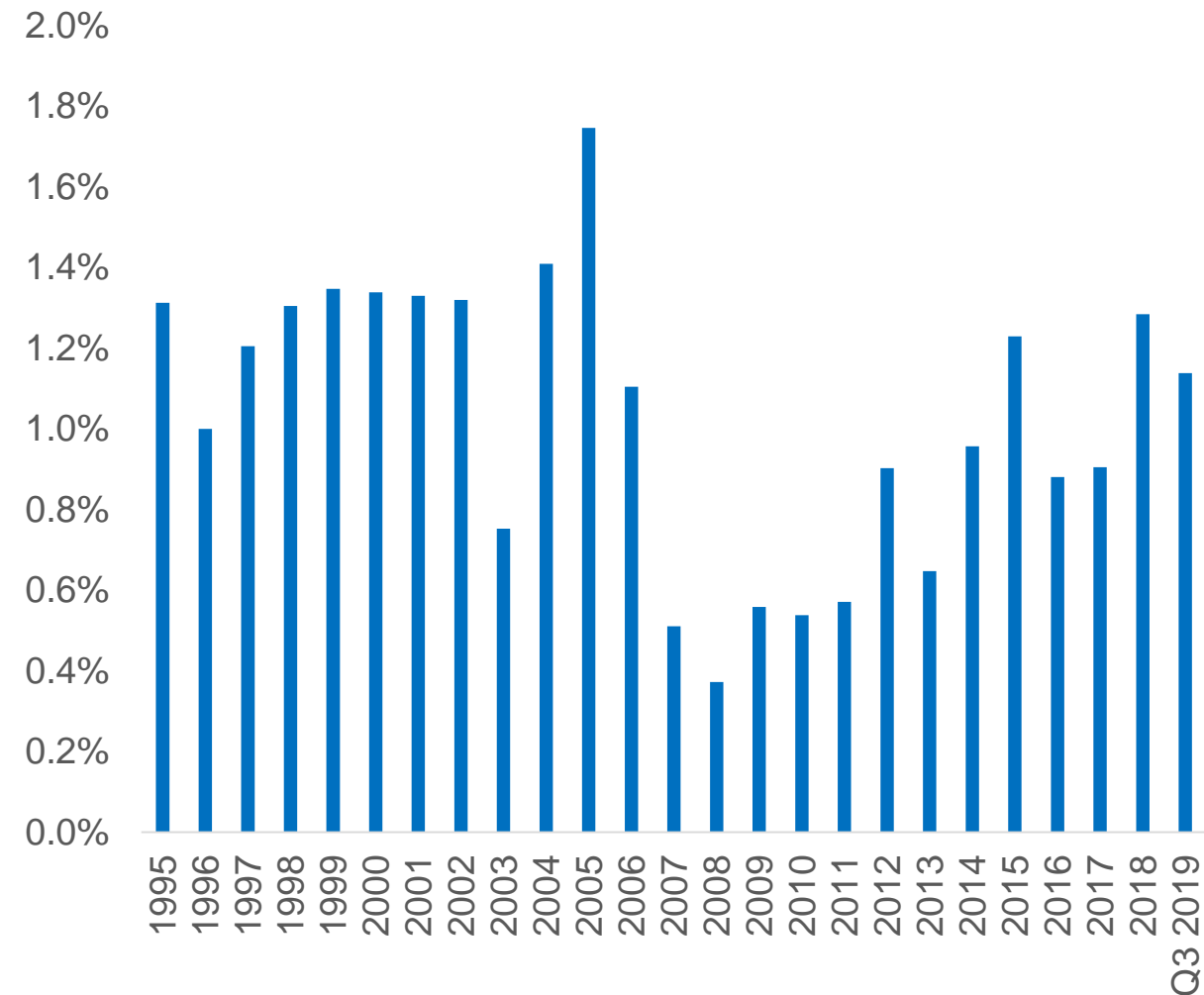
New Housing Supply Still at Recession Levels



Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety

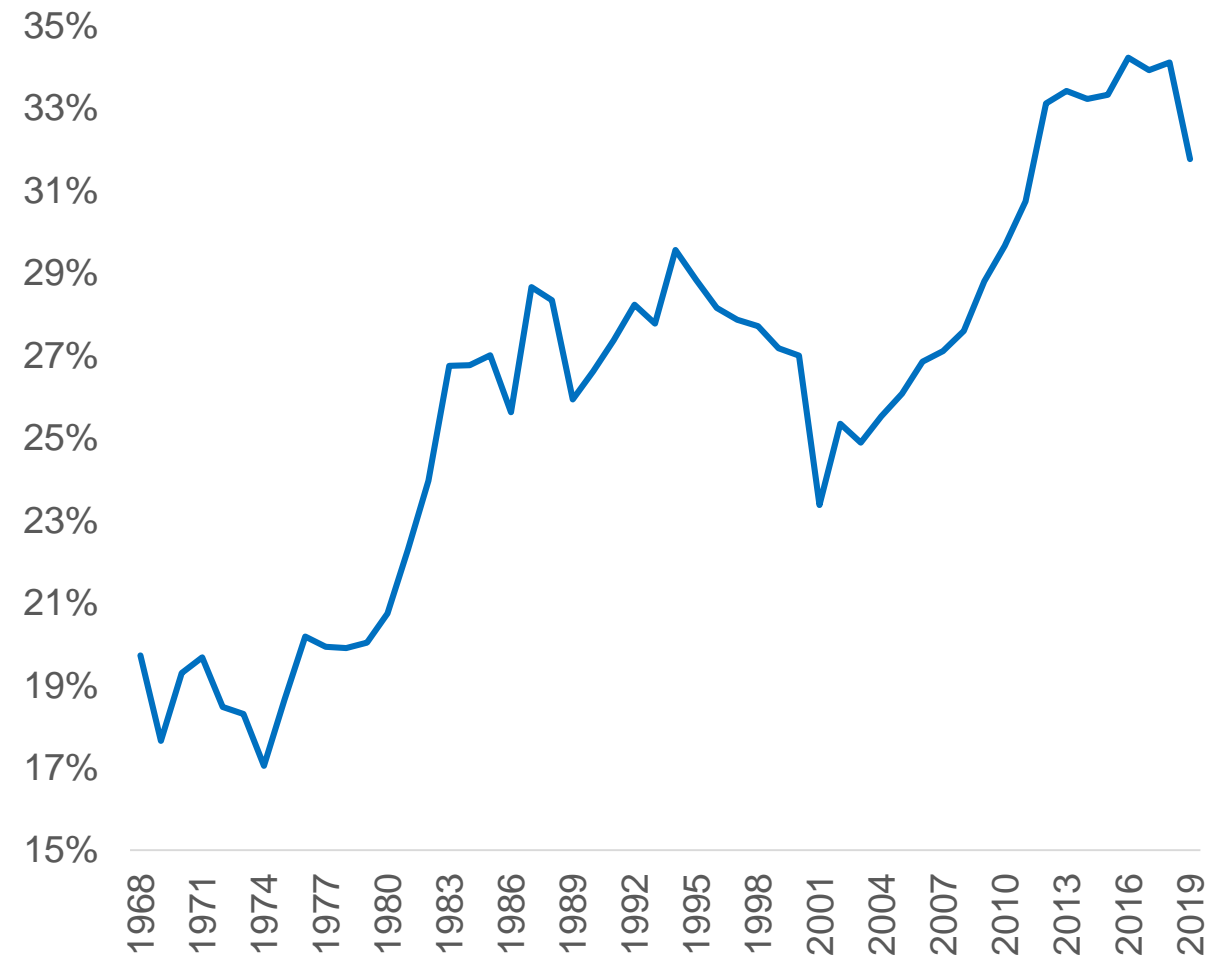
Impact of Supply Shortage #1: Slower Household Formations and More Young Persons Living at Home

Percent Change in Households from Year Earlier



Source: U.S. Census Bureau

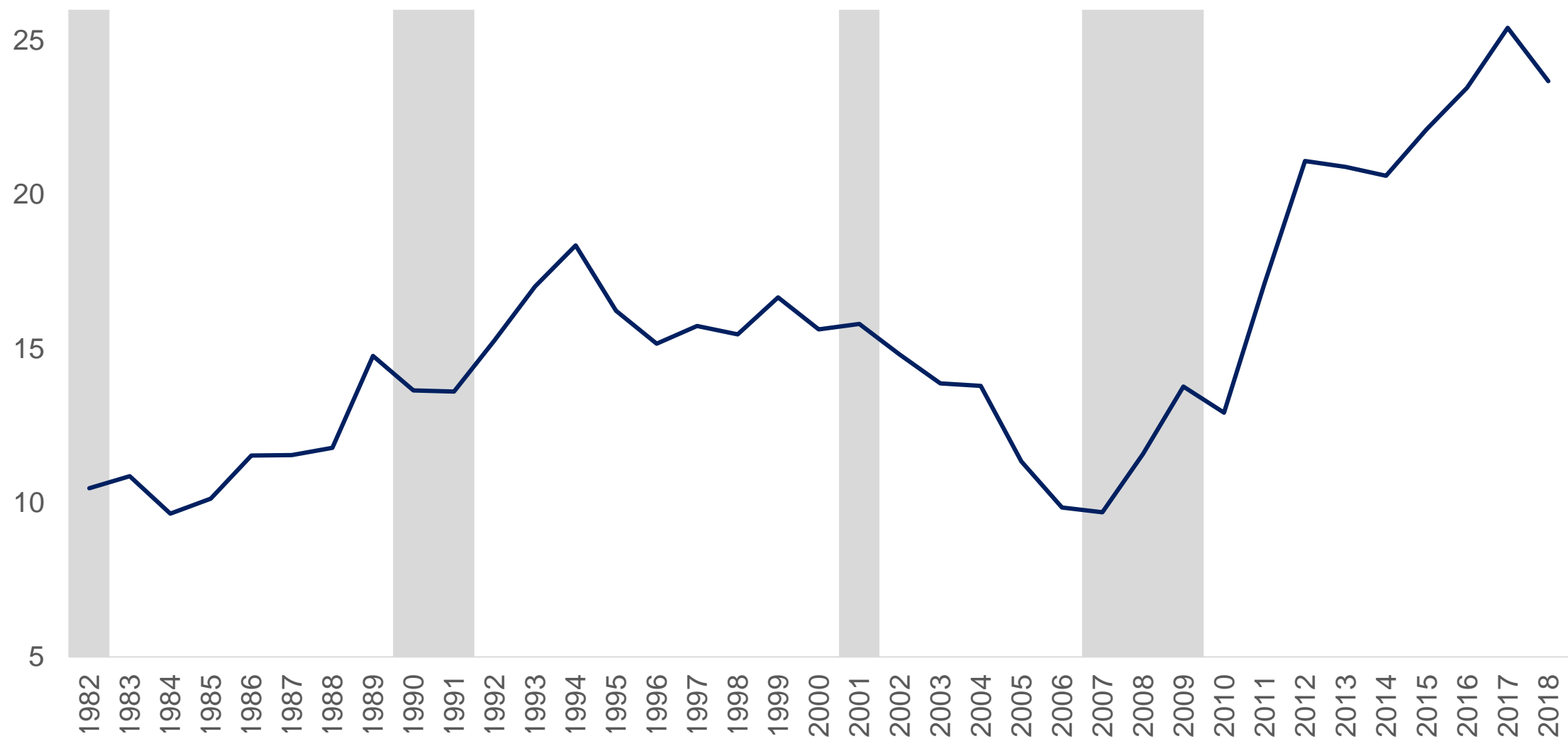
Percent of 23 to 25 Year Old's Living at Home



Impact of Supply Shortage #2: Renters Scramble for Shrinking Inventory

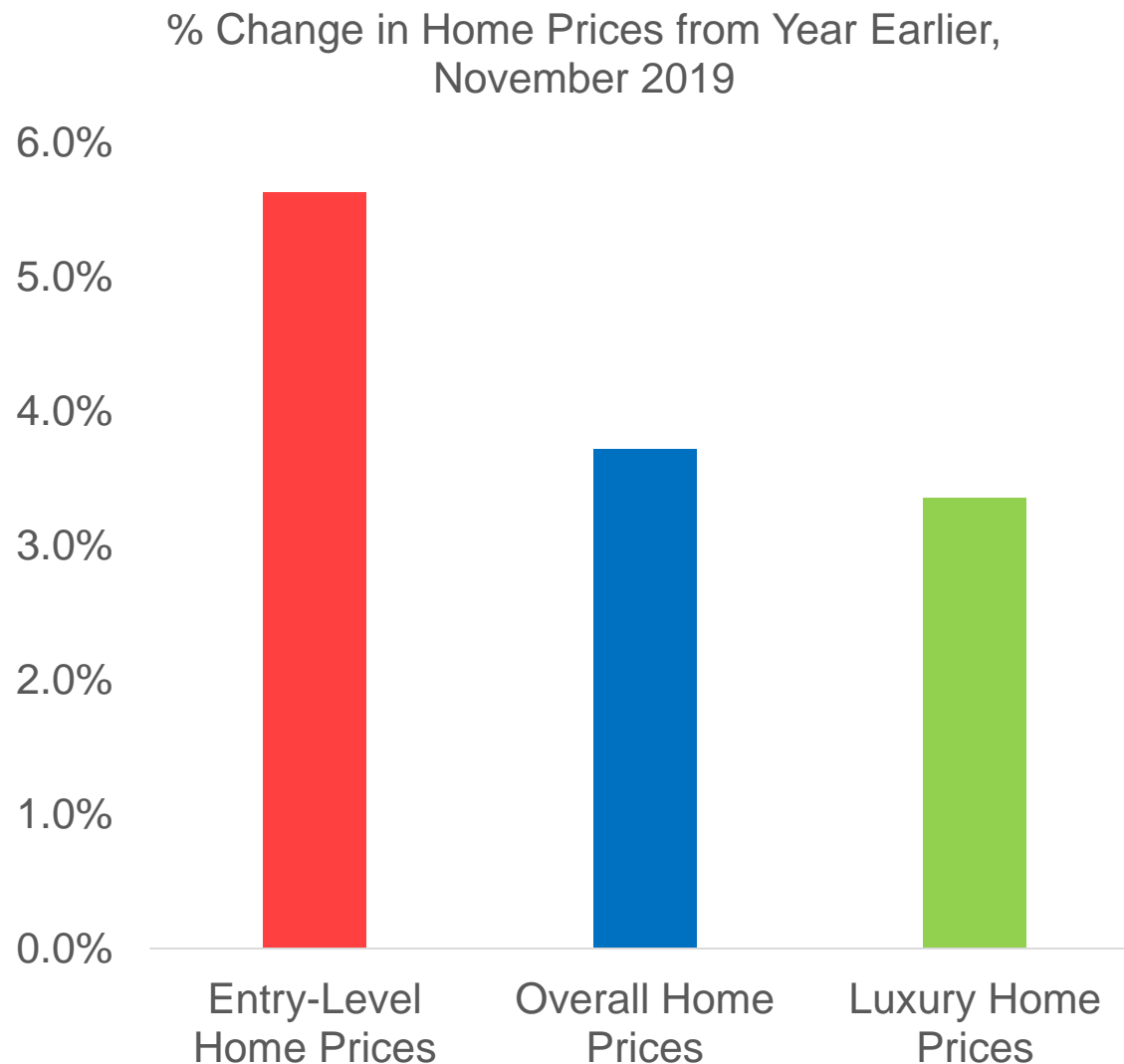
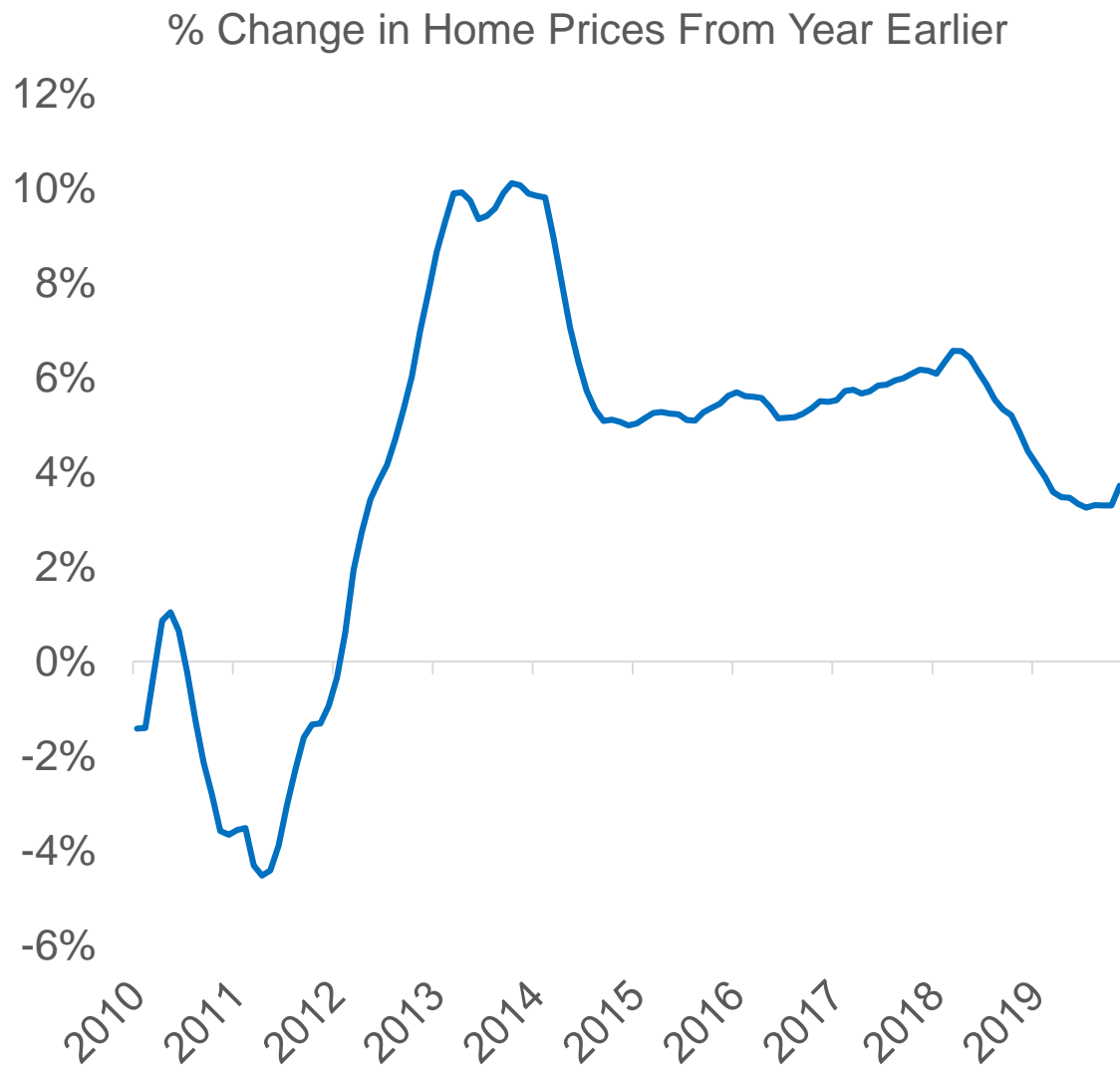


Number of Renter Households per Home Available For Sale

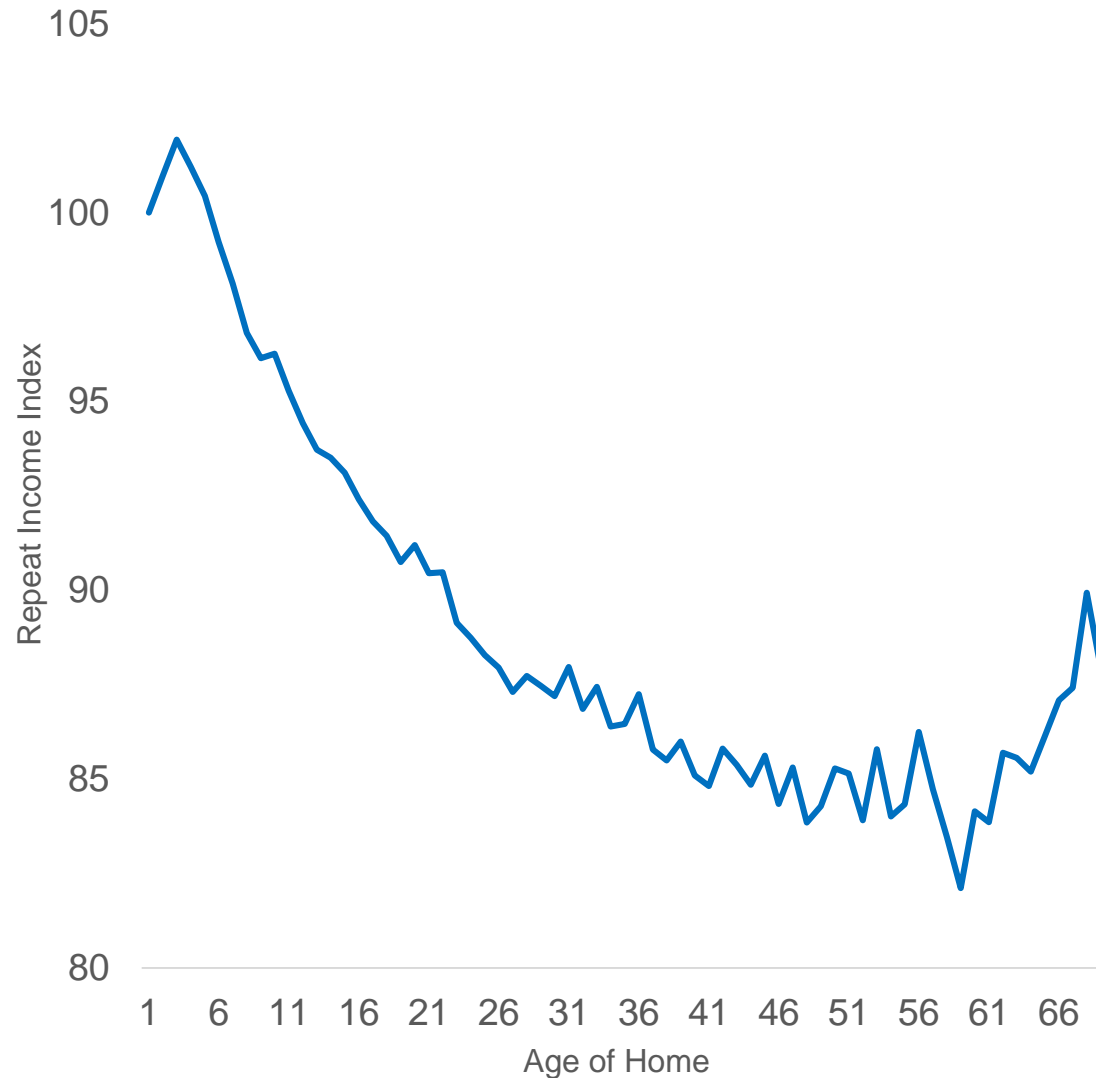


Source: National Association of Realtors, U.S. Census Bureau, IPUMS - CPS

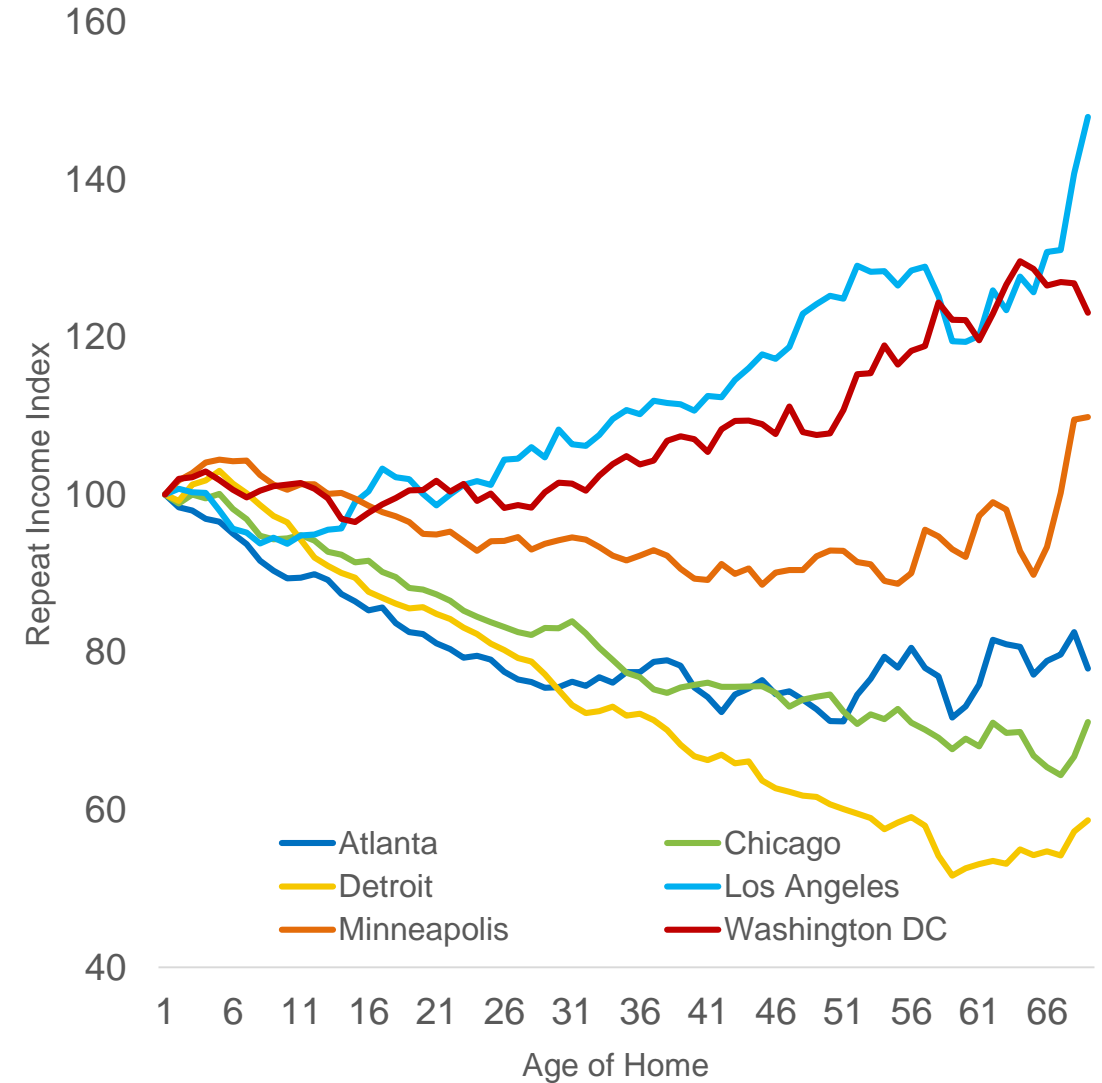
Impact of Supply Shortage #3: Entry-Level Home Prices Rising Much More than Other Segments



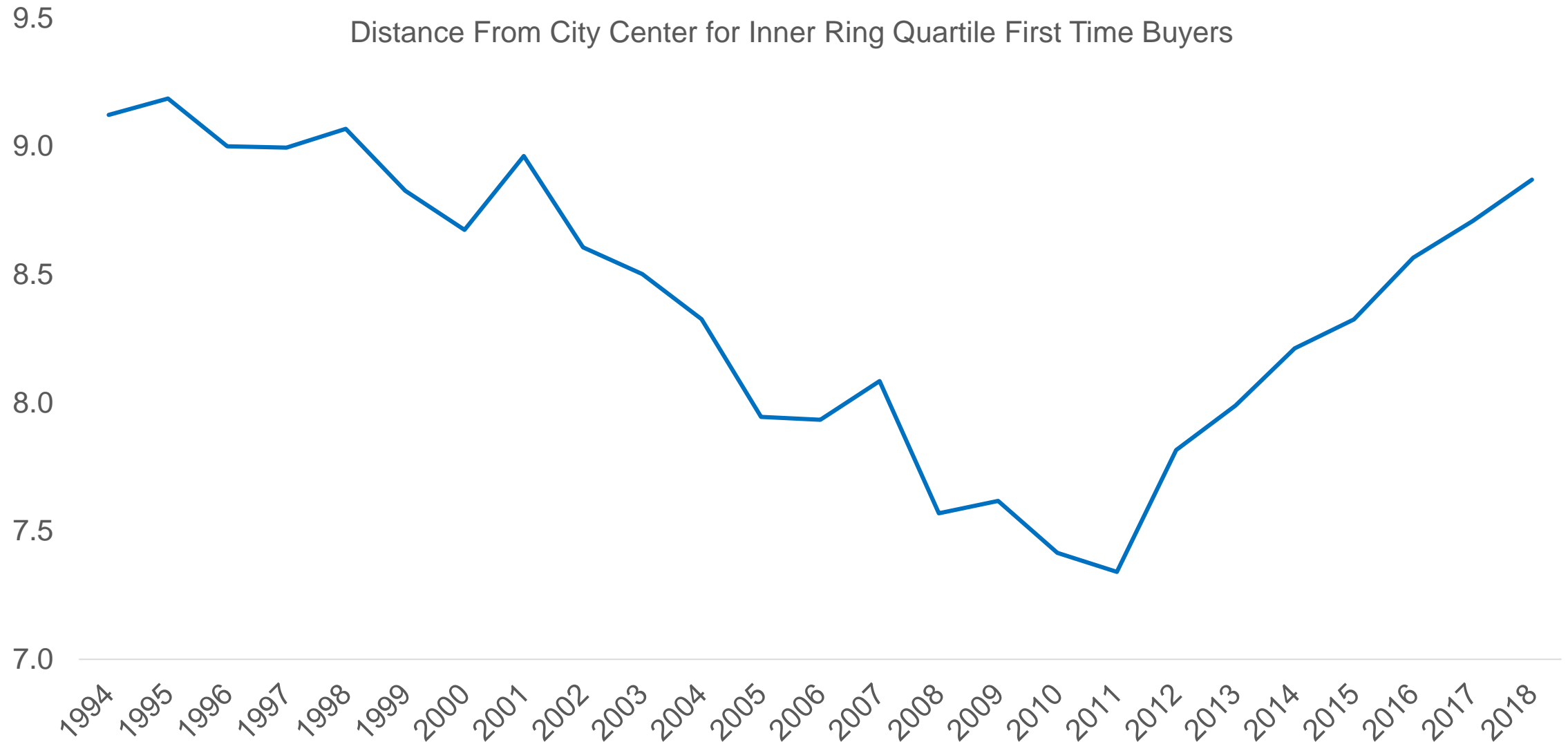
Impact of Supply Shortage #4: Older Homes are Being Raided by Higher Income Households (or Filtering Up)



Source: Freddie Mac



Impact of Supply Shortage #5: First Time Buyers Moving Further Out Due to Affordability Pressures



Source and Note: This is using Freddie Mac first time homebuyers. Each loan was geocoded and we computed the Euclidean distance to city center for each property. The analysis was done for the 50 largest metros.

The End!

Tweets: @TheSamKhater

Economic and Housing Research: <http://www.freddiemac.com/research>

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OUTLOOK FOR THE 2020 HOUSING ECONOMY

Lawrence Yun

Chief Economist | Senior Vice President, Research
National Association of REALTORS

Economic and Mortgage Market Outlook

Prepared for NHC

Presented by:

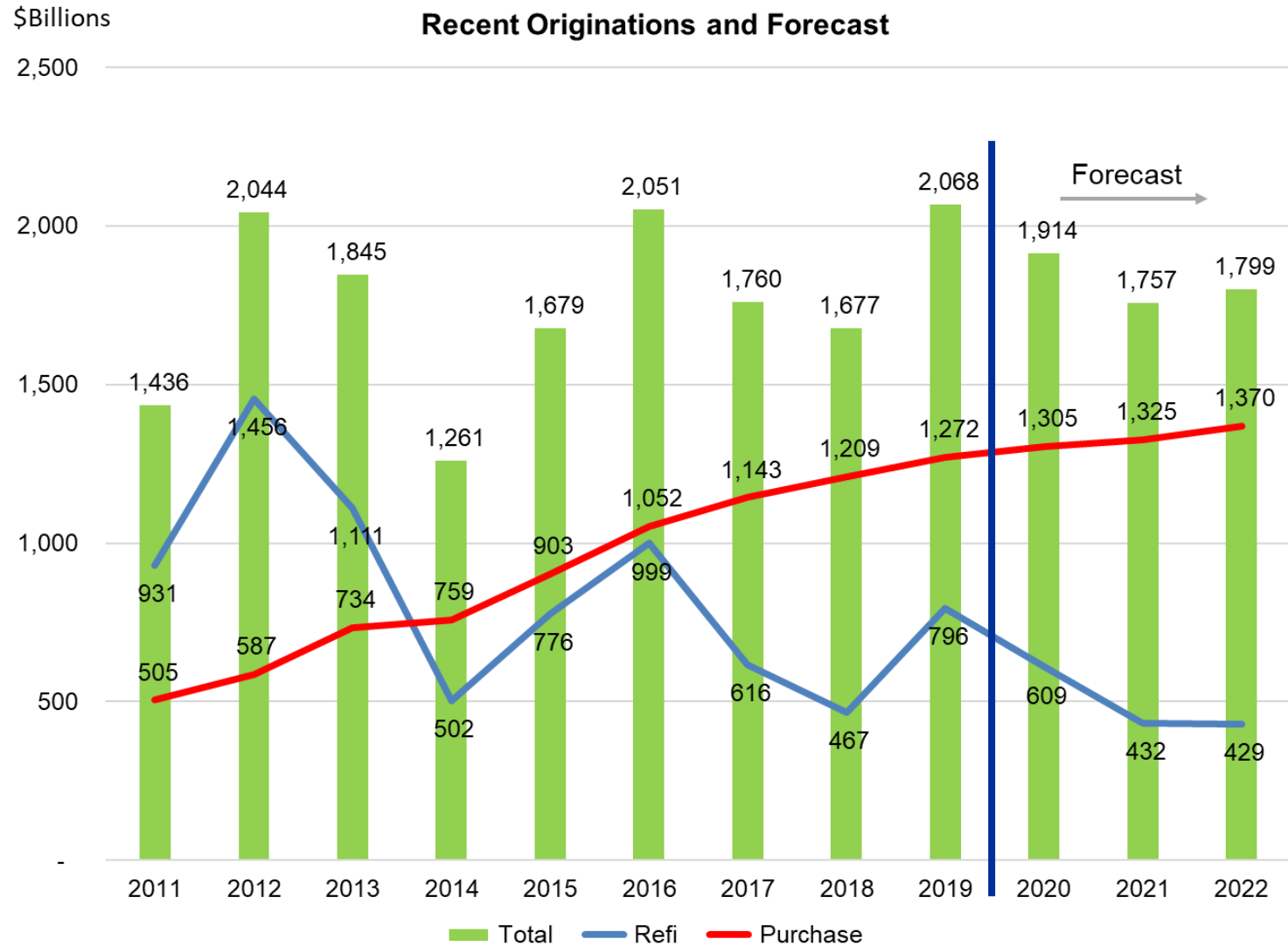
Mike Fratantoni

Mortgage Bankers Association

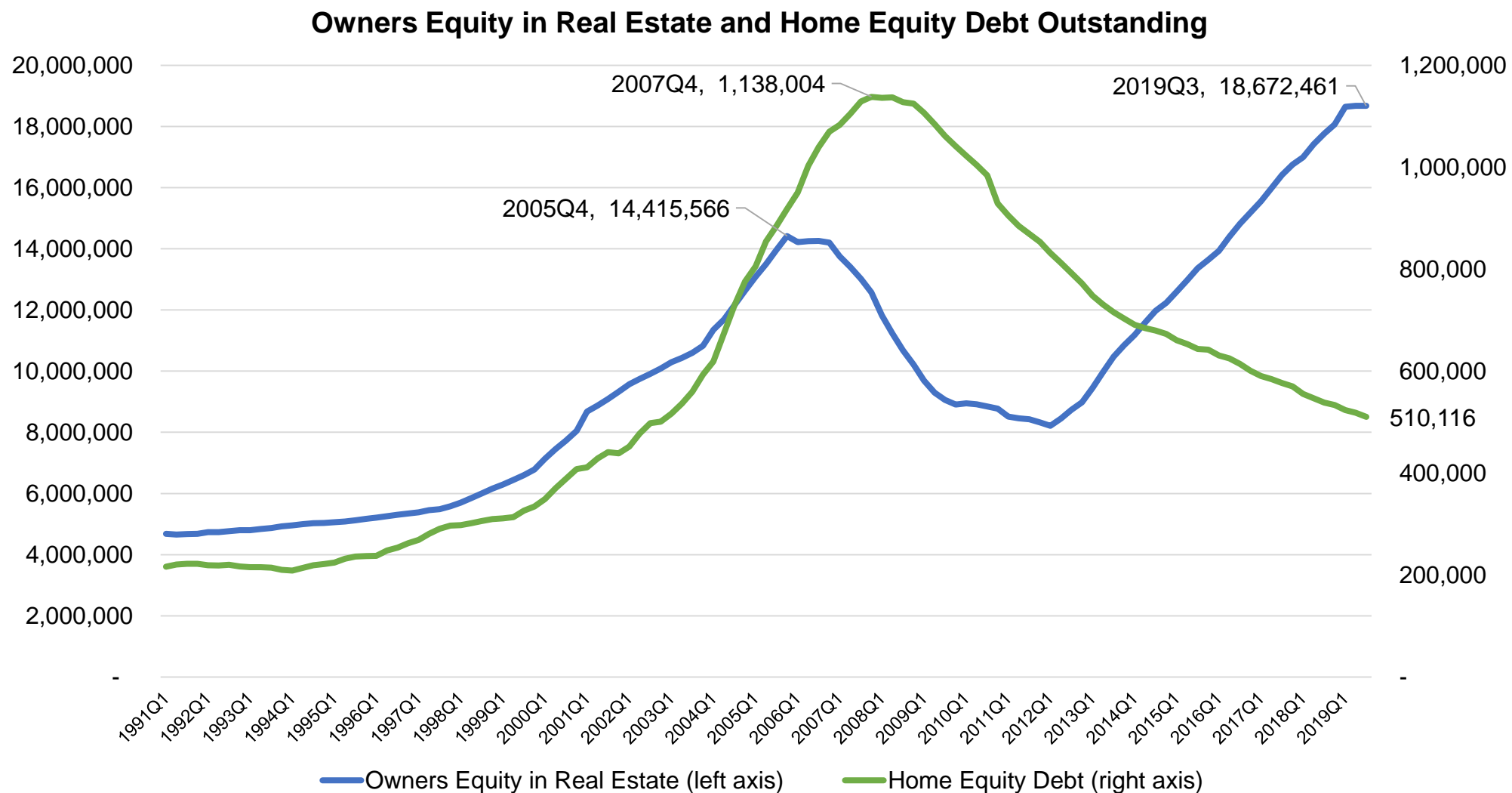
MBA Forecast: Slowing Growth in 2020, Job Market Weakening

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
GDP Growth	2.5%	2.2%	1.2%	1.8%	2.2%
Inflation	2.4%	1.8%	1.9%	2.0%	2.2%
Unemployment	3.9%	3.7%	3.9%	4.0%	4.0%
Fed Funds	2.375%	1.625%	1.625%	1.875%	2.125%
10-year Treasury	3.0%	1.8%	1.9%	2.0%	2.3%
30-year Mortgage	4.8%	3.7%	3.7%	3.8%	4.1%

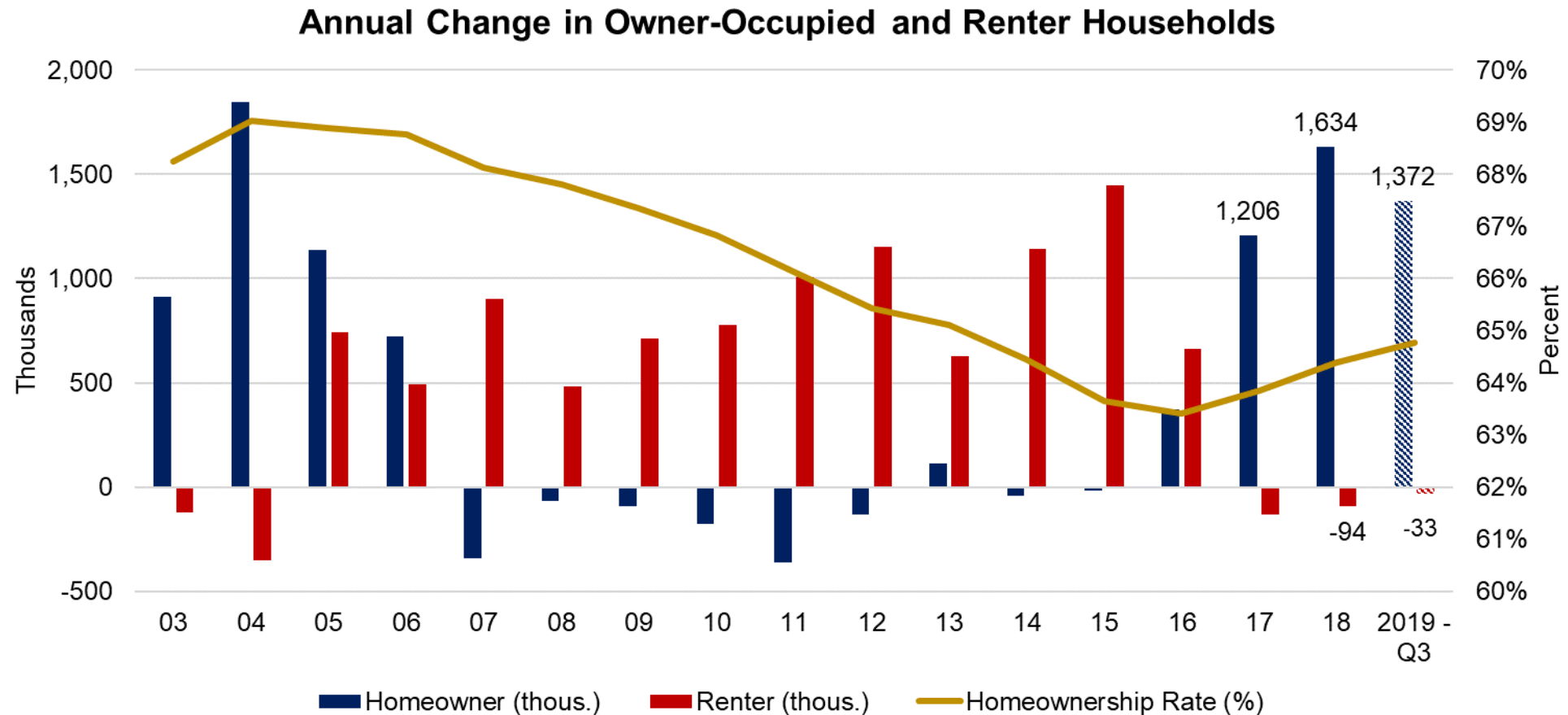
Forecast of Originations Volume: Return to a Purchase Market



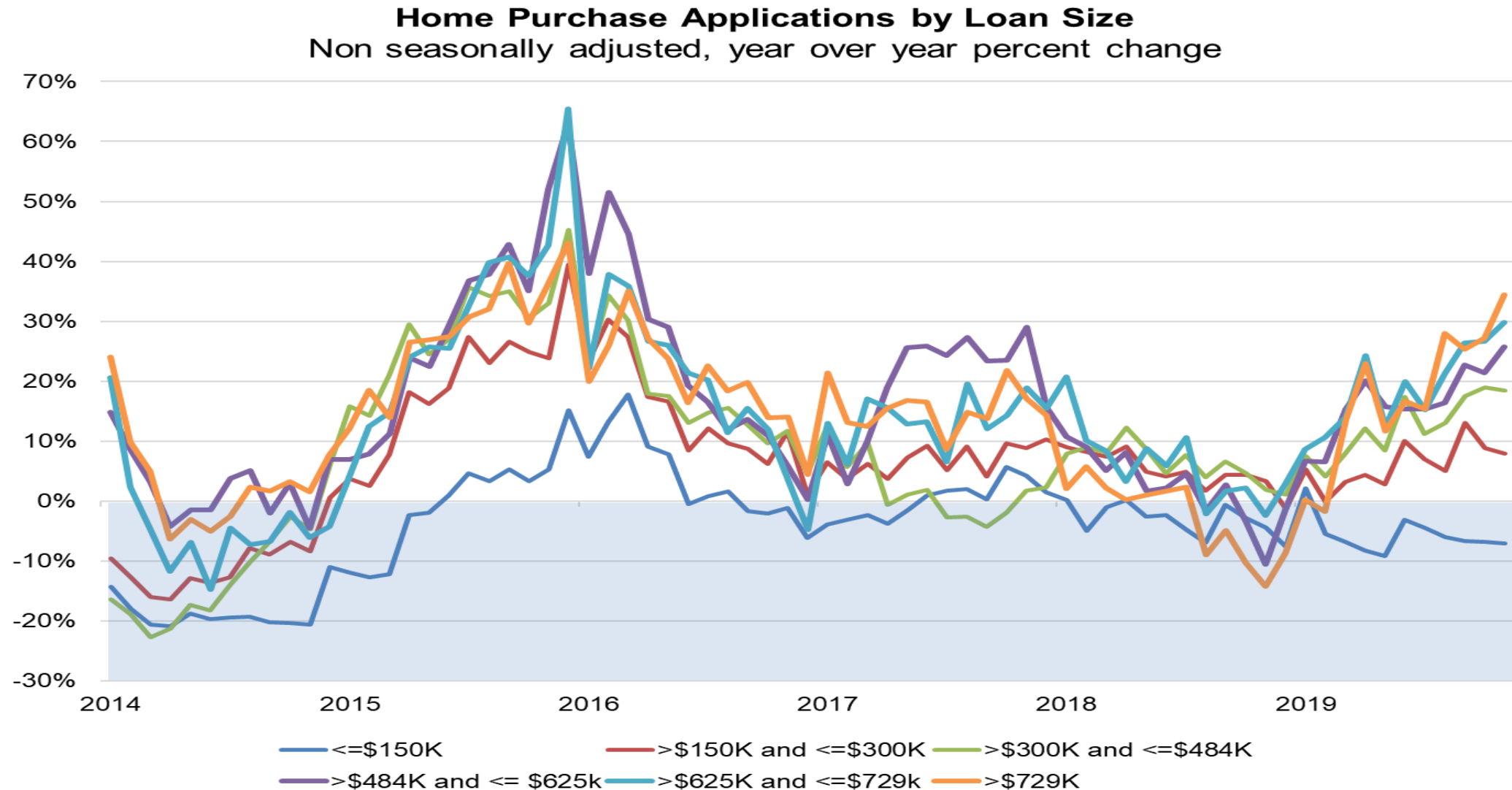
Homeowners' Equity Has Exceeded Its 2006 Peak



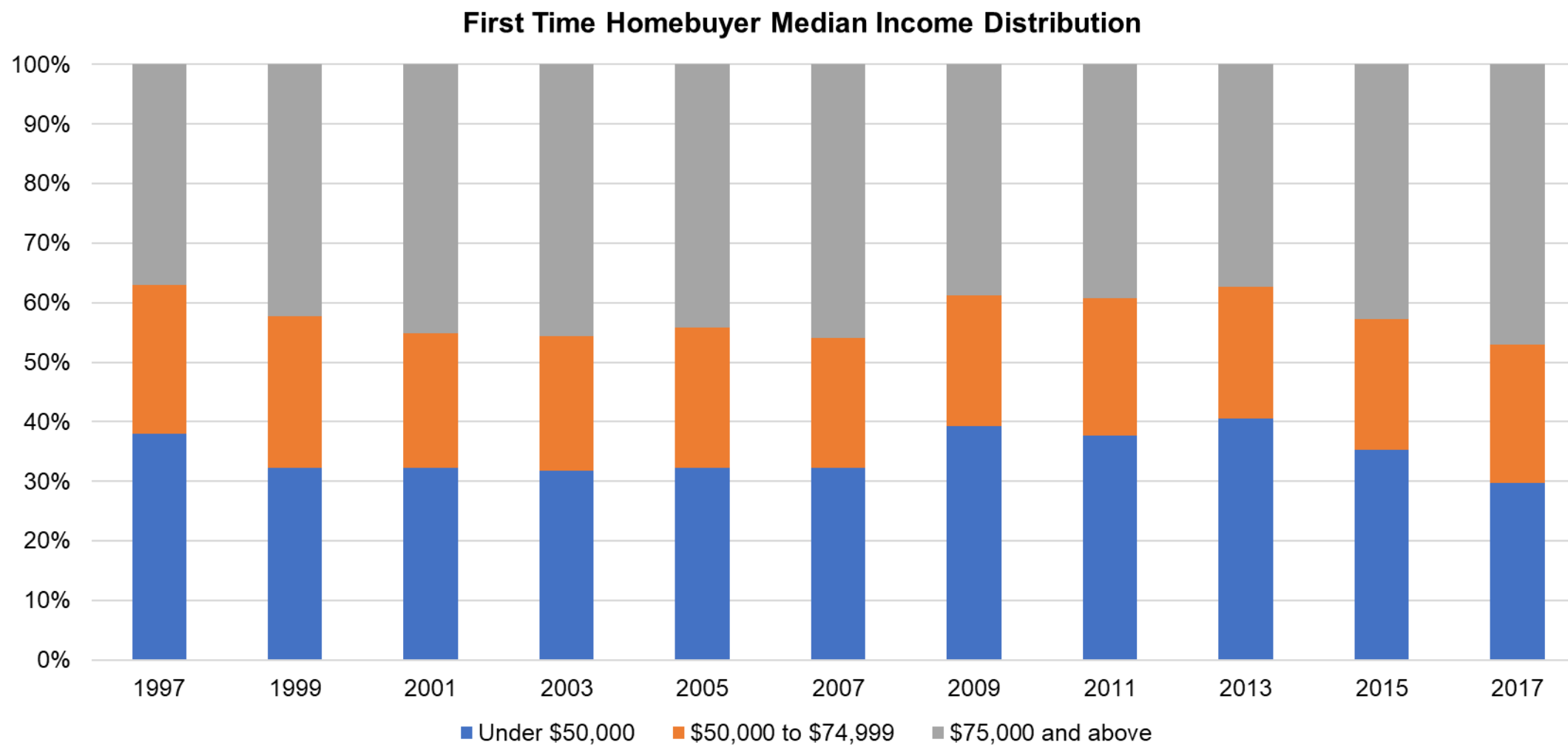
Housing Demand to Drive Purchase Growth



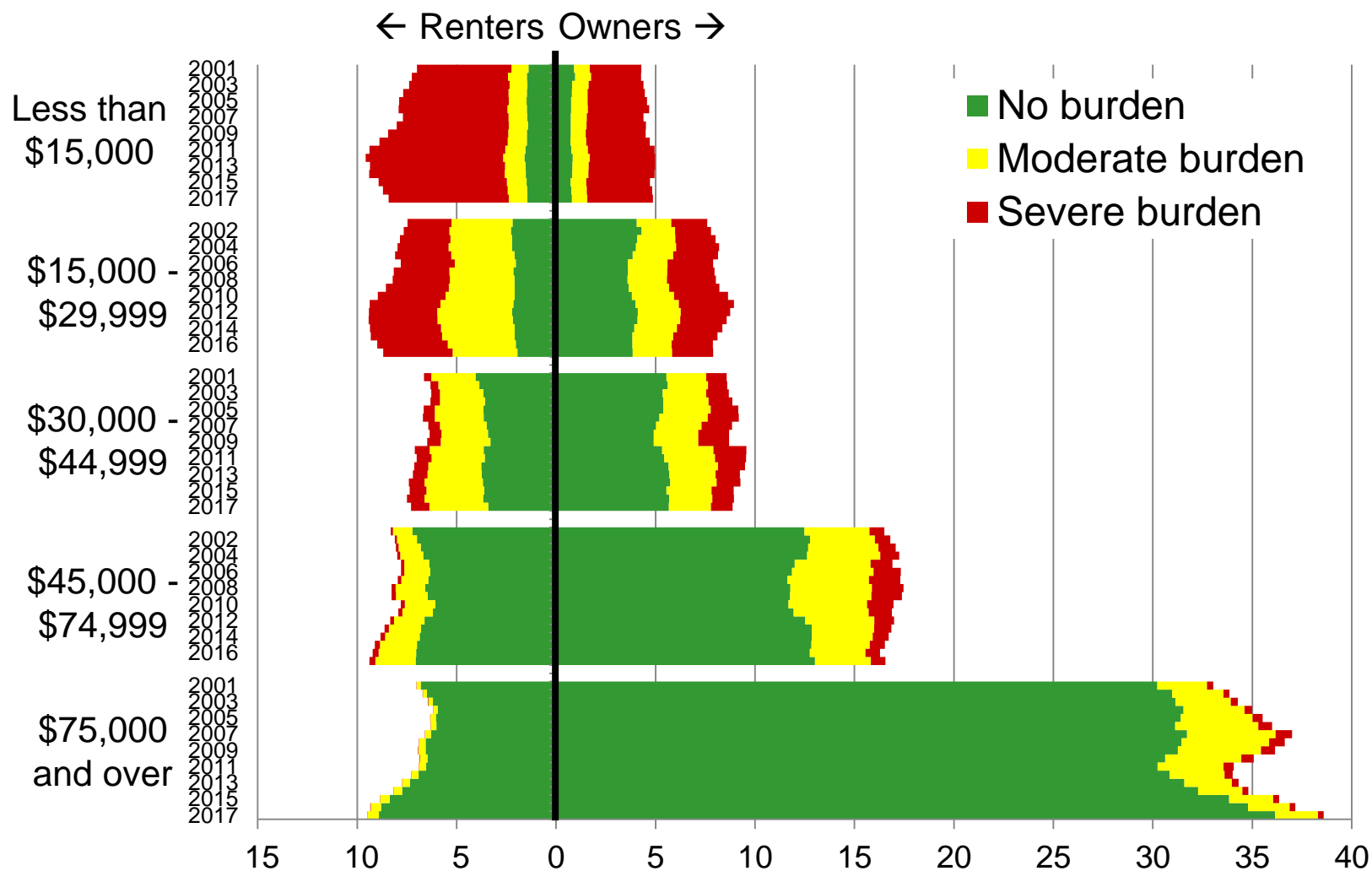
Uneven Growth by Purchase Loan Size



First Time Home Buyers – Shift Toward Higher Income Buyers

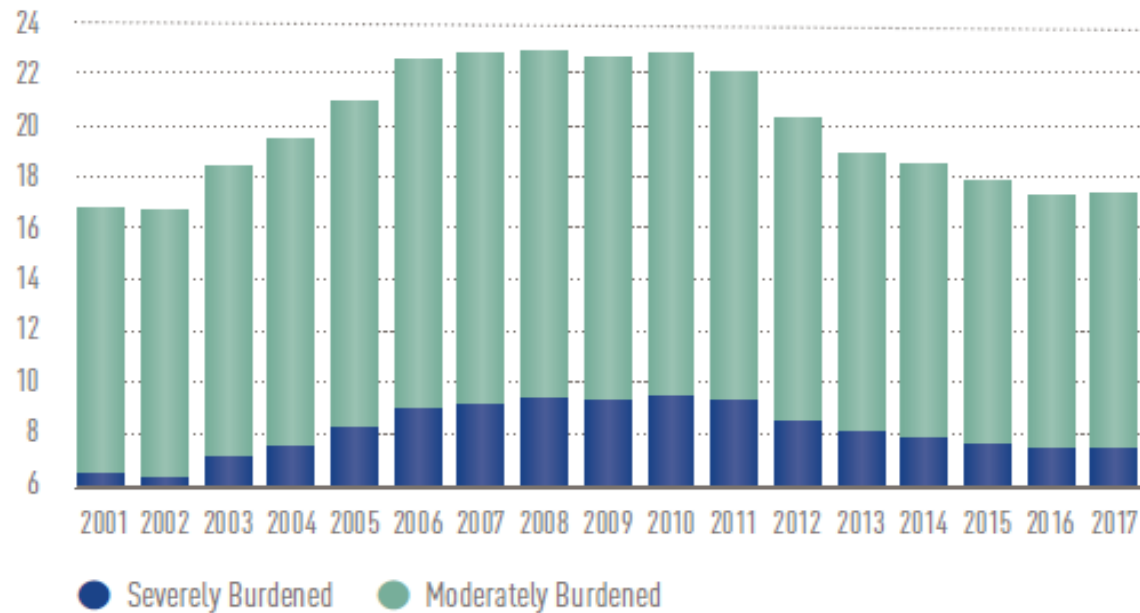


Number of Owner and Renter Households, by Real Income and Level of Housing Cost Burden, Selected Years (millions)



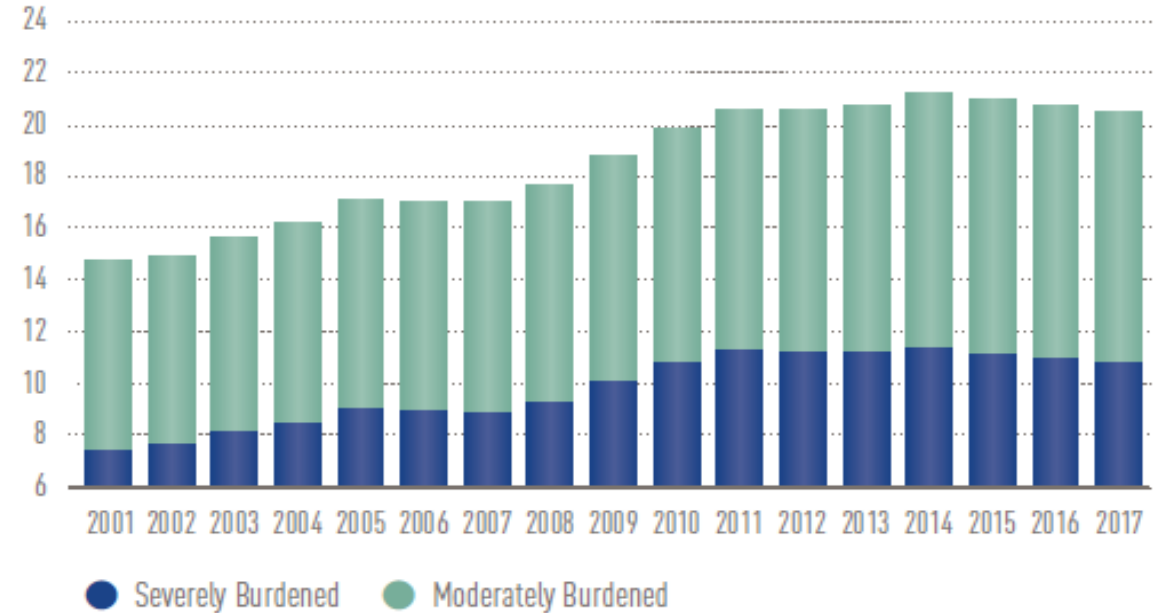
While the Number of Cost-Burdened Homeowners Has Receded...

Owners with Cost Burdens (Millions)



...The Number of Cost-Burdened Renters Remains Close to Peak Levels

Renters with Cost Burdens (Millions)



Contact Information and MBA Resources

Mike Fratantoni, Ph.D

Chief Economist & Senior Vice President | Research and Industry Technology

(202) 557-2935

mfratantoni@mba.org

MBA Research:

www.mba.org/research

RIHA:

www.housingamerica.org

QUESTIONS?

Sam Khater

Freddie Mac

Lawrence Yun

National Association of REALTORS

Mike Fratantoni

Mortgage Bankers Association