Economic & Real Estate Market Outlook

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Chief Economist, National Association of REALTORS®

Virtual Presentation at Wisconsin Residential Real Estate Summit

March 23, 2020
Annual GDP Growth Rate of 2.9% in 2018 but Slowing in 2019 and 2020
Slower Global Economic Growth

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>3.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Britain</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td>EU</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Germany</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Australia</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Canada</td>
<td>2.2</td>
<td>1.7</td>
</tr>
</tbody>
</table>
Economic Growth in Asia

China: 2018 (7), 2019 (6)
India: 2018 (7), 2019 (5)
Japan: 2018 (0), 2019 (0)
South Korea: 2018 (3), 2019 (2)
Thailand: 2018 (4), 2019 (3)
Taiwan: 2018 (2), 2019 (2)
Singapore: 2018 (1), 2019 (1)
Consumer Confidence Remains High to February
Consumer Sentiment Remains High to mid-March (University of Michigan)
Job Creations ... for a long time

(12 month net total in thousands)
State Variations in Job Growth Rate
(2019 Q3, BLS payroll employment)
Faster Wage Growth at the Bottom

One-year wage growth by Quartile
6% vs. 16%

Job Growth from 2000 to 2019

Wisconsin vs. National
Total Jobs in Milwaukee Metro

In thousands

[Graph showing the total jobs in Milwaukee Metro from 2000 to 2020.]
Average Weekly Earnings in Milwaukee and Madison
Business Investment in U.S.
(non-residential fixed investment)

% change from one year ago
Existing and New Home Sales Combined

In thousand units
Recent National Existing Home Sales (Not Yet Breaking Higher)
Federal Reserve Monetary Policy
All-Accommodative

Fed Funds Rate
Mortgage Rates tied to 10-year Treasury
REALTORS® Buyer Traffic Index
Homeownership Rate Slow Recovery
70% to 63% to 65%
Homeowners

In thousands
Home Price Index – Madison Tops

Madison, Milwaukee, Green Bay, Appleton
Rising Home Price means Rising Real Estate Wealth
(Total Asset – Outstanding Mortgage)
Wealth: From 2000 to 2016 to 2018

Renters vs. Homeowners

- $0
- $50,000
- $100,000
- $150,000
- $200,000
- $250,000
- $300,000

Homeowners have significantly higher wealth compared to Renters.
Housing Starts Back to Normal?

Above 1.5 million for 3 straight months
## 2000 versus 2019 comparison

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2019</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Housing Affordability</td>
<td>122</td>
<td>146</td>
<td>Better</td>
</tr>
<tr>
<td>30-year mortgage rate</td>
<td>8.1%</td>
<td>4.0%</td>
<td>Better</td>
</tr>
<tr>
<td>Population</td>
<td>282 million</td>
<td>329 million</td>
<td>Better</td>
</tr>
<tr>
<td>Population (16 yrs old and over)</td>
<td>218 million</td>
<td>263 million</td>
<td>Better</td>
</tr>
<tr>
<td>Households</td>
<td>103 million</td>
<td>122 million</td>
<td>Better</td>
</tr>
<tr>
<td>Jobs</td>
<td>132 million</td>
<td>152 million</td>
<td>Better</td>
</tr>
<tr>
<td>Total Home Sales (New + Existing)</td>
<td>6.1 million</td>
<td>5.9 million</td>
<td>Worse</td>
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Prior Economic Forecast: No Recession If No Major Trade War

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<tbody>
<tr>
<td>GDP Growth</td>
<td>1.5%</td>
<td>2.2%</td>
<td>2.9%</td>
<td>2.0%</td>
<td>1.6%</td>
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<tr>
<td>Job Growth</td>
<td>+2.5 million</td>
<td>+2.2 million</td>
<td>+2.4 million</td>
<td>+2.2 million</td>
<td>+1.5 million</td>
</tr>
<tr>
<td>CPI Inflation</td>
<td>1.3%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>2.0%</td>
<td>1.7%</td>
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# Housing Forecast: Moderate Growth

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<tbody>
<tr>
<td>New Home Sales</td>
<td>560,000</td>
<td>613,000</td>
<td>617,000</td>
<td>670,000 (+9%)</td>
<td>750,000 (+11%)</td>
</tr>
<tr>
<td>Existing Home Sales</td>
<td>5.4 million</td>
<td>5.5 million</td>
<td>5.3 million</td>
<td>5.4 million (1%)</td>
<td>5.6 million (+4%)</td>
</tr>
<tr>
<td>Median Price Growth</td>
<td>+5.1%</td>
<td>+5.7%</td>
<td>+4.9%</td>
<td>+4.3%</td>
<td>+3.6%</td>
</tr>
<tr>
<td>30-year Rate</td>
<td>3.6%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>3.8%</td>
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Coronavirus Impact
Realtors® Survey

HOW HAS CORONAVIRUS (COVID-19) AFFECTED HOME BUYER INTEREST IN YOUR MARKET?

- Residential Members (March 16):
  - Significantly decreased: 11%
  - Decreased: 37%
  - No change: 45%
  - Increased: 5%
  - Significantly increased: 1%

- Areas W/Confirmed or Presumed COVID-19 Cases (March 16):
  - Significantly decreased: 12%
  - Decreased: 41%
  - No change: 41%
  - Increased: 6%
  - Significantly increased: 1%

- Residential Members (March 9):
  - Significantly decreased: 3%
  - Decreased: 13%
  - No change: 78%
  - Increased: 5%
  - Significantly increased: 1%

HAVE YOU SEEN ANY SELLERS REMOVE THEIR HOME FROM THE MARKET COMPLETELY DUE TO CORONAVIRUS (COVID-19)?

- Residential Members (March 16):
  - Not sure: 23%
  - No: 61%
  - Yes, removed homes: 16%

- Areas W/Confirmed or Presumed COVID-19 Cases (March 16):
  - Not sure: 24%
  - No: 56%
  - Yes, removed homes: 20%

- Residential Members (March 9):
  - Not sure: 16%
  - No: 81%
  - Yes, removed homes: 3%
Federal Deficit
(one-year measure of overspending)
Oil Price

(West Texas Intermediate)
Economic Forecast: Highly Uncertain
Maybe Recession ... Maybe Not

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020 Forecast</th>
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<tr>
<td>GDP Growth</td>
<td>2.3%</td>
<td>-1% to 1%</td>
</tr>
<tr>
<td>Job Gains</td>
<td>2.2 million</td>
<td>Net Zero?</td>
</tr>
<tr>
<td>Home Prices</td>
<td>4.8%</td>
<td>2% to 4%</td>
</tr>
</tbody>
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Thank You!