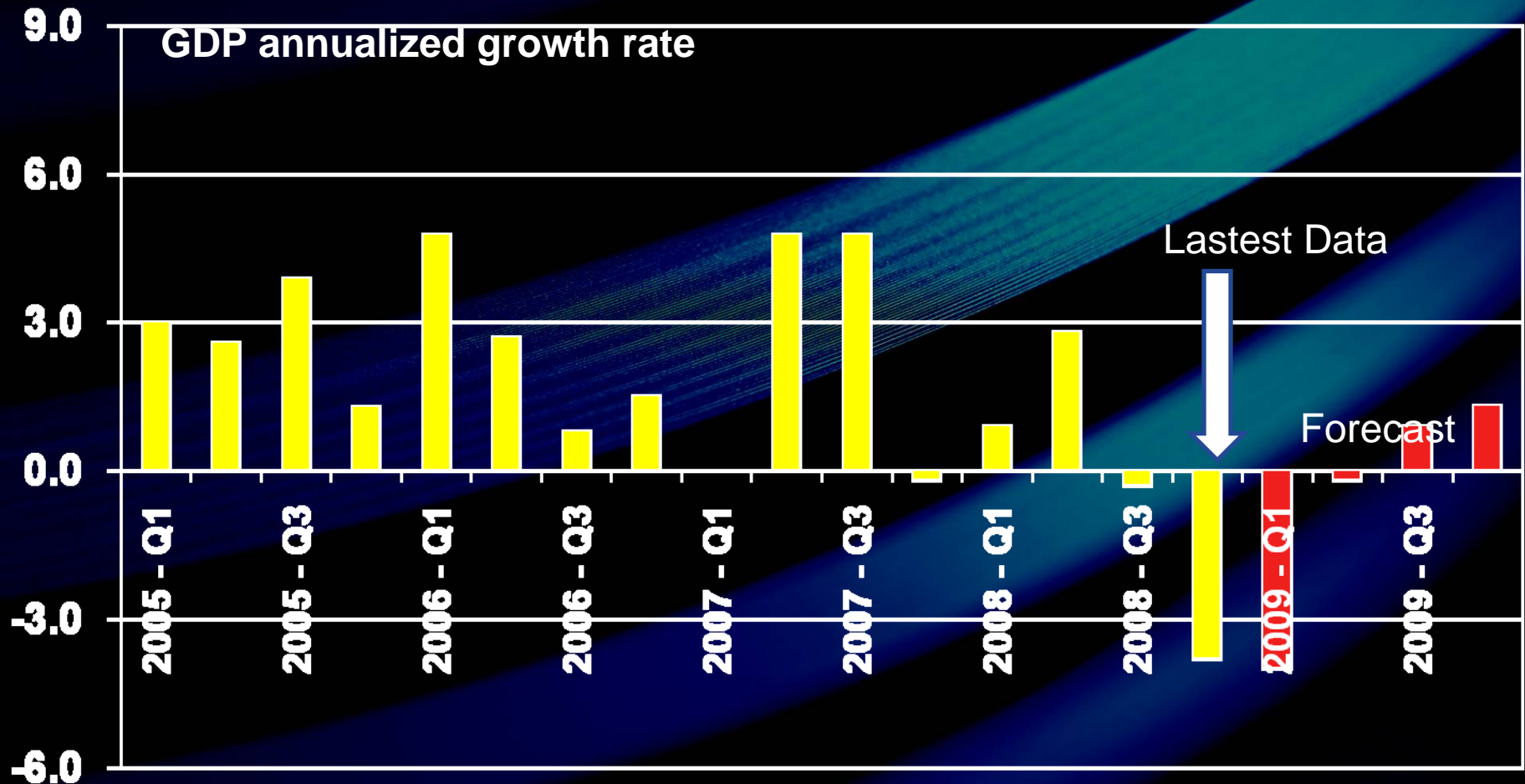


# ***Housing Market Outlook Through Economic Recession***

**Lawrence Yun, Ph.D.  
Chief Economist  
NATIONAL ASSOCIATION OF REALTORS®**

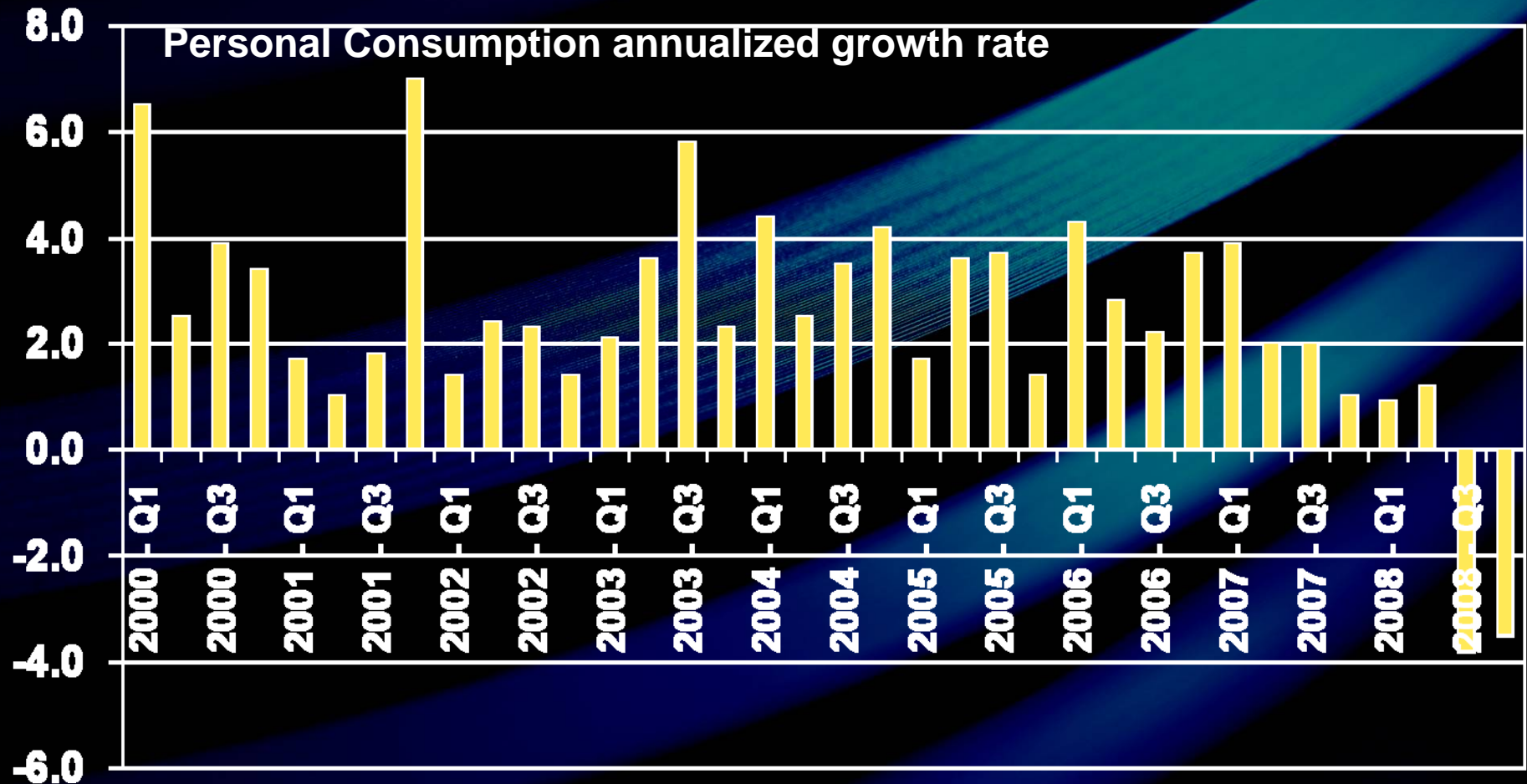
**Presentations in Colorado  
(Dillon, Vail, and Denver)  
April 8<sup>th</sup> and 9<sup>th</sup>, 2009**

# Economy Contracts



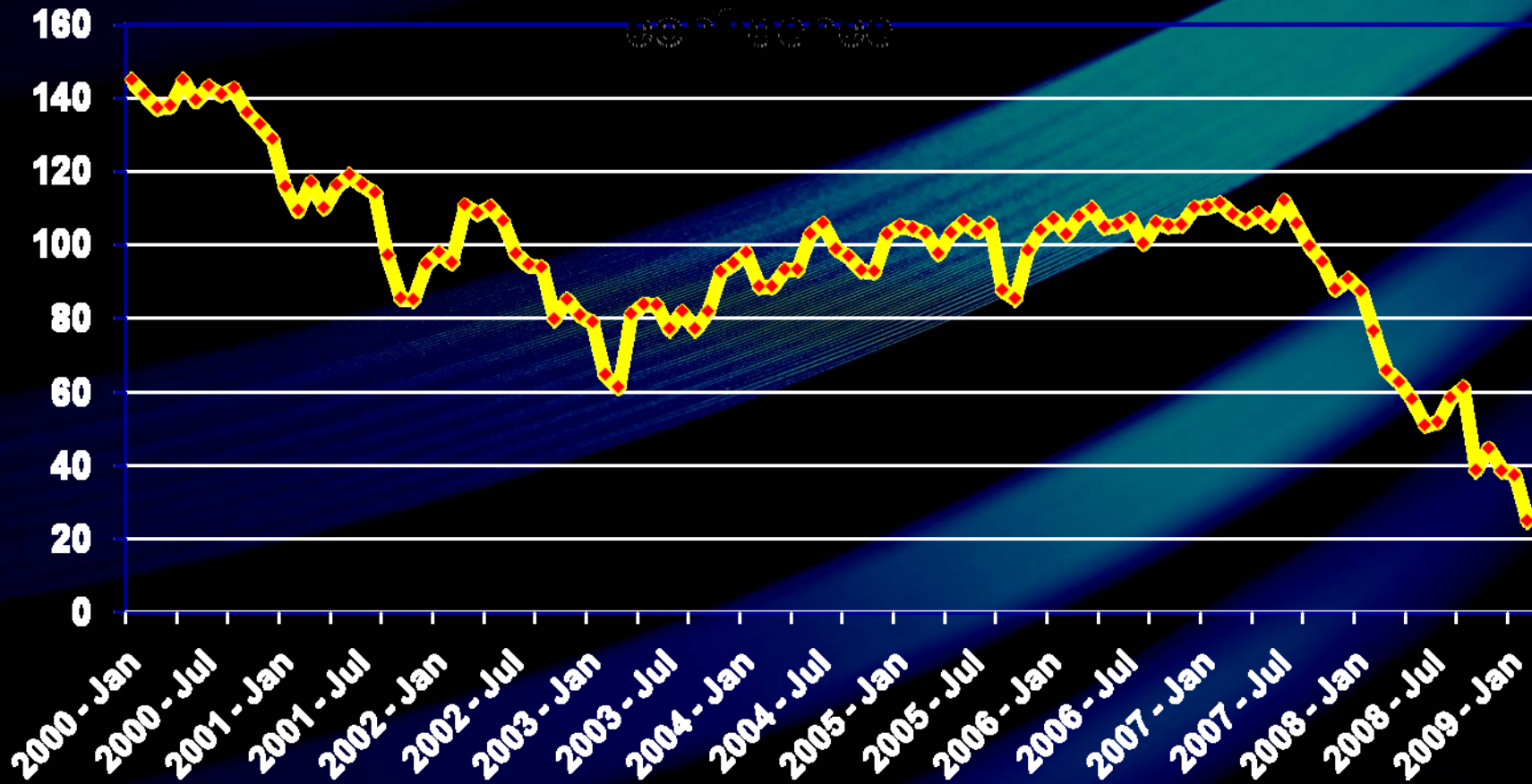
Source: BEA

# Consumers Tapped Out



Source: BEA

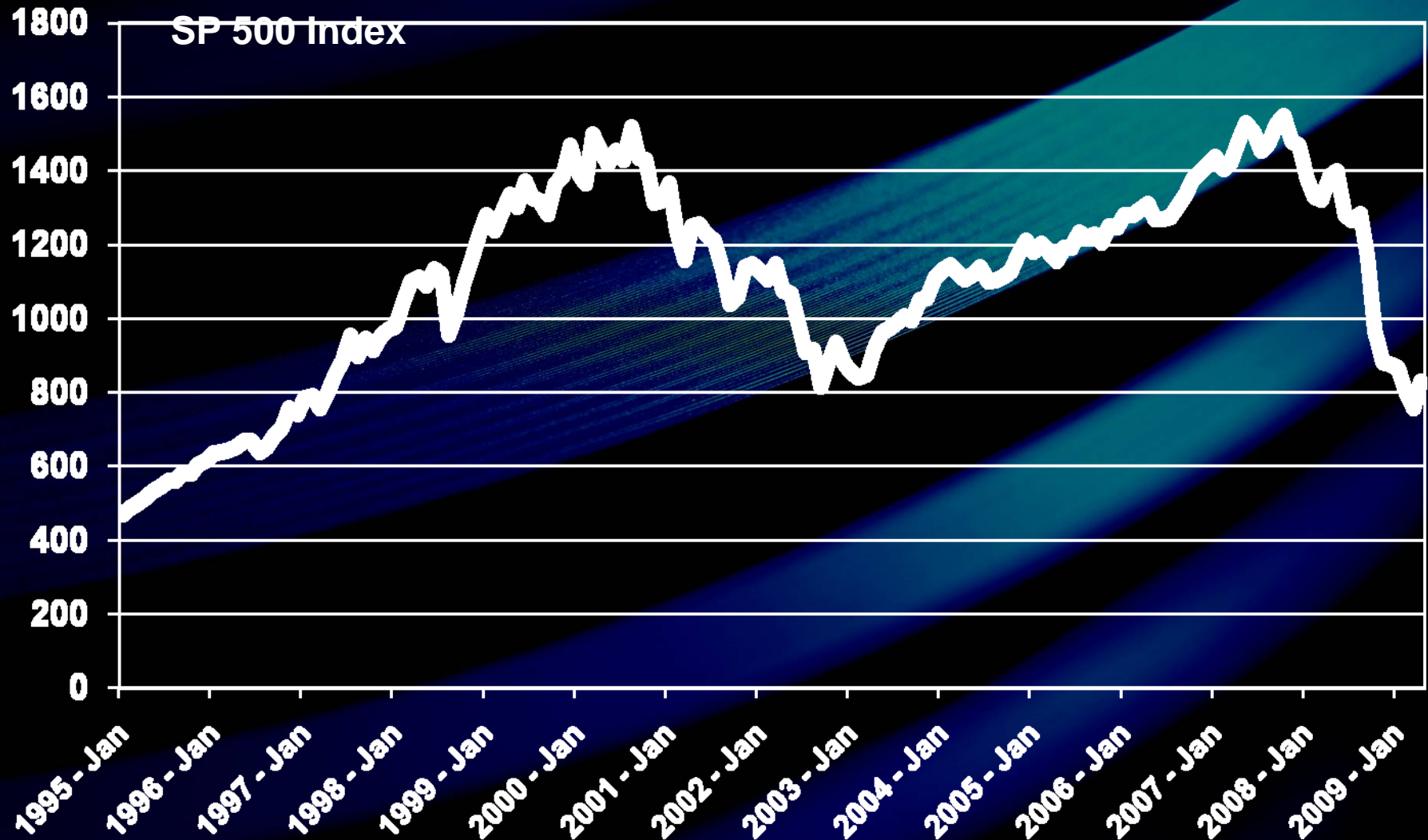
# Consumer Confidence



Source: The Conference Board

# Stock Market Wealth

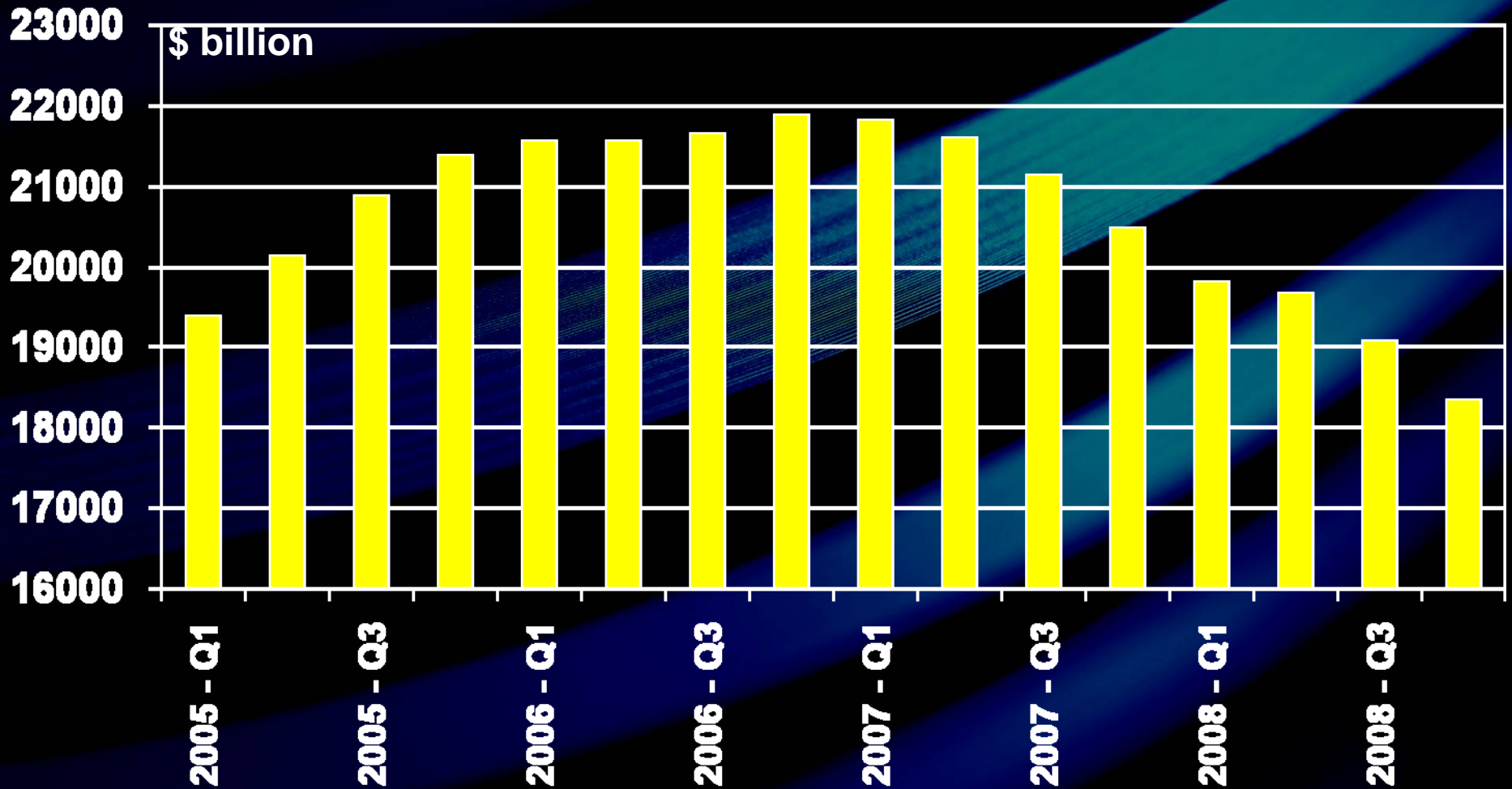
(\$8 trillion loss from peak)



Source: WSJ

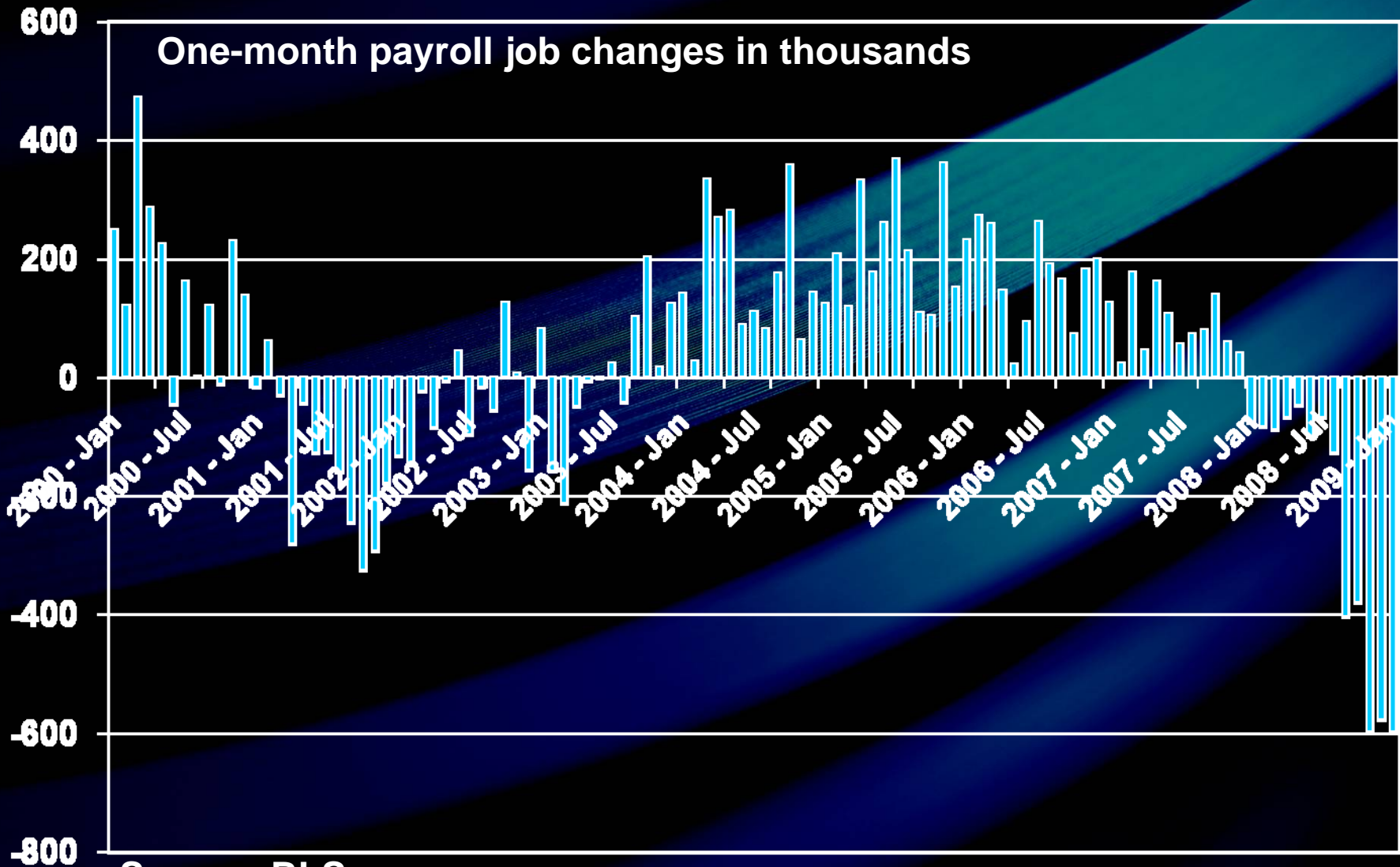
# Housing Valuation

(\$3 trillion loss in wealth from peak)



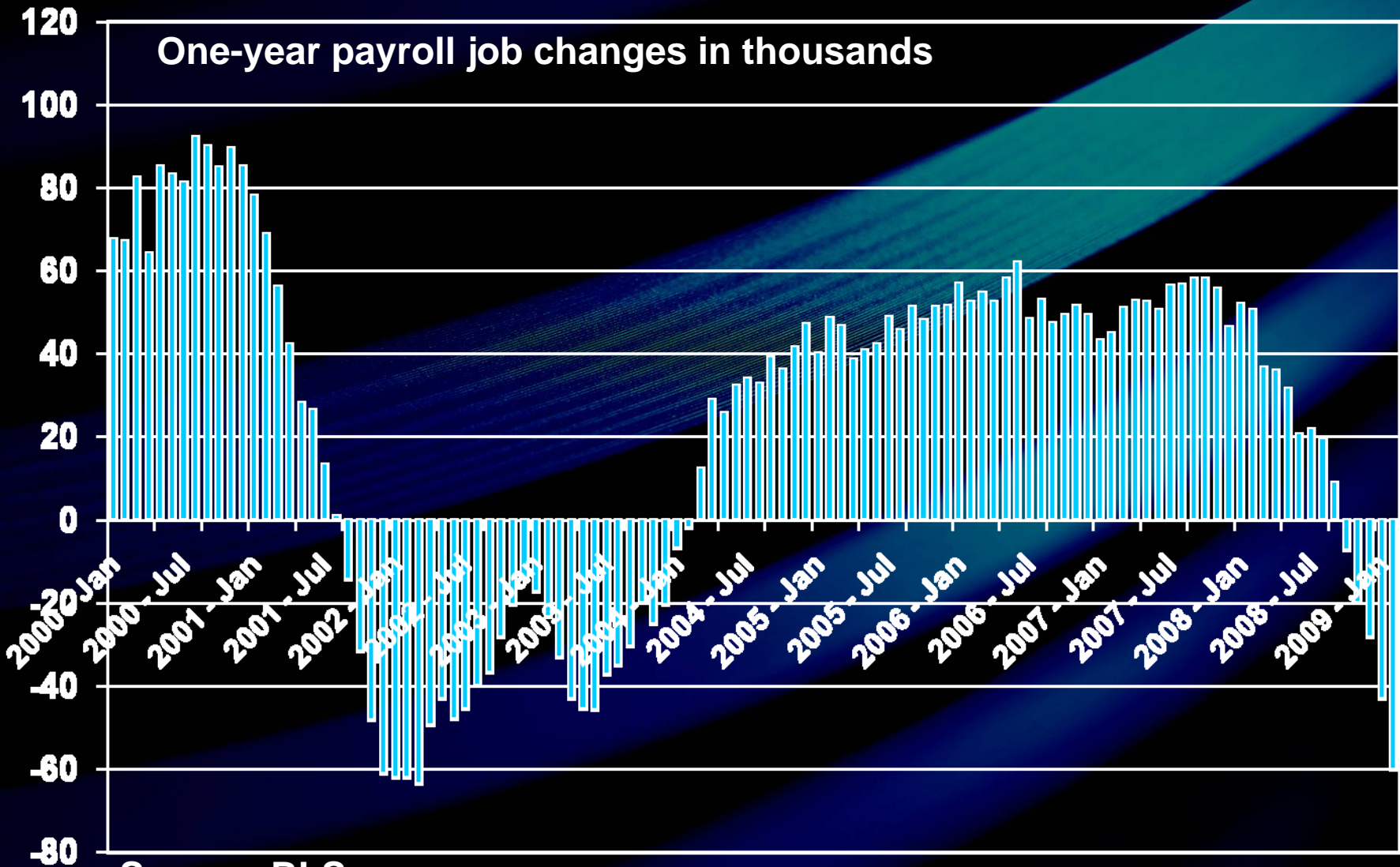
Source: Federal Reserve, NAR estimate

# Job Changes in U.S.



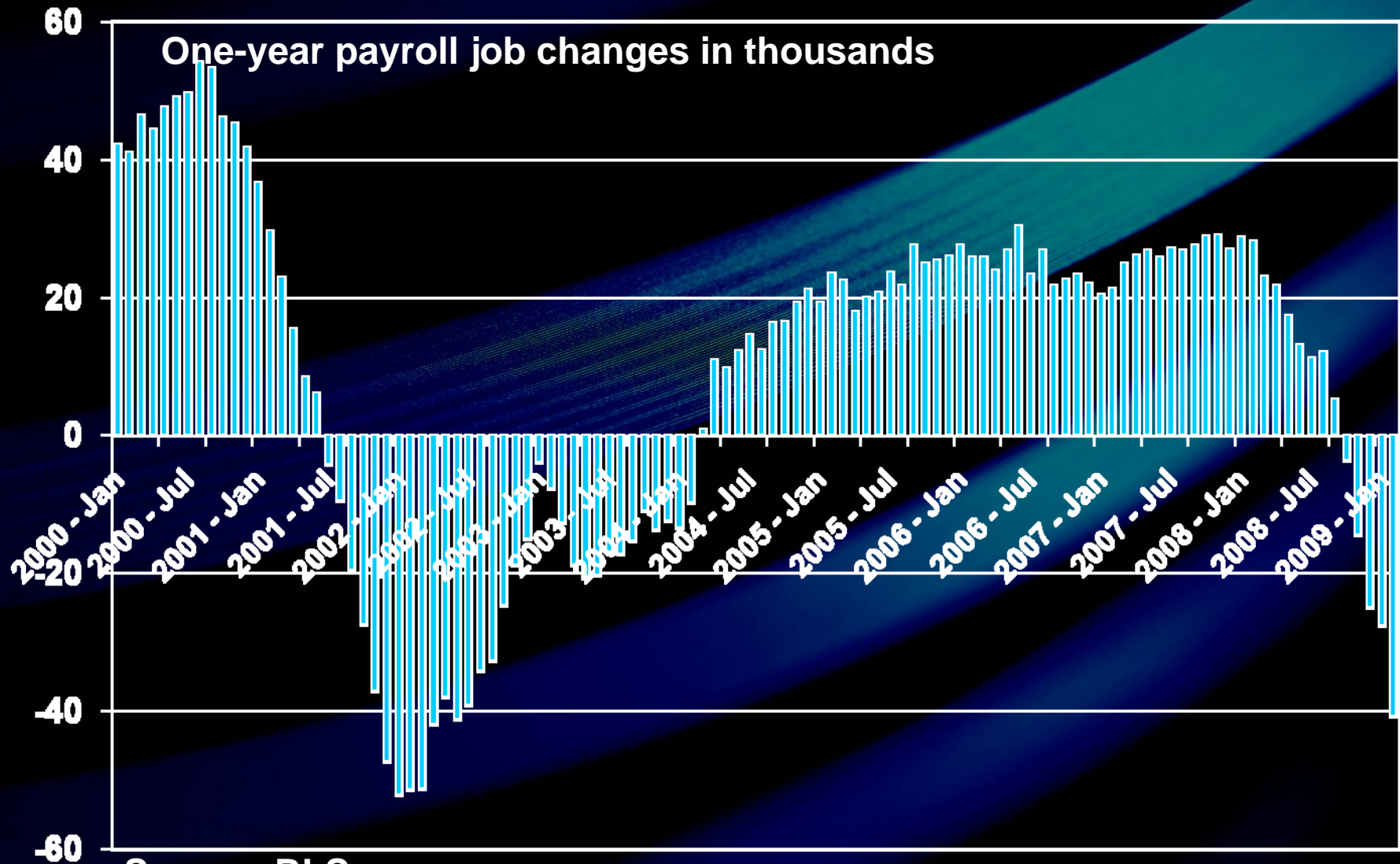
Source: BLS

# Job Changes in Colorado



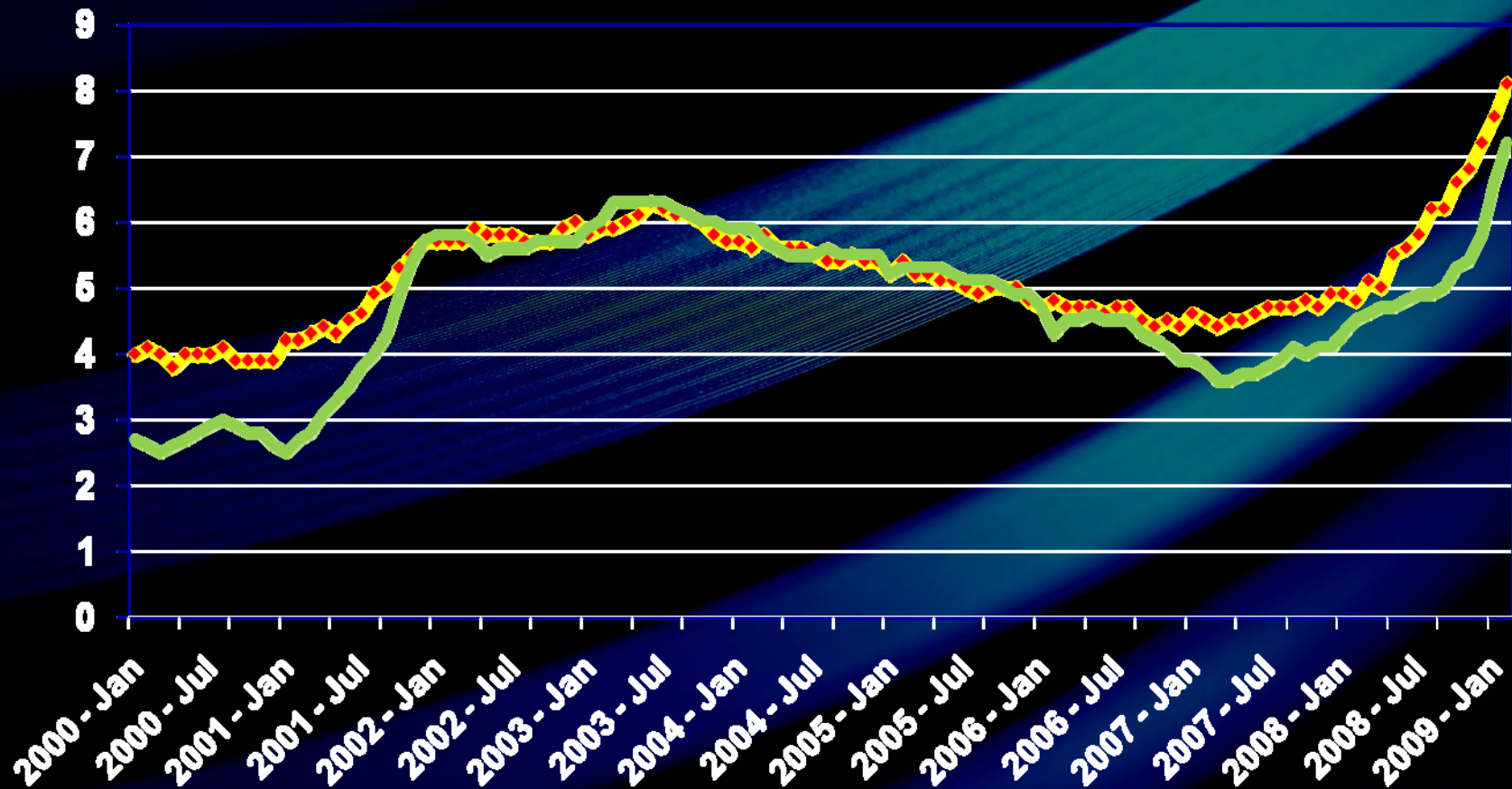
Source: BLS

# Job Changes in Denver



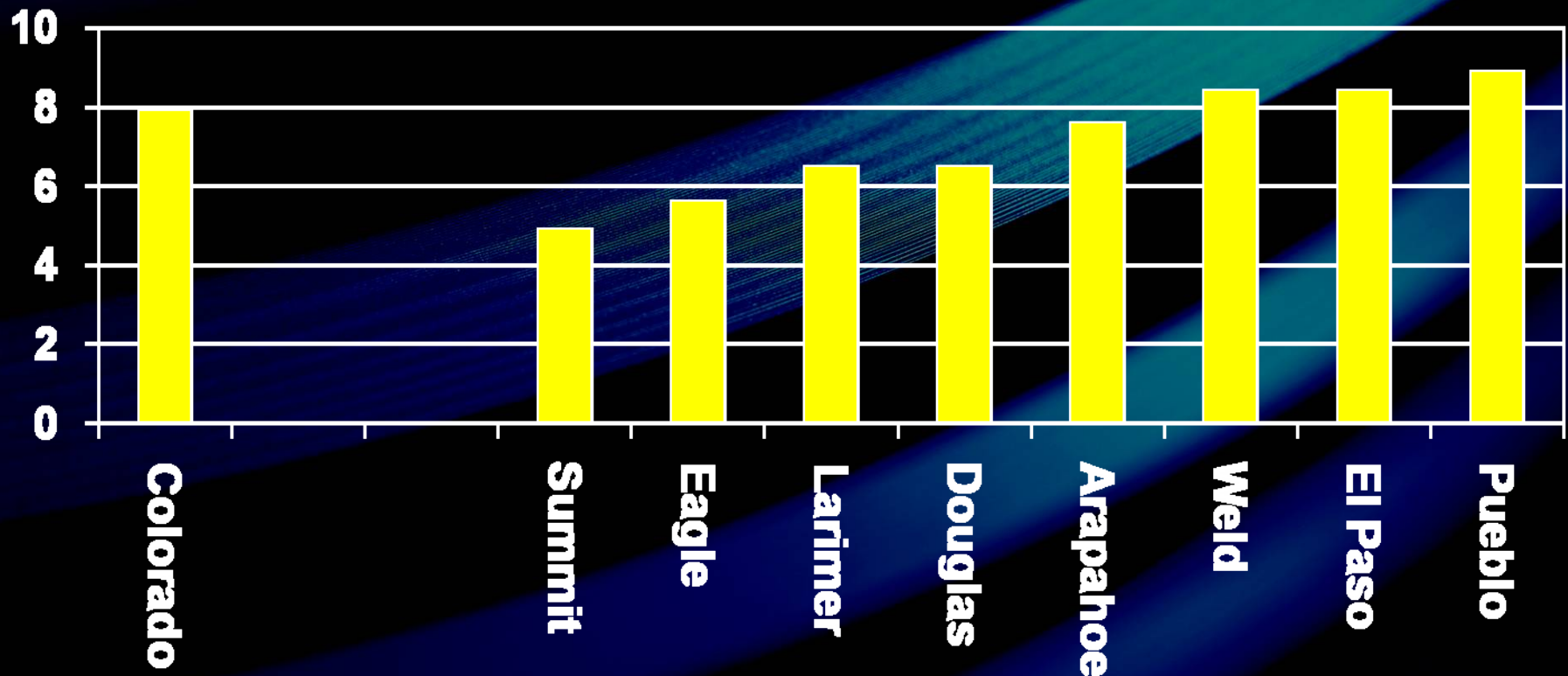
Source: BLS

# Unemployment Rates U.S. and Colorado



Source: BLS

# Unemployment Rates in Colorado Counties



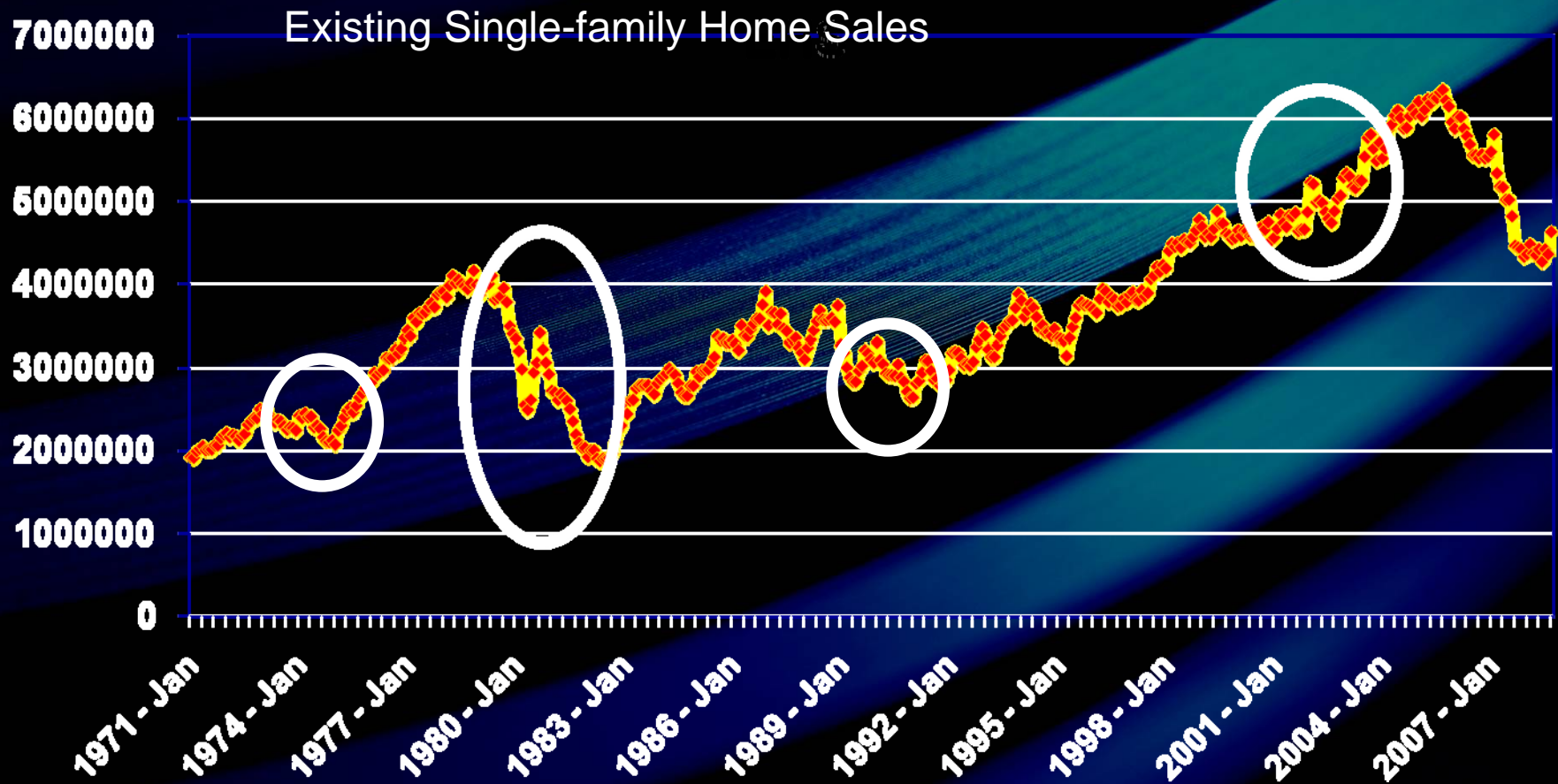
Source: BLS

# Recession Impact on Housing Market

- Mid-1970s Recession
  - Little Change in Home Sales
- Early 1980s Recession
  - Deep Cuts in Home Sales
- Early 1990s Recession
  - Moderate Cuts in Home Sales
- Early 2000s Recession
  - Rise in Home Sales



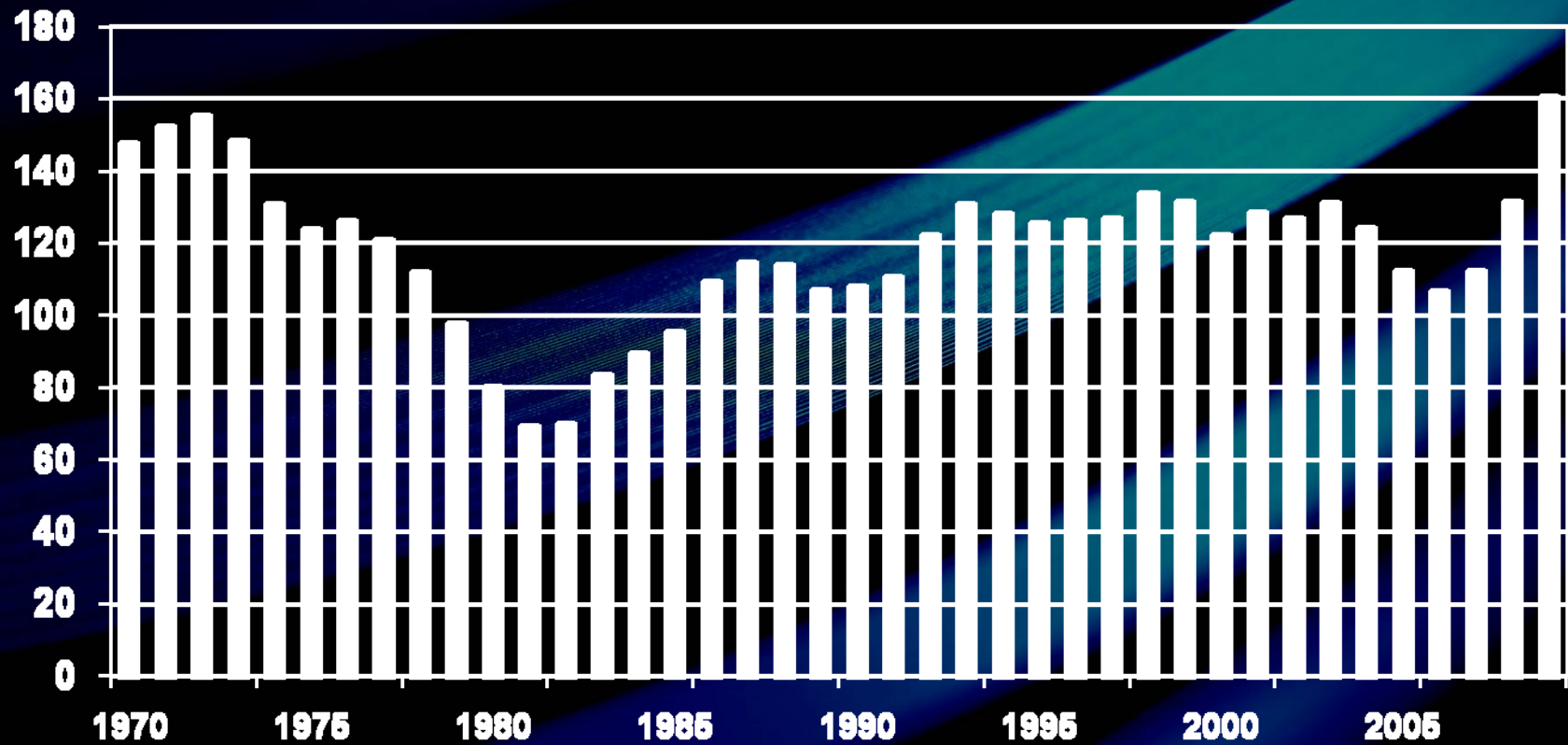
# Recession Impact on Home Sales



Source: NAR

# Housing Affordability Index

(Higher numbers mean more people can afford to buy a home)



# Things Out of Whack at the Height of the Boom (National Data)

- **Home Price 1998 to 2006**
  - Case-Shiller Index up 108%
  - OFHEO Index up 75%
  - NAR median up 64%
- **Income 1998 to 2006**
  - Household up 24%
  - Per Capita up 31%
  - Hourly Wage up 29%
- **Cost of Construction up 46%**
- **Renter's Rent up 31%**

The period covers from 1998 Q3 to 2006 Q3 if quarterly data is available, otherwise annual data.

# How Much More Correction is Needed?

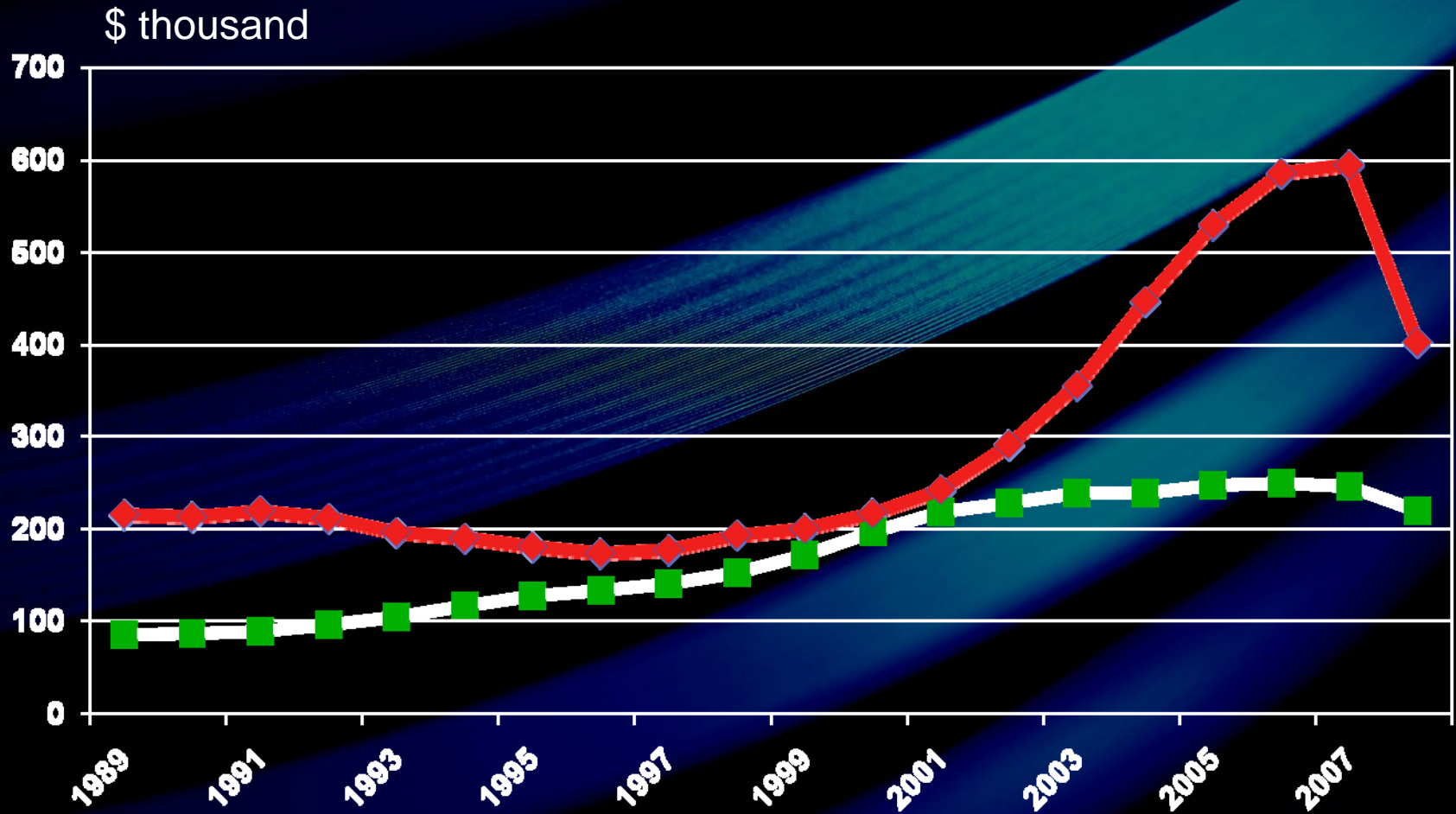
- **Home Price 1998 to 2008**
  - Case-Shiller Index up 67%
  - OFHEO Index up 67%
  - NAR median up 45%
- **Income 1998 to 2008**
  - Household up 34%
  - Per Capita up 39%
  - Hourly Wage up 39%
- **Cost of Construction up 39%**
- **Renter's Rent up 41%**

The period covers from 1998 Q3 to 2008 Q3 if quarterly data is available, otherwise annual data.

# But Lower Rates Today

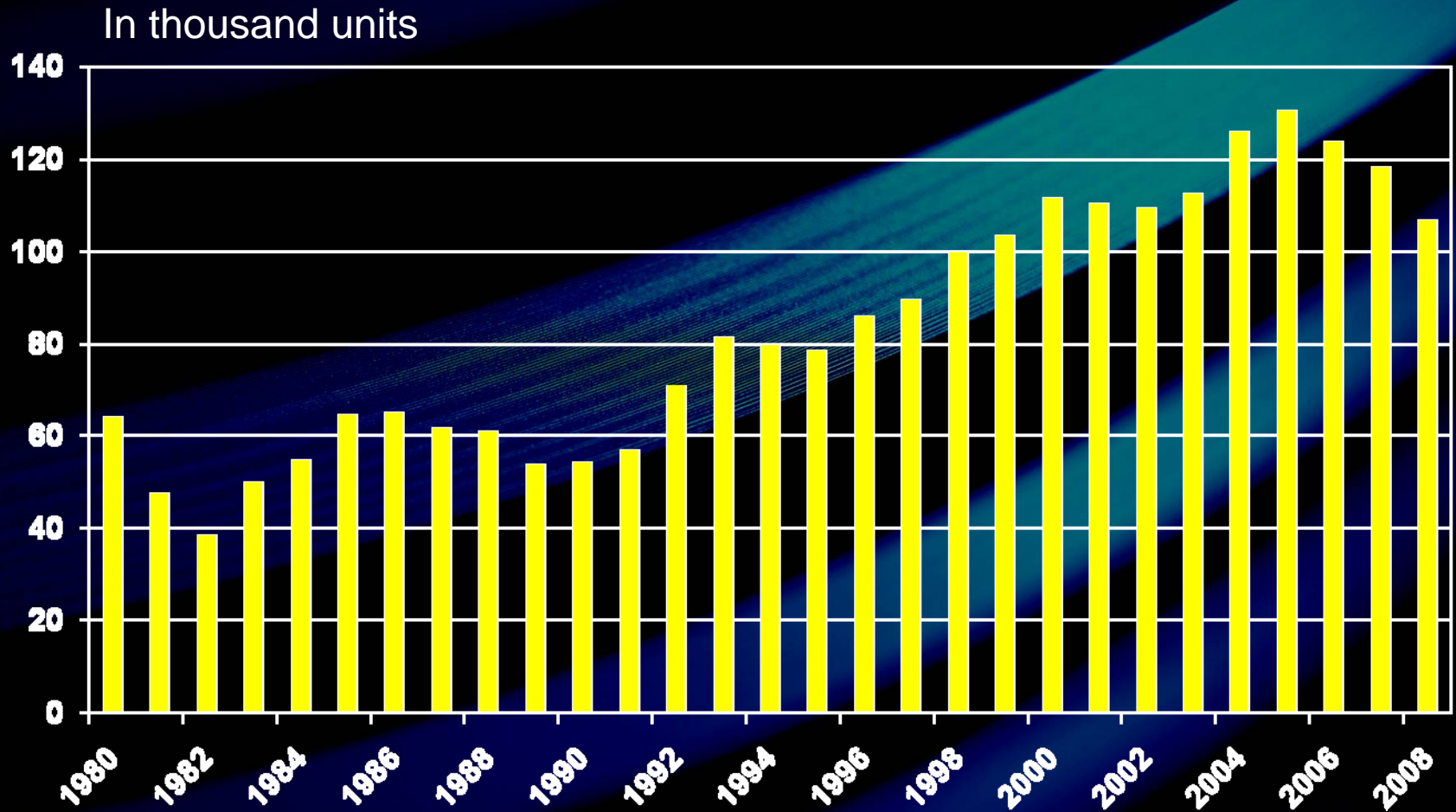
- **30-year fixed Mortgage Rates**
  - 1998                      **Around 7% with 1% fee**
  - 2008                      **Around 6% with 0.5% fee**
  - **Similar underwriting standards now with 1998?**
- **Monthly Mortgage Payment for a median income household buying a median priced-home**
  - 1998                      **19%**
  - 2008                      **19%**
  - **Consider only rates and not fees**

# Denver vs Los Angeles Home Price



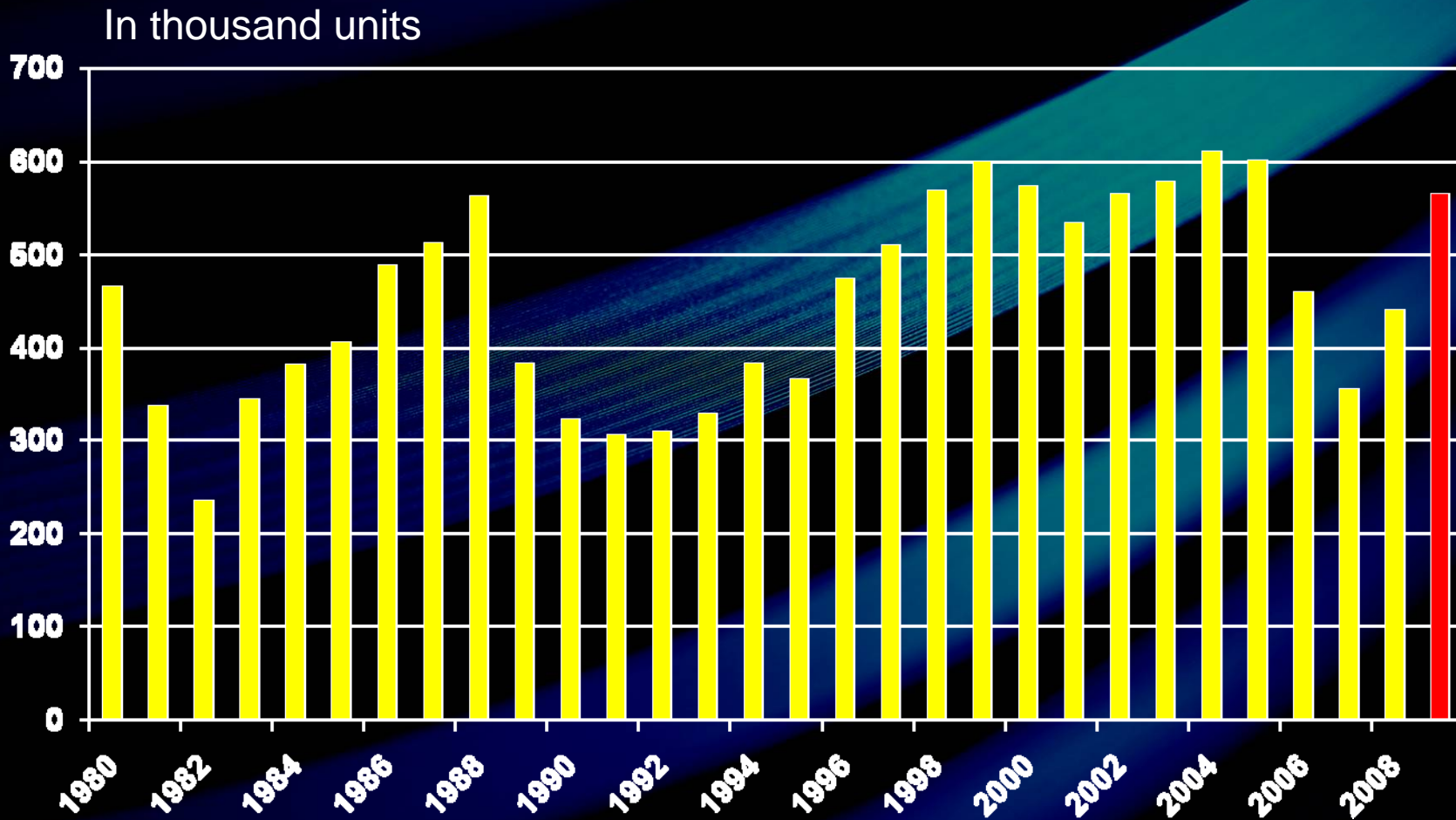
Source: Census

# Colorado Existing Home Sales



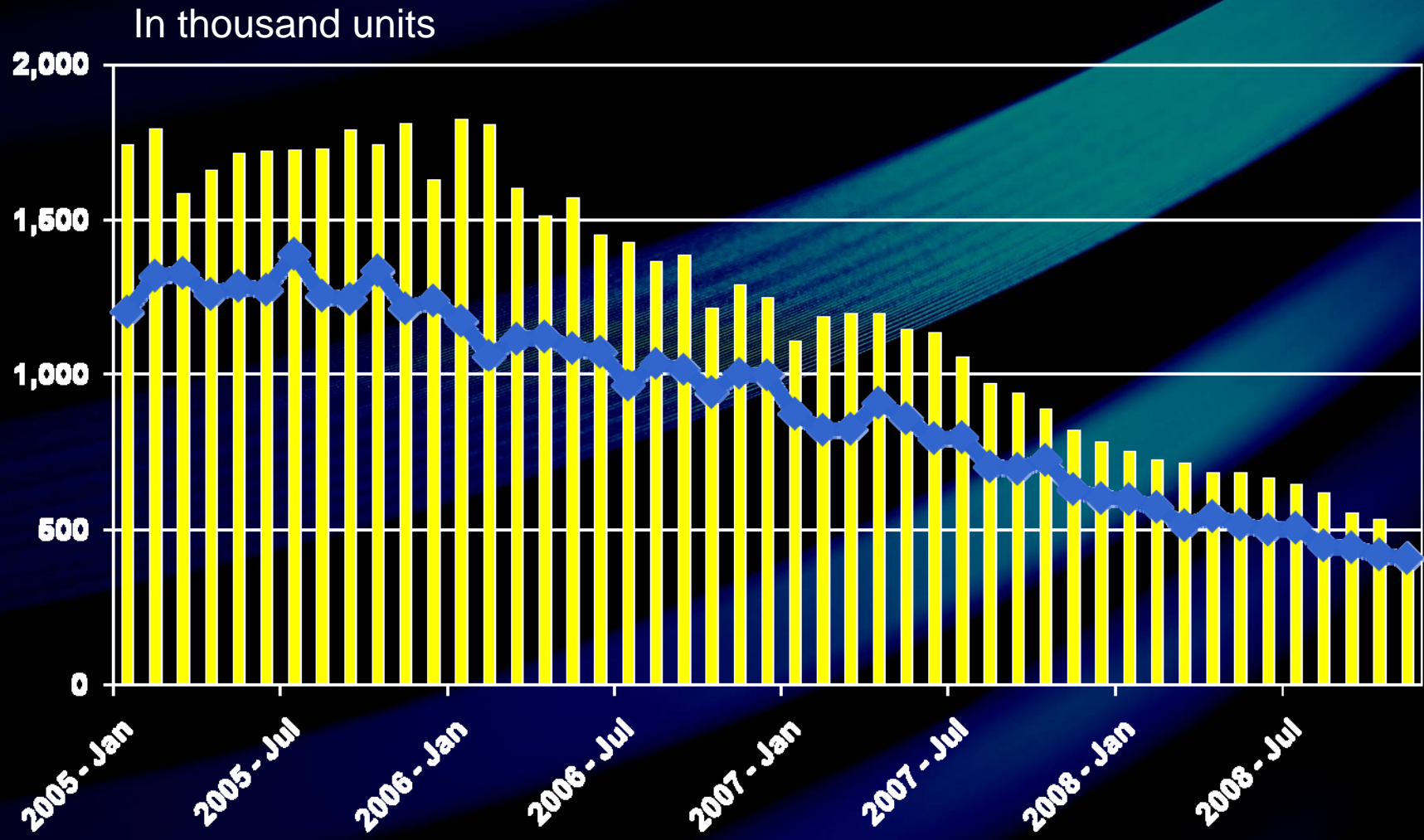
Source: Census

# California Existing Home Sales – Rising Strongly



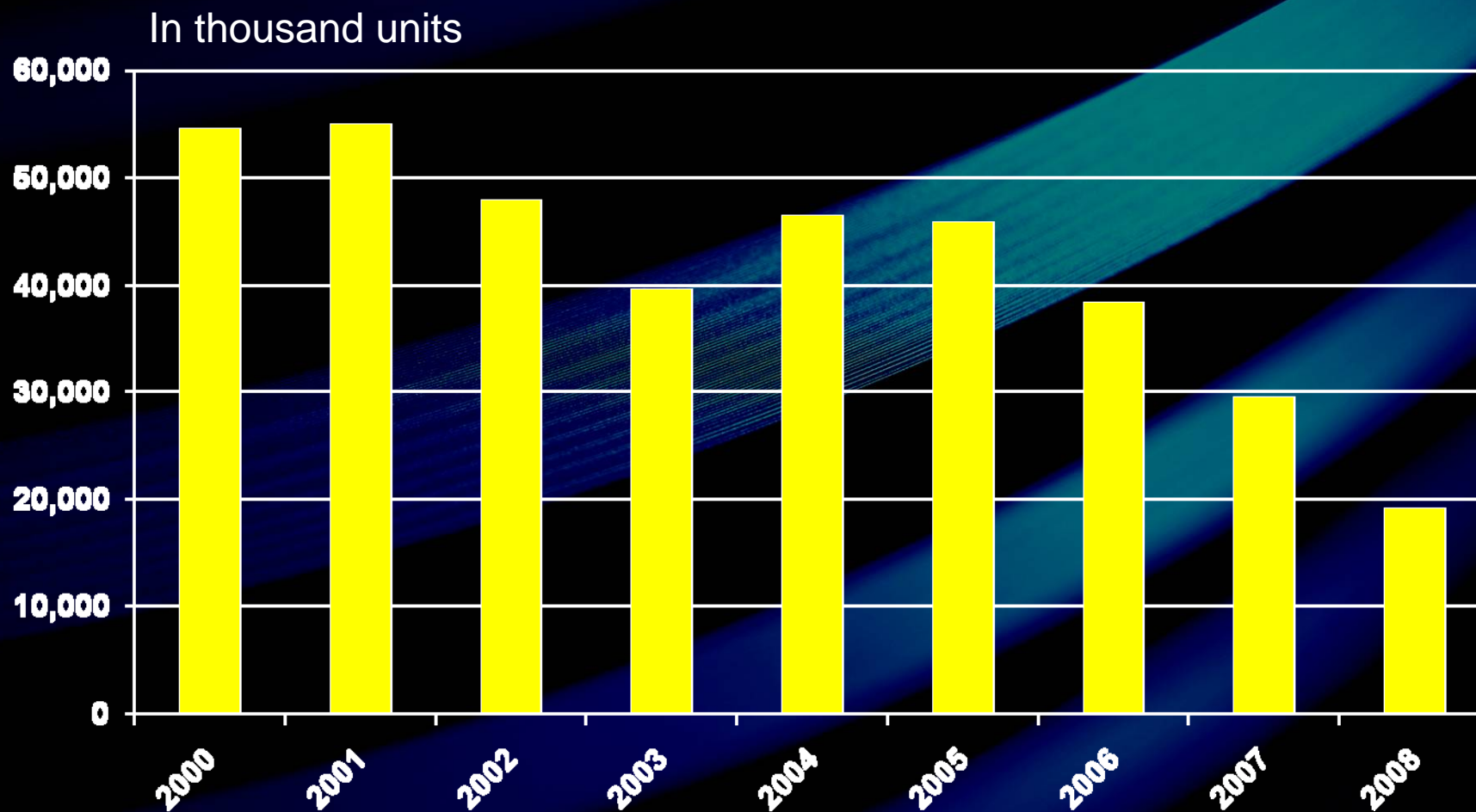
Source: Census

# U.S. Single-Family Housing Starts and New Home Sales



Source: Census

# Colorado Housing Starts



Source: Census

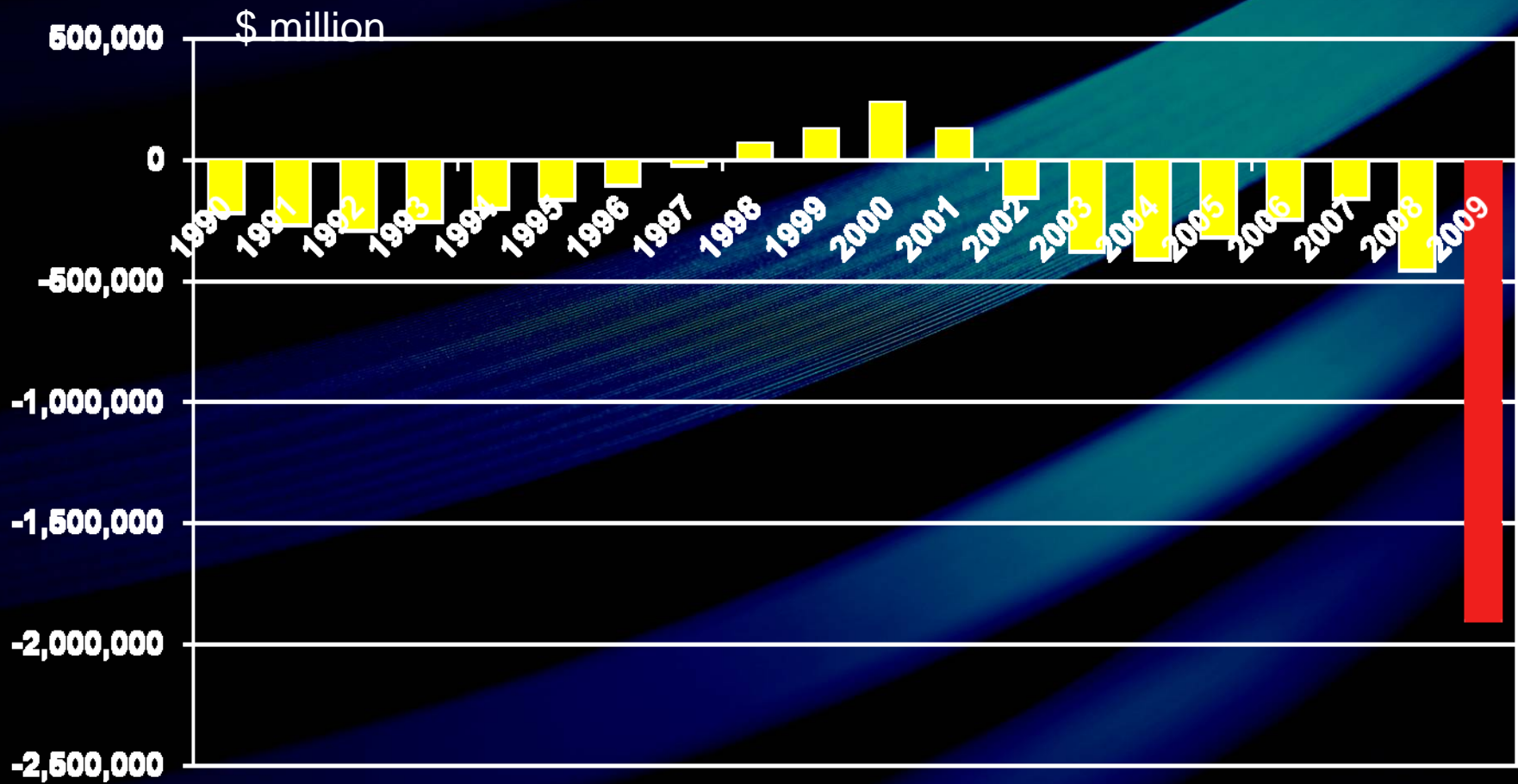
# **NAR Policy Advocacy on Getting the Buyers Back to Soak Up Inventory**

- **Homebuyer Tax Credit**
  - **Without repayment feature**
- **Interest Rate Buy-down**
  - **Fixed low rates for homebuyers using TARP and TALF**
  - **Low subsidized rates to refinance at-risk homeowners**
- **Permanently higher Loan Limit**
  - **Up to 125% of median price**

# Overshooting and Collateral Damage

- **Consumer Spending Contraction from Negative Wealth Effect**
- **Primary Foreclosure Determinant ... Home Prices**
- **Mortgage Credit Loss ... Multiplier Effect on Credit Contraction**
- **Self-reinforcing pessimism**
  - **Buyers sit on fence, Inventory builds, Prices fall, Foreclosures rise, Buyers sit on fence**

# Federal Budget Deficit



# Economic Outlook

	2008	2009	2010
GDP	1.1%	-2.5%	1.5%
CPI Inflation	3.9%	-0.0%	1.2%
Unemployment Rate	5.8%	9.2%	9.6%

# Housing Forecast

- **Stimulus and falling inventory will help stabilize prices**
- **Existing Home Sales bump of 10% to 20% in the second half of 2009 vs second half of 2008**
- **CA now seeing 100% jump in home sales from year before ... Is CA setting trends for others?**
- **Builders may not see a recovery till 2010**