

**2018 State of the Real Estate Market**  
**Where We Are...Where We Are Going**  
**Longleaf Pine REALTORS<sup>®</sup>, Inc.**

**U.S. REAL ESTATE**  
**MARKET UPDATE**

Paul C. Bishop, PhD, CBE

Vice President, Research

NATIONAL ASSOCIATION OF REALTORS<sup>®</sup>

January 16, 2018



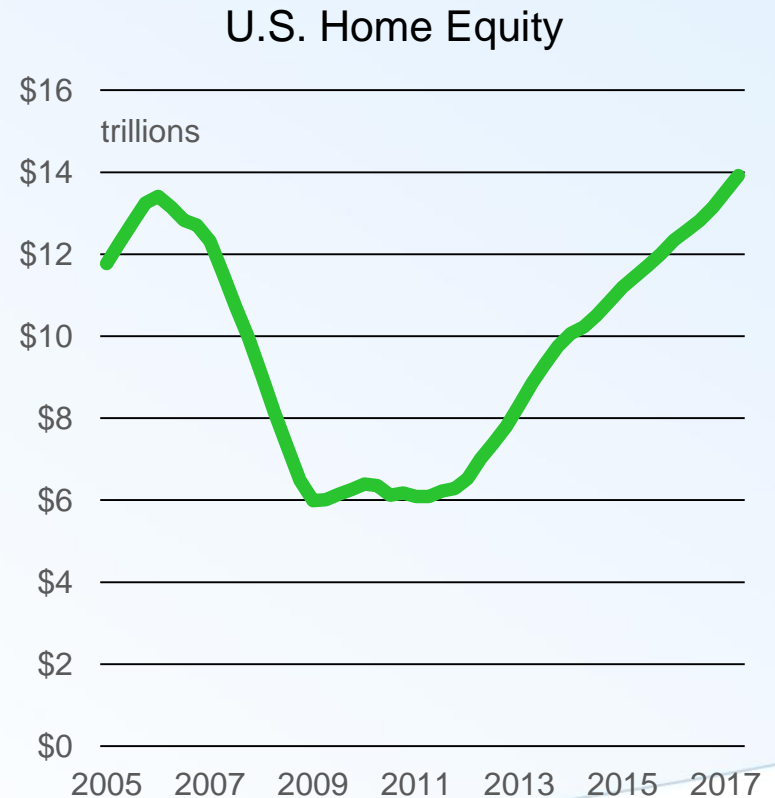
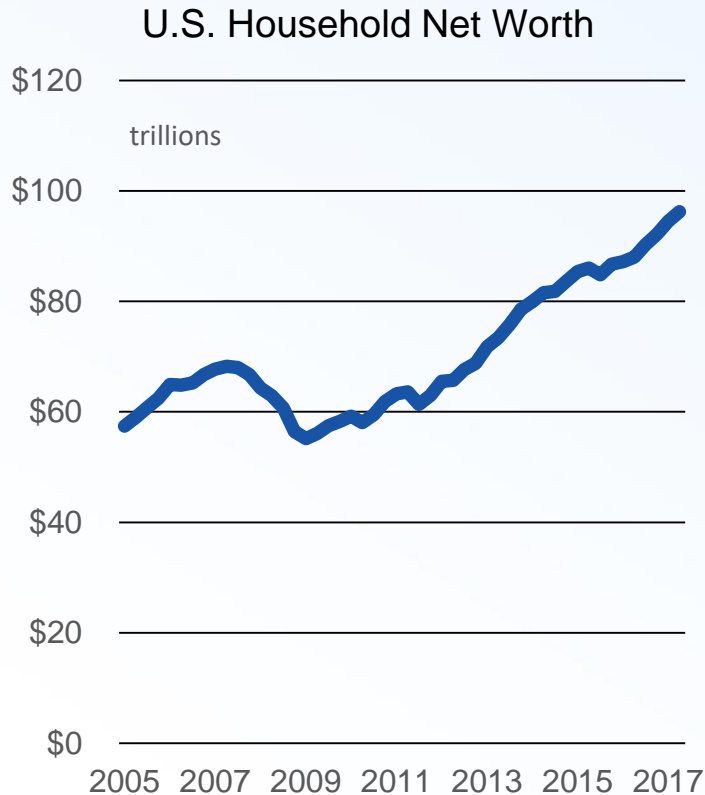
# U.S. Real Estate Market Update

- ✓ Economic Contribution of Real Estate:  
*Individual and Community Impact*
- ✓ The Economy:  
*Steady Gains*
- ✓ Market Conditions:  
*Rising Prices and Too Few Homes for Sale*
- ✓ What's Next:  
*Challenges and Opportunities*



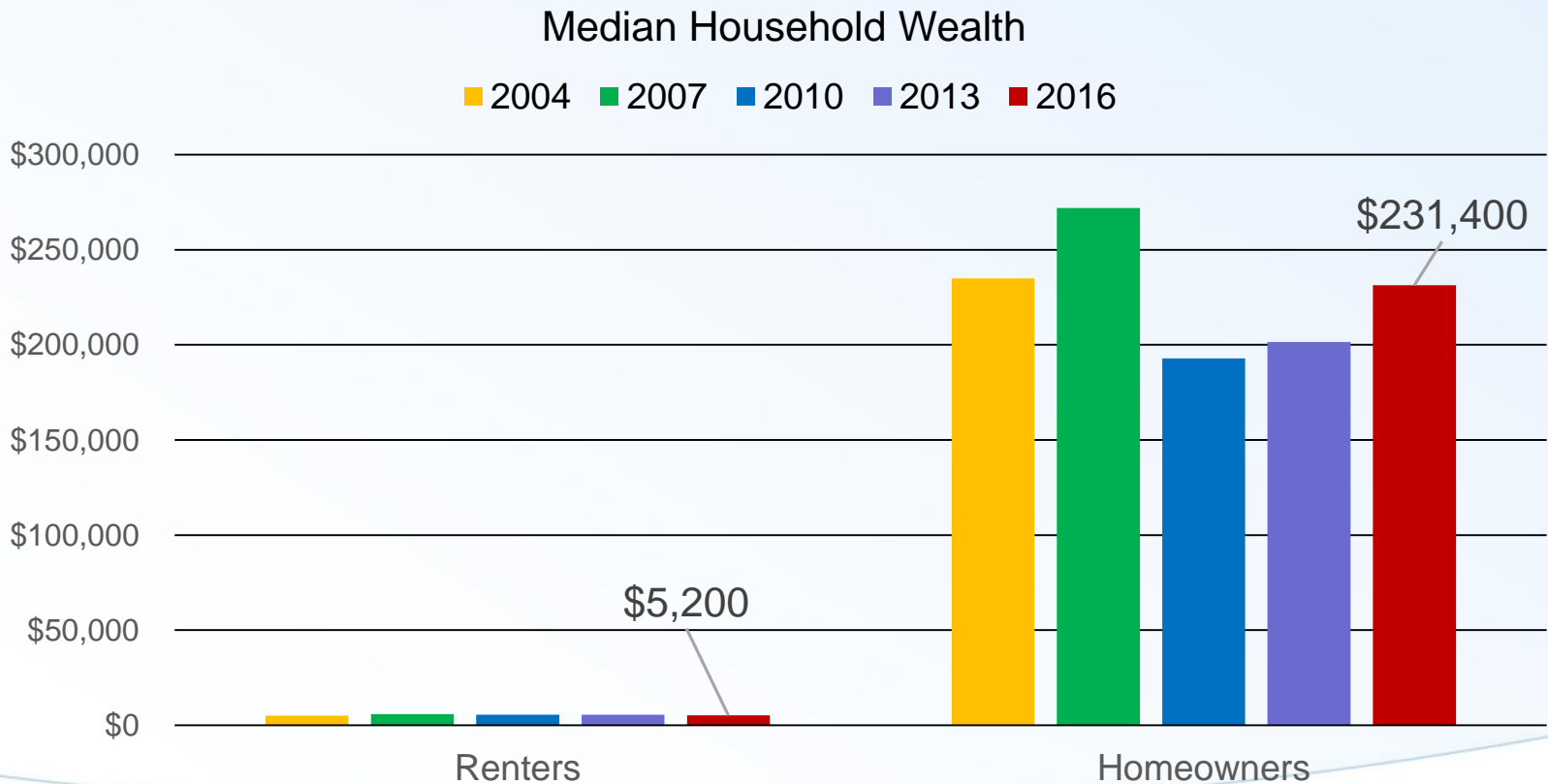
Economic  
Contribution of  
Real Estate:  
*Individual and  
Community Impact*

# Home Equity Increase Accounts for about 20% of Rise in Household Net Worth Since 2009



Source: Federal Reserve Flow of Funds

# Home Ownership is Key to Wealth Building – Wide Gap in Wealth Between Renters and Owners



Source: Federal Reserve Survey of Consumer Finances

# The Economic Impact of a Home Sale is Significant

## Average Impact of a Home Sale in North Carolina

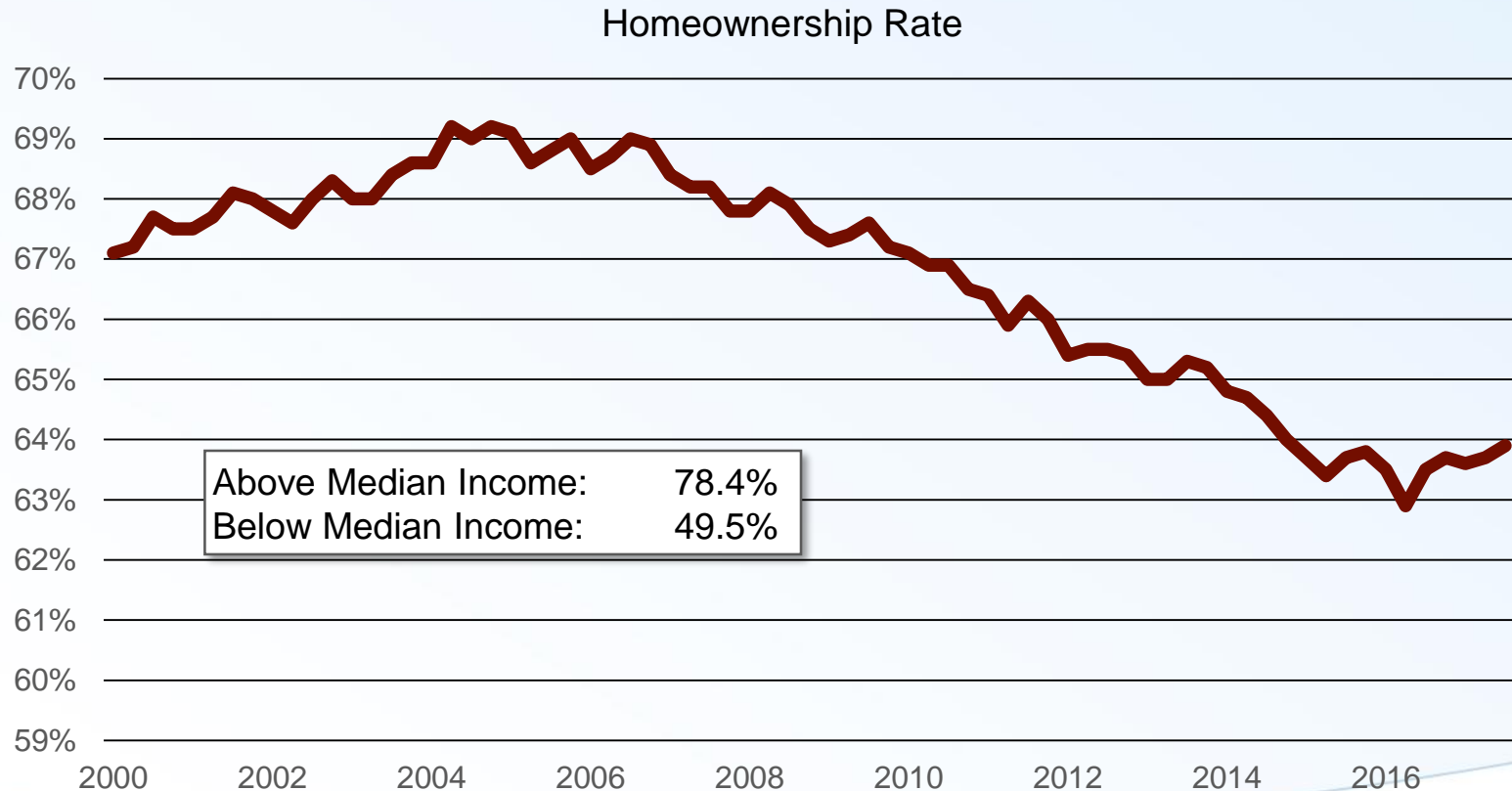
Income from real estate-related industries:	\$15,700
Furniture, appliances and remodeling:	\$4,600
“Multiplier” effect:	\$9,700
“Induced” effect:	\$21,800
<b>TOTAL (per home sale)</b>	<b>\$51,800</b>

Real estate (residential and commercial) account for 18.3% of all economic activity

Source: National Association of REALTORS®



# While Ownership Helps Build Wealth, Homeownership Rate is at 50-Year Low...

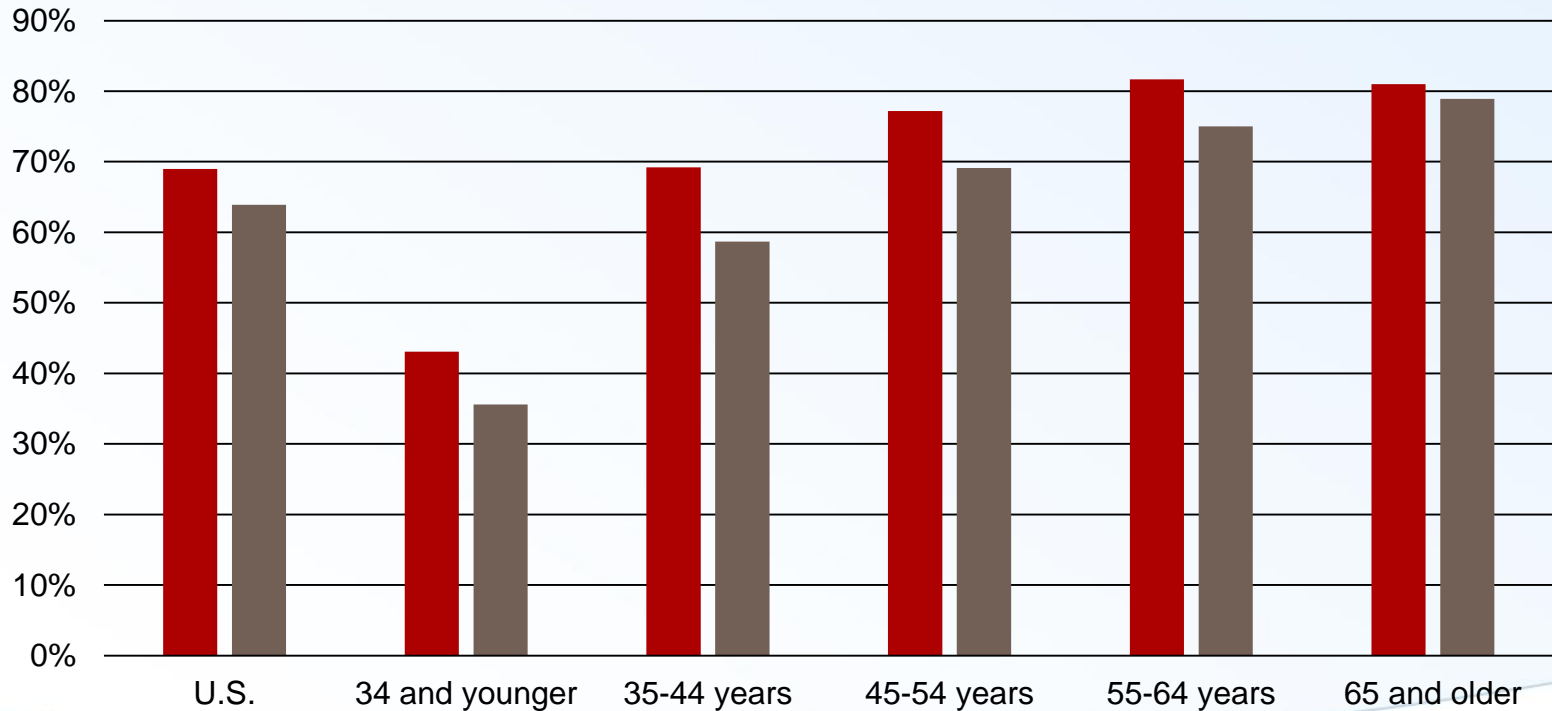


Source: Census Bureau

# ...and Younger Households Less Likely to Own a Home Today

## Homeownership Rate

■ 2004 (Peak) ■ 2017Q3



Source: Census Bureau

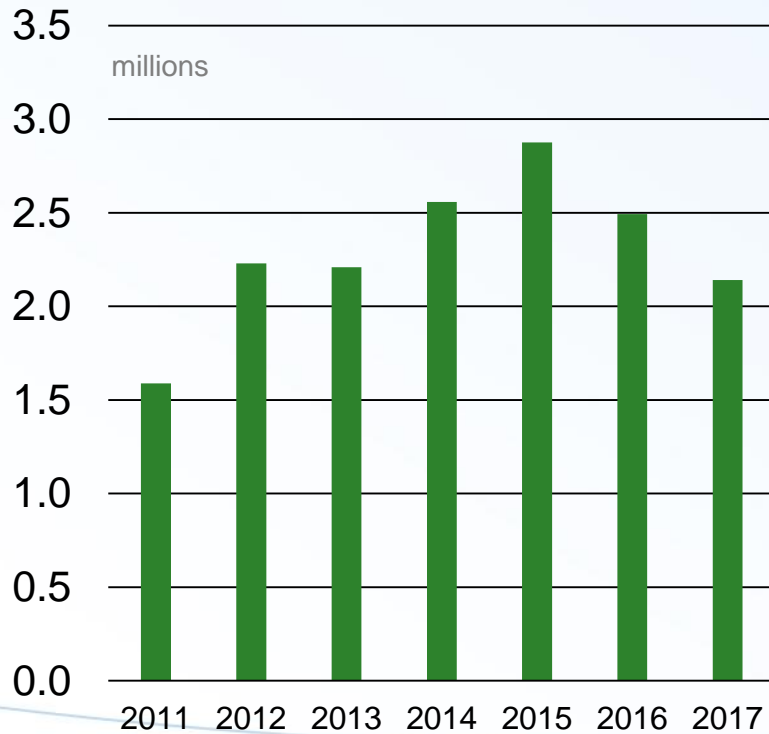




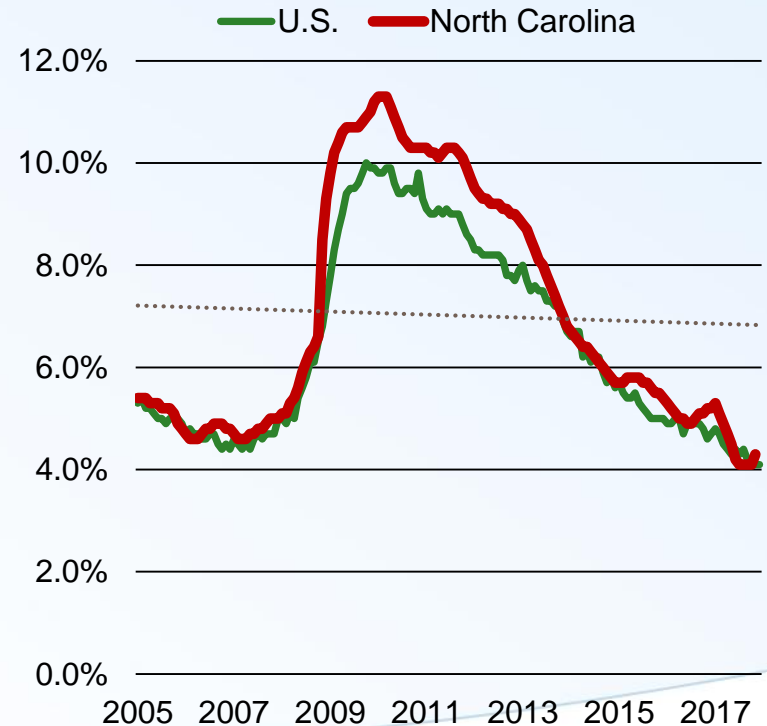
## The Economy: *Steady Gains*

# Since 2011, 16 Million Jobs Added in U.S. And Unemployment Rate Has Declined Quickly

## U.S. Job Gains



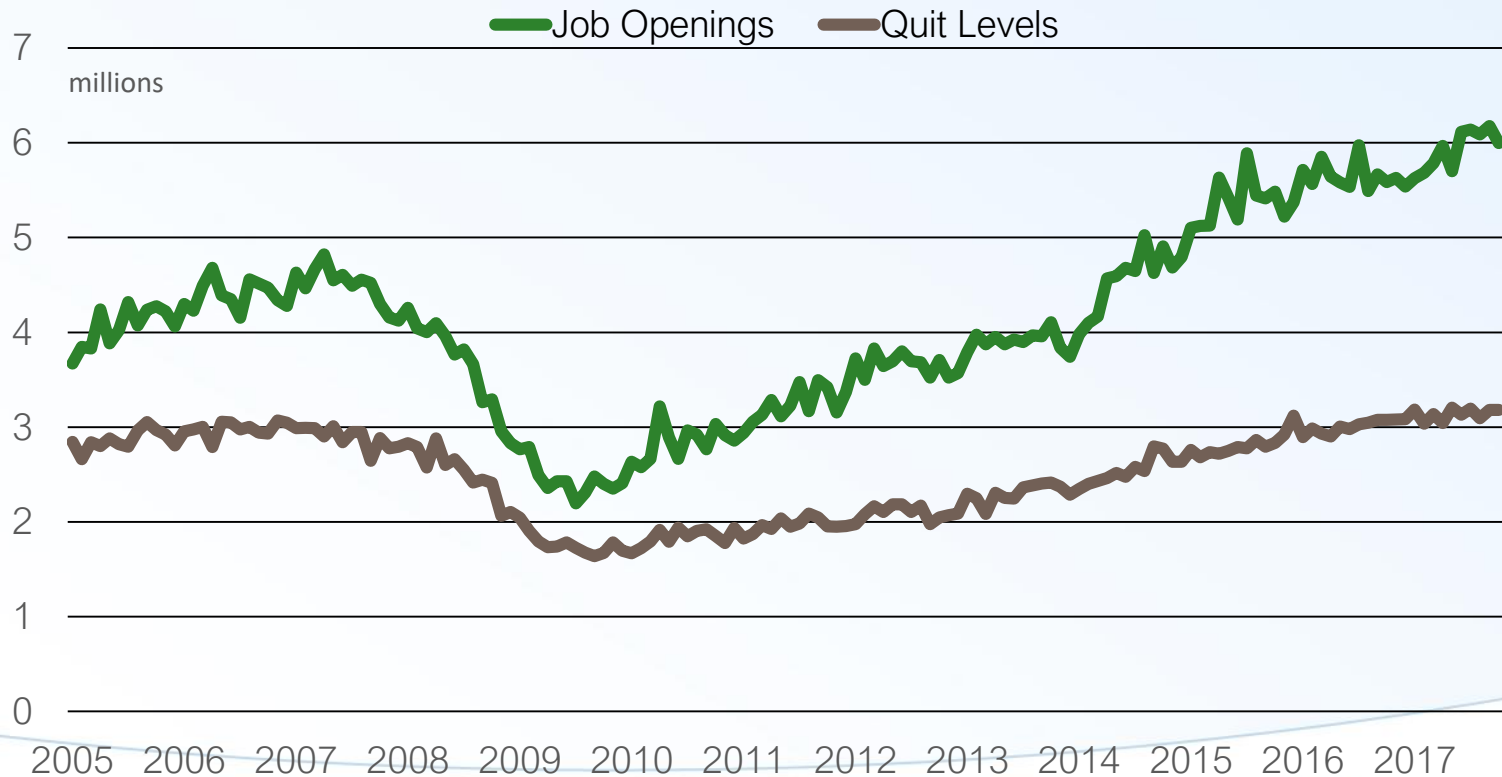
## Unemployment Rate



Source: Bureau of Labor Statistics

# More Unfilled Job Openings Suggesting Future Increase in Wages

Number of Unfilled Job Openings and People Voluntarily Quitting Their Job

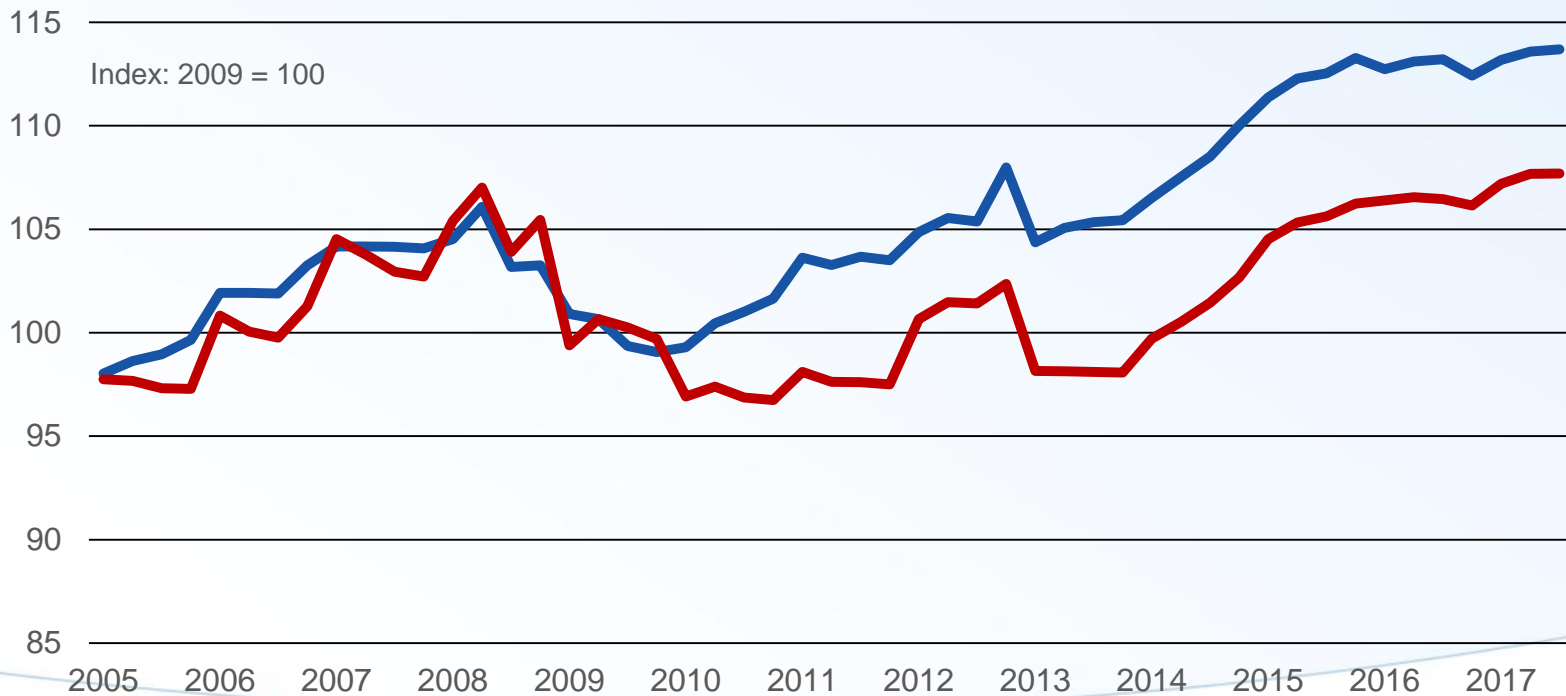


Source Bureau of Labor Statistics

# Income Growing Slower in North Carolina than in U.S.

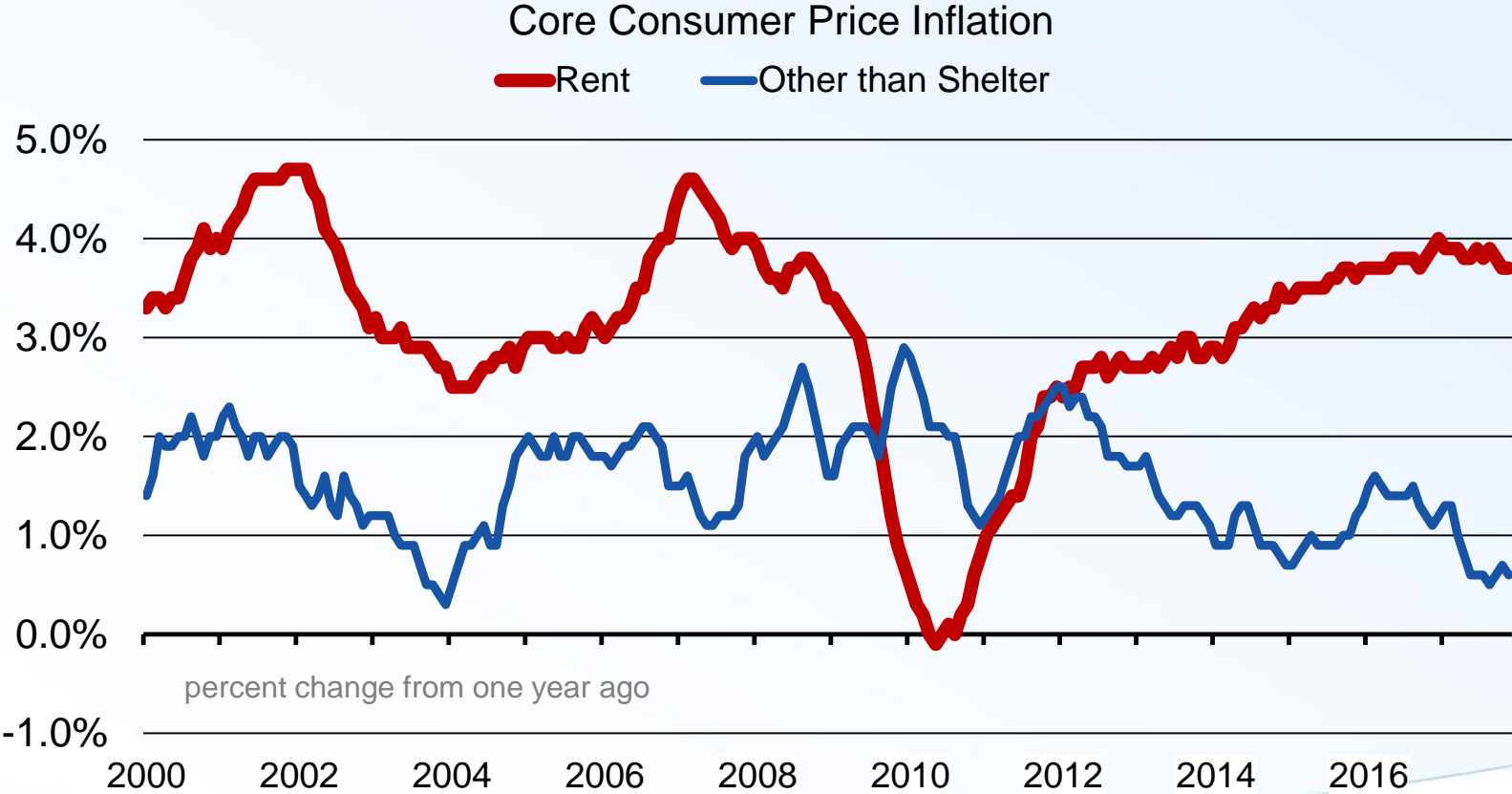
Per Capita Income  
(adjusted for inflation)

— U.S. — North Carolina



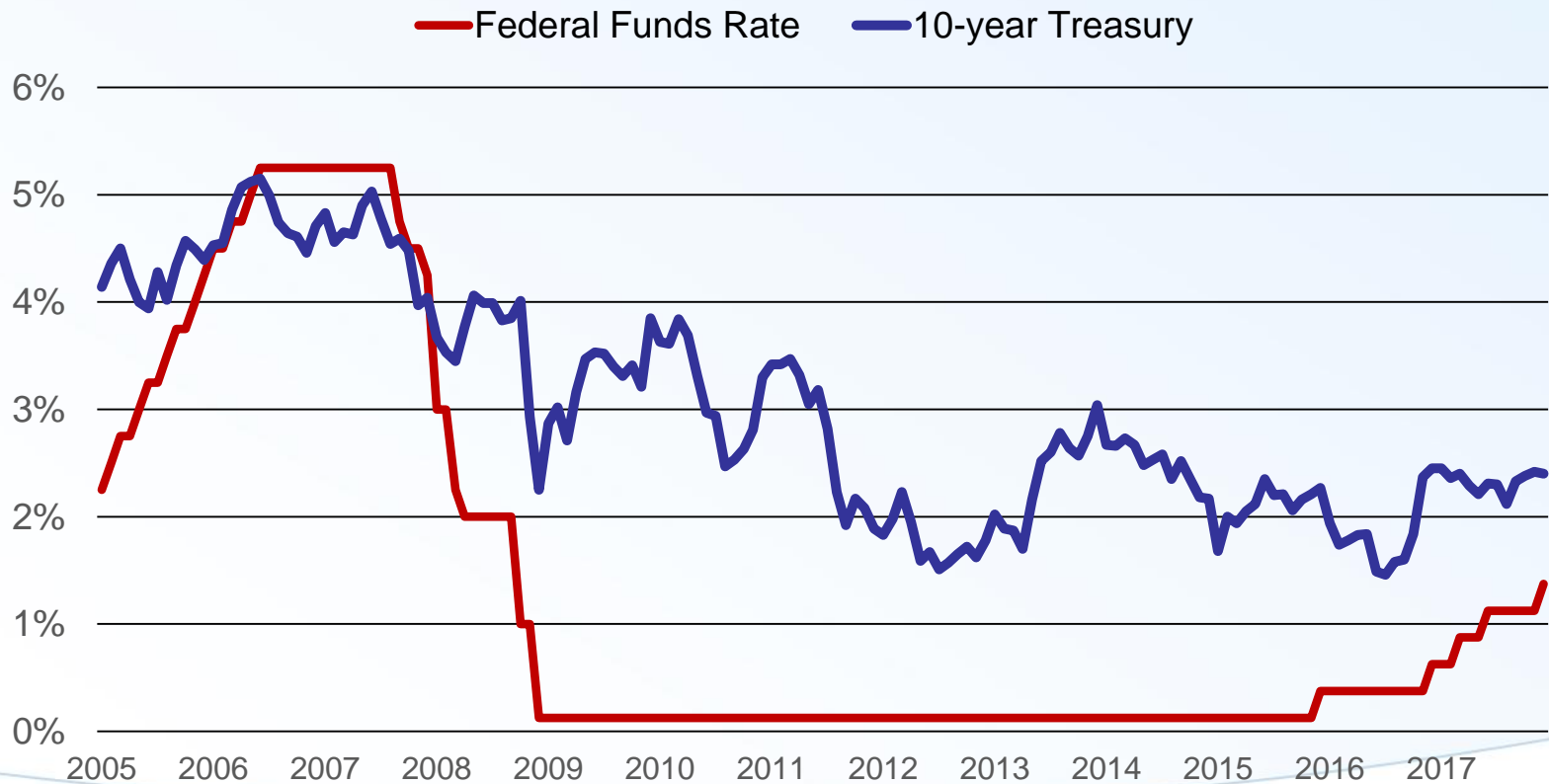
Source: Bureau of Economic Analysis

# There's No Inflation to be Seen – Except in Rents



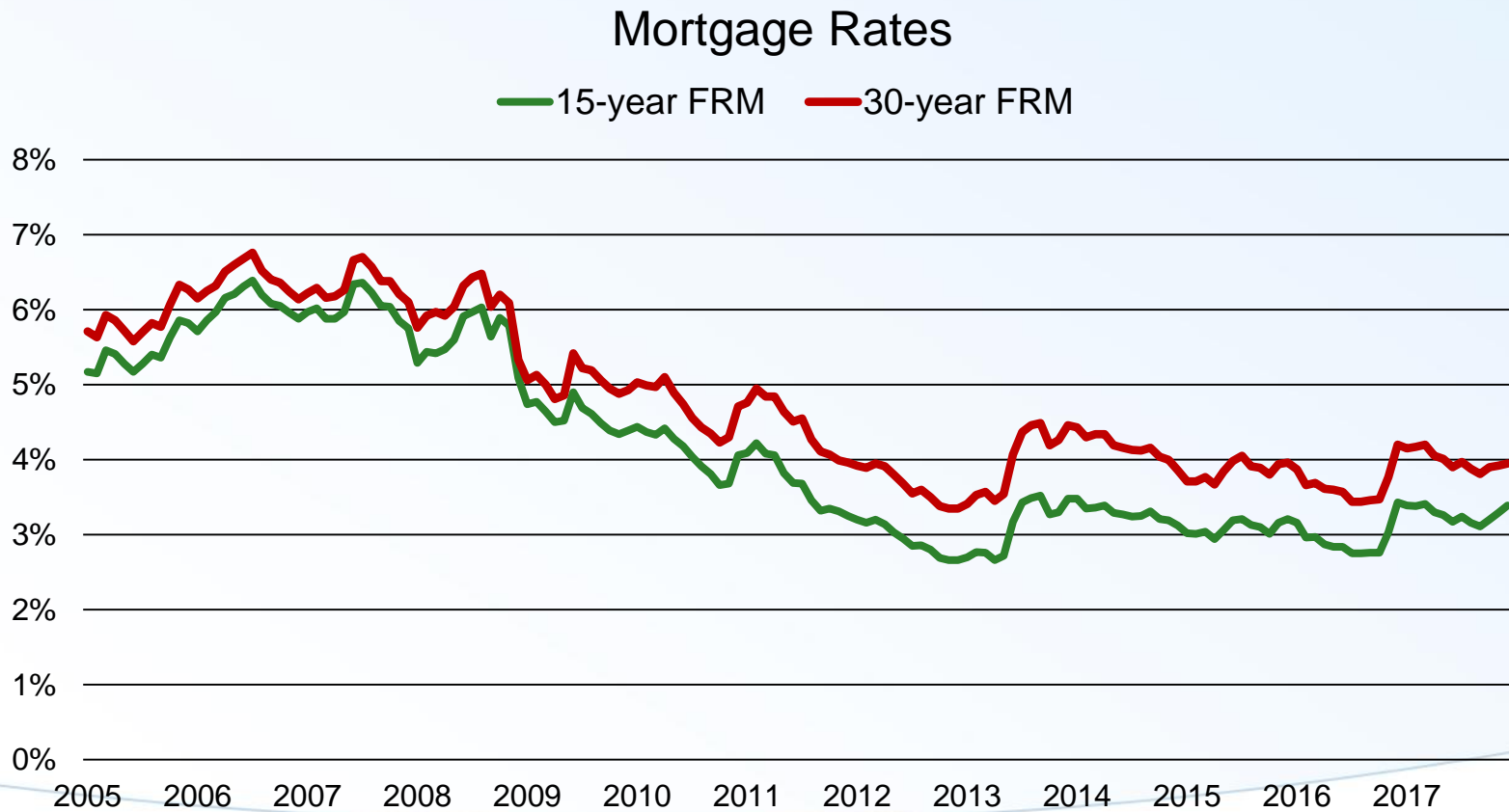
Source: Bureau of Labor Statistics

# Borrowing Costs Likely to Increase in 2018 As Fed Steps up Rate Hikes



Source: Federal Reserve

# Mortgage Rates Have Nowhere to Go but Up



Source: Freddie Mac

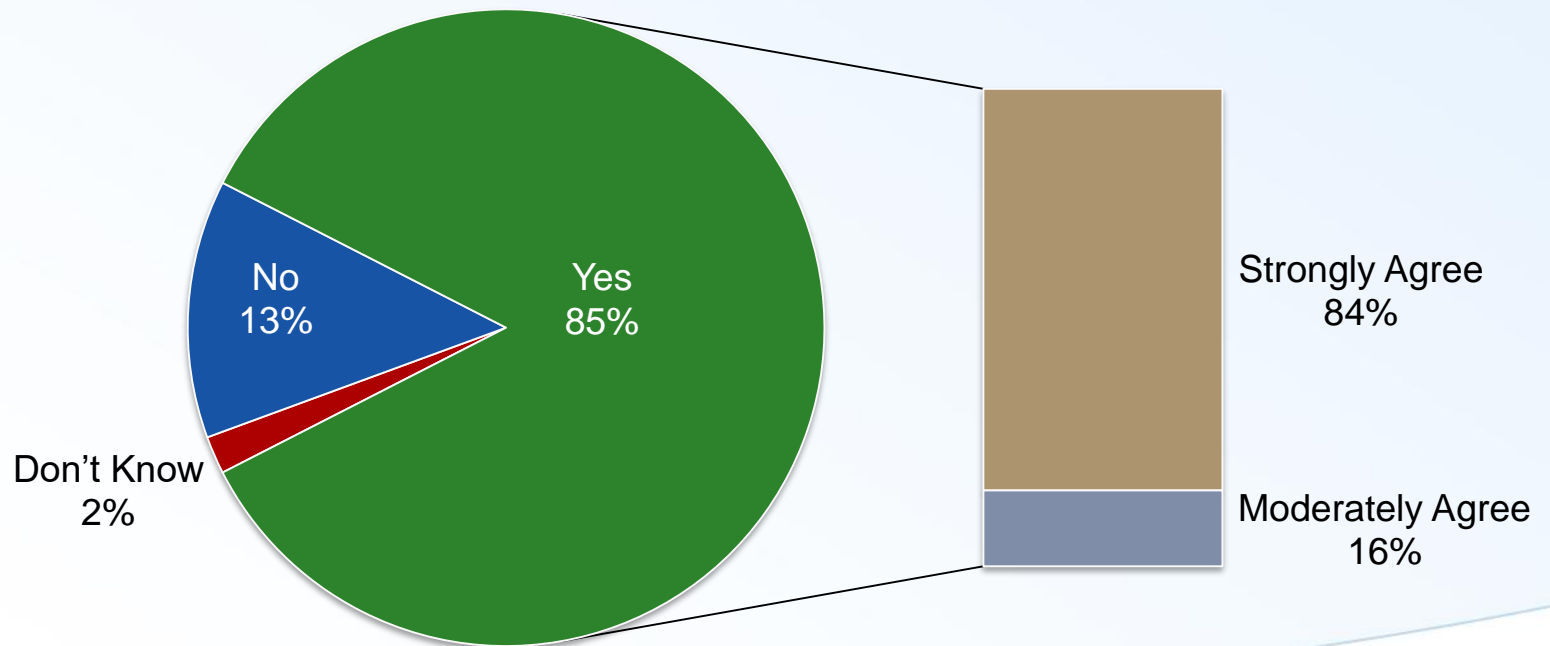


Market Conditions:  
*Rising Prices and Too  
Few Homes for Sale*



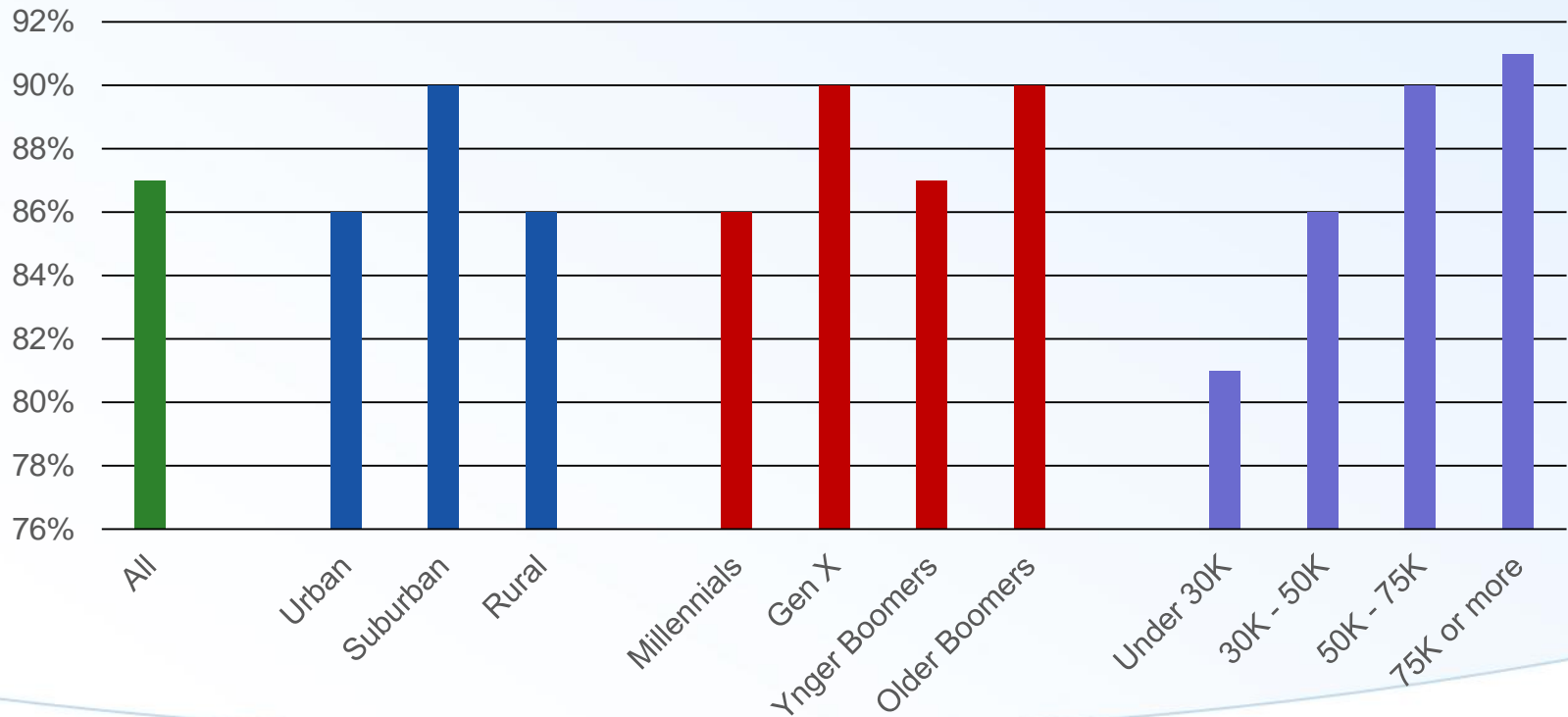
# The American Dream Includes Homeownership

Is Homeownership Part of your American Dream?



# Consumers Believe Buying a Home is a Good Financial Decision

## Agree that Buying a Home is a Good Financial Decision



Source: National Association of REALTORS® HOME Survey 2017Q4

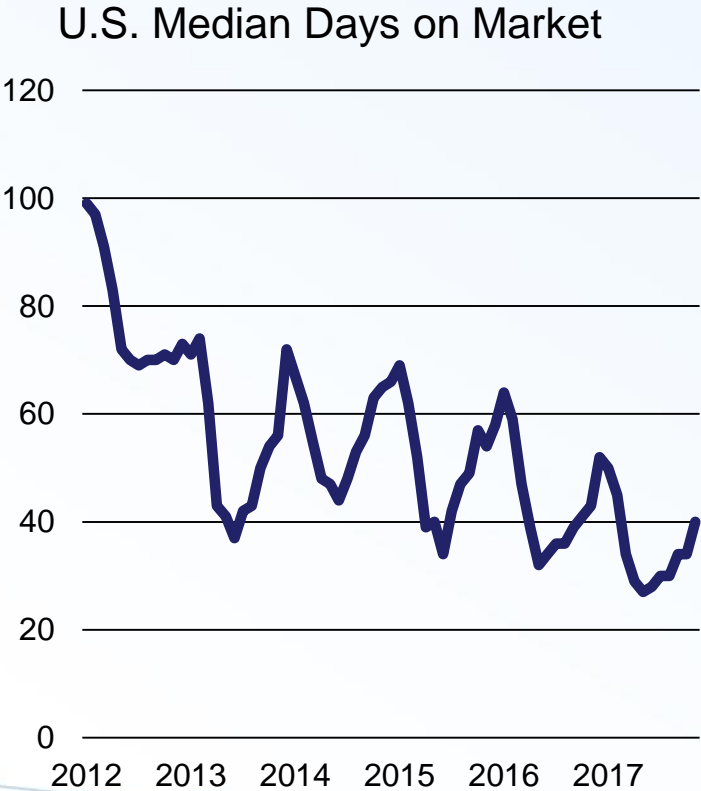
# Less than 6 Months Supply of Existing Homes Since Late 2012

## U.S. Months Supply



Source: National Association of REALTORS®

# Days on Market Reflect Challenges for Buyers

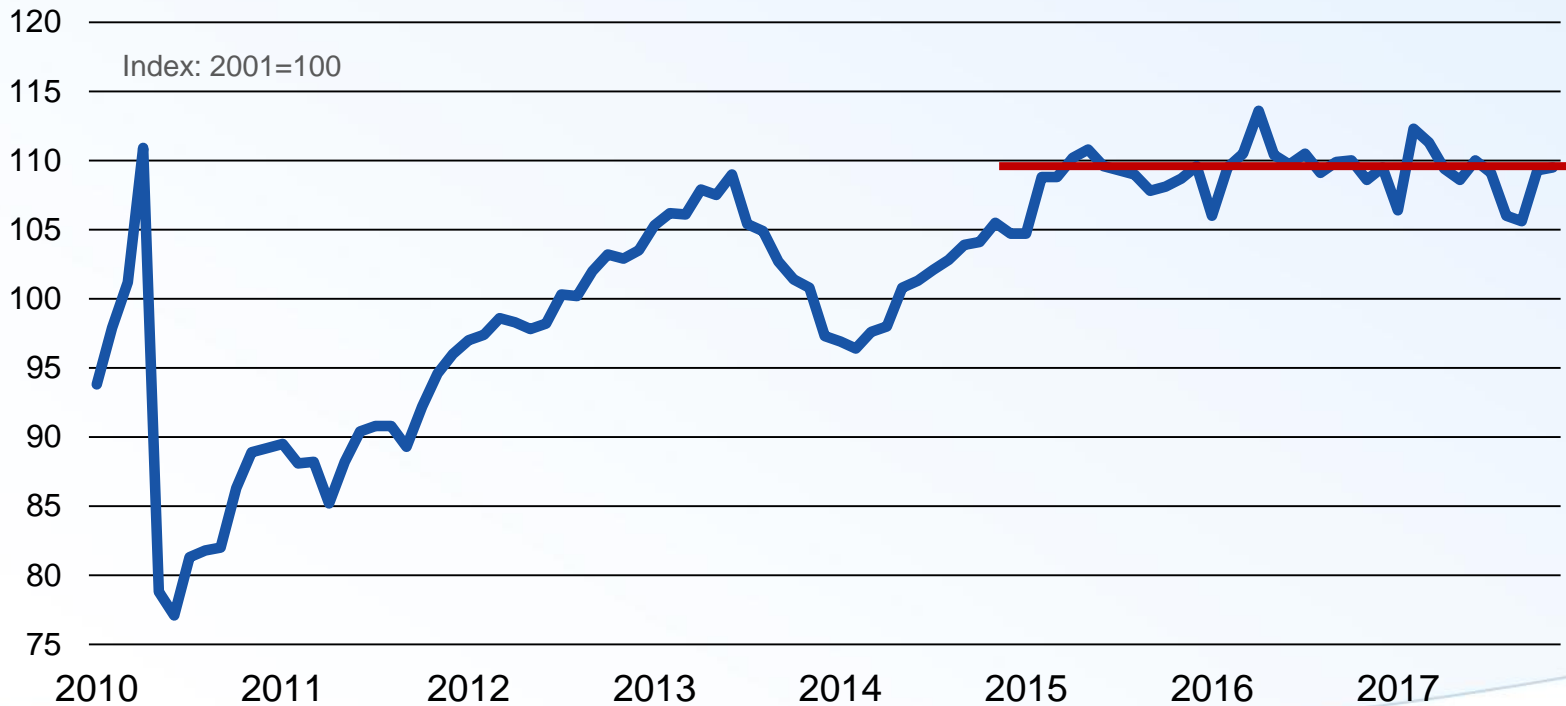


Source: National Association of REALTORS®



# Pending Sales Remain at Plateau Due to Inventory Constraints

## U.S. Pending Home Sales



Source: National Association of REALTORS®

# Despite a Good Economy Homes Sales Rising Very Slowly

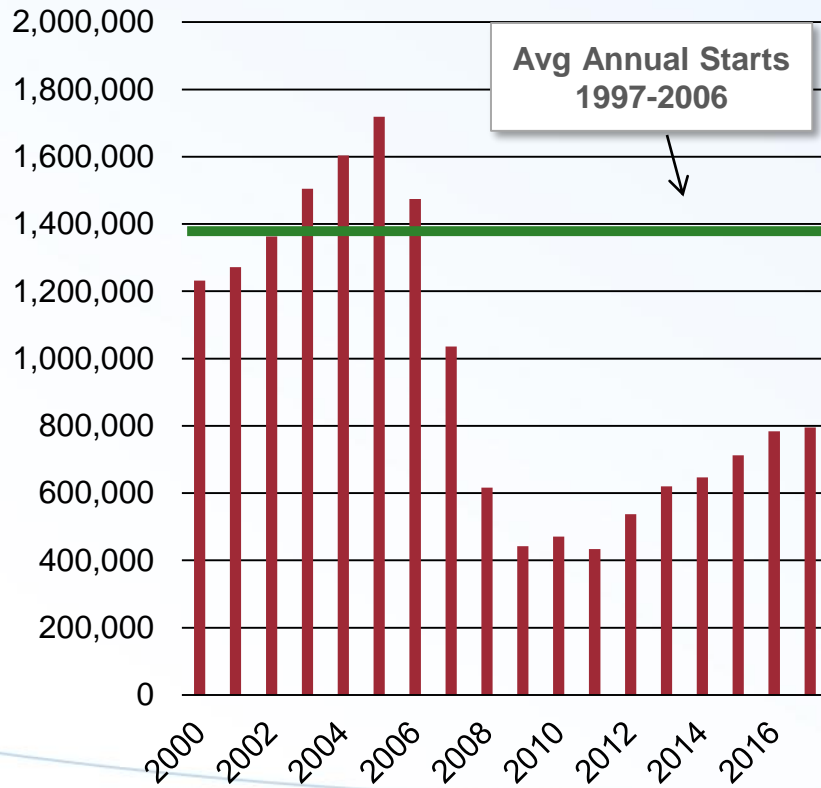
## U.S. Existing Home Sales



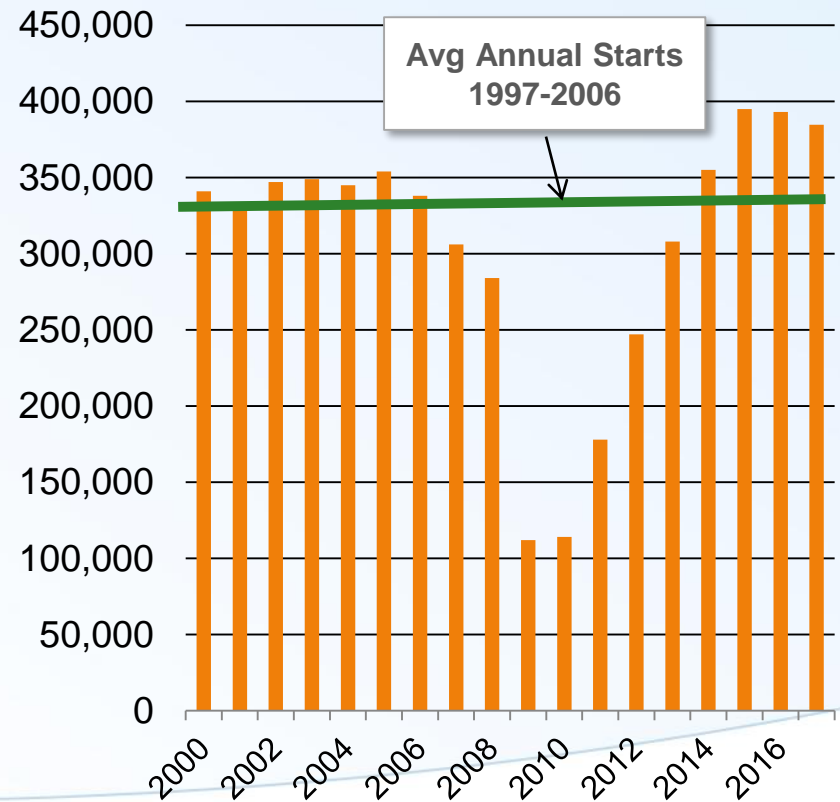
Source: National Association of REALTORS®

# Nationally, Still not Building Enough Homes...

## U.S. Single Family Starts



## U.S. Multi-family Starts



Source: Census Bureau

# Home Prices Growing at a Consistent Single-digit Pace

## U.S. Existing Home Sale Price Growth



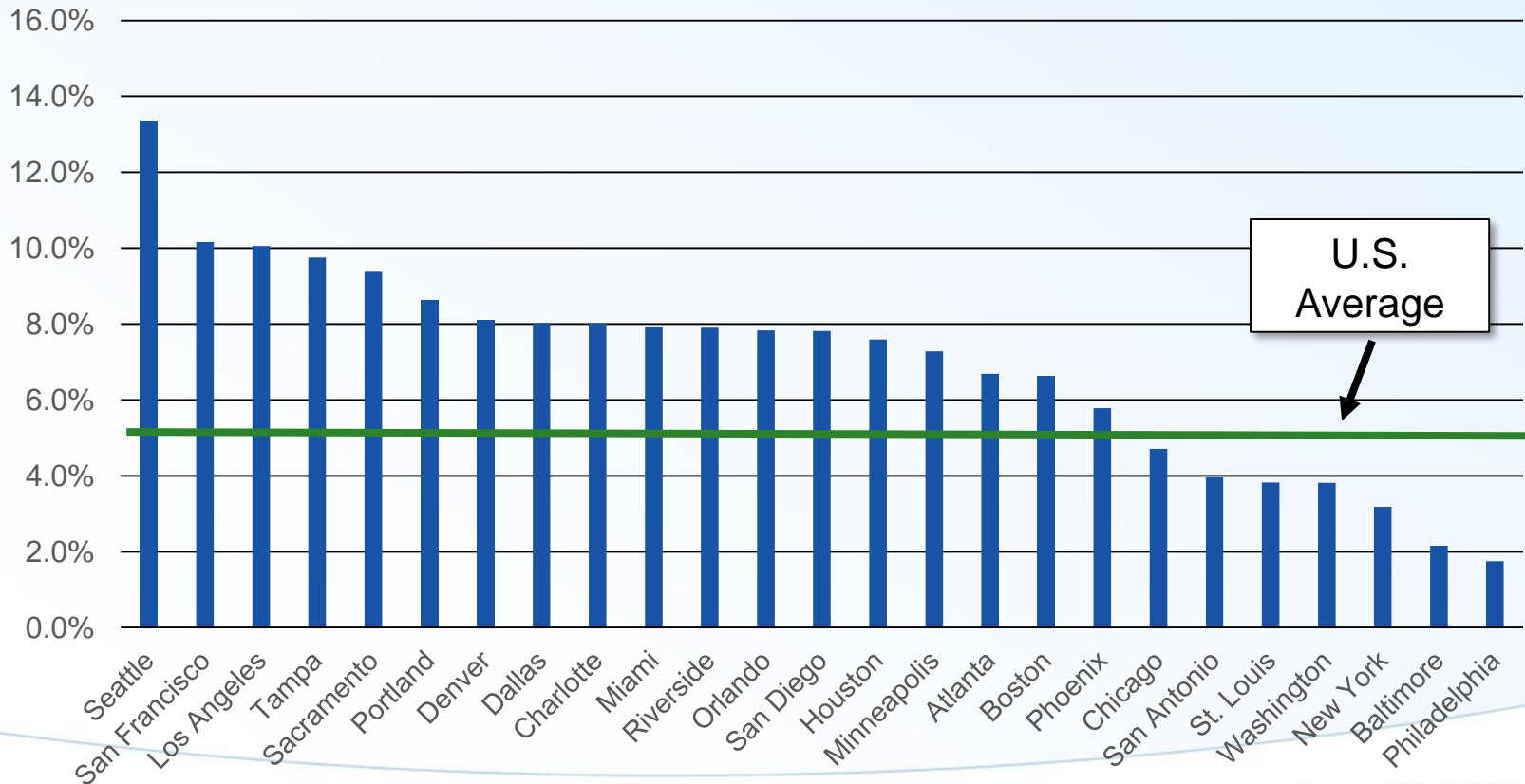
Source: National Association of REALTORS®





# Several Large Metros Are Experiencing Rapid Home Price Growth

Median Metro Home Price Growth (2016Q3-2017Q3)

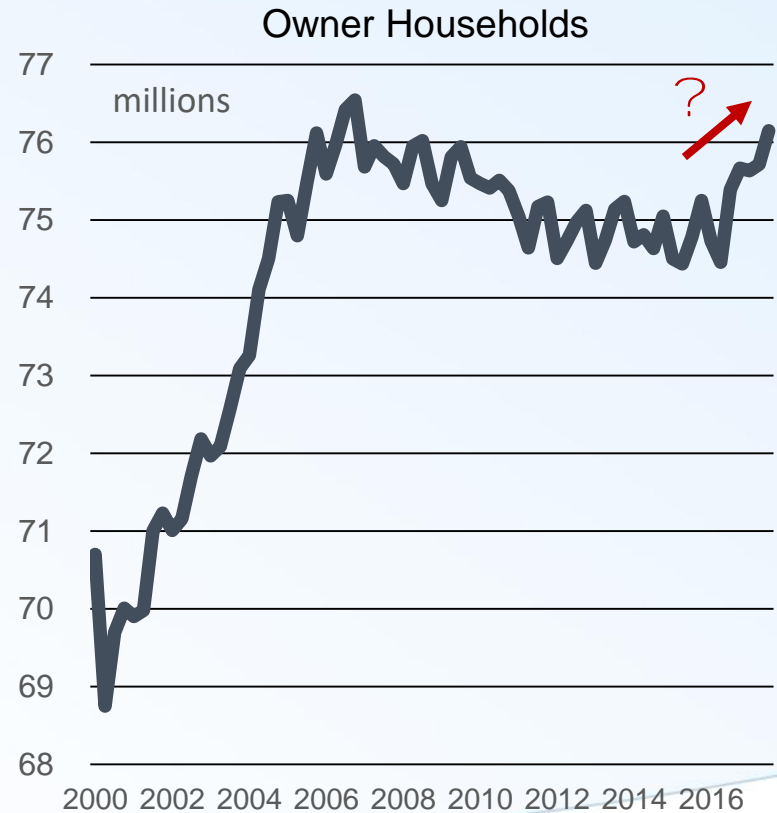
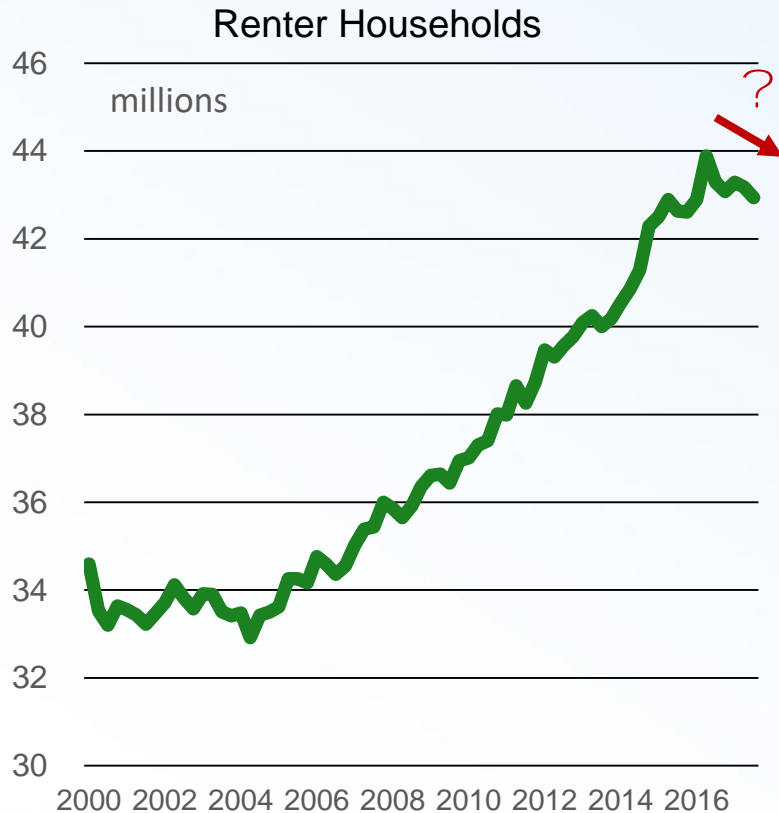


Source National Association of REALTORS®



What's Next:  
*Challenges and  
Opportunities*

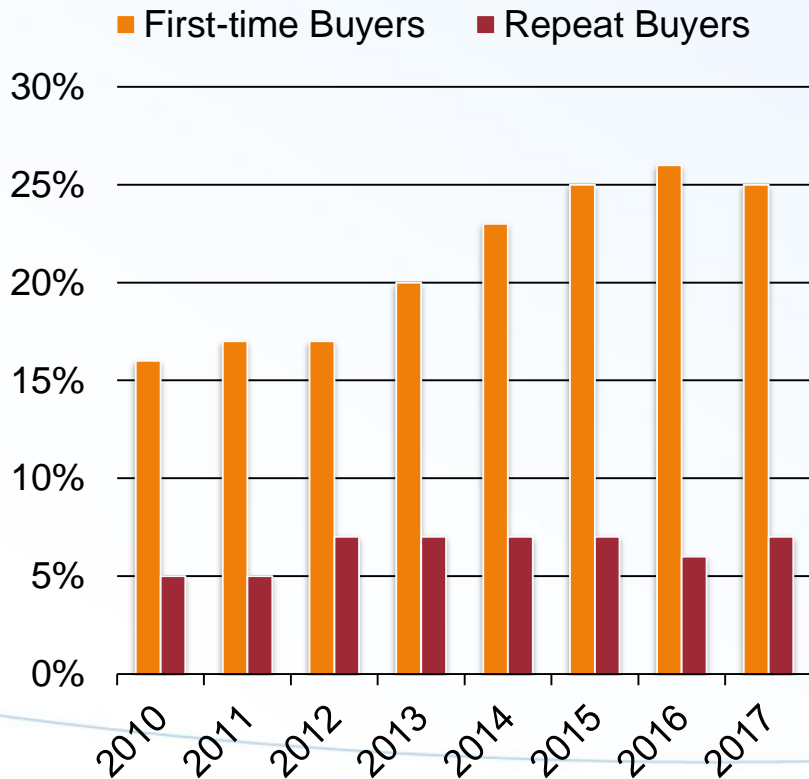
# With Rising Rents More Renters May Choose to Own - A Trend Worth Monitoring or a Blip in the Data?



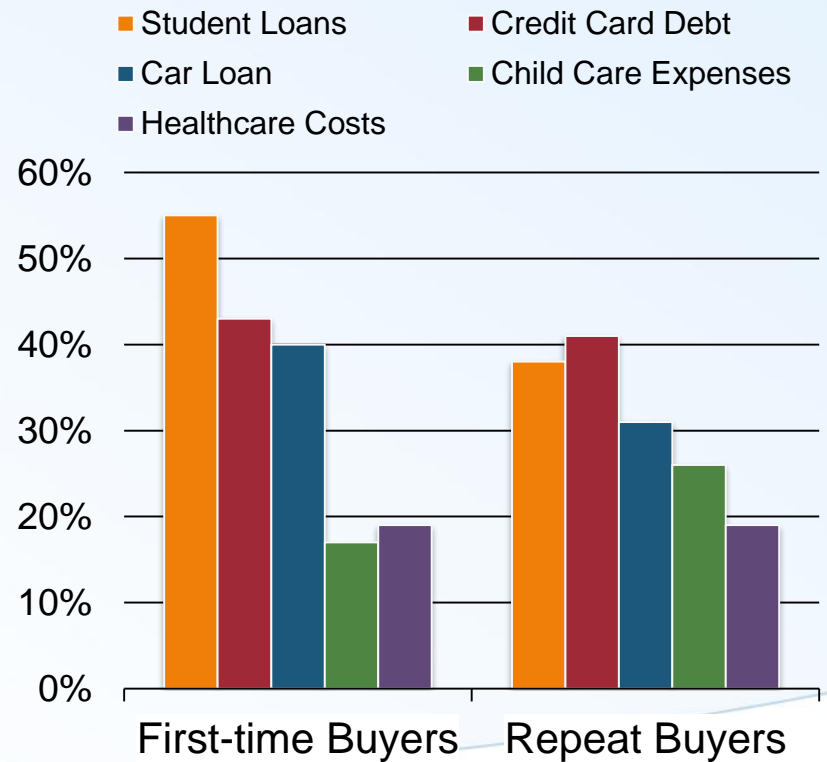
Source: Census Bureau

# Saving for Downpayment Increasingly Difficult for First-time Buyers

## Saving for Downpayment Difficult



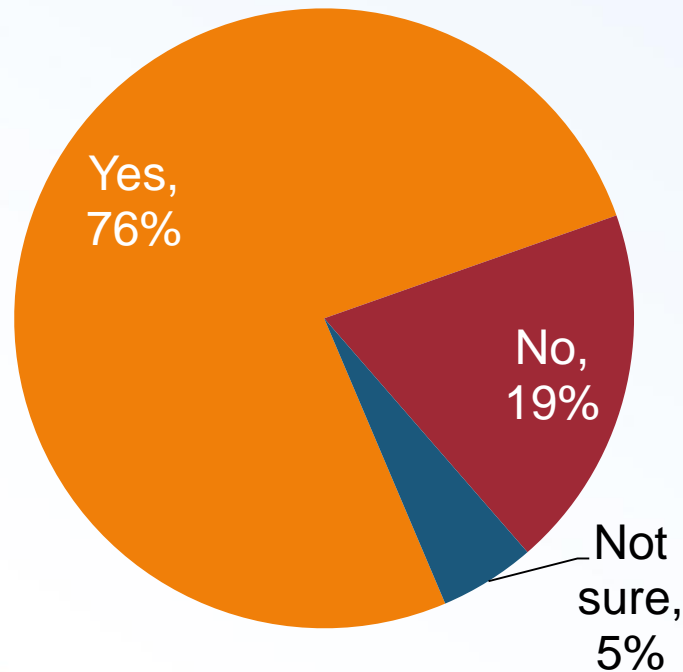
## Expenses that Delayed Saving Downpayment (among those who indicated difficulty saving)



Source: National Association of REALTORS®

# Current Renters Point to Affordability as Main Hurdle to Ownership – Many Think Getting a Mortgage Would be Difficult

Do renters ever want to own a home?



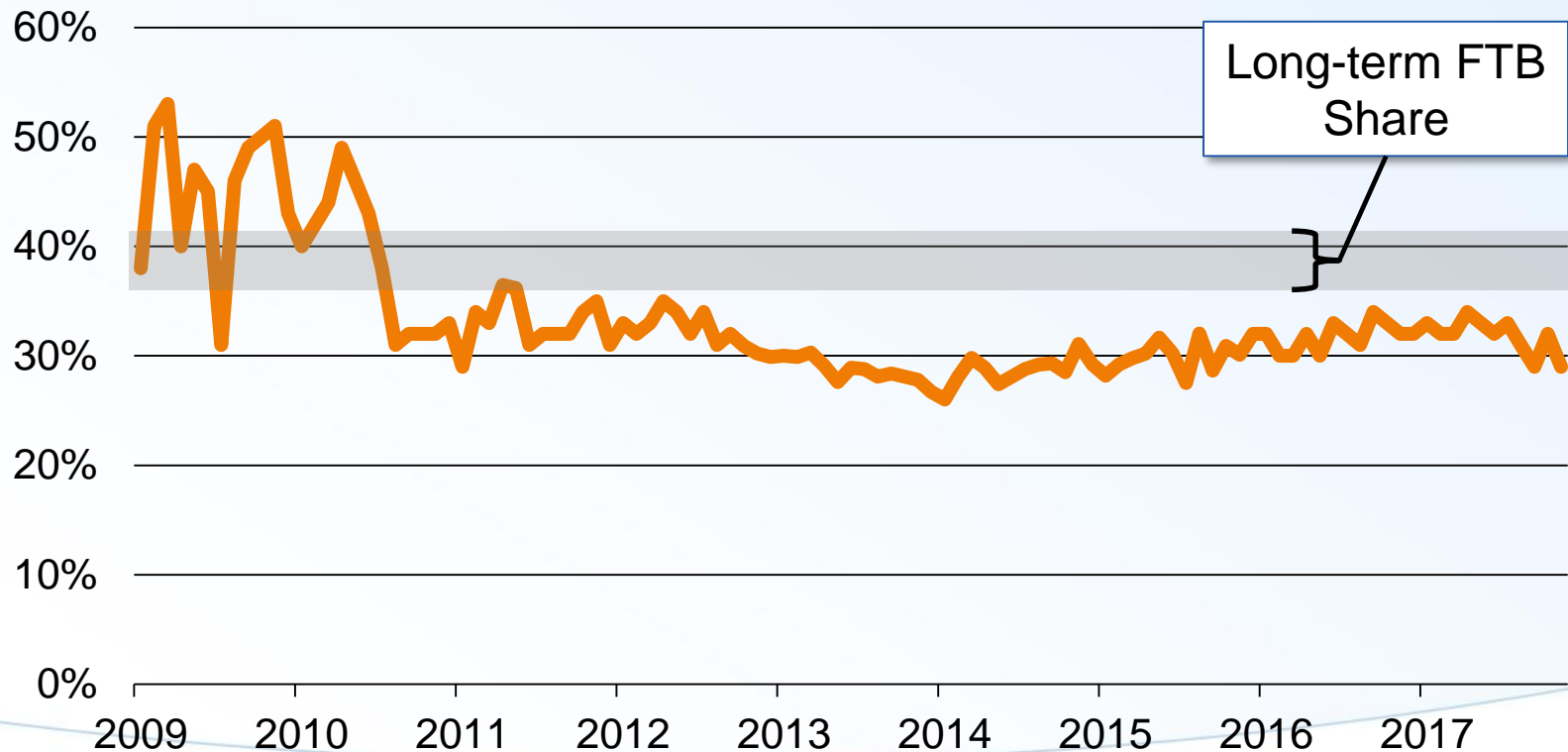
Why don't renters own a home?

Can't afford to buy	38%
Life circumstances not suitable for owning now	29%
Need flexibility of renting vs owning	13%
Don't want responsibility of owning	10%

59% of renters think it would be "difficult" to qualify for a mortgage

# Although Renters Want to Own, Fewer First-time Buyers are Able to Move to Ownership

## Percent of Existing Homes Sold to First-time Buyers



Source: National Association of REALTORS®

# Key Tax Provisions

<b>Standard deduction</b>	<ul style="list-style-type: none"><li>• \$12,000 for individuals</li><li>• \$24,000 for married filing jointly</li></ul>
<b>Personal exemptions</b>	<ul style="list-style-type: none"><li>• Eliminated</li></ul>
<b>Mortgage interest deduction</b>	<ul style="list-style-type: none"><li>• Current mortgages of up to \$1 million are grandfathered</li><li>• New mortgages capped at \$750,000</li><li>• Deduction for home equity debt interest repealed thru 2025</li><li>• Interest on home equity loans remains deductible if proceeds used to improve home</li></ul>
<b>State and local tax deduction (property taxes + income or sales taxes)</b>	<ul style="list-style-type: none"><li>• Capped at \$10,000</li></ul>
<b>Capital gains exemption on sale of primary residence</b>	<ul style="list-style-type: none"><li>• Current law retained</li></ul>

<https://www.nar.realtor/tax-reform>

# Tax Facts for North Carolina

- 2,493,000 Owner-occupied homes
  - 63% with a mortgage
  - 2.3% valued at \$750,000 or more
- Mortgage interest deduction
  - 997,900 claimed deduction (64% of owners with mrtg)
  - \$7,500 average deduction
- Property taxes
  - 1,143,000 claimed deduction
  - \$3,000 average deduction
  - 0.9% of owners paid \$10,000 or more in property taxes
- State income taxes
  - 1,165,500 claimed deduction
  - \$7,300 average deduction



# How to Think About the Impact of Tax Reform

## Weighing on the Housing Market

- Homeownership more costly for some
- MID limitation for new purchases
- SALT deduction cap
- Limits on incentives by doubling standard deduction

## Supporting the Housing Market

- Solid growth in jobs and income
- Demographics favor housing
- Desire to own still strong

## What to Plan for in 2018...

- No significant change in economic outlook, even as we prepare for modestly higher interest rates
- No relief for the inventory shortage – home building up, but a big shortfall to overcome
- Prices will continue to rise due to tight inventory and solid demand for homes
- Consumers remain optimistic about home ownership

# Housing Forecast

	2016	2017	2018 Forecast	2019 Forecast
Housing Starts	1,174,000	1,205,000	1,312,000	1,380,000
New Home Sales	561,000	616,000	700,000	750,000
Existing Home Sales	5,450,000	5,540,000	5,520,000	5,710,000
Median Existing Home Price Growth	5.1%	5.9%	2.1%	3.6%
30-year Mtg Rate	3.6%	4.0%	4.4%	4.8%

Source: National Association of REALTORS® (January 2018)

# NAR Research

## NAR Research Reports

<https://www.nar.realtor/research-and-statistics/research-reports>

## Housing Statistics

<https://www.nar.realtor/research-and-statistics/housing-statistics>

**Blog:** <http://economistsoutlook.blogs.realtor.org/>

**Twitter:** [https://twitter.com/nar\\_research](https://twitter.com/nar_research)

**Facebook:** <https://www.facebook.com/narresearchgroup>

**Instagram:** <https://www.instagram.com/narresearch/>

**Pinterest:** <https://www.pinterest.com/narresearch/>



Paul C. Bishop PhD, CBE  
Vice President, Research

[pbishop@realtors.org](mailto:pbishop@realtors.org)

202-383-1246

[linkedin.com/in/pcbishop/](https://www.linkedin.com/in/pcbishop/)

Download this presentation at:  
<http://bit.ly/FRAROutlook2018>