

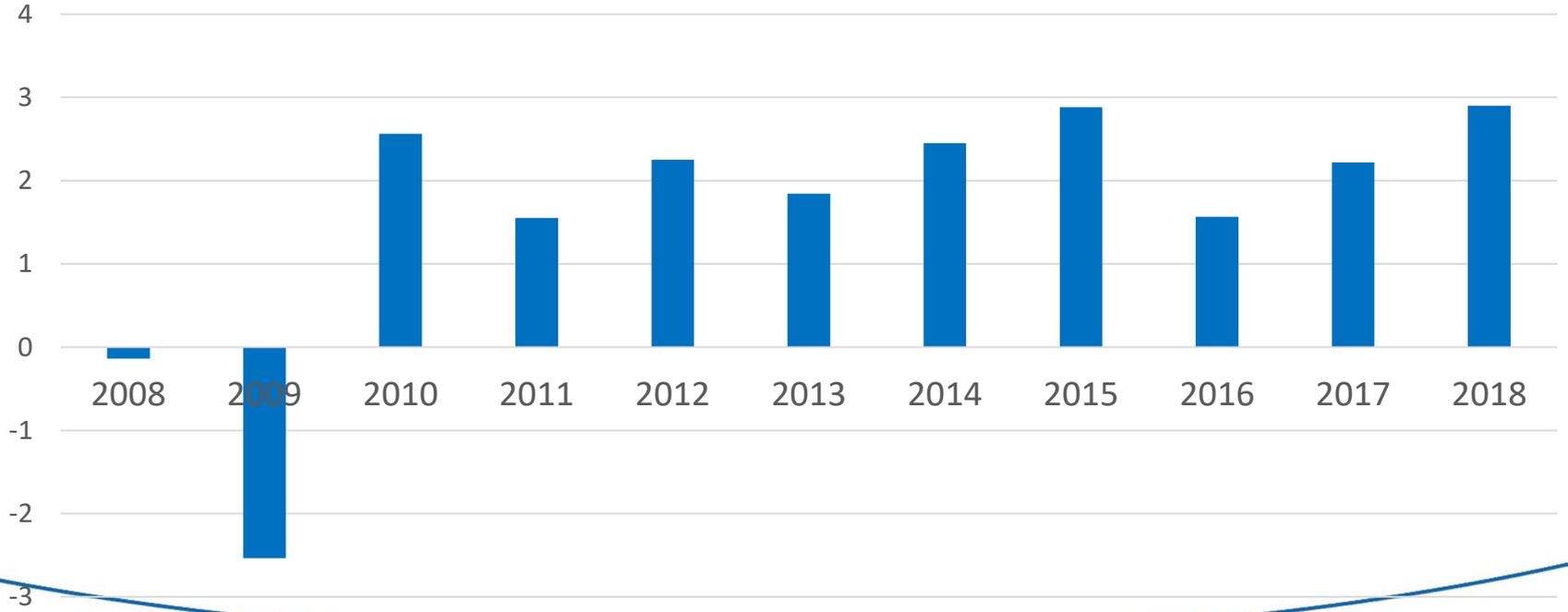
Economic & Real Estate Market Outlook

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

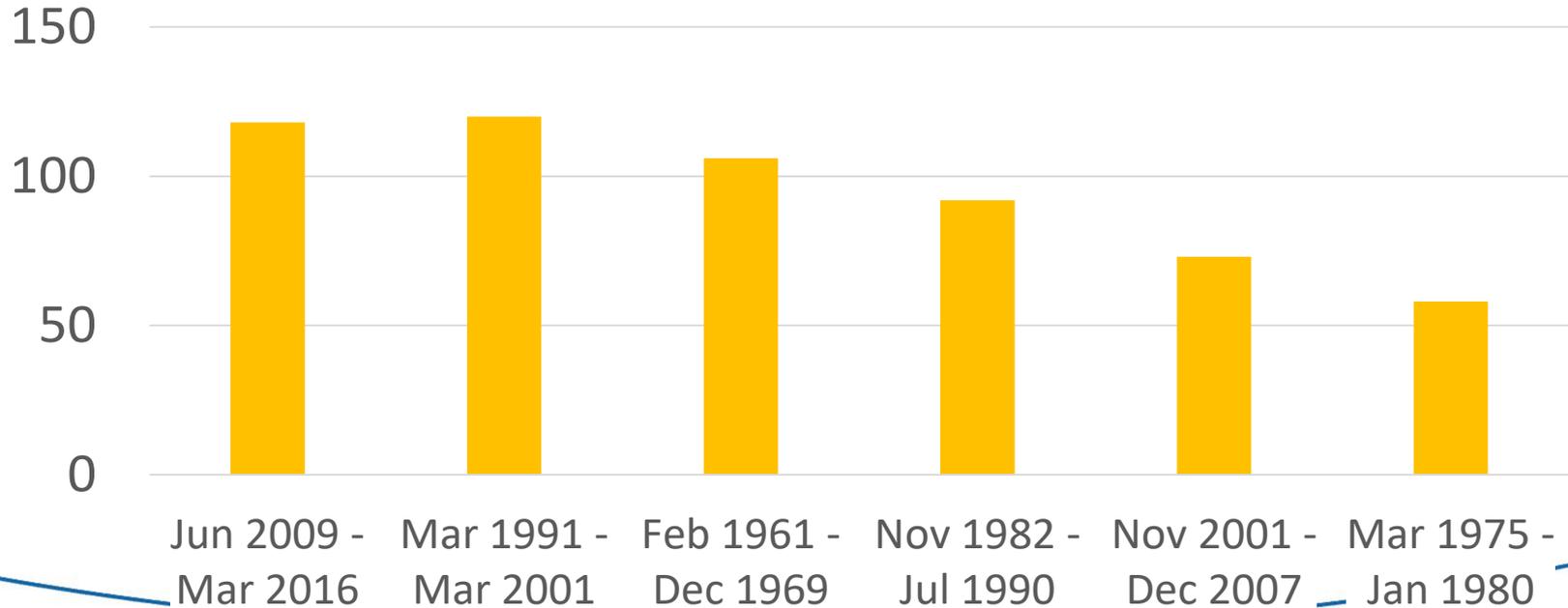
Presentation to Akron Cleveland Association of REALTORS®

May 8, 2019

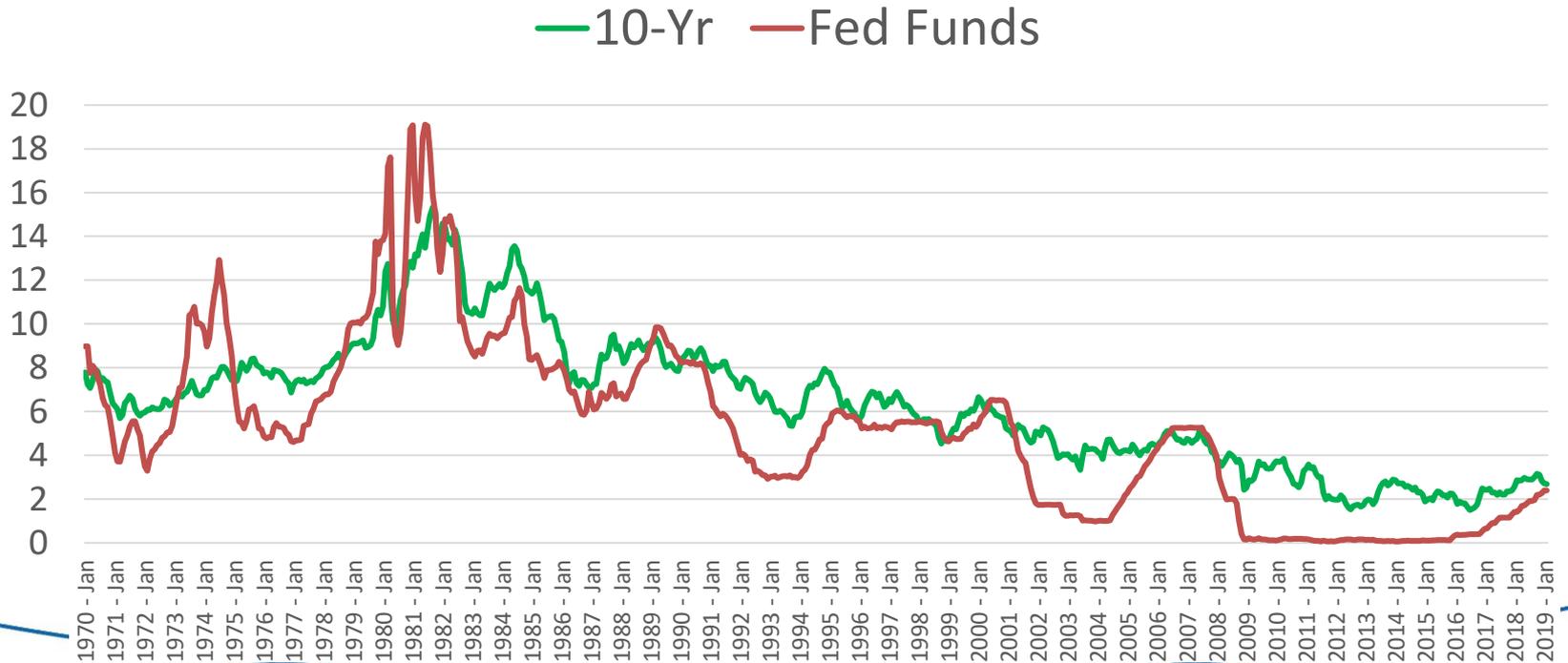
Annual GDP Growth Rate of 2.9% in 2018? (Q4 to Q4 at 3.0%)



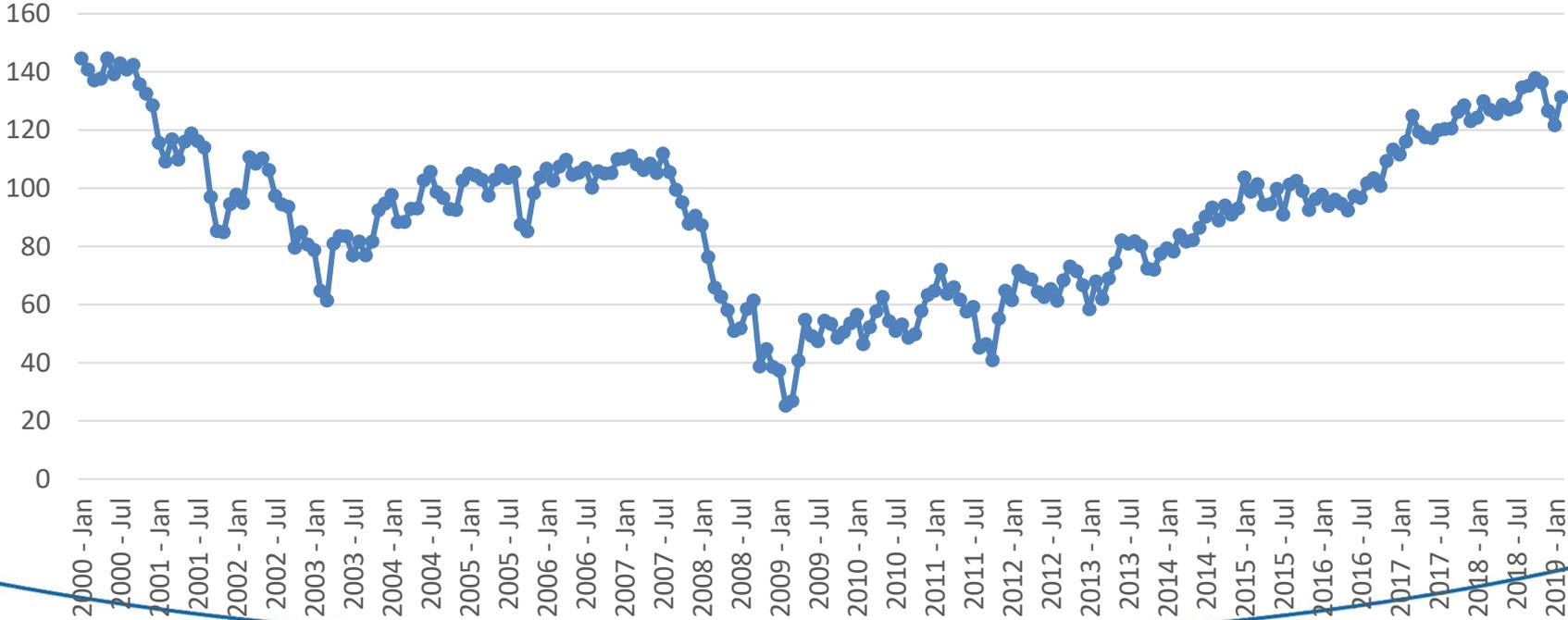
Longest Expansion Ever? # of months of GDP growth



Inverted Yield Curve? What is Different This Time?

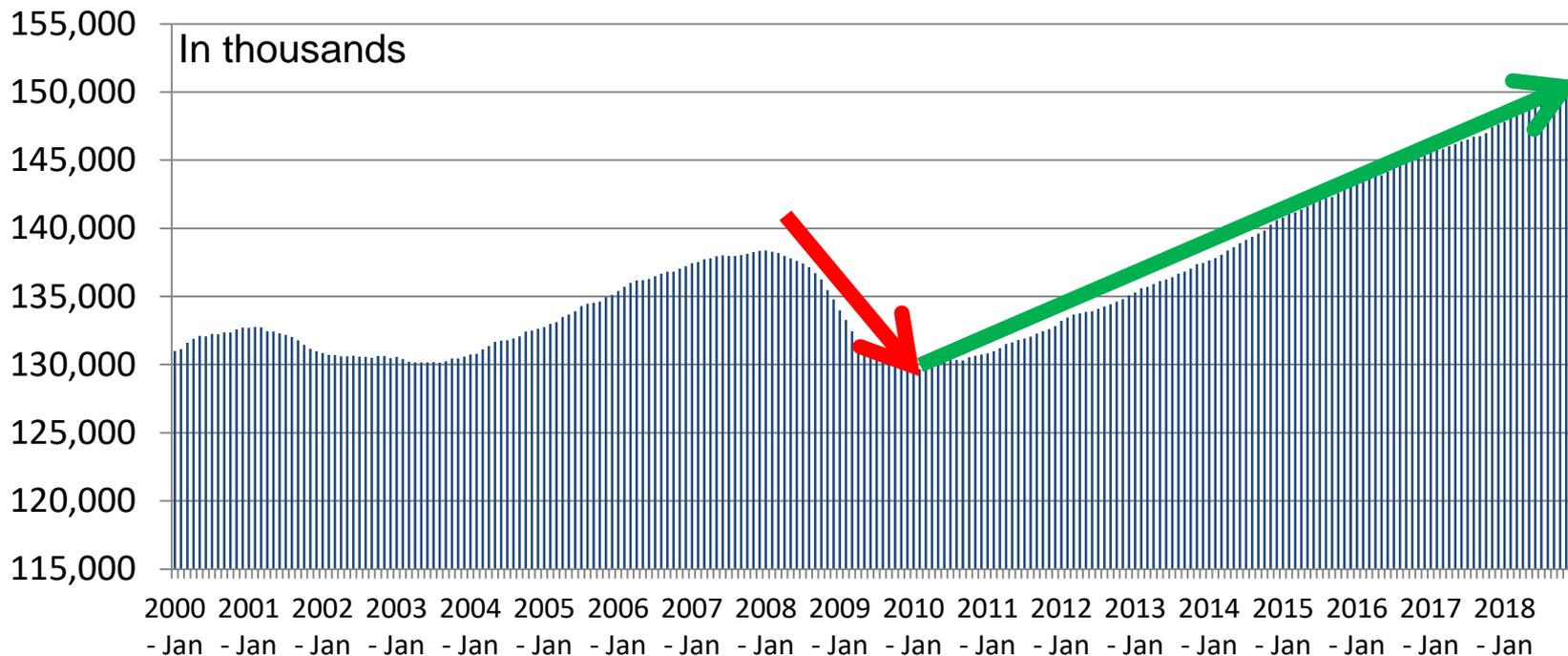


Consumer Confidence Remains High



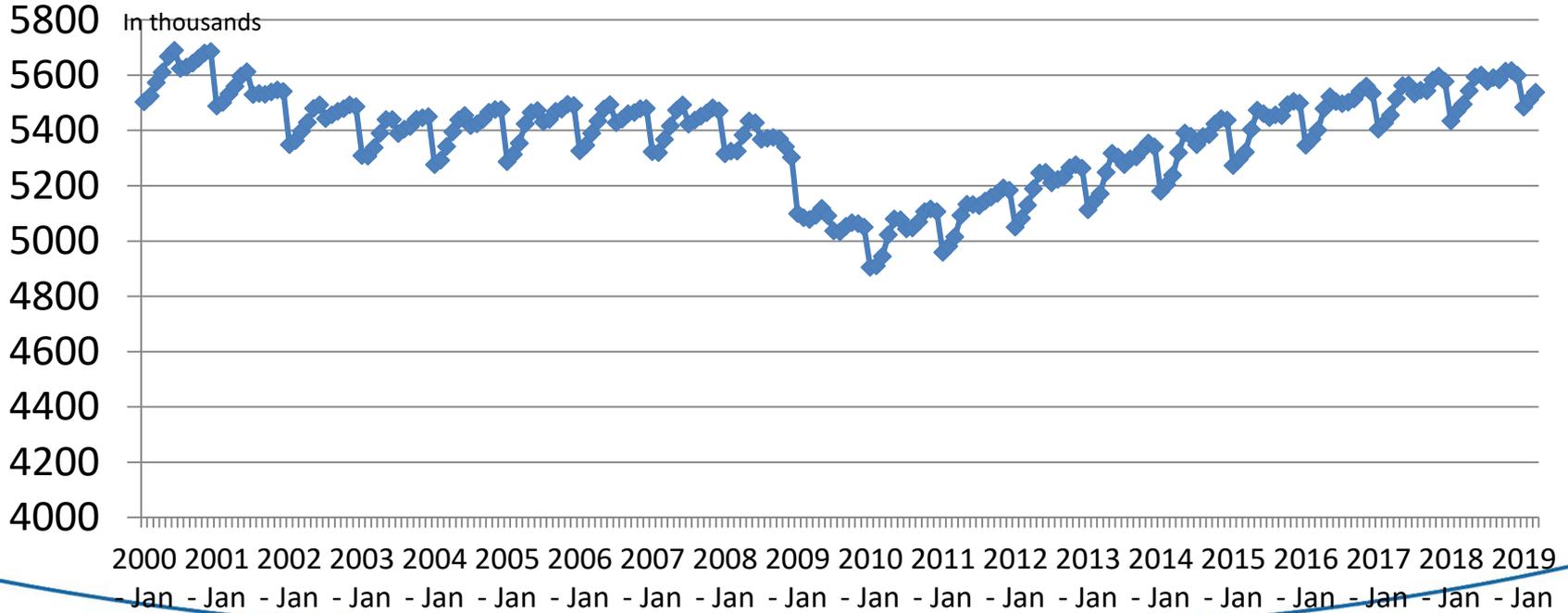
Jobs

(20 million gained from 2010)



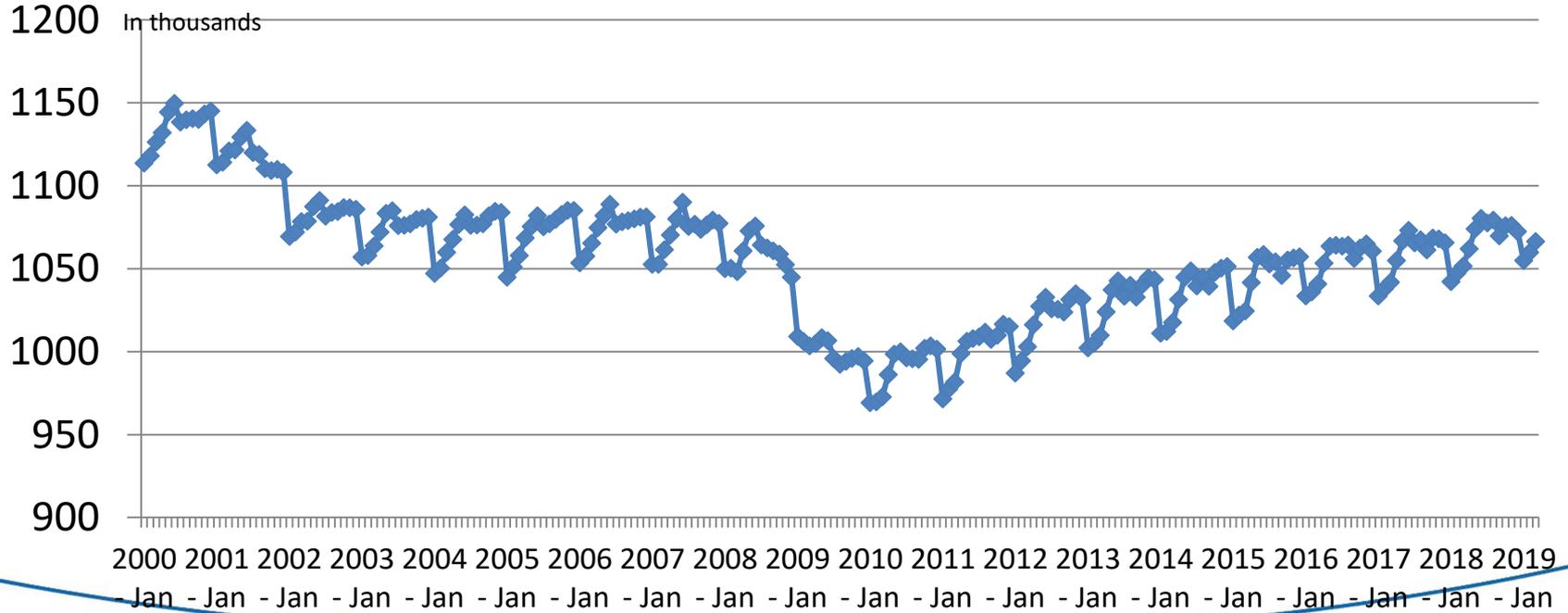
Total Jobs Ohio

(0% growth vs 13% nationwide from 2000)



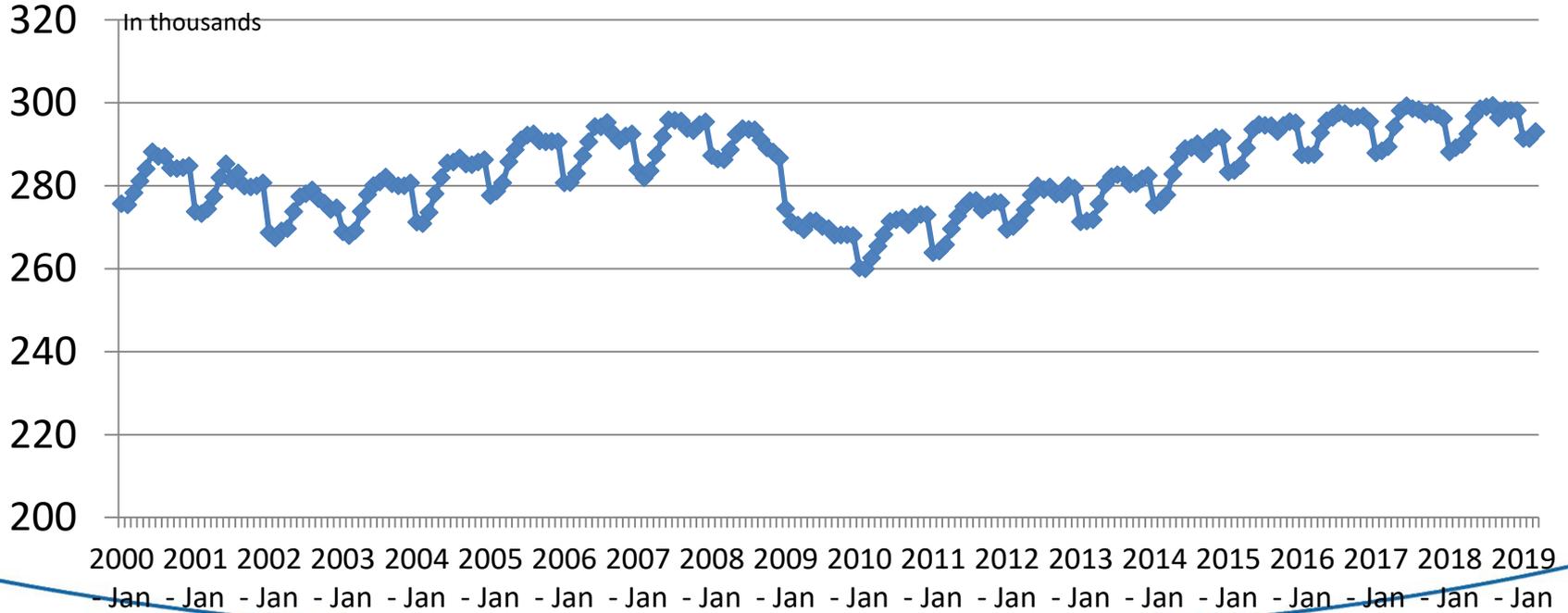
Total Jobs Cleveland Metro

(-6% growth vs 13% nationwide from 2000)

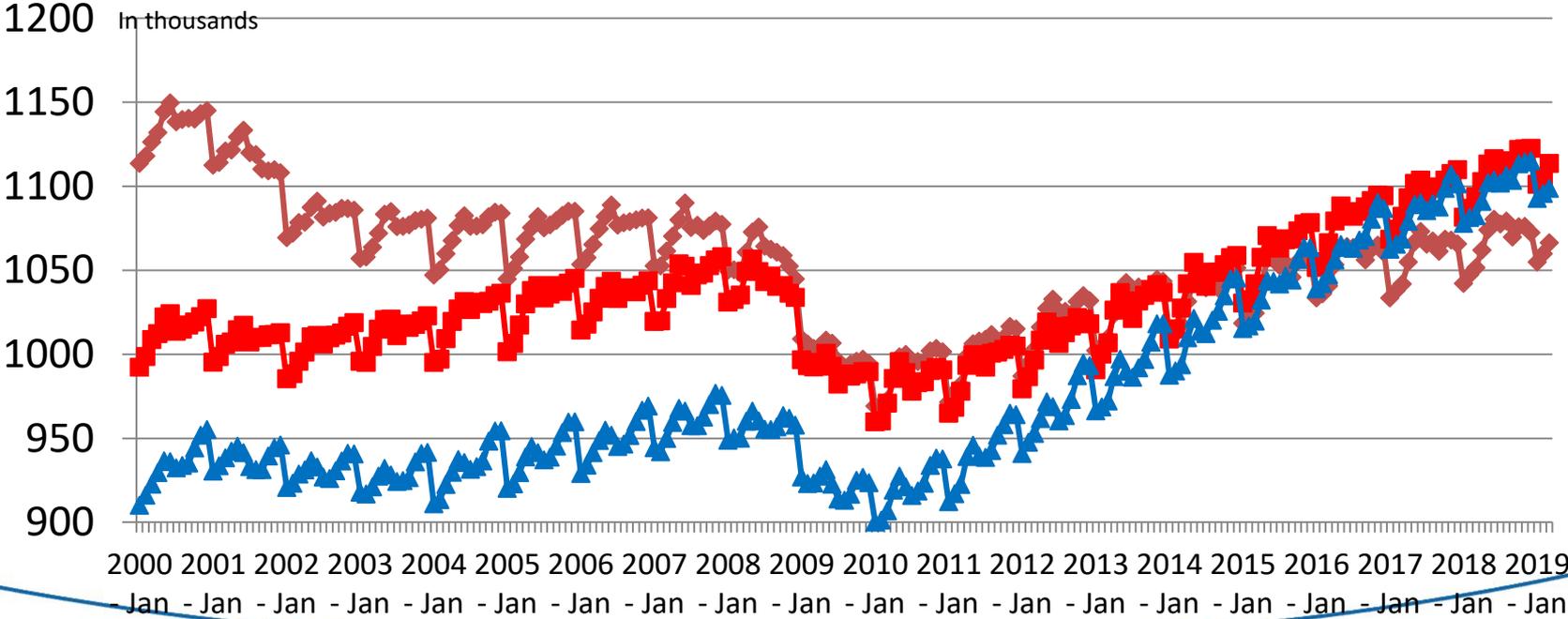


Total Jobs Akron Metro

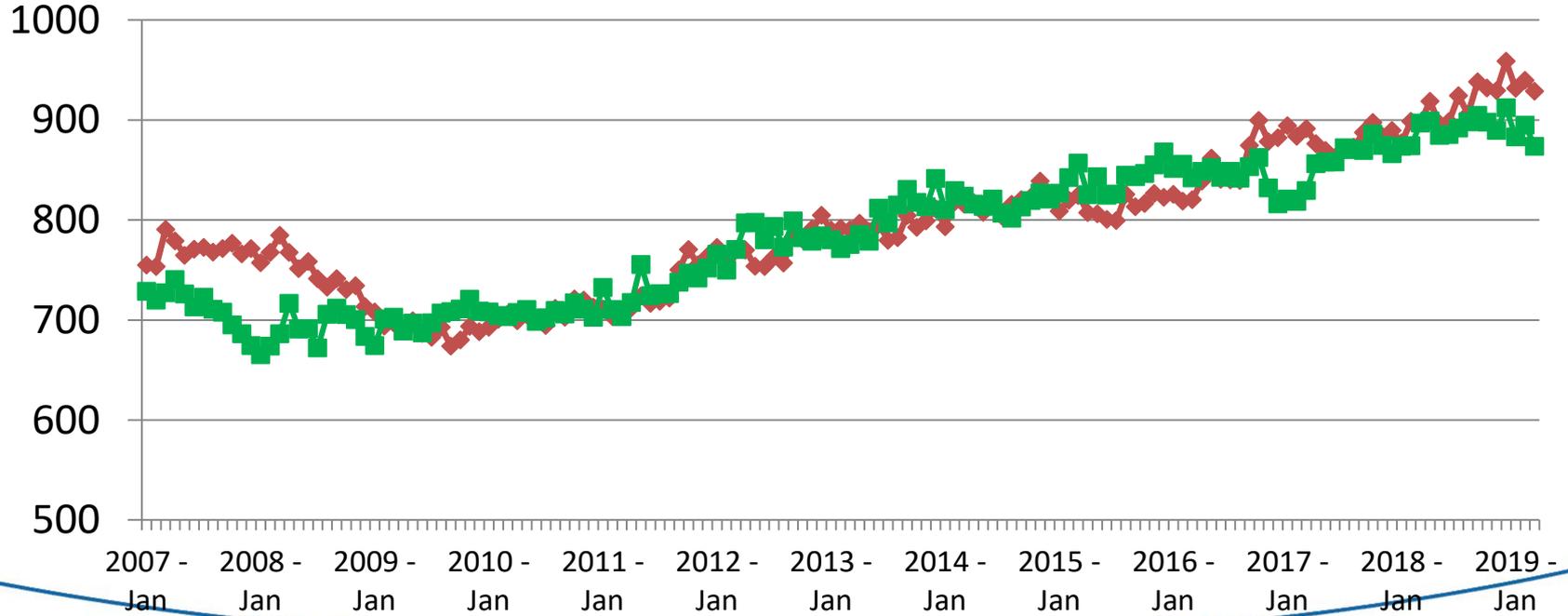
(5% growth vs 13% nationwide from 2000)



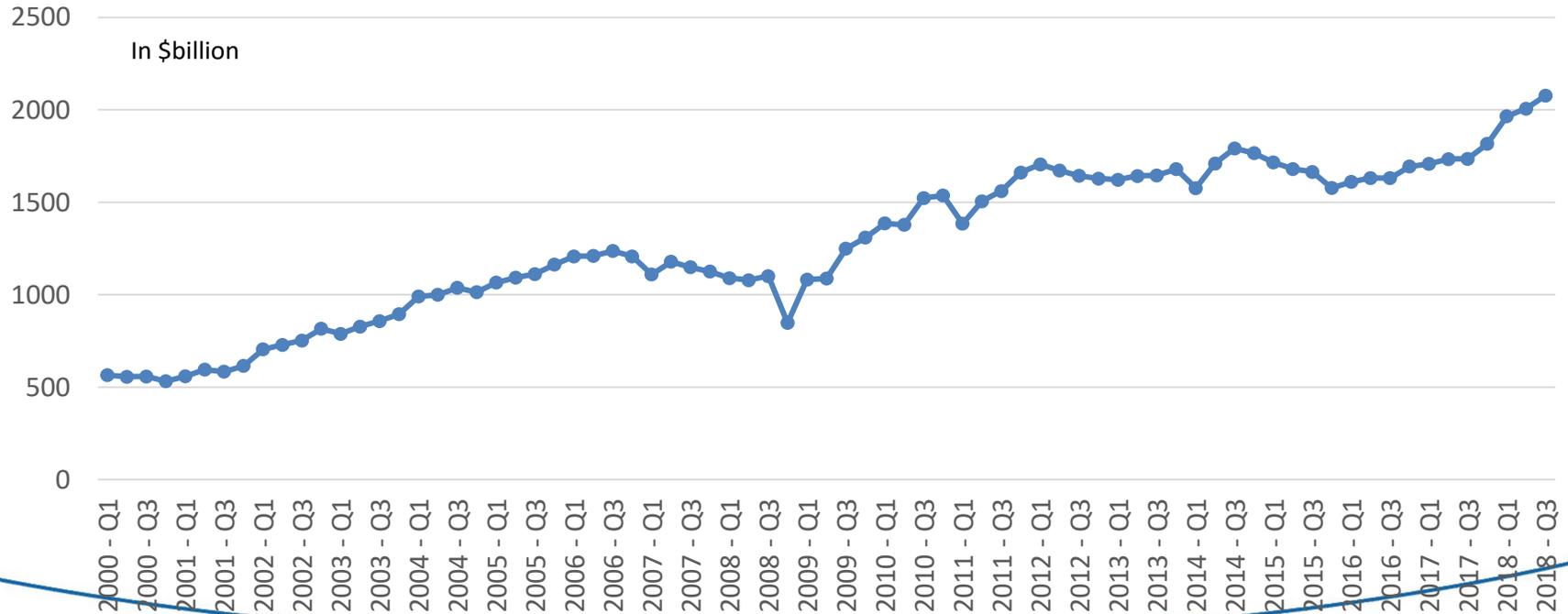
Total Jobs Cleveland, Cincinnati, Columbus



Average Weekly Earnings Akron and Cleveland



After-Tax Corporate Profits

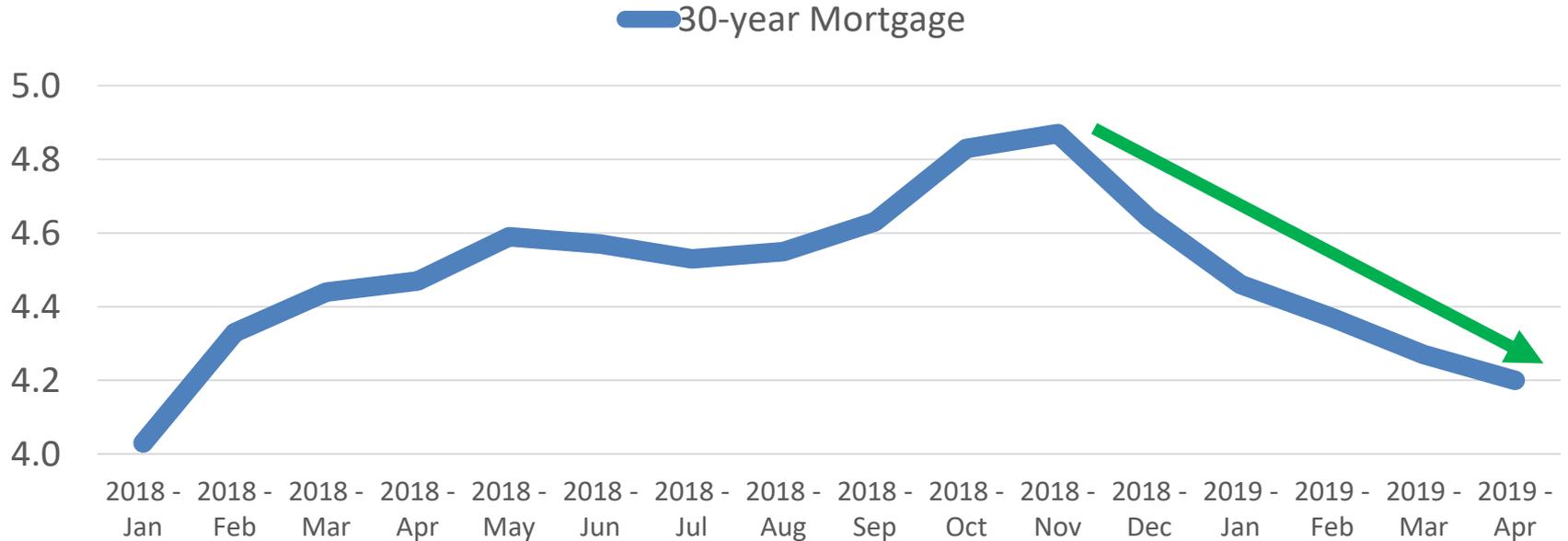


January: The Fed to be “Patient”

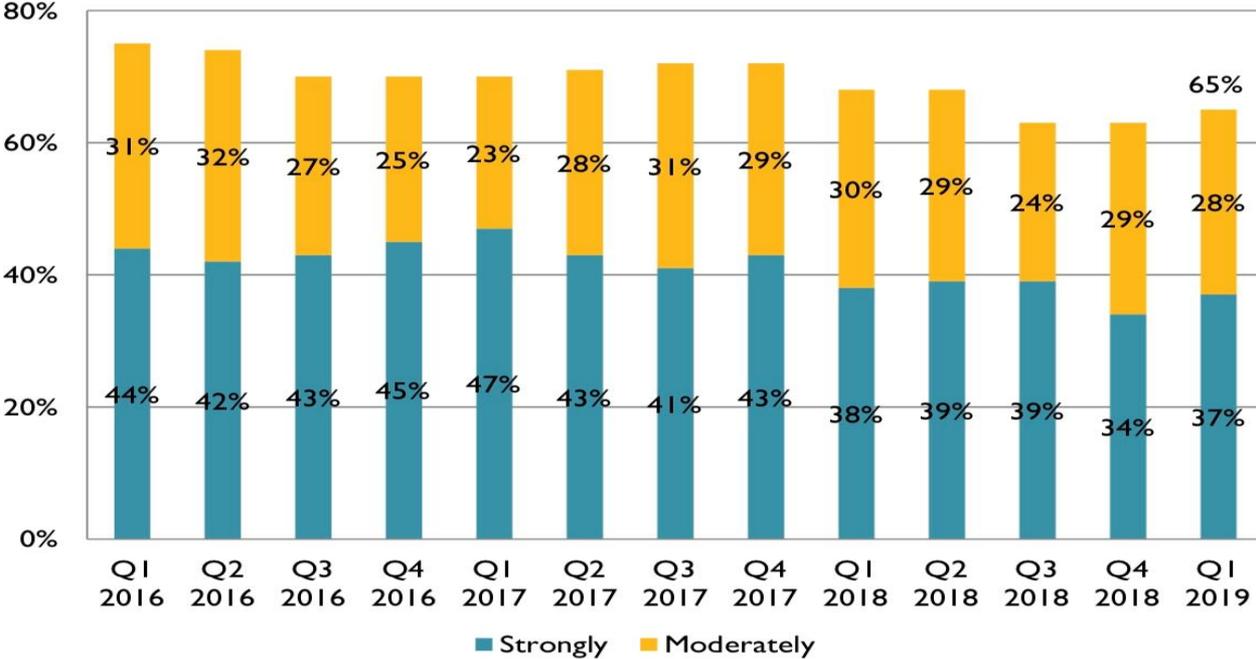
Dow Jones Industrial Average



Impact on Mortgage Rates

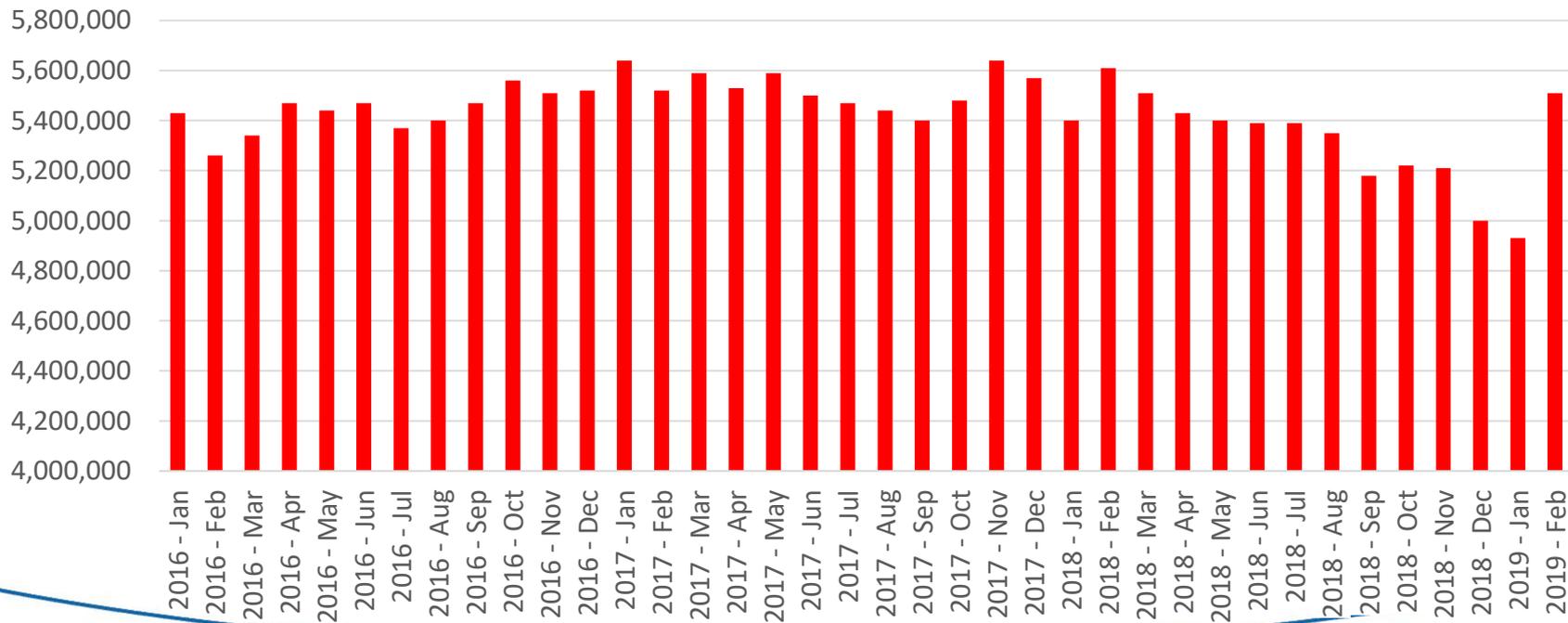


Good Time to Buy a Home, Strongly or Moderately



2019 NAR HOME Survey

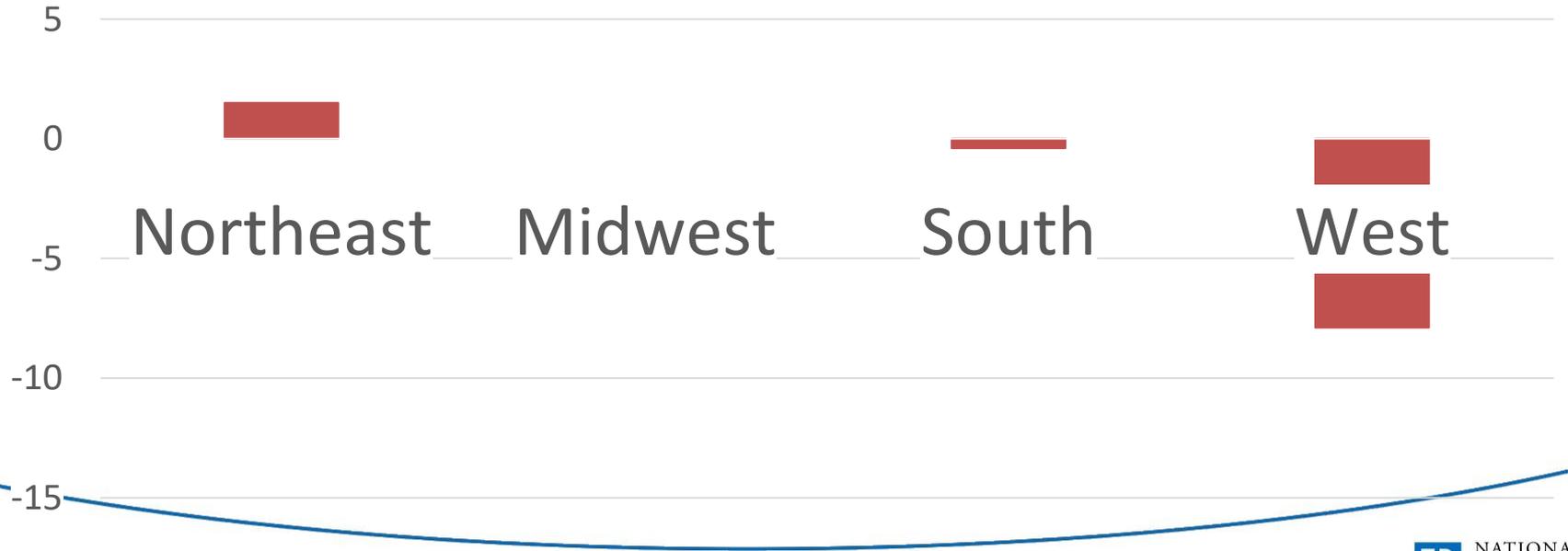
National Existing Home Sales



Regional Variations

West hit by Unaffordability (not jobs)

% change in Closings from one year ago

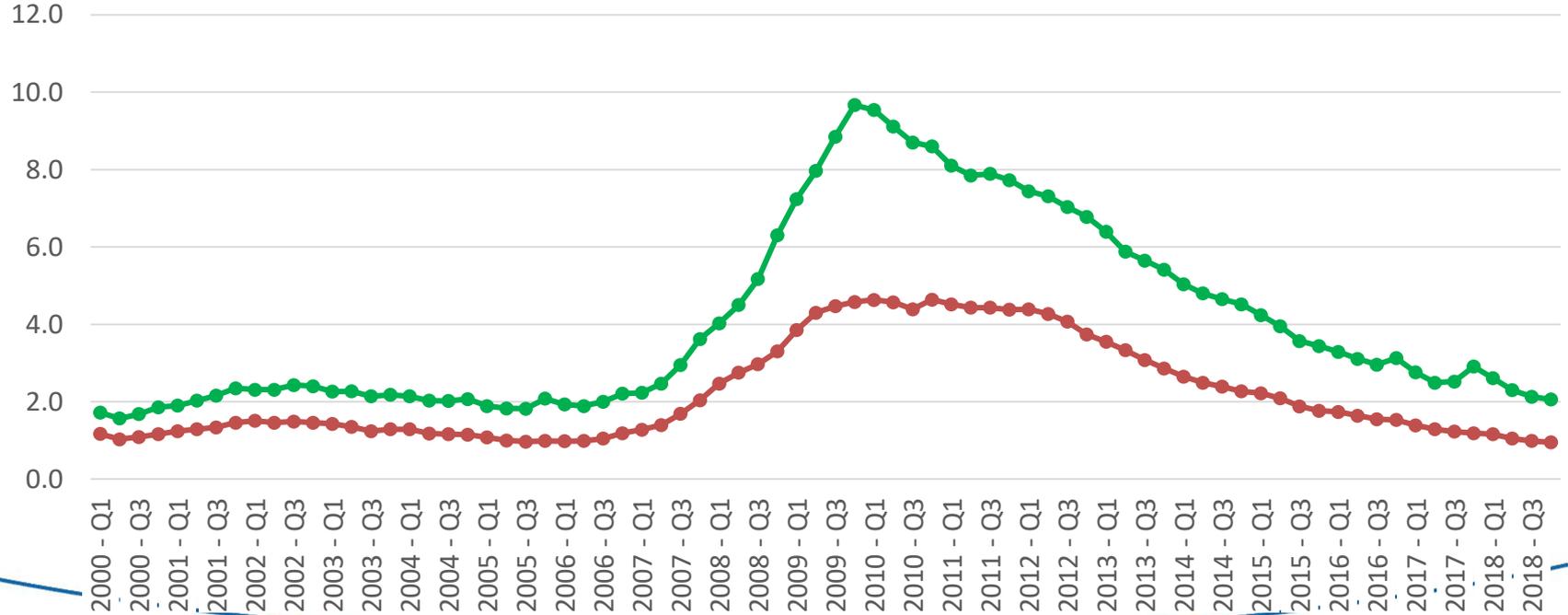


Mortgage Purchase Applications

4-week moving average



Mortgages in Foreclosure and Seriously Delinquent (%)

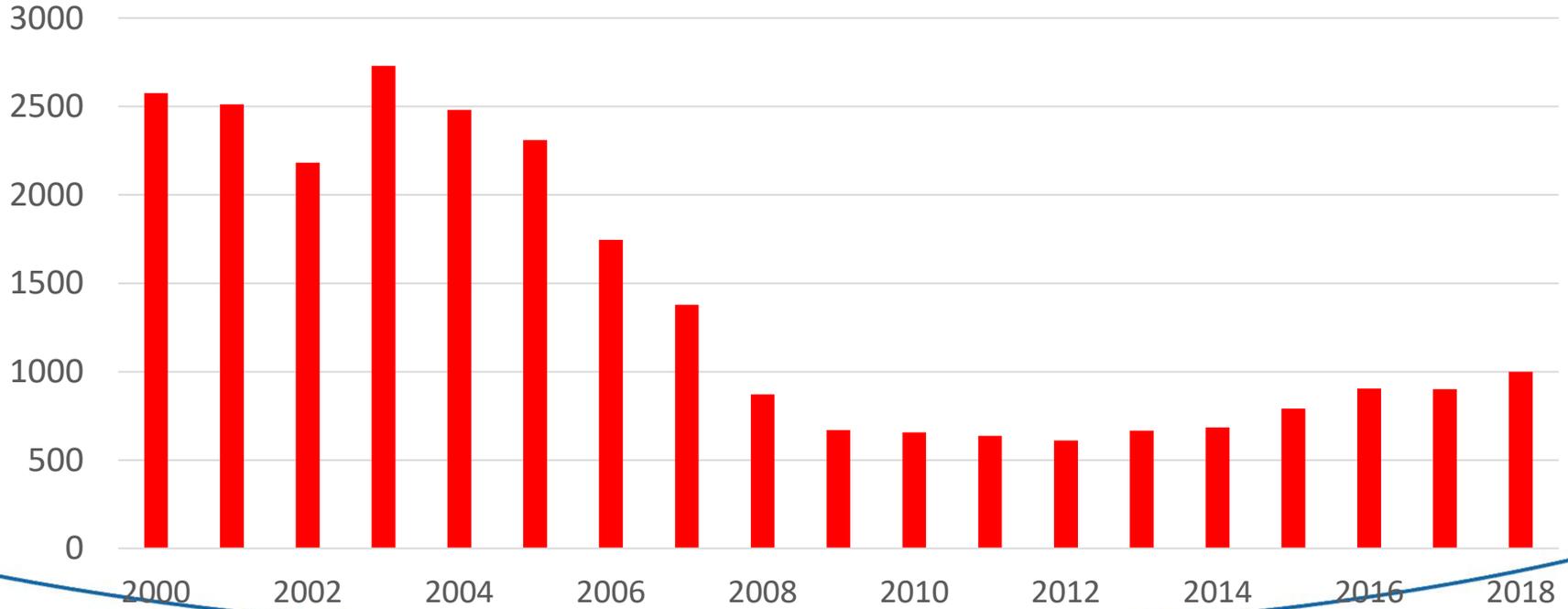


U.S. Housing Starts ... Not Enough Short by 5 to 6 million units

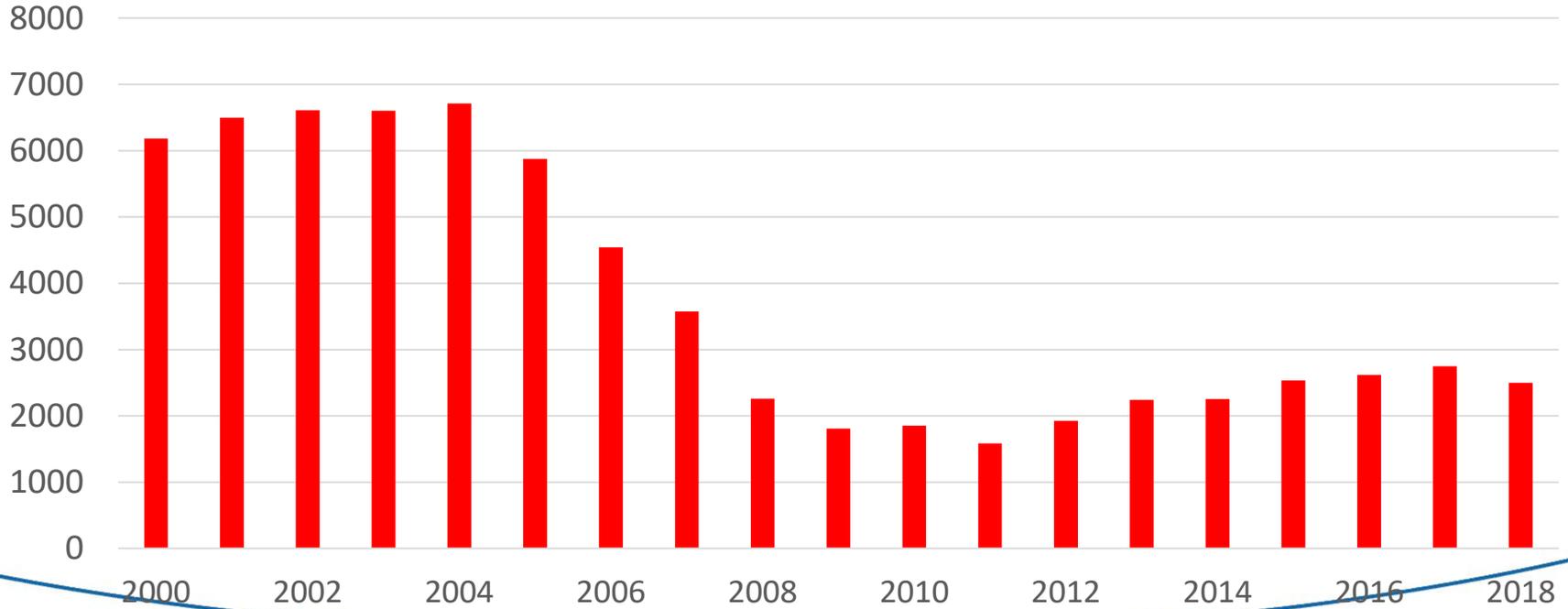
■ Multifamily ■ Single-Family



Single-Family Starts in Akron



Single-Family Starts in Cleveland

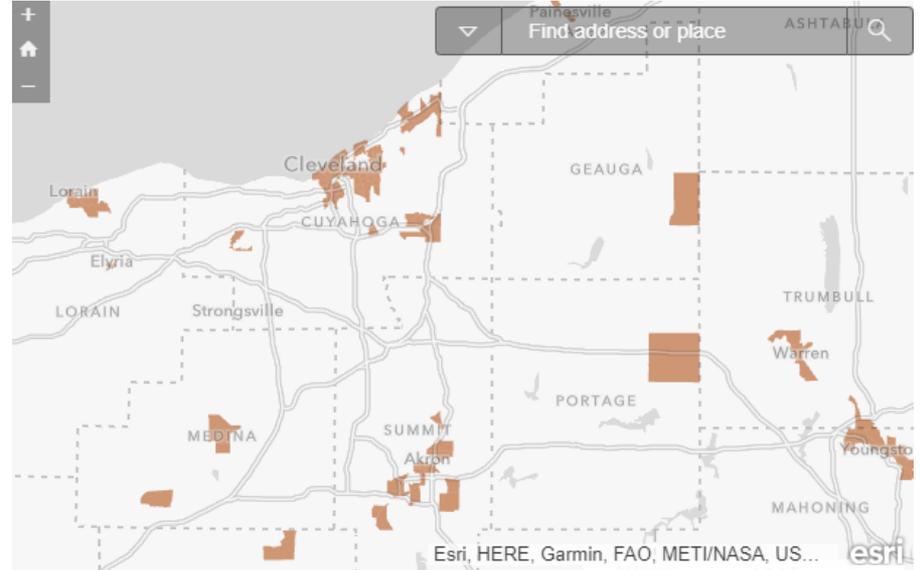
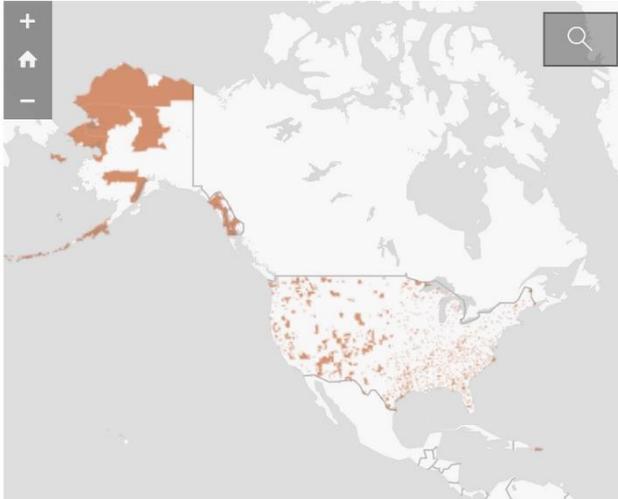


Consequence and Solutions

- BAD: Homeowners staying put for longer period
 - BAD: Home prices outpace income growth ... hurts affordability
 - BAD: Slower economic growth
 - BAD: Rent Control discussion
-
- Reduce local supply constraints ... zoning laws, long permit process
 - Plentiful skilled workers ... trade school training
 - Federal spending tied to allow more home construction
 - Opportunity zones ... tax incentives to develop and re-develop

Opportunity Zone Maps

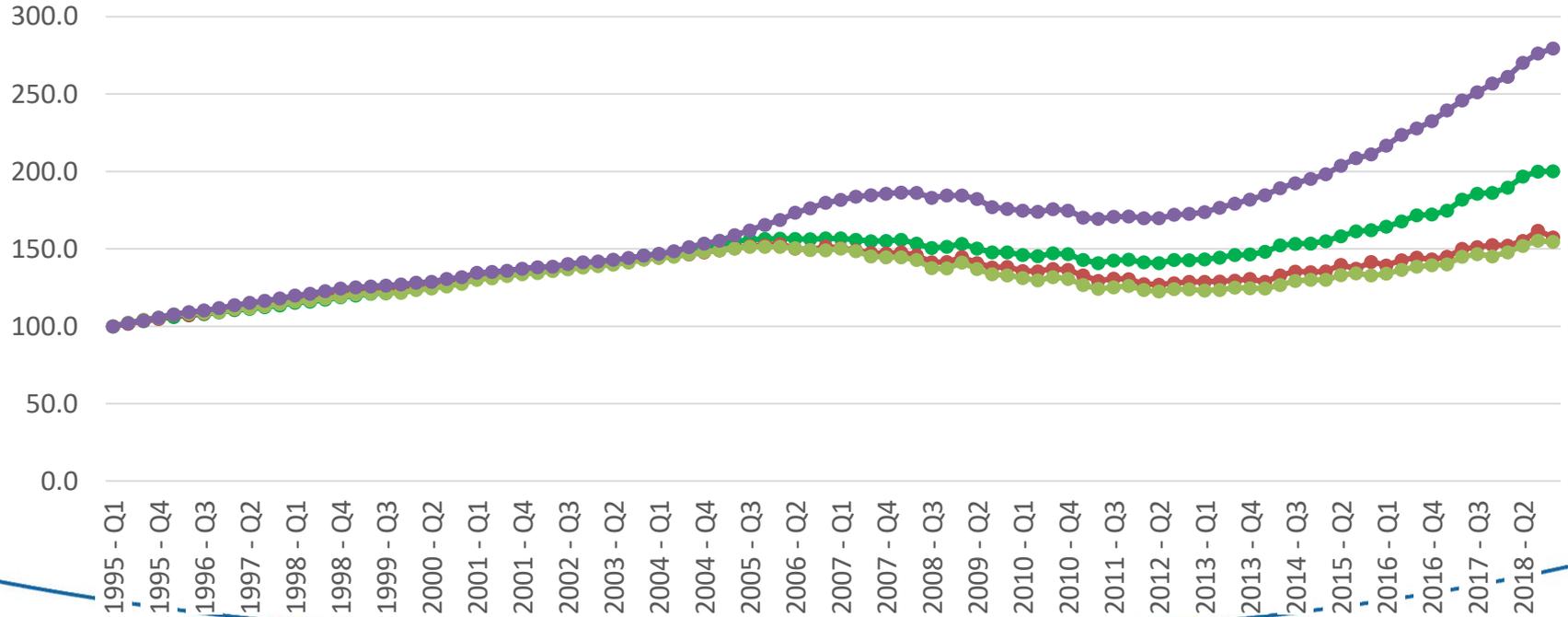
Here's a map showing how many Opportunity Zones were created from the eligible census tracts:



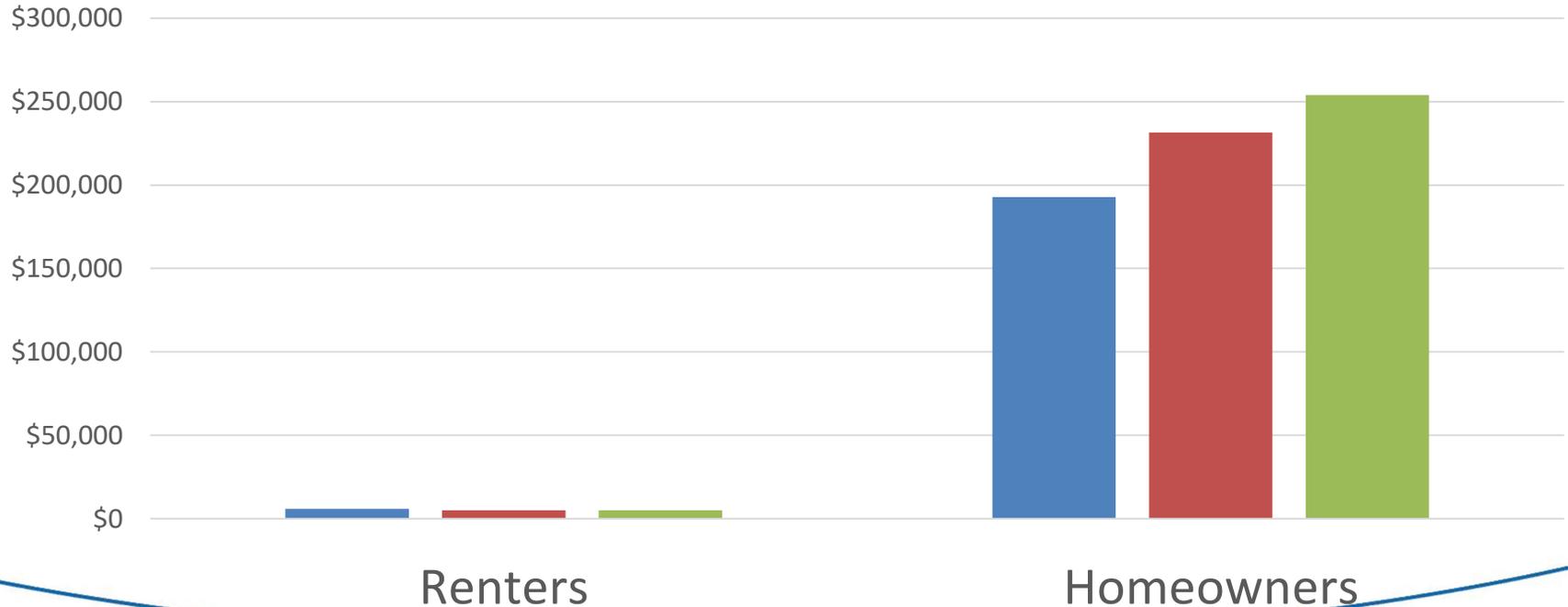
Map Source: EIG.org

Home Price Index

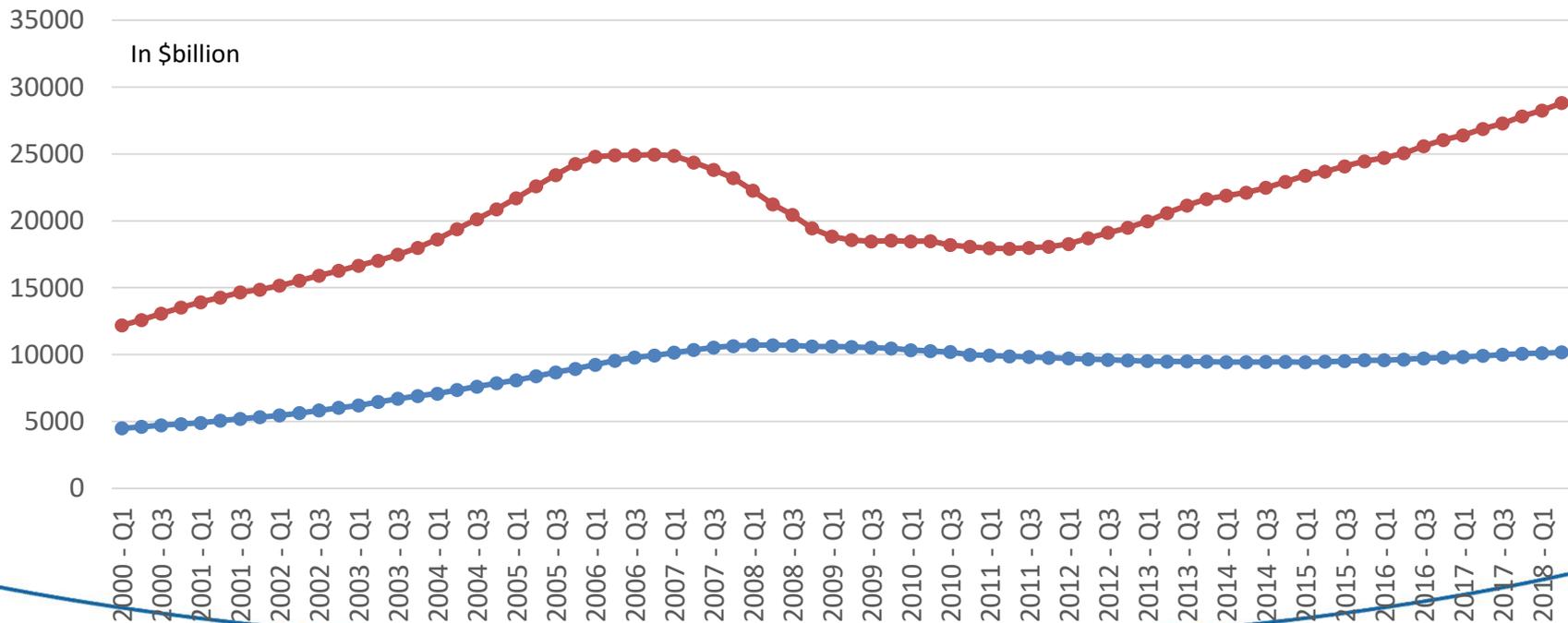
Akron, Cleveland, Columbus, and ??



Wealth: From 2000 to 2016 to 2018



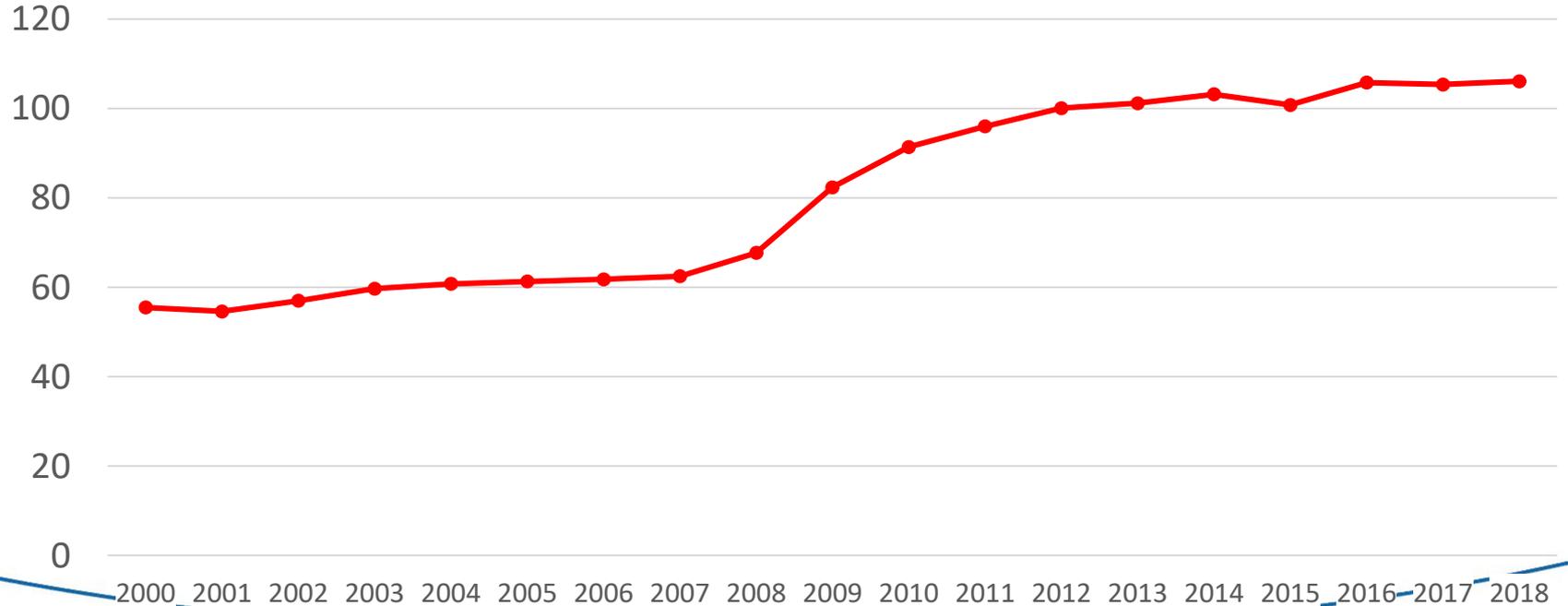
Real Estate Wealth = Asset - Mortgage



Too Much Borrowing?

- Households ... homeowners with sizable equity, but not renters
- Corporations ... huge profits, but to diminish, and elevated borrowing
- Government ... ???

National Debt to GDP (%)

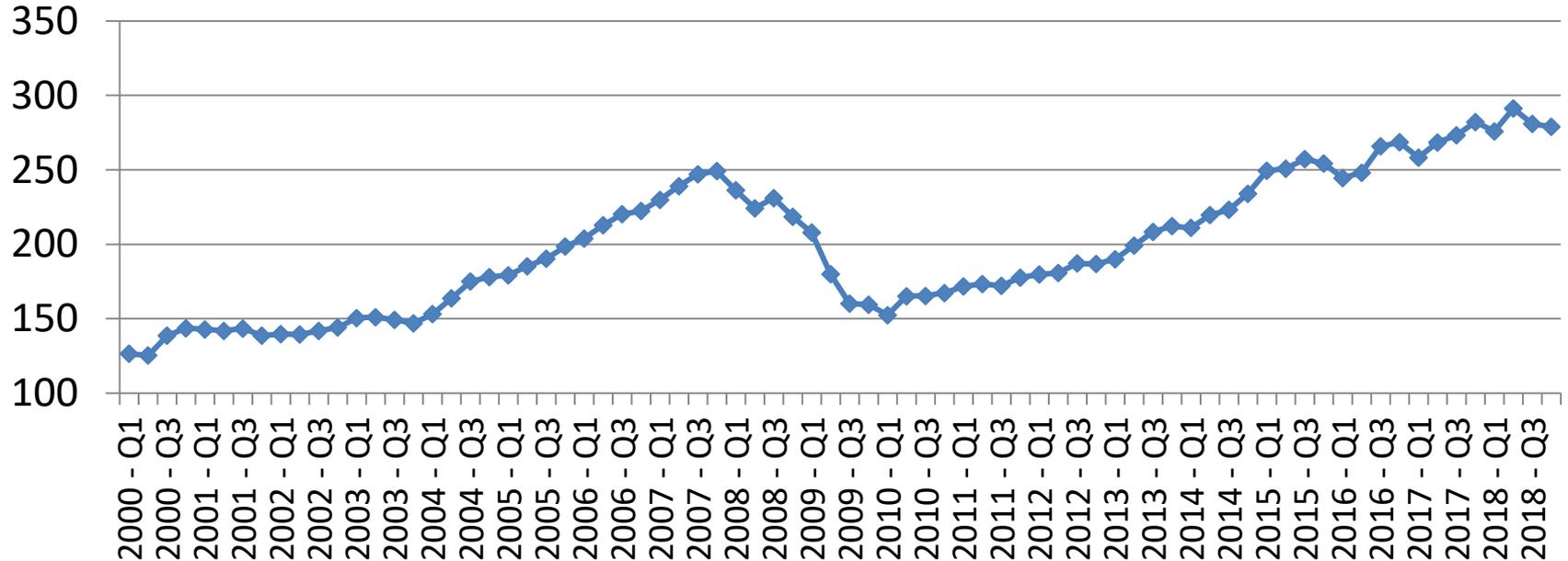


Tax Reform for Ohio

- Tax cut for nearly all
- Mortgage interest cap at \$750,000; SALT cap at \$10,000
- Over 95% of Homeowners will be fully able to deduct without hitting the limit
- However, many will not itemize and do a standard deduction

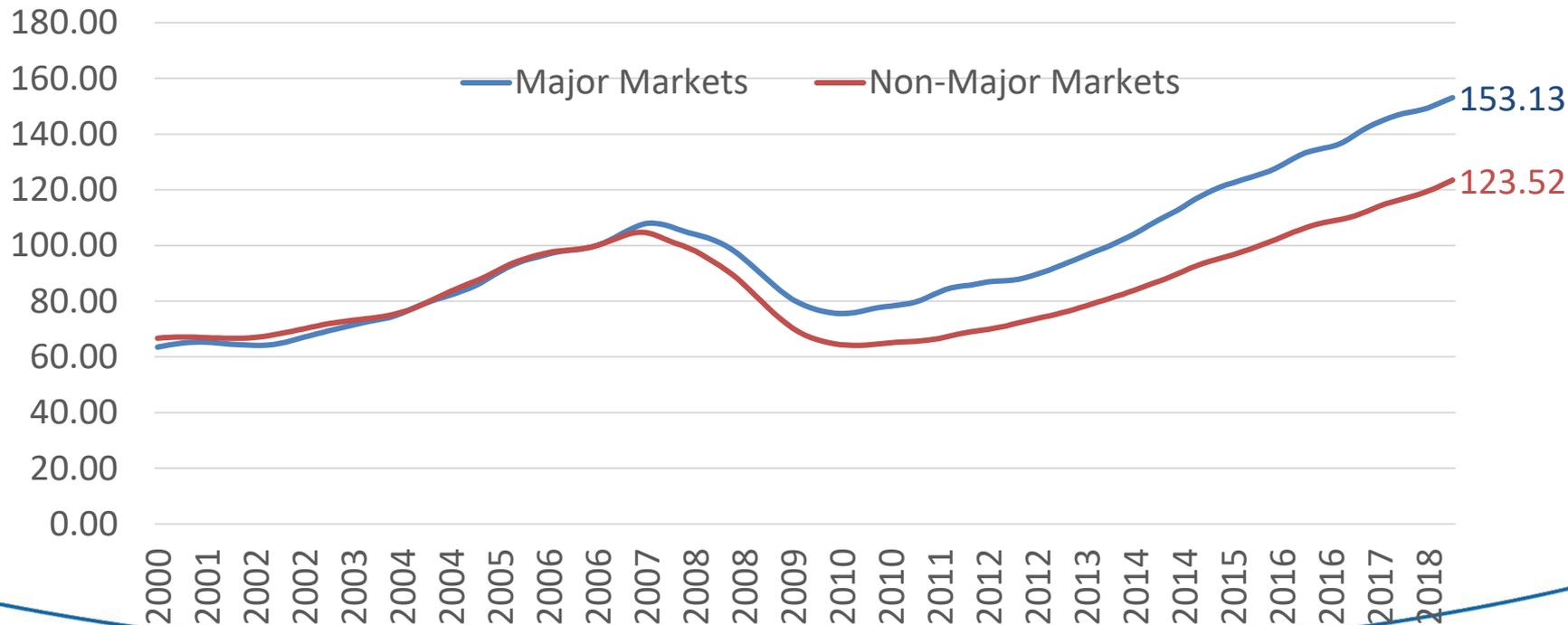
Commercial Real Estate Outlook

Commercial Property Price (100% gain in 8 years)

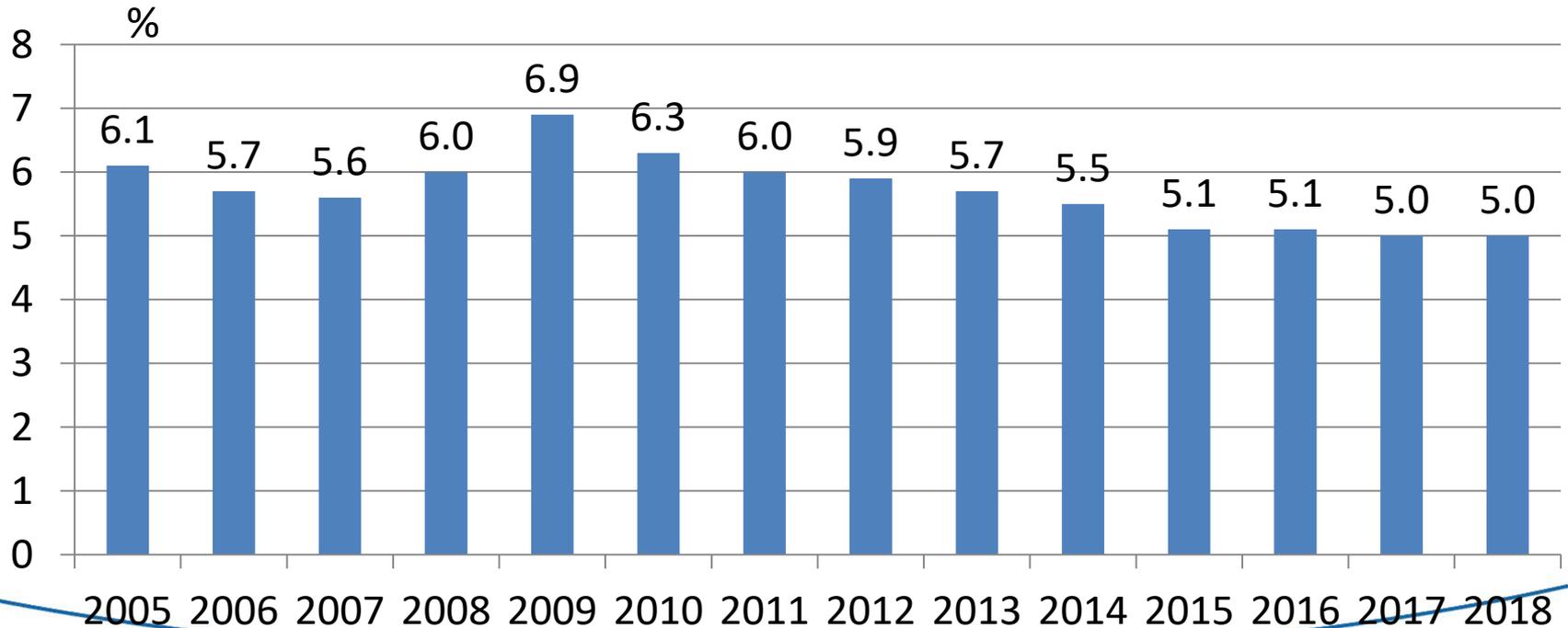


Source: Federal Reserve

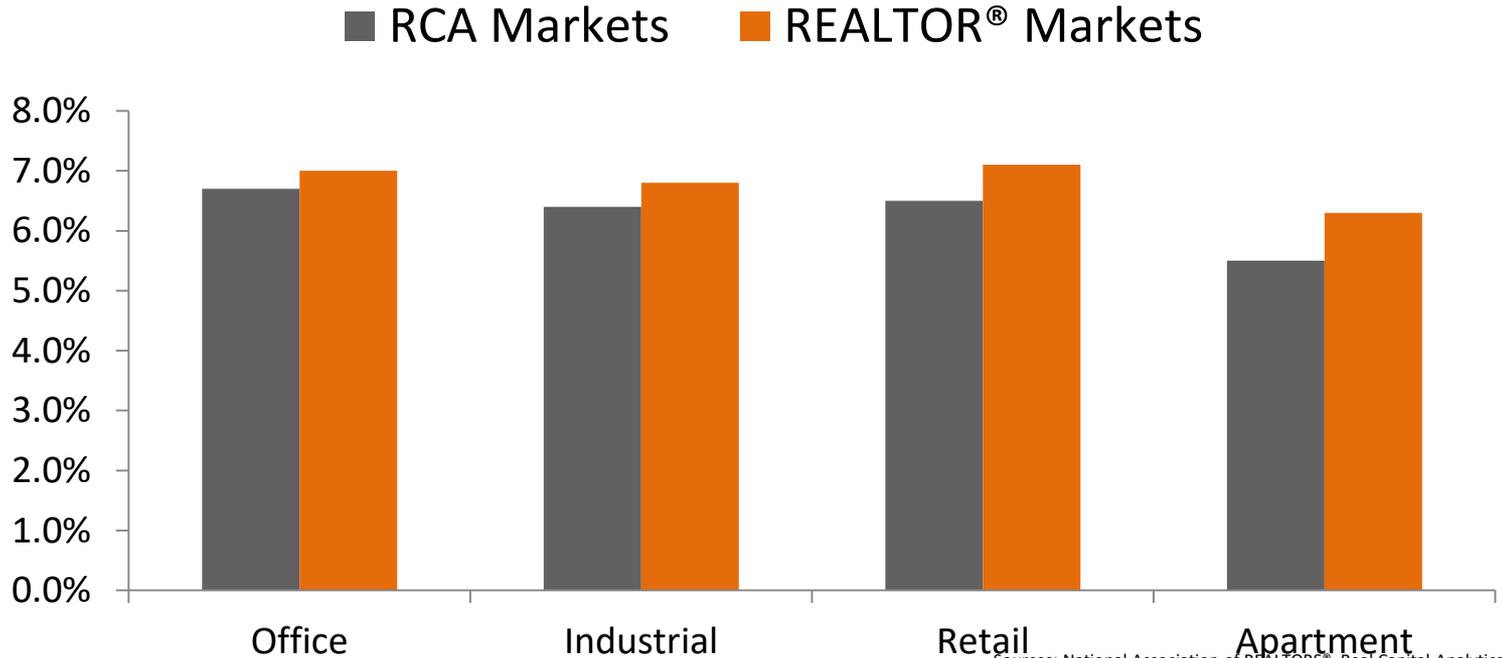
Prices Rose More Strongly in Major Markets* than in Non-Major Markets



NCREIF Cap Rates – Likely Already Hit Cyclical Low



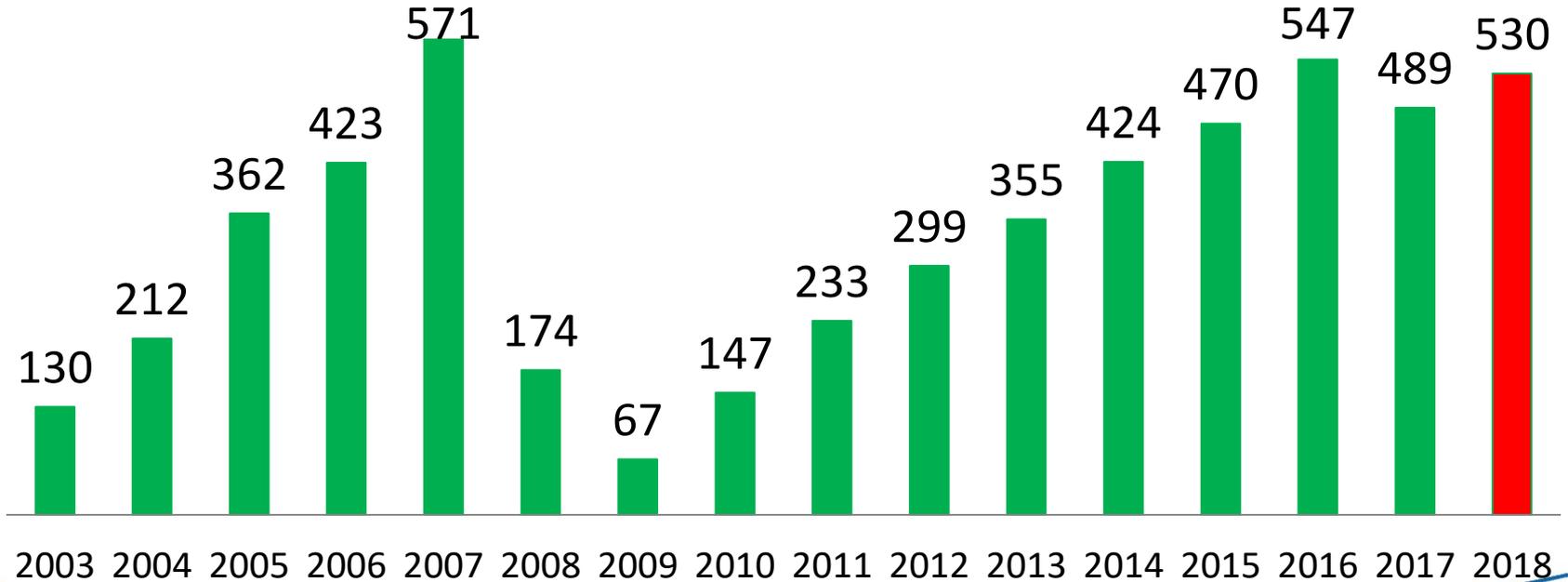
REALTORS® ... Higher Cap Rates



Sources: National Association of REALTORS®, Real Capital Analytics

Commercial Investment Sales of Large Properties

(Properties valued at \$2.5 million and over)



Economic Forecast

	2016	2017	2018	2019 Forecast
GDP Growth	1.5%	2.2%	2.9	1.8%
Job Growth	+2.5 million	+2.2 million	+2.4 million	+2.0 million
CPI Inflation	1.3%	2.1%	2.4%	1.3%

Housing Forecast

	2016	2017	2018	2019 Forecast
New Home Sales	560,000	613,000	623,000	650,000
Existing Home Sales	5.4 million	5.5 million	5.3 million	5.3 million
Median Price Growth	+5.1%	+5.7%	+4.9%	+3.3%
30-year Rate	3.6%	4.0%	4.6%	4.6%

Akron Cleveland Forecast

???

Thank You !