

2023 REALTORS  
LEGISLATIVE MEETINGS

# HOME FRONT

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WASHINGTON, DC • MAY 6-11, 2023



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# Lawrence Yun

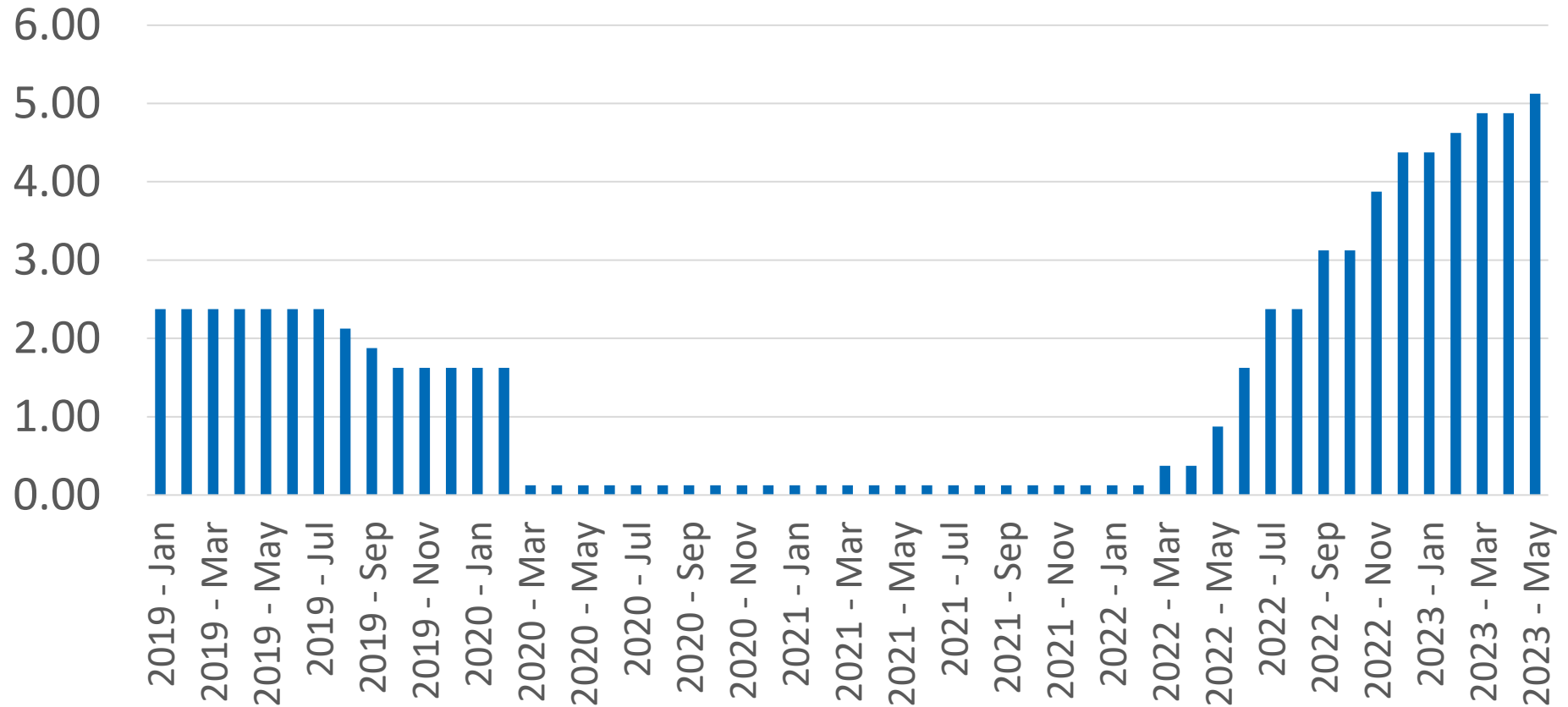
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**Chief Economist, NAR**

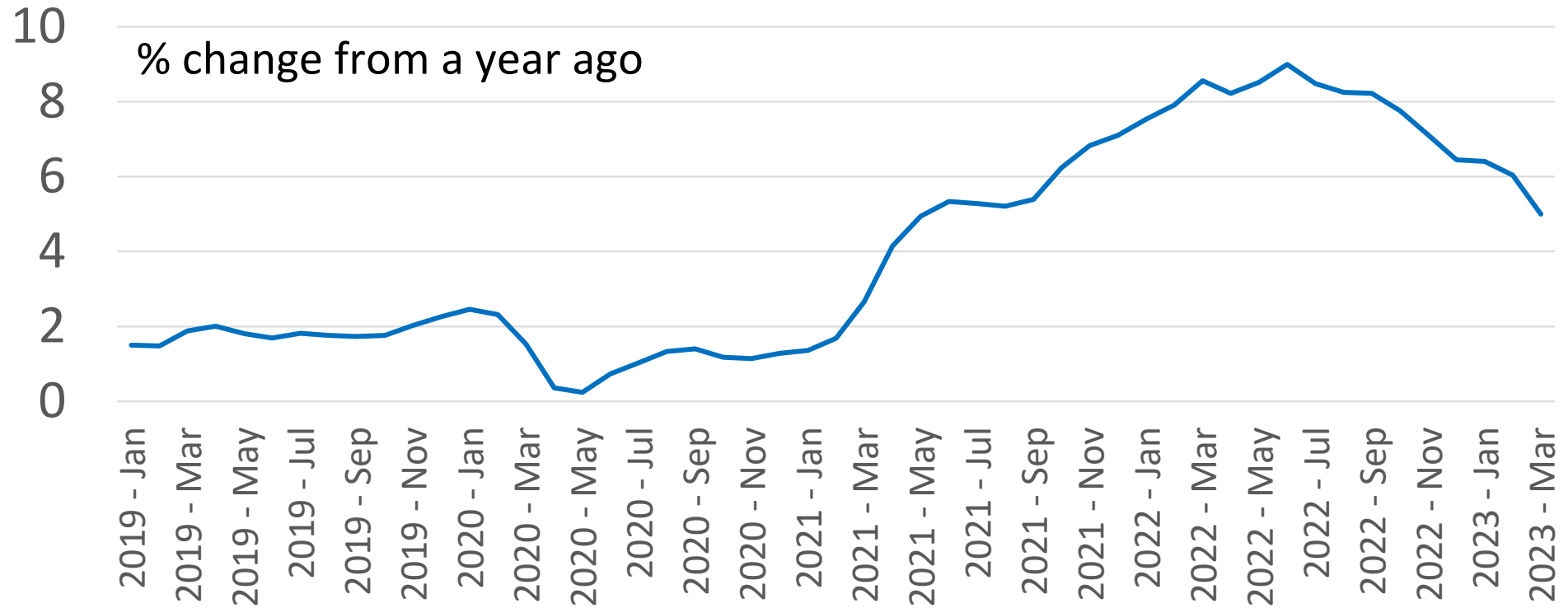
Washington, D.C.

# Fed Rate Hike

# Tightening Federal Reserve Policy on short-term Fed Funds Rate

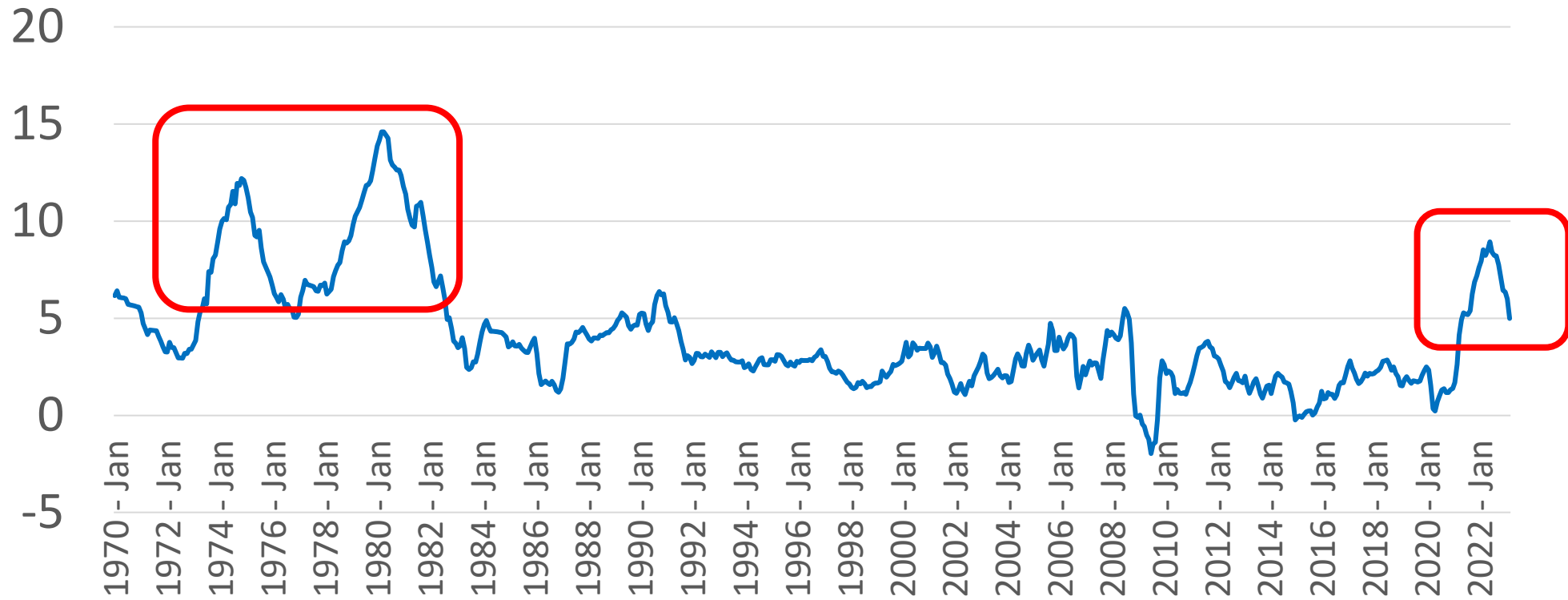


# Inflation is Calming Down Already



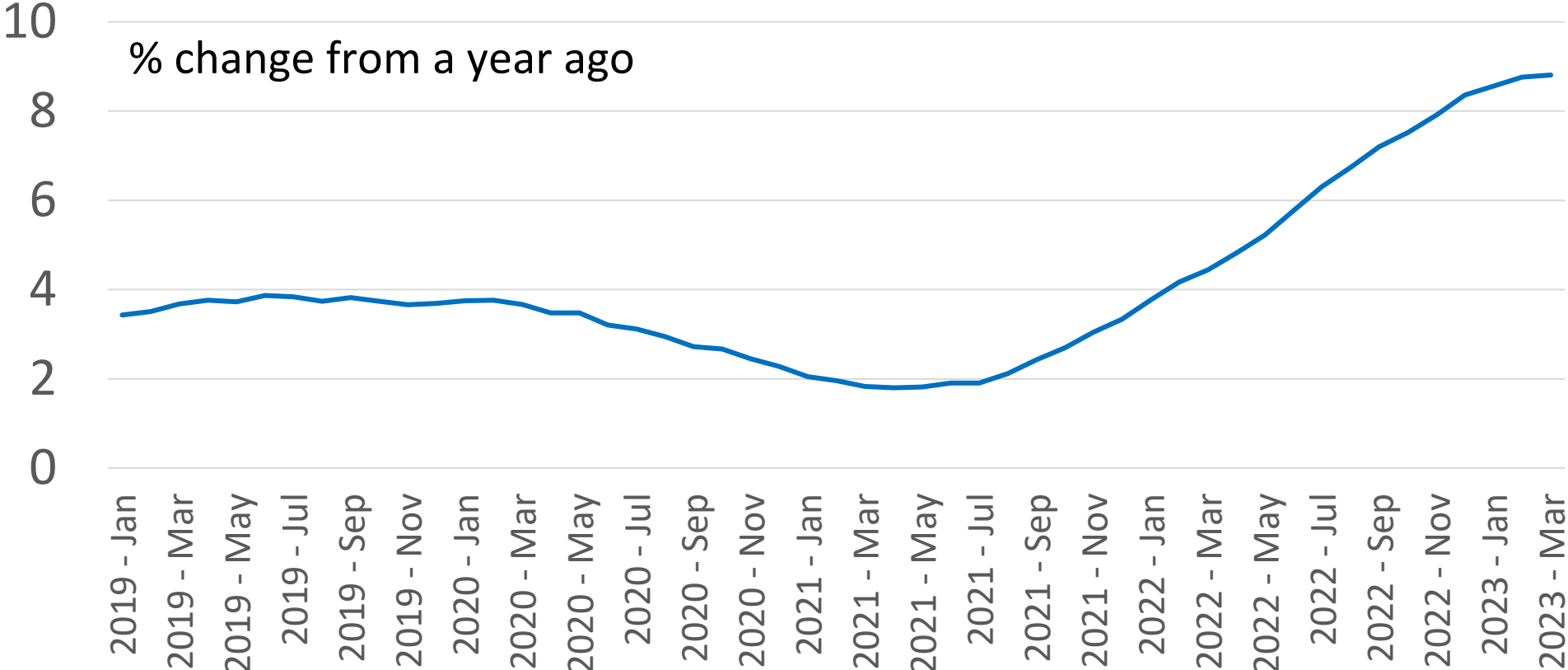
Source: BLS

# Covid Inflation was the highest in 40 years



Source: BLS

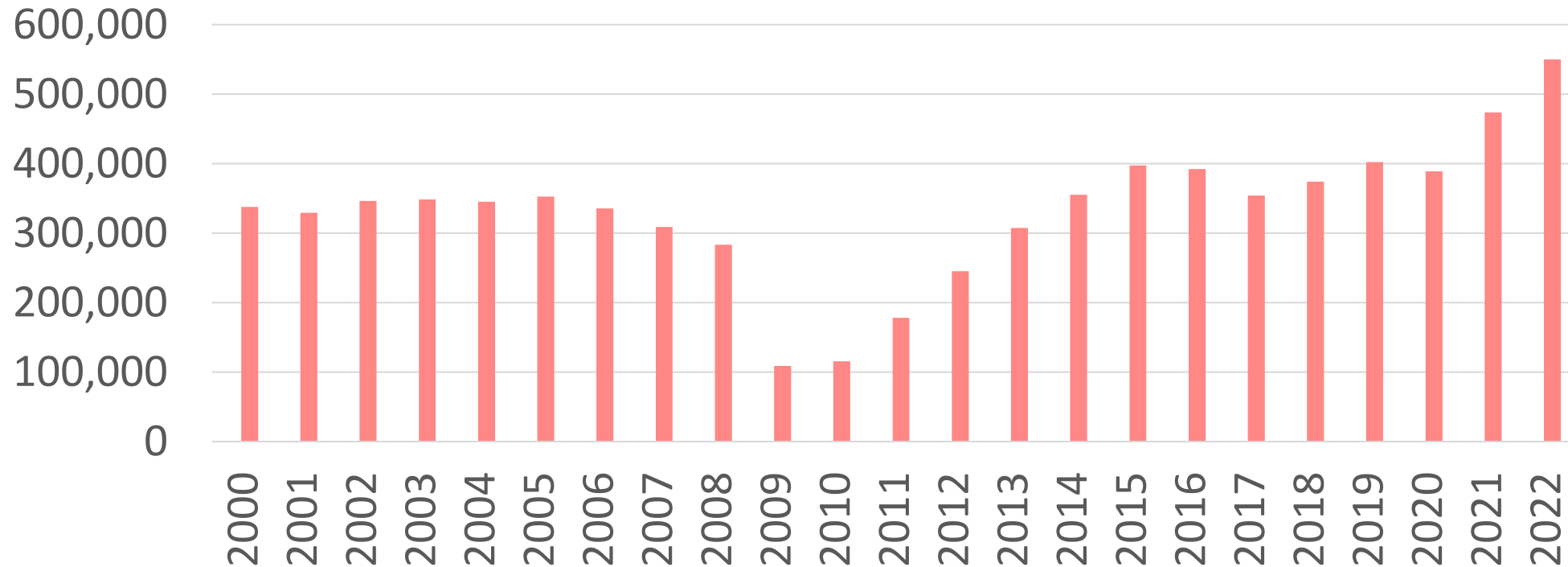
# Rent Growth in government data have not calmed down ... yet



Source: BLS



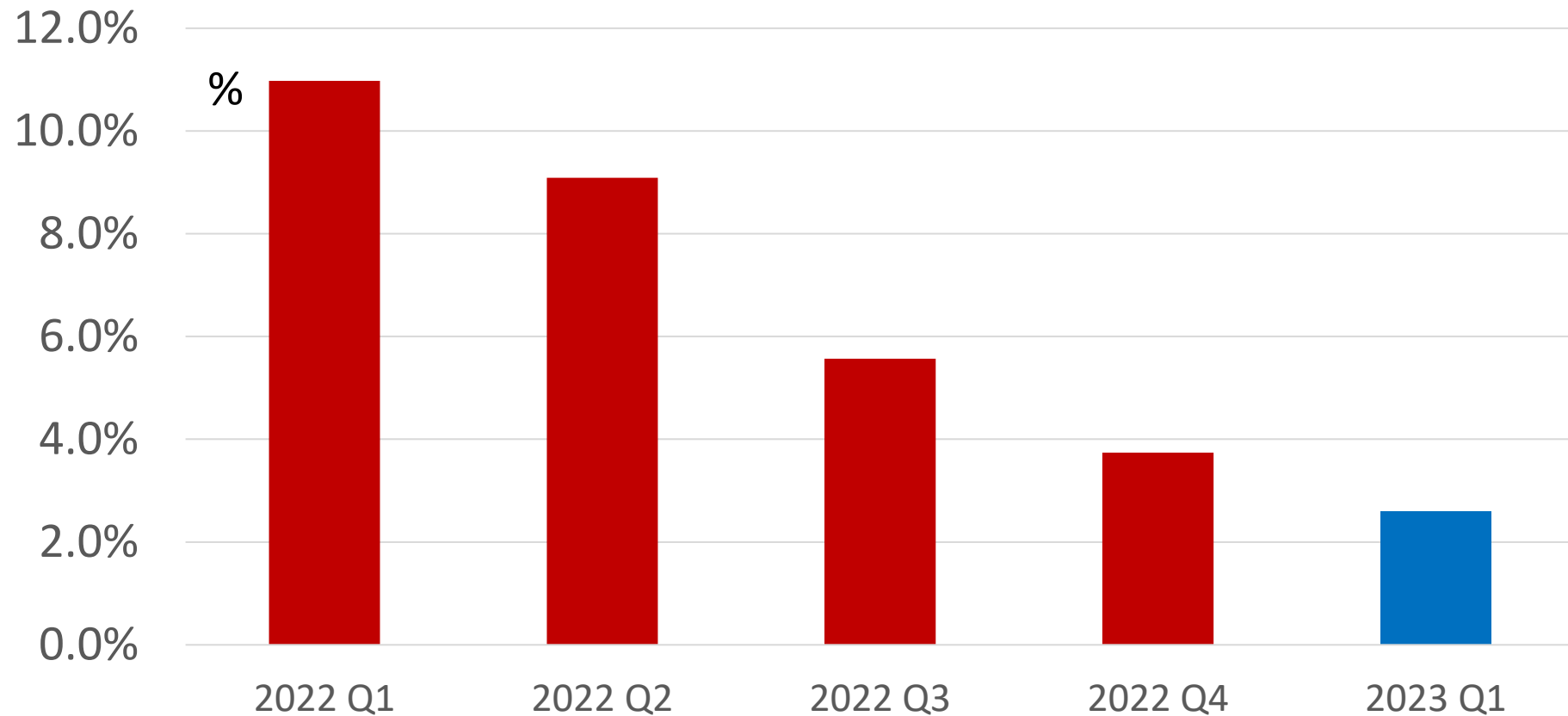
# Robust Apartment Construction at 40 year high.. Why has rent not calmed down?



Source: Census/HUD



# Apartment Rent Growth in Private Sector Data



Source: CoStar

# Extra Tightening Monetary Policy from Regional Bank Blowups

**\$1 million deposit at 0% interest rate**

**Put into \$1 million safe asset at 2% coupon rate (\$20,000)**

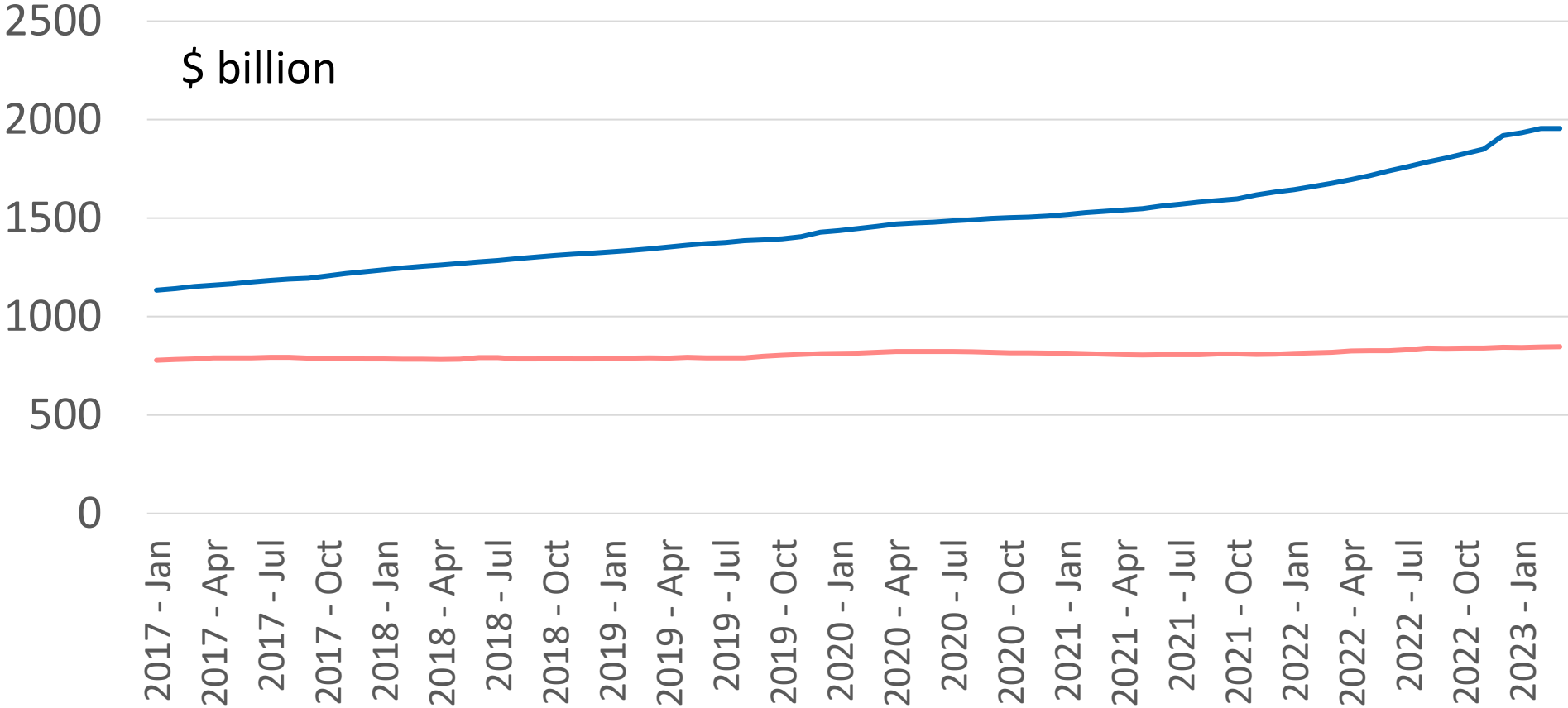
**Need to pay interest rate 2%, 3%, 4% to attract deposits  
\$1 million in old asset at 2% coupon rate ... Losing money  
If needing to sell asset ... Lose more money**

**Regional Banks do not have enough capital**

**Regional Banks do not have enough money to lend**

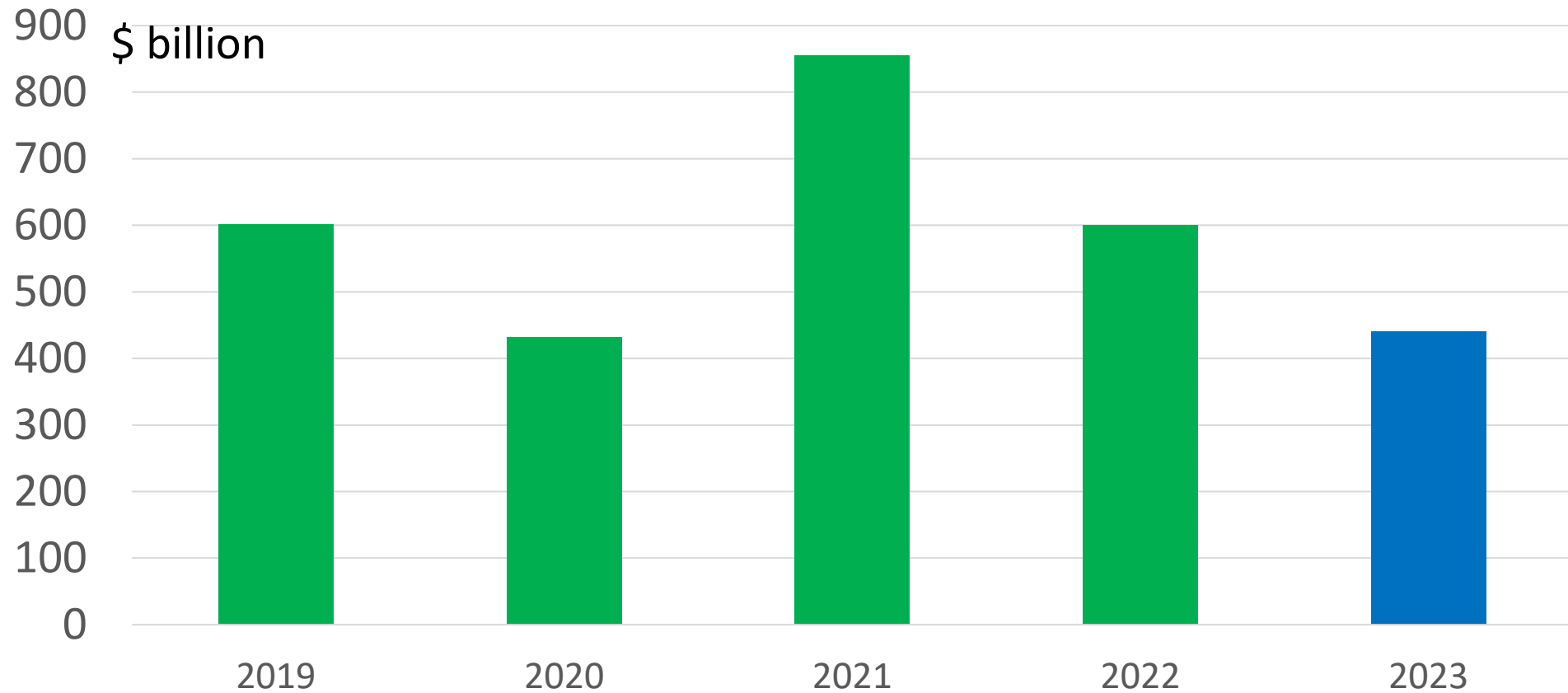
**Temporarily the Fed will SWAP at original \$1 million to help banks meet depositors**

# Commercial Real Estate Loans by Small Banks > Large Banks



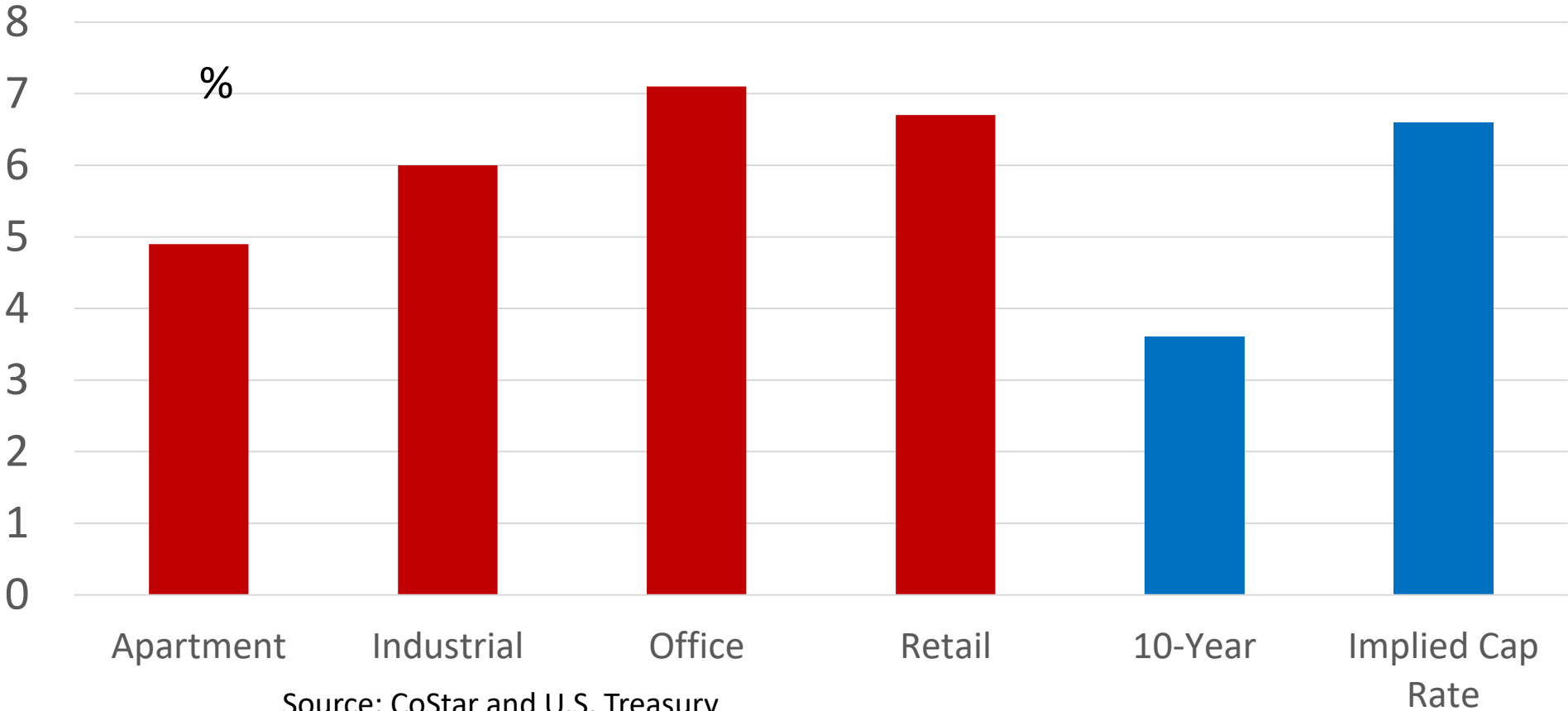
Source: Federal Reserve

# Commercial Real Estate Transactions (\$2.5 million property or greater)



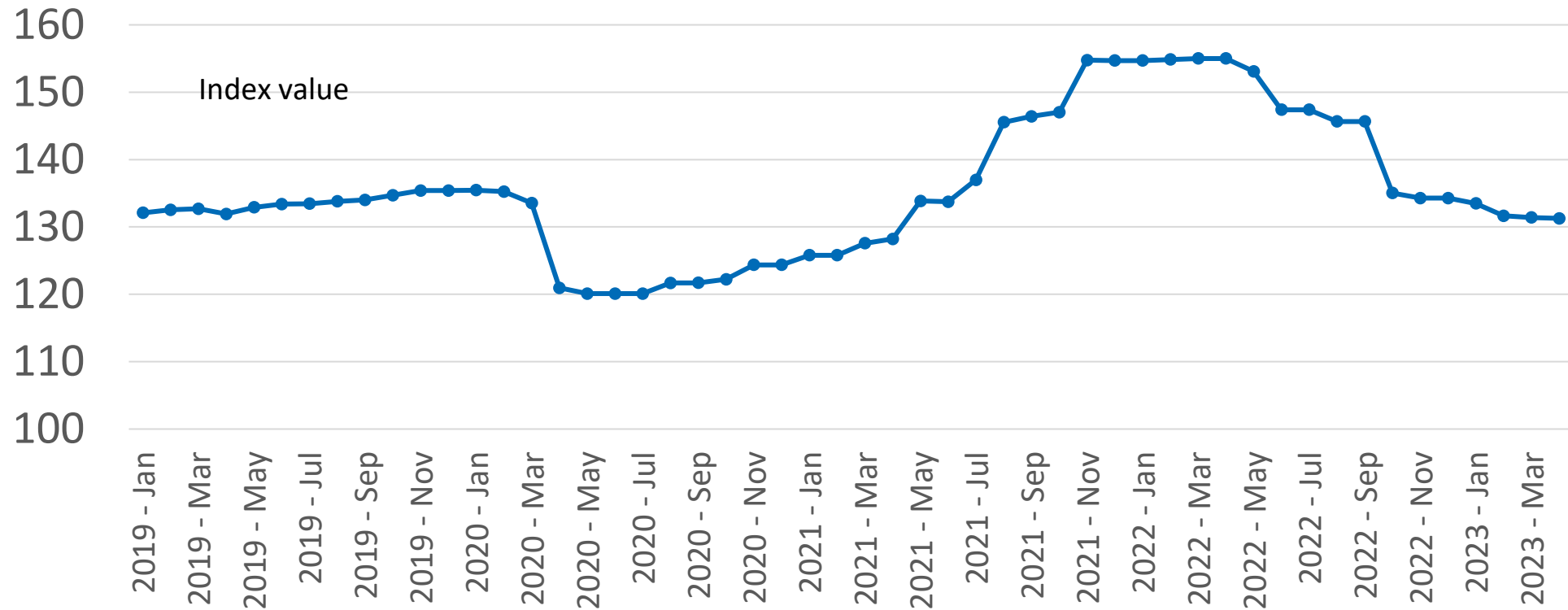
Source: MSCI/RCA

# Rate Hikes ... Pushing Up Cap Rates



Source: CoStar and U.S. Treasury

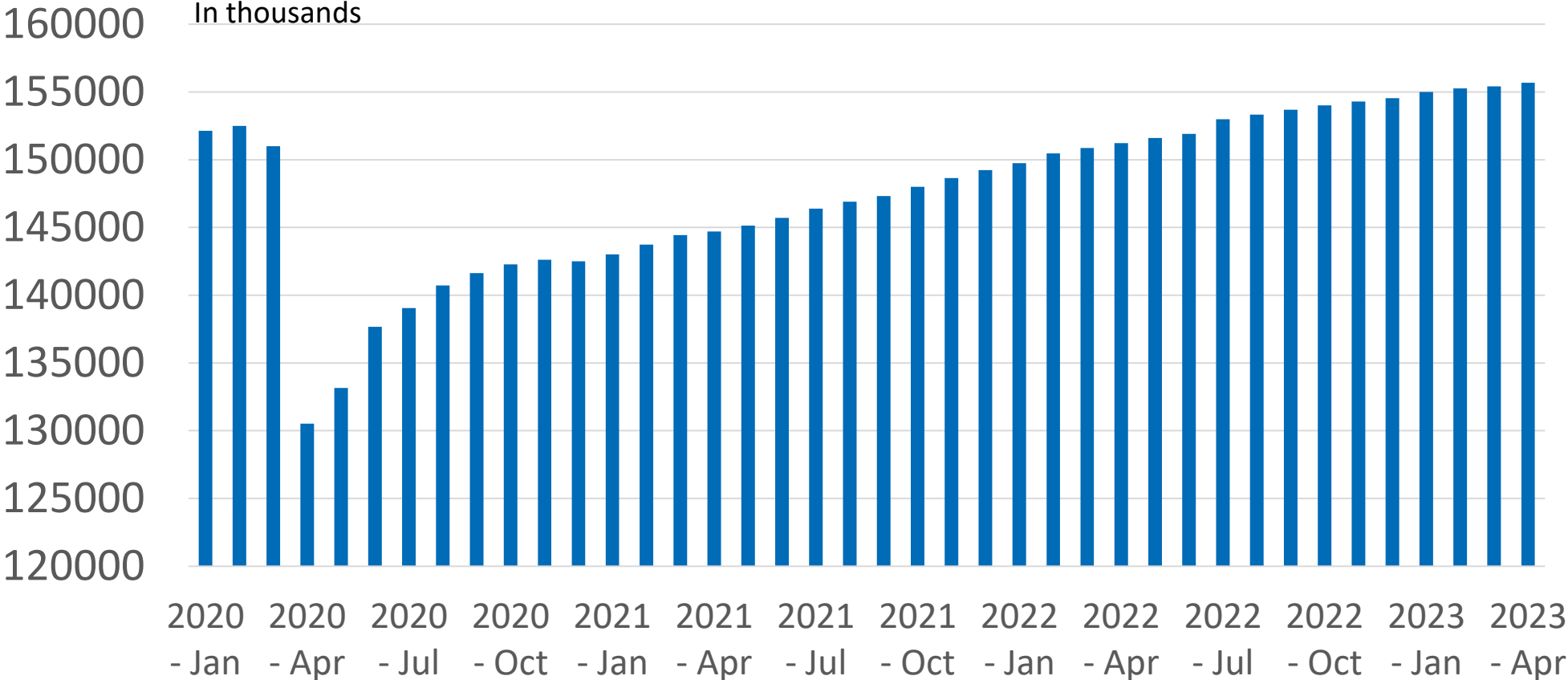
# Pressuring Commercial Property Prices to Fall ... 15% off Peak (Appraisal Value Index)



Source: Green Street Advisors

# Strong Job Market

# Record High Payroll Jobs after Covid Disruption



Source: BLS





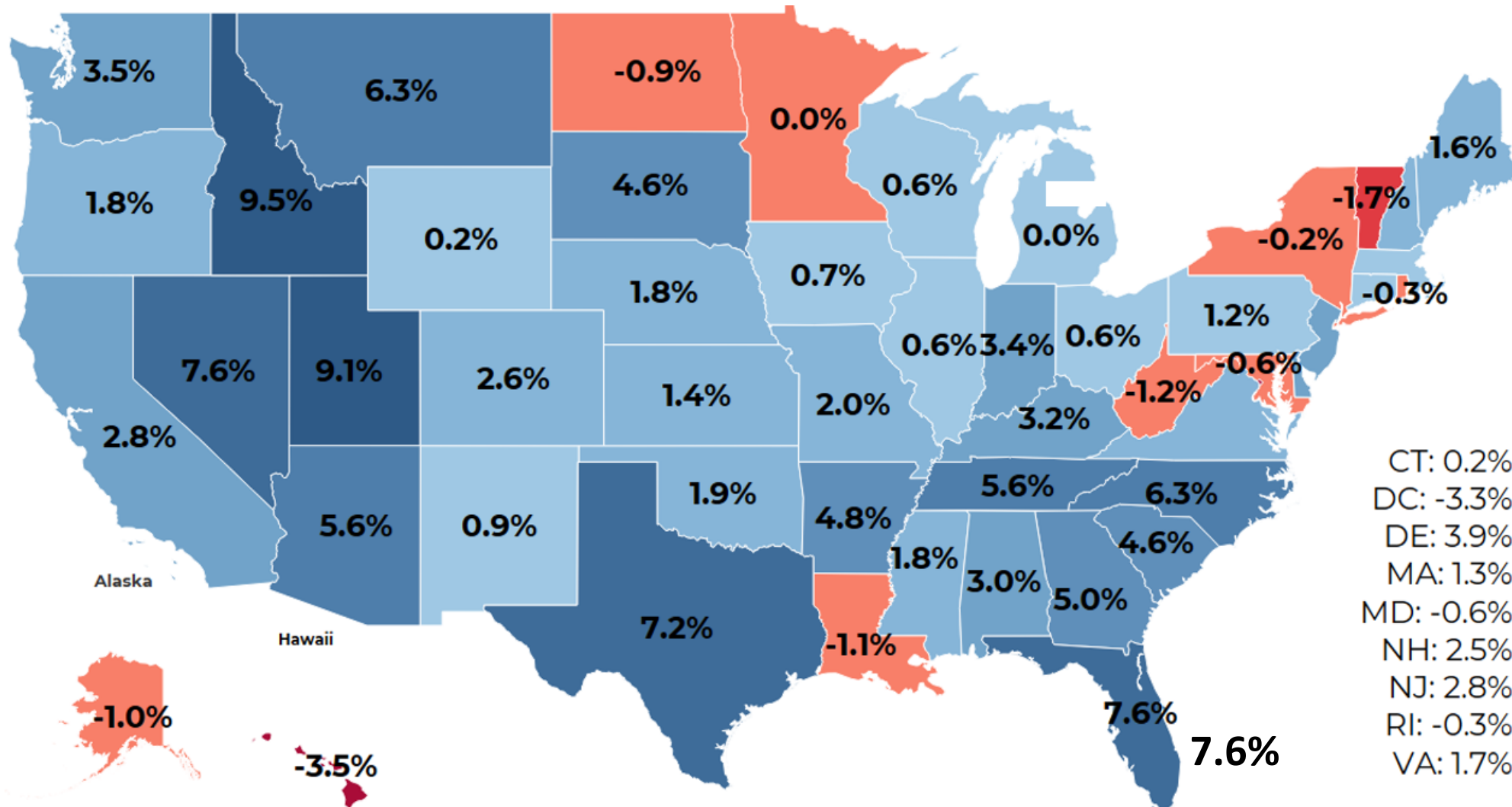
# Hollywood Jobs (Jobs in Motion Picture and Sound Recording Industries)



Source: BLS

# 3-year Job Gains Since Pre-Covid Record High Payroll Employment

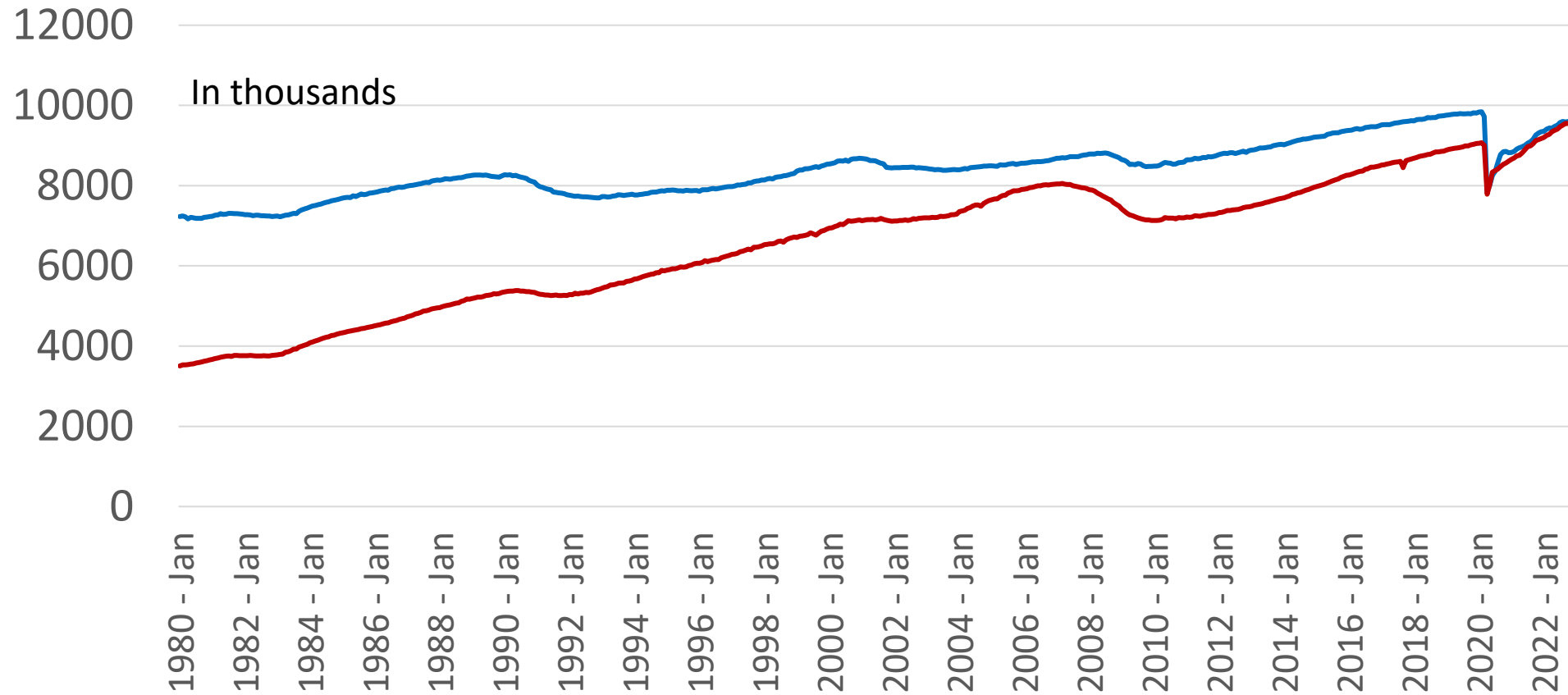
(% change from March 2020 to March 2023)



Source: U.S. Bureau of Labor Statistics

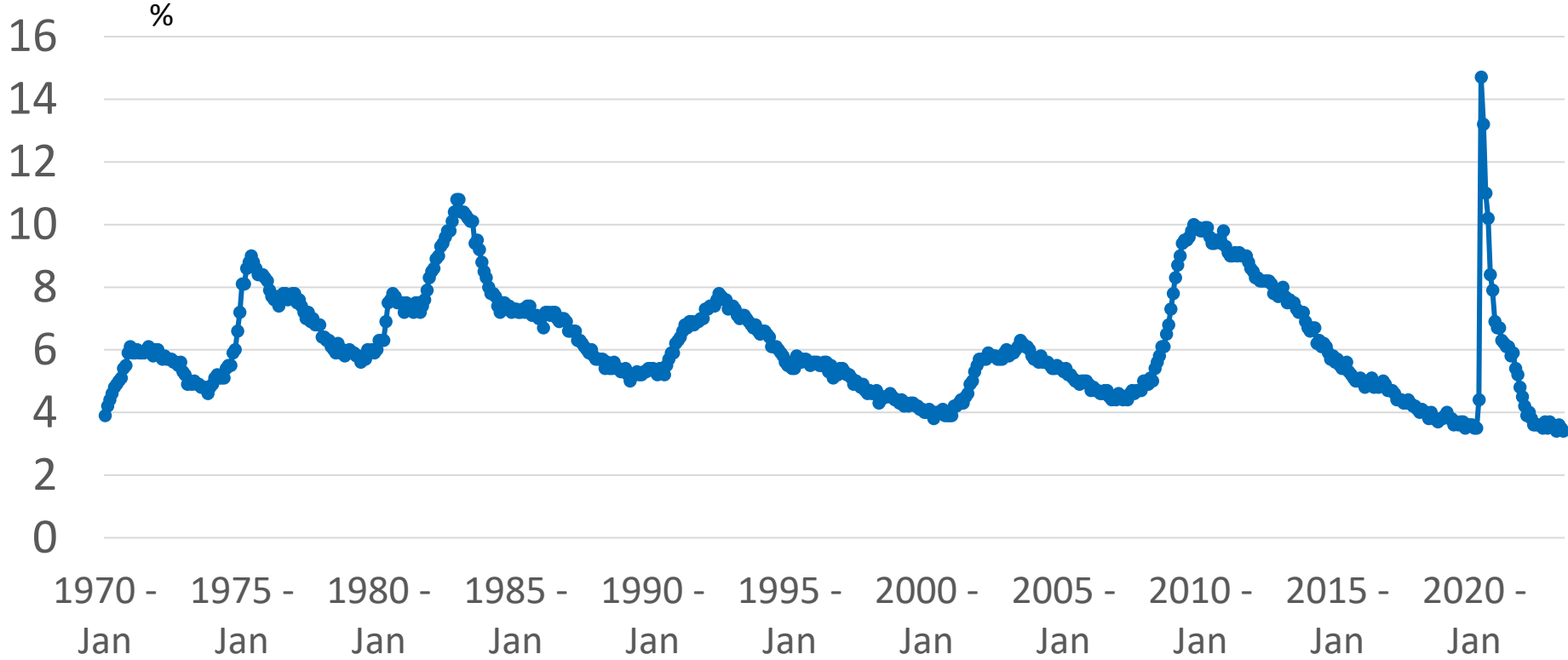
Source: NAR Analysis of BLS data

# Payroll Jobs in NY and Florida



Source: BLS

# Historically Low Unemployment Rate



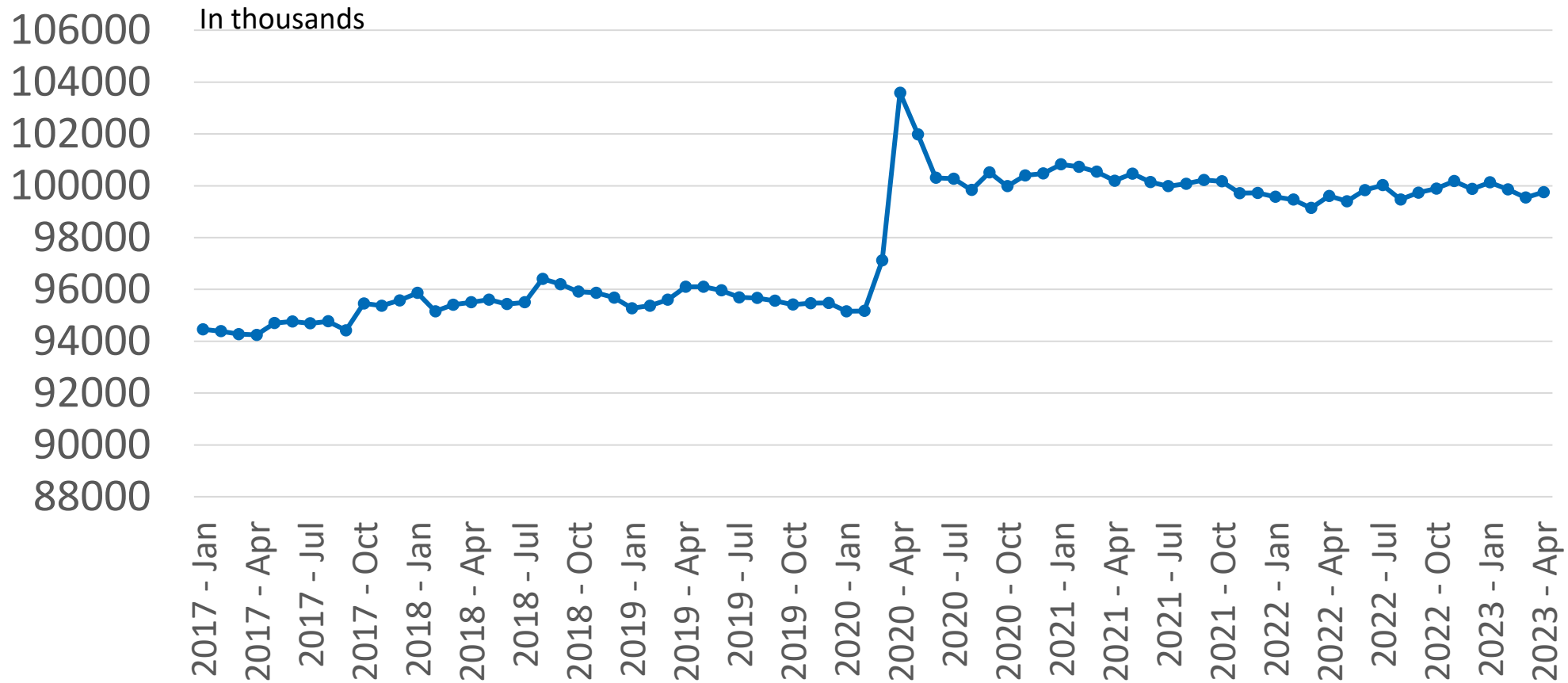
Source: BLS

# Wage Rate and Wage Growth in April 2023

Industry	Wage Rate	Wage Growth
Leisure and Hospitality	\$21.01	5.7%
Retail Trade	\$23.86	4.8%
Transport/Warehousing	\$28.80	4.5%
Manufacturing	\$32.02	3.9%
Education/Health	\$32.77	4.0%
Construction	\$36.19	5.4%
Wholesale Trade	\$36.76	5.5%
Mining/Logging/Oil	\$37.56	6.6%
Professional Business Service	\$40.20	4.4%
Financial Service	\$42.64	3.7%
Information/Tech	\$47.50	4.0%

Source: BLS

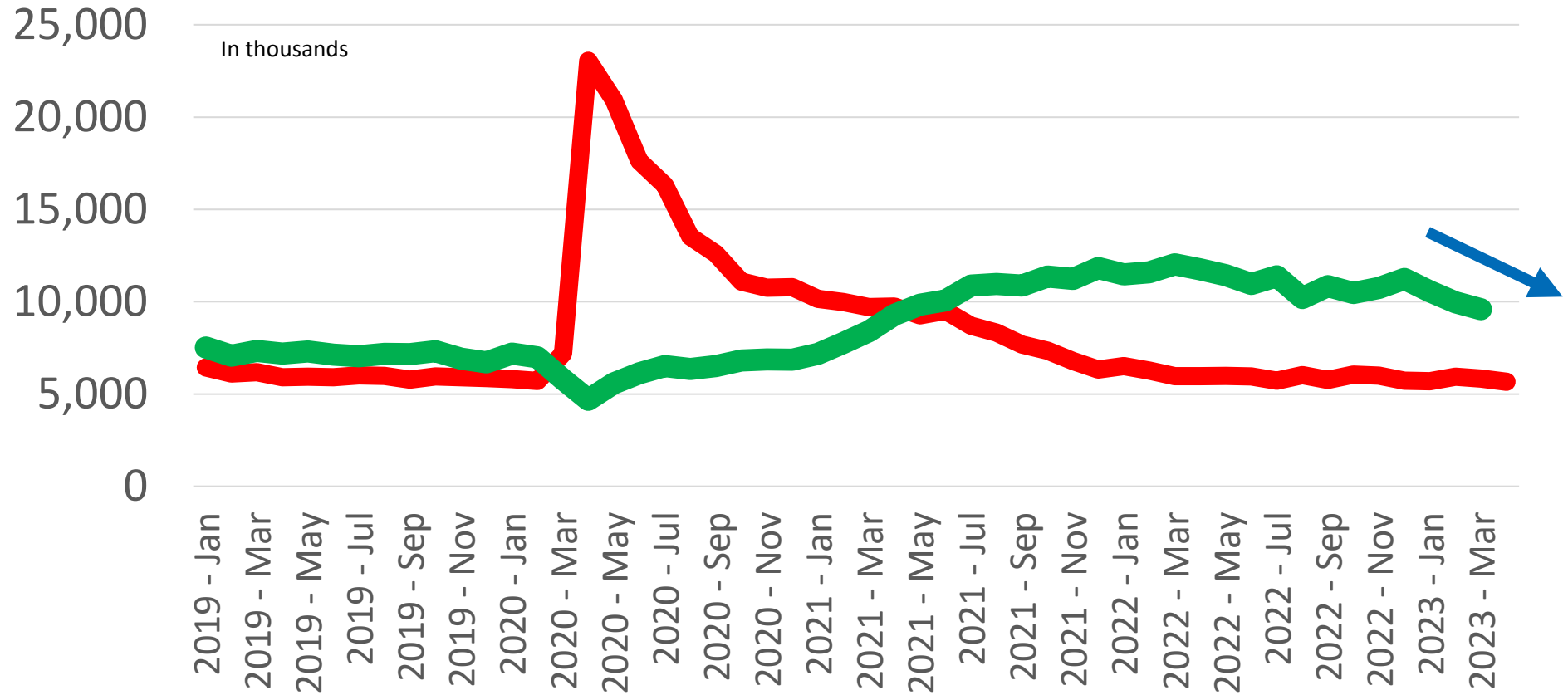
# Elevated Number of People Not in the Labor Force Comparing 3 years before/after COVID



Source: BLS

# Weakening Economy

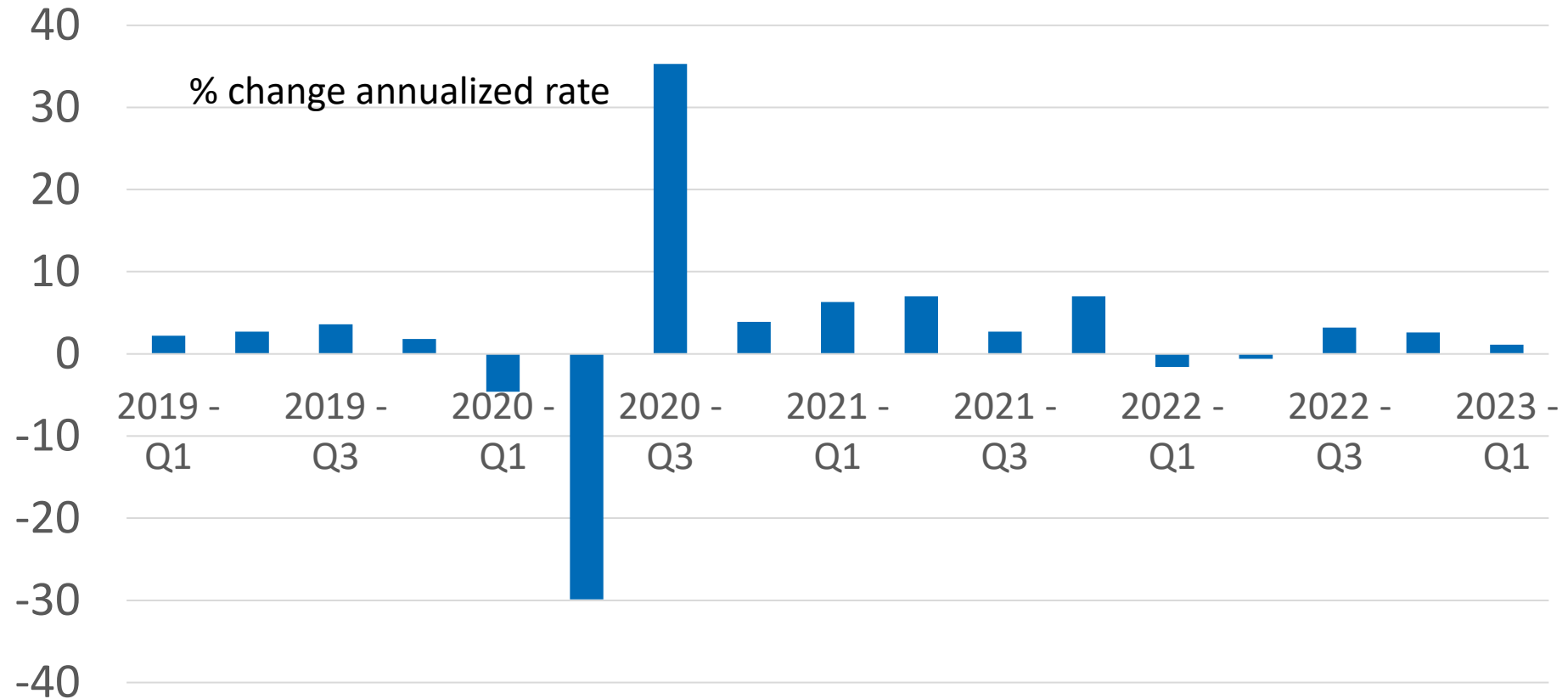
# Job Openings > Unemployed ... But Job Openings 20% lower



Source: BLS

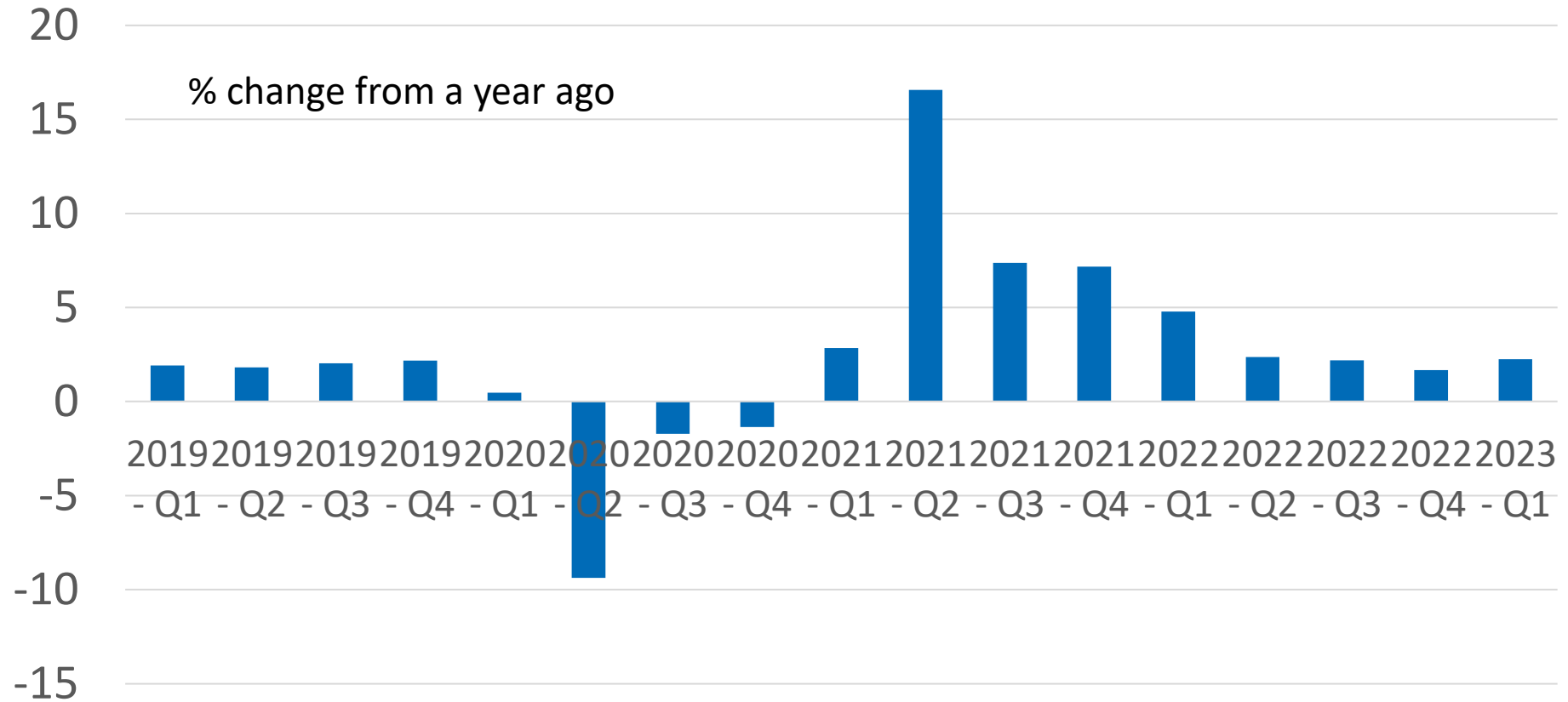


# Signs of a Weakening Economy: GDP Growth of only 1%



Source: Department of Commerce

# Signs of a Weakening Economy: Consumer Spending Not Robust



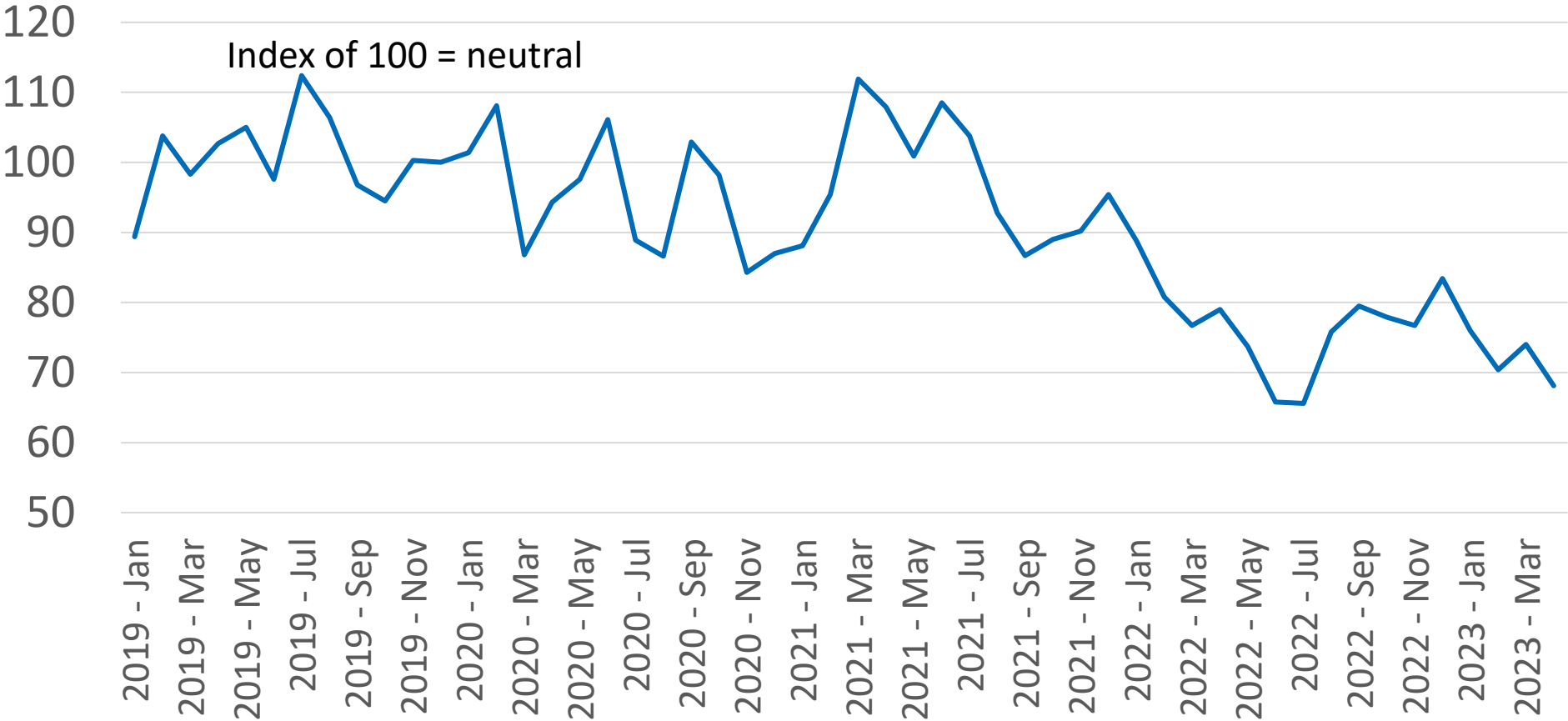
Source: Department of Commerce

# Signs of a Weakening Economy: Investment Spending Falling



Source: Department of Commerce

# Signs of a Weakening Economy: Consumer Confidence about Future Expectations Falling



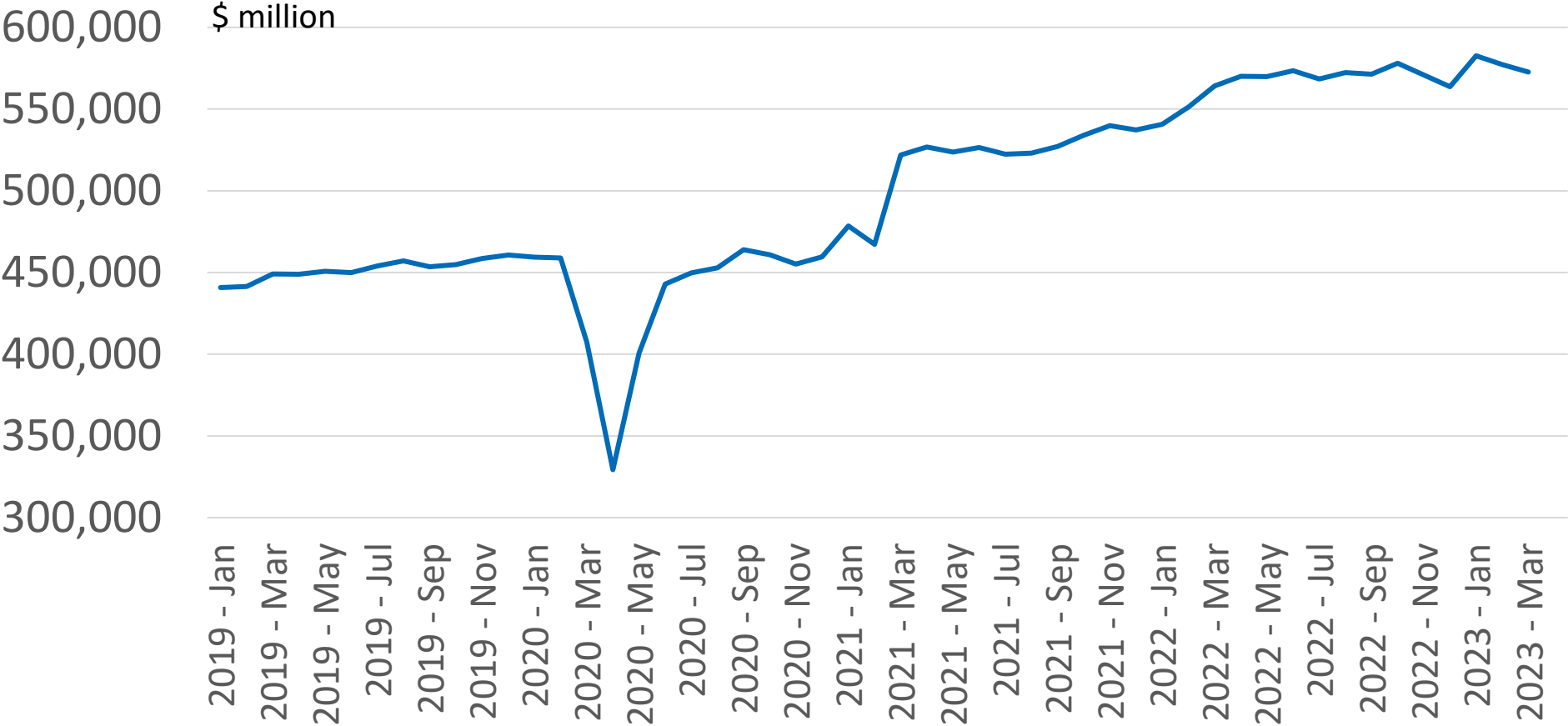
Source: Conference Board

# Signs of a Weakening Economy: Weaker Home Sales ... Existing-Home Sales below Pre-COVID



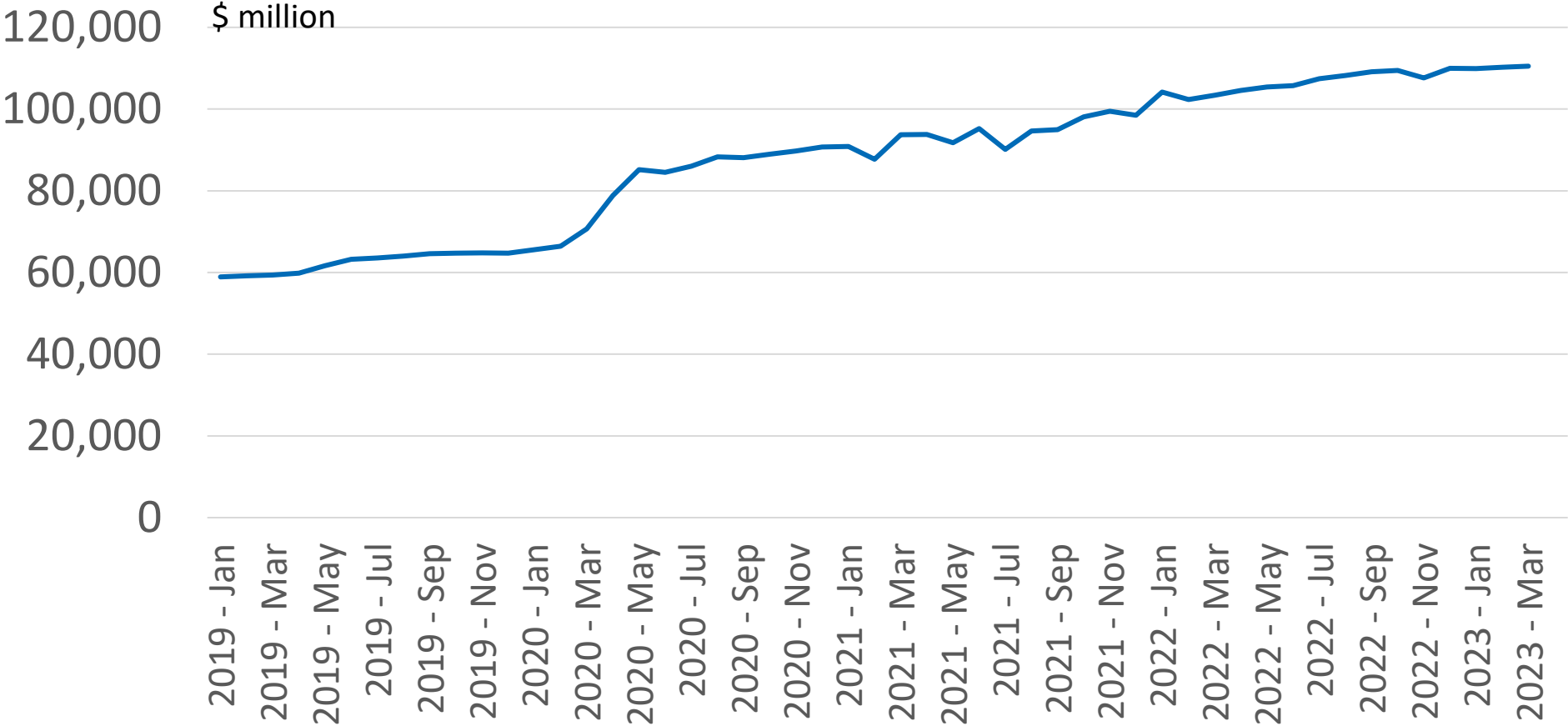
Source: NAR

# Retail Sales (in-store shops) ... Only 1.5% growth in March (CPI 5%)



Source: BLS

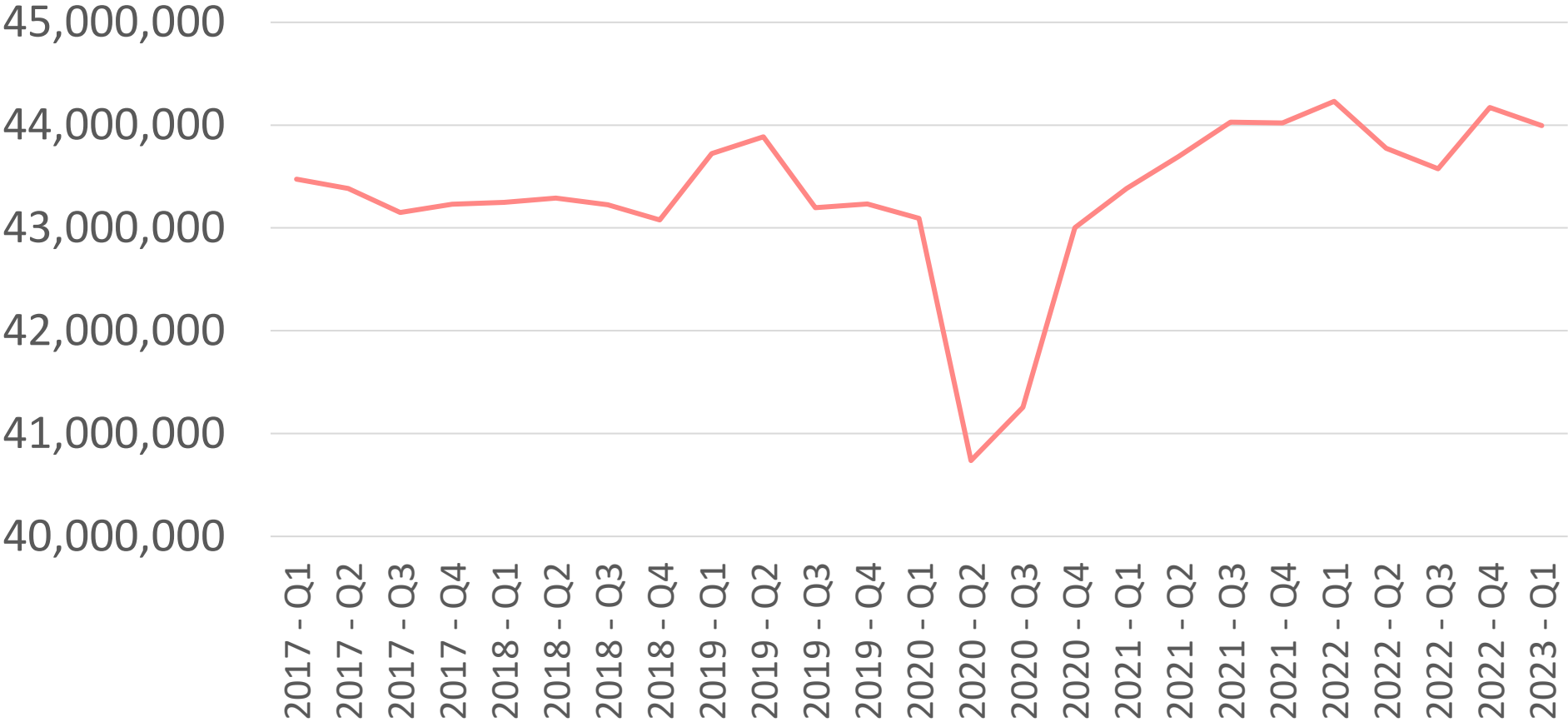
# Online Shopping ... 6.8% growth in March (CPI 5%)



Source: BLS



# Rental Households ... Not rising

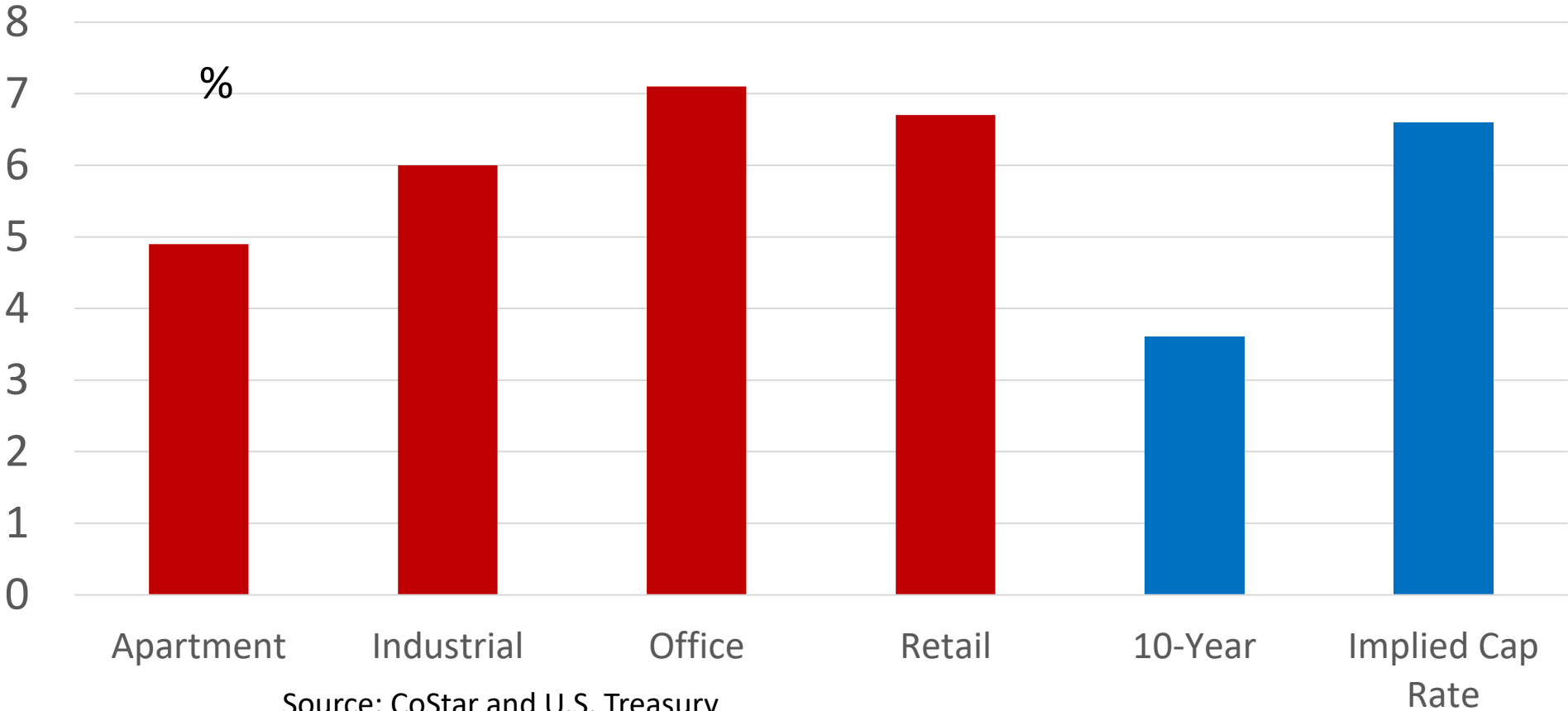


Source: Census



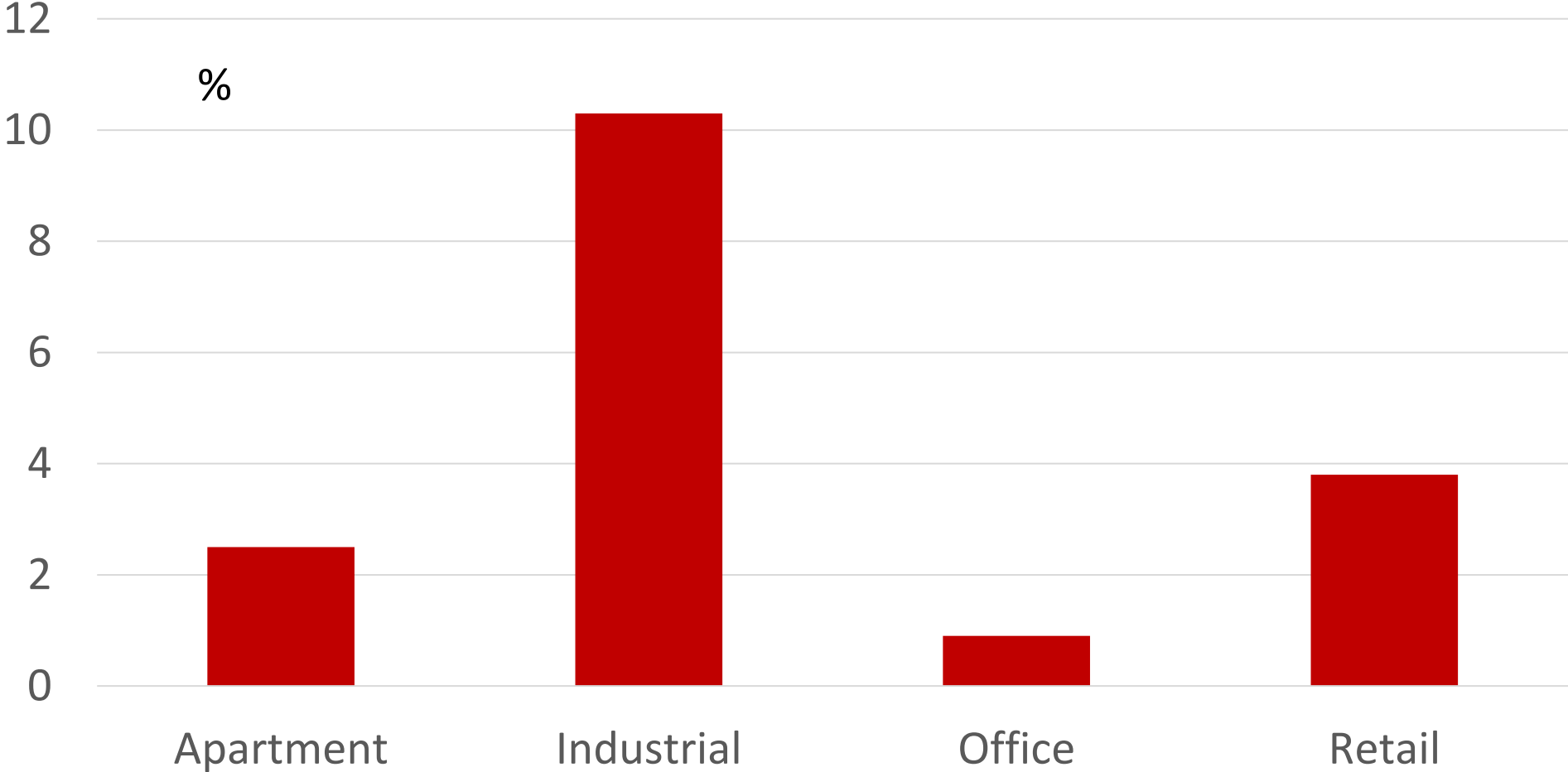
# Commercial Market Fundamentals

# Rate Hikes ... Pushing Up Cap Rates



Source: CoStar and U.S. Treasury

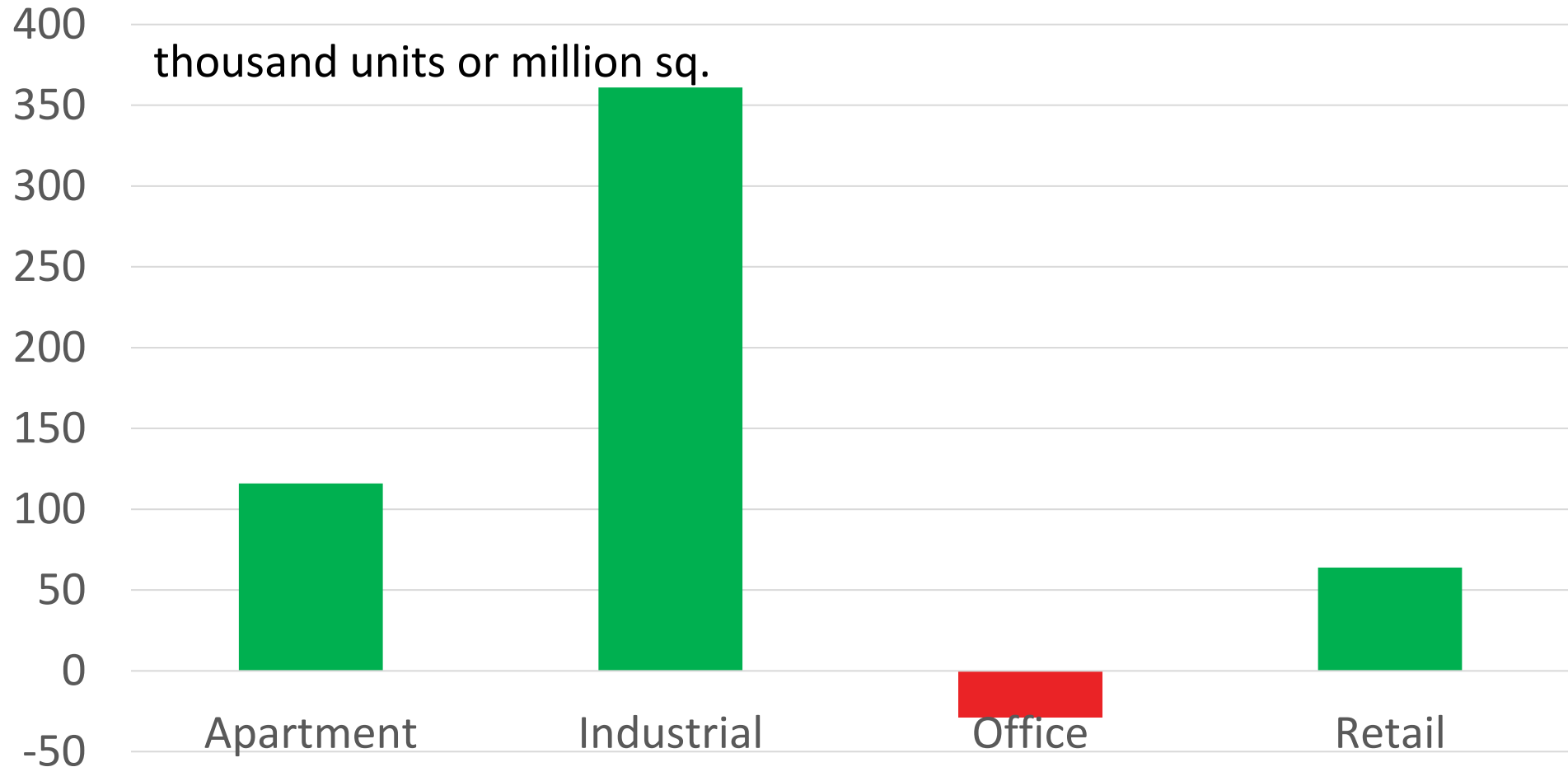
# Rent Growth in the past 12 months (CPI at 5%)



Source: CoStar and U.S. Treasury



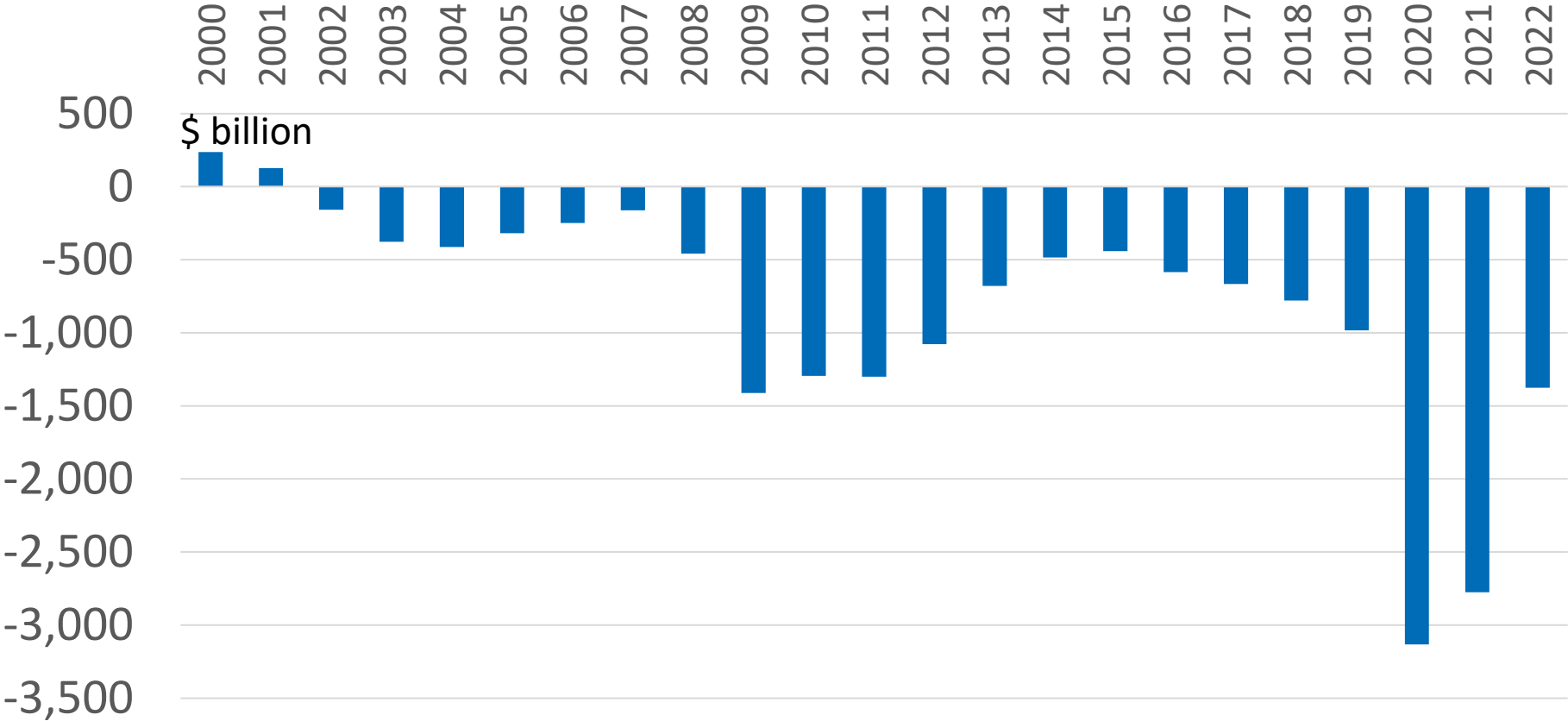
# Net Absorption past 12 months .. Office is still negative



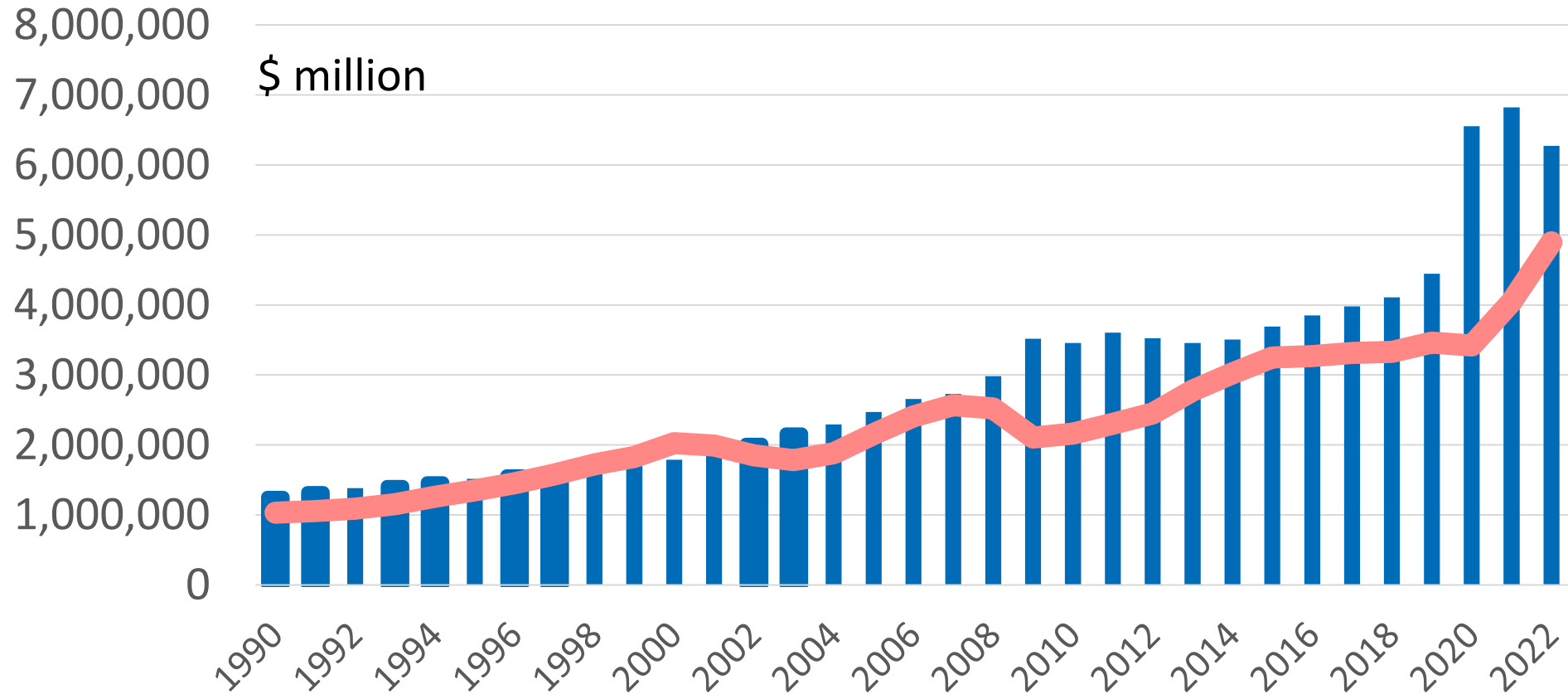
Source: CoStar

# Long-term Risk

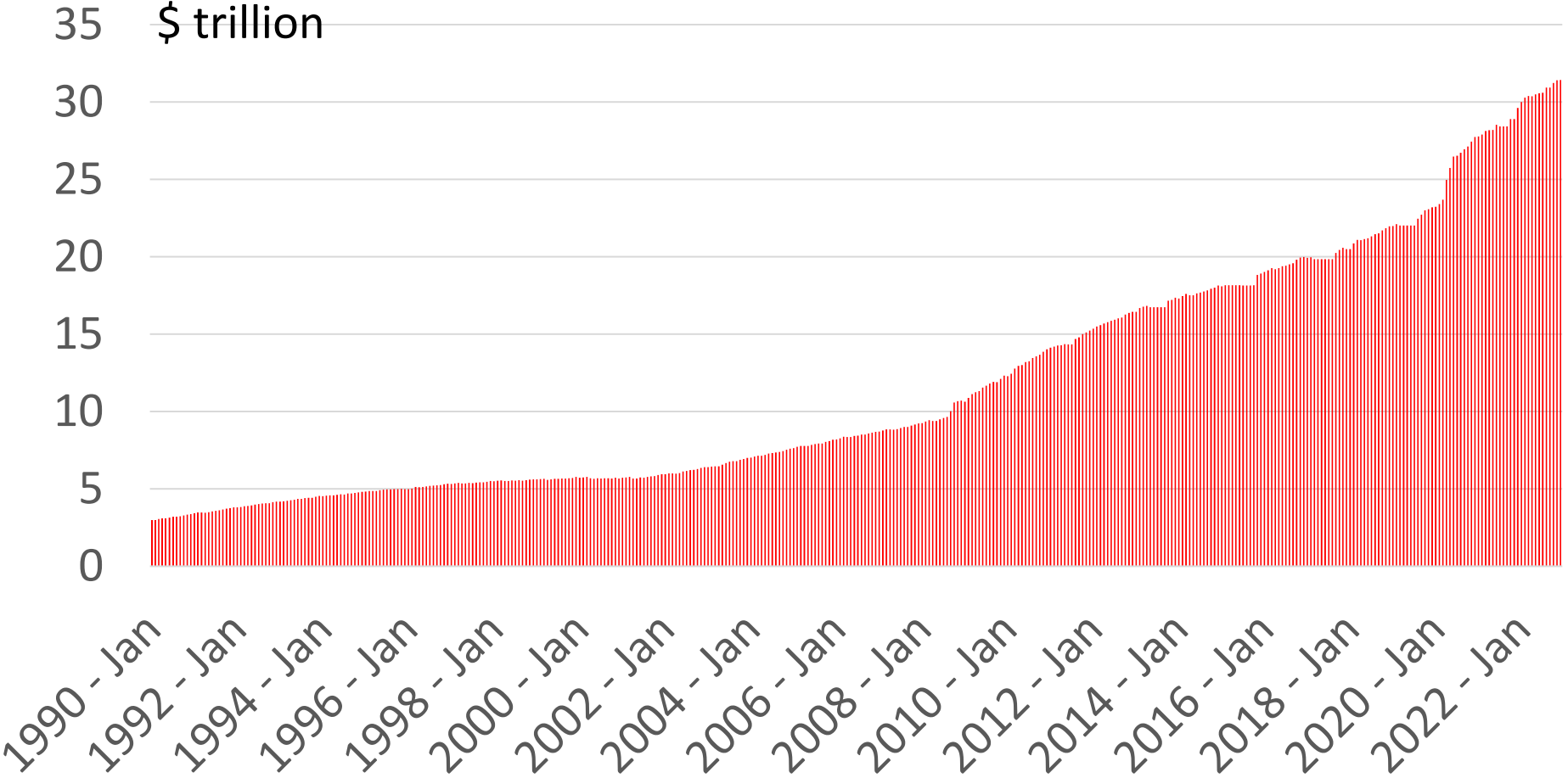
# U.S. Government Deficit (Borrowing)



# Why? Federal Outlay (blue bar) > Tax Receipts (orange line)



# National Debt at \$31 trillion (cumulative of all deficits)





# THANK YOU.

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