# Real Estate Market Outlook

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**Chief Economist**
**NAR**

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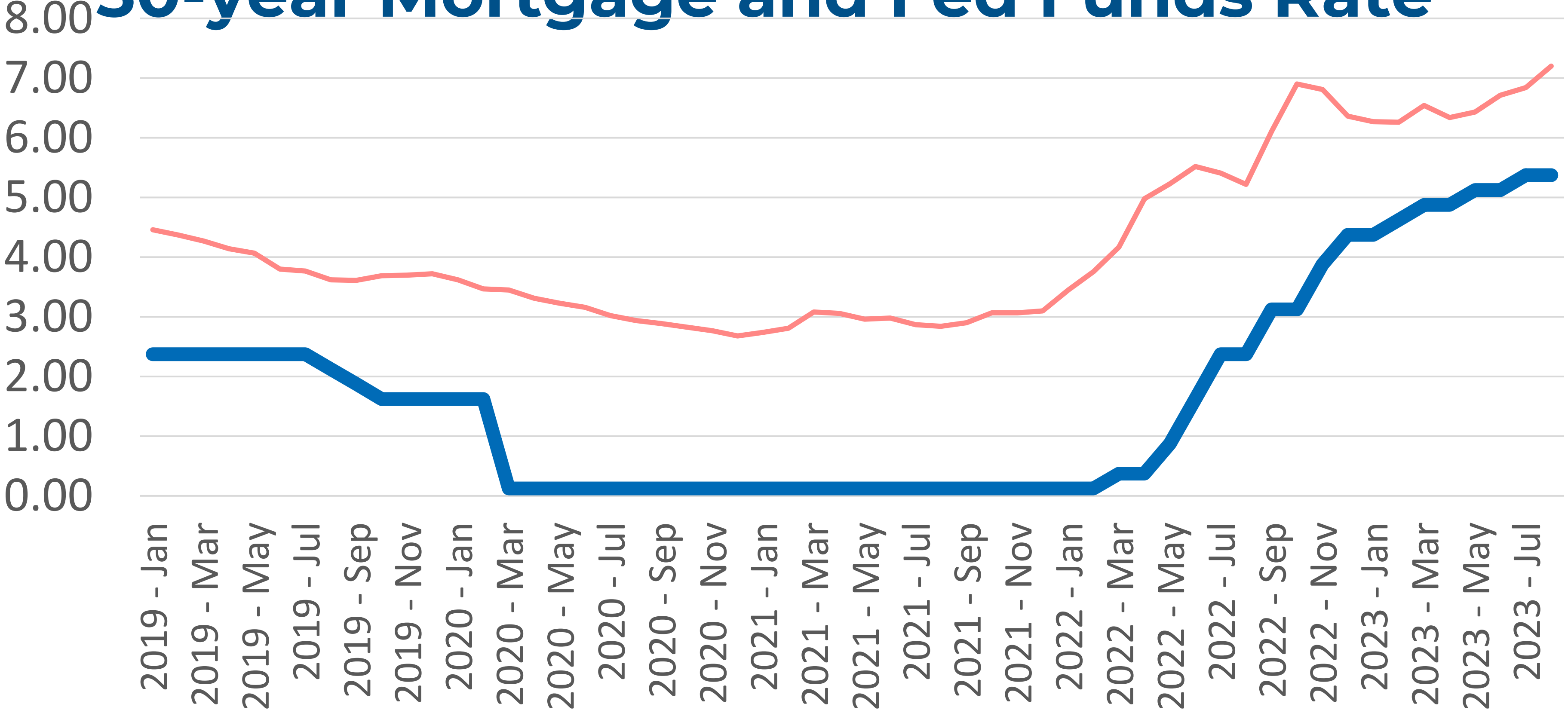
# High Borrowing Costs from Fed's Aggressive Policy: 30-year Mortgage and Fed Funds Rate




Source: U.S. Treasury and Federal Reserve

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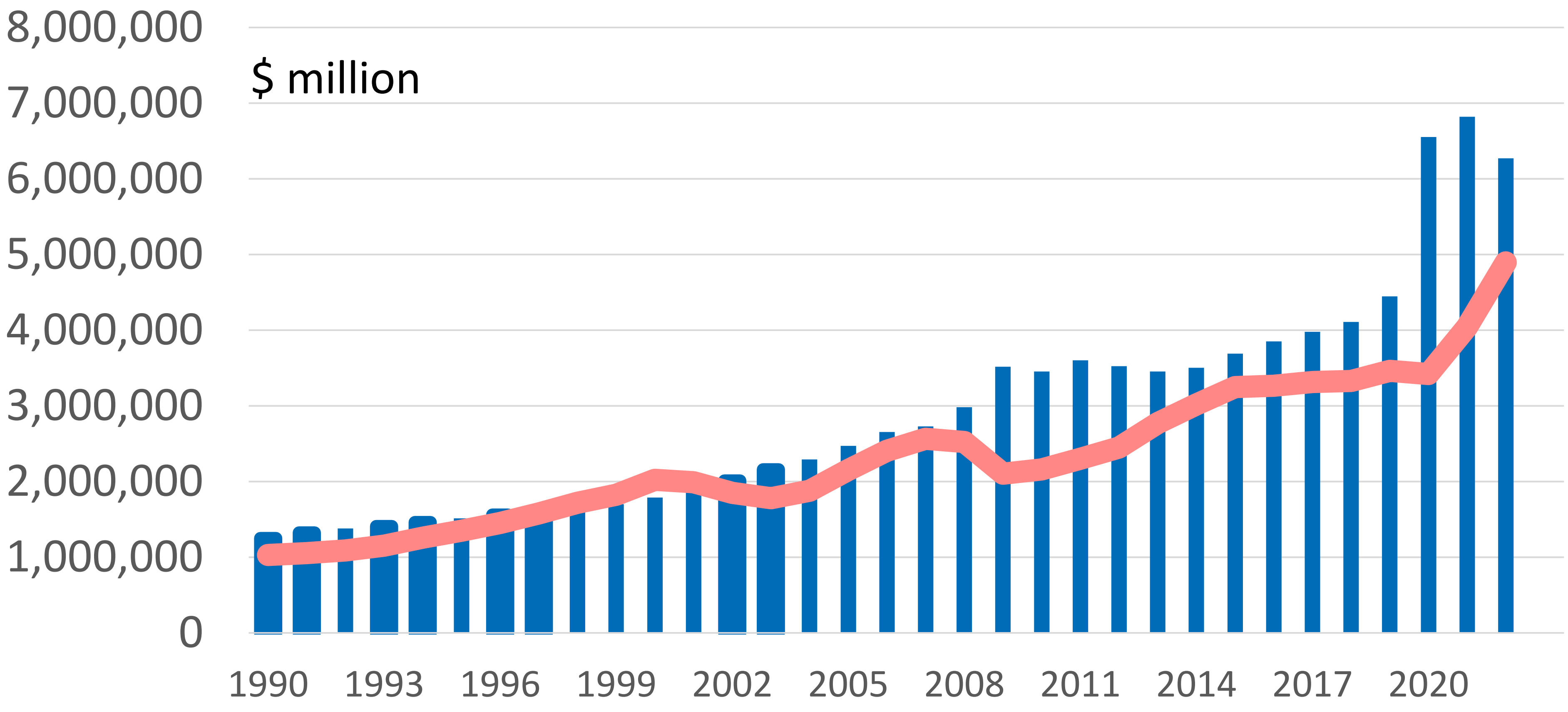
# Downgrade of USA Debt ???
# Federal Outlay (blue bar) > Tax Receipts (orange line)




Source: Congressional Budget Office

# Damage from High Interest Rates

- Home Sales Down
- Commercial Real Estate Transactions Down
- Commercial Real Estate Property Prices Down
- Community Banks in a Mess from Interest Rate Mismatch
- Community Banks in a Mess from Commercial Real Estate Loan Exposure
- Economic Slowdown
- Interest Expenditure of Federal Debt Rising

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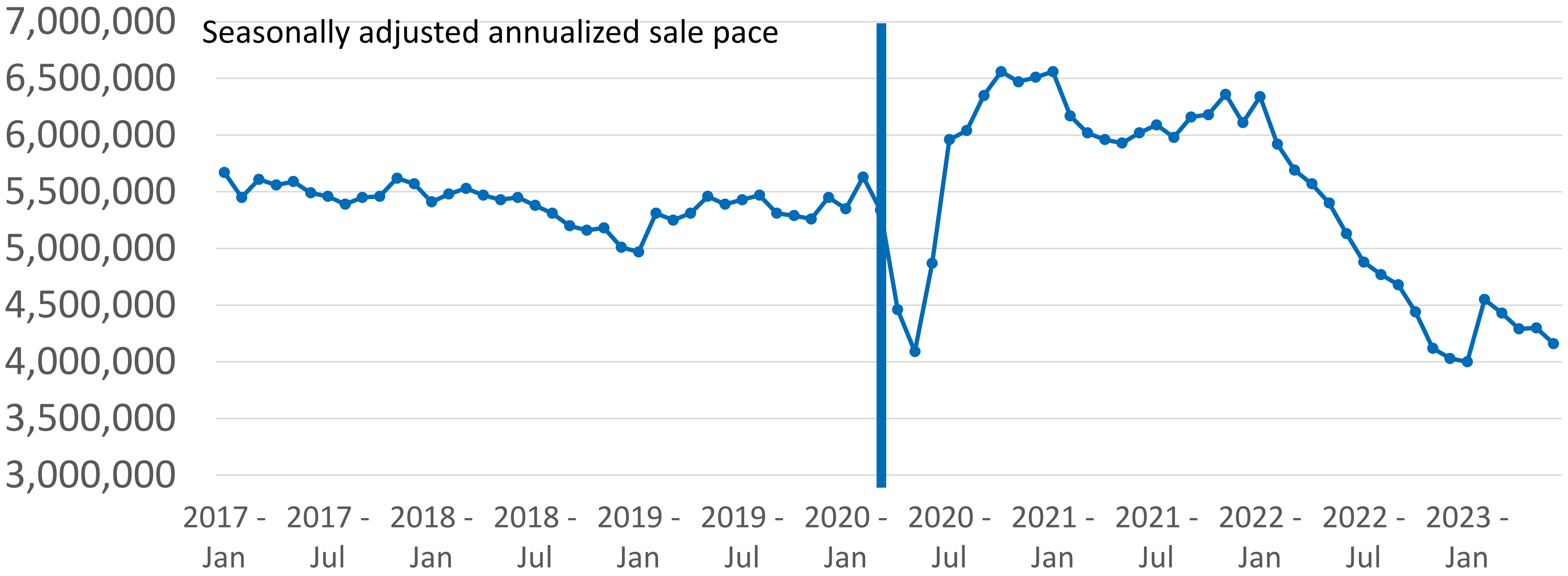
# Weaker Home Sales - Existing-Home Sales Below Pre-COVID...Down 23% Year-to-Date




Source: NAR

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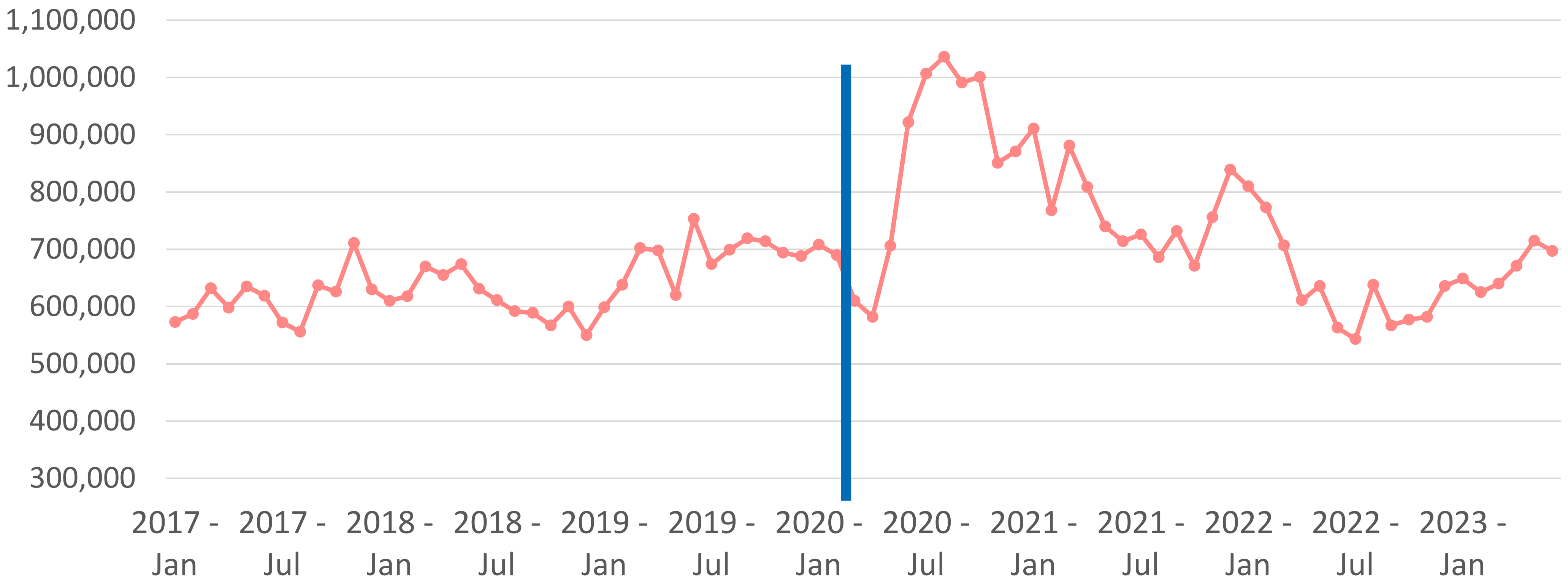
# Newly Constructed Home Sales...Back to Pre-COVID




Source: HUD

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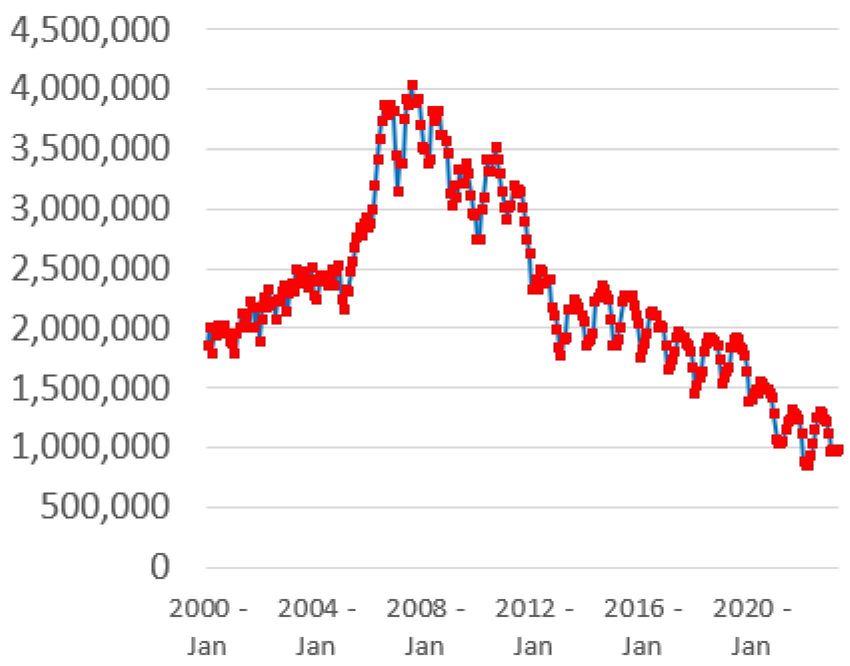
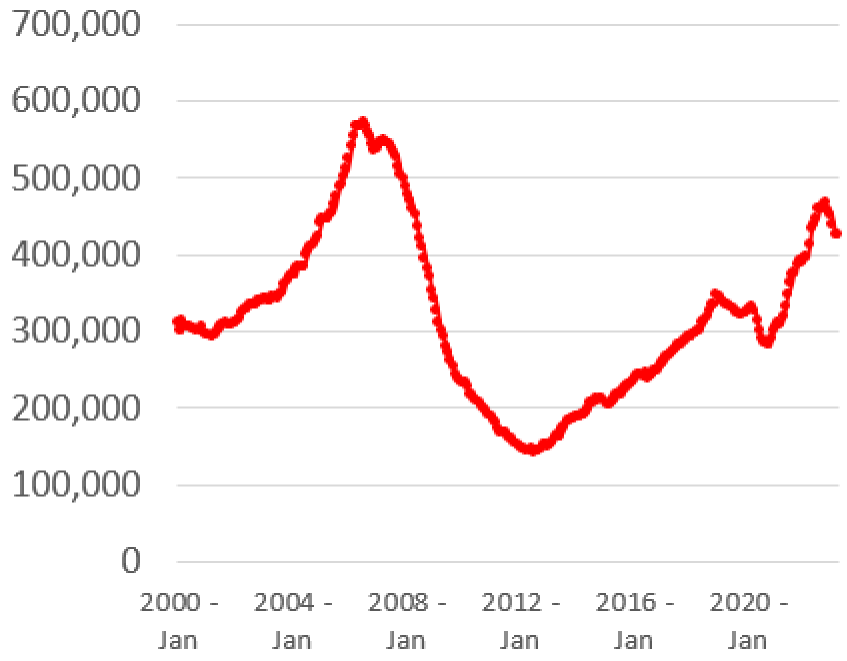
# Inventory of Existing Homes Low … New Homes High




Source: NAR and HUD

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# NH Single Family Residential Activity Overview

Key metrics by report month and for year-to-date (YTD) starting from the first of the year.

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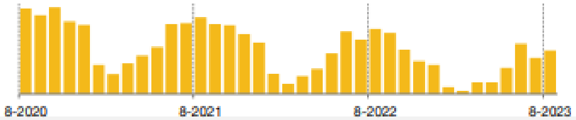
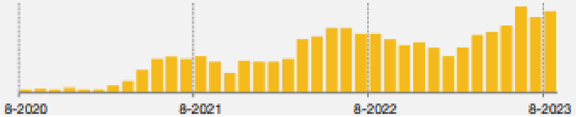
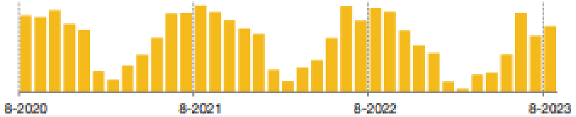
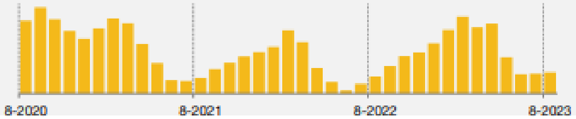
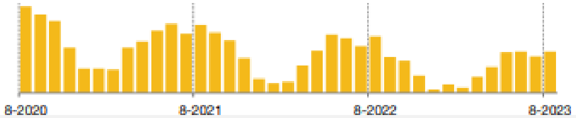
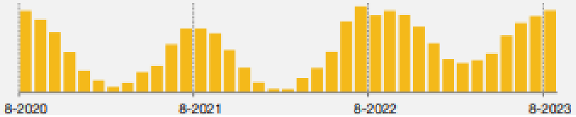
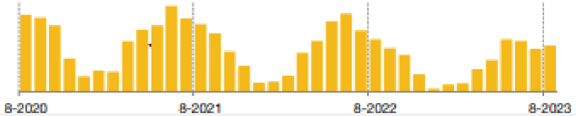
| Key Metrics | Historical Sparkbars | 8-2022 | 8-2023 | Percent Change | YTD 2022 | YTD 2023 | Percent Change |
|---|---|---|---|---|---|---|---|
| **Closed Sales** |  | 1,671 | **1,283** | - 23.2% | 9,339 | **7,429** | - 20.5% |
| **Median Sales Price** |  | $450,000 | **$490,000** | + 8.9% | $448,000 | **$469,000** | + 4.7% |
| **$ Volume of Closed Sales (in millions)** |  | $880.7 | **$743.7** | - 15.6% | $4,890.8 | **$4,182.2** | - 14.5% |
| **Days on Market** |  | 19 | **20** | + 5.3% | 21 | **27** | + 28.6% |
| **Pending Sales** |  | 1,606 | **1,317** | - 18.0% | 10,067 | **8,337** | - 17.2% |
| **Months Supply** |  | 1.7 | **1.8** | + 5.9% | -- | **--** | -- |
| **New Listings** |  | 1,643 | **1,499** | - 8.8% | 12,201 | **9,598** | - 21.3% |

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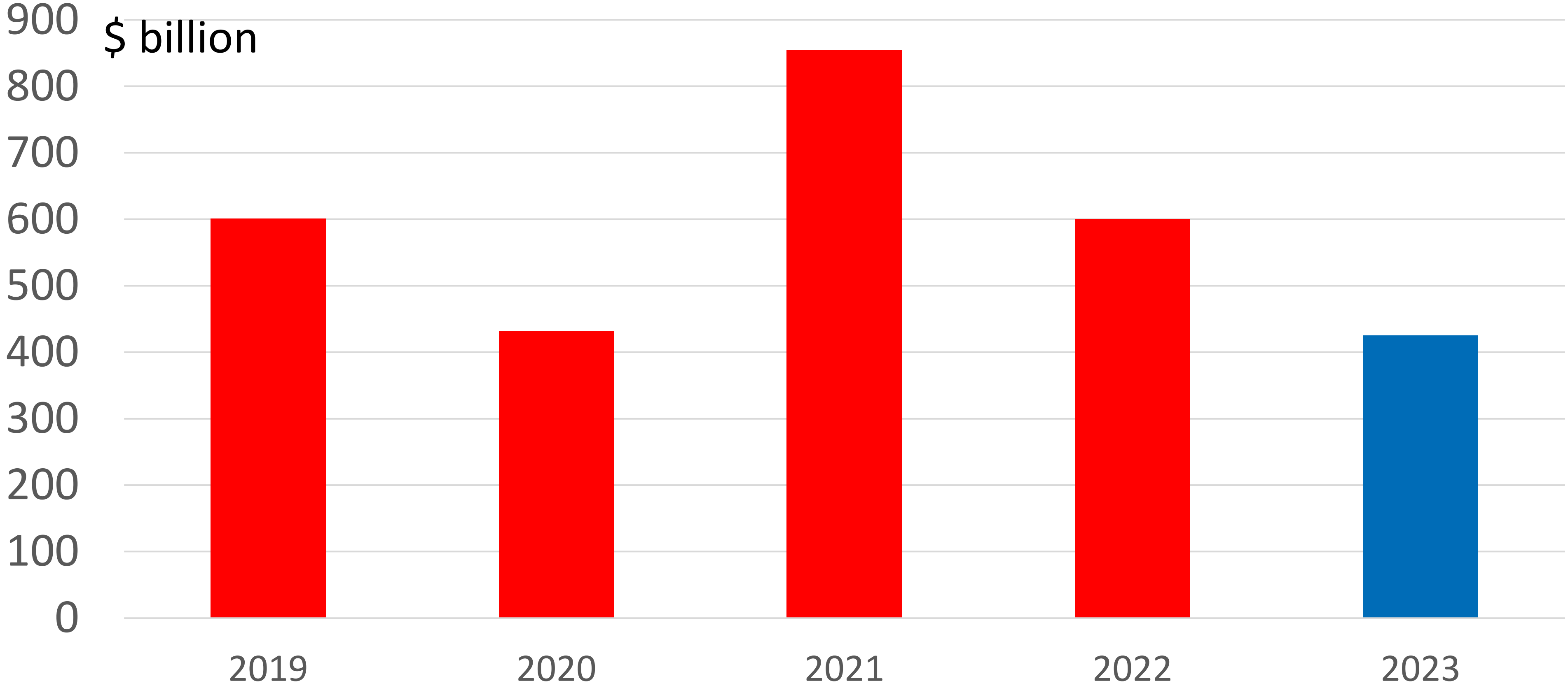
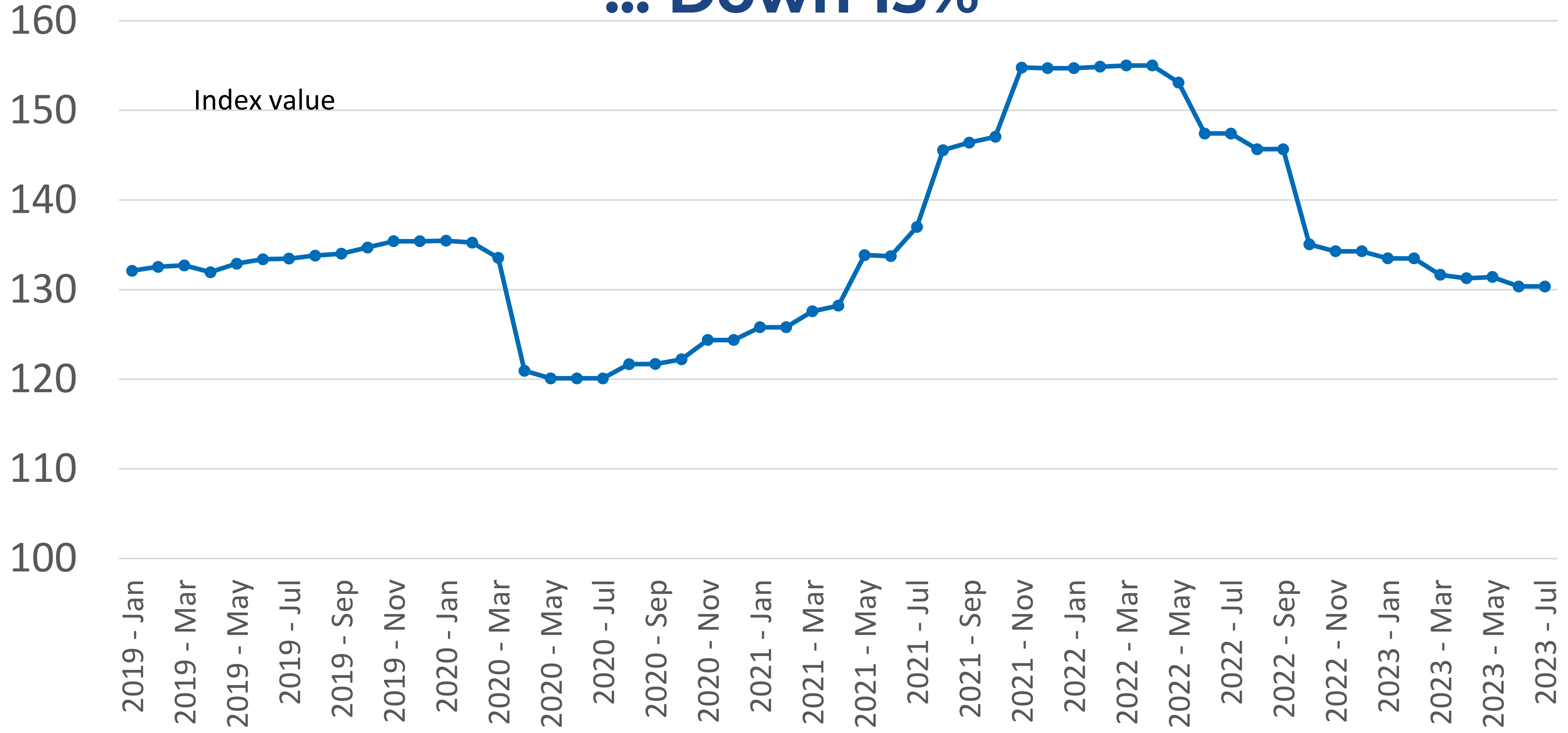
# Commercial Real Estate Transactions … Down 50%
## (properties valued at $2.5 million and above)




Source: MSCI

# Commercial Real Estate Property Price Index
# … Down 15%




Source: Green Street

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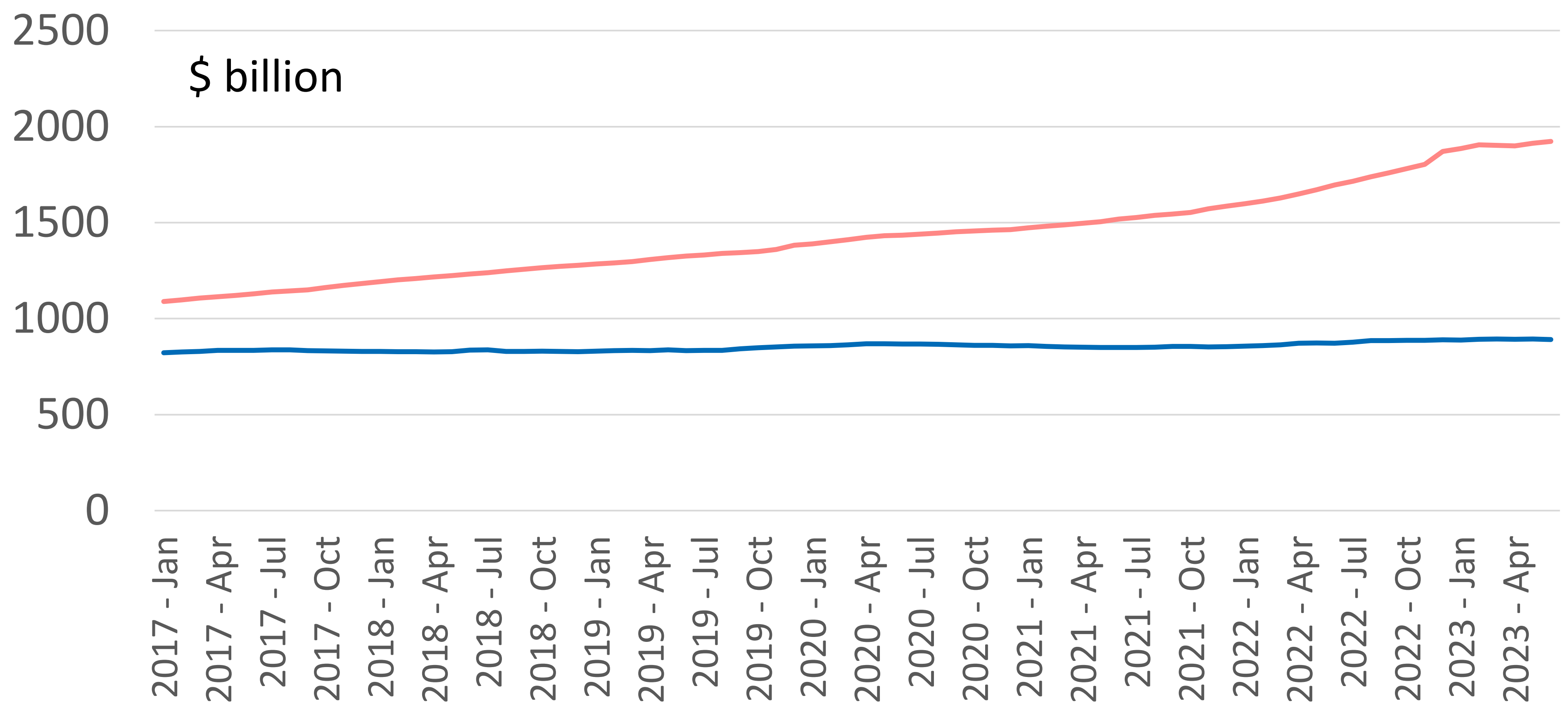
# Commercial Real Estate Loans Held by Top-25 Banks and 1000 Small Banks




Source: Federal Reserve

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# Why is the Fed Raising Interest Rates?

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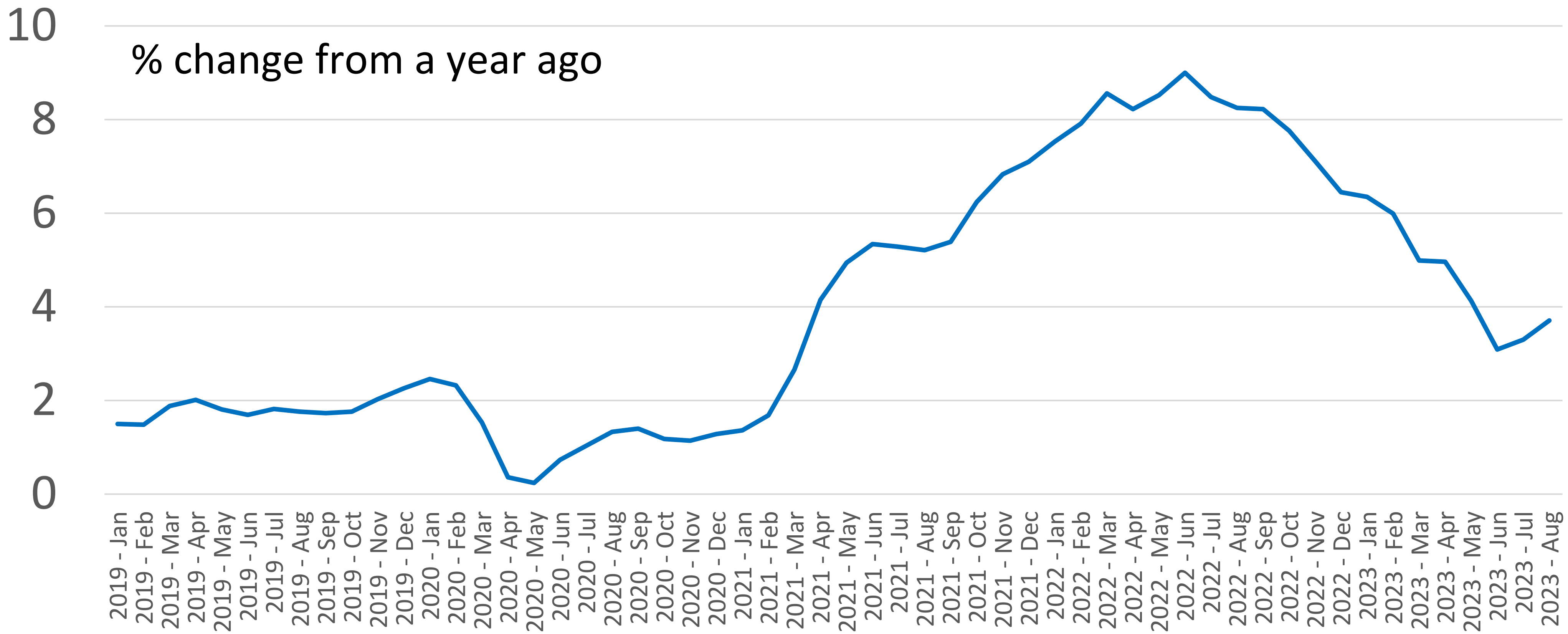
# Consumer Price Inflation at 3.7% in August




Source: BLS

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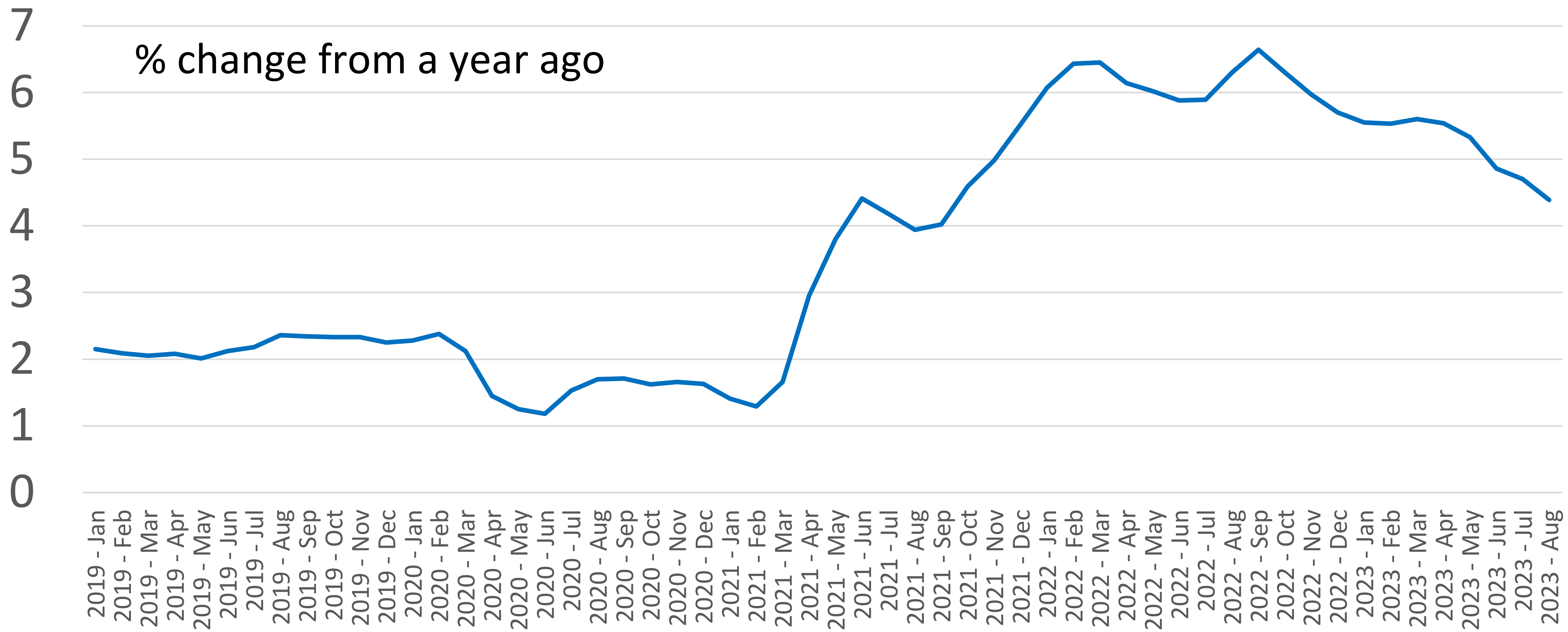
# Core Consumer Price Inflation at 4.4% in August
# After excluding volatile food and energy




Source: BLS

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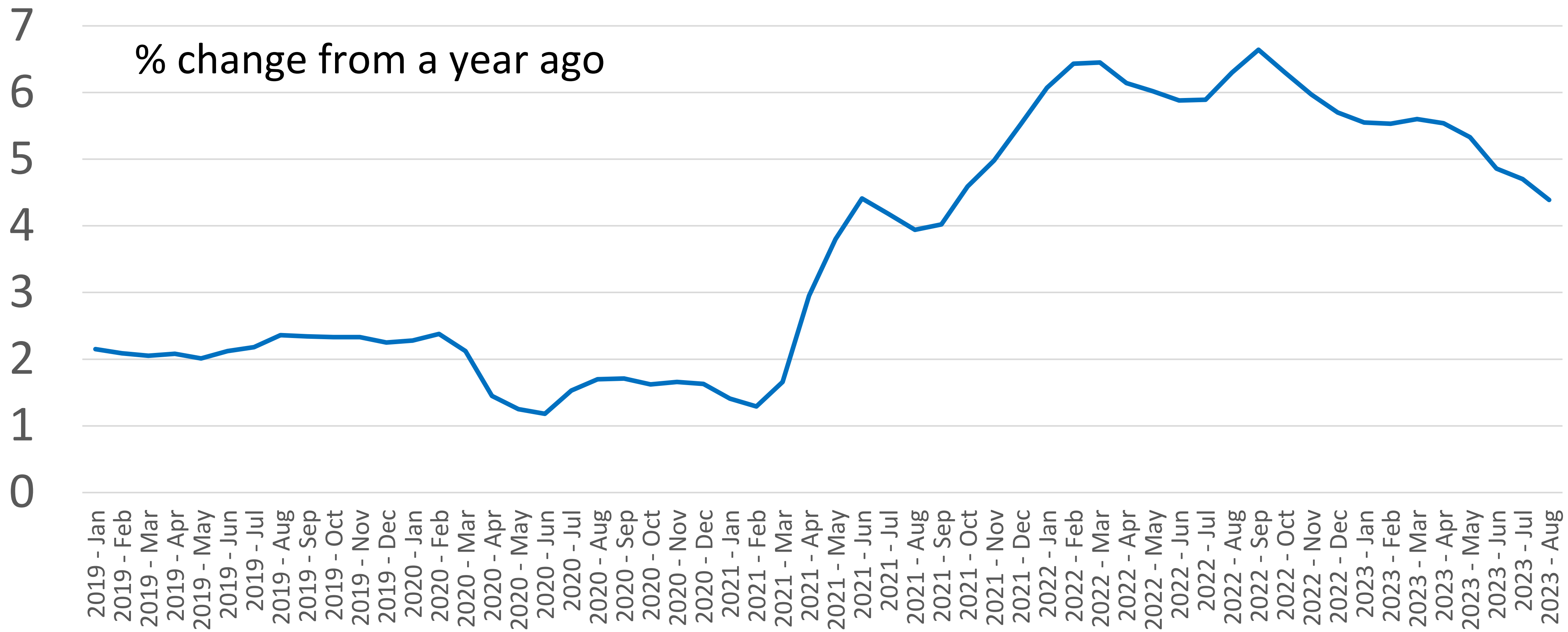
# Shelter (Rent) Inflation at 7.3% in August
# Even though private sector apartment rent data show much calmer figures




Source: BLS

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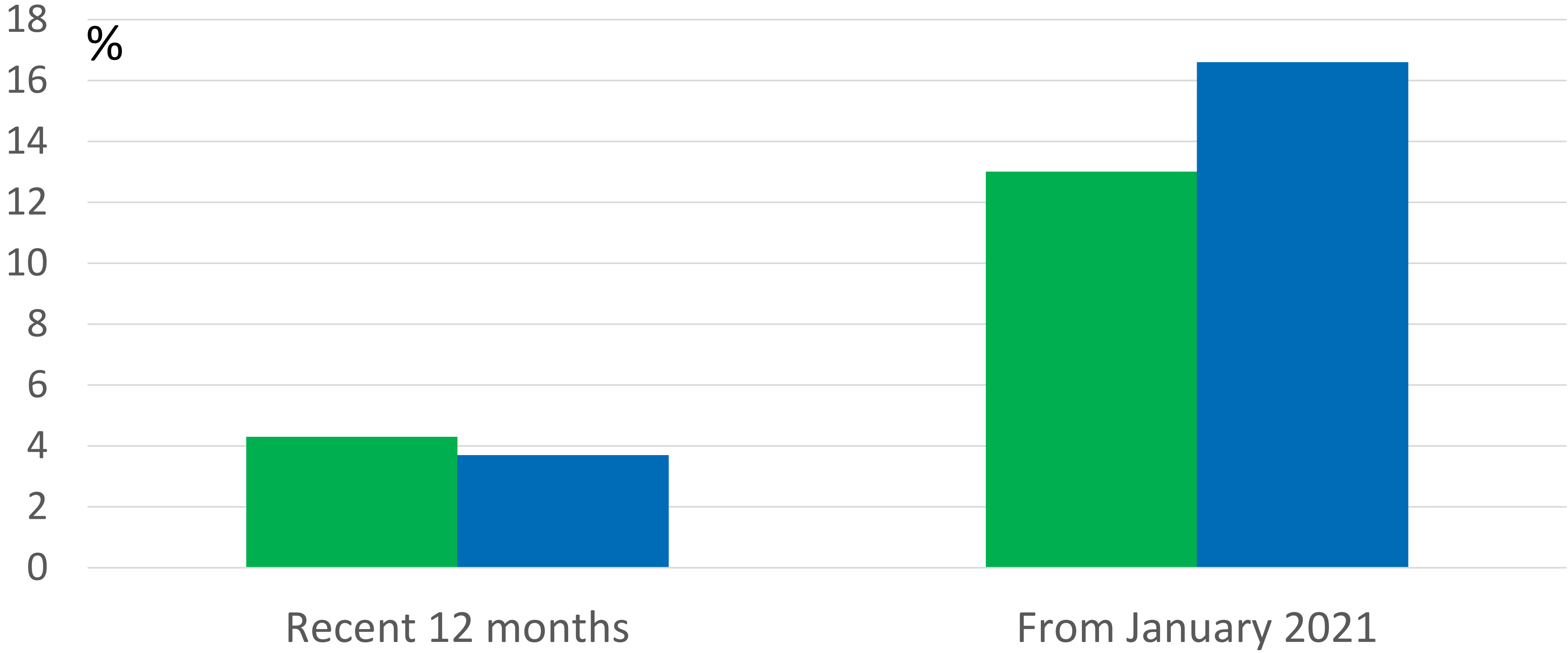
# Rising Standard of Living




Democrat Narrative

**Wage Growth > CPI Inflation in recent 12 months**

Republican Narrative

**Wage Growth < CPI Inflation since Biden Inauguration**

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# Price Growth by Key Items

| Item | % change from a year ago |
|---|---|
| Car Insurance | 19.1% |
| Rent | 7.8% |
| Food | 4.3% |
| Clothes | 3.1% |
| Lodging Away from Home (Hotel/Airbnb) | 3.0% |
| New Car | 2.9% |
| Electricity | 2.1% |
| Medical Service | -2.1% |
| Gasoline | -3.3% |
| Airfare | -13.3% |

Source: BLS

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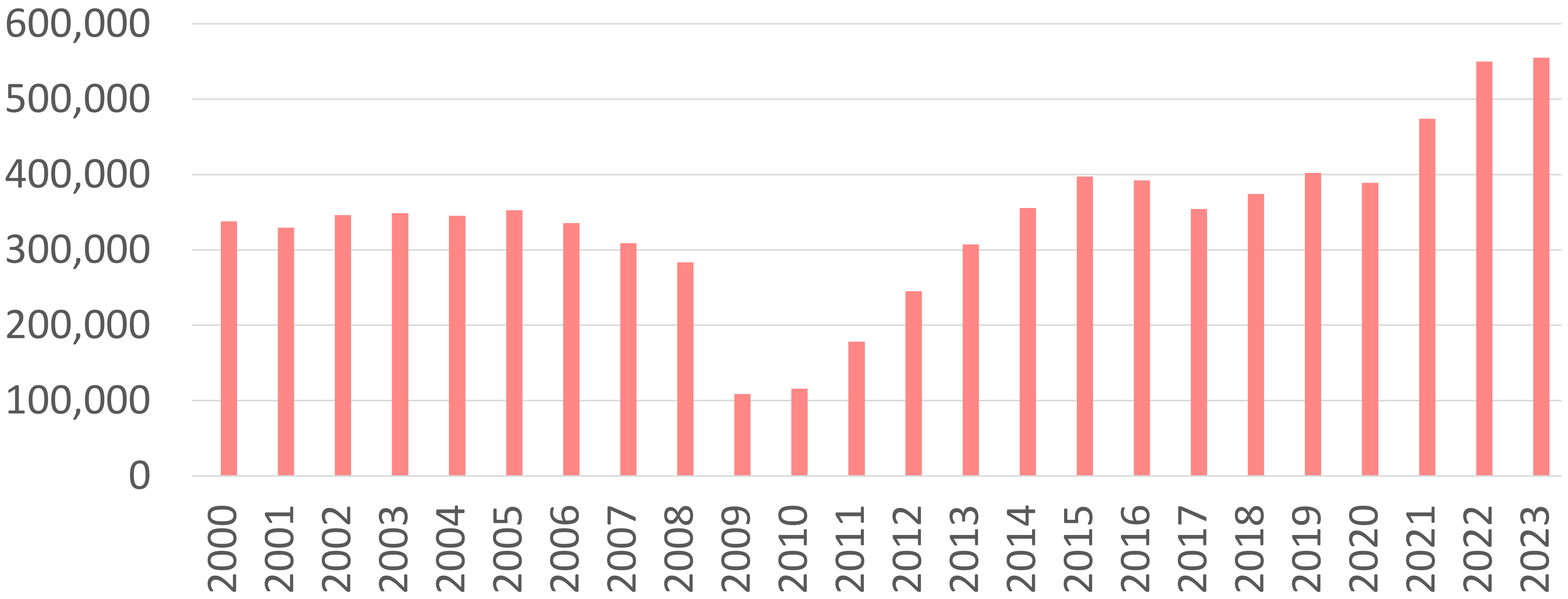
# Annual Apartment Construction at 40-year High… Why has Rent Not Calmed Down?




Source: Census/HUD

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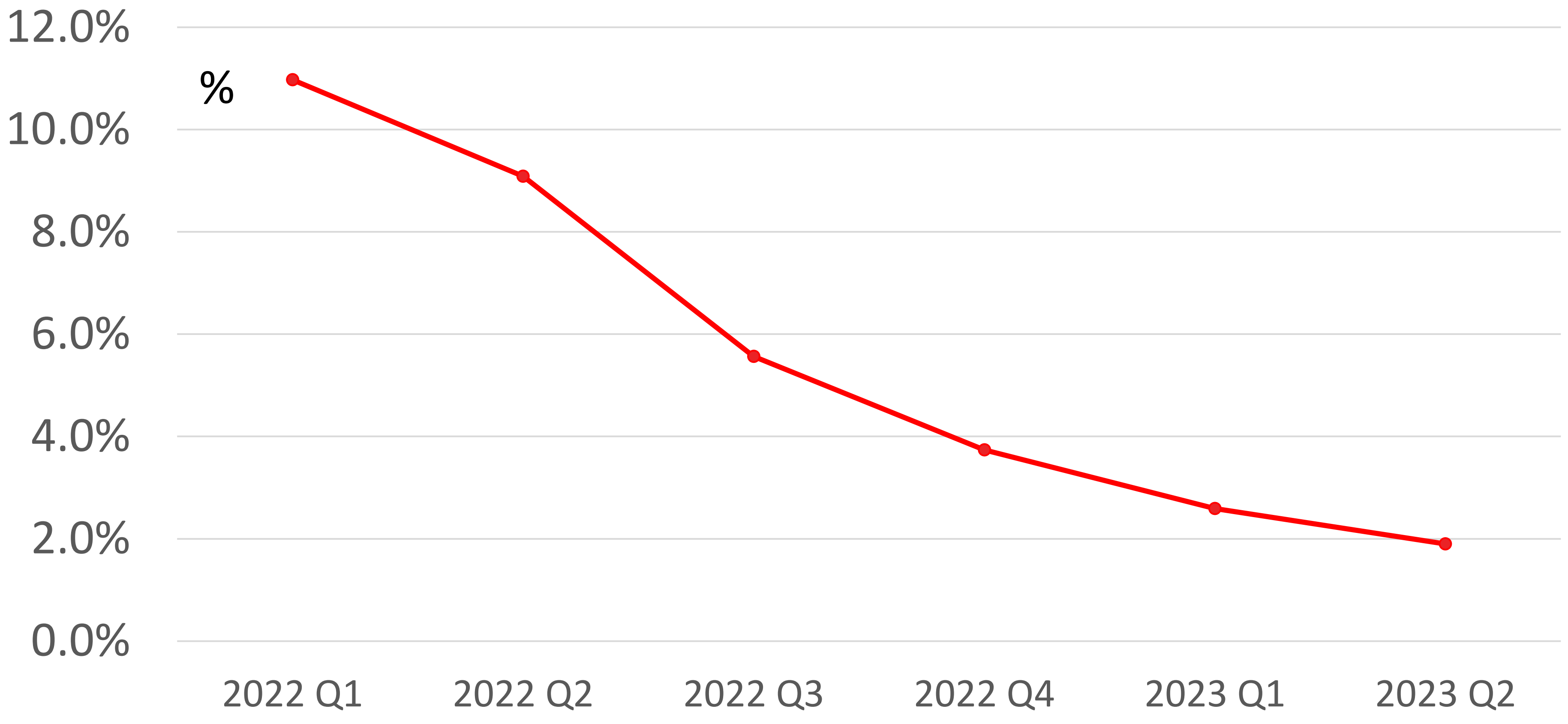
# Apartment Rent Growth in Private Sector Data




Source: CoStar

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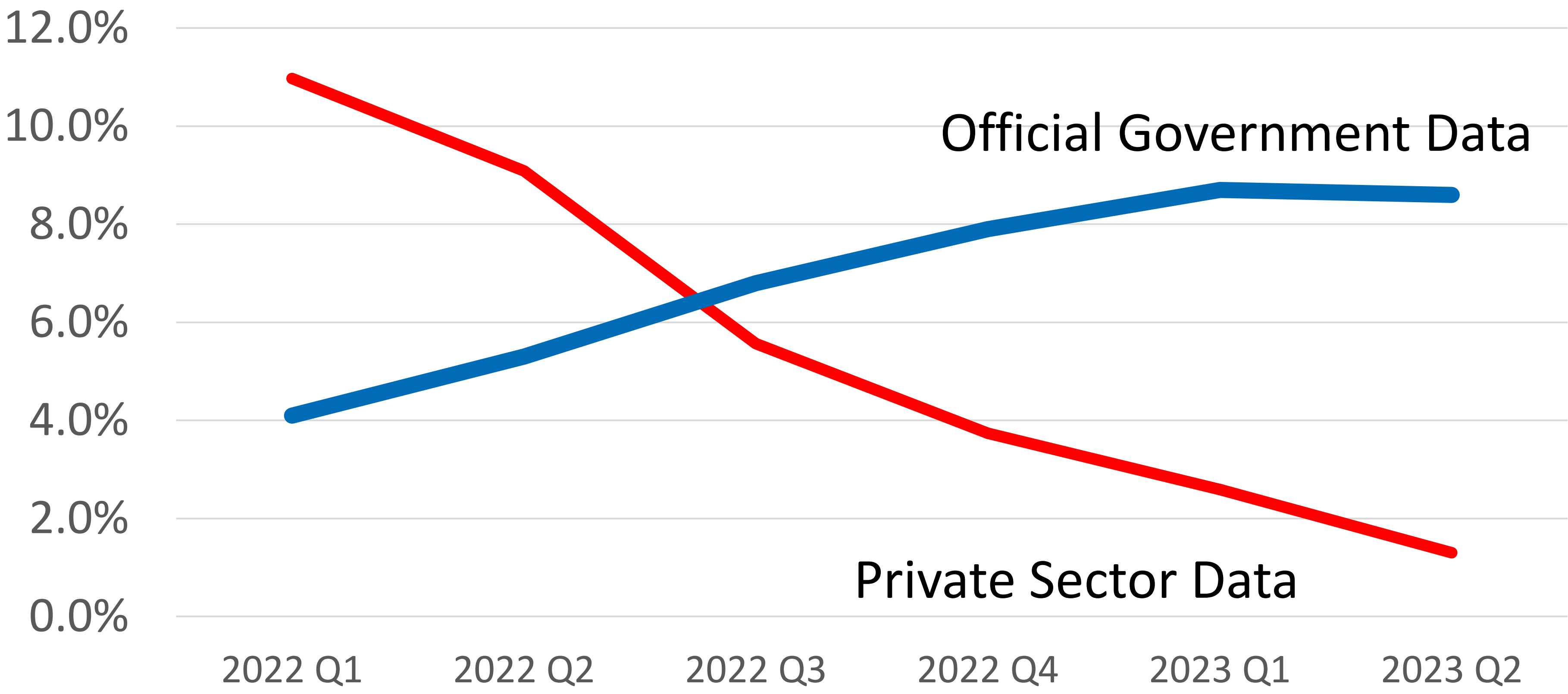
# Rents Rising or Softening?




Source: BLS and CoStar

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# Home Prices: Not Part of CPI



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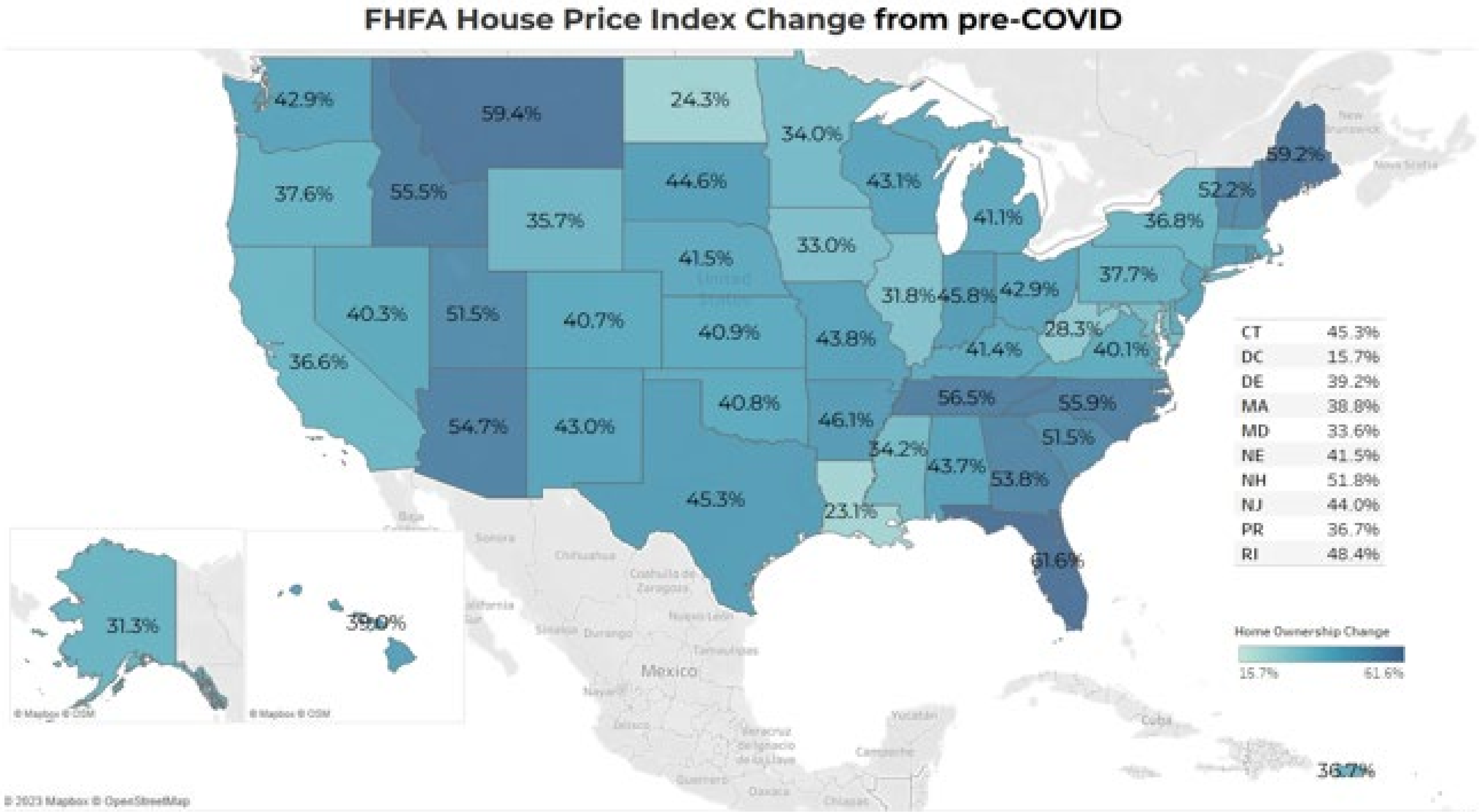
# Home Price Change in 2023 Q2 … NH 8.0%

Source: NAR Analysis of FHFA data

# Home Price Change from Onset of COVID (2020 Q1 to 2023 Q2)




Source: NAR Analysis of FHFA data

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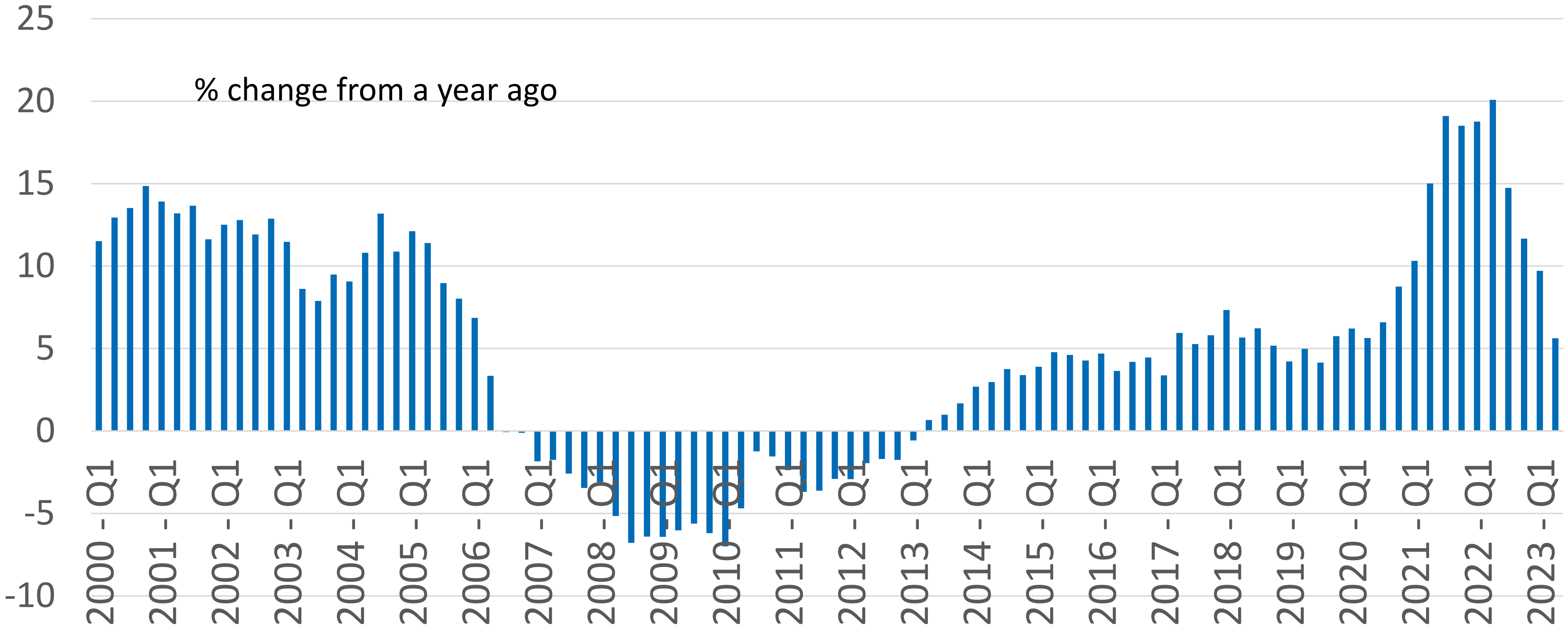
# Home Price Appreciation in Manchester-Nashua




Source: FHFA

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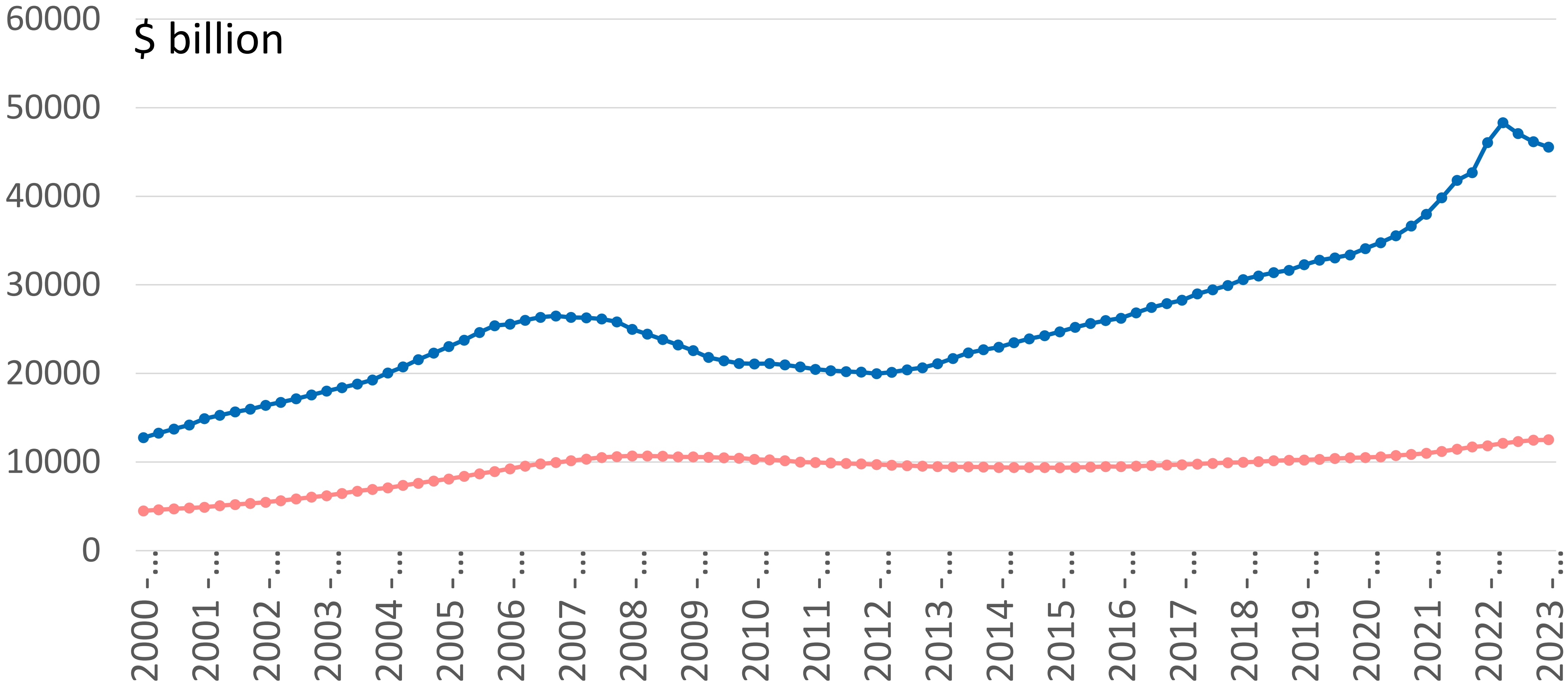
# Home Value (fell $3 trillion) and Mortgage Debt (rose $1 trillion)




Source: Federal Reserve

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# Shockingly High Monthly Mortgage Payment To Buy Typical Home at Prevailing Mortgage Rate - Not Part of CPI


Source: NAR

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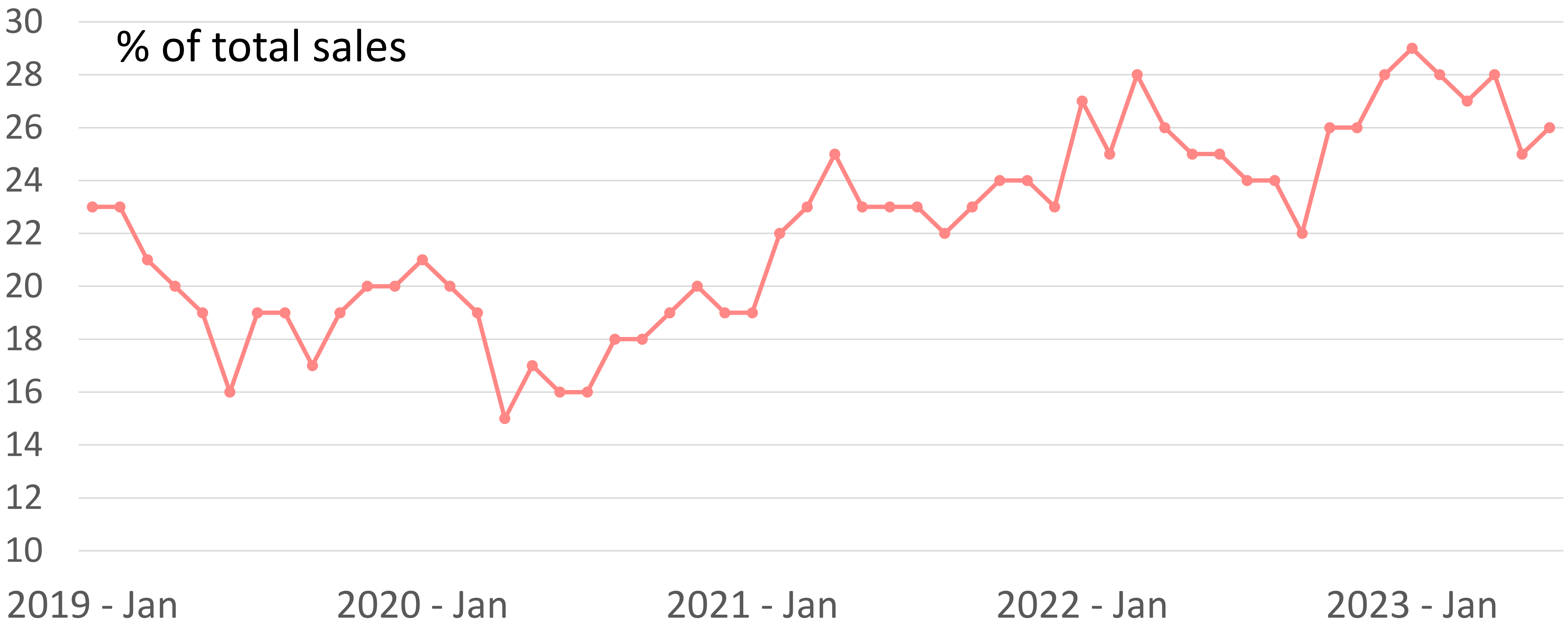
# More Turning to Cash Sales




Source: NAR

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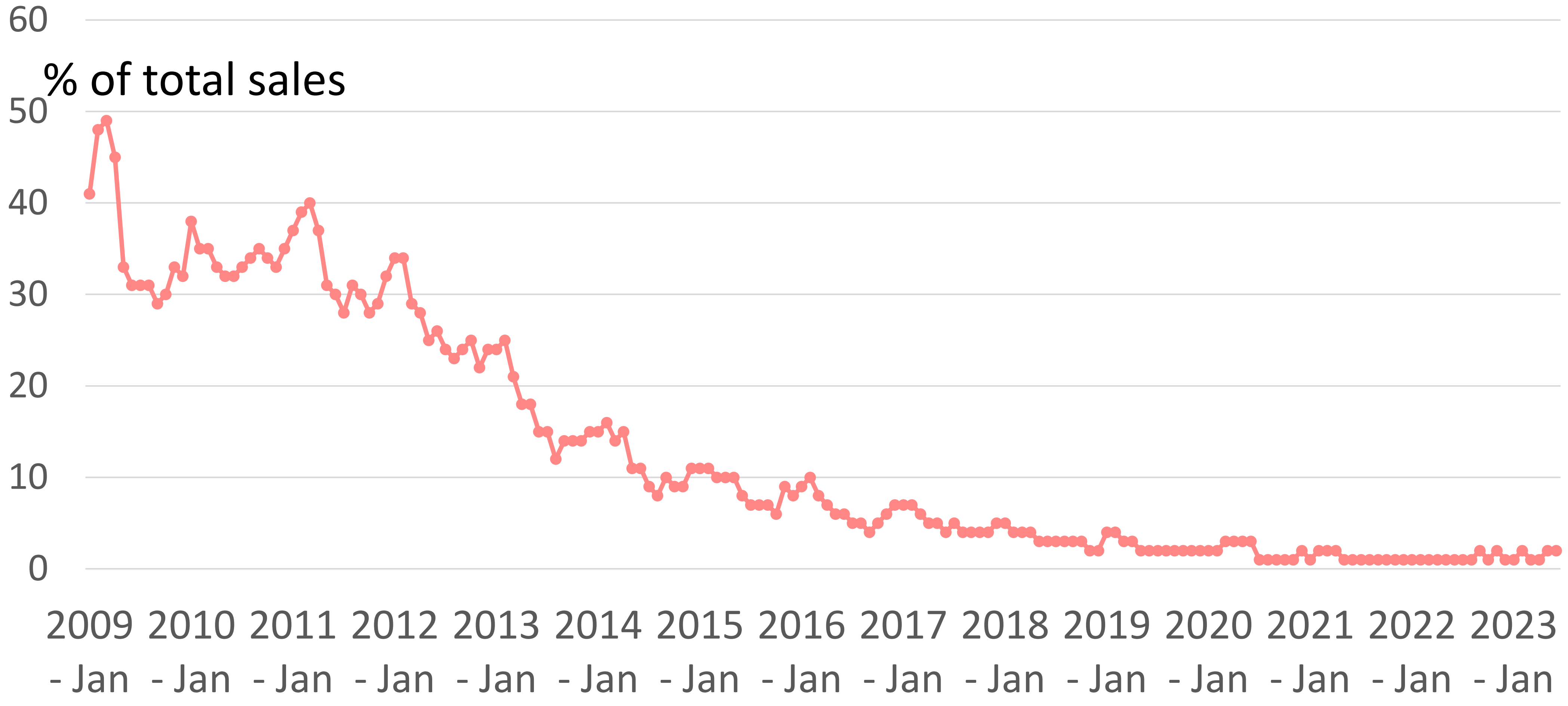
# Distressed Property Sales Rising from 1% to 2% … Non-Existent




Source: NAR

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# Job Market

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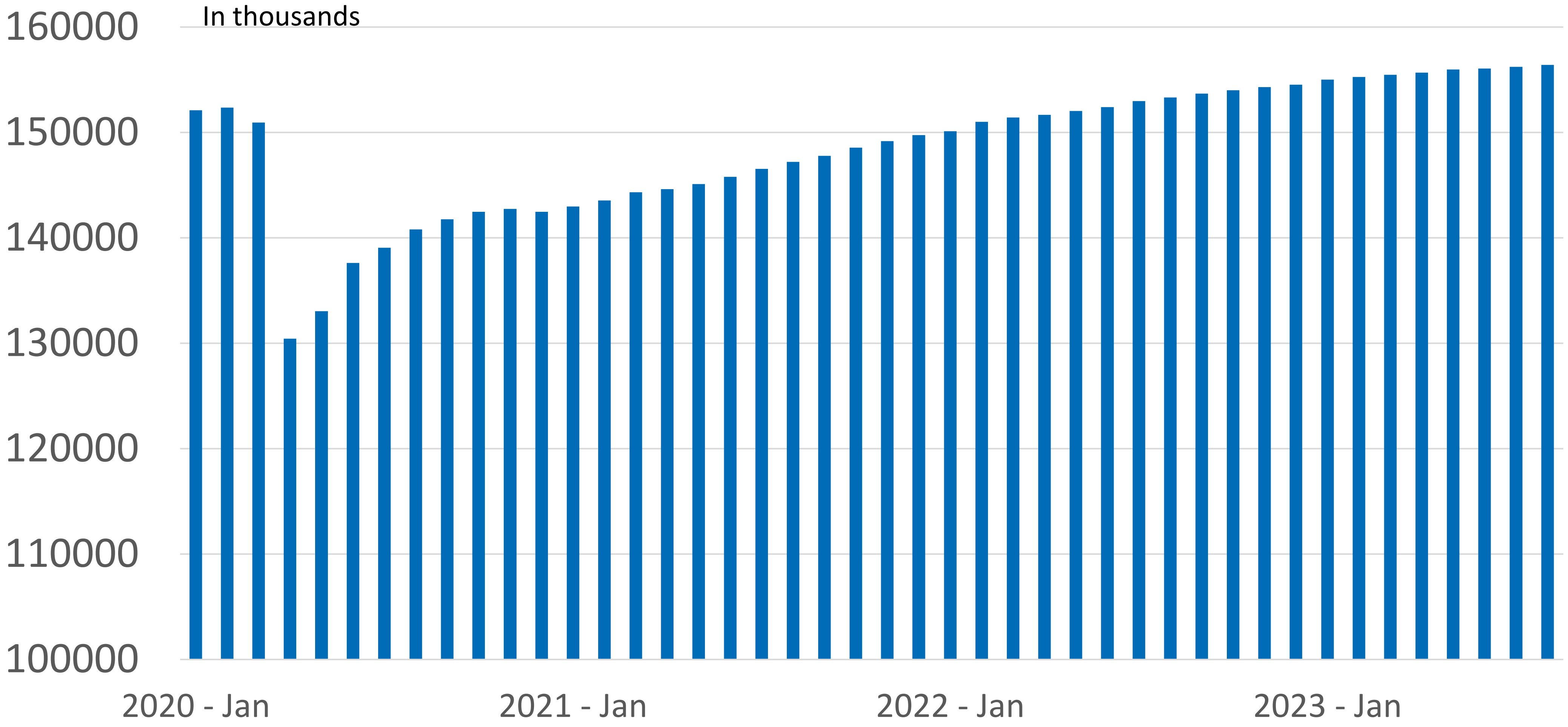
# Total Payroll Jobs … 4 Million More from Pre-Covid




Source: BLS

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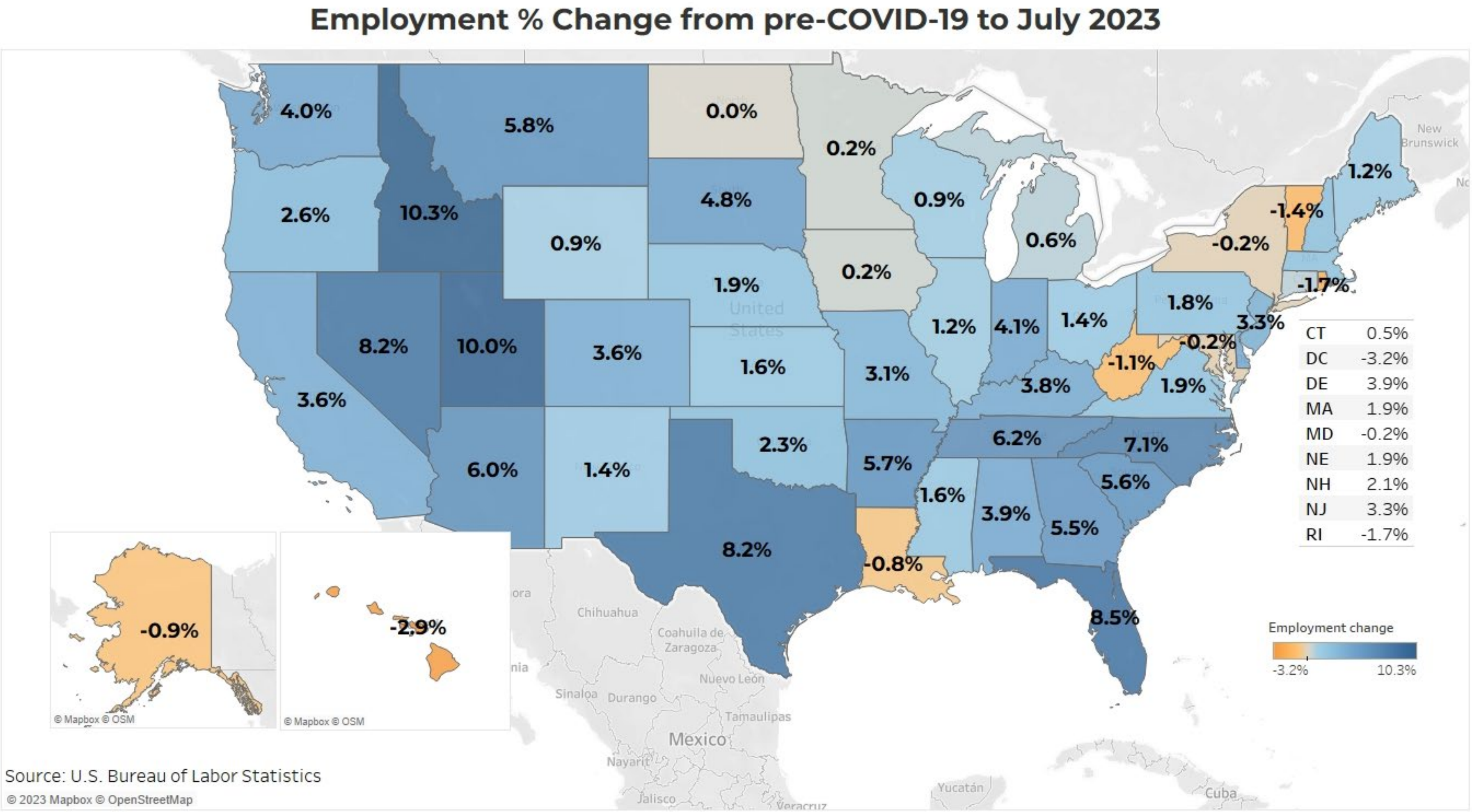
# Job Gains Since Pre-Covid Record High Payroll Employment

(% change from March 2020 to July 2023)




Source: NAR Analysis of BLS data

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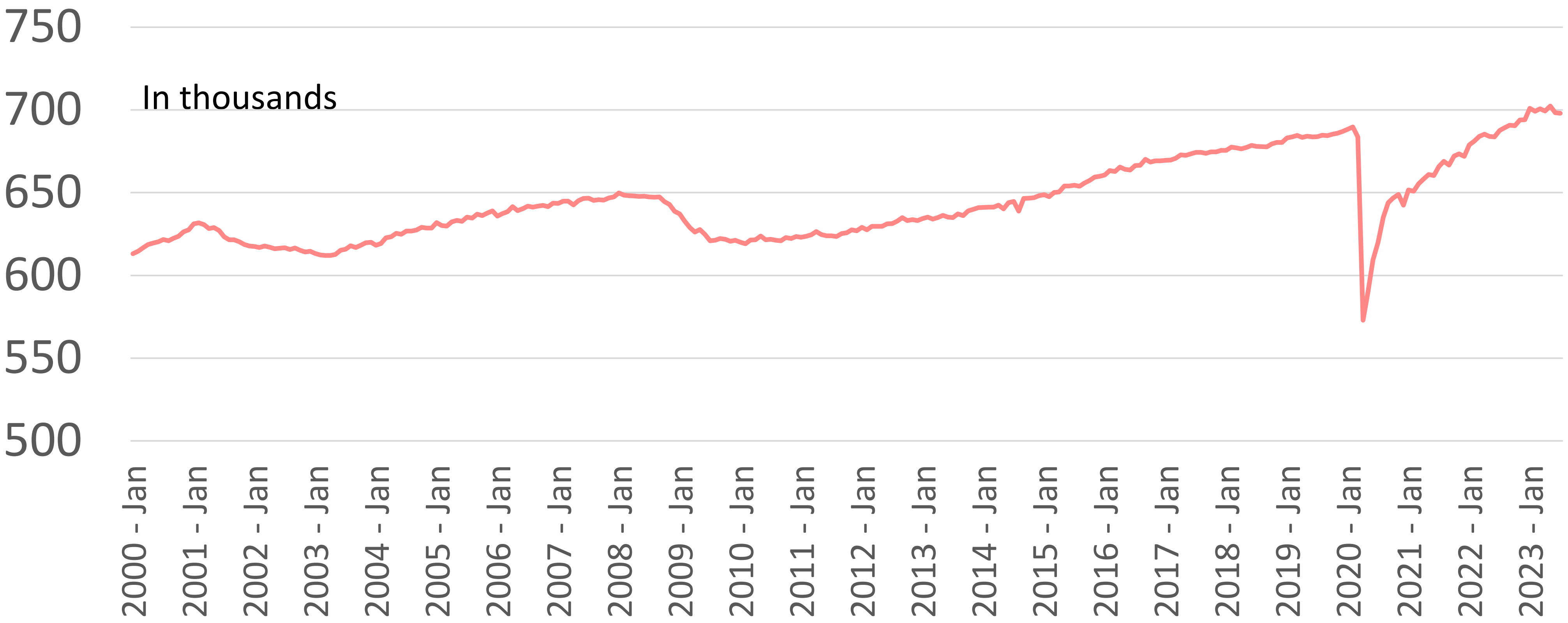
# Payroll Jobs in New Hampshire




Source: BLS

# Forecast

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# Mortgage Rates to Fall?

30-year Fixed Rate to be near 6% by the early spring

- Rents will calm down further … Holds down CPI … and make the Fed stop raising the interest rate
- Community banks are suffering from high interest rates
- Spread with government bond with a return to normal

# Pent-Up Sellers Cannot Wait Longer
# What happens over 2 years?

- 7 million new-born babies
- 3 million marriages
- 1.5 million divorces
- 7 million turn 65 years old
- 4 million deaths
- 4 million net new jobs
- 50 million job switches

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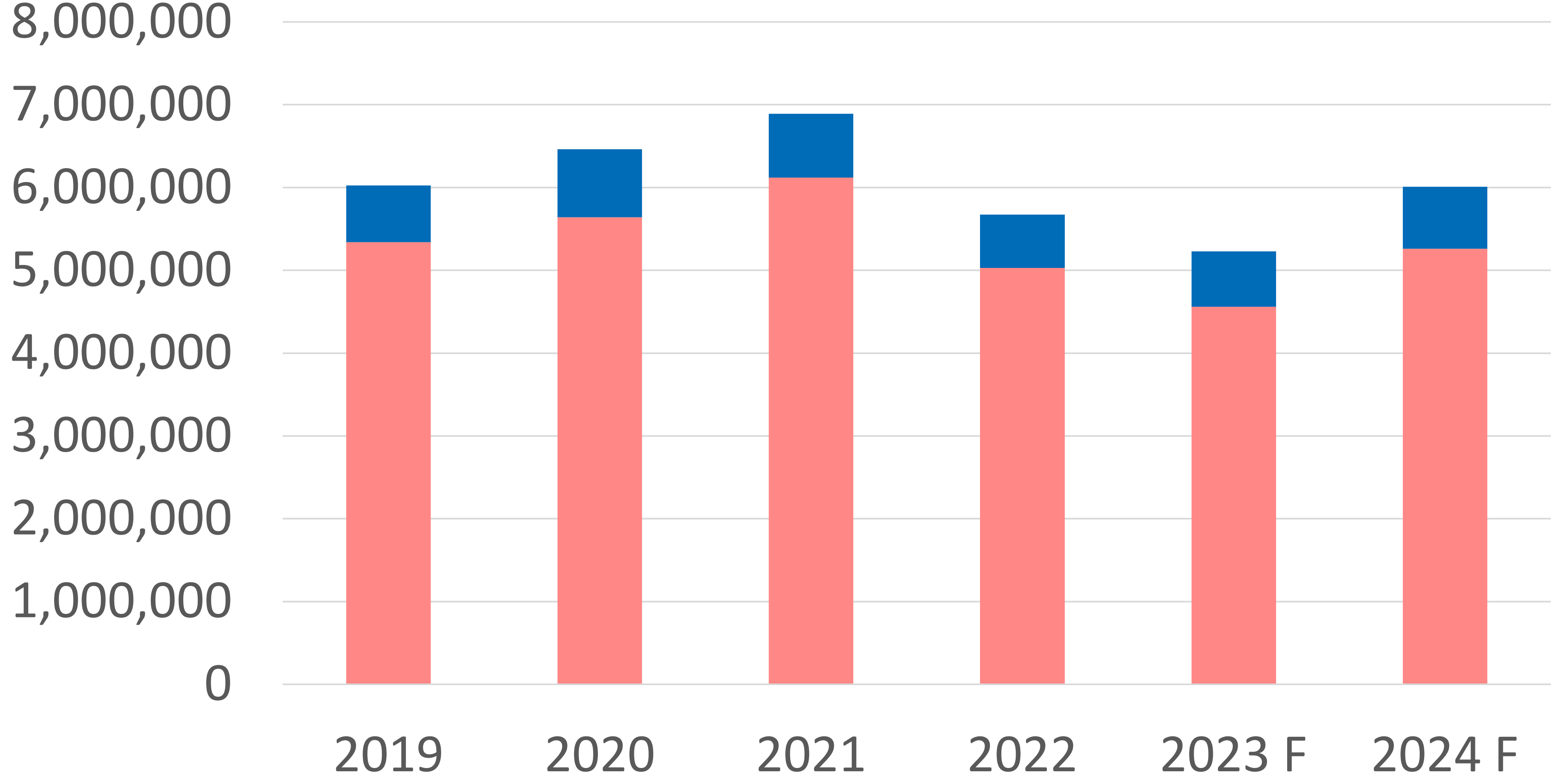
# Total Home Sales: New and Existing Bottoming This Year Before Upturn Next Year




Source: NAR forecast and HUD

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# Thank You !