

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

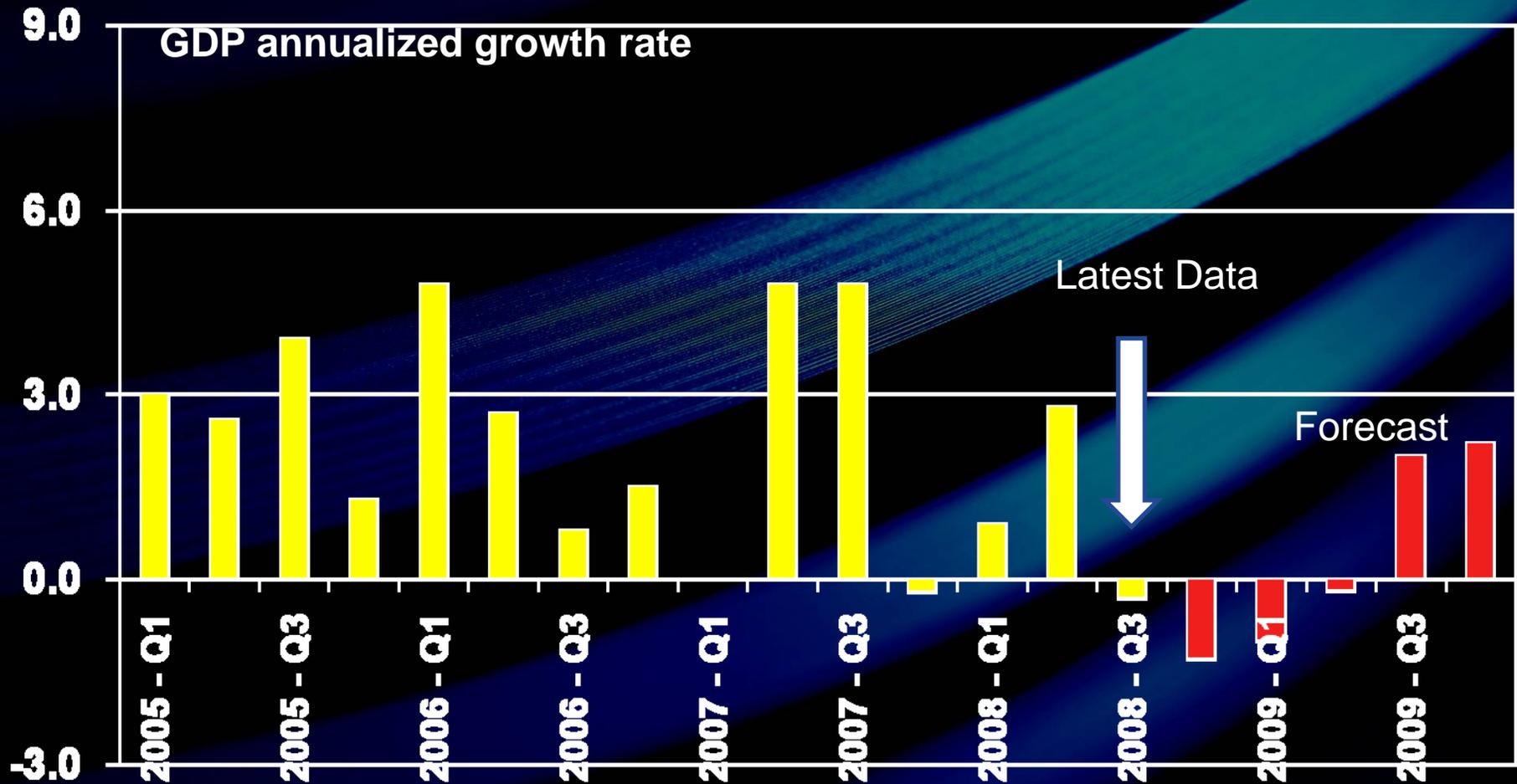
**Lawrence Yun, Ph.D.  
Chief Economist  
NATIONAL ASSOCIATION OF REALTORS®**

**Presentation to Virginia Senate**

**Fredericksburg, VA**

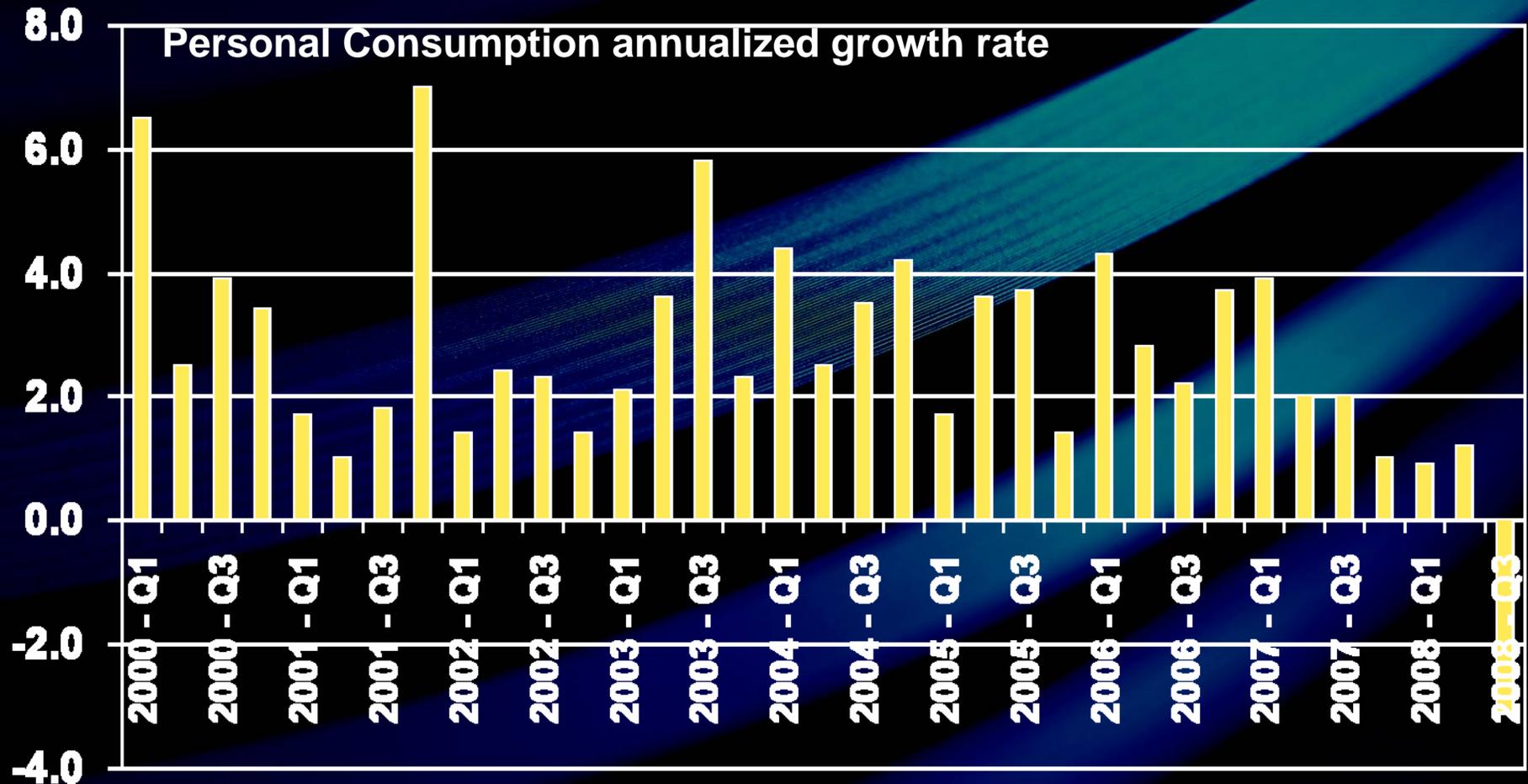
**November 20, 2008**

# Economy Contracts



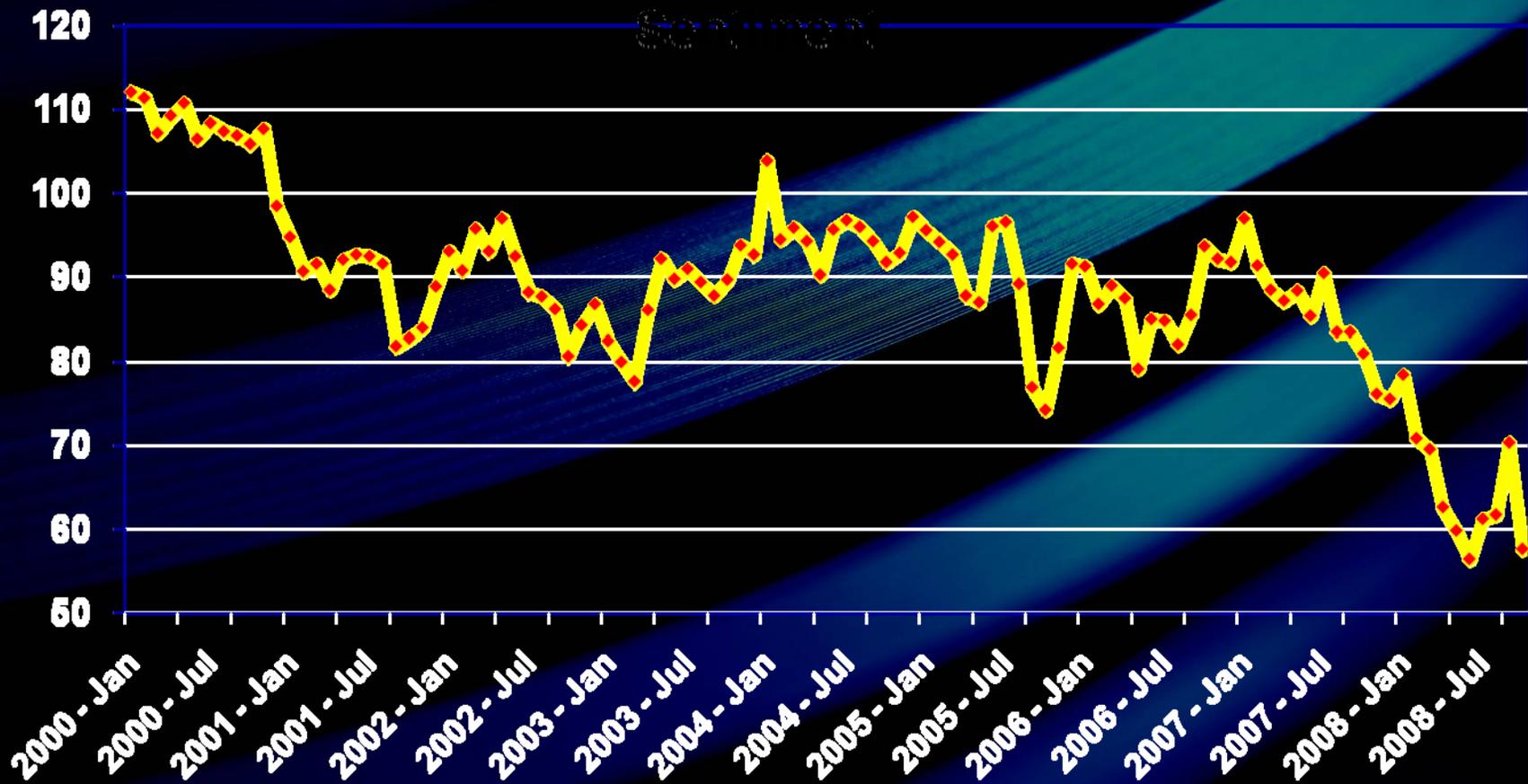
Source: BEA

# Consumers Tapped Out



Source: BEA

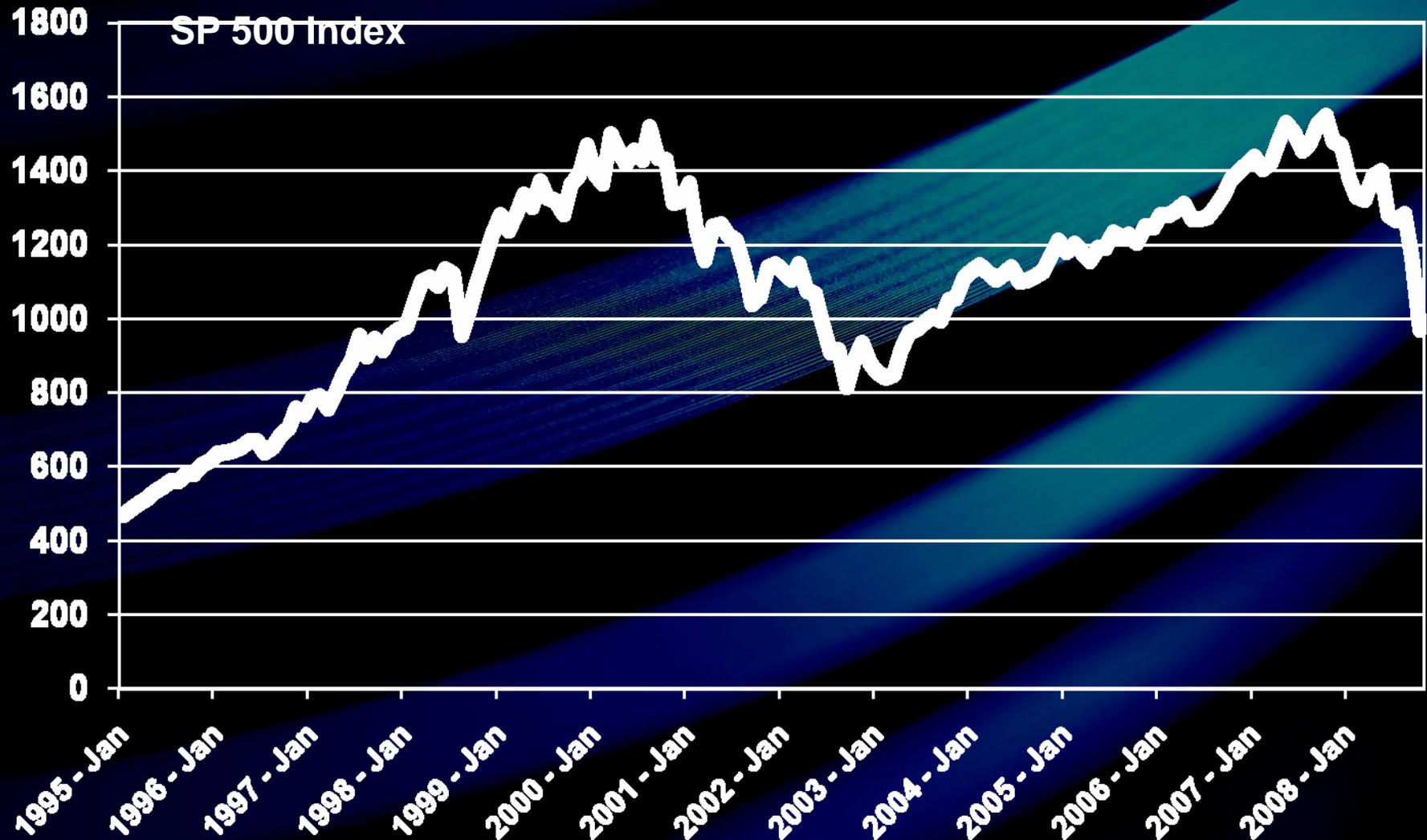
# Consumer Sentiment



Source: University of Michigan

# Stock Market Wealth

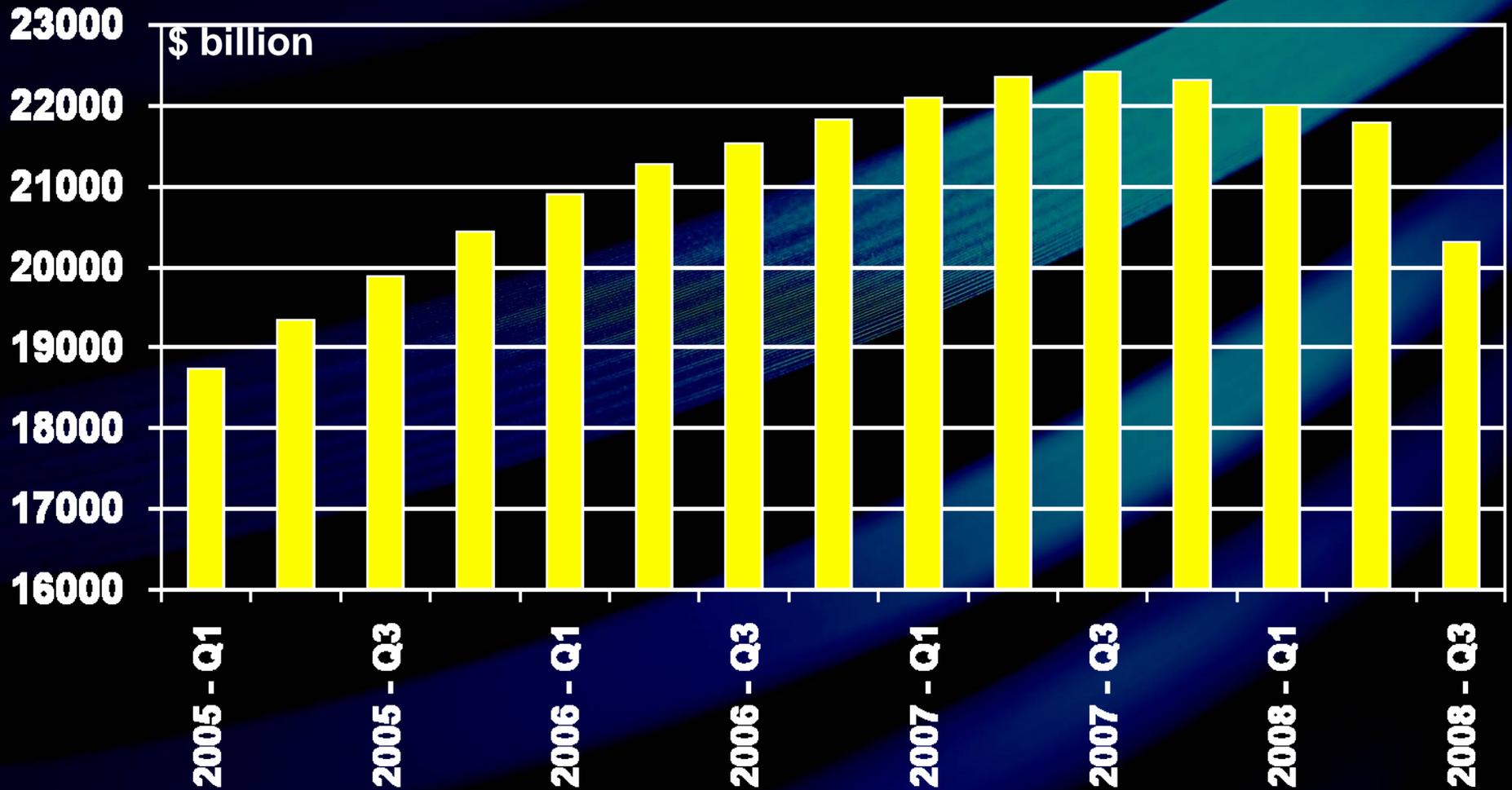
(\$8 trillion loss from peak)



Source: WSJ

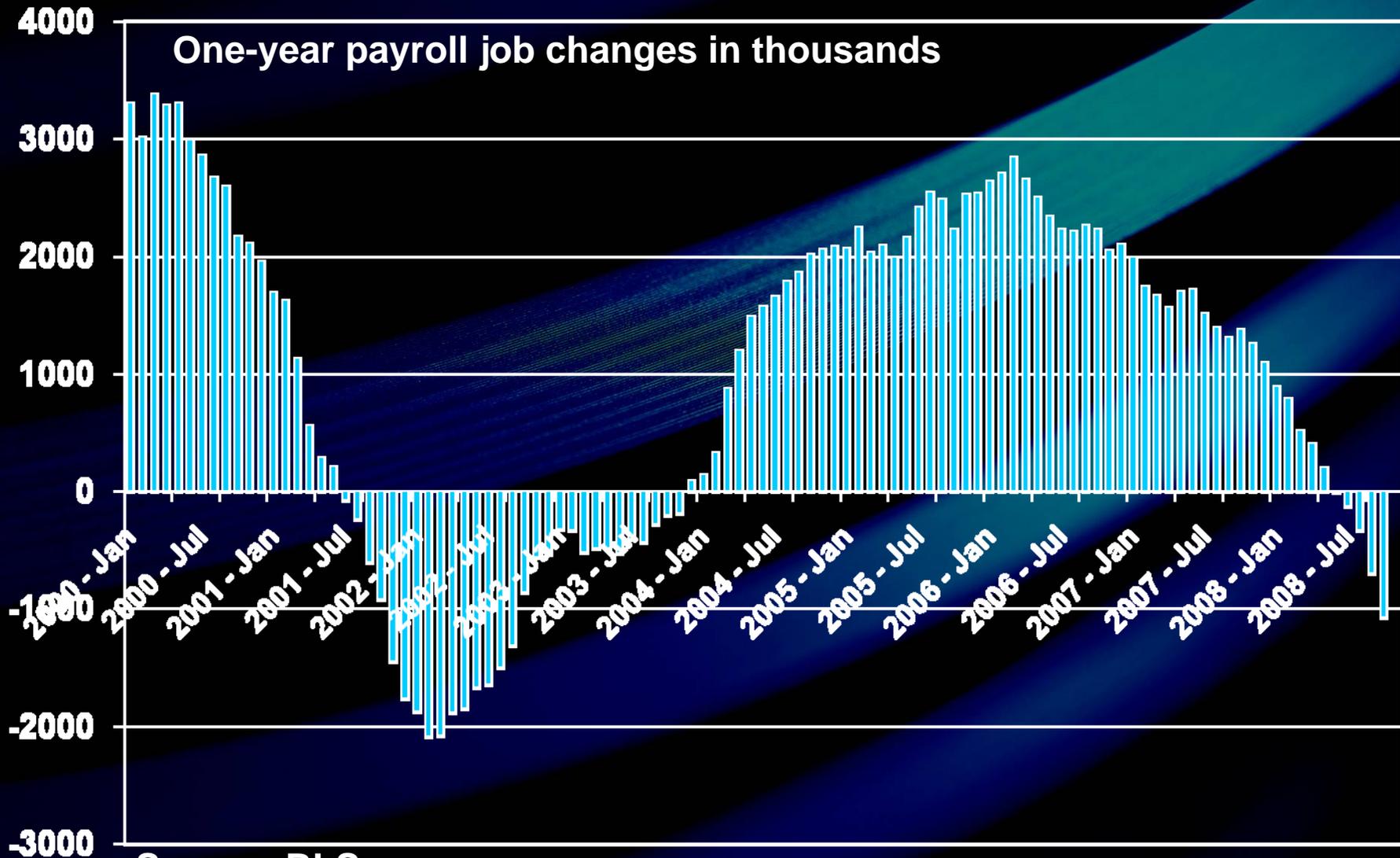
# Housing Valuation

(\$2 trillion loss in wealth from peak)



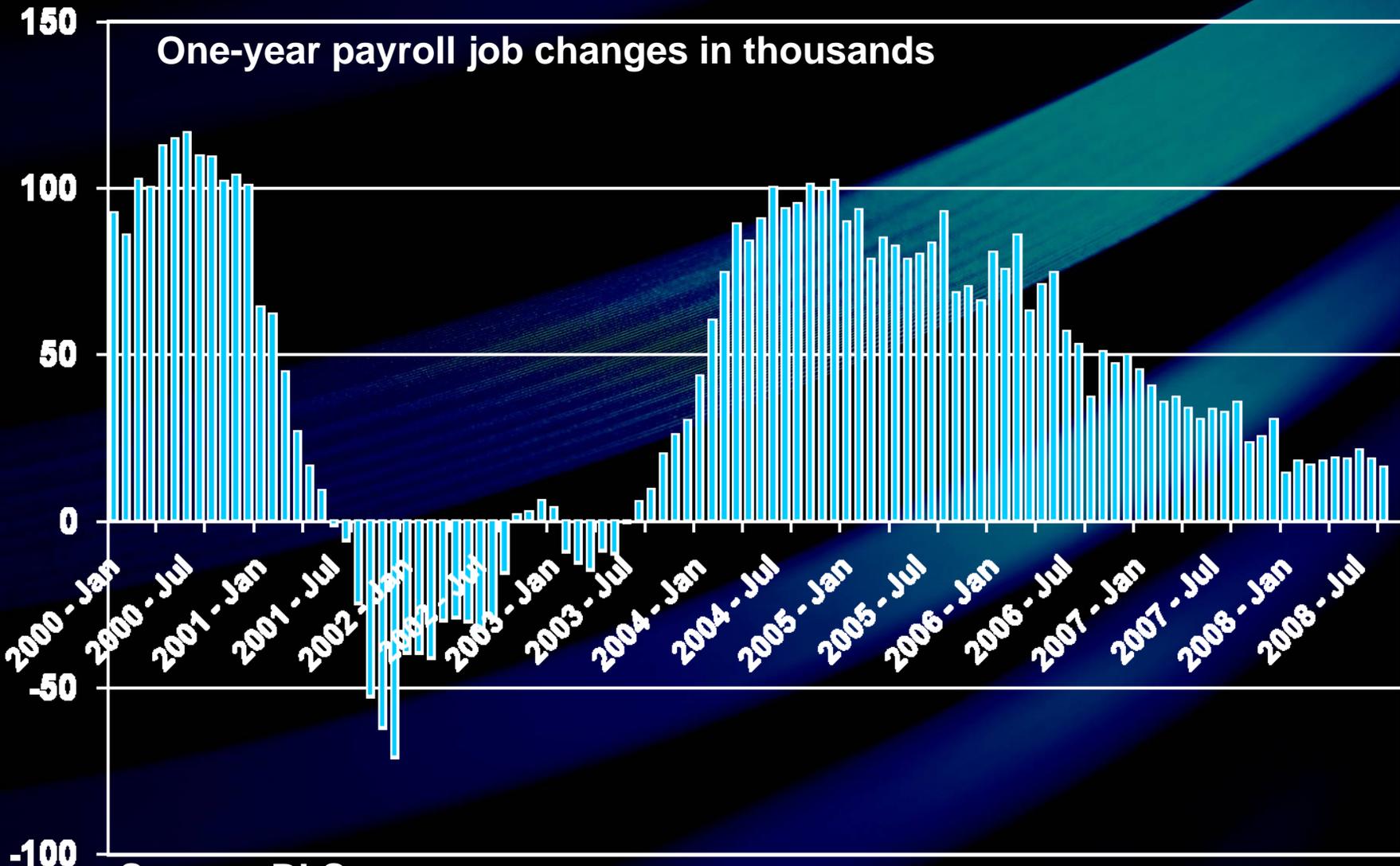
Source: Federal Reserve, NAR estimate

# Job Changes in U.S.



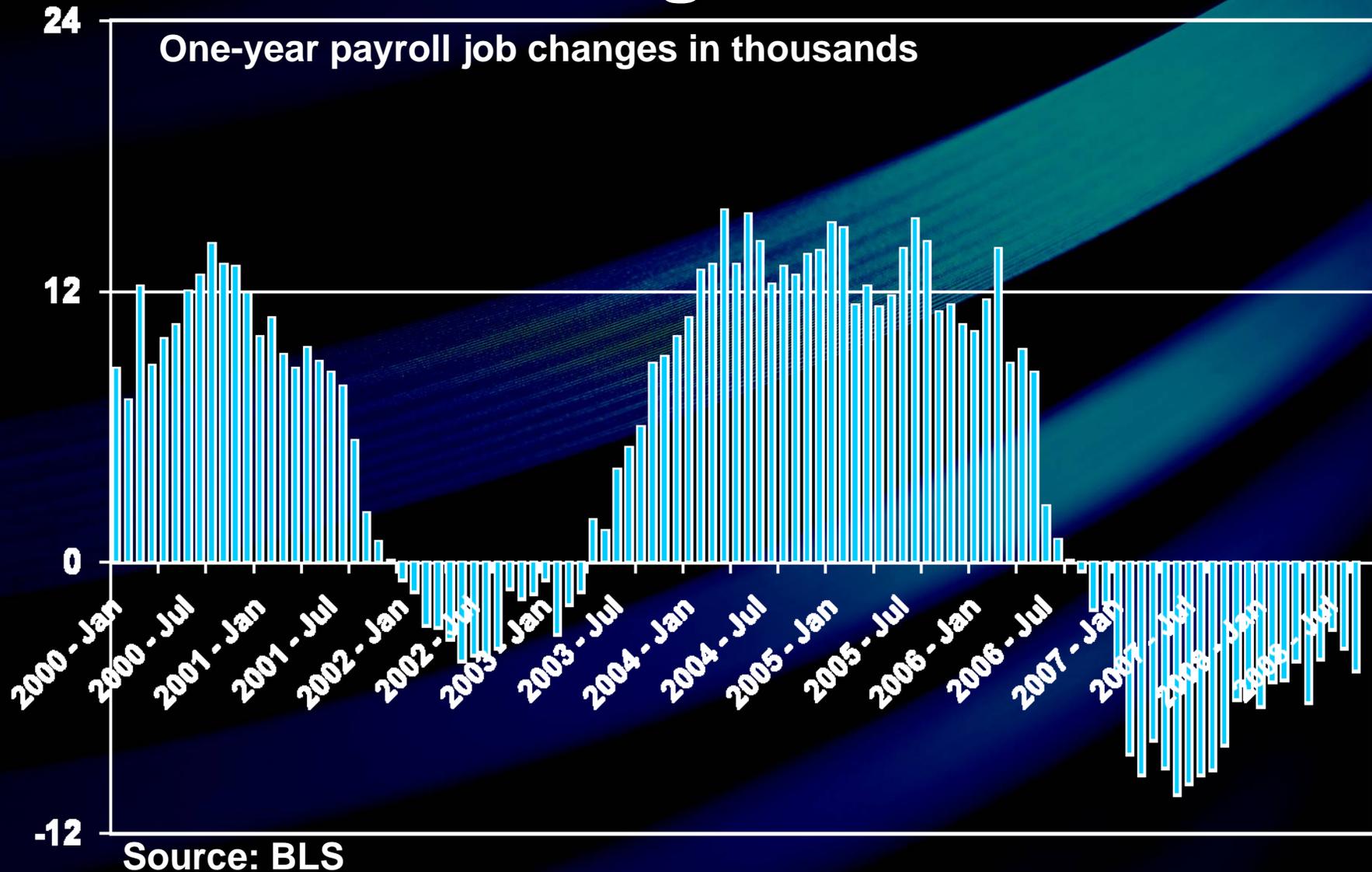
Source: BLS

# Job Changes in Virginia

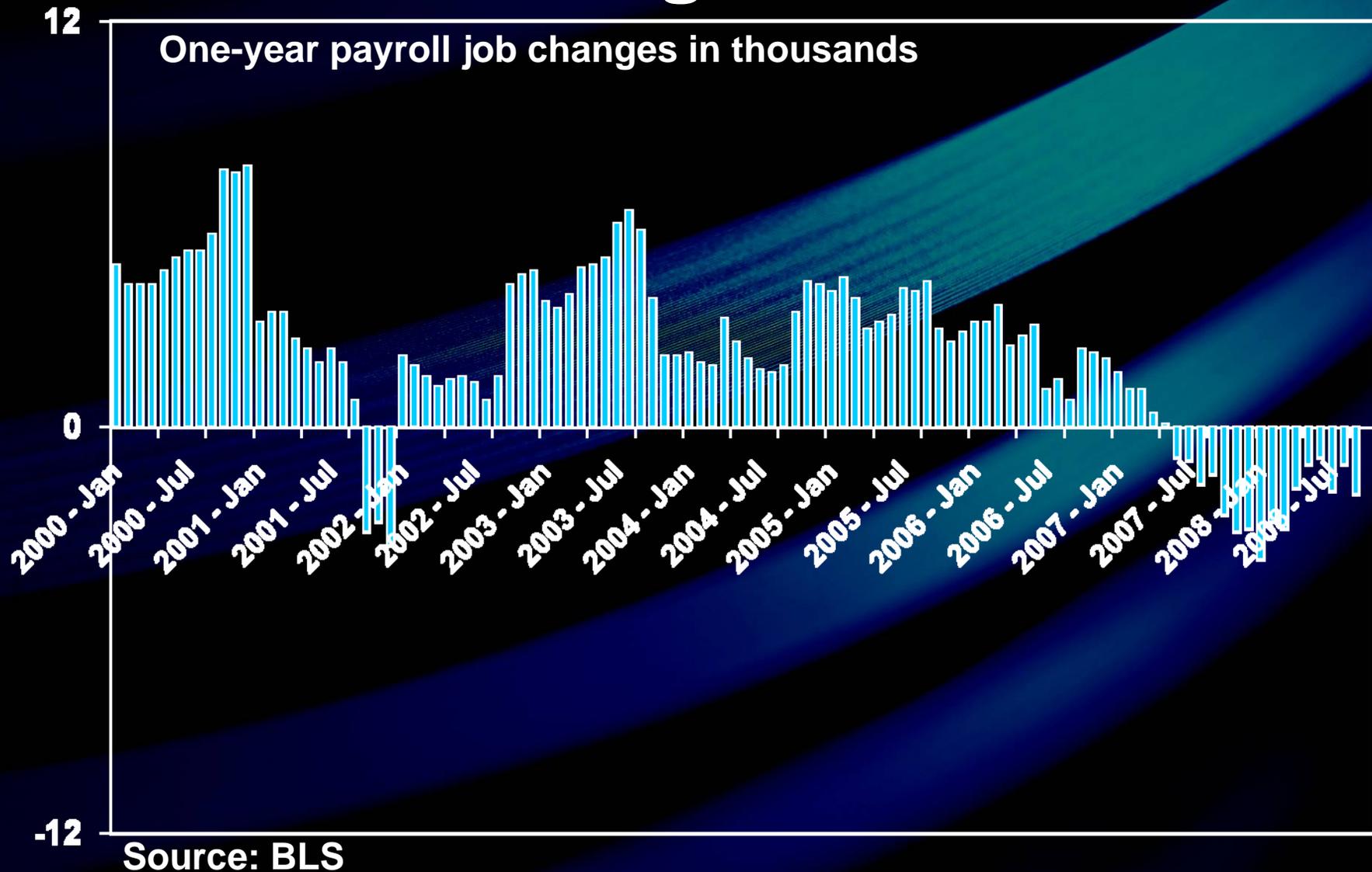


Source: BLS

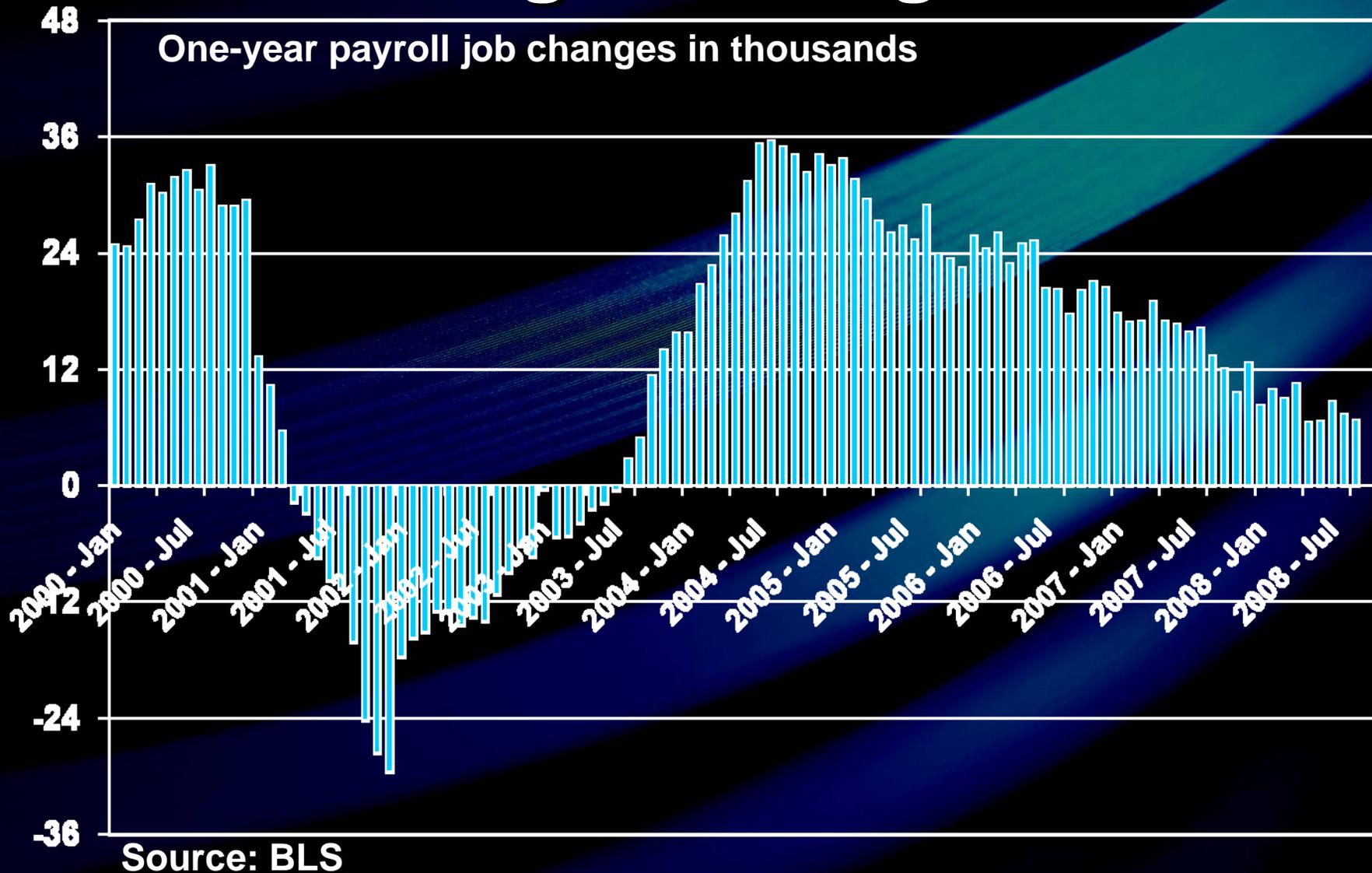
# Construction Job Changes in Virginia



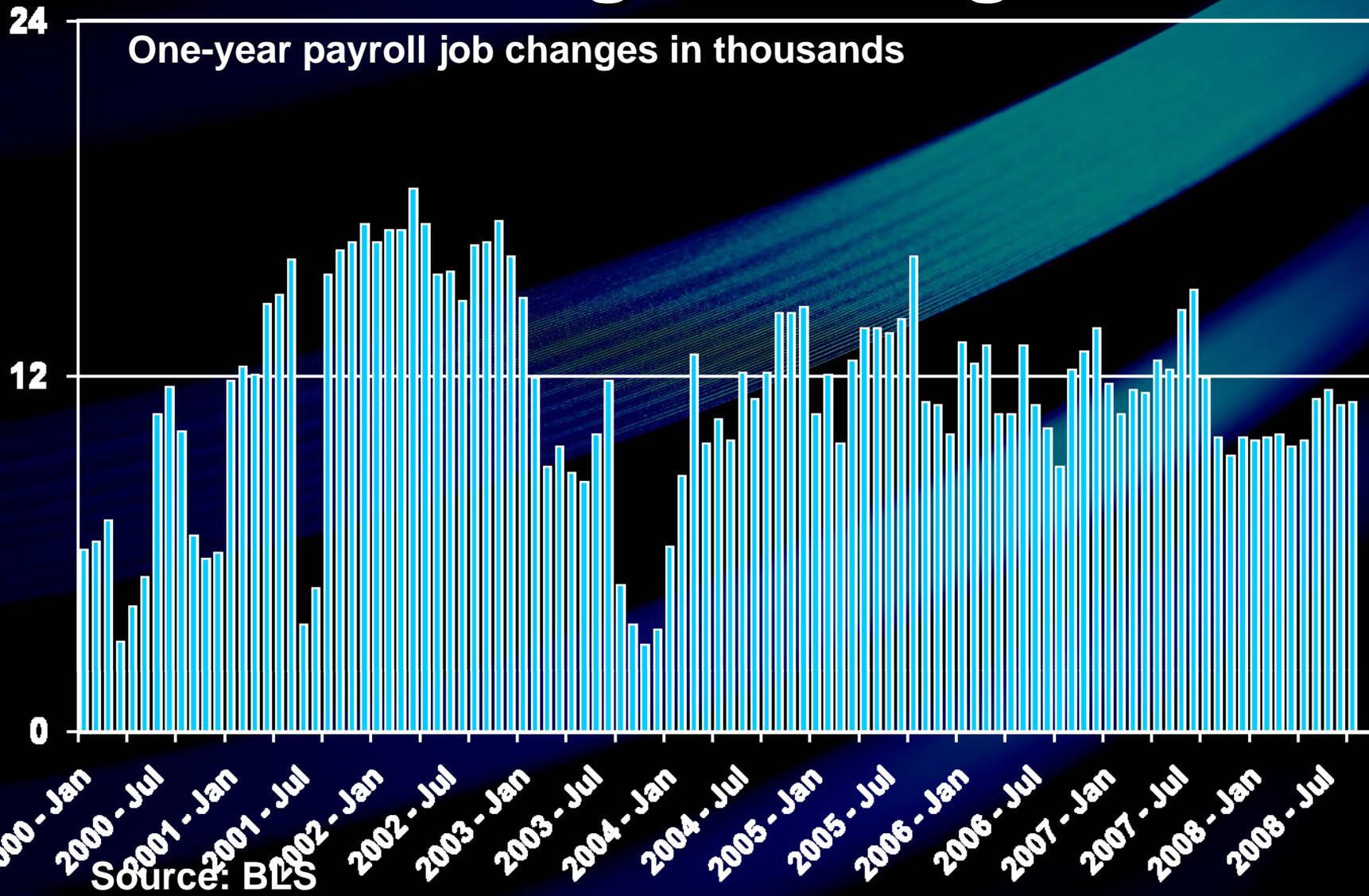
# Financial Job Changes in Virginia



# Professional Business Job Changes in Virginia



# Education and Health Service Job Changes in Virginia



# 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



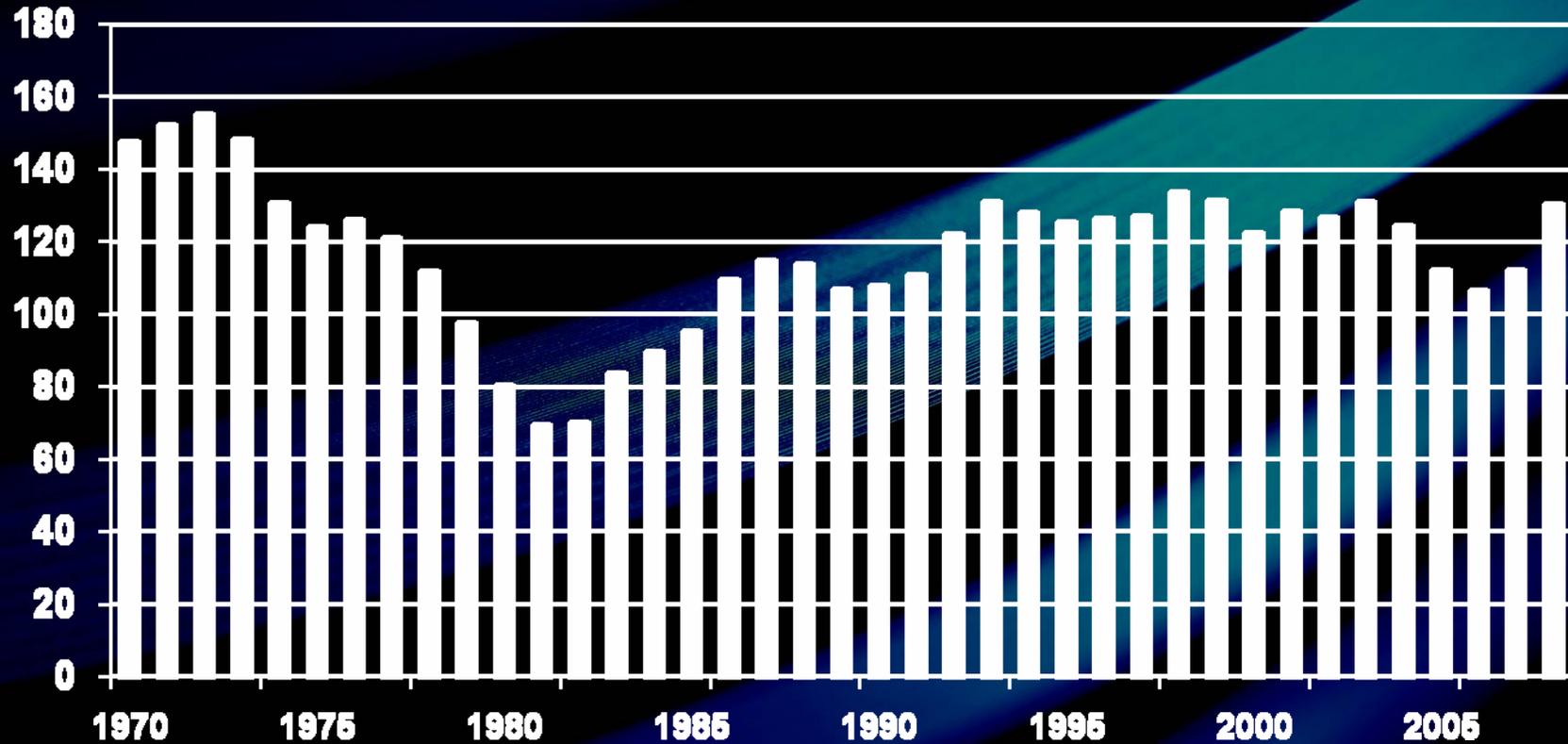
# Recession Impact on Home Sales



Source: NAR

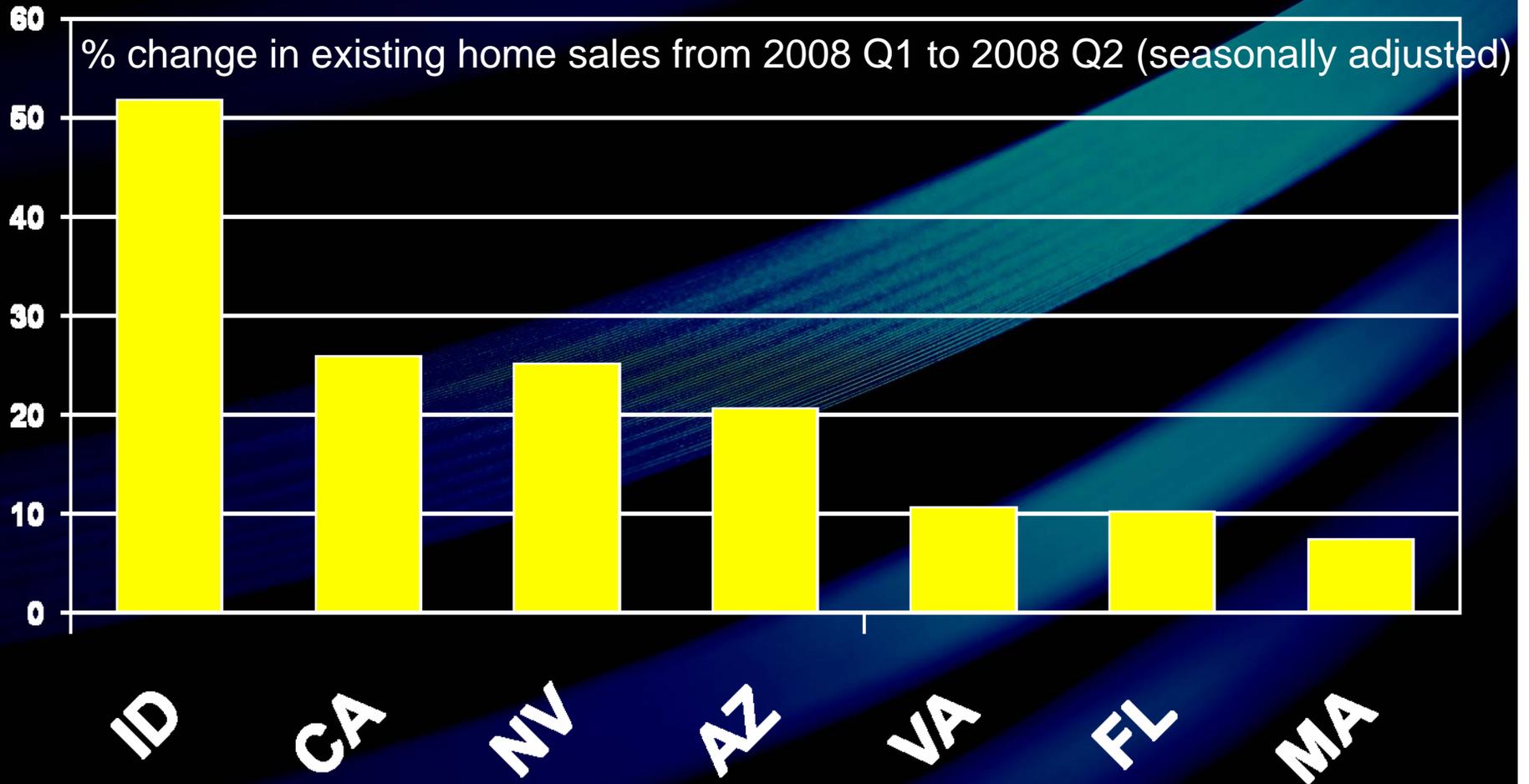
# Housing Affordability Index

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



Source: NAR

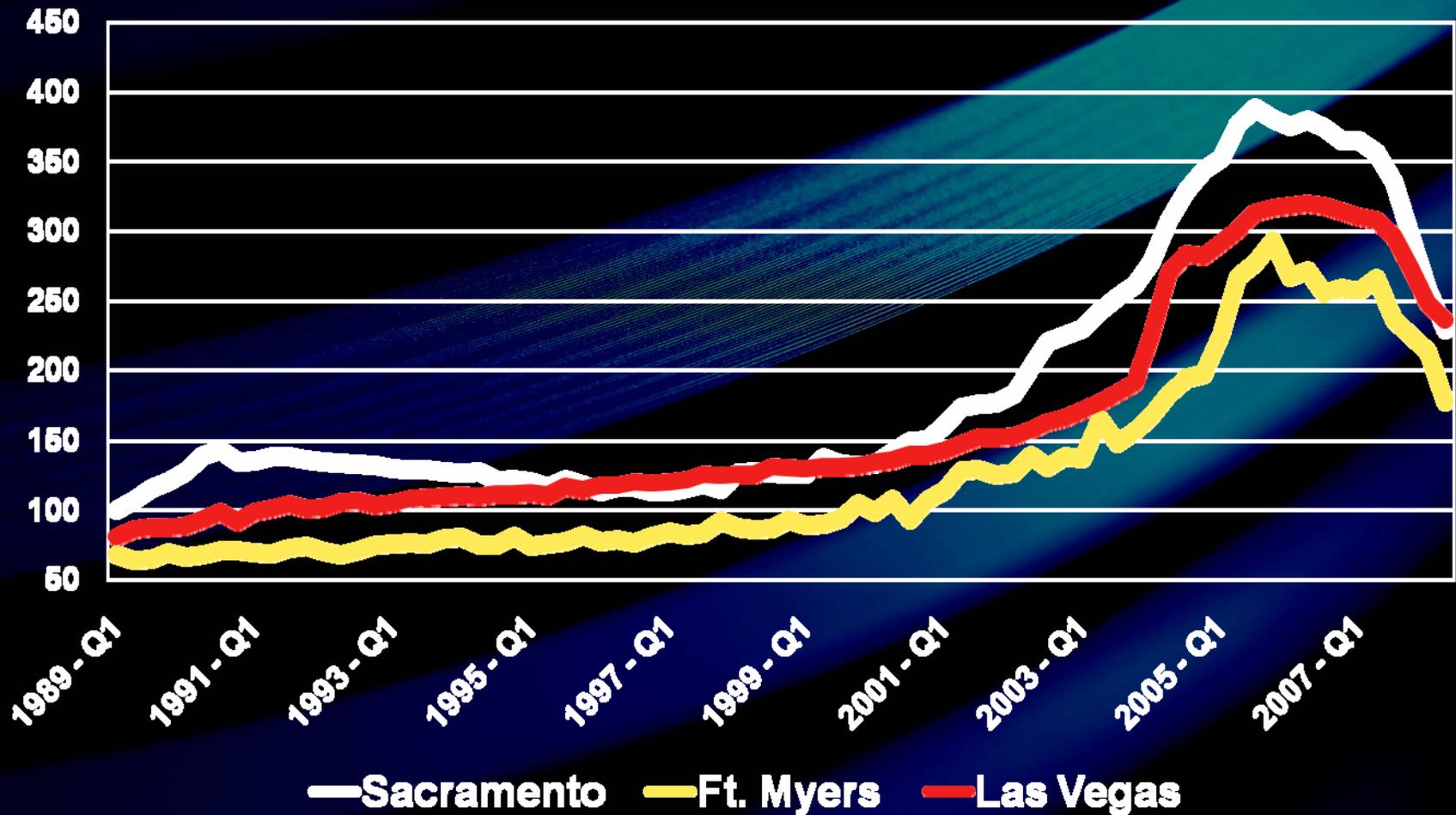
# Home Sales Starting to Recover from Improving Affordability Conditions



Source: NAR

# Home Price Trend

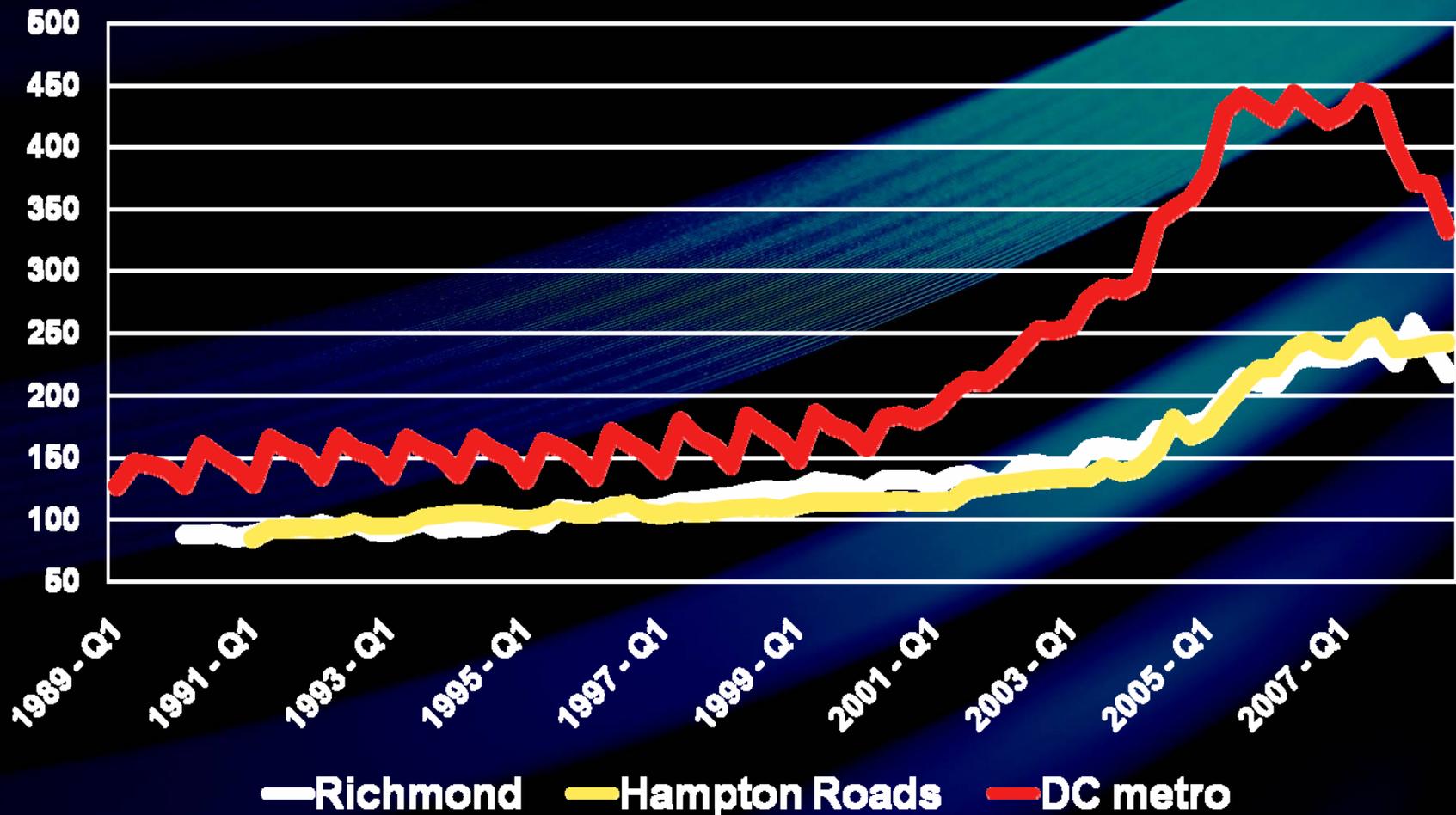
Median Price in \$ thousand



Source: NAR

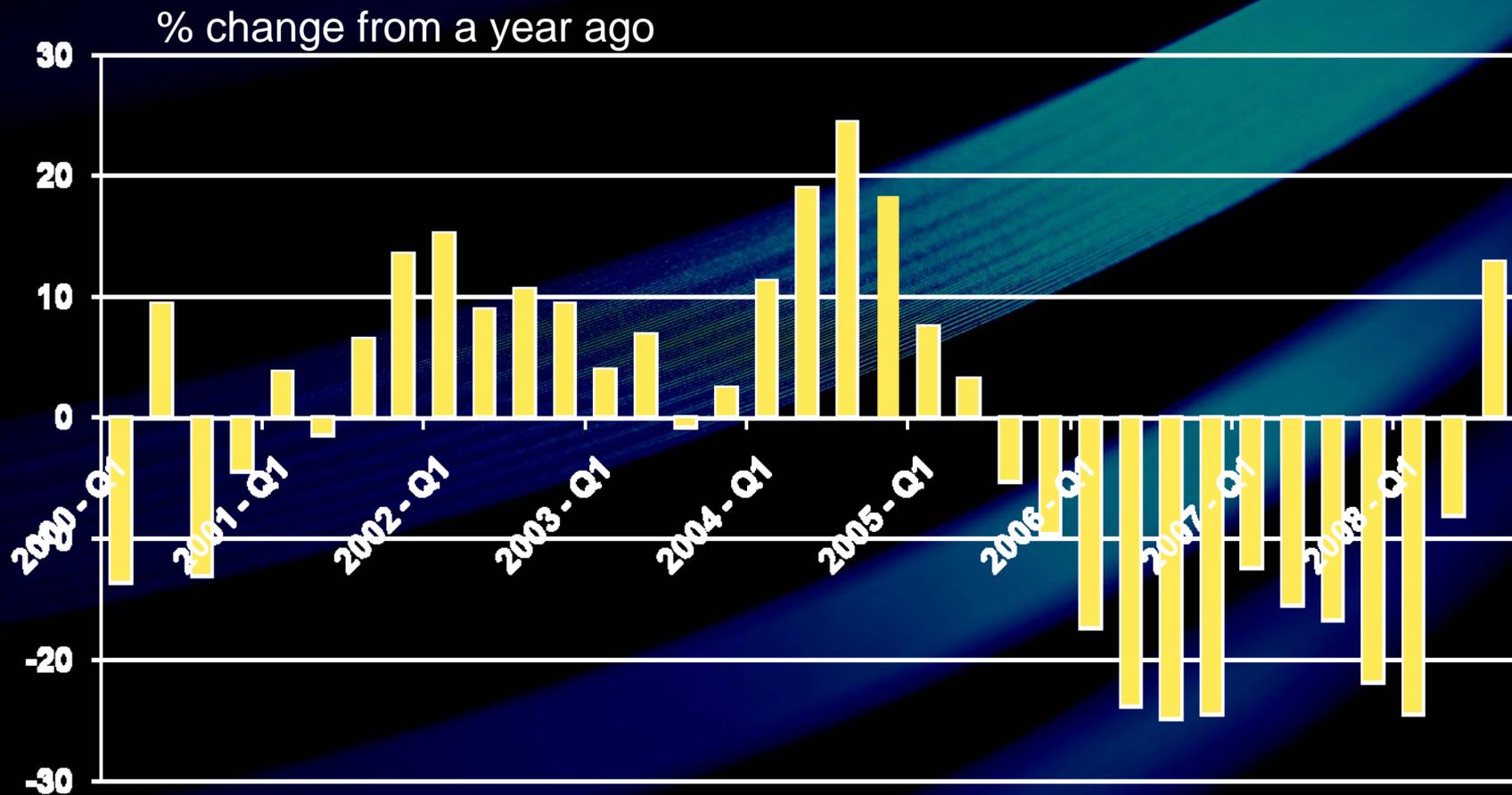
# Home Price Trend in Virginia

Median Price in \$ thousand



Source: NAR

# Virginia Existing-Home Sales



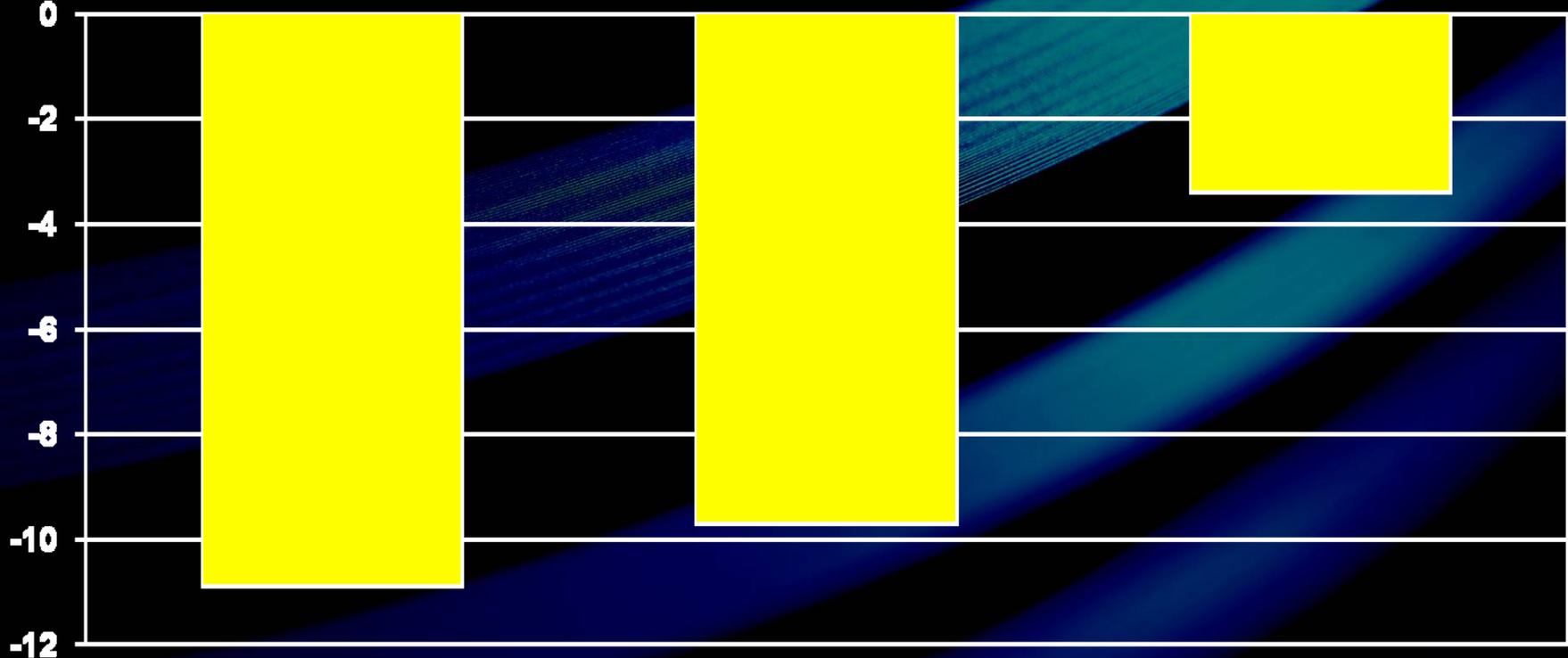
# Sales Still Struggling

WA

NC

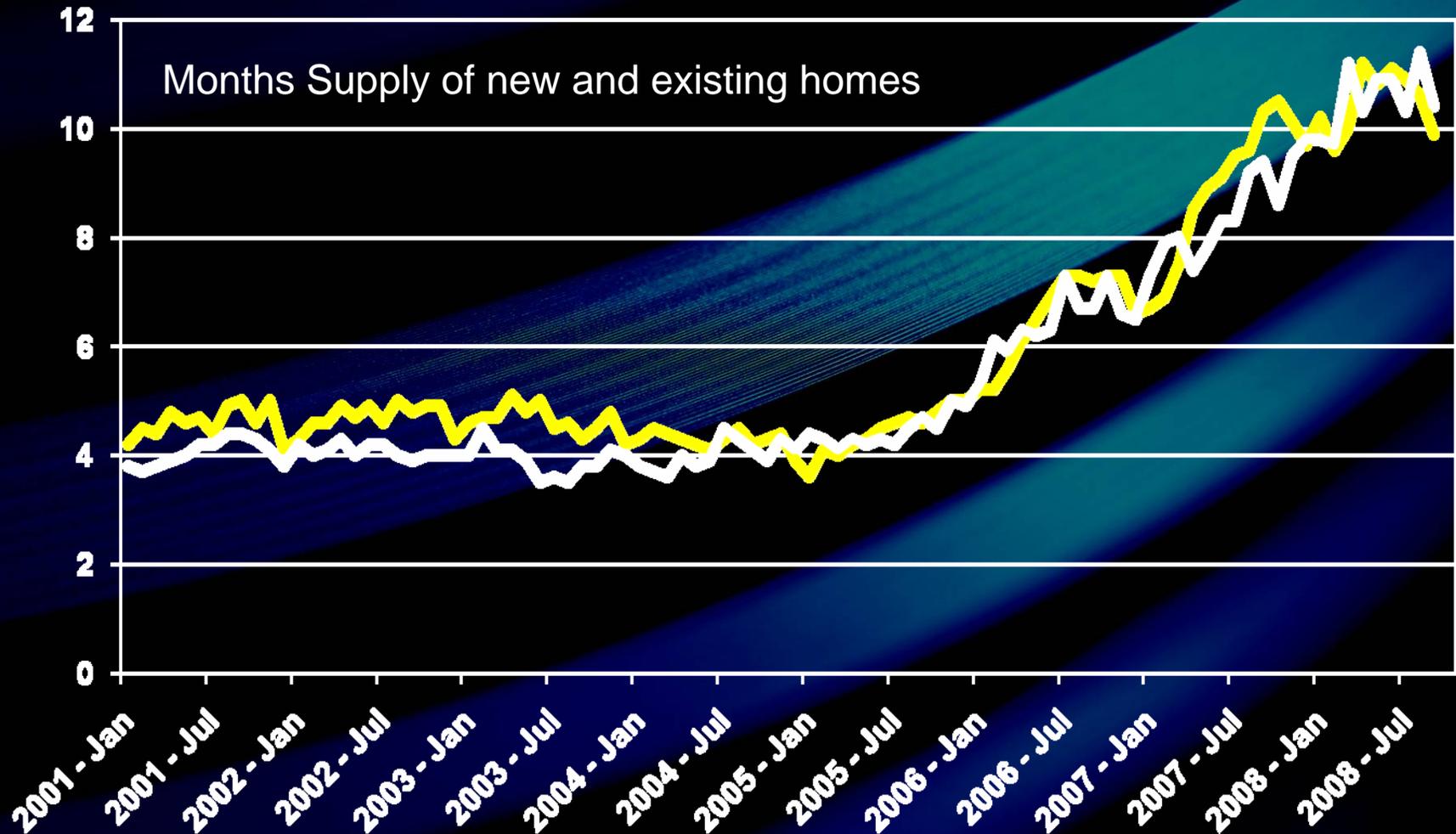
TX

% change in existing home sales from 2008 Q1 to 2008 Q2 (seasonally adjusted)



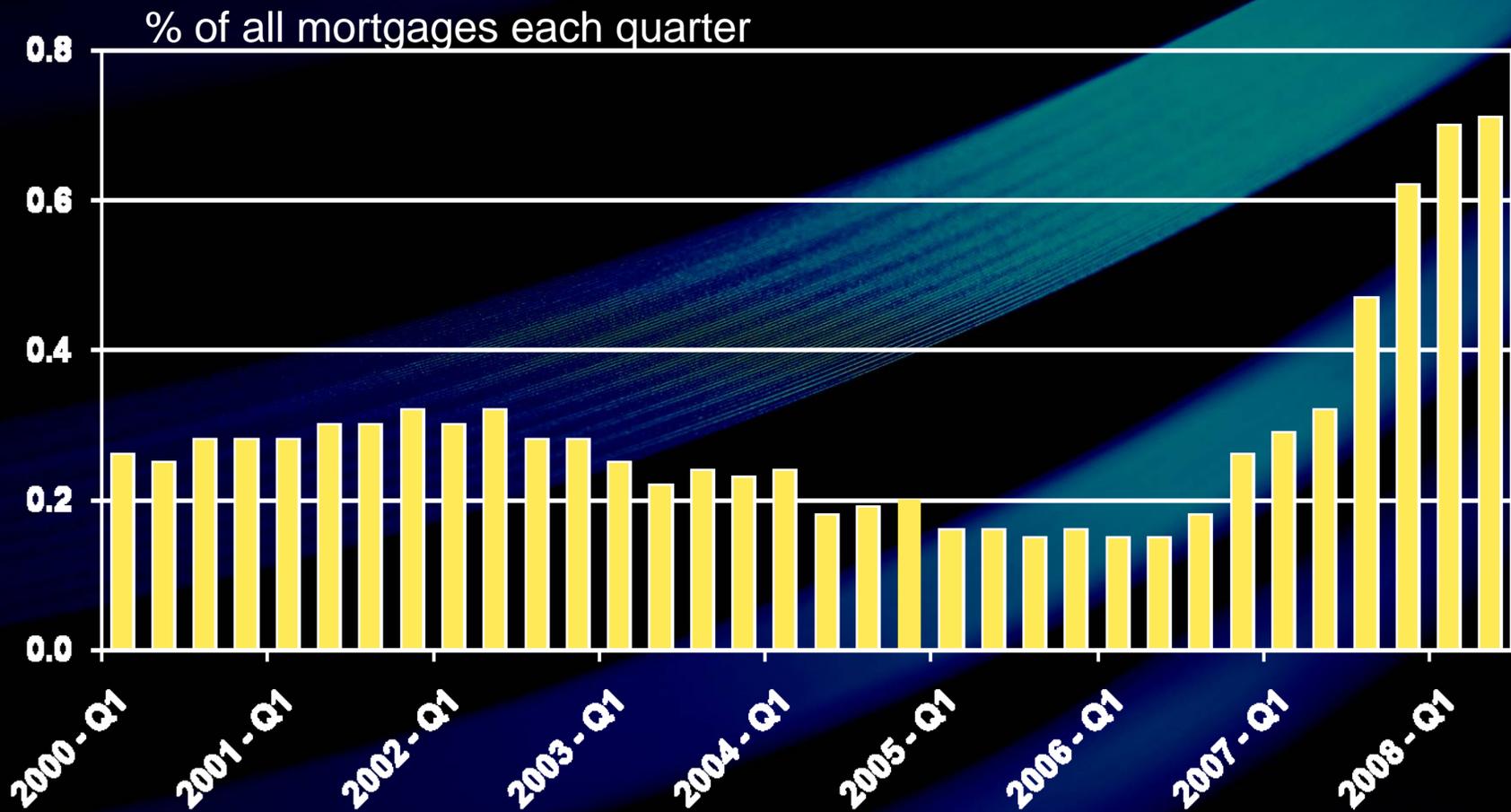
Source: NAR

# Inventory Still High



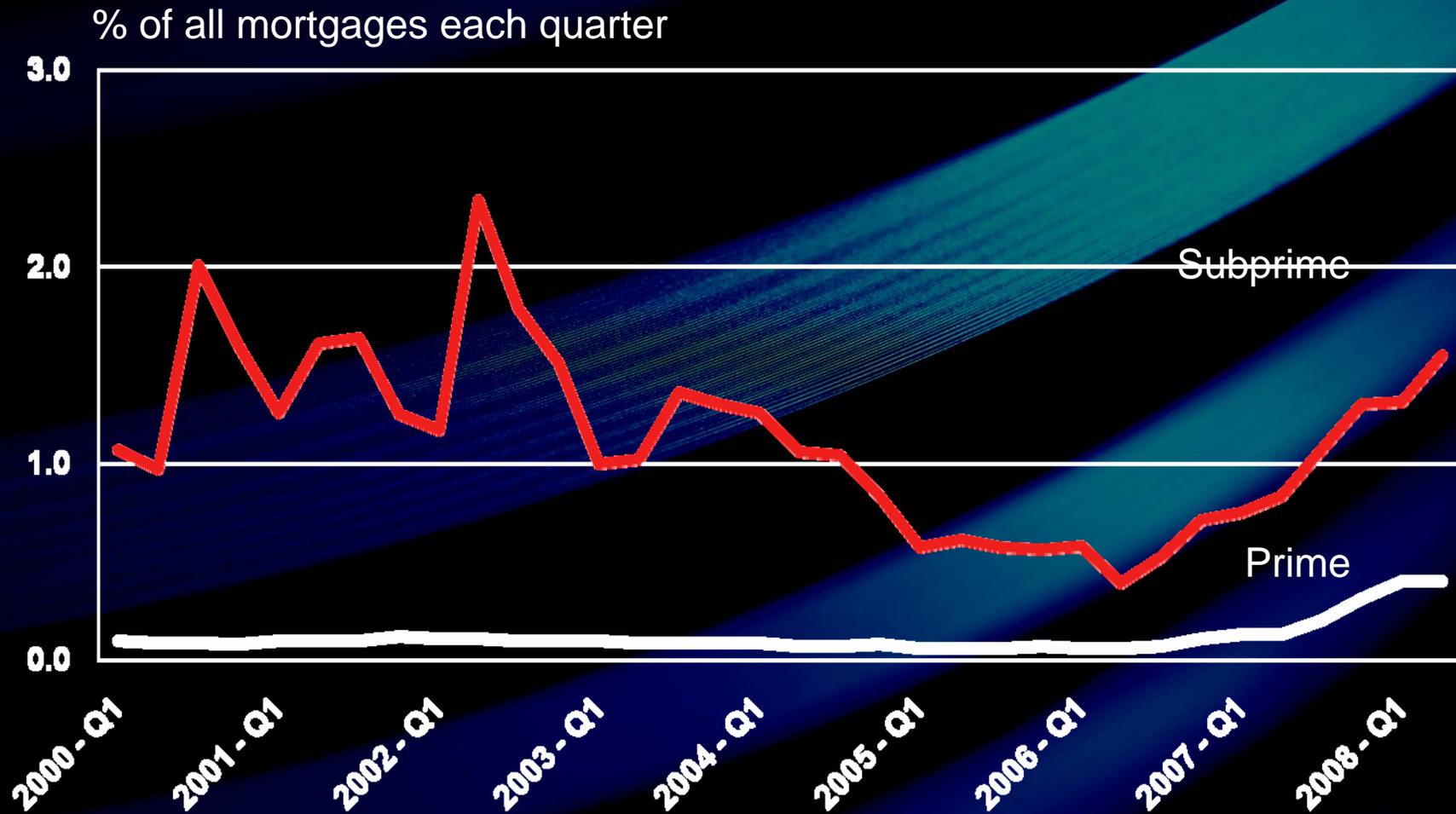
Source: NAR, Census

# Foreclosure Starts in Virginia



Source: Mortgage Bankers Association

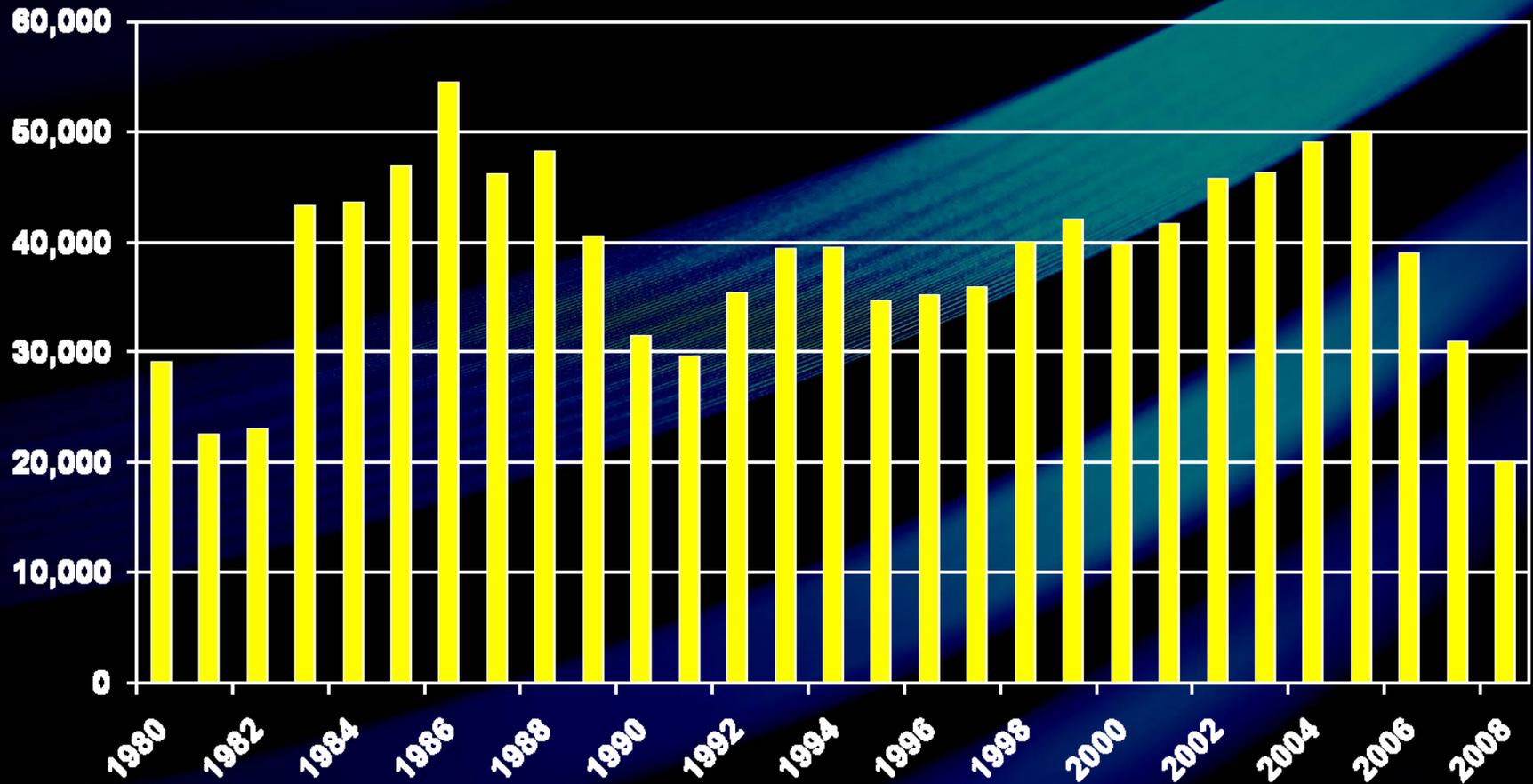
# Foreclosure Starts: Prime vs. Subprime



Source: Mortgage Bankers Association

# Virginia Single-Family Housing Starts

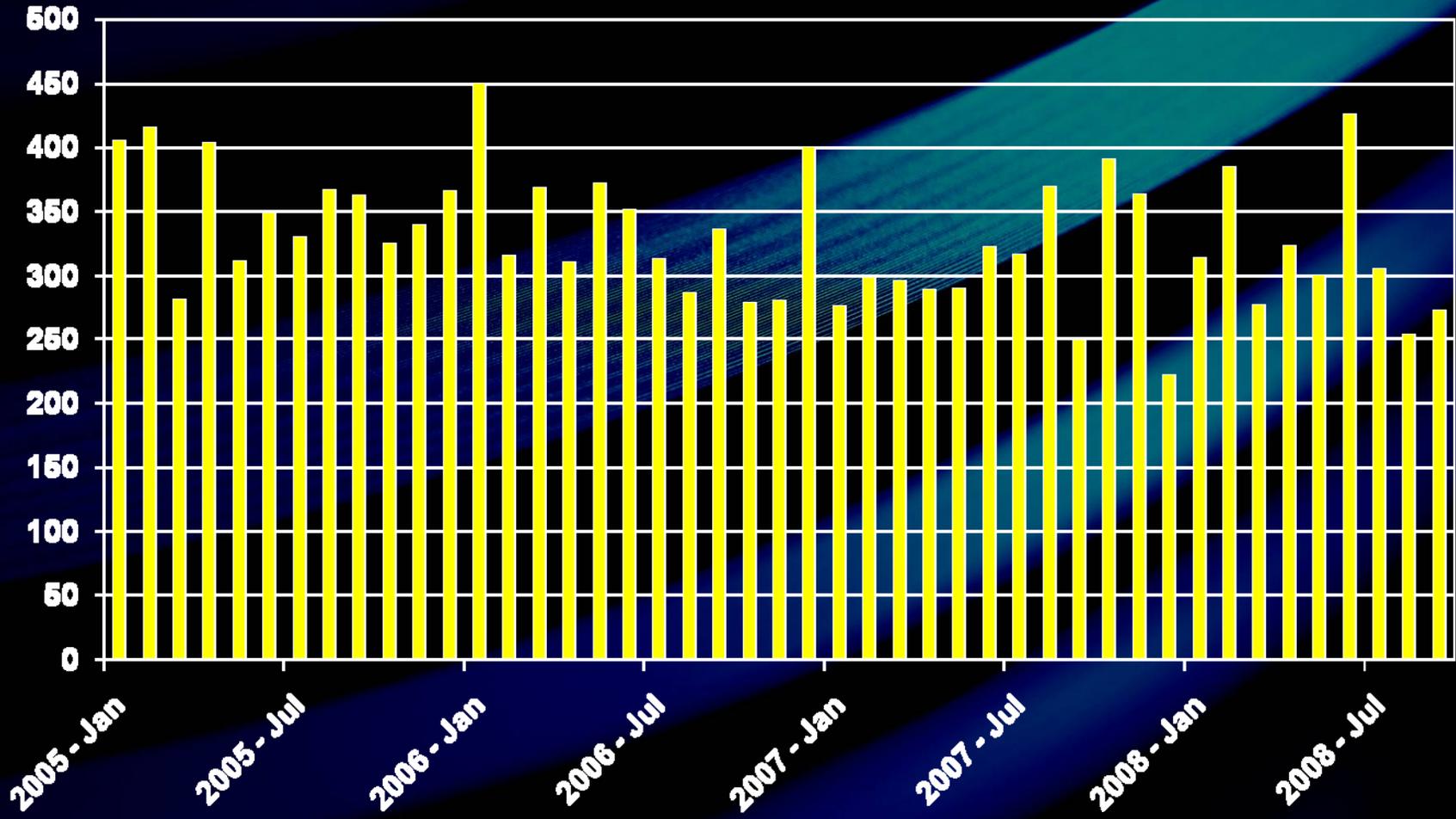
In thousand units



Source: Census

# U.S. Multifamily Housing Starts

In thousand units



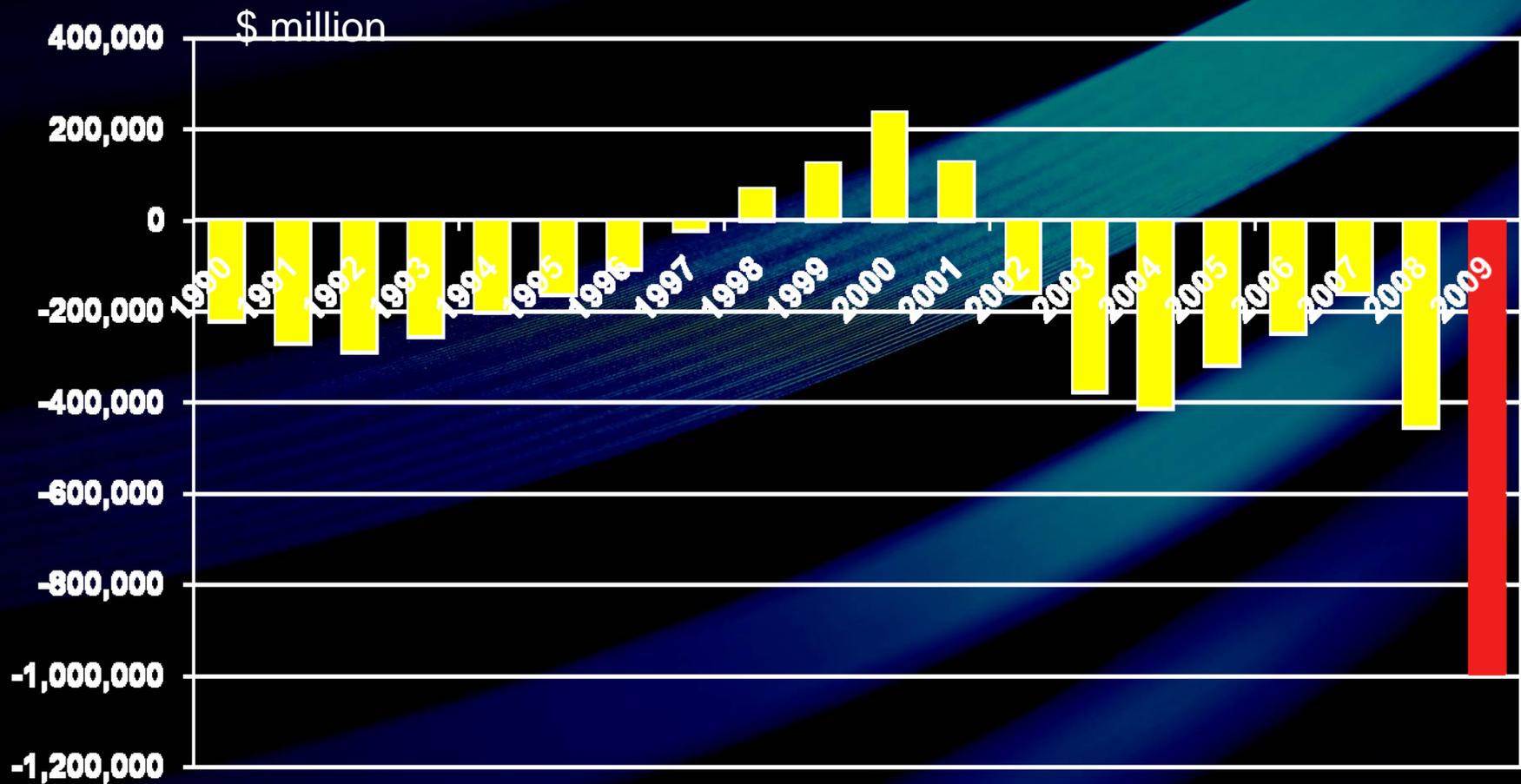
Source: Census

# Buyers are Needed to Soak Up Inventory

- **First-time Homebuyer Tax Credit**
  - Without repayment feature
- **Permanently higher Loan Limit**
  - Up to \$729 K
- **Interest Rate Buy-down**
  - Fixed low rates for homebuyers with government subsidizing rates
- **Other Ideas**



# Federal Budget Deficit



# U.S. Economic Outlook

	2007	2008	2009
<b>GDP</b>	2.0%	1.5%	-0.3%
<b>CPI Inflation</b>	2.9%	4.1%	2.0%
<b>Unemployment Rate</b>	4.6%	5.7%	7.1%

# Virginia Outlook

	2009
<b>State Aggregate Income</b>	<b>+1 to +2%</b>
<b>Existing Home Sales</b>	<b>+5 to +8%</b>
<b>New Home Sales</b>	<b>-5 to -10%</b>
<b>Housing Starts</b>	<b>-5% to -10%</b>
<b>Home Price</b>	<b>0%</b>