

**Economic Summit
2016 Real Estate Trends and Insights**

**Five Forces Driving the Real Estate
Market in 2016**

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Vice President, Research

NATIONAL ASSOCIATION OF REALTORS®

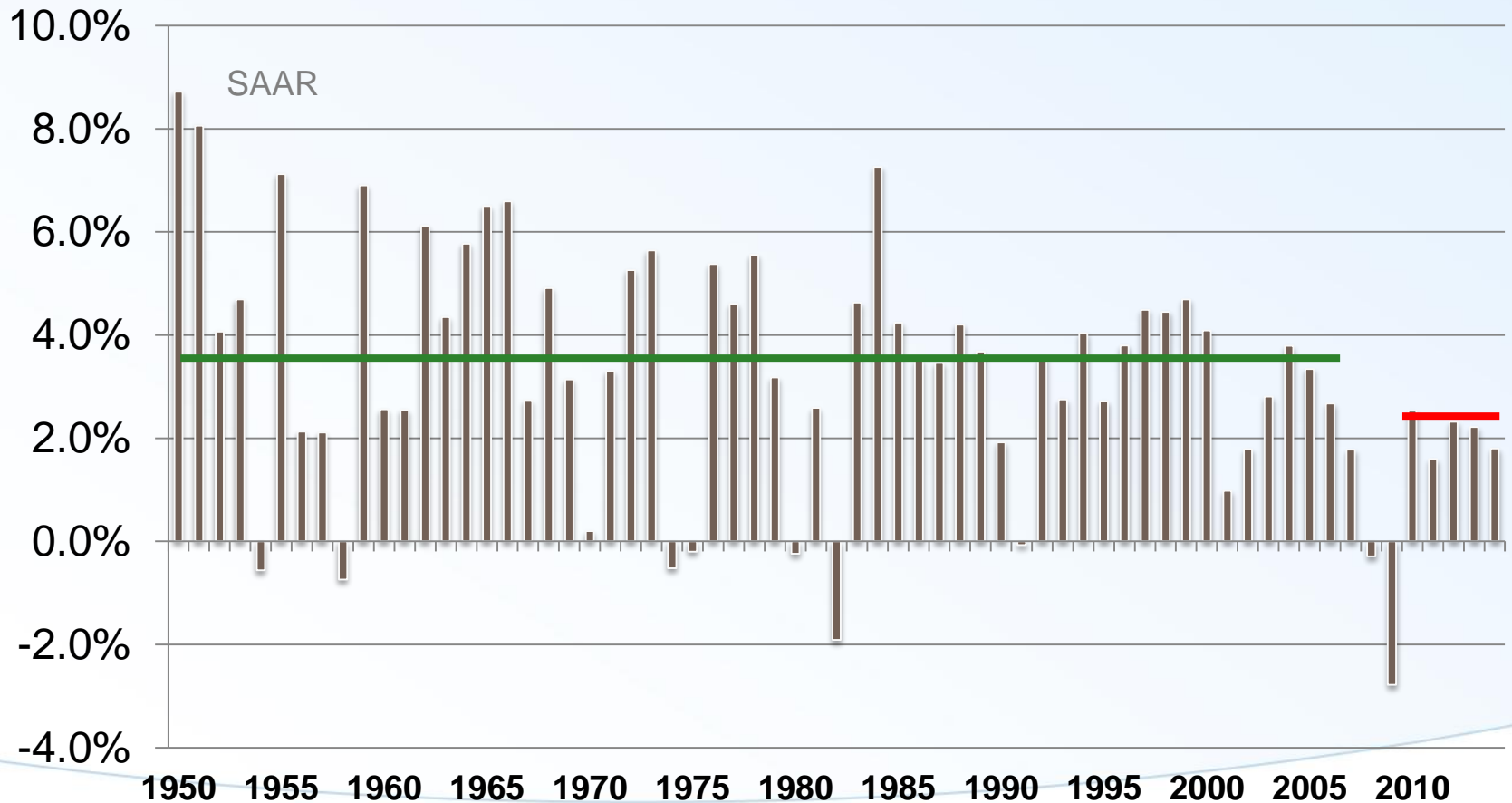
November 18, 2015





✓ The Economy

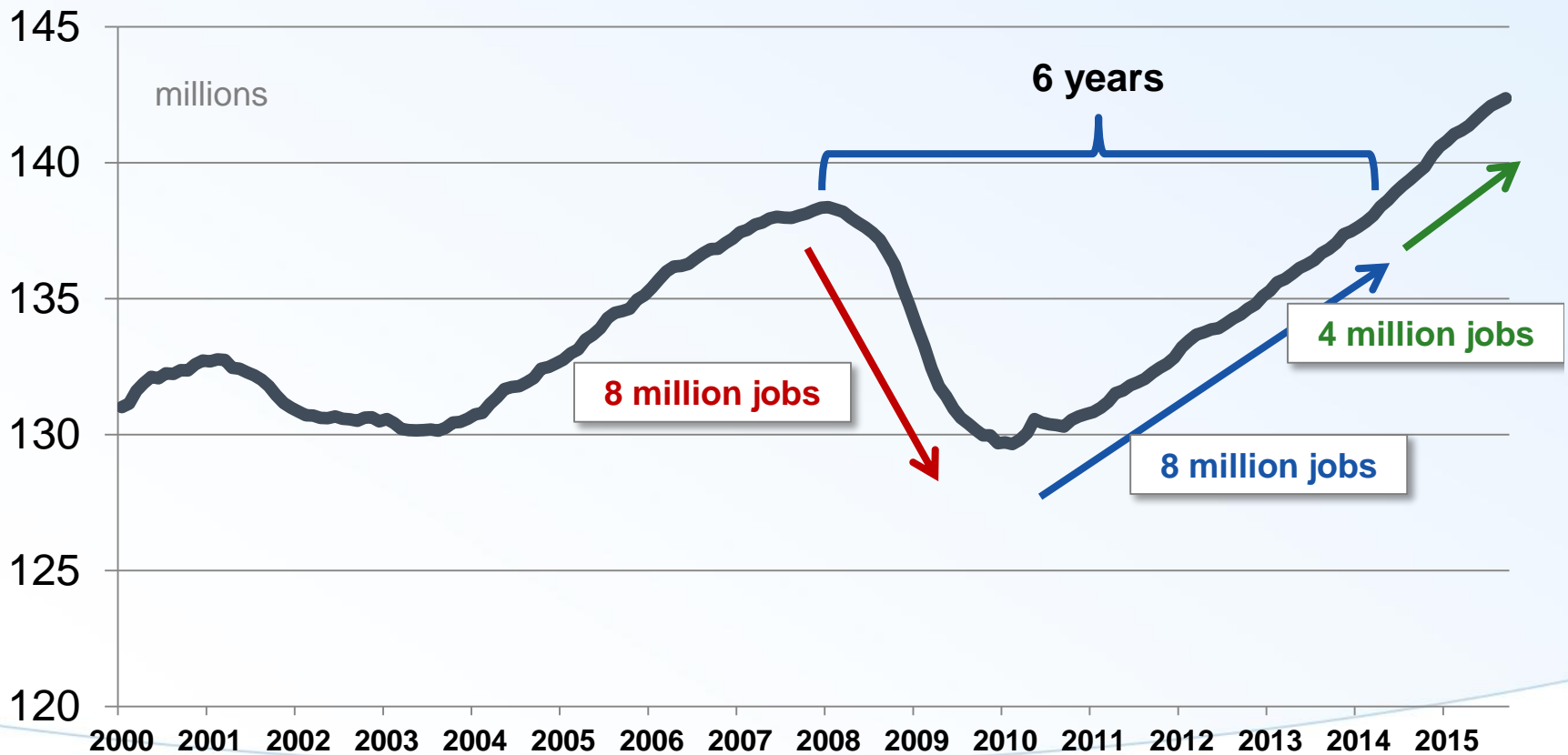
Taking the Long View, GDP Average Growth of about 3.5% before Great Recession and Just Over 2% Since



Source: Bureau of Economic Analysis

Employment has Recovered – and then some (8 million lost ... 12 million gained)

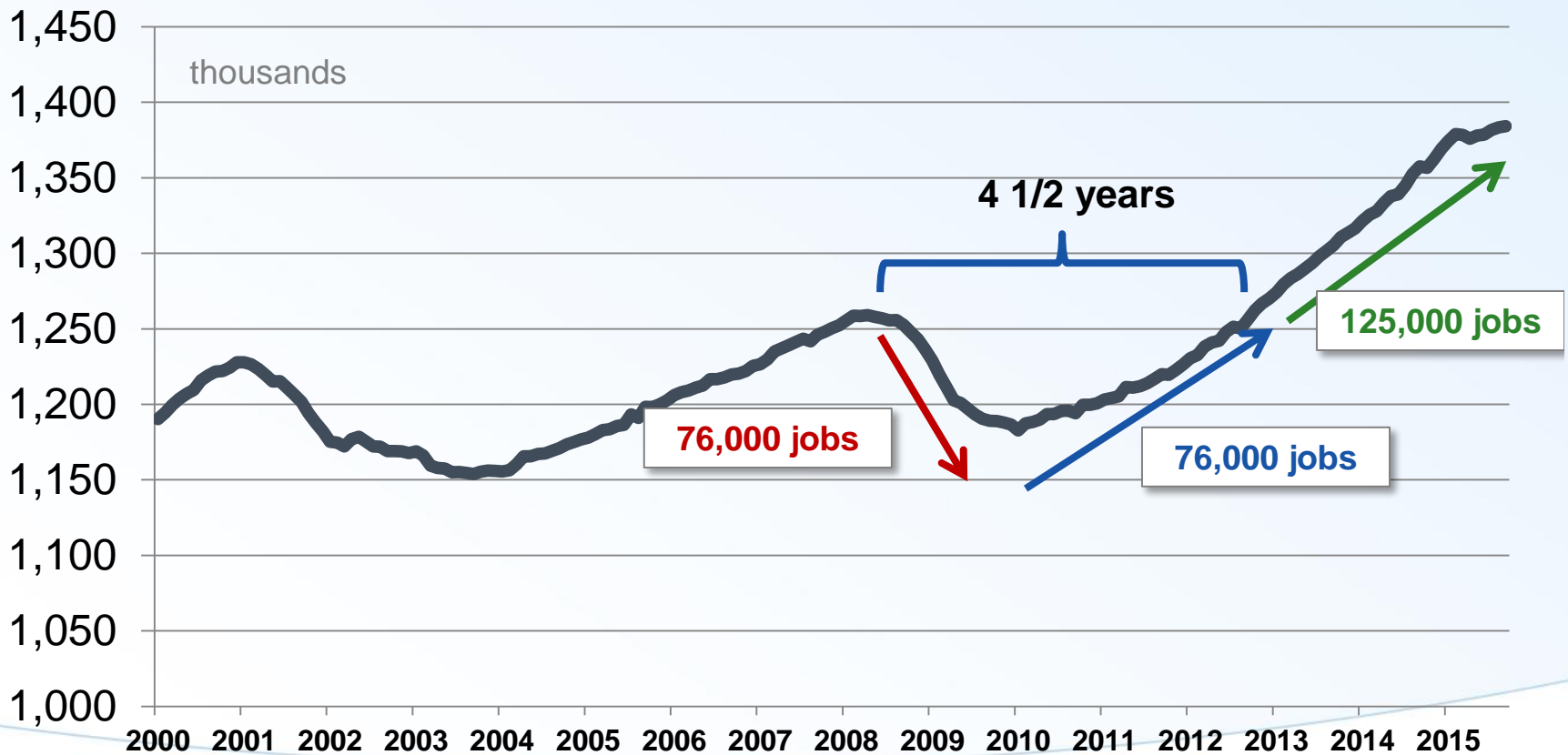
U.S. Total Payroll Employment



Source: Bureau of Labor Statistics

Job Market Recovery was Quicker in Denver (76,000 lost ... 201,000 gained)

Denver MSA Payroll Employment



Source: Bureau of Labor Statistics



- ✓ The Economy
- ✓ Interest Rates

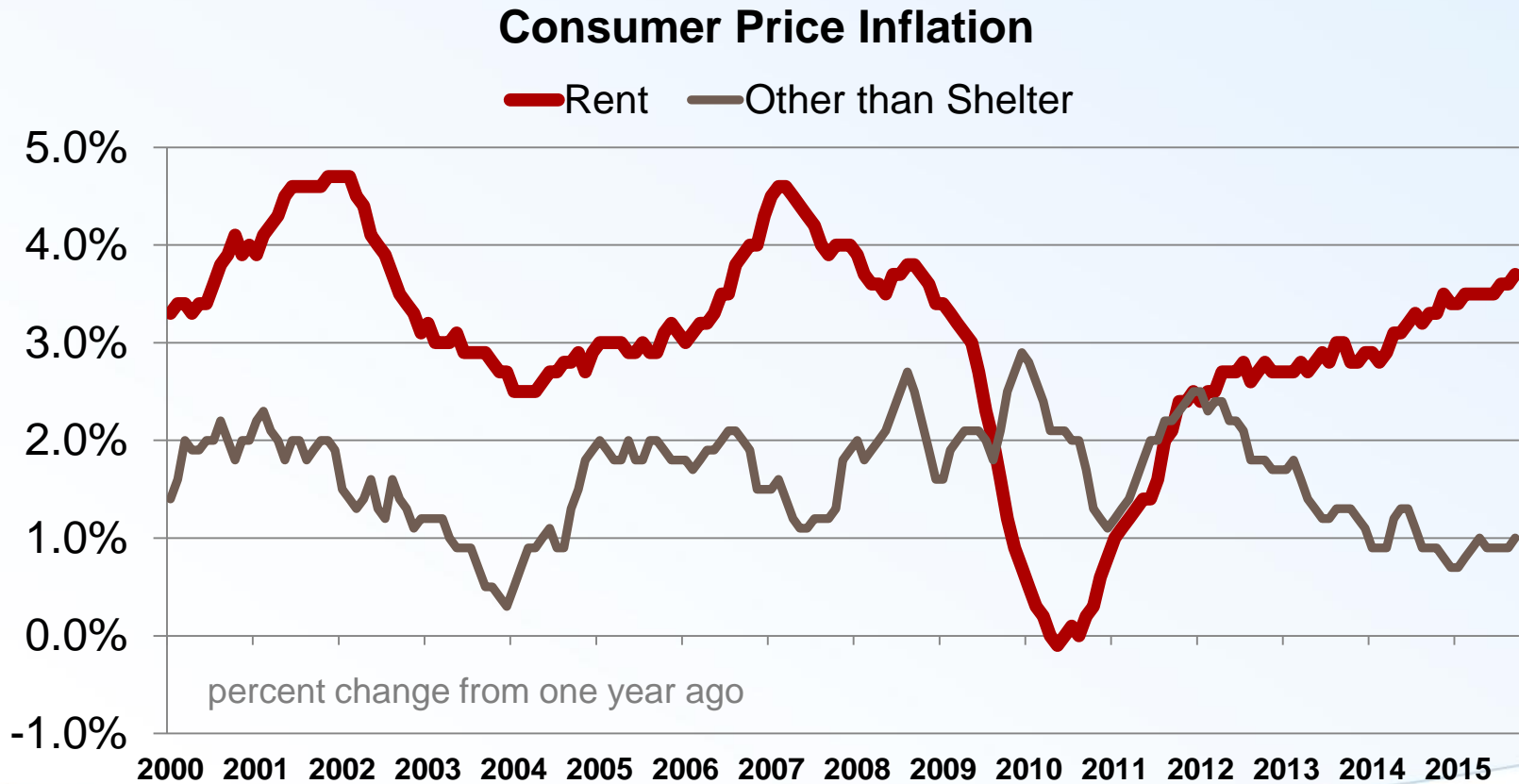
No CPI Inflation – Yet

Consumer Price Inflation (excluding Food and Energy)



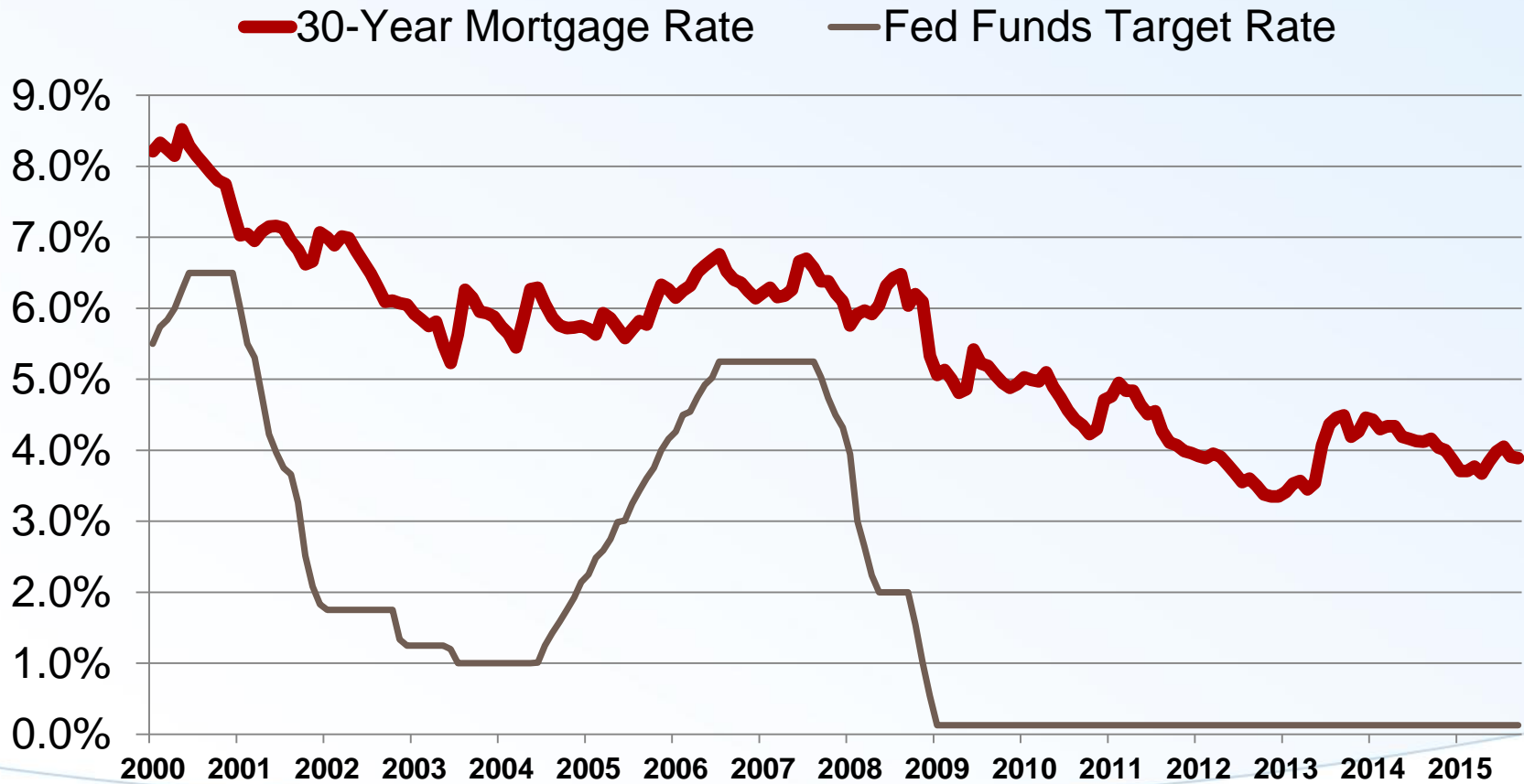
Source: Bureau of Labor Statistics

Rents Rising Faster than Most Other Segments

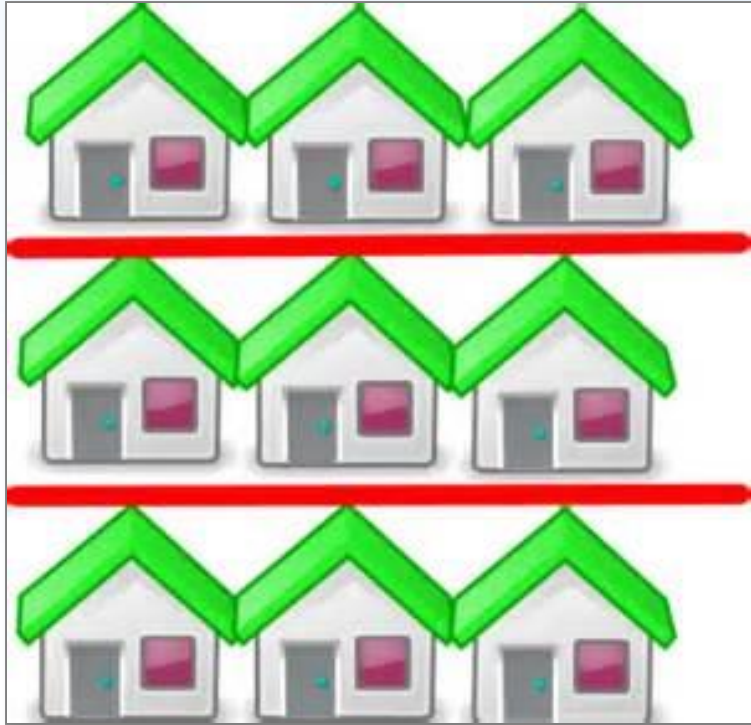


Source: Bureau of Labor Statistics

Fed Policy and Mortgage Rate



Source: Federal Reserve



- ✓ The Economy
- ✓ Interest Rates
- ✓ Inventory

Low Number of Homes Available for Sale

U.S. Inventory of Existing Homes for Sale



Source: National Association of REALTORS®

Sales Constrained by Limited Inventory

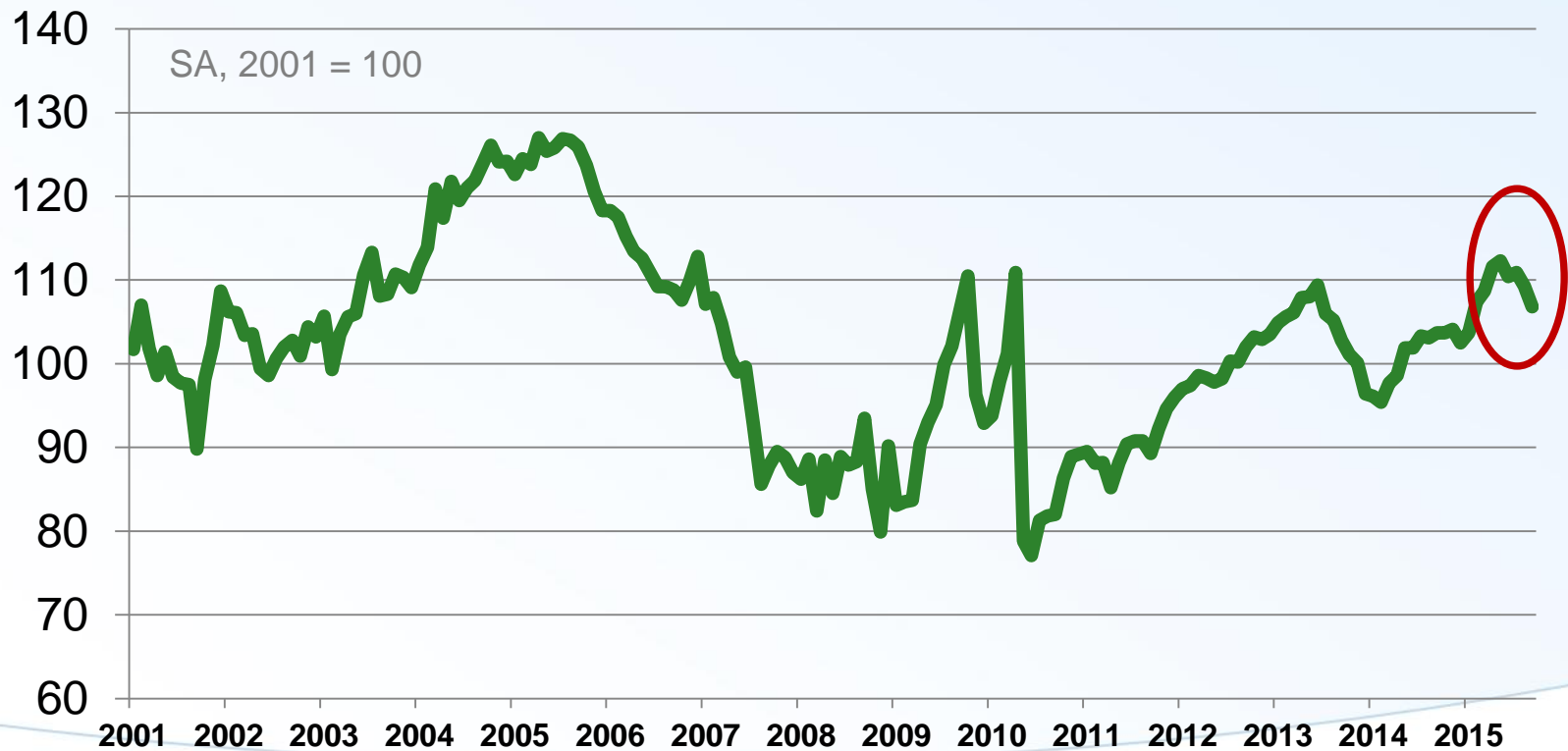
U.S. Existing Home Sales



Source: National Association of REALTORS®

Pending Sales Continue to Trend Higher But Paused in Recent Months

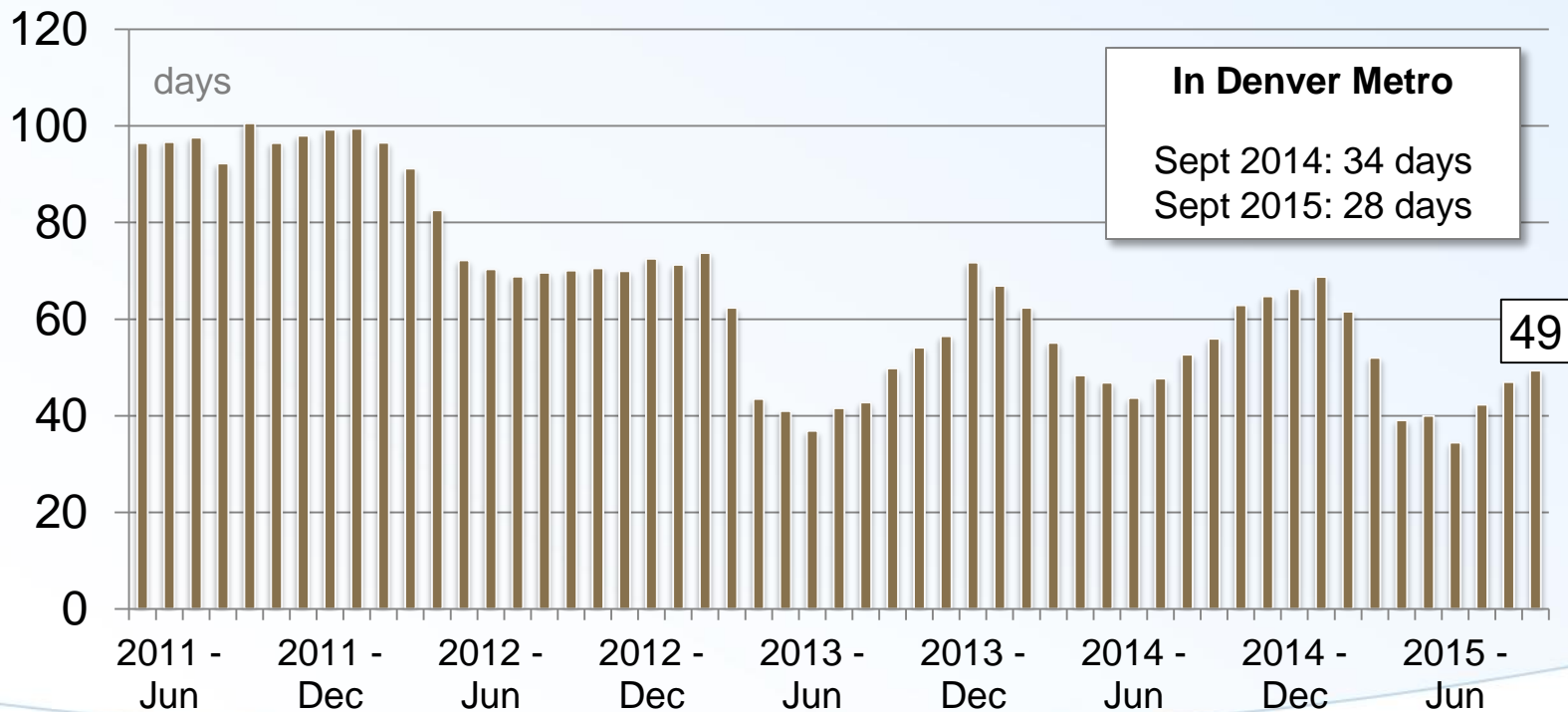
U.S. Pending Home Sales



Source: National Association of REALTORS®

Sales are Taking a Little Longer Since Low Point Earlier this Year

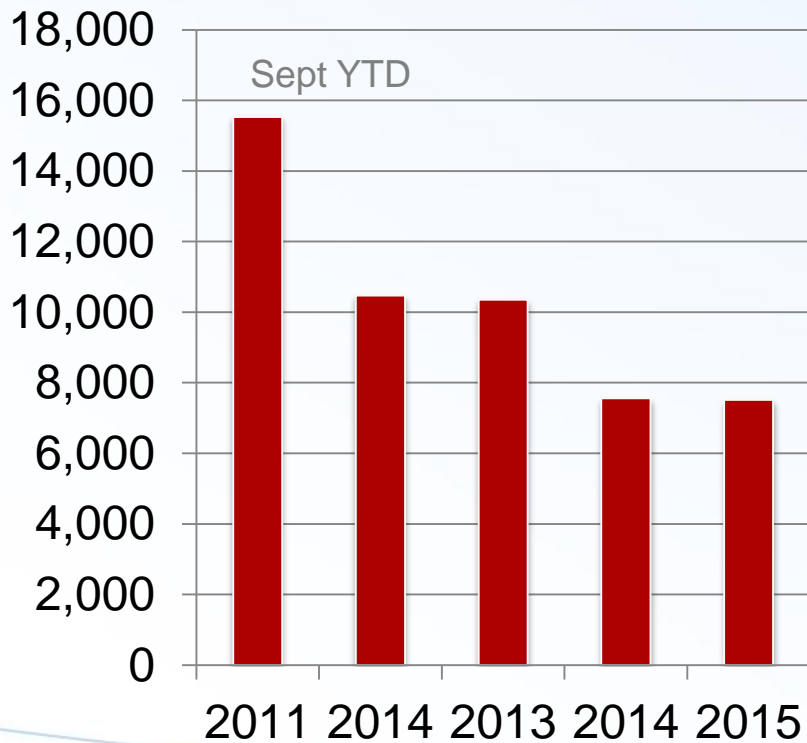
U.S. Median Days on Market



Source: National Association of REALTORS®

Like Many Other Areas, Denver Has Fewer Listings and Rapid Turnover

Active Listings At Low Level



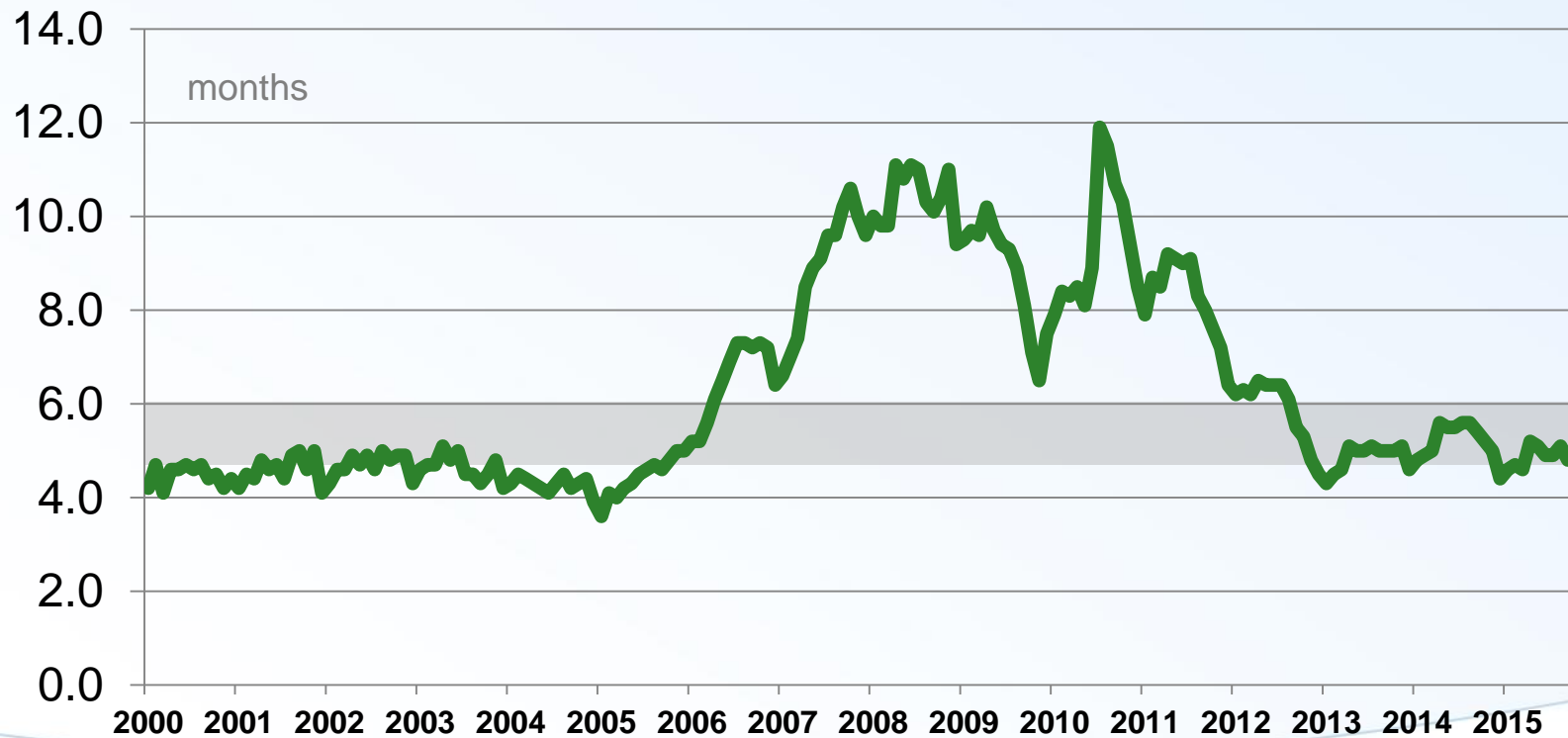
Days on Market Fall



Source: Denver Metro Association of REALTORS®

Supply vs Demand Balance Means Price Gains

U.S. Months Supply of Homes for Sale



Source: National Association of REALTORS®

Median Home Price Gains Have Eased Nationally

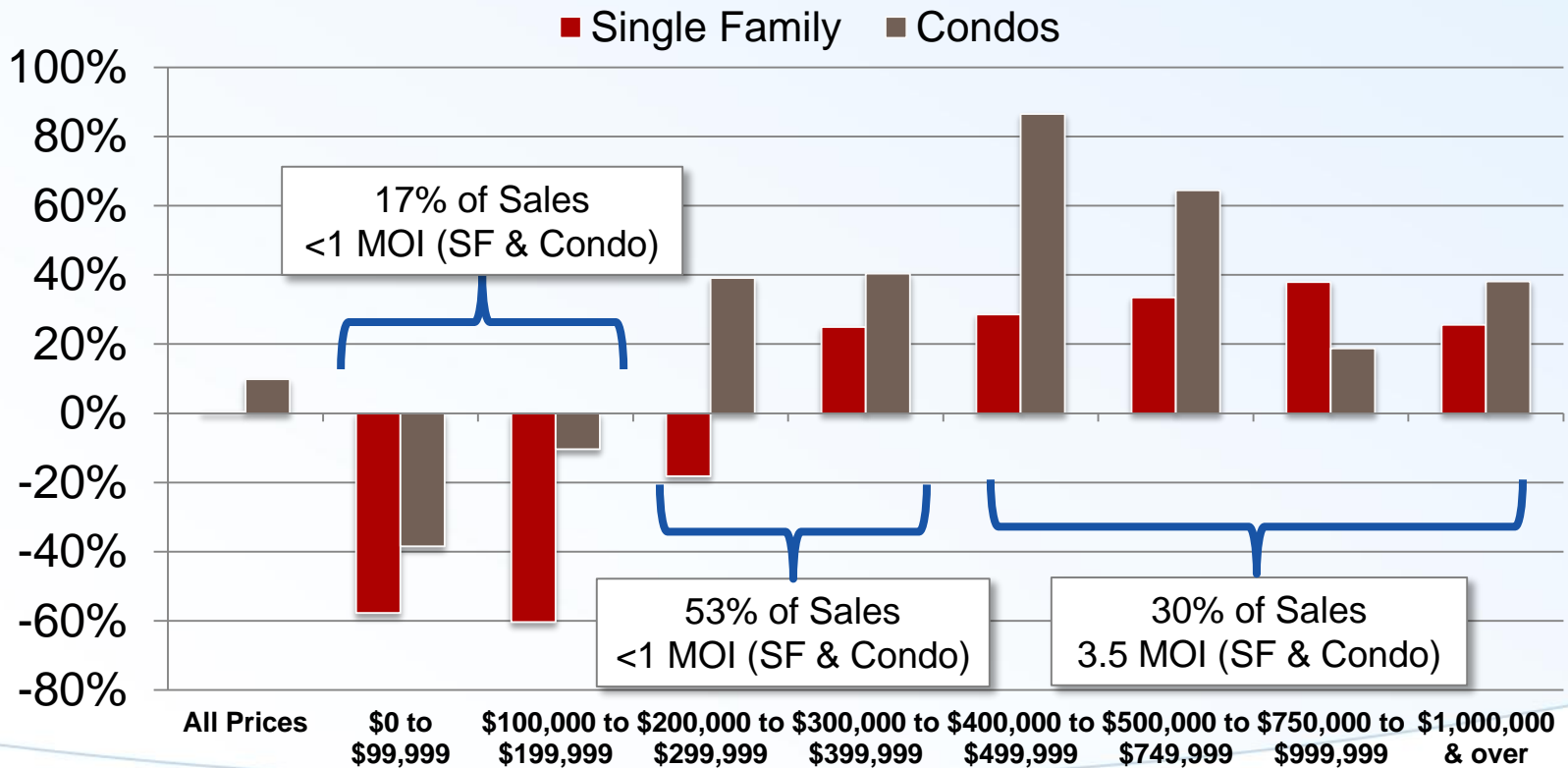
U.S. Median Existing Home Price Growth



Source: National Association of REALTORS®

Low Inventory in Denver Means Fewer Sales – Especially at Lower Prices Ranges

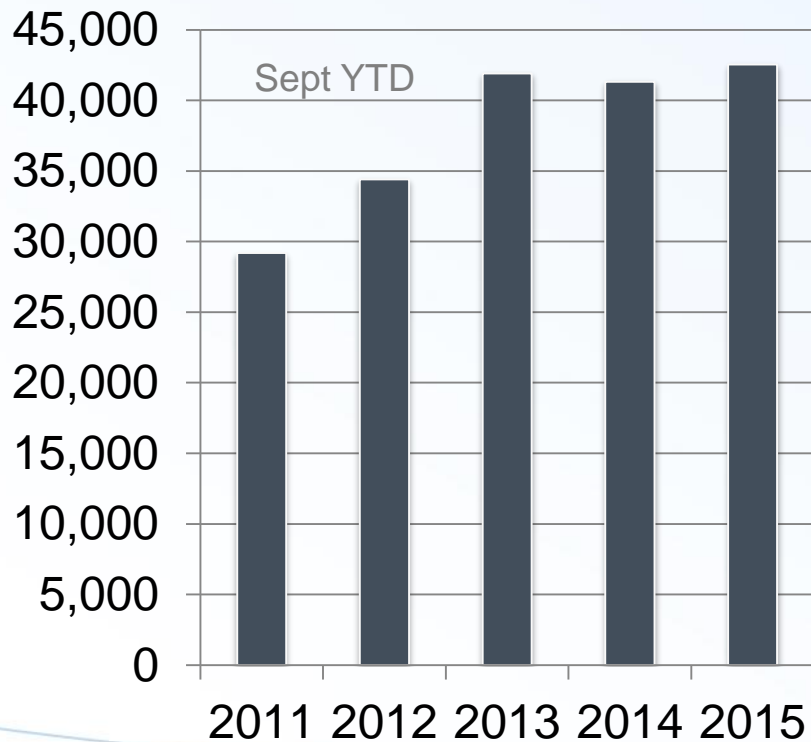
Change in Sales by Price Range (YTD Sept 2014 to Sept 2015)



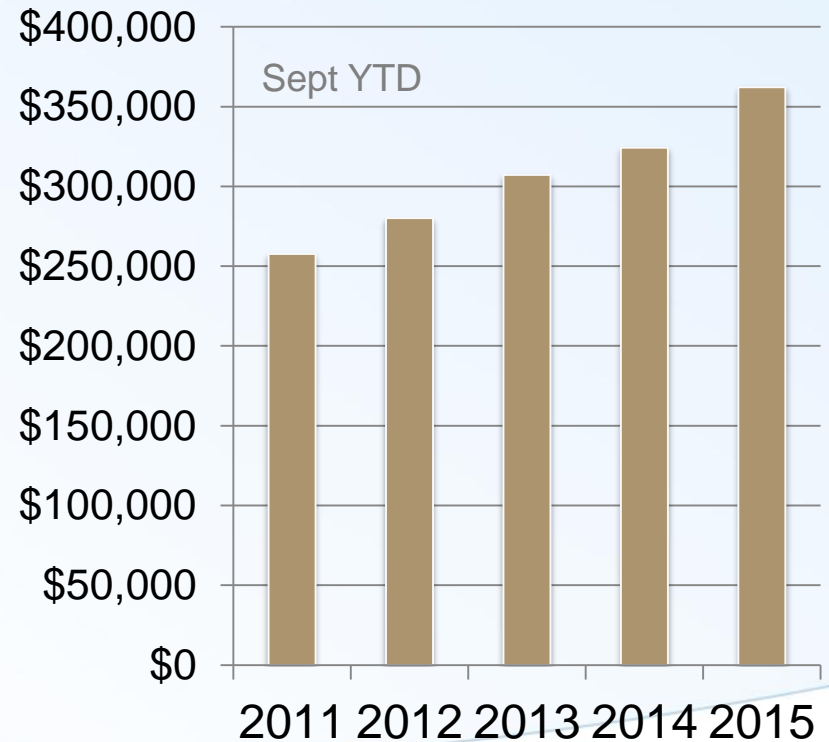
Source: Denver Metro Association of REALTORS®

In Denver – Sales Held Back by Lack of Inventory

Sales Have Plateaued



Average Sold Prices Keep Rising

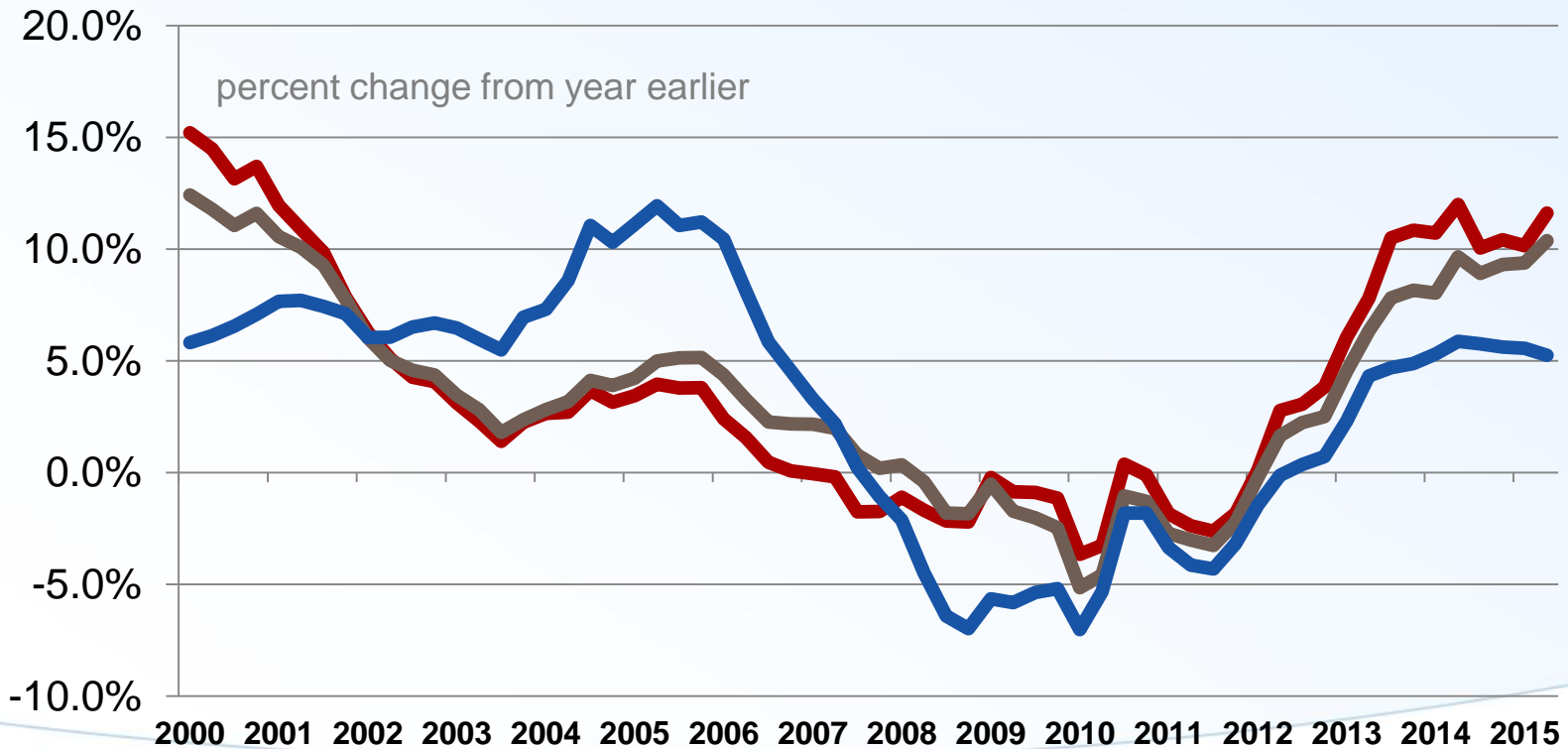


Source: Denver Metro Association of REALTORS®

Area Home Prices Rising 2x as Fast as in the U.S.

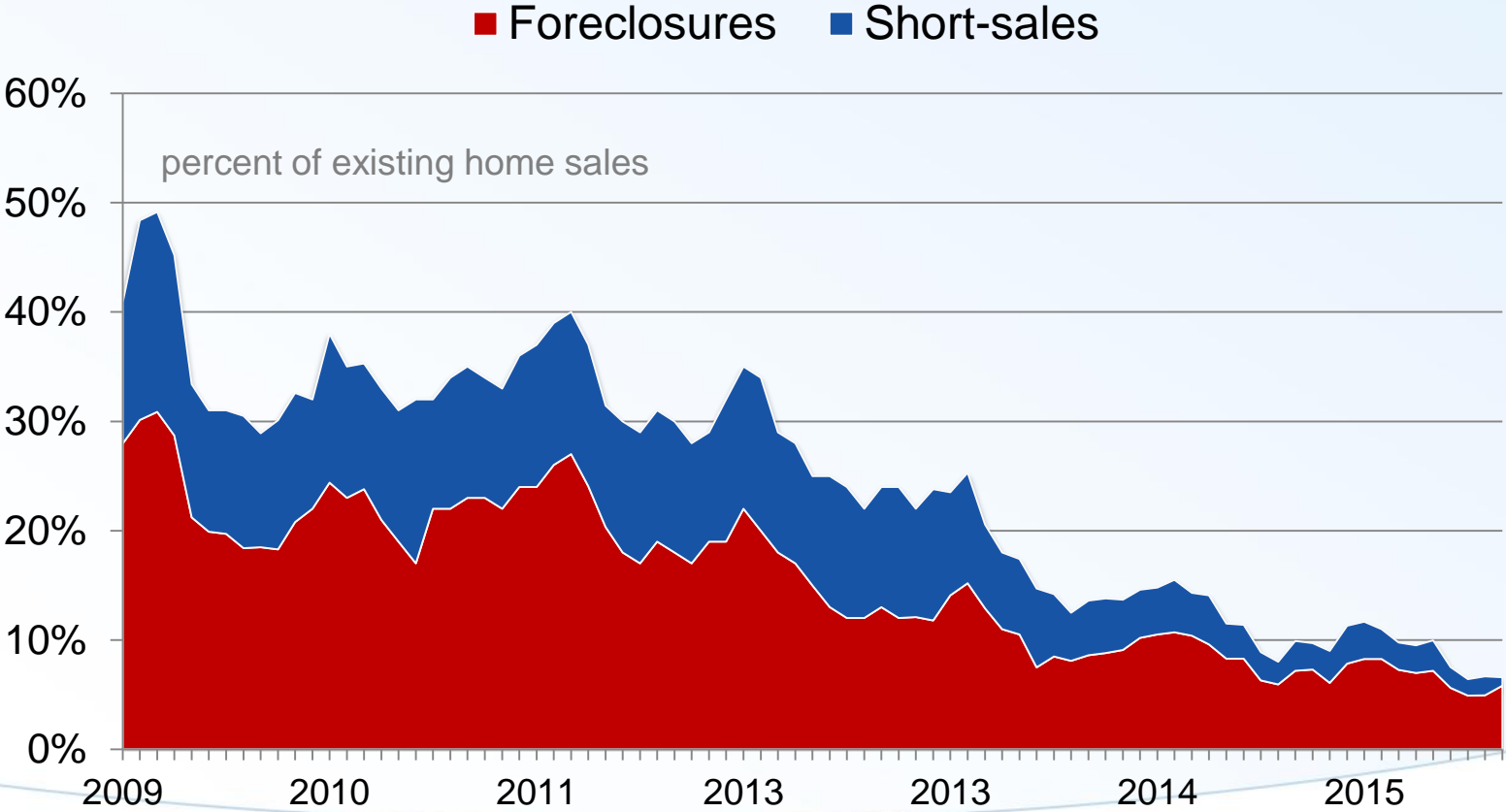
Home Price Growth

— Denver — Colorado — U.S.



Source: Federal Housing Finance Agency

Distressed Sales Share Trending Down



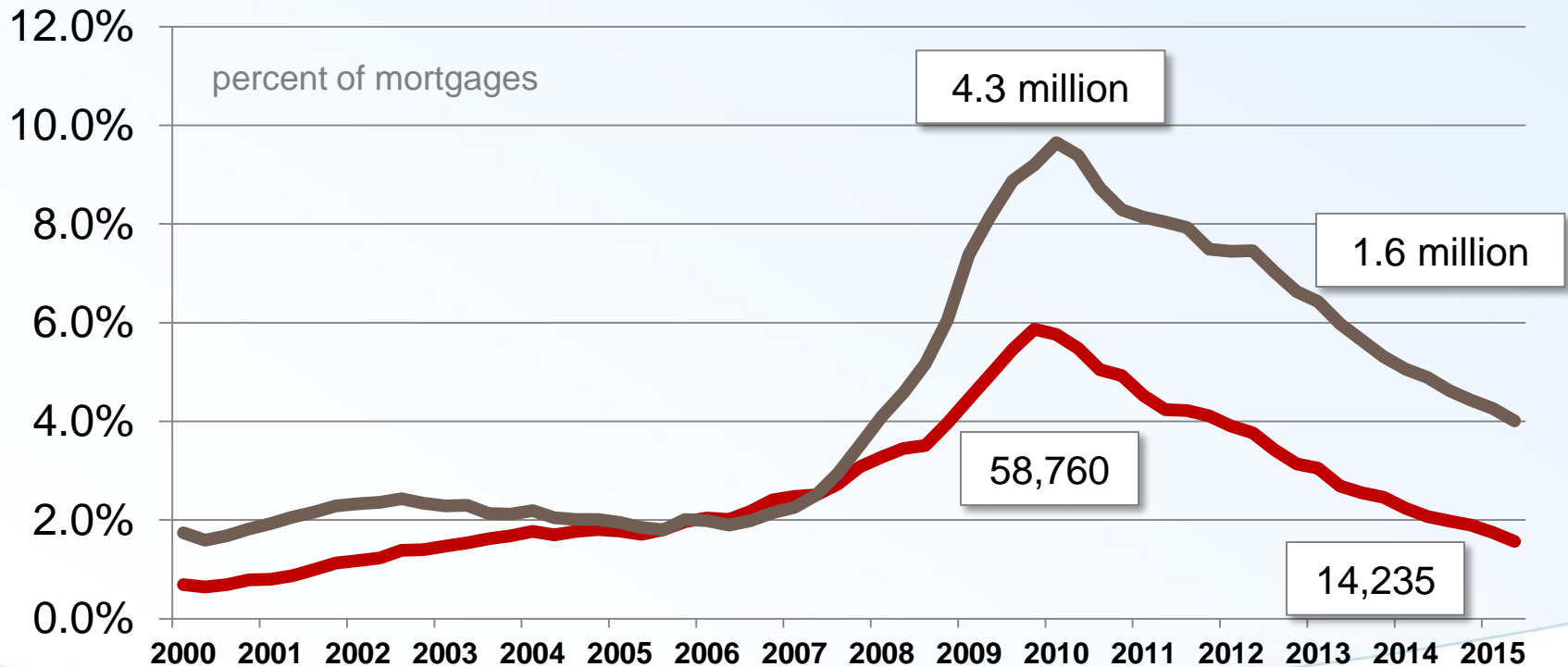
Source: National Association of REALTORS®



Pipeline of Seriously Delinquent Mortgages is Declining

90+ days Past Due and in Foreclosure

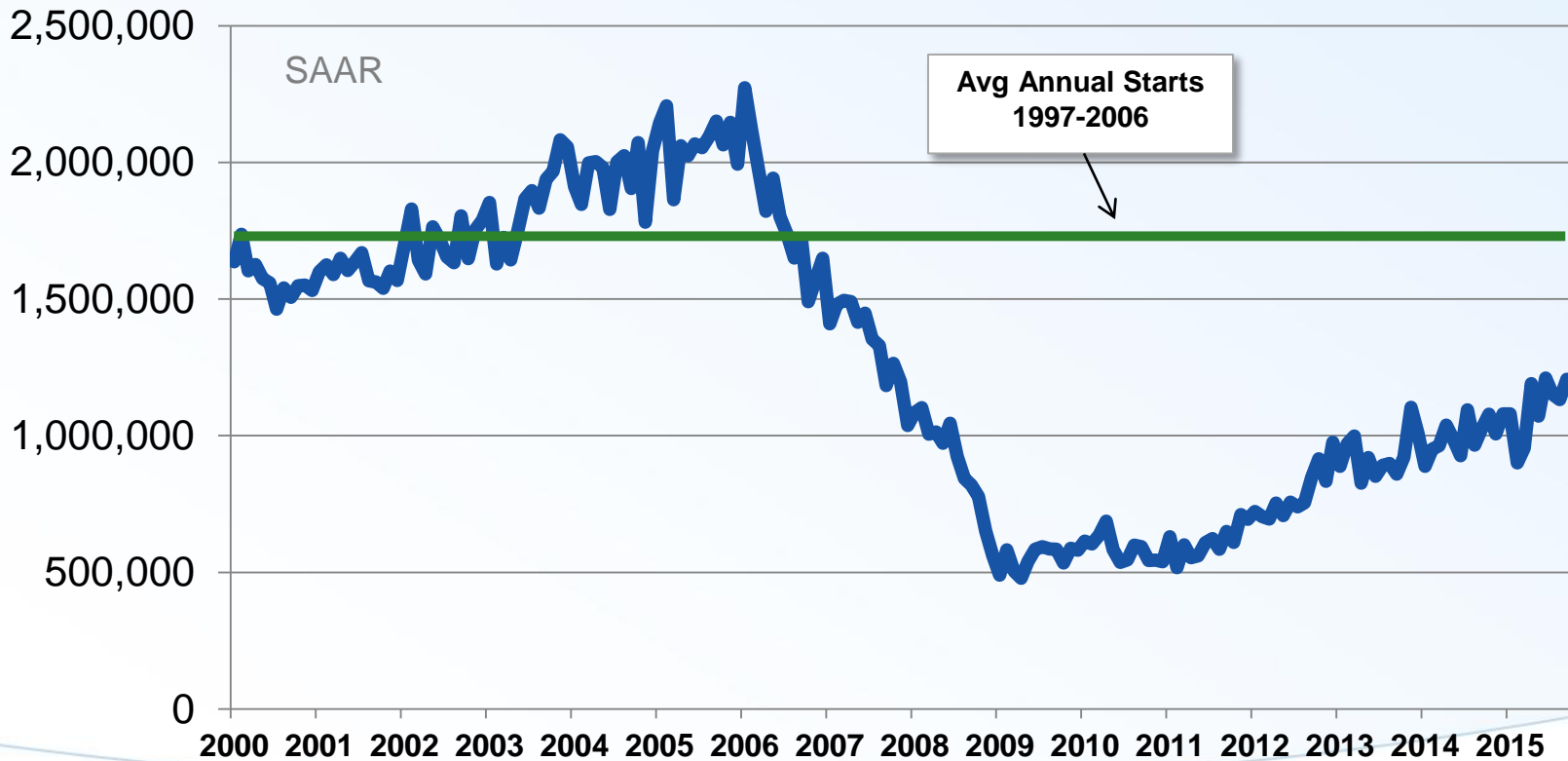
— Colorado — U.S.



Source: Mortgage Bankers Association

We Need to Build More Houses

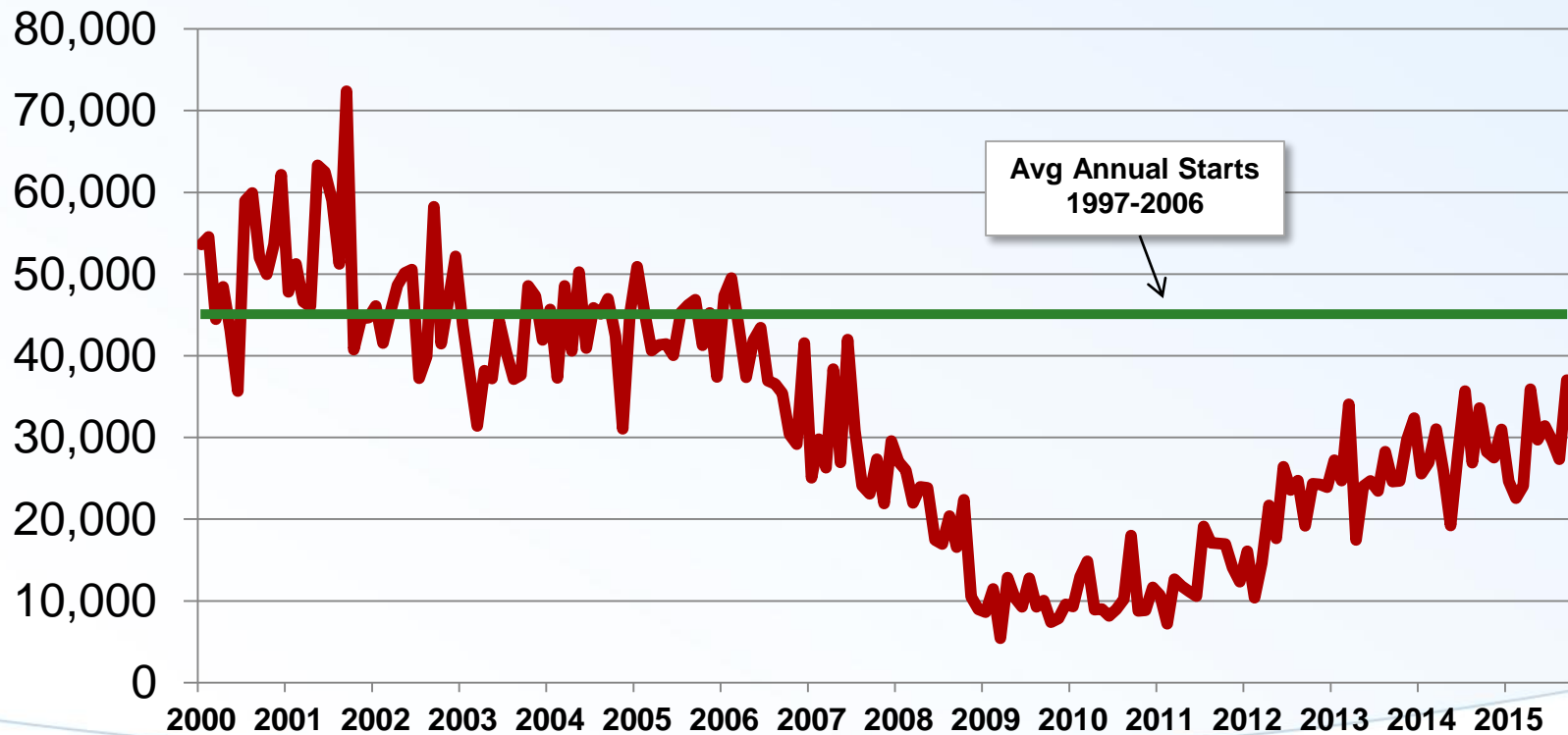
U.S. Housing Starts



Source: Census Bureau

Colorado Housing Starts Growing, But Not Back to Long-term Average Yet

Colorado Housing Starts



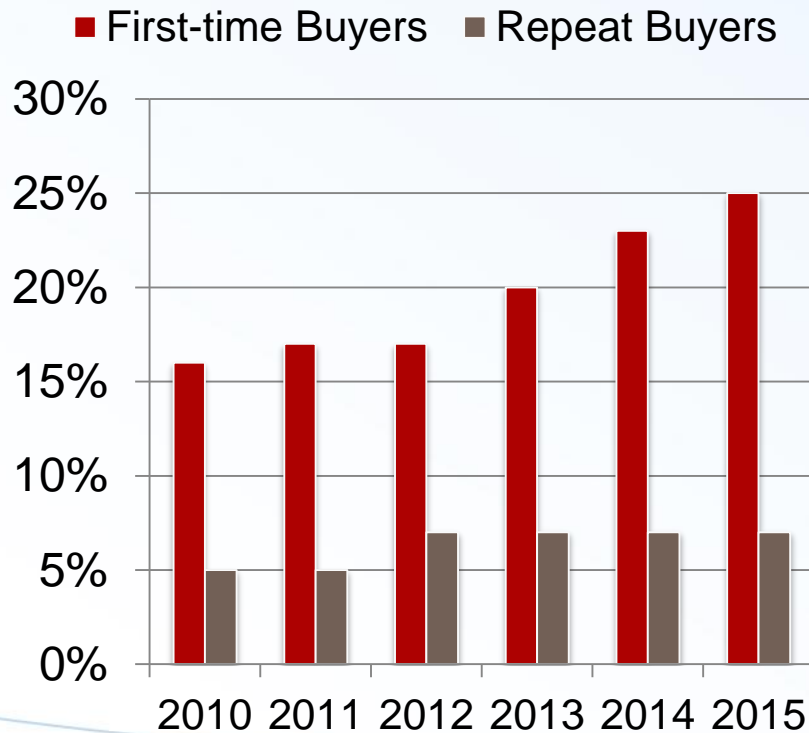
Source: Bank of Tokyo-Mitsubishi



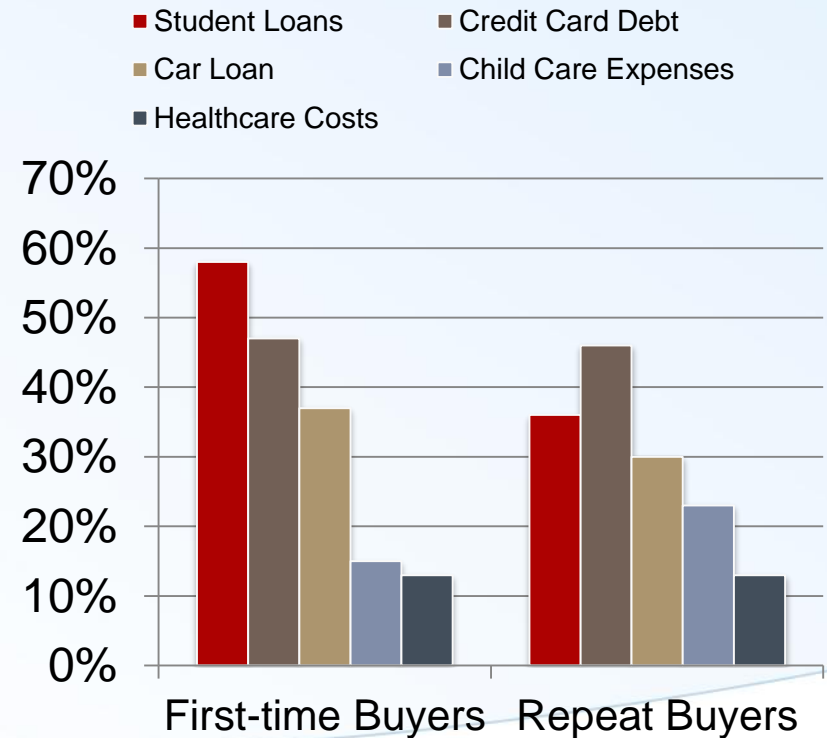
- ✓ The Economy
- ✓ Interest Rates
- ✓ Inventory
- ✓ Affordability

Saving for Downpayment Increasingly Difficult for First-time Buyers

Saving for Downpayment Difficult



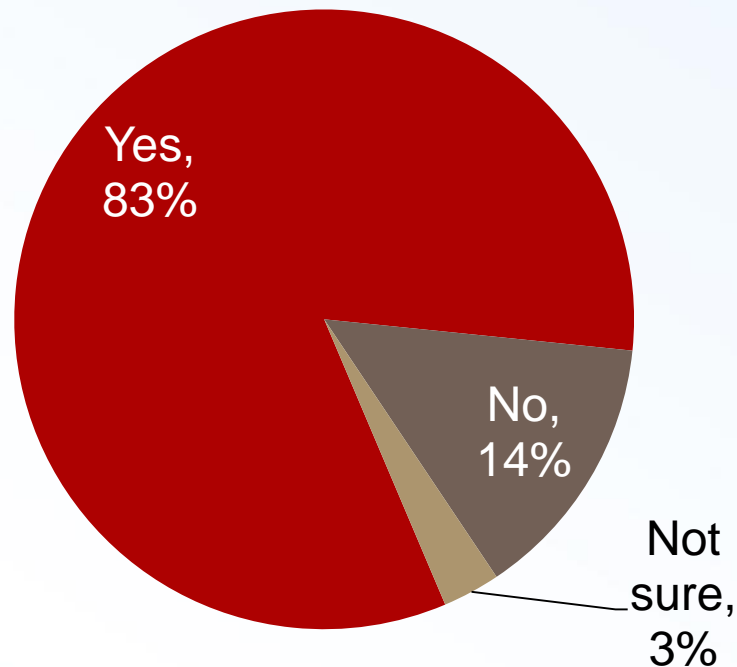
Expenses that Delayed Saving Downpayment (among those who indicated difficulty saving)



Source: 2014 NAR Profile of Home Buyers and Sellers

Current Renters Point to Affordability as Main Hurdle to Ownership

Do renters ever want to own a home?



Why don't renters own a home?

| | |
|--|-----|
| Can't afford a home | 42% |
| Life circumstances not suitable for owning now | 28% |
| Need flexibility of renting vs owning | 9% |
| Don't want responsibility of owning | 7% |

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

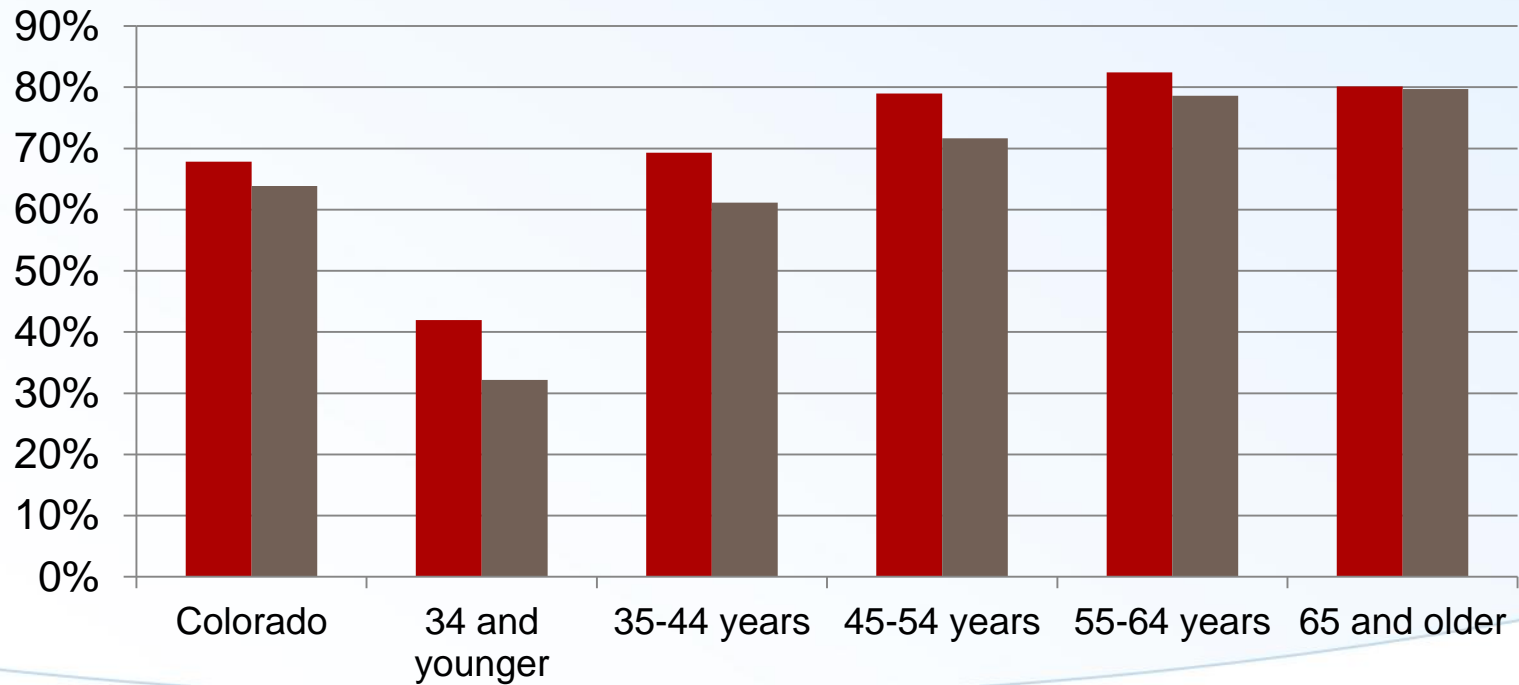


- ✓ The Economy
- ✓ Interest Rates
- ✓ Inventory
- ✓ Affordability
- ✓ First-time Buyers

Younger Households Less Likely to Own a Home

Colorado Homeownership Rate

■ 2005 ■ 2014



Source: Census Bureau

First-time Buyers Not Fully Back in the Market

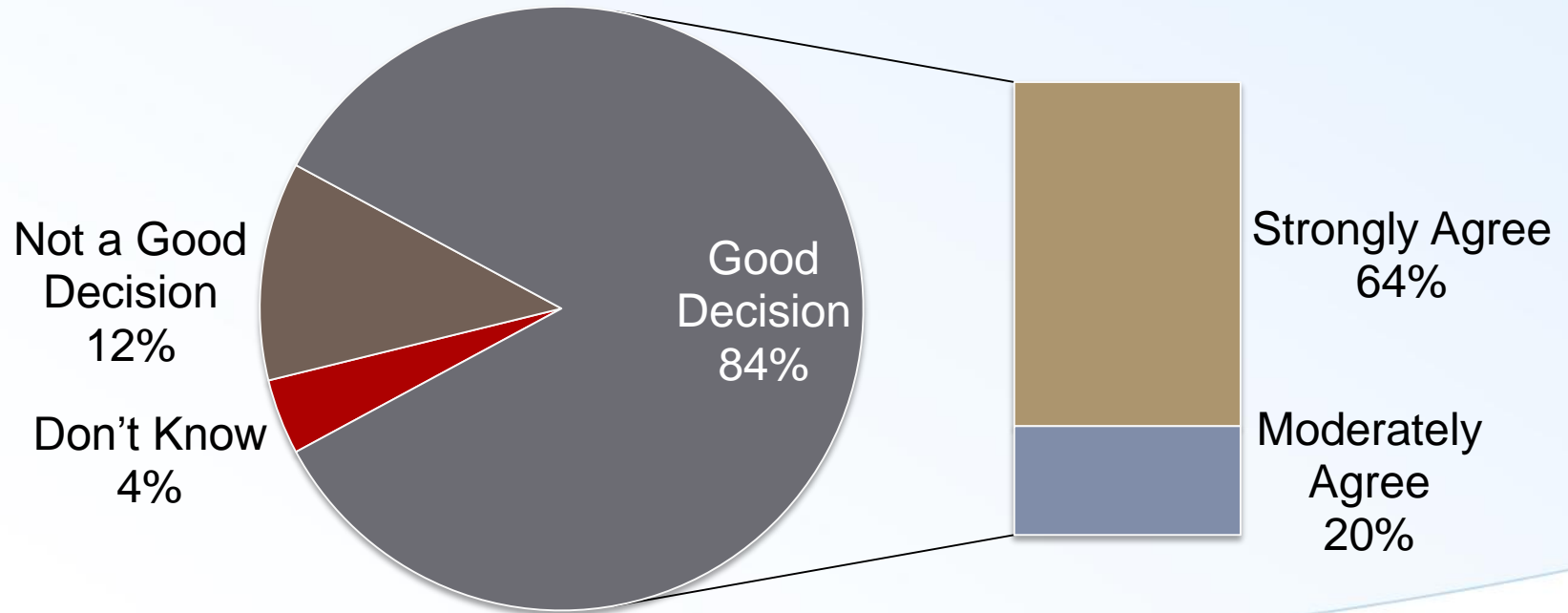
Percent of Existing Homes Sold to First-time Buyers



Source: National Association of REALTORS®

Most Consumers View Home Ownership As A Good Financial Choice

Is Buying A Home A Good Financial Decision?



Among current renters: 76%



Outlook

Economic Forecast

| | 2013 | 2014 | 2015 Forecast | 2016 Forecast |
|------------------|-------------|-------------|----------------------|----------------------|
| GDP Growth | 1.5% | 2.4% | 2.1% | 2.7% |
| Job Growth | 1.7% | 1.9% | 1.8% | 1.7% |
| CPI Inflation | 1.5% | 1.6% | 0.1% | 3.2% |
| 10-year Treasury | 2.5% | 2.6% | 2.1% | 2.7% |

Source: National Association of REALTORS® (November 2015)

Housing Forecast

| | 2013 | 2014 | 2015 Forecast | 2016 Forecast |
|-----------------------------------|-----------|-----------|---------------|---------------|
| Housing Starts | 925,000 | 1,001,000 | 1,117,000 | 1,263,000 |
| New Home Sales | 430,000 | 439,000 | 505,000 | 589,000 |
| Existing Home Sales | 5,100,000 | 4,940,000 | 5,299,000 | 5,454,000 |
| Median Existing Home Price Growth | 11.5% | 5.7% | 5.9% | 4.6% |
| 30-year Mtg Rate | 4.0% | 4.2% | 3.8% | 4.5% |

Source: National Association of REALTORS® (November 2015)



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