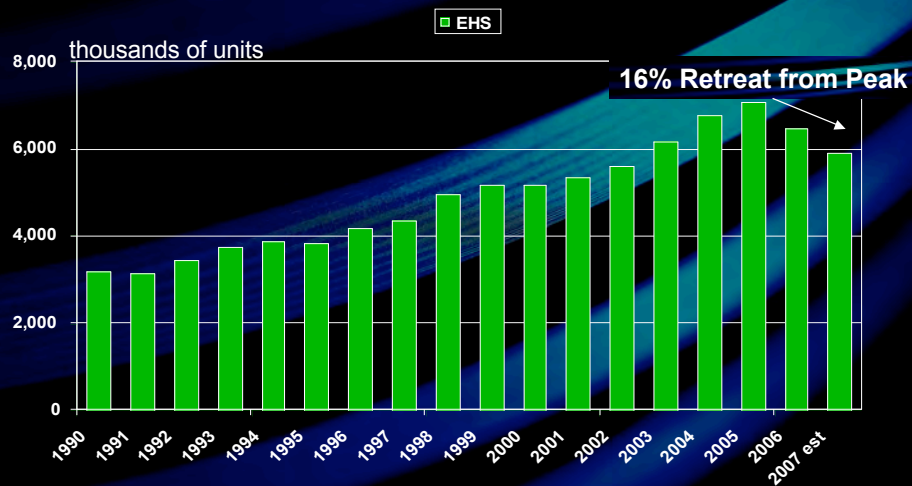


# U.S. Housing Market: Peering through the Clouds

Paul C. Bishop, Ph.D.  
Research Division  
NATIONAL ASSOCIATION OF REALTORS®

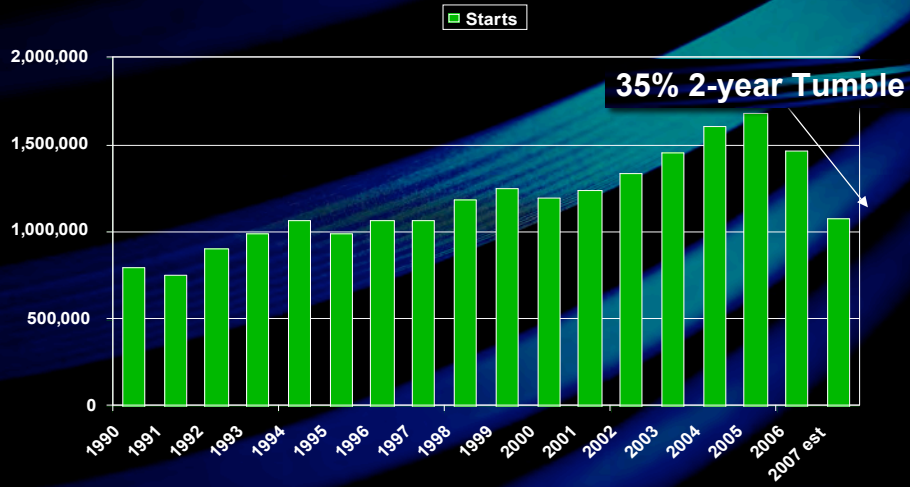
Revenue Estimation and Tax Research Conference  
Federation of Tax Administrators  
Raleigh-Durham, NC  
September 17, 2007

## U.S. Existing-Home Sales



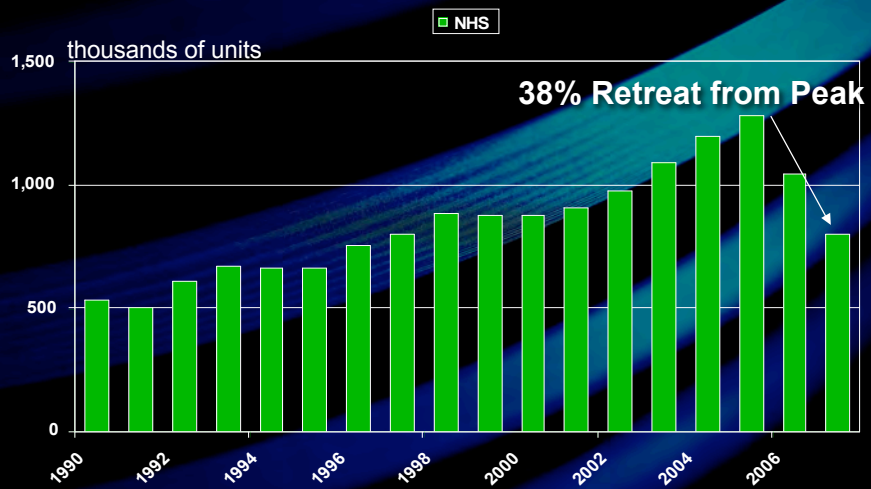
Source: NAR

# U.S. New Single-Family Construction



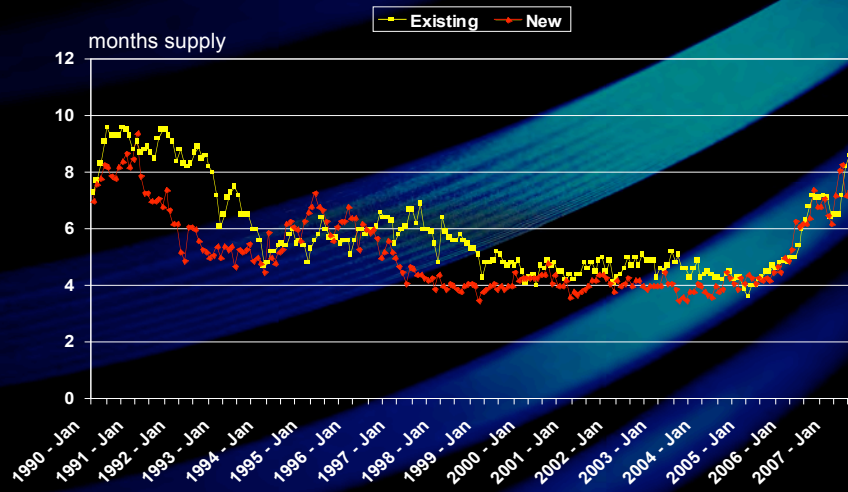
Source: Census, NAR Forecast

# U.S. New-Home Sales



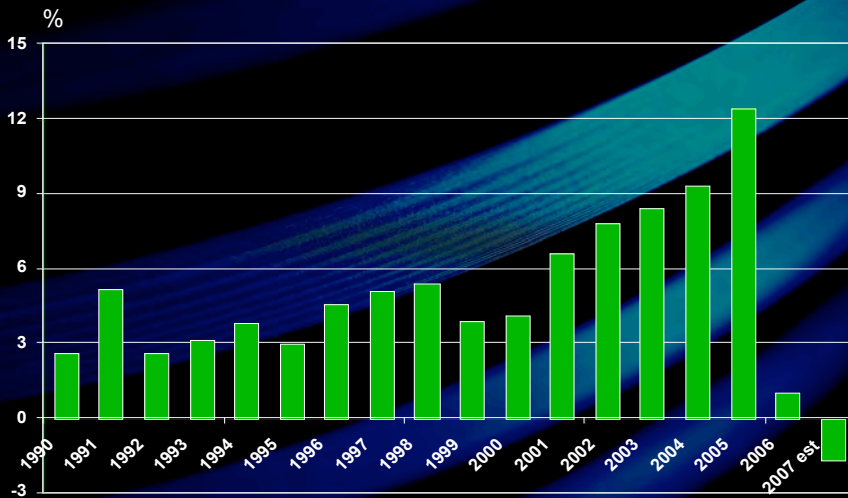
Source: Census, NAR Forecast

# Inventory of Homes



Source: NAR, Census

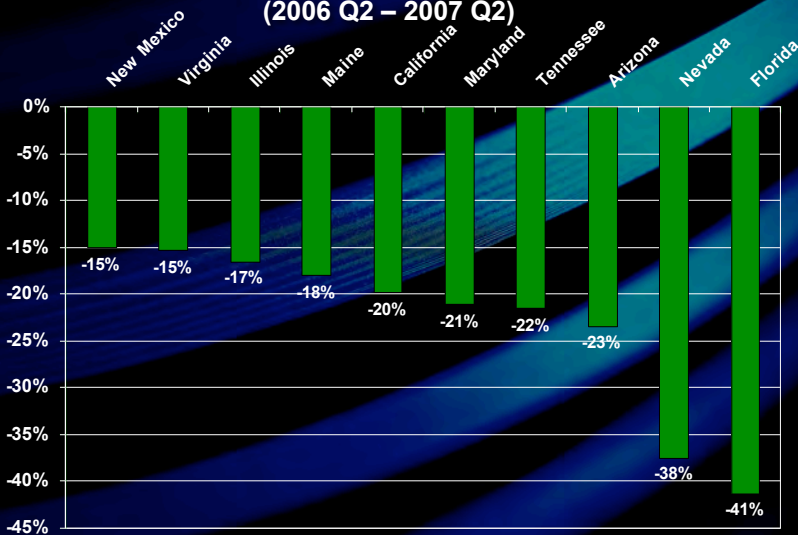
# Home Price Growth



Source: NAR

## Home Sales Tumble in Formerly Strong Markets

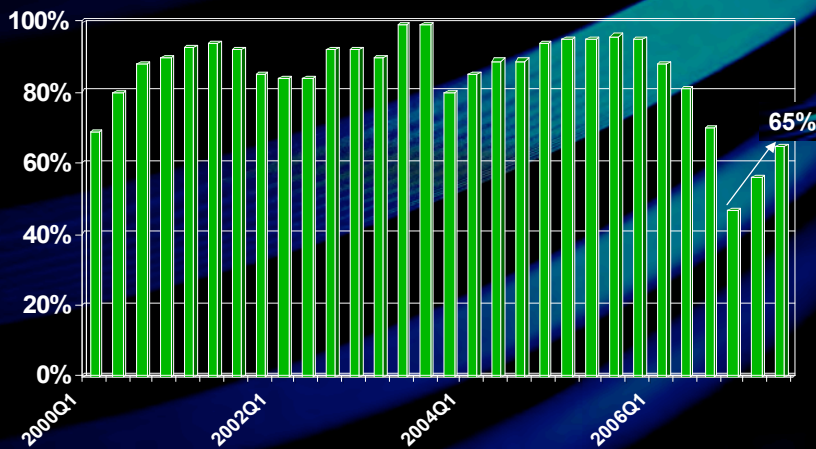
(2006 Q2 – 2007 Q2)



Source: NAR

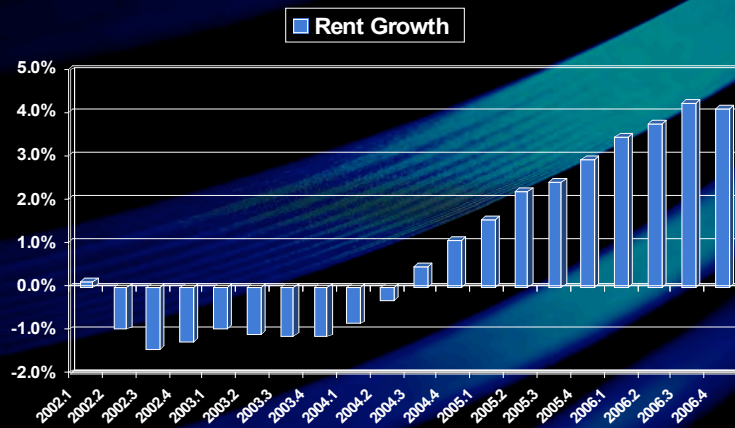
## Metro Markets with Price Gains on Upswing

(percent of markets with y/y price increases)



Source: NAR

## Renters Getting Squeezed

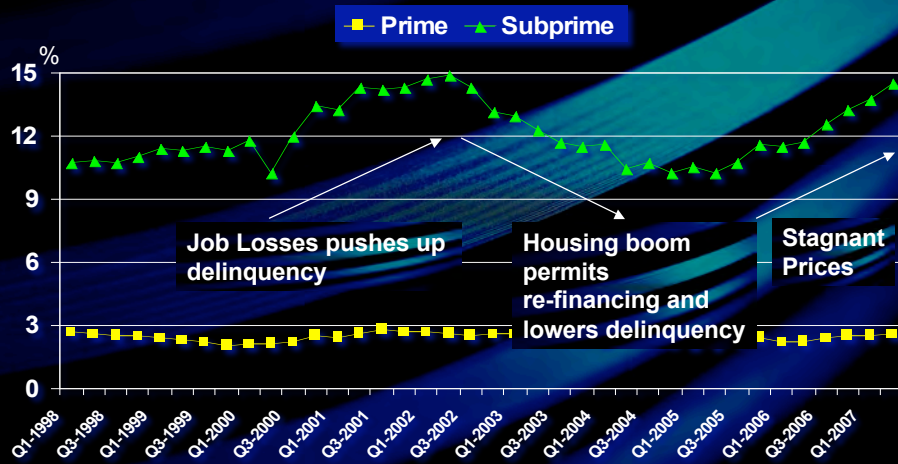


Source: Torto-Wheaton Research

## Subprime Loan Implosion

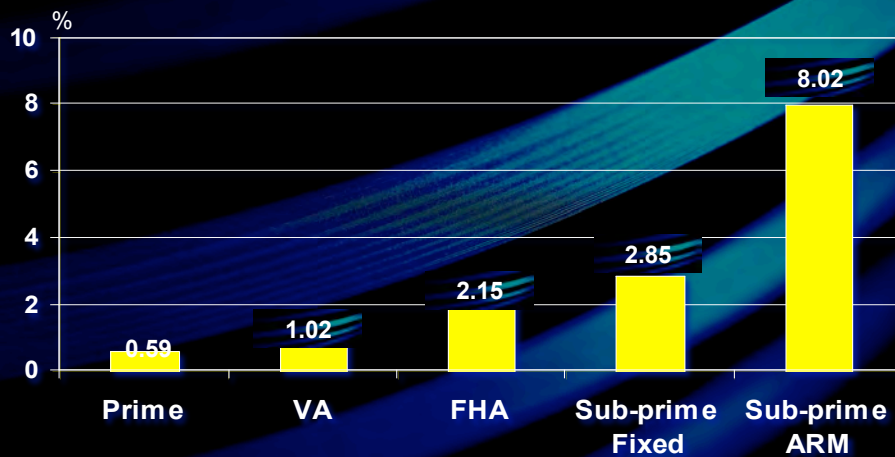
- Homeowners facing higher resetting rates and foreclosures
- Wall Street reassessing risk
- Sub-prime brokers desperate for Wall Street funding
- Potential homebuyers left out in the cold

## National Mortgage Delinquencies



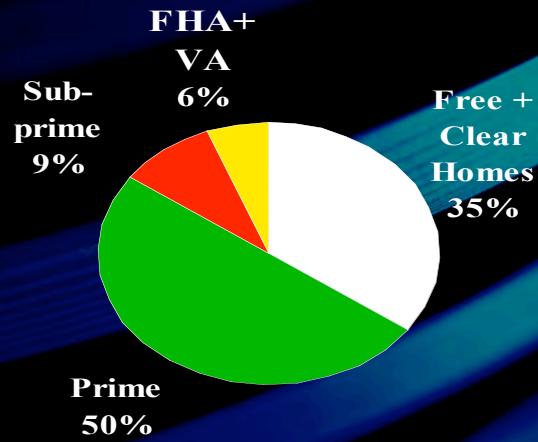
Source: MBA

## Foreclosure Rates by Loan Type 2007 Q2



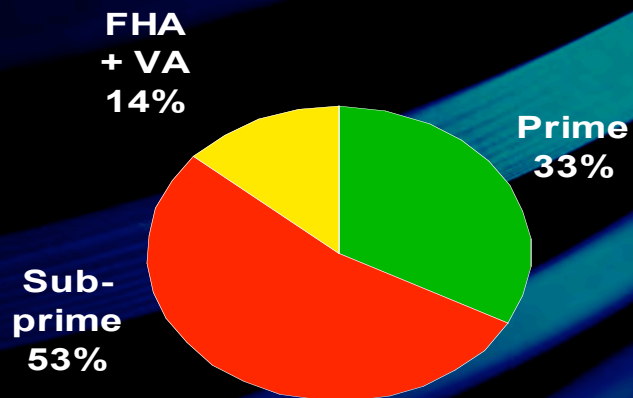
Source: MBA

# Subprime Loan Exposure



Source: NAR Estimate

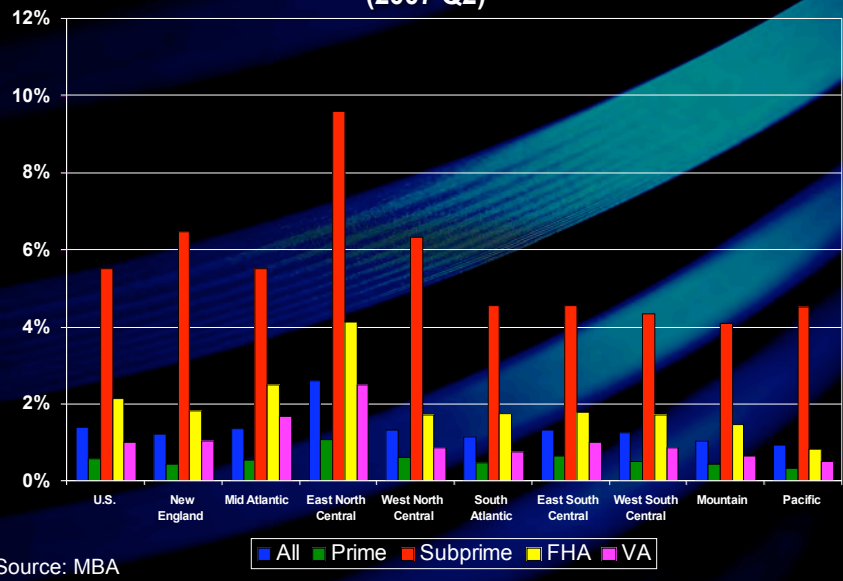
# Foreclosed Homes



Source: NAR Estimate

# Loans in Foreclosure

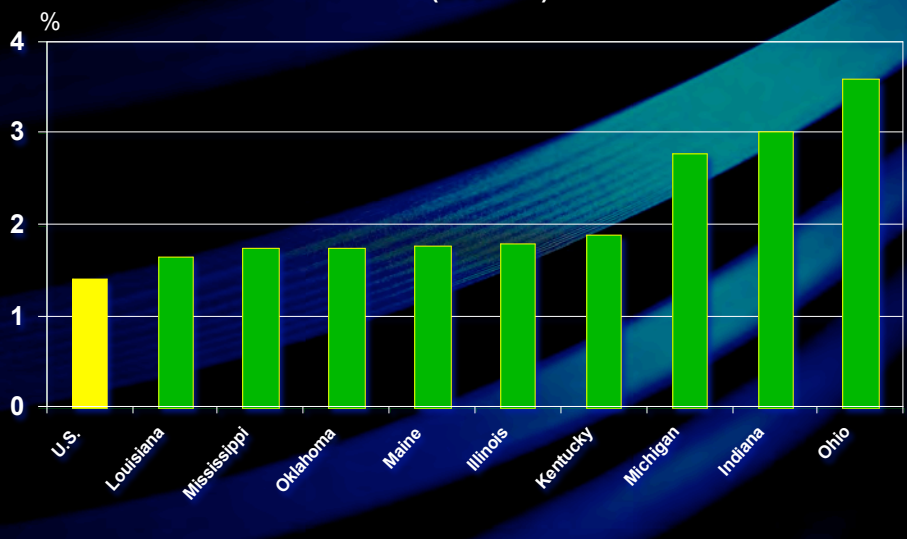
(2007 Q2)



Source: MBA

# High Foreclosure Rate States

(2007 Q2)



Source: MBA



# Rising Foreclosures

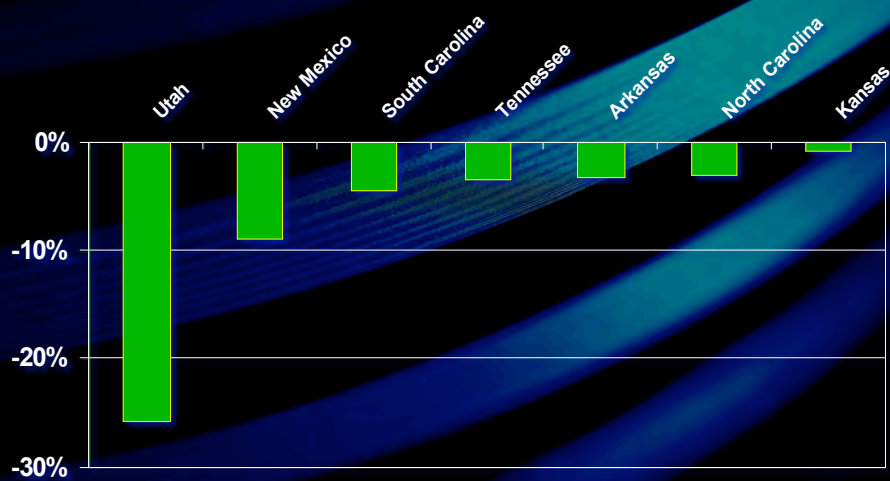
Percent change in foreclosure rate in 2006 Q2 vs 2007 Q2



Source: MBA

# Not All Markets are Suffering ... States with Falling Foreclosures

Percent change in foreclosure rate in 2006 Q2 vs 2007 Q2

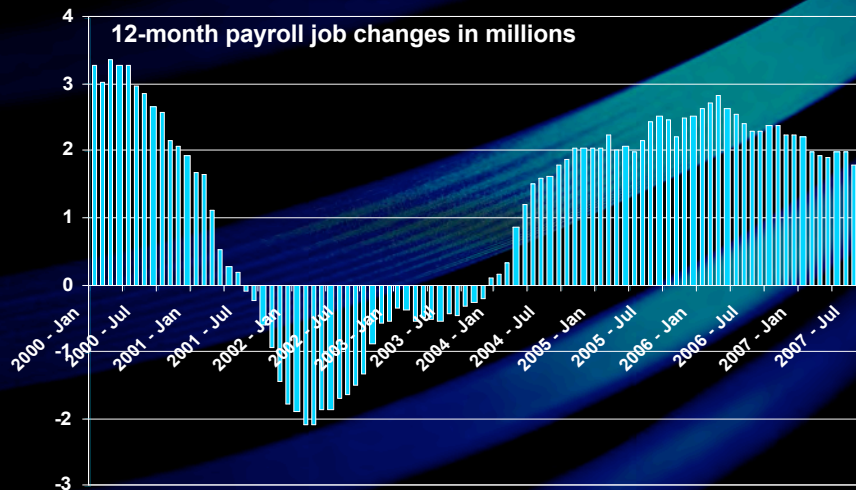


Source: MBA

# Healthier Future Market

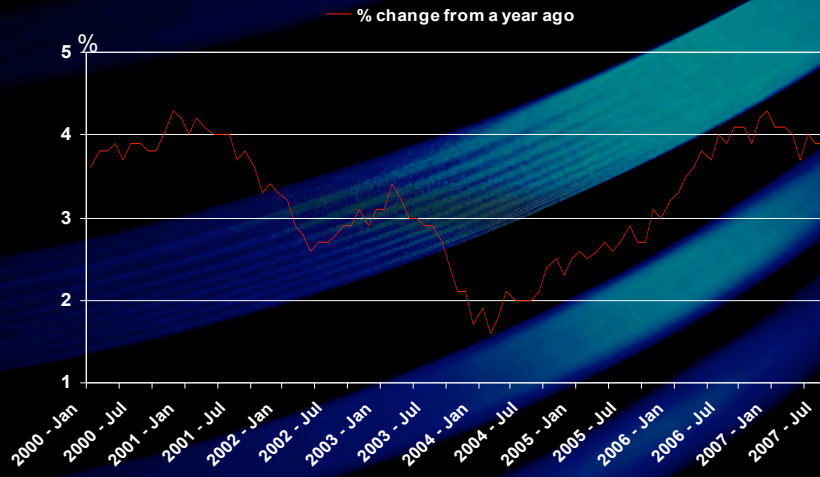
- Cut back in new home construction thins out inventory and strengthen home prices
- Shift to “traditional” products
  - Reckless lenders going belly up
  - Wall Street tightening
  - FHA revival
  - Higher prevalence of fixed-rate mortgages
- Short-term Pain from lower home sales
- Long-term Gain from lower defaults
- Long-term factors still favorable for housing

# U.S. Job Gains Near 2 Million in Past 12 months



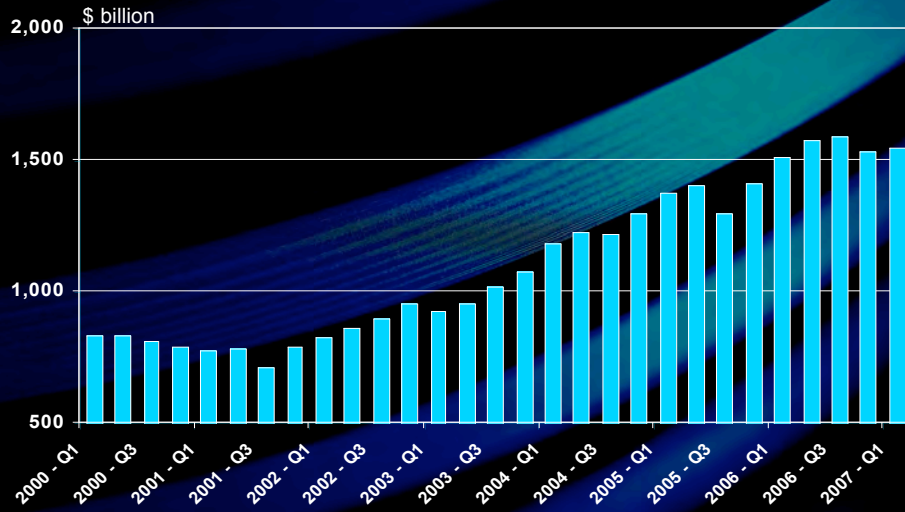
Source: BLS

# Wage Growth Picking Up



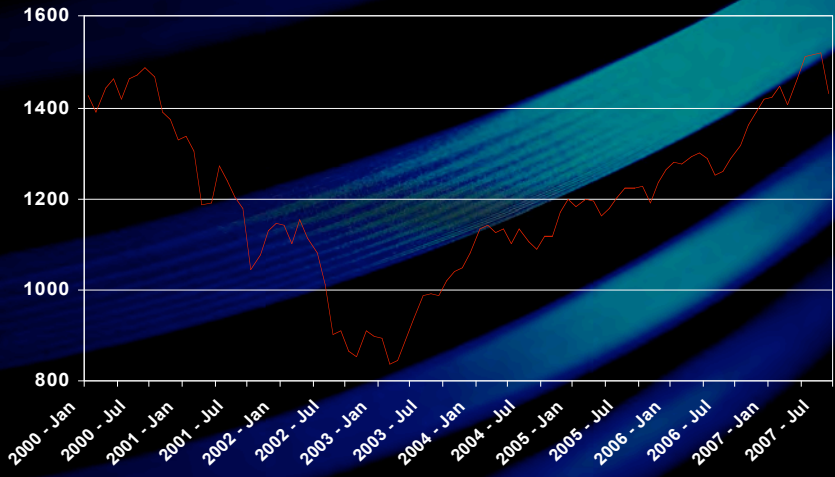
Source: BLS

# Corporate Profits – Record High



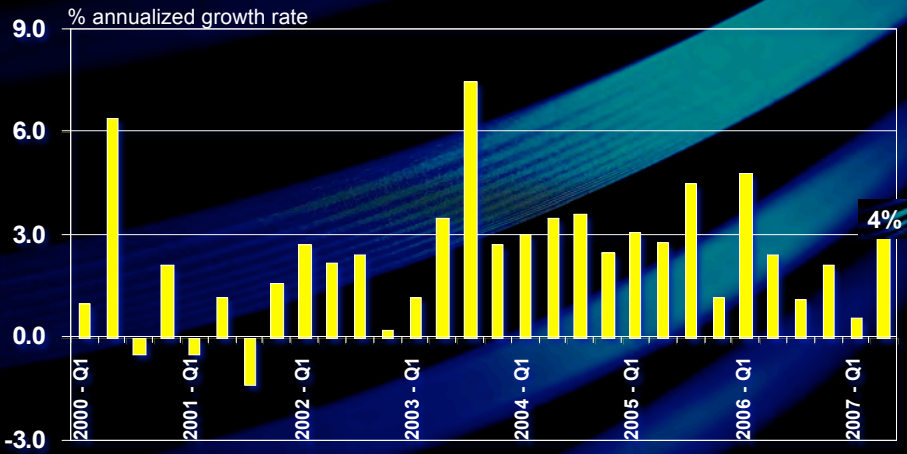
Source: BEA

# S&P 500 Index



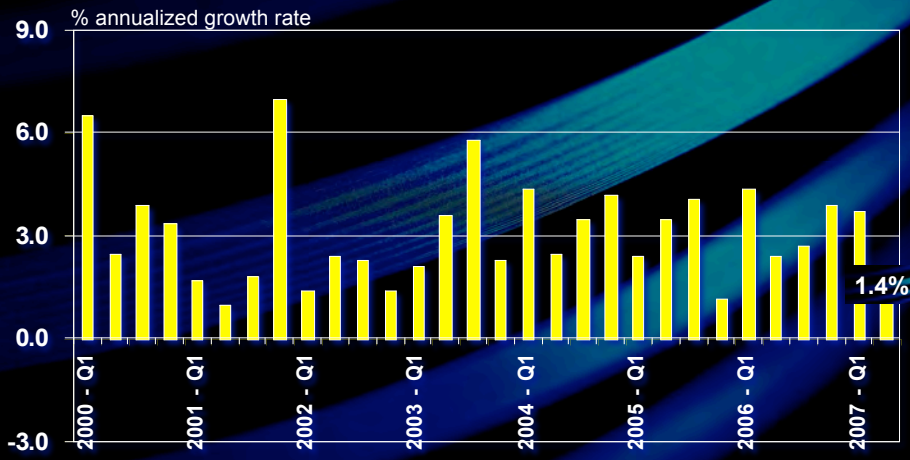
Source: NYSE

# Economic Growth



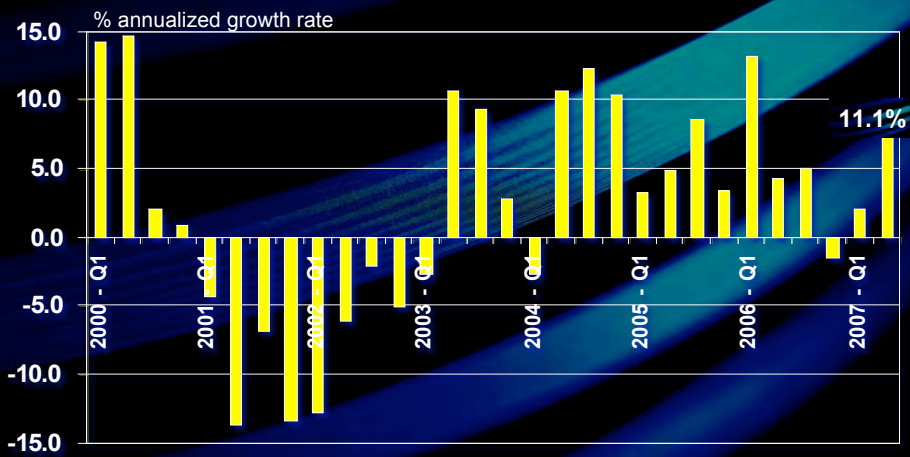
Source: BEA

# Consumer Spending



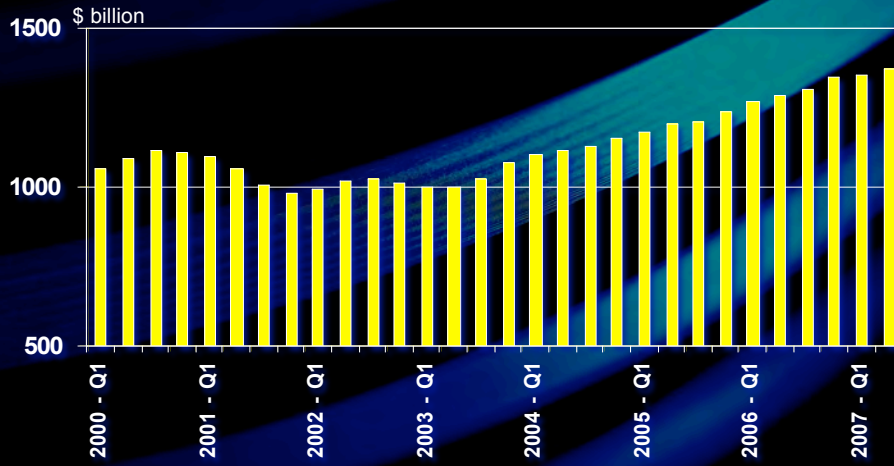
Source: BEA

# Business Spending



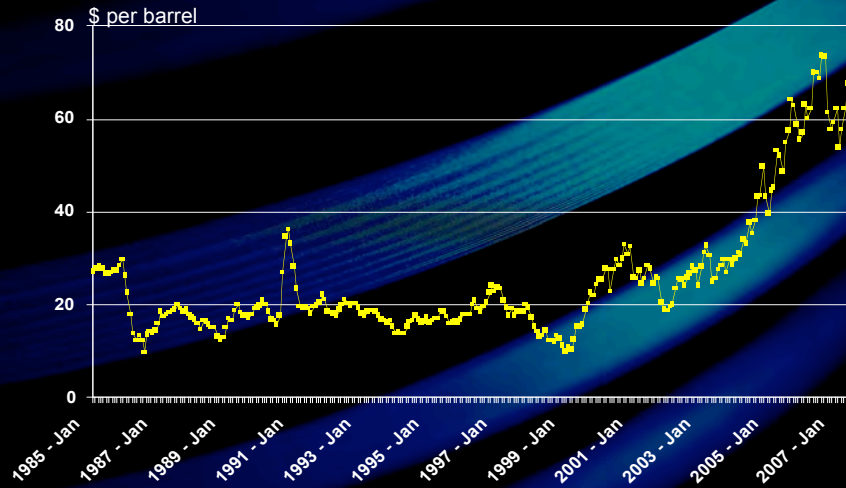
Source: BEA

## Export Growth



Source: BEA

## Worry Spot - Oil Price



Source: Wall Street Journal

## Economic Outlook

	2006	2007	2008
<b>GDP</b>	2.9%	2.0%	2.7%
<b>CPI Inflation</b>	3.2%	2.8%	2.3%
<b>Job Growth</b>	1.9%	1.3%	1.0%
<b>Unemployment Rate</b>	4.6%	4.6%	4.9%

Source: NAR, September 2007

## Buyers Lining Up ?

	2005	2007	Difference
<b>Total Home Sales</b>	8.4 million	6.7 million	- 1.7 million
<b>Jobs</b>	133.7 million	138.0 million	+ 4.3 million
<b>Wage + Salary</b>	\$5.7 trillion	\$6.4 trillion	+ \$700 billion
<b>Household Wealth</b>	\$52 trillion	\$57 trillion	+ \$5 trillion
<b>Home Prices</b>	\$219,600	\$218,200	- \$1,400
<b>Mortgage Rates</b>	5.9%	6.3%	+ 0.4%

# National Housing Outlook

	2006	2007	2008
Existing-Home Sales	6.48 million	5.92 million	6.27 million
New Home Sales	1.05 million	0.80 million	0.74 million
Housing Starts	1.80 million	1.37 million	1.26 million
30-Year FRM	6.4%	6.3%	6.5%
1-Year ARM	5.5%	5.6%	5.2%
Existing-Home Price Growth	1.0%	-1.7%	2.2%

Source: NAR, September 2007