

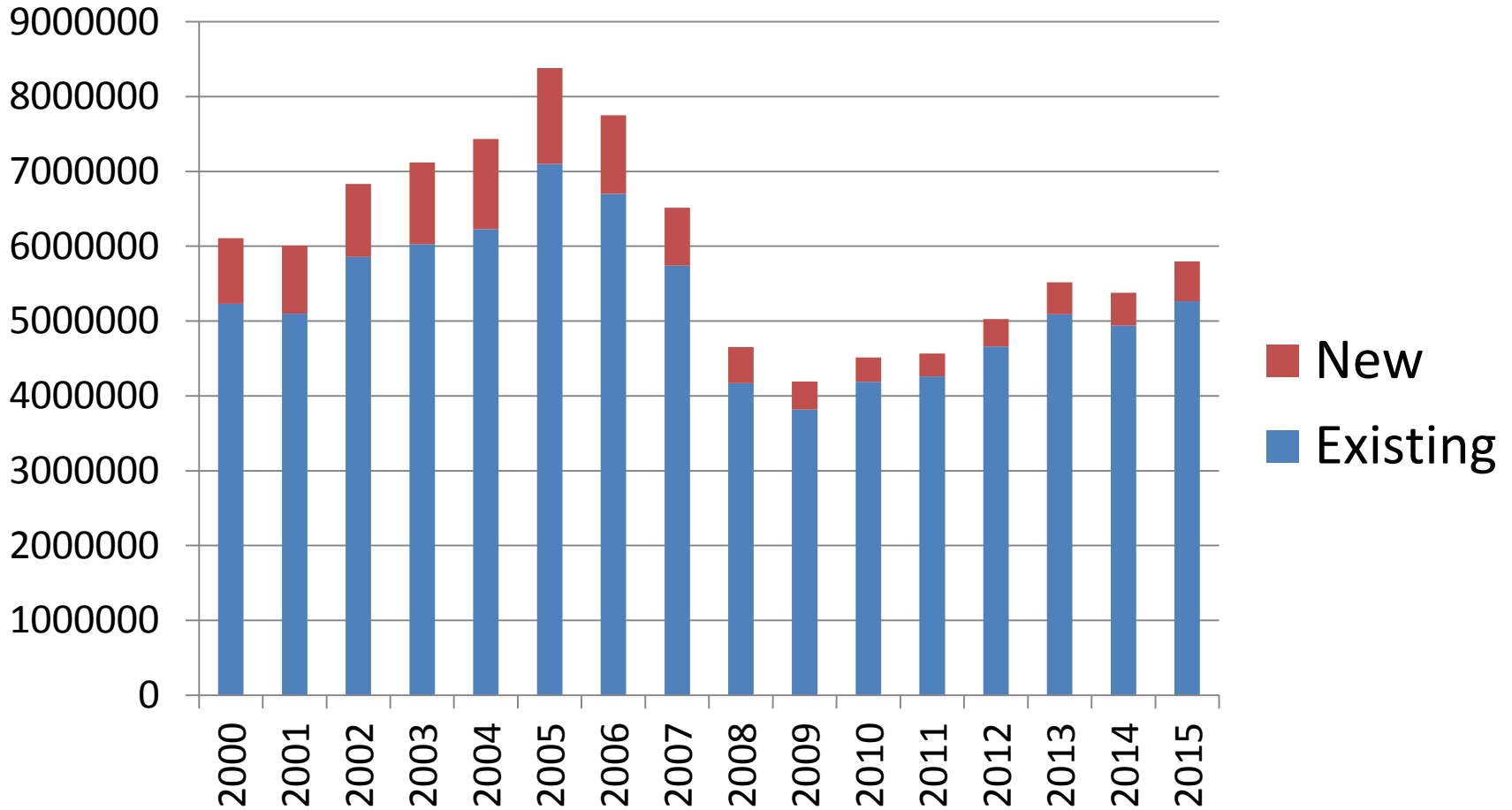
Housing Crisis Ahead?

By Lawrence Yun, Ph.D.
Chief Economist
National Association of REALTORS®

Presentation at Housing For All Symposium
Washington, D.C.

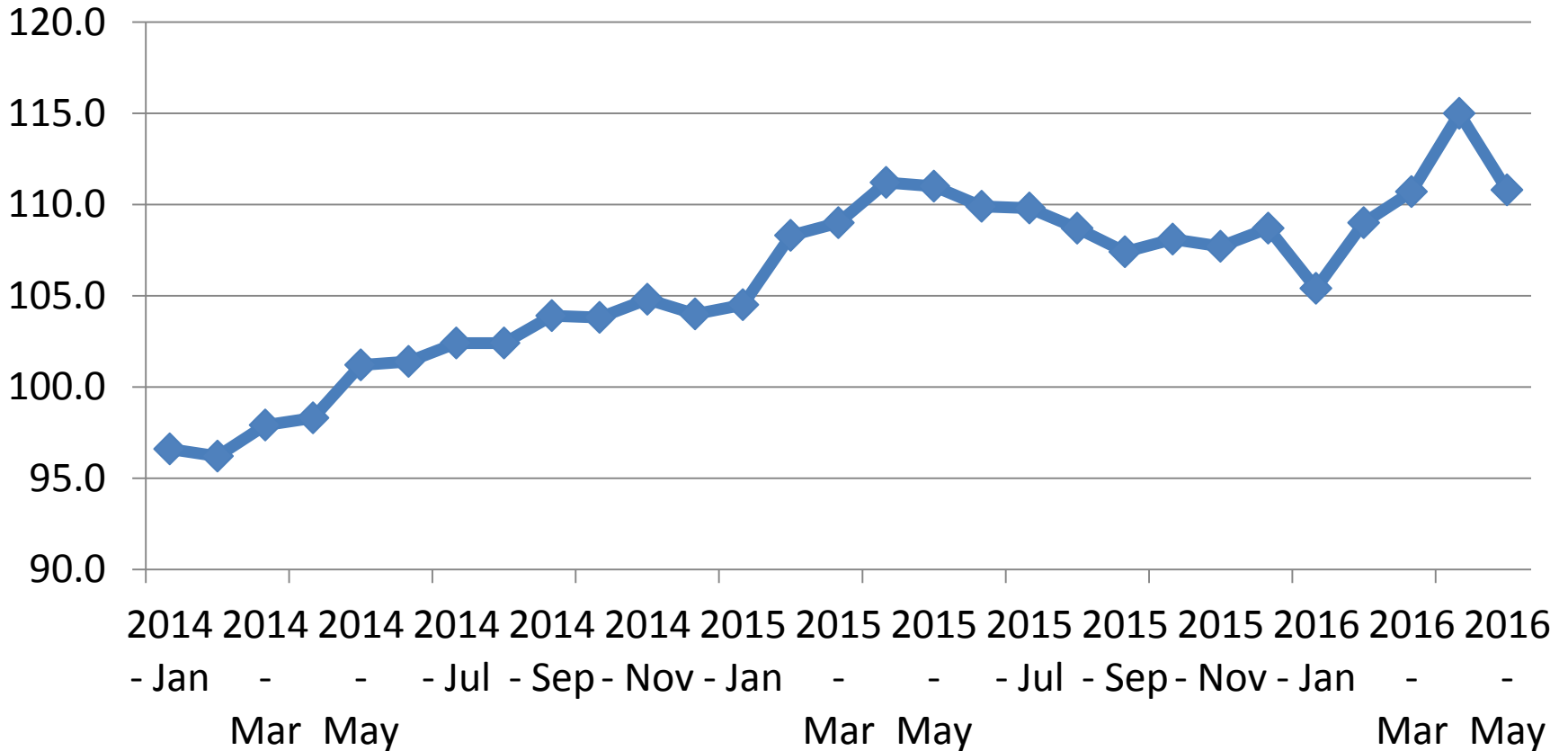
July 18, 2016

Annual Home Sales



Recent Monthly Pending Sales Index

(Seasonally Adjusted)



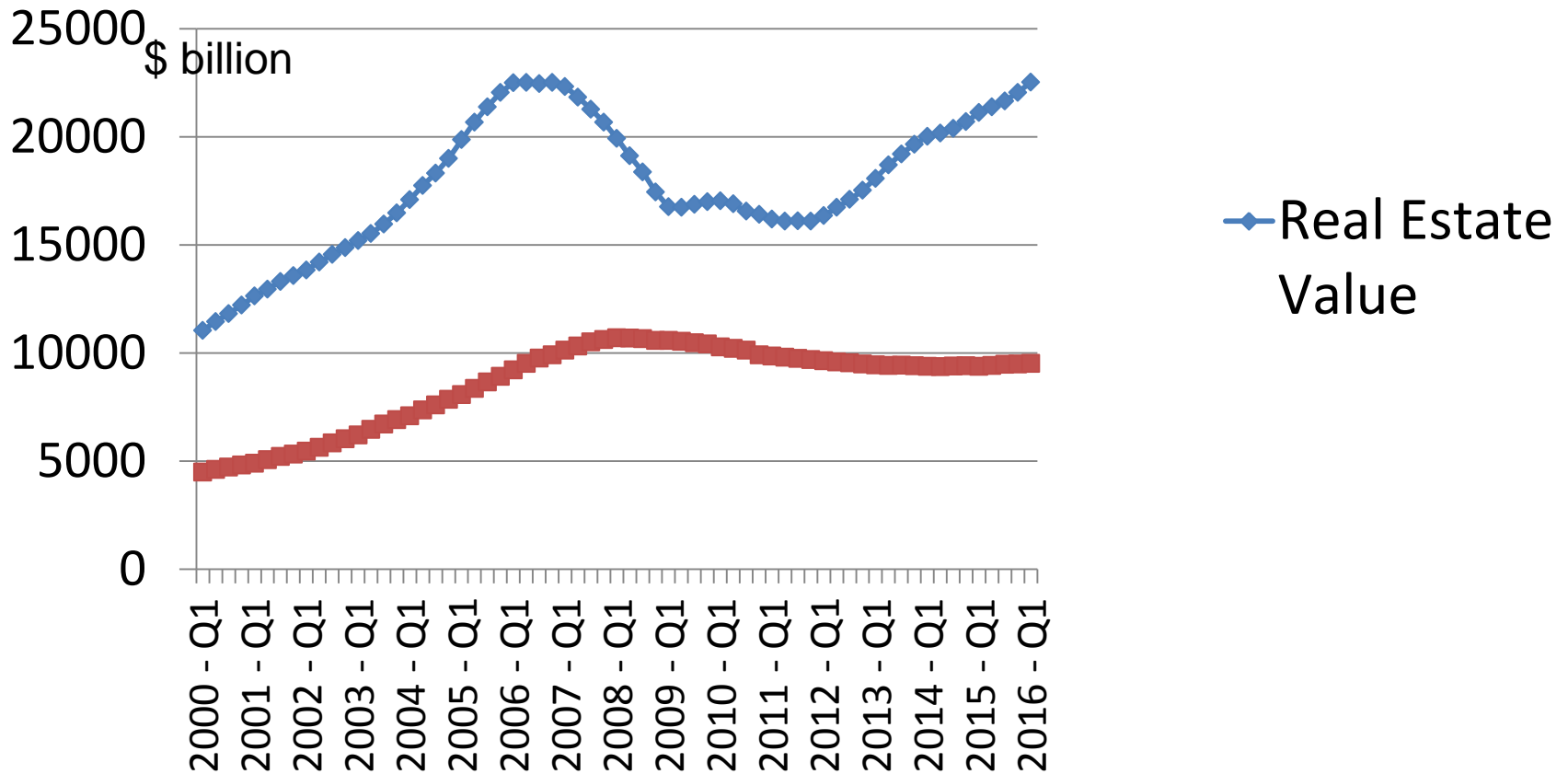
Source: NAR



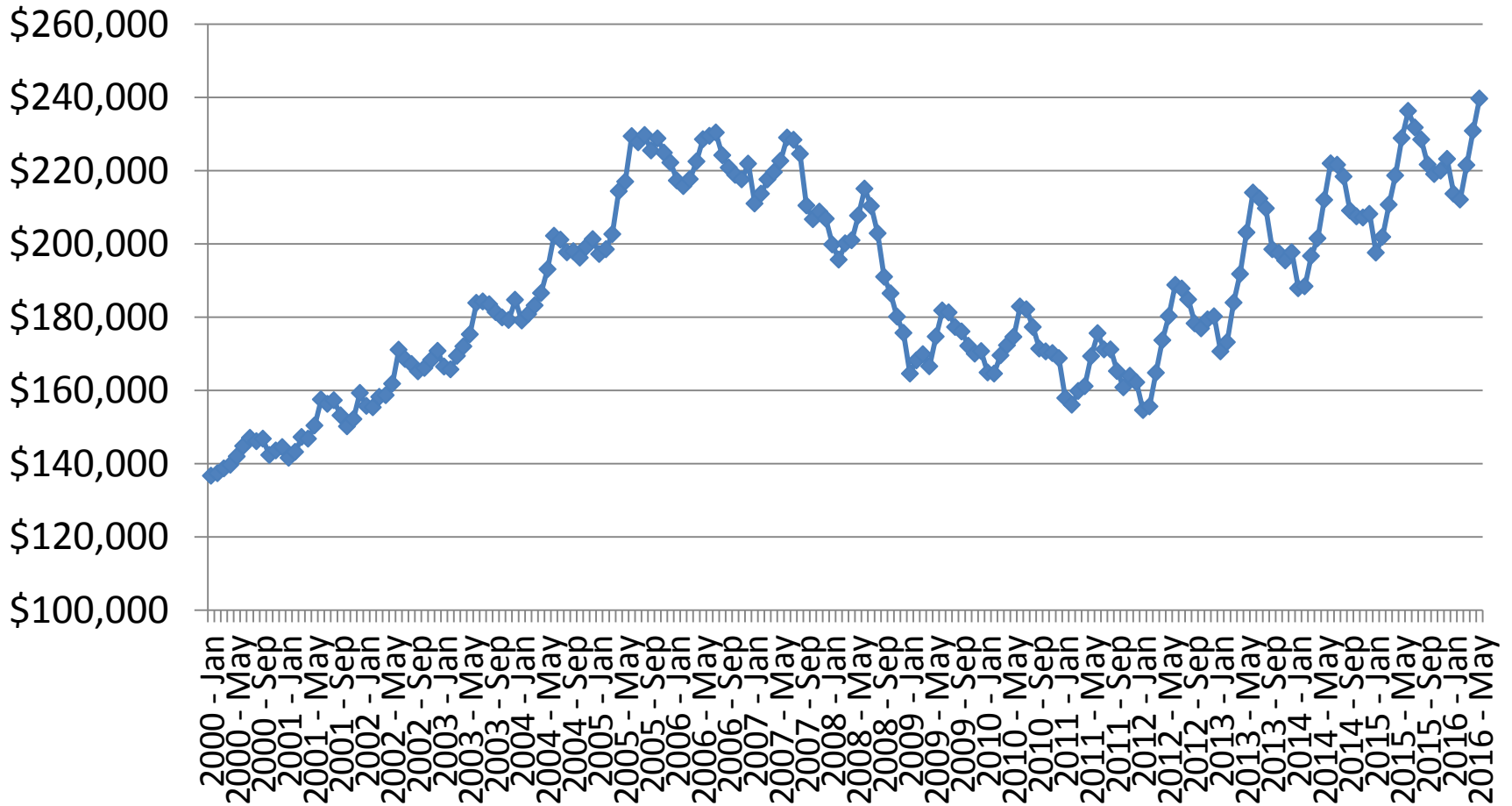
Home Sales Forecast: Up and Up

	2014	2015	2016 Forecast	2017 Forecast
New Home Sales	437,000	500,000	550,000	610,000
Existing Home Sales	4.9 million	5.3 million	5.4 million	5.6 million

Rising Housing Wealth



Median Home Price

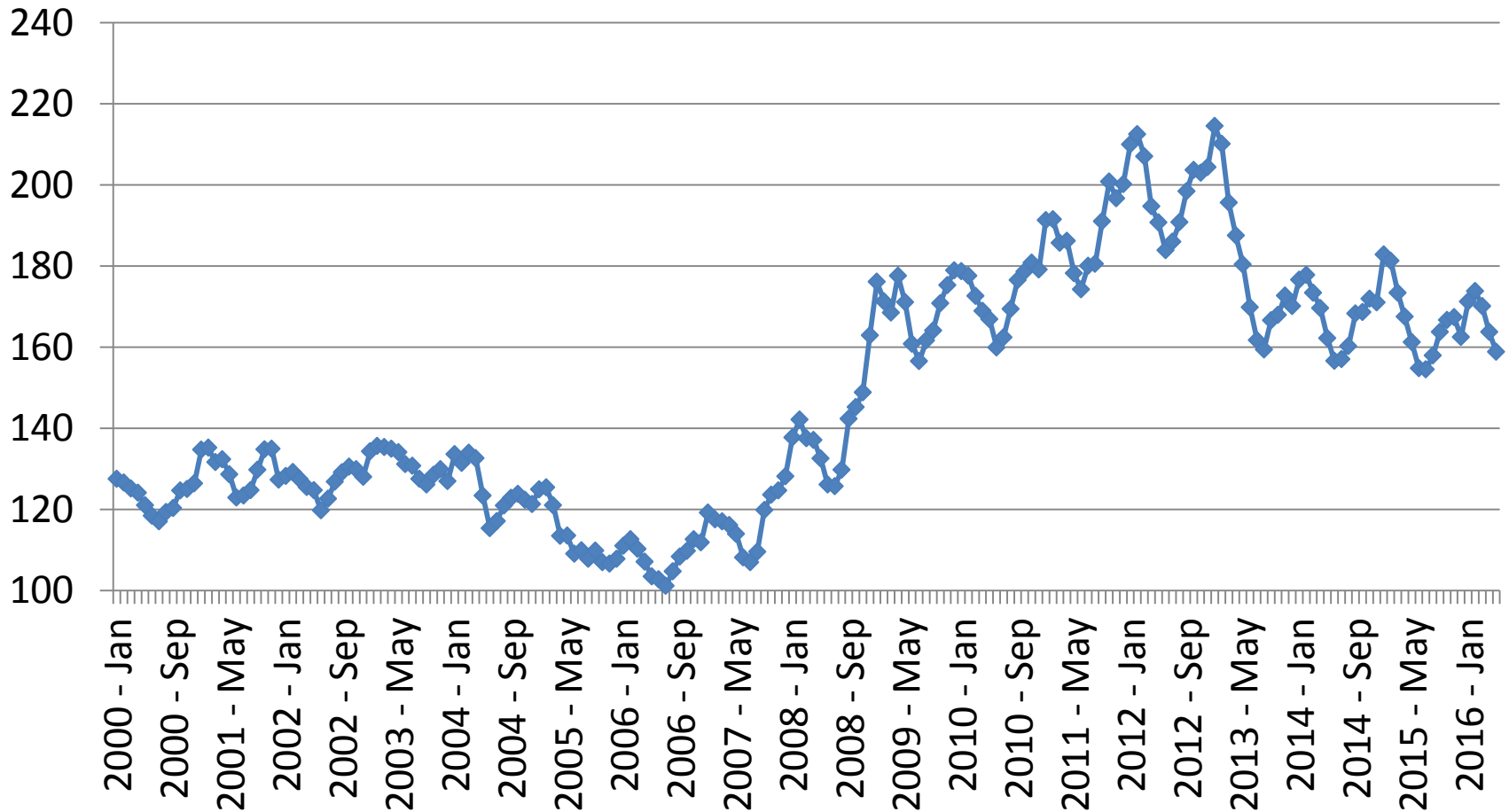


Going Down !!!



Affordability Index

(Mixture of home price, income, mortgage rates)



Formula for Affordability Index

- **Formula: $MEDPRICE * .8 * (IR/12) / (1 - (1 / (1 + IR/12))^{360})$**

- *Median Price Existing Single-Family Home* – Comes from the existing home sales monthly survey conducted by the National Association of Realtors
- *Monthly Mortgage Rate* – NAR uses the “effective mortgage rate” for preoccupied homes in the HAI calculations. The effective mortgage rate is reported by the Federal Housing Finance Board on a monthly basis. The effective mortgage rate reflects the amortization of initial fees and charges.
- *Principle & Interest Payment* – Monthly Payment
- *This will equal MS Excel's PMT function*
- *Median as % of Income* = Necessary monthly income

- **Formula: $(PMT * 12) / MEDINC * 100$**

- *Median Family Income* – NAR uses Income data from the Census Bureau American Community Survey.
- Census income data is not available for the upcoming year. Thus, NAR analysts project income levels for the upcoming year that are used in HAI calculations. Annual revisions are made to the HAI series when Census income data is released and also occasionally as other source data for the projections are revised.
- *Qualifying Income* – Income necessary to qualify for a loan for the median priced home

- **Formula: $PMT * 4 * 12$**

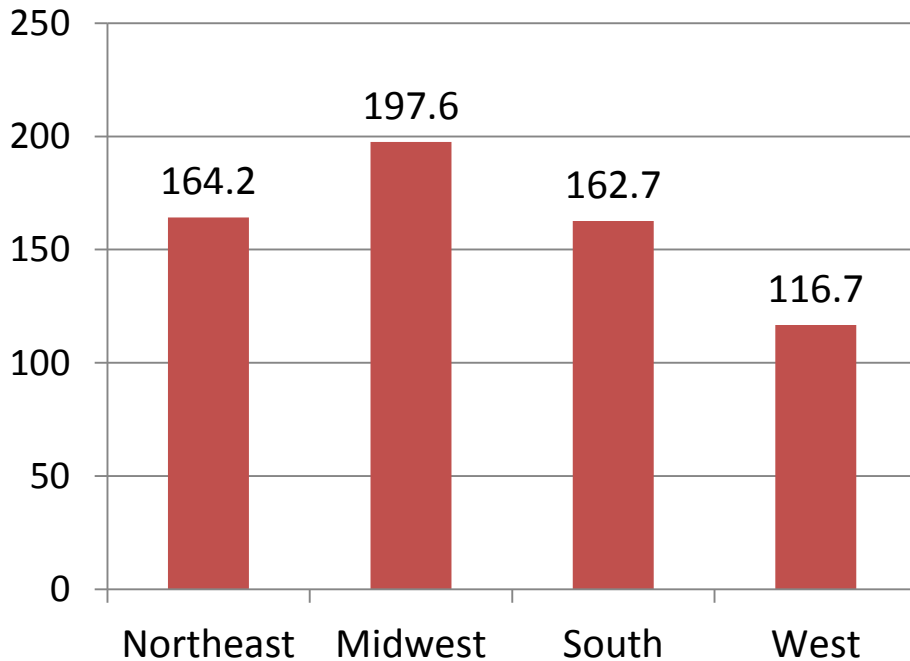
- *Housing Affordability Index(Composite)*- Measures the degree to which a typical family can afford the monthly mortgage payments on a typical home.

- **Formula: $(MEDINC / QINC) * 100$**

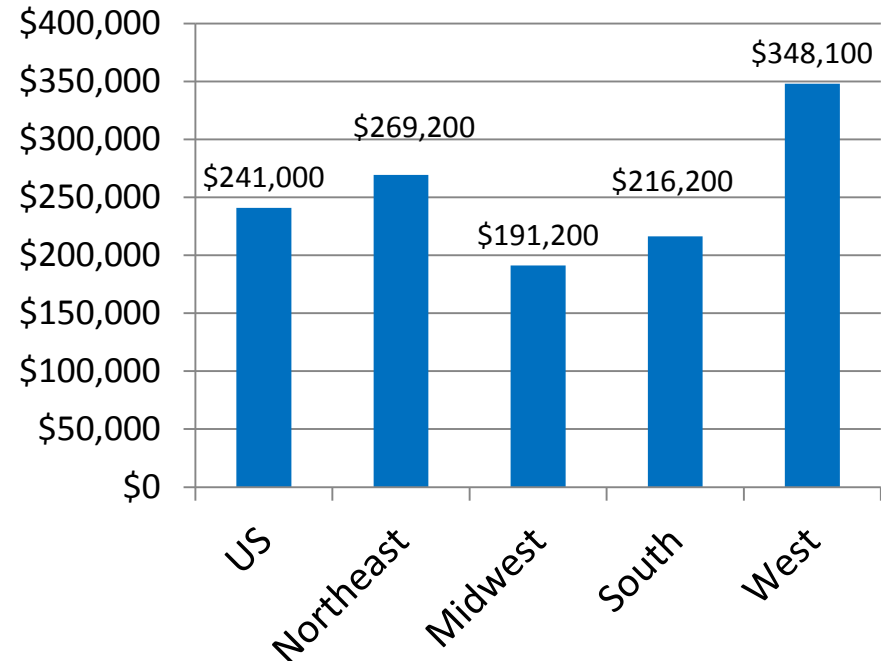
- Key:
- **IR** = Interest Rate
- **MEDPRICE** = Median price of existing single-family home sale
- **PMT**= Monthly payment
- **MEDINC** = Median Family Income
- **MINC** = Necessary Monthly Income
- **QINC** = Qualifying Income

Regional Variations

Affordability

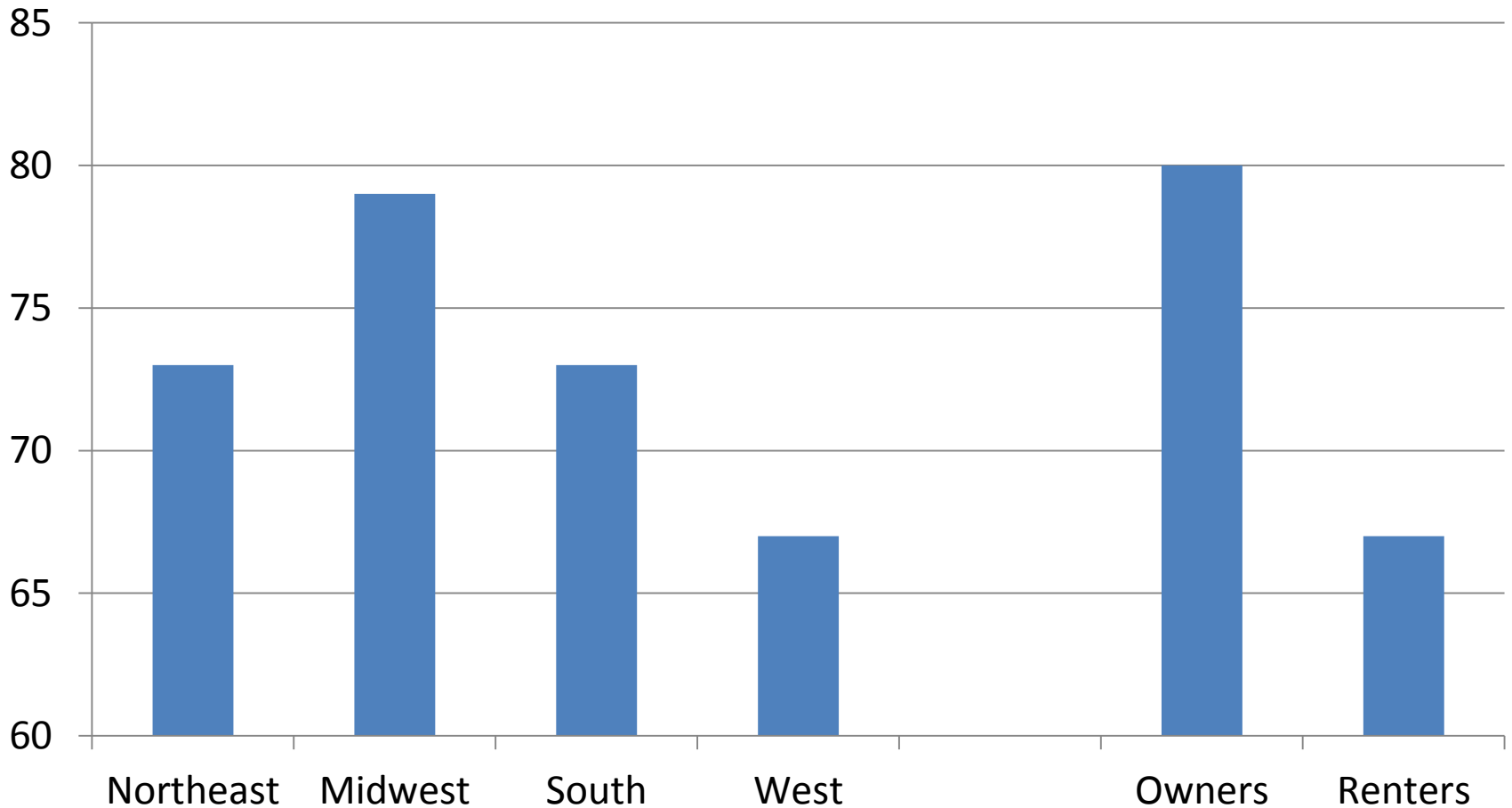


Single Family Median

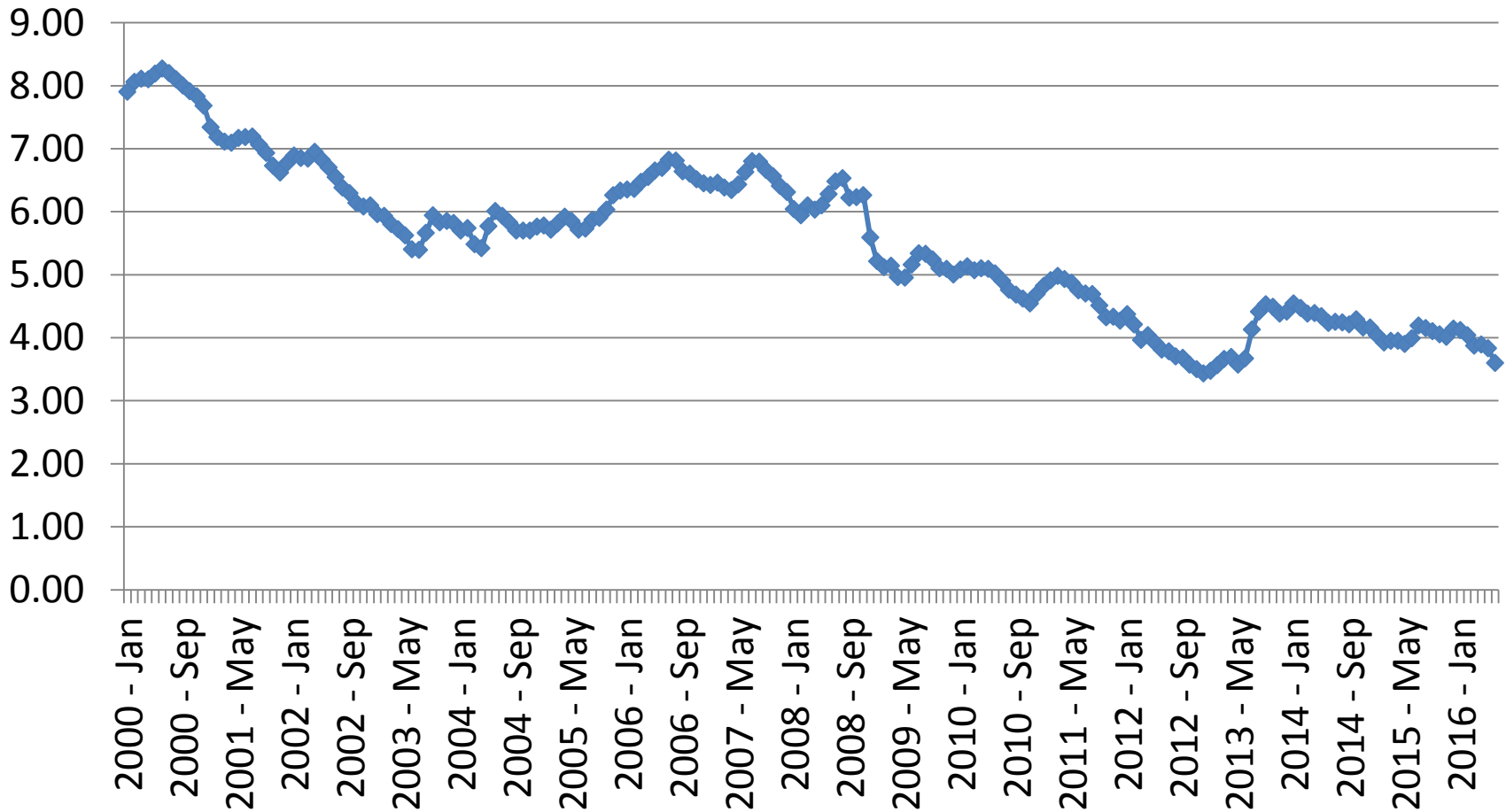


Good Time to Buy?

NAR HOME Survey

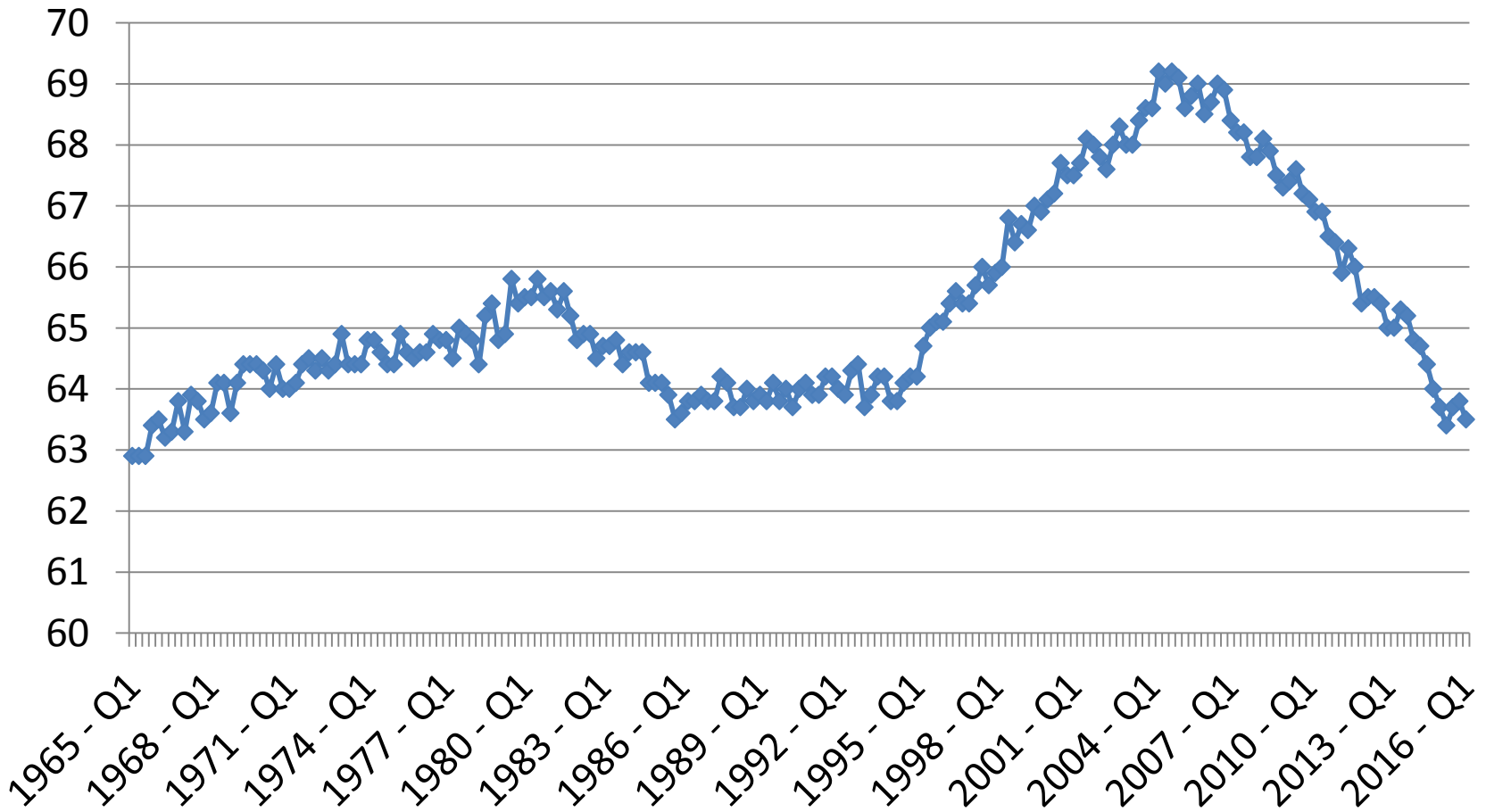


Mortgage Rates



Homeownership Rate

Near 50-year low

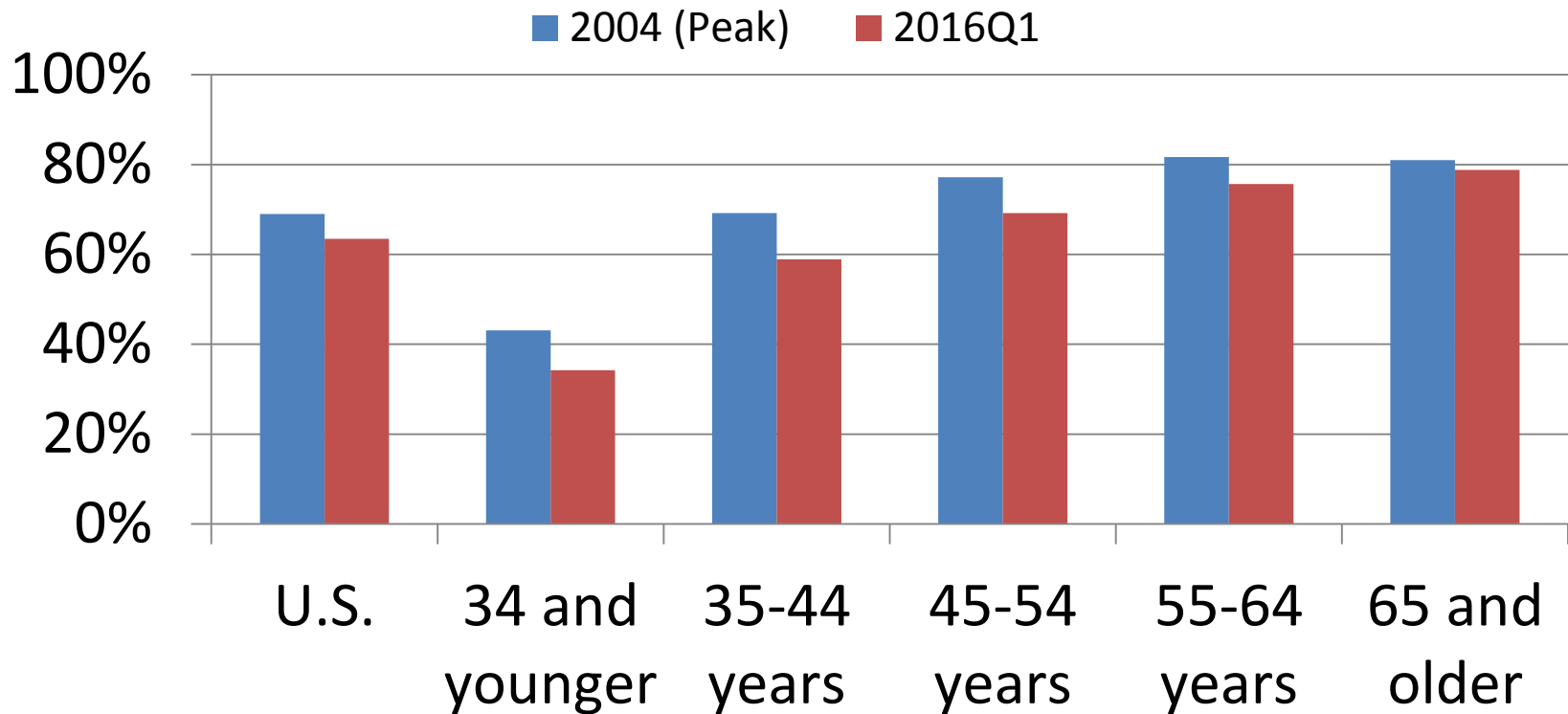


NATIONAL
ASSOCIATION of
REALTORS®



Younger Households Less Likely to Own a Home

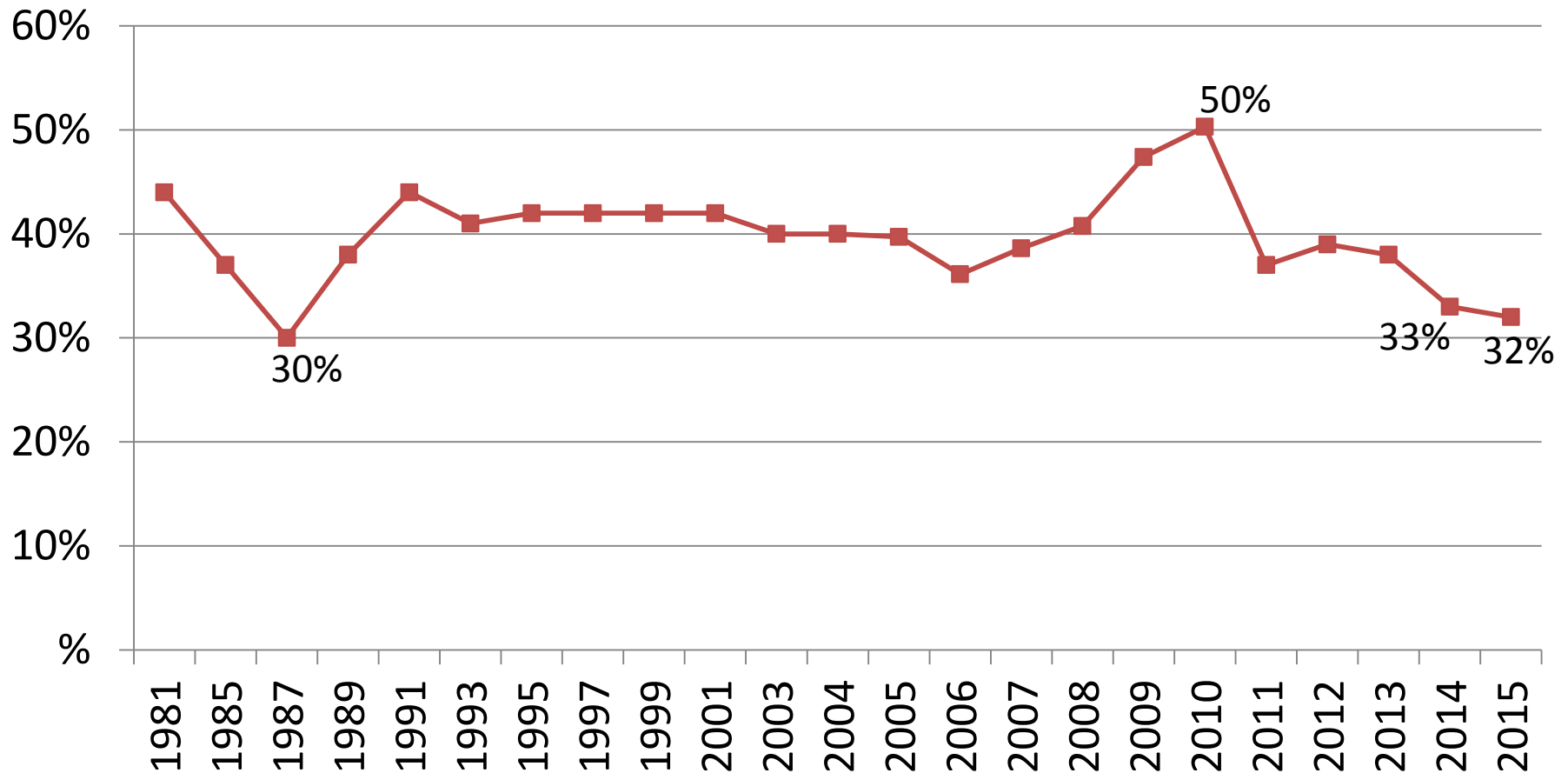
Homeownership Rate



Source: Census Bureau

First-time collapse ... why?

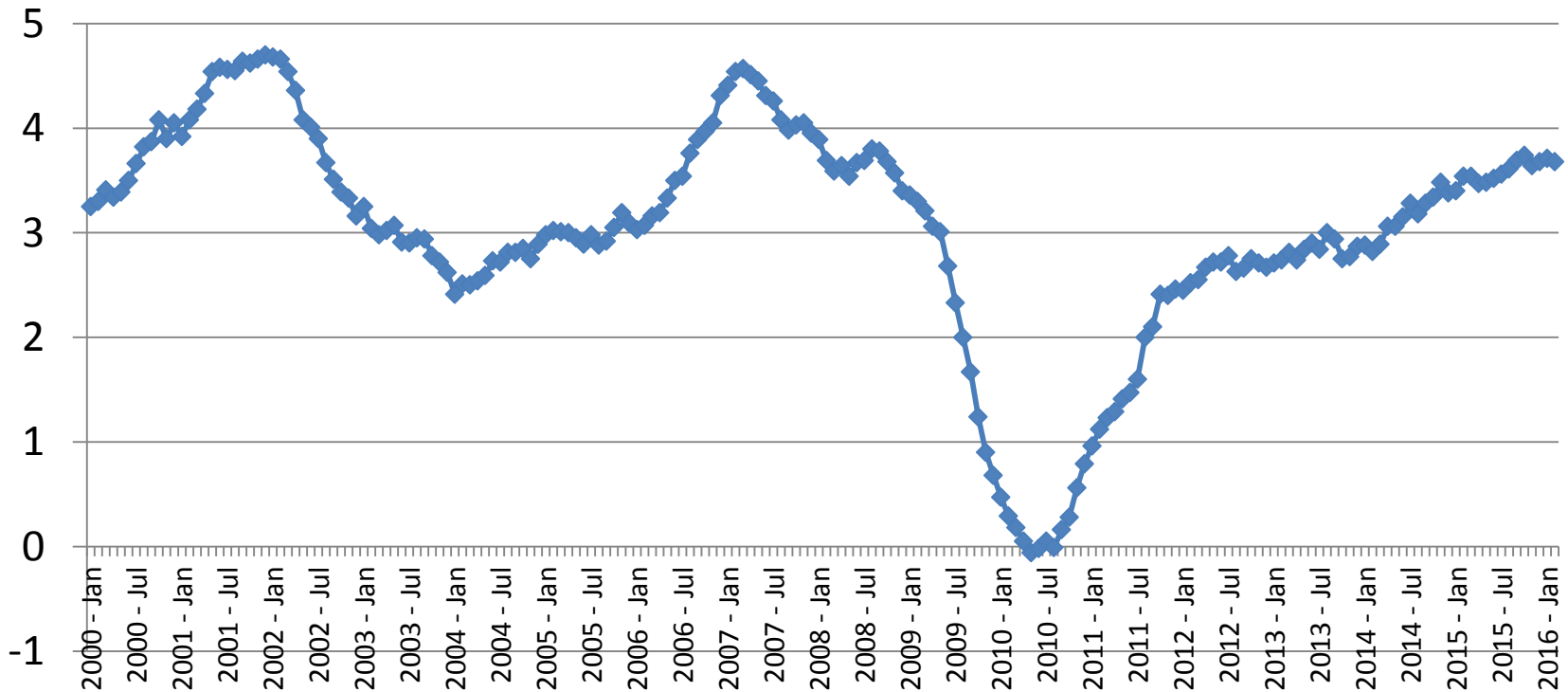
Lowest in nearly 30 years ... since 1987



Renting Painful

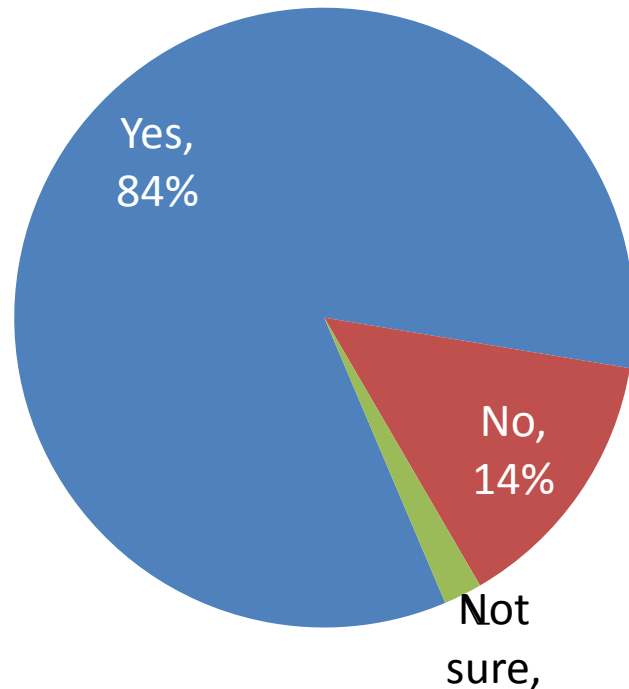
Rents Rising at 7-year high

Renters' Rent



Current Renters Point to Affordability as Main Hurdle to Ownership

Do renters ever want to own a home?



Source: National Association of REALTORS®

Why don't renters own a home?

Can't afford a home 36%

Life circumstances not suitable for owning now 32%

Need flexibility of renting vs owning 14%

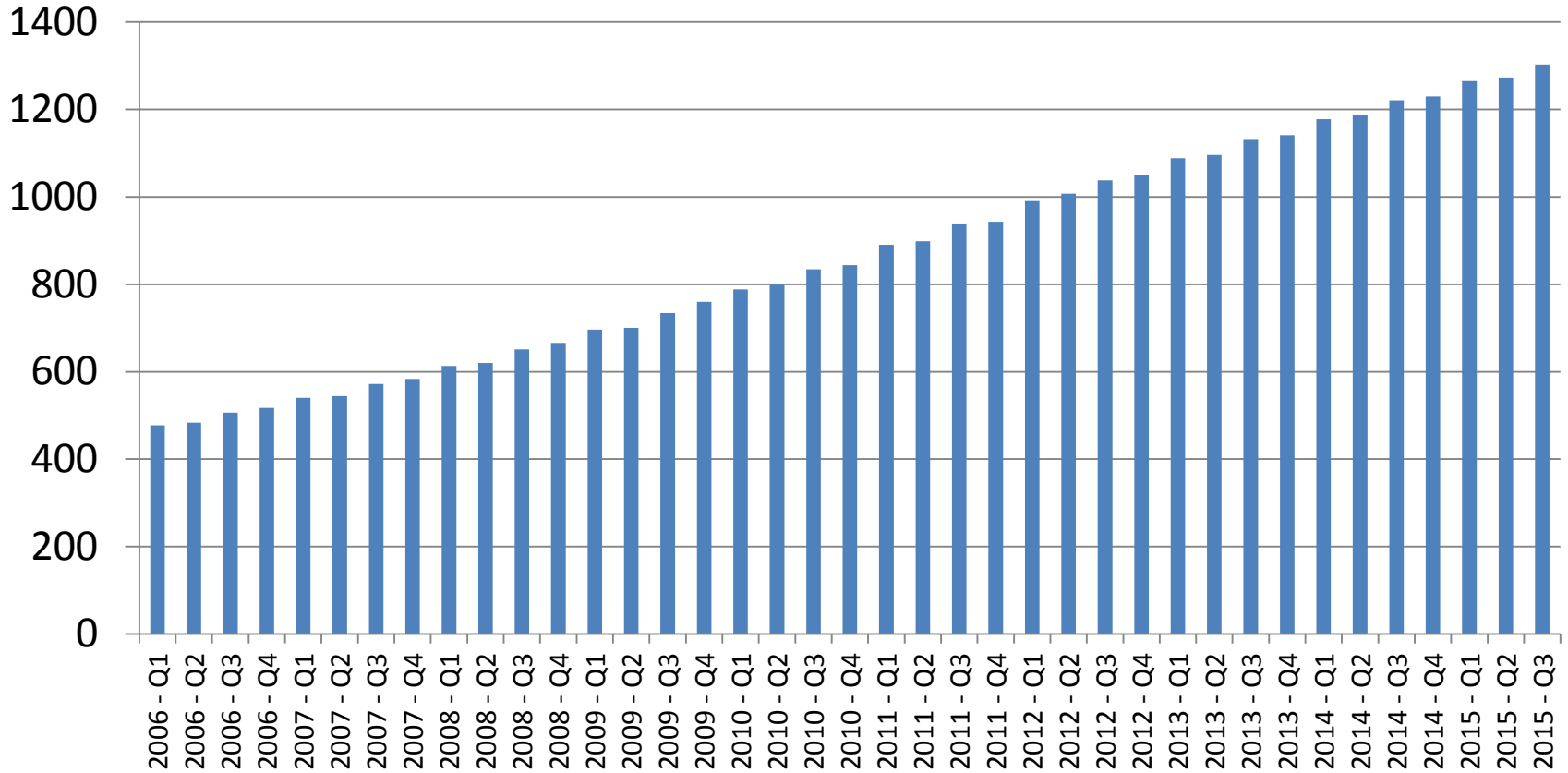
Don't want responsibility of owning 7%

60% of renters think it would be "difficult" to qualify for a mortgage

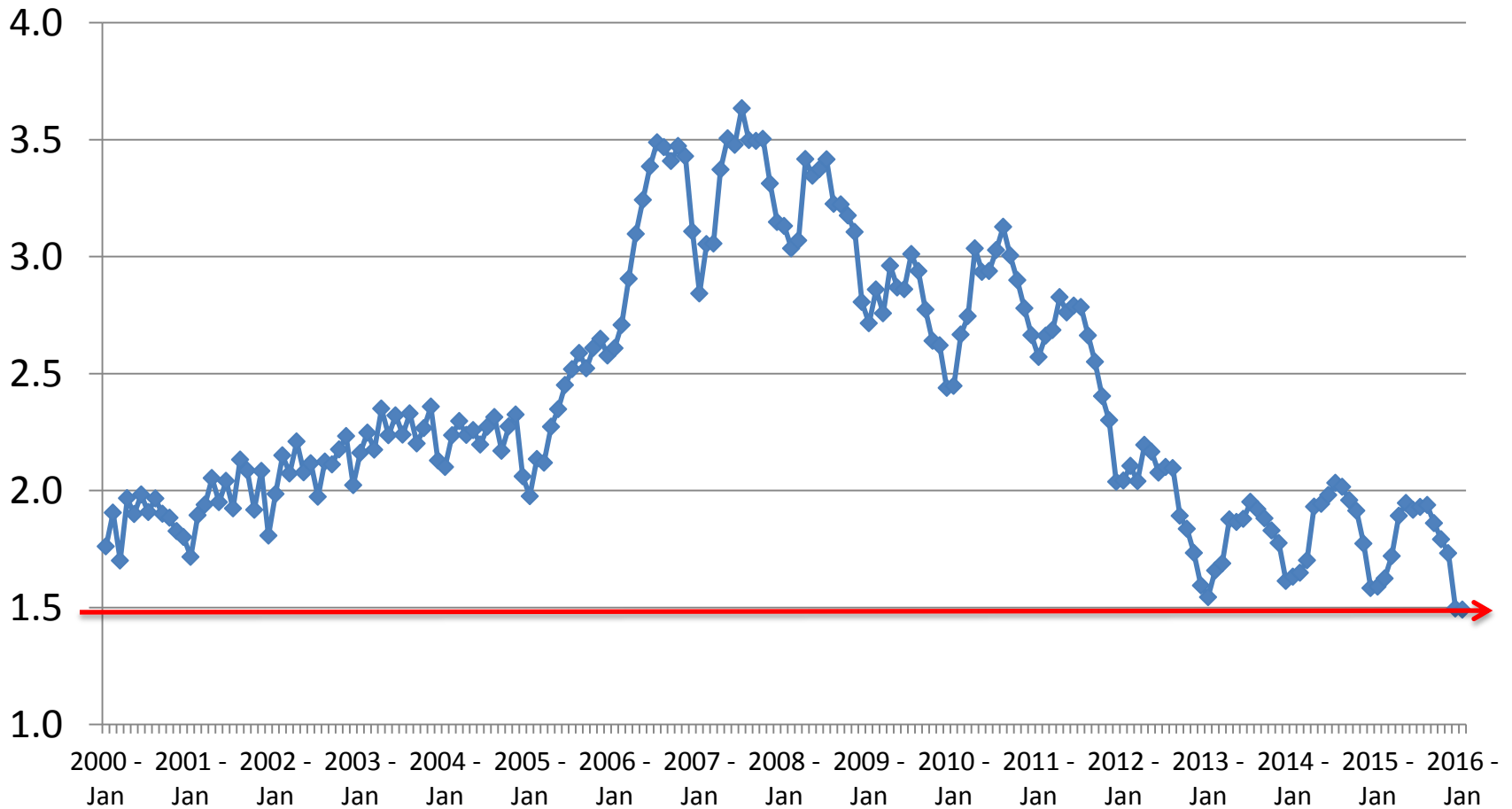
Student Loan ...

NAR-ASA Study implies 5 year Delay

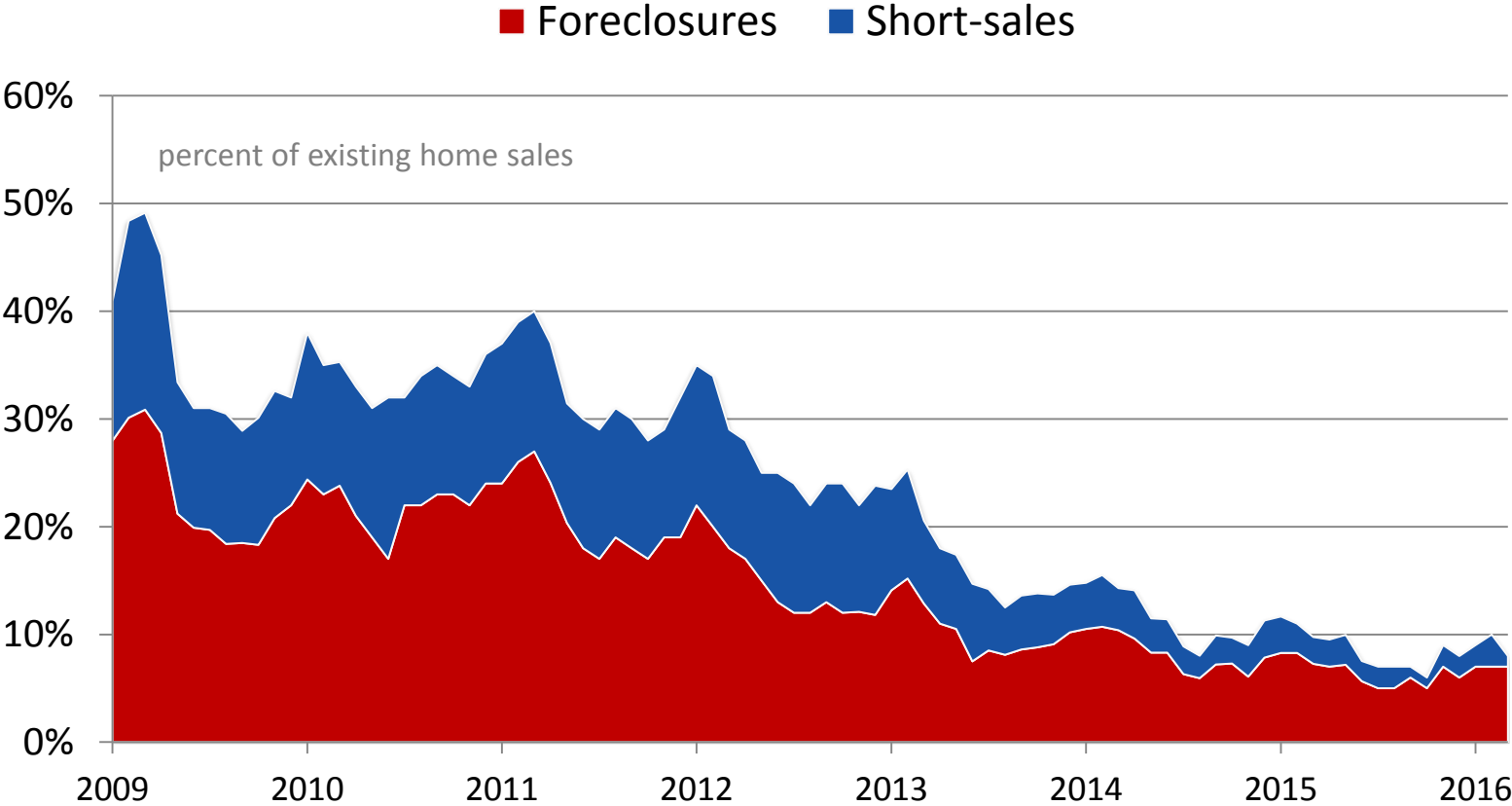
(in \$billion)



Inventory of Homes per Households (currently 1.5 homes for 100 households)

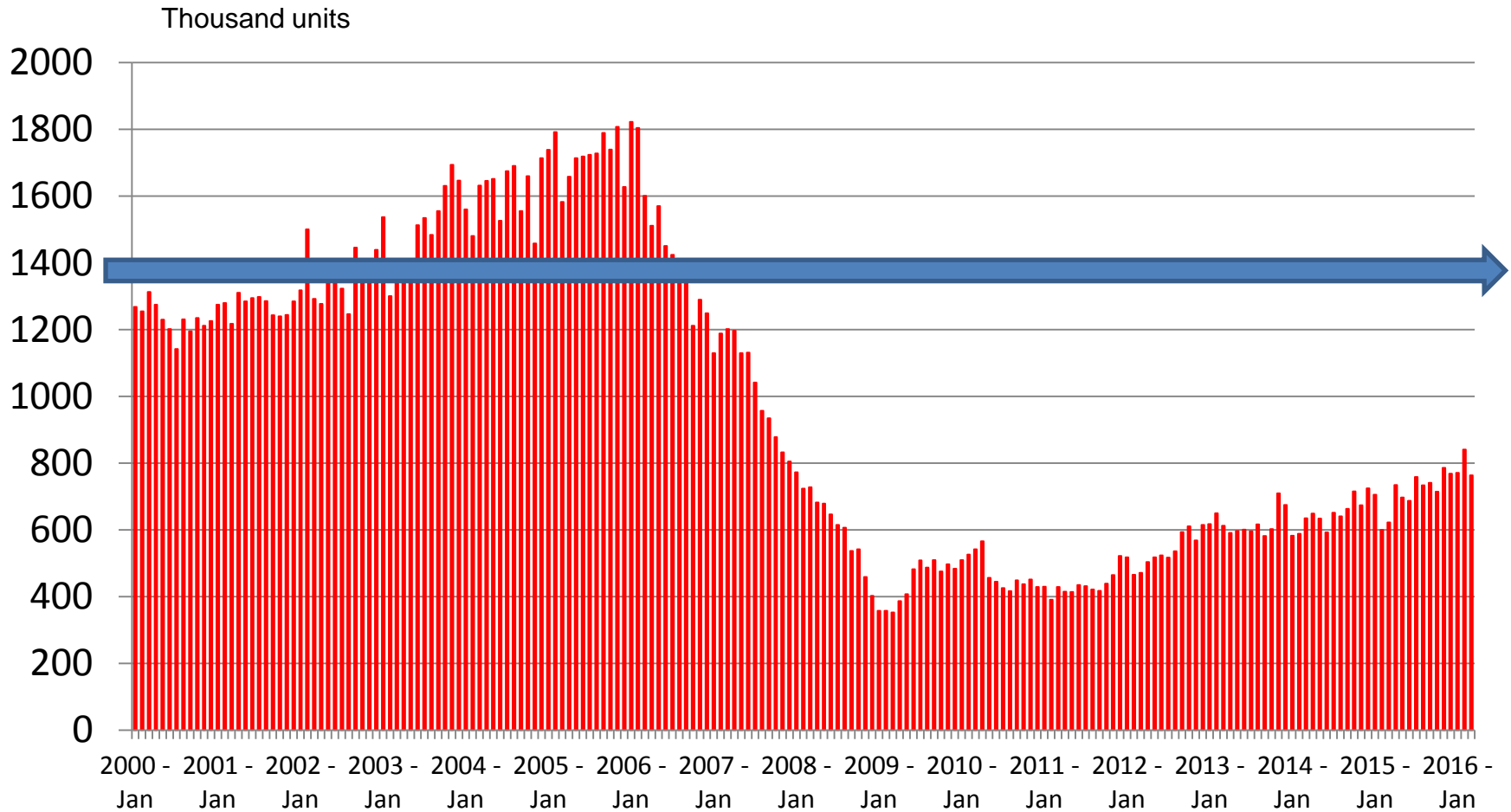


Distressed Sales Share

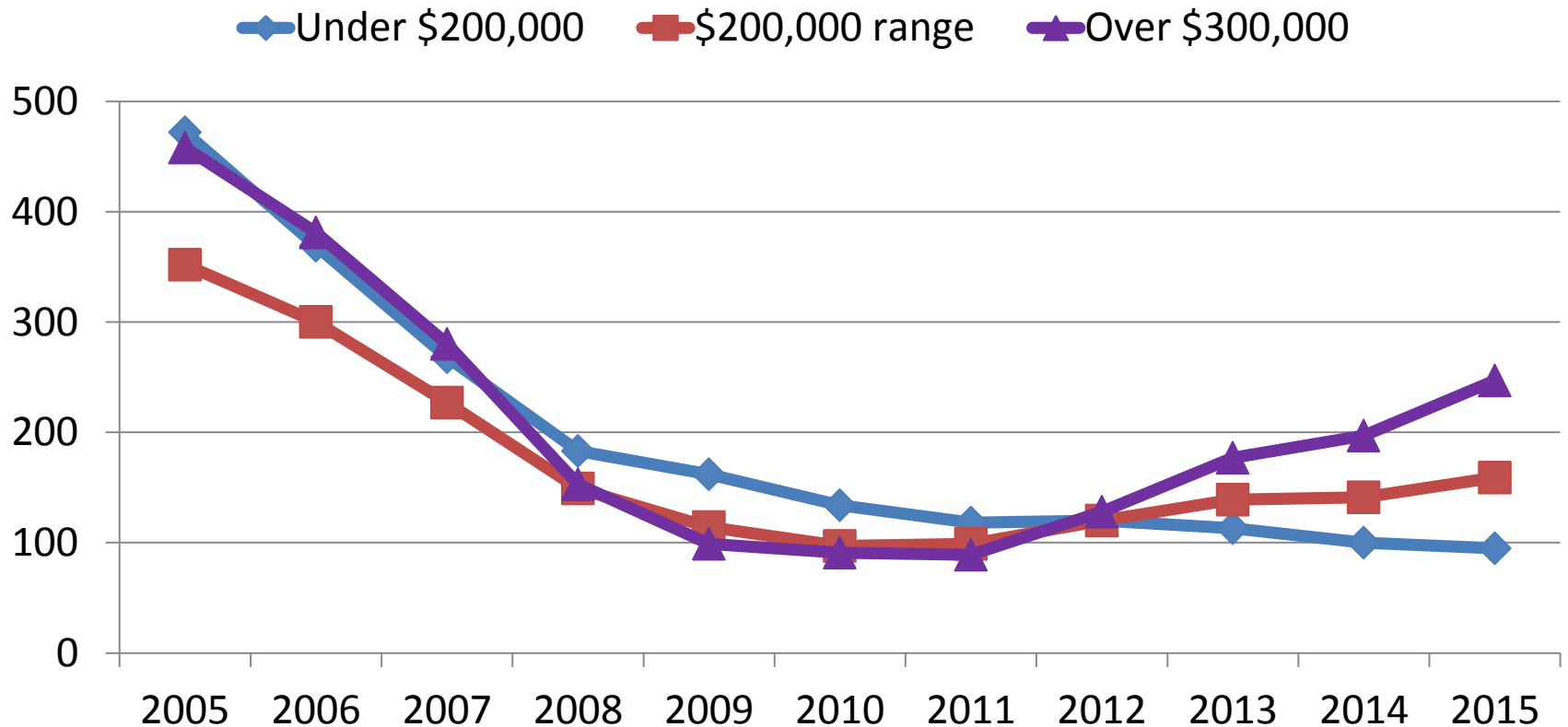


Source: National Association of REALTORS®

Single-family Housing Starts – Grossly Inadequate



Rising Share of Pricy New Homes



No Need for Housing Crisis

- Assure affordability for buyers
 - GSE, FHA, MID, Condos, Insurance, rent vouchers, etc
- Need more supply
 - Construction loan availability ... less onerous regulations for community banks
 - Community College ... construction skilled workers
 - Local housing permit approvals ... less lawsuits