Economic & Real Estate Market Outlook

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Presentation to New Haven Middlesex Association of Realtors

May 23, 2019

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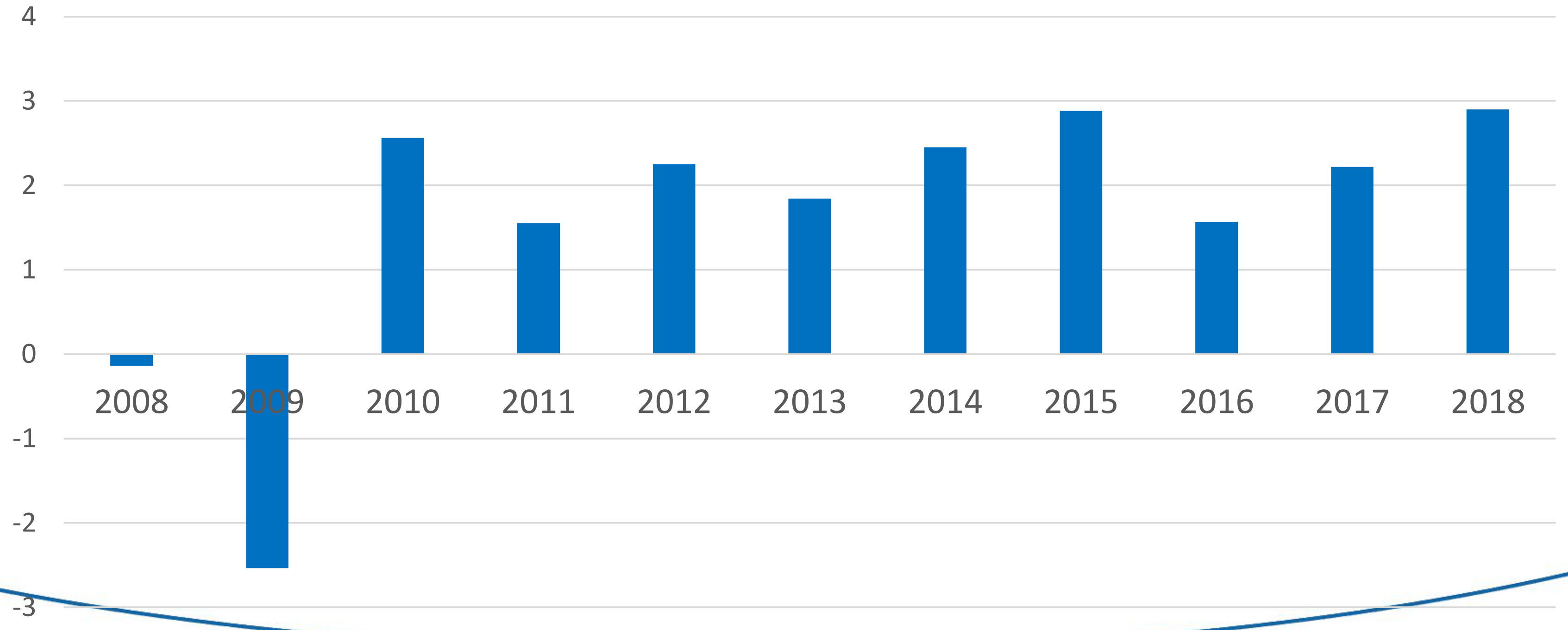
Annual GDP Growth Rate of 2.9% in 2018? (Q4 to Q4 at 3.0%)



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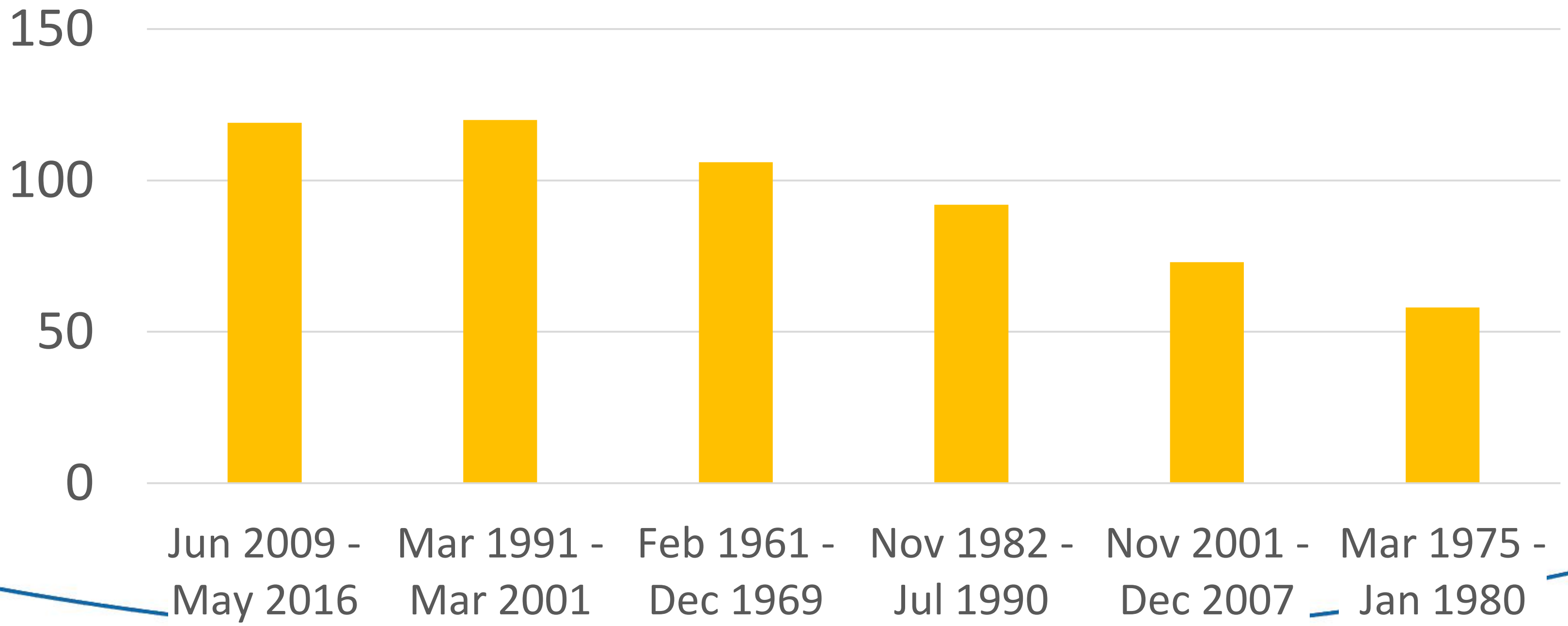
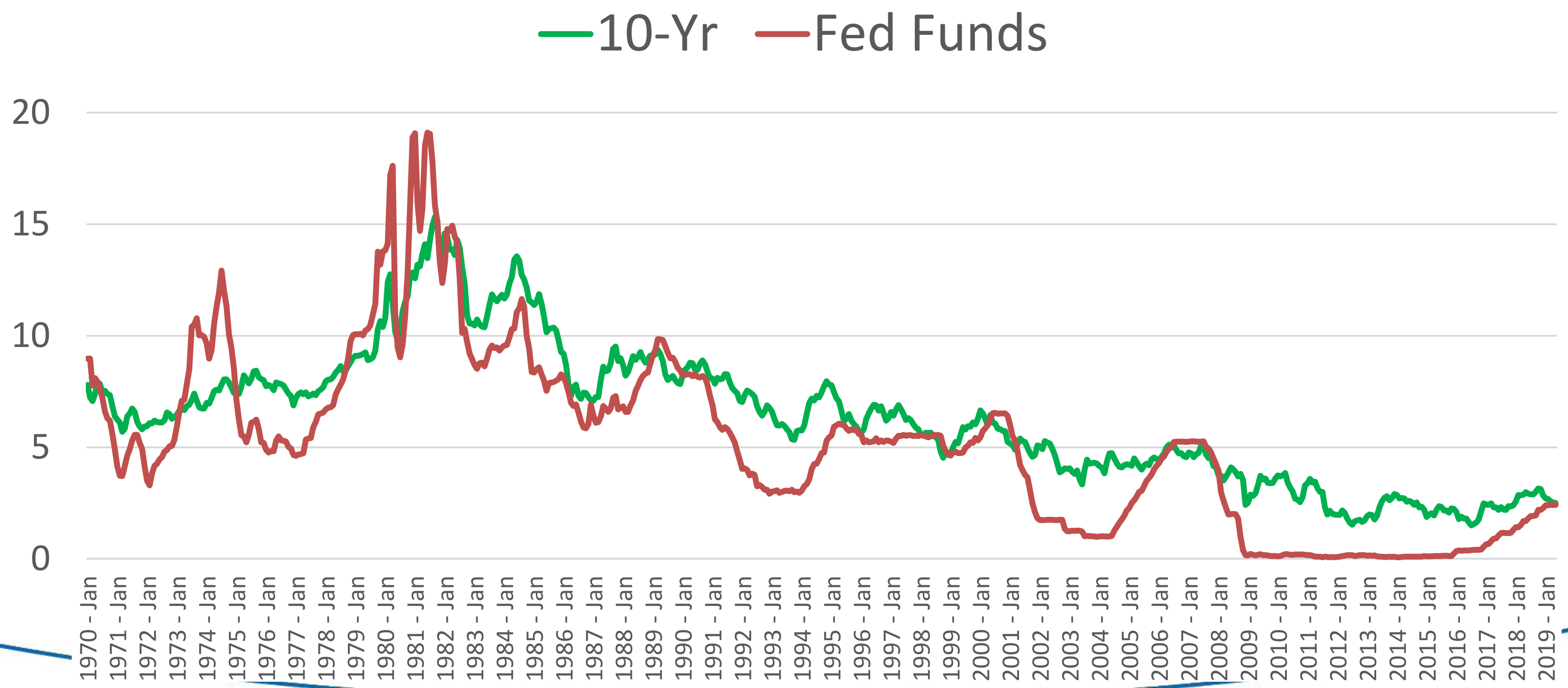
Longest Expansion Ever? # of months of GDP growth



Other Risk to the Economy:
Inverted Yield Curve? What is Different This Time?



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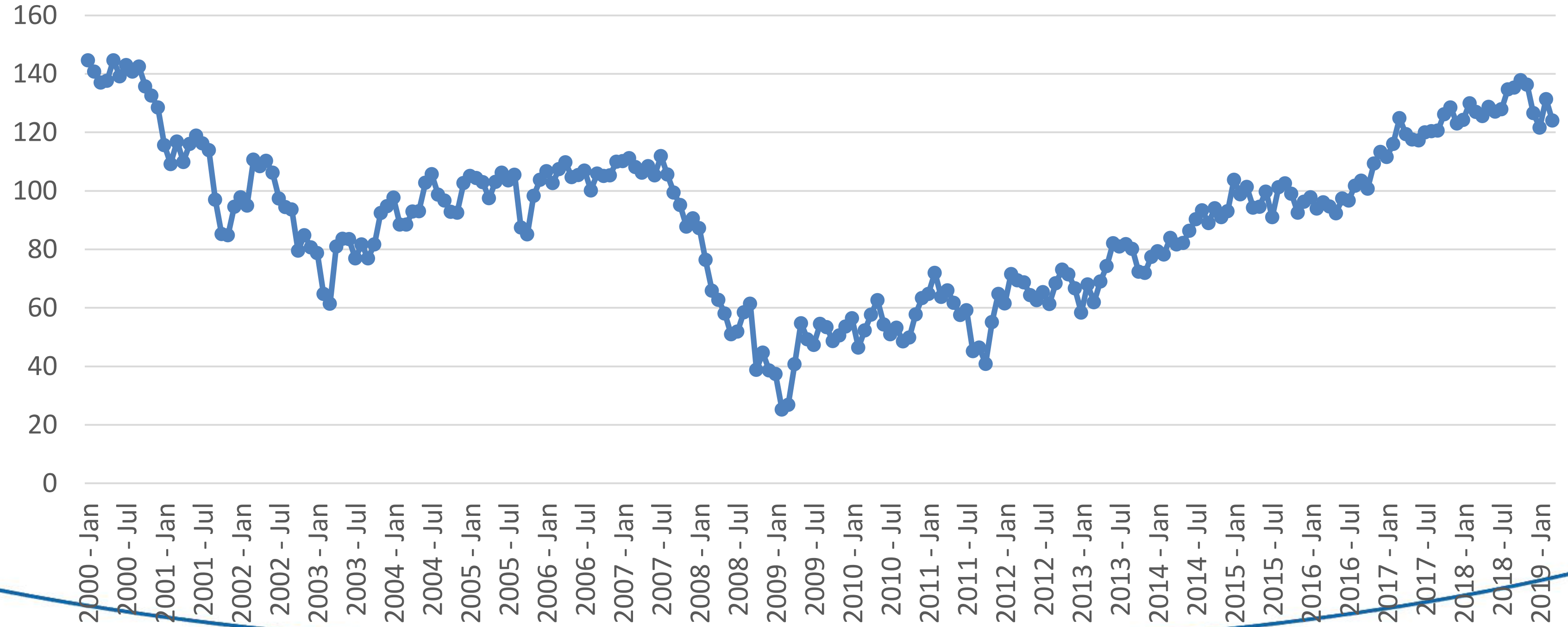
Consumer Confidence Remains High



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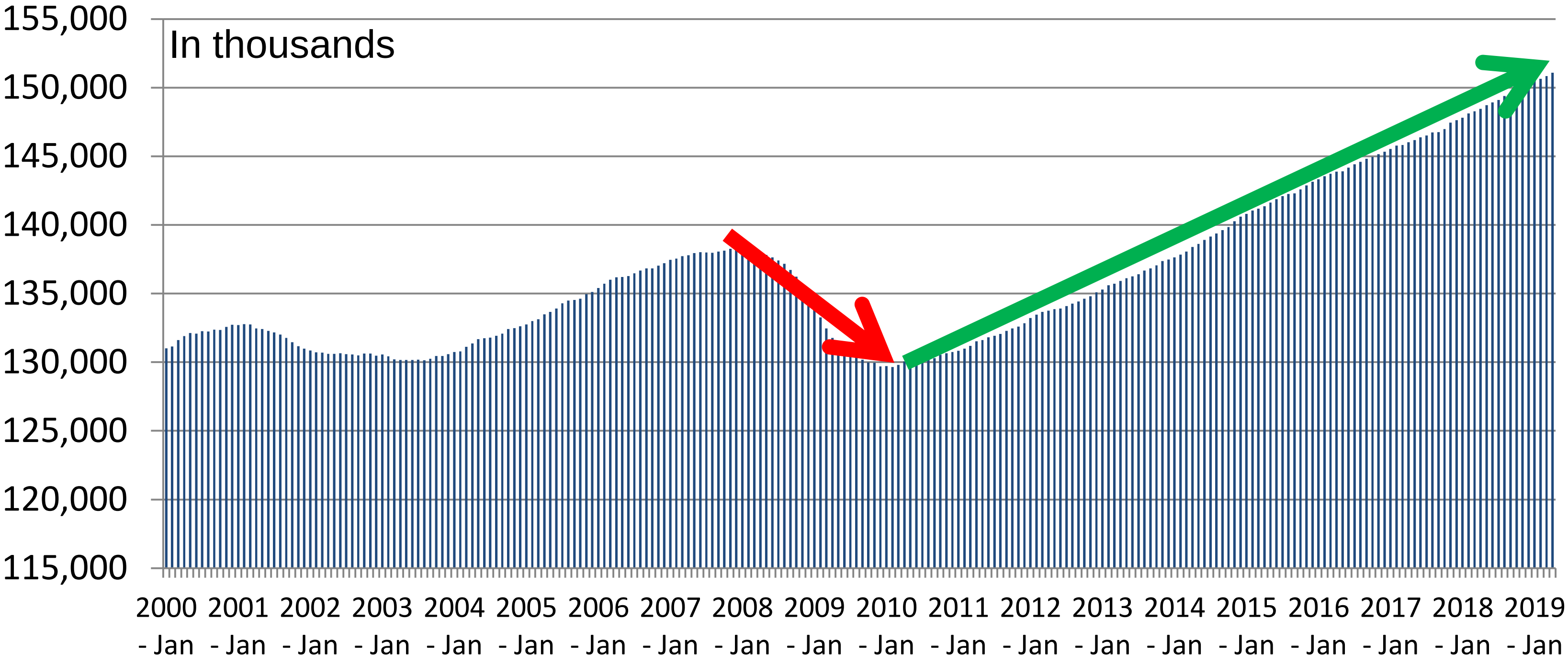
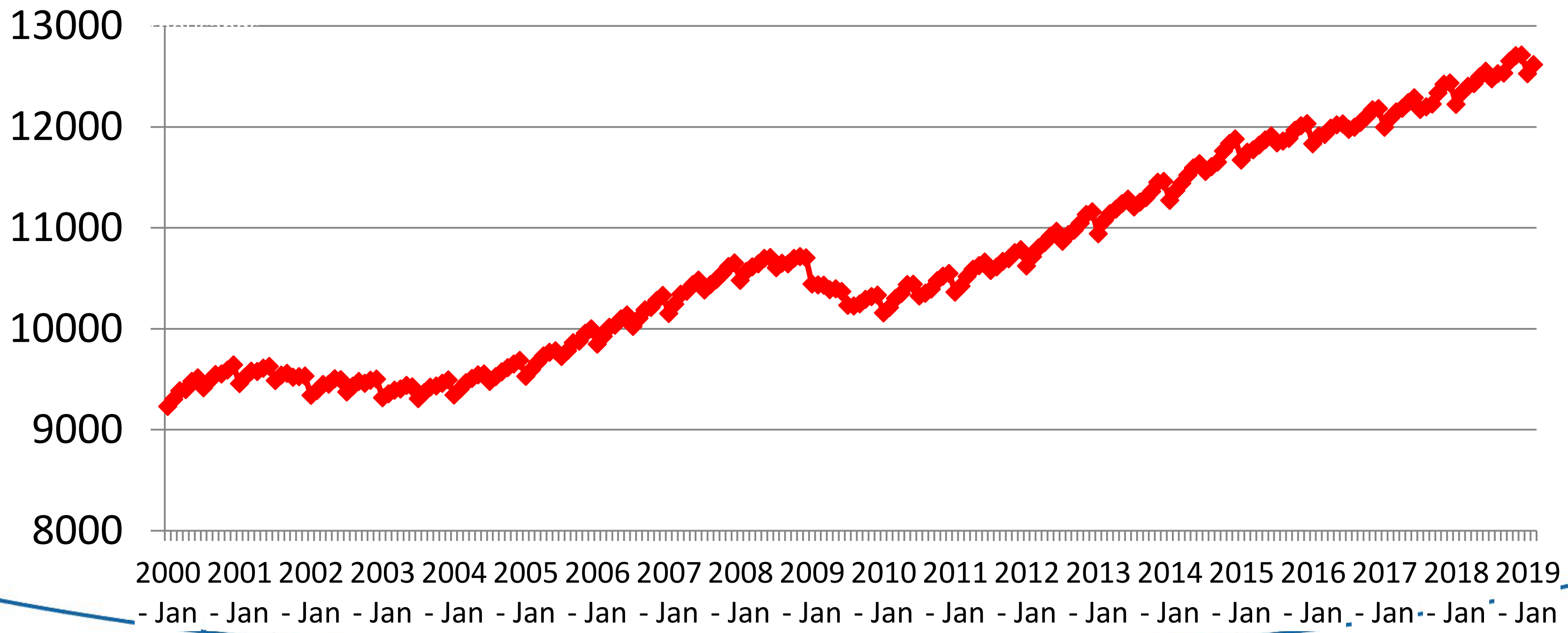
Jobs

(21 million gained from 2010 … 2.6 million in 12 months)



Total Jobs Texas

(32% growth vs 13% nationwide from 2000)



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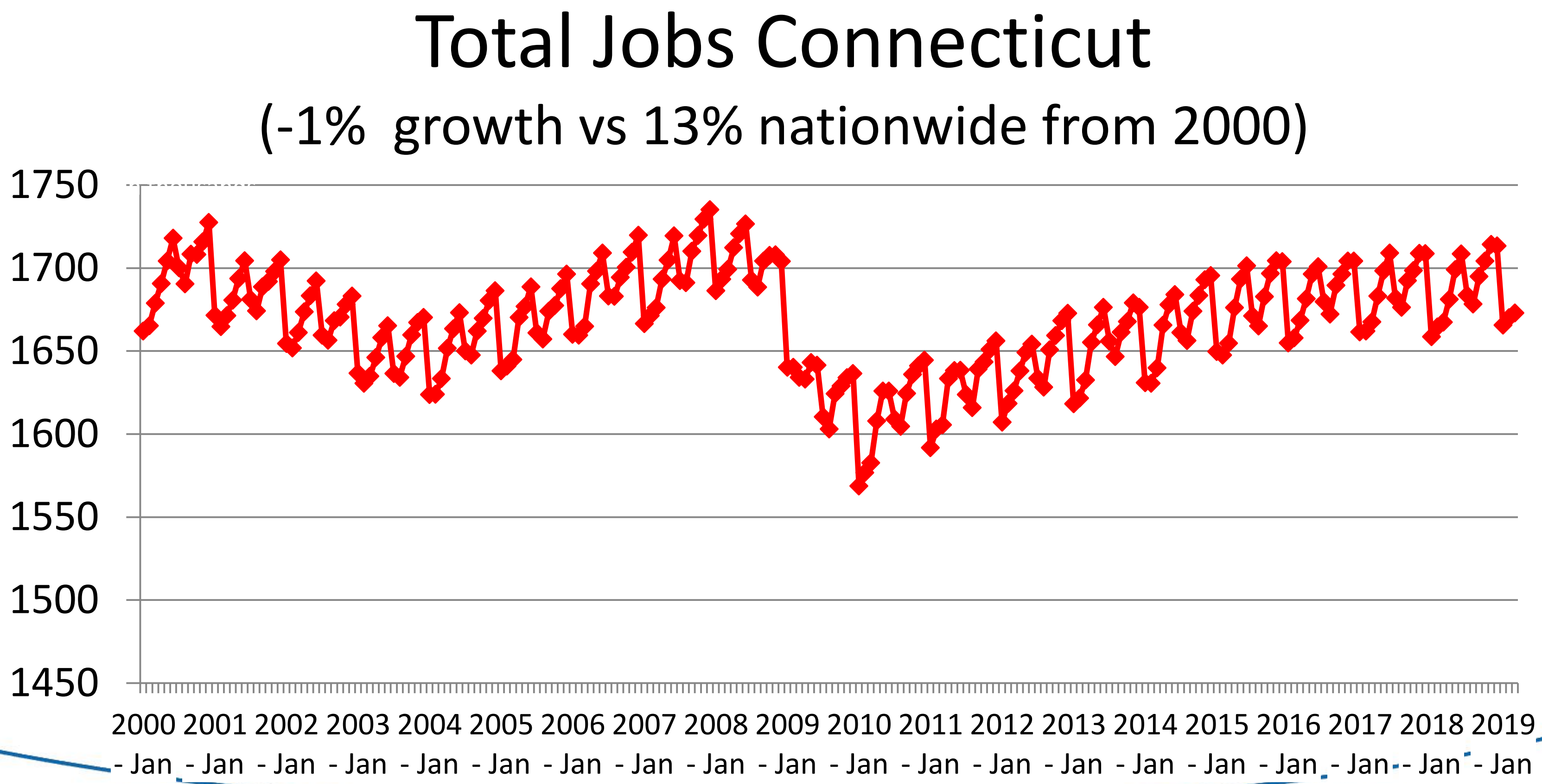

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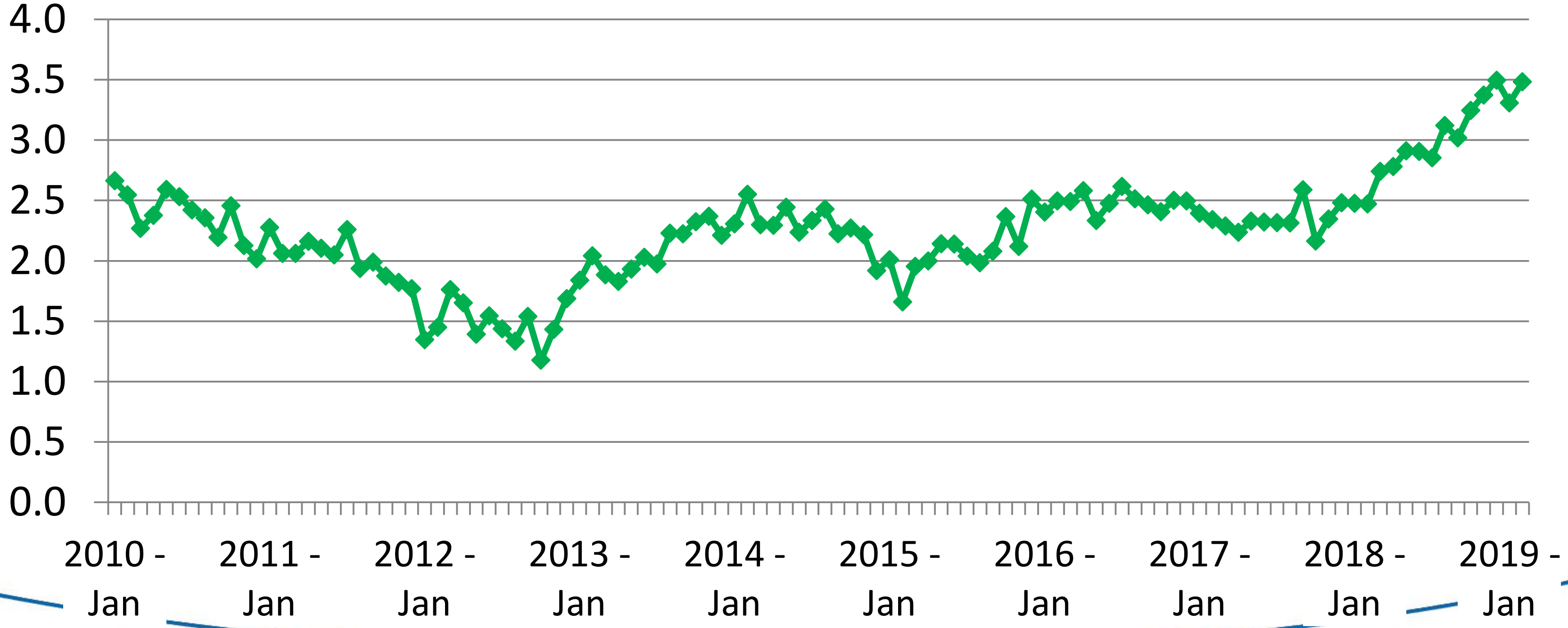
Average Hourly Wage Accelerating



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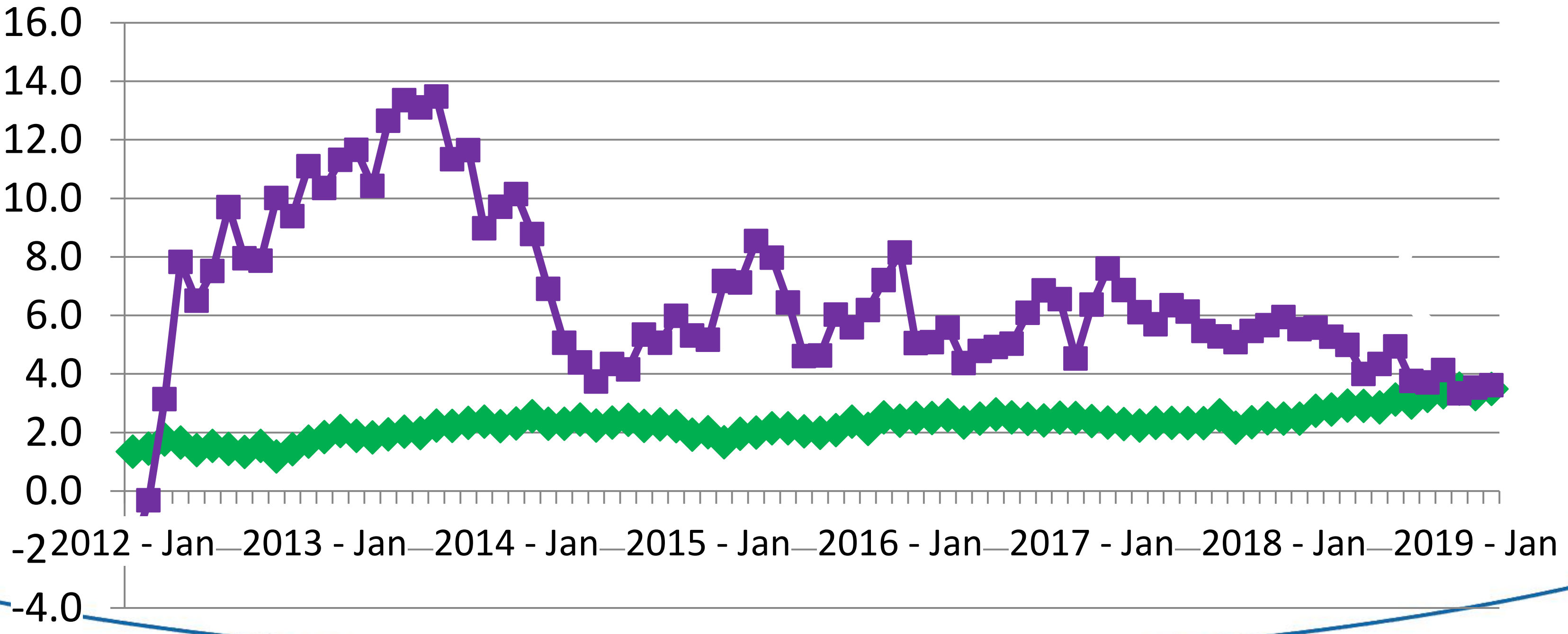
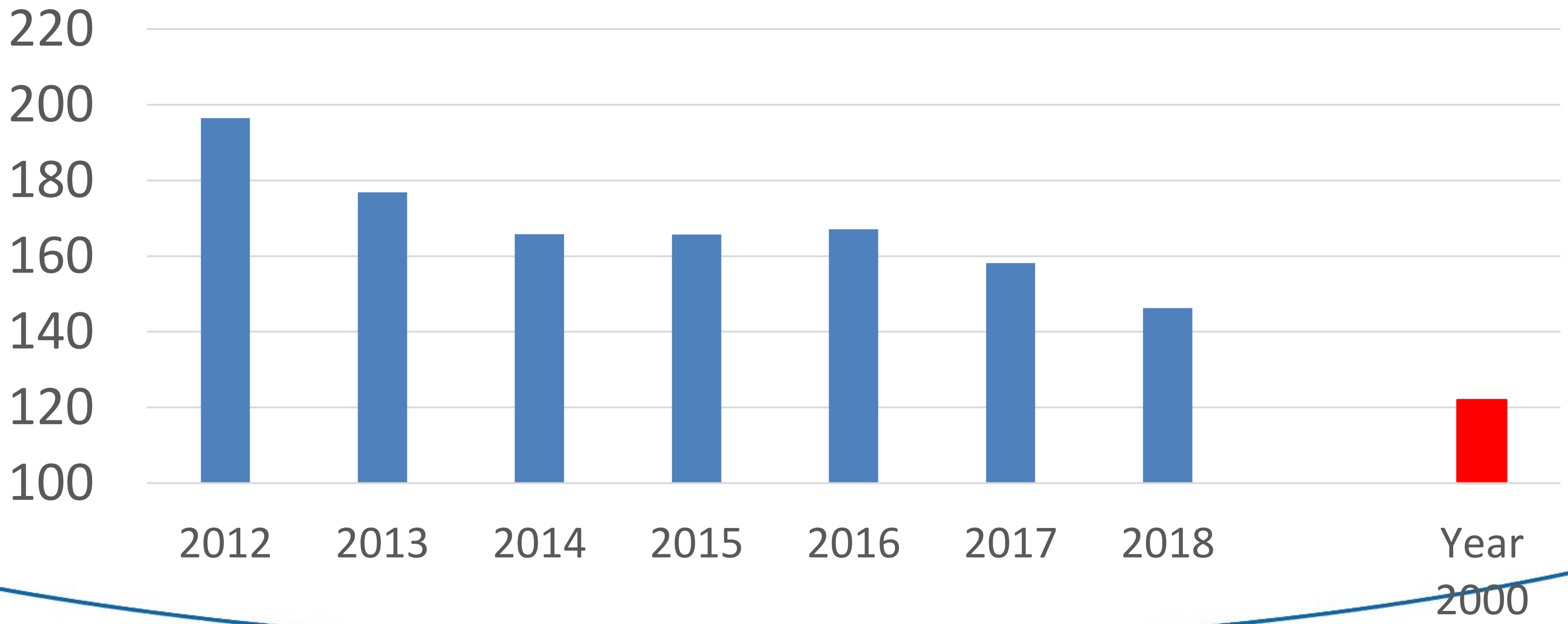
Finally, Wage Growth = Home Price Growth



Sinking Housing Affordability Index – though still above the level set in 2000



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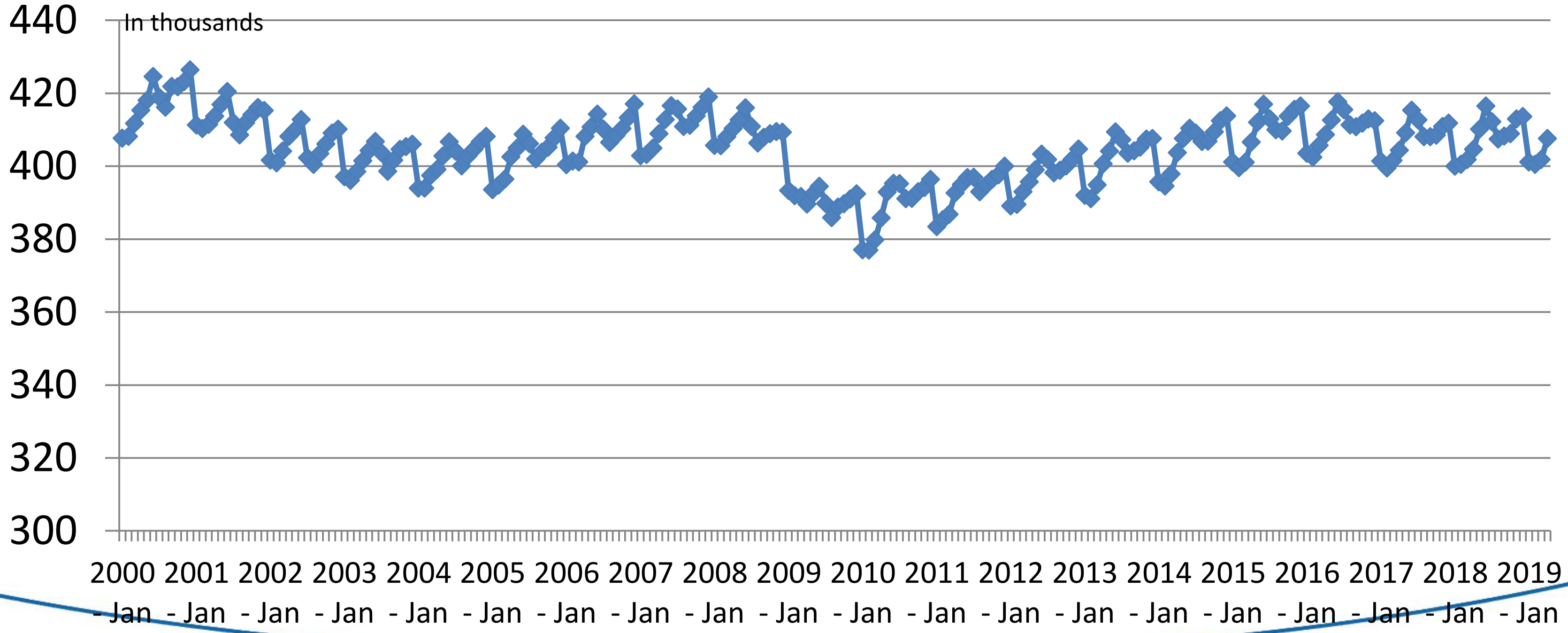
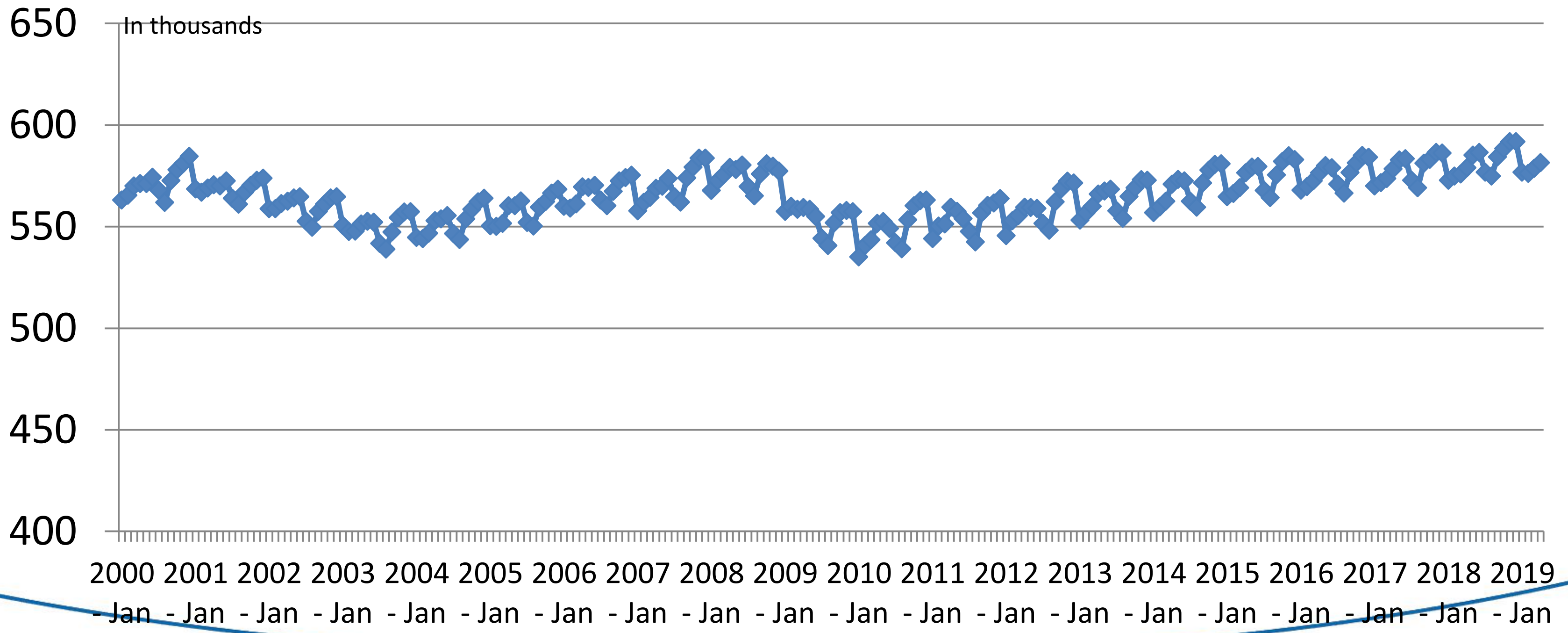
Total Jobs Bridgeport-Stamford-Norwalk

(-3% growth vs 13% nationwide from 2000)



Total Jobs Hartford Metro

(1% growth vs 13% nationwide from 2000)



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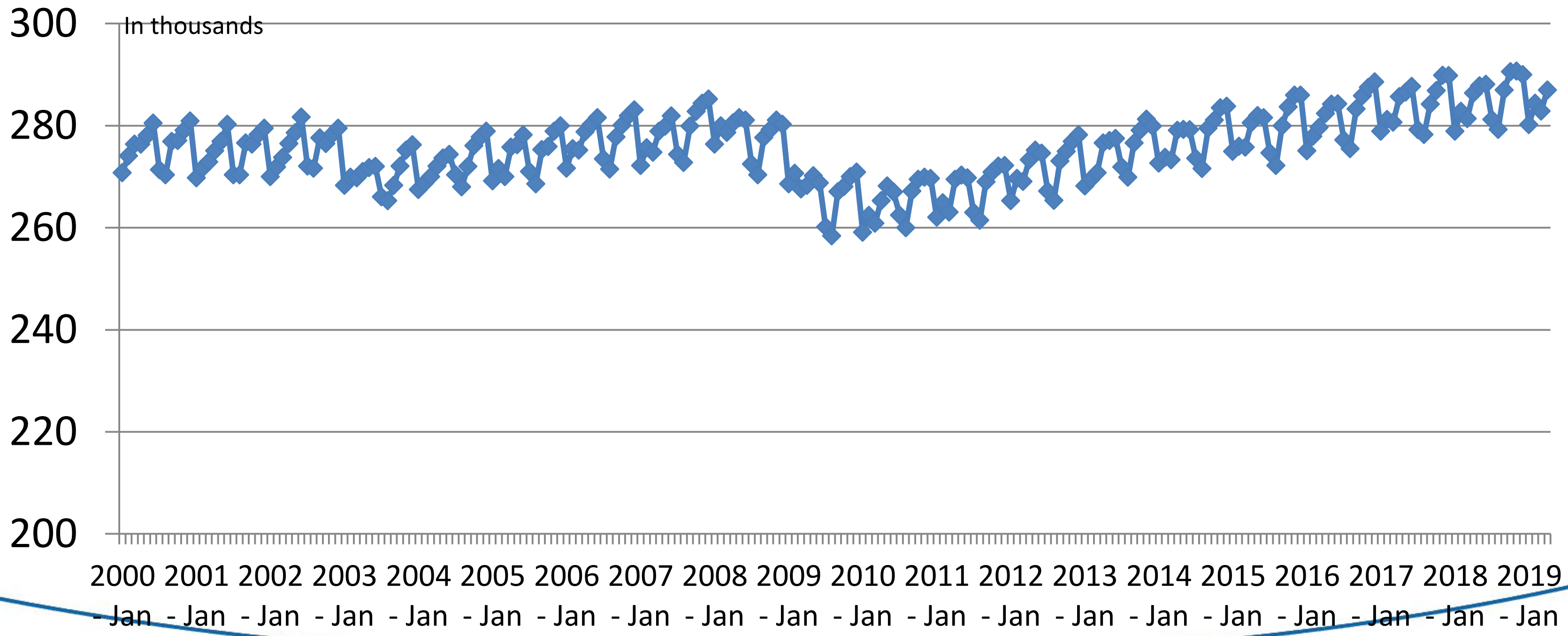
Total Jobs New Haven Metro

(4% growth vs 13% nationwide from 2000)



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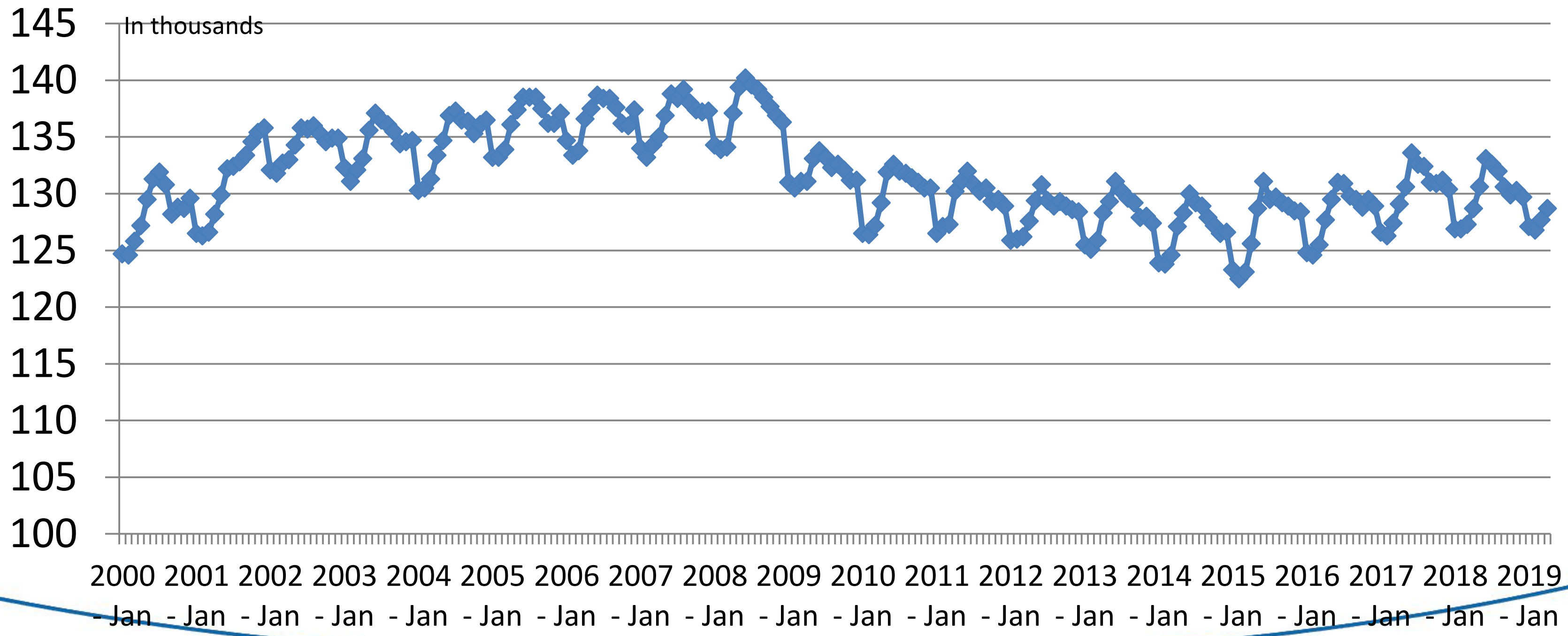
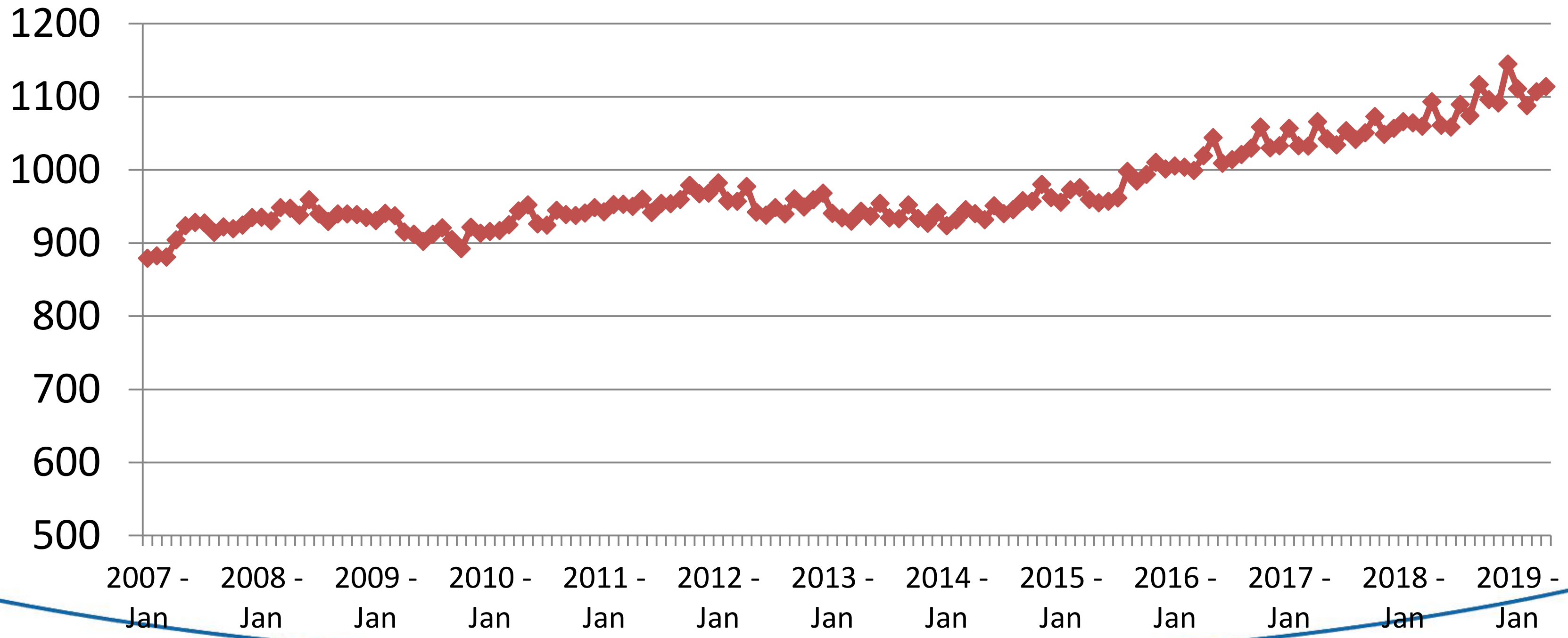
Total Jobs Norwich-New London Metro

(0% growth vs 13% nationwide from 2000)



Average Weekly Earnings Rising in Connecticut



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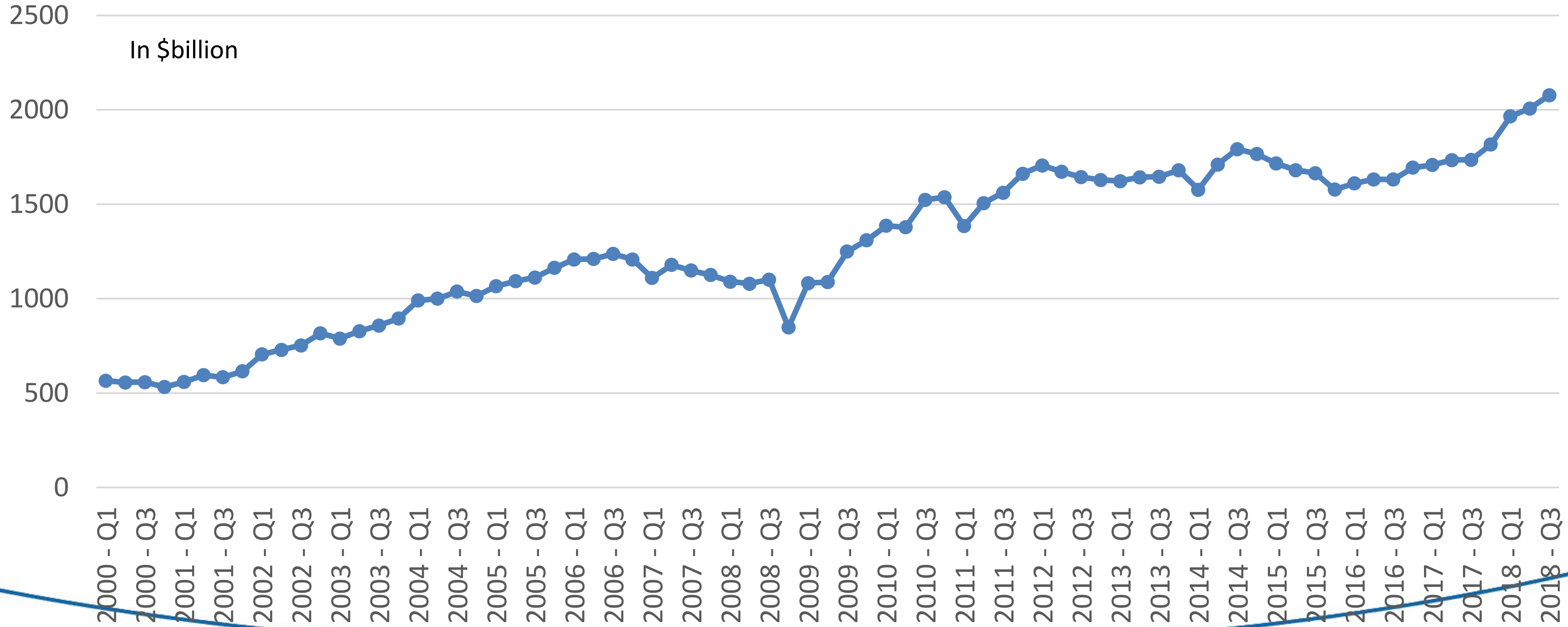
After-Tax Corporate Profits



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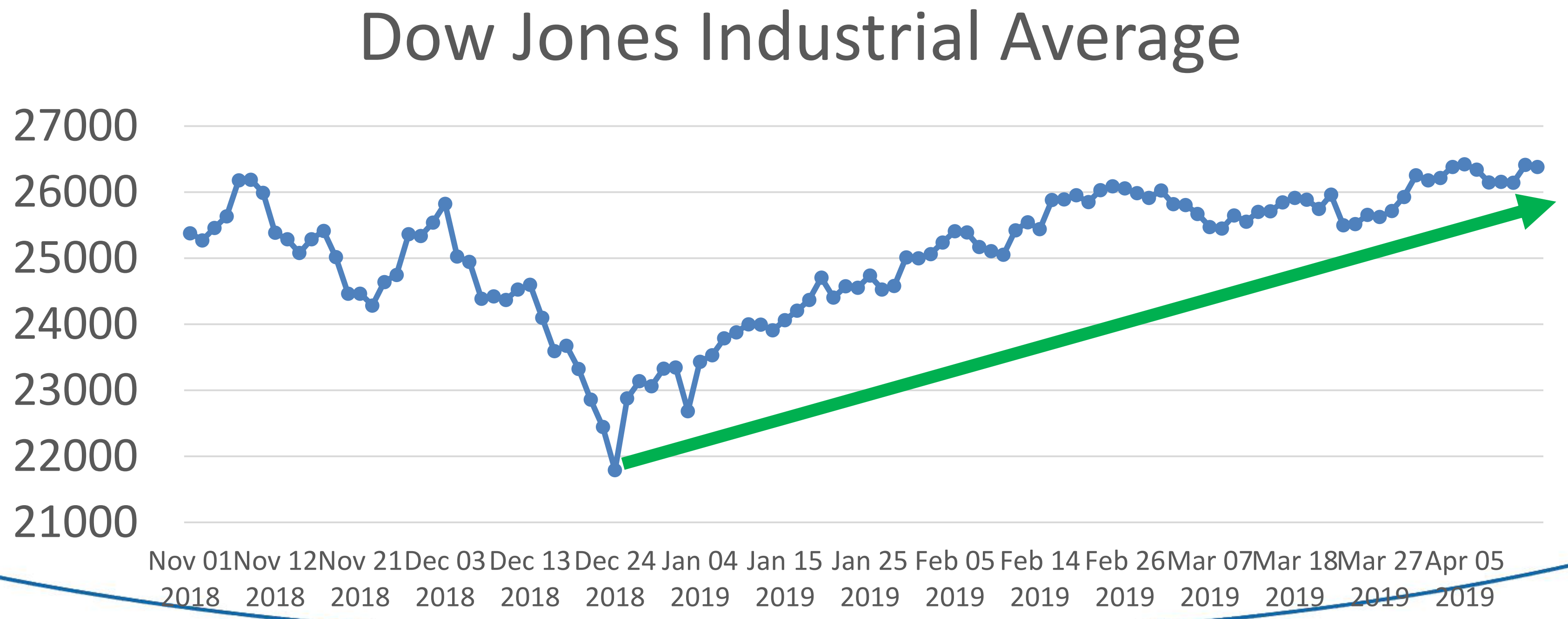
January: The Fed to be "Patient"



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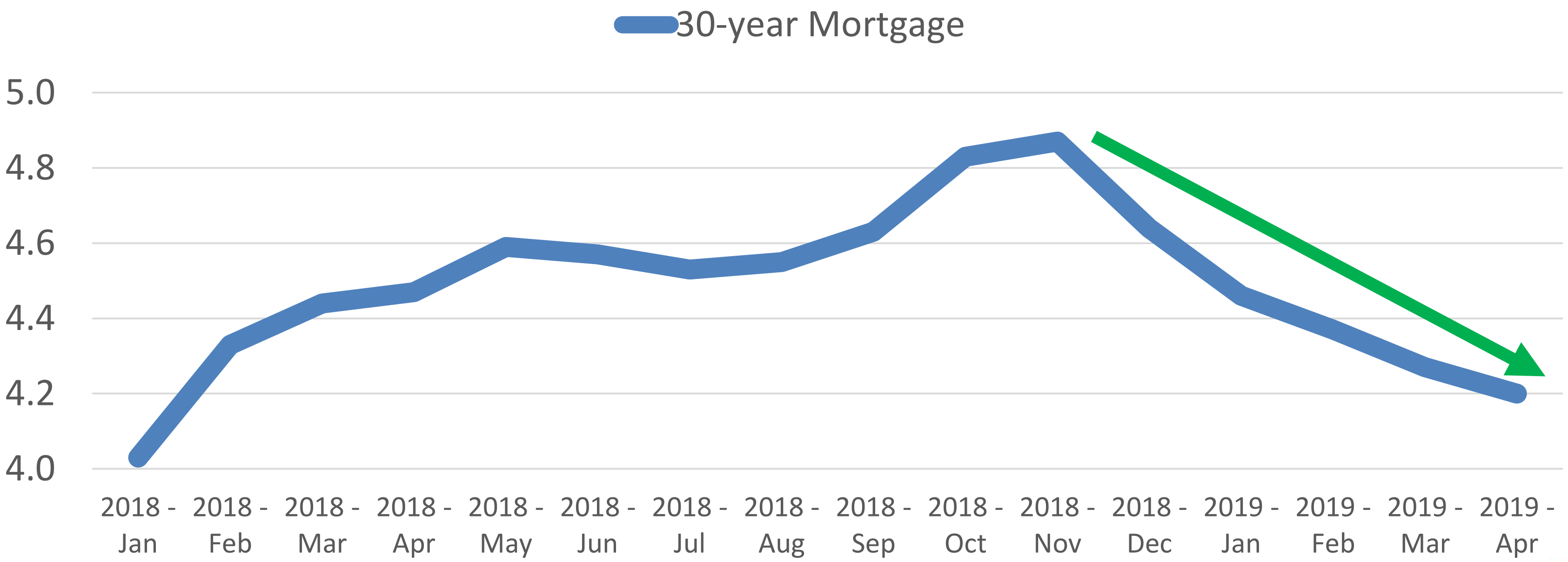
Impact on Mortgage Rates



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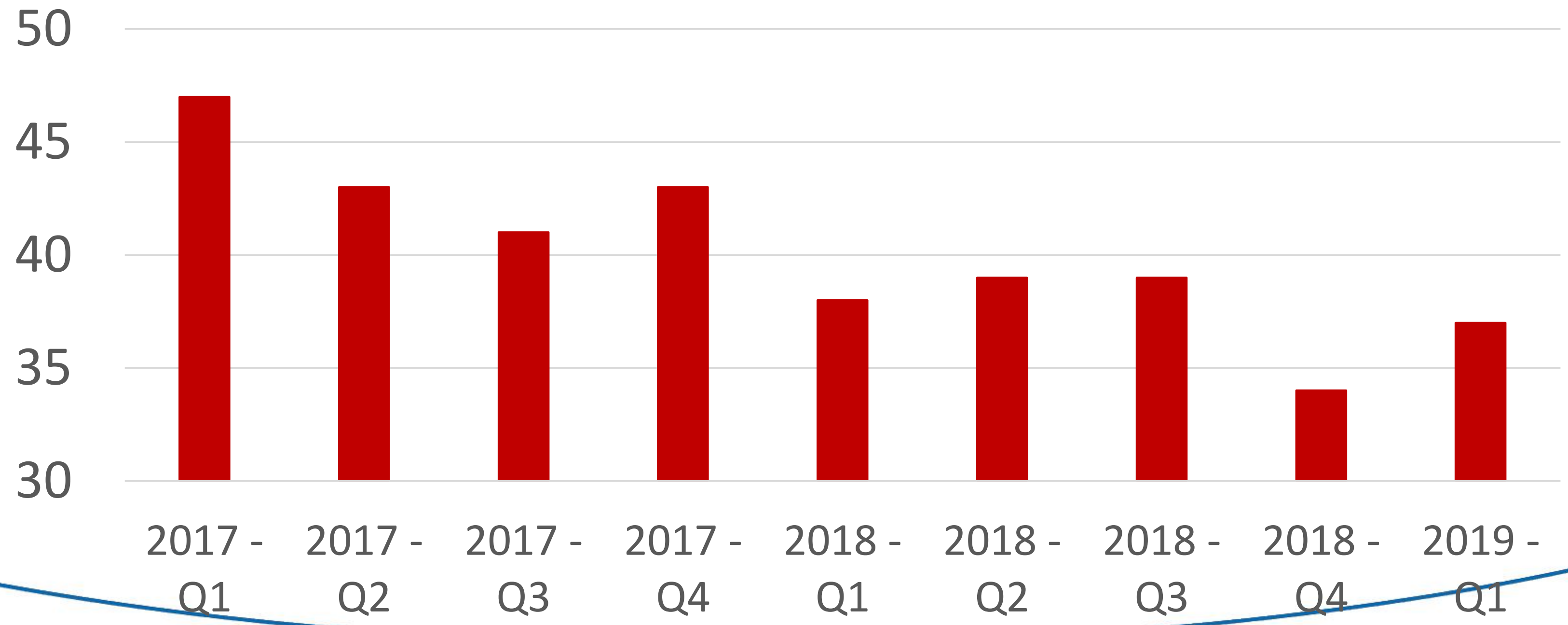
Good Time To Buy?
(% consumers who strongly agree)



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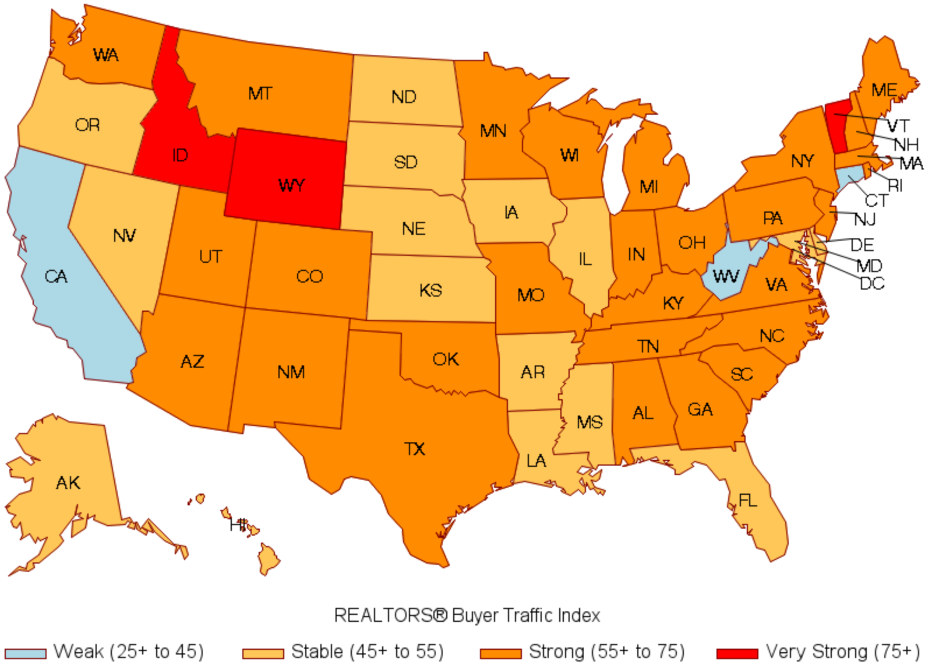
REALTORS® Buyer Traffic Index



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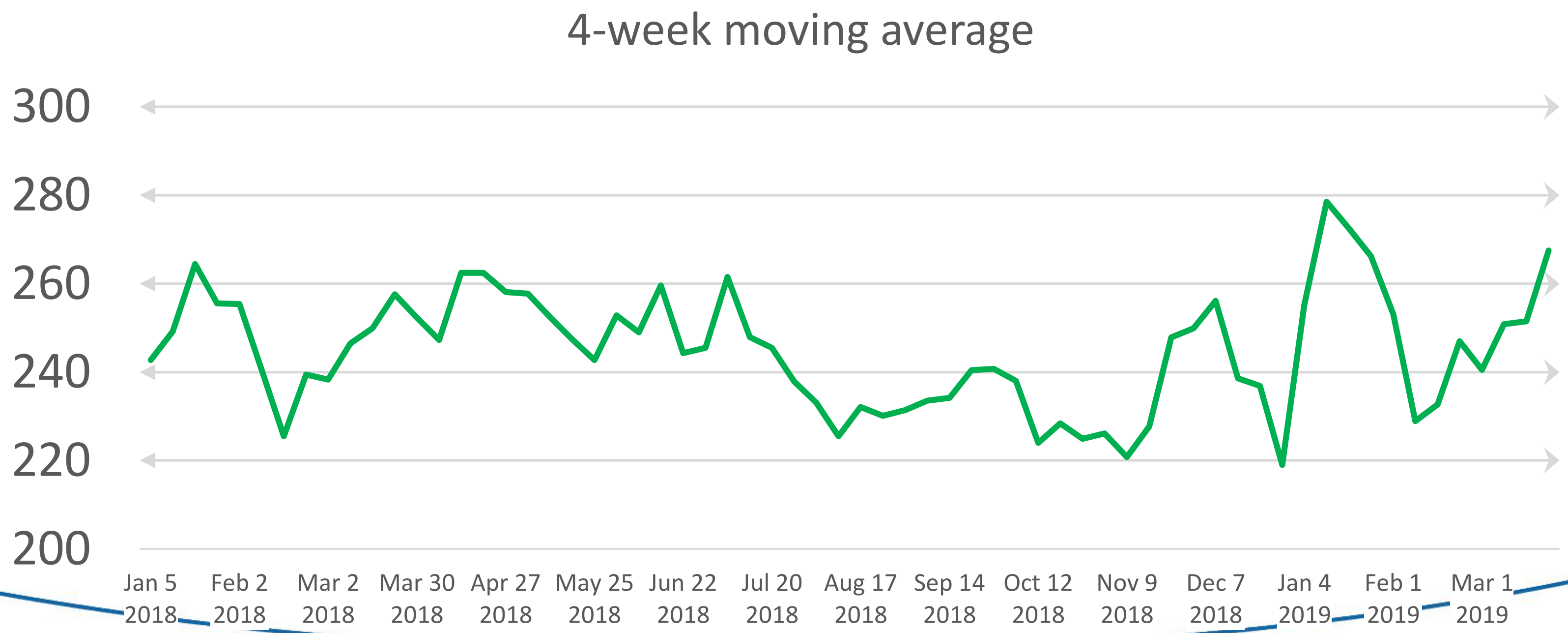
Mortgage Purchase Applications



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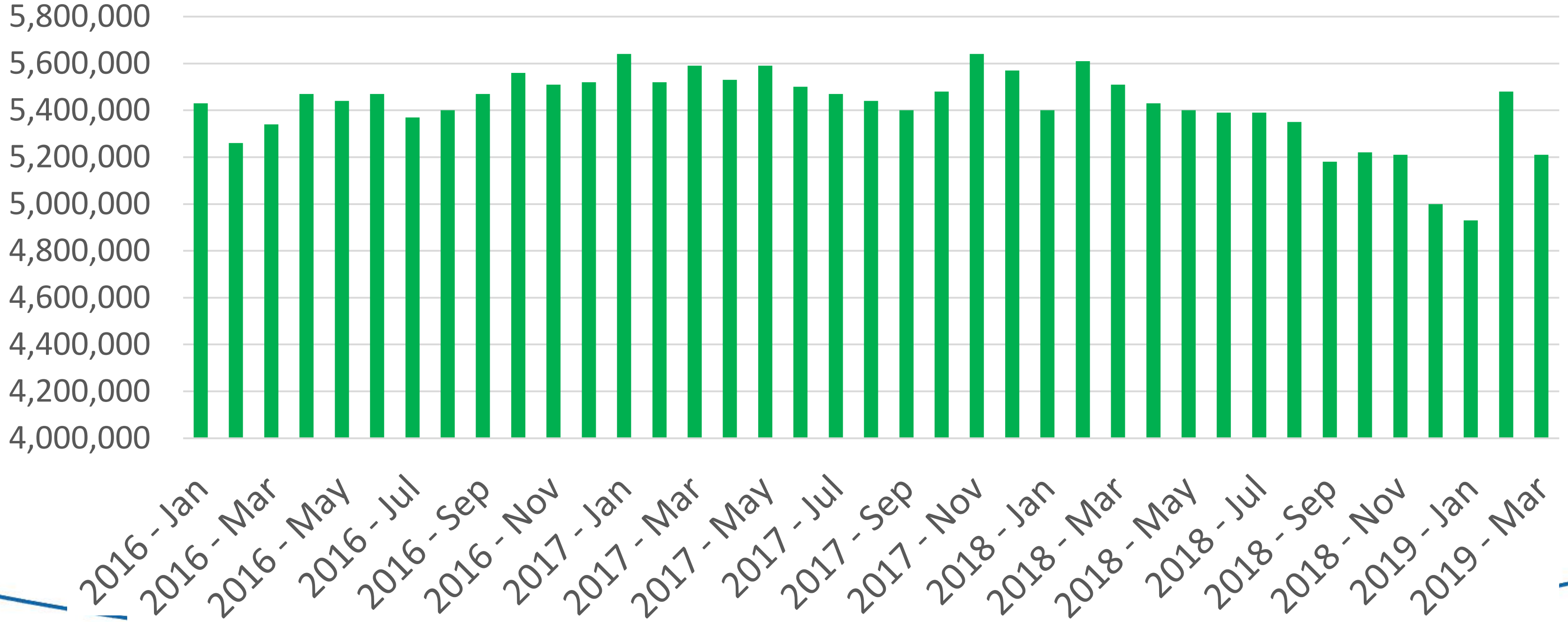
National Existing Home Sales



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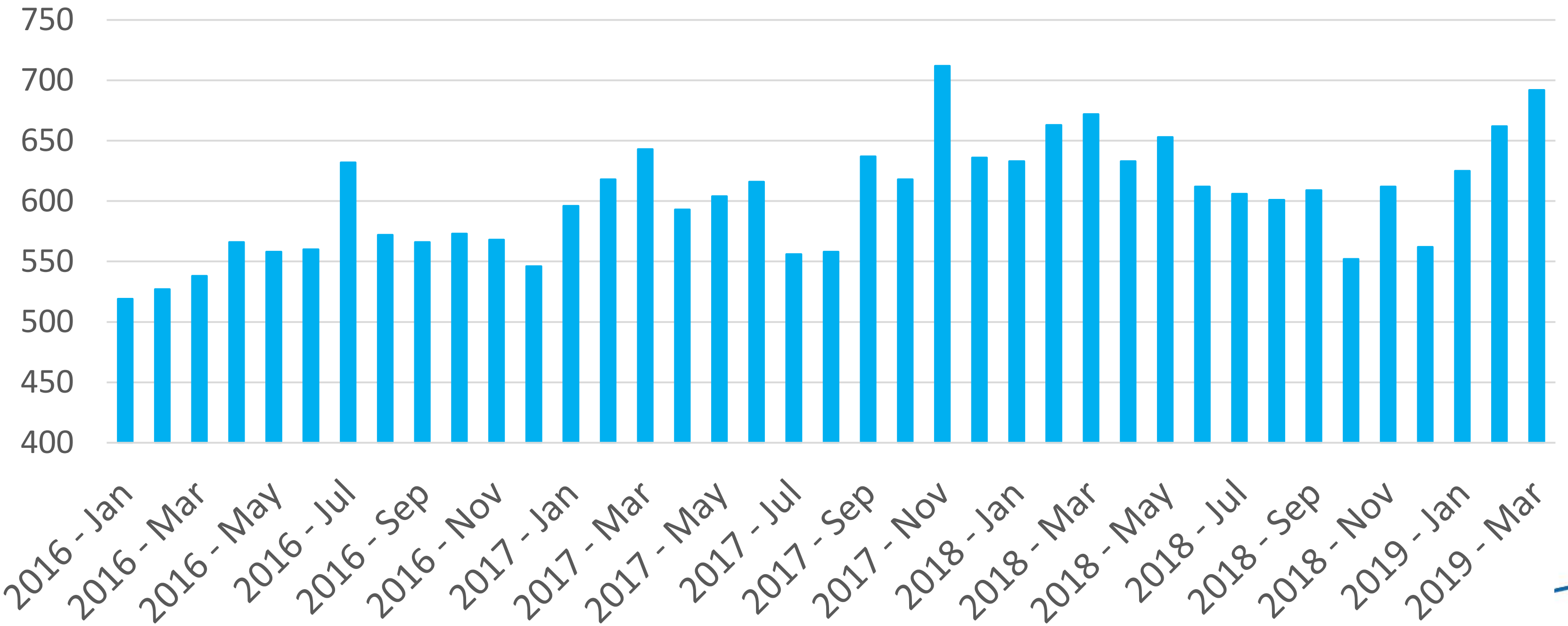
National New Home Sales

(in thousand units)



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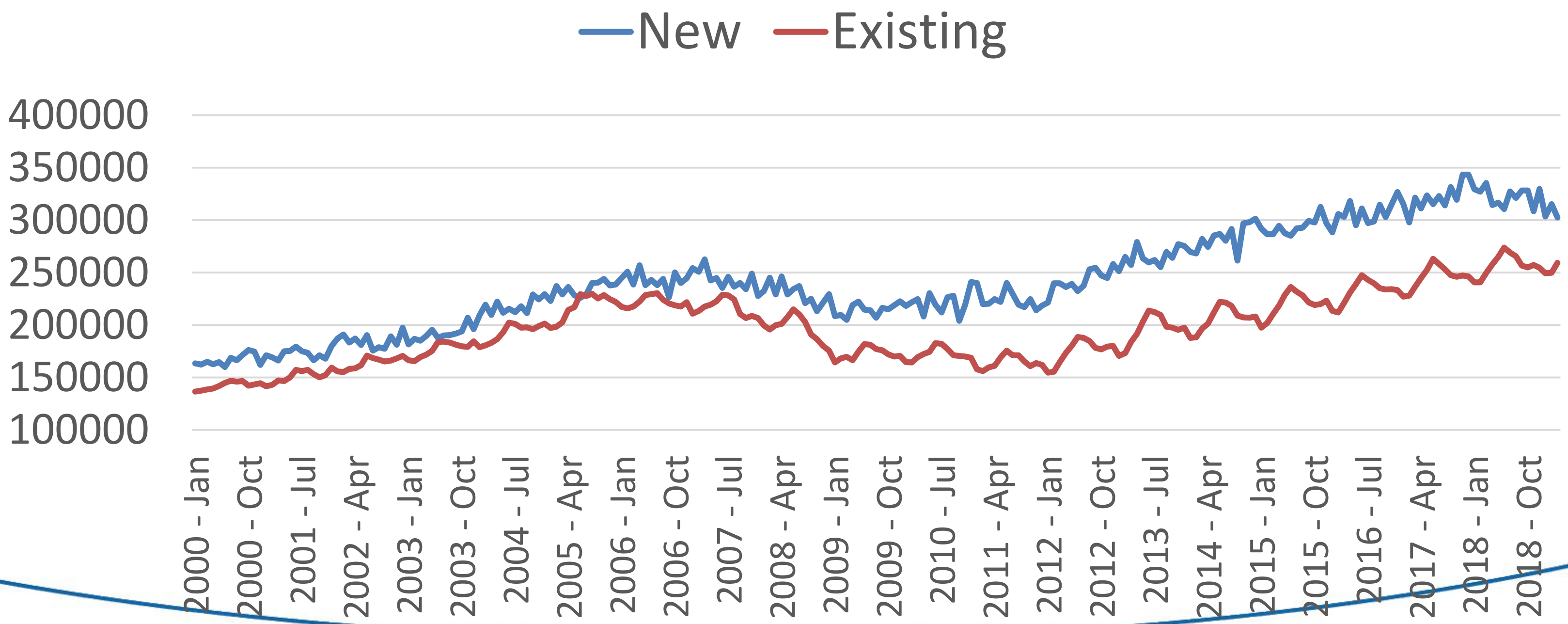
Home Price: New and Existing



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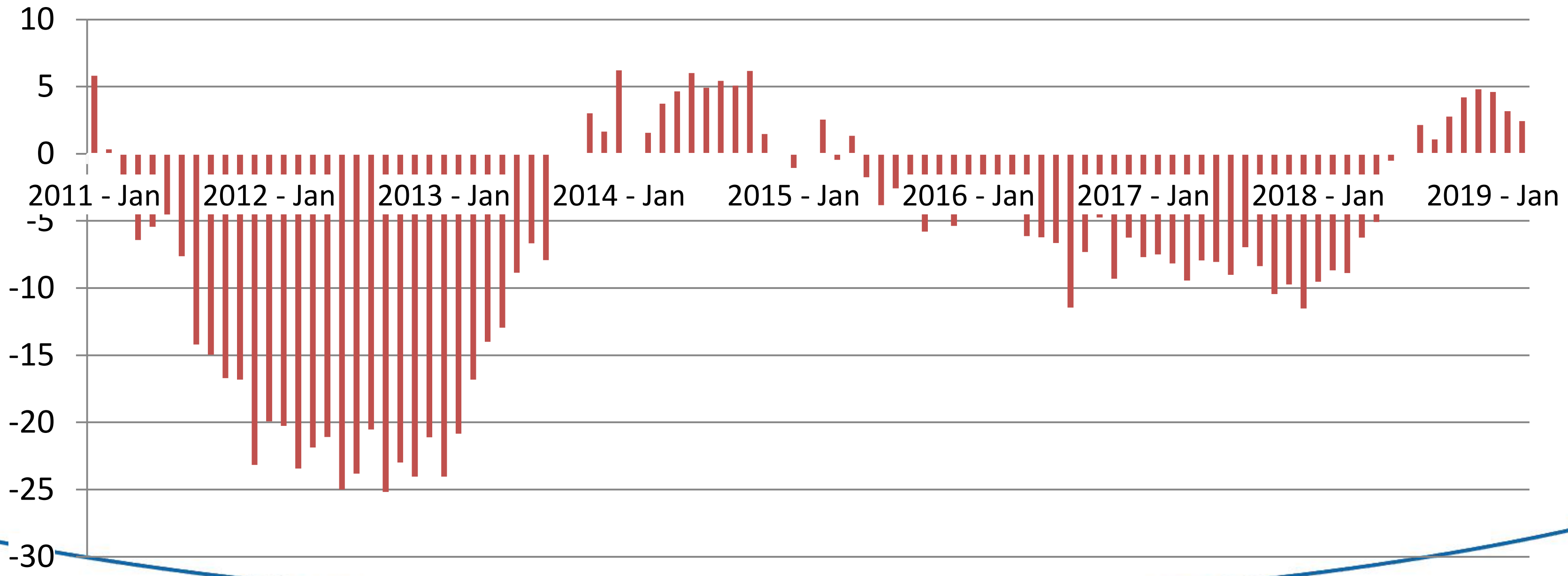
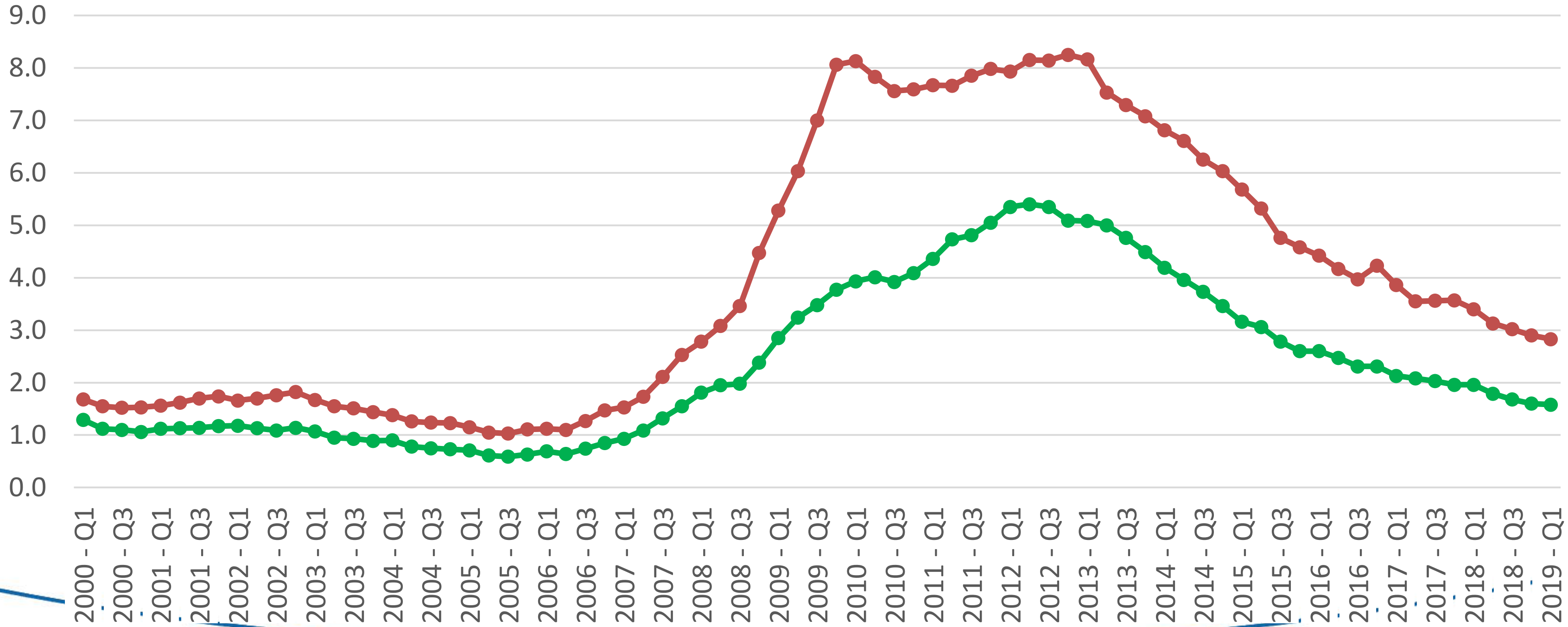
Inventory Growth: 8th straight months (% change from one year ago)



Source: NAR

Mortgages Performance in CT
Foreclosure and Seriously Delinquent (%)



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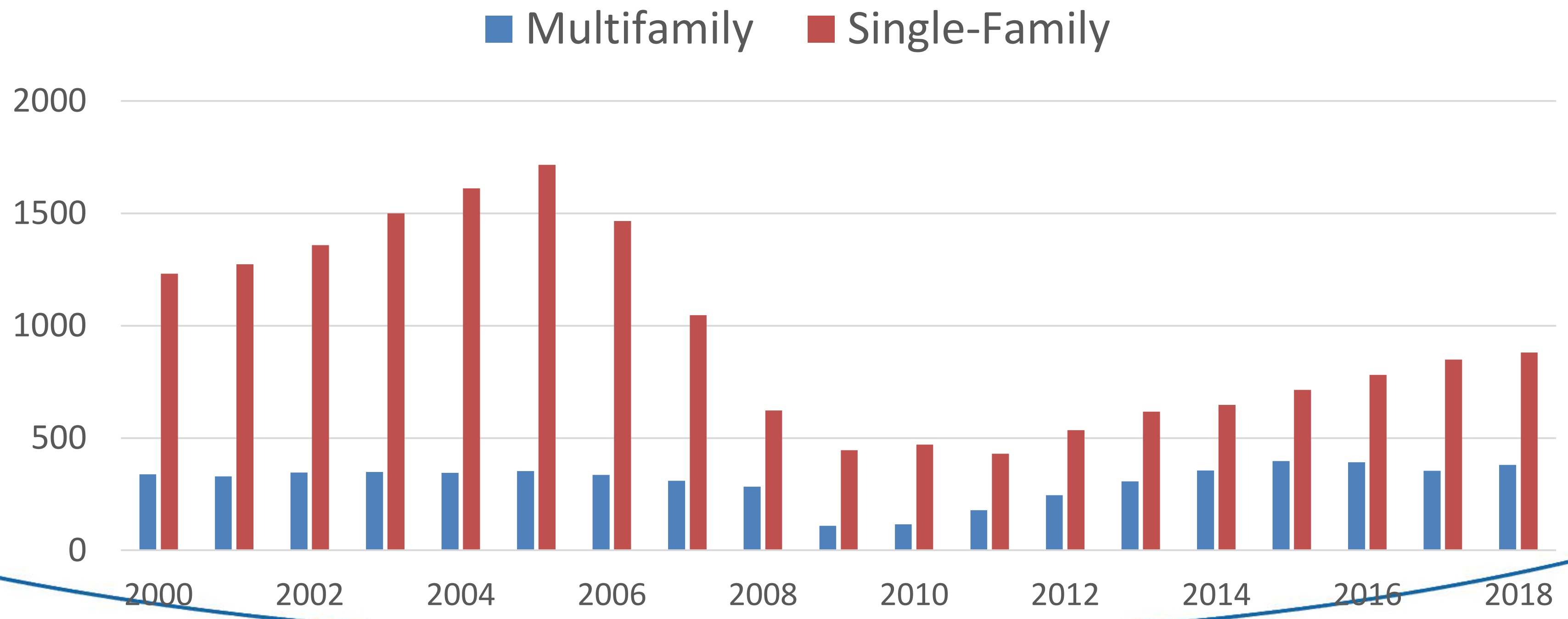
U.S. Housing Starts … Not Enough
Short by 5 to 6 million units



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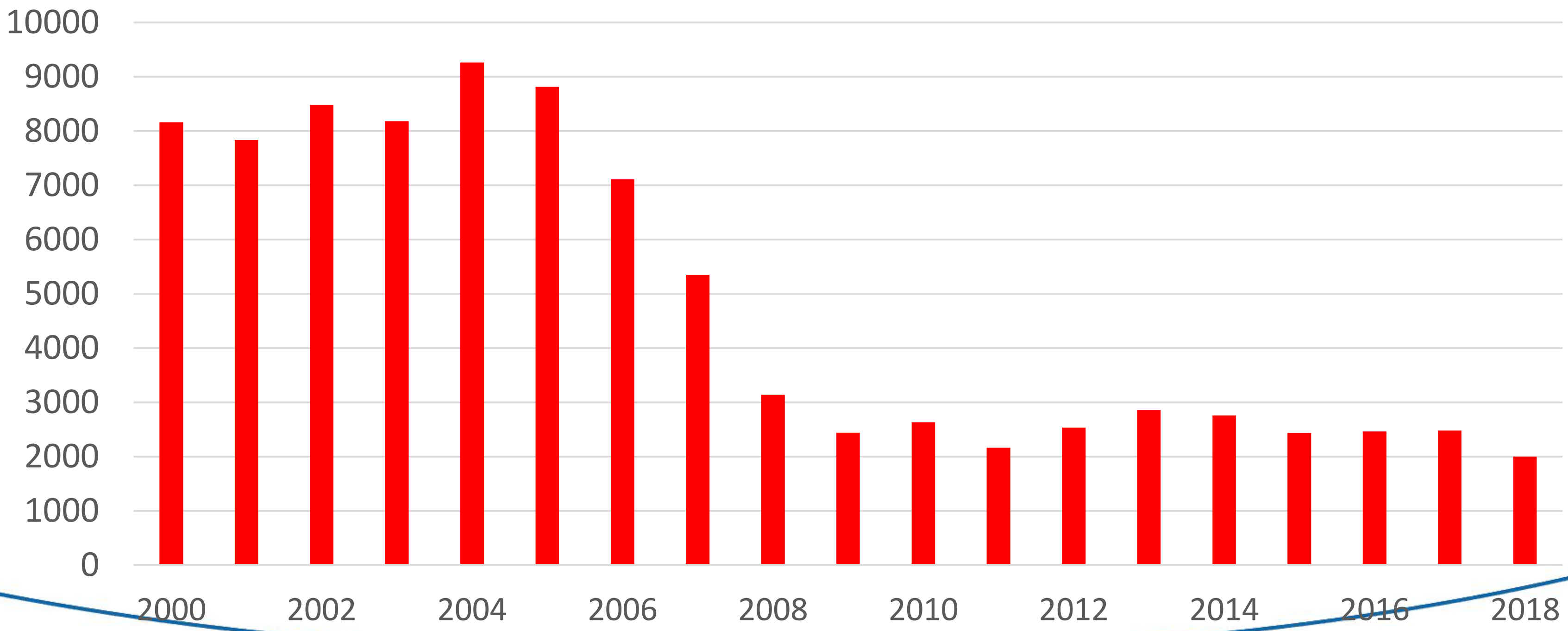
Single-Family Starts in CT



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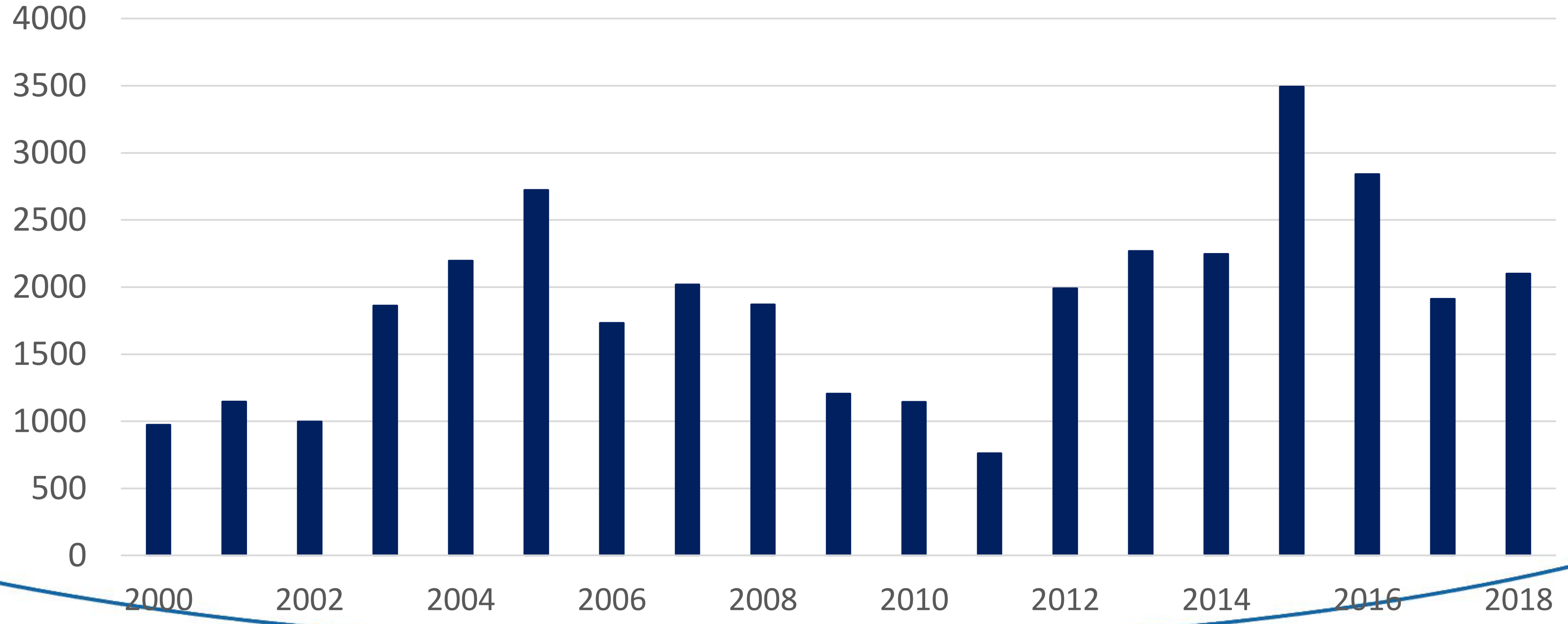
Multifamily Starts in CT



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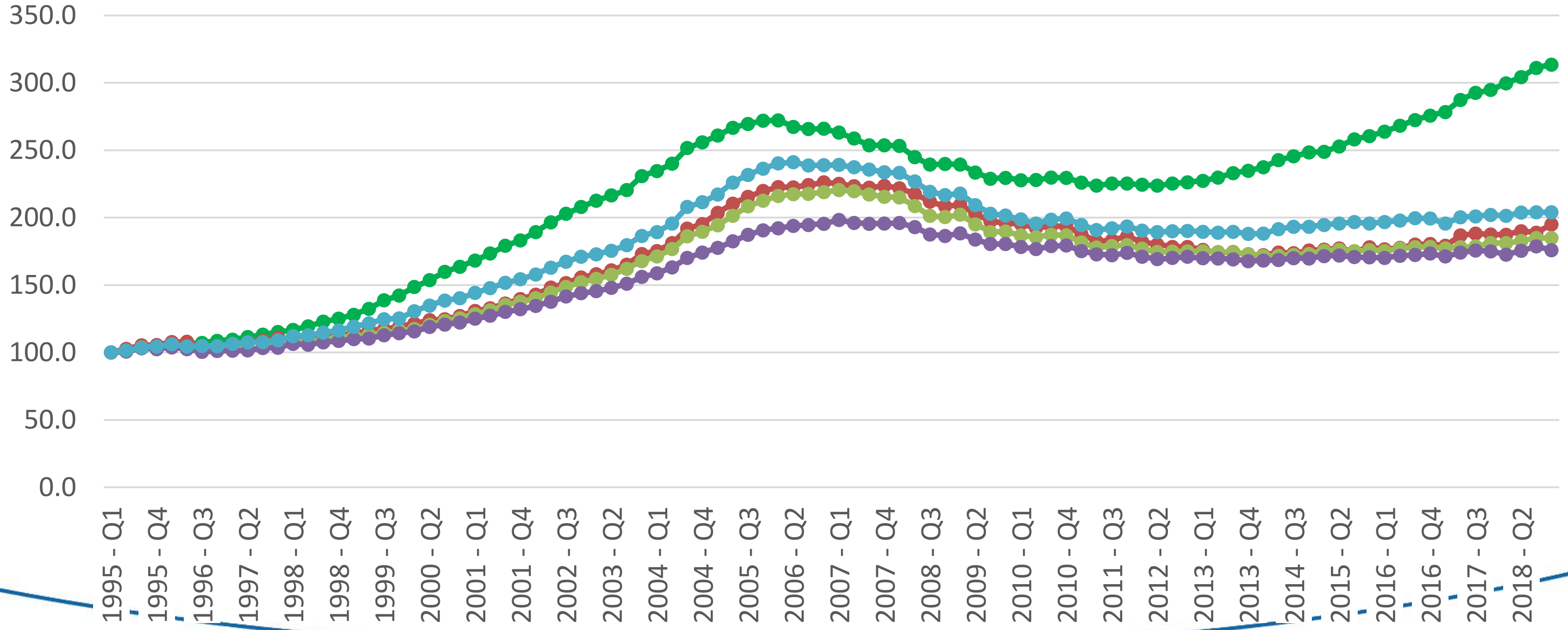
Consequence and Solutions

- BAD: Homeowners staying put for longer period
- BAD: Home prices outpace income growth … hurts affordability
- BAD: Slower economic growth
- BAD: Rent Control discussion

- Reduce local supply constraints … zoning laws, long permit process
- Plentiful skilled workers … trade school training
- Federal spending tied to allow more home construction
- Opportunity zones … tax incentives to develop and re-develop

Home Price Index
CT Markets and Boston



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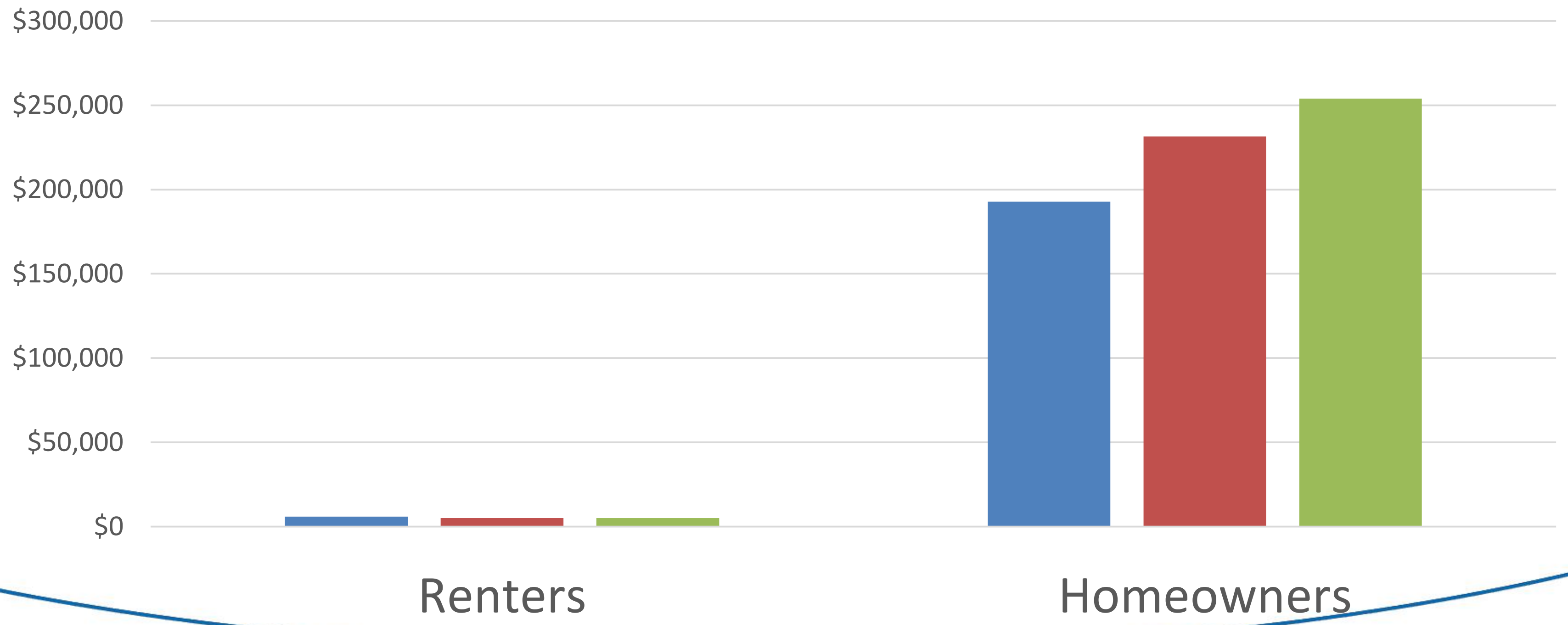
Wealth: From 2000 to 2016 to 2018



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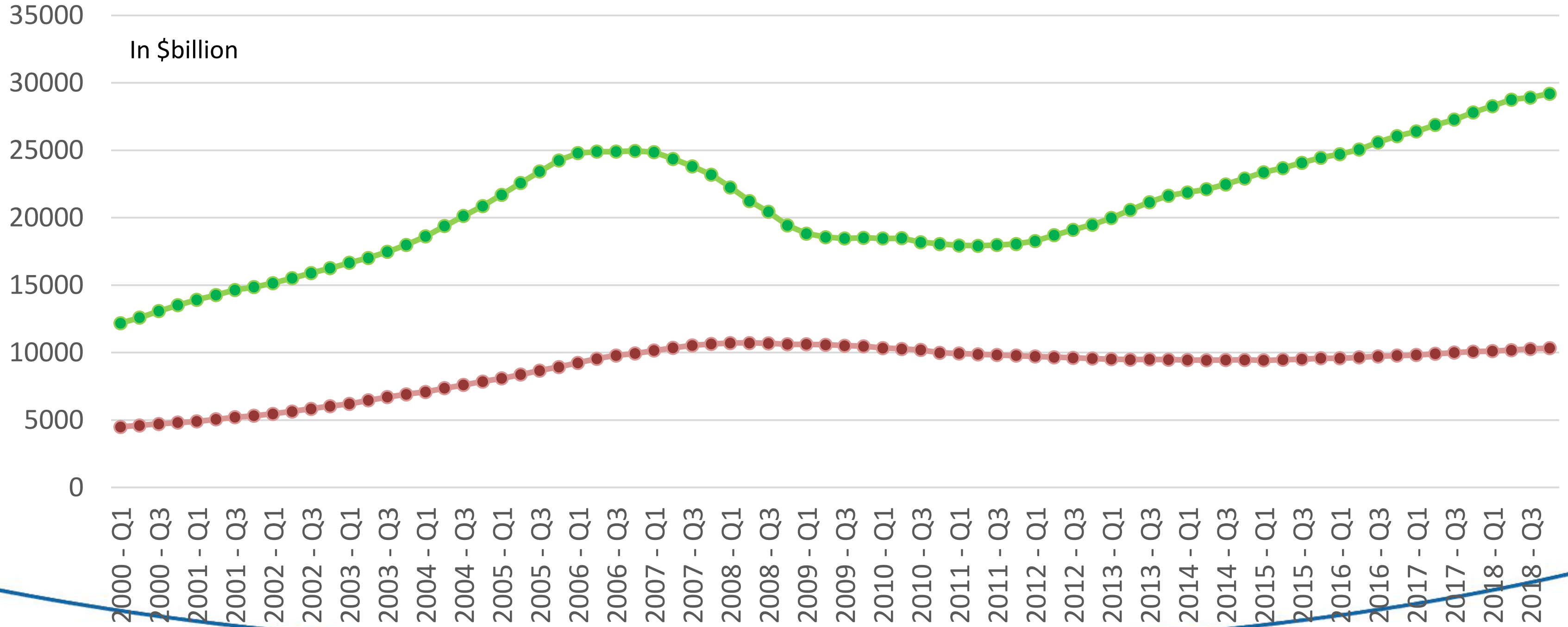
Rising Home Price means Rising Real Estate Wealth (Total Asset – Outstanding Mortgage)



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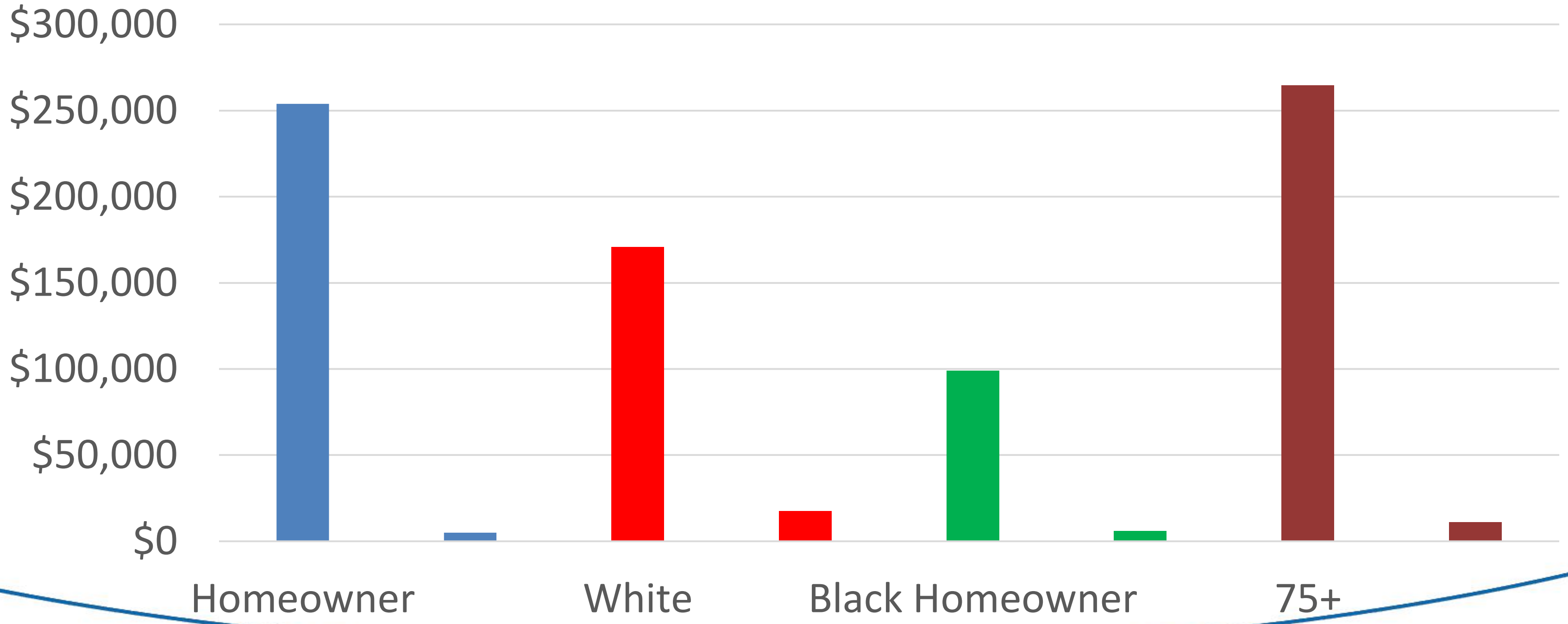
Net Worth: Comparisons



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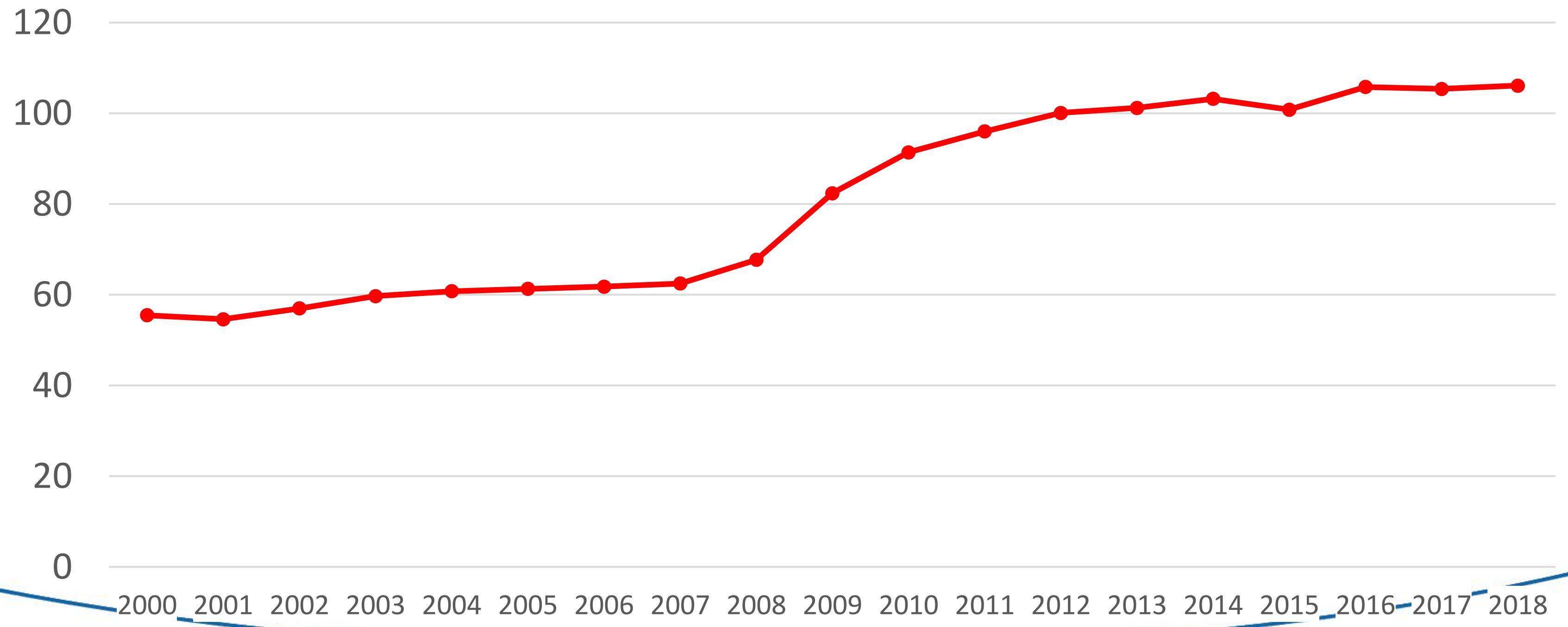
Too Much Borrowing?

- Households … homeowners with sizable equity, but not renters

- Corporations … huge profits, but to diminish, and elevated borrowing

- Government … ???

National Debt to GDP (%)



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Tax Reform

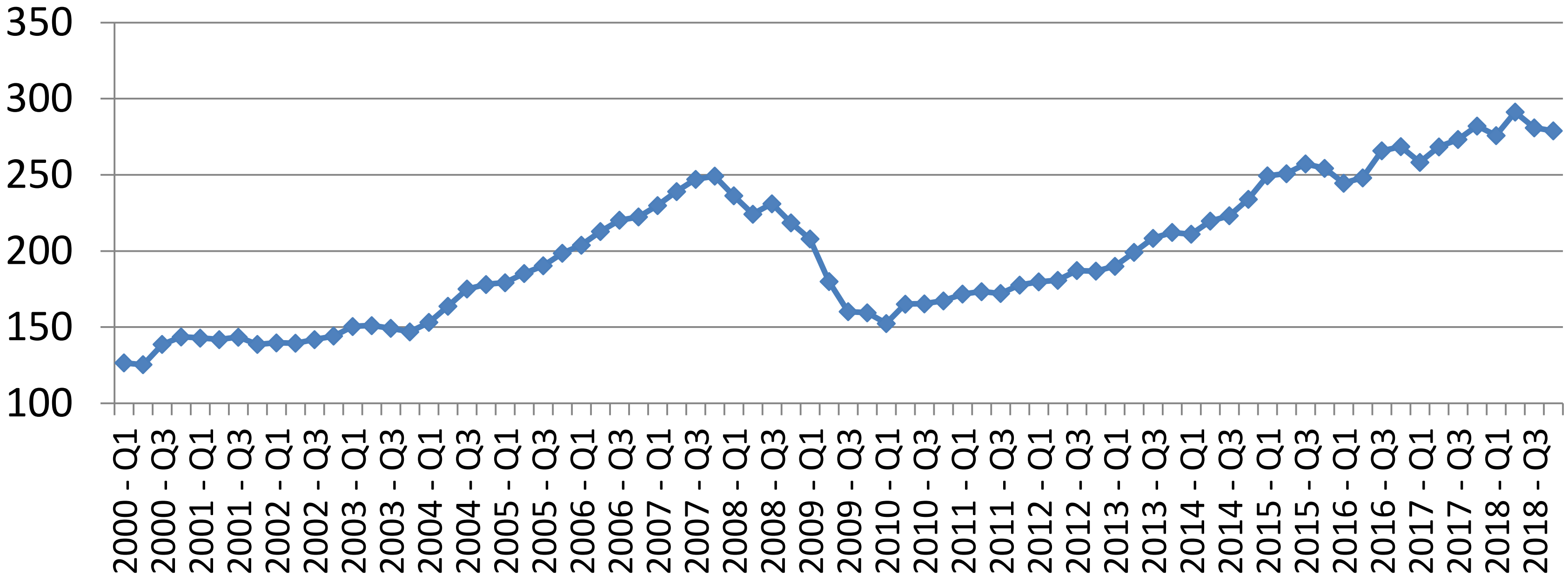
- Tax cut for majority
- Mortgage interest cap at $750,000; SALT cap at $10,000
- Many will not itemize and do a standard deduction

SALT Comparisons: CT and TN

Income	SALT in CT	SALT in TN
Up to $10,000	$ 6,079	$ 2,580
$25,000	$ 5,728	$ 2,547
$50,000	$ 6,283	$ 2,884
$75,000	$ 8,049	$ 3,518
$100,000	$ 10,203	$ 4,324
$200,000	$ 14,863	$ 5,946
$500,000	$ 29,627	$ 10,314
$1,000,000	$ 71,448	$ 19,589
Over $1,000,000	$ 321,229	$ 84,904

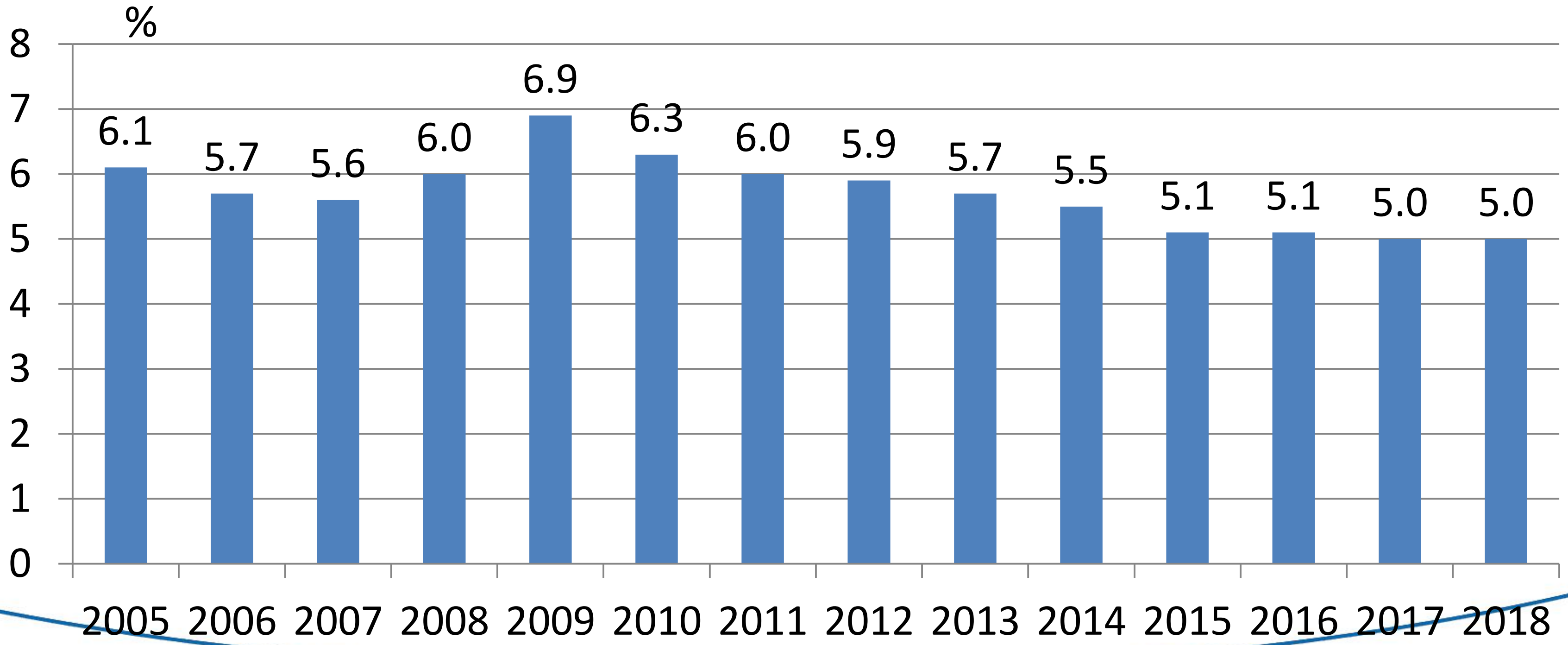
Commercial Real Estate Outlook

Commercial Property Price
(100% gain in 8 years)



Source: Federal Reserve

NCREIF Cap Rates – Likely Already Hit Cyclical Low



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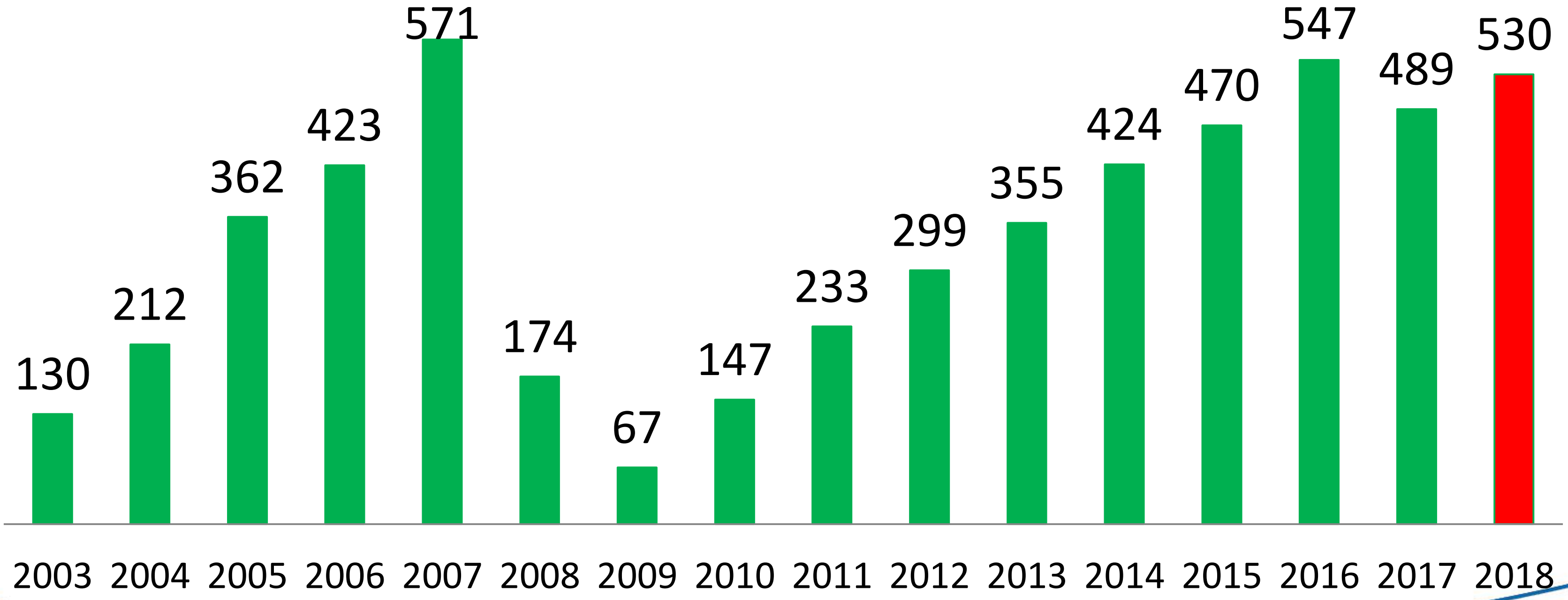
Commercial Investment Sales of Large Properties

(Properties valued at $2.5 million and over)



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Economic Forecast: No Recession

	2016	2017	2018	2019 Forecast	2020 Forecast
GDP Growth	1.5%	2.2%	2.9%	2.5%	2.0%
Job Growth	+2.5 million	+2.2 million	+2.4 million	+2.2 million	+1.5 million
CPI Inflation	1.3%	2.1%	2.4%	1.2%	1.8%

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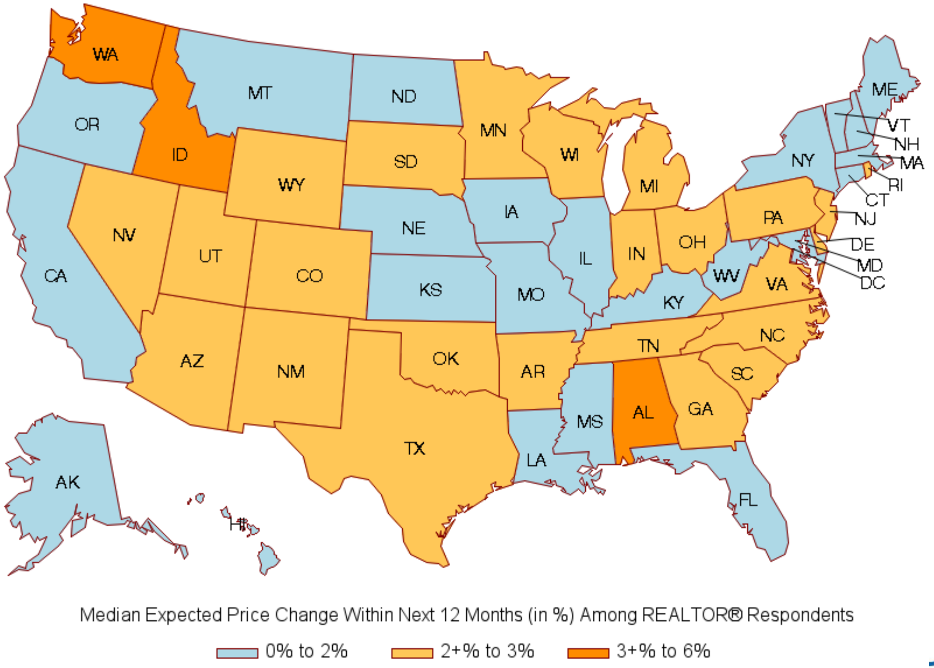
REALTORS® Median Expected Price Change in Next 12 Months



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Housing Forecast: Moderate Growth

	2016	2017	2018	2019 Forecast	2020 Forecast
New Home Sales	560,000	613,000	627,000	667,000 (+6%)	720,000 (+8%)
Existing Home Sales	5.4 million	5.5 million	5.3 million	5.3 million (no change)	5.5 million (+4%)
Median Price Growth	+5.1%	+5.7%	+4.9%	+2.3%	+3.3%
30-year Rate	3.6%	4.0%	4.5%	4.3%	4.6%

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Thank You !

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