

# Economic & Housing Outlook

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Presentation at  
Northern Arizona Association of REALTORS®

November 30, 2017

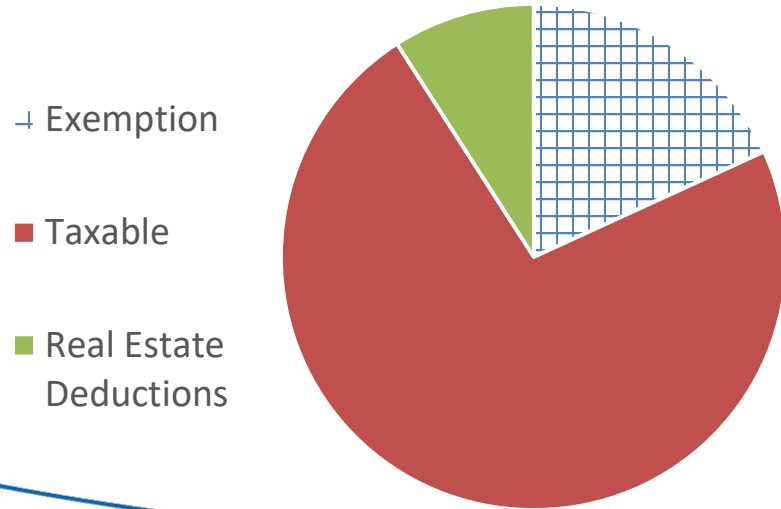
# Tax Reform

- Mortgage interest deduction?
- Property tax deduction?
- Personal Exemption?
- 1031 Exchange?
  
- Not the Same as 1986 Reform ... removed “passive losses” for non real estate professional

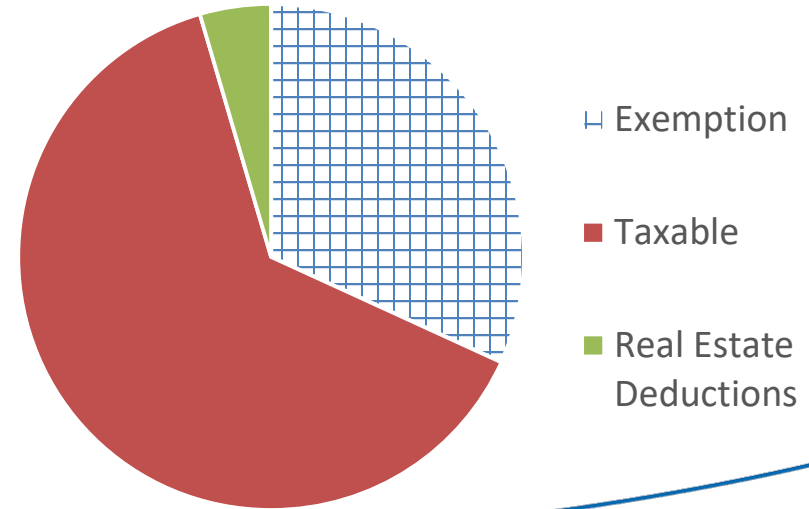
# Taxable Income after Deductions

(Figures are for illustrative purpose only)

Taxable Income with  
Same Standard Deduction

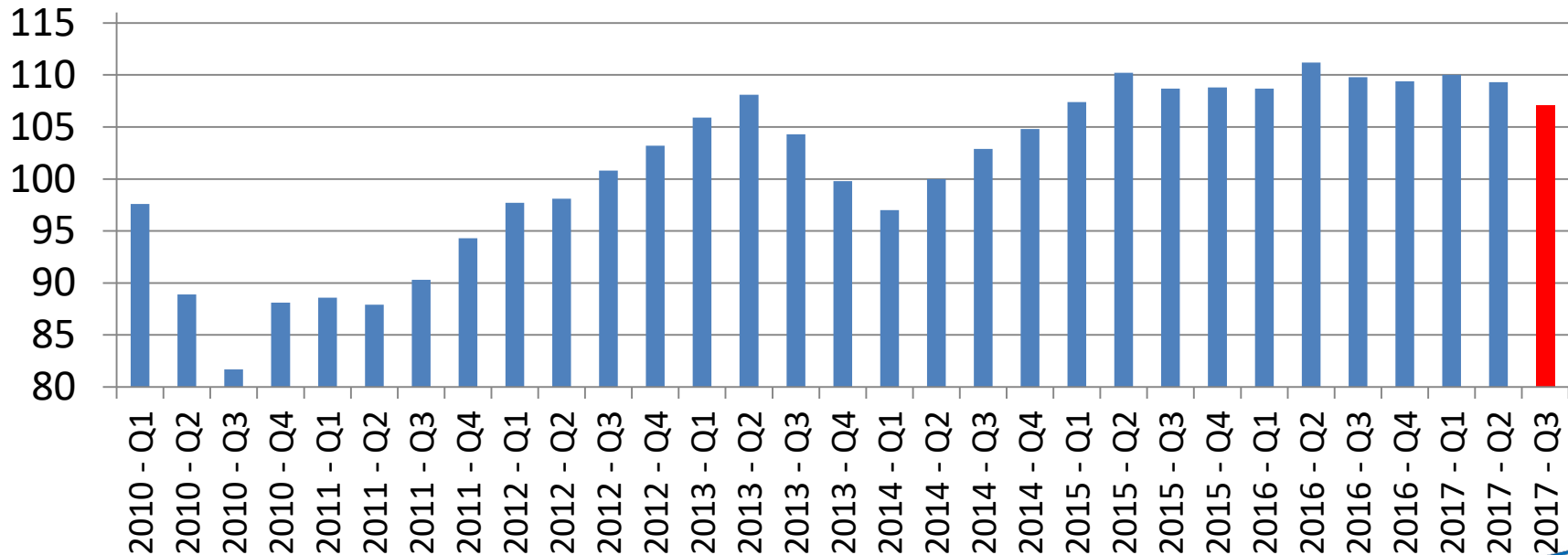


Taxable Income with  
Higher Standard Deduction



# Pending Sales Index ... Losing a Step

(Quarterly Seasonally Adjusted)

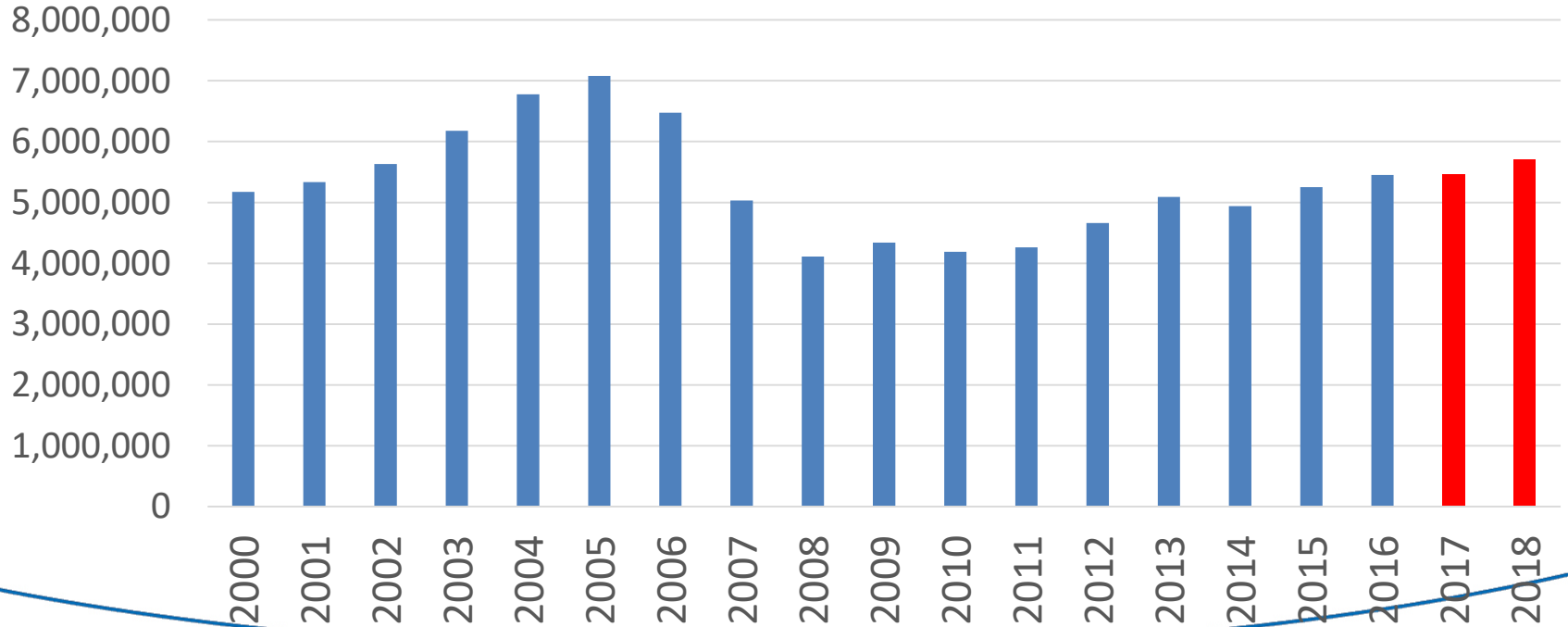


Source: NAR

# Flagstaff Housing Statistics

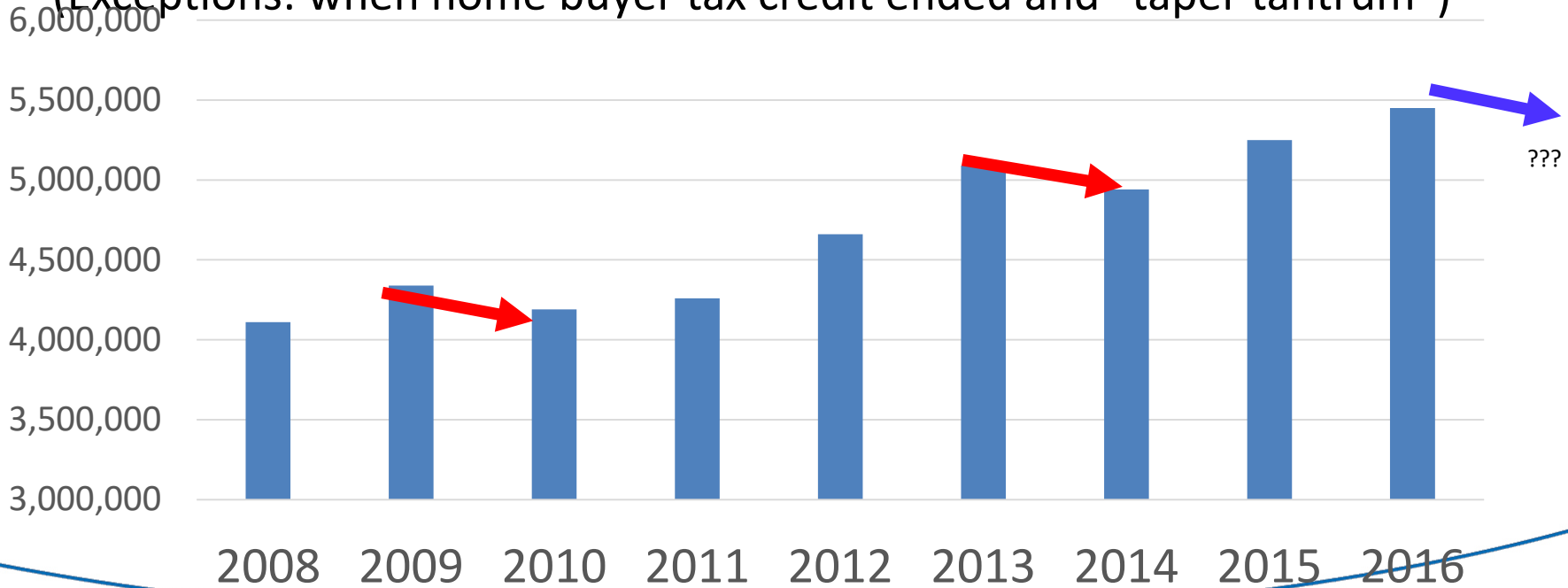
- Home Sales Sold ... up 5% in third quarter
- Median Price ... up 8%

# Existing Home Sales + Forecast



# Existing Home Sales – Mostly Rising in Recent Years

(Exceptions: when home buyer tax credit ended and “taper tantrum”)



# Mortgage Rates

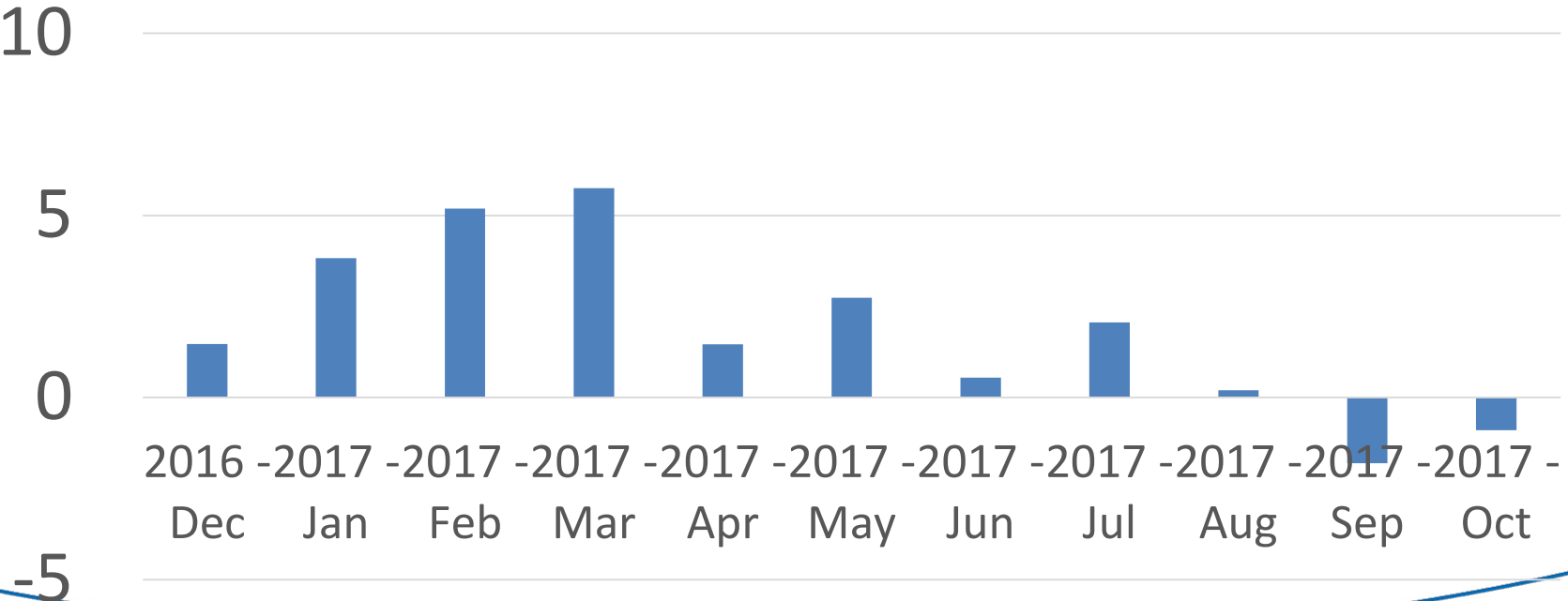
## 30-year Fixed Rate



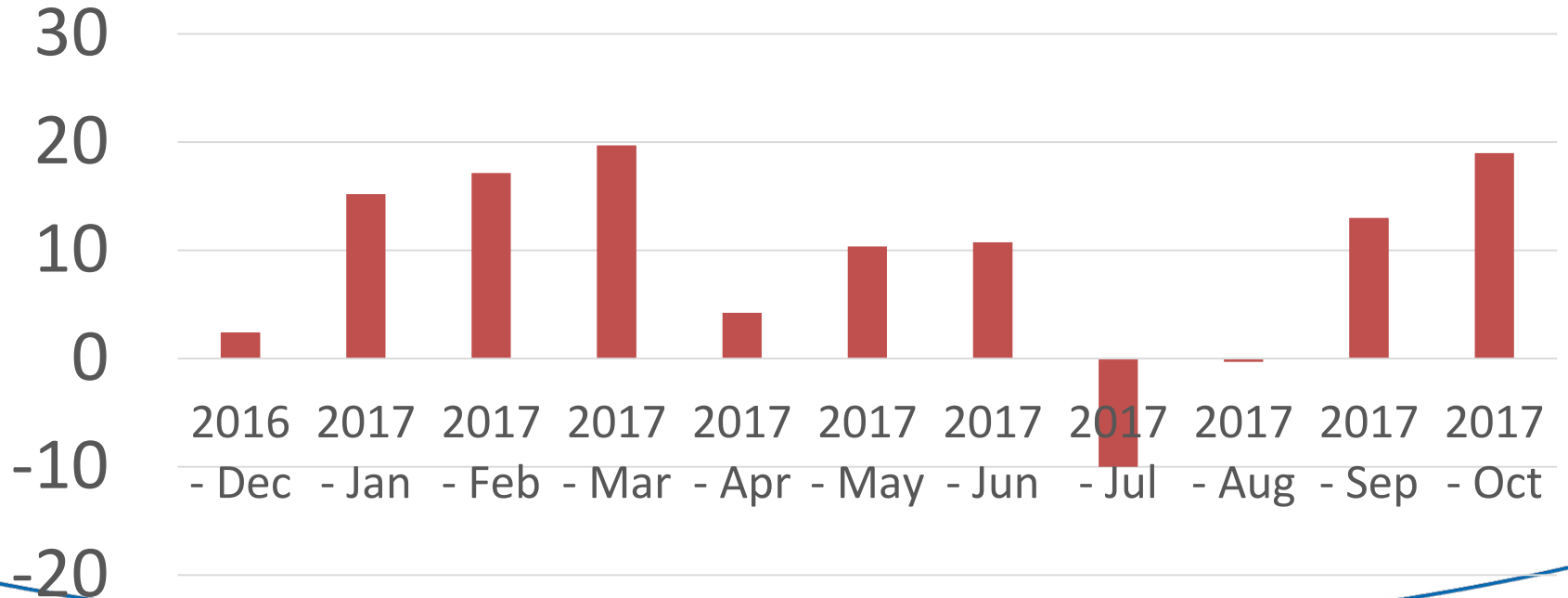


# Existing Home Sales Rising After Election

(% change from one year ago)

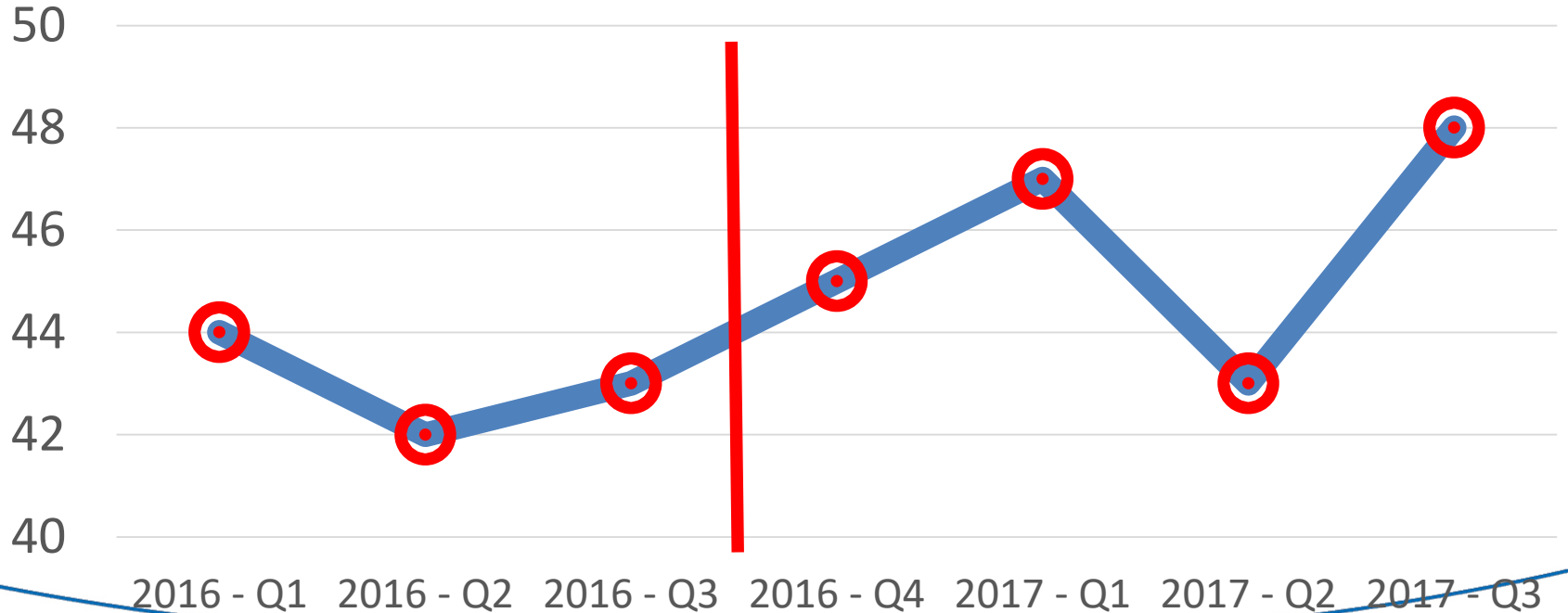


# New Home Sales Rising – After Election

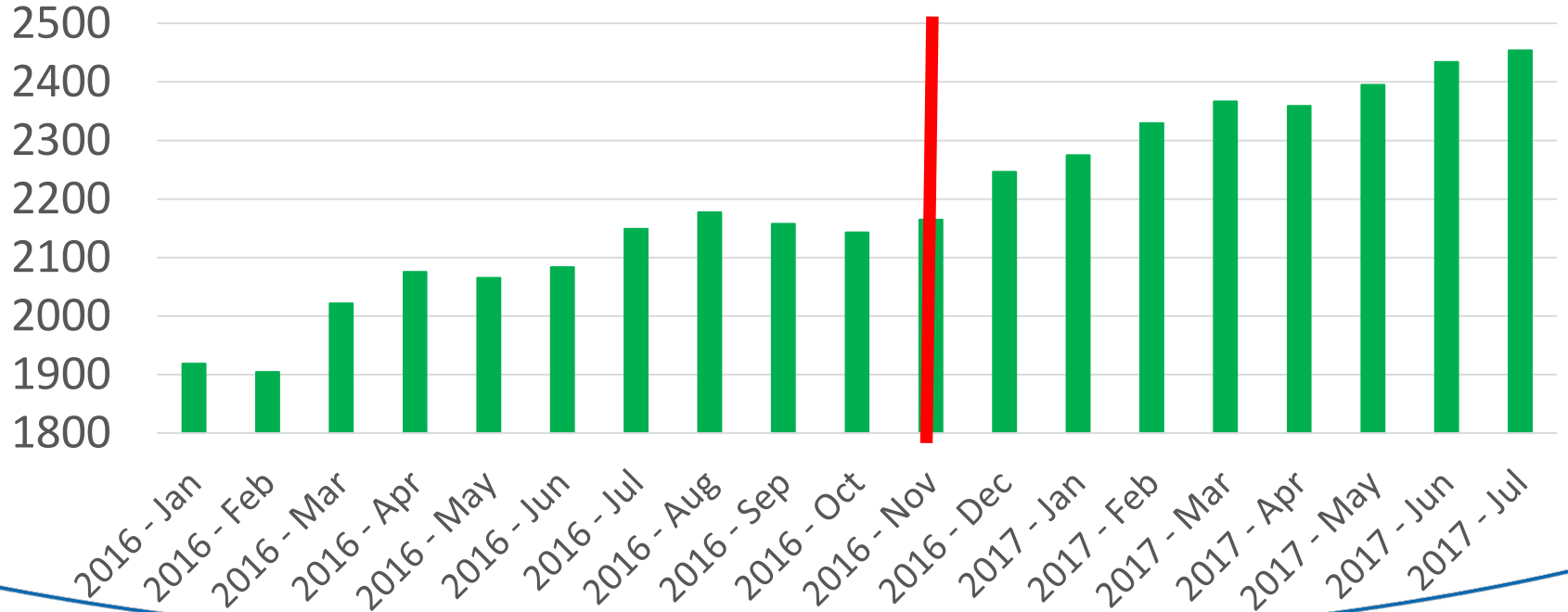


# NAR HOME Survey of Consumers

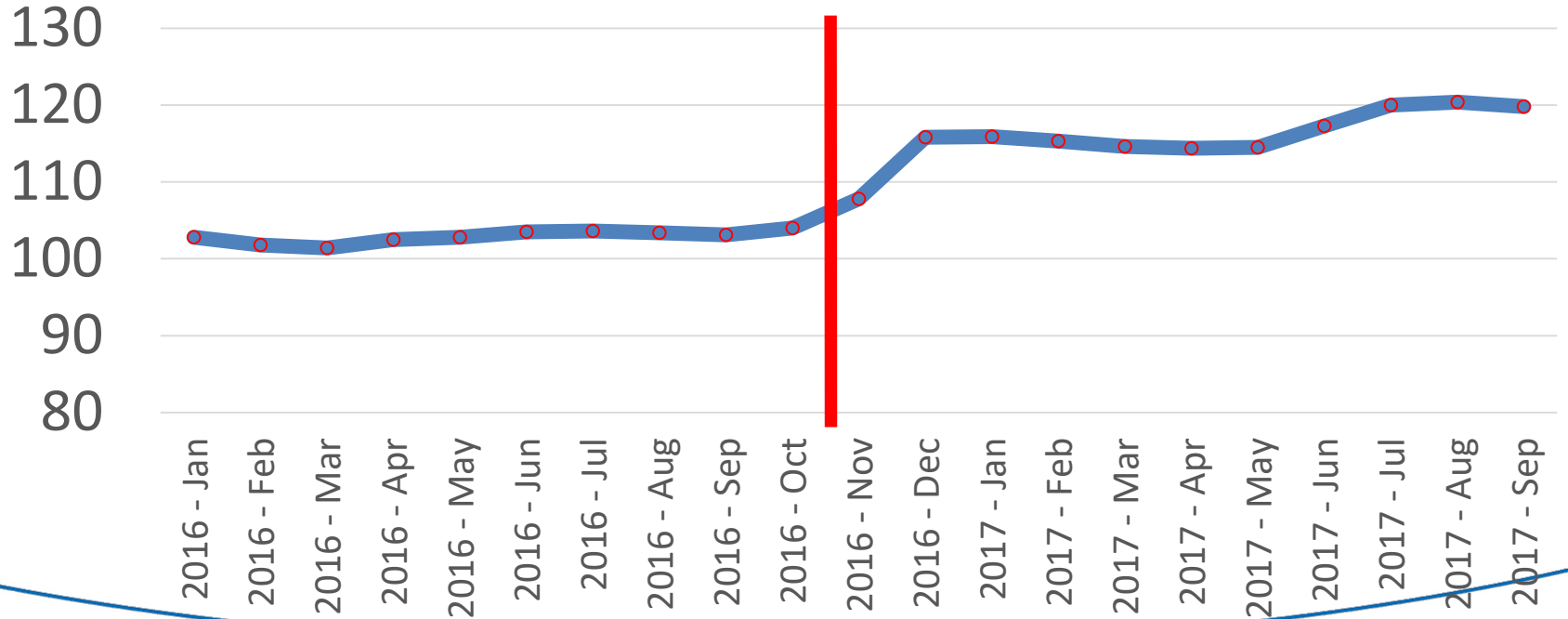
% Strongly indicating Good Time to Buy



# Stock Market: S&P 500 Index

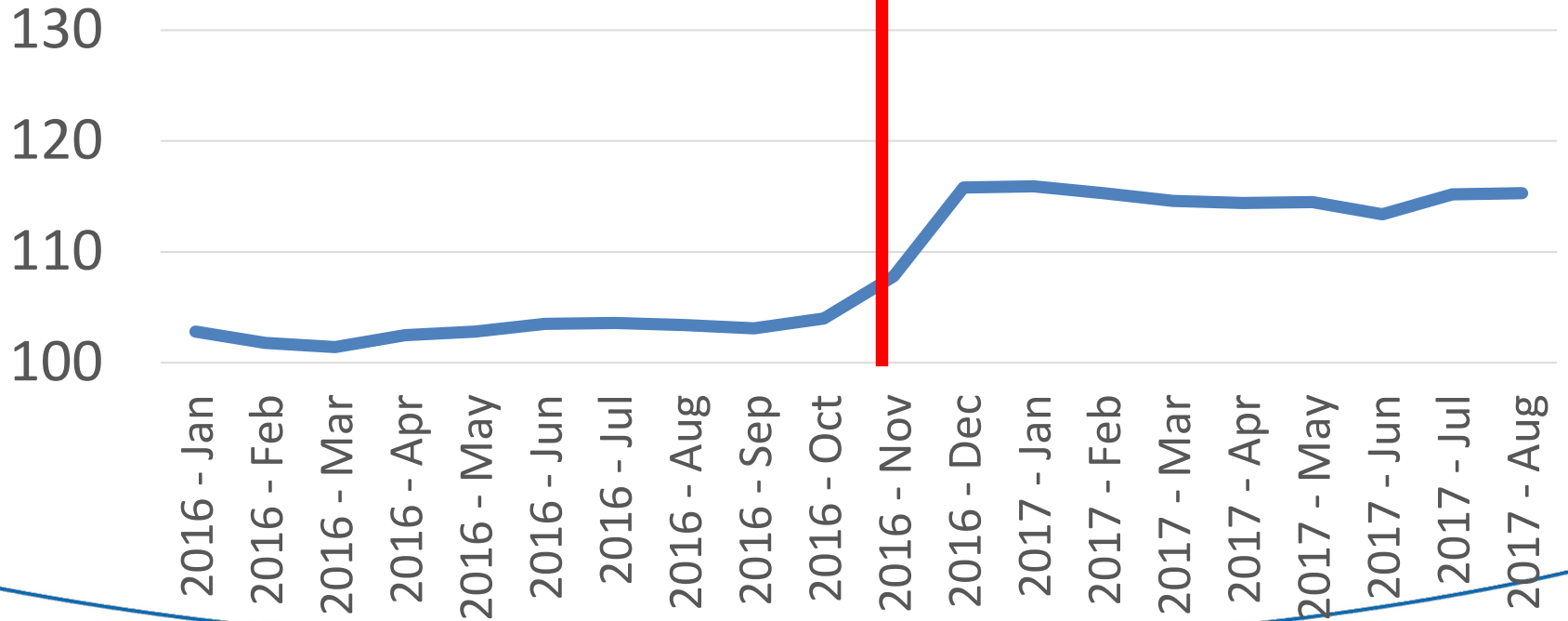


# Animal Spirit Revival of Consumers? Consumer Confidence Index

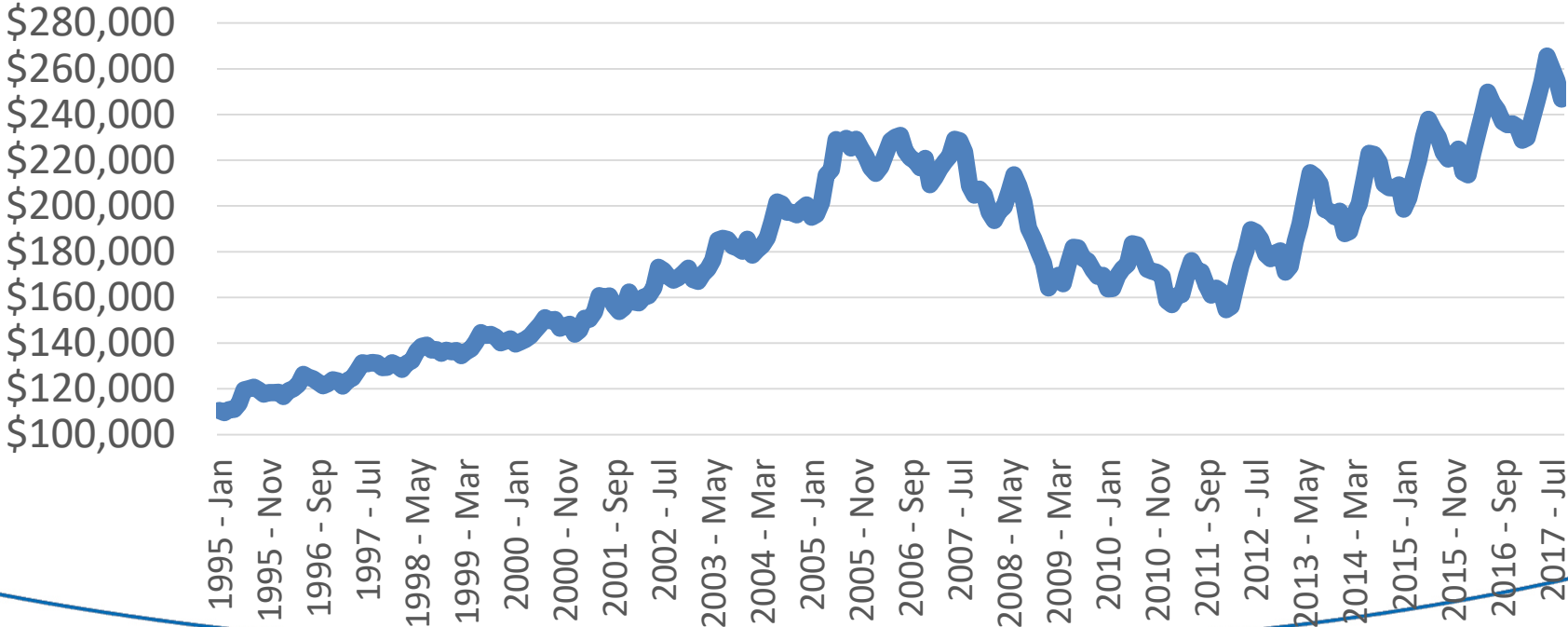


# Animal Spirit Revival of Businesses?

## Small Business Optimism Index



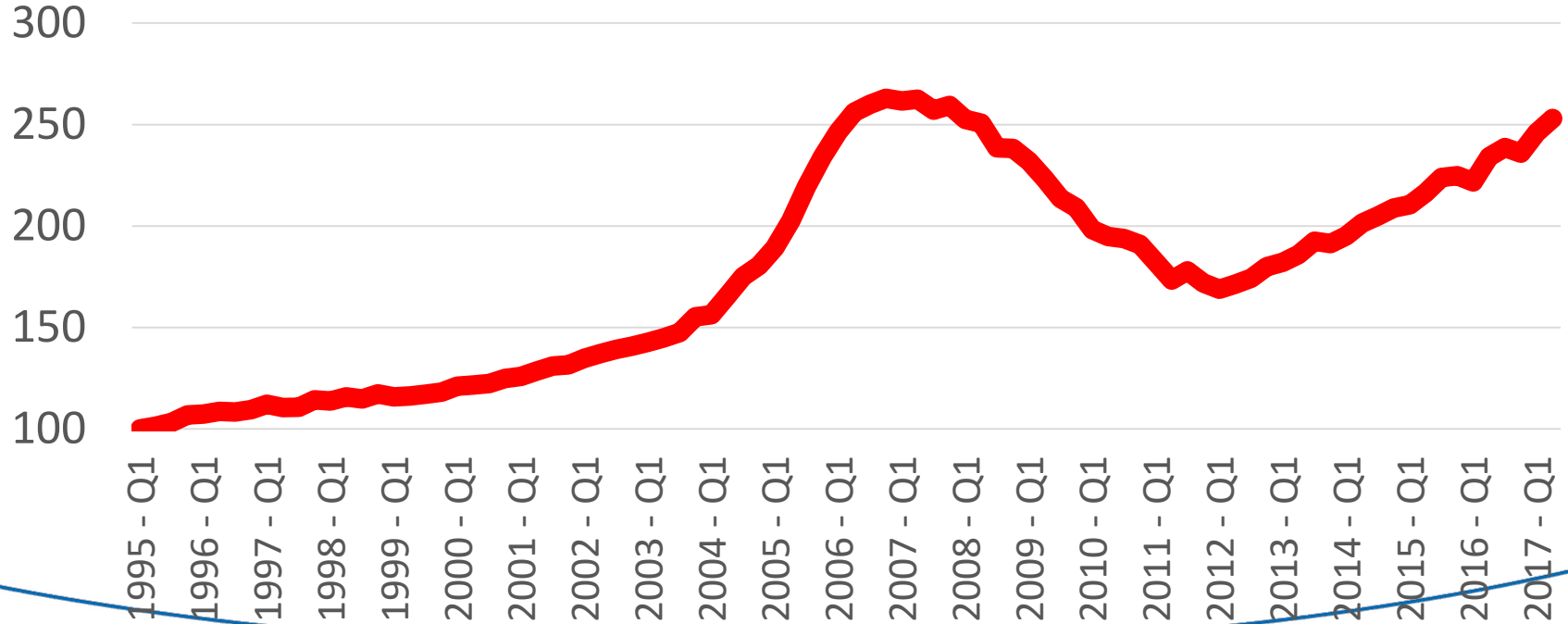
# National Median Home Price



Source: NAR



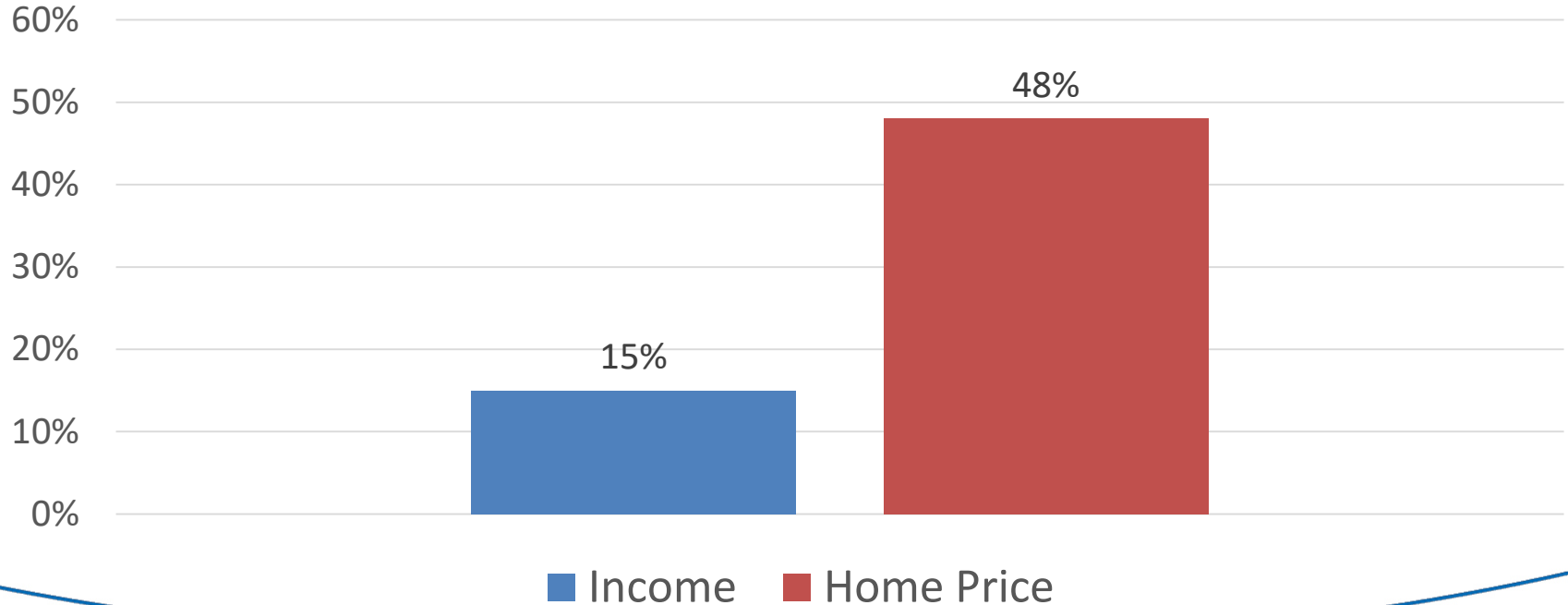
# Home Price Index (Constant Quality) Flagstaff Metro



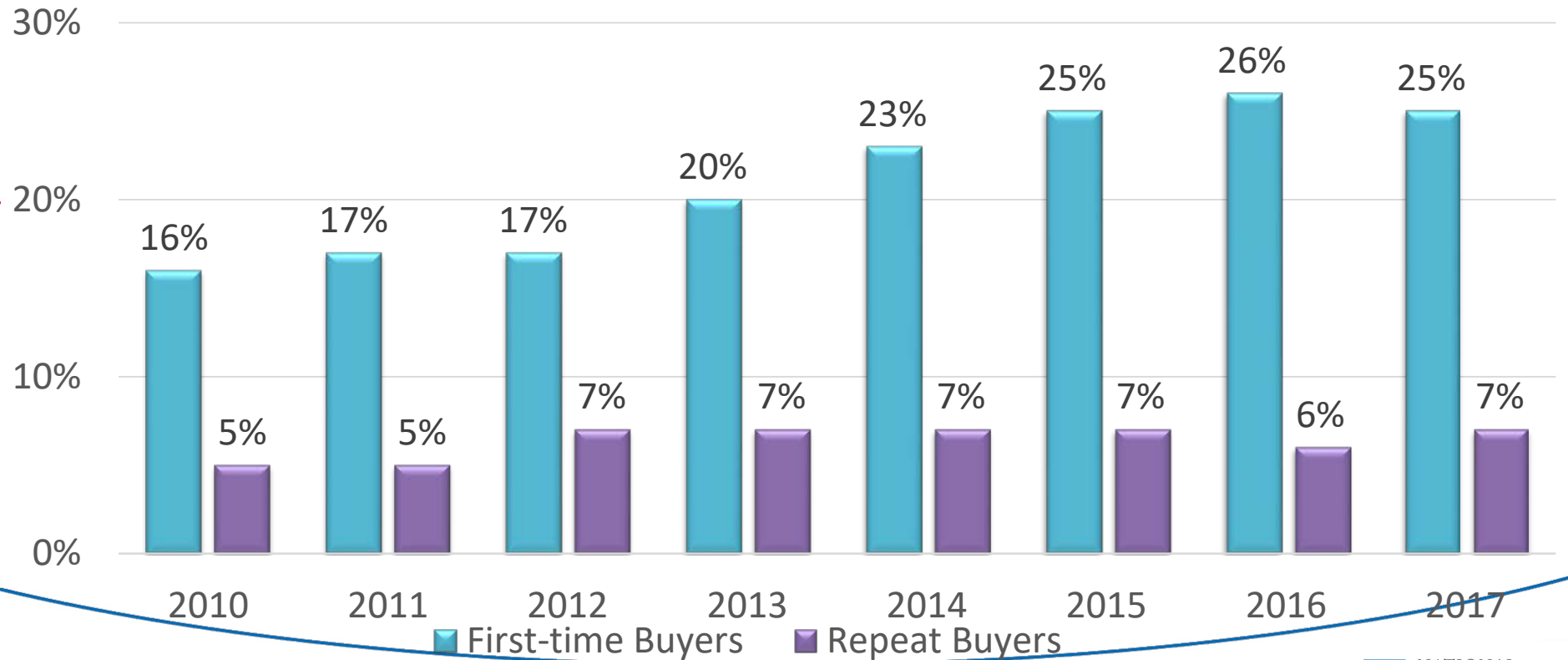


# Income Growth and Home Price Growth

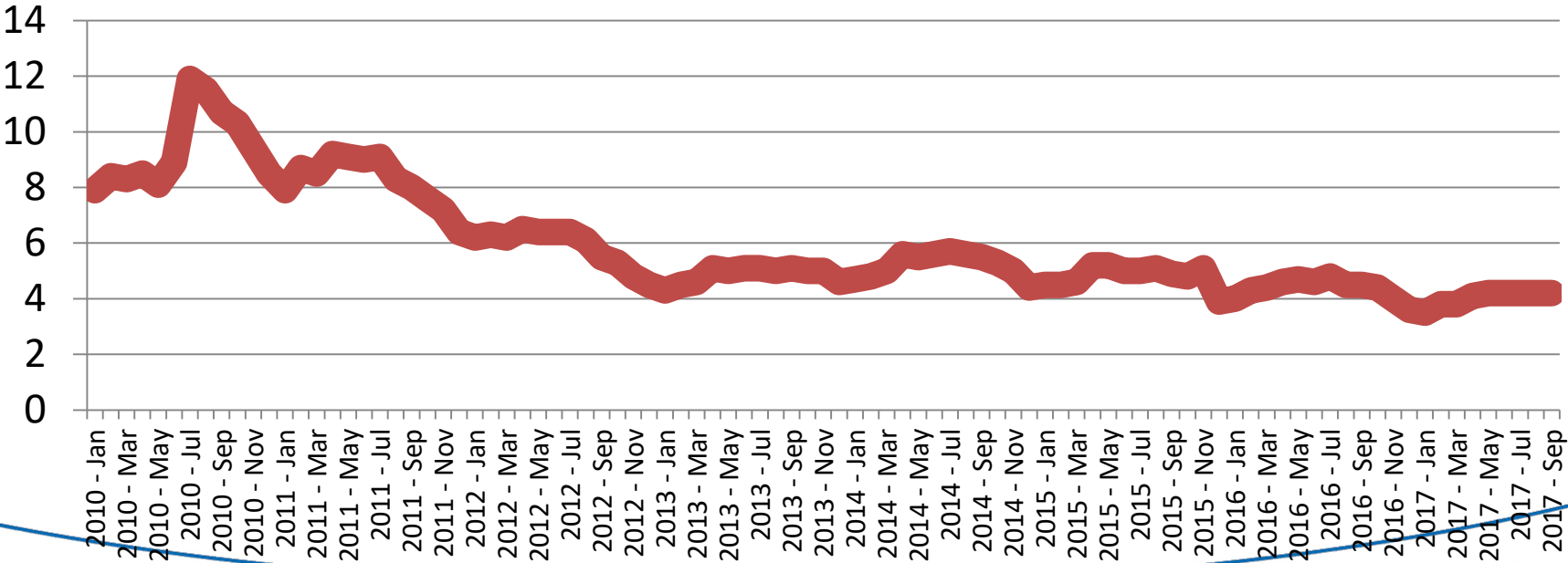
(from lows in 2011 to 2017)



# Difficulty Saving for Downpayment

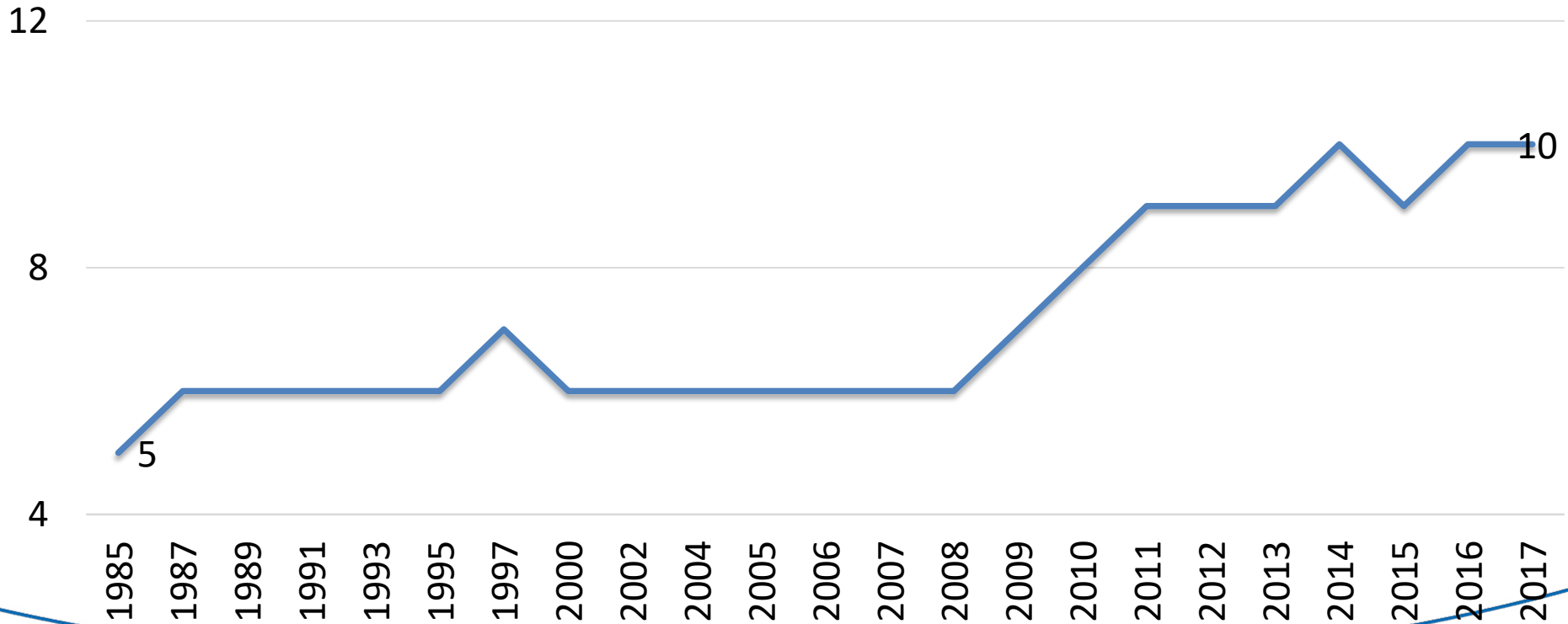


# Months Supply of Inventory

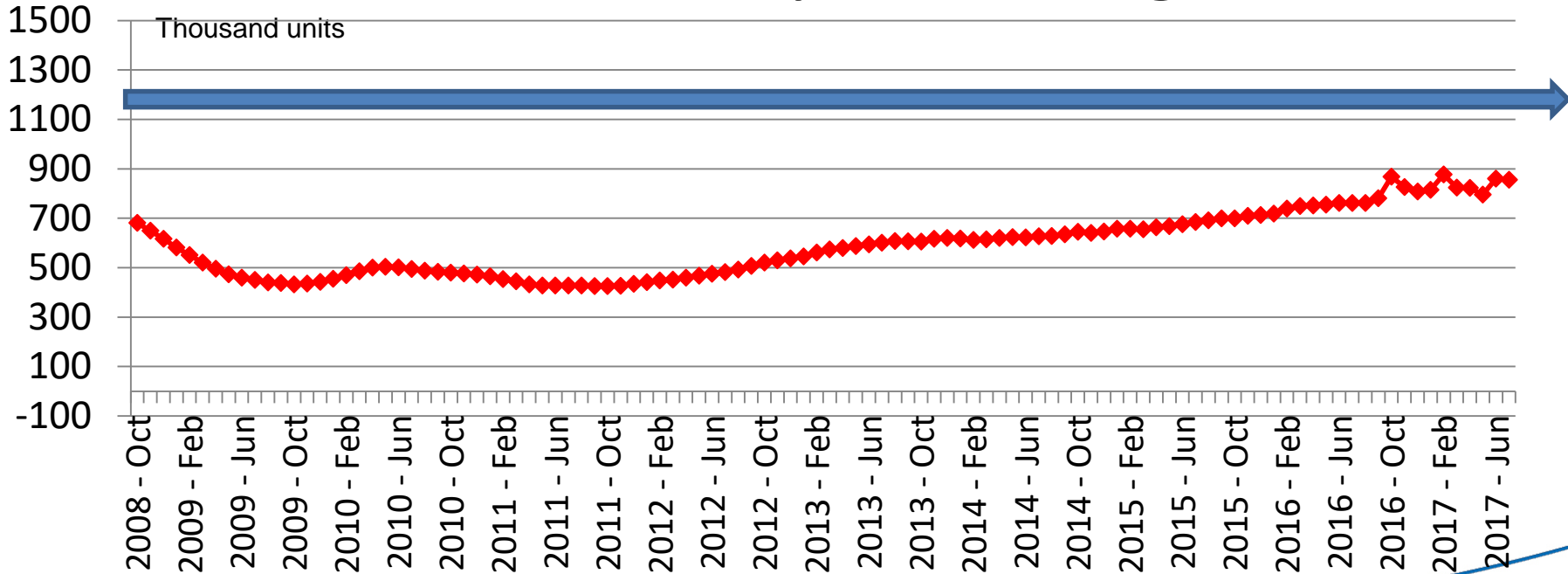


Source: NAR

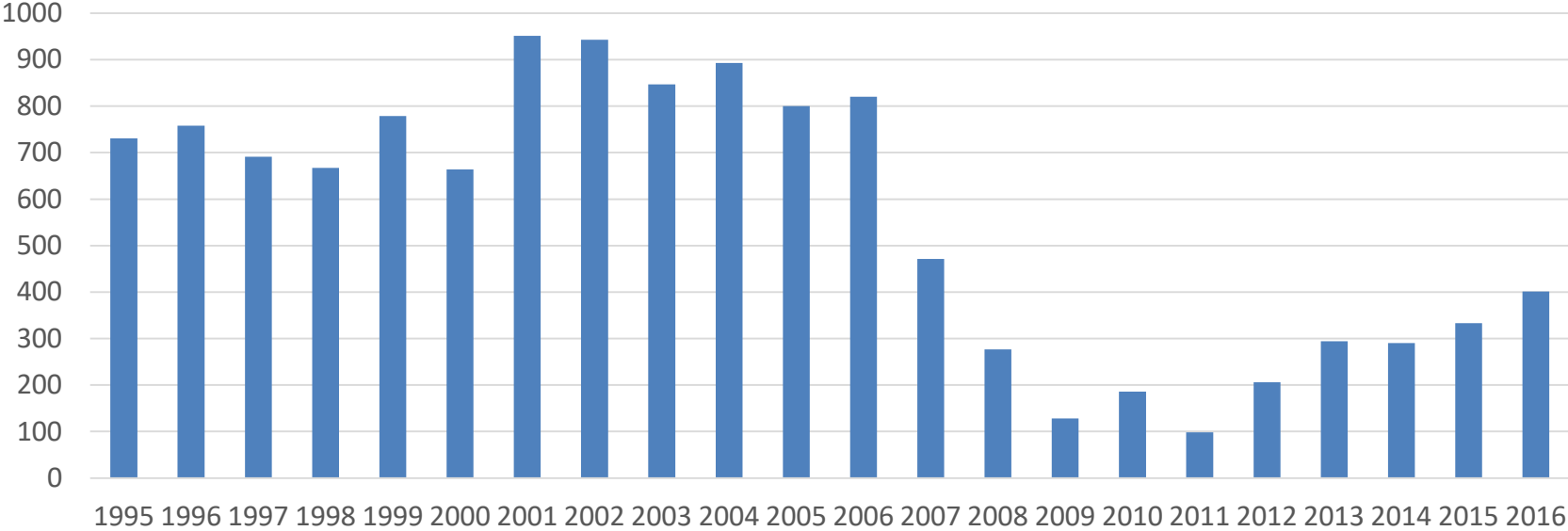
# Actual Tenure in Home is Elevated



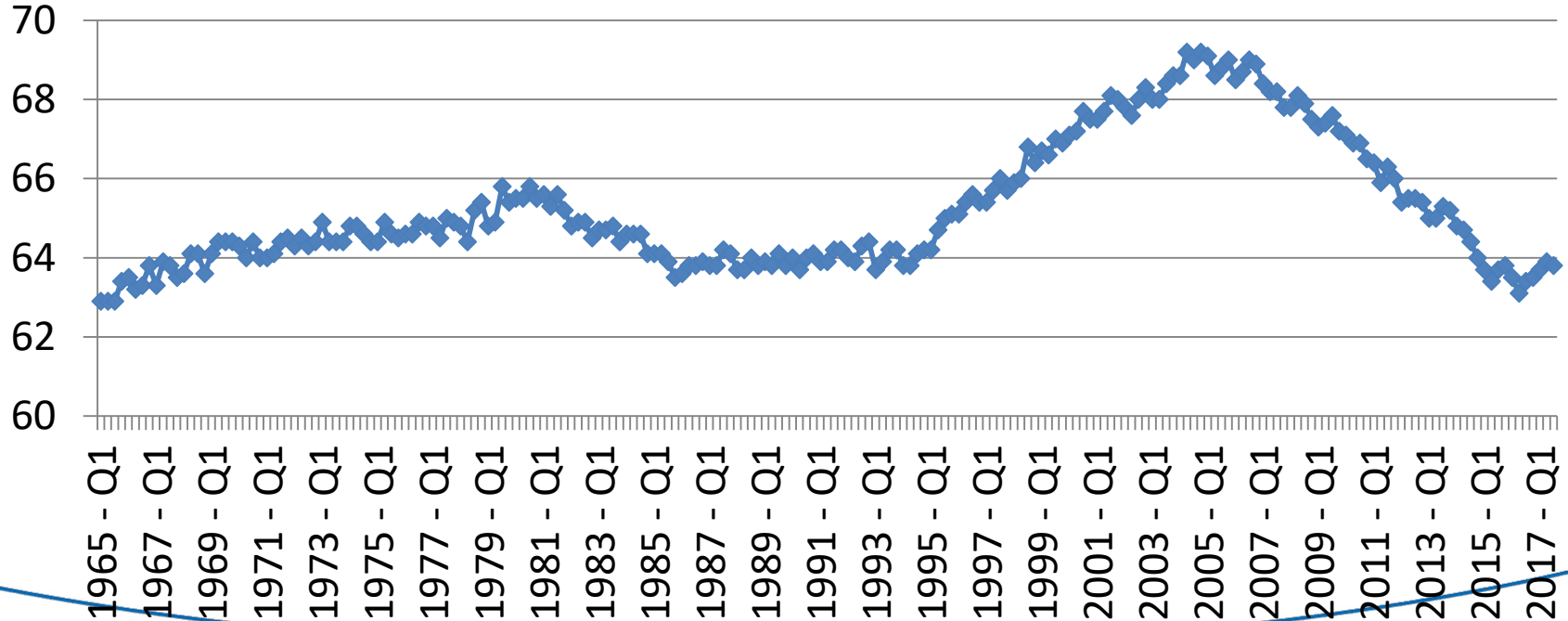
# Single-family Housing Starts ... Well Below 50-year Average



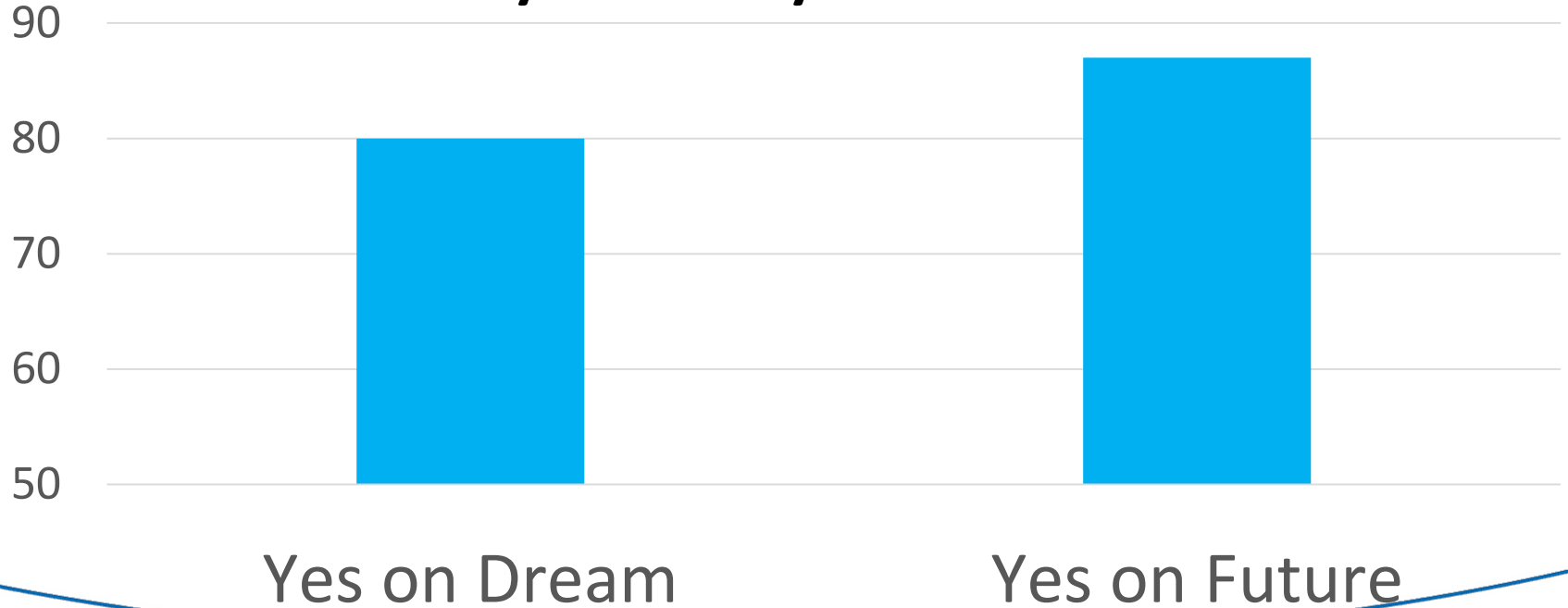
# Flagstaff Metro Single-Family Permits



# Homeownership Rate Still Near 50-year Lows

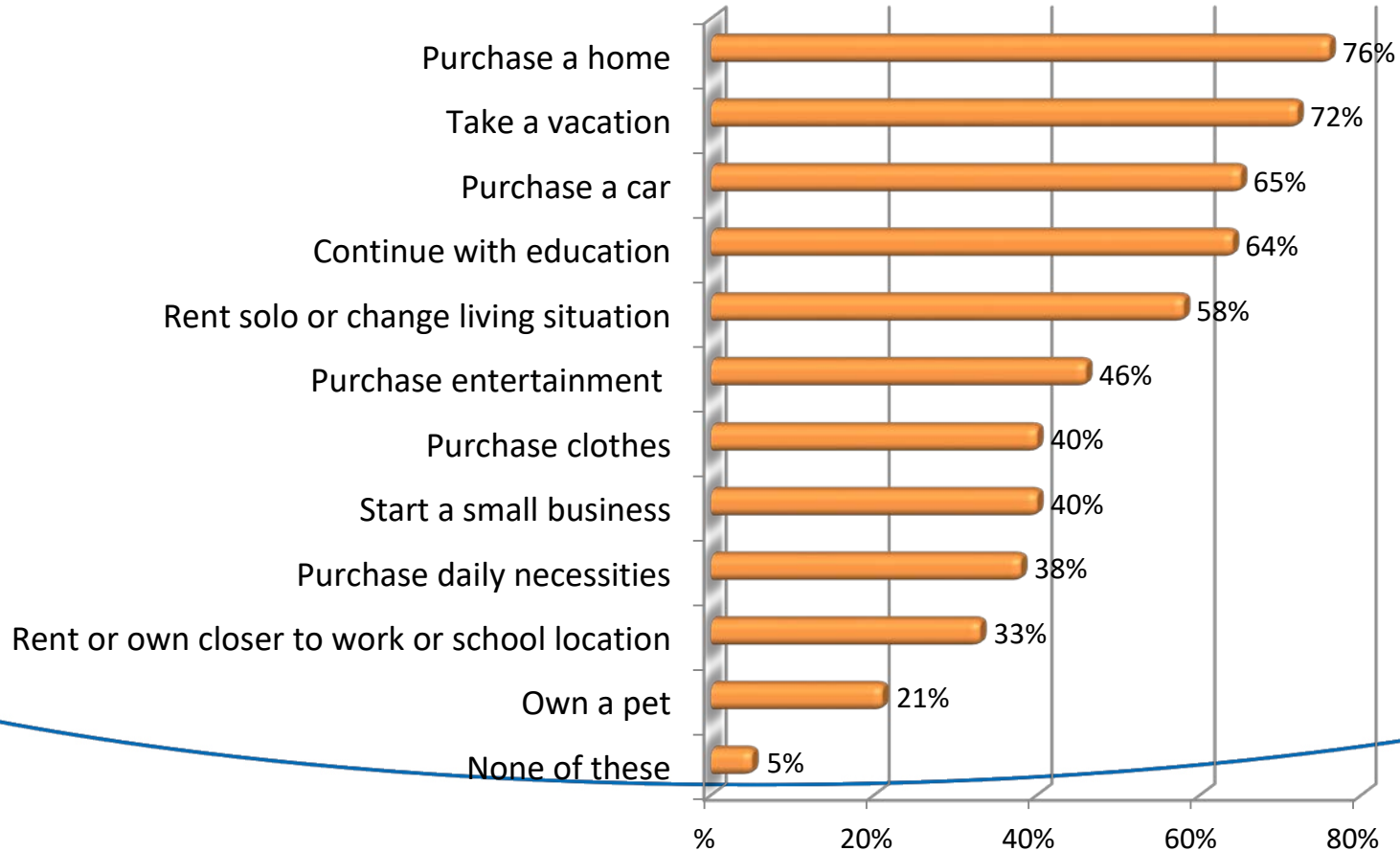


# Is Owning still American Dream? Will you Buy in Future?

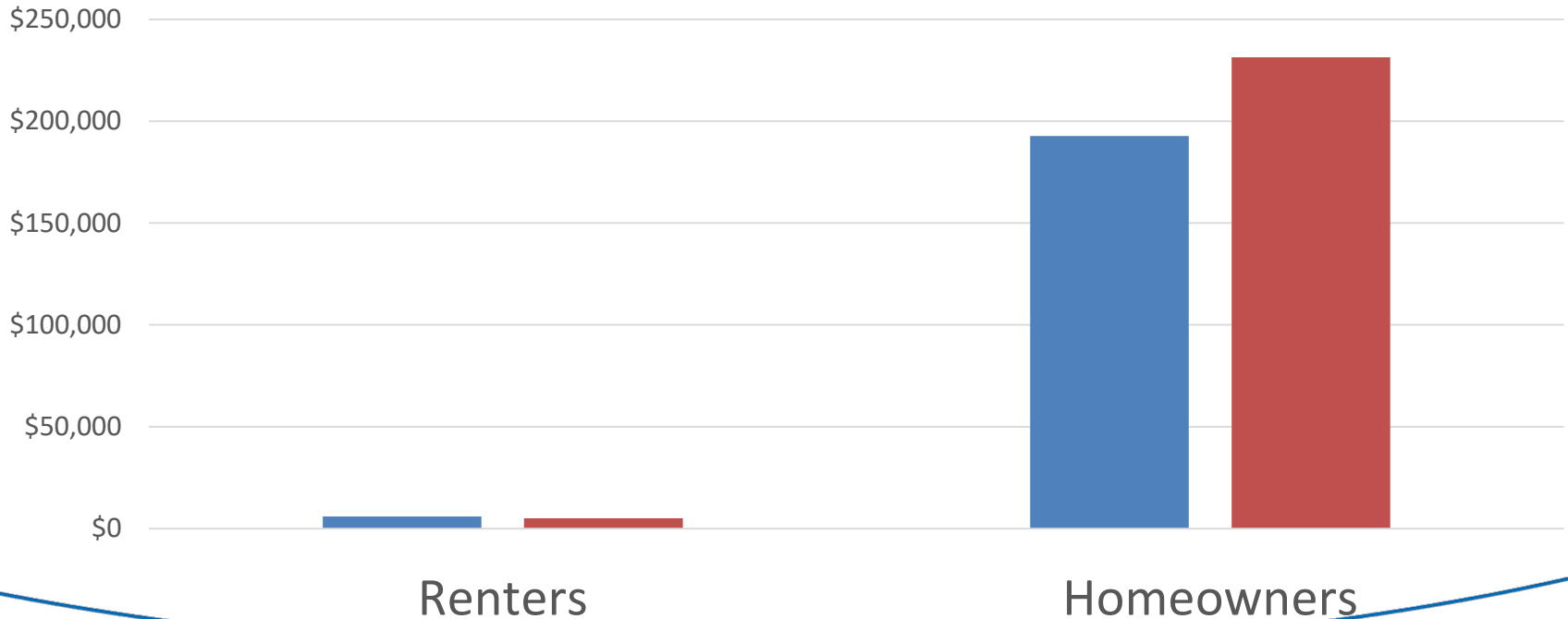




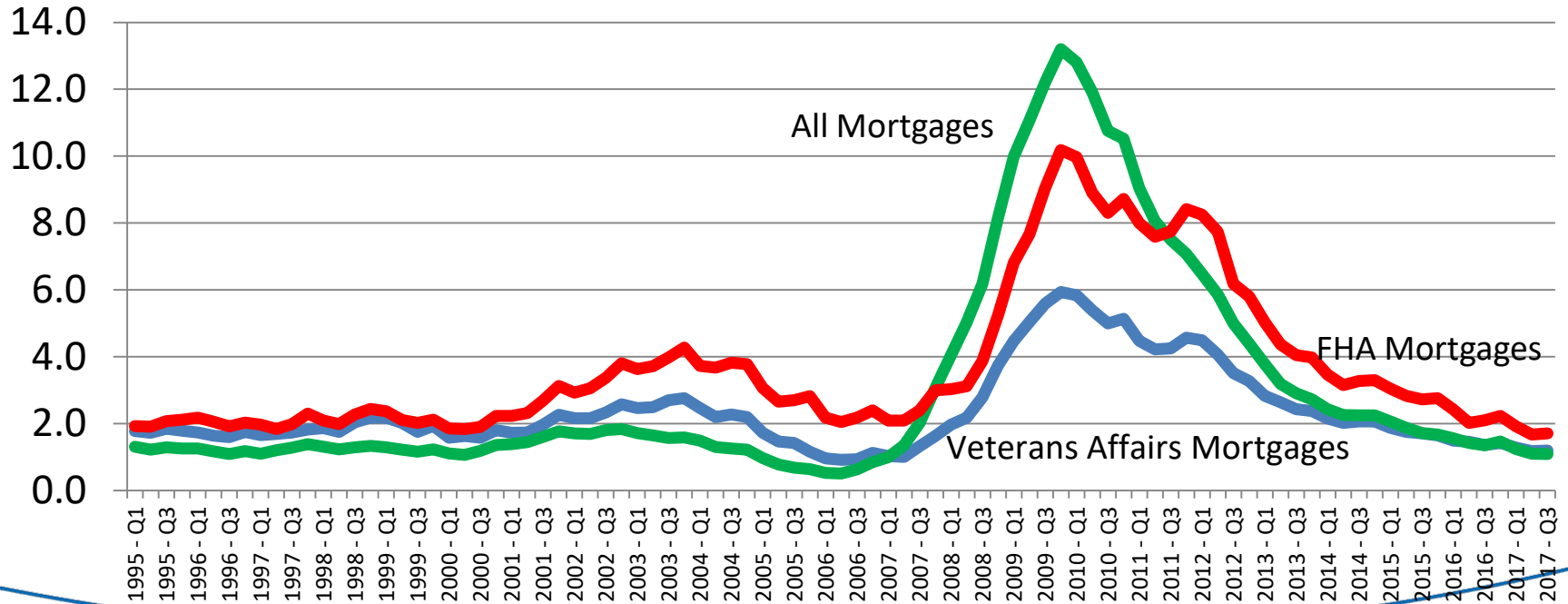
# Student Loan Debt Impacted



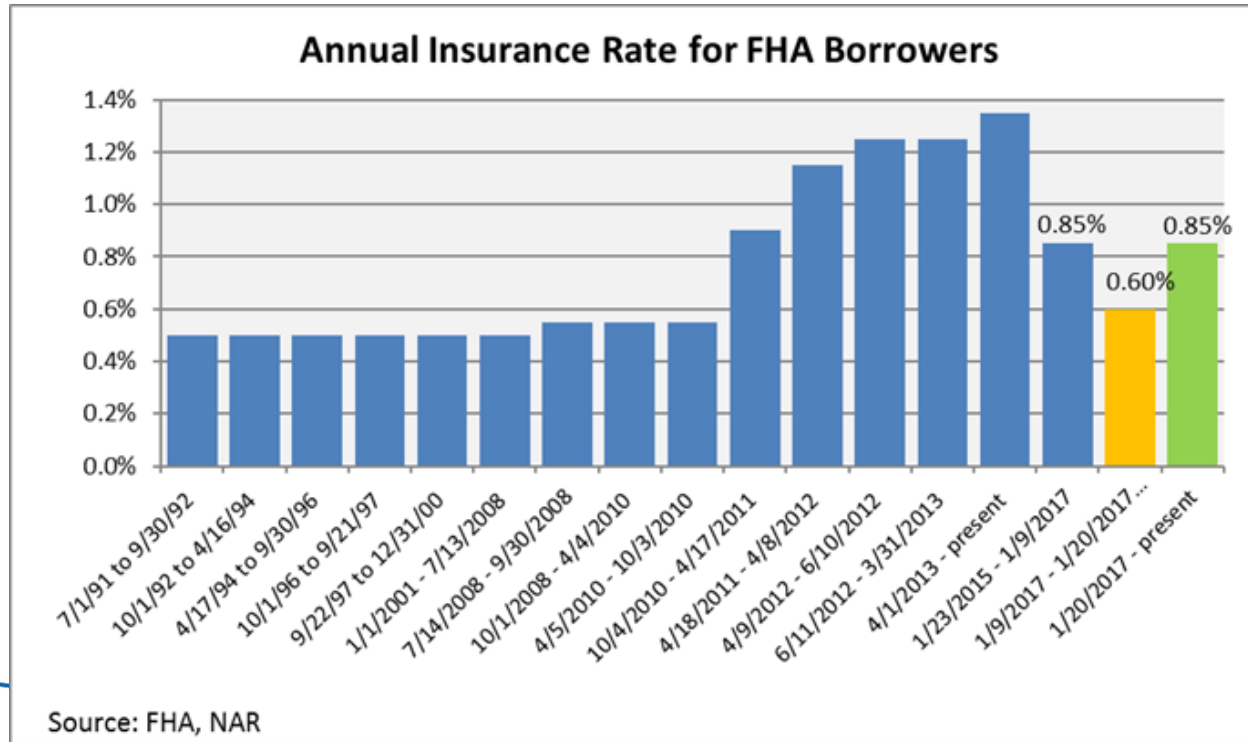
# Wealth: From 2000 to 2016



# Fewer Borrowers Defaulting in Arizona (Serious Delinquency Rate)

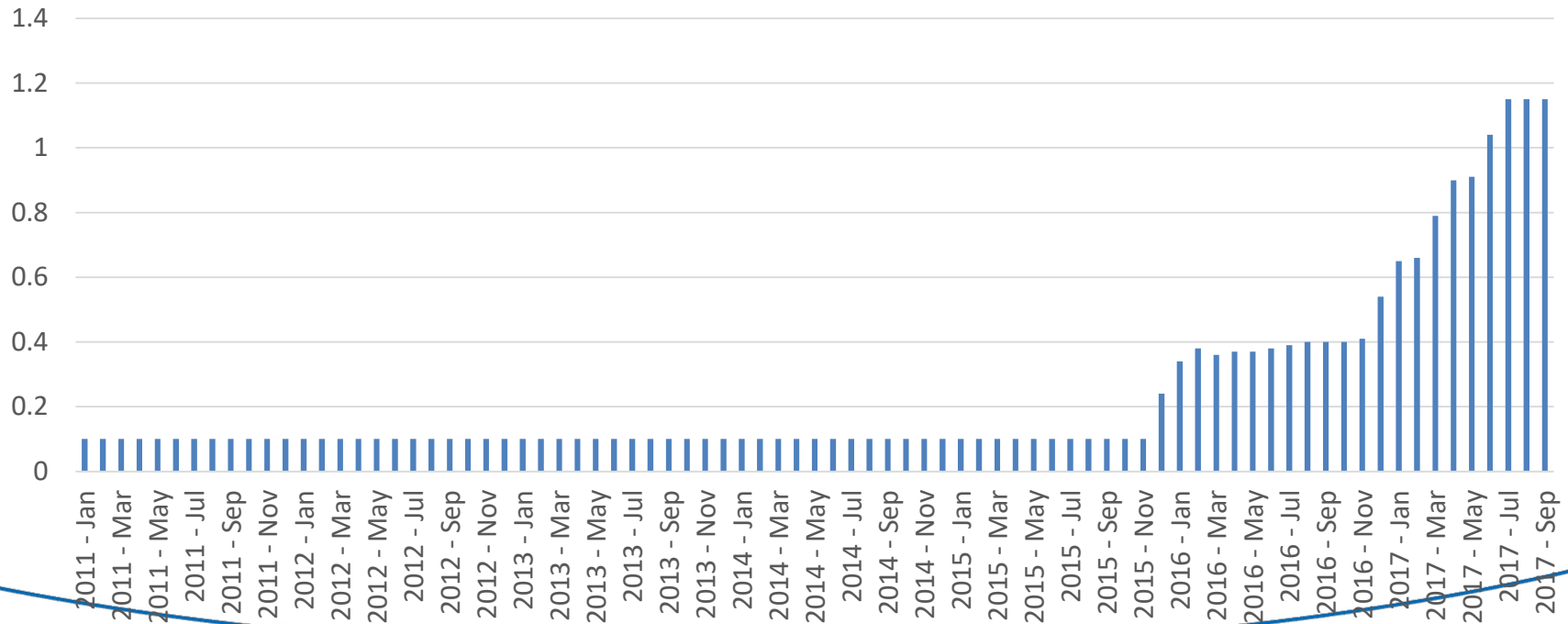


# FHA Insurance Premium - High



# Tightening Monetary Policy

## Fed Funds Rate

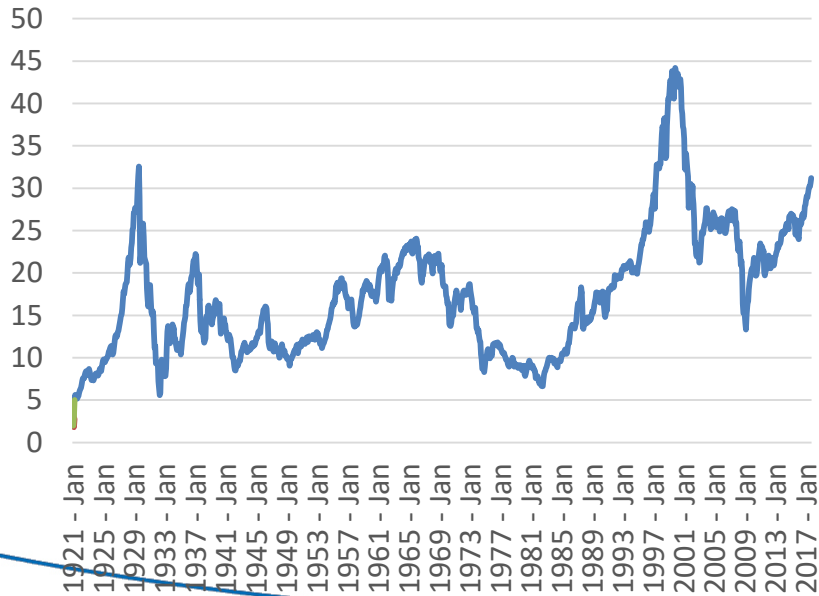


# Bubbles Everywhere?



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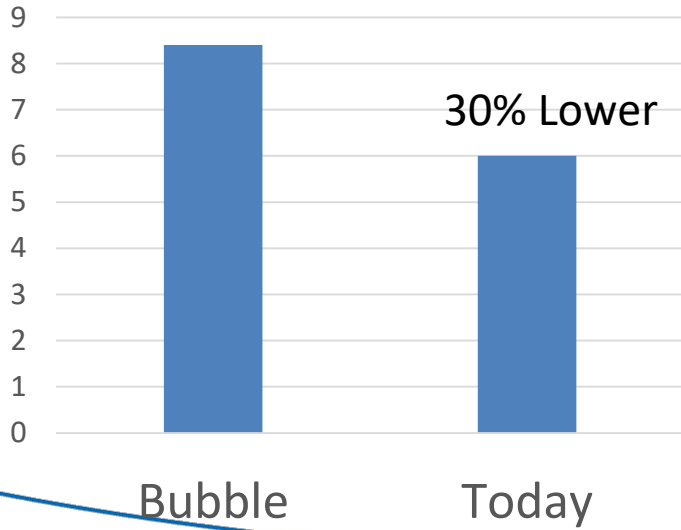
Cyclically Adjusted P/E Ratio



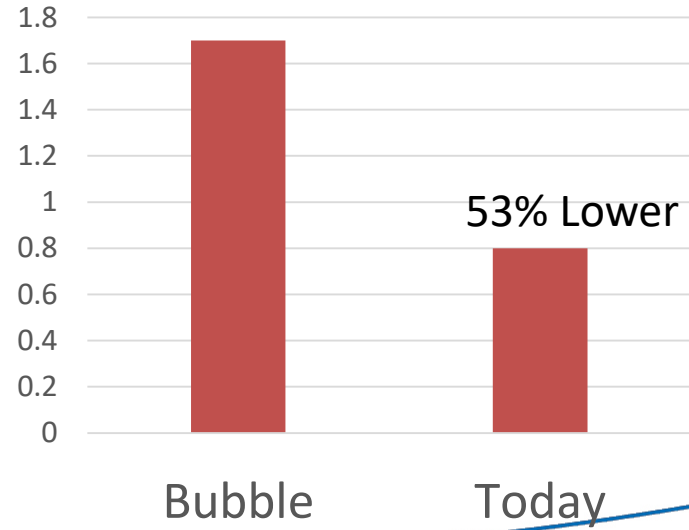
- Commodities/Oil?
- Gold?
- Stock Prices?
- Bonds?
- Commercial Real Estate?
- Residential Real Estate?
- Real Estate Abroad ?
- Bitcoin?

# U.S. Residential – No Bubble Nationwide

Home Sales  
(in millions)



Single-family Housing Starts  
(in millions)

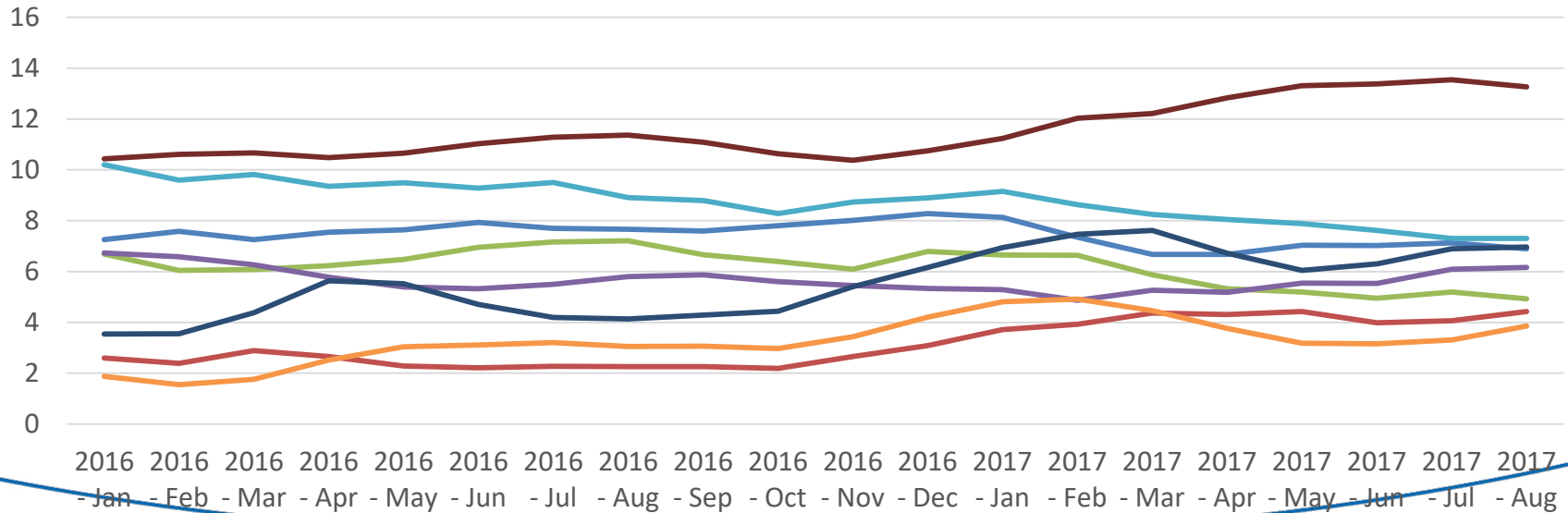




# Home Price Appreciations

(Case-Shiller Constant Quality Index)

## Seattle Celebration

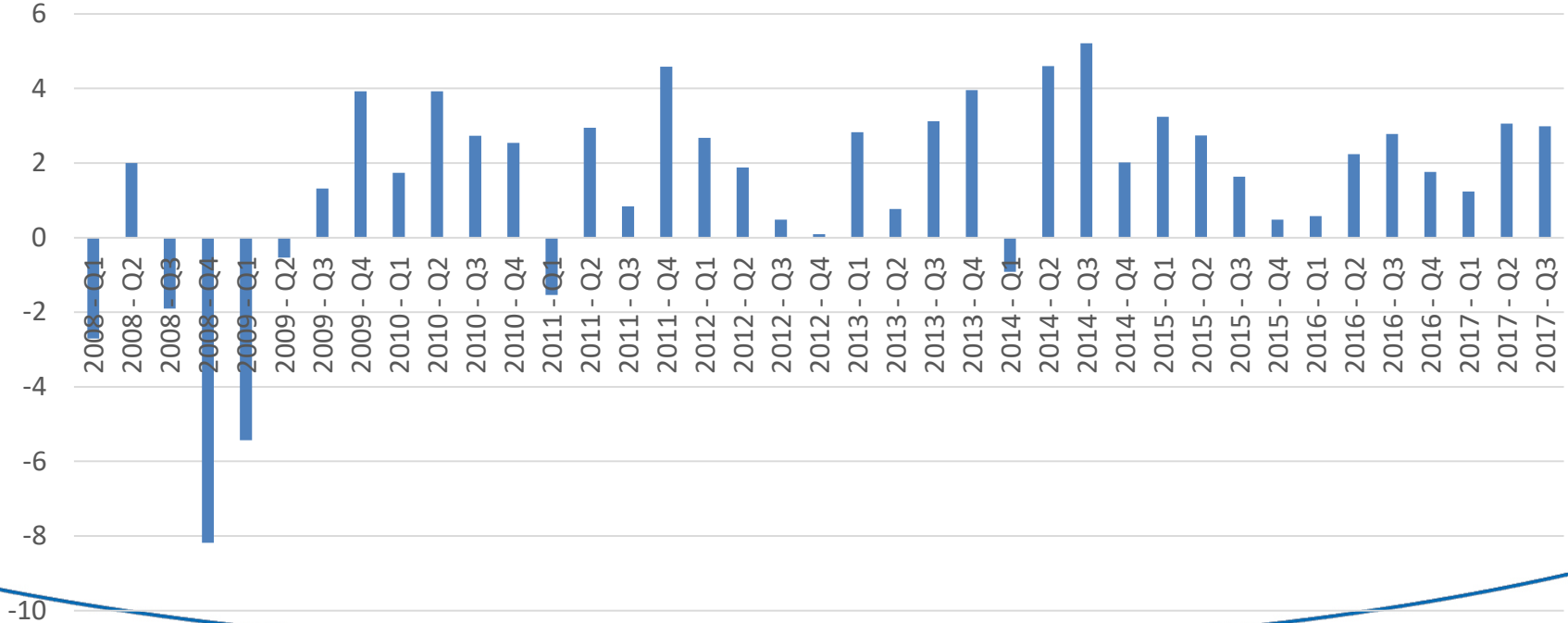


# Who will get Amazon HQ2?

- Washington DC, Boston, Raleigh-Durham, Dallas, Nashville, Atlanta
- What was San Jose like before becoming Silicon Valley?
- Other Company Expansions
  - Charleston, Mobile, Savannah?
- No Matter
  - Direct winners will be \$100,000 salary workers
  - Indirect winners will be property owners
  - Indirect losers will be renters
  - For all ... Massive traffic jam
- “Slow Moving” Real Estate Prices compared to Stock/Bond Prices

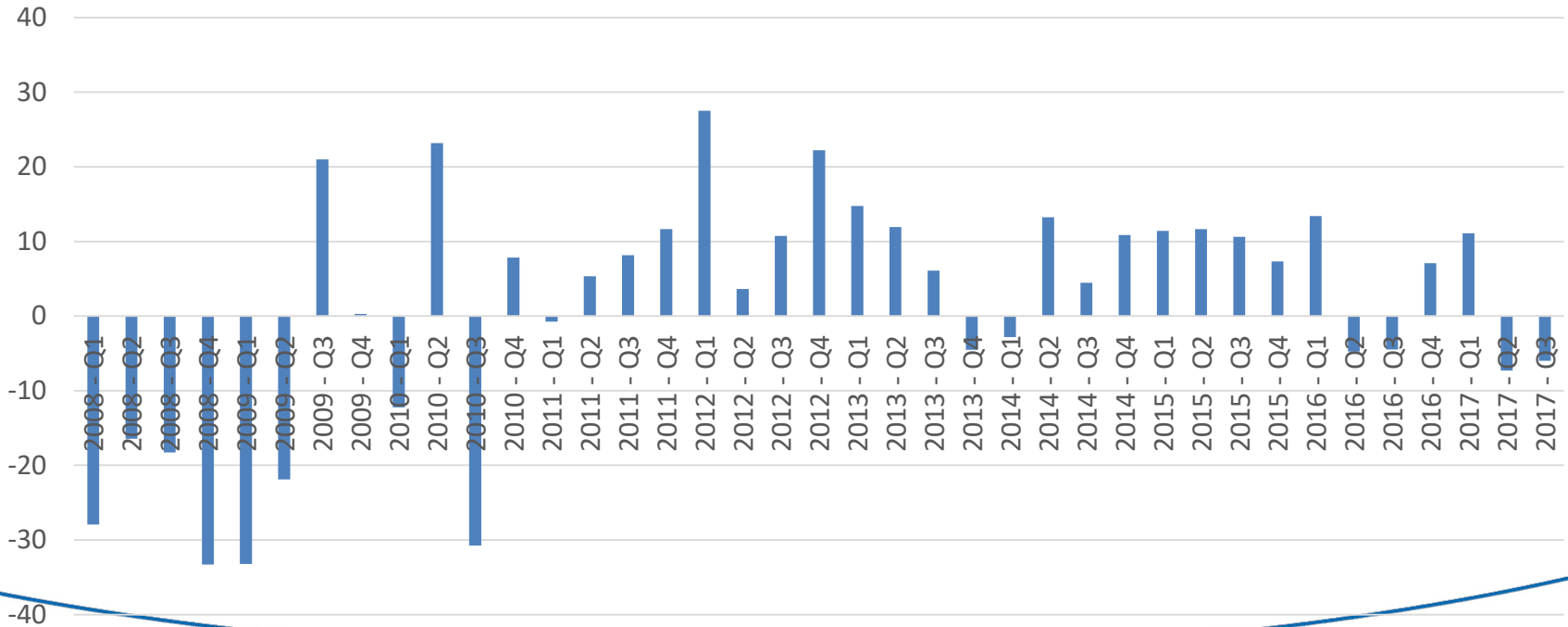
# GDP Growth Rate

## 3% in Q2 and Q3



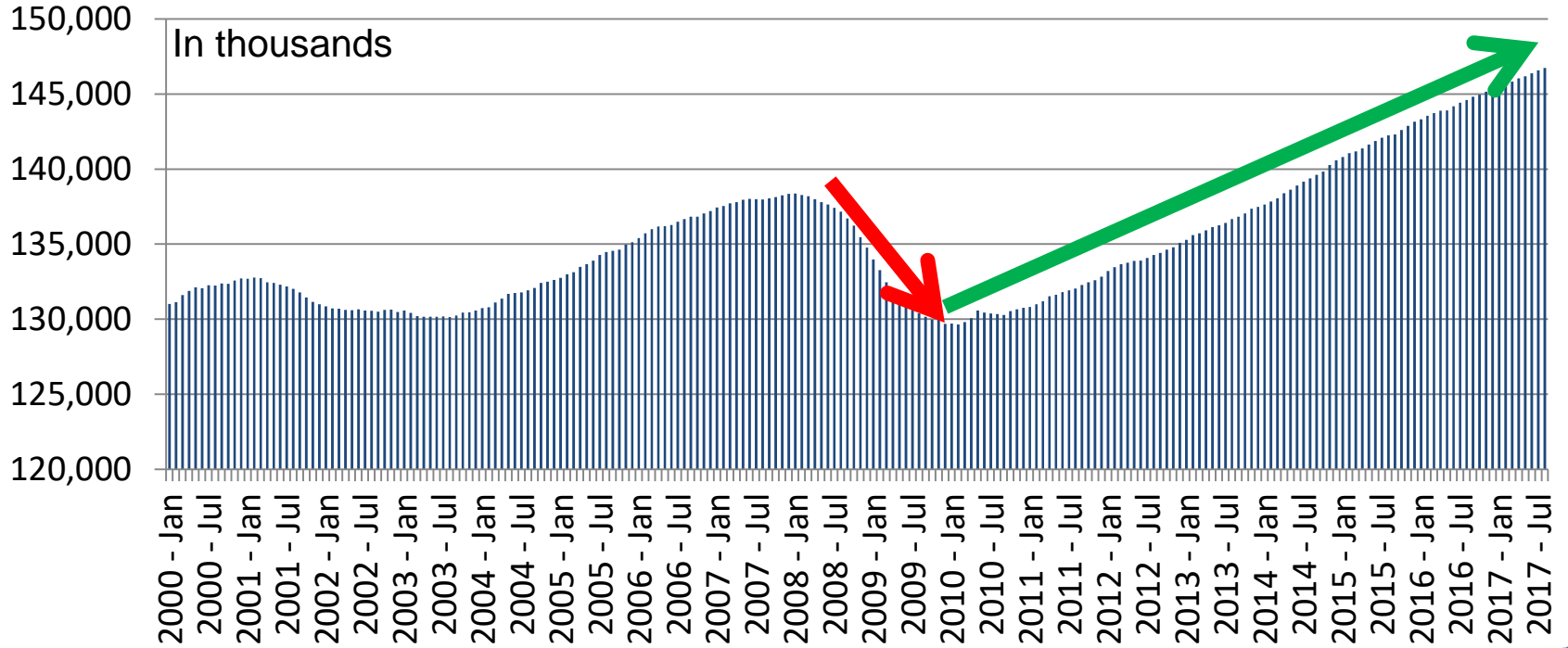
# Residential Real Estate Investment Growth Rate

Negative in Q2 and Q3



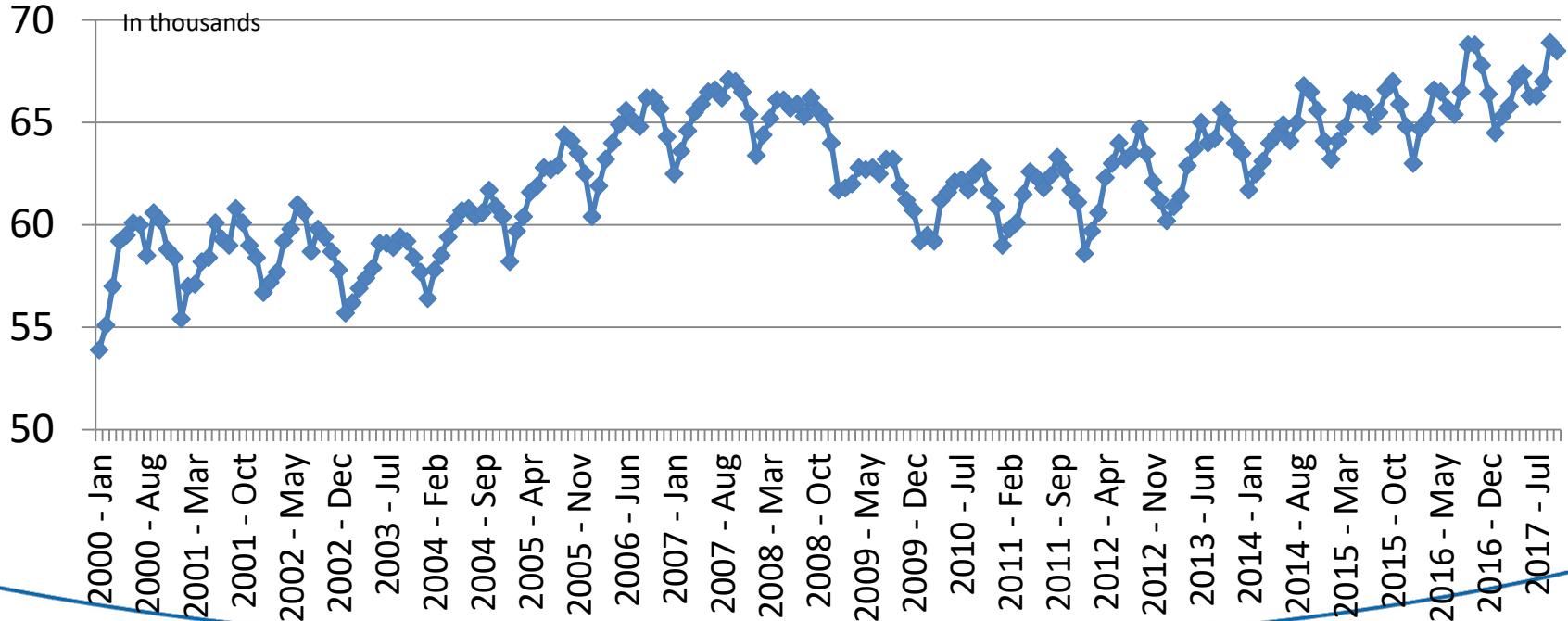
# Jobs

(8 million lost ... 16 million gained)

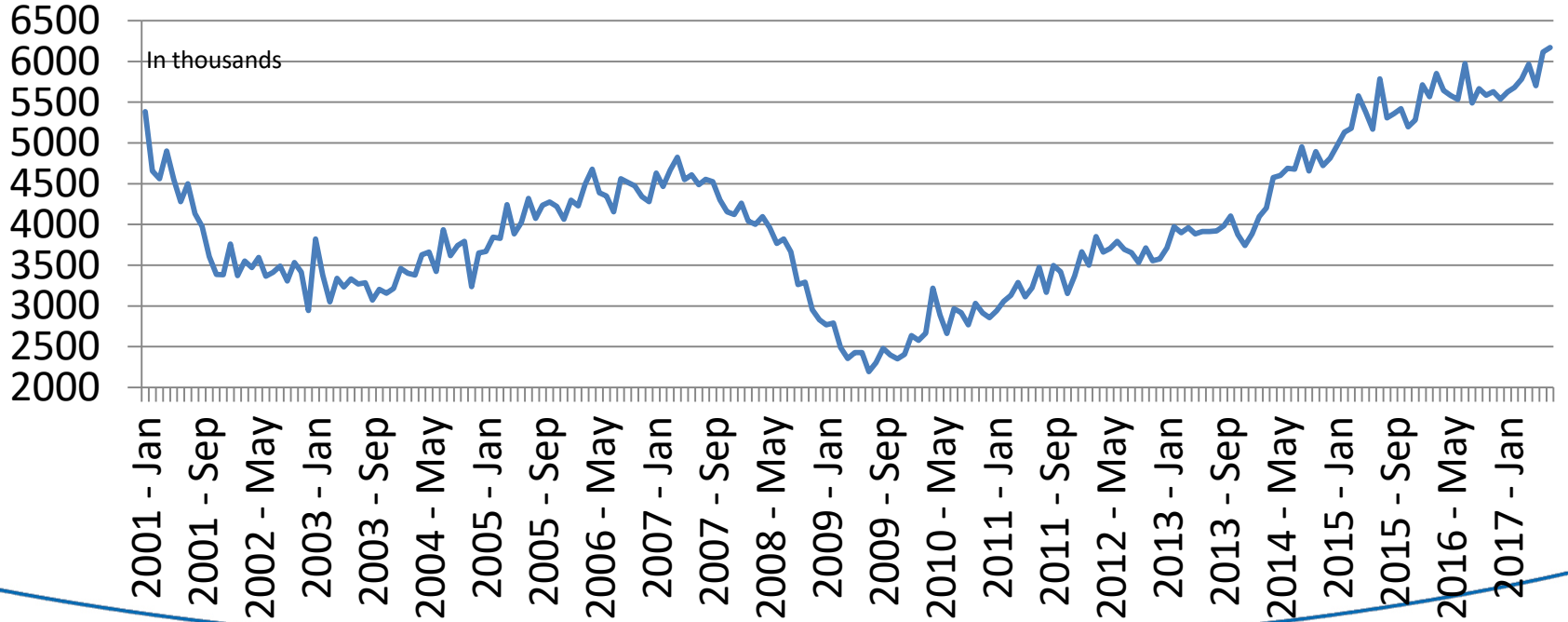


# Total Jobs in Flagstaff Metro

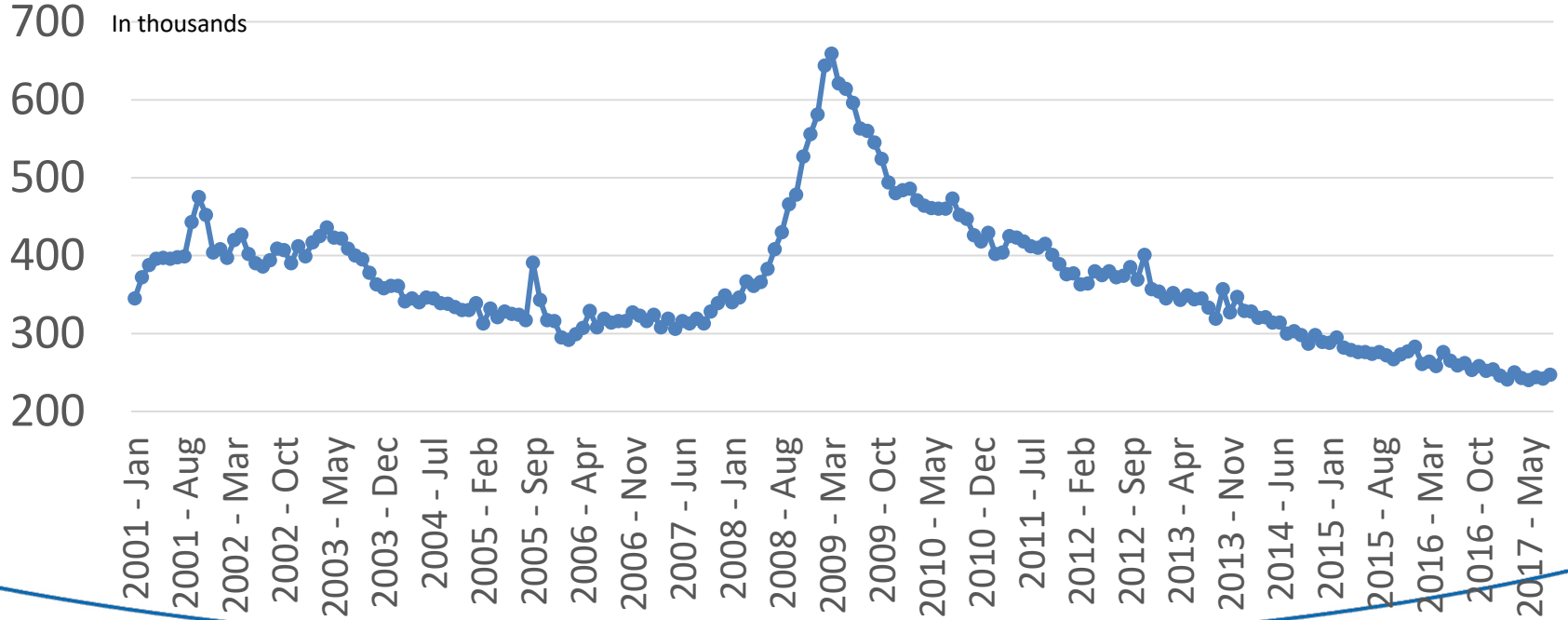
(14% growth vs 11% nationwide from 2000)



# Total Job Openings



# Weekly Initial Unemployment Insurance Filings





# Economic Forecast

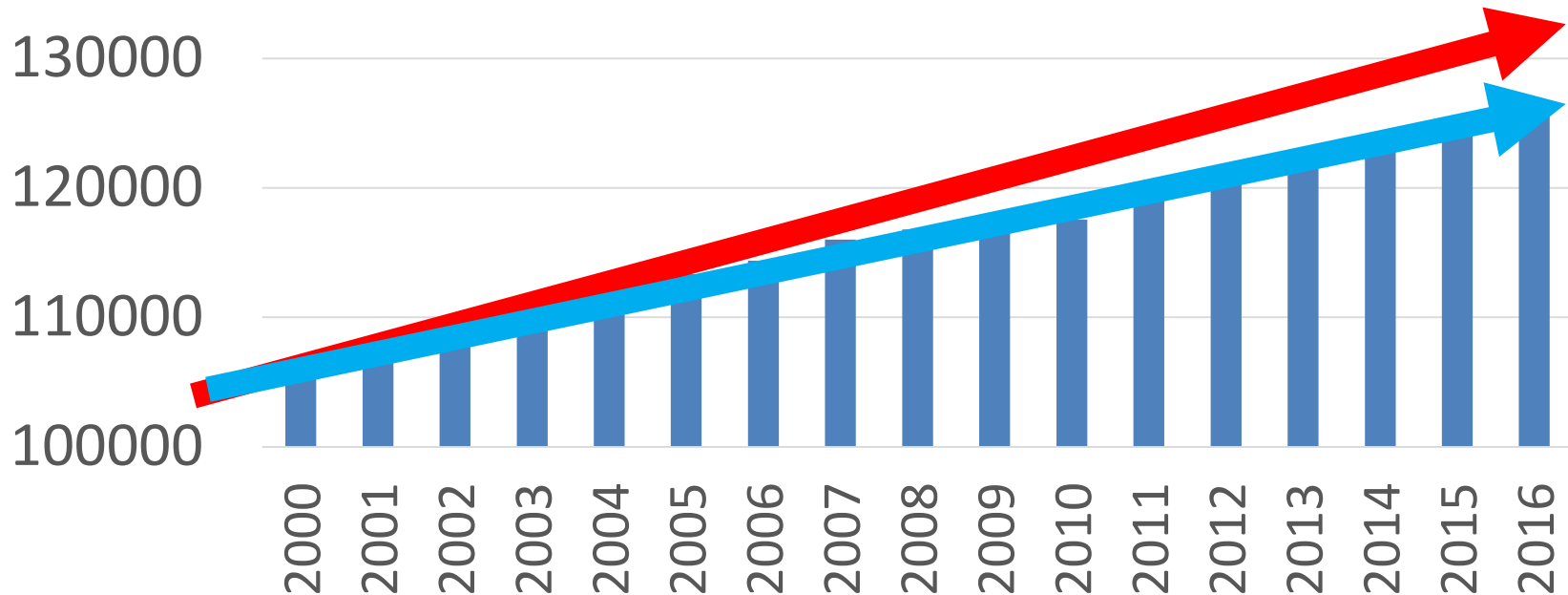
	2015	2016	2017 Forecast	2018 Forecast
GDP Growth	2.9%	1.5%	2.2%	2.8%
Job Growth	+2.6 million	+2.0 million	+1.8 million	+2.4 million
CPI Inflation	0.3%	1.3%	2.0%	2.5%

# Housing Forecast

	2015	2016	2017 Forecast	2018 Forecast
New Home Sales	500,000	560,000	600,000	700,000
Existing Home Sales	5.3 million	5.4 million	5.5 million	5.7 million
Median Price Growth	+ 6.8%	+5.1%	+6.0%	+5.0%
30-year Rate	3.9%	3.6%	4.0%	4.5%

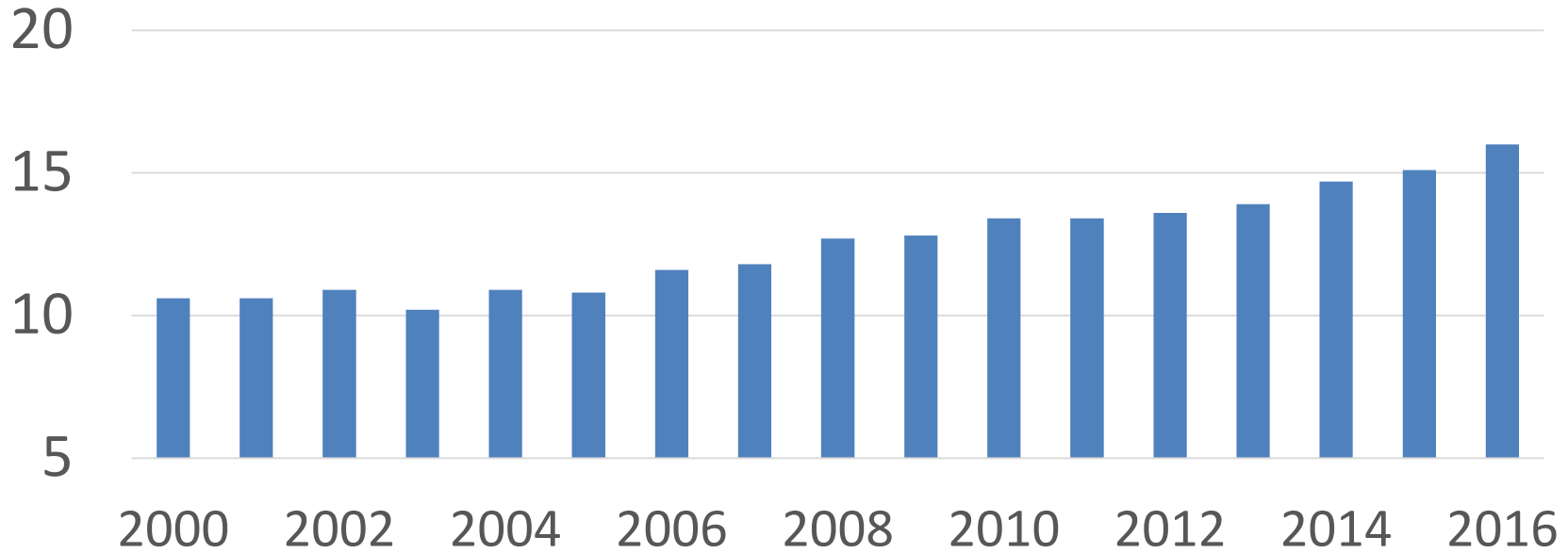
# Actual versus projected Households

KC Federal Reserve estimate of 6.9 million missing households



# Young Adults Living with Parents

% of those aged 25 to 34



# Trump Presidency

- Flood Insurance Availability? Extended ... Thank You for Responding
- Dodd-Frank?
- CFPB ... Consumer Protection?
- Fannie/Freddie and Mortgage Availability?
- Tax Reform?



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