

Real Estate and Economic Outlook

Lawrence Yun, Ph.D.

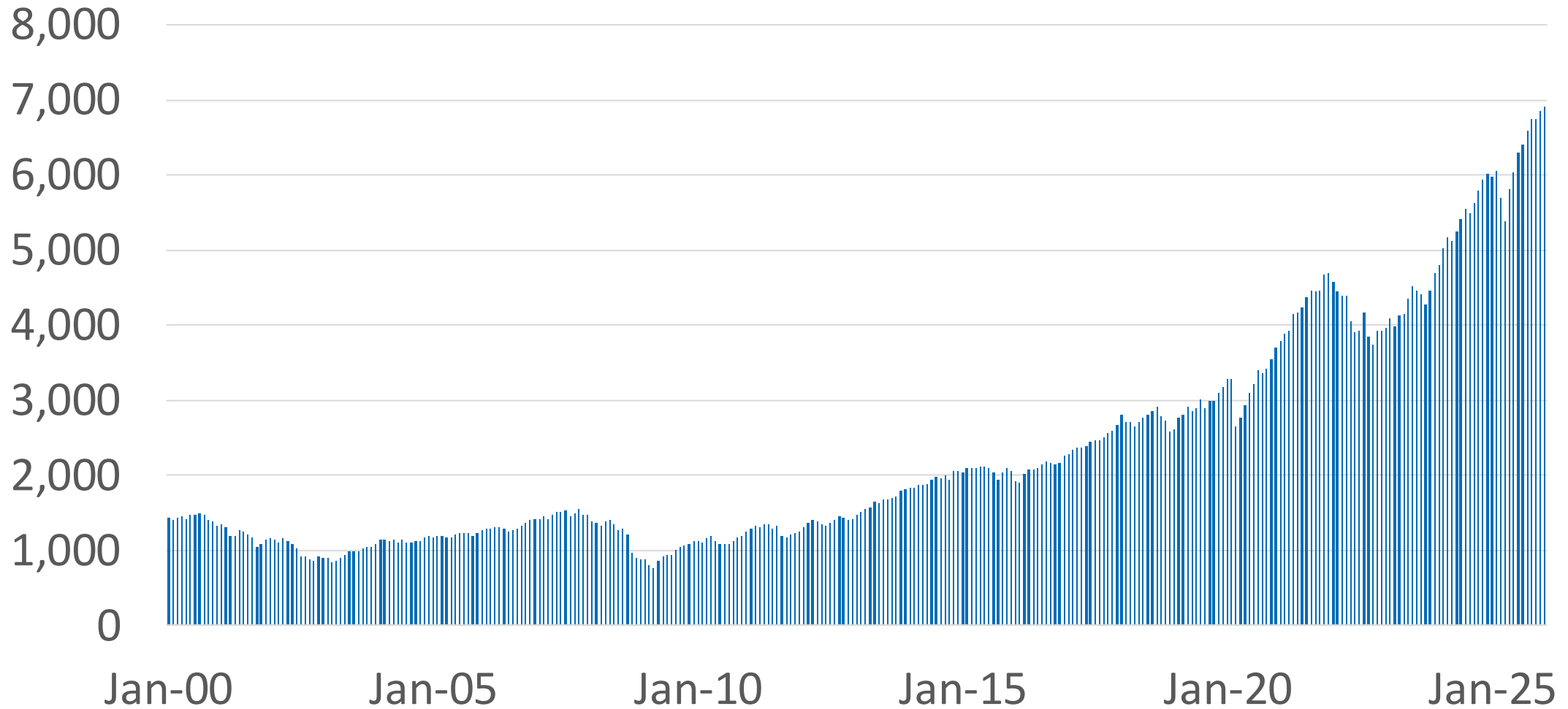
Chief Economist

National Association of REALTORS®

Headed to Economic Recession?

- **No data to confirm during the Government Shutdown**
- **Near Record Stock Market Wealth but overvalued?**
- **Near Record Housing Wealth (appears on solid ground)**
- **Job Gains were weakening**
- **Consumers not happy**
- **Consumers are defaulting on loans**

Stock Market .. S&P 500 Index



Source: Standard & Poor's

Warren Buffett Ratio .. Indicating Very High Valuation (S&P 500 Market Capitalization to Nominal GDP)



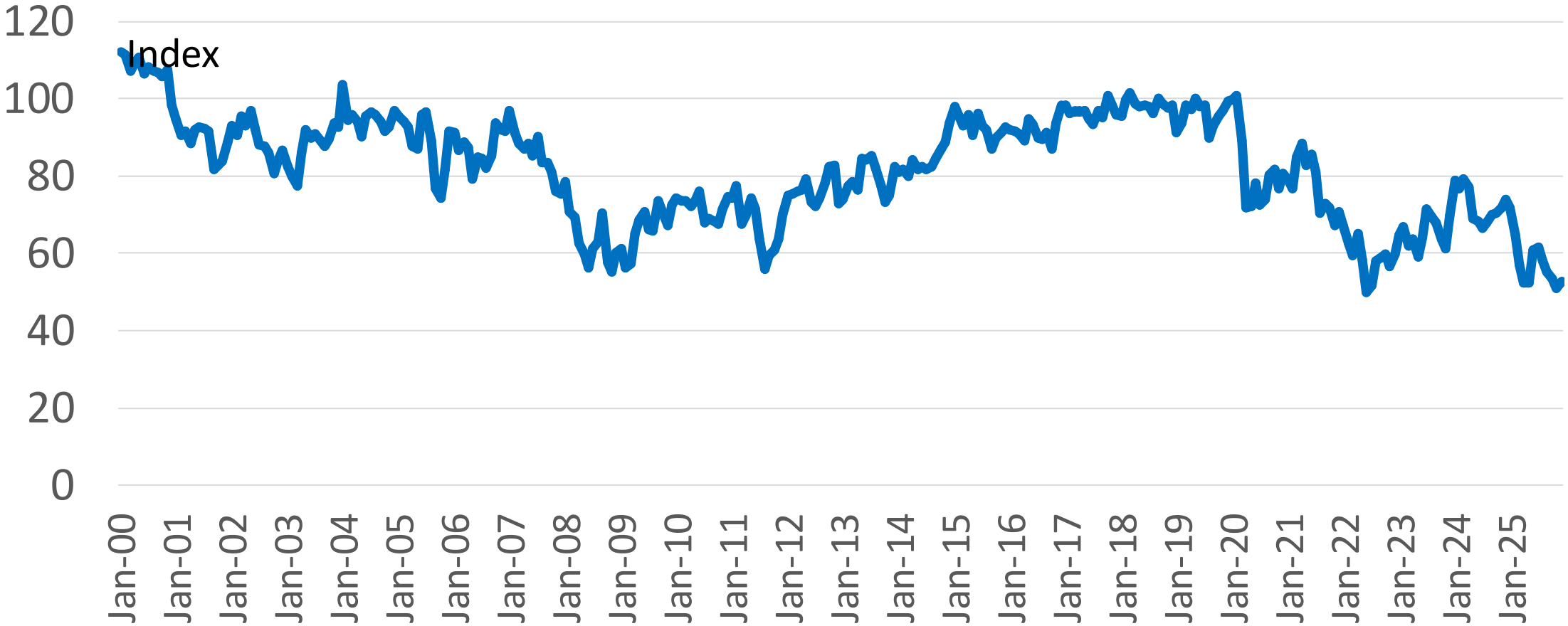
Source: NAR calculation

Stock Dividend Yield



Source: Standard & Poor's

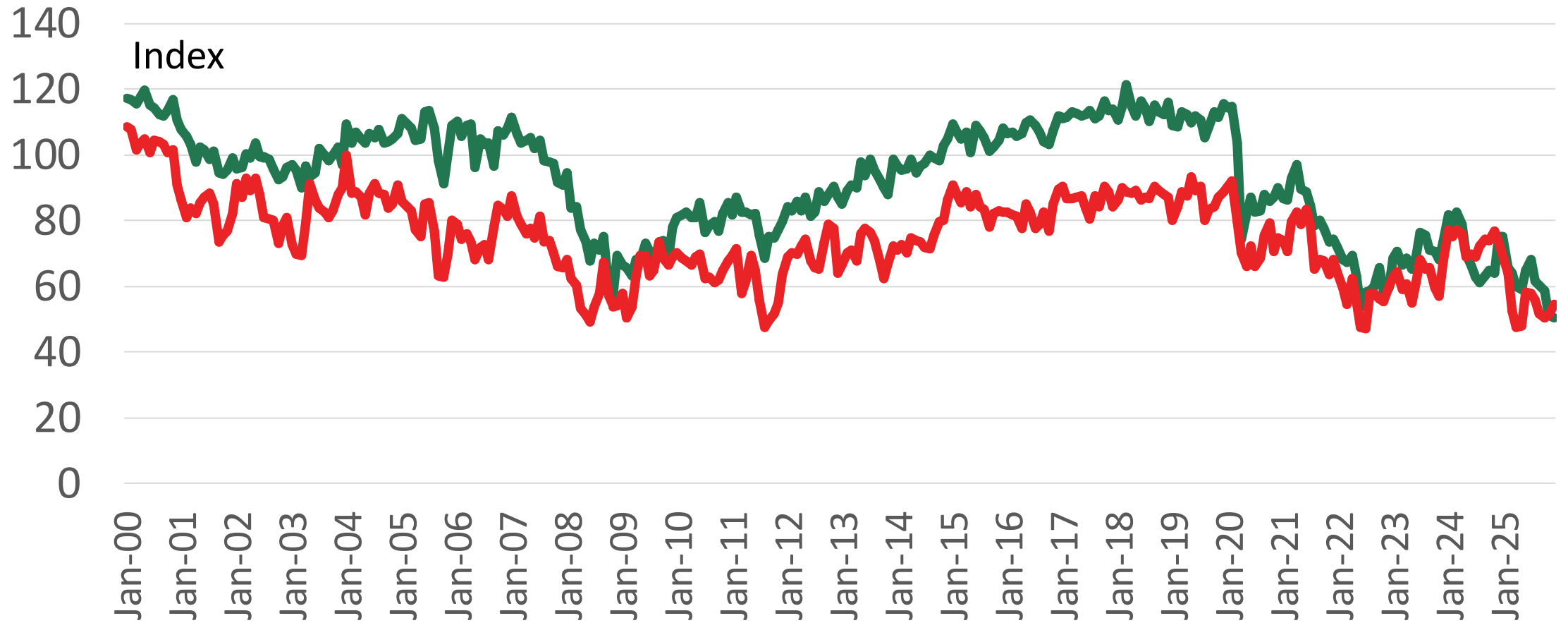
Consumer Sentiment (Overall Index)



Source: University of Michigan

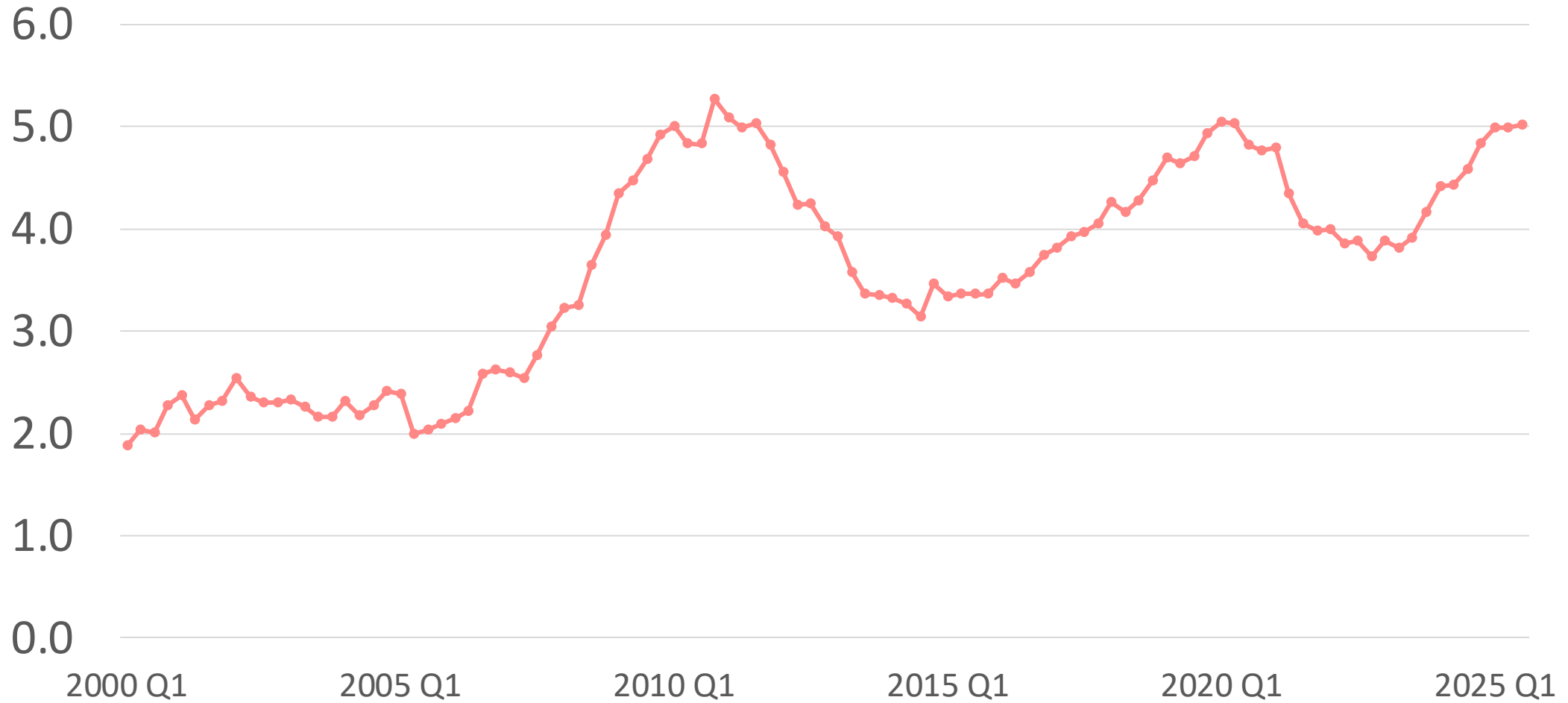


Consumer Sentiment about Future and Present



Source: University of Michigan

Auto Loan 90+ Days Delinquency



Source: Federal Reserve Bank of NY

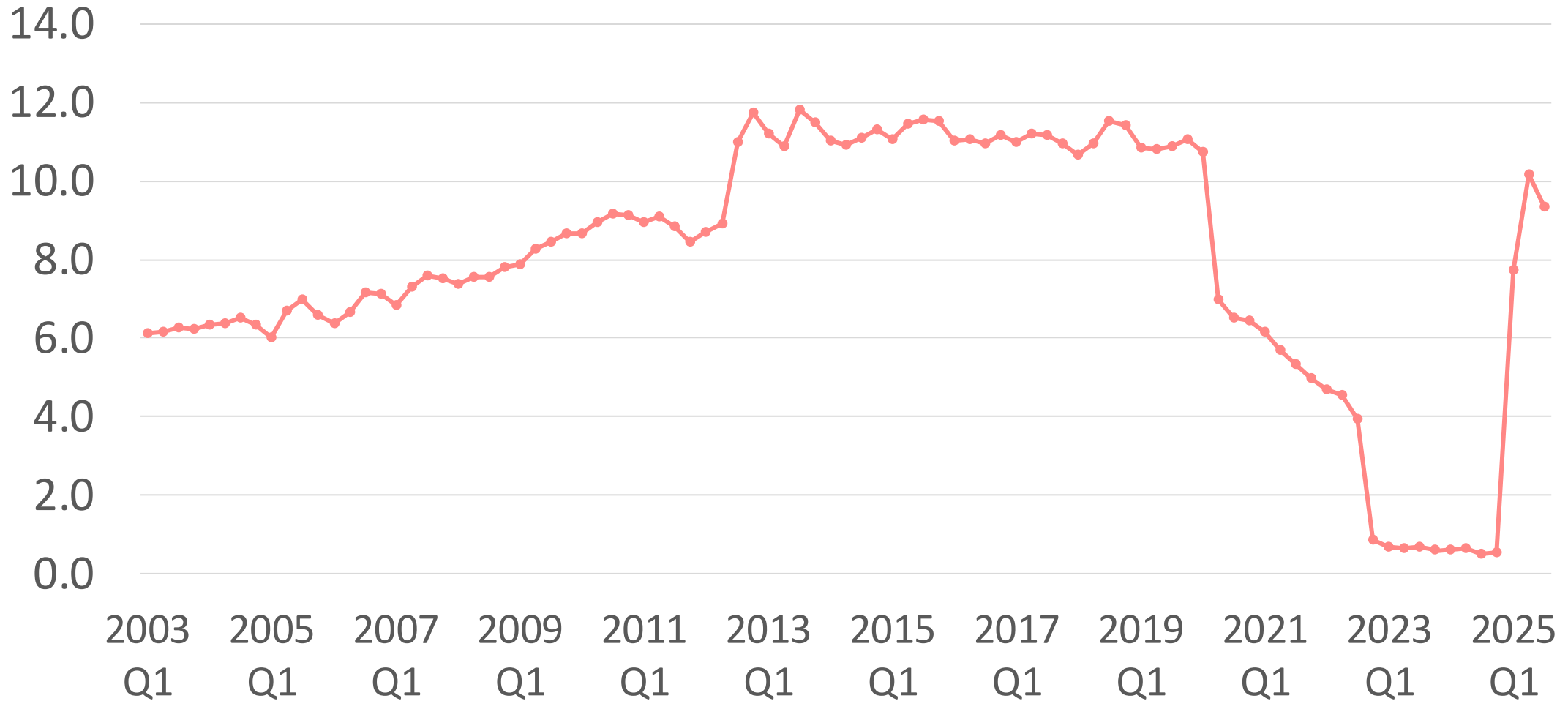
Credit Card 90+ Days Delinquency



Source: Federal Reserve Bank of NY

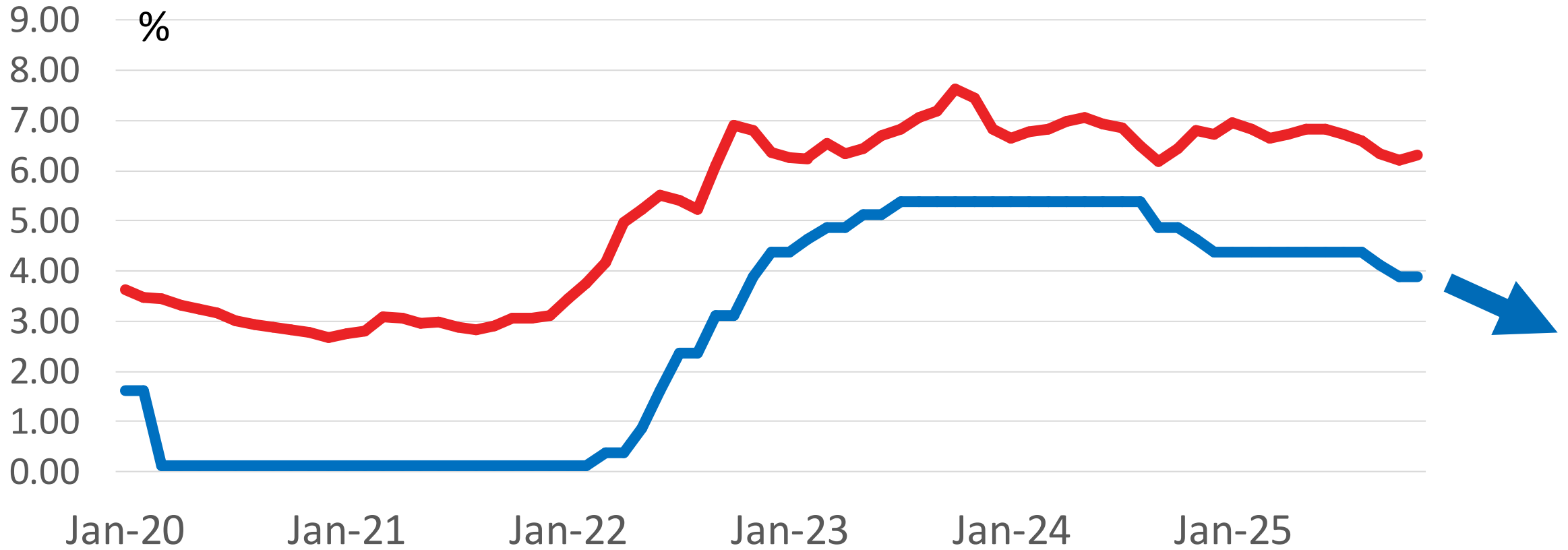


Student Debt 90+ Days Delinquency



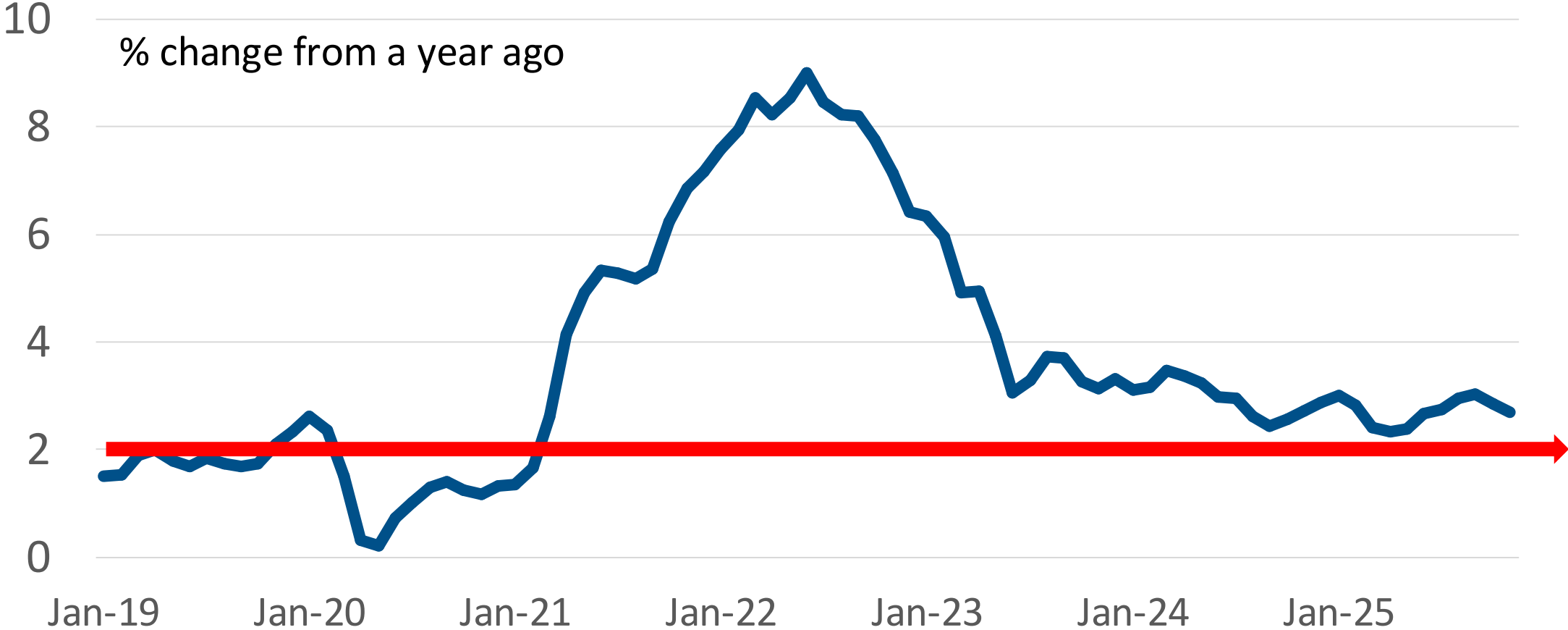
Source: Federal Reserve Bank of NY

Mortgage Rates (red) ... near 6% Fed Funds Rate (blue)



Source: Federal Reserve and Freddie Mac Mortgage Rate

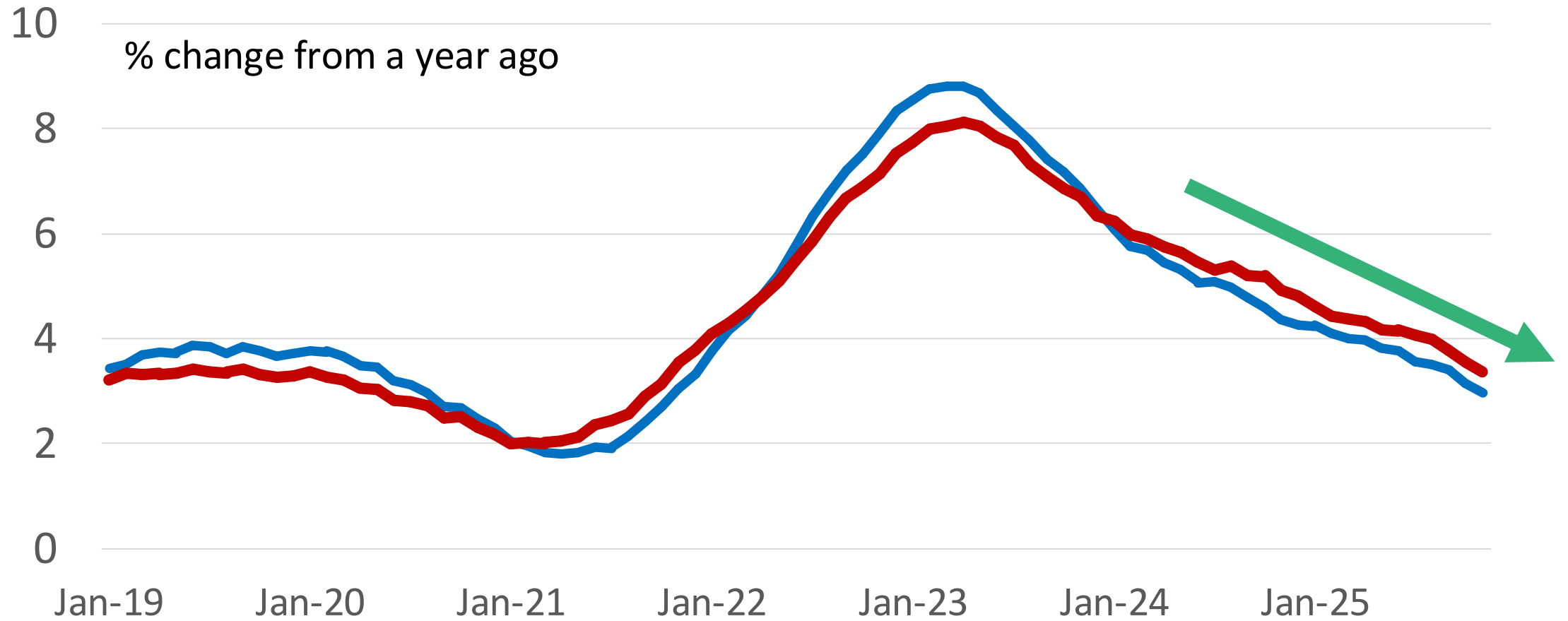
Consumer Price Inflation at 2.7% in November But still above 2% target



Source: BLS (missing data in Oct. is assumed as midpoint rate of Sep. and Nov.)

Housing Shelter Cost Rising at 3.0% ... Decelerating

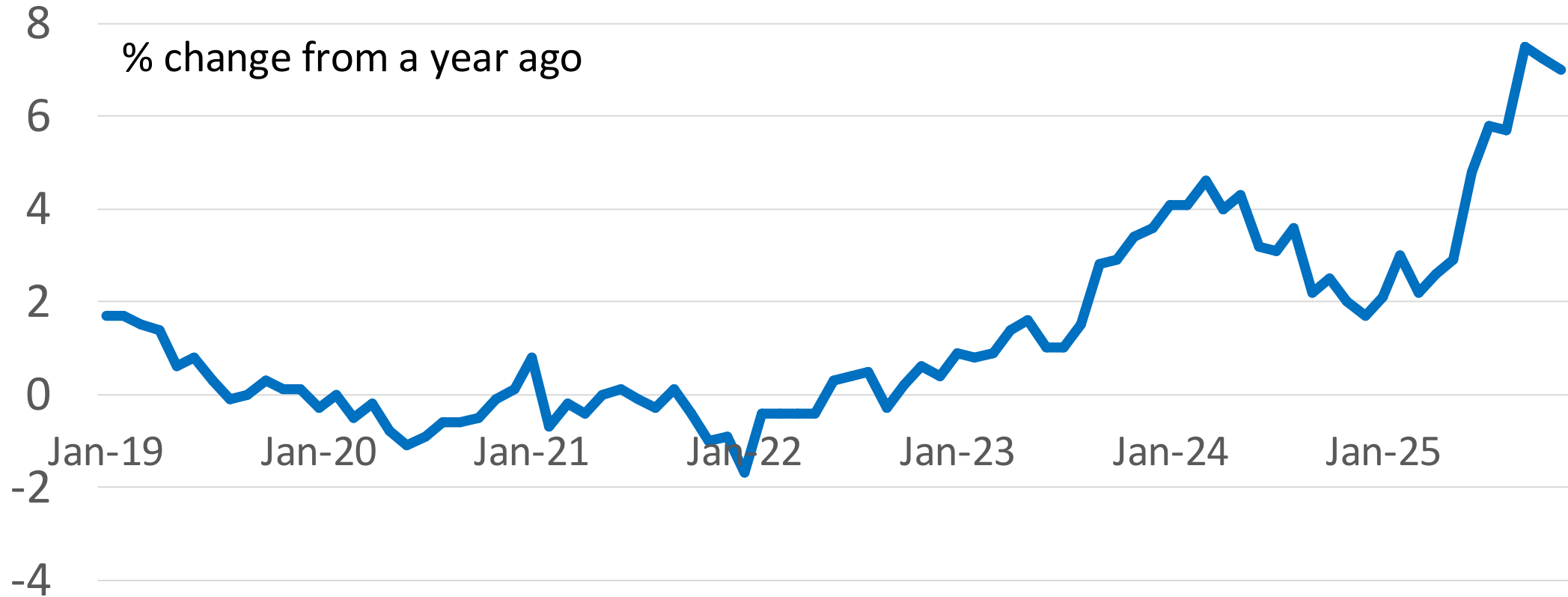
Renters' Rent (blue) and Owners' Equivalency Rent (red)



Source: BLS (missing data in Oct. is assumed as midpoint rate of Sep. and Nov.)

Home Insurance Cost Rising at 7%

Tenants' and Household Insurance



Source: BLS (missing data in Oct. is assumed as midpoint rate of Sep. and Nov.)

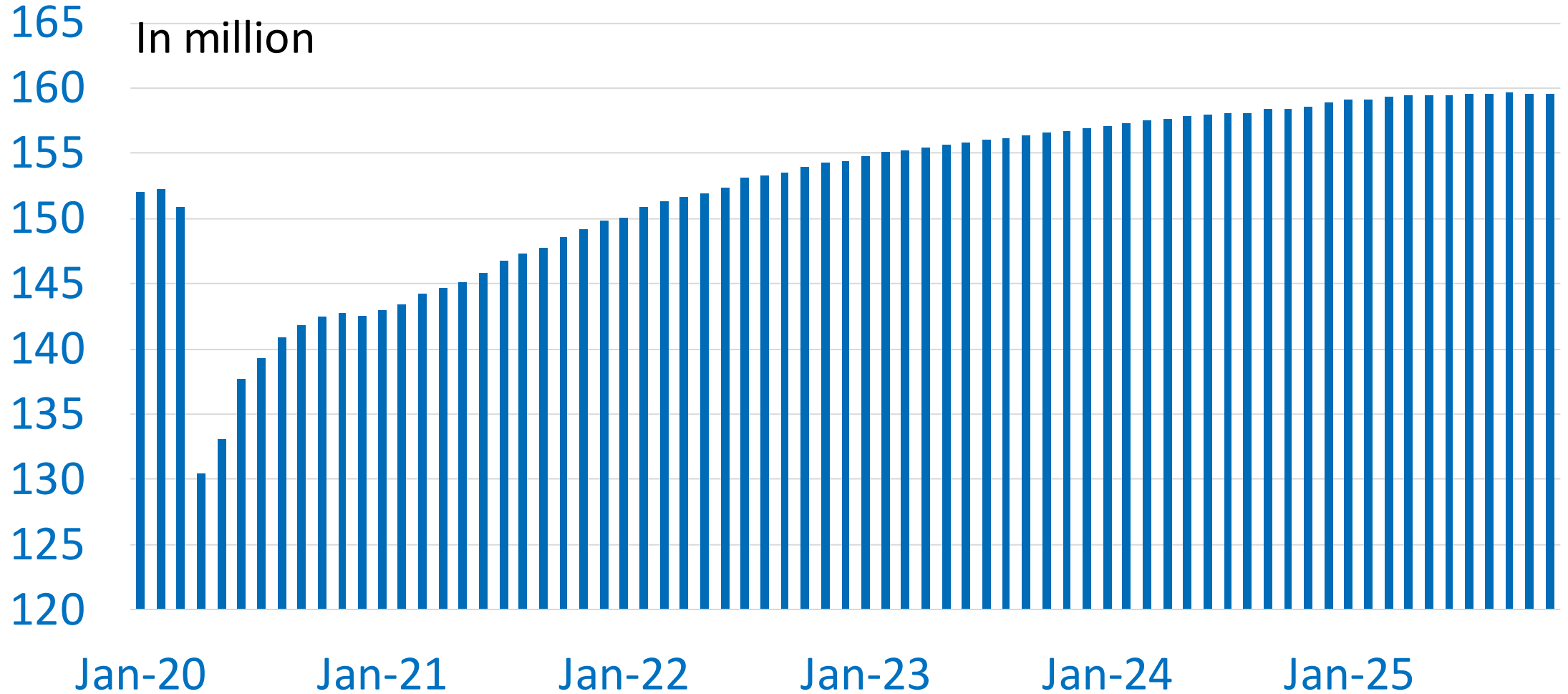
Gold Price Reflecting .. Permanently Higher Inflation?



Source: Wall Street Journal (price per troy ounce)

Total Payroll Jobs to November 2025

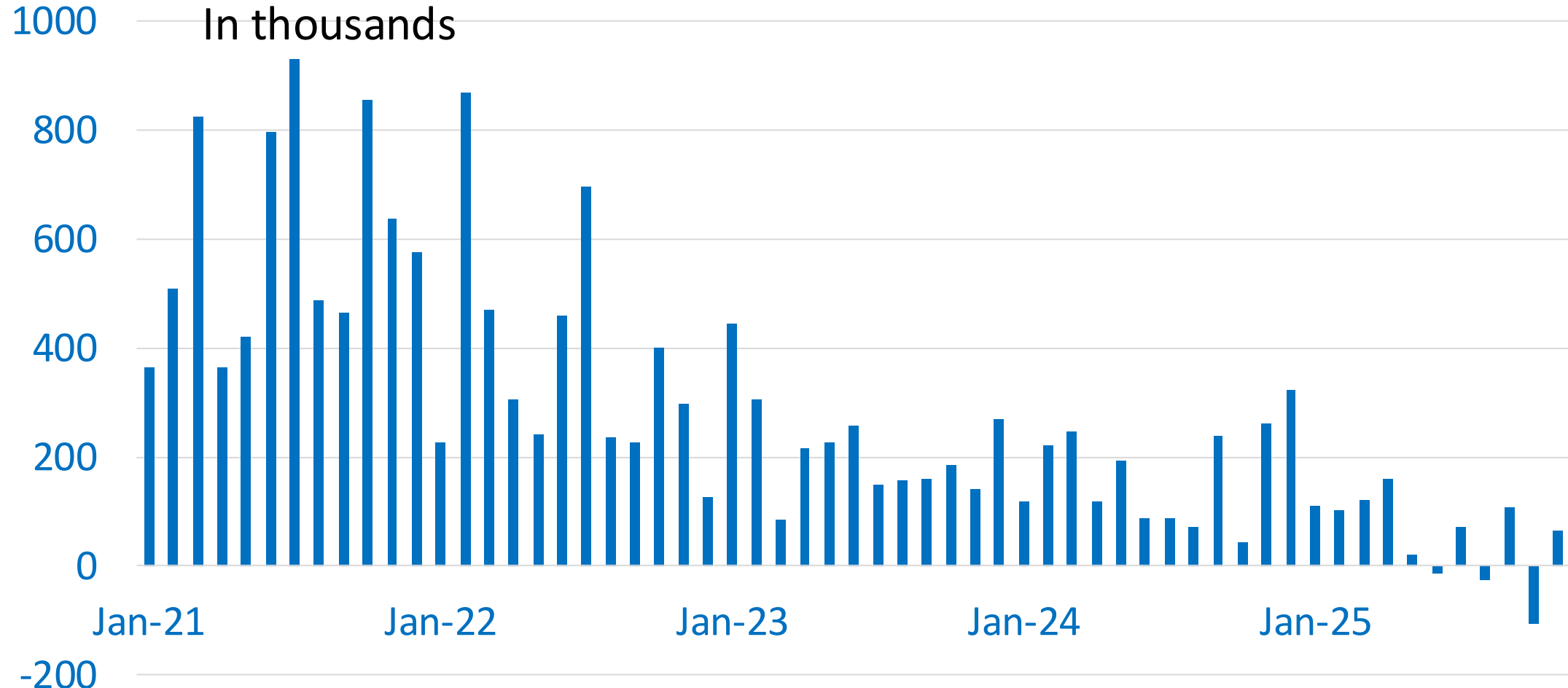
+7.3 Million More Jobs from Pre-COVID Highs



Source: BLS

Monthly Net Job Changes

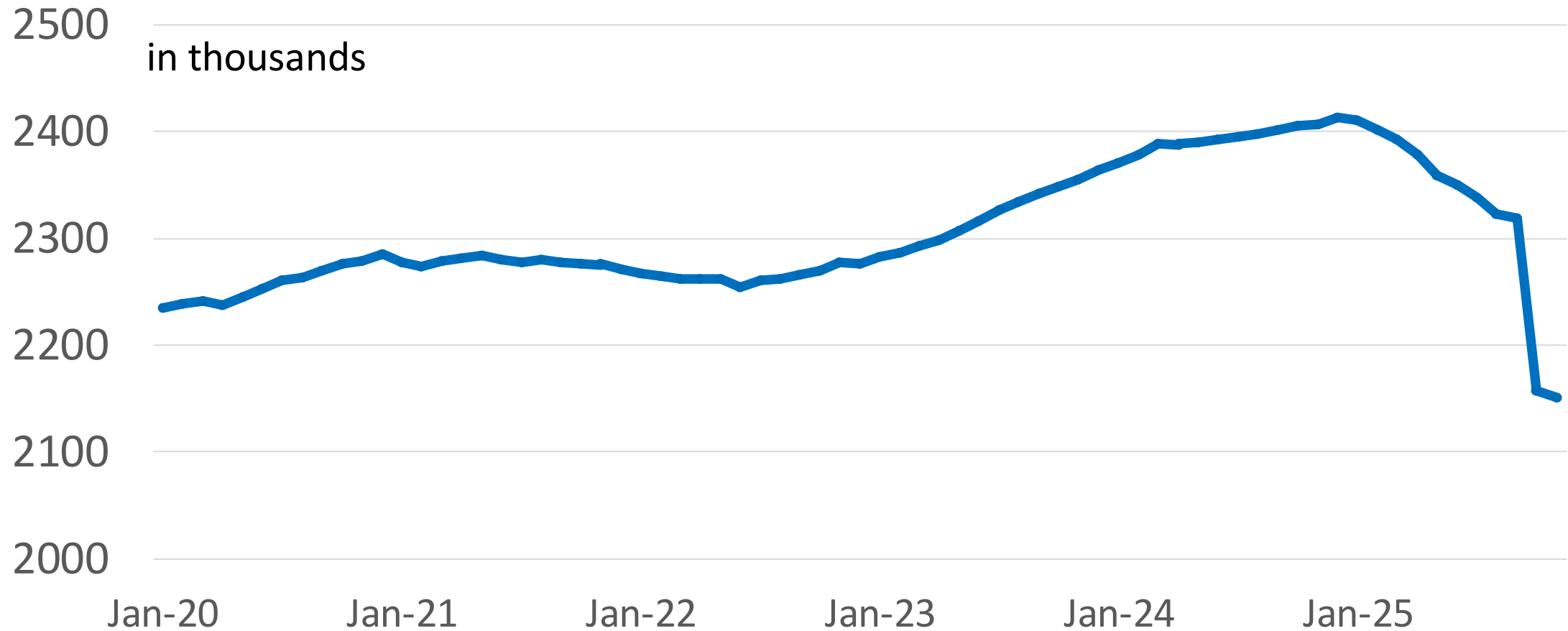
... circling near zero net in recent months



Source: BLS

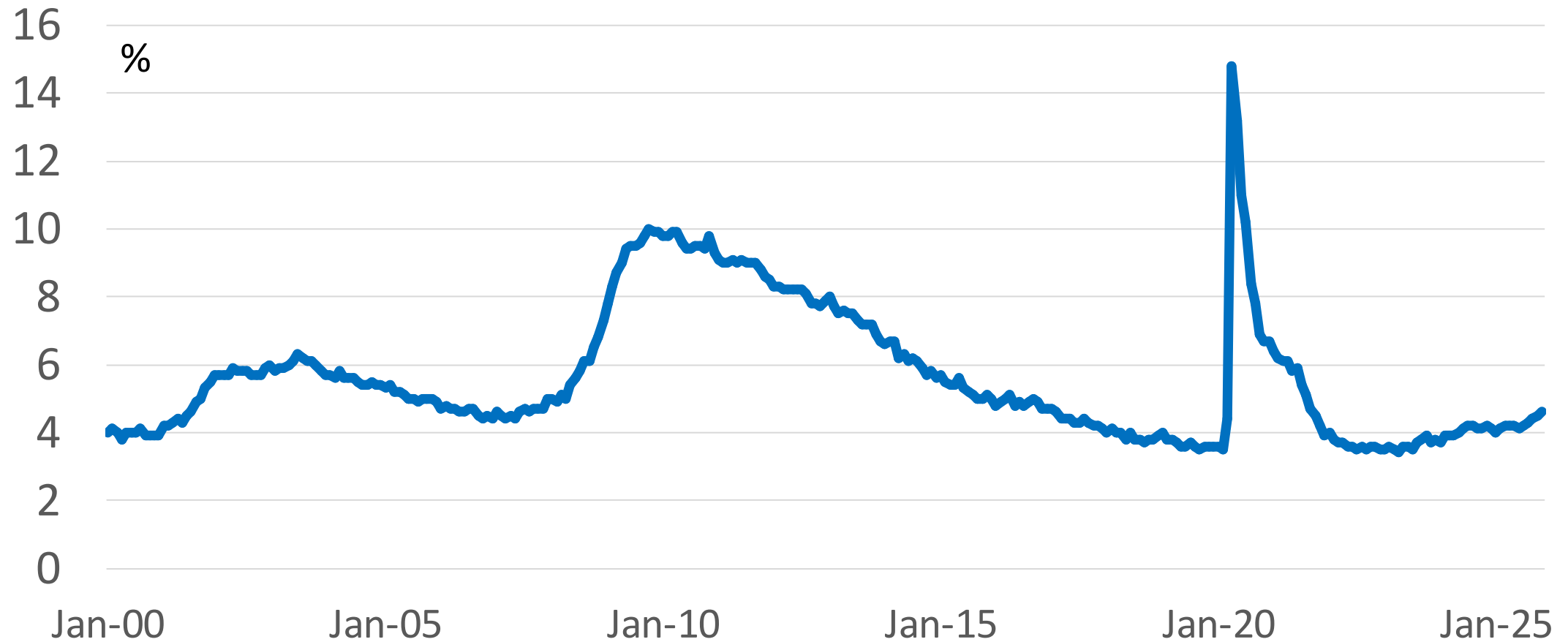
Federal Government Jobs

(tumbling down ... 240,000 fewer from peak in December 2024)



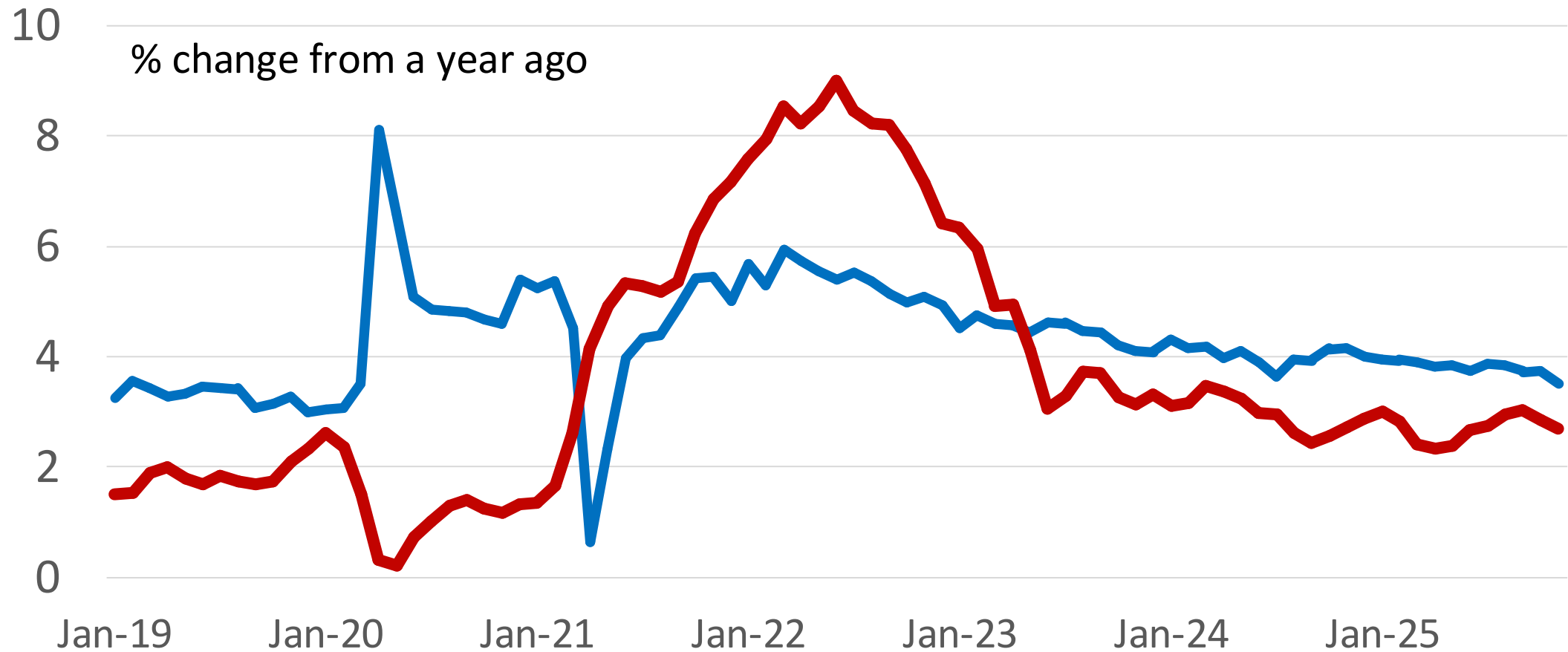
Source: BLS

Unemployment Rate of 4.6% as of November



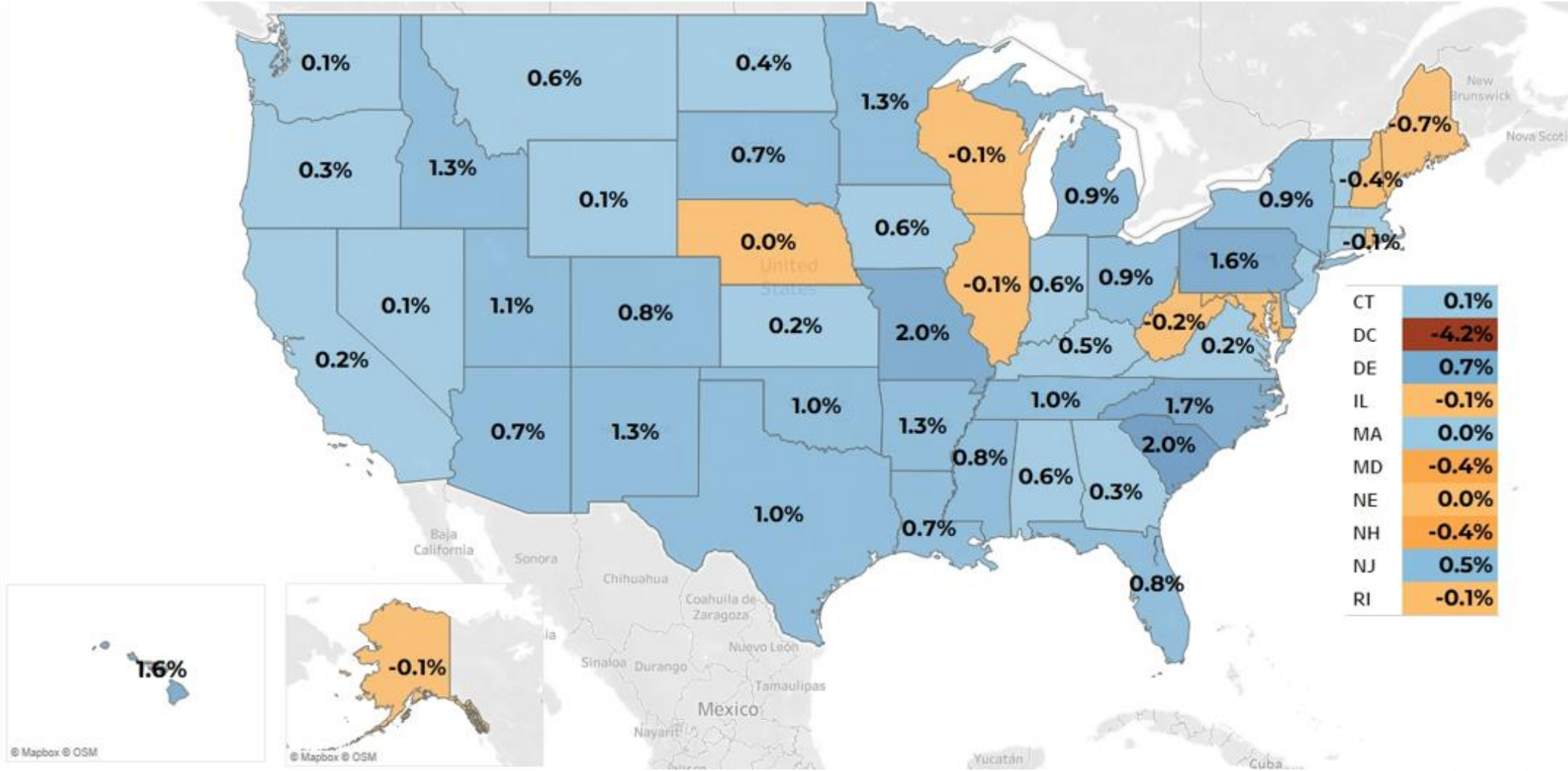
Source: BLS (October data missing but imputed as average of Sep. and Nov.)

Wage Rate Rising at 3.5% (blue) Faster than Consumer Prices at 2.7% (red) in November



Source: NAR calculation of BLS data

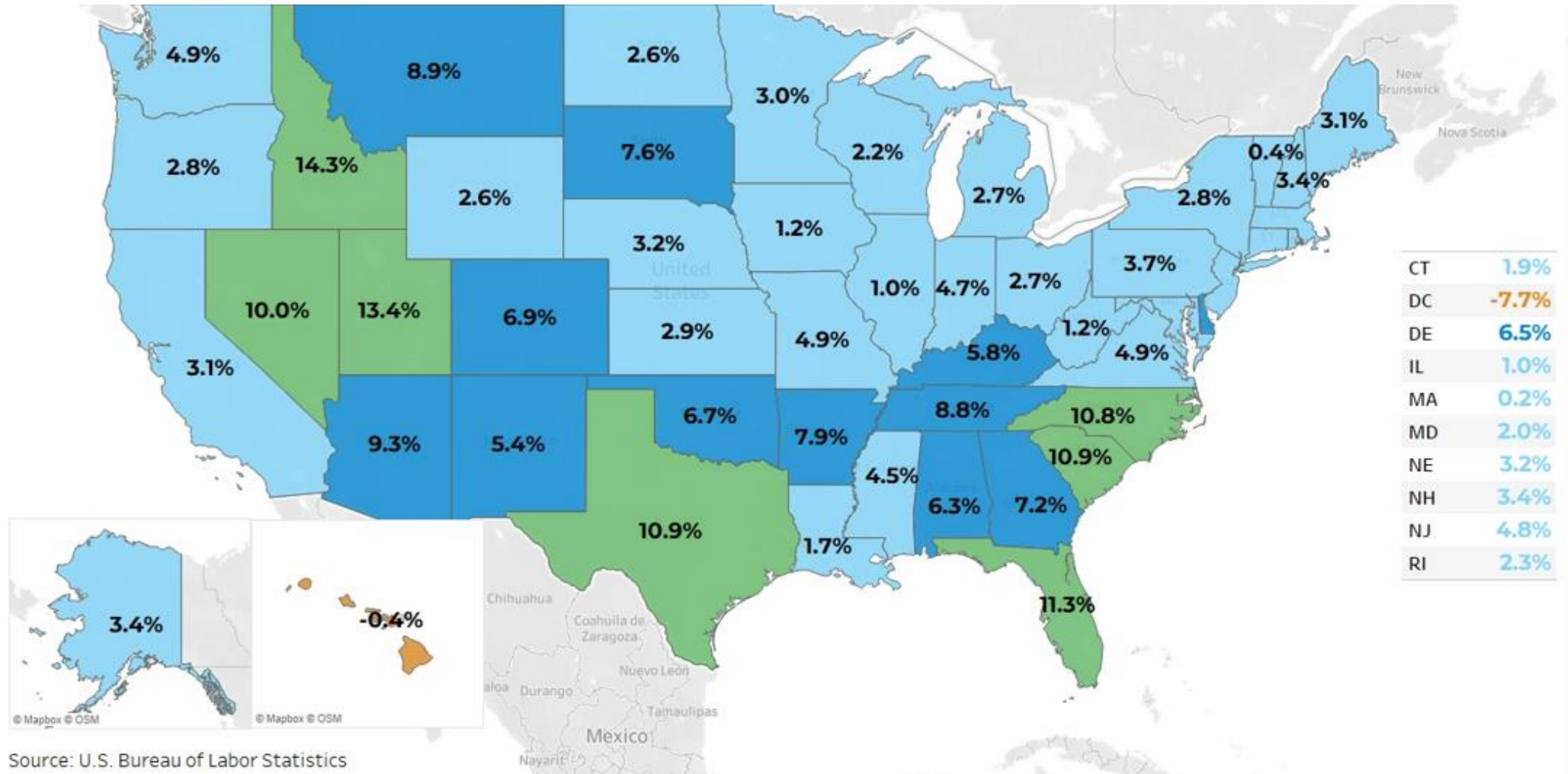
One-year Payroll Job Gain (% change Nov. 2024 to Nov. 2025)



Source: NAR Analysis of BLS data



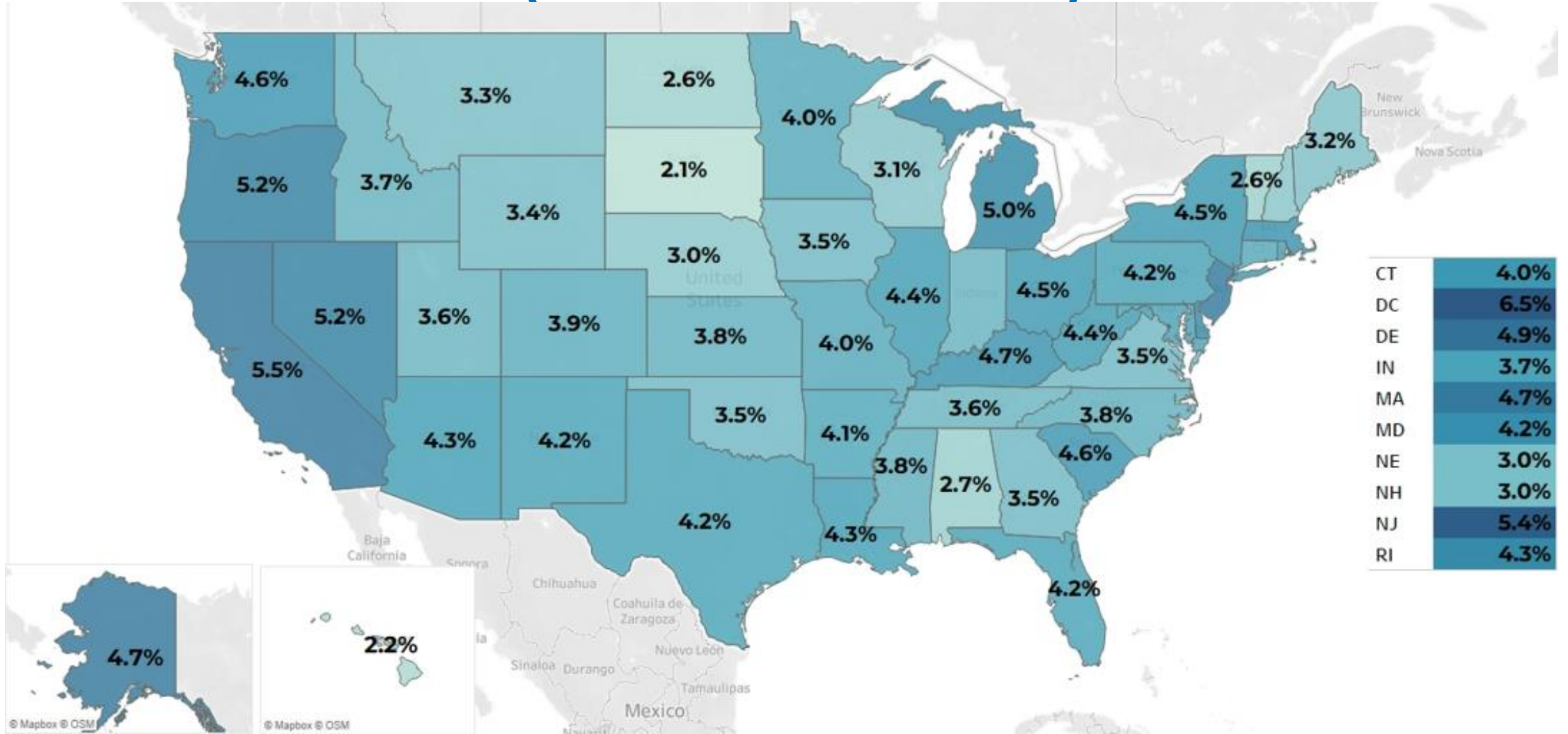
Job Gains Since Pre-COVID Record High Payroll Employment (% change from March 2020 to November 2025)



Source: U.S. Bureau of Labor Statistics

Source: NAR Analysis of BLS data

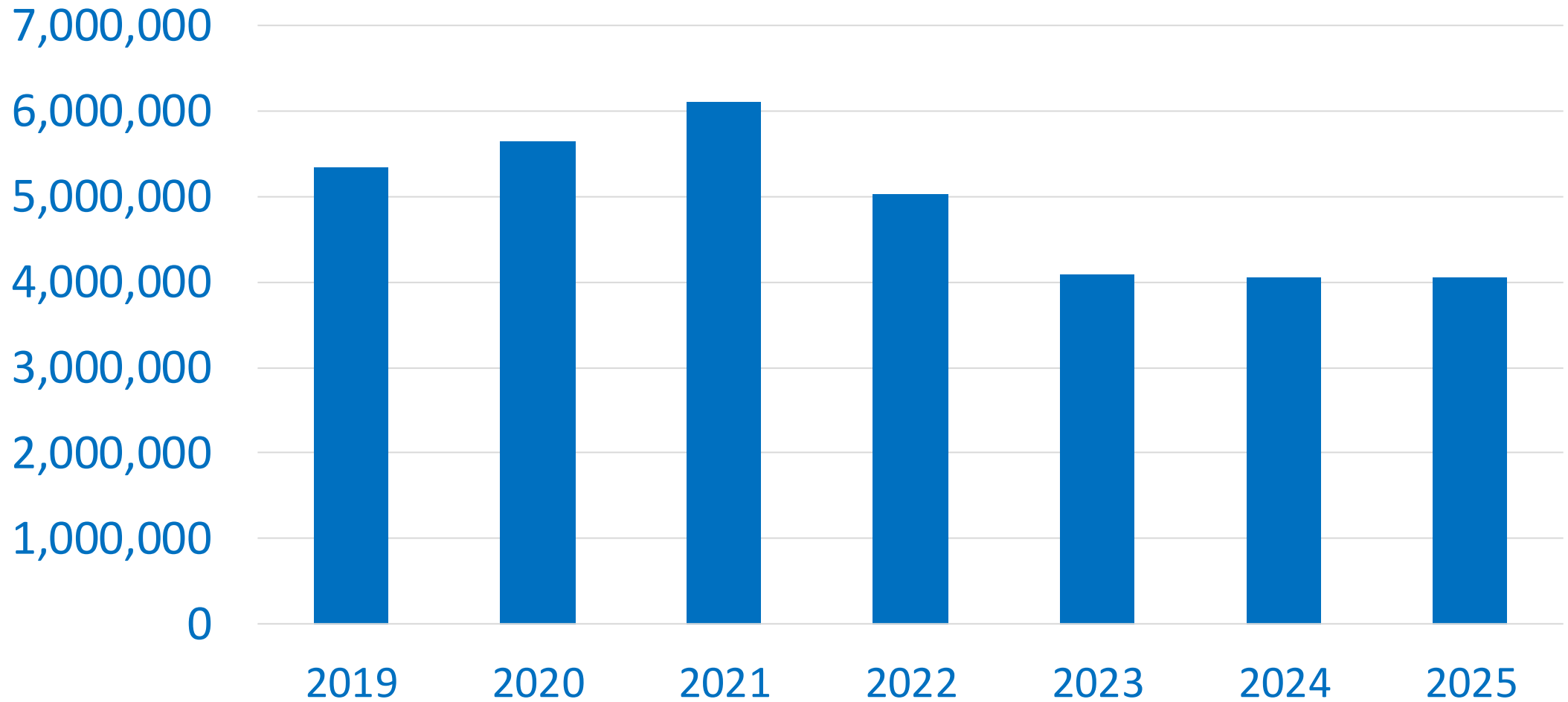
State Level Unemployment Rates (as of November 2025)



Source: BLS

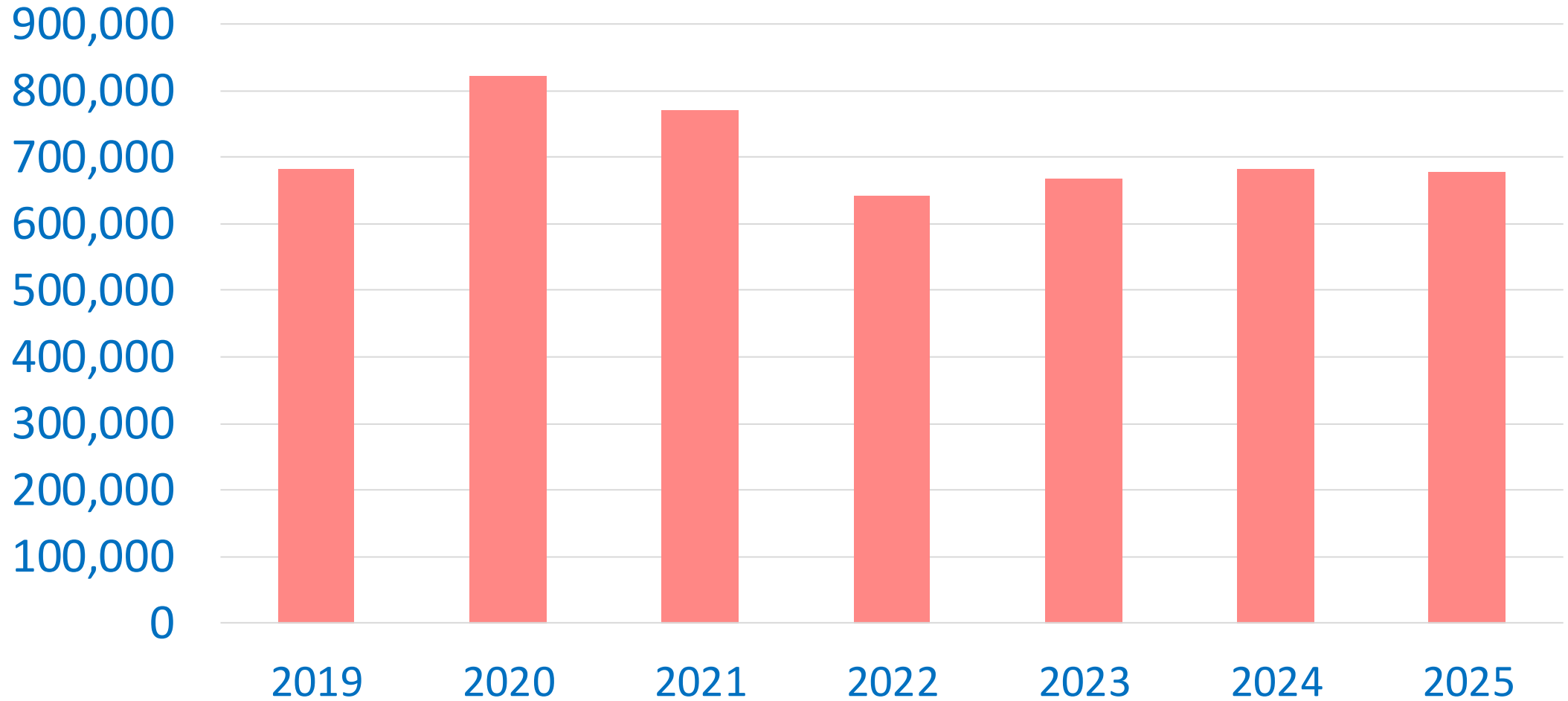
Residential Real Estate

Existing-Home Sales ... no change year-to-date to November Three Subpar Years ... 75% of Pre-covid Activity



Source: NAR

New Home Sales ... Back to Pre-Covid Sales Activity

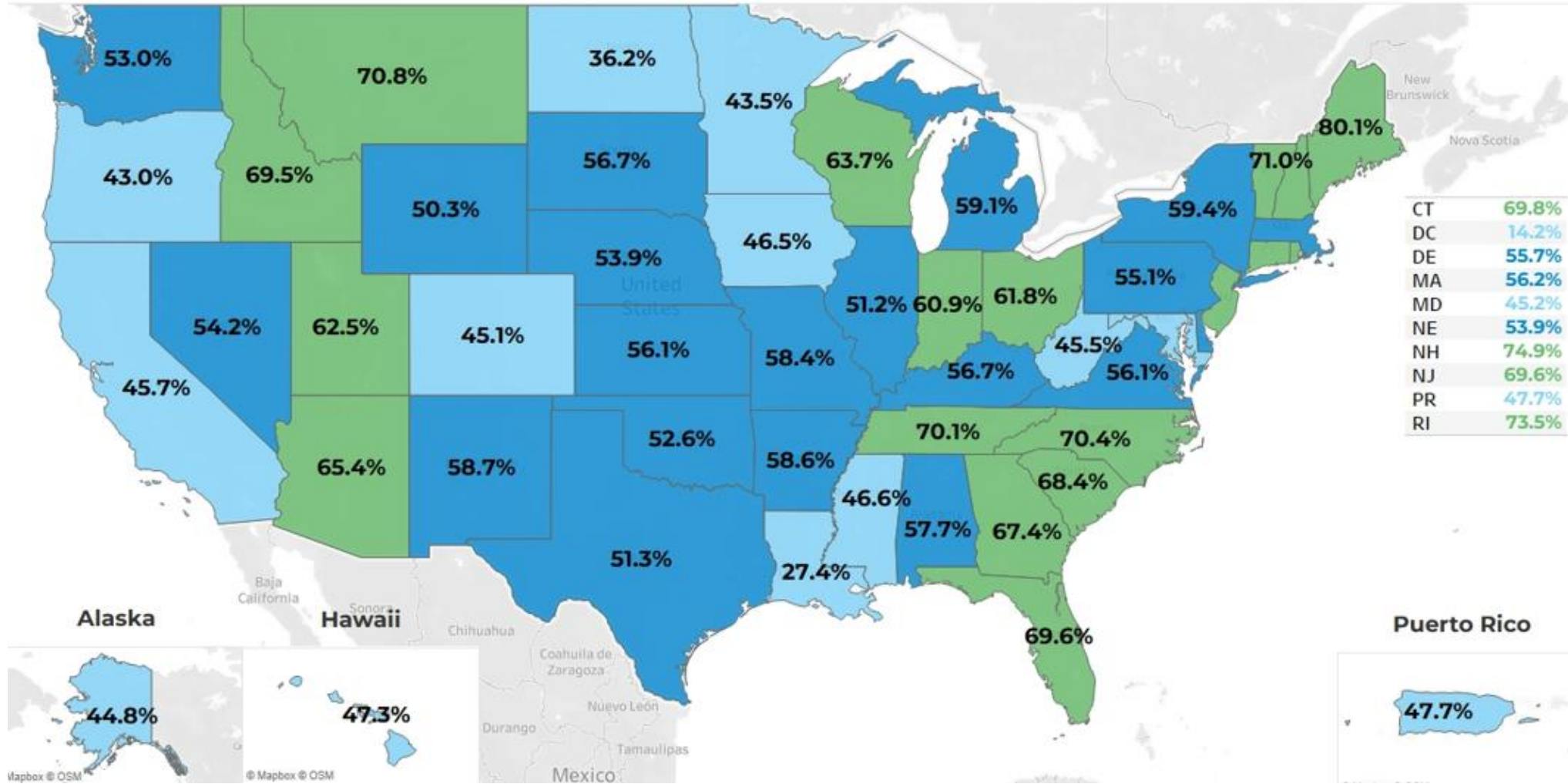


Source: Census

Home Price Trends

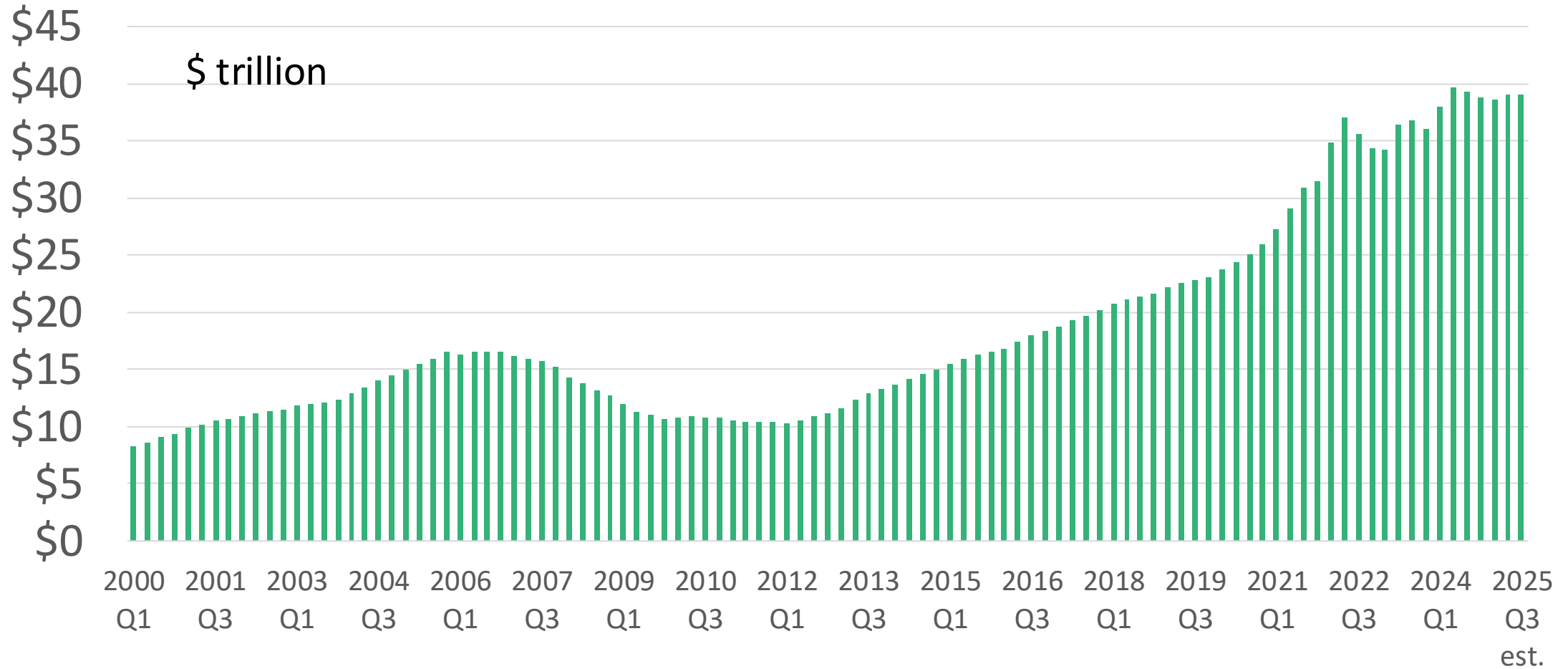
5-year Home Price Gains Since Pre-COVID

% change from 2020 Q1 to 2025 Q2



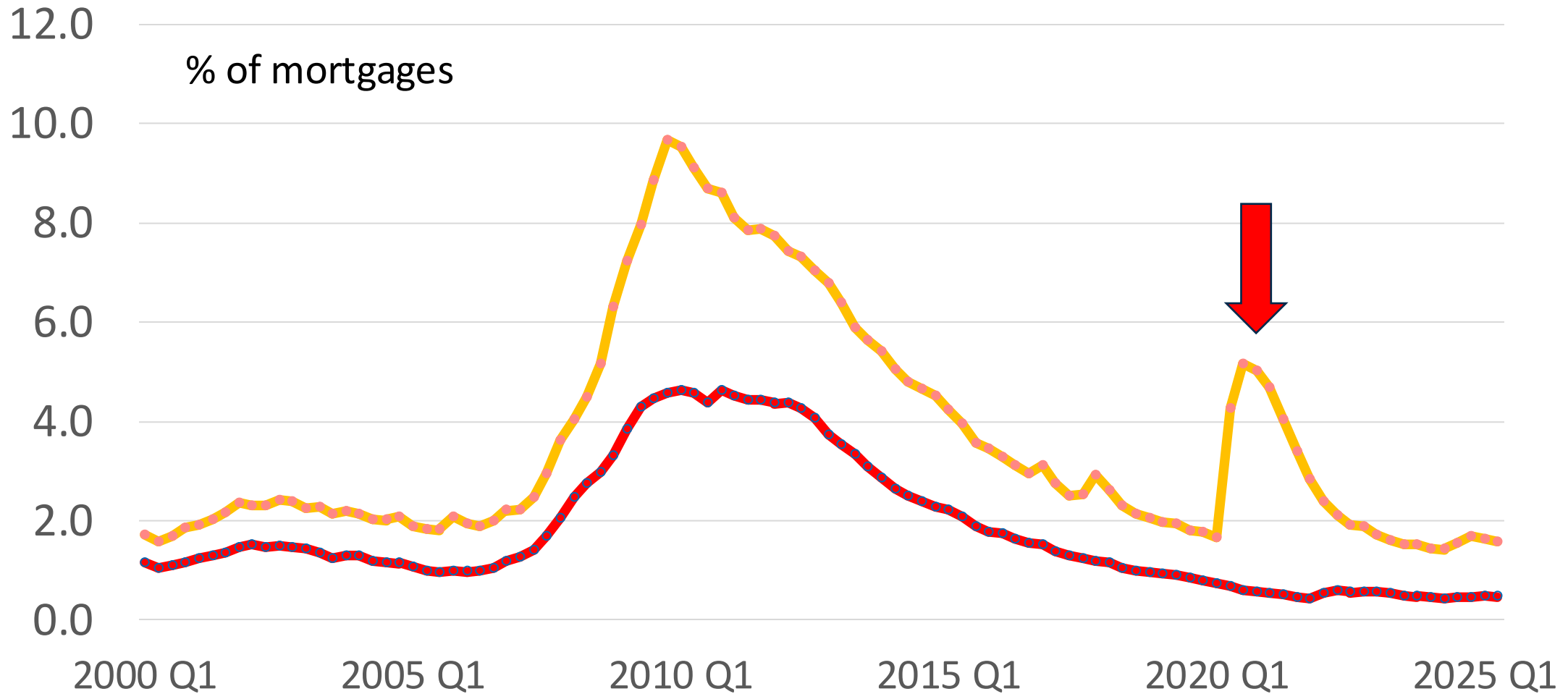
Source: NAR Analysis of FHFA data

Real Estate Net Worth – Near Record High



Source: Federal Reserve

Seriously Delinquent Mortgages and Foreclosure (90+ days late or in foreclosure)

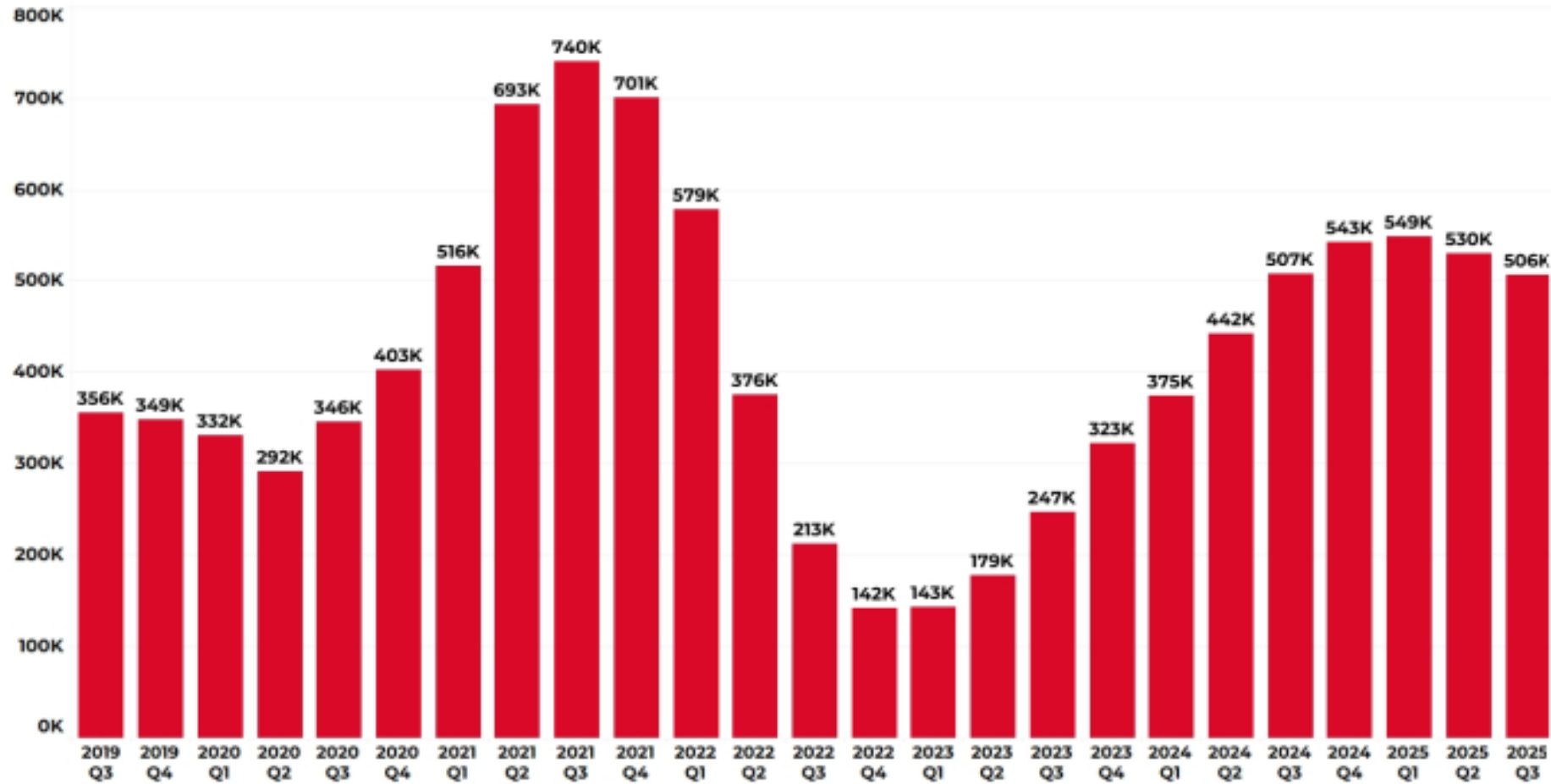


Source: Mortgage Bankers Association

Commercial Real Estate Fundamentals

Apartment Demand ... Strong, but expect sharp weakening in Class C lower-end

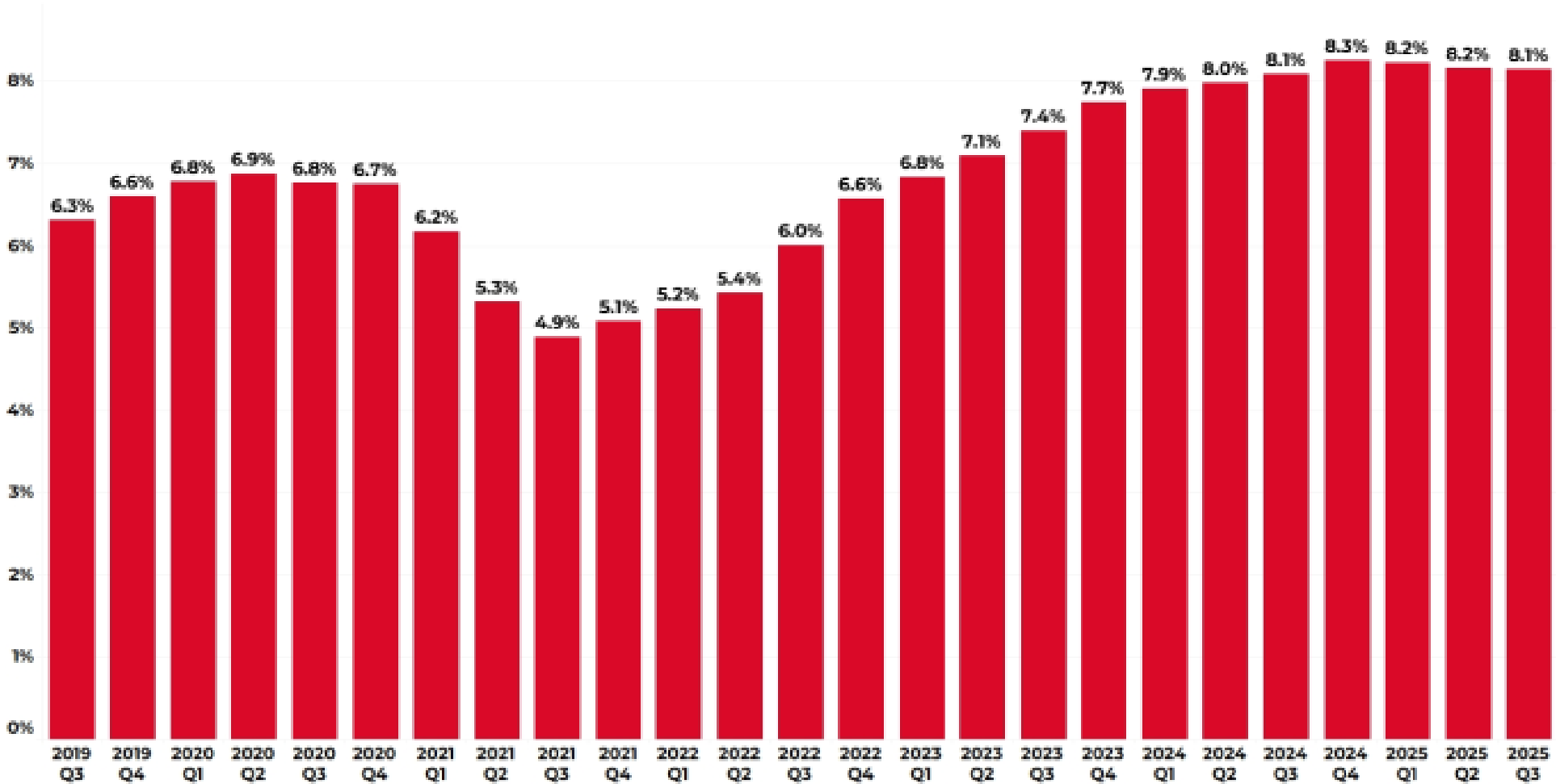
Multifamily Absorption Units 12 Mo



Source: NAR analysis of CoStar data

Apartment Vacancy Rate High .. from overproduction

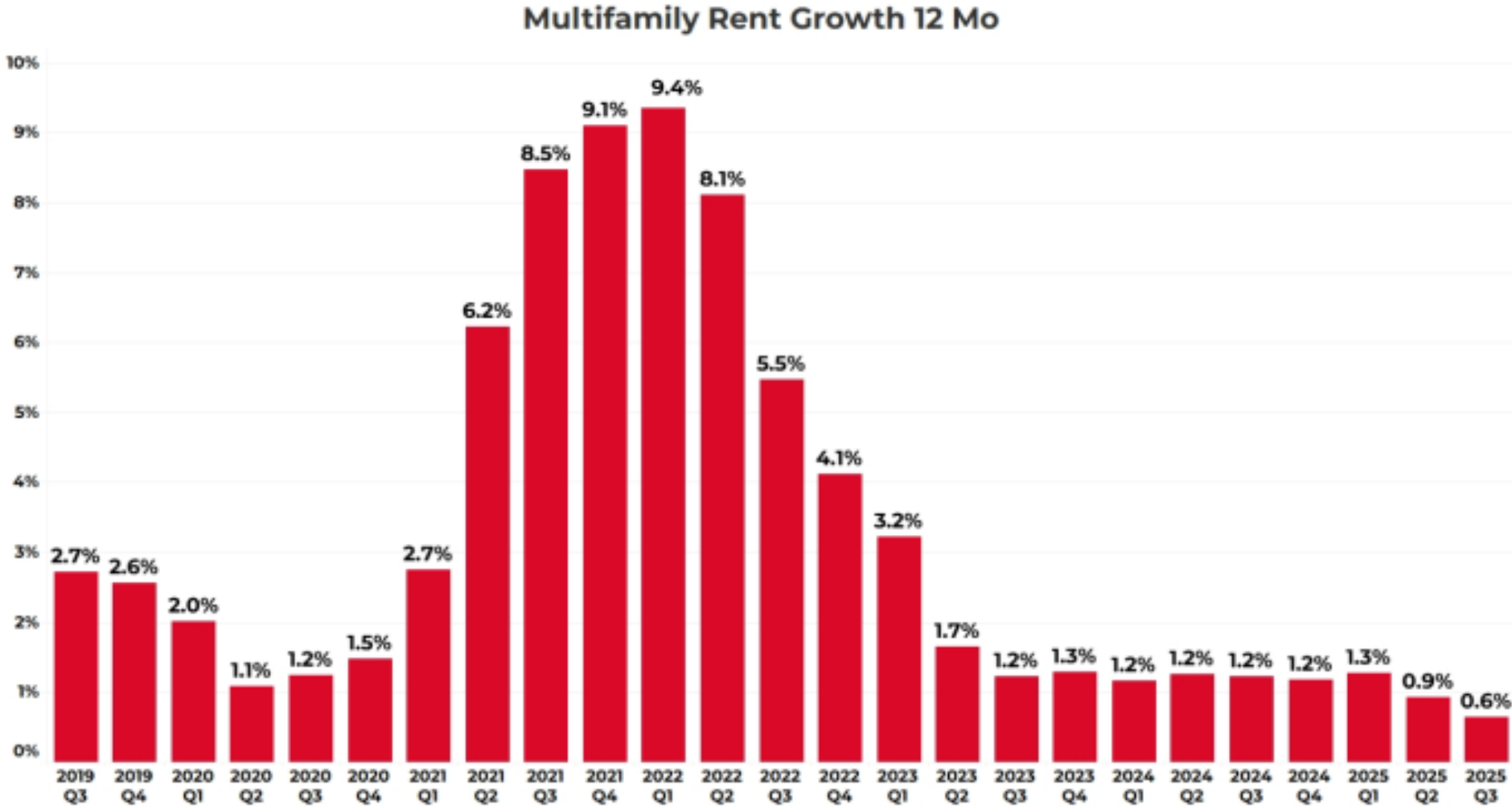
Multifamily Vacancy Rate



Source: NAR Analysis of CoStar data

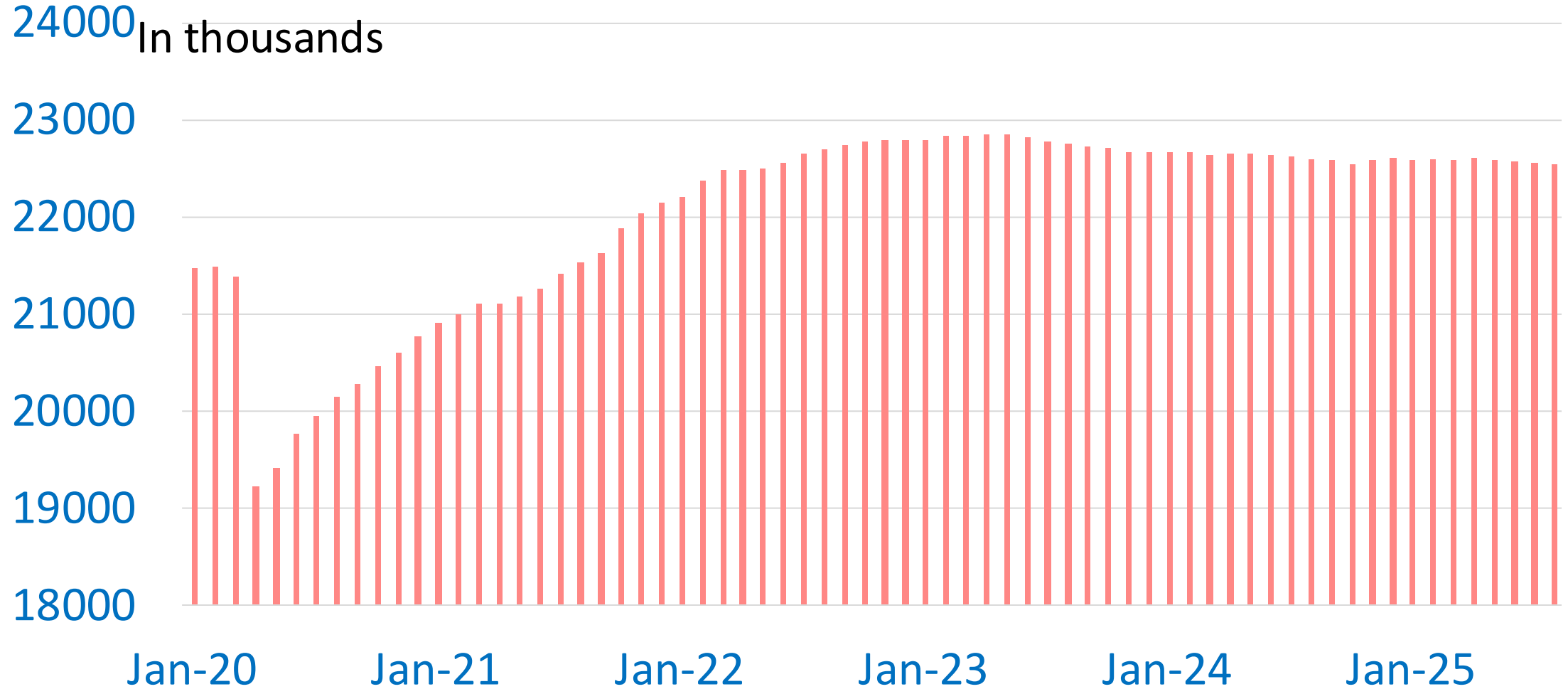


Private Sector Data: Apartment Rents Barely rising



Source: NAR analysis of CoStar data

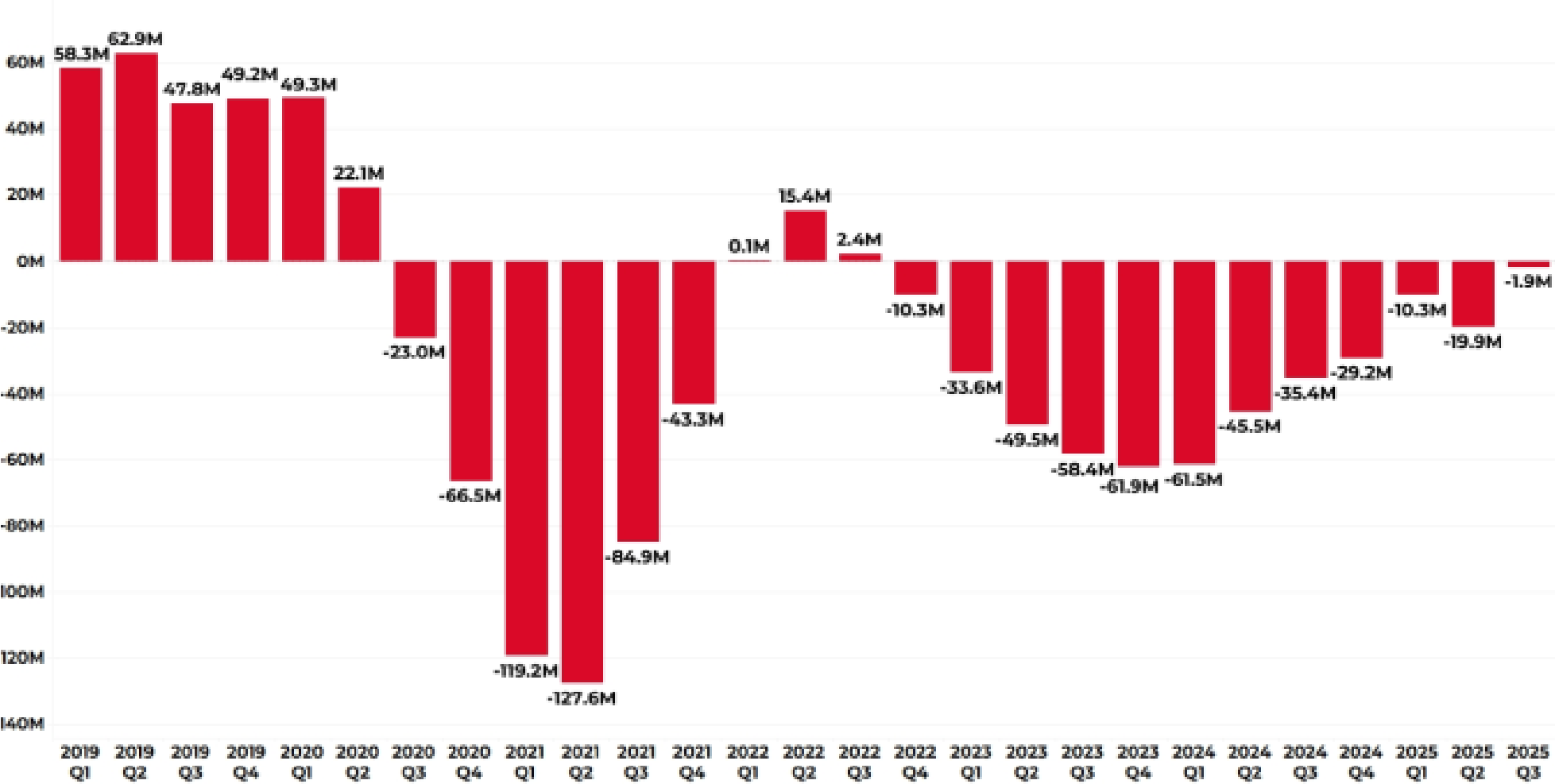
Office Using Jobs (+1 million from pre-covid) (Professional Business Service and Financial Industry)



Source: BLS

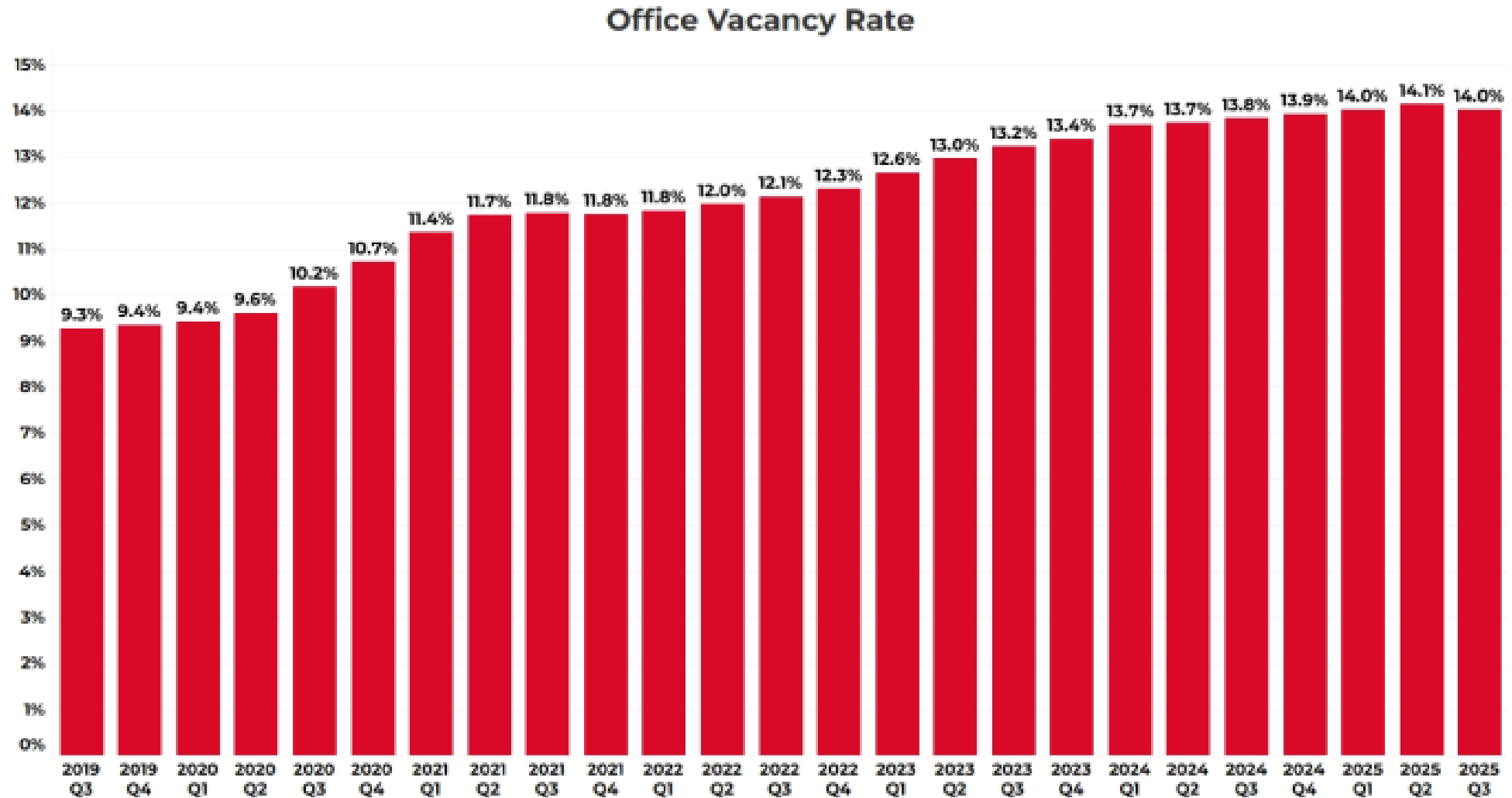
Office Net Absorption in past 12 months ... Stops Bleeding

Office Absorption 12 Mo



Source: NAR analysis of CoStar data

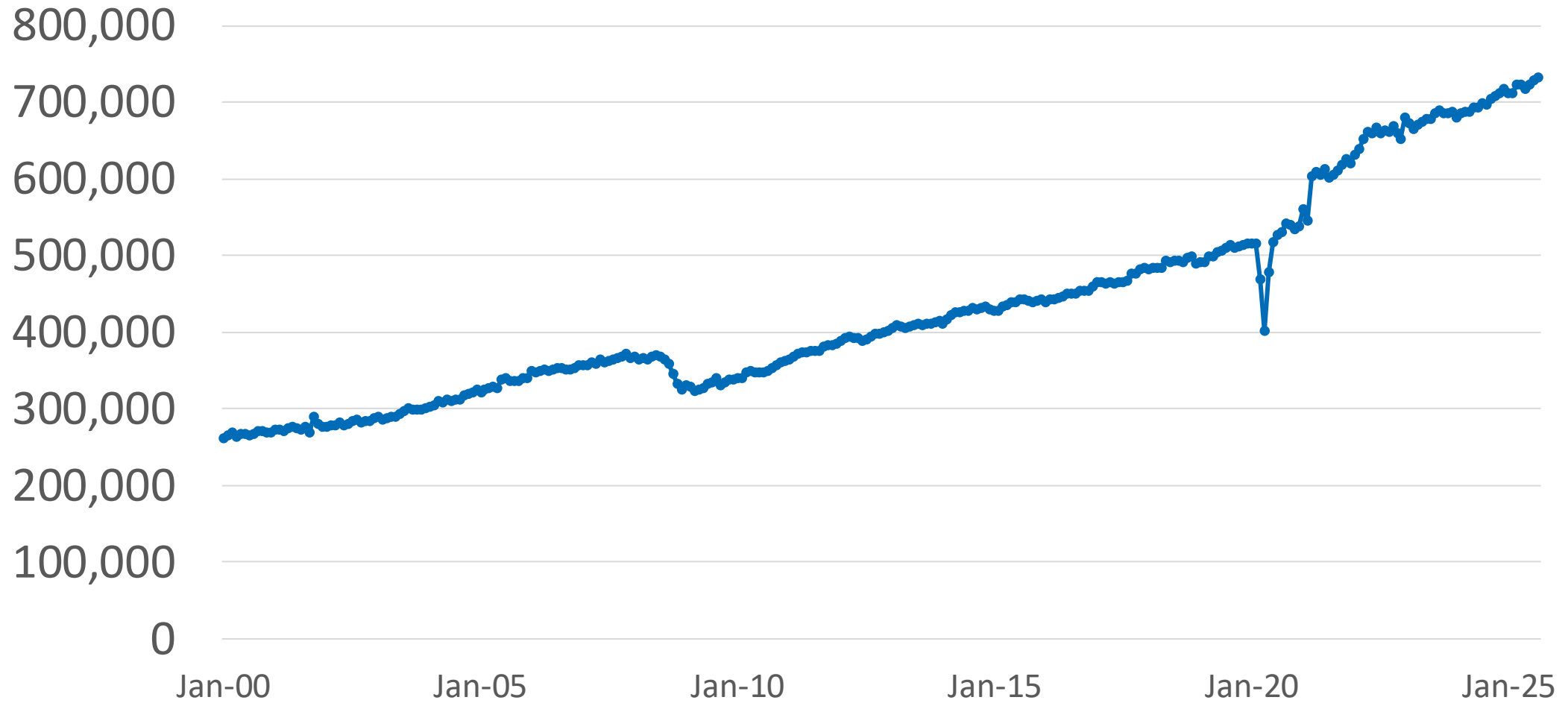
Office Vacancy Rising .. from lack of demand



Source: NAR Analysis of CoStar data

Retail Sales

(In \$ million to August 2025)



Source: Census

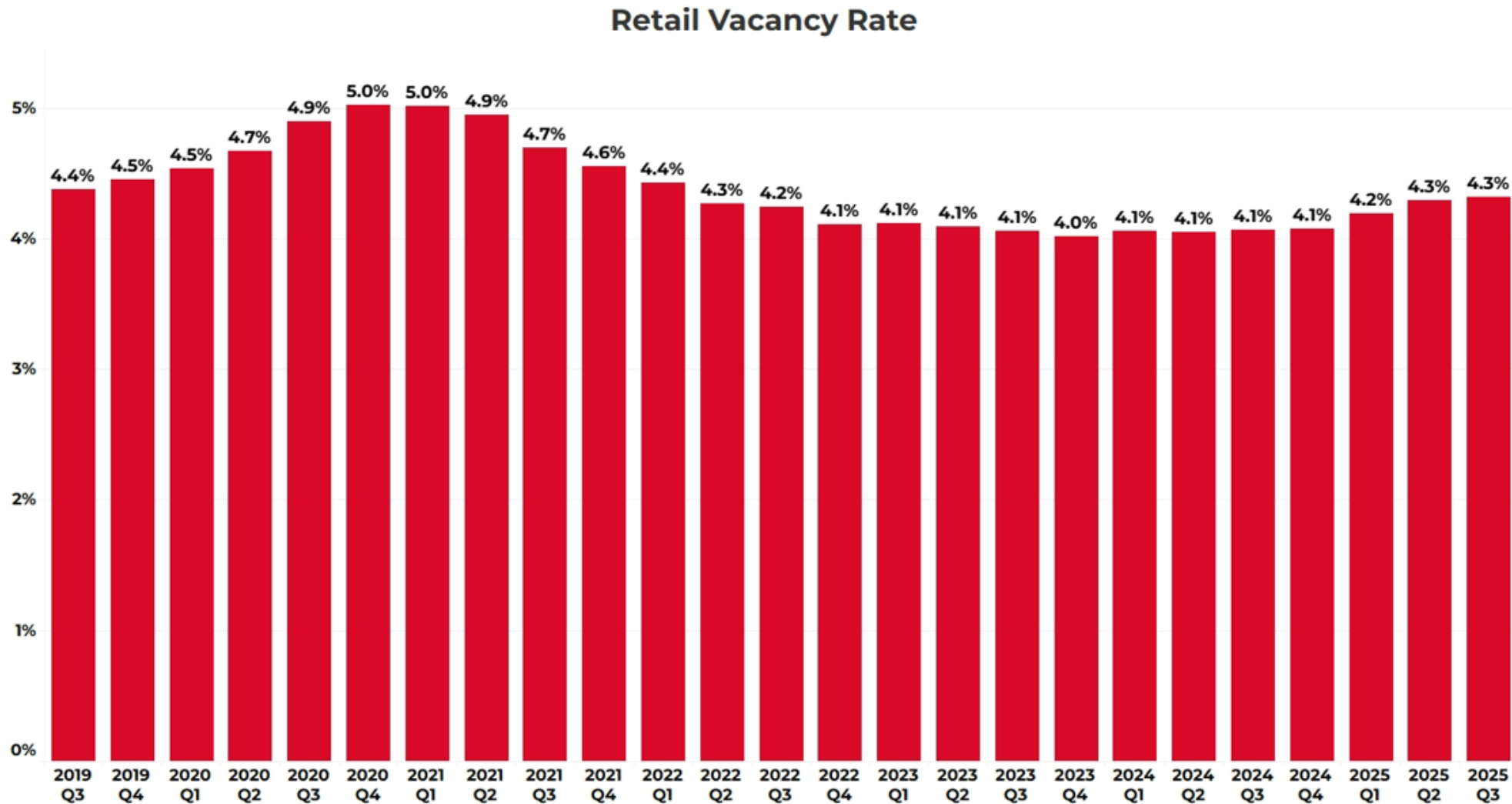
Retail Sales Growth Rate ... Respectable 5%

(% change from a year ago)



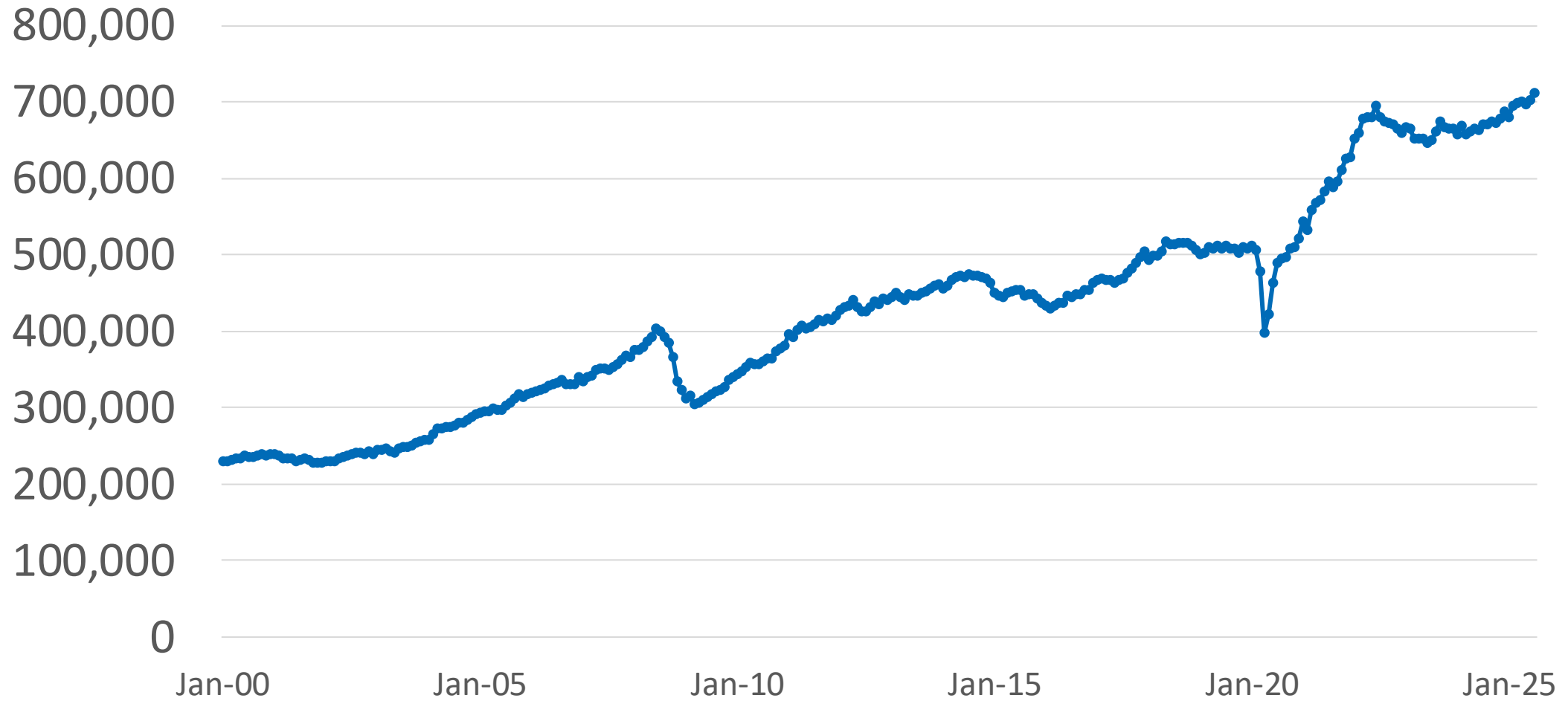
Source: Census

Retail Vacancy Rate Low ... from restrained production



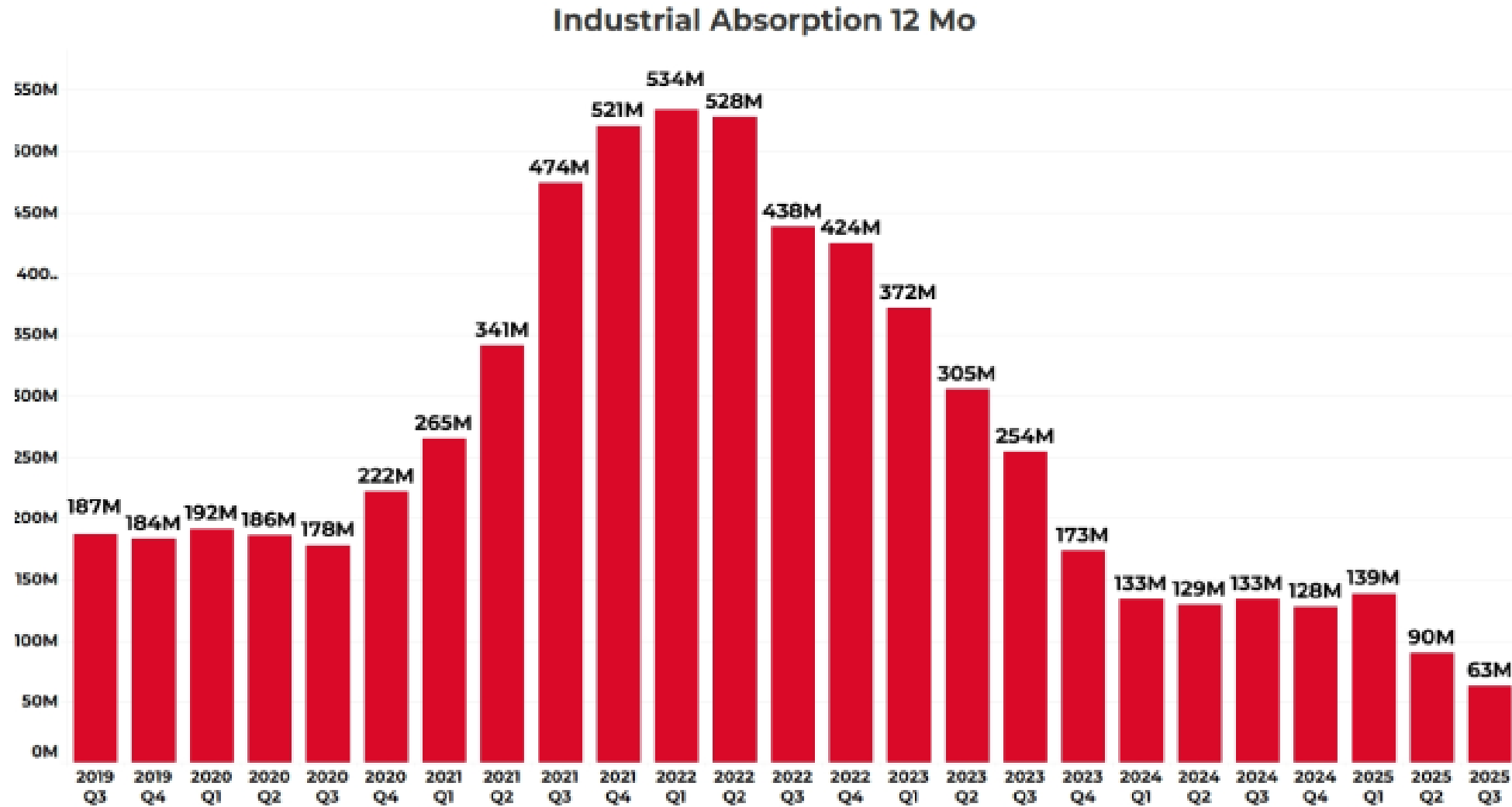
Source: NAR Analysis of CoStar data

Merchant Wholesaler Sales (In \$ million to July 2025)



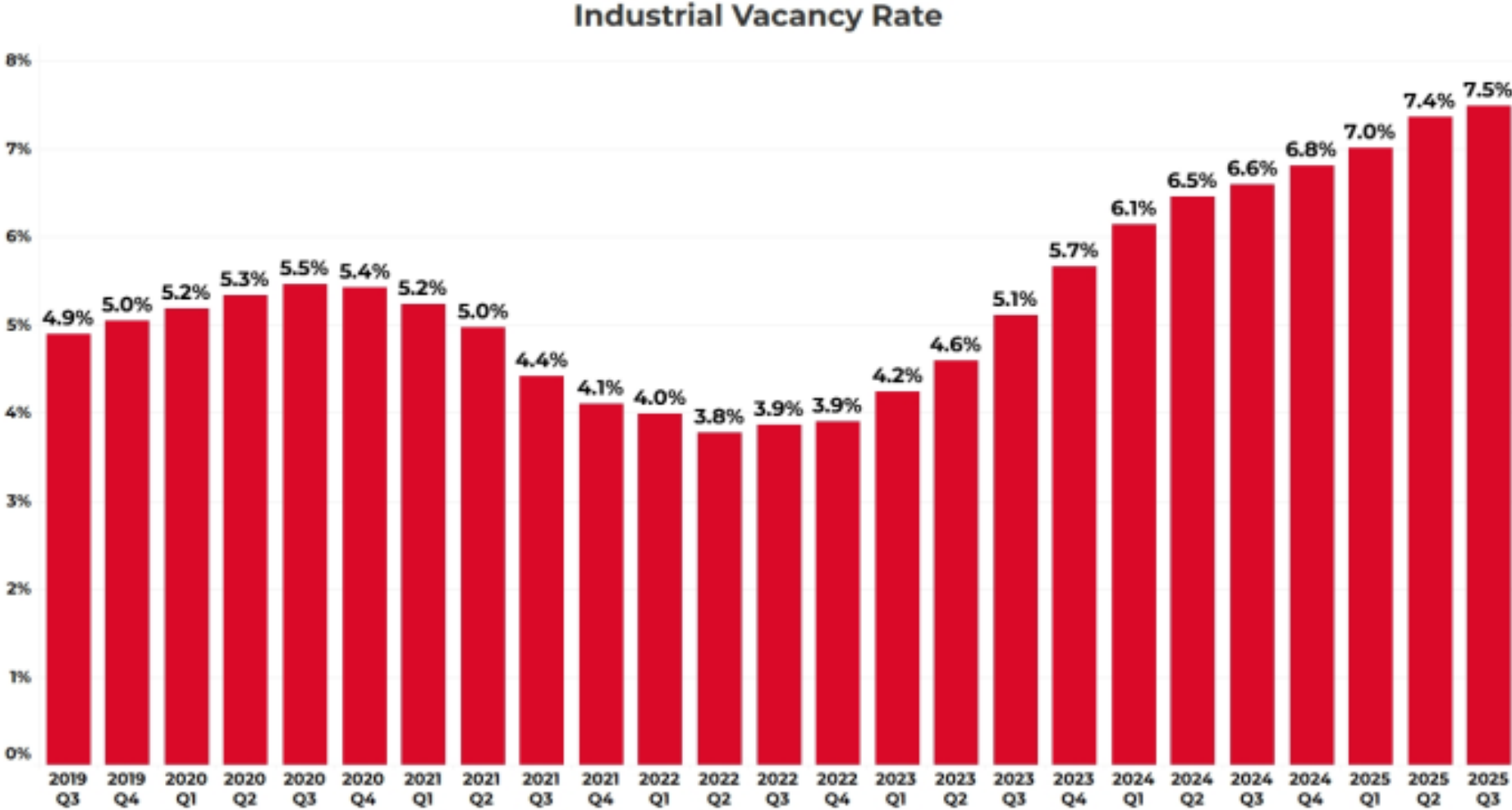
Source: Census

Industrial Space Net Absorption ... Tariff Impact ?



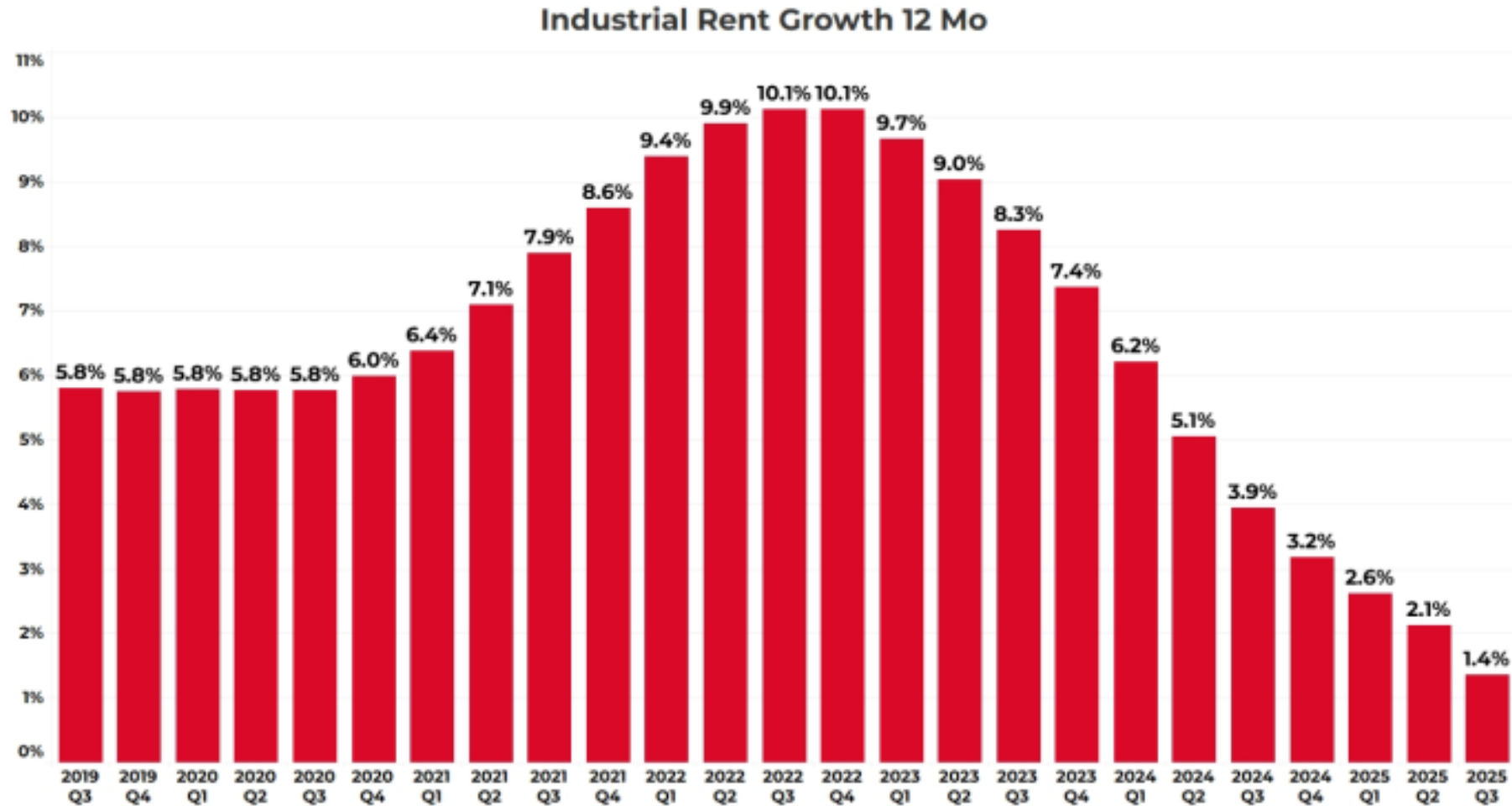
Source: NAR analysis of CoStar data

Industrial Vacancy Rate .. from overproduction



Source: NAR Analysis of CoStar data

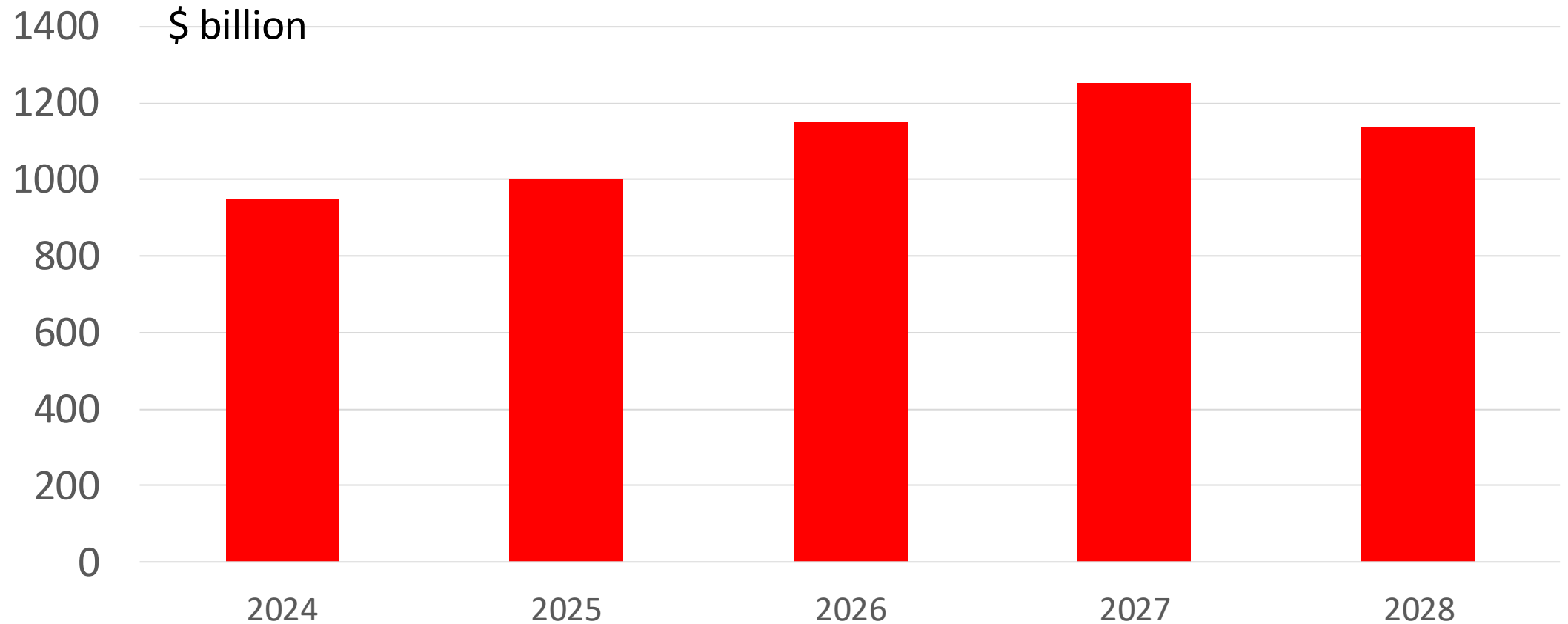
Rents Softly Rising Industrial barely positive



Source: NAR analysis of CoStar data

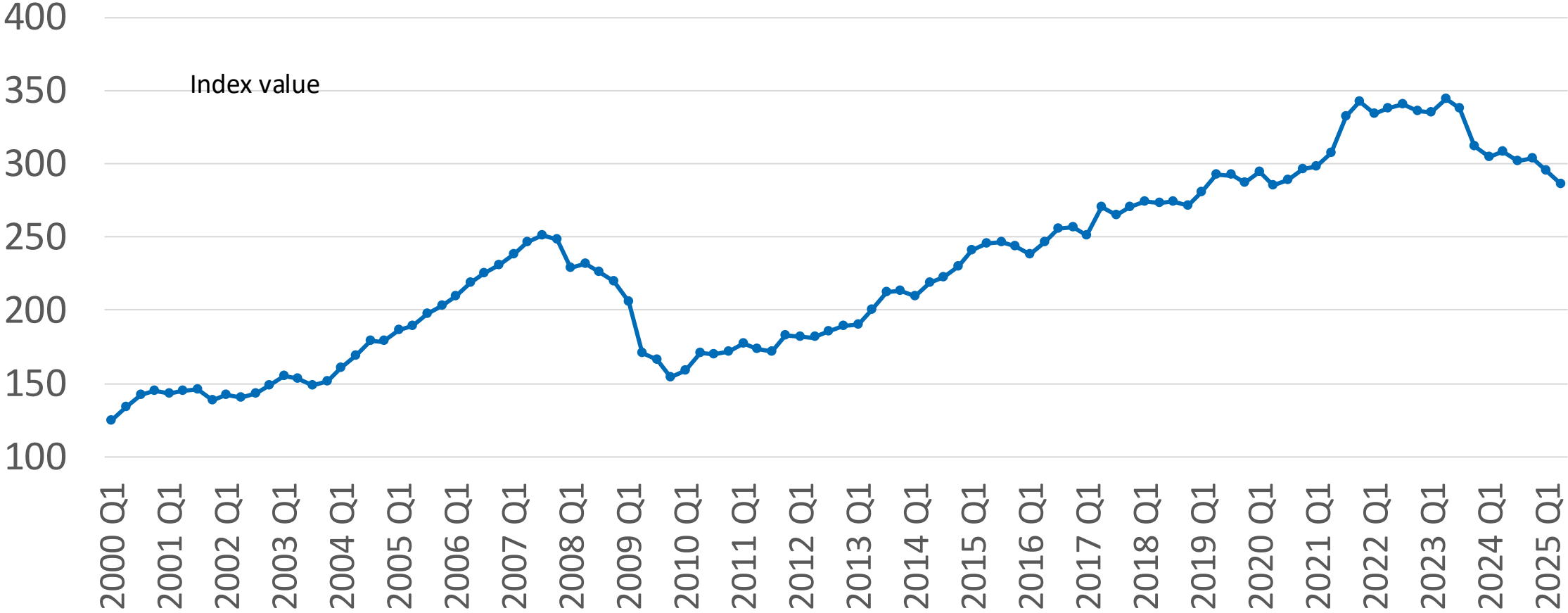
Commercial Real Estate Loan Distress?

CRE Loan Requiring Refinancing ... At Higher Interest Rate and Lower Collateral Value



Source: S&P Global

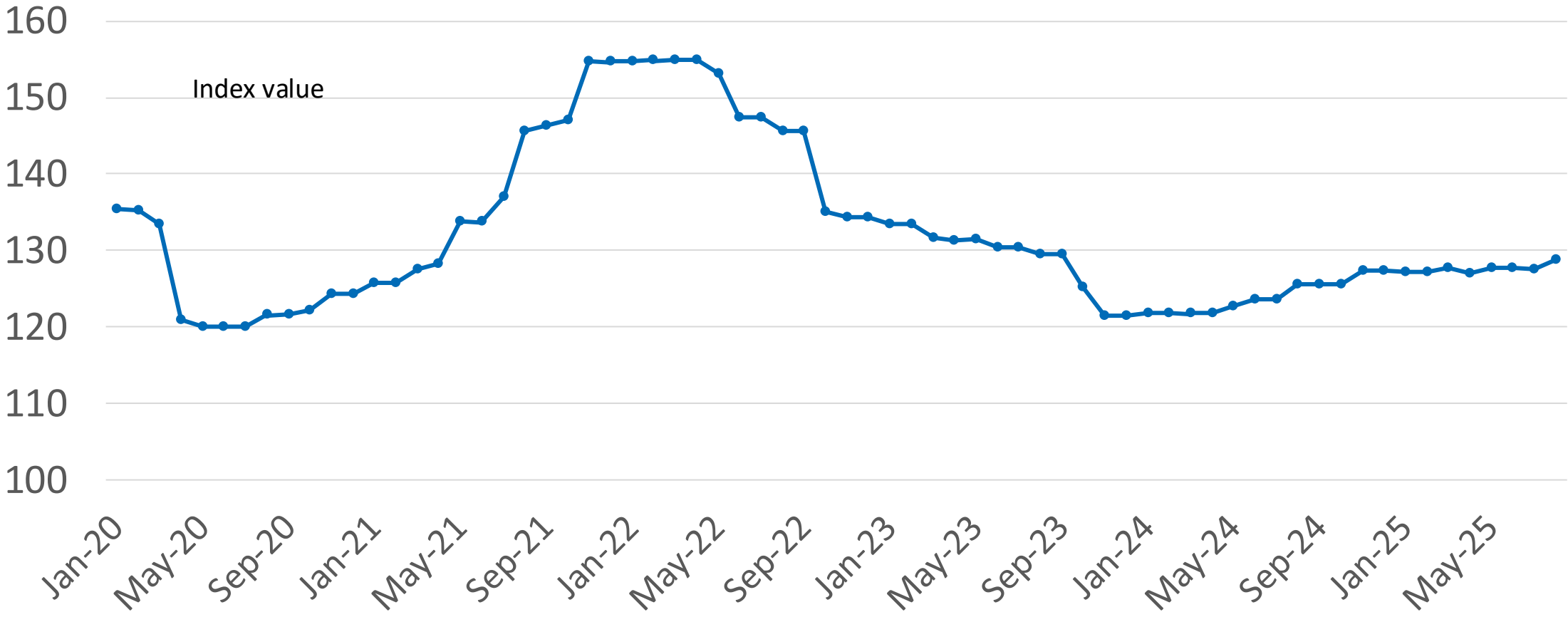
Commercial Property Prices ... Still not Recovering



Source: Federal Reserve



Commercial Appraisal Value Index .. Stabilizing

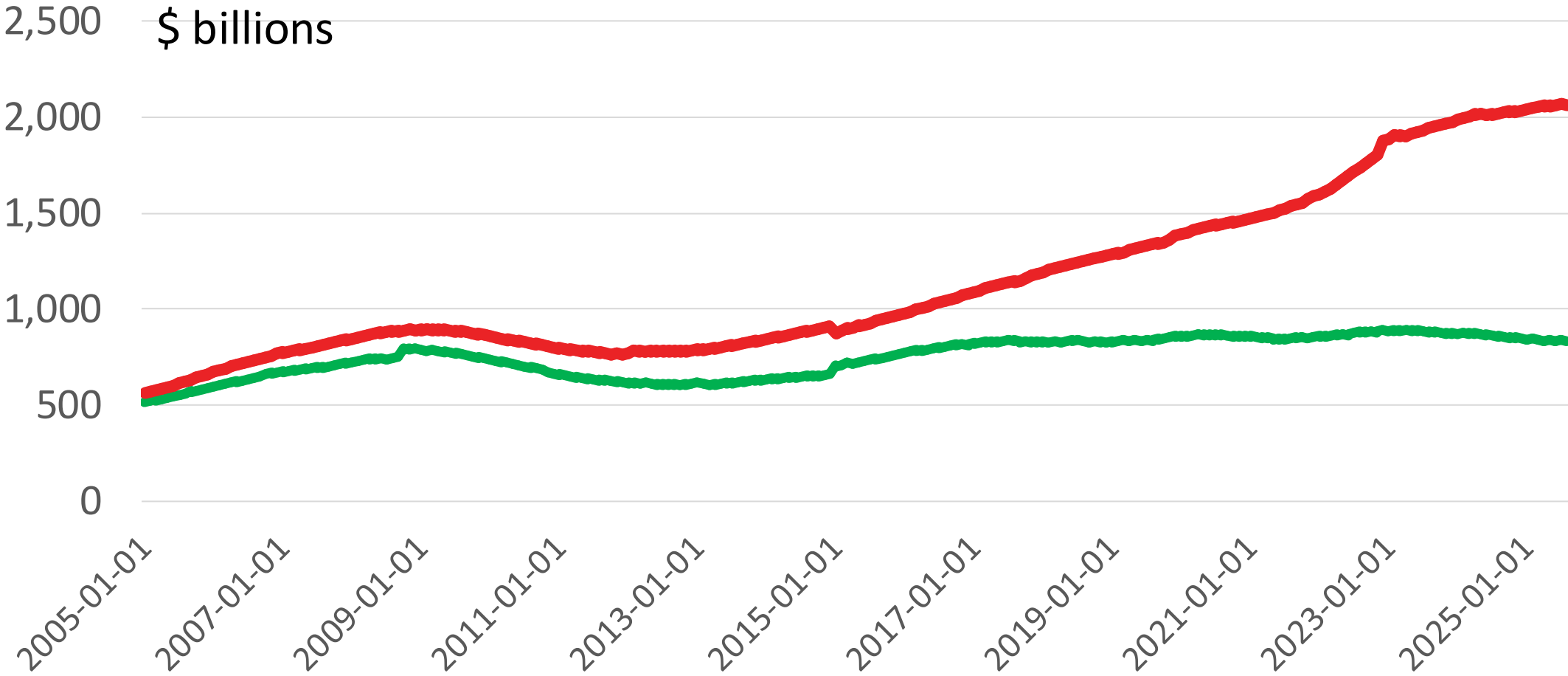


Source: Green Street Commercial Price Index



Commercial Real Estate Loans

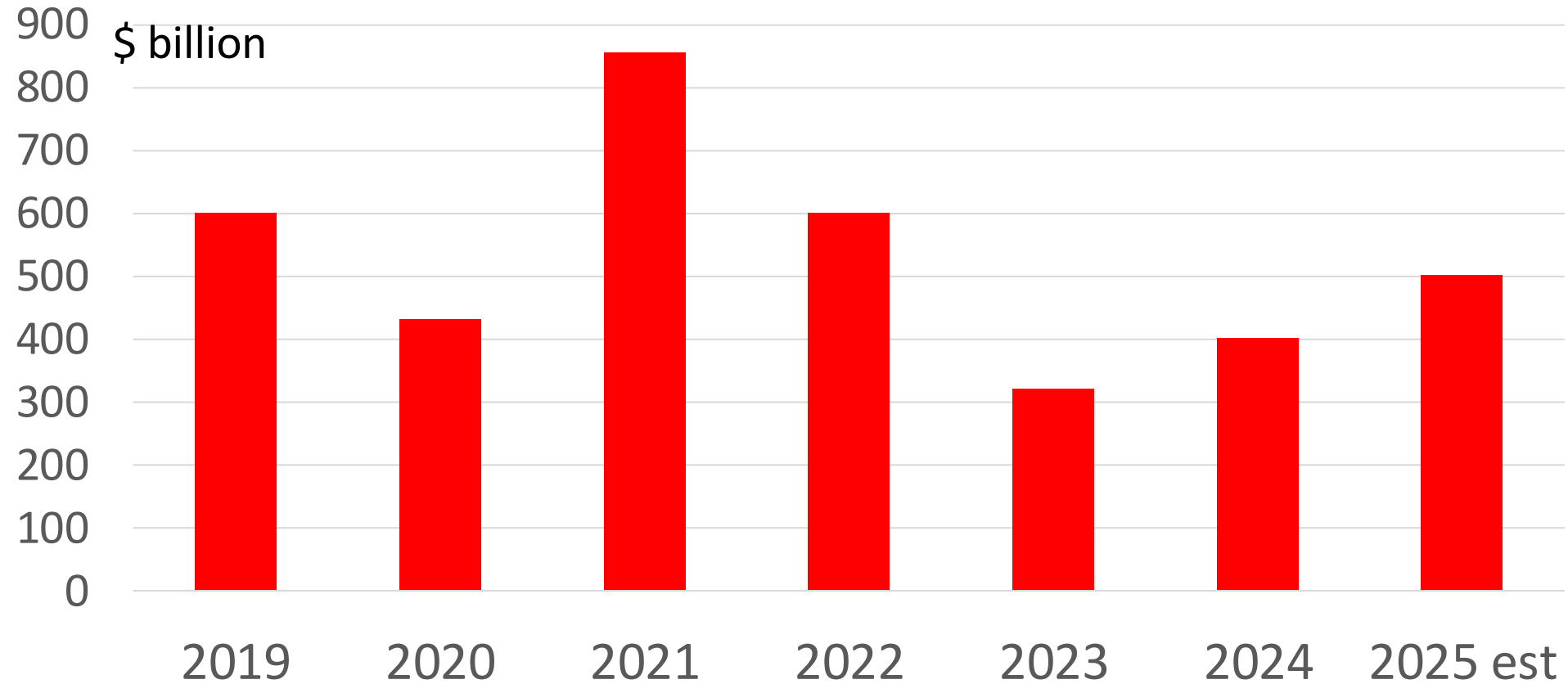
Growth Primarily from Small Banks (red); Not Big Banks (green)



Source: Federal Reserve



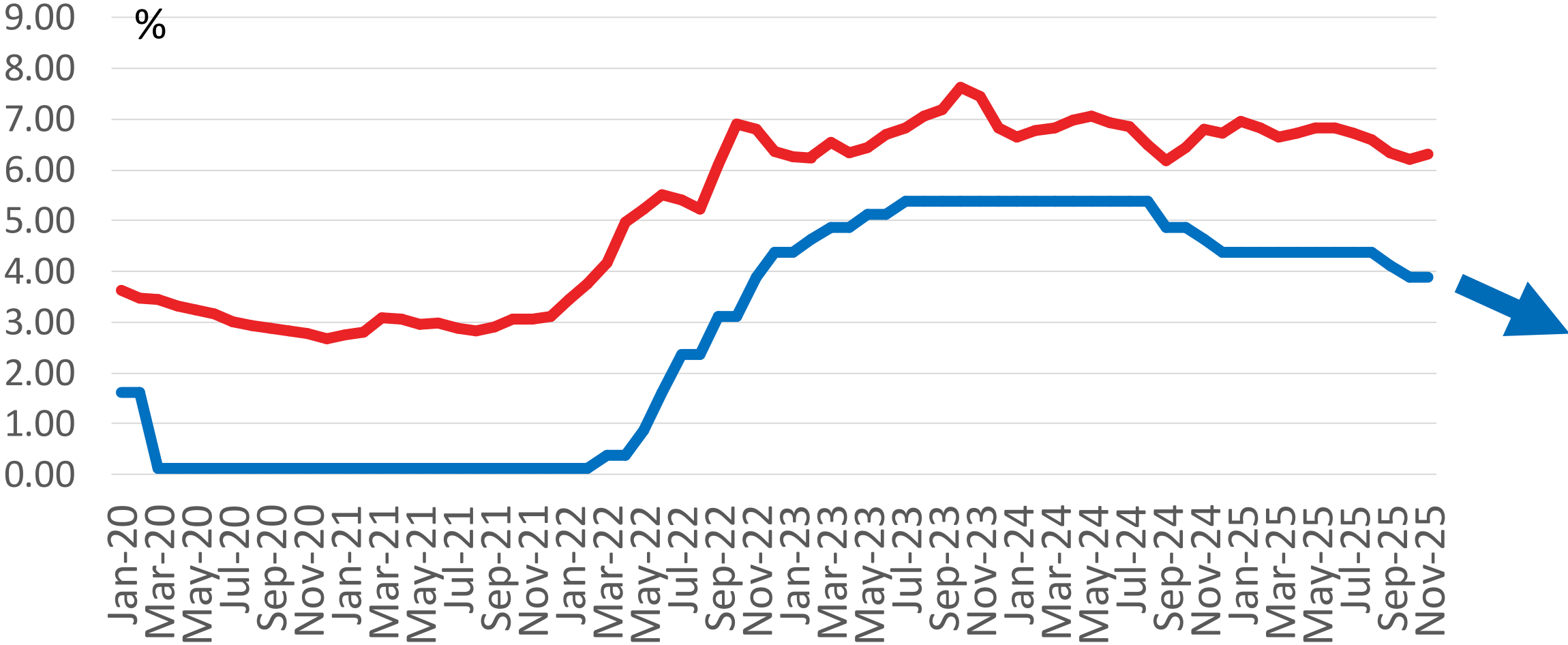
Commercial Transaction Volume ... Below Pre-Covid ... Now Picking Up



Source: MSCI, Real Capital Analytics

Fed Rate Cuts to Save the Day?

Mortgage Rates (red) Fed Funds Rate (blue)



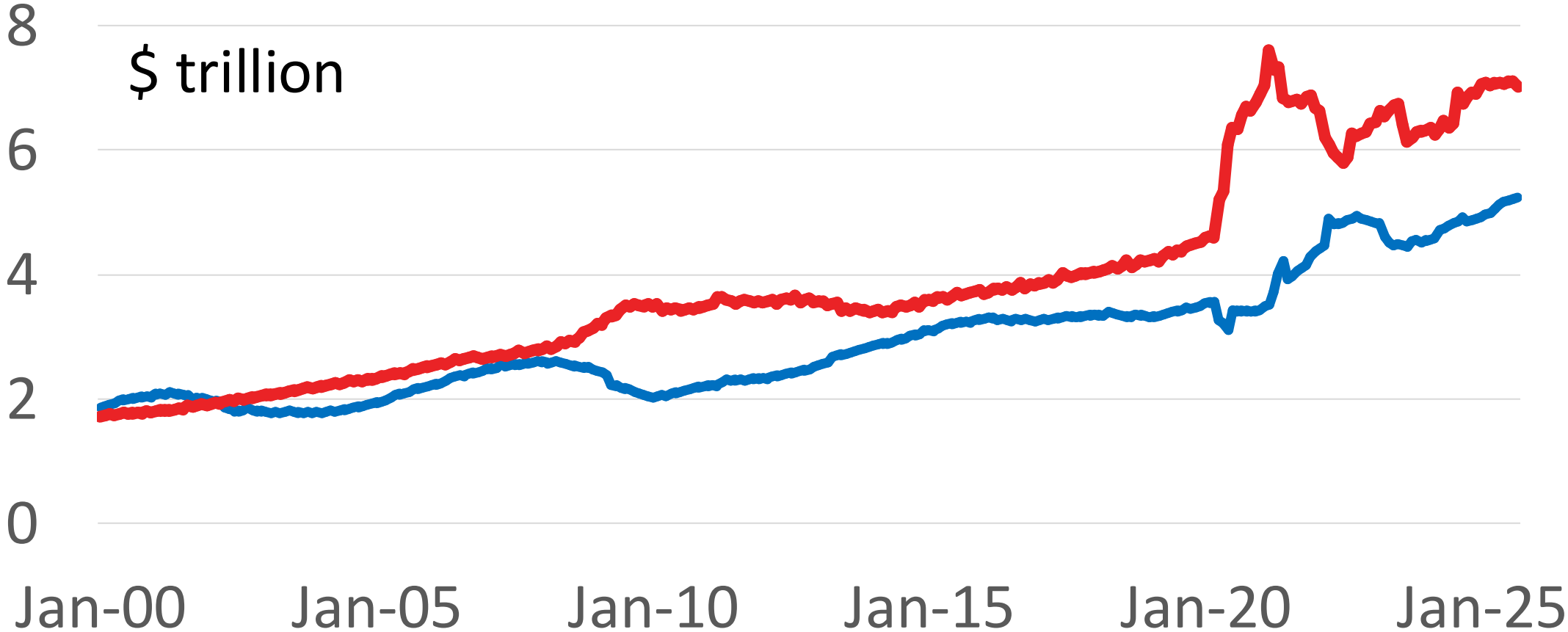
Source: Federal Reserve and Freddie Mac Mortgage Rate



Risks to the Economy and Interest Rates

Federal Government **Outlays** and Receipts

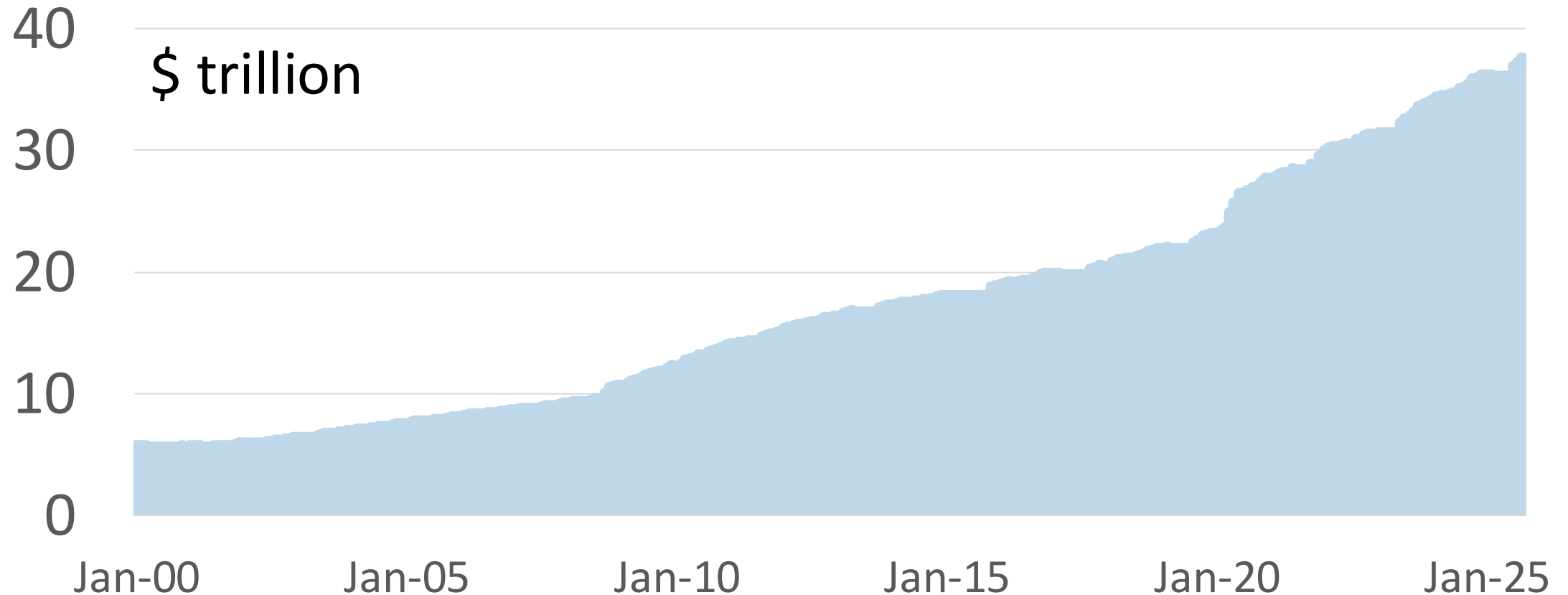
(rolling 12-month total)



Source: NAR analysis of monthly Treasury statements

Ongoing Risk

Federal Government Cumulative Debt



Source: NAR analysis of monthly Treasury statements

Impact to Mortgage Rates

- **Federal Reserve Rate Cut (on fed funds short-term rate)**
- **Federal Deficit and National Debt**
- **Supreme Court on Trump Tariffs (\$3 trillion revenue over decade)**
- **Inflation Rate**
- **Quantitative Tightening**
 - **net sale of mortgage-backed securities by the Fed**
- **Government guarantee (or non-guarantee) on mortgages**
- **Spread between 30-year Mortgage and 10-year Treasury**
- **Stock Market Crash**

Commercial Market Forecast

- **Federal Reserve Rate Cuts ... Big Help**
- **Job Growth to Turn Around ... Boost Demand?**
- **Positive Net Absorption ... More Leasing**
- **Vacancy Rates Peaking ... Easier to Market Property**

- **Supply Picture is Mixed**
- **Temporary Oversupply in Multifamily and Industrial**
- **Permanent Oversupply in Office**
- **Restrained Supply in Retail**

- **Need Lower Rates ... More Investment Sales + Price Growth**

Thank You !