HBA Housing Economic Forum

October 4, 2023
John Hunt – ViaSearch/MarketNsight
jrhunt@marketnsight.com
(770) 419-9891
Currently serving over 40 cities throughout the southeast with more to come!

**Alabama**
- Auburn
- Birmingham
- Huntsville
- Montgomery
- Orange Beach
- Tuscaloosa

**Florida**
- Emerald Coast
- Gold Coast
- Jacksonville
- Orlando
- Panama City
- Space Coast
- Tallahassee (New)
- Tampa

**Georgia**
- Atlanta
- Augusta
- Brunswick
- Columbus
- Golden Isles
- Macon
- Savannah
- Valdosta

**Louisiana**
- New Orleans (New)

**North Carolina**
- Asheville
- Charlotte
- Greensboro
- Raleigh
- Wilmington

**South Carolina**
- Aiken
- Beaufort
- Charleston
- Columbia
- Greenville
- Myrtle Beach
- Spartanburg
- Sumter
- Western Upstate

**Tennessee**
- Chattanooga
- Nashville

**Texas**
- Dallas
- Houston

**Virginia**
- Richmond
FORECASTING WITH A PROVEN TRACK RECORD

1. SEPT 2006
   John Hunt is on the team that first predicts the 2008 "Great Recession."

2. 2009
   Senator Isaacson uses Hunt Team's data on Senate floor to pass the "First Time Homebuyer Credit Extension."

3. 2017
   MarketNsight begins advocating for higher density to increase affordability and to and satisfy the needs and demands of today's largest demographic groups - Millennials and Boomers

4. MAY 2019
   MarketNsight is the first in the nation to declare a bottom in the housing decline caused by rising interest rates during 2018.

5. APRIL 2020
   MarketNsight is the first in the nation to report builders intentionally slowing sales and to identify a nation-wide bottom in housing supply

6. MAY 2021
   MarketNsight identified the Interest Rate Sensitivity Threshold of 5.25% as the rate above which homebuyer initial demand (pending sales) dropped into negative territory.

7. JULY 2022
   MarketNsight Forecasting Milestones
Speaking of Being Right........

What Did I Say In July 2022???
GRMCA Annual Meeting
Housing Market Forecast

July 28, 2022
John Hunt – ViaSearch/MarketNsight
jrhunt@marketnsight.com
(770) 419-9891
Many pundits are saying that Rising interest rates will help increase inventory as housing demand cools. The exact opposite is going to happen. Inventory is going to get worse.

The reason?

The second biggest demographic group, The Boomers, are sitting on their homes when they should be selling them to take advantage of skyrocketing prices.

Why aren't they moving? Because there's nowhere for them to go. Now, even if they could find a place to go, they will not trade in their 3% mortgage for a 7% mortgage.
We Were The First To Predict The “Lock In” Effect
There is Some Good Economic News This Year.....

Despite The Fed!!
January’s U.S. jobs reports was stunningly good

In ordinary economic times — that is, the past 20 years or so of low inflation, moderate unemployment and slow growth — January’s employment numbers would have been a cause of celebration. Regardless of the angle you look at, the report gleamed: A 517,000 increase in employment — almost three times what analysts expected. An unemployment rate of 3.4% — the lowest in more than 50 years. An hourly wage growth of 0.3% — solid, but still moderating from the rest of the year.

Foremost on investors’ minds, however, must surely be how the job report will affect the Federal Reserve’s interest rate trajectory. Central bankers have repeatedly emphasized that they’re looking at economic data to determine how far to take hikes. The question is: Which set of data are they prioritizing? We know that inflation, consumption and manufacturing figures have fallen in December. But January’s job report paints a picture of an incredibly robust labor market that might keep inflation persistently high, especially in the services sector, which saw the most gains last month. Fed Chair Jerome Powell has indicated he’s focusing on the labor market, which he described in his Wednesday post-meeting news conference as “out of balance.”

https://www.cnbc.com/2023/02/06/stock-markets-januaries-us-jobs-reports-is-stunningly-good.html
Payrolls rose 311,000 in February, more than expected, showing solid growth

Nonfarm payrolls rose by 311,000 for the month, the Labor Department reported Friday. That was above the 225,000 Dow Jones estimate and a sign that the employment market is still hot.

The unemployment rate rose to 3.6%, above the expectation for 3.4%, amid a tick higher in the labor force participation rate to 62.5%, its highest level since March 2020.

There also was some good news on the inflation side, as average hourly earnings climbed 4.6% from a year ago, below the estimate for 4.8%. The monthly increase of 0.2% also was below the 0.4% estimate.
Job growth totals 236,000 in March, near expectations as hiring pace slows

The Labor Department reported Friday that payrolls grew by 236,000 for the month, compared to the Dow Jones estimate for 238,000 and below the upwardly revised 326,000 in February.

The unemployment rate ticked lower to 3.5%, against expectations that it would hold at 3.6%, with the decrease coming as labor force participation increased to its highest level since before the Covid pandemic.

Though it was close to what economists had expected, the total was the lowest monthly gain since December 2020 and comes amid efforts from the Federal Reserve to slow labor demand in order to cool inflation.

March jobs one-month net change

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure + hospitality</td>
<td>50.8K</td>
</tr>
<tr>
<td>Health care + social assistance</td>
<td>47K</td>
</tr>
<tr>
<td>Government</td>
<td>39K</td>
</tr>
<tr>
<td>Professional + business services</td>
<td>10.4K</td>
</tr>
<tr>
<td>Transportation + warehousing</td>
<td>6K</td>
</tr>
<tr>
<td>Information</td>
<td>3K</td>
</tr>
<tr>
<td>Mining + logging</td>
<td>-1K</td>
</tr>
<tr>
<td>Financial activities</td>
<td>-1K</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-9K</td>
</tr>
<tr>
<td>Construction</td>
<td>-14.6K</td>
</tr>
<tr>
<td>Retail trade</td>
<td>-14.6K</td>
</tr>
</tbody>
</table>

US Job Gains and Wages Pick Up, Signaling Labor Resilience

US hiring and workers’ pay gains accelerated in April, showing signs of labor-market resilience and fresh inflationary pressures in the face of economic headwinds.

Nonfarm payrolls increased 253,000 after a downwardly revised 165,000 advance in March, a Bureau of Labor Statistics report showed Friday. The unemployment rate fell back to a multi-decade low of 3.4%.

Part of what the Fed would like to see is a further easing in pay gains. That didn’t happen in Friday’s report – average hourly earnings rose 0.5% in April, the most in about a year on an unrounded basis. From a year ago, they were up 4.4%.
US May Payrolls Swell by 339,000 Blowing Past the 195,000 Estimate

May saw another big upward surprise in payroll gains, with employers adding 339,000 jobs versus the expected 195,000. The increases were widespread, with notable upticks in professional and business services, government and health care. The large April gains were revised even higher, another signal of labor-market strength.

The unemployment rate also unexpectedly ticked up, to 3.7% from a decades-low 3.4% in April. That was at least in part driven by more prime-age workers entering the labor force.

The surge in payrolls indicates the labor market remains robust, and may pose difficulties for Federal Reserve officials who were largely hoping to pause interest-rate increases at their June 13-14 meeting. The move up in the unemployment rate may support that decision, though. Should labor-market strength continue, they could raise rates in July.
The US labor market cooled off in June, adding just 209,000 jobs

Minneapolis (CNN) — The US job market cooled back down in June, adding just 209,000 jobs, and fueling optimism that the economy is on course to nail that elusive soft landing of lowering inflation without triggering a recession.

The June job gains, released Friday by the Bureau of Labor Statistics, were nearly 100,000 positions below May’s stronger-than-expected showing of 306,000 and also fell below economists’ expectations for a net gain of 225,000 jobs.

It’s the lowest monthly gain since a decline in December 2020, and — excluding the losses seen during the first year of the pandemic — June’s total is the smallest since December 2019. That being said, last month’s job growth still outpaces the pre-pandemic average.

The unemployment rate ticked down to 3.6% from 3.7% the month before, according to the report.

US employers have now added jobs for 30 consecutive months.

“In the tug of war between the labor market and the economy, there is still a push and pull, yet the labor market remains strong,” Becky Frankiewicz, president and chief commercial officer of ManpowerGroup, said in commentary issued Friday.
July jobs report: U.S. payroll growth totaled 187,000, lower than expected

- Nonfarm payrolls expanded by **187,000 for July**, slightly below the Dow Jones estimate for 200,000.
- The **unemployment rate was 3.5%**, against a consensus estimate that the jobless level would hold steady at 3.6%.
- Average hourly earnings rose 0.4% for the month, good for a 4.4% annual pace, both above expectations.

**Monthly job creation in the U.S.**
January 2022 through July 2023

![Graph showing job creation from January 2022 to July 2023 with a peak in July 2023 at 187,000 jobs added.]

Chart: Gabriel Cortes / CNBC
Source: U.S. Bureau of Labor Statistics via FRED
Data as of Aug. 4, 2023
Jobs report: 187,000 jobs added in August as unemployment rises to 3.8%

Hiring unexpectedly picked up in August as employers added 187,000 jobs despite high interest rates and inflation but payroll gains over the summer were revised down sharply.

The unemployment rate, which is calculated from a separate survey of households, rose from 3.5% to 3.8%, highest since February 2022, the Labor Department said Friday. That's because of a surge of Americans into the labor force, which includes people working and looking for jobs.

Yet payroll growth for June and July was revised down by a whopping 110,000, portraying a much weaker picture of employment growth over the summer than previously thought. And job gains in August were expected to be affected by several unusual crosscurrents, making it tough to discern if the latest numbers reflect overall hiring trends or one-offs.

"The U.S. labor market continues to come back to earth," says Nick Bunker, head of economic research for the Indeed Hiring Lab. The nation added an outsize 400,000 jobs a month last year as it recouped the 22 million jobs lost in the pandemic.
The National Media is ALWAYS 2 Months Behind MarketNsight!!

In June 2022, We Reinstated Weekly Market Updates as Rates Began Exploding
Want to See December’s National Headlines Today???

Pending Sales From a Few Days Ago.......
Weekly Pending Sales YTY % Change
Jan Week 1 2022 Through September 21st, 2023

First Time Above 5.25%

30 Year Fixed Rate

Pending Sales YTY Trend

Jan W1 2022 Through September 21st, 2023

First Time Above 5.25%

7.08%

7.19%

Bottom

2023 Down 17% YTD

2023 Down 19% vs 2019
The Stages of Grief……

1. Denial: this can't be happening!


3. Bargaining: maybe if I adjust my price point, I can buy a house?

4. Depression: well, I'm just not going to buy a house in my lifetime.

5. Acceptance: at least I'm not paying 17% like my parents. Put in an offer!
MarketNsight Addressed More Government Associations, City Councils and County Commissions in 2022/2023 Than In Any of Our Over 30 Years in Business.

Acronyms Gone Wild!!

GAAO
ECG
GMA
GFA
Multiple Cities and Counties
The Georgia State Legislature
GEORGIA HOUSE OF REPRESENTATIVES

September 28, 2022

Study Committee on Regulation, Affordability, and Access to Housing

Chaired by State Representative Dale Washburn
St. Simons Island – June 2023

Speakers Include:
Gov. Brian Kemp
Attorney General Chris Carr
MarketNsight’s John Hunt

“Have We Witnessed the Extinction of the Starter Home in America?”
Is There a Housing Shortage?

There Was Already a Housing Shortage Before the Pandemic.

The Pandemic Housing Boom Made it Worse...

…And Current Market Conditions Will Only Deepen the Crisis.
Inventory and Months of Supply Trending

49,000 Unit Annual Housing Deficit

- Inventory
- Months of Supply

49,000 Unit Annual Housing Deficit
In June, Inventory Reached a Significant Inflection Point.
What About Price??
YTY Change in Closed Price

- 2022 Up 13% YTY
- 2021 Up 21% YTY
- September 2023
  - Up 17% Over 2021
  - Up 34% Over 2020
  - Up 58% Over 2019
- September
  - Up 7% YTY
- 2023
  - Up 2% YTD

48 Year Average = 4.6%
2022 Monthly Total Pending Sales YTY Change by Price Atlanta

-70% -60% -50% -40% -30% -20% -10% 0% 10% 20% 30% 40% 50%

YTY Change

Nov-22  Dec-22  Jan-23  Feb-23  Mar-23  Apr-23  May-23  Jun-23  Jul-23  Aug-23

Price Ranges:
- Under $200k
- $200k to $300k
- $300k to $500k
- $500k to $700k
- $700k to $1M
- Over $1M

Copyright © 2023 MarketNsight
2022 Monthly Total Pending Sales YTY Change by Price Augusta

- Under $200k
- $200k to $300k
- $300k to $500k
- $500k to $700k
- $700k to $1M
- Over $1M

YTY Change

2022 Monthly Total Pending Sales YTY Change by Price

Savannah

YTY Change

Nov-22  Dec-22  Jan-23  Feb-23  Mar-23  Apr-23  May-23  Jun-23  Jul-23  Aug-23

Under $200k  $200k to $300k  $300k to $500k  $500k to $700k  $700k to $1M  Over $1M
In 2016, Sales Under $350,000 were 70% of the Market

Today, Sales Under $350,000 are 30% of the Market
We are witnessing an all-out War being waged on housing affordability in our country.

It is being waged not only by rising material costs, or rising rates, inflation or labor costs.
It is also being waged by restrictive and exclusionary zoning.

Here’s one example of thousands.....
Chris Knight • Following
Division President at DRB Homes
2w • Edited • 📚

We presented a $29,625,000, 75 lot high quality, gated, Townhome development in Fayetteville, GA tonight.

They denied our petition.

No community opposition, written support from adjoining neighbors, 923% less traffic than current zoned use per traffic study.

The only reasoning expressed for concern was a “looming recession,” and potential to “flood the market with inventory.” 75 units!

I had John Hunt come and present the inventory crisis with real facts at the beginning of the meeting. They need 600 inventory homes now to get to a 6 month supply. There’s almost no new inventory being built. And they think there’s a looming inventory flood.

This is insane.
Our Current Zoning is based on the demographic make-up of the world 20-30 years ago.
HOUSING DEMAND 2000

First-Time Buyers (Gen X)

Move-Up Buyers (Boomers)

Retiree Buyers
HOUSING DEMAND 2023

First-Time Buyers (Millennials)  Move-Up Buyers (Gen x)  Retiree Buyers (Boomers)
The Location is the Amenity!!

- Disposable Income
- No Kids!!
- Entertainment Oriented
Age 60 Isn’t What It Used To Be

2022

Tom Cruise in *Top Gun: Maverick* – Age 60

1985

Wilford Brimley in *Cocoon* – Age 50
Entry-level buyers are driving much of the activity. Sales of homes in the $200,000 to $300,000 range increased more than 35% in October from a year earlier. Demand for starter homes is expected to fuel continued sales growth if builders can ramp up construction quickly enough. Builders face a number of challenges, such as high land costs, labor shortages and rising material prices.

"The markets that are going to grow are ones where builders can add that entry level product."
New Construction Wrap Up
YTY Change in Pending Sales

New YTY Change

Resale YTY Change

YTY Change

Jan-20
Feb-20
Mar-20
Apr-20
May-20
Jun-20
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
Jun-21
Jul-21
Aug-21
Sep-21
Oct-21
Nov-21
Dec-21
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23
Mar-23
Apr-23
May-23
Jun-23
Jul-23
Aug-23

-60%
-50%
-40%
-30%
-20%
-10%
0%
10%
20%
30%
40%
50%
60%
70%
Forecast
Permits In Most Major Cities Are Down 10% to 30% YTY Through August 2023
Why Down 7%?

Inability to Replace Deals……

At the Right Price.
What’s Your Forecast???
Will US house prices soar or plunge? These 5 experts are divided.

1. Jeremy Grantham  GMO's cofounder
   Jeremy Grantham sounded the alarm on a "superbubble" spanning stocks, real estate, and commodities at the start of last year. GMO's cofounder and long-term investment strategist warned in a recent interview that "real estate is a global bubble" and the cost of homes has soared to unsustainable highs in multiple countries.
   "House prices will come down ... 30% would be a pretty good guess," he said.

2. Barbara Corcoran  "Shark Tank" star and real-estate tycoon
   "Shark Tank" star and real-estate tycoon Barbara Corcoran predicts house prices will surge once the Fed cuts rates and mortgages get cheaper.
   She's pegged the potential pop at 15% to 20% in interviews, and recently argued the shortage of homes on the market will fuel further price growth.
   "No inventory is like an insurance policy," Corcoran said. "If you don't have enough houses to go around, prices continue to go up. There's nothing that's going to make more houses available while interest rates remain high."
Will US house prices soar or plunge? These 5 experts are divided.

3. David Rosenberg  
Rosenberg Research president

David Rosenberg believes the US economy is barreling toward a recession that will hammer stocks, houses, and other assets. The Rosenberg Research president and former chief North American economist at Merrill Lynch issued a grim forecast for the housing market in a recent interview. He said that house prices have only climbed recently because supply has dropped even more sharply than demand has.

"We've created a really sclerotic housing market," he said. Rosenberg told Insider in February that house prices could plunge by as much as 25% from their peak last year.

Will US house prices soar or plunge? These 5 experts are divided.

4. **Glenn Kelman** Redfin CEO

The US housing market has been hit hard by rising interest rates, but it's unlikely to weaken much further, according to Redfin CEO Glenn Kelman.

"It's been a slow-building disaster," the real estate brokerage's chief said in a recent interview. "The housing market is just taking a beating because affordability is at a four-decade low."

"The only people who are moving are the ones who absolutely have to," Kelman noted. "I wouldn't call that a Goldilocks scenario, I would call that rock bottom. But that's where we are right now, and the only relief is that it can't go much lower."

5. **Vincent Deluard** StoneX Group

The frozen housing market will ultimately thaw as homeowners can't hold off selling forever. Home prices will drop when it does, Vincent Deluard says.

"Look at the real estate market, no one wants to sell," the director of global macro strategy at StoneX Group said in a recent RealVision interview.

"But eventually, people switch jobs, move cities, get divorced, die," he continued. "That will bring the prices down."
Two key leading economic indicators are suggesting a recession this year.

When the yield curve turns negative - the 2-year yields more than the 10-year - that suggests investors think interest rates will decline, usually indicating a coming recession. However, economist Campbell Harvey (yield curve inventor) noted last year:

This decline in residential investment would usually suggest a recession is coming.

The YoY change in new home sales in late 2022 and early 2023 would usually suggest a possible recession. However, another feature of new home sales is that it usually leads the economy out of recession (an exception was following the housing bust, but I was able to correctly anticipate the recovery anyway).

Because of the low level of existing home inventory, new home sales are starting to pick up, and that suggests a possible recovery!

My sense is growth will stay sluggish in 2023, but the economy will avoid recession.
Why Down 20%?

Inability to Replace Deals……

At the Right Price.
Is There Any Good News At All???
Atlanta YTY Change in Pending Sales

-60%
-50%
-40%
-30%
-20%
-10%
0%
10%
20%
30%
40%
50%
60%
70%

New YTY Change
Resale YTY Change

New Home Market Share

June 2022 was an inflection point for housing as rates went above the “Sensitivity Threshold” of 5.25%, causing demand to go negative for the first time. As rates continued all the way to 7-plus percent in November, a side effect was a dramatic decrease in inventory – especially resale inventory.

Not surprisingly, New home market share went positive year-over-year beginning in June 2022 – precisely when rates crossed the Sensitivity Threshold. Over the ensuing months, many of the subdivisions in development came online offering ready-to-move-in inventory desperately needed for existing demand. With resale inventory remaining sharply depressed, New home market share has grown dramatically, especially in the first quarter of 2023. In March, New market share was up 89% year to year. (See Chart 2.)

Housing market supply crunch is pushing aspiring homeowners into new homes, boosting starts by 2.2% in April

Both single and multi-family construction rose in April. The strength in new construction comes from strong demand from would-be home buyers who don’t have many options in the resale market.

Big picture: Homebuilders are seeing – and expect to continue seeing – strong demand from home buyers who don’t see many options in the resale market.

Between 2000 and 2019, new homes only comprised about 13% of listings, the National Association of Home Builders said. In March, 33% of homes listed for sale were new – and they were in various stages of construction.
HBA Housing Economic Forum

October 4, 2023
John Hunt – ViaSearch/MarketNsight
jrhunt@marketnsight.com
(770) 419-9891