

## Economic & Real Estate Outlook

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

Presentations at Michigan REALTORS® Broker Summit  
Plymouth, MI

April 25, 2018



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## Tax Reform

- Mortgage interest deduction?... \$750,000
- Property tax deduction? ... SALT at \$10,000
- Capital Gains Exemption? ... as before
- Standard Exemption? ... doubled
- 1031 Exchange? ... protected
- **Business Income ... more deductions**



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## Michigan

- 98% of homeowners pay less than \$10,000 in property taxes
- 99% of homeowners have less than \$750,000 in mortgage



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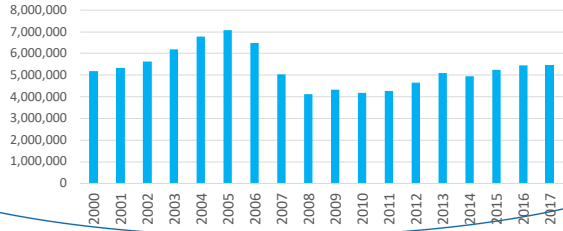
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### National Existing Home Sales in 2017 Best in 11 years



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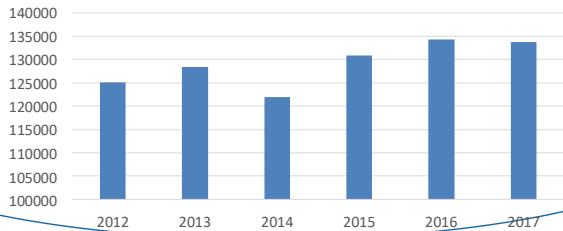
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### Michigan Home Sales



Source: Michigan Realtors®

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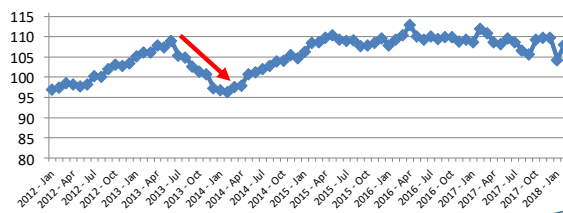
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### National Pending Sales Index – No Longer Rising (seasonally adjusted)



Source: NAR

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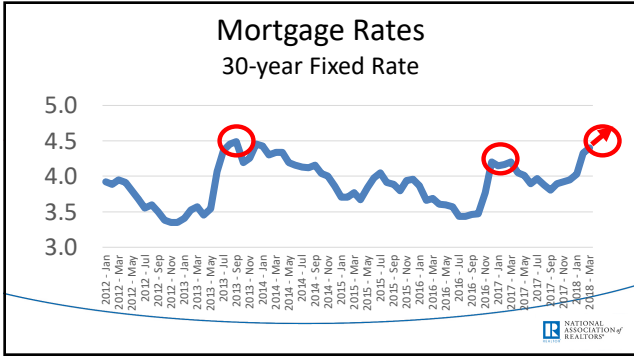
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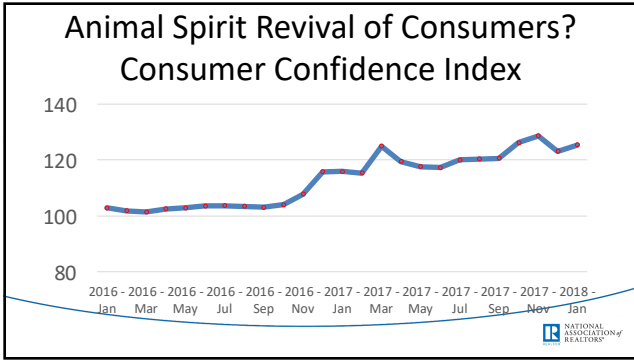
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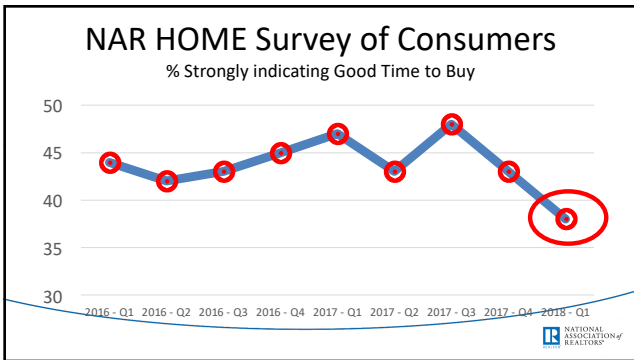
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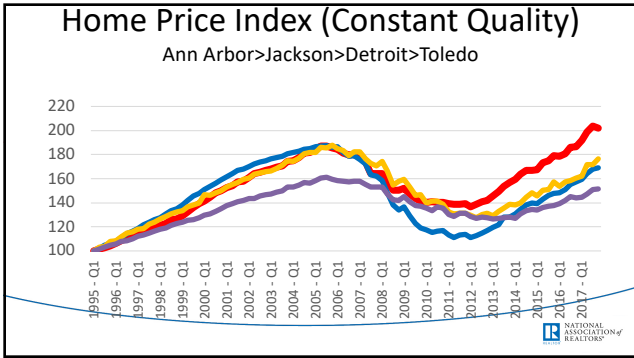
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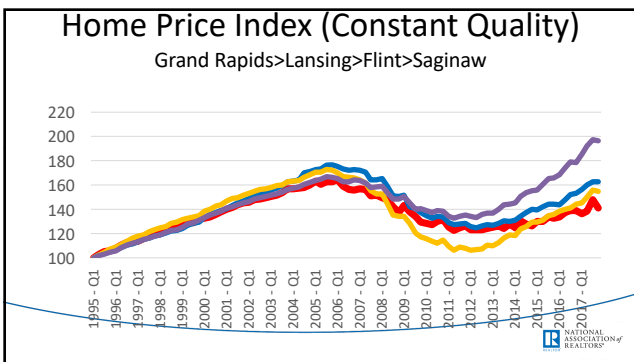
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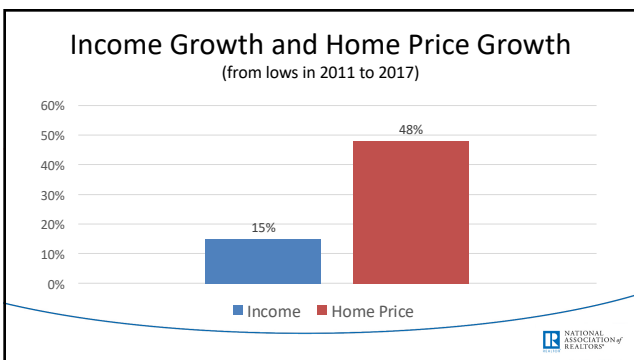
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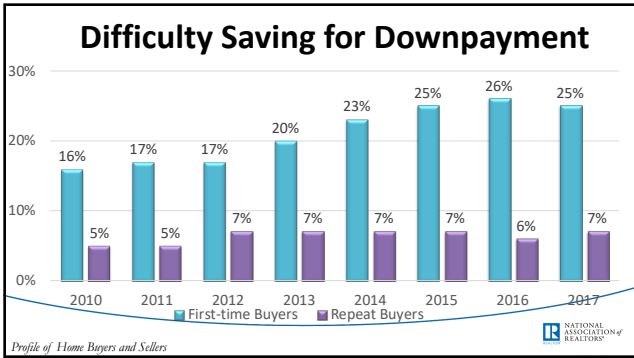
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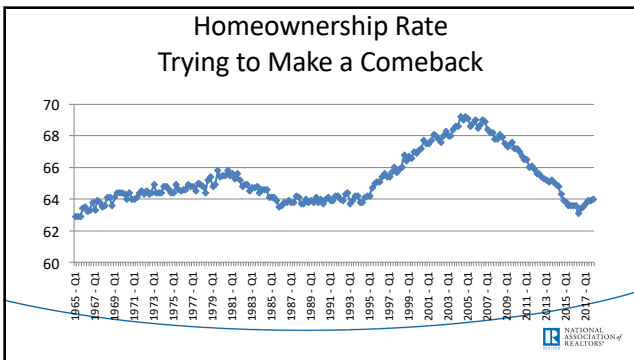
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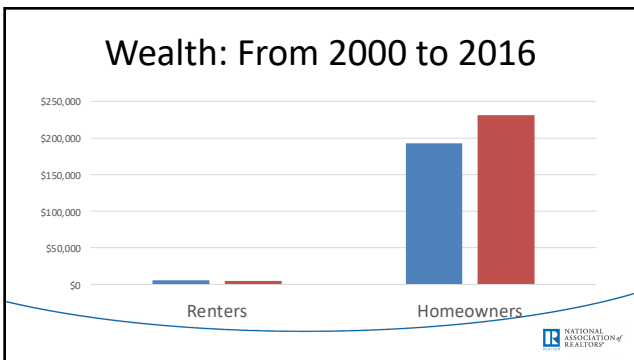
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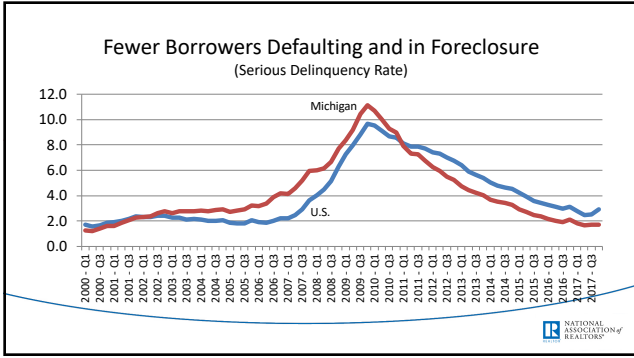
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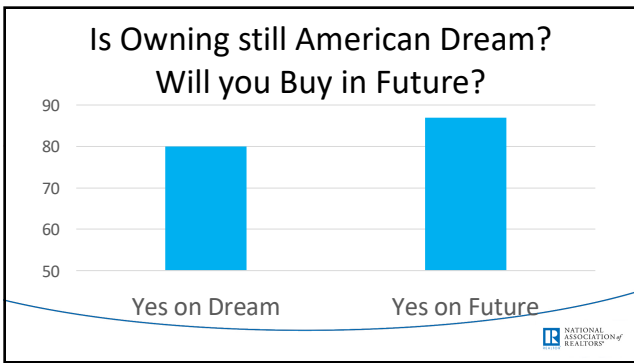
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**FAIR HOUSING** COMMEMORATING THE  
**MAKES U.S.** 50<sup>TH</sup> ANNIVERSARY OF  
**STRONGER** THE FAIR HOUSING ACT

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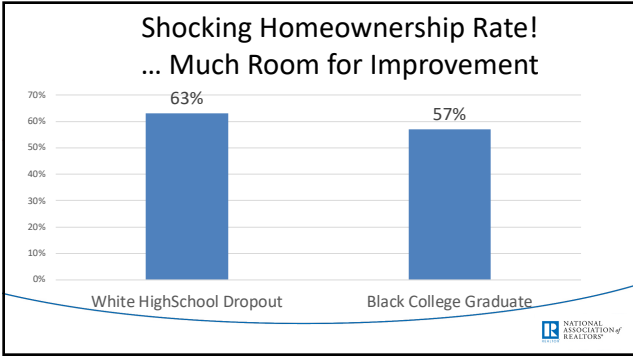
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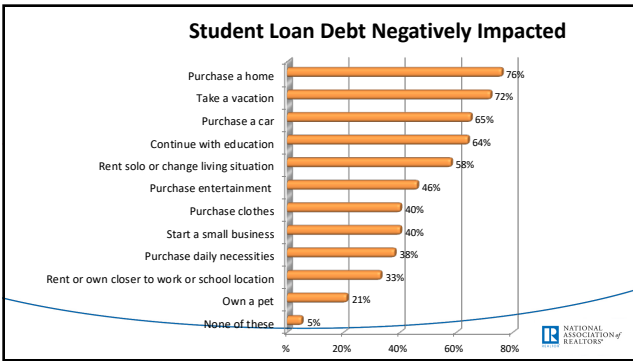
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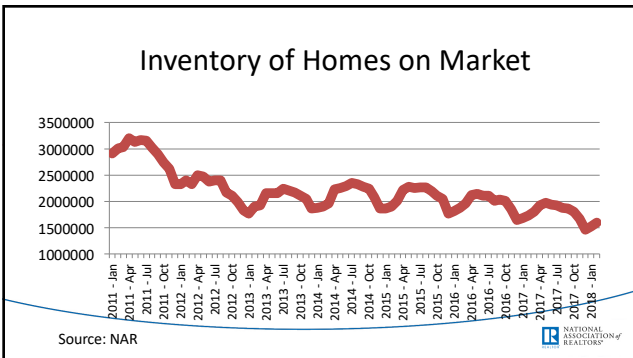
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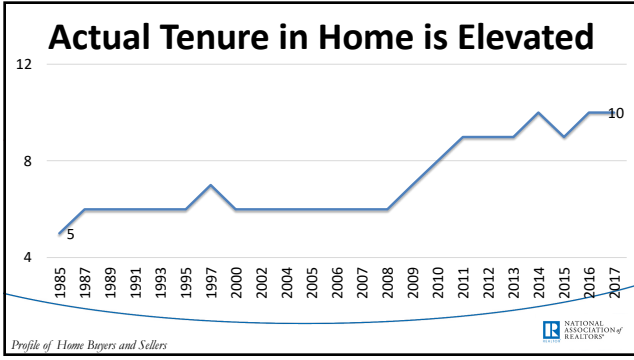
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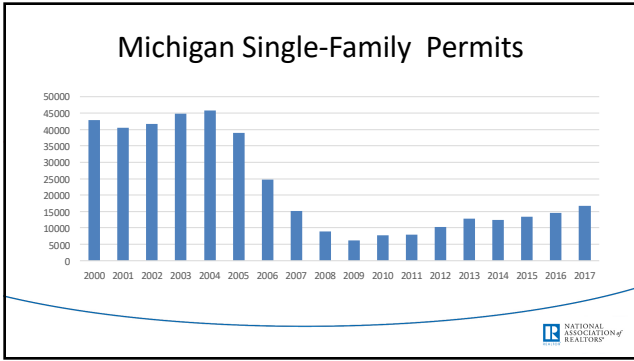
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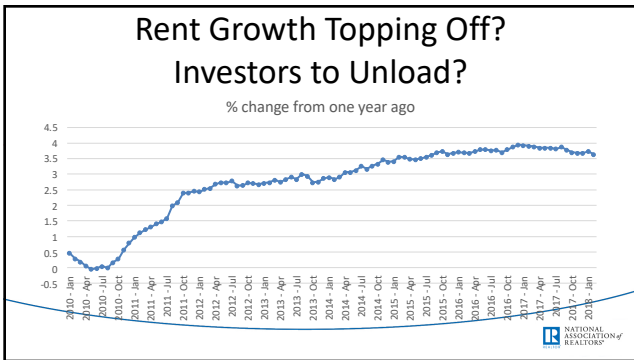
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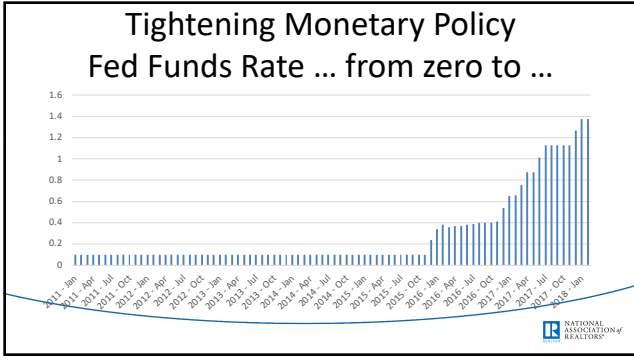
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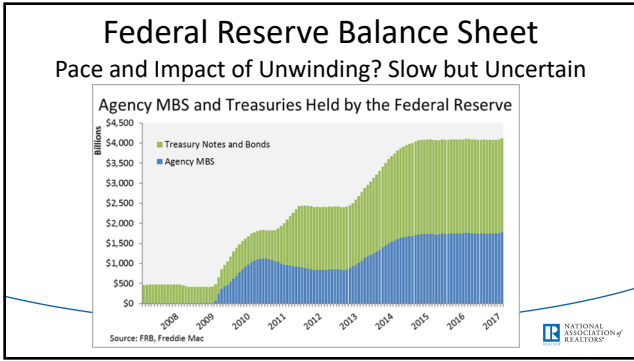
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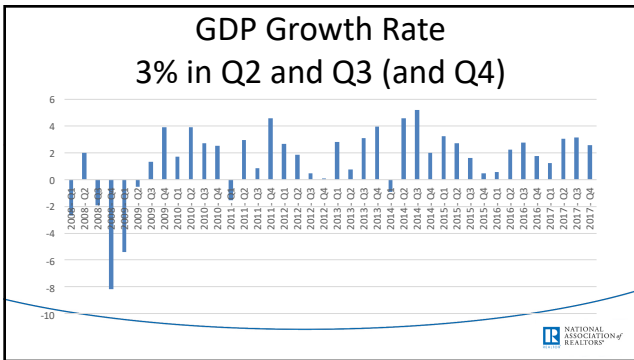
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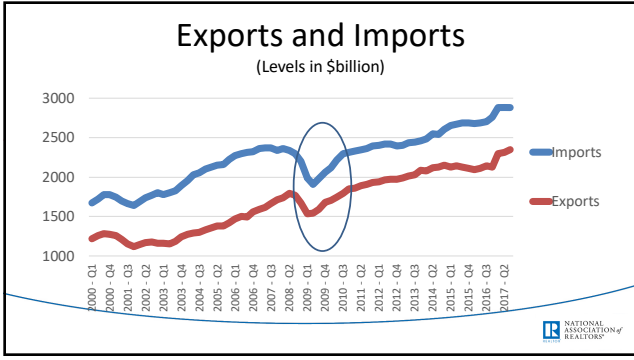
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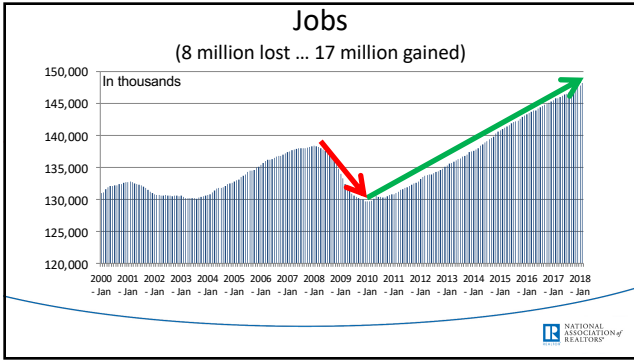
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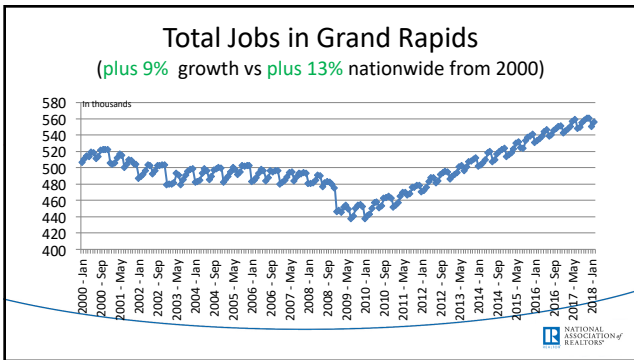
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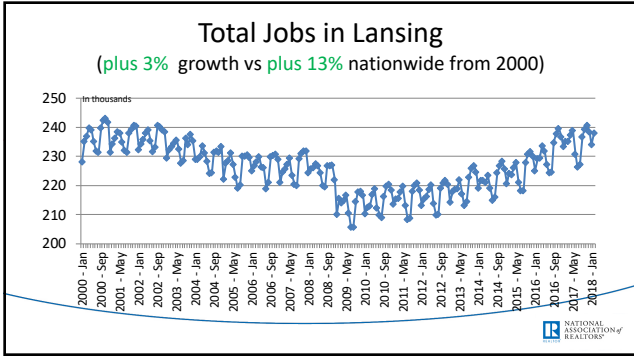
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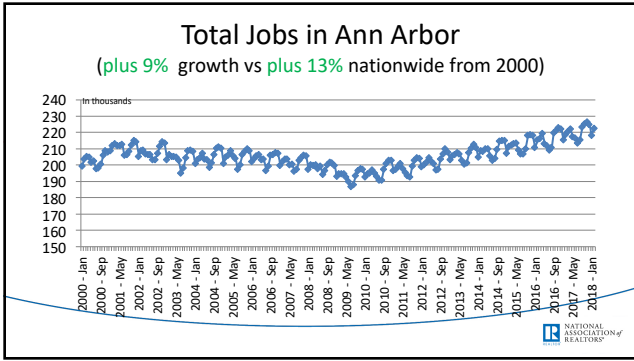
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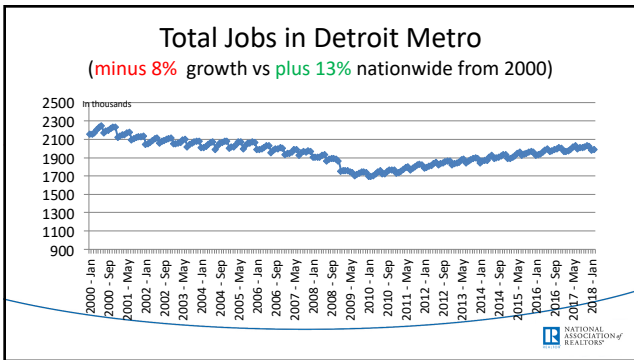
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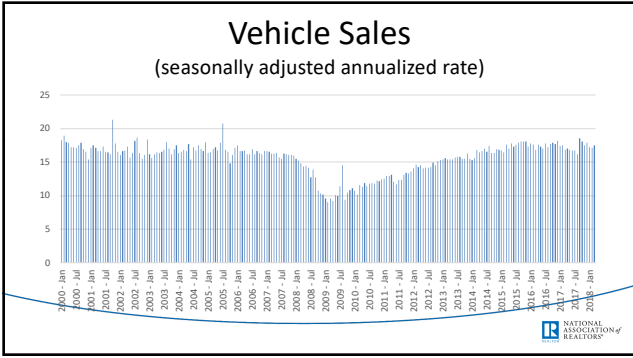
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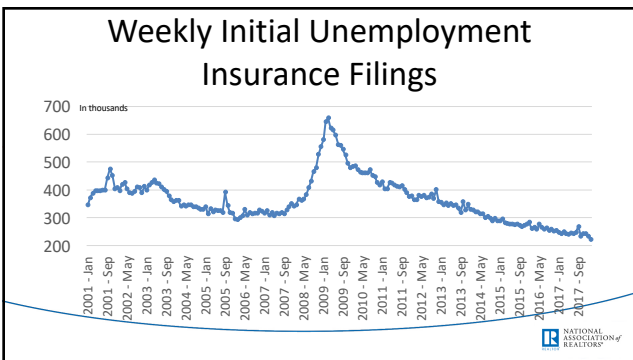
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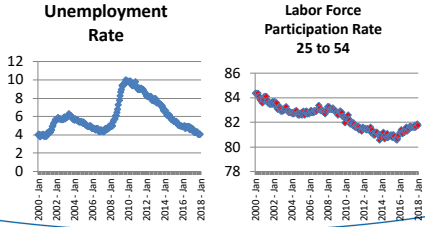
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## Tight Labor Market Conditions?




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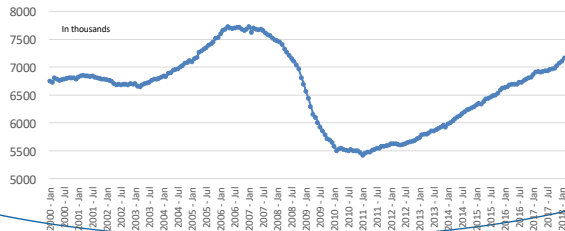
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## Construction Workers




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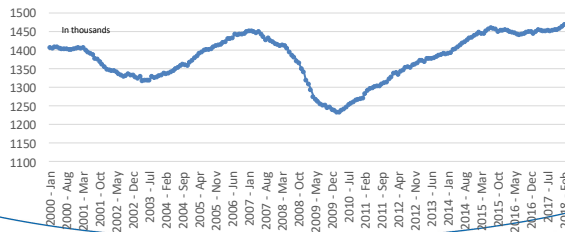
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## Jobs in Truck Transportation




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## Commercial Real Estate Outlook



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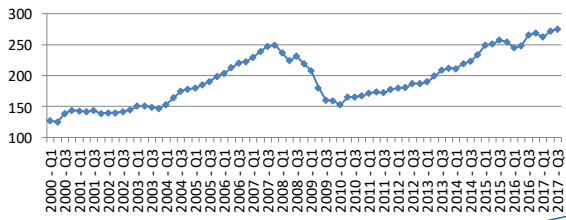
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### Commercial Property Price (83% gain from bottom)



Source: Federal Reserve



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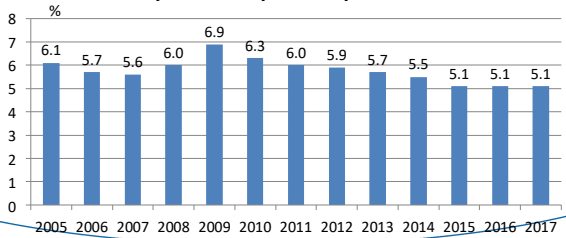
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### NCREIF Cap Rates – Likely Already Hit Cyclical Low



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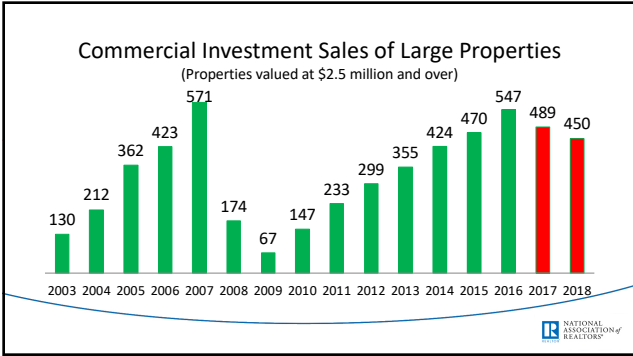
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## Forecast

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### Economic Forecast

	2015	2016	2017	2018 Forecast
GDP Growth	2.9%	1.5%	2.5%	2.6%
Job Growth	+2.6 million	+2.0 million	+2.1 million	+2.1 million
CPI Inflation	0.3%	1.3%	2.0%	2.5%

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### Housing Forecast

	2015	2016	2017	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	5.6 million
Median Price Growth	+ 6.8%	+5.1%	+6.0%	+4.0%
30-year Rate	3.9%	3.6%	4.0%	4.6%



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### Rising Cap Rates and Commercial Real Estate Prices

- Fewer transactions as buyers and sellers face-off without budging on price (5% to 10% decline in unit sales)
- Steady prices in mid-tier markets
- Modest price correction in big cities and trophy properties – (3% to 7% drop in 2018 after 90% increase)



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Thank You !



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