

# 2021 ADAM HERGENROTHER COMPANIES



# ECONOMIC UPDATE

# Industry Opportunity



**328M**

U.S. Population

**128M**

Households

**83M**

Homeowners

**5.6M**

Homes Sold

**~\$84 BILLION**  
in Commissions

# INFLATION



**Inflation** refers to an environment of generally rising prices of goods and services within our economy. As general prices rise, the purchasing power of the consumer decreases. ( 1.7% This means that a product bought today for about 100 U.S. dollars will cost about 101.70 U.S. dollars)

2019 Average Inflation

**2.3%**

**annualized**

2020 Average Inflation

**1.4%**

**annualized**

2021 Average Inflation

**1.7%**

**estimated**

# ECONOMY



**GDP** = private consumption + gross investment +  
government investment + government spending + (exports – imports)

2019 GDP

**2.2%**

**final**

2020 GDP

**3.5%**

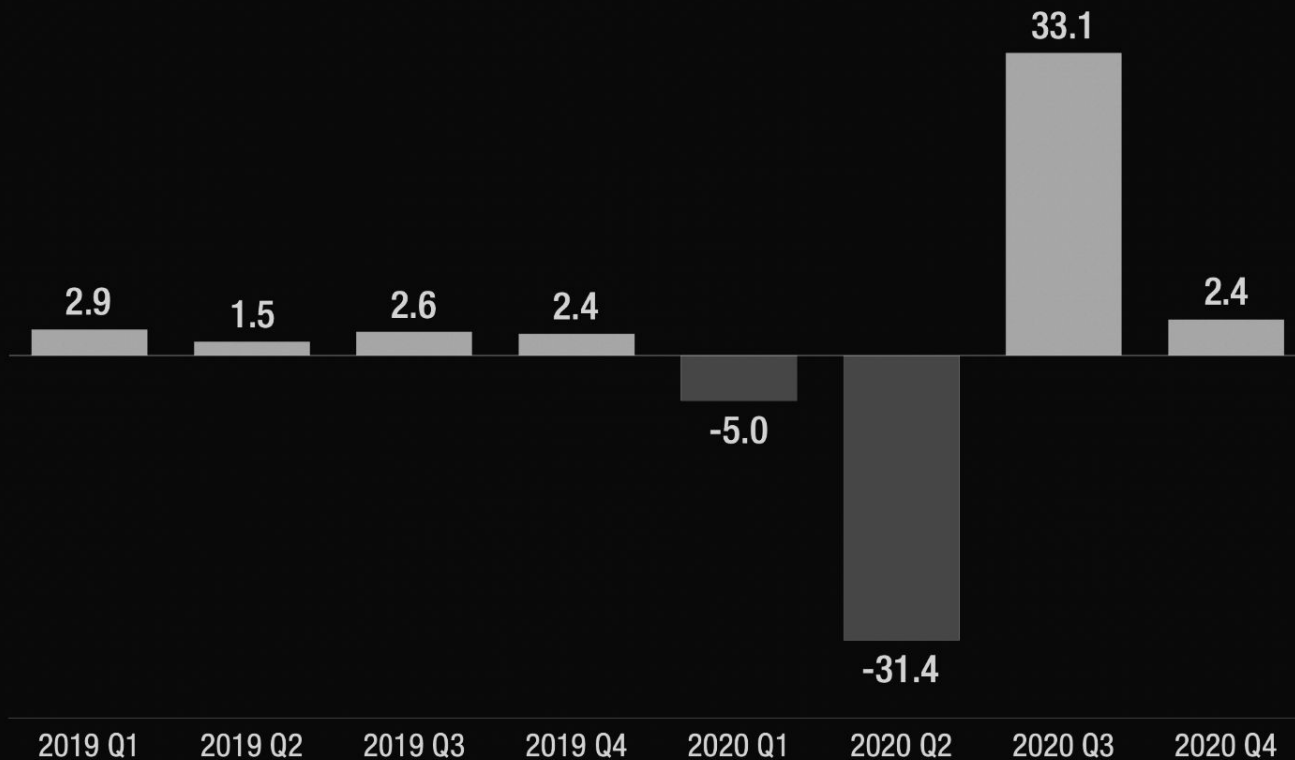
**final**

GDP Total

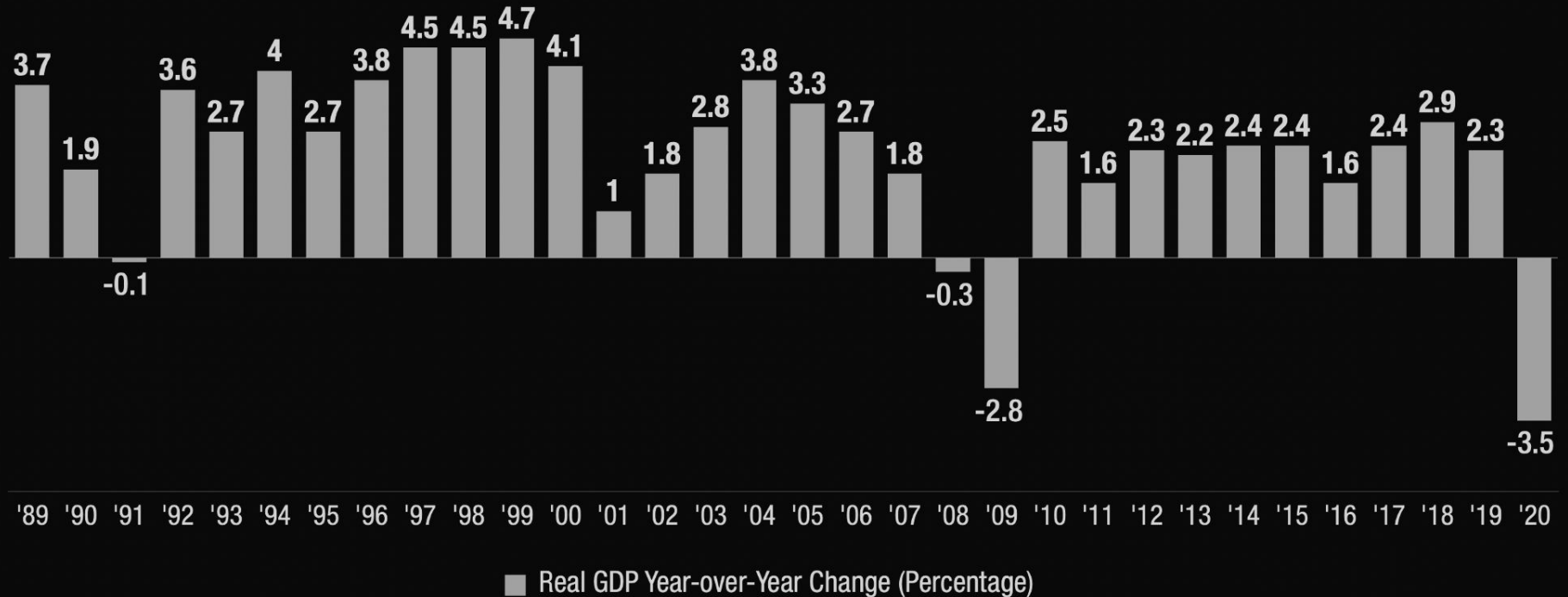
**\$20.93TR**

**estimated**

# GDP - Quarterly



# GDP - Annual



# INCOME



The recovery of the job market has begun to generate consistent wage gains, compared to 2000-2012, which experienced -4% to 1%.

Positive gains in annual income can fuel housing demand. Housing starts are surging. Even with COVID, incomes increased in 2020.

2019 Household Income

**\$89,930**

**final**

2020 Household Income

**\$97,973**

**annualized**

2020 median

**\$68,400**

**annualized**



# Unemployment



1. People with jobs are **employed**.
2. People who are jobless, looking for a job, and available for work are **unemployed**.
3. The **labor force** is made up of the employed and the unemployed.
4. People who are neither employed nor unemployed are **not in the labor force**.

Unemployment experienced a roller coaster.

2019 Final

**3.6%**

**final**

2020 Final

**6.7%**

**annualized**

2020 Highest

**14.8 %**

**April 2020**

# Unemployment - Annual



# HOME OWNERSHIP



The rate of home ownership has been steadily declining from almost 67% in 2008 to a low of 64% in 2018, and the rate crept back up to almost 66% in 2020.

2004 Homeownership

**69%**

**final**

2020 Average Rate

**65.8%**

**final**

First Time Home Buyers

**40%**

**of total**

# HOME SALES



2020 will come close to the all time high in 2005 in total homes sold - 2005 = 7+ million homes sold

2010

**4.3mil**

**final**

2019

**5.3mil**

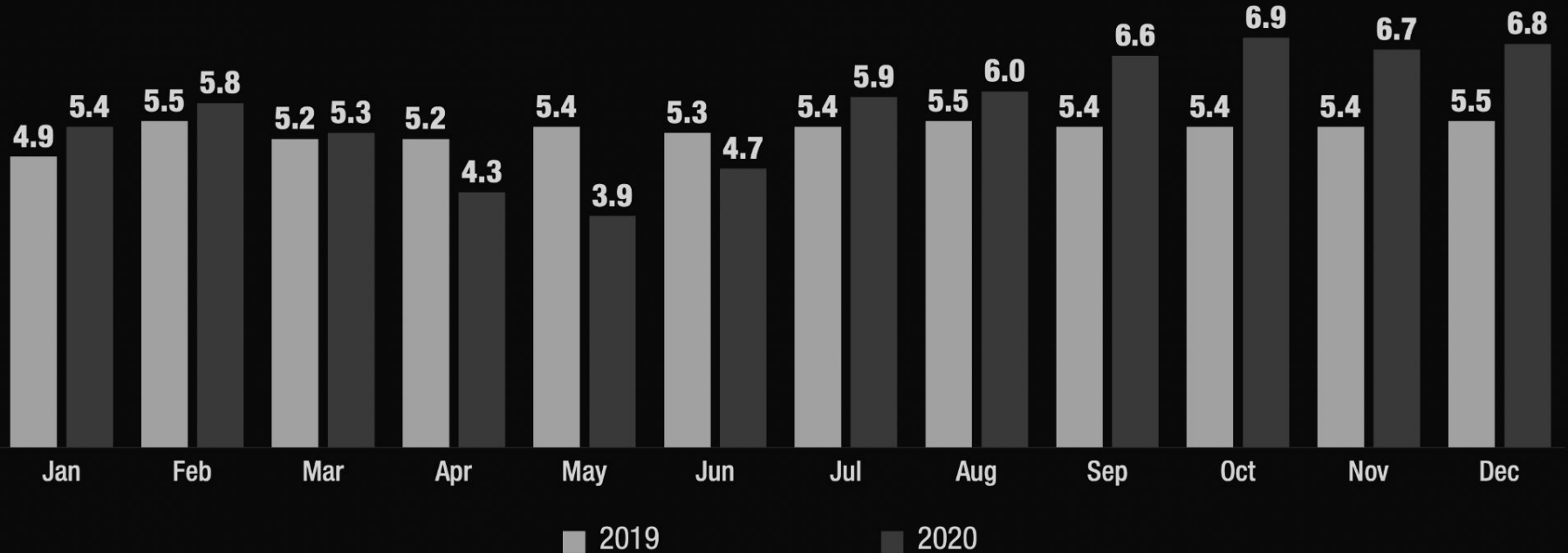
**final**

2020

**5.6mil +-**

**estimated**

# Home Sales - Monthly

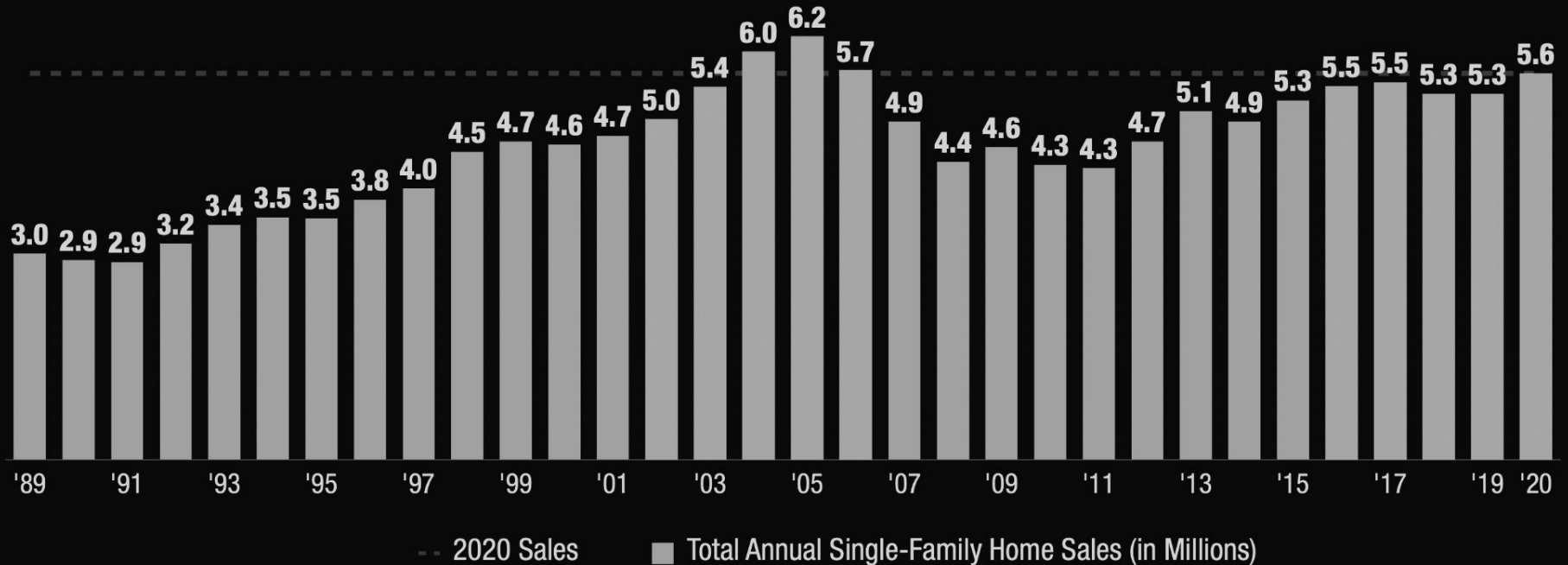


# Home Sales - Annual



Total Sales  
**28.2M**

Total Sales  
**27.3M**



# HOUSING INVENTORY



From 2014 to 2017, housing inventory dropped to a national average of 3.9 months, crept up to 4 months in 2019, and dropped again to 3.1 months for 2020 average - but as low as 1.9 months of inventory in December.

2019 Months of Inventory

**3.9**

**final**

2020

**3.1**

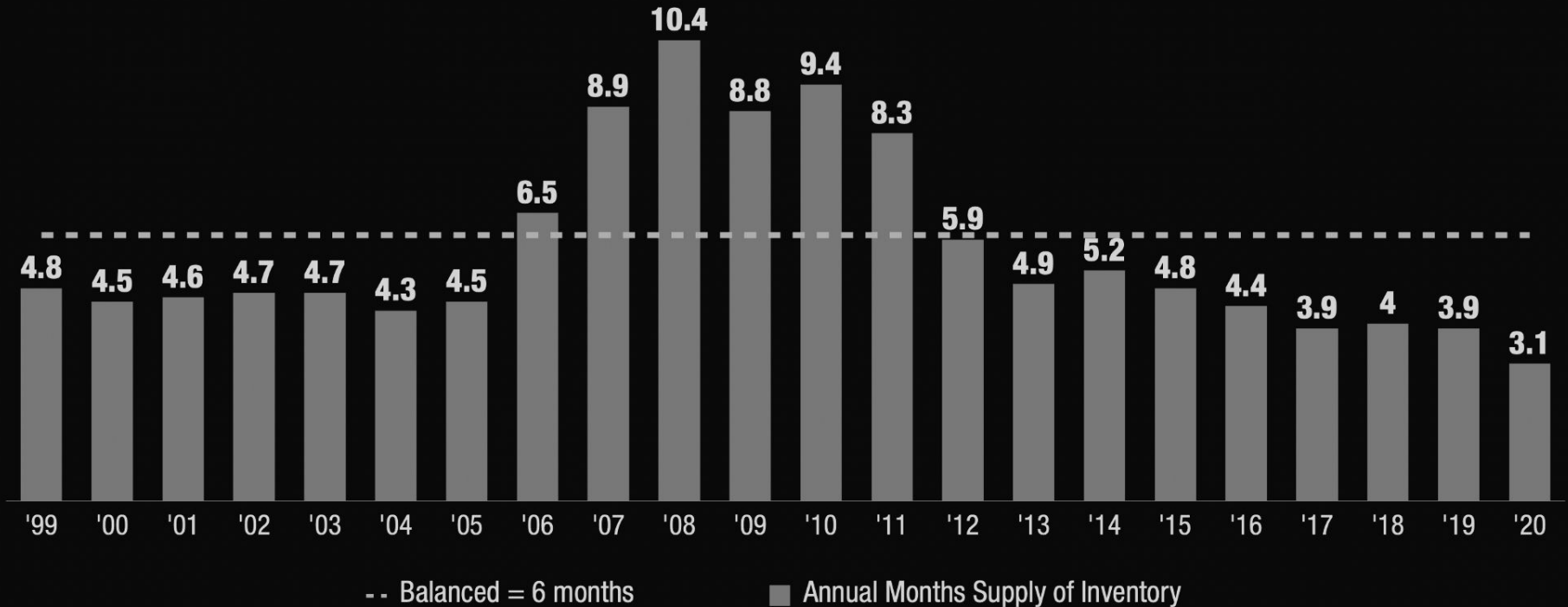
**estimated**

Balanced Market

**6.0**

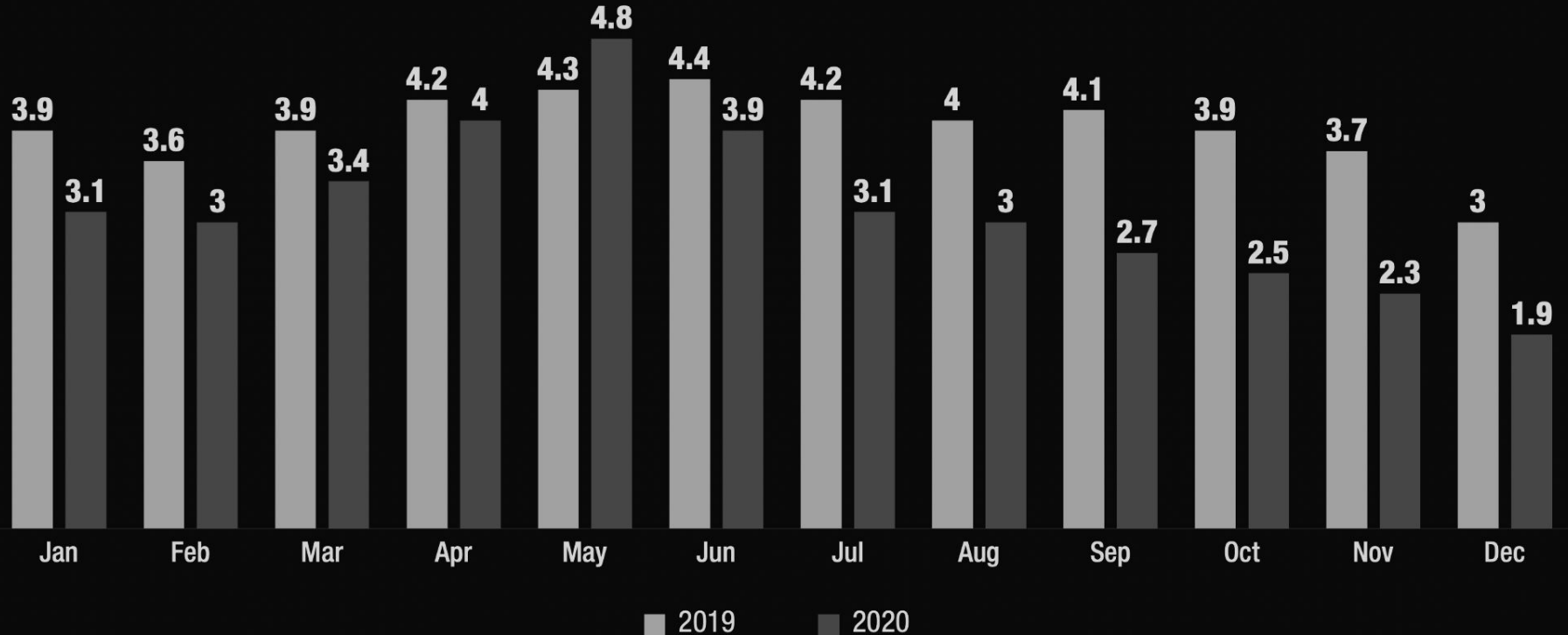
**months**

# Inventory - Annual





# Inventory - Monthly



# MORTGAGE RATES



Mortgage rates dropped to recent lows in 2020, and are expected to remain low throughout 2021.

2020 Low Rate

**2.72%**

**ESTIMATE**

2021 Average Rate

**3.18%**

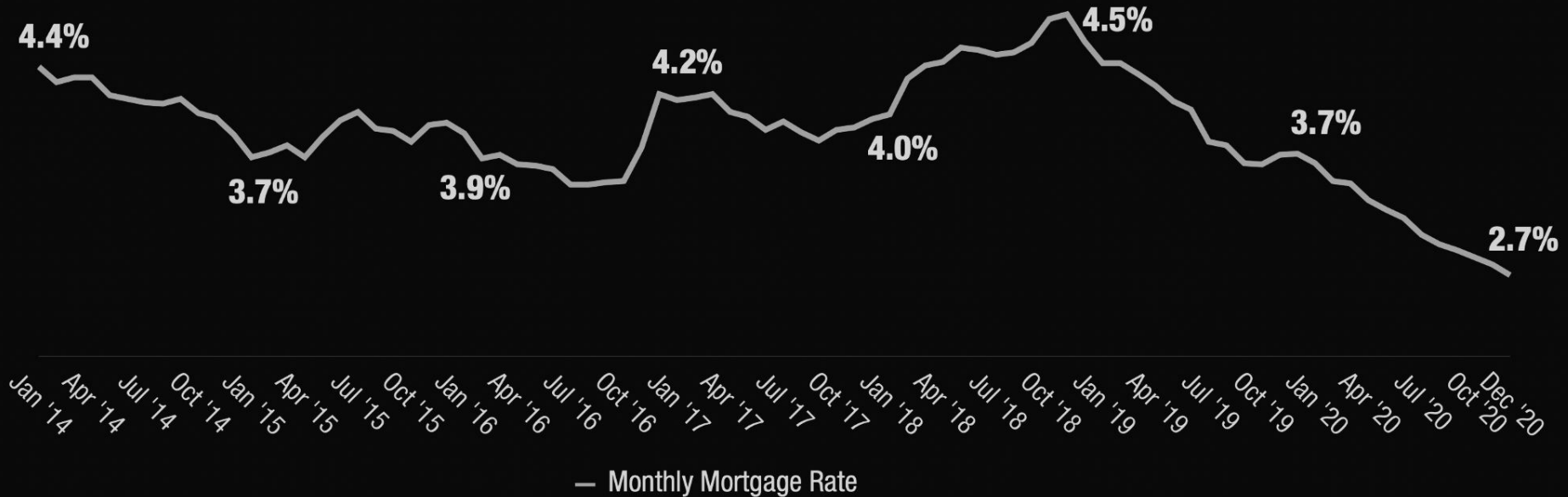
**ESTIMATE**

Increase in Mortgage Rates

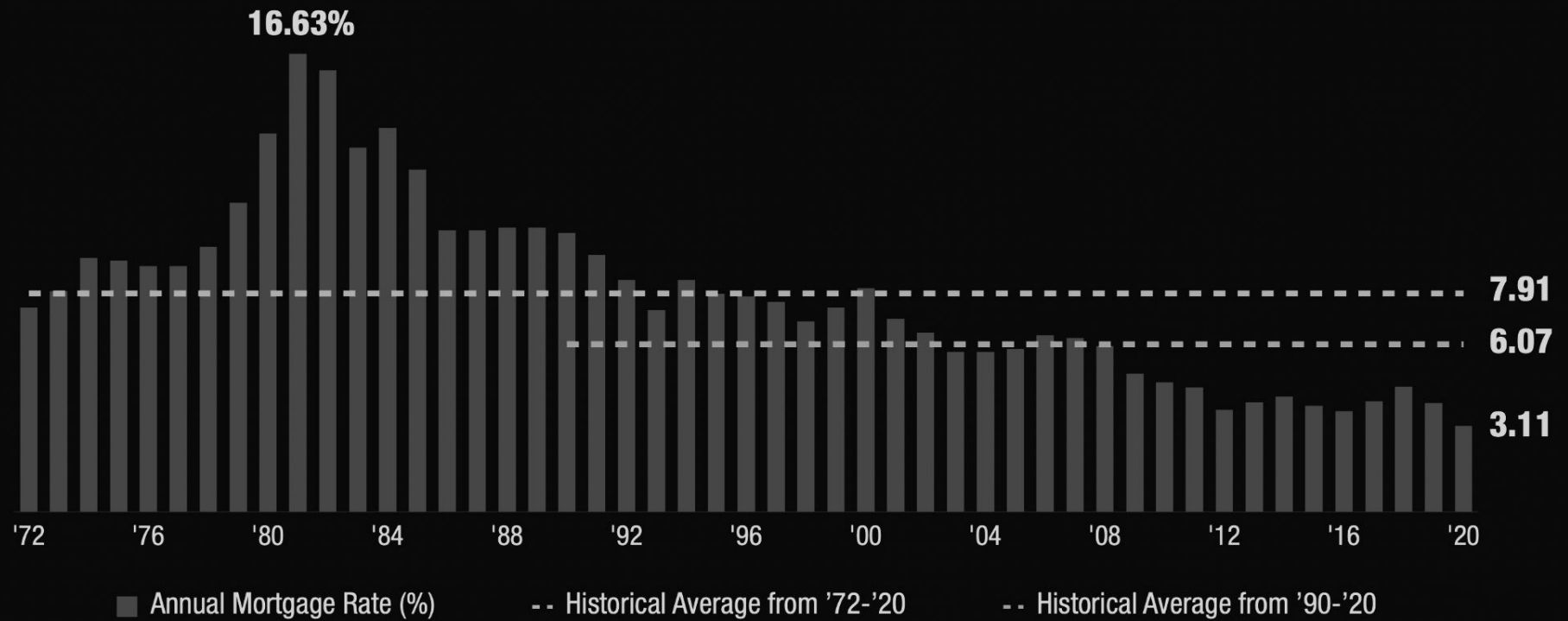
**.50%**

**1% = 10%**

# Mortgage Rates - Monthly



# Mortgage Rates - Annual



# HOME PRICES



The median home price rose from \$271,300 in 2019 to \$297,000 in 2020 for a 9% gain.

30 Year Average

**4.0 %**

**final**

2019

**4.8%**

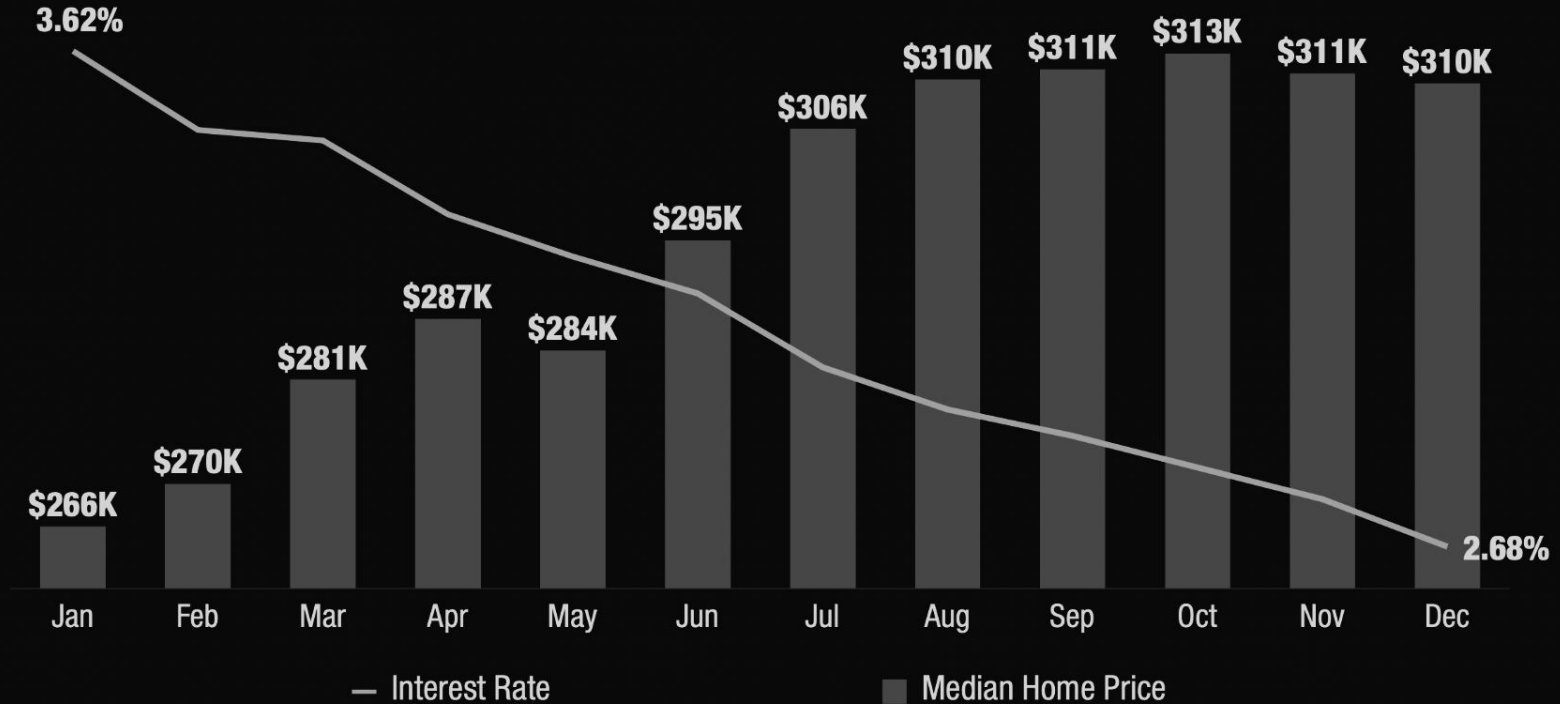
**final**

2020

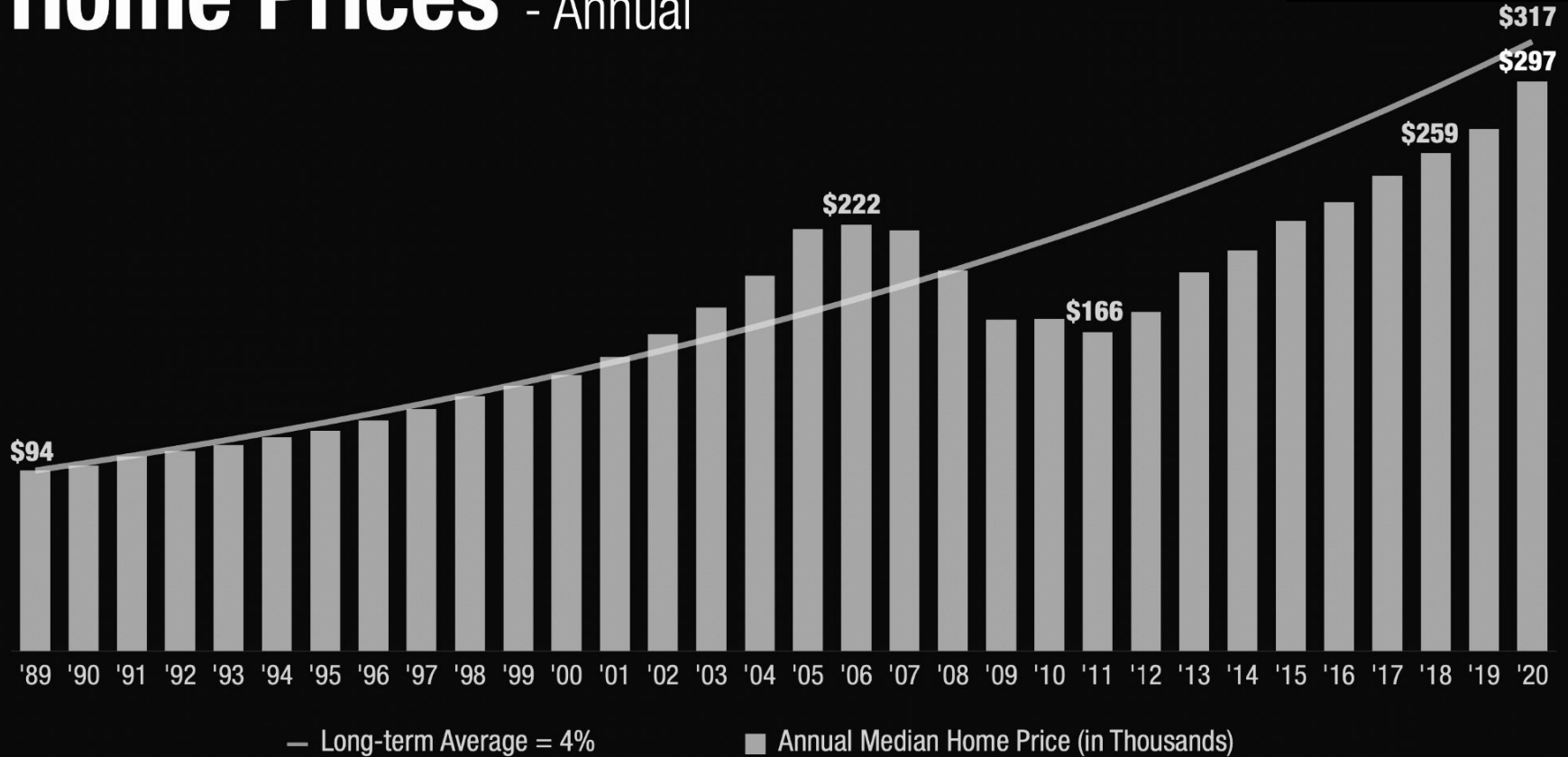
**9% +/-**

**estimated**

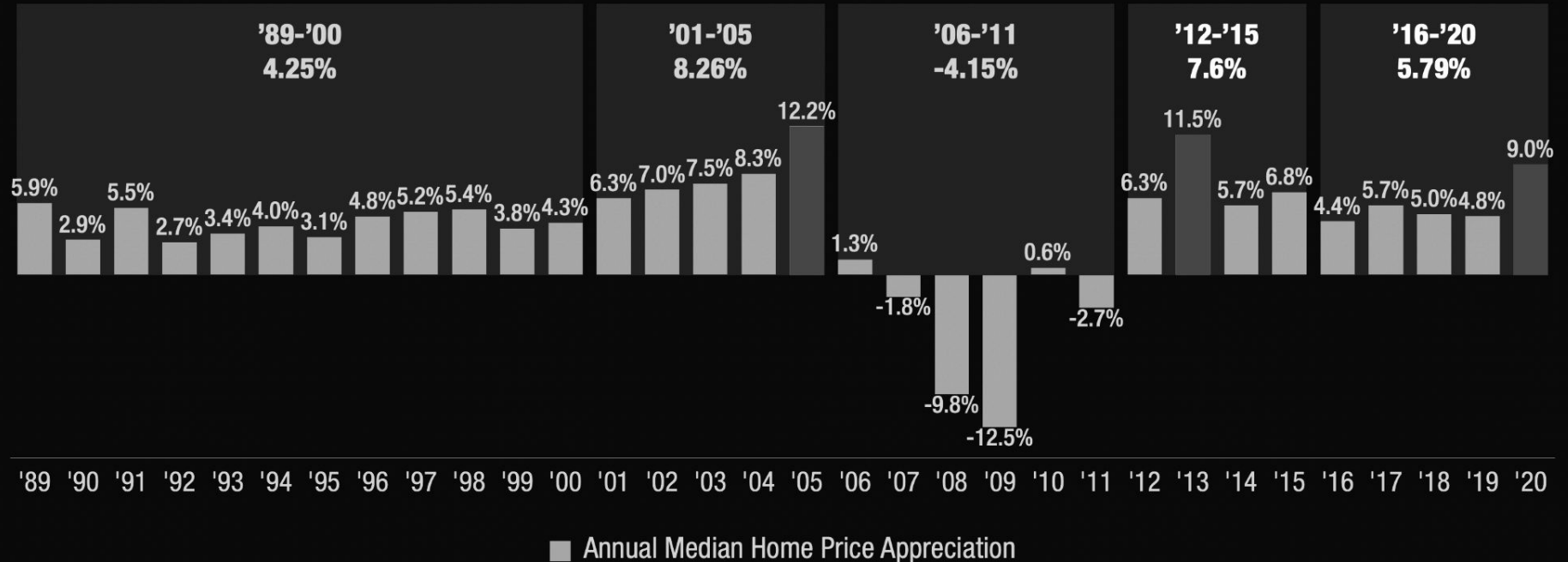
# Home Prices - Monthly



# Home Prices - Annual



# Home Prices - Annual Appreciation





# AFFORDABILITY



Nationwide, an average household would need to spend 16% of their income to buy a median-priced home.

2020 Affordability

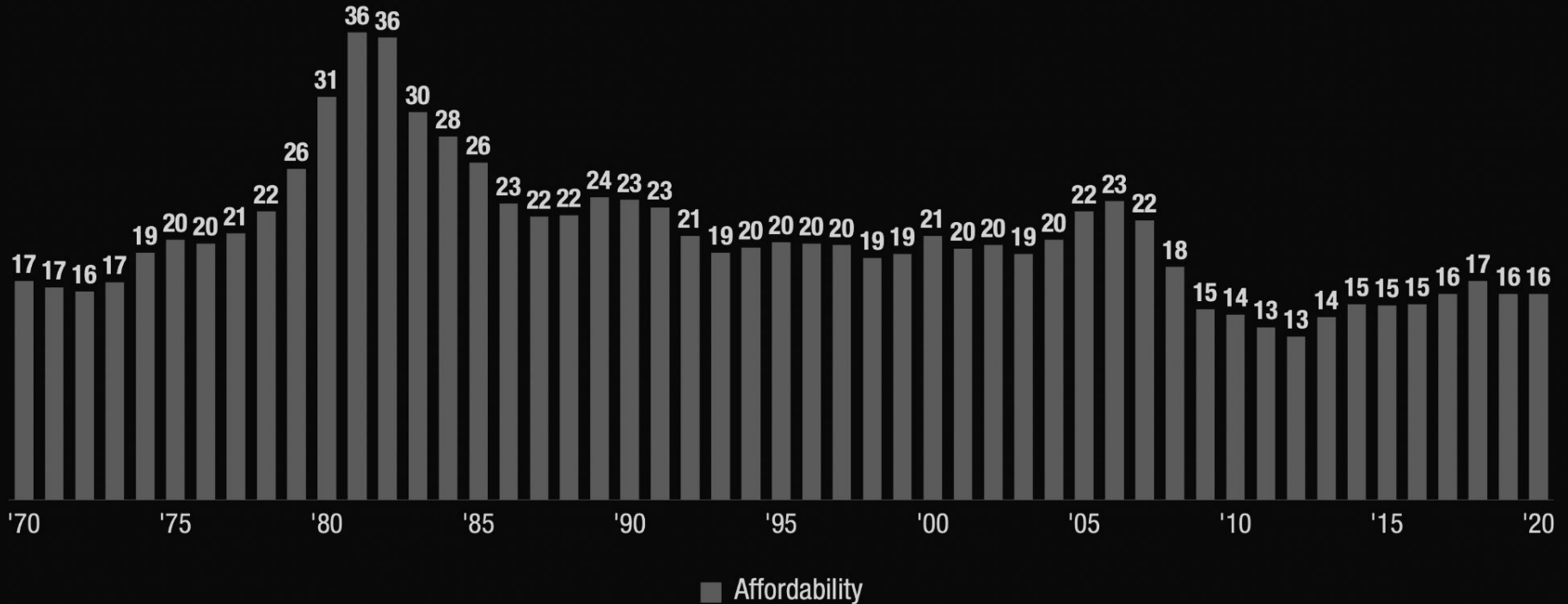
**16.0%**

**% of Total Household Income**

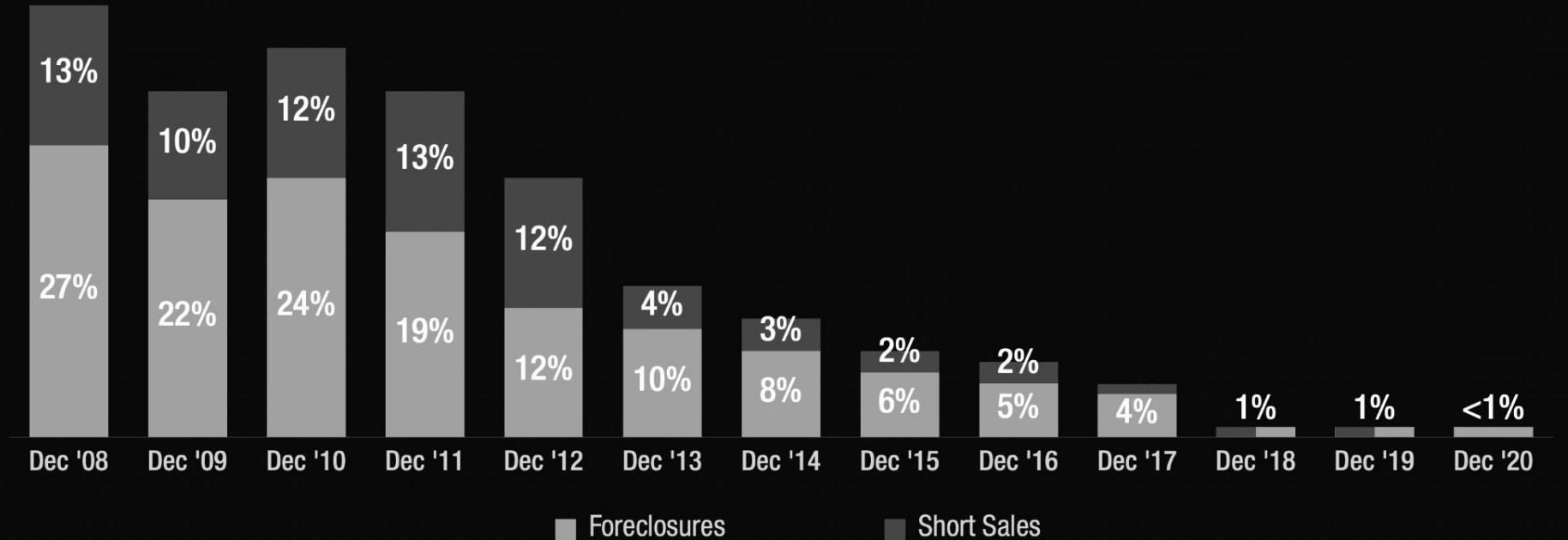
# Affordability



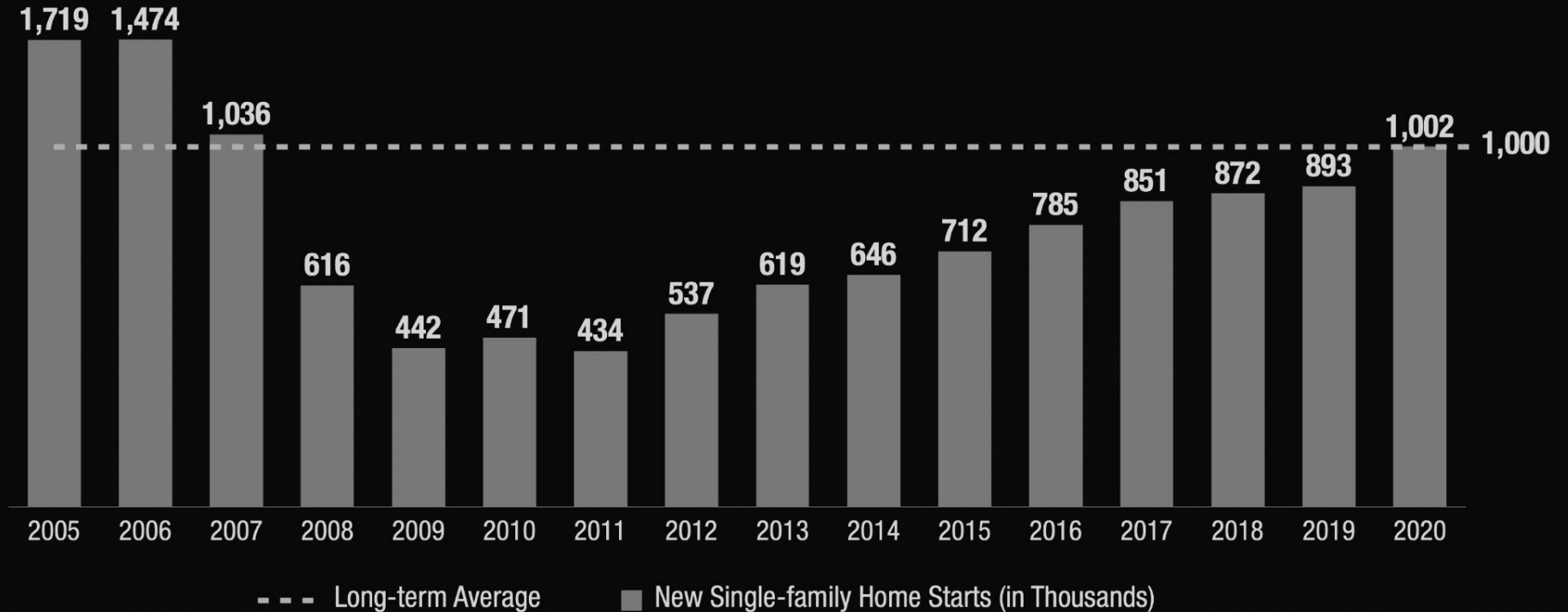
Affordability improved in 2020 due to a sharp drop in mortgage rates despite continued price growth.



# Distressed Sales



# New Home Starts

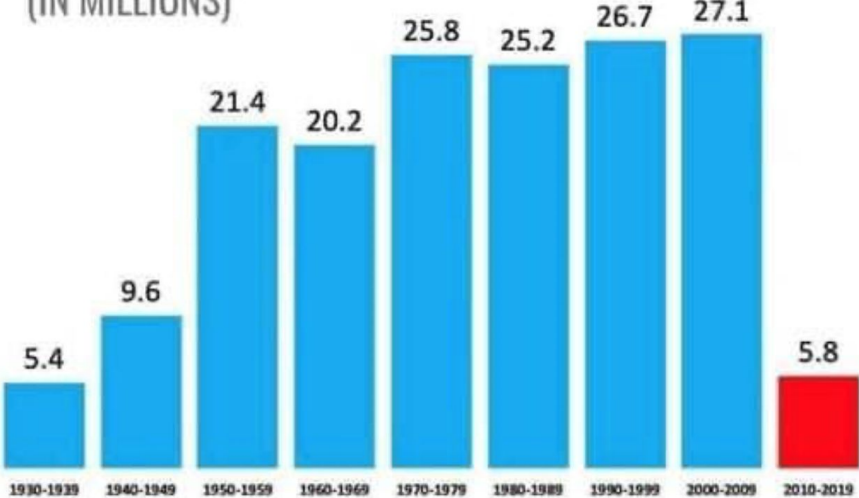


# NEW HOME STARTS



## HOMES BUILT IN THE UNITED STATES BY DECADE

(IN MILLIONS)



# Commercial Vacancy Rates



Year	Retail	Office	Multifamily	Industrial
2011	6.90%	12.60%	6.70%	9.60%
2012	6.70%	12.20%	6.20%	8.90%
2013	6.30%	11.80%	6.10%	7.90%
2014	5.70%	11.10%	6.20%	6.90%
2015	5.30%	10.50%	6.10%	6.10%
2016	4.70%	10.10%	6.50%	5.40%
2017	4.50%	10.00%	6.70%	5.10%
2018	4.50%	9.70%	6.40%	4.80%
2019	4.50%	9.80%	6.40%	5.20%
2020	5.10%	11.20%	6.90%	5.60%

# Allocation of Financial Investments



Year	Real Estate	Cash/ Deposits	Fixed Income	Stock Market	Alternative Investments
2006	24%	14%	21%	31%	10%
2007	14%	17%	27%	33%	9%
2008	18%	21%	29%	25%	7%
2009	18%	17%	31%	29%	6%
2010	19%	14%	29%	33%	5%
2012	20%	28%	16%	26%	10%
2013	19%	27%	16%	25%	14%
2014	18%	26%	17%	27%	13%
2015	18%	24%	18%	25%	16%
2016	18%	24%	18%	25%	16%
2017	14%	27%	18%	31%	10%
2018	17%	27%	16%	31%	9%
2019	16%	28%	18%	26%	13%
2020	15%	25%	17%	30%	13%

**IS THIS 2008  
AGAIN?**



# REAL ESTATE OUTLOOK



**1. LENDING STANDARDS** - Loose mortgage lending practices ultimately brought down some of the nation's largest banks and mortgage companies. The fallout forced Congress and federal regulators to make significant adjustments that have fundamentally changed how mortgage lending is regulated.

**2. FORECLOSURES** - When the housing market crashed in 2007, the influx of foreclosures pumped housing supply into areas with falling prices and weak labor markets, while also preventing recently foreclosed borrowers from re-entering the market as buyers. According to the Federal Reserve, foreclosures during a time of high unemployment could depress prices, plunging homeowners across the country deeper into negative equity.

# REAL ESTATE OUTLOOK



**3. EQUITY** - Equity is the difference between the current market value of your home and the amount you owe on it. In other words, it's the portion of your home's value that you actually own. Equity can be an incentive to stay in your home longer; if prices rise—something we've seen almost universally across the country in recent months—your equity increases, too.

**4. APPRECIATION** - The sales boom followed the outbreak of the COVID-19 and surprised many real estate economists. Like most other business sectors, real estate was expected (if not required in many locations) to lock down. But by mid-April, sales were soaring as buyers, many of them millennials, took advantage of record-low mortgage interest rates. Through the remainder of 2020, rates remained below 3%, and existing home sales reached their highest level in 14 years

# FORECAST 2021

# 2021 Annual Forecasts



	<i>Forecast</i>	<i>Forecasted Growth</i>
<b>Home Sales</b>	<b>5.9 million</b>	<b>+ 4.6%</b>
<b>Median Price</b>	<b>\$317,000</b>	<b>+ 7.0%</b>
<b>Months Supply of Inventory</b>	<b>3.3 months</b>	<b>+ 0.2 months</b>

# Demand Increasing in “Second Home” Markets



In a recent survey, 40% of agents report an increased interest from clients in second and vacation homes now that they can spend extended periods of time in multiple locations.

Demand is also increased in these markets from remote workers buying what traditionally was a “second home” as their primary and only residence. Now that they aren’t tethered to a city by work, they are choosing to live full time in mountain, lake and beach houses.

The impact will be low inventory and rising prices in these markets, which may spur an increase in new construction in these areas.

# REAL ESTATE OUTLOOK



1. We expect appreciation to remain elevated in the first half of 2021 and taper off in the second half of the year. This is however depending on inventory levels rising. If inventory levels are lower than anticipated prices could grow near double digits.
2. Inventory will need to increase this year if home price gains are going to stay in the range we consider sustainable - (4-6%).
3. Affordability is going to likely become an increasingly common topic in news headlines in the latter half 2021 as the pandemic starts to subside.
4. If we see rapid price gains in the first half of the year it may temper demand and slow sales later in the year.

# REAL ESTATE OUTLOOK



5. We are likely going to continue to see the largest price gains in the entry level portion of the market as this segment continues to have the lowest inventory levels.

## Bubble Concerns?

As home prices continue to rise we need to begin paying a attention to lending standards and anything that seems like a “creative” way to get households who otherwise would struggle to purchase the home into the market. As of right now we haven’t seen any strong resurgence in this type of lending.

# REAL ESTATE OUTLOOK



<https://www.globest.com/2021/04/01/the-aging-millennial-generation-is-driving-housing-market/?slreturn=20210301114830>

<https://rismedia.com/2021/03/25/housing-market-crash-possible-2021/>





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