

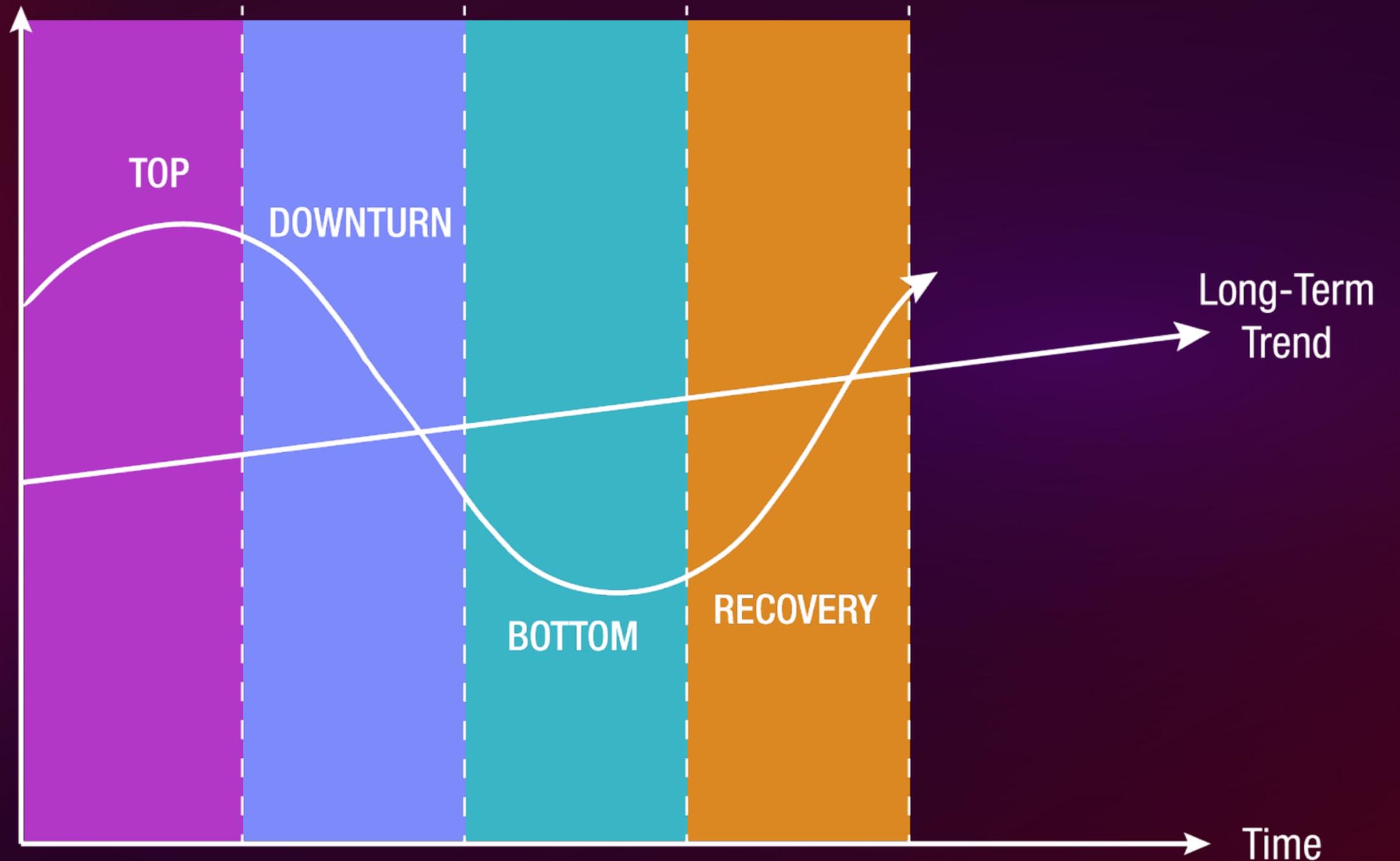
# 2016 Market Update

Gary Keller and Jay Papasan

# Housing Market Cycles

## DOWNTURN INDICATORS

DOM	↑
Inventory	— ↑
Price	— ↓
Sales	↓
Construction	—

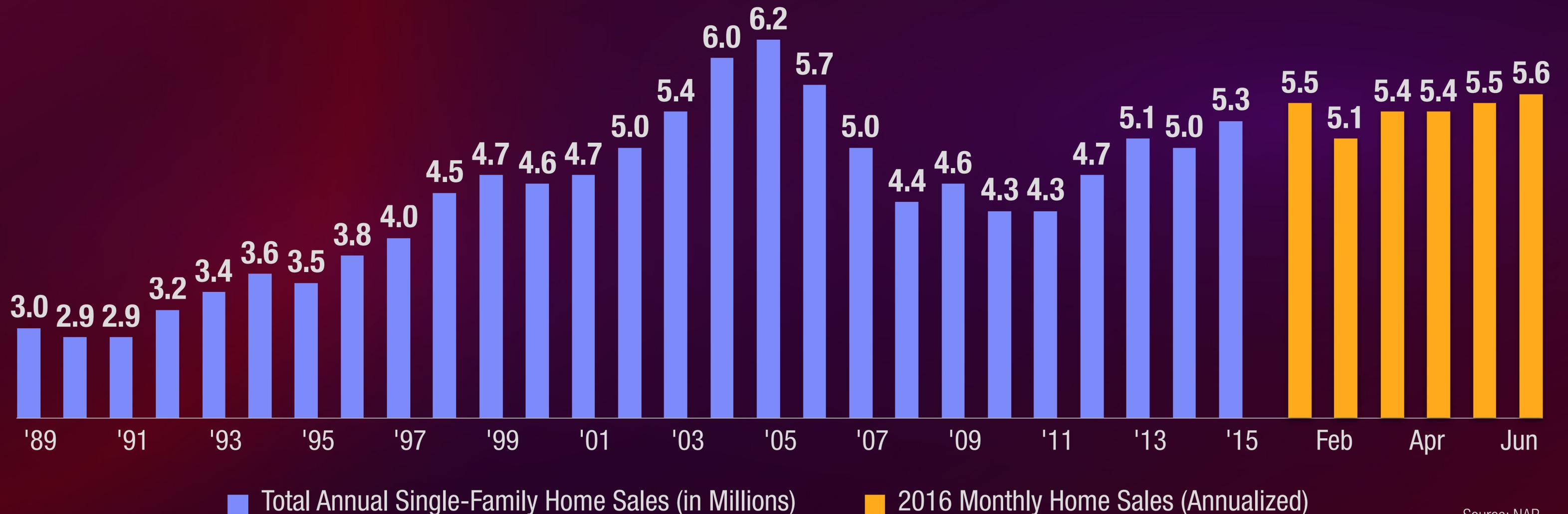


# The Numbers That Drive U.S. Real Estate

1. Home Sales
2. Home Price
3. Months Supply of Inventory
4. Mortgage Rates

# 1. Home Sales

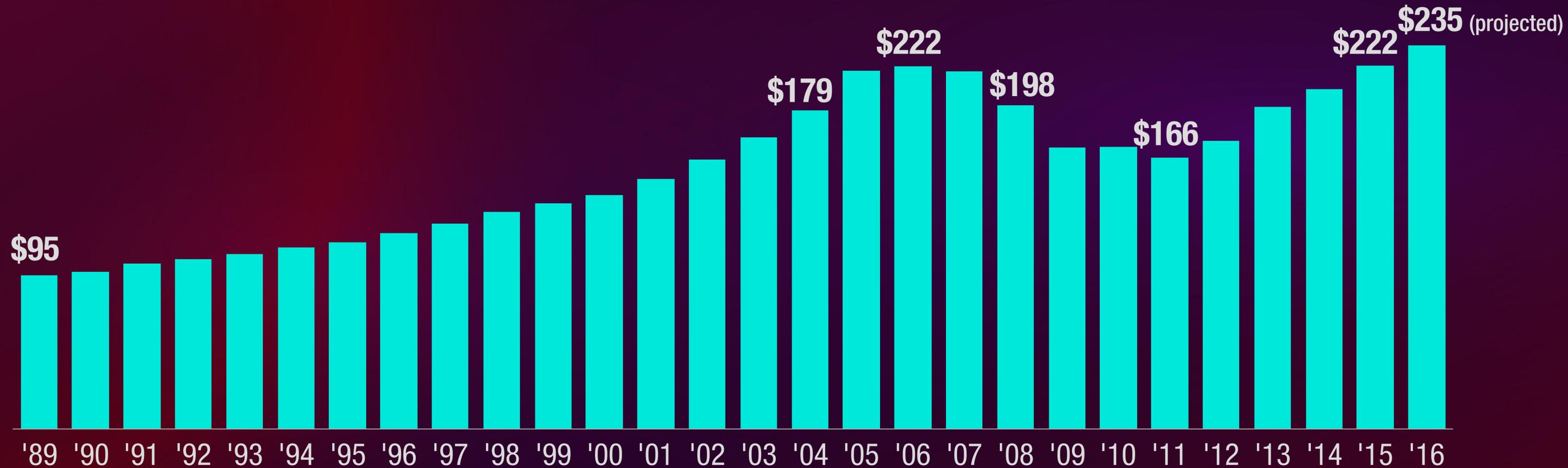
Nationally home sales are on pace for another post-crisis record. However, sales are slowing in some markets as affordability becomes a serious issue.



Source: NAR

# 2. Home Price - Annual

Home prices continue to rise as mortgage rates remain low. Price gains have been in the sustainable range for the majority of 2016.

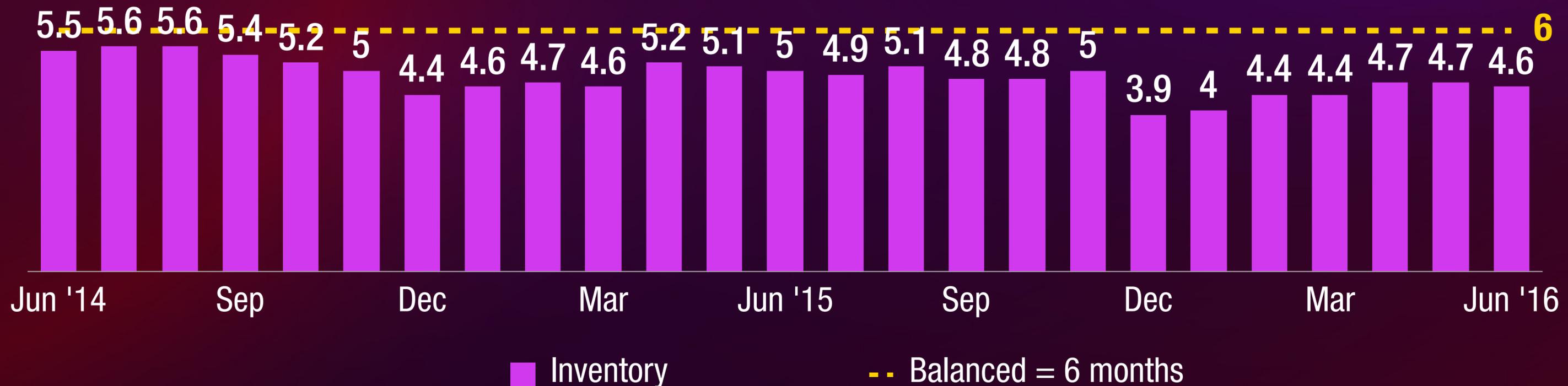


■ Annual Median Home Price (in Thousands)

Source: NAR

# 3. Months Supply of Inventory

We are now seeing many markets split by price point. Entry-level homes remain in a seller's market, but some luxury and move-up markets show signs of shifting.

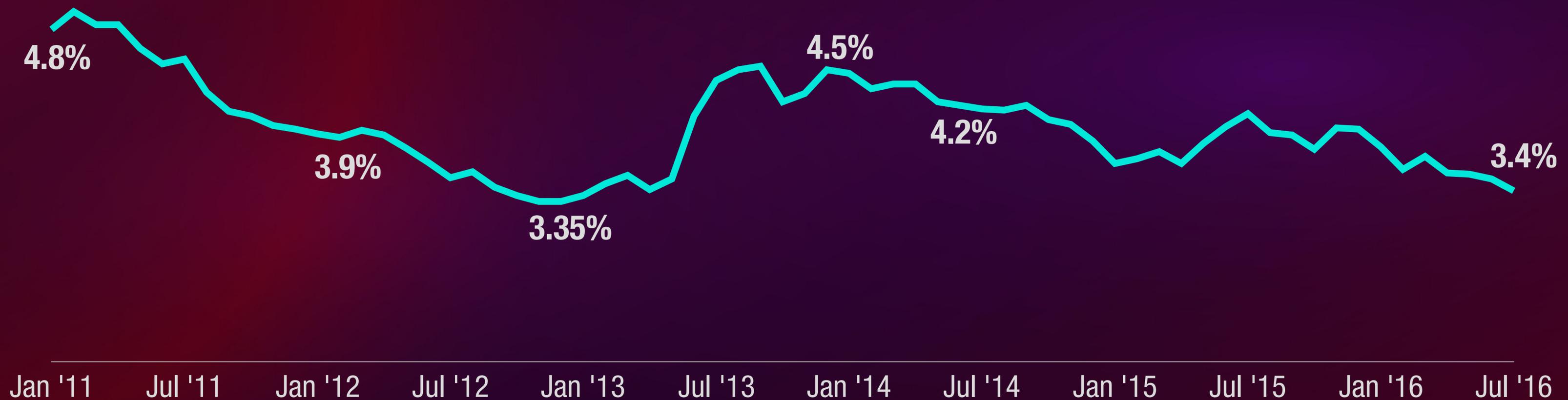


Seller's Mkt Balanced Buyer's Mkt

Source: NAR

# 4. Mortgage Rates - Monthly

Home sales benefited from near record-low interest rates so far in 2016, as lackluster economic growth has kept the Federal Reserve from making substantial changes to policy and pushed more money into treasuries.



— Monthly Mortgage Rate

Source: Freddie Mac

# The U.S. Economy

1. Gross Domestic Product
2. Unemployment
3. Inflation

# 1. Gross Domestic Product - Quarterly

Growth has been held back by low levels of investment in 2016, but consumer spending remains strong.



■ Real GDP Growth Rate, Quarterly, Seasonally Adjusted (Percentage)

■ 2015

■ 2016

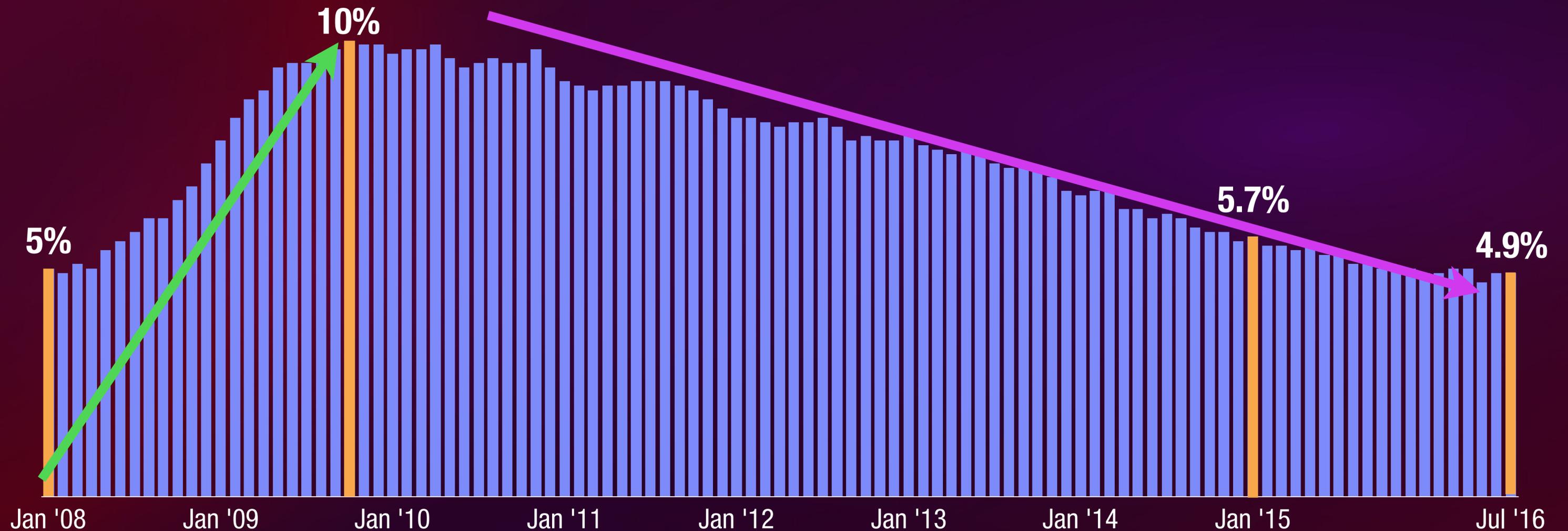
Source: BEA

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#KWMC

# 2. Unemployment - Monthly

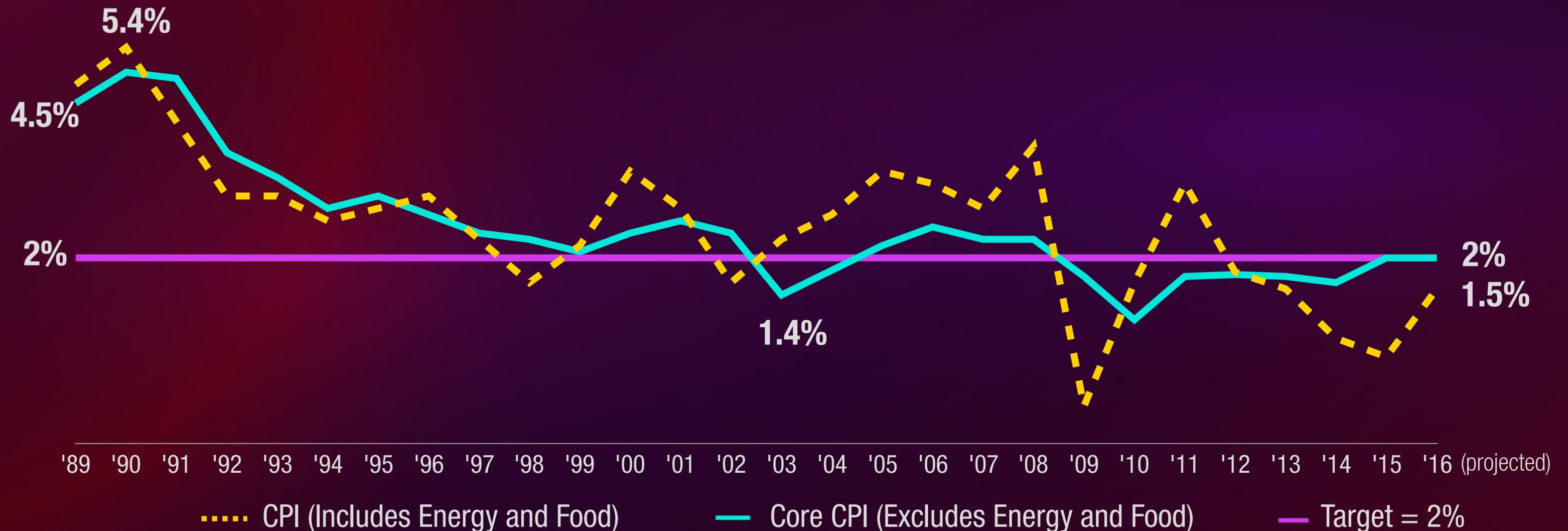
Employment has been stable below 5% so far in 2016, as other statistics on unemployment continue to show progress.



Source: BLS

# 3. Inflation - Annual

Persistent low levels of inflation will be another factor holding down interest rates.



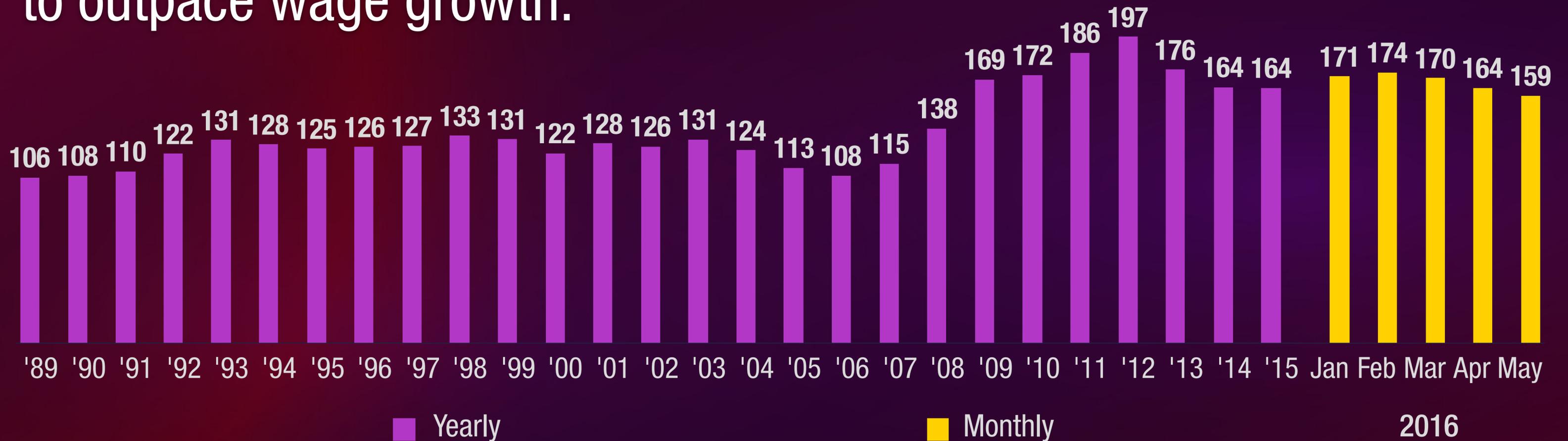
Source: BEA

# Special Topics

1. Affordability
2. New Home Construction
3. New Home Sales

# 1. Affordability

Affordability has been declining since January as prices continue to outpace wage growth.

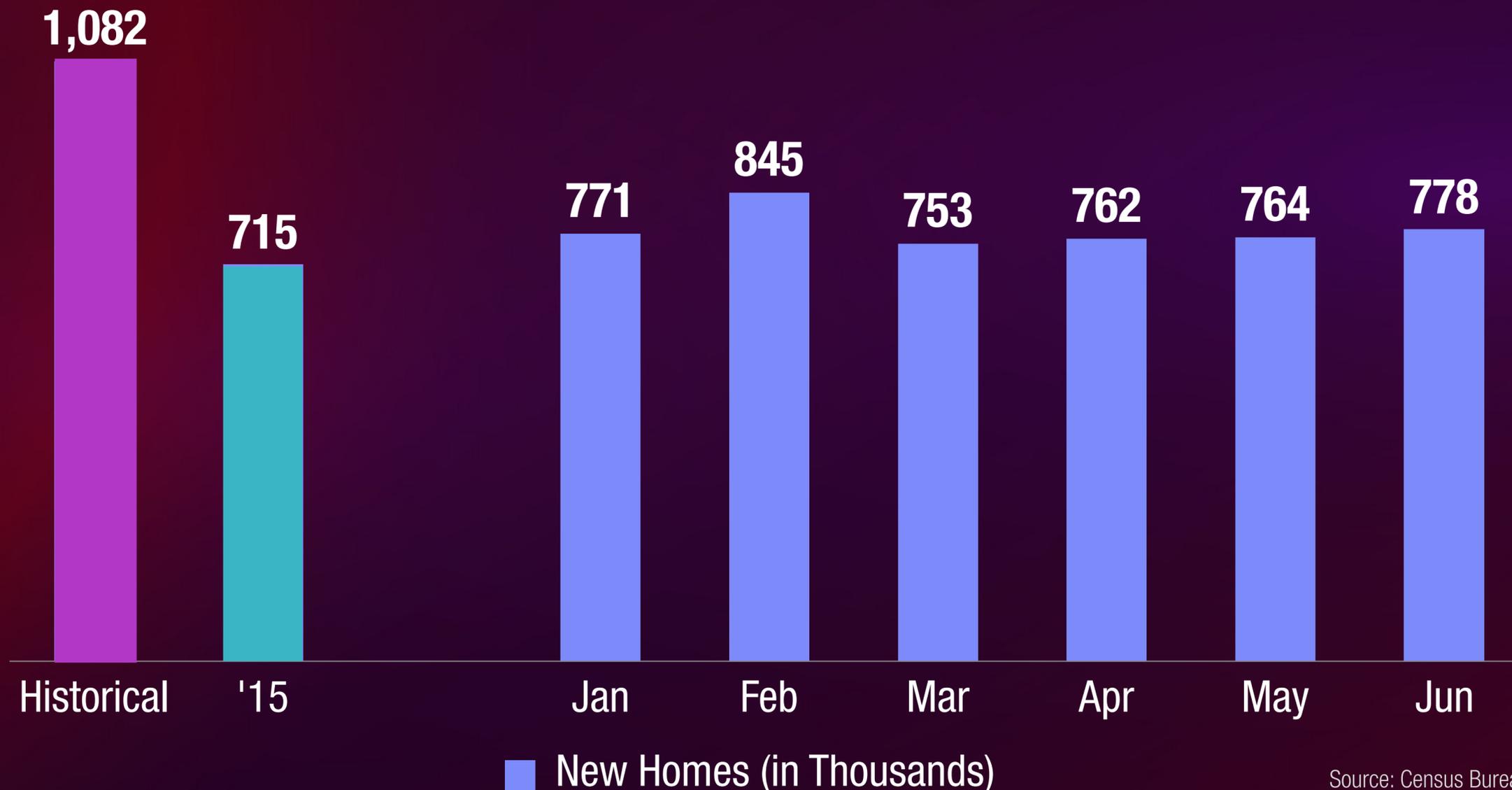


**Affordability Definition:** A value of 100 means that a family earning the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that a family earning the median income has more than enough income.

Source: NAR

# 2. New Home Construction

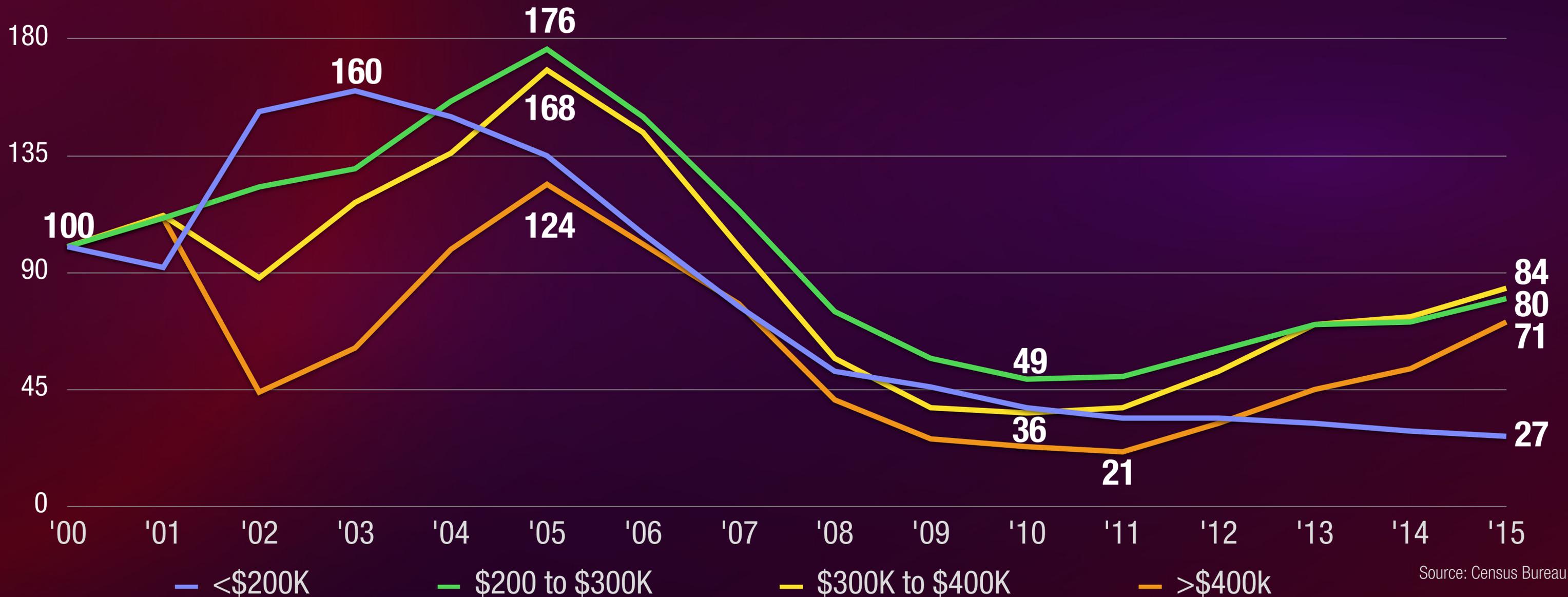
Construction has been focused in higher price ranges, which may create issues down the line.



Source: Census Bureau

# 3. New Home Sales (compared to 2000)

The lack of construction in the entry-level price range has contributed to shortages, causing extremely low inventory levels of entry-level houses in many cities.



Source: Census Bureau



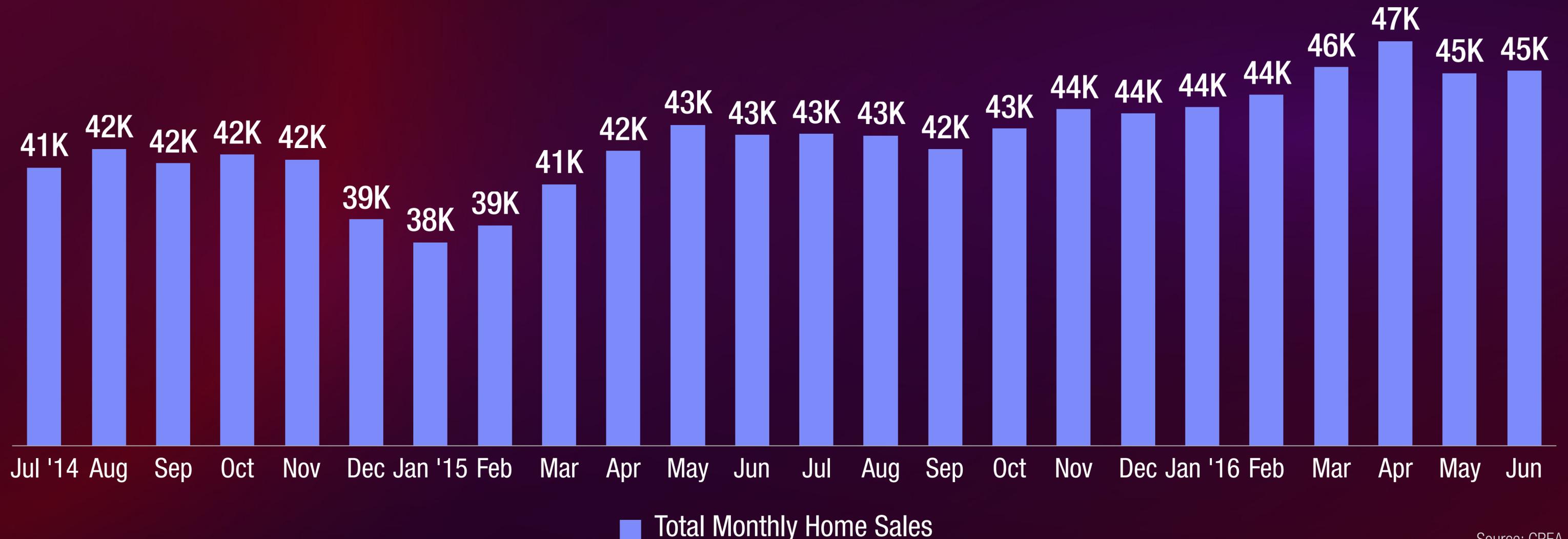
# The Numbers That Drive Canadian Real Estate

1. Home Sales
2. Home Price
3. Inventory
4. Mortgage Rates



# 1. Home Sales - Monthly

Home sales have been at record paces in Canada despite slowing sales in Alberta.

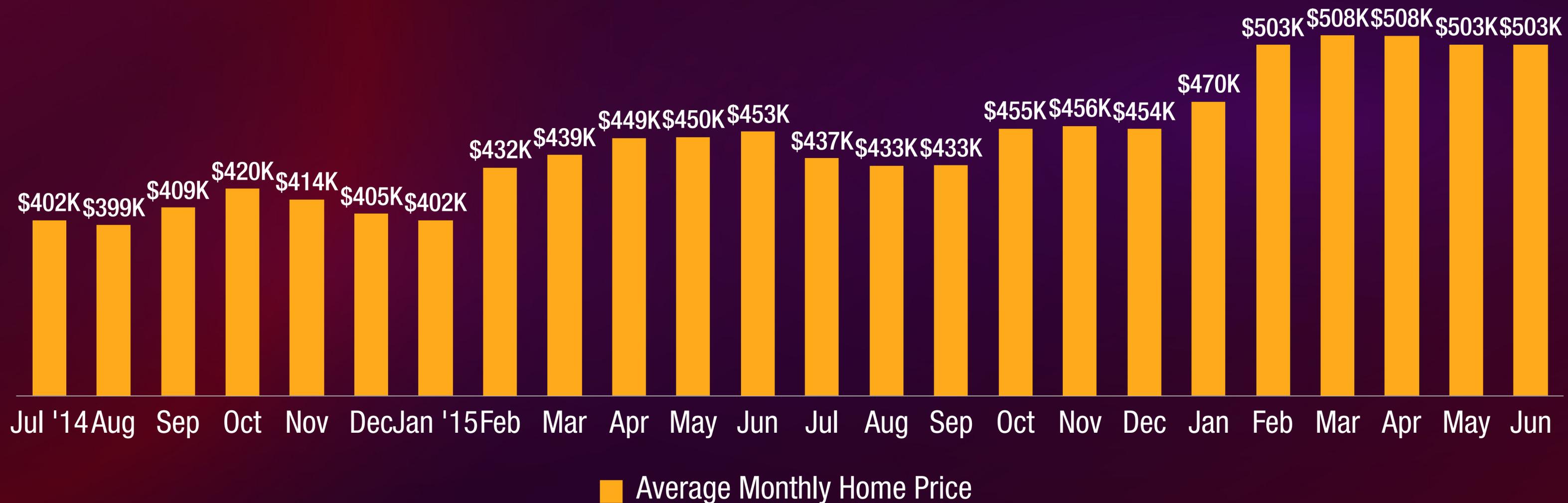


Source: CREA



# 2. Home Price - Monthly

The Greater Toronto and Greater Vancouver areas continue to be the main drivers of price growth in the Canadian market.

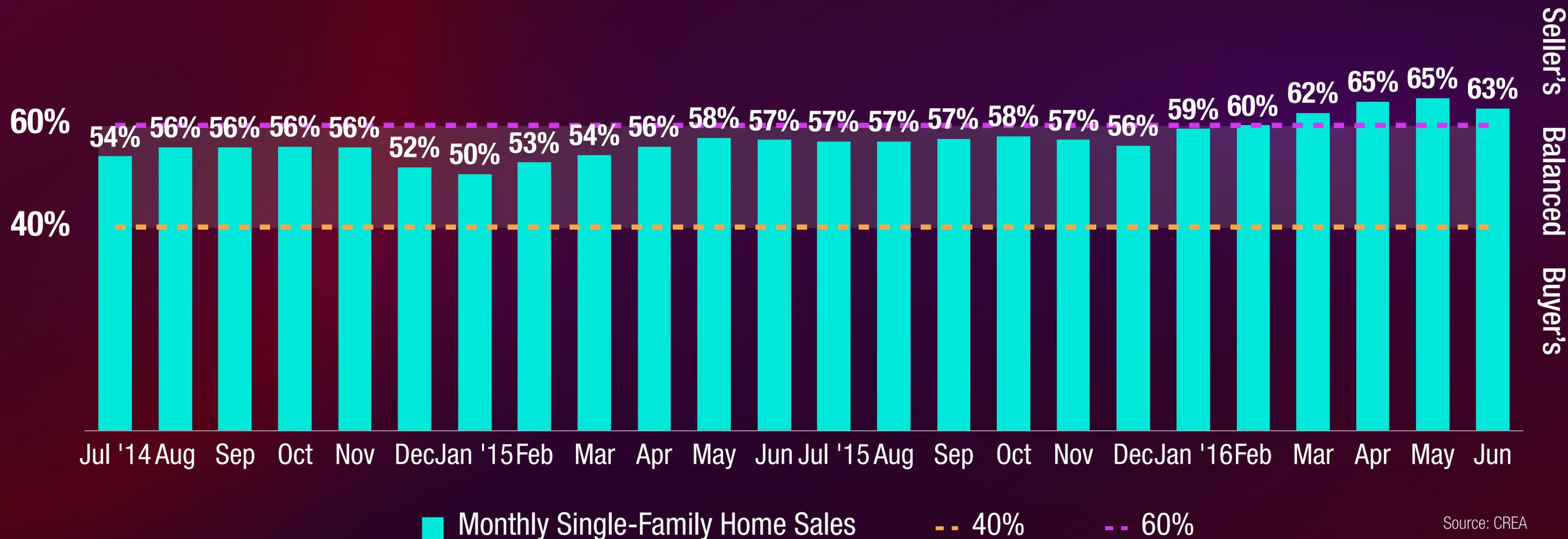


Source: CREA



# 3. Inventory - National

Inventory levels fell into seller's market territory for the first time since 2009 as sales accelerated through the first half of 2016.



■ Monthly Single-Family Home Sales

- - 40%

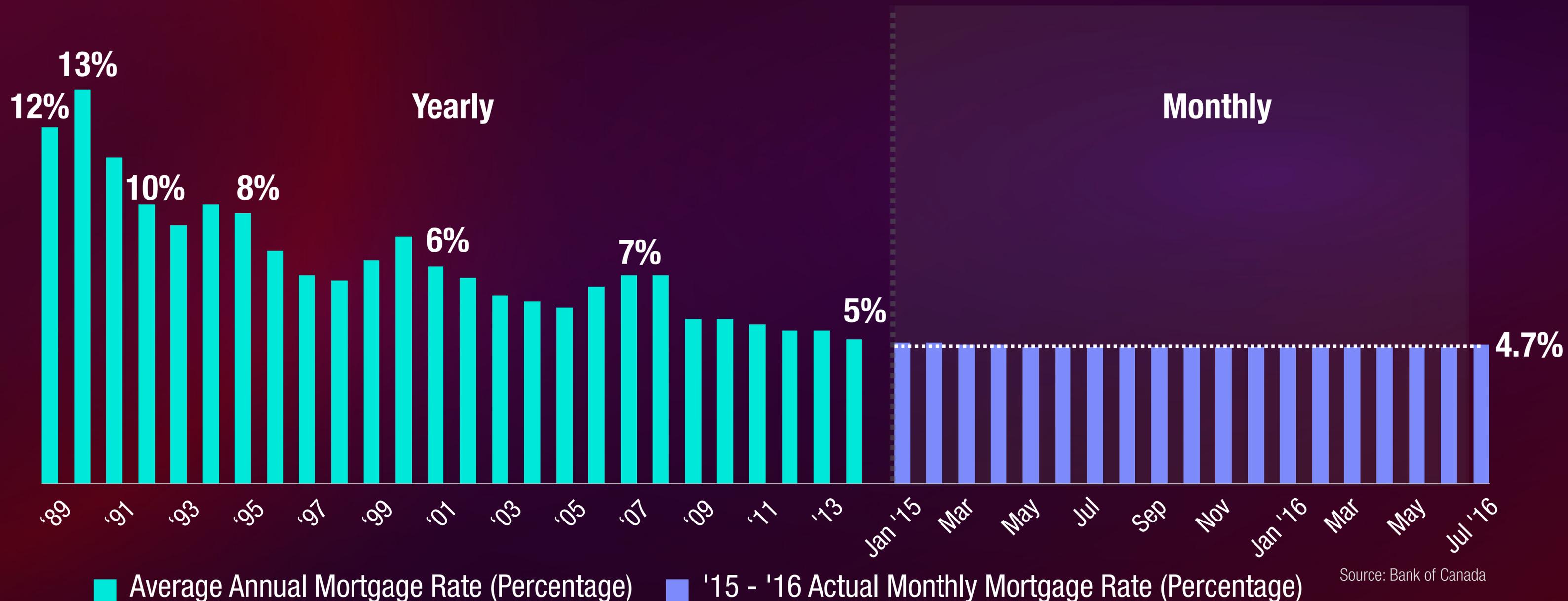
- - 60%

Source: CREA



# 4. Mortgage Rates

Mortgage rates held steady for first half of 2016, and rose slightly in July.



Source: Bank of Canada

# Industry Update

Restrictions on how real estate teams advertise are becoming more widespread.

1. A bill recently passed in South Carolina that outlaws the use of “realty” and “real estate” in team names.
2. Nine other states already have regulations on team advertising.

# Technology Trends

3. UPSTREAM



Search

4. RESPONSE  
TIMES



5. SHOWING  
INNOVATION



6. TRANSPARENT  
OFFER  
MANAGEMENT



Transaction

2. ARTIFICIAL  
INTELLIGENCE



1. PREDICTIVE  
ANALYTICS

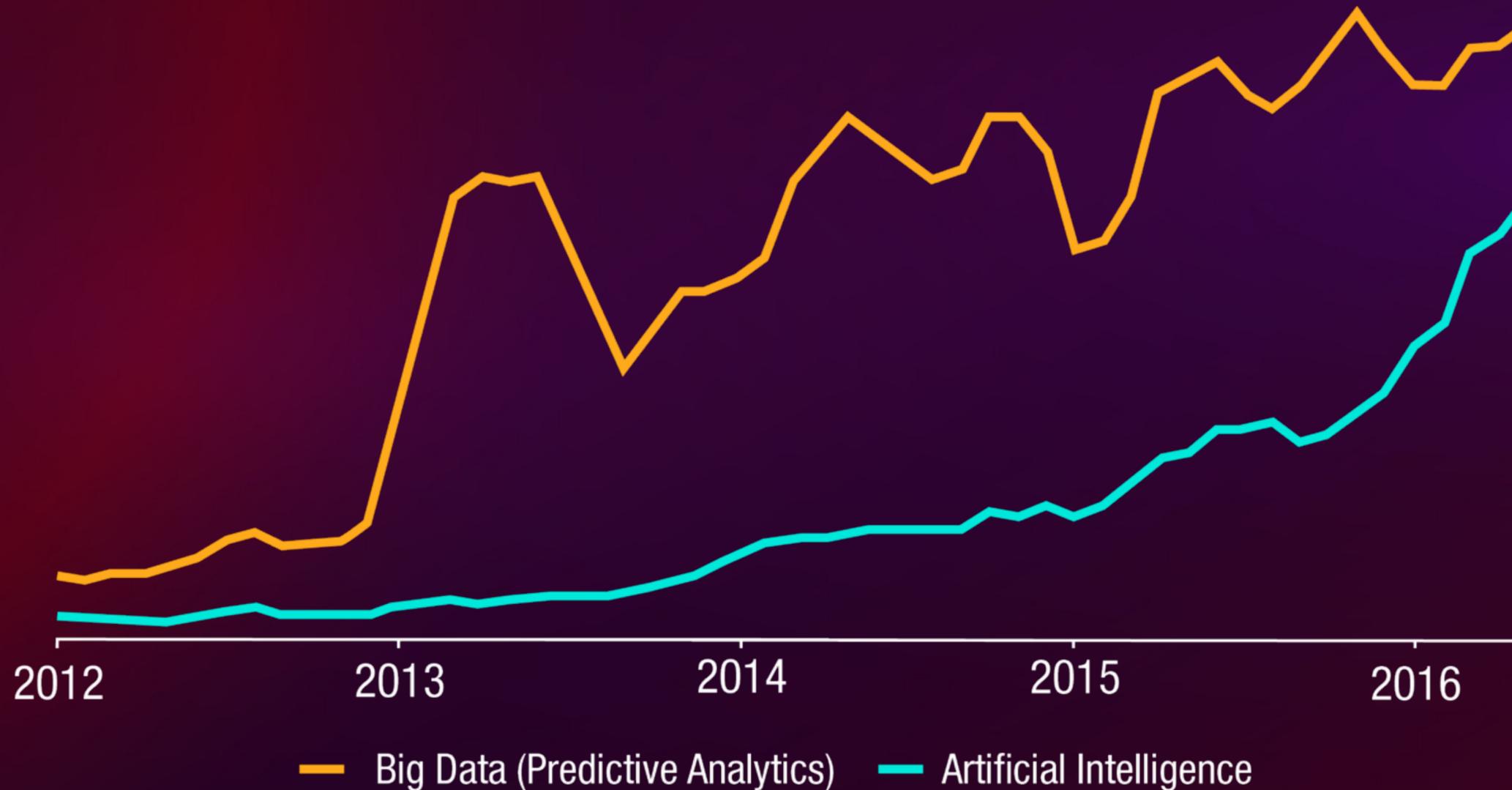


Home Ownership



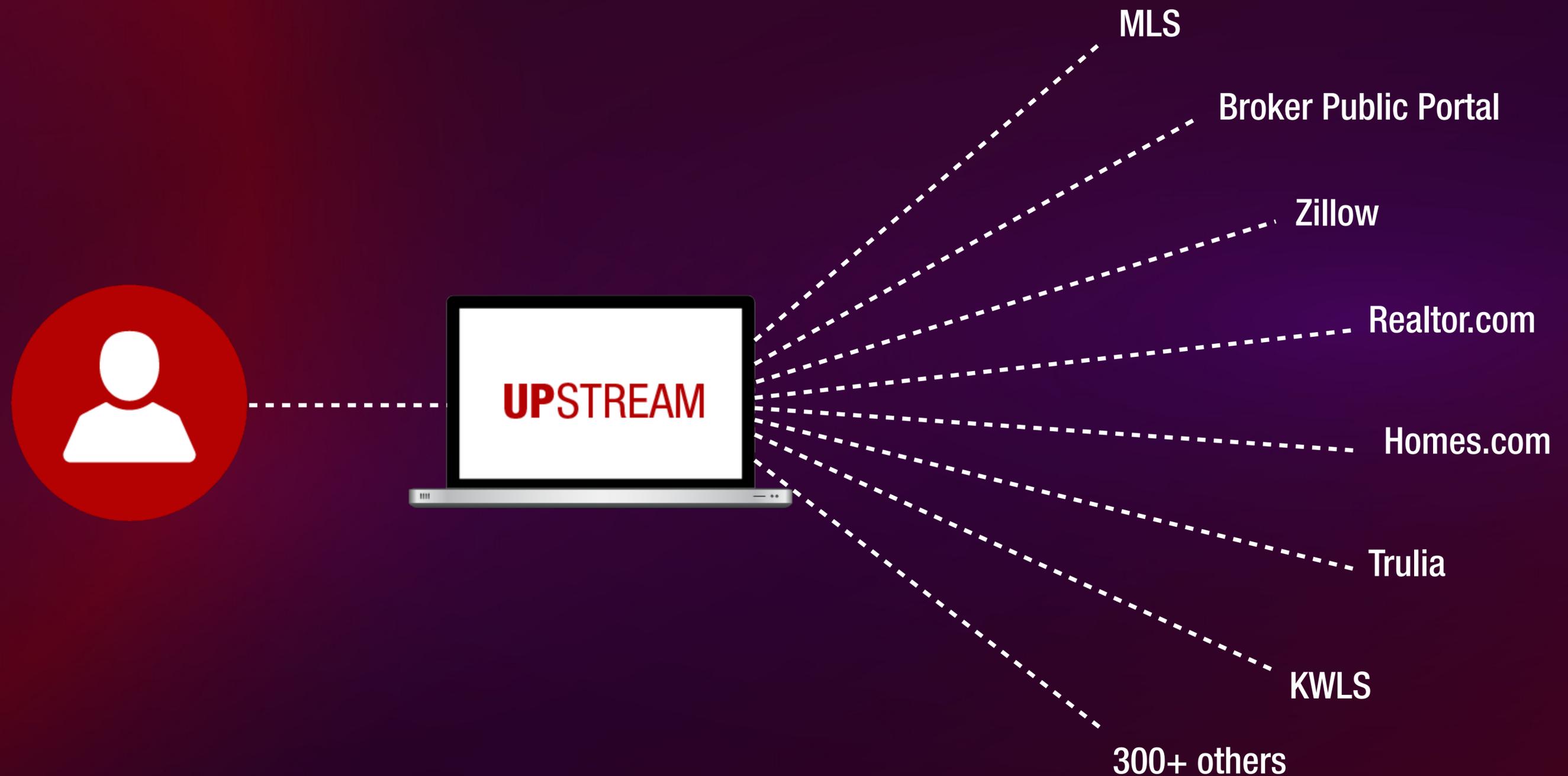
# 2. Artificial Intelligence

**ARTIFICIAL INTELLIGENCE** - The theory and development of computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.



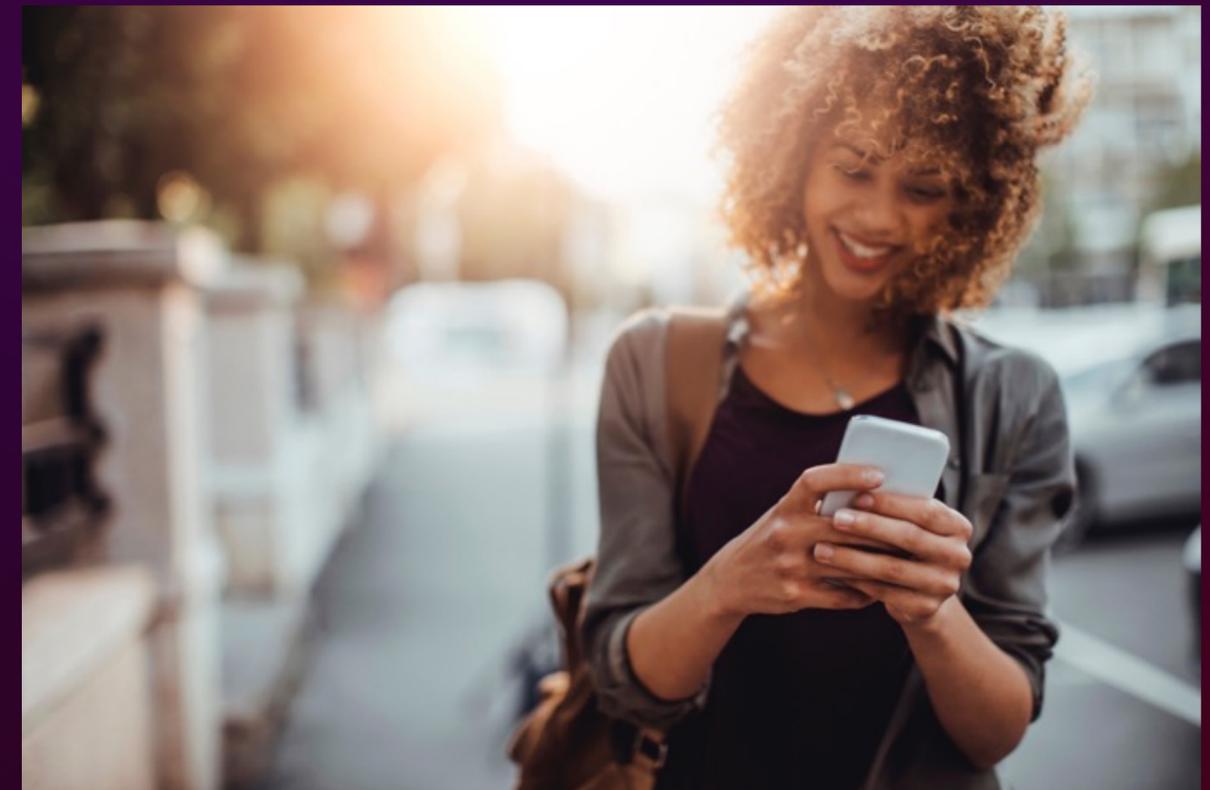
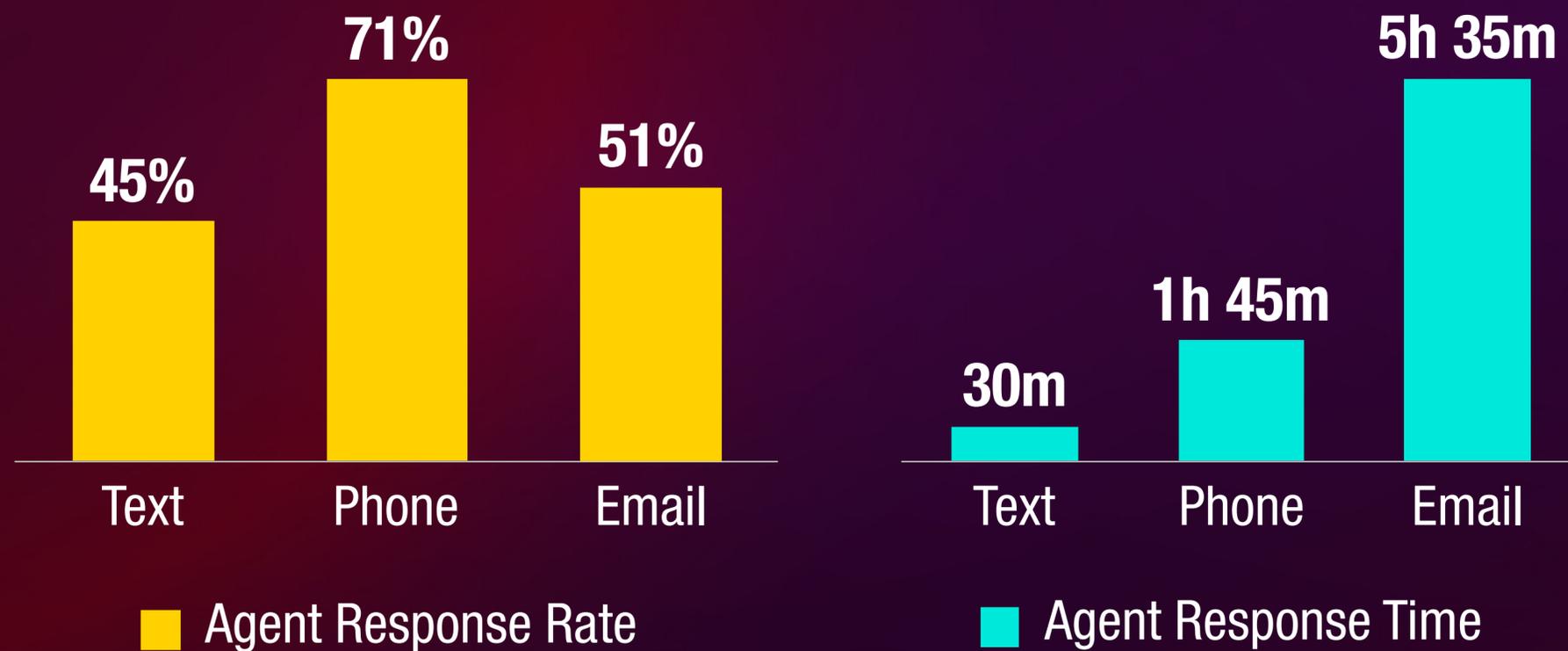
Source: CB Insights

# 3. Upstream Model



# 4. Instantaneous Response Time

The industry is beginning to leverage technology to improve a longtime weakness: response time.



Source: Baylor University

# 5. Showing Innovations

Showings are going through a period of innovation where different providers are offering users unique tools to schedule and tour showings on demand with or without an agent.

1. AGENT-LESS SHOWINGS

2. SMART LOCKBOXES

3. ON-DEMAND



# 6. Transparent Offer Management

New competitors are entering the real estate market offering “transparent offer management” solutions that allow consumers to place offers on homes online with or without an agent. Some are even making these offers visible to the public.



List Price  
**\$350,000**

**MAKE AN OFFER**

## OFFER HISTORY

Date	Price	Status
8/5/16	\$325,000	Declined
8/1/16	\$318,000	Declined
7/25/16	\$312,000	Declined