

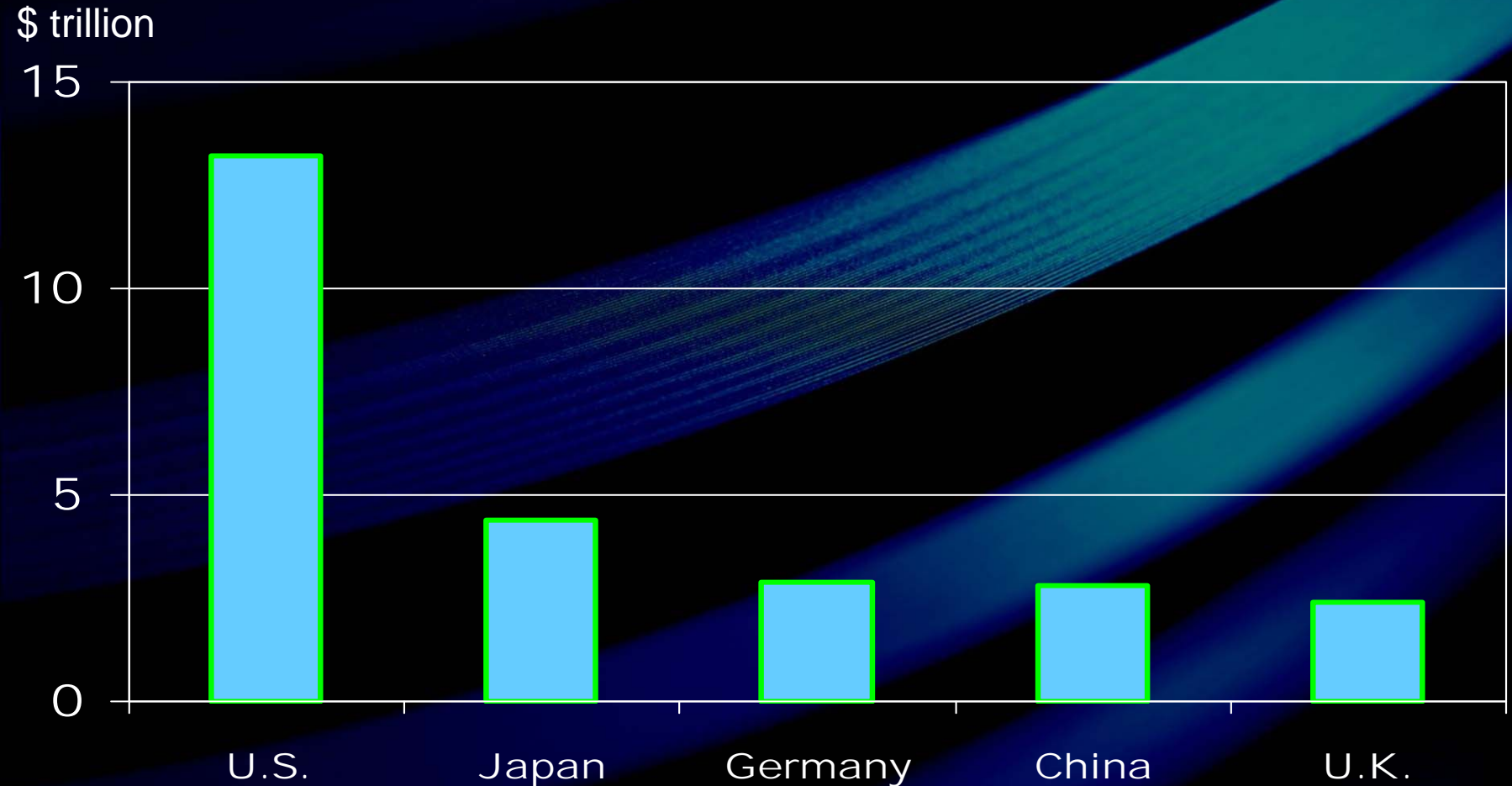
Globalization and Real Estate

**Lawrence Yun, Ph.D.
Senior Economist**

NATIONAL ASSOCIATION OF REALTORS®

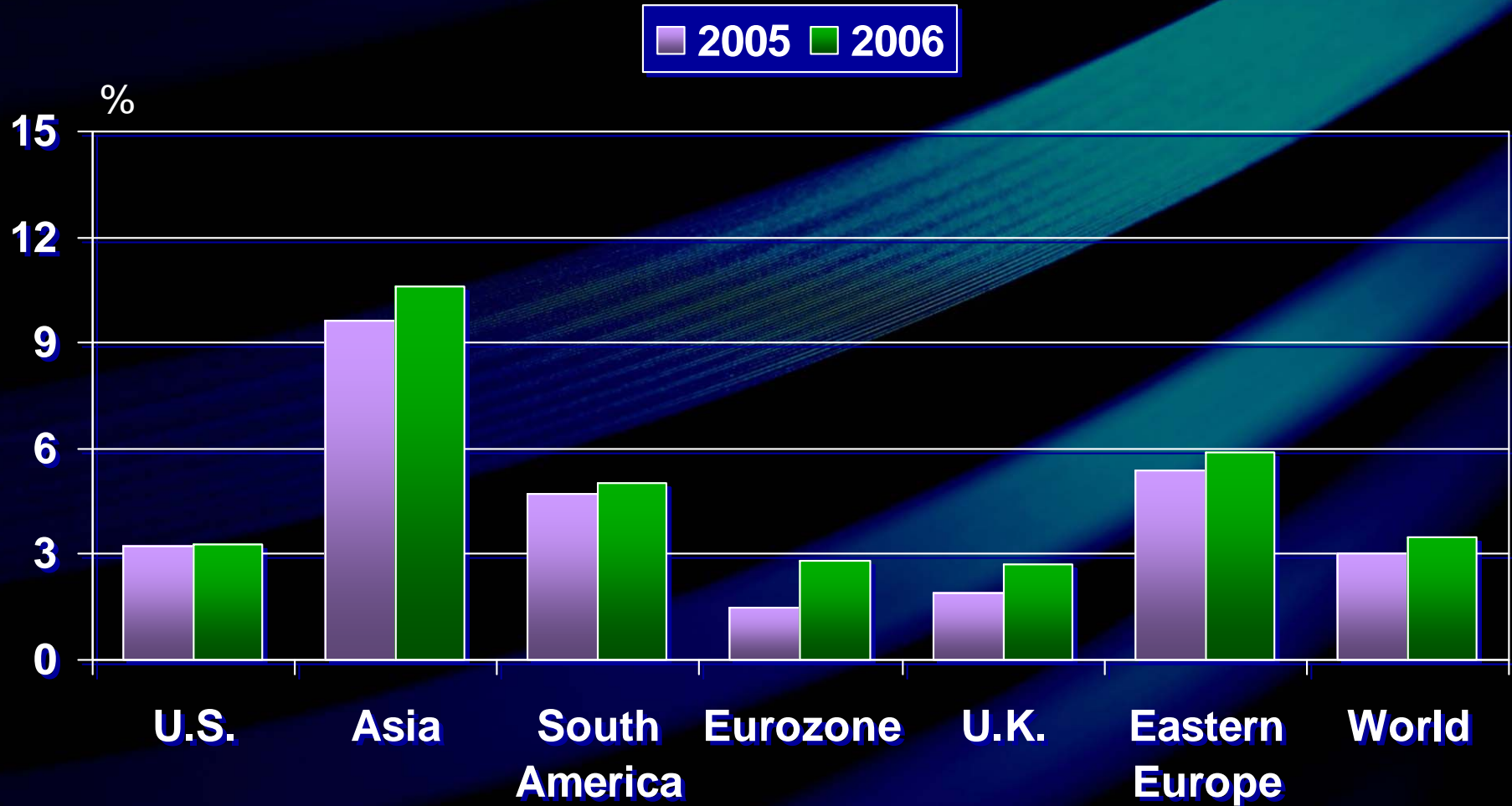
**Presentation at International Presidential Advisory Group Meeting
Chicago, IL
July 18, 2007**

Top World Economies



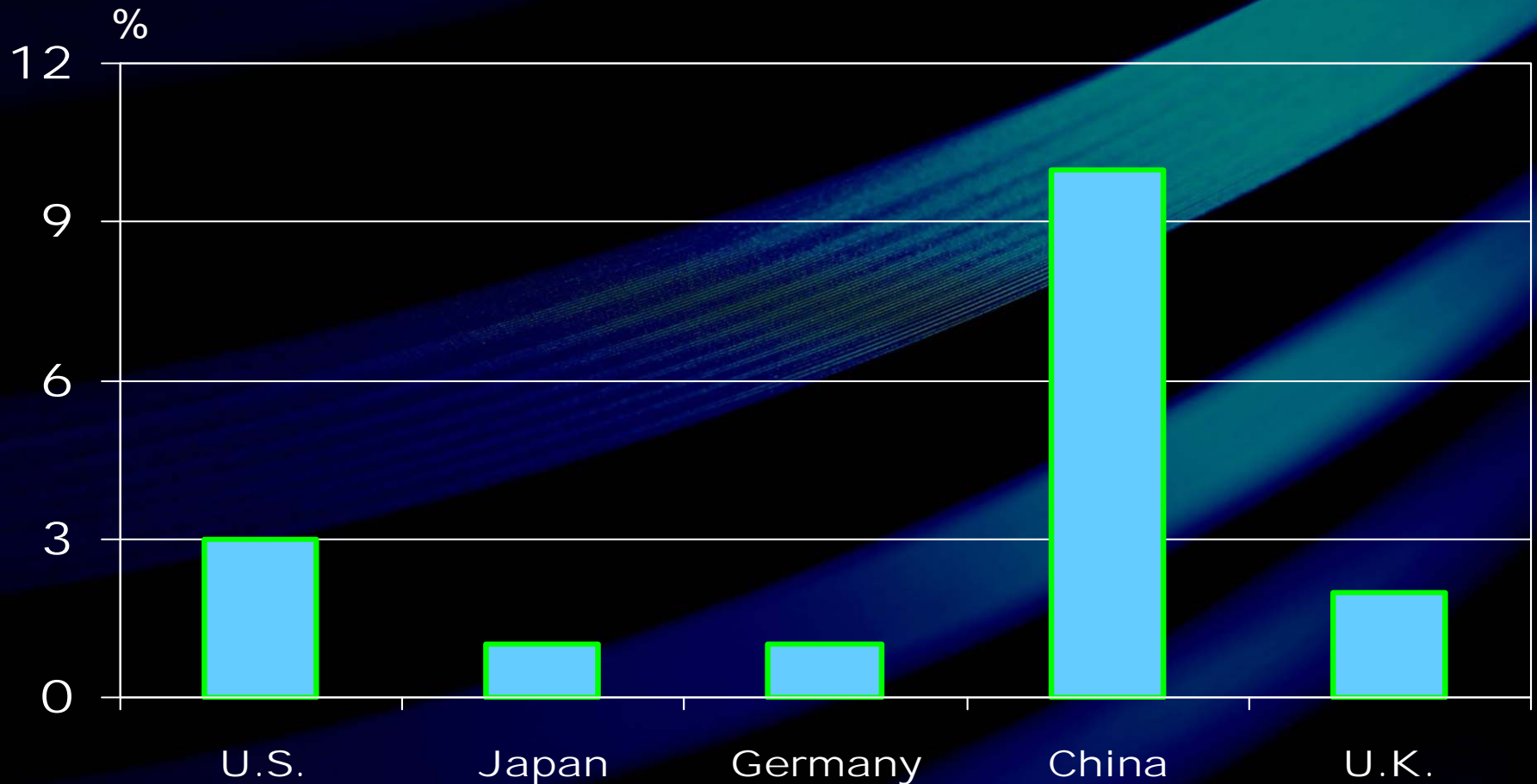
Source: IMF

Expanding World Economy – Without the U.S.

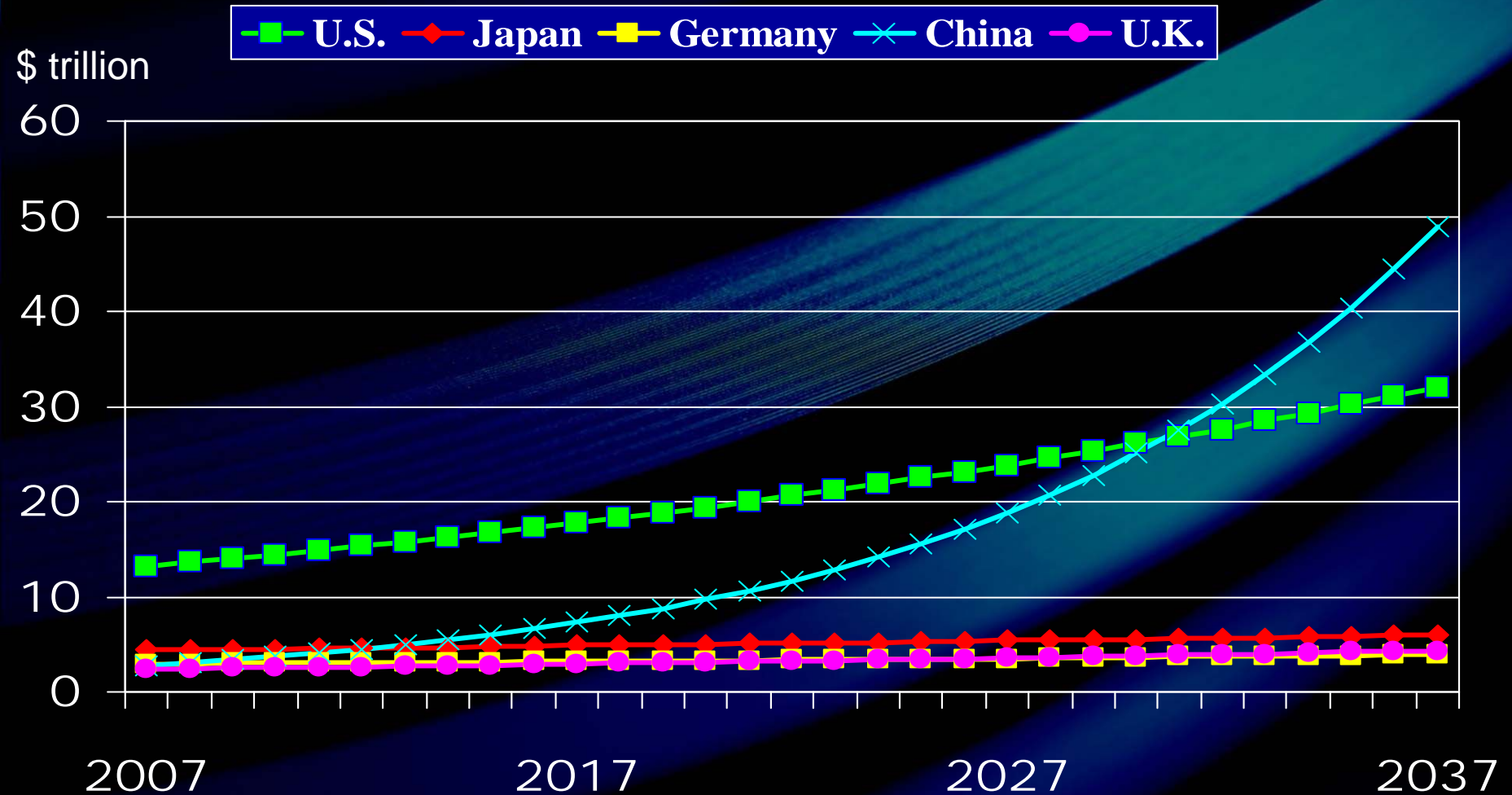


Source: World Bank

Typical Economic Expansion Rates



World Economies in 30 years (in 2037)

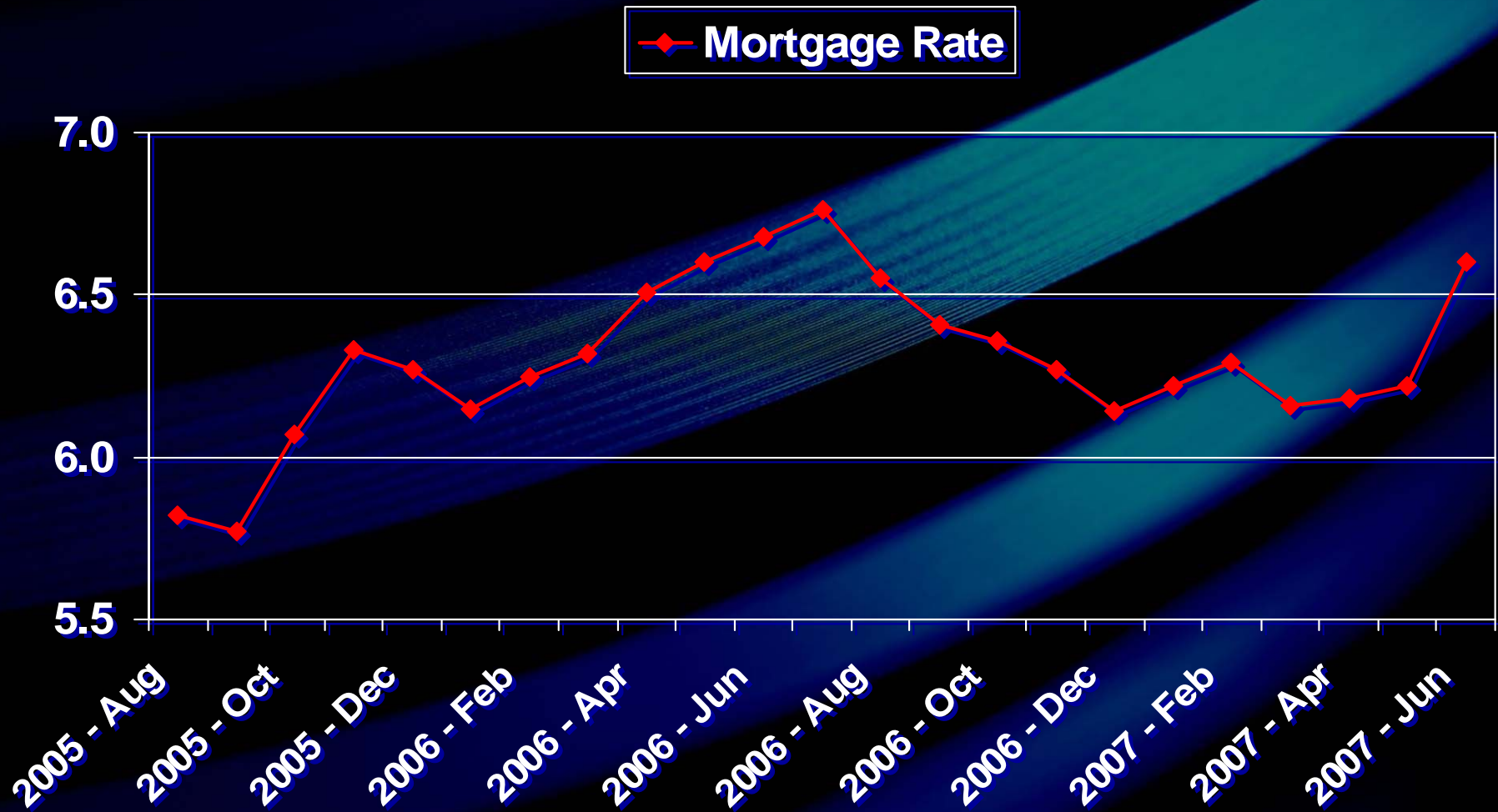


Source: NAR

Global Interdependence

- **China benefiting greatly from access to the U.S. market**
- **Why not simply shut off China from U.S. Market?**
 - **Higher inflation**
 - **Higher interest rates**
 - **China holds \$1.3 trillion in FX of which 30% are U.S. \$ denominated**
 - **Stagnating U.S. economy**

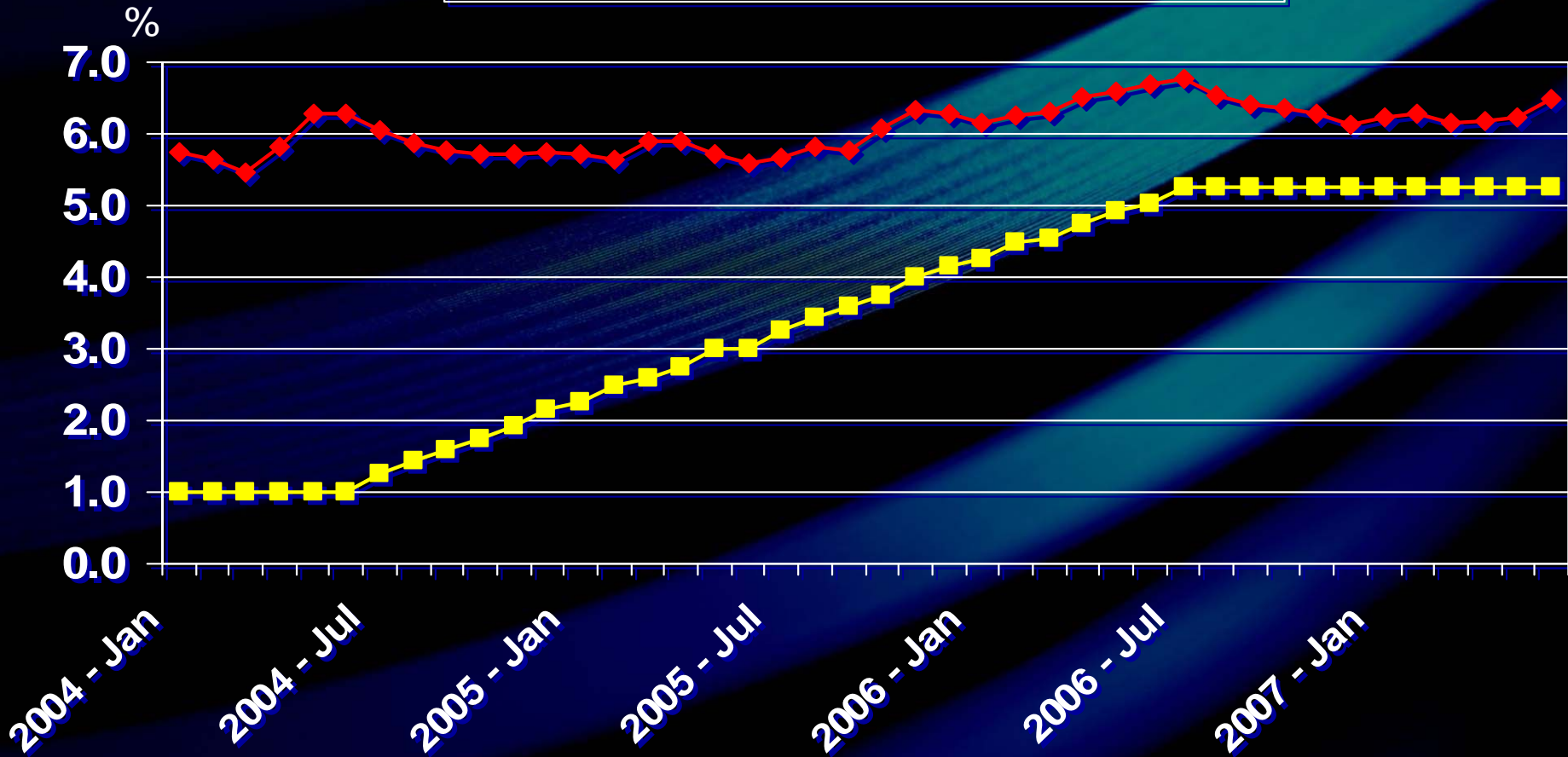
Global Bond Investors Determine Long rates



Source: Freddie Mac

Fed Controls on Short Rates

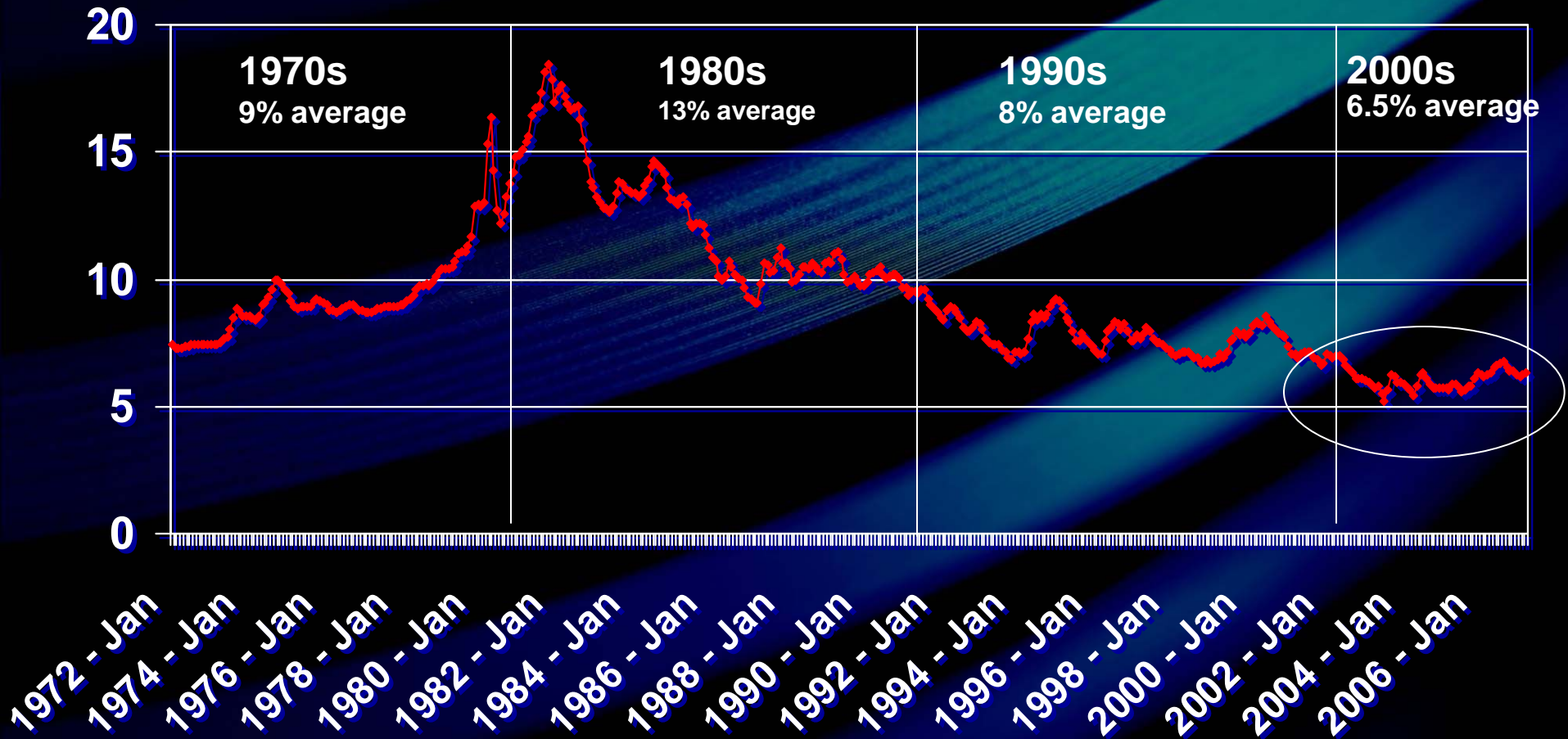
◆ Mortgage Rate ■ Fed Funds Rate



Source: Freddie Mac, Federal Reserve

Rates: Long Run Decline ... Ending?

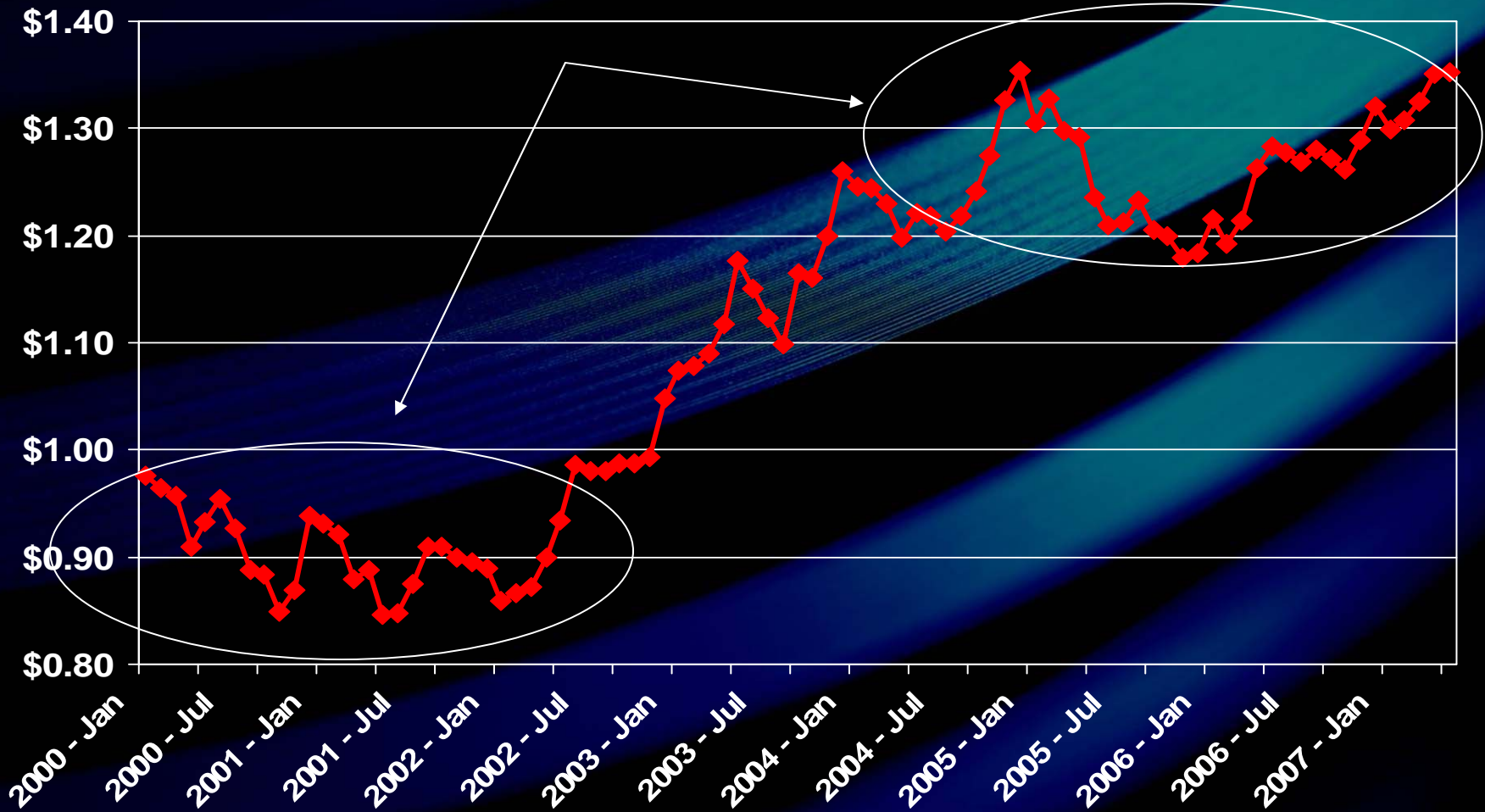
—●— Mortgage Rate



Source: Freddie Mac

\$Dollar vs Euro

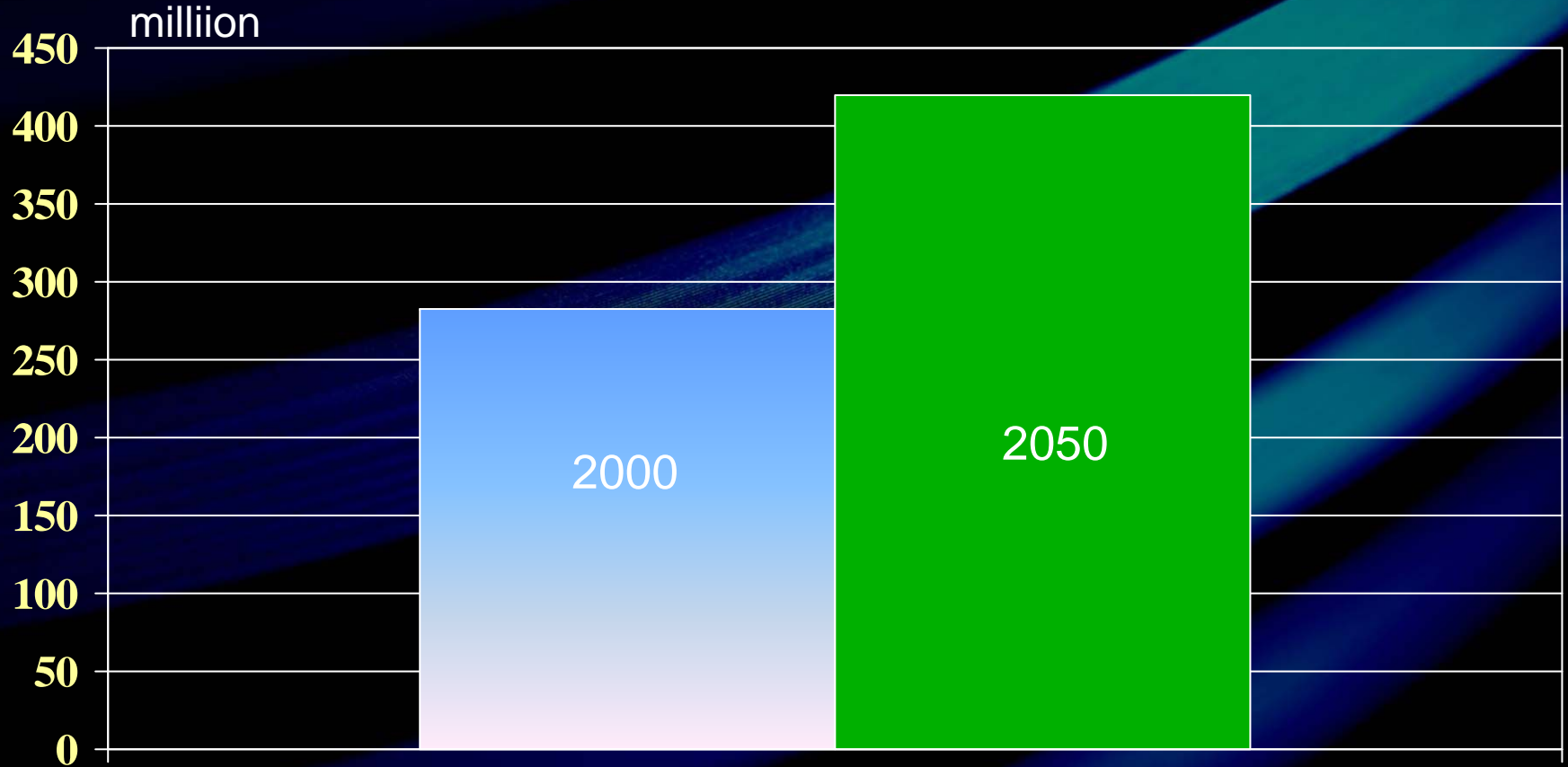
U.S. homes are selling at a 30% to 40% discount



Source: BLS

U.S. Population Projection

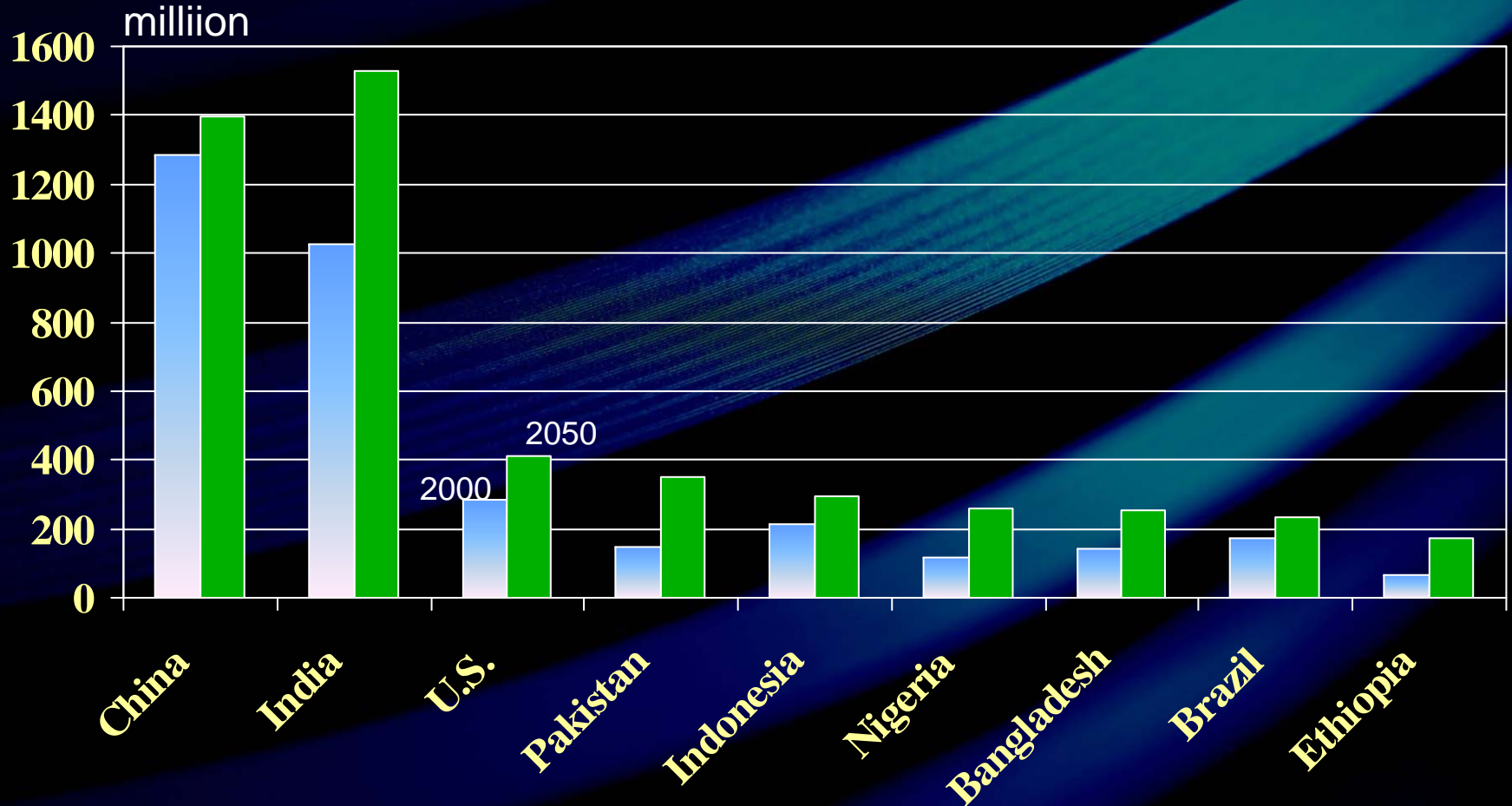
2000 to 2050



Source: U.S. Census

Rapid Growth in Developing Countries

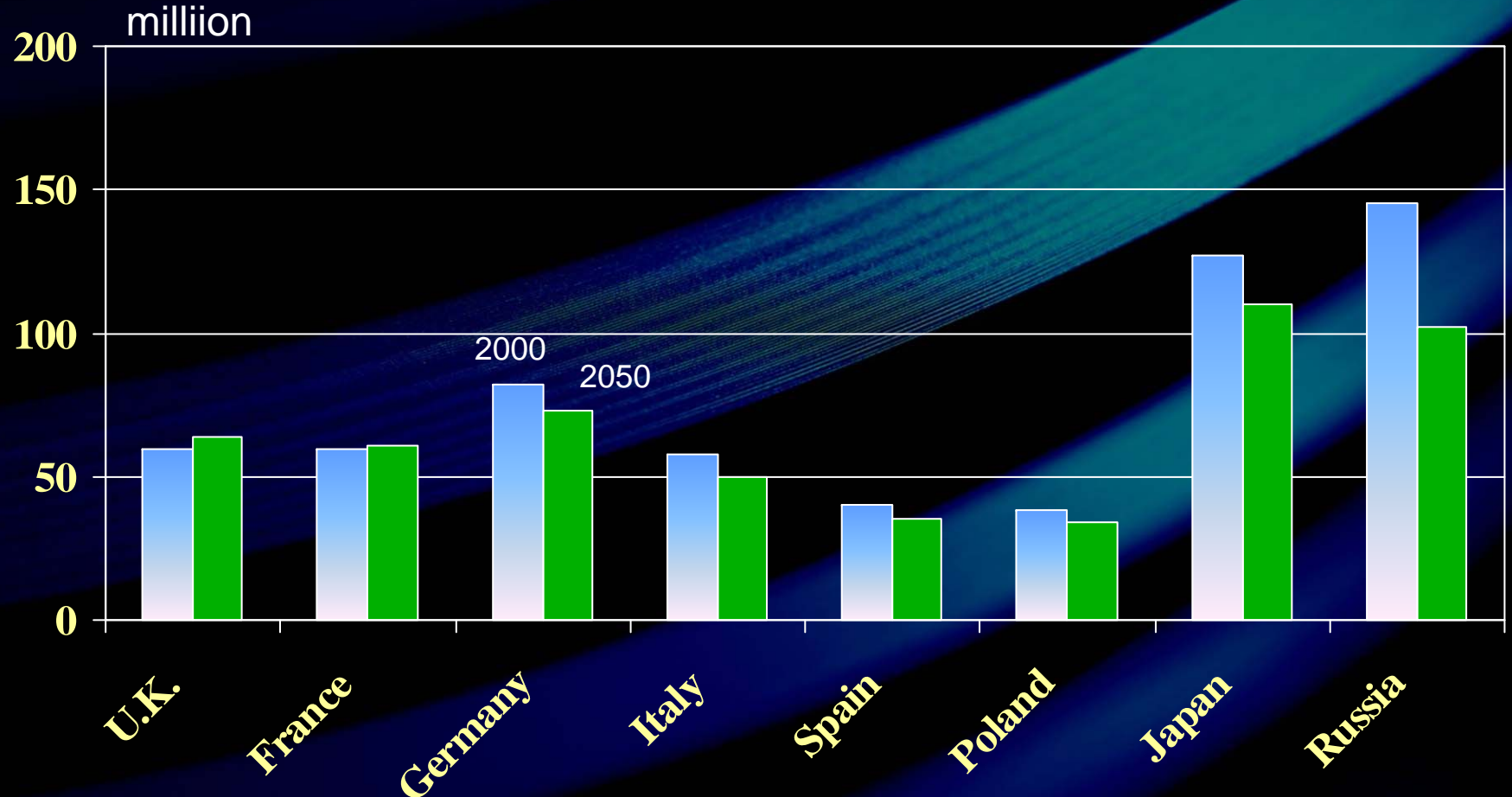
2000 to 2050



Source: The Economist

Stagnant or Declining Population

2000 to 2050



Source: U.S. Census, Brugesgroup, The Economist

Most Expensive Cities in 2006

1. Moscow
2. Seoul
3. Tokyo
4. Hong Kong
5. London
6. Osaka
7. Geneva
8. Copenhagen
9. Zurich
10. Oslo
10. New York

International Home Price Growth (1997 to 2005)

- U.S. price growth 74%
-

- Spain 140%



- U.K. 150%

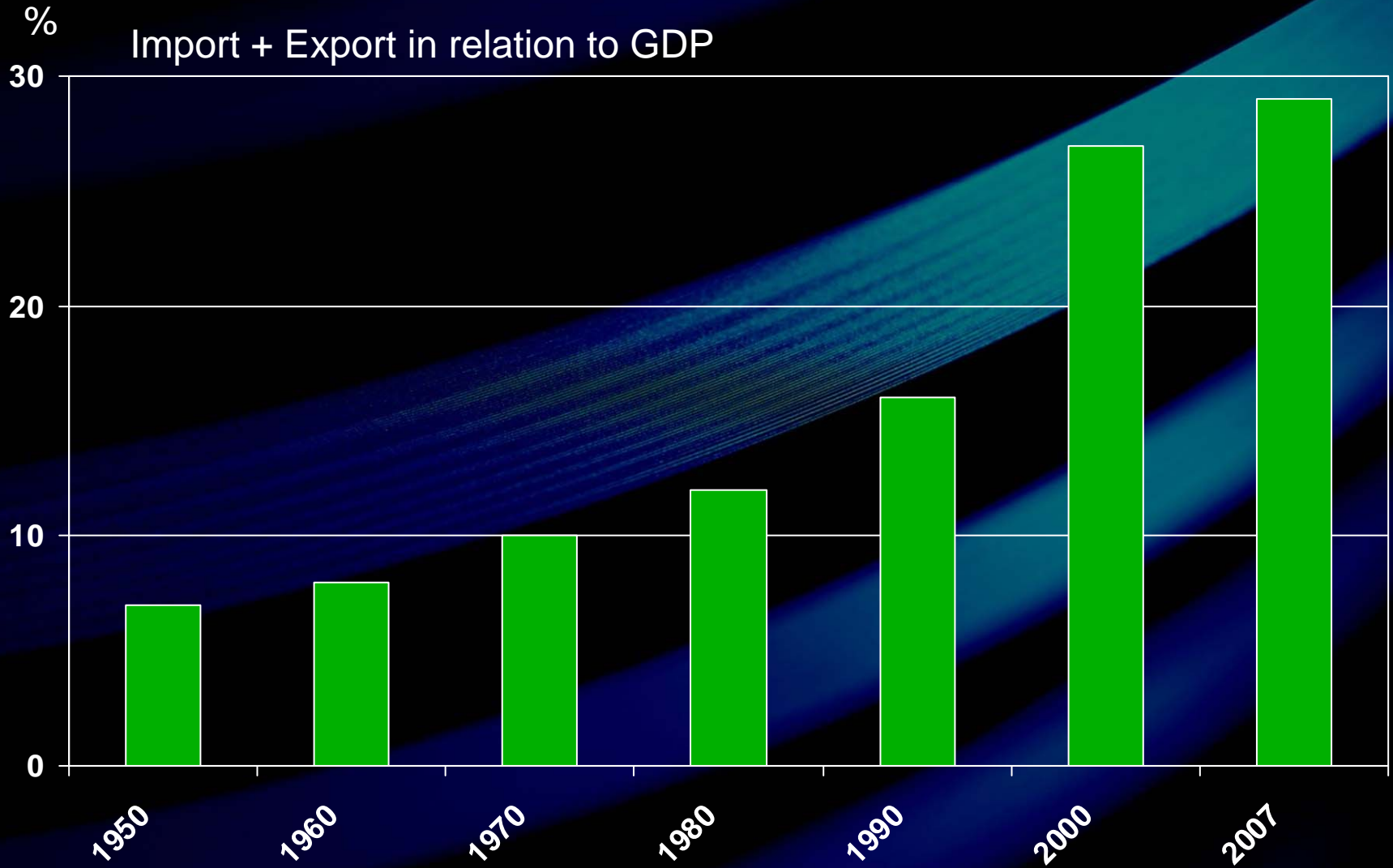


- Ireland 180%



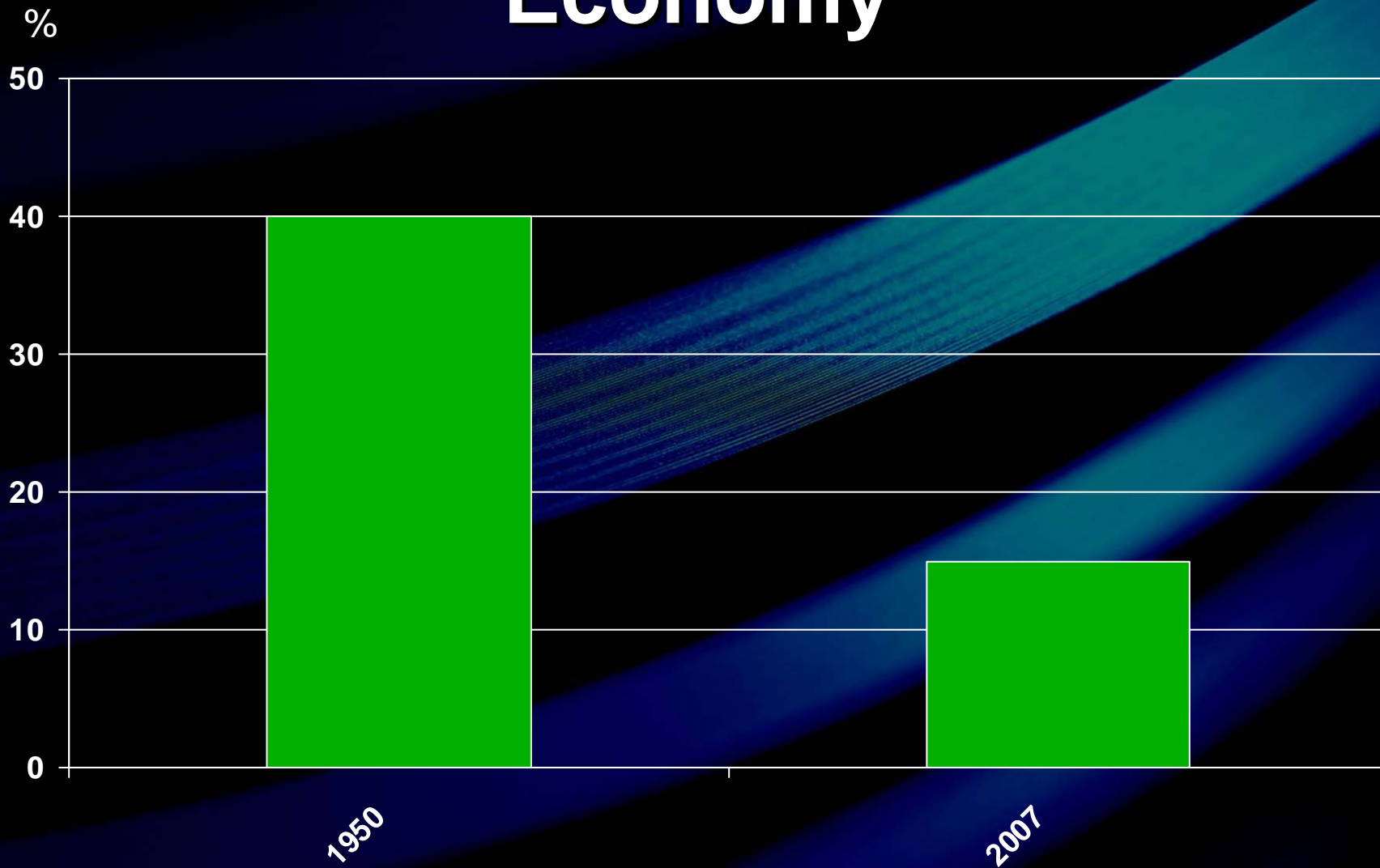
**RISKIER
MORTGAGE
PRODUCTS**

International Trade



Source: BEA

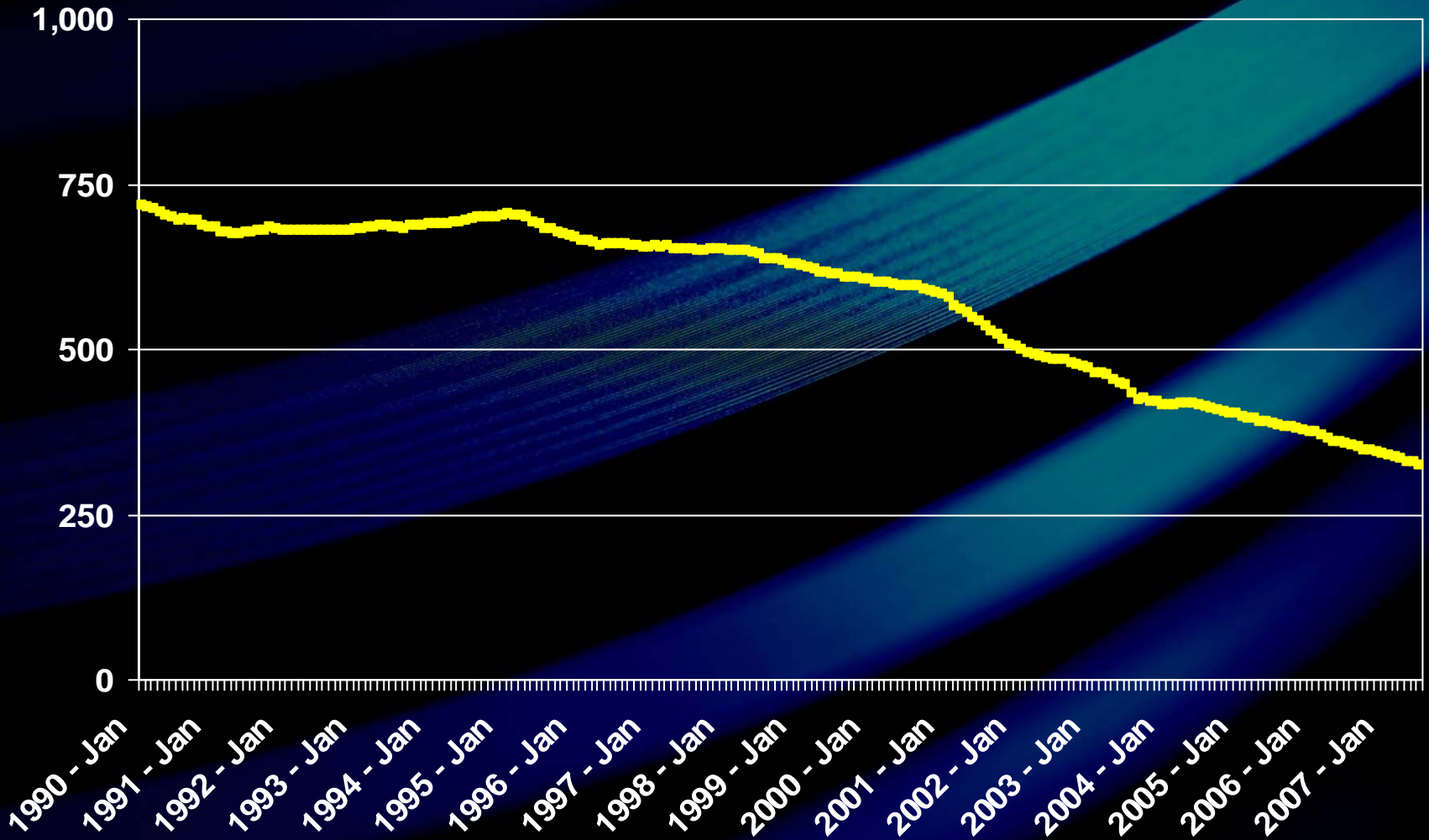
Manufacturing Sector's Share of Economy



Source: BEA

Textile Jobs

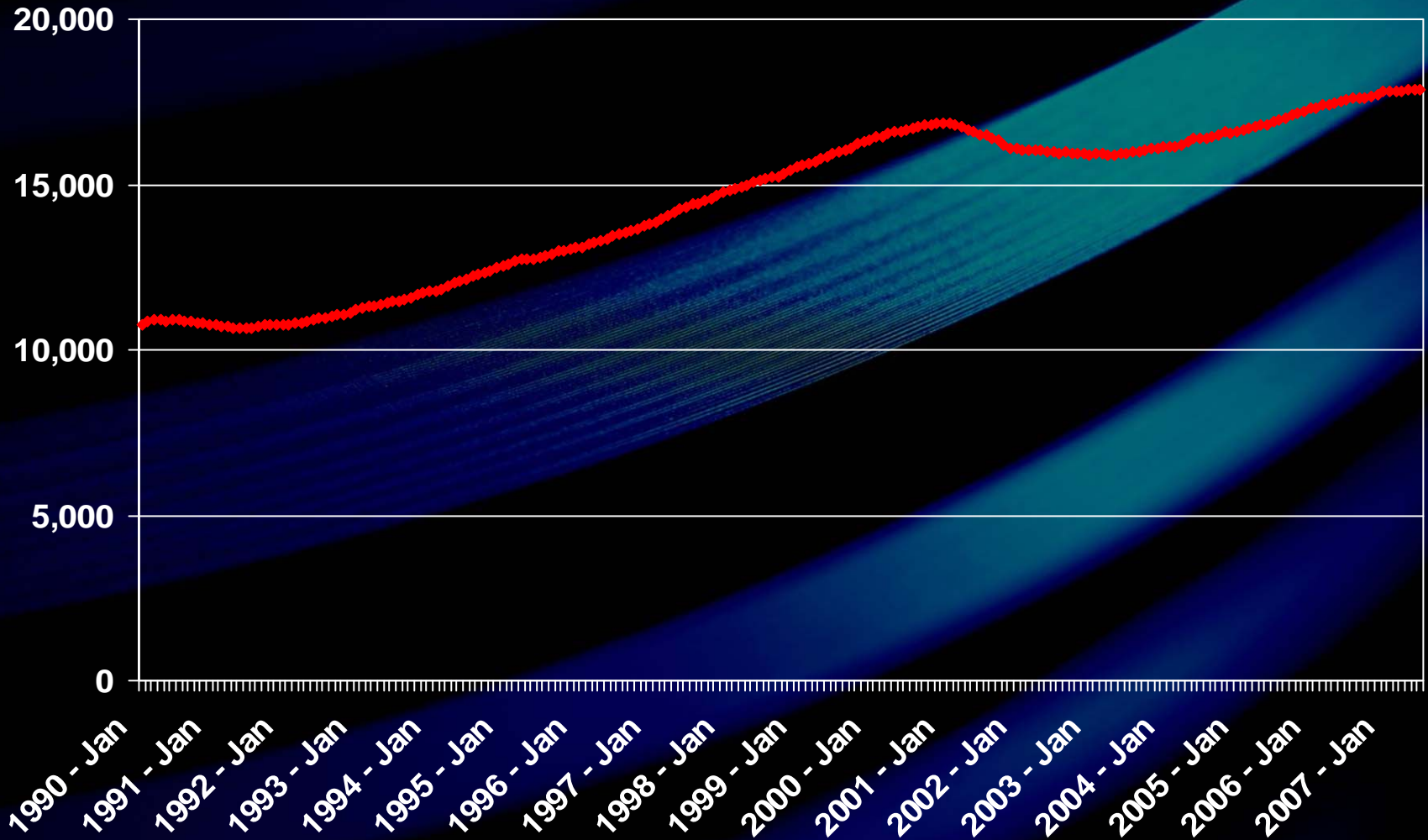
In thousands



Source: BLS

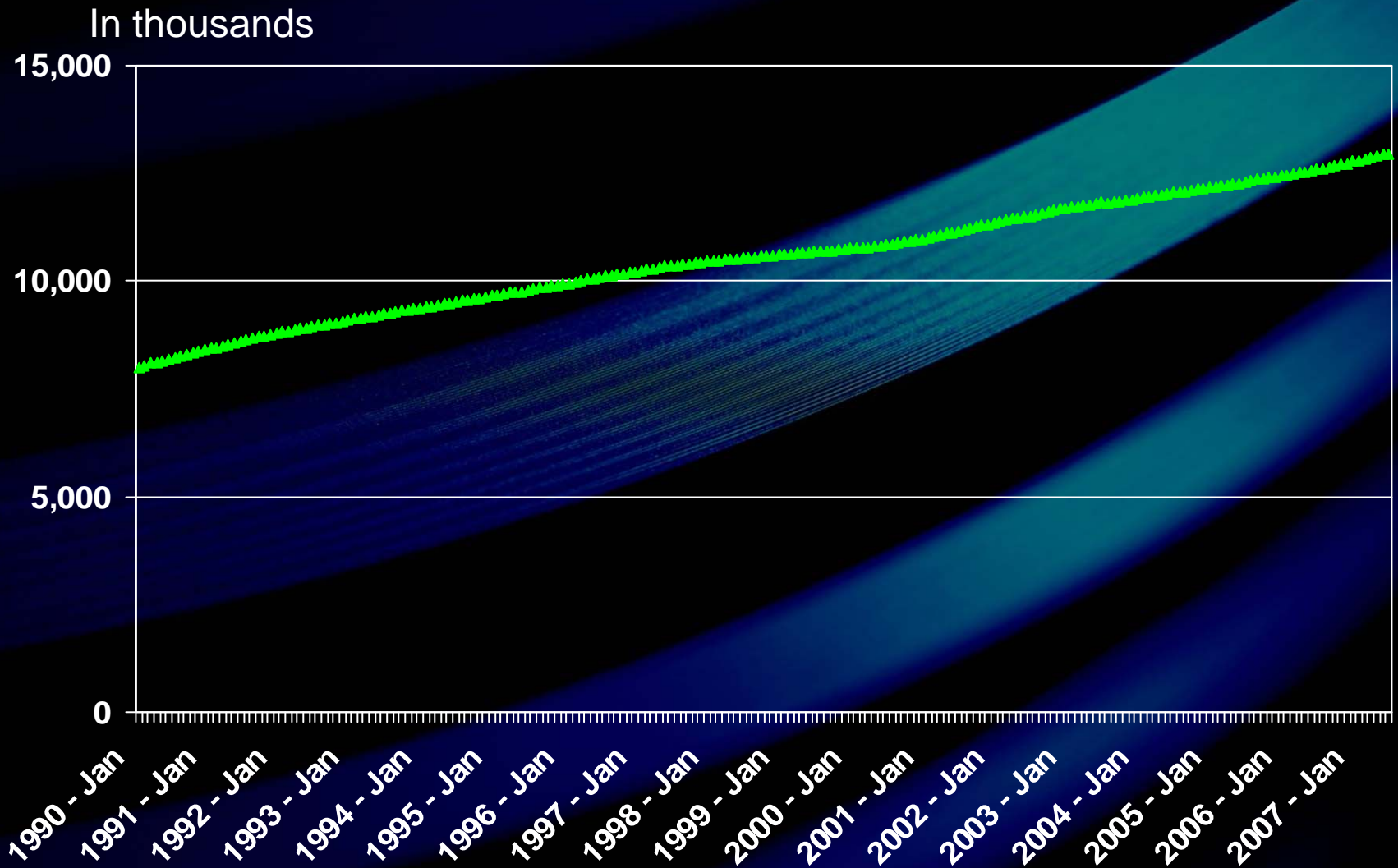
Professional Business Service Jobs

In thousands



Source: BLS

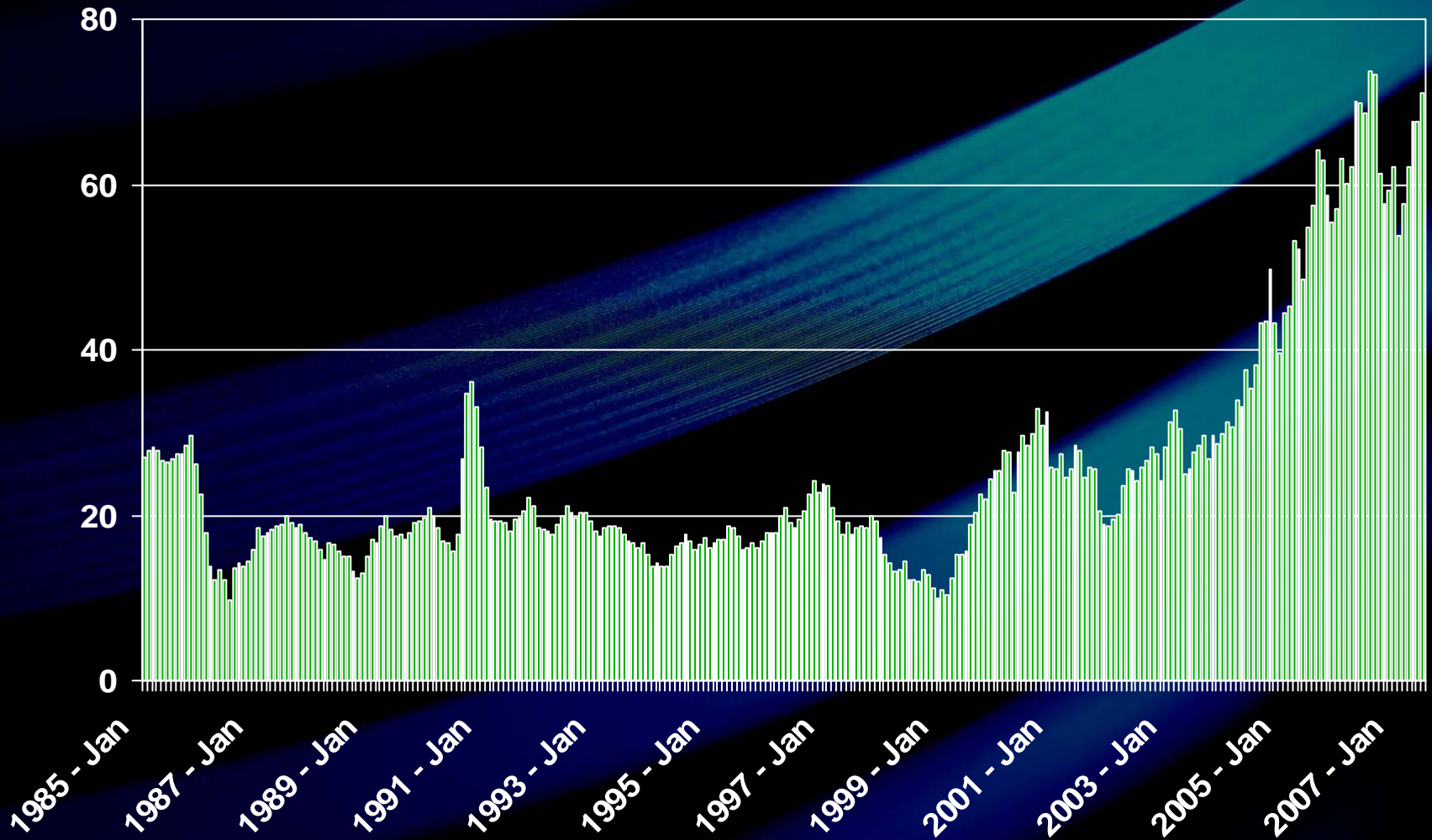
Health Care Service Jobs



Source: BLS

Oil Price

\$ per barrel



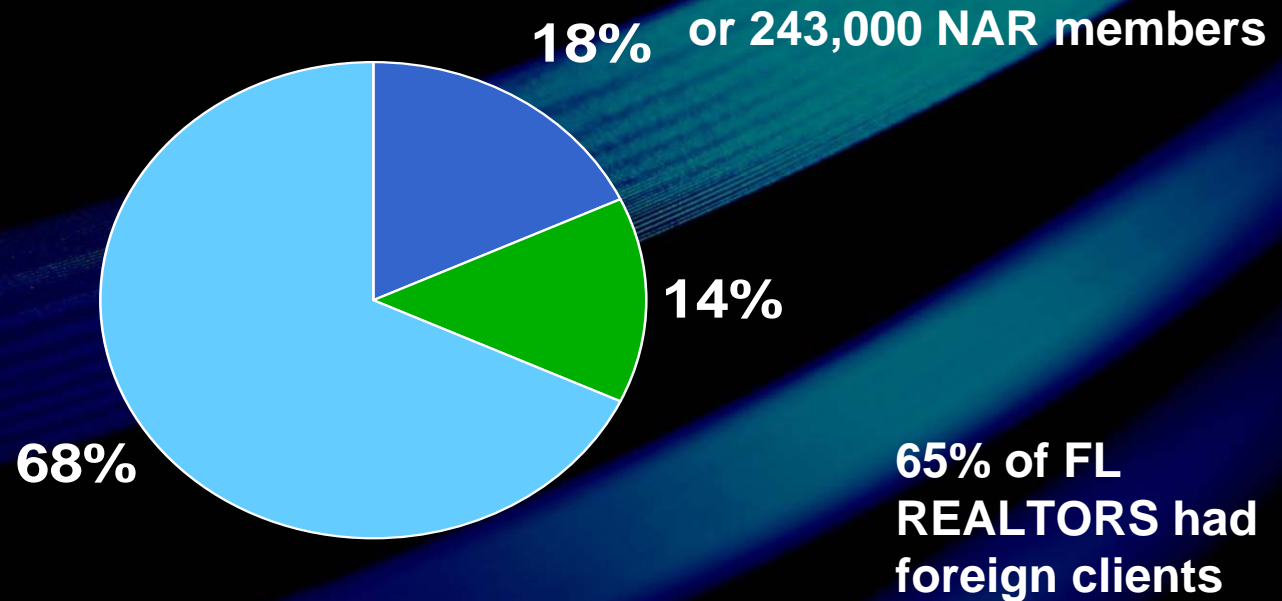
Source: Wall Street Journal

Knowledge Based Economy

- **Paul Romer at Stanford**
- **Thomas Friedman at NY Times**
 - **World is Flat**
- **Education becoming more important**
- **Jobs less dependent to specific location**
 - **Favors hip cities**
- **Your children will work for whom? And where?**

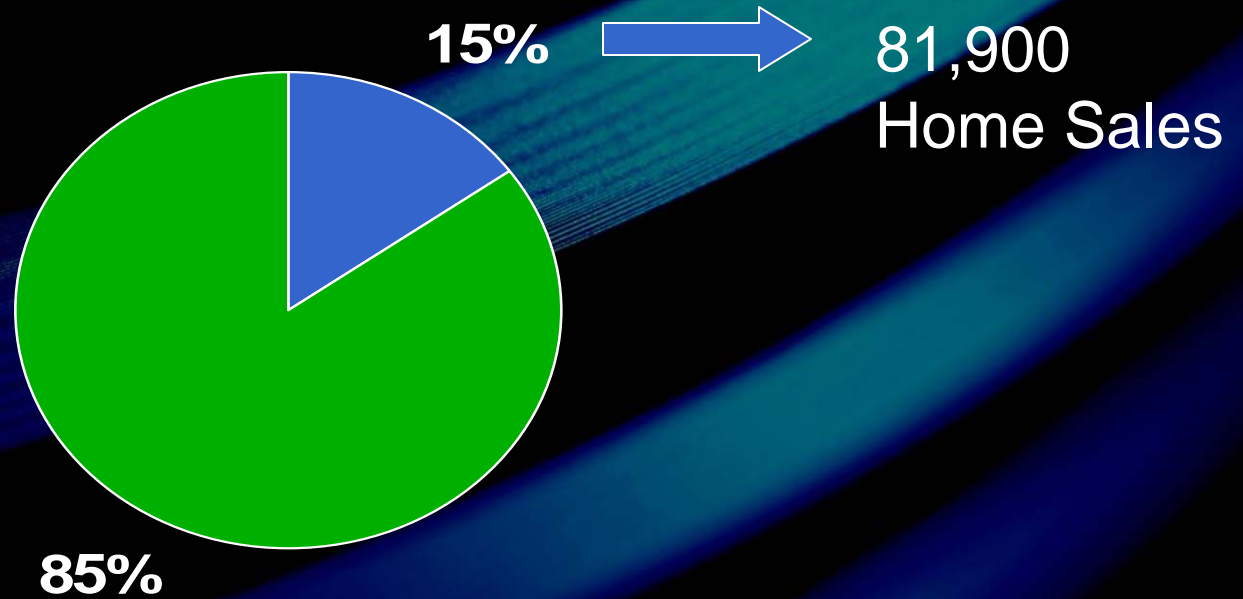
U.S. REALTORS Engagement

(April 2006 to April 2007)



■ Closings ■ Prospects Only ■ None

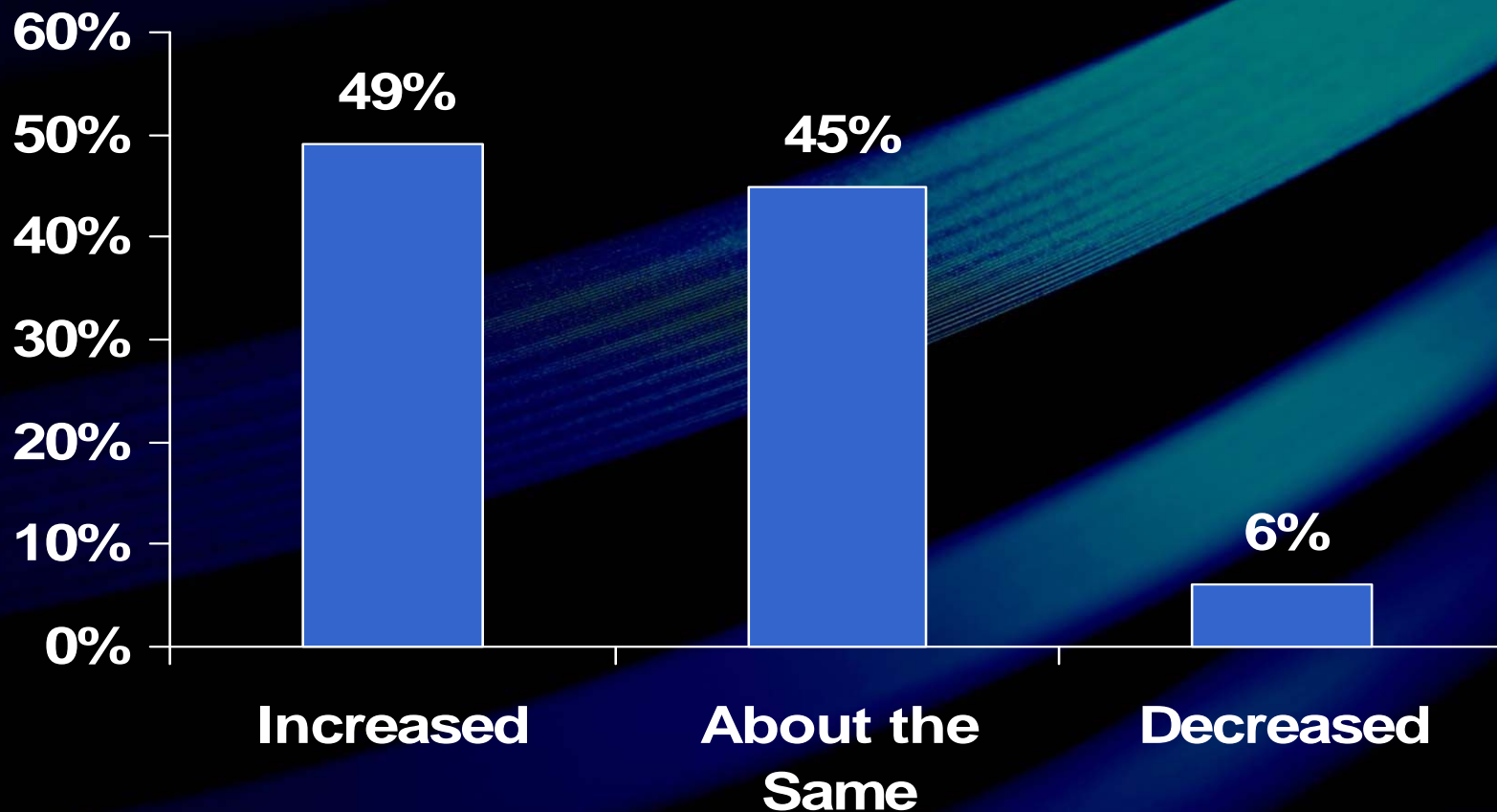
International Home Buyers in Florida



■ Foreign ■ Domestic

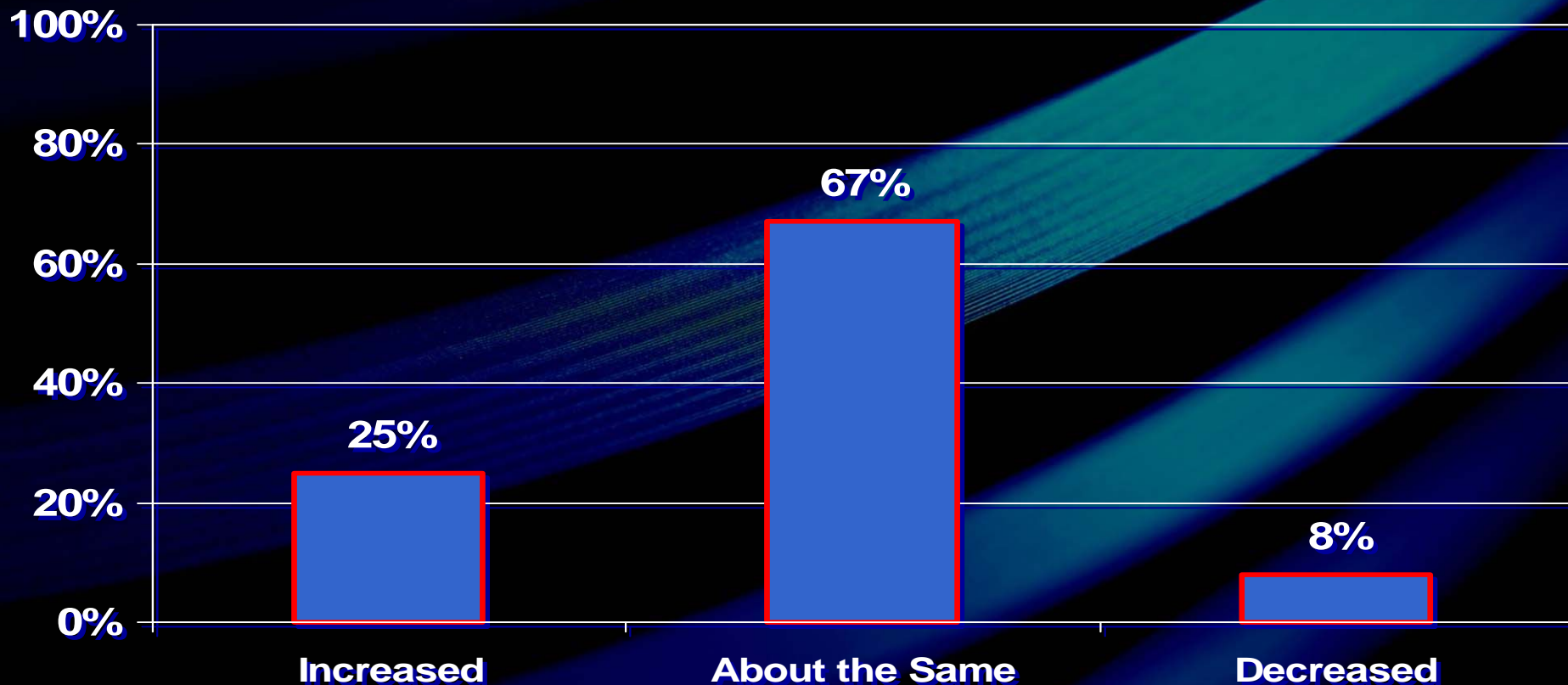
International Homebuyer Trend in Florida in 2005

(versus 5 years ago)

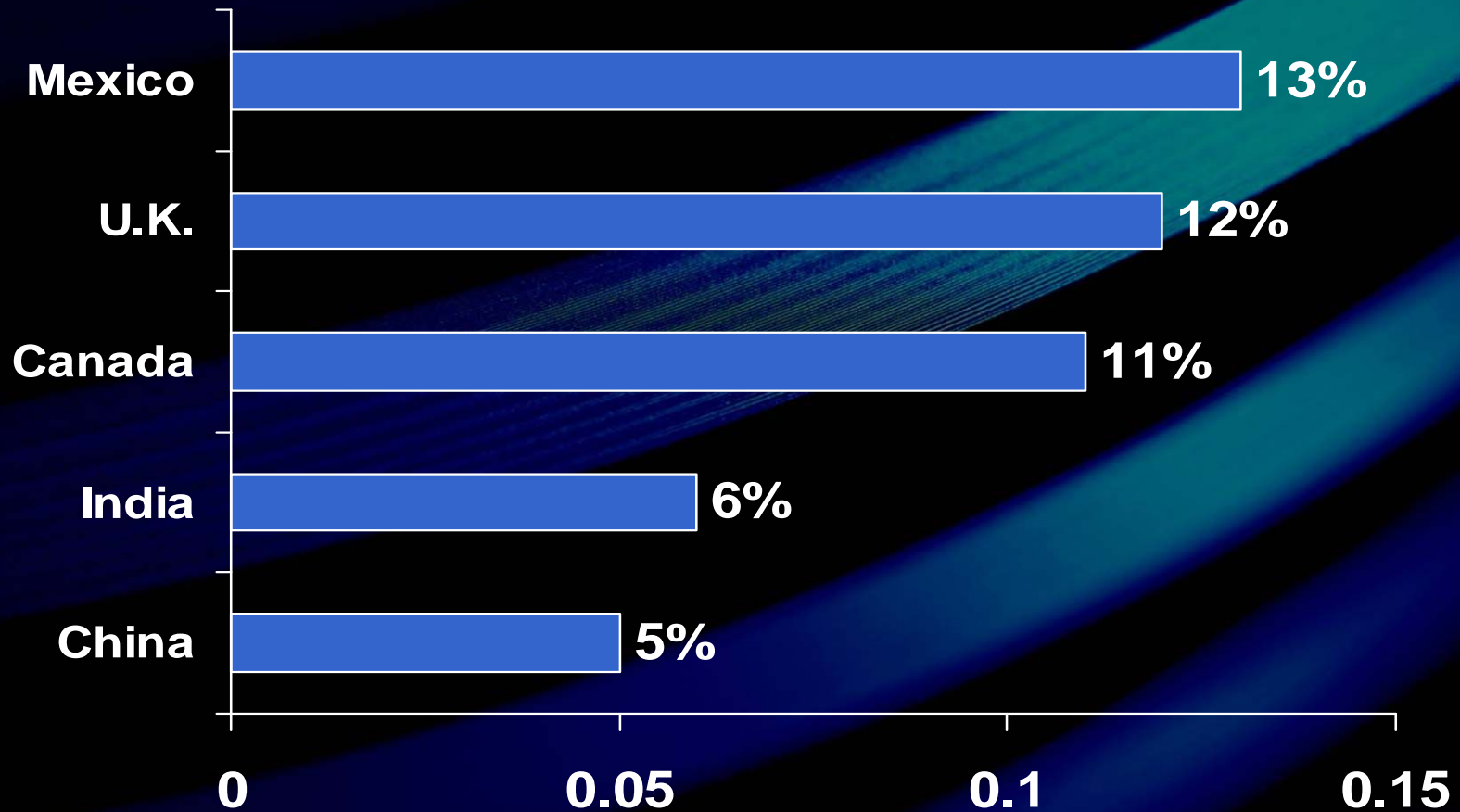


International Homebuyer Trend in the U.S. in 2006

(versus 5 years ago)

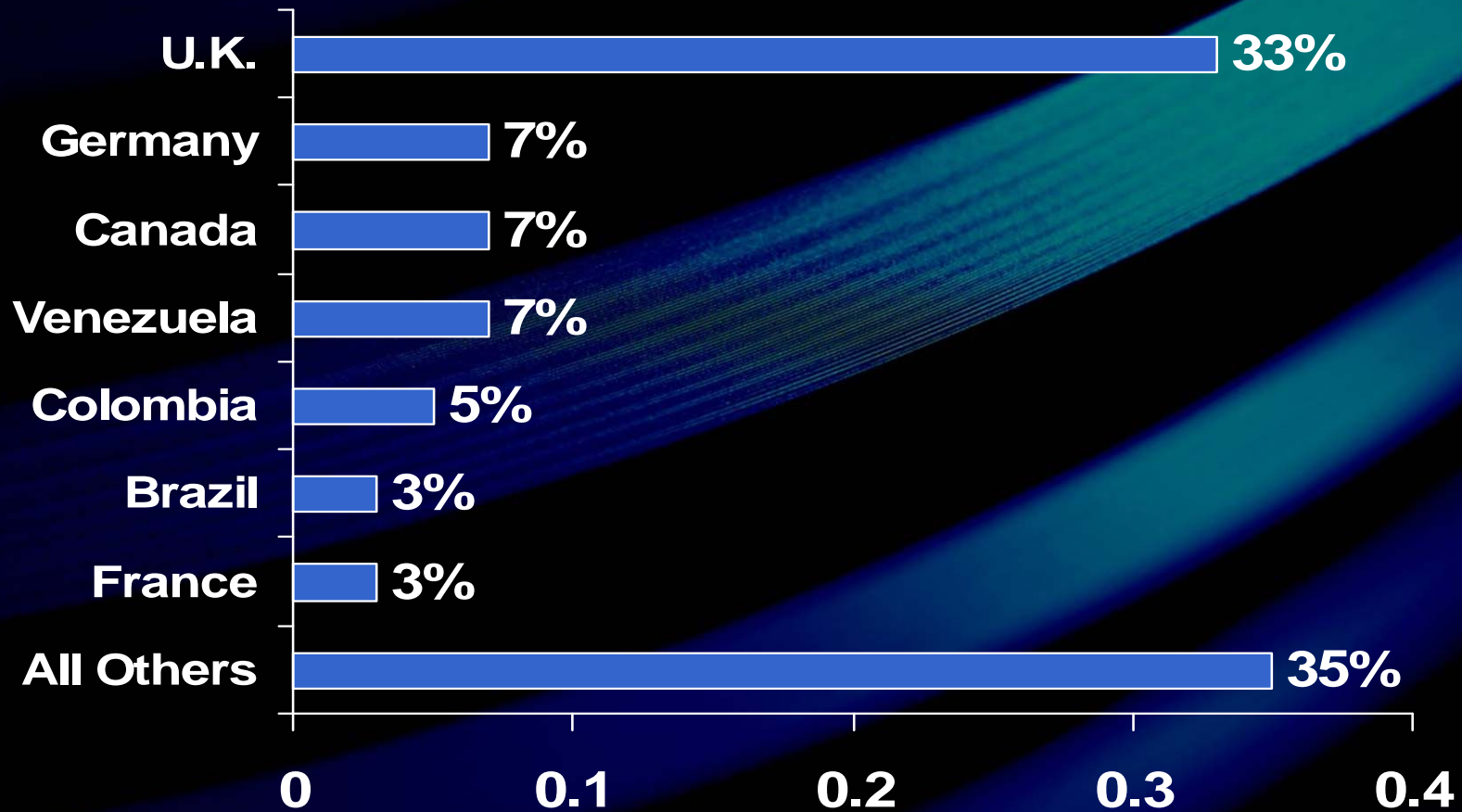


International Buyers' Origin by Country in the U.S.



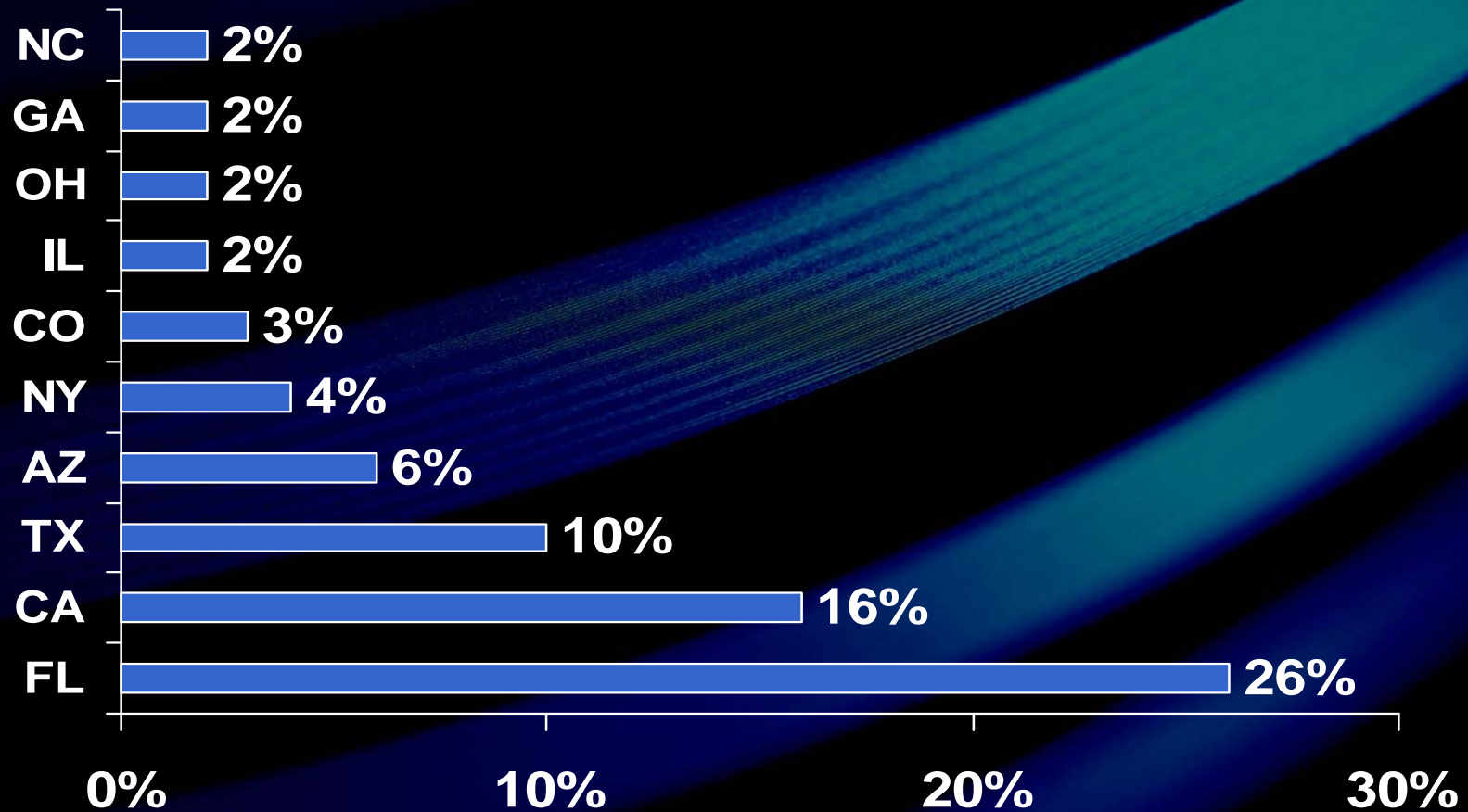
Source: NAR

International Buyers' Origin by Country in Florida



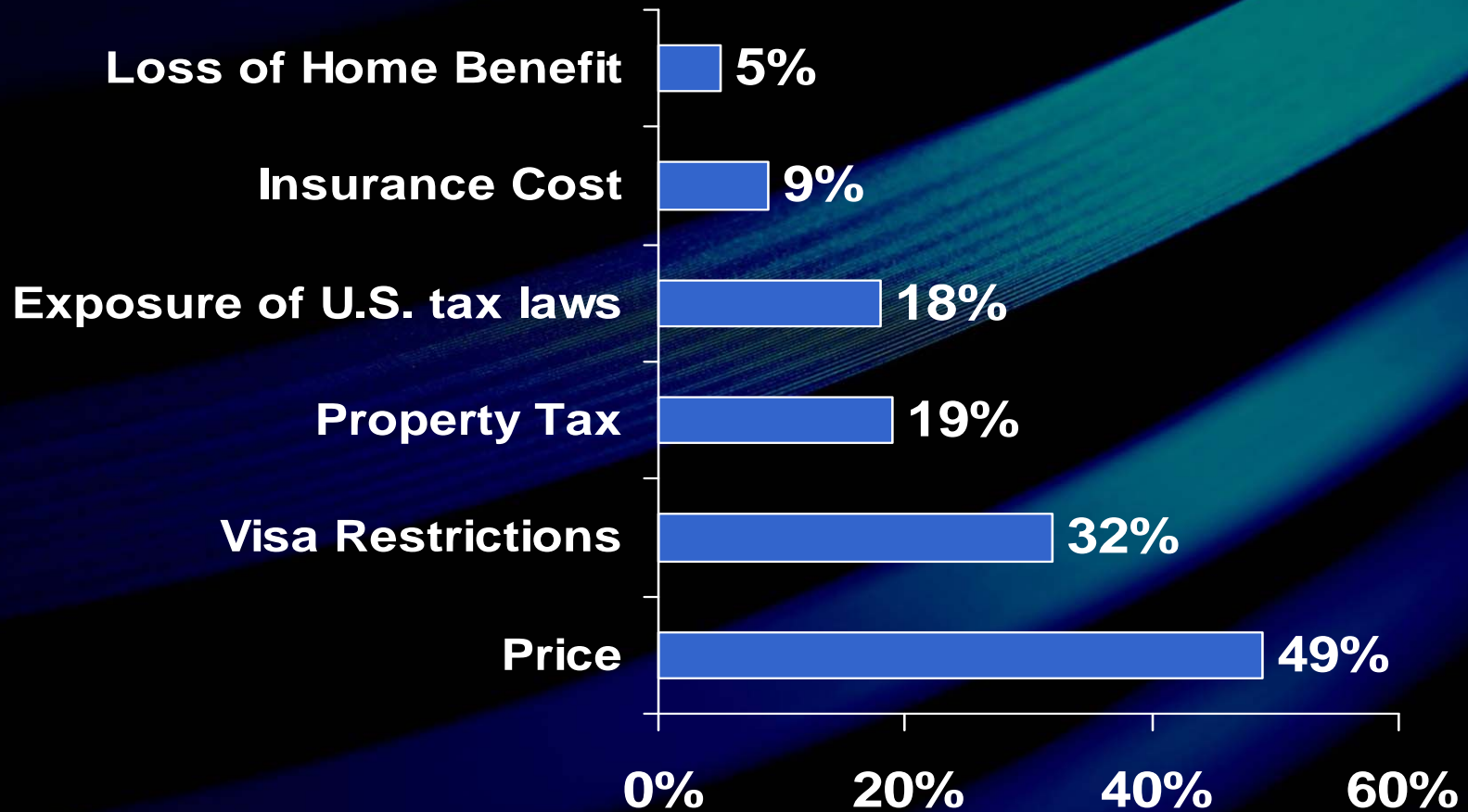
Source: NAR

International Buyers' Destination in the U.S.



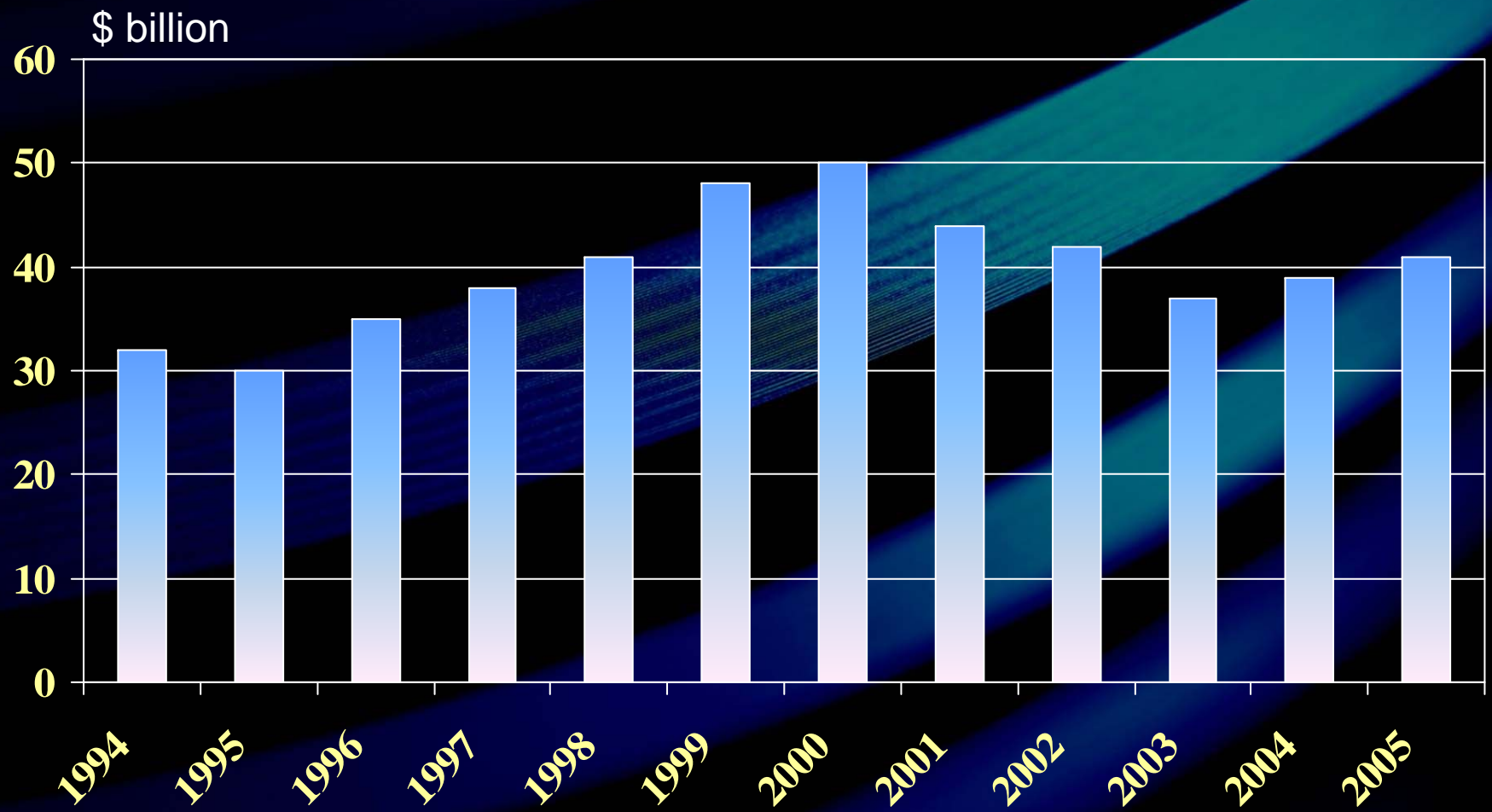
Source: NAR

International Buyer Prospects' Non-Purchase



Source: NAR

Foreign Direct Investment in U.S. Commercial Real Estate



Source: Department. Of Commerce



Foreign Direct Investment Position in U.S.

Top Investing Countries in 2005

- **Germany**
- **Latin America**
- **Australia**
- **Japan**
- **United Kingdom**
- **Canada**
- **Netherlands**

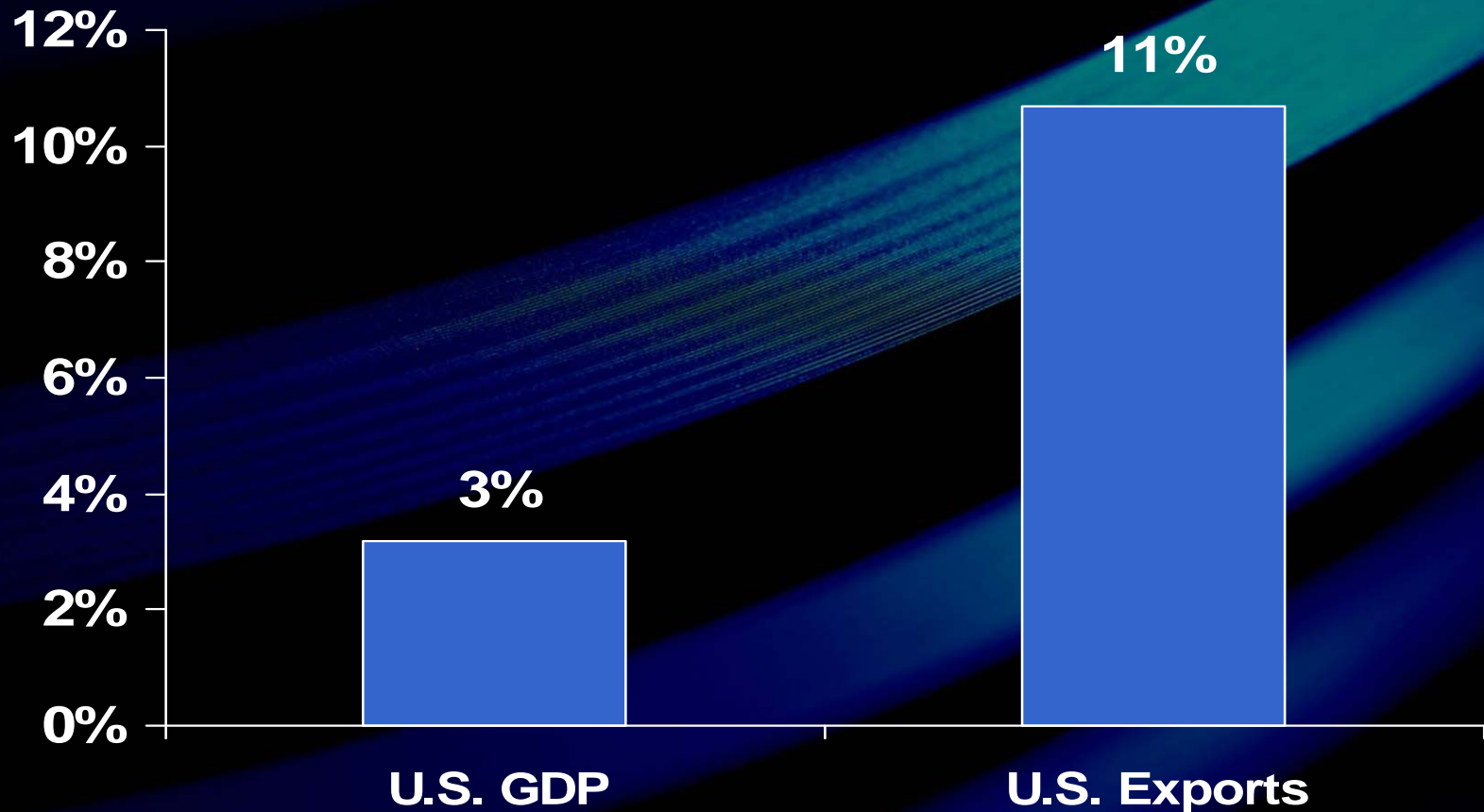
U.S. Citizens Living Abroad

- Mexico: 1,036,300
- Canada: 687,000
- UK: 224,000
- Germany: 210,000
- Italy: 168,000
- Philippines: 105,000
- Australia: 102,000
- France: 101,000
- Spain: 94,000
- Israel: 94,000
- All other countries: 1,247,705

Total = 4.1 million

Outbound to Foreign Countries

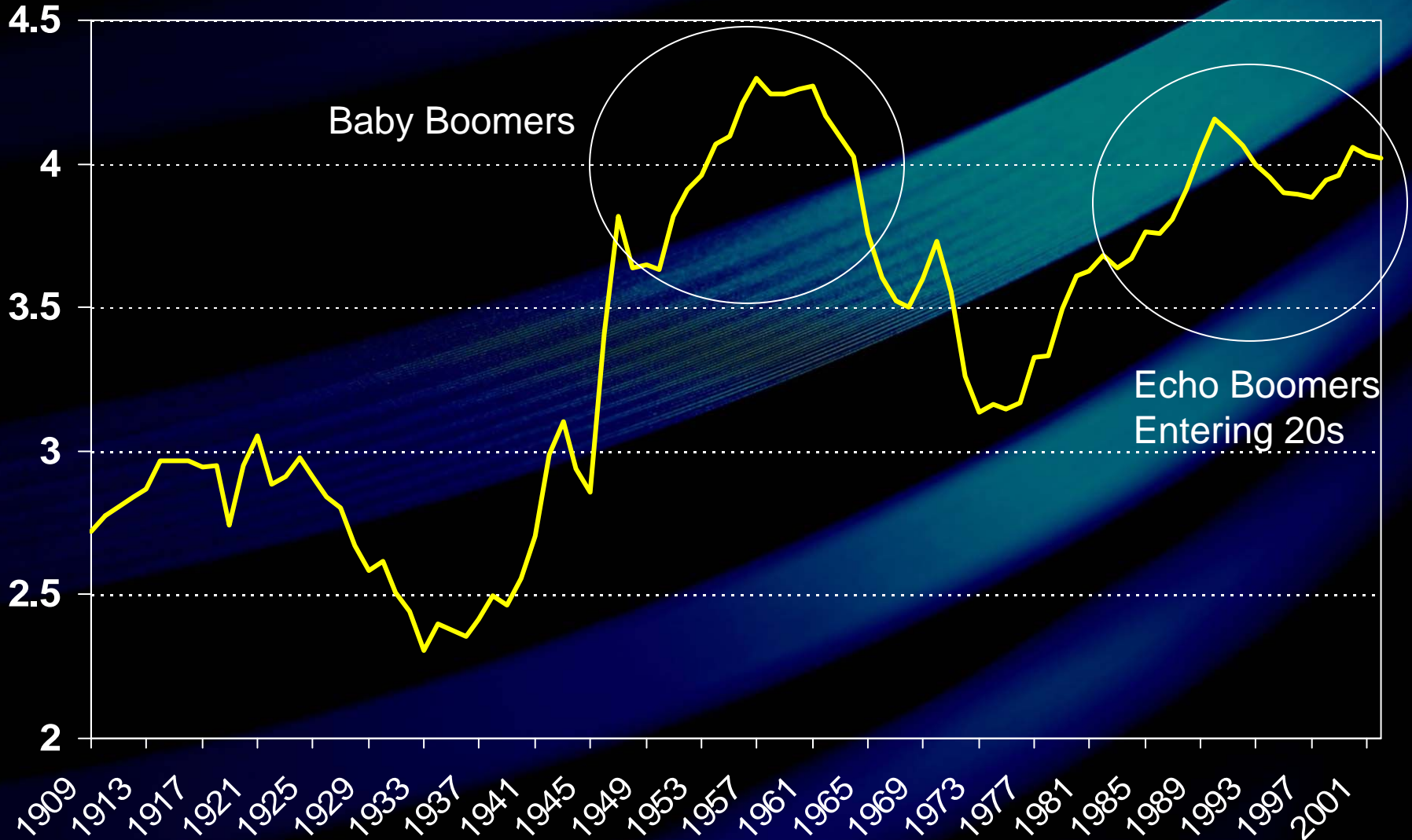
(2005 vs 2004)



Source: NAR

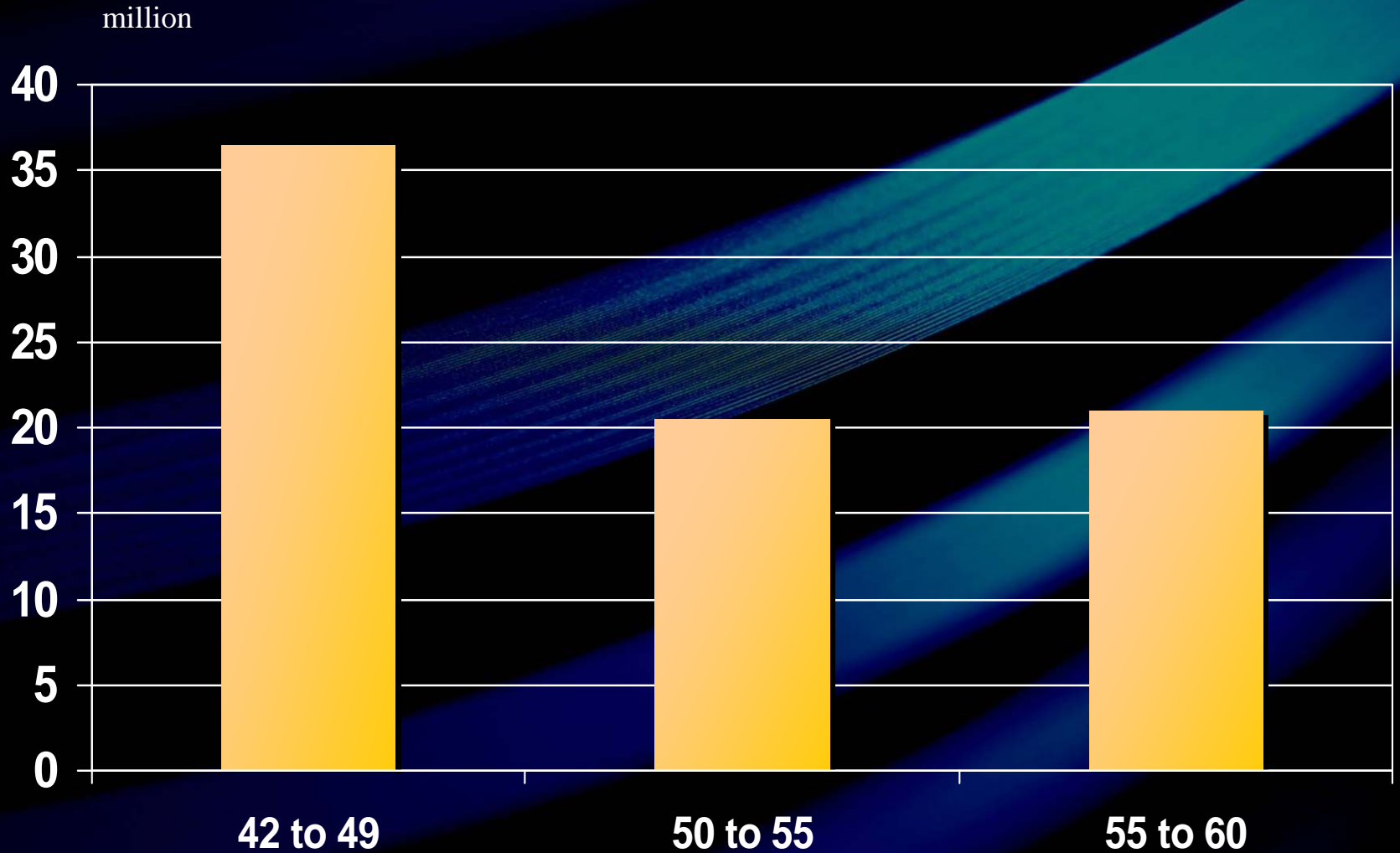
Live Births in the U.S.

Million



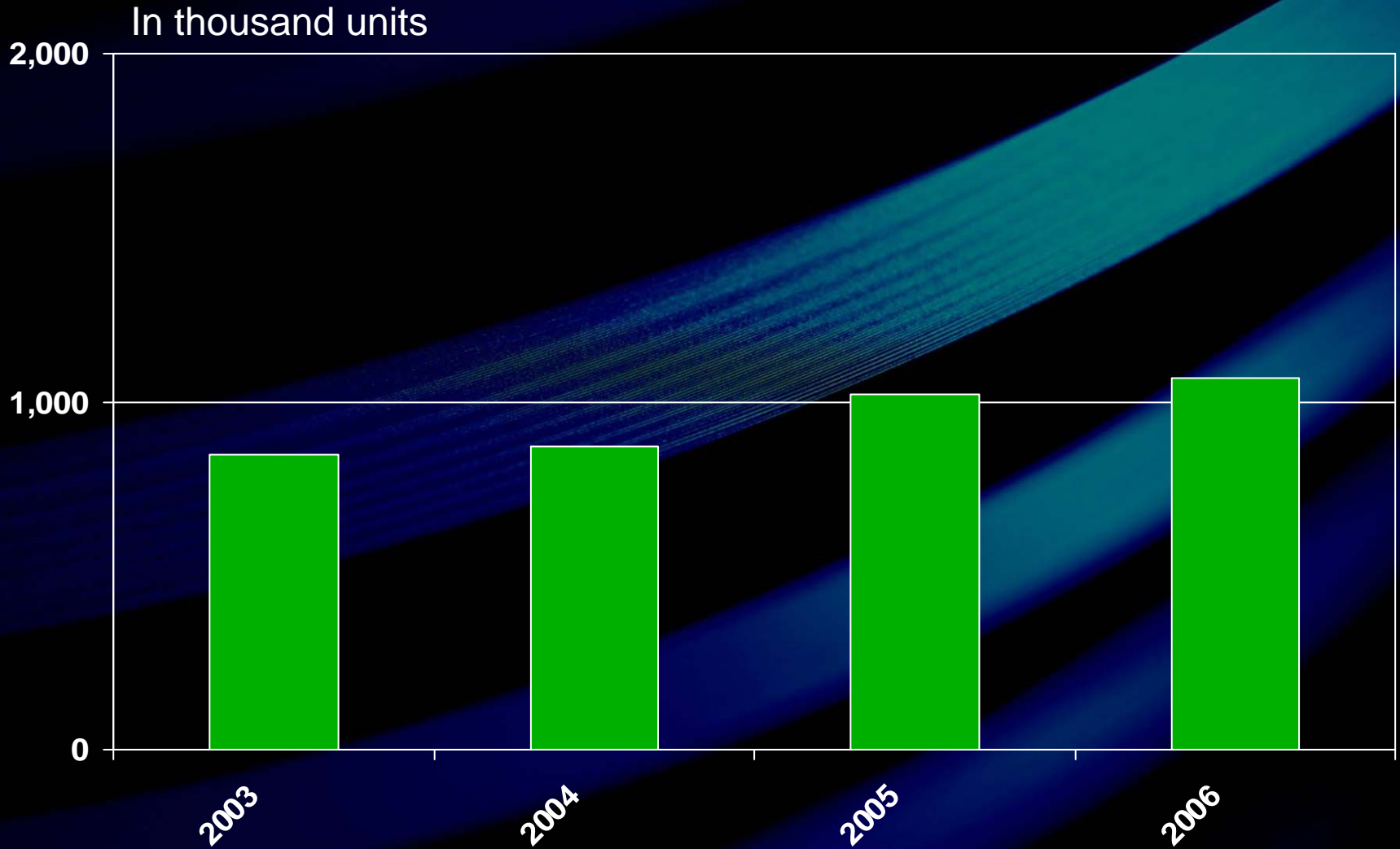
Source: National Center for Health Statistics

Baby Boomers



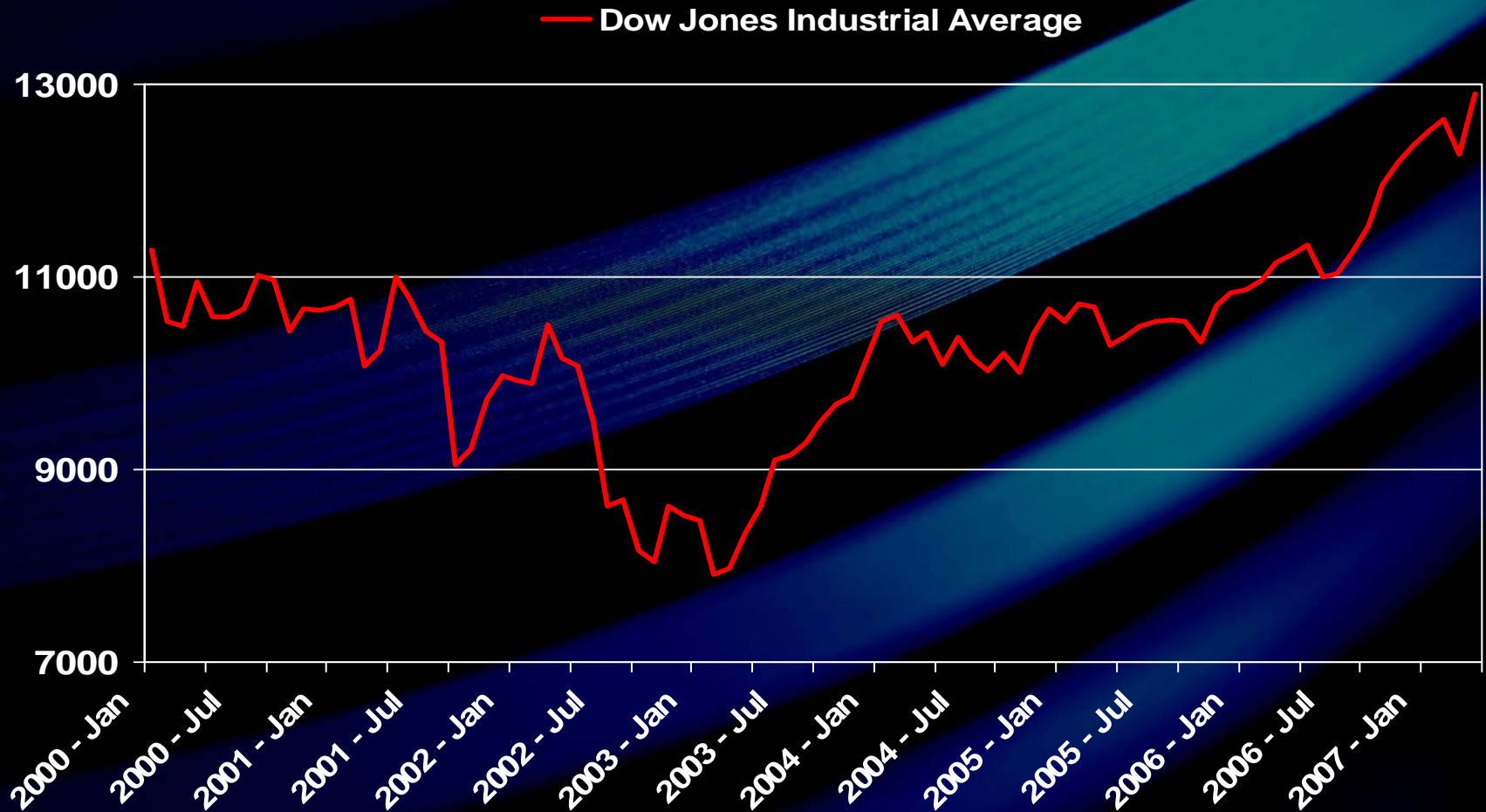
Source: Census

Vacation Home Sales



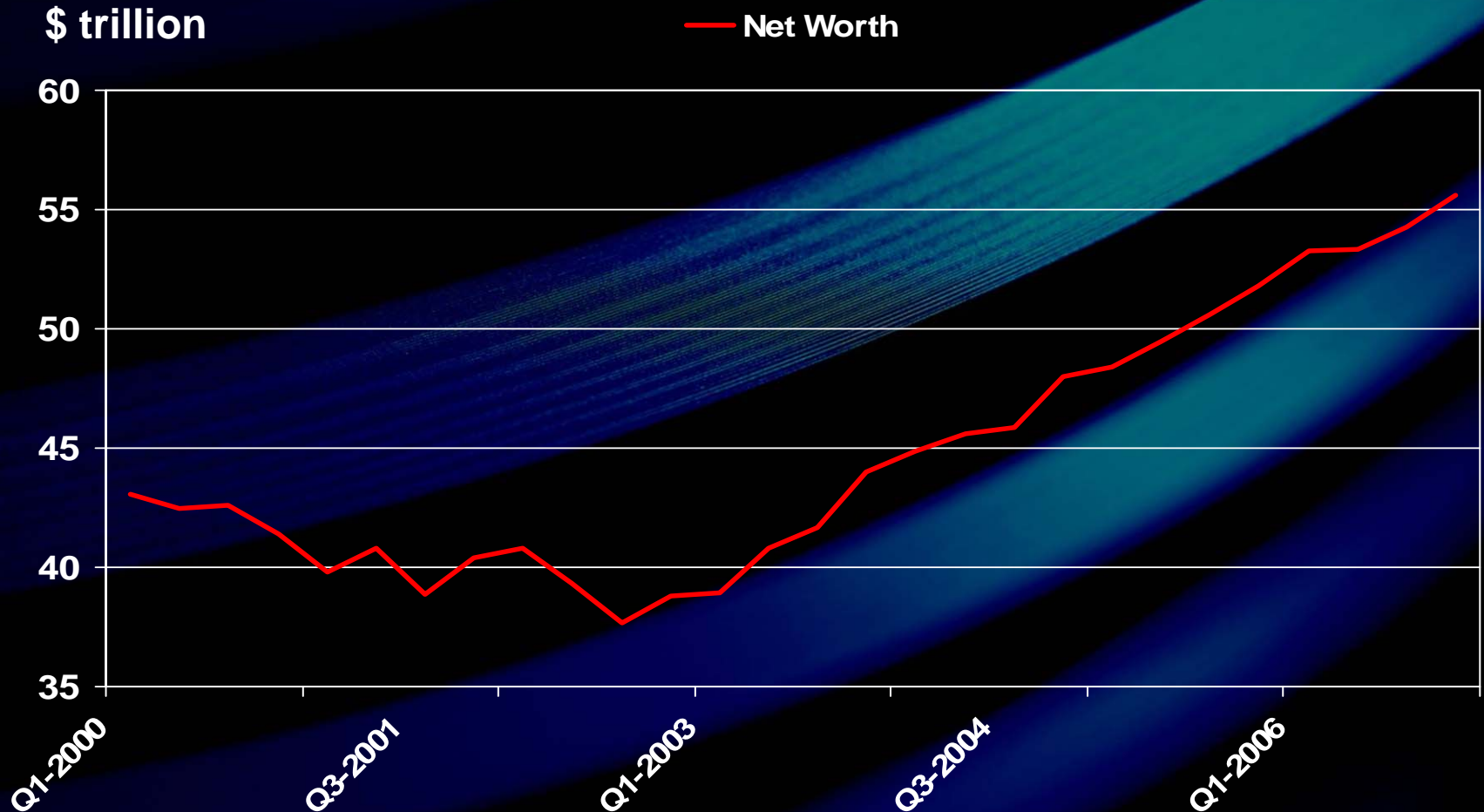
Source: NAR

Dow Jones Industrial Average



Source: NYSE

Record Household Wealth



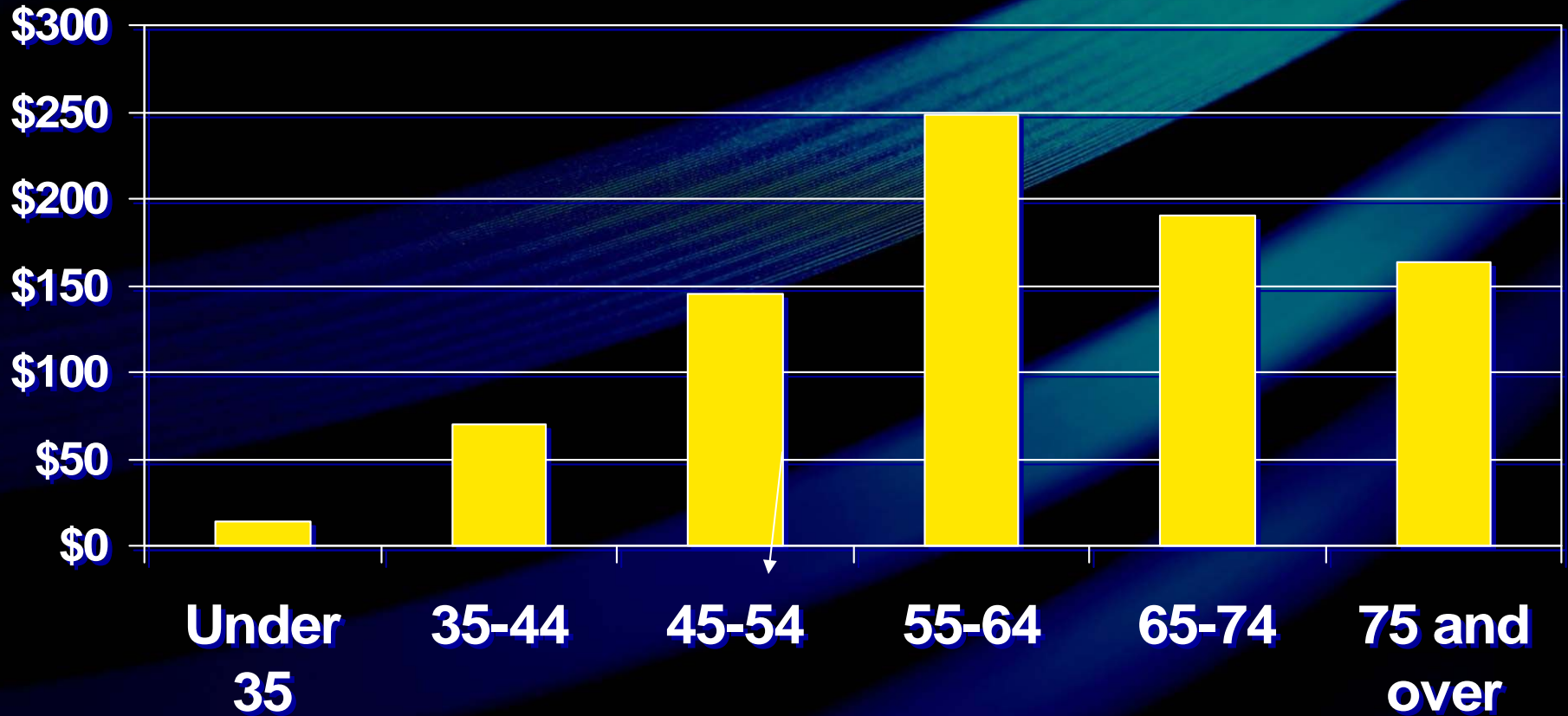
Source: Federal Reserve

Household Wealth Accumulation

(2004)

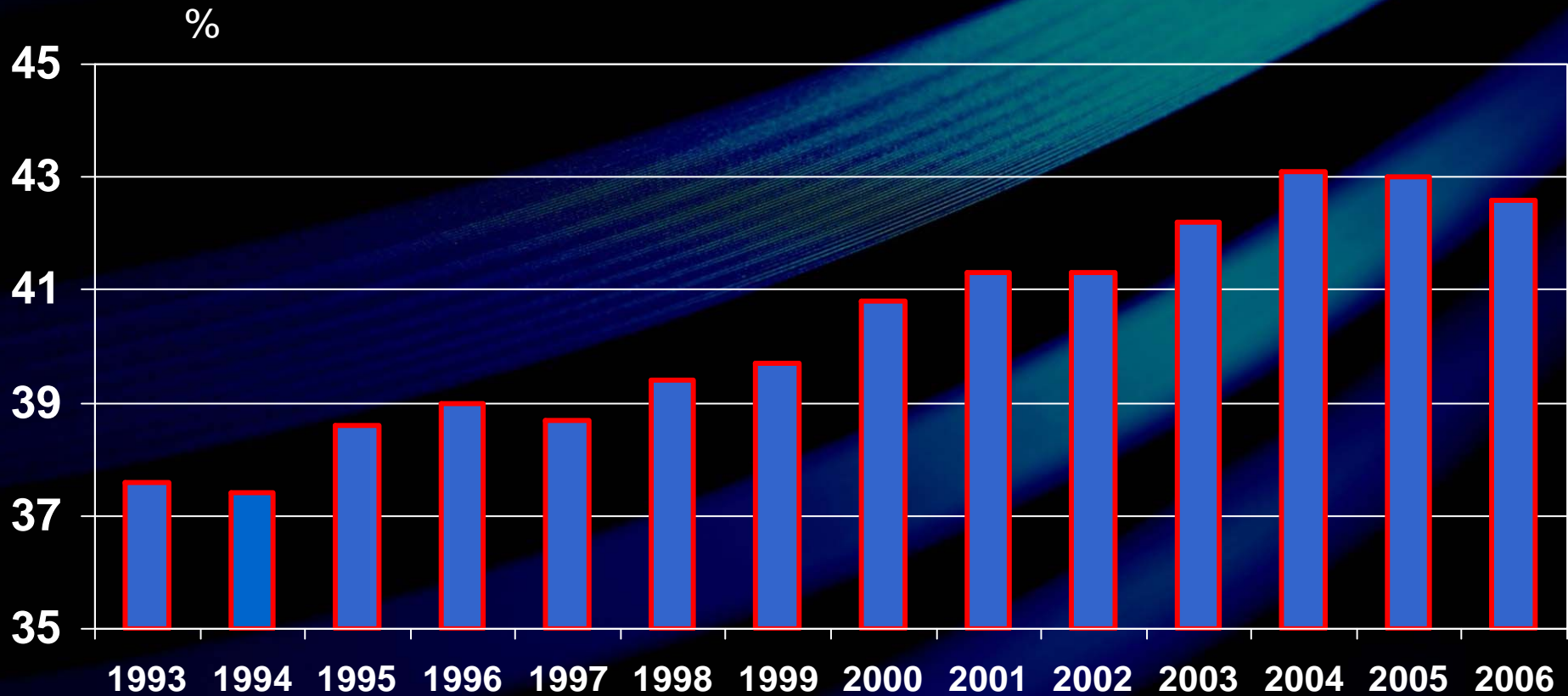
Median Net Worth in \$ thousand

■ 2004



Source: Federal Reserve

Homeownership Rate Among the Young (Under 35 years old)



Source: Census

Downtown Resurgence?

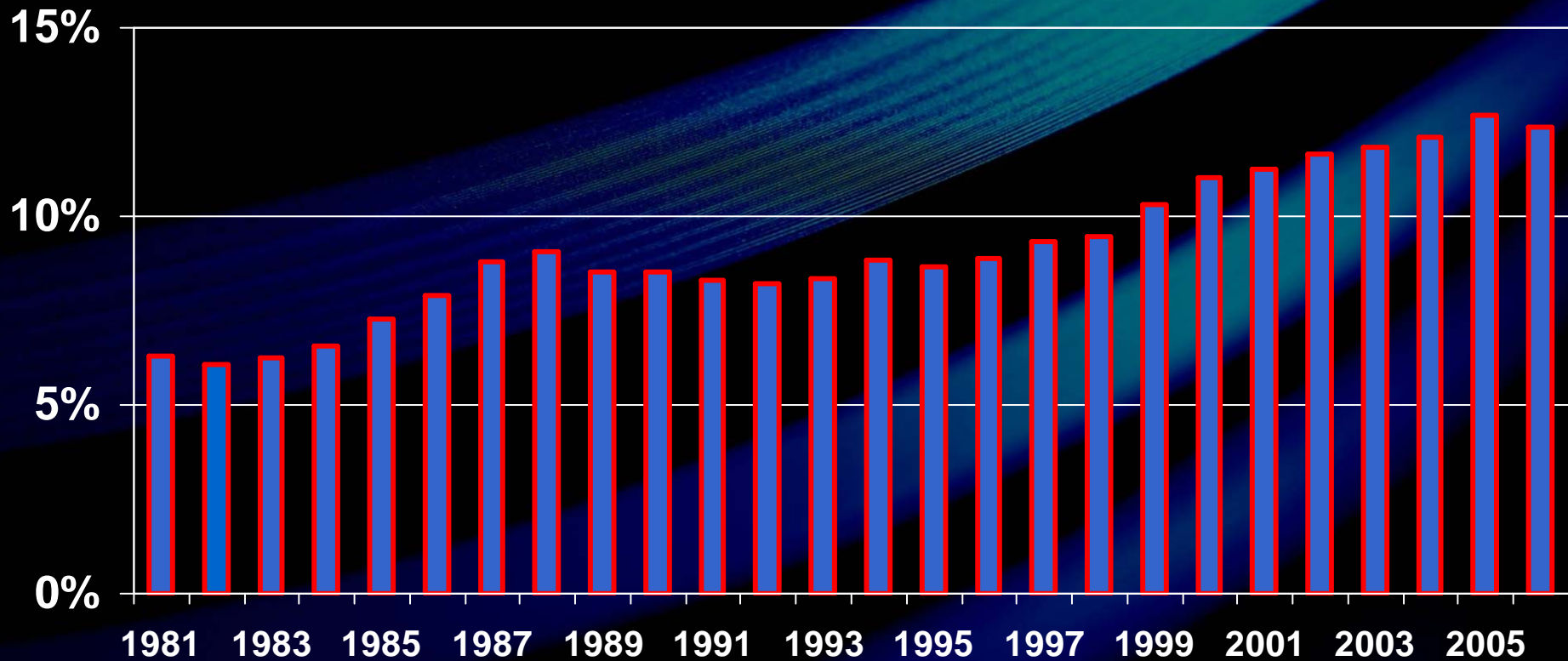
- **Downtown Population Trending Up (Examples from 1990 to 2000)**

- **Houston** **up 69%**
- **Seattle** **67%**
- **Chicago** **51%**
- **Denver** **51%**
- **Portland** **35%**
- **Cleveland** **32%**

- **Central cities holding up better than before**

- **31 of 50 largest cities lost population in 1970s**
- **22 of 50 largest cities lost population in 1980s**
- **15 of 50 largest cities lost population in 1990s**

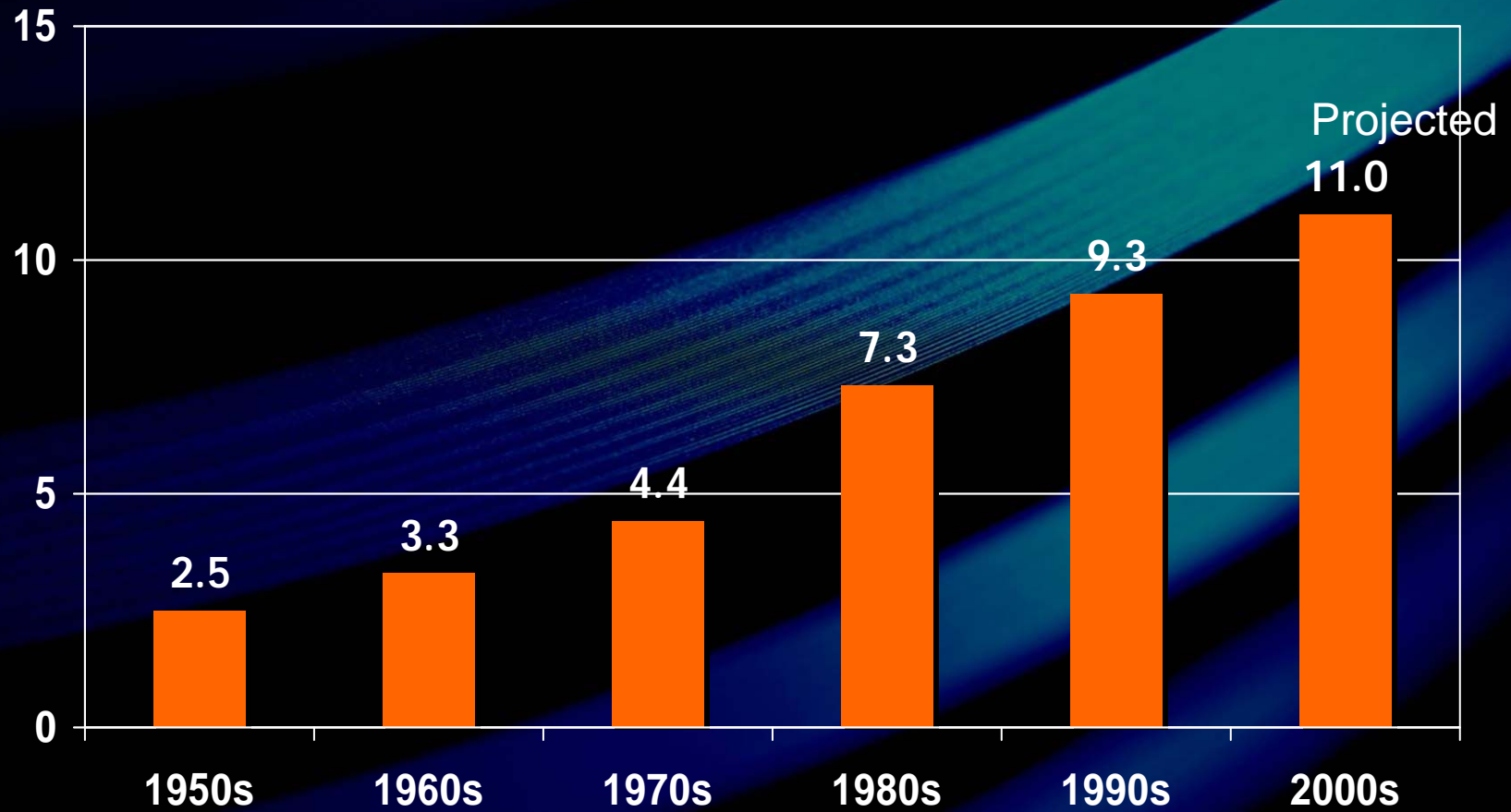
Condo Share of Total Home Sales



Source: NAR (only existing home sales)

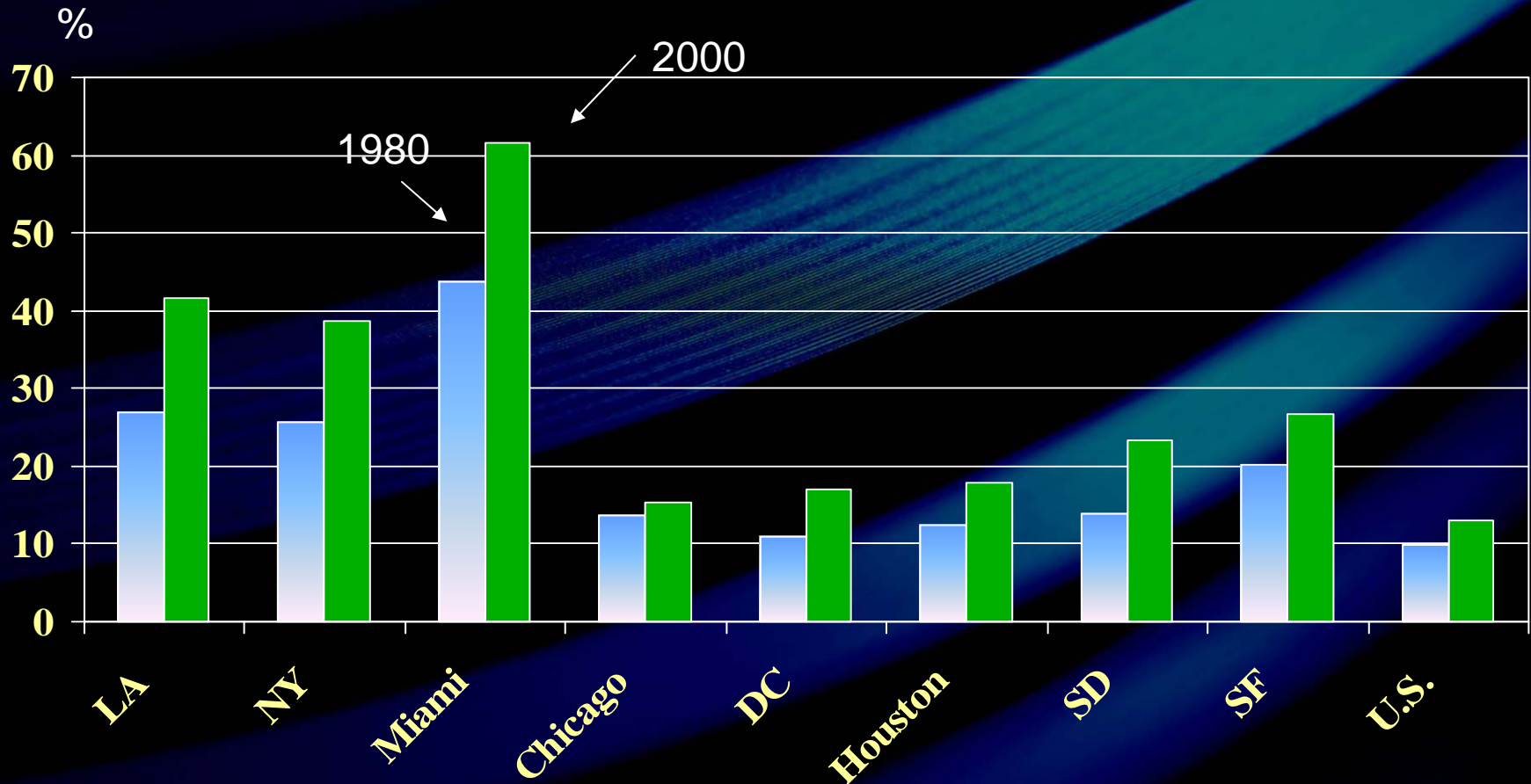
Surging Immigration

million



Source: Census Bureau, NAR Forecast

Foreign-Born Population on the Rise ... Inevitable Rise in International Inbound/Outbound Purchases

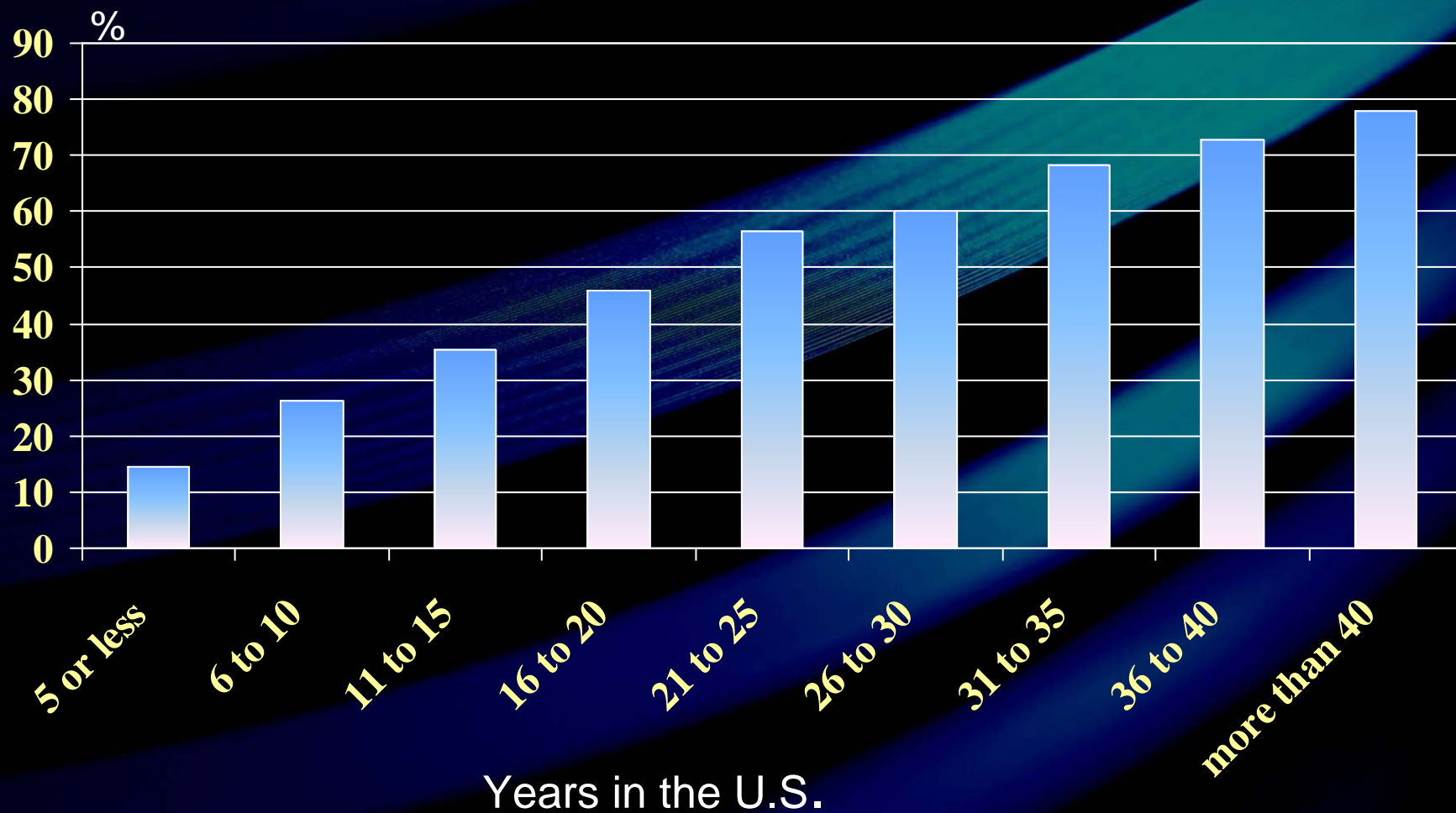


Source: U.S. Census



Immigrant Homeownership Rate Rises over Time

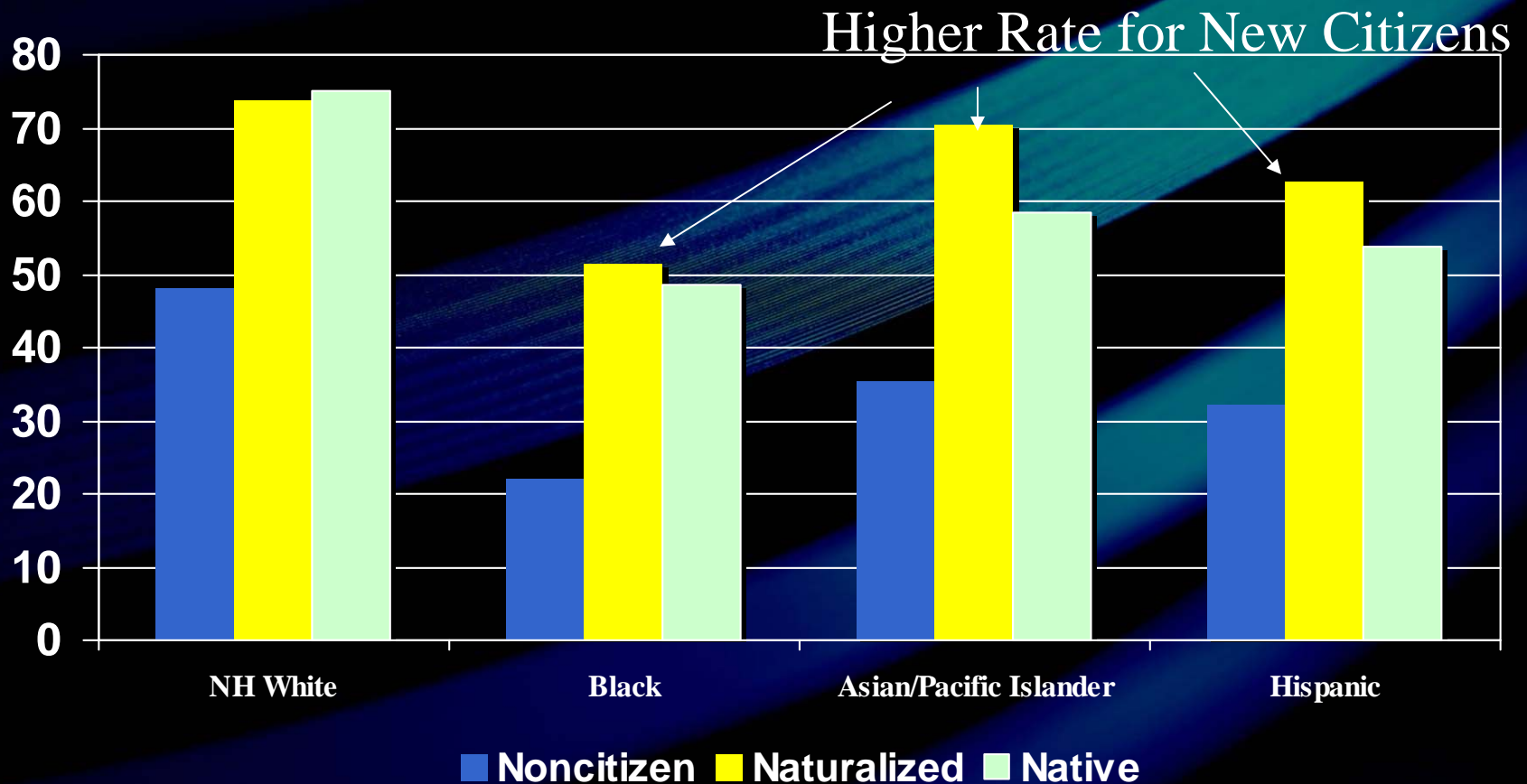
(2000)



Years in the U.S.

Source: U.S. Census

Homeownership Rate by Citizenship Status



Source: Census, Harvard Joint Center

Positive Trends in Global Real Estate

- **Private Property Movement**
- **Better market information**
 - Thailand 1997 Crisis from lack of reliable Real Estate Information
 - Foreign MLSs?
- **Mortgage Market Innovations in other countries**
 - ARMs in U.K.
 - Few mortgages in Russia
 - Large down payments in South Korea
 - Nascent Mortgage Backed Securities outside U.S.
- **Deeper Information and Liquidity ... lower borrowing cost and more transactions**

Local Real Estate in Global World

- **Location, Location, Location**
- **Non-movable asset**
- **Local specialists needed**
- **Only the clients will no longer be locals**