



McLane Solutions

Real Estate Education

“Normal or Crazy: Where Do We Go From Here?”

Today’s World:

- Despite Fed cuts, rates haven’t adjusted much
- Inflation
- Continued low supply of listings
- NAR: Worst year since 1995

How does this affect buyers & sellers?

“It’s the economy, stupid!”

Economics: The Big Picture

Housing said to lead US into and out of recessions

But what does housing really do?

Property Ownership—a hallmark of the US Economy

Political and Economic History

Link Between Household Expenditure Cycles and Economic Cycles

Major Downturns:

- Great Depression
- 1973-1975 Recession
- Double dip Recessions of 1980; 981-1982
- Great Recession (2006 on)

Decade	Comments
1920's	
1930's	
1940's	
1950's	
1960's	
1970's	
1980's	
1990's	

2000-10	
2010-2022	
2022-2024	

Terms & Concepts:

Economic Indicators

Economists:

Equilibrium

Inflation

Stagflation

Deflation

Monetizing Debt

Case Studies

1). Last year, new home sales for homes over 3000 sf with selling prices over \$500,000 totaled 100 in your market. Attracted by these sales, many contractors began building homes similar to this 'on spec'. Currently 250 such new homes are on the market. Based on this, what do you expect to happen in this market and why?

2). This market has been relatively stable for the past several years, with limited new construction. The typical home in your market is 80-100 years old and <1800 sf, a 2.0 story 6/3/1 or 6/3/1.5. At present, the median family income is about \$45,000 per year. A new company is coming to this market. This relatively high tech company will bring about 200-250 new employees to the area. There will also be new jobs for local people; however the people moving into the area will be mostly engineers and other highly trained professionals. What can you expect to happen in this market and why?

3). Last year, interest rates ranged between 4% and 5%. In your local market, per the MLS, you had the following sales of single family homes:

\$100,000-\$150,000	100 units	\$250,000 to \$275,000	150 units
\$150,000-\$200,000	150 units	\$275,000 to \$375,000	100 units
\$200,000-\$250,000	200 units	\$375,000 and up	50 units

Current listing inventory is as follows:

\$100,000-\$150,000	75 units	\$250,000 to \$275,000	200 units
\$150,000-\$200,000	75 units	\$275,000 to \$375,000	100 units
\$200,000 to \$250,000	200 units	\$375,000 and up	100 units

Unfortunately, interest rates have been steadily rising and are now between 7% and 8%. The Chairman of the Fed says he needs to control inflation and does not anticipate any lowering of rates. What do you expect will happen in this market and why? Be specific as to the various price ranges.

4). Here are some of the “thumbnail sketches” of the demographics of your market. Persons ages 1-18 years old 20,000+/-; 18-30 year olds, 10,000 +/-; 30-45 year olds, 8,000 +/-; 45-60 year olds, 15,000+/-; 60-75 year olds, 20,000+/-; 75+ year olds, 10,000 +/- . Educational levels are as follows: 14% have a college degree; 2% have an advanced degree (MD, PHD, LLD) 70% high school only; 14% never graduated from high school. There is an abundance of land available for development. The region is

characterized by low crime, low cost of living, plentiful recreational opportunities and it does have an outstanding regional medical center. Based on the demographics of the area, what kind of housing would you recommend your client build? Who is it being built for? Be specific as to size, price range, style and explain to whom the properties would be marketed.

5). The economy is sputtering along, with both high unemployment and inflation. This is known as: _____What effect will this have on the real estate market?

6) The Federal Reserve has announced it will begin monetizing debt. What two effects might this cause?

7). The Federal Reserve increases reserve requirements to do what?

8) The Federal Reserve decreases reserve requirements to do what?

9) A state raised their state income tax, anticipating higher revenues. However, revenues declined. Which economist would have predicted that behavior?

10) The government creates federal jobs to help combat unemployment. Unemployment goes down. Which economist would have predicted that result?

11) The government institutes a program which it believes will improve the economy and help create jobs. However, neither one happens. Which economist would have predicted that result?

12) The government cuts taxes, which stimulates the economy, causing small businesses to add jobs and the economy to grow. Which economist would have predicted that result?

Challenges: DOJ/NAR Lawsuit

How do *you* present commissions on a listing appointment?

On a buyer agency appointment?

Challenges: Decreasing sales, limited supply, are there too many agents?

- Clear cooperation being challenged
- NAR appealing to Supreme Court
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Agents are not all equal

Challenge or Opportunity?

It's a Business! Run it like one!

Wrap up and Q & A