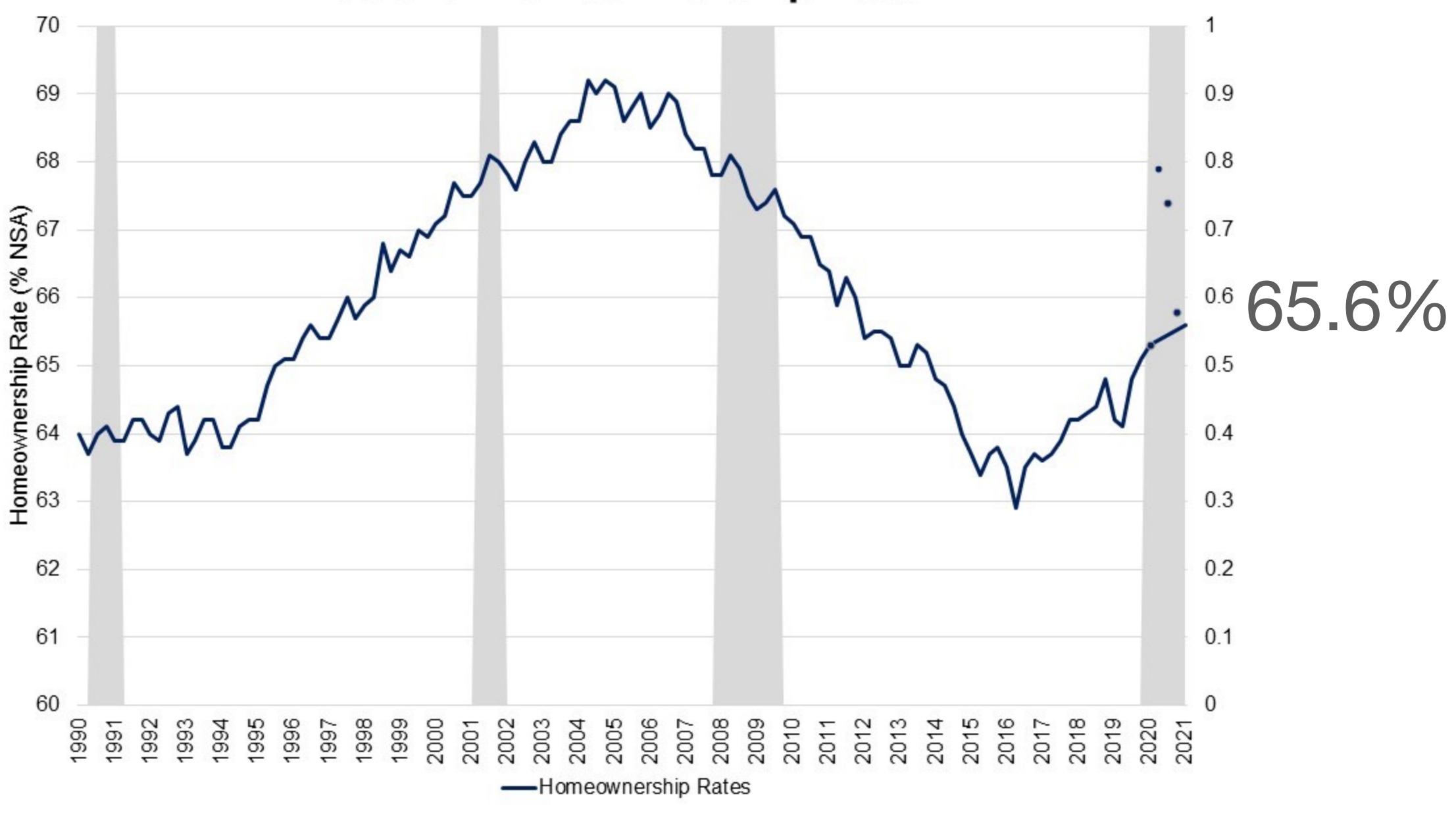


Three Macrotrends #RenterNation

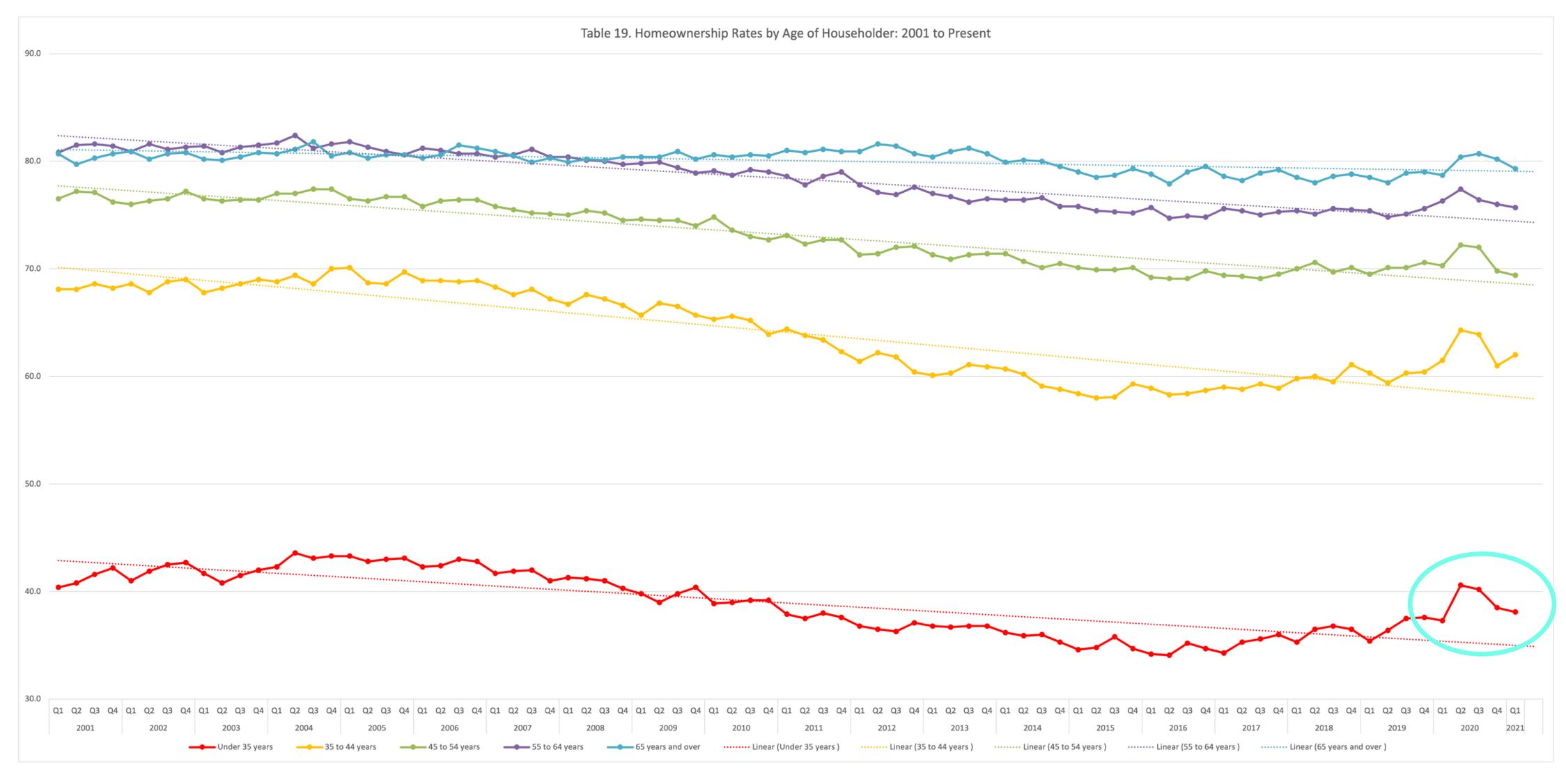
Macroeconomics: #InflationNation

National Homeownership Rate



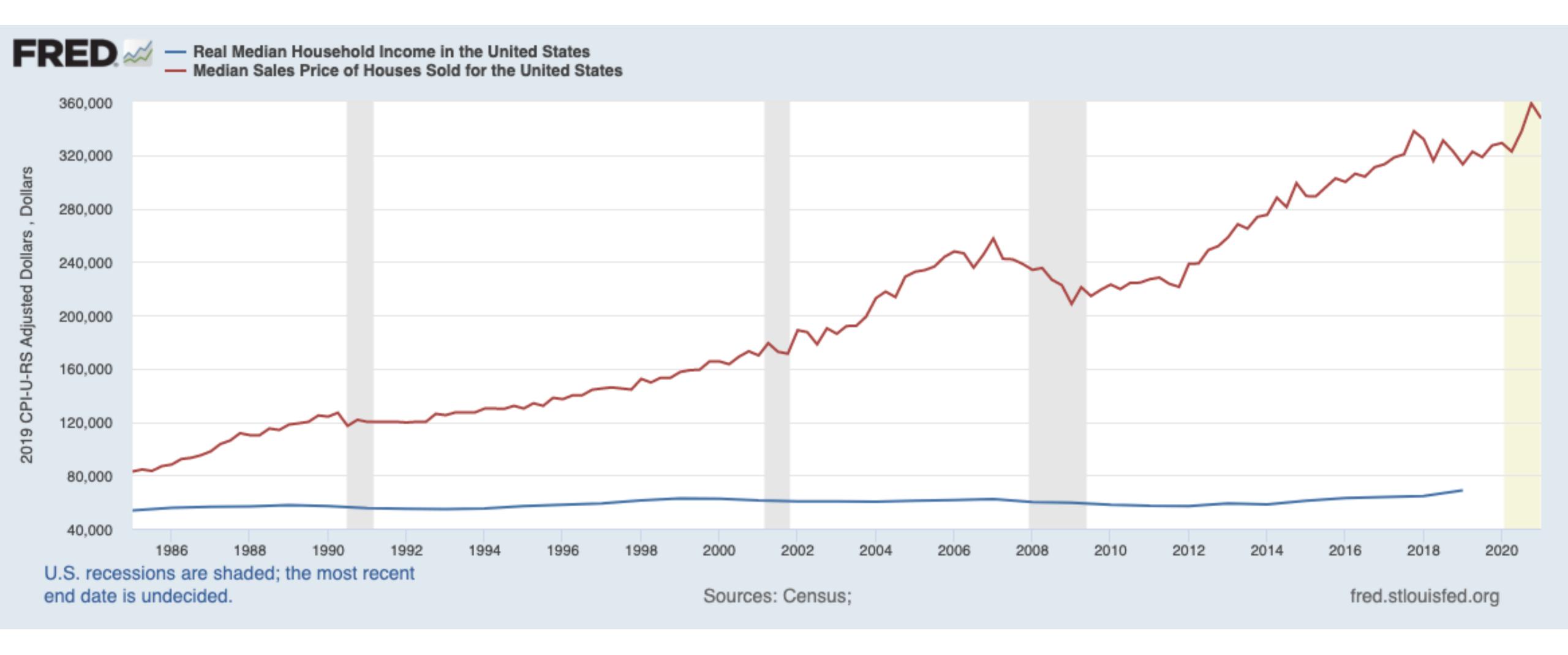
Note: Data of the last three quarters of 2020 are shown as separated dots. Connecting data from 1Q 2020 to 1Q 2021 indicates a plausible path of homeownership rates.

Millennial Homeownership Below 40%



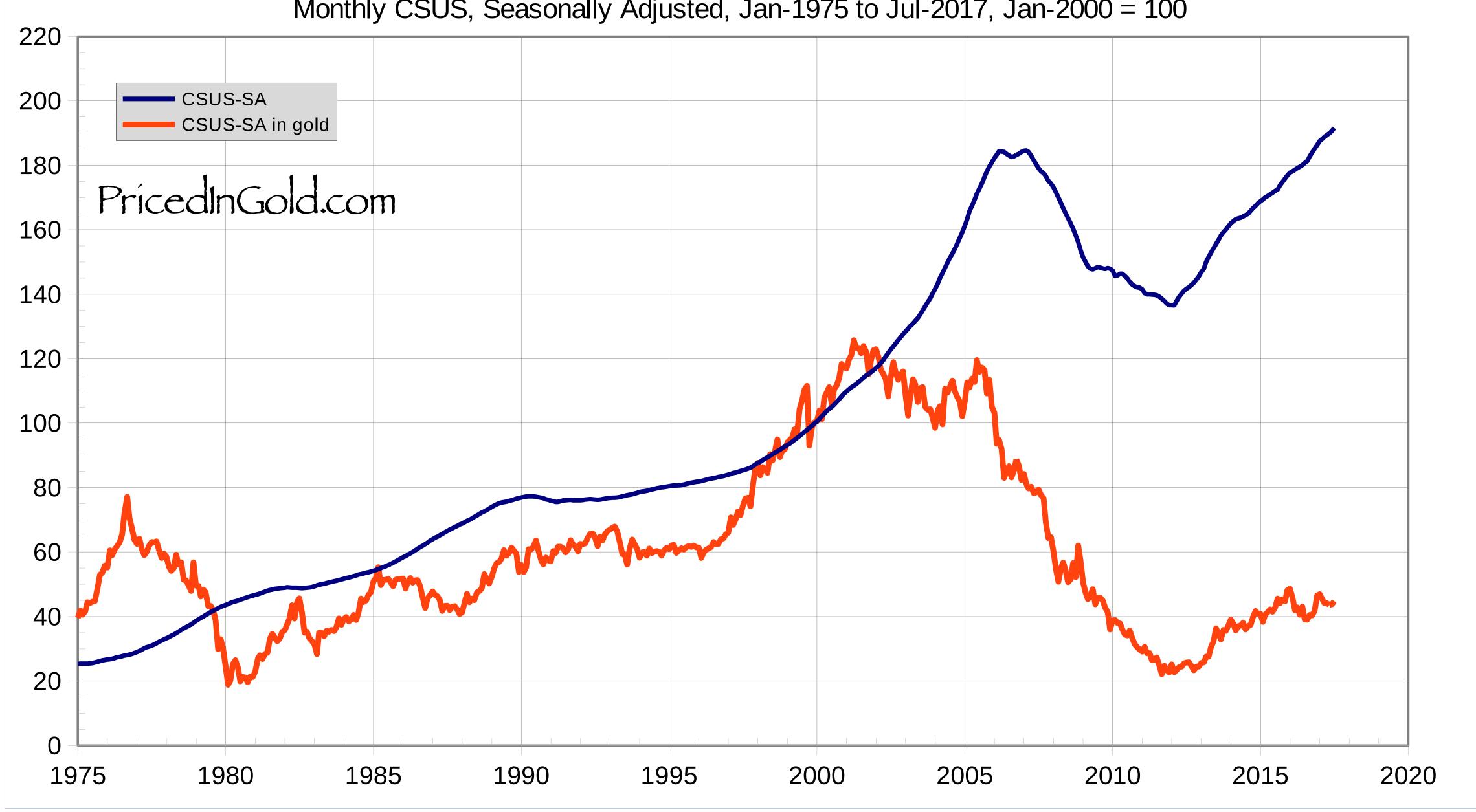
Real Income vs. Median Home Price

American Dream: Only for the Rich?



Case-Shiller US National Home Price Index in USD and Gold

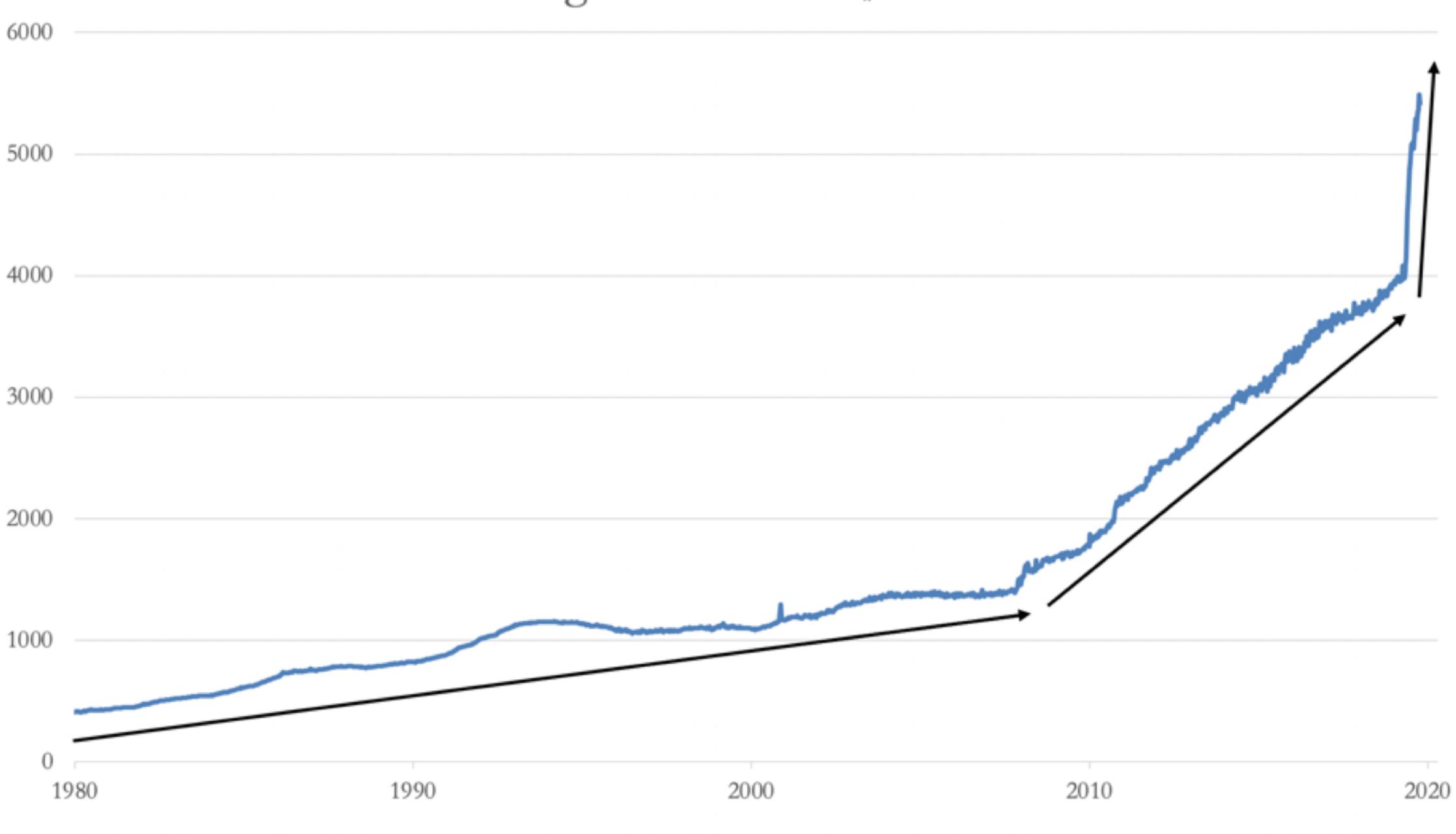
Monthly CSUS, Seasonally Adjusted, Jan-1975 to Jul-2017, Jan-2000 = 100



Home prices haven't gone up. The dollar has been devalued.

- Yours Truly, The Notorious ROB

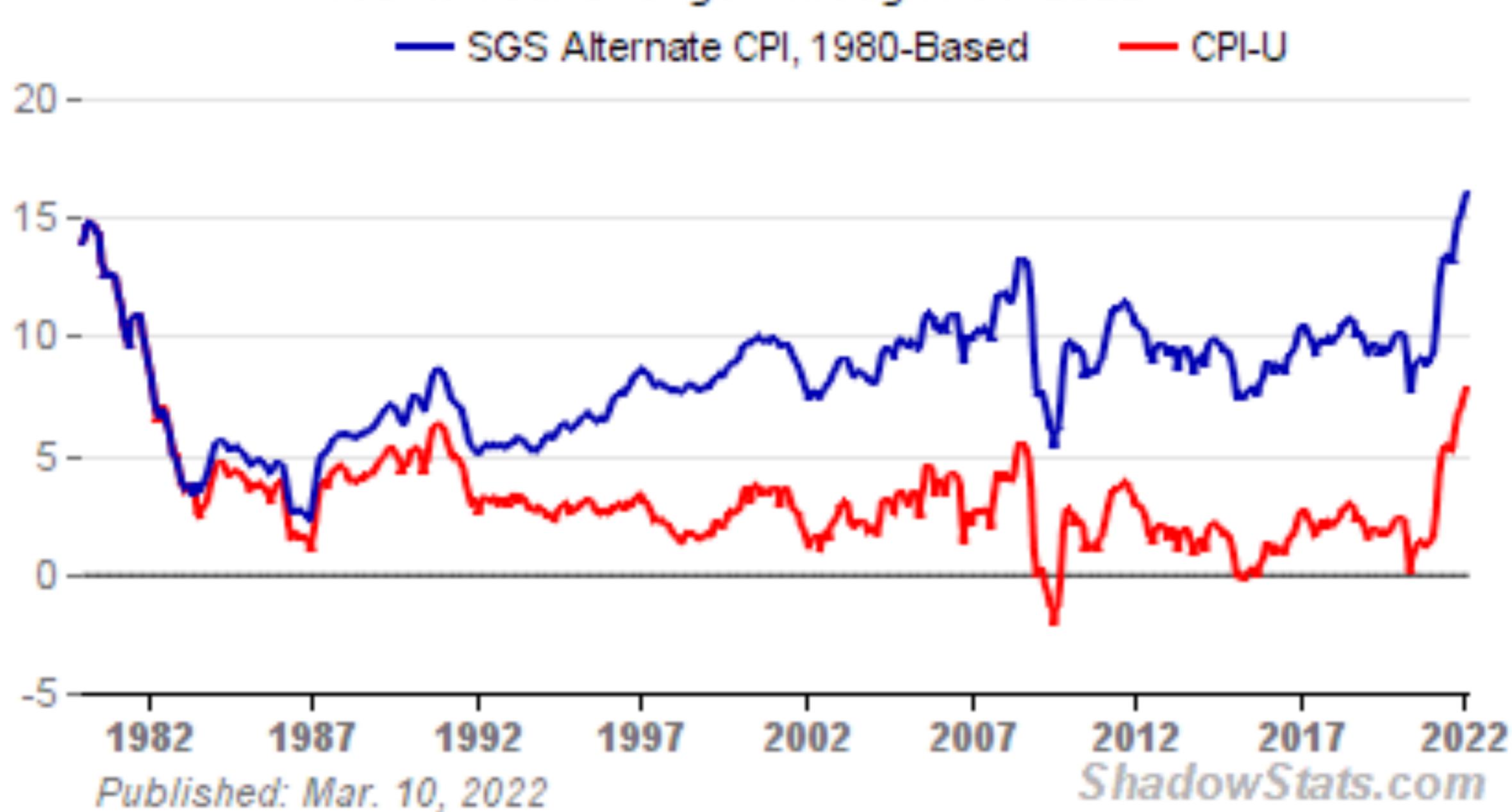
Figure 1. US M1 \$bn



St Louis FRED, Goldmoney

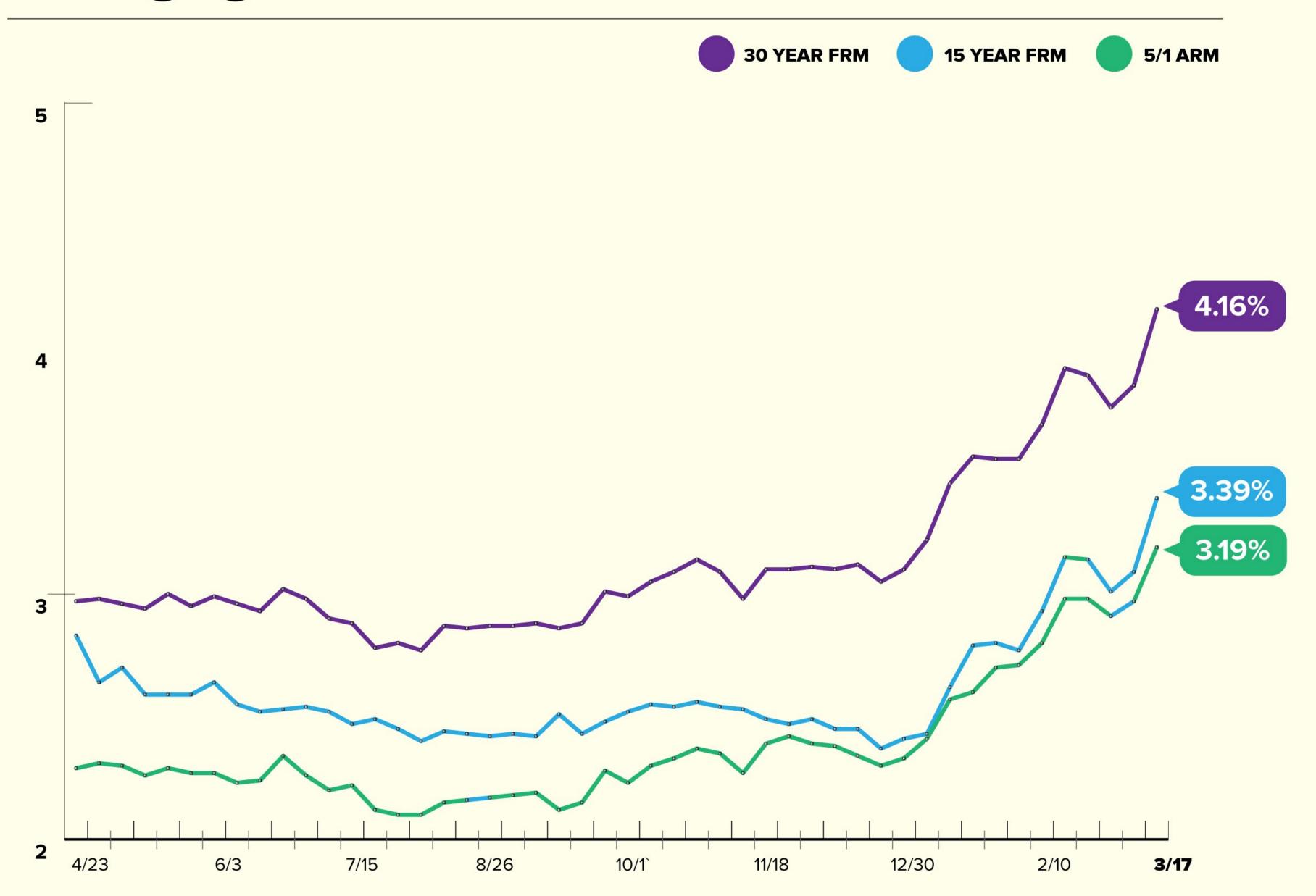
Consumer Inflation - Official vs ShadowStats (1980-Based) Alternate

Year to Year Change, Through Feb. 2022





Mortgage Rate Trends





These People Can't Buy Anymore

They Want to Buy Homes

American Dream Alive and Well Among Millennials

- 45% of Millennials and Gen-Z say owning a home is an important financial goal.
- 47% of renters want to buy a home.
- 85% of unmarried women would rather buy a home than put money towards wedding.
- 77% of people would rather save for a house than go on a dream vacation.
- 41% of college grads think homeownership is more important than paying off student loans



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Americans are Prioritizing Homeownership Over Other Luxuries

Latest Coldwell Banker survey reveals Americans are prioritizing homeownership

ATHENA SNOW

NOV 17, 2021

Over the past year, the real estate market has remained strong as Americans showed significant interest in homeownership. In fact, 82% of unmarried Americans would rather invest in a home than pay for a big expensive wedding, according to the latest Coldwell Banker survey.

Recent Posts

Roger Pettingell Lists Modern Venetian Villa Designed By Adrienne Vittadini On Sarasota's Lido Shores

Simple Ways to Save Energy and Money

Create The Perfect Home Gvm

Stay On Task in 2022

Pina Nazario And The Pick "Pina" Group Are The Top-Selling Real Estate Agents In Clifton For 12 Consecutive Years

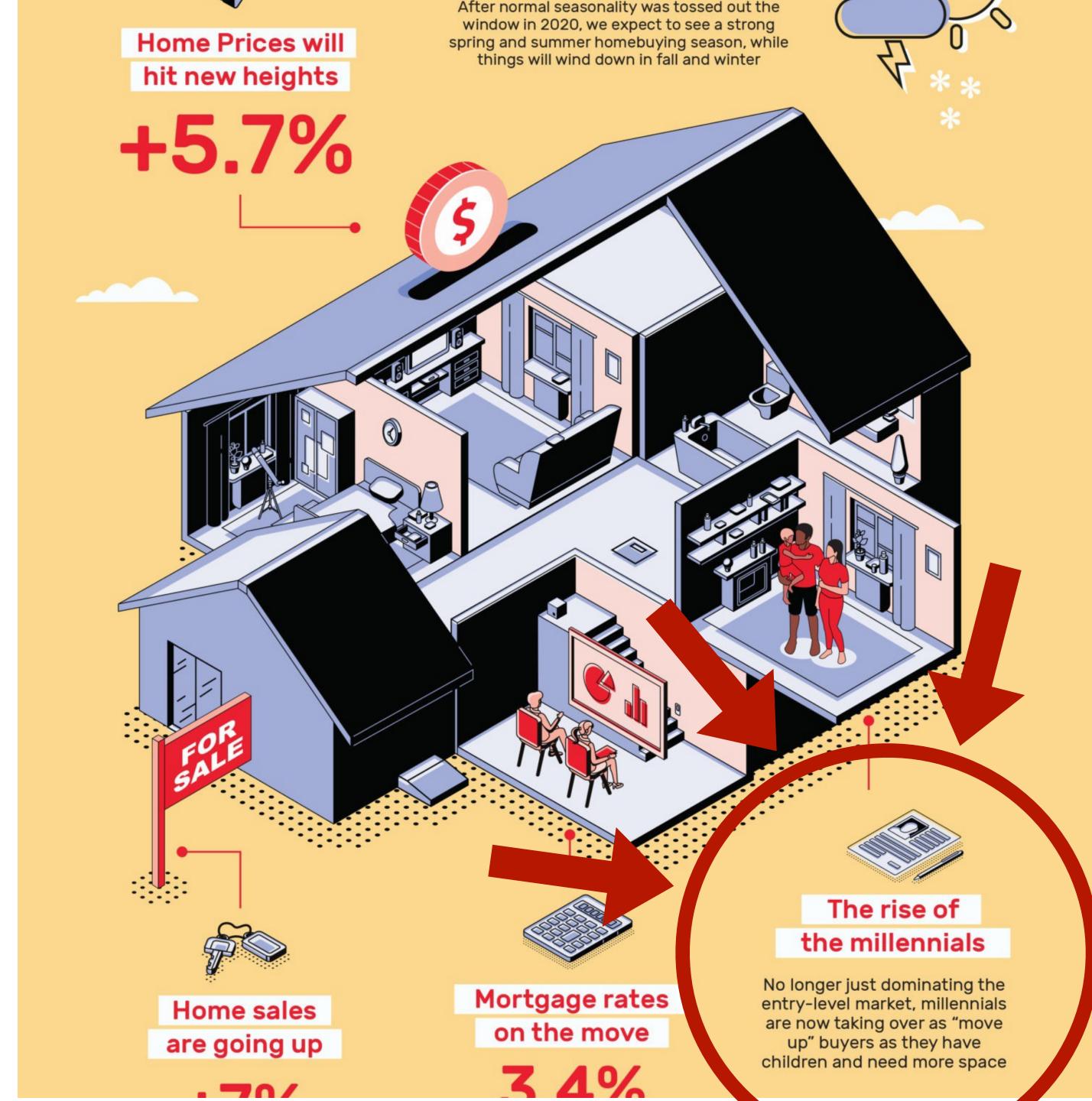
Q

Young people still want to become homeowners.



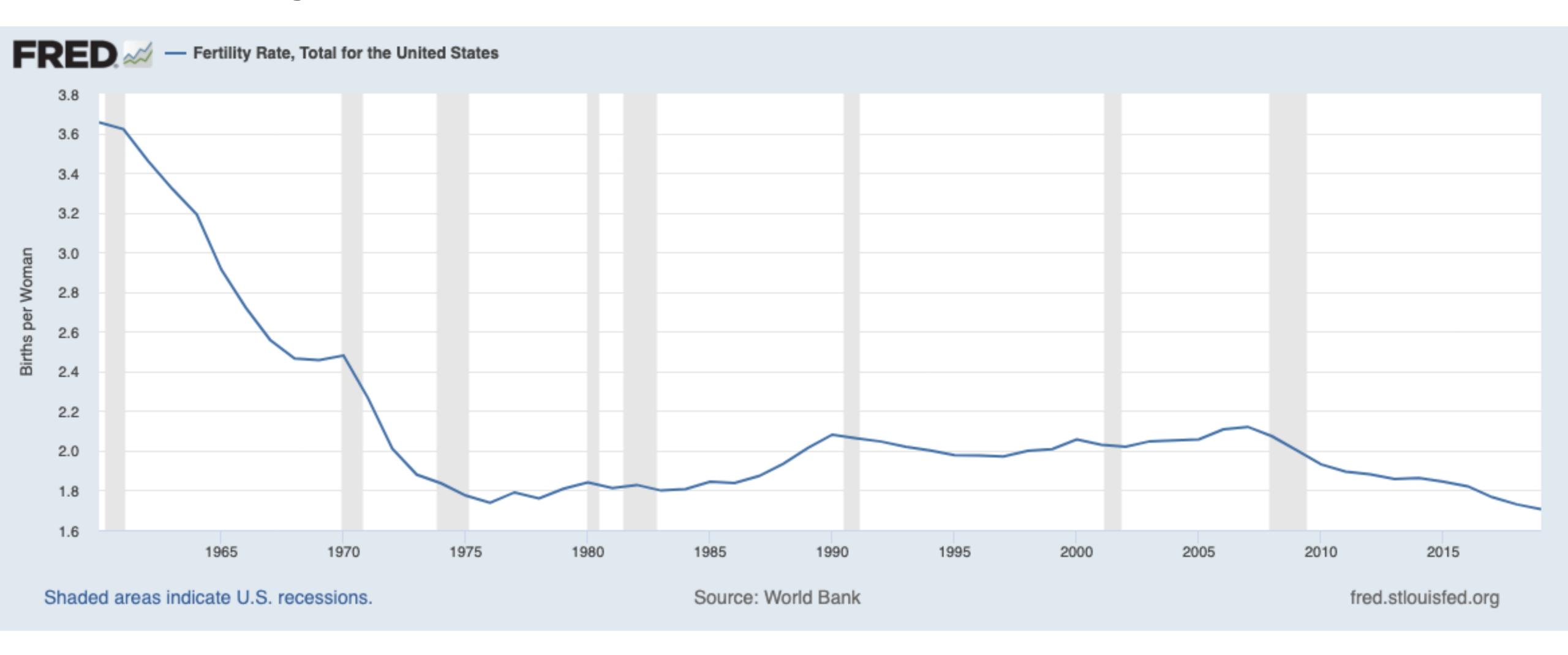
Realtor.com 2021 Housing Forecast

"No longer just dominating the entry-level market, millennials are now taking over as "move up" buyers as they have children and need more space."



What Children?

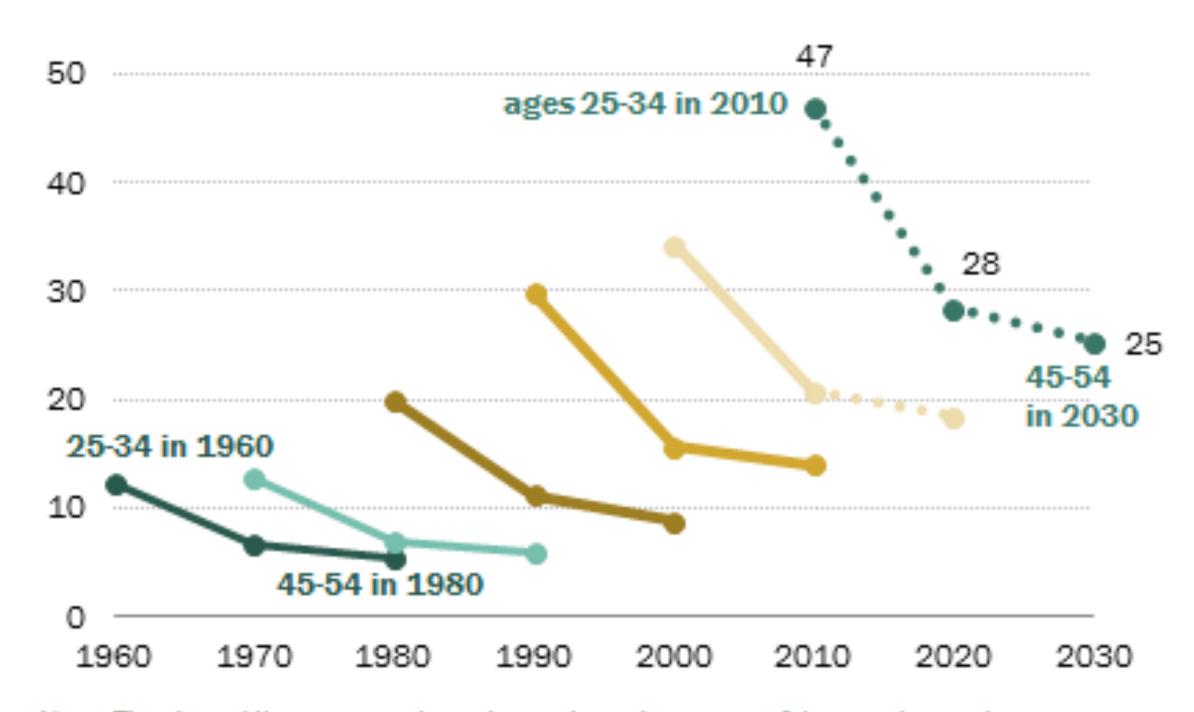
US Fertility Rate Lowest Level... Ever at 1.7



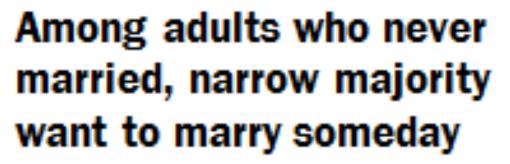
Millennials are not getting married

One-in-Four of Today's Young Adults May Never Marry

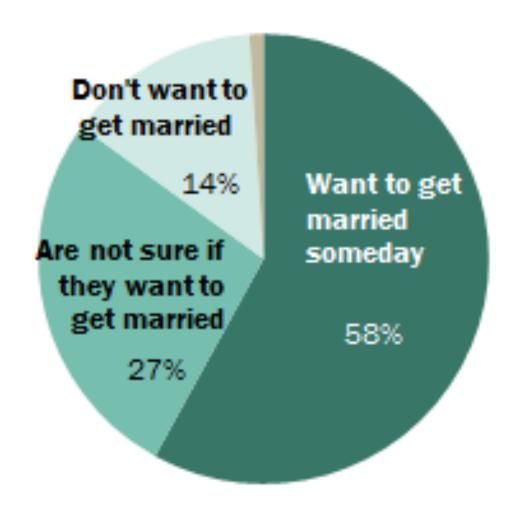
% never married, by cohort (at ages 25-34, 35-44, 45-54)



But they want to...



% of never-married adults saying they ...



Note: Share of respondents who didn't offer an answer shown but not labeled. Source: Survey of U.S. adults conducted Aug.8-21, 2017.

PEW RESEARCH CENTER

Note: The dotted lines are projected rates based on rates of the previous cohort.

Source: Pew Research Center analysis of the Decennial Census and American Community Surveys (ACS), IPUMS

PEW RESEARCH CENTER

Delayed marriage had the most significant impact on millennial homeownership. Being married increased the probability of owning a home 18 percentage points, after accounting for other factors, such as age, income, race and ethnicity, and education.

-Urban Institute

Housing Market: New Kind of Investor?













First-time homebuyers are getting outbid by big companies

Buyers find it hard to compete with investors who don't need home inspections, appraisal contingencies or a mortgage.



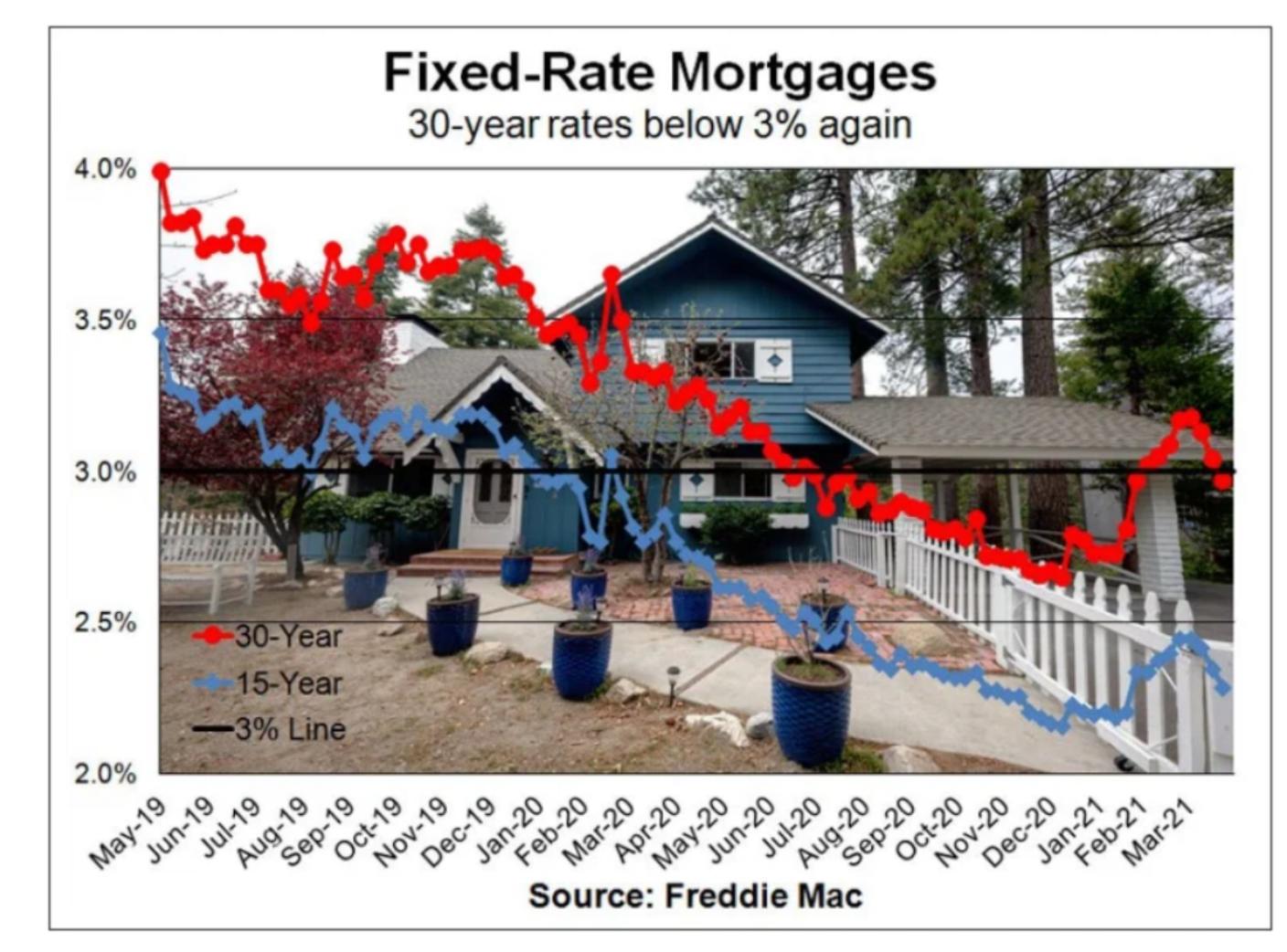
April 22, 2021

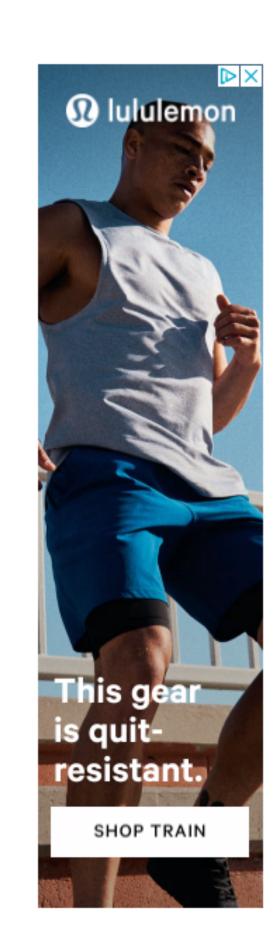








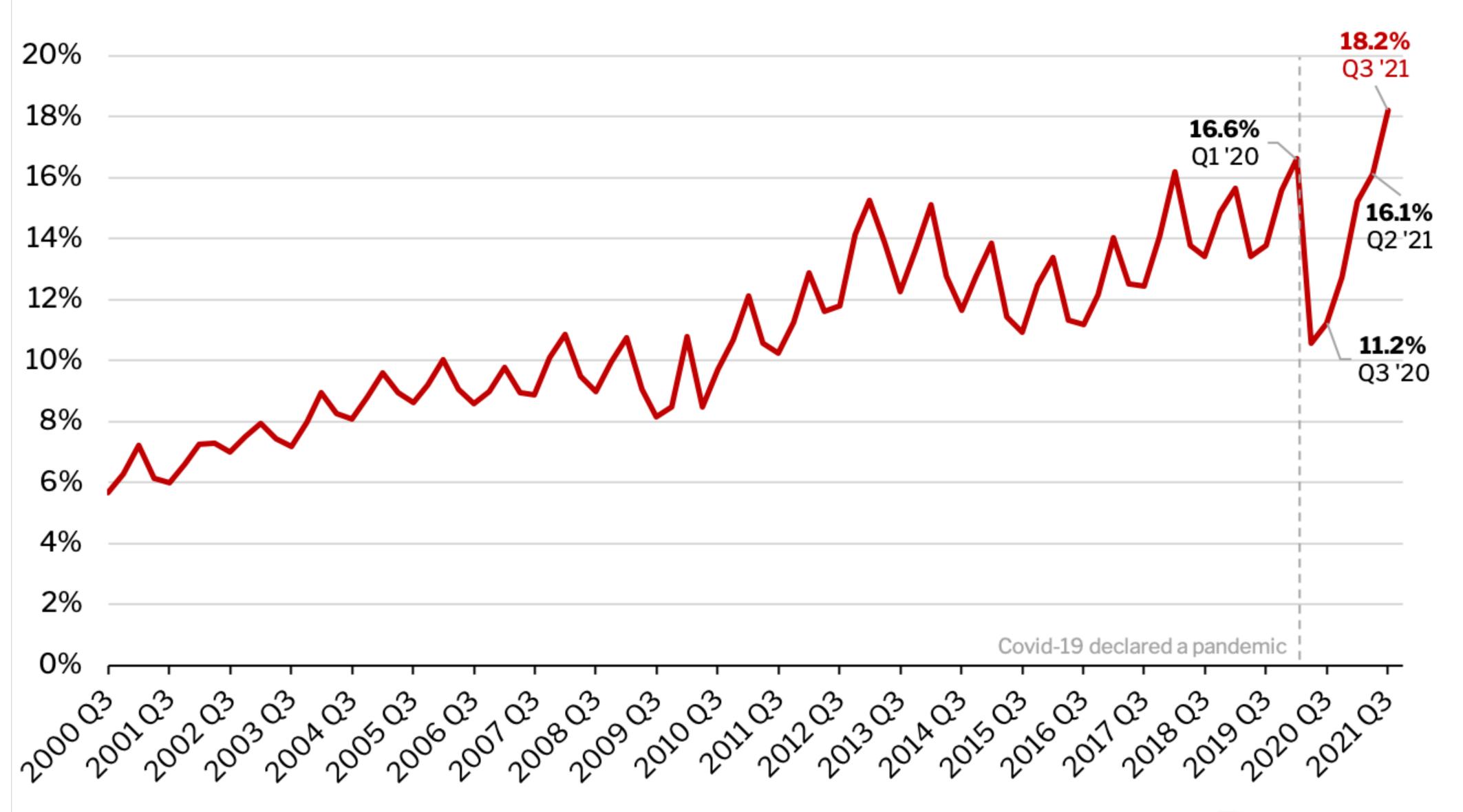




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Investor Market Share Hits Record, Surpassing Pre-Pandemic Levels Share of purchased U.S. homes bought by investors







For an extreme example, look to Conroe, Texas, where D.R. Horton recently built 124 rental homes. The homebuilder rented those homes out and subsequently put the entire subdivision up for sale.

The [\$32 million] price tag was about twice as much as D.R. Horton typically makes by selling homes to the middle class, its CFO told the Journal.

-"Investors Increasing Compete With First Time Buyers for Homes" Apr. 5, 2021

The Real Deal

Analysis

\$50B in Capital is Now Chasing the SFR Market

The sector is soaring thanks in large part to pandemic-induced disruptions in how we live and work.

By Lynn Pollack | January 31, 2022 at 07:32 AM



More than \$50 billion in capital is flooding the red-hot single-family rental market, according to a new analysis from John Burns Real Estate Consulting.



y

The sector is soaring thanks in large part to pandemic-induced disruptions in how we live and work, says John Burns' Danielle Nguyen. By way of comparison, just \$3 billion was targeted toward SFRs in 2020. That number ballooned to \$45 billion in 2021, and \$5 billion has already been committed to the sector so far this year alone.



 \vee

The estimated \$50 billion John Burns is tracking translates into 125,000 homes at today's median resale value of about \$400,000, Nguyen says. But "since some of this is only the equity investment and excludes the debt (and we know of far more than this that is not public info), we believe the number of homes that could be built and/or purchased far exceeds this," she says.



Experts also say SFR and build-for-rent communities are appealing to investors looking for yield and a hedge against rapidly rising inflation.

Trending Stories

- **Backlash Grows as Real Estate Giants Increase SFR Market** Share
- The Fed's Worst-Case Scenario Is CRE Doom
- A New Monetary Environment For CRE
- Why Multifamily Property Management Is Ripe for Disruption
- Office Use Has Gone Down Say **CRE Pros**



Analysis

Backlash Grows as Real Estate Giants Increase SFR Market Share

The growing ownership of large swaths of single-family rental houses by institutional investors is drawing scrutiny from Congress as big players raise rents and cut services to increase ROI.

By Jack Rogers | February 14, 2022 at 07:57 AM



Sen. Sherrod Brown, (D-OH), chairman of the US Senate Committee on Banking, Housing and Urban Affairs, last week accused real estate investors and large asset management firms of cynically exploiting a "captive" housing market to increase the profit of large stakes they are acquiring in single-family rentals.

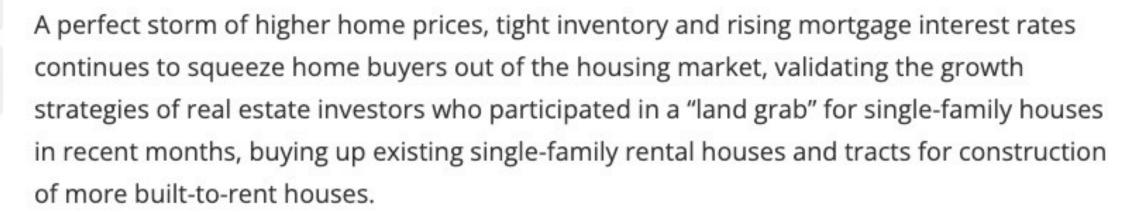


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"Private equity firms, corporate landlords and investors saw a shortage, and they saw a captive market. They see these [single-family houses] as nothing more than annual return on equity," Brown said, in an opening statement at a committee hearing Thursday entitled "How Institutional Landlords are Changing the Housing Market."







Trending Stories





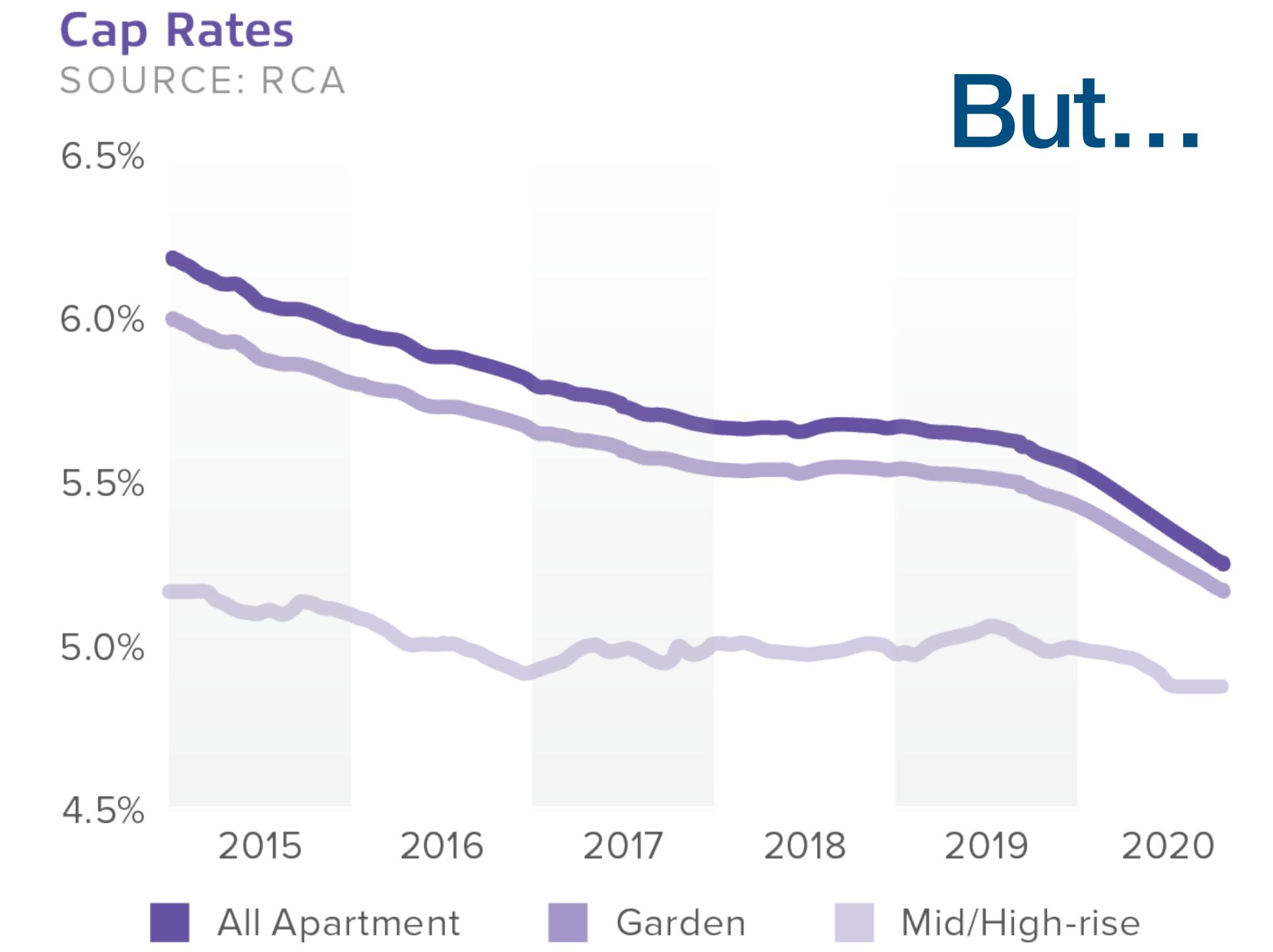






That's odd...

The numbers don't pencil out

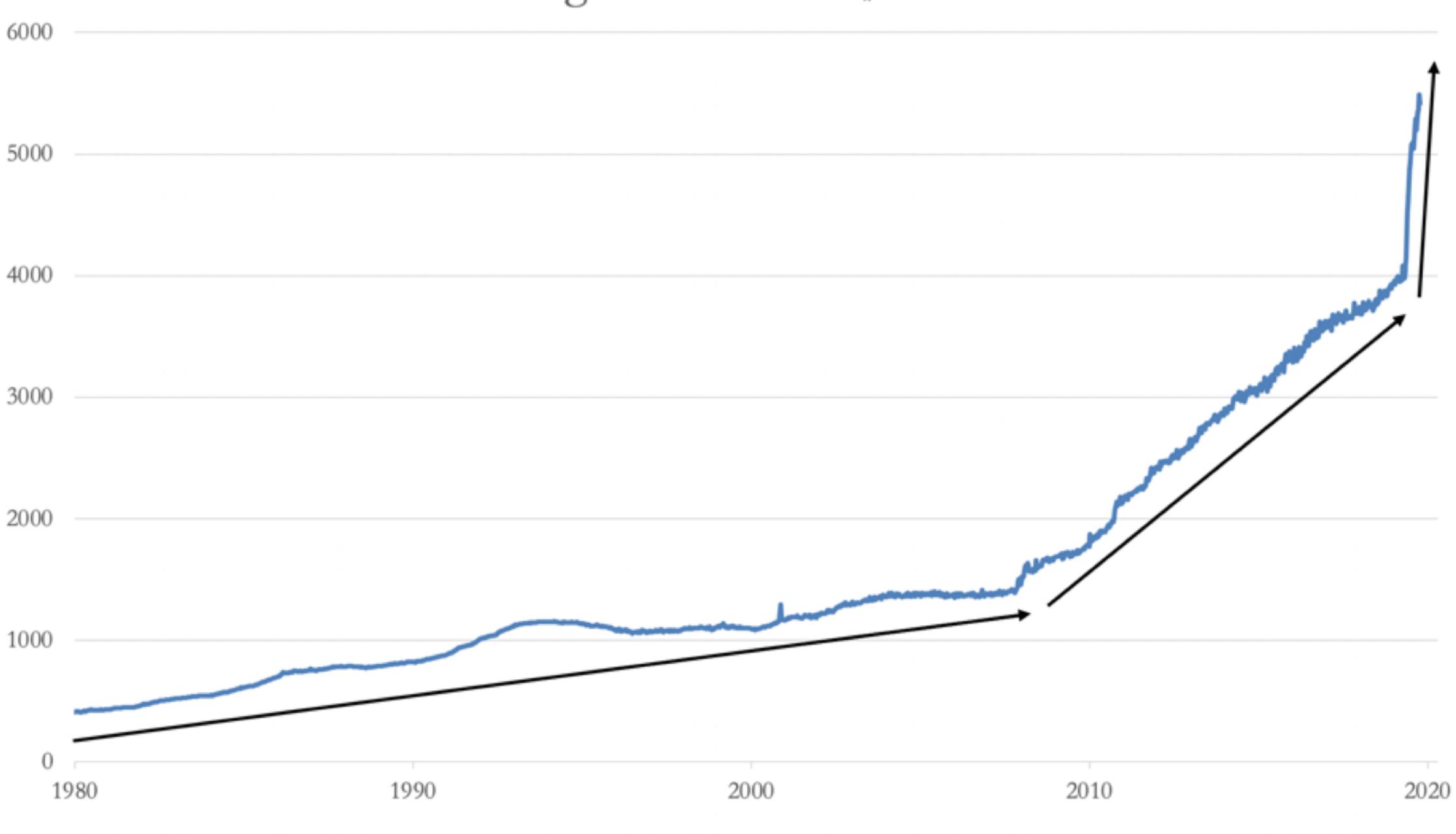


[Rick Palacios Jr., Director of Research at John Burns Real Estate Consulting] said more and more of them [investors] are institutions, like hedge funds, sovereign wealth funds and insurance companies chasing profits.

-"Institutional Investors are Stiff Competition for Homebuyers", April 13, 2021 Marketplace.org

There are new kinds of real estate investors in the game now

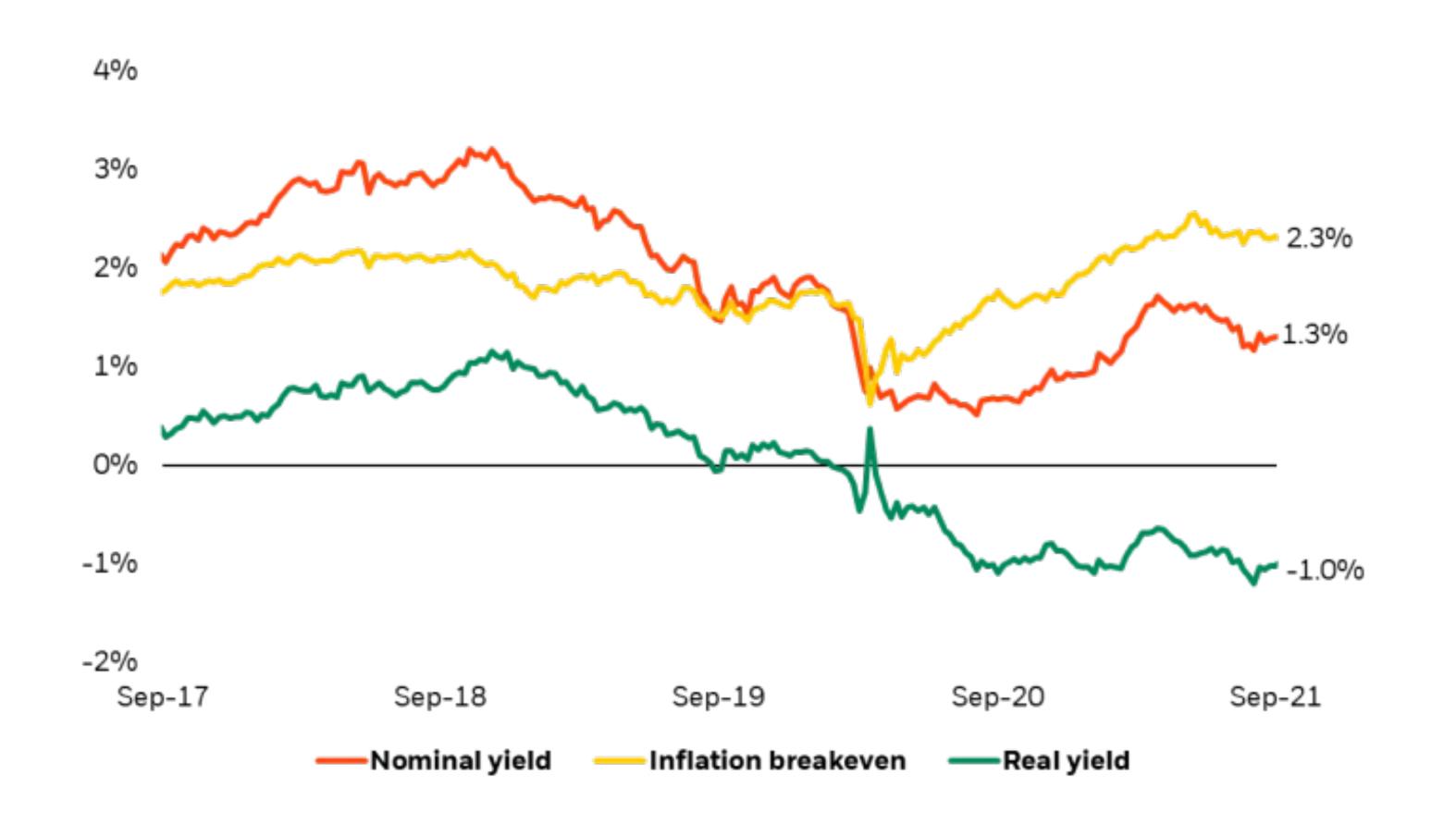
Figure 1. US M1 \$bn



St Louis FRED, Goldmoney

High inflation = negative real yields

Bond investors are not stupid...



BlackRock.

"High quality bonds such as Treasuries, mortgages, and investment grade corporates all result in strongly negative annual rates of real yield."

- Even if the Fed raises rates by 2%, headline inflation is 7.9%.
- Real inflation is ~15% or more.

 Bond interest rates of 5% still results in negative real yield.

- Home prices are going up 18.6% annually.
- Rent is going up 14% annually.

#renternation feels permanent this time

Meanwhile... Over in the real estate industry...

Big trends are converging.



AGENT TEAMS ARE TAKING OVER



Technology can never replace a seasoned real estate agent.

- Thousands of Agents on Social Media

True, but...















"The future of Premier Agent is dependent on strong and constructive partnerships with the best of the best agents and teams."

-Rich Barton, CEO, Zillow

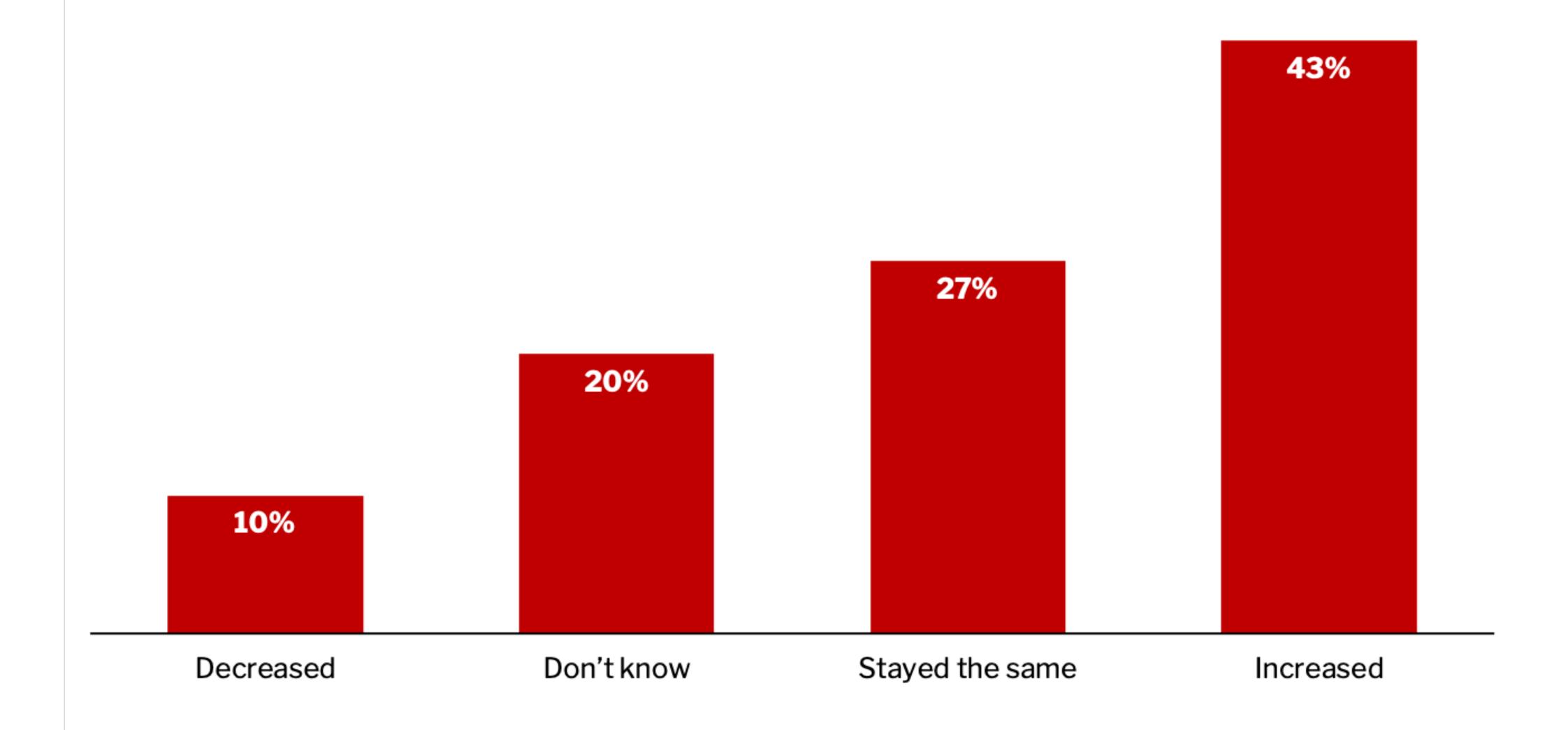
Zillow - The 'Housing Super App'



Team dominance is leading to an interesting phenomenon...

43% of Agents Think Pocket Listings Have Become More Common

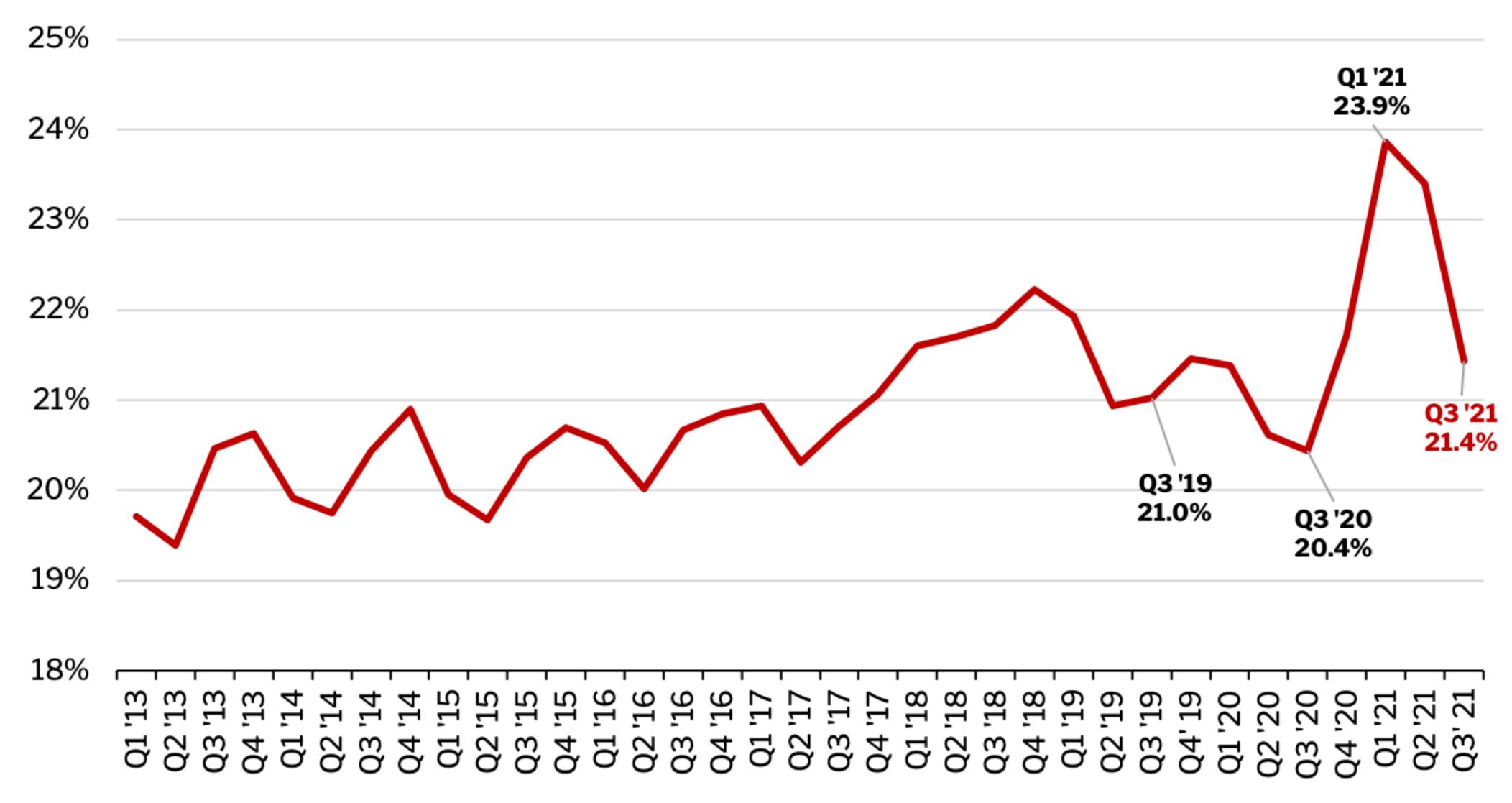
"How has the frequency of pocket listings changed in your market compared to two years ago?"



Source: October 2021 Redfin-commissioned survey of 306 U.S. real estate agents

Off-MLS Sales Drop From Pandemic Peak

Share of sold homes that weren't published on the MLS



Source: Redfin analysis of county records **Note:** Excludes new-construction sales and iBuyer purchases



No Inventory

Hard to sell what doesn't exist...

Unilateral Offer of Compensation



The Lawsuits

A Partial List...

- Moehrl v. NAR
- Sitzer v. NAR
- Leeder v. NAR
- Conti v. SFAR (and NAR)
- REX v. Zillow (and NAR)

And of course...

BREAKING

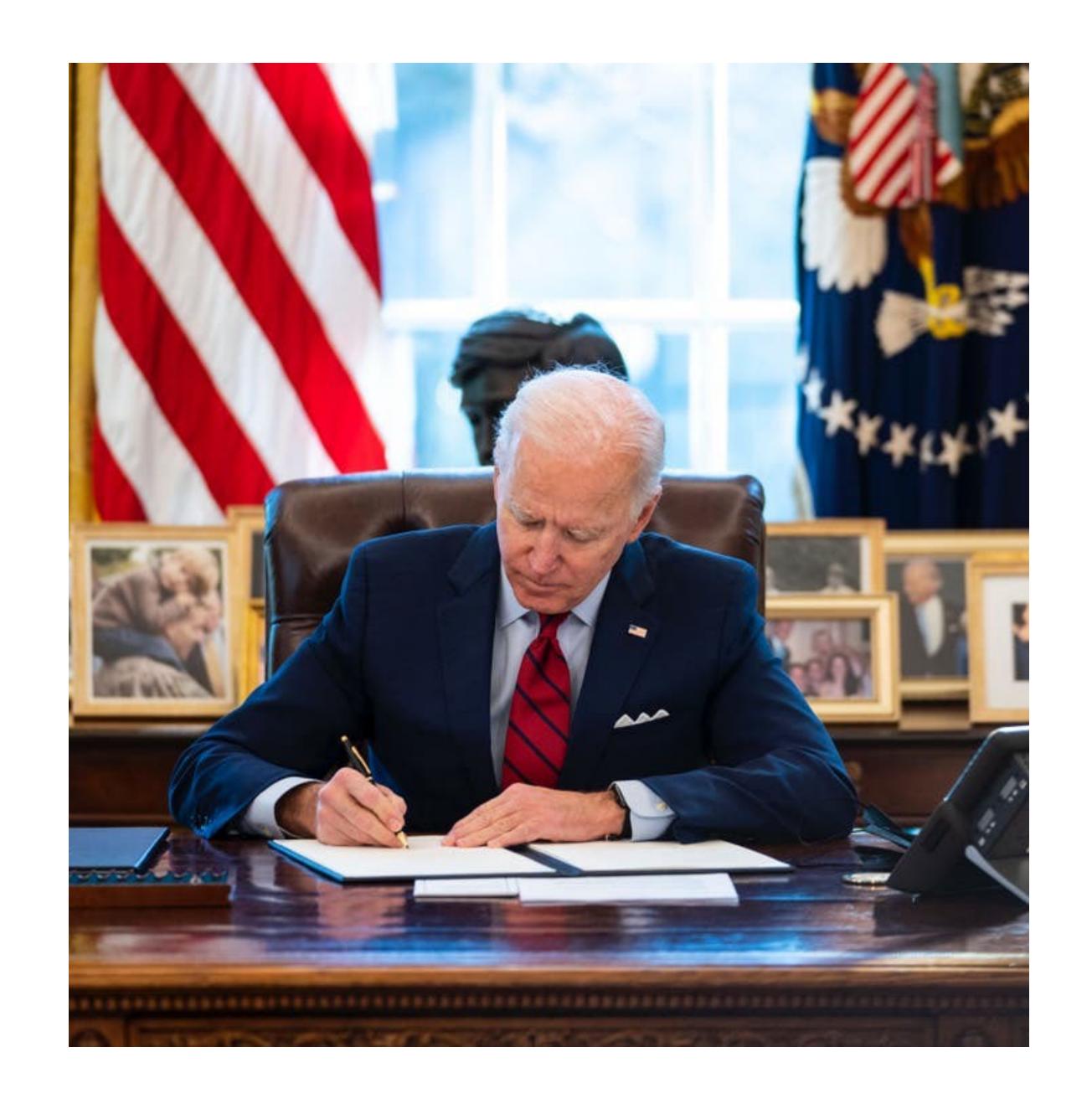
THE DEPARTMENT OF JUSTICE FILED A LAWSUIT ON NOV. 19 AGAINST THE NATIONAL **ASSOCIATION** OF REALTORS.

Here's why.



Biden Executive Order on Competition

The Plot Thickens...



The Executive Order Addresses Real Estate

Section (5)(h) orders the FTC to make rules to regulate...

- (v) unfair occupational licensing restrictions;
- (vi) unfair tying practices or exclusionary practices in the brokerage or listing of real estate; and
- (vii) any other unfair industry-specific practices that substantially inhibit competition.

WHAT WILL THE FTC GO AFTER?

Easier to think about what the FTC won't go after...



Fear Uncertainty Doubt

The State of Real Estate Today

The challenges to the status quo means they need something new

Opportunity: Fusion Real Estate

Property management lets us control the inventory. Control the inventory, control everything.

- Wayne LaGary, formerly Studley my mentor

What I Was Taught

About Commercial Property Management

- Manage the property
 - Lets you meet a lot of potential tenants
 - One will be the tenant; but keep track of all others
- Big pool of tenants —> Easier to get more property to manage
 - More properties under management, more tenants to meet
- With full data on the property, can help with asset management —>
 disposition, purchase, 1031 exchange, etc.

5 Responsibilities of a Property Manager

Screening tenants Property Collecting maintenance rent Setting Managing budgets rent the balance

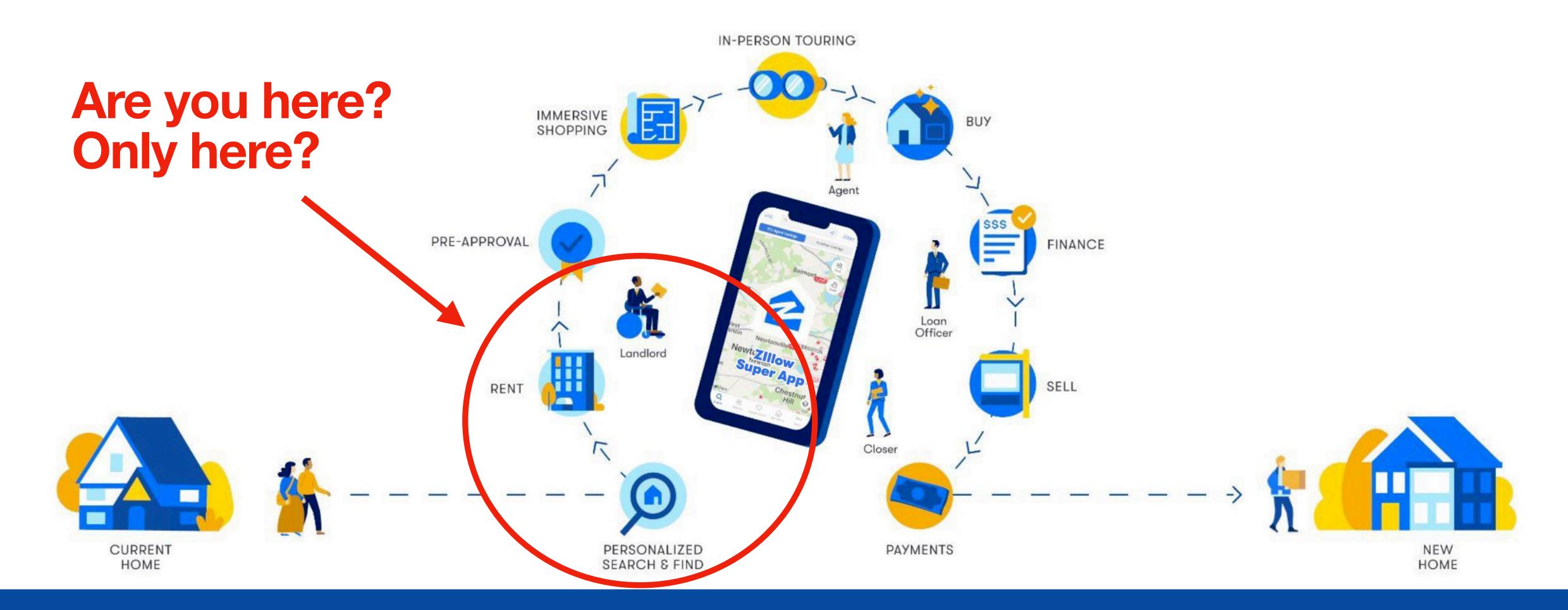
- 1. Acquire Doors, Keep Doors
- 2. Deal With Tenants
- 3. Keep Owners Happy

Scott Brady

Zillow - The 'Housing Super App'



Zillow - The 'Housing Super App'



Broader View

Think about the "housing lifecycle"



Property Management + Brokerage

Fusion Real Estate





Fusion Real Estate

discipline of property management

relationship
skills of
brokerage

fusion real estate



Zillow - The 'Housing Super App'



Zillow, Redfin, CoStar...

Rentals = Lead Generation

Leads = Control

Fusion real estate Future of real estate

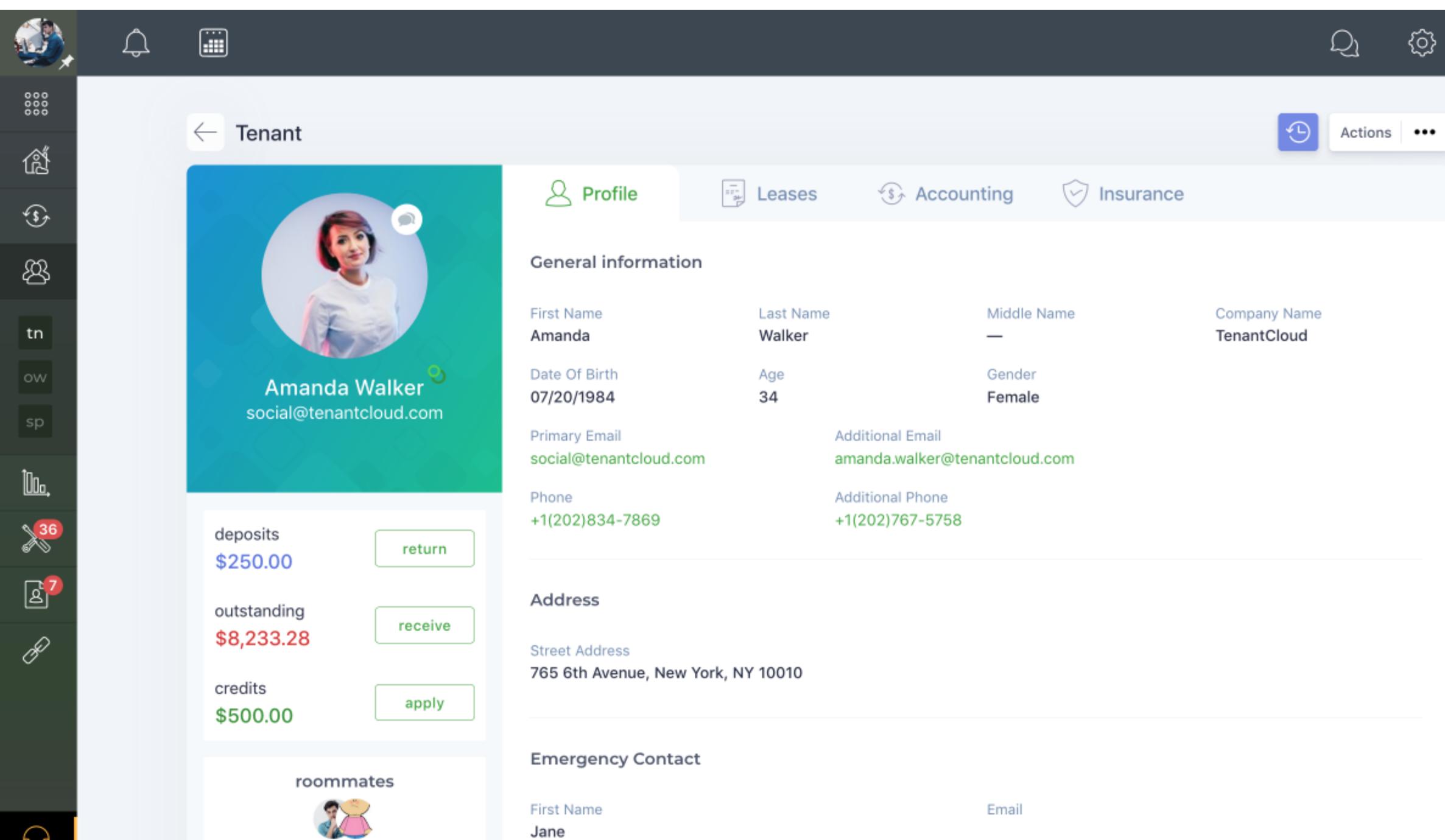
Major Prerequisite: Consumer Data

DATA IS THE NEW OIL



What Data Do You Collect?

Without data, Housing Lifecycle is impossible



 \Box

6 3



Where We Rented in Las Vegas

Why Don't You Know More?

Not a Tenant, But a Person

- Simple:
 - Key Tenant Info
 - Birthdays
 - Family information
 - Pets? What kind?
 - Cars? What year/make/ model?

- Difficult:
 - Lifestyle preferences
 - Goals
 - Hobbies
 - Aesthetics and design

You should want to know everything about a person to help on their housing journey.



Good real estate agents are very good at this.

Fusion Real Estate

discipline of property management

relationship
skills of
brokerage

fusion real estate

Summary Carpe Diem

#RenterNation is Coming

- Macro trends will not and cannot change in the near future.
- Consumer demand is already weak; it will get weaker still.
- Demographic trends mean next generation of consumers will be renters, not homeowners.
- Inflation will drive investor rotation out of bonds and cash into real estate.
- Investors, especially institutional investors, will be more and more important for housing.
- Big trends in real estate brokerage point to chaos and mass disruption.

Opportunity is Fusion Real Estate

- The major opportunity is to create fusion real estate.
- Discipline of property management + people skills of brokerage.
- Differentiation for both PM and for brokerage.
- Lead flow, through the Housing Lifecycle, for both.
- Requires a focus on data: consumer data and property data.
- Improved service to people as they move through the Lifecycle.
- Fusion real estate is the future.

Seize The Day

Robert Hahn

rhahn@7dsassociates.com @robhahn

