Housing Nationally...

- Nationally we’re “good” not great - not overheated
- Resale annual run rate of 5.6 – 5.9 Million
- New Construction annual run rate at 1.25 Million
- Inventory shortage across the country
  - Particularly at the affordable and entry levels, shortage is constraining the market
  - Builders cannot keep up and cannot keep up at needed price points

Household Creation in USA 2000 - 2016

Households - Renting VS Owning

Housing Supply Nationally

Market Conditions

1st Timers Historically...40% -44%
Recent Mortgage Rate Developments

Housing Locally…
Active Inventory vs. Sold Properties

Buyers Market or Sellers Market?

Sellers – Under 3 Months Inventory
Buyers – Over 6 Months Inventory

The markets behave differently… relative to pricing!
Greater New Orleans Area
Single Family - Active Listings vs. Sold Listings

Understanding where the market is headed...

Typical market phases and cycle...

Four Typical Phases of Real Estate Market

- **Phase I - PEAK**
  - Unit Sales Increasing
  - Prices Increasing
  - Inventory Decreasing

- **Phase II - CORRECTION**
  - Unit Sales Decreasing
  - Prices Increasing
  - Inventory Increasing

- **Phase III - TROUGH**
  - Unit Sales Decreasing
  - Prices Decreasing
  - Inventory Increasing

- **Phase IV - RECOVERY**
  - Unit Sales Increasing
  - Prices Decreasing
  - Inventory Decreasing
Greater New Orleans
14 Years of “Near” Peak Market Pattern

- Phase I - PEAK
  Unit Sales Increasing  Prices Increasing  Inventory Decreasing

- Phase II - CORRECTION
  Unit Sales Decreasing  Prices Increasing  Inventory Increasing

- Phase III - TROUGH
  Unit Sales Decreasing  Prices Decreasing  Inventory Increasing

- Phase IV - RECOVERY
  Unit Sales Increasing  Prices Decreasing  Inventory Decreasing

Classic Peak Market patterns historically last 5-7 years.

We just finished our 8th year in the peak pattern!

GNO Real Estate Market - 2015 (last year)

- Phase I - PEAK
  Unit Sales Increasing  Prices Increasing  Inventory Decreasing

- Phase II - CORRECTION
  Unit Sales Decreasing  Prices Increasing  Inventory Increasing

- Phase III - TROUGH
  Unit Sales Decreasing  Prices Decreasing  Inventory Increasing

- Phase IV - RECOVERY
  Unit Sales Increasing  Prices Decreasing  Inventory Decreasing

GNO Real Estate Market - 2016

- Phase I - PEAK
  Unit Sales Increasing  Prices Increasing  Inventory Decreasing

- Phase II - CORRECTION
  Unit Sales Decreasing  Prices Increasing  Inventory Increasing

- Phase III - TROUGH
  Unit Sales Decreasing  Prices Decreasing  Inventory Increasing

- Phase IV - RECOVERY
  Unit Sales Increasing  Prices Decreasing  Inventory Decreasing

GNO Numbers Q1 - 2016 V 2017

- Active Inv. Units 5,396k vs 5,094 -6%
- Closed Units 3,168 vs 3,352 +2.7%
- Closed Volume 1.406B vs 1.480B +5.3%
- Pended 3,842 vs 4,059 +5.6%
- Months Inventory 3.7 Months vs 3.1 Months
- Median Sold $178k vs $193k
- $ Sq. Ft. Range $119.00 to $125.00
...2016 was a fractured story of a very mixed market!

Bellwether Market

bell-weth-er
noun: an indicator or predictor of something

Garden/Uptown Area
Single Family - Active Listings vs. Sold Listings

Source: LATTER & BLUM Research Division.
This representation is based in whole or in part on data supplied by New Orleans Metropolitan Association of Realtors, St. Tammany Association of Realtors, Tangipahoa Board of Realtors, Baton Rouge Board of Realtors or their Multiple Listing Services. Neither the Boards, Associations, nor their MLS guarantees or is in any way responsible for its accuracy. Data maintained by the Boards, Associations or their MLS may not reflect all real estate activity for all years.

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Uptown - Garden District Q-1 YOY
35% in Active Inventory, -14% in Sold Properties

Garden District - Uptown 2016 v 2017 - Q1
Active Inv. Units 389 vs 522 +34%
Closed Sales Units 263 vs 227 -14%
D.O.M. 45 vs 64 42% Longer
Median Sld $355k to $349k
$ Sq. Ft. Range $237.00 to $263.00
East St. Tammany Area
Single Family - Active Listings vs. Sold Listings

Ormond Area
Single Family - Active Listings vs. Sold Listings

Luling Area
Single Family - Active Listings vs. Sold Listings

Laplace Area
Single Family - Active Listings vs. Sold Listings

Tangipahoa Parish
Single Family - Active Listings vs. Sold Listings

GNO Area - Months of Inventory
Pended Sales Rate
2017 – 3.1 Months
2016 – 4.0 Months
2015 - 5 Months
2014 – 5.8 Months
2013 – 7.1 Months
2012 – 7.5 Months
2011 – 10.4 Months
Why New Construction?

- We “love new”
- Matches current life style
- Technology upgrades – “Comes pre-wired”
- Lower utility costs – Greener lowers Carbon Footprint
- Lower maintenance cost
- High level of customization – “I want what I want!”
- Move in ready – (not really)

Why Resale?

- Purchase premium – 20% (base cost)
- Delayed availability – 6-12 months to build
- Expense of window treatments
- Expense of lawn & landscaping & fencing irrigation
- Potentially more upfront costs to finance
- Move twice

GNO – Median Price $231,000.00
New Construction

GNO – Median Price $193,000.00
Resale

New Construction $231,000.00
Resale $193,000.00

$38,000.00 Premium +20%
(2015 - $102,000.00 Premium - 58%)

“You did a great job describing my house in the Real Estate Ads. It sounds so appealing, I’ve decided to keep it!”
General Observations...

- Orleans parish new construction two specific areas:
  - Condo/Townhomes - Repurposed commercial buildings and ground up new construction
  - Single Family Homes – Strong scattered lots single family home construction tending to higher end at 75% -100% higher than the median

- Northshore, River Parishes, Westbank: New single family homes construction is inline with median price +20% the median level has dropped from 2015.

So where is the market headed...?

The market is transitioning....

“it would be so easy to flip this house.”
Top Expected Influencers 2017

• Interest Rates

Mortgage Rates – Nominal Increase Big Impact
3.5% to “only” 5% is a 42% increase in cost of financing... And still be significantly below 30 year rolling average home Mortgage Rate.

3.5% to “only” 6% is a 71% increase!

Top Expected Influencers 2017

• Mortgage Interest Rates – will rise up, but not substantially enough to curtail the activity...yet!
• The Fed
• Its not rate it’s “the increase” that matters

Top Expected Influencers 2017

• Interest Rates
• Pent Up Demand & Affordability
**Top Expected Influencers 2017**

- **Affordability**
  - Northeast: 169.5
  - Midwest: 210.7
  - South: 158.2
  - West: 112.9

**Top Expected Influencers 2017**

- Interest Rates
- Pent Up Demand
- Consumer & CEO Confidence

**CEO Confidence**

- The Conference Board Measure of CEO Confidence™ - now reads 68, up from 65 in the final quarter 2016
- Caused by a political clearing and optimism on jobs, improving economy, global outlook, improving manufacturing numbers and optimism in oil & gas

**Latter & Blum Companies are cautiously optimistic...**

- Opportunities – 1st time buyers, pent up demand & household creation
- Threats - jobs, mtg rates, MID, inventory shortage
- Non-events - GSE reform & election

**Forecast**

- Closed sales volume up 6%
  - 50% units & 50% price

**Budgets**

- Based on “Flat Market Performance”
Thank you!

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