

Real Estate: Where from Here? Fast Recovery or Lingering Doldrums...

Richard K. Green

Lusk Chair in Real Estate

University of Southern California

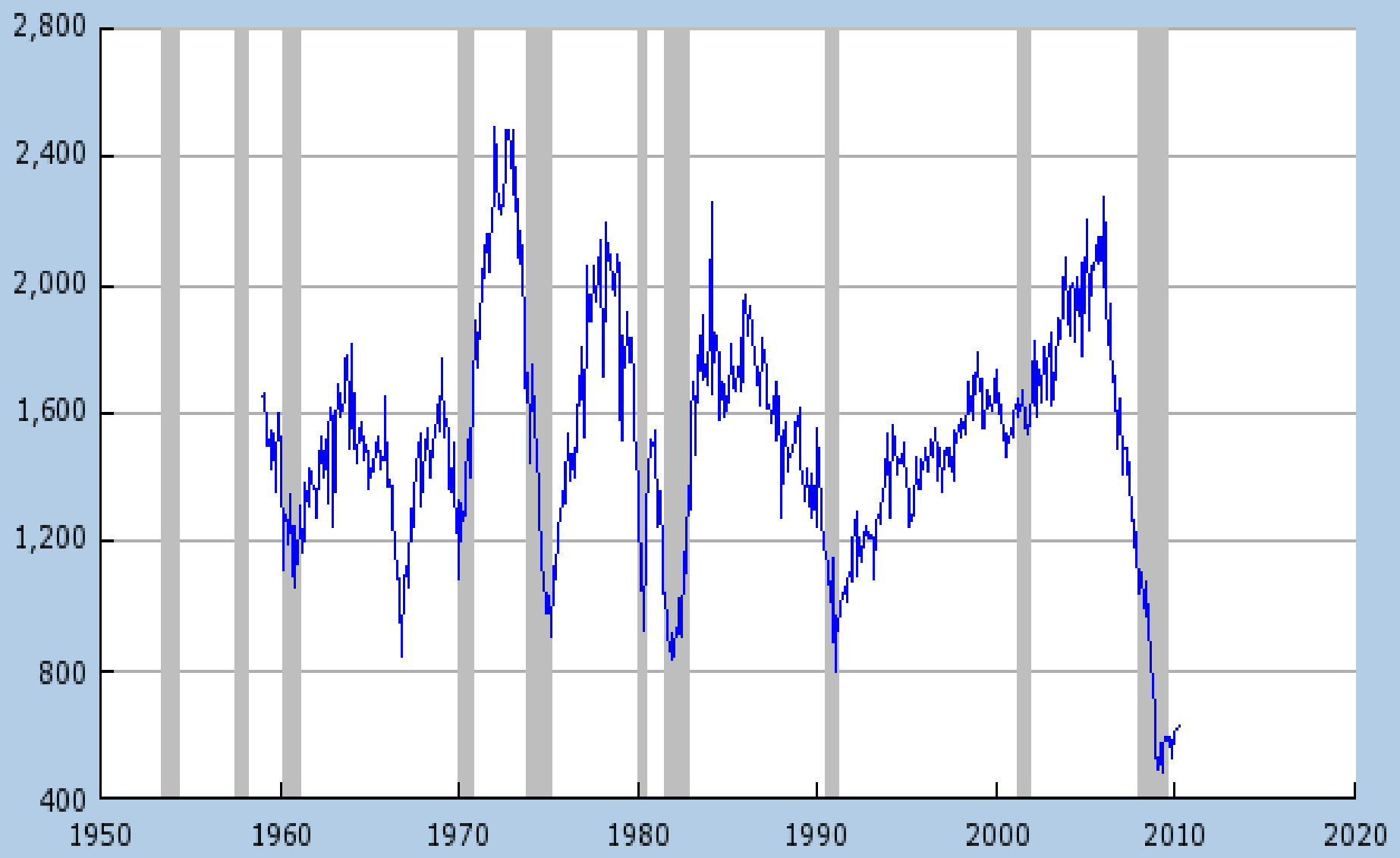
4 May 2010

Agenda

- A little on housing
- Employment
- Consumption as a driver
- Consumer credit
- Commercial credit
- A bright spot going forward?

Housing Starts: Total: New Privately Owned Housing Units Started (HOUST)

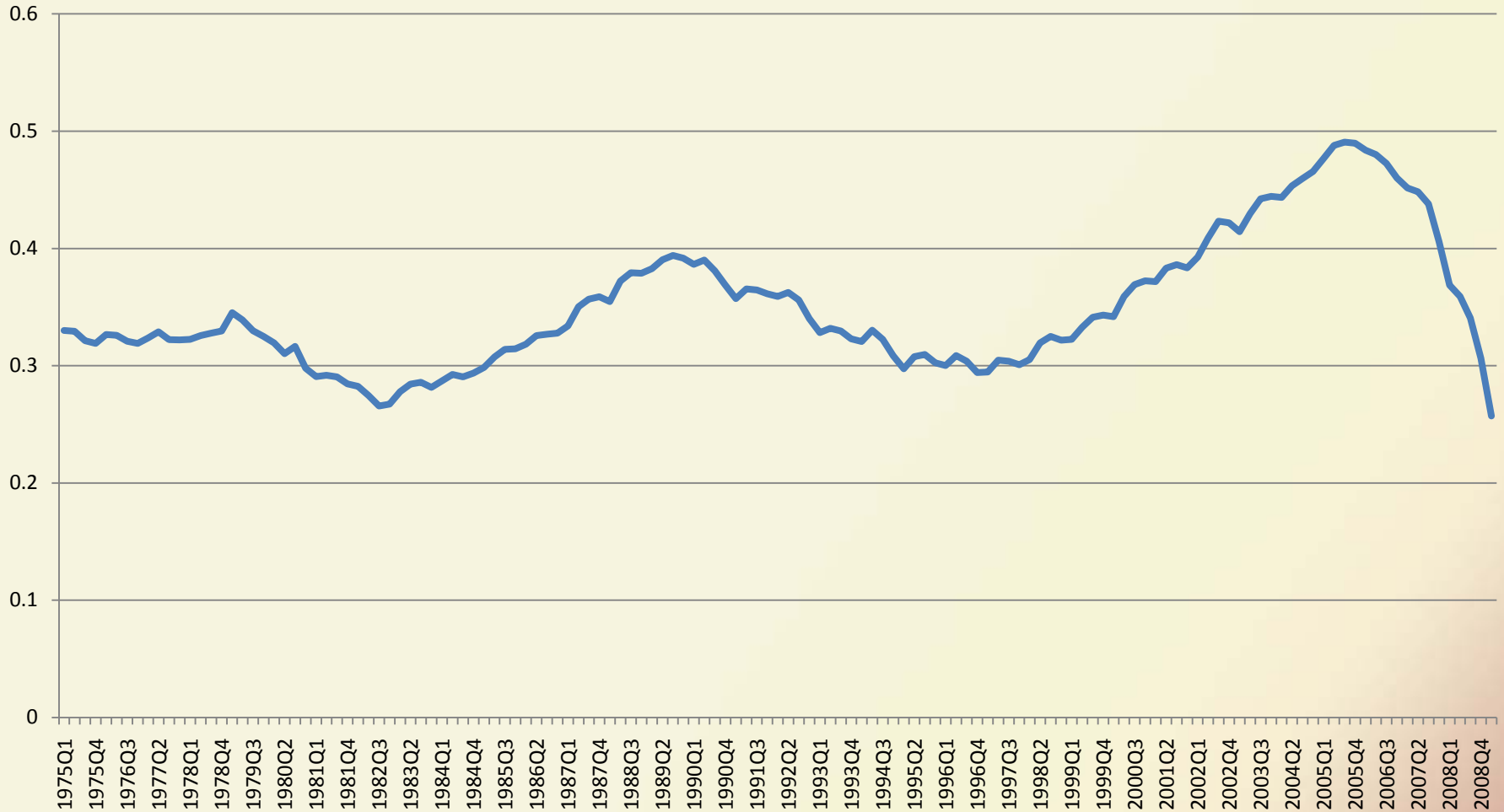
Source: U.S. Department of Commerce: Census Bureau



Shaded areas indicate US recessions.

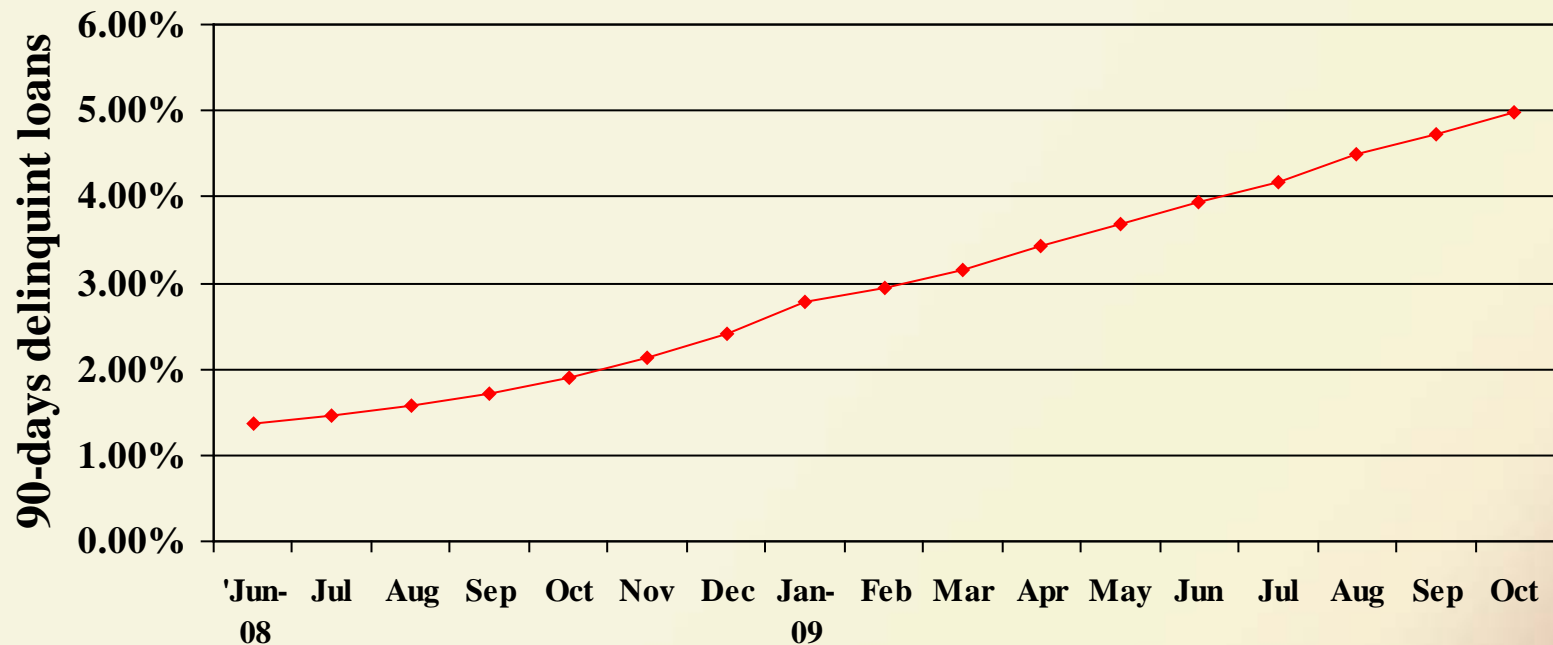
2010 research.stlouisfed.org

Ratio of Land Value to House Value



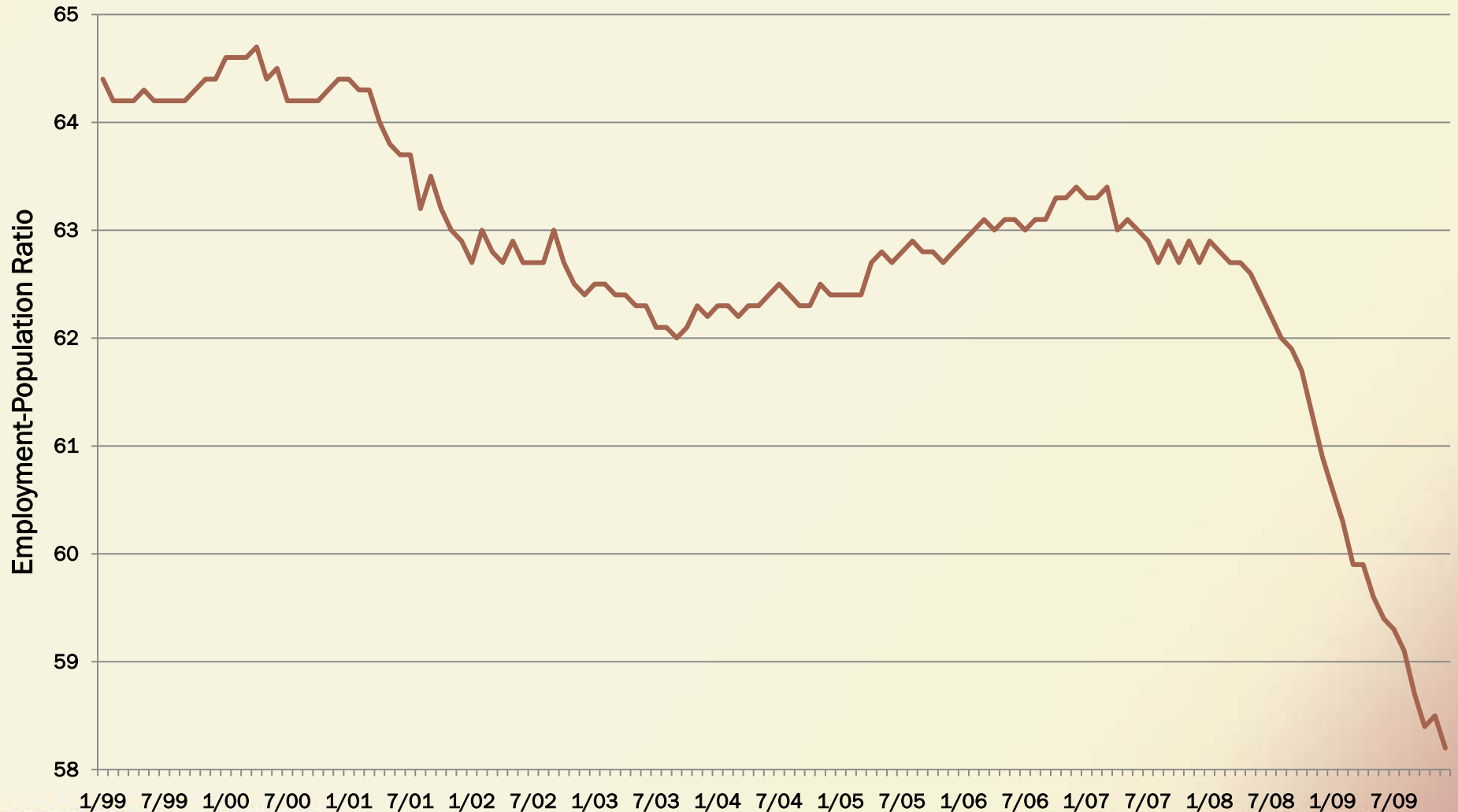
The foreclosure problem is now coming from the Prime Market: Shadow Inventory?

Fannie Mae Troubled Loans

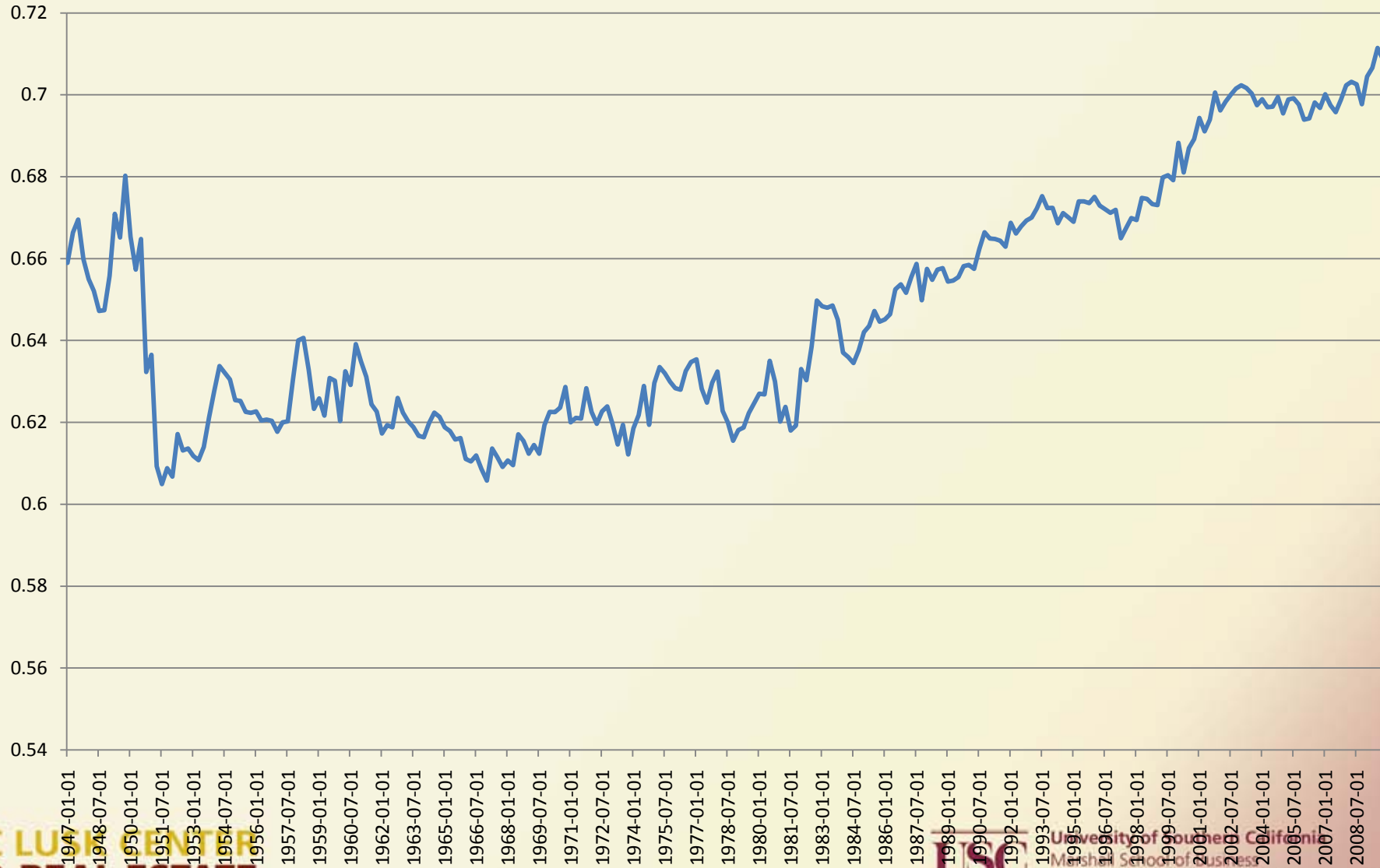


Source: Fannie Mae Monthly Volume Summary

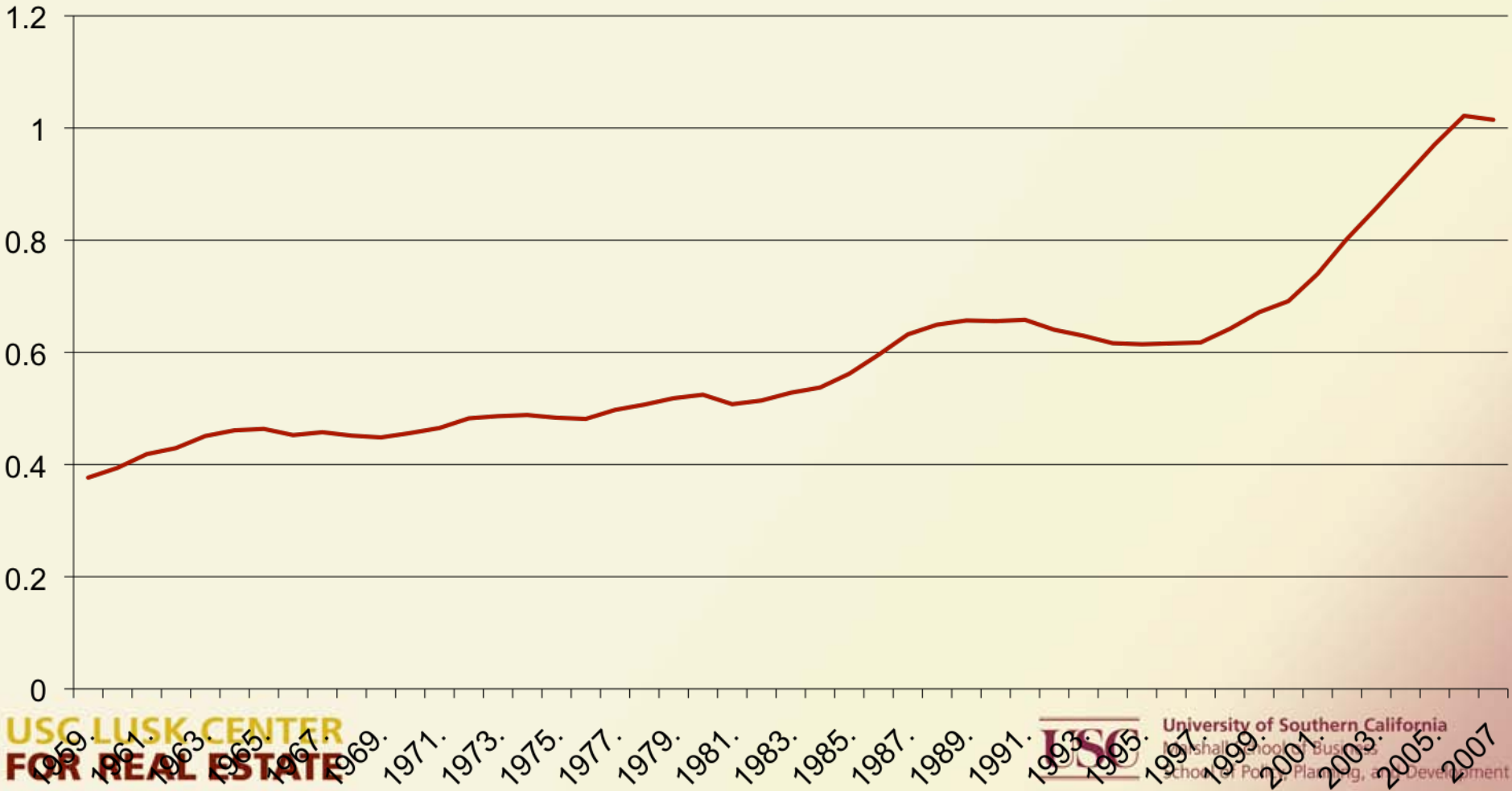
Employment share of 16+ population



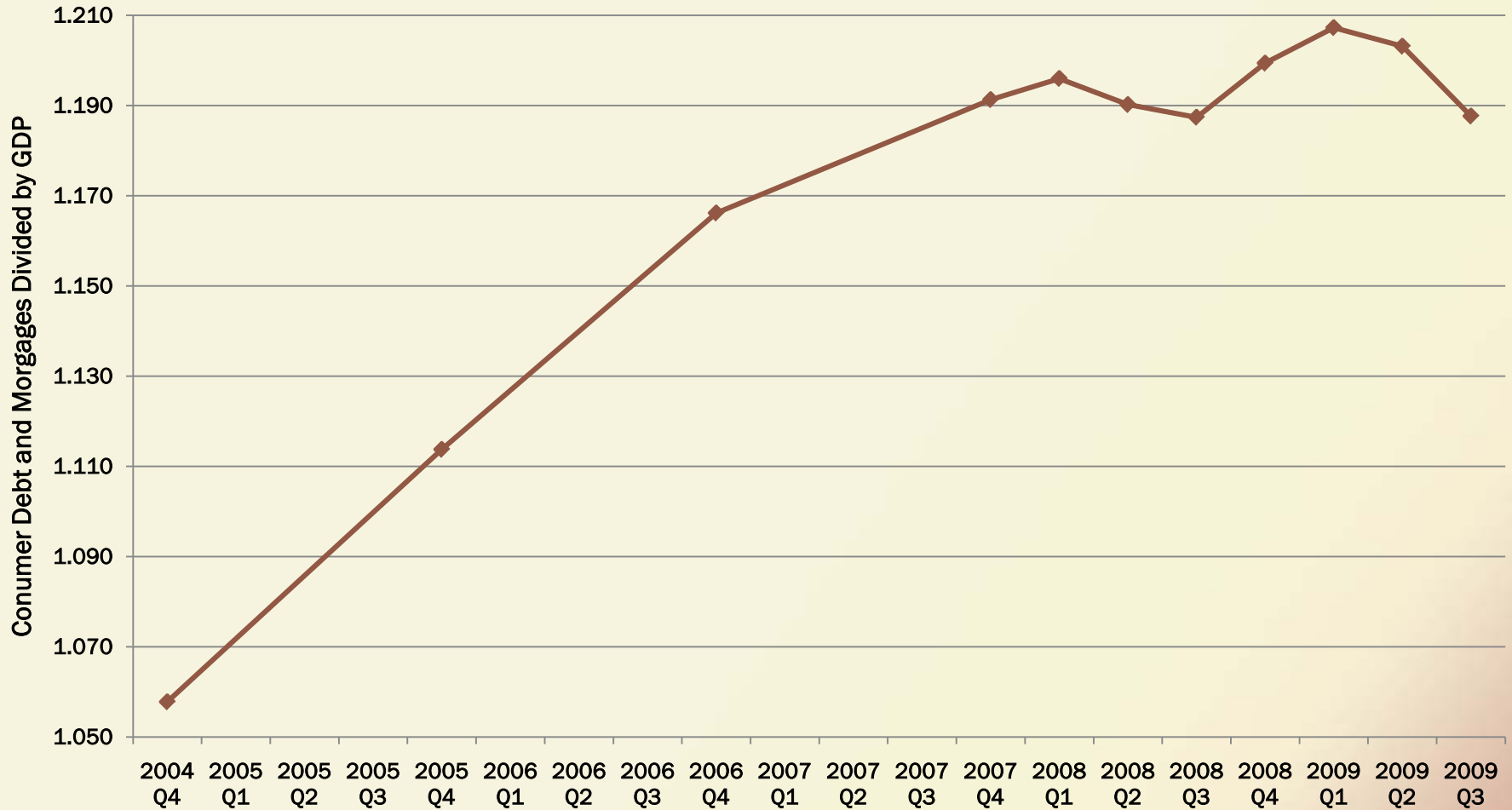
Personal Consumption as Share of GDP



Consumer Debt to GDP 1995-2008



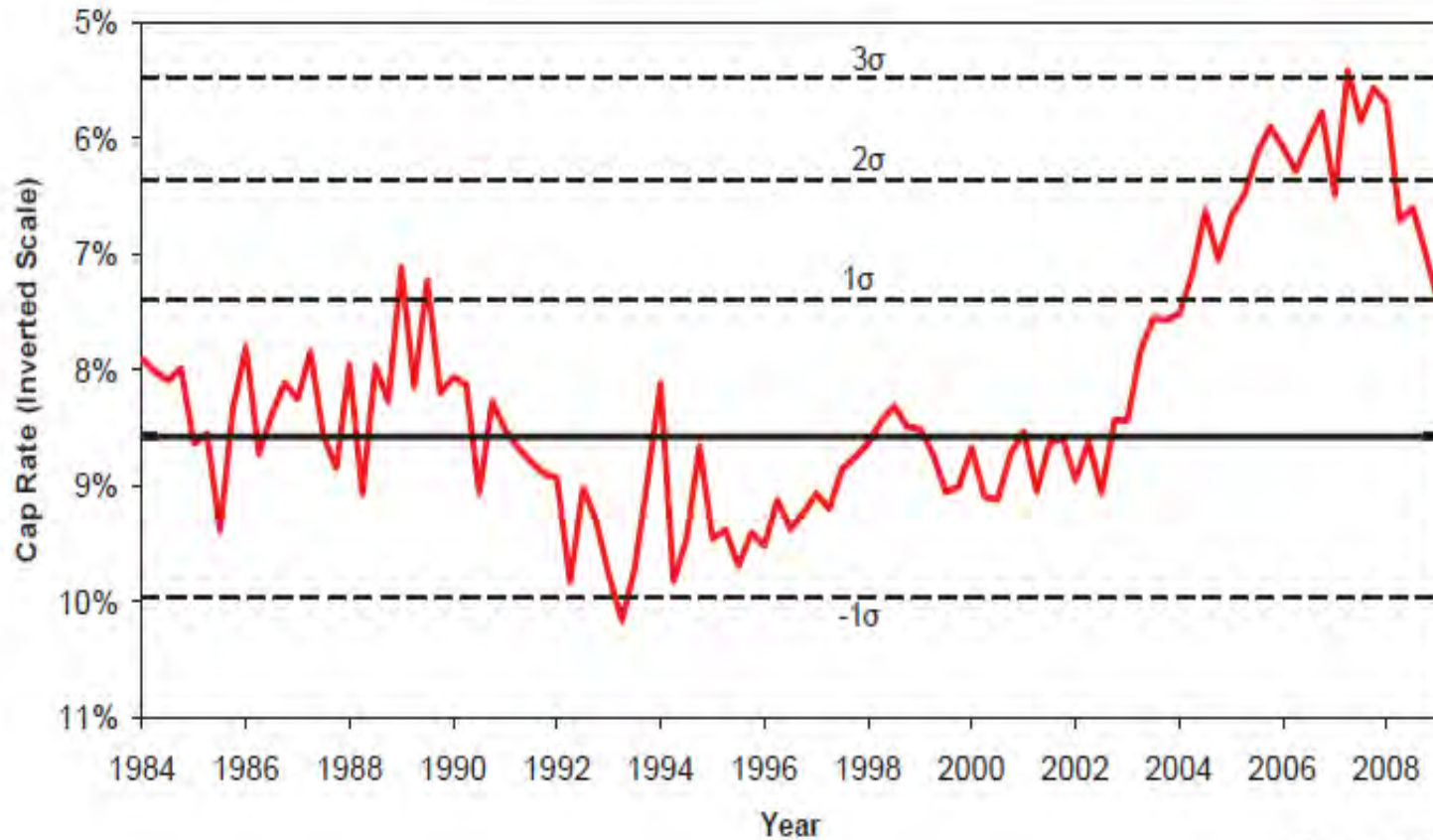
Ratio of consumer credit (including mortgages) to GDP



Source: Fed Flow of Funds Report and Bureau of Economic Analysis

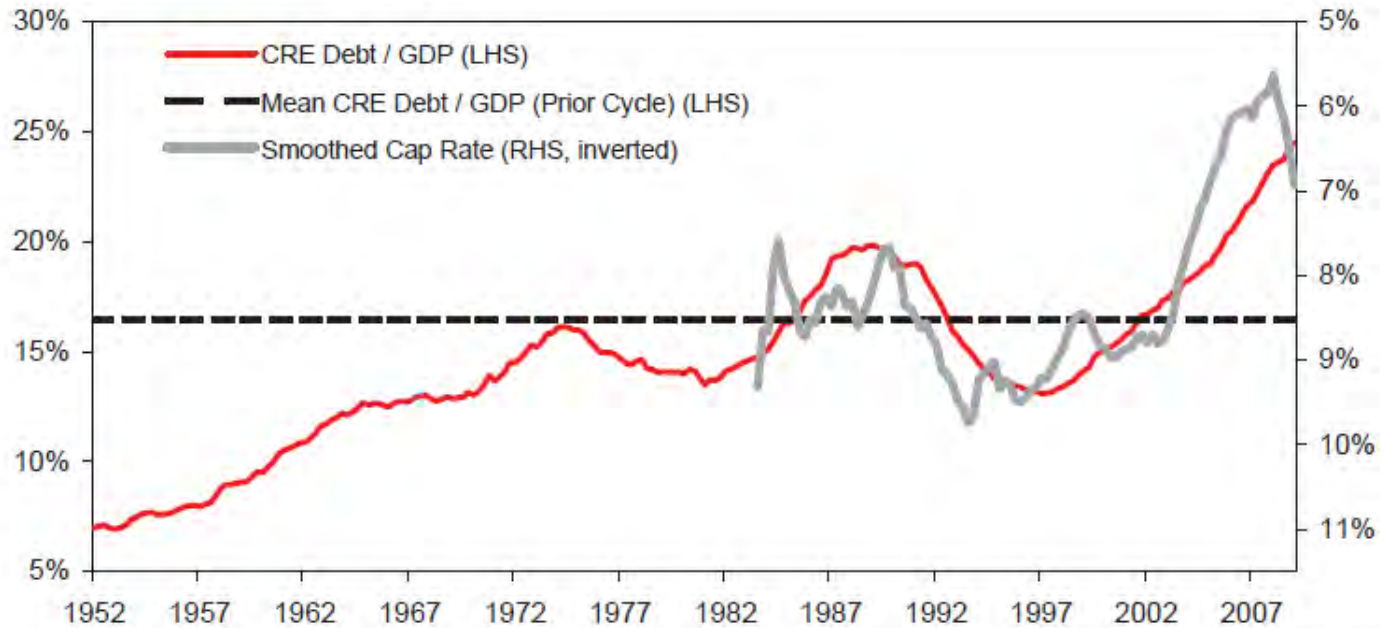


25 Years of Transaction Cap Rates (1Q1984 – 1Q2009)



Source: NCREIF.

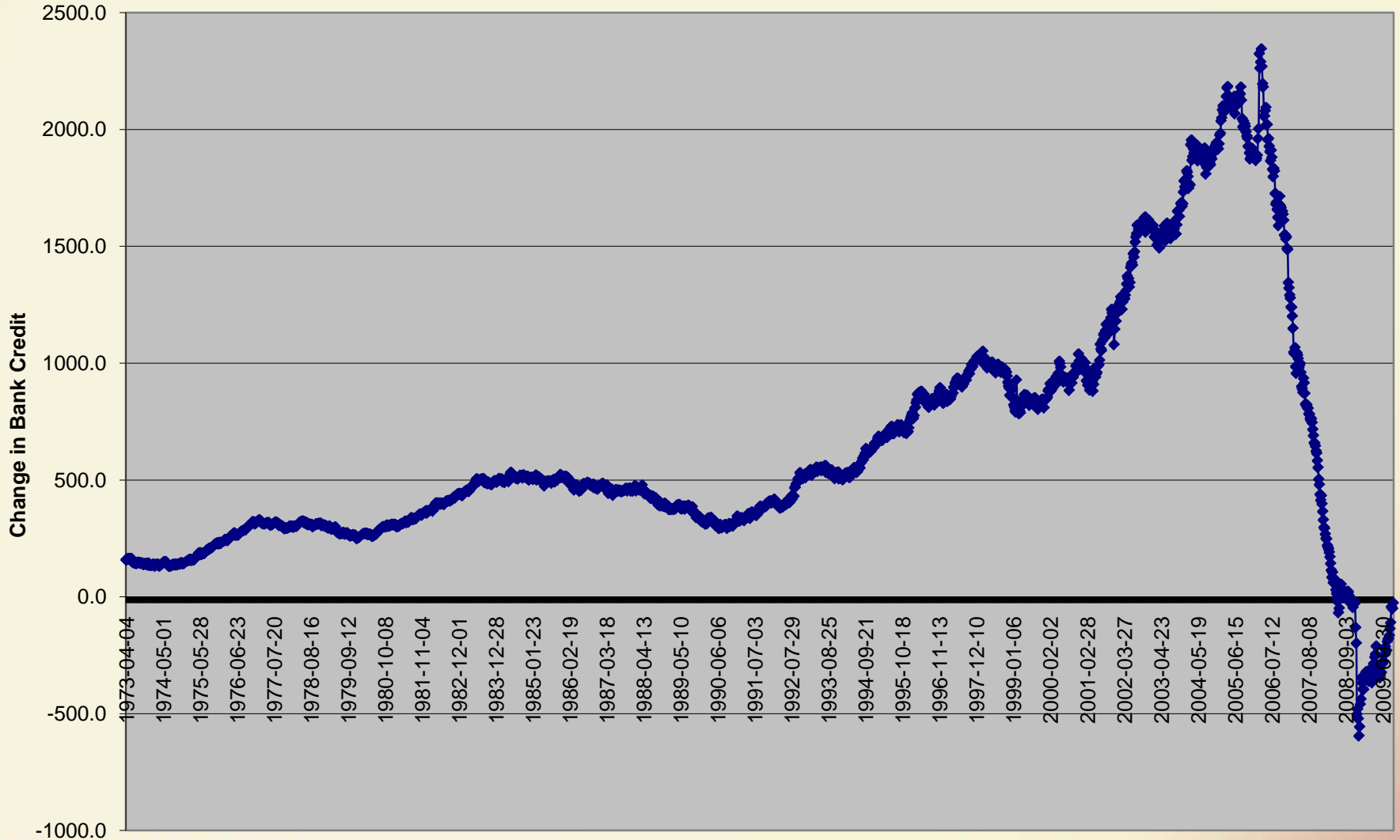
CRE Debt / GDP and Cap Rates



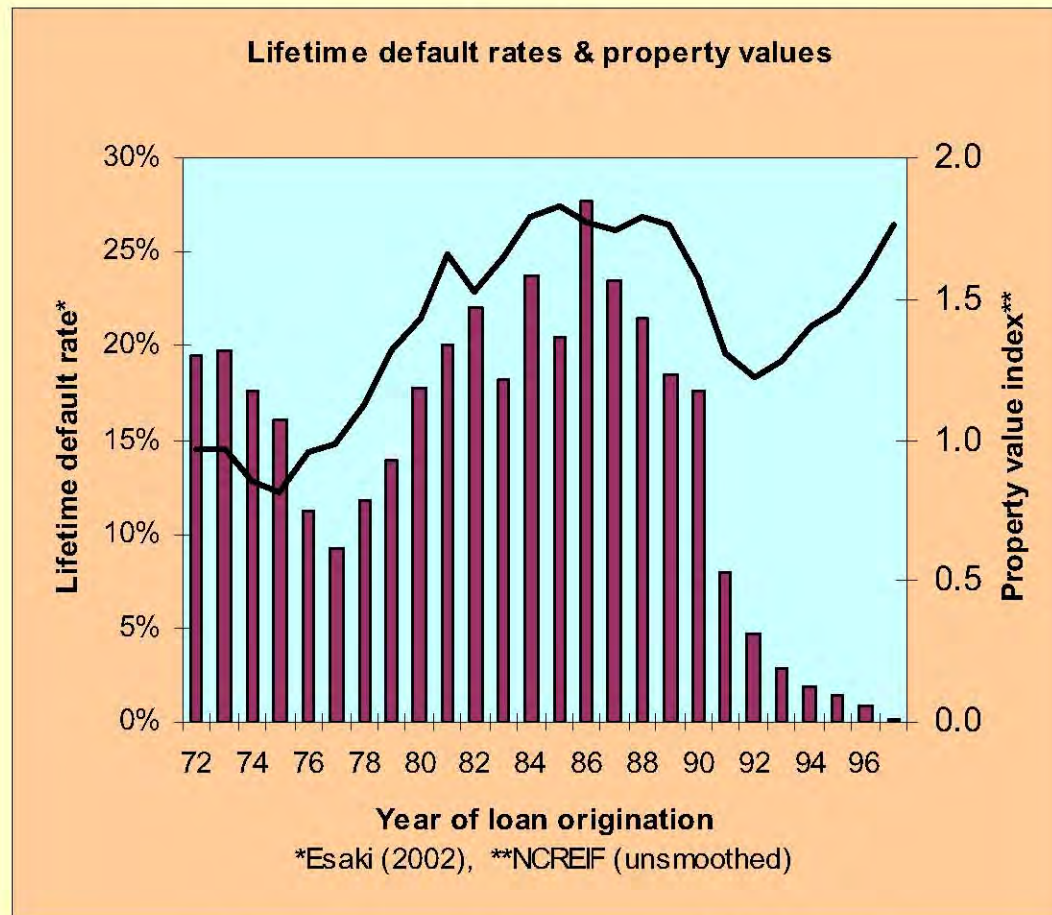
Source: Federal Reserve, Bureau of Economic Analysis, NCREIF,

Calculations: Shiraz Allidina

Change in Bank Credit (13 week MA)



Loan lifetime default probabilities are strongly influenced by the time (phase of the real estate market cycle) at which the loan was originated:



*Why do you suppose this is so?
And what do you think about it?*