

# REAL ESTATE BULLETS #1

## THE STATE OF REAL ESTATE



*Piasky Solutions*

Real Estate and Development

You have been selected to receive the inaugural "**Real Estate Bullets**" newsletter - your shortcut to staying informed. Our concise newsletter compiles key insights from experts and officials in the real estate and development industry. We attend conferences and webinars so you don't have to, delivering **valuable updates** to keep you ahead of the curve. Gain a **competitive edge** with our regular summaries of market trends.

*We hope you find value in the first one below!*

## BULLETS FROM WALKER WEBCAST

### THE STATE OF REAL ESTATE

WALKER &  
DUNLOP

Hosted by: Willy Walker (Walker & Dunlop CEO)

Other Walker & Dunlop Speakers: **Kris Mikkelsen** (executive vice president for investment sales) / **Aaron Appel** (senior managing director and co-head of New York capital markets) / **Ivy Zelman** (executive vice president of research and securities)

### *Key Points:*

#### Ivy Zelman – Single-Family Housing

- New-home market gaining share from existing-home market due to homeowners being locked in at **low fixed rates**
- 90% of homeowners locked at 5% or below
- 50% of homeowners locked at 3.5% or below
- New-home transactions at 15-16%, up from 10%.
- Homebuilder stocks **increasing** recently in reaction to expectation that rate tightening cycle is over
- Homebuilders are benefiting from relocation buyers

- Discretionary spending is under pressure
- Management teams are pulling back on everything
- Shouldn't be too excited about potential rate cuts because it would be due to **grim conditions**

### Kris Mikkelsen – Investment Sales

- No material forced selling which has been a little **surprising**
- Moving into a period where there will be winners & losers
- Very few retail acquisitions
- If you have the ability to **go long** an asset and ride out instability, then you should do it
- When considering an asset and facing a decision regarding capital in the next 12-18 months, the **abundance of volatility** and changes in sentiment observed within the past 90 days make it challenging to perceive time as a beneficial factor.
- Year 1 cap rates around 4.5 to 5%

### Aaron Appel – Capital Markets

- There is much **more liquidity** in the market than in 2009
- Even if commercial banks have shut off the spigot on financing new CRE deals, borrowers have many more alternative lenders to work with than they did during the Great Financial Crisis
- Whether the owner or sponsor likes the liquidity that's available is a different story
- Lot of expensive credit
- All deals that should get financed are getting financed
- Fundamentals on the ground are much better than what's being reported

[Full Webcast](#)

## BULLETS FROM PCBC

### THE ECONOMIC AND HOUSING OUTLOOK



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Ali Wolf, Chief Economist for Zonda, presented “The Economic and Housing Outlook” at this year’s Pacific Coast Builder Conference hosted by the California Building Industry Association. Key Points:

#### Economic Backdrop

- Labor market is holding up - Total employment is 2% above pre-pandemic
- Inflation is still running hot - PCE and CPI up **roughly 5% YOY**
- Restrictive policy still in place with banking concerns still an economic risk

- Fed is trying to make sense of the "long and variable" lag (Milton Friedman 1961) between a monetary policy action and its impact on the economy and inflation, which **intensifies economic risks**

### Housing Trends

- Resale housing market remains muted, presenting an opportunity for the new home market
- There are new homes to be had as long as you **adjusted** to find the market
- Housing supply remains tight
- Sellers don't want to reset current mortgage rates and are left to decide whether to remodel or turn into a rental
- Builders are benefiting from people staying put - New homes are **over 30%** of inventory and over 14% of total sales

### Buyer Considerations

- Many buyers today are using **long-term savings**, stock market gains and moves from a high-cost market to purchase
- Western US still of strong interest to those out of Country
- Homeowners are sitting on record home equity of \$29.6 trillion
- 90% of homeowners have a rate of 5% or less while 60% are 4% or less

### Supply Stats

- LA/OC vacant **undeveloped** lot supply at 11 months vs. 11.9 in 2019
- Vertical costs improving. Still major issues on horizontal.
- Government Services is #1 constraint issue from 60% of respondents
- Land costs are at all-time highs. Development costs are high as well.

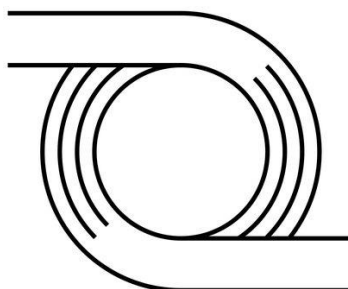
### Forecast & Final Thoughts

- 93% of respondents are either cautiously moving forward or full steam ahead on land acquisition
- 68% of builders expect **housing starts** to be up this year
- Medium-term runway is solid for housing
- There are a lot of prospective buyers in the market with 33% saying they expect to buy in the next 1-3 years

**Full PowerPoint**

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