

MERC Education Session:

Panelists:

Amy Jurek
Brandon Full
Brenda Thoeny-Johnson

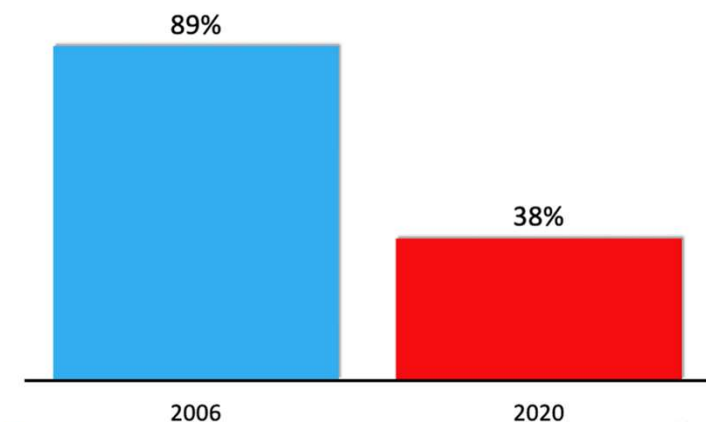
RE/MAX Advantage Plus
Wells Fargo Home Mortgage
Cartus Relocation



Today's Market is Nothing vs Last Recession

Key Variables	Last Housing Cycle	Current Housing Cycle
Job Cuts (Net of Gains and Losses)	8 Million	None
Total Jobs (Household Survey)	138 Million	158 Million
Subprime Loans	Prevalent	Virtually None
New Construction (Previous 5 Years)	7.65 Million	4.6 Million
Inventory on Market	3.8 to 4 Million	1 to 1.2 Million
Mortgage Delinquency	10.1%	3.6%
Homes in Foreclosure	4.6%	0.6%

Cash-Out Refinances as a Percentage of All Mortgages



Unemployment Rates

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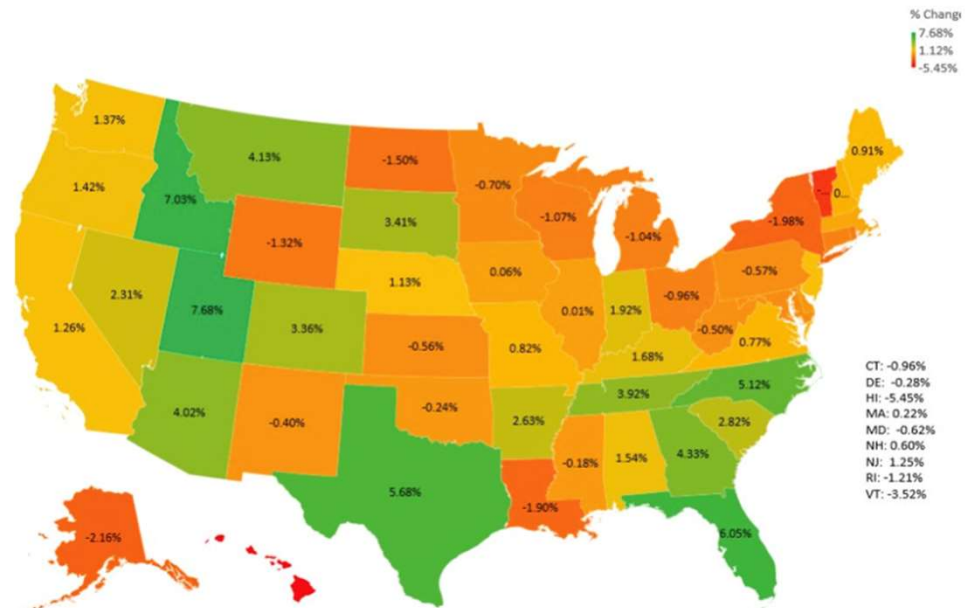
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Unemployment Rates for Large Metropolitan Areas, Not Seasonally Adjusted

[with a 2010 Census population of 1 million or more]

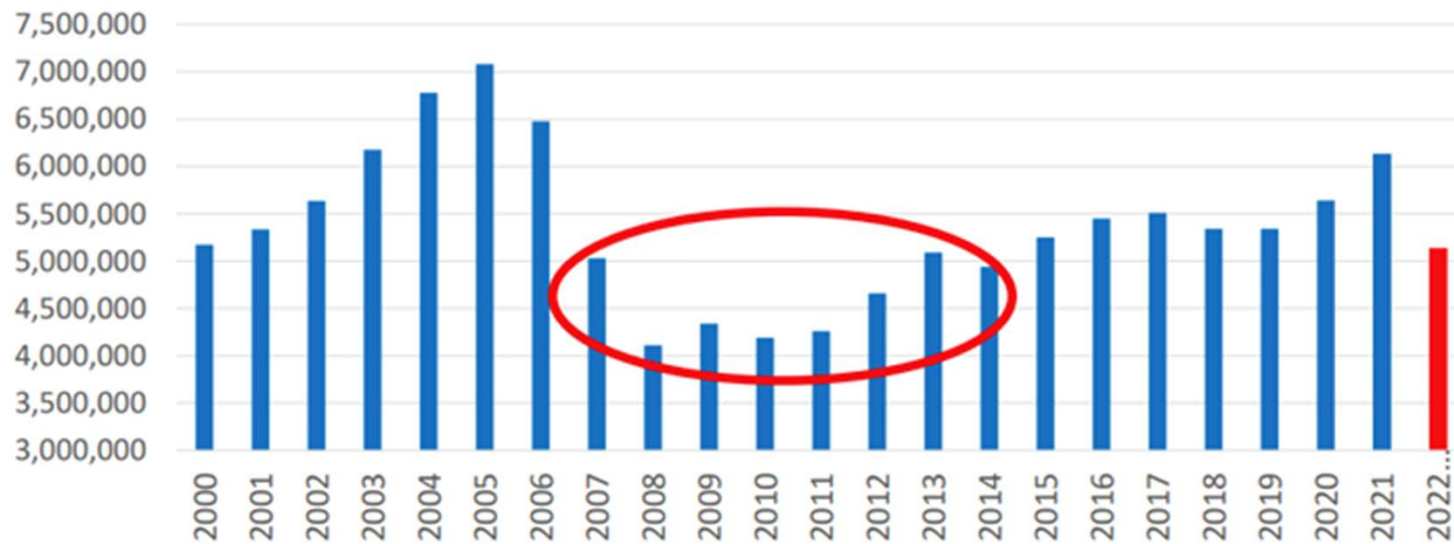
Metropolitan area	November 2022(P) rate	Rank
Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area	1.9	1
Salt Lake City, UT Metropolitan Statistical Area	2.0	2
Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area	2.1	3
Birmingham-Hoover, AL Metropolitan Statistical Area	2.2	4
San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area	2.4	5
Jacksonville, FL Metropolitan Statistical Area	2.5	6
Kansas City, MO-KS Metropolitan Statistical Area	2.5	6
Indianapolis-Carmel-Anderson, IN Metropolitan Statistical Area	2.6	8
Nashville-Davidson--Murfreesboro--Franklin, TN Metropolitan Statistical Area	2.6	8
Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area	2.6	8
Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area	2.7	11
Boston-Cambridge-Nashua, MA-NH Metropolitan NECTA	2.7	11
Columbus, OH Metropolitan Statistical Area	2.7	11

Payroll Jobs: October 2022 versus March 2020



National Home Sales

Annual Existing Home Sales ... Down 16% in 2022 and lowest since 2014



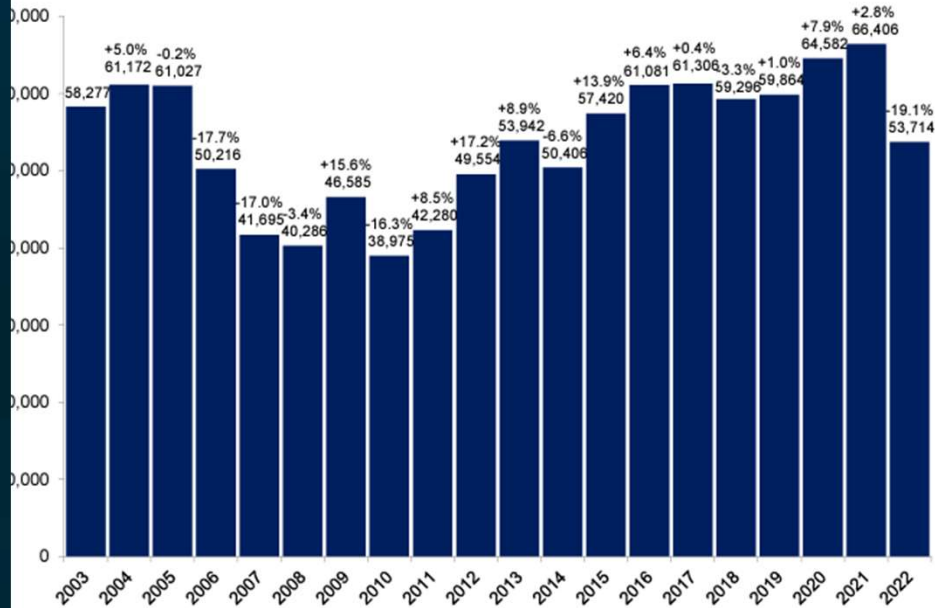
Top Median Sales Price in Twin Cities

- Afton = \$650K
- **Deephaven** = \$1.87M
- **Greenwood** = \$1.09M
- **Minnetonka Lake Area** = \$636K
- Lake Elmo = \$635K
- **Minnetonka Beach** = \$3.15M
- **Medina** = \$800K
- North Oaks = \$960K
- **Orono** = \$1.12M
- Pine Springs = \$670K
- Sun Fish Lake = \$1.6M
- **Tonka Bay** = \$926K
- **Wayzata** = \$1.1M
- **Woodland** = \$850K



Closed Sales - Annual

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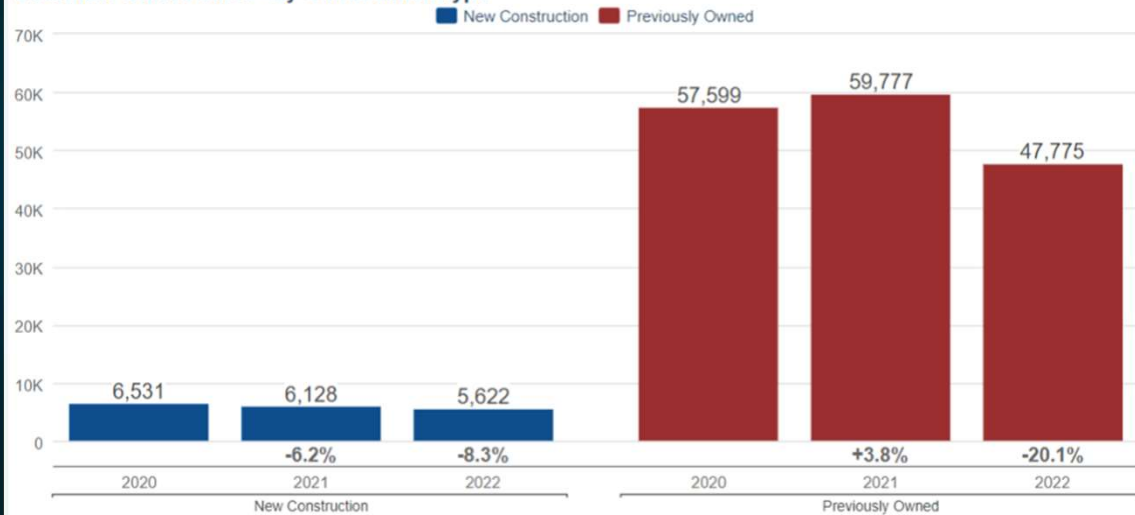
Source: Minneapolis Area REALTORS® (MAR) and RMLS of MN, Inc. | © 2023 MAR

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Twin Cities, MN Annual Sales

December Closed Sales - By Construction Type



Twin Cities Region

2022 Year to Date New Construction

Permits

- Lakeville 477
- Woodbury 408
- Cottage Grove 301
- Blaine 289
- Shakopee 285

Permits Units

- Minneapolis 3,557
- Edina 985
- Minnetonka 914
- St Louis Park 884
- Lakeville 753

Biggest Growth in Market Share

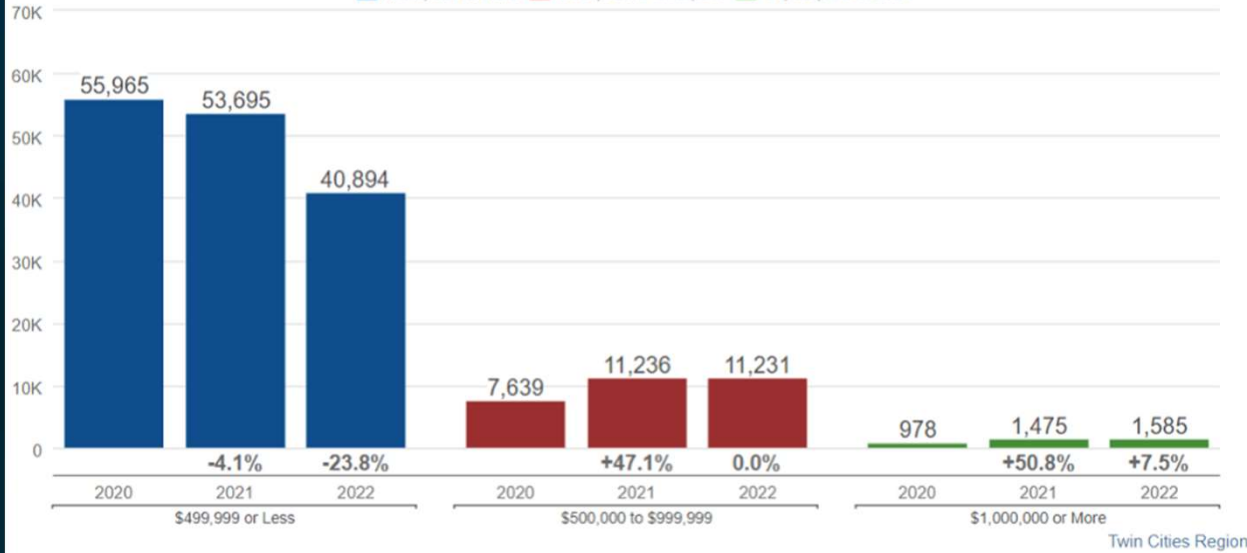
- Dayton 74%
- Hanover 60%
- Carver 58%
- Corcoran 46%
- Ostego 42%
- Cottage Grove 41%
- Lake Elmo 40%



Twin Cities, MN Annual Sales

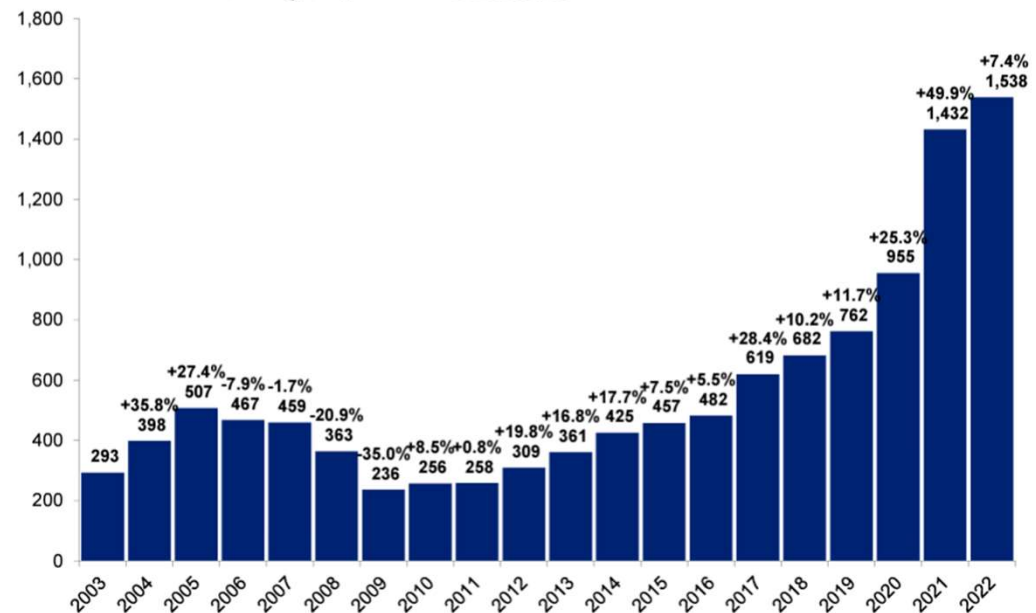
December Closed Sales - By Price Range

■ \$499,999 or Less ■ \$500,000 to \$999,999 ■ \$1,000,000 or More

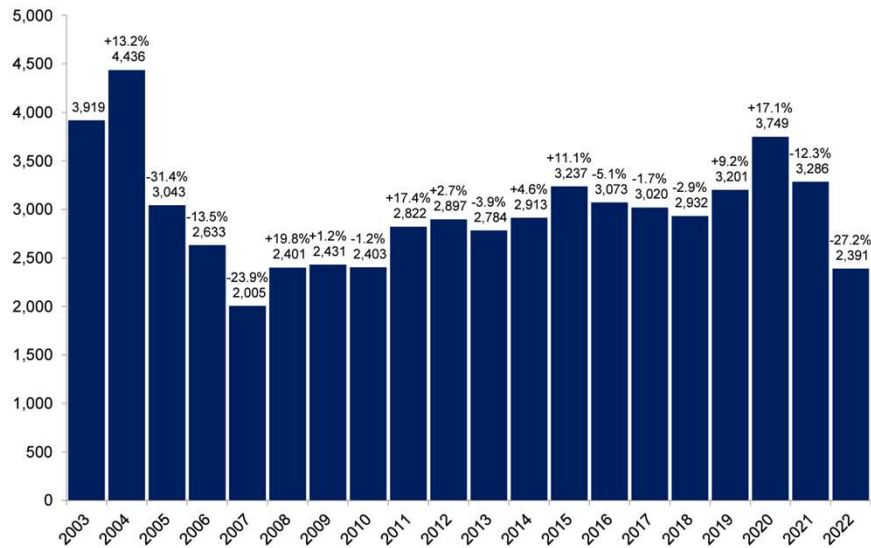


Closed Sales Above \$1M

Twin Cities Region, YTD – December



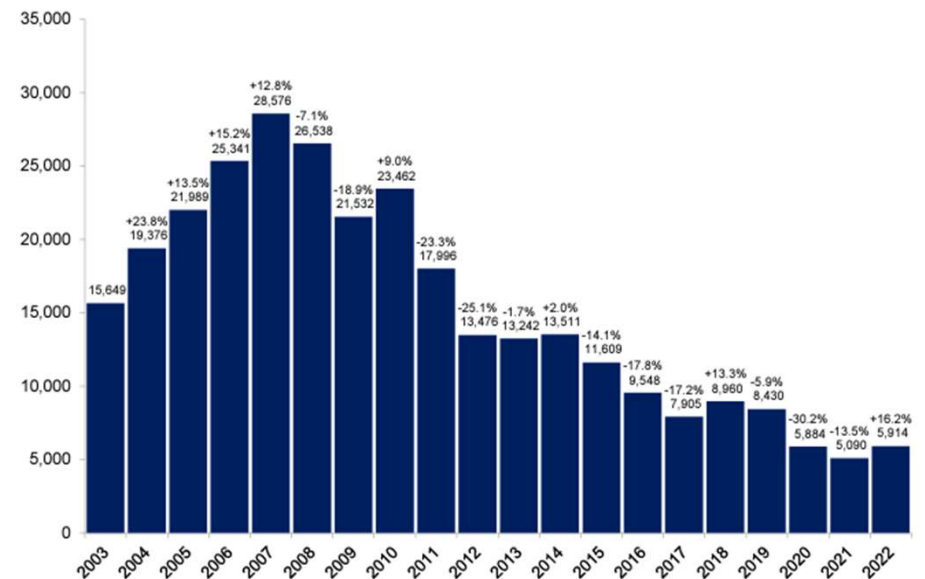
December Pending Sales | Twin Cities



Source: Minneapolis Area REALTORS® (MAR) and RMLS of MN, Inc. | © 2023 MAR

Twin Cities, MN December Inventory

December Inventory (Active) Count | Twin Cities



Source: Minneapolis Area REALTORS® (MAR) and RMLS of MN, Inc. | © 2023 MAR

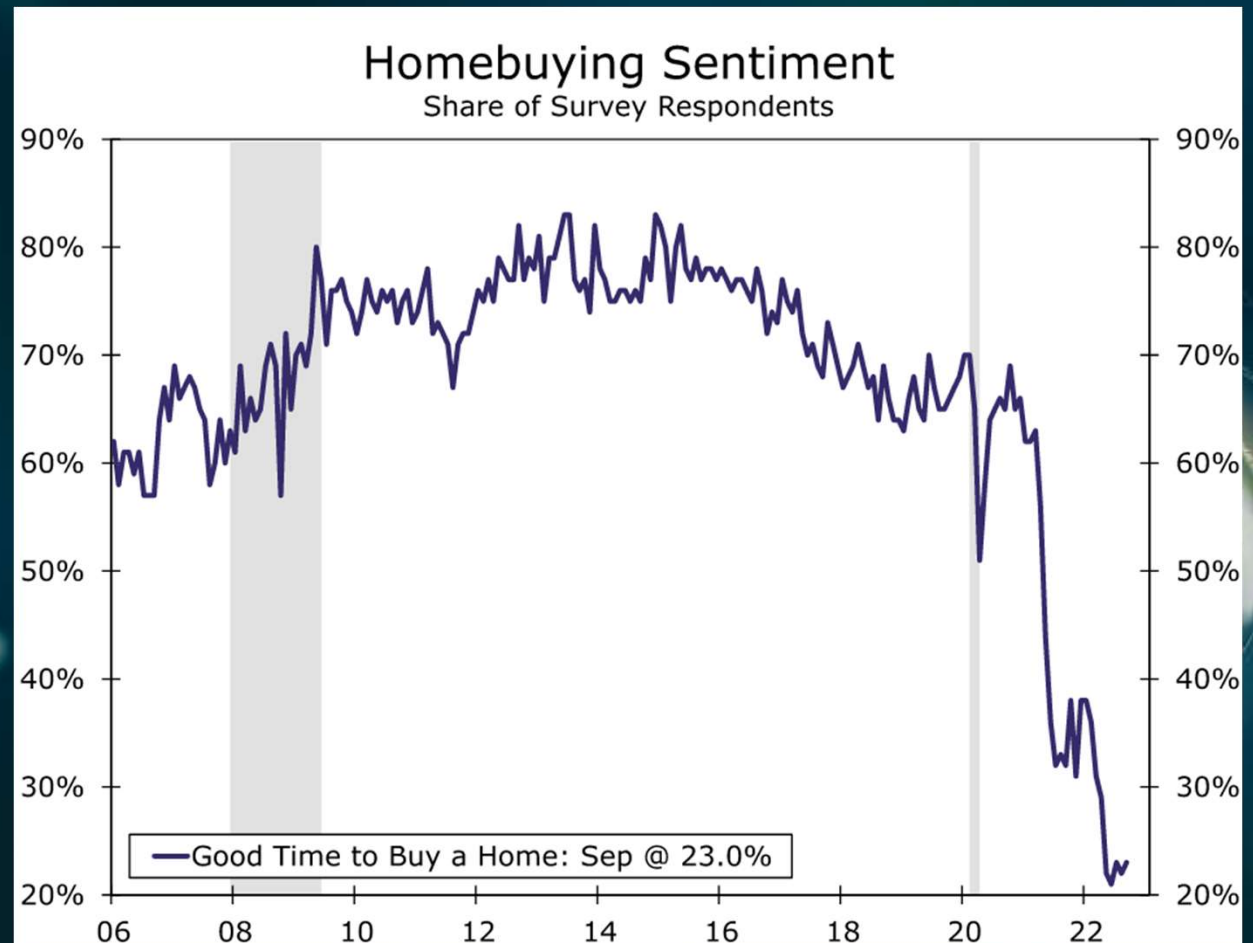
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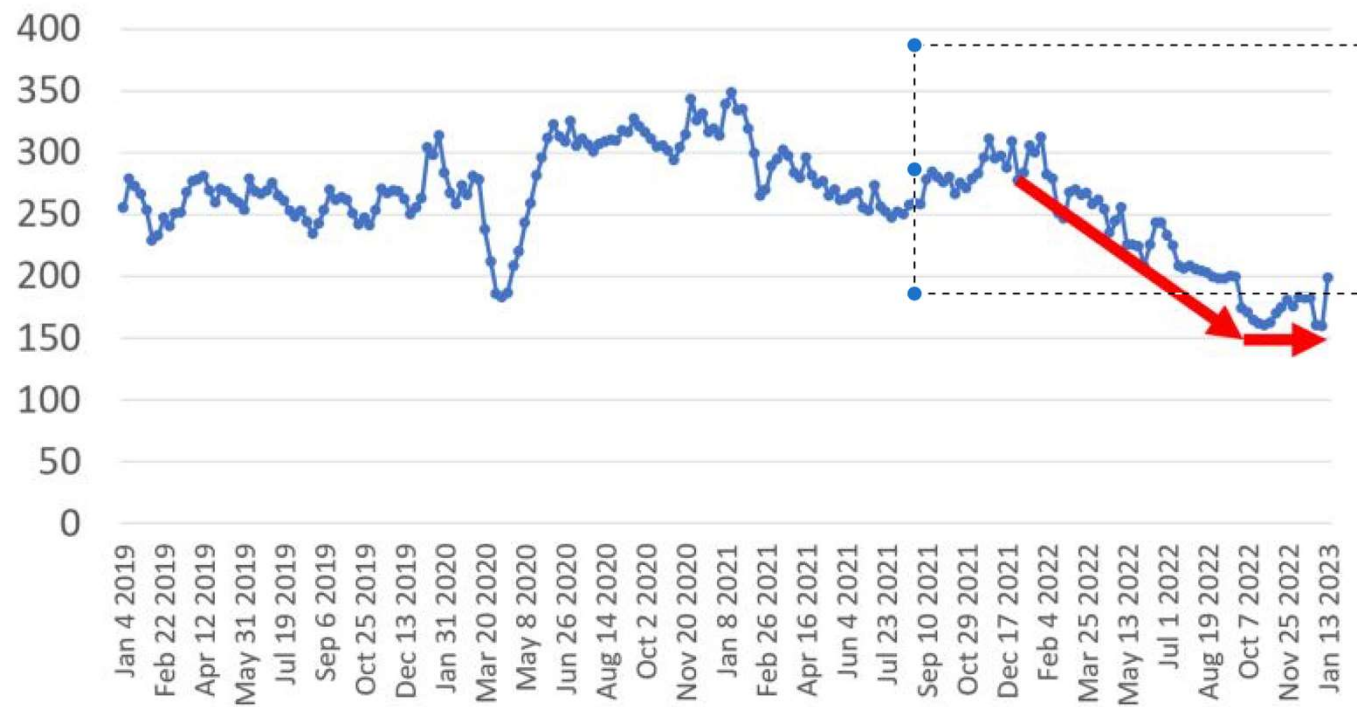
Homebuying Sentiment

Intense competition from invest buyers, rising rates, tight inventories and fast-rising home prices have put homes out of reach for many prospective home buyers.

The share of consumers that feel now is a good time to buy a home is probing all-time lows.



Mortgage Applications to Purchase (not Refi)



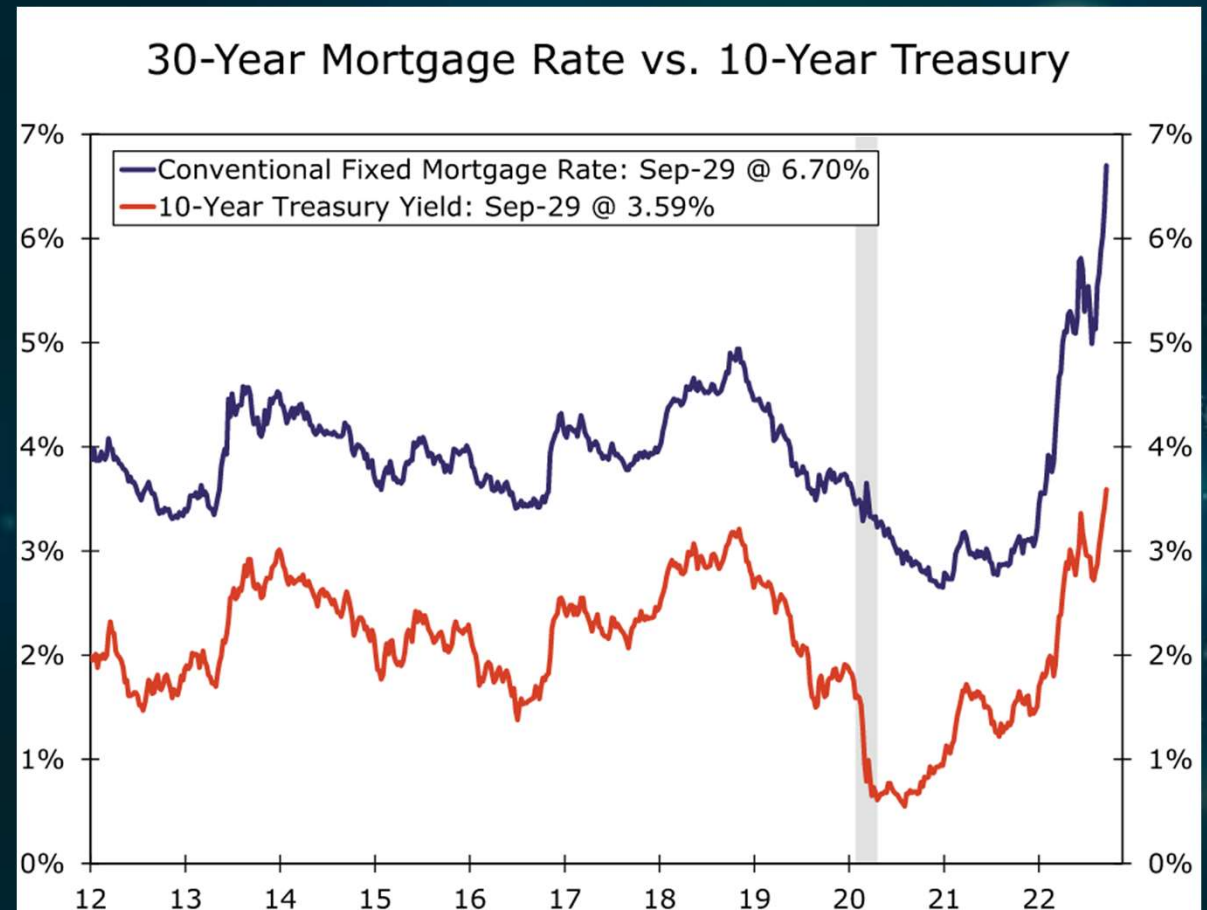
Have we reached the bottom?



Mortgage Rates in the Driver Seat

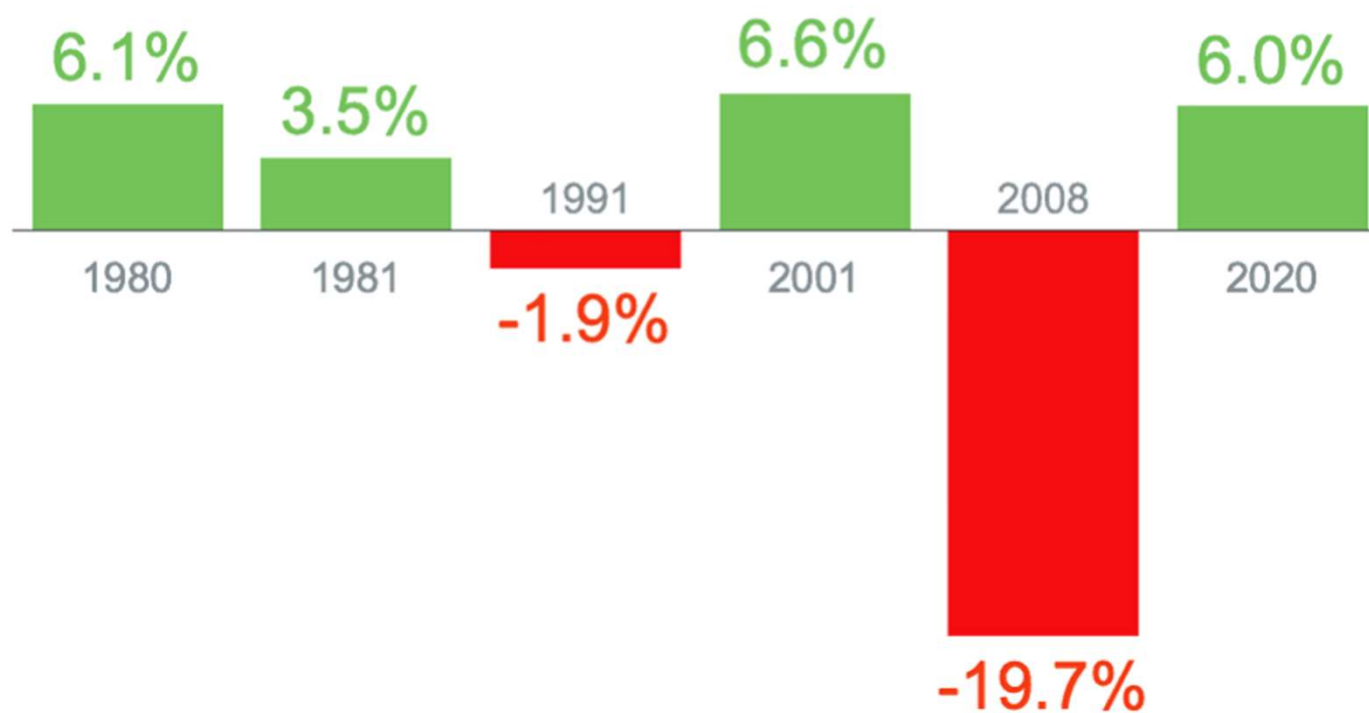
The primary driver behind the housing market correction thus far has been sharply higher mortgage rates. The 30-year commitment rate in 2022 peaked at 6.70%, twice as high as the 2.96% it averaged in 2021.

Climb in rates is mostly attributable to the Fed tightening monetary policy in order to tamp down mounting price pressures.



A Recession Does Not Mean Falling Prices

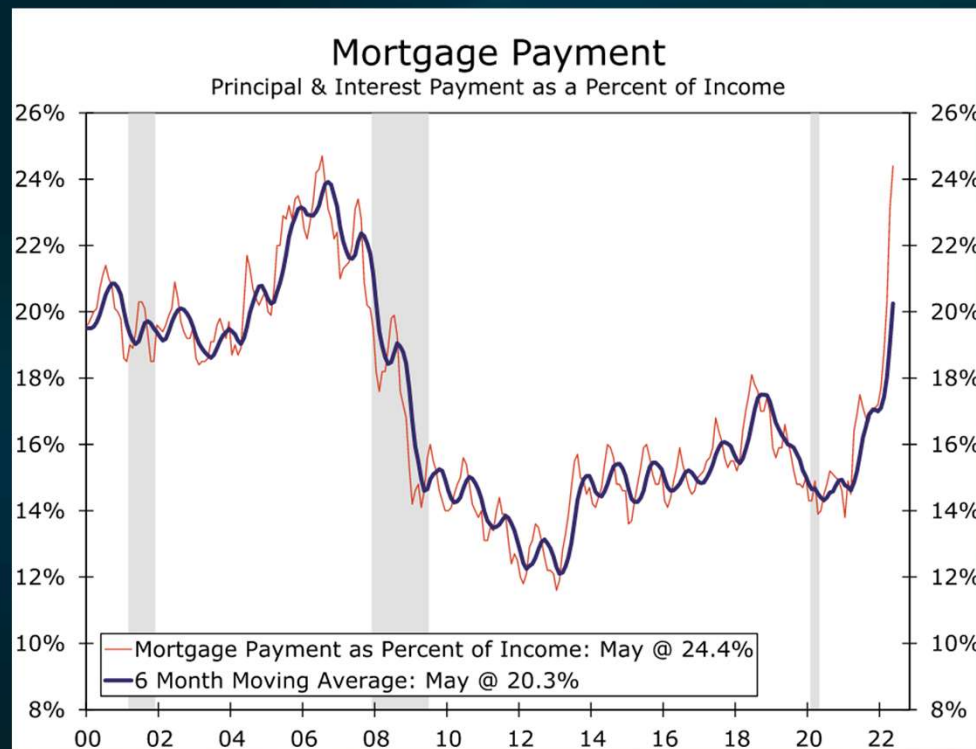
Home Price Change During Last 6 Recessions



Housing Affordability

Housing affordability has worsened substantially with average monthly mortgage payment increasing to \$1,940 in November, up from \$1,285 a year ago, a 51% increase according to the National Association of Realtors.

Monthly mortgage payments as a percent of income climbed to 37.7% in November vs. 16.9% in May of 2021 as mortgages have become increasingly burdensome.



Various policy options help mitigate rising rate impacts for transferees

In an effort to address reluctance to relocate in a rising rate environment and with the challenges of obtaining top talent, we recommend investing in benefits to address employee concerns, manage corporate spend, and provide competitive benefits.

Options include:

Mortgage subsidy

MIDA¹

**Transferee
benefit**

**Sliding scale
point policy**

**Cash payments (lump
sum, COLA)**

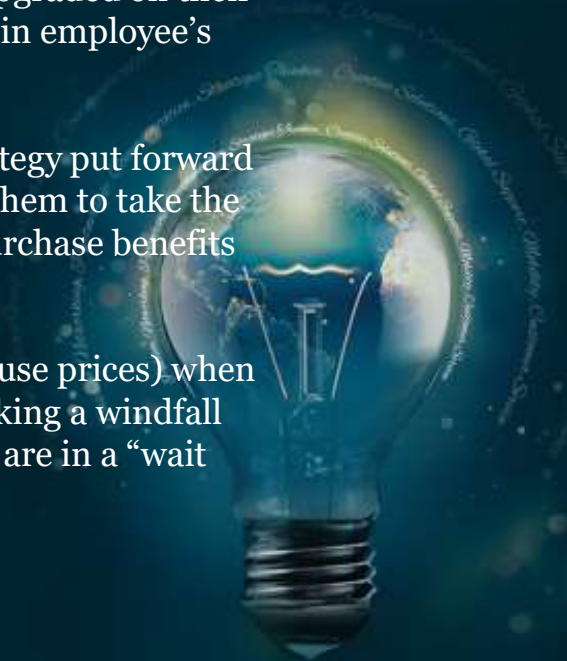


RMC Perspective – Client Feedback

In the past few years, employees have paid above list price in the U.S. housing market, sometimes with no inspections, to secure a home. We recently asked our clients if they are considering adding or reviving Loss on Sale or other incentives to their programs to support these employees.

- Client #1 – Concerned this could be an issue but have not made changes yet.
- Client #2 - This client is taking a holistic approach e.g. assignees had to pay more for their new property, but did they also make more on their home sale? They moved employees from Chicago to Dallas for example and looked at if when employees sold their house in Chicago, did they make a profit on what they originally purchased it for? It is important to look at the full picture and include things like tax differences (Texas does not have the same taxes as Illinois) or if they upgraded on their new house. Additional members agree on taking a holistic view, looking at the equity in employee's homes, and not buying down.
- Client #3 - Building “incent to rent” into cost-of-living allowances (COLA) was a strategy put forward by one client. If employees are moving to a high-cost location, it is advantageous for them to take the “incent to rent” to receive a bump-up in COLA. Then that employee receives home purchase benefits on their next move.

Many corporations are discussing the macro-economic headwinds (inflation, interest rates, house prices) when trying to determine if additional assistance is needed for transferees, but if the employee is making a windfall on the house they are selling, many organizations feel as though it balances out. Organizations are in a “wait and see” mode to see what will happen in the coming year.



RMC Perspective – Client Feedback

What have organizations done in the past in terms of home sale/purchase assistance?

- Quick sale incentives (90 days, 3% of value of the home; not grossed up; incentive to price it correctly and quickly)
- Discount points or mortgage subsidies
- Loss on Sale- Ex. \$500,000 paid for home; investments were made, and the employee “believes” the home is worth \$700,000. Many organizations capped the amount of the loss.
- Difference this time around:
 - No rush to make policy changes
 - Many clients are in cost containment mode
 - Many transferees are still making a windfall
 - Focus on making the transferee “whole”, not necessarily helping them make money at the expense of the organization.



Take Aways

- World isn't ending, its shifting to Normal
- Homeowners have an equity cushion
- Housing for seniors is low, not allowing them to sell
- Rates and inflation are moderating
- Unemployment is still low
- Even if values come down 10%, vast majority of homeowners will not be underwater
- Strong regulatory environment and bank reserve requirements



Moving from a Speed-Based Market to a.....
Skills-Based Market

“We cannot control the wind,
but we can adjust our sails.”



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