



AUSTIN

"In November, Austin experienced solid job growth, accompanied by a decline in the unemployment rate and a slight fall in wage growth.

Employer notices to the federal government of **upcoming layoffs under the Worker Adjustment and Retraining Notification Act (WARN) increased significantly in 2023**, and layoff announcements were concentrated in transportation and warehousing followed by professional business services." – Jan 2024 – Austin Economic Indicators – Dallas Fed

TEXAS

"The Texas economy expanded at a robust pace last year. Payrolls expanded in December, and the unemployment rate dropped. Initial unemployment claims ticked down in mid-January.

Texas exports dipped in November, and construction contract values rose in December.

The December Texas Business Outlook Surveys **(TBOS) indicated further moderation in wage growth.**" – Jan 2024 – Texas Economic Indicators – Dallas Fed

UNITED STATES

"Overall, recent economic and financial developments are consistent with a gradual return of inflation to the Fed's longer-run goal of 2%. While there are both downside and upside risks to this outlook, a 'soft landing' for the economy, that is, a policy-induced disinflation without a recession, appears to be within reach."

"Recent data show a continued trend of declining inflation, with headline personal consumption expenditures (PCE) inflation now below core PCE inflation due to lower energy and commodity prices."

"The labor market remains strong. Nonfarm payroll employment increased by 216,000 jobs in December 2023, exceeding expectations. The unemployment rate held steady at 3.7%, just above the low of 3.4% last reached in early 2023."

"Output growth was unusually strong in the third quarter of 2023, when real gross domestic product (GDP) grew at a robust 4.9% annualized rate. Recent data indicate that real GDP growth likely slowed in the fourth quarter of 2023."

"The median forecast in the Fed's Summary of Economic Projections (SEP) now anticipates a decline of 0.75 percentage points in the funds rate by the end of 2024." – Jan 2024 – FedViews – San Francisco Fed

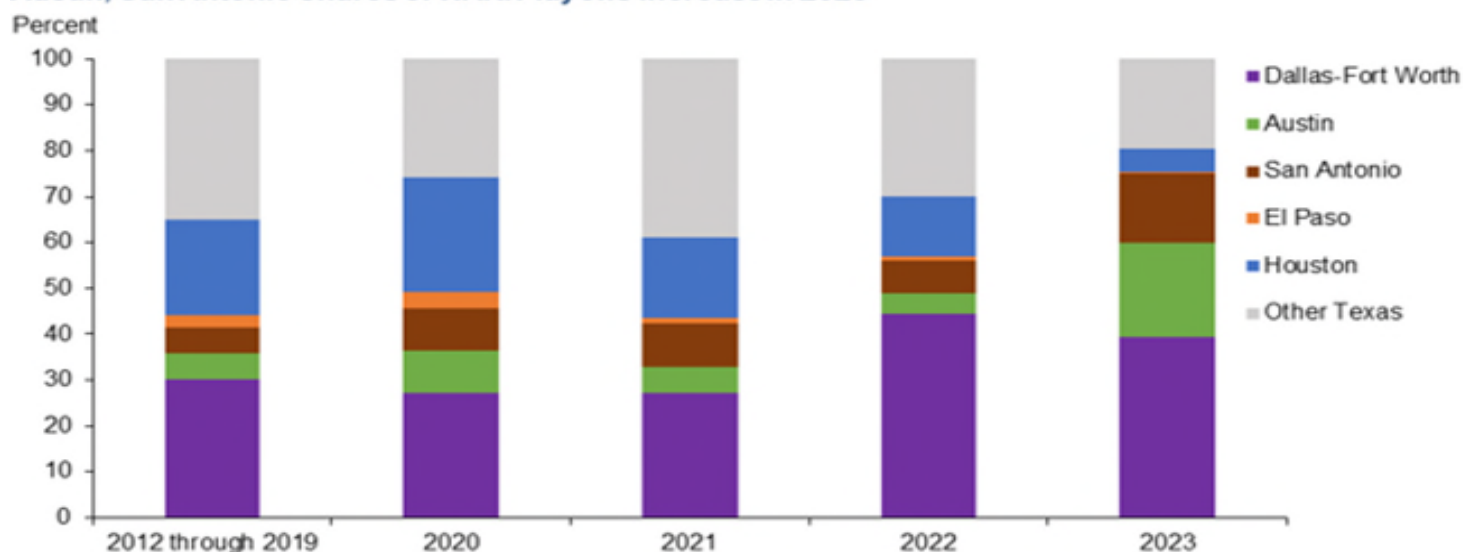
JOBS – WARN LAYOFF NOTICES SIGNAL EASING TEXAS LABOR MARKET

“An increase in notices of pending mass layoffs among firms in Texas may signal rising unemployment and slowing employment growth.” “The federal Worker Adjustment and Retraining Notification (**WARN**) Act requires employers to inform state officials when they plan facility closures or mass layoffs. The notices can signal the shutdown of a job site of at least 50 workers, a layoff of a third of a location’s workforce involving fewer than 500 workers or outright dismissal of more than 500 employees.”

“The top five metropolitan statistical areas (MSAs) in Texas typically account for around 65 percent of WARN layoffs in a year, with the two largest metros, Dallas–Fort Worth and Houston, with the most. However, through October 2023, **there were 3,552 WARN layoffs in Austin, an unusually high level.**

Austin accounted for 20 percent of the total number of WARN layoffs in the state during the first 10 months of 2023 despite making up just 9.6 percent of employment. By comparison, WARN layoffs in Austin accounted for only 5.7 percent of the total in 2012–19. The Austin increase is likely attributable to high-tech downsizing following a period of aggressive pandemic-era hiring, when global talent became available in the prevailing work-from-home environment.” – Dec 2023 – Southwest Economy - Dallas Fed

Austin, San Antonio shares of WARN layoffs increase in 2023

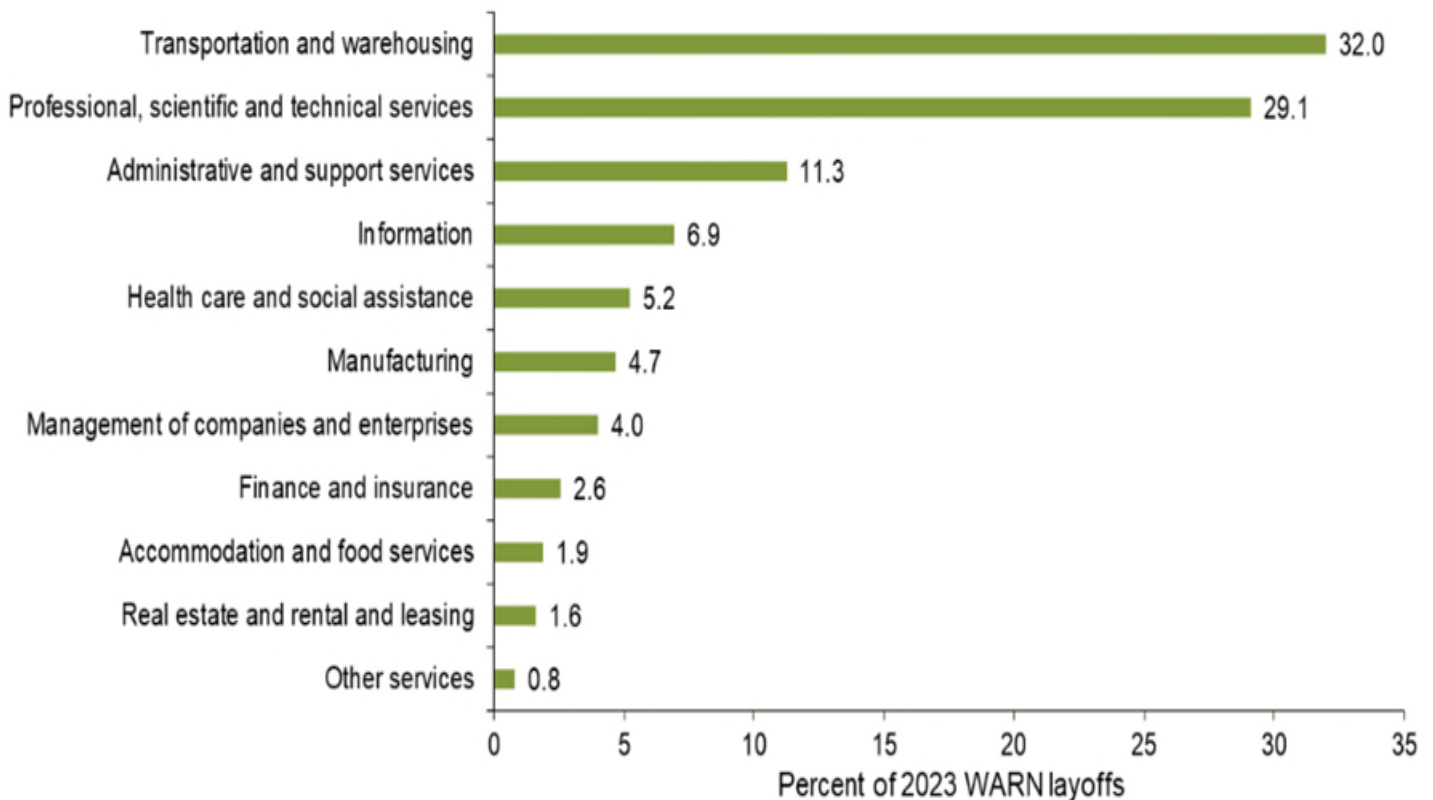


NOTES: Data through October 2023. WARN refers to the Worker Readjustment and Retraining Notification, which employers must provide before mass layoffs. Metropolitan statistical areas are shown for each city.
SOURCE: Texas Workforce Commission.

JOBS – 2023 WARN LAYOFFS BY SECTORS – AUSTIN

“In 2023, the transportation and warehousing sector saw the most mass layoffs, followed by professional services and administrative services. Mass layoffs continue to be concentrated among interest-rate-sensitive white-collar services (professional services, administrative services, information).” – Jan 2024 – Austin Economic Indicators – Dallas Fed

2023 WARN layoffs by sectors



NOTE: WARN refers to the advance layoff warnings employers must give under the Worker Adjustment and Retraining Notification Act. Data reflect the date of the actual layoff and are as of December 28, 2023.

SOURCE: Texas Workforce Commission.

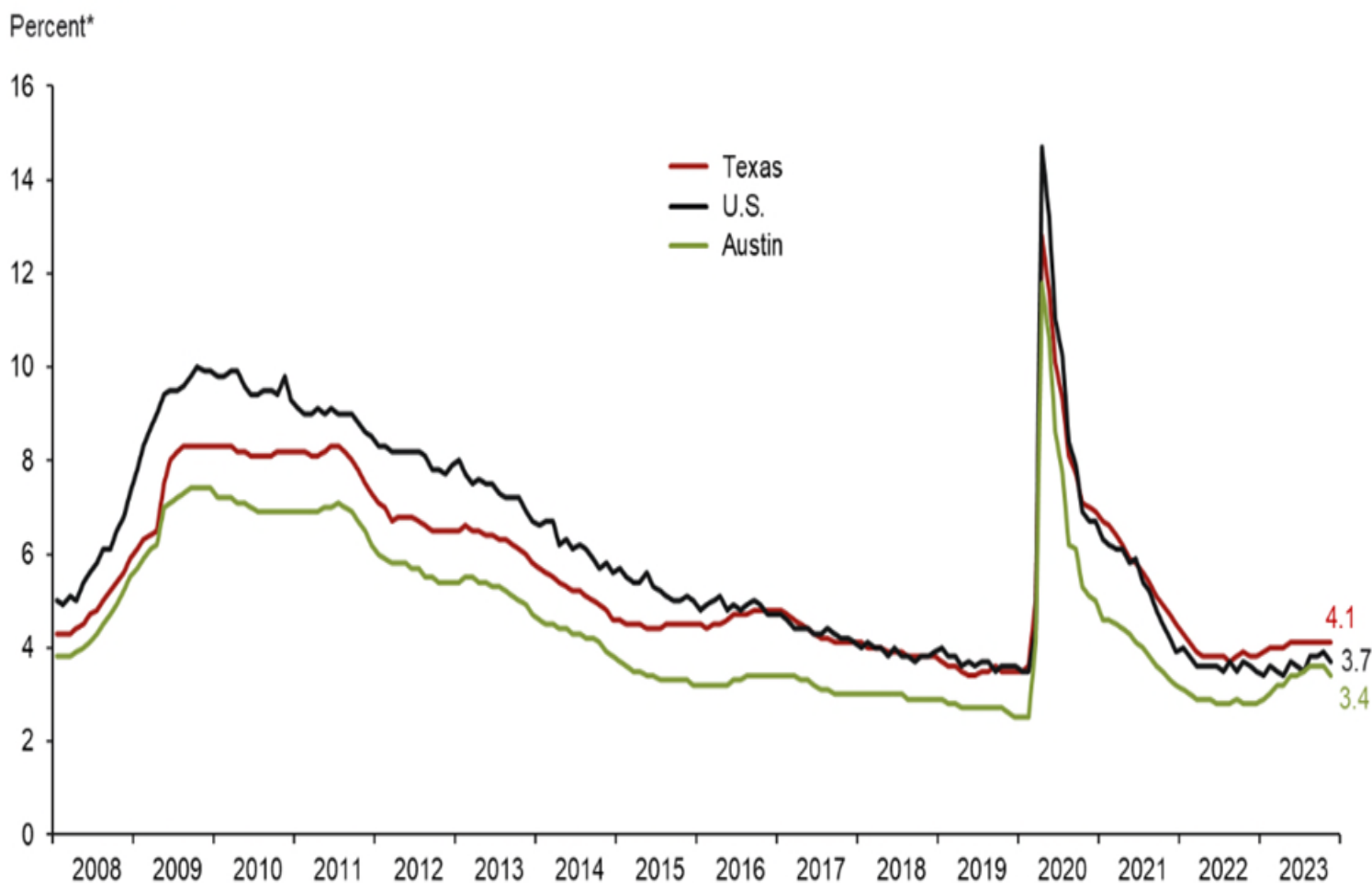
Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

JOBS – UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

“Austin’s unemployment rate declined to 3.4 percent, remaining below the state rate of 4.1 percent and the national rate of 3.7 percent. In November, the local labor force increased an annualized 6.3 percent.” – Jan 2024 – Austin Economic Indicators – Dallas Fed

Unemployment rate



*Seasonally adjusted.

SOURCE: Bureau of Labor Statistics.

Federal Reserve Bank of Dallas

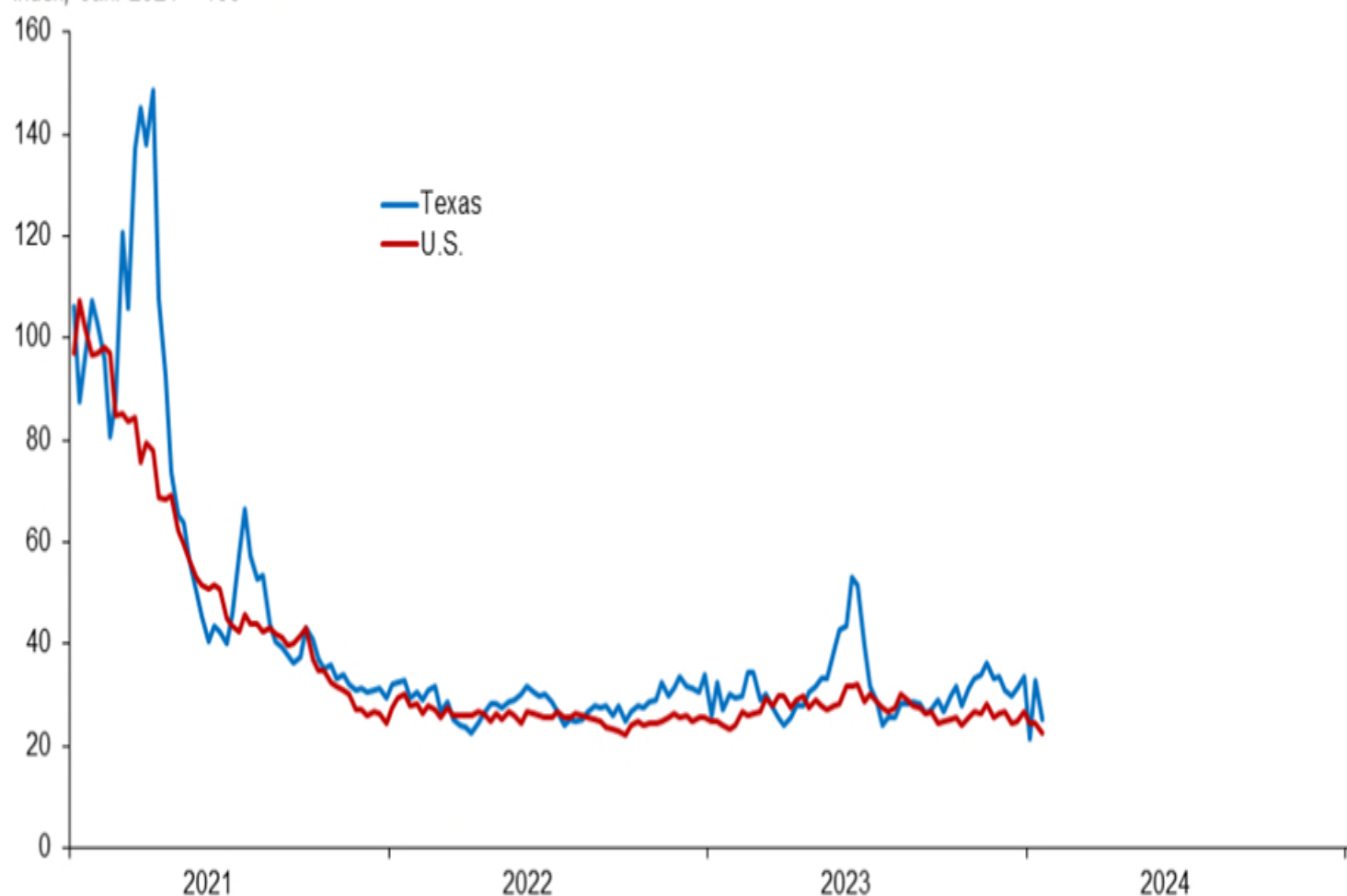
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

JOBS – UNEMPLOYMENT CLAIMS – TEXAS

“Weekly initial unemployment claims decreased in Texas in mid-January and remained significantly below January 2021 levels. New unemployment claims trended down to 12,854 in Texas and to 187,000 in the U.S.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Unemployment claims

Index, Jan. 2021 = 100



NOTE: Data are through the week ending Jan. 13, 2024.

SOURCE: Department of Labor.

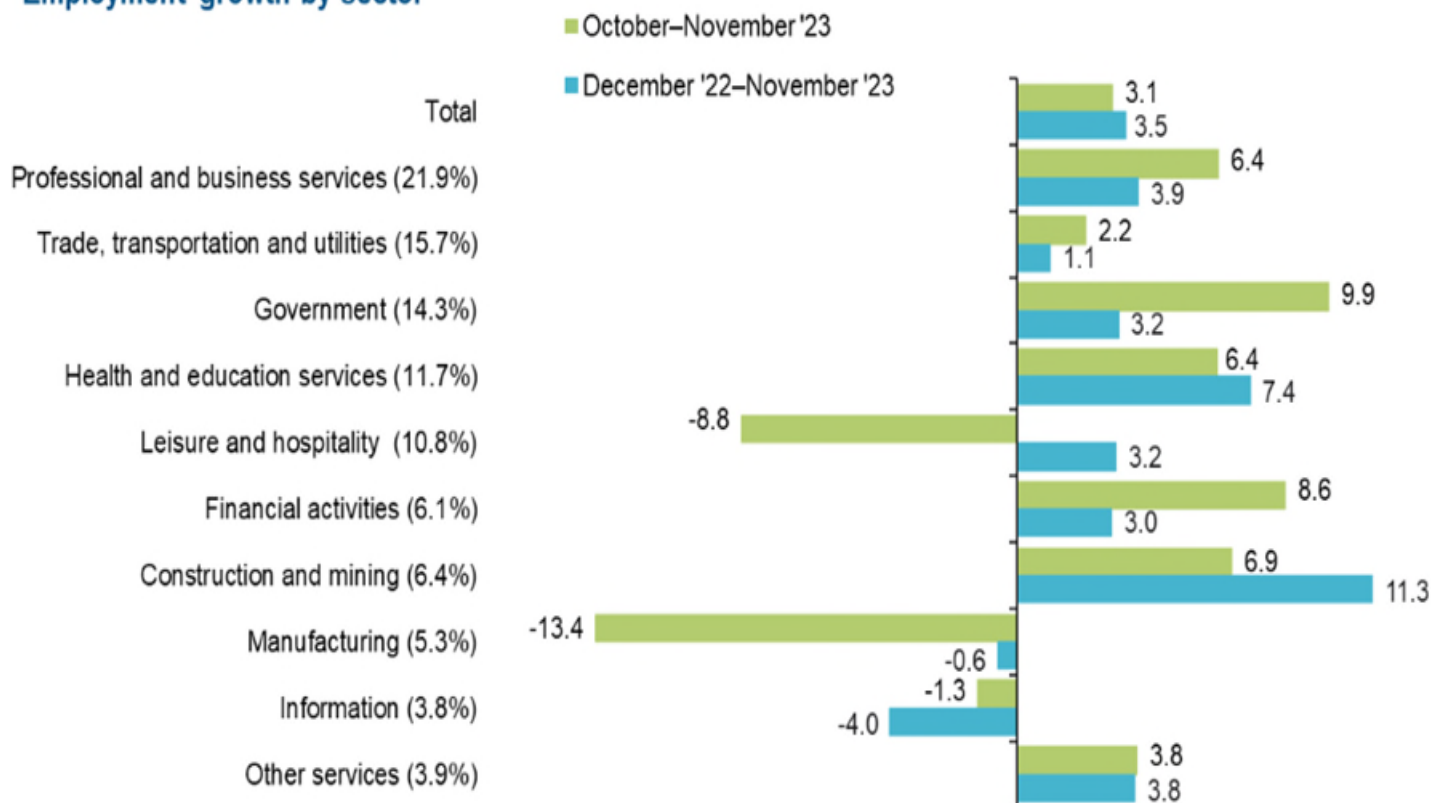
Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

JOBS – EMPLOYMENT GROWTH BY SECTOR – AUSTIN

“Austin employment increased 3.1 percent in November, greater than October’s 0.5 percent gain. **Sectors with the most growth are government (1,517 jobs or 9.9 percent) and financial activities (552 jobs or 8.6 percent).** Sectors that saw a decline included manufacturing (down 863 jobs or 13.4 percent), and leisure and hospitality (down 1,118 jobs or 8.8 percent). Year to date, Austin’s payrolls expanded 3.5 percent, outpacing the state’s 3.3 percent growth and the nation’s 1.8 percent growth.” – Jan 2024 – Austin Economic Indicators – Dallas Fed

Employment growth by sector



NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

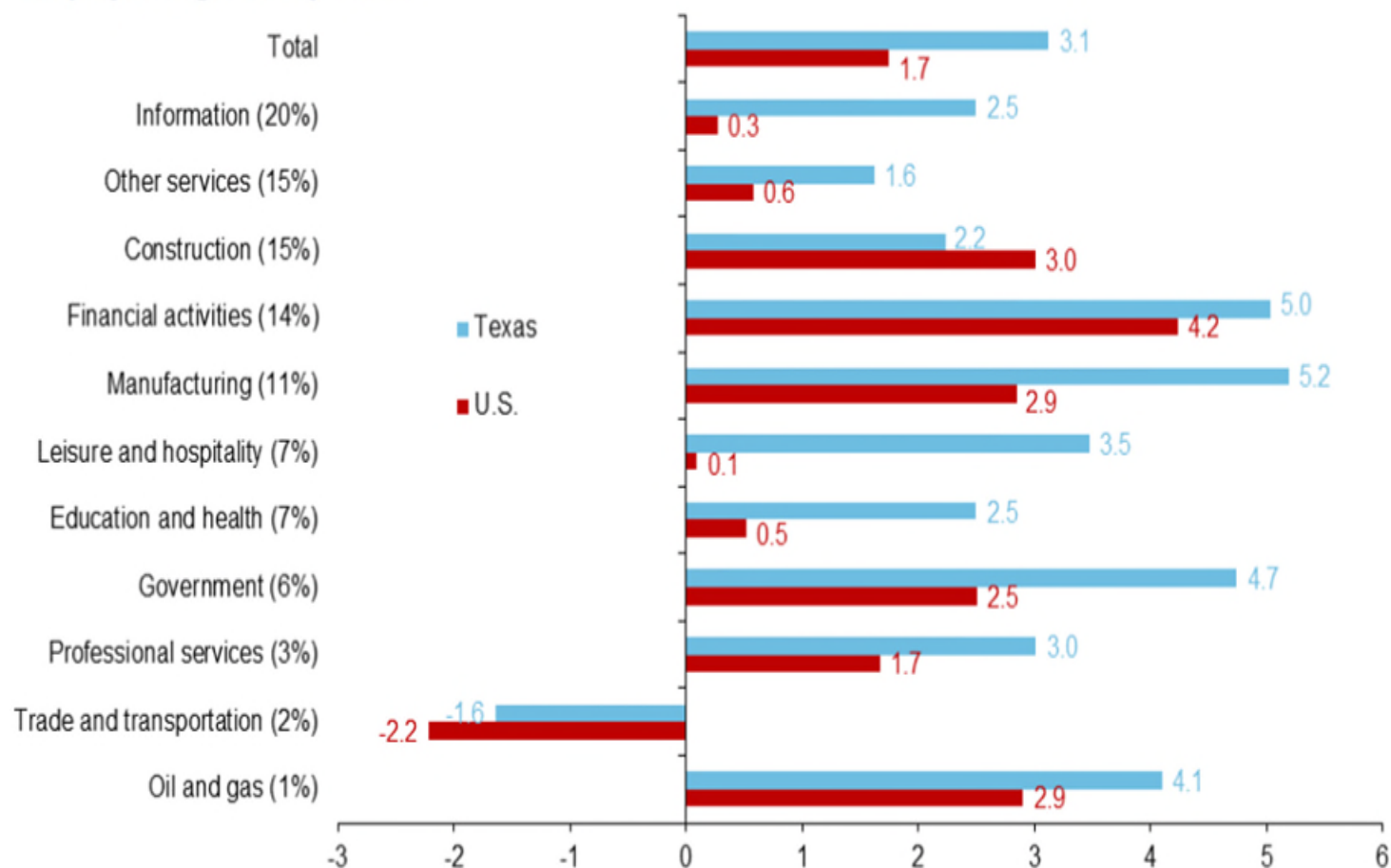
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Federal Reserve Bank of Dallas

JOBS – EMPLOYMENT GROWTH BY SECTOR – TEXAS

“Texas employment expanded 3.1 percent in 2023, above the nation’s 1.7 percent. The expansion was slower than 2022’s increase of 4.3 percent. Job gains were widespread, outpacing the U.S. in all sectors except construction. Texas’ strongest gains were in manufacturing, financial activities, government and oil and gas, which all grew more than 4 percent.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Employment growth by sector



NOTES: Data show 2023 employment growth by major sector. Numbers in parentheses indicate share of total state employment for December 2023.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

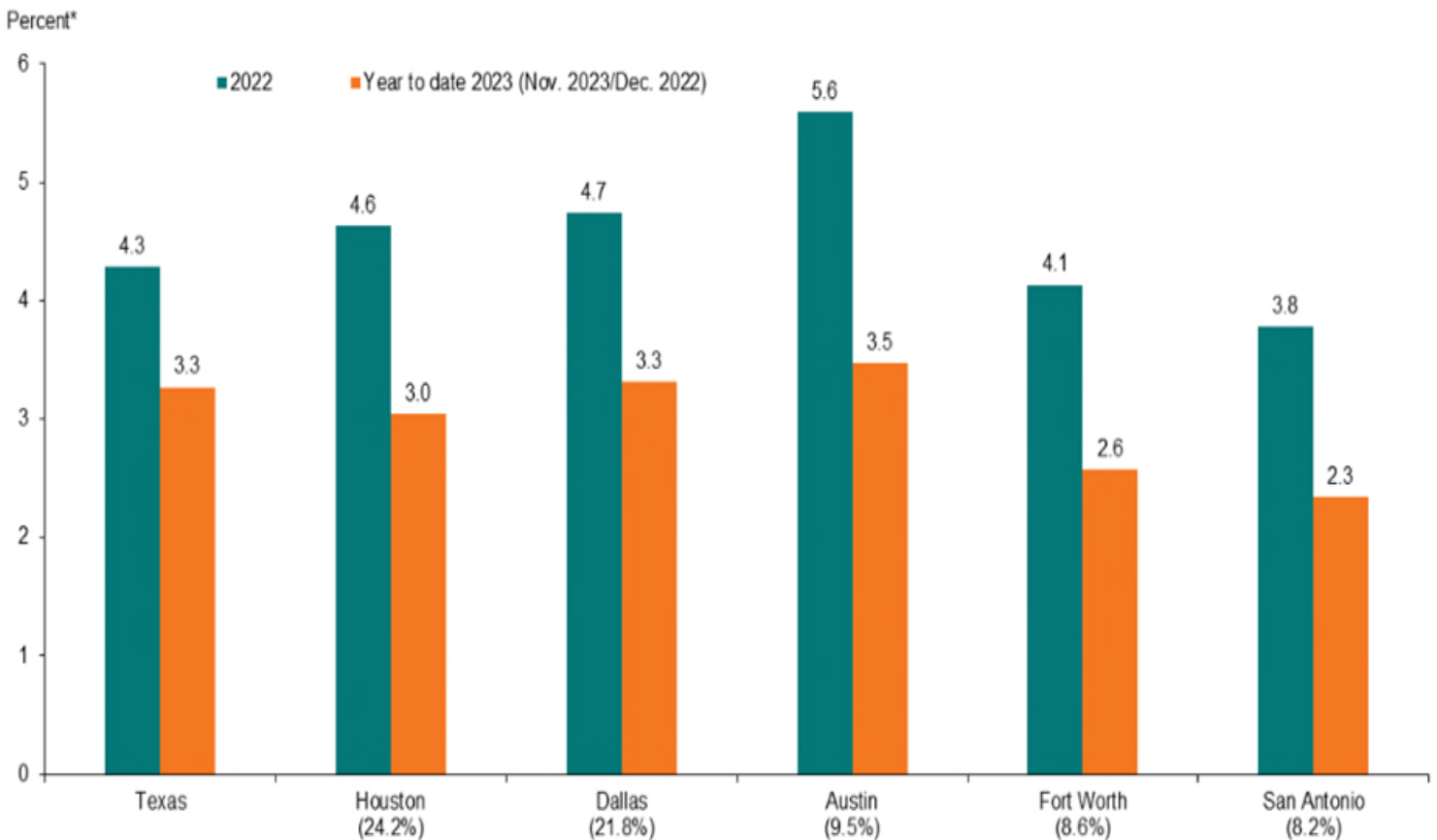
Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

JOBS – EMPLOYMENT GROWTH BY MAJOR METROS – TEXAS

“Employment growth in November was mixed across Texas major metros. Austin and San Antonio posted strong gains, but growth was moderate in Houston and Fort Worth. **Year to date, Austin led with annualized job growth of 3.5 percent**, followed by Dallas at 3.3 percent growth and Houston at 3.0 percent. Fort Worth and San Antonio saw job gains of 2.6 percent and 2.3 percent, respectively, below the state’s 3.3 percent increase.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Employment growth by major metro



*Seasonally adjusted, annualized rate.

NOTE: Data for 2023 are through November. Numbers in parentheses represent share of total state employment in November 2023.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; Dallas Fed.

Federal Reserve Bank of Dallas

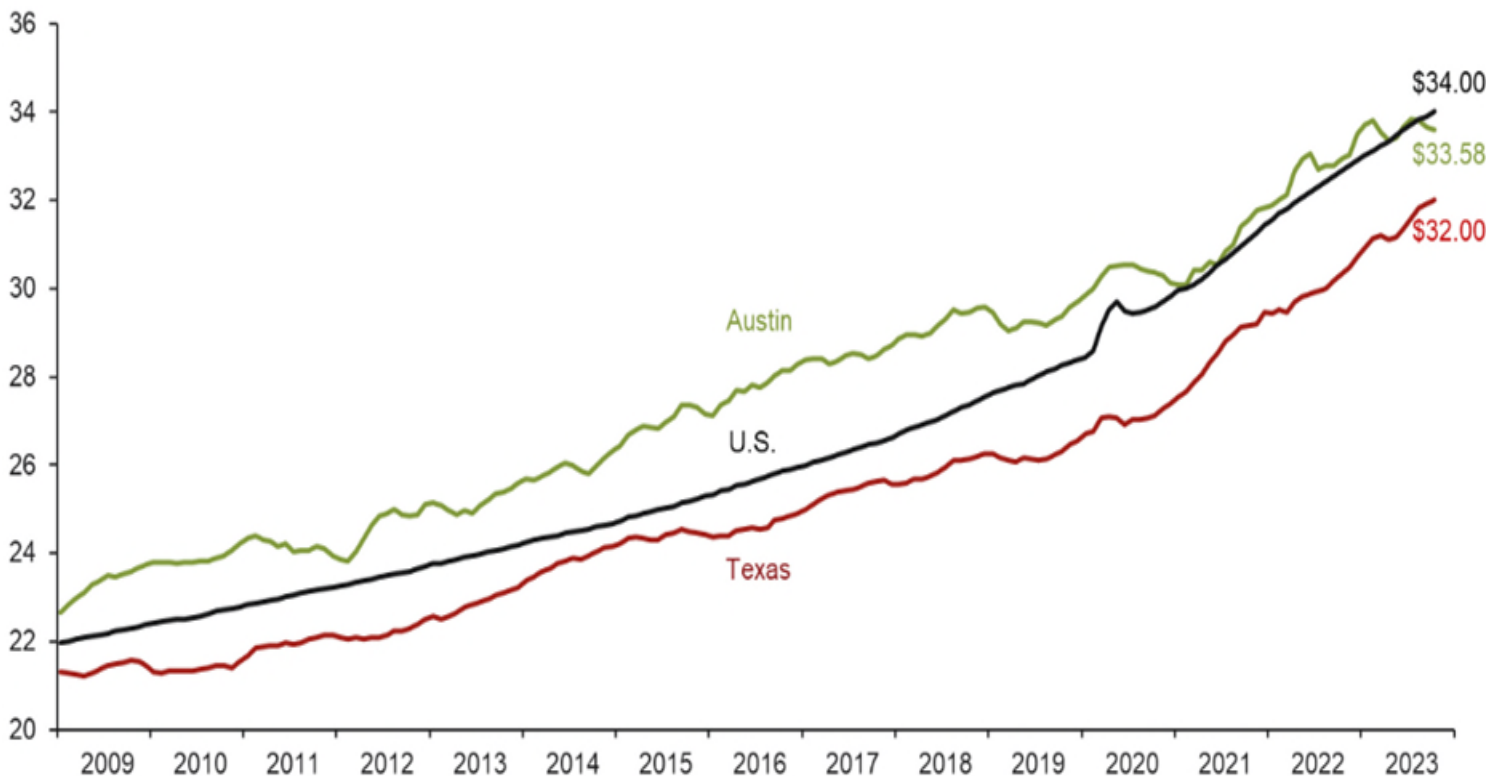
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

JOBS – PRIVATE SECTOR AVERAGE HOURLY EARNINGS – AUSTIN

“The three-month moving average of wages in Austin declined 2.7 percent in November. The average was \$33.58 in November. **For the third month in a row, Austin was below the nation’s average, which was \$34.00 in November**, but Austin remained above the state’s rate of \$32.00. Year over year, Austin wage growth of 1.2 percent was slower than U.S. gains of 4.0 percent and Texas growth of 4.8 percent.” – Jan 2024 – Austin Economic Indicators – Dallas Fed

Private sector average hourly earnings

Dollars per hour*



*Seasonally adjusted, three-month moving average.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Federal Reserve Bank of Dallas

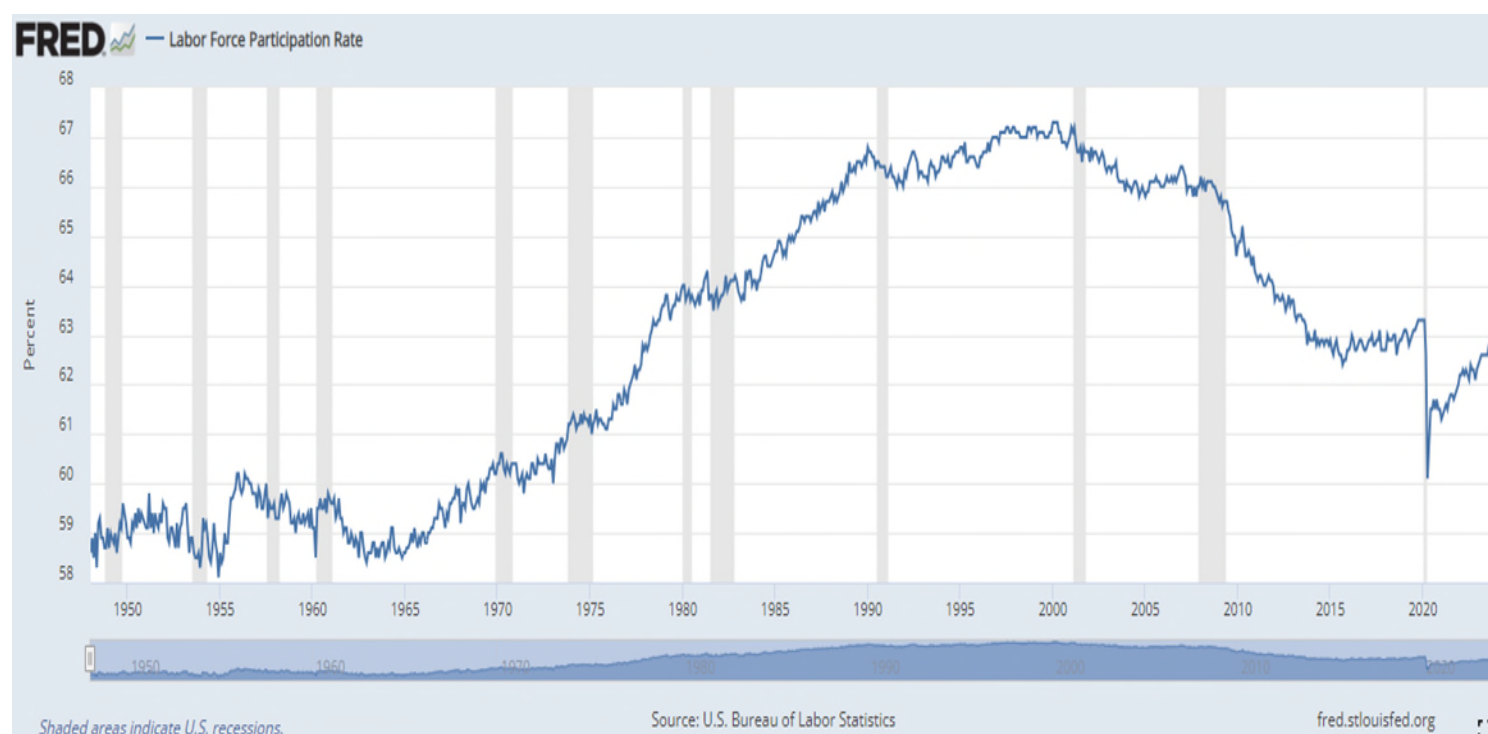
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

JOBS – LABOR PARTICIPATION RATE IN THE U.S.

“The labor force participation rate, at 62.5 percent, and the employment-population ratio, at 60.1 percent, both decreased by 0.3 percentage point in December. These measures showed little or no change over the year.

The number of persons employed **part time for economic reasons, at 4.2 million**, changed little in December but was up by 333,000 over the year. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.”

“The number of persons not in the labor force who currently want a job edged up to 5.7 million in December and was up by 514,000 over the year. These individuals were not counted as unemployed because they were not actively looking for work during the 4 weeks preceding the survey or were unavailable to take a job.” – The Employment Situation – Jan 2024 – Bureau of Labor Statistics

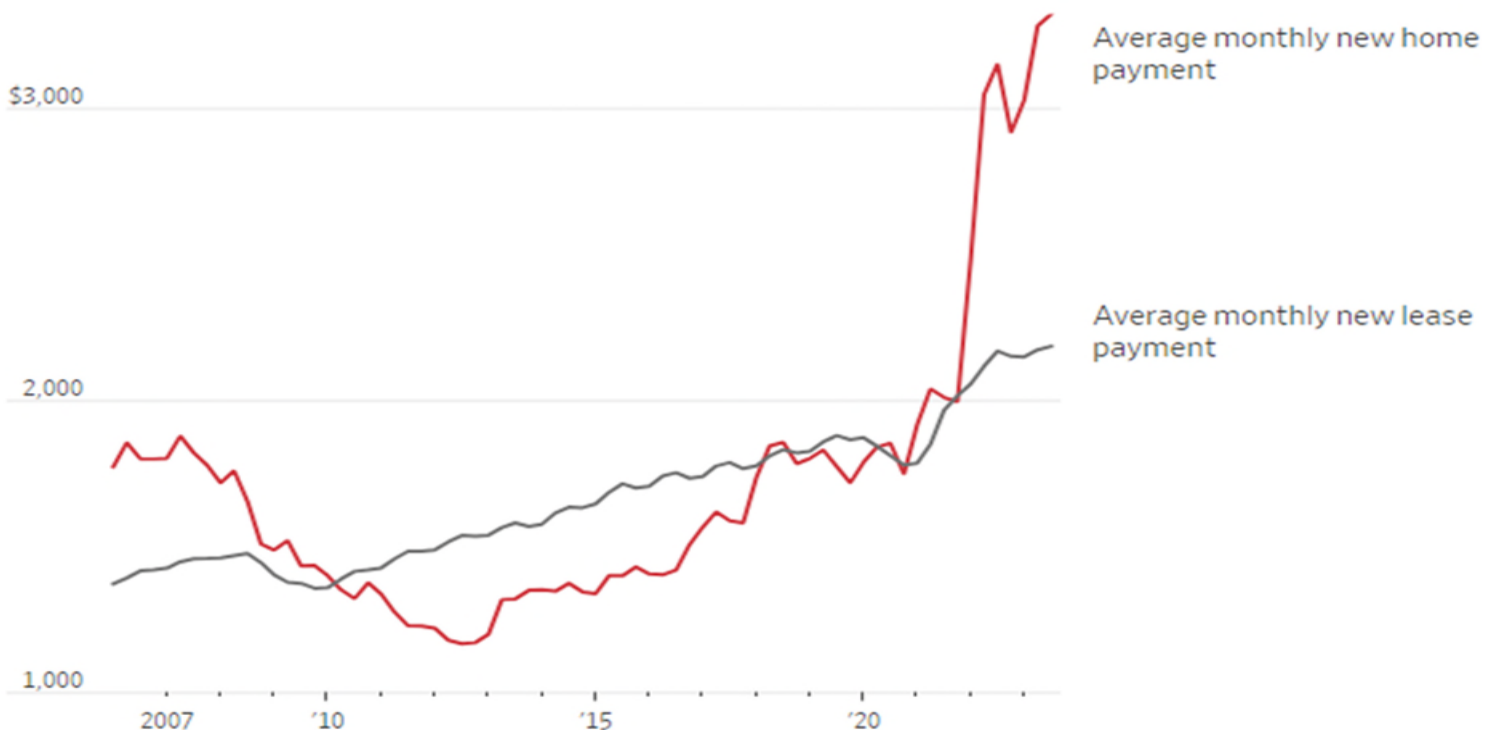


HOUSING – MATH FOR HOME OWNERSHIP NO LONGER WORKS

“Many would-be buyers were already feeling stretched thin by home prices that shot quickly higher in the pandemic, but at least mortgage rates were low. Now that they are high, **many people are just giving up.**

It is now less affordable than any time in recent history to buy a home, and the math isn't changing any time soon. Home prices aren't expected to go back to prepandemic levels. The Federal Reserve, which started raising rates aggressively early last year to curb inflation, hasn't shown much interest in cutting them. **Mortgage rates** slipped to about 7% last week (Dec 3), the lowest in several months, but they are still **more than double what they were two years ago.**” – Dec 2023 - WSJ

Cost of renting vs. owning



Note: The data assumes a 10% down payment and includes private mortgage insurance.

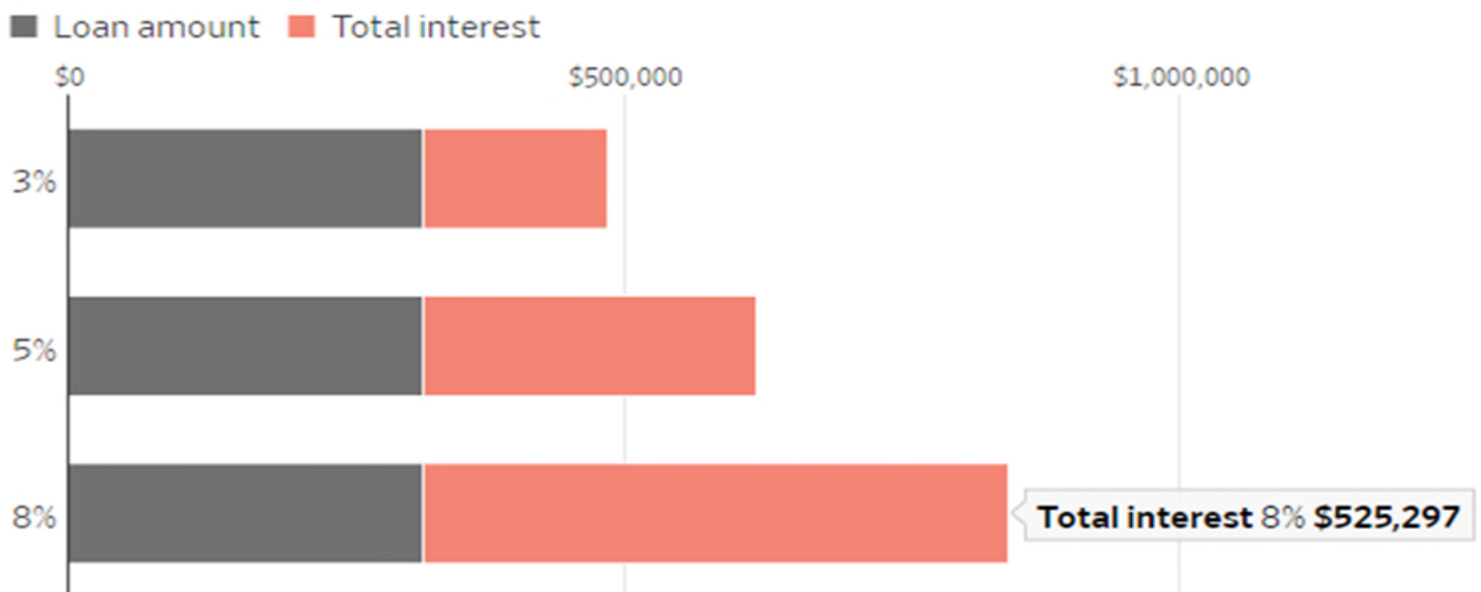
Sources: CBRE Research, CBRE Econometric Advisors, Freddie Mac, U.S. Census Bureau, Realtor.com®, FHFA
Provided by The Wall Street Journal (WSJ)

HOUSING – MATH FOR HOME OWNERSHIP NO LONGER WORKS – cont'd

“Typically, high mortgage rates slow down home sales, and home prices should soften as a result. Not this time. **Home sales are certainly falling, but prices are still rising—there just aren’t enough homes to go around.** The national median existing-home price rose to about \$392,000 in October, the highest ever for that month in data that goes back to 1999.” – Dec 2023 – WSJ

“In mortgages, higher rates add up fast. **An increase of just a few percentage points can mean hundreds of thousands of dollars more in interest over the life of a standard 30-year loan.** That means buyers get a lot less home for their dollar. Before the Fed started raising rates, a person with a monthly housing budget of \$2,000 could have bought a home valued at more than \$400,000. Today, that same buyer would need to find a home valued at \$295,000 or less.” – Dec 2023 – WSJ

Total cost of a mortgage for a \$400,000 home at different interest rates



Note: Based on a standard 30-year fixed mortgage, with a 20% down payment.

Source: Bankrate.com

Provided by The Wall Street Journal (WSJ)

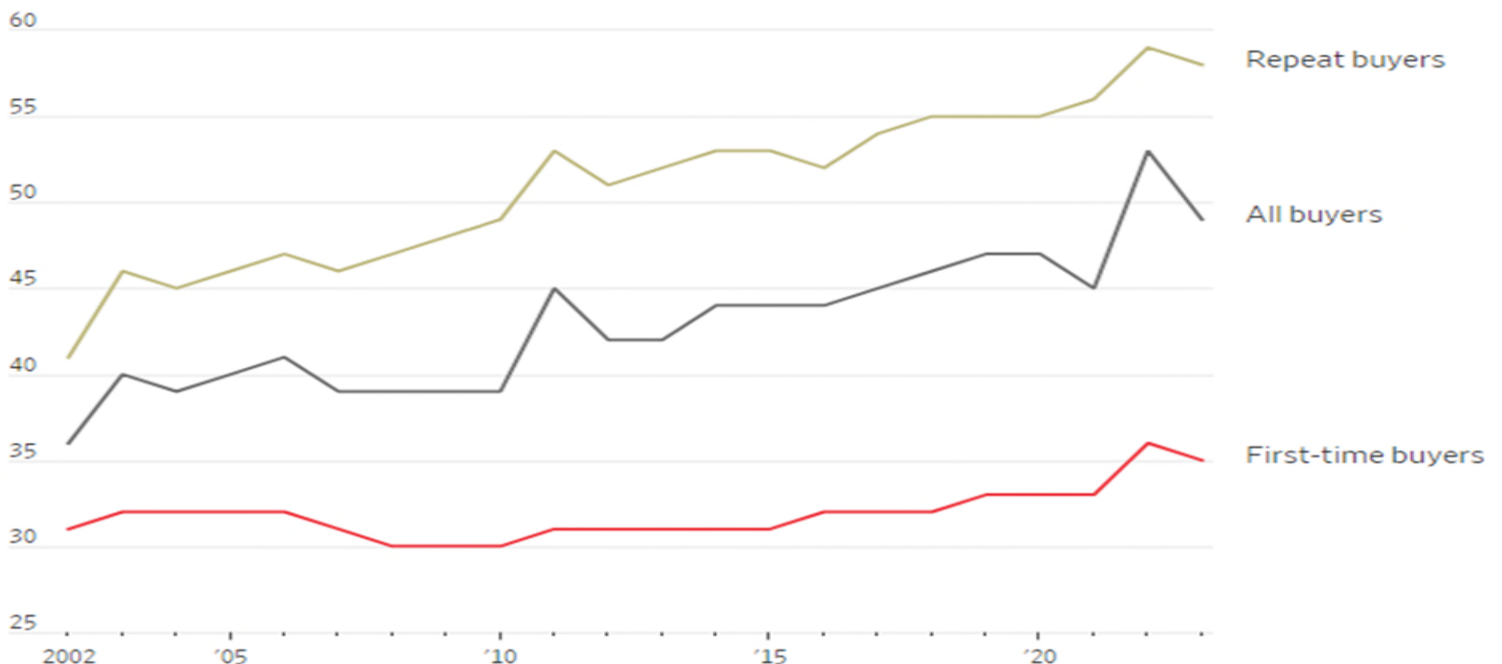
HOUSING – MATH FOR HOME OWNERSHIP NO LONGER WORKS – cont'd

“First-time and young buyers are still stuck on the sidelines. About one-third of buyers this year were first-time home buyers, below the historical average of 38%, according to the National Association of Realtors. **The median first-time buyer was 35 years old. That was the second-highest on record**, behind only 2022’s peak of 36 years old.

Rents are on the rise, but the cost of buying a home has risen by a lot more. The **average monthly new mortgage payment is 52% higher in the U.S. than the average apartment rent**, according to an analysis by CBRE. The premium is even sharper in many major metro areas—including **175% or more in Seattle and Austin, Texas**, and several cities in California.

Some people, as a result, are just abandoning the idea of saving for a down payment.” – Dec 2023 – WSJ

Median age of home buyers



Source: National Association of Realtors

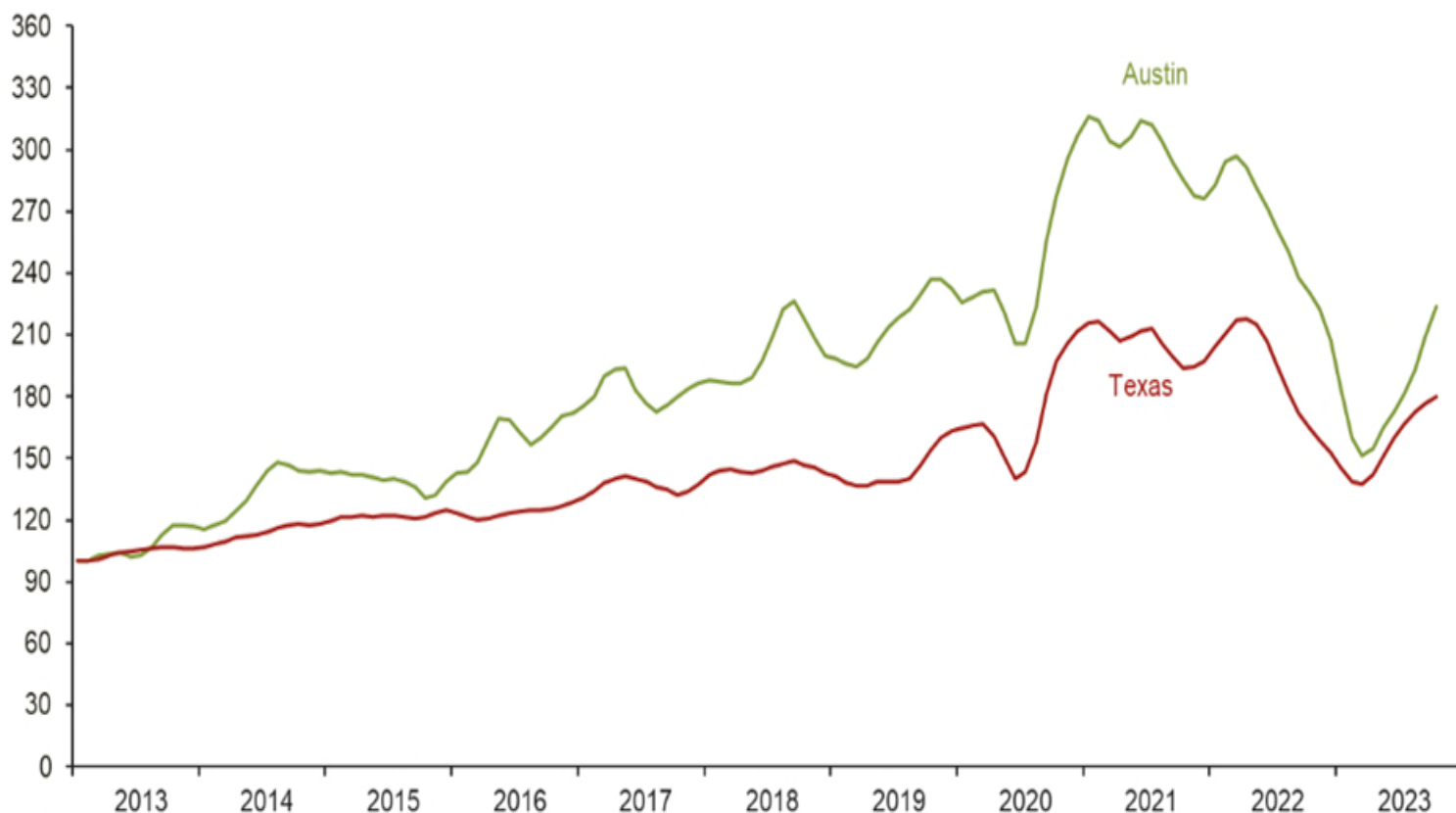
Provided by The Wall Street Journal (WSJ)

HOUSING – AUSTIN PERMITS

“Austin’s single-family home permits increased by 4.0 percent in October, less than the 2.0 percent increase seen across the state. **Year over year, however, Austin’s single-family home permits remained down 3.0 percent**, while the state’s permits rose 9.3 percent.” – Dec 2023 – Austin Economic Indicators – Dallas Fed

Housing permits

Index, January 2013 = 100



NOTE: Data are through October 2023.

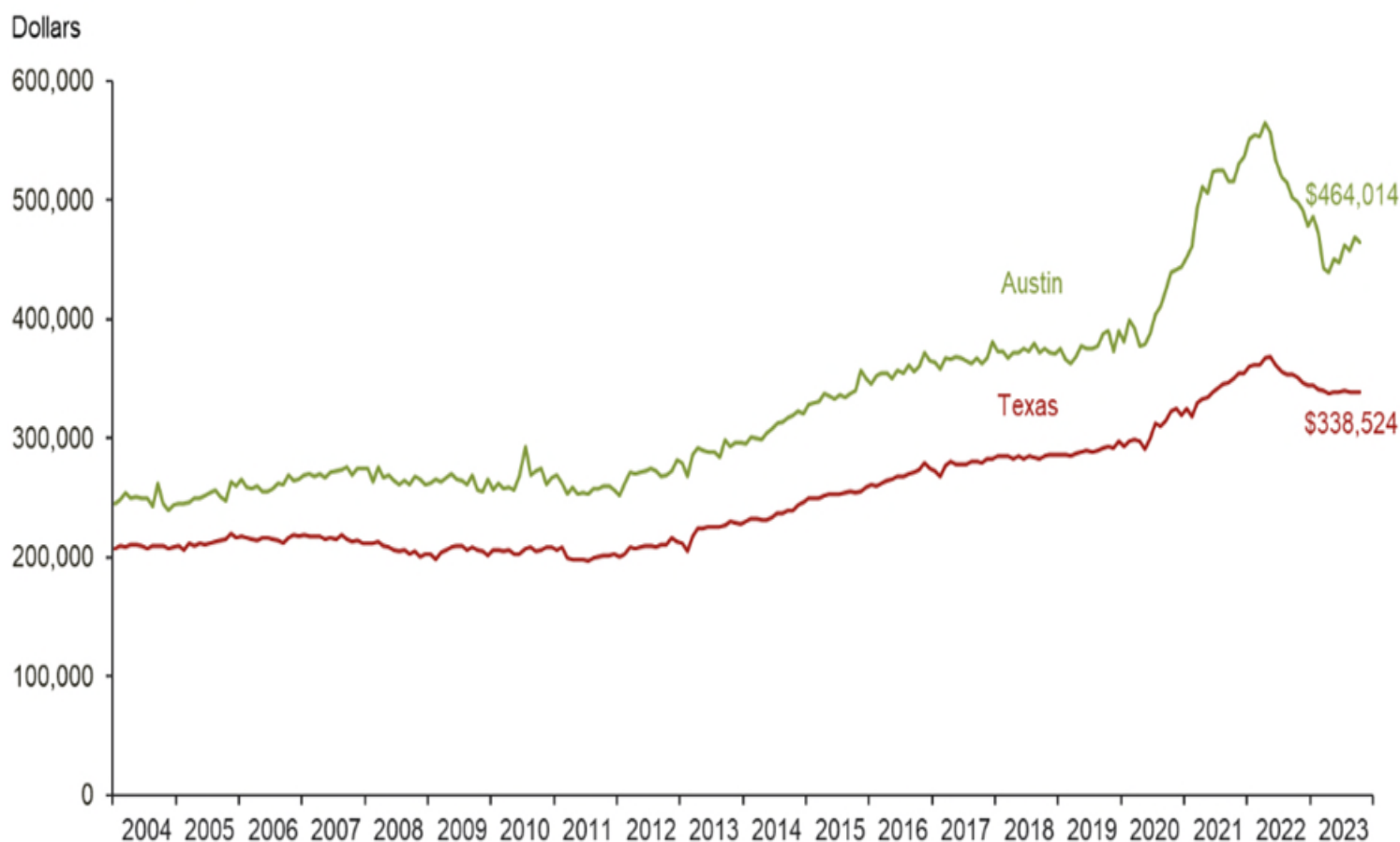
SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Dec 2023

HOUSING – AUSTIN MEDIAN PRICES

“Austin’s median home prices declined in October by 1.1 percent. Texas home prices were also slightly down, by 0.15 percent. Median home prices in October were \$464,014 in Austin and \$338,524 in Texas. Year over year, home prices trended down—falling 6.8 percent in the metro and 3.6 percent in the state.” – Dec 2023 – Austin Economic Indicators – Dallas Fed

Median home prices



NOTE: Data are real, seasonally adjusted and through October 2023.

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Federal Reserve Bank of Dallas

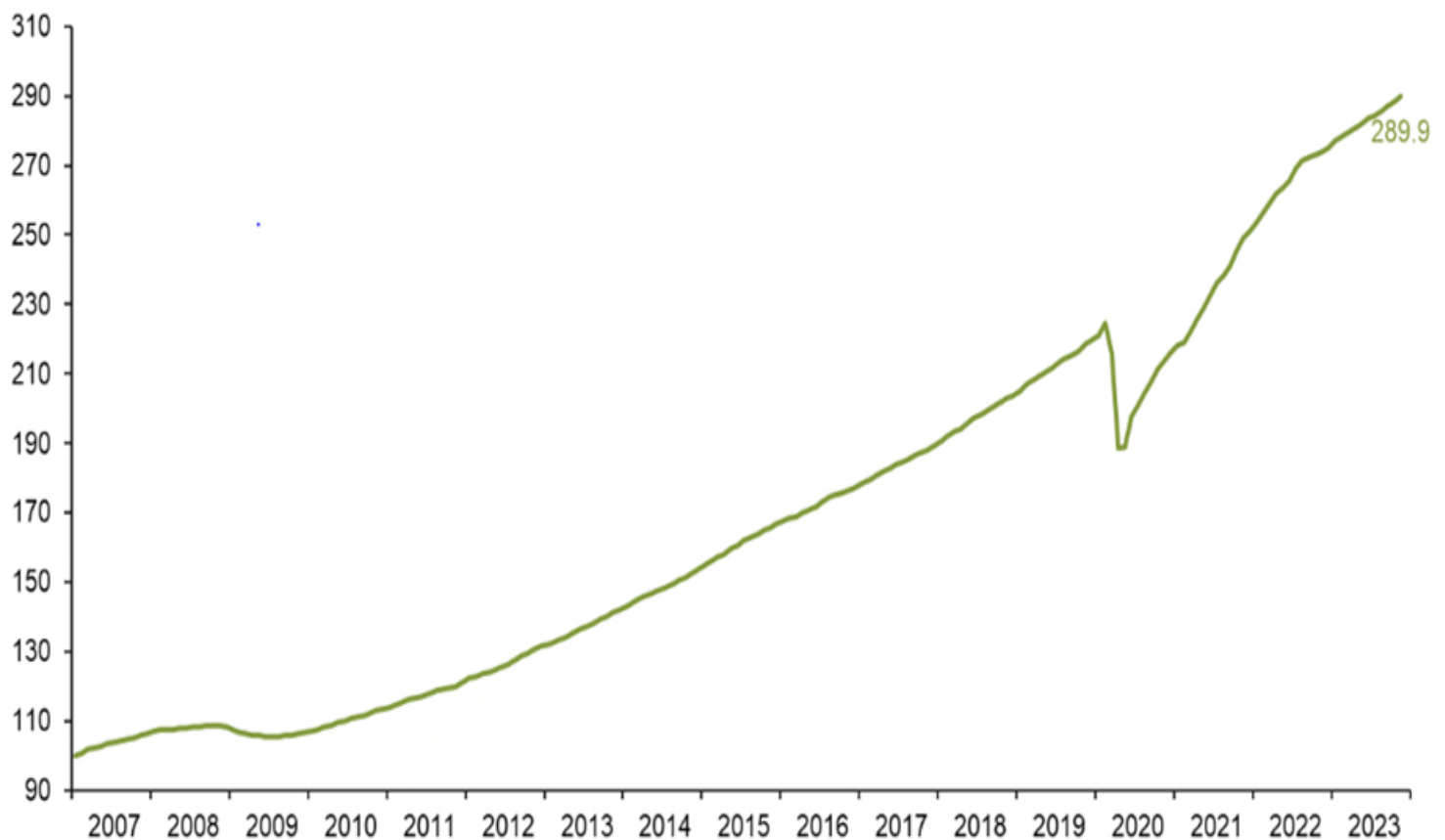
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Dec 2023

BUSINESS CYCLE INDEX – AUSTIN

“The Austin Business-Cycle Index, a broad measure of economic activity, grew an annualized 7.7 percent in November, faster than the 4.0 percent gain in October.” – Jan 2024 – Austin Economic Indicators – Dallas Fed

Austin Business-Cycle Index

Index, January 2007 = 100



SOURCE: Dallas Fed.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

LEADING INDEX – TEXAS

“The Texas Leading Index, a composite of eight leading indicators that sheds light on the future of the state’s economy, was little changed in November. The three-month change was negative, however, as most components contributed negatively to the index except for an increase in average hours worked and the Texas Stock Index.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Texas Leading Index

Index, 1987 = 100*



*Seasonally adjusted.

NOTE: Data are through November 2023. Gray bars show U.S. recessions.

SOURCE: Dallas Fed.

Federal Reserve Bank of Dallas

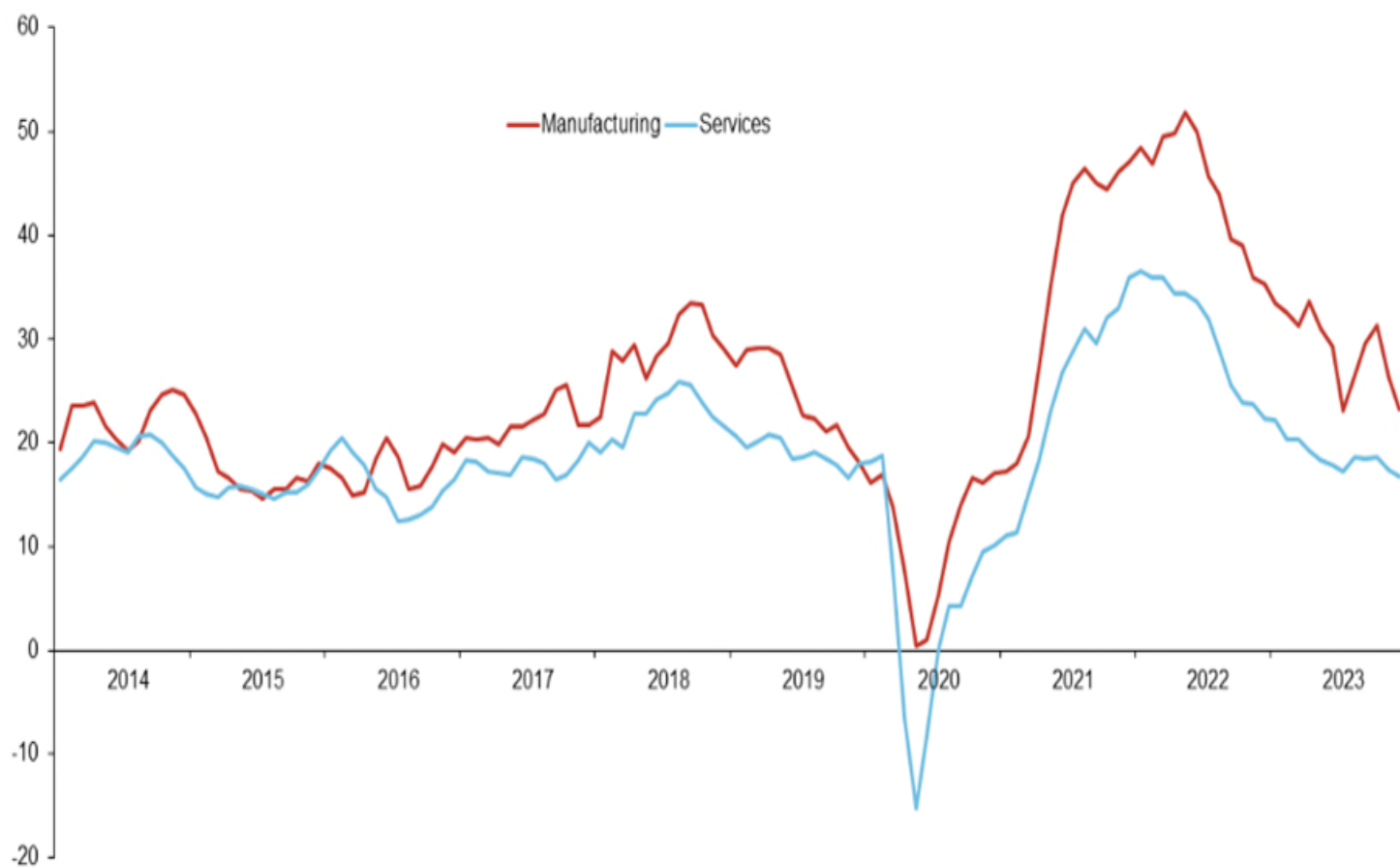
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2024

TEXAS BUSINESS OUTLOOK SURVEYS INDEXES – TEXAS

“The December Texas Business Outlook Surveys reported further normalization in wage pressures. **The three-month moving average of wages and benefits indexes for manufacturing and services dipped but remained in positive territory** and in line with historical averages, suggesting moderate wage growth.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Texas Business Outlook Surveys wages and benefits indexes

Diffusion index*



*Seasonally adjusted, three-month moving average.

NOTE: Data are through December 2023.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

CONSUMER CONFIDENCE AND CONSUMER SENTIMENT – U.S.

“The Conference Board Consumer Confidence Index® increased in December to 110.7 (1985=100), up from a downwardly revised 101.0 in November.” “December’s increase in consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months,” said Dana Peterson, Chief Economist at The Conference Board. **“While December’s renewed optimism was seen across all ages and household income levels, the gains were largest among householders aged 35-54 and households with income levels of \$125,000 and above.”** – Dec 2023 – The Confidence Board

“Consumer sentiment confirmed its mid-month reading and soared 14% in December, reversing all declines from the previous four months. These trends are rooted in substantial improvements in how consumers view the trajectory of inflation. All five index components rose this month, which has only occurred in 10% of readings since 1978. Expected business conditions surged over 25% for both the short and long run.” – Dec 2023 – Survey of Consumers – University of Michigan

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER
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ENERGY ACTIVITY – TEXAS

“Oil prices ticked down in mid-January. As of the week ending January 12, West Texas Intermediate crude was \$72.03 per barrel, \$1.49 lower than the end of December. Natural gas (Henry Hub) increased \$0.42 to \$3.93 per million British thermal units. **The number of active rigs in Texas was little changed at 305** during the same period.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Energy activity



NOTES: Oil and natural gas price data are through the week ending January 12, 2024; rig count data are through the week ending January 19, 2024.

The West Texas Intermediate (WTI) oil price is dollars per barrel; the natural gas price is dollars per million British thermal units, multiplied by 10.

SOURCES: Baker Hughes; Energy Information Administration; *The Wall Street Journal*.

Federal Reserve Bank of Dallas

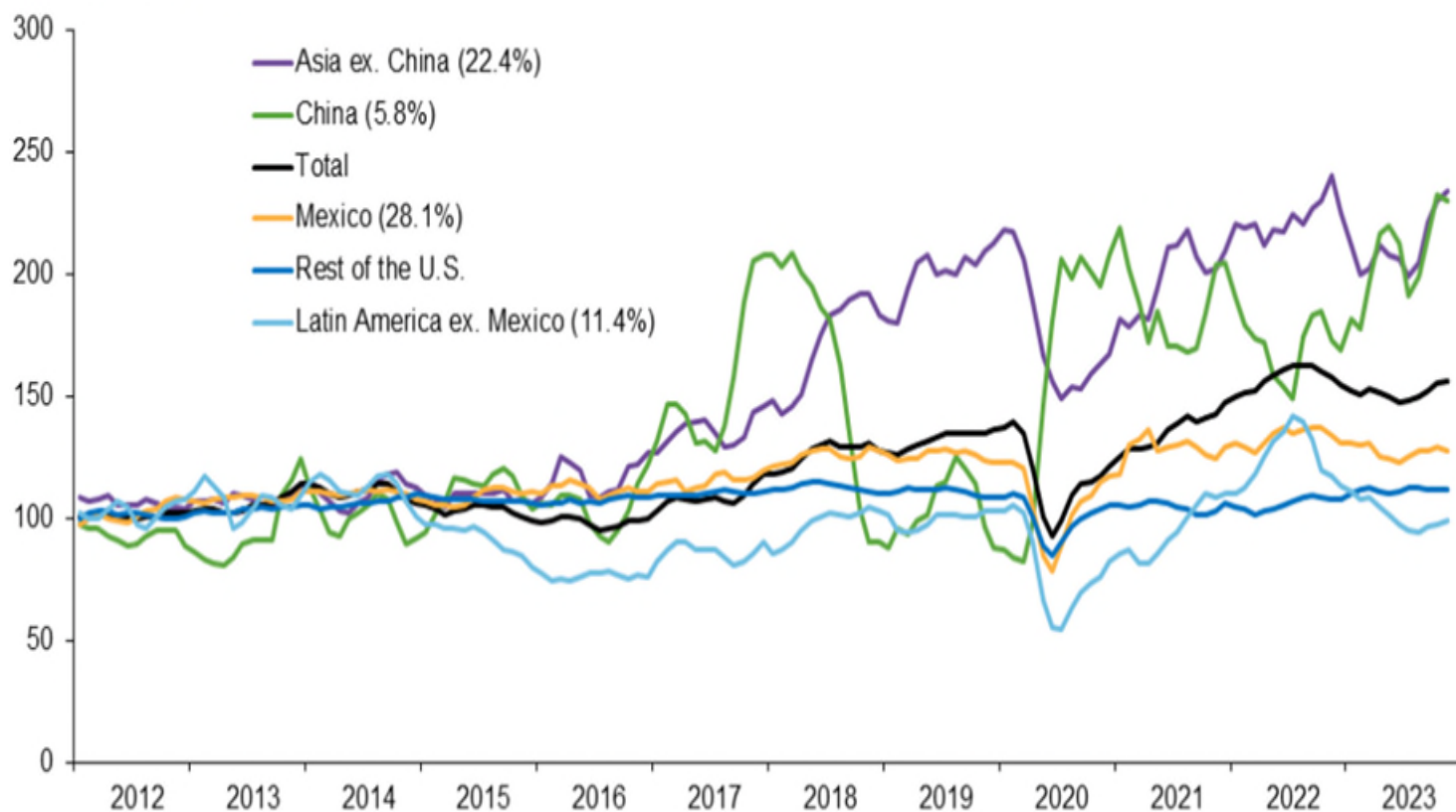
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

TEXAS EXPORTS – TEXAS

“In November Texas exports dipped, but **the three-month moving average edged up 0.4 percent**. Exports from the rest of the U.S. contracted 0.1 percent. Over the same period, the three-month average of Texas exports to China ticked down 1.1 percent, while exports to the rest of Asia were up 1.7 percent. **Texas exports to Mexico, the state’s largest trading partner, contracted 1.3 percent, but exports to the rest of Latin America rose 1.4 percent.**” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Texas exports

Index, Jan. 2012 = 100*



*Seasonally adjusted, three-month moving average.

NOTES: Data are real exports for November 2023. Numbers in parenthesis indicate the share of total exports going to that region.

SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

CONSTRUCTION CONTRACT VALUES – TEXAS

“Construction contract values in Texas increased 68.4 percent in December, while **the five-month moving average edged down 9.7 percent. The decline was concentrated in nonbuilding contract values**, which dropped 6.4 percent in December, and the five-month moving average was down 45.1 percent. On a smoothed basis, nonresidential building construction rose 31.5 percent to \$5.4 billion, and residential building construction dropped 3.0 percent to \$4.1 billion.” – Jan 2024 – Texas Economic Indicators – Dallas Fed

Texas construction contract values



*Seasonally adjusted, five-month moving average.

NOTE: Data are monthly through December 2023.

SOURCE: F.W. Dodge.

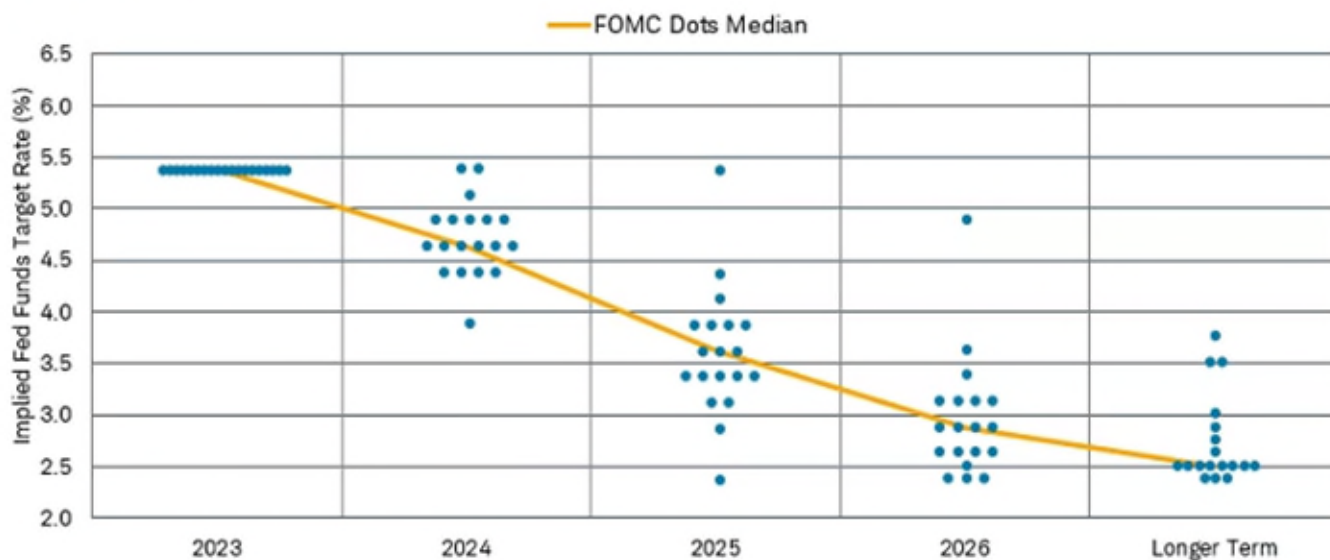
Federal Reserve Bank of Dallas

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2024

FEDERAL FUNDS RATE – FEDERAL RESERVE EXPECTATIONS

“As expected, the Federal Reserve kept the target range for its policy rate—**the federal funds rate —unchanged at 5.25% to 5.5% at its latest meeting.** The decision was unanimous. While the decision to hold the fed funds rate steady was in line with expectations, the accompanying statement and projections point to a shift toward easing in 2024. In addition, Fed Chair Jerome Powell's comments in his press conference confirmed that most members of the committee believe that **the hiking cycle is over**, and they discussed the **path to lower rates.**” – Dec 2023 – Charles Schwab

The dot plot indicates that Fed members expect a significant drop in the fed funds rate over the next few years, returning to 2.5% in the longer run



Source: Federal Reserve, Summary of Economic Projections, December 13, 2023.

Provided by Charles Schwab – Dec 2023

FEDERAL FUNDS RATE – MARKET EXPECTATIONS

“Market pricing from federal funds futures contracts suggests that investors expect a decline of more than a full percentage point over this period.” – Jan 2024 – FedView – San Francisco

Shift in expected future policy path

Market expectations for federal funds rate (FFR)

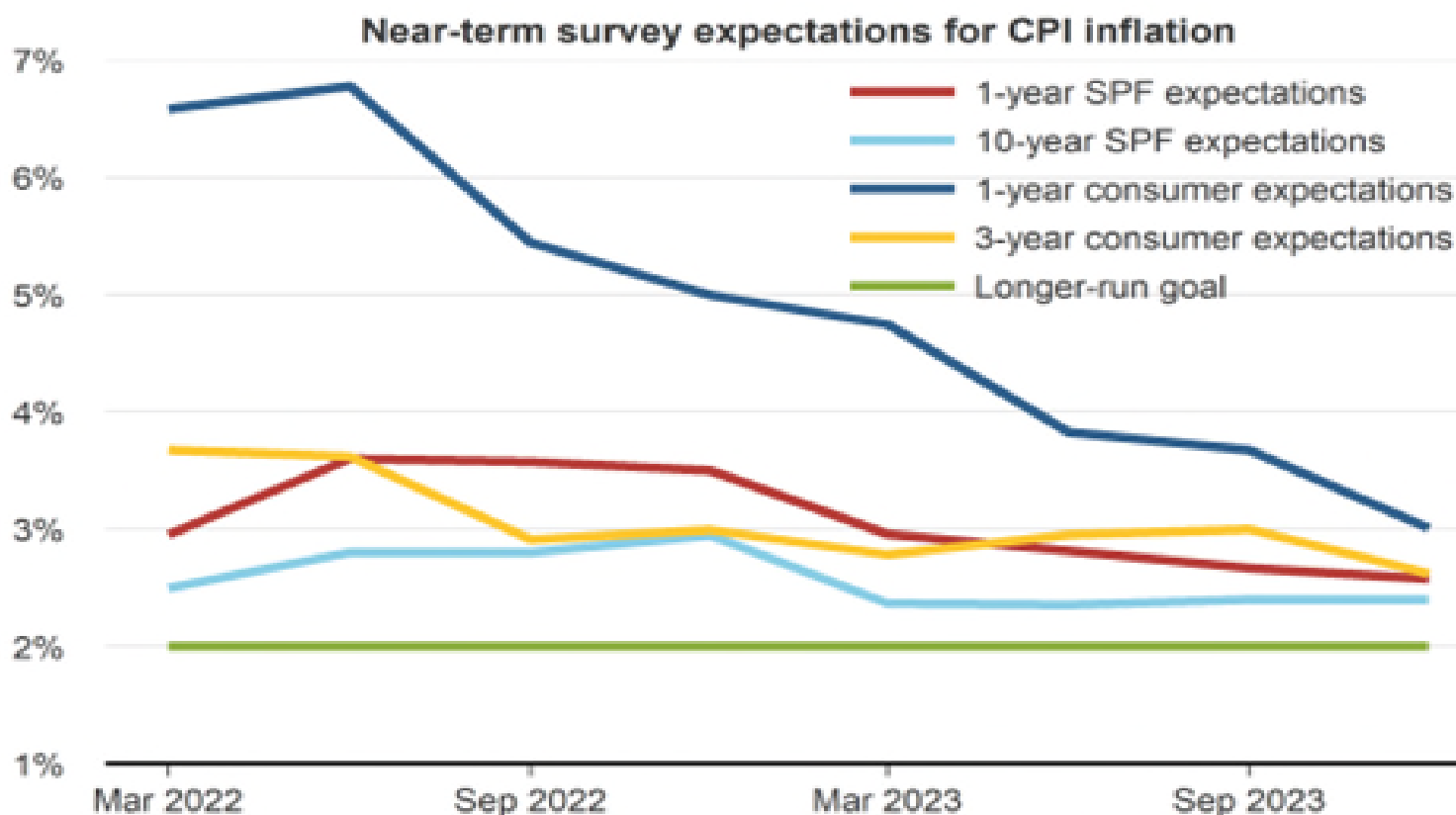


Provided by San Francisco Fed - FedView - Jan 2024

INFLATION – SURVEY EXPECTATIONS

“Measures of expected inflation from surveys and financial market data have declined in recent months. For example, expected inflation over the next year in the New York Fed’s December Survey of Consumer Expectations declined to its lowest level in several years. Other survey- and market-based measures of expected inflation also suggest that inflation is expected to continue its steady decline.” – Jan 2024 – FedView – San Francisco

Declining survey-based inflation expectations...



Source: New York Fed Survey of Consumer Expectations and Philadelphia Fed Survey of Professional Forecasters

Provided by San Francisco Fed - FedView - Jan 2024

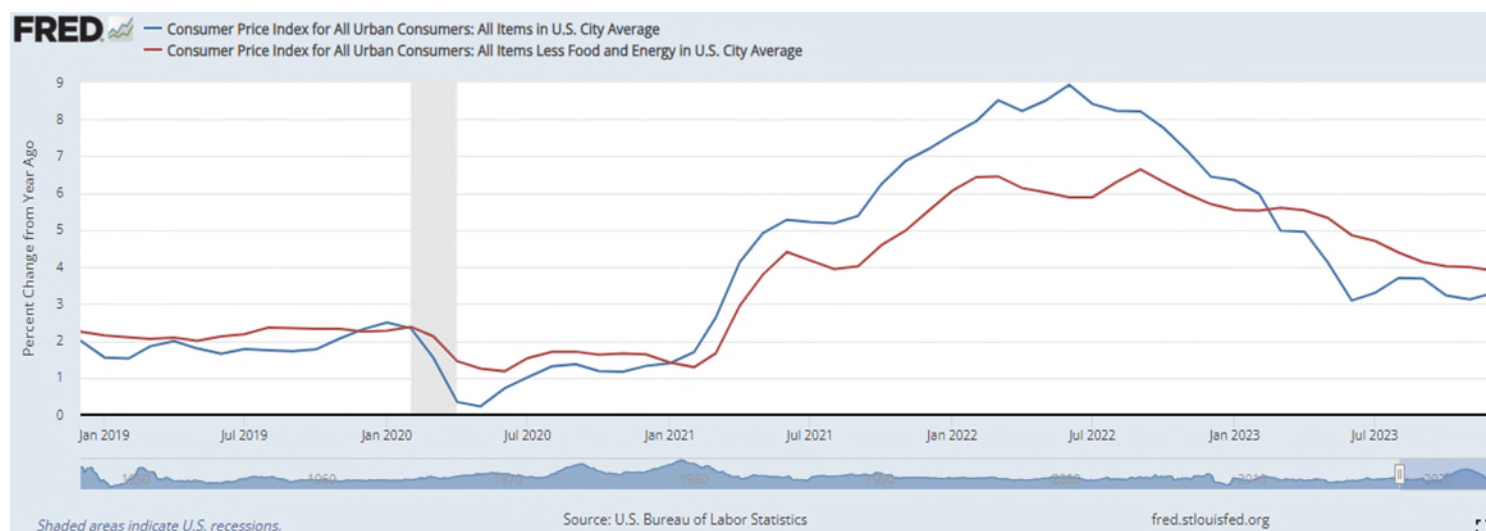
CONSUMER PRICE INDEX

“The **all items index** rose **3.4 percent** for the **12 months ending December**, a larger increase than the 3.1-percent increase for the 12 months ending November. **The all items less food and energy index** rose **3.9 percent** over the last 12 months, after rising 4.0 percent over the 12 months ending November.”

“The index for **shelter** continued to rise in December, **contributing over half of the monthly all items increase.**”

“The index for all items less food and energy rose 0.3 percent in December, the same monthly increase as in November. **Indexes which increased in December include shelter, motor vehicle insurance, and medical care.**” – Jan 2024 – Economic News Release – Bureau of Labor Statistics

Consumer Price Index - 12 Month Percentage Change



Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy.**” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

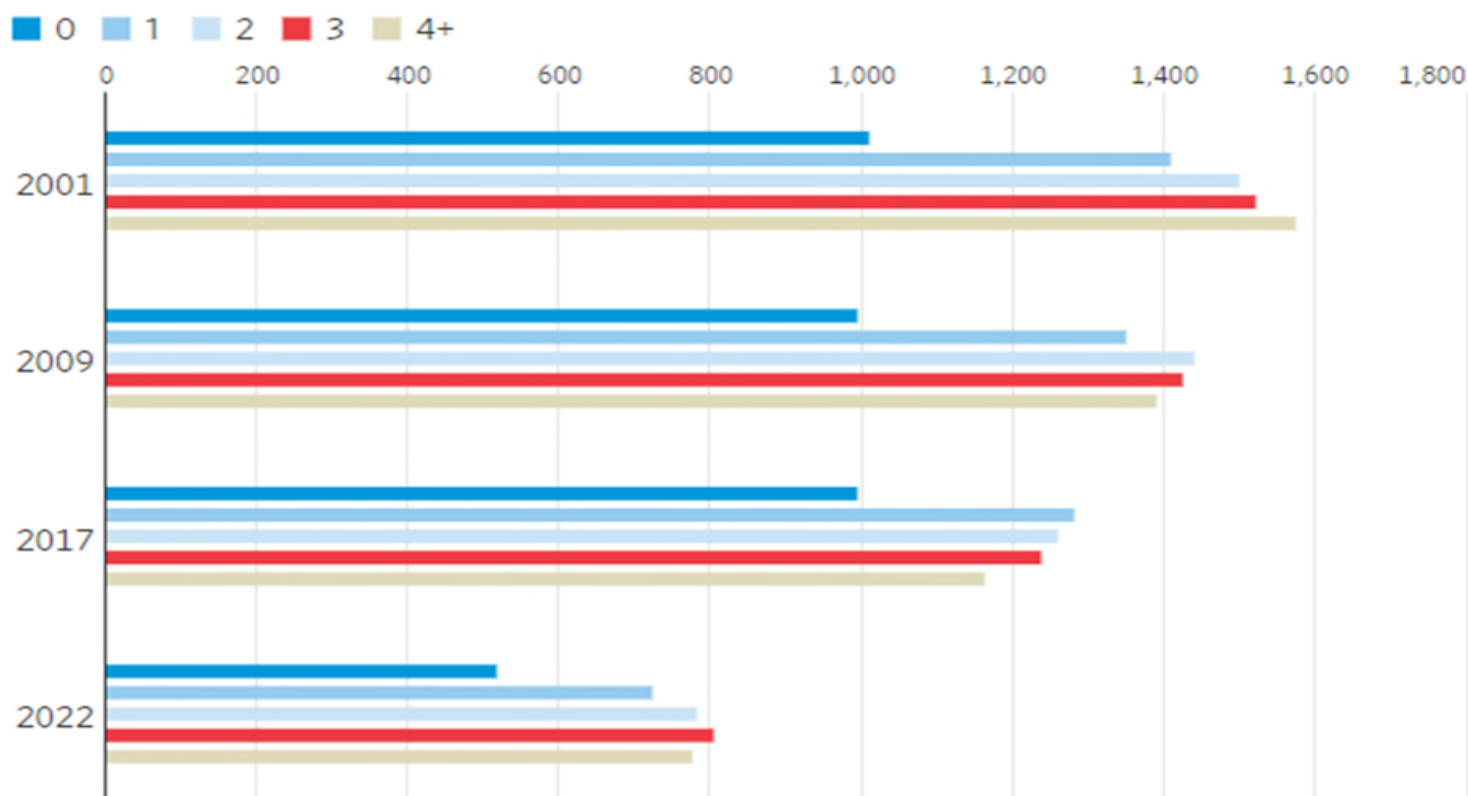
SOMETHING OF INTEREST – STAY-AT-HOME-NATION

“As of 2022, the number of trips Americans took had fallen by more than a third compared with 2017, according to surveys conducted by the Transportation Department. (A trip here is defined as going from one place to another. In other words, driving to the grocery store and back counts as two trips.)” – Dec 2023 – WSJ

“[The number of vehicles in operation grew from 278 million vehicles in 2019 to 284 million in 2023.] It isn’t that people are buying a second or third vehicle in greater numbers. Rather, the growth in vehicles roughly [matched] the growth in the number of households in the U.S.” – Dec 2023 – WSJ

More Cars, Fewer Trips

Average annual number of trips per person by number of household vehicles available



Source: Transportation Department

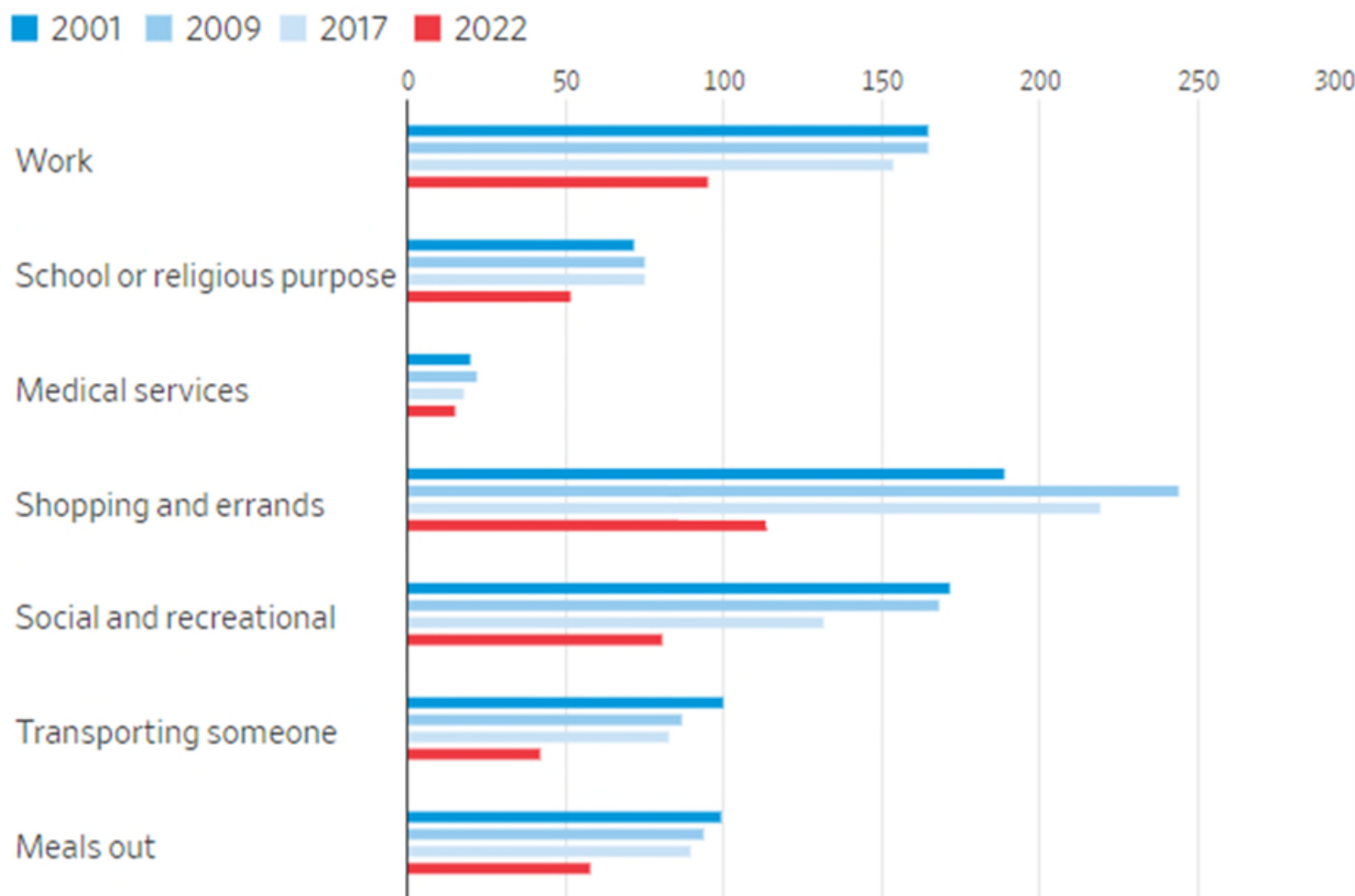
Provided by The Wall Street Journal (WSJ)

SOMETHING OF INTEREST – STAY-AT-HOME-NATION cont'd

“The rise of remote work accounts for some, but not all, of this decline. Shopping, restaurant dining and recreational trips, regardless of travel mode, are all down from 2017. The pandemic has turned us into homebodies.” – Dec 2023 – WSJ

Staying Home

Average number of trips per person per year by trip purpose



Source: Transportation Department

Provided by The Wall Street Journal (WSJ)

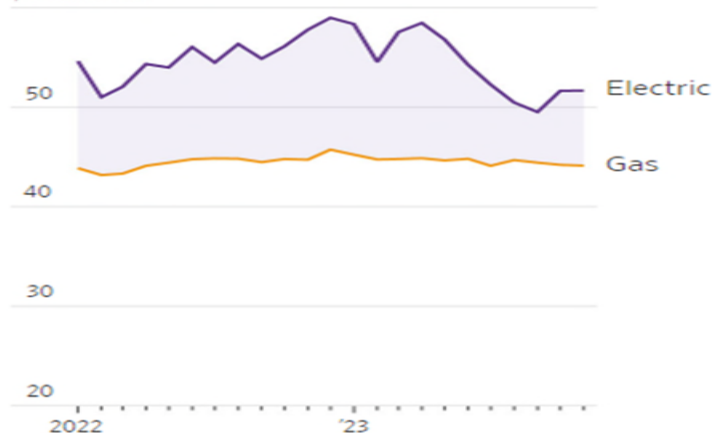
SUSTAINABLE BUSINESS – U.S. ELECTRIC VEHICLE MOMENTUM SLOWING

“**Sales of electric models** rose rapidly in the first 11 months of the year, faster than the car market as a whole but at a **slower pace than in previous years.**” “Electric-vehicle sales began to stall in the latter half of this year, a move that car executives **attributed to the relatively high prices of electric models.** As a result, electric cars and trucks are piling up on dealer lots, causing auto companies to reassess their investment plans. It takes a dealership around **three weeks longer to sell an EV than a gasoline vehicle**, according to data from car-shopping website Edmunds.” – Dec 2023 – WSJ

Average U.S. retail transaction price by vehicle type, monthly

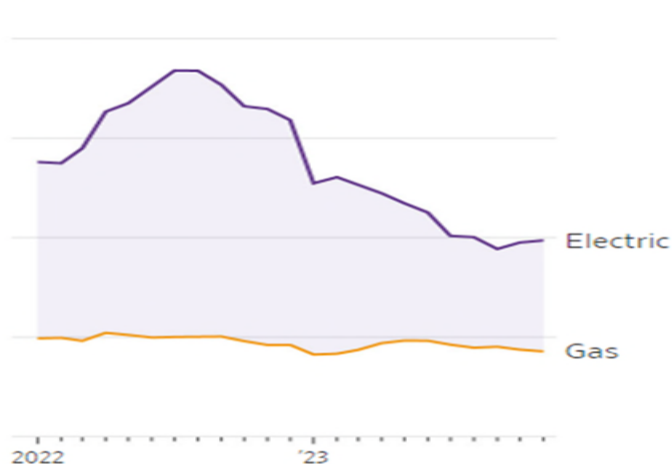
New vehicles

\$60 thousand

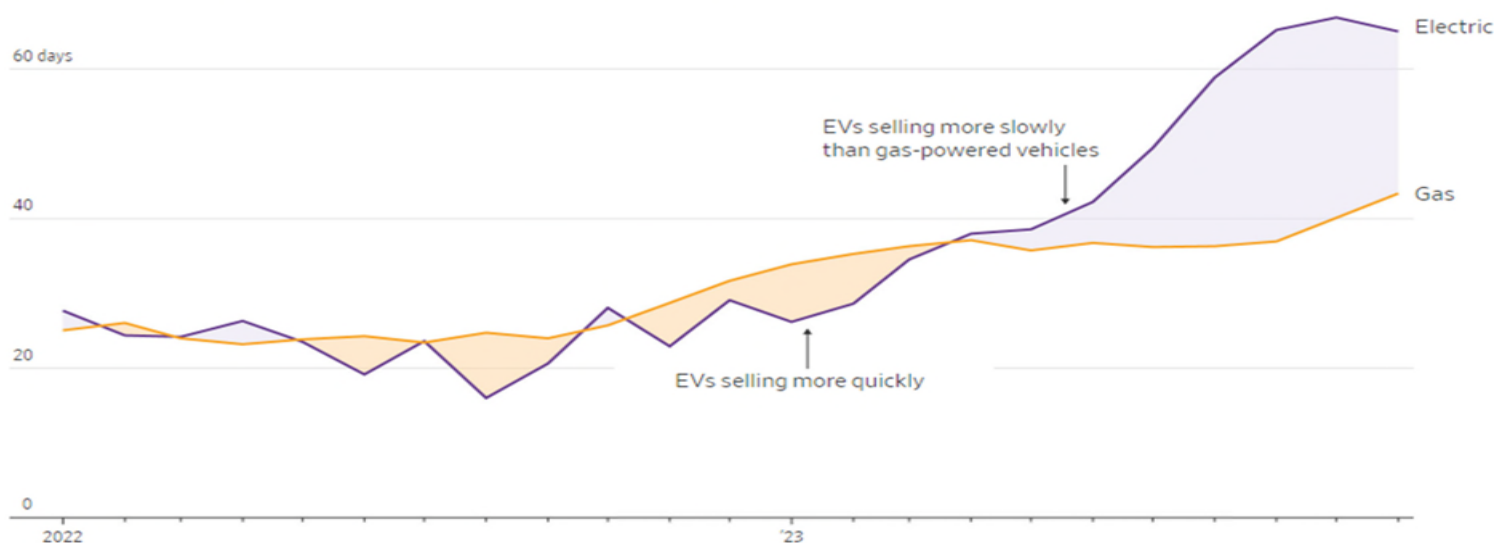


Source: J.D. Power

Used vehicles



Average number of days it takes a dealer to sell vehicles in the U.S., by type



Note: Excludes direct-to-consumer brands such as Tesla
Source: Edmunds

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

INTRODUCTION



A home is for sale last [October] month in Austin, Texas. A verdict in a Missouri case has made it likely the industry will no longer be able to charge 5% to 6% commission rates across the board. Brandon Bell/Getty Images Provided by CNN – Nov 2023

“On October 31, a Kansas City, Missouri, jury ruled that the National Association of Realtors, or NAR, and several residential brokerages engaged in illegal price-fixing and awarded damages to Missouri home sellers that could total more than \$5 billion. This decision has made it **highly likely that in the future, the industry will no longer be able to charge 5% to 6% commission** rates across the board.” – Nov 15, 2023 – CNN

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

LAWSUIT - SELLER REQUIRED TO PAY BUYER'S AGENT'S COMMISSION

"A federal jury in Missouri found **NAR and large brokerages** conspired to **keep costs artificially high** and awarded \$1.8 billion in damages, which could be tripled to more than \$5 billion under antitrust rules. NAR has said it plans to appeal." – Nov 1, 2023 – WSJ

"The class-action lawsuit was filed in 2019 on behalf of 500,000 home sellers in Missouri and some border towns. The verdict stated that the defendants '**conspired to require home sellers to pay the broker representing the buyer of their homes** in violation of federal antitrust law.'" – Nov 2, 2023 – Fortune

"The focus of the lawsuits is **an NAR rule that requires that home sellers offer to pay the commission for the agent representing the homebuyer when they advertise their property on a local Multiple Listings Service**, where a majority of U.S. homes are listed for sale. This is in addition to also having to cover the commission for their listing agent or broker.

The NAR's rules also prohibit a buyer's agent from making home purchase offers contingent on the reduction of their commission, according to the complaint.

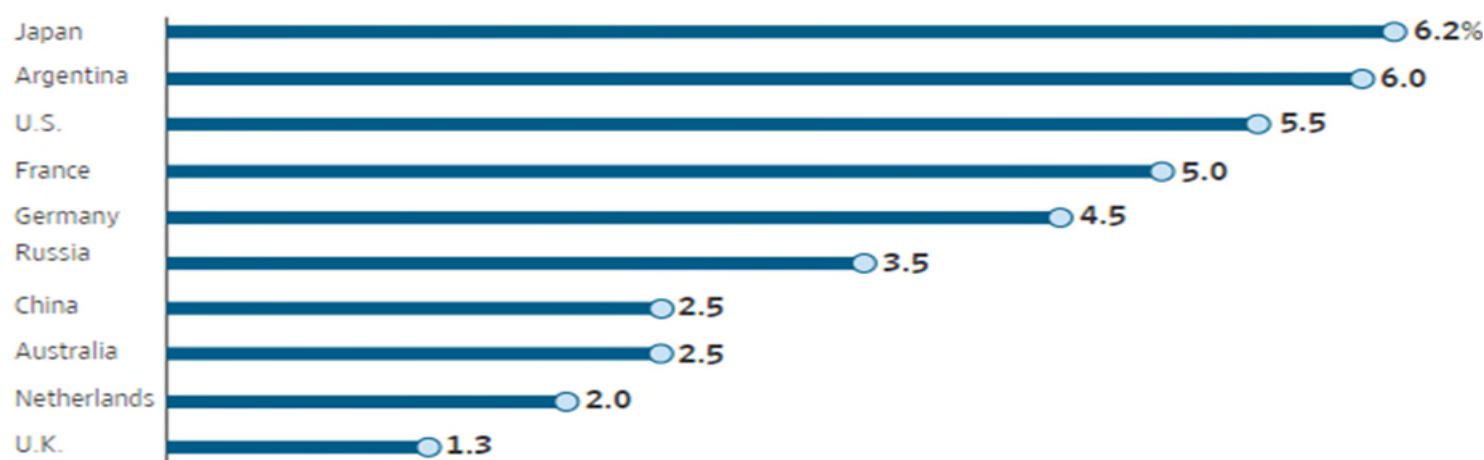
'Defendants' conspiracy forces home sellers to pay a cost that, in a competitive market and were it not for defendants' anticompetitive restraint, would be paid by the buyer,' the plaintiffs argued in the lawsuit filed Tuesday.

Plaintiffs also claim that the NAR requirement effectively keeps commissions for a homebuyer's agent artificially high." – Nov 2, 2023 – Fortune

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

U.S. BROKERAGE COMMISSIONS COMPARED TO OTHER COUNTRIES

Typical brokerage commissions worldwide



Sources: Professor Norm Miller, Prof. Chad Syverson, KBW Research and Surefield

“The way we buy and sell homes in the U.S. isn’t normal—at least not compared with the rest of the world.” – Nov 17, 2023 – WSJ

“Real-estate agents in the U.S. have higher commission rates than agents in much of the world.” – Nov 17, 2023 – WSJ

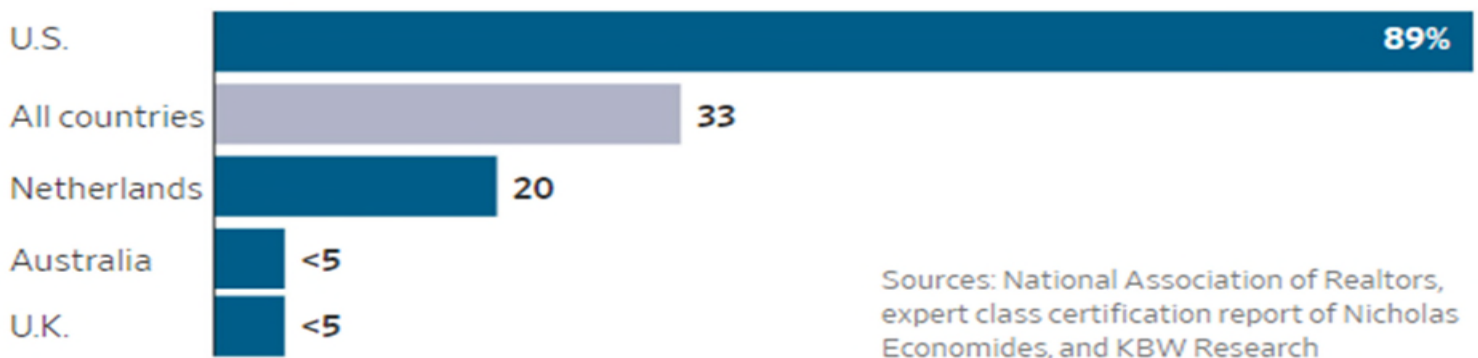
“The commission on a home sale here is typically around 5% to 6%, usually split between the seller’s and buyer’s agents. In most countries, the commissions are substantially smaller.”

“One reason commissions here remain high is the use of buyer agents, said Ryan Tomasello, managing director at investment bank Keefe, Bruyette & Woods. Home sellers pay the commission—typically between 5% and 6% of a home’s selling price—which is usually split between the seller’s and buyer’s agent. **Buyer agents aren’t nearly as common in other parts of the world,** said Tomasello.” – Nov 17, 2023 – WSJ

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

USE OF BUYER AGENT

Use of buyer agents by country



“In the pre-internet days, a buyer agent’s main job was to screen and filter listings for hopeful home buyers. Today, much of that early house hunting can be done online. So the role of the buyer agent has shifted more to providing advice and support, as well as recommendations for home inspectors, lenders and lawyers. A good buyer agent will know how to make a strong offer and may push to lower the home price.

In most countries, buyer agents are much less of a factor. In general, the services of real-estate agents are less bundled than they are in the U.S. [says Norm Miller, a professor at the University of San Diego]. For instance, a seller might pay separately for assistance with staging their home or for help negotiating a sales contract.

Going forward, we might see more buyers in the U.S. eventually opting to represent themselves for most of their house hunt and use a lawyer for the closing, said Miller. ‘You can hire a lawyer for less than the typical buyer commission fee, except on low-price homes,’ he said.

NAR said the U.S. market operates differently than many places abroad and agents’ work in the U.S. warrants their fees.” – Nov 17, 2023 – WSJ

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

POTENTIAL REDUCTION IN COMMISSION POOL - \$30 BILLION

“The most impactful injunction would be one that bans cooperative compensation in the Multiple Listing Service on a national level, which the court has the authority to do,’ analysts with Keefe, Bruyette & Woods wrote in a report.”
– Nov 3, 2023 – CBS News

“Changes to the payment structure for agents could cut the \$100 billion annual commission pool for 1.6 million realtors by 30%, KBW estimated. ‘A court-ordered injunction could “unbundle” commissions nationally by early 2024, eliminating the longstanding practice of listing agents and sellers setting and paying buyer agent commissions,’ the analysts said.

NAR and other defendants in the Missouri case have vowed to appeal the ruling, which ordered them to pay at least \$1.8 billion to hundreds of thousands of homeowners who were required to pay what they argued were excessive fees to agents.

Home sellers have long grumbled about having to pay commissions to a buyer's brokers.



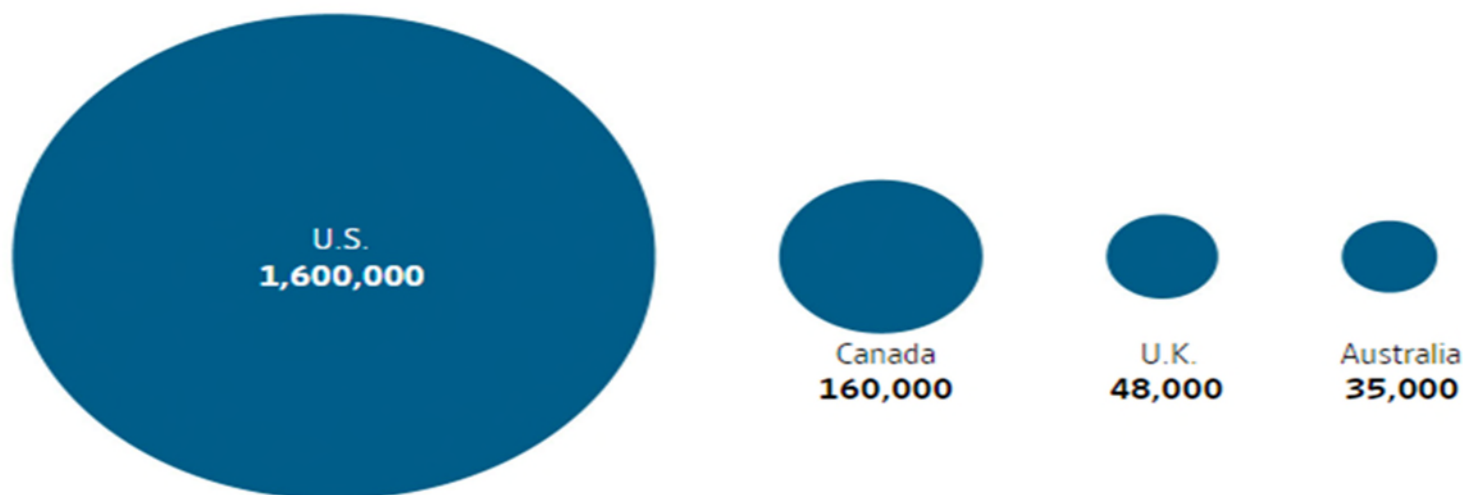
Many home buyers do more of the work today finding a property rather than leaving it to their real-estate agents. PHOTO: MARIO TAMA/GETTY IMAGES
Provided by WSJ Nov 2023

“The extent of injunctive relief decided by the court will strongly influence whether a price competitive system develops that lowers consumer costs and increases quality of service,’ Stephen Brobeck, a senior fellow at the Consumer Federation of America, said in a statement. ‘We hope the court will sever the ties between the listing agent and buyer agent compensation, freeing sellers from the obligation and need to compensate buyer agents.’” – Nov 3, 2023 – CBS News

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

POTENTIAL REDUCTION IN NUMBER OF AGENTS - 50% - 80%

Real-estate agent count by country



Notes: Figures are rounded estimates. There isn't a common methodology to compare agent counts across countries. U.S. figures represent Realtors.
Sources: National Association of Realtors and KBW Research

"Realtors across the country are rethinking their jobs, and some are backpedaling from the profession, fearing that the heyday of their business is over.

A court **verdict** last month stands to radically alter the way real-estate agents are paid for their work, and **could result in far lower pay for the 1.6 million** men and women who sell homes as their main job or as a side hustle."

"U.S. real-estate agents drive 90% of home sales, according to a report released earlier this month by investment bank Keefe, Bruyette & Woods. **Real-estate agents earn an average of \$65,850 a year...**"

"Keefe, Bruyette & Woods is predicting more than half of agents—and as many as 80%—could lose their jobs or leave the profession amid continued class-action litigation. Additionally, the bank predicts that over time the \$100 billion annual commission pool on home sales in the U.S. could be cut by one-third." – Nov 13, 2023 – WSJ

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

POTENTIAL CHANGES TO COMMISSIONS

COMMISSIONS MAY BE REDUCED

“Stephen Brobeck, a senior fellow at the Consumer Federation of America, says changing the commission model will weed out many part-time Realtors, leaving more business for full-time agents. ‘In a more competitive marketplace, **we predict the [commission] rates will come down to 3 to 4%**, from 5 to 6% with greater variation from agent to agent,’ he says. Both the buyer’s and seller’s sides are going to negotiate commissions downward, and the business will become much more competitive, many Realtors and analysts say.”

COMMISSIONS MAY BECOME FEE-BASED MODEL

“Franklyn Salas, a 42-year-old Realtor in Washington, D.C., says he would consider turning to a fee-based model. **One option might be to charge house hunters between \$2,000 and \$5,000 for a clear list of services and expenses, including transportation, time and gasoline mileage**, over a period of weeks while they looked for a home to buy. If the potential buyer didn’t find one during that contract, they would have the option of continuing with the broker, and a new fee would kick in.” – Nov 13, 2023 – WSJ

BUYER COMMISSIONS MAY BECOME PART OF MORTGAGE

“What remains to be determined is exactly how the transition from price-setting to price competition will take place. Ultimately, the Consumer Federation of America believes, it will **end up with buyers being able to finance buyer agent commissions as part of their mortgage**. But the resounding jury decision, future class action lawsuits and determined federal regulators virtually ensure that this transition will occur. Increasingly, the residential real estate brokerage marketplace will look like competitive markets for other goods and services, to the great benefit of consumers.” – Nov 15, 2023 – CNN

IN DEPTH - THE STANDARD 6% REAL ESTATE COMMISSION MAY END

NEW LAWSUITS - POTENTIAL DAMAGES INTO HUNDREDS OF BILLIONS

“Private plaintiffs are primed to file new lawsuits against the National Association of Realtors following a \$1.8 billion verdict against the powerful trade group, pushing **potential damages into the hundreds of billions of dollars** and posing significant risk to the real estate industry.

A Missouri jury last week sided with the plaintiffs against the NAR and several residential brokerages, finding them guilty of colluding to inflate brokerage commissions. Home sellers had accused the trade group of forcing them make inflated payments to buyers’ brokers.

The success of the case, and the additional scrutiny of how real estate agents are paid, **is likely to prompt a wave of follow-on suits against the industry**, attorneys say.

One such suit, a proposed class action filed last week, aims to refund 31 million home sellers across the US who allegedly paid inflated commissions to brokers, and seeks damages in excess of \$100 billion from NAR, as well as from Compass Inc. and Redfin Corp., said Mike Ketchmark, lead attorney

for the plaintiffs at Ketchmark and McCreight. A similar class action in Illinois set for trial next year seeks as much as \$40 billion.”

“The verdict sets a court precedent that makes other real estate groups and brokers a target for litigation with large damages that could force some players out of business.

Total damages against NAR and other industry brokerages could reach \$400 billion, said Ryan Tomasello, managing director at Keefe, Bruyette & Woods who covers the real estate industry. The court could decide to increase the \$1.8 billion verdict to \$5.4 billion, triple what the plaintiffs prove they actually suffered in damages.

‘It’s a race to the courthouse, so to speak,’ Tomasello said. ‘It’s possible that you see other lawsuits filed against numerous other brokerages, of which there are probably hundreds that aren’t included in the existing cases so far.’” – Nov 8, 2023 – Bloomberg

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4th Qtr 2018
Afterpay	4th Qtr 2020
Alibaba	3rd Qtr 2017
Bitcoin	4th Qtr 2016
Cashless Society	4th Qtr 2017
Chatbots	1st Qtr 2019
Deep Sea Mining	3rd Qtr 2020
EV Supply Chain	3rd Qtr 2022
Facial Recognition	1st Qtr 2018
FedNow	2nd Qtr 2023
Housing Affordability	3rd Qtr 2023
IRS - Online Platforms	2nd Qtr 2022
Labor Participation Rate	4th Qtr 2015
Libra, Calibra, Facebook	2nd Qtr 2019
Lumber Prices Soaring	4th Qtr 2021

Money Market Reform	3rd Qtr 2016
Natural Gas – U.S. Exports	4th Qtr 2019
Negative Interest Policy	2nd Qtr 2016
New Silk Road	2nd Qtr 2017
Non-Fungible Tokens	1st Qtr 2021
Pandemic – Impact	1st Qtr 2020
Quantitative Easing	1st Qtr 2016
Real Estate Commissions	4th Qtr 2023
Repurchase Agreements	3rd Qtr 2019
Secure Act - Retirement	4th Qtr 2022
Series I Bonds	1st Qtr 2022
Small Business Reorg Act	2nd Qtr 2020
Student Loan Update	1st Qtr 2023
Texas Imports and Exports	2nd Qtr 2018
Universal Postal Union	3rd Qtr 2018
Vehicle Shortage	2nd Qtr 2021

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