September 2013 Housing Commentary

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Return TOC

Table of Contents

August/September 2013 Housing Scorecard

	M/M	Y/Y
Housing Starts[A]	Δ0.9%	Δ19.0%
Single-Family Starts[A]	Δ7.0%	Δ16.9%
Housing Permits[A]	∇3.8%	Δ11.0%
Housing Completions[A]	Δ0.3%	Δ12.1%
New Single-Family House Sales[A]	Δ7.9%	Δ12.6%
Existing House Sales[B]	Δ1.7%	Δ13.2%
Private Residential Construction Spending[A]	Δ0.7%	Δ 18.7%
Single-Family Construction Spending[A]	Δ1.6%	Δ14.9%

M/M = month-over-month; Y/Y = year-over-year

Source: [A]U.S. Department of Commerce-Construction ; [B] National Association of Realtors® (NAR®)

Return TOC

New Housing Starts

	Total Starts*	Single-Family Starts	Multi-Family 2-4 unit Starts	Multi-Family 5 or more unit Starts
August	891,000	628,000	11,000	252,000
July	883,000	587,000	18,000	278,000
2012	749,000	537,000	7,000	205,000
M/M change	0.9%	7.0%	-38.9%	-9.3%
Y/Y change	19.0%	16.9%	57.1%	22.9%

* All start data are presented at a seasonally adjusted annual rate (SAAR)

Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrc/pdf/newresconst.pdf

Return TOC

New Housing Permits and Completions

	Total Permits*	Single-Family Permits	Multi-Family 2-4 unit Permits	Multi-Family 5 or more unit Permits
August	918,000	627,000	23,000	268,000
July	954,000	609,000	27,000	318,000
2012	827,000	520,000	28,000	279,000
M/M change	-3.8%	3.0%	-14.8%	-15.7%
Y/Y change	11.0%	20.6%	-17.9%	-3.9%

	Total Completions*	Single-Family Completions	Multi-Family 2-4 unit Completions	Multi-Family 5 or more unit Completions
August	769,000	573,000	5,000	191,000
July	767,000	570,000	8,000	189,000
2012	682,000	492,000	9,000	181,000
M/M change	0.3%	0.5%	-37.5%	1.1%
Y/Y change	12.8%	16.5%	-44.4%	5.5%

Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrc/pdf/newresconst.pdf

* All data are SAAR

Return TOC

New and Existing House Sales

	New Single-Family Sales*	Median Price	Month's Supply	Existing House Sales B*	Median Price B	Month's Supply B
Sep/Aug	421,000	$254,600	5.0	5,290,000	$199,200	5.0
Aug/July	390,000	$256,300	5.2	5,390,000	$209,700	4.9
2012	374,000	$253,200	4.6	4,780,000	$187,700	5.4
M/M change	7.9%	-0.6%	3.8%	-1.9%	-0.2%	2.0%
Y/Y change	13.0%	0.5%	8.7%	10.7%	11.7%	1.8%

* All sales data are SAAR

Note: New house sales data = August;
Existing house sales data = September

Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrs/pdf/newressales.pdf; NAR® www.realtor.org/topics/existing-home-sales; 10/22/13

Return TOC

Existing House Sales

National Association of Realtors (NAR®)[B]
September 2013 sales data:

Distressed house sales: 14% of sales –

(9% foreclosures and 5% short-sales)

Distressed house sales: 12% in August
and 24% in September 2012

All-cash sales: increased to 33%; 32% in August

Investors are still purchasing a substantial portion of
"all cash" sale houses – 19%;
17% in August 2013 and 18% in September 2012

First-time buyers: decreased to 28% (28% in August 2013)
and were 32% in September 2012

Source: [B] NAR® www.realtor.org/topics/existing-home-sales; 10/22/13

Return TOC

August 2013 Construction Spending

August 2013 Private Construction: $340.21 billion (SAAR)

1.2% above the revised June estimate of $336.1 billion (SAAR)
18.7% above the July 2012 estimate of $286.6 billion (SAAR)

August SF construction: $171.78 billion (SAAR)
1.6% greater than July: $169.02 billion (SAAR)
29.3% greater than August 2012: $134.01 billion (SAAR)

August MF construction: $32.24 billion (SAAR)
3.2% greater than July: $31.25 billion (SAAR)
37.5% greater than August 2012: $22.88 billion (SAAR)

August Improvement [D] construction: $136.19 billion (SAAR)
0.2% greater than July: $135.87 billion (SAAR)
21.8% greater than August 2012: $111.81 billion (SAAR)

[D] The US DOC does not report improvements directly, this is an estimation. All data is the SAAR and is reported in nominal US$.

Source: U.S. Department of Commerce-C30 Construction: www.census.gov/construction/c30/pdf/privsa.pdf

Return TOC

Conclusions

The housing market exhibits stagnation in the new home construction and sales front; existing home sales have marginally improved. According to the National Association of Realtors, forward looking existing house sales may be less than recorded in previous months of 2013.

Once again, the near-term outlook on the U.S. housing market remains unchanged – there are potentially several negative macro-factors or headwinds at this point in time for a robust housing recovery (based on historical long-term averages).

Why?

1) a lack of well-paying jobs,
2) a sluggish economy,
3) declining real median annual household incomes,
4) strict home loan lending standards, and
5) new banking regulations.

Return TOC

Housing comments – October , 2013

Still lots of problems to deal with:

- economy is getting better, albeit very slowly
- government debt issues – all levels of government – exacerbates the job problem
- Much of Europe in recession , but getting better – China is slowing too
- Housing's main problems - Weak domestic economy made worse by slowing world economy; weak job market; weak income growth; high debt levels; tight credit environment, and dysfunctional government (16 day shutdown latest example of stupidity)

- Demand , Debt and Uncertainty are some of serious problems that are impacting the economy – not sure it's getting better?
- Two major concerns –

  (1) can the economy (and housing) stand on its own (without Fed stimulus) ??? Not sure anymore??

  (2) Uncertainty is a key reason holding back job creating investments . Ex., impact of health care legislation; Dodd/Frank; dysfunctional "Washington"; …… Also, demand is a problem - too many jobs are low income, no health care, no benefits

  (3) OK, here another concern. 120 million working age people collecting a check from "Uncle Sam". (doesn't include retired people on SSI)

Another book to consider reading – George Shultz " Issues on my Mind"
Some conclusions and comments (my interpretation):

(1) People need work to attach themselves to reality – without work/purpose, people have little self esteem, and this leads to problems – drugs, crime, violence,….

(2) To make good decisions, the decision makers need "skin the game".
One example is the recent housing crisis. People were buying houses with little or no down payment, no credit checks, ….So, they bought homes they couldn't afford, and then, many "threw in the keys" when they were foreclosed. Another example is where we have too much government – in this case, there is almost no "skin in the game" - bad decisions/bad politicians, bad laws – little accountability at all government levels. The taxpayer is the scapegoat in most instances.
Not to point fingers, but, if Apple launched a new operating system with only 2 weeks testing, and it flopped, the market place reaction would be swift and "heads would roll". Not the case with the Obama Care launch on October 1st. Not one major official has been fired to date (November 8). With accountability, we would get better decisions.

(3) Key solution to today's problems is creating an environment where job creation flourishes (all over the world). People with jobs/purpose don't commit crimes, kill people, become terrorists, … - OK, some do, but the majority lead productive/useful lives and contribute to society.

Return TOC

I’ll make this comment once more – the majority of people (all over the world) want to earn their own way in life – they want meaningful work/purpose – this gives them self esteem and dignity. People in this situation are happier, are good citizens, they Work hard, are more productive, …. GDP is much higher, employment is higher, …… The governments and private sector need to work together to Provide an environment where job creation, innovation, productivity, Flourish. Today, we have too much government in Europe, USA, ??? ….. Consequently, the incentive to work is waning, job creation is weak, ….

Shultz has many more observations on other important issues like nuclear proliferation, environment, terrorism, and lots of suggestions on how to lead in challenging times – leadership is ineffective today – he has some suggestions how to lead effectively! The key is finding common ground – not easy in today’s environment But, it is possible. Compromise is a requirement – dictating options doesn’t work. Inclusion works!!!
A good friend (and much wiser than me) recommended this book – his initials are Tom Phelps.

Return TOC

Some additional questions going forward:

(1) Sustainable housing recovery? Again, not sure anymore
(2) Job recovery remains the main problem – without good jobs with benefits, housing and the economy will remain relatively weak!!!
(3) **Longer term, we need to deal with three major issues:**
(a)tax reform, (b)entitlements, and (c)debt. They are related!
Alan Greenspan has a new book " The Map and the Territory." In it, he discusses what is wrong with the U.S. Economy., and specifically looks at entitlements and impact on investments. E.g., GDP = Consumption + Investments + Govt spending + saving + net exports. Increased entitlements means less savings which leads to less investments which leads to lower productivity which leads slower GDP growth. This translates to fewer good paying jobs.

Return TOC

We borrow more to compensate for the decline in savings, hence the foreign debt is now at $5 trillion. Tax reform is needed to encourage us to consume less , and save more which will lead to more investment and less borrowing. This will lead to Better productivity and more good jobs. (Without it, GDP growth Slows, and our standard of living continues to erode as it has over the past 20 years)

Sounds simple doesn't it? It is, but it requires strategies to convince Americans to consume less and save more. This requires Leadership from "Washington". There will be winners and losers , and a need to compromise. This requires vision and leadership.

We are becoming a nation too Dependent on government. Approximately 120 million Americans get a check from "Uncle Sam". Why save if "Uncle Sam" is taking care of you? This doesn't include Medicare and Social Security. I.e., over 40% of Americans under the age of 65 receive monetary assistance from the Federal government. Somehow, I don't think this is what our founding fathers had in mind. And, I don't blame the 120 Million – I blame the government for making it too easy to hitch a free ride.

Return TOC

One more book to consider – “Mass Flourishing” by Edmund Phelps

(http://online.barrons.com/article/SB10001424127887324549004579066790248178438.html?mod=BOL_article_full_more) .

He discusses the importance of innovation in unleashing the economy.
Innovation leads to productivity growth, job creation, and new
businesses – but, we need to nurture innovation. That
Means equitable tax laws, less onerous government regulations,
and a government that understands the importance of a dynamic
Economy. Also it must understand the critical role of education
In our society.
I know I’m exaggerating to some degree, but we need to make
Changes to the economy. Our debt now exceeds our GDP, and
When interest rates rise, the interest payments will “steal” from
Everything else (i.e., as we pay more interest, we have less to
spend on defense, education, health care, infrastructure,
Even entitlements will suffer, ….). We have been living beyond our means
For the past two decades – sooner or later, our lenders will question our ability
To repay debts. That is already happening with the falling confidence in
The US$ as the world’s reserve currency.
What does this have to do with housing you say? Well, slower
Growth, lower productivity, higher taxes, fewer good jobs, all
Translate to lower standard of living which means fewer housing
Starts.

Return TOC

Housing, Economy, and Wood Products

They are “joined at the hip”

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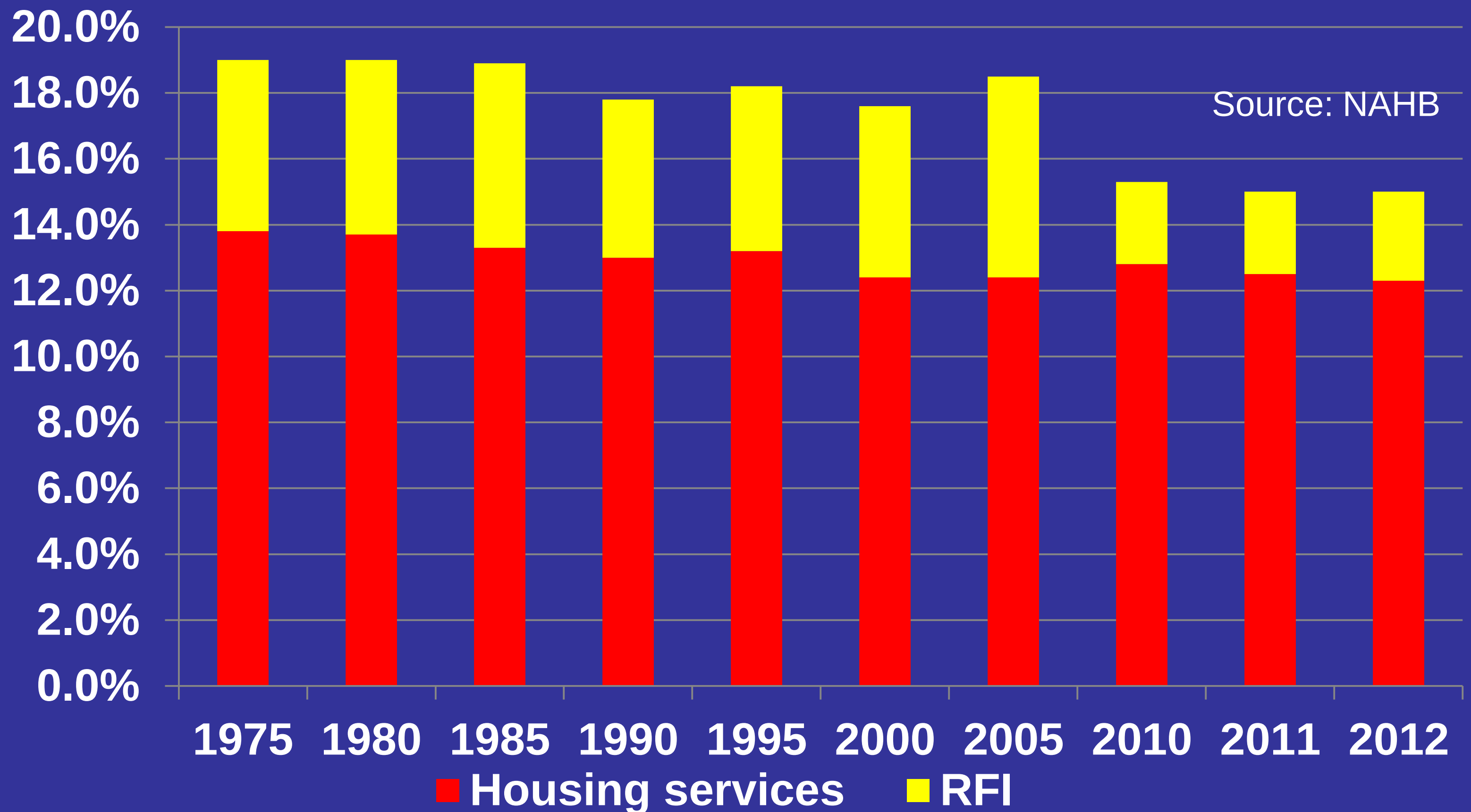
Housing's contribution to GDP (%) – historically, it is almost 20% of the economy when you include housing services and fixed investment, but today it is down to 15%. In reality, it is even more important when you include purchased furniture, landscaping, general maintenance, etc.

key reason why the economic recovery remains muted

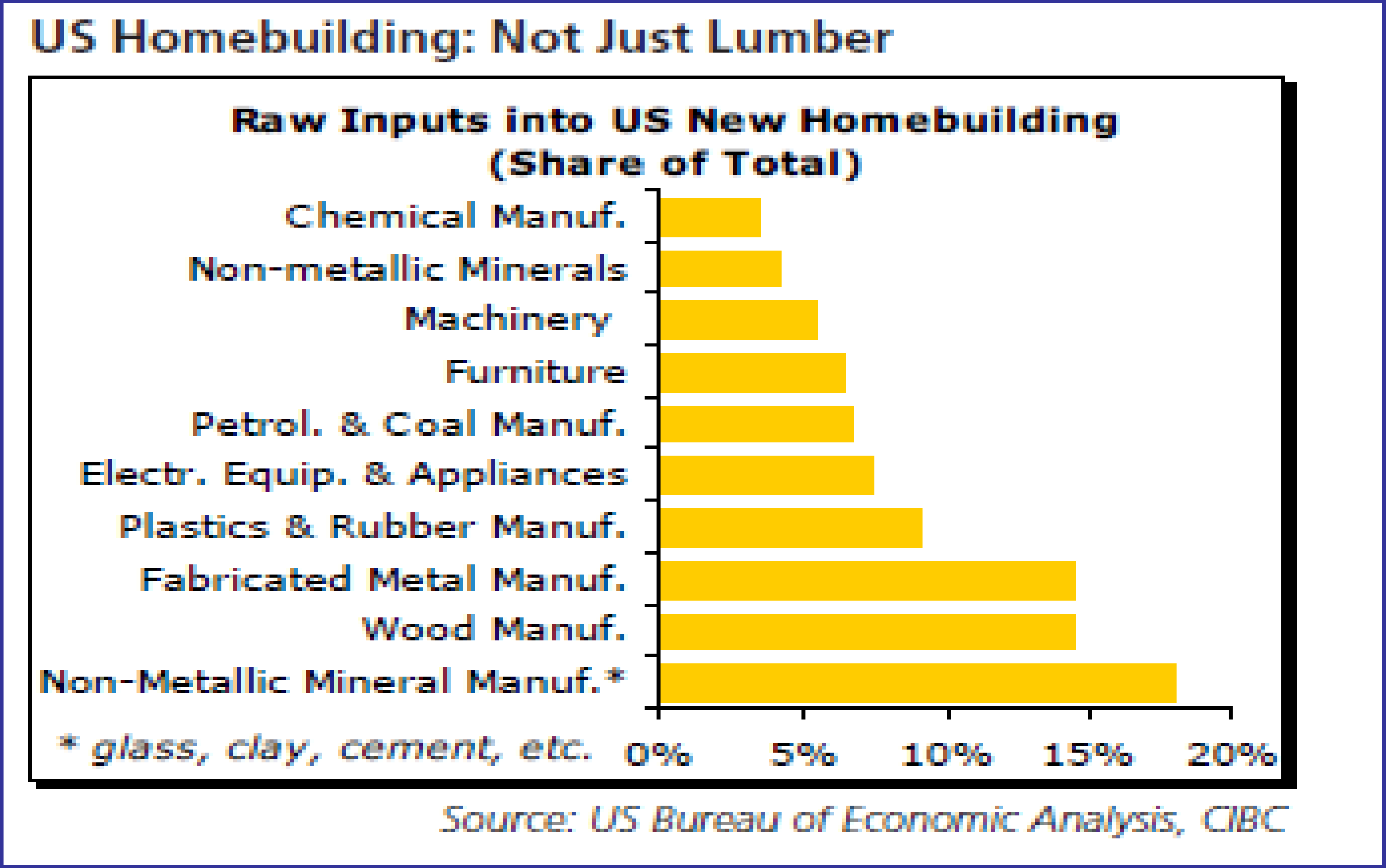
Housing services = gross rents paid by renters (incl utilities) + owner's imputed rent (how much It would cost to rent owner occupied homes) plus utility payments

RFI (residential investment) = construction of new SF and multifamily structures, remodeling, manufactured homes , plus broker's fees



Return TOC

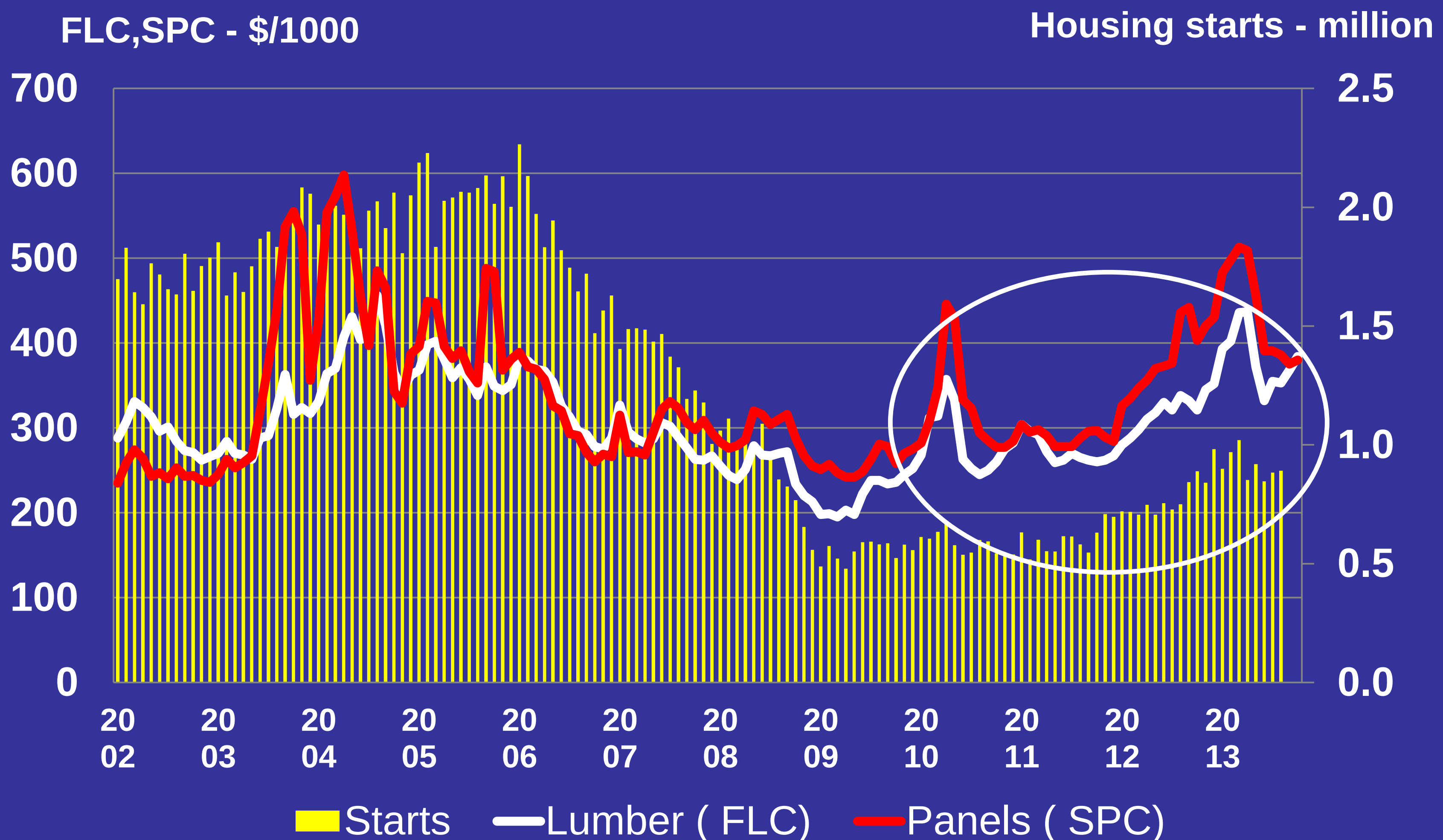
Housing is important to wood products, but other Products benefit too



Source: CIBC (http://research.cibcwm.com/economic_public/download/feature3.pdf)

Housing starts and wood product prices – Economics 101

Following housing bust in 2008, wood prices fell and production capacity was reduced.
So, when housing starts increased , there was an imbalance between demand and supply of wood products . The price mechanism brings demand and supply into balance. Initially, prices fell almost 50% - this instigated production cutbacks of 50% or more – then, as housing begins to turn around, prices increase - this encourages Production increases for wood products – and the cycle starts over.



Sources: Prices – Random Lengths (http://www.randomlengths.com/); starts (Bureau of Census (http://www.census.gov/construction/nrc/)

Return TOC

Job situation is not good – we’re creating about 160,000 per month (net basis) and approximately 30% are part time jobs with little or no benefits (health care, retirement, etc.), And poor pay. And, it will only get more challenging as baby boomers retire. This will put more stress on government services like Social Security and Medicare. Where will we get the money to invest in the future?

As long as this scenario continues, demand for goods and services Will remain weak. There are no “quick fixes” – government Stimulus(QE, etc.) helps, but is not enough. Long term Solution is R&D, education, infrastructure investment, fix The tax system to encourage investment/discourage consumption, and fix health care.

Return TOC

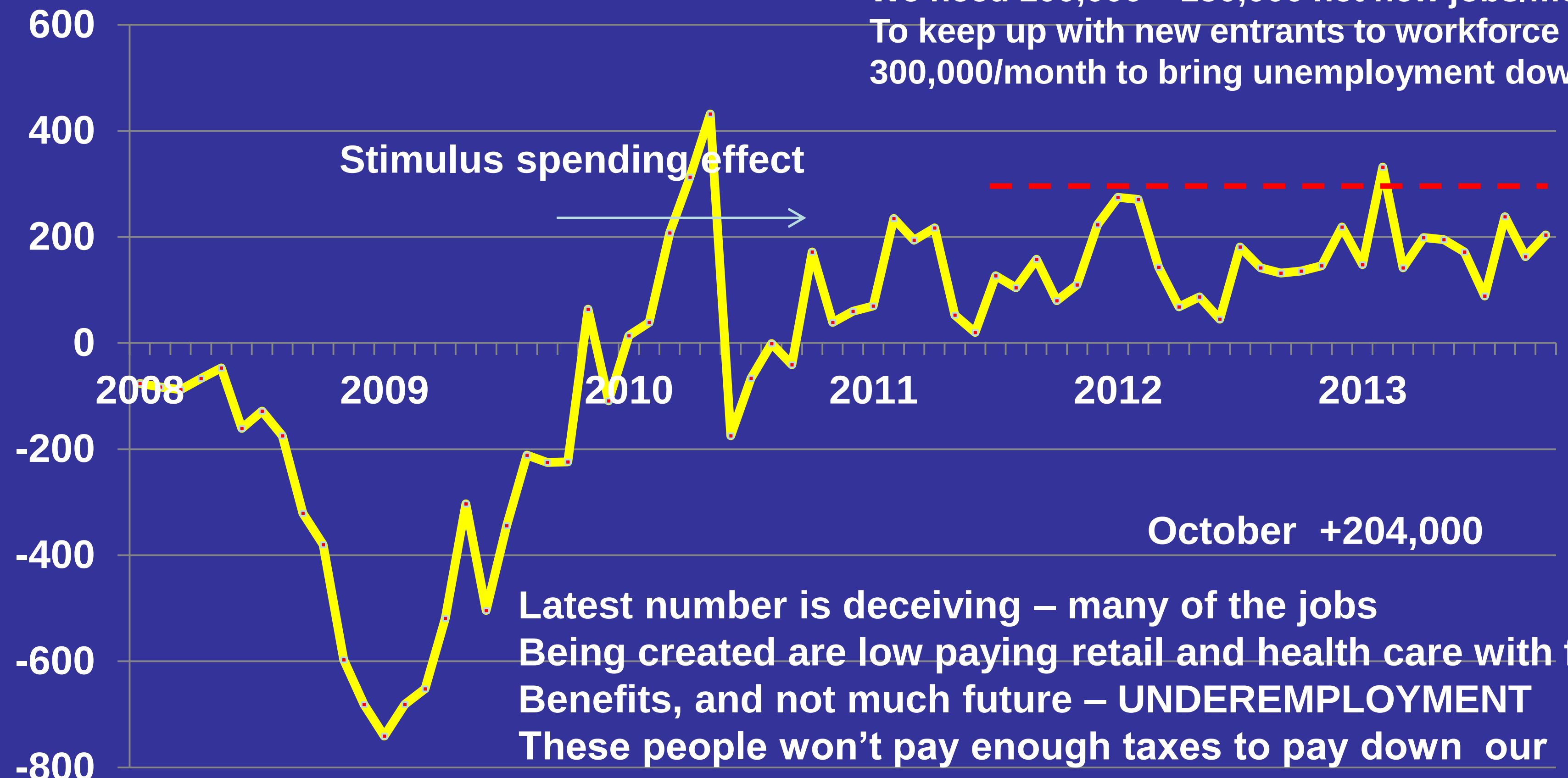
Of course, not everybody believes demand will be a problem.
See interesting article in The Economist/Buttonwood column
(http://www.economist.com/blogs/buttonwood/2013/09/demography/print) . This article
Suggests there will be a baby boom in places like the USA
And other developed economies. Faster population growth means
Stronger demand and more rapid supply growth – housing will
Benefit. What is causing this? Fertility rates for higher income
women is increasing. Fertility and female employment rates are
Now highly correlated – gender equality is a possible reason. Net
Immigration is another reason. So, maybe the economy will be able
to navigate around the negative demand impact of retiring baby
boomers?

Return TOC

Employment situation - our biggest problem - it's getting better, but the jobs recovery remains weak by past standards, and many jobs
Don't include health care or retirement benefits (because they are
Often part time jobs) – those kinds of jobs don't encourage people to buy houses

Net change in non farm payrolls – monthly, thousands

We need 100,000 – 150,000 net new jobs/month
To keep up with new entrants to workforce
300,000/month to bring unemployment down



Latest number is deceiving – many of the jobs
Being created are low paying retail and health care with few
Benefits, and not much future – UNDEREMPLOYMENT
These people won't pay enough taxes to pay down our
Massive debt either!!!!!!

Source: U.S. BLS (www.bls.gov)

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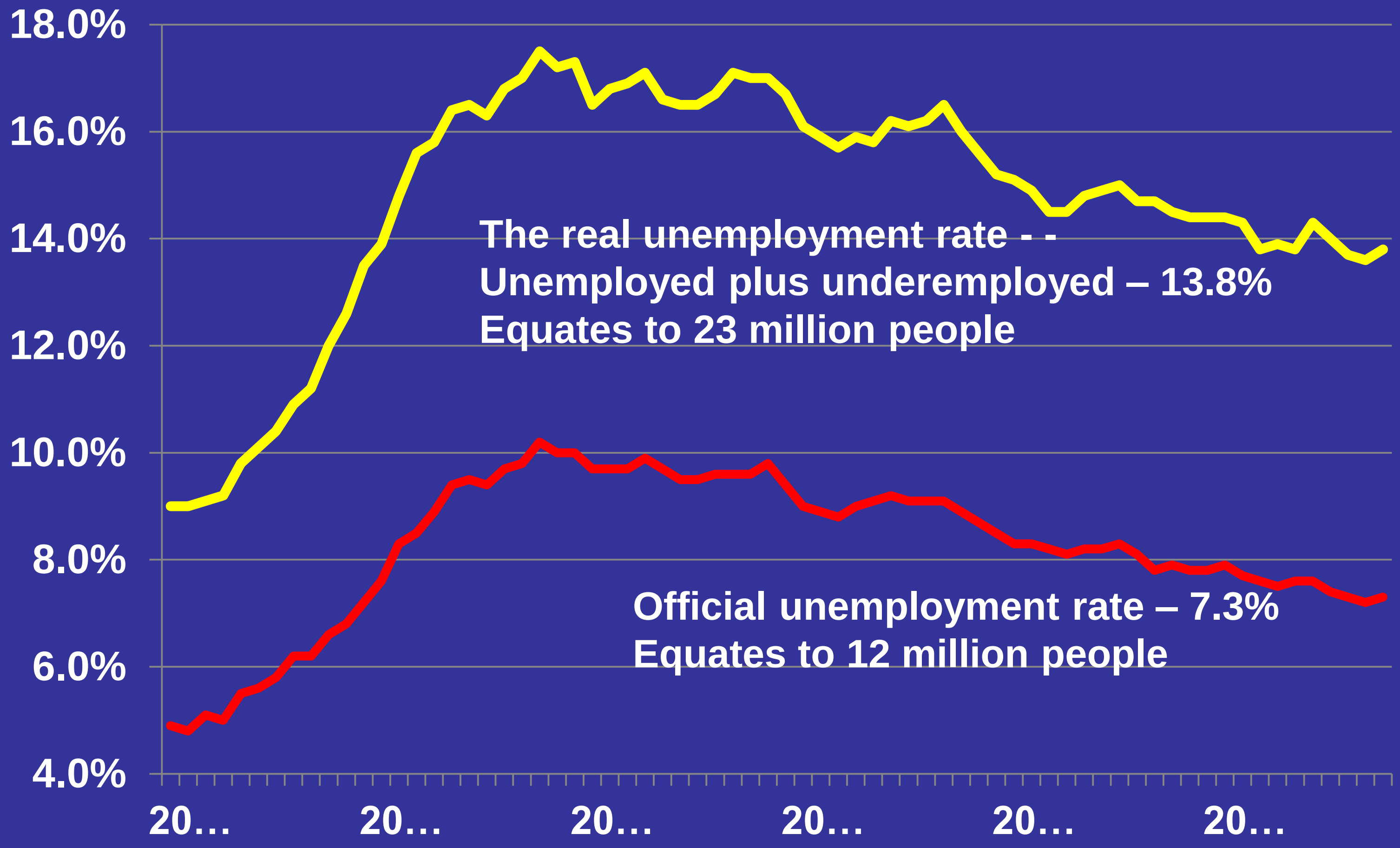
Unemployment remains high and will remain relatively high for several years – but, it's getting better "slowly"

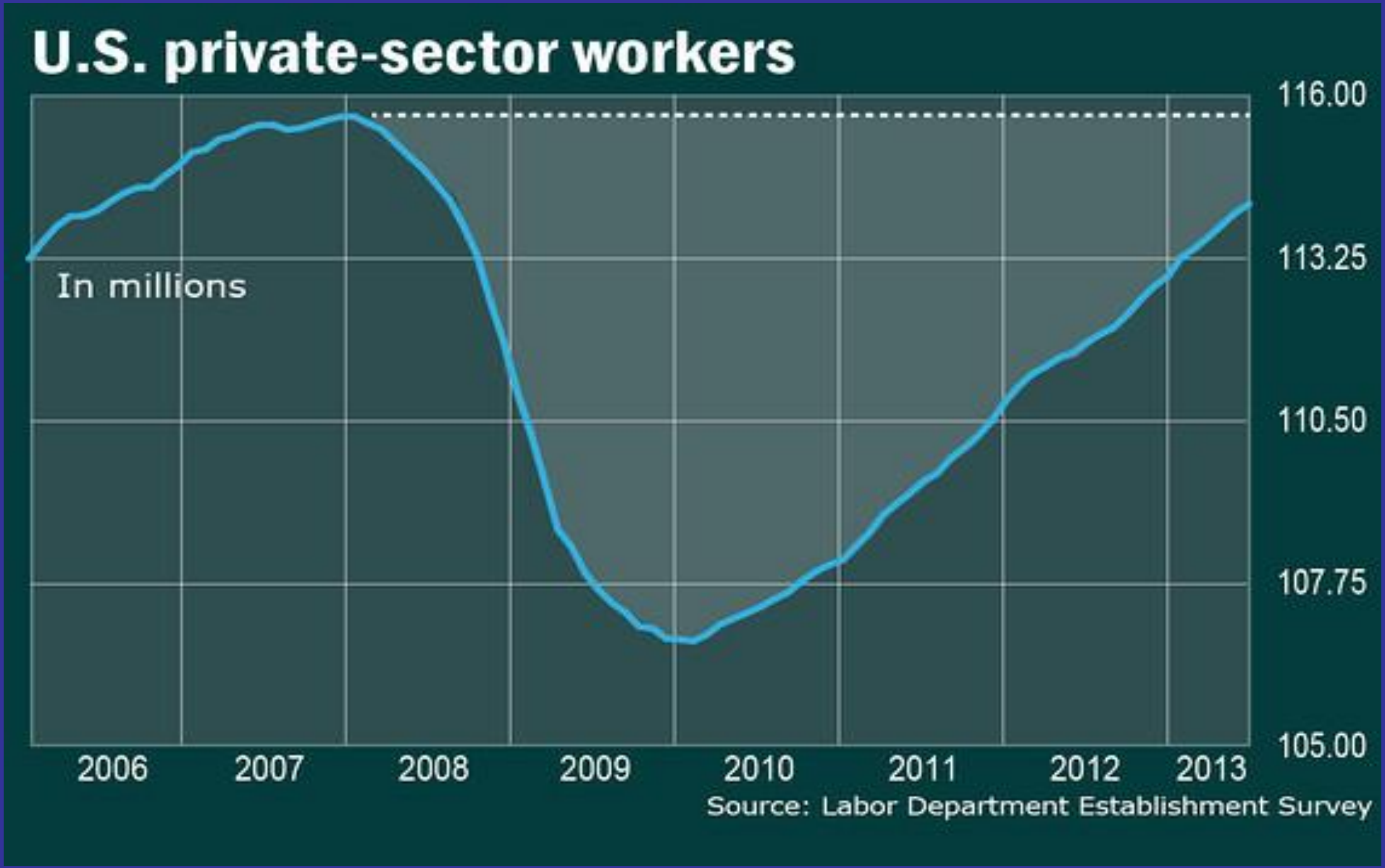
There are about 19 million people either unemployed , underemployed, or stopped Looking – **they are not buying houses



Source - - BLS: http://www.bls.gov/news.release/pdf/empsit.pdf; http://data.bls.gov/cgi-bin/surveymost?ln

Return TOC

Employment - - We're still 2.5 million below pre recession levels



Source: marketwatch : (http://www.marketwatch.com/Story/story/print?guid=5C9788D6-FB68-11E2-A97E-002128040CF6)

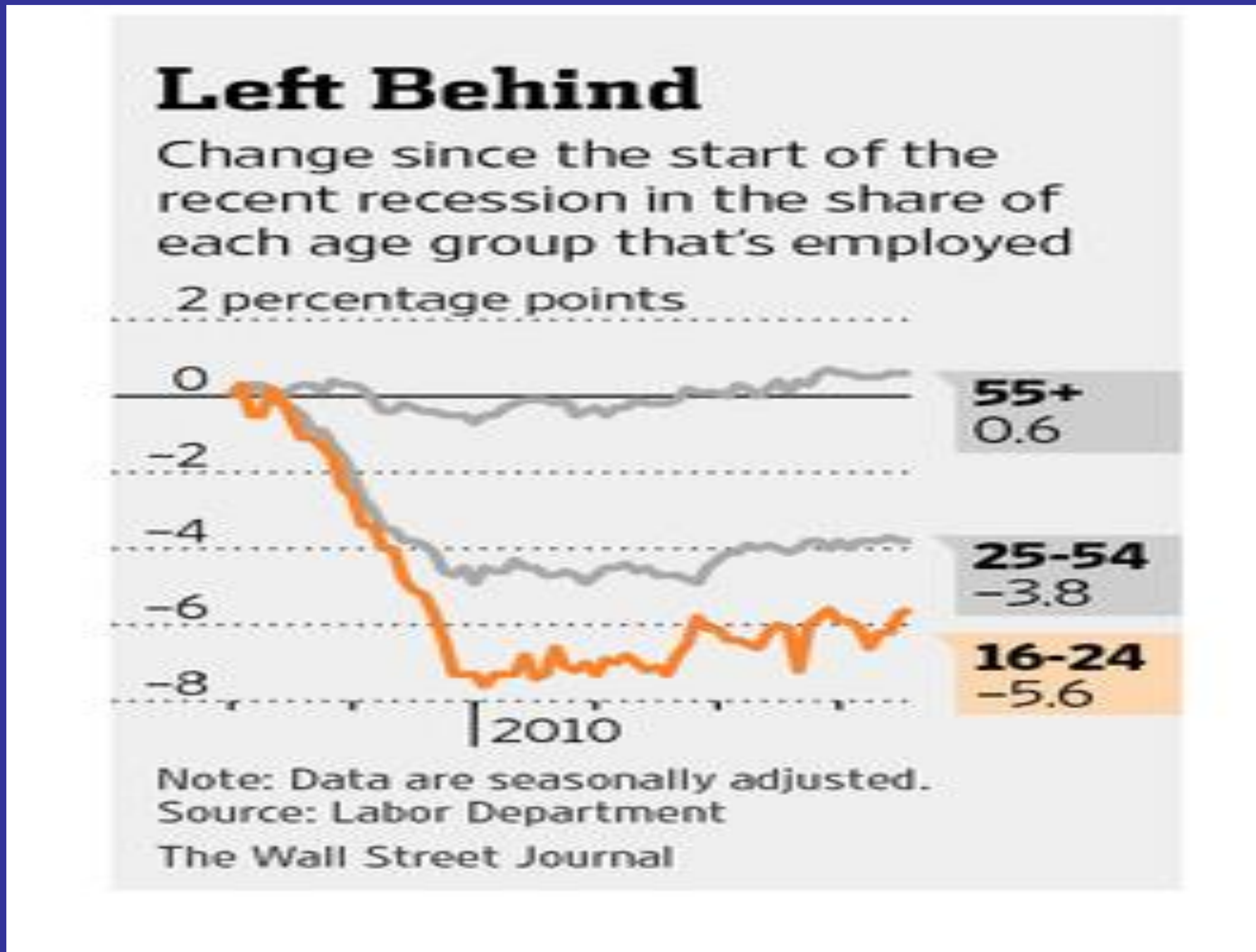
Return TOC

Where the growth is - -
30% of jobs created in past 5 years are “temporary jobs” – little
Or no health care, retirement, salary – i.e., these people don’t buy
Houses, cars, eat out, etc. --- -   again, underemployment is a big problem

Source: marketwatch : (http://www.marketwatch.com/Story/story/print?guid=5C9788D6-FB68-11E2-A97E-002128040CF6)

Return TOC

Young people hurt the most by this recession – these are
The ones who buy starter homes



Source: (http://online.wsj.com/article_email/SB10001424127887323893004579057063223739696-lMyQjAxMTAzMDEwNDExNDQyWj.html?mod=wsj_valetbottom_email)

Return TOC

We've been saying this for the past four years – the key
To a solid housing recovery (and economic recovery)
Is good paying jobs. To date, that isn't happening – that's
Why the economy and housing are stuck .

Here is a good short article on what to watch in housing's
Rebound (http://blogs.wsj.com/developments/2013/09/16/four-factors-to-watch-in-housings-rebound/?mod=wsj_valettop_email)
(1)Affordability
(2) Depressed inventories that drive prices higher,
(3) Bubble formation?,
(4) **The return of owner occupant, mortgage dependent buyers to pick up the slack from investors**. ***This is the key to a return to normal and this depends on the creation of lots of good paying jobs. If that doesn't happen, the housing will remain in "slo mo" status in my opinion***

Return TOC

Other economic issues –

- The workforce is shrinking and
  Labor force participation rate is lowest since WWII
  Some implications – more problems funding social programs

- Capacity utilization remains below 80% - that means firms won't invest and that means weak job growth
  (and weak income growth)

- Inflation not a problem yet – I'm not surprised because demand remains weak.

- Going forward, unemployment will be a huge drag on the federal (and other government levels) budgets – implications for taxes, spending, domestic programs, and job creation

- Major questions going forward are inflation, disinflation, deflation, or continued weak growth (disinflation is weakening inflation (i.e., today) whereas deflation is general fall in prices (i.e., 1930's).
  My guess is continuing weak growth (less than 3% GDP) with moderate pick up in inflation . There are too many headwinds for stronger growth, and deflation is just too ugly to contemplate.

Return TOC

Labor force participation rate is shrinking -
Major problems for social programs with our aging population –
fewer people paying taxes, but more people collecting
SSI, Medicare, etc. Also, demand for goods and services /GDP will
Remain relatively weak.

Return TOC

Some additional housing headwinds

A. This economic recovery is much slower than
Previous ones

Why

(1) This recession was a financial recession
(2) Previous ones were typical economic recession
(i.e., economy overheats, the Fed increases
interest rates to cool things down, ….
(3) Financial recession are more serious and
require more time to heal damaged credit, etc.

B. And, mortgage rates are trending upward as the Fed
pulls back on QE/money printing

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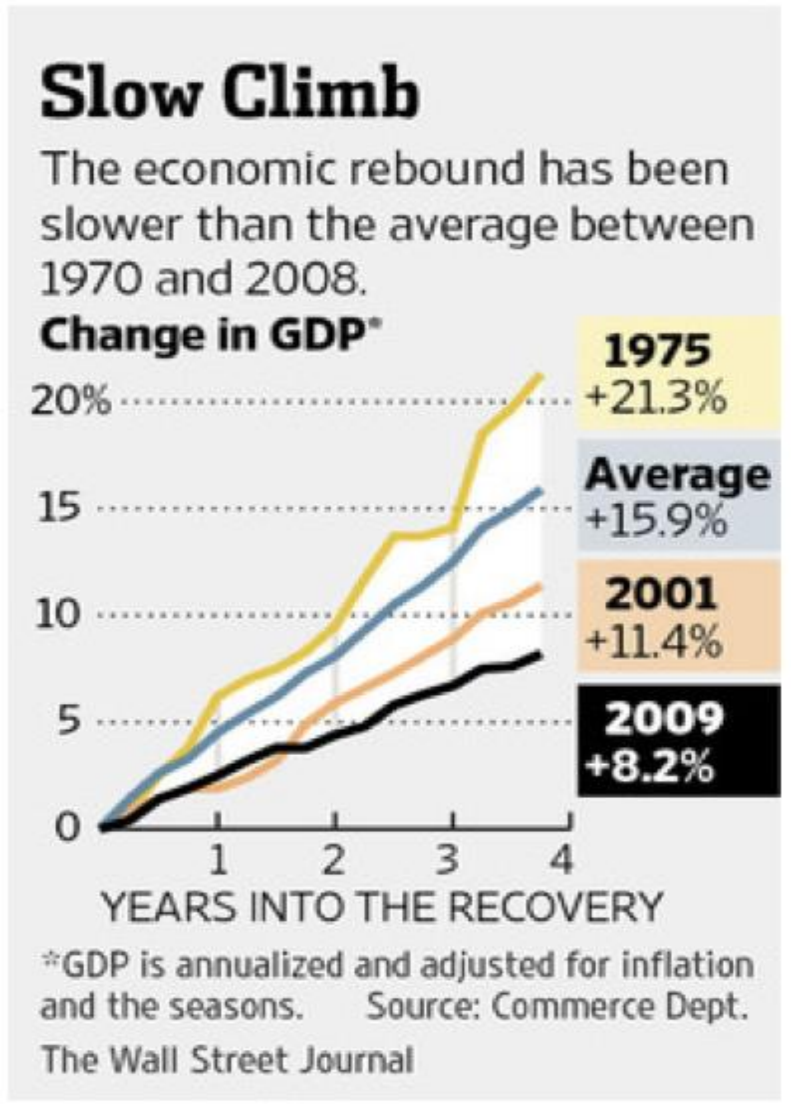
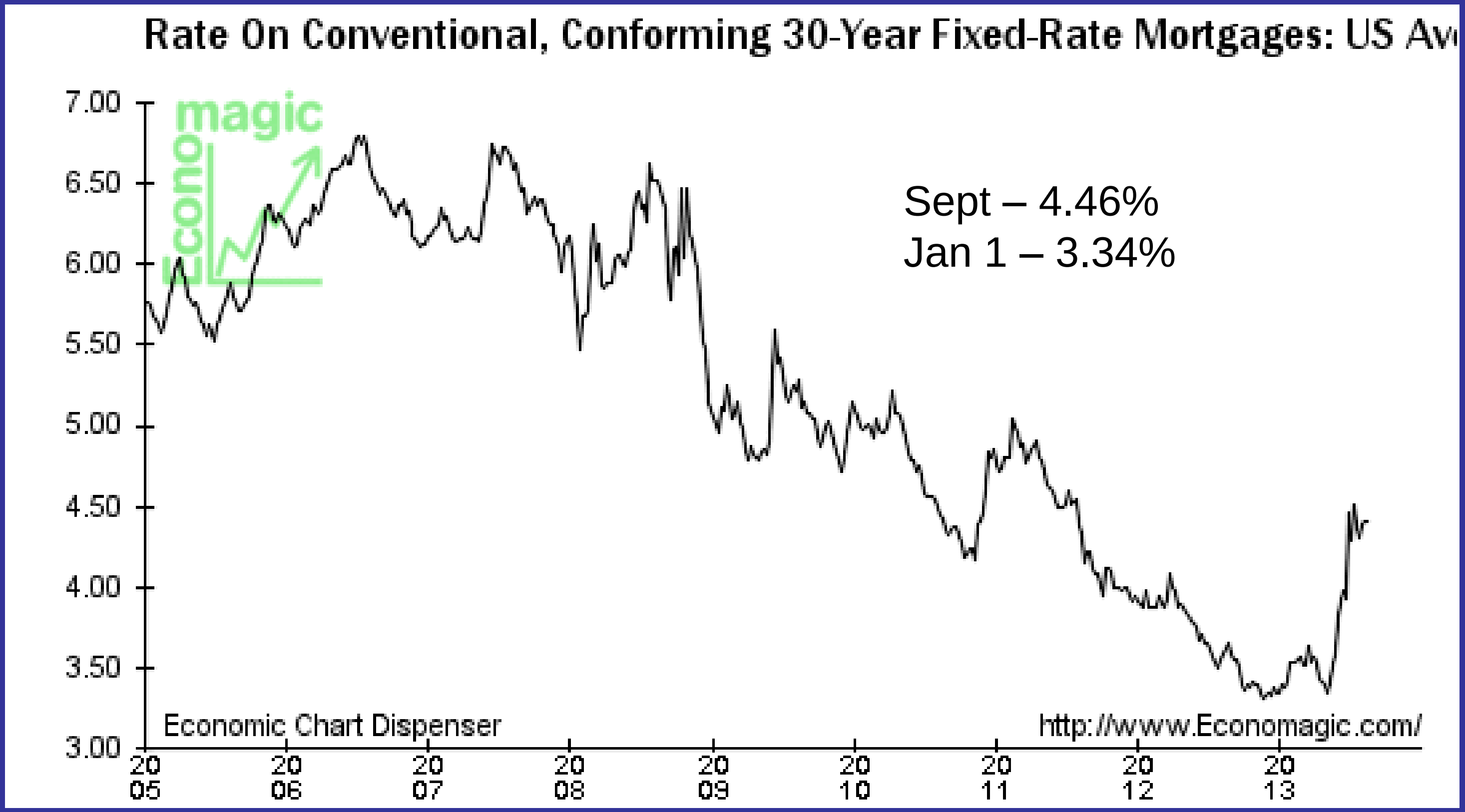
A comparison of GDP growth following recessions

Recovery from this recession much slower



Source: Wall Street Journal (http://online.wsj.com)

Higher Mortgage rates on the way -
Actually good for housing – it forces many people
To “get off the fence” and , anyway, rates are still historically low.



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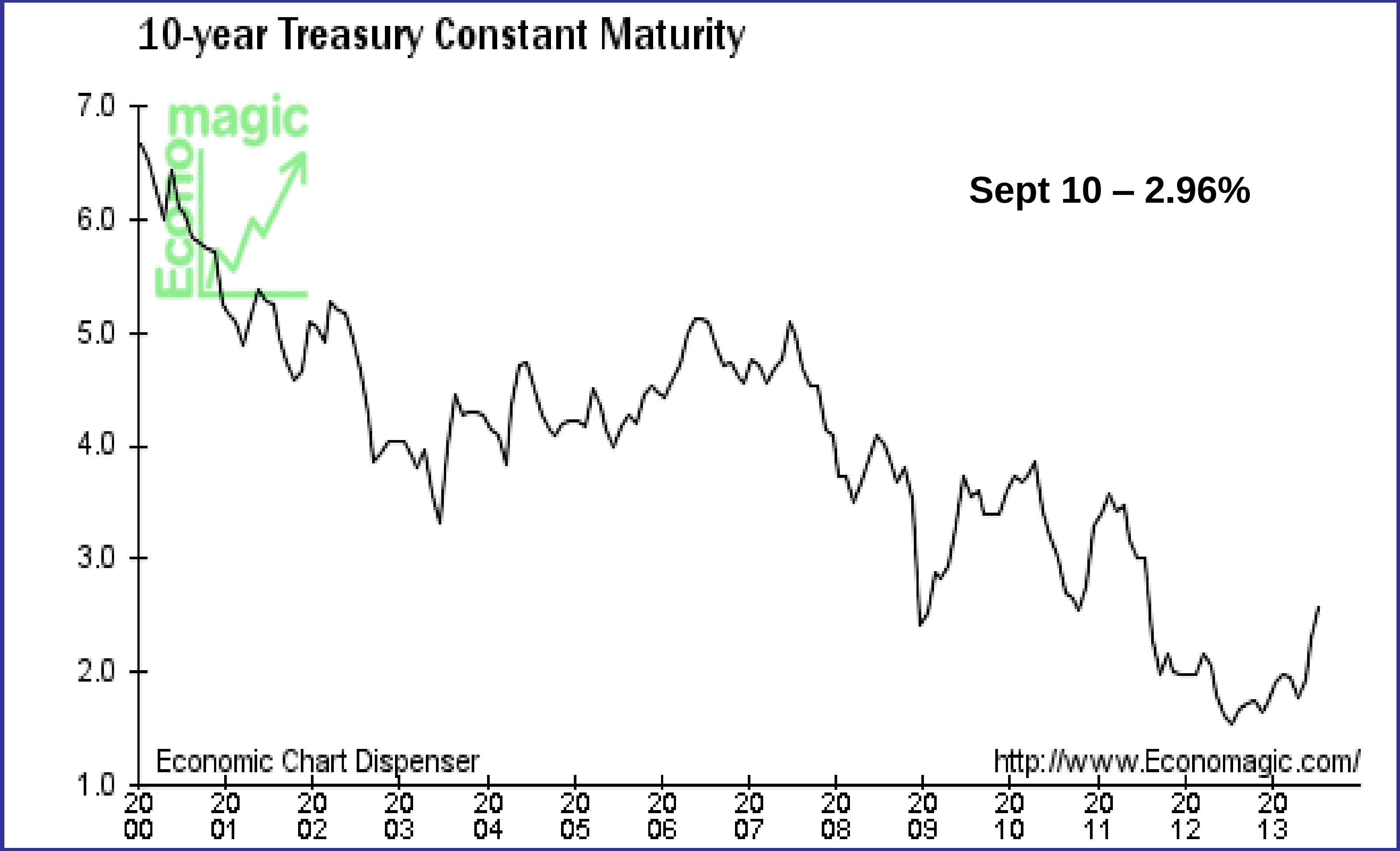
How long can we realistically expect 10 year rates
To stay below 3%? c'mon!! Of course, rates will
Remain low if the economy continues its' current trajectory
With weak job creation . The key to demand / growth /price
Increases is jobs. Myself, I would prefer stronger growth and deal with
Some inflationary pressures in lieu of low inflation from weak demand.



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Recent Housing statistics

Background:

Markets are getting better –
Have we turned the corner? – Probably, but
The climb back will remain muted
Until we see economic growth of 3% or
More for an extended period of time!!!

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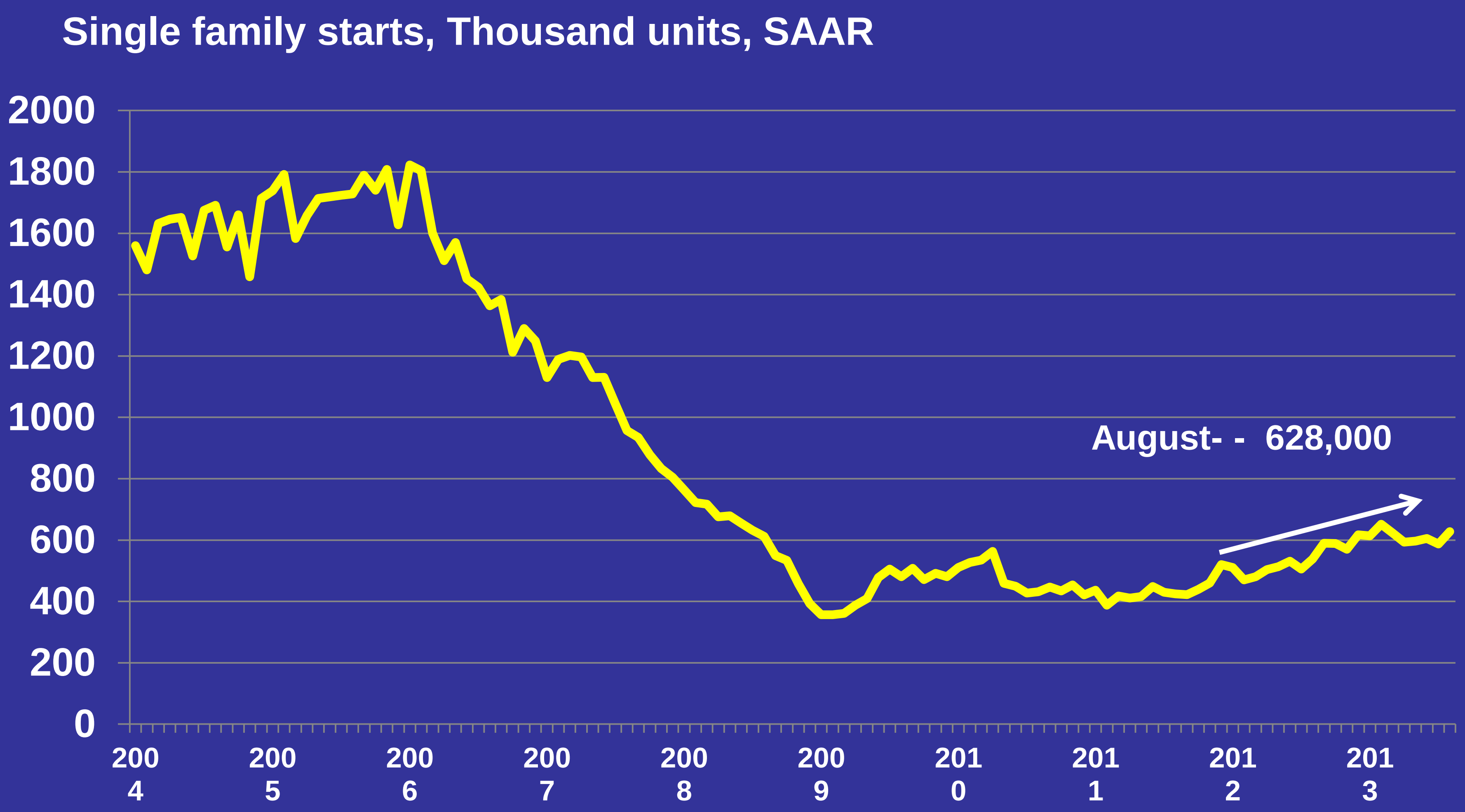
Starts are finally turning the corner??

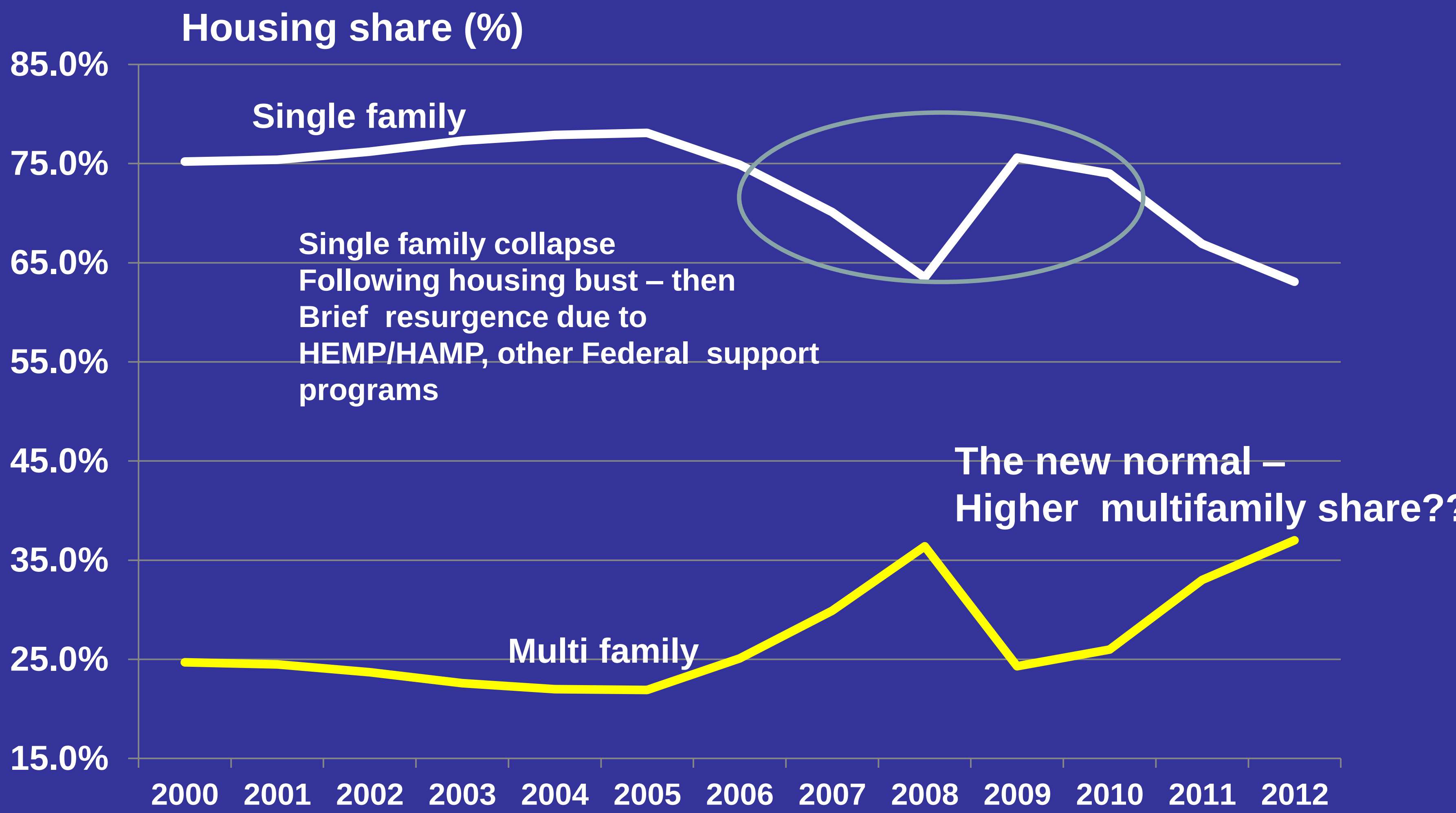
Problems going forward: distressed resales (i.e., foreclosures) and jobs. Rising prices will moderate the foreclosure problem while good paying jobs will create demand – this will take more time!!



Source: Census (http://www.census.gov/const/www/newresconstindex.html)

Return TOC

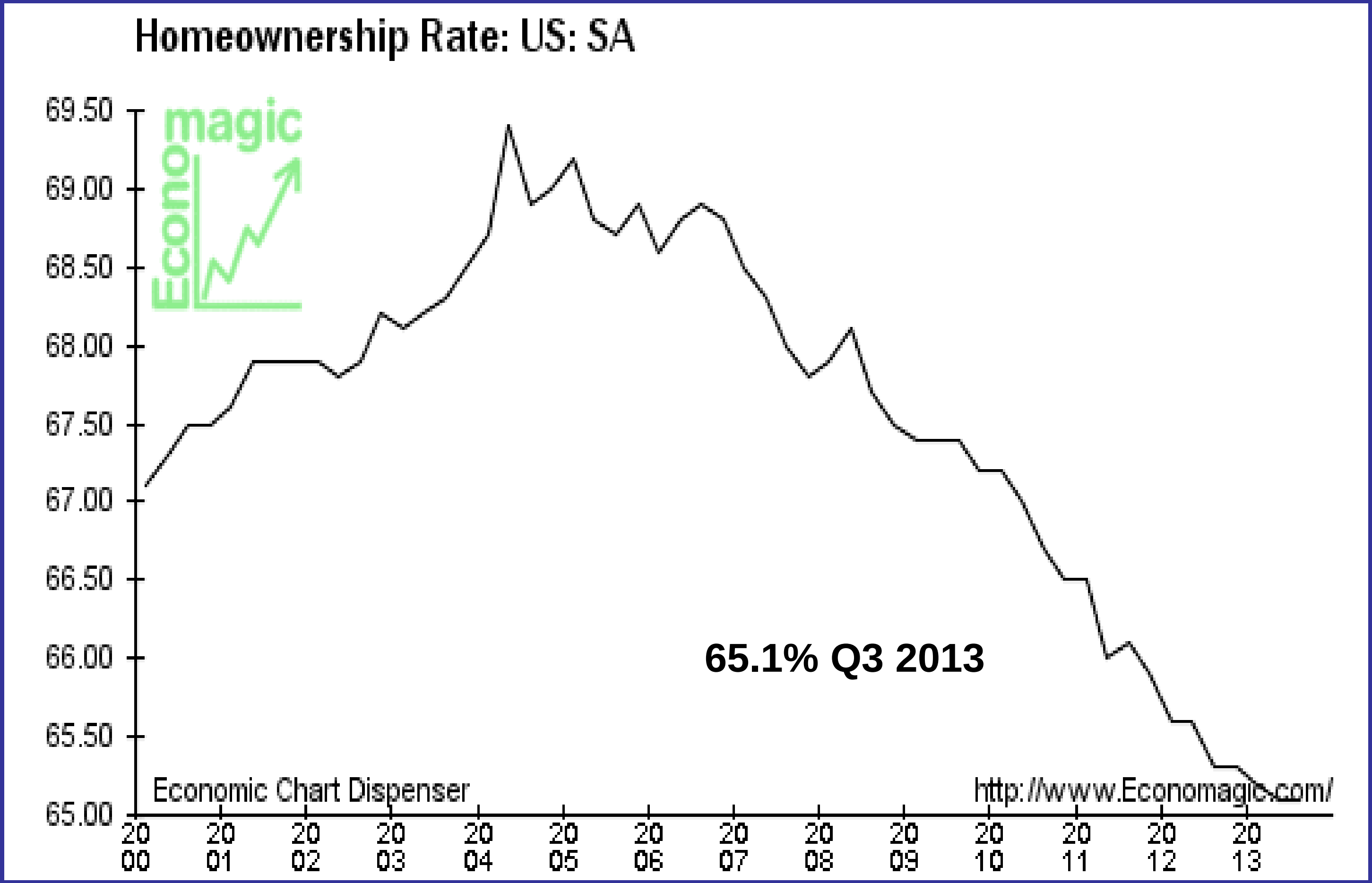
Multi family share is increasing – will it continue?
I believe it will!!



Source: Census (http://www.census.gov/construction/nrc/)

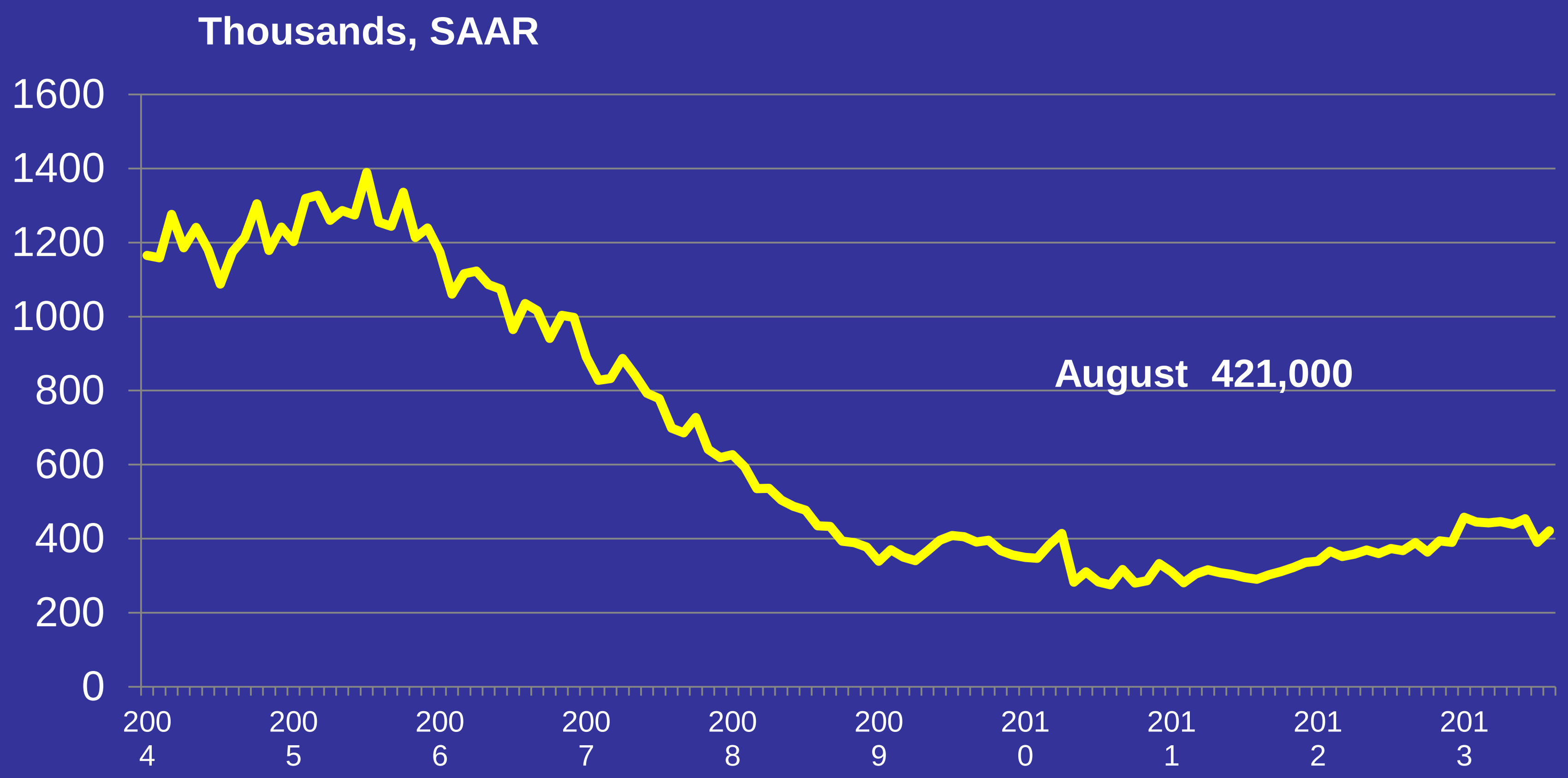
Return TOC

Homeownership rates have been falling for the past seven Years – big question – when the economy gets back to normal, Will people go back to single family or will we see more multi Family?? To date, the "recovery" has been mainly multifamily



Source: Census (http://www.census.gov/housing/hvs/files/qtr412/q412press.pdf)

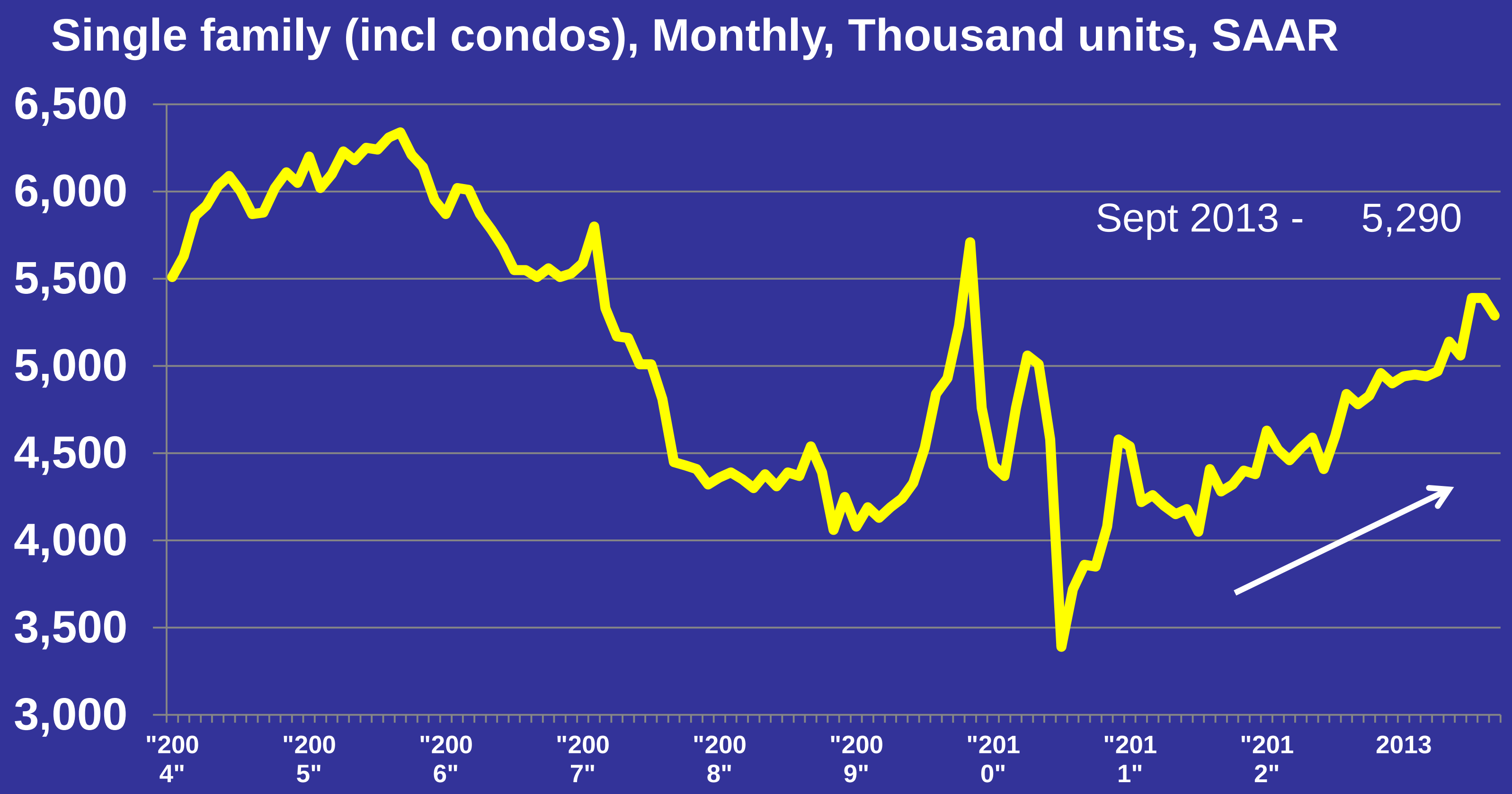
New Single Family Home sales is the key statistic to watch – Sales drive housing starts – this drives demand for wood products!!! Problem is weak job market continues



Source: Census (http://www.census.gov/const/www/newressalesindex.html)

Return TOC

Resale market getting better



Source: NAR (http://www.realtor.org/research)

Return TOC

Some comments on recent house price increases - -

Let’s hope they keep increasing because higher prices
Will encourage builders to build more homes –

- - in addition - -

(1) higher prices are needed to slow foreclosures;
(2) enable people with negative equity to sell homes
and move to better jobs;
(3) apply for refinancing - -
(4) this will turn housing market around along with
improving economy

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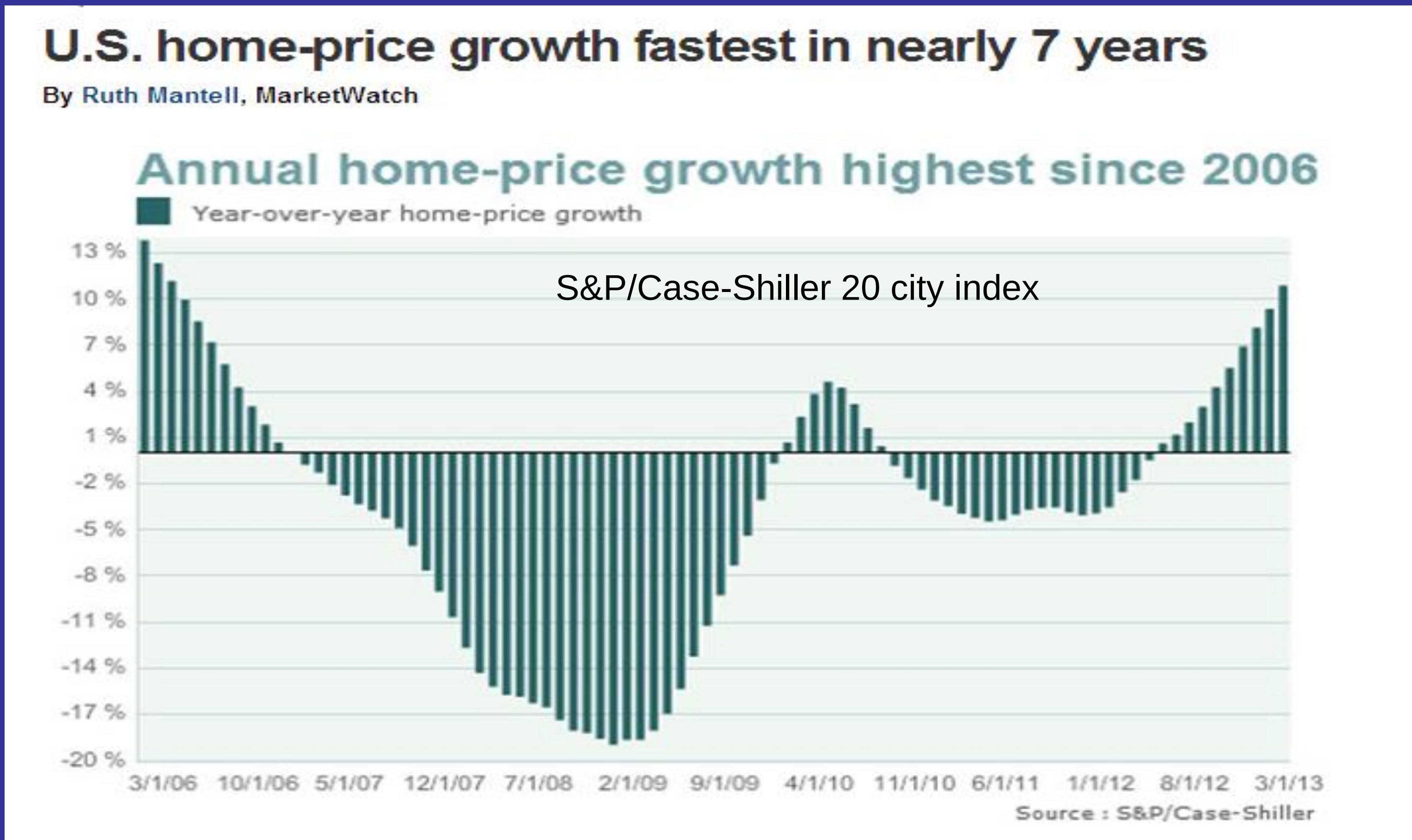
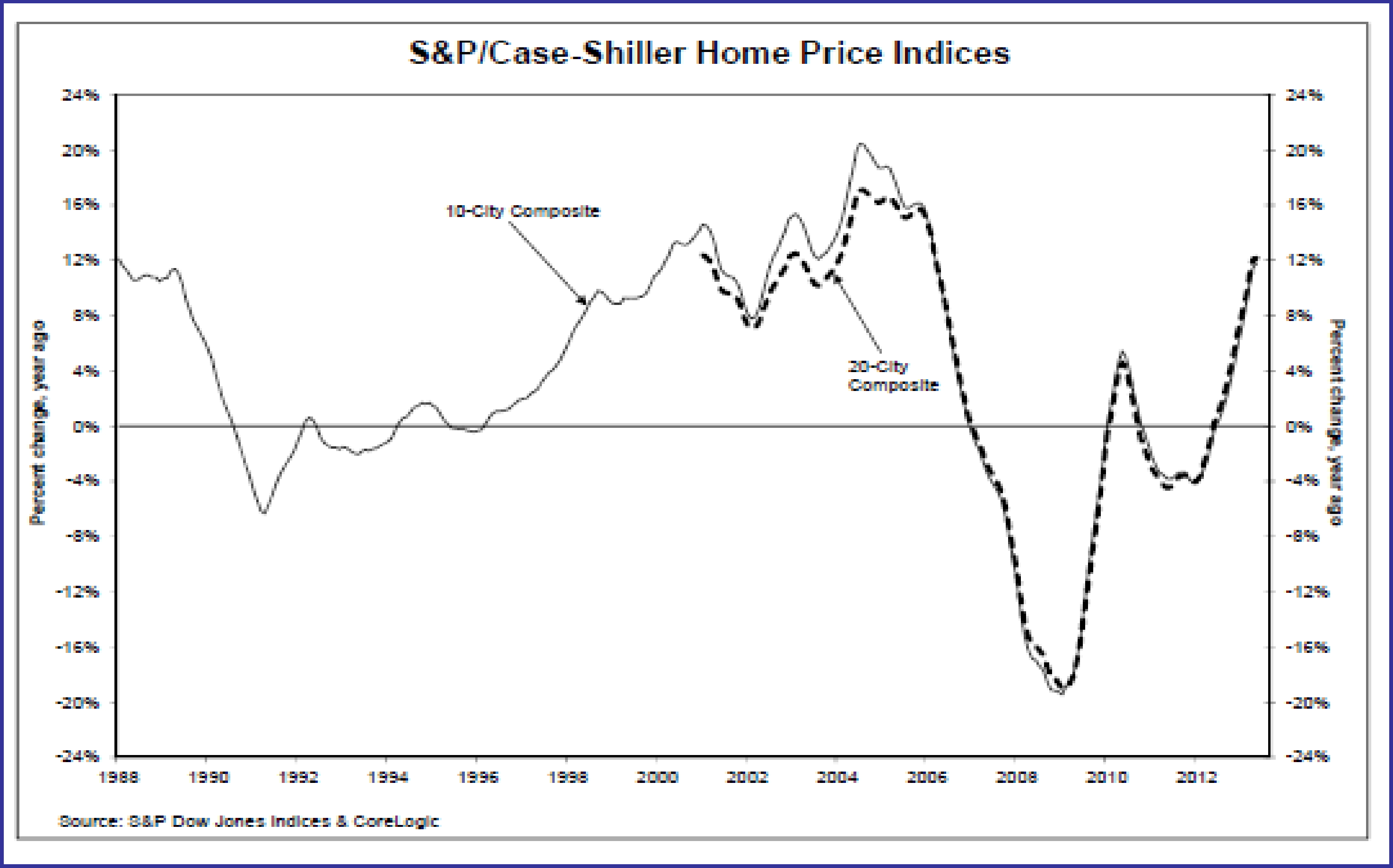
Price increase due in large part to weak supply, but, still good news –



Source: Case Shilller: (https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/11644_cshomeprice-release-0430.pdf?force_download=true)

Return TOC

House prices up 12% year over year – Good news Because it will drive supply (housing starts) – Economics 101!!



(https://www.spice-indices.com/idpfiles/spice-assets/resources/public/documents/12473_cshomeprice-release-0625.pdf?force_download=true)

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More comments re: recent house price increases

(1) Is it real and sustainable?

Due in large part to demand/supply mismatch
(Mike Santoli/Daily Ticker, May 28)

(a) Low inventories plus weak new home starts
(b) 25% of homeowners are still "underwater"
(c) 18% have little equity
i.e., 40% are "virtually trapped in their houses"

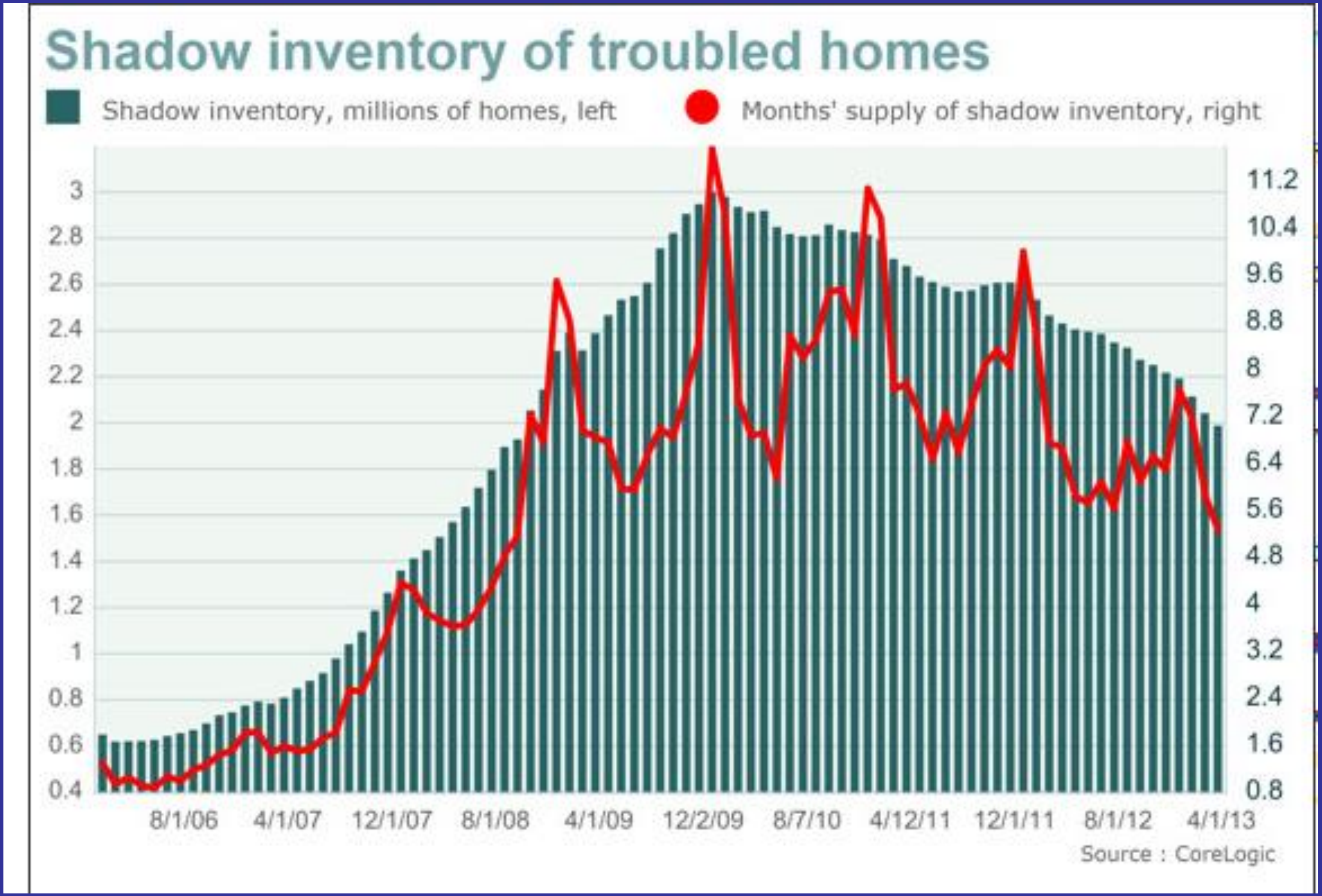
(2) Are we setting ourselves up for another "bubble" – no, we can't be that dumb?

(3) Yes, it's sustainable as long as the economy continues to move forward!!!

(4) *Rising prices are a good thing (because it means demand is improving)*

Return TOC

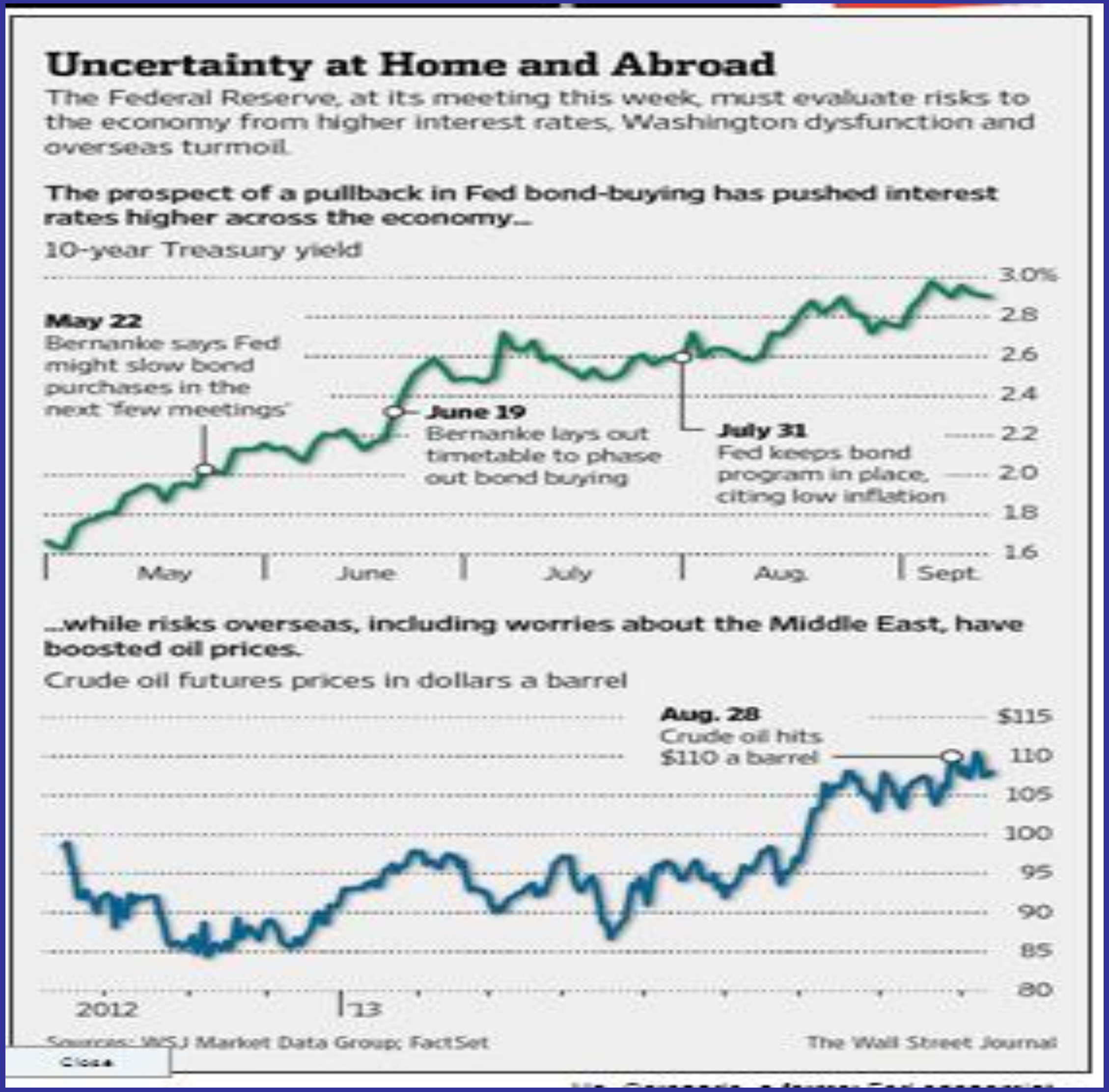
Shadow inventory coming down – a good sign



(http://www.marketwatch.com/Story/story/print?guid=9E9C304A-EF17-11E2-922F-002128040CF6)

Return TOC

Higher rates, uncertainty, …. More problems - -
With uncertainty, investors don't invest, and consumers
Don't spend – "Washington has to deal with the real problems"



Source: (http://online.wsj.com/article_email/SB10001424127887323342404579077152571770382-lMyQjAxMTAzMDEwNjExNDYyWj.html?mod=wsj_valettop_email)

Return TOC

Latest Housing Forecasts – and change from forecast Six months ago – multi family is leading the way

The Forecasts of the Analysts

2013 Housing Starts (thousands)

	Single-Family	Multi-family	Total
APA - The Engineered Wood Assn	645	330	975
Forest Economic Advisors	639	332	971
National Assn of Home Builders	644	311	955
Mortgage Bankers Assn	635	325	959
Fannie Mae	659	318	977
Average	644	323	967
% change from average of the analysts' projections for 2013 in January	+0.3	+12.5	+4.1

Source: Random Lengths, July 12

Good News - -

(1) Household formations are key to the housing recovery
- - - there is a growing "pent up demand"

(2) Formations are improving – but, further improvement depends on a stronger economy

(3) Remodeling is expected to improve through 2014 according the Harvard JCHS (http://www.jchs.harvard.edu/remodeling-gains-expected-continue-2014j)

Return TOC

Good news is that household formations exceed starts - -
Plus, when you include demolitions, there is considerable
"pent up demand" for shelter – again, demand exceeds supply –
A good thing

Source: WSJ (http://online.wsj.com/article/SB10001424127887324069104578531040339867974.html)

Return TOC

Household (HH) formations Shortfall*

Facts:
(1) 1995 - 2007: 1.5 million HH formed per year
2008 – 2010: 500,000 HH formed per year (*1/3 of normal*)

(2) During 1995 – 2007, population increased 2.9 million annually
2008 – 2010, the increase was 2.7 million annually

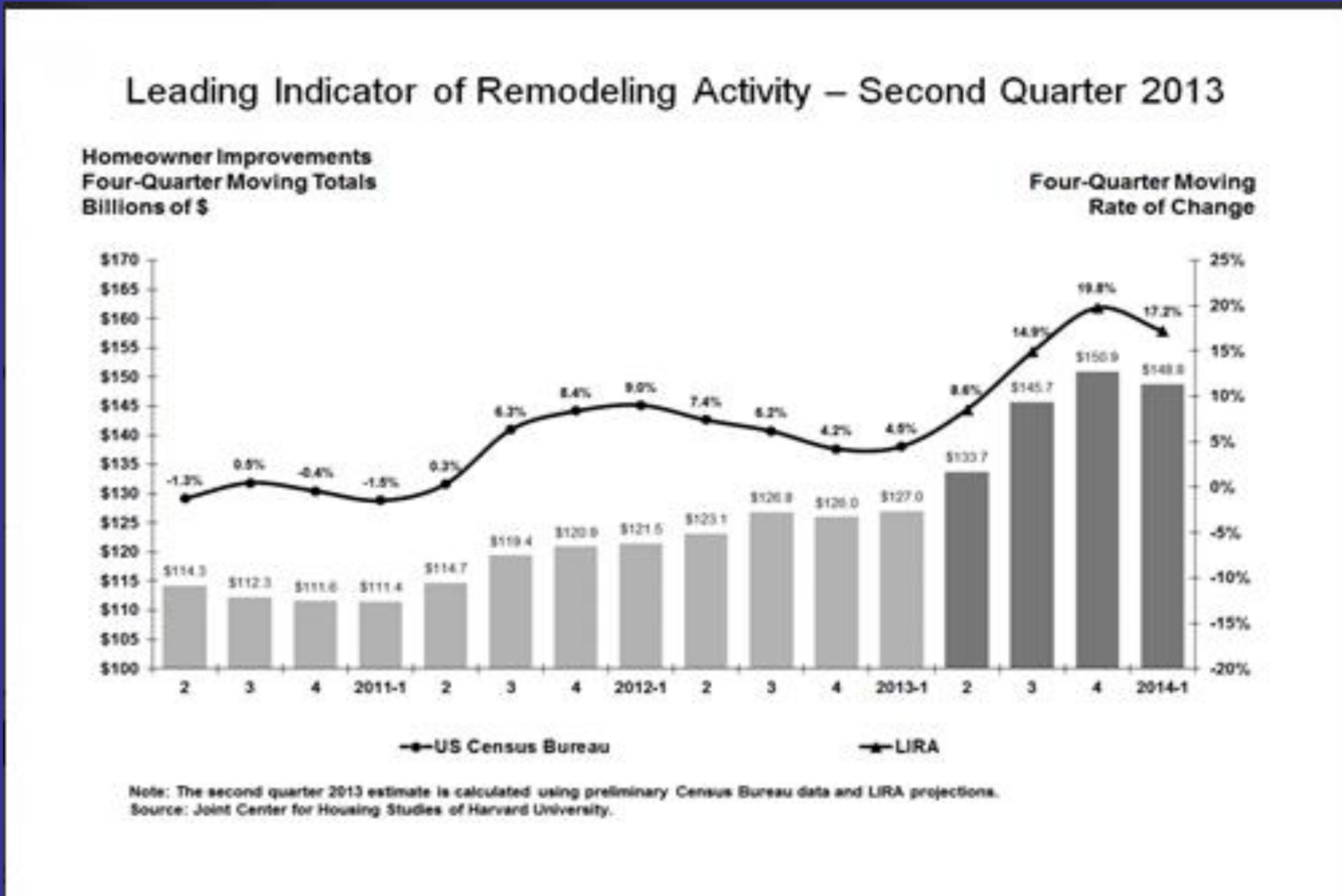
*HH formation Shortfall(cumulative)**

2008 – 600,000
2009 – 1.7 million
2010 – 2.5 million
2011 – 2.6 million - this is the shortfall

* Shortfall based on model developed by Tim Dunne of the Cleveland Fed
Based on historical relationship between economy, headship rates, population increase,
Social norms, etc. (http://www.clevelandfed.org/research/commentary/2012/2012-12.cfm)

Return TOC

Remodeling to pick up as confidence improves, prices Increase, and the economy picks up



Source: HJCHS (http://www.jchs.harvard.edu/remodeling-gains-expected-continue-2014)

Return TOC

Bottom line – when economy returns to normal,
Demand for shelter will strengthen.

Question – what will the mix be between detached single
Family and multi family housing and what are the
Implication for the wood products industry? Also, implications
If house size gets smaller??

Most of you have seen this article by Craig Adair and
Myself and it is three years old, but there is some material
There that addresses the question posed above as it
Relates to the wood products industry
(http://www.nxtbook.com/nxtbooks/naylor/EWAB0110/index.php?startid=16#/16)

Return TOC

Another issue to ponder – the role of the federal government
In housing. There is a huge federal presence – more than in
Any other country. Federal agencies (Fannie, Freddie, FHA, VA, etc.),
Control over 90% of the residential mortgage market. That means there is
Too much temptation to drive housing according to political whims. Fannie,
and Freddie are still in "conservatorship" – i.e., wards of the state., and
Therefore depending on taxpayer support.

The real key to a housing recovery is the return of mortgage purchase Business – i.e., owner occupant buyers in lieu of "REFI" business and Speculators paying cash for distressed sales which are then rented.
Again, That requires JOBS!!!!!!

Return TOC

Here is an excellent video (about 90 minutes) on CSPAN (http://www.c-spanvideo.org/program/HousingandG) .
Experts from academia, private sector, government, etc.
Discuss what is right and wrong with today's housing
Market. Lots of good charts, discussions, etc.

Return TOC

Some conclusions – housing continues to improve –

(1) Economy will muddle along until 2015? Depends on world economy, China, Europe, ….. Question – can the economy "stand on its own"?

(2) What will housing look like in the future? My guess – smaller homes; higher percentage of renters; and more people moving back to the city

(3) We're in "uncharted waters" territory right now (i.e., massive money printing) to date, it has helped prevent worsening of economy, but, certainly hasn't had the impact the FED had hoped for (i.e., jump start the economy)

(4) Housing will continue to improve, albeit more slowly than hoped for

(5) Problems going forward are higher interest rates and continuing uncertainty. We have headwinds, but we're making good progress

(6) Again – the key to a recovery in housing and the economy is good paying jobs with benefits. Without this, we're in for continuation of weak growth and all the social problems that go hand in hand with unemployment and weak income growth. We have to invest in our future – that means diverting some of our economy to investment and away from consumption. Where do we get investment dollars? By saving more , this reduces our dependence on foreign borrowing.

The USA allots 70% of our GDP to consumption – China, for ex., diverts more than half of its GDP to investment. A key reason why they are growing 3X as fast as the U.S.

Return TOC

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