

Problems viewing this email? [View Online](#)

# REAL ESTATE REPORT

October 27, 2015

## ECONOMIC COMMENTARY



### *Actions and Words Revisited*

2015 has been an exciting time for the markets when meetings of the Federal Reserve Board's Open Market Committee occur. When the markets get excited, stocks, rates and more all seem to get more volatile. The interesting thing about all of this is that the Fed has not done much this year. They have discussed raising rates and said they were going to raise rates, but they haven't. And that is why we keep saying that the Fed's words are so important.

As a matter of fact, the release of the minutes of the Fed meetings a few weeks after the meeting are just as entertaining as the meeting itself. For the most part, the markets are expecting no action again this week. There is no meeting in November and that means that if the Fed does not raise rates, they have only one last meeting in December to fulfil their prediction of a rate increase in 2015. However, that prediction does not make an increase a certainty. The Fed's words always leave them an alternative path.

This is why the economic data released this week and next will be so important even though it comes after the Fed meeting. This week we have readings on new home sales, economic growth for the third quarter and personal income and spending. Next week we have the employment report. This data will carry more weight with regard to the Federal Reserve's next move than the Fed's words. After all, aren't actions supposed to speak louder than words? This data is real economic action.

## REAL ESTATE NEWS



The net worth of home owners' is significantly higher than renters. A typical home owner's net worth is \$195,400 compared to a renter's \$5,400, according to the Federal Reserve's last data from 2013. The Fed's next survey of household finances, which is conducted every three years, is due out in 2016 and the renter to home owner gap is expected to widen further due to price increases. Lawrence Yun, chief economist for the National Association of Realtors®, predicts the figure to jump to a range of \$225,000 to \$230,000 in median net worth for home owners in 2016 and around \$5,000 for renters. If that proves correct, the typical home owner will be ahead of a typical renter by a multiple of 45 on a lifetime financial achievement scale. "Though there will always be discussion about whether to buy or rent, or whether the stock market offers a bigger return than real estate, the reality is that home owners steadily build wealth," Yun writes in his latest column for Forbes.com. "The simplest math shouldn't be overlooked. A vast majority of home buyers take out a 30-year fixed rate loan to make a home purchase. After 30 years, there is no loan payment (nor rent payment). So the home price growth over that time period would be the equity that the home buyer would have accumulated." *Source: Forbes*



Bob and Katie Howe (Father & Daughter)  
United American Mortgage  
19782 MacArthur Blvd., Suite 250  
Irvine, CA 92612  
bhowe@OrangeCountyLender.com  
949-250-1300 x152  
<http://www.OrangeCountyLender.com>

BRE #00476709 NMLS #278922  
NMLS #1942

Katie, my daughter, and I are dedicated to helping our clients achieve the American dream of homeownership. Our unwavering commitment is to provide trusted service while working to help each client achieve their short and long term mortgage goals. With 35 years of combined mortgage experience, we are committed to putting the needs of our valued clients first and foremost.

"Know Howe for your next loan"

A new study has found potential homebuyers are placing a higher degree of priority on residential properties that are energy efficient. The National Association of Home Builders (NAHB), through the new report *What Green Means to Home Buyers: Perceptions and Preferences* published by its BuilderBooks division, has determined that potential homeowners are putting clean tech solutions and the savings associated with them at the top of their list when judging houses to buy. While having a home in a safe community is still the number one concern among buyers (90 percent), the other top-five considerations for a home purchase are energy efficiency (88 percent), low maintenance (85 percent), lower operating costs (85 percent) and durability and resilience (84 percent). "This new study is an incredibly useful tool to help builders and remodelers determine not only consumer attitudes towards green homes, but also which green features consumers care most about," said NAHB Chairman Tom Woods, a home builder from Blue Springs, Mo. "We have seen incredible growth in green and sustainable building over the years, and the results of this survey only further solidify the continued consumer interest in green building, and which attributes matter most to these buyers." *Source: NAHB*

The growing number of aging homes could provide a big boost to the remodeling market in the coming years. About two-thirds of owner-occupied homes in the U.S. were constructed prior to 1980. Forty percent were built before 1970, according to the latest American Housing Survey, published by the Department of Housing and Urban Development. On the other hand, newly built owner-occupied homes constructed after 2010 comprise only about 2 percent of the U.S. housing stock. The number of homes three decades old has grown considerably. Indeed, the median age of owner-occupied homes is 37 years old compared to only 27 years old in 1993. "The age of the housing stock is an important indicator for the housing market going forward," according to the National Association of Home Builders' Eye on Housing blog. "Aging homes require remodeling and renovations, as these structures are, for example, less energy efficient than new construction." *Source: The National Association of Home Builders*

---

All rights reserved.



Please email [bhowe@OrangeCountyLender.com](mailto:bhowe@OrangeCountyLender.com) if you would like to be unsubscribed from this mailing.  
All rights reserved.