Problems viewing this email? View Online

September 22, 2015

ECONOMIC COMMENTARY

Listening to the Fed's Words

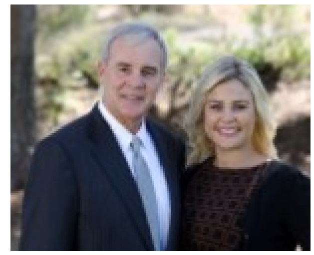
Forget about what the Federal Reserve Board did not do for a minute. Let's talk about what they said. With the Fed, it is usually more likely that their words will be more important than their actions, or lack of action. This has been a very turbulent end of the summer for the markets. Above all, the Fed is interested in restoring calm and especially making sure that their actions do not add to the instability of the markets. And we certainly have had some unstable markets during the past several weeks.

This is exactly why we were expecting "calming words" from the Fed when they made their announcement. Did we get these words? Absolutely. The Fed said that "recent global economic and financial developments may restrain economic activity somewhat." Two things are important about this statement. First, it is softened by using the word "somewhat," meaning the Fed does not see a risk of a world-wide economic meltdown. Secondly, the Fed used the words "international or global" more than once. The international issues broaden the scope of the Fed's focus from just looking at our jobs or inflation numbers.

Bottom line is that the Fed did not raise rates, though they did leave that option open for their last two meetings of the year in October and December. That is good news for the markets and the consumer. The stock market has already been under pressure lately and it did not need the extra pressure of a rate hike. And rates on home loans are likely to stay low in light of the Fed's decision. We can't think of better news for the consumer right now.

REAL ESTATE NEWS

The Mortgage Bankers Association, in a new research paper, projects between 13.9 and 15.9 million additional households will form by 2024, making the next decade one of the strongest in housing in U.S. history. The report, Housing Demand: Demographics and the Numbers Behind the Coming Multi-Million Increase in Households, shows that the housing demand surge will be driven by Hispanics, Baby Boomers and Millennials. "Household formation has been depressed in recent years by a long, jobless recovery and by a lull in the growth of the working age population," said MBA Vice President of Research and Economics Lynn Fisher. "Improving employment markets will build on major demographic trends-including maturing of Baby Boomers, Hispanics and Millennials-to create strong growth in both owner and rental housing markets over the next decade." The report said household growth will include: 5.5 to 5.7 million more Hispanic households in 2024 than in 2014 and 3.4 to 5.0 million more non-Hispanic White households. MBA said growth will be driven by Baby Boomers, with 12.3 to 12.9 million more households age 60 and over in 2024 than there are today. Millennials will also be a key component of growth raising the ranks of households



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"

age 18 to 44 by 4.1 to 5.1 million. "When it comes to starting new households, age 35 is the new 25, as younger Americans are spending a longer time in school and delaying major life events like getting married and having children," said MBA Vice President of Commercial Real Estate Research Jamie Woodwell. "As Millennials age and create more housing demand, these long-term social trends will mix with demographic changes and the waning hang-over from the Great Recession with a net outcome of increased demand for housing." By 2024, MBA said, demographic and economic changes "will bring what could be one of the largest expansions" in the history of the U.S. housing market. "Averaging 1.6 million additional households per year, housing market growth over the next decade would be among the strongest the U.S. has ever seen." *Source: The MBA*

Research conducted by Freddie Mac indicates that people living in single-family rental (SFR) properties (a house, townhouse, or condo) may be more likely to buy a home than those living in apartments. Freddie Mac's survey found that overall, about 55 percent of renters in both single- and multifamily properties intend to continue renting in the next three years. When dividing up the two categories, however, the data indicated that 53 percent of renters in SFR properties intend to buy a house in the next three years compared to just 36 percent of multifamily renters who plan to buy in that period. One factor in deciding when to buy a home is how satisfied the renter is with the rental experience, according to Freddie Mac's survey. Approximately 68 percent of those satisfied with their rental experience say they intend to continue renting, compared to 32 percent who say they plan to buy a home. A higher percentage of apartment renters (67 percent) than SFR property renters (60 percent) reported being satisfied with the rental experience. "As we gather data each quarter, we are finding the old perception that renting is something people do until they buy is not always true. The trend shows that satisfied renters are more likely to continue renting, even as we are seeing rising rents in the market," said David Brickman, EVP of Freddie Mac Multifamily. "Dissatisfaction may drive renters to buy, and we are seeing a slight decrease in satisfaction among single-family renters. We will continue to monitor this for stronger indicators and trends, but for now, the single-family rental home market may be a good place to look to find potential home buyers." *Source: DS News*

The remodeling of existing homes has bounced back from the housing bust and has now surpassed its pre-crisis level, according to the Urban Economics Lab Index, a newly launched index produced by BuildZoom and the MIT Center for Real Estate. The residential remodeling business has grown to an estimated $300 billion a year, according to the index. Yet, "despite its size, and even though it is a good indicator of consumer confidence, residential remodeling is generally overlooked," says Issi Romem, chief economist of BuildZoom, a resource for remodeling and construction services. "The existing focus on new construction imposes a view of the economy that overemphasizes conditions in high-growth metro areas, and in particular on their fringe, where new home construction is concentrated. Remodeling provides a more evenly-distributed view of the economy, which is more likely to represent conditions in the nation as a whole." New-home construction remains nearly 61 percent below its 2005 pre-crisis level, according to the index. On the other hand, remodeling of existing homes has fully recovered and has climbed 3.4 percent above its 2005 level. *Source: BuildZoom*

EQUAL HOUSING LENDER

Please email bhowe@OrangeCountyLender.com if you would like to be unsubscribed from this mailing.