



## January 2017 Housing Market Releases Review

Hello everyone, I am Jamie Sumner, Chief analyst Seifried&Brew. For this week's webcast I thought we would do a **real estate segment** here and look at some of the real estate releases that have come out throughout the past week. We have seen some interesting numbers creep out. We used to always go over this and they kind of fiddled off a little bit. However now we are starting to see some pick up in some of these numbers. So let's go ahead and start reviewing some of these items here.

The first thing we are going to look at are **Existing Home Sales** (for the last ten years ending January 31st). You can see here [on Slide 2] how we really recuperated from where we fell after the Great Recession. We were down at our low point in the 2010 time period. But now we are back up to over 5 million homes. In fact, we are at 5.6 million homes in January. This is just under our high which was back in 2007 of 5.79 million. So we have really recuperated a lot along the way here, and that's a positive as we look into the future. We look at the GDP in the first quarter because this is going to bring in, potentially, some additional consumer spending as individuals buy new items for their new house. Now the one thing to point out is that when we are looking at these numbers we have to take into consideration the overall inventory out there. And with inside the Existing Home Sales there has actually been a narrowing of the inventory. And we are currently at about a 3.6 months of inventory right now, and that's pretty low historically speaking. So we are starting to see those price increases on the house, the whole supply and demand curve. In fact, over the past year we have seen Existing Home Sales increase about 7.1%, that is, the prices of those homes. So we are up to about \$228,000 on the median price of an existing home and that's up 7.1% from a year ago.

Now when we are looking [at Slide 2], this morning the **Pending Home Sales** came out and they actually came down about 2.8%. We are going to see a little bit when we look into the February/March releases. Maybe we are going to see a little bit of a decline here but we are still pretty strong as we move along here.

The next thing you want to look at are the **Building Permits** [Slide 3] for the last ten years. This all roles up into the **New Home Sales** and as we go through the process of building a home. First you get the permit and then you start the building of the house and then we have the new home sale. So Building Permits are almost a foreshadow of where the new home sales should go within the next six months. And you can see here [on Slide 3] we were down here in 2010 when we were below that 600,000 mark and we have steadily made our way up and now we are back up to above one million building permits. So we are at 1.2 million, almost at 1.3 million building permits out there. And that's a pretty steep incline from where we have been. And that's a positive.

We now role that into **Housing Starts**, and this is when we start building the homes. And you can see [on Slide 4] we continue to have this upward trajectory on these new home starts here, and that's very, very promising. We saw a pick up a little bit back here and it came down just a tad month-over-month but we are still continuing to see that upward trajectory and that's a positive. We flow from building permits into housing starts, and then we end with **New Home Sales** [Slide 5].

New Home Sales picked up somewhat but we are not anywhere near where we were previously before the Great Recession when we were at almost 900,000, but we are making our way back up. We are at about 555,000 new home sales here. And now in this category what we are finding is actually an increase in inventory. So we have the opposite issue that we saw in the existing home sales, we were seeing a contraction of the inventory causing prices to increase. Here [on Slide 5] with the New Home Sales we are seeing inventory almost starting to build up and



now we are seeing a lot more of that and we are going to see how that impacts the price as we move along here over the next couple of months. In fact when we look at prices they have actually come down about 1% month over month to about \$312,000 for new homes so we are just over \$312,000 and we are starting to see this kind of pick up, level off a little bit at the end for January. A lot of this is due the amount of homes out there. So that's what we wanted to look at today.

When we look at the economy, this is going to factor into what we see our GDP is doing throughout the first quarter. Next week we are going to look at the second release, or the second estimate of the 4<sup>th</sup> quarter GDP just to see where those estimates come in. It's anticipated that it will go up from the 1.9% of the advanced release to about a 2.1%, but the range in estimates actually goes up to about a 3%. So it will be interesting when we look at these numbers in the coming week. Have a great week everyone we will see you next week!

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