



## ANALYST QUICK NOTES

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### Housing Sector

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#### Two Questions Shedding Light on the Housing Sector

- **Will I be able to make a payment every month for the next 360 months?**
  - Unemployment Rate: Down from 10% to 4.7%.
  - Duration of Unemployment: Down from 40 weeks to 25. Still a little high.
  - Jobless claims 4-wk moving average: Steady improvement.
  - Non-Farm Payrolls: Adding about 210,000 – 220,000 jobs a month since 2010.
  - Average hourly earnings moving up since early 2015.
  - Median income: Improving.
  - Debt to Disposable Income: Big improvement.
  - Affordability: Still good.
  - Household Formations: Anecdotally getting better.
  - 30-year mortgage rate: Still good near 4%.
    - Generally about 175 basis points over 10-year Treasury.
    - Estimates:
      - June 2017, 4.4 WSJ Poll
      - Dec 2017, 4.65 WSJ Poll
      - June 2018, 4.9 WSJ Poll
      - Dec 2018, 4.75 Calculated from Philly Fed Survey
      - Dec 2019, 5.15 Calculated from Philly Fed Survey
  - Mortgage Bankers Association Credit Availability Index
    - 88 in 2012, now 188.
    - Was 400 in 2004 and 900 in 2006.

- **Do I view spending on my home as a cost or an investment?**
    - Home prices growing -- Case Shiller.
    - Philly Fed Survey: Home prices up about +4% next 2 years.
    - Average homeowner equity up 12,500 last year (Core logic).
      - Number of homeowners with negative equity declining.
    - U. Michigan Sentiment: Trending higher since 2011.
      - Best sentiment on buying Durable Goods since 2005.
    - Building Materials Stores – Solid sales trends.
    - NAHB Traffic: Trending higher rising since 2012.
    - Big ticket spending: Good trends at Home Depot and Lowe's.
    - Home Depot/Lowe's seeing strong sales to contractors.
    - The National Association of Home Builders Remodeling Index indicates improving conditions.
    - Harvard University's Leading Indicator of Remodeling Activity also points to strong growth of more than 6.5% over the next year.
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