

## RENTAL MARKETS WEAKEN, BUT HOME SALES RISE

### KEY ECONOMIC STATISTICS

#### DOW JONES INDUSTRIALS

**9093.24 +3.99%**

Week Ending July 24, 2009

#### UNEMPLOYMENT RATE

**9.5%**

June 2009

#### CONSUMER SENTIMENT

**66.0 -6.78%**

Final, July 2009

#### 30-YEAR MORTGAGE RATE

**5.20% +6 bp**

Week Ending July 23, 2009

#### INITIAL JOBLESS CLAIMS

4-WEEK AVG

**566,000 -19,000**

Week Ending July 18, 2009

### THIS WEEK

Tues, July 28

#### JEC HEARING

**“Current Trends in Foreclosures and What More Can Be Done to Prevent Them”**

210 Cannon House Bldg., 10:00 a.m.

#### Case-Shiller Home Prices

May 2009

Wed, July 29

#### Durable Goods

June 2009

#### Federal Reserve *Beige Book*

July 2009

#### Metro Area Unemployment

June 2009

Fri, July 31

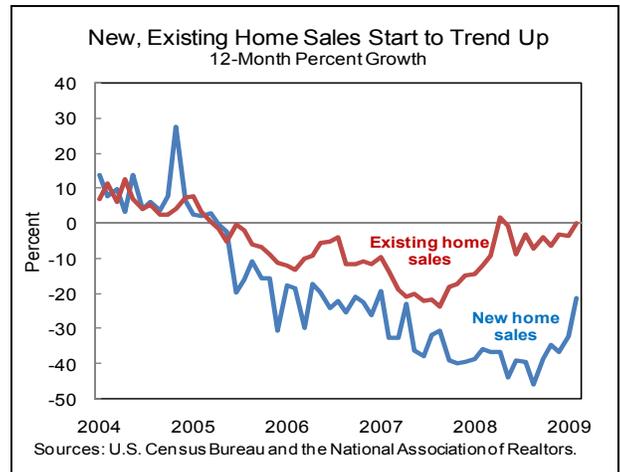
#### Gross Domestic Product

Advance, Q2 2009

#### Employment Cost Index

Q2 2009

**Both new and existing home sales rise for third straight month.** Having reached some of the lowest levels in decades, sales of both new and existing single-family homes edged up for the third consecutive month in June. The National Association of Realtors reported that existing single-family home sales rose 2.4 percent to an annual sales rate of 4.32 million homes per year, about the pace of sales in early 1998. Nearly one-third of sales were distressed, coming from foreclosure re-sales or short sales. New home sales increased almost 11 percent in June, though the rate is still 21 percent below the previous June's level. (See Chart) The inventory of unsold new homes has come down significantly, but builders have had to cut prices significantly in order to entice buyers. In June, the typical home sold for 12 percent less than it did one year earlier. Lower prices may be critical to reactivating the housing market, but that could also strip equity from surrounding homes that were mortgaged recently with relatively high leverage.



**Record renter vacancy rate portends further commercial real estate woes.** The Census Bureau reported that the vacancy rate for U.S. rental housing increased 0.5 percentage points to 10.6 percent in the second quarter, the highest rate in over fifty years. Renter markets have deteriorated as rising unemployment and underemployment lead to sharply lower incomes for households. Over the past six months, landlords have reportedly trimmed rents to cope with diminishing renter incomes. When landlords and building owners lose those rents, they struggle to make their mortgage payments and are increasingly defaulting on those mortgages. According to FDIC statistics, 2.45 percent of multifamily real estate loans were delinquent in the first quarter of 2009, up from 1.74 percent in the fourth quarter of 2008 and 2.5 times the 0.98 percent rate for the same period last year. Multifamily mortgage problems have been further amplified by tight credit markets, making it difficult for lenders and borrowers to refinance into otherwise more affordable mortgages.

**Fed lending rate to remain low for an extended period of time.** With the release of the Federal Reserve's [Monetary Policy Report to the U.S. Congress](#), Fed Chair Ben Bernanke stipulated that economic conditions "are likely to warrant maintaining the federal funds rate at exceptionally low levels for an extended period." In testimony to both the House and the Senate, Bernanke explained that while prospects for GDP growth had increased and consumer price inflation is subdued, labor markets continued to weaken with large monthly job losses and high rates of unemployment expected to continue for some time. He cautioned that fears about losing one's job could weigh on consumer spending, which is critical to hastening recovery. Nevertheless, he observed that the stimulus package had begun to show positive impacts and that it shouldn't be judged before the bulk of it had the chance to work its way into the economy.