June 2014 Housing Commentary

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and

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Princeton, WV
# June 2014 Housing Scorecard

<table>
<thead>
<tr>
<th>Metric</th>
<th>M/M</th>
<th>Y/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Starts^A</td>
<td>▼9.3%</td>
<td>△7.5%</td>
</tr>
<tr>
<td>Single-Family Starts^A</td>
<td>▼9.0%</td>
<td>▼4.3%</td>
</tr>
<tr>
<td>Housing Permits^A</td>
<td>▼4.2%</td>
<td>△2.7%</td>
</tr>
<tr>
<td>Housing Completions^A</td>
<td>▼12.0%</td>
<td>△3.4%</td>
</tr>
<tr>
<td>New Single-Family House Sales^A</td>
<td>▼8.1%</td>
<td>▼11.5%</td>
</tr>
<tr>
<td>Existing House Sales^B</td>
<td>△0.2%</td>
<td>▼2.3%</td>
</tr>
<tr>
<td>Private Residential Construction Spending^A</td>
<td>▼0.3%</td>
<td>△7.4%</td>
</tr>
<tr>
<td>Single-Family Construction Spending^A</td>
<td>▼1.4%</td>
<td>△8.5%</td>
</tr>
</tbody>
</table>

M/M = month-over-month; Y/Y = year-over-year

Source: ^U.S. Department of Commerce-Construction ; ^B National Association of Realtors® (NAR®)
# New Housing Starts

<table>
<thead>
<tr>
<th></th>
<th>Total Starts*</th>
<th>Single-Family Starts</th>
<th>Multi-Family 2-4 unit Starts</th>
<th>Multi-Family 5 or more unit Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>893,000</td>
<td>575,000</td>
<td>13,000</td>
<td>305,000</td>
</tr>
<tr>
<td>May</td>
<td>985,000</td>
<td>632,000</td>
<td>9,000</td>
<td>344,000</td>
</tr>
<tr>
<td>2013</td>
<td>831,000</td>
<td>601,000</td>
<td>11,000</td>
<td>219,000</td>
</tr>
<tr>
<td>M/M change</td>
<td>-9.3%</td>
<td>-9.0%</td>
<td>44.4%</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Y/Y change</td>
<td>7.5%</td>
<td>-4.3%</td>
<td>18.2%</td>
<td>39.3%</td>
</tr>
</tbody>
</table>

* All start data are presented at a seasonally adjusted annual rate (SAAR)

## New Housing Permits and Completions

<table>
<thead>
<tr>
<th></th>
<th>Total Permits*</th>
<th>Single-Family Permits</th>
<th>Multi-Family 2-4 unit Permits</th>
<th>Multi-Family 5 or more unit Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>963,000</td>
<td>631,000</td>
<td>31,000</td>
<td>301,000</td>
</tr>
<tr>
<td>May</td>
<td>1,005,000</td>
<td>615,000</td>
<td>27,000</td>
<td>363,000</td>
</tr>
<tr>
<td>2013</td>
<td>938,000</td>
<td>627,000</td>
<td>29,000</td>
<td>282,000</td>
</tr>
<tr>
<td>M/M change</td>
<td>-4.2%</td>
<td>2.6%</td>
<td>14.8%</td>
<td>-17.1%</td>
</tr>
<tr>
<td>Y/Y change</td>
<td>2.7%</td>
<td>0.6%</td>
<td>6.9%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total Completions*</th>
<th>Single-Family Completions</th>
<th>Multi-Family 2-4 unit Completions</th>
<th>Multi-Family 5 or more unit Completions</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>789,000</td>
<td>586,000</td>
<td>5,000</td>
<td>198,000</td>
</tr>
<tr>
<td>May</td>
<td>897,000</td>
<td>627,000</td>
<td>10,000</td>
<td>257,000</td>
</tr>
<tr>
<td>2013</td>
<td>763,000</td>
<td>541,000</td>
<td>14,000</td>
<td>208,000</td>
</tr>
<tr>
<td>M/M change</td>
<td>-12.0%</td>
<td>-6.5%</td>
<td>-50.0%</td>
<td>-23.0%</td>
</tr>
<tr>
<td>Y/Y change</td>
<td>3.4%</td>
<td>8.3%</td>
<td>-64.3%</td>
<td>-4.8%</td>
</tr>
</tbody>
</table>


* All data are SAAR
# New and Existing House Sales

<table>
<thead>
<tr>
<th></th>
<th>New Single-Family Sales*</th>
<th>Median Price</th>
<th>Month’s Supply</th>
<th>Existing House Sales B*</th>
<th>Median Price B</th>
<th>Month’s Supply B</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>406,000</td>
<td>273,500</td>
<td>5.8</td>
<td>5,040,000</td>
<td>$223,300</td>
<td>5.5</td>
</tr>
<tr>
<td>May</td>
<td>442,000</td>
<td>282,600</td>
<td>5.2</td>
<td>4,910,000</td>
<td>$212,000</td>
<td>5.5</td>
</tr>
<tr>
<td>2013</td>
<td>459,000</td>
<td>259,800</td>
<td>4.2</td>
<td>5,160,000</td>
<td>$214,000</td>
<td>5.0</td>
</tr>
<tr>
<td>M/M change</td>
<td>-8.1%</td>
<td>-3.2%</td>
<td>11.5%</td>
<td>2.6%</td>
<td>5.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Y/Y change</td>
<td>-11.5%</td>
<td>1.1%</td>
<td>38.1%</td>
<td>-2.3%</td>
<td>4.3%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

* All sales data are SAAR

Existing House Sales

National Association of Realtors (NAR®)B
June 2014 sales data: 5.04 million houses sold (SAAR)
May 2014: 4.91 million (SAAR) and June 2013: 5.16 million (SAAR)

Distressed house sales: 11% of sales –
(8% foreclosures and 3% short-sales);
11% in May and 15% in June 2013.

All-cash sales: decreased to 32%; 32% in May.

Investors are still purchasing a substantial portion of
“all cash” sale houses – 16%, and
16% in May 2014 and 17% in June 2013;

Sixty-nine percent of investors paid cash in June.

First-time buyers: increased to 28% (27% in May 2014)
and were 28% in June 2013

Source: B NAR® www.realtor.org/topics/existing-home-sales; 4/22/14
June 2014 Construction Spending

June 2014 Private Construction: $355.91 billion (SAAR)

- 0.3% less than the revised May estimate of $357.03 billion (SAAR)
- 7.4% greater than the June 2013 estimate of $331.31 billion (SAAR)

June SF construction: $184.20 billion (SAAR)
- 1.4% less than May: $186.84 billion (SAAR)
- 8.5% greater than June 2013: $169.79 billion (SAAR)

June MF construction: $41.82 billion (SAAR)
- 2.5% more than May: $40.81 billion (SAAR)
- 33.2% greater than June 2013: $31.38 billion (SAAR)

June Improvement\(^c\) construction: $129.89 billion (SAAR)
- 0.4% more than May: $129.38 billion (SAAR)
- 0.2% less than June 2013: $130.14 billion (SAAR)

The US DOC does not report improvements directly, this is an estimation. All data is SAAR and is reported in nominal US$. 

Conclusions

Historically June is one of the better months for all sectors of the housing market. This June was disappointing. All Housing Scorecard indicators except existing home sales declined in June. However, this is only one month of reporting. One needs to watch and see if this was an anomaly or an indication of the future of the housing market.

As indicated in previous months, the near-term outlook on the U.S. housing market remains unchanged – there are potentially several negative macro-factors for a robust housing recovery (based on historical long-term averages).

Why?

1) Lack-luster household formation,
2) a lack of well-paying jobs being created,
3) a sluggish economy,
4) declining real median annual household incomes,
5) strict home loan lending standards,
6) new banking regulations, and
7) global uncertainty?
May 2014
EU Housing Scorecard

<table>
<thead>
<tr>
<th>Production in Construction A</th>
<th>EU 28</th>
<th>EU 18</th>
<th>Y/Y</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>M/M</td>
<td>Y/Y</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▼ 1.5%&lt;sup&gt;s&lt;/sup&gt;</td>
<td>△ 3.2%&lt;sup&gt;s&lt;/sup&gt;</td>
<td></td>
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<tr>
<td></td>
<td>▼ 1.5%&lt;sup&gt;s&lt;/sup&gt;</td>
<td>△ 3.5%&lt;sup&gt;s&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>▼ 4.9%</td>
<td>▼ 2.5%</td>
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<tr>
<td>France</td>
<td>▼ 0.7%</td>
<td>▼ 0.5%</td>
<td></td>
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<tr>
<td>UK</td>
<td>▼ 1.1%&lt;sup&gt;p&lt;/sup&gt;</td>
<td>△ 2.5%&lt;sup&gt;p&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>△ 1.5%&lt;sup&gt;sp&lt;/sup&gt;</td>
<td>△ 46.1%&lt;sup&gt;p&lt;/sup&gt;</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Building permits (m² floor) A</th>
<th>EU 28</th>
<th>EU 18</th>
<th>Y/Y</th>
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<tbody>
<tr>
<td></td>
<td>M/M</td>
<td>Y/Y</td>
<td></td>
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<tr>
<td></td>
<td>▼ 2.8&lt;sup&gt;(04)&lt;/sup&gt;</td>
<td>▼ 3.5&lt;sup&gt;(04)&lt;/sup&gt;</td>
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<tr>
<td>Germany</td>
<td>▼ 5.2%&lt;sup&gt;s&lt;/sup&gt;</td>
<td>△ 7.2%</td>
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<tr>
<td>France</td>
<td>▼ 6.4%&lt;sup&gt;s&lt;/sup&gt;</td>
<td>▼ 20.5%</td>
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<tr>
<td>UK</td>
<td>▼ --</td>
<td>▼ --</td>
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<tr>
<td>Spain</td>
<td>△ 1.2&lt;sup&gt;sp(04)&lt;/sup&gt;</td>
<td>△ 3.7%&lt;sup&gt;e(04)&lt;/sup&gt;</td>
<td></td>
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</tbody>
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Housing comments – June, 2014

Economy – short term (next 2-3 years):
- not much different from last month’s issue except more global issues (Middle East, Ukraine, ....)
- Housing issues - slowing world economy; weak job market; sluggish income growth; tight credit environment continues
- This is not your typical housing recovery – 1st time buyers are absent while investors and cash sales are much higher percentage – this will create problems going forward.
  (1) lost “follow-through” with delayed 1st time purchasers (i.e., move up purchases at later date).
  (2) also, as interest rates increase, investor and foreign buying activity will wane.

Economy – longer term (next 4 - 8 years) – slower growth (<3% ?) due to demographics
- that means housing starts may not return to “trend” (1.5 – 1.6 million) unless we get some help from favorable immigration policies.
- aging population spends less, buys fewer houses, consumes less, .... Similar situation as in Europe

We’ll discuss this issue in more detail in future housing note.

The return of 1st time buyers is the key to any sustainable recovery in housing! That depends on a stronger job recovery. Right now, prospects are not good. Student debt is serious problem for many young people so they are putting off forming households

Here is good article discussing impact on housing.

(http://www.td.com/document/PDF/economics/special/USStudentLoansHomeownership.pdf)
Here are some good references from NAHB on Impact Of Housing on the Economy

Gives you some appreciation why housing is so important to the Economy, and why one can’t move forward without the other!

(1) Impact of Homebuilding and Remodeling on the U.S. Economy (May 2014, Paul Emrath)
(2) Housing’s contribution to GDP (NAHB staff)

Housing, Economy, and wood products

Here is another good article on housing’s impact on the economy – why the economy is having problems moving forward.


Here is the dilemma – housing contributes about 4% directly to GDP and another 12 – 15% indirectly, for a total of 16 – 19%. The key to housing’s recovery is good paying jobs with benefits. That means we need a stronger economy. But, with housing and related activities contributing only 15% to GDP, that won’t happen. The old “chicken and egg” dilemma. What is the solution? I’ve read that U.S. businesses have about 2 trillion Dollars stashed on their balance sheets (much of it offshore). If they were to invest that in plant, equipment, job training, technology, R&D, etc., that would create jobs and some momentum for the economy. What is holding them back? Uncertainty is key reason (and the corporate tax code). We need ‘Washington’ to provide leadership in where the country is headed and how to get there – we need to remove some of the uncertainty. And, they need to convince businesses (and the public) that their vision (to fix the economy) is realistic and they have a viable strategy for achievement. A tall order and I know I have oversimplified things. But, the current mix of politicians in Washington can’t agree on a unified strategy to move the country forward. Consequently, housing, the economy, and hence, the wood products industry, will continue to “underachieve”.
Housing’s contribution to GDP (%) — historically, it is almost 20% of the economy when you include housing services and fixed investment, but today it is down to 15%. In reality, housing is even more important to the economy when you include purchased furniture, landscaping, general maintenance, etc.

→ key reason why the economic recovery remains muted

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing services</th>
<th>RFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
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<tr>
<td>1985</td>
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<td>1990</td>
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<td>2000</td>
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<td>2005</td>
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<td>2013</td>
<td></td>
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<tr>
<td>2014</td>
<td></td>
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</tbody>
</table>

Source: NAHB

Housing services = gross rents paid by renters (include utilities) + owner’s imputed rent (how much it would cost to rent owner occupied homes) + utility payments
RFI (residential investment) = construction of new SF and multifamily structures, remodeling, manufactured homes, plus broker’s fees
Housing starts and wood product prices – Economics 101

75% of structural wood products go to housing (new construction plus remodeling)
50% or more of hardwoods go to housing related activities.

Sources: Prices – Random Lengths (http://www.randomlengths.com); starts (Bureau of Census (http://www.census.gov/construction/nrc))
Employment situation - our biggest problem - it’s getting better, but the jobs recovery remains weak by past standards, and many jobs (e.g., temporary ones) Don’t include health care or retirement benefits – those kinds of jobs don’t encourage people to buy houses

Net change in non farm payrolls – monthly, thousands

We need 100,000 – 150,000 net new jobs/month To keep up with new entrants to workforce 300,000/month to bring unemployment down

Source: U.S. BLS (www.bls.gov)
Unemployment keeps coming down – but, the quality (pay, benefits, safety of many jobs being created is not good!!

**There are about 20 million people either unemployed, underemployed, or stopped looking – they are not buying houses**

The real unemployment rate - - 12.1%
Unemployed plus underemployed + stopped looking = 19.5 million people

Official unemployment rate – 6.1%
Equates to 12 million people

Private sector payrolls are back to where they were in January 2008

But, we need 7.2 million more jobs just to keep pace with population growth – Key reason why job market is soft! (and real wage growth is nonexistent)
Temporary jobs keep increasing as firms cut expenses (D. Paletta/WSJ) – main reason income gain is weak

Easy Come, Easy Go
The slump in temp jobs foreshadowed the recession. The boom in such positions since 2010, economists say, could mark a lasting shift in the job market.

Percentage change in employment since the start of 2004

- Total nonfarm employees: 5.5%
- Temporary employees: 23.9%

Source: U.S. Labor Department

The Wall Street Journal
Jobs - - Still the main problem with 12% of work force either unemployed or underemployed (about 20 million)
Labor force participation rate is shrinking – this is not good!
we will see more labor shortages in the future?
Too much incentive for people to collect welfare? Or something else going on?

Source: BLS

% of civilian adult population, that are working

June 2014 – 62.8% participation rate

Source: BLS
Economic growth (2.9%) - 1st qtr 2014 – weather related – but, still weak considering we have had “free money” now for 6 years – GDP for 2013 was 1.9% - nothing to write home about

Source: BEA (http://www.bea.gov/newsreleases/national/gdp/gdp_glance.htm)
NAR's latest (July 2014) Economic and Housing Outlook – 2015 is the year for housing to return to “normal”

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>1.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Housing starts (000)</td>
<td>1064</td>
<td>1404</td>
</tr>
<tr>
<td>Single (SF)</td>
<td>691</td>
<td>990</td>
</tr>
<tr>
<td>Multi (MF)</td>
<td>373</td>
<td>414</td>
</tr>
<tr>
<td>Resales (000)</td>
<td>4945</td>
<td>5278</td>
</tr>
<tr>
<td>SF Sales</td>
<td>485</td>
<td>697</td>
</tr>
</tbody>
</table>

My comments:
2014 - - looks OK except MF may be a bit higher and SF lower
2015 - - 2015 may be a bit too optimistic. For housing starts – may be closer to 1300.

(later in this note you will see some rationale for higher multi family numbers)

Source: NAR (http://www.realtor.org/research and statistics)
Recent Housing statistics

**Background:**
Markets are getting better –
Have we turned the corner? – Probably, but the climb back will remain muted until we see economic growth of 3% or more for an extended period of time!
Starts are finally turning the corner, but growth is painfully slow

Multi family remains strong – 37% of total starts through May have been MF

Source: Census (http://www.census.gov/const/www/newresconstindex.html)
Long term shelter demand is estimated to be about 1.5 million annually based on demographics (65%), replacement demand (25%), and speculative demand including 2nd homes (10%). To date, the main drivers have been speculators/investors and people paying cash: e.g., in 1st qtr investors were 17% of existing home sales while cash sales were 43% of total purchases.

Source: Federal reserve bank of St.Louis (https://research.stlouisfed.org/fred2/categories/32302)
Long term demand ~ 1.5 million
Interest rates at all time lows – should be good for housing
Mortgage rates have never been lower – but many people are not buying a house?
Despite low mortgage rates, people are having problems buying a house because their real incomes have been shrinking for the past 20 years – this is a structural problem (long term) and not cyclical --- no quick fixes to this problem.
Inflation not a problem (yet)
This is very sad because some day, interest rates will go up and interest payment will be a major budget item, crowding out infrastructure, R&D, education, health care, ….. – this inevitable leads to lower standard of living.
Impact of weak household formations --

Homeownership rates have been falling for the past seven years -- when the economy gets back to normal, will people go back to single family or will we see more renting? This will impact wood products demand!

Home Ownership(%) 

Rates are heading back to long term trend of 64% (which existed between 1968 – 1990)

Source: Census (https://www.census.gov/housing/hvs/data/q413ind.html)
OK – you’re reading about bidding wars in some locations and you think housing is starting to overheat? Don’t believe it!! (OK – some markets, but not the general housing market). **Remember, housing is regional!** Historically, 6 months is the metric we use to determine adequate supply. Low supply is key reason we are seeing “bidding wars” in some locations. Unfortunately, it is not demand for housing by typical buyers...

**Months supply**

<table>
<thead>
<tr>
<th>Year</th>
<th>Existing</th>
<th>New Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
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<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
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</tr>
</tbody>
</table>

Prices are up about 12%, annual basis, but, low supply is main reason for this increase, not high demand...
Low Inventories are key reason home prices are escalating so rapidly - historically, new home inventory is about 350,000 while existing home inventory is about 2,300,000. Today, existing inventory is 500,000 below trend while new homes are about 150,000 below trend.
Multi family share is increasing – will it continue?
Yes – here are three drivers: financial/cost (tight credit and mortgage carrying cost big problem for buyers); social trends (suburban life losing its appeal to many Americans); and demographics (aging population is downsizing). In addition, many young people can’t find good jobs so they rent.

Housing share (%)

Source: Census (http://www.census.gov/construction/nrc)
Source: Wood Products Council Table #7 and #13, ES4, 2006
New residential markets – 2013 basis
Single family dominates! – any switch to multifamily/rental has major impact on wood consumption

Lumber – BBF; Panels – BSF(3/8);

Source: WPC, Wood used in New Residential Construction, table #7, 2009
New Single Family Home sales is the key statistic to watch – Sales drive housing starts – this drives demand for wood products!!! So far, not much improvement!

Thousands, SAAR

June sales were 8.1% over revised May rate -- down 11.5% from year ago. Supply is 5 months.

June – 406,000

Source: Census (http://www.census.gov/const/www/newressalesindex.html)
Resale market – higher prices and mortgages slow the rebound - also, more than 30% are cash sales, including foreign buyers – not sustainable.

Single family (incl condos), Monthly, Thousand units, SAAR

Source: NAR (http://www.realtor.org/research)
Existing home sales back to trend while new home sales still 300,000 below trend.
Problem for wood products industry – traditionally, new homes account for about 20% of the housing market, but today, they represent only 10%. Another reason why housing starts are still weak and lumber/panel sales are low! Resales are still being driven by cash sales, foreigners, and investors purchasing foreclosed properties – not your typical market!

Source: TD Bank (http://www.td.com/document/PDF/economics/special/im0516_USHousing.pdf)
Some conclusions – housing continues to improve albeit slowly

Short term:

(1) Economy will muddle along until 2016
(2) This is still not a healthy housing market - 1st time buyers are absent and household formations are off 50% from trend – furthermore, the bulk of sales are cash, many foreign buyers, etc. i.e., NOT SUSTAINABLE
(3) The key to a recovery in housing is the return of 1st time buyers, traditionally about 40-45% of the market. Current market skewed to cash buyers and investors. 1st time buyers are mostly young people, but they can’t find jobs.
(4) Political discourse will continue to slow a truly strong economic and housing recovery.
Longer term:

(1) Housing demand will hinge on the footprint of the Federal government – will they continue to promote housing to the degree they have in the past? My guess is the federal government will slowly reduce its footprint and let the private sector play a larger role. Financing will be one of the 1st changes.

(2) Labor participation rate keeps falling – this suggests that there will be future labor shortages. Furthermore, tax revenue will be impacted as more people collect from growing number of government programs while fewer people pay taxes. Look for changes in tax code; consumption tax?; social security; Medicare/Medicaid; ....

(3) How will USA deal with aging demographics; crumbling infrastructure; out of control public debt; and, generally, decreasing global competitiveness!!!!! My thought – revamp the tax system to Discourage consumption (bring it in line with other countries); and invest more in our future!!! Otherwise, we will continue to “underperform”, and housing and wood products will suffer. This will take a long term commitment from the country, politicians, voters, ...... The U.S. consumption rate ( % of GDP) is 70 – 71% while our competitors, it is about 60%. Invest for the future – sounds simple, but requires some thinking that pervaded this country following WWII.
Here is good article summarizing the current economy – in Random Lengths, Comment section, cover page/through a knothole section – “U.S. Economic malaise is Structural, not Cyclical”. July 11, 2014, Vol 70, Issue 28 (http://www.randomlengths.com/Product/Detail/RandomLengths/)

I couldn’t agree more with the writer – I take 30 – 35 Powerpoint slides to say similar things. Have to admire someone who can boil down tons of data, analyses, etc., to an excellent (and pretty accurate) 250 word treatise on the U.S. economy. I guess this is why he (she?) is editor for a prestigious market report, and I’m a retired economist.

I apologize to the readers – the link above won’t get you the report, but will get you in contact with Random Lengths. Contact lumber buddies too – they all subscribe to RL.
Good article by NYT’s, Neil Irwin – “Businesses need to spend more, the future of the economy depends on it”! I agree, but they won’t do so unless there is demand for products and services! This is a global economy and they will invest where the returns are highest.

(Source: Neil Irwin, NYT
As long as capacity utilization remains below 85% - 90%, most firms will not invest to add capacity...
Conclusions – housing continues to improve albeit slowly

Housing remains a difficult reach for many young people - jobs, credit, school debt, are problems. Today's market is 30% or more cash sales, including many foreign buyers. This is not sustainable. The economy is having some difficulty dealing with demographic issues (aging population); debt; credit issues; Housing is improving, but the pace is agonizingly slow. We have global issues - Ukraine, Middle East, .... We need to deal with our structural problems if we are going to get back to 1.5 million starts.
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