October 2015 Housing Commentary

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This report is a free monthly service of Virginia Tech. Past issues can be found at: http://woodproducts.sbio.vt.edu/housing-report/

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October 2015
Housing Scorecard

	M/M	Y/Y
Housing Starts	▽ 11.0%	▽ 1.8%
Single-Family Starts	▽ 2.4%	Δ 2.4%
Housing Permits	Δ 4.1%	Δ 2.7%
Housing Completions	▽ 6.0%	Δ 5.2%
New Single-Family House Sales	Δ 10.7%	Δ 4.9%
Existing House Sales (NAR®)	▽ 3.4%	Δ 3.9%
Private Residential Construction Spending	Δ 1.0%	Δ 16.6%
Single-Family Construction Spending	Δ 1.6%	Δ 11.4%

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

Source: U.S. Department of Commerce-Construction ; National Association of Realtors® (NAR®)

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Housing Data

	October	September	Oct. 2014
Total permits*	1,150,000	1,105,000	1,120,000
Single-family permits	711,000	694,000	652,000
Multi-family 2-4 unit permits	34,000	37,000	32,000
Multi-family ≥ 5 unit permits	405,000	374,000	436,000
Total starts	1,060,000	1,191,000	1,079,000
Single-family starts	722,000	740,000	705,000
Multi-family 2-4 unit starts**	11,000	12,000	17,000
Multi-family ≥ 5 unit starts	327,000	439,000	357,000
Total completions	965,000	1,027,000	917,000
Single-family completions	640,000	643,000	611,000
Multi-family 2-4 unit completions**	7,000	8,000	7,000
Multi-family ≥ 5 unit completions	318,000	376,000	299,000

* All data are presented at a seasonally adjusted annual rate (SAAR).
** US DOC does not report 2-4 multi-family starts and completions directly, this is an estimation.
Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrc/pdf/newresconst.pdf; 10/20/15

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Housing Data

	October	September	Oct. 2014
New single-family sales	495,000	447,000	472,000
Median price	$281,500	$307,800	$268,500
Existing sales [a]	5,360,000	5,550,000	5,160,000
Median price	$214,600	$221,900	$207,500
Private Residential Construction	$399.0 billion	$395.0 billion	$342.1 billion
SF construction	$226.2 billion	$222.7 billion	$203.1 billion
MF construction	$58.4 billion	$57.6 billion	$45.7 billion
Improvement construction [b]	$114.4 billion	$114.7 billion	$93.3 billion

[a] NAR®

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

Sources:

NAR® www.realtor.org/topics/existing-home-sales; 10/22/15
U.S. Department of Commerce-Construction: www.census.gov/construction/nrs/pdf/newressales.pdf; 10/26/15
U.S. Department of Commerce-C30 Construction: www.census.gov/construction/c30/pdf/privsa.pdf; 11/02/15

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Conclusions

October's housing data was somewhat negative on a month-over-month basis, mostly because of the volatile multi family sector. However, even SF starts, on an adjusted basis, decreased 2.4% on a month-over-month basis. SF construction spending eked out a gain; and is still up 11.4% year-over-year. Existing home sales decreased 3.4% month-over-month.

With the Federal Reserve expected to raise interest rate later this month, the near-term outlook on the U.S. housing market remains unchanged – there are potentially several negative macro-factors or headwinds at this point in time for a robust housing recovery (based on long-term averages).

Why?

1) A constrained quantity of well-paying jobs being created;
2) a tepid economy;
3) declining real median annual household incomes;
4) strict home loan lending standards – though loosening with new programs; and
5) slowing world economy; and
6) global uncertainty

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September 2015
EU Housing Scorecard

		M/M	Y/Y
Production in Construction[A]	EU 28	0.0%[s]	△ 0.6%[s]
	EU 18	▽ 0.4%[s]	△ 1.8%[s]
	Germany	▽ 2.0%	▽ 0.3%
	France	▽ 1.2%	▽ 2.7%
	UK	△ 1.7%[p]	▽ 4.1%[p]
	Spain	△ 0.6%[ps]	△ 1.7%[p]
Building permits (m^2 floor)[A]	EU 28	-.-	-.-
	EU 18	△10.7%[(08)]	△ 25.8[(08)]
	Germany	△ 2.8%[s]	△ 17.4%
	France	▽ 0.5%[s]	▽ 2.7%[e]
	UK	-.-	-.-
	Spain	△ 45.4[s(08)]	△ 163.1[(08)]

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

Source: Eurostat (http://ec.europa.eu/eurostat/web/short-term-business-statistics/data/main-tables)
[A] see http://ec.europa.eu/eurostat/web/short-term-business-statistics/overview/sts-in-brief
[e] estimate, [s] Eurostat estimate, [p] provisional, [-.-] no data available, [(08)] August data

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Housing comments – October, 2015

- *October totals were down 11% (to 1.060 million, annual rate) due to drop in the volatile MF sector - <u>SF at 722,000 (SAAR) – MF still 32% of total</u>*
- **Multi family still the driver – rental prices still increasing – single family sales remain weak and this has big impact on wood product prices. This trend will continue for some time as "1st time buyers' remain on sidelines as weak supply driving up prices for 1st time buyers**
- **Economic issues - slowing world economy(China GDP slowest in past 6 years). China slowdown plus currency devaluation will drive commodity prices lower, and rekindle deflation concerns around the world.**
- ***Increasing geopolitical risk and continued domestic/Washington gridlock*** **- causes uncertainty which leads to less investment which leads to slower productivity growth, and ultimately slower GDP growth and lower standard of living!**
- **Job market is improving , albeit slowly, and wage gains remain weak, and, the real unemployment rate remains high at 10.3%. This equates to about 16 million people who are either unemployed, stopped looking, or working part time because they can't find full time jobs. This "slack" in the job market will keep wage gains modest for some time.**
- ***Income growth in U.S. remains pathetic – latest Census report shows real incomes fell again in 2014. This suggests to me that housing will remain sub par for some time – many 1st time buyers just can't enter the market.***
- **World GDP growth outlook is shaky at best – main problem today is the slowdown in China which has been the major economic engine over the past 5 – 6 years. European growth is expected to be relatively weak while back here in USA, growth will probably remain below par (<3%) for some time.**

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- QE/quantitative easing, etc. has probably kept us from economic catastrophe, but it has not been able to jump start the economy. Despite "zero interest rates" for the past 8 years, we have no serious inflation issues. What we have, instead, are asset bubbles caused by "cheap money" chasing higher returns. We all know how asset Bubbles end.
- A potentially more serious problem with QE, etc. is that the FED and other central banks don't have many "arrows left in their quivers" to deal with the next downturn (which is inevitable).
- Fed decision(October) to keep rates steady based on "slowing global growth and financial market volatility". This is a new one for me – I thought the Fed's role was inflation/currency stability, and maybe jobs here in USA. Now the "global Fed" is concerned with "global growth". Sounds like they are just unsure what is happening – status of the economy – and decided to "punt" (another word for "procrocastinate") and look for more signs of economic health here in USA. They did say housing is not supporting this economic recovery - "duh" – I think we already knew that?
- All this to say that we can look forward to interesting times ahead – housing and wood products will continue to face challenging times, and continuing uncertainty will negatively impact investment decisions. Businesses won't invest, add jobs, etc., when uncertainty is so apparent . Leadership is sadly lacking, not just here in U.S. but, Europe and elsewhere.
- The Fed and other central banks are uncertain re: what to do. And, to be fair, fixing the economy isn't their main job. What we really need is for our politicians/leaders to make the gutsy decisions, and they disappoint us again and again. If you want to see 1st hand how scary things can get, just listen to the latest political debates here in the USA. Little substance on solutions, but lots of BS! Trust is big issue with today's voters.

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A few comments re: recent terrorism

The current administration has misjudged ISIS/ISIL/whatever, from the beginning. They are not the "JV team". Latest attacks in Paris, Africa, …… demonstrate that the world's response is not working. They are not being "contained" as the current administration suggests. Whether we like it or not, the world needs a "world policeman" and the only country capable of filling that role is USA.

I'm tired of war as are most Americans, but now is not the time to become an isolationist. If we continue down that path, terrorism will only increase.

We need leadership today more than ever. A strong leader gives people confidence in the future – we don't have that today in America (and other parts of the world for that matter). Confidence is a must if we are going to invest in our future – without confidence, we drift as a country and as a people.

What has this got to do with housing you ask? If we continue the current course, world economic growth will continue to weaken, U.S. growth will barely reach 2%, and U.S. housing will remain below trend. and, wood prices will continue to languish.

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Main problem with U.S. economy (and world) is weak Demand and Low interest rates are not the answer–

see next slide for more analysis

Fed doesn't know what to do – current crop of politicians disappointing – hopefully, someone will emerge from the political debates with credible ideas and the ability to communicate a strategy for addressing serious problems facing our country. Otherwise, we're in for extended period of weak Economic growth, and that means weak housing, job creation, lower standard of living, and sad sack wood prices.

Productivity is a problem for U.S. economy – and jobs miss match - there are jobs out there, but many people lack the necessary skill set. Solution - - education and infrastructure investment. Difficult to solve there problems due to student debt issues and government debt approaching 17 trillion $. Many analysts expect U.S. economy to remain weak with GDP averaging about 2% over next several years.

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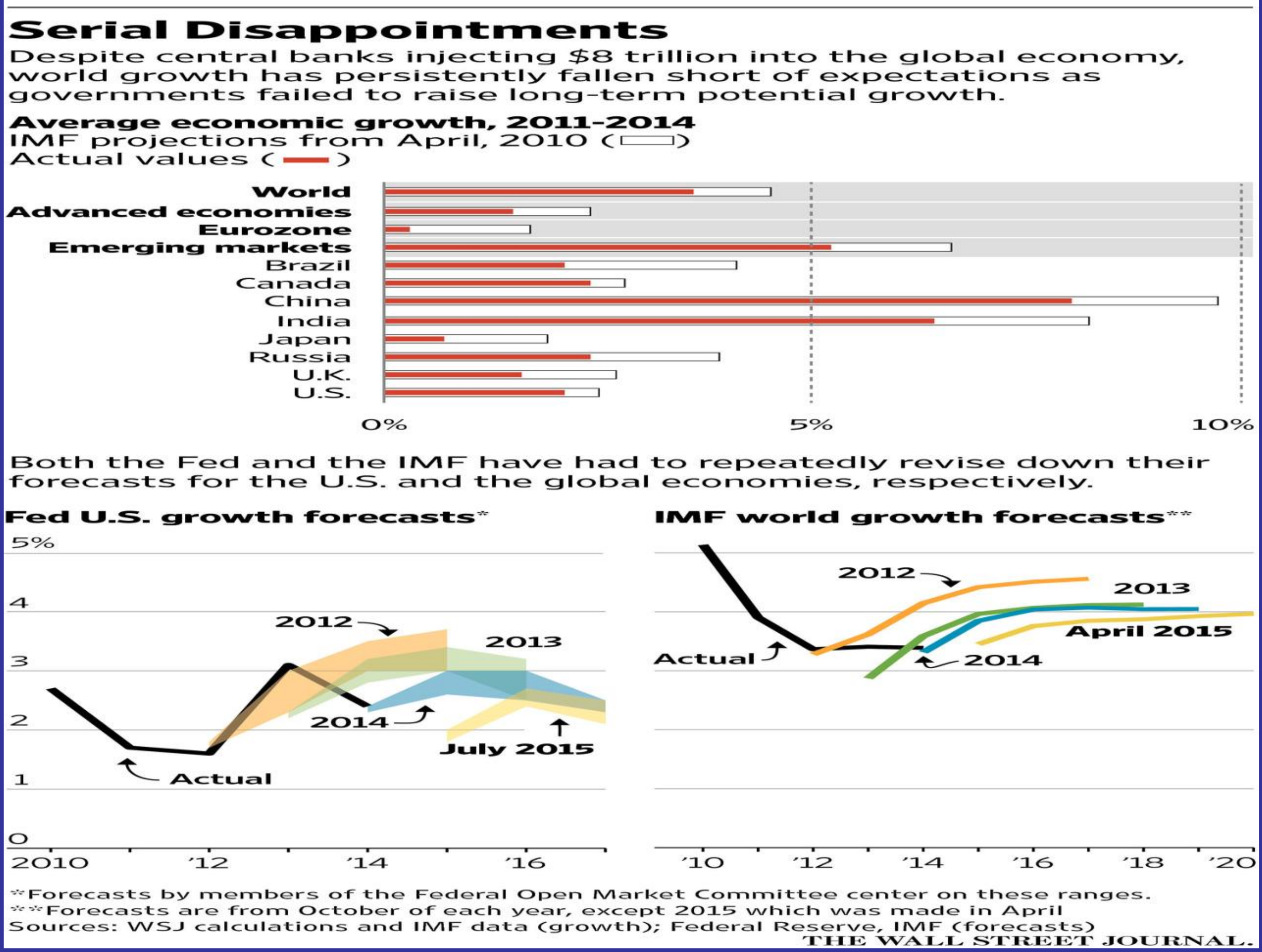
"Cheap money alone can't fix the world's economy" – India's Central Bank Governor – "economies need to be more innovative, productive, and competitive". My opinion – gutsy leadership missing here in USA, Europe, Canada, and rest of developed world! Current polls here in US and elsewhere indicate many voters are disgusted with current crop of politicians, and for good reason.



Source: WSJ (http://www.wsj.com/articles/central-banks-lesson-easy-money-alone-isnt-a-growth-salve-1442505860?cb=logged0.39475020127295923)

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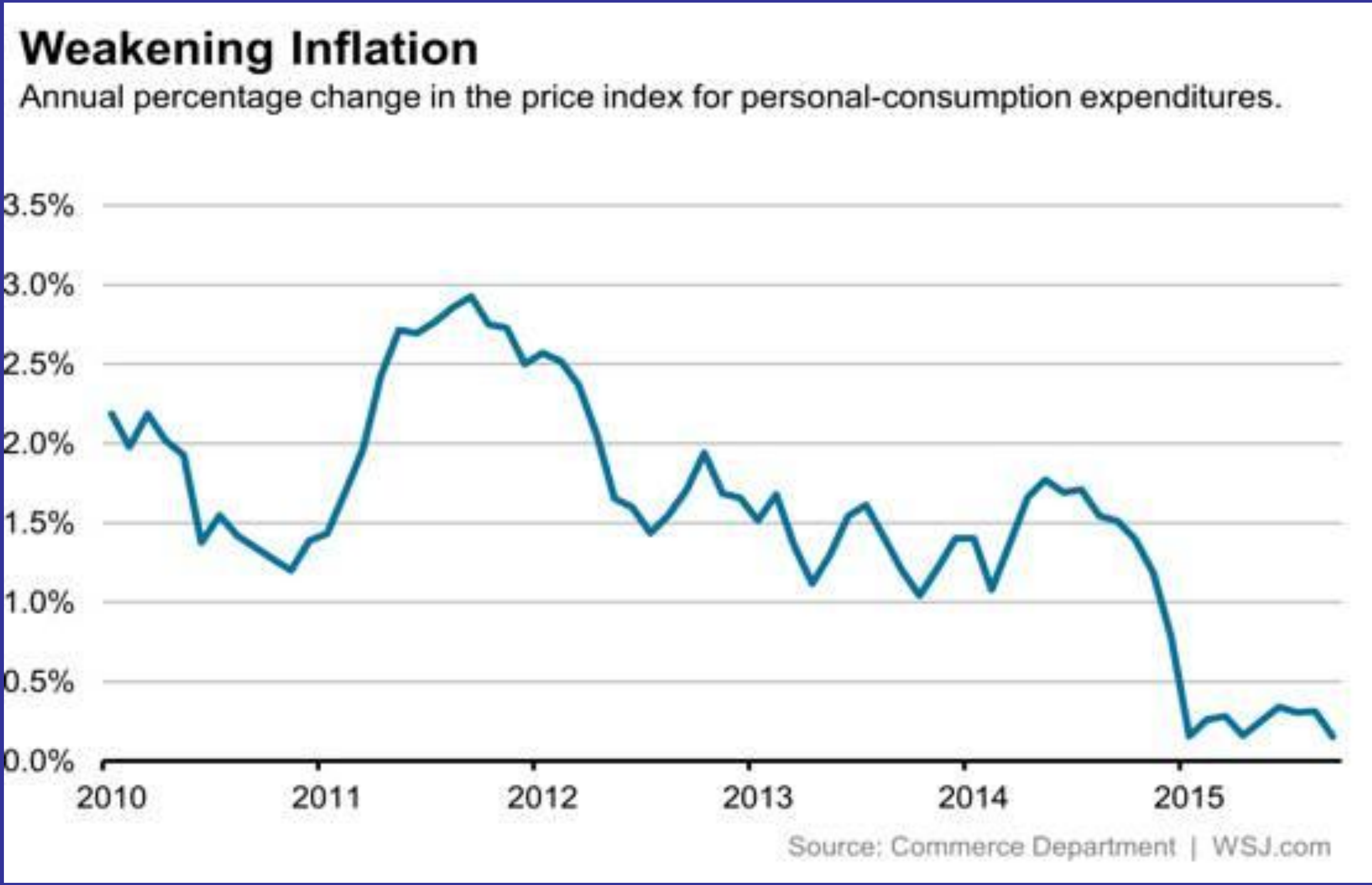
Inflation isn't a concern – let's start raising rates and get the economy back on a realistic path. Again, low rates are not the solution!



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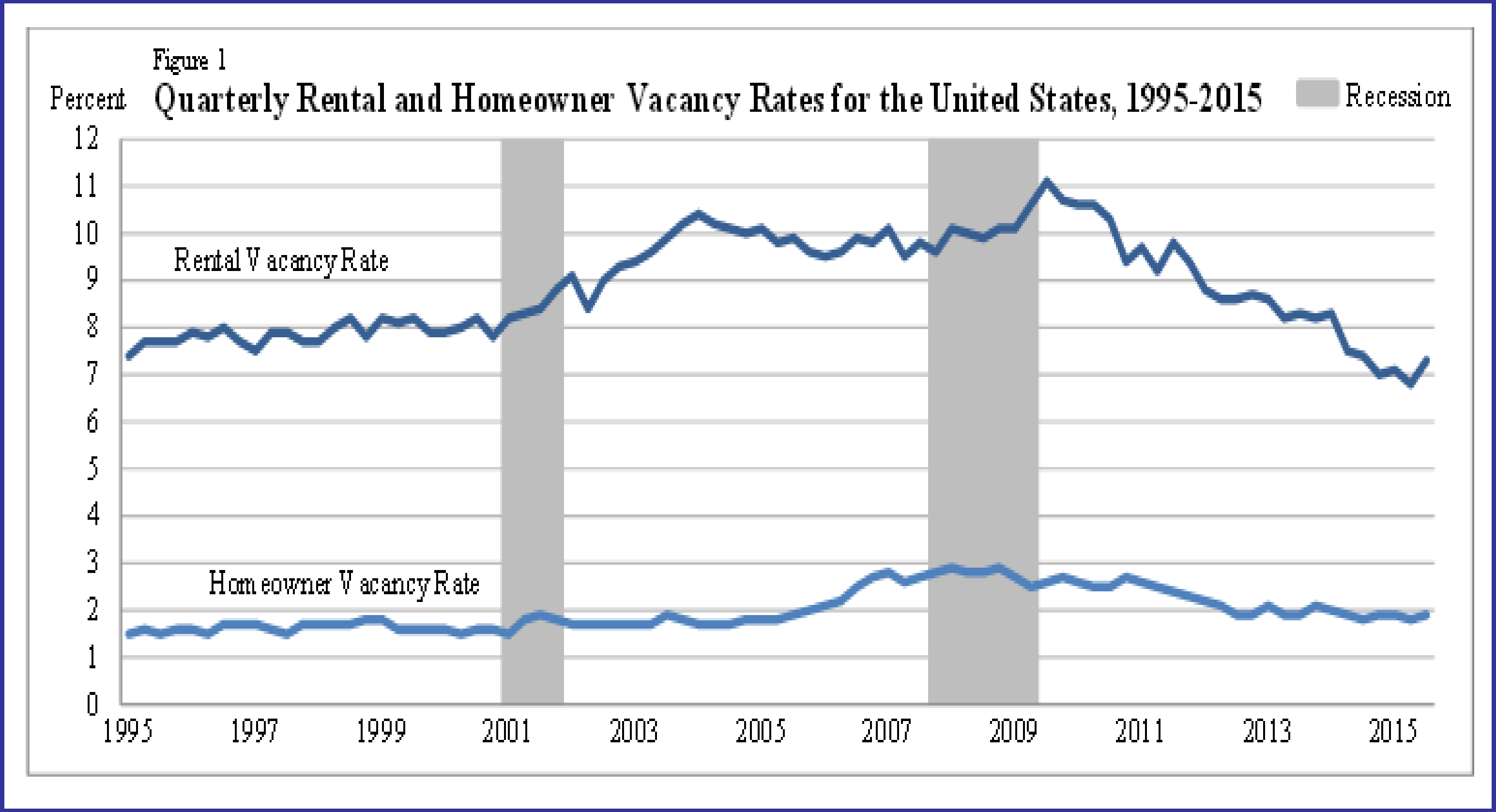
Rental demand versus single family housing ---

Rental demand may continue to increase for some time – a recent study by the Urban Institute suggests it may continue for another decade or two (http://www.wsj.com/articles/new-housing-crisis-looms-as-fewer-renters-can-afford-to-own-1433698639)
Why - - demographics; growing minority population; student debt; weak income growth; …. E.g., Minorities (nonwhite) will make up 75% of net household growth over the next 10 years, and 85% during 2020- 2030 (see next slide). They are less likely to own homes (lower incomes is main reason) so home ownership continues to fall toward 60% by 2030. During this time, rental demand will increase dramatically. Although this is just one study, it provides food for thought.
One potential question with the study, however, is other studies show that although immigrants, for example, rent initially, but, over time they purchase homes at a rate equal to or higher than native born Americans. Why – people come to the U.S. to improve quality of life, and for most, this means homeownership. This suggests that the U.S. has to find solutions to immigration issues like "illegal immigrants" while encouraging legal immigration. This country was founded by immigrants seeking a better life, and they are key to our future. And, incomes for all minorities has to improve if home ownership is to return to "good old days"
(http://www.engineeredwood.org/Data/sites/3/documents/EngWoodJournal/EWJ_Spring2010.pdf)

Anyway, this has potential implications for home ownership; single family construction; and demand for wood products – lots of variables and scenarios.

Rental vacancy rates lowest in 20 years

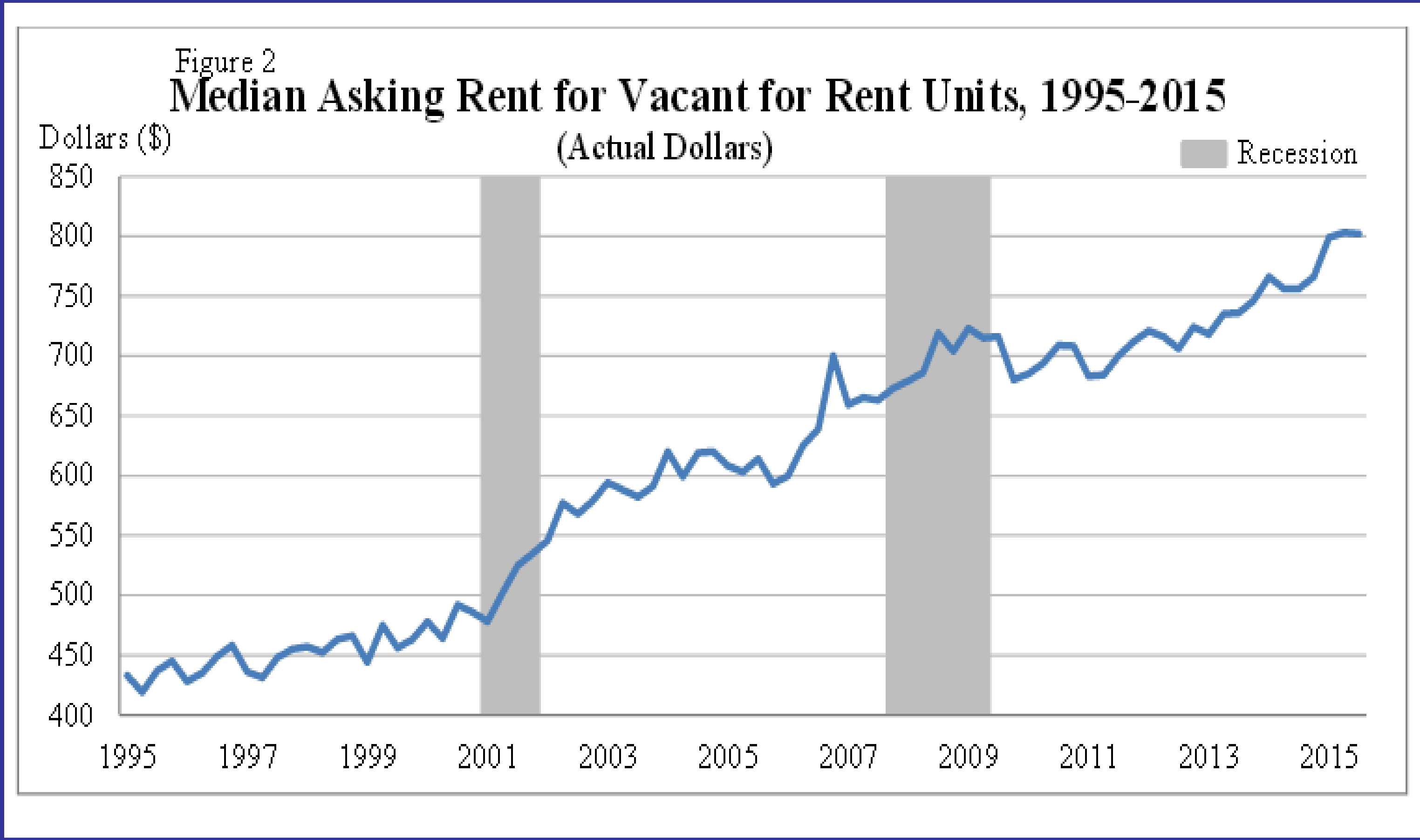
Falling rental vacancy rates will drive rental prices higher and this will drive multi family construction – Economics 101



Source: Census (http://www.census.gov/housing/hvs/files/qtr215/currenthvspress.pdf)

Increasing rents will slow housing starts - -

makes it more difficult for renters to save for down payment for house purchase



Source: Census (http://www.census.gov/housing/hvs/files/qtr115/currenthvspress.pdf)

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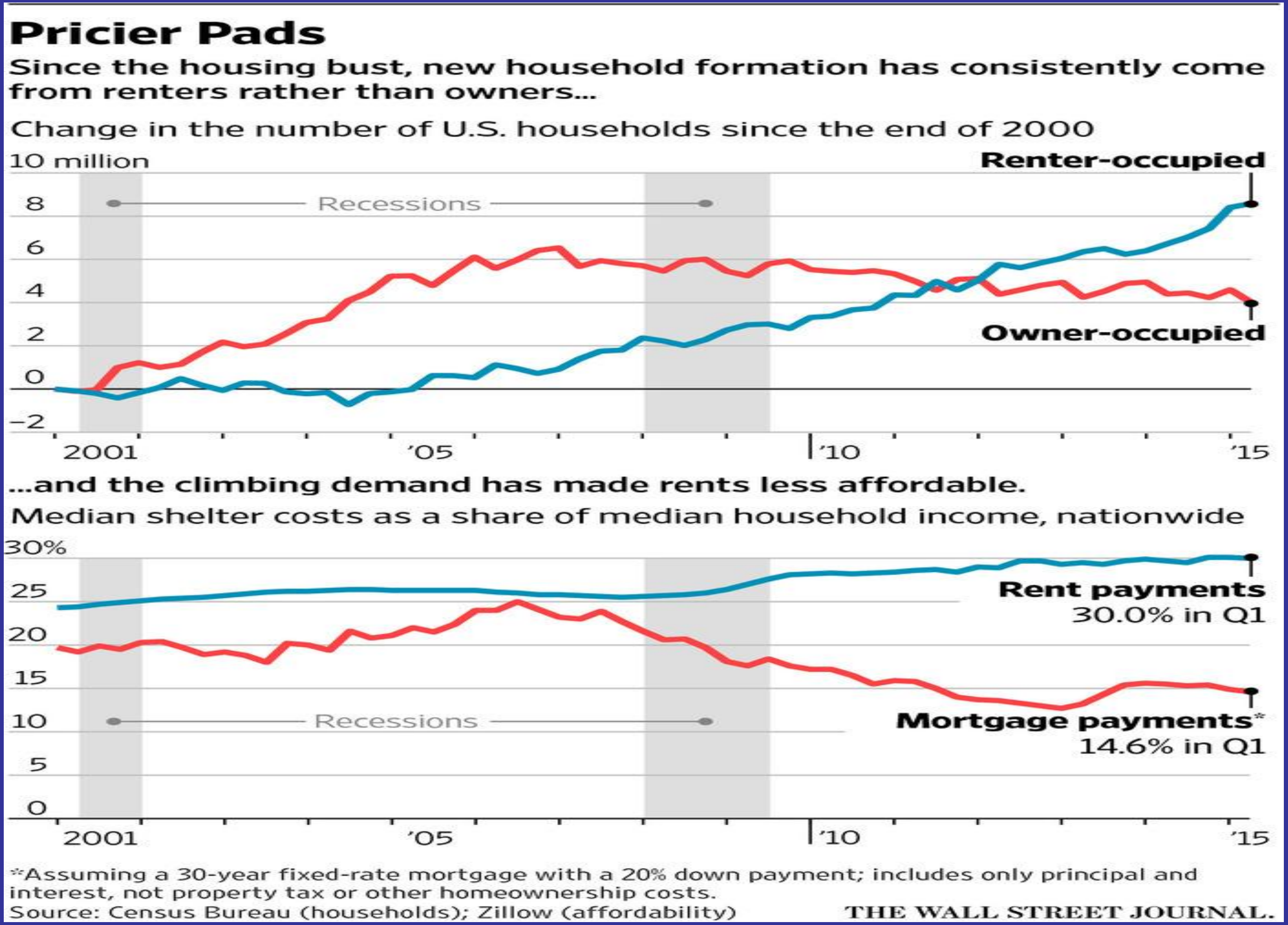
Household formations are up, but most are renting, and, in the past decade, rent payments exceeded mortgage payments – but, most can't get a mortgage due to poor credit or can't save enough for a down payment – vicious circle



Source: WSJ (http://www.wsj.com/articles/rising-rents-outpace-wages-in-wide-swaths-of-the-u-s-1438117026?cb=logged0.40234478570971755)

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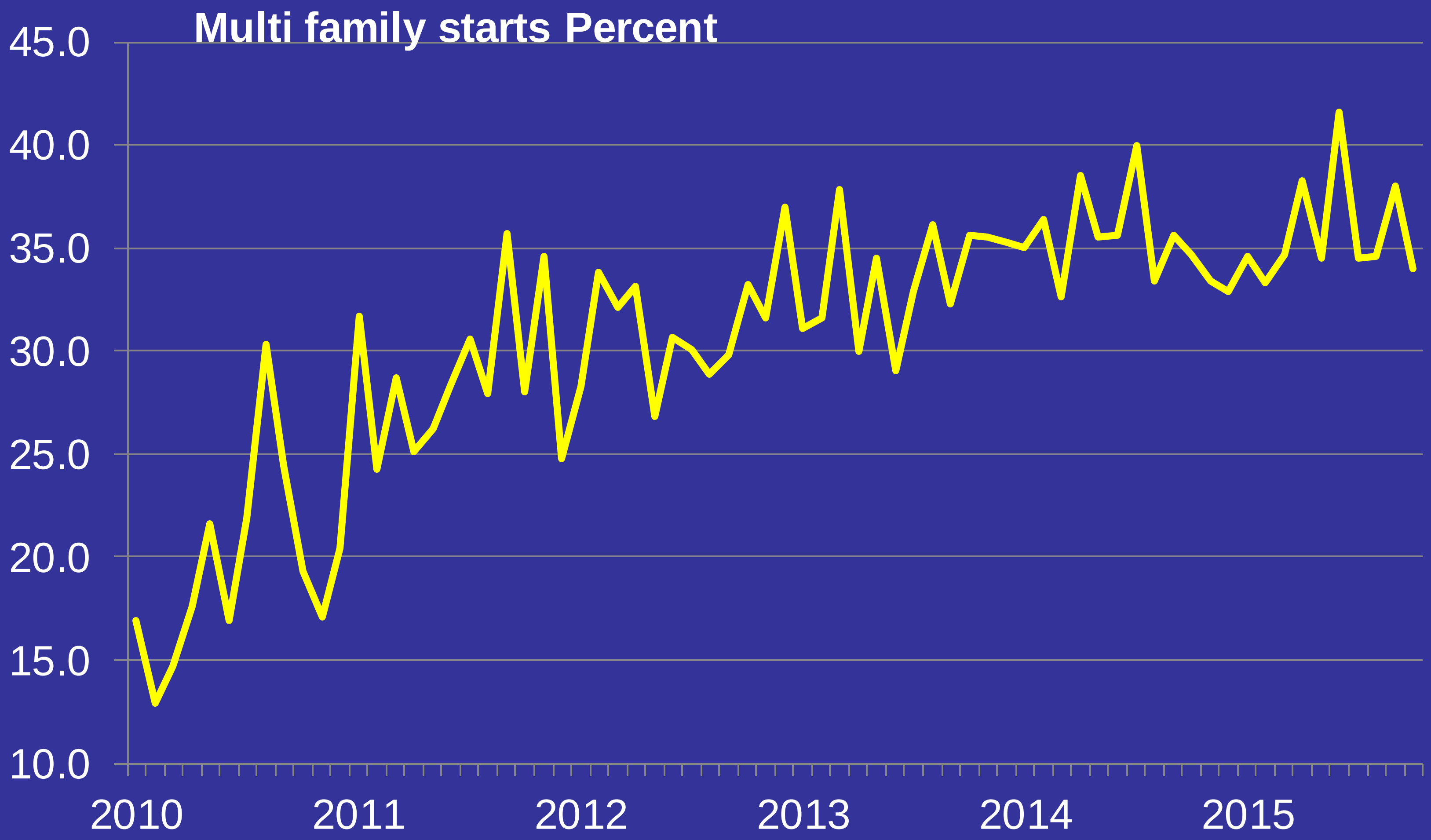
Multi family share of housing starts – upward trend expected to continue for Some time. Also, since the housing crash in 2008, Single family rentals have now reached 13% of overall housing stock, up from 9% in 2005 (http://blogs.wsj.com/economics/2015/07/20/signs-of-overheating-in-the-single-family-rental-market/)



Source: Census

Higher prices don't necessarily mean the Market is good which is what economic theory would suggest.

Housing inventory – short supply is driving up prices! – In addition, builders are building bigger houses to accommodate "well healed customers" which is driving new home prices higher. Existing home sales reflect similar trends.

One more issue impacting housing – with starts remaining weak, we will see a continuing shortage of inventory, and that means higher prices. Many builders just don't see enough traffic supporting an increase in starts. Also, many smaller builders are having trouble getting financing. In the resale market, many people can't list their homes due to foreclosure issues, underwater mortgages, job problems, credit issues – i.e., can't qualify for a new mortgage) (http://www.wsj.com/articles/bidding-wars-return-to-home-market-1437350840)
Current inventory is 4.6 months for new homes and 4.8 months for existing homes – six months supply is considered a 'healthy market"

Another good article on current housing situation re: dilemma for 1st time buyers. Limited choices; higher prices; weak income growth; weak new home construction; --- short supply drives prices higher putting more 1st time buyers out of the market. I've said this before – return of 1st time buyers is needed before housing returns to "normal"!
(http://finance.yahoo.com/news/first-time-buyers-face-hurdles-101147166.html)

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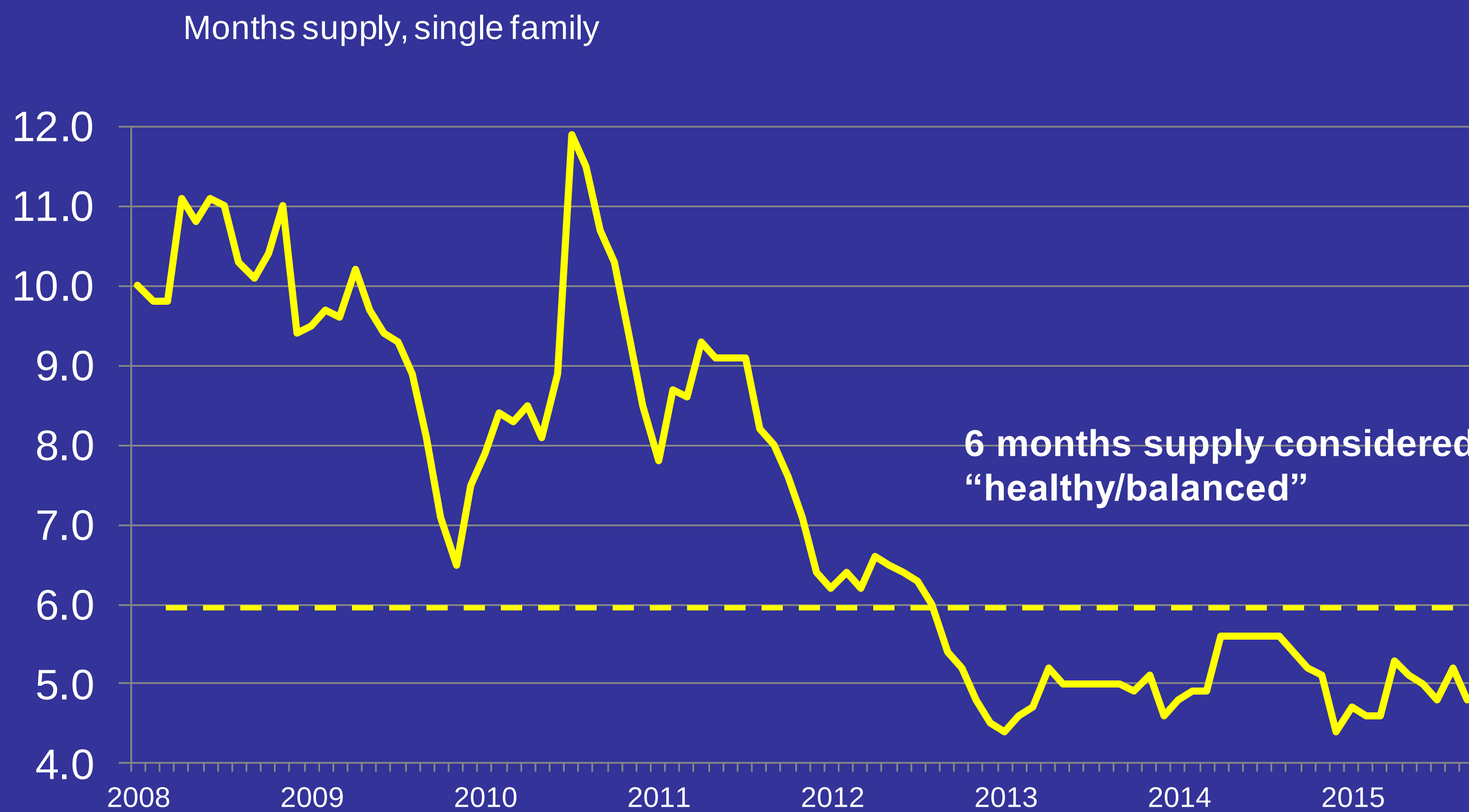
Existing home inventory at 4.8 months – Short supply still driving drives prices higher



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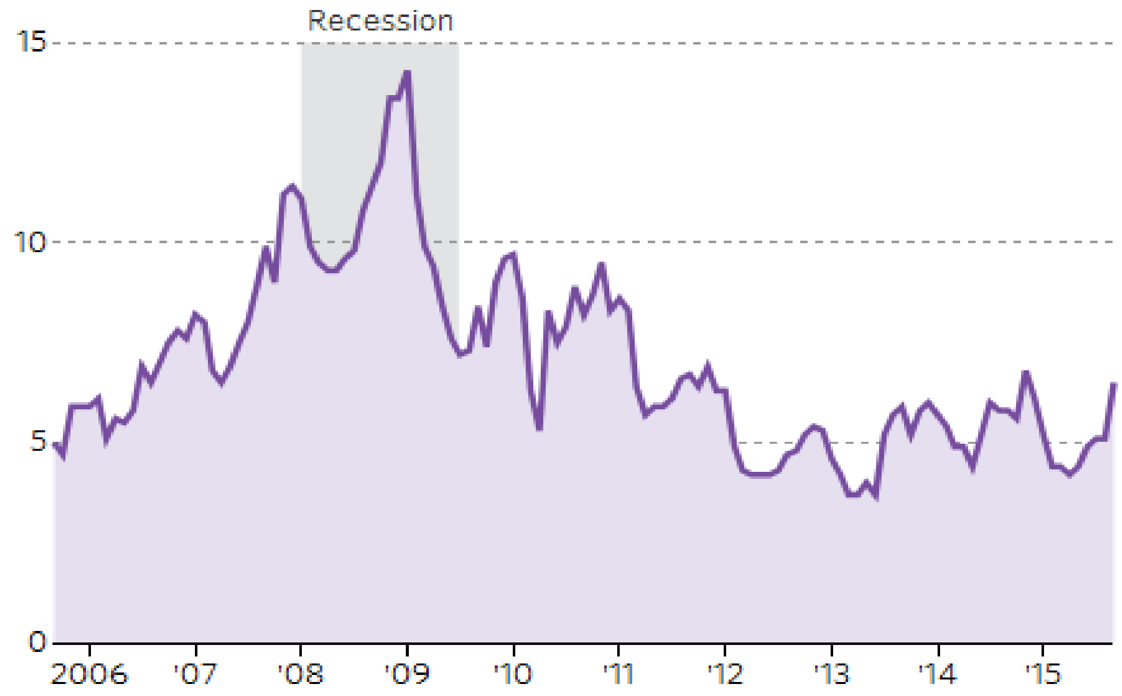
Low new home inventory drives prices higher and out of reach to most 1st time buyers

Months' supply

The amount of time it would take, in months, to sell the stock of newly-built homes available for sale at the current sales pace. The National Association of Realtors considers a six-month supply to be a balanced market.

Months' supply of newly-built homes for the past 10 years



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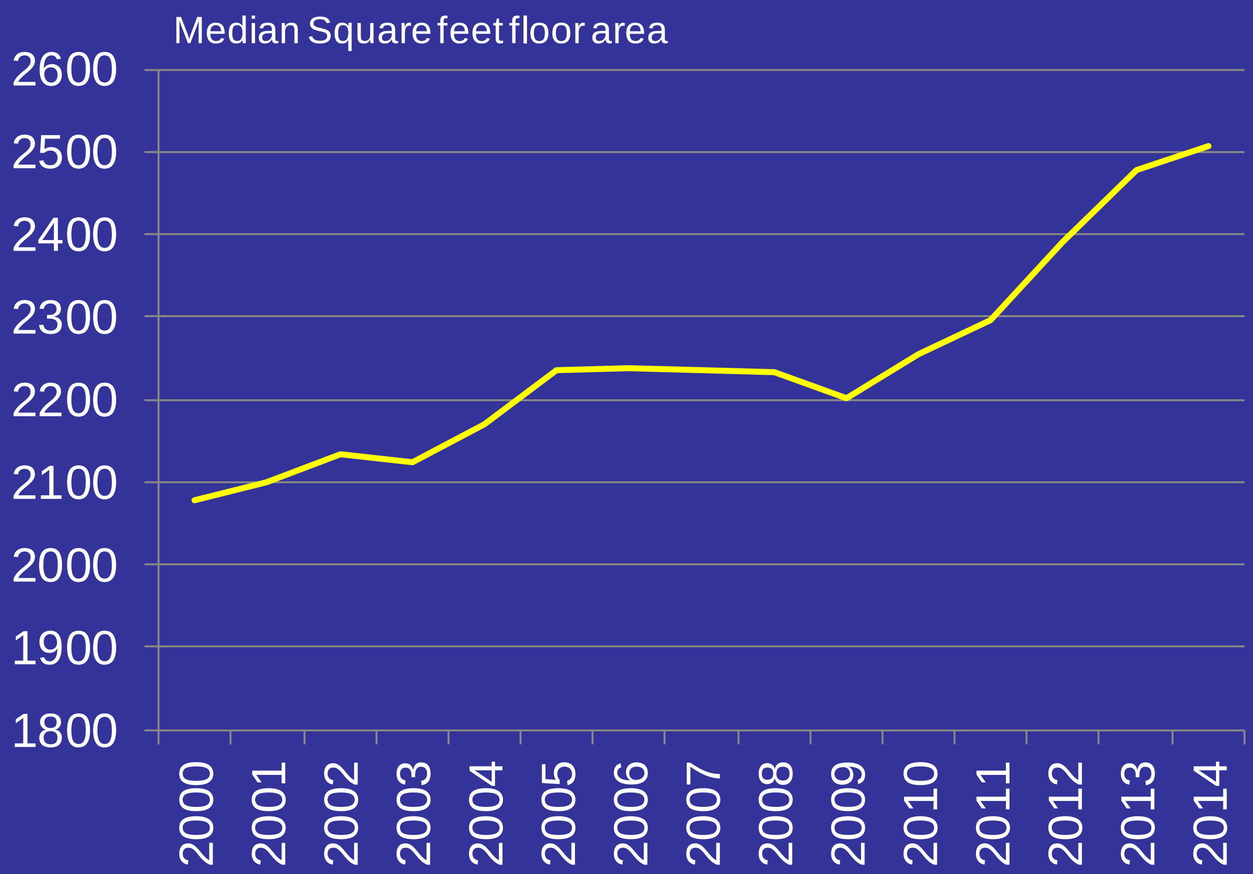
Size of New Homes sold has increased dramatically in past 6 years as builders cater to "well healed" buyers as many 1st time buyers are missing



Source: Census (https://www.census.gov/construction/chars/sold.html)

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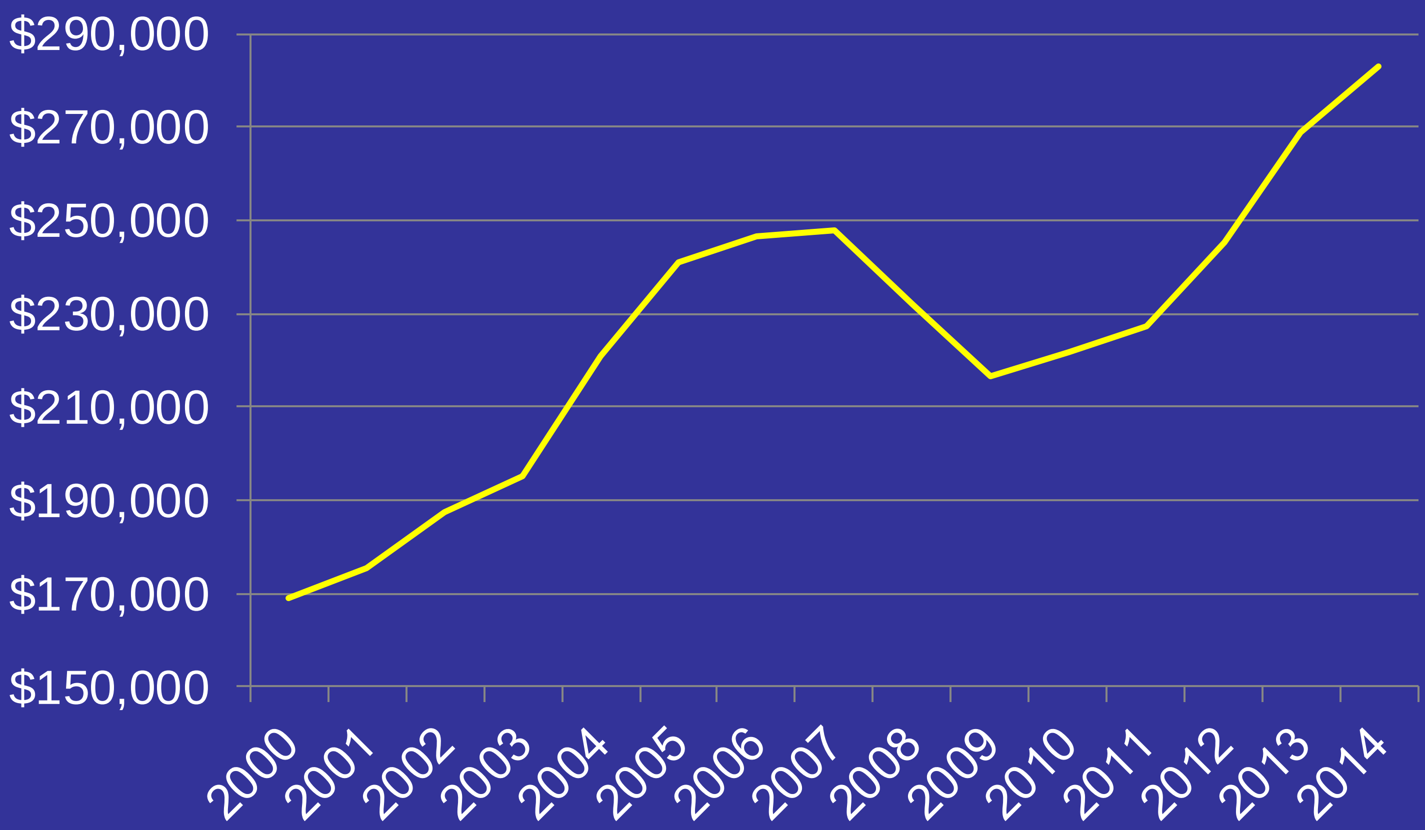
Consequently, median price of new homes has increased dramatically



(https://www.census.gov/construction/chars/sold.html)

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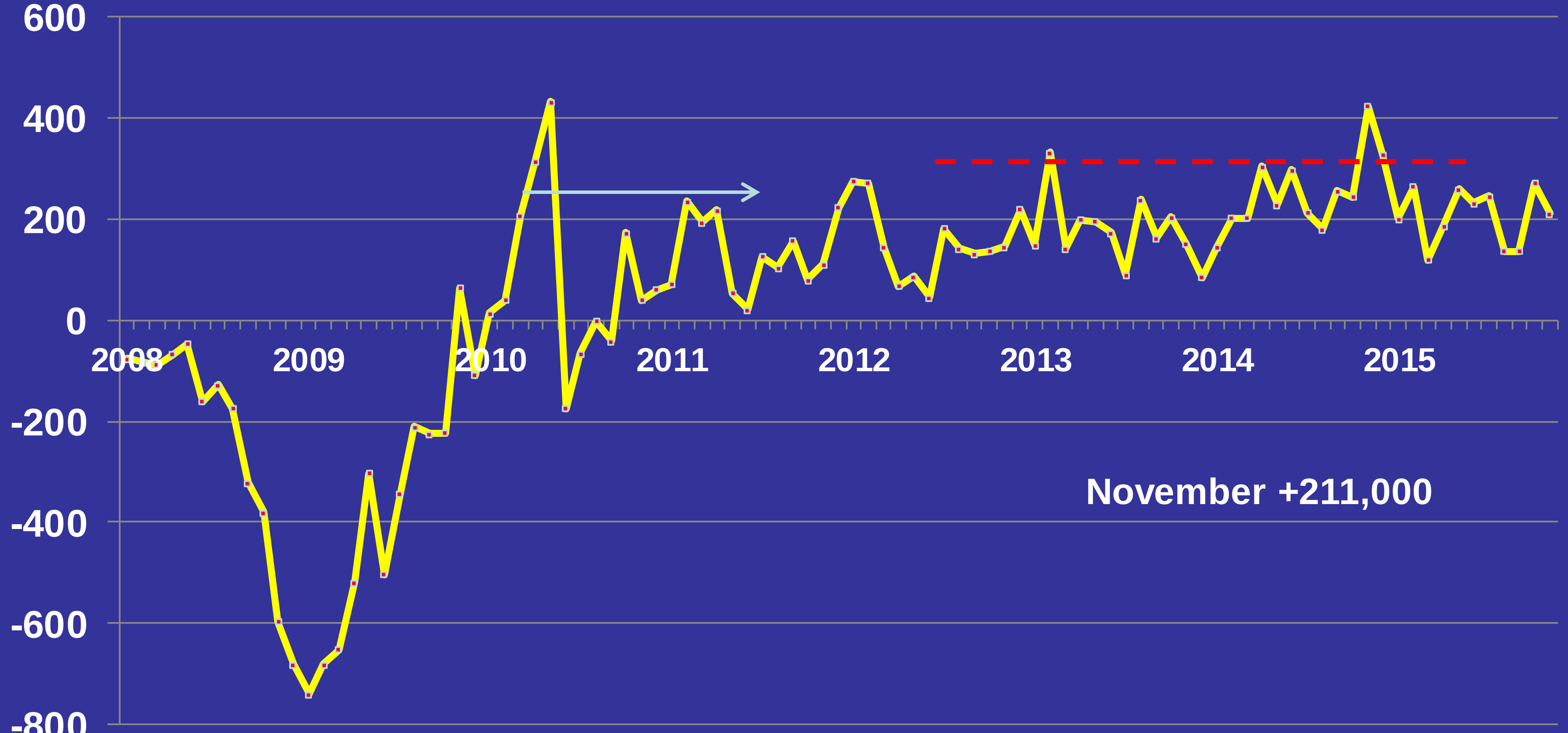
Employment situation - our biggest problem – stuck near 200,000, and many of these jobs are part time with little or no benefits – not conducive to driving housing demand higher

Net change in non farm payrolls – monthly, thousands



Source: U.S. BLS (www.bls.gov)

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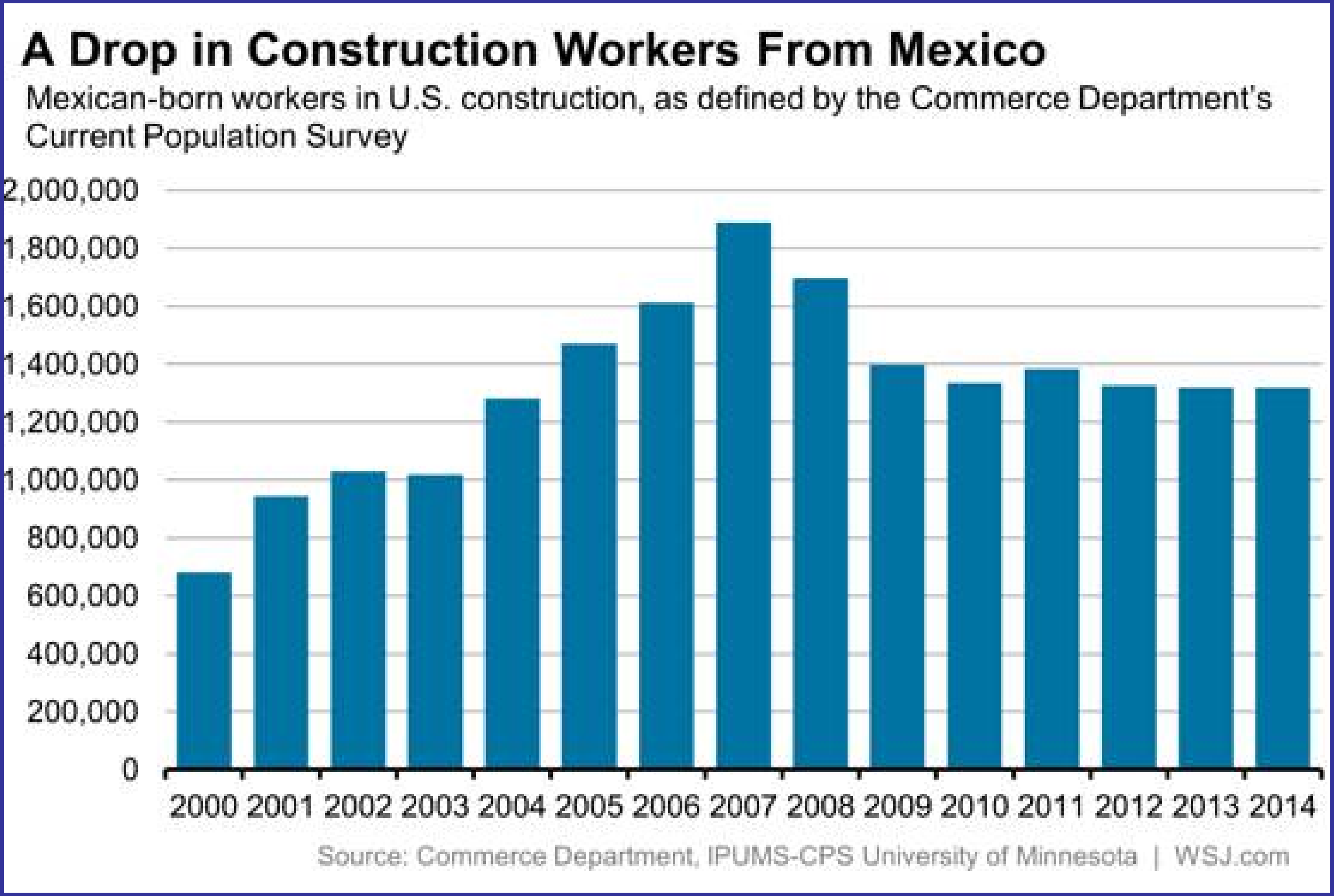
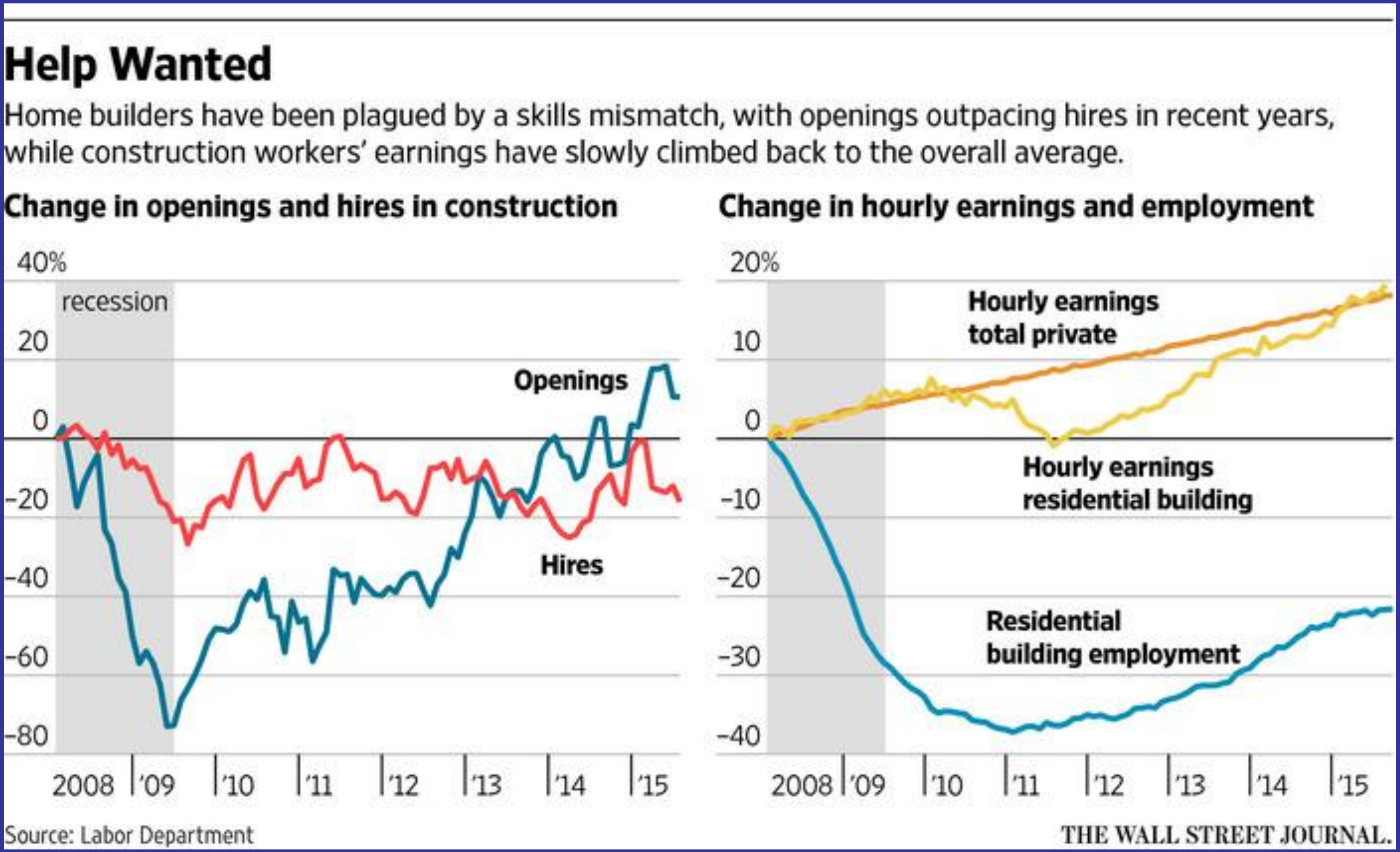
Another problem (like we need more) for housing is labor shortages - - - fewer immigrants from Mexico, plus aging demographics with native born Americans suggest that construction costs will increase driving prices higher and slowing home construction



Source: WSJ (http://blogs.wsj.com/economics/2015/09/21/how-immigration-has-contributed-to-the-construction-worker-shortage/)

Nearly 700,000 fewer construction workers today compared with 2007 – will mean construction delays and higher costs



Source: (http://www.wsj.com/articles/labor-shortage-pinches-home-builders-1444688976?cb=logged0.39370374416477216)

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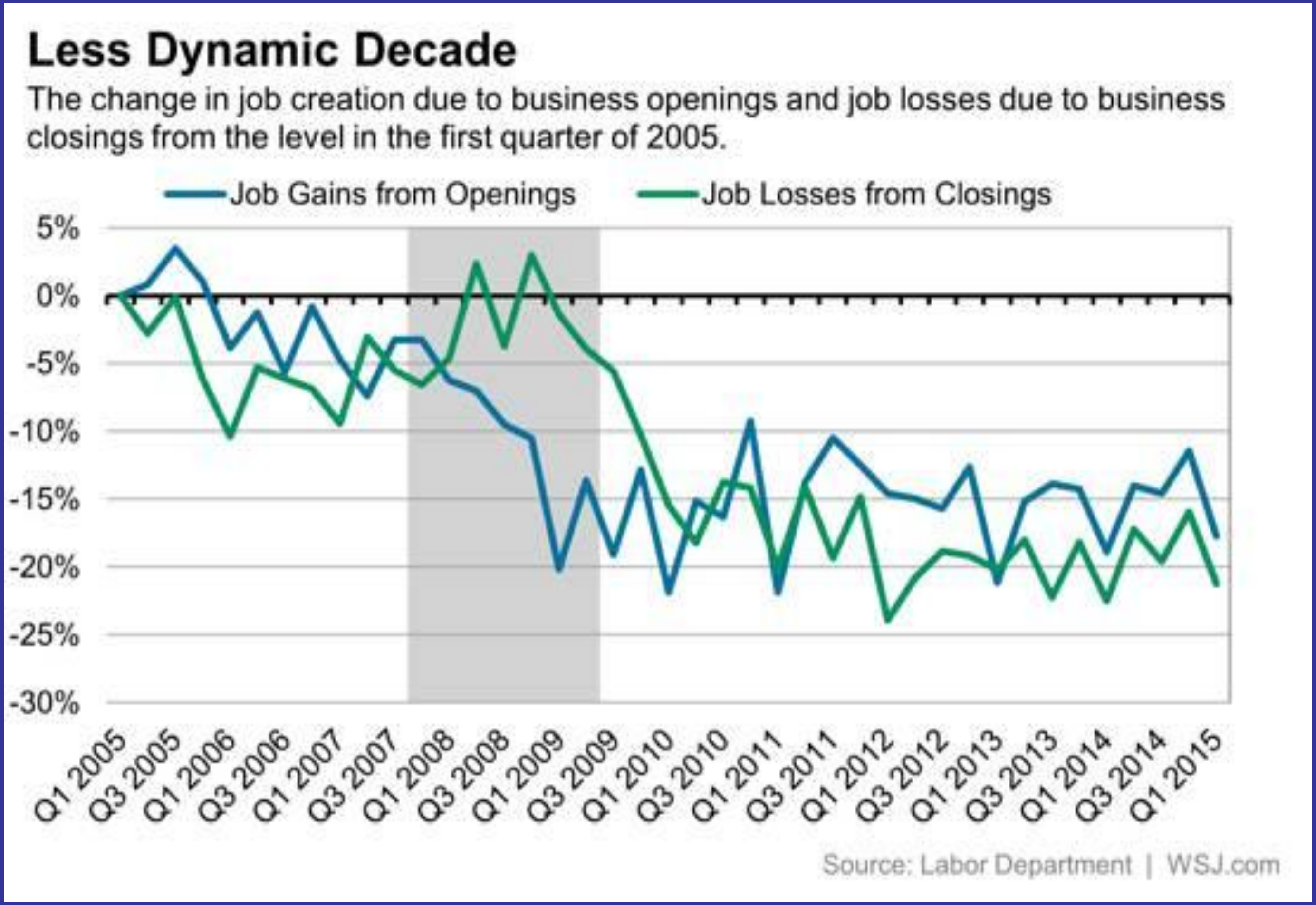
Another reason why job picture not so good – job creation by businesses is down significantly in past 7 – 8 years. Less innovation and risk taking is part of problem. My opinion – this is due to uncertainty and lack of confidence in the future direction of the country/economy. Again – leadership required!



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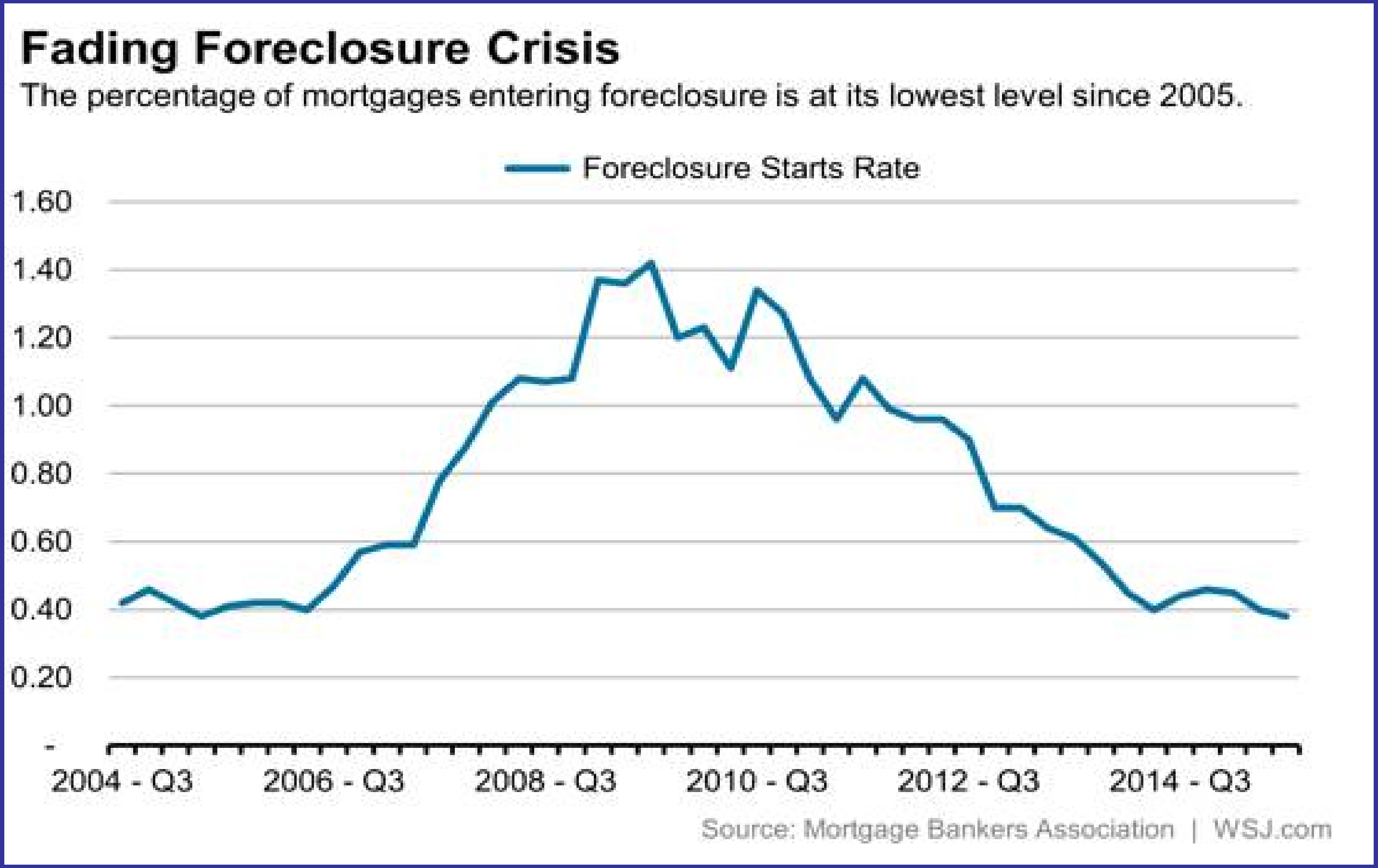
Some good news re: housing – lower foreclosures will support healthier pricing as more Distressed homes are kept off the market - also helps existing mortgage holders refinance into better rates



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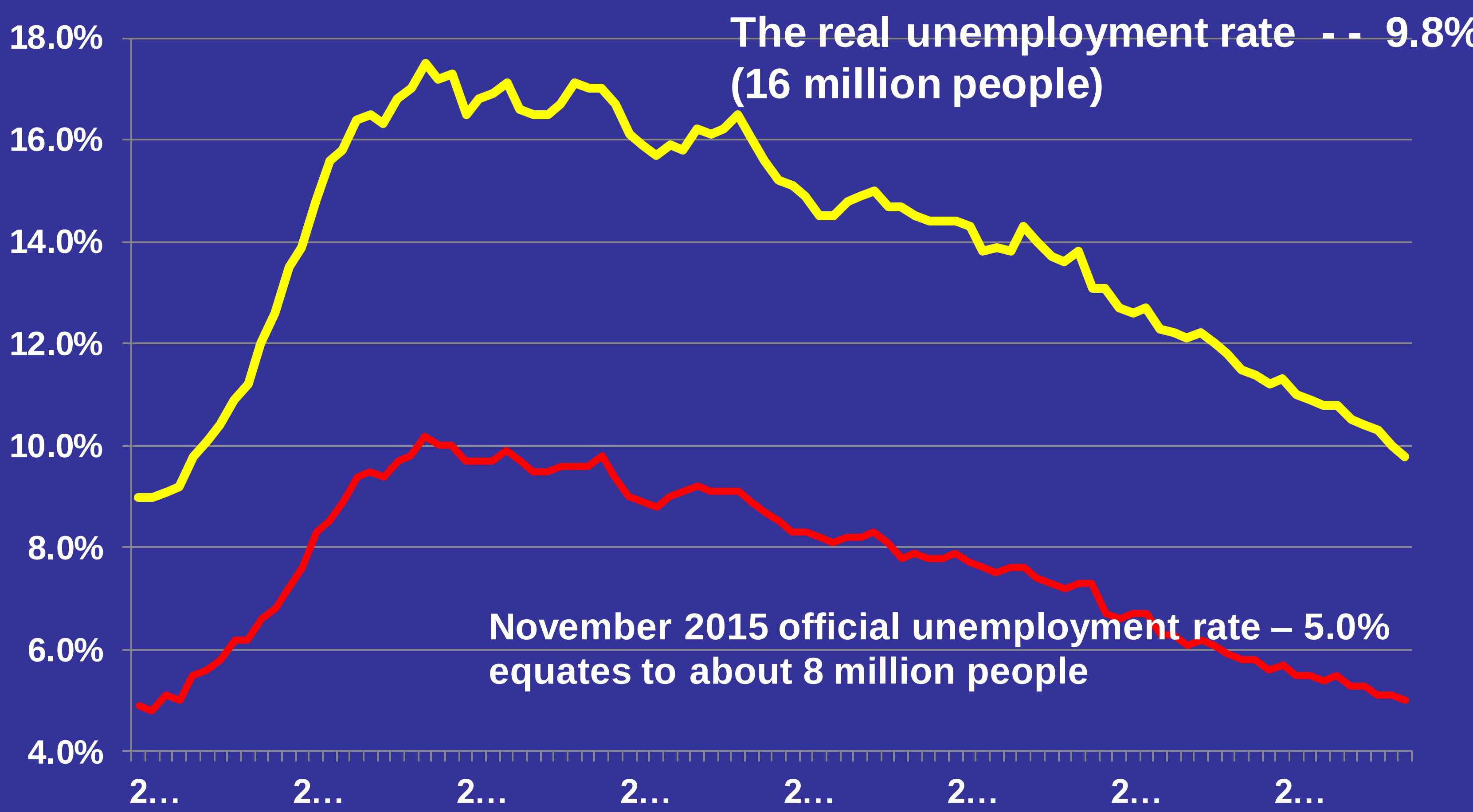
Unemployment rate keeps coming down – but, nearly 7 million remain "underemployed" – working part time, but want full time jobs

There are about 16 million people either unemployed , underemployed, or stopped looking – **Key reason why wage increases are stagnant!



Source - - BLS: http://www.bls.gov/news.release/pdf/empsit.pdf; http://data.bls.gov/cgi-bin/surveymost?ln

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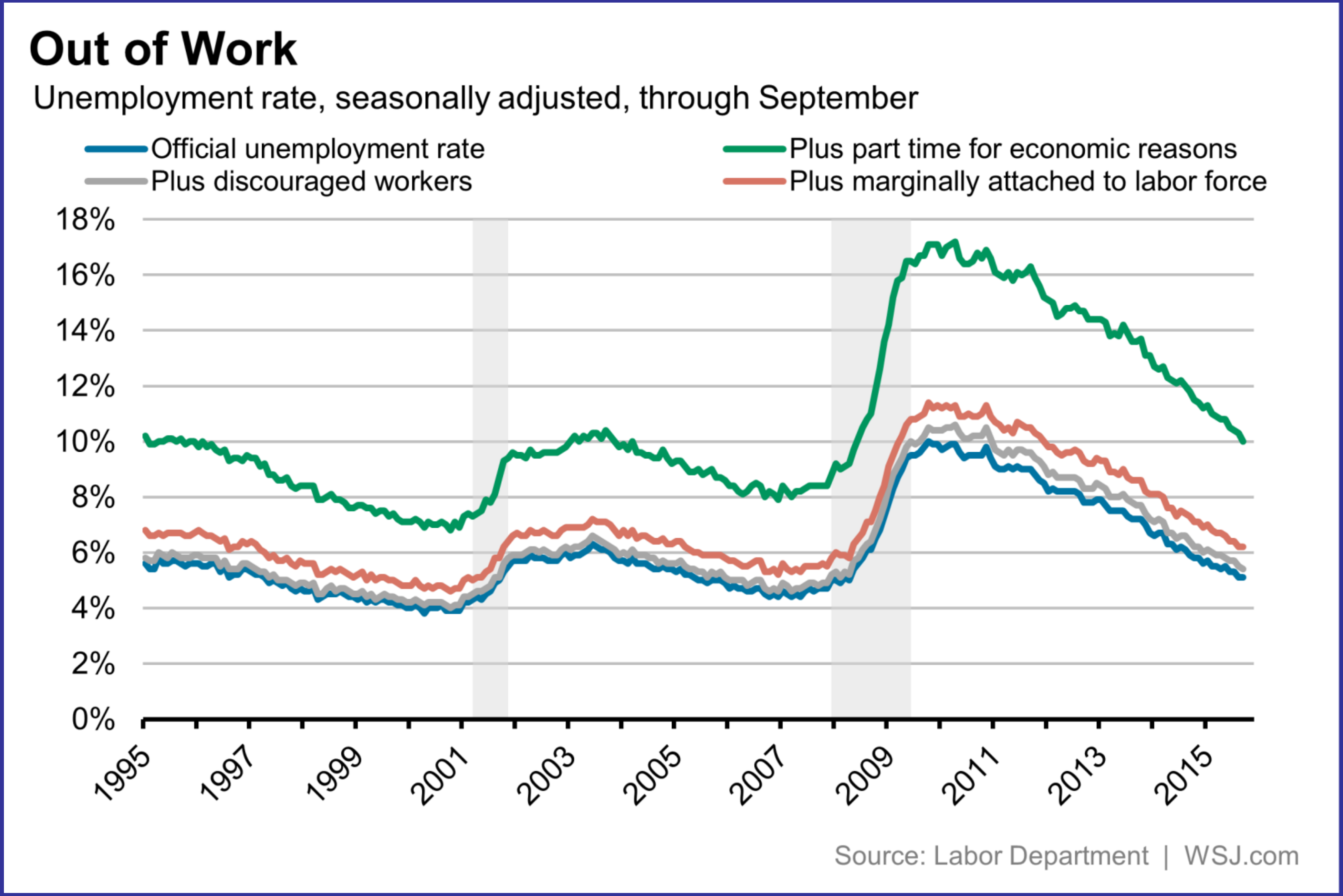
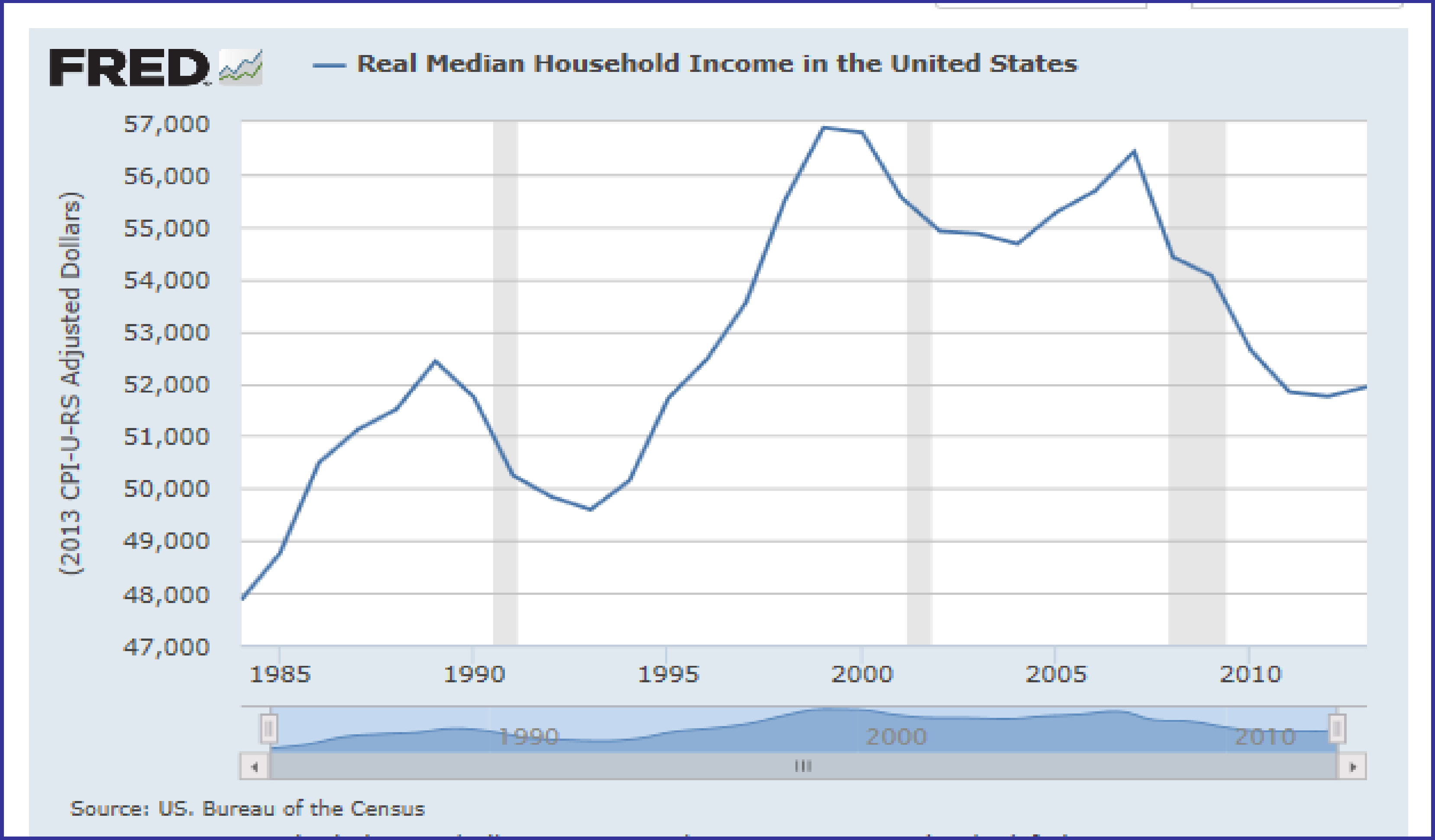
Closer look at "real unemployment rate" – things are improving, but we really need stronger *earnings* growth



Source: WSJ (http://blogs.wsj.com/economics/2015/07/02/the-june-jobs-report-in-10-charts/)

A look at real incomes over the past twenty years ---

real incomes have been shrinking for the past 20 years
and the reason is probably tied to productivity – here is good article
on the subject (http://www.wsj.com/articles/politicians-pay-heed-to-productivity-problem-1437582206?cb=logged0.19101819254186214)



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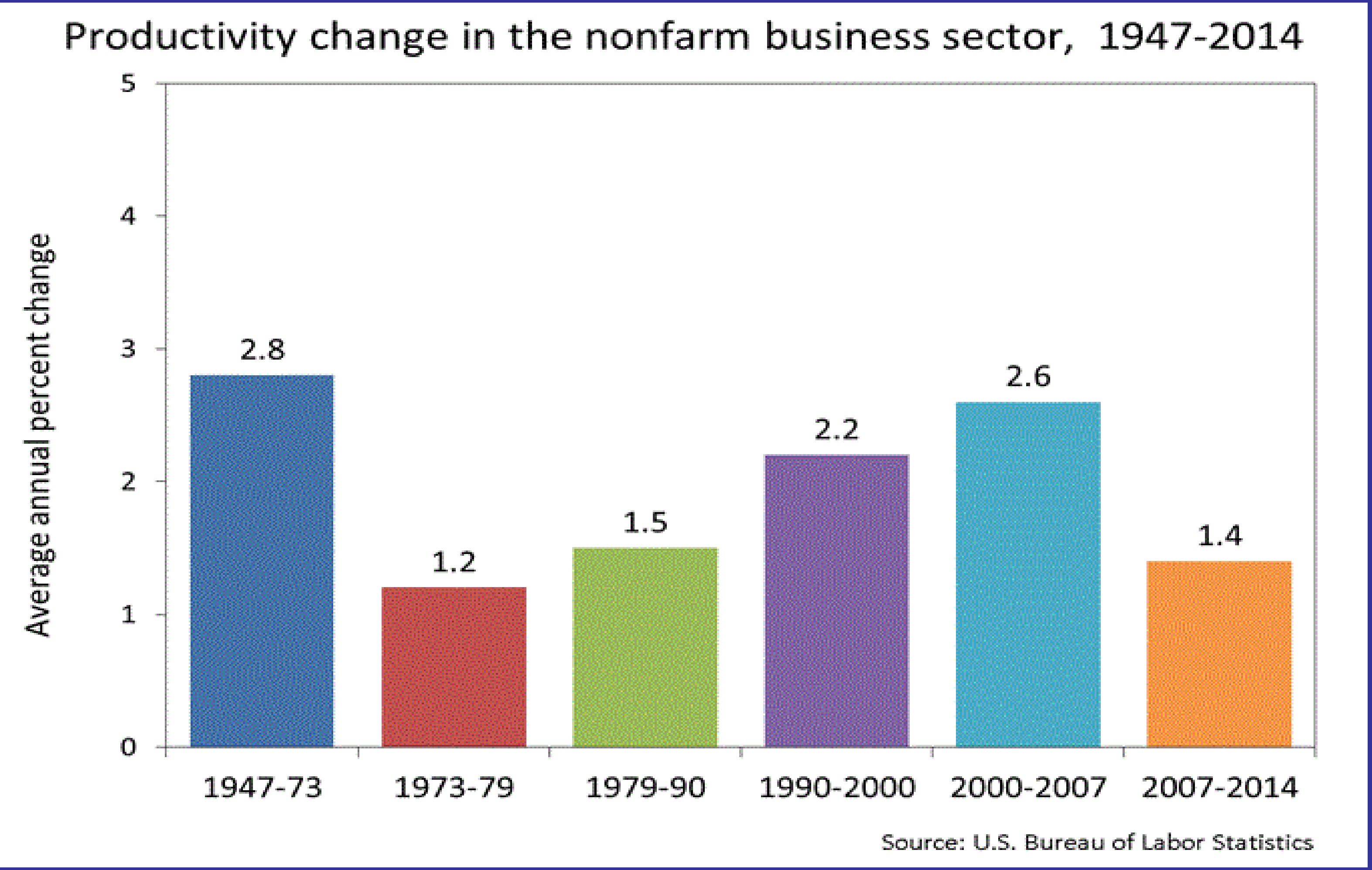
We need to invest more to become more competitive, create better paying jobs, as this is the best way to grow GDP

GDP derives from number of workers plus productivity (real GDP/worker) – (http://marketrealist.com/2015/01/2-factors-drive-real-gdp-growth/) -- with lower productivity, higher employment won't generate as much growth in GDP – this is why improving employment doesn't give us strong GDP growth .

Innovation and entrepreneurship is key to increasing productivity



Source: BLS (http://www.bls.gov/lpc/prodybar.htm)

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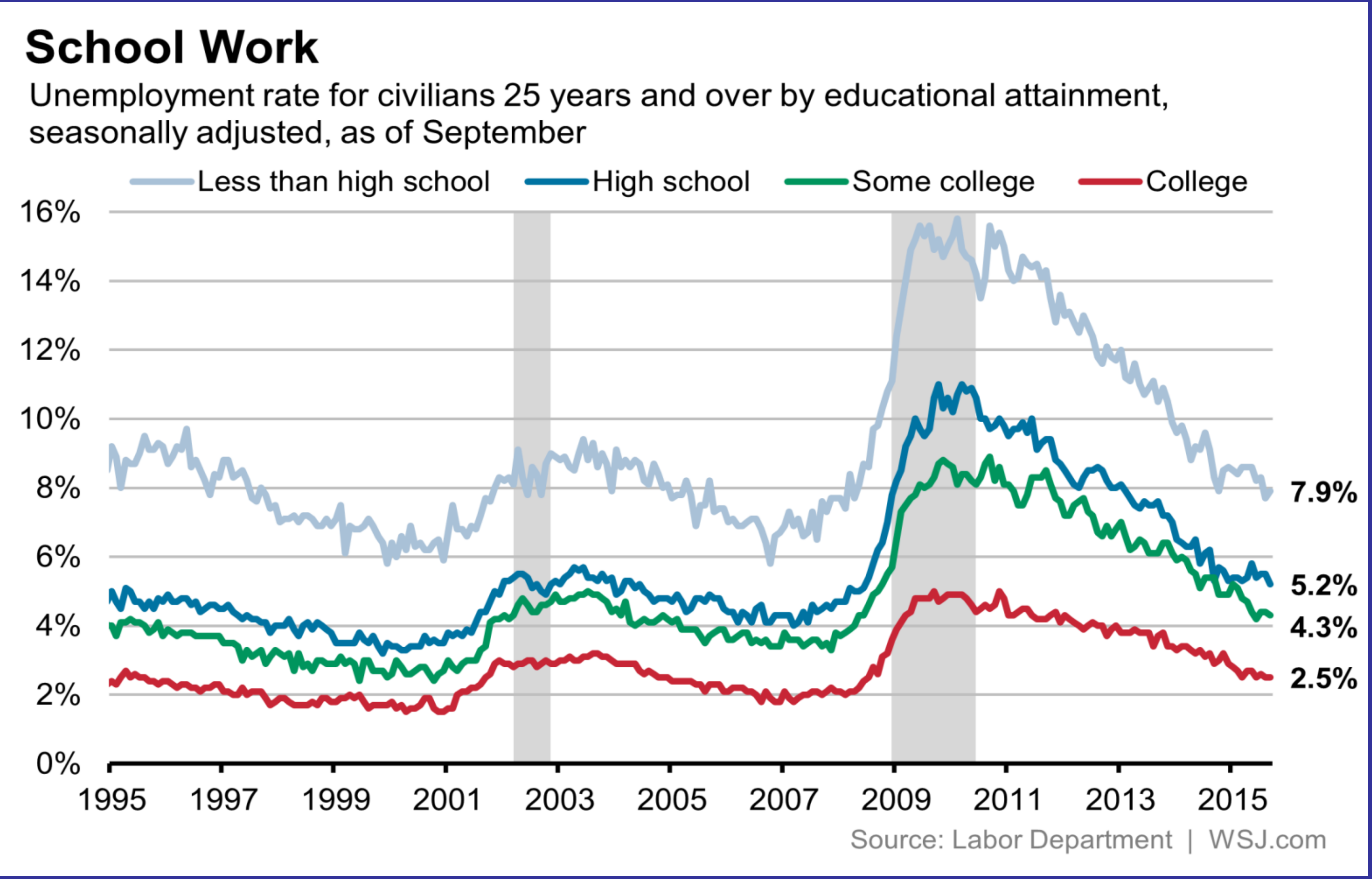
One way to improve productivity and incomes ---
education improves your chances of staying out of the unemployment line



Source: WSJ (http://blogs.wsj.com/economics/2015/07/02/the-june-jobs-report-in-10-charts//)

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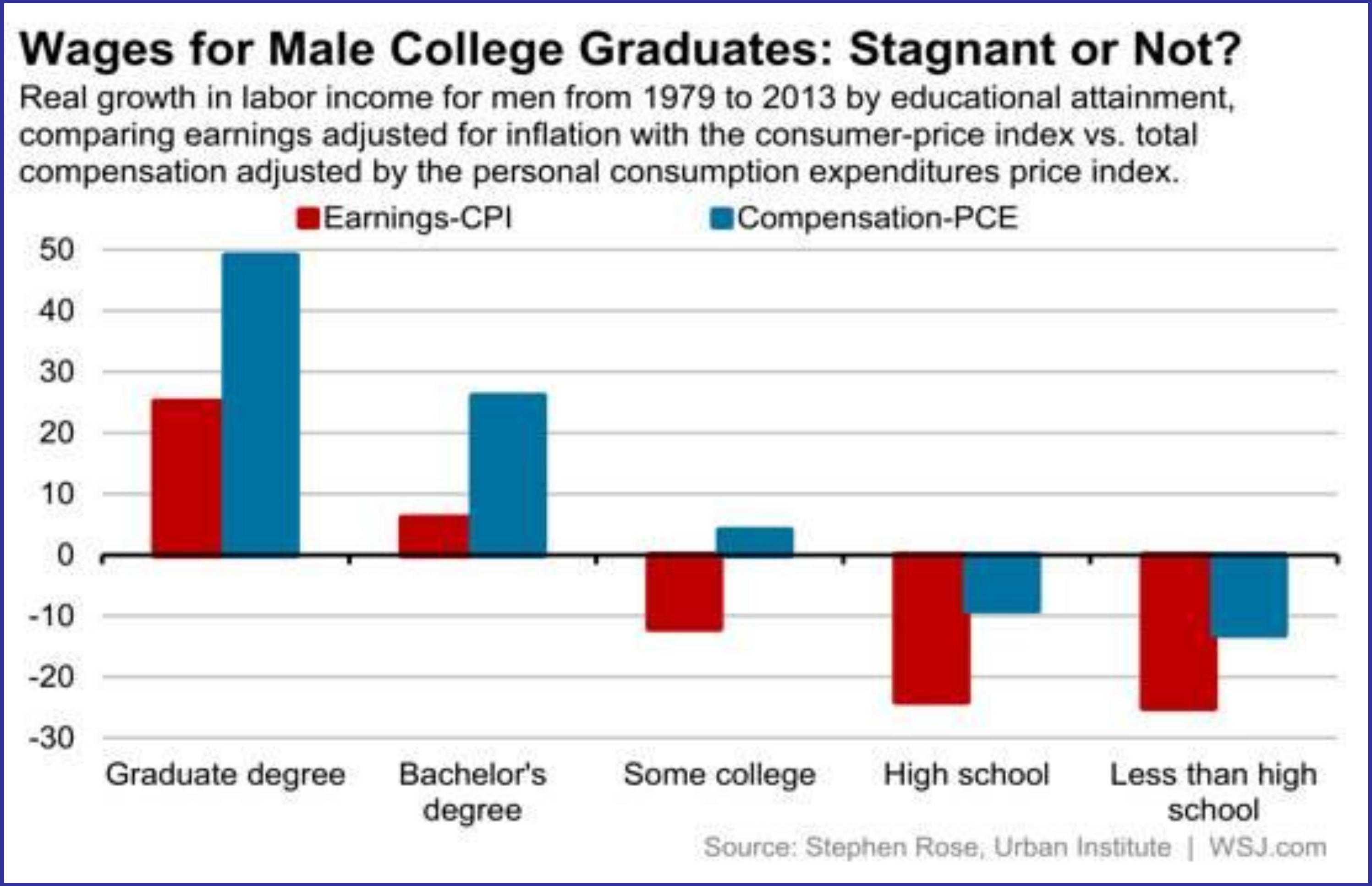
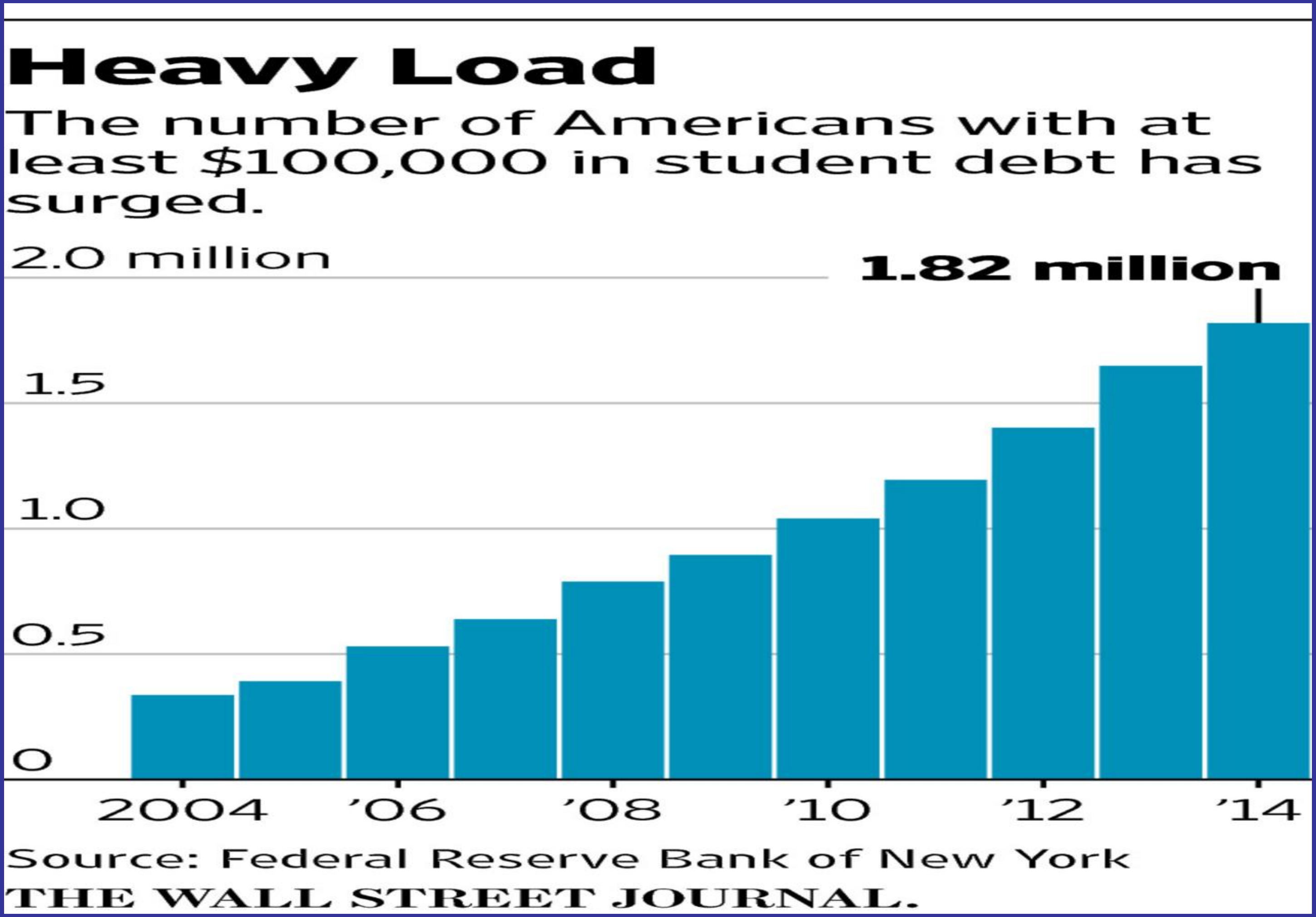
More evidence that education pays

Earnings vs Compensation - - compensation includes Benefits like employer paid health care, pensions, etc. while earnings are wages only. CPI and PCE are two indexes used to adjust for inflation



Source: WSJ (http://blogs.wsj.com/economics/2015/07/06/just-how-stagnant-are-wages-anyway/)

But, there is a serious problem with financing higher education – current debt exceed one trillion $ - this slows household formations and shifts demand for shelter to renting!!!



(http://www.wsj.com/articles/loan-binge-by-graduate-students-fans-debt-worries-1439951900)

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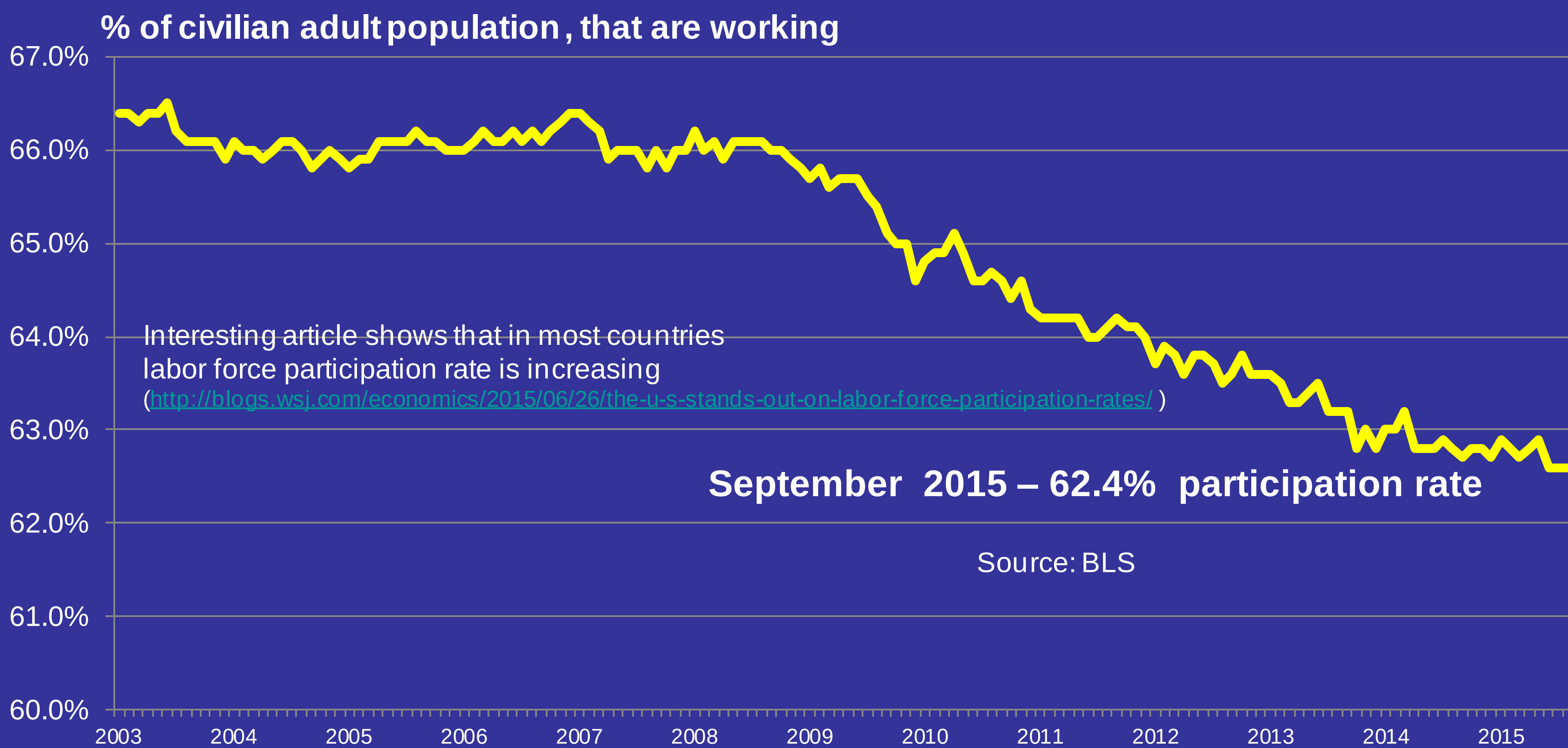
Labor force participation rate is shrinking – demographics is probably the main reason – we'll see skilled labor shortages increase over the next decade - we're already seeing construction related shortages with brick layers, masons, electricians, plumbers, etc. One solution – revamp our education system (a 4 year degree isn't for everyone – 2 year Community colleges, vocational schools, are better fit for many, and they are much cheaper). Excellent article (http://finance.yahoo.com/news/should-i-go-to-a-trade-school-162413337.html#)



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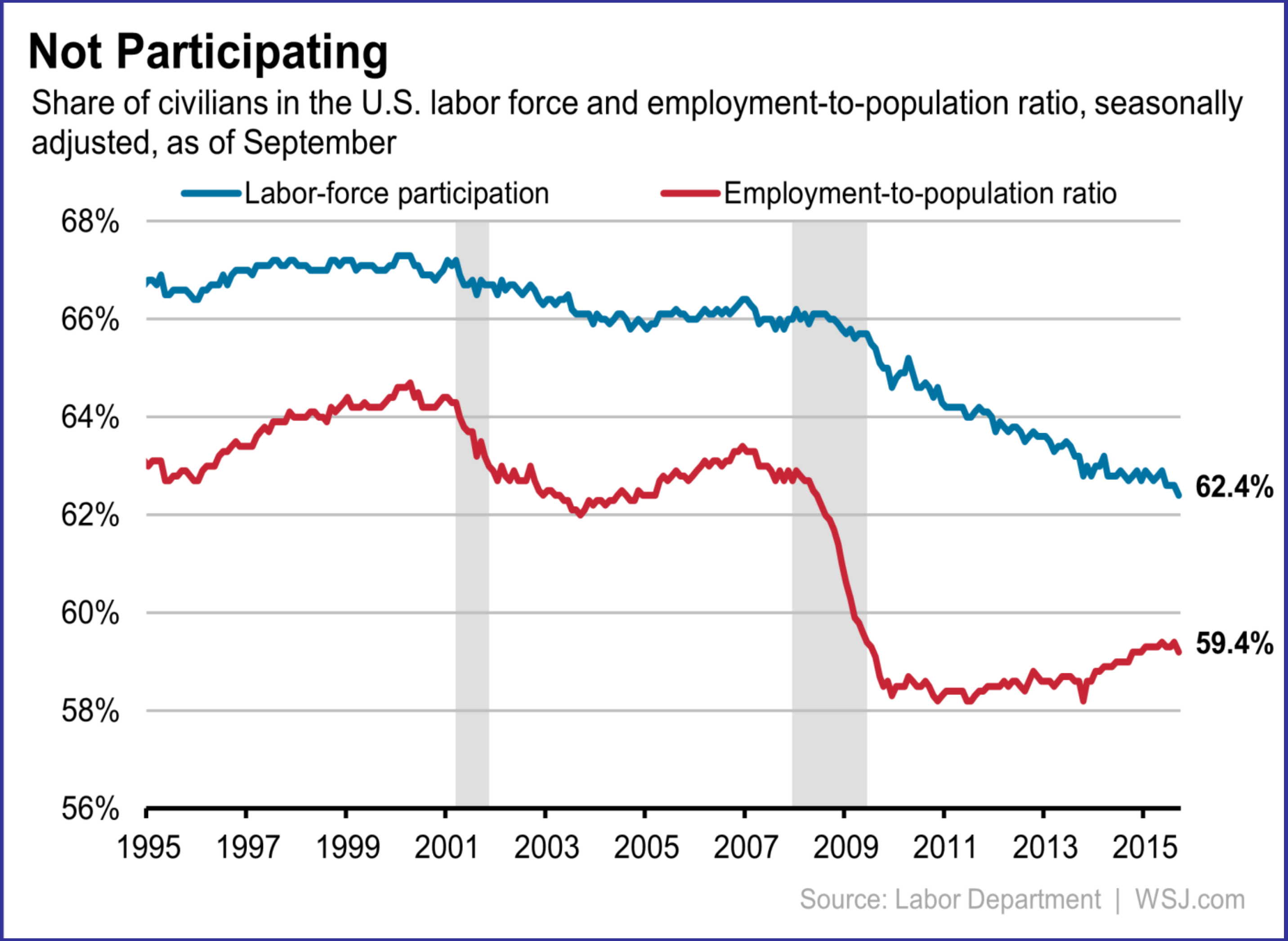
Aging population is part of the problem, but weak economy and mismatch
Between skills of job seekers and available jobs isn't helping



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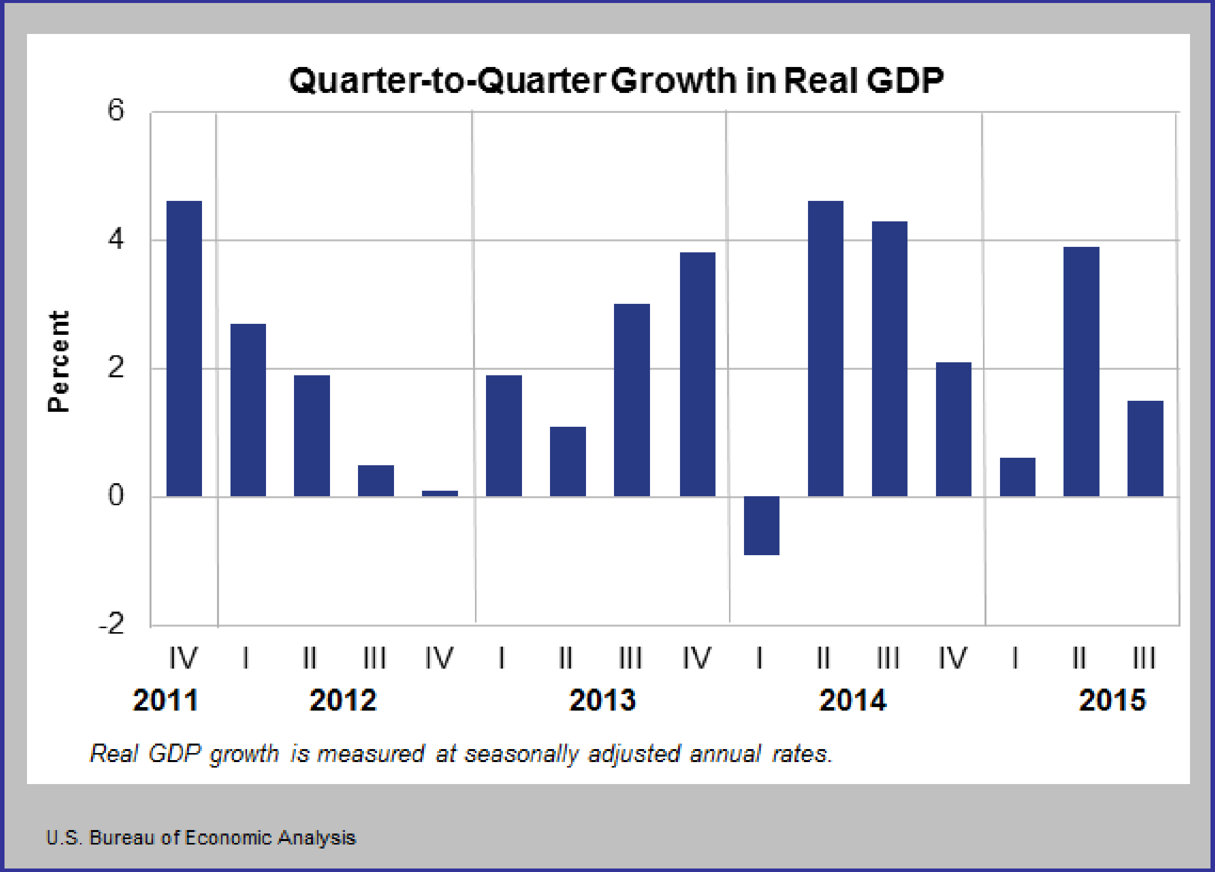
3rd Qtr Economic growth of 1.5% , down from revised 3.9% in Qtr 2 - - 2015/2016 GDP expected to remain below 3%

(1) Slowing world economy (weaker China and European growth)
(2) Stronger dollar will reduce exports and increase imports – negative impact on manufacturing jobs which is key to income growth in USA
(3) Political stalemate/weak leadership, terrorism, currency wars, growing national debt, ...
(4) Weak income growth and continuing high “real unemployment”



Source: BEA (http://www.bea.gov/newsreleases/national/gdp/gdp_glance.htm)

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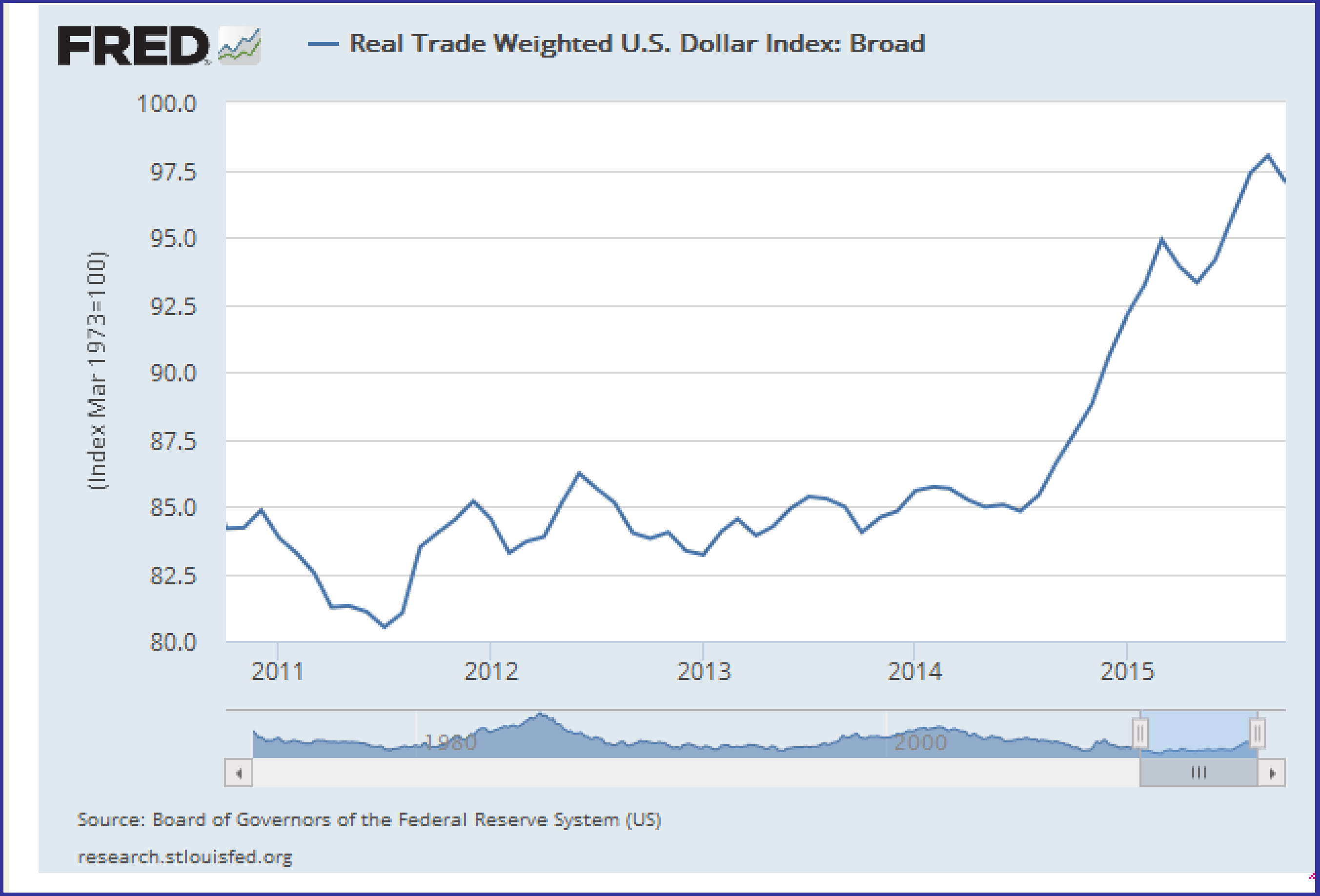
Strengthening dollar another headwind for U.S. economy

keeps inflation down, but hurts exports from key manufacturing sector
most countries are deflating their currencies to prop up weak economies
further strengthening US dollar



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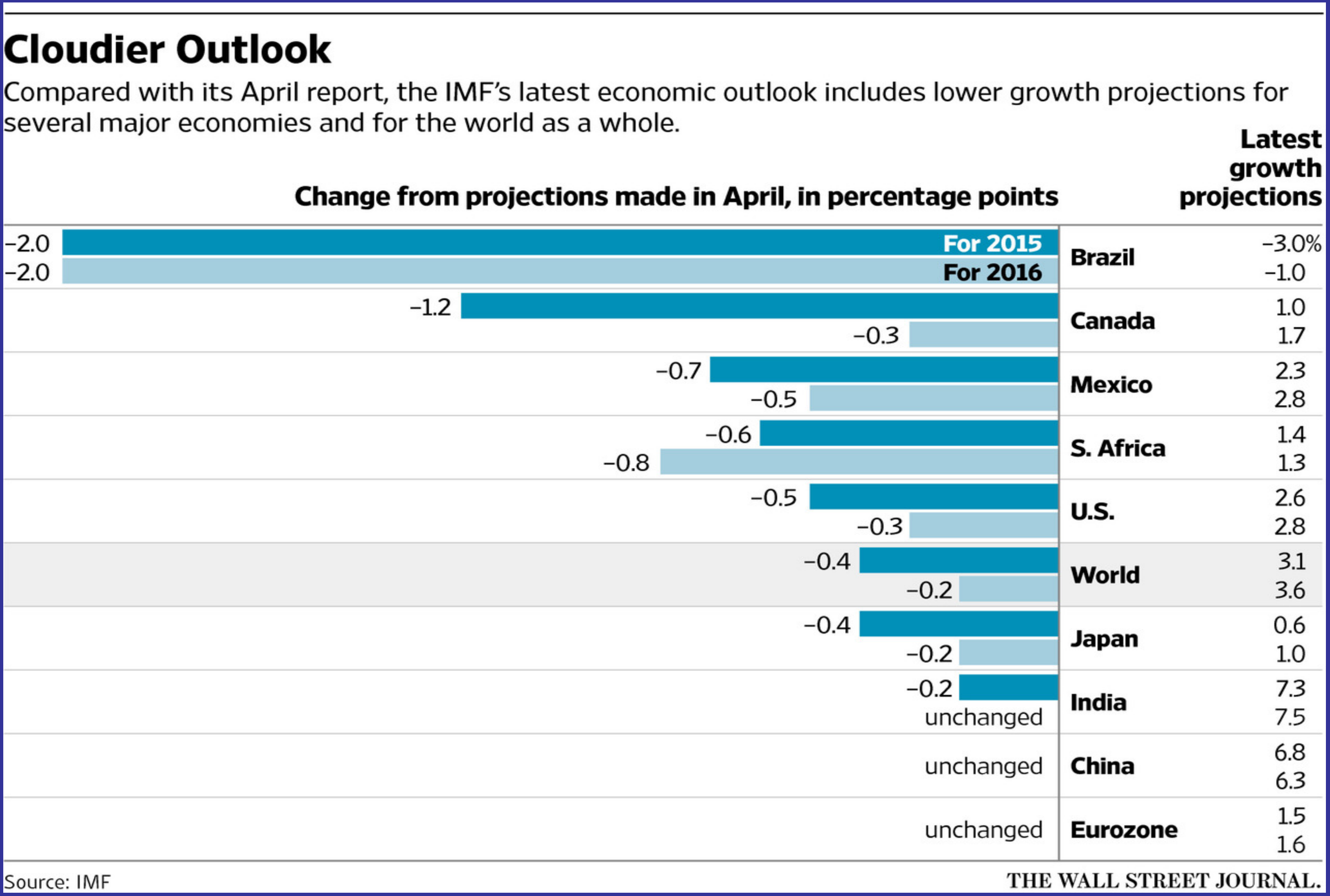
Latest IMF outlook (October) lowers GDP projections for 2015 and 2016 – why - slowdown in China and emerging markets, plus weak U.S. recovery and continuing problems in Europe



Source: WSJ (http://www.wsj.com/articles/imf-downgrades-global-economic-outlook-again-1444140016)

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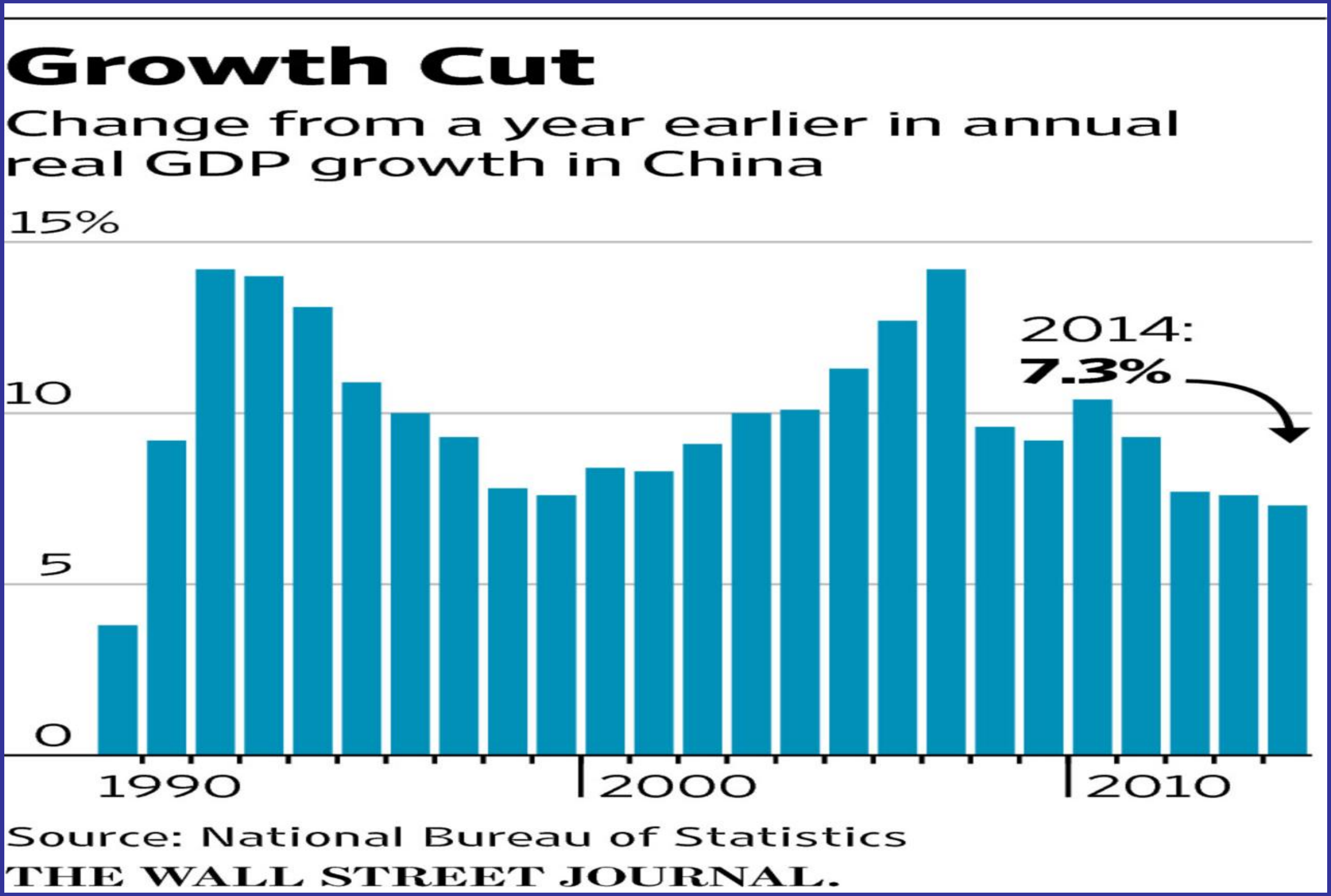
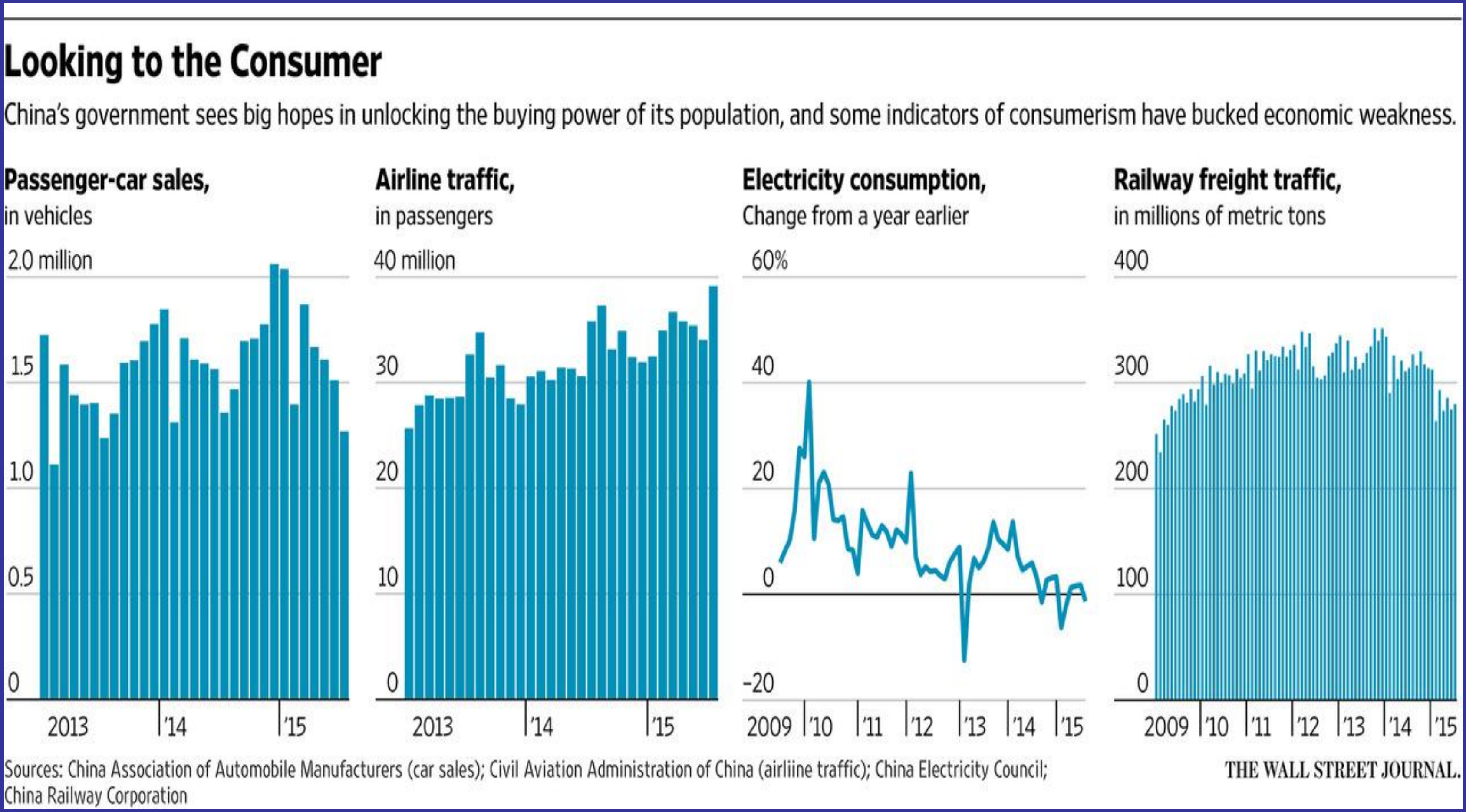
China's growth is slowing, – this is key to world economy (China is 2nd largest economy) and even more important for Commodity prices – the recent Yuan devaluation is an indication that the Chinese government is concerned. *For past 5 – 6 years, China accounted fro the bulk of world GDP growth so any slowdown will have major ripple effects*



Source: WSJ (http://www.wsj.com/articles/china-cuts-2014-economic-growth-to-7-3-from-7-4-1441593730)

China's economy shifting from infrastructure investments and exports (smokestack industries) To domestic demand driven economy (services and consumers) – this will take time – in the transition, GDP growth will probably slow significantly thus impacting world GDP growth



(http://www.wsj.com/articles/the-world-struggles-to-adjust-to-chinas-new-normal-1440552939?cb=logged0.14596216171606102)

Recent Housing statistics

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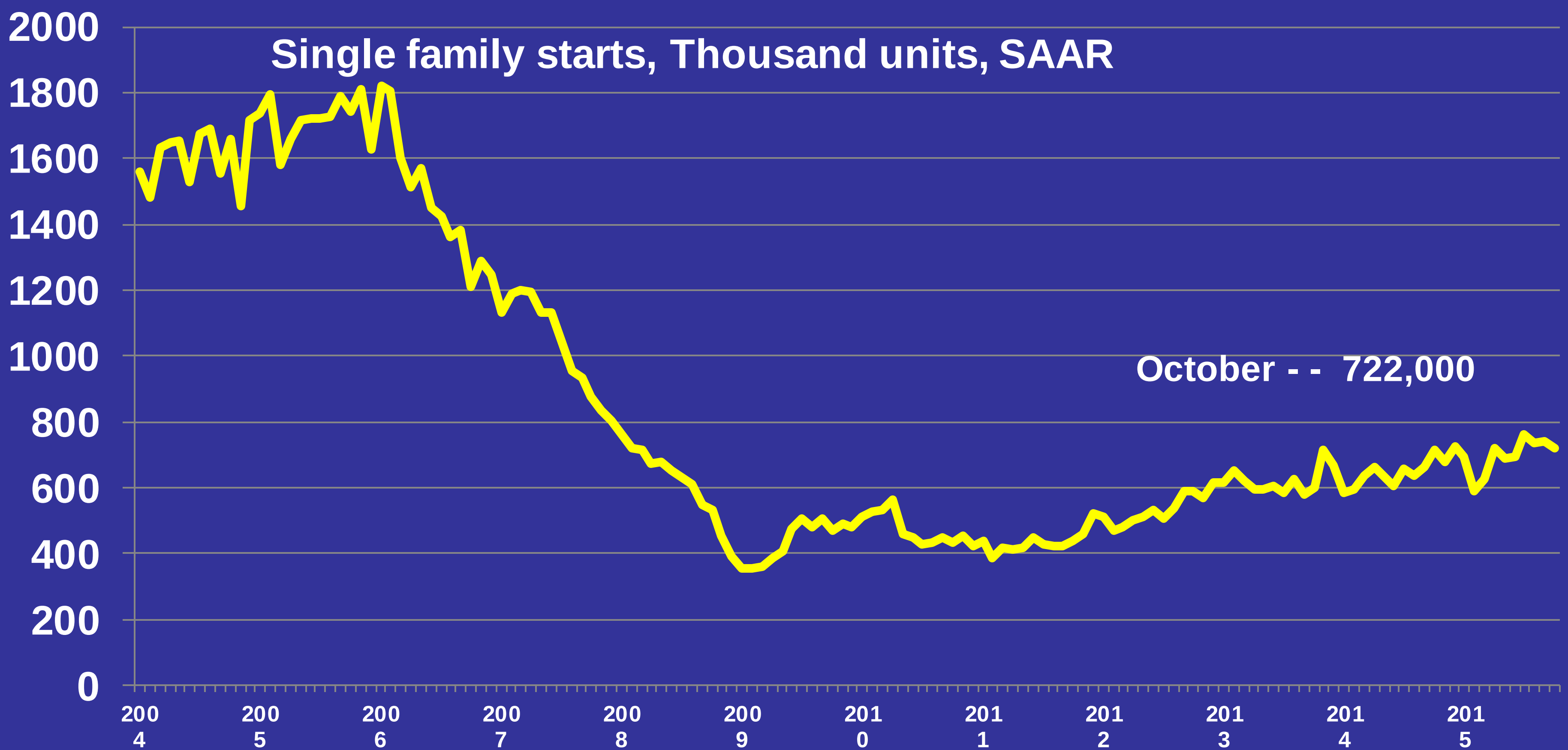
Starts are inching forward – I'm concerned that the Feds will 'grease the wheels" again – e.g., Fannie and Freddie, FHA --- lowering down payment requirements and premiums on mortgage insurance, …. I guess they forgot what happened in 2008? The FED has kept interest rates near zero for *8 years, but housing remains lethargic. Low interest rates won't fix housing!*



Source: Census (http://www.census.gov/const/www/newresconstindex.html)

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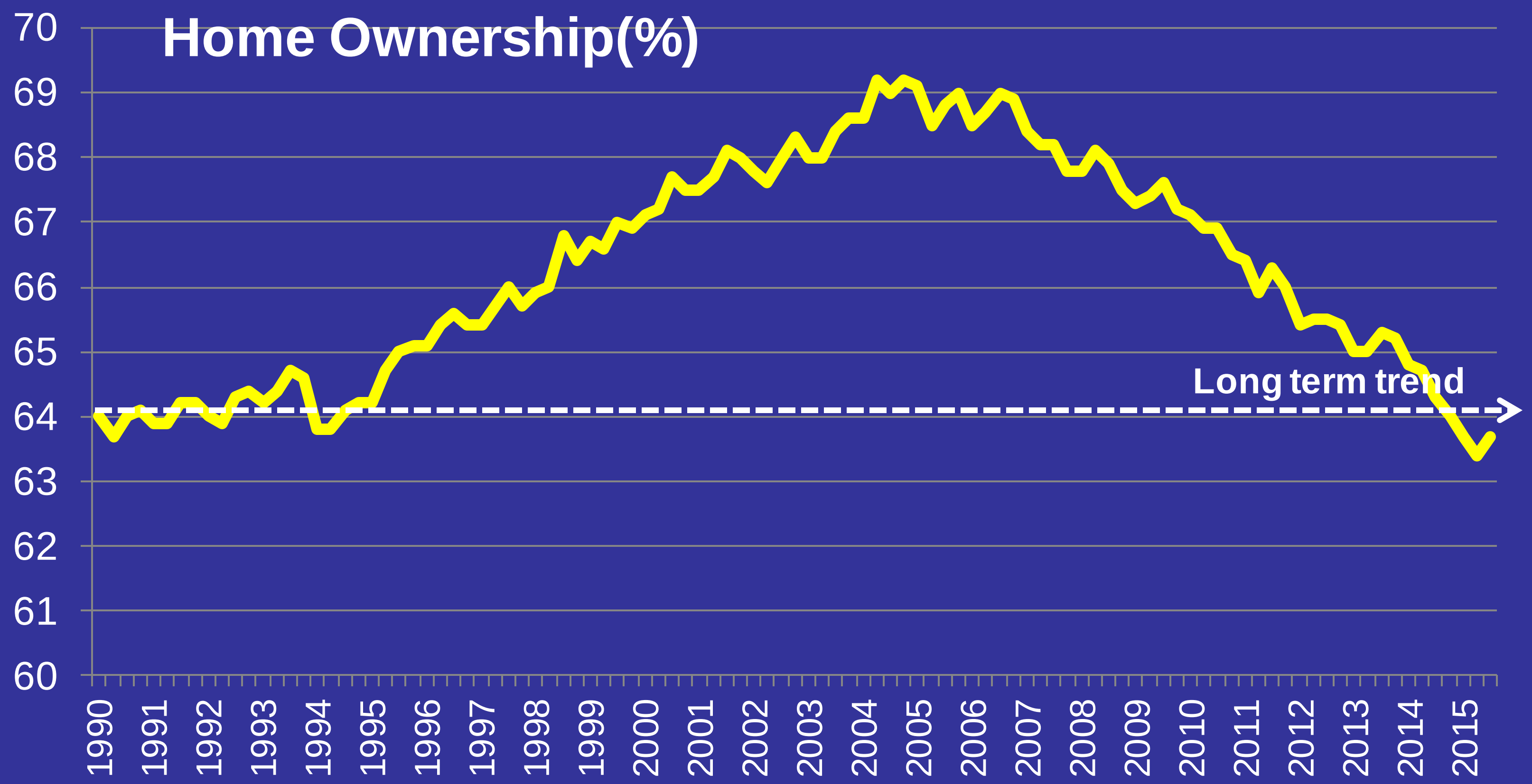
Impact of weak household formations and shift to renting - -
homeownership rates have been falling for the past ten years – when the economy gets back to normal, Will people return to to single family or will renting remain in favor with many? There will be impacts on wood products demand

Good article with some reasons why ownership is falling and why it will continue to fall for some time
(http://finance.yahoo.com/news/why-americans-waiting-longer-ever-070132848.html)



Source: Census (https://www.census.gov/housing/hvs/data/q413ind.html)

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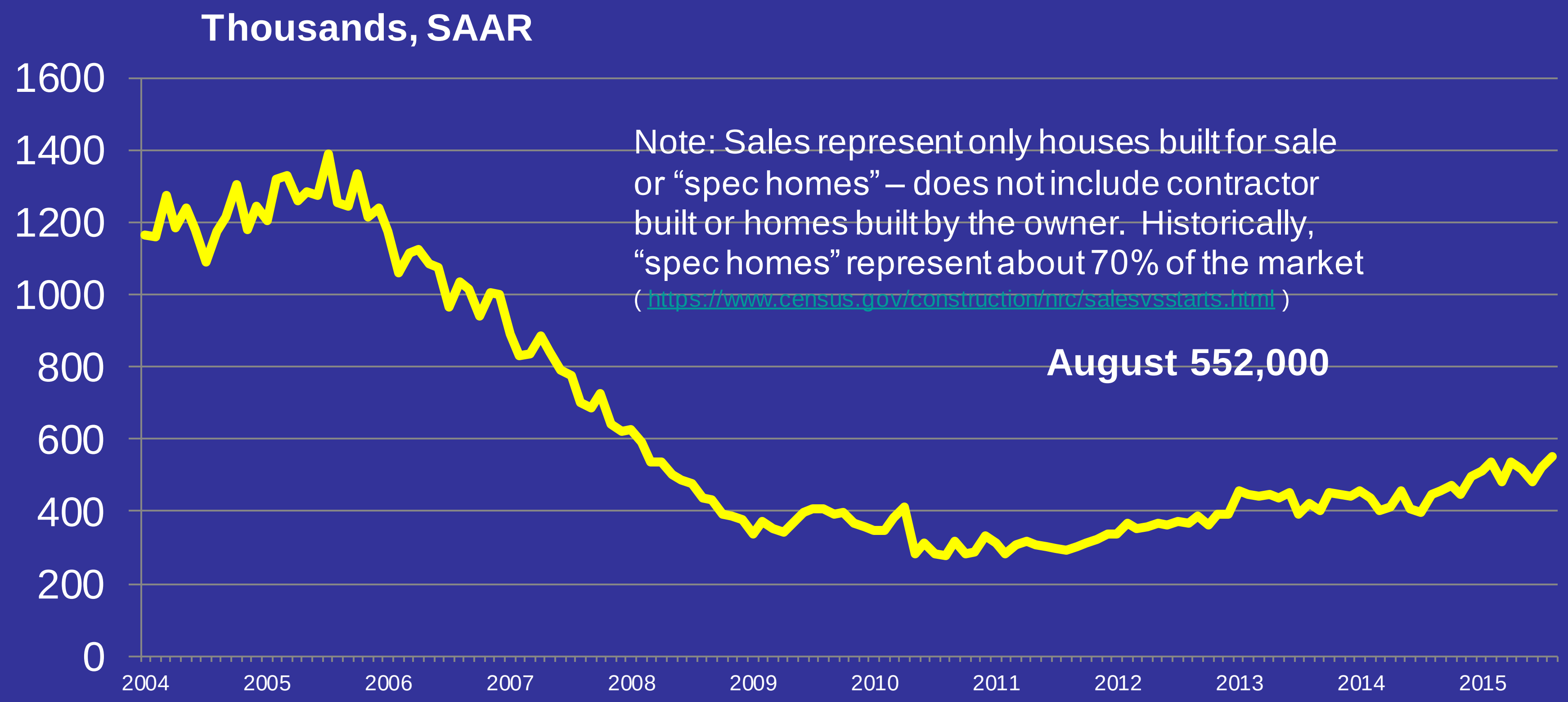
New Single Family Home sales are the key statistic to watch – sales drive housing starts – this drives demand for wood products.

Getting better – up 21% versus August 2014 but, still disappointing considering we're 8 years "recovering" from the 2008 collapse



Source: Census (http://www.census.gov/const/www/newressalesindex.html)

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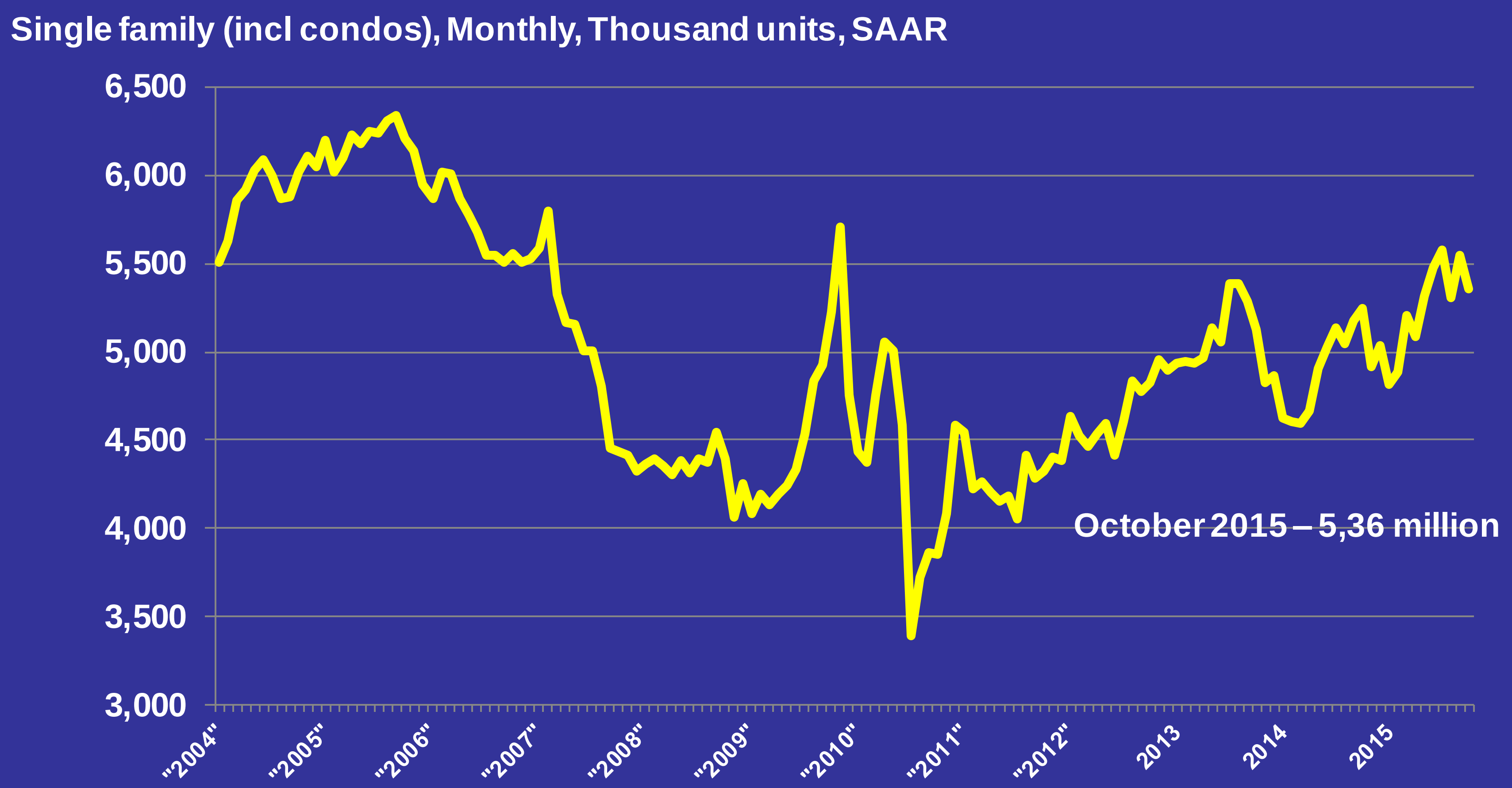
Resale market continues to improve, but still heavy to cash sales (24%) with 1st time buyers still below trend, but improving (traditionally they represent about 40 – 45% of market, but today they are at 32%). Another problem today is tight supply (which drives prices), currently at 4.8 months. Healthy market is about 6 months supply.



Source: NAR (http://www.realtor.org/news-releases/2015/06/existing-home-sales-bounce-back-strongly-in-may-as-first-time-buyers-return)

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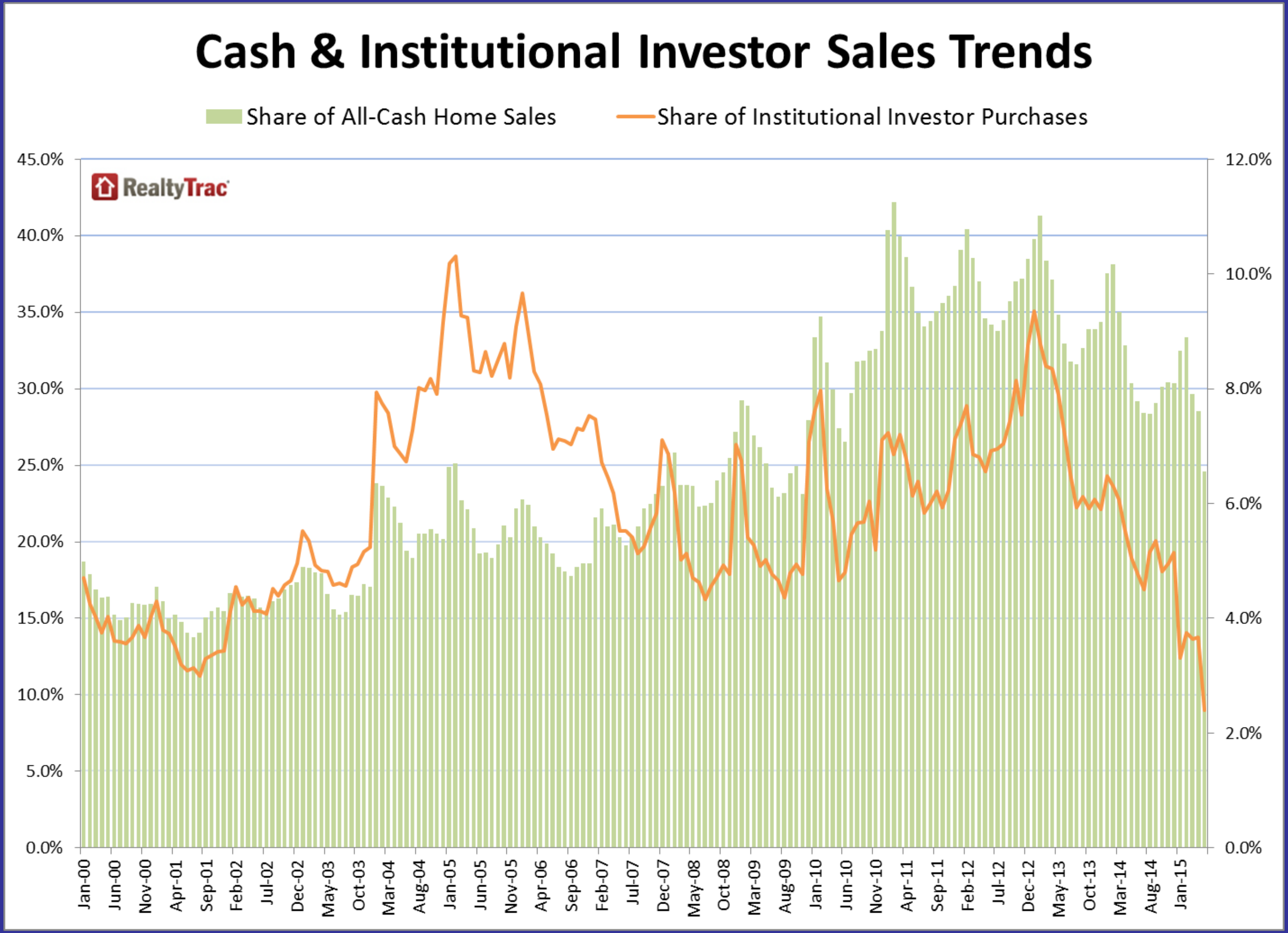
Cash sales back to trend values of 25% - good news for 1st time buyers - - we need a return of 1st time buyers to get back to a more traditional (and healthy) housing market (read excellent article by Realty Trac referenced below)



Source: Reralty Trac (http://www.realtytrac.com/news/foreclosure-trends/may-2015-u-s-home-foreclosure-sales-report/)

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Some conclusions – housing continues to improve albeit slowly

(1) Economy will continue to improve slowly -- 2015 growth expected to be about 2.0% - however, slowdown in China will have serious ripple effects on world economy

(2) Still not a healthy housing market - 1st time buyers (32% today) are below trend (45%) and household formations are off 50% from trend.

(3) The key to a recovery in housing is the return of 1st time buyers, traditionally about 40- 45% of the market. Current market still skewed to cash buyers and investors. 1st time buyers are mostly young people, but they can't find good jobs. Additionally, rising rents pose problems for home ownership - making it more difficult for renters to save for a down payment for home purchase.

(4) Political discourse will continue to slow a truly strong economic and housing recovery – too much uncertainty re: Affordable Care Act/Obama care; immigration reform; direction of economy. Now, the Fed doesn't know what to do – they seem confused – reading the minutes to September meeting is not encouraging – they say one thing, but then change their mind, again and again.

(5) Productivity becoming a problem for U.S. economy – real GDP driven by population (number of workers) and real GDP/worker or productivity. During past 7 years, productivity has grown 1.7% annually whereas the average over previous 17 years was 2.4%. The recent drop is probably due to in large part to lack of investment by private sector. That won't change much until they get more confident about the future of the country. Political discord is a real drag on the economy whether you want to believe it or not – it creates uncertainty, and clouds decision making. Plus, these are difficult times geopolitically. Uncertainty means less investment and slower GDP growth

(6) World economy is slowing – China, particularly, but Europe also experiencing problems as well as the commodity focused economies like Australia and Canada

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Longer term:

(1) Makeup of U.S. economy is changing and this is impacting spending patterns and housing choices. The job market is undergoing long term – structural – changes. Automation is reducing job prospects for the middle class while creating jobs for the highly skilled and less skilled sectors . End result is stagnating family incomes that could translate to lower total housing demand with more emphasis on multi family/rental demand. Doesn't bode well for wood product demand and prices.

(2) Education is more important today than ever before – don't forget two year programs; community Colleges; apprenticeships;… 4 year/University degree not always best option

(4) Currency devaluations are the preferred solution to "low inflation" concerns. Central banks in Europe and Japan are following the U.S. with quantitative easing/printing money, in order to spur demand by weakening their currencies. Good article in WSJ suggesting that the "low inflation world" is really a symptom of too much capacity relative to demand, and the solution isn't currency devaluation. Better solution may be developing technology to produce products that fulfill market place demands not being met by existing products (http://www.wsj.com/articles/global-glut-challenges-policy-makers-1429867807?mod=rss_markets_main)

(5) Eventually, Central banks will have to raise rates and nobody knows how the various economies will respond. We've never had so much liquidity in the system – it causes various types of bubbles (assets like houses, stocks, etc.), and a misallocation of resources. Interesting times ahead.

(6) Rental housing demand is expected to remain relatively strong for some time into the future – demographics; economy; debt/credit issues; … will constrain single family demand

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