

Housing/Real Estate Market

California Q2 housing affordability improved from last year: The percentage of households that would be able to afford the California median priced home in Q2 decreased to 30% from 32% in Q1, due to higher seasonal home prices. However, lower rates have lowered the mortgage payment and together with improvements in household income HAI improved compared to last year.

Housing demographics turn more positive: Although lower rates alone have not boosted home sales yet, the recent acceleration in household formation to 1.4 million per year (compared to 600,000 back in 2009-2011) should produce a more favorable environment for housing demand.

4 California cities make the top 10 for rent growth: As California's housing shortage continues, some of its cities are also experiencing persistent rent hikes adding up to 30% since 2014. In fact, California is home 4 of the top 10 large cities across the nation experiencing the fastest rent growth over the past five years. Rents in these 4 cities has grown twice as much as the national average.

Los Angeles ranks #42 of 50 for approved housing construction: As Americans continue to struggle with housing costs, the need for additional housing construction is indispensable. However, bills like SB 50, which provide potential solutions for the housing shortage, are currently stalled in state senate.

Macro Economy

The U.S. service sector slows in July: The ISM non-manufacturing index dropped to 53.7% from 55.1%, its lowest level in nearly 3 years. Although still above 50, the rate of growth in the service sector continues to cool off as worries of global growth and the trade conflict begin to extend beyond the factory sector.

Job openings dip in June, but labor market remains strong: The number of job openings fell slightly from 7.38 million in May to 7.35 million in June, but it topped 7 million for a record 15th month in a row. Job openings outnumbered the unemployed for the 16th month in a row, providing more evidence that the labor market remains strong.

Consumer credit expands, but grew at slowest pace in 3 months: While total consumer credit increased to \$14.6 billion in June, the annual growth rate was down to 4.3% from 5.3% the month prior. Revolving credit, primarily credit-card debt, contracted 0.1% while on the other hand non-revolving credit rose 5.8%.

Jobless claims fell to 209,000 in early August: The number of Americans who applied for unemployment benefits dropped another 8,000, suggesting that even though the economy has slowed some, companies are still growing fast enough to retain their workers.

Upcoming Data Releases

- Federal Budget – 8/12/19
- NFIB Small Bus. Index – 8/13/19
- Consumer Price Index – 8/13/19
- Import Price Index – 8/14/19
- Retail Sales – 8/15/19
- Q2 Productivity – 8/15/19
- Industrial Production – 8/15/19
- Bu. Inventories – 8/15/19
- NAHB Index – 8/15/19
- Housing Starts – 8/16/19
- Building Permits – 8/16/19

Producer Price Index (PPI) rose 0.2% in July, but yearly rate flat at 1.7%: One measure of inflation at the producer level rose modestly in July, but on a year-over-year basis showed little signs of inflationary pressures. In fact, stripping out volatile food, energy and trade-margin costs, the core PPI dipped 0.1% for the first time in almost four years.

Real Estate Finance

Mortgage rates dropped significantly: The 30-year fixed-rate mortgage fell to 3.60% from 3.75% the week prior. The interest rates for a mortgage are now hovering around a full percentage point lower than they were a year ago, making it cheaper and more attractive to borrow for a similarly priced home.

Mortgage applications increased 5.3% from a week earlier: The number of mortgage loan applications increased 5.3% on a seasonally adjusted basis from a week prior, mainly led by a surge in the number of refinance applications which went up by 12% and 116% from a year ago. The purchase index however saw another slight decrease of 2% when compared the week prior. Despite lower rates, high home prices are likely still preventing would-be buyers from entering the market.