

# THE ECONOMIC OUTLOOK GROUP



**475 WALL STREET**  
**PRINCETON, NEW JERSEY 08540 TEL: 609 • 529 • 1300**  
[WWW.ECONOMICOUTLOOKGROUP.COM](http://WWW.ECONOMICOUTLOOKGROUP.COM)

## ECONOMIC TALKING POINTS

Bernard Baumohl  
Chief Global Economist

July 17, 2009

### **Residential Real Estate Is On The Mend**

Those who declare the housing market has hit bottom received more firepower to their argument this morning. Housing starts jumped 3.6% in June, the second consecutive rise in new building activity. June sales came in at a 582,000 annual rate, the strongest showing since last November. The government also looked back at May and revised its starts up as well, from 532,000 to 562,000.

This rising trend in new home construction could be sustained. Permits for future ground breaking jumped a solid 8.7% in June, to a 563,000 unit pace, and that followed a 4% jump in May. The number of new permits issued last month was the highest of the year.

To put the latest set of starts and permit numbers into proper context, we have to see if other recent housing data corroborate the apparent turnaround in residential real estate. They do in our opinion. Just the other day, the National Association of Home Builders reported the builder confidence in July rose to 17, more than double the level in January and the best showing in ten months. Showroom traffic by prospective homebuyers picked up too and now stands at its highest since September 2008. True, these numbers are not blow out statistics, but homebuilders are on the front lines of the residential real estate sector and perhaps best suited to pick up nuances in the market.

Additional supporting evidence that housing is working to stage a comeback can be found in existing home sales, which represent more than 85% of total residential real estate purchases. Sales in May rose 2.4%, the second monthly rise, according to the National Association of Realtors. That report also showed median home prices for

existing homes now stands at its highest this year (\$173,000). Moreover, the inventory of homes for sale has been on a declining trend the past 12 months, even with the addition of foreclosures.

All this housing data buttresses the argument we made in a lengthy piece yesterday ([Economic Talking Points](#)) that the 2008- 2009 recession is effectively history. Of course this doesn't mean the US economy is headed for a typical recovery. Far from it; the country just barely survived the most atypical contraction in 70 years! But we are fairly confident the economy is now pivoting from contraction --- to stability ---- to modest growth this second half of the year. Hopefully, that transition will gain more credibility next week (July 23<sup>rd</sup>) when we get existing home sales data for June.

=====

© Copyright 2009 ALL RIGHTS RESERVED  
THE ECONOMIC OUTLOOK GROUP, LLC