



Economic and Market Watch Report

2nd Quarter, 2011



© 2011 Greater Fairfield County CMLS, Inc.
and NATIONAL ASSOCIATION OF REALTORS®

Reproduction, reprinting, or retransmission in any form is prohibited without written permission.

Greater Fairfield County CMLS, Inc.
Economic and Market Watch Report

The Greater Fairfield County CMLS, Inc provides MLS service to over 7,000 real estate professionals in southwestern Connecticut and is committed to providing property-based tools resources and support services to help our member’s serve the public and enhance their success.

Index

Local Report

Fairfield County

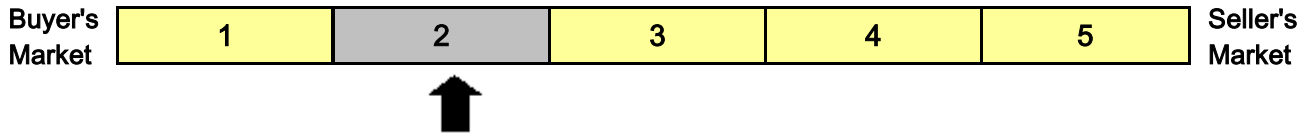
Bethel	1
Bridgeport	1
Brookfield	2
Danbury	2
Darien	2
Easton	2
Fairfield	2
Greenwich	3
Monroe	3
New Canaan	3
New Fairfield	3
Newtown	3
Norwalk	4
Redding	4
Ridgefield	4
Shelton	4
Sherman	4
Stamford	5
Stratford	5
Trumbull	5
Weston	5
Westport	5
Wilton	6

Litchfield County	
Bridgewater	7
Kent	7
New Milford	7
Roxbury	8
Sharon	8
Warren	8
Washington	8
New Haven County	
Ansonia	9
Beacon Falls	9
Derby	9
Milford	10
Oxford	10
Seymour	10
Southbury	10
OTHER	11
Trends	13
Chief Economist's Commentary*	14
Economic Monitor*	16

*Reprinted from [Real Estate Outlook: Market Trends and Insights](#). ©2011 NATIONAL ASSOCIATION OF REALTORS®. Used with permission. Reproduction, reprinting, or retransmission of this article in any form (electronic media included) is prohibited without permission. For subscription information please call 1-800-874-6500.



Fairfield County, CT



Labor Market :

In the second quarter, 2,490 jobs were added to the payrolls of Fairfield County. As a result of these new jobs, the average monthly unemployment rate fell from 8.8% during the first quarter to 8.3% for the second quarter. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q1' 11	Q2' 11	Q3' 11 (Forecast)
Average Price	\$551,200	\$594,100	↓
# Homes on the Market *	5,643	7,702	↑
# Homes Sold **	1,657	2,422	↓
# New Homes Built ***	68	127	↑
Avg # of Days on Market	115	116	↑

* Available as of Jun. 30, 2011.

** May not add to total of zip codes.

*** During the first two months of 2nd quarter.

Bethel

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06801	\$305,400	-9.40%	49	-16.95%	136	95.6%

Bridgeport

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06604	\$145,900	-0.82%	29	-17.14%	252	92.2%
06605	\$204,500	-19.27%	13	-18.75%	106	92.1%



Fairfield County, CT

Bridgeport

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06606	\$135,800	-12.22%	72	-16.28%	46	94.3%
06607	\$100,400	15.40%	5	400.00%	40	99.6%
06608	\$31,600	-65.69%	1	-66.67%		98.3%
06610	\$98,200	-4.01%	20	-39.39%	99	95.8%

Brookfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06804	\$465,500	16.49%	39	-20.41%	144	94.7%

Danbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06810	\$242,300	-6.77%	86	-9.47%	154	95.9%
06811	\$271,000	-4.91%	58	-20.55%	90	95.0%

Darien

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06820	\$1,629,100	36.16%	41	-28.07%	163	94.6%

Easton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06612	\$545,800	-9.25%	14	-30.00%	90	95.5%



Fairfield County, CT

Fairfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06824	\$746,200	5.90%	93	17.72%	162	93.1%
06825	\$390,200	1.91%	44	-10.20%	65	96.0%

Greenwich

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06830	\$1,532,100	-29.12%	18	5.88%	125	90.4%
06831	\$1,831,500	49.42%	10	42.86%	216	94.8%

Monroe

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06468	\$422,000	15.05%	32	-38.46%	62	96.7%

New Canaan

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06840	\$1,392,700	13.69%	44	7.32%	136	94.1%

New Fairfield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06812	\$365,700	-26.23%	30	-26.83%	69	91.0%



Fairfield County, CT

Newtown

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06470	\$466,200	0.45%	29	-23.68%	126	95.7%
06482	\$368,900	-0.54%	26	-3.70%	75	96.8%

Norwalk

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06850	\$413,400	8.42%	36	-25.00%	98	93.5%
06851	\$364,800	-10.04%	71	-5.33%	96	95.0%
06853	\$1,371,800	35.96%	16	-33.33%	114	93.7%
06854	\$376,500	6.90%	41	-18.00%	127	94.2%
06855	\$471,800	-19.18%	11	-8.33%	128	95.7%

Redding

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06896	\$677,100	-3.20%	15	-34.78%	74	92.0%

Ridgefield

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06877	\$715,400	12.66%	81	5.19%	108	94.0%

Shelton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06484	\$310,900	0.45%	82	-32.79%	101	95.0%



Fairfield County, CT

Sherman

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06784	\$513,000	-19.93%	11	-26.67%	114	88.3%

Stamford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06901	\$342,200	21.87%	9	-65.38%	51	94.2%
06902	\$524,900	12.74%	70	-38.60%	97	93.2%
06903	\$680,900	-18.83%	29	-36.96%	50	94.4%
06905	\$491,900	-2.09%	41	-21.15%	78	94.6%
06906	\$394,500	-9.39%	19	0.00%	99	97.1%
06907	\$428,200	11.34%	28	-3.45%	98	95.3%

Stratford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06614	\$237,900	-10.46%	90	-14.29%	98	94.9%
06615	\$214,700	0.80%	36	-34.55%	76	93.8%

Trumbull

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06611	\$418,400	3.31%	72	-10.00%	132	95.1%

Weston

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06883	\$949,700	5.49%	30	3.45%	119	92.0%



Fairfield County, CT

Westport

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06880	\$1,391,800	-2.28%	77	-9.41%	144	93.5%

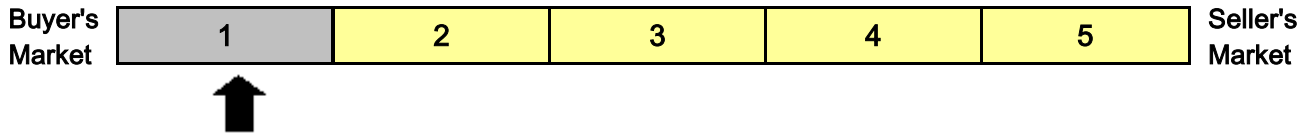
Wilton

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06897	\$818,400	-3.95%	39	-2.50%	128	93.0%



Litchfield County, CT



Labor Market :

In the second quarter, 1,149 jobs were added to the payrolls of Litchfield County. As a result of these new jobs, the average monthly unemployment rate fell from 9.4% during the first quarter to 8.5% for the second quarter. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q1' 11	Q2' 11	Q3' 11 (Forecast)
Average Price	\$481,200	\$466,400	↓
# Homes on the Market *	540	654	↑
# Homes Sold **	97	127	↓
# New Homes Built ***	7	33	↑
Avg # of Days on Market	213	129	↑

* Available as of Jun. 30, 2011.

** May not add to total of zip codes.

*** During the first two months of 2nd quarter.

Bridgewater

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06752	\$809,200	121.46%	3	-40.00%		83.5%

Kent

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06757	\$610,700	30.46%	4	0.00%	358	89.9%



Litchfield County, CT

New Milford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06776	\$282,200	5.65%	64	-21.95%	191	95.9%

Roxbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06783	\$1,013,800	-14.72%	4	-20.00%		88.5%

Sharon

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06069	\$719,400	66.34%	9	350.00%	156	93.3%

Warren

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06754	\$629,000	118.78%	1	-50.00%	871	90.1%
06777	\$295,500	-49.92%	1	-50.00%		84.4%

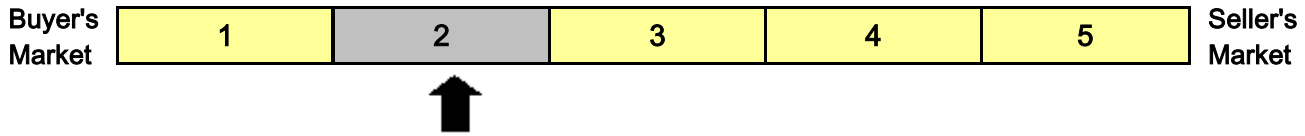
Washington

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06777	\$1,085,000	18.63%	4	-42.86%	61	92.4%
06793	\$1,301,800	-19.89%	4	-20.00%	241	83.9%
06794	\$916,000	-47.66%	3	200.00%		92.6%



New Haven County, CT



Labor Market :

In the second quarter, 2,450 jobs were added to the payrolls of New Haven County. As a result of these new jobs, the average monthly unemployment rate fell from 10.4% during the first quarter to 10% for the second quarter. This steady job creation will help buyer confidence and fuel home purchases down the road. Mortgage rates near 5% should support this trend.

Housing Market :

	Q1' 11	Q2' 11	Q3' 11 (Forecast)
Average Price	\$282,900	\$308,800	↓
# Homes on the Market *	591	795	↑
# Homes Sold **	175	245	↓
# New Homes Built ***	22	72	↑
Avg # of Days on Market	108	110	↑

* Available as of Jun. 30, 2011.

** May not add to total of zip codes.

*** During the first two months of 2nd quarter.

Ansonia

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06401	\$209,900	-1.46%	16	-27.27%	64	93.0%

Beacon Falls

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06403	\$218,500	-2.32%	13	62.50%	94	96.4%



New Haven County, CT

Derby

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06418	\$181,400	-16.10%	8	-70.37%	104	90.2%

Milford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06460	\$304,600	-4.75%	68	-16.05%	128	93.7%

Oxford

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06478	\$362,600	-2.08%	18	-28.00%	154	95.9%

Seymour

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06483	\$239,900	3.23%	28	-30.00%	50	95.8%

Southbury

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06488	\$328,700	-9.27%	24	-58.62%	46	95.1%



Others

OTHER

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06019	\$97,500	N/A	1	N/A	166	75.1%
06039	\$1,395,000	120.45%	1	-75.00%	595	87.2%
06058	\$200,000	N/A	1	N/A	112	80.3%
06378	\$2,600,000	N/A	1	N/A		91.2%
06405	\$236,500	-55.59%	2	0.00%	10	95.6%
06410	\$323,300	79.61%	3	50.00%		96.2%
06443	\$775,000	N/A	3	N/A	80	88.6%
06450	\$45,000	-55.00%	1	-50.00%	141	68.3%
06461	\$256,300	-11.28%	23	-37.84%	126	95.6%
06473	\$285,000	28.21%	1	-50.00%		98.3%
06477	\$378,200	-1.51%	14	0.00%	74	95.4%
06479	\$330,000	N/A	1	N/A		97.1%
06492	\$237,700	-2.98%	4	100.00%	29	97.9%
06511	\$80,000	-52.38%	1	-66.67%	116	72.8%
06512	\$245,000	54.09%	1	-66.67%		98.0%
06514	\$188,800	12.25%	4	-33.33%	7	93.5%
06515	\$272,600	N/A	2	N/A	17	96.1%
06516	\$194,300	-9.67%	18	-45.45%	82	96.2%
06517	\$269,500	19.62%	3	-25.00%	109	98.0%
06518	\$270,800	22.53%	3	0.00%		97.0%
06524	\$299,300	-21.40%	3	0.00%	137	94.6%
06525	\$530,000	-0.80%	5	-44.44%	84	94.5%
06704	\$78,800	-36.14%	2	-60.00%	86	98.6%
06705	\$93,900	-15.71%	4	-55.56%	19	95.4%
06706	\$82,400	-52.31%	1	-66.67%		91.7%
06708	\$96,500	-53.96%	8	60.00%	155	90.6%
06710	\$27,000	-84.12%	1	0.00%		67.7%
06712	\$271,800	-20.27%	8	33.33%	59	98.3%
06750	\$470,500	N/A	2	N/A		94.6%
06751	\$420,600	17.06%	4	-20.00%	162	92.8%
06759	\$387,100	-25.84%	5	0.00%	144	90.9%
06762	\$343,500	-29.48%	4	-66.67%	30	95.2%
06763	\$272,500	N/A	1	N/A	76	91.0%
06770	\$165,800	-14.84%	29	-27.50%	184	94.5%



Others

OTHER

Data by Zip Codes

Zip Code	Average Price	Price Change (1 Year)	Total # Homes Sold (Quarter)	% Change in # Homes Sold (1 Year)	Average Days on Market	% of Asking Price (Sold/List Price)
06786	\$236,000	N/A	1	N/A		94.5%
06787	\$174,300	N/A	1	N/A	197	92.2%
06796	\$708,300	N/A	3	N/A	63	95.5%
06798	\$524,600	39.48%	12	-36.84%	164	93.3%
06807	\$844,700	-22.10%	9	12.50%	85	96.4%
06870	\$1,034,900	-55.29%	7	0.00%	54	94.6%
06878	\$1,768,300	24.76%	3	-70.00%		91.6%
06880	\$327,700	N/A	3	N/A		96.9%
06890	\$661,100	-23.70%	10	-28.57%	75	92.2%
10590	\$345,000	-32.68%	1	0.00%		87.3%
12564	\$260,000	-38.82%	1	0.00%		94.5%
12594	\$549,300	N/A	2	N/A	236	93.9%

Stepping Out from the Shadow of 2010?

Ken Fears
 Manager, Regional Economics

The spring revealed some important patterns in the national housing market. After an abysmal summer of 2010 in which sales volume crashed in July following the end of the Federal tax credit, sales clawed back to respectable levels by the spring of 2011. However, this year's market is continually compared with the heated sales volume from the tax fed period of 2010. That is about to change.

Nationally, sales volume began to slide in May of 2010 easing 2.0% from April (using seasonally adjusted and annualized figures). The decline continued into June with a fall of 7.9% before the 26.2% crash from June to July. NAR's monthly national homes sales figure for June of this year was 8.8% lower than June of 2011, but this gap was smaller than May's 15.3% spread and sales last year fell sharply in July. Furthermore, NAR's Pending Home Sales index, which measures the volume of homes under contract, jumped 19.8% in June versus last year suggesting that homes sales in July of 2011 will likely surpass sales in July of 2010.

The ramifications of this shift in last year's market on the perception of this year's market is important. Sales have remained robust considering the lack of a credit in today's market. They could be better, but that will come as the economy gains its stride and employment improves. As the year-over-year comparison shifts to reflect last year's weakness, the



summer of 2011 will appear strong, boosting confidence. Low mortgage rates and stable employment will help to underpin the strength of sales this summer.

Locally, sales rose 7.5% in April of 2011 versus April of last year and were 10.6% weaker over the 12 months ending in June of 2011. Though the local pattern differs from the national, the strong local sales in June of 2010 suggest that sales are likely to be stronger in the later part of this summer and into the fall relative to sales levels in 2010, here in the market covered by Greater Fairfield County CMLS, Inc..

Perception plays an important role in economic behavior. Falling home prices weigh on consumers who spend less in turn. Home prices did not fall directly after the end of the tax credit in May of 2010, but much later, dipping in earnest in January of 2011. Prices have since begun to tick upward, but are likely to remain below last year's level until later this year or in the spring, but they should not venture much further down. Stronger sales growth will boost consumer confidence, which will help the economy and housing in turn...green shoots for the economy.

Taking Care of “Small” Business

by Lawrence Yun, *NAR Chief Economist*

The economy is barely crawling along. A recent sizable downward revision to GDP figures showed that the current economic activity – adding up all income generation from producing autos to providing haircuts – is still below the recent past cyclical peak achieved in late 2007 even though the country added over 10 million additional people in the workable age of 16-and-over. In short, it seems like “Progress in America” has stopped.

The latest data on the manufacturing sector is also not good. After having registered 22 straight months of expansion, the ISM index – which surveys managers in the manufacturing industry – posted a reading of 50.9 in July. The index had been in the 55 to 60 range in the first half of this year. Note that any index below 50 is considered as reflecting a contraction in the industry. The component on new orders showed contraction, though actual current production and employment showed slight expansion. Why the contraction after almost two years of expansion? One likely reason was the constant discussion about the debt ceiling in July which no doubt caused many business decision-makers to halt purchase orders. Consequently, a long-term resolution to debt debate is critical to restart up the manufacturing sector. Large companies are sitting on a pile of cash. They only need clarity and business confidence to start investing again.

The Federal Reserve, though having ended its Quantitative Easing (“QE2”) cannot be any more accommodative. It will no longer buy bonds with freshly printed money; rather, it will only repurchase bonds that are maturing in the Fed portfolio. Money simply cannot be printed in massive quantities for an extended period of time without raising the specter of inflation. Consumer price inflation has already notched up by 3.4 percent from one year ago, while many Social Security check recipients did not get any cost-of-living adjustment last year. They have to wait until 2012 before the COLA gets appropriately readjusted. Many workers, however, do not have automatic COLAs. Average hourly earnings rose 1.9 percent in from June 2010 to June 2010.

Such a slow wage growth assures slow consumer spending growth in the near term. With government spending expected to contract, for better or worse, and housing starts still struggling to gain traction, economic growth will be below the trend growth line. The second half GDP growth rate is expected to be less than 2 percent.

Slow economic growth also means a continuing worsening situation in budget deficit and national debt figures. History shows that one of the biggest sources of federal government revenue has been more people working and so more people paying taxes. The current unemployment rate of 9 percent is just too high.

Aside from the lack of enthusiasm among large companies, one major reason for the economic struggle is that small businesses – the entrepreneurial heart of America – cannot find funds either to establish themselves or to keep going. (It should also be said here that many real estate firms are actually small businesses.) Because of the small nature of such companies, these entrepreneurs cannot issue bonds like IBM or Disney.

Banks also have been extra tough on any borrowers without an established name. Small businesses, therefore, typically have relied on their owners' savings and housing equity for the funds to test out new business ideas.

Chief Economist's Commentary








But housing equity – that is, housing asset value minus mortgage liability – has greatly shrunk in the painful aftermath of the housing market crash. Currently, the aggregate of homeowners' real estate equity is at \$6.1 trillion versus \$13 trillion in 2006 according to Flow of Funds data from the Federal Reserve. The Census Bureau reports that there are 74 million homeowners. So on average, the average equity per homeowner in 2011 is \$82,000, down from the \$170,000 in 2006. Other Federal Reserve data from its Survey of Consumer Finances show that the median homeowner net worth is \$190,000. This larger net worth figure is due to homeowners having other assets in addition to housing equity (stocks, cash, etc.). In comparison, the median net worth of a renter household is \$4,000. The only good news at the moment is that further declines appear to be largely over. Price measurements from NAR, Case-Shiller, Core Logic, and the Federal Housing Finance Agency have all noted a slight uptick in home prices in recent months.

In order to truly give a push to the U.S. economy to get it on a sustainable robust growth path, small businesses need funds to establish themselves and to maintain operations. A home price recovery will be critical to that process in the upcoming years. Any obstacle to such a home price recovery will, therefore, hamper economic growth and job creation. As policymakers continue their discussions on future federal budgets, they need to be well aware that any trimming of housing-related programs – such as the mortgage interest deduction – will hurt home values and consequently derail many small business start-ups.

Stay “up to date” with Dr. Yun's views on real estate and economy by visiting the NAR Research “blog” at <http://economistsoutlook.blogs.realtor.org/>

Economic Monitor

This table reflects data available through April 1, 2011.

Monthly Indicator	Recent Forecast	Likely Direction Over the Next Six Months	Forecast
<p>Existing-home sales in June posted a seasonally adjusted annual rate of 4.77 million units – 0.8% off May’s level and an 8.8% decline from a year ago. Continued economic uncertainty, concerns about the federal budget, and a spike in contract cancellations contributed to the decline. At the same time, the national median price for an existing home rose 0.8% from a year ago to \$184,300.</p>	June 2011 4,770 May 2011 4,810 June 2010 5,230		Contract signings trending higher
<p>New home sales declined by 1.0% from May to June, registering a seasonally adjusted annual rate of 312,000 units. Still, June’s sales pace was a 1.6% increase from a year ago. The inventory of new homes available for sale continues to shrink -- at the end of the month, the supply of new homes was 164,000 – a 6.3-month supply at the current sales rate.</p>	June 2011 312 May 2011 315 June 2010 307		Rising new home price signals buyers are developing
<p>Housing starts increased in June to a seasonally adjusted annual rate of 629,000 units – up 14.6% from May and a 16.7% increase from June of 2010. Both single family and multi-family starts rose; on a year over year basis, multifamily starts were up by 104.8%.</p>	June 2011 629 May 2011 549 June 2010 539		Better than 20 percent increase, but need to wait till 2012
<p>Housing affordability remains at very impressive levels. NAR’s housing affordability index posted a reading of 166.5 in June, down from May’s revised index of 178.5, but above the reading in June of 2010. Changes in the index were due to a significant increase in the median sales price of a home from the previous month.</p>	June 2011 166.5 May 2011 178.5 June 2010 161.7		Price drop ends while mortgage rates rise
<p>Mortgage rates The average interest rate in July for a 30-year fixed mortgage rose to 4.55%. Current Treasury bond yields are at historic lows and may continue to decline slightly but temporarily. Mortgage rates will most likely move in the same direction since in today’s market nearly all mortgage originations have government backing.</p>	July 2011 4.55% June 2011 4.51% July 2010 4.56%		Inflationary and budget deficit pressures push up interest rates
<p>Employment The U.S. economy added 117,000 new jobs in July – better than most analysts expected and well ahead of the 46,000 jobs created in June. The private sector added 154,000 payrolls, while the government sector shed 37,000 – primarily in state and local governments. The unemployment rate declined slightly to 9.1%, due mostly to unemployed workers halting their job search.</p>	July 2011 +117 June 2011 +46 12-month total: +1,258		Only slow gains with no meaningful changes to the unemployment rate
<p>Economic Growth The U.S. economy continued to grow in the 2nd quarter of 2011, but at a slow pace. Real Gross Domestic Product (GDP) increased 1.3% from the 1st to the 2nd quarter of this year (annualized rate). This is the first estimate of 2nd quarter GDP growth based on incomplete data. Contributing to the positive growth in GDP were increases in exports, private inventory, building and nonresidential fixed investment, and federal government spending.</p>	2011:II +1.9% 2011:I +0.4% 2010:II +3.8%		Cruising forward, but at slow pace

Notes: All rates are seasonally adjusted. Existing home sales, new home sales and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics and Freddie Mac.