Perspectives

THIRD QUARTER 2016

Boom, Bust, Bounceback? Housing in the U.S.

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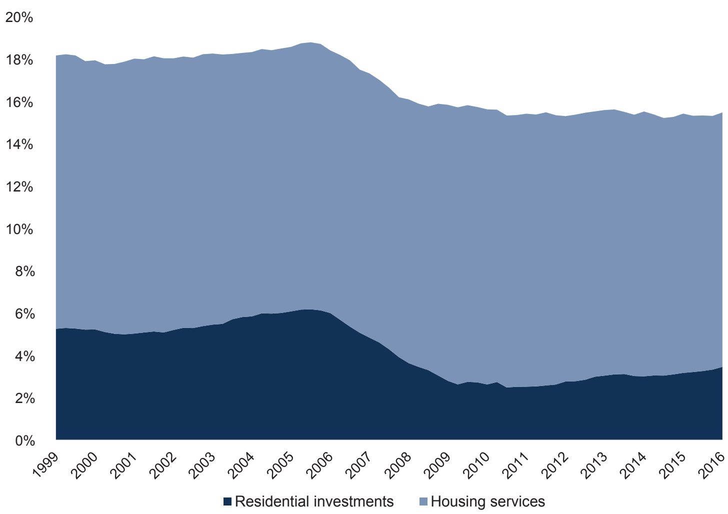
The State of the Housing Market

Many economists have pointed to housing as the trigger for the Great Financial Crisis that took place during 2008–2009. With the clarity of hindsight, we can see that there was indeed a housing bubble that burst across America in 2008. Now, economists are pondering when the housing market will return to glory and act as a much-needed tailwind for the economy once again.

Impact of Housing on GDP

Housing contributes to GDP in two basic ways: **residential investing**, which consists primarily of construction of new homes, and **consumption spending**, which consists primarily of rent, imputed rent (an estimate of how much it would cost to rent owner-occupied units) and utility payments.

Overall Housing as Percent of GDP



On average, housing has contributed around 17–18 percent of GDP in recent years, but that number dropped to just 15.5 percent when the housing bubble burst. A 2.5-percent drop might not sound like much, but it's 2.5 percent of a $16.7 trillion economy (some $417 billion in dollar terms). The main reason for this drop is that construction-related activity dropped from around 5 percent during the pre-bubble period to around 2.5 percent in 2010 — the lowest number on record.

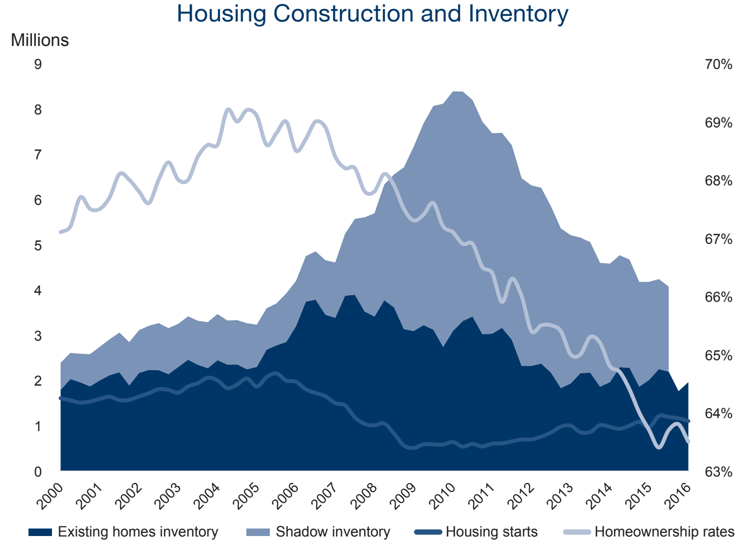
Housing — Post-Crisis

Lax lending requirements in the years leading up to the crash fueled a construction-related bubble. A tidal wave of no income, no jobs and no assets — or NINJA — loans led to an unsustainable amount of new homes being built. The resulting excess of supply has significantly restrained any pickup in construction activity since 2009.

By the beginning of 2010, there was an estimated 8.25 million homes in inventory, with more than 5 million of that labeled as "shadow inventory" (properties that are either in foreclosure and have not yet been sold or homes that owners are delaying putting on the market, often because they owe more than the houses are worth).

As mortgage lending got tighter, and the number of foreclosures rose to the millions, large real estate investors swept the market for bargain deals for rental properties. As a result, the homeownership rate dropped from a high of 69 percent in 2004 to 63.5 percent, near the lowest level in 50 years.

Housing Construction and Inventory



The Housing Market Today

After eight years of turmoil, home inventory levels and construction activity are beginning to look "normal" again. Economists estimate that we need to build around 1.5 million homes a year to keep up with demand, and since 2009 we have moved from around 0.5 million new homes to around 1.2 million new homes. Considering the pre-crisis excess home supply and the post-crisis undersupply of homes, we may even need to go above the required 1.5 million homes for a few years to catch up with long-term demand.

It seems reasonable to expect that the positive housing trend will continue and that housing will be a tailwind for the economy for the foreseeable future.

A resurgence in housing can be a big benefit for home buyers and sellers. Regardless of whether it's the largest debt or largest asset on your personal balance sheet, your home plays a critical role in your long-term financial plan. Before you refinance, post a "For sale" sign or make an offer the sellers can't refuse, contact your financial advisor to understand the impact these decisions can have on your finances.

Top 10 Ways to Avoid Becoming Phishing Bait

By Greg Wilson
Head of Information Security, 1st Global

A common issue that continues to grow as a problem in the technology world is phishing, which is a tactic used by cybercriminals to try to obtain financial or other confidential information from unsuspecting individuals. This is typically done through email messages or phone calls, with the ultimate goal being to steal money from the victim.

There are a variety of signs indicating that what you've potentially received is a phishing attempt. Be on the lookout for the following warning signs that could help you identify phishing tactics.

Generic greeting or header

Many phishing emails contain impersonal greetings, such as "Dear valued customer," rather than addressing you directly by name. Legitimate businesses will often personalize their communications with their customers by using their first and last names in the salutations.

Information sent to multiple receivers

If you receive an email with a sensitive document, such as a bank statement, that is sent to more than one individual, this could be another warning sign that the email you've opened is a phishing scam.

Improper use of the English language

Most phishing emails are automated or originate outside of the U.S., which results in poor grammar, spelling errors and improper sentence structure. They normally don't sound like anything that a person would sensibly say.

Domain/sender inconsistency

Phishing emails often appear with mismatching information, such as a display name that is different than where the email is coming from. For example, you might receive an email that claims to be from "Wells Fargo," but when you hover over the email link, the email address where the email is actually coming from is not a Wells Fargo email account at all.

Email signatures

Many phishing emails contain signatures that have simply been copied and pasted from websites, or the titles listed aren't the correct titles for the "senders" of the emails. If you notice that the name or title doesn't make sense, or if there is a nickname in quotes or parentheses, this could be another indication that it's not a trustworthy email.

Information verification

Banks will never send emails to request your personal information or to ask you to verify sensitive information. If you receive an email from a "bank" with such requests, you should contact your bank by calling the number on the back of your bank card or the number provided in your statement. You should not take any action based on the email, such as responding to the sender with your information or attempting to log in to your account by using the link provided in the email.

Unbelievable offers

Phishing emails frequently contain offers that are very promising but hard to believe. More often than not, if something seems too good to be true, it probably is. If you didn't initiate, apply or ask for something and suddenly become a "winner" of an incredible offer, it's highly unlikely that the information you're receiving is valid.

Requests for money

Phishing emails sometimes make pleas for individuals to wire money, often to other countries. They try to use heartfelt stories to gain sympathy, hoping to sway victims to send money to the requestors.

Threats

Cybercriminals will often use forceful messages that claim individuals are late on bill payments and will be arrested if they do not pay immediately. A professional debt collector will never use email — especially a physically threatening one — to obtain payment from anyone.

Links

Many phishing emails contain links that could lead to the spreading of malicious software on individuals' computers. If you have any doubts at all about a link in an email, do not click on the link. You can hover your mouse (without actually clicking) over the link to see if the address matches the link typed in the message or if it leads to a questionable site. Delete these types of emails, and delete them from your deleted emails. Do not forward these emails to anyone.

Phishing scams can come in a variety of forms, and it's important for individuals to be cognizant of the information they are giving out and to whom. Always verify the sources contacting you, and treat all unsolicited phone calls and emails with skepticism. It's better to be safe than to become phishing bait.

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