Weekly Real Estate & Economic Roundup

Highlights & Observations from Select Reports

August 1, 2012 by William L. Pittenger, MAI, SRA

Employment: The Bureau of Labor Statistics (BLS) will release the all important payroll jobs report for July on Friday, August 3rd at 8:30AM. That is very early in the new month so there may be a lot left to the imagination and a lot of room for revision later in the month. Nevertheless, the consensus among economists is for 100,000 new payroll jobs having been created in July. That would be stronger than the last couple of months when June delivered only 84,000 new jobs and May, less than that at 69,000. Not many of the indicators driving jobs are pointing to a strong report with one notable exception. The IRS reports that withholding tax deductions surged in July. It is not clear whether that is the product of employment or perhaps mutual fund distributions.

ADP, the payroll processing firm, releases a payroll jobs estimate two days before the official report by the BLS. They did so today. The report has not been very useful historically as it has consistently overshot the BLS by a large margin. Today's report suggests that the non farm business sector increased by 163,000 jobs in July and the private service-providing sector increased by148,000.

Serious Delinquency Rates as reported by Fannie and Freddie declined in June. Serious delinquency measures loans at least three payments past due. Fannie reported a decline from 3.57% in May to 3.53% in June. This is the lowest rate since April 2009. Peak delinquency occurred in February 2010 at 5.59%. Freddie reported a decline to 3.45% in June from 3.50% a month earlier. Freddie reached its peak at 4.2% in February 2010.

The Federal Housing Finance Agency (FHFA) (regulator and conservator for Fannie and Freddie) announced late yesterday that it would not allow debt forgiveness for borrowers in connection with mortgage modification. A study by the agency indicated debt forgiveness would be financially beneficial but the moral hazard outweighed the benefit. The action drew harsh criticism from treasury which supported debt forgiveness. Much more to come on this one.

The Institute for Supply Management (ISM) declined again in July suggesting that manufacturing has clearly weakened. It plunged significantly in June and remained below its neutral level in July. Sustained readings below neutral are indicative of manufacturing in recession or nearing recession levels. The sector is clearly softening and we expect more distress over the next few months due to headwinds from Europe and the slow down in emerging markets. The ISM now appears to be generally in line with what the regional Federal Reserve surveys have been reporting.

Retail sales fell again in June. Total sales are reported to have fallen 0.5% as compared to the more moderate 0.2% reported last month. Consumers have clearly pulled back on retail spending given slowing job growth and wage gains. Retail sales have now declined for three consecutive months.. June sales were 0.4% below the second quarter average. At the same time, the savings rate increased to 4.4% in June from 4.0%. That is to be expected when spending is down for reasons not related to rising layoffs.

The **National Multi Housing Council** (NMHC) reported that apartment market conditions tightened again by just about every measure in the second quarter. Even as construction ramps up, supply is being outstripped by demand. Conditions beg the question of whether a sector bubble is forming.

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