



U.S. Economic Forecast: Update – U.S. Housing

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Home equity has been both the most comforting and most disturbing housing factor over the past several decades. Prior to 2008 home equity was an important part of every American's financial portfolio. Decades of increases in value provided confidence in future financial stability.

After 2008 and the destabilizing mortgage crisis, home equity eroded and took individual financial confidence downward. The trend has changed, since 2010 the home price index has increased 38%. Since consumers a more conservative approach to debt after 2008, the combination, conservatism and higher

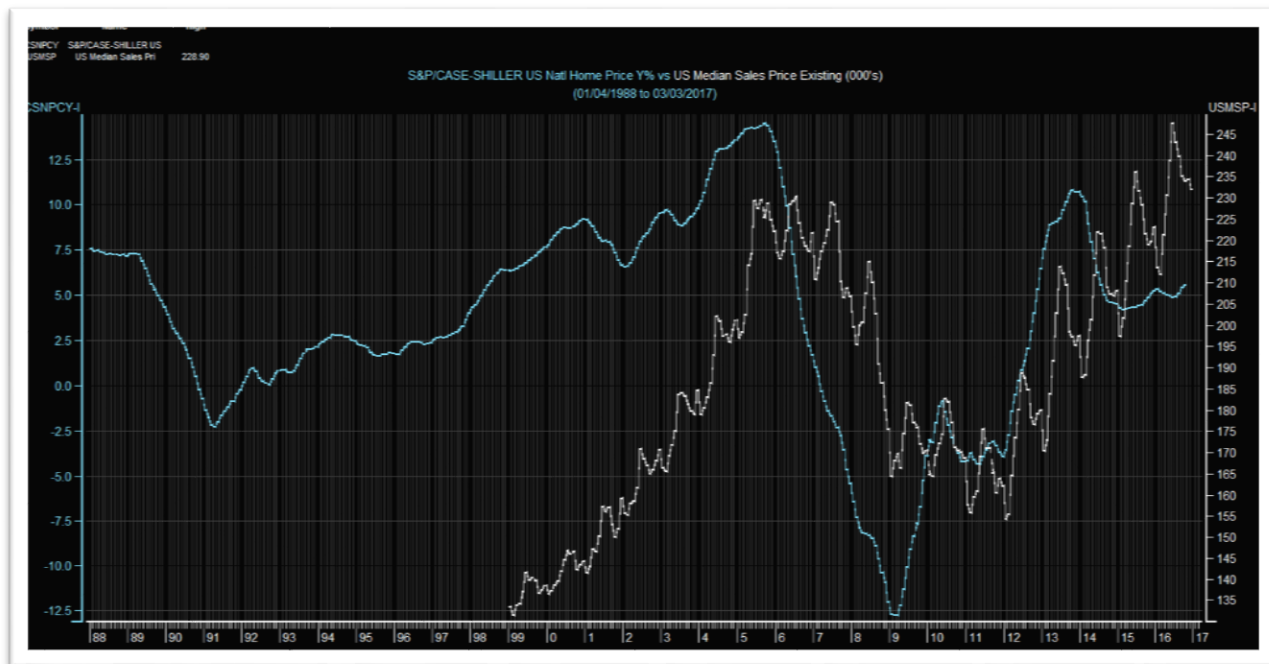


Figure 1: U.S. Median Sales Price Existing Homes & Case-Shiller US National Home Price YOY%

prices, has increased home equity (value of the home less any mortgage amount), 2 times over the past 5 years to \$12.7 trillion.

The importance of home equity levels is evident when it is understood that every \$100 increase in home equity translates to a \$2 increase in consumption. The recent increase in home equity provides a boost in consumption spending of \$100 billion over 5 years. Consumption spending is good for the American stock market.

References:

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