May 2016

Real Estate *and the* Economy

The U.S. economy continued to expand in 2015, though the pace of growth was both choppy and below the pace set during previous periods of economic expansion. The growth rate for 2016 is projected at just 1.6 percent, reflecting softness in business investment and weak export activity. The economy has averaged an increase of more than 2 million jobs per year over the past four years.

meanwhile

The unemployment rate decreased to **5%** as of March 2016.

and

Existing Home Sales increased

2014	2015
4.94m	**5.25m**

Home prices have exhibited **robust gains** since mid-2012. Median existing home prices increased by **6.8%** in 2015 and are expected to increase by **4.2%** in 2016. Declines in the number of distressed properties on the market coupled with limited inventory have contributed to sustained price gains.

New home construction is the primary way to alleviate tight inventory conditions. However, home building has been well below the level needed to keep pace with the creation of new households; total housing starts were **1.1 million** in 2015, compared to a **1.5 million** rate needed to align construction with demand.

Continuing gains in home prices have helped homeowners regain much of the wealth that was lost during the Great Recession. Based on information from the Federal Reserve, homeowners' equity now stands at **$12.5 trillion**, up from a low in 2011 of $6.5 trillion.

Although the national homeownership rate fell to a generational low of 63.4% in mid 2015, homeownership remains an important part of the economy.

remember

Real estate has been, and remains, the foundation of wealth building for the middle class and a critical link in the flow of goods, services and income for **millions of Americans**. Accounting for **18 percent** of the GDP, real estate clearly is a major driver of the U.S. economy.