

June housing starts were expected to be down a little, they jumped 3.6%; building permits were also a lot stronger than forecasts, +8.7%. In May starts increased 17.3% but most of it was in the multi-family sector, in this June report single family starts were up a very healthy 14.4%, in May single family starts were +5.9%. The increases in permits was a surprise and implies that weather issues that were a focus in the May data may not have been a fluke after all. The increase in single family starts is the largest month over month increase since May 2004. The report adds even more credence to the view that the housing sector may be seeing some light; at least that is how markets are taking it this morning, sending treasury and mortgage prices lower. Slice it, dice it, argue with it; the markets will take it as a sign those green things Bernanke coined are growing.

A word on economic forecasts; almost every forecast for the various sectors of the economy are beating the estimates recently; not only in the economic releases but with the present earnings reports from key public companies. The better than expected data flow has fired up the equity markets and taken the wind completely out of the interest rate markets. Can't fight the tape, but we wonder aloud whether beating estimates is that significant in this present situation. Most forecasts and estimates are in the context of a very serious recession and may be influenced by the bearish sentiment, and in turn pessimistic. Beating psychologically bearish sentiment is not as significant at major economic turning points. Just a thought, regardless it is what it is and there is an increasingly more optimistic economic outlook that will continue to have a negative impact on interest rates as long as it lasts.

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Statistics You Must Know (Portland RMLS Data)

Time period (June, 2009)

Total Active Residential Listings 14,491

Total Market Time (June, 2009) 147

Compared to last year (June, 2008) 76

Number of Sales (Year to date) 7,499

Compared to last Year (Year to date) 9,844

Average Sales Price (June, 09) \$299,800

Average Sales Price (June, 08) \$348,800

Avg. Sales Price, Year to date (June, 09) \$295,100

Avg. Sales Price, Year to date (June, 08) \$335,700

Average Sale Price Month-to-Month (May, 09 vs. June, 09) +2.9%

Average Sale Price Year-over-Year (June, 08 vs. June, 09) -14.0%

Inventory in Months (June, 2009) 8.2

Inventory in Months (June, 2008) 9.5