



The Component Connection

"Our connection to you!"

A publication of Cascade Mfg. Co.

August 15, 2005

Is There a Housing Bubble?

Good Morning,

Perhaps the best answer to this question is, **"It depends on who you ask."** The residential construction industry has been a pillar of the U.S. economy for many years. In fact, until the general economy began its current turnaround, housing has been one of the few bright spots in the economy since the tech collapse of the late 1990's. In recent months there has been talk of a housing bubble.

A research report issued June 27th by Wachovia Securities has the opinion that fears of a national housing bubble are overstated. According to the report, 2005 is poised to be another record year for total housing units sold (both new and existing) besting last year's record performance. Wachovia's expectations are for a softening in demand in 2006. However, the essentials of another strong year will still be present—a strong economy, a favorable supply/demand balance, and a relatively low inventory of new homes for sale.

Many demographic influences are present for this favorable outlook such as an expanding population and household formation, smaller households, a higher rate of home ownership, more second homes, greater mobility, an aging housing stock, rising immigration levels, and an aging population. These influences and others are some of the reasons cited in this report.

An interesting statistic in this report, furnished by the National Association of Realtors, is the median price of homes versus qualifying income in the United States by region. These are summarized below.

Region	Median Price	Qualifying Income
Northeast	\$244,900.00	\$54,980.00
Midwest	\$154,800.00	\$34,752.00
South	\$168,100.00	\$37,738.00
West	\$291,400.00	\$65,419.00

Source: National Association of Realtors.
 Note: National and Metropolitan Area qualifying income is based on Q1 2005 median prices, while the Regions use the March 2005 median price.

If a housing bubble does exist it would be in certain markets where the ability to qualify for a mortgage is exceeded by the median price of housing. A conclusion would be that the affordability of housing in the Midwest markets appears good.

At Cascade Mfg Co we have made an investment in the healthy future of housing. Give a call and let us help your customers' with their investment in the American Dream.

