



## The Glass of Water

Good Morning,

Our industry has been blessed with a long period of growth. During the recent economic downturn, housing seems to have been one of the few bright spots in an otherwise gloomy domestic scene.

As has been well publicized, the past couple of years the Federal Reserve has been incrementally raising the overnight lending rate. This action has been an effort to keep inflationary pressures in check while allowing the economy to continue the current recovery.

The increases, while small, have resulted in higher costs for financing. Whether buying a new car, expanding your business, or building a new home, the bottom line is *the cost of financing has increased*.

Mortgage rates vary but seem to be holding around the 6.5% range. In our industry, the effect has been a drop in new home starts as well as permits for future construction. Homebuilders are in a period of transition. Demand from speculative construction is easing and affordability in higher-priced markets is an issue.

This situation should not come as a surprise to anyone.

Is housing headed toward recession? In one word... **No!**

The positives far outweigh the negatives in housing's long-term future: a growing economy, steady unemployment picture, and new business formations are up.

Consider mortgage rates of twenty-five years ago. A check on this may help to put things into perspective. Many of today's homebuyers are not familiar with double-digit mortgages, high unemployment, and stories of business closings. This was the economic situation at that time.

Looking at the current housing climate as the proverbial glass of water, some may think business is heading into the tank and see nothing but bad times ahead. This is not to say that housing is maintaining its record-breaking pace of the past several years--because it isn't.

At Cascade Mfg Co we prefer to view the glass as being half-full. We are ready for the challenge ahead and look forward to the opportunity that comes with the challenge.

