

# Another Housing Recession?

By Harlan Green, Special to VOICE

## THE 30-YEAR CONFORMING FIXED RATE HAS AGAIN RISEN

above seven percent in just one month, and the effect is immediate. Housing construction has slowed once again, in spite of the severe housing shortage.

Construction is 14.8 percent below the revised December estimate of 1,562,000 and is 0.7 percent below the January 2023 rate of 1,340,000, according to the National Association of Home Builders, and we know why.

The just-released Fed minutes from January's FOMC meeting showed how timid the Fed Governors have become. They want a complete surrender of any inflation. Inflation will only be conquered in their eyes when it has already surrendered.

"In discussing risk-management considerations that could bear on the policy outlook, participants remarked that while the risks to achieving the Committee's employment and inflation goals were moving into better balance, they remained highly attentive to inflation risks. In particular, they saw upside risks to inflation as having diminished but noted that inflation was still above the Committee's longer-run goal."

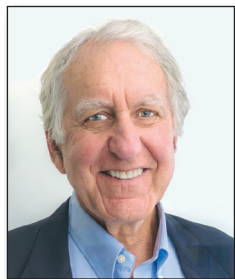
Wholesale prices tell us which direction inflation is trending and service inflation has slowed considerably in the past year, with wholesale service prices rising by 2.2 percent in 12 months.

The cost of wholesale goods, meanwhile, fell for the fourth month in a row and is down 1.7 percent in the past 12 months. The decline was led by gasoline. The wholesale cost of partly finished goods fell slightly last month and is 3.8 percent lower compared with a year ago. The cost of raw materials is down an even sharper 15 percent compared with a year earlier.

This indicates inflation that continues to trend down, rather than "stubborn" inflation. And that is puzzling many economists, because the retail CPI focuses on rents, for instance, some 40 percent of it, is making an outsize influence on the inflation index, when there are other more balanced inflation indicators that we have been talking about.

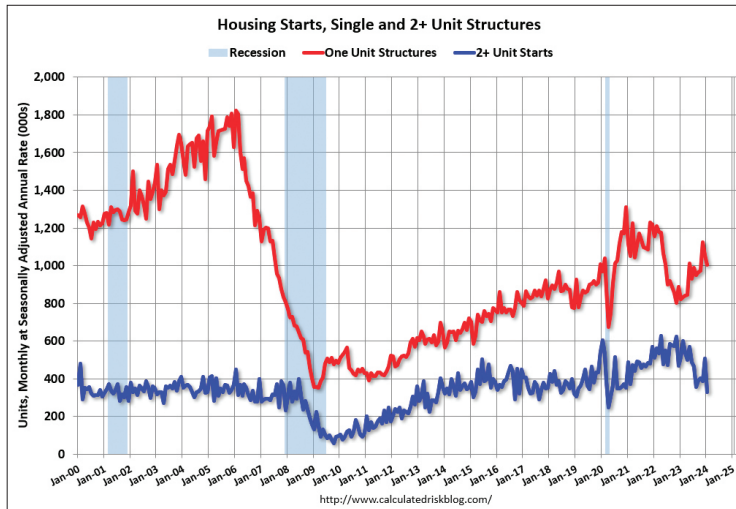
This particularly irks Realtors and the National Association of Realtors since high interest rates are the main cause of the housing shortage, with housing barely out of its own recession.

"One big source of stubbornness to further calmness is that housing



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Harlan Green has been the 18-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker. To reach Harlan call (805)452-7696 or email [editor@populareconomics.com](mailto:editor@populareconomics.com).



shelter inflation is rising at six percent (per the CPI). That's a bit of a mystery since apartment rents are no longer rising and single-family rent growth is at low single-digits," said Lawrence Yun, chief economist at the National Association of Realtors, in a statement.

January existing-home sales aren't heartening. Home sales rose slightly because home buyers jumped on mortgage rates that were below seven percent at the start of the year, says the NAR.

Sales activity rose to the highest level since August 2023 as total existing-home sales[1] – completed transactions that include single-family homes, townhomes, condominiums and co-ops – elevated 3.1 percent from December to a seasonally adjusted annual rate of 4.00 million in January. Year-over-year, sales slipped 1.7 percent (down from 4.07 million in January 2023).

"While home sales remain sizably lower than a couple of years ago, January's monthly gain is the start of more supply and demand," said NAR Chief Economist Lawrence Yun. "Listings were modestly higher, and home buyers are taking advantage of lower mortgage rates compared to late last year."

But how long will the Fed's intransigence last if Chair Powell keeps repeating his mantra that they "remained highly attentive to inflation risks?" The risk could be a collapsing housing market that is just beginning to recover.

The Fed wants to keep up the inflation battle even after the inflation dragon has been slain. In their fear that they won't be taken seriously, they risk not being taken seriously if their efforts cause another housing recession.

This happened once before and caused a busted housing bubble and the Great Recession. I am hopeful Chair Powell, et. al., is about to see a hopeful light at the end of the inflation tunnel.



## LEGAL NOTICES

### ORDINANCE NO. 6143

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING THE SANTA BARBARA MUNICIPAL CODE BY AMENDING CHAPTER 22.44 RELATING TO STREET DEDICATION AND IMPROVEMENT REQUIREMENTS, CHAPTER 22.60 RELATING TO PERMITS FOR WORK ON STREET AND SIDEWALKS, CHAPTER 22.32 RELATING TO BUILDING NUMBERING, SECTION 22.64.010 RELATING TO GATES ADJACENT TO STREET OR SIDEWALKS, SECTION 27.08.010 RELATING TO SUBDIVISION REQUIREMENTS FOR STREETS AND SIDEWALKS, SECTION 10.56.010 RELATING TO OBSTRUCTIONS OF SIDEWALKS, AND BY THE ADDITION OF CHAPTER 22.46 RELATING TO ACQUISITION OF PROPERTY FOR PUBLIC IMPROVEMENTS

The above captioned ordinance was adopted at a regular meeting of the Santa Barbara City Council held on **February 27, 2024**.

The publication of this ordinance is made pursuant to the provisions of Section 512 of the Santa Barbara City Charter as amended, and the original ordinance in its entirety may be obtained at the City Clerk's Office, City Hall, Santa Barbara, California.

(SEAL)

*/s/*  
Sarah Gorman, MMC  
City Clerk Services Manager

### ORDINANCE NO. 6143

STATE OF CALIFORNIA )  
 )  
COUNTY OF SANTA BARBARA ) ss.  
 )  
CITY OF SANTA BARBARA )

I HEREBY CERTIFY that the foregoing ordinance was introduced on February 13, 2024, and adopted by the Council of the City of Santa Barbara at a meeting held on February 27, 2024, by the following roll call vote:

- AYES: Councilmembers Eric Friedman, Alejandra Gutierrez, Oscar Gutierrez, Meagan Harmon, Mike Jordan, Kristen W. Sneddon
- NOES: None
- ABSENT: Mayor Randy Rowse
- ABSTENTIONS: None

IN WITNESS WHEREOF, I have hereto set my hand and affixed the official seal of the City of Santa Barbara on February 27, 2024.

*/s/*  
Sarah Gorman, MMC  
City Clerk Services Manager

I HEREBY APPROVE the foregoing ordinance on February 27, 2024.

*/s/*  
Mike Jordan  
Mayor Pro Tem

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