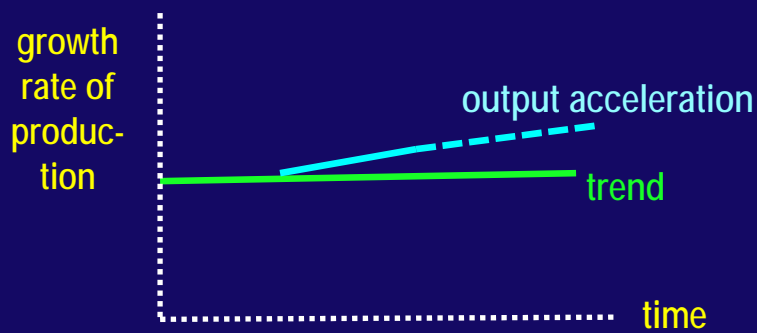




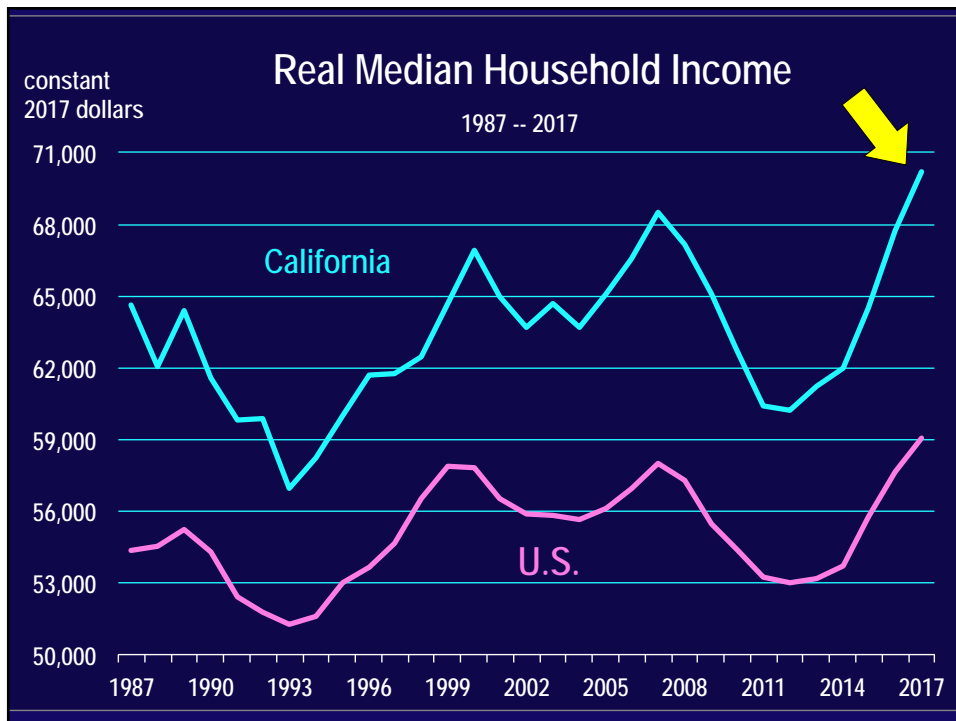
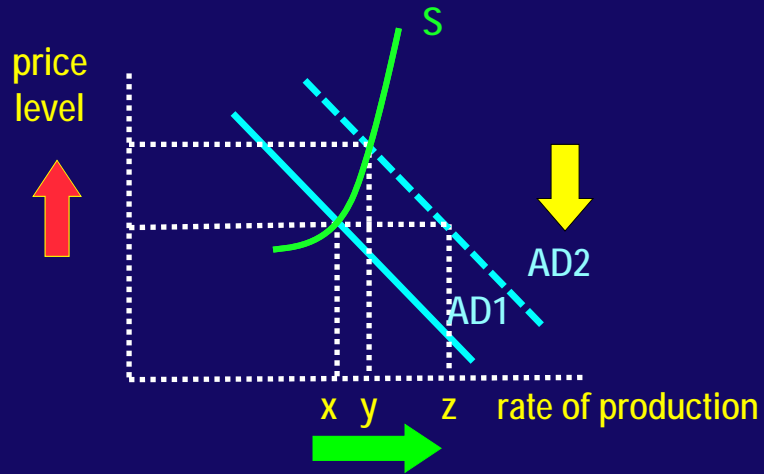
“Overheating” What is it ?

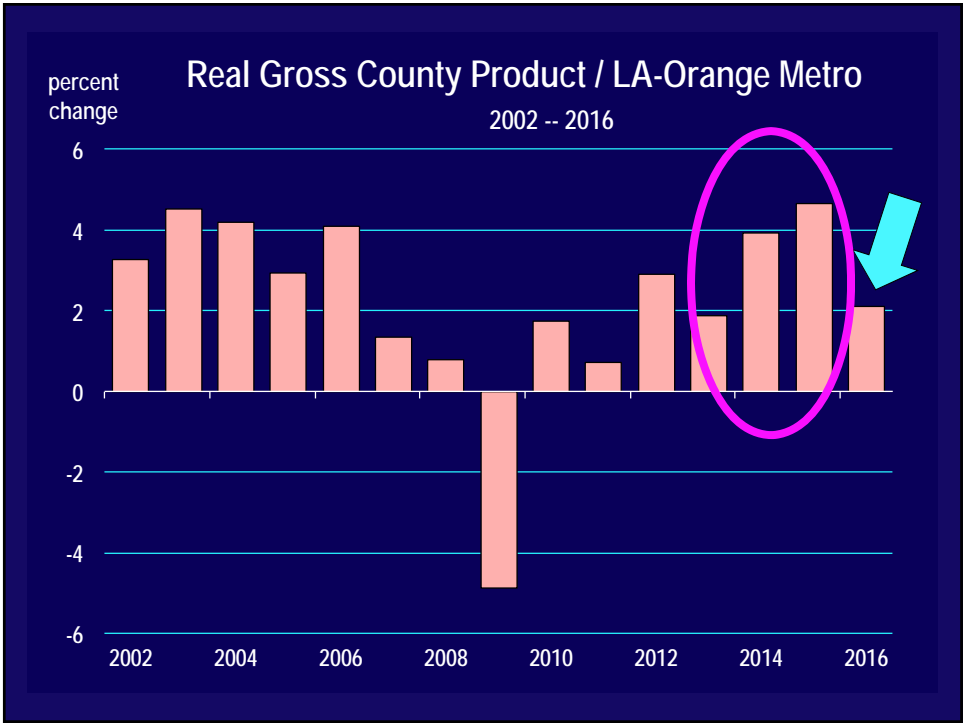
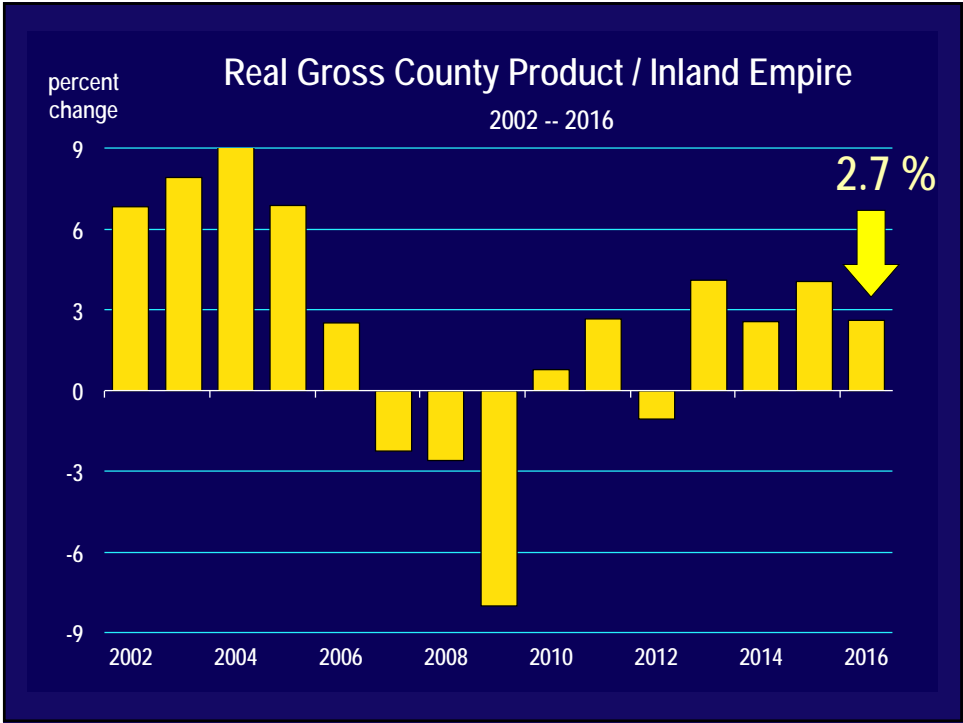
Occurs when existing productive capacity is unable to keep pace with aggregate demand. Growth rises above the trend

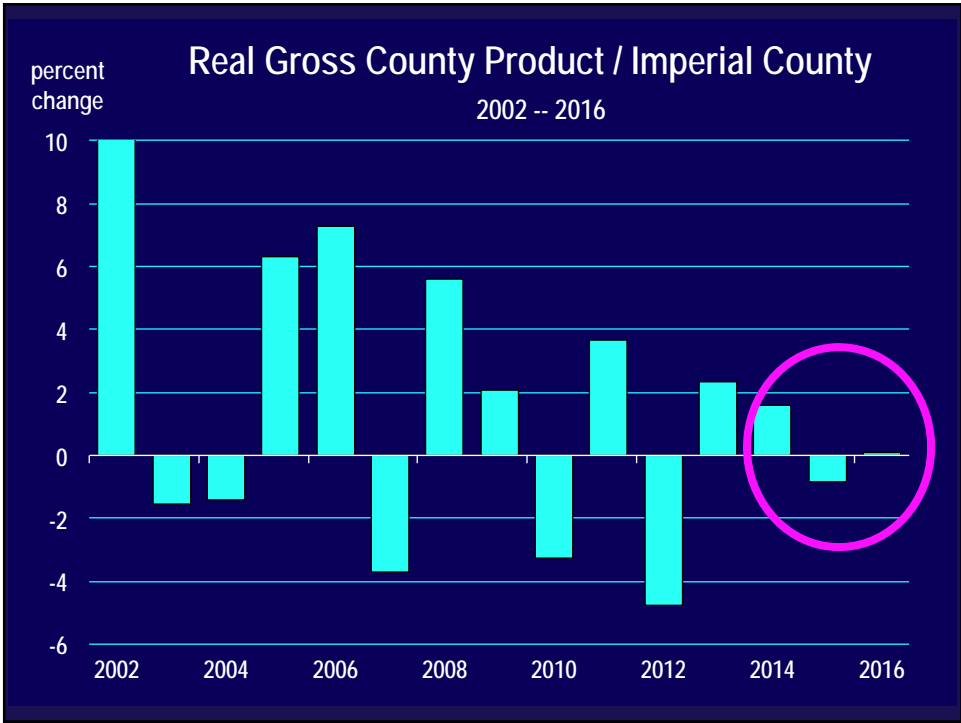
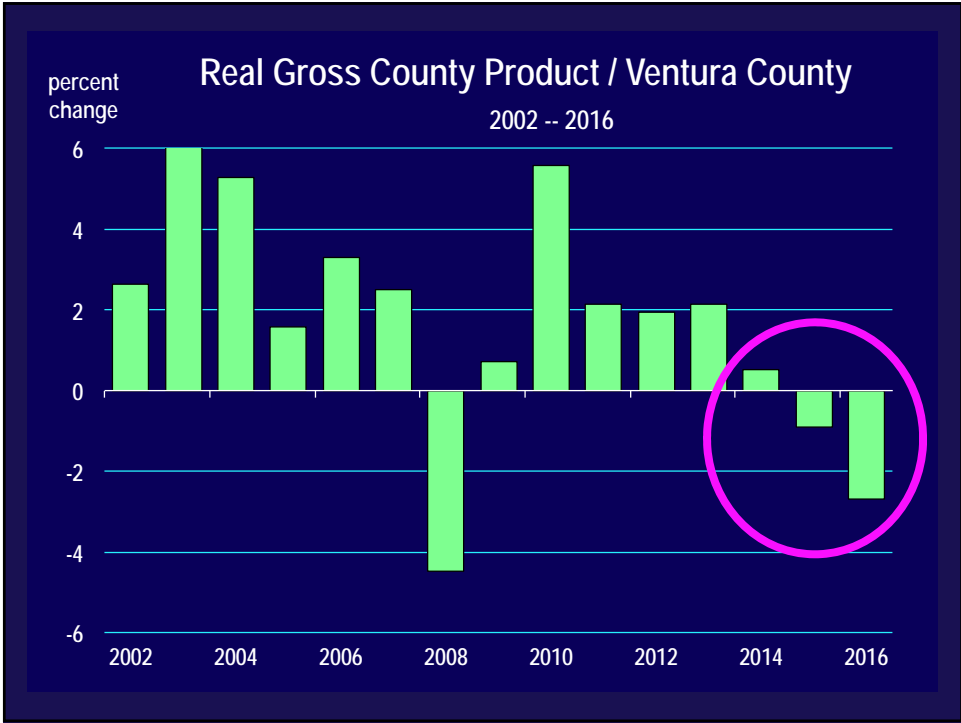


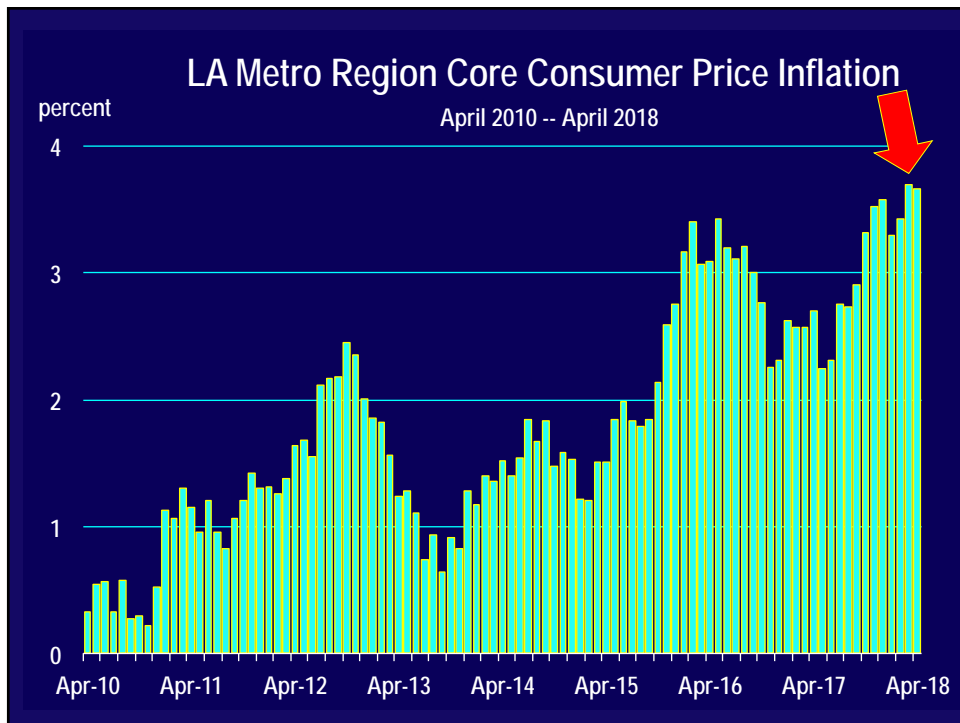
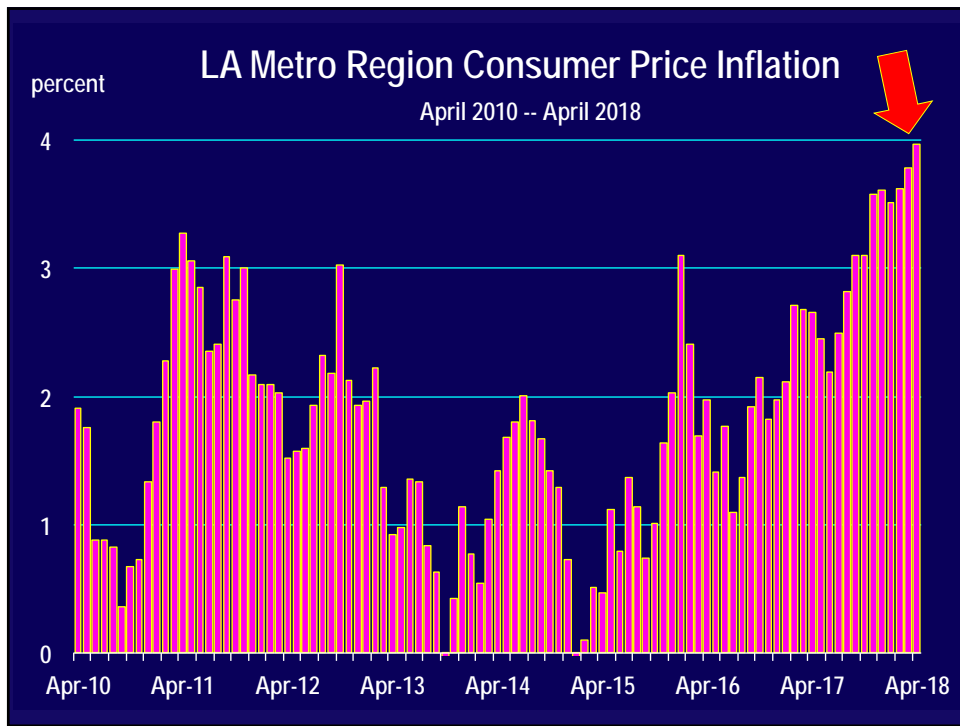
"Overheating"

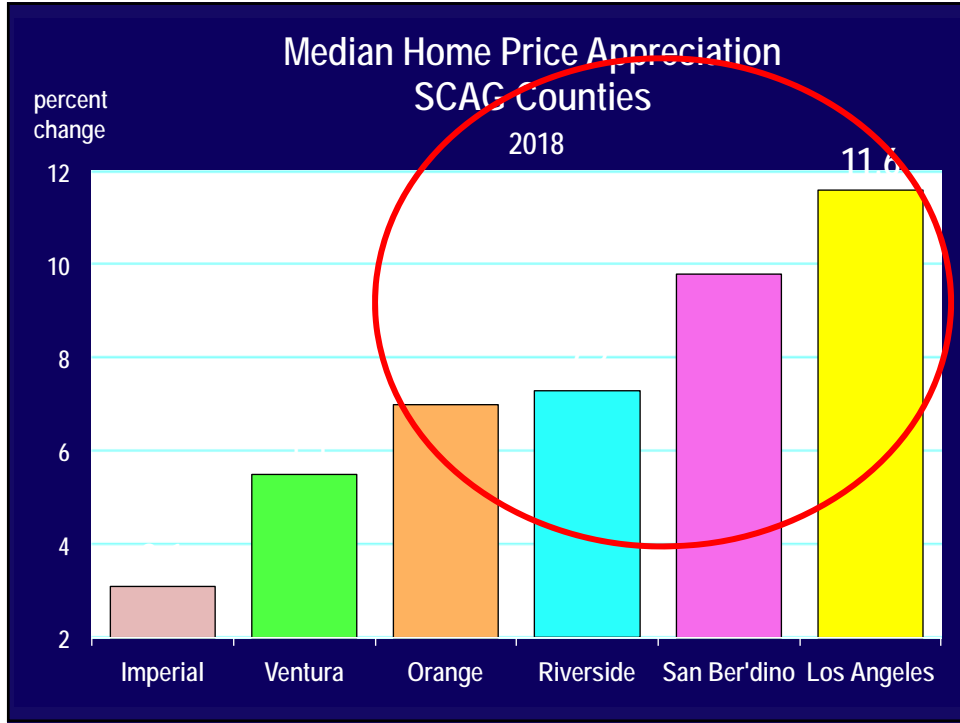
..... and price inflation results . . .

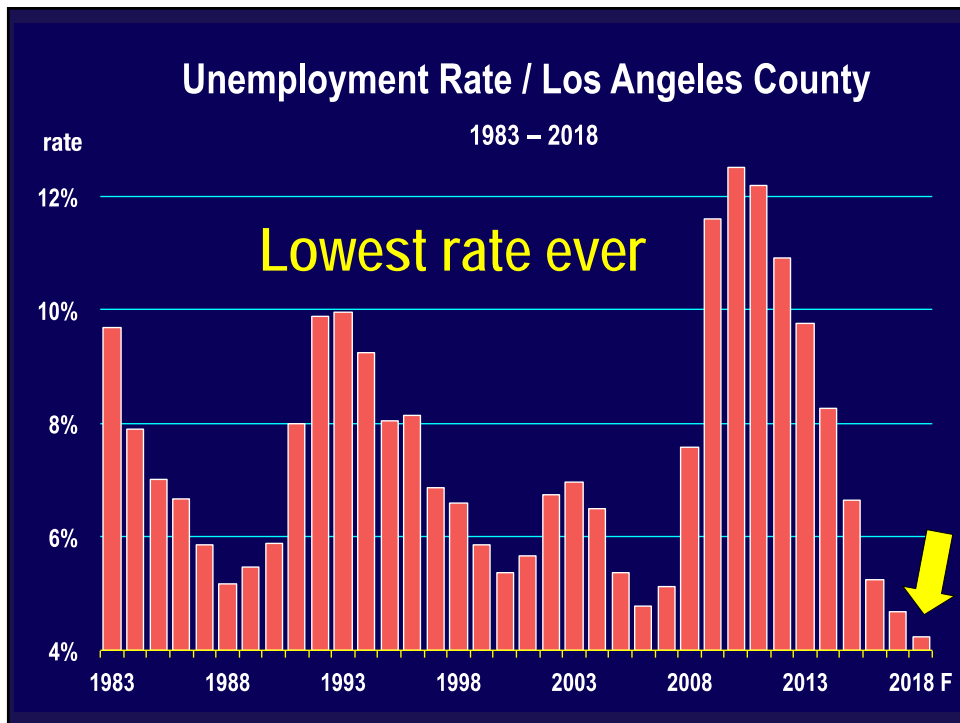
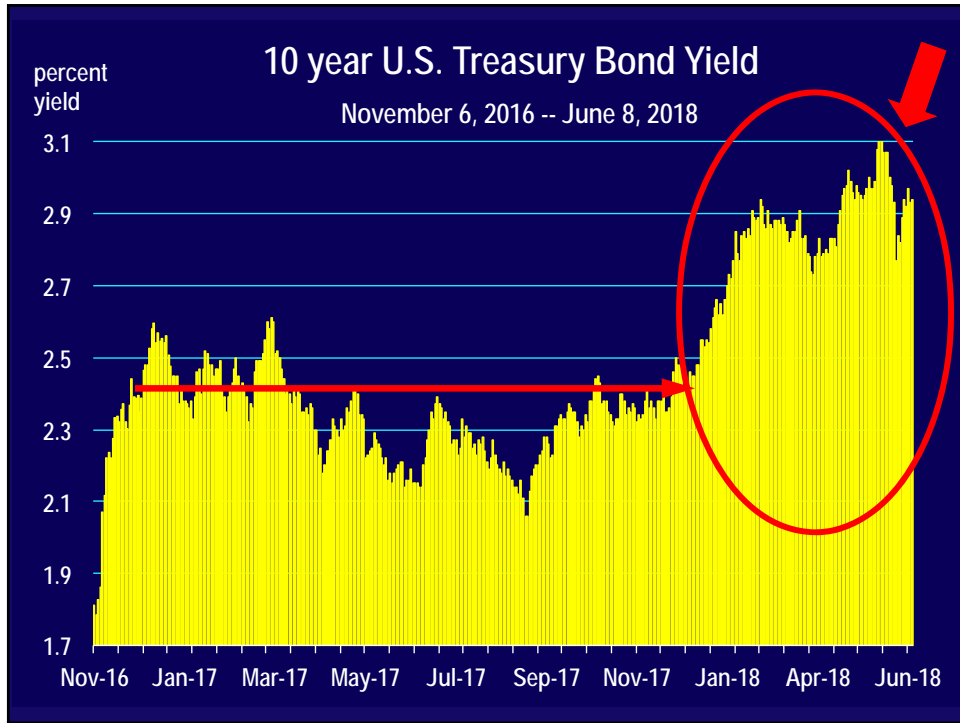


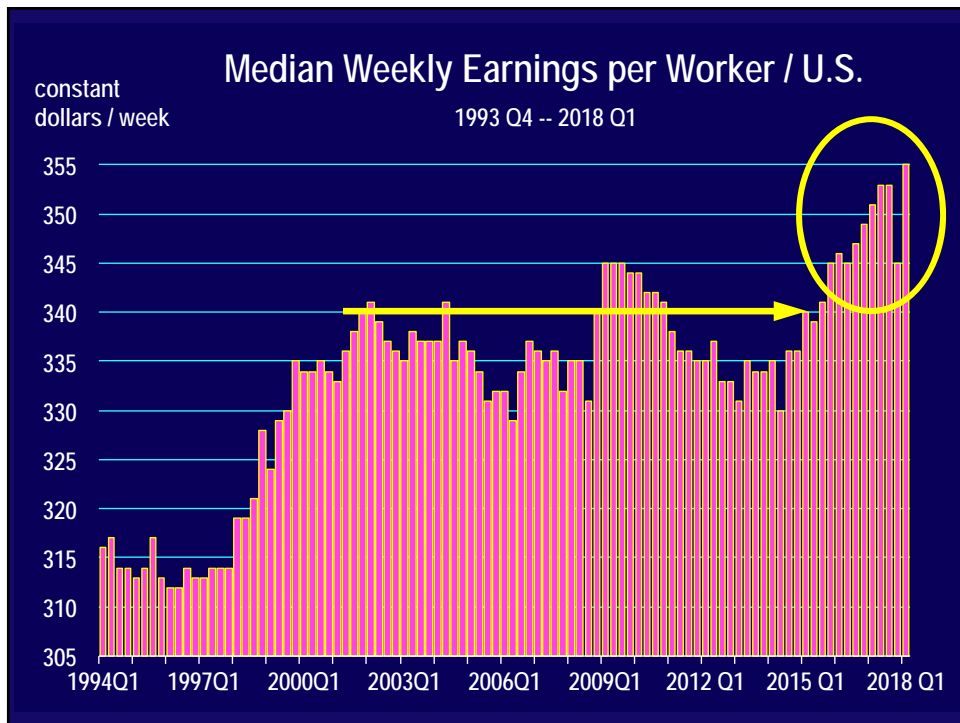
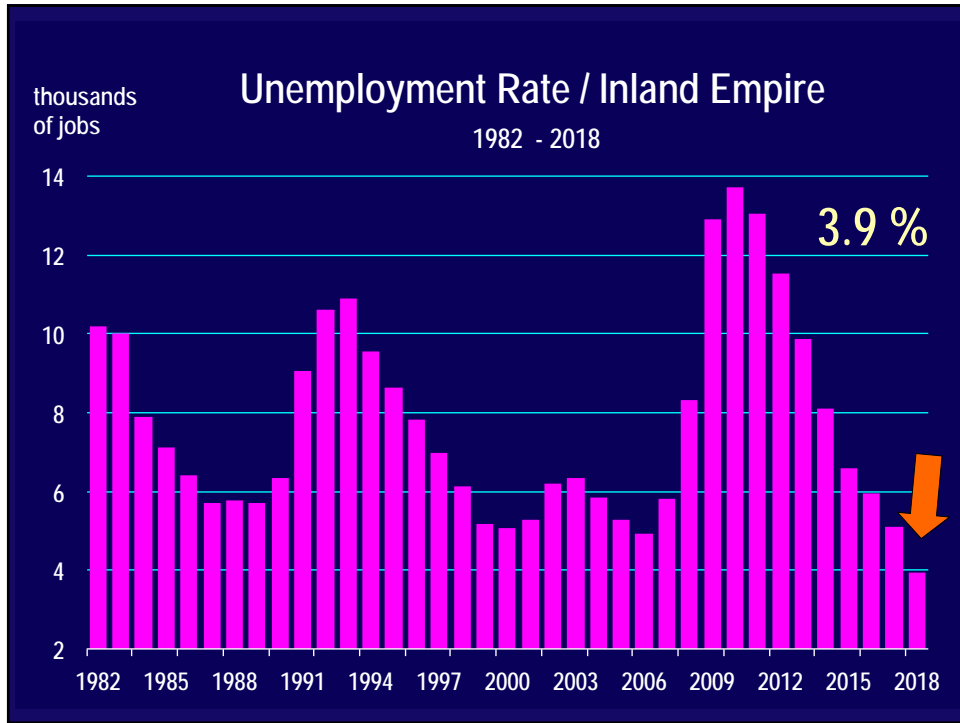


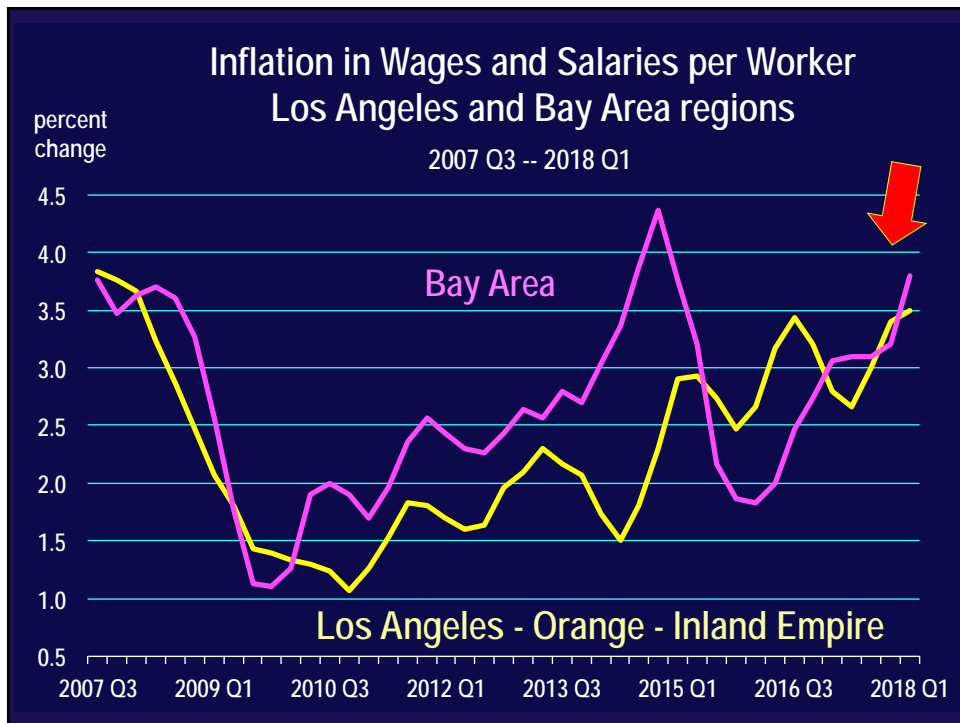
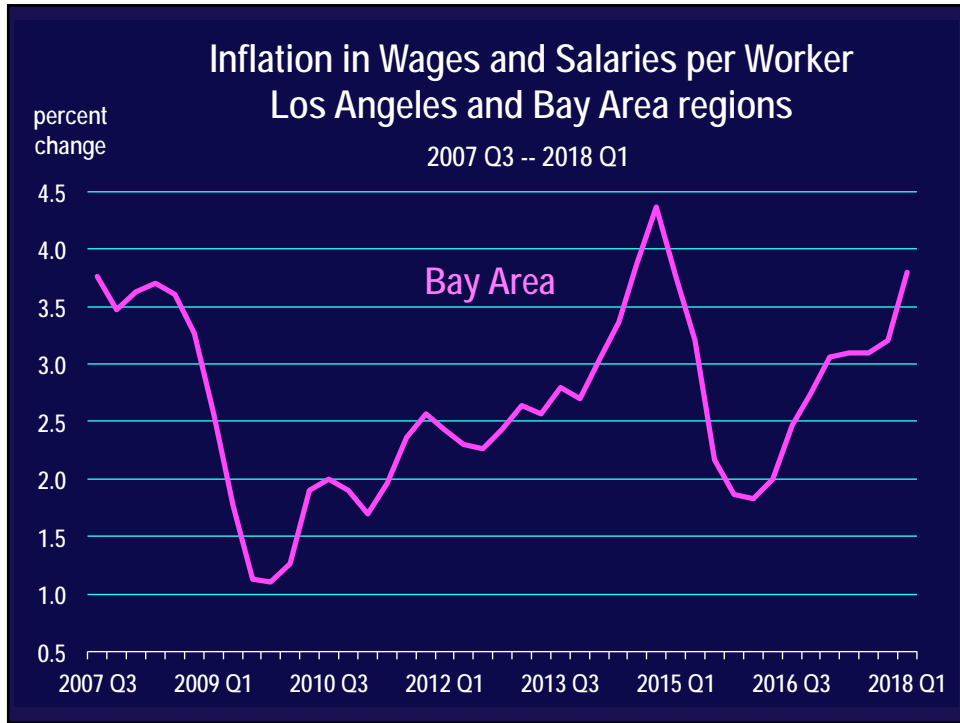


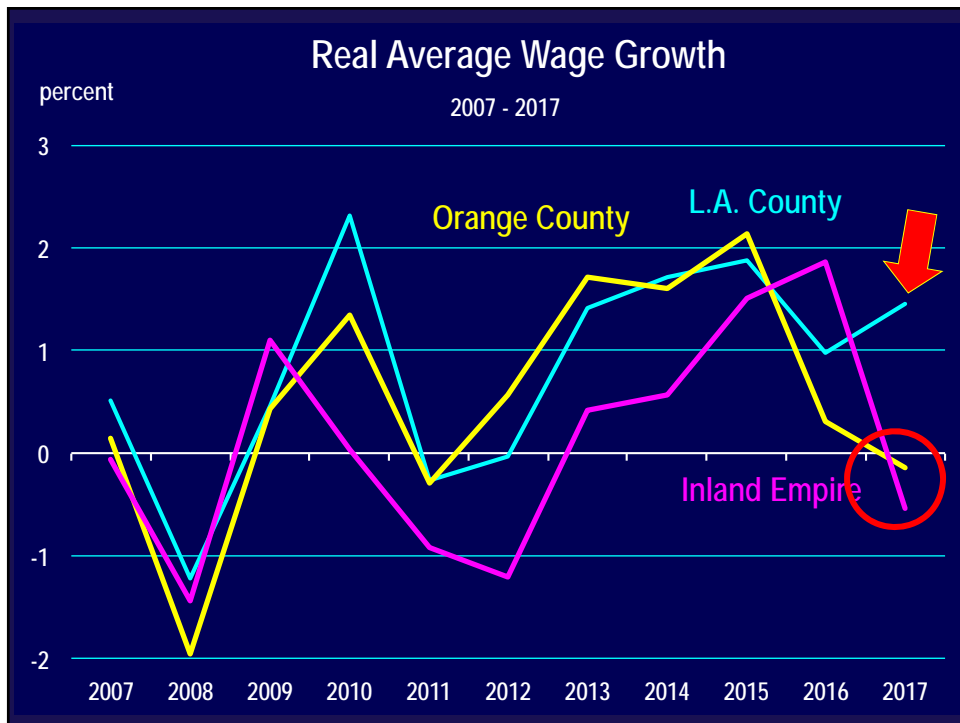
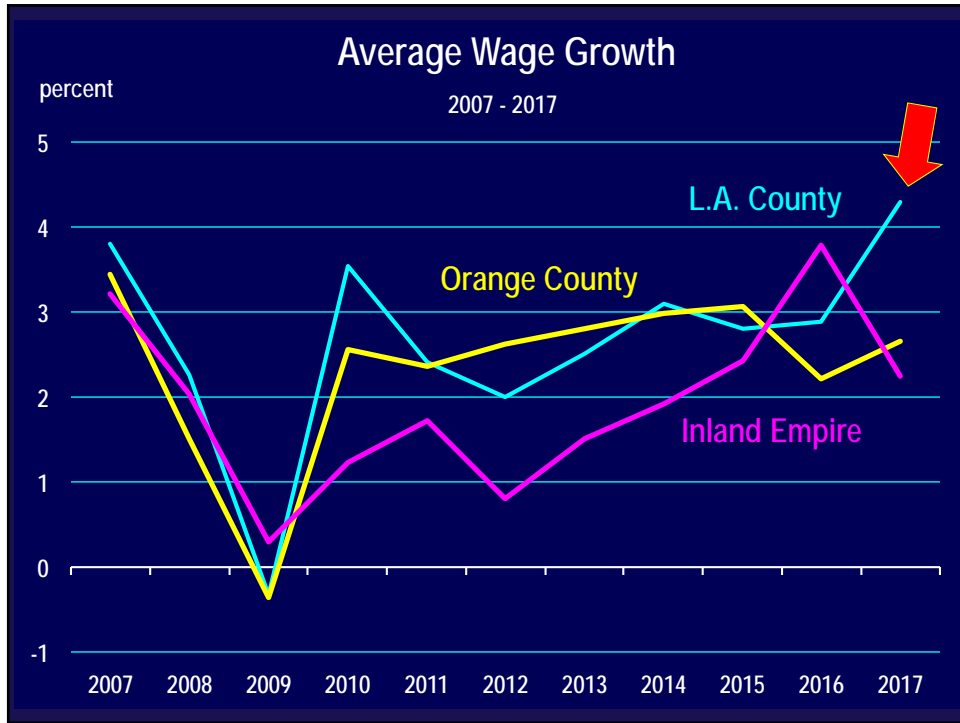










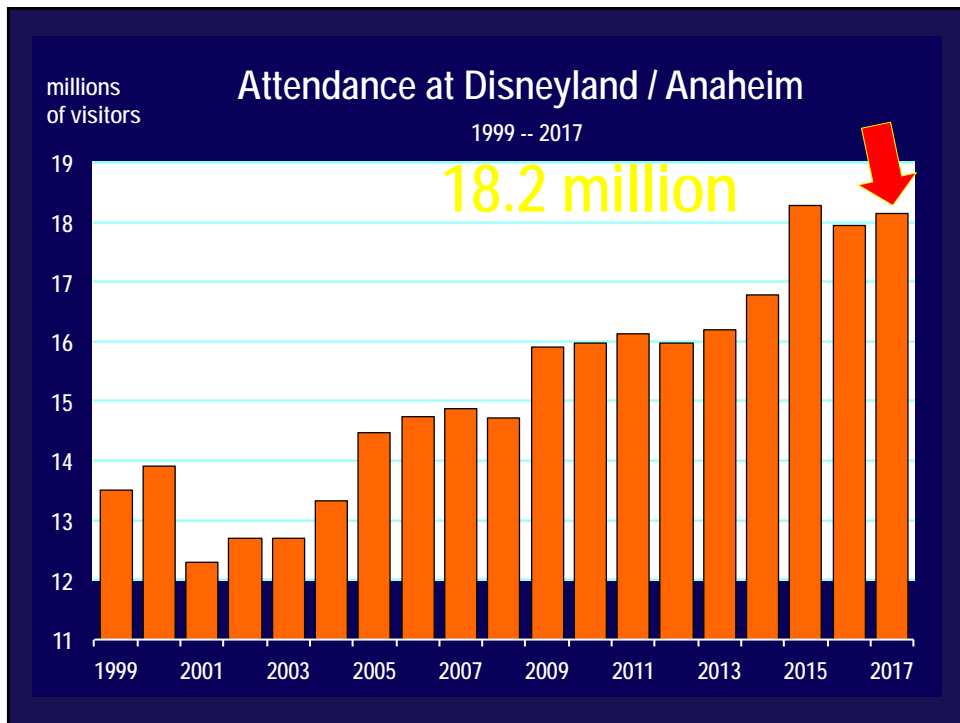
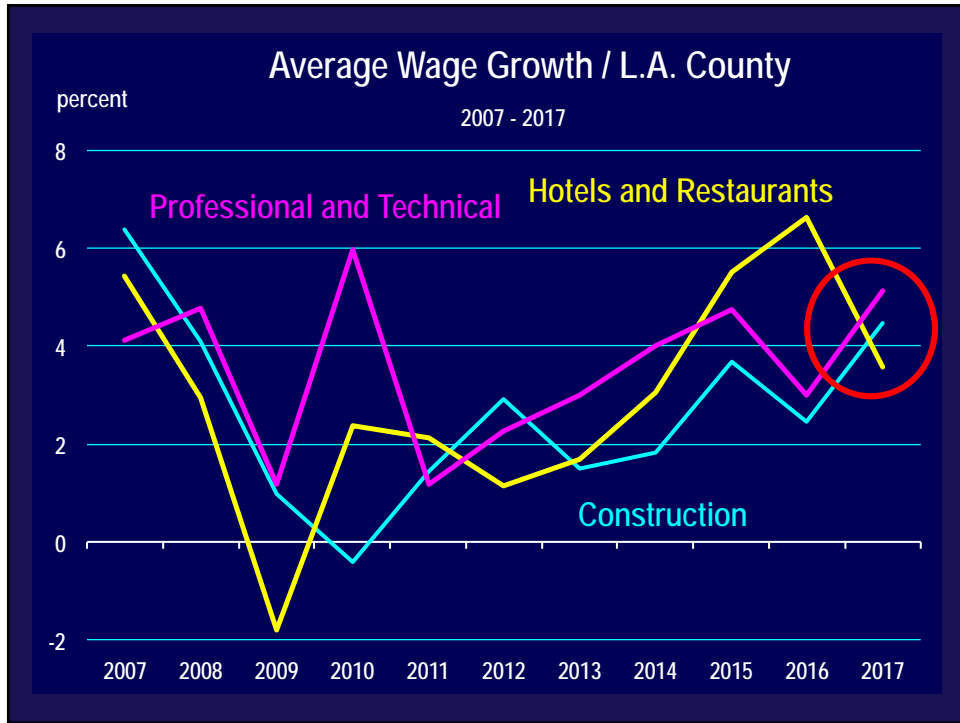


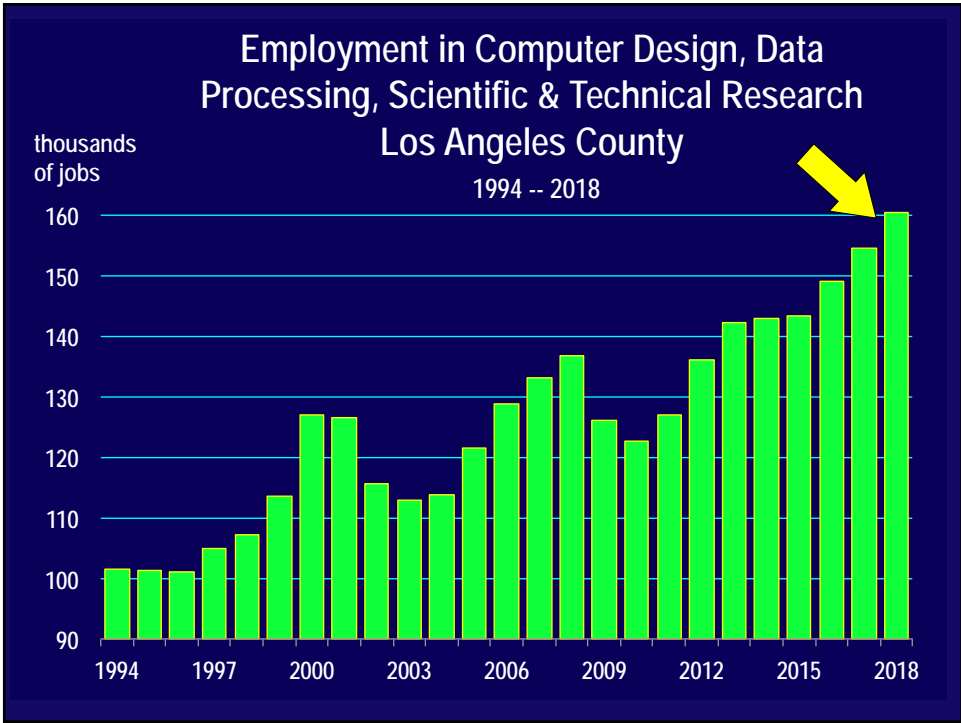
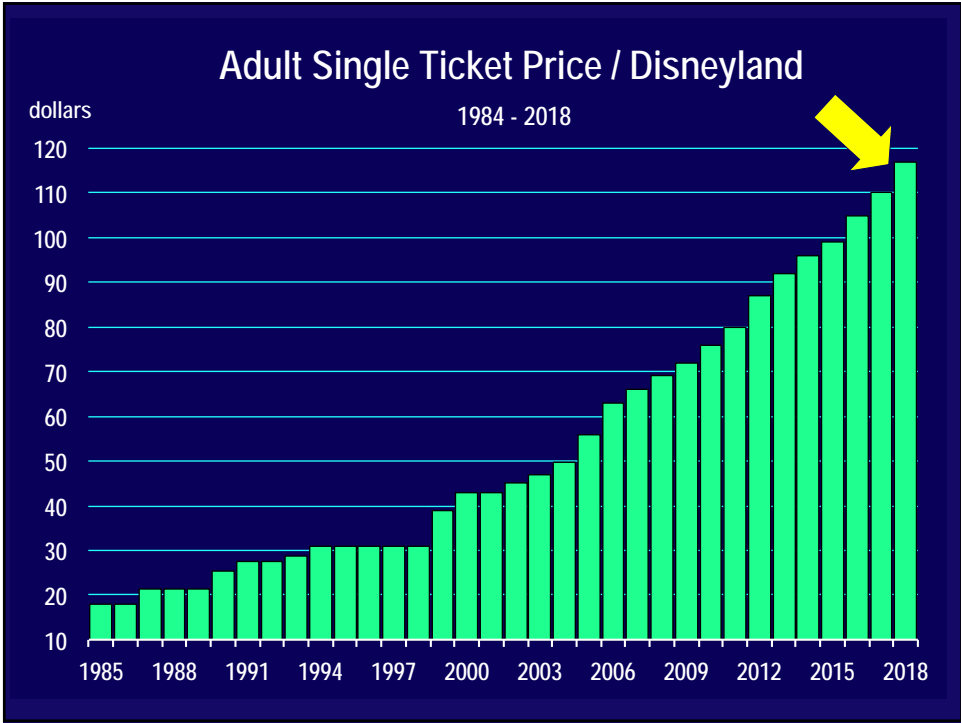
Is the Economy Overheating?

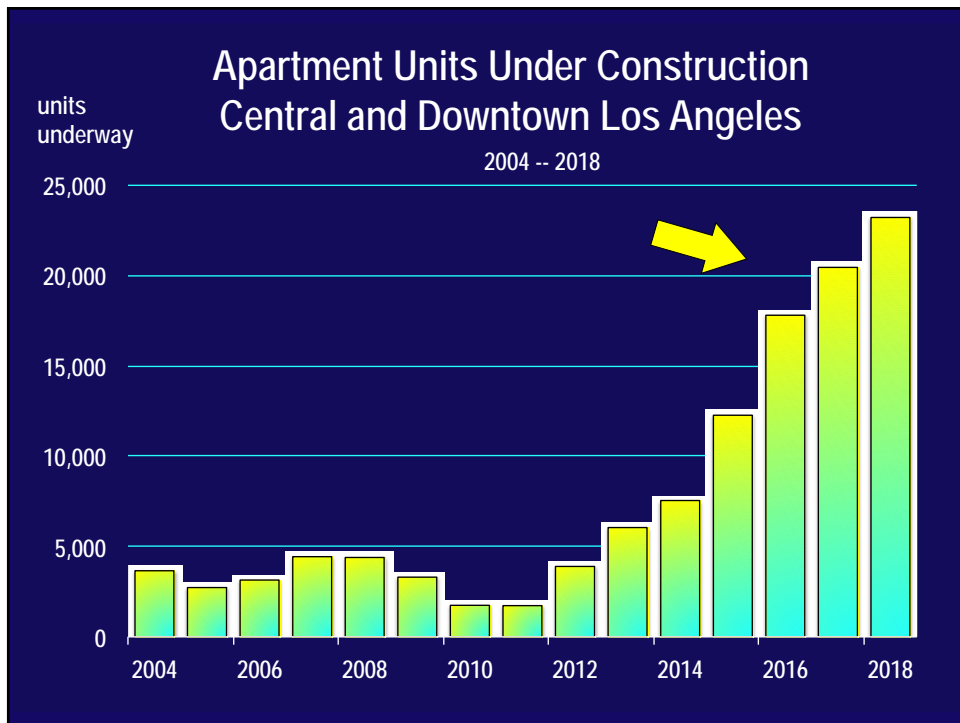
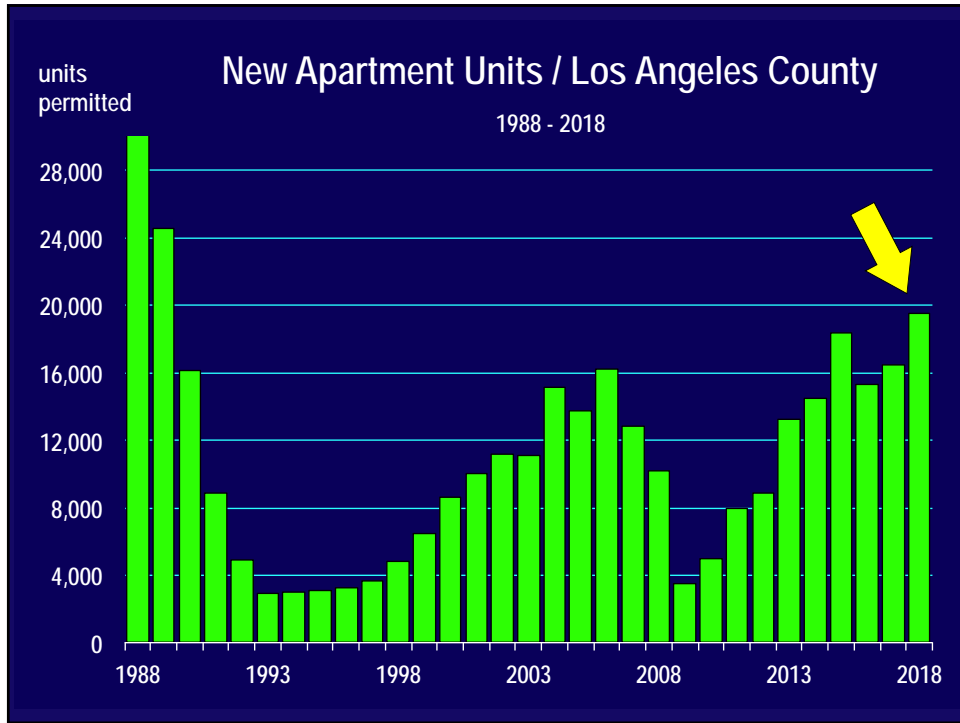
- (1) Inflation remains contained at the U.S. level
- (2) . . . but is clearly moving higher regionally
- (3) And most of the increase is due to housing
- (4) There are other sectors of concern ~
 - Construction labor market
 - Apartment building downtown
 - Office building and office rents, L A County

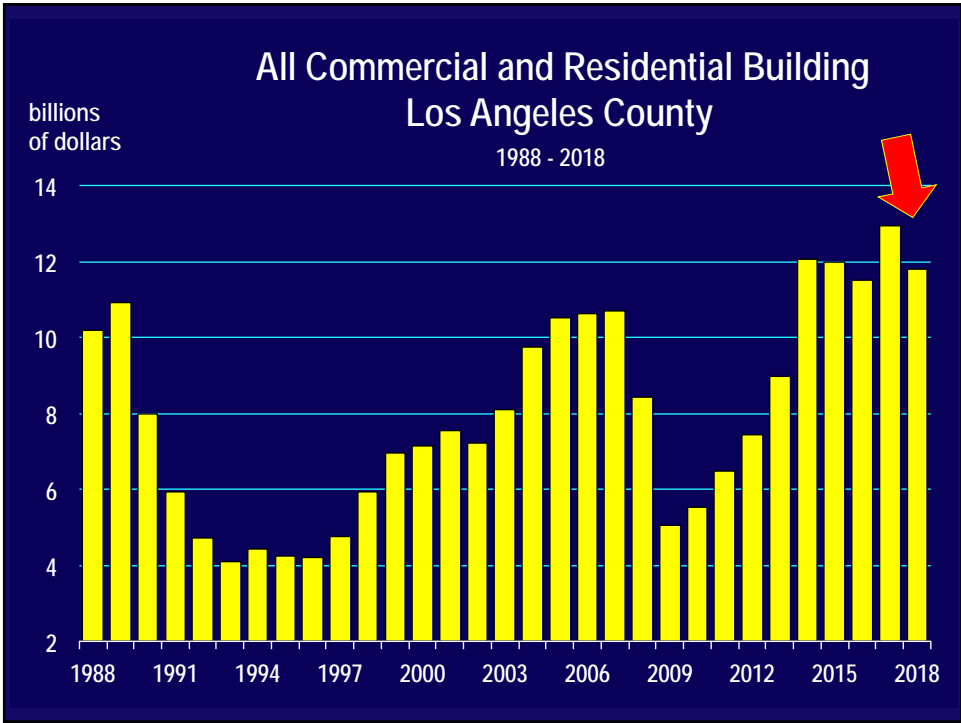
Is the Economy Overheating?

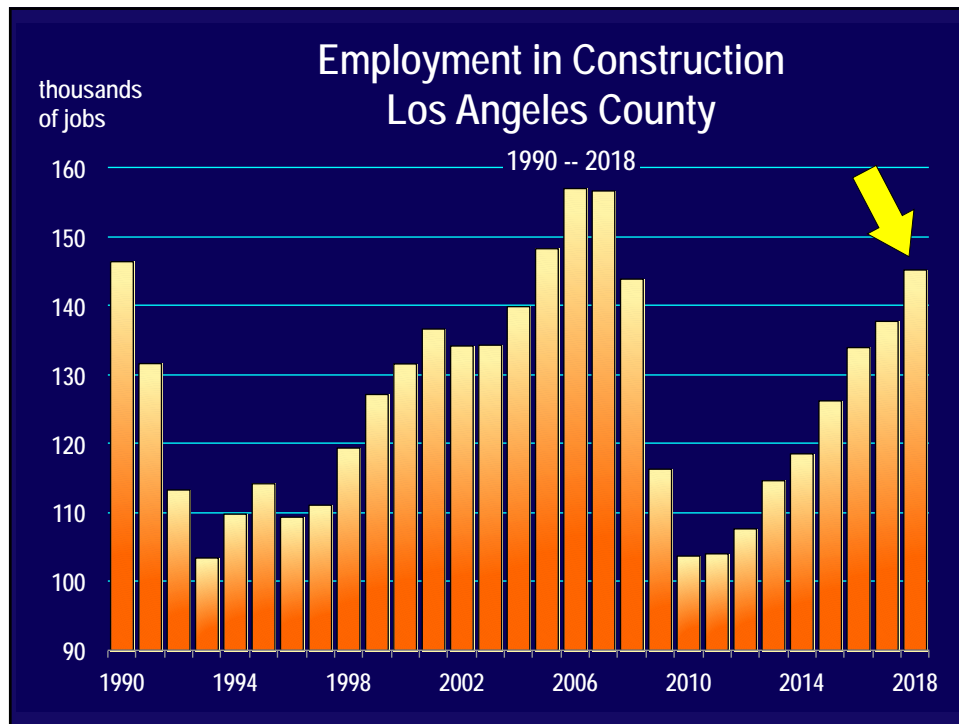
- Housing prices appear to have overheated, but for fundamental reasons
 - Lack of inventory and a fully employed economy
- At the current rate of unemployment, the overall labor market should be overheating but is not . . .
 - A fully employed economy --> higher labor costs
 - Wage inflation has been relatively moderate
 - Some industry sector wages are rising more sharply than others











Who Benefits ?

- Working people, working families who are middle to upper income and need housing
- Tech workers
- Construction workers in all regions
- Skilled workers
- Homeowners who are selling
 - Because inventory is so scarce

Who Loses ?

- Fixed income households
 - Face higher prices but incomes are constant
- Families wanting to go to Disneyland
- Home buyers
 - home prices are at record levels in many cities and counties
 - longer term mortgage rates are rising
- Residential Real Estate industry
 - Higher interest rates and higher housing prices are likely to reduce transactions

