

Real Estate Markets in Asia before/after the Subprime Crisis vs Government Macro Economy Tools

By

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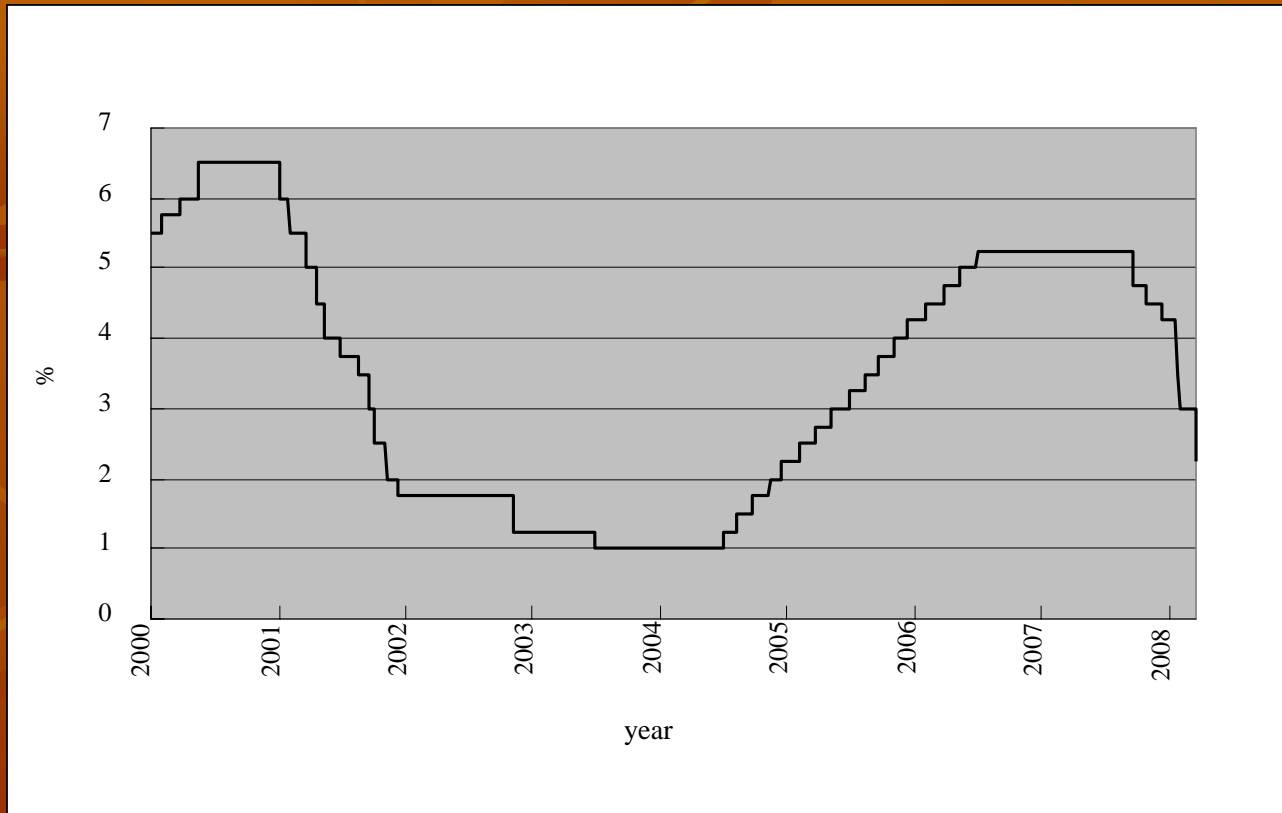
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Outline

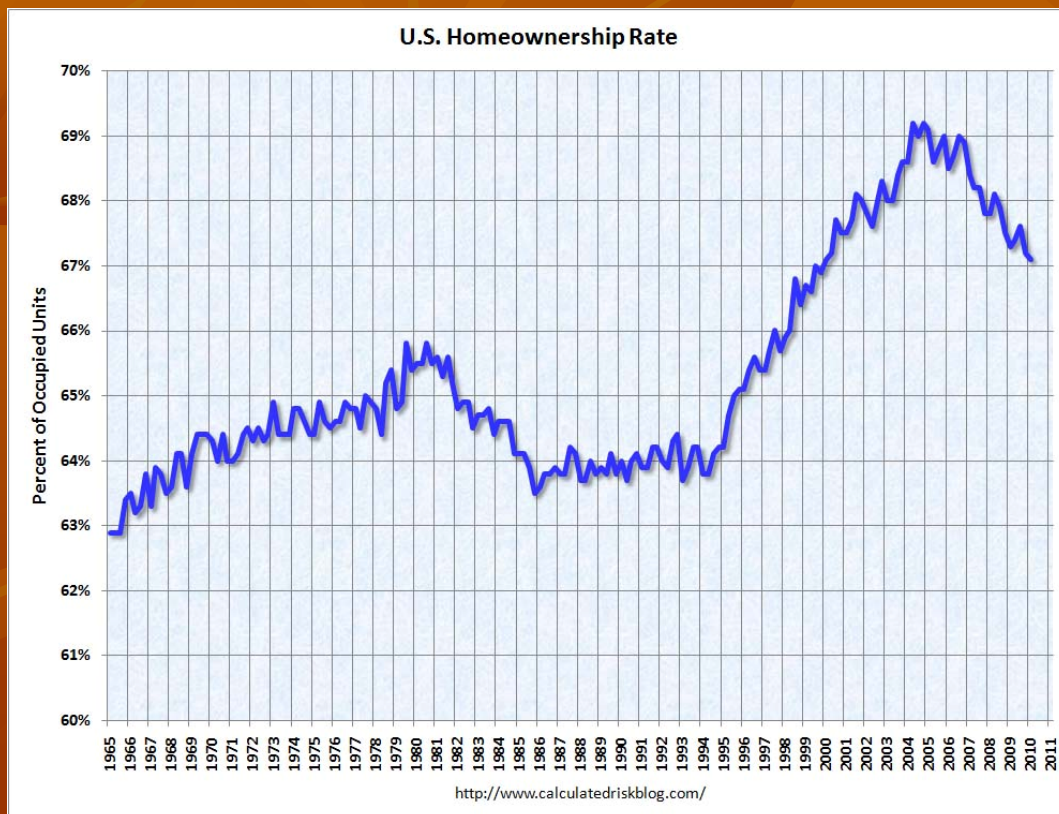
- 1. Introduction**
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- 3. Securitized mortgaged credit**
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 - 3.2 The dark side of mortgage securitization**
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Figure 1 : Federal Funds Rate



The federal funds rate published for April 30, 2010, should have been 0.20
 Source : US Federal Reserve Board, May 2008

Figure 2-1 : Homeownership Rate Q1 2010

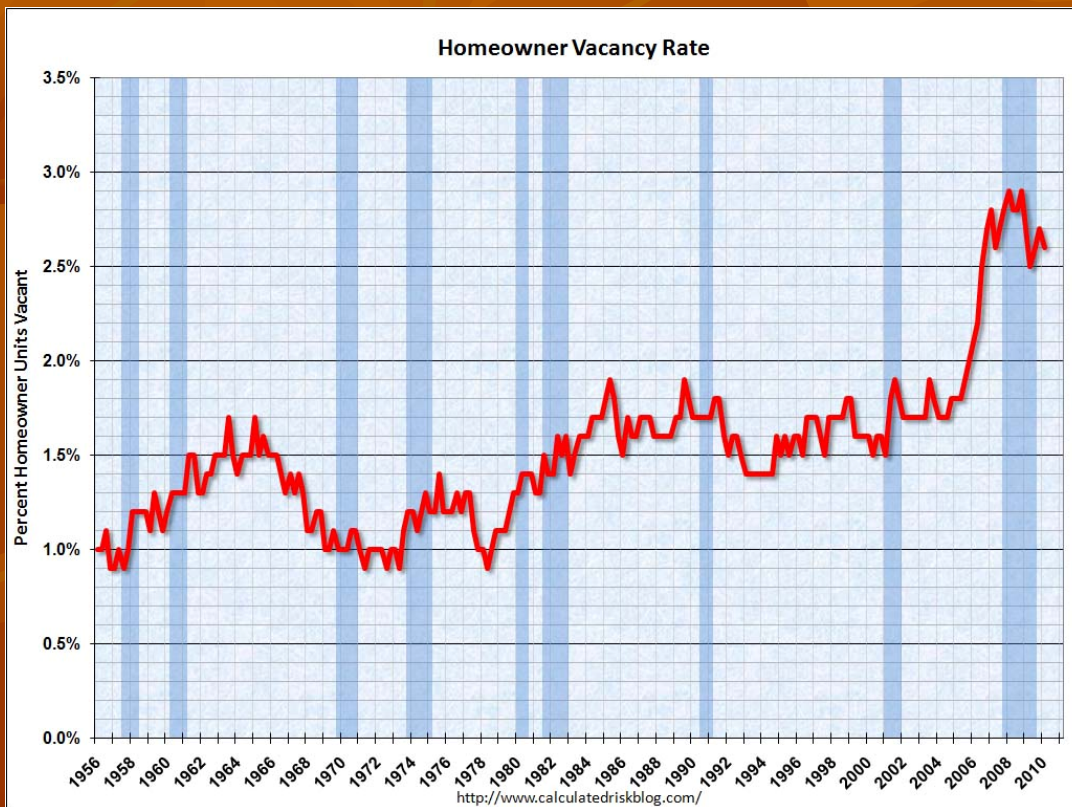


The homeownership rate declined to 67.1%. This is the lowest level since Q1 2000.

Note: graph starts at 60% to better show the change.

The homeownership rate increased in the '90s and early '00s because of changes in demographics and "innovations" in mortgage lending. The increase due to demographics (older population) will probably stick, so I've been expecting the rate to decline to the 66% to 67% range - and not all the way back to 64% to 65%.

Figure 2-2 : Homeownership Rate Q1 2010



The homeowner vacancy rate was 2.6% in Q1 2010.

A normal rate for recent years appears to be about 1.7%.

This leaves the homeowner vacancy rate about 0.9% above normal. This data is not perfect, but based on the approximately 75 million homeowner occupied homes, we can estimate that there are close to 675 thousand excess vacant homes.

Source: Posted by CalculatedRisk on 4/26/2010 10:00:00 AM at <http://www.calculatedriskblog.com/2010/04/q1-2010-homeownership-rate-lowest-since.html>

Figure 2-3 : Homeownership Rate Q1 2010



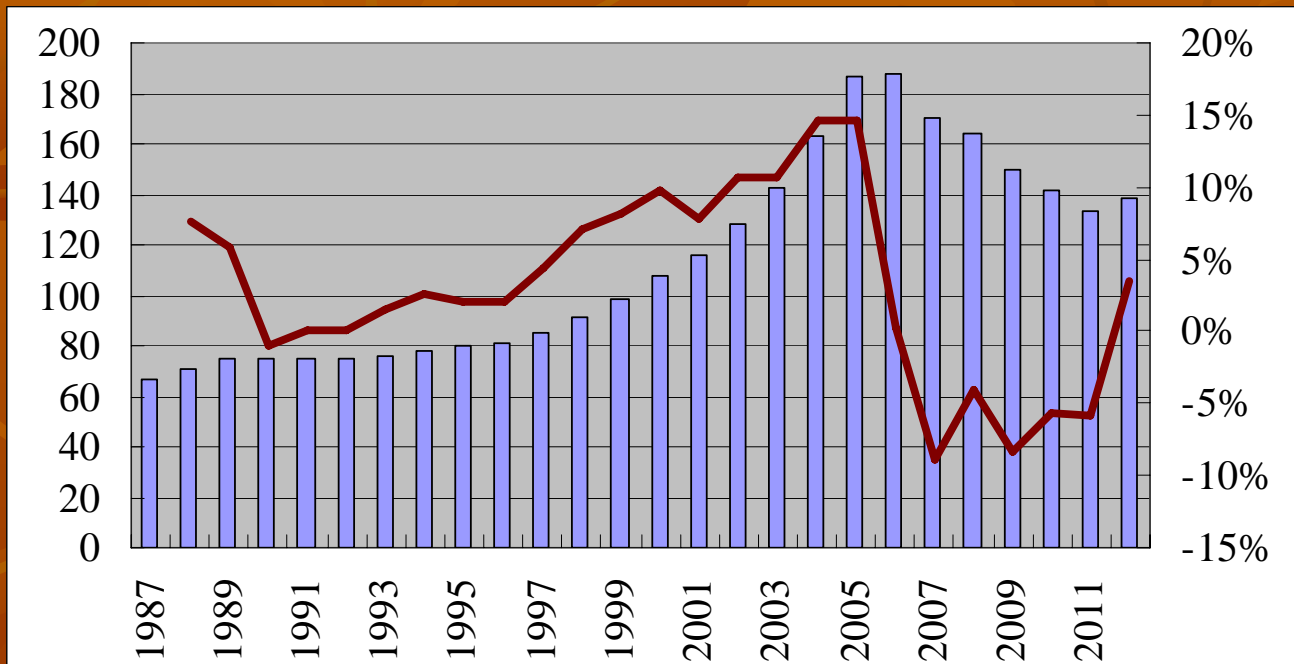
The rental vacancy rate was 10.6% in Q1 2010.

It's hard to define a "normal" rental vacancy rate based on the historical series, but we can probably expect the rate to trend back towards 8%. According to the Census Bureau there are close to 41 million rental units in the U.S. If the rental vacancy rate declined from 10.6% to 8%, there would be 2.6% X 41 million units or over 1 million units absorbed.

This suggests there are still about 1.7 million excess housing units, and these excess units will keep pressure on housing starts, rents and house prices for some time.

Source: Posted by CalculatedRisk on 4/26/2010 10:00:00 AM at <http://www.calculatedriskblog.com/2010/04/q1-2010-homeownership-rate-lowest-since.html>

Figure 3 : Trend and Forecast of U.S. House Prices

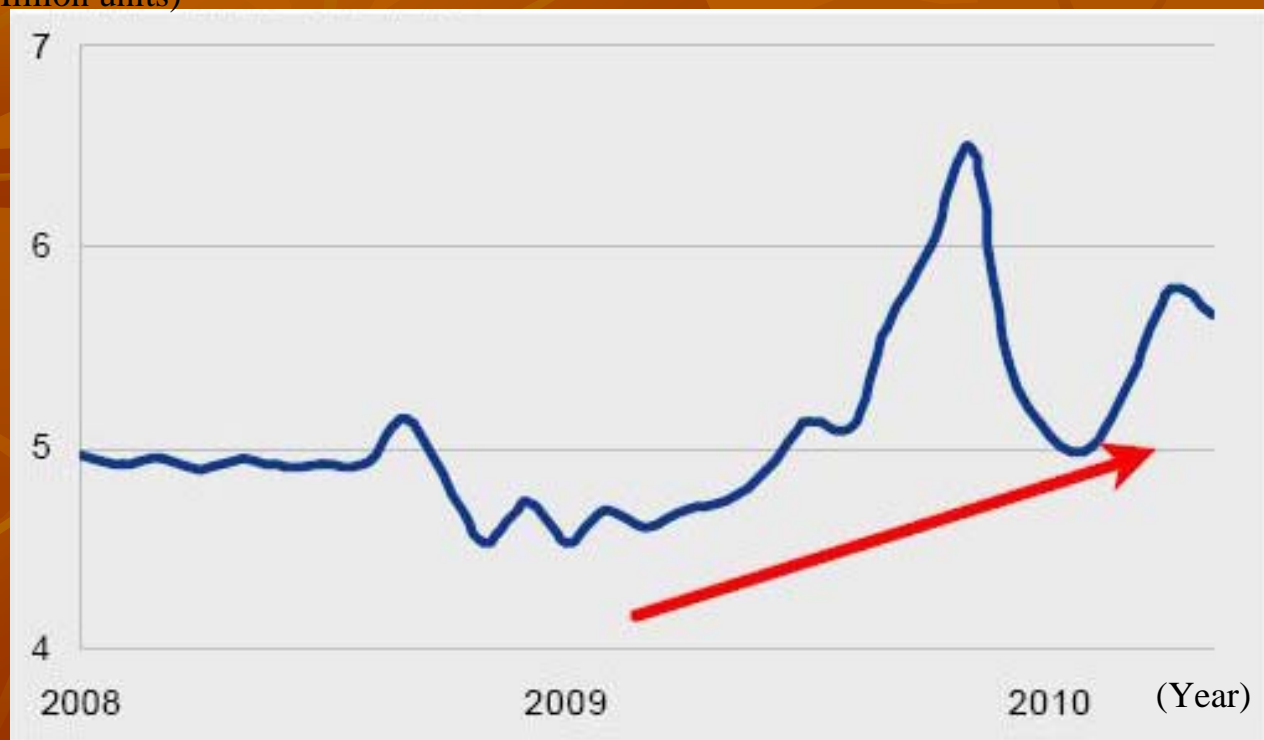


Source : S&P/Case-Shiller Indices [8]

[8] 2008年至2012年之走勢預測係根據芝加哥期貨交易所(CME)房價指數期貨報價。

Figure 4 : US Home sale annual rate (January 2008 to May 2010)

(Million units)



Source: Bloomberg, Compiled by Grand Cathay Securities Corporation

Table 1: 2008-2010 Major financial events

- 2008/1/22 The largest rate cut since October 1984 by the U.S. Federal Reserve.
- 2008/3/16 Shotgun wedding of Bear Stearns to J.P. Morgan for \$2 a share, a bargain-basement \$236.2 million. Federal Reserve bank to provide financing for the deal.
- 2008/7/14 Fannie Mae & Freddie Mac posted losses, stock prices both drop approximately 80%.
- 2008/9/15 Lehman expected to file for bankruptcy protection, the largest failure of an investment bank since the collapse of Drexel Burnham Lambert 18 years ago.
- 2008/9/17 Fed agreed to take over the insurance giant AIG, an unprecedented \$US85 billion bail-out.

Table 1: 2008-2010 Major financial events (continued)

- 2008/10/3 The first \$350 billion of TARP-Troubled Asset Relief Program was released. TARP is created to curb the ongoing financial crisis of 2007-2008. The TARP gives the U.S. Treasury purchasing power of \$700 billion to buy up mortgage backed securities (MBS) from institutions across the country.
- 2009/3/9 The stock market plunged to a 12-year closing low: 6,547.
- 2009/3/23 The United States Federal Deposit Insurance Corporation (FDIC), the Federal Reserve, and the United States Treasury Department announced the Public-Private Investment Program for Legacy Assets. The program is designed to provide liquidity for so-called "toxic assets" on the balance sheets of financial institutions.
- 2009/5/10/ Europe's leaders finally passed The nearly \$1 trillion bailout package, arranged over the weekend, is intended to head off Greece's default and stop the crisis from dragging under other weak economies — Portugal, Spain, Ireland and Italy are all vulnerable.
- 2010/4/26 The stock market rose to a 54-week high: 11309

Figure 5 : 1934-2010 US financial market vs bank failure

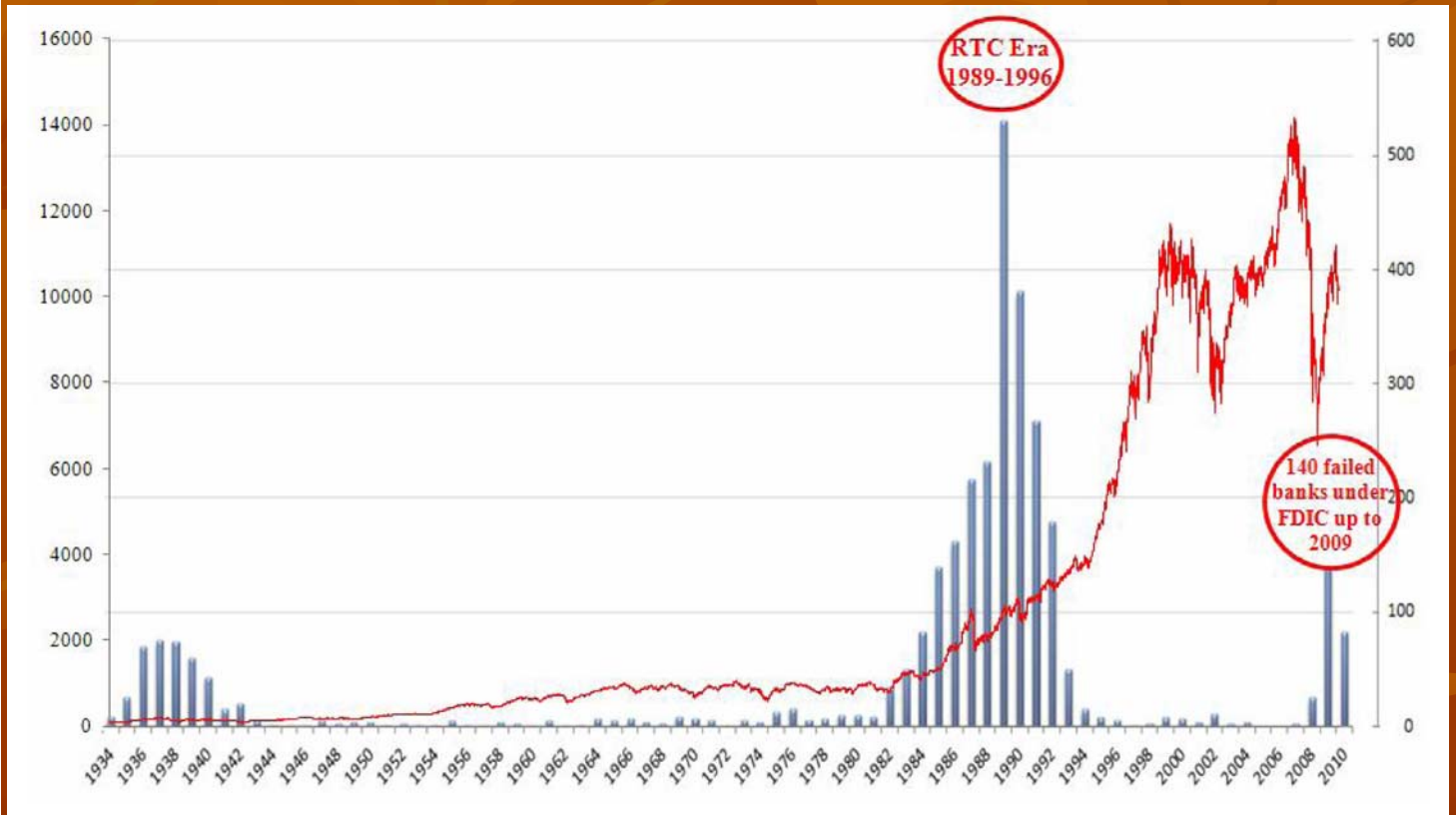


Figure 6 : International stock indices

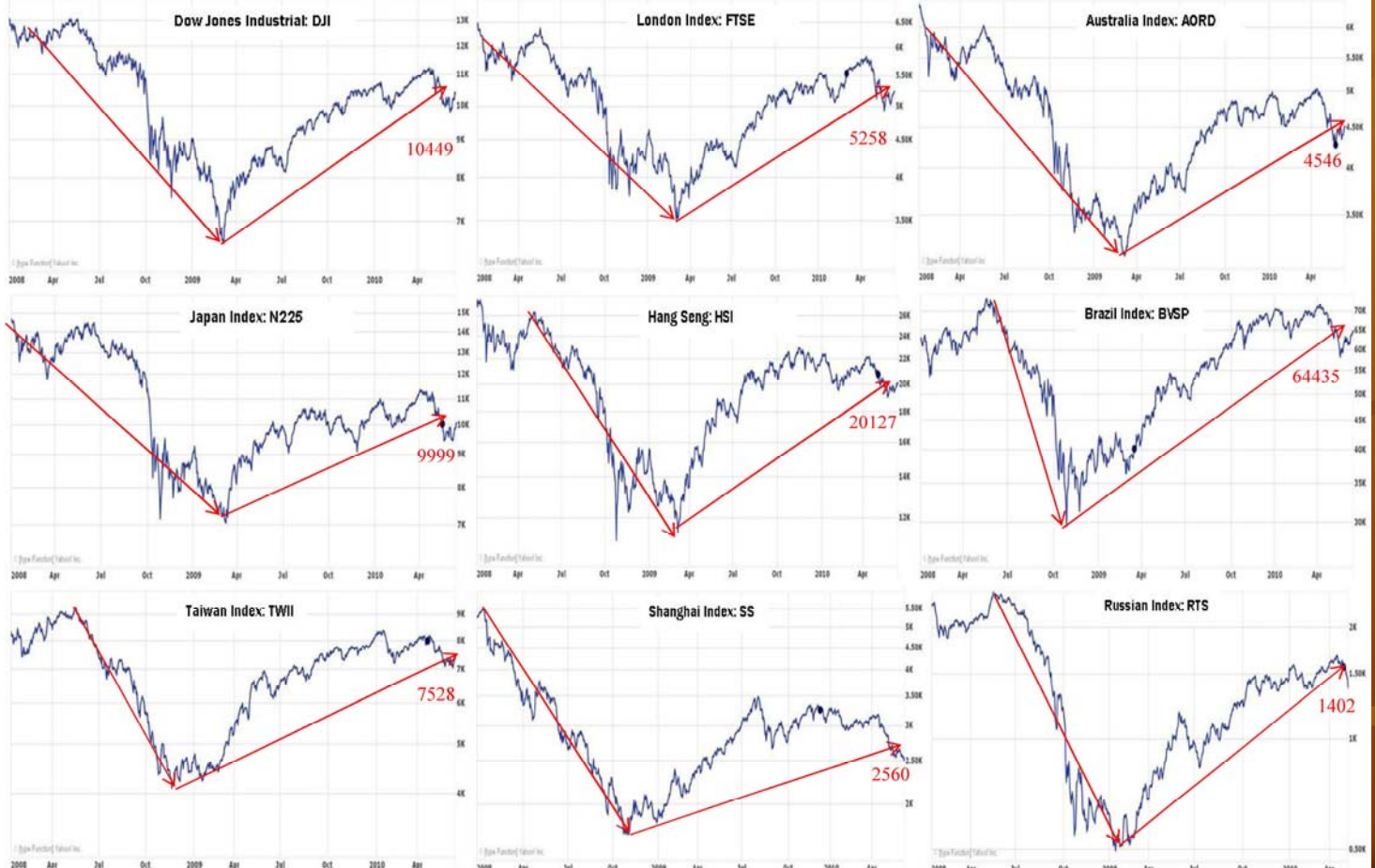


Figure 7 : 2000-2010 Currency Market

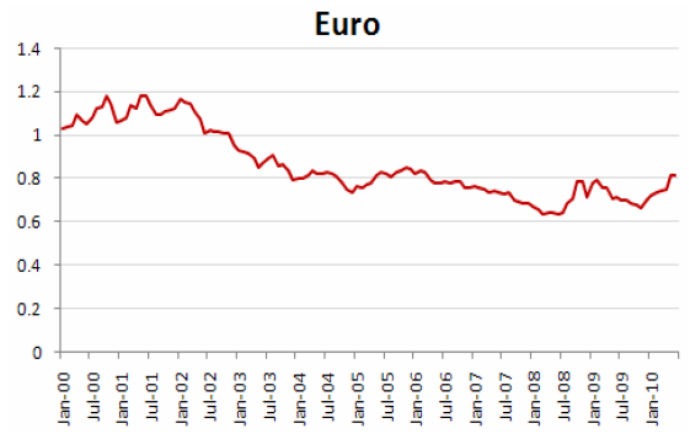
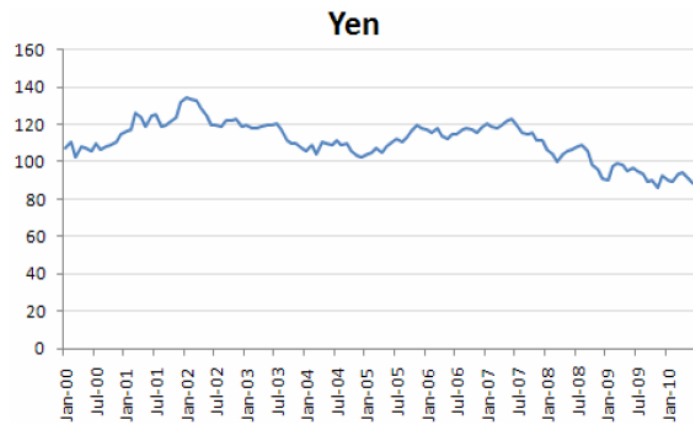
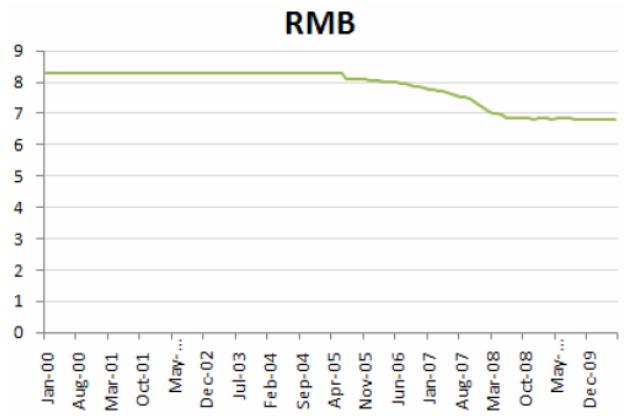
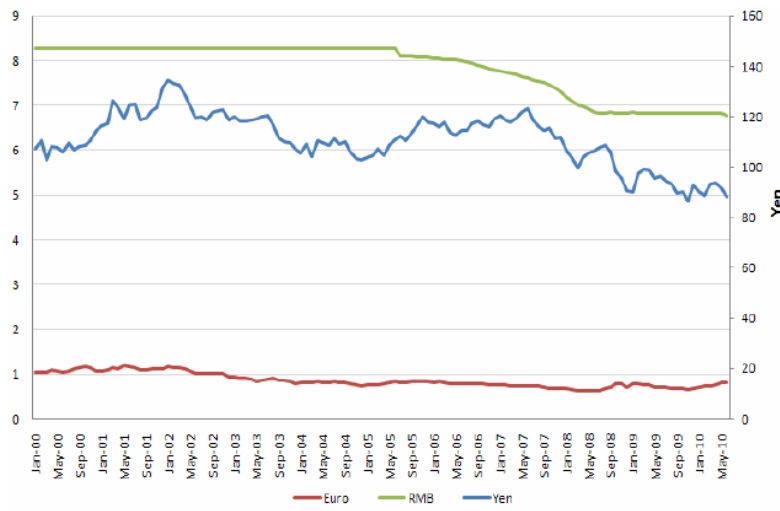


Figure 8 : GDP

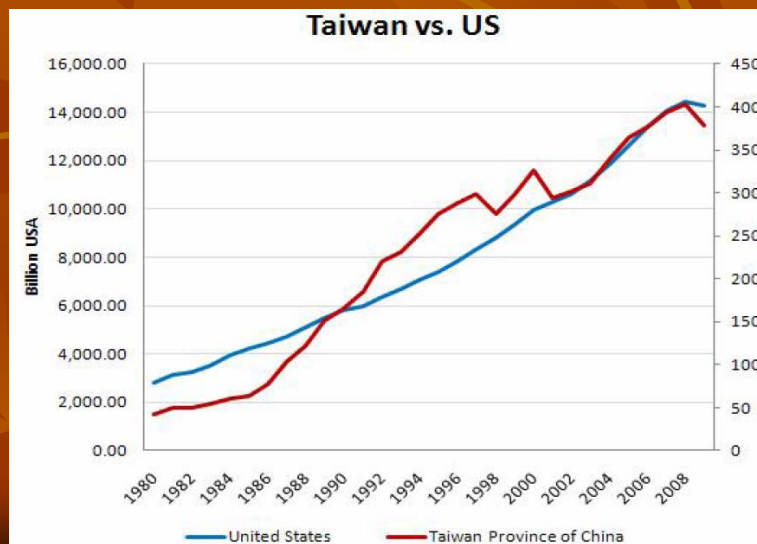
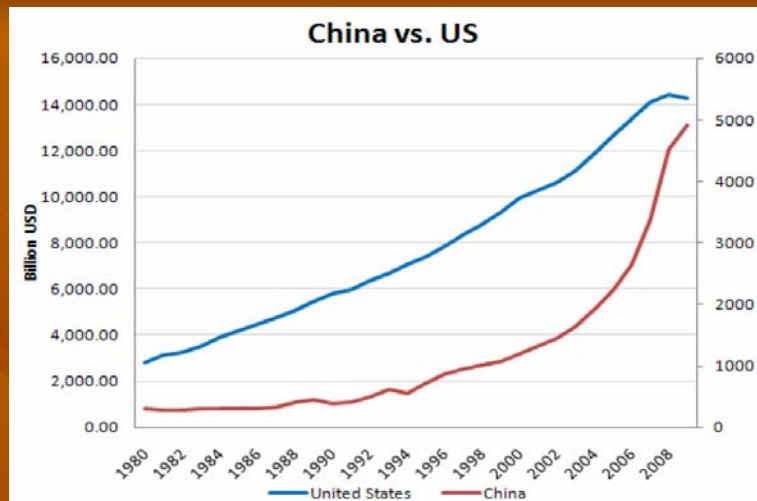


Figure 9 : 1980-2010 CPI

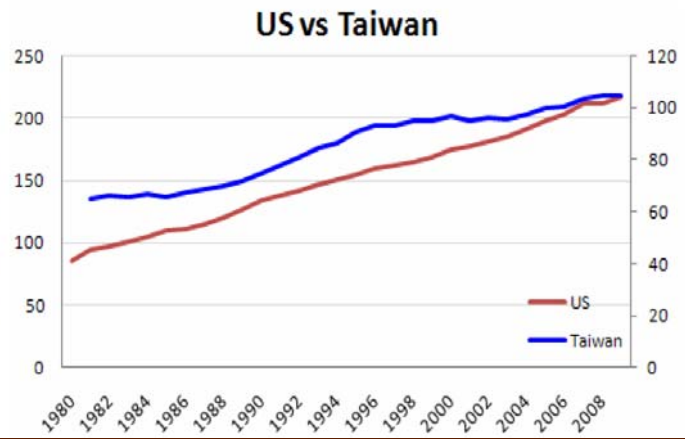
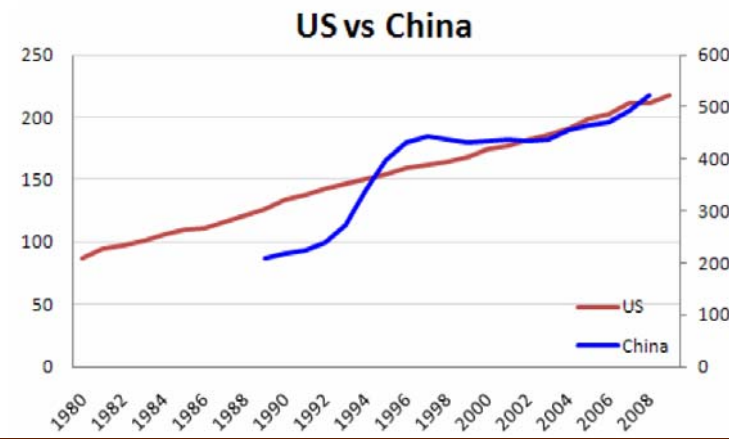
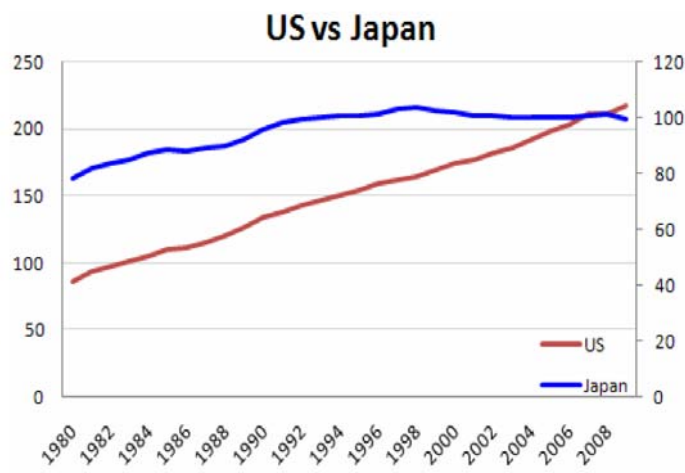
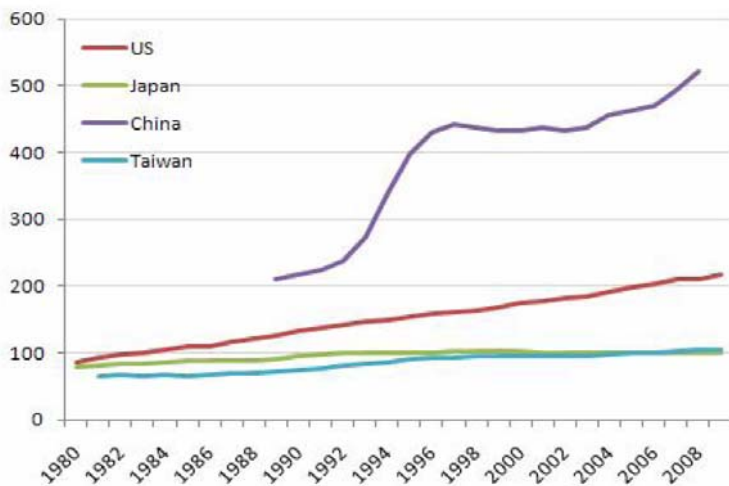


Figure 10 : Outstanding level of US debt

