What’s Next: Housing Outlook

Rocky Mountain Land Use Institute
Denver, CO, March 3, 2011

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Chief Economist
How Far From Normal?
Pent Up Household Demand Awaiting Recovery
Up to 2 Million Unformed Households

Number of Households
1 to 2 M Gap

Percentage Change

National Association of Home Builders
Single-Family Permits: Actual and Trend

![Graph showing permits and trend over time]

Permits

Trend

Annual Surplus/Deficit

National Association of Home Builders
Most States Under Producing
Underlying Demographics Calls For More Production

Legend
- Supply
  - Deficit greater than 1 year's supply
  - Deficit Less than 1 year's supply
  - Still in Surplus

National Association of Home Builders
Can We Recover?
Housing, Motor Vehicle and Home Furnishing Sales
Other Durable Sectors Rising Steadily

$ billion

[Graph showing sales trends for Construction, Motor Vehicles, and Home Furnishings from 1993 to 2010]
Household Debt Burden and Savings Rate
Debt Burdens Are Declining and Savings Rate Has Moderated

Percent of disposable income

Household Debt Service Ratio
1990-2002 Avg = 11.8

Savings Rate
1990-2002 Avg = 4.9

National Association of Home Builders
House Prices Returned to Normal
House Price-to-Income Ratio

National Association of Home Builders
House Price-to-Income Ratio
Relative to the Long-term Average*

Legend
House Price-to-Income Ratio
Relative to the LT Average
- Less than
- Up to 25% above
- More than 25% above

* LT average is the average house price-to-income ratio for each state between first quarter 1980 and fourth quarter 2000.

National Association of Home Builders
Long Road Back to Normal

This map shows how the states rank in the return to more normal levels of housing production. By the end of 2011, the top 20% will be above 80% of normal production. The bottom 20% will still be below 54% of normal production.

National Association of Home Builders
Unemployment Rate Highest for Construction

Graph showing the unemployment rate for construction compared to all sectors from 2000 to 2010.
Job Impact of Building 100,000 Single-Family Homes

<table>
<thead>
<tr>
<th>Industry</th>
<th>Job Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>304,860</td>
</tr>
<tr>
<td>Construction</td>
<td>146,542</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>48,133</td>
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<tr>
<td>Wholesale and retail trade, transportation and warehousing</td>
<td>43,860</td>
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<tr>
<td>Finance and insurance</td>
<td>5,892</td>
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<tr>
<td>Real estate and rental and leasing</td>
<td>2,264</td>
</tr>
<tr>
<td>Professional, management, administrative services</td>
<td>33,488</td>
</tr>
<tr>
<td>Other services</td>
<td>24,681</td>
</tr>
</tbody>
</table>

Source: The Direct Impact of Home Building and Remodeling Building and Remodeling on the U.S. Economy"  
http://www.nahb.org/generic.aspx?sectionID=734&genericContentID=103543&channelID=311
Foreclosures & Homeownership
One-in-Eight Homes At or Near Mortgage > Value
2009 Loan-to-Value

Source: 2009 American Housing Survey

National Association of Home Builders
Homeownership Has Fallen From Peak
Will Homeownership Recover?
Homeownership Does Return
Houston

2009 = 64.8

National Association of Home Builders
Homeownership Does Return
Oklahoma City

2009=69.5

National Association of Home Builders
Homeownership Does Return Providence

2009=63.9
Safe Investments
% of consumers who think the investment is safe

Source: Fannie Mae National Housing Survey 2010

National Association of Home Builders
Does Owning Make More Sense (than renting)?

Source: Fannie Mae National Housing Survey 2010

National Association of Home Builders
What Will We Produce and Who Will Build It?
Rental Units Coming from Stock

Rental Shares of Production and Stock

Production

Stock

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New Homes Are Smaller
Median Sq Ft of Homes Started

National Association of Home Builders
Most Builders Are Small Companies

Home Sales Shares of Top 10 Builders

Source: Builder, NAHB Economics and Housing Policy
Builders Seeking Construction Loans

National Association of Home Builders
Federal Policies
• Tax Reform
  • Mortgage interest deduction
  • Second home deduction
  • Capital gain exclusion
  • Home equity deduction

• Housing Finance
  • GSEs
  • FHA
  • Financial regulation reform

• Energy Policy
  • Green building
  • Gasoline tax

• Environmental Policy
  • Greenhouse gas
  • Endangered species
Questions?

Answers: www.nahb.org
eyeonhousing.wordpress.com