

National Association of Home Builders

Residential Outlook

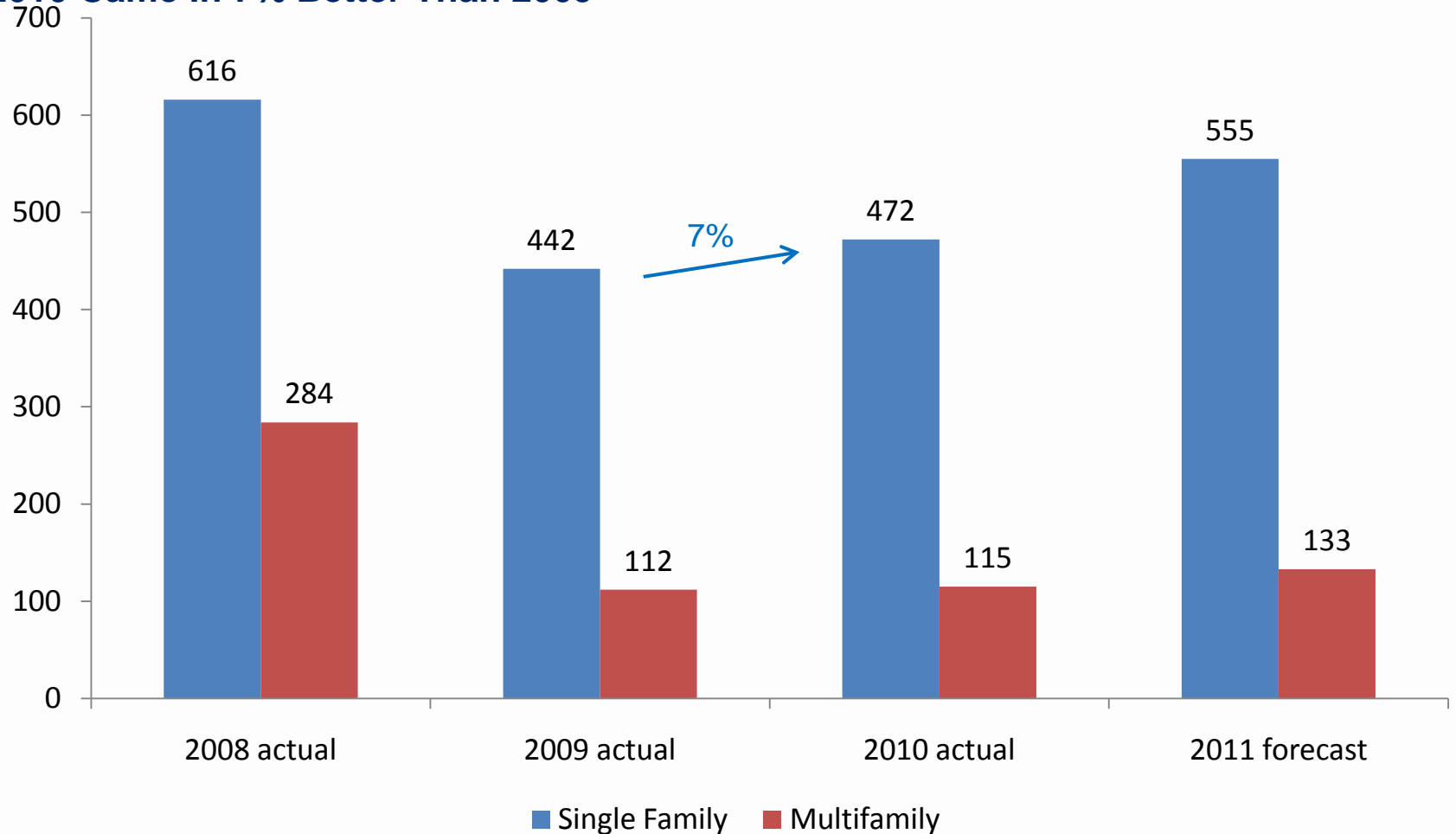
National Housing and Rehabilitation Association
February 24, 2011

David Crowe
Chief Economist



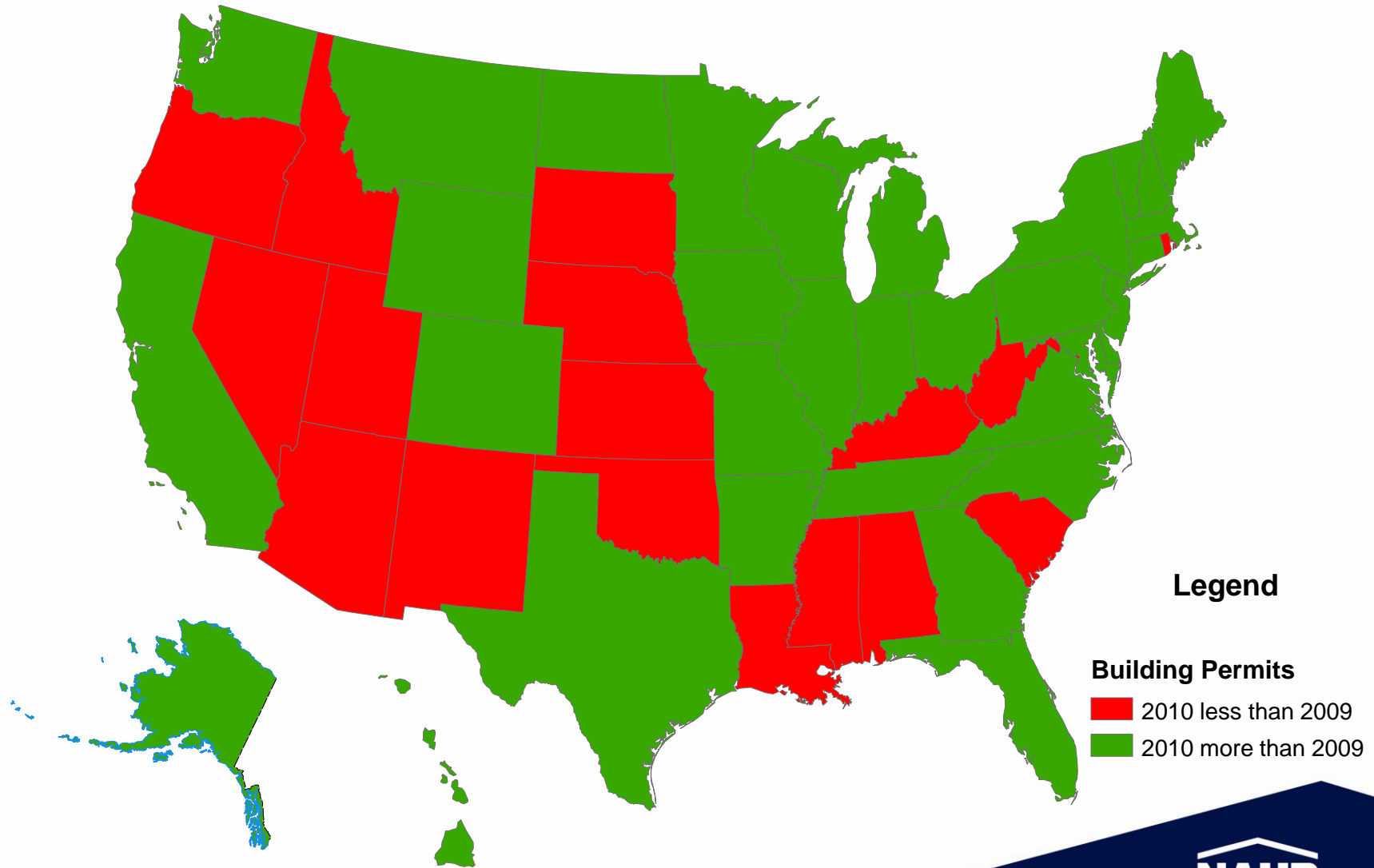
2010 in Perspective

2010 Came In 7% Better Than 2009



Building Permits – 2010 relative to 2009

Two-Thirds of States Improved in 2010



Legend

Building Permits

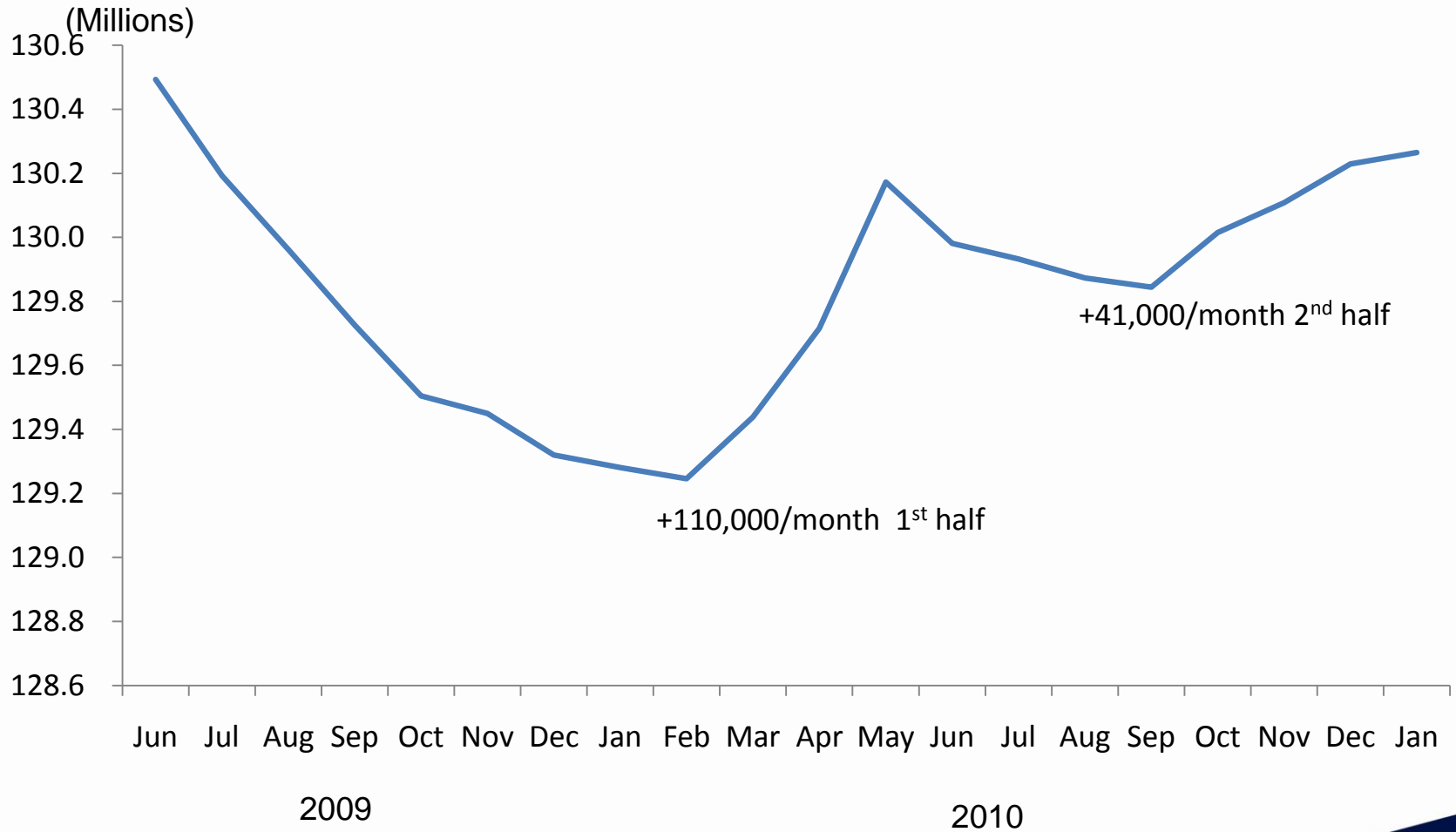
- 2010 less than 2009
- 2010 more than 2009



What happened?

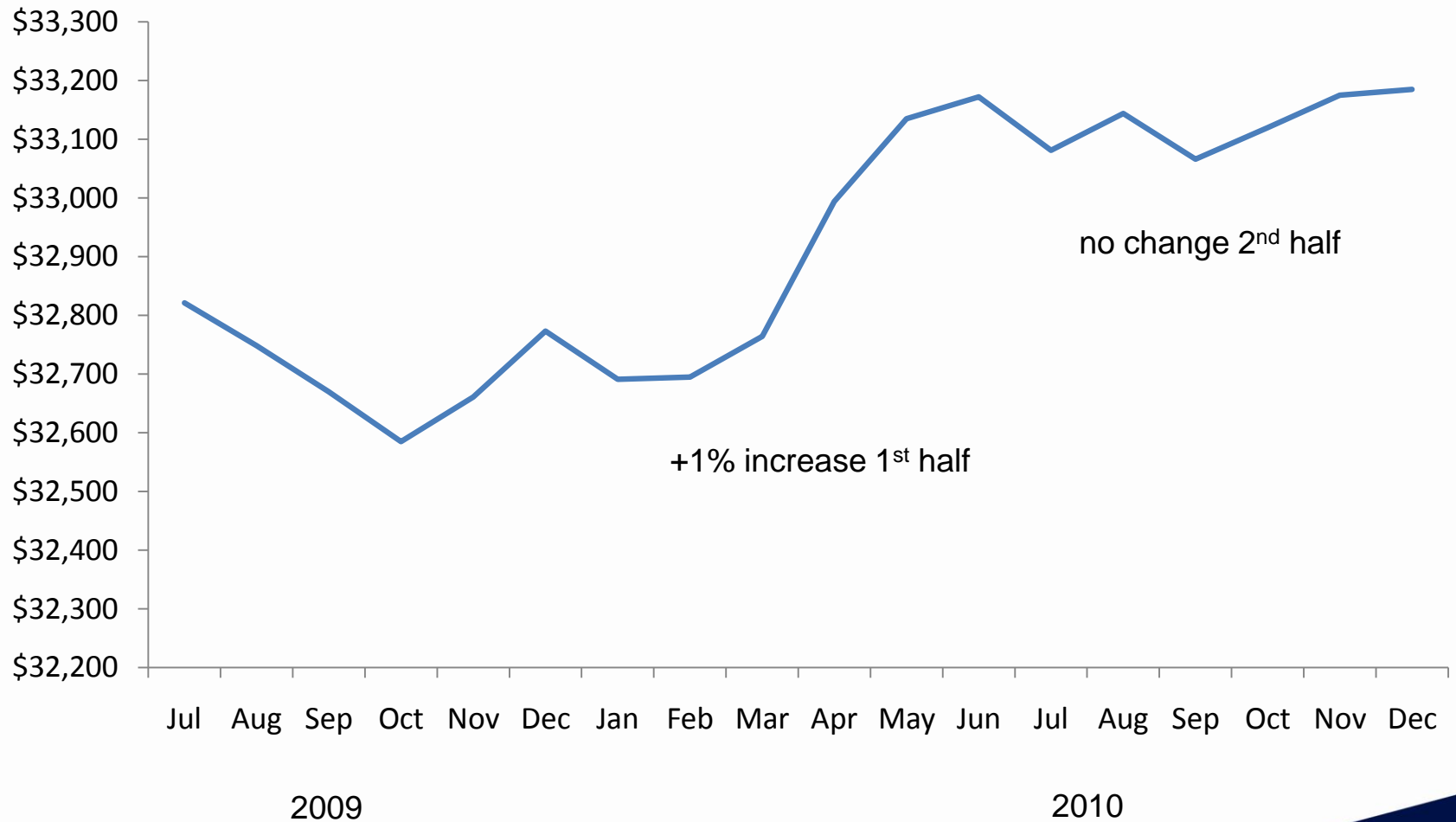
Employment Level

Early Surge Leveled Off Mid-Year



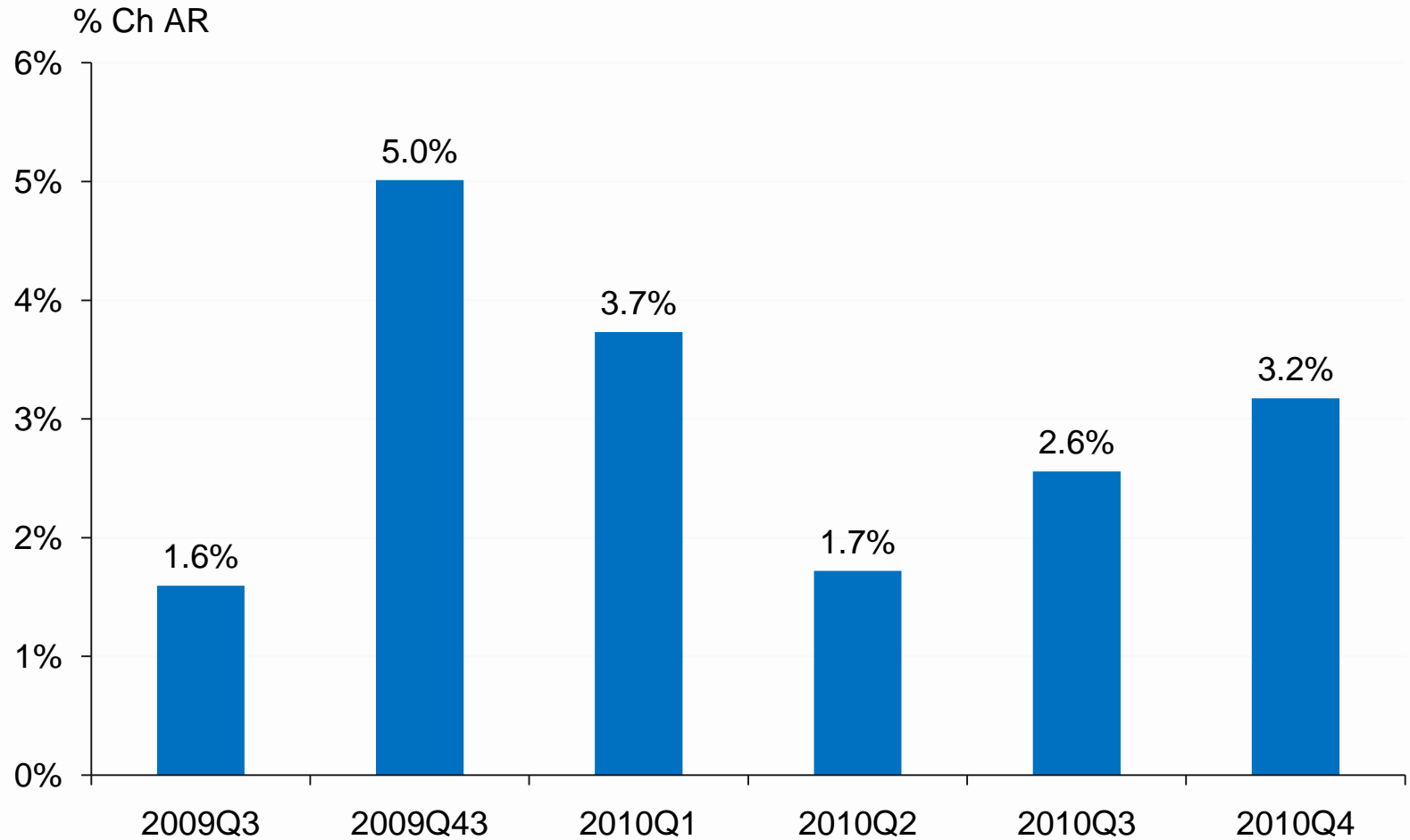
Real Per Capita Disposable Income

Income Boost in Early 2010 Faded



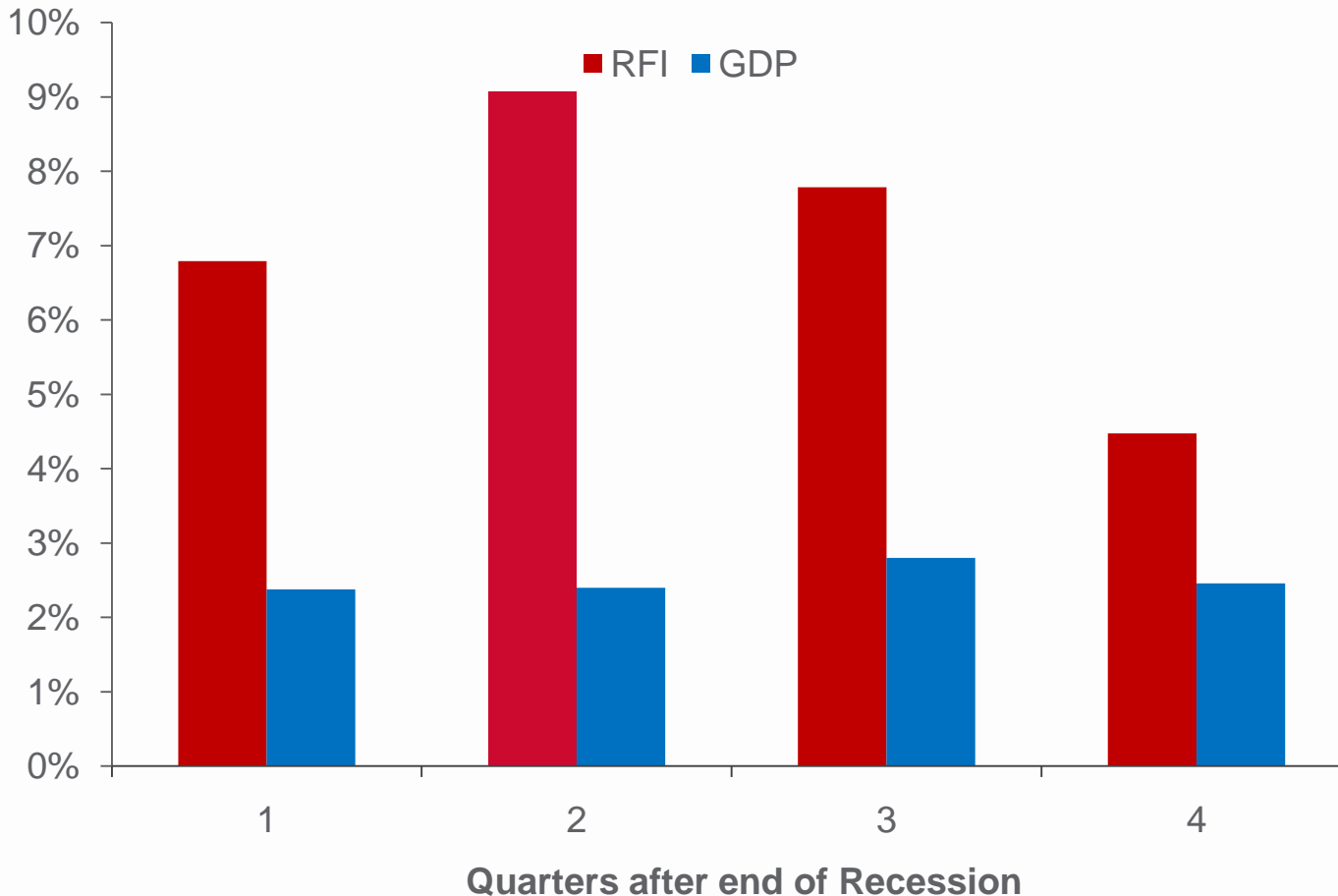
GDP Growth

Softer Mid-year Growth



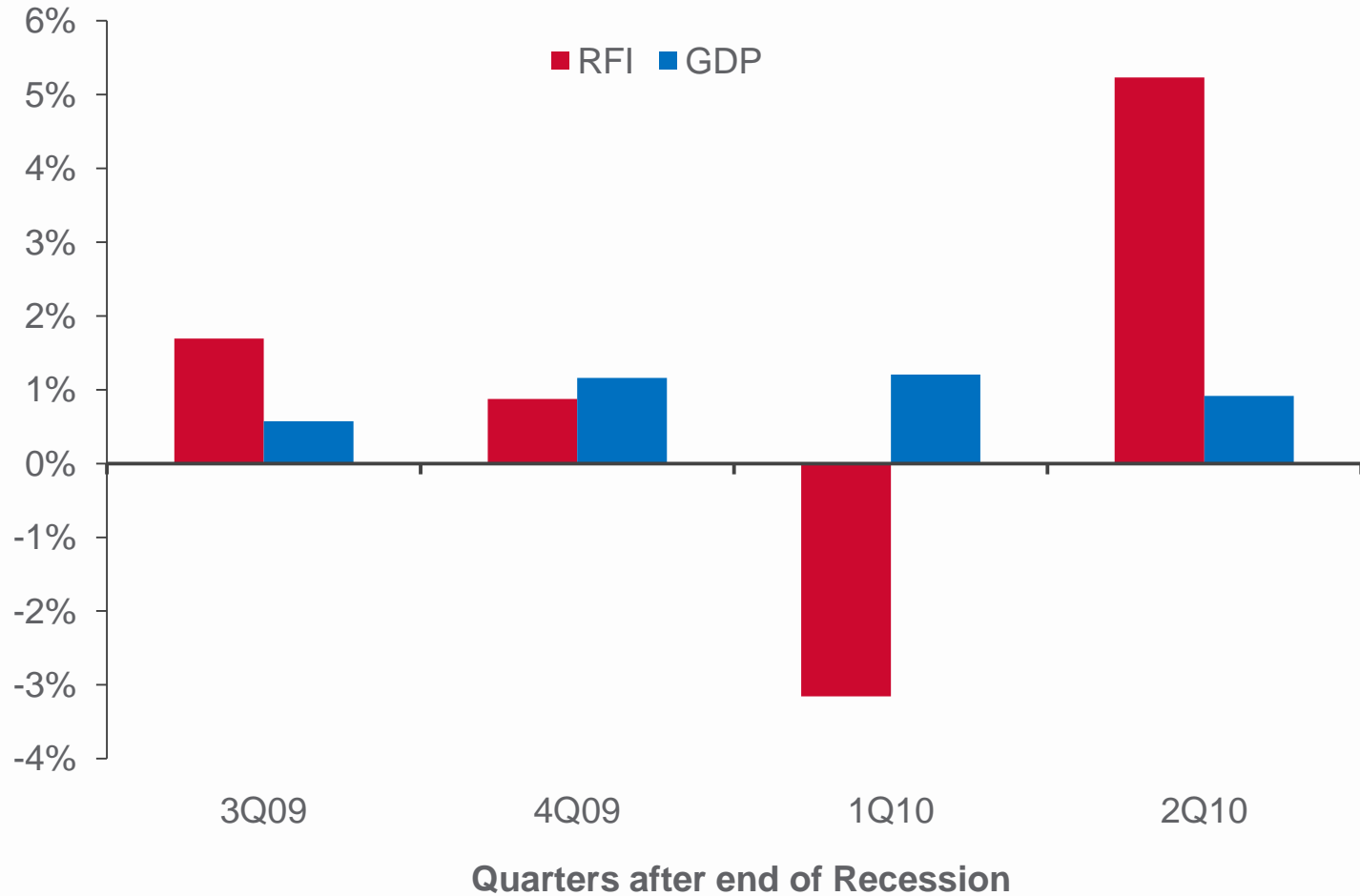
Housing Growth Significant in Past Recoveries

Housing & GDP Quarterly Growth After Recession – Post WWII

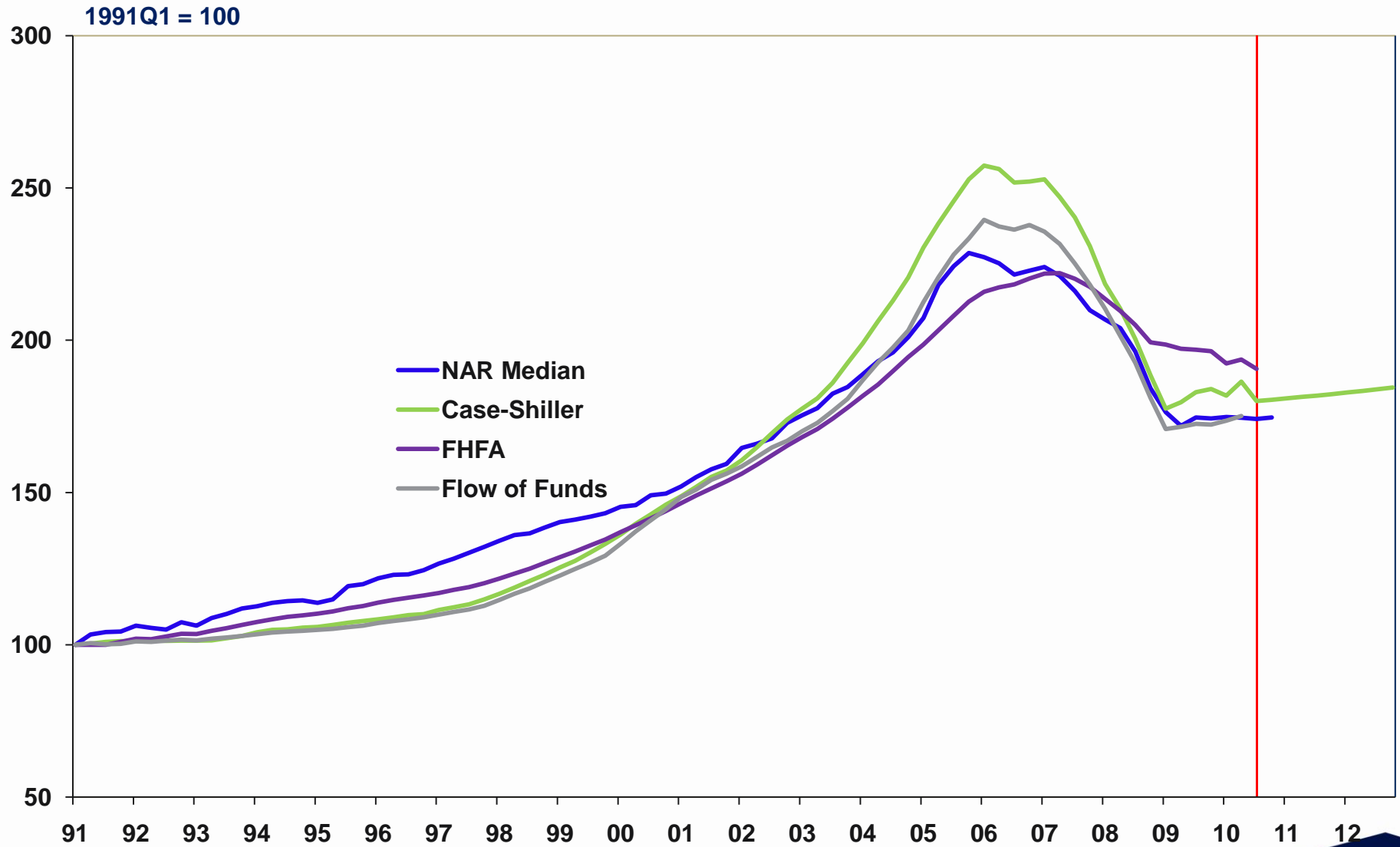


Housing Not Participating in Current Recovery

Housing & GDP Quarterly Growth After Recession – Most Recent

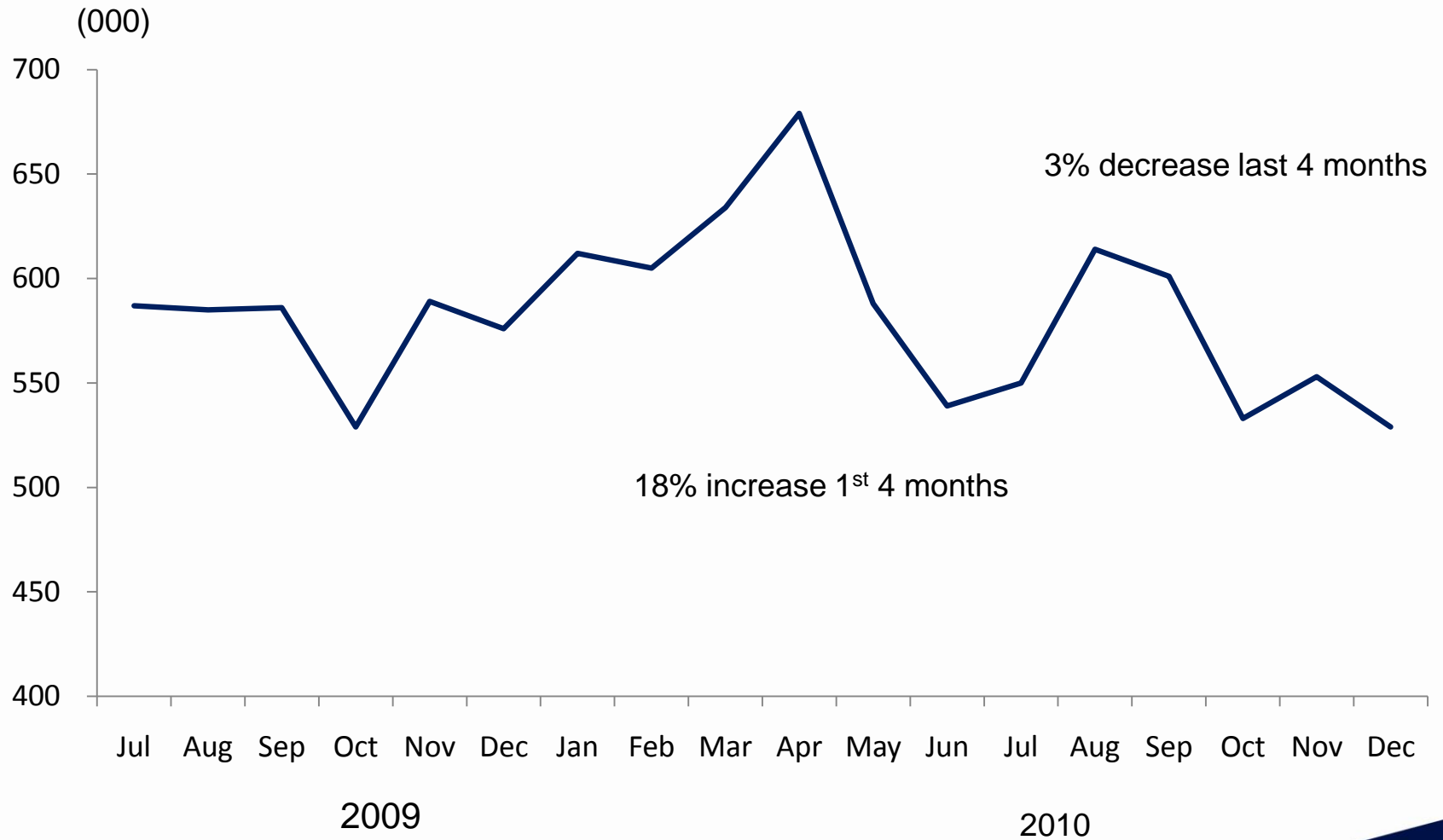


House Prices



Housing Starts

Mid-Year Slump Post Home Buyer Credit

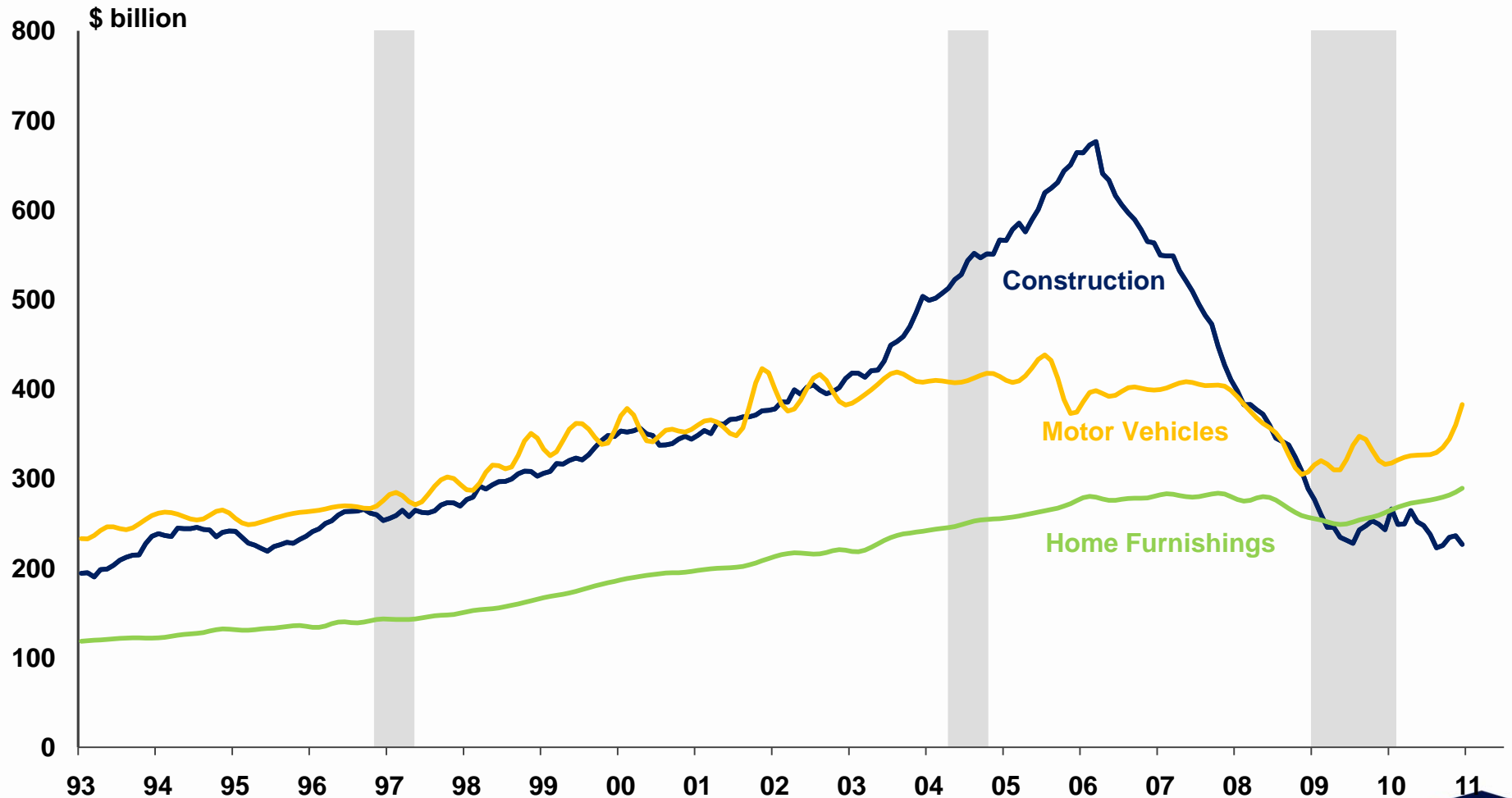




But....

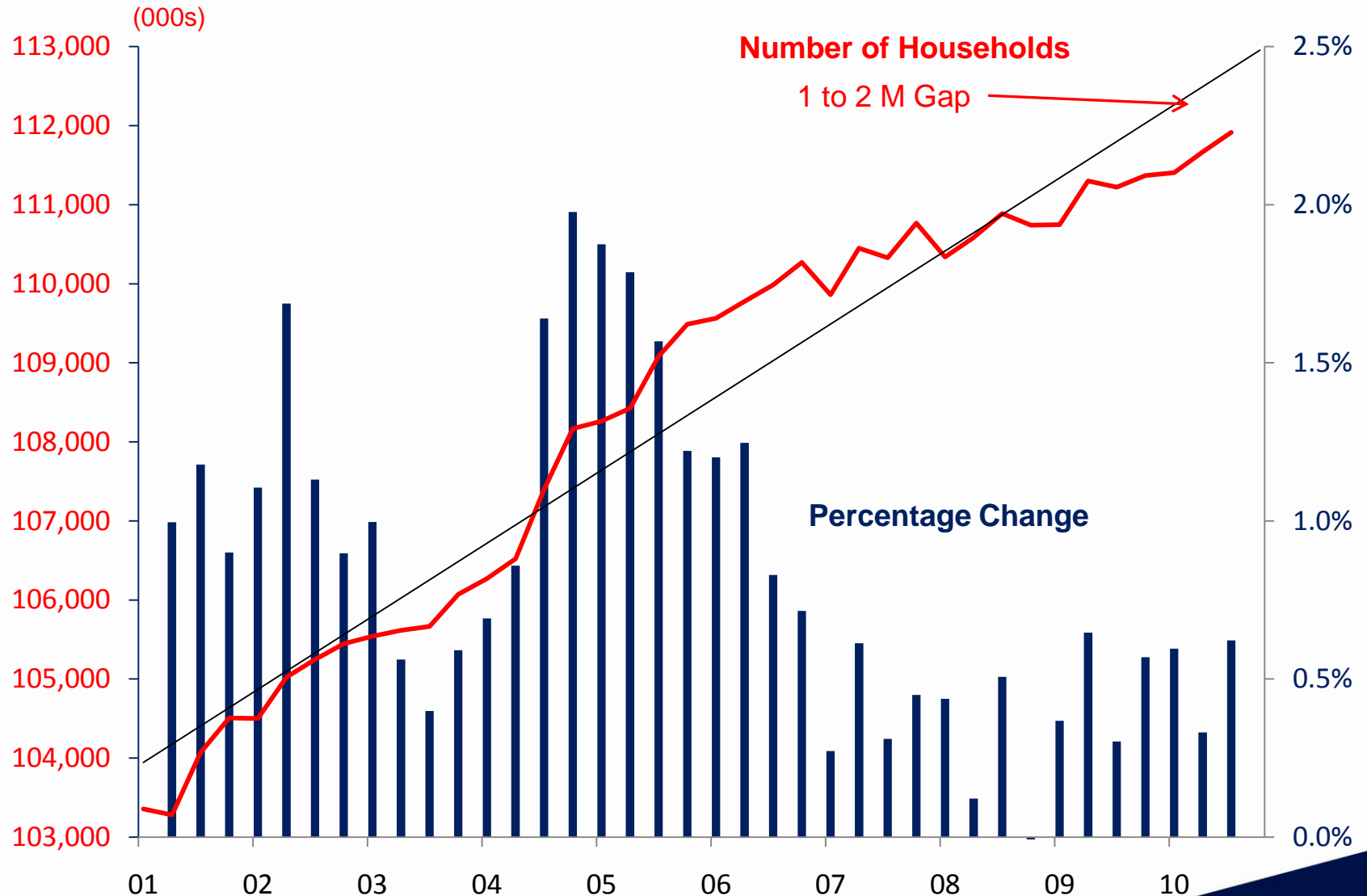
Housing, Motor Vehicle and Home Furnishing Sales

Other Durable Sectors Rising Steadily



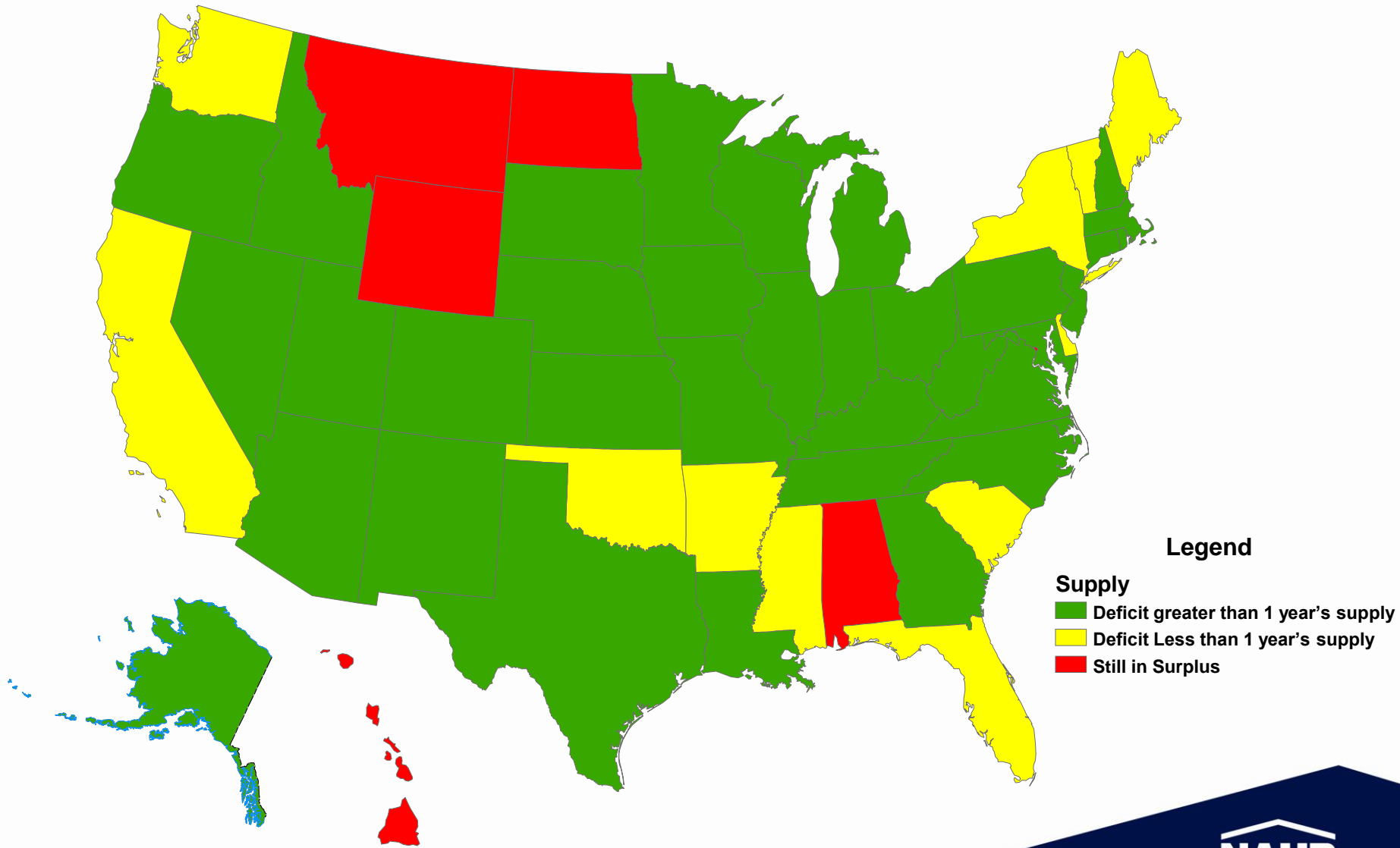
Pent Up Household Demand Awaiting Recovery

Up to 2 Million Unformed Household



Most States Under Producing

Underlying Demographics Calls For More Production



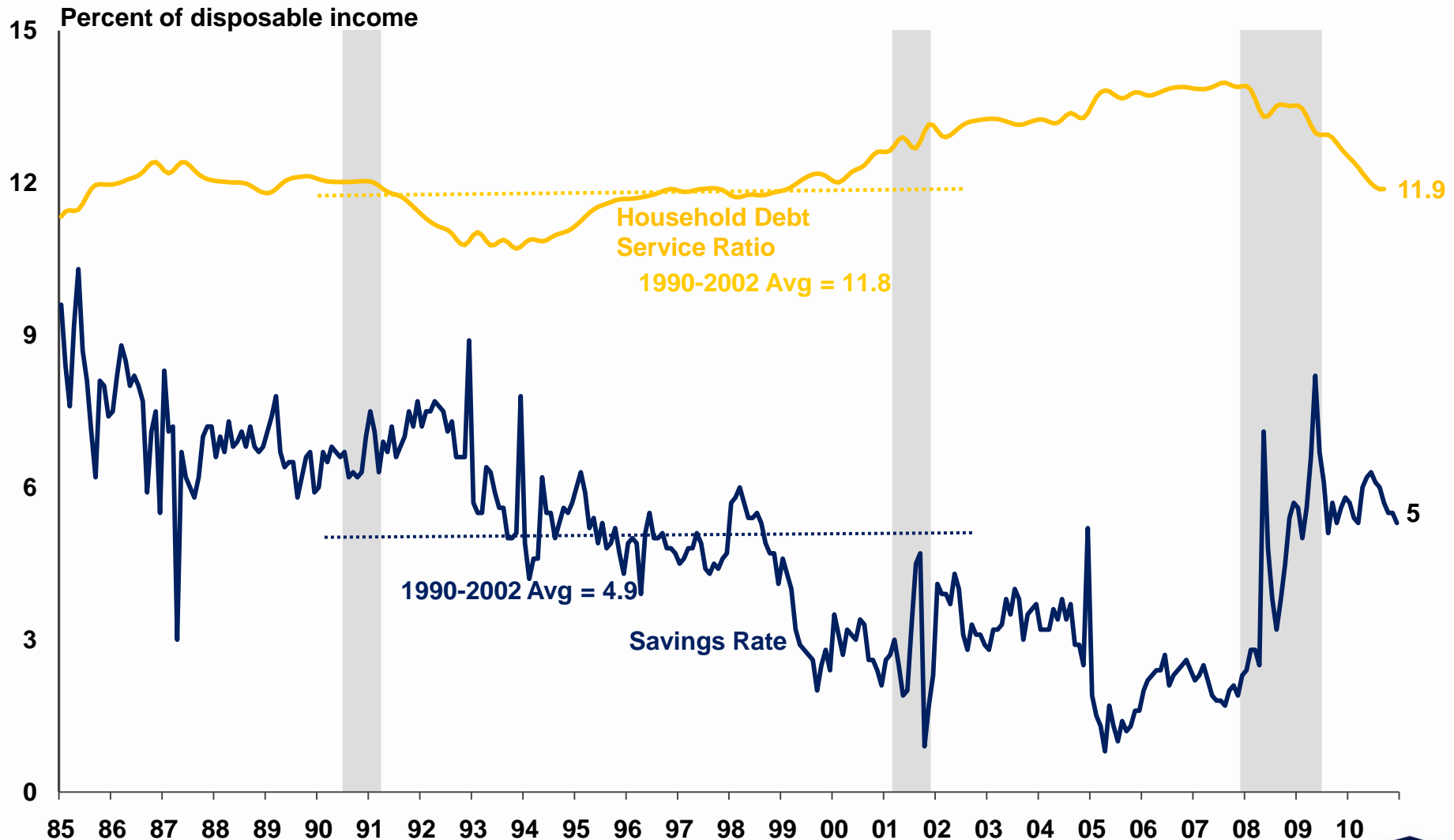
Legend

Supply

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

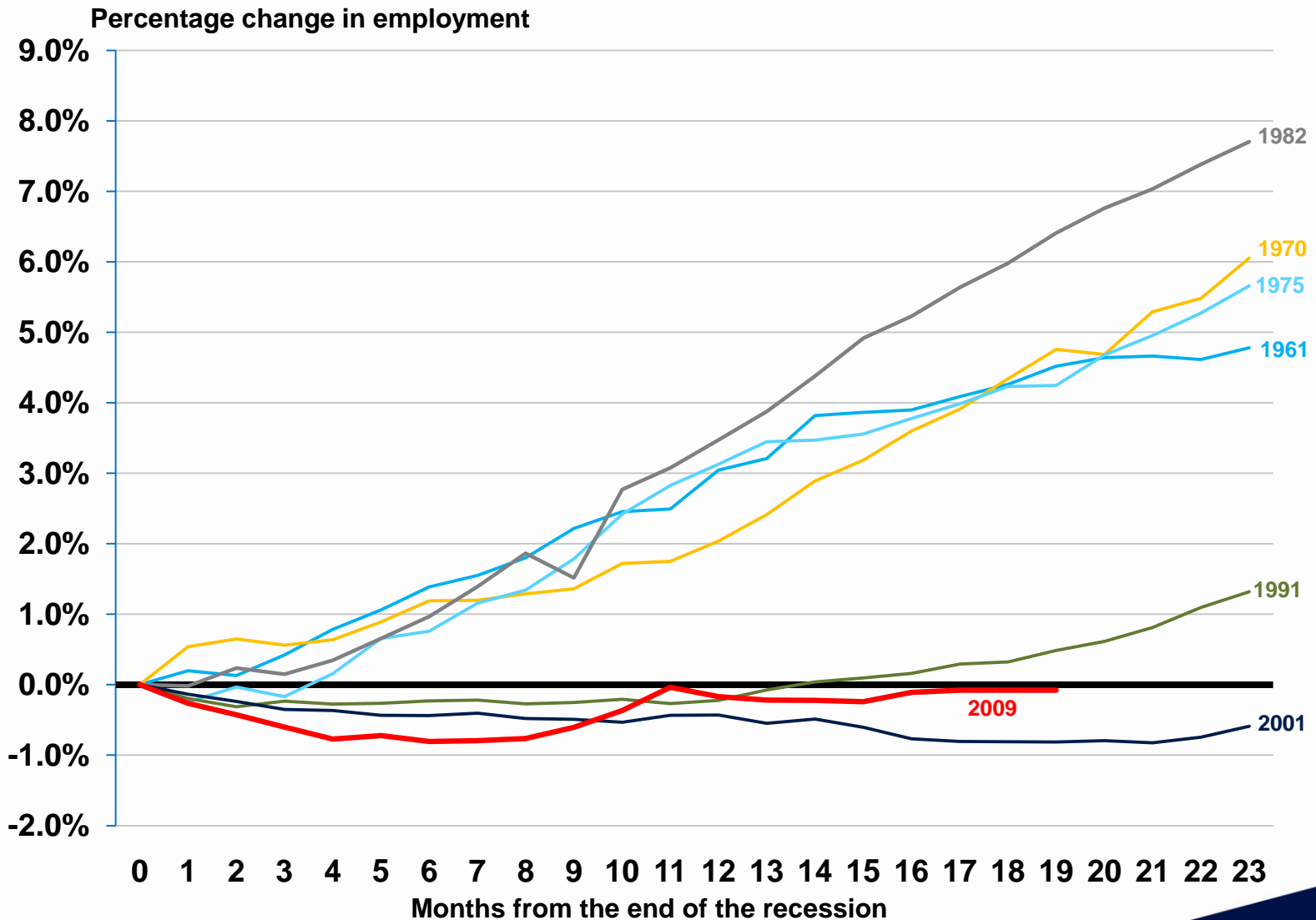
Household Debt Burden and Savings Rate

Debt Burdens Are Declining and Savings Rate Has Moderated

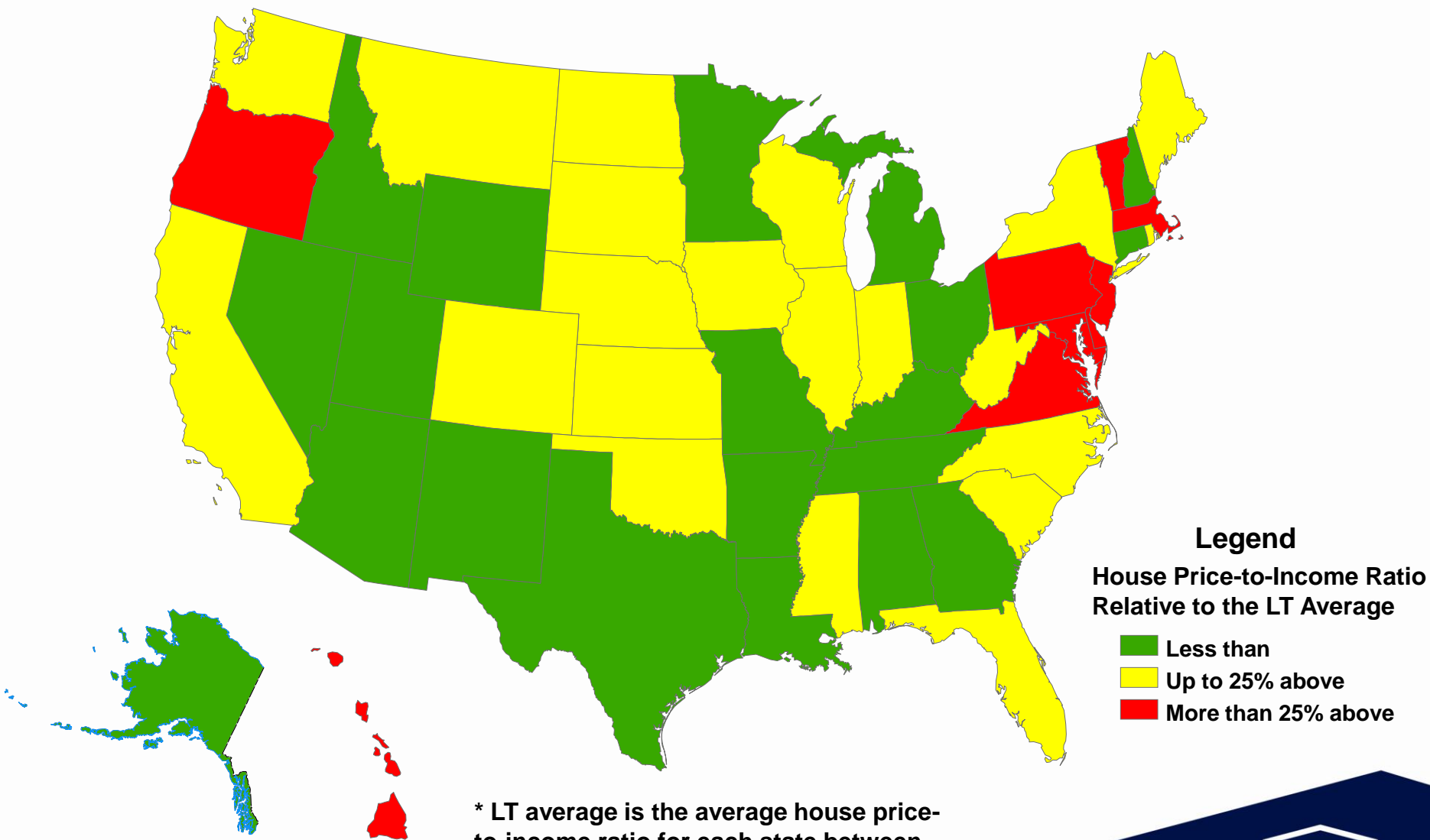


Employment growth relative to other recessions

Current Recovery Similar to Last Two Recessions, But not Earlier Ones



House Price-to-Income Ratio Relative to the Long-term Average*

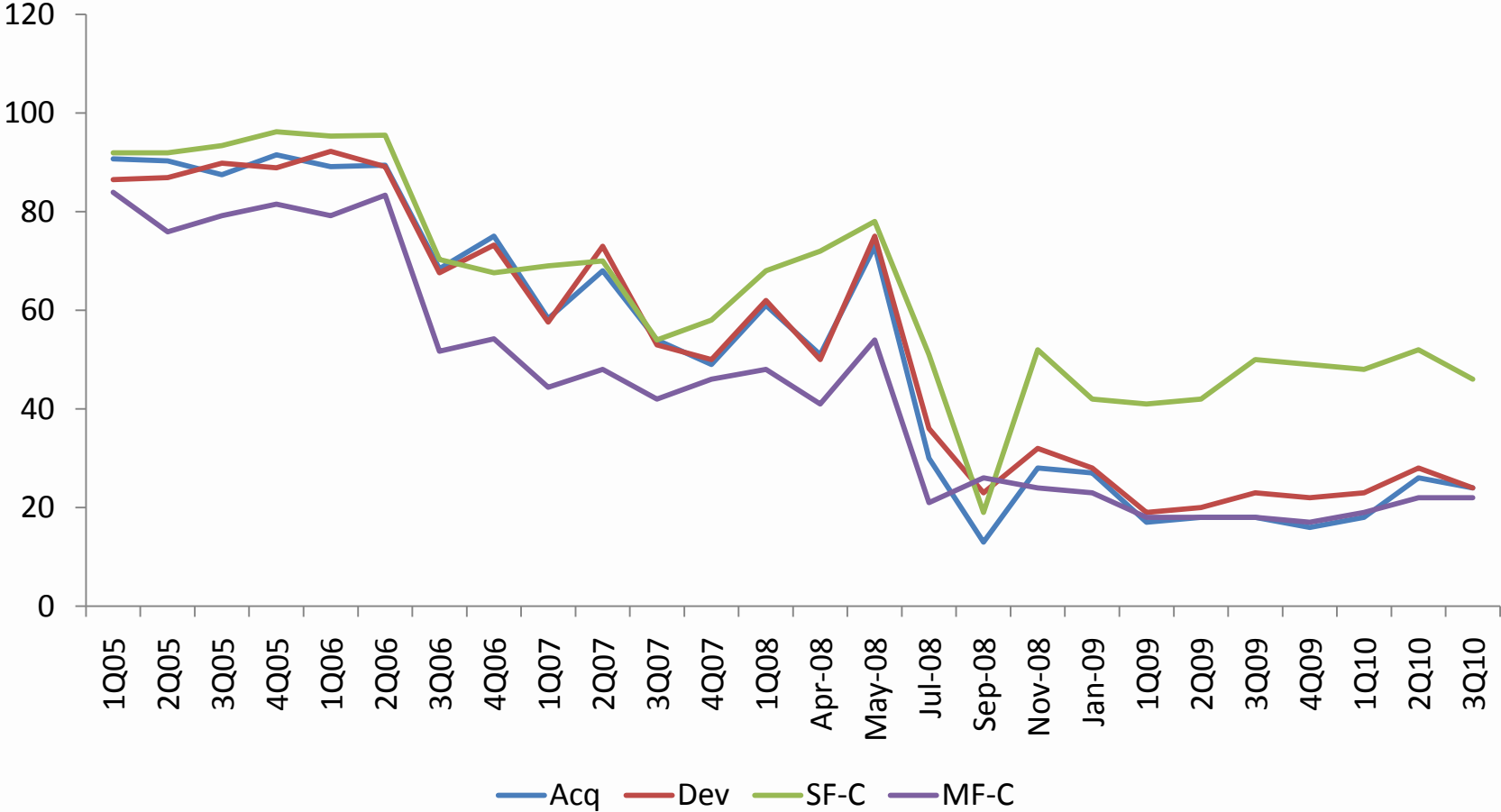


Legend
House Price-to-Income Ratio
Relative to the LT Average

- 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.

Builders Seeking AD&C Loans

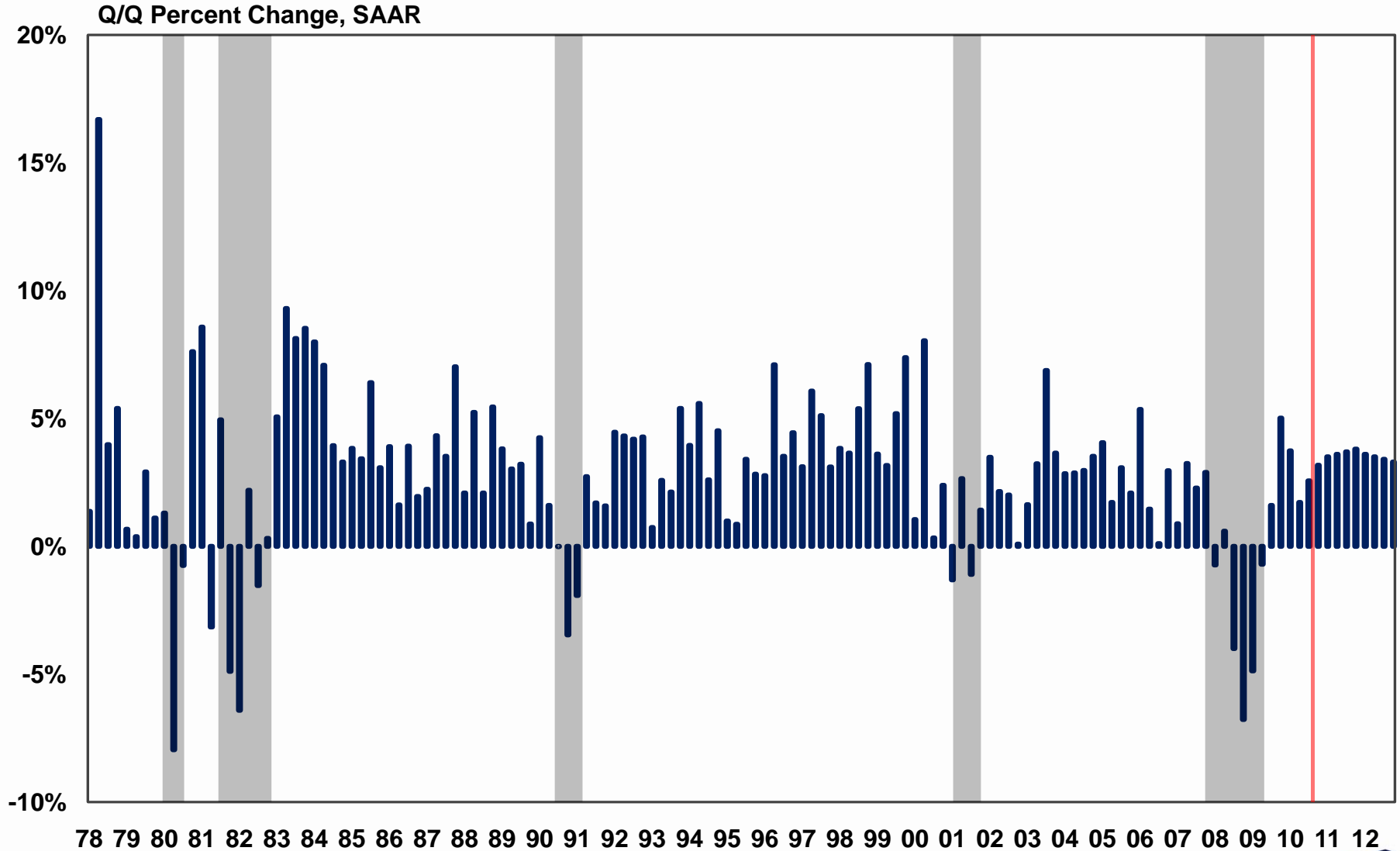




Forecast

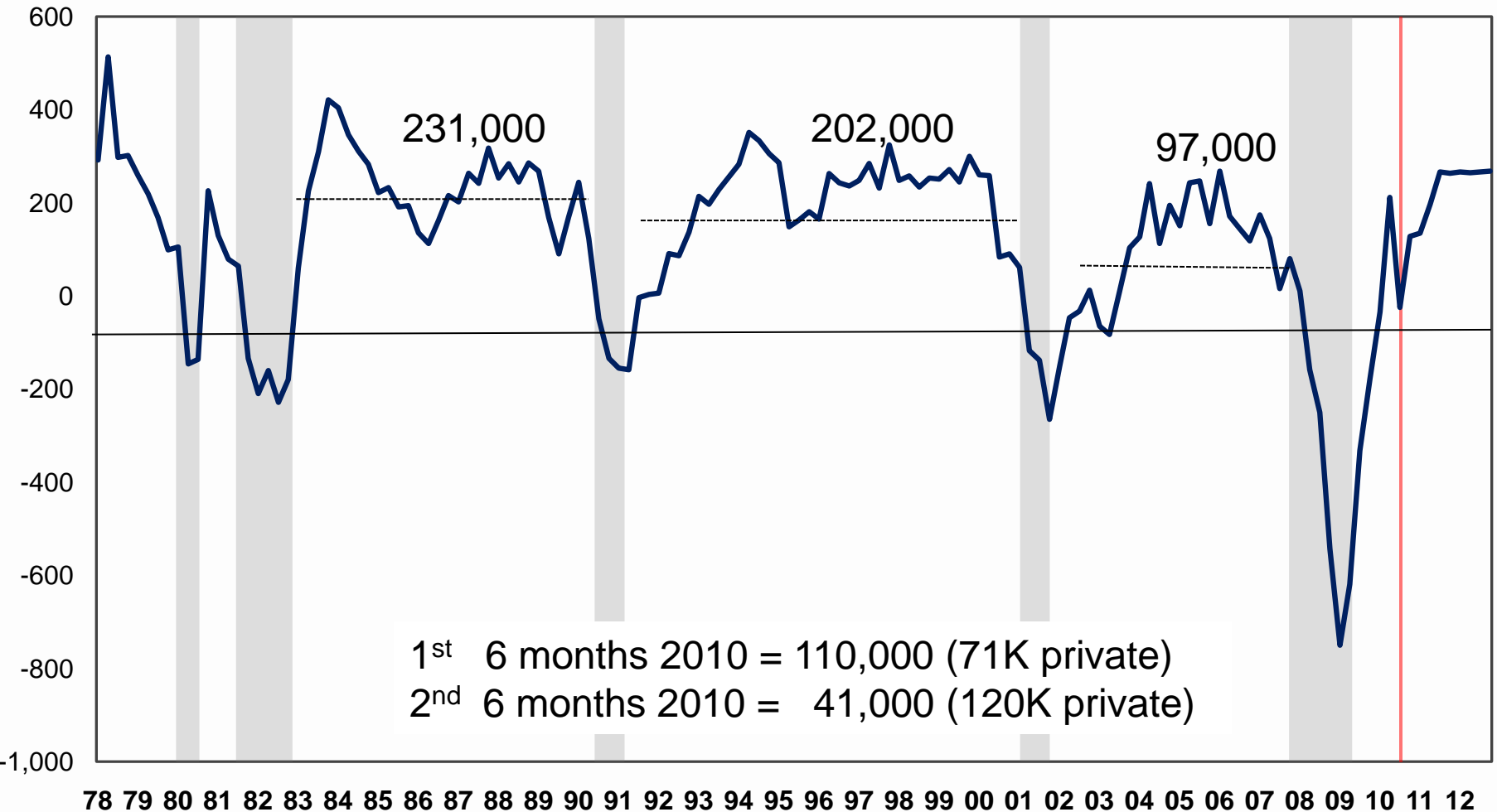
Slow but Steady Growth Ahead

Real GDP Growth



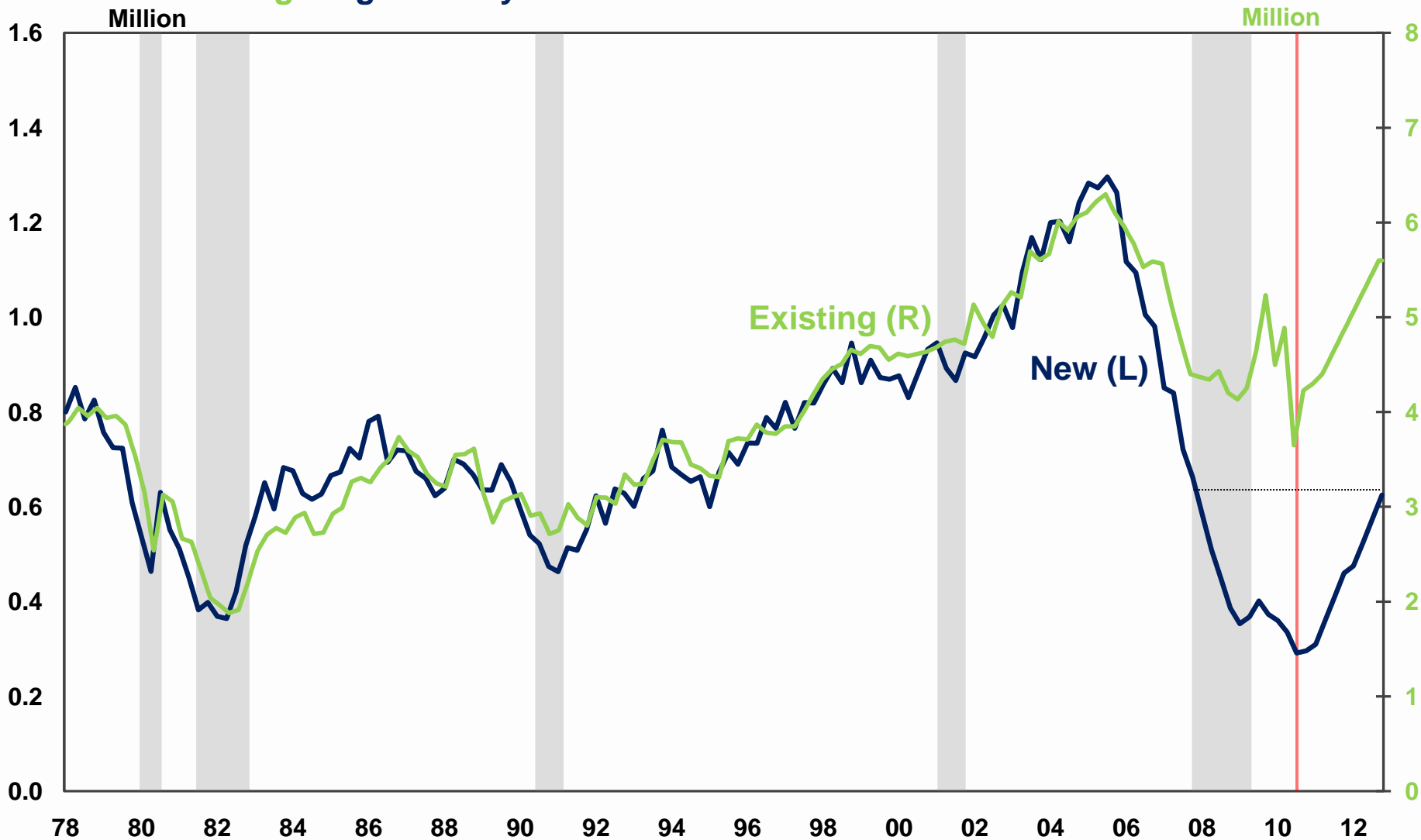
Job Growth Slowed in Recent Months

Average Monthly Employment Change

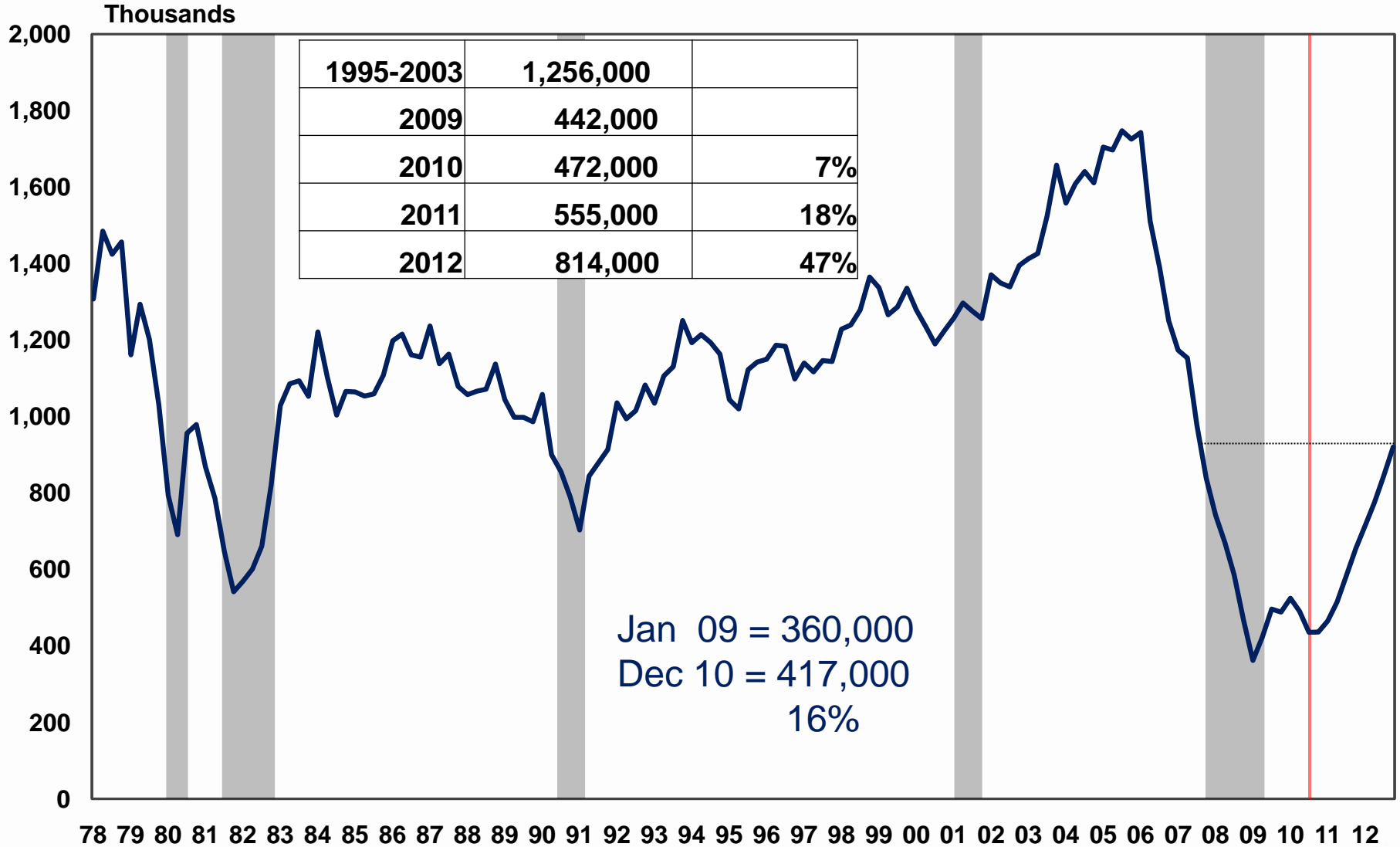


Sales Dipped Mid-Year, But Due to Recover

New and Existing Single-Family Home Sales

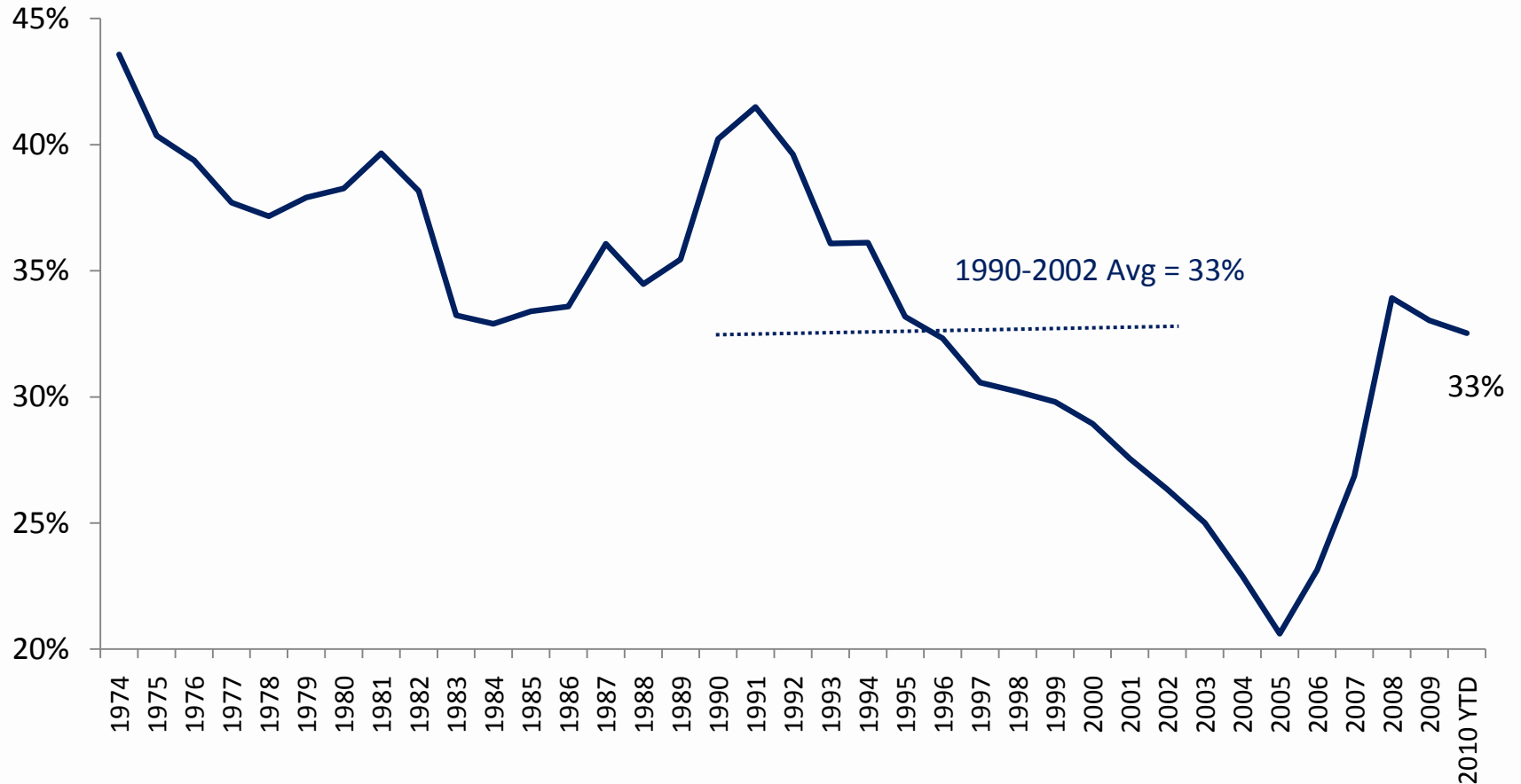


Single-Family Starts Will Revive, Slowly

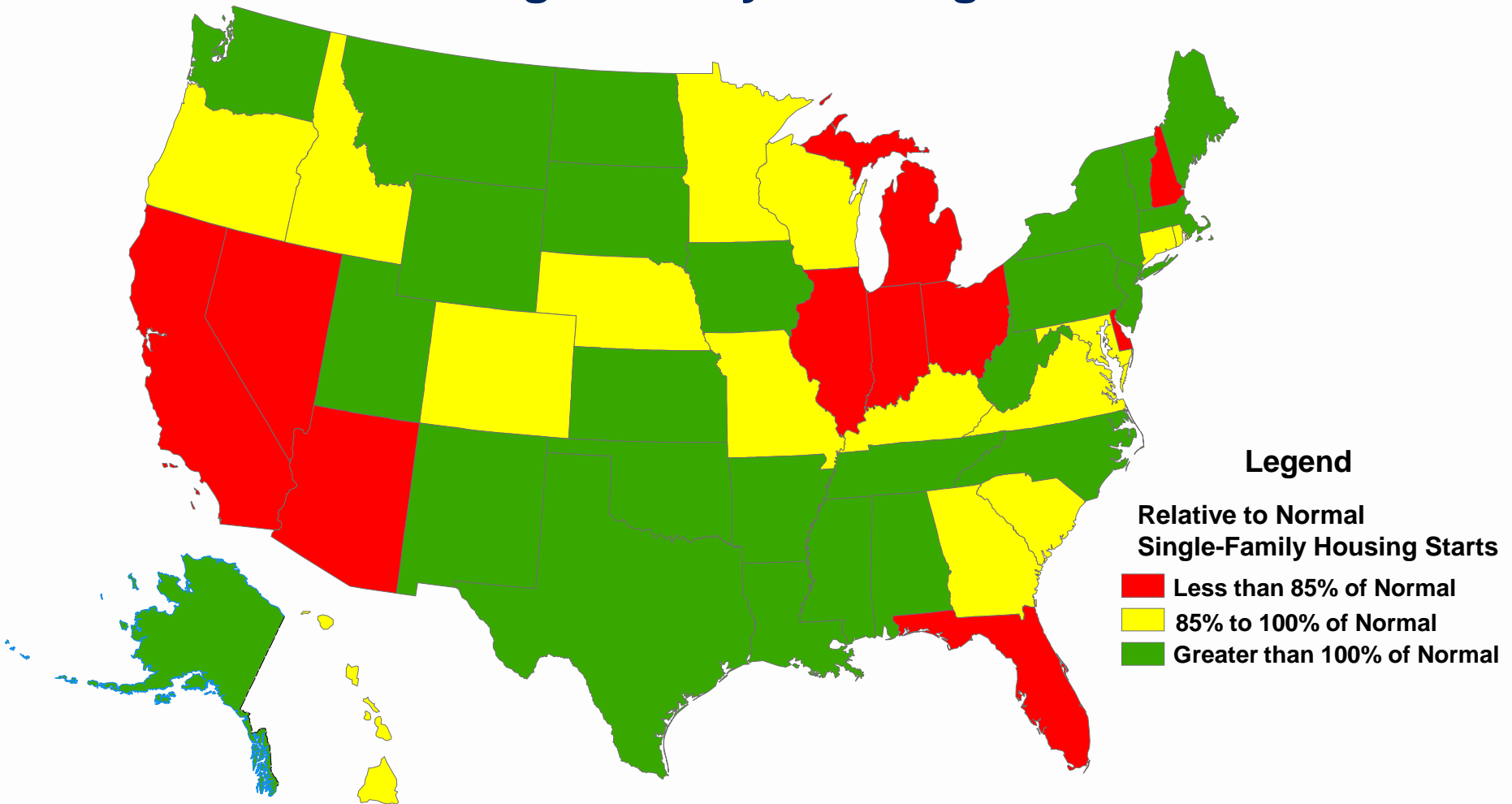


Share “Custom” Single Family

Built to Owners' Order Strength of Current Market

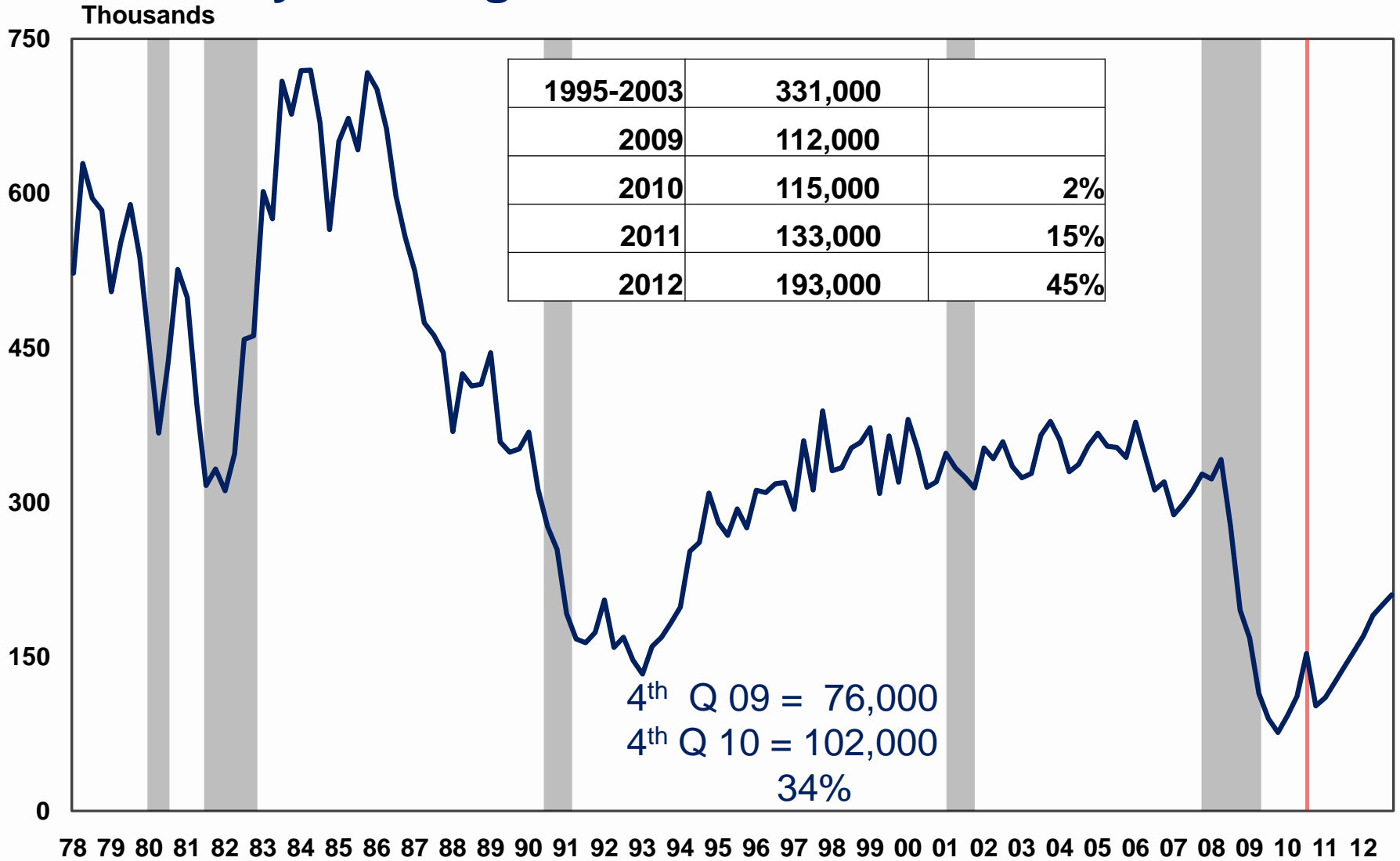


Long Road Back to Normal* for Single-Family Housing Starts – Q4 2012

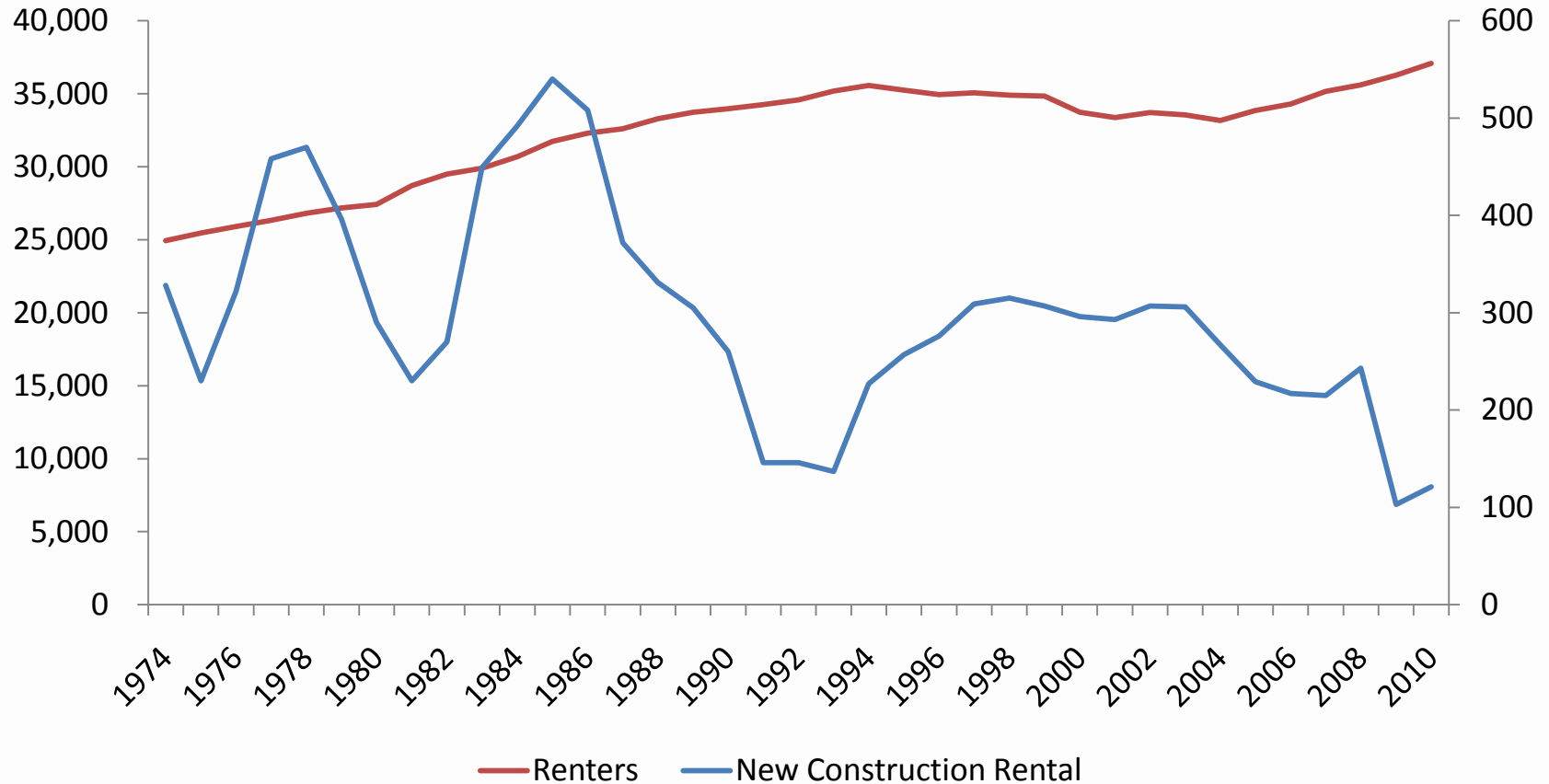


* Normal Production is measured as Single-Family housing starts between Q1 2000 and Q4 2003

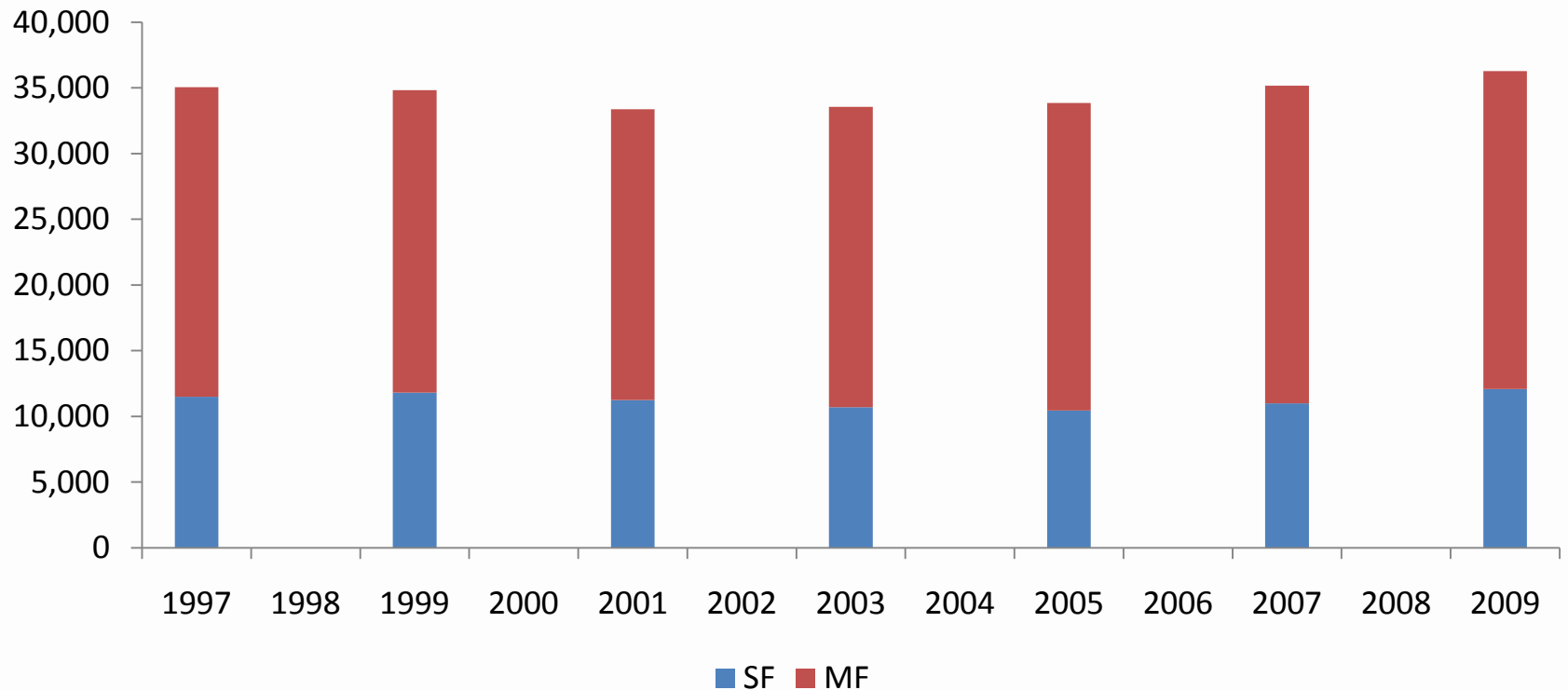
Multifamily Housing Starts Have Seen Bottom



More Rentals But Less New Construction

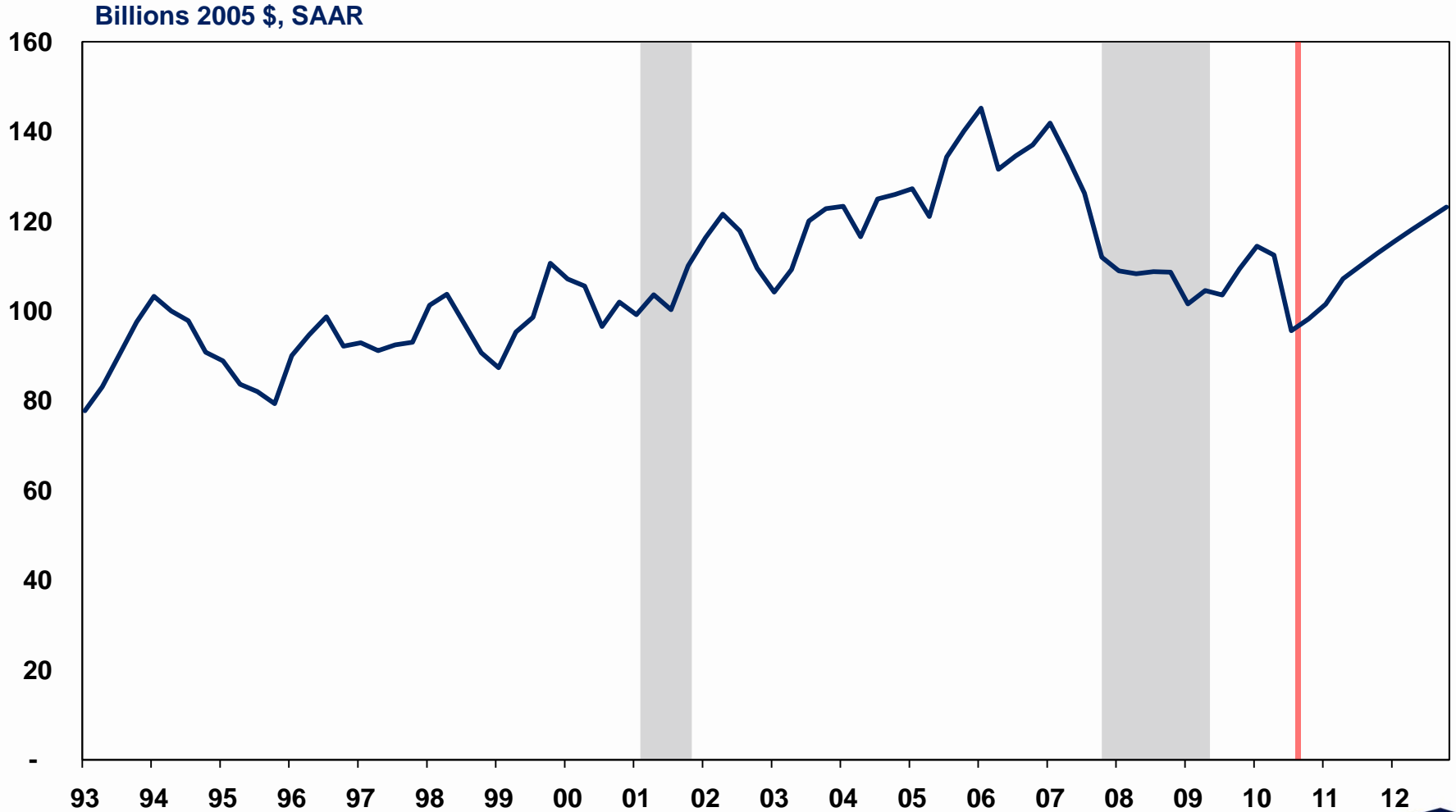


One-Third of Rental Stock is Single-Family



Residential Remodeling Does Better

Owner-Occupied Improvements





Questions?

Answers:

www.housingeconomics.com

eyeonhousing.wordpress.com