

National Association of Home Builders

# Housing and Economic Outlook

Executive Board Meeting  
March 15, 2011

DAVID CROWE  
CHIEF ECONOMIST



# Outline

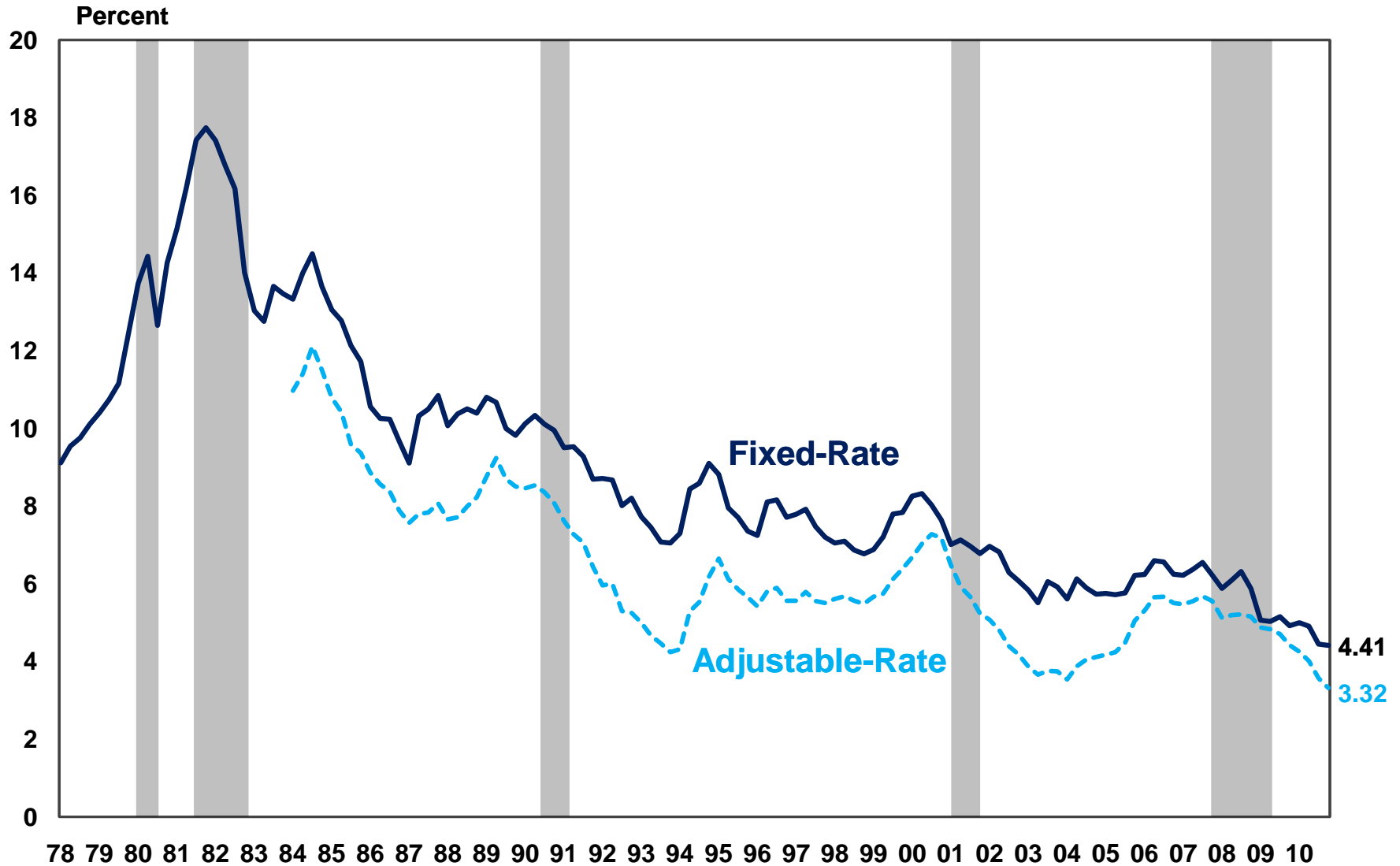
- **Good News**
- **Not-So-Good News**
- **Forecast**



# Good News

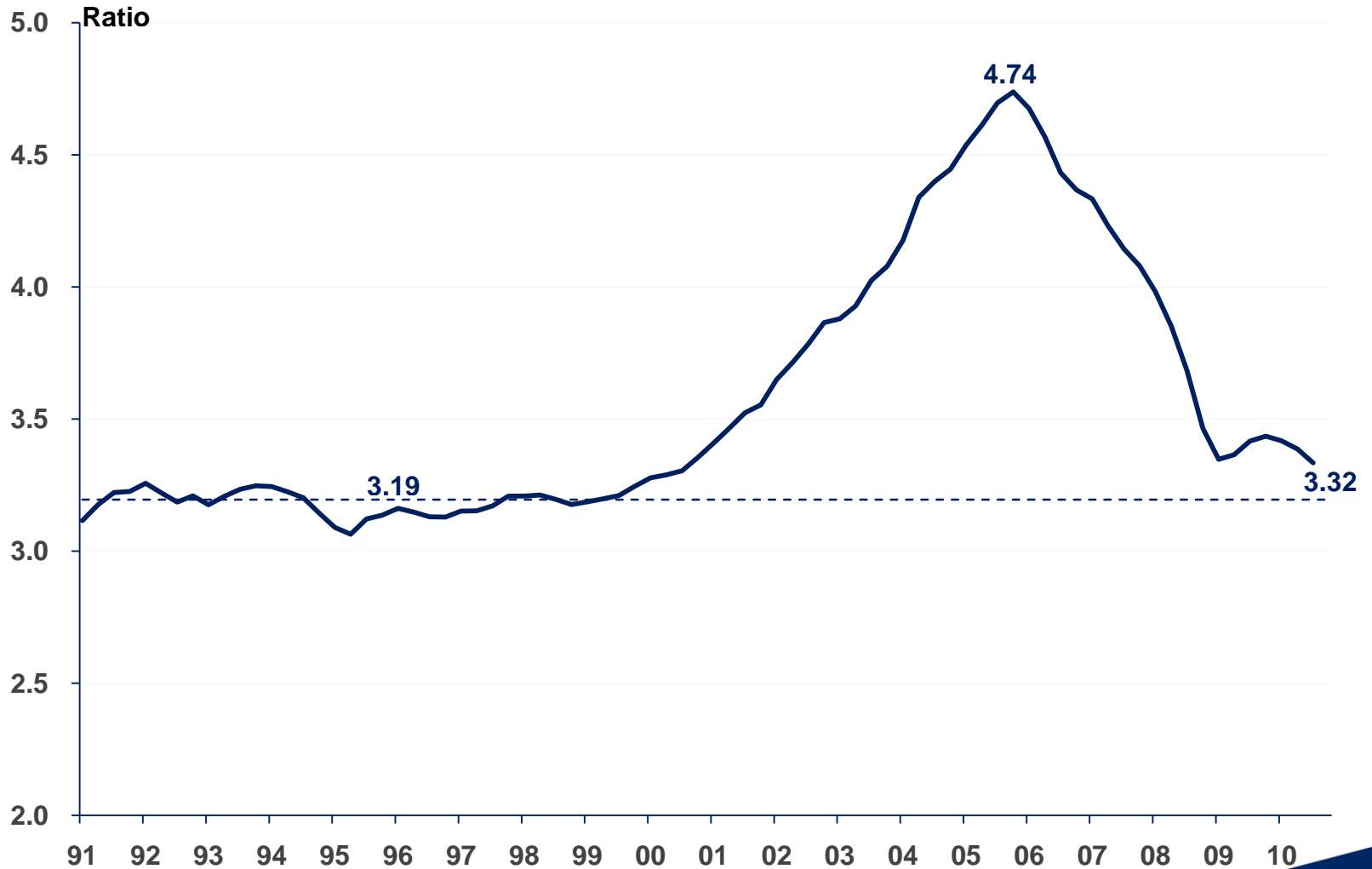


# Mortgage Rates Are Low

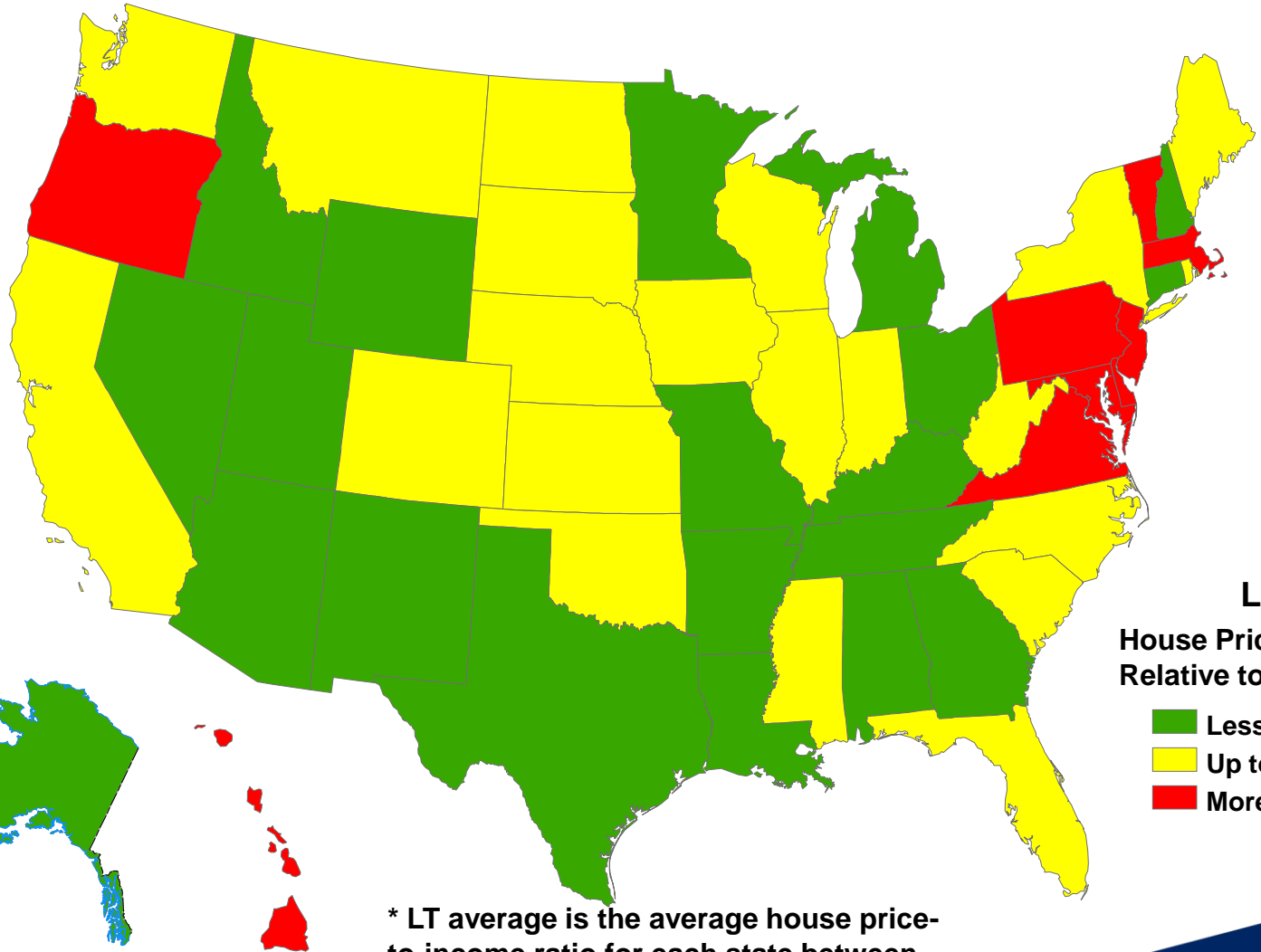


# House Prices Back to 'Normal'

## House Price-to-Income Ratio



# Most States Returning to Normal House Prices - House Price-to-Income Ratio Relative to the Long-term Average\*



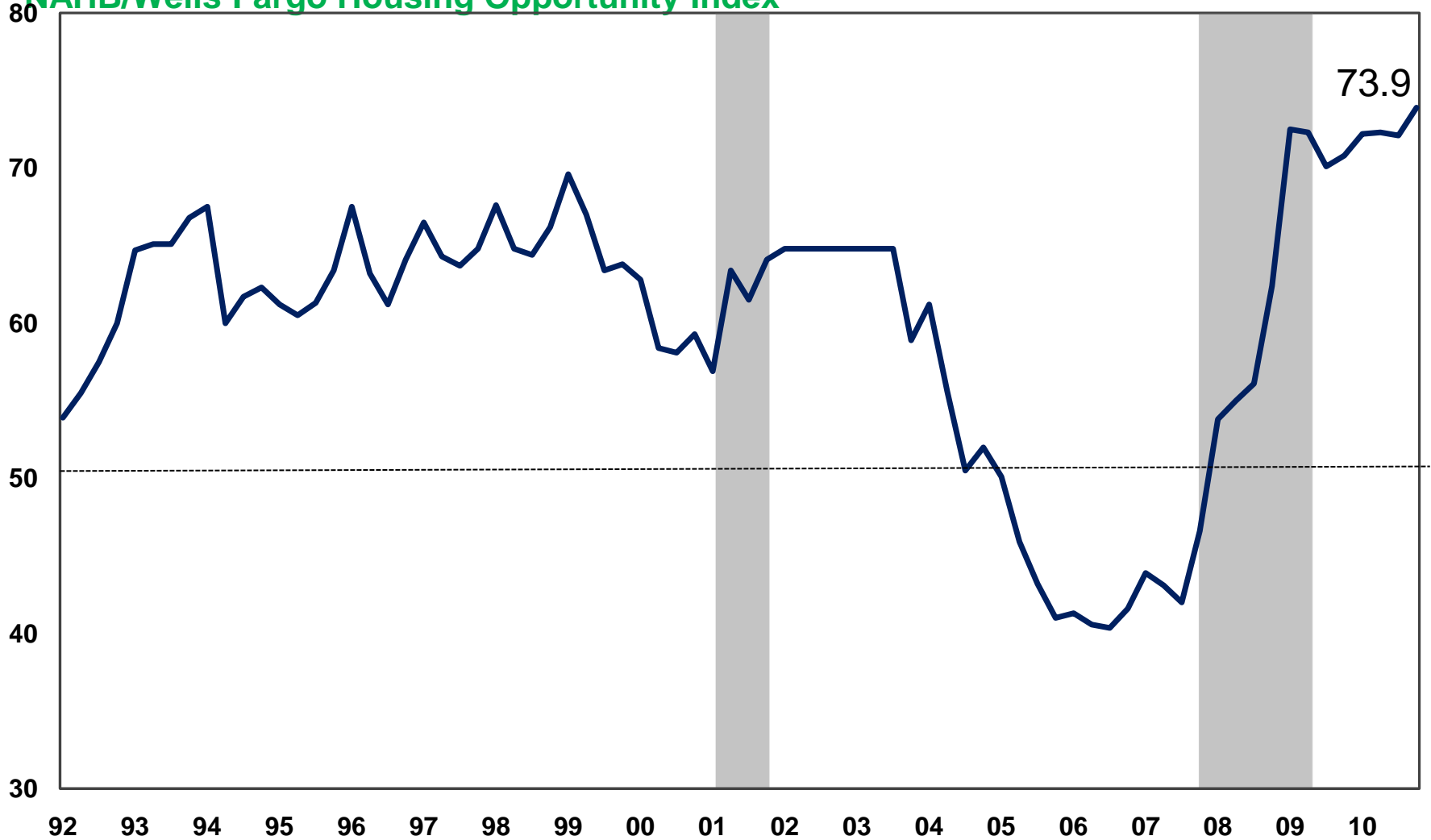
**Legend**  
House Price-to-Income Ratio  
Relative to the LT Average

- Green: Less than
- Yellow: Up to 25% above
- Red: 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.

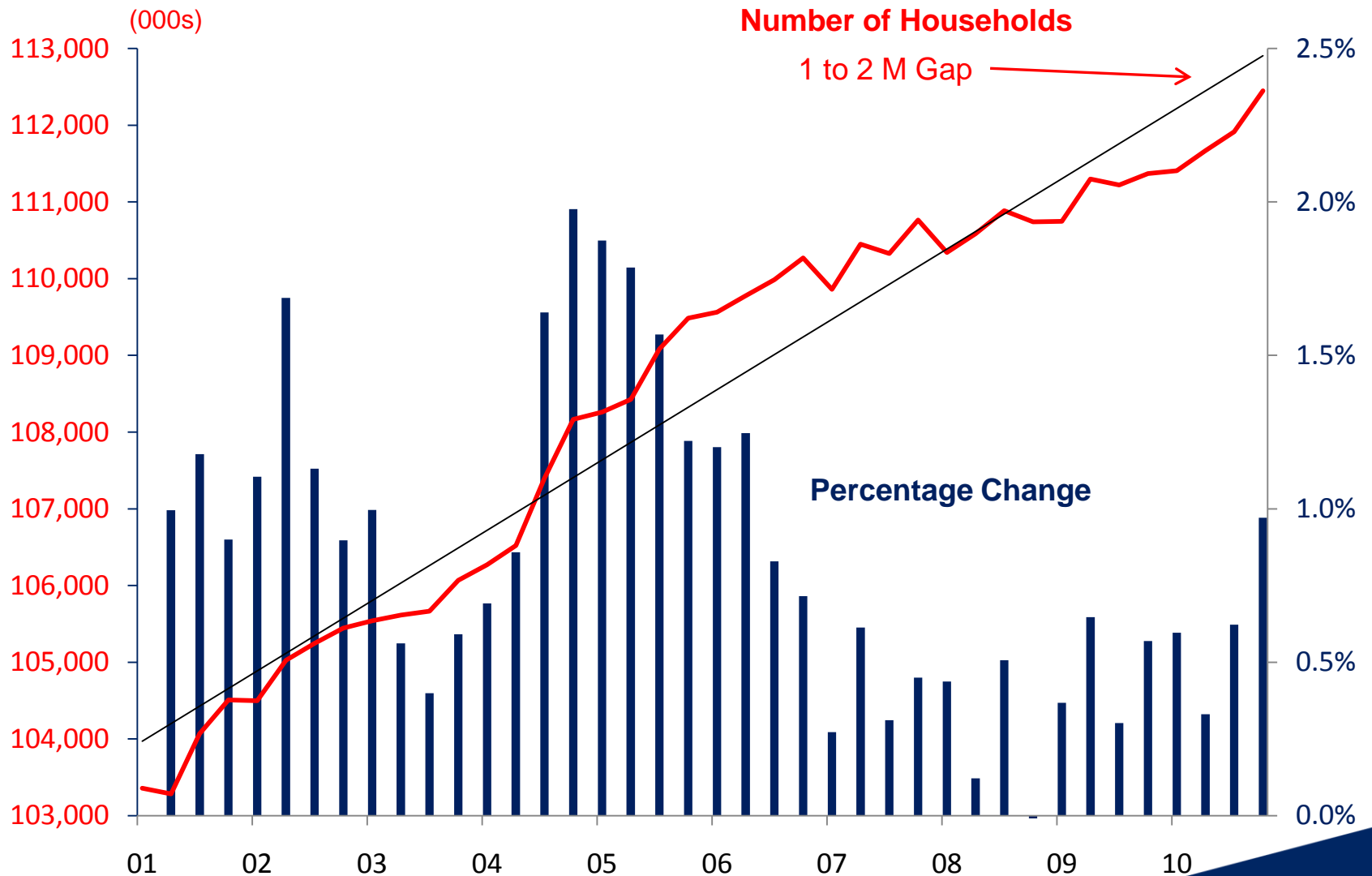
# Affordability At All-Time-High –

NAHB/Wells Fargo Housing Opportunity Index



# Pent Up Household Demand Awaiting Recovery

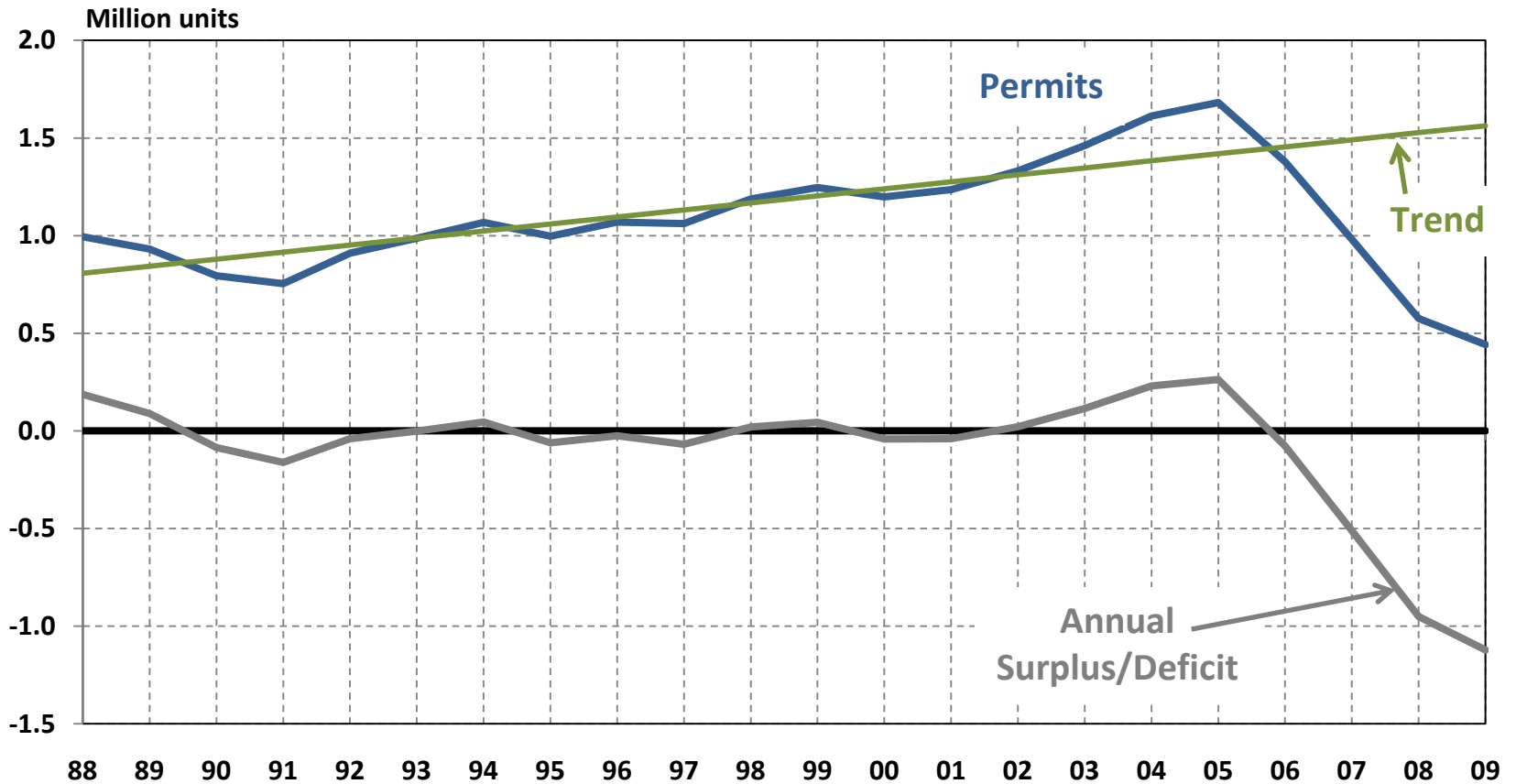
## Up to 2 Million Unformed Household





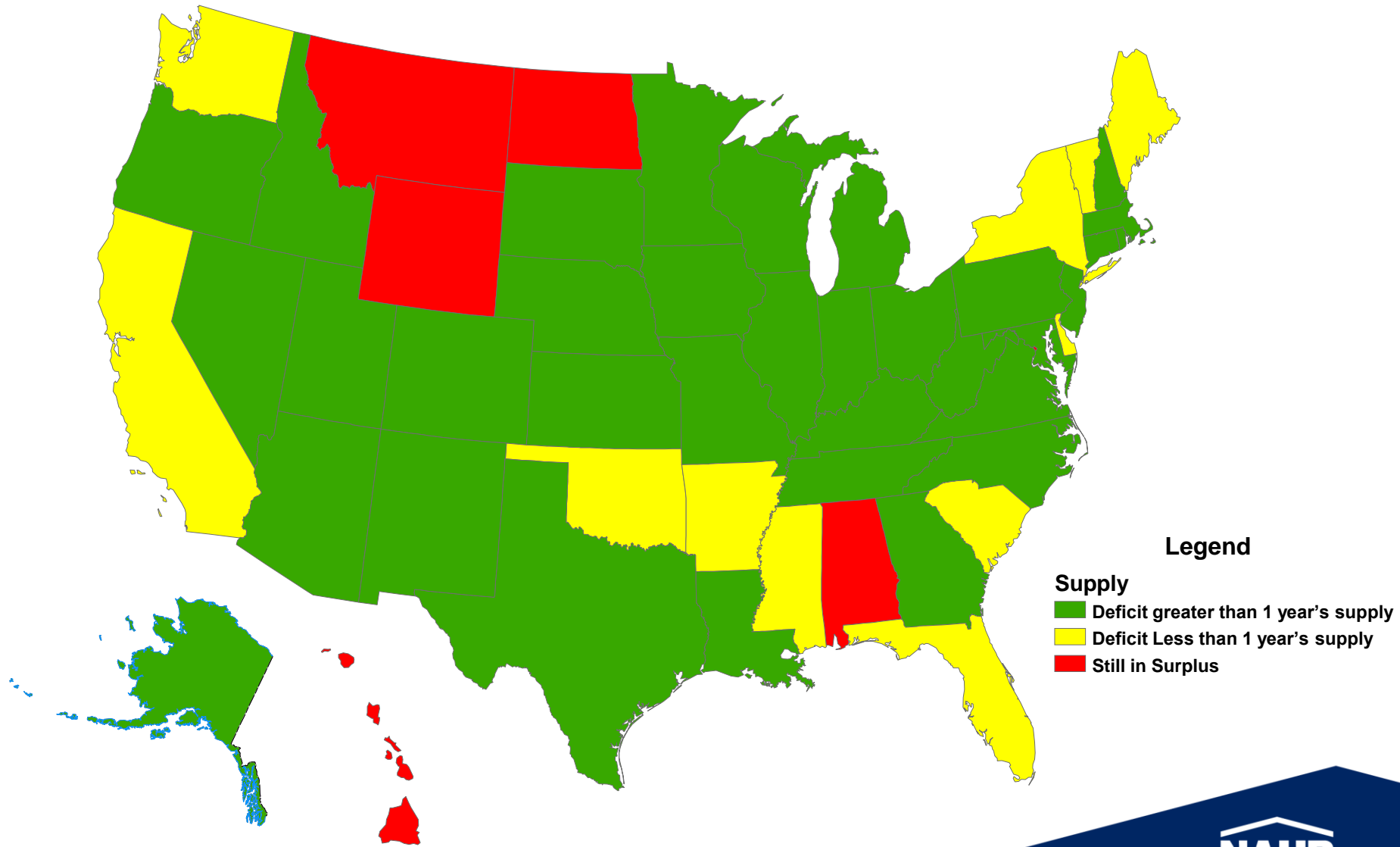
# Single-Family Production Well Under Trend

## Single-Family Permits: Actual and Trend



# Most States Under Producing

## Underlying Demographics Calls For More Production

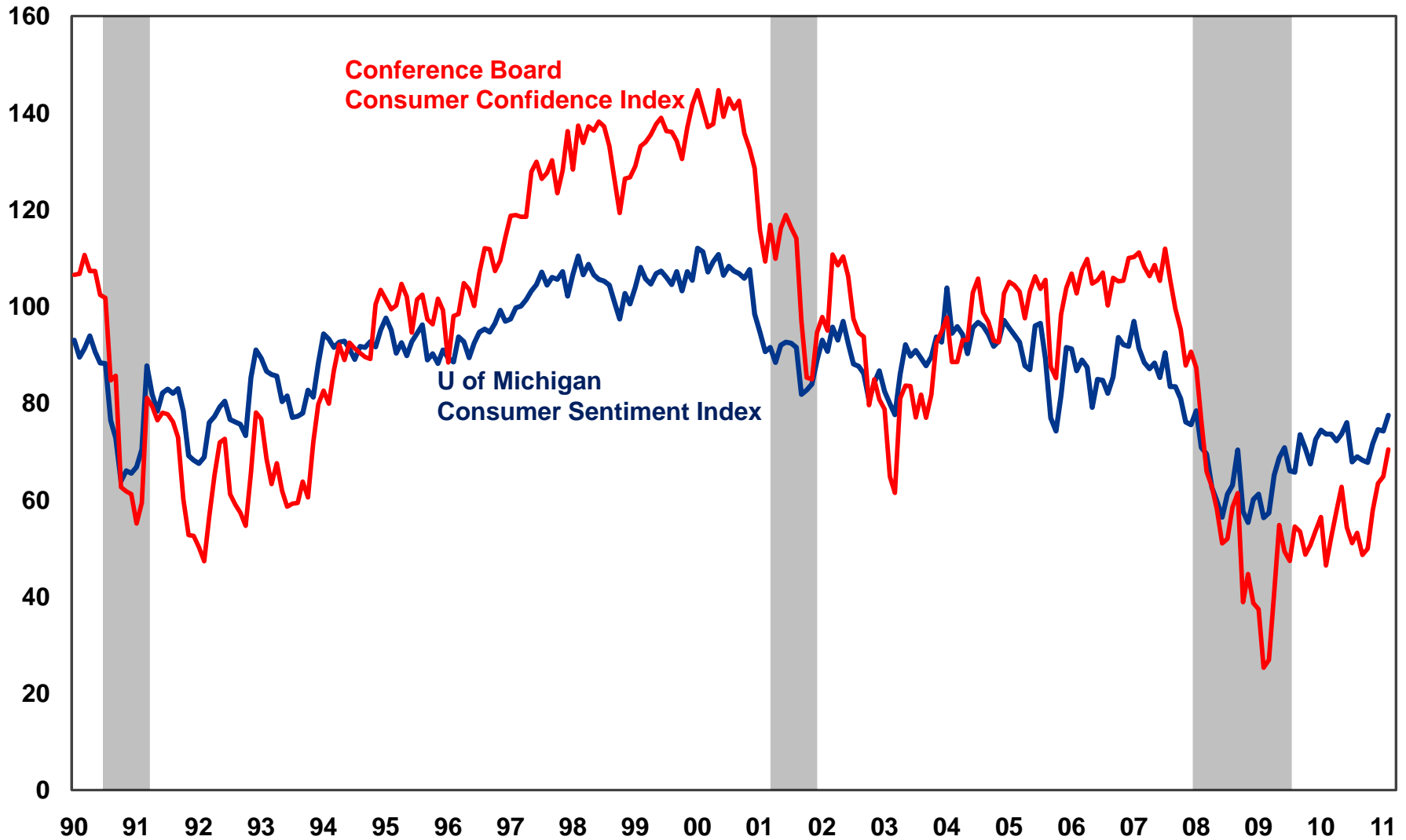


### Legend

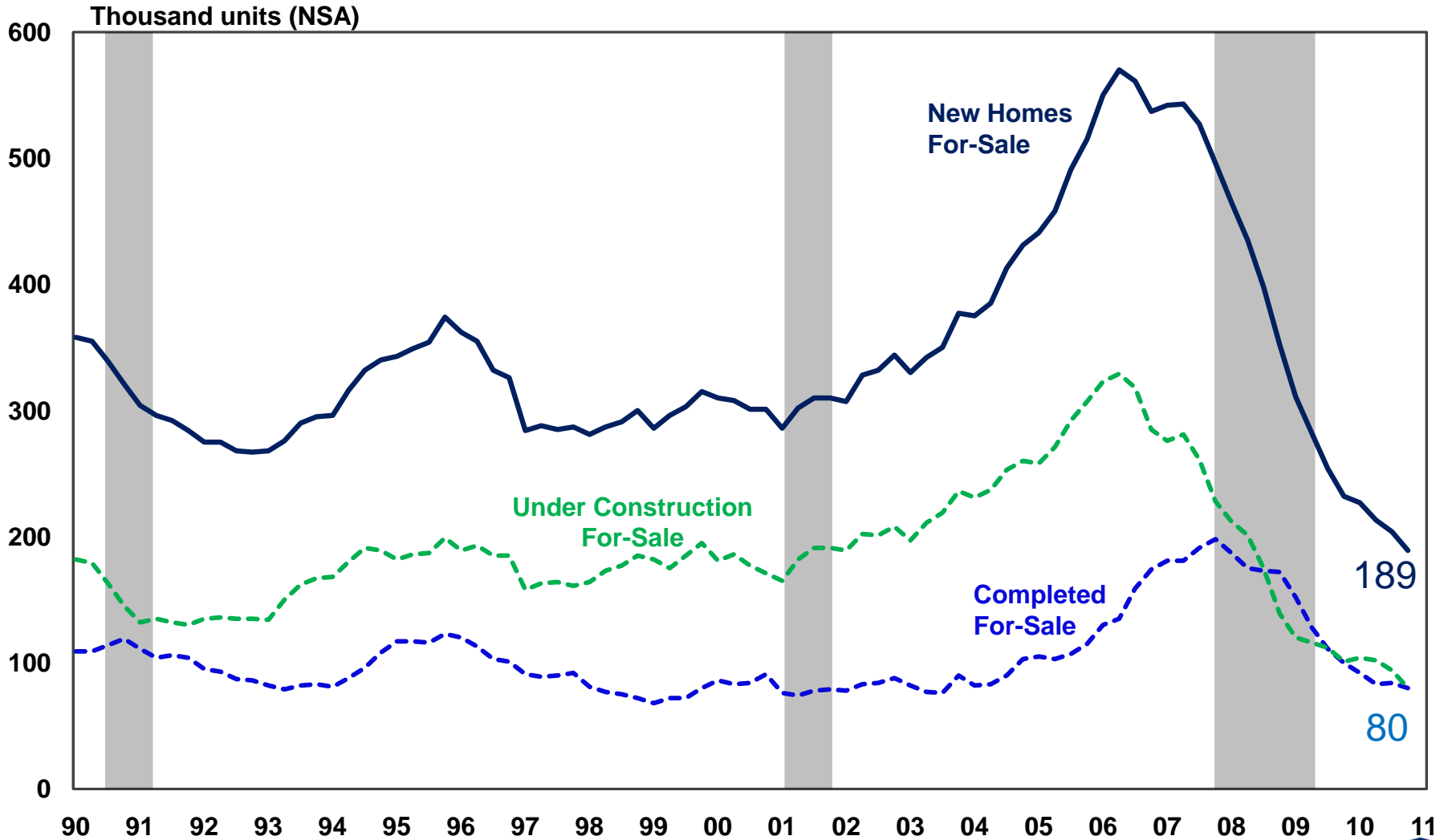
#### Supply

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

# Consumer Confidence/Sentiment Improving

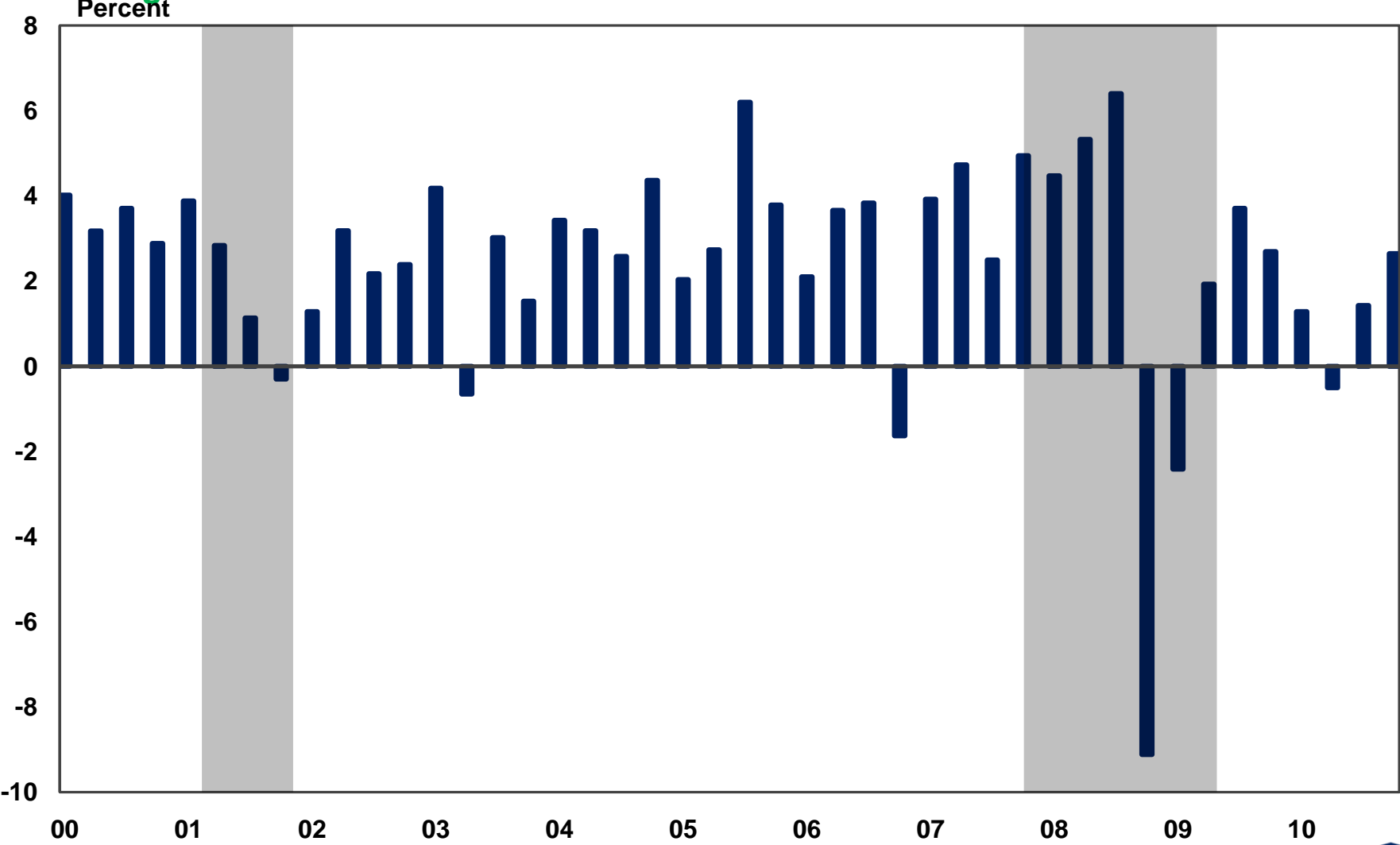


# Very Low New Home Inventory – Inventory of New Single-Family Homes For-Sale



# Inflation Relatively Low –

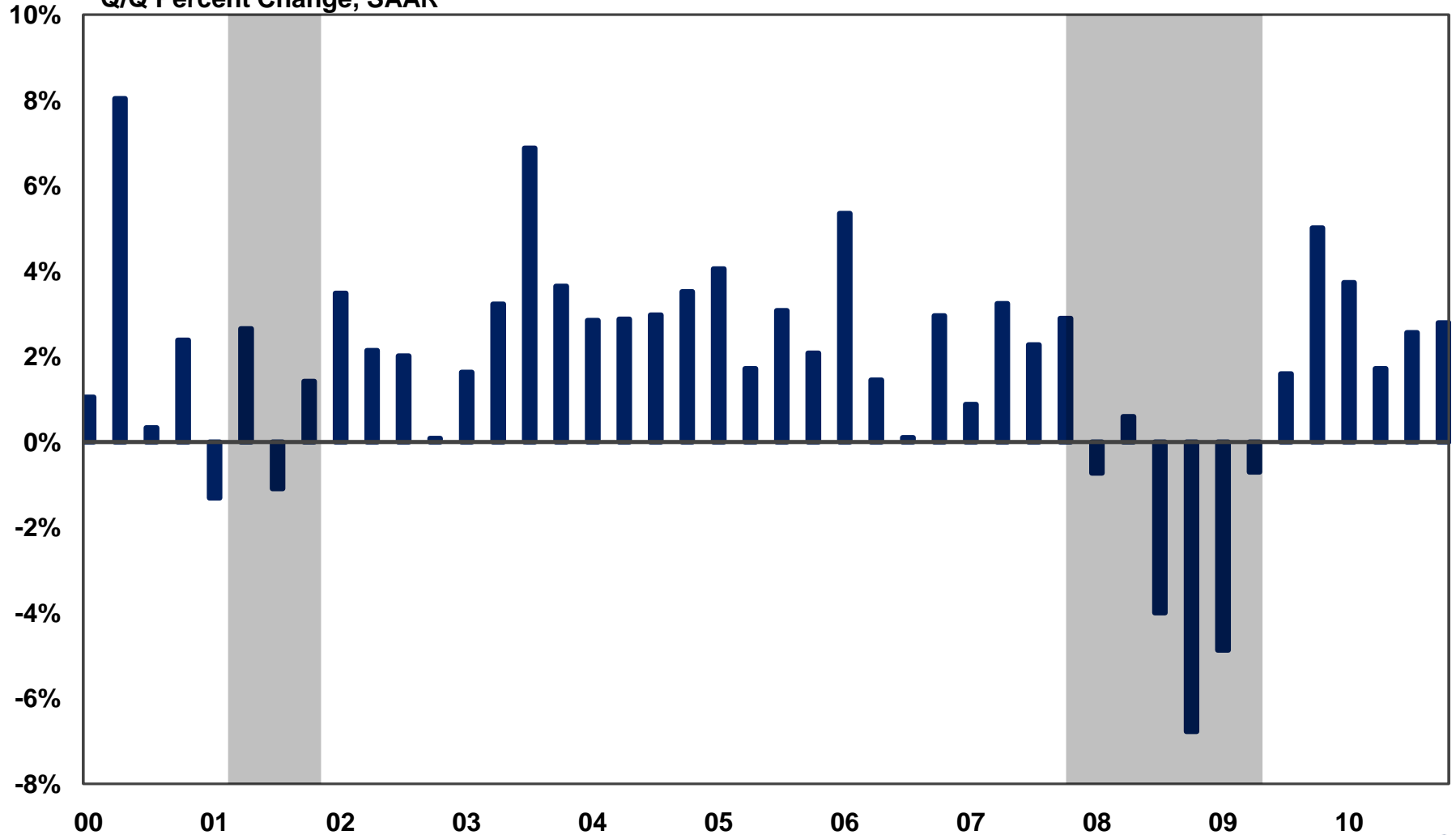
## Change in Consumer Price Index



# Economic Growth Weak but Improving –

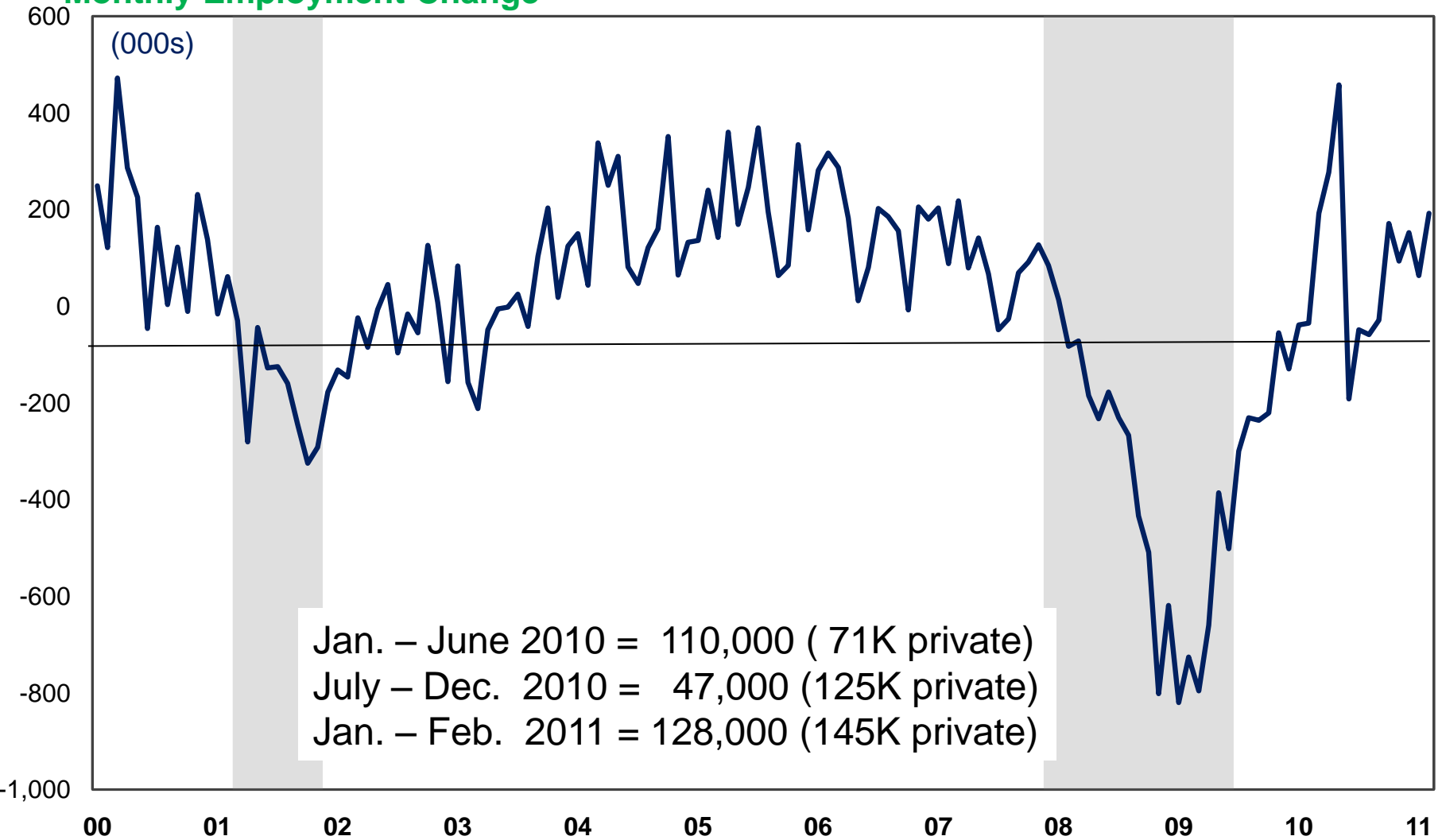
## Real GDP Growth

Q/Q Percent Change, SAAR

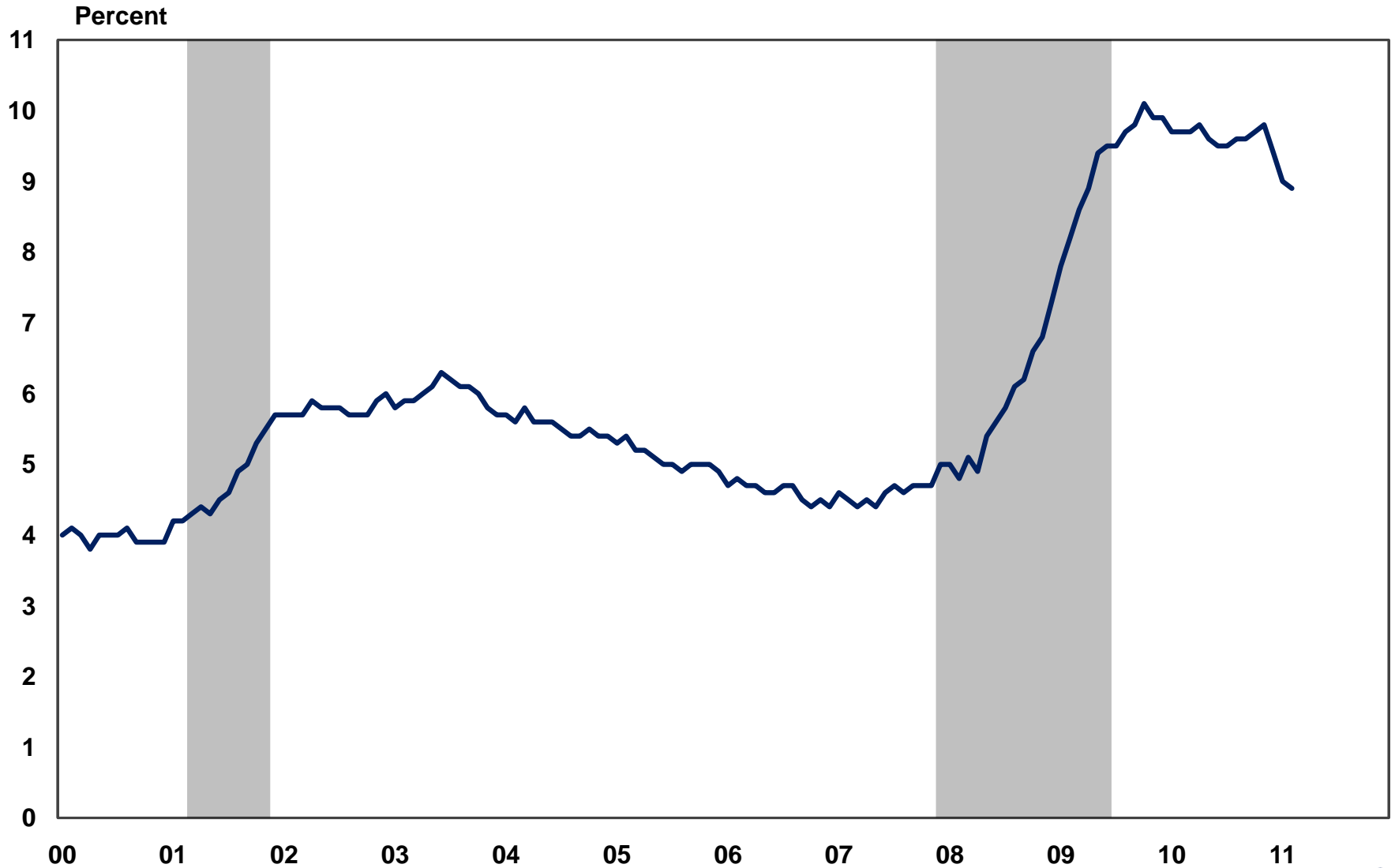


# Employment Slowly Improving –

## Monthly Employment Change

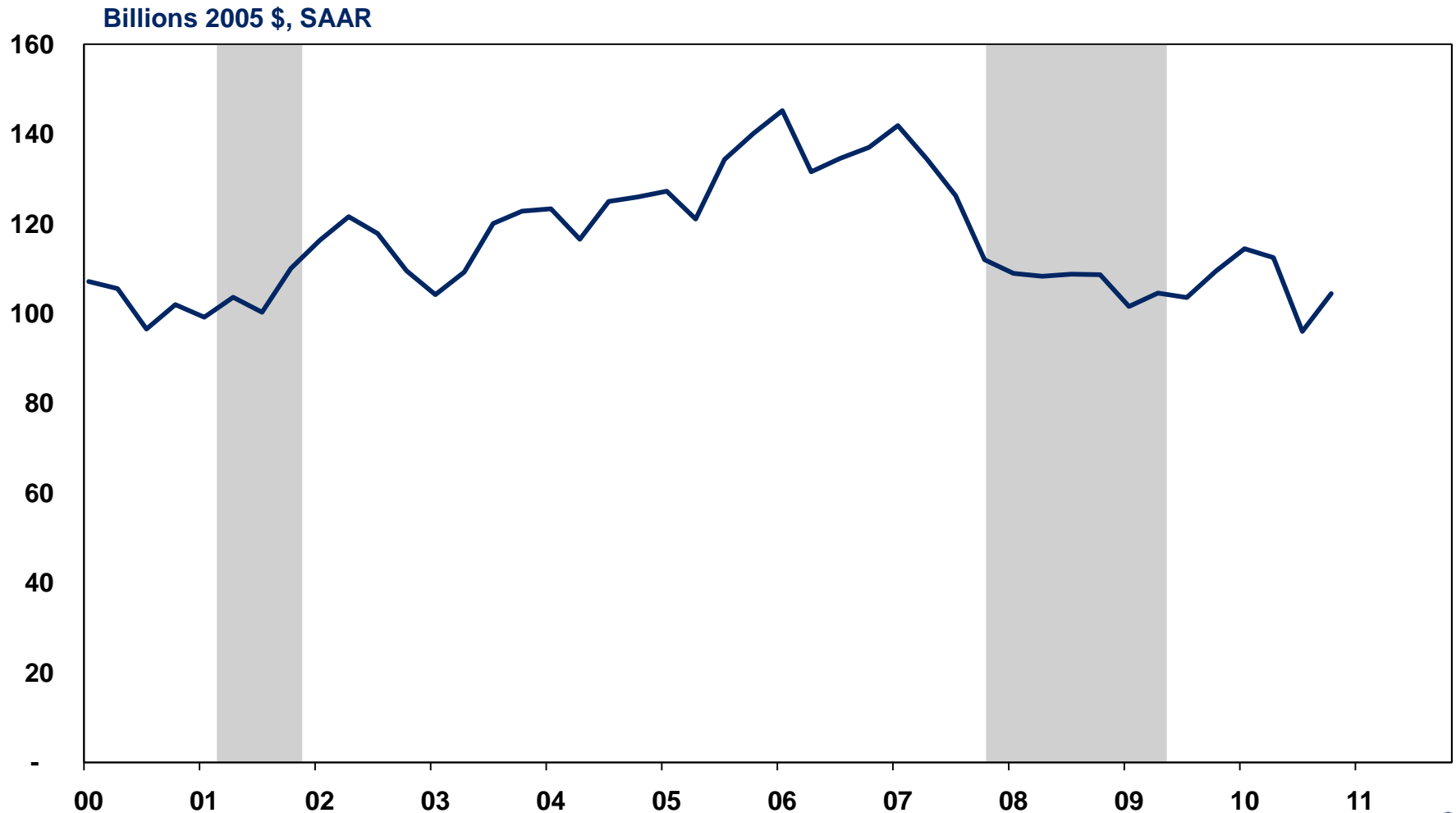


# Unemployment Rate Falling

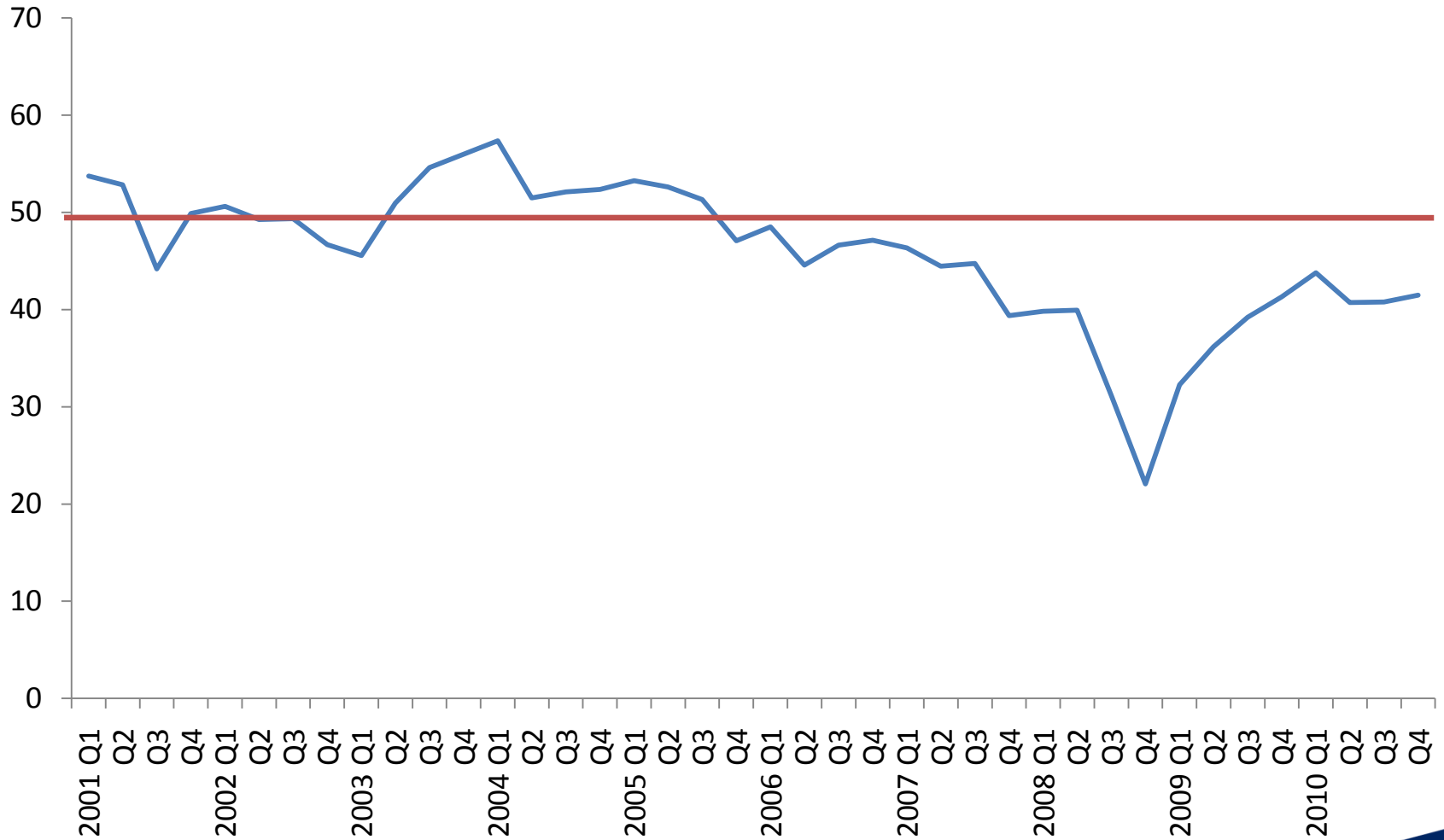




# Residential Remodeling Rebounding - Owner-Occupied Improvements

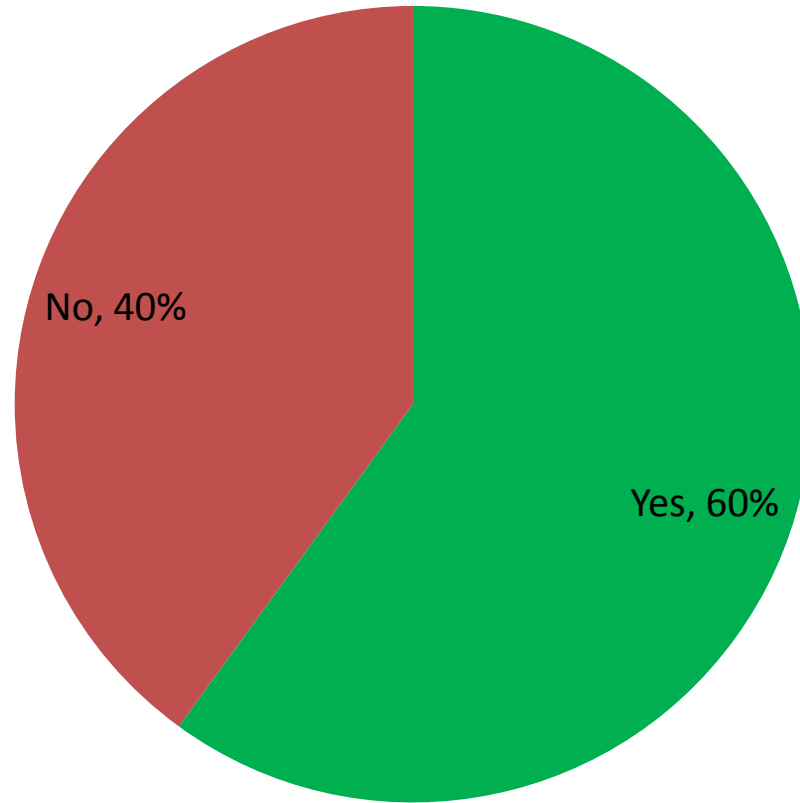


# NAHB Remodeling Index Near Balanced Level



# Single-Family Home Builders Moving into Remodeling –

Is your firm involved in remodeling?

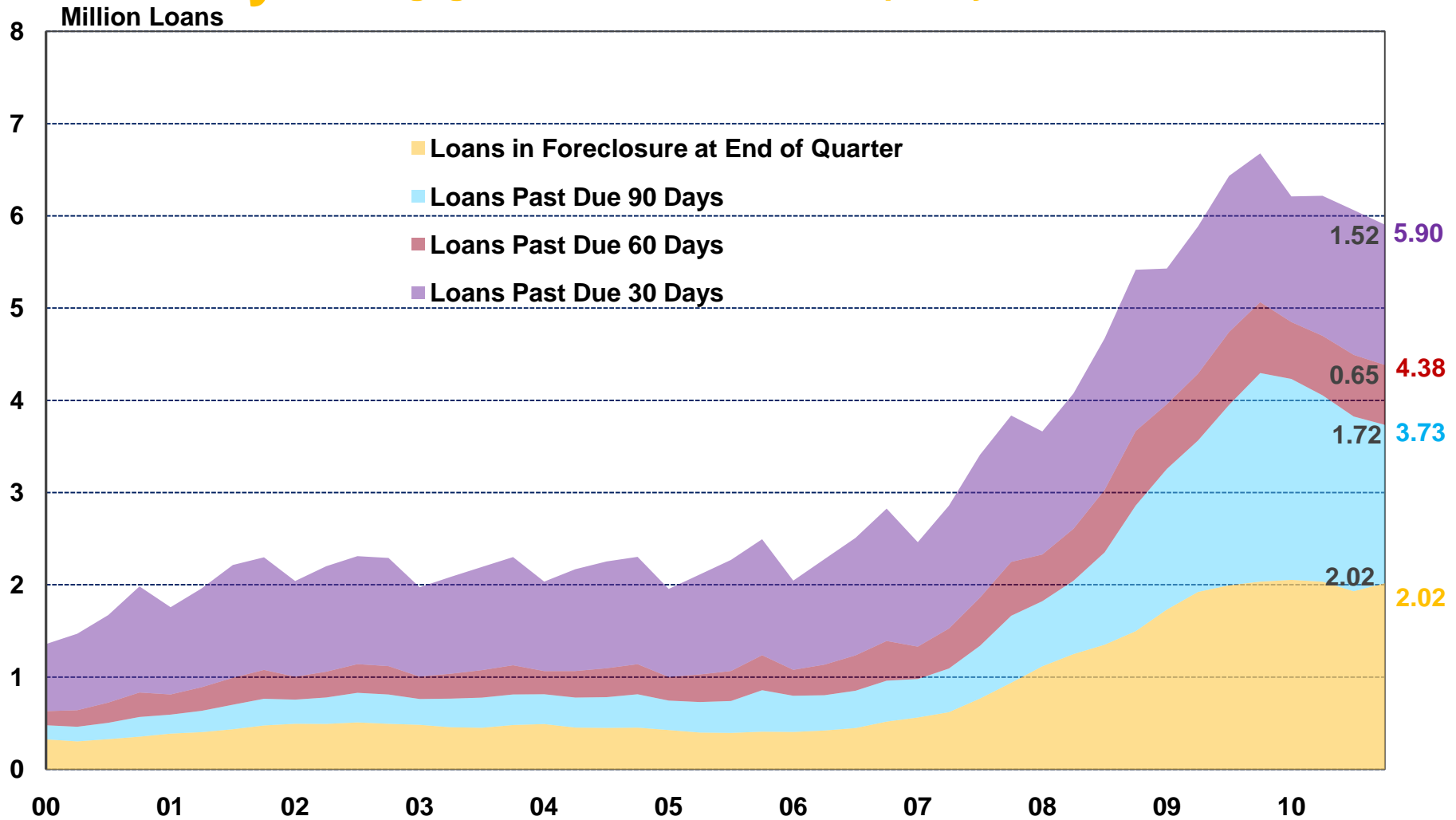




# Not-So-Good News

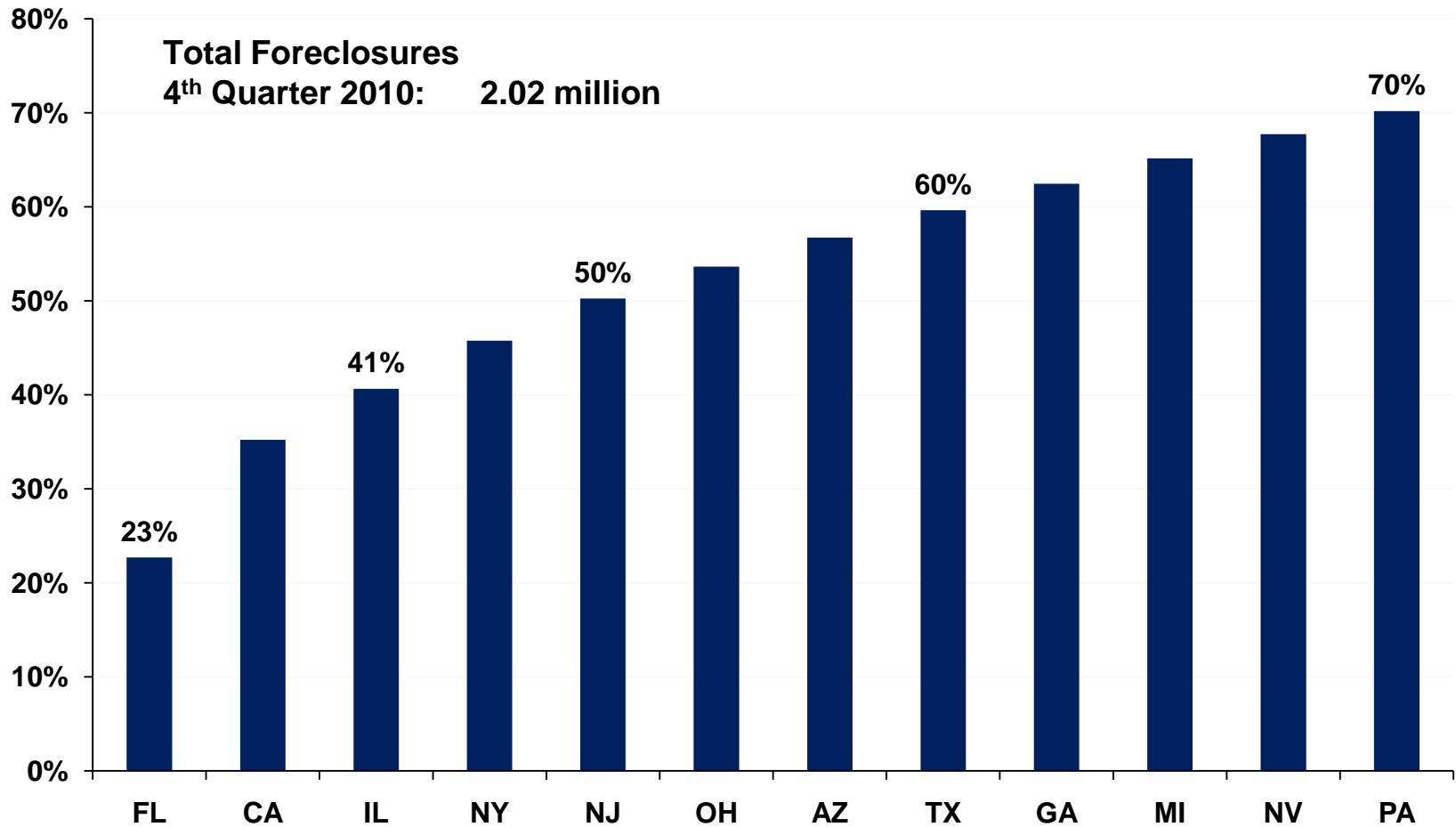


# Delinquencies Falling While Foreclosures Steady - Mortgage Foreclosures and Delinquency

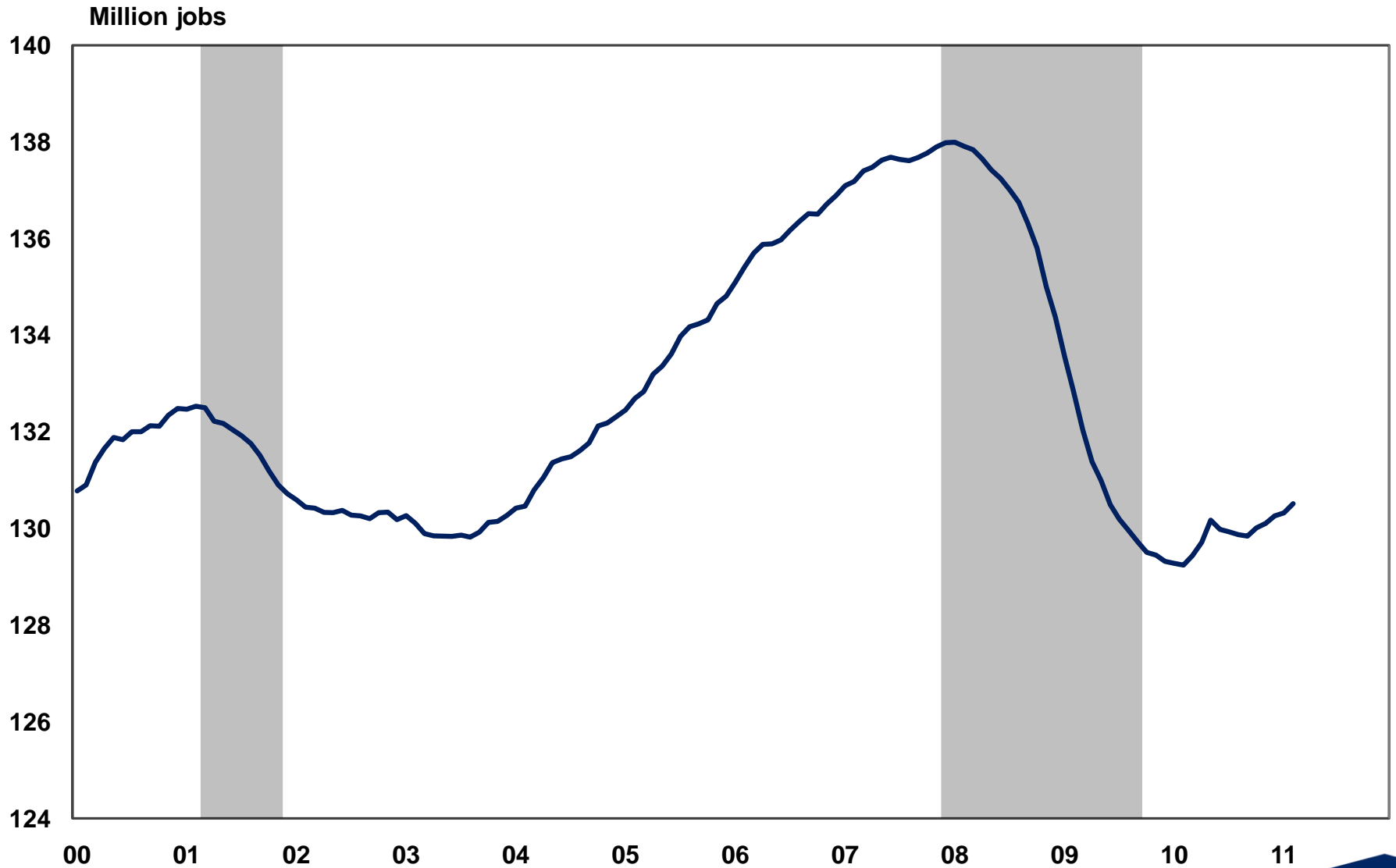


# Foreclosure Distress is Concentrated

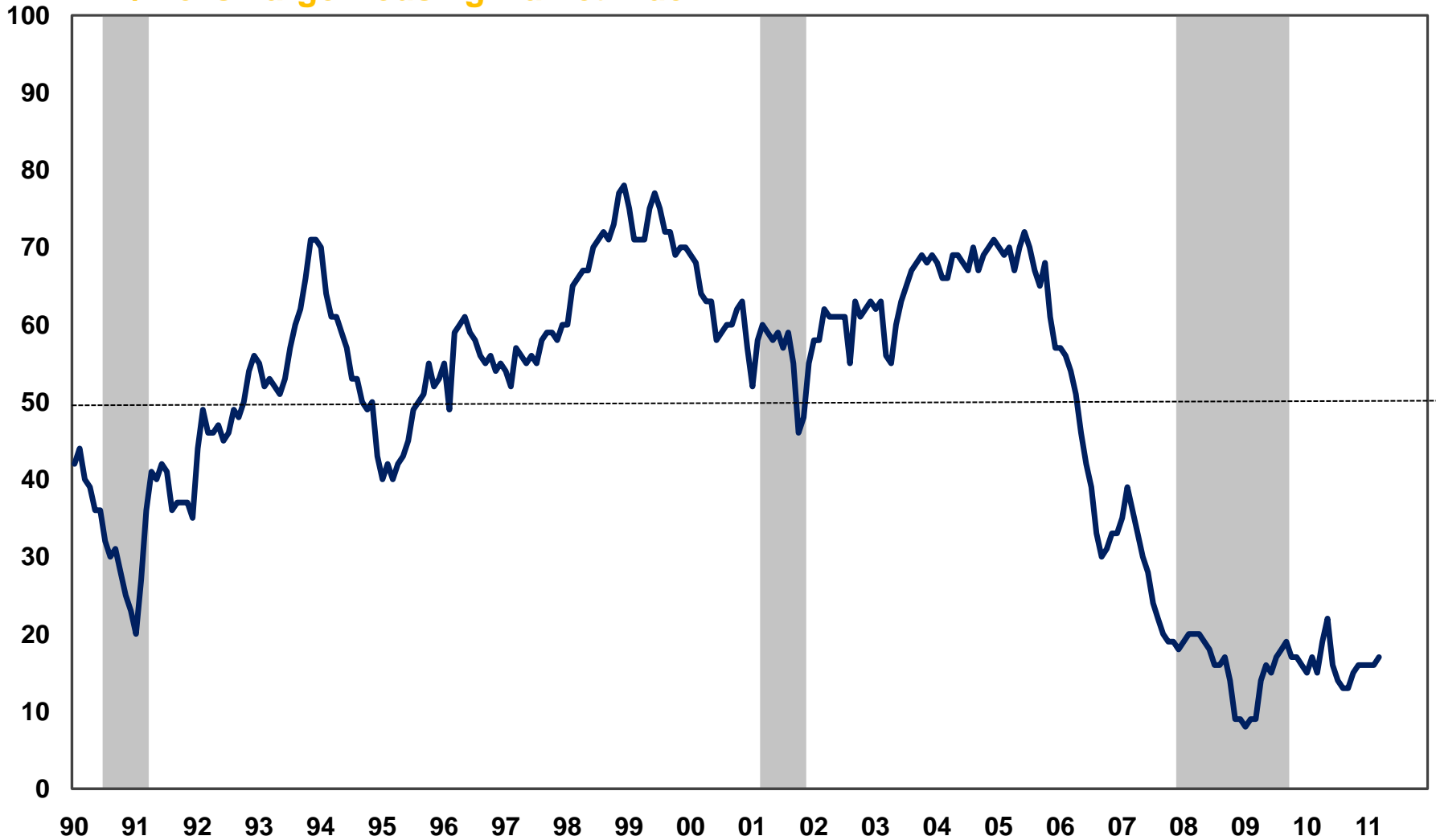
## Cumulative Share of Foreclosures



# Employment Still Well Below Peak



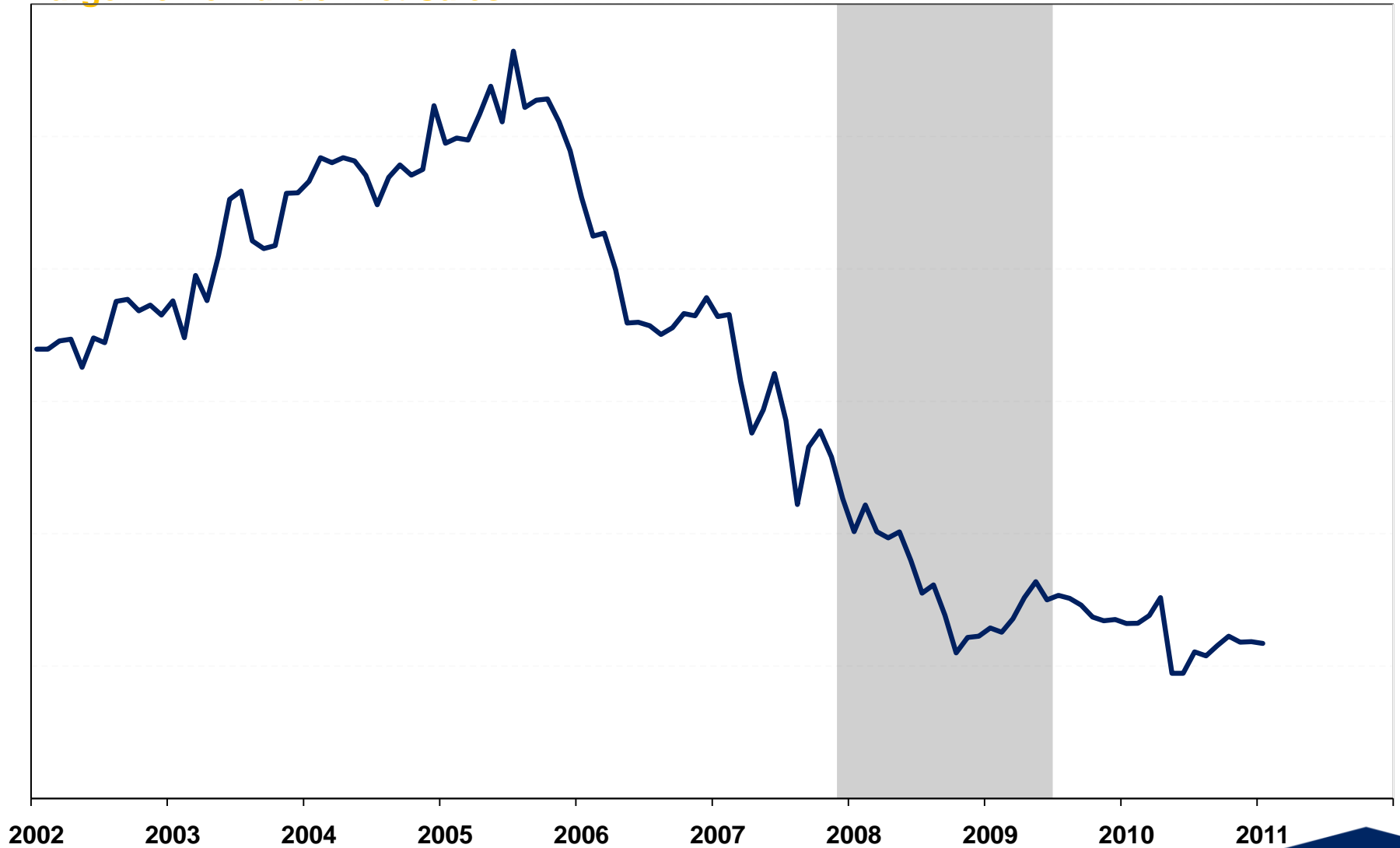
# Builder Confidence Remains Low – NAHB/Wells Fargo Housing Market Index



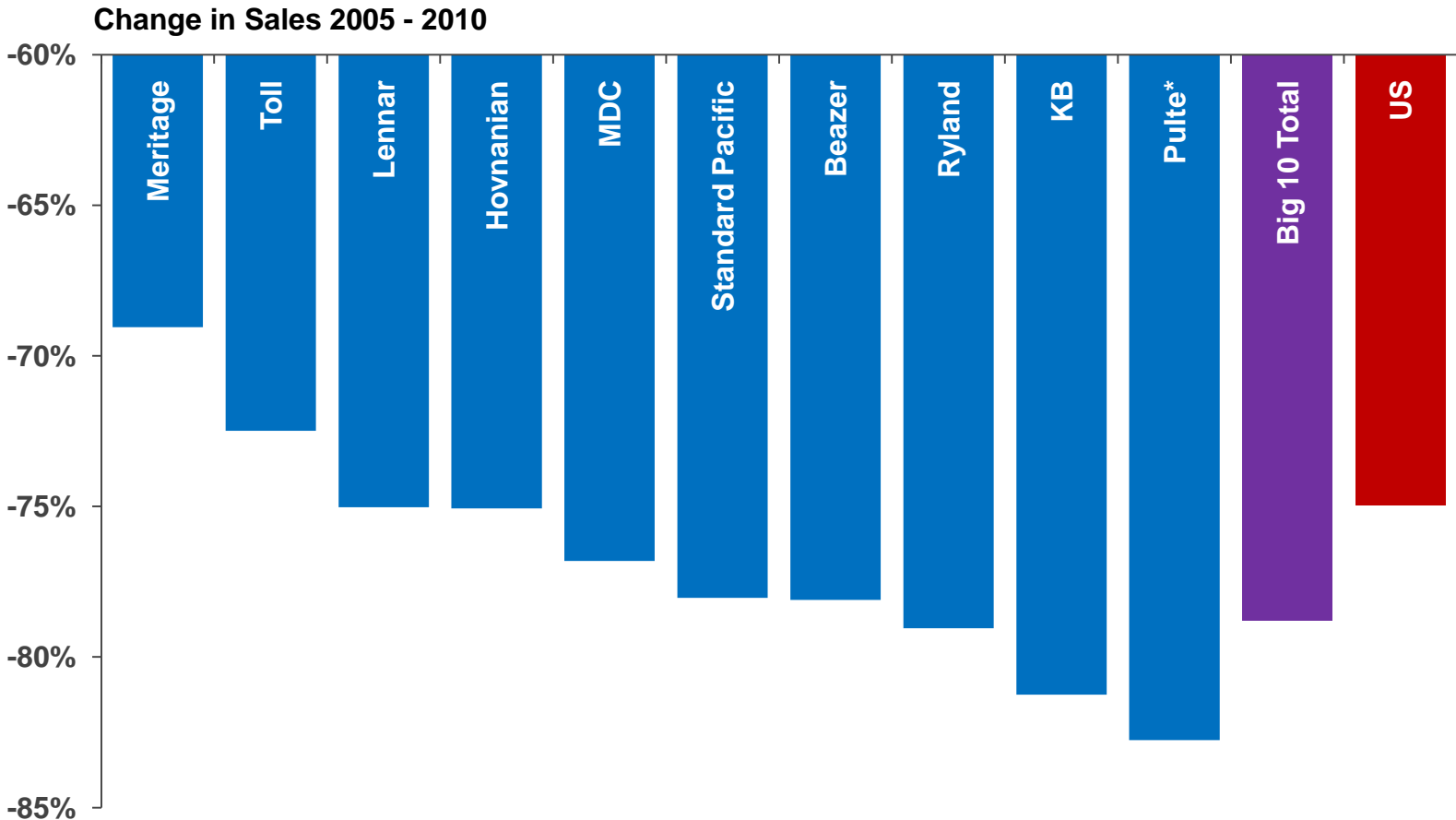


# Large Builders See Same Lull -

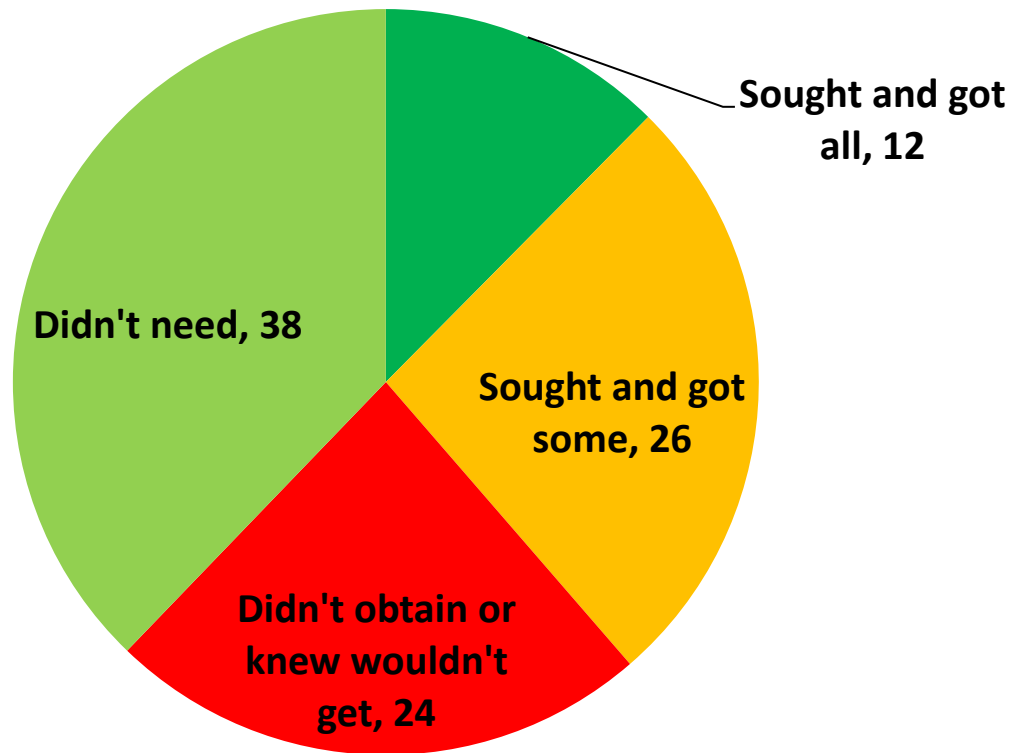
## Large Home Builder Net Sales



# Big Builders' Sales Worse

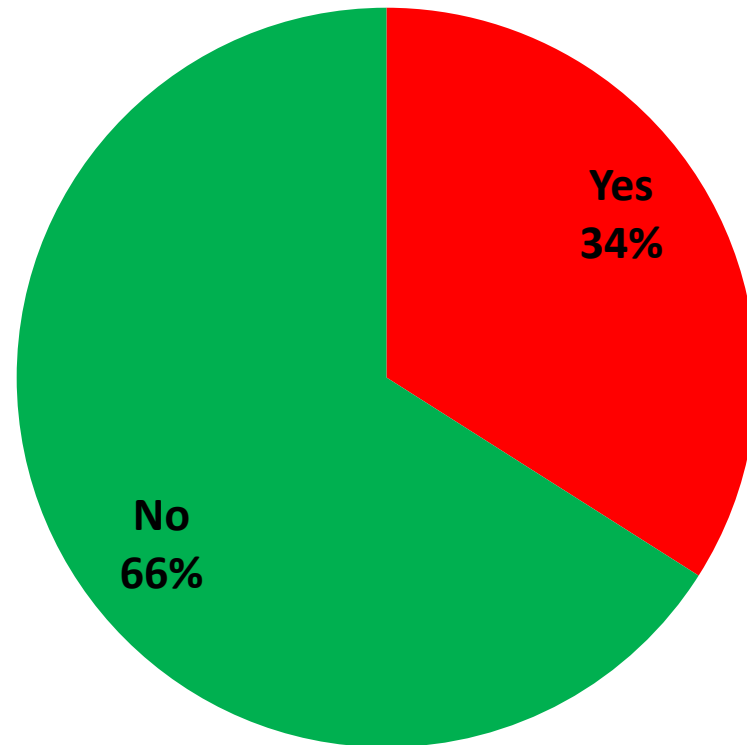


# Single-Family Construction Financing Outcome — All Builders



# Appraisals Affect Sales –

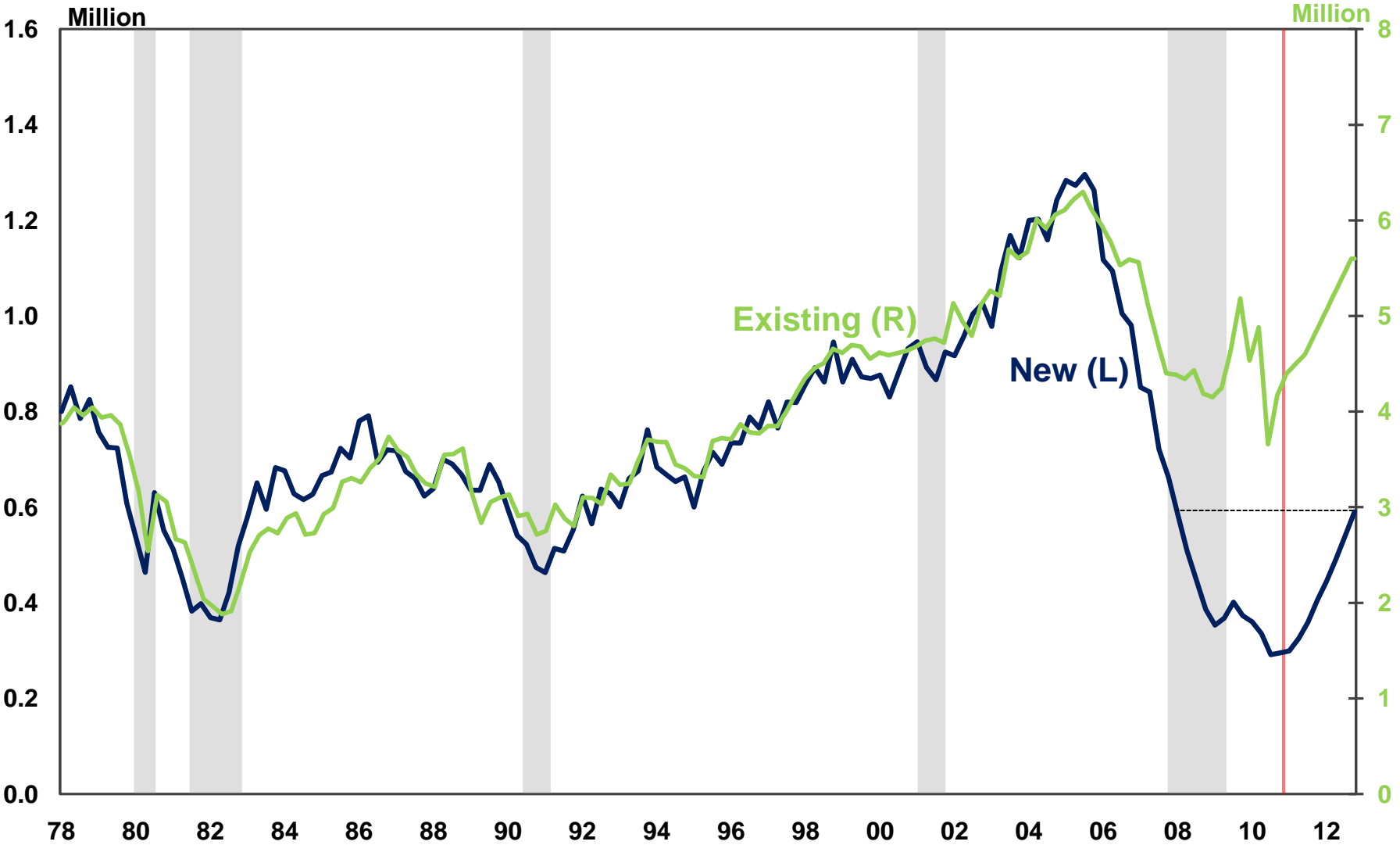
Did you lose sales because the appraisal was less than the contract sales price?



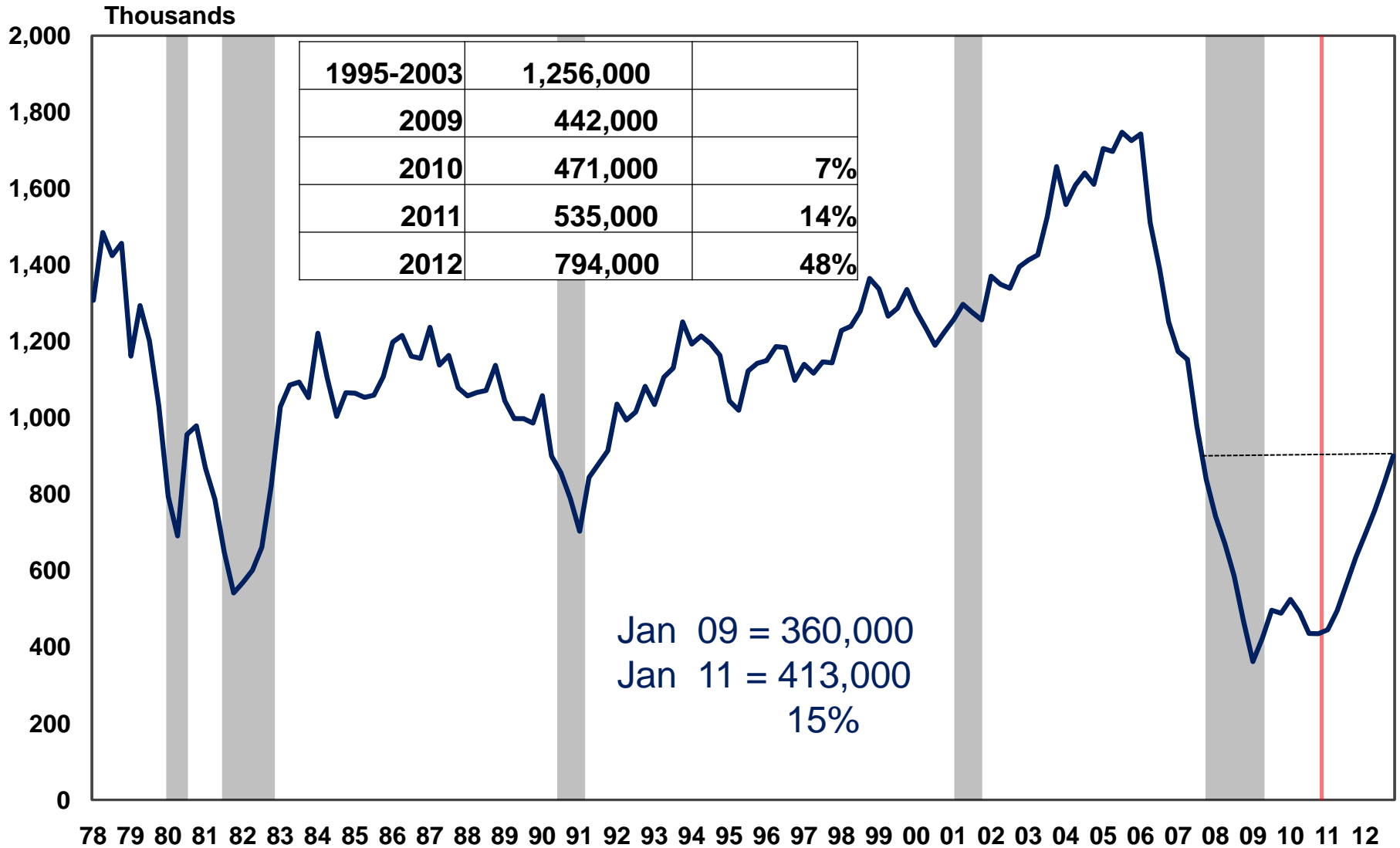


# Forecast

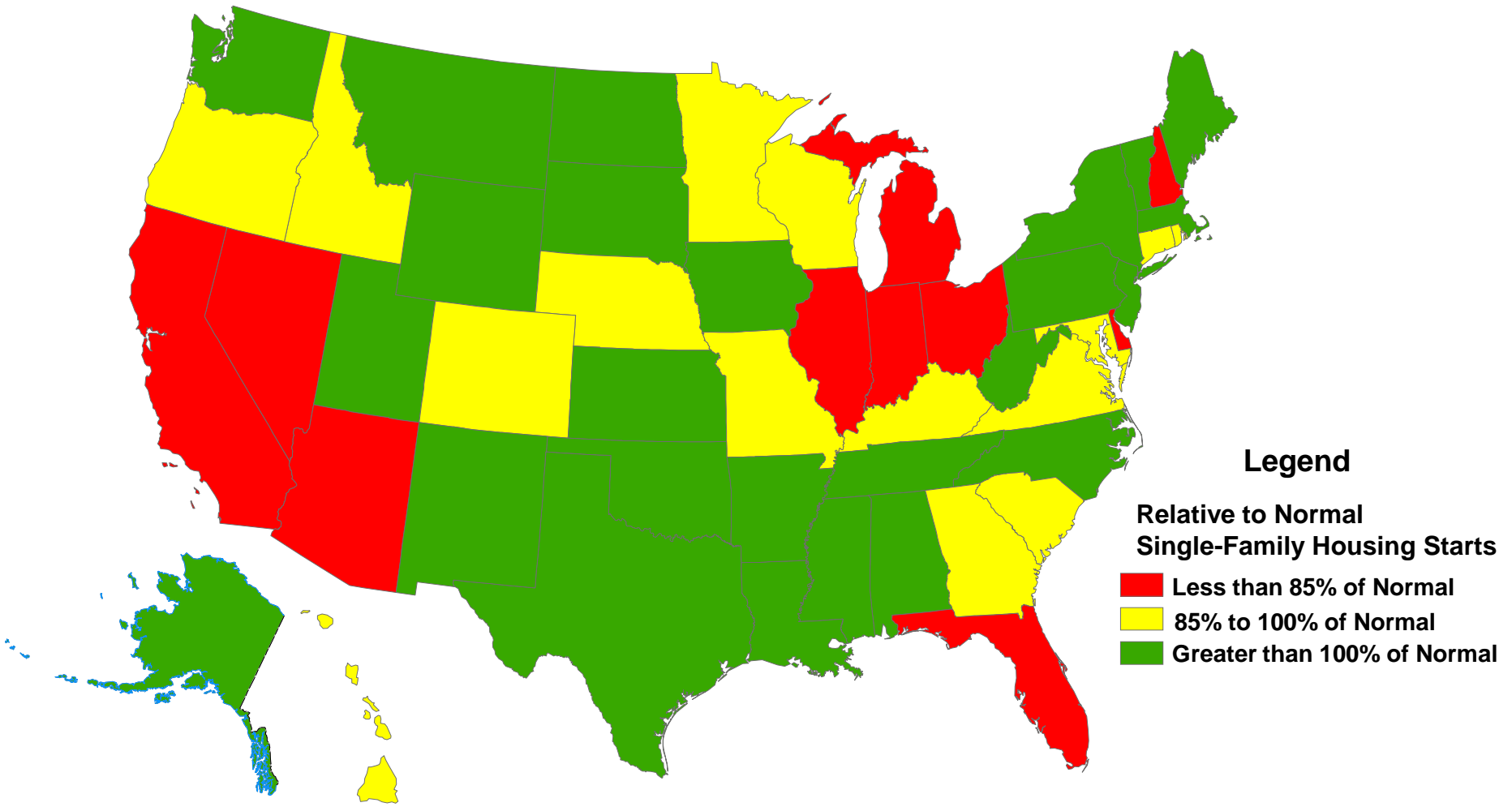
# New and Existing Single-Family Home Sales



# Single-Family Starts



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



**Legend**  
Relative to Normal Single-Family Housing Starts

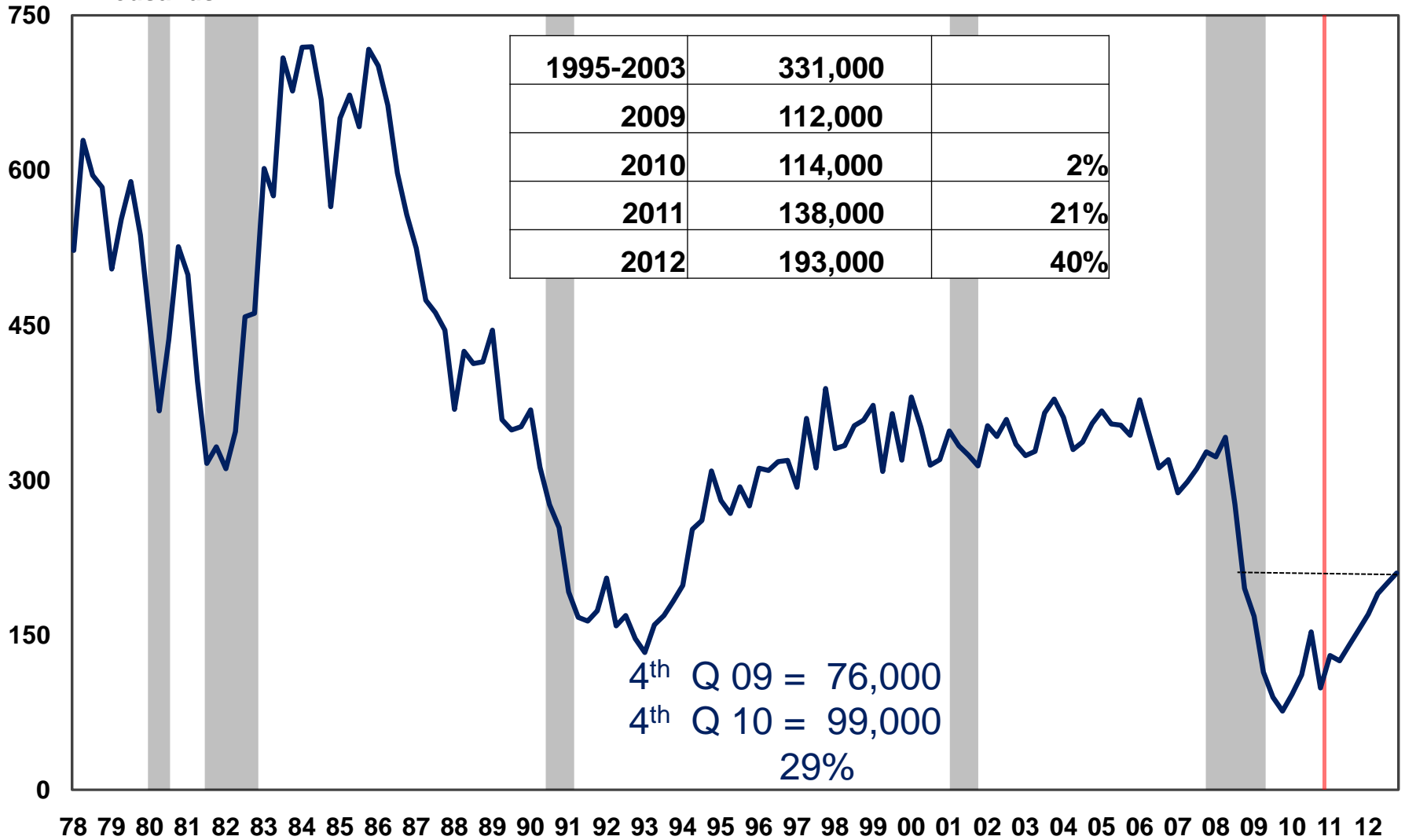
- Red: Less than 85% of Normal
- Yellow: 85% to 100% of Normal
- Green: Greater than 100% of Normal

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



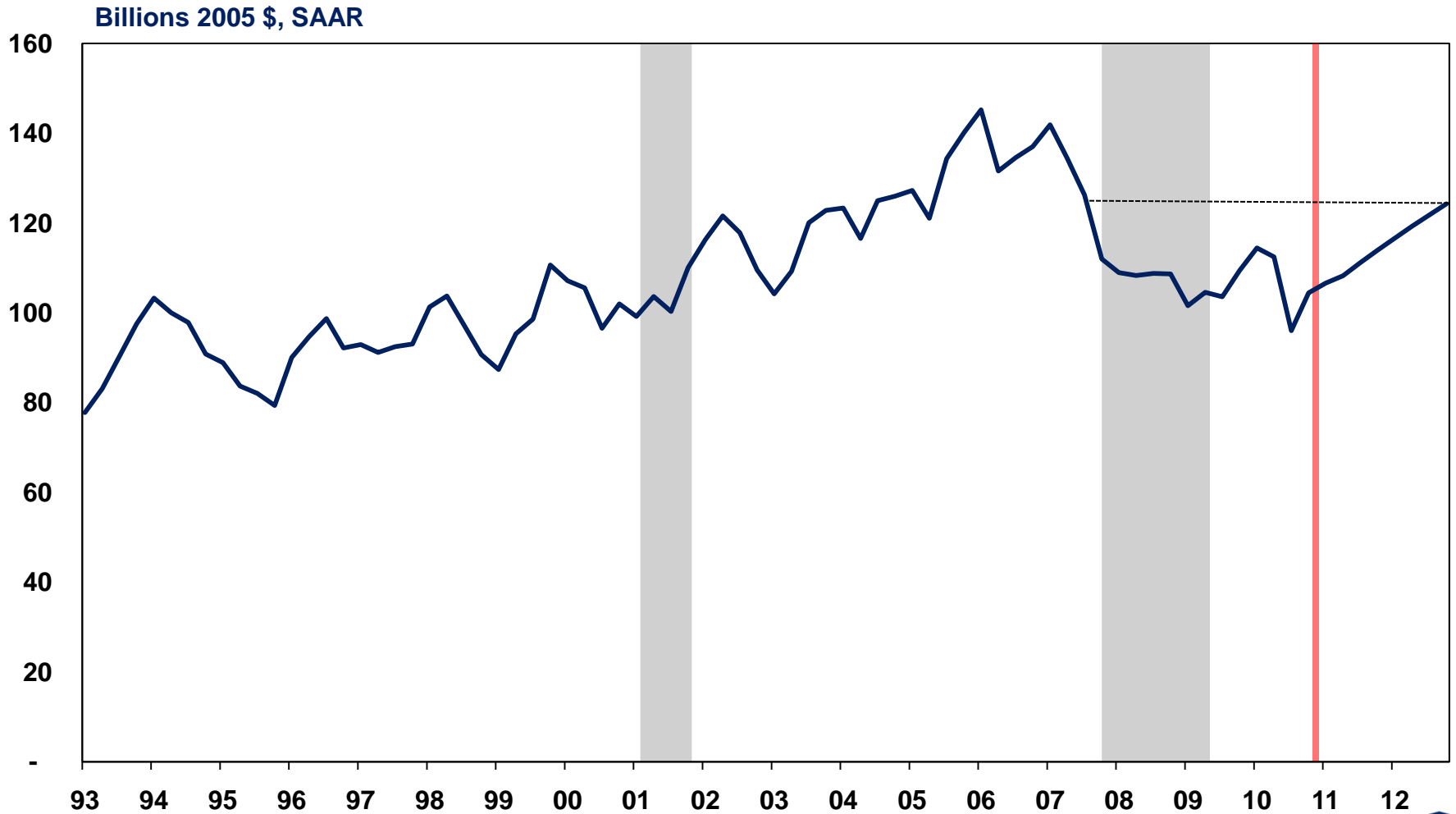
# Multifamily Housing Starts

Thousands



# Residential Remodeling

## Owner-Occupied Improvements





**Questions?**

**Answers:**

**[www.housingeconomics.com](http://www.housingeconomics.com)**

**[eyeonhousing.wordpress.com](http://eyeonhousing.wordpress.com)**