

National Association of Home Builders

Housing and Economic Outlook

Construction Forecast Conference
April 27, 2011

DAVID CROWE
CHIEF ECONOMIST



Outline

(with apologies to Mr. Dickens)

•A Tale of Two Economies

•Best of Times

•Worst of Times

•Forecast

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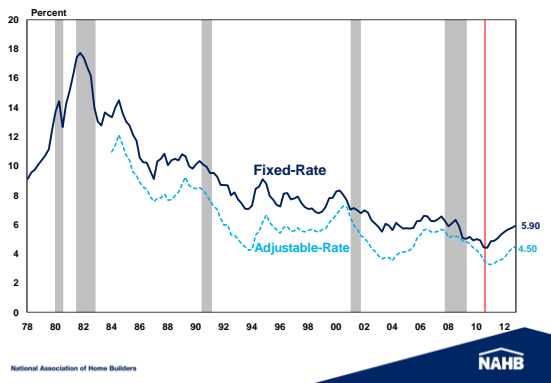


Best of Times



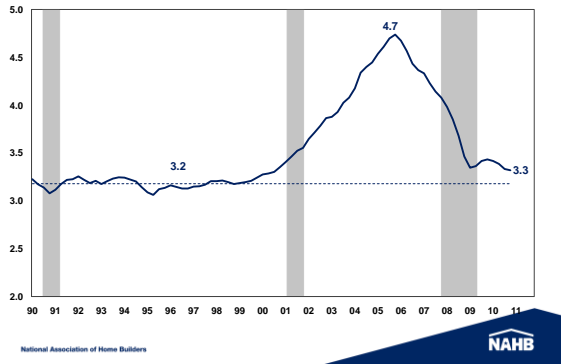
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Mortgage Rates Are Low



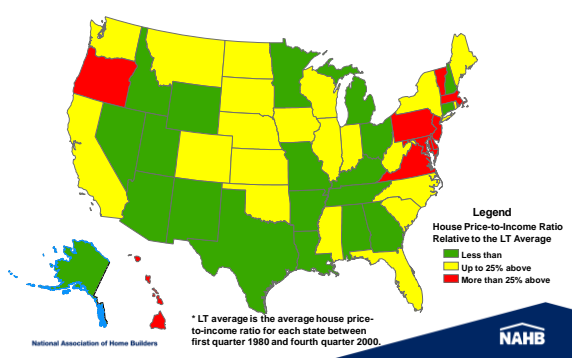
House Prices Returned to Normal

House Price-to-Income Ratio



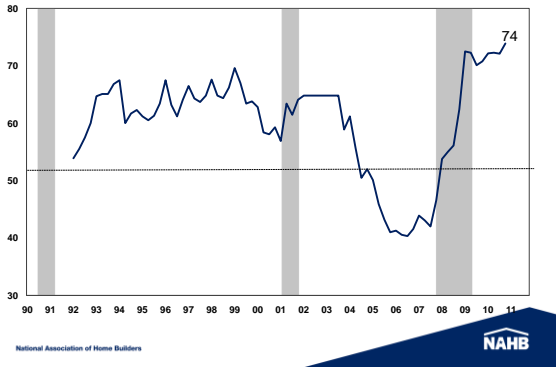
Most States Returning to Normal House Prices

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



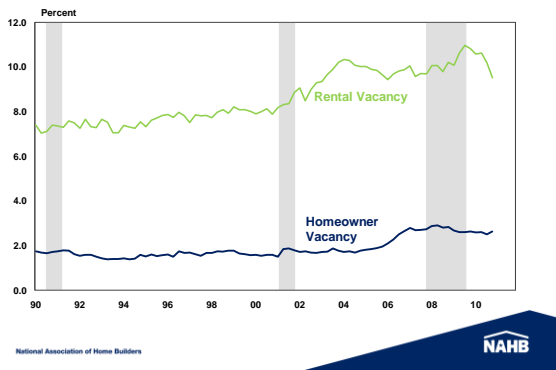
Affordability Very Good

NAHB/Wells Fargo Housing Opportunity Index



Vacancy Rates are Improving

Homeowner and Rental Vacancy Rates



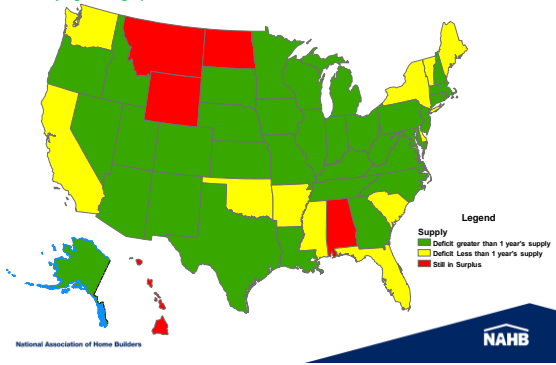
New Home Inventory Very Low

New and Existing Homes For-Sale



Most States Under Producing

Underlying Demographics Calls For More Production

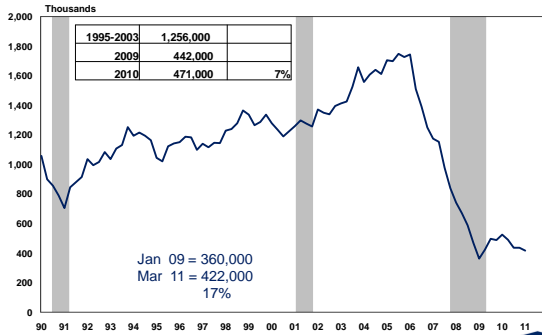




Worst of Times



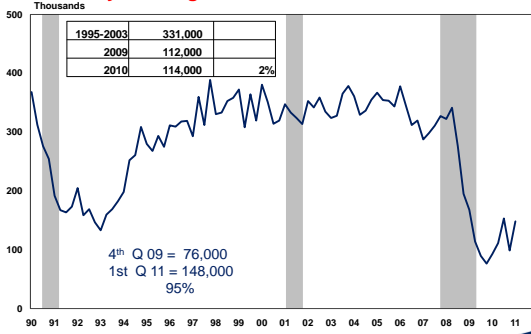
Single-Family Starts



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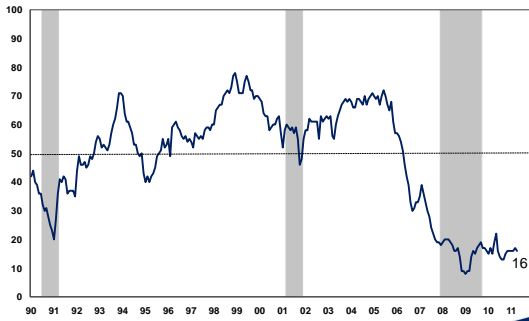
Multifamily Housing Starts



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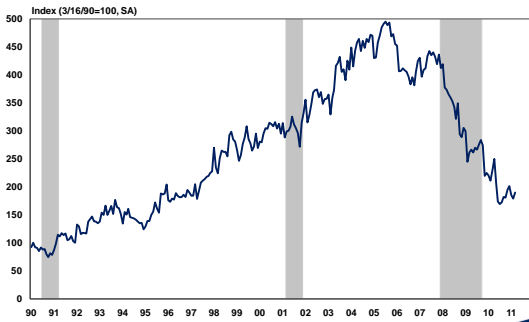
NAHB/Wells Fargo Housing Market Index



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MBA Mortgage Purchase Applications



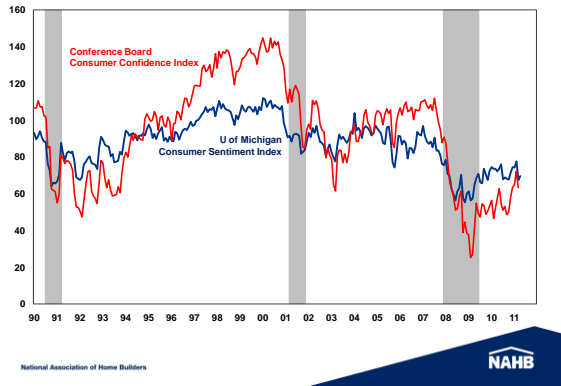
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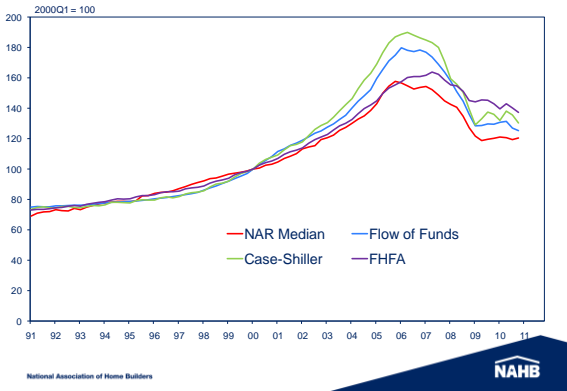
Large Home Builder Net Sales



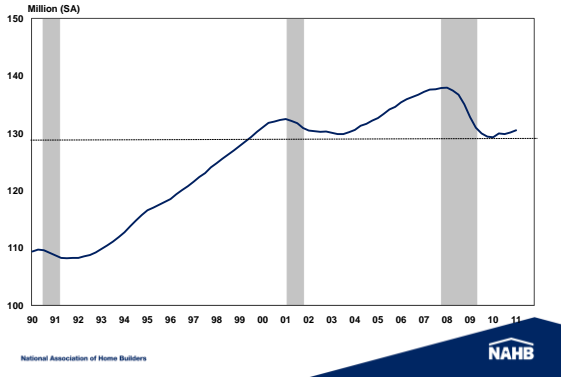
Consumer Confidence/Sentiment



Measures of House Prices



Employment Level Total Non-farm Employment

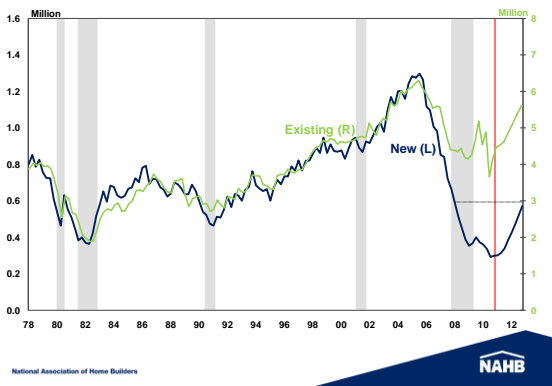




Forecast



New and Existing Single-Family Home Sales



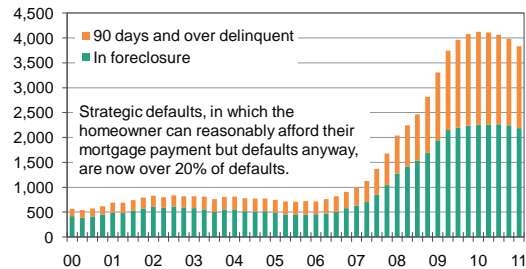
1 One More Year of House Price Declines

MOODY'S ANALYTICS

21

The Foreclosure Crisis is Not Over...

First mortgage loans, thousands

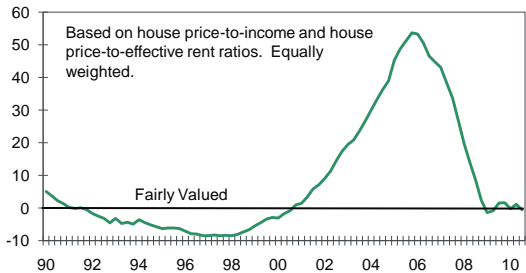


Sources: Equifax, Moody's Analytics

MOODY'S ANALYTICS

...But the Downside is Limited...

% over or under valued

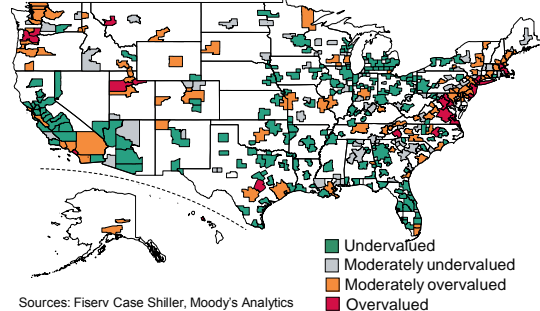


Sources: PPR, BEA, BOC, Fiserv, Moody's Analytics

MOODY'S ANALYTICS

...As Many Distressed Markets are Undervalued

Single family housing valuation as of 2010Q4



MOODY'S ANALYTICS

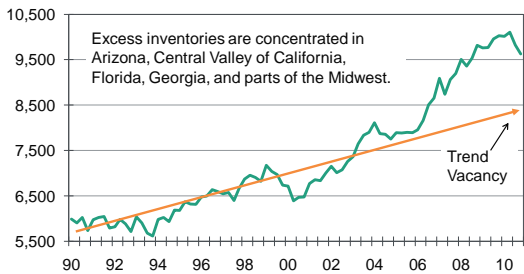
2 Construction Will Ramp Up in Earnest Starting in '12

MOODY'S ANALYTICS

35

Housing is Awash In Excess Inventories...

Vacant homes for sale, for rent and held off market, thousands



Sources: Census, Moody's Analytics

MOODY'S ANALYTICS

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National Association of Home Builders

Spring 2011 Construction Forecast Conference

Robert Denk
Assistant Vice President
Forecasting and Analysis
April 27, 2011



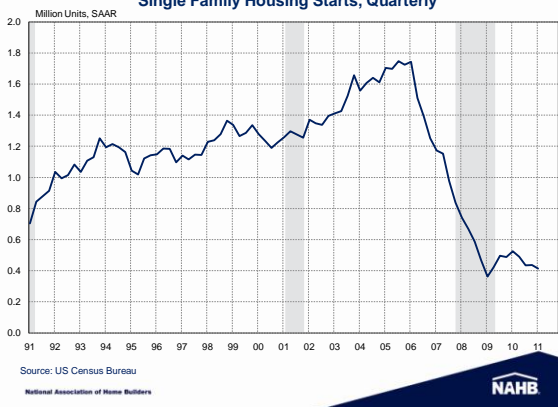
Progress of Housing Market Recovery

- A. Housing Market Conditions
 - Production
 - Prices
 - Foreclosures
- B. Economic Conditions Matter
- C. Regional Variation in the Forecast

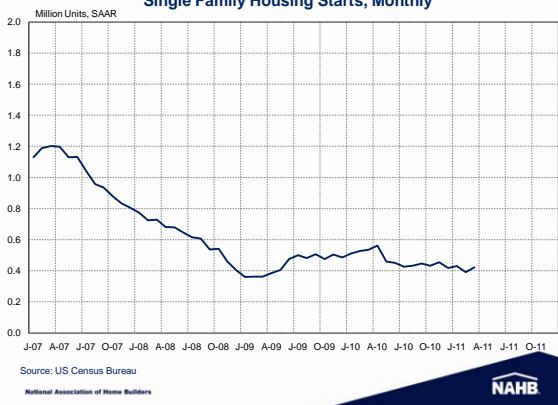
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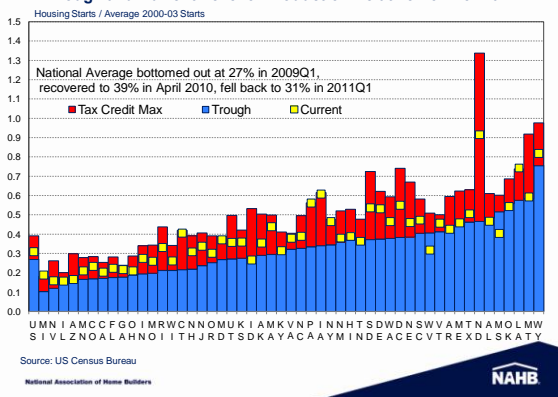
Single Family Housing Starts, Quarterly



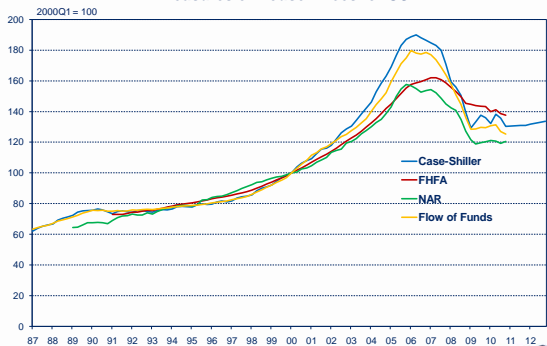
Single Family Housing Starts, Monthly



Trough and Current Level of Production Relative To "Normal"



Measures of House Prices for US

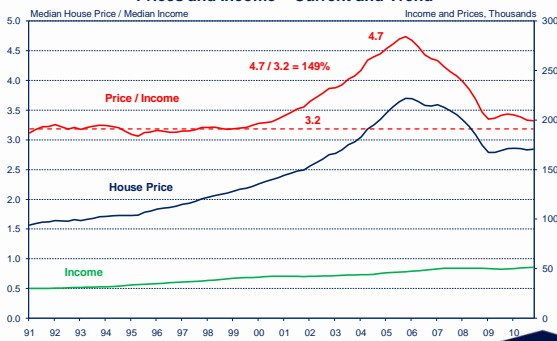


Sources: National Association of Realtors, Federal Reserve Board, S&P Case-Shiller, FHFA, NAHB

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US Housing Market Conditions
Prices and Income – Current and Trend

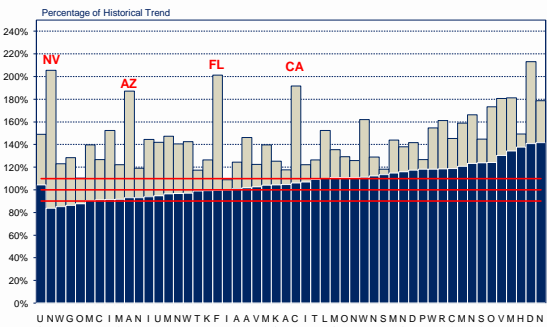


Source: US Census Bureau, National Association of Realtors

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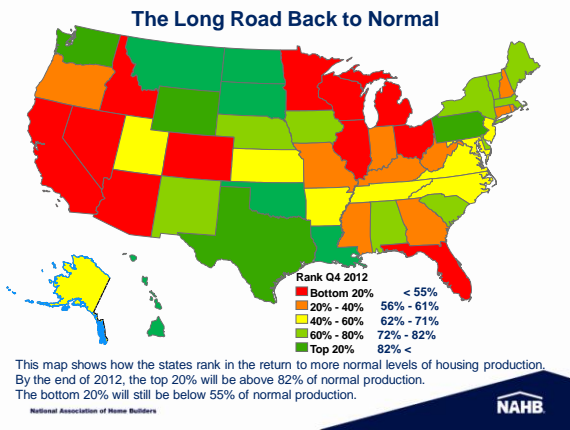
House Prices and Income – Trend, Peak and Current



Source: US Census Bureau, National Association of Realtors

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