

National Association of Home Builders

Housing and Economic Outlook

NAHB Executive Board
February 5, 2012

DAVID CROWE
CHIEF ECONOMIST

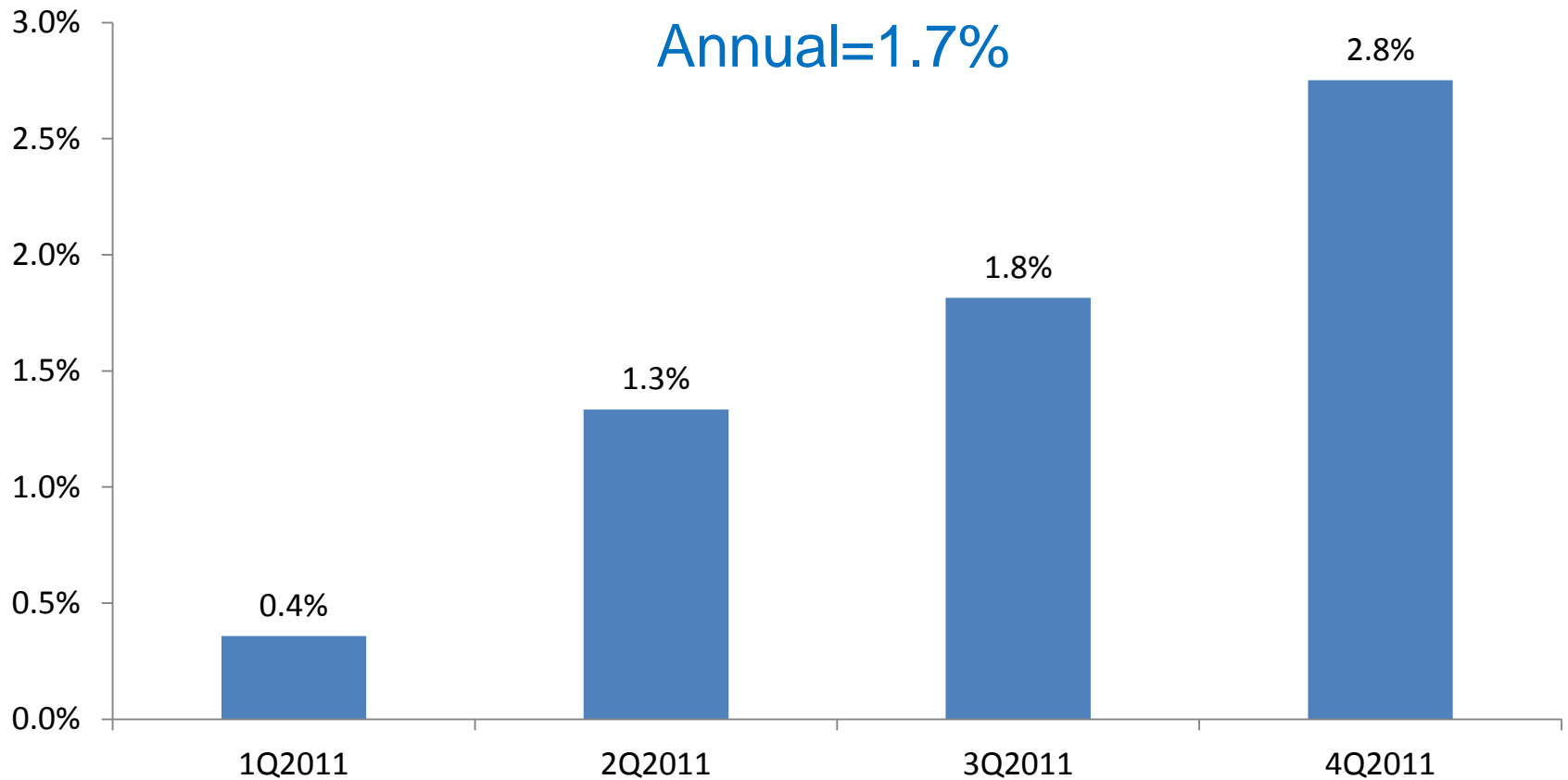




What Happened in 2011?

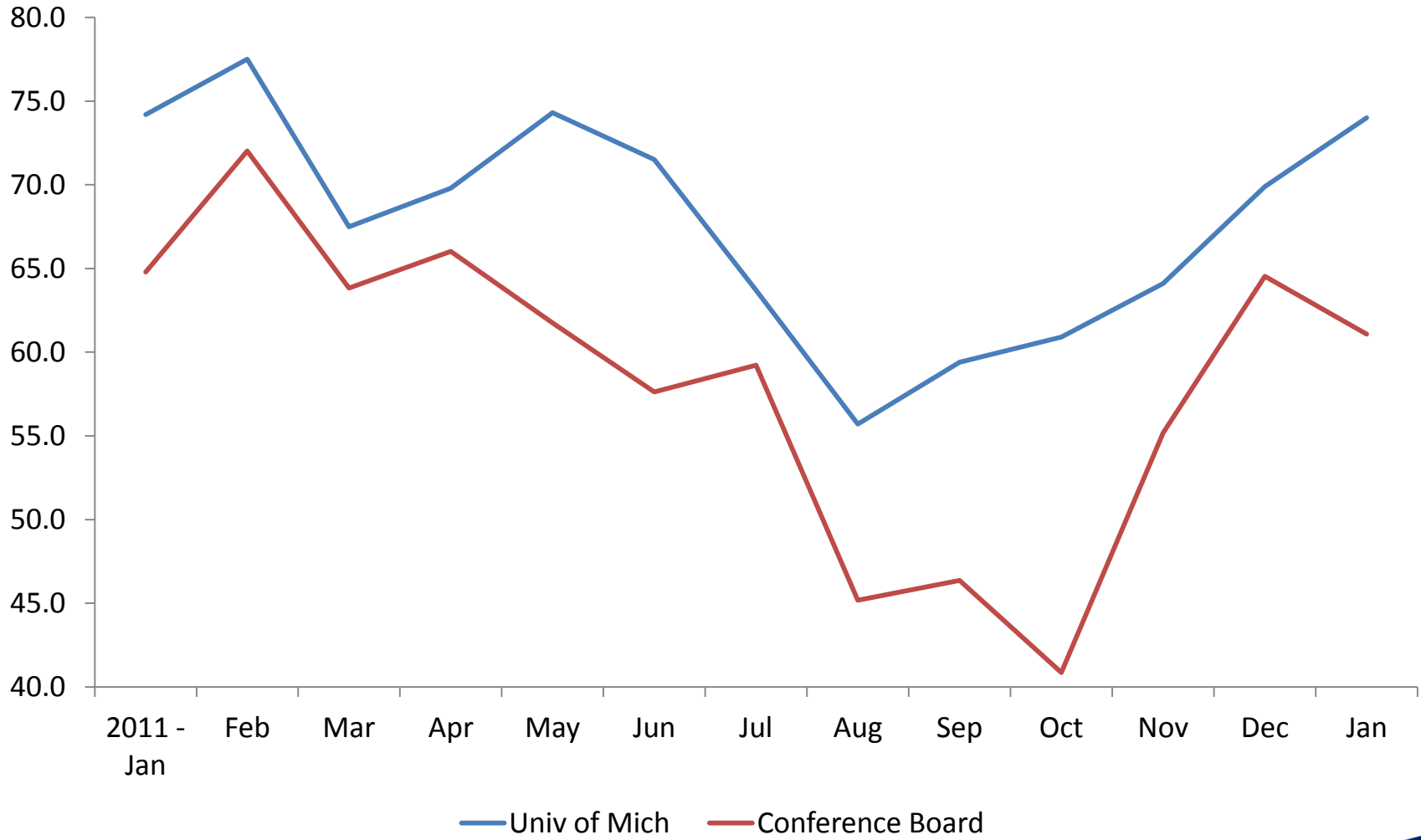
2011 GDP Growth Changed

Annualized Quarterly Growth Rates



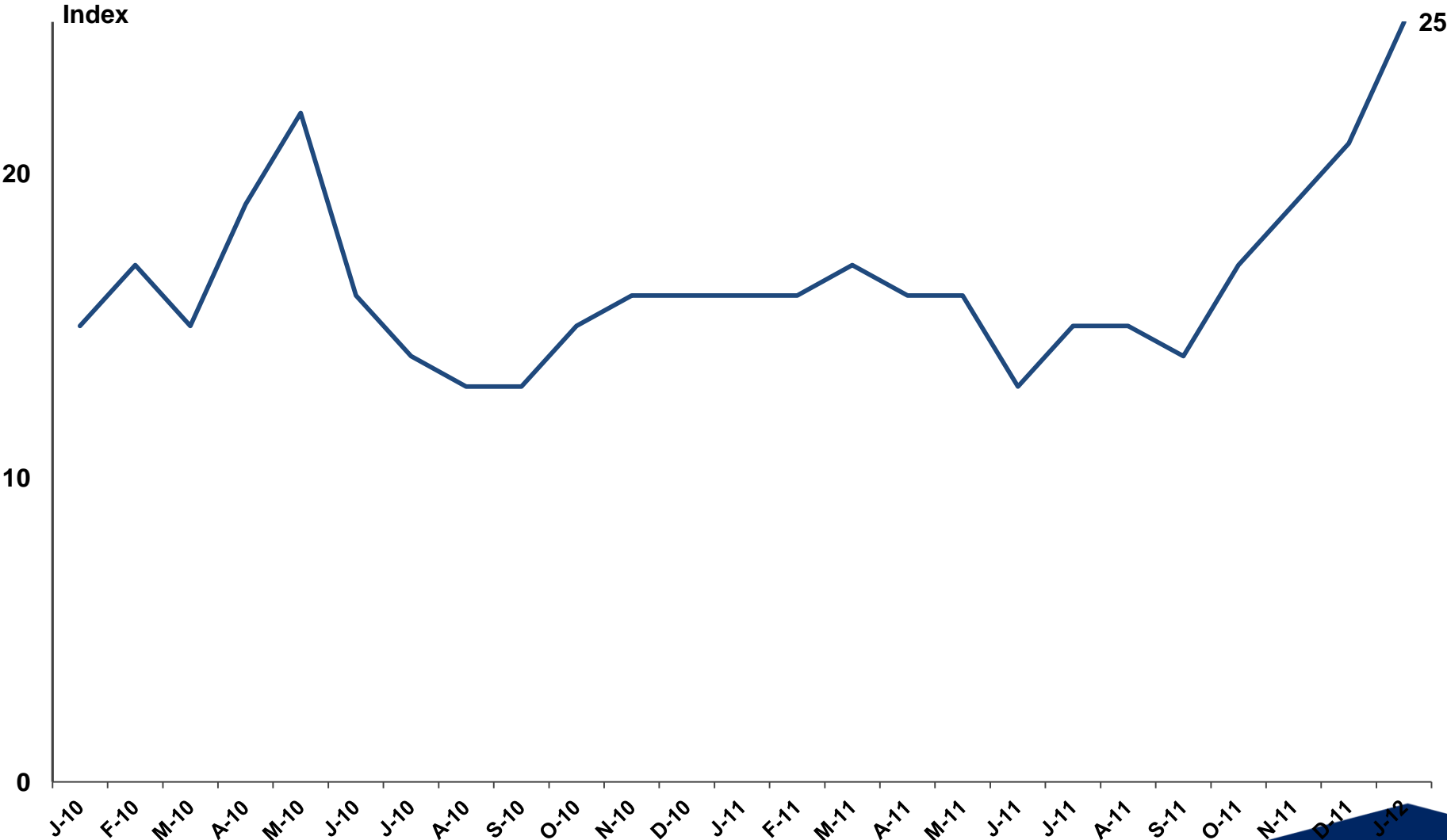
Consumer Outlook Soft through Third Quarter

University of Michigan Sentiment Index and Conference Board Confidence Index



HMI Pauses Through September 2011

NAHB/Wells Fargo Housing Market Index





What Makes This Time Different?

Improving Signs - Macro

- GDP growth improving:
 - *11H1=0.8%, 11H2=2.3%*
- Employment gains improving:
 - *11Q2=97K, 11Q4=137K*
- Unemployment dropped:
 - *Sept=9.0%, Dec=8.5%*
 - *U-6 Sept=16.2%, Dec=15.2%*
- New unemployment claims falling:
 - *Sept 4wk avg=418K, Dec 4wk avg=373K*
- Consumer confidence recovering:
 - *Sept=46.4, Dec=64.5*
- Small business optimism increased:
 - *Sept=88.9, Dec=93.8*

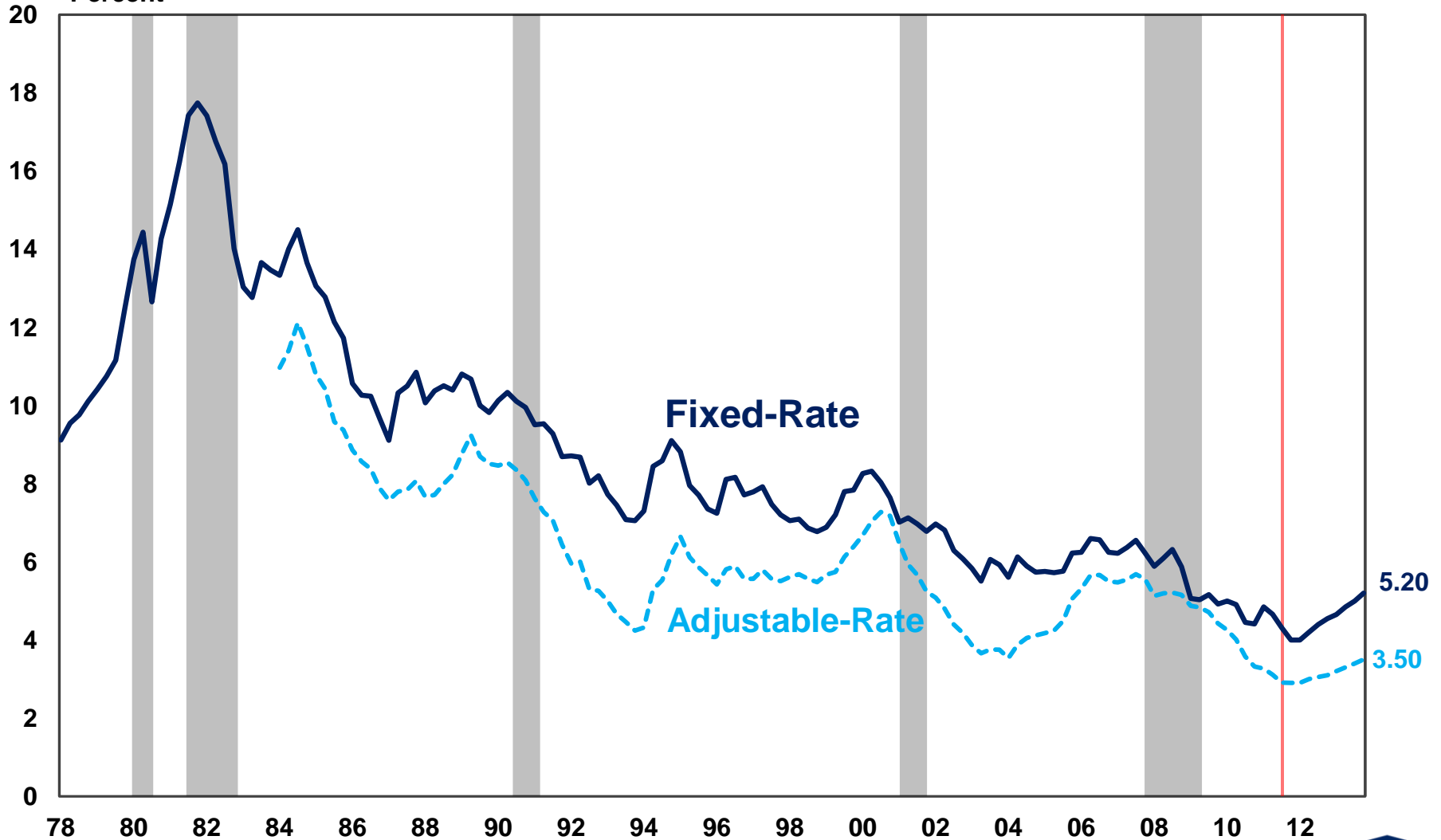
Improving Signs - Housing

- Mortgage distress remains high but is falling and is concentrated:
 - *Seriously Delinquent: 09Q4=9.7%, 11Q3=7.9%*
 - *5 states have 53% of foreclosures, 12 states have 72%*
- NAHB/Wells Fargo Housing Market Index up 11 points in four months:
 - *Sept=14; Jan=25*
- Housing starts 3-month moving average up 8 consecutive months:
 - *Apr=553K, Dec=657K*
- Single-family permits 3-month moving average up 8 consecutive months:
 - *Apr=390K, Nov=444K*
- New and existing single-family home sales up four and three consecutive months respectively¹⁷
 - *New> Sept=302K, Dec=307K, Existing> Sept=3,730K, Dec=3.940*
- Improving Markets Index up 4 consecutive months:
 - *Sept=12, Jan=76*

Housing Fundamentals Remain Good

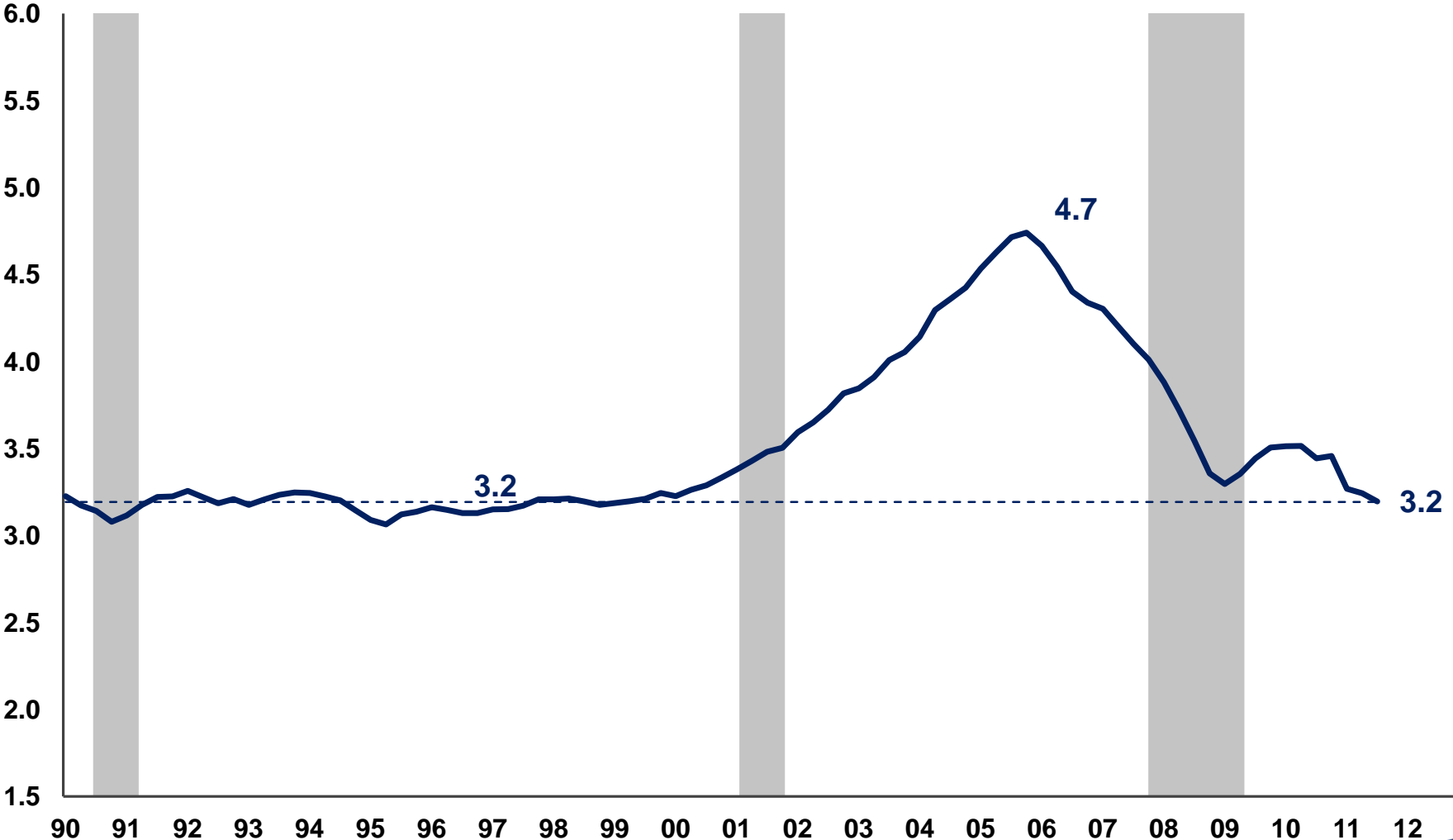
Mortgage Rates

Percent

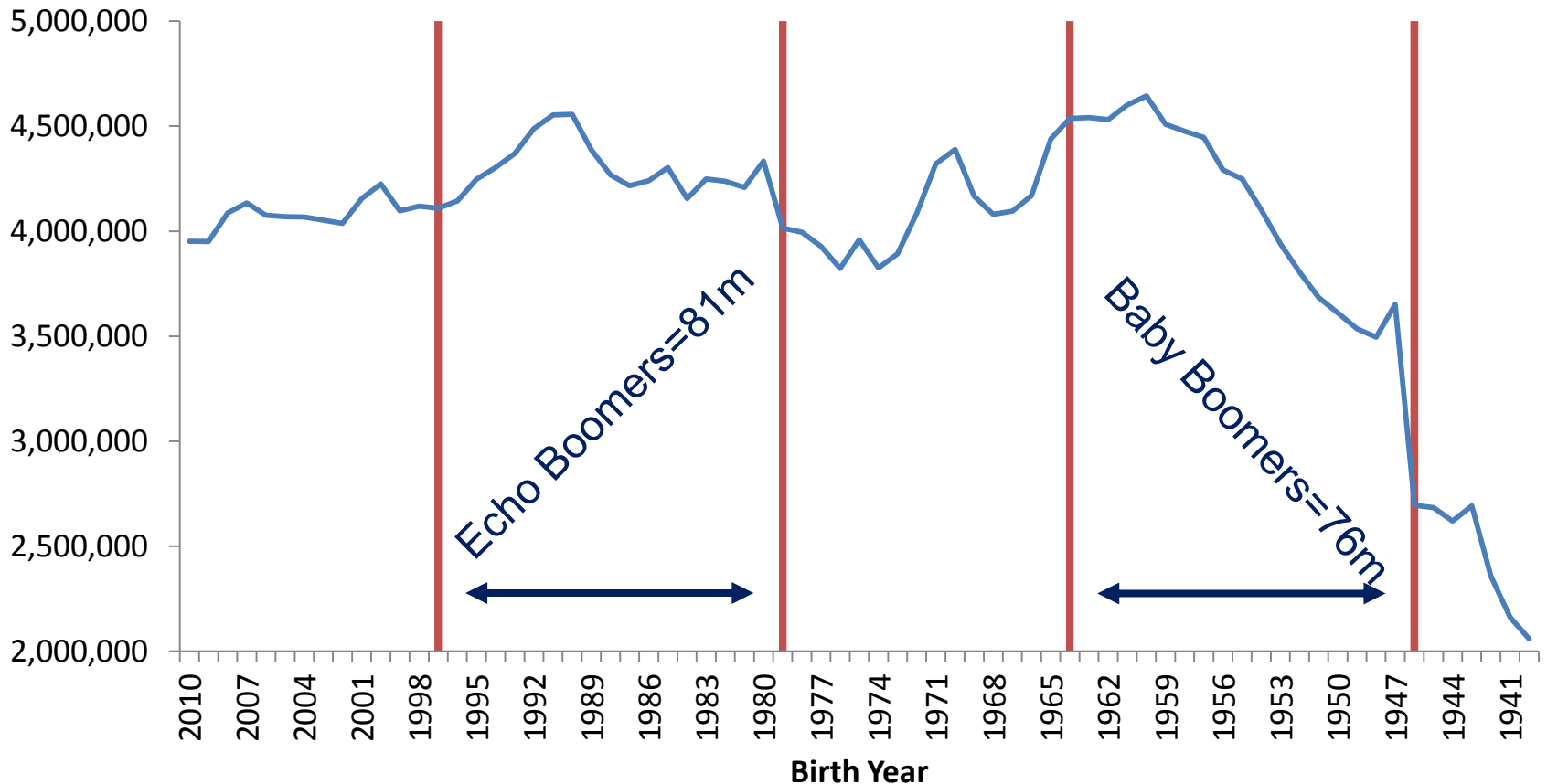


House Prices Returned to Normal

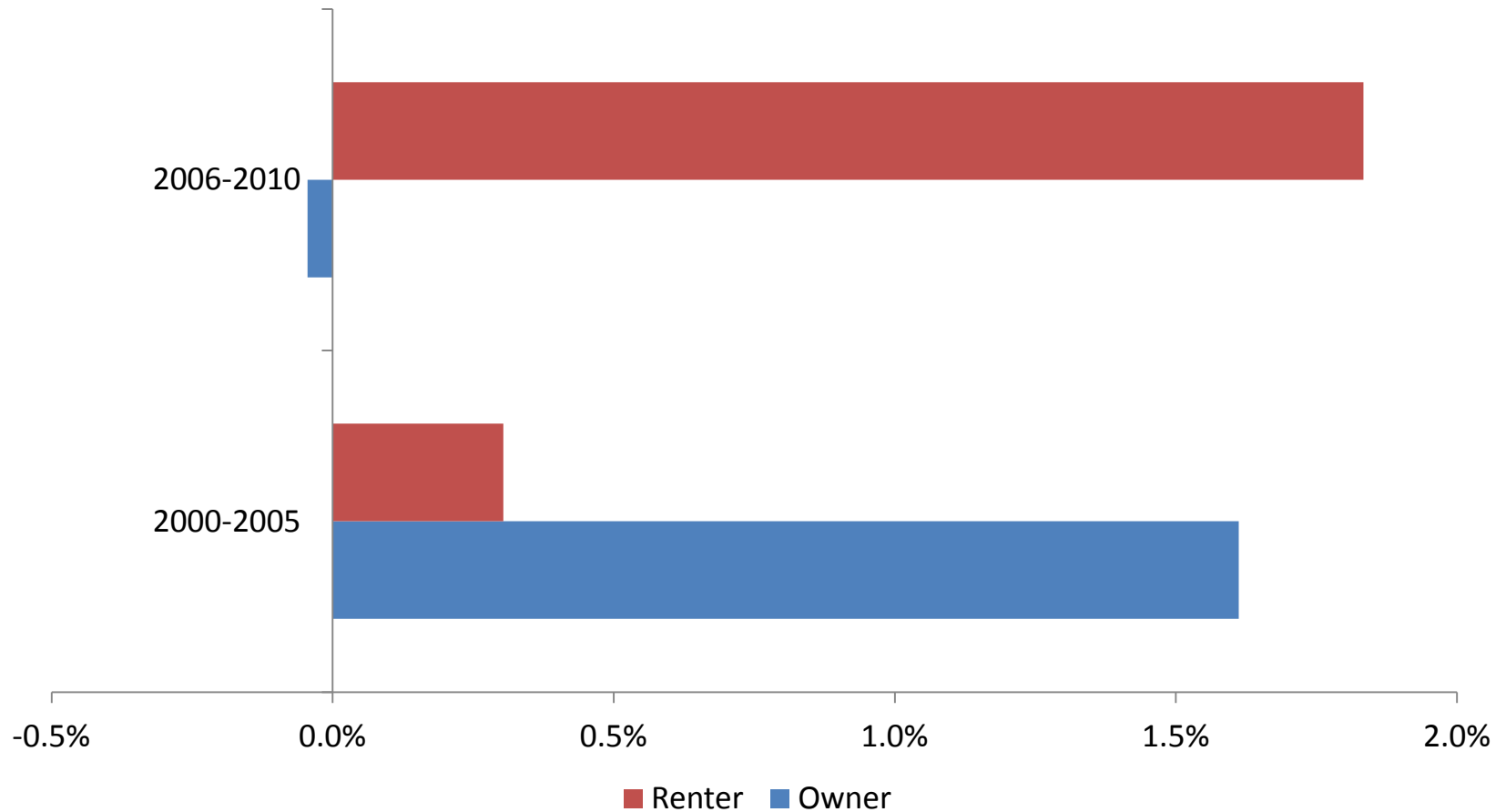
House Price-to-Income Ratio



Current Population Prime for Household Formations



Annual % Change in Owners & Renters

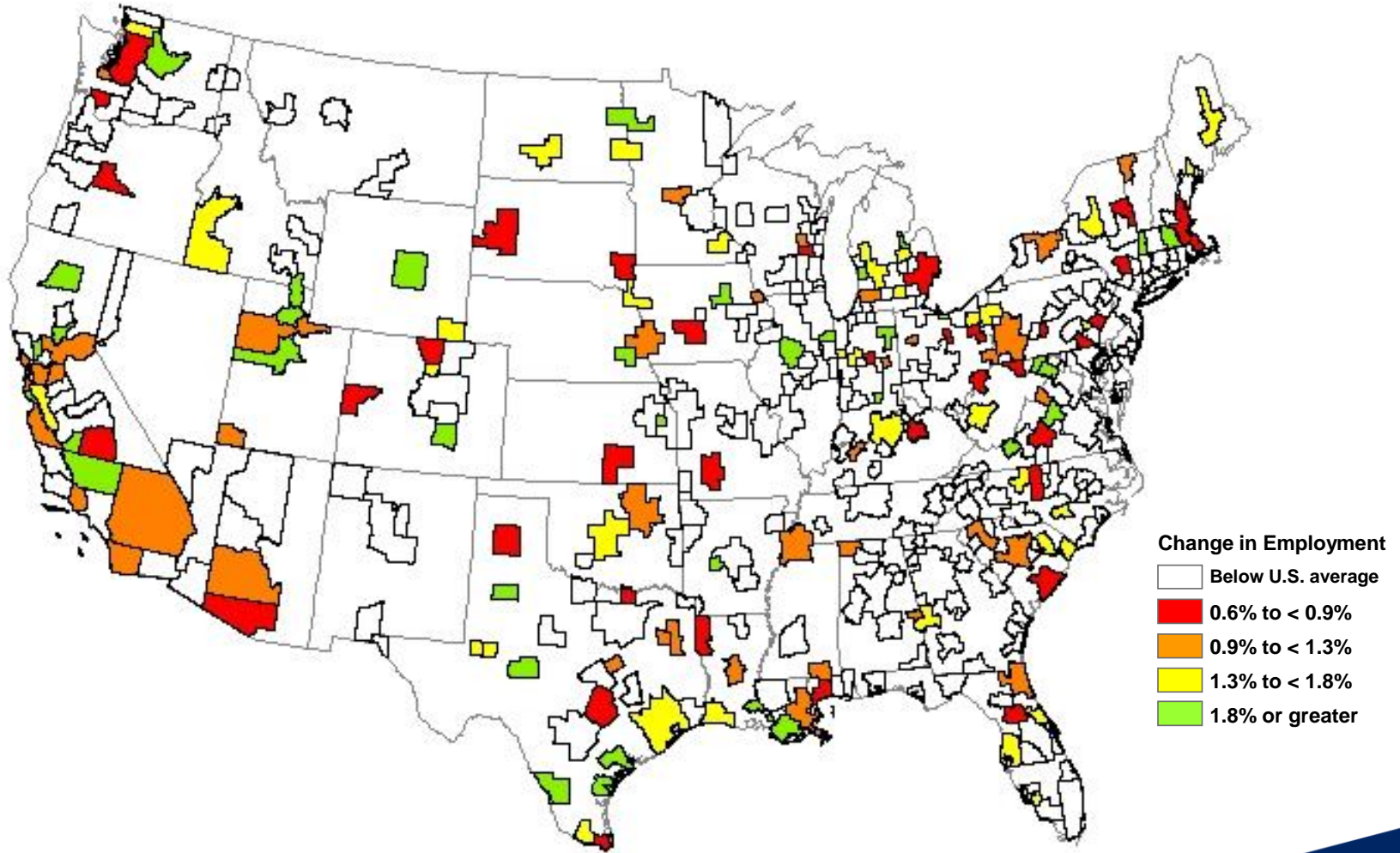




Markets Are Local

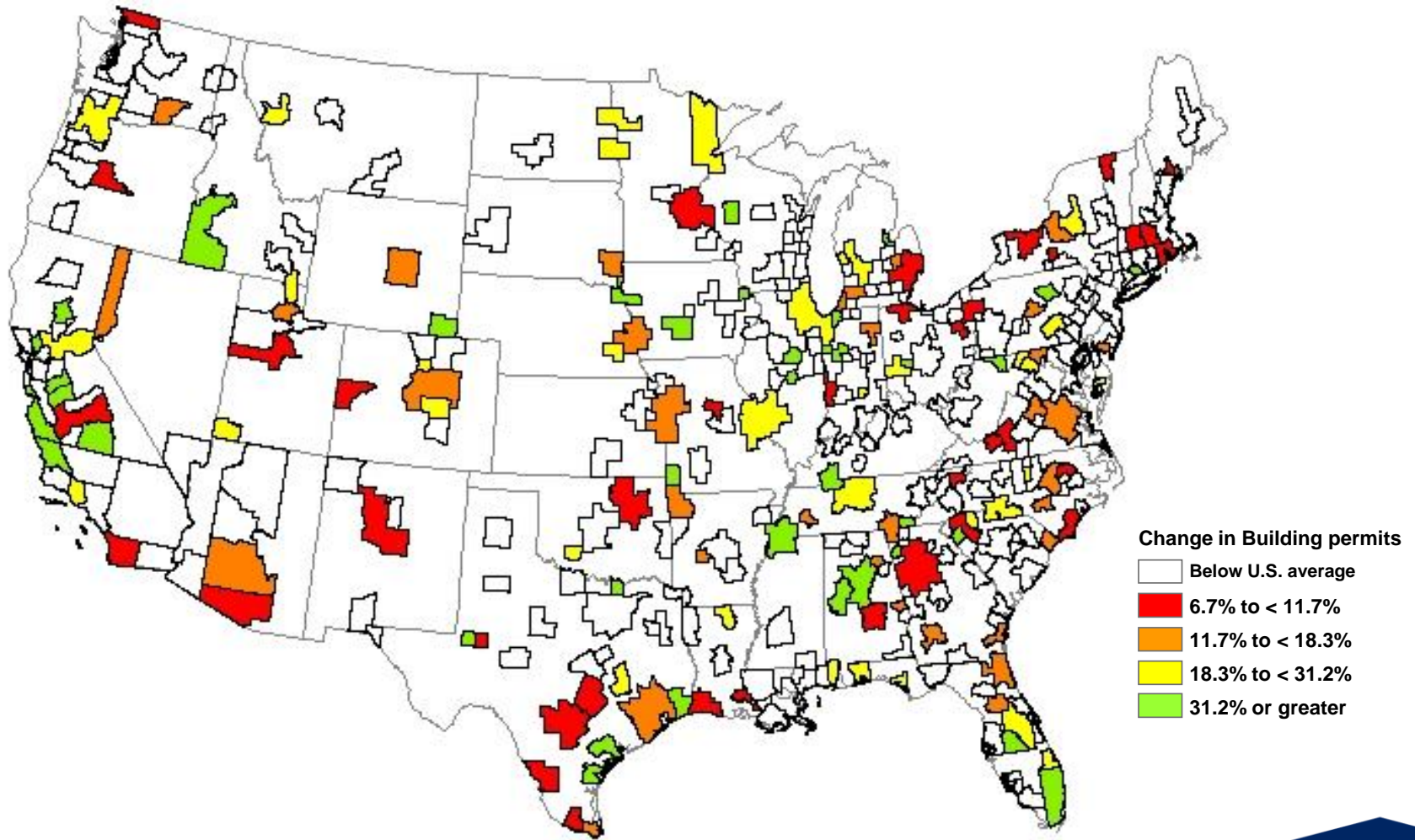
Employment Gains Greater than US

2nd Half '11/1st Half '11



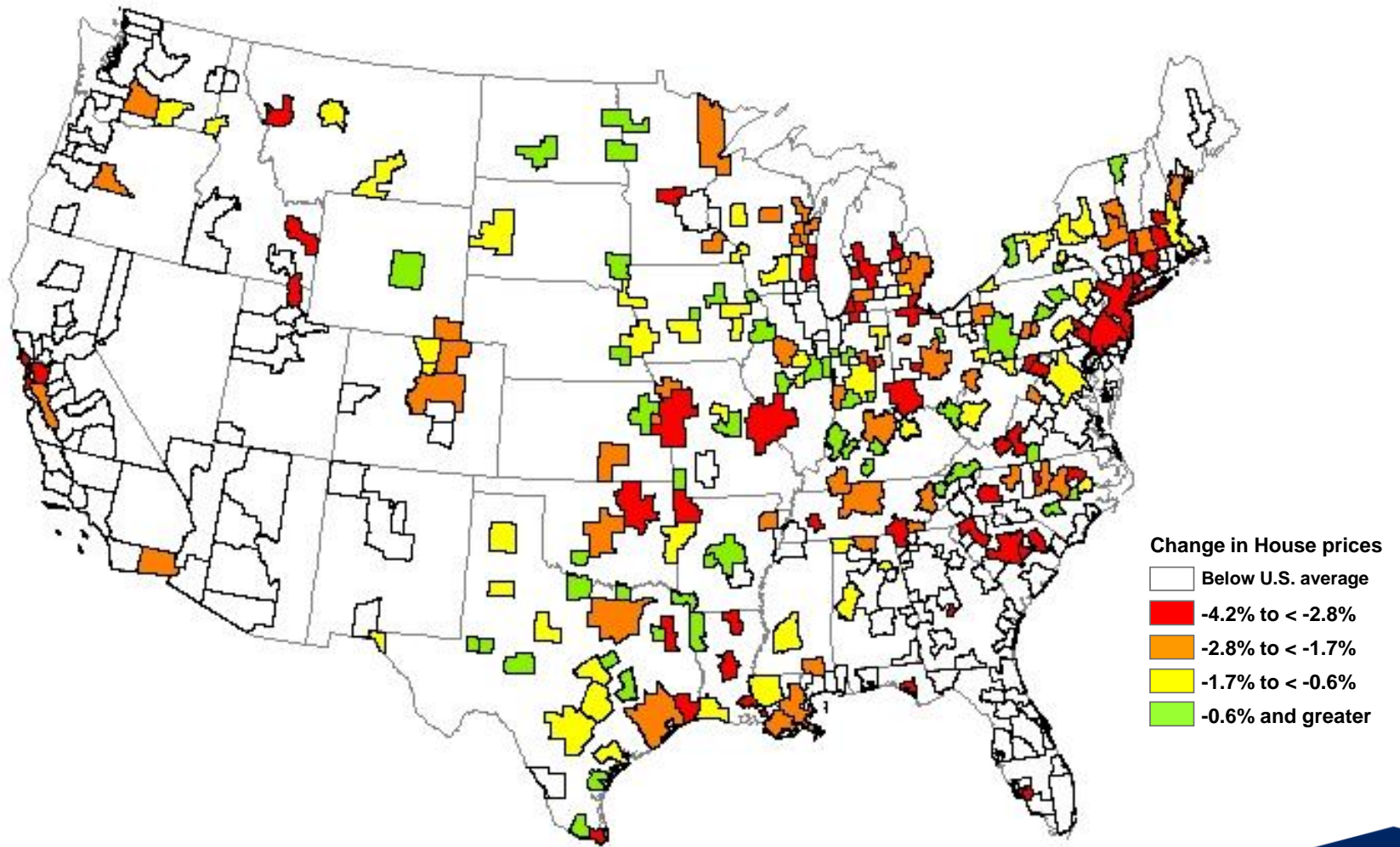
Single-Family Permits Gains Greater than US

2nd Half '11/1st Half '11



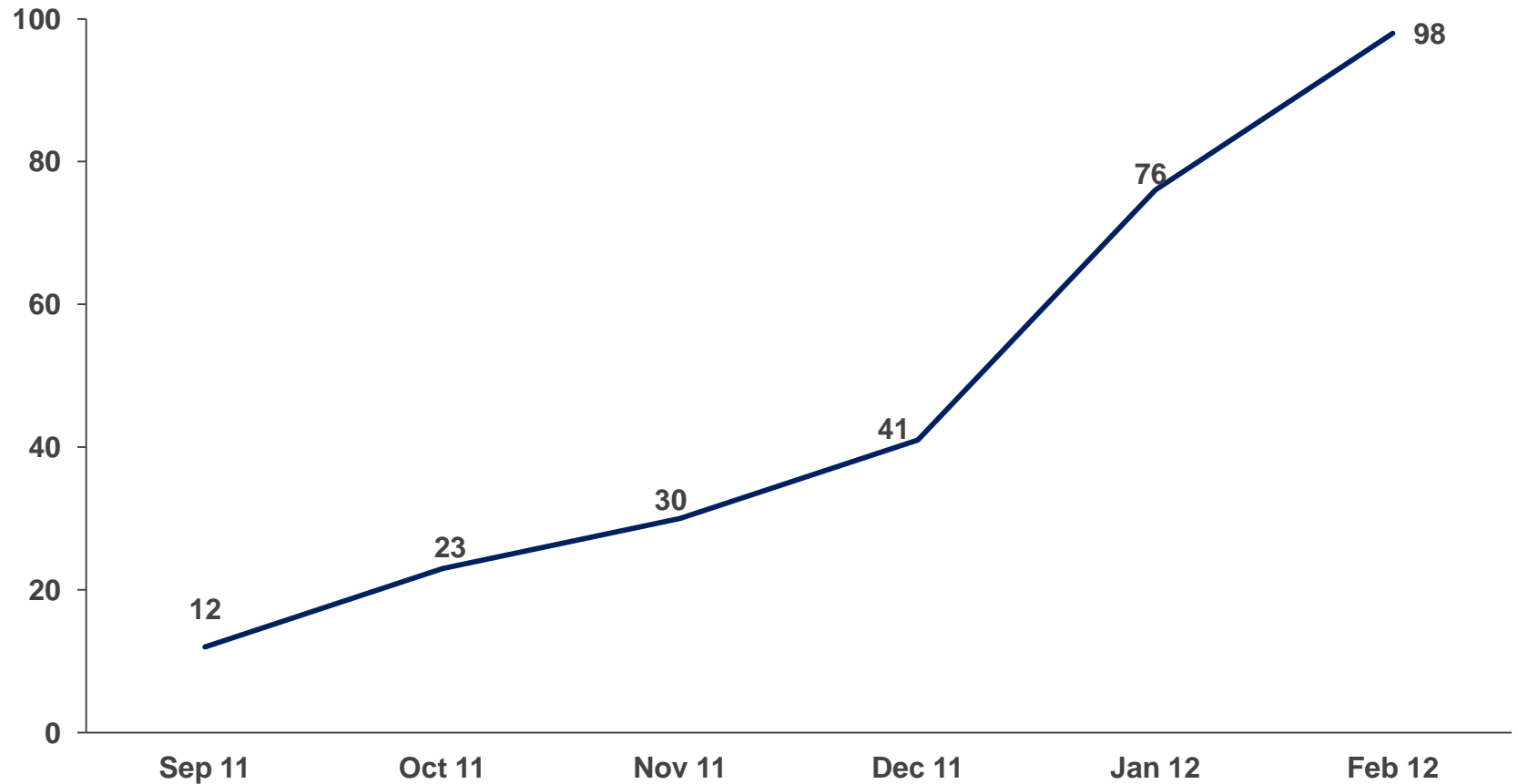
House Prices Improvement Greater than US

3rd Q '11/3rd Q '10

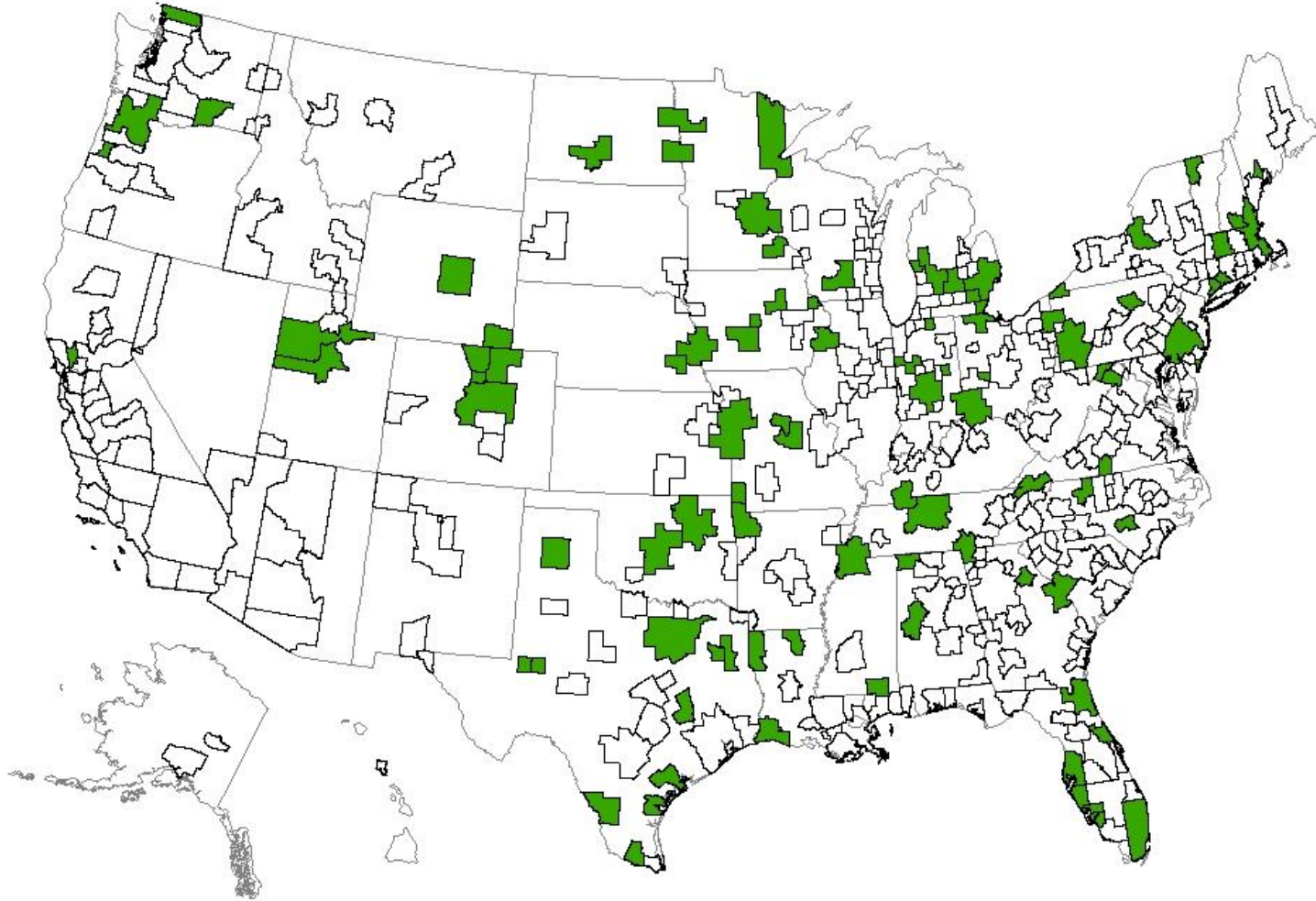


NAHB/First American Improving Markets Index

— The Number of Markets is Improving

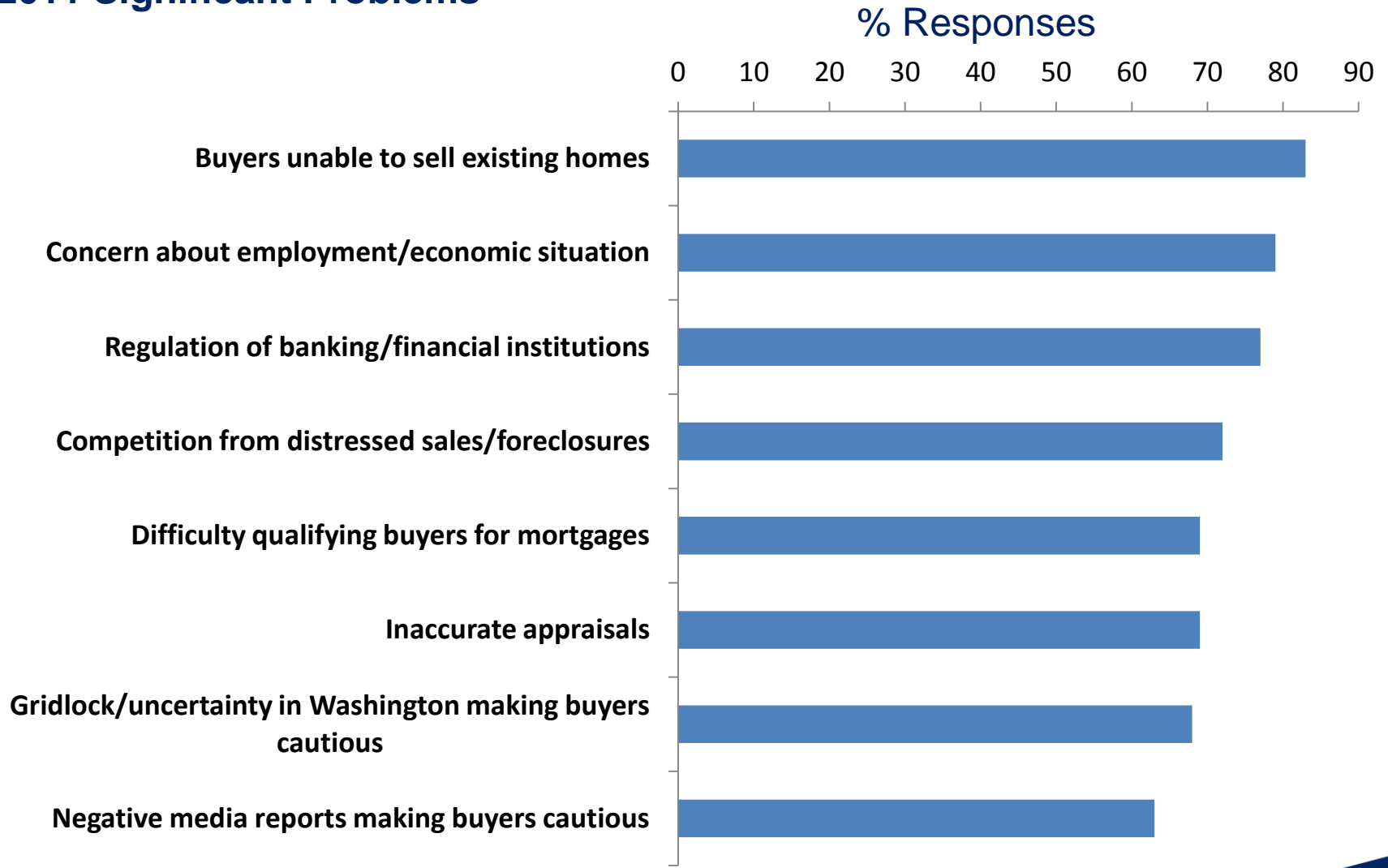


98 Improving Metropolitan Areas



Builders Greatest Concerns

2011 Significant Problems

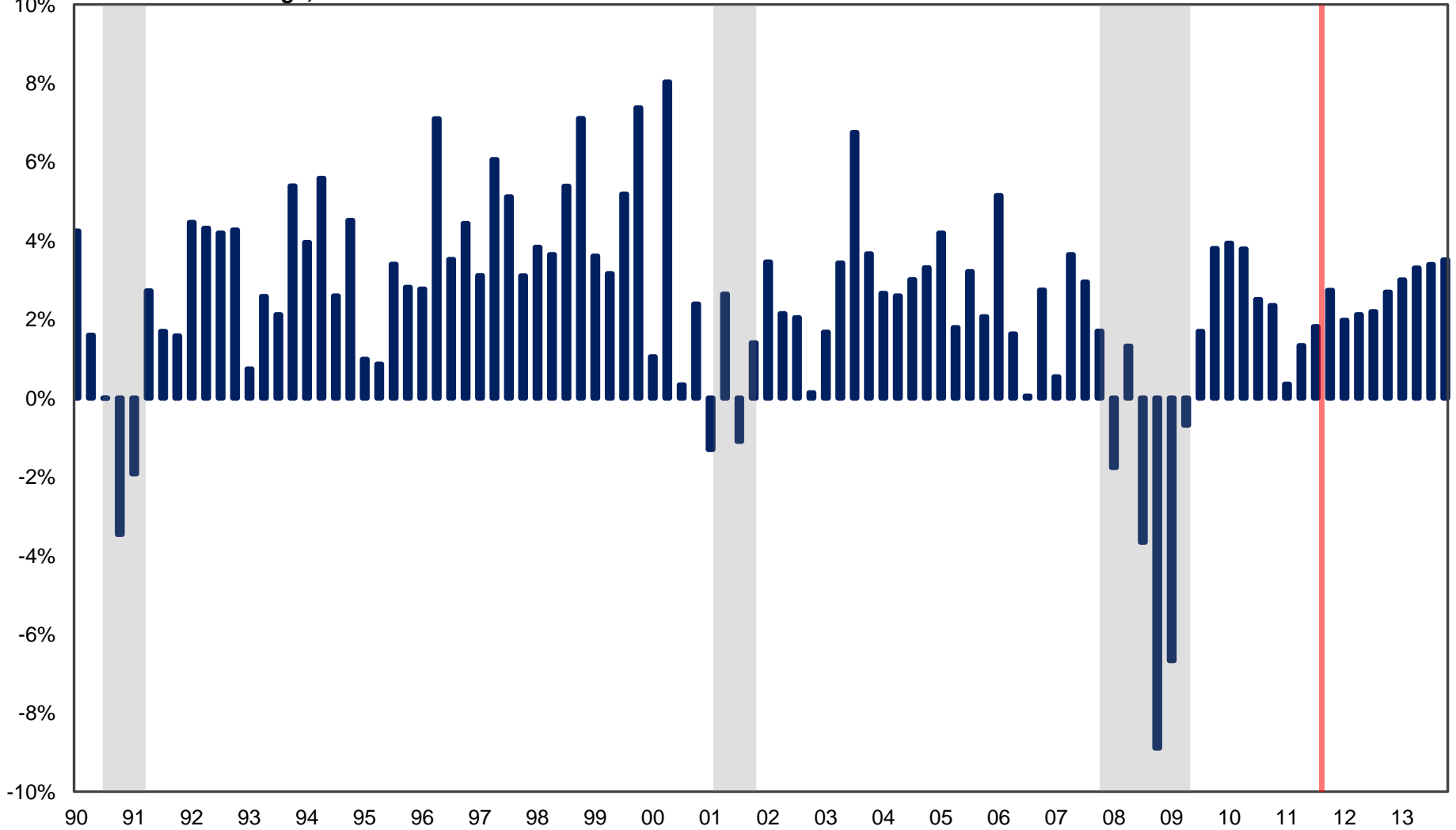




Forecast

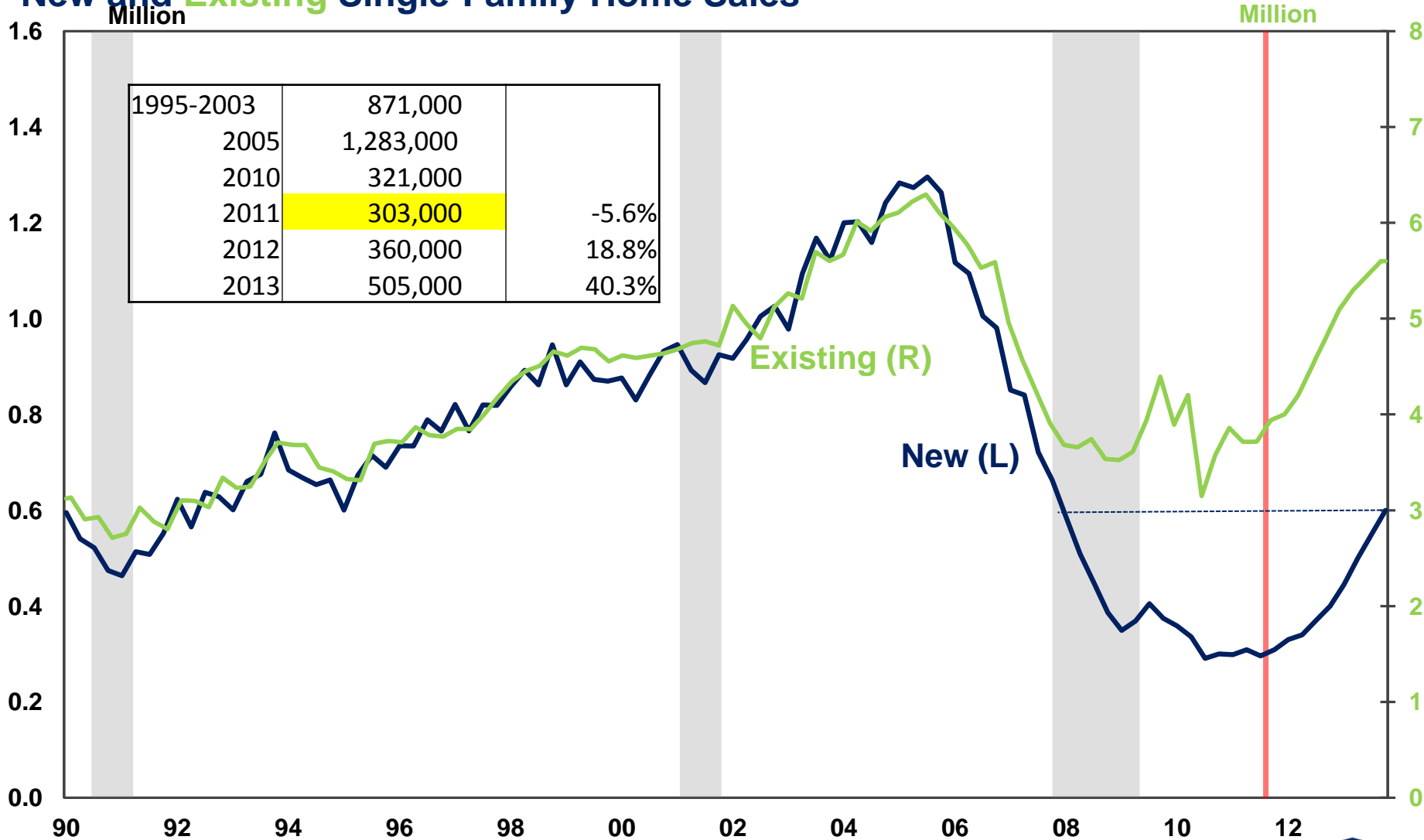
Real GDP Growth — Hesitated but Improving

Q/Q Percent Change, SAAR

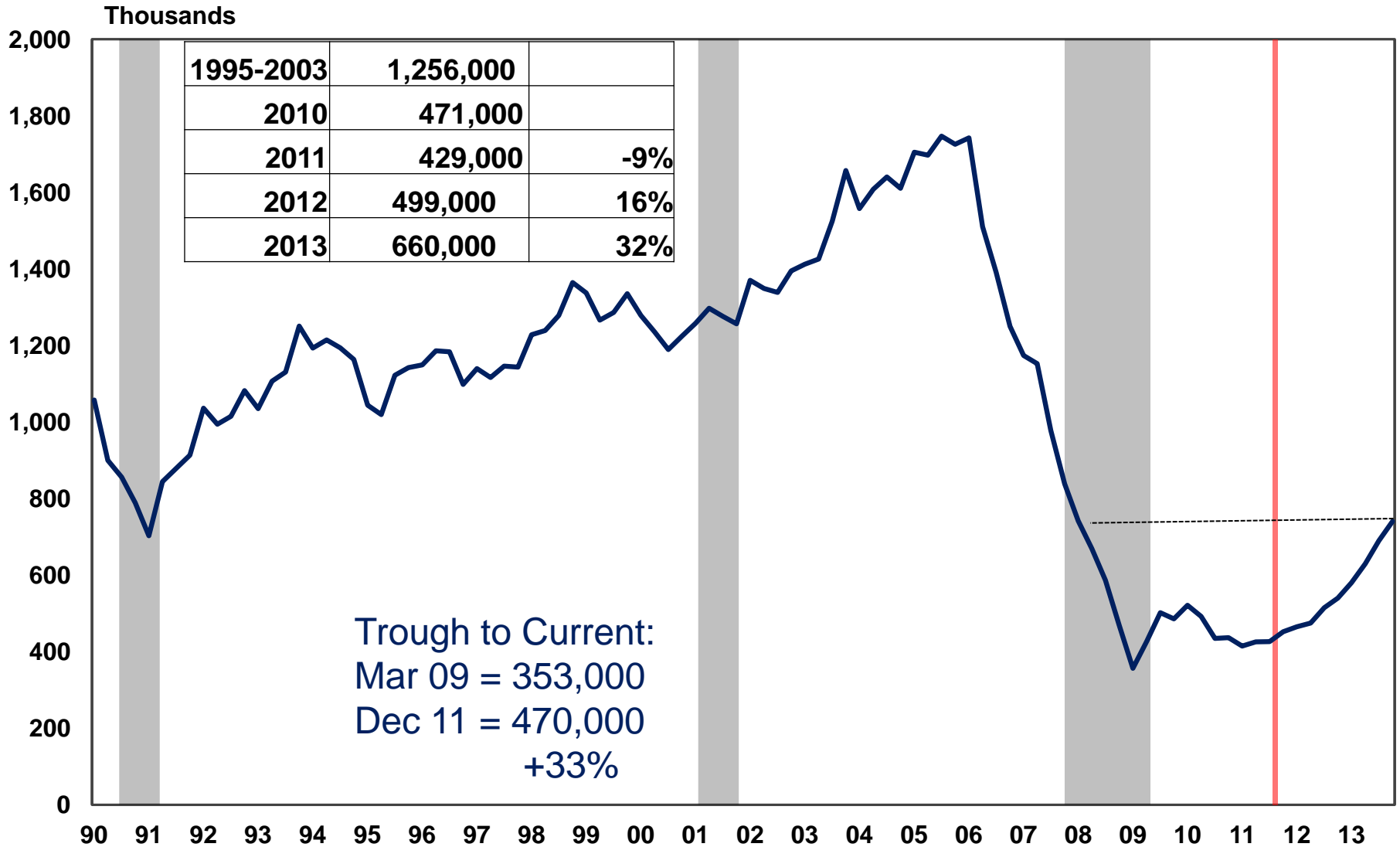


Sales Dipped, But Due to Recover

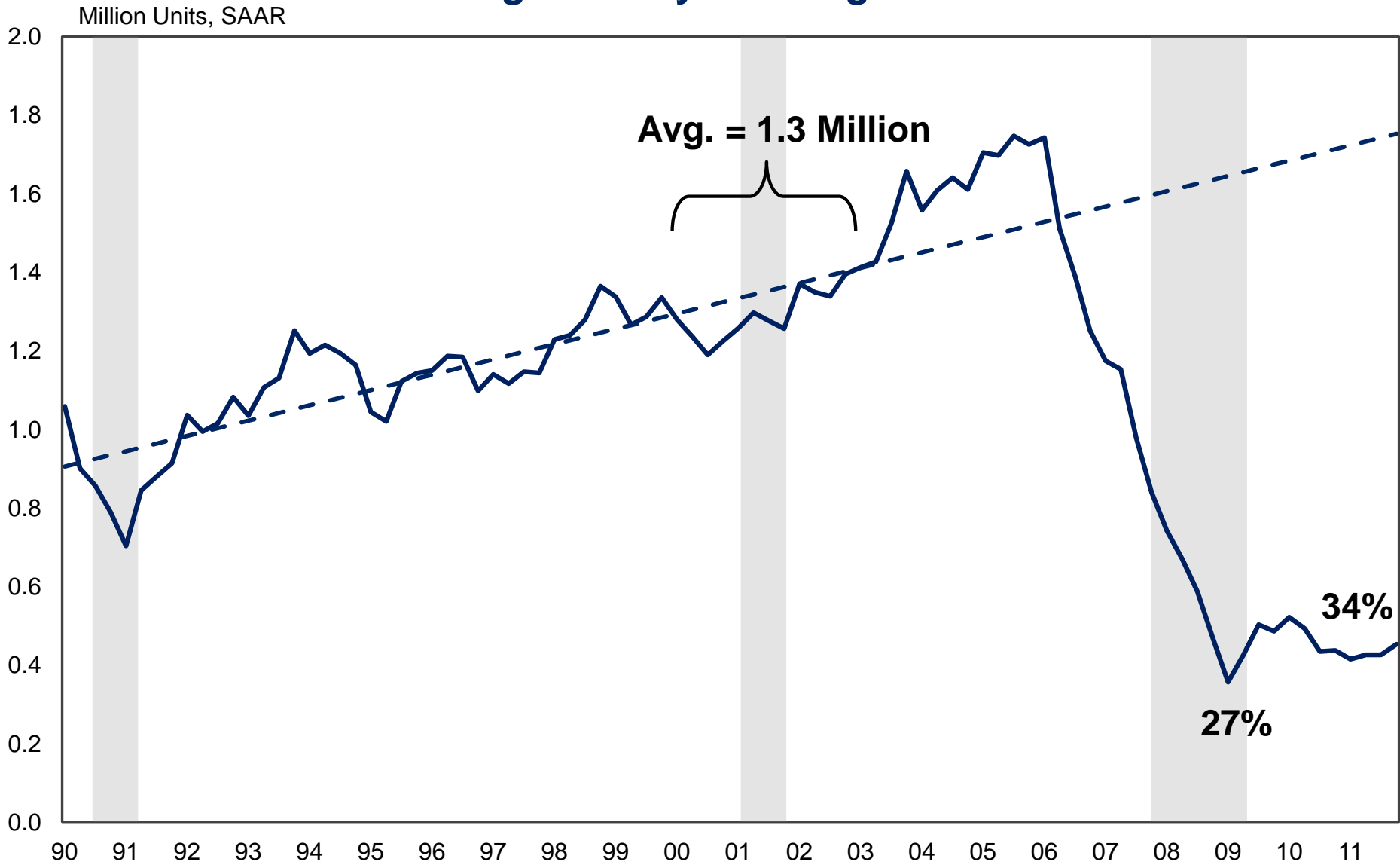
New and Existing Single-Family Home Sales



Single-Family Starts – Waiting for Job Recovery



Single Family Housing Starts



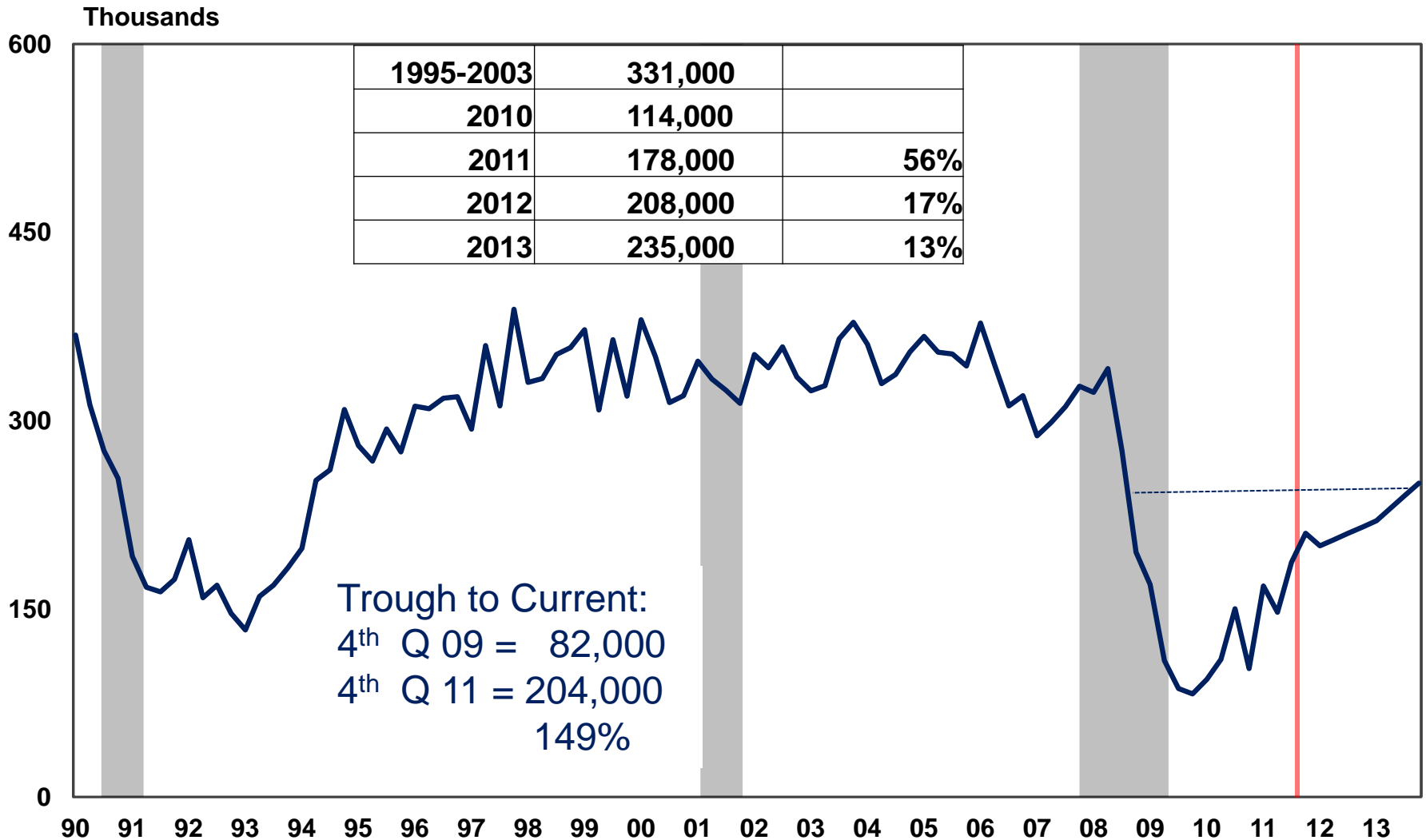
Source: US Census Bureau

National Association of Home Builders



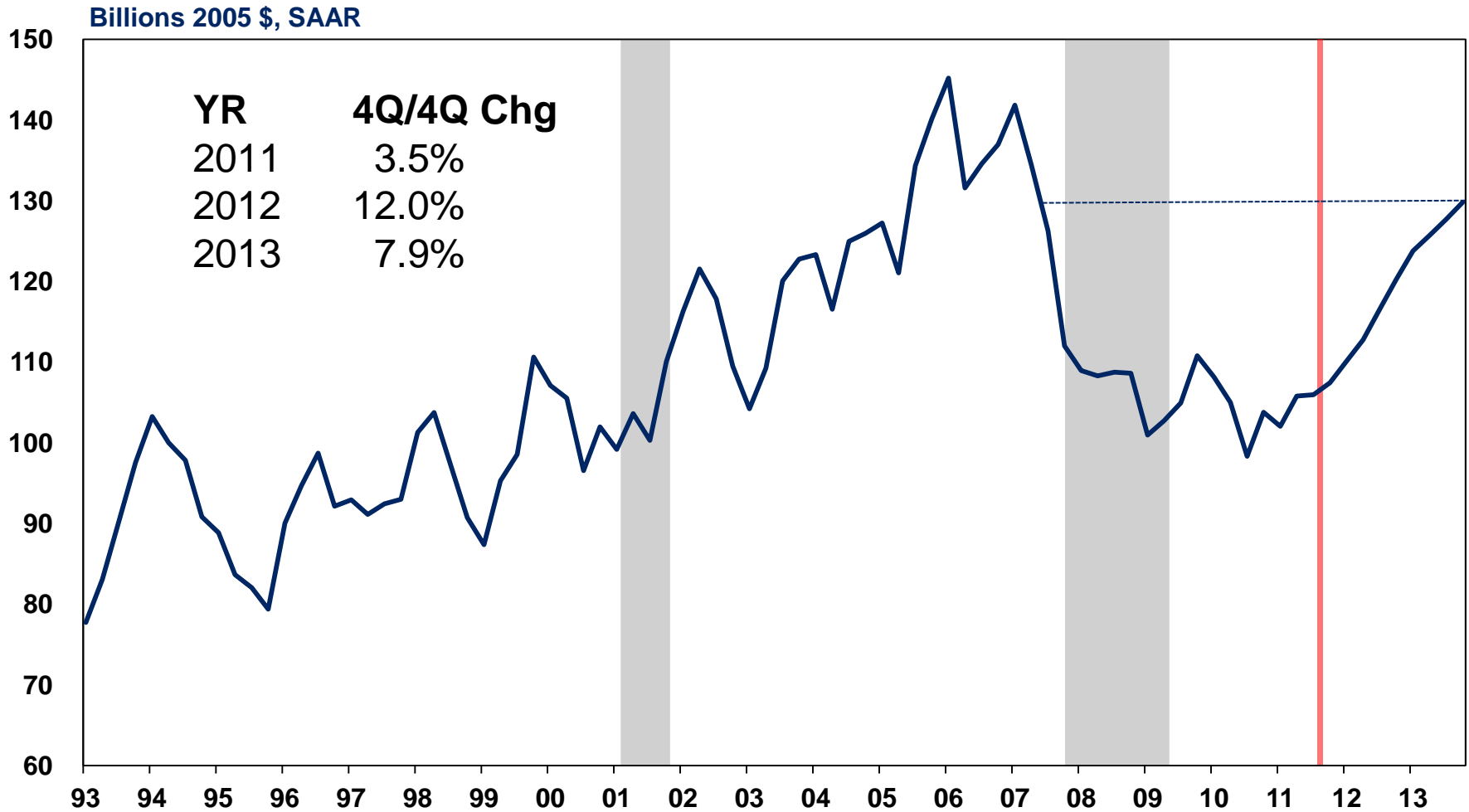
Multifamily Housing Starts

Healthy Response from Growth in Renters



Residential Remodeling – Continuous Improvement

Owner-Occupied Improvements

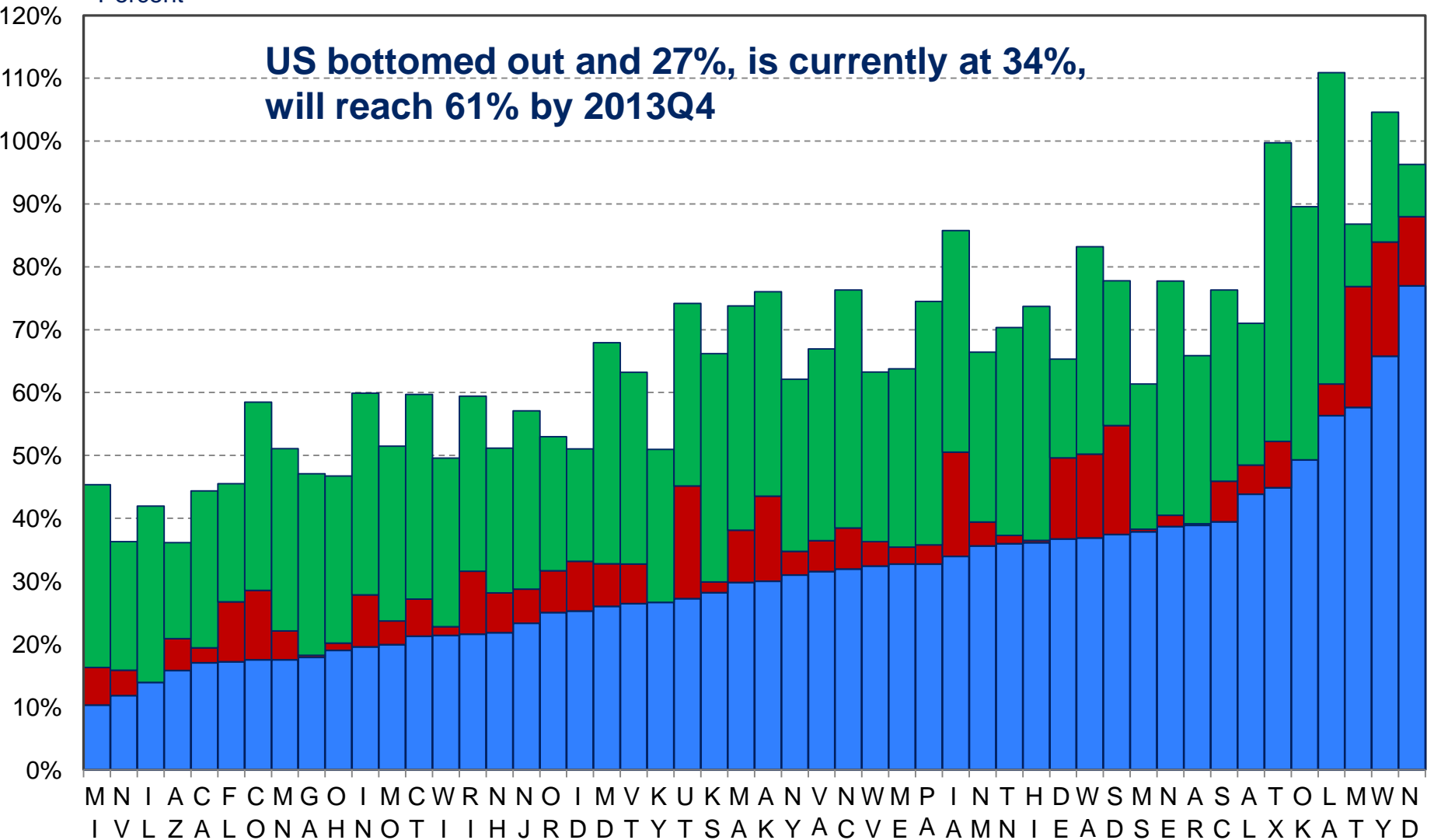


Source: U.S. Census Bureau, NAHB Economic and Housing Forecast.

Normal Production - Trough, Current and 2013Q4

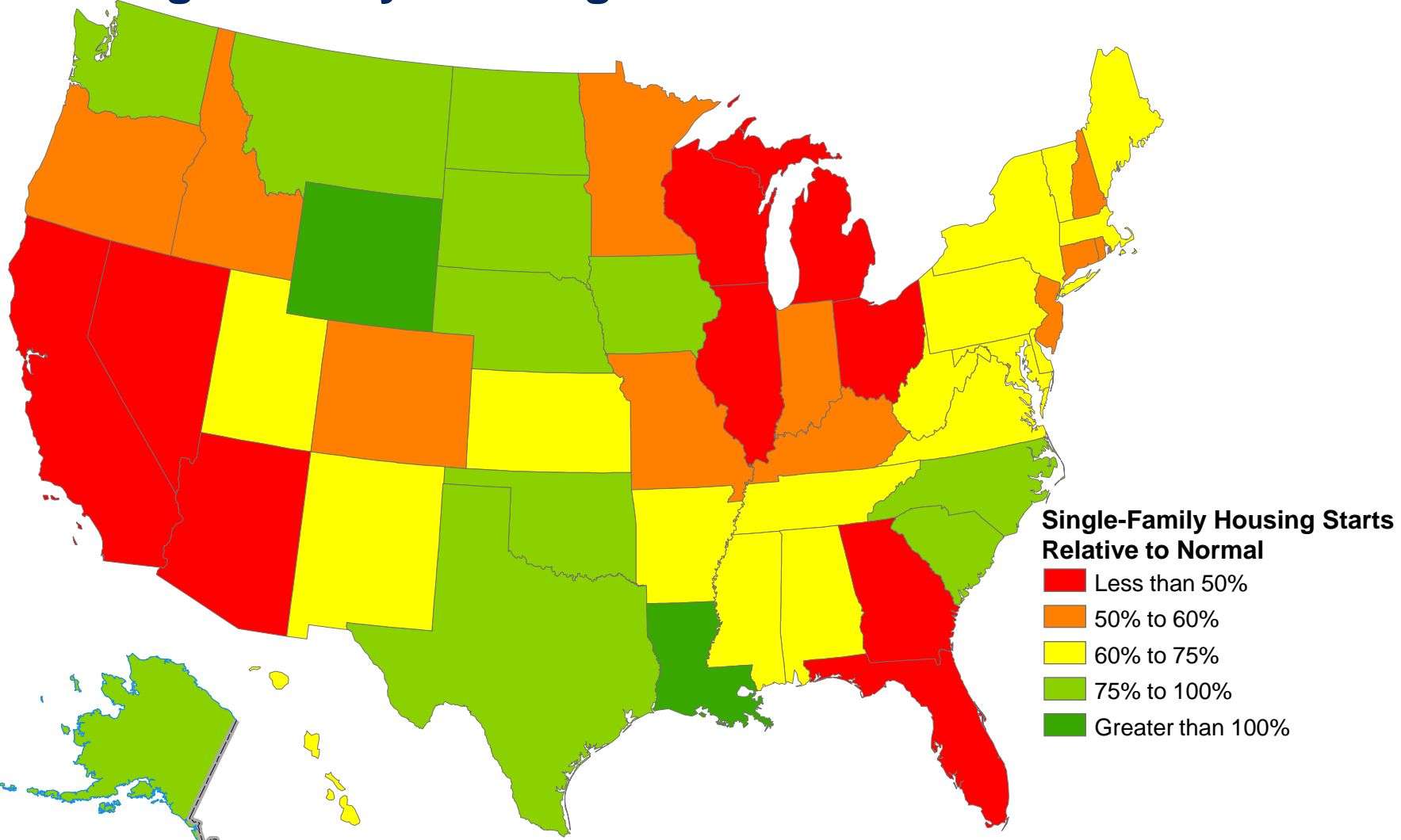
Percent

**US bottomed out and 27%, is currently at 34%,
will reach 61% by 2013Q4**



Source: US Census Bureau

Long Road Back to Normal* for Single-Family Housing Starts – Q4 2013



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



Questions?

Answers:

www.housingeconomics.com

eyeonhousing.wordpress.com