Update on the National Housing Market

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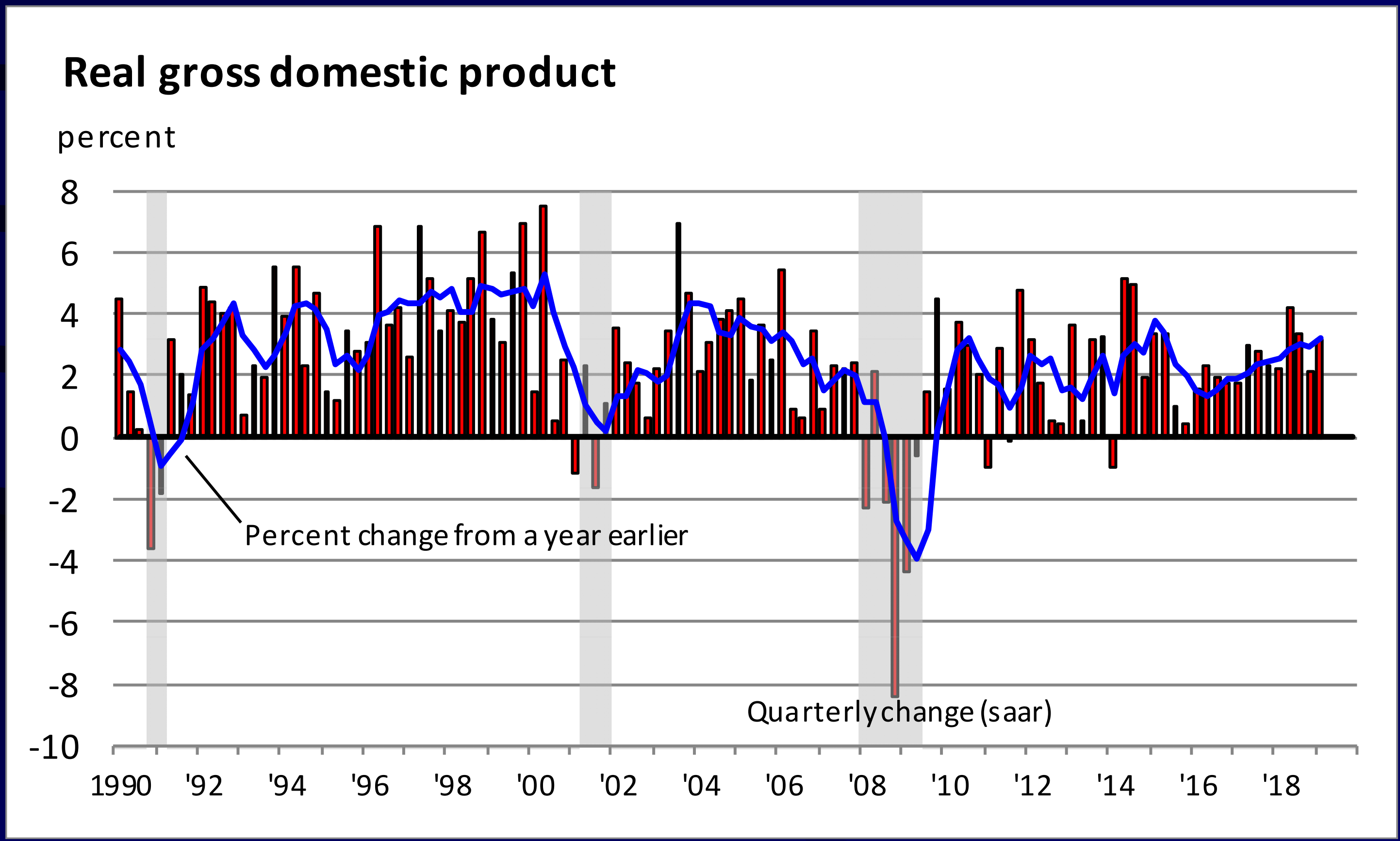
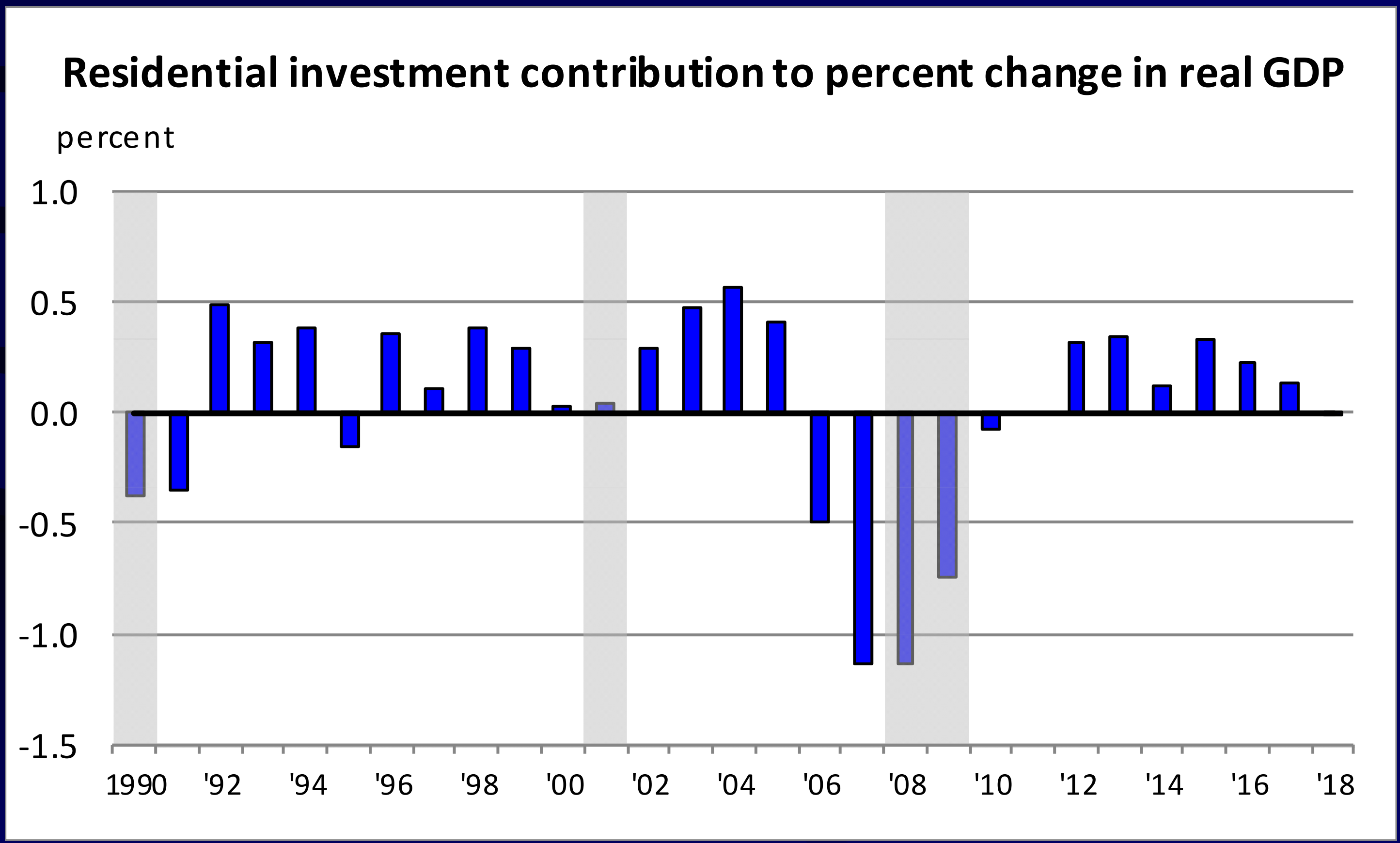
The Great Recession and Housing

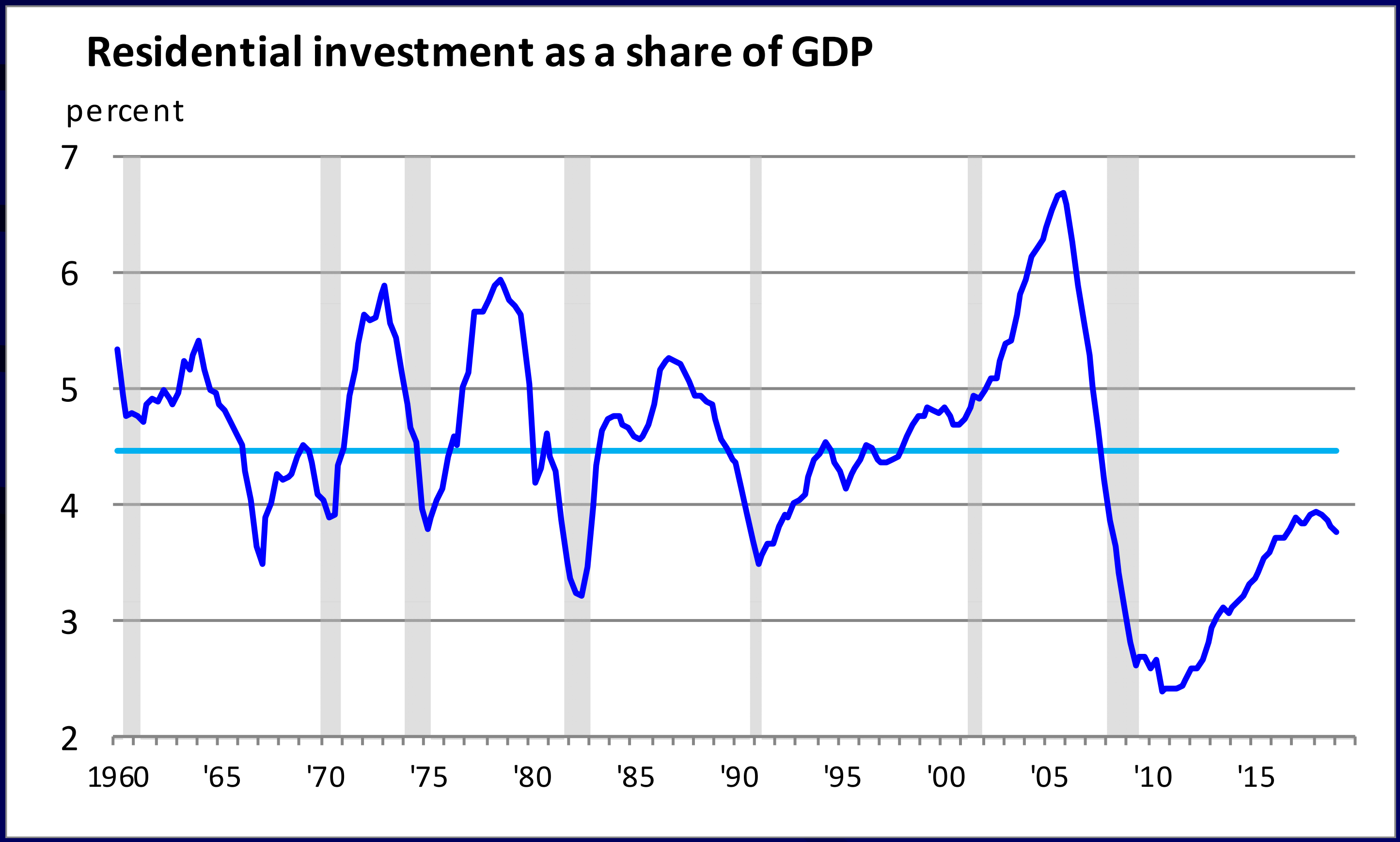
The “Great Recession” ended in June 2009 – It has been followed by the slowest paced expansion, yet near-record length expansion



Residential investment had been a drag on the U.S. economy between 2006 and 2011 but has been growing at a moderate pace since then

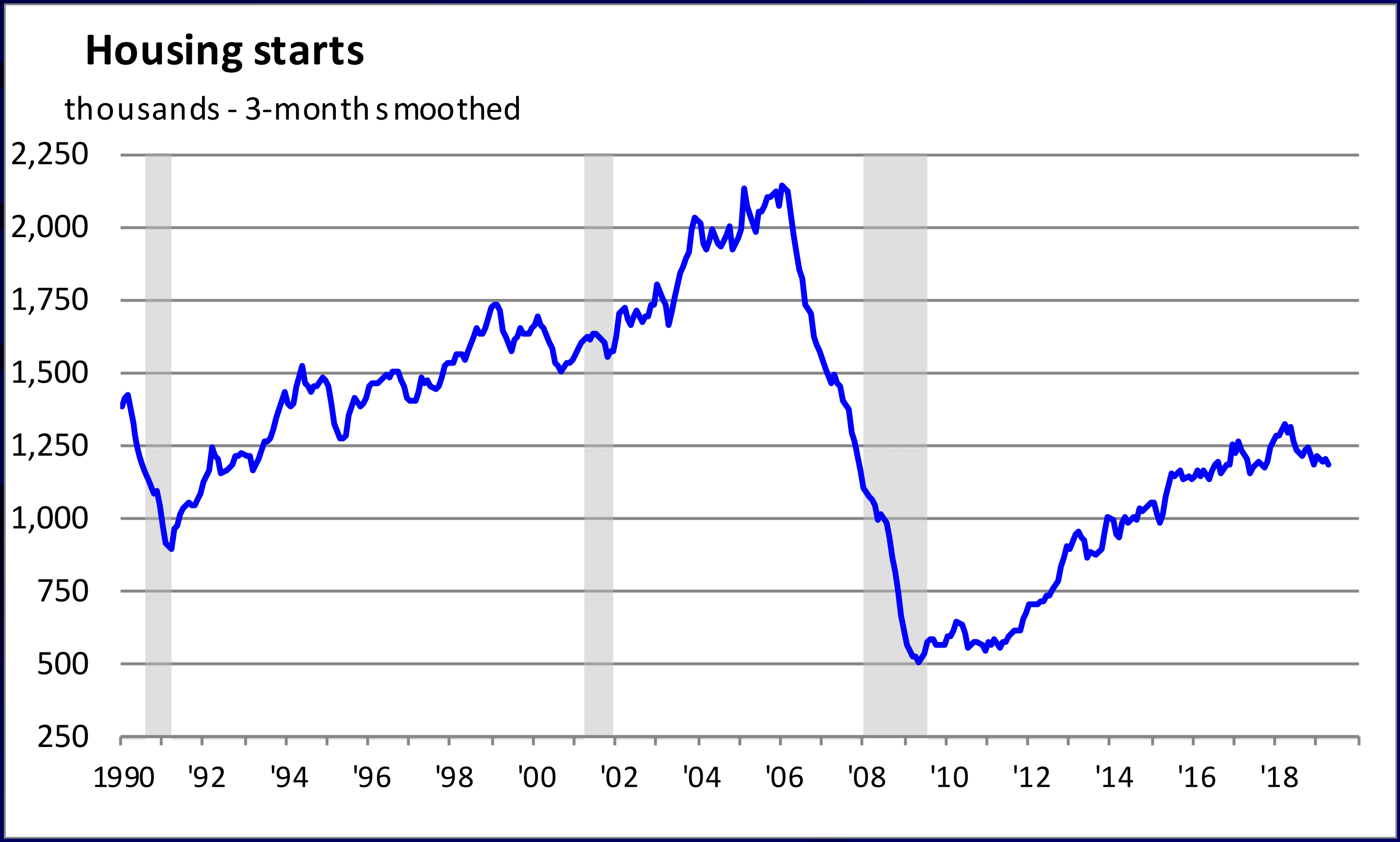


Residential investment remains well below its long-run average share of the U.S. economy

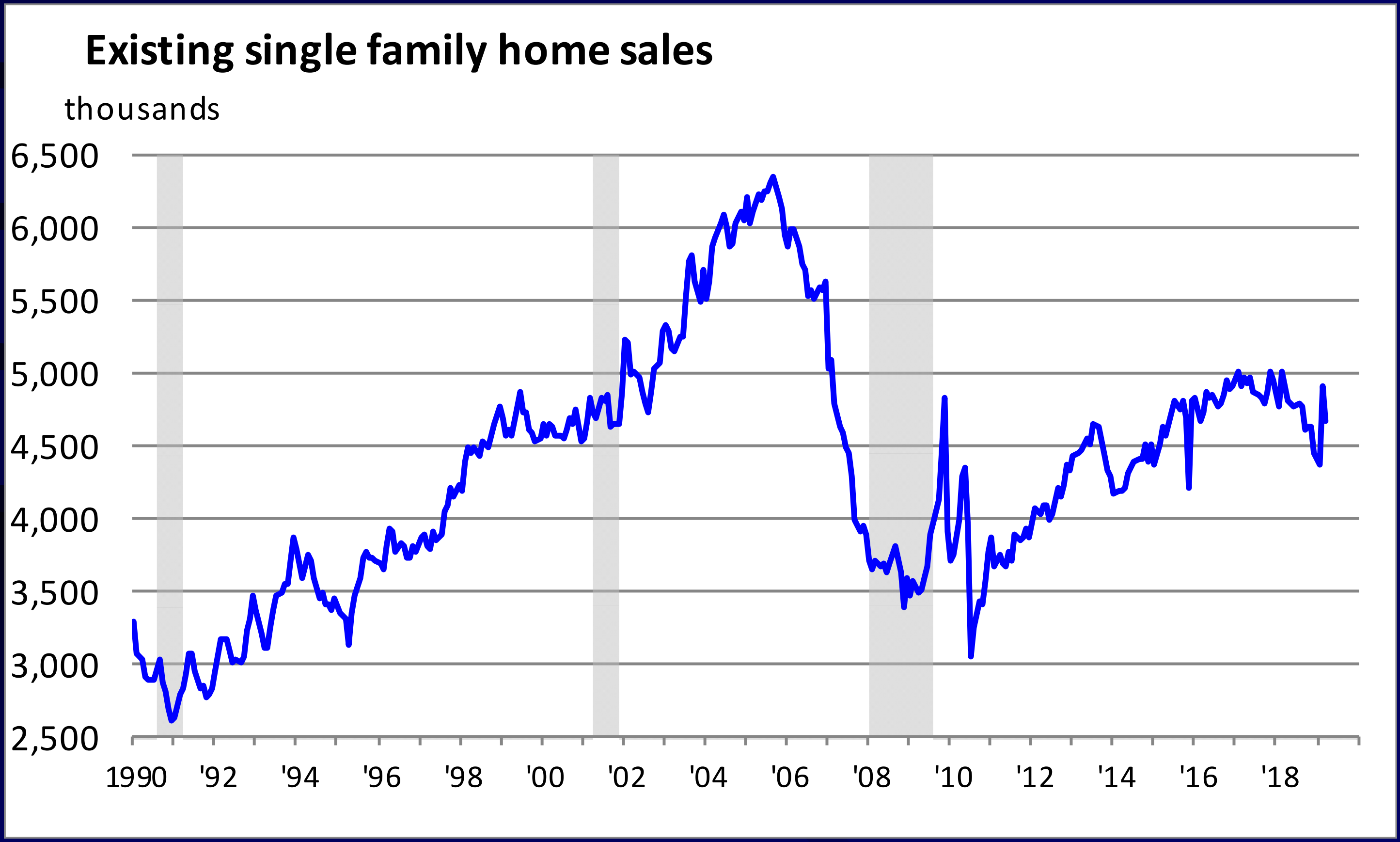


The Housing Recovery

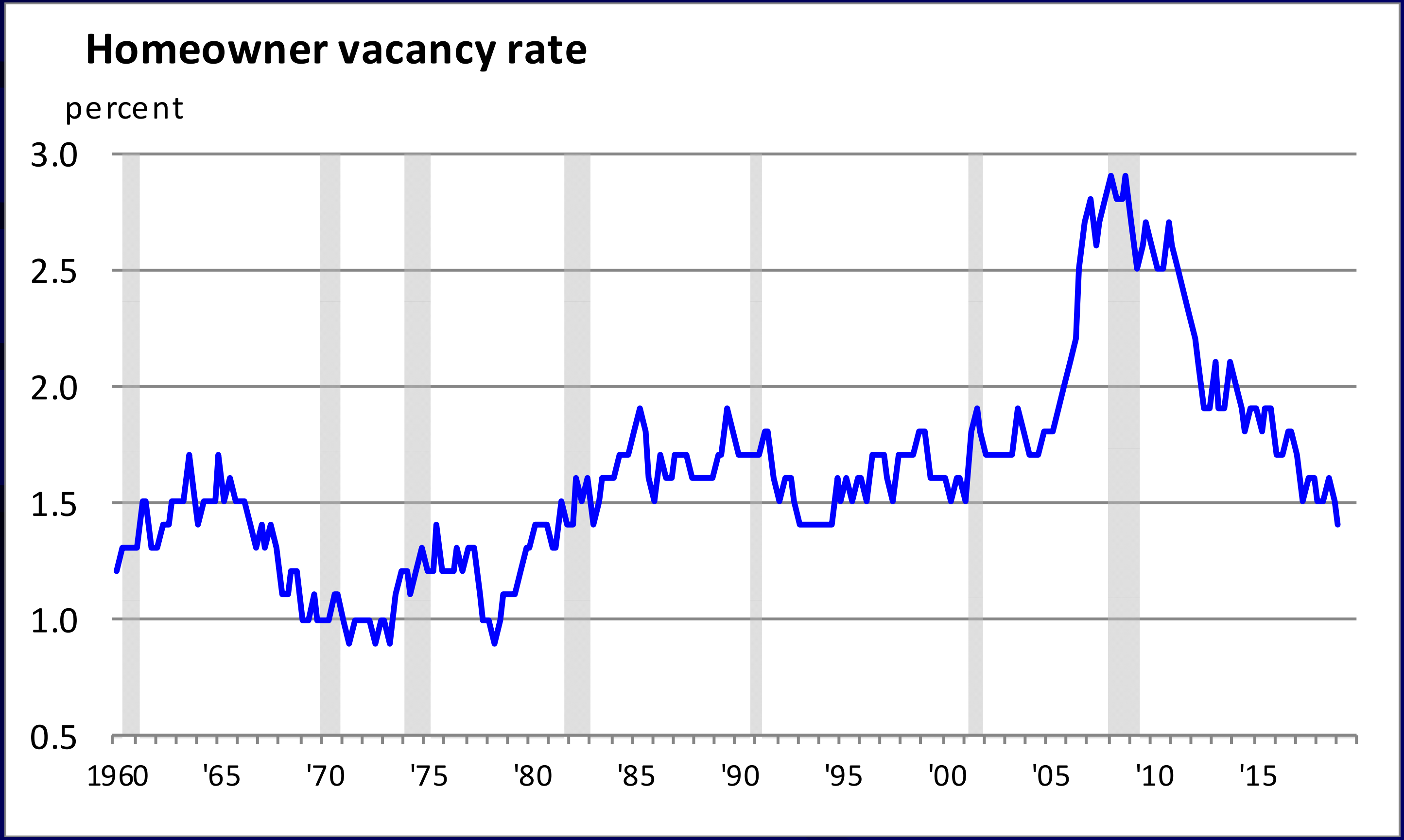
Housing starts have moved higher, but remains well below the level considered its trend



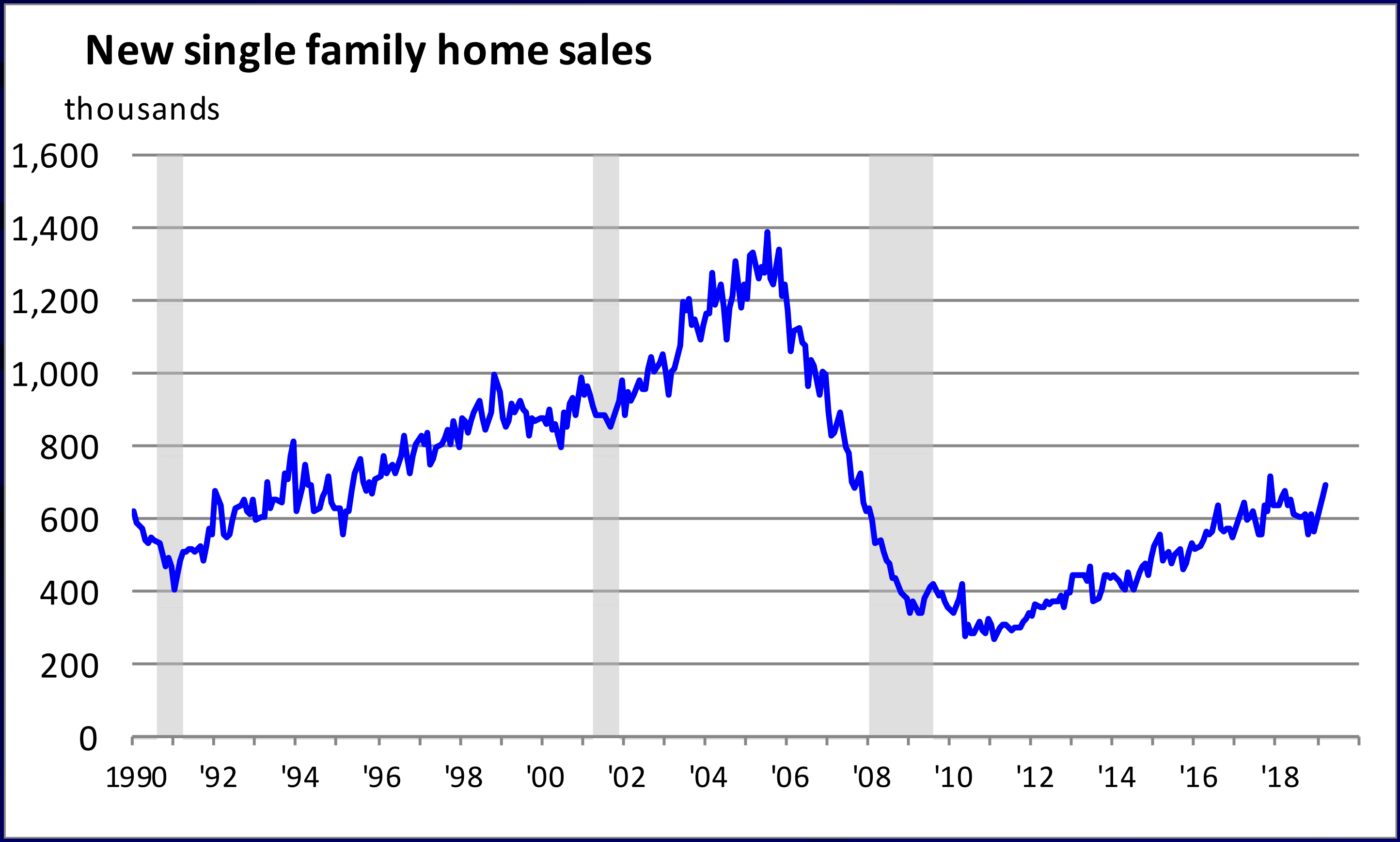
Existing home sales have improved



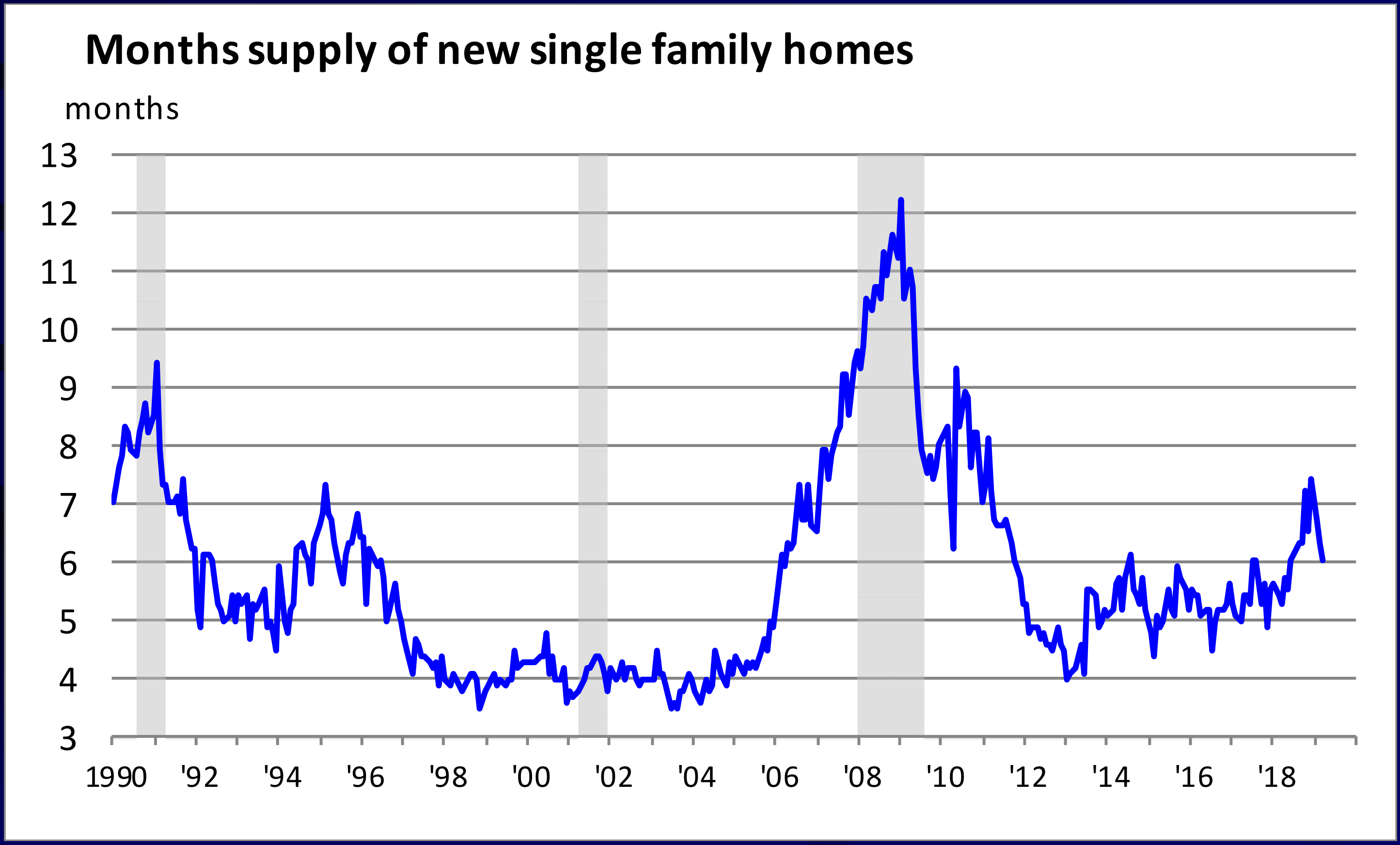
Homeowner vacancy rates have fallen close to what might be considered "normal"



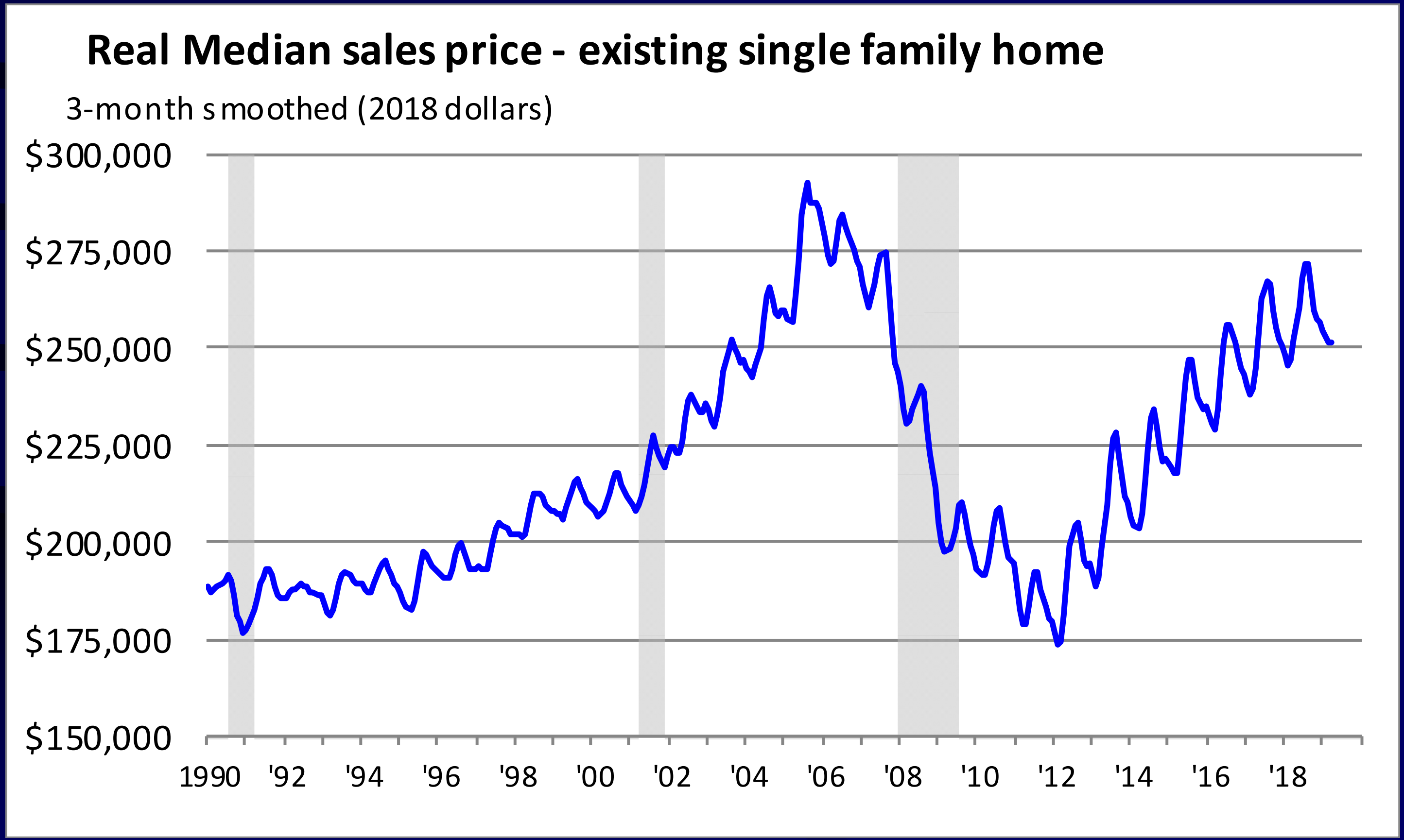
However, new home sales have only been edging higher



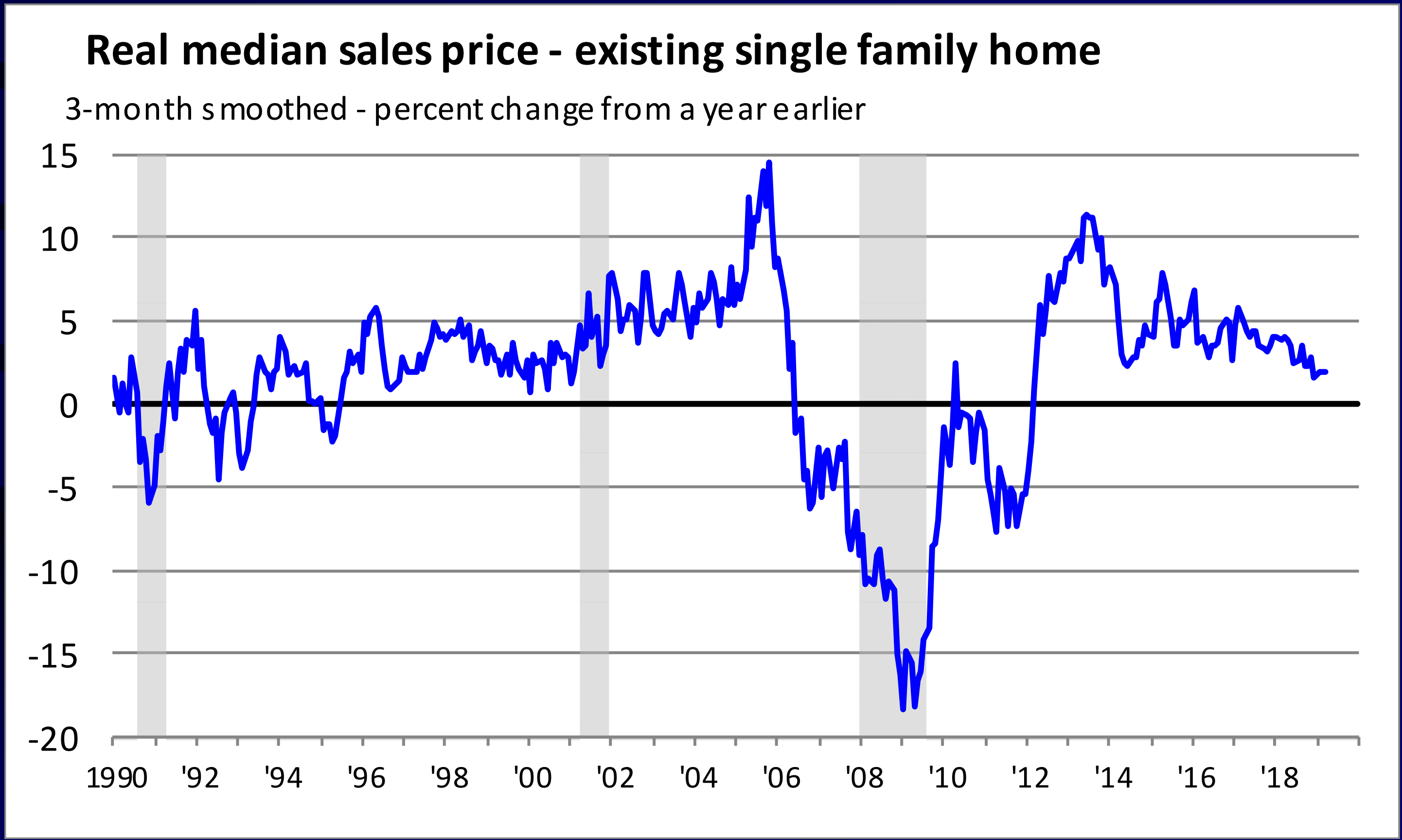
The months supply of new single family homes are at levels that are considered "normal"



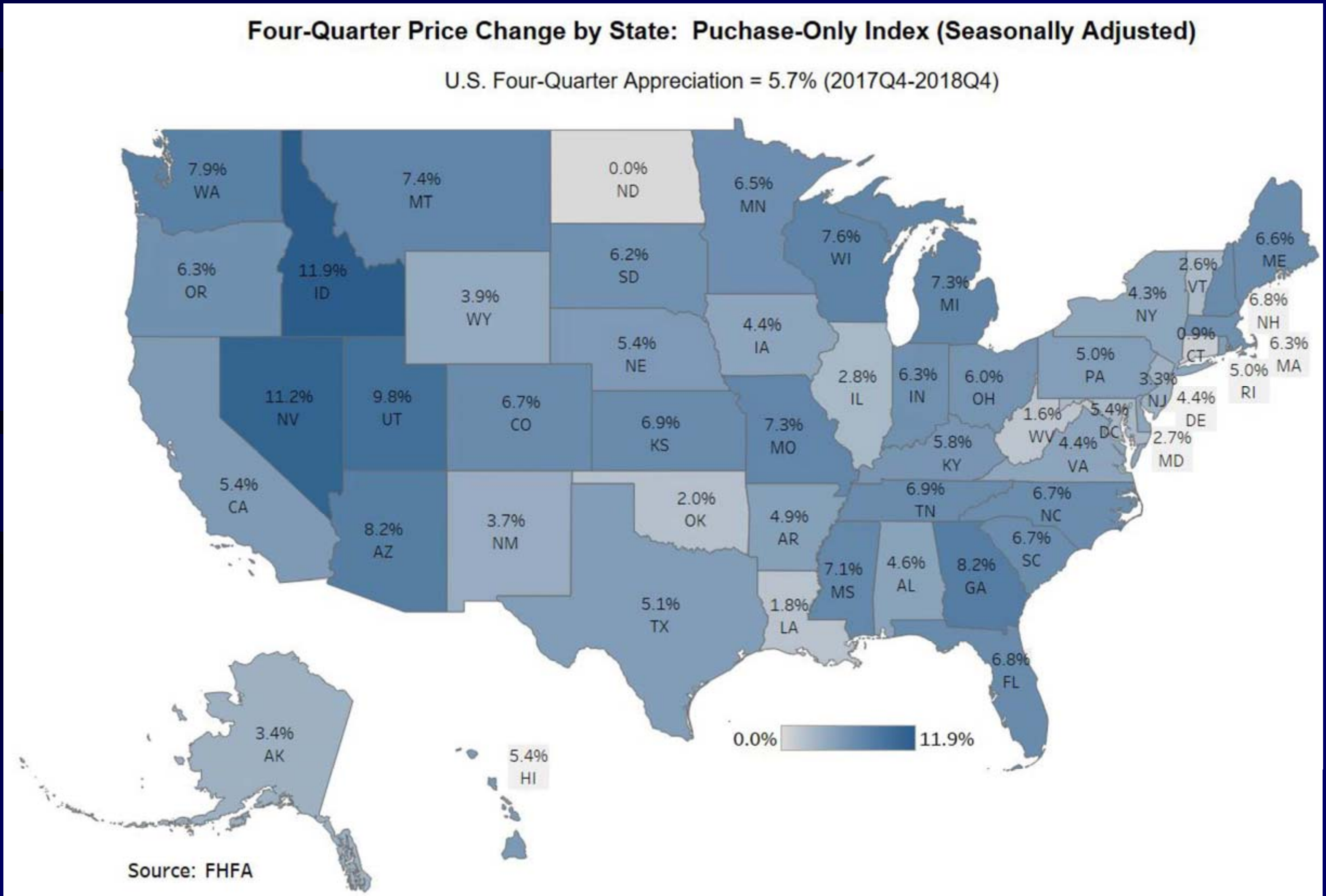
Real home prices are only back to where they were fifteen years ago



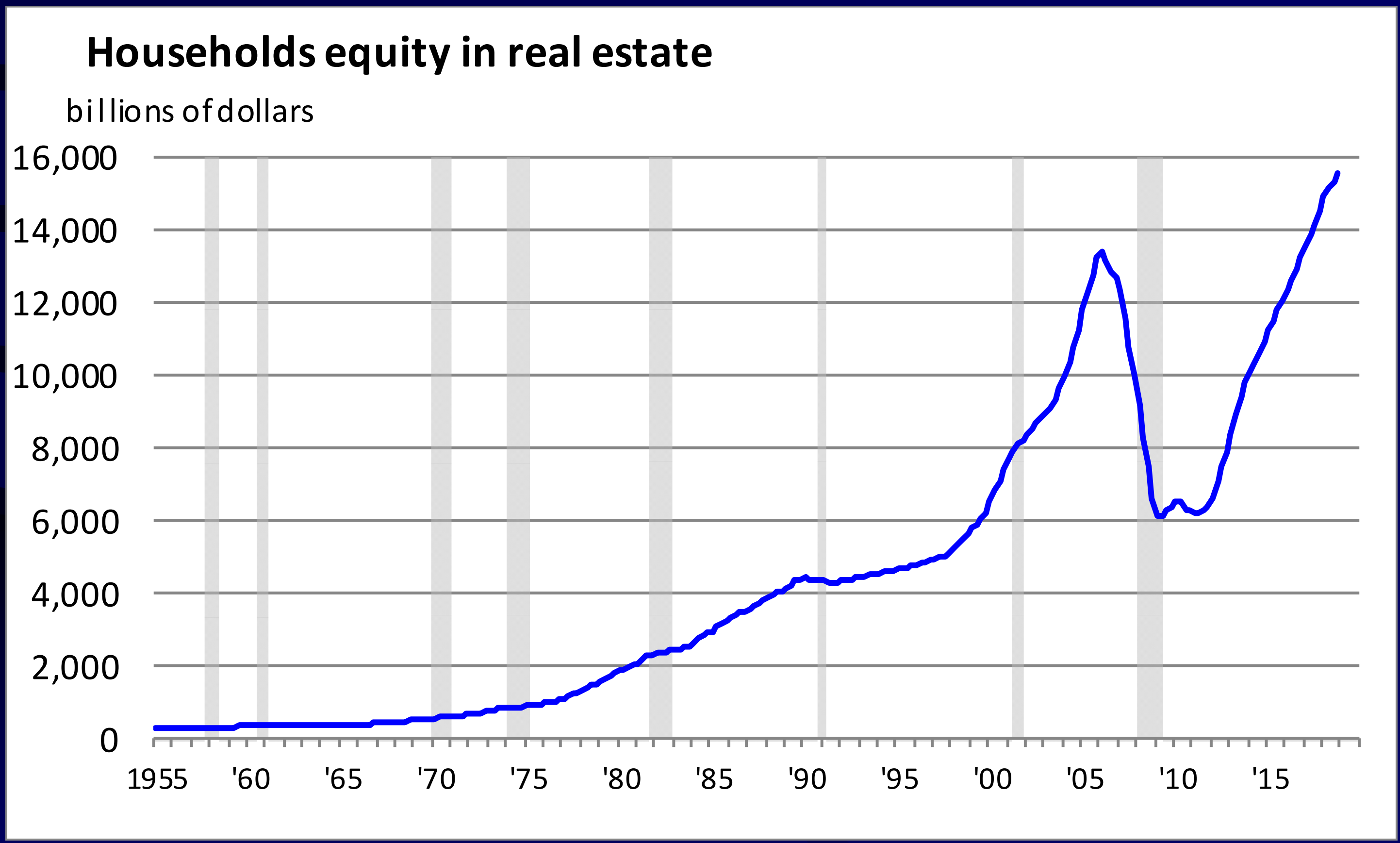
Real home prices have been rising at a slowing pace over the past several years



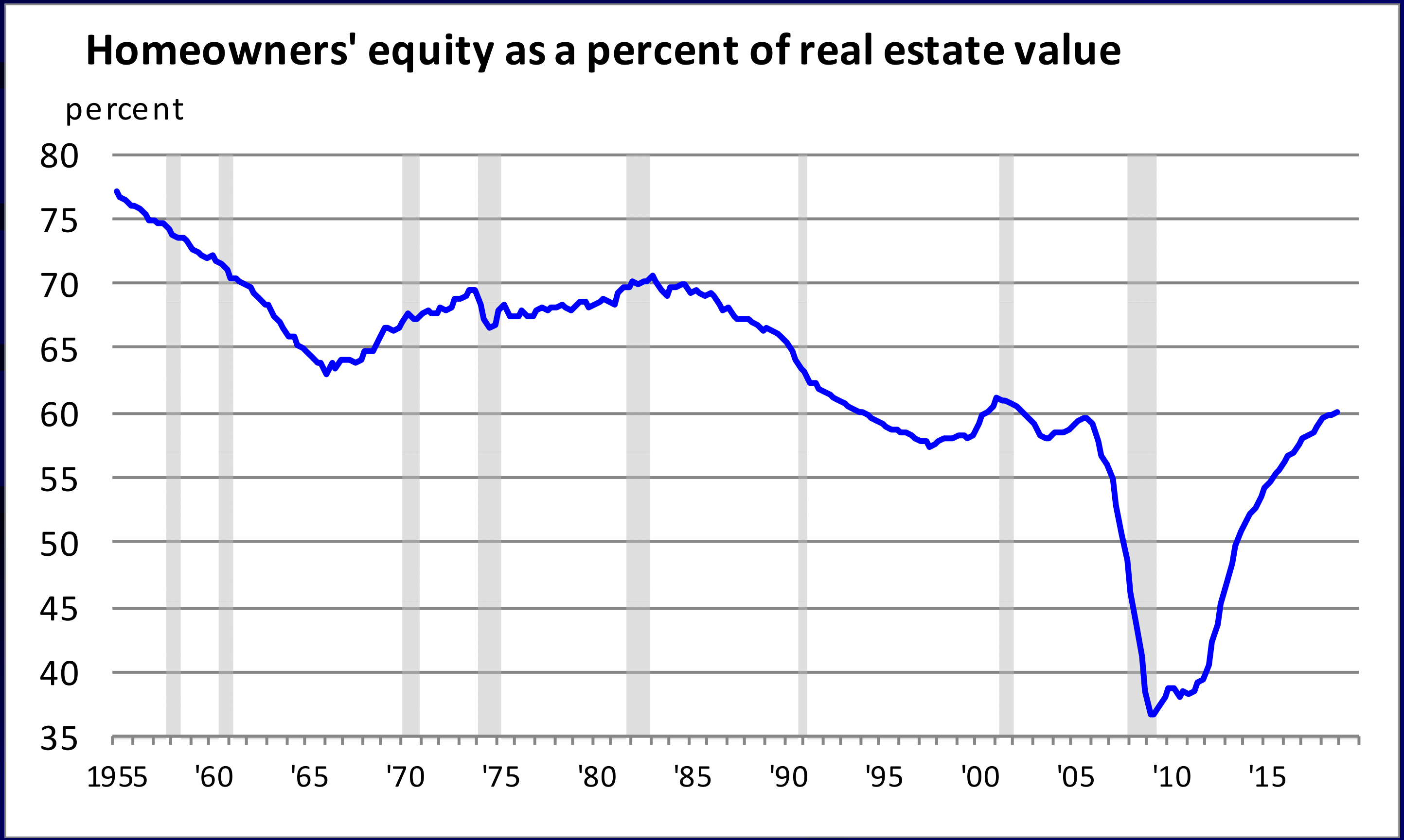
Most states are seeing fairly solid home price gains



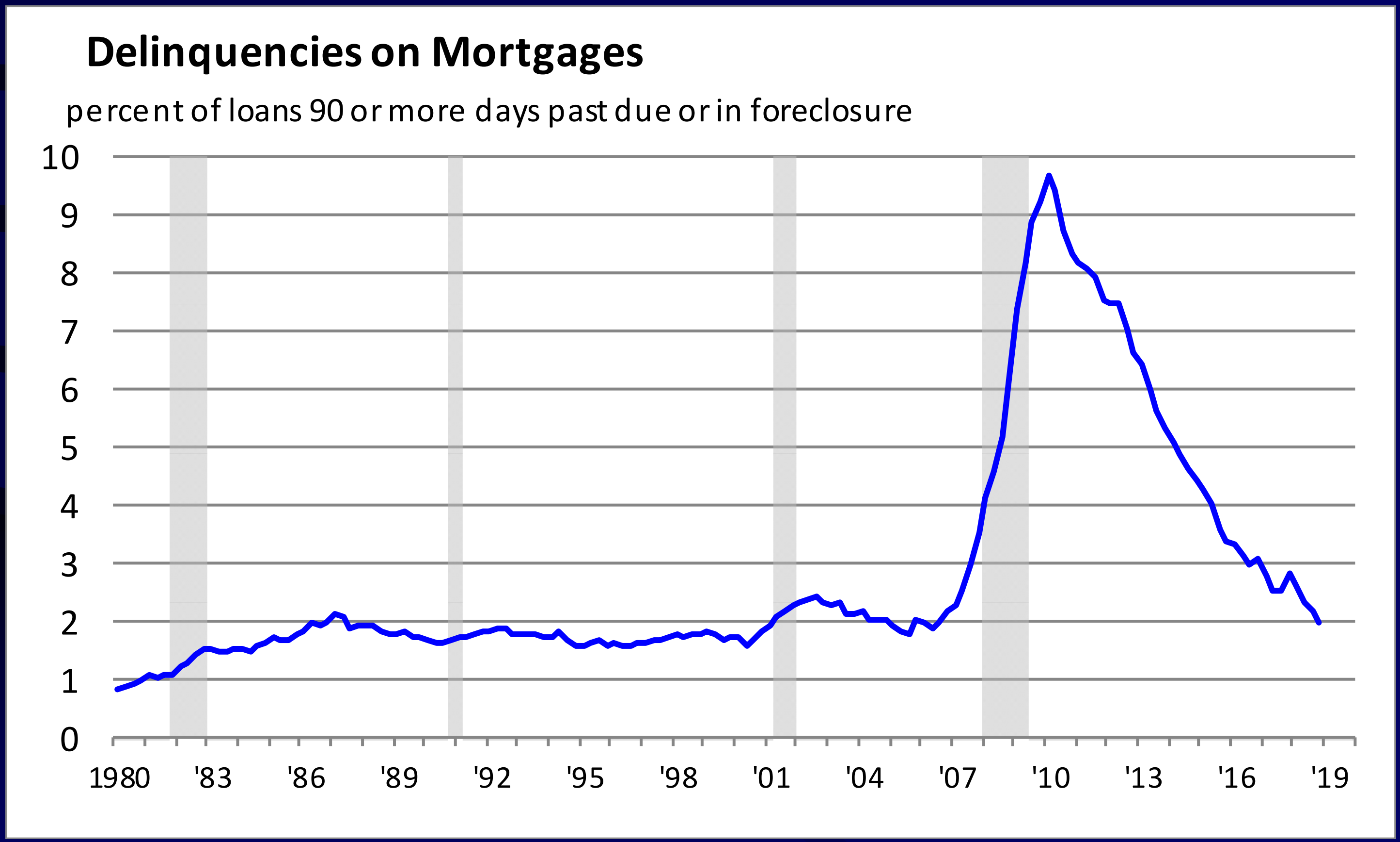
The loss in homeowner equity was significant, but it has risen to a new record high



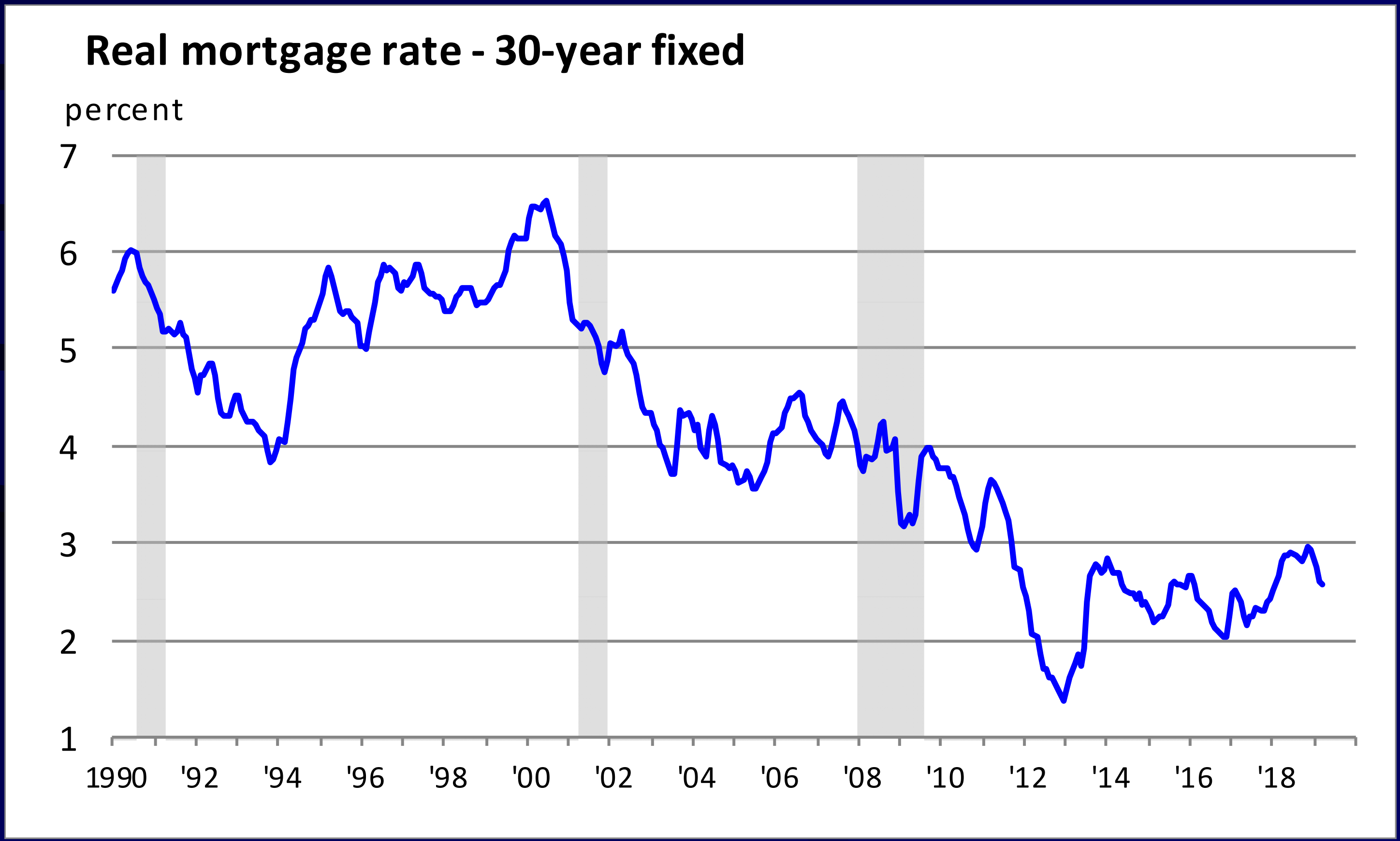
Equity as a share of value never rose during the housing bubble as homeowners borrowed heavily from their “gains” - Equity as a share of real estate value has gain during the current expansion



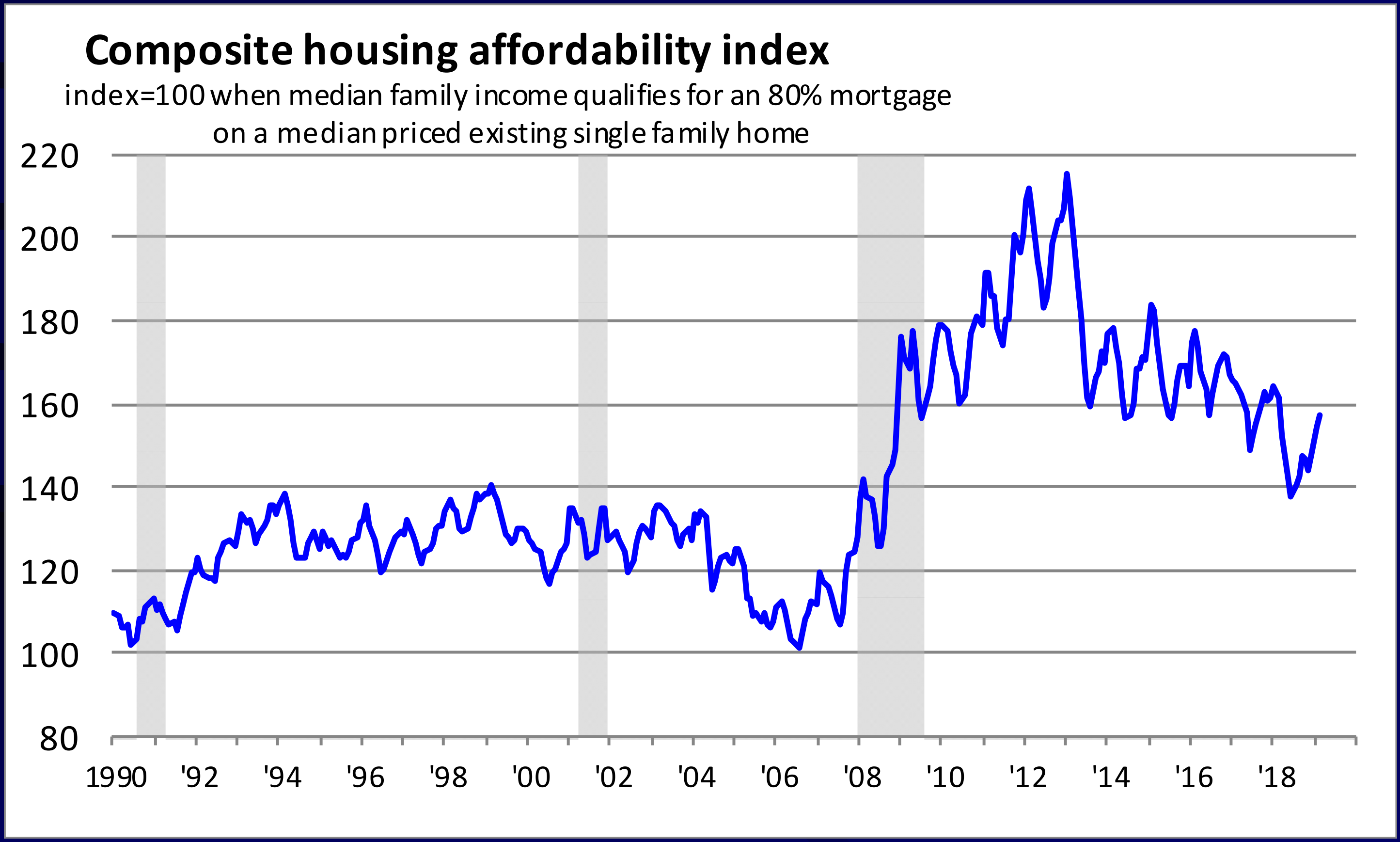
Mortgage distress has fallen to a level that is at its long-run average



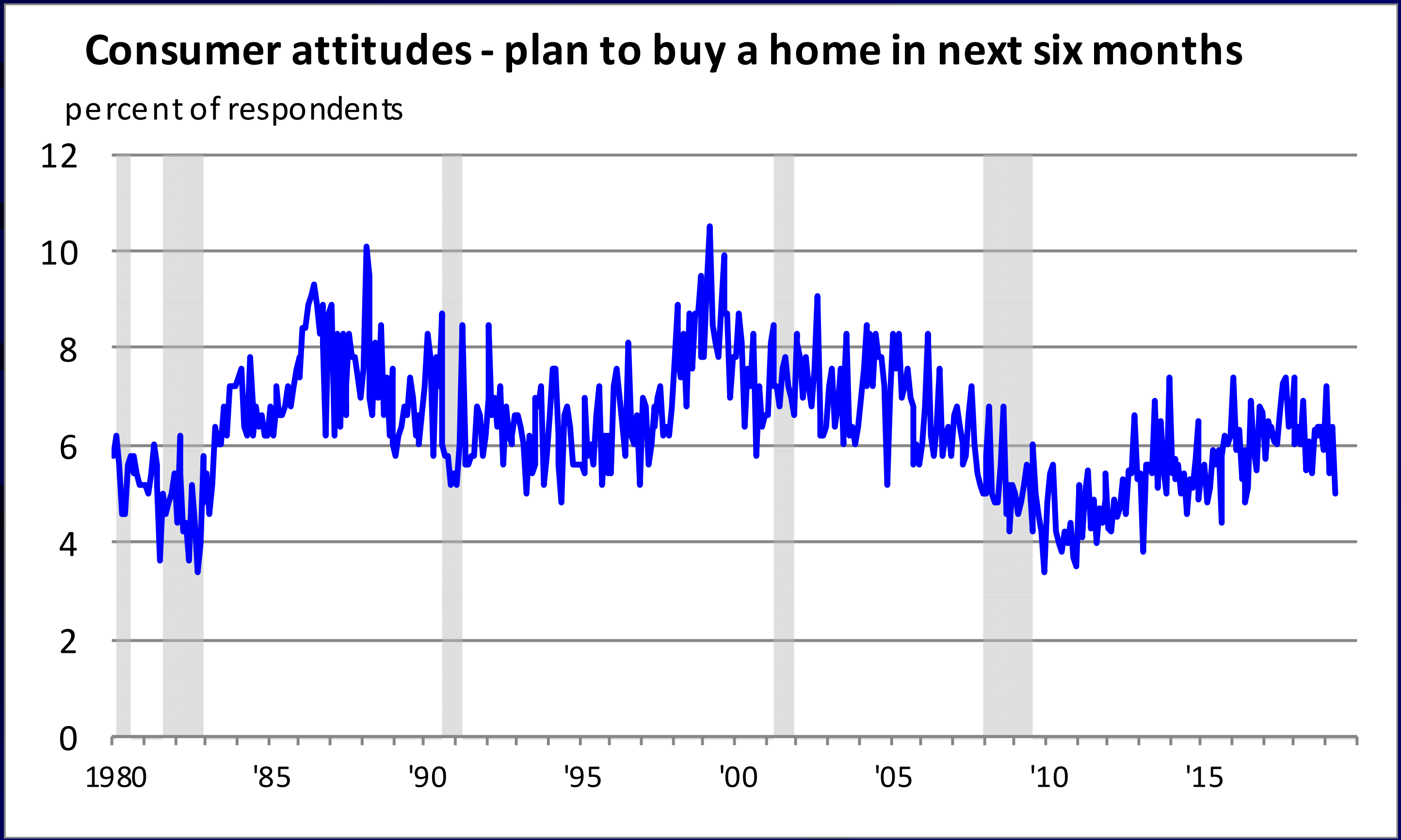
Real mortgage rates remain very low



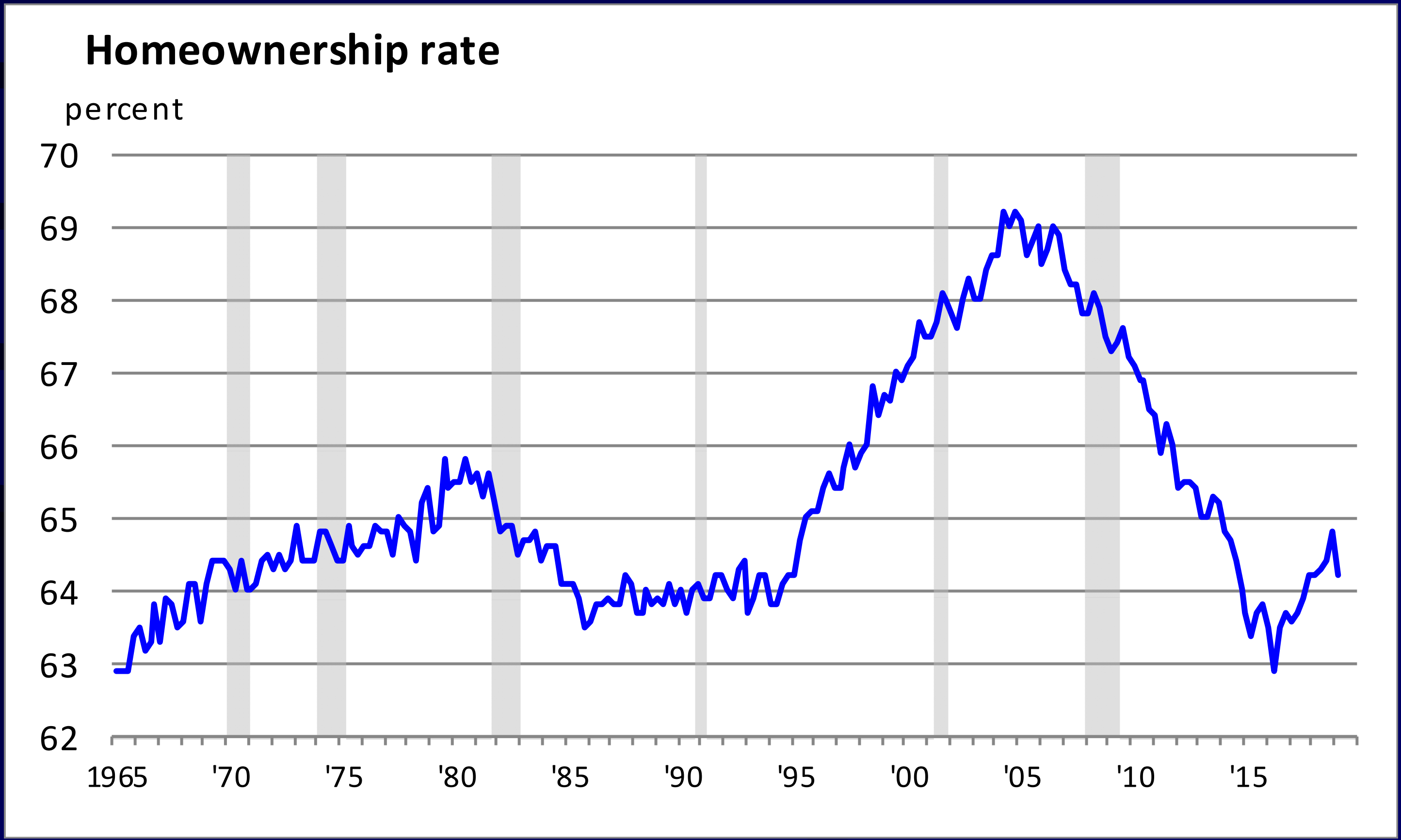
Housing affordability remains strong



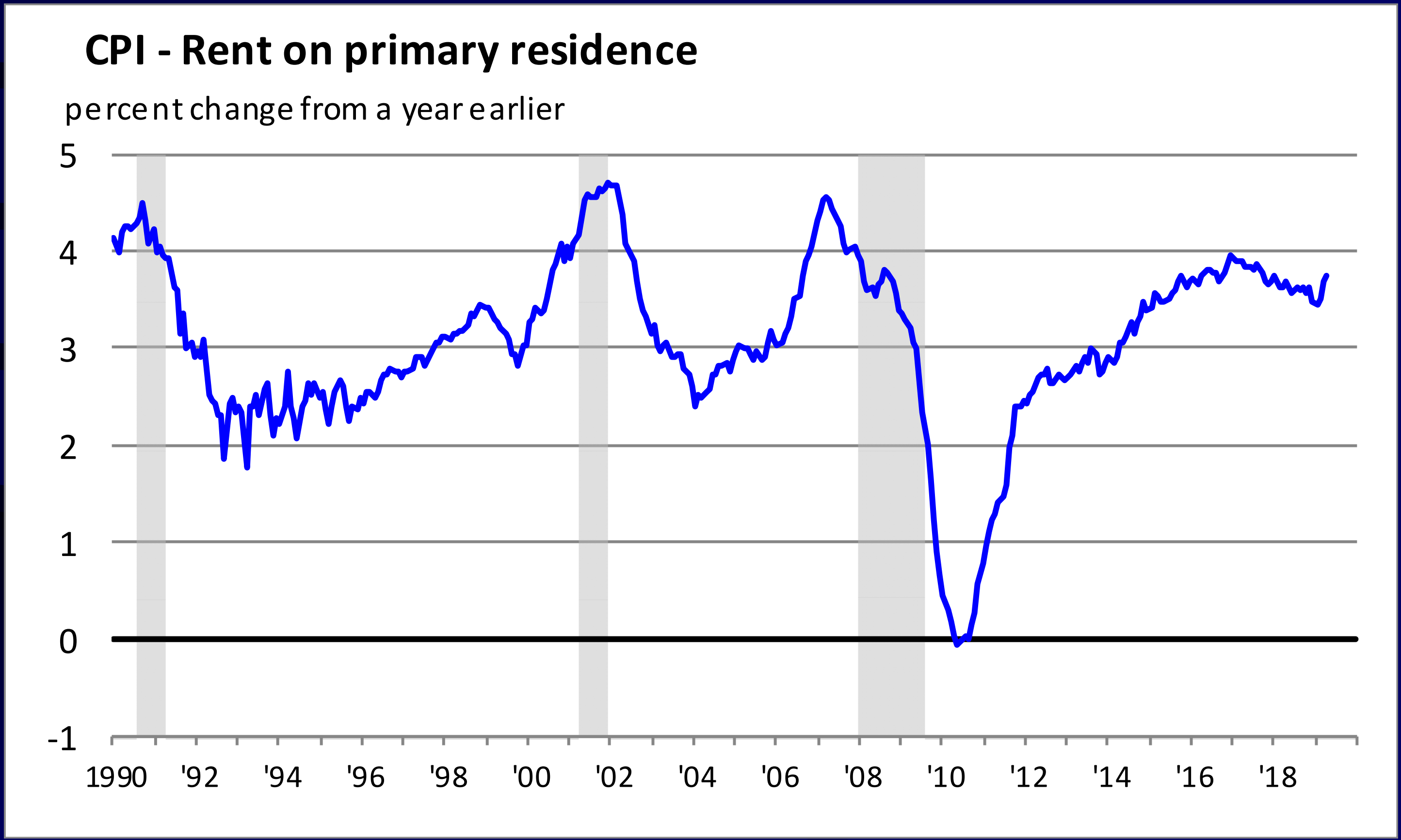
Yet, consumer attitudes towards buying a home remains moderate



Home ownership rates rebounded over the past few years



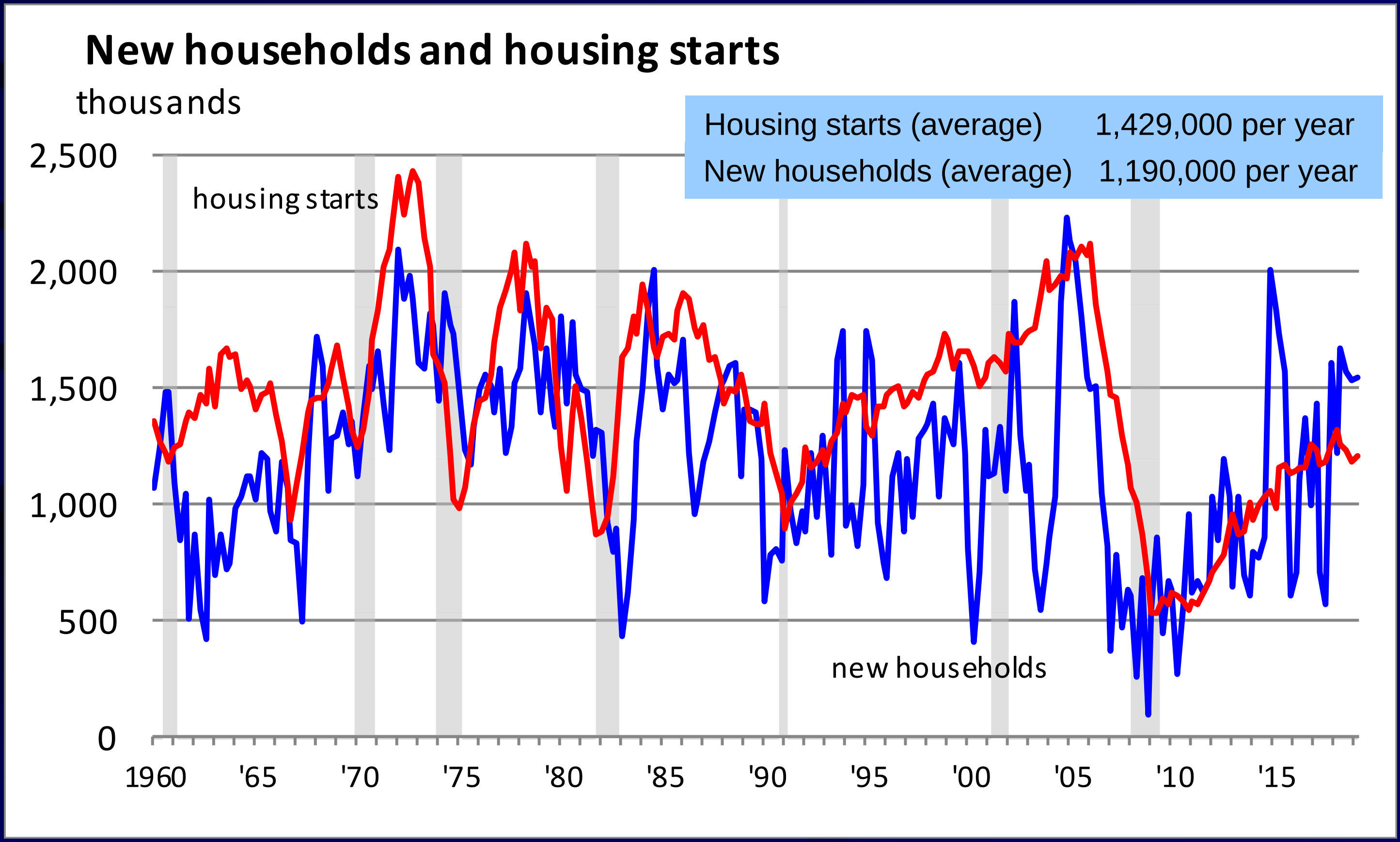
Rents have been rising



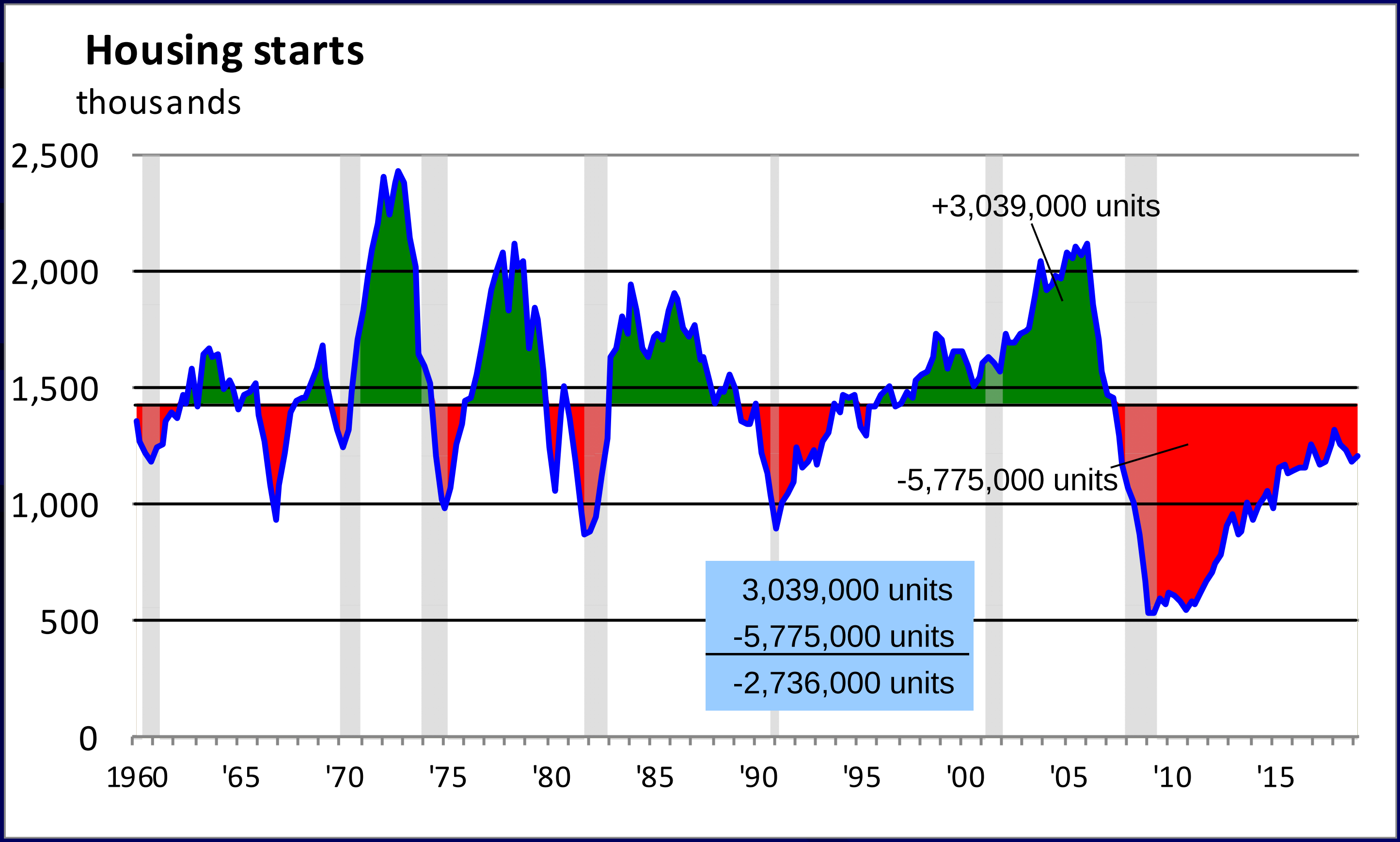
Why do you build homes?

You build homes for people

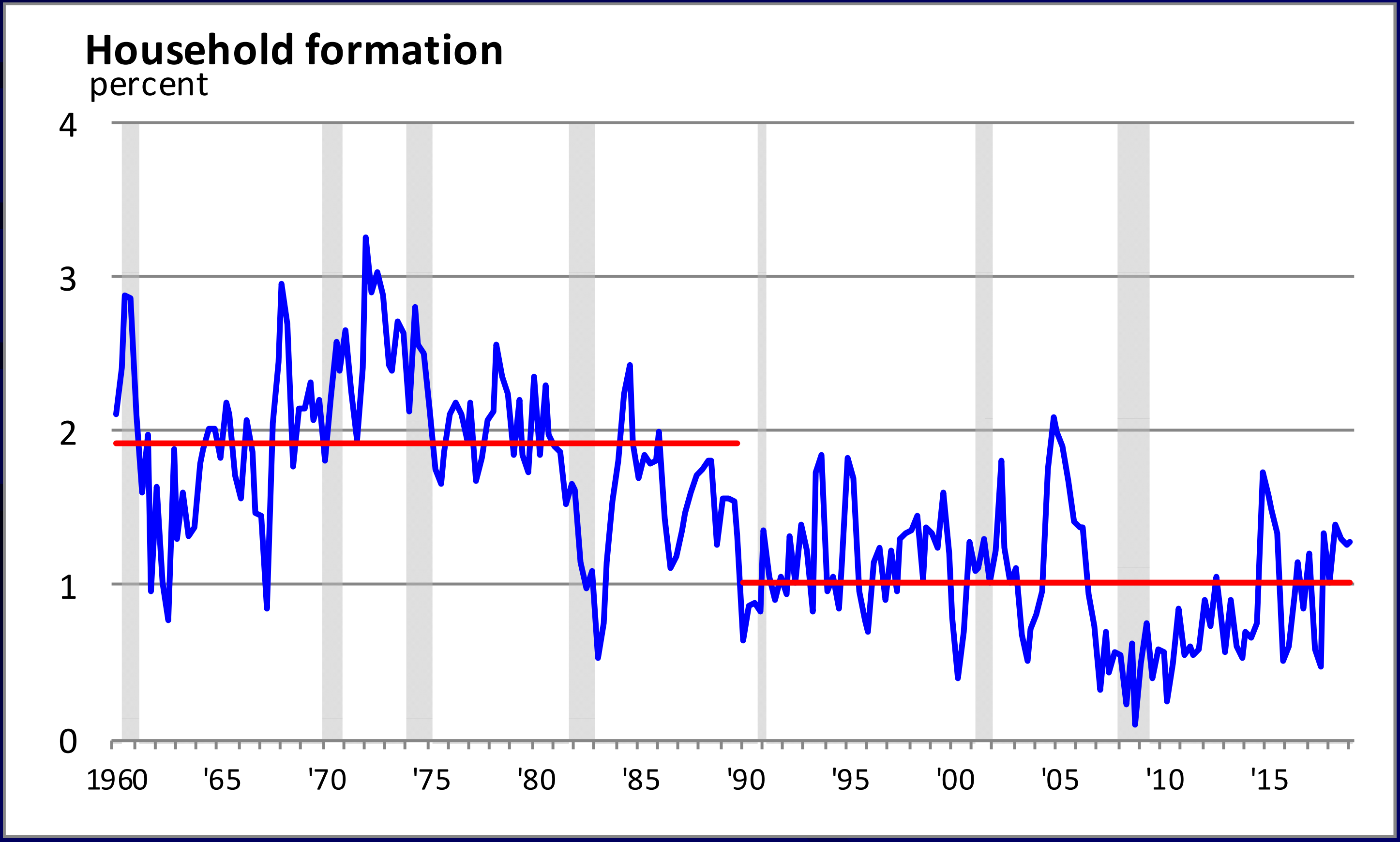
There is a very close relationship between household formation and housing starts, but housing starts tend to be above household formation



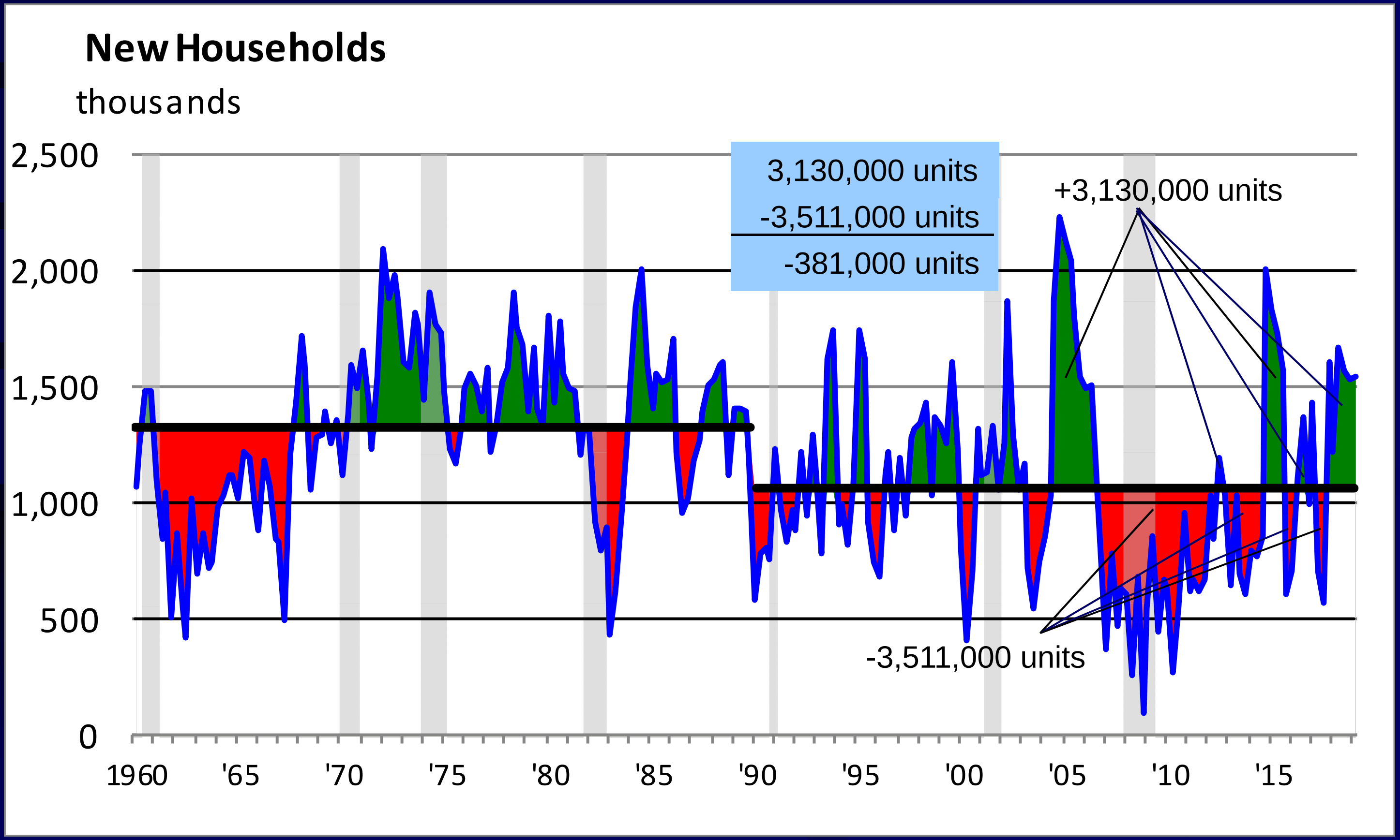
The amount of excess housing units compared with trend has disappeared



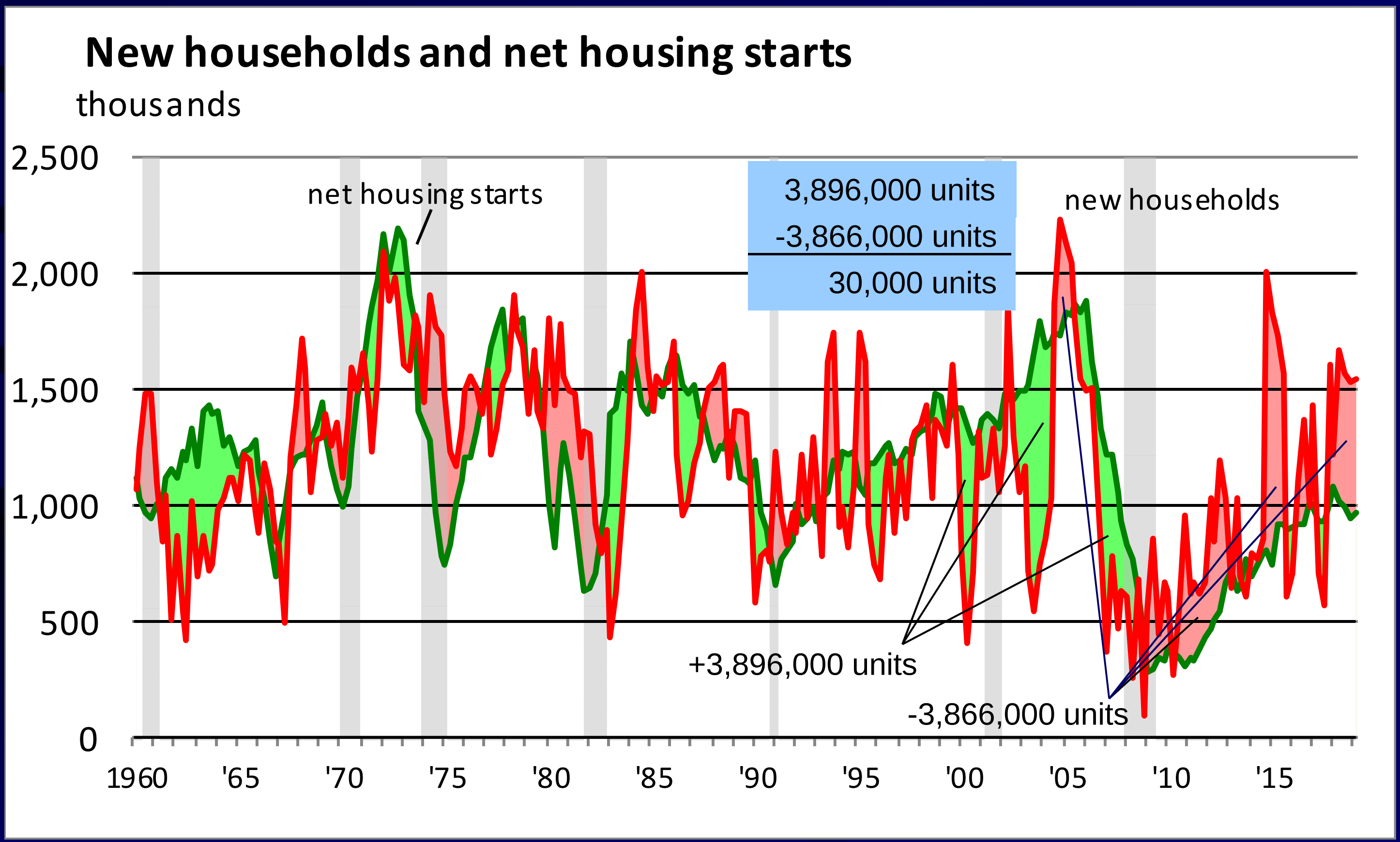
Since 1990, household formation growth has averaged one percent



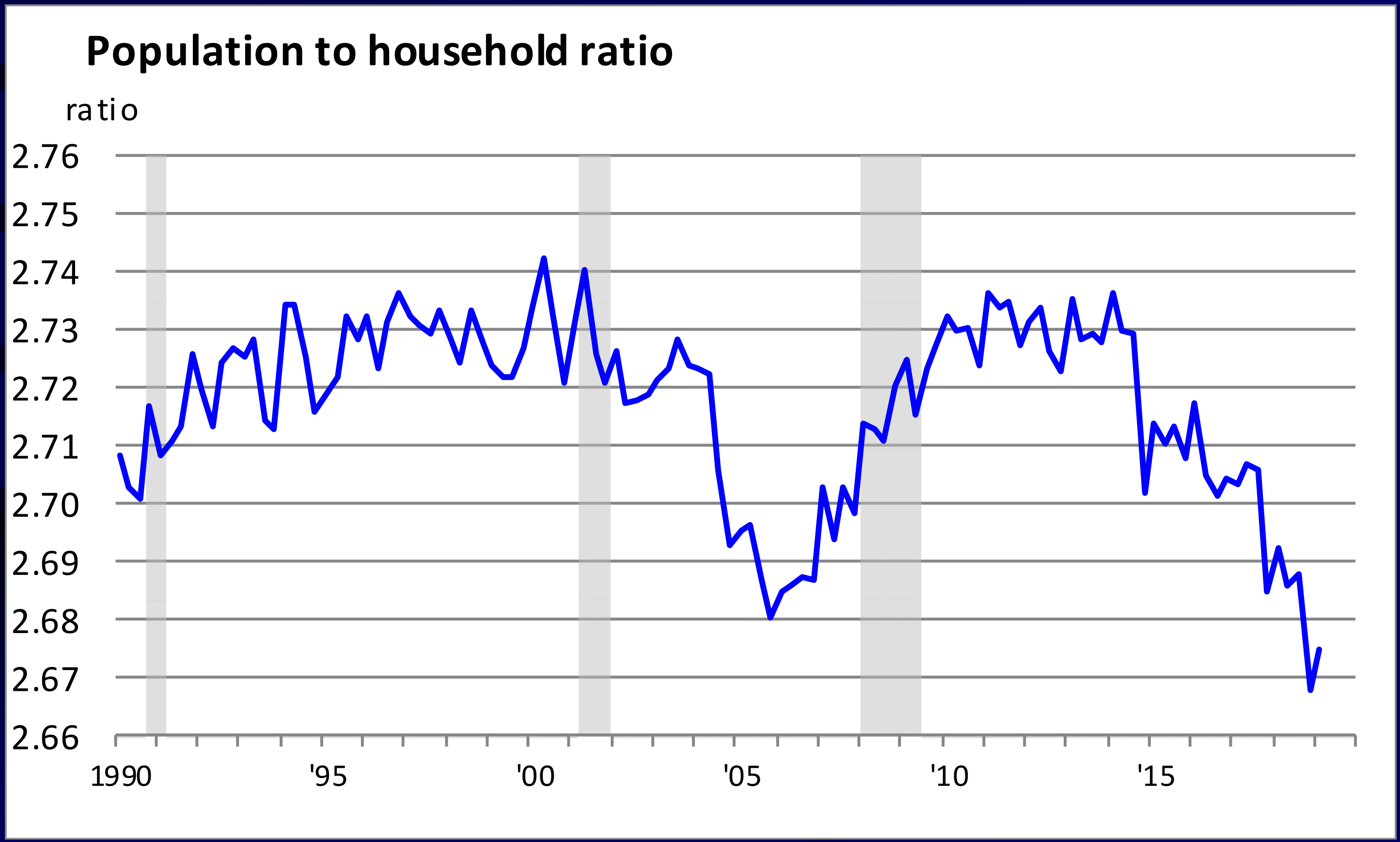
Household formation has finally started to exceed its long-run average



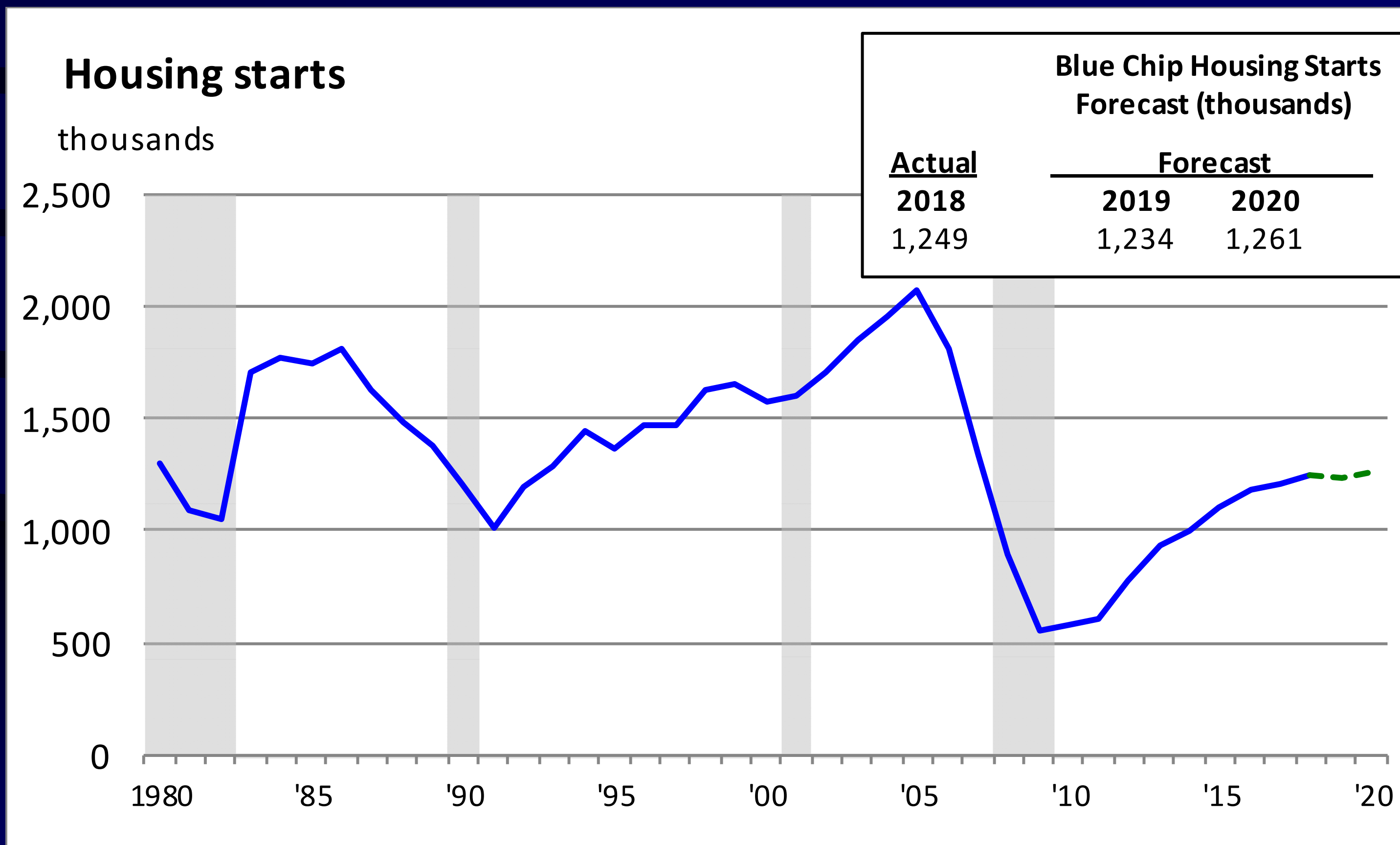
The relationship between net housing starts and household formation appears to have finally come into balance following the housing bubble



The population to household ratio has been declining over the past several years



The forecast calls for a very gradual recovery in housing



Summary

- The housing market is improving at a moderate pace
- Low household formation had been restraining absorption of excess housing inventory
- It appears that the housing market imbalances have come back into balance
- A near-record expansion and strong labor market should be positive for the housing market over the next several years

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