



HOME BUILDERS ASSOCIATION
of Dayton

Signs of a Housing Recovery

By Walt Hibner, Executive Director
Home Builders Association of Dayton

After nearly five years of a downward trend, the housing market appears to be at or near bottom. There are a number of reasons why we are optimistic about the short-term outlook but, the industry still continues to face significant challenges.

On the bright side:

- New and existing home sales have seemed to stabilize.
- Housing affordability has markedly improved, particularly for entry level buyers. In some markets, the monthly payments on a starter home are less than the rent on a comparable unit. In the Dayton region, the most sales activity has been in the first time homebuyer's price points.
- The inventory of unsold homes is being slowly whittled down.
- S&P/Case-Shiller reports that the pace of the annual decline in home values slowed in April for the third consecutive month. This is another indication that the market is at or near a bottom.
- The \$8,000 first-time home buyer tax credit is having a positive impact by stimulating demand.

Yet, the home building industry still faces some very difficult market conditions. The continuing lack of credit for housing production loans is hampering a recovery. Low appraisals, directly related to the use of distressed properties (foreclosures and short sales) as comps, are disproportionately impacting assessed values of nearby homes. And the rate of foreclosures still needs to slow. Fortunately, the Dayton area hasn't been as severely impacted as other parts of the country so the recovery should not be as difficult to attain.

The Home Buyer Tax Credit has been an Effective Policy

As the current \$8,000 first-time home buyer tax credit has proved to be an effective policy that is showing tangible results. This has allowed sellers to move up. We still have a ways to go to get the supply-demand equation in balance. The effective method is to stimulate housing demand. Recent actions by HUD to enable the tax credit be used at closing will make the credit even more effective. Overall, the tax credit may stimulate nearly 200,000 additional home sales across the nation this year. Buyers need to act fast – the tax credit is due to expire at the end of November. While this is a good start, we still have a long way to go to get back to anything close to a healthy housing market.

Long-Term Outlook Favorable

Despite the serious problems the industry has been facing, the important fact is the hard working industry members are keeping their eyes on the big picture. Home builders have always been and continue to be resilient. They've weathered bad storms before and will again. Looking at the market over the long-term, the U.S. is definitely on a growth path. The U.S. population will rise by about 35 million over the next 10 years. All of those people will need someplace to live.

Consider these facts:

- America currently has about 110 million occupied housing units.
- About 75 million of those are owner-occupied. The other 35 million are rental units.
- Total equity (value of homes minus any mortgage debt) amounts to \$7.4 trillion.
- More than one-third of all home owners own their home outright, with no mortgage debt.
- And for those who have mortgages, nearly 90 percent are making their payments on time every month.
- Housing affordability has improved markedly in many metro areas since 2006.
- Home values will ultimately bottom out and start edging back up.

Once we turn the corner on the housing downturn, the longer term housing outlook is promising for everyone – the home owner and the home builder.