

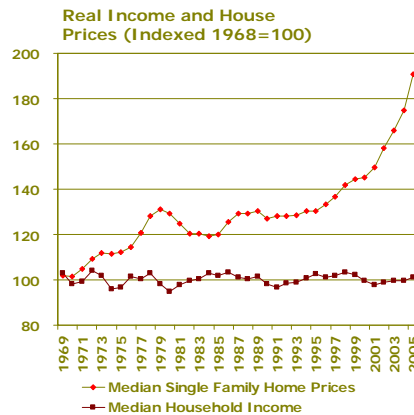
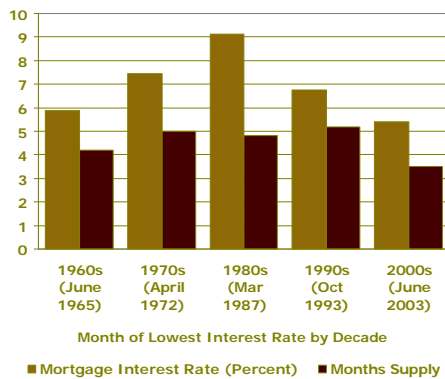
The State of the Nation's Housing 2008

Eric S. Belsky
 Joint Center for Housing Studies
 Harvard University
 April 24, 2008

www.jchs.harvard.edu

Harvard University 
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government Copyright 2008

The Housing Boom Was Rooted in Unusually Low Mortgage Rates and Tight Markets That Sparked An Unprecedented Run-Up in Home Prices



Notes: Mortgage interest rate is the Federal Housing Finance Board's Effective Composite Interest Rate for All Mortgages. Months supply is the number of months needed to sell current inventory at current sales rate. Household income and house prices are adjust for inflation using the monthly CPI-UX for All Items.

Sources: Federal Housing Finance Board, Monthly Interest Rate Survey; US Census Bureau, New Residential Construction; National Association of Realtors®, Median Existing Single Family House Price; Moody's Economy.com; Bureau of Labor Statistics, Consumer Price Index.

Harvard University 
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government

Copyright 2008

With Demand Dropping Off Faster than Production, the Number of Vacant Units Ballooned



Note: New home sales and housing completions are for single-family homes only.

Sources: US Census Bureau, New Residential Construction and Housing Vacancy Survey.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

The Housing Downturn Accelerated in 2007

| | 2006 | 2007 | Percent Change | |
|--------------------------------------|-----------|------------|----------------|-----------|
| | | | 2005-2006 | 2006-2007 |
| New Single-Family Sales (Th.) | 1,051 | 776 | -18.1 | -26.2 |
| Existing Single-Family Sales (Mil.) | 5.7 | 4.9 | -8.1 | -13.0 |
| Single Family Starts (Th.) | 1,465 | 1,046 | -14.6 | -28.6 |
| Multifamily Starts (Th.) | 336 | 309 | -4.8 | -7.9 |
| Median Existing Single-Family Prices | \$228,220 | \$217,900 | -1.8 | -4.5 |
| Home Equity (\$Tril.) | \$10.3 | \$9.6 | -1.1 | -6.5 |
| Mortgage Debt (\$Tril.) | \$10.1 | \$10.5 | 7.7 | 3.7 |
| Mortgage Refinancing (\$Tril.) | \$1.4 | \$1.2 | -17.7 | -16.8 |
| Residential Investment (\$Bil.) | \$786.6 | \$640.8 | -3.6 | -18.5 |
| Improvements & Repairs (\$Bil.) | \$234.7 | \$216.1(p) | 2.8 | -7.9(p) |

Notes: All values and calculations are based on 2007 dollars using the Bureau of Labor Statistics CPI-UX for All Items. Percent change is calculated with unrounded numbers. Improvements and repairs is through the third quarter of 2007.

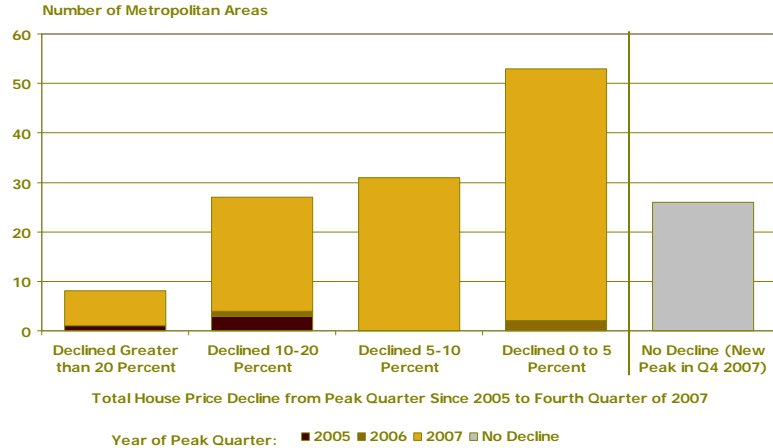
Sources: US Census Bureau, National Association of Realtors®, Freddie Mac, Federal Reserve Board, and Bureau of Economic Analysis.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

While a Handful of Metros were Still Gaining, Most Started to See Price Declines in 2007



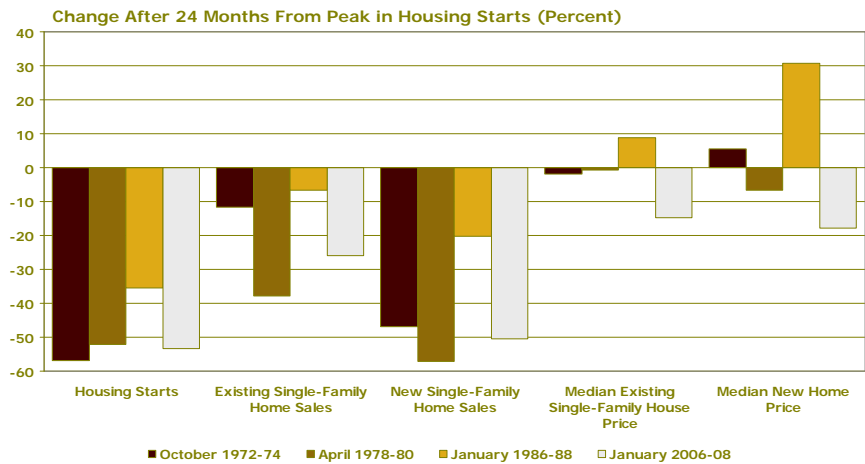
Notes: Peaks and declines are based on quarterly median house price data, seasonally adjusted. 'No Decline' means median house prices reached a new peak in the fourth quarter of 2007.

Source: National Association of Realtors®; Moody's Economy.com.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government

This Downturn is Shaping Up to Be the Worst in a Generation



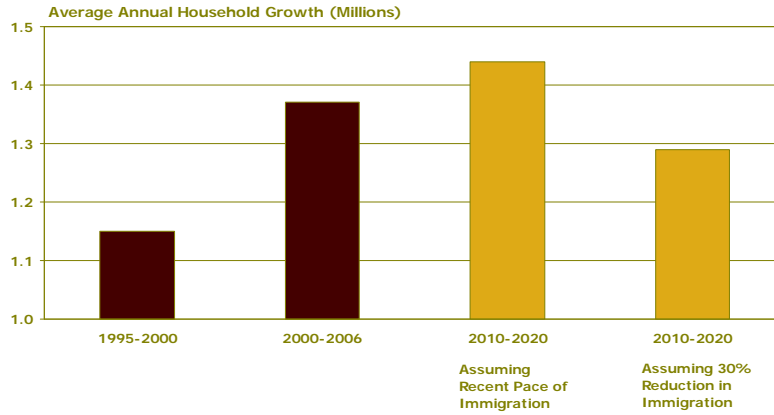
Note: Downturns are based on cyclical peak months in starts. Outlier peaks such as January 1972 and February 1984 are not used. All data is monthly data seasonally adjusted by Moody's Economy.com. House price changes are adjusted for inflation by the CPI-UX for All Items.

Sources: US Census Bureau, New Residential Construction; National Association of Realtors®, Median Existing Single Family House Price.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government

Even If Immigration Falls by a Third, Household Growth Should Top Growth in the Late 1990s



Notes: Household growth in 2002-2003 cannot be reliably calculated and is assumed to be the same as the average annual growth from 2000-2006. Recent pace of immigration has been 1.2 million per year and a 30 percent reduction would be consistent with the Census Bureau's population projections.

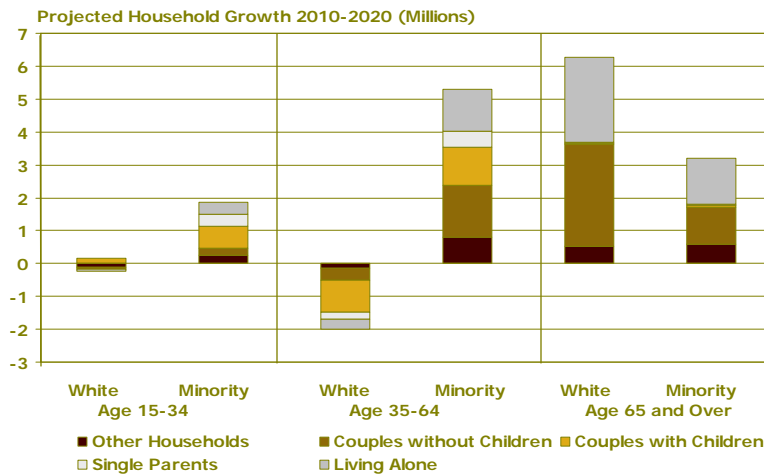
Sources: US Census Bureau, Housing Vacancy Survey; Revised JCHS household projections.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

Minorities Will Lead Growth Across All Household Types and Ages Except Seniors



Notes: Whites are non-Hispanic. Minorities are all others. Age refers to age of the household head. Couples include married or unmarried partners.

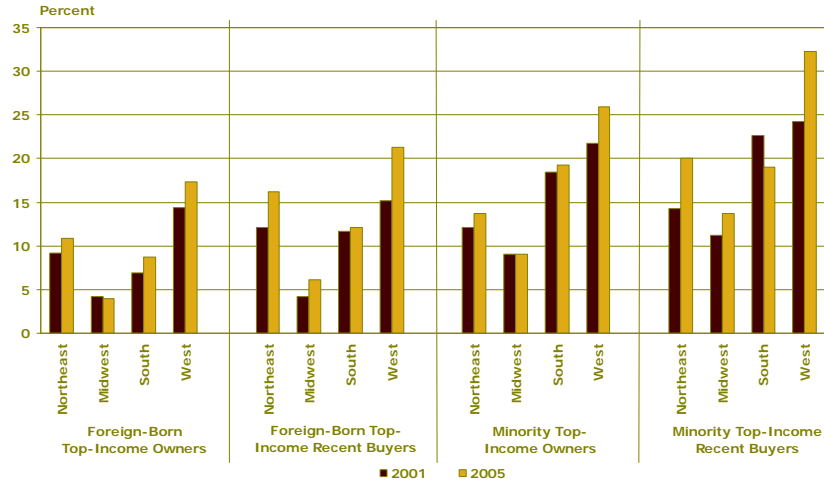
Source: Revised JCHS household projections.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

Foreign-Born and Minority Households Are Well Represented Among Top-Income Homeowners and Buyers



Notes: Top-income households are in the top fourth of all households sorted by pre-tax income. Recent buyers have purchased a home in the previous two years.

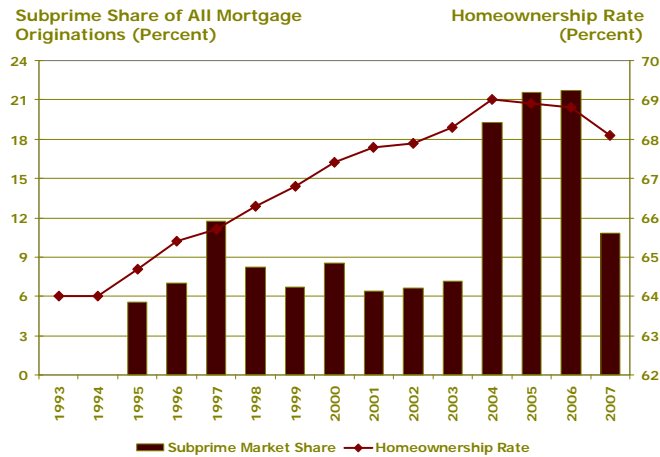
Sources: JCHS tabulations of the 2001 and 2005 American Housing Surveys.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

The National Homeownership Rate Surged Before the Subprime Lending Boom, Then Tailed Off



Note: Subprime share is of the dollar volume of all originations.

Source: US Census Bureau, Housing Vacancy Survey; UBS, Subprime Share of MBS Gross Issuance.

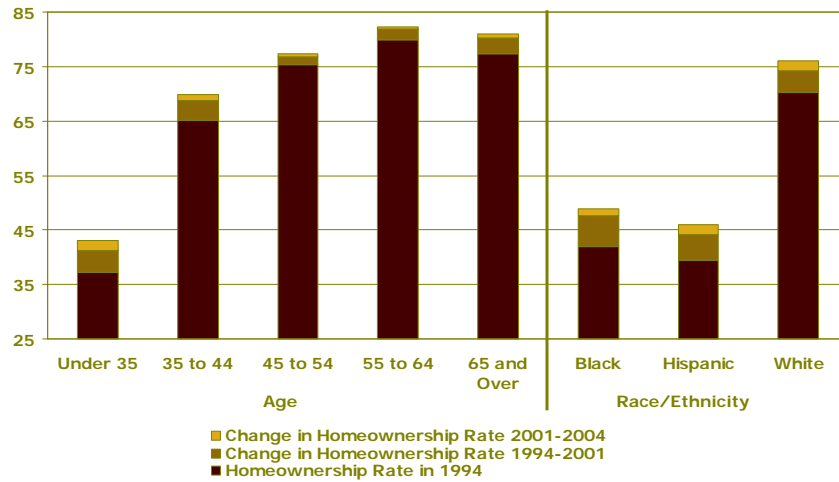
Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

Younger and Minority Households Saw the Largest Increases in Homeownership Rates

Homeownership Rate (Percent)



Notes: White and black householders are non-Hispanic. Hispanic householders can be of any race.

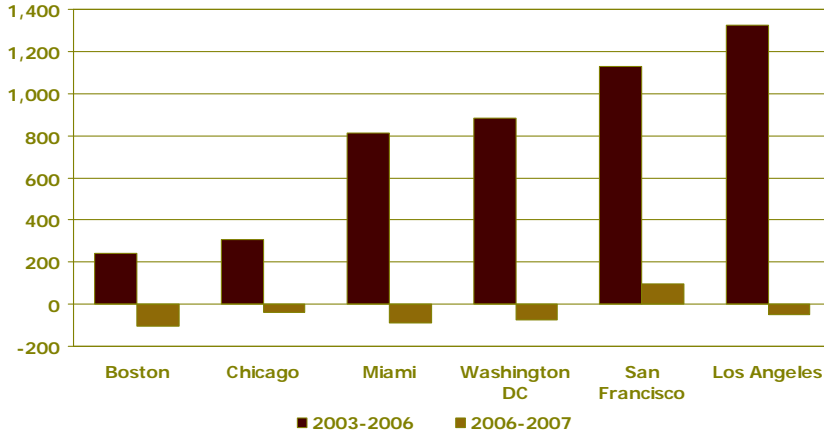
Source: US Census Bureau, Housing Vacancy Survey.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government

Slightly Lower Mortgage Costs in 2007 Did Little to Ease Recent Run Up in Affordability Problems

Change in Monthly Mortgage Costs (2007 Dollars)



Notes: Costs assume a median priced home purchased with a 10% down payment and 30-year fixed rate mortgage. Prices adjusted for inflation by the CPI-UX for All Items.

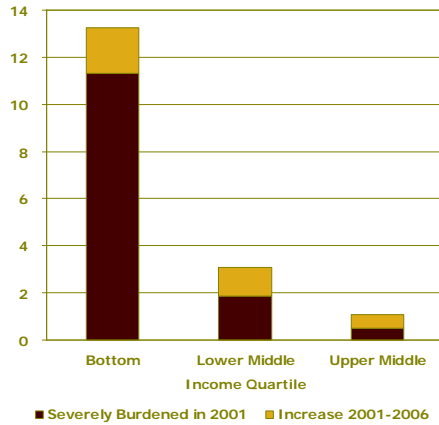
Sources: National Association of Realtors®, Median Existing Single Family House Price; Federal Home Loan Bank, Fixed Rate Contract Interest Rate for All Homes.

Copyright 2008

Harvard University
JOINT CENTER FOR HOUSING STUDIES
 Graduate School of Design | Kennedy School of Government

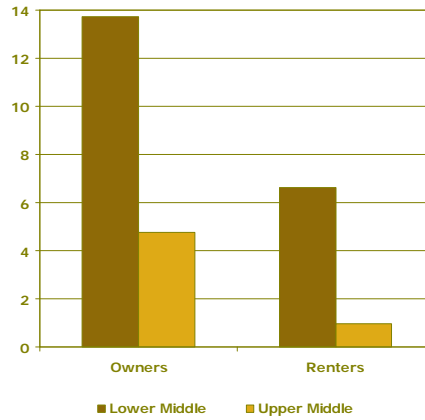
Severe Cost Burdens Fall Sharply With Income...

Households with Severe Cost Burdens in 2006 (Millions)



... And Are Now More Common Among Middle-Income Owners Than Renters

Incidence of Severe Cost Burdens in Households 2006 (Percent)



Notes: Income quartiles are equal fourths of all households sorted by pre-tax income. Severely cost-burdened households spend more than 50% of total household income on housing.

Sources: JCHS tabulations of the 2001 and 2006 American Community Surveys.

Copyright 2008

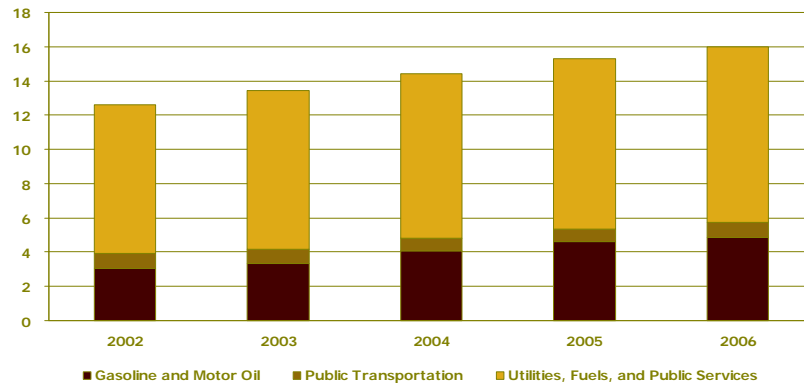
Harvard University

JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government

Rising Energy Costs Are Cutting Into Other Spending of Low Income Households

Share of Average Total Annual Expenditures (Percent)



Note: Low income households are defined as those in the bottom 20 percent of all households sorted by pre-tax household incomes.

Source: Bureau of Labor Statistics, Consumer Expenditure Survey.

Copyright 2008

Harvard University

JOINT CENTER FOR HOUSING STUDIES

Graduate School of Design | Kennedy School of Government