

Economic Perspectives

Housing Redux — a summary of housing reports

A concise summary of recent housing and related economic reports

October 29, 2009

Housing starts nationally inched up 0.5% in September to 590,000 units (annualized). Digging deeper into the data, single family starts increased 3.9% while multifamily starts fell a staggering 15.2% to 89,000 units. That is the second lowest multifamily reading since the data series began in 1959. These results come after a flat August reading.

According to Metrostudy, third quarter construction starts were almost non-existent in Seacoast core markets. Indian River County recorded only 46 starts in the quarter. St. Lucie and Martin counties recorded just 15 and 11 respectively while Palm Beach county recorded 297 quarterly starts.

At the same time, building permits, a leading indicator of construction starts in the short term future, declined nationally 1.2% with single family permits declining 3.0% and multifamily permits rising 6.0%. August and September permit data point to flat or small declines in single family construction starts the remainder of 2009. The results will be similar locally.

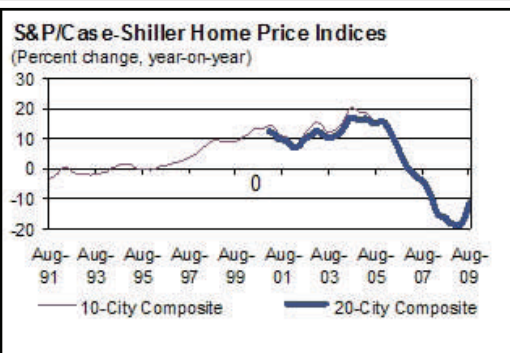
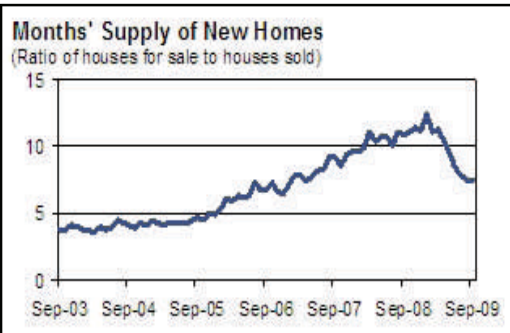
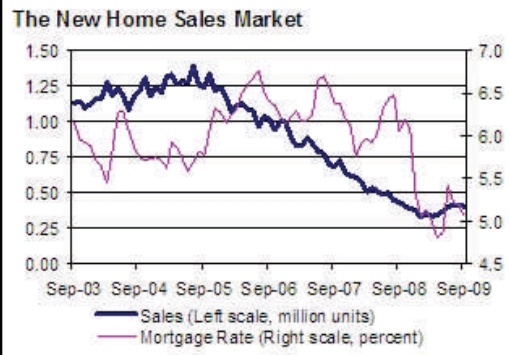
New home sales nationally fell 3.6% in September to a seasonally adjusted 402,000 annual rate. The estimates for June, July and August were also revised down. The number of unsold new homes fell to 251,000. That is the 29th straight monthly decline. The months of supply for finished vacant homes was unchanged in September at about 7.5 months. The median time for sale of a new home was also unchanged over August at about 13 months — its highest reading since the data series began in 1963. Finally, the number of completed new homes offered for sale fell to 109,000. It peaked in January 2008 at 199,000 units.

While the national numbers are less than stellar, local numbers are worse. According to Metrostudy, Indian River County has a total inventory of 471 new homes. At the current rate of absorption, that is a 12.3 month supply. St. Lucie County has 727 homes available for a 16.6 month supply. Martin County has 184 homes available for a 9.5 month supply while Palm Beach County has 1,175 new homes available for a 9.9 month supply.

Existing home sales. Sales of both existing single family homes and condominiums surged in September. Sales of single family homes rose 9.4% nationally while condo and co-op sales rose 9.7%. Sales were up in all four census regions of the country. The national inventory fell to 3.63 million units from its July 2008 peak of 4.57 million units. The inventory numbers do not include the so-called shadow inventory of foreclosed homes which are still owned by banks. The National Association of Realtors Pending Home Sales Index has risen about 10% more than the existing home sales activity since January. This implies that there is a significant pipeline of homes pending closing. The sales should show up in October and November sales numbers.

S&P/Case Shiller, produces 10 and 20 city indices of home prices. The indices are highly regarded and perhaps the most widely watched nationally. Only Tampa and Miami are surveyed in Florida. Seasonally adjusted prices increased for the third straight month and are another indicator that the market is slowly recovering.

The market for single family housing continues on a slow track to recovery. Multi family remains in a deep slump and recovery is several years away. While some analysts forecast additional declines in 2010 they are modest by almost any measure (2.5% - 4.5% in Florida). In our opinion, prices will fluctuate within a narrow range throughout 2010.



SOURCE: Global Insight | NAR | Census Bureau | Case Shiller