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Economists: Housing starts up for 2011

By Mary Shanklin, Orlando Sentinel

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New-home builders across the country can expect to see their business rise as much as 20 percent this year, leading economists said Wednesday at the International Builders' Show in Orlando.

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"We're coming in to 2011 not having had a very good latter half of 2010," said David Crowe, chief economist for the National Association of Home Builders. "Home sales will struggle but will follow employment growth ... we are confident we'll begin to see a pickup in activity.

The new-home sector saw so little increase in housing starts in the past year that a 20 percent increase may sound like a lot, but it's not when compared to a normal year.

Crowe predicted that housing starts nationally will increase from 475,000 in 2010 to 575,000 this year and 860,000 the following year. Multi-family projects will increase from 114,000 last year to 133,000 this year and 203,000 next year, he said.

Prices are likely to stay largely flat — with a bottoming in 2011 and increasing at or below the rate of inflation through 2012.

"House prices will bottom out in 2011, and, by 2012, the house-price metric shows a gradual increase," said Freddie Mac Vice President Frank Nothaft.

Just as Nothaft and National Crowe delivered their slow-growth economic outlook, RealtyTrac released more sobering numbers.

In the four-county Orlando area, one in every 275 houses had a foreclosure legal filing in December, with Osceola being the hardest-hit, with one filing for every 158 hours.

In Florida, one in every 343 houses faced a foreclosure filing in December, and the number was one in every 500 homes in America, RealtyTrac reported.

The new foreclosure numbers showed that the number of filings, while still substantial, have declined from November to December: down 11.5 percent for the metro Orlando area, 22 percent for Florida and 2 percent for the nation. The drops may be a partial result of banks pulling foreclosures because of concerns about the legality of loan documents.

Crowe said the inventory of foreclosures will play a role in how quickly — or slowly — some parts of the country recover. He pointed to South Florida, California, Las Vegas and Phoenix as dragging behind other parts to the United States in terms of a recovery.

Foreclosures in those hardest-hit areas and other places have tamped down on prices to the point where a third of new-home builders reported in a recent survey that their new homes have appraised for less than the cost of construction, Crowe said.

Other indicators show some promise for the home-construction sector. Americans are paying down their debt, with 12 percent of income going toward debt, Crowe said. And the savings rate is up to 5 percent, an increase to 1990s levels. The demand for durable goods has edged up, showing a possible uptick in consumer confidence. They also predicted a slight decrease in the unemployment rate to 9 percent by the end of 2011.

In the coming year, the economists predict there will be an increase in multi-family construction as homeowners who lost their houses to foreclosure turn to rentals and they foresee a 15 percent increase in remodeling spending during. Both economists noted to journalists that they were planning their own kitchen remodels.

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