

## Remaining Optimistic

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NAWIC President

**It's been a rough few months for the residential housing industry. Home mortgage lending standards have tightened, housing starts are down drastically in most markets, and a high number of foreclosures are expected through next year. But the news is not all bad. The overall U.S. economy is showing resilience despite the housing downturn.**


**M**ost housing economists are predicting the market will begin a slow recovery in 2008. The National Association of Home Builders has forecasted 1.37 million housing starts this year and 1.25 million in 2008, a small decrease. Optimists believe current home prices are merely seeing a gradual correction after the huge increases in prices between 2000 and 2005. When it comes to foreclosures, it's true that many of the affected homeowners made little or no down payment on their houses. The foreclosure will cause them to walk away without much of a loss, and the banks should be able to absorb those losses.

The remodeling market is following the downswing in the overall housing market, but instead of a drop in remodeling projects, the flow of work only appears to have flattened. Many remodeling companies are reporting that the large-scale remodeling projects have dropped off, but they have been replaced by the demand for smaller projects and home alterations. One of the bright spots in the remodeling industry is the number of people looking for modification work related to aging-in-place. As homeowners continue to age, the demand for work such as installing grab bars, ramps, higher toilets, curbless showers and wider doorways

is expected to increase. As new housing starts have dropped off, it's also logical to assume that more people will decide to stay in their current home and fix it up, so remodeling work will stay in demand.

One of the issues all of us are going to be grappling with in the years to come is affordability. According to the U.S. Census Bureau, the average annual sales price of a new home has risen from \$158,700 in 1995 to nearly \$306,000 in 2006. A \$300K house seems quite extreme when the average mean income is less than \$45,000. Fewer people are able to afford to own their own home, and tightened lending standards are making it even tougher for first-time homebuyers or those who have little or no money for a down payment to get into the market.

If nothing else, I encourage NAWIC members to stay on top of the current trends and to do their part to educate the home buying public on what it all means. Many of the stories I have read in the media are painting a picture of doom and gloom that I hope will not become a reality. While some markets will see declining home prices in the months to come, there are also many housing markets where prices are still rising. Even though rapid price gains appear to be a thing of the past, a lot of homeowners are still in great shape when it comes to the value of their homes.

It's true, "the party is over," and the quick sale to make the big bucks is a thing of the past. But it wasn't realistic to believe the housing market boom of a couple of years ago could be sustained. I choose to remain optimistic, and I look forward to the slow recovery that is being forecasted in the coming year. 

*For the latest information about the forecast of mortgage rates and foreclosures, go to <http://www.nbnnews.com/NBN/issues/2007-12-10/Economics+%26+Finance/index.html>.*

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