



U.S. Housing Market Conditions

February 2007

SUMMARY

Housing market conditions at the end of 2006 reflected two themes. First, the year posted significant declines from 2005. Second, since these declines were from records set in 2005, the levels of housing market activity are still quite high. Another twist to these themes is that the quarterly data have been on the decline throughout the year.

2006 Annual Data

In 2006 the housing market turned away from the record-setting pace of the recent past. Even with this decline, 2006 was still one of the better years in the history of the data series, and many of the key indicators were among the best 10 values ever reported. This trend was especially true for single-family housing; building permits had their fifth best year, starts and new home sales had their fourth best year, existing home sales had their third best year, and completions set a new annual record. The mortgage interest rate was low—about 60 basis points higher than the all-time low set in 2003. Although the overall economy grew, for the first time in several years housing was not a contributor to that growth. In 2006, real gross domestic product grew by 3.4 percent, but residential fixed investment (housing) declined by 4.2 percent, subtracting 0.26 percentage point from the overall growth rate.

- Builders took out single-family and multifamily permits for 1,837,300 new housing units in 2006, the sixth highest ever but a decrease of 14.8 percent from 2005. Single-family permits in 2006 were the fifth highest ever, with 1,380,000 new home permits issued in 2006, but were down 18.0 percent from the record set in 2005.
- Housing starts totaled 1,800,700 units in 2006, down 12.9 percent from the record set in 2005. Single-family housing starts equaled 1,463,700

units in 2006, down 14.7 percent from the record set in 2005.

- In 2006, construction was completed on 1,978,200 new housing units, up 2.4 percent from 2005. This value is the third highest annual number for total completions. For the fourth consecutive year, single-family completions set a new record. In 2006, 1,654,500 single-family units were ready for occupancy, up 9.6 percent from 2005.
- Builders were considerably less optimistic in 2006 than they were in 2005. The National Association of Home Builders/Wells Fargo Housing Market Index averaged 42.1 points in 2006, down 25.1 index points from 2005. The 2006 value is the third lowest annual value in the 22-year history of this attitude survey.
- Builders sold 1,061,000 new single-family homes in 2006, down 17.3 percent from the record set in 2005. This year's value is the fourth highest ever.

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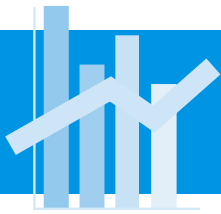


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Exhibit 4. Distribution of LIHTC Projects and Units by Location in DDAs and QCTs, 1995–2004

Location	Year Placed in Service										All Projects 1995–2004
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Number of projects	1,275	1,216	1,196	1,198	1,350	1,248	1,262	1,203	1,353	1,353	12,570
DDA (%)	14.6	12.1	20.2	22.0	24.4	23.9	23.9	22.5	22.2	21.6	20.7
QCT (%)	21.2	23.2	25.7	26.4	29.6	24.1	27.5	30.4	36.8	34.2	27.9
DDA or QCT (%)	31.0	31.3	39.2	41.4	46.1	41.0	43.2	45.7	49.5	47.5	41.6
Number of units	77,309	77,897	83,739	86,392	102,805	92,866	94,589	97,820	114,181	104,972	932,570
DDA (%)	12.7	9.7	16.1	20.4	23.5	23.2	20.3	21.5	20.6	22.9	19.1
QCT (%)	16.3	20.1	22.2	22.7	30.7	22.7	25.3	30.8	41.6	40.5	27.3
DDA or QCT (%)	25.5	26.6	33.9	39.0	48.5	40.2	39.9	46.5	52.7	56.1	40.9

DDA = Difficult Development Area.

LIHTC = low-income housing tax credit.

QCT = Qualified Census Tract.

Notes: The data set used in this analysis includes only geocoded projects. For LIHTC projects placed in service between 1995 and 2002, QCT designation is based on the 1990 Census tract location. For LIHTC projects placed in service in 2003 and 2004, QCT designation is based on the 2000 Census tract location. Totals may not sum to 100 percent because of rounding.

Exhibit 5. Characteristics of LIHTC Projects by Location in DDAs or QCTs, 1995–2004

Characteristic	In DDA	In QCT	Not in DDA or QCT	Total
Average project size (number of units)	68.4	73.0	75.3	74.4
Average qualifying ratio (%)	91.5	94.2	95.6	94.8
Average number of bedrooms	1.8	2.0	1.9	1.9
Distribution of units by size (%)				
0 bedrooms	7.1	8.0	2.0	3.9
1 bedroom	33.5	29.9	29.5	30.2
2 bedrooms	37.0	36.9	46.2	42.7
3 bedrooms	19.4	20.4	20.0	20.0
4 bedrooms or more	3.0	4.8	2.4	3.0
Construction type distribution (%)				
New construction	51.0	46.3	70.7	62.4
Rehabilitation	47.4	50.4	28.4	35.8
Both	1.6	3.4	0.9	1.7
Nonprofit sponsor (%)	33.2	38.5	24.3	29.4
RHS Section 515 loan (%)	6.0	2.1	15.8	11.0
Tax-exempt bond financing (%)	23.5	15.8	20.2	19.8
Credit type distribution (%)				
30 percent	28.2	20.8	31.5	28.6
70 percent	66.3	68.9	60.6	63.0
Both	5.4	10.4	7.9	8.4

DDA = Difficult Development Area.

LIHTC = low-income housing tax credit.

QCT = Qualified Census Tract.

RHS = Rural Housing Service.


Notes: The data set used in this analysis includes only geocoded projects. For LIHTC projects placed in service between 1995 and 2002, QCT designation is based on the 1990 Census tract location. For LIHTC projects placed in service in 2003 and 2004, QCT designation is based on the 2000 Census tract location. The data set contains missing data for bedroom count (13.7%), construction type (2.4%), nonprofit sponsor (13.0%), RHS Section 515 loan (16.4%), bond financing (7.0%), and credit type (8.0%). Metropolitan areas are defined according to the metropolitan statistical area and primary metropolitan statistical area definitions published June 30, 1999. Totals may not sum to 100 percent because of rounding. Some properties are located in both a DDA and a QCT.



Completions*

Housing units completed in the fourth quarter of 2006, at a seasonally adjusted annual rate of 1,907,000 units, were down a statistically insignificant 3 percent from the previous quarter and down a statistically insignificant 2 percent from the same quarter of 2005. Single-family completions, at 1,540,000 units, were down a statistically insignificant 8 percent from the previous quarter and down 6 percent from the rate of a year earlier. Multifamily completions, at 312,000 units, were a statistically insignificant 19 percent above the previous quarter and 14 percent above the same quarter of 2005.

In 2006, 1,978,200 housing units were completed, an increase of 2 percent over 2005. Single-family units accounted for 1,654,500 of this total, an increase of 1 percent over 2005. Multifamily units accounted for 282,700 of the completions, up 10 percent from 2005.

	Latest Quarter	Previous Quarter	Same Quarter Previous Year	% Change From Previous Quarter	% Change From Last Year
Total	1,907	1,957	1,943	- 3**	- 2**
One Unit	1,540	1,668	1,638	- 8**	- 6
Five Plus	312	262	274	+ 19**	+ 14

*Components may not add to totals because of rounding. Units in thousands.

**This change is not statistically significant.


Sources: Census Bureau, Department of Commerce; and Office of Policy Development and Research, Department of Housing and Urban Development



Manufactured (Mobile) Home Shipments*

Shipments of new manufactured (mobile) homes were at a seasonally adjusted annual rate of 98,000 units in the fourth quarter of 2006, which is 8 percent below the previous quarter and 49 percent below the rate of a year earlier.

Manufacturers shipped 131,000 units in all of 2006, 11 percent fewer than in 2005.

	Latest Quarter	Previous Quarter	Same Quarter Previous Year	% Change From Previous Quarter	% Change From Last Year
Manufacturers' Shipments	98	107	192	- 8	- 49

*Units in thousands. These shipments are for HUD-code homes only and do not include manufactured housing units built to meet local building codes, which are included in housing starts figures.

Source: National Conference of States on Building Codes and Standards

