



THE STATE OF THE NATION'S HOUSING 2011

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US Housing Markets Remain Mired as Many Buyers Remain on the Sidelines

Harvard Releases The State of the Nation's Housing 2011

CAMBRIDGE, MA - With millions of owners stuck in homes worth less than they owe on their mortgages, existing home sales remain depressed while new home sales continue near record lows, concludes The State of the Nation's Housing report released today by the Joint Center for Housing Studies of Harvard University. Elevated vacancies and foreclosures continue to place downward pressure on prices. In places where foreclosures are concentrated, property markets are in turmoil. Indeed, just 10 percent of neighborhoods across the U.S. account for nearly half of all foreclosures in 2010.

After three consecutive years of record-low construction levels, the vigor of the recovery in housing now hinges on a return of demand. The lingering consequences of the recession and financial crisis, however, are thwarting a broader recovery. "While the sharp declines in both home prices and interest rates have left homes in many places more affordable than they have been in decades," says Eric S. Belsky, Managing Director of the Joint Center for Housing Studies, "stubbornly high unemployment and tightened lending standards have limited the ability of many first-time buyers to capitalize on the situation."

"The state of the nation's housing is sobering," Belsky continues. "Total housing construction over the previous decade now barely exceeds the lowest level of any ten-year period in records dating back to 1974, but vacancies remain elevated because the recession has driven demand down so sharply."

Although the housing industry continues to face significant challenges, one bright sign beginning to appear is in the rental market. "Rental housing markets are tightening and may begin to lead a modest recovery in housing construction this year," says Chris Herbert, Research Director of the Joint Center for Housing Studies. "But we need sustained employment growth to spur a broader increase in housing demand and a recovery in home sales."

While there are no convincing signs yet of a broad turnaround in housing, the report points out that the market could turn quickly as evidenced by the healthy boost in both home sales and prices brought about by the 2010 homebuyer tax credit. "The ingredients for a sustained recovery may be coming together," Herbert further noted, "but it is still not clear when homebuyers will have the urgency to return to the market in sufficient numbers to lift the market in a meaningful way."

The report highlights how growth in both younger and older households over the coming decade should continue to lift the demand for rental housing as well as for smaller homes. The baby boom generation will push up the number of households over age 65 by some 8.7 million over 2010-2020. Herbert commented that "While most of these households will age in place, current mobility rates suggest 3.8 million could downsize over the coming decade, adding further to demand for smaller homes."

The report also calls attention to the continuing housing affordability challenges facing the nation. Tightening rental markets will exacerbate housing affordability problems for renters, especially those with low incomes. According to the report, the past decade saw a surge in burdens among both renters and owners that left a record high 19 million American households paying more than half of

their income for housing as of the latest available data in 2009. Overall, these cost burdens are climbing the income ladder to affect more moderate- and middle-income households. In fact, rates of severe-cost burden among households making between \$45,000 and \$60,000 per year (roughly 3-4 times the minimum wage) nearly doubled from 2001 to 2009.

An copy of The State of the Nation's Housing 2011 can be downloaded at:
<http://www.jchs.harvard.edu/publications/markets/son2011/index.htm>

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The State of the Nation's Housing, released annually by the Joint Center for Housing Studies, provides a periodic assessment of the nation's housing outlook and summarizes important trends in the economics and demographics of housing. The report continues to earn national recognition as an authoritative source of information regularly utilized by housing researchers, industry analysts, policy makers, and the business community.

The Joint Center for Housing Studies is Harvard University's center for information and research on housing in the United States. Established in 1959, it is a collaborative unit affiliated with the Graduate School of Design and the Harvard Kennedy School. The Joint Center analyzes the dynamic relationships between housing markets and economic, demographic, and social trends, providing leaders in government, business, and the non-profit sector with the knowledge needed to develop effective policies and strategies. For more information, please visit www.jchs.harvard.edu.