INTEGRITY — ASHTABULA COUNTY BUILDERS ASSOCIATION	BUILDERS PLAN	MAY 2011 P.O. Box 745 Ashtabula, Ohio 44005-0745 Telephone/Fax (440) 997-1866 ashtabulacountybuilders@windstream.net www.ashtabulacountybuildersassociation.org

ASHTABULA COUNTY BUILDERS ASSOCIATION

" The Voice of the Industry in Ashtabula County"

MEMBERSHIP DRIVE

Bring a Potential Member to a
General Meeting on the
Builders Association.
Just call in their reservations with your !!
(440) 997-1866

MARK YOUR CALENDAR

May 12th	Ashtabula County Joint Vocational School at **ACJVS** **1565 State R. 167** **Jefferson, Ohio** **Main Building** **Harbor Room** **(next to Cafeteria)**
June 9th	Steak Fry Elks Club
July 14th	Golf Outing
Auguat 11th	Summer Social GaREAT
September 8th	Clam Bake Elks
October 13th	Canadate's Night
November 10th	Annual Meeting

Happy hour is 6:00pm - 7:00pm
Dinner 7:00pm

RSVP by Monday prior to meeting date and if you need to cancel please call by Tuesday evening.

PRESIDENT'S COMMENTARY

Greeting Members,

My rain gauge was submerged in the yard. Boy, I hope we are done with all this wet weather! Those of you that missed our last meeting missed out on a lot of important and useful information on the lead laws of Ohio. Pete Dell our speaker did a great job with information and instructions. If anyone would like to contact him please call us.

Our next meeting will be held at the Ashtabula County Joint Vocational School, May 12th. Appetizers will be from 6-7 in place of the open bar. Dinner is at 7 with Dr. Brockway to speak afterwards. He will have Mr. Whipple, the principal say a few words along with two instructors to talk about the school. Dr. Brockway will also have a few students speak about there experience with ACJVS and there future plans. The culinary department will be serving our dinner and if I'm not mistaken, that means some of the students will be serving us.

This will be a great opportunity to bring a guest, show support and get to know some of there students. Hope to see you all there.

Your President,

Joe Oros

WELCOME
NEW MEMBERS

BEN'S PROMOS
Benjamin Bradbury
3244 Dodgeville Road
Andover, Ohio 44003
(440) 645-8854

CARTER LUMBER MADISON
Tim Vogel, Representative
6320 North Ridge Road
Madison, Ohio 44057
(440) 428-1110 Telephone
(440) 428-3822 Fax
www.carterlumber.com

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997-1866 or
ashtabulacountybuilders@windstream.net

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If you have any updates about your company or any articles you would like to see featured in the newsletter please e-mail ashtabulacountybuilders@windstream.net

FOR YOUR INFORMATION

NATION'S BUILDING NEWS

The Official Online Weekly Newspaper of NAHB

Sponsored by McGraw-Hill Construction and Freddie Mae

Getting Off to a Slow Start in 2011, Housing Expected to Show Its Strength in 2012

Despite a disappointingly slow first quarter of 2011, the pace of housing activity will pick up some momentum for the balance of the year and actually start feeling like a real recovery in 2012, according to panelists participating in NAHB's Construction Forecast Webinar on April 27.

With more foreclosures in the pipeline and some further decline in housing prices nationwide, the industry is not entirely out of the woods yet, the economists warned.

But home prices nationally are just about back to where they should be relative to income following explosive growth during the boom, mortgage rates will remain relatively affordable and an increasing number of prospective buyers will start coming out of the woodwork as they see job prospects and the national economy continue to improve.

Panelists also cited wide variations in local market conditions across the country, with those that became most overheated at the peak of the cycle having the most ground to regain on the road back to health.

Many other markets, which tended to see more moderate levels of activity during the run-up of the mid-2000s, are just about where they need to be to stage a recovery now, they said.

The only thing holding back builders in these locations are traditional lenders, who still aren't providing the credit needed to renew the production process, restrained by a blanket interdiction against real estate lending across the country that has yet to be lifted by banking regulators.

There is the hope that banks will start easing up on credit availability in fairly short order as they see opportunities for sound and profitable acquisition, development and construction (AD&C) loans emerge in their communities.

For this year, "the bottom line is that there has been some improvement, with the rest of the economy pulling us out of recession rather than the housing market pulling the rest of the economy, which is the more typical sequence of events following recession," said NAHB Chief Economist David Crowe.

Citing a "nice, but slow uptick" in sales and starts, Crowe said that second-quarter data would show a modest increase over the first quarter, "and then momentum will build from the end of 2011 into 2012."

Starting From a Hole in the Ground

Single-family starts this year will be about the same as last year because "we have started from a hole in the ground," with builders breaking ground on new homes in the first quarter at about the same pace as in the second half of 2010.

But single-family building will show "significant improvement in 2012," Crowe promised.

Having fallen to an annual level of roughly 400,000 units, single-family starts "are dramatically off any type of normality," he said, and "are less than a third of where we should be at 1.5 million."

Cumulatively, the severe slump of the past several years has left single-family production 3 million homes short of where it would have been under normal trend production levels.

Multifamiily housing stands to recover a bit more rapidly, he said, buoyed by an increase in household formations and a modest decline in the number of home owners.

He estimated the recession inhibited the formation of as many as 2 million households, many of which are beginning to occur now with the improving economy. “The 30-year-old living in mom’s basement is not a sustainable lifestyle,” he said.

Most recently, year-to-year there has been an increase of about 750,000 new total households, about double the level of a year ago, he said, and they are absorbing some of the excess housing inventory.

Renters are now exceeding that pace, growing by 1 million in the past year, which will help yield a 23% increase in total multifamily housing starts this year.

That still won’t meet the growing demand for rental apartments, however, which have stumbled to an annual pace of only 100,000 units in the past couple of years, not even enough to replace the older units falling out of the housing stock.

Reporting on the third major segment of the housing industry — residential remodeling — Crowe said that “we are looking at some nice improvements” in this sector as more people decide to improve the home they have rather than “encounter the uncertainties” of selling and moving to a new home in the current market.

Remodeling has lost a good amount of steam during the downturn because a large amount of remodeling occurs after a person moves into an existing home, and sales have been down dramatically.

Even so, remodeling “didn’t fall off as much as new construction, partly due to tax credits for energy improvements,” he said.

Crowe noted that there were only 183,000 new homes for sale in March, 2,000 off the all-time low. And those who want to buy a home right now will have to search from an inventory of only 78,000 completed homes — “an extremely low availability.”

At the end of 2012, he said, new home sales will be back to where they were at the outset of the recession in 2007.

Another 12 to 18 Months

“It’s going to take another 12 to 18 months to work through the remainder of the mess that was created during the housing boom and bubble,” said Mark Zandi, chief economist for Moody’s Analytics.

Nationally, home prices will drop an additional 5% this year on the Case-Shiller index, he predicted, bringing the peak-to-trough decline in home prices to 35% over a “six-year-long housing crash.”

Also, “the ongoing foreclosure crisis is not over,” he said, with 3.7 million first mortgage loans now at least 90 days delinquent, out of 50 million first mortgage loans outstanding.

As a result, Zandi said he expected the share of distressed home sales to rise, from one-fourth today to up to a third by the end of the year.

With 14 million home owners underwater, half owning more than 30% on their mortgage than their home is now worth, “most worrisome is that when prices are falling, you run the risk of getting tracked back into a vicious cycle” of more defaults and more price declines, he said.

“This is going to feel uncomfortable,” said Zandi. “As long as house prices are falling, we have a good reason to be nervous.”

Even so, Zandi voiced optimism that housing is unlikely to encounter any major setbacks in the period immediately ahead.

“Investor demand is key to ensuring that we do not see more significant price declines” in battered markets such as those in Florida, Nevada, Arizona and California, he said. Those places are enjoying "very healthy investor demand" driven by prices that encourage purchasing properties and renting them out.

"I don't view these folks as flippers. They are not in the market for making a sale anytime in the near future; they are investors with a longer-term horizon and I don't expect these properties to come back into the marketplace" until conditions are healthier, which could be a matter of a few years.

Absorbing Excess Inventory

Zandi was also sanguine about prospects for the absorption of the excess housing inventory, which according to his "back-of-the-envelope" calculations equals about 1.1 million vacant homes more than usual.

At the current rate of household formations of about 750,000, that leaves an oversupply of 625,000 units and "it will take a little over a year to work off that inventory," he said.

He also noted that the excess inventory is regionally concentrated, "with a whole lot of stock in Arizona, the Central Valley of California, Florida, Georgia and parts of the Midwest."

And "the obsolescence rates on these homes is quite high" when they are left untended, especially in places like Florida, where he has a home and where pests can be particularly problematic.

"We're not done yet. We've got more work to do. The crisis isn't over, but we're making progress," Zandi said.

Though conditions remain "far from normal now," he said, "as we move into 2012, particularly the second half, and 2013," the strength of the housing recovery will become evident "and the mid-decade will be characterized by normalization of the housing market" — with estimated demand and supply running with "a lot of juice" at about 1.75 million homes per annum.

Zandi said that he had expected the year to get off to a better start than the 555,000 unit starts rate of the first quarter, but by year end he said that should rise to 750,000.

"The data for the first quarter came in worse than anticipated, and that partly may be weather related and from higher energy prices sucking the wind out of consumer sentiment, which is at very low levels," he said.

But markets will start seeing their sales pick up, and with virtually no inventory of new homes, builders will be running to the bank to convince them that real demand has arrived, he said.

It may "take a while to get the banker on board, but the psychology of the marketplace will change rapidly," Zandi said, "and next year at this time we will see things much differently than now."