

J. D. Block Services, Inc.

Licensed Real Estate and Mortgage Brokers

Housing Graphs Comparisons of Recessionary Periods

Updated July 2009

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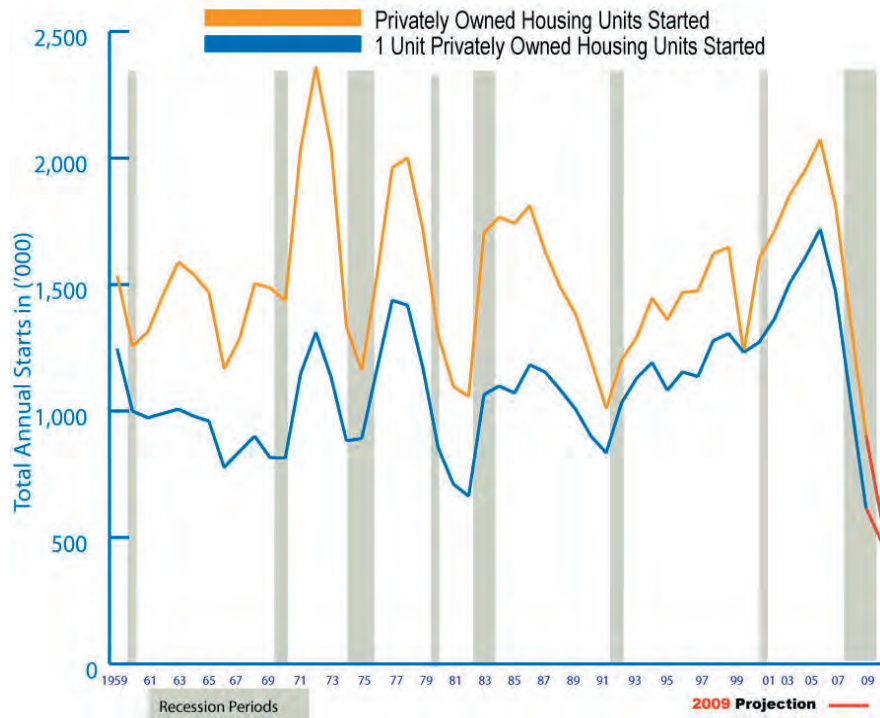
Housing Starts - Median Price

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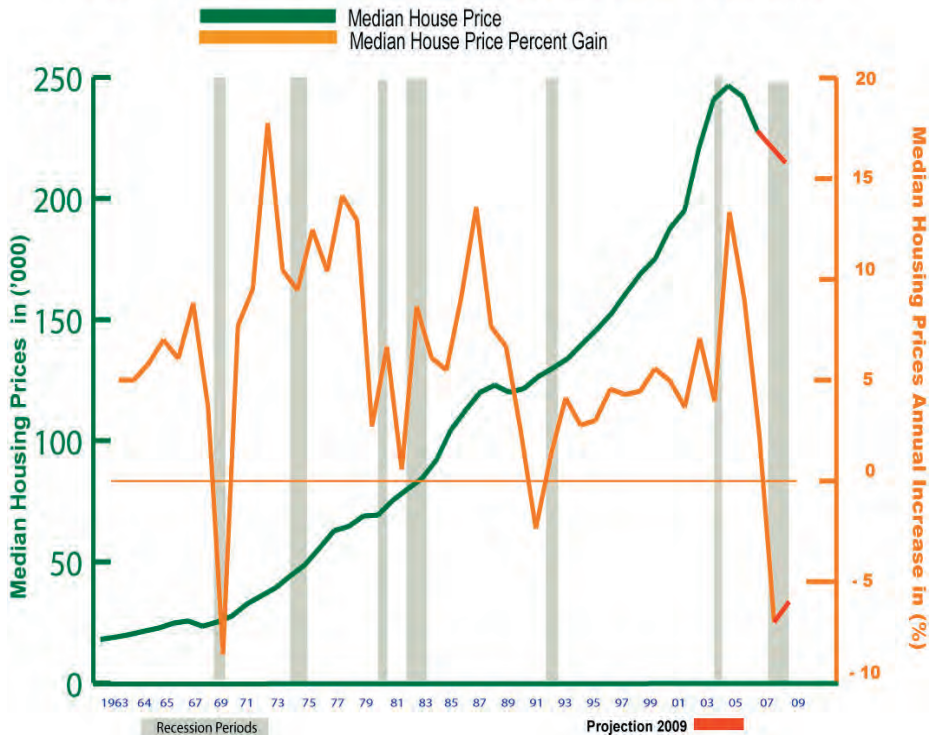
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United States Housing Starts - 1959-2009

Projection 2009



Median Housing Prices / Annual Price Increase - 1963-2009

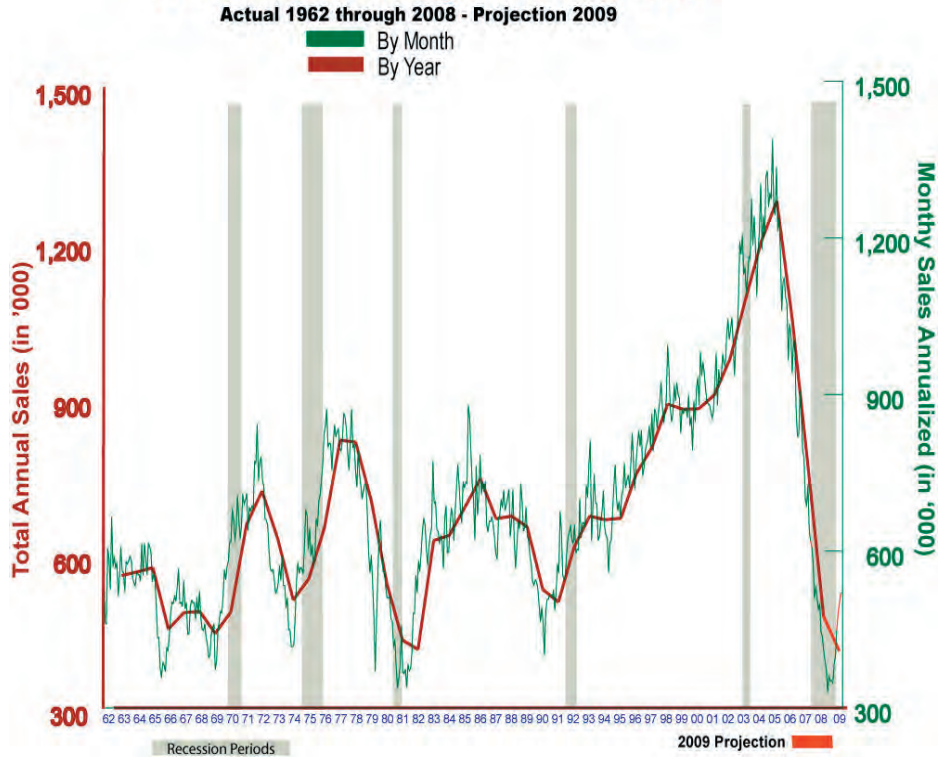


Housing Sales

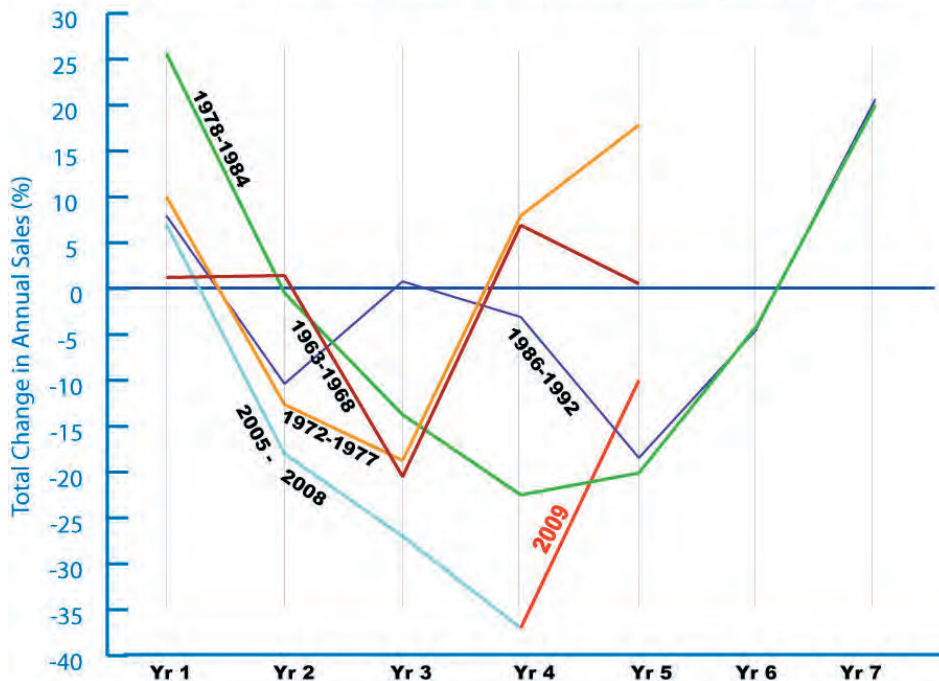
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United States Housing Sales - 1963-2009



United States Housing Sales - Comparison Change in New 1 Family Housing Units Sold in Recessionary Periods

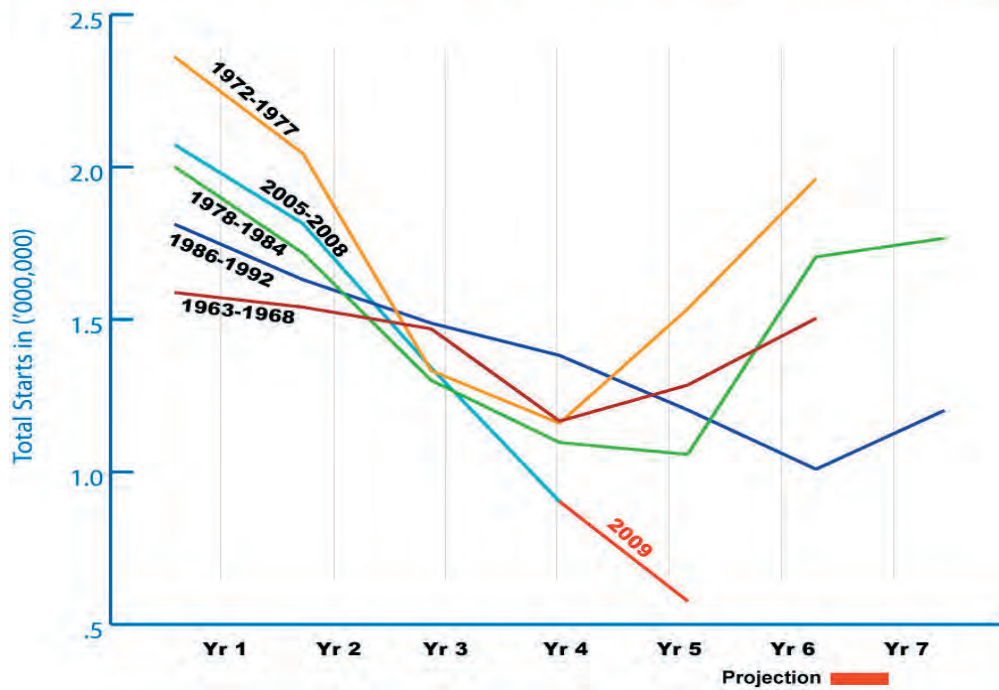


Housing Starts - All Residential

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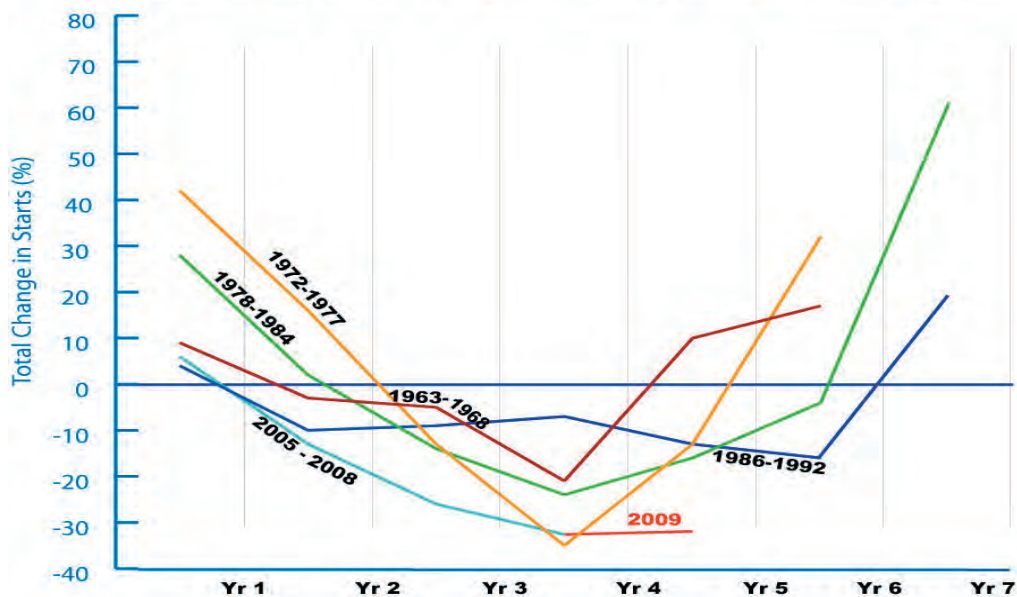
Privately Owned Housing Units Started (All Starts) - Recessionary Periods



These two charts show housing starts (all types of housing) - the top in number of annual starts by year and the bottom one in change in starts by year. The periods run from a sales peak through the following recessionary period to the next peak.

United States Housing Starts - Comparison

Change in Privately Owned Housing Units Started (All Starts) - Recessionary Periods



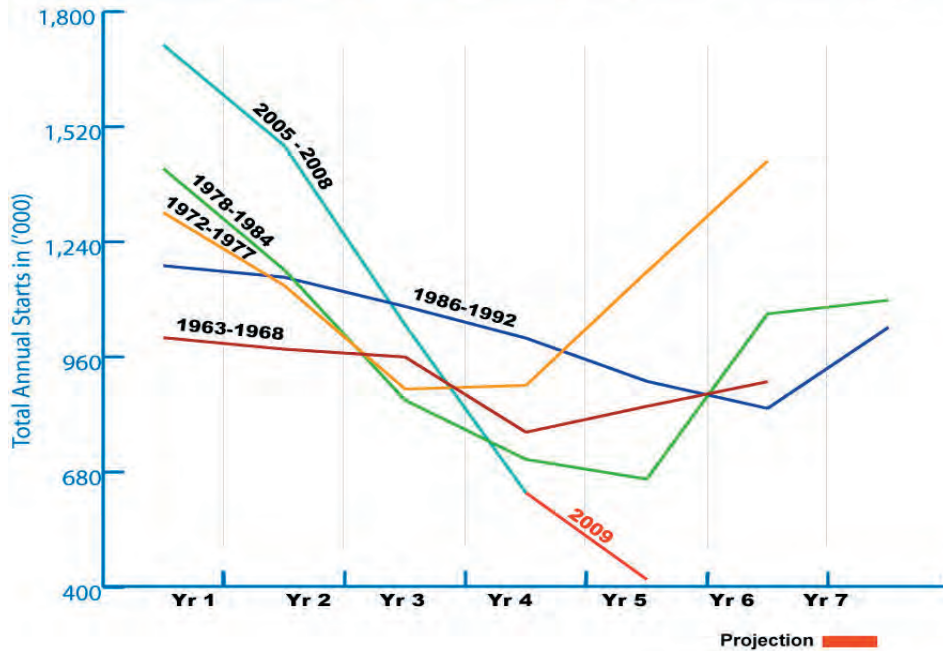
Housing Starts - 1 Family

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United States Housing Starts - Comparison

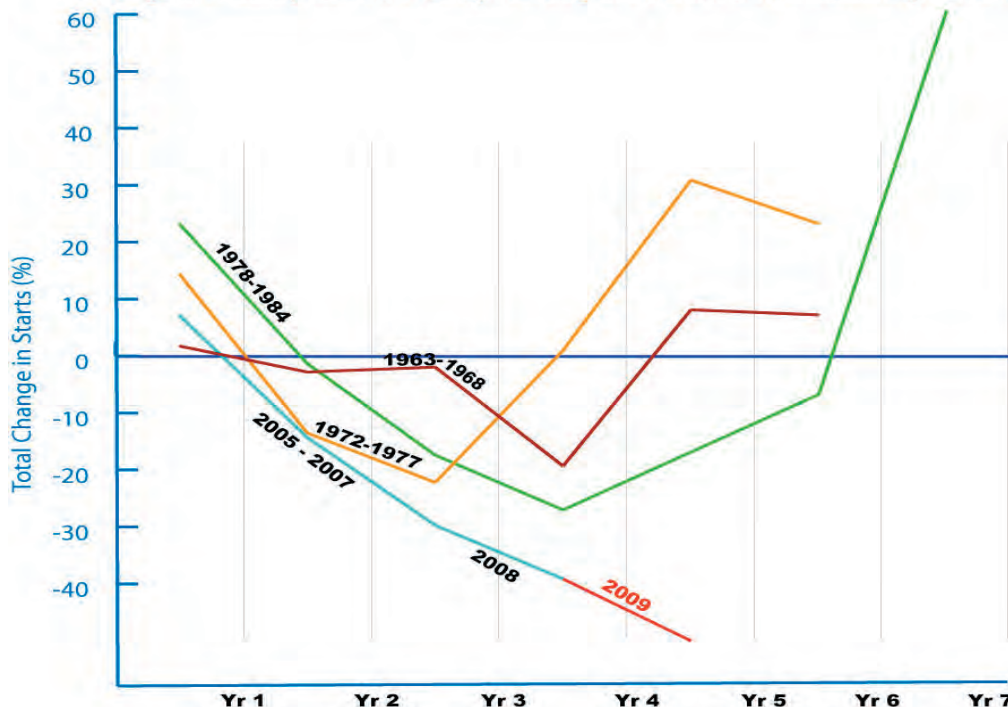
Change in Privately Owned Single 1 Family Housing Units Started in Recessionary Periods



These two charts show housing starts (only 1 family dwelling starts) - the top in number of annual sales by year and the bottom one in change in starts by year. The periods run from a sales peak though the following recessionary period to the next peak. As can be seen there is a divergence with all housing starts from one family starts.

United States Housing Starts - Comparison

Change in Privately Owned 1 Family Housing Units Started in Recessionary Periods

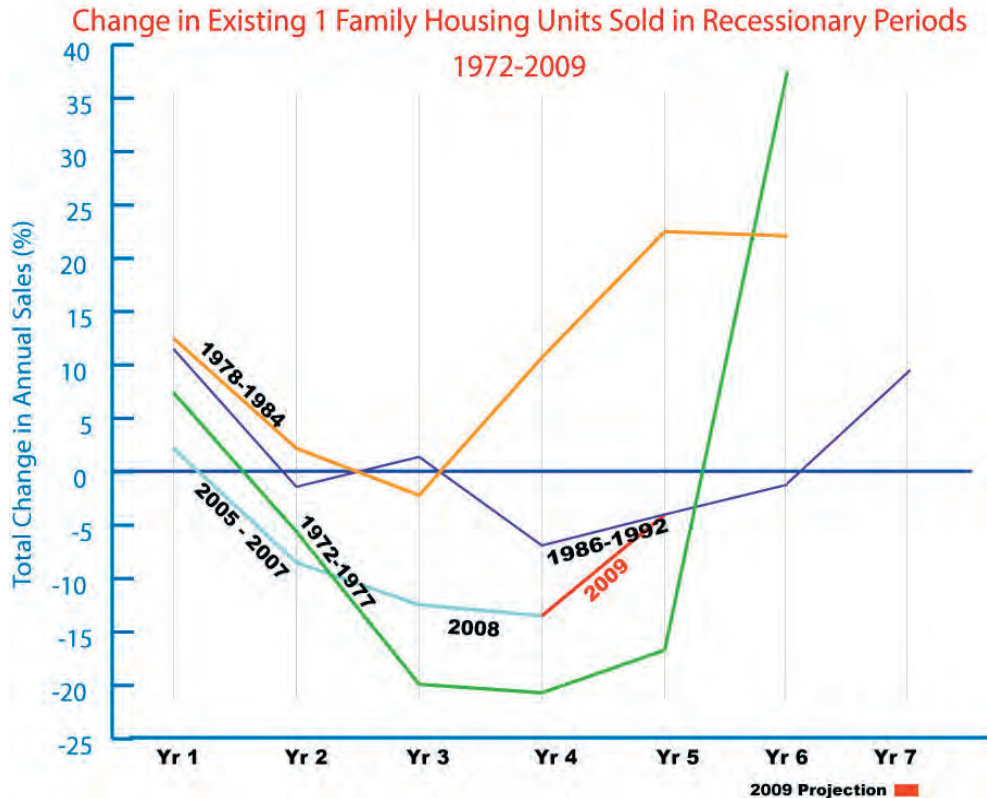


Existing Housing Sales - Summary

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United States Housing Sales - Comparison



Previous Recessions - Time frames

Years	Months for Drop	Months for Rise	% Decline
1963-1968	46	27	39.0%
1972-1977	38	34	60.0%
1978-1984	46	38	58.0%
1986-1992	61	23	53.0%
Averages	48	31	52.5%
2005 - 2009	51	2 (from Apr 09)	71.0%

1963-1968 - Peak year by month was Nov. '62 with a bottom in Nov. '66 and the next peak in Jan. '68 (46 mo. drop - 39%)
 1972-1977 - Peak year by month was Jan. '72 with a bottom in Feb. '75 and the next peak in Dec. '77 (38 mo. drop - 60%)
 1978-1984 - Peak year by month was Apr. '78 with a bottom in Nov. '81 and the next peak in Apr. '85 (46 mo. drop - 58%)
 1986-1992 - Peak year by month was Jan. '86 with a bottom in Jan. '91 and the next peak in Dec. '92 (61 mo. drop - 53%)
 2005-2009 - Peak year by month was Feb. '05 with a bottom in Apr. '09 and the next peak in ? (51 mo. drop - 71%)

Average drop once the slide started - 48 months (max 61 min 38) and 52.5% decline (max 60% min 39%)

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Conclusion

This is the 4th year of our housing graphs. When we first began there wasn't a consensus on where things were going, and while by early this year that consensus had formed there isn't a consensus on where we are now (bottom or a further serious decline coming). A review of the updates to our housing graphs, which incorporate the results for 2009 through June with projections for the remainder 2009, brings the following conclusions:

Housing

- We believe that the market bottom occurred in the 1st quarter of 2009. Even in Florida, housing sales have been rising almost every month since June 2008 (year to year and prior month to the following month). We did not estimate that starts and sales would drop as low as they did, though on the graphs the adjustment is minimal.
- Starts/Sales will probably bounce around a bottom for some time before a noticeable upturn into norms for prior periods occurs. It should be noted that starts are improving monthly.
- We believe that pricing is a reflection of the lack of demand and will rebound somewhat, if not to the frothy levels of 2006, when demand increases. It does look like there is a growing demand for housing in Florida which is a sign of the foundation for market improvement to come.

It should be noted that housing starts for all residential units and 1 family units followed a similar trajectory through 2008. All residential starts and 1 family starts hit a low point respectively in Feb. /Apr. 2009 and have turned up, All Residential Starts are up by 28% and 1 Family by 31%, since hitting a bottom a couple of months ago whereas in a normal year the annual increase would range between 5-10%. It should be noted the number for Starts/Sales from 1959-2009 for all residential units and for 1 family structures annualized for the first half of the 2009 was the lowest since 1959 (the database starts in 1959).

Commercial Real Estate

While the discussion (with early results) has started, it is apparent that commercial real estate will have serious problems from a combination of:

- Overbuilding (all segments)
- Lack of demand (retail and office will be hurt the most)
- The resetting of cap rates back to traditional norms will cause serious valuation issues across the board.

The amount of government funding this year dwarfs all previous recovery attempts, and that combined with the extremely low interest rates may have unexpected effects. This will be particularly true if the business and project failures that set the stage for a recovery are not allowed to occur.

As always, the wild card in all of this will be the international instability from the world wide economic downturn, and the potential for protectionist sentiment.

As we have discussed for the past couple of years:

- If interest rates don't go up as we recover, we may have an inflationary period like the late 70's. Especially as the amount of liquidity pumped in was so large.
- If rates do increase, expect a longer bottoming out and a more gradual recovery cycle (similar to the early 80's), and perhaps a recession caused by the increasing rates (the double dip recession).