

# J. D. Block Services, Inc.

Licensed Real Estate and Mortgage Brokers

## Housing Graphs Comparisons of Recessionary Periods

Updated January 2010

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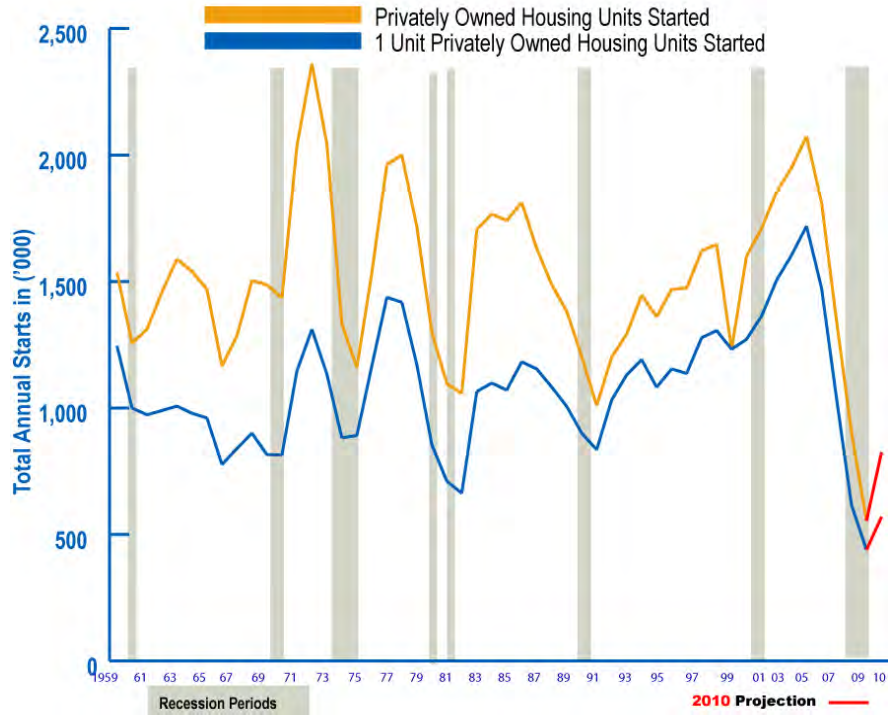
# Housing Starts - Median Price

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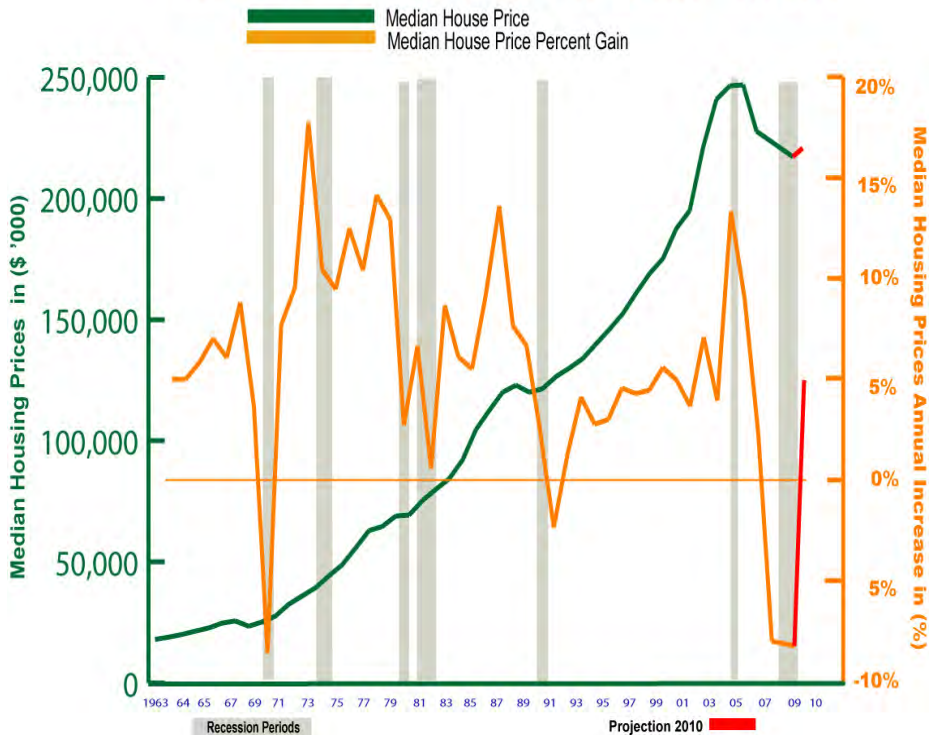
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## United States Housing Starts - 1959-2010

Projection 2010



## Median Housing Prices / Annual Price Increase - 1963-2010



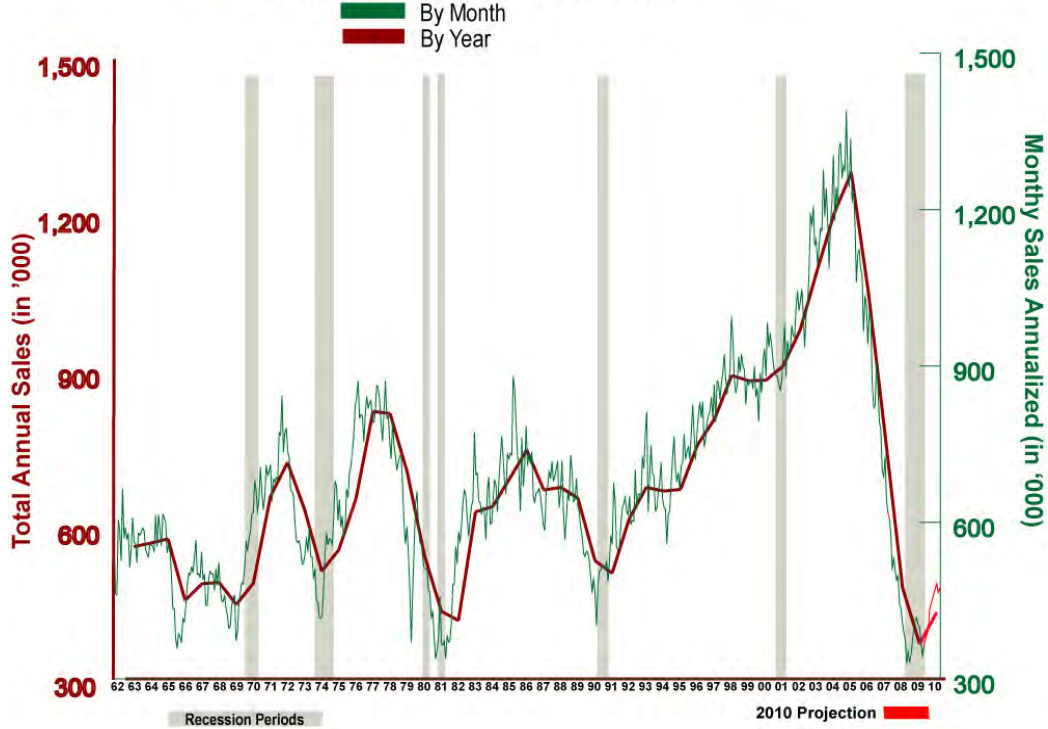
# Housing Sales

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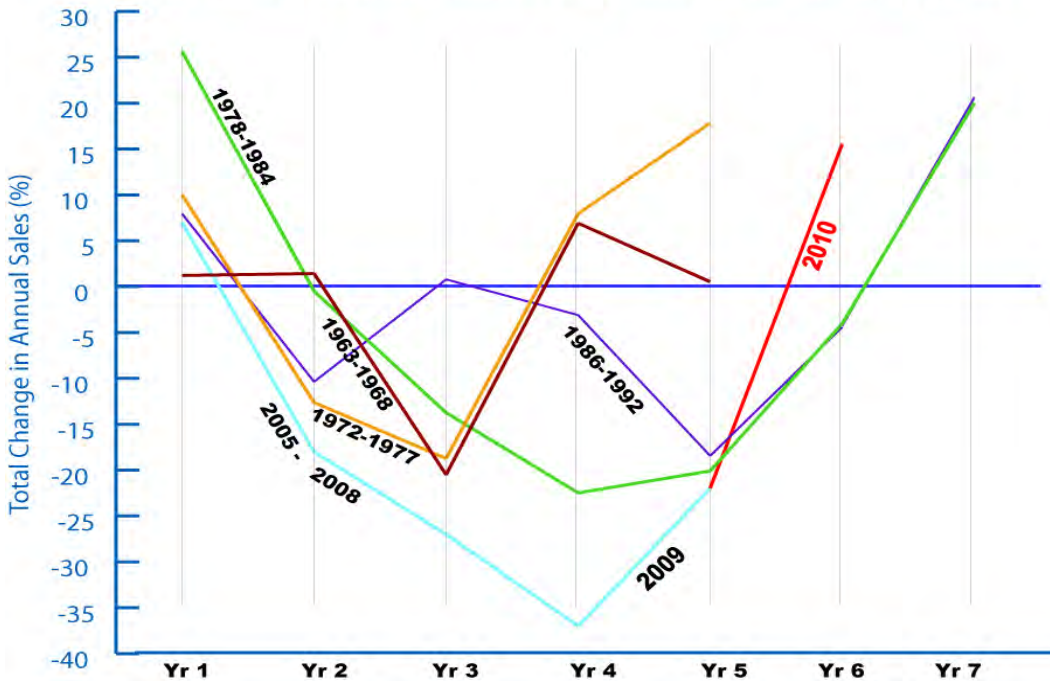
## United States Housing Sales - 1963-2010

Actual 1963 through 2009 - Projection 2010



## United States Housing Sales - Comparison

Change in New 1 Family Housing Units Sold in Recessionary Periods

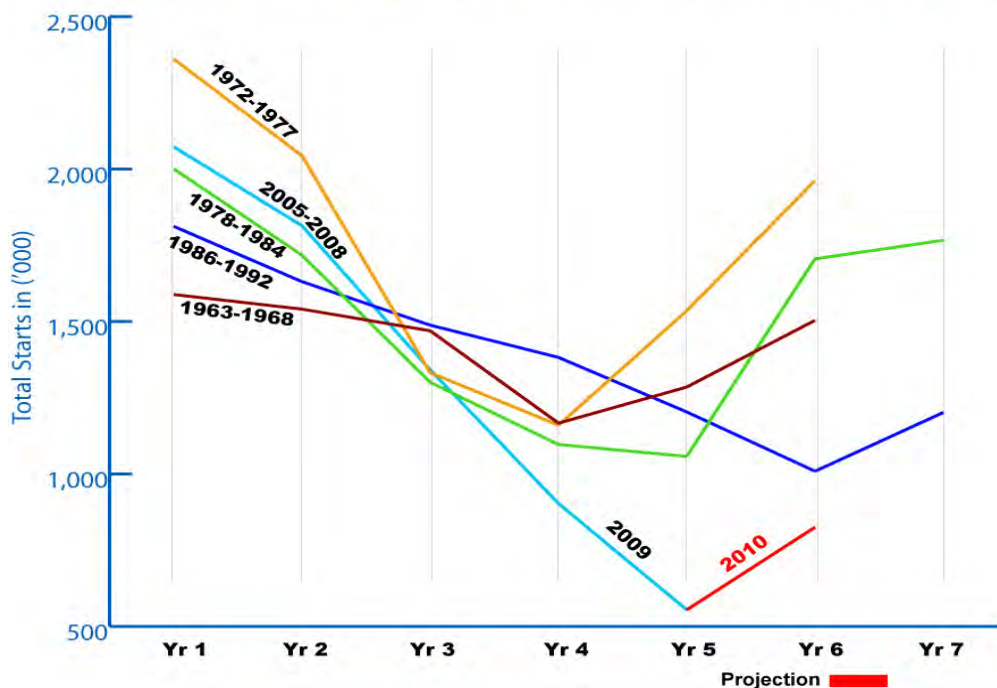


# Housing Starts - All Residential

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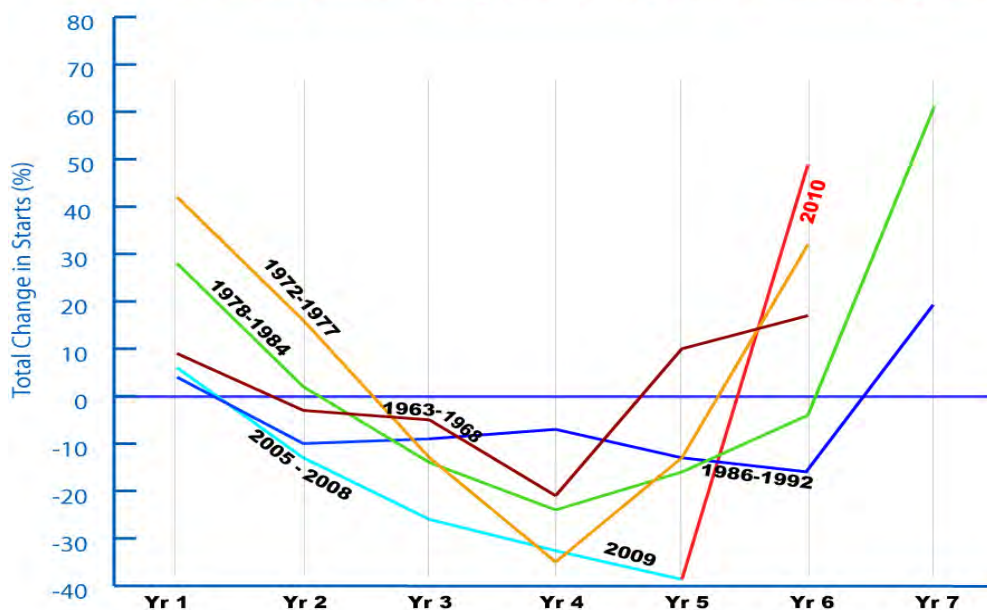
## Privately Owned Housing Units Started (All Starts) - Recessionary Periods



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. As can be seen we show an upturn this year.

## United States Housing Starts - Comparison

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



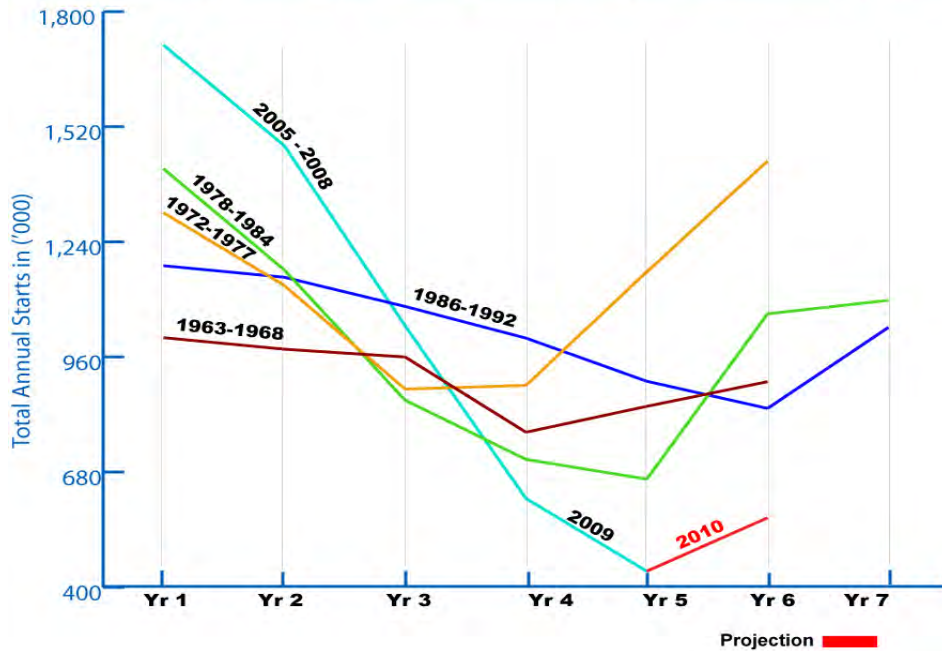
# Housing Starts - 1 Family

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## United States Housing Starts - Comparison

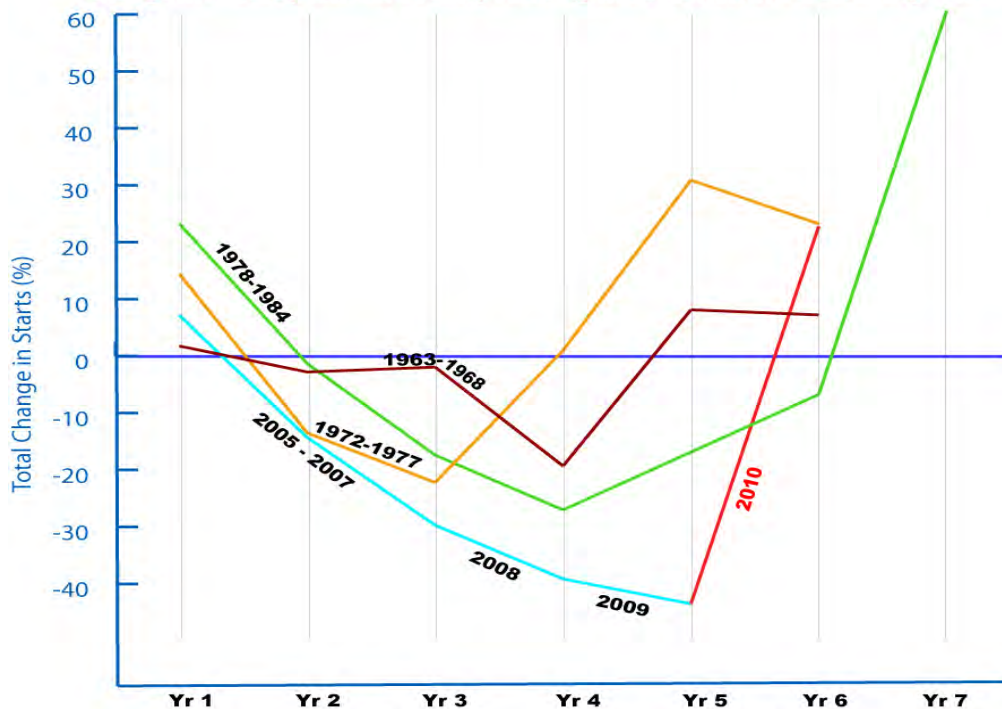
Change in Privately Owned Single 1 Family Housing Units Started in Recessionary Periods



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 mentioned we show an upturn this year.

## United States Housing Starts - Comparison

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

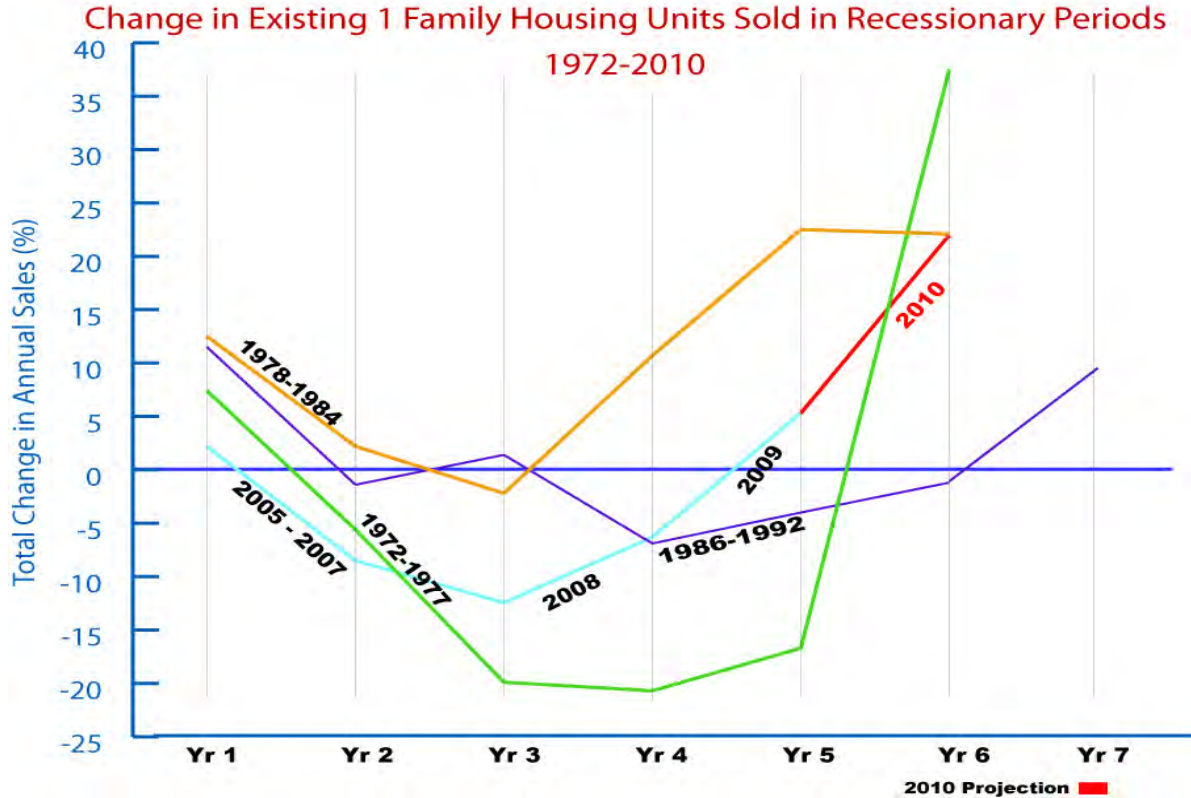


# Existing Housing Sales - Summary

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## United States Housing Sales - Comparison



## Previous Recessions - Time Frames

| Years              | Months for Drop | Months for Rise | % Decline |
|--------------------|-----------------|-----------------|-----------|
| <b>1963-1968</b>   | 46              | 27              | 39.0%     |
| <b>1972-1977</b>   | 38              | 34              | 60.0%     |
| <b>1978-1984</b>   | 46              | 38              | 58.0%     |
| <b>1986-1992</b>   | 61              | 23              | 53.0%     |
| <b>Averages</b>    | 48              | 31              | 52.5%     |
|                    |                 |                 |           |
| <b>2005 - 2009</b> | 51              | 7 (from Apr 09) | 73.3%     |

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 - 73%)

Average drop once the slide started - 48 months (max 61 min 38) and 52.5% decline (max 73% min. 39%)  
 70's recession was 16 months, this one was about 18 (final ending date to be determined)

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## Conclusion

This is the 5th year of our housing graphs. A review of the updates to our housing graphs, which incorporate the results for 2009 with projections for 2010, brings the following conclusions:

### For housing:

- We believe that the market bottom occurred in the 1<sup>st</sup> quarter of 2009. Even in Florida, housing sales have been rising almost every month since June 2008 (month over month and year over year). We did not estimate that starts and sales would drop as low as they did, the adjustment is minimal as seen on the graphs
- We will probably bounce around a bottom for some time before a noticeable upturn begins; starts are generally improving monthly
- We believe that pricing is a reflection of the lack of demand and will rebound somewhat, if not to the frothy levels, when demand increases. It does look like there is a growing demand for housing in Florida which is a good sign of the foundation for market improvement.

It should be noted that housing starts for all residential units and 1 family units followed a similar trajectory through 2007. Both hit a low point in February 2009 and have turned up - All Starts by 20% and 1 Family by 24% since January's starts figures. In a normal year it would range between 5-10%, but an average rebound would have increases over 30% by now versus the 20%, and from very low numbers. It should be noted the bottom number for starts from 1959-2008 for all residential units and for housing starts for 1 family structures for 2009 was the lowest since the database started in 1959.

So if we look at the 70's starts and sales statistics, of which the correlation to this point is close, as we have stated before, unemployment will remain elevated for some time, though the rate should begin to drop, and bankruptcies will trend upward while the economy strengthens.

### For Commercial Real Estate:

Commercial real estate is close to a bottom, but will continue to have serious problems from a combination of:

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

### As we have discussed for the past couple of years:

- If the Fed keeps a loose money posture too long as recovery takes hold, we may have a serious inflationary period like the late 70's (that seems like a high probability from this vantage point).
- If interest rates and policies do enough to limit inflation, expect a slower or faltering recovery/longer bottoming out (similar to the early 80's), and probably a recession caused by the amount rates will need to be increased to stem inflation.

As in all recoveries, we expect things to get better, for at least the next 12-18 months based upon the fundamentals. After that, if policies haven't been rational and well implemented and are poorly focused or directed by narrow interests, there is a strong probability of an outcome with serious consequences, in addition to the high probability of inflationary growth. The amount of funding to limit the recessionary effects and provide impetus for recovery dwarfs all previous resuscitation attempts, and that combined with the extremely low interest rates may have unexpected effects; particularly if inflation can not be easily contained, and the failures that tend to set the foundation 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 to distort governmental policies and actions.