

# The Looming Housing Shortage



## Can the slow down of new homes create a shortage?

While it seems as though homes are languishing on the market and there is an excess of inventory, lots of foreclosures and REO properties, the reality is we have reached a time where the number of homes that move to pending is twice that of new listings just about daily. New foreclosure/REO inventory has slowed as have new short sale listings. Combine that with no new construction built in the last 3 years and I believe we are entering a housing shortage.



Cathy Staup is your key to home buying in the Pacific Northwest.  
206-276-1070

**As humans we are slow to take notice of trends.** If we look backward the housing market began showing signs of a downturn in 2005, inventory started to increase but prices continued to climb well into 2007. If the buying public and the real estate industry had been paying attention to the growing inventory issue they would have seen the slow down coming long before most did. When the loss of demand (excess inventory) combined with the credit crunch hit new building virtually stopped.

As we enter a market, which I believe we already have, of a housing shortage the demand will stabilize home values. At first declining prices slowed and now home values will start to rise again. In certain neighborhoods we are getting multiple offers on well-priced homes. Will we see a repeat of the 2004 – 2007's dramatic climb in prices? No, but values are going up.

In the past 7 years housing starts first exceeded then fell short of the historical norm of 1.6 million homes needed. In the US the long term growth of new households is 1.3 to 1.4 million a year. Right now the US is adding 660,000 new homes, about 1/2 the number needed. At the peak in 2005, 2.1 million were built, in 2006 1.8 million, in 2007 new home building dropped to 1.3 million and by 2009 only 560,000 homes were built.

This September the National Association of Realtors published the fact that we currently have the lowest housing starts since the end of WWII. The US population is 312 million and rising by 3 million a year. In 2011, 550,000 units were under construction. That means housing starts are lower now than when the US population was 1/2 its current size more than 50 years ago.

The regions that were heavily overbuilt like Las Vegas, Phoenix, Miami and Riverside California will probably not feel the constraints for quite some time. Whereas the regions that are most likely to be undersupplied and suffer shortages are Washington, Oregon, New Mexico and Utah where the boom/bust was not as severe and supply and demand are relatively in balance.

The 2<sup>nd</sup> factor pointing to a looming housing shortage is there are not a lot of projects in the pipeline because none of the builders could get the money. Building has been virtually non-existent for 3 years. Here in the Northwest that is beginning to change, new starts are up 5.4%, and a number of new developments are underway.



When will  
the market  
really feel  
the pinch?

But it will be 2 years for those homes to be ready for occupancy. The reality is once you have located the land and performed the feasibility study it takes another 18 to 24 months to purchase, zone, permit and develop new dirt. I hope the increased building is a sign that lending is increasing and with less restrictions and it will be easier for qualified buyers to borrow.

The market that will feel the pinch the hardest is the rental market, nobody is building rental inventory. Add to that the huge trend in the 90's for builders to buy apartment complexes and convert them to condos. This is happening at a time when the rental market is heating up across the country. Now is the time for investors to be buying up investment property and buyers on the fence to make their purchases.

Another shortage will be in the area of more affordable, smaller homes and condos located in urban locals with amenities. 3.8 million Boomers will be looking to downsize in the next decade. I believe there is a lot of opportunity for builders to build rambler-style homes in planned communities.

**As the building machine starts up it will face challenges that will slow new homes coming on the market.** Many builders, developers and suppliers went bankrupt or were wiped out in the recession and credit crunch. We now have fewer trained contractors, many retired or changed professions because of the lack of work, fewer more are coming into the industry for obvious reasons, no new job training is occurring because of the low demand for workers which all leads up to the coming housing shortage.

The buying public still believes there is plenty of inventory, they don't believe interest rates are going up anytime soon and as a result still lack a sense of urgency which means fewer sales. For those paying attention we have already moved into a seller's market. It is a seller's market when there is decreasing inventory, fewer days on market and multiple offers as we are experiencing now. Currently we have approximately 5 months of inventory. In the \$250k and below it is more like 3 months supply. The rule of thumb measuring the housing market continuum is 6 months or less of inventory is a seller's market pushing prices upward, 7 to 8 months of inventory is a balanced or transitioning market and 9 months or more of inventory is a buyer's market with prices trending down.

**For consumers paying attention the opportunity is now and it is huge.**



Talk to  
Cathy to  
get started  
in real  
estate.

Cathy Staup is an experienced Broker in Washington State, a member of the Northwest Multiple Listing Service and a prestigious member of the President's Club. Experienced in all phases of sales and marketing single family, multi-family, condominium properties, manufactured homes, improved and unimproved land, new construction and presales.

She is an approved instructor for the Washington State Housing Finance Commission which provides home buyer education services and down payment assistance for first time home buyers. Through teaching WSHFC classes she has gained a unique understanding of the challenges either first or third time home buyers face and is dedicated to making the experience as stress-free as possible. Cathy believes in the importance of informed and educated buyers and sellers.

Sellers have benefited from Cathy's marketing experience since 2002. Cathy offers her experience, skills, motivation, attention to detail, follow through track record, and ability to provide the most service with the least amount of hassle for all of her clients. Visit my site at [www.positivepathhome.com](http://www.positivepathhome.com)