

Signs of Housing Recovery Starting to Emerge

The early signs of a possible sustained recovery for the housing market are in the air amid predictions that a turnaround could be in evidence by mid-year. Among the statistics and forecasts released by government agencies, research firms and industry-related trade associations in recent weeks were the following:

HOUSING STARTS & NEW-HOME SALES

Extension of the \$8,000 tax credit for first-time home buyers is expected to have a "substantial stimulative effect" on home sales, and should assist the nation's housing market on the road to recovery, according to the National Association of Home Builders. The Washington, DC-based NAHB said the home buyer incentive extension, adopted by Congress and signed into law in early November, should boost both housing production and home sales in 2010. "Builders [in late-2009] were clearly in a holding pattern as the future of the tax credit hung in the balance," said NAHB Chief Economist David Crowe. "This is not surprising, given the fact that the tax credit had been the primary driver of construction and sales in the summer and early fall of 2009." Crowe said, however, that the latest permit patterns indicate that builders "are preparing for the possibility of more favorable housing market conditions in the future."

RESIDENTIAL REMODELING

Although residential remodeling remained relatively weak during the third quarter of 2009, remodelers are starting to report that conditions in their markets are stabilizing, according to the latest National Association of Home Builders' Remodeling Market Index (RMI), which measures remodeler perceptions of market demand for current and future residential remodeling projects. "Some remodelers are receiving more calls for

bids, but it is still extremely difficult to close a sale," said NAHB Remodelers Chairman Greg Miedema. "Financing continues to be an impediment, with many homeowners not able to secure home equity loans or other lines of credit." Despite this, residential remodelers "are no longer reporting markets deteriorating to the same degree as [earlier in the year]," although consumer credit and financing "remain a huge hurdle in closing sales," noted NAHB Chief Economist David Crowe.

CABINET & VANITY SALES

Sales of kitchen cabinets and bathroom vanities, following a pattern throughout 2009, declined again in October 2009 compared to the same month a year earlier, the Kitchen Cabinet Manufacturers Association said last month. According to the Reston, VA-based KCMA, manufacturers participating in the association's monthly "Trend of Business" survey reported that overall cabinet sales fell 25.1% in October, compared to October of 2008. Sales of stock cabinets declined 23.0% while semi-custom sales fell 25.9% and custom cabinet sales dropped 31.3%, the KCMA reported. Year-to-date sales through the first 10 months of 2009 were down 30.2% compared to the January-October period of 2008, the KCMA added.

APPLIANCE SHIPMENTS

Factory shipments of major home appliances, mirroring trends in other key product categories, fell in October 2009, to 4.2 million units, down 3.8% from the 4.4 million units shipped in October of 2008, according to the latest figures from the Association of Home Appliance Manufacturers. The Washington, DC-based AHAM reported that year-to-date shipments through October, at 50.3 million units, were off 15.4% from the same 10-month period last year, when 59.4 million units were shipped. Declines were posted in all key product categories, AHAM said.

