

HOME PRICE DATA SHOWS HOUSING SOLID LONG-TERM INVESTMENT

November 8, 2007 - While the latest S&P/Case-Shiller home price statistics for 20 of the nation's largest metro markets showed a 4.4 percent year-over-year decline, a closer examination of the data reveals that on average, these same markets appreciated in value by more than 50 percent over the past five years.

"It's important to keep things in perspective," said Brian Catalde, president of the National Association of Home Builders (NAHB) and a home builder from El Segundo, Calif. "The current housing price correction is most pronounced in the once super-heated markets in California, Nevada, Florida and Arizona. In most other markets, price declines have been pretty modest."

For example, in Chicago, home prices declined 1.3 percent between August 2006 and August 2007, while posting a 34.2 percent gain for the five-year period between August 2002 and August 2007.

Among the 20 markets surveyed by S&P/Case-Shiller, which represent more than 40 percent of the U.S. population, four posted home price appreciation rates of more than 80 percent over the past five years while 11 registered gains of more than 45 percent.

Home values in Los Angeles fell 5.7 percent in the last year -- but even with this loss prices in L.A. are up 88.9 percent since 2002. In Miami, home prices dropped 7.8 percent between August 2006 and August 2007 while showing a price appreciation of 89.2 percent during the past five years.

The same pattern holds true in Phoenix and Las Vegas, which each posted yearly declines of 8 percent and 7.6 percent, respectively. However, home values surged 80.2 percent in Phoenix during the past five years and 83.2 percent in Las Vegas.

While housing is a cyclical business, experience shows that over time, home values will stabilize and then move upward with the next recovery, said Catalde.

"To argue that home values will continue to decline and never recover, somebody has to make a convincing case that it will cost less to build a new home five years from now than it does today -- and that's just not going to happen," said Catalde. "Despite today's housing slowdown, the cost of land, labor and materials required to build new homes continues to go up."

Furthermore, Catalde noted that the rapid appreciation rates in 2003-2005 were clearly unsustainable over the long-term, and that housing typically increases in value slightly above the overall inflation rate.

Homeownership as a long-term investment has a track record that is virtually unmatched by any other purchase in terms of its real benefits, he added. Home owners today have a combined \$11 trillion in equity in their homes, against which they can borrow to help pay for college tuition, medical expenses and other needs. And housing offers important tax incentives to make owning a home more affordable.

