

## PROJECTED HOUSING STARTS FOR MICHIGAN SOD MARKETING AREAS

William B. Lloyd  
School of Packaging  
Michigan State University

Forecasting housing starts for 1977 and thereafter has, in addition to all the uncertainties of any other period in time, an unknown ingredient called "Carteritis". After January 20, 1977, the infusion by President Carter of small or larger dosages of housing assistance could considerably alter projections as indicated on my Housing Starts Chart. It has been indicated that President Carter will shoot for a target of a 6% mortgage interest rate and two million annual housing starts. However, the "time lag" of the federal government, especially in regards to housing, is such that this newly introduced ingredient will have minimal effect during most of 1977. It is generally agreed that the governments' role in housing has basically been funded through June of 1977 and that any economic effect of the Carter administration would not be felt much before the beginning of 1978 or thereafter.

Traditionally, the housing industry has led the nation out of economic recessions. This did not materialize in 1976 which might have been termed only a somewhat fair year for housing. The housing starts for 1976 accounted for only one and a half million units. Nevertheless, the single family starts during October 1976 (1,329,000, seasonally adjusted) were the second highest for any October on record. This is especially interesting because of the very small number of subsidized units built last year in contrast to the record October 1972 single family starts. The sale of existing single family homes in 1976, as reported by the National Association of Realtors was 3 million units. Next year's forecast even exceeds this very large volume of used dwellings. Multi-family starts in 1976 represented approximately 425,000 units, one for every two single family detached housing starts.

The low apartment and/or multi starts have been due, for the most part, to the extreme over production of condominiums and rental apartments during 1972 through 1974. Further, the return on investment has not been attractive for the investor community. Arthur Burns recently indicated that boom times for housing, particularly construction of rental units and condominiums are not likely to return in the near future.

The year 1977 is forecasted by most economists to be a good year. Total housing starts will increase approximately 15% from 1976 (latest projection is 1.54 million starts) and total 1.74 million starts. However, one nationally recognized building consultant looks for 1.9 million starts. As previously indicated, President Carter's influence on housing, if initiated as planned, will not be felt prior to late 1977 or more probably 1978. The largest gains will be made in the multi-family sector and will indicate the first good recent signs of moving out of its two year recession. However, recent reassessment of multi-family permits might indicate considerable worry about the near future. This is the area in which the Carter administration will devote its housing energies should this housing segment falter and restrict the housing recovery. Single family detached units will continue to move ahead at boom levels, advancing to a forecasted 1.2 million starts versus 500,000 multi units. Incidentally, mobile homes are forecasted to show gains from their approximate 250,000 shipment of 1976. The previous all time high was 576,000 units in 1972.

During 1977, a favorable mortgage market (8 1/2% conventional interest rate forecasted), a lack of surplus housing inventory, a moderate rate of inflation (5% we hope), high savings inflows to the Savings & Loan Associations (as of October 31, 1976 with two months remaining, 29.74 billion dollars of net savings gain) and

President Carter's sympathetic overtures toward housing should make it a productive year. Predicted cost of housing in 1977 will increase about 6 1/2 or 7%.

Forecasting 101 metropolitan areas (NAHB) for 1977, single family units will comprise 66% of the construction starts, a 4% increase, and multi units a 22% increase. The predicted increase in metropolitan units over 1976 starts are as follows:

	<u>Single Family</u>	<u>Multi Family</u>
Akron, Ohio	5%	26%
Cleveland, Ohio	4%	55%
Columbus, Ohio	8%	16%
Dayton, Ohio	5%	40%
Detroit, Michigan	2%	12%
Flint, Michigan	14%	14%
Grand Rapids, Michigan	11%	19%
Kalamazoo, Michigan	4%	38%

Contrary to the belief that the "no frill" housing unit would compensate for increased costs of housing, the median dwelling unit continues to increase in square footage of living space, lot size and of course selling price. Median living space in November 1976 was 1,615 square feet, an increase from 1500 square feet a year ago; median lot size was 9,750 square feet compared to 8,400 square feet a year ago; and the median sales price was \$42,900 versus \$39,925 in November 1975. However, the median construction cost per square foot has increased from \$27.30 a square foot (November 1975) to \$28,00 per square foot in November 1976. People will find ways and means to purchase housing of their choice. Landscaping is certainly a factor in their housing dreams and 1977 should be a good year.

# HOUSING STARTS 1971-1981

