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## Housing: Set for a Rally in 2010?

*This post was written for **The Ground Floor** by [Trisha Riggs](#), vice president of Communications at ULI.*

The for-sale new-home housing market could pick back up by 2010, followed by a rally in the resale market in 2011, predicted an industry analyst at ULI's recent annual fall meeting in Miami. The comeback, said John C. Burns, president of John Burns Real Estate Consulting, Inc. in Irvine, Calif., will be driven by more young adults entering the home buying market—but not before a further shakeout resulting from more foreclosures, more job losses, and a continually dragging economy.

The downward housing spiral, according to Burns, could be attributed in part to a push for homeownership to an “unsustainable” national level of nearly 70 percent. In the wake of the housing market collapse, the supply of homes for sale nationwide soared to its current level of about 4.5 million, which he said is about 2 million higher than the level needed to achieve balance between supply and demand. The silver lining: home price declines of more than 20 percent nationwide have eased the affordability gap between prices and consumer incomes, Burns noted. “The housing market will stabilize when we get back to a six-month supply [of homes for sale], when job growth stabilizes, and when monthly [house] payments get more in line with consumer incomes,” he said.

As for the rental housing market, there is little, if any, current apartment demand nationally, said Greg Willett, vice president of research and analysis at M/PF YieldStar in Carrollton, Texas. Even in the relatively few cities producing jobs--specifically Dallas, Houston, Seattle, Washington, Austin, and San Antonio—apartment absorption is weak, he noted. Next year, Willett predicted, demand for “traditional” multifamily units is likely to improve as consumers “grow skeptical” of leasing homes that owners are unable to sell, which could be subject to foreclosure while being rented. This risk, plus the tendency of such “shadow homes” to rent for higher amounts but offer few amenities, will give multifamily units an edge, he said.

Over the next couple of years, there will be significant delivery of multifamily units already in the pipeline; yet, because multifamily starts have remained constrained in 2008, demand will be sufficient to absorb much of this new product, Willett said. In general, he predicted that rents will decline further in 2009, but pick back up in 2010 as the market starts to rally, reflecting improved job growth and the entry of more echo boomers (Generation Y) into the rental market. The result: positive prospects for traditional apartments that are closer to urban centers, and dimmer prospects for rentals of single-family homes on the urban fringe, Willett said.