



U.S. May Face Housing Shortage in 2011

Economist Says, Foreclosures Notwithstanding, Housing Inventory Isn't Keeping Up With Population Growth

By Alexandra Zendrian, Forbes.com

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The focus of the U.S. real estate market lately has been the number of foreclosures and people trying to purchase cheap housing. But Brian Wesbury, chief economist at First Trust Advisors, says that if Americans don't start focusing on building new houses, the market will have a much bigger problem on its hands.

"We need one and a half million houses per year just to keep up with population growth," Wesbury said in an interview with Steve Forbes. "And then if you throw in, you know, fires and tear-downs and just worn-out properties, we need 1.6 million or more per year. Right now, we're down to about six and a half, seven months' inventory whether you look at new homes or existing homes."

Privately owned housing starts in December 2009 were at a seasonally adjusted annual rate of 557,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. This is 4% less than where it was in November, which had 580,000 housing starts.

Housing completion numbers also contribute to this dire picture, with December 2009 privately owned housing completions reaching a 768,000 seasonally adjusted annualized rate. That's down 11.2% from the 865,000 completions in November and down 25.3% from the 1,028,000 completions in December 2008.

Some people might shrug these statistics off considering the number of foreclosures in the market. To them, Wesbury told Steve Forbes, "Yes there's foreclosures coming into the market, but we're only starting right now ... We're starting one-third of the houses we need just to keep up with population growth, and that can't last."

There were 315,716 properties last month with foreclosure filings according to RealtyTrac. These filings include default notices, scheduled auctions and bank repossessions. Though last month's filings were 15% more than a year ago, it was 10% less than December's.

Aspiriant Chief Investment Officer Jason Thomas doesn't see the foreclosure situation getting better until the labor market picks up. "So many people are getting to a point where they just can't hold on anymore and we may see another wave of that if we don't see a pretty robust turnaround in the labor market," he says.

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