STATEMENT OF MICHAEL SUMICHRAST, DIRECTOR OF ECONOMICS, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. SUMICHRAST. Mr. Chairman and members of the Joint Economic Committee, it is my distinct pleasure to be here today. I have with me my two associates, Mr. Norman Farquhar and Mr. Charles P. McMahon.

The homebuilding industry plays a vital role in the American economy. It can generate annually more than $21 billion in direct expenditures for new privately owned single and multifamily units.

Following World War II the industry succeeded in rapidly expanding production to satisfy pent-up demand resulting from the war and depression.

During 1950, production exceeded the 1.9 million unit mark—a level which has not been duplicated since. Our industry, as you very well know, has been plagued by the uncertainty of the money markets which generated declines in 1951, 1956–57, 1959–60, and the latest in 1966.

From an annual rate of 1,611,000 units in January of 1966, housing production begain dropping, dipping to a postwar low rate, a 25-year low, of 848,000 units in October 1966. A recovery began in early 1957, but it was slow and failed to hold out much hope to those looking to our industry to partially counter some of the sluggishness in the other sectors of the economy.

During the first 5 months of 1967, a weighted average of the seasonally adjusted annual rates of production indicates that we have not exceeded the 1966 level of production. In fact, actual starts for the first 5 months are 100,000 behind activity for the same period of 1966.

The remaining 7 months of 1967 hold little hope for recovery of last year's losses. A special preliminary tabulation of 75 major metropolitan areas—the largest areas covered by NAHB's metropolitan forecast which now reports on in excess of 100 areas—covered by NAHB's quarterly forecast program shows an expected gain of 4 percent in singles, partially offset by a loss of 3 percent in multiple starts. For the year as a whole the metropolitan forecast indicates approximately 820,000 single-family units will be started and 415,000 multiples.

This is not much change from the production we have achieved last year.

The latest forecast is somewhat more optimistic than the view of the same markets in mid-March but still points to a continued low level for our industry.

A preliminary look at 1968 indicates a modest recovery—singles to be up 9 percent and multiples 14 percent; actual starts are expected to reach 890,000 singles and 475,000 multiples—a total of 1,365,000 units.

The dollar volume of new housing units built last year was $18.8 billion. During 1967, due primarily to the low level late in 1966, total expenditures on new housing will fall to $17½ billion. By 1968 this figure should be between $19 and $20 billion.

I have provided the committee with some tables and charts, and the forecast for 1967 is shown in chart No. 1.

(Chart 1 follows:)