A recent survey by NAHB of leading builders and market analysts on questions of the availability of mortgages and the interest rates confirmed that interest rates had indeed dropped during April, but they rose to their former levels during May and early June. Most metropolitan areas reported upward rate movements; present Government data appear to lag actual events in these areas. In those areas where little change had already occurred there was expectation that change was eminent.

Despite the firming in money markets, builders report some restoration of buyer confidence and the number of home shoppers has increased. Realtor multiple listings have likewise shown a substantial increase, the National Association of Real Estate Boards reports.

As a result of a very low production of last year and a low production of this year, we are building a substantial backlog of housing demand. Indications of this may be found in the substantial reduction in the rental vacancy rate which was 7.7 percent in the final quarter of 1965; the first quarter of 1967 rate was 6.6 percent. Home ownership vacancy rate had also been diminished.

As an indication of this decline is the fact that we have already used 300,000 vacant units from the inventory.

Households last year increased by 1 million which would indicate the postponement of the removal of units from the inventory and perhaps some doubling up of family units. Given the resources, the industry would be capable of producing not only its average 1.5 to 1.6 million units annually but an additional 100,000 to 300,000 units to satisfy the pent-up demand.

Allowing for repayment of mortgage debt, our association estimates that debt on one- to four-family homes will increase during 1967 to an estimated $238 billion, nearly $13 billion over the 1966 yearend figure. Multifamily debt will increase by $3.5 billion, thereby generating a net capital requirement of $16.5 billion. This compares to $15.2 billion in 1966, and $21.5 billion in 1964 and 1965.

In summary, on the basis of early year activity and money availability at that time, we have been hoping for an increase of some 100,000 over the volume last year. As you know, Mr. Chairman, 1966 was off 300,000 units from the year 1965.

Last year, on the basis of financial commitments made prior to actual money tightness, the volume was high in the first half and lower in the second. It has been our hope that we would see a reversal of that pattern in 1967. If mortgage money is available, then that is certainly within reach.

We would be less than candid, however, if we expressed ourselves as completely happy with the outlook at this time, and there are clouds on the horizon in the light of heavy financial demands throughout the economy.

Thank you very much.

(Additional tables and the publication Economic News Notes, referred to by Mr. Sumichrast, follow:)