

Senator MORSE. You may proceed.

**STATEMENT OF DR. MICHAEL SUMICHRAST, CHIEF ECONOMIST,
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D.C.; ACCOMPANIED BY NORMAN J. FARQUHAR, ASSOCIATE
ECONOMICS DIRECTOR, NATIONAL ASSOCIATION OF HOME
BUILDERS**

Dr. SUMICHRAST. It is a pleasure to be here. My name is Dr. Michael Sumichrast, chief economist, National Association of Home Builders and professor of real estate and urban economics at American University.

I have a prepared statement for you but I won't read it. I will just briefly restate what is in the statement and then be ready for questions which you may ask me.

I introduce my associate, Mr. Norman Farquhar.

Senator MORSE. Your statement will be printed in the record in full. At this point you may digest it or summarize it.

Mr. SUMICHRAST. Housing demand is basically a function of household formations which are presently being formed at the rate of about 1.1 million a year, then the net removals from housing inventory, running at the rate of about 660,000 a year and the third component, the increase in vacancies. This is a function of the mobility of the population which moves at the rate of about 40 million a year. It is also a function of the demand for second homes, estimated to be between 150,000 and 200,000 units annually.

When you look at the tables, table 1 shows that by 1970, we will need annually about 2 million new housing units. By 1975 we will need probably about 2,270,000 new housing units and by 1980 about 2.5 million housing units annually. If you add to it a figure of half a million units needed to remove the large number of substandard housing, which is estimated at about 7.5 million housing units, you will get a total demand of about 2.5 million housing units by 1970.

As I already mentioned, this housing demand is a function of household formation, net removals from housing inventory, and changing in vacancies. This is illustrated in table 3 on page 3.

If you look at the breakdown of the 2 million new housing units which I said we will need to build annually by 1970, then we will see that we will need about 1,100,000 units annually in single family homes. In addition to that, we will need about 665,000 units in apartments, and the part of the supply which will get to the 2 million figure will come from mobile homes. This figure is estimated by us to be 245,000 units by 1970.

Senator MORSE. That figure is in table 2?

Dr. SUMICHRAST. Yes; that figure is in table 2.

The single family will gradually increase throughout the seventies to the 1980's when it will probably reach close to 1.5 million units annually. The apartment market is going to be substantial, and it will increase by 1980 possibly to 725,000 units. In addition, there will probably be about 335,000 mobile homes built.

This is approximately the magnitude of the market which we expect in the future. It is rather large. It is substantial. It is much higher