

NAHB Convention Report

by Patrick J. Galvin

The event was the biggest ever, as nearly 60,000 gathered in Dallas, Tex., for the annual convention and show of the National Association of Home Builders (NAHB) in mid-January.

Builders roamed through 18 acres of exhibits in three buildings and had the opportunity to attend 175 educational programs and hear 700 speakers at the four-day event. As usual, high-ranking bureaucrats and legislators made news.

Highlights of the convention included:

- A look at the "Smart House Project," a joint effort of 29 participating manufacturers and 11 major advisory council members, which might be the hottest topic in construction in the near future.

- A call to arms against tax reform, which the NAHB says is cutting housing starts, making planning by builders uncertain, reducing real-estate investment and eliminating jobs.

- The suggestion of using municipal utility districts as a way to circumvent the no-growth policies of cities.

- An analysis of big changes in housing demographics, with trade-up sales rising from 60 percent of the market this year to 65 percent in the next few years. Strong housing markets were predicted for the Northeast.

- A discussion of how Fannie Mae will ease up on the types of loans it will purchase, just three months after tightening them, as announced by David Maxwell, FNMA chairman.

- The insistence by Edwin Gray, Federal Home Loan Bank Board chairman, that the deregulation of savings and loans (S&Ls) was not intended to reduce the participation of thrift industries in housing.

- A cry of "amen" to the above by Arizona builder Jon Grove, who cited increasing S&L partnership with builders. "Thrifts are directly competing with all of us home builders," he said.

Here are some details.

The 'Smart House'

Only a dream a year ago, the "smart house" is finally here. Two 48-foot vans—one gas and one electric—displayed it in operation at the show. (These vans are available for exhibits throughout the country.)

The basic component of the smart house is its wiring. Picture the spaghetti of wiring in any house today—air-conditioning cables, low-voltage wiring for doorbells and exterior lighting, TV antennas and cables, telephone wires, stereo wires, 220 volts for ranges and dryers and 110 volts for mixers.

Then imagine all that replaced by a single cable, so you can plug a toaster or a telephone or a clothes dryer into any outlet. And a microchip in the outlet that asks the power source for a few volts of direct current, then tells it when it is finished.

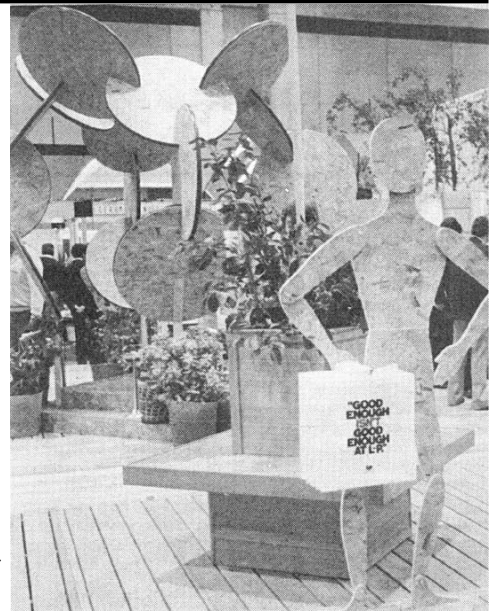
In a smart house, the single cable distributes power, data and audio and visual signals. It reduces shock and fire hazards, cuts metering costs, expands communications and automation and provides backup in the event of power failure.

It also simplifies appliances, since they no longer must be made to adapt to alternating current in their own particular way. In a smart house, they all use simple direct current, making alterations unnecessary. The system simply identifies the current that is needed and supplies it.

Smart-house technology was accepted in the National Electrical Code in December and will become effective in January 1987. Two laboratory houses are to be built in Bowie, Md., this spring.



Photos by Pat Galvin



The NAHB convention once again proved to be the place to meet interesting people, and to learn the latest techniques for material applications.

For information, write Smart House, Box 1627, Rockville, MD 20850.

Tax Reform

Rep. Richard Schulze (R-Pa.) told builders that while the tax bill will hurt housing in the long run, it might trim out the "fringe" builders and thus have a beneficial effect as well.

He noted that the bill limits incentives for first-time home buyers and maintains a bias against savings. It also would add 14 percent to the cost of home ownership, he said.

Others admitted that nobody knows what Congress will do with the bill.

The 'No-Growth' Issue

Municipal Utility Districts (MUDs) were cited by Larry McGinnis of the Austin (Tex.) home builders association as one way builders in his area are circumventing city limitations on growth. There are 28 MUDs in Austin, he said, and 26 more are being considered.

McGinnis explained that MUDs are agencies that deliver water, sewer and drainage services to areas not already served by cities. He recommended them to small builders because without them, he said, the cost of building homes within Austin would be \$18,000 more per acre.

Establishing a MUD requires city approval. If the application is rejected, however, the city must extend service to the site within six months, which the cities consider too expensive, he said.

Changing Demographics

Builder William E. Becker of Hackensack, N.J., predicted "a demographic roller coaster" for the next 20 years for the nation. Home marketing in the '90s will be directed to 35- to 45-year-olds, he said, with "smaller communities and neighborhood villages."

Kent Colton, the chief executive officer of the NAHB, noted that six of the 10 states with the largest housing increases in 1984 were in the Northeast: New Hampshire, New York, Massachusetts, New Jersey, Connecticut and Maine.

He predicted that the Northeast will have a strong housing market in 1986, although it will not reach 1985 levels. The Northeast's share of housing production grew from 10 percent in 1983 to 14 percent in 1985, he added.

Fannie Mae Restrictions

Fannie Mae's current ban on seller contributions to adjustable-rate mortgages with less than 10 percent down is being lifted. Sellers now can pay closing or financing costs up to 2 percent of the sales price or the

appraised value, whichever is less.

The previous 6-percent limit on outside contributions for mortgages with 25 percent down is being increased to 9 percent. And the 5-percent cash-down requirement can be waived if an immediate family member makes a gift of 20 percent or more of the sales price.

These changes are immediate, taking effect on announcement.

Savings and Loans

Thrift institutions continue to play a vital role in housing finance, according to Federal Home Loan Bank Board chairman Edwin Gray. Deregulation was designed "to revitalize the housing industry" by ensuring the availability of loans, he said.

Noting that 55 percent of all home loans in 1985 were made by S&Ls, he maintained that the housing industry criticism of deregulation was not valid.

But builder Jon Grove cited the increasing trend of S&Ls to join forces with large builders and build on their own. He added that many builders are doing much the same thing—establishing their own S&Ls and becoming lenders. ■