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## HOUSING AND HOUSEHOLD EQUIPMENT

### OUTLOOK FOR 1961

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Two years ago when I gave the outlook paper on housing, I mentioned the irregularity of the rate of housing construction during 1958. This year also shows abrupt changes in rate from month to month. After several brief but encouraging gains during 1960, September Commerce Department reports show a slump of 17 percent from August after allowance was made for seasonal change. It now appears that residential construction starts will total about the same as for 1958 but considerably below 1959. I should like to emphasize that this prediction and later comments are my own view and are not necessarily those of the Department of Labor.

Through the year, houses have not been selling readily and the market has become very competitive. The competition has been of benefit to consumers in that builders have been more progressive in marketing and construction ideas to make homes salable.

This year, medium-priced homes, selling from roughly \$15,000 to \$20,000, have commonly featured several new designs. Examples are inner courts enclosed on three or four sides, and patios accessible by glass doors from two or more rooms. Many of the changes lean toward a closer link between the inside of the house and the outdoors--and a more intelligent use of land contours and existing trees in both house design and landscaping.

The new houses are frequently a far cry from the rather austere and unimaginative small houses built a decade ago in large numbers to meet the postwar need. Now two bathrooms are common; dining rooms and large kitchens have once again come into their own. Appliances of many types are built in. Dishwashers, garbage disposers, centrally installed air conditioners, and home intercoms are frequently provided.

To help determine the outlook for 1961 in the production of new housing, we may look at factors behind the demand for housing and at current trends to try to identify the forces that cause them.

Houses are built in response to a demand for shelter which arises from new family formation, from increase in family size, and from improvement in the income and financial security of people of all ages. Their resources enable them to form new households or to improve their environments.

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## Demand For Housing

Any effort to predict the growth rate of housing should take account of the net increase in the number of households. This statistic tells us a great deal about the demand for housing. It includes the positive effect of new family formation and the increase in separate living arrangements (undoubling). The figure also includes the negative effects of mortality and family dissolution.

The rate of marriages has begun to increase slightly again after the post World War II low of 1958 and is now up about 2 percent above 1959. However, both 1958 and 1959 rates are the lowest since the depth of the depression in the thirties. 1/ The large proportion of children and teenagers below marriage age in the population depresses the rate, of course. Since average income is higher than ever for newly married couples, it is to be expected that most will plan to set up separate households. Of the 40 million married couples in 1960, only 2.4 percent did not maintain their own households as compared to 5.6 percent in 1950. 2/

The number of births is also declining slightly; during the first 6 months of 1960 it is about 2 percent under the same period last year. The downturn is assumed to be only temporary since there appears to be no evidence of a trend toward smaller families. 3/

The large post World War II baby crop will be reaching marriageable age and joining the labor force in the second half of the 1960's. They will contribute to a possible total increase of 1 million households a year which should cause a boom in housing, appliances, furniture, and other household durables. 4/

Additional shelter demand will come from the housing requirements of the elderly. Liberalized retirement and employment opportunities have made it possible for an additional 300 thousand persons per year, 65 or over, to maintain households rather than to "double up." Life expectancy continues to increase. The expectancy at birth is now 70 years compared to 68 years in 1950. 5/

We are able to predict confidently that the demand for housing and household equipment will rise to new heights in the second half of the decade. This assumes an adequate level of employment and other characteristics of a healthy economy.

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1/ U. S. Department of Health, Education and Welfare, Monthly Vital Statistics Report, Vol. 8, No. 13, Apr. 25, 1960.

2/ Bureau of the Census, Current Population Reports, Population Characteristics, Series P20, No. 103, July 6, 1960.

3/ Ibid

4/ Ibid, No. 90, Dec. 29, 1958.

5/ U. S. Department of Health, Education and Welfare, Provisional Statistics, Estimated Number of Deaths and Death Rates...Aug. 12, 1960.



## Rates of New Housing Production

Economists and housing people differ in their estimates of just what quantity of housing should be added to the supply each year to keep up with current needs. The opinions might average out at about 1.5 million units including about 100 thousand farm homes. This is presumably arrived at by projecting the annual rate of household formation, and adding the estimated replacements for substandard housing and for losses from fire, demolition, merger, etc. The former is now averaging about 900 thousand units and the latter at least 500 thousand units annually.

According to preliminary census housing counts, we have provided an additional 1.25 million units yearly on the average since 1950. 6/ Additions to the housing supply other than by new construction are largely from conversion (defined as the creation of new units by dividing existing units) and probably run about 200 thousand a year. This means that the desirable total of 1.5 million units must be made up of 1.3 million newly constructed units.

The rate of housing construction for the year 1960 may be about a fifth below the rate for 1959. However, the effects of an improving supply of mortgage money should be felt by 1961, therefore next year's total of units started may approach our goal of 1.3 million. The total for last year was almost 1.6 million units, which should have helped to overcome some of the deficits of the low-production years.

There is a close relationship between the supply of mortgage funds and the vigor of new house construction.

Many newly married couples are finding it very difficult to buy a new home. They are not able to use the benefits of the GI Bill, either because they do not qualify or because GI financing on houses for sale is often not available. On the average, fewer than one out of five buyers is able to pay for his home entirely in cash. Of the remainder who do not "take over" existing mortgages, about three of four finance their homes with conventional mortgages. The remainder use FHA or VA mortgages. However, since about 1956, VA mortgages have dropped in importance and in 1959 represented only about 6 percent of the total number of new mortgages written. 7/ New homes are often for sale only under FHA or under conventional mortgages, both of which entail higher down payments and, frequently, higher monthly payments than GI financing. Lenders consider GI mortgages a less attractive investment because of their noncompetitive return under the present high interest rates. I should like to discuss costs and financing later at greater length.

The demand for apartments has increased partly as a result of the difficulties in buying new homes encountered by young people and others without the resources to make a sizable down payment. In response, large apartment houses are being constructed at the most rapid rate since 1954-55. At this point, indications

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6/ Bureau of the Census, Housing Unit Counts, HC(P1)-1, Sept. 1960.

7/ Housing Statistics, Annual Data, March 1960, Housing and Home Finance Agency.

are that construction of large multi-unit structures is running about a third above the rate for 1959 according to the Engineering News Record. 8/ This trend is seemingly in spite of the large rental vacancy rates reported locally for some cities--and reported nationally by FHA for apartments financed by FHA mortgages and by the U. S. Bureau of the Census. 9/ Apparently effective demand is strongest for large, luxury-type apartments. New luxury apartments with large rooms and swimming pools are being rented at high rates as soon as completed.

A discussion of production of new homes is incomplete without a reference to the trend towards less conventional homes. Mobile houses are becoming ever more elaborate and production is soaring. Last year there were over 11<sup>1</sup>/<sub>4</sub> thousand homes on wheels sold, an increase of 11 percent over 1958. About 380 manufacturers competed in this output. The manufacturers are following very imaginative designs in the built-ins, the luxurious paneling, and the spaciousness of the better units.

Vacation homes production is booming also. The National Association of Real Estate Boards estimated that 1<sup>1</sup>/<sub>2</sub> to 2 million families own second homes.

#### Trends in Costs of Housing

It is now gradually beginning to be easier to borrow money to buy or build a house than it was earlier this year. On the other hand, the cost of constructing a house, and therefore often the price, is higher than it was a year ago. The Boeckh Index of Residential Construction Cost was over 2 percent higher last May as compared to 12 months earlier. 10/ Building materials are cheaper on the average, but average hourly earnings in contract building construction are up over 5 percent from last year. 11/

This analysis of cost and price neglects land, which has increased in price more than other elements of housing. The average site cost in FHA valuations has increased from \$761 in 1946 to \$2,362 in 1959. 12/ These prices, however, are not necessarily for comparable qualities of land. In a survey of 7,000 builders conducted in 1959 by the National Association of Home Builders, the acquisition of land at a reasonable price was given as the most serious home-building problem. Since land costs previously comprised roughly 10 or 12 percent of the total cost of a house and now may represent up to 16 or 18 percent, we can estimate that about a third of the average price rise in houses since the late 1940's is caused by a rise in land prices.

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- 8/ The Housing Institute, New York. The Housing Letter, Sept. 3, 1960
- 9/ The rates were reported as 5.5 percent by FHA and 7.3 percent by Census at mid-1960.
- 10/ E. H. Boeckh and Associates, Washington, D. C.
- 11/ Bureau of Labor Statistics, Employment and Earnings, Vol. 7, No. 4, Oct. 1960.
- 12/ Statement by Julian Zimmerman, FHA Commissioner, as reported by House and Home, Aug. 1960.



Typical home and lot prices from the post-war forties to the present will demonstrate the relationship:

	<u>1947</u>	<u>1960</u>	<u>Percent increase</u>
Total	\$10,000	\$17,000	70
House	9,000	14,000	56
Land	1,000	3,000	200

House and Home published an interesting study on land availability and costs in their August 1960 issue. According to this study the boom in land prices is not supported by real land shortages around large cities. An artificial shortage is created by the land price inflation itself in that owners of unimproved land tend to hold their property for even higher prices. The implication is that suburban land prices may decline in spite of the population growth and high rate of new construction, according to House and Home.

#### Mortgage Credit

I have already mentioned the importance of the supply of credit funds in the future of housing. The outlook for the remainder of 1960 and for 1961 so far as mortgage money is concerned justifies some optimism. The supply of money for mortgage credit purposes has already increased slightly.

The scarcity in mortgage credit had an interesting effect on mortgages written. Unlike earlier periods when shortages of credit developed, the terms (other than interest rate) such as down payment and amortization, have remained quite stable. For example, VA loans made recently still have down payments averaging 3 percent of the price and usually extend for 30 years. They are, however, scarce and hard to obtain. FHA mortgages for new homes are also typically for 30 years and require down payments of only 7 percent of the purchase price. The drop in importance of new Government underwritten loans and the corresponding increase in the proportion of conventional mortgages with their higher down payment requirement have effectively raised the average down payment.

According to a recent article in the Survey of Current Business, the demand for housing responds more to changes in down payments than to interest rates. <sup>13/</sup> As a result, there has been a long-term tendency to lower down payments until they are now reduced to a practical minimum. The current 30-year term of the mortgages seems to be at least approaching a reasonable maximum. Therefore, the increase in interest rates has had a direct effect on monthly payments. The monthly payment including interest at 6 percent and amortizing a 30-year loan is 12 percent higher than a monthly payment on a similar loan at 5 percent. This may help to explain some of the depressive effect on housing starts of a tightening mortgage market. Many buyers cannot qualify for a new loan on the basis of income according to FHA or lenders' rules.

In summary, mortgage money may be the single most important item influencing the vigor of the housing industry. The high interest rates have effectively forced up the average down payment required, by increasing the proportion of high down payment conventional mortgages among all new mortgages written. The low down payment VA and FHA mortgages have declined in importance through their inability to compete in the market.

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<sup>13/</sup> Survey of Current Business, The Business Situation, pp. 5-6, Sept. 1960.

Some of the reasons for a brighter outlook for mortgages are the Federal National Mortgage Association's recent increase in price for mortgages on the secondary market, and a significant increase in deposits in mutual savings banks. Since these banks are the heaviest purchasers of FHA and VA mortgages, their renewed activity in the market made possible by the increase in investment funds should bring more Government underwritten mortgages into the market.

#### Trends in Cost of Rental vs Owner Occupied Shelter

The trend of the cost for both rental and owner-occupied shelter is upward; the rate of increase has been  $1\frac{1}{2}$  to 2 percent per annum. Homeowners in any urban group tend to spend more than renters because they invest in better housing; however, costs of rental and owner-occupied quarters of equivalent size and quality are about equal. 14/

Rent paid for a fixed quality of shelter has advanced steadily over the decade but with some slowing in the last 2 years as measured by the Consumer Price Index. During the 2-year period from December 1957 to December 1959, the rent index increased about 3 percent, at a slightly slower rate last year than in 1958. The increase for 1960 will again be at a lessening rate, probably about 1 percent. Tenant mobility and the rise in property taxes have important effects on rent change, particularly in areas where rental vacancies are scarce and there is a vigorous demand for rental shelter.

Total costs of home ownership as measured by the Consumer Price Index increased almost 3 percent from December 1957 to December 1959. These costs include purchase price, maintenance and repair, mortgage interest rate, hazard insurance, and property taxes. This is about the same increase reported for rent. Among the items of home ownership cost, residential property taxes have shown the greatest increase in price. The local public services and installations for water, sewer, schools, etc., have risen consistently in price over several years and are expected to continue to rise.

On the average, homeowner occupants have "better" housing than renters; but the former pay extra for their quality and size advantages. An important advantage of home ownership is privacy--the larger number of rooms, separate yard area, and usually a detached housing unit as compared to the typical rental apartment. Rising income for wage earners enables an increasing proportion to own their own homes.

The Federal Reserve Board's Survey of Consumer Finances for 1959 found all families receiving higher incomes than in 1958 and consequently more families planned to purchase homes in 1960 than in the previous year. This volume of purchases was not realized in 1960 according to quarterly reports of the National Association of Real Estate Boards. The decline in transfers probably was caused mainly by financing troubles, although unemployment and loss of

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14/ Monthly Labor Review, Monthly Cost of Owning and Renting New Housing, M. Mead Smith, Aug. and Sept. 1954.

income were substantial in certain industrial areas.

The average monthly housing payments (including payments on principal, interest, taxes, and insurance) for homes newly purchased under FHA-insured mortgages have advanced steadily each year since 1950. Average mortgage payments are increased, of course, by rises in price and mortgage interest rate, and by rises in loan-value ratio (lower down payments). The monthly payments are decreased by an extended average term in years. These trends from 1957 to 1959 are as follows: 15/

	1957		1958		1959	
	New homes	Existing homes	New homes	Existing homes	New homes	Existing homes
Monthly payments	\$90	\$86	\$96	\$90	\$98	\$92
Loan-value ratio	85	85	92	90	94	92
Term in years	26	22	27	24	29	25

In spite of the large increase in average payments, the proportion that average housing expense represents of income rose only slightly from 19.5 percent in 1956 to 20.5 percent in 1959 for new purchases of new homes, according to the Federal Housing Administration.

The occupant turnover or mobility of the population contributes to the overall demand and is interrelated with other forces such as change to ownership. The Bureau of the Census estimates that about one person in five changes his residence in each 12-month period. 16/

An important trend which affects mobility is the large scale movement to and from the suburbs around large cities. The movement to the suburbs reached its peak in the years 1950 to 1955. Since 1955, movement in this direction has slowed while movement in the opposite direction has increased slowly but steadily. The reason for the reversal is probably the higher taxes and commuting problems of suburbia. 17/

#### New Trends in Housing Construction and Design

The physical design of houses is often more interesting than question of production and mortgage money. There have been interesting changes in middle-priced homes and the changes are well worth discussing.

The Mortgage Bankers' Association in its quarterly review has recently quoted the testimony of Mr. Charles Wellman on pending housing legislation. The statement makes the point that easier credit can no longer be looked to for

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15/ Report prepared by Federal Housing Administration, Division of Research and Statistics.

16/ Bureau of the Census, Series P20.

17/ From a paper given before the American Statistical Association by A. F. Parrott at Stanford University in Aug. 1960.



expanding the housing market. It continues, "Future expansion must be gained in another way. That way is a direct attack on building costs. The emphasis must shift from the field of finance to the fields of design, invention, building products and construction methods. ..." 18/

The median size of new medium-priced and low-priced homes has increased for years and is now about 1,100 square feet, if FHA mortgaged houses may be taken as typical. A house of this size offers many possibilities for attractive design features. The 900-square-foot house of 1950 had space for two or three small bedrooms and one bath. A separate dining room was out of the question unless the living room was unreasonably small. Today, space is often provided for an entrance hall, family room, second bathroom, and breakfast area.

Besides a larger number of more spacious rooms, the planning is more imaginative. The prevalence of large families has caused builders to attempt a greater separation by zones, e.g., sleeping, living, and recreation areas. The split level accomplishes this most effectively. The rambler with finished English basement and the "L" shaped house also may be efficiently zoned.

Builders have tried to increase the blending of the interior and exterior through greater use of picture windows, sliding glass doors, and patios or courts. The land site is being finished with more care by utilizing land configuration and existing trees.

#### Household Equipment

At this point I should like to turn to equipment and furnishings for homes. After a record year in 1959 for sales of household goods, we confidently expected continued strength in 1960. The boom failed to continue largely because of the drop in new house construction. The furnishing and equipping of new homes takes a significant part of the production of these items. The average family buying a new home spends \$1,569 the first year on furnishings and equipment, according to a study conducted by the University of Houston. This includes \$635 for furniture, \$710 for appliances, and \$224 for yard and work tools. The drop in construction of about 300 thousand homes from last year has had an understandably depressing effect on sales of these items.

The Federal Reserve Board's Production Indexes show the following percent changes from July 1959 to July 1960:

Home Goods-----	- 0.8
Appliances (excluding radios and TV's-----	- 0.6
Radios and TV's-----	-14.1
Furniture and rugs-----	- 1.6
Miscellaneous home goods-----	+ 3.8

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18/ Mortgage Bankers' Association of America, Quarterly Economic Report of Trends in the Mortgage Industry, July 28, 1960.

Department stores report a downward trend in sales of furniture and bedding, domestic floor coverings, major household appliances, radios, and television sets. Manufacturers' shipments are down seriously for washing machines and freezers but the decline includes most other appliances. A few growth items such as dishwashers, garbage disposers, eye level ovens, and counter-top ranges moved up against the trend.

## Consumer Credit

An increasing proportion of major household goods are being purchased on credit. <sup>19/</sup> The total installment credit outstanding had risen to a record high in July, according to the Federal Reserve Board. That part of credit outstanding used to purchase goods other than automobiles has increased, but less rapidly in recent months. This slowing has occurred because of curtailed consumer purchases and not because of a more conservative credit-purchase ratio by buyers.

### Annual Averages of Installment Credit Outstanding

	<u>Total installment credit</u>	<u>Consumer goods other than automobiles</u>
	(In millions of dollars)	
1953	23,005	6,779
1954	23,568	6,751
1955	28,958	7,634
1956	31,897	8,580
1957	34,183	8,782
1958	34,080	8,923
1959 <sup>1/</sup>	39,482	10,243
July 1960 <sup>1/</sup>	41,687	10,202

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<sup>1/</sup> Includes data from Alaska and Hawaii beginning with January and August 1959, respectively.

SOURCE: Federal Reserve Bulletin, Sept. 1960.

## Prices of Household Equipment

As you may recall, I mentioned 2 years ago that retail prices of appliances excluding radios and television sets dropped considerably from 1953 to September 1958--over 15 percent. This occurred during a period when all housefurnishings (including textile housefurnishings) declined only 4 percent and the "all items" Consumer Price Index moved up 8 percent.

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<sup>19/</sup> The ratio of installment credit outstanding for consumer goods other than automobiles to personal consumption expenditures for furniture and household equipment was at a high of 54 percent in 1959. These data are published respectively in the Federal Reserve Bulletin and in the Survey of Current Business, National Income issue, p. 17, July 1960.

From September 1958 to September 1960 prices of appliances have continued to move down slowly--about 1 percent over the 2 years. The average for all housefurnishings during this 2-year period increased about 0.5 percent as higher prices were recorded for textile housefurnishings, furniture, and wool floor coverings.

One important reason for the average decrease in prices of housefurnishings was the emerging importance of discount houses in the mid-1950's. Appliance prices were particularly depressed in this period. On the other hand, furniture and household textile prices decreased only moderately since 1953 while floor coverings rose vigorously. The outlook for prices next year in these items is for stability or some strengthening to accompany the rise in the production and sale of houses.

### Quality Improvement

I should like to discuss briefly the improvements which have gradually but significantly altered several products. Among many of the older items there has been an upgrading in quality which is hard to evaluate in terms of price. For some items, objective comparisons can be made. For example, the standard table television set, priced for the Consumer Price Index in 1950, was a heavy, unwieldy model. It was complicated to tune, had a 16-inch picture tube, and retailed for about \$275. The 1961 table model, currently priced for the index, is light, attractively slim, and space conserving. It has circuit improvements that are readily apparent in tuning and a 23-inch picture tube. This model retails for approximately \$220, or \$55 less than its 1950 counterpart. The same trend holds true to a somewhat lesser degree for floor coverings and furniture. In addition, the development of new items such as dehumidifiers, dishwashers, combination washer-dryers, color television, hi-fidelity, and synthetic carpet fibers has done much to improve the American level of living.

The American genius for technology and gadgetry has been apparent in the development and improvements of household appliances. The stimulus for product improvement has arisen partly from the strength of the replacement market in recent years. A consumer buying his second or third air conditioner or vacuum cleaner may be harder to satisfy than when he purchased initially. I think several product changes are worth mentioning in detail.

Conventional refrigerators are frequently replaced by refrigerator-freezer combinations having greater capacity and automatic defrosting. Roughly 50 percent of current refrigerator sales are accounted for by combination refrigerator-freezers. The more expensive models feature completely automatic defrosting in both refrigerator and freezer compartments. The next few years may see the refrigerator-freezer become almost standard in large-family homes. New types of insulation, primarily fiberglass and chemical foam, have permitted manufacturers to follow "thin-wall" design. As a result, a box with a large interior storage capacity may be fitted into the same space formerly required for a smaller refrigerator with the same exterior dimensions.



Safe, quiet, economical room air conditioners of increased efficiency and reduced installation complexity are now available for use with standard house current. Some models are now light enough to be considered portable and may be carried from room to room.

A remarkable development in central air conditioning is the reversible summer-winter heat pumps that provide year-round comfort by control of air movement and quality. These units have sold in more volume in recent years, particularly in the temperate areas of the country. Much of the new housing in the medium and high price range is equipped with standard central air conditioners.

Automatic washers are frequently purchased to replace wringer type units. Washers with two or more agitating and spin speeds are selling in quantity. One indication of the difference between standard and deluxe models is the number of controls which select washing cycle time, agitator speed, and water temperature. Automatic dryers should be mentioned since their popularity is zooming. From 1949 to 1959 sales of dryers increased more than tenfold, from 105 thousand to more than 1 million units. Electric dryers account for about 65 percent of total dryer sales. Drying time and temperature may be selected according to the type of wash. Several firms have developed dryers which sense when the wash has reached proper moisture content and shut off the mechanism. These machines are claimed to eliminate the harsh feel of certain fabrics when they are over dry.

Increased automation is an interesting advance in gas and electric ranges. Electric ranges even at lower prices recently include ovens which may be started and turned off by clock timers. Both gas and electric models can be had with barbeque attachments and rotisseries. In addition, warming drawers, double ovens, and thermostatic burners are becoming common. Most gas ranges are now equipped with automatic oven lighting and oversize simmer burners. Built-in range tops and eye level ovens have increased in popularity during the past 6 years, particularly in new housing. They lend themselves to imaginative kitchen design, and are more convenient to use.

Even appliances which are usually out of sight have undergone streamlining changes as well as improvements in efficiency. The upright vacuum cleaner has been made lighter and lower for low clearance cleaning. The canister cleaner has become very popular because it is less expensive, lighter in weight, and capable of performing nearly as many tasks as the upright. However, some models lack the ability to clean rugs and carpets well. Some manufacturers have doubled motor size to provide more suction and cleaning power. Occasionally rug tools with revolving brushes are available with the higher-priced models.

The domestic production of sewing machines has fallen off with only one or two companies manufacturing a limited number of models. Lower-priced imported sewing machines have offered serious competition to American produced machines. While the conventional machines are still in demand, the "zig-zag" machines capable of doing a greater variety of stitching are becoming very popular.

## Carpets

Tufted floor coverings in manmade fibers have gained much of the market in recent years. Carpets made of Acrilan, nylon, and other new materials come in various configurations, loop or cut piled, and in all sizes. Backings of latex are now often used and may include scrim, which gives additional body to the carpets.

## Furniture

An interesting development in furniture in recent years is the new veneers and finishes that have been created. These range from the synthetic plastic "formica" type finishes to natural wood veneers finished in new shades. Compressed wood byproducts are frequently used to form hardboard and other grainless sheet wood products. The final finish commonly consists of plastic coating, as well as the more traditional shellac and varnish. In cheaper furniture, inexpensive wood exteriors are found with simulated high quality wood grains produced by a photographic process. This finish is also used on some metal television cabinets.

The changes in house design have stimulated certain trends in furniture sales. The use of plastic upholstery for chairs and sofas is common for furnishing recreation rooms. Of course the return to separate dining rooms has created a larger market for dining room sets.

Wrought iron furniture is becoming more popular for use in patios and courts. However, it is also occasionally found inside the house.

Modern furniture shows the Swedish and Danish influence and is most frequently slim and simple. For the more conservative, early American styling has regained prominence during the past few years, after being nearly off the market for several years.

## Summary

I should like to summarize briefly the points most relevant to the outlook for housing. The demand for new housing arises partly from the rate of household formation. The important component here is the marriage rate, which will probably increase only slightly in 1961 but will begin to zoom within a very few years.

The more specific economic factors which seriously affect the construction and sale of housing are: (1) income and employment, (2) housing cost, and (3) availability of mortgage funds.

Personal income was at a new high in almost every State in 1959 and by July of 1960 had reached a seasonally adjusted annual rate of \$407.1 billion. The outlook is for continuing but smaller increases in months ahead.



Other economic indicators are not as favorable, with the Gross National Product for the third quarter of 1960 down slightly and industrial production down for September from preceding months in 1960.

Housing construction cost will probably rise moderately in 1960. However, we consider land prices inflated and there is a possibility that these prices may fall to a more realistic level. The outlook for housing credit next year is favorable.

As these considerations imply, the prospect for next year's construction of new houses is good with some qualifications.

The market for household equipment is influenced by the residential construction rate. However, the replacement market is increasingly important, also. Since residential starts may be high in 1961, a good year is probable.