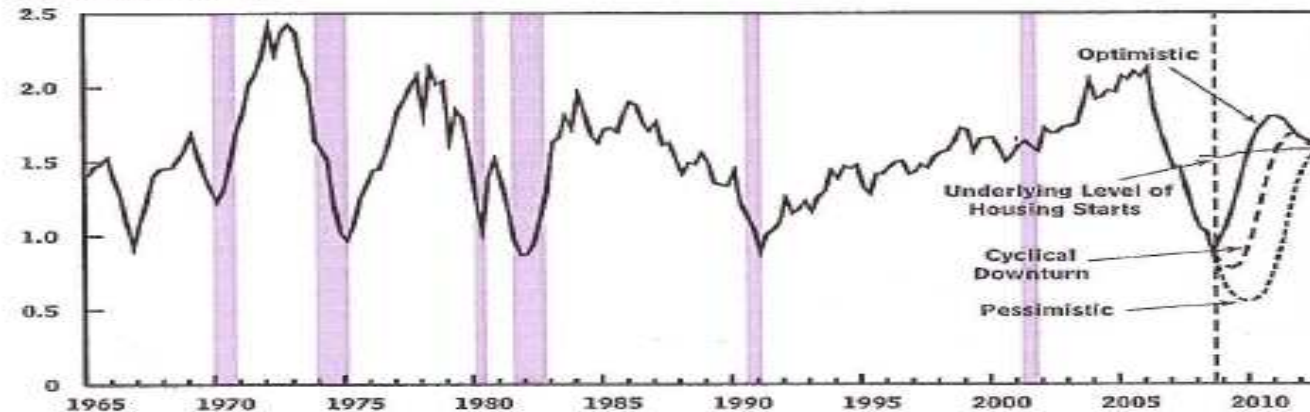


**Figure 13.**

### Actual and Projected Housing Starts

(Millions of units)



Sources: Congressional Budget Office; Department of Commerce, Bureau of the Census.

Note: Data are annual rates calculated from quarterly data and are plotted through 2012. The dashed vertical line separates actual from projected data. (Actual data extend through the third quarter of 2008.)

positive. In the framework presented above, that impact is captured as an increase in the trend level of unutilized vacant units. As expectations of future home price appreciation have retreated to more normal levels, that increase in the trend level of unutilized vacant units has dissipated, leaving a glut of excess vacant units that must be worked off by low rates of new home building.

#### Will Excess Vacant Units Subtract from Construction?

Excess vacant units will not subtract from future construction if they are not good substitutes for new homes. For example, vacant homes might be in areas where people no longer want to live. During the 1950s and 1960s, many Americans moved from farms to cities and towns. The farmhouses they abandoned were poor substitutes for new homes in cities and towns and so did not subtract from new construction there. Alternatively, today's excess vacant units could be older homes that people no longer want to live in. In either case, the excess vacant units would eventually be removed from the housing stock, being counted as an increase in net scrappage.

Because of its characteristics, however, the current stock of excess vacant units is a good substitute for new construction. Many of the vacant units are themselves newly constructed. More than 16 percent of the increase in vacant units for sale between the second quarter of 2005 and the second quarter of 2008 consisted of units built after