

Testimony of Beazer Homes
to the Committee on Commerce
of the Pennsylvania State House of Representatives
on House Bill 1776

Chris Gillen
Division President
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Good morning members of the House Committee on Commerce and thank you for the opportunity to testify regarding House Bill 1776. My testimony includes the experience of Beazer Homes both locally, in PA, NJ and DE and Nationally.

Background:

Beazer Homes USA, Inc., headquartered in Atlanta, is one of the country's ten largest single-family homebuilders with continuing operations in Arizona, California, Delaware, Florida, Georgia, Indiana, Maryland, Nevada, New Jersey, New Mexico, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia. Beazer Homes is listed on the New York Stock Exchange under the ticker symbol "BZH."

Impact of H.B. 1776 and similar legislation

- 1) The Housing Industry has been faced with unprecedented challenges facing the greatest decline since the great depression and now in their 4th year of a continued cycle of increasing supply, lowered demand, falling prices and rising foreclosure rates.
- 2) The American Recovery and Reinvestment Act of 2009 was passed and amended the initial \$7,500 repayable homebuyer tax credit by increasing the amount to \$8,000 and eliminated the repayment of the credit.
- 3) Overall Benefits of Federal Tax credit:
 - a) Reduced foreclosures – First time buyers are in the market to buy resales of bank owned properties.
 - b) Improved consumer confidence – Improved housing affordability, provided more opportunity for consumers to purchase a home. Rose from lowest reading on record of 25.3 to over 46.6 in July.
 - c) Stabilized Employment-Improved Retail Sales –NAR estimates every home sold at median price generates economic impact of \$63,000.
 - d) Has not triggered speculative building. House Starts are down nearly 50% compared to previous year.
 - e) Decreased existing inventory -
 - i) For the price range of homes that would be considered "First time home buyer" product inventory has decreased:
 - (1) The month's supply of homes priced less then \$300,000 has decreased from 8.1 months in June, 2009 to 6.0 months which reflects a 25.9% improvement.

- (2) In homes priced from \$300,000 to \$500,000 the months supply decreased from 10.3 months to 8.4 months which reflects an 18.4% improvement.
- ii) For the price range of homes that would normally not be considered "first time buyers" months supply of inventory increased during the same period
 - (1) \$750,000 to \$1 million increased by 3.9%
 - (2) Homes priced greater then \$1 million supply increased by 26.2%
- f) For Beazer Homes since the tax credit was implemented we have seen:
 - i) Nationally - Website activity increased 63%
 - ii) Nationally - Community traffic improved 30%
 - iii) Locally - Sales in quarter ended 9/30/09 were the highest total in last 3 years
 - iv) Locally – Majority of new sales are in price range of \$350,000 or less (First time home Buyer).
 - v) Locally – Homes priced greater then \$350,000 sales continue to be stalled.
 - vi) Locally – Ability to assist buyers with closing costs is biggest driver of sales.
 - vii) Locally – Percentage of FHA loans with 3.5% deposit requirements became the leading mortgage program for our buyers.
- g) Benefits of State Tax credit in addition to Federal tax Credit – Using California tax credit as example
 - i) Homebuyers were allowed to claim a \$10,000 tax credit up to 5% of value in addition to \$8,000 Federal Tax Credit.
 - ii) The combined tax credit of \$18,000 more then covered down payment on typical FHA loan.
 - (1) Median Home price as \$326,000 which requires \$11,410 down payment with FHA loan or \$65,200 with Conventional loan. First time buyer median price range is \$200,000 which requires \$7,000 FHA deposit or \$40,000 conventional loan deposit.
 - (2) Homes priced less then \$300,000 – The month's supply of inventory decreased from 9.2 months a year earlier to 2.8 months in June, 2009.
 - (3) California estimates that each new home built creates 2 to 3 jobs an average tax revenue of \$16,000.
- h) Benefits of Proposed House Bill #1776
 - i) Stimulate additional demand for housing
 - ii) Creation of thousands of new jobs
 - iii) Provide hundreds of millions of additional State and Local Taxes.
 - iv) Improves Homeowners Housing Equity
 - v) Creates additional government and consumer confidence
- i) Other Considerations
 - i) Neighboring States of New Jersey and Delaware also considering additional tax credit programs in the near future.
 - ii) Important that any proposed State tax credit work along with Federal tax credit and not replace it.
 - iii) We believe the housing market will continued to be challenged with foreclosures, employment losses and low consumer confidence through 2011

and the additional tax credit is essential to sustain a recovery for our local markets