

Lower Rates Ahead

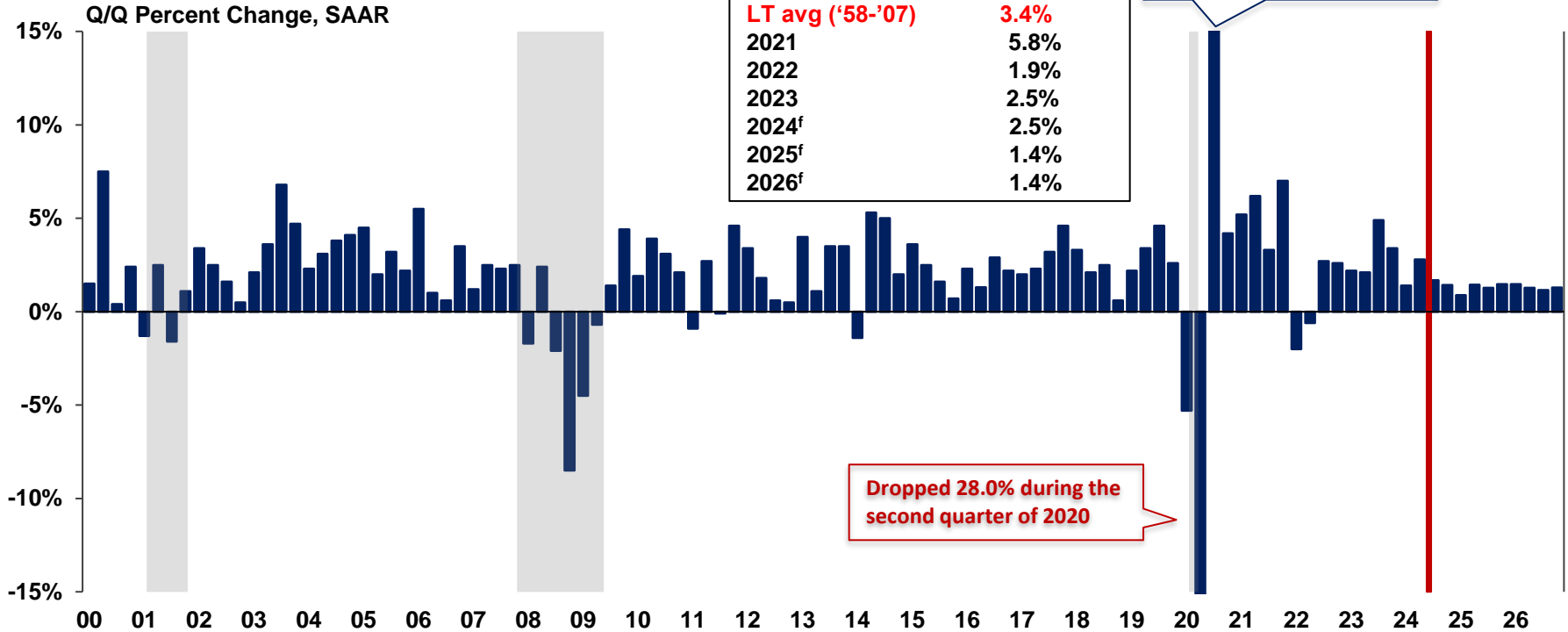
NAHB AMC
August 21, 2024

Robert Dietz, Ph.D.
NAHB Chief Economist



Slowing Growth Ahead

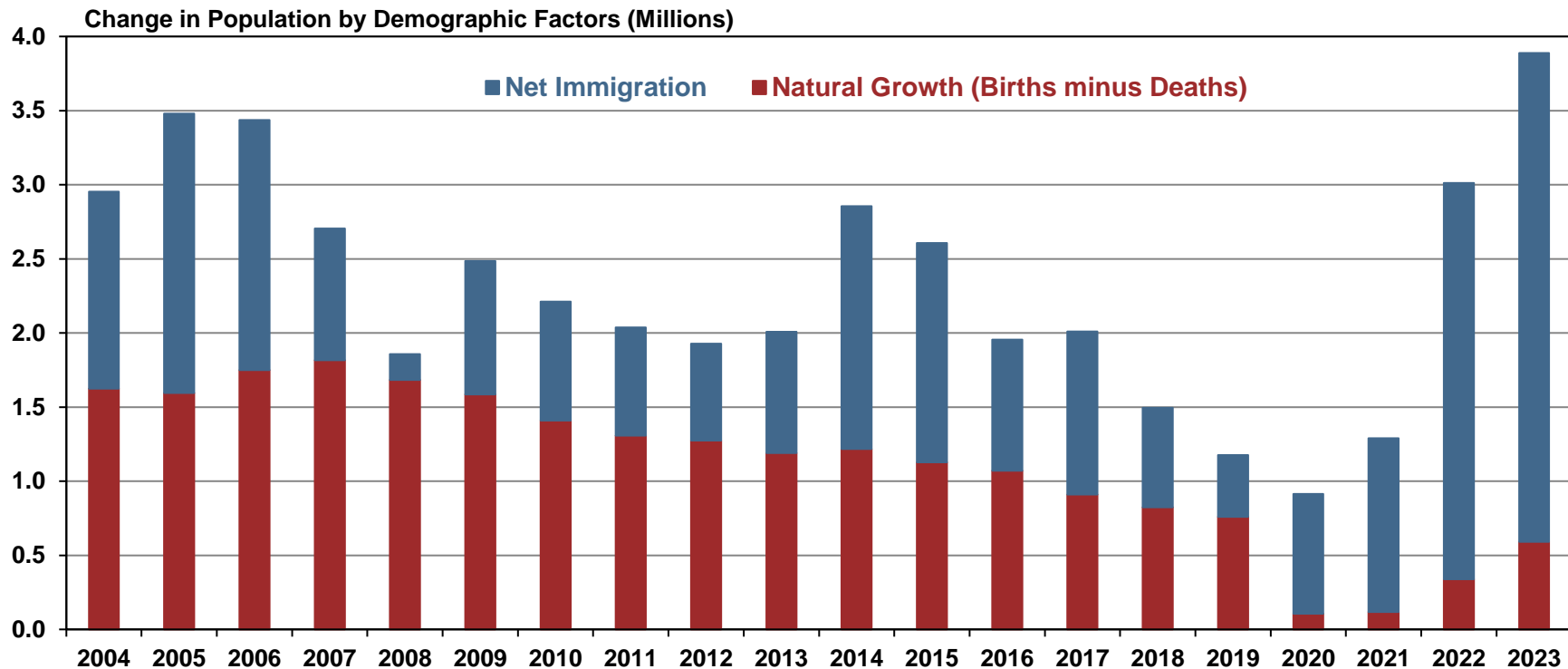
Soft landing for the cycle?



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

Post-Covid Population Growth Helped Housing Demand

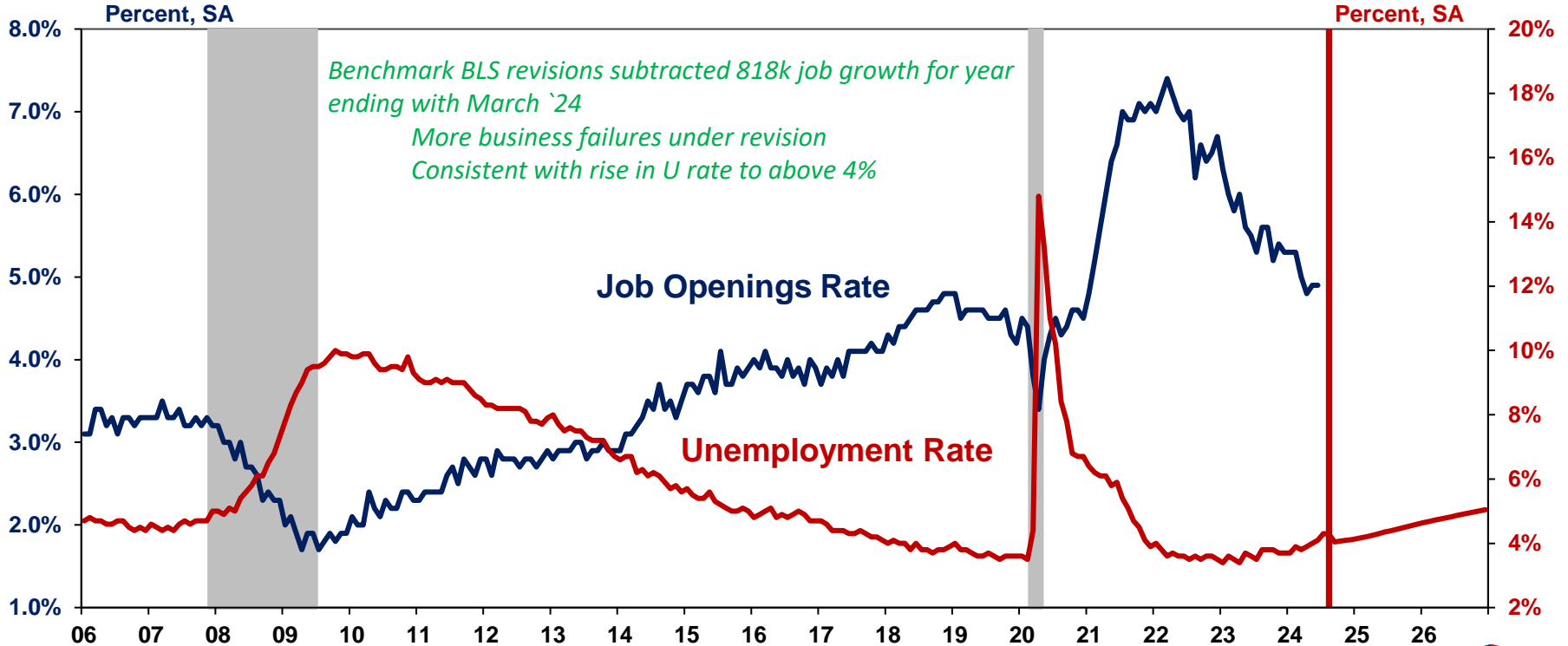
Post-2020 composition shift for population growth



Source: NAHB tabulations of Congressional Budget Office's January 2024 report *The Demographic Outlook: 2024 to 2054*.
Original slide format published by Harvard JCHS in 2024.

Job Openings Trending Lower

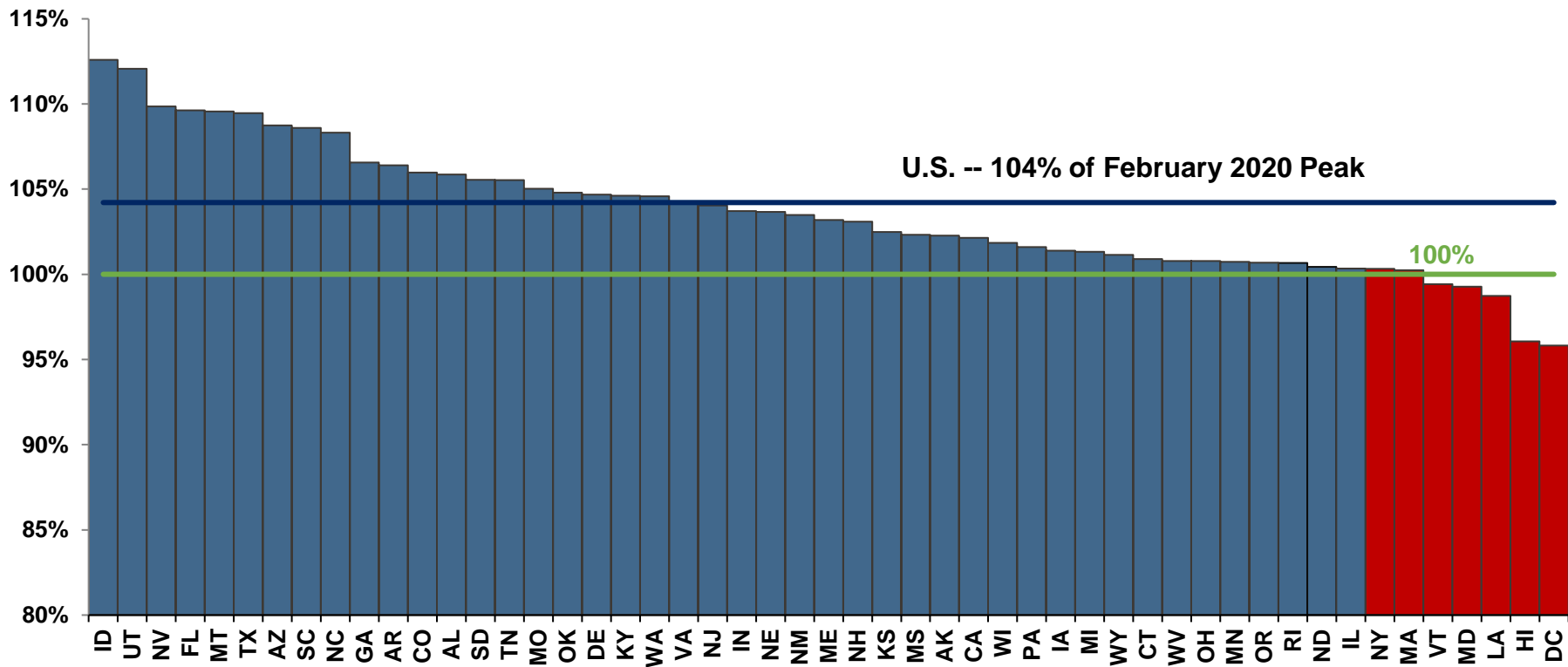
Fell to 8.18 million in June



Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

Payroll Employment

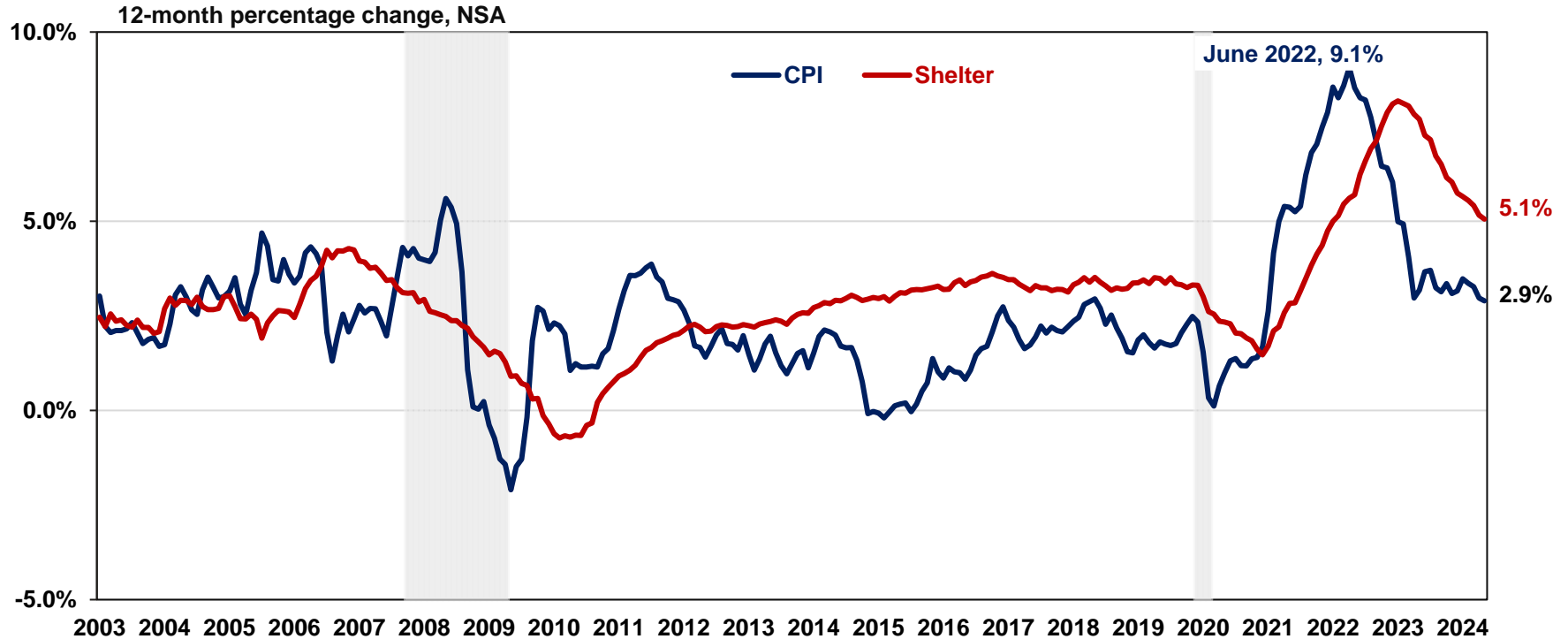
Mountain states leading job gains, 46 states reached or exceeded the pre-pandemic peak



Source: U.S. Bureau of Labor Statistics (BLS).

Consumer Inflation – Headline Rate and Shelter

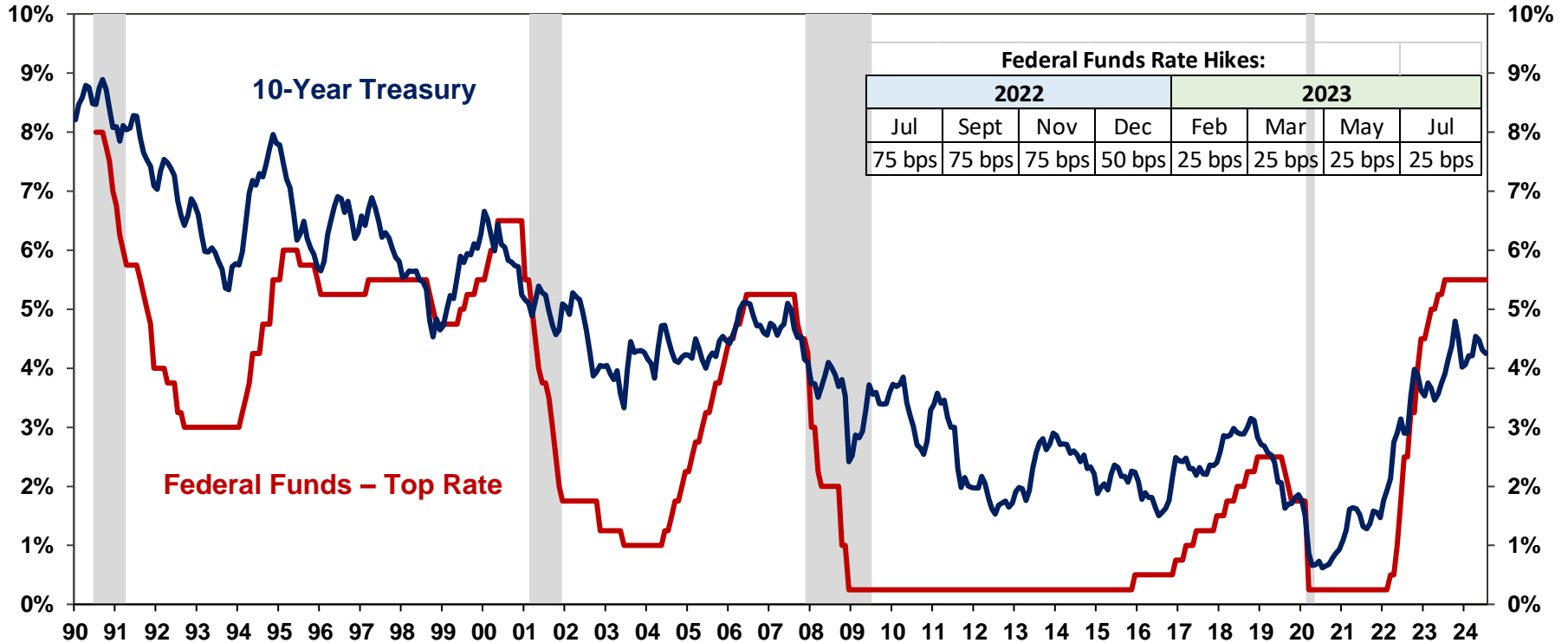
Shelter costs continue to rise despite Fed policy tightening --- “Gimmie Shelter”



Source: U.S. Bureau of Labor Statistics (BLS)

Monetary Policy Tightening in Response to Inflation

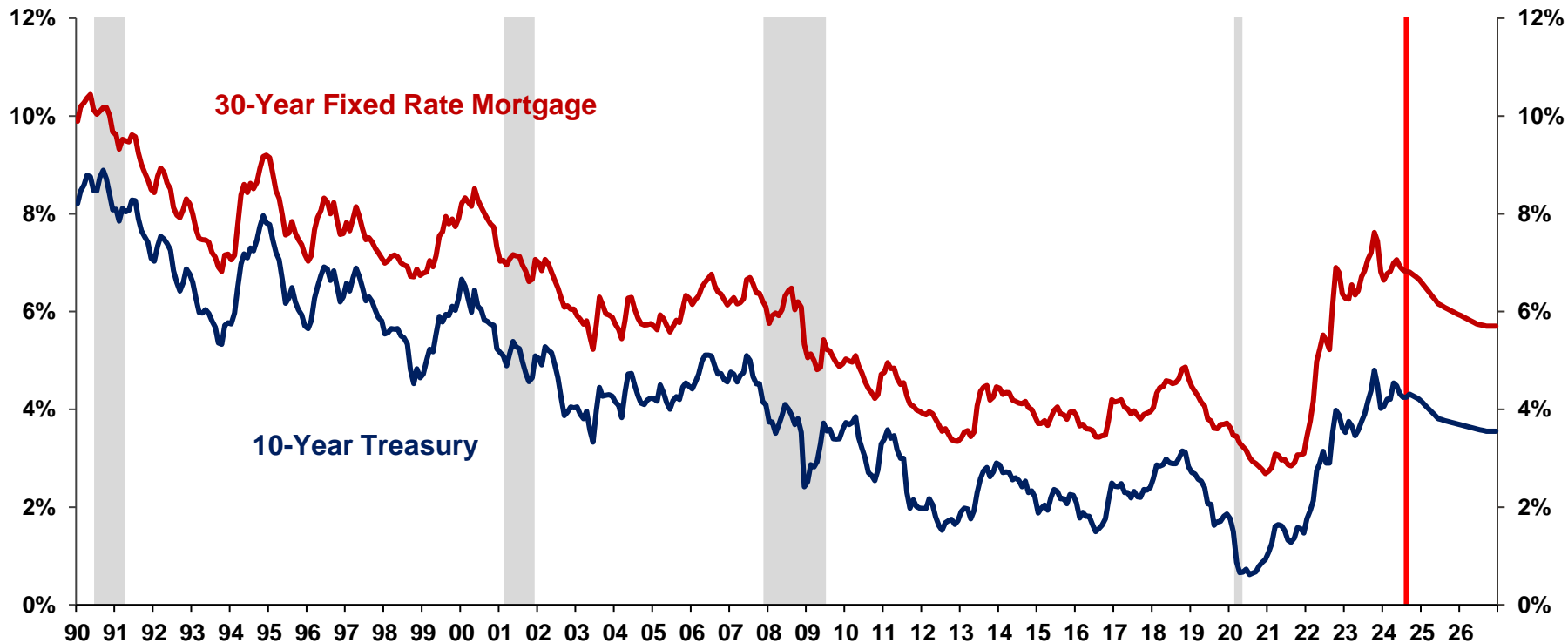
Interest rate hikes on pause, a possible interest rate cut in September



Source: U.S. Board of Governors of the Federal Reserve System (FRB).

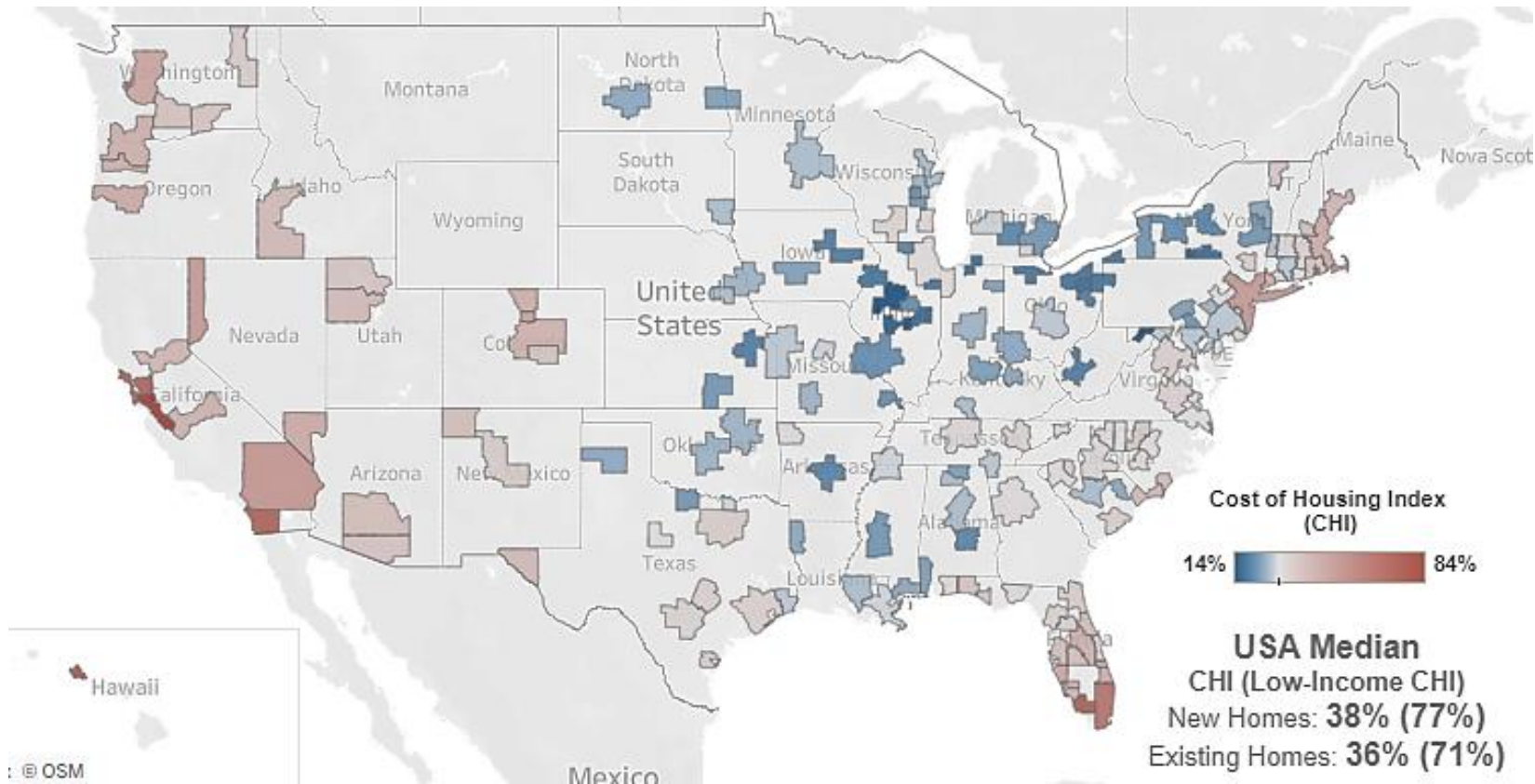
Lower Mortgage Rates But the Process Won't Be Smooth

Housing affordability at more than decade low



Source: Federal Reserve and Freddie Mac data and NAHB forecast.

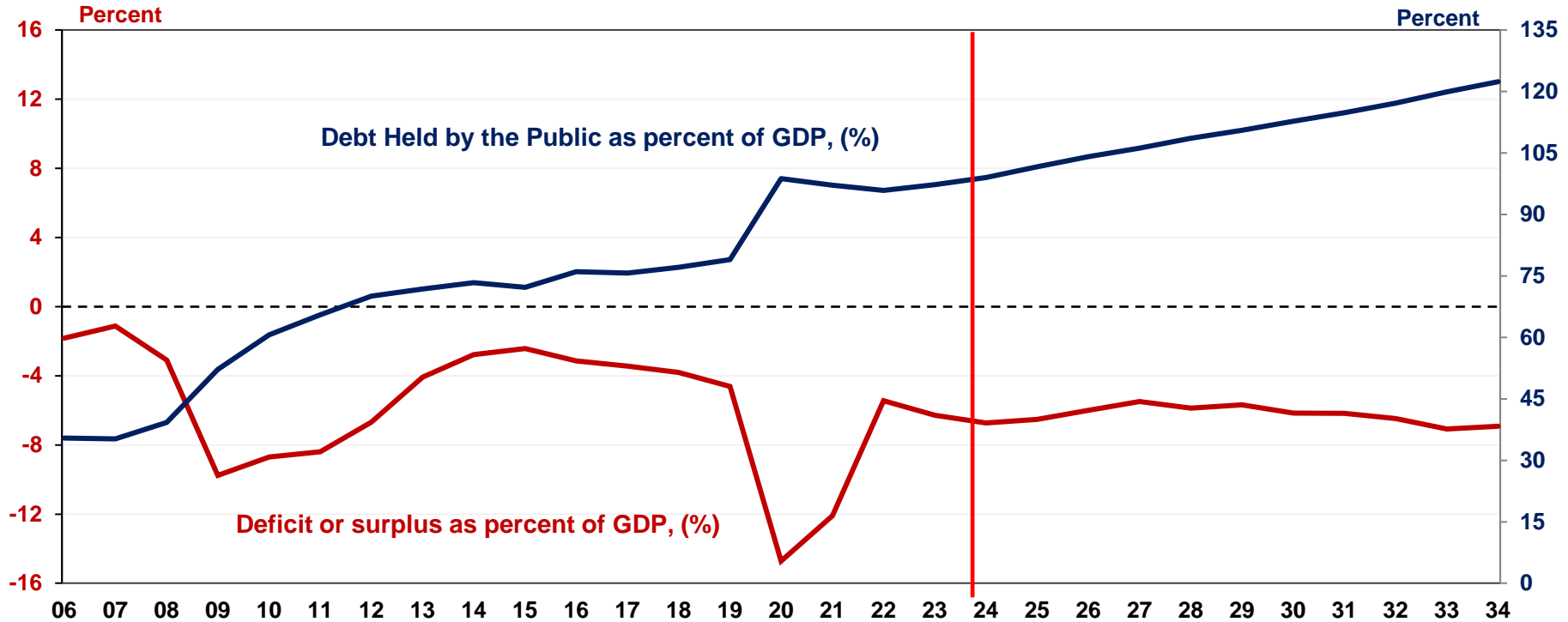
NAHB/Wells Fargo Cost of Housing Index (CHI) (1Q24)



Source: NAHB/Wells Fargo Cost of Housing Index (CHI).

Government Deficits Growing

Approaching unsustainable trends despite low unemployment



Source: Congressional Budget Office (CBO).

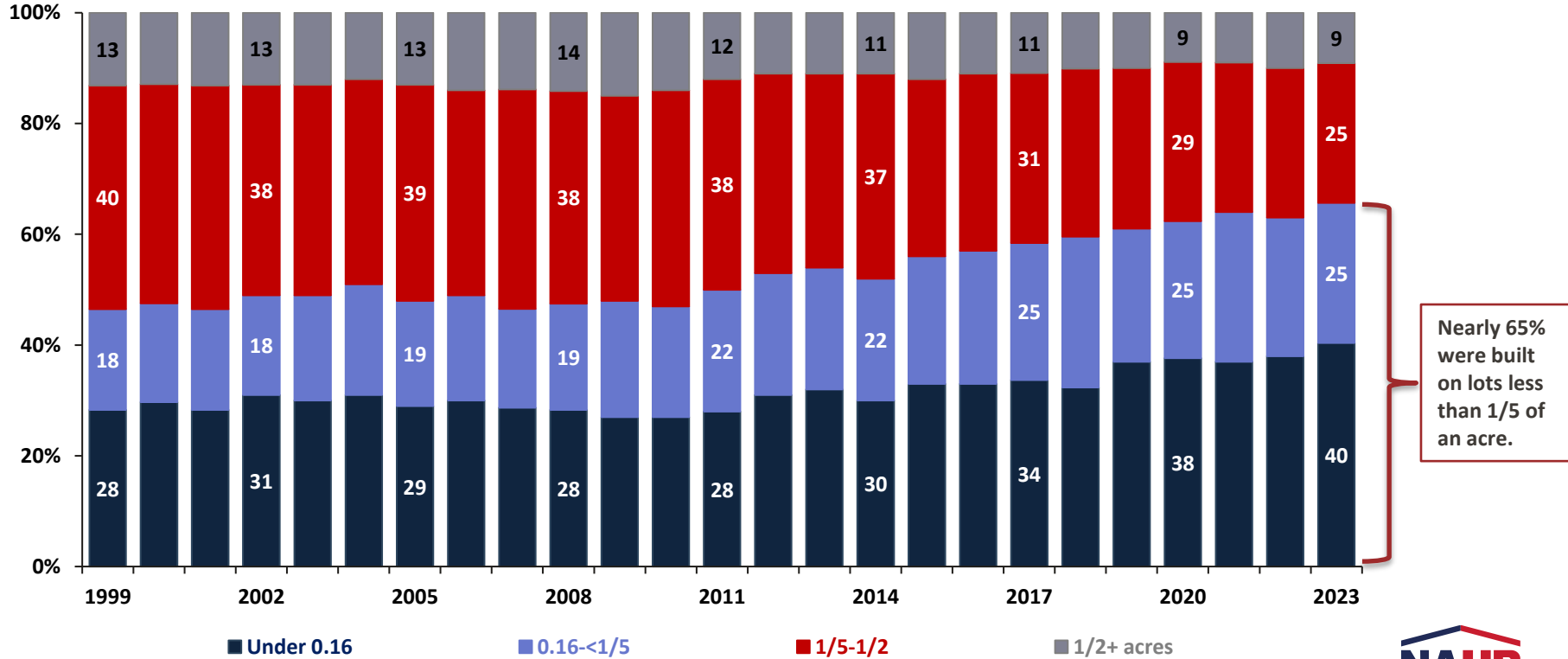


Supply-Side Factors



Lot Size Distribution: New Single-Family Detached Homes Sold

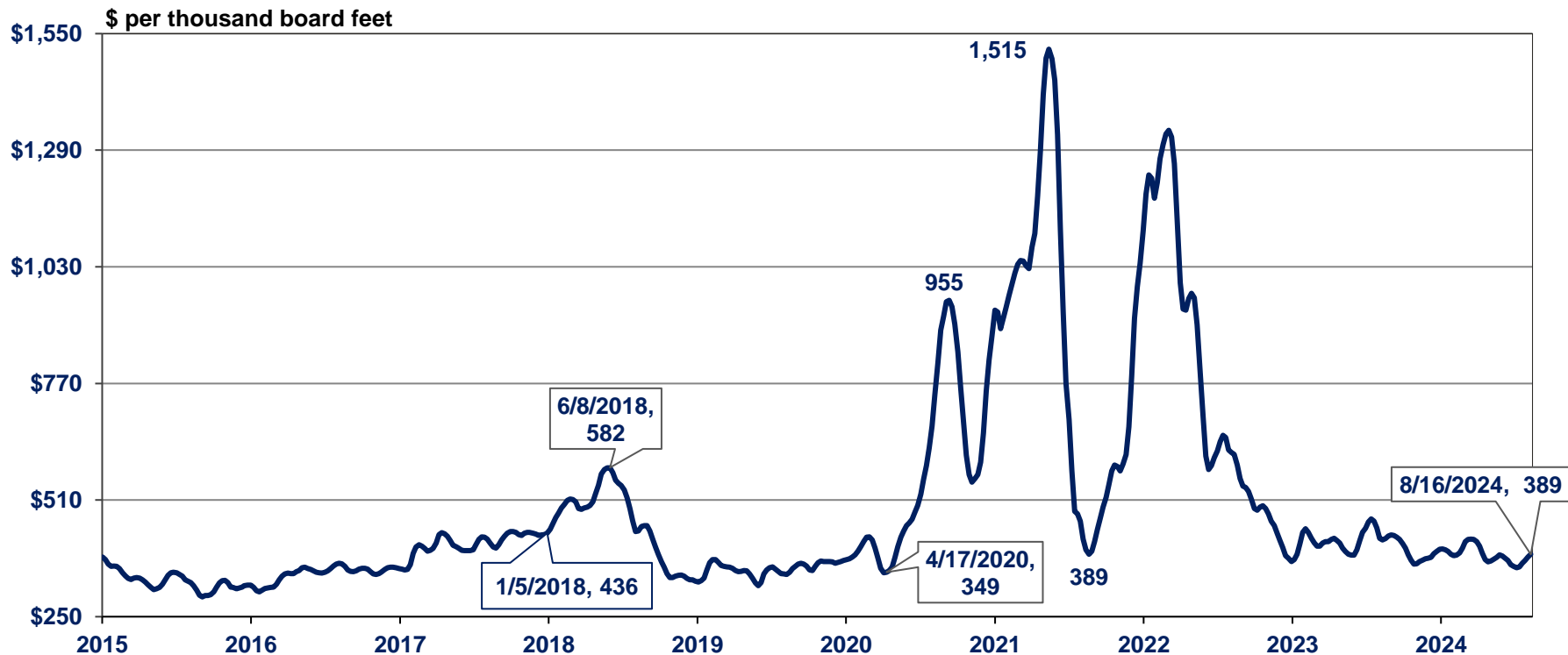
Share of smaller lots is at new high



Source: NAHB tabulations of data from the 2023 Survey of Construction.

Lumber Prices Near Pre-pandemic Low

Current August price is \$389; up 8% over the past five weeks



Source: NAHB Analysis; Random Lengths Composite Index

Regulatory Costs \$93,870 Per New Home (11% Gain 2016 to 2021)

Total effect of building codes, land use, environmental and other rules

23.8% of price



Source: NAHB/Wells Fargo Housing Market Index (HMI)



NAHB 10-Point Plan to Boost Housing Supply

Increased housing supply reduces shelter inflation and eases the affordability crisis

1 Eliminate excessive regulations

Alleviate permitting roadblocks

6

2 Promote careers in the skilled trades

Adopt reasonable and cost-effective building codes

7

3 Fix building material supply chains and ease costs

Reduce local impact fees and other upfront taxes associated with housing construction

8

4 Pass federal tax legislation to expand the production of affordable and attainable housing

Make it easier for developers to finance new housing

9

5 Overturn inefficient local zoning rules

Update employment policies to promote flexibility and opportunity

10

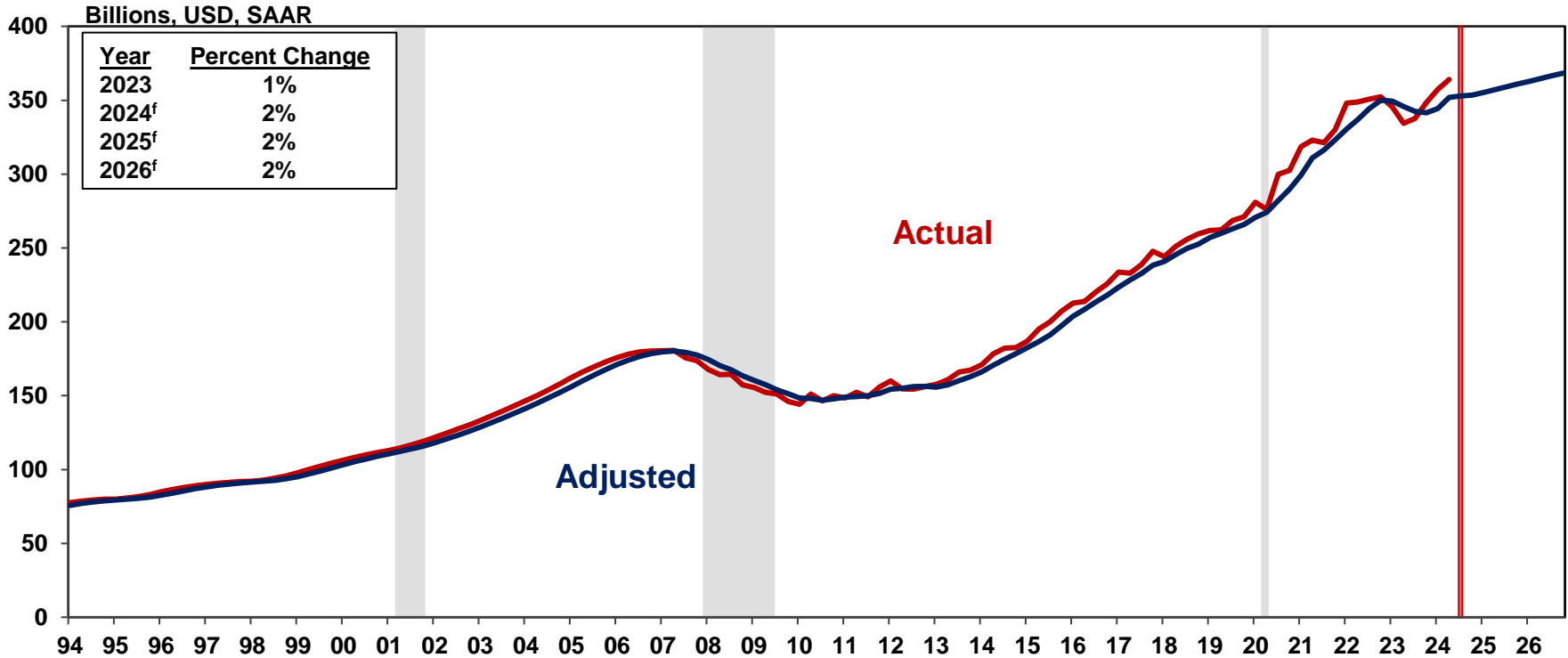


Construction Outlook



Residential Remodeling

Minor soft patch for home improvement demand

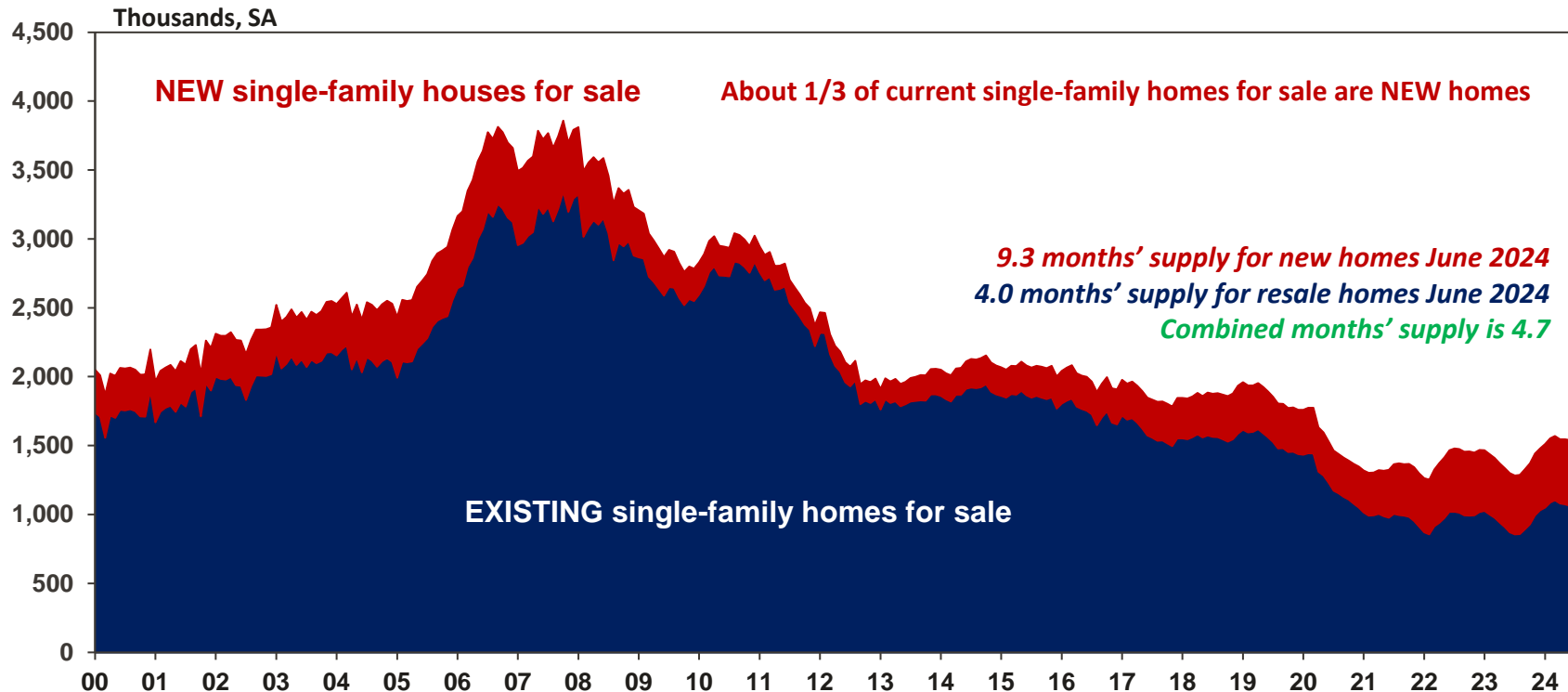


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.

Total Housing Inventory

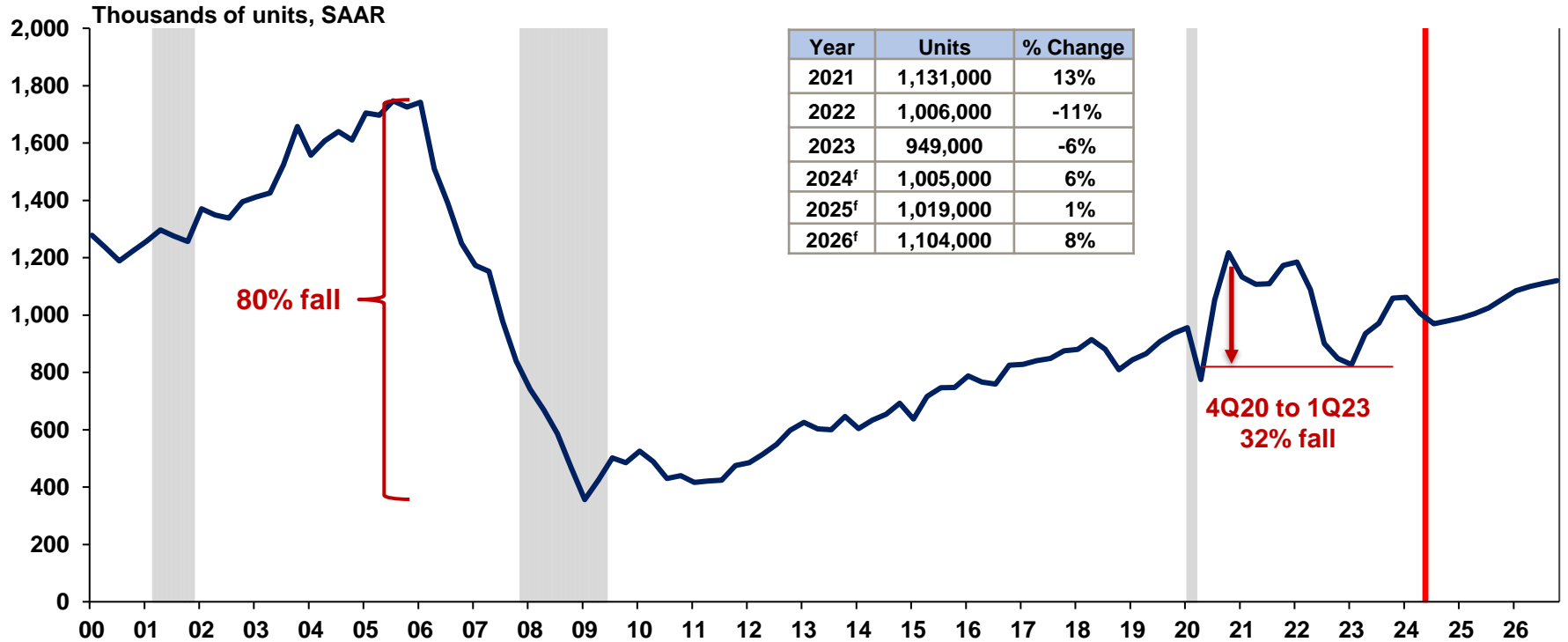
Insufficient resale inventory is supporting demand for new construction



Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

Single-Family Starts

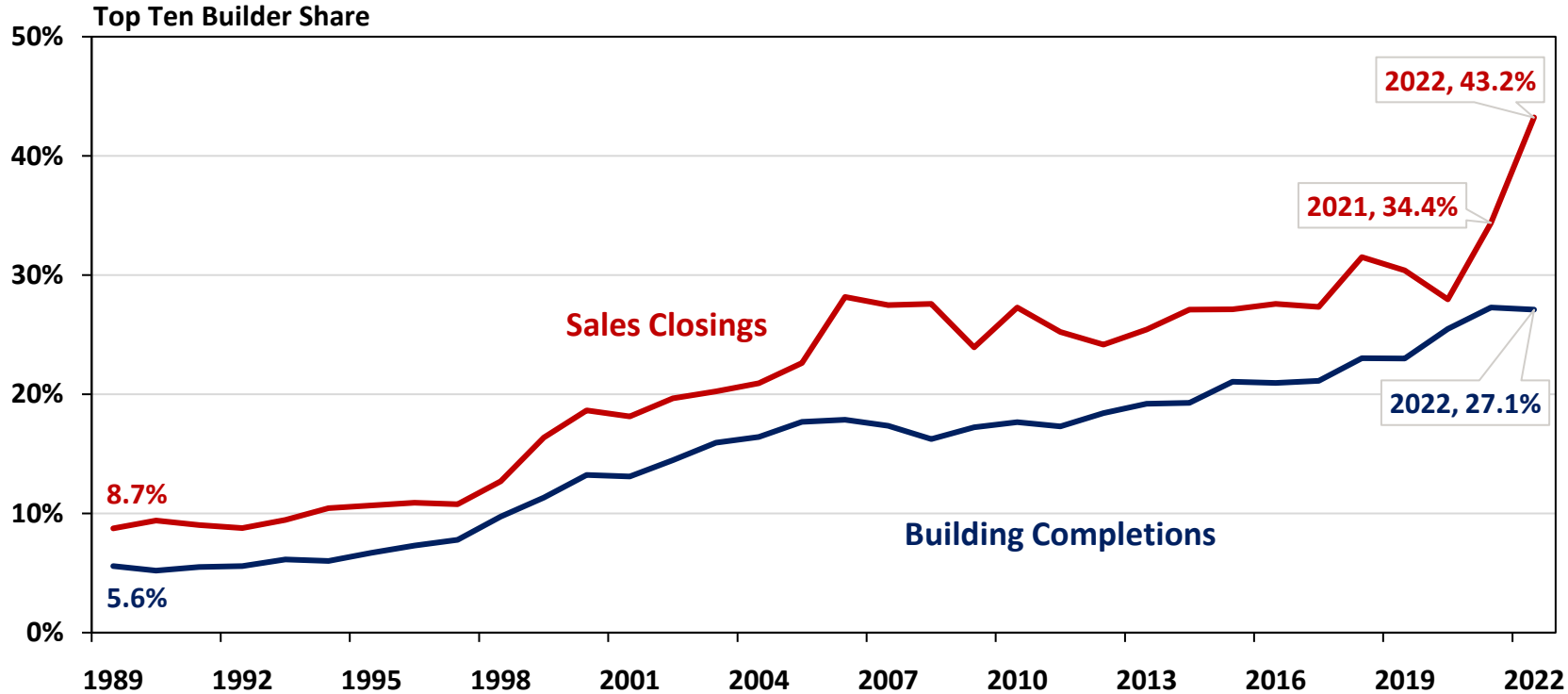
Single-family housing starts to post 2024 gain despite elevated interest rates



Source: U.S. Census Bureau (BOC) and NAHB forecast

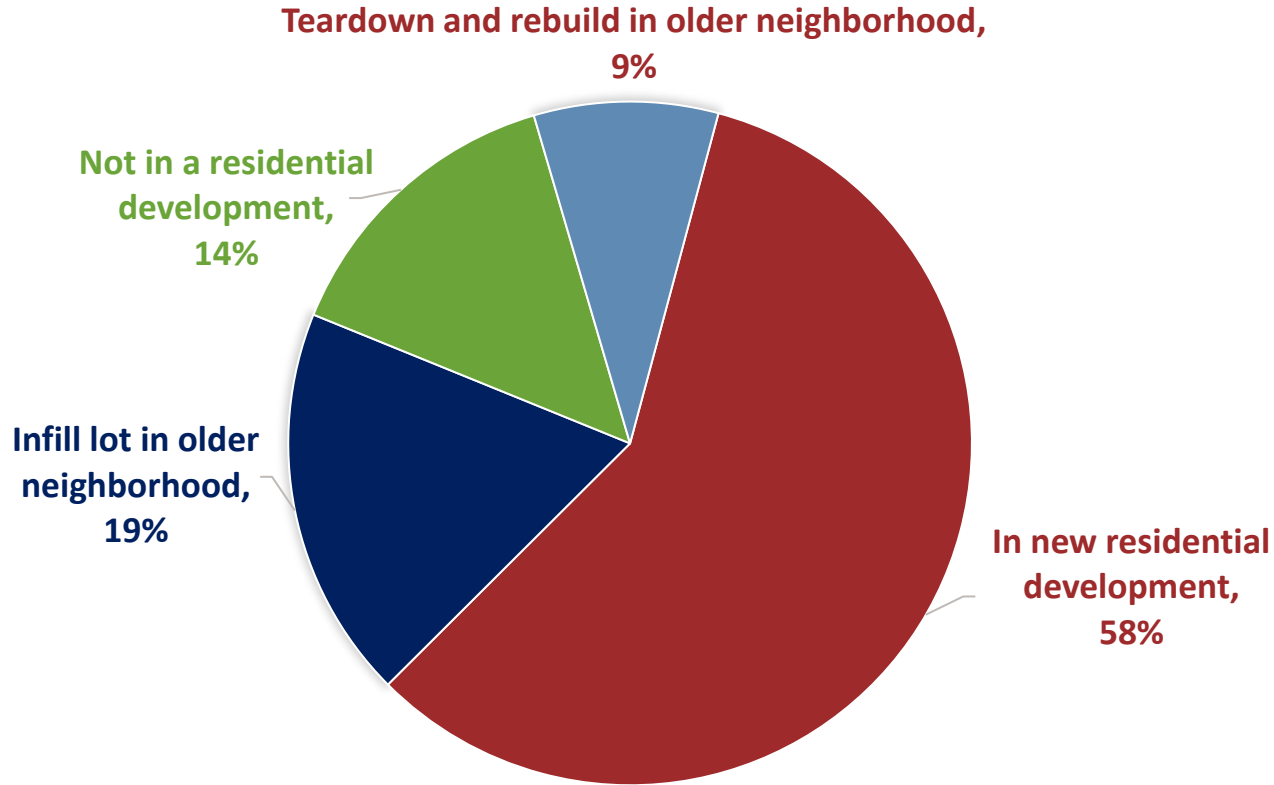
Top Ten Builder Share (by Closings & Completions)

The top ten builder share by closings increased 9 percentage points in 2022



Source: BUILDER MAGAZINE and U.S. Census Bureau (BOC)

Shares of New Single-Family Homes



Source: 2023 Builder Practices Survey

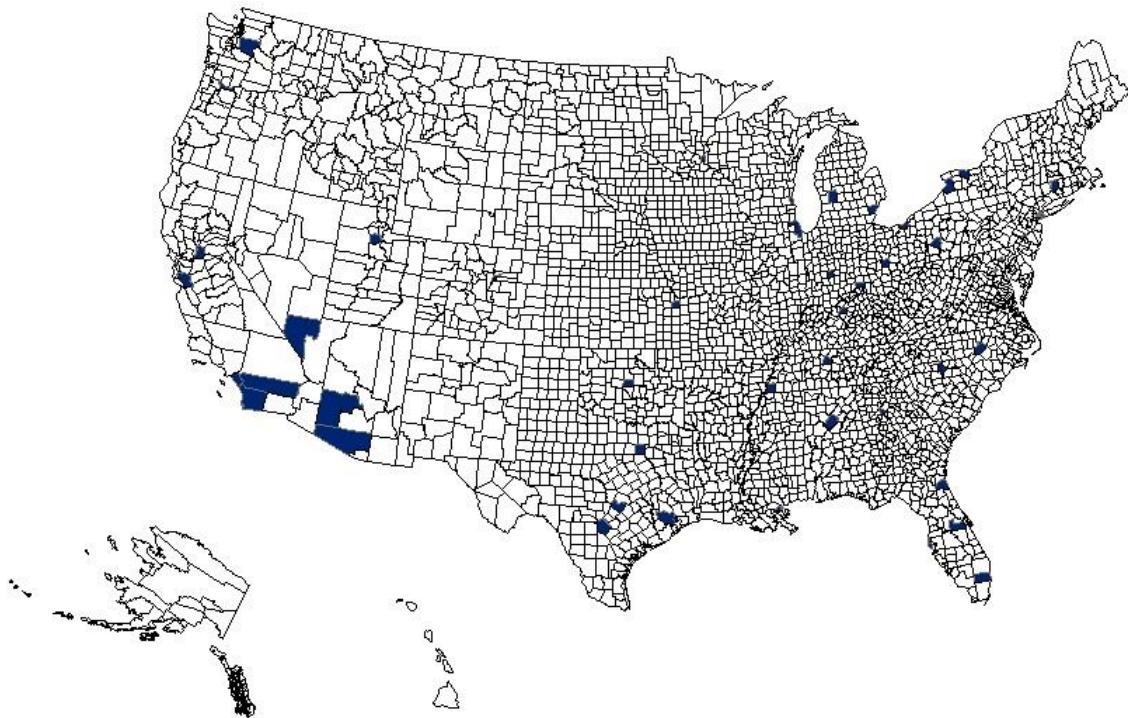
Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	June 2024 (# of units YTD, NSA)	YTD % Change (compared to June 2023)
Houston-The Woodlands-Sugar Land, TX	27,516	9%
Dallas-Fort Worth-Arlington, TX	25,169	22%
Phoenix-Mesa-Scottsdale, AZ	16,079	46%
Atlanta-Sandy Springs-Roswell, GA	13,716	13%
Charlotte-Concord-Gastonia, NC-SC	9,996	5%
Austin-Round Rock, TX	9,506	24%
Tampa-St. Petersburg-Clearwater, FL	8,080	16%
Nashville-Davidson-Murfreesboro-Franklin, TN	7,689	3%
Orlando-Kissimmee-Sanford, FL	7,628	-11%
Jacksonville, FL	7,005	17%

Source: U.S. Census Bureau (BOC).

NAHB Home Building Geography Index

16.1% of single-family construction takes place in Large Metro – Core County

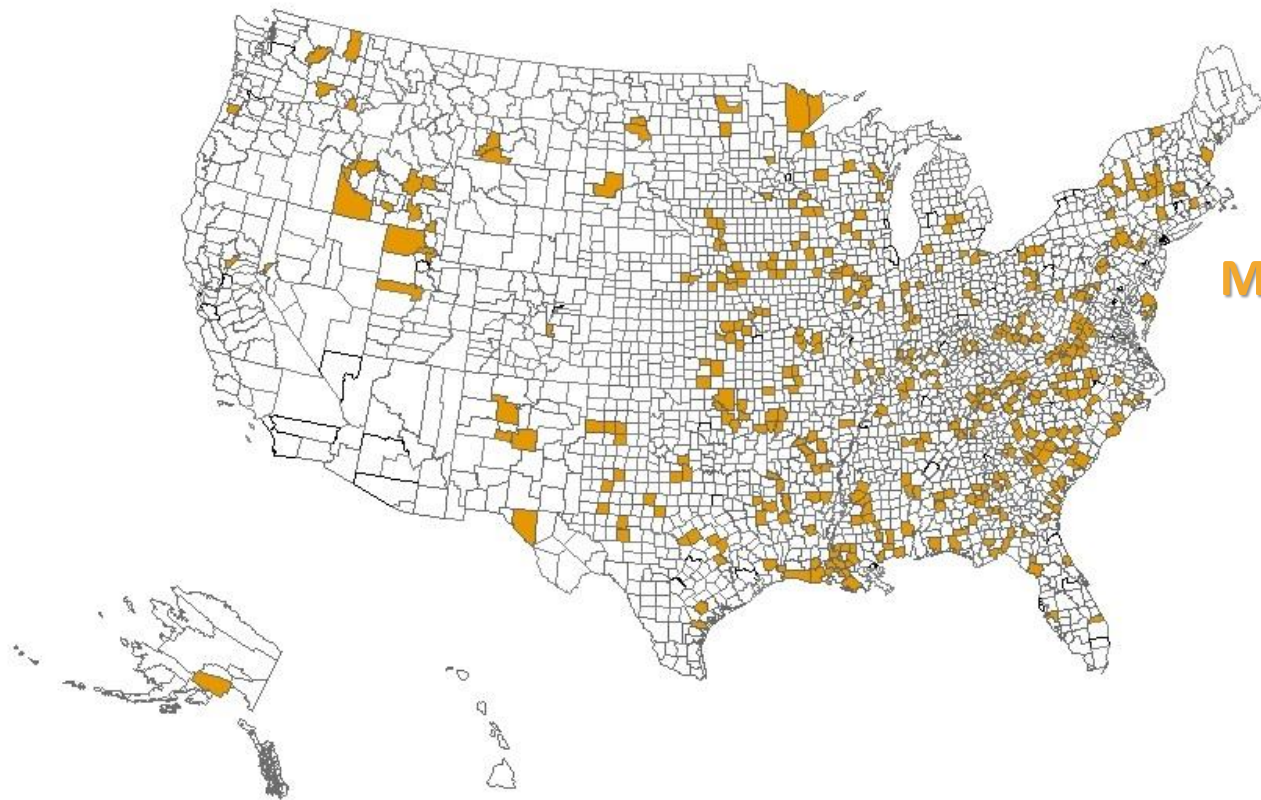


Q1 2024
Moving Average of YoY
growth rate:
13.5%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

10.0% of single-family construction takes place in **Smaller Metro – Outlying County**

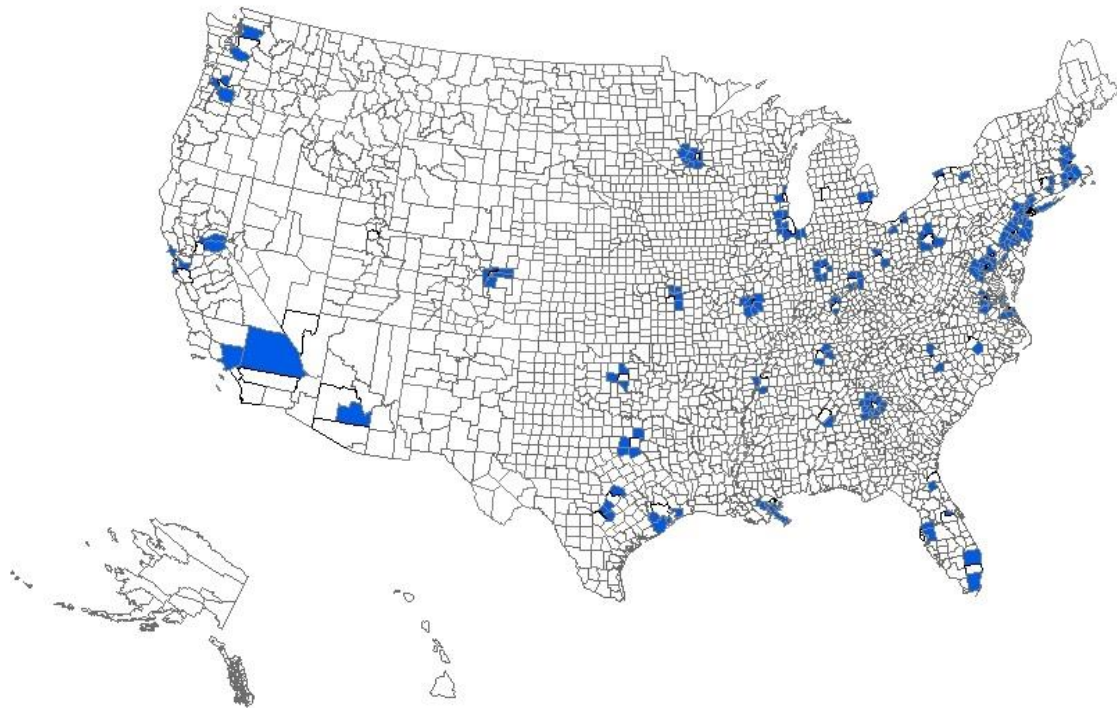


Q1 2024
Moving Average of YoY
growth rate:
12.7%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

24.9% of single-family construction takes place in Large Metro – Suburban County

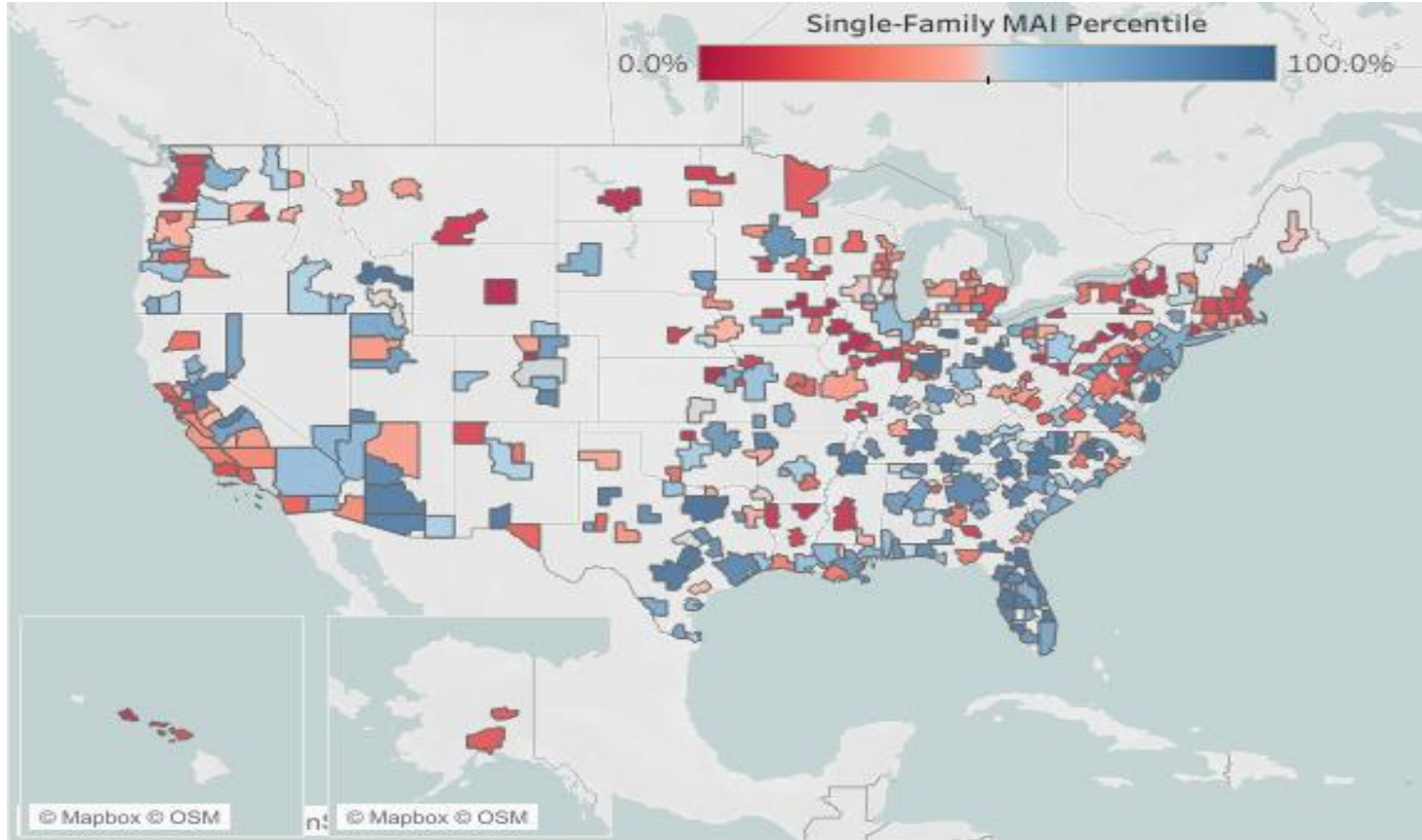


Q1 2024
Moving Average of YoY
growth rate:
12.2%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Single-Family Market Association Index (MAI)

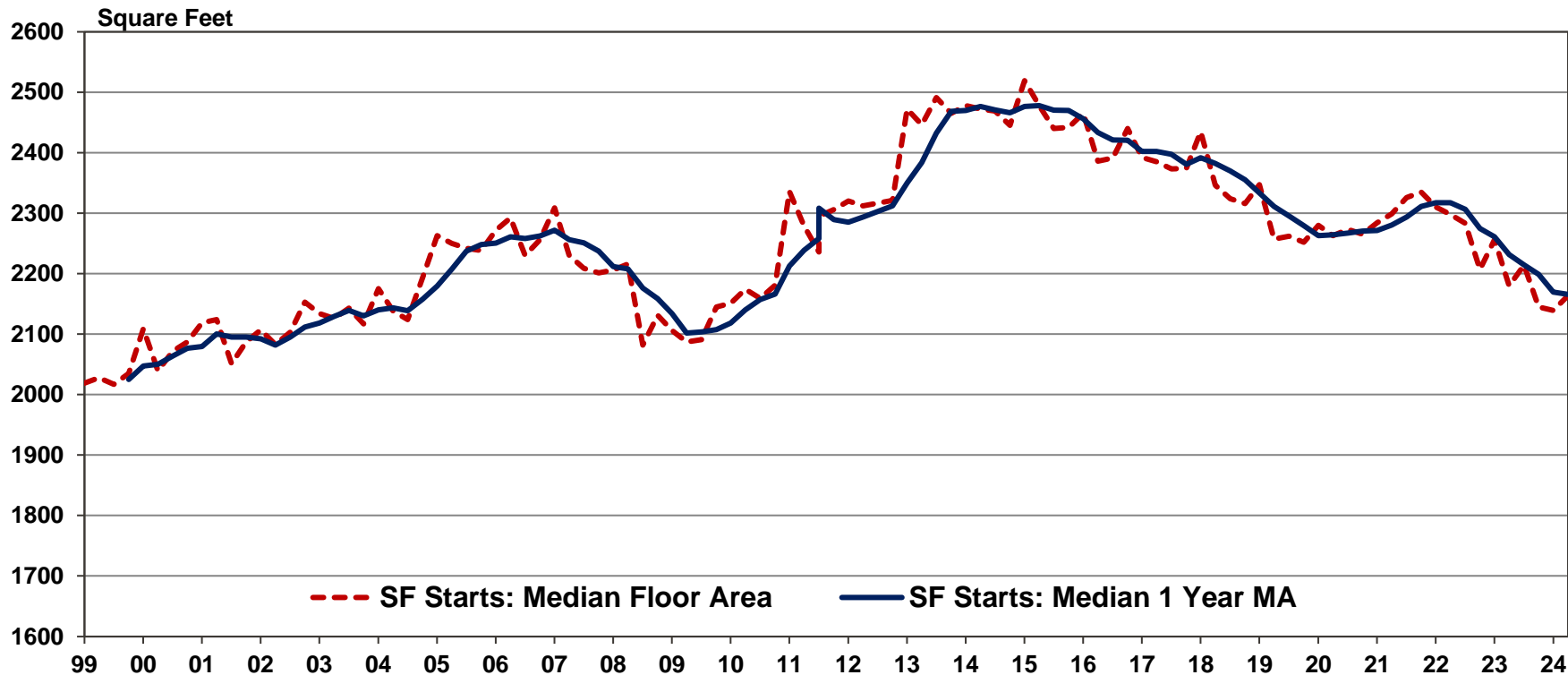
Shows how close local trends are to national conditions



Source: U.S. Census Bureau (BOC) and NAHB analysis.

Typical New Home Size

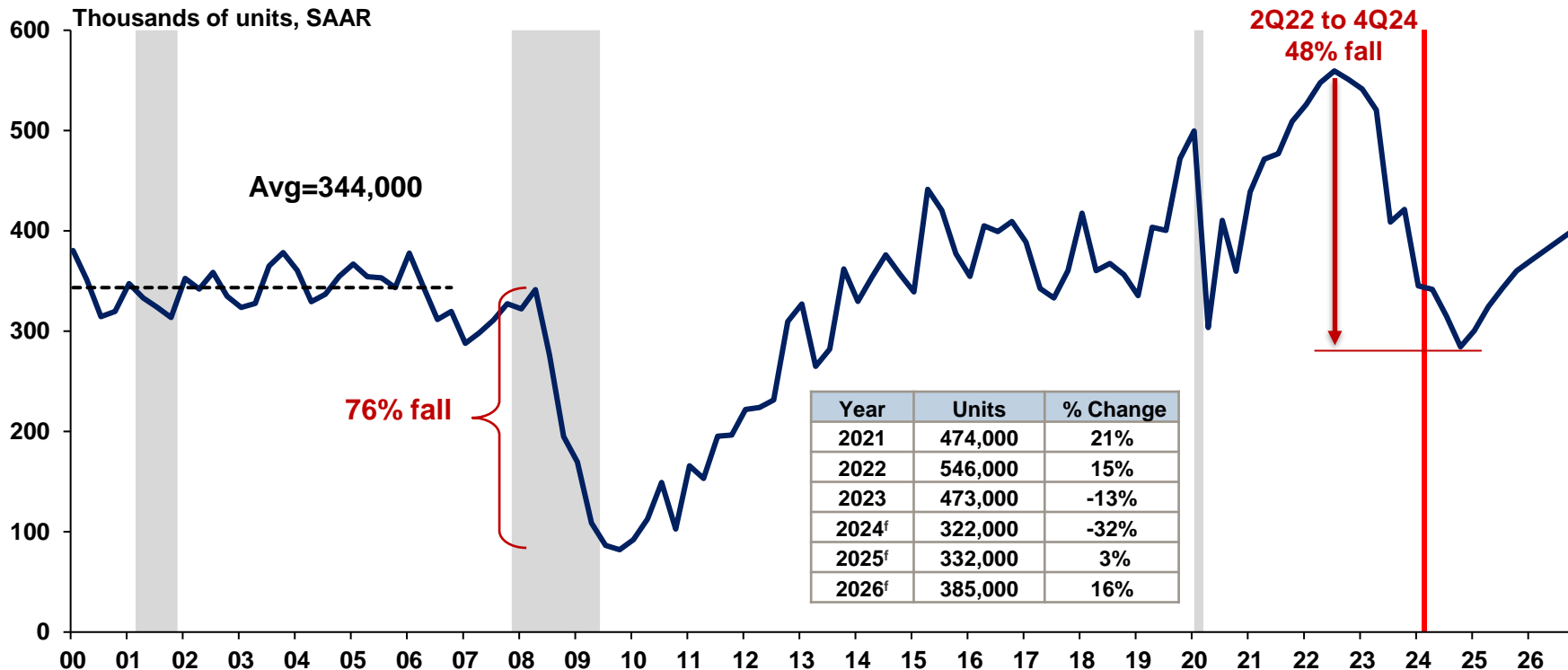
Size trending lower but should level off in the coming quarters



Source: U.S. Census Bureau (BOC)

Multifamily Construction Slowdown

Apartment construction will record a significant decline in 2024



Source: U.S. Census Bureau (BOC) and NAHB forecast

New weekly video: Economics review

2 minutes of data

Housing Highlights

Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com