

Home Building Expansion

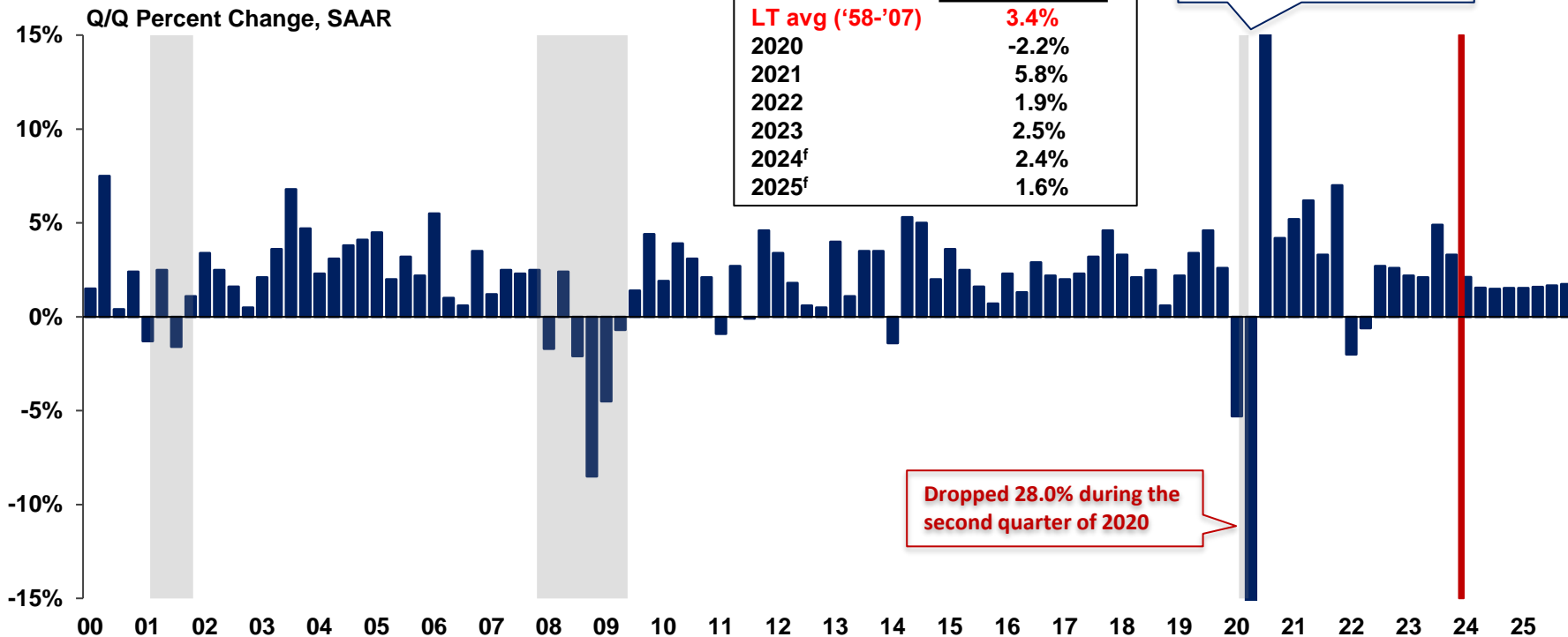
NAHB Meeting of the Members
February 28, 2024

Robert Dietz, Ph.D.
NAHB Chief Economist



Slowing Growth Ahead

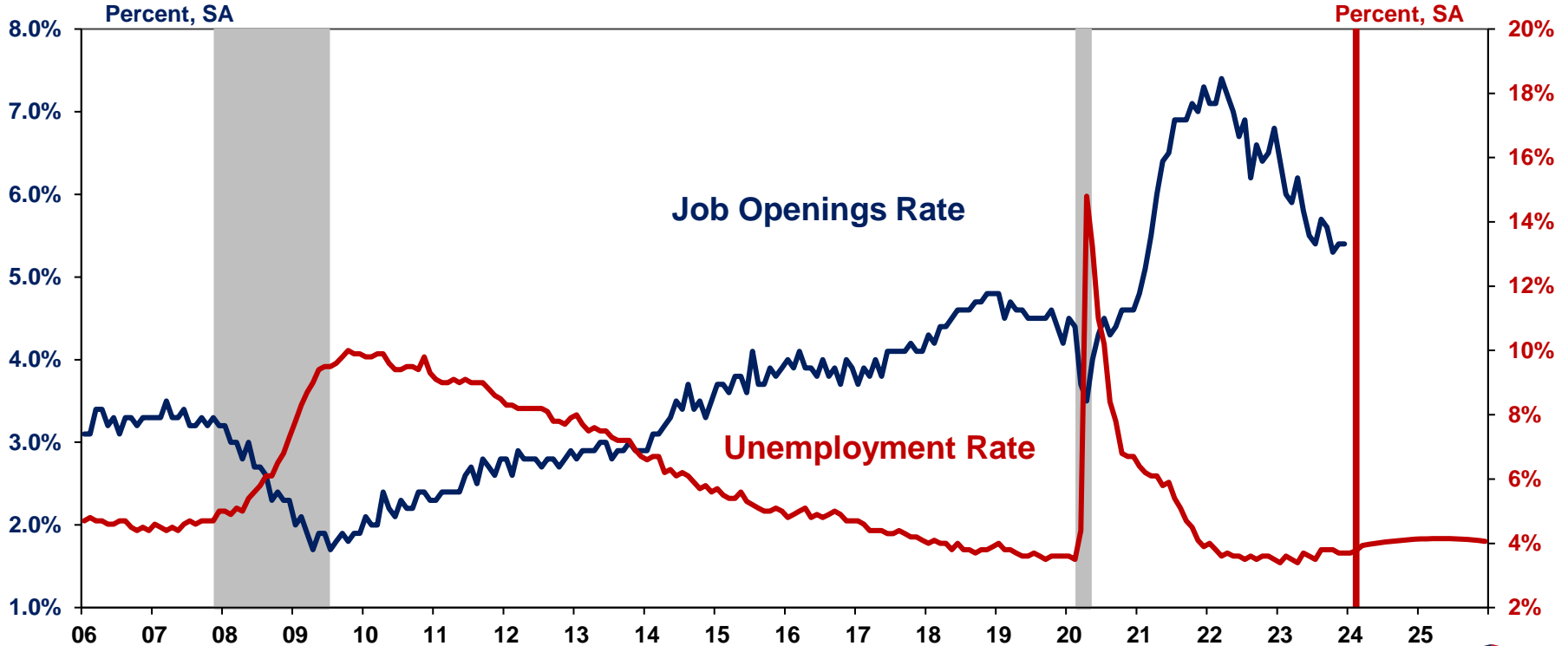
Soft landing?



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

Job Openings Rose After Covid and Cooled with Fed Action

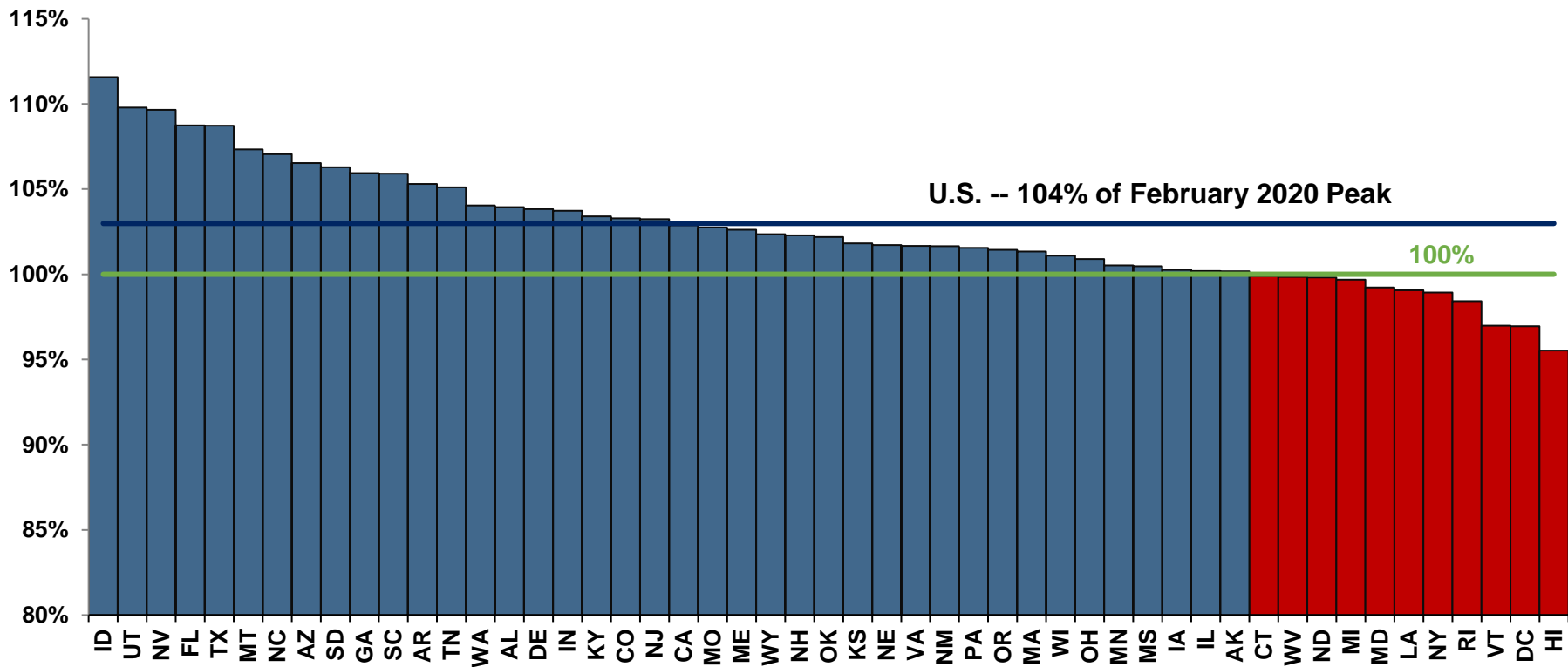
Elevated at 9 million in December



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

Payroll Employment

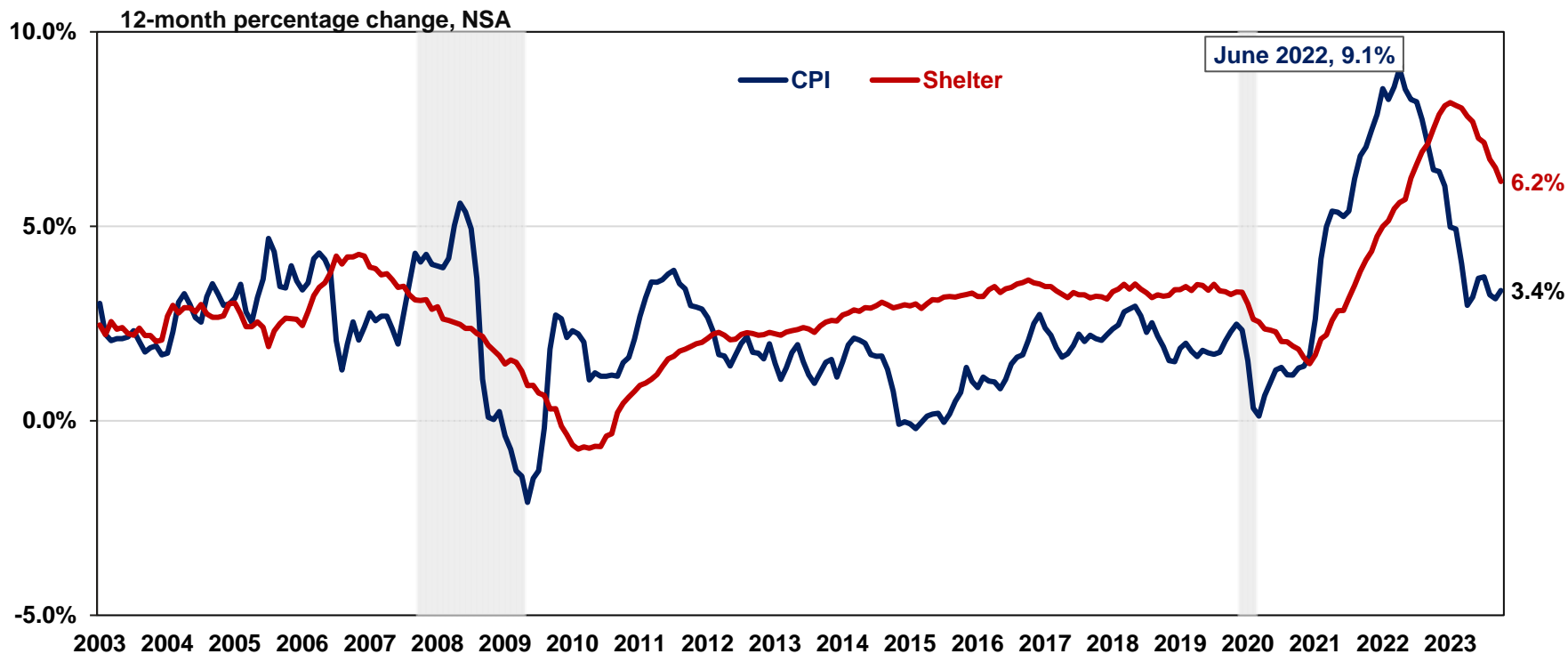
Mountain states leading job gains, 40 states reached or exceeded the pre-pandemic peak



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

Consumer Inflation – Headline Rate and Shelter

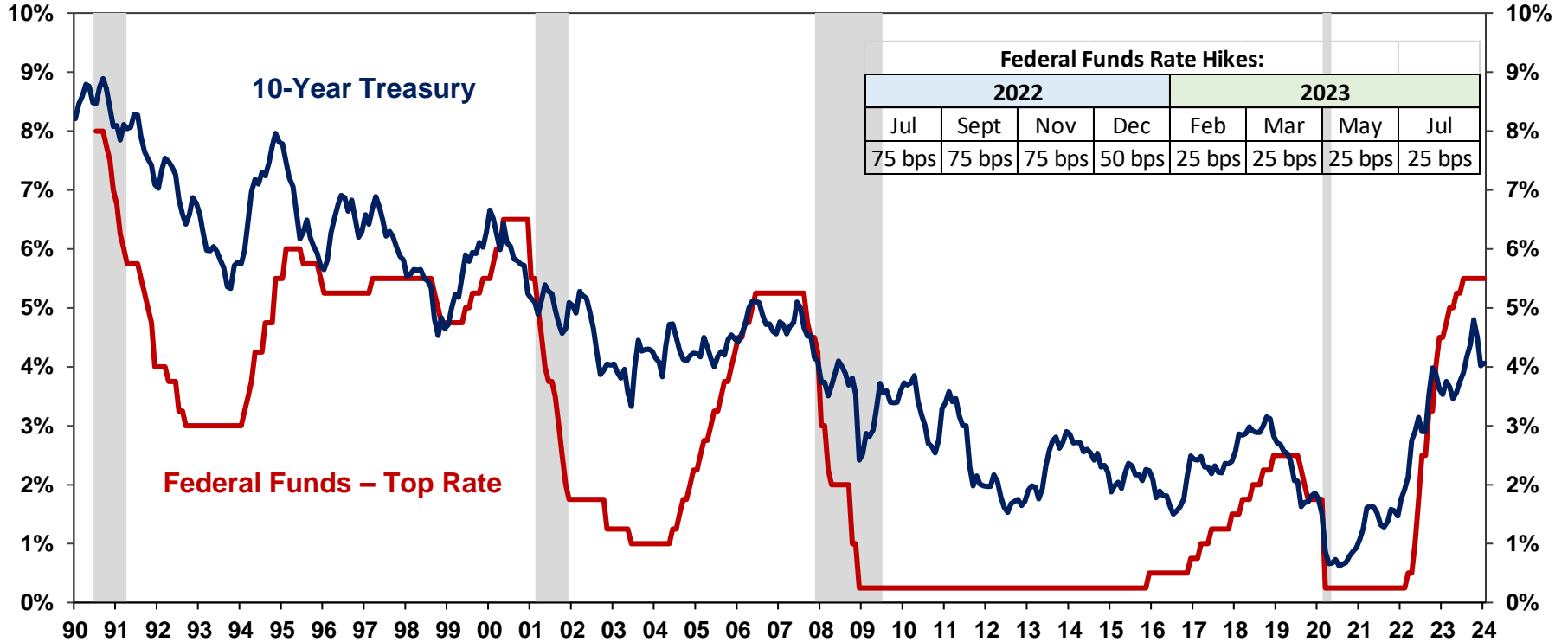
Shelter costs continue to rise despite Fed policy tightening --- “Gimmie Shelter”



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

Monetary Policy Tightening in Response to Inflation

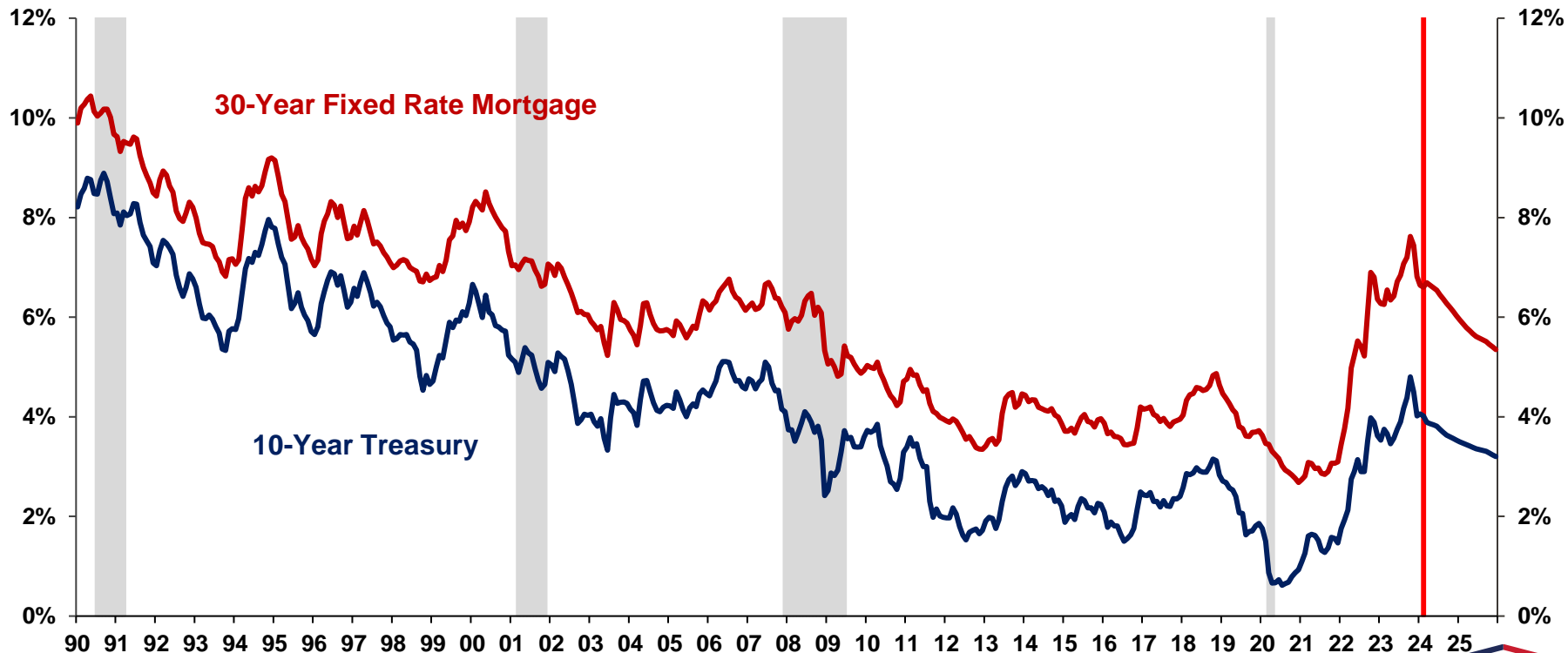
Interest rate hikes on pause, rate cuts beginning no earlier than June



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

Mortgage Rates Near Cycle Peak

Housing affordability at more than decade low

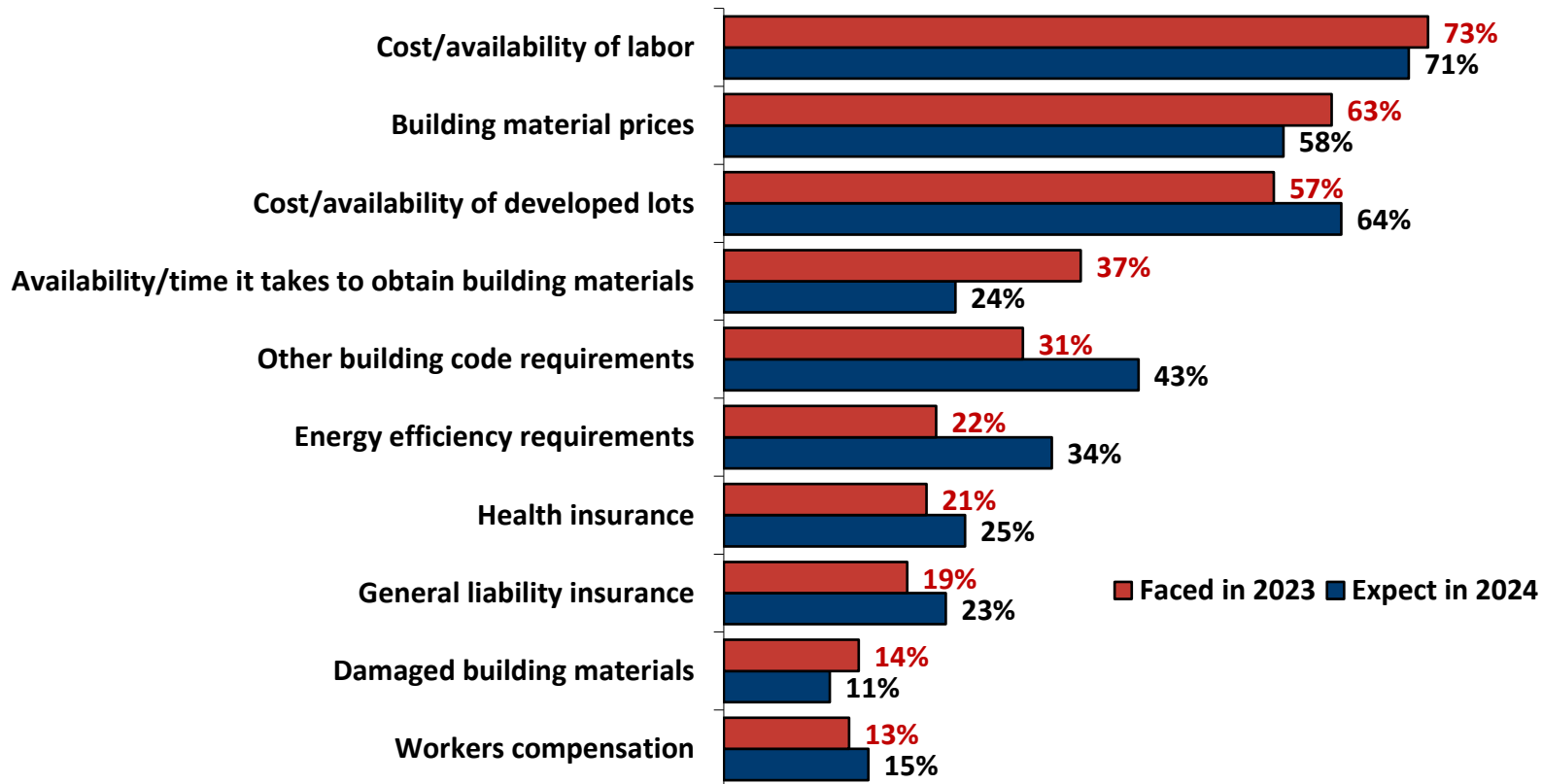


Source: Federal Reserve and Freddie Mac data and NAHB forecast.

Most Significant Problems Faced in 2023 and 2024

Builder costs

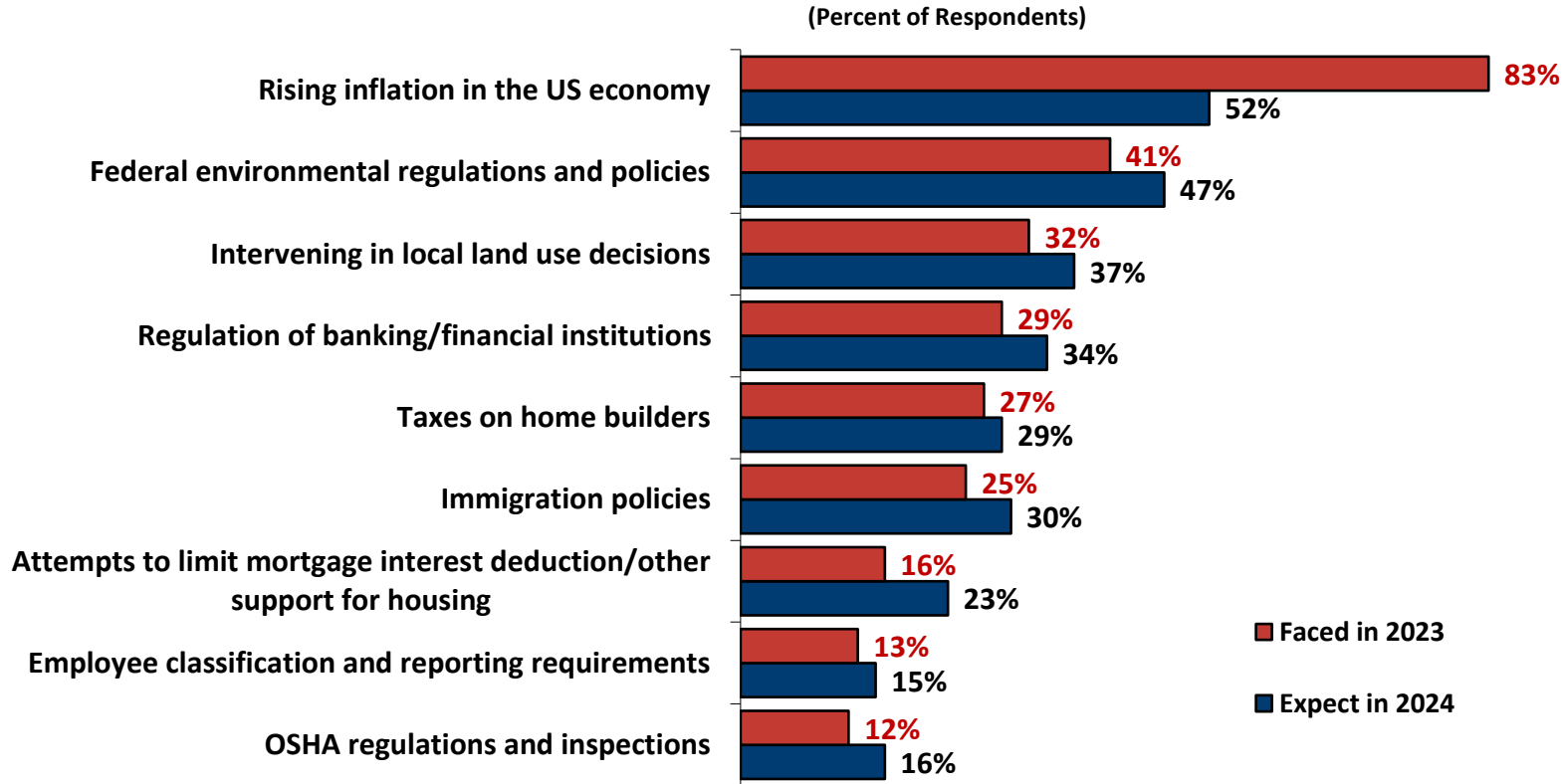
(Percent of Respondents)



Source: NAHB Survey.

Most Significant Problems Faced in 2023 and 2024

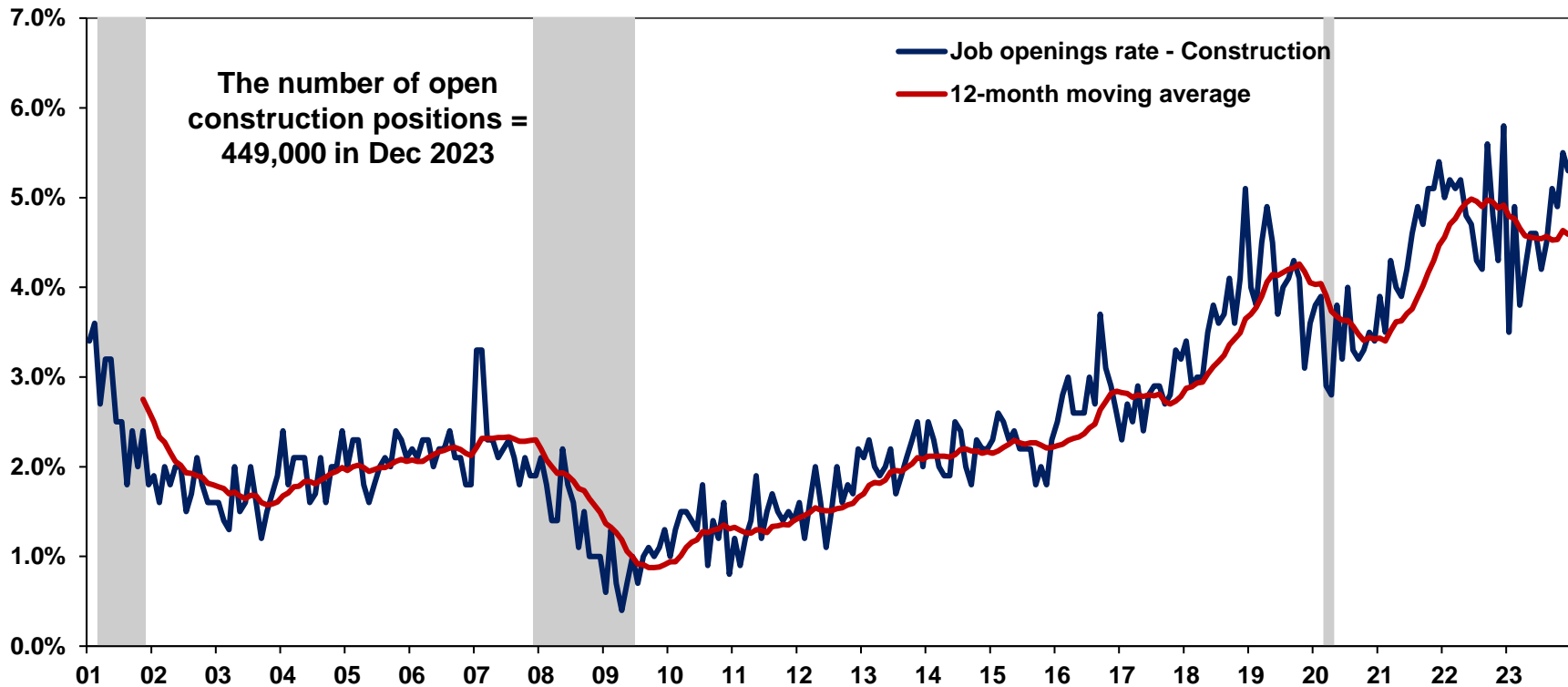
Federal government policies



Source: NAHB Survey.

Labor – Construction Job Openings Will Increase

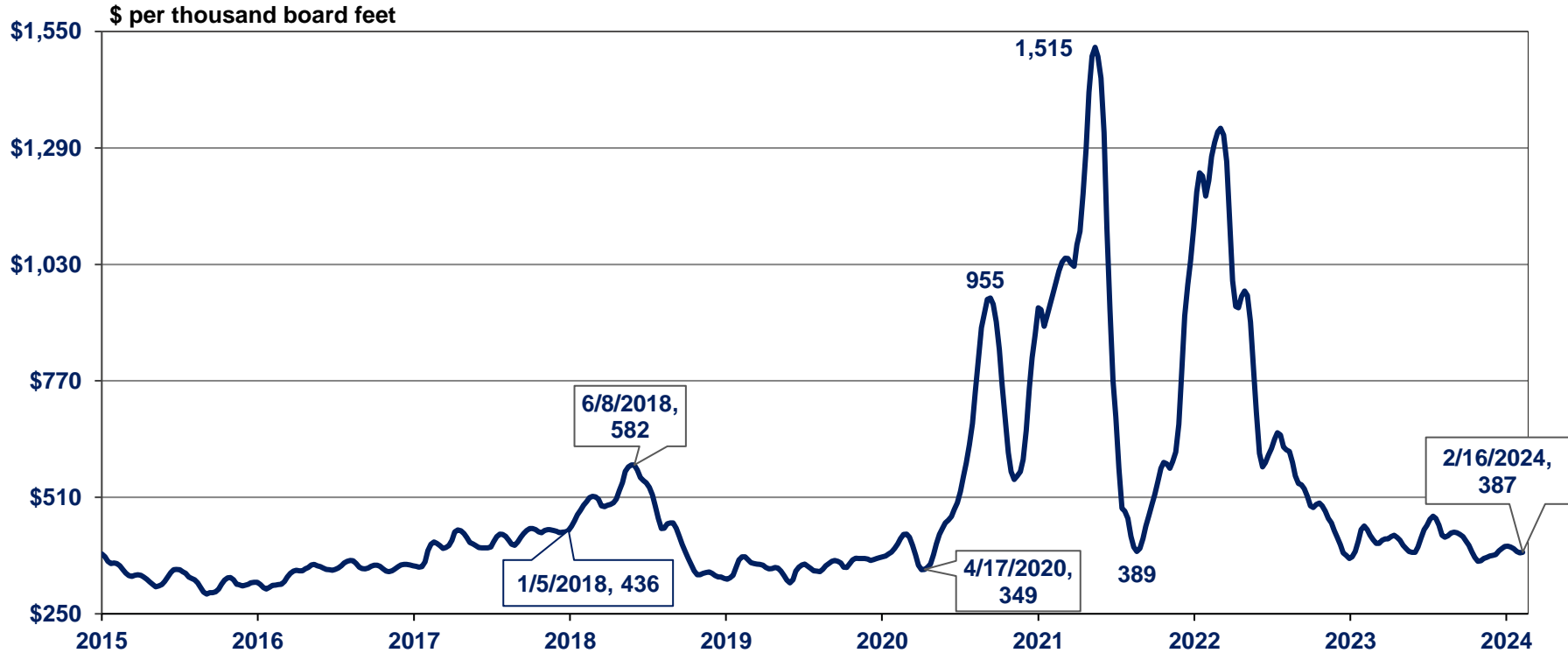
Skilled labor shortage persists; 388,400 net gain for residential construction since Jan 2020



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

Lumber Prices Near Pre-pandemic Low

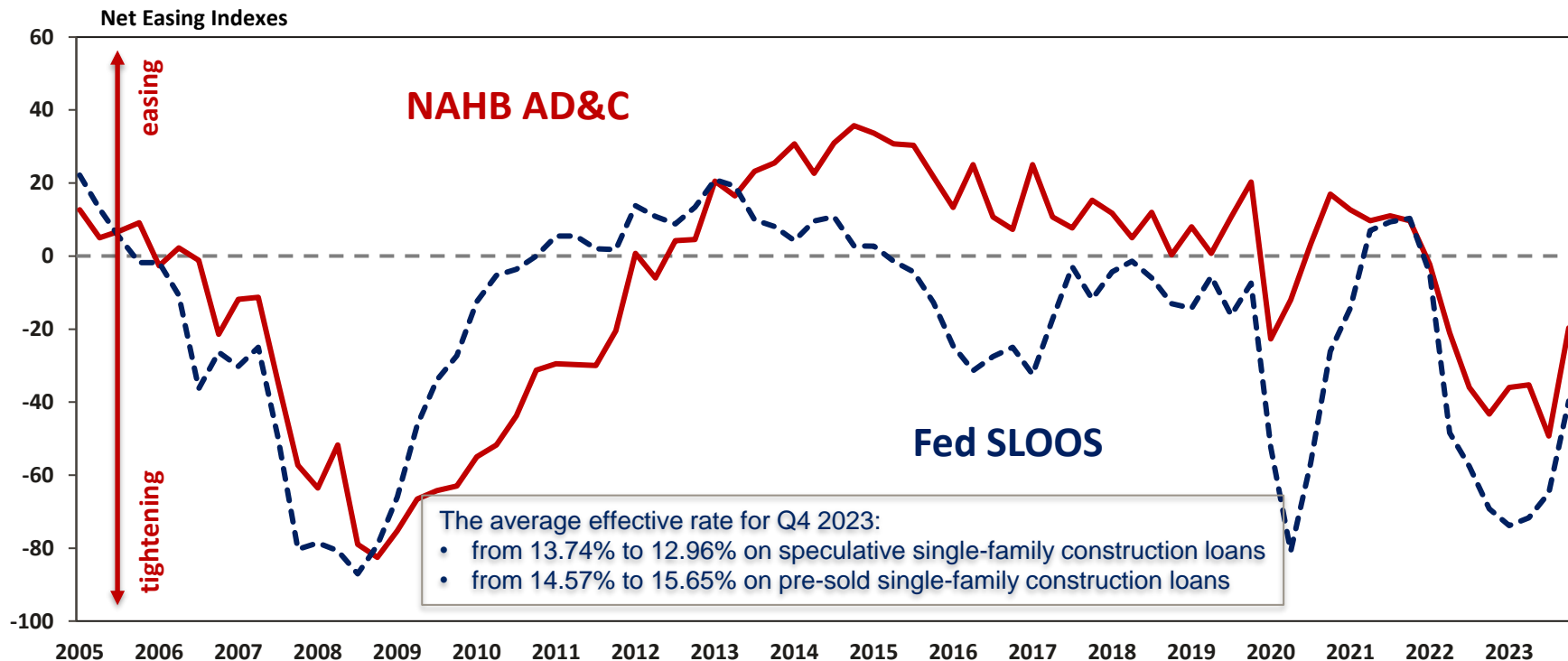
Current February price is \$387; increased 0.3% over the past week



Source: NAHB Analysis; Random Lengths Composite Index

Lending – AD&C Loan Conditions

Credit conditions for builders and lenders are still tightening, but improved in Q4



Source: NAHB survey; Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS)

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)



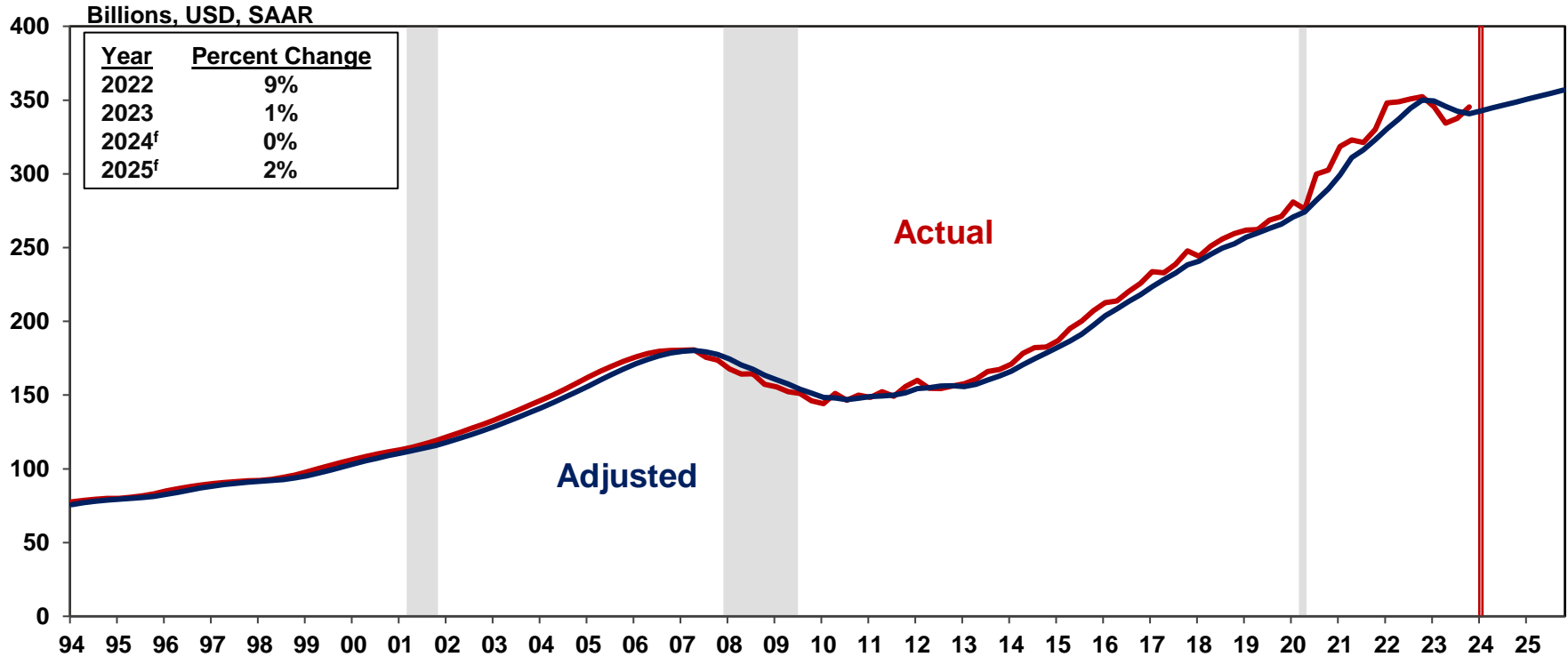


Construction Outlook



Residential Remodeling

Minor soft patch for home improvement demand

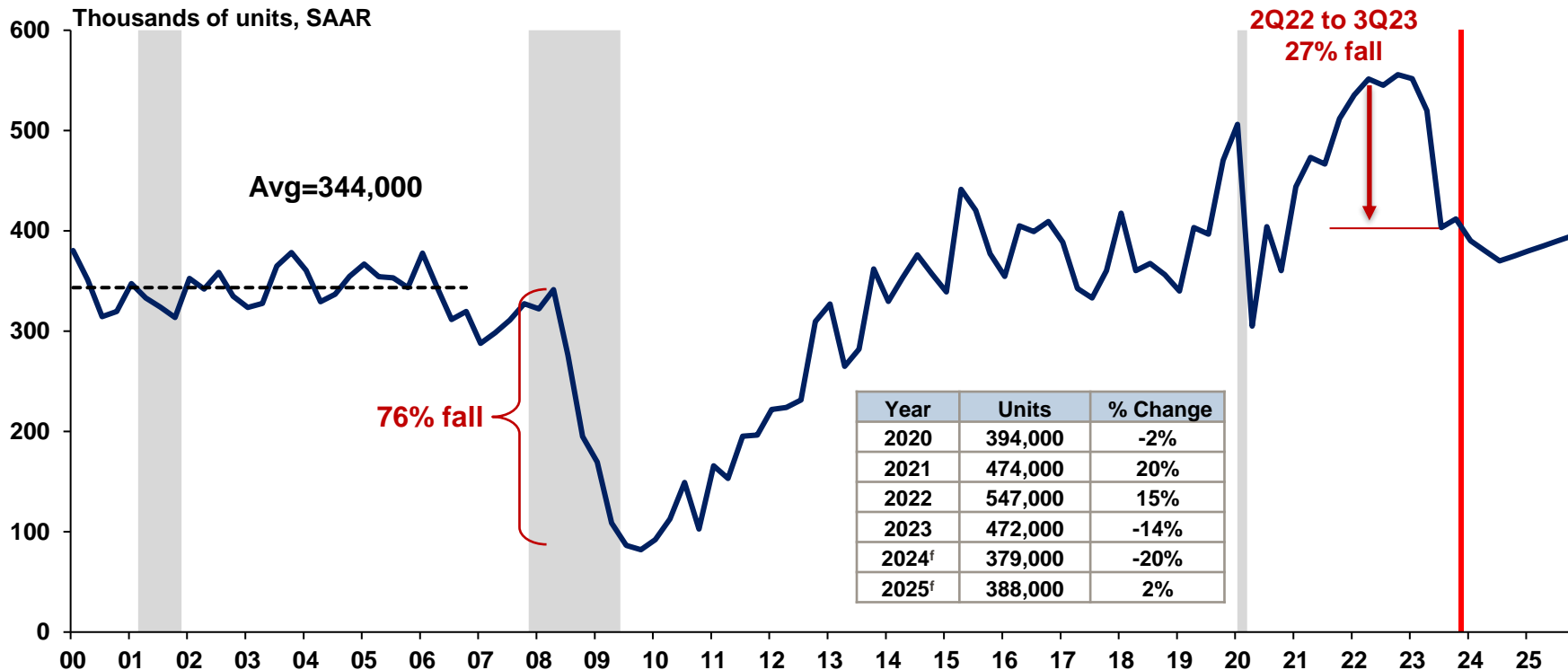


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

Multifamily Construction Slowdown

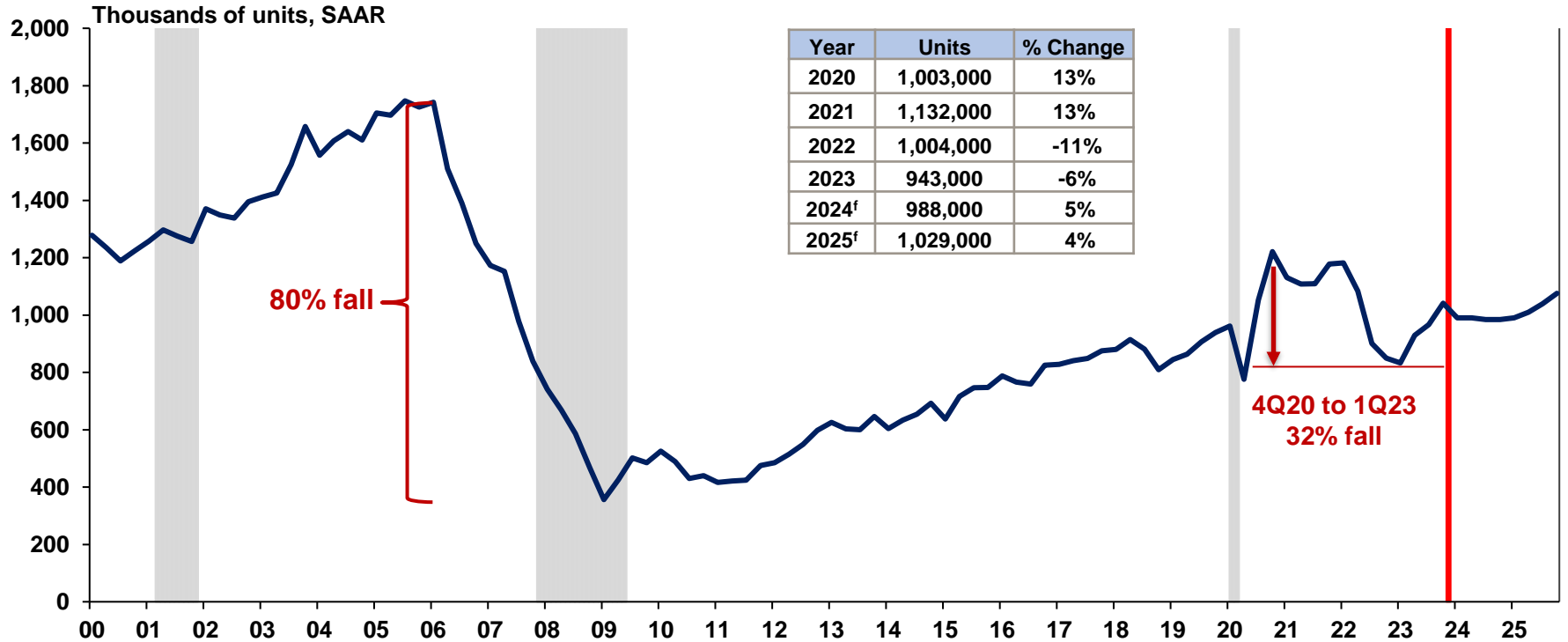
Multifamily permit 3-month moving average at lowest point since 2020



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

Single-Family Starts

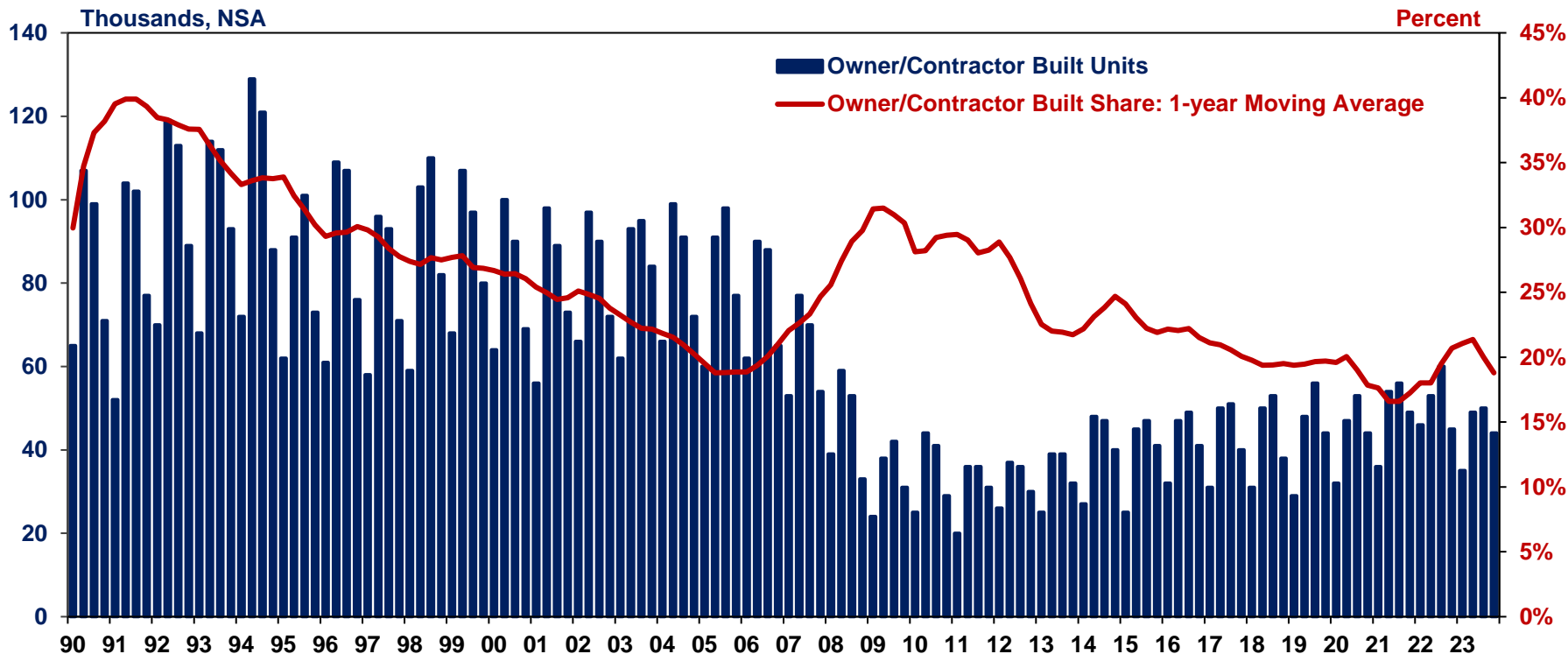
Single-family starts surpassed the million mark in December, will trend higher in 2024



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

Custom Home Building Market

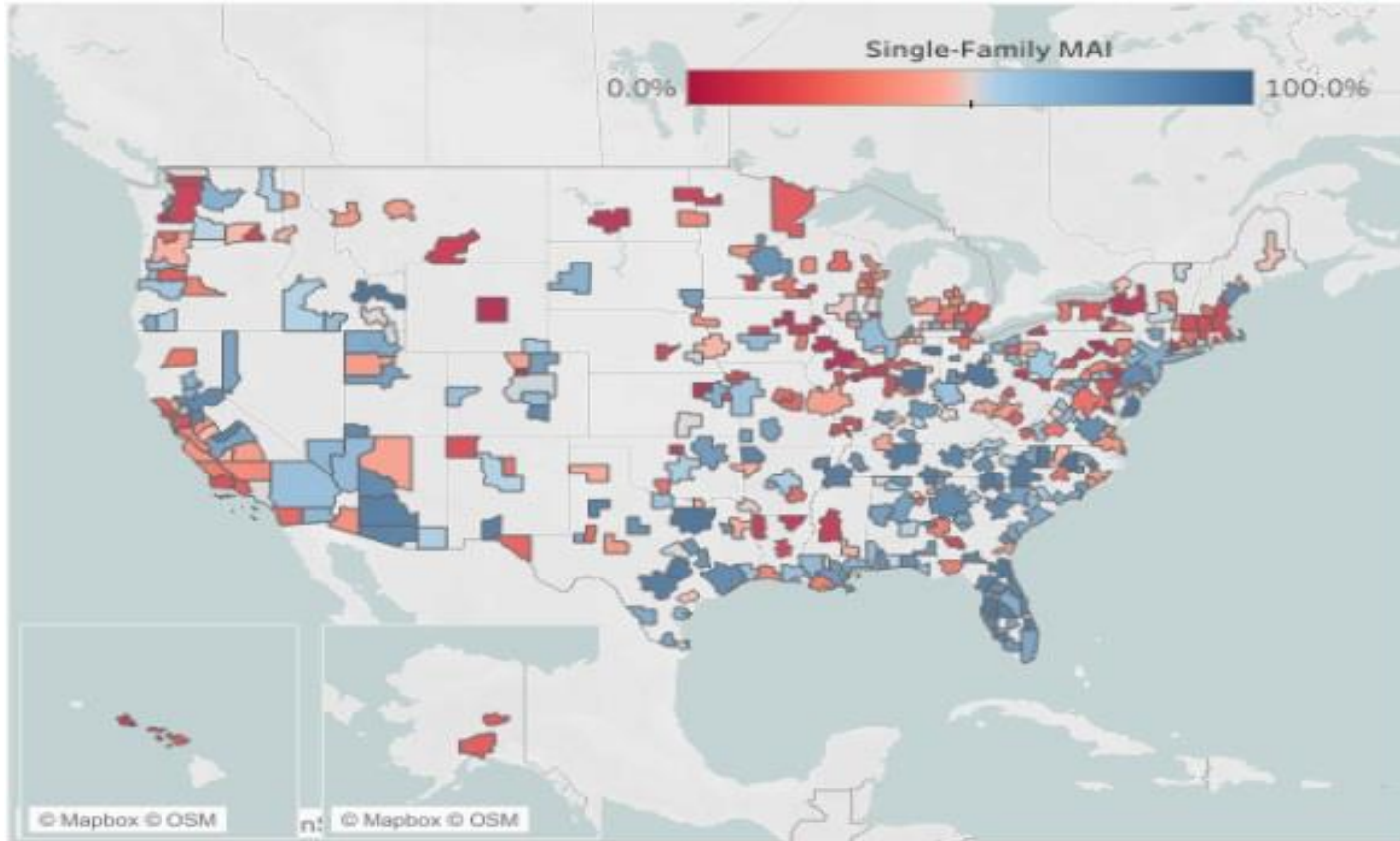
Slowing market for custom home building after a recent gain in market share



Source: U.S. Census Bureau (BOC)

NAHB Single-Family Market Association Index (MAI)

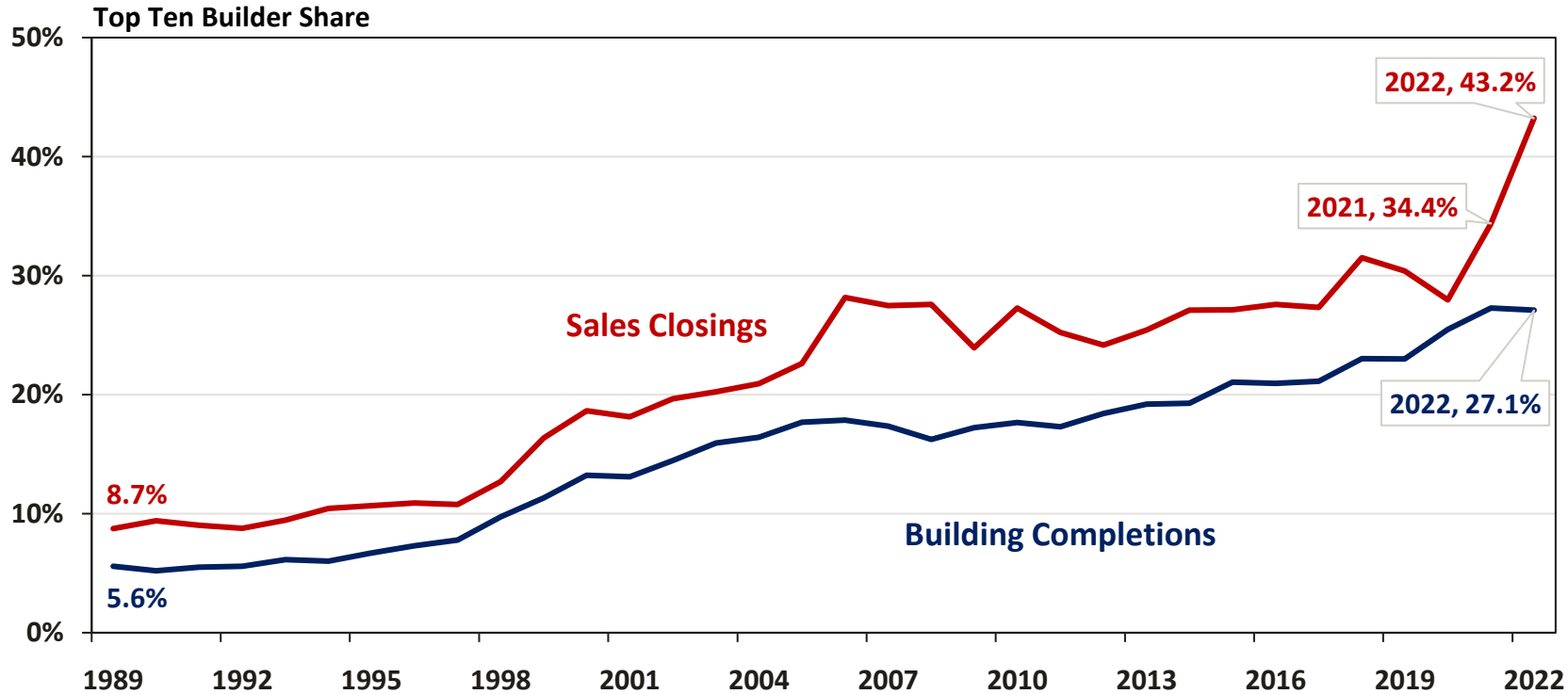
Shows how close local trends are to national conditions



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

Top Ten Builder Share (by Closings & Completions)

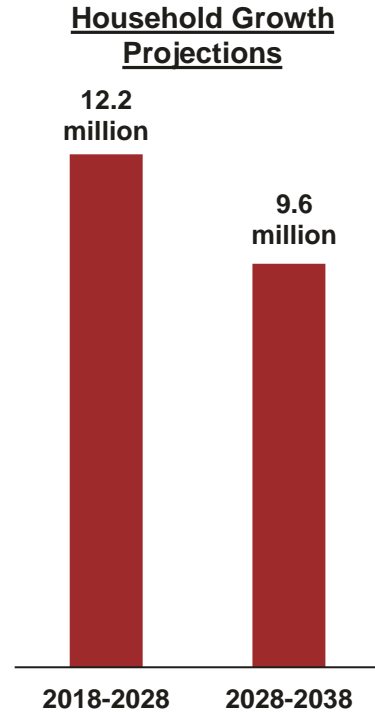
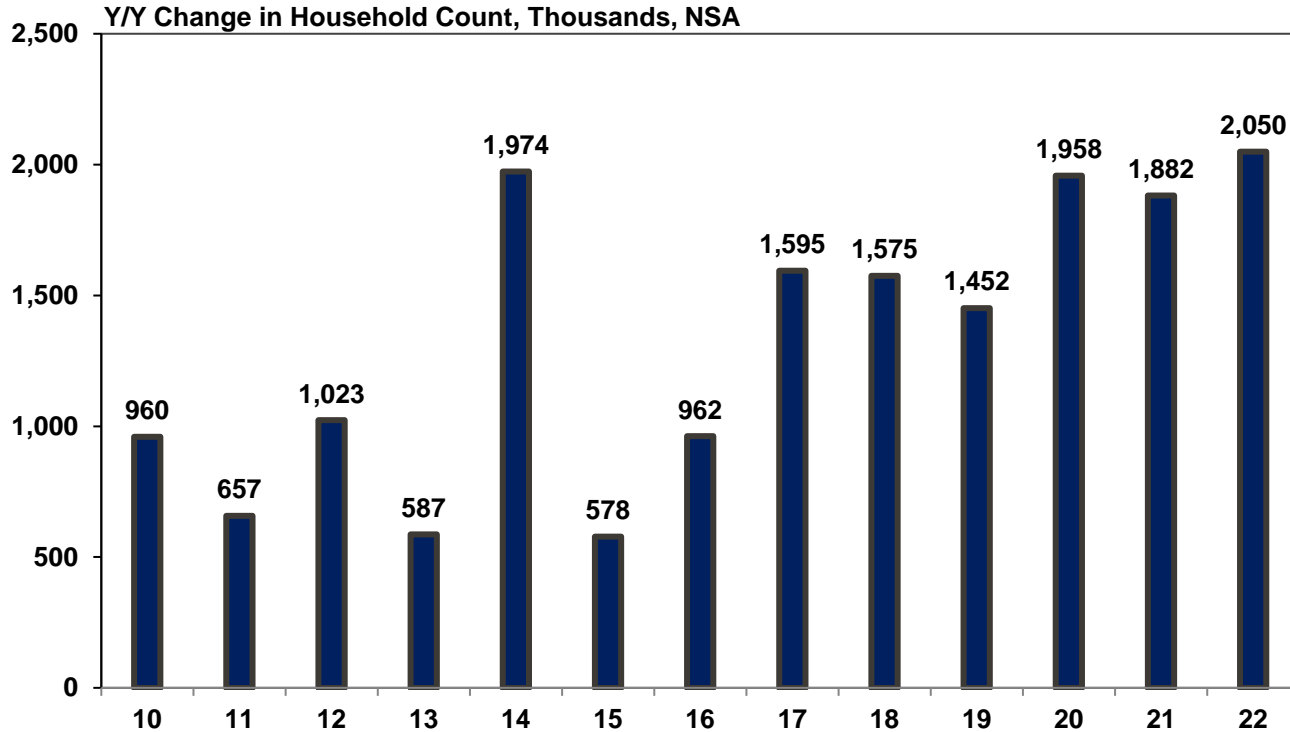
The top ten builder share by closings increased 9 percentage points in 2022



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

Household Formation

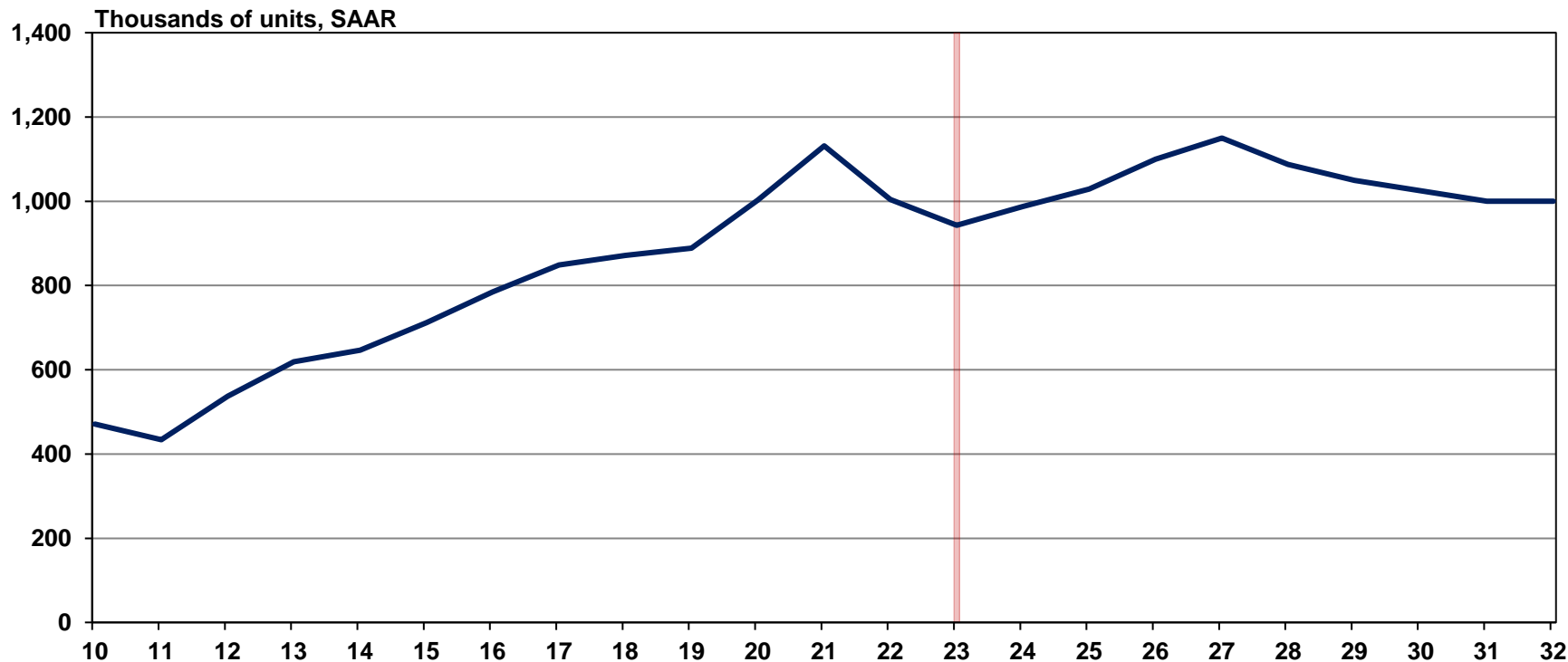
Household growth slowing into the 2030s



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership and the Joint Center for Housing Studies (JCHS) projections
[Harvard JCHS McCue Household Projections Rev010319.pdf](https://www.harvard.edu/jchs/mccue-household-projections-rev010319.pdf)

Single-Family Construction Needed to Reduce Housing Deficit

Construction to trend higher and then level off in the coming years



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

Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com