

Affordable Housing Forum

Hon. Roy Charles Brooks



NACo President;
Commissioner
Tarrant County, Tex.

Dr. Robert Dietz



Chief Economist
National Association of
Home Builders

Economic and Housing Outlook

NACO

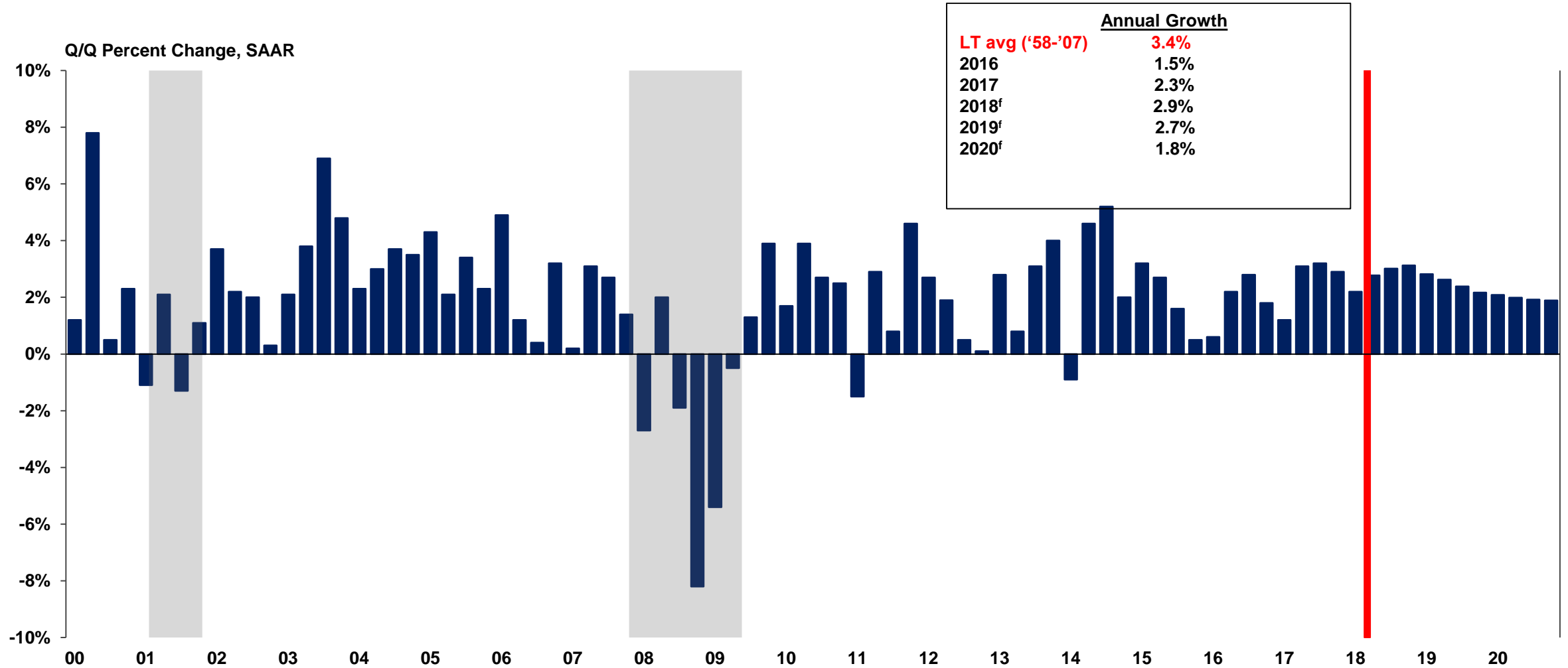
July 15, 2018

*Robert Dietz, Ph.D.
NAHB Chief Economist*



GDP Growth

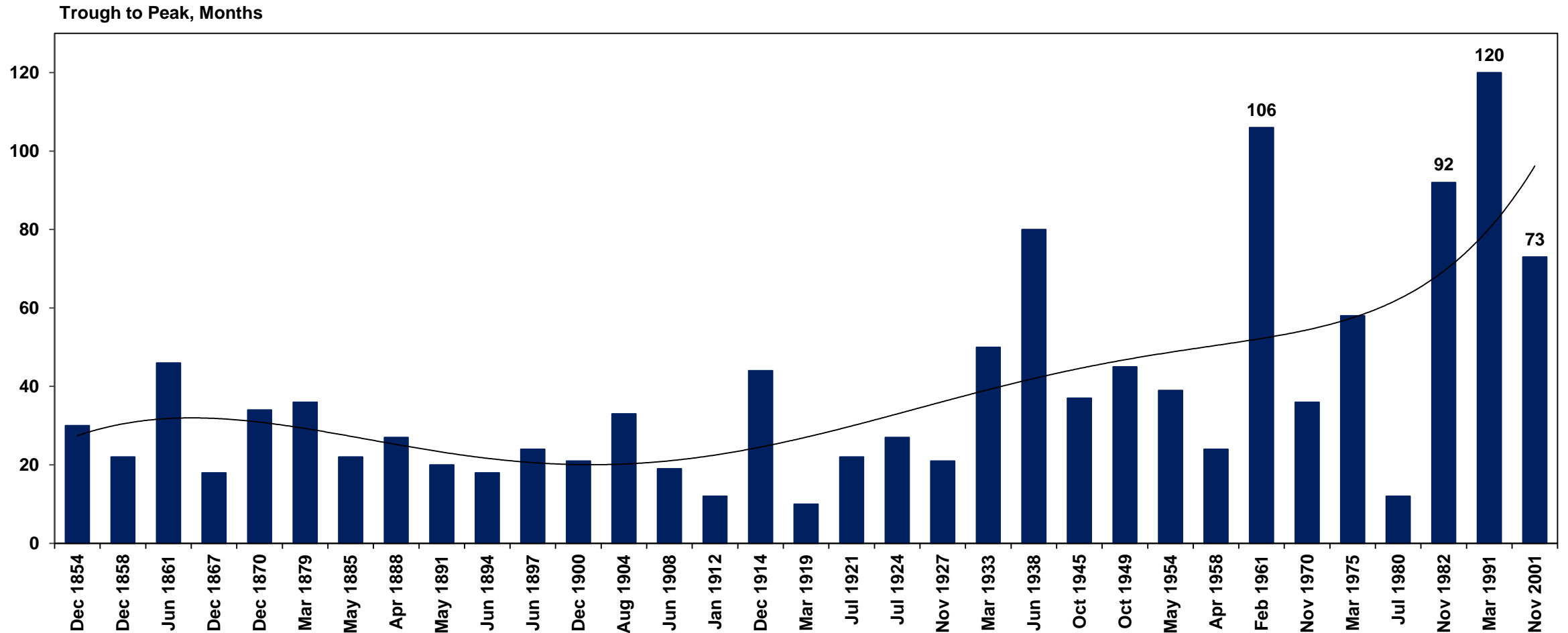
Stronger growth expected post-tax reform



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

Expansion is Aging

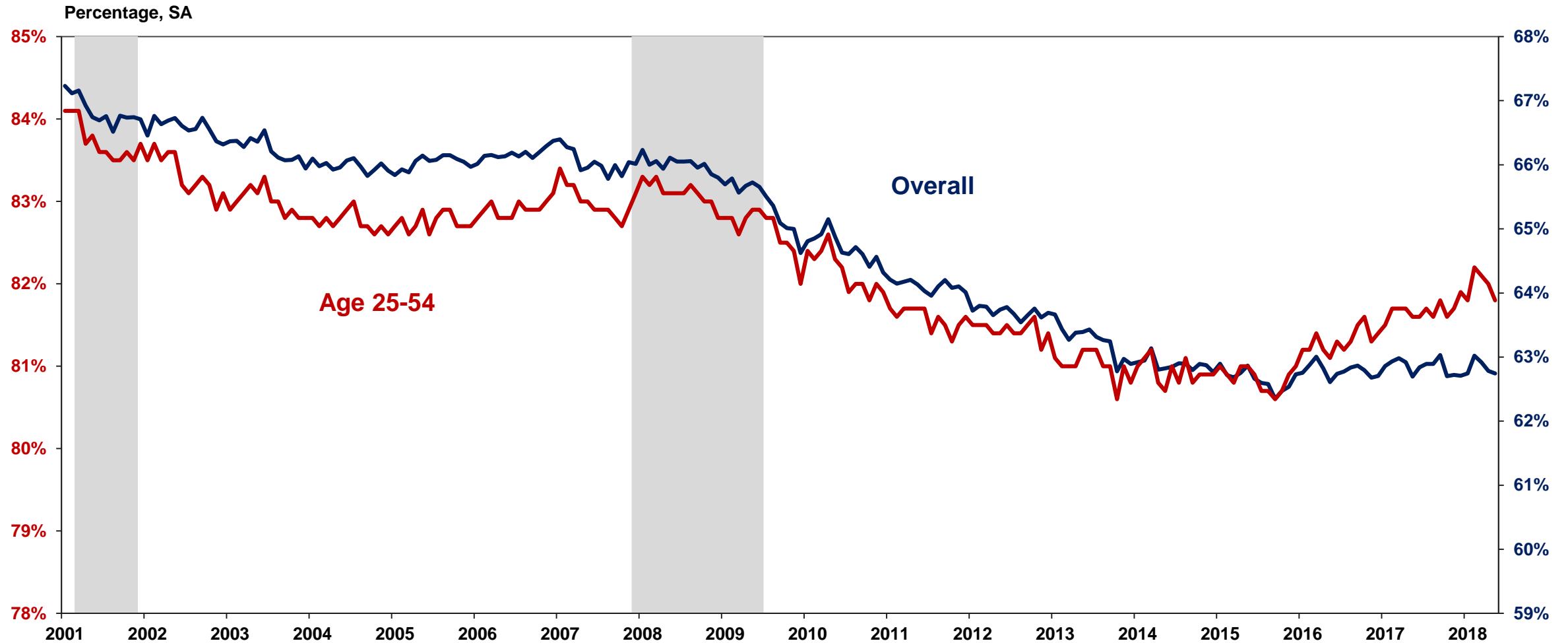
Current expansion is 108 months old – second longest



Source: The National Bureau of Economic Research (NBER).

Labor Force Participation Rate

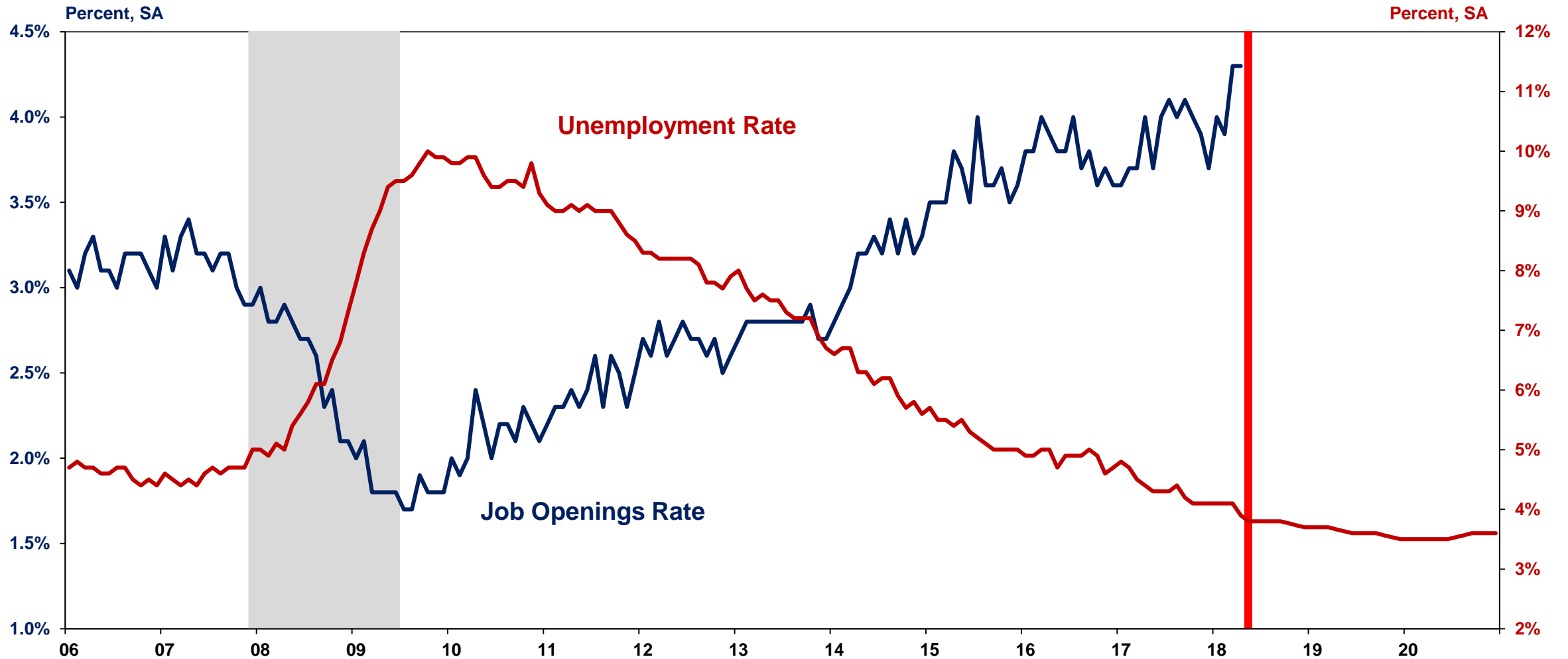
Improving labor force participation key to future growth



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

Tight Labor Market

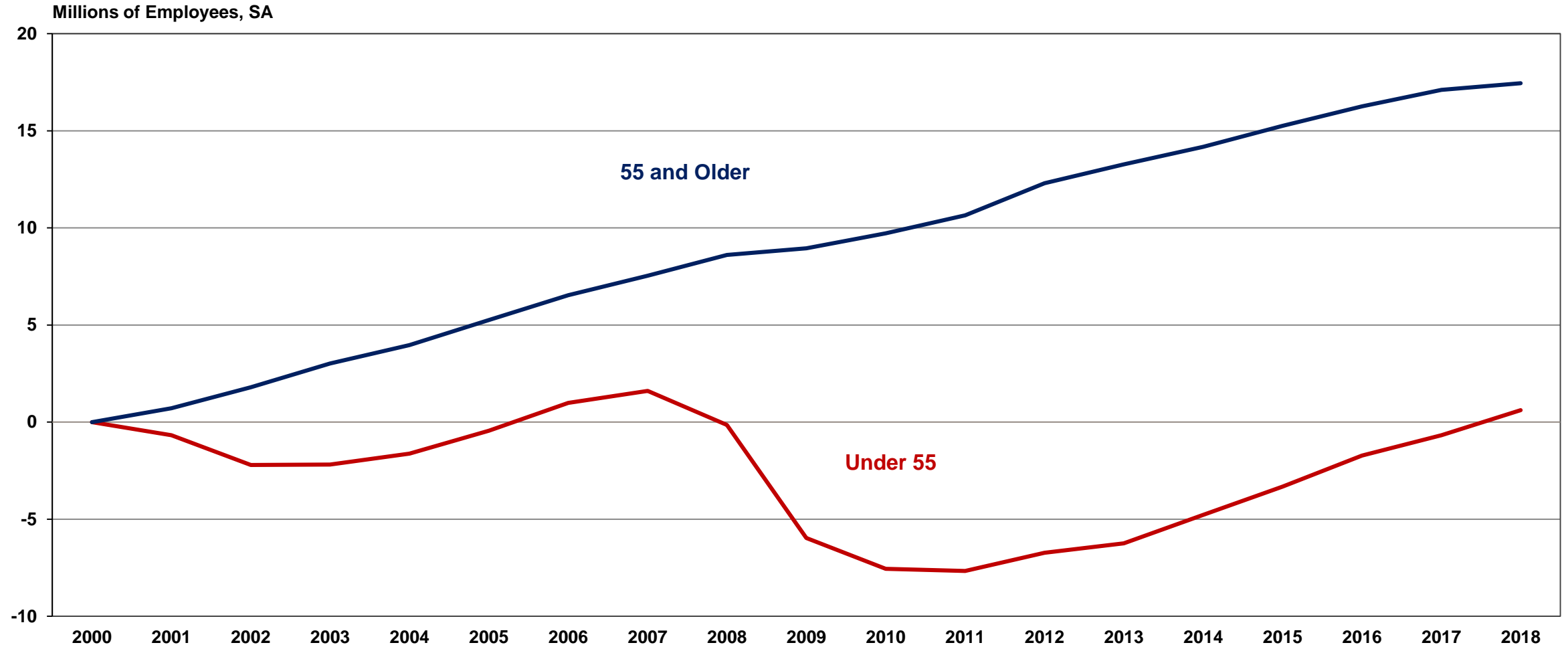
How low can unemployment go?



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

Cumulative Change in Employment by Age Group

Mind the Gen-X gap



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

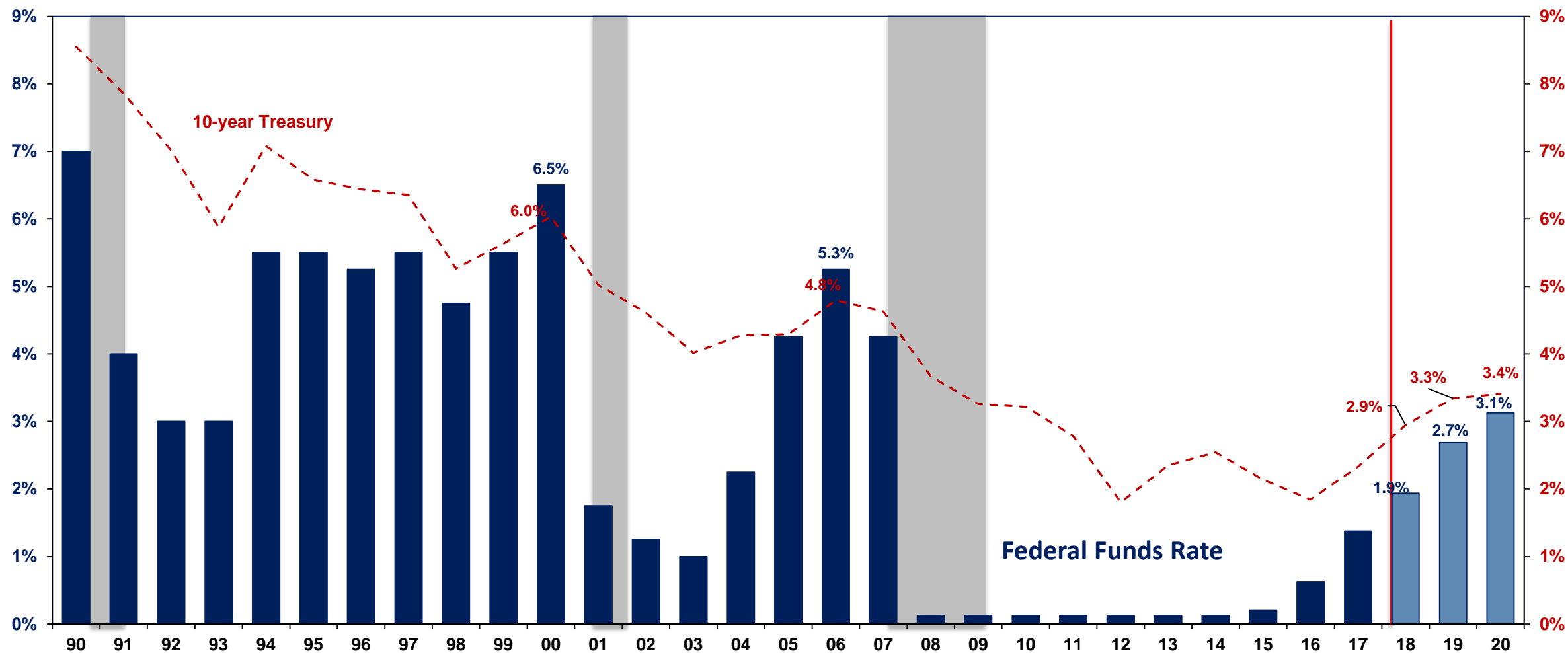
Rising Producer Prices



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

Target Federal Funds Rate

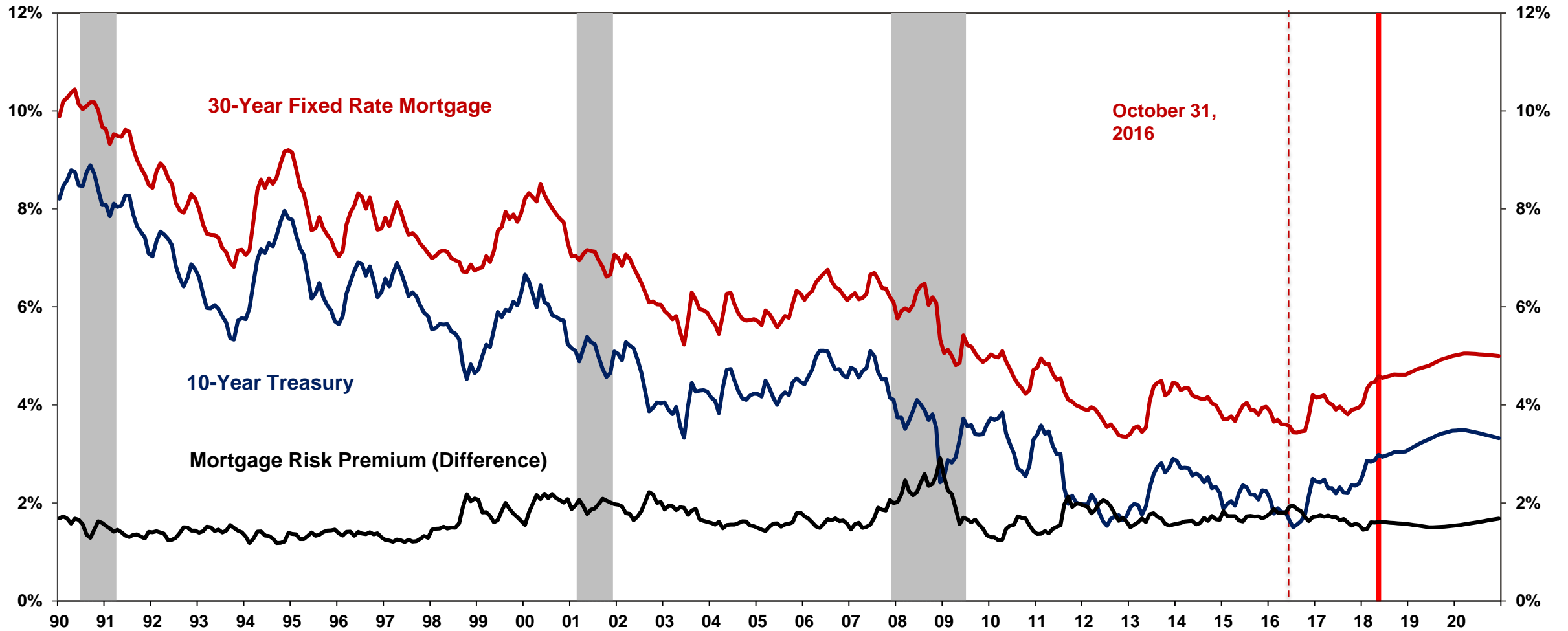
Fed will continue to raise rates



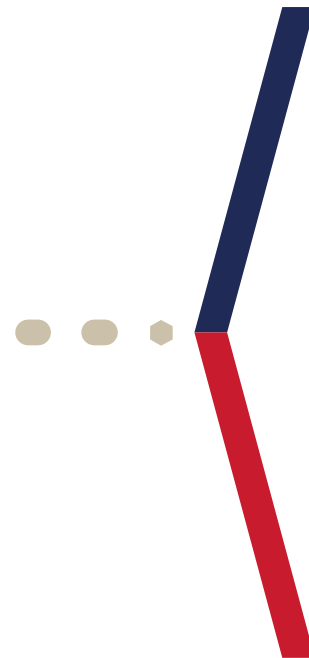
Source: Federal Reserve data and NAHB forecast.

30-Year Fixed Rate Mortgage and 10-Year Treasury

Rates will rise due to Fed policy and tight labor markets

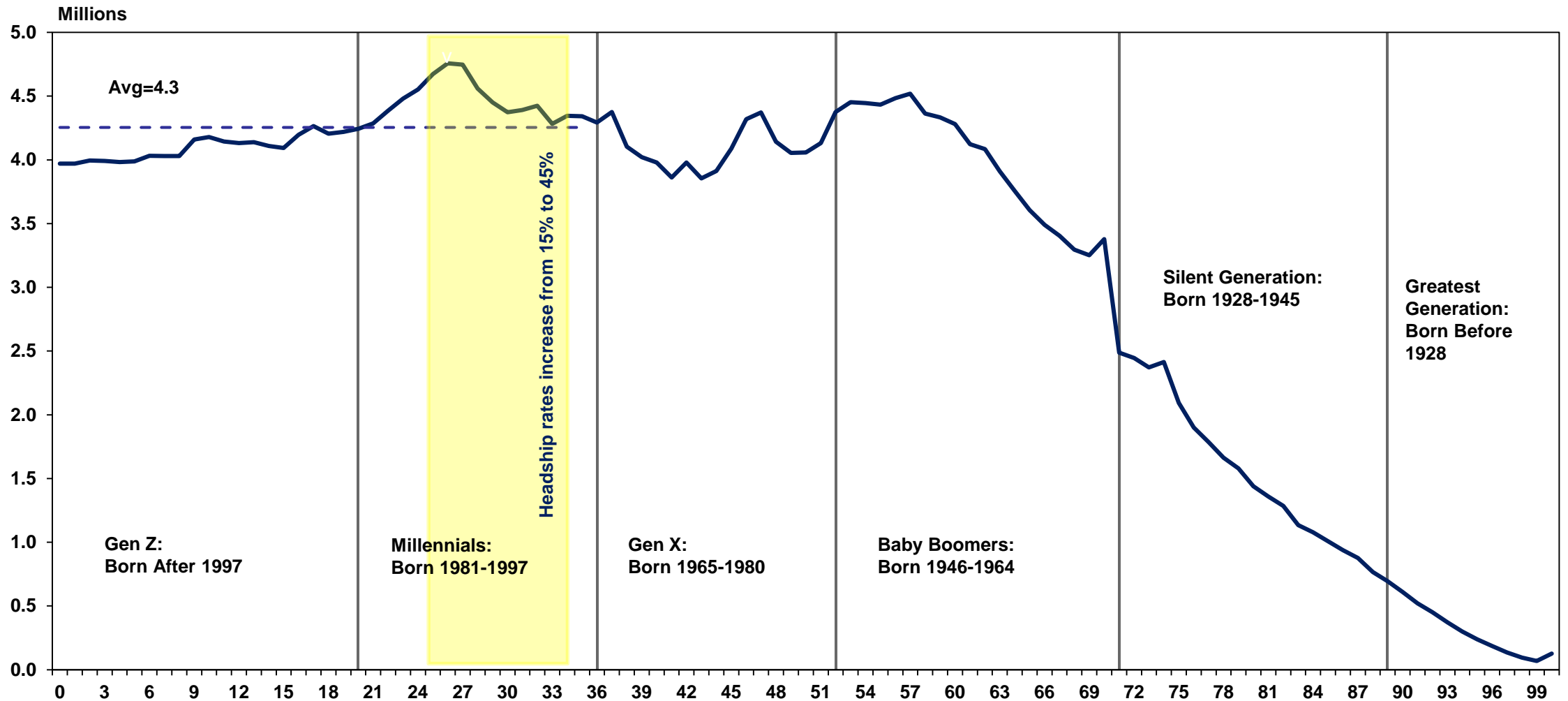


Source: Federal Reserve and Freddie Mac data and NAHB forecast.



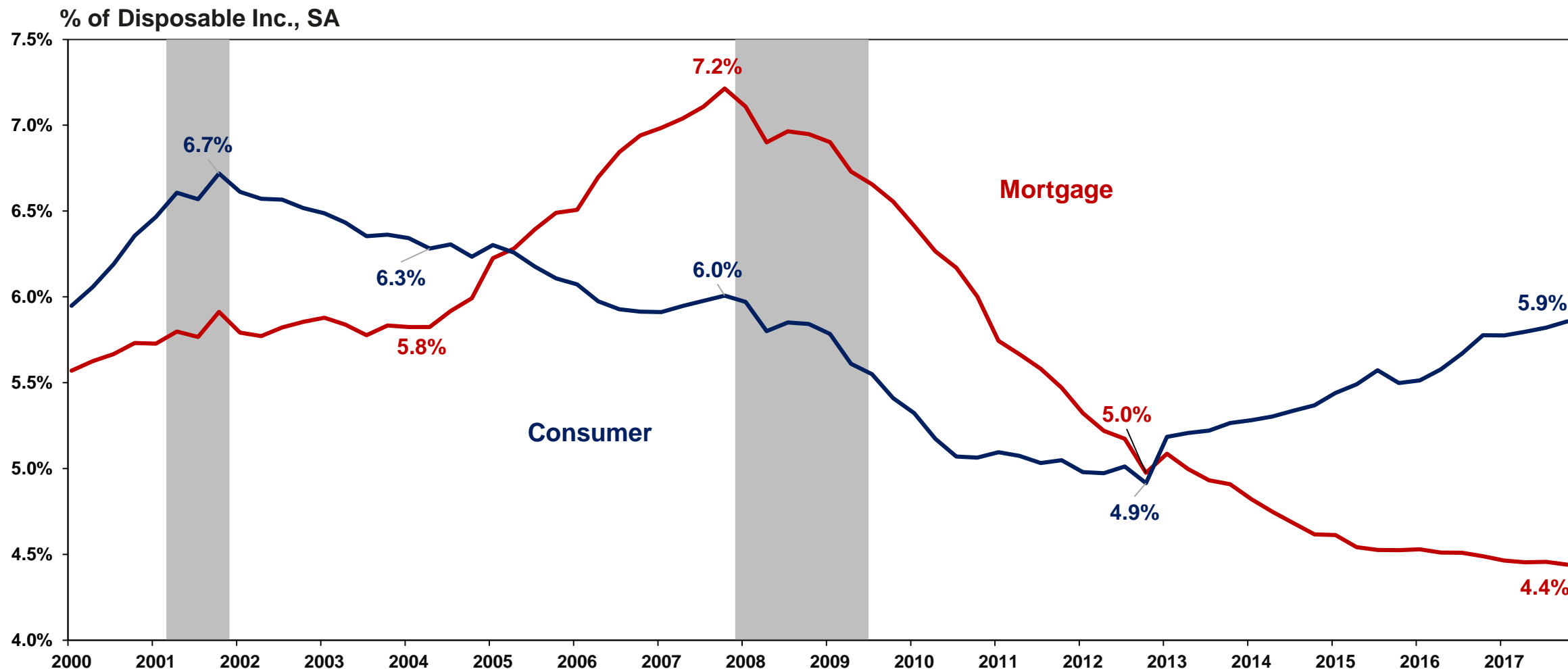
Housing Demand and Affordability

Rising Population Entering Housing Demand Years: 2017



Household Balance Sheets

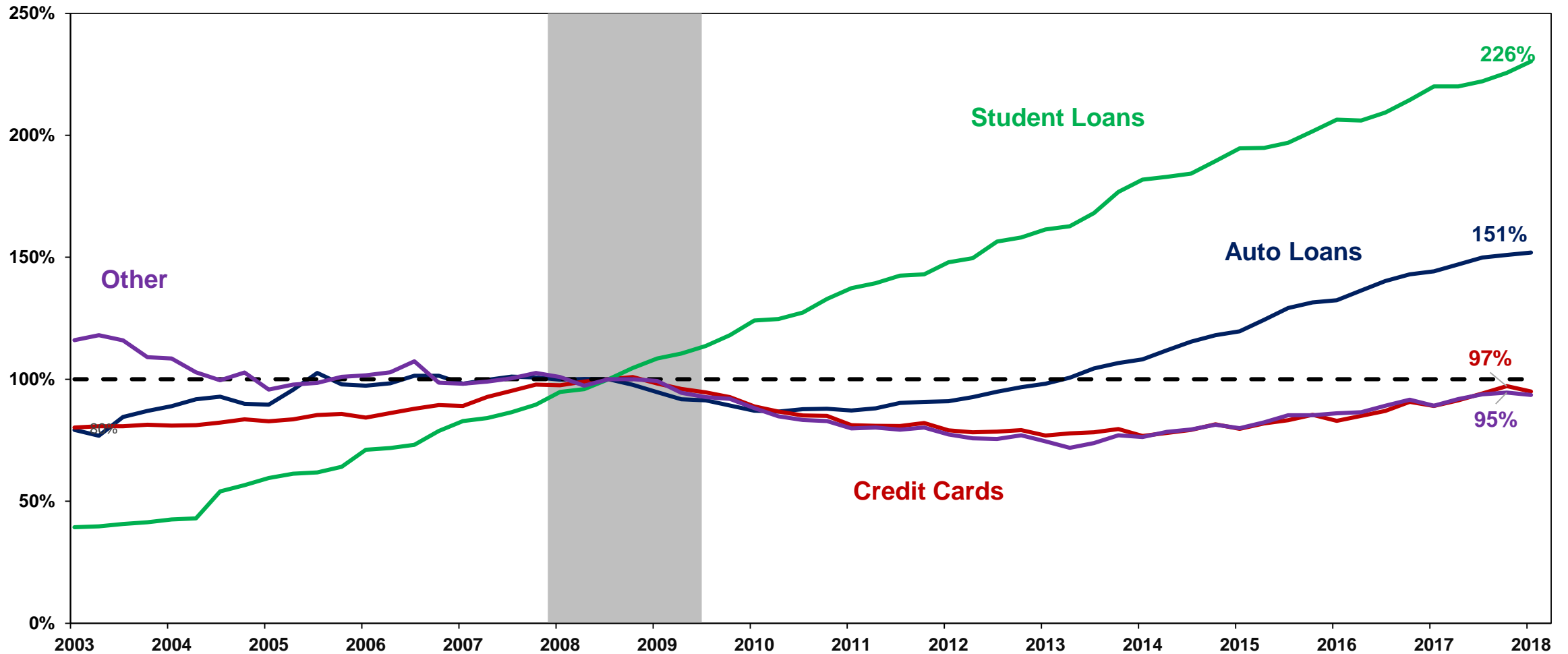
A shift in debt away from mortgages



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

Consumer Debt

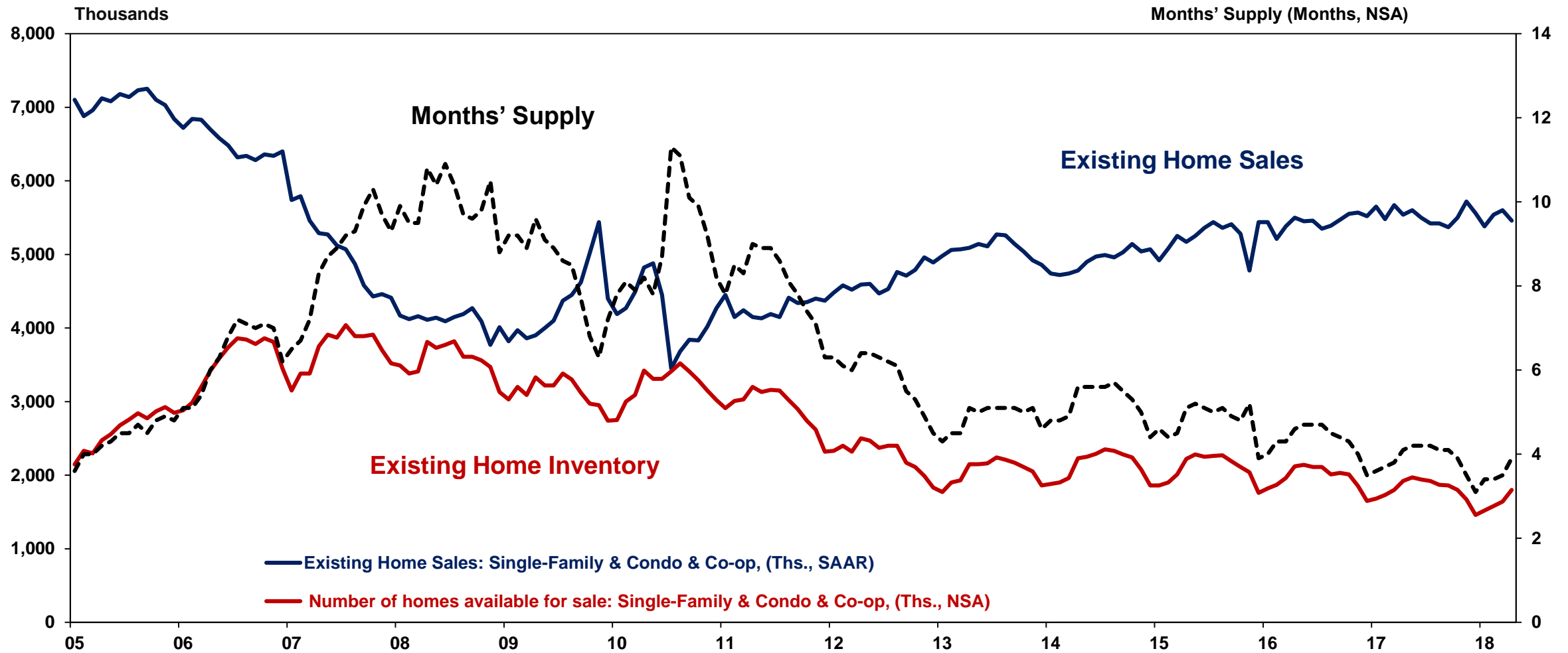
Rise in student and auto loans



Source: Federal Reserve Bank of New York.

Existing Home Sales

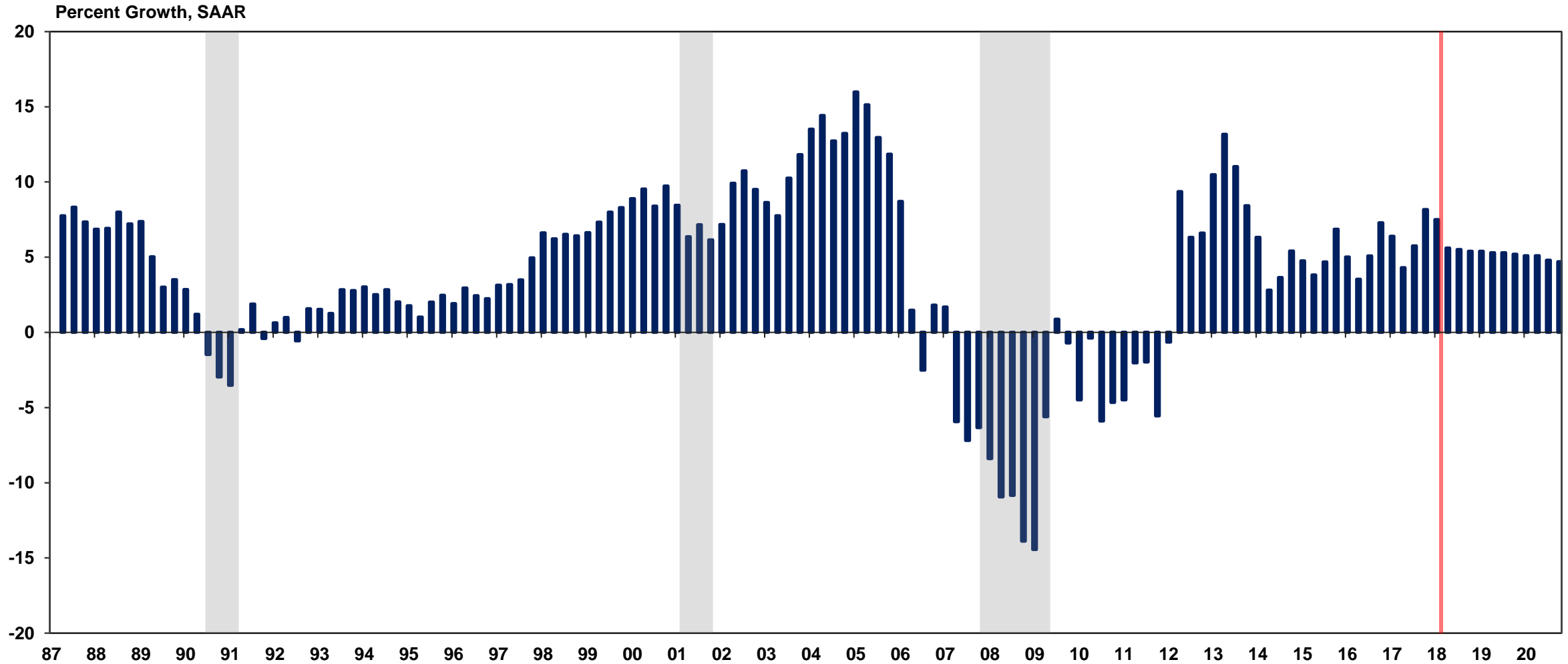
Low inventory



Source: National Association of Realtors (NAR).

S&P/Case-Shiller National US Home Price Index

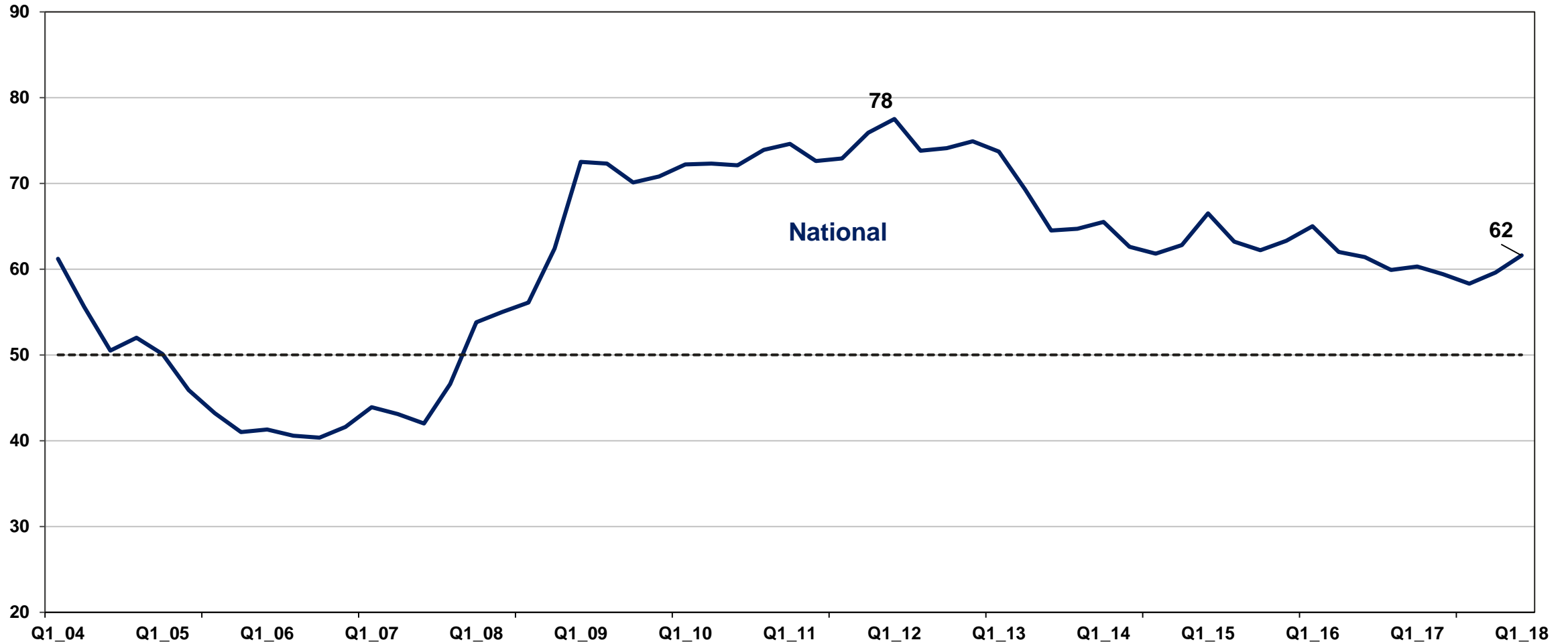
Prices growing faster than income



Source: S&P Dow Jones Indices LLC; CoreLogic, Inc. and NAHB forecast.

Housing Affordability – NAHB/Wells Fargo HOI

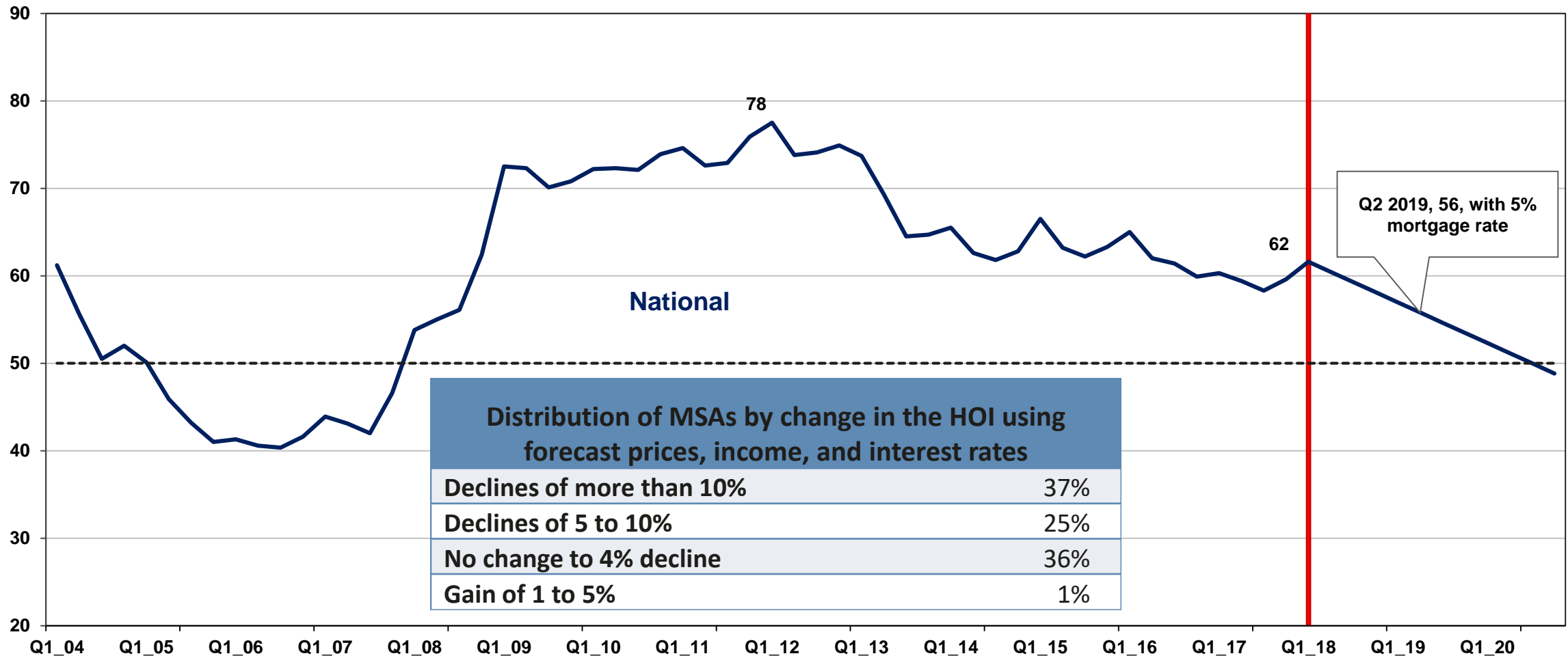
Affordability declining



Source: NAHB/Wells Fargo Housing Opportunity Index.

Simulating Future Affordability Conditions

HOI declines due to higher rates and costs/prices despite rising incomes



Source: NAHB/Wells Fargo Housing Opportunity Index.

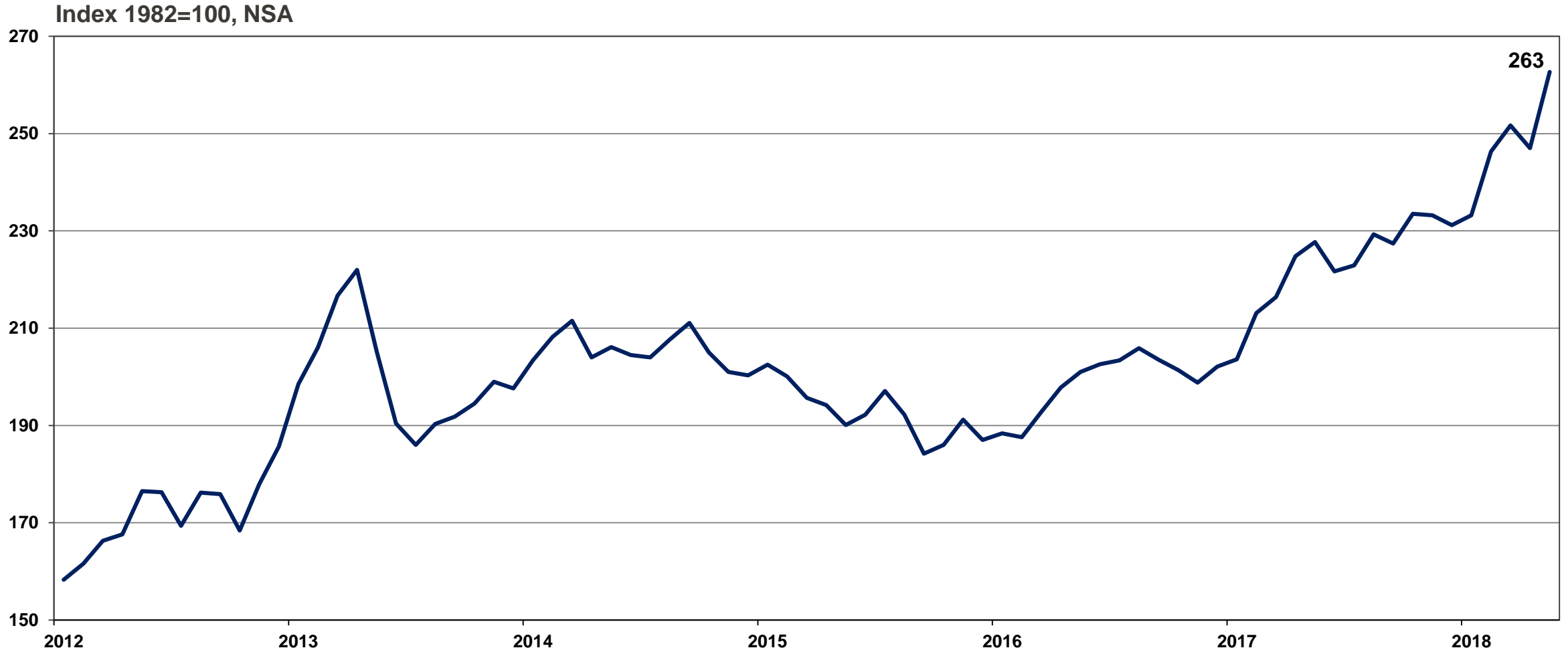


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Supply-Side Headwinds

Building Materials – Softwood Lumber

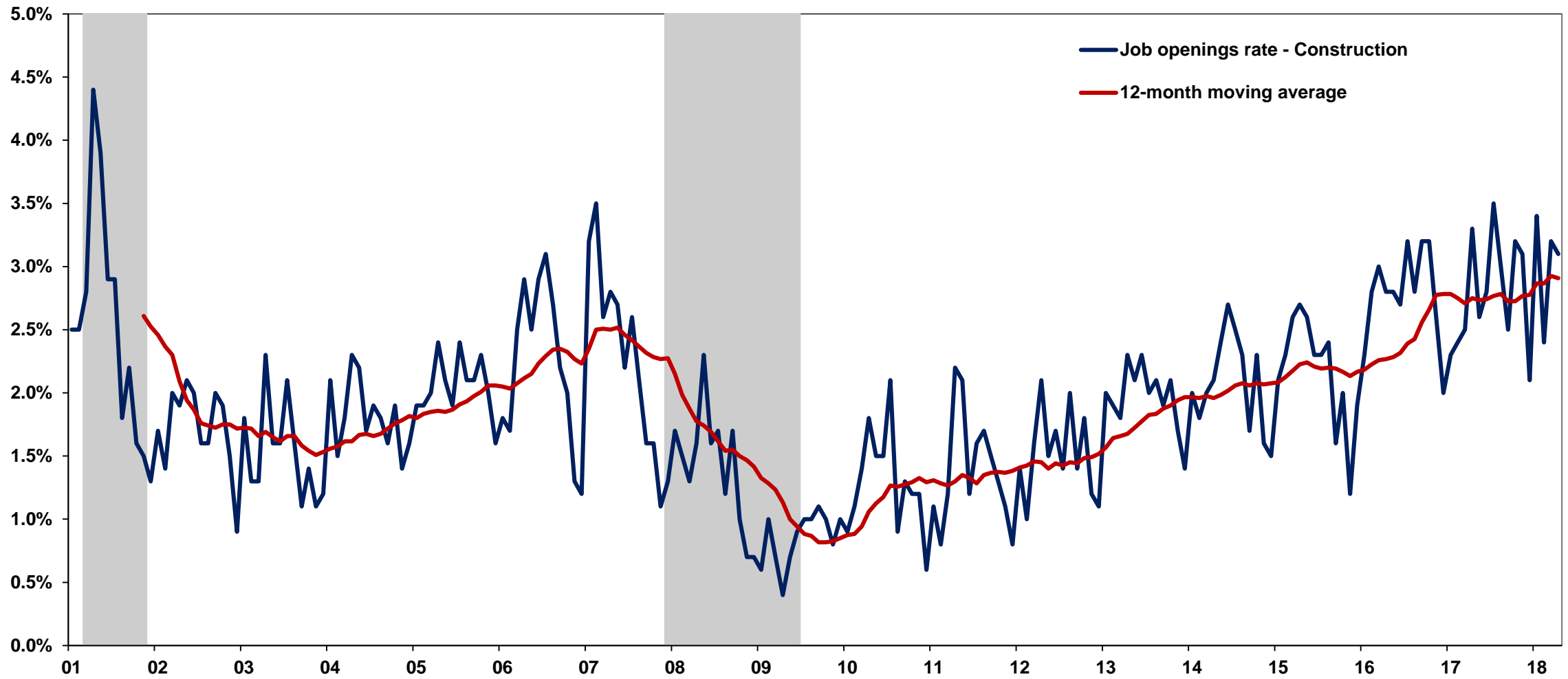
Since January 2017, Random Lengths Framing Composite Price Index up 63%



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

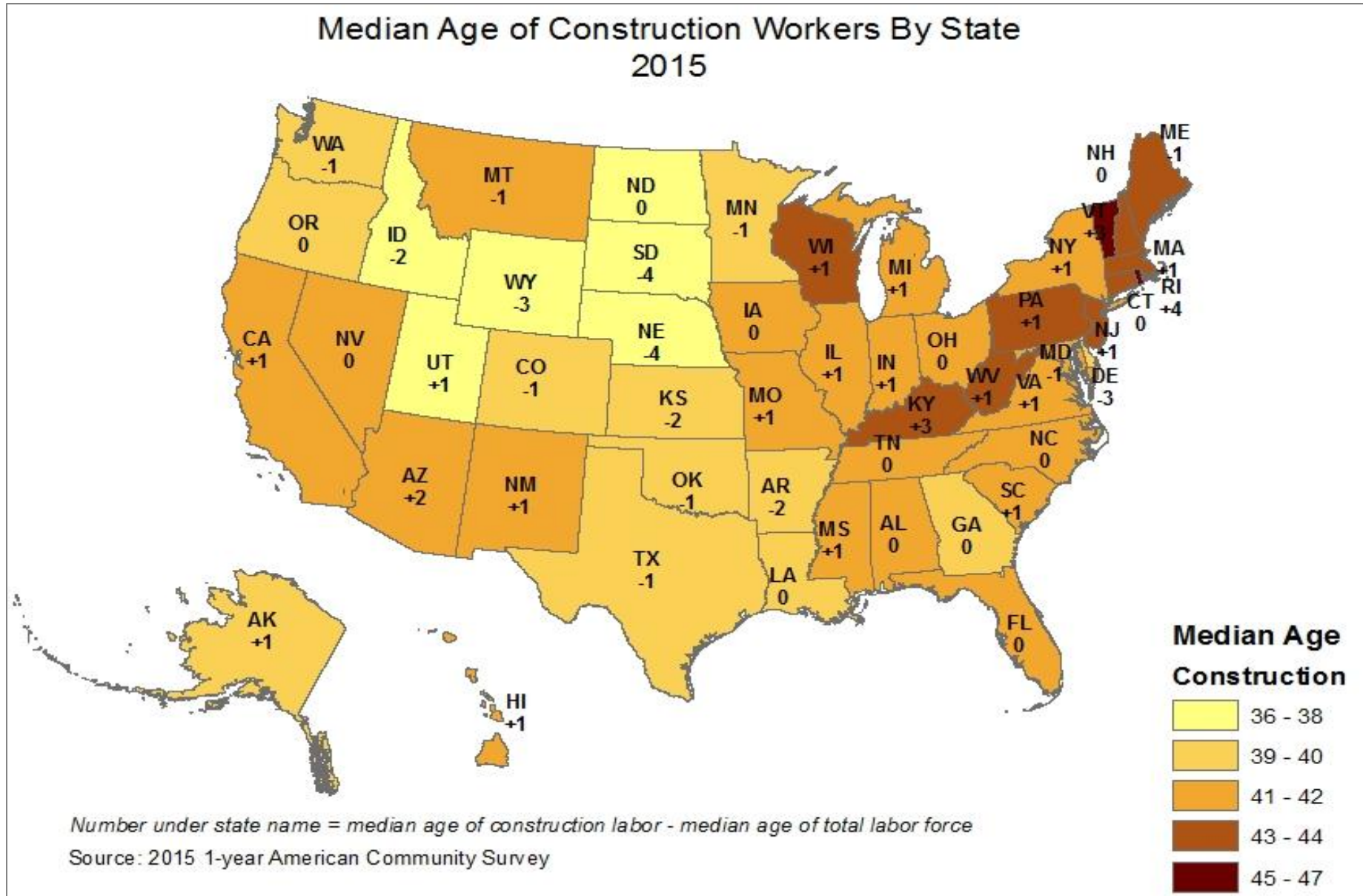
Labor

Elevated count of unfilled construction jobs



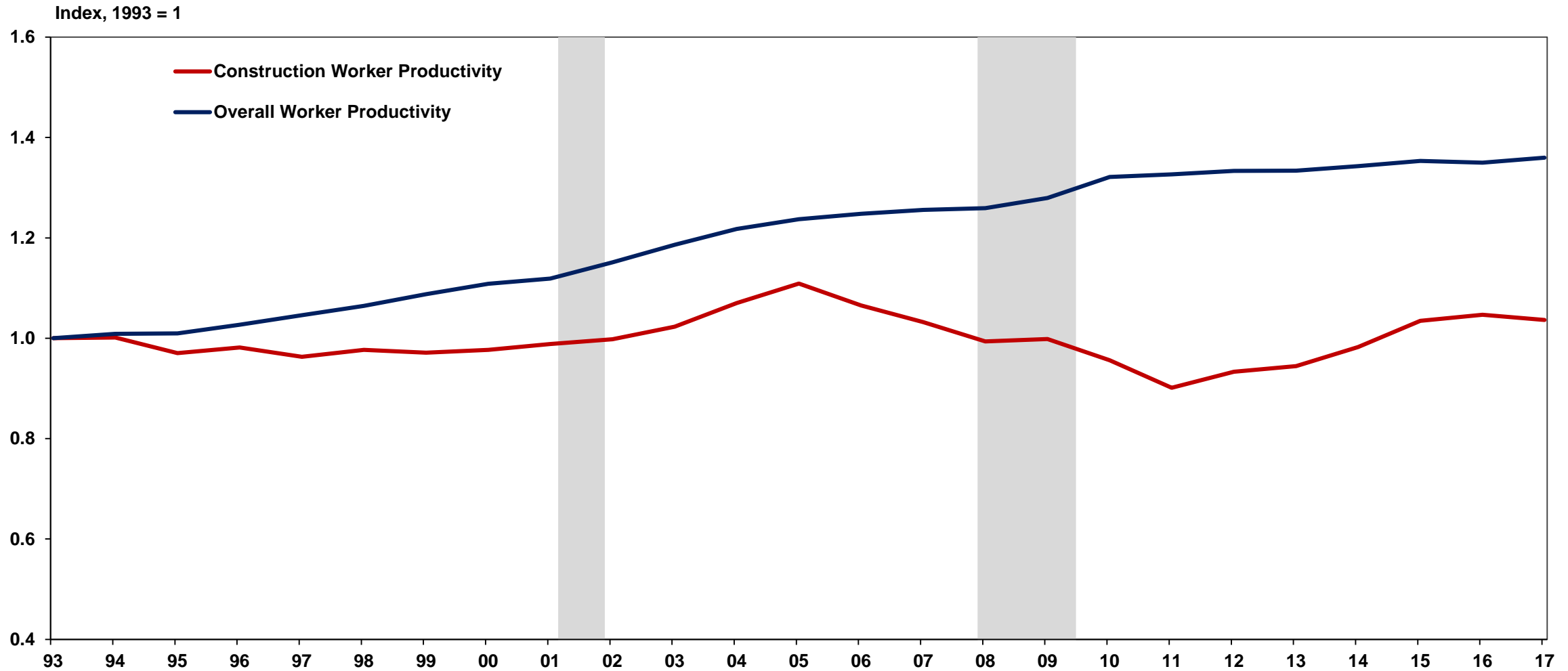
Source: U.S. Bureau of Labor Statistics (BLS).

Aging Labor Force for Construction



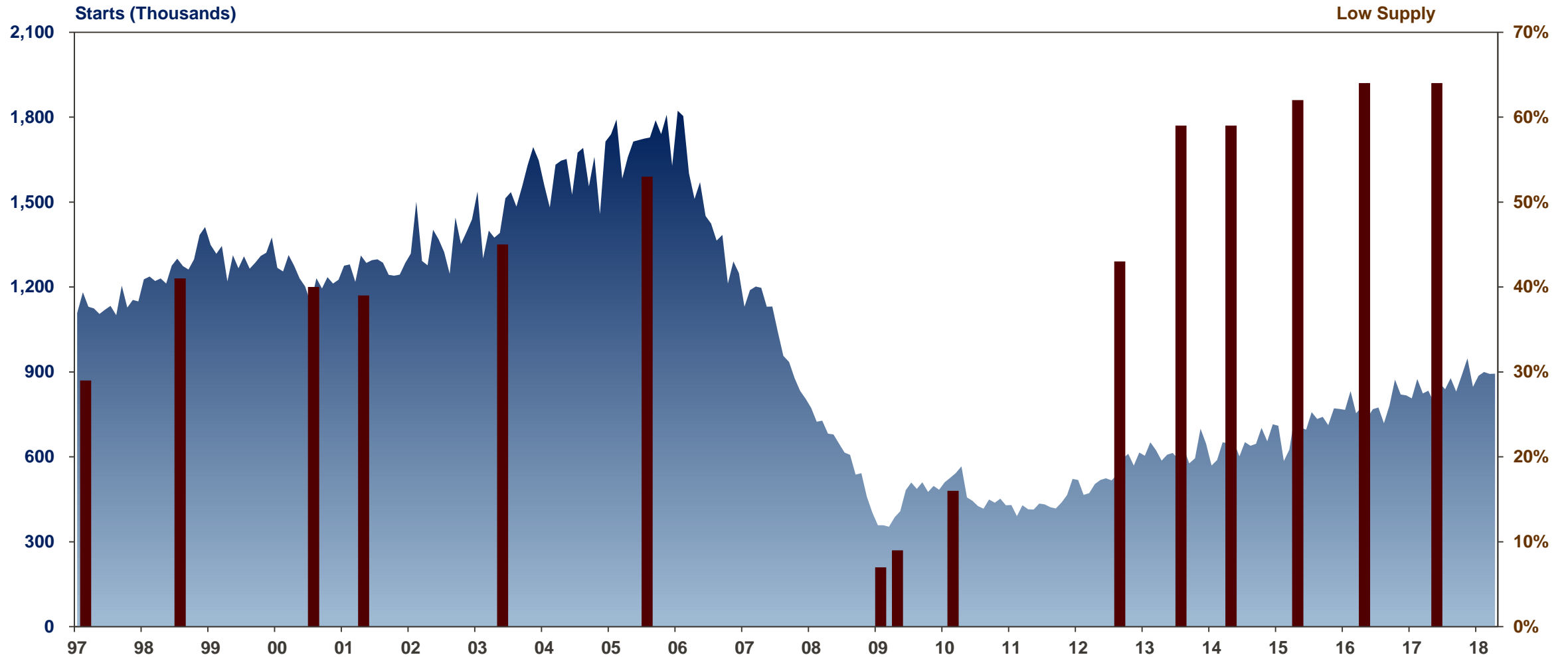
Construction Sector Productivity

Lagging overall economy

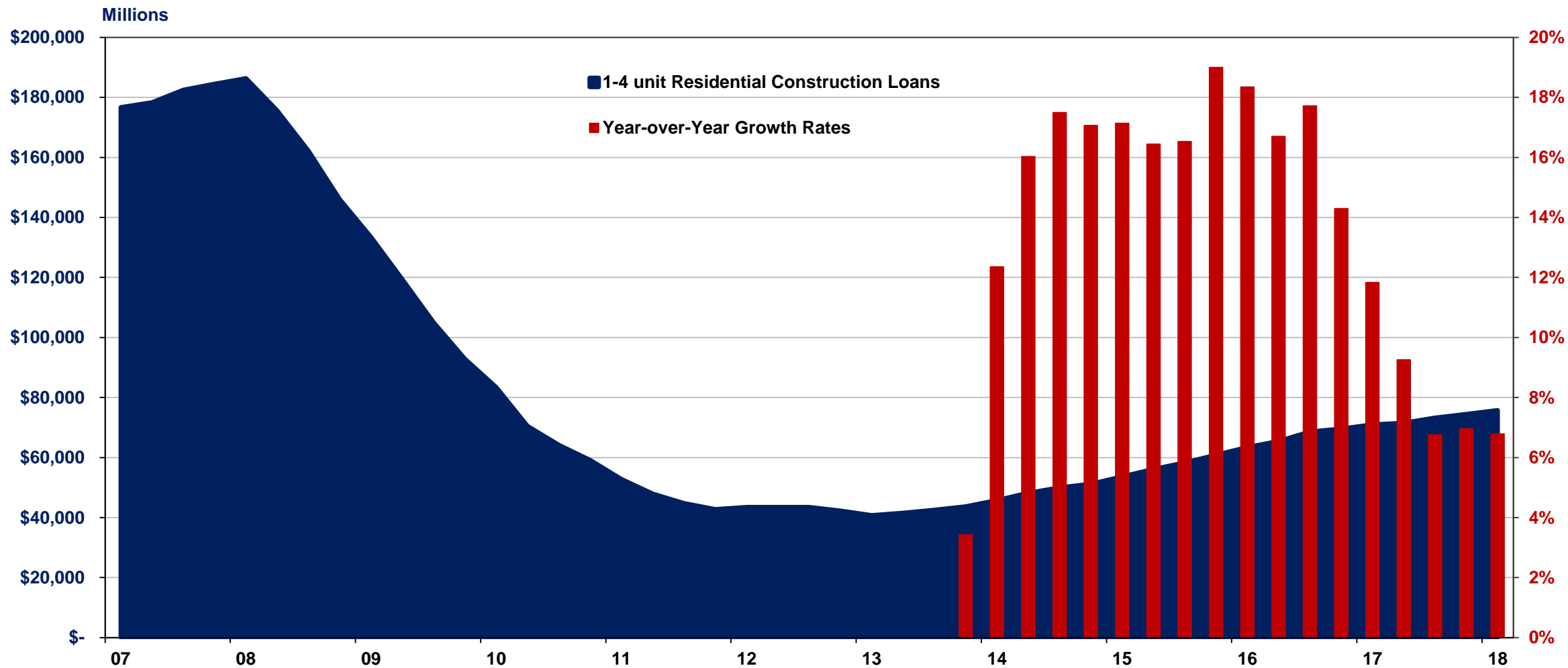


Lots

Housing Starts (Area) and Low/Very Low Lot Supply (bars)

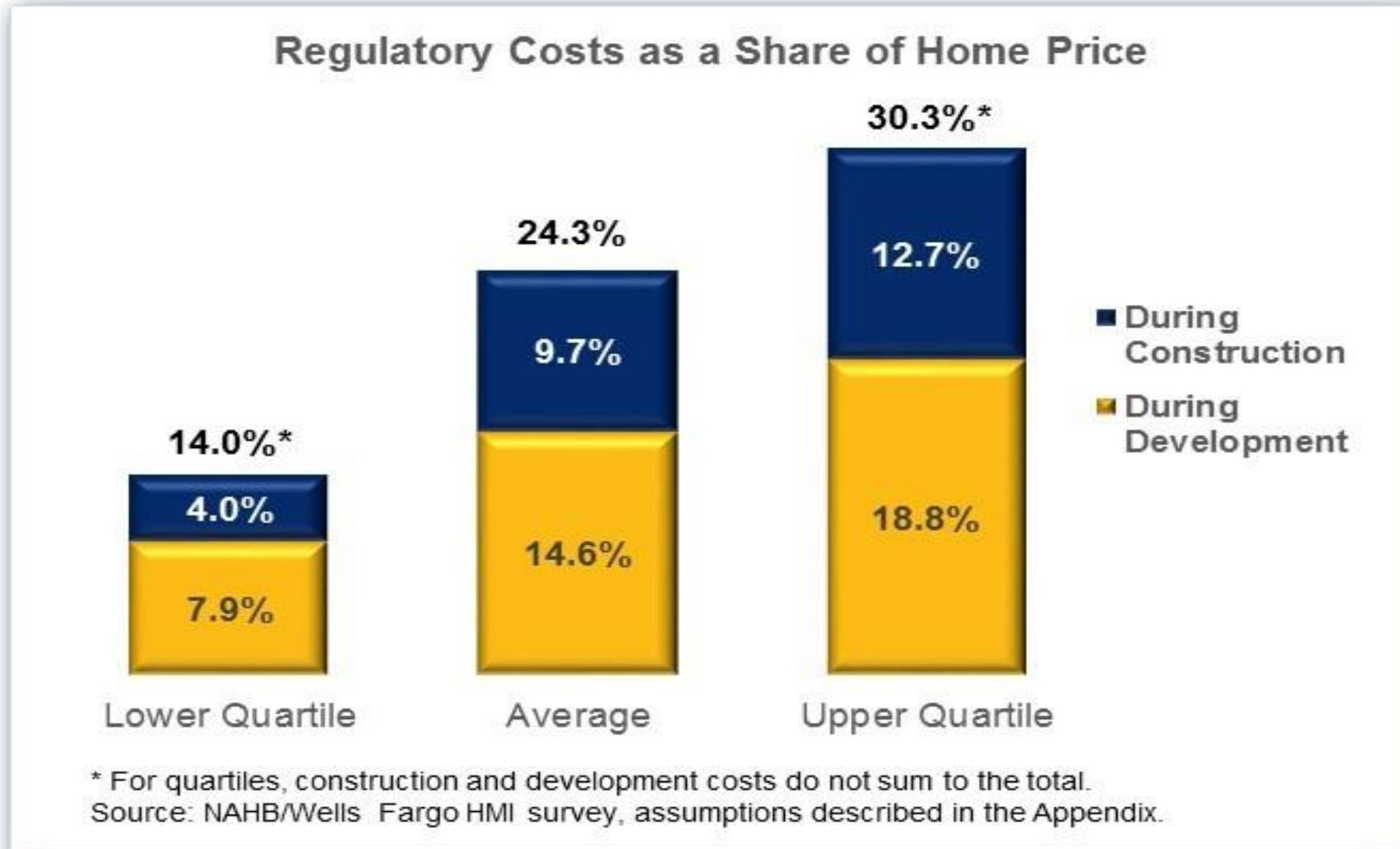


Lending – AD&C Access



Regulatory Costs Rising – Up 29% Over Last 5 Years

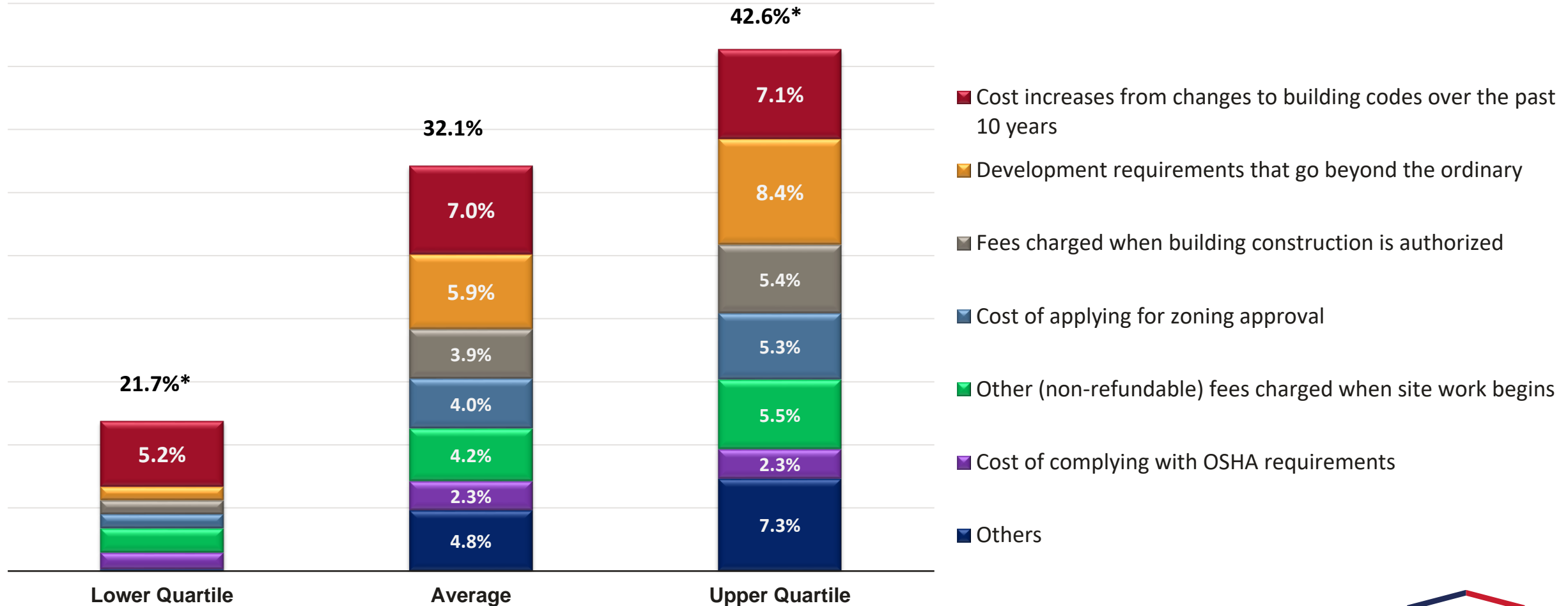
Total effect of building codes, land use, environmental and other rules



Regulations - 32% of Multifamily Development Costs

New NAHB-NMHC research

Government Regulations as a Share of Multifamily Development Costs



Note: * For quartiles, all types of costs do not sum to the total.

Source: NAHB/Wells Fargo HMI survey.

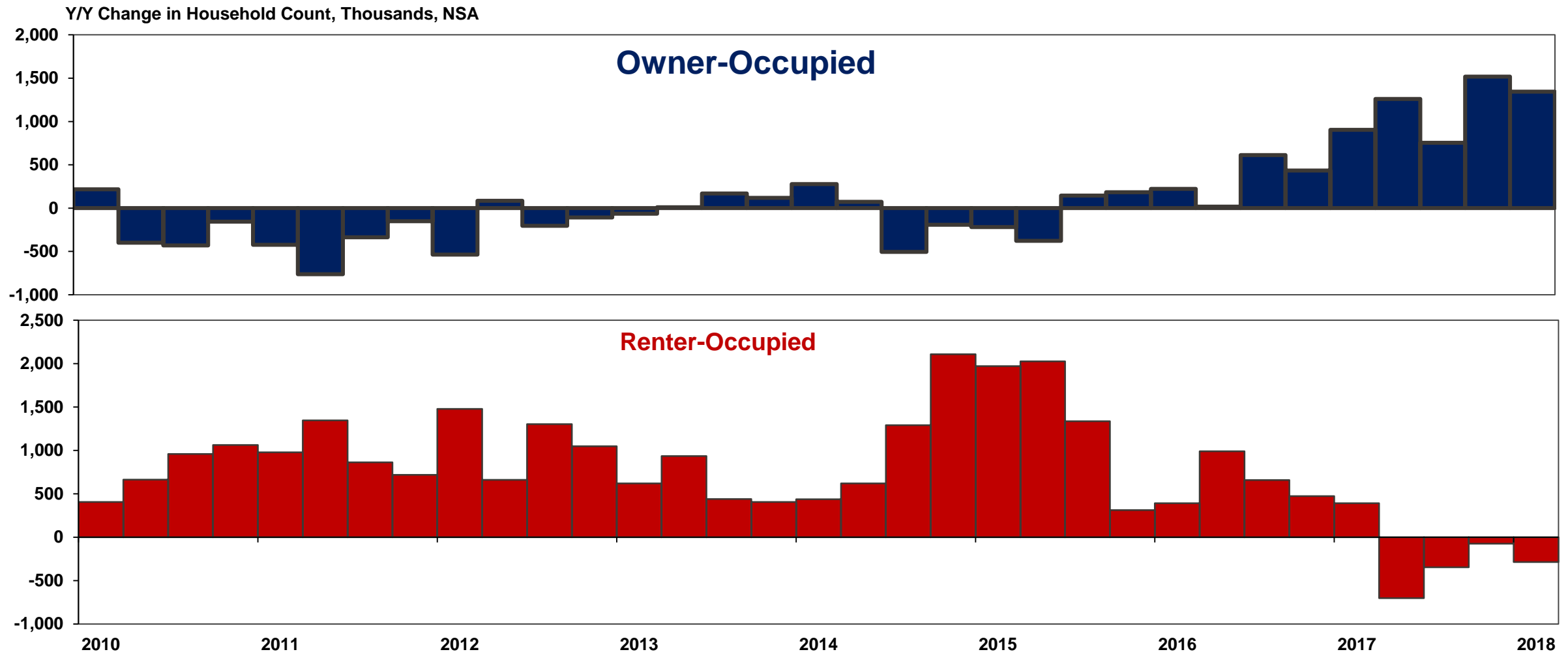


Forecasts



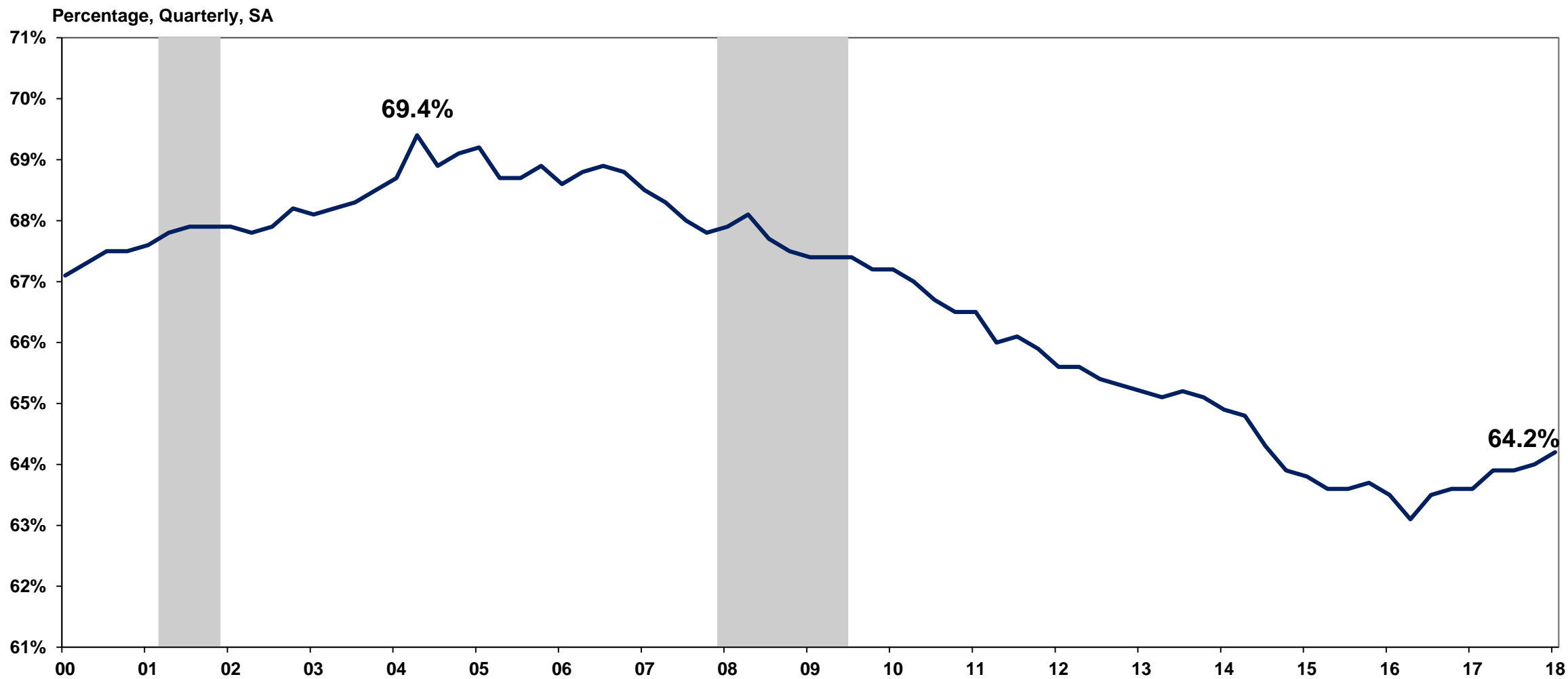
Household Formation

Demand for home ownership strengthening



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership.

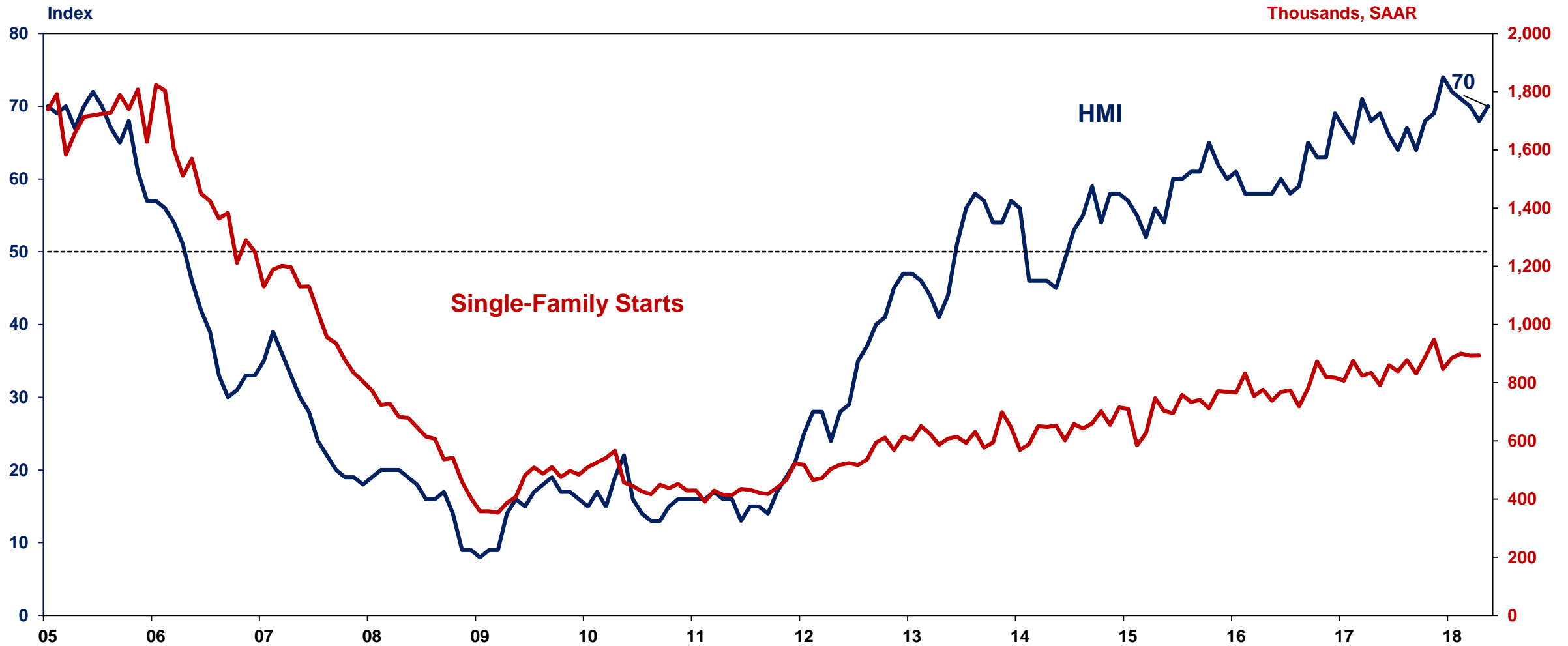
Homeownership Rate



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership.

NAHB/Wells Fargo Housing Market Index

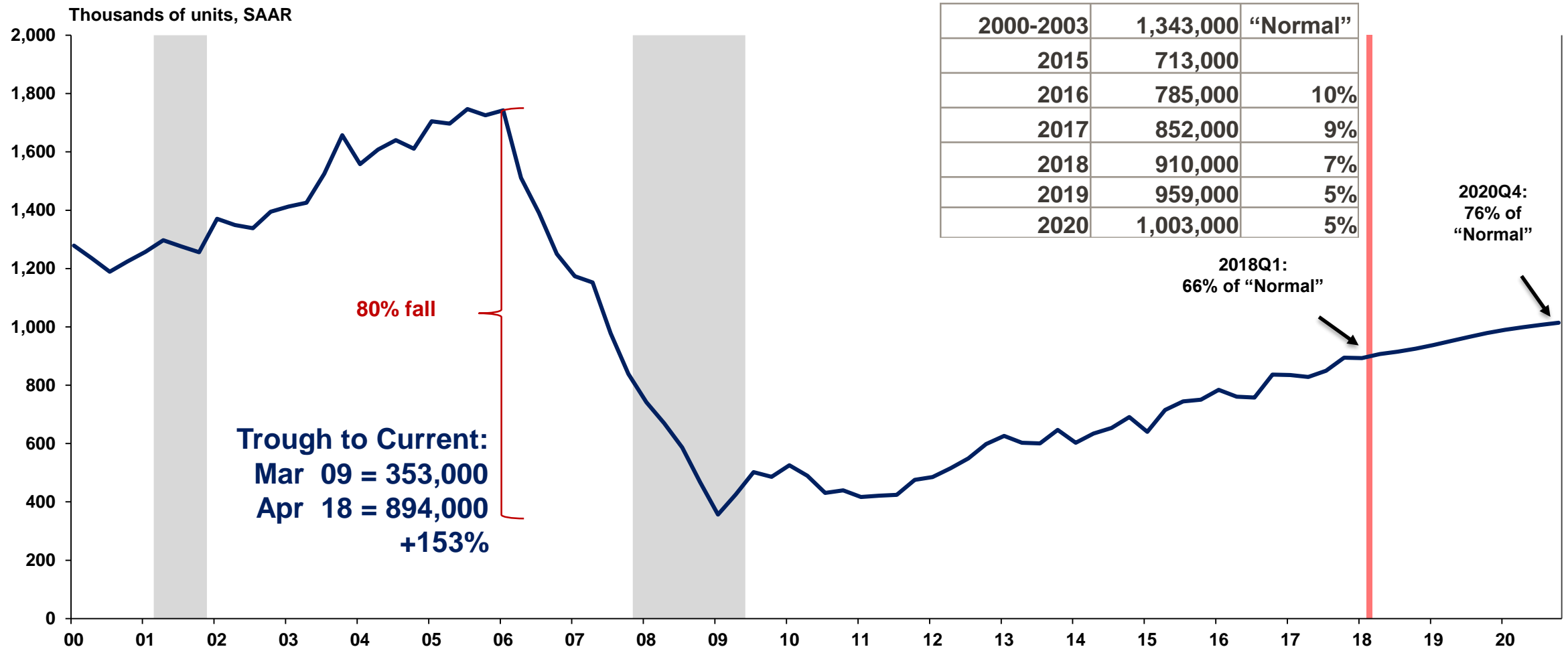
Nearly two-decade high for builder confidence



Source: Census Bureau and NAHB/Wells Fargo HMI survey.

Single-Family Starts

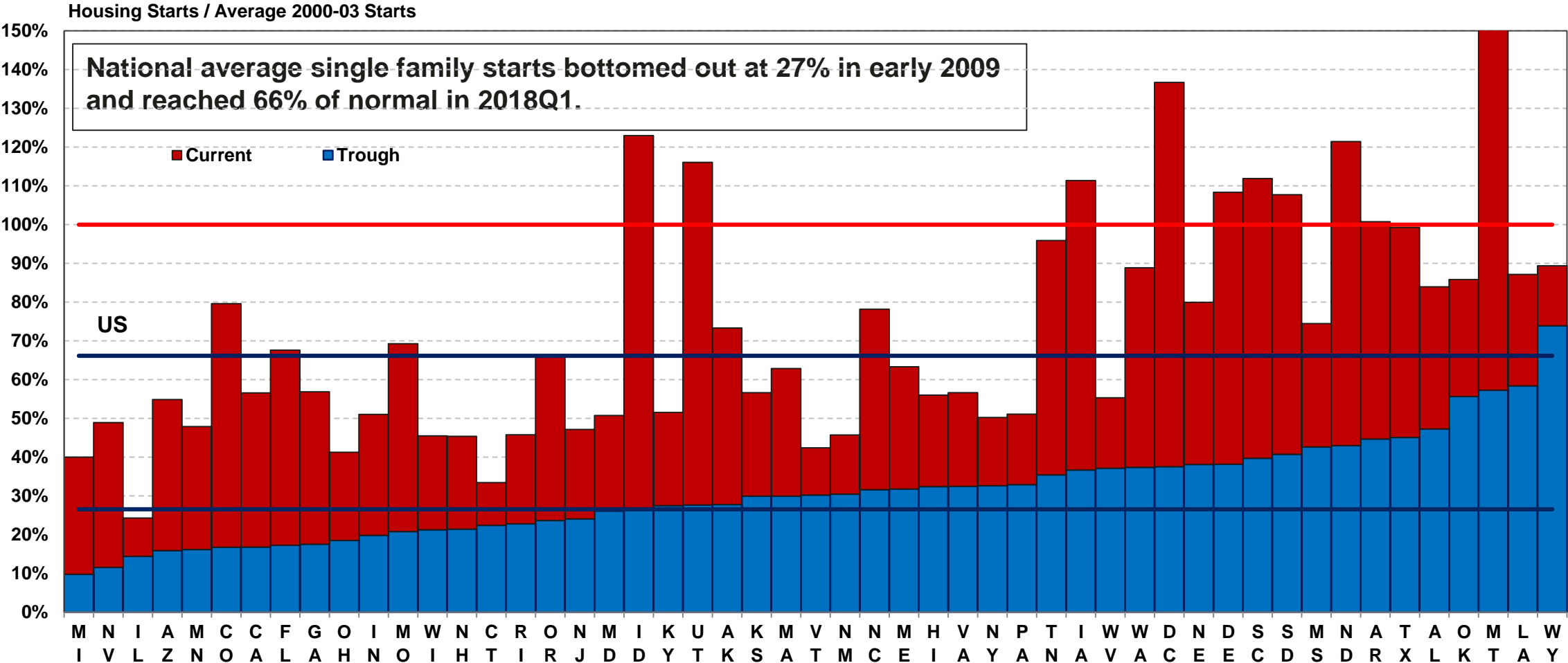
Modest growth ahead



Source: Census Bureau and NAHB forecast.



Single Family Housing Starts— Trough and Current

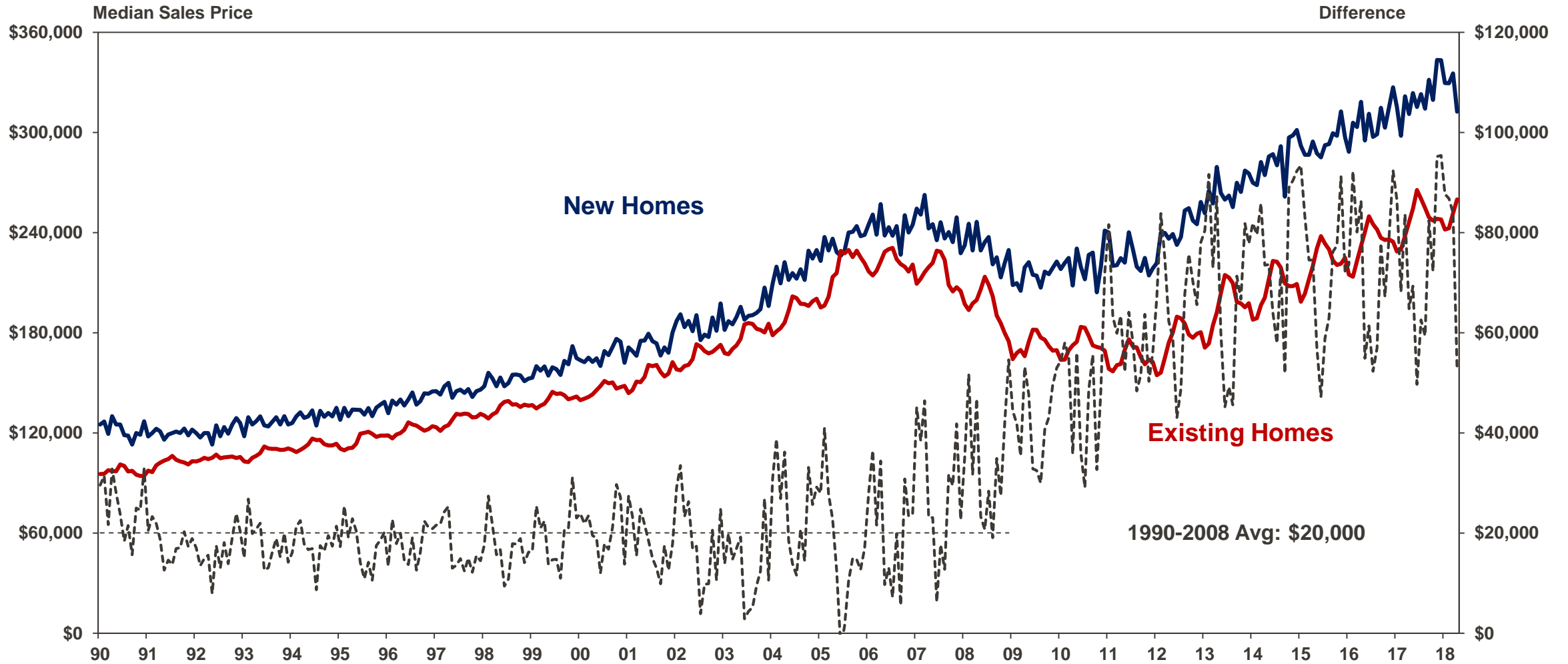


Source: Census Bureau.



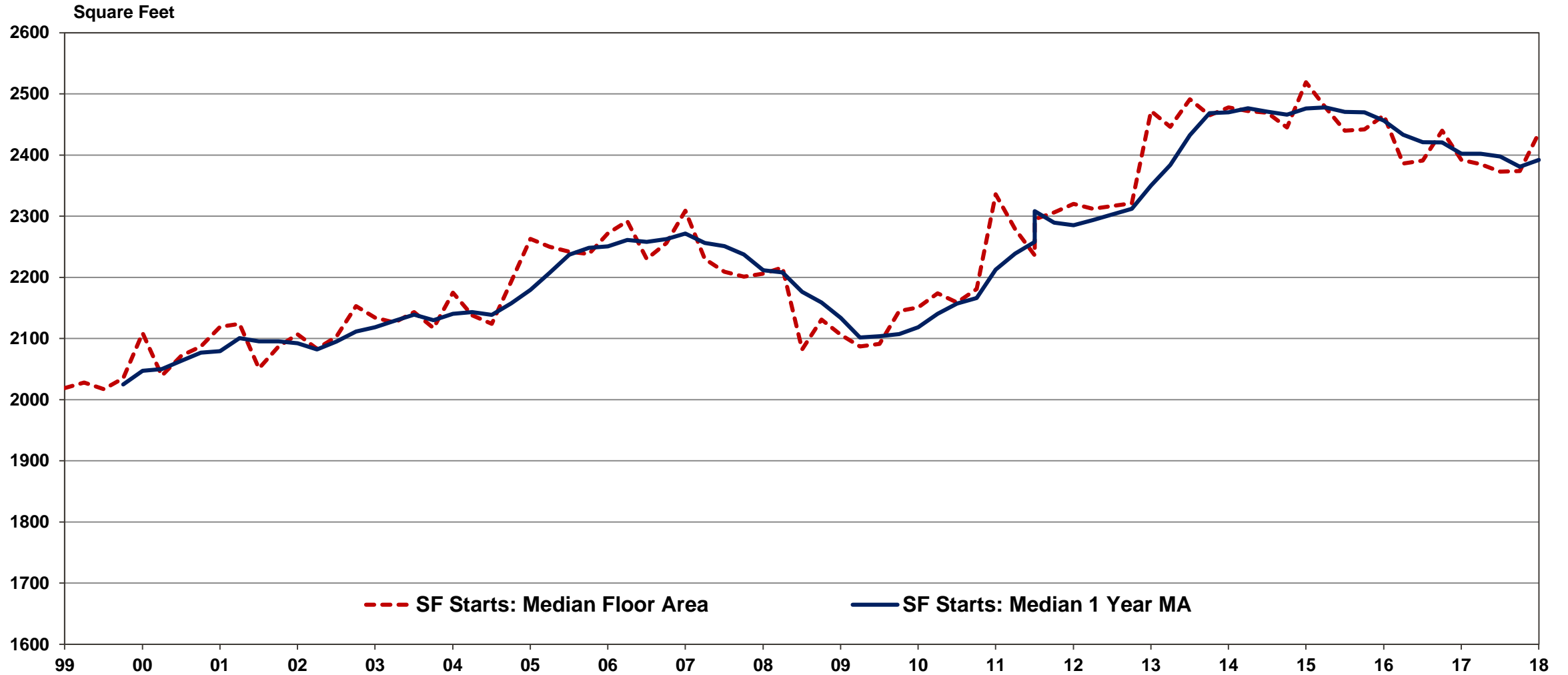
Home Prices of New and Existing Homes

Wide gap since 2012

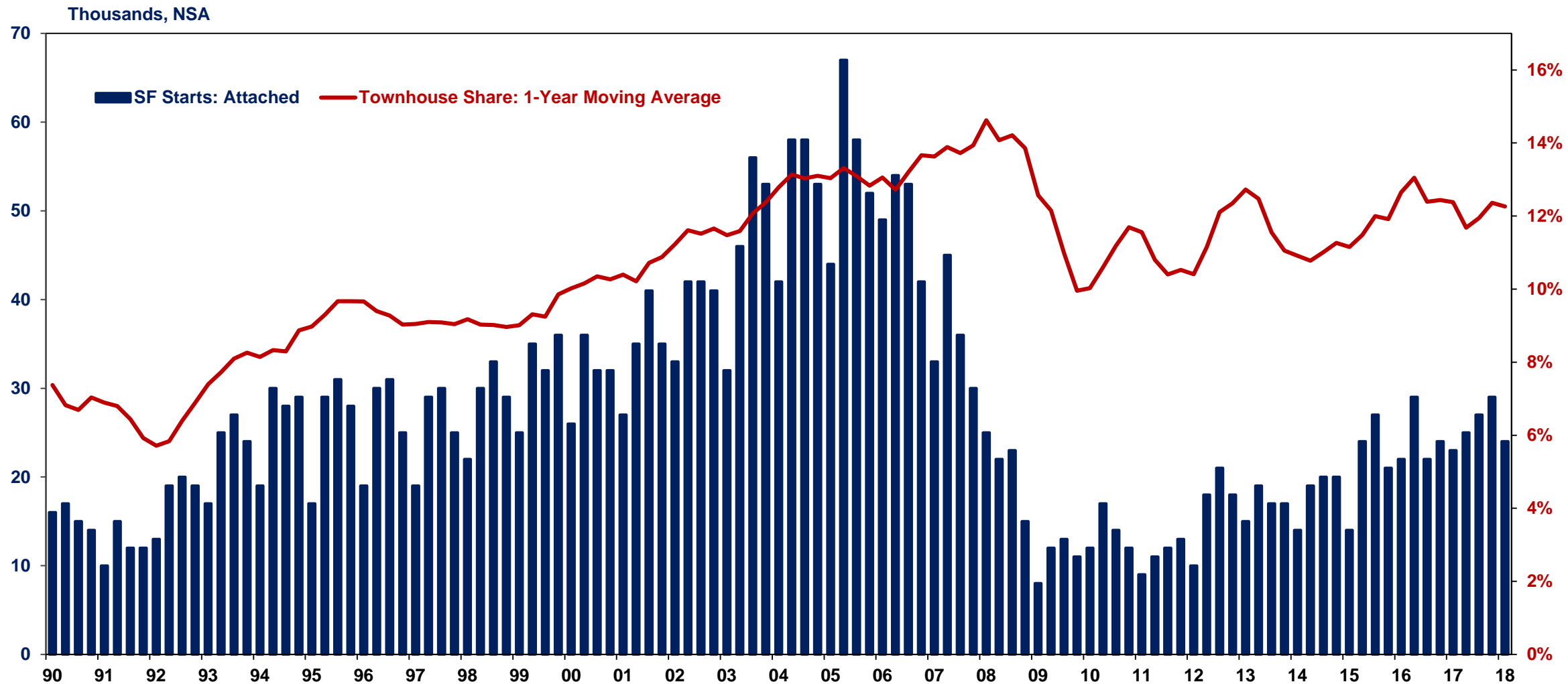


Typical New Home Size

Decline after market shift

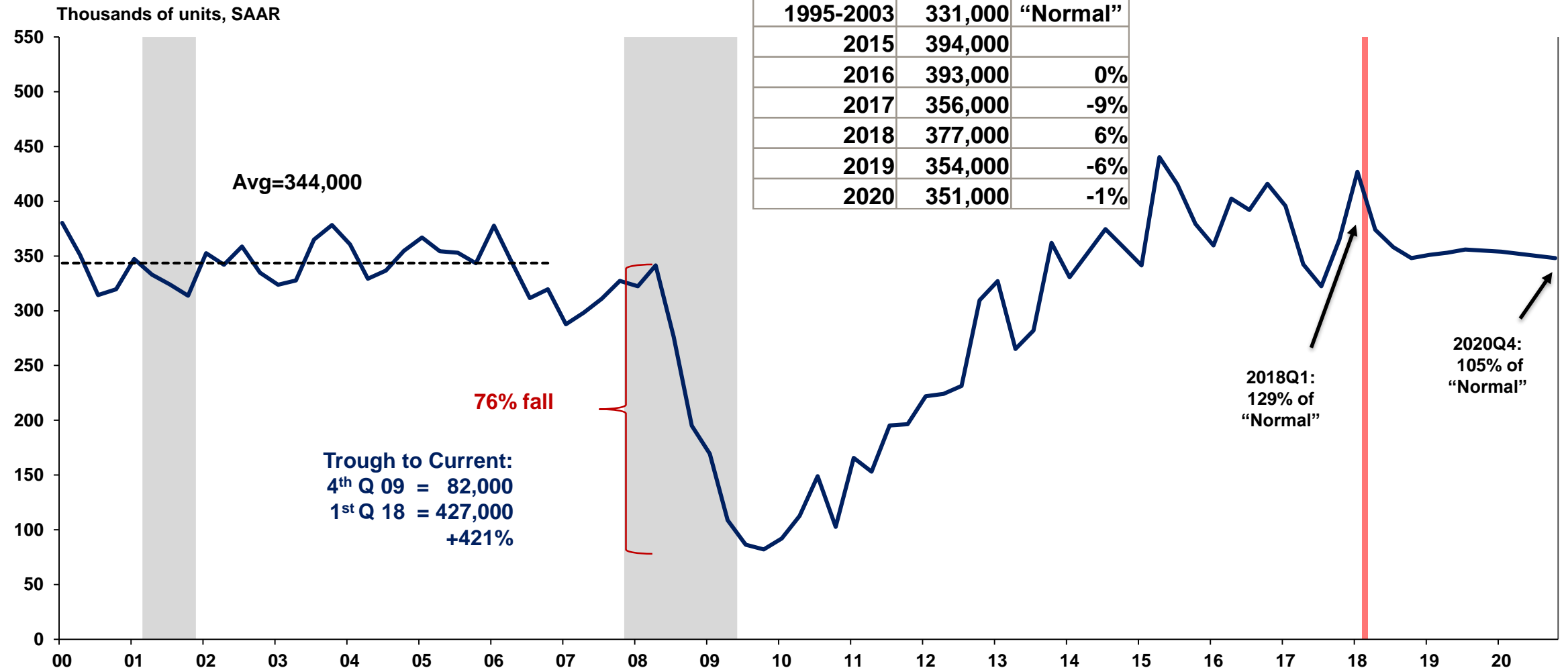


Townhouse Market Expanding



Multifamily Housing Starts

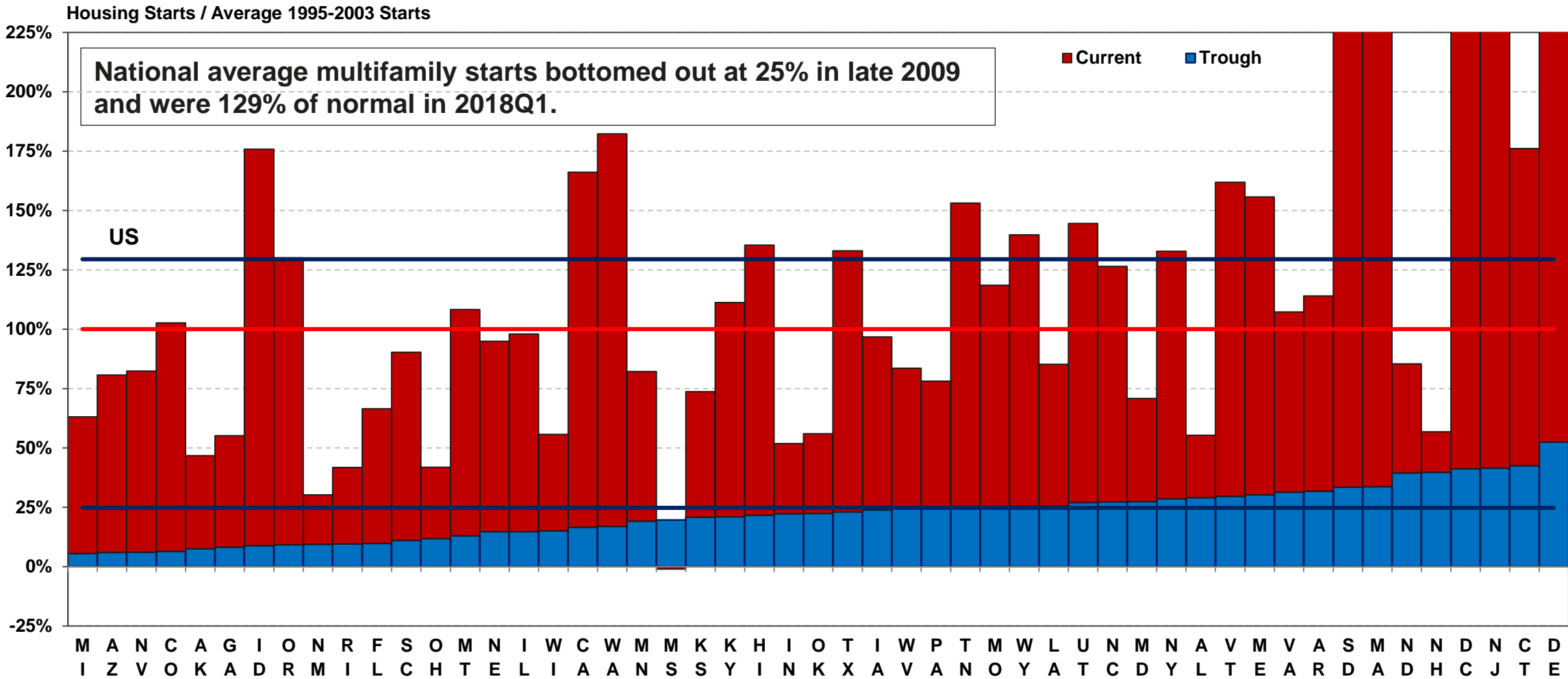
Leveling off



Source: Census Bureau and NAHB forecast



Multifamily Housing Starts – Trough and Current

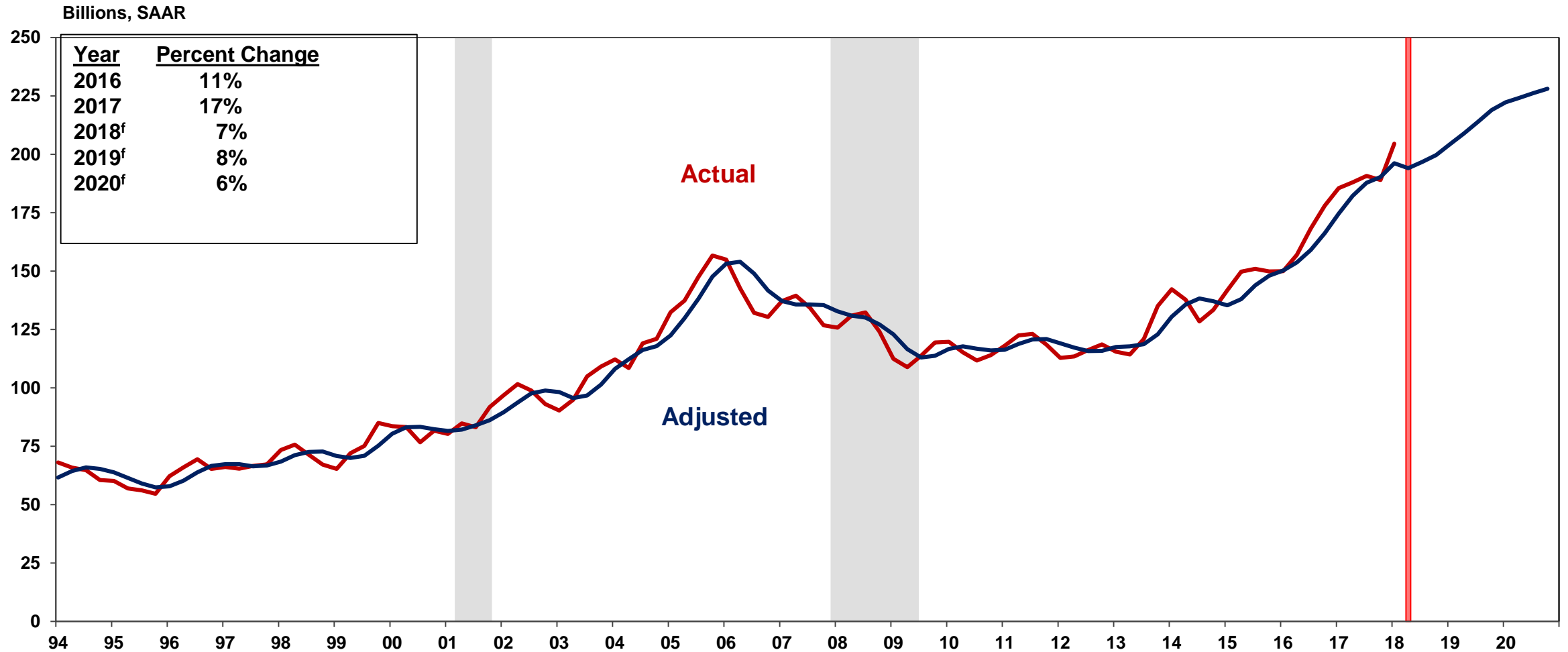


Source: Census Bureau.



Residential Remodeling

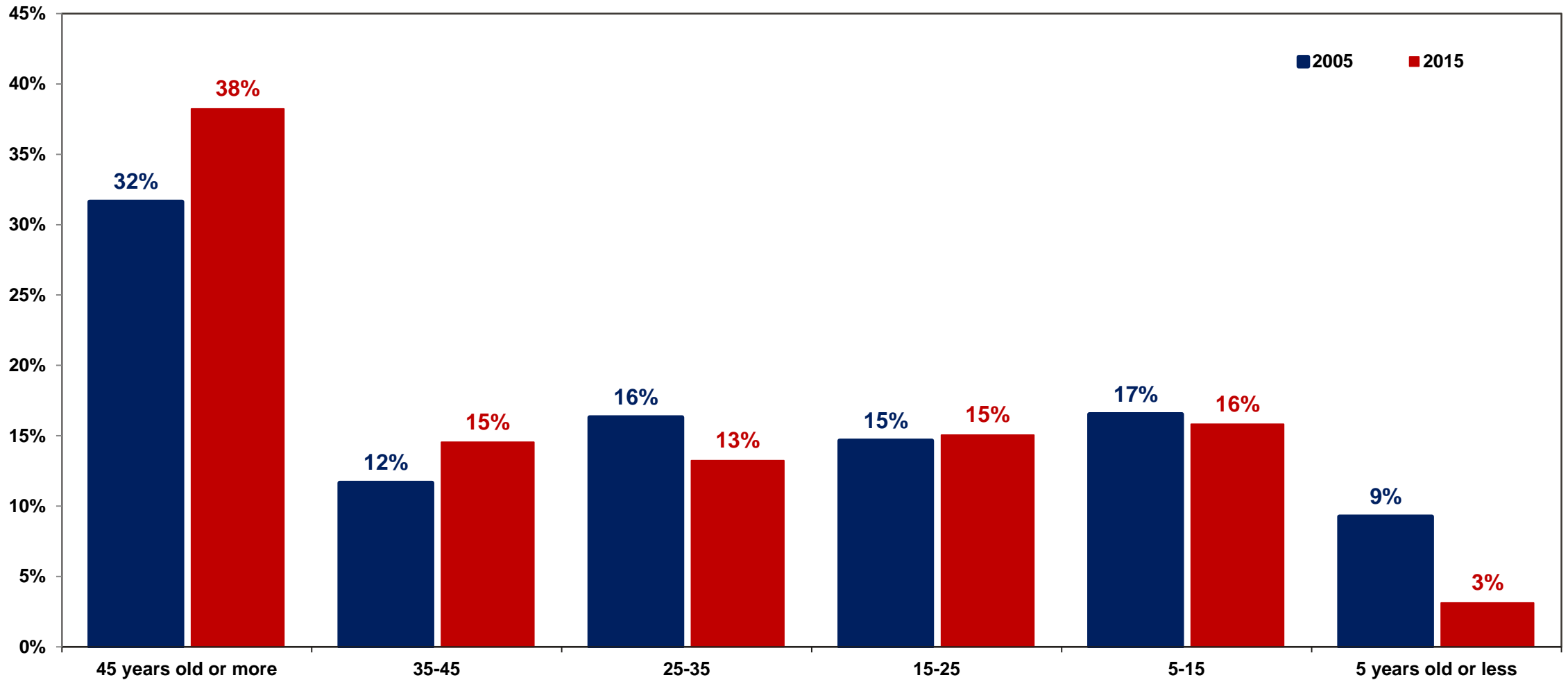
Strong market conditions



Source: Census Bureau and NAHB forecast.

The Age of the Housing Stock

Typical home is almost 40 years old



Thank you

Questions?

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