

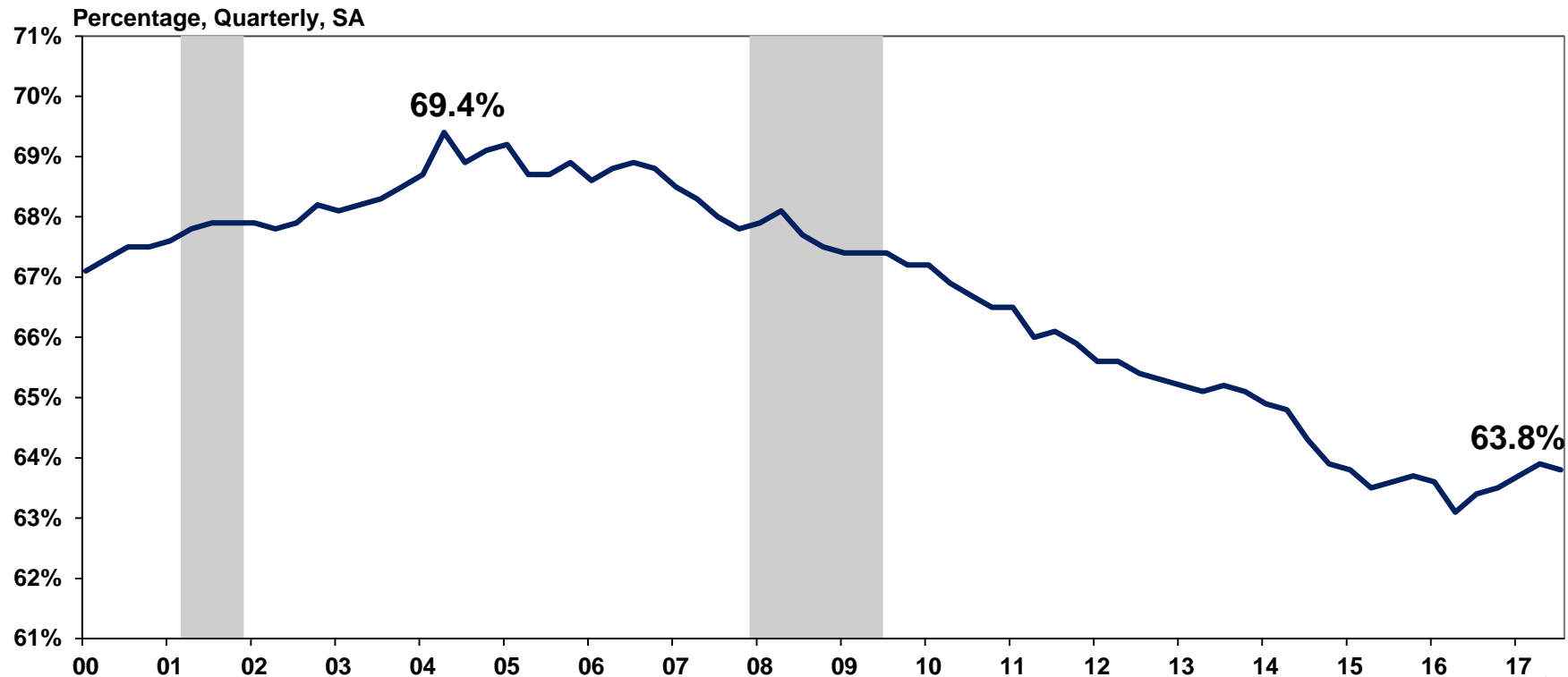
Gains for Homeownership

NAHB Meeting of the Members
January 10th, 2018

Robert Dietz, Ph.D.
NAHB Chief Economist

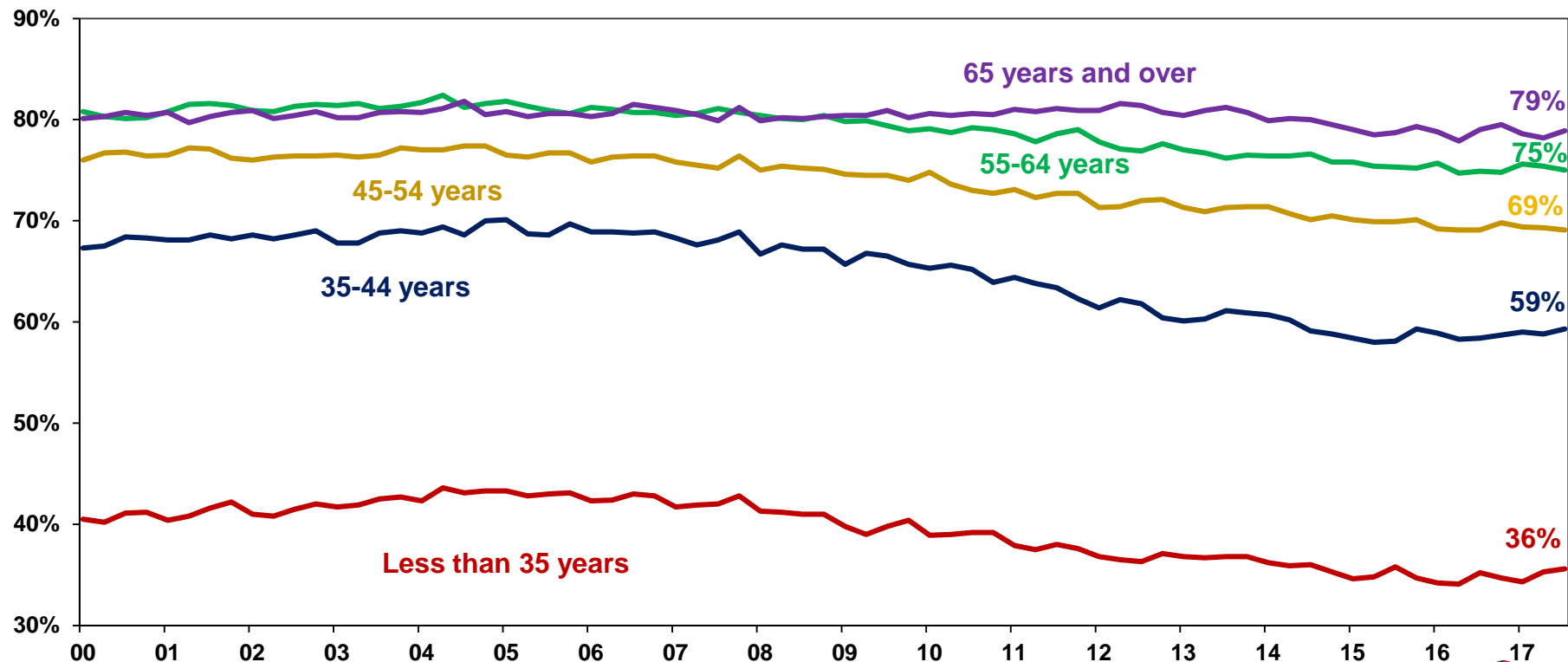


Homeownership Rate



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

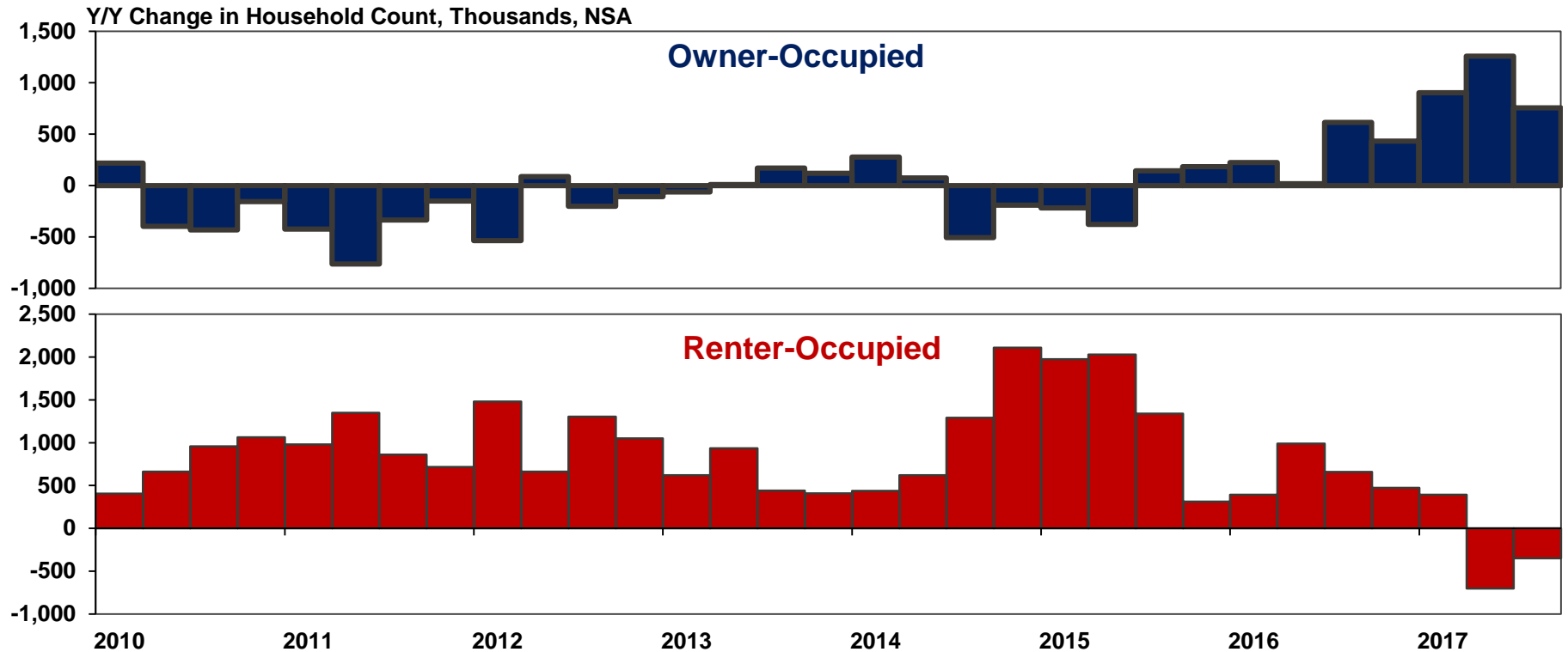
Homeownership by Age



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

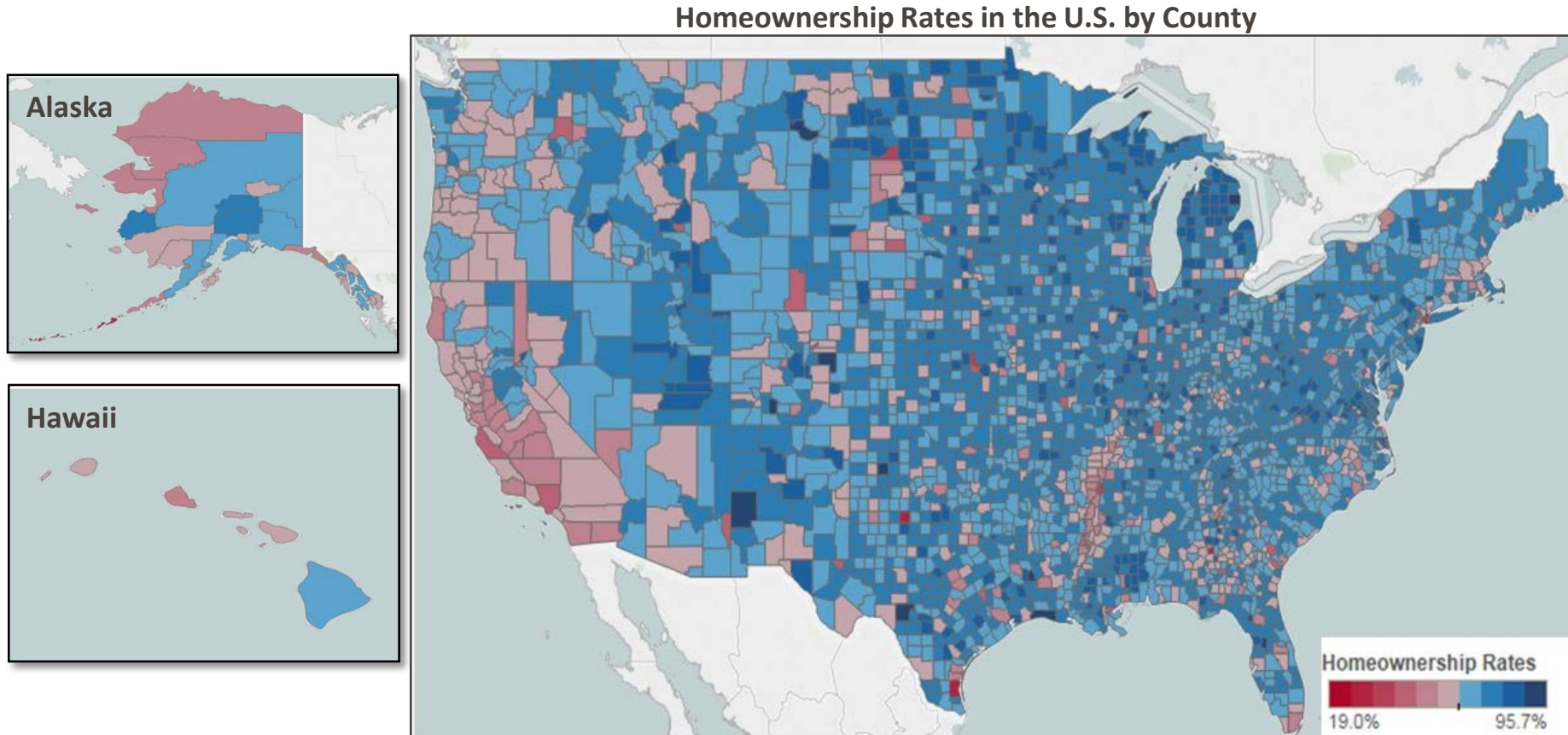
Household Formation

Demand for home ownership strengthening



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

Geography of Homeownership



Source: U.S. Census Bureau (BOC): American Community Survey (ACS).

Determinants of Homeownership

NAHB Economic Analysis

Important factors for county level analysis:

- Age
- Marriage
- Local home costs
- Local incomes

Determinants of Homeownership

Modeling Results

Increase average age in county by 5 years

- Adds 3 percentage points to rate

Increase share of married households by 10%

- Added 5.1 percentage points to rate

Increase local incomes by \$10,000

- Adds 0.6 percentage points to rate

Decrease housing costs by \$75,000

- Adds 4.1 percentage points to rate

Economic / Social Policy That Promote Housing

Provide affordable housing (rental and owned) for young people so they can develop roots

Tax / economic policy that doesn't discourage marriage

Income growth is always good

Reduce cost of housing

- Lower regulatory costs (up 29% over last 5 years)
- Lower building material and other input costs



Tax Reform



Tax Reform – Policy Changes and Impacts

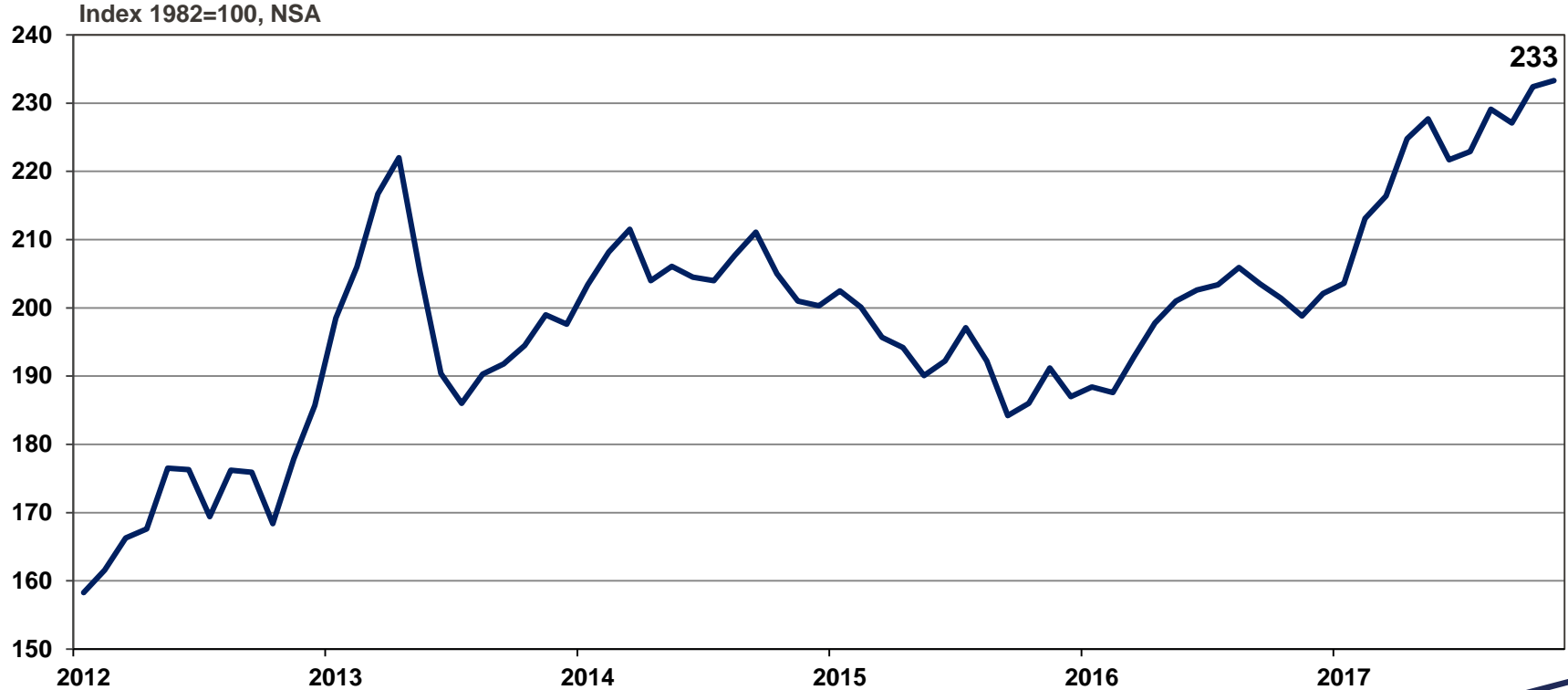
- Economic impacts
 - GDP
 - Marked up 2018 forecast to 2.6%
 - Dynamic scoring model suggests 0.8% more GDP after 10 years
 - Business investment
 - 1.1% higher after ten years
 - Labor supply and employment
 - 0.6% higher
 - 9 million more workers in labor force
 - Reduced home price growth to a positive 2.9% growth rate in 2018



Supply-Side Headwind Update

Building Materials – Softwood Lumber

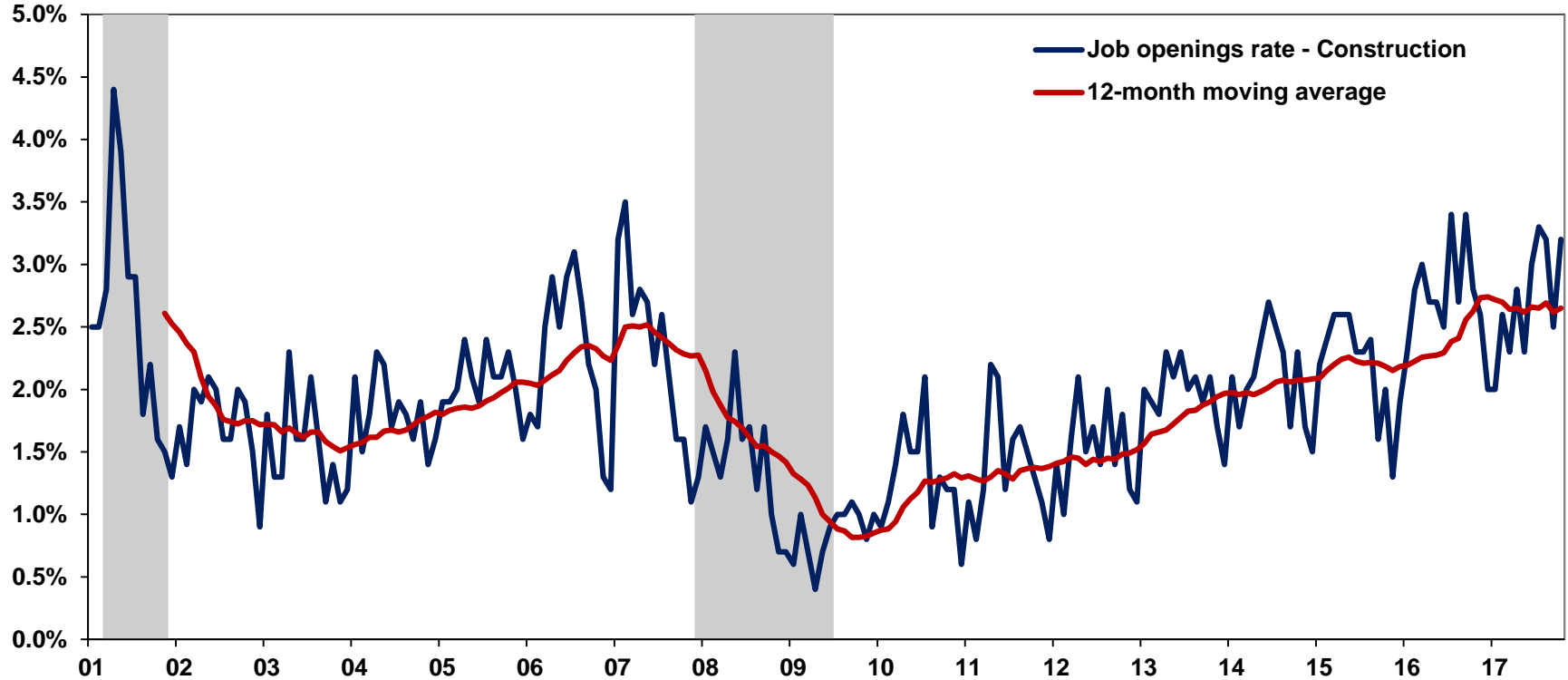
Since January 2017, softwood lumber increased 14.6%



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

Labor

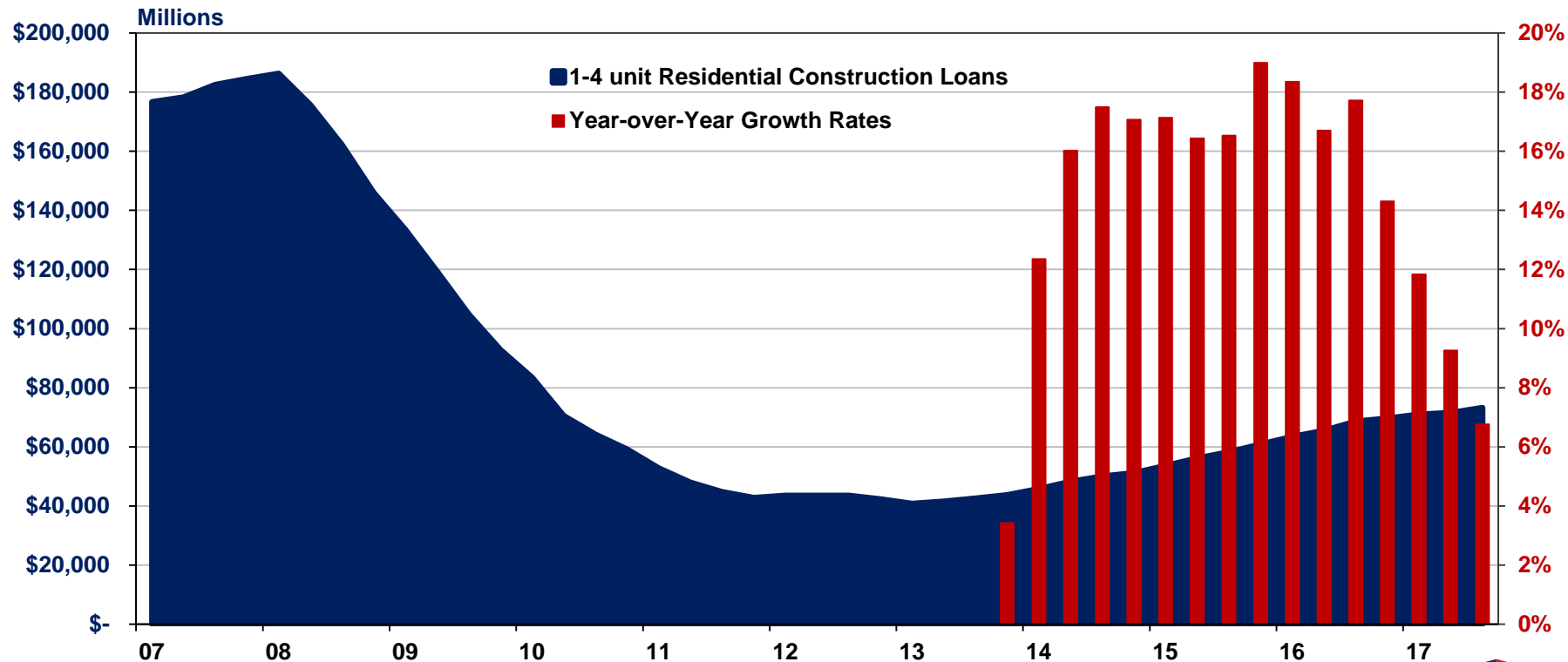
Unfilled construction jobs rising



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

Lending – AD&C Access

Loans growing but at a slower rate



Source: Federal Deposit Insurance Corporation.

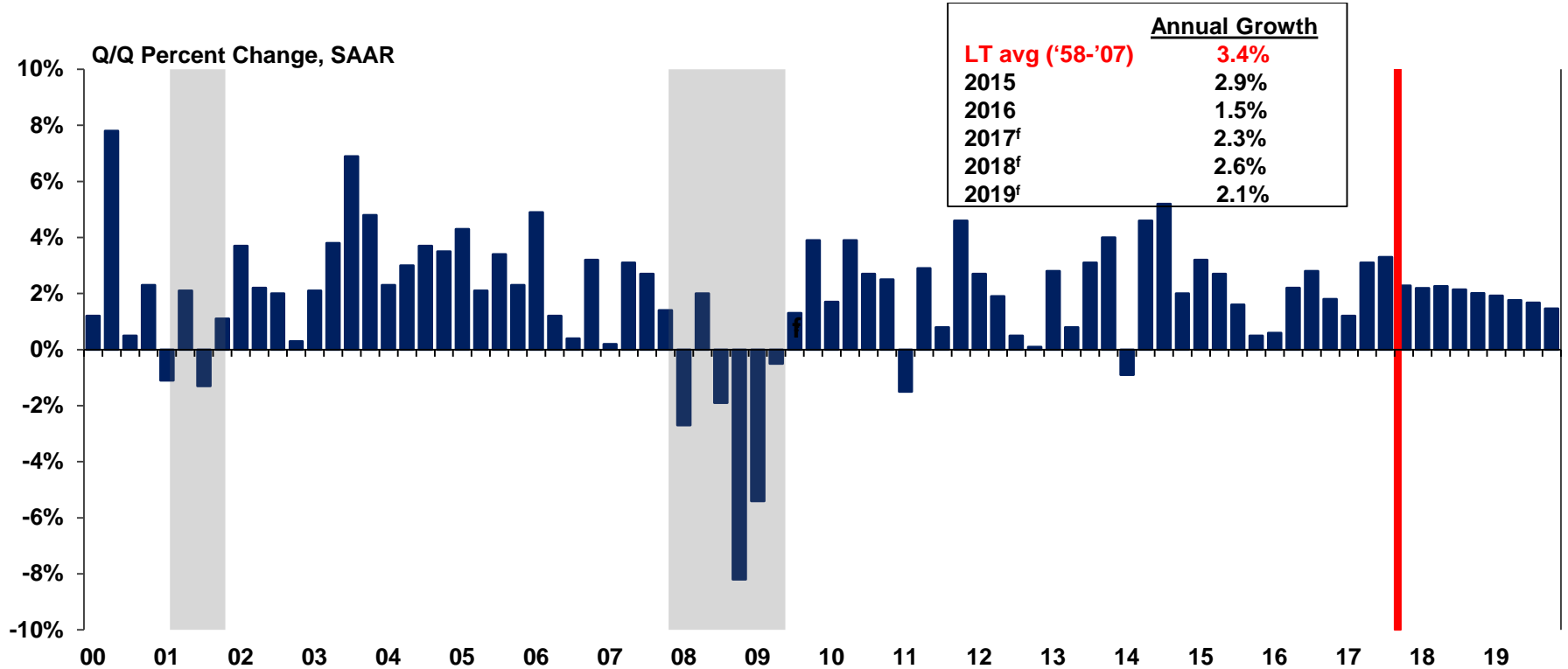


Forecasts



GDP Growth

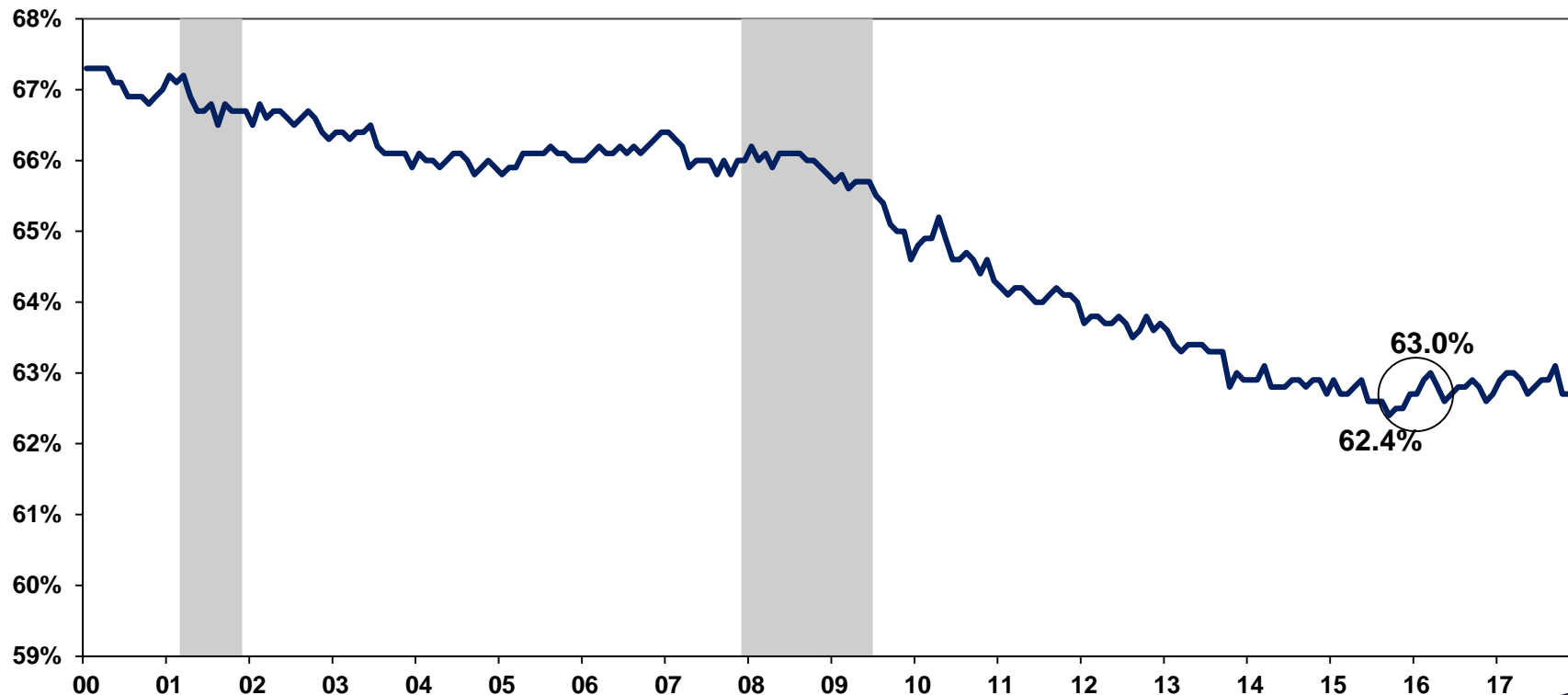
Stronger growth expected post-tax reform



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

Labor Force Participation Rate

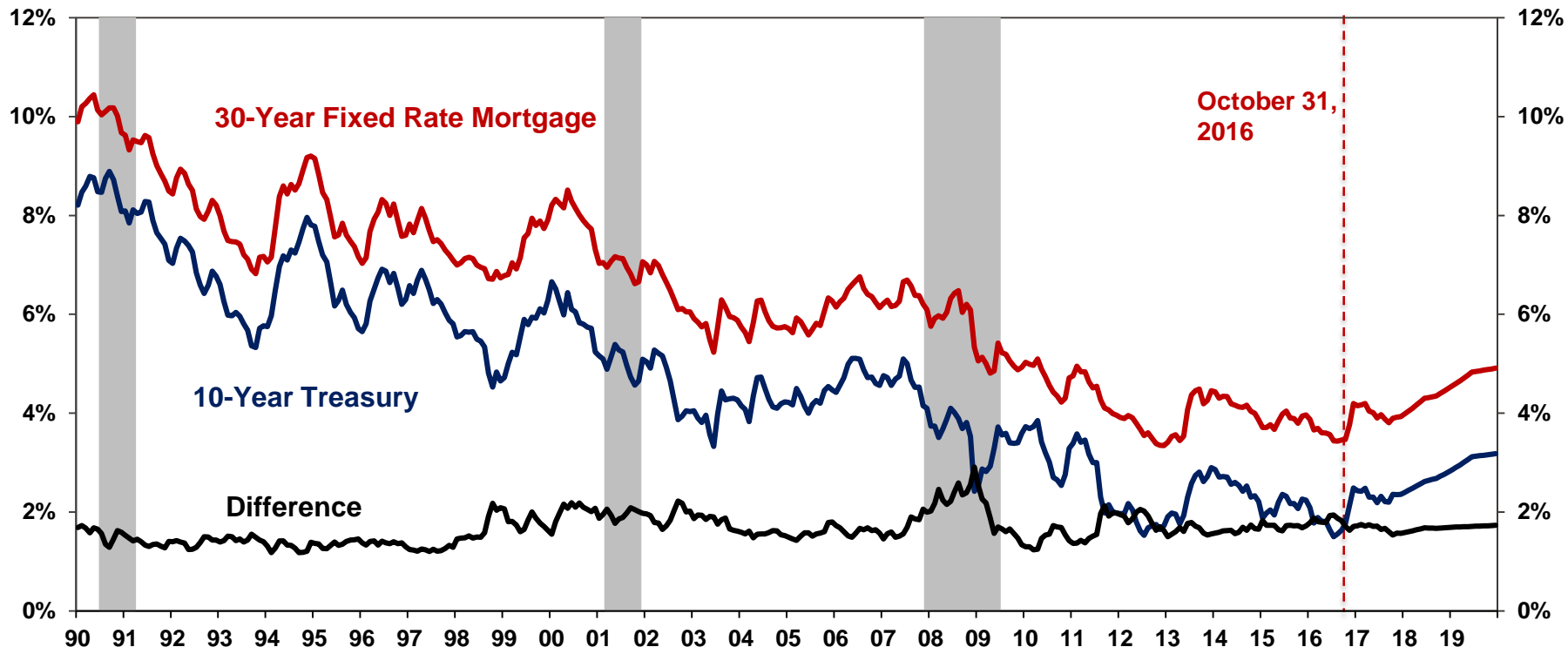
Stabilized labor force participation key to future growth



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

30-Year Fixed Rate and 10-Year Treasury

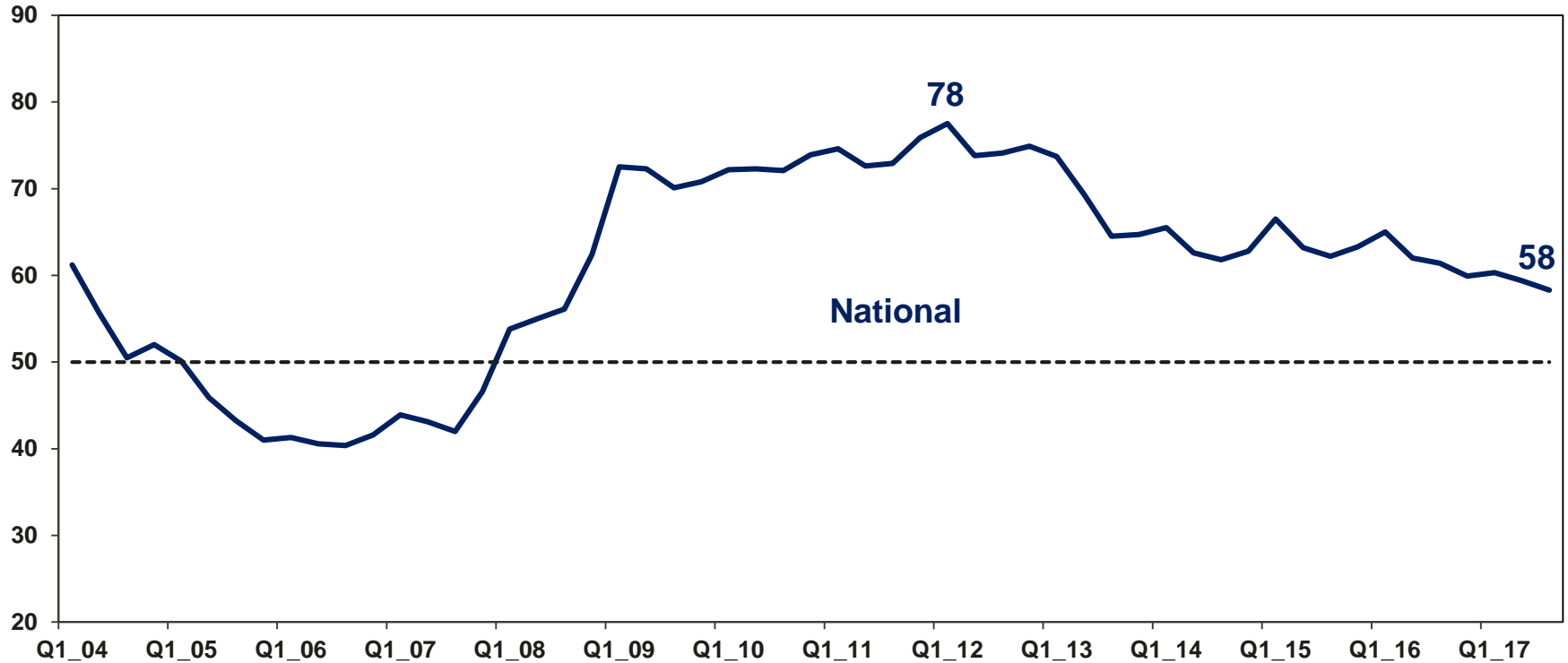
Rates will rise due to Fed policy and tight labor markets



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

Housing Affordability

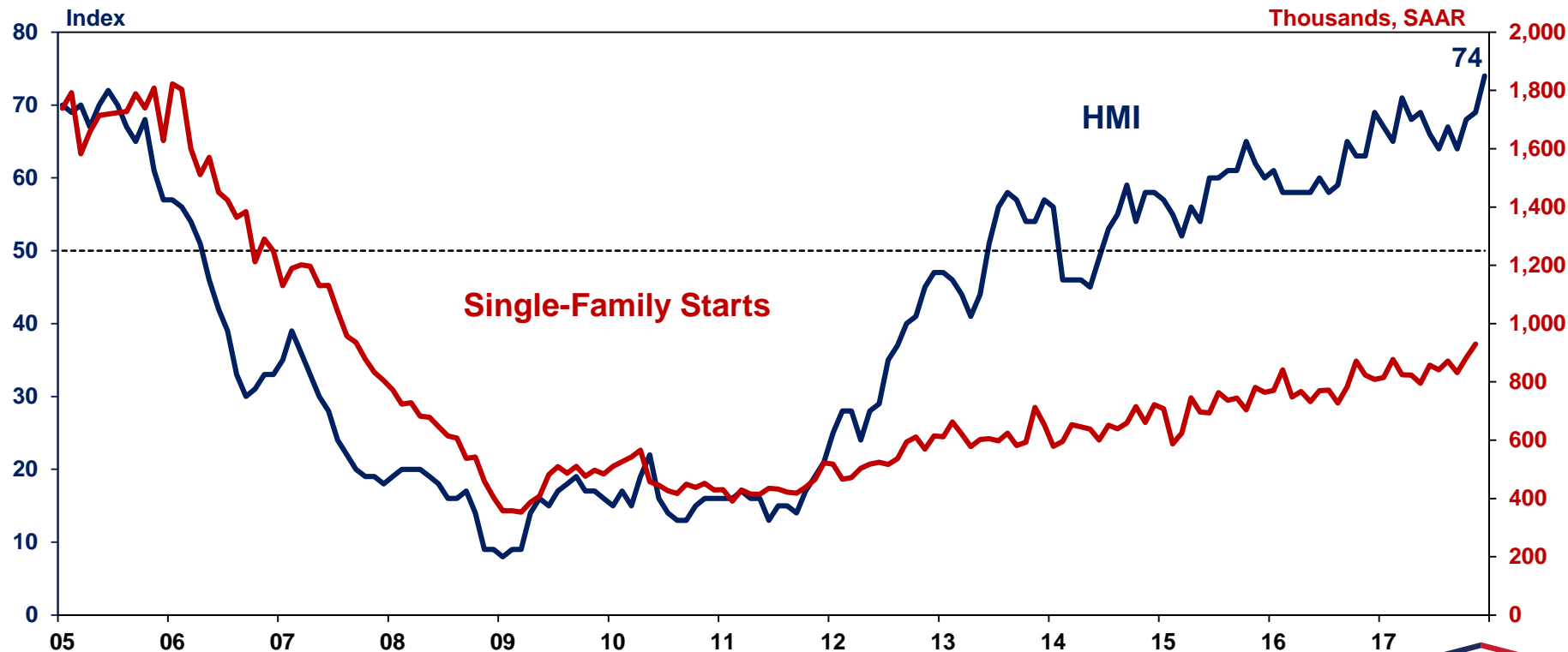
Affordability declining



Source: NAHB/Wells Fargo Housing Opportunity Index.

NAHB/Wells Fargo Housing Market Index

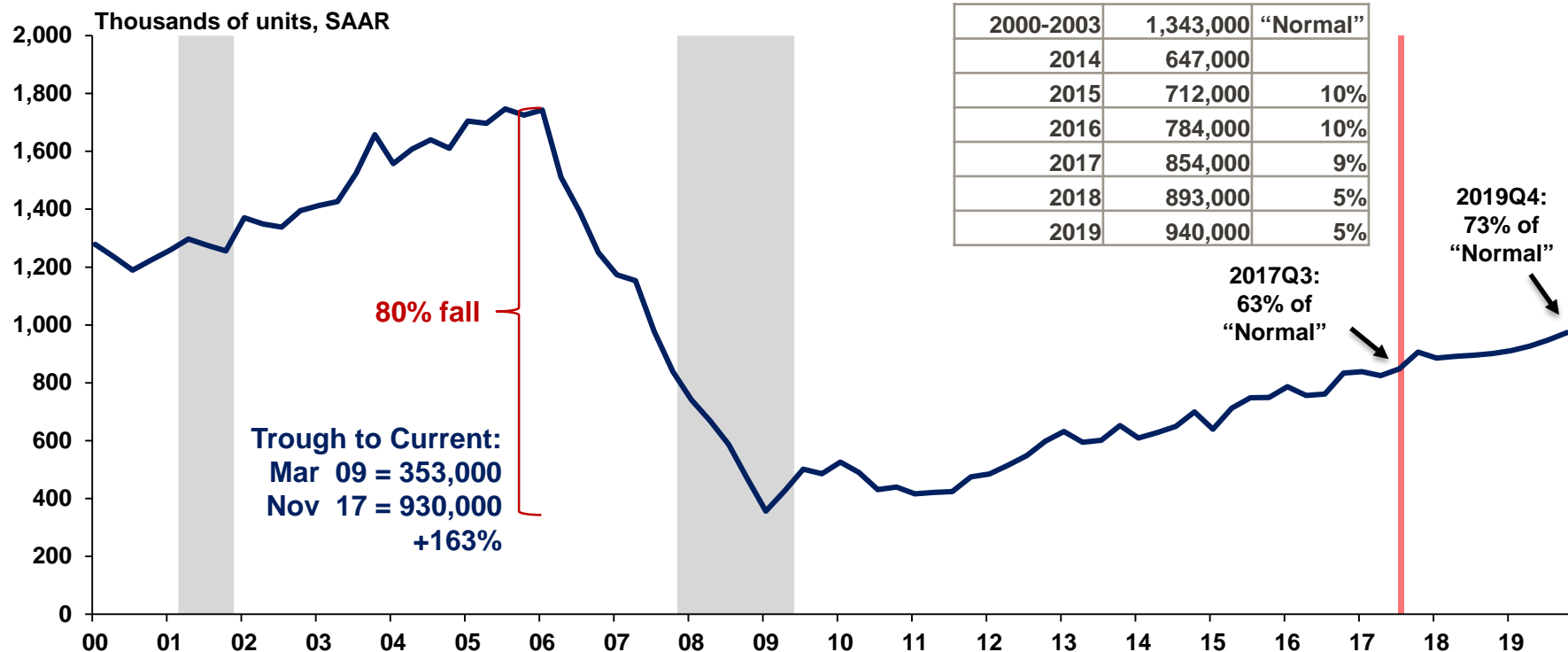
Nearly two-decade high for builder confidence



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

Single-Family Starts

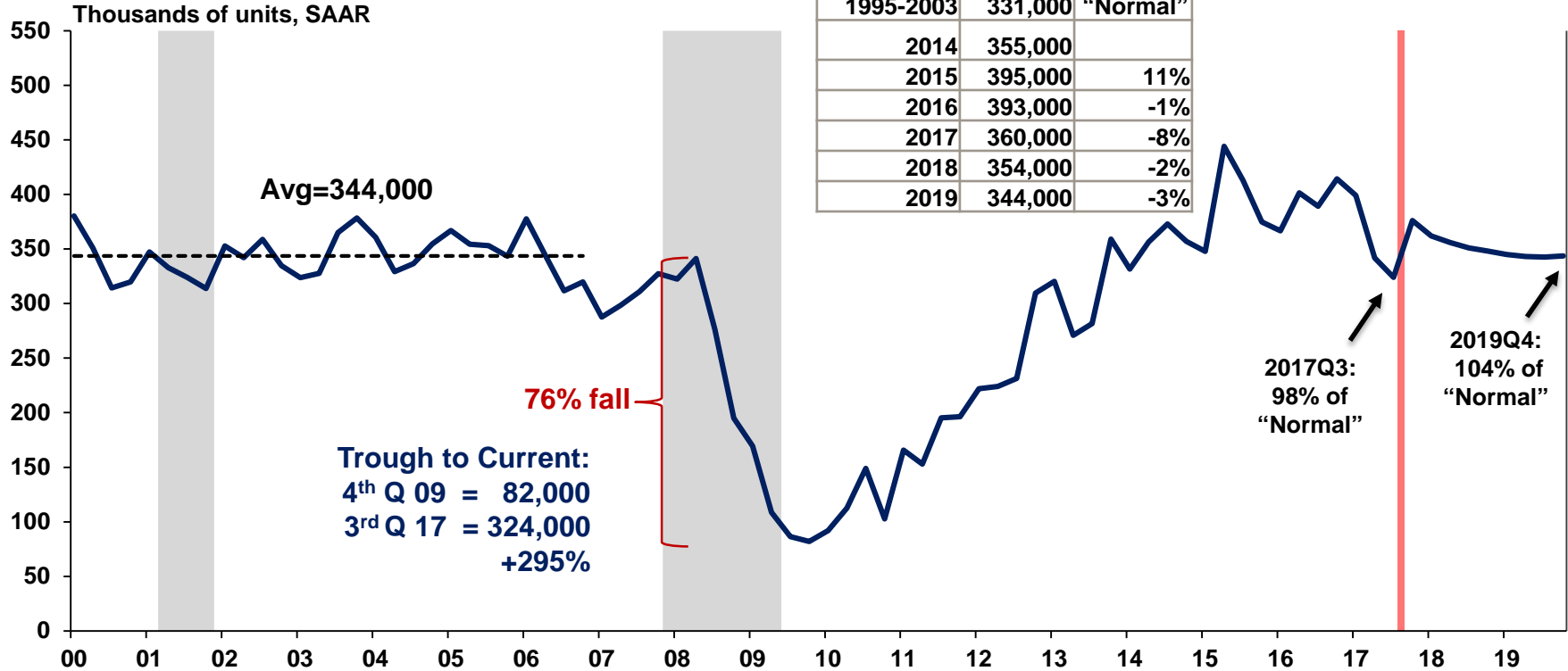
Growth ahead



Source: Census Bureau and NAHB forecast.

Multifamily Housing Starts

Leveling off

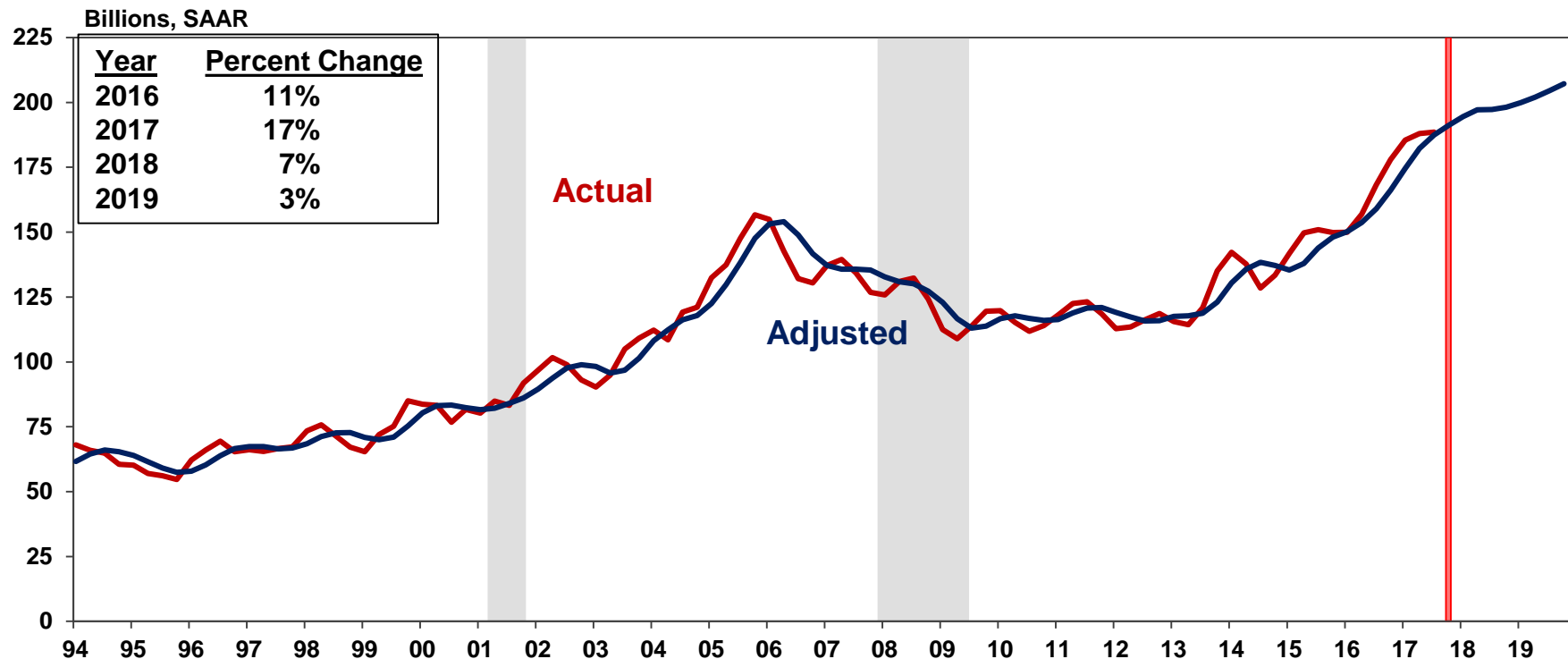


Source: Census Bureau and NAHB forecast



Residential Remodeling

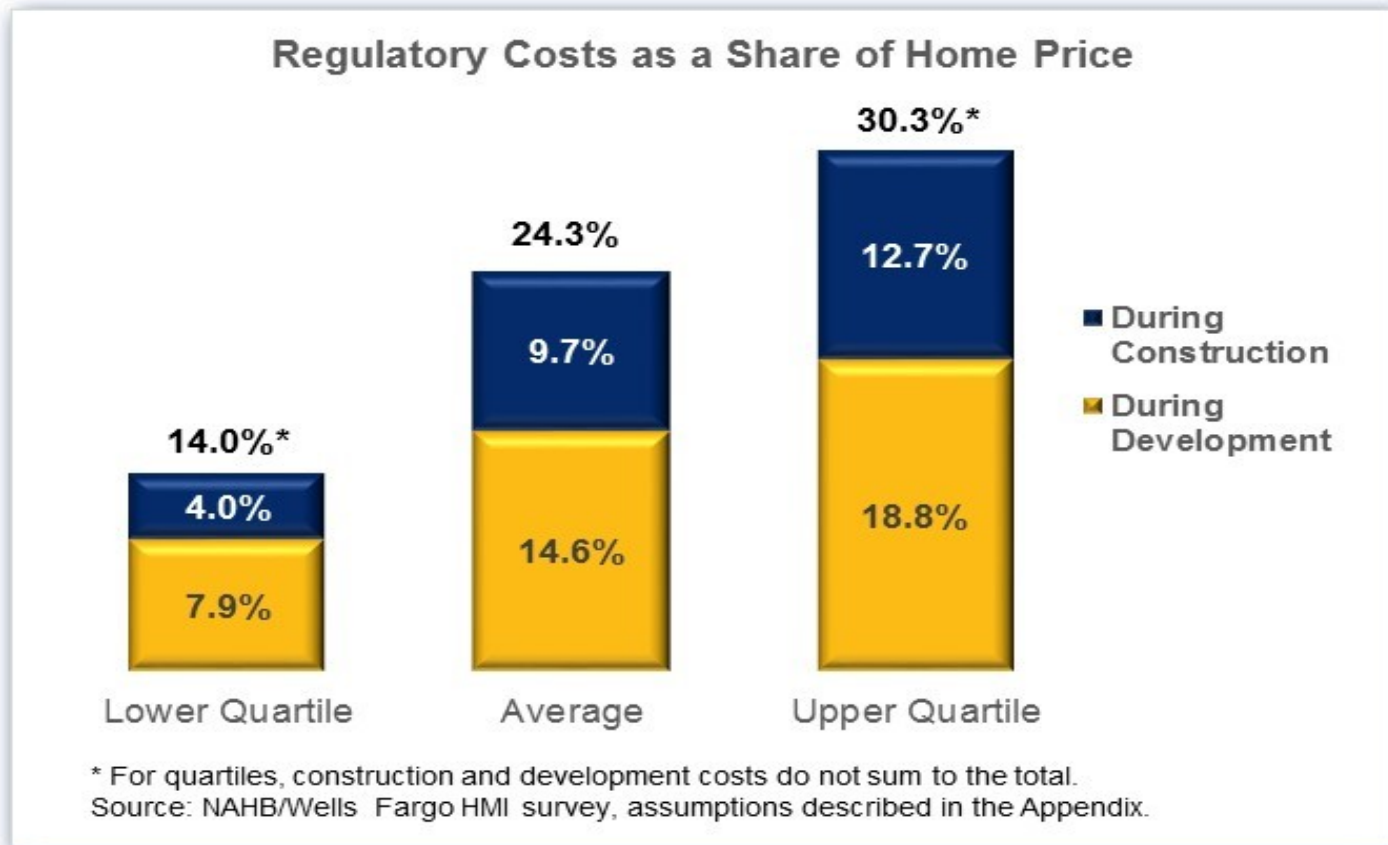
Strong market conditions



Source: Census Bureau and NAHB forecast.

/ Regulatory Costs Rising – Up 29% Over 2011-2016

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



Thank you

Questions?

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