

Home Construction

Industry Outlook

NAHB Meeting of the Members

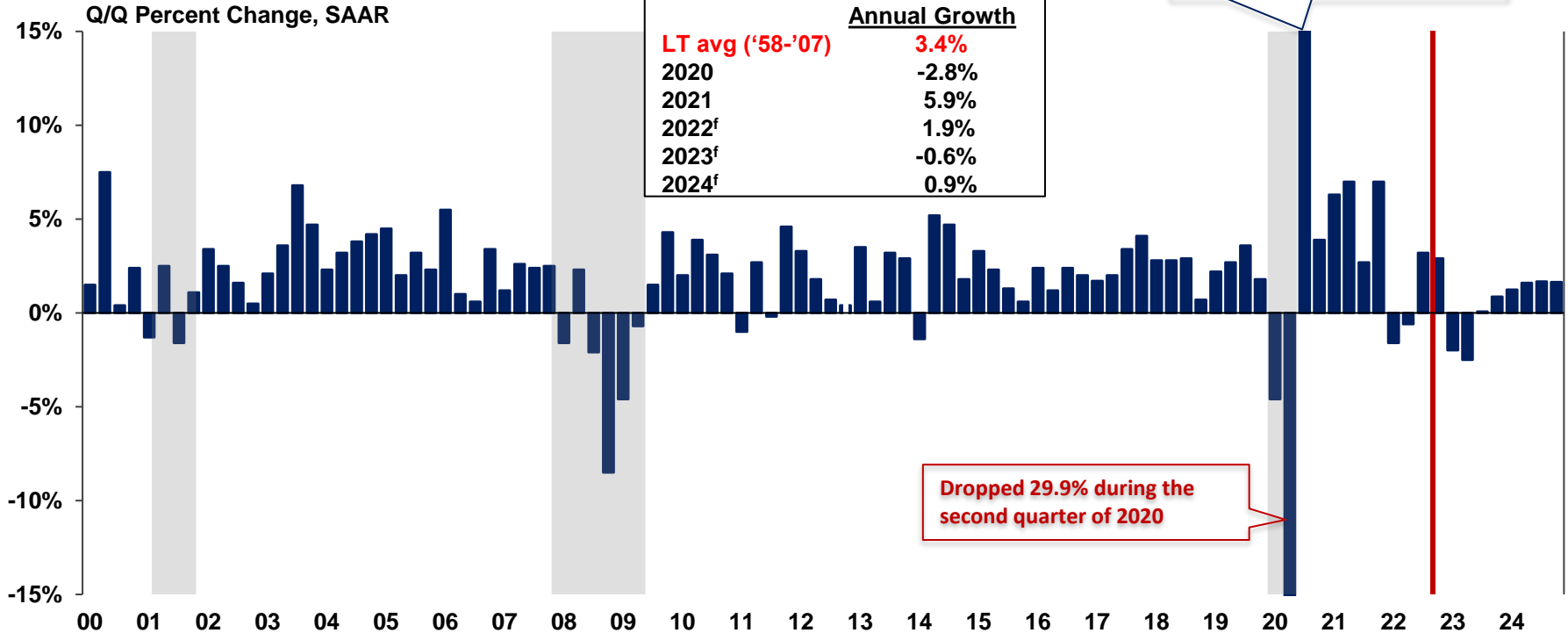
February 1, 2023

Robert Dietz, Ph.D.
NAHB Chief Economist



GDP Growth – Recession in the Forecast Window

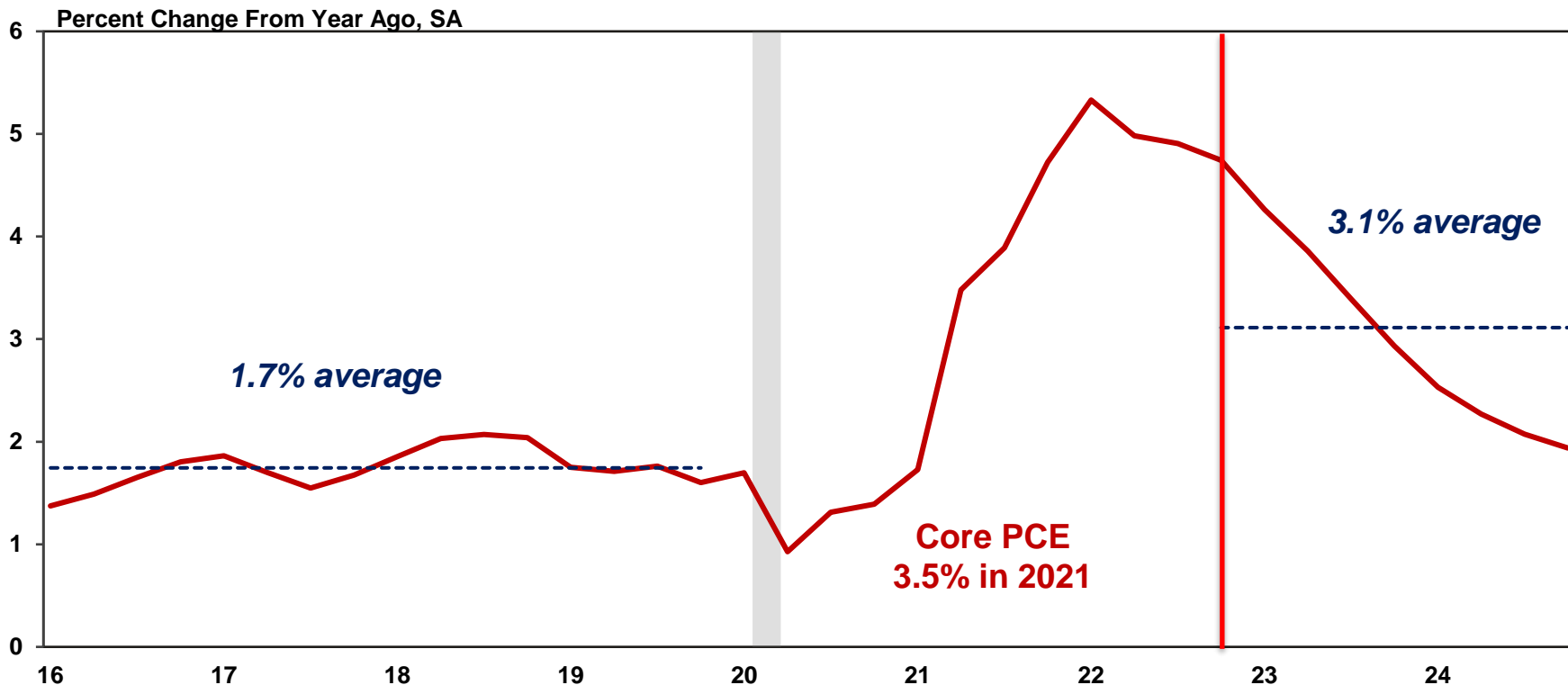
From 2022 to mid-2023: four of six quarters of GDP declines



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

Core Inflation

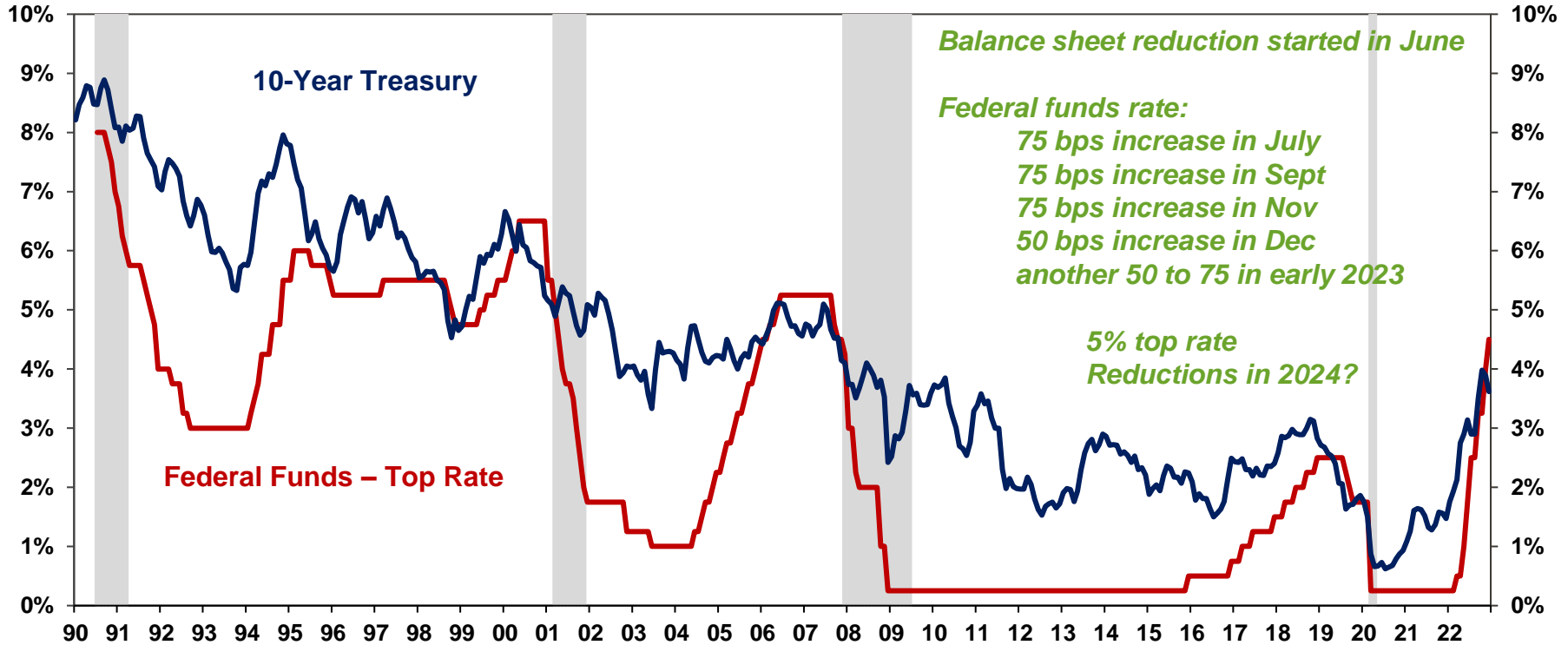
Inflation will decelerate in 2023



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

Monetary Policy Tightening in Response to Inflation

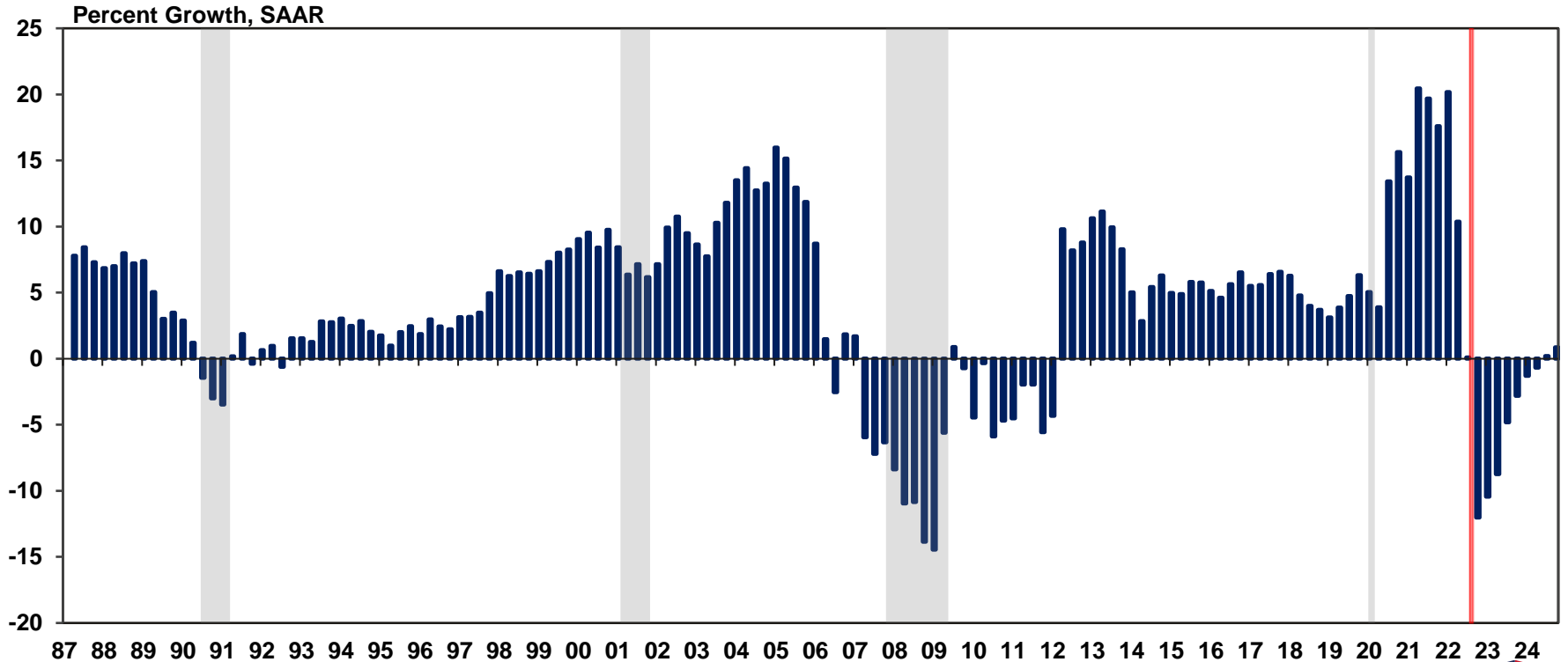
An end to Fed tightening in view



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

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

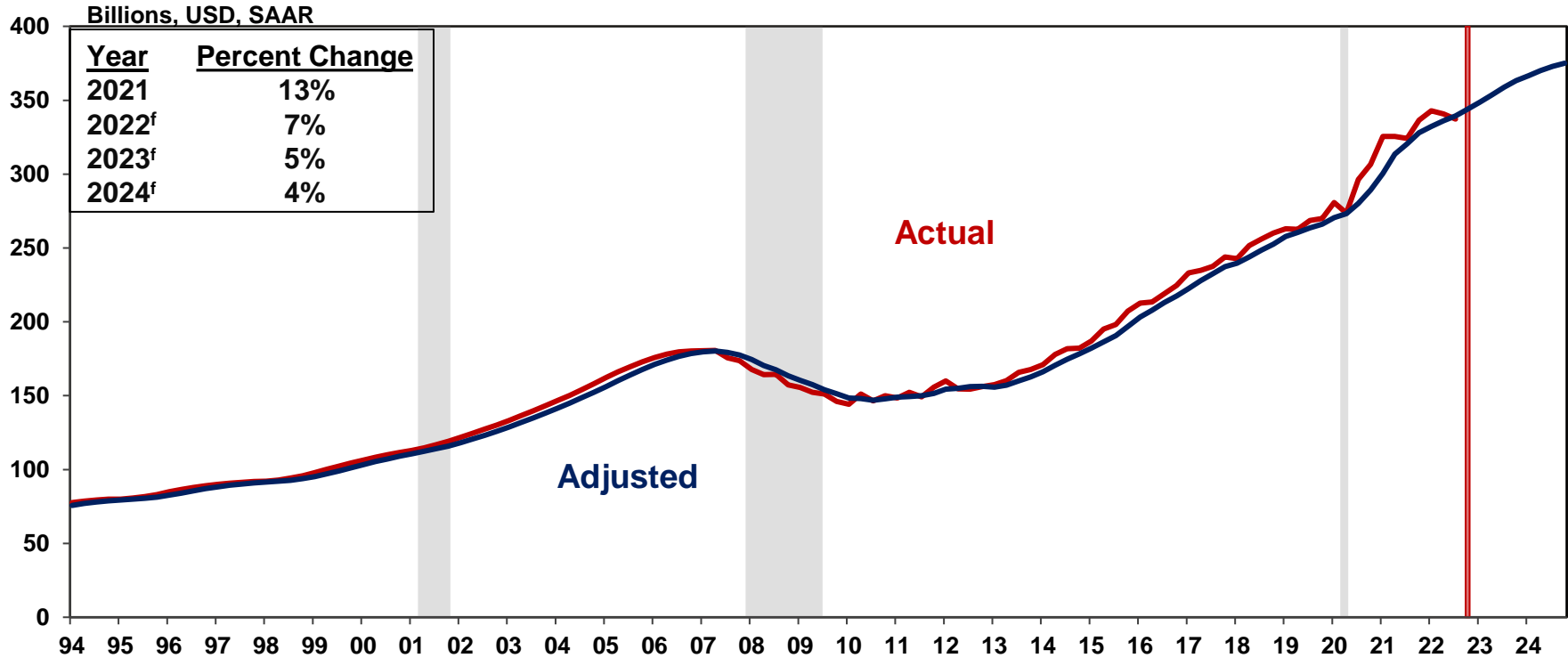
Home prices are slowing, 15% decline for NAHB forecast after almost 40% covid era gain



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

Residential Remodeling

Remodeling growth is expected to soften as housing demand is weakening

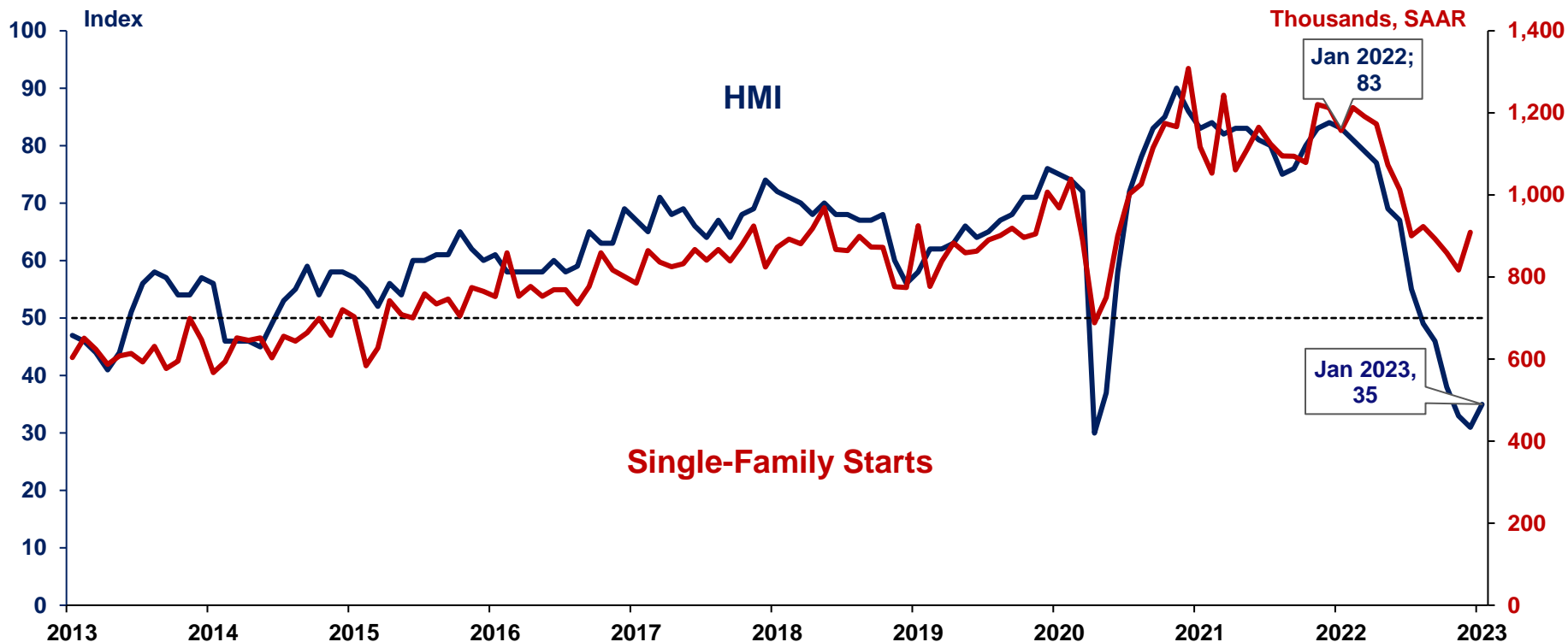


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

NAHB/Wells Fargo Housing Market Index (HMI)

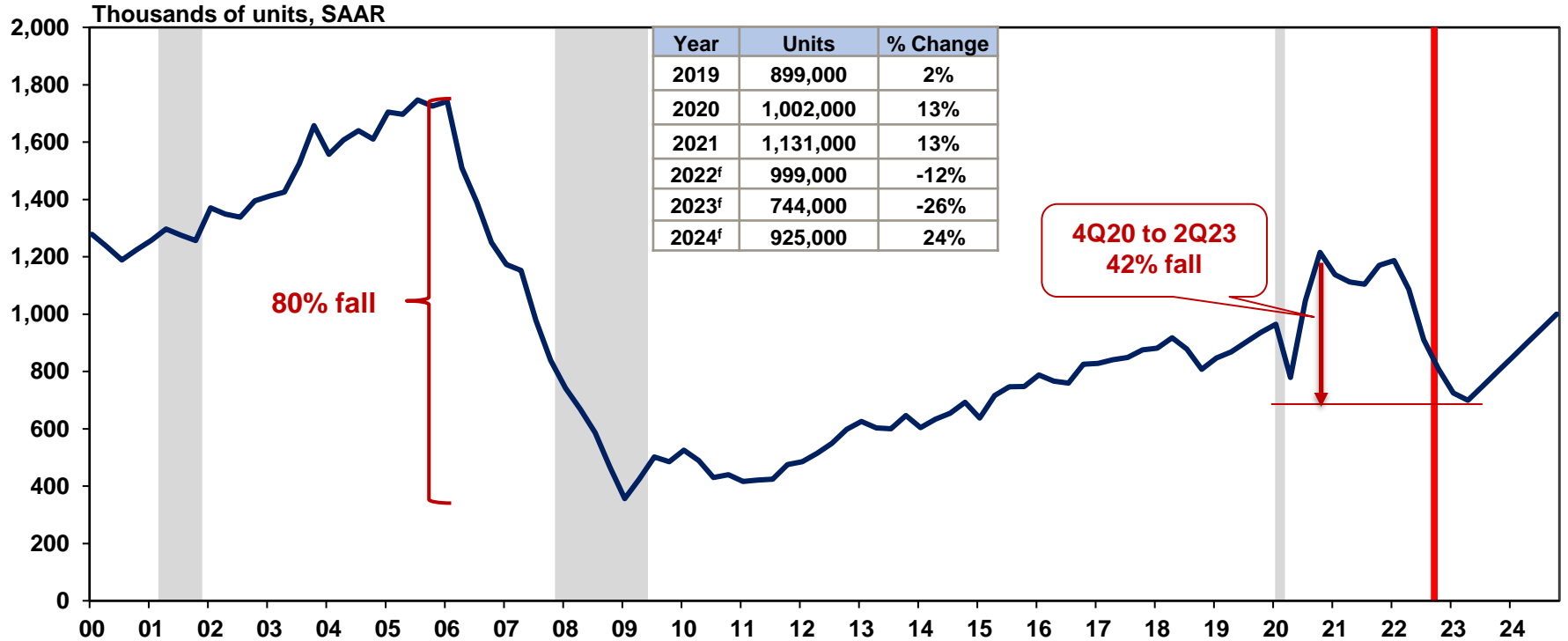
Builder confidence uptick signals turning point for housing lies ahead



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Single-Family Starts

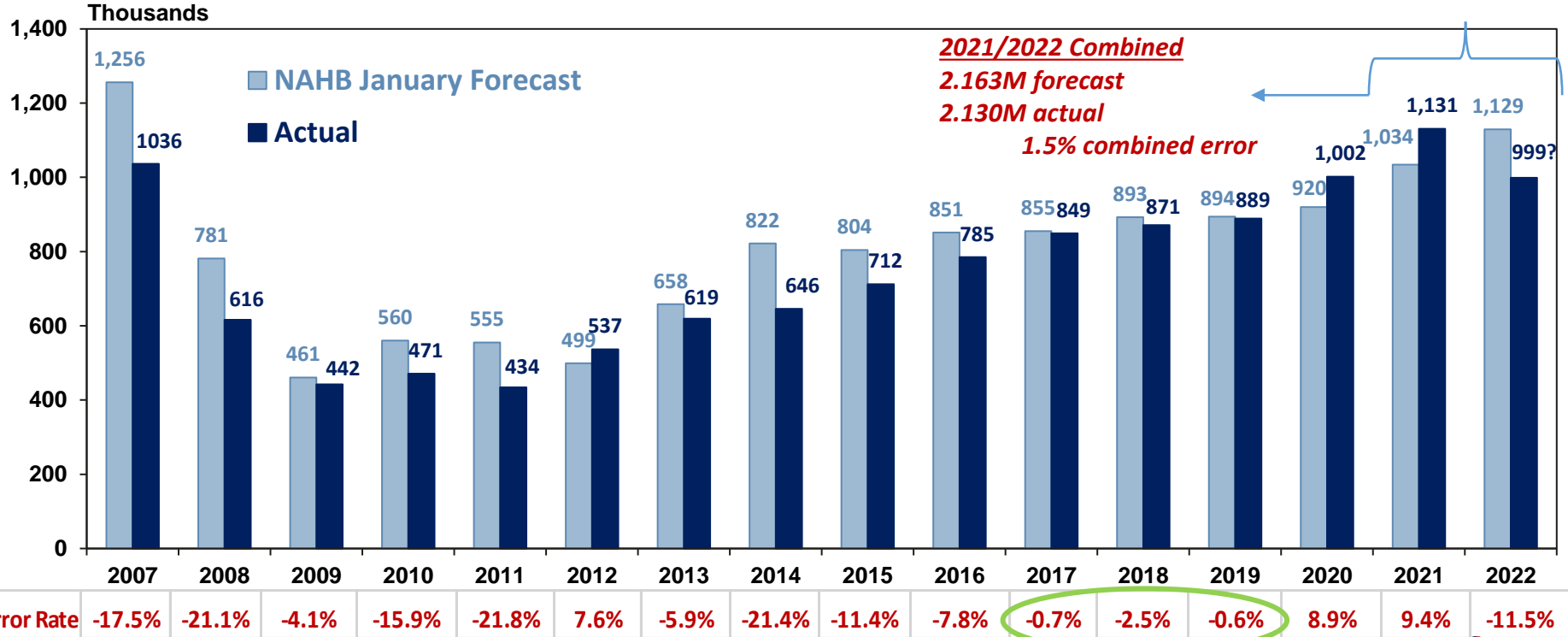
Home building declines as interest rates increase, but rebound expected during 2H23



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

NAHB Single-Family Starts Forecast Error Rate

*Post-Covid timing error:
too high in 2022
too low in 2021*



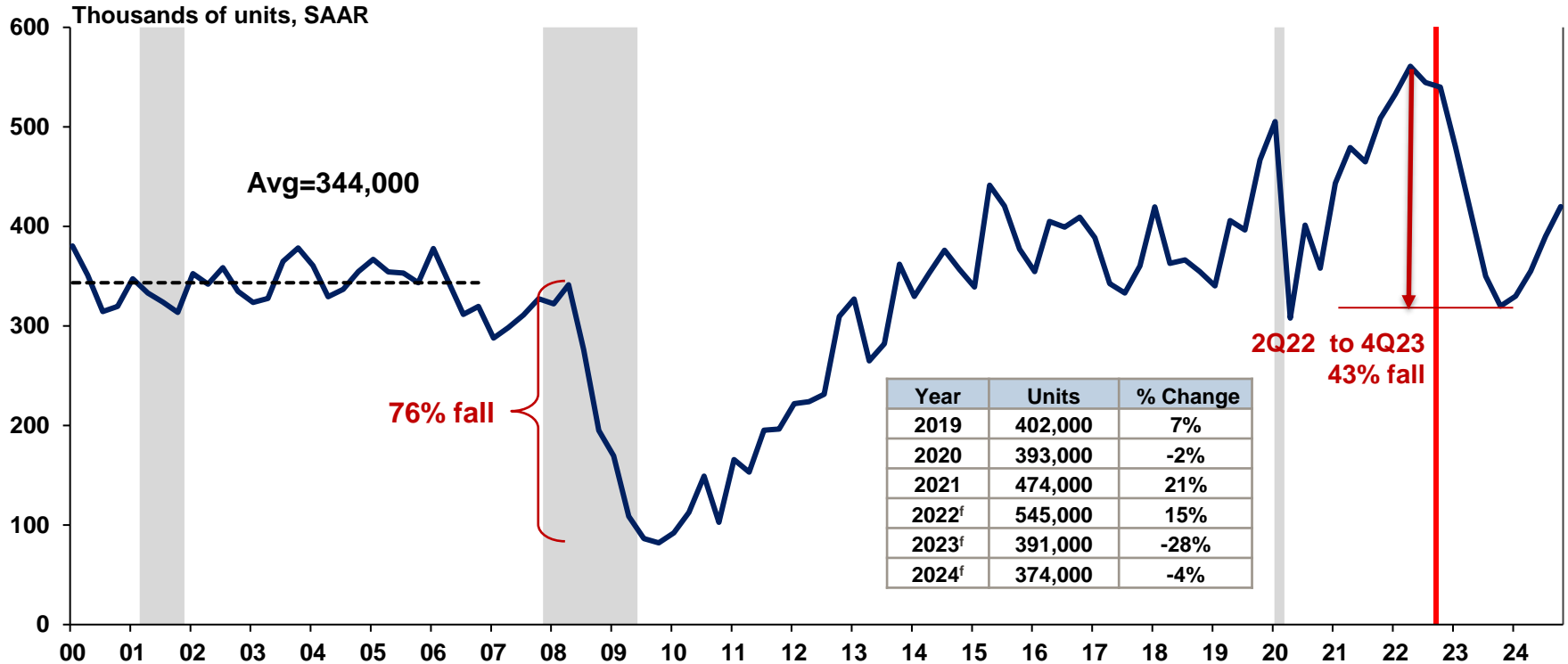
Source: NAHB January forecast and Census

Years of low error



Multifamily Construction Growing

Declines in 2023 due to slowing rent growth, tighter financing, and supply concerns



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

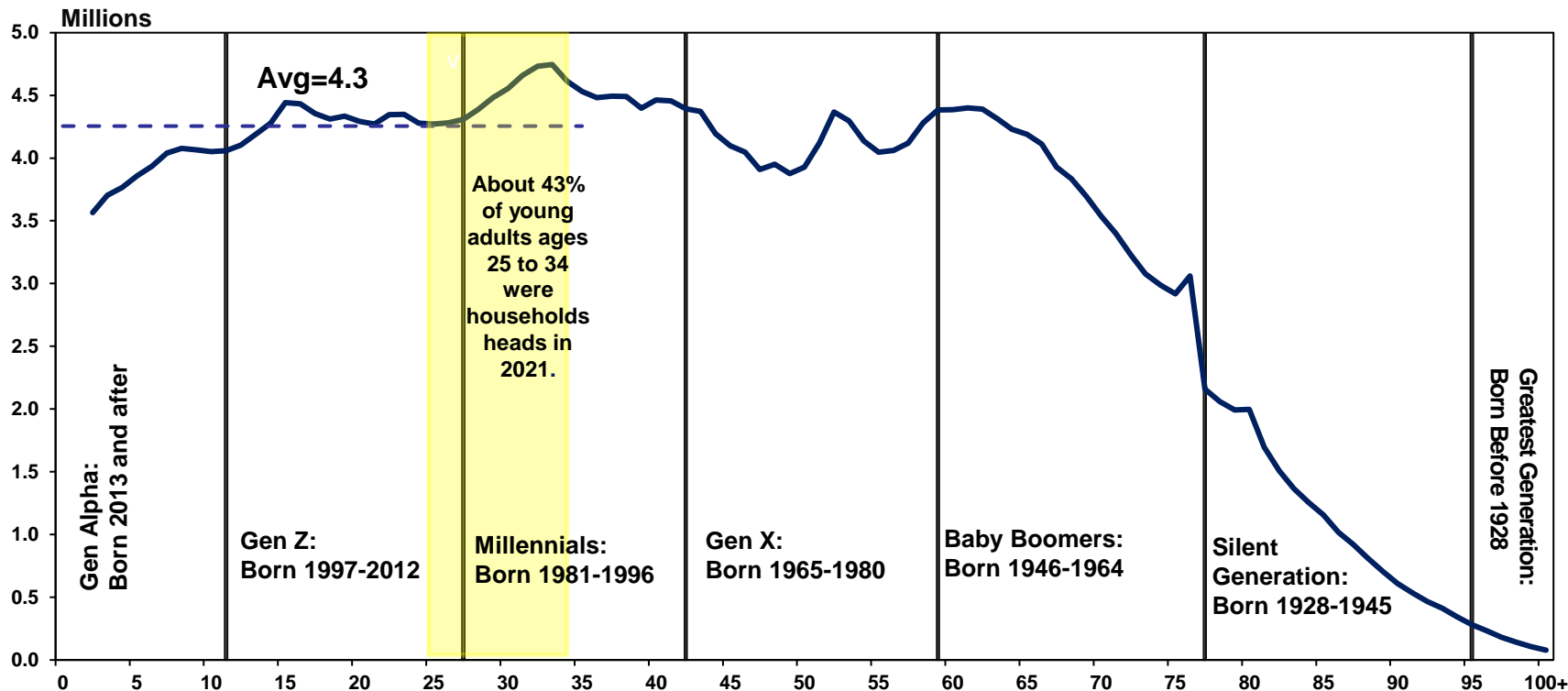
A decorative graphic on the left side of the slide. It features a horizontal dashed line of five gold dots. To the right of the dots is a vertical bar that is split into two colors: dark blue on top and red on the bottom. The bar is slightly angled to the right.

Medium-Term Challenges and Opportunities



Rising Population Entering Housing Demand Years: 2022

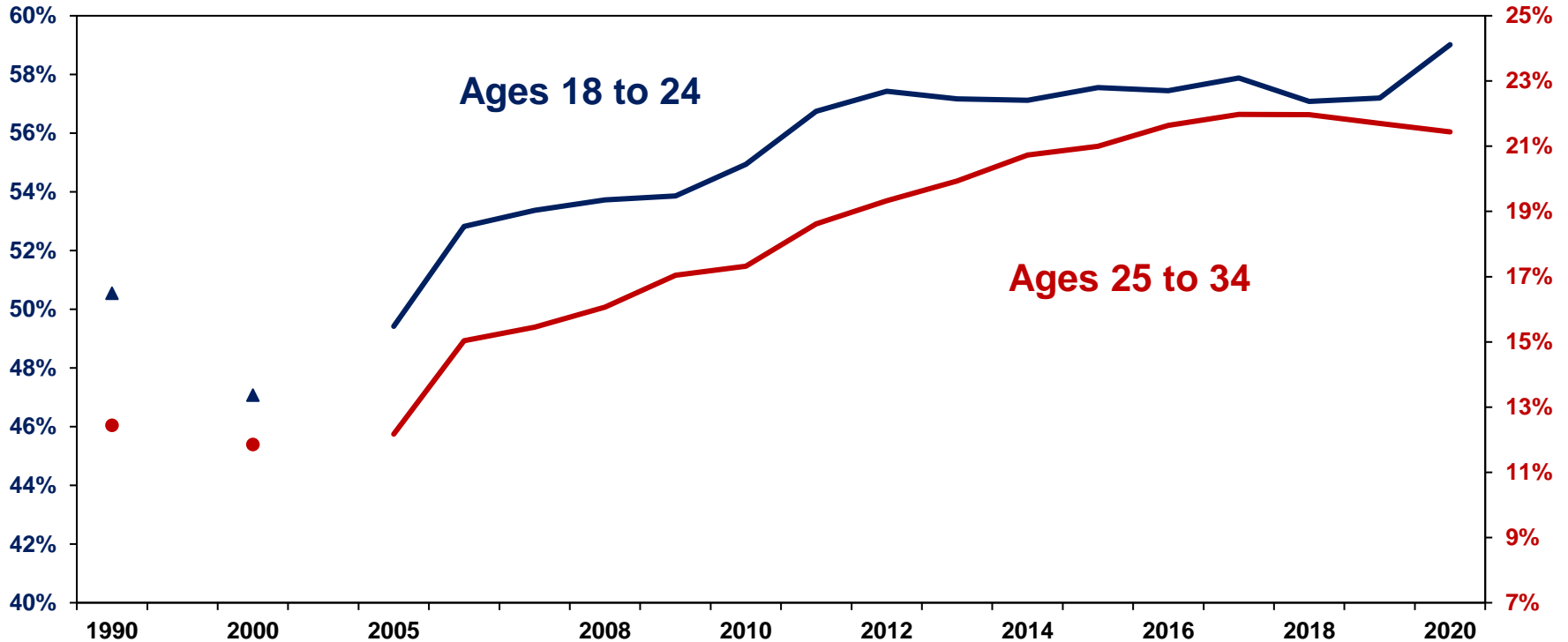
Gen X the majority of new construction home buyers



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

Share of Young Adults Living with Parents

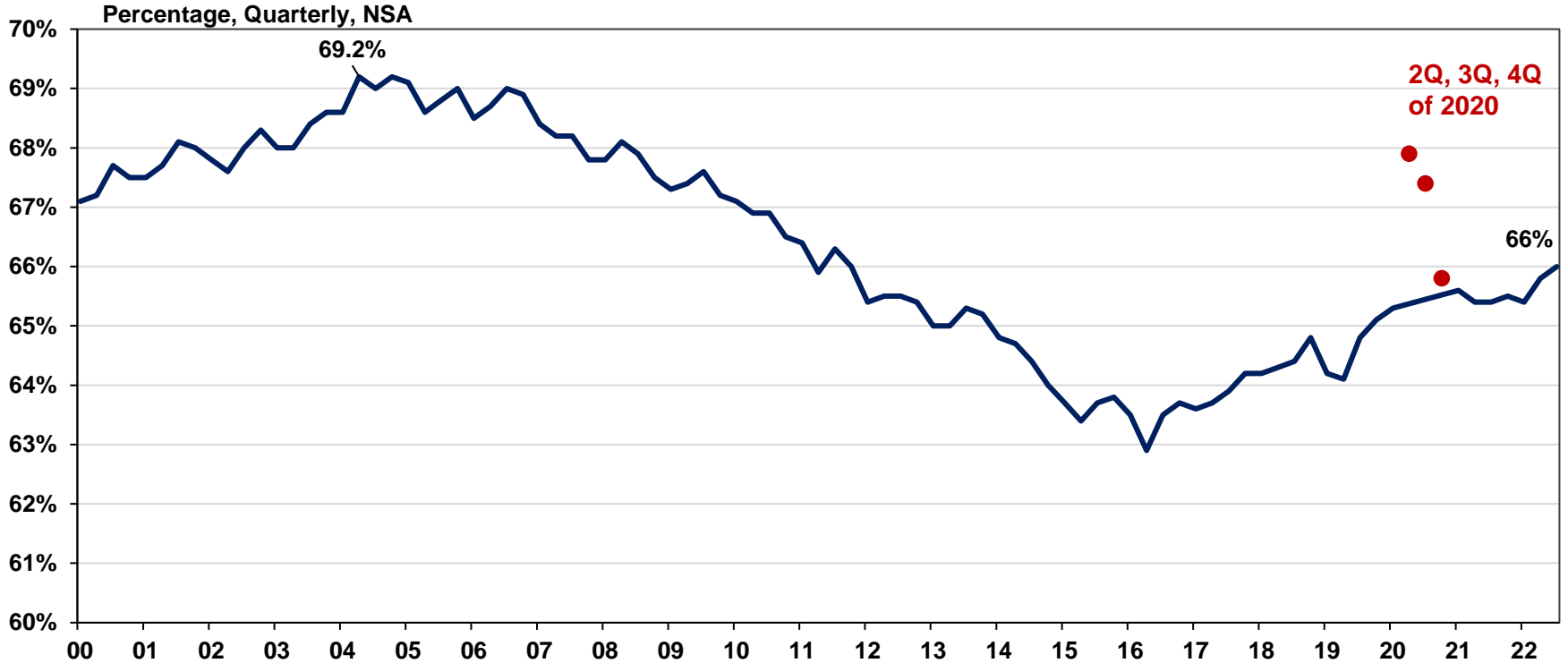
Almost doubled but was leveling off before 2020 downturn



Source: US Census 1990, 2000, PUMS, 2005-2018 ACS, PUMS, and NAHB Estimates

Homeownership Rate

Homeownership will decline in 2023 and 2024

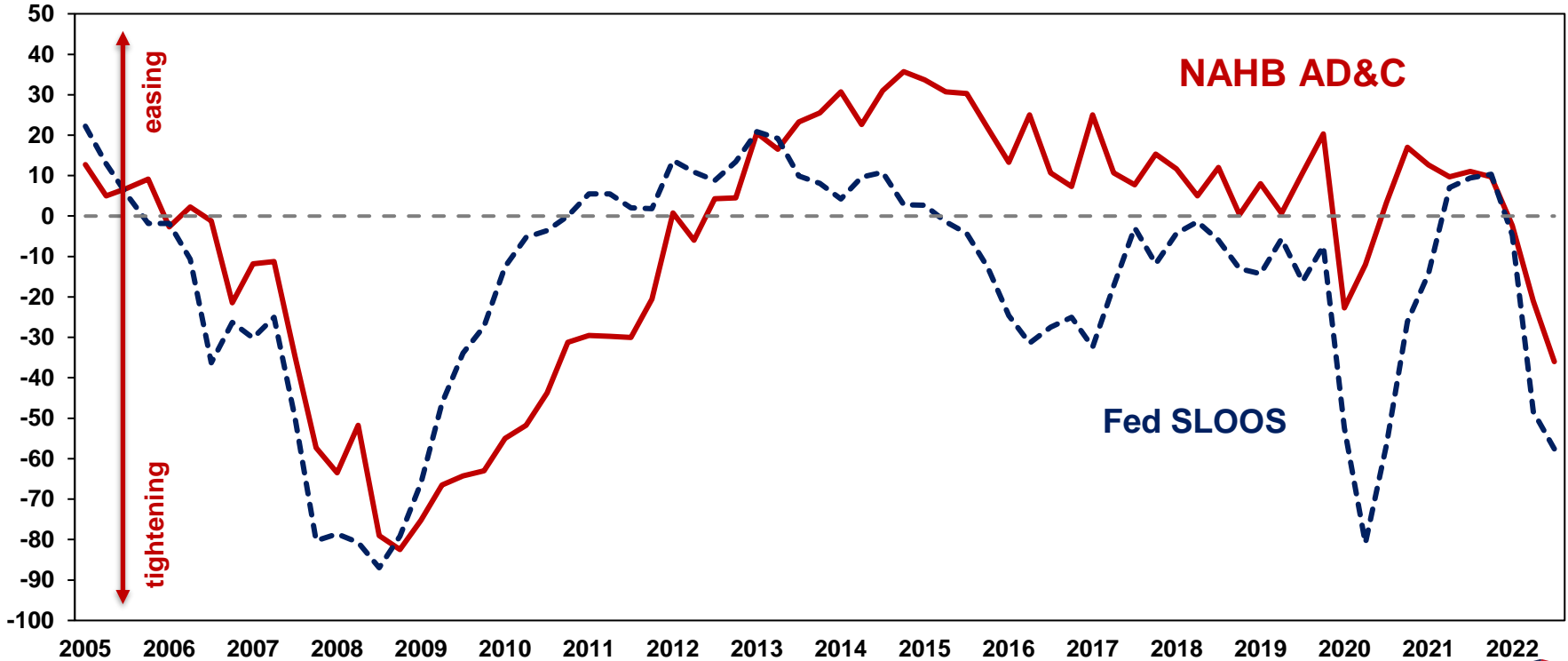


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

Note: Red dots denote technical issues for the last four quarters.

/ Lending – AD&C Loan Conditions

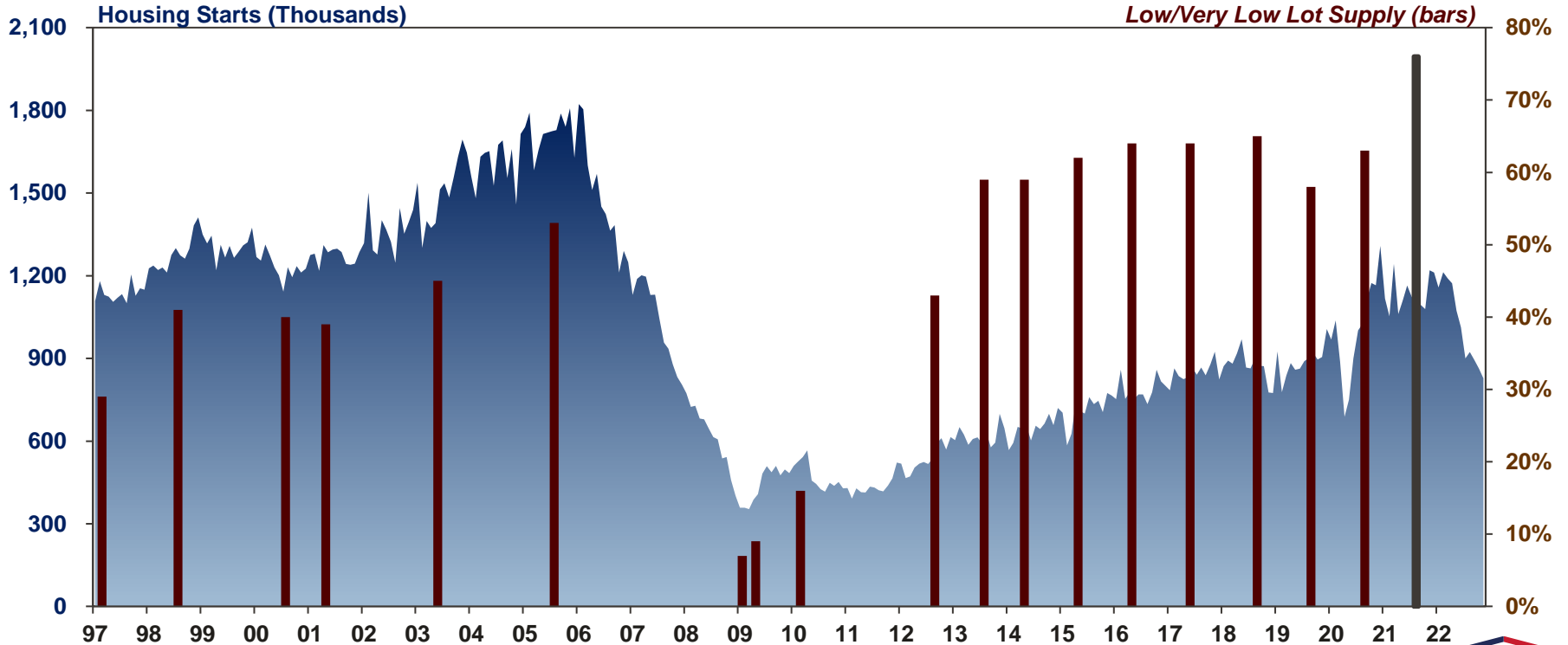
Credit conditions continued to worsen



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

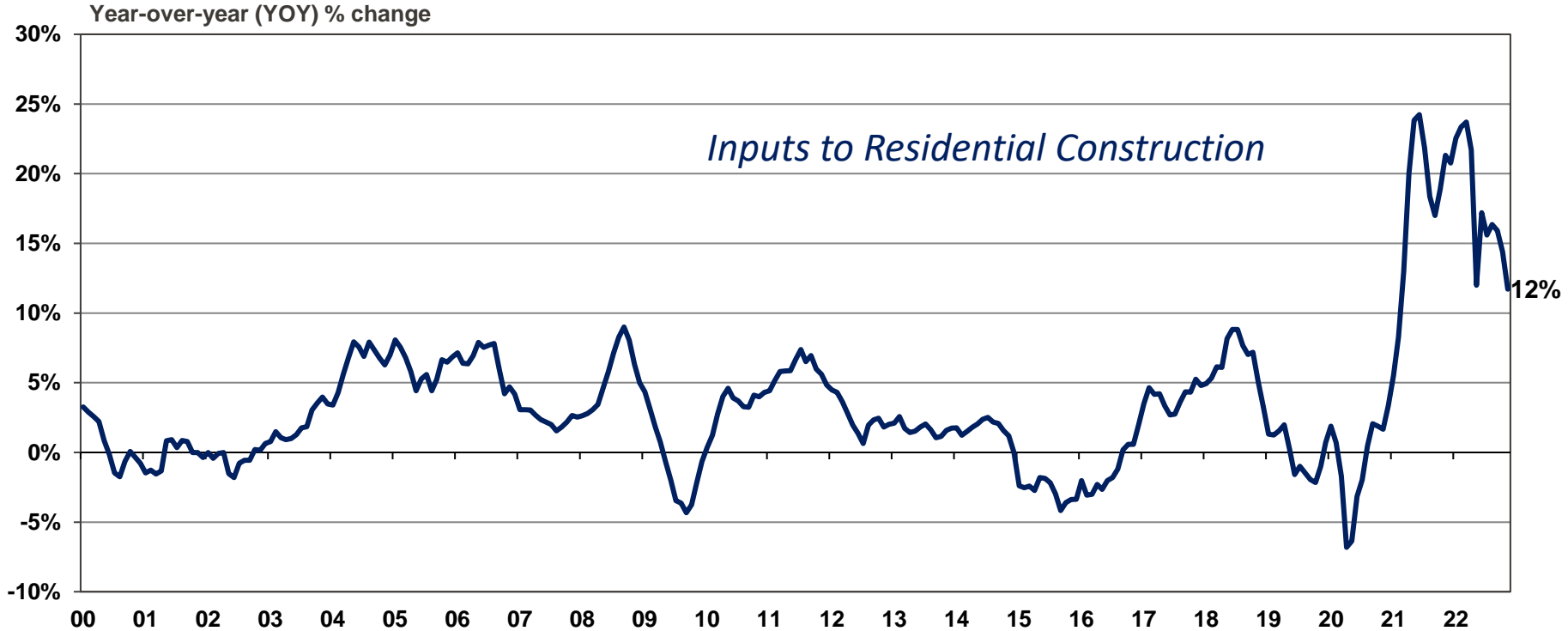
/ Lot Shortages Reported by Single-family Builders

Shortage of lots reached a new record in 2021



Source: Census Bureau and NAHB/Wells Fargo HMI survey

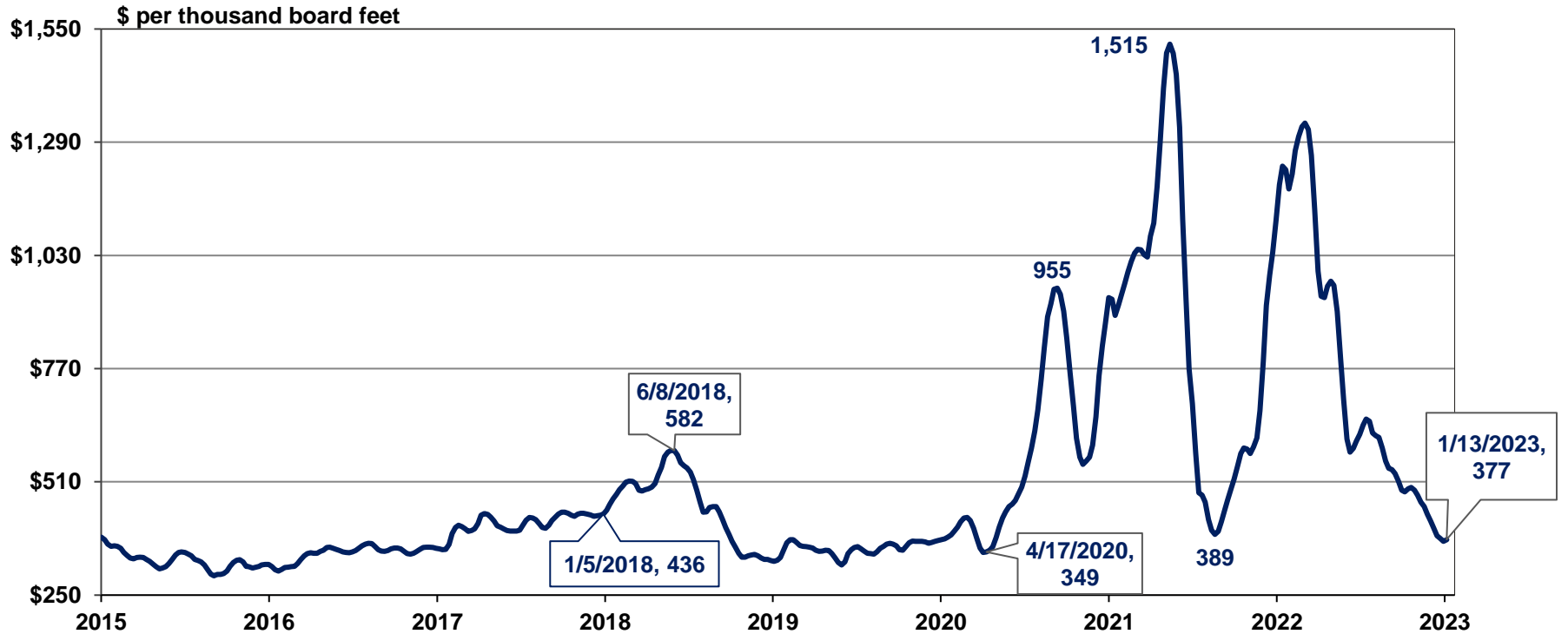
Building Materials - Residential Construction Cost



Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI)

Lumber Prices Back to Around Pre-pandemic Levels

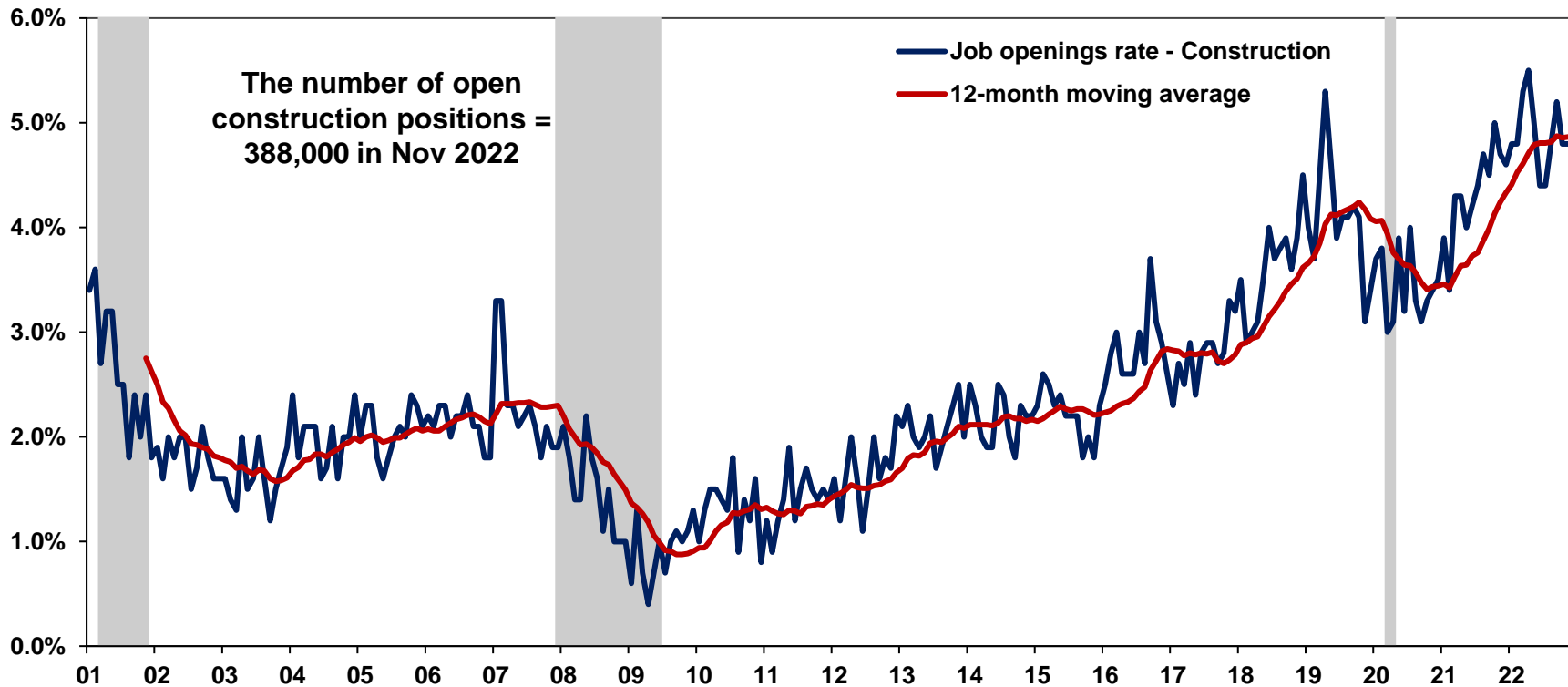
Current January price is \$377; down 24% in the past two months



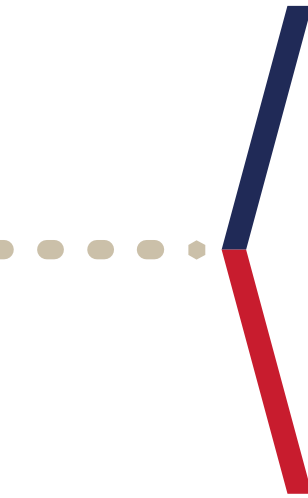
Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Peaked for Cycle?

Skilled labor shortage persists; 254,300 net gain for residential construction since Jan 2020



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

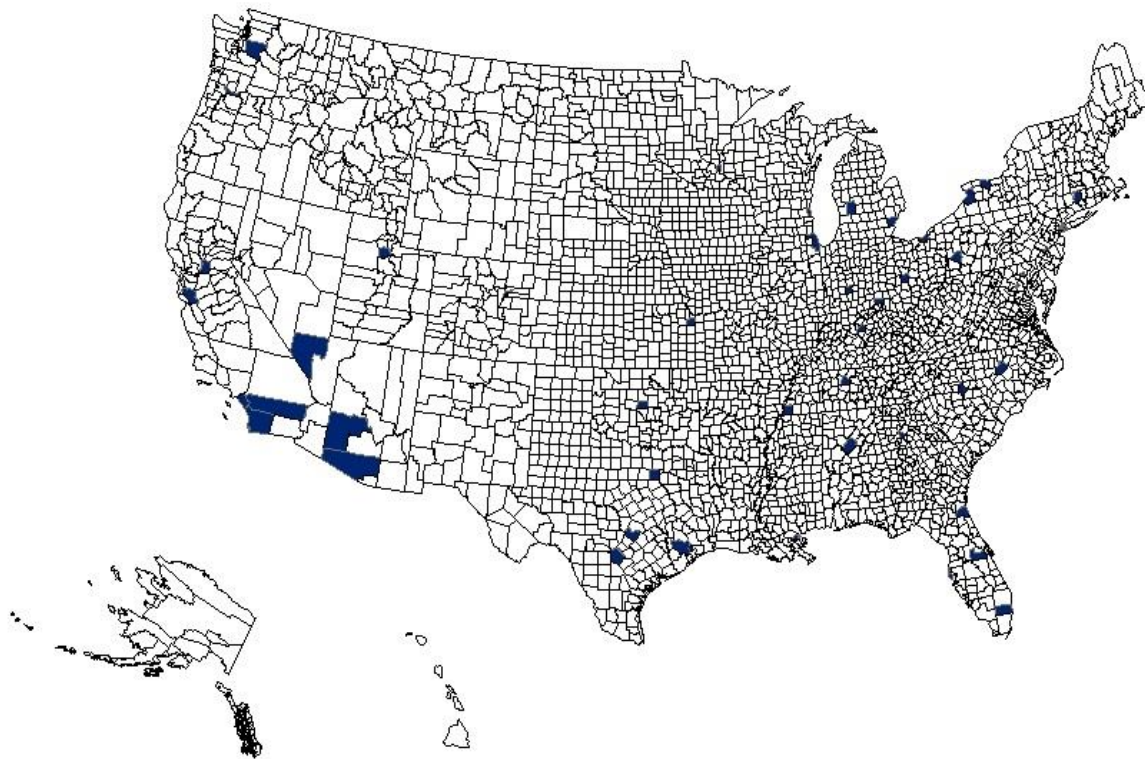


Geography of Home Building



NAHB Home Building Geography Index

16.3% of single-family construction takes place in Large Metro – Core County

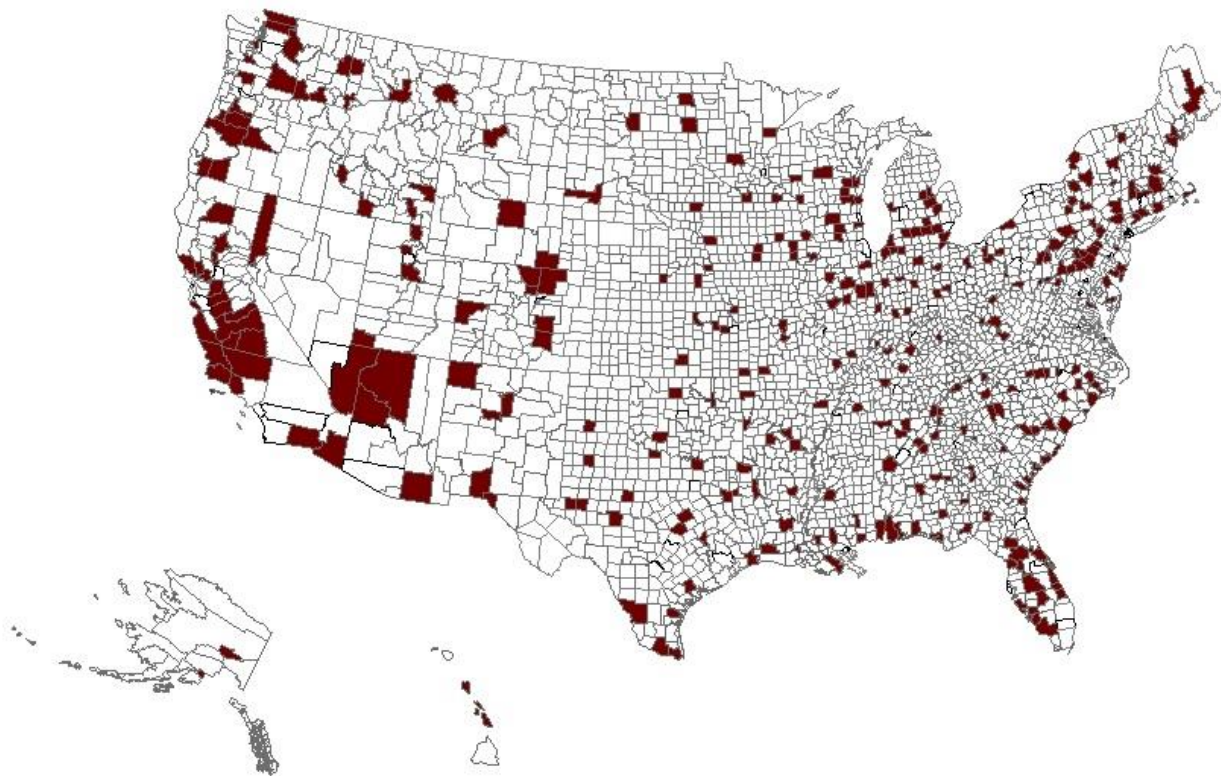


Q3 2022
4-Quarter MA of YoY
growth rate:
-9.9%

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

NAHB Home Building Geography Index

28.8% of single-family construction takes place in **Smaller Metro – Core County**



Q3 2022
4-Quarter MA of YoY
growth rate:
-6.2%

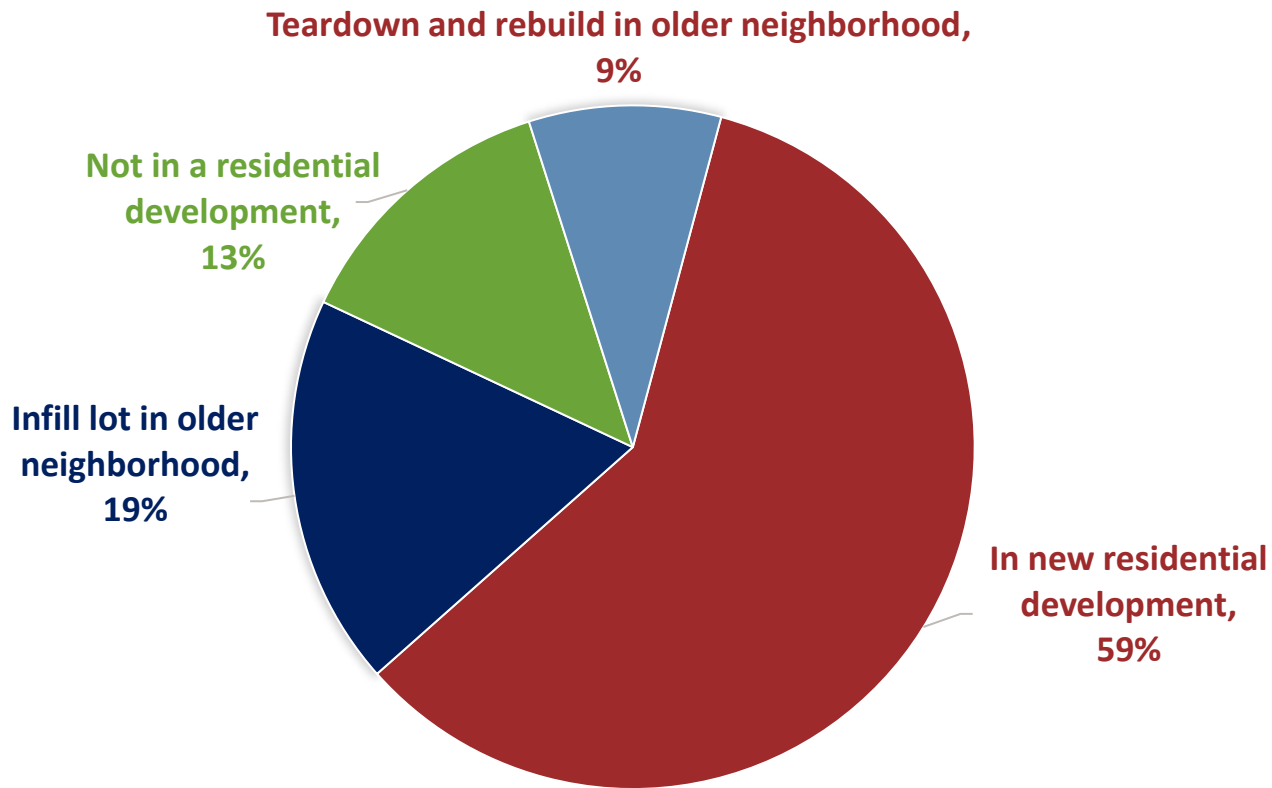
Source: NAHB Analysis of Census data (Building Permits and ACS)

Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	November 2022 (# of units YTD, NSA)	YTD % Change (compared to Nov 2021)
Houston-The Woodlands-Sugar Land, TX	45,584	-6%
Dallas-Fort Worth-Arlington, TX	41,437	-11%
Phoenix-Mesa-Scottsdale, AZ	25,831	-21%
Atlanta-Sandy Springs-Roswell, GA	25,278	-14%
Austin-Round Rock, TX	20,589	-8%
Charlotte-Concord-Gastonia, NC-SC	17,848	1%
Orlando-Kissimmee-Sanford, FL	15,110	-7%
Tampa-St. Petersburg-Clearwater, FL	14,785	-18%
Nashville-Davidson-Murfreesboro-Franklin, TN	14,636	-3%
Jacksonville, FL	13,345	-11%

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

Shares of New Single-Family Homes Built in 2021



Source: 2022 Builder Practices Survey

Medium-Term Outlook for Residential Construction

- 2024
 - *Fed will ease, interest rates will normalize*
 - *Single-family home building will lead a recovery*
 - *Demand will return, but supply-side issues will increase*
 - *Lack of lots*
 - *AD&C availability*
 - *Building material constraints*
- 2025 through 2030
 - *Demographics yield a good runway for home building growth*
 - *Structural housing deficit will be reduced*
 - *Single-family home building volumes near or above 1.1 million per year*
- 2030 and after
 - *Declining demographics weaken multifamily and single-family demand*

Economic Research to Support Advocacy for NAHB Members

- Housing's share of GDP
 - 16.1% of the economy in 3Q22
 - Housing is the business cycle and leads the economy
- Economic impact of home building
 - Every 1,000 single-family homes built supports 2,900 jobs
 - Every 1,000 apartments built supports 1,250 jobs
 - Every \$100 million of remodeling supports 750 jobs
- Economic impact of home buying on consumer spending
 - \$9,250 average additional spending for new home buyers
 - \$5,240 average additional spending for buyers of existing homes
- Costs of excessive, inefficient, and harmful regulatory policies
 - 23.8% of the price of a single-family home (\$93,870 average)
 - Up to 41% of multifamily development costs

Thank you

Questions?

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Home Mortgage

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housingeconomics.com