

# Spring for Housing? The What and Where of Home Building

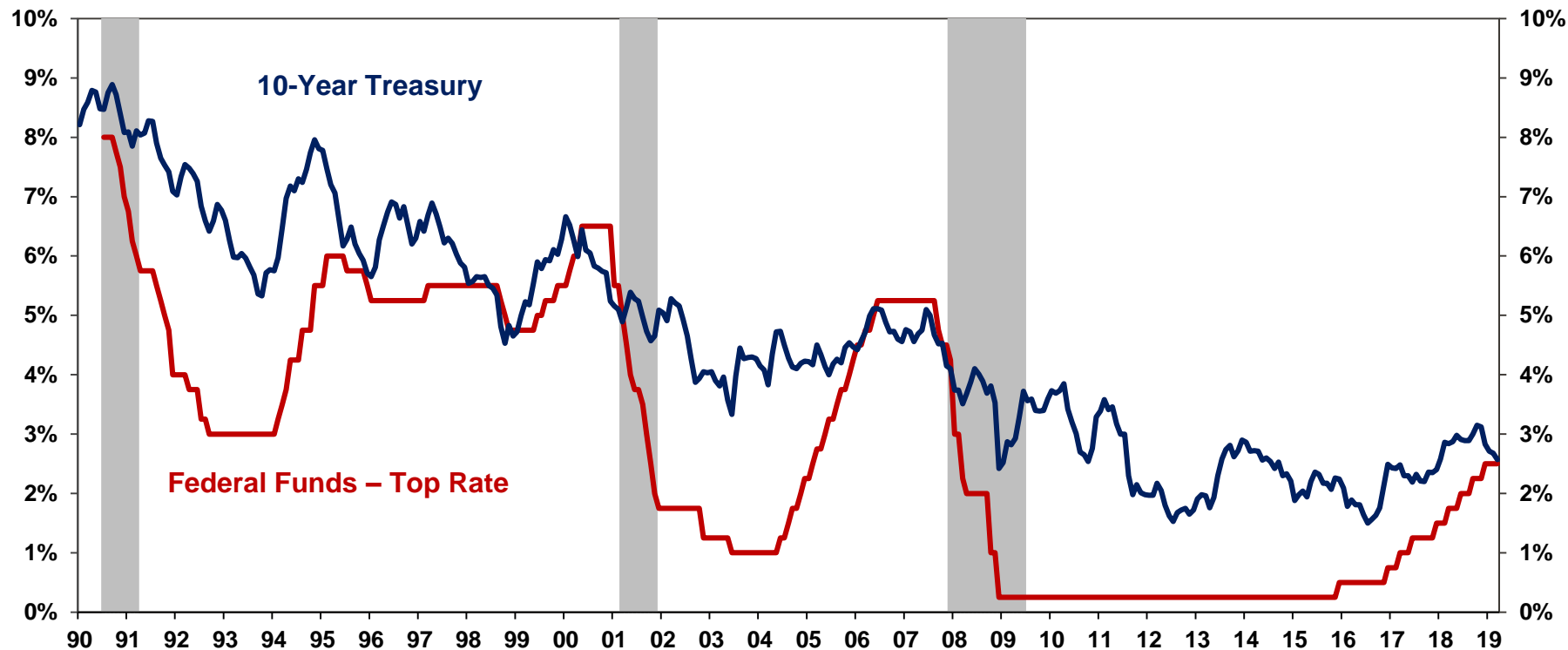
*North American Insulation  
Manufacturers Association*

*May 21, 2019*

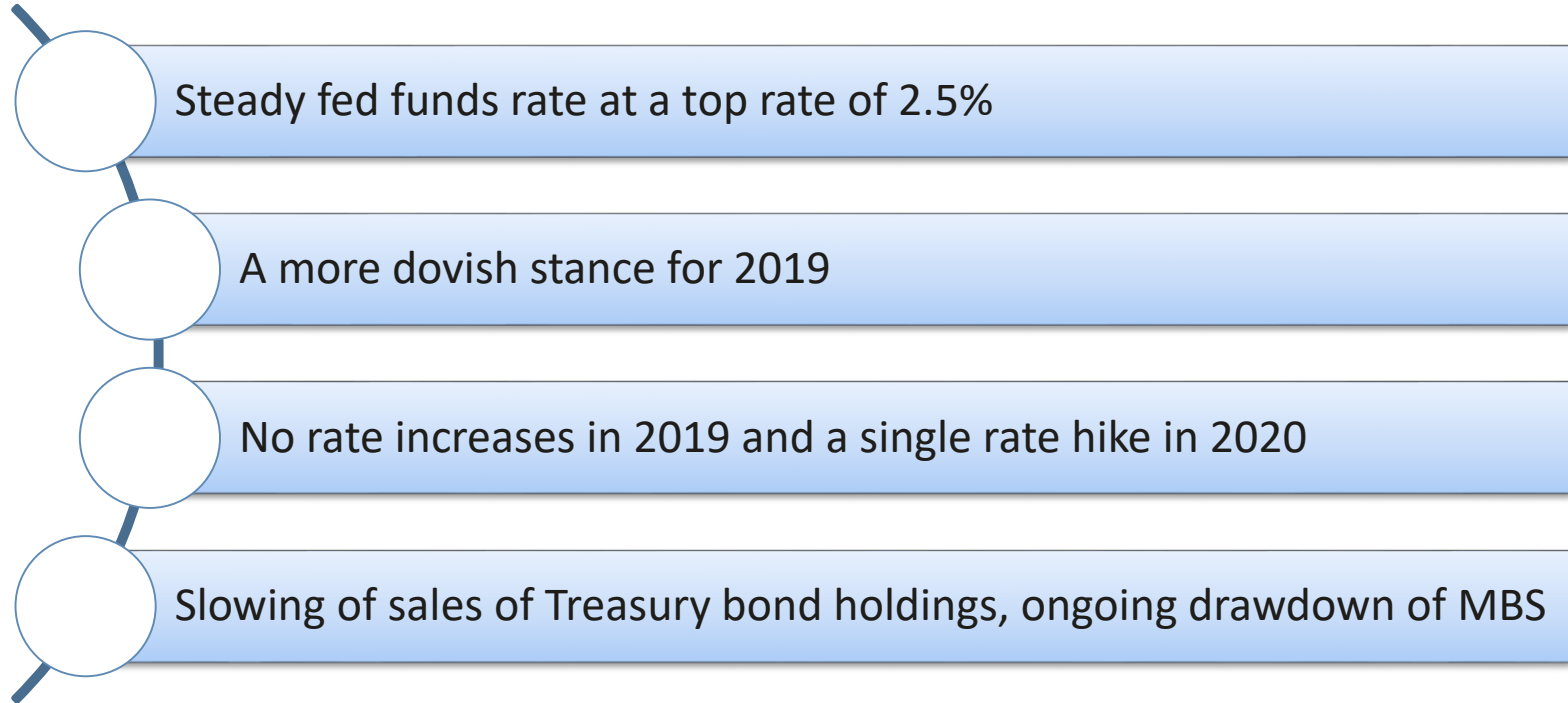
*Robert Dietz, Ph.D.  
NAHB Chief Economist*



# Fed Funds Rate

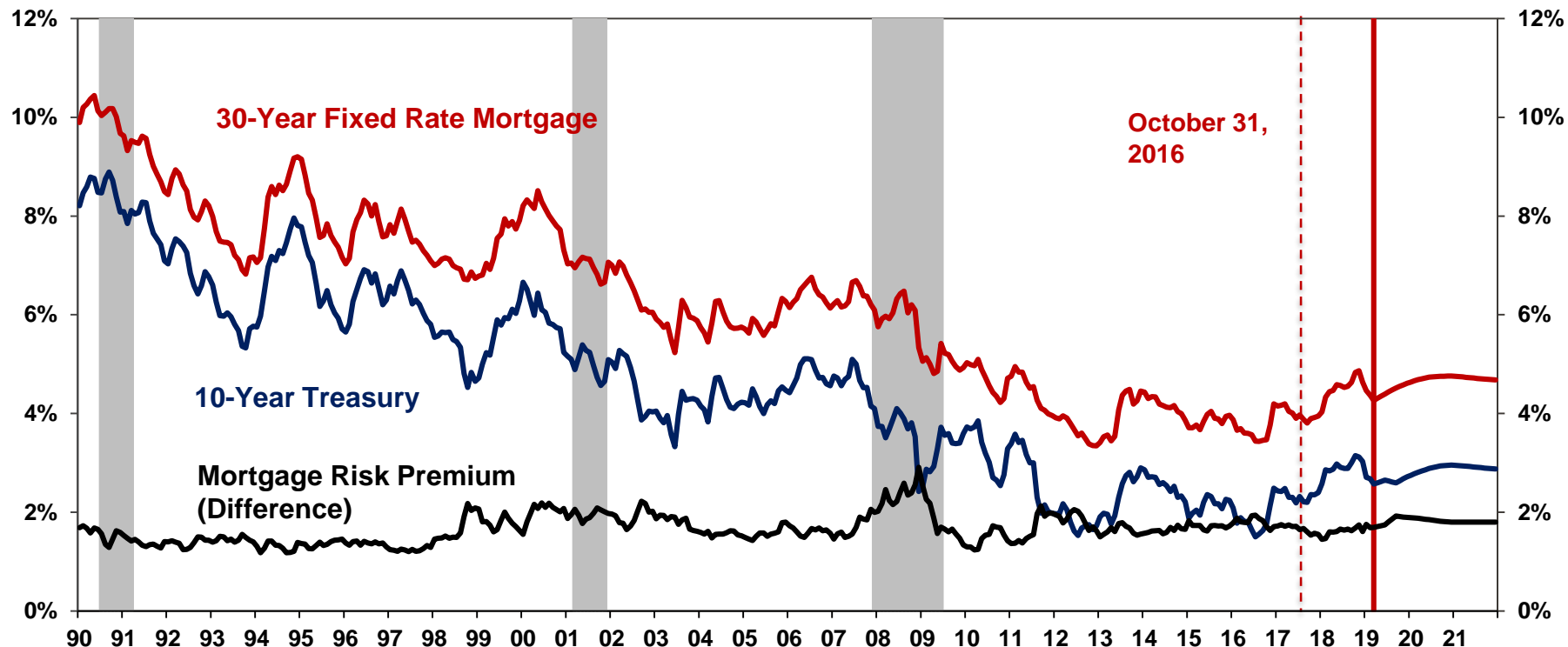


Source: U.S. Board of Governors of the Federal Reserve System (FRB)



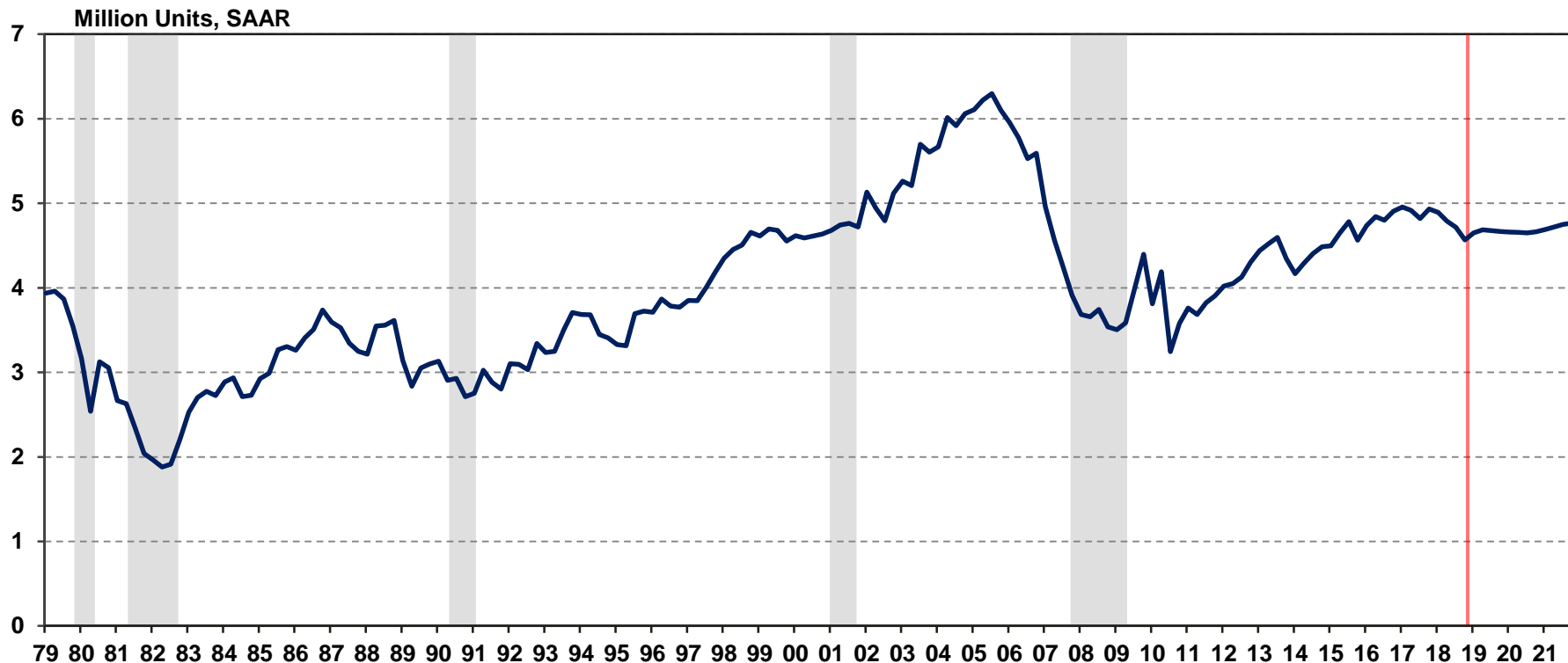
# 30-Year Fixed Rate Mortgage and 10-Year Treasury

*Some increases ahead but nearing peak rates for the cycle*



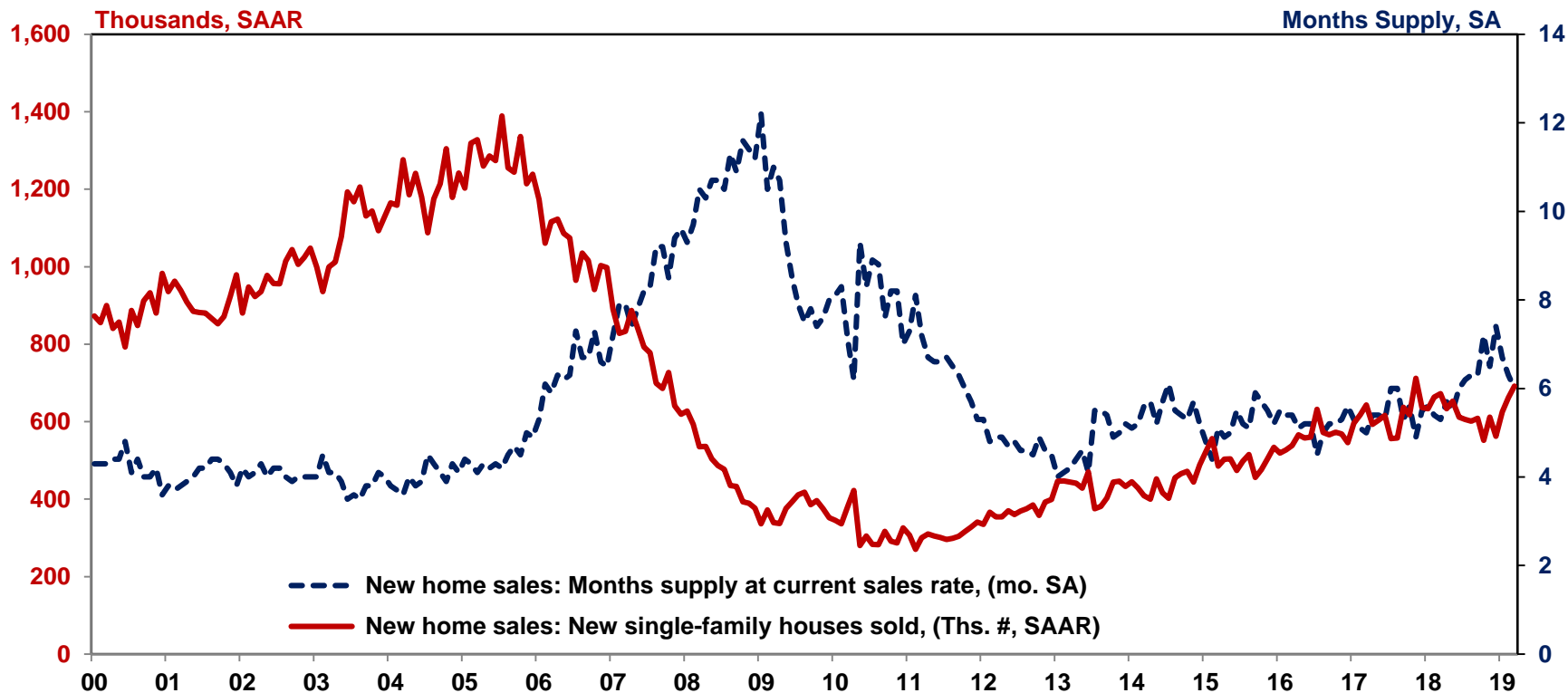
Source: Federal Reserve and Freddie Mac data and NAHB forecast

# Existing Single-Family Home Sales



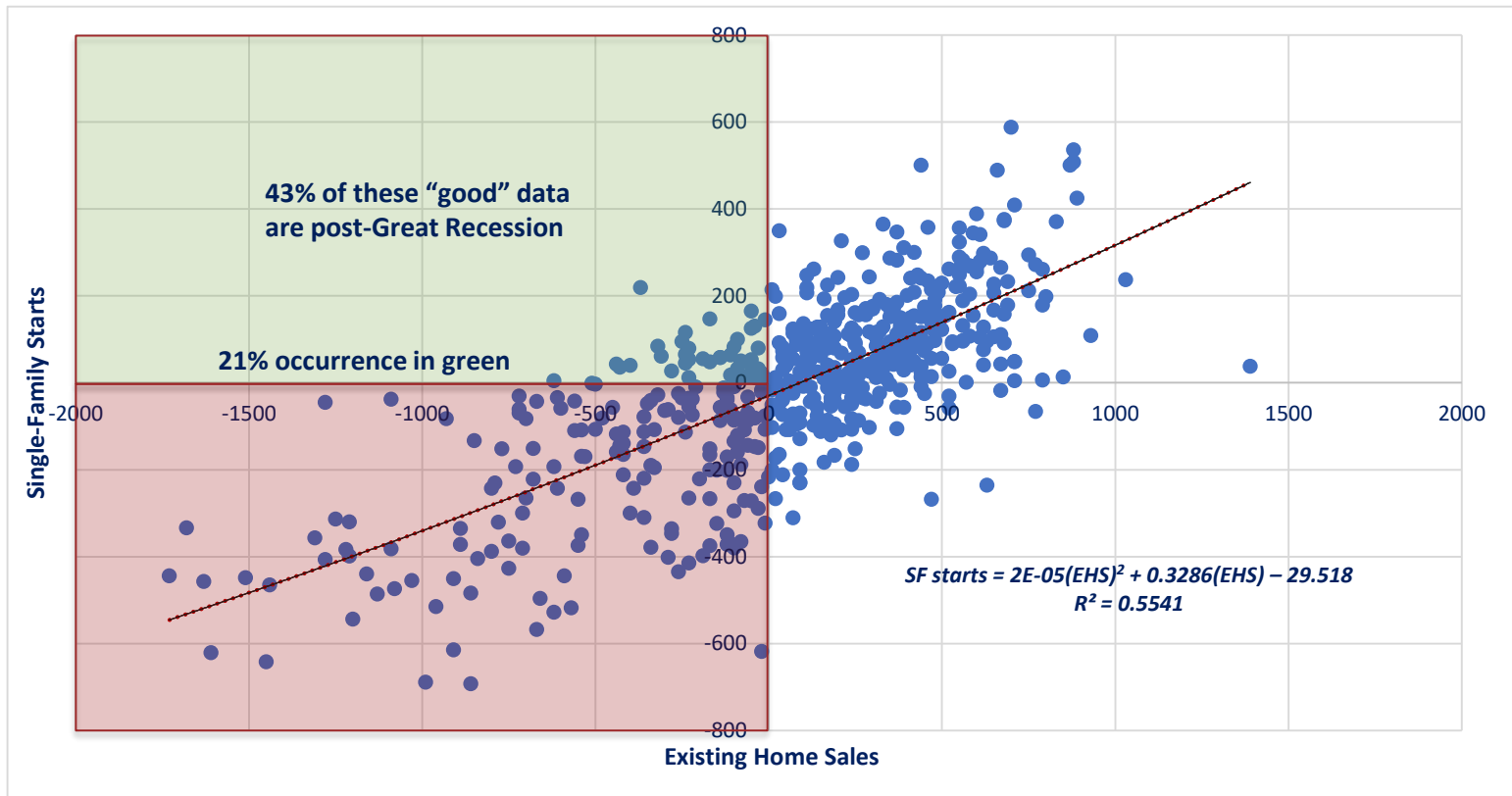
Source: National Association of Realtors (NAR) and NAHB forecast

# New Home Sales and Months' Supply



Source: U.S. Census Bureau (BOC)

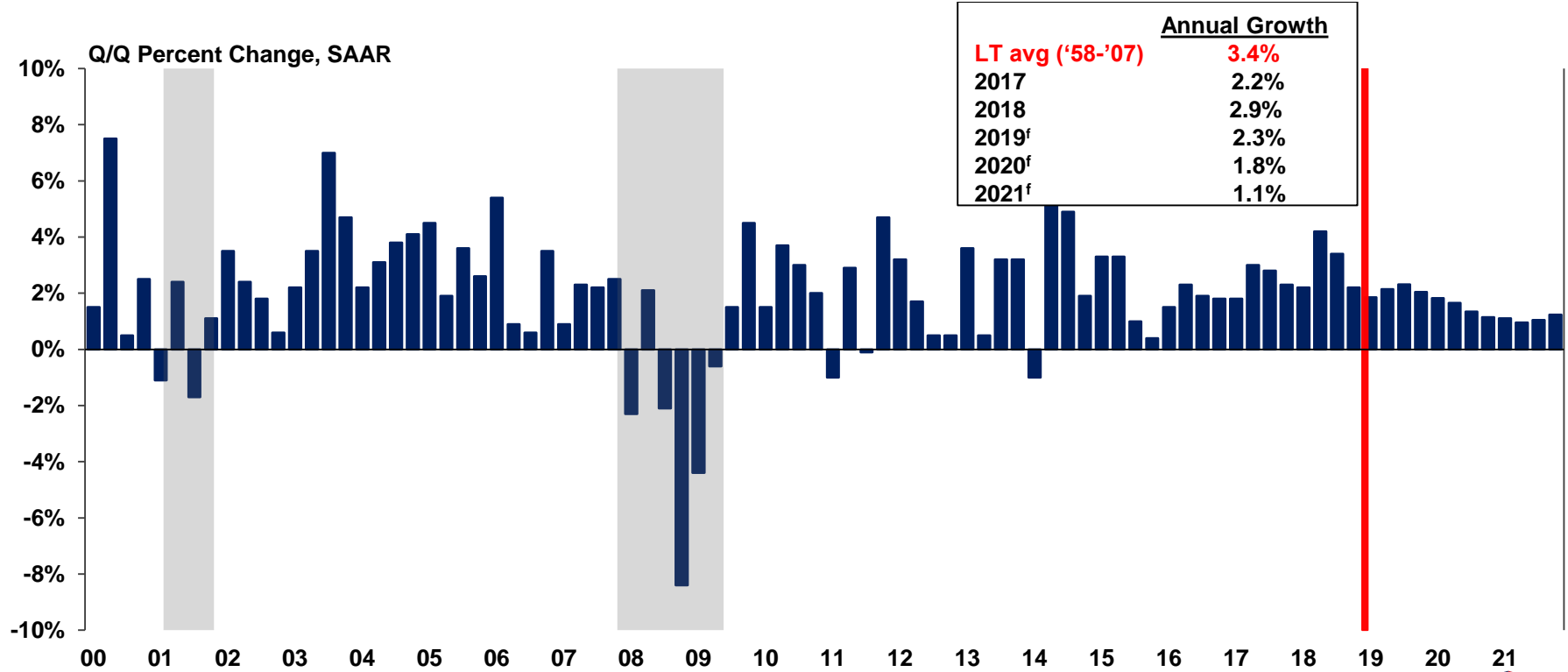
# Single-Family Starts vs Existing Home Sales (1972-present)



Source: NAHB econometric analysis of Census Housing Starts and NAR EHS data

# GDP Growth

*Economy is slowing*

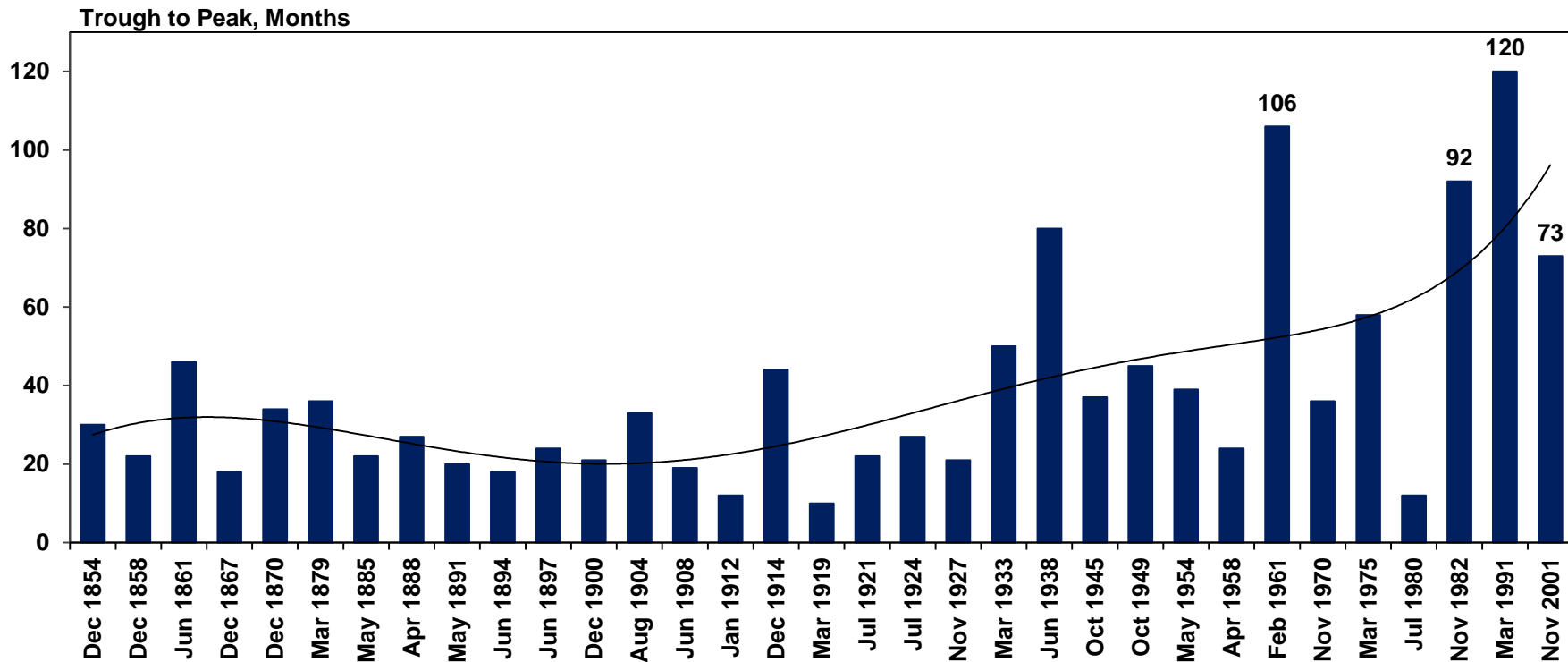


Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast



# Expansion is Aging

*Current expansion is 120 months old*



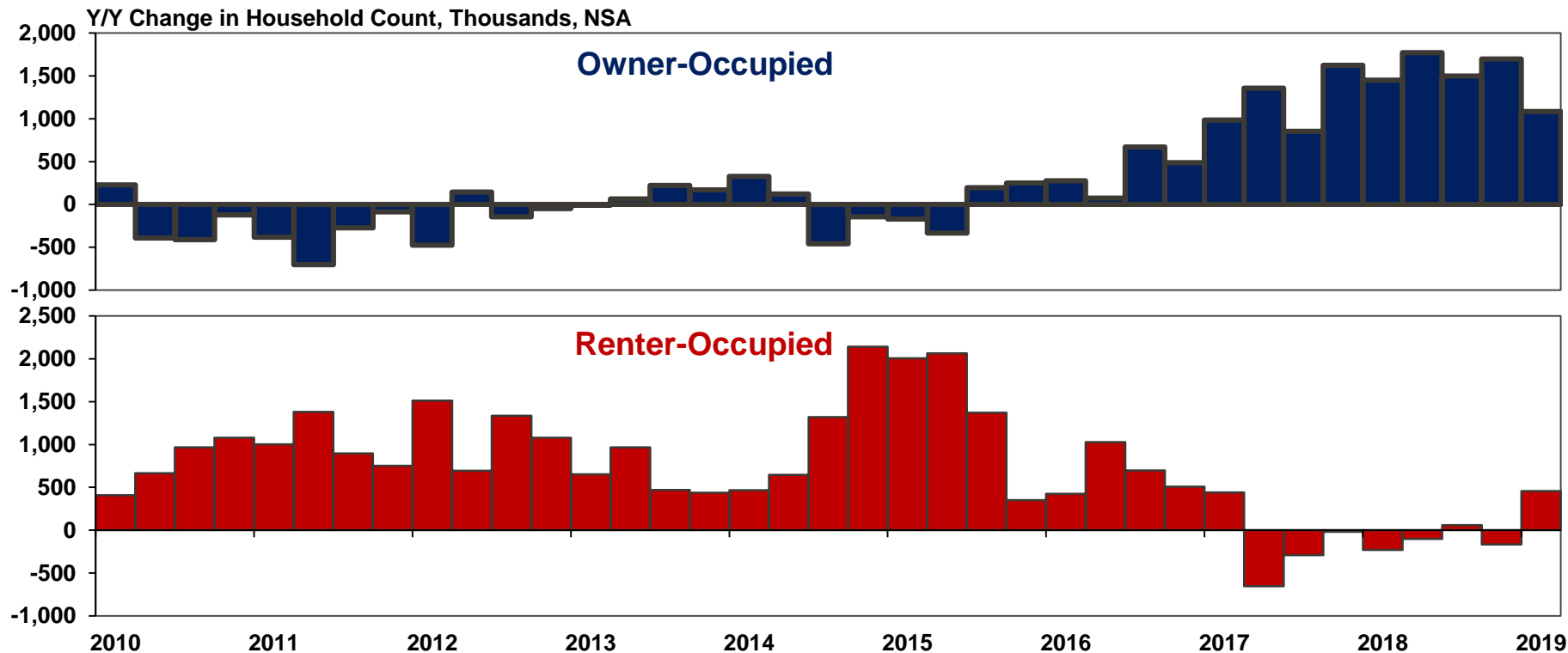
Source: National Bureau of Economic Research (NBER)



# Housing Demand and Affordability

# Household Formation

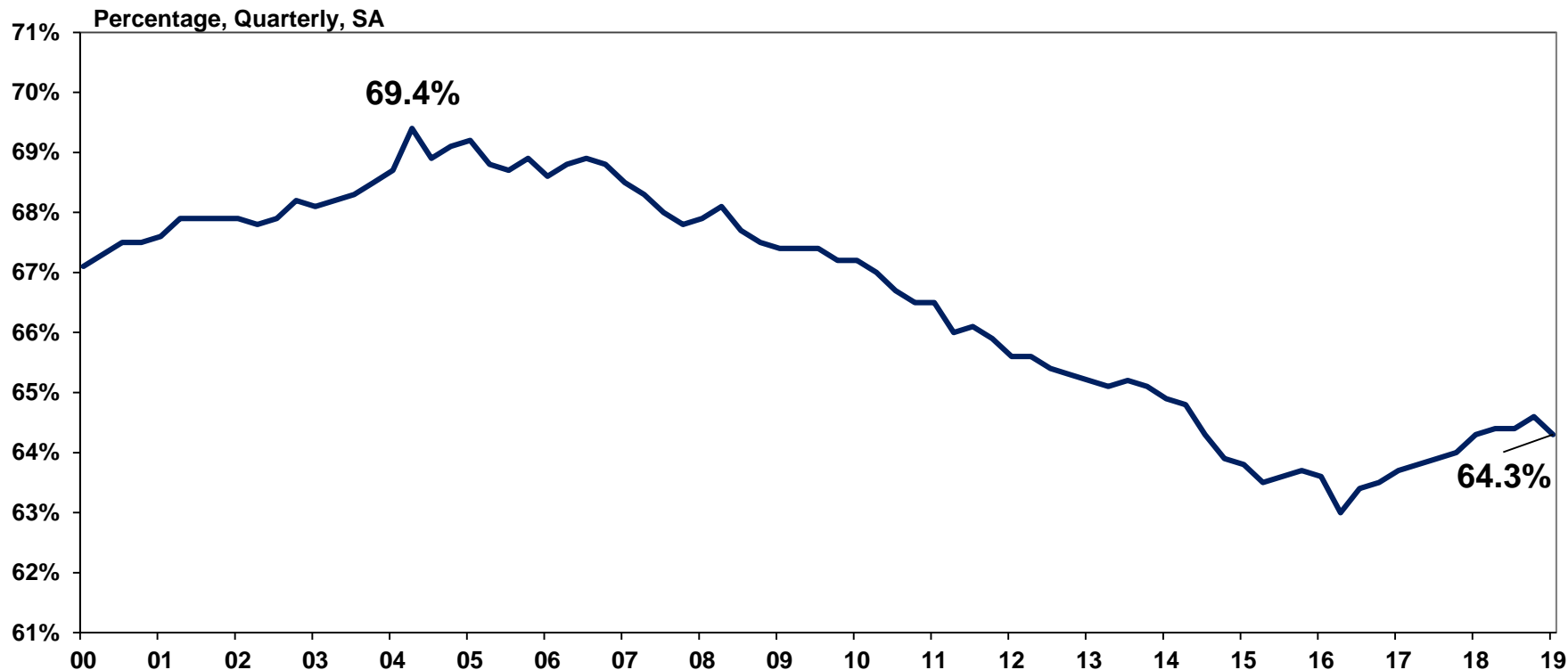
*Demand for home ownership strengthening: 1Q19 a recent exception*



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

# Homeownership Rate

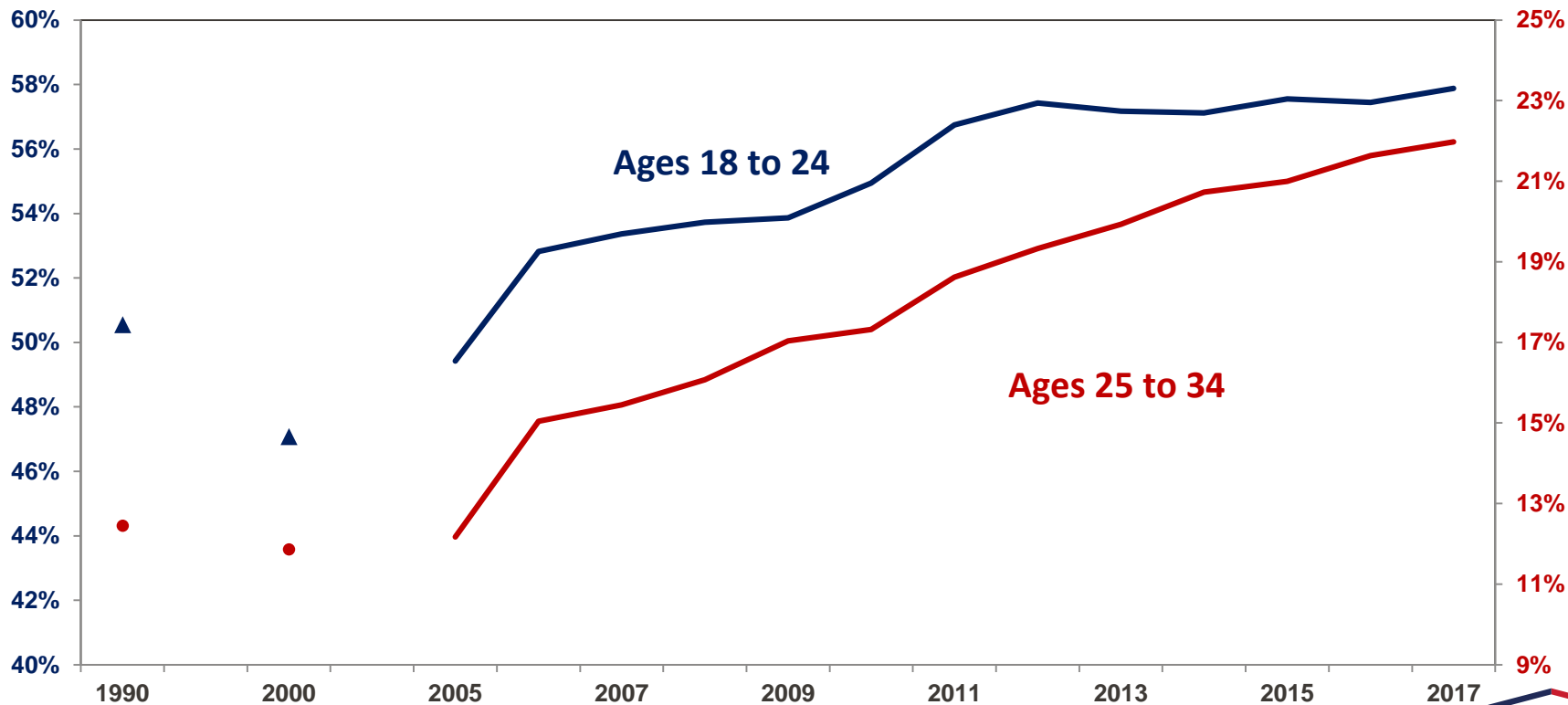
*The first time drop in 2019 Q1 after ten quarters of growth*



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

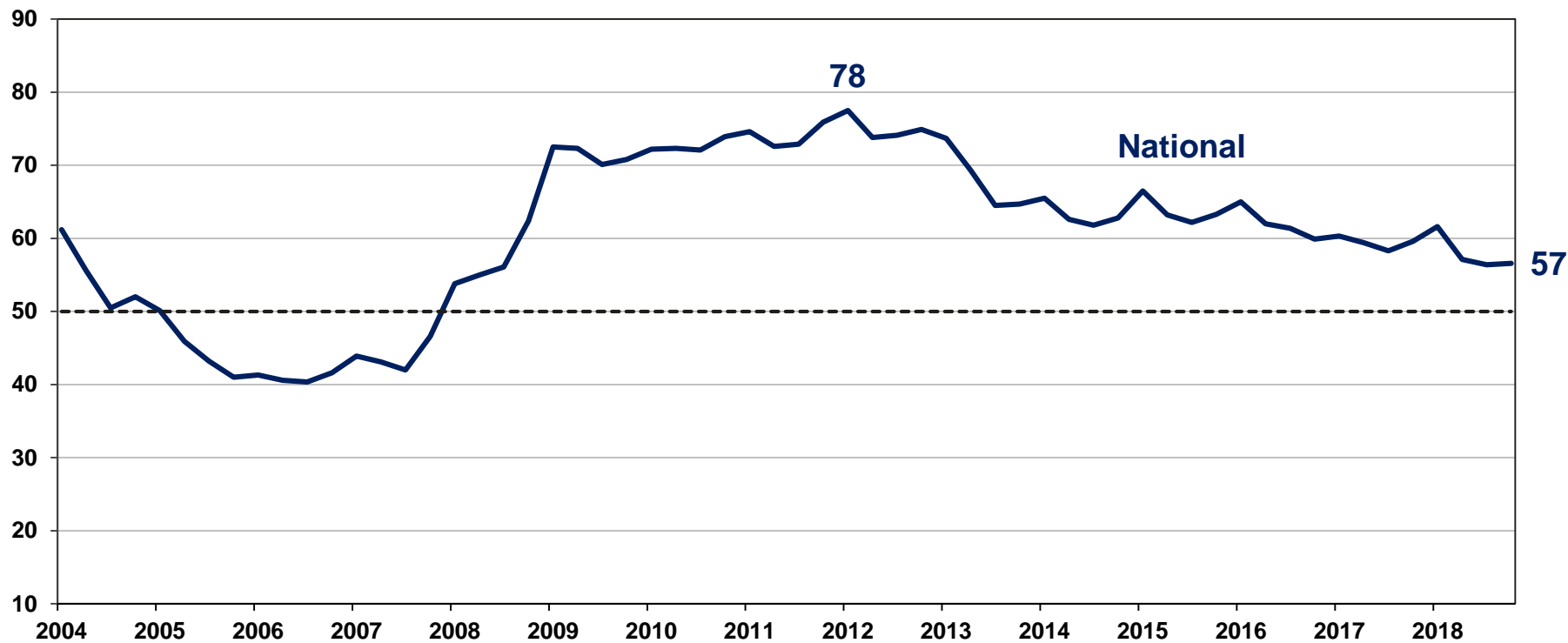
# Share of Young Adults Living with Parents

*Almost doubled*



Source: US Census 1990, 2000, PUMS, 2000-2017 ACS, PUMS, and NAHB Estimates

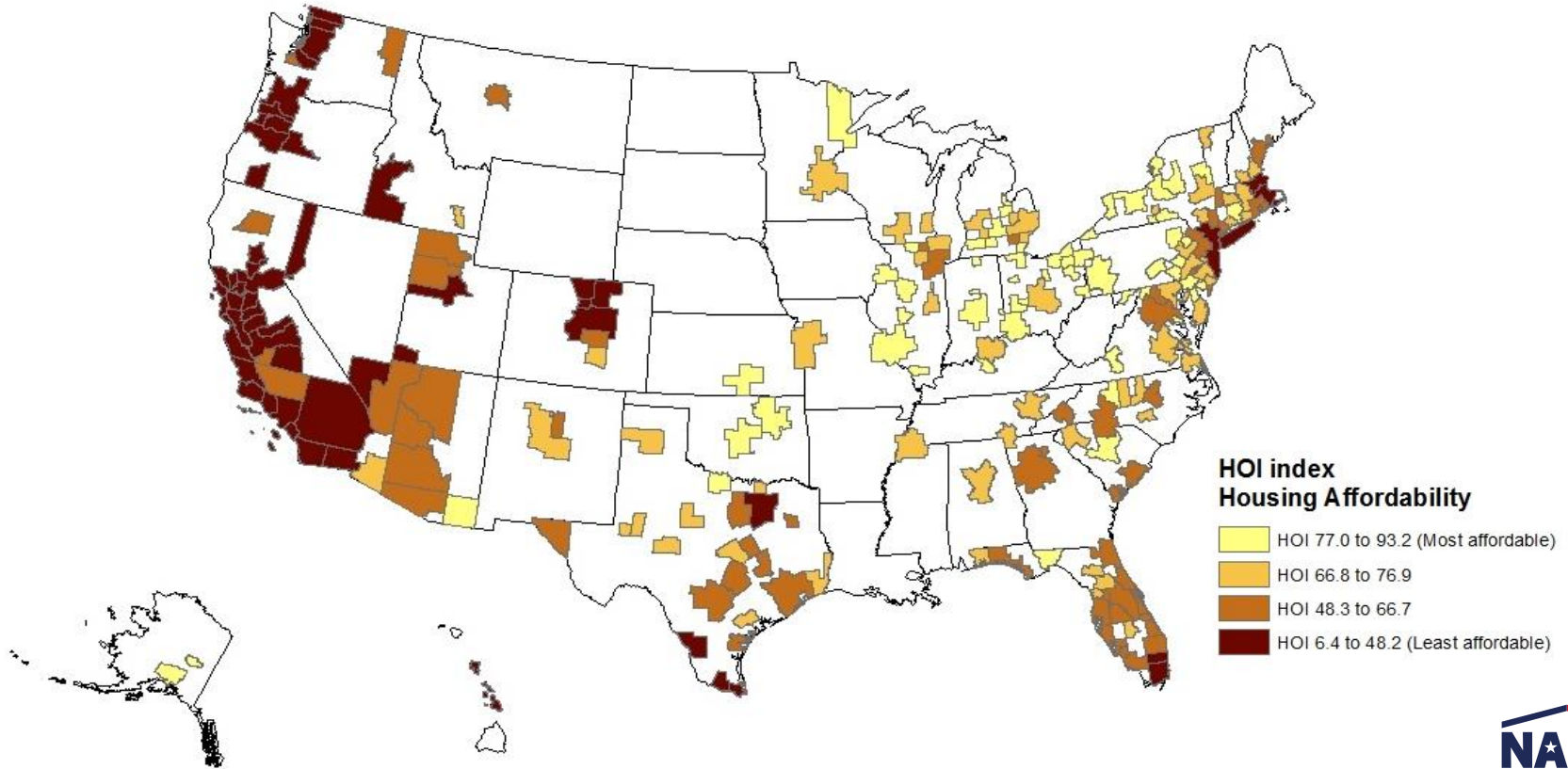
# Housing Affordability – NAHB/Wells Fargo HOI



Source: NAHB/Wells Fargo Housing Opportunity Index (HOI)

# The Geography of Housing Affordability-NAHB/Wells Fargo HOI

*Coastal markets least affordable*



Source: NAHB/Wells Fargo Housing Opportunity Index (HOI)



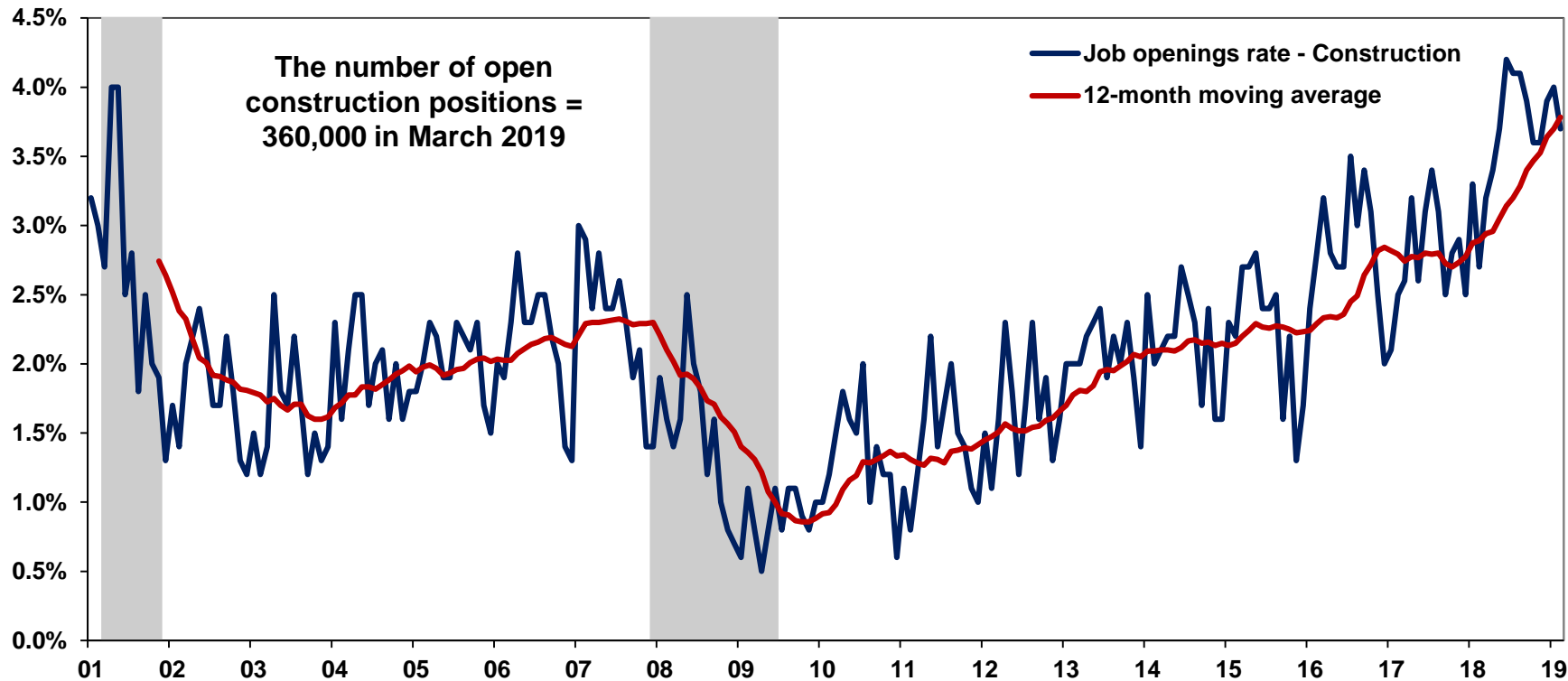
# Construction Outlook





# Labor - Construction

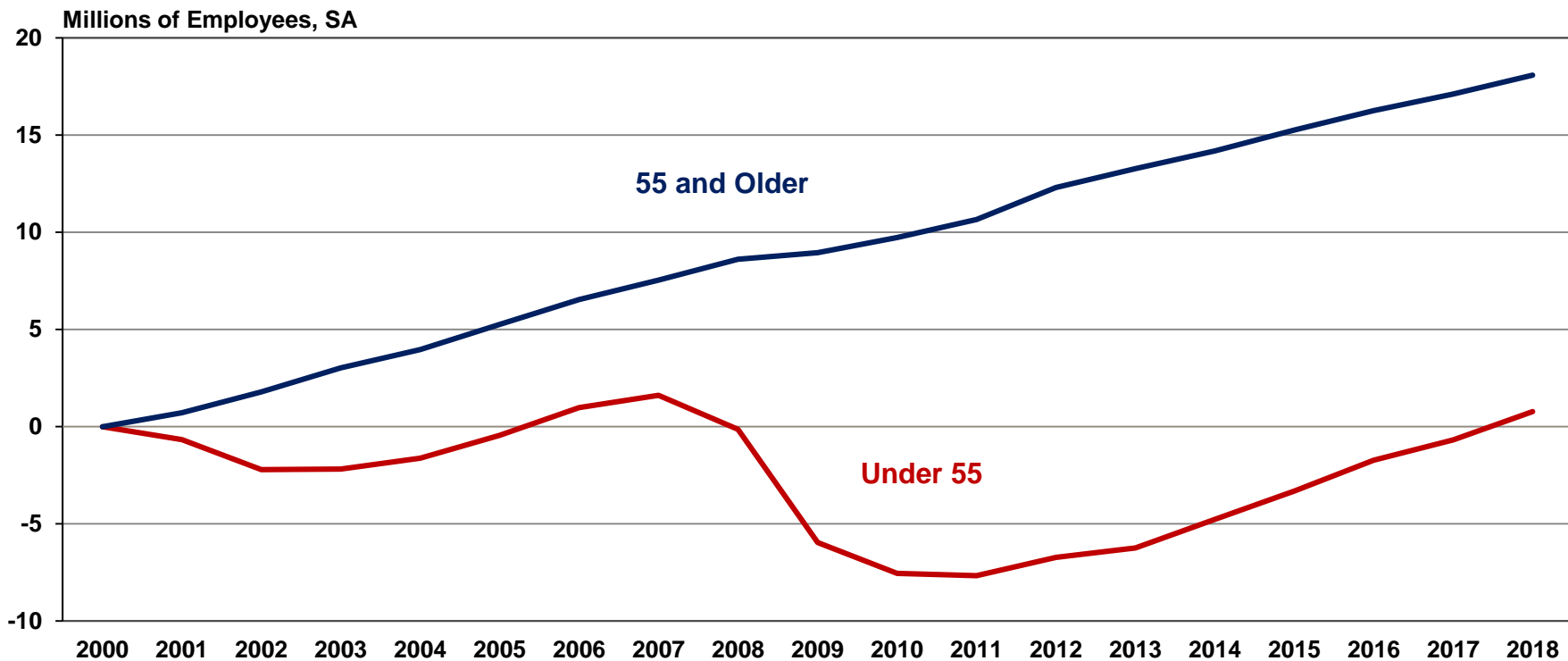
*Labor shortage continued through 2018*



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

# Cumulative Change in Employment by Age Group

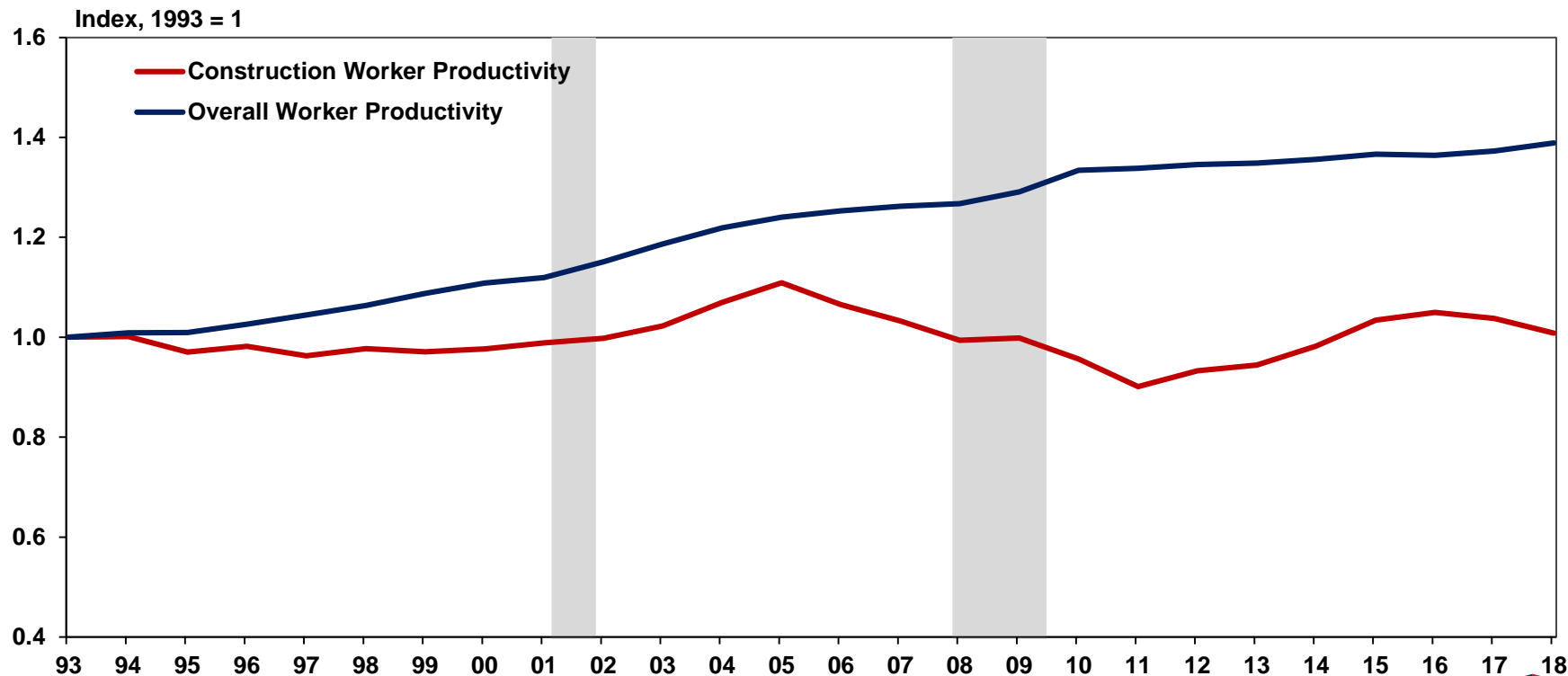
*Mind the Gen-X gap*



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

# Construction Sector Productivity

*Lagging overall economy*



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

# / Building Materials – Lumber Prices

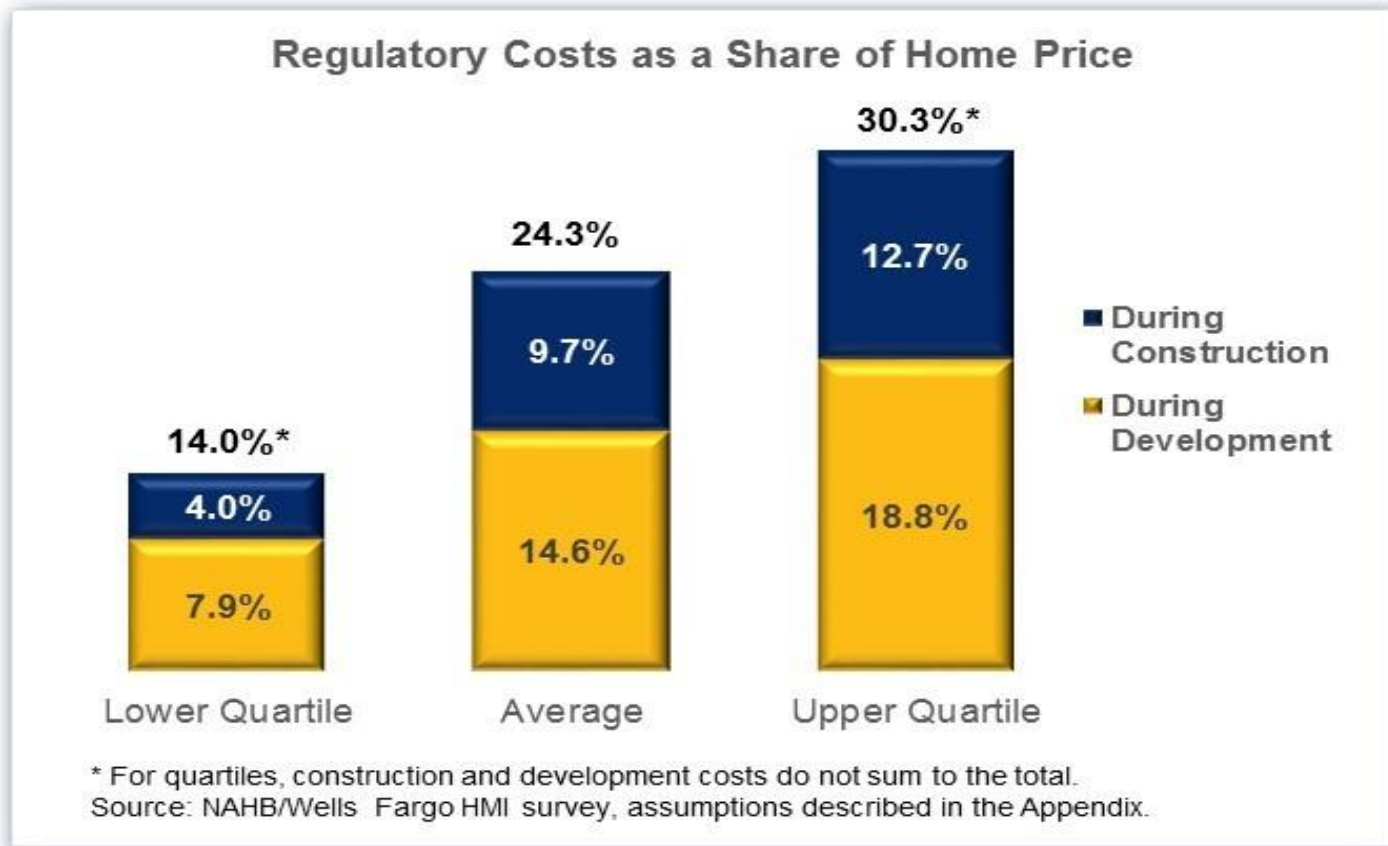
*Since January 2018, lumber prices decreased 19%; 63% at peak*



Source: NAHB Analysis; Random Lengths Composite Index

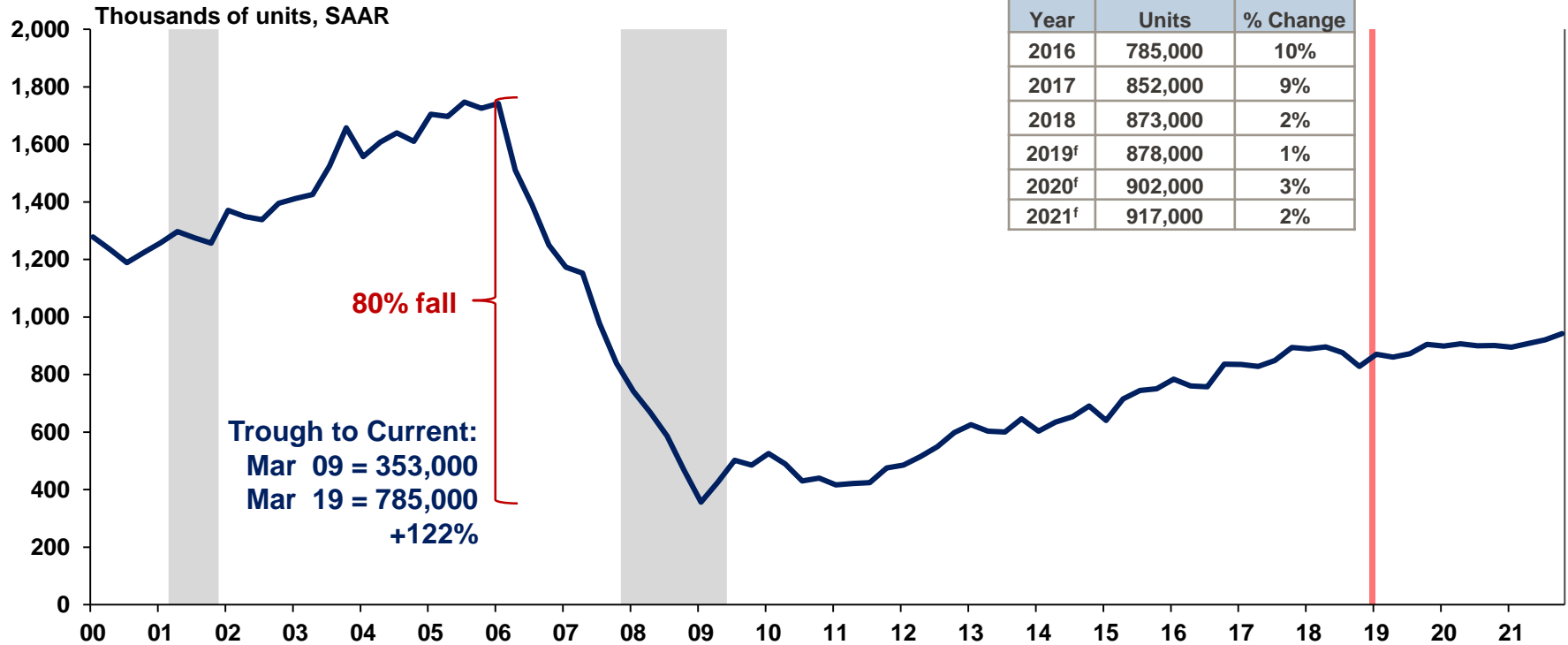
# / Regulatory Costs Rising – Up 29% Over 2011-2016

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



# Single-Family Starts

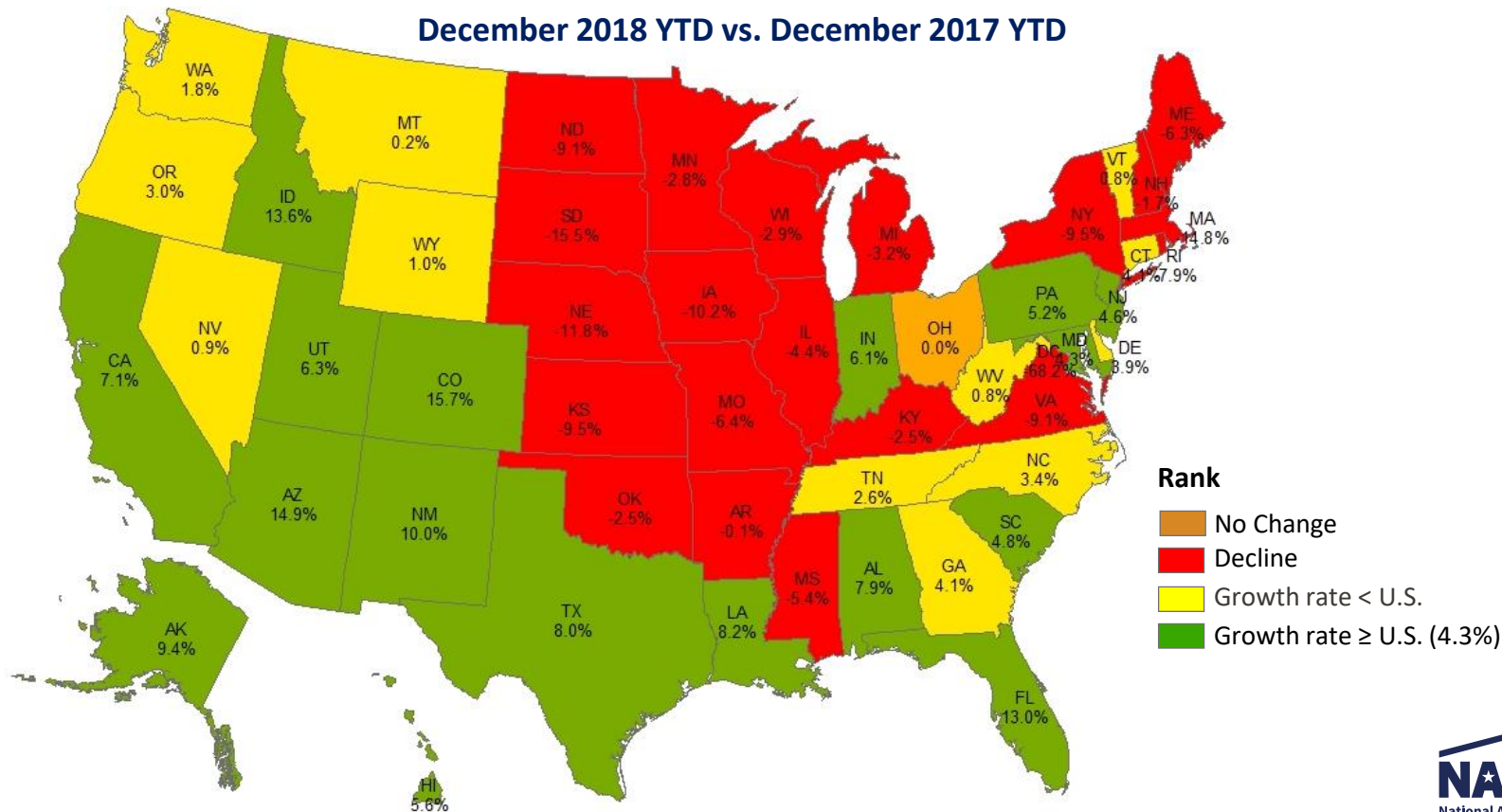
Limited growth as economy slows



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

# Growth in Single-Family Permits

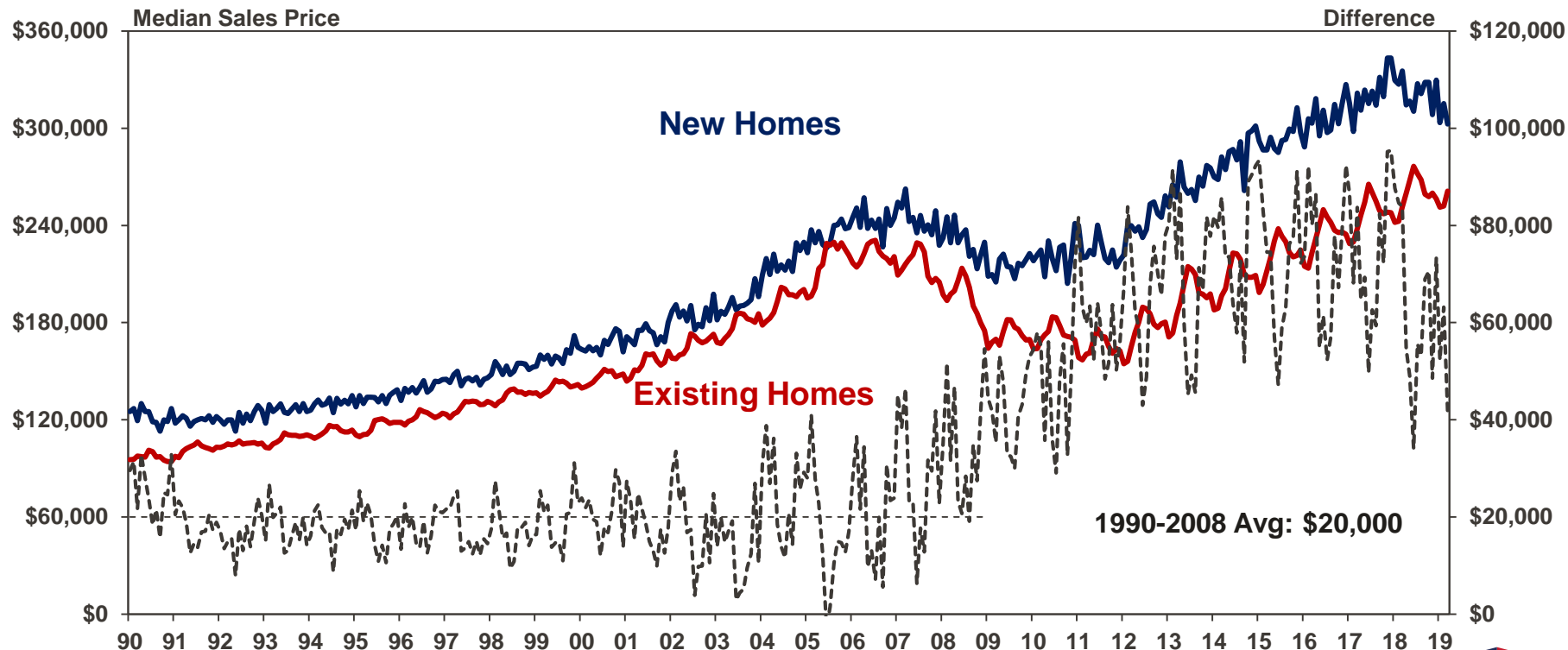
December 2018 YTD vs. December 2017 YTD



Source: U.S. Census Bureau (BOC)

# Home Prices of New and Existing Homes

*Gap narrowed as median new home sale prices fell*

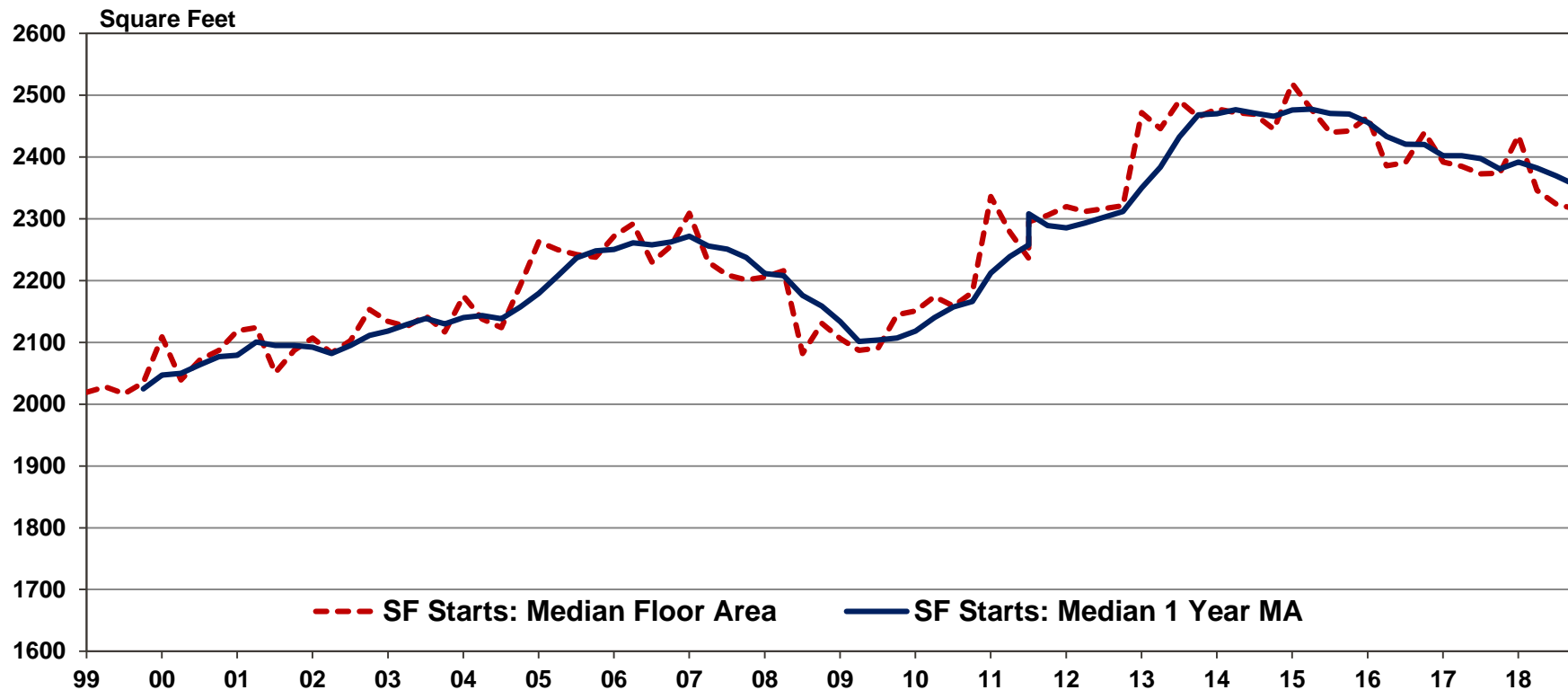


Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)



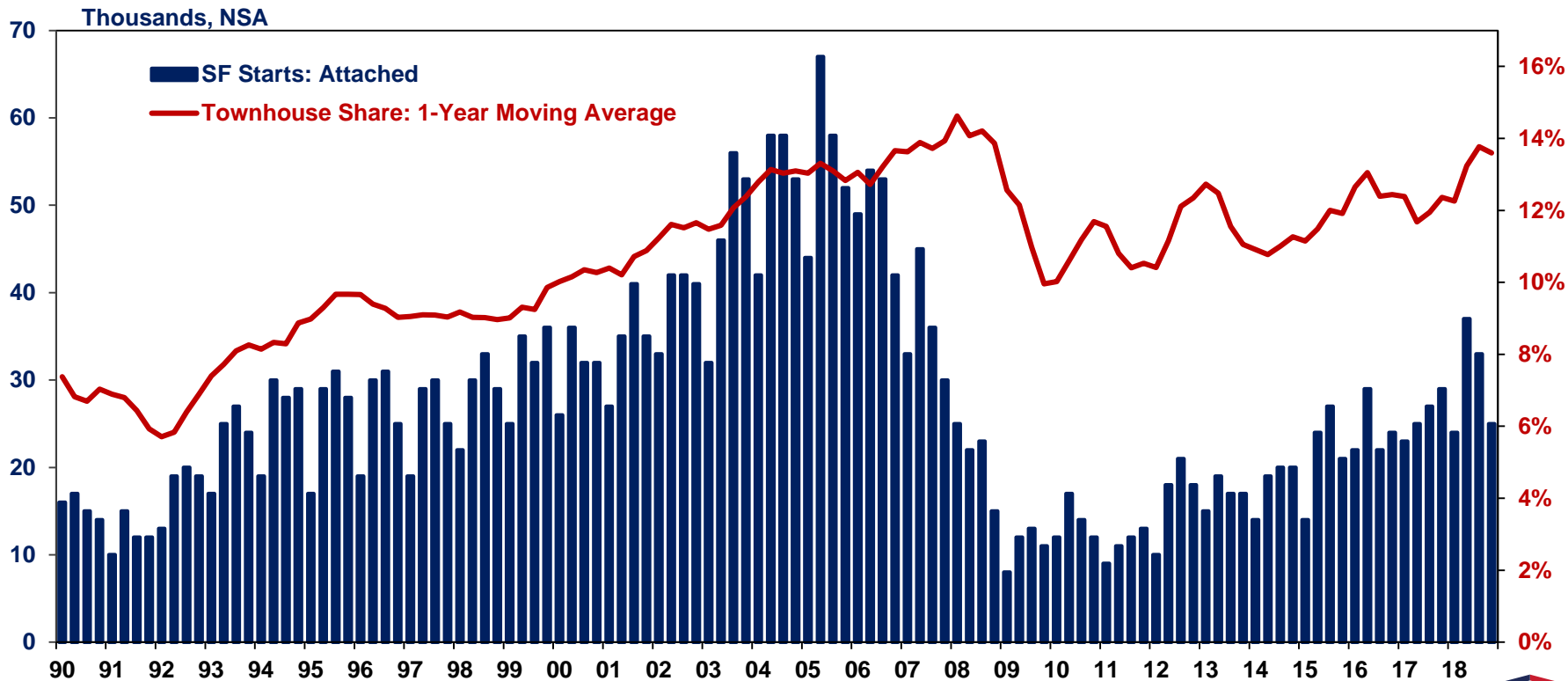
# Typical New Home Size

*Decline after market shift*



Source: U.S. Census Bureau (BOC)

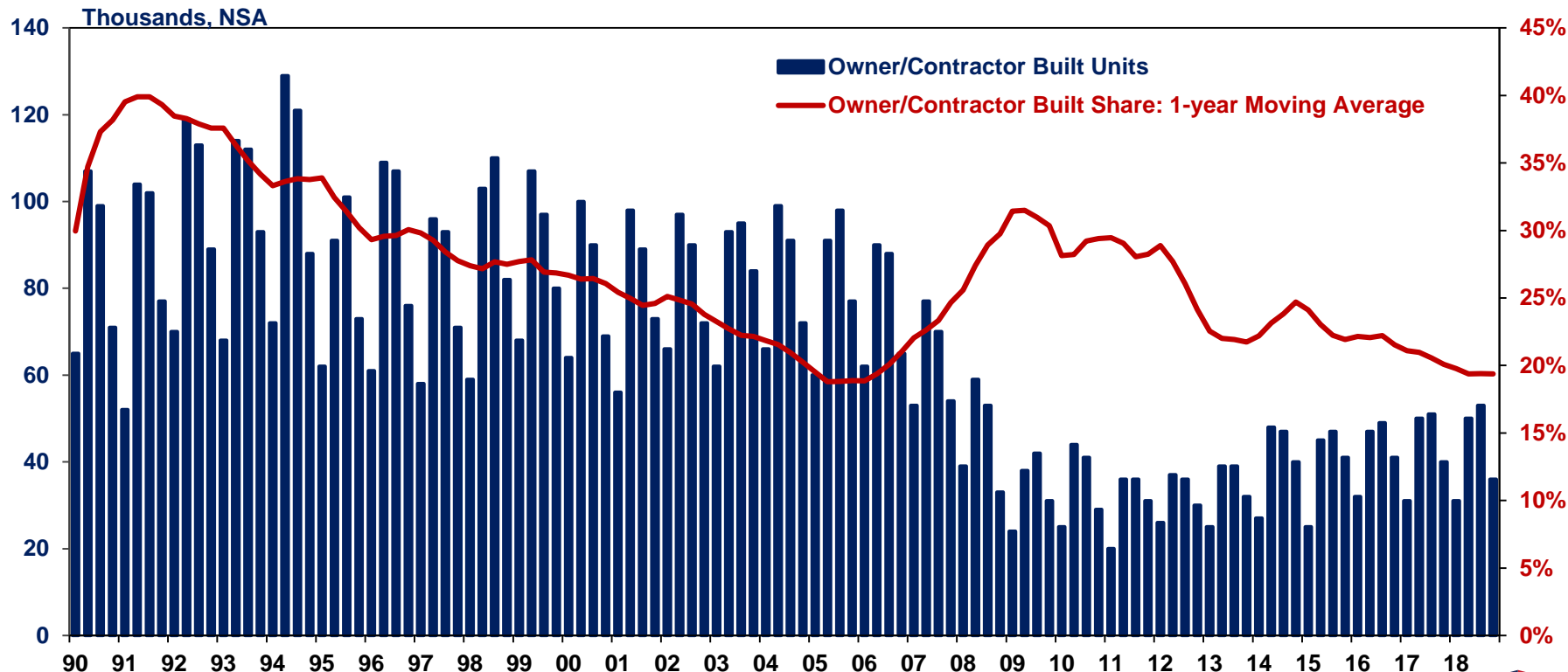
# Townhouse Market Expanding



Source: U.S. Census Bureau (BOC)

# Custom Home Building Market

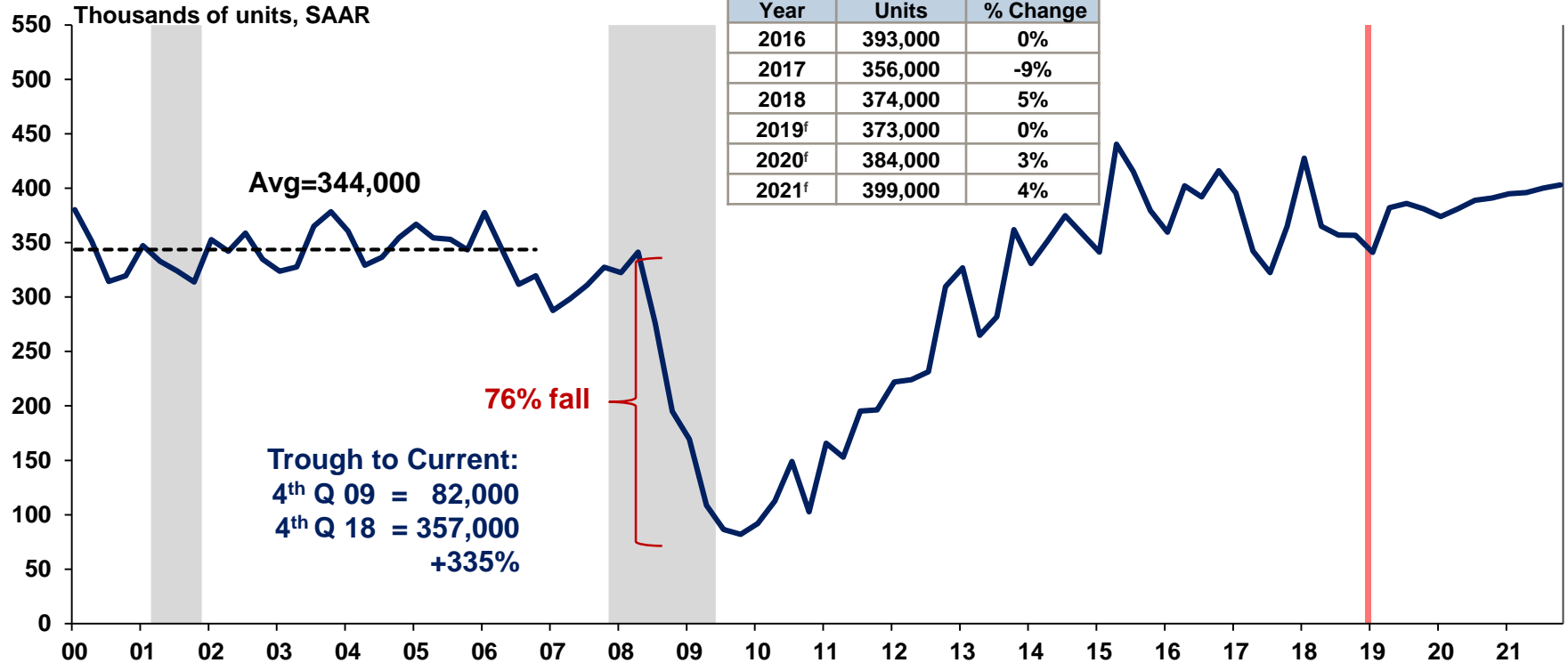
*Flat market conditions*



Source: U.S. Census Bureau (BOC)

# Multifamily Housing Starts

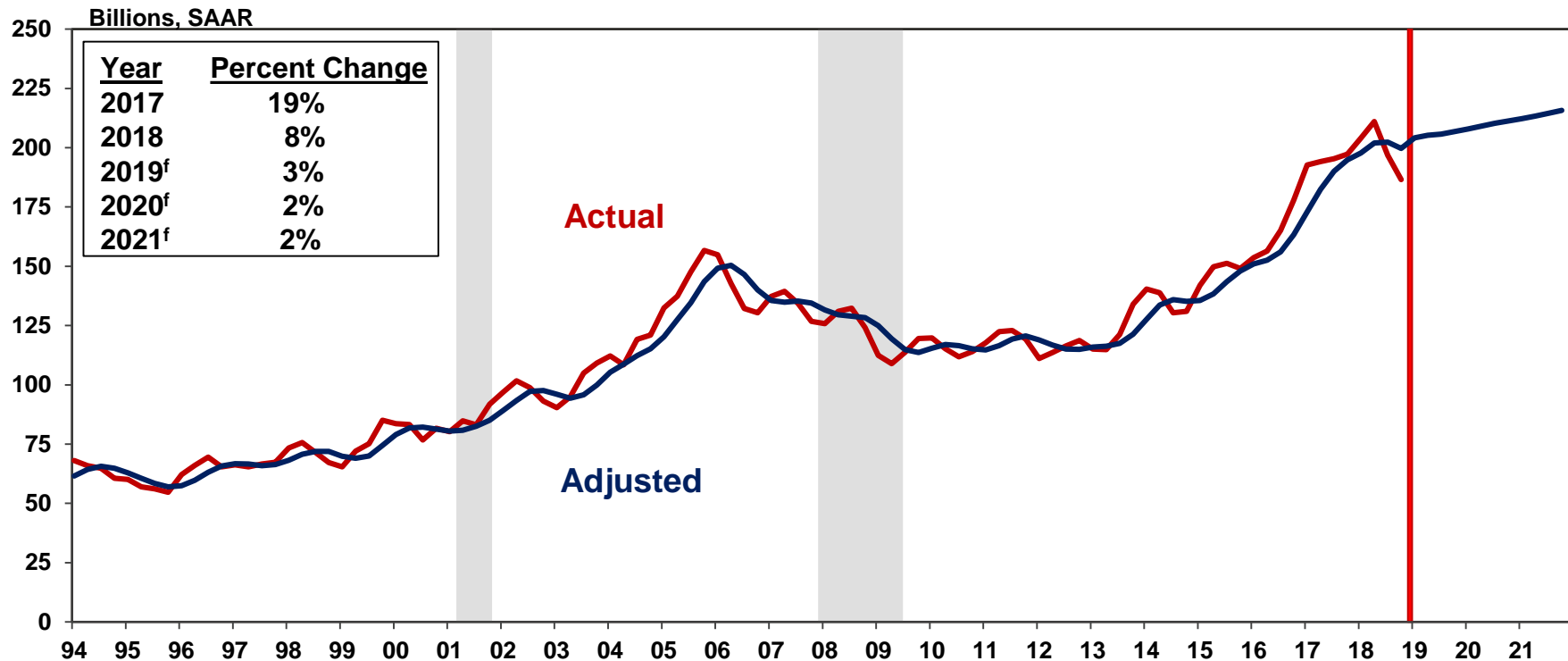
## Leveling off



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

# Residential Remodeling

*Growth ahead but softening*



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

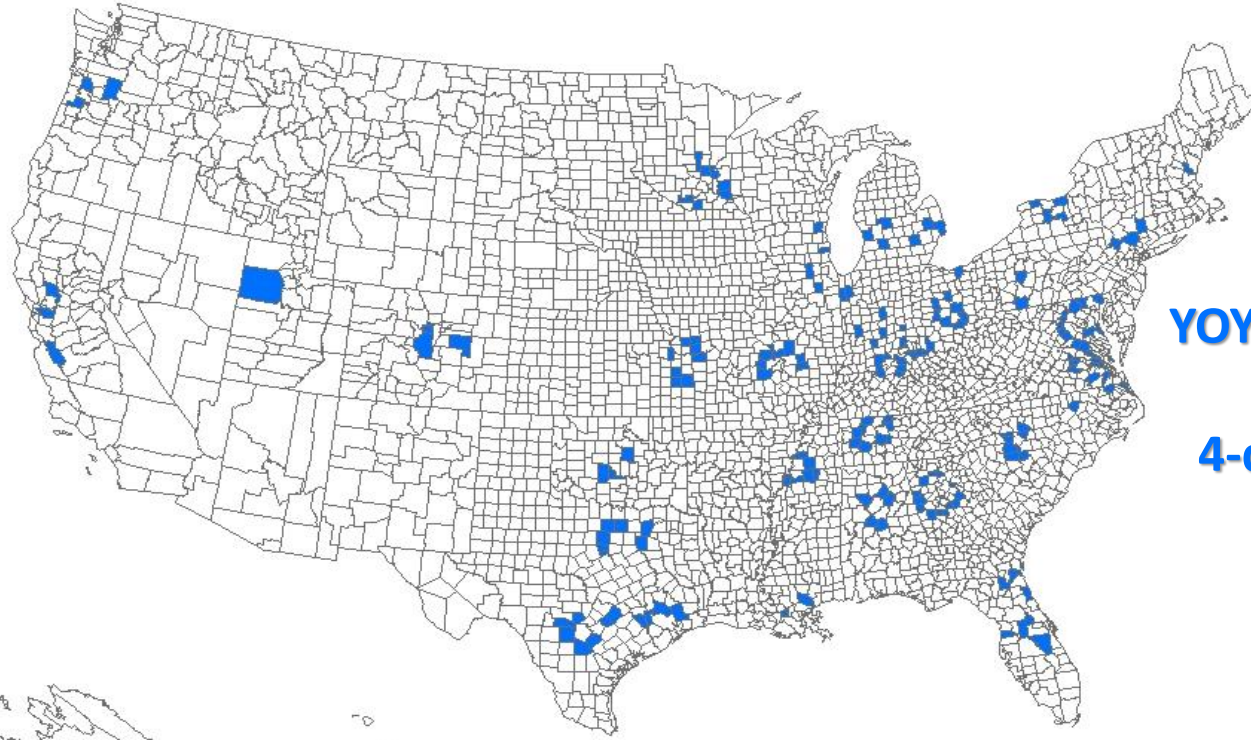


# Home Building Geography Index



# / New NAHB Home Building Geography Index

*9% of single-family construction takes place in Large Metro – Outlying County*



Q1 2019

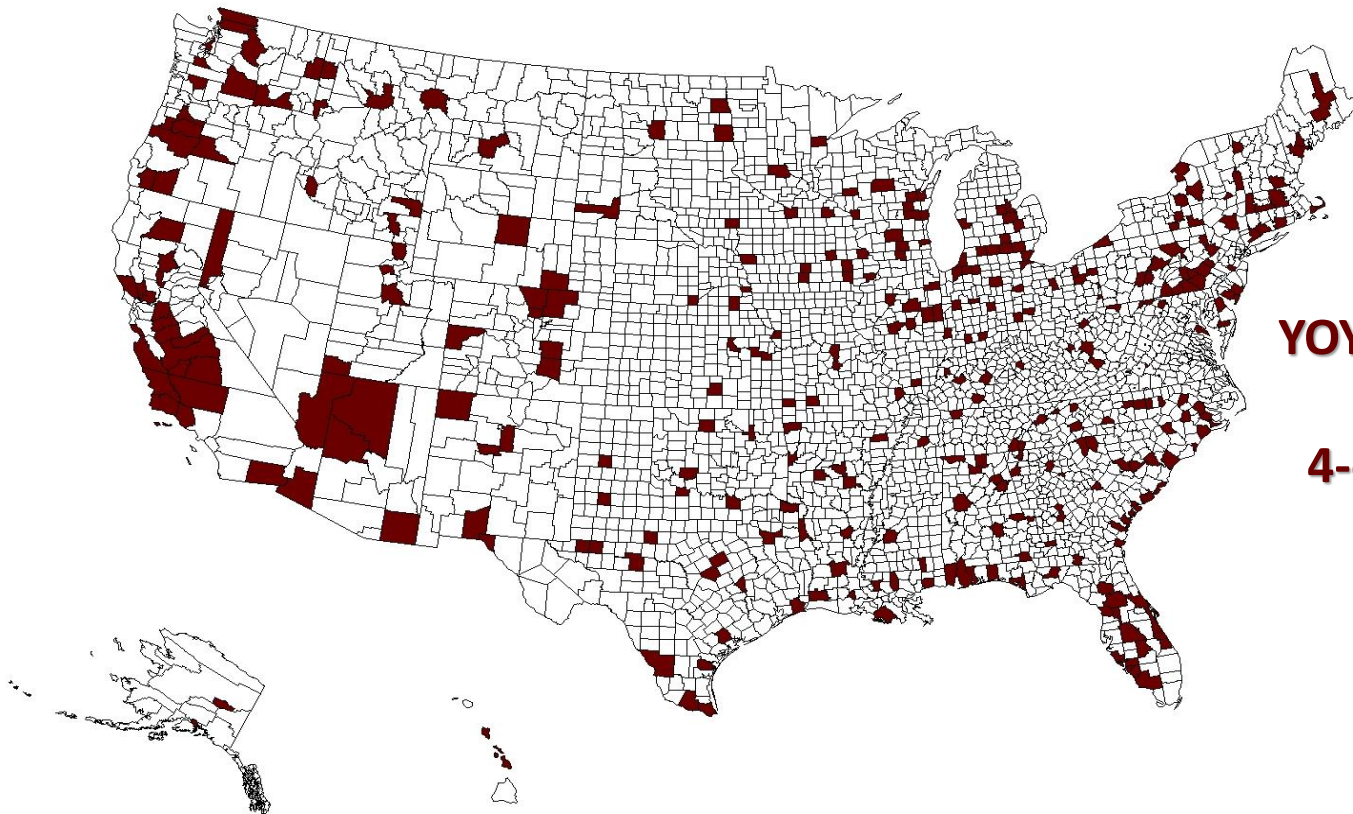
YOY growth rate:  
1.6%

4-quarter MA:  
5.6%

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

# New NAHB Home Building Geography Index

*29% of single-family construction takes place in **Smaller Metro – Core County***



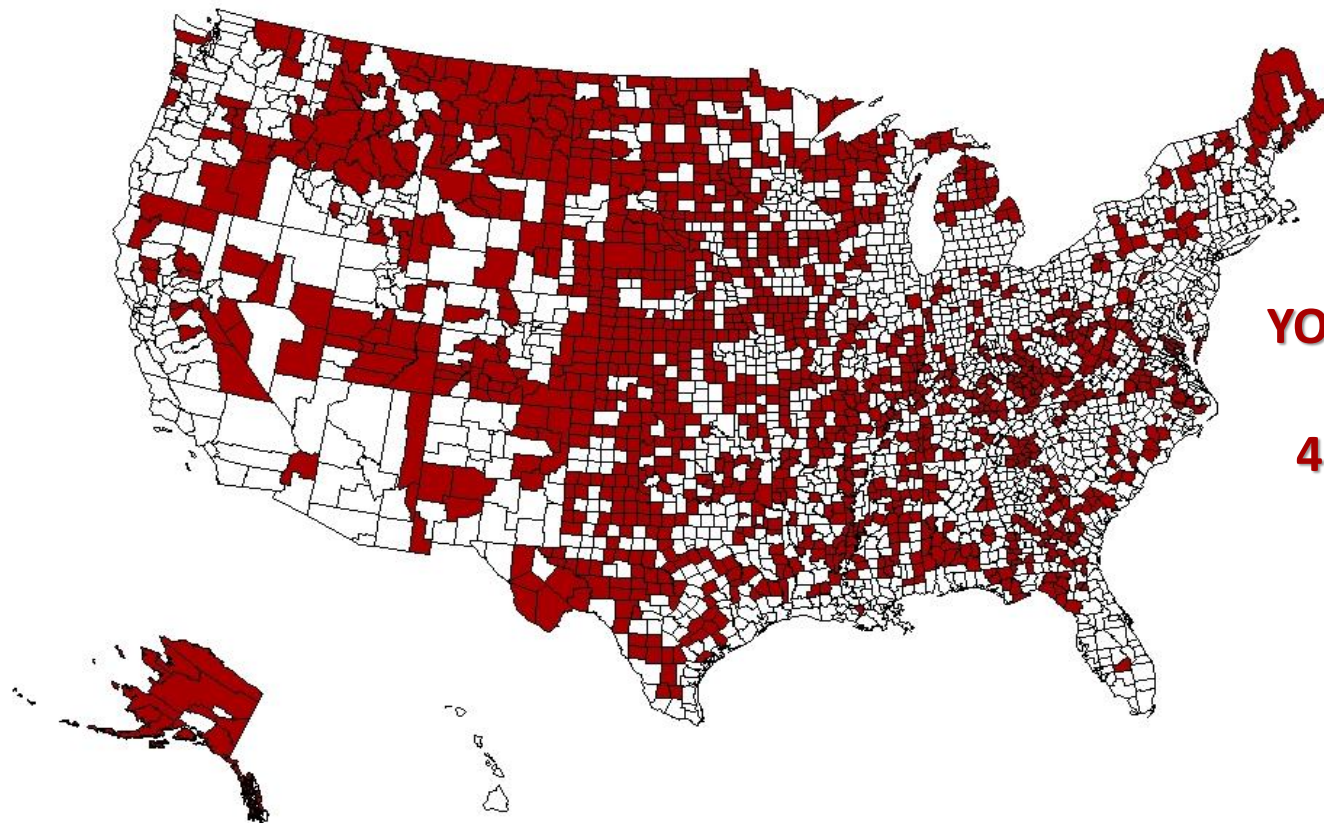
**Q1 2019**  
**YOY growth rate:**  
**-6.2%**  
**4-quarter MA:**  
**3.2%**

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



# / New NAHB Home Building Geography Index

*3% of single-family construction takes place in Non Metro/Micro County*



**Q1 2019**

**YOY growth rate:**

**-3.9%**

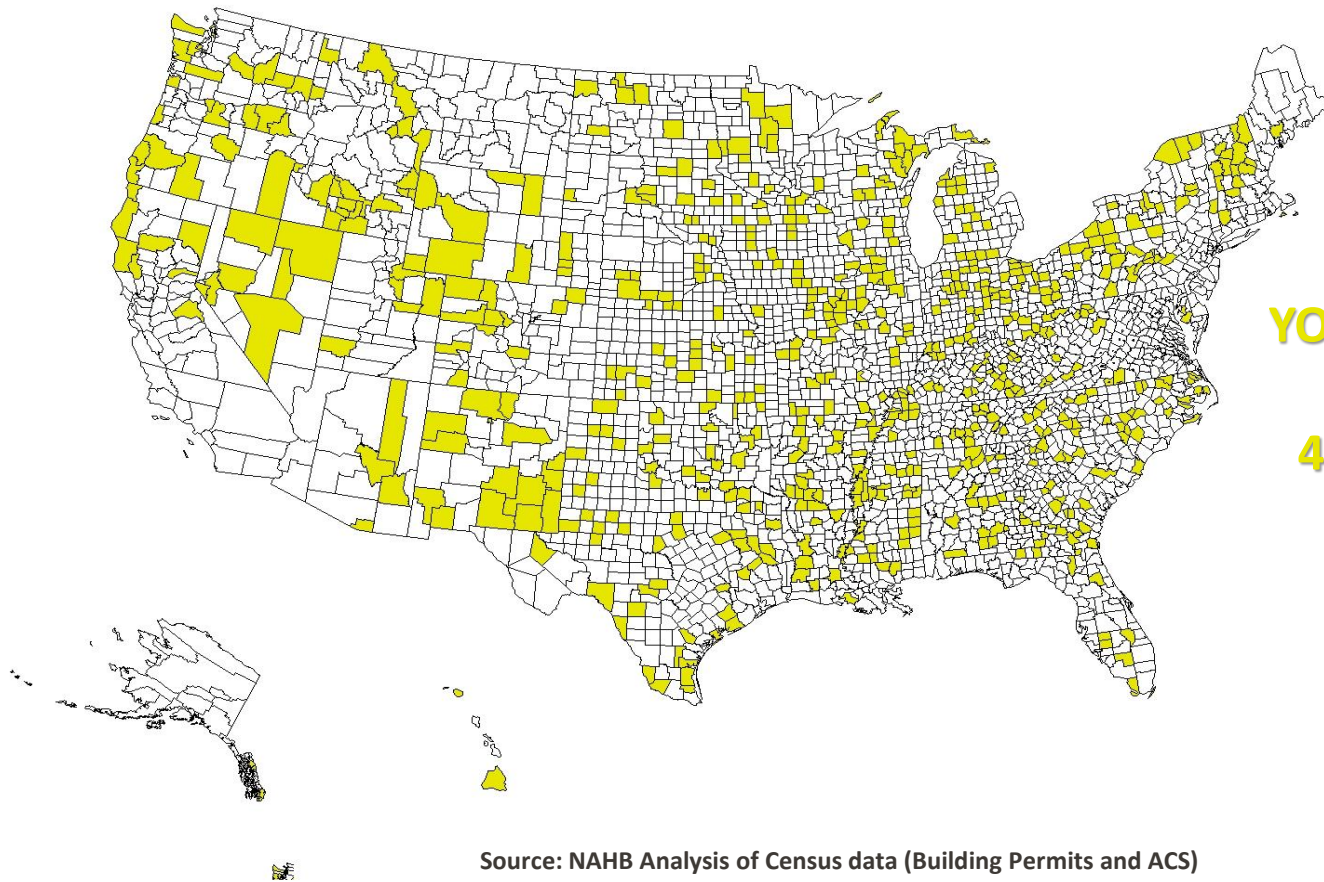
**4-quarter MA:**

**3.0%**

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

# New NAHB Home Building Geography Index

6% of single-family construction takes place in **Micro County**

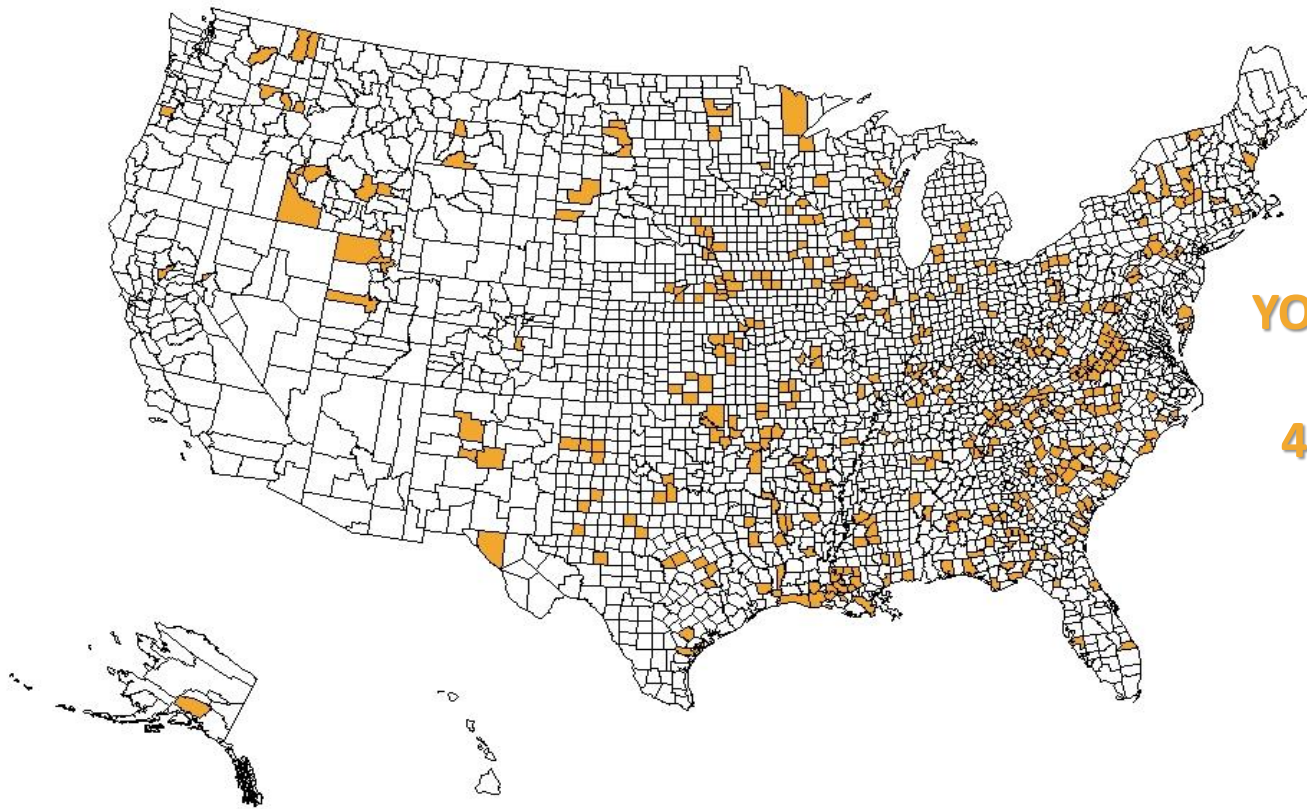


Q1 2019  
YOY growth rate:  
-11.4%  
4-quarter MA:  
0.5%

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

# New NAHB Home Building Geography Index

8% of single-family construction takes place in **Smaller Metro – Outlying County**



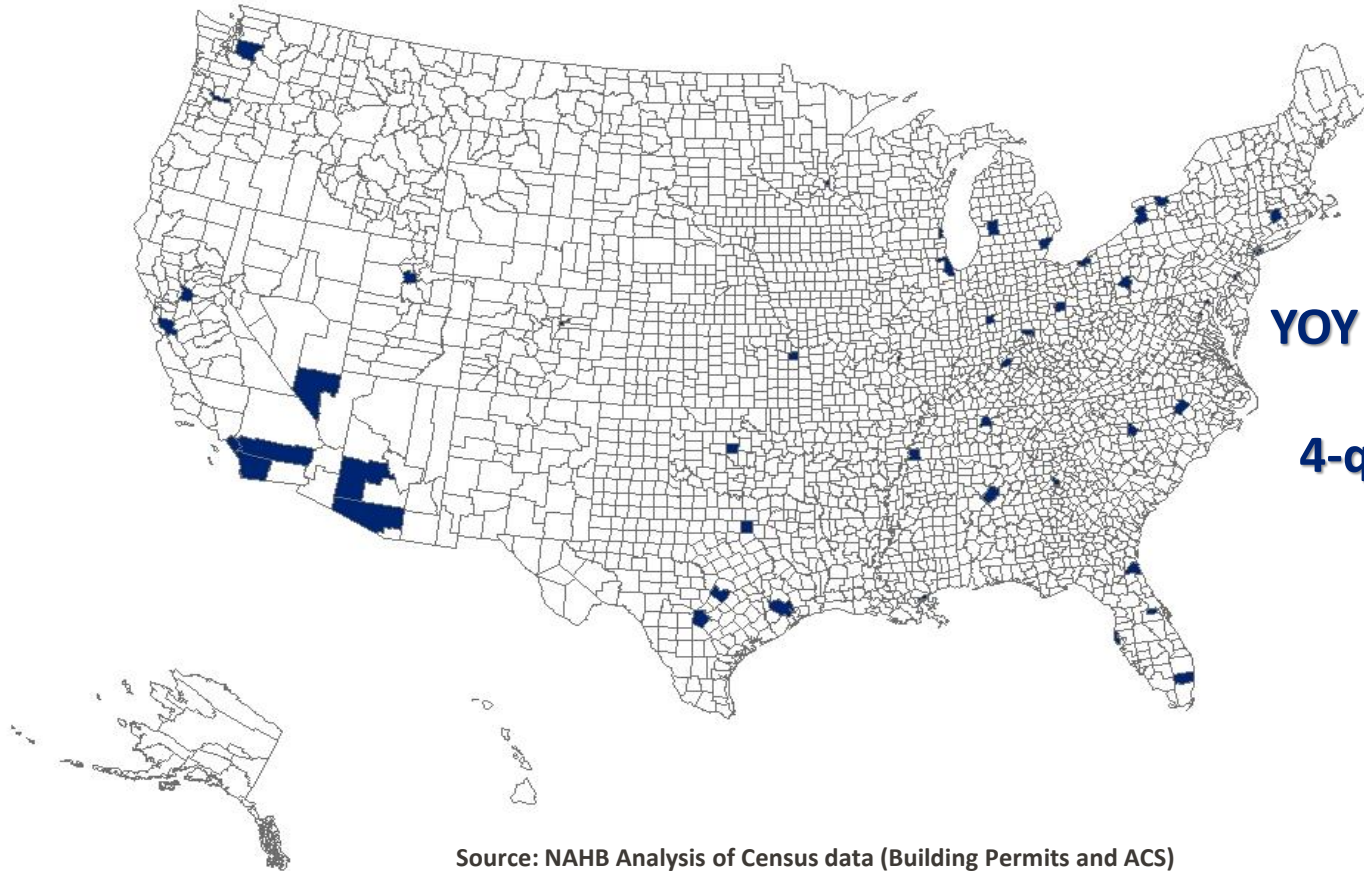
**Q1 2019**  
**YOY growth rate:**  
**-4.8%**  
**4-quarter MA:**  
**0.0%**

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



# / New NAHB Home Building Geography Index

*18% of single-family construction takes place in Large Metro – Core County*

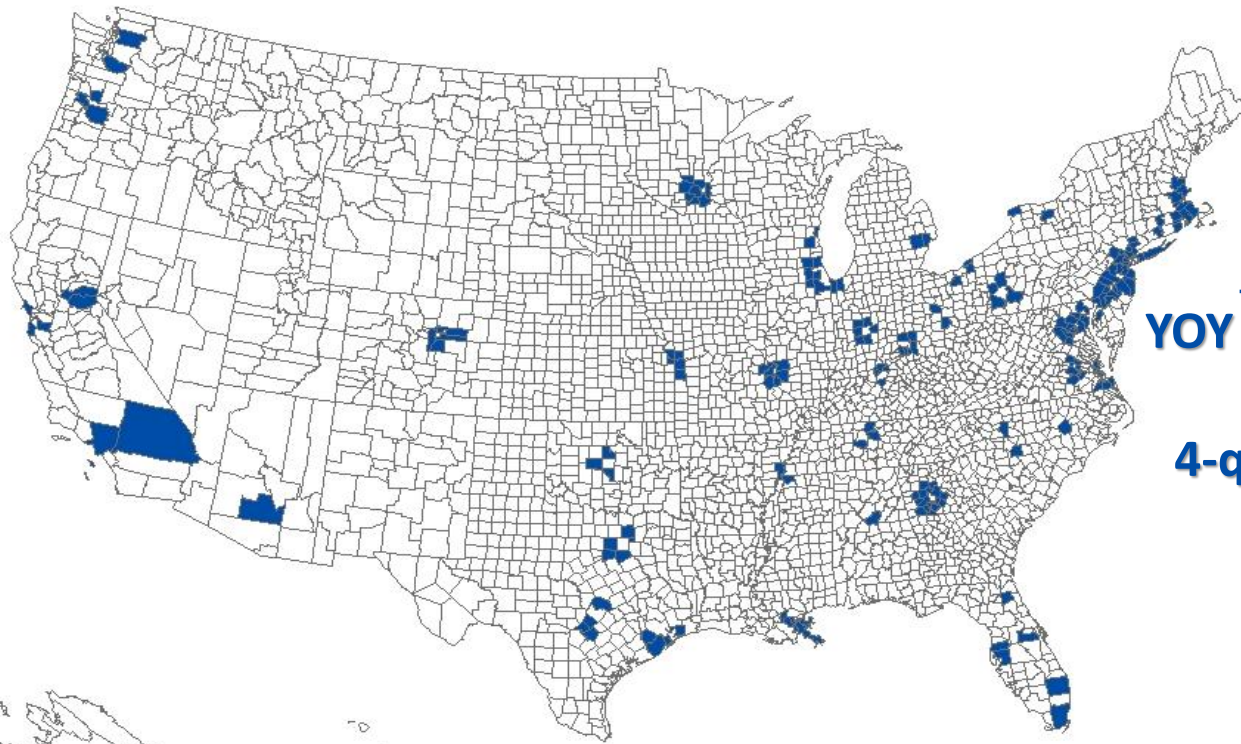


**Q1 2019**  
**YOY growth rate:**  
**-8.0%**  
**4-quarter MA:**  
**0.0%**

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

# / New NAHB Home Building Geography Index

*27% of single-family construction takes place in Large Metro – Suburban County*



**Q1 2019**

**YOY growth rate:**

**-9.7%**

**4-quarter MA:**

**-0.7%**

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

# New NAHB Home Building Geography Index (HBGI)

|                                 | Multifamily    |                 |                |
|---------------------------------|----------------|-----------------|----------------|
|                                 | Market Share   | YOY Growth Rate |                |
|                                 | (4-Quarter MA) | (Q1 2019)       | (4-Quarter MA) |
| Large Metro - Core County       | 40%            | 3.2%            | -1.2%          |
| Large Metro - Suburban County   | 26%            | -8.8%           | -4.4%          |
| Large Metro - Outlying County   | 4%             | -5.8%           | 40.1%          |
| Smaller Metro - Core County     | 21%            | 3.5%            | -0.2%          |
| Smaller Metro - Outlying County | 3%             | -1.5%           | 37.9%          |
| Micro County                    | 4%             | -14.8%          | 28.9%          |
| Non Metro/Micro County          | 2%             | 1.5%            | 70.6%          |

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

# Thank you

*Questions?*

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