

Inflation and Interest Rates Rising

Housing Affordability Risks Increasing

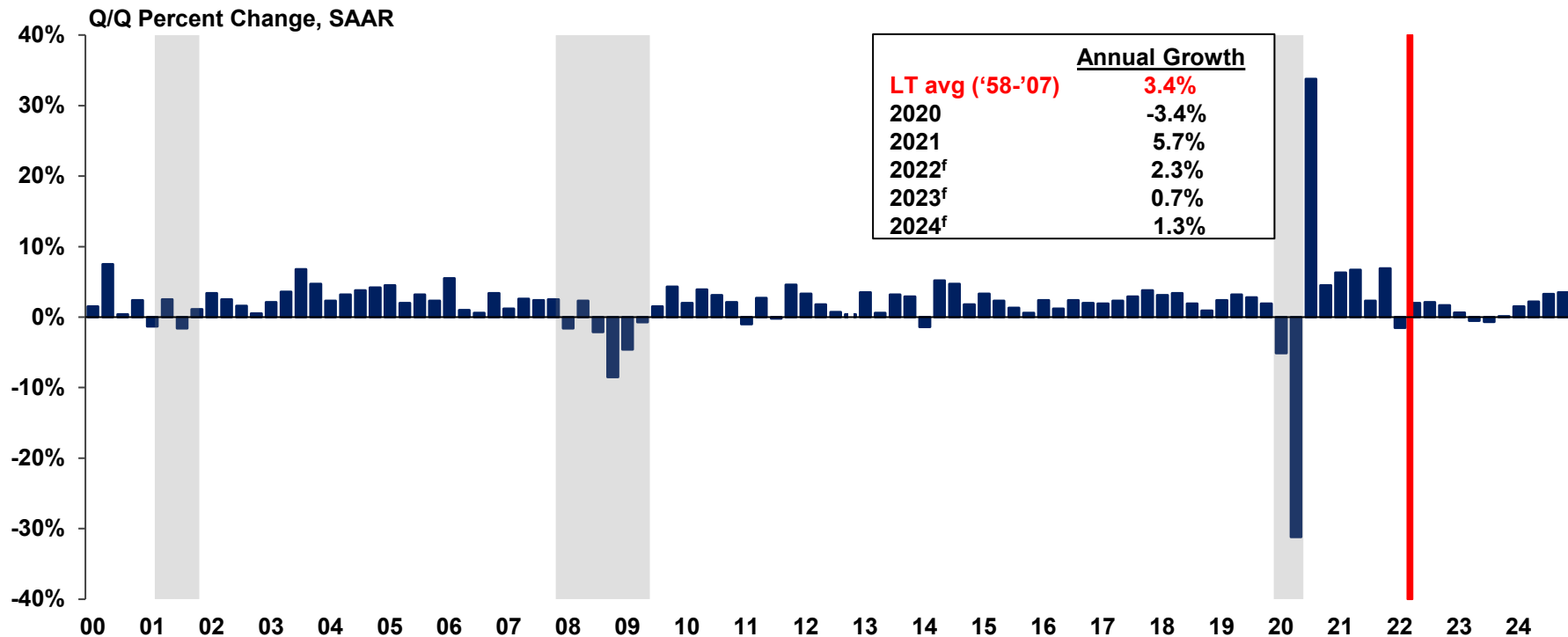
Community Affordable Housing Equity Corporation
June 9, 2022

Danushka Nanayakkara,
NAHB AVP, Forecasting and Analysis



GDP Growth – Recession Risks Rising

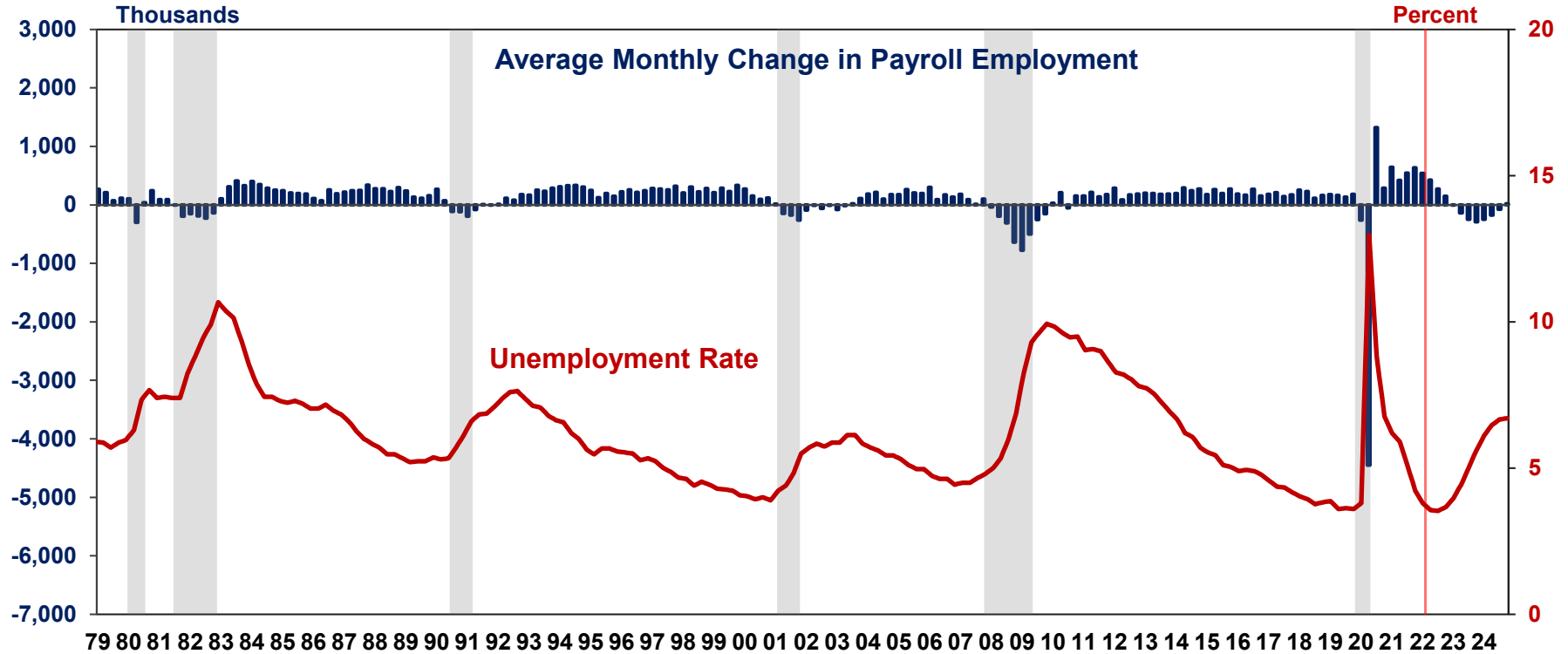
Weak first quarter of 2022 as Fed tightens credit conditions



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

Unemployment Bottoming Out and Will Rise

Job growth slowing as we head to 2023

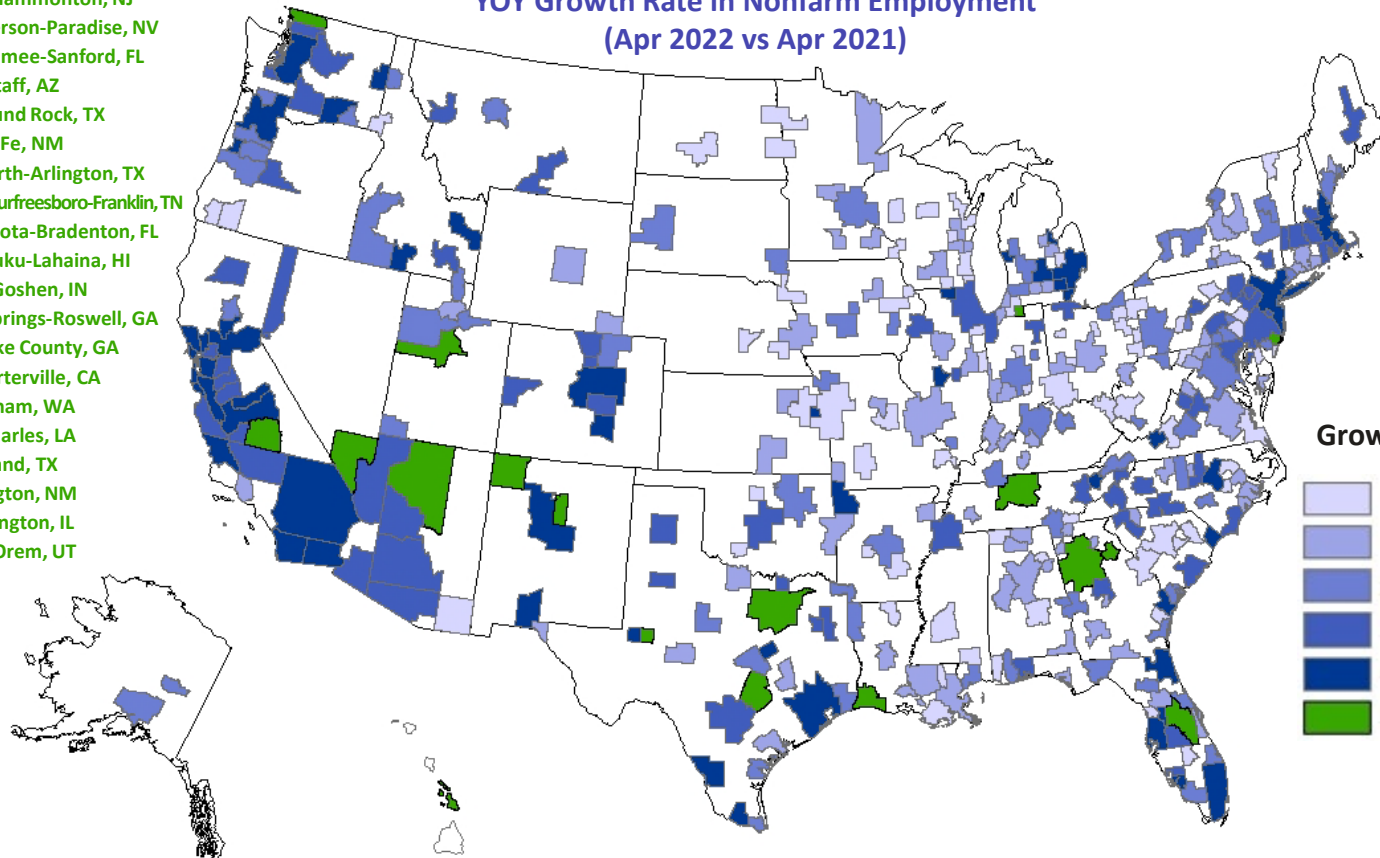




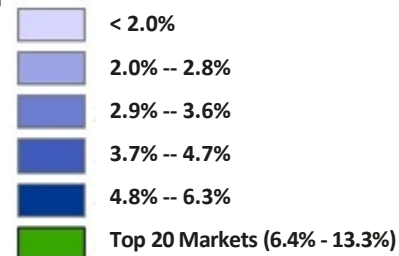
Top 20 Markets for Employment Growth

YOY Growth Rate in Nonfarm Employment
(Apr 2022 vs Apr 2021)

Atlantic City-Hamilton, NJ
Las Vegas-Henderson-Paradise, NV
Orlando-Kissimmee-Sanford, FL
Flagstaff, AZ
Austin-Round Rock, TX
Santa Fe, NM
Dallas-Fort Worth-Arlington, TX
Nashville-Davidson-Murfreesboro-Franklin, TN
North Port-Sarasota-Bradenton, FL
Kahului-Wailuku-Lahaina, HI
Elkhart-Goshen, IN
Atlanta-Sandy Springs-Roswell, GA
Athens-Clarke County, GA
Visalia-Porterville, CA
Bellingham, WA
Lake Charles, LA
Midland, TX
Farmington, NM
Bloomington, IL
Provo-Orem, UT



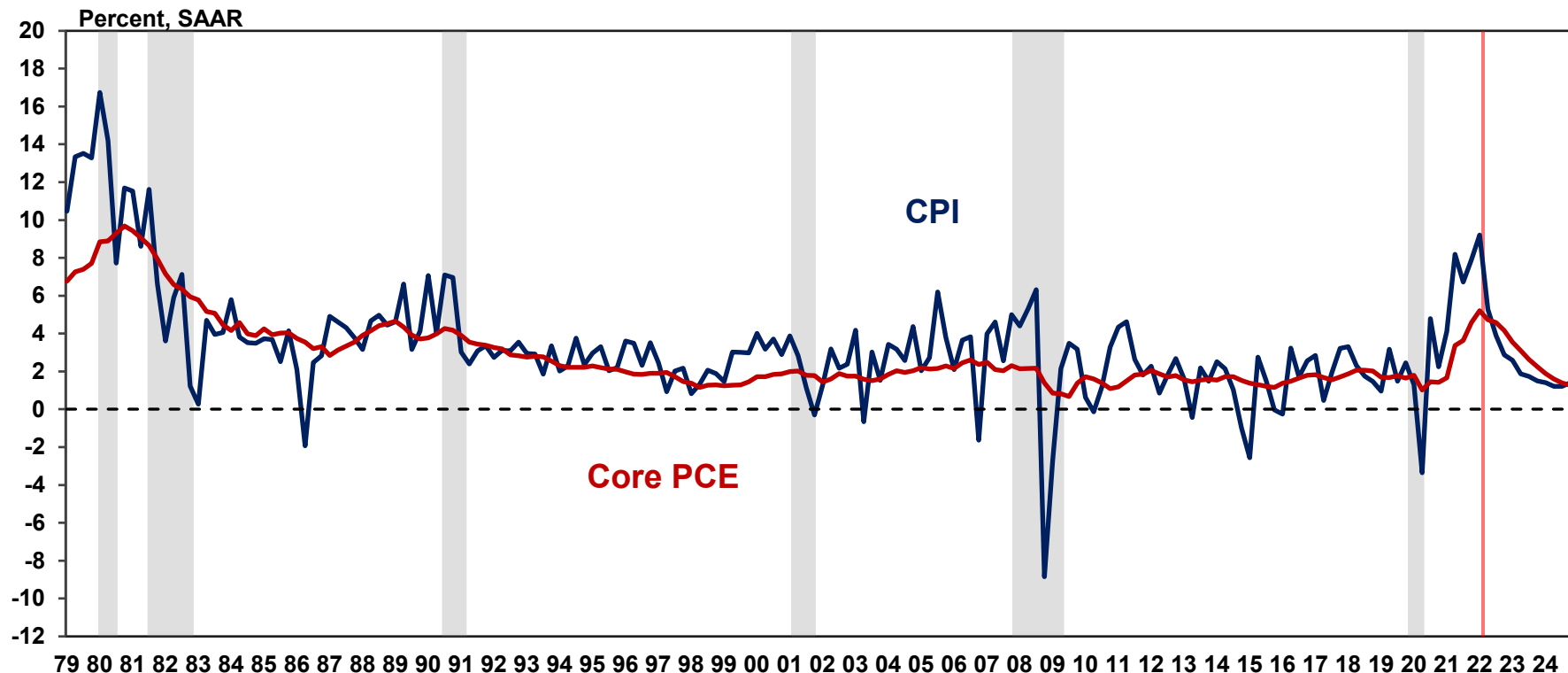
Growth Rate by Quintile



Source: U.S. Census Bureau (BOC)

Long-Term Consumer and Core Inflation

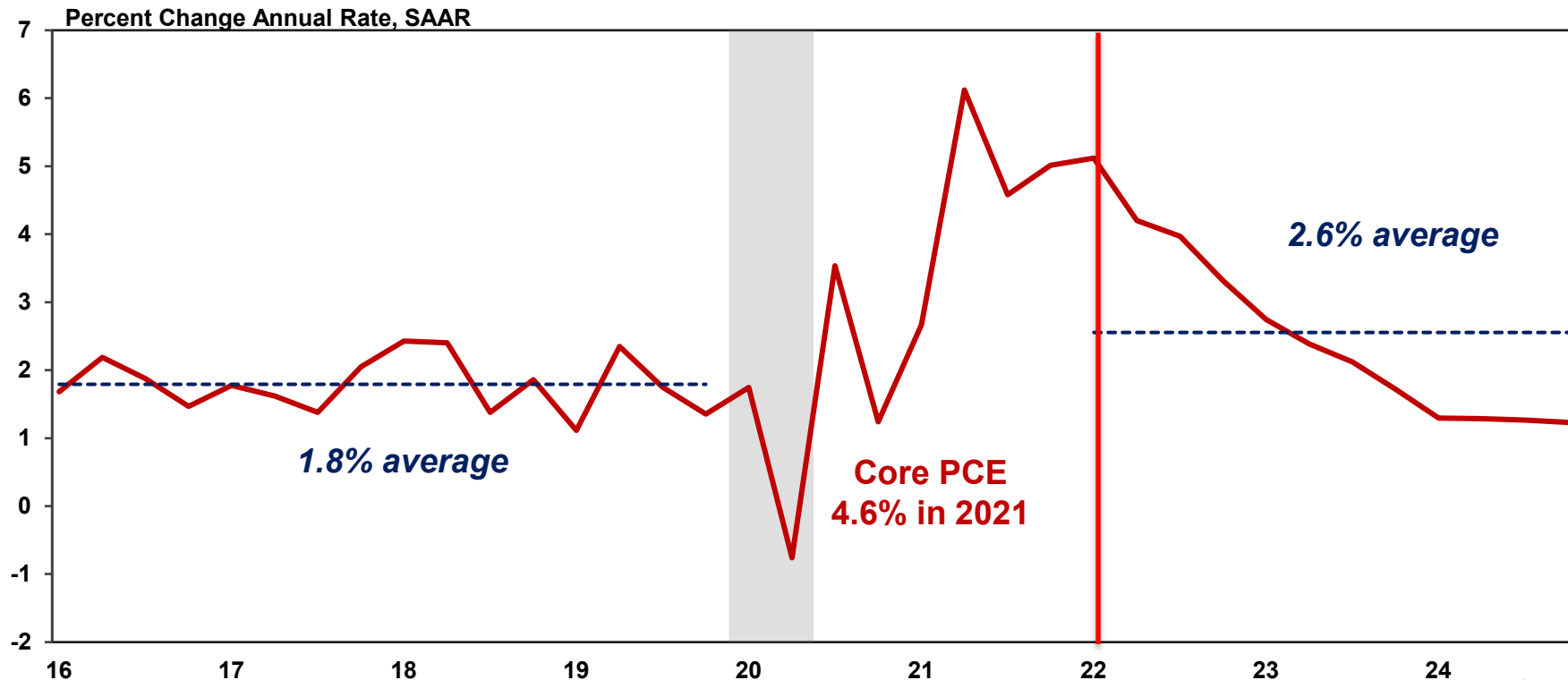
Inflationary pressure linked to supply-chain issues, some of which will unwind and ease



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA) and NAHB forecast

Core Inflation

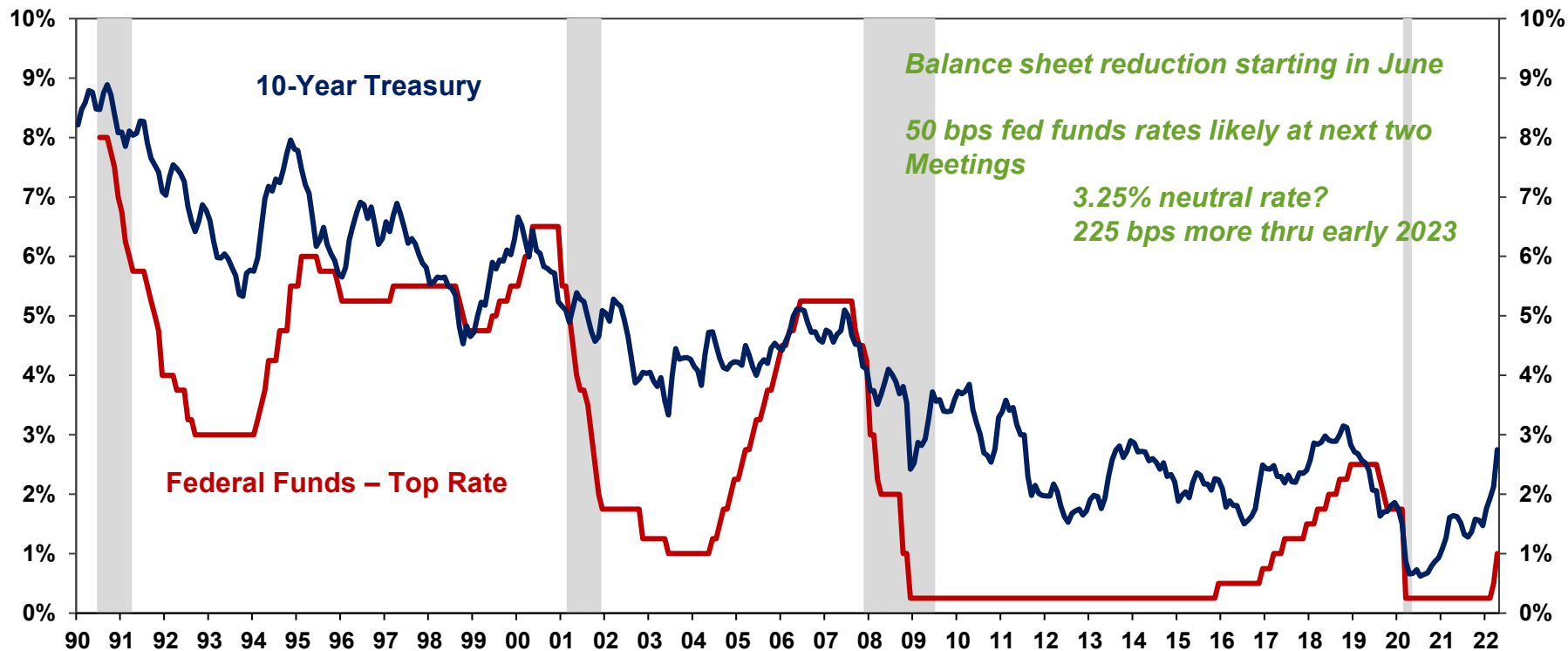
Inflation slowed from 40-year high in April



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

Monetary Policy Tightening in Response to Inflation

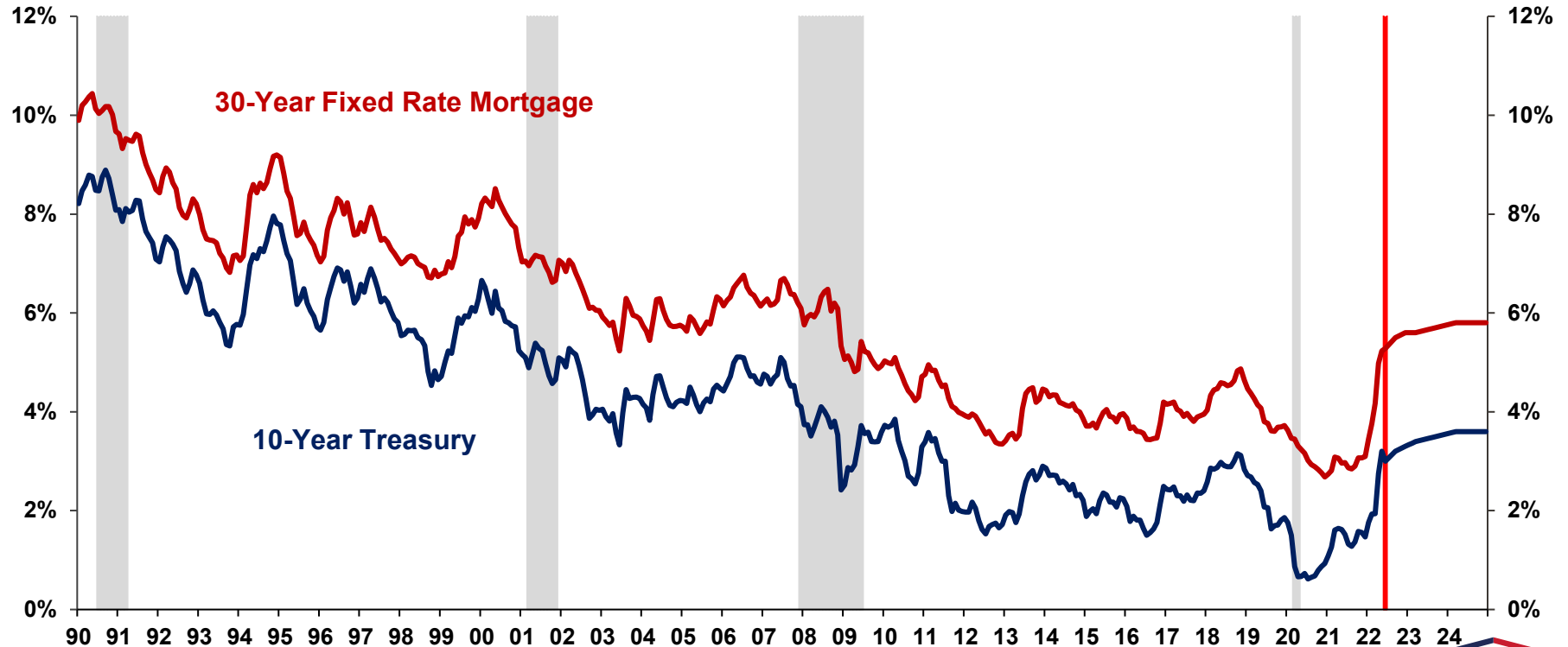
Rising federal funds rate in 2022



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

Interest Rates Trending Higher

Federal Reserve is tightening monetary policy



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

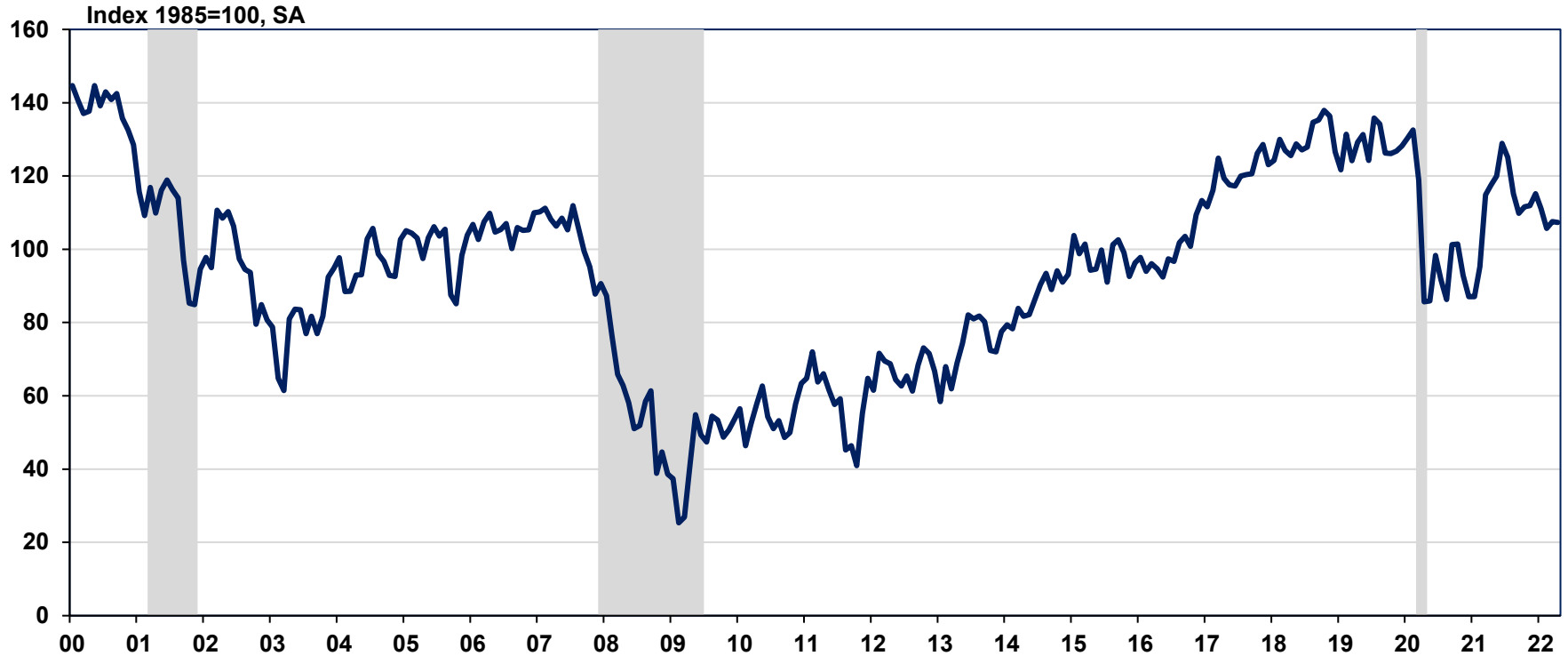


Demand-Side Economic Factors



Consumer Confidence

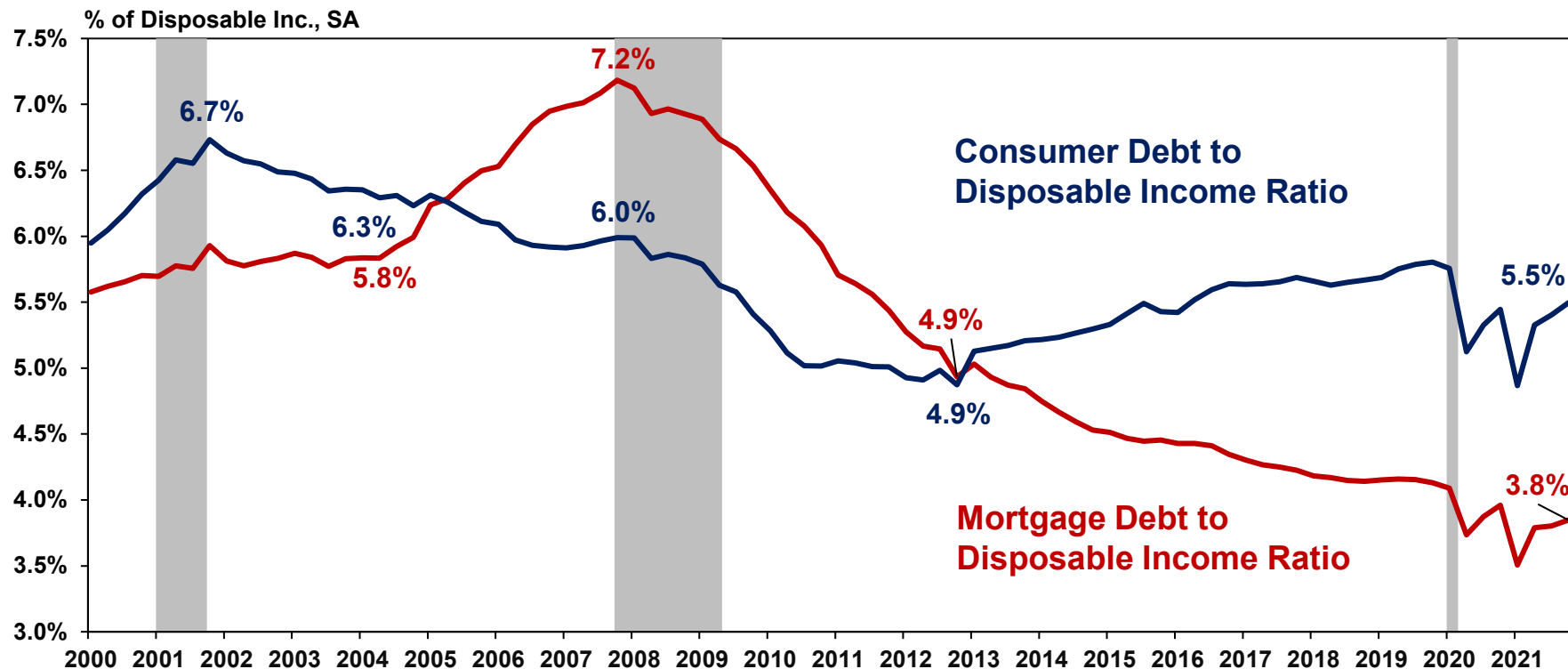
Consumer confidence dips



Source: The Conference Board.

Household Balance Sheets

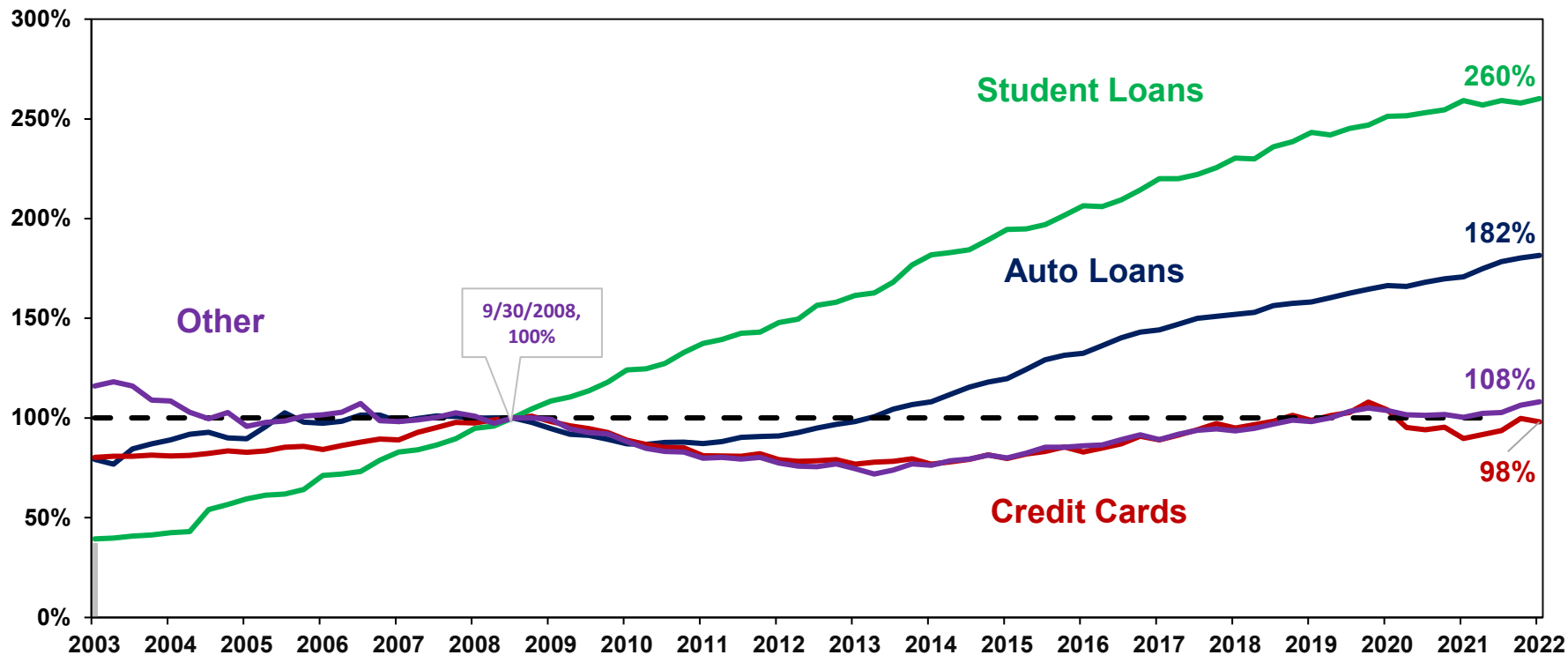
Debt-to-income ratio increased in 2021



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

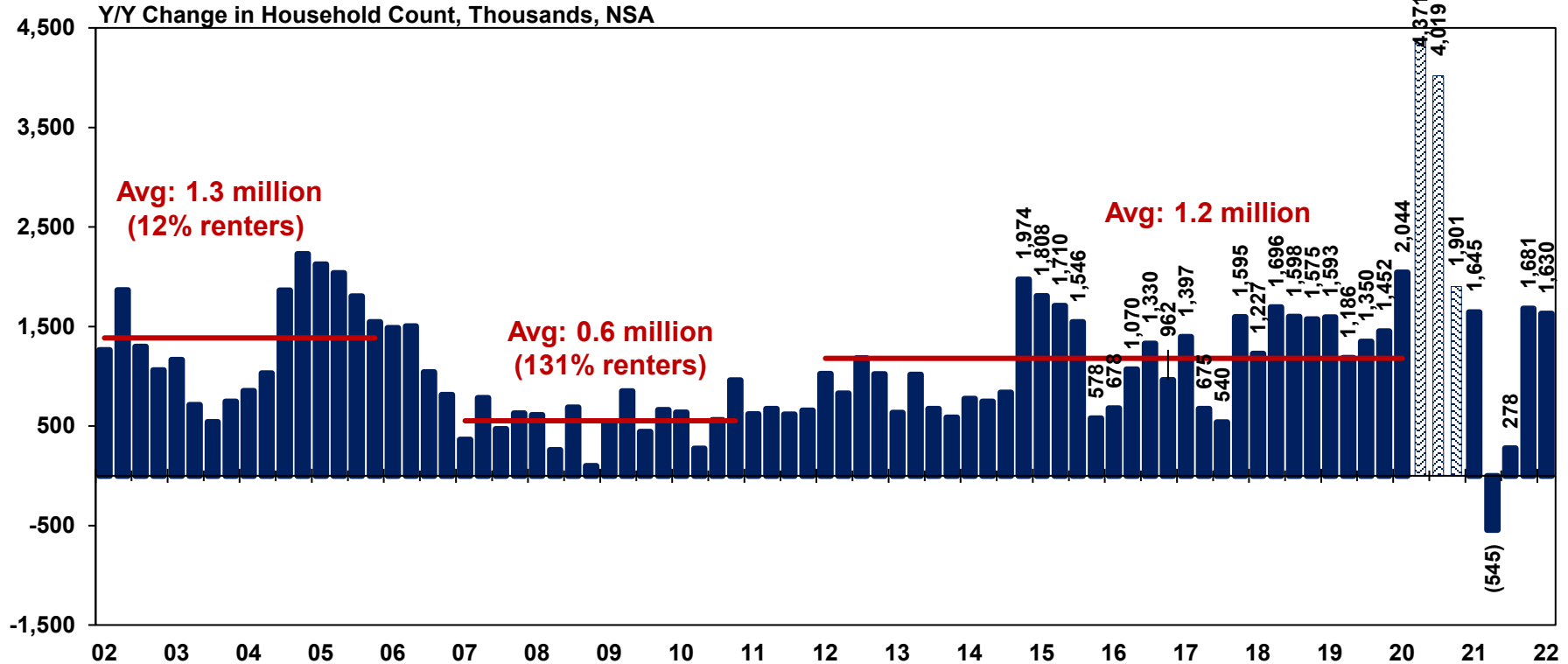
Consumer Debt

Credit cards debt declined during the 2020 crisis due to stimulus



Source: Federal Reserve Bank of New York

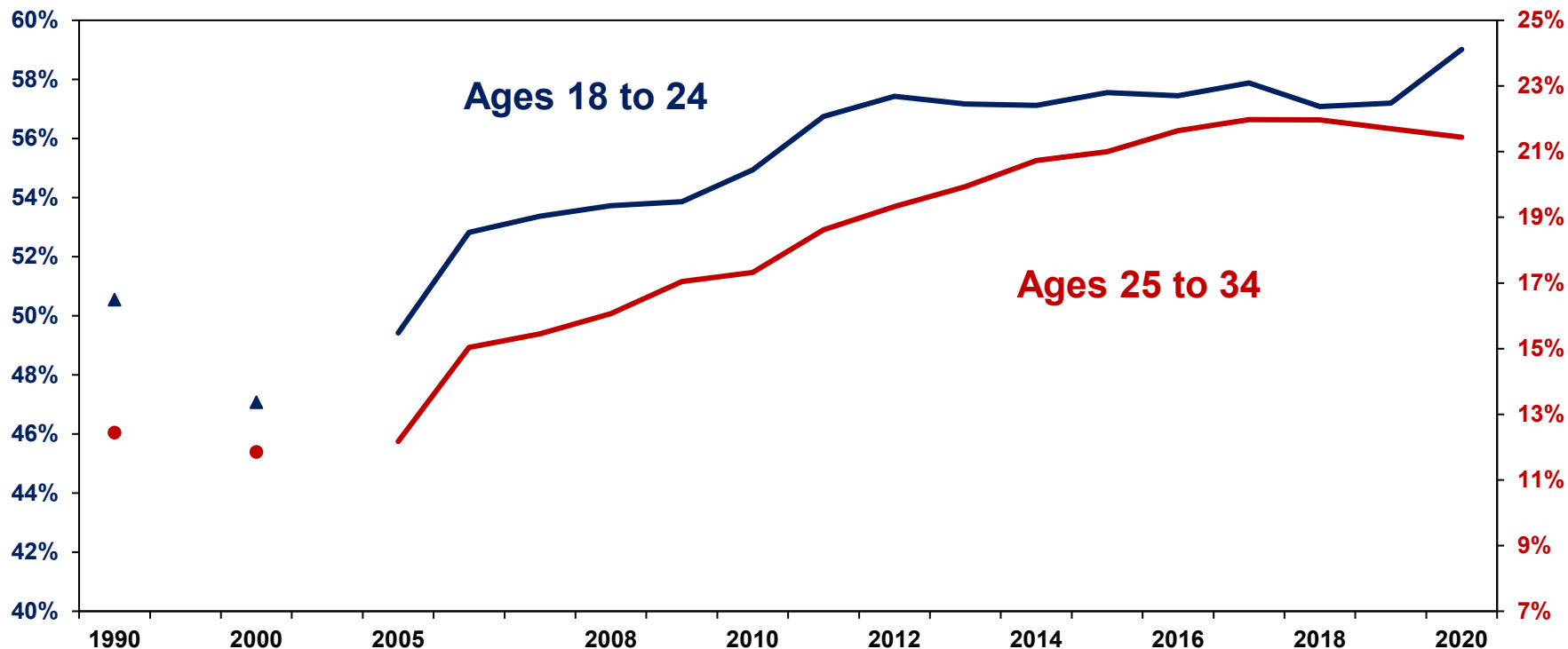
Household Formation – Data Interruption in 2020



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

Share of Young Adults Living with Parents

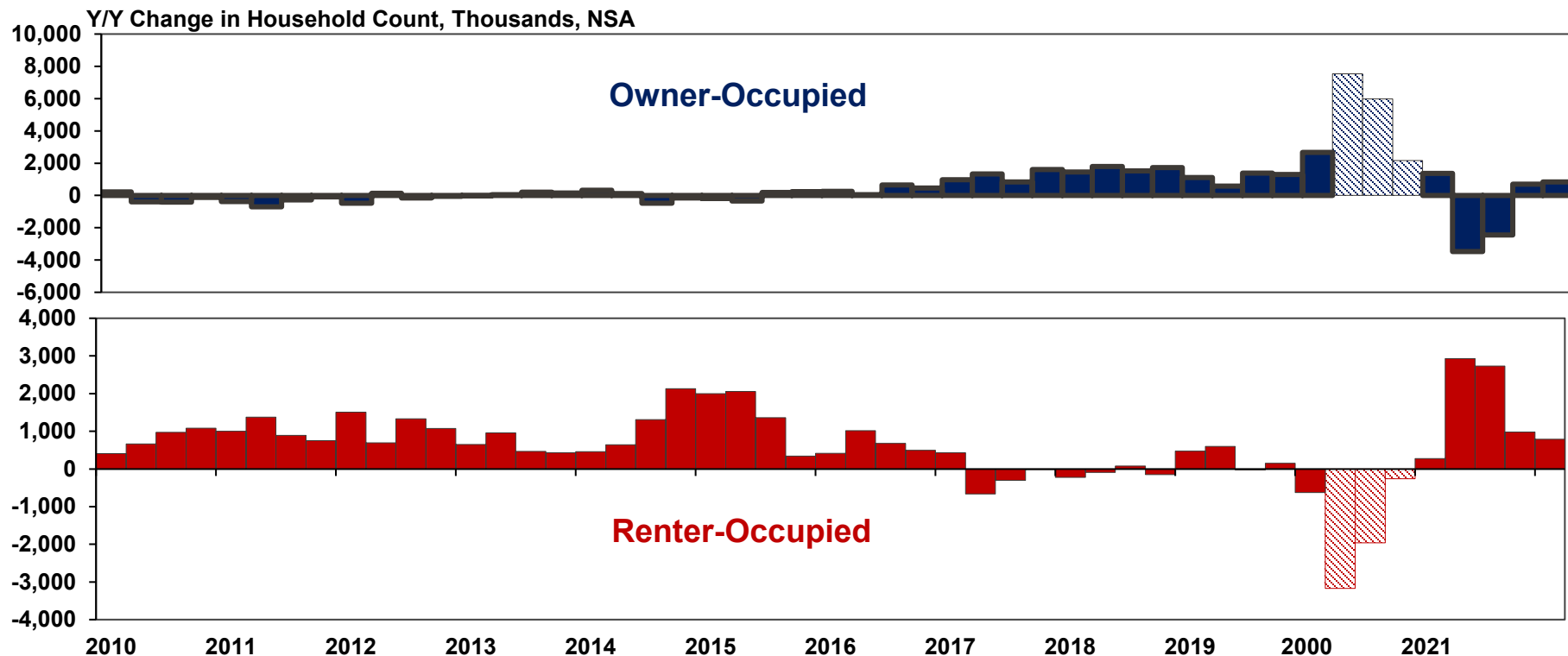
Almost doubled but was leveling off before 2020 downturn



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

Household Formation

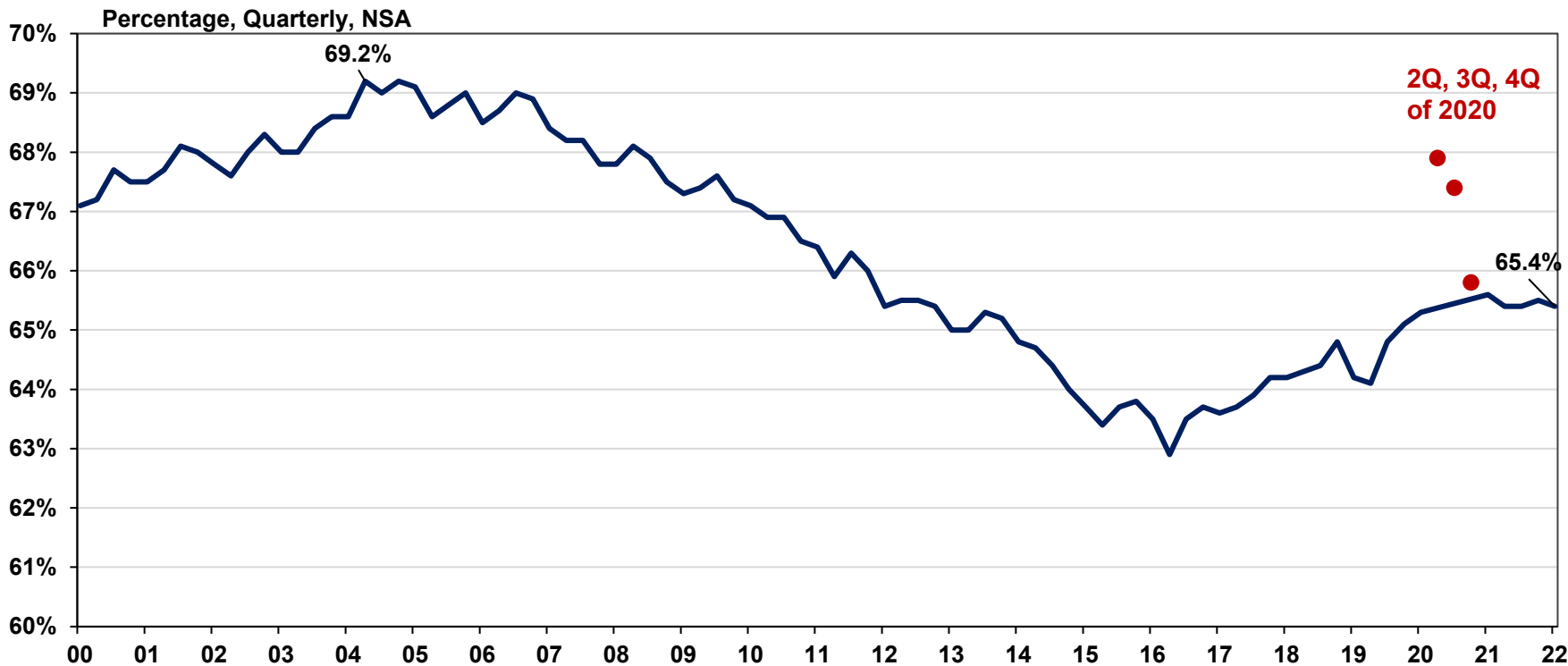
Rebound for rental housing in 2021 after homeownership gains in 2020



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

Homeownership Rate

Near new normal for homeownership?

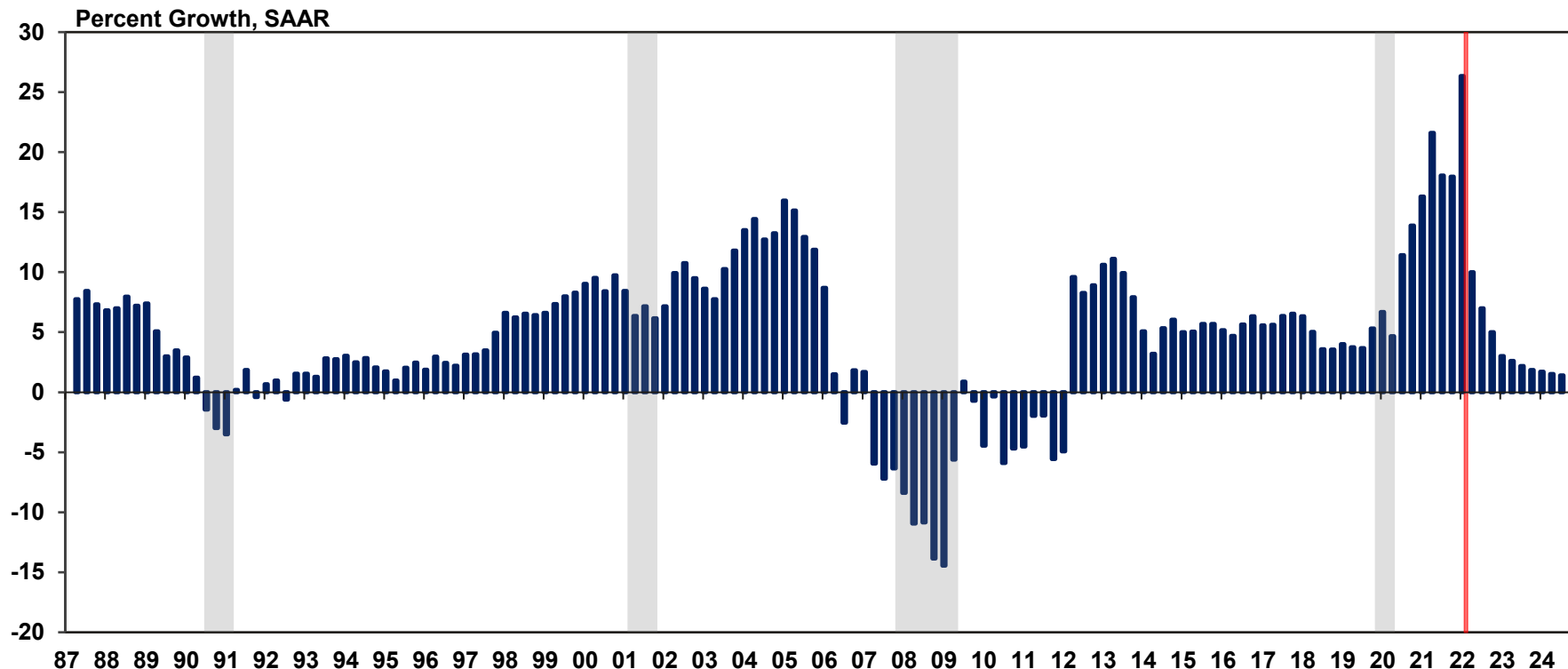


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

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

CoreLogic Home Price Index

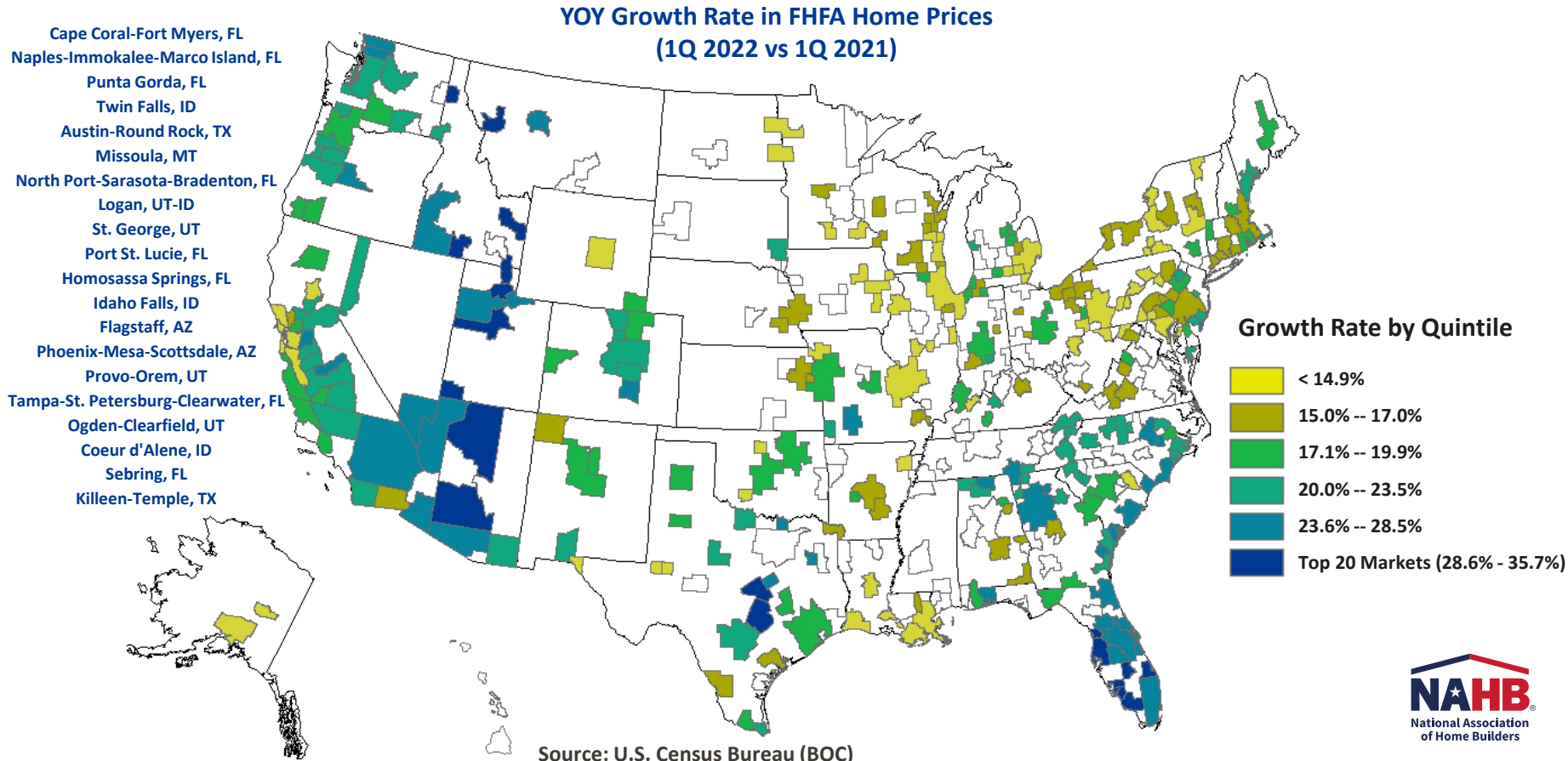
Price growth is expected to slow due to declining affordability conditions in 2022



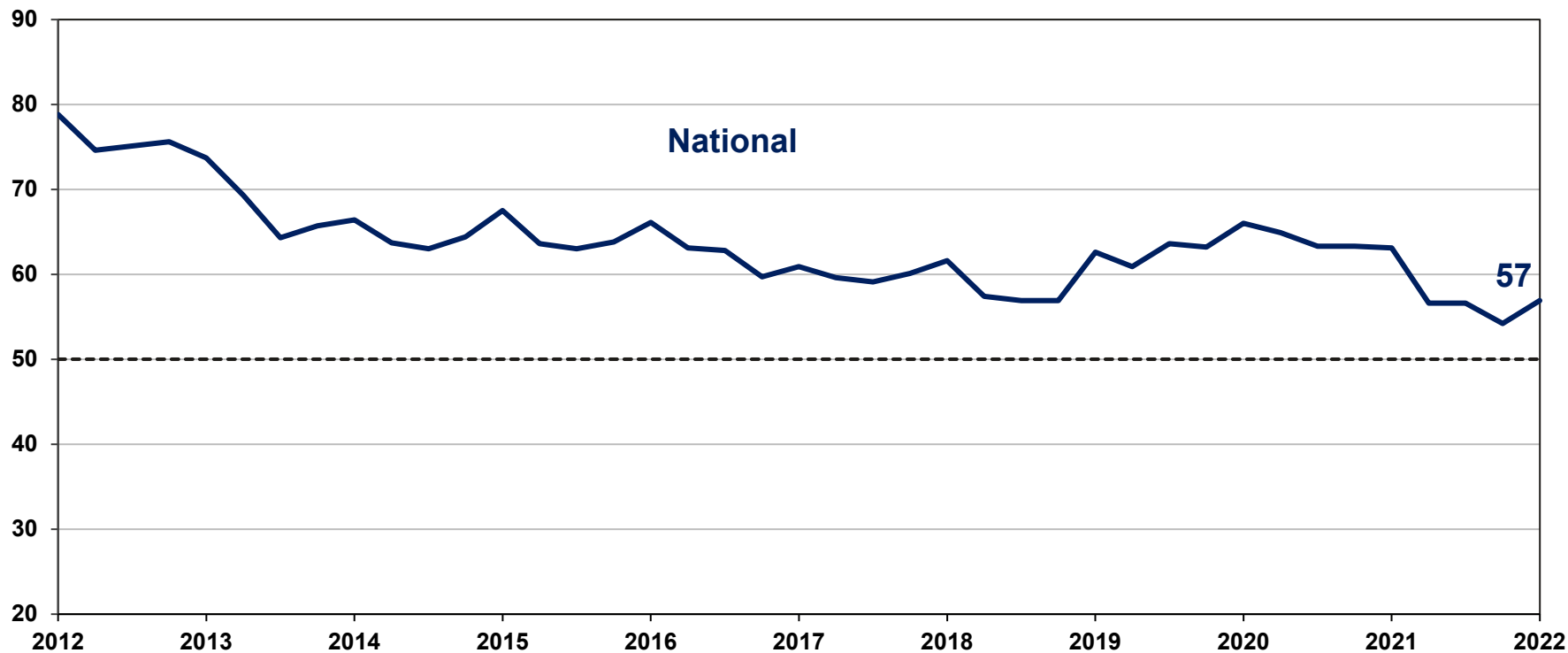
Source: NAHB forecast and S&P Dow Jones Indices LLC; CoreLogic, Inc..



Top 20 Markets for Home Price Growth



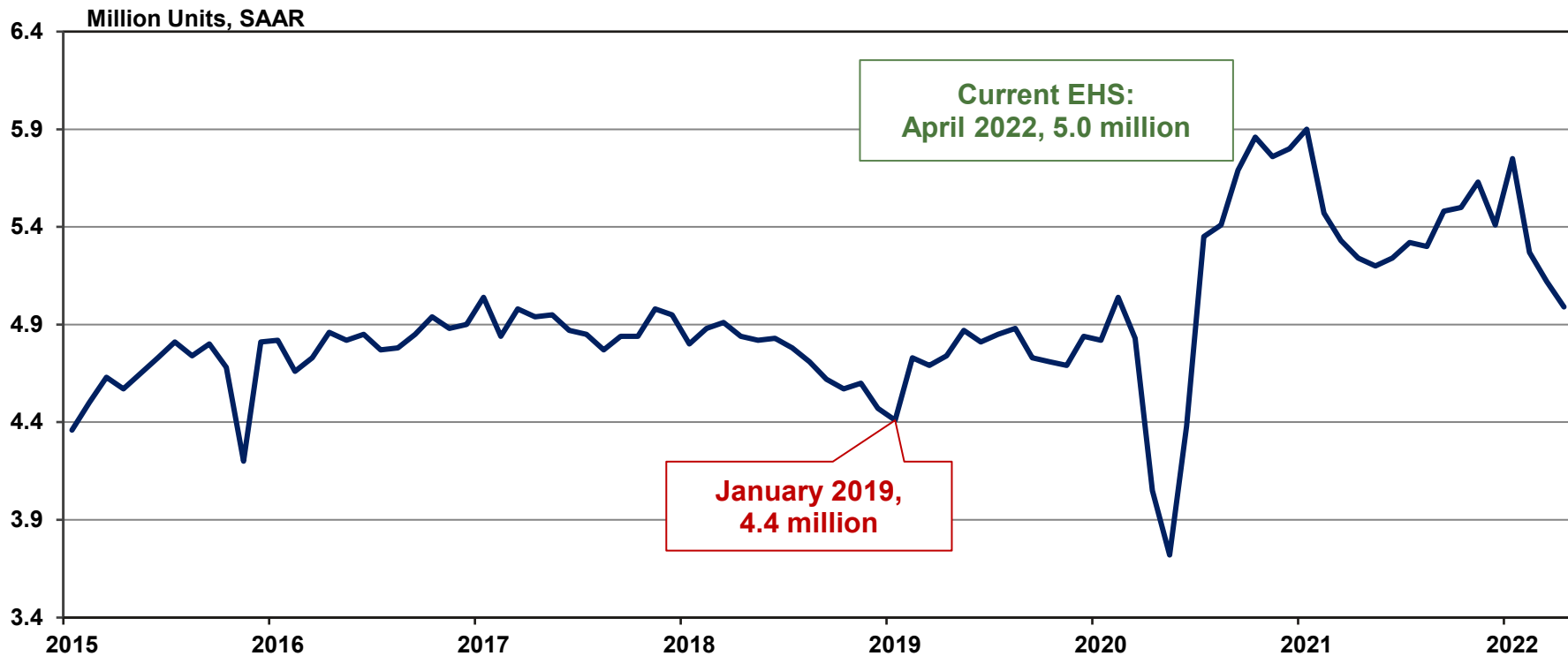
Housing Affordability – NAHB/Wells Fargo HOI



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

Existing Single-Family Home Sales (EHS)

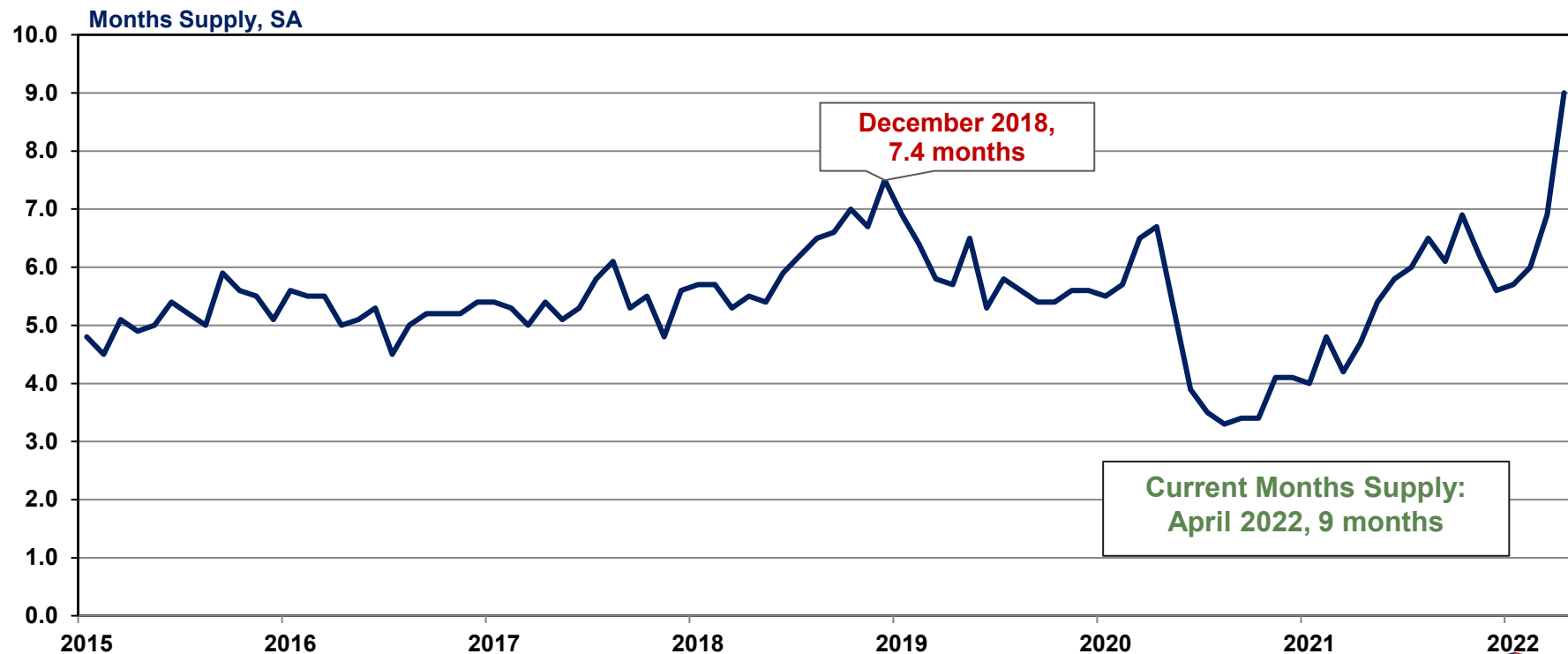
The pace of existing sales slipped



Source: National Association of Realtors (NAR)

New Home Inventory

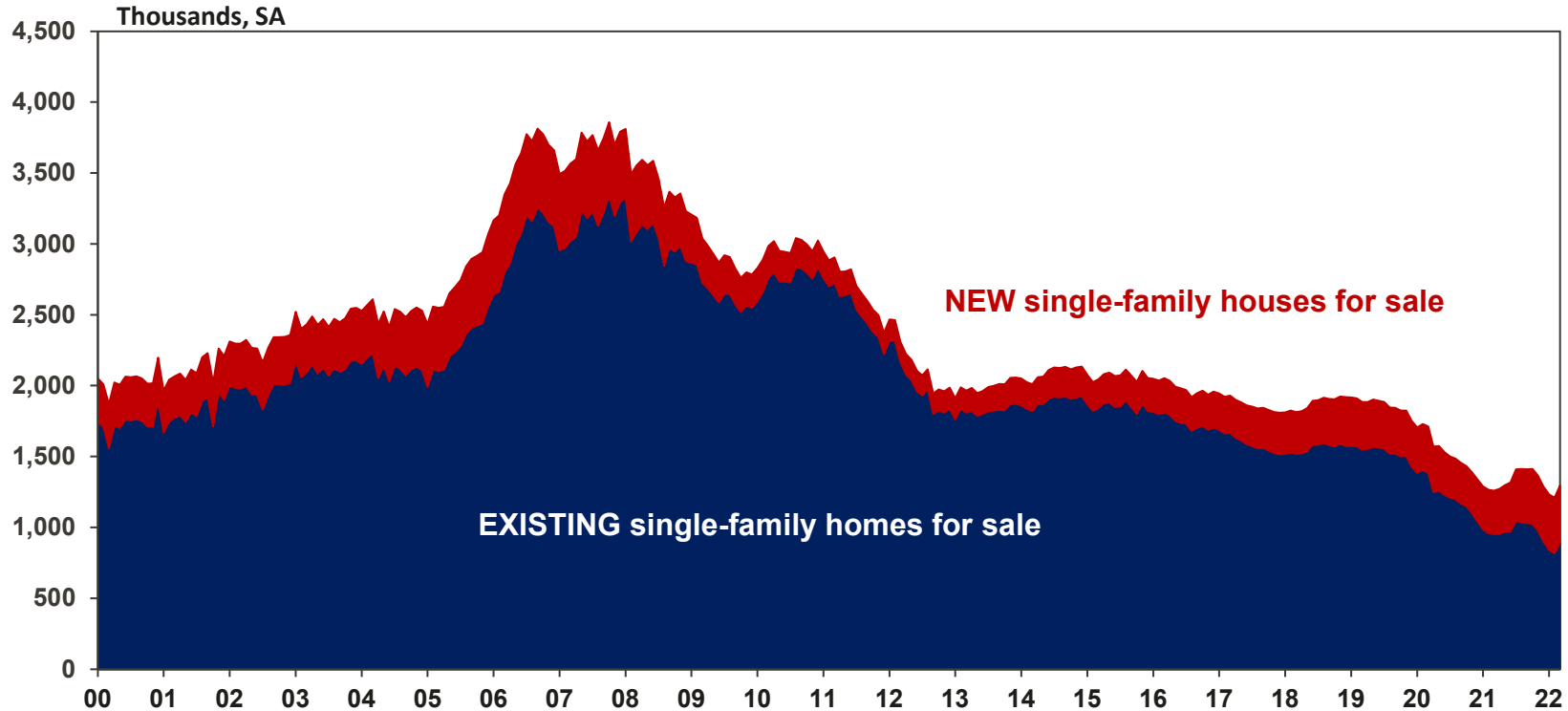
Inventory levels spike



Source: U.S. Census Bureau (BOC)

Total Housing Inventory

Will it rise in 2022?



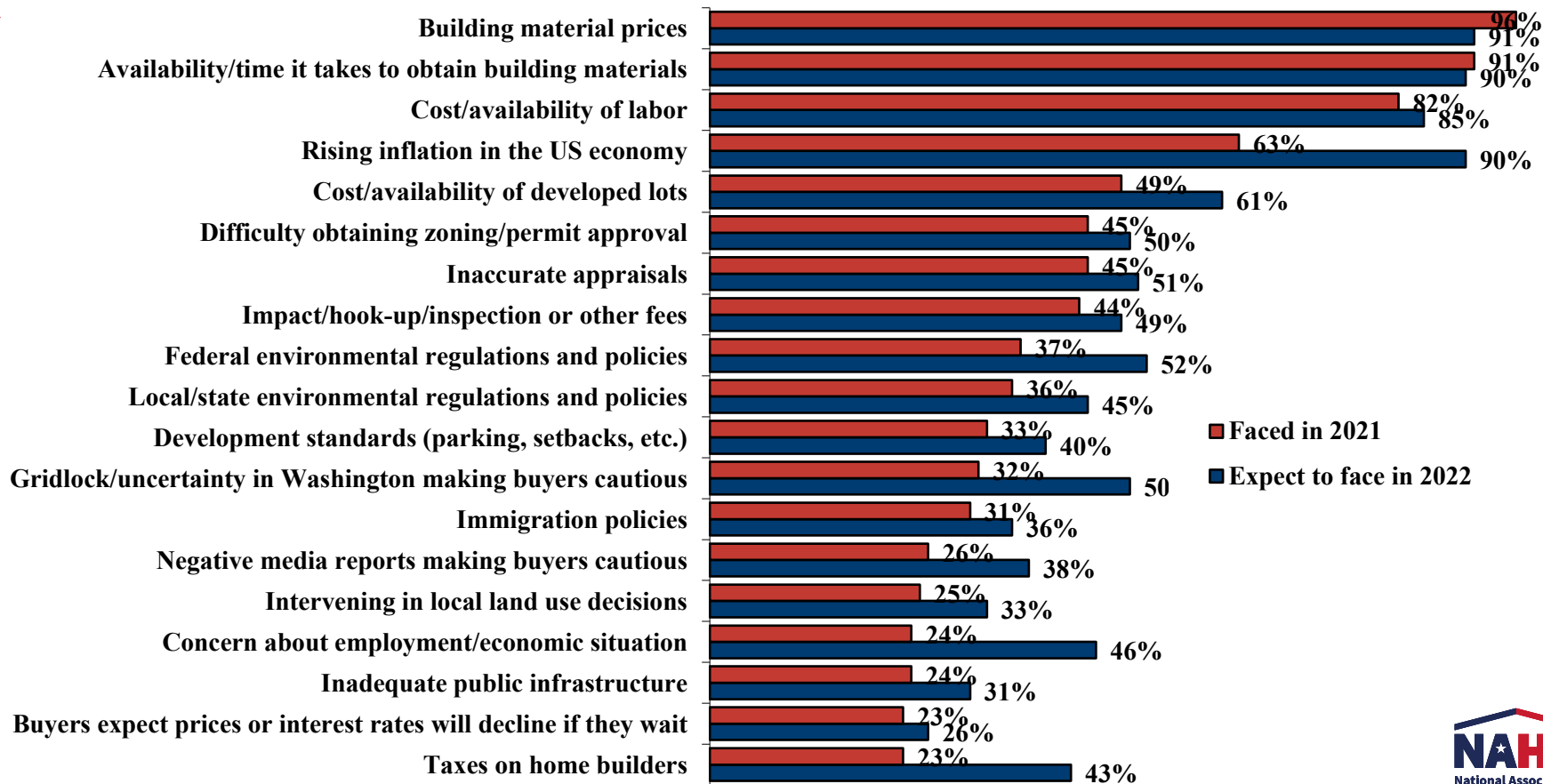
Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)



Supply-Side Factors



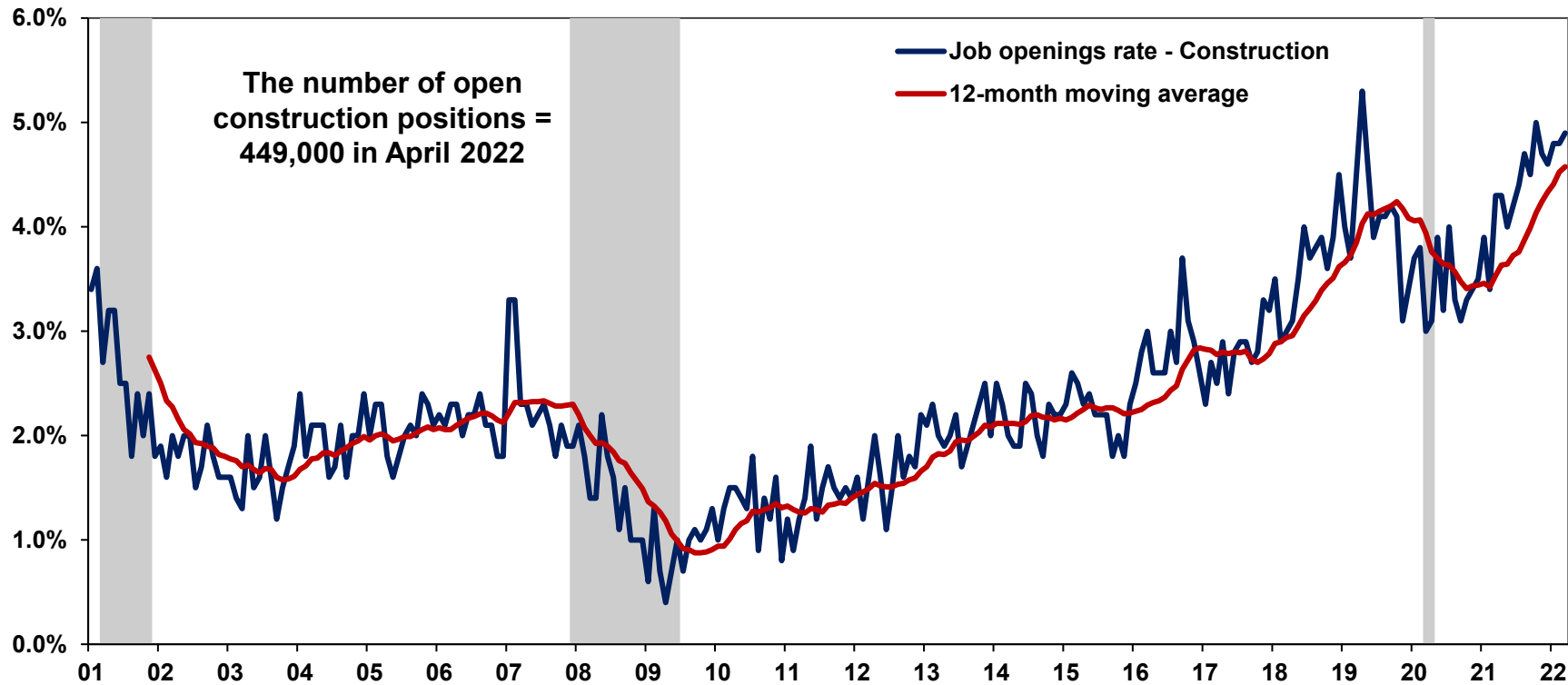
Significant Problems Builders Faced in 2021 and Expect to face in 2022



Source: NAHB/Wells Fargo Housing Market Index (HMI)

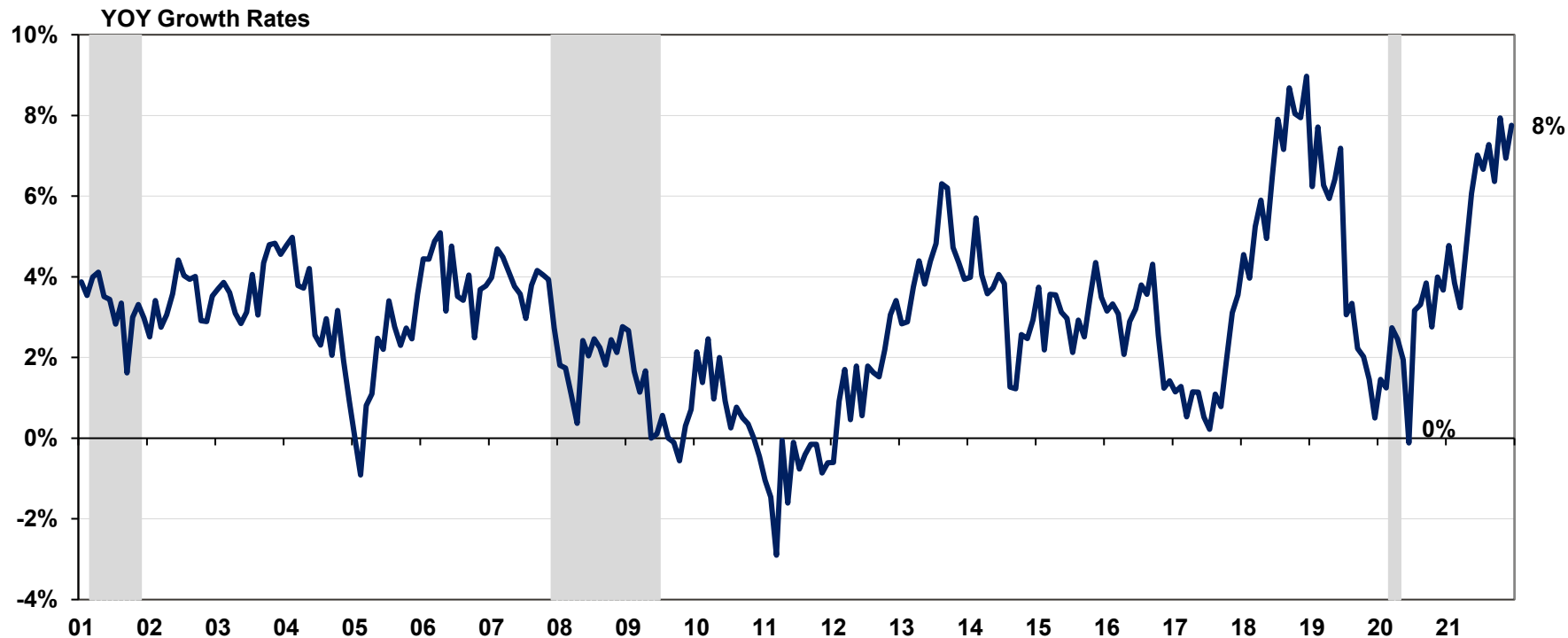
Labor – Construction Job Openings Surging

Skilled labor shortage persists; 105,900 net gain for residential construction since Jan 2020



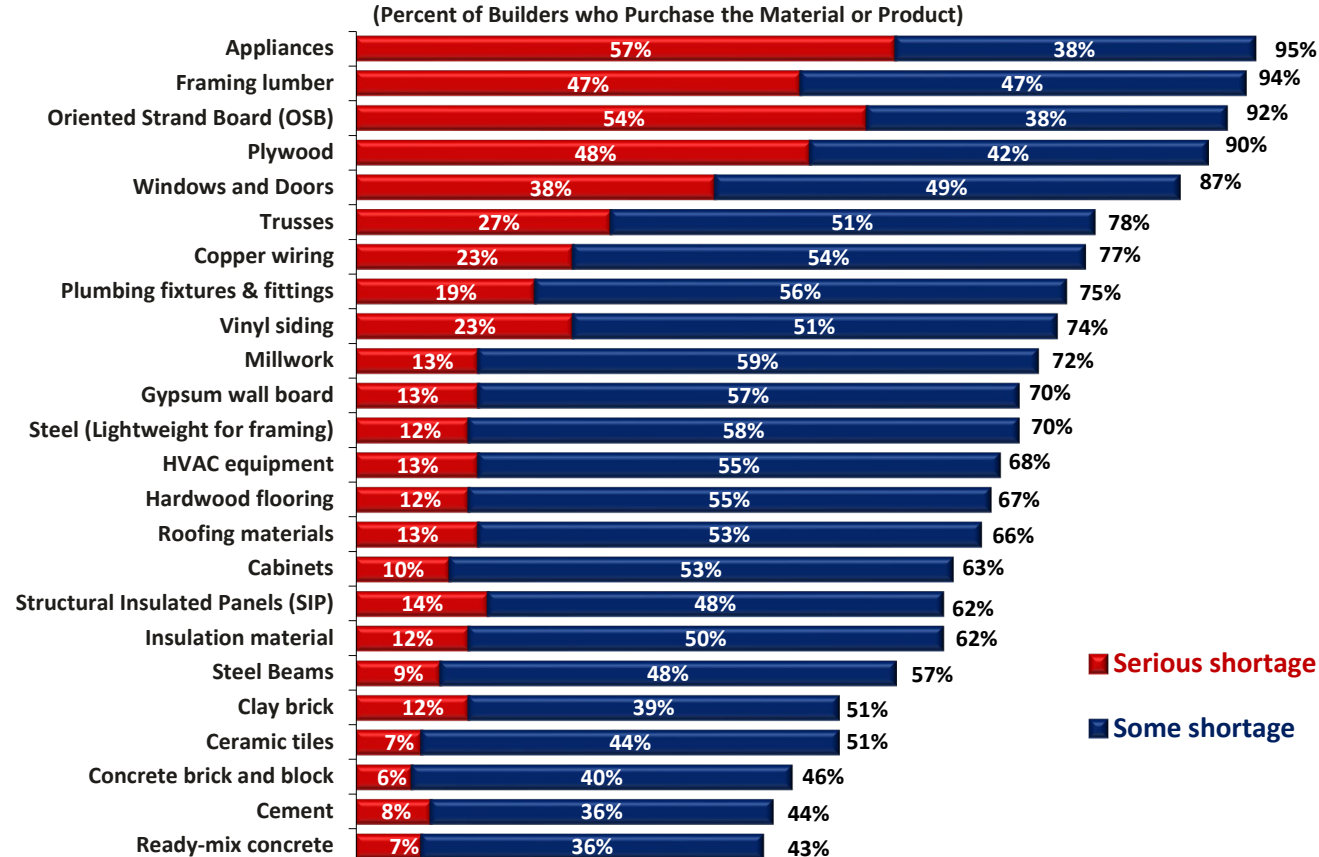
Source: U.S. Bureau of Labor Statistics (BLS).

Wages for Residential Building Workers Rising Quickly



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

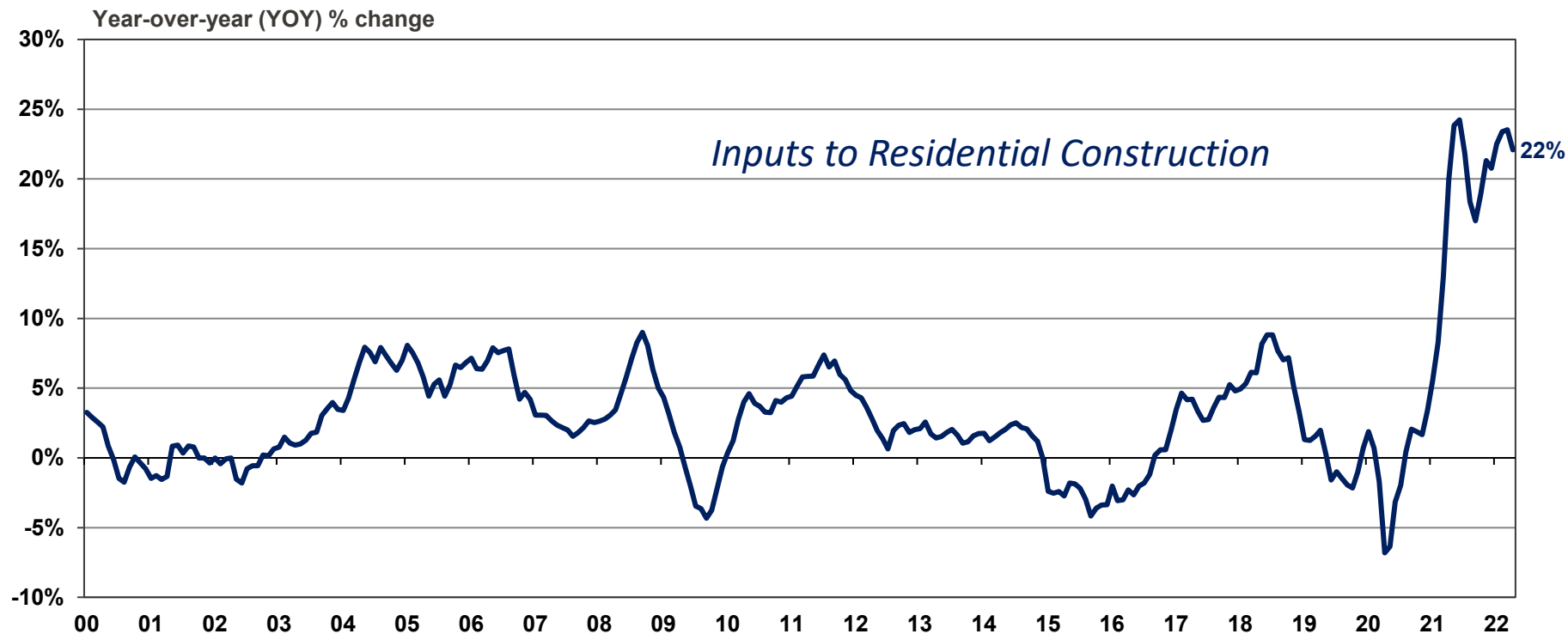
Builders Reporting Shortages in 2021



Source: NAHB Survey.



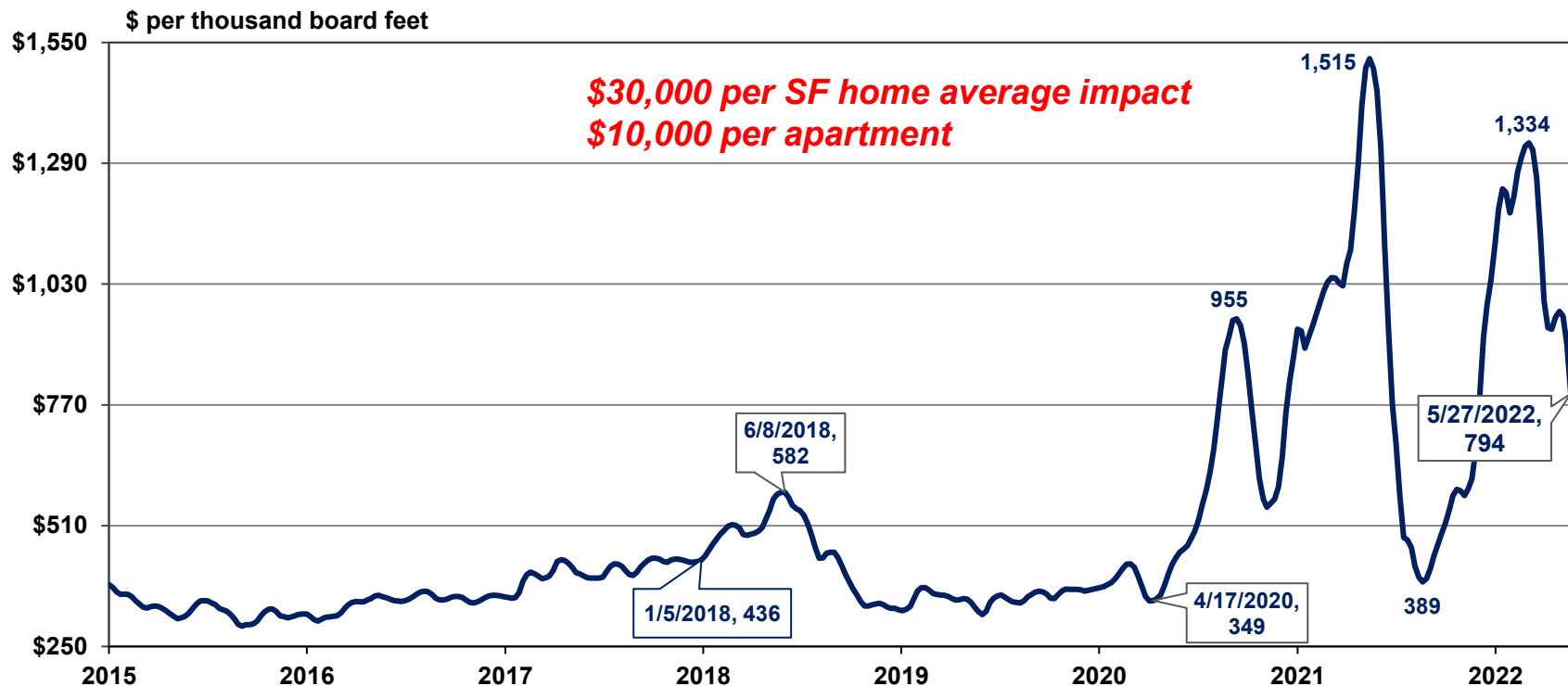
Building Materials - Residential Construction Cost



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

Lumber Prices Edged Down

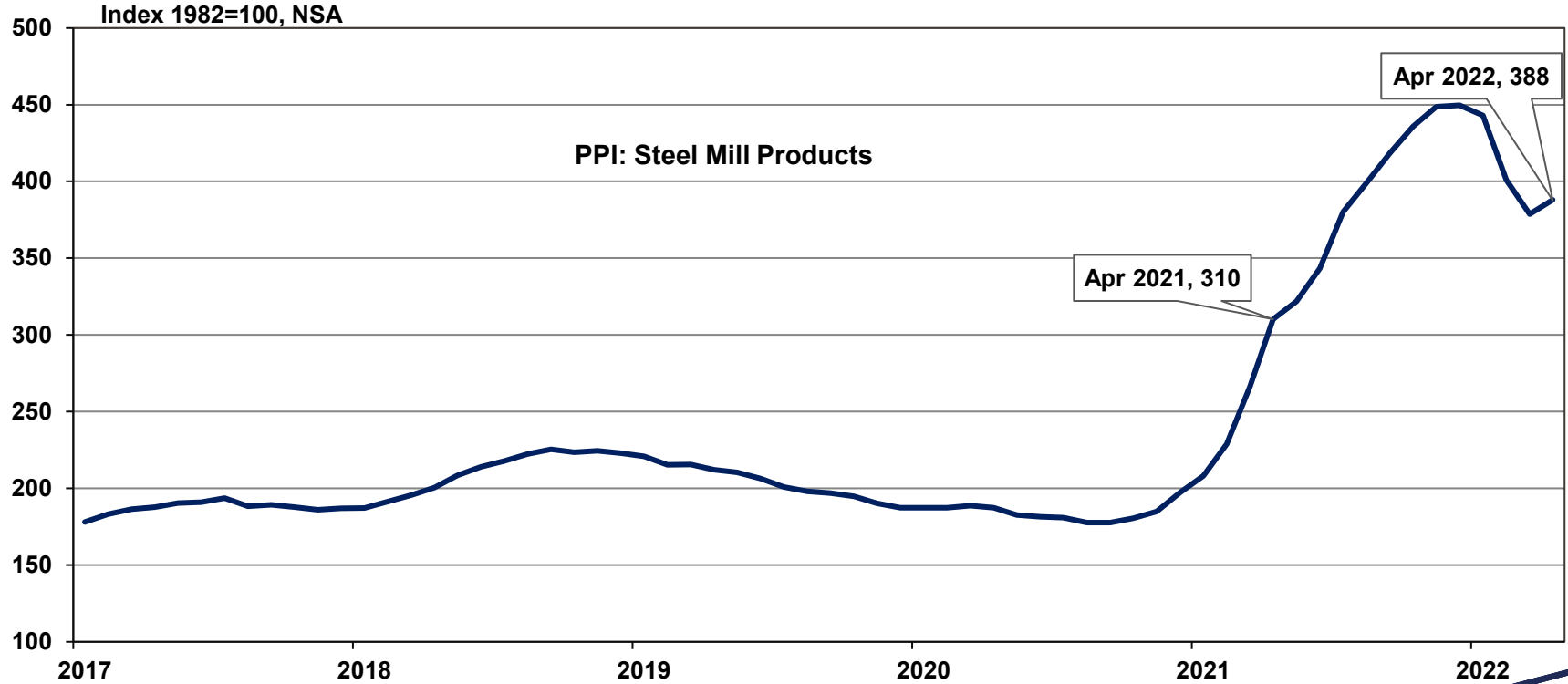
Current May price is \$794; down 37% in the past two months



Source: NAHB Analysis; Random Lengths Composite Index

Building Materials Prices – Steel

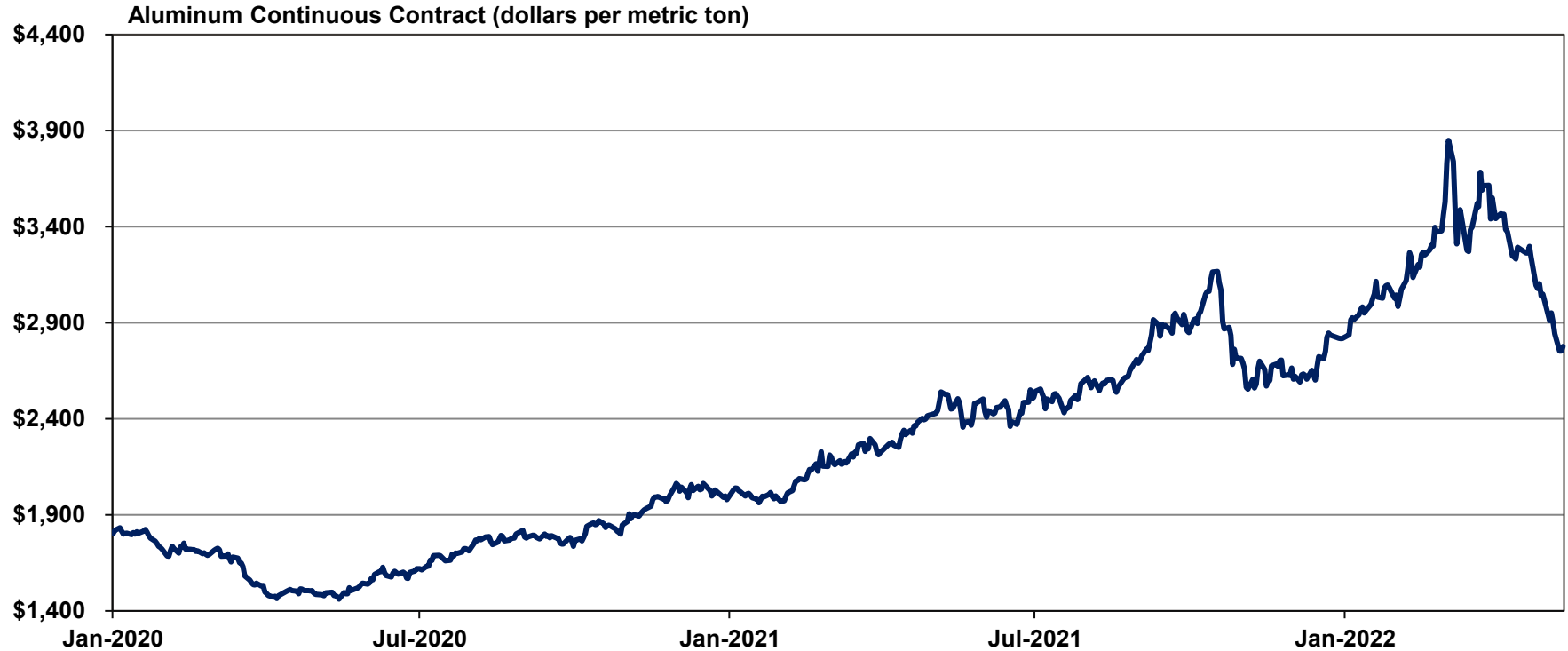
Steel prices increased 25% in a year



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

Building Materials Prices - Aluminum

Up 54% since January 2020



Source: NAHB Analysis; CME Group; Nymex

Building Materials Prices - Copper

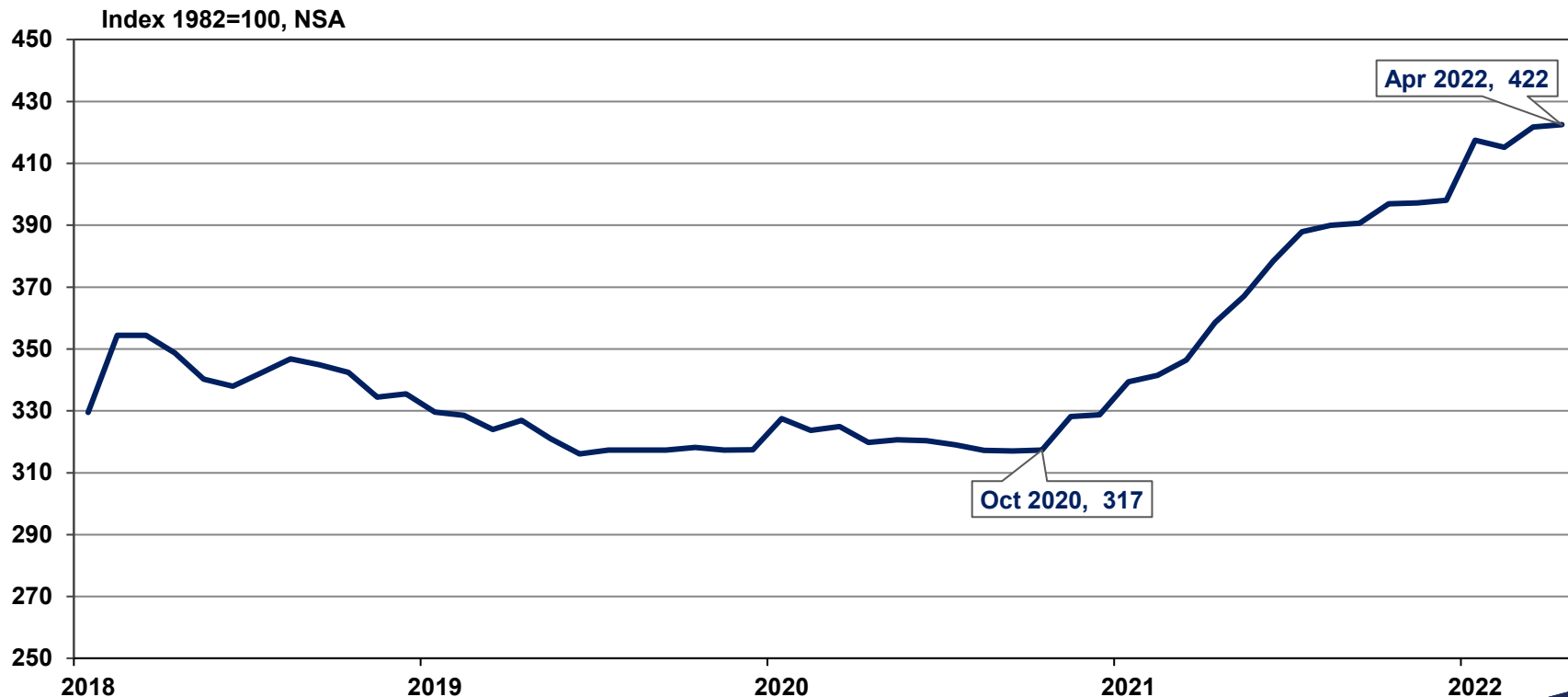
Initially fell 26% but now 48% above pre-pandemic levels



Source: NAHB Analysis; CME Group; Nymex

Building Materials Prices - Gypsum

Gypsum increased 18% in the past 12 months

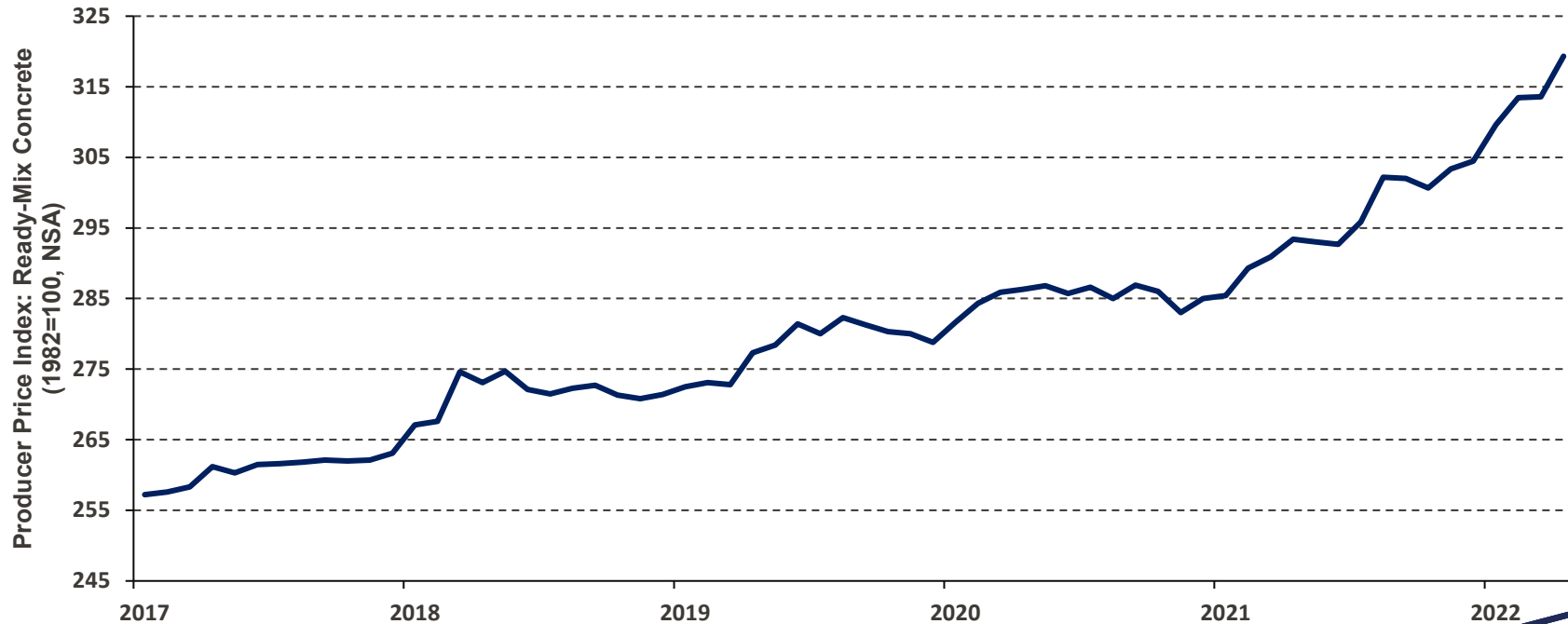


Source: NAHB Analysis; U.S. Bureau of Labor Statistics (BLS)

Building Materials Prices - Ready-Mix Concrete

Up 9% in the past 12 months

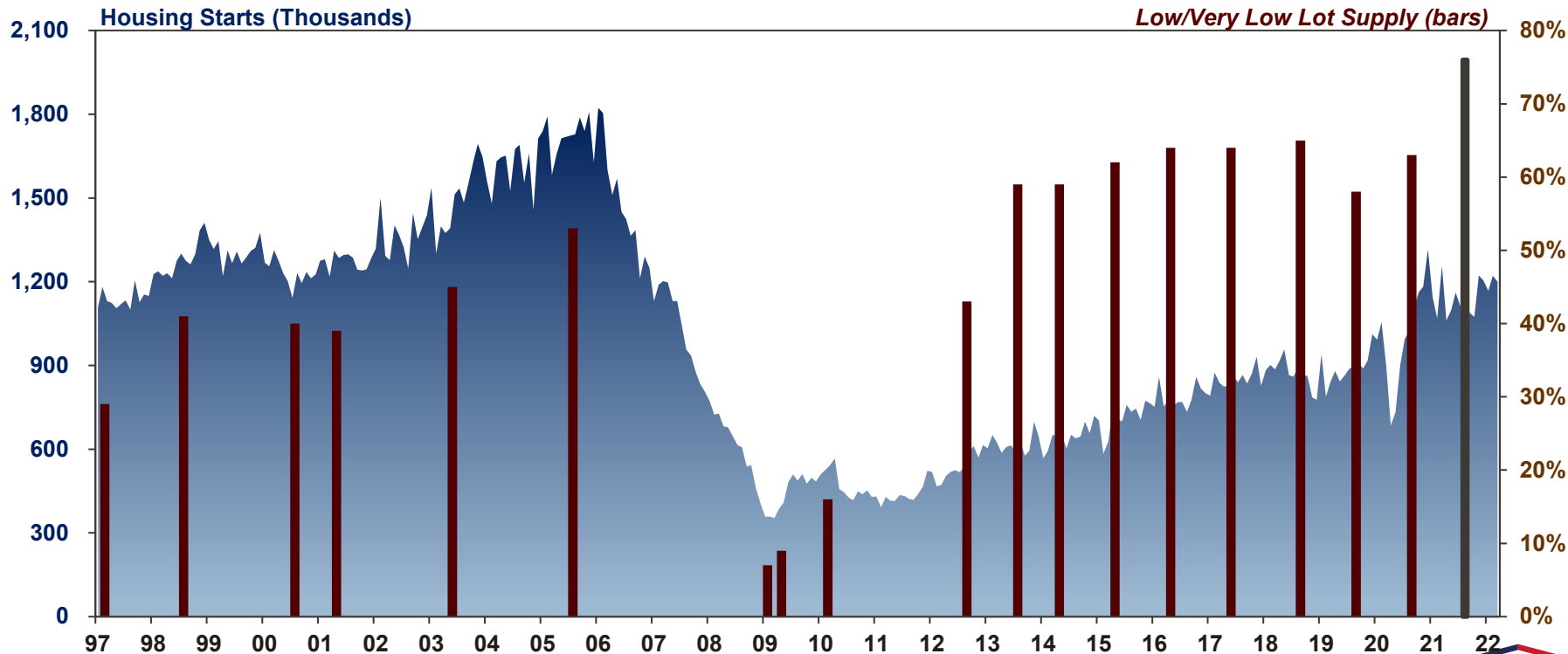
Ready-Mix Concrete Prices
January 2017 – April 2022



Source: Bureau of Labor Statistics (BLS)

/ Lot Shortages Reported by Single-family Builders

Shortage of lots reached a new record in 2021

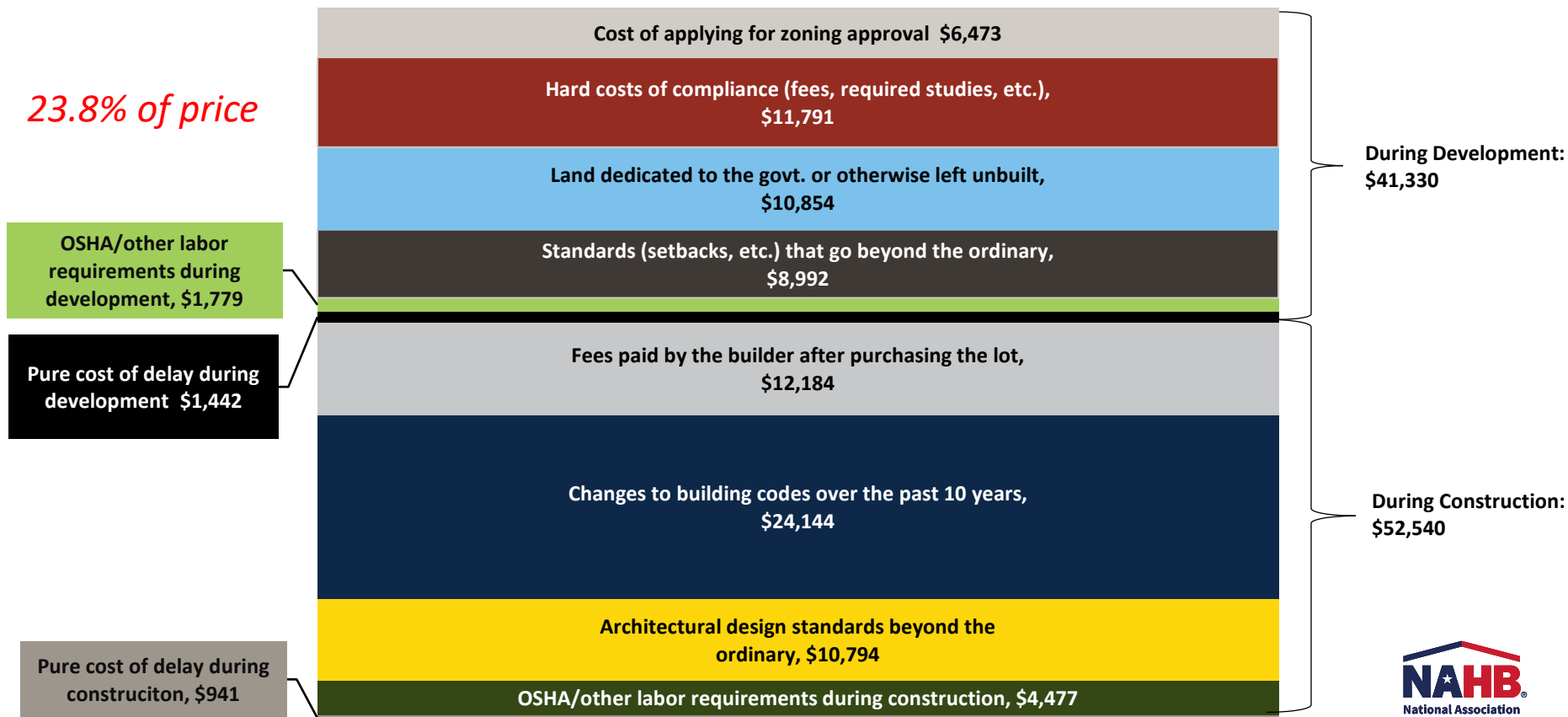


Source: Census Bureau and NAHB/Wells Fargo HMI survey

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

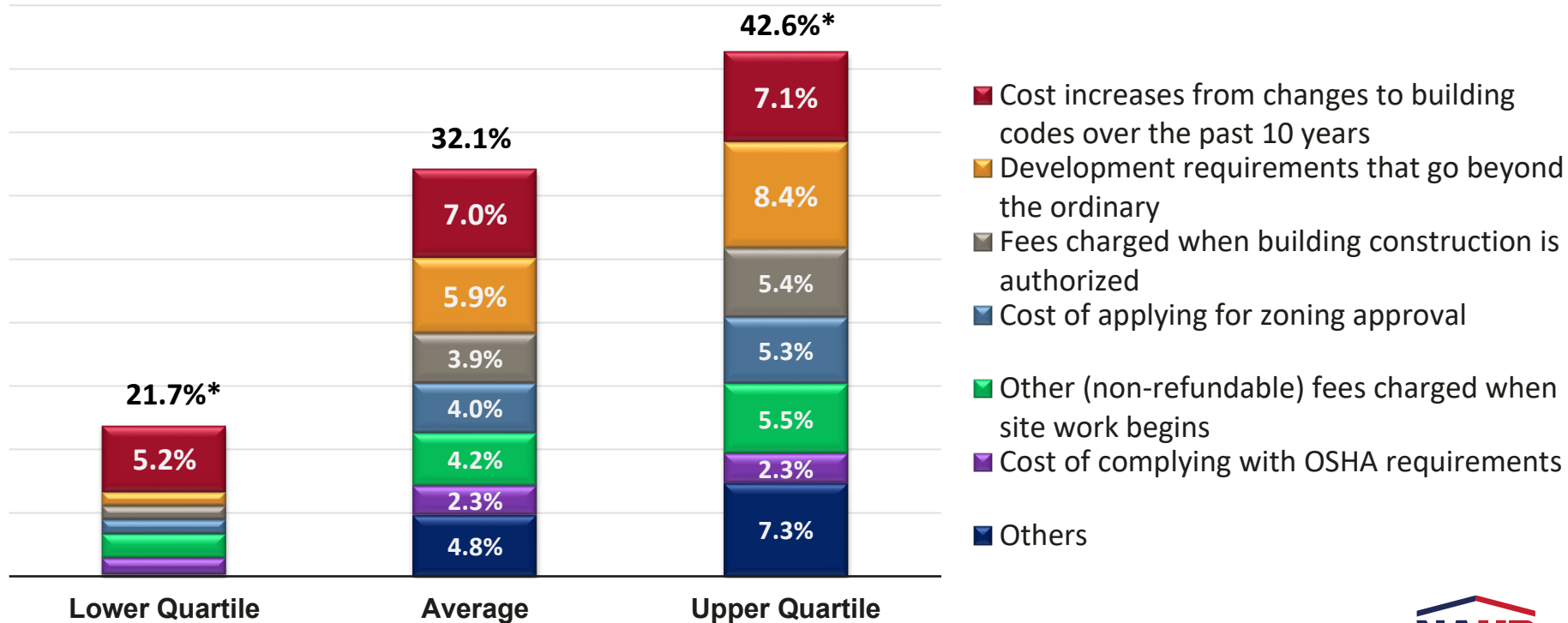


Source: NAHB/Wells Fargo Housing Market Index (HMI)

Regulations - 32% of Multifamily Development Costs

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

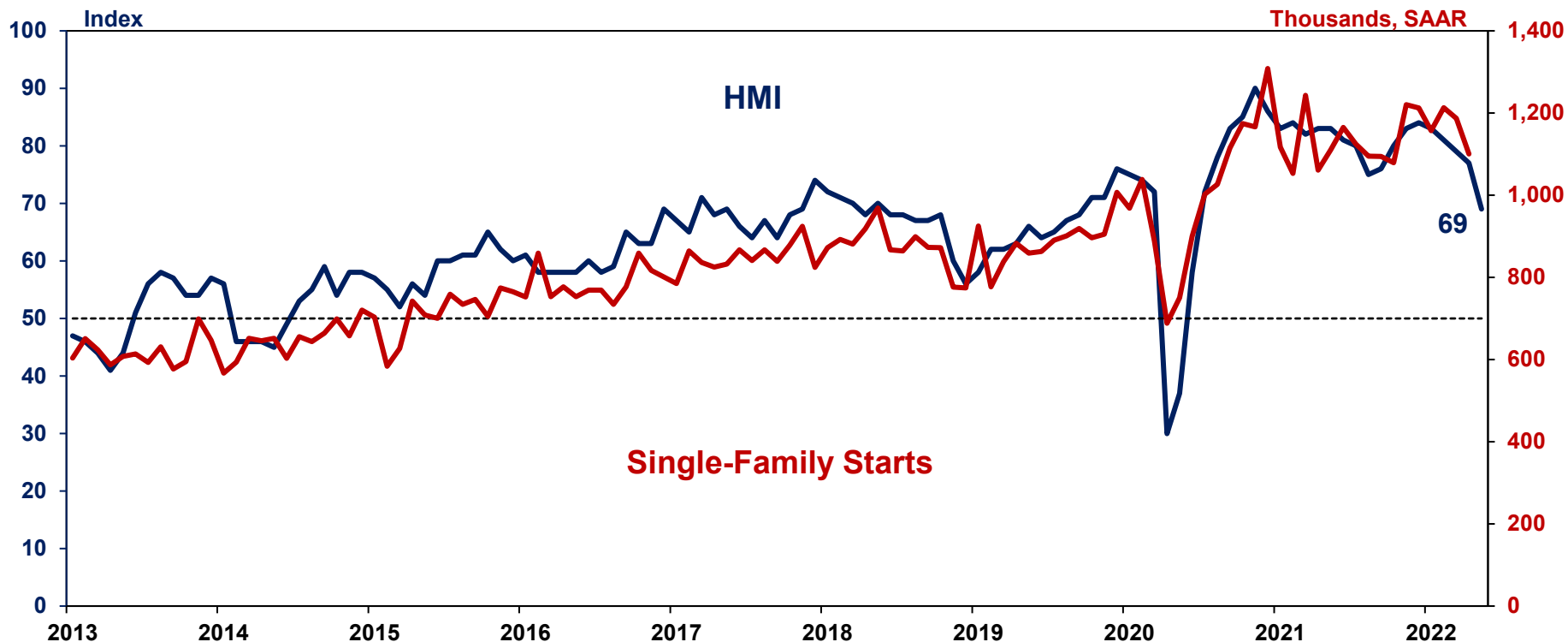


Single-Family Outlook



NAHB/Wells Fargo Housing Market Index (HMI)

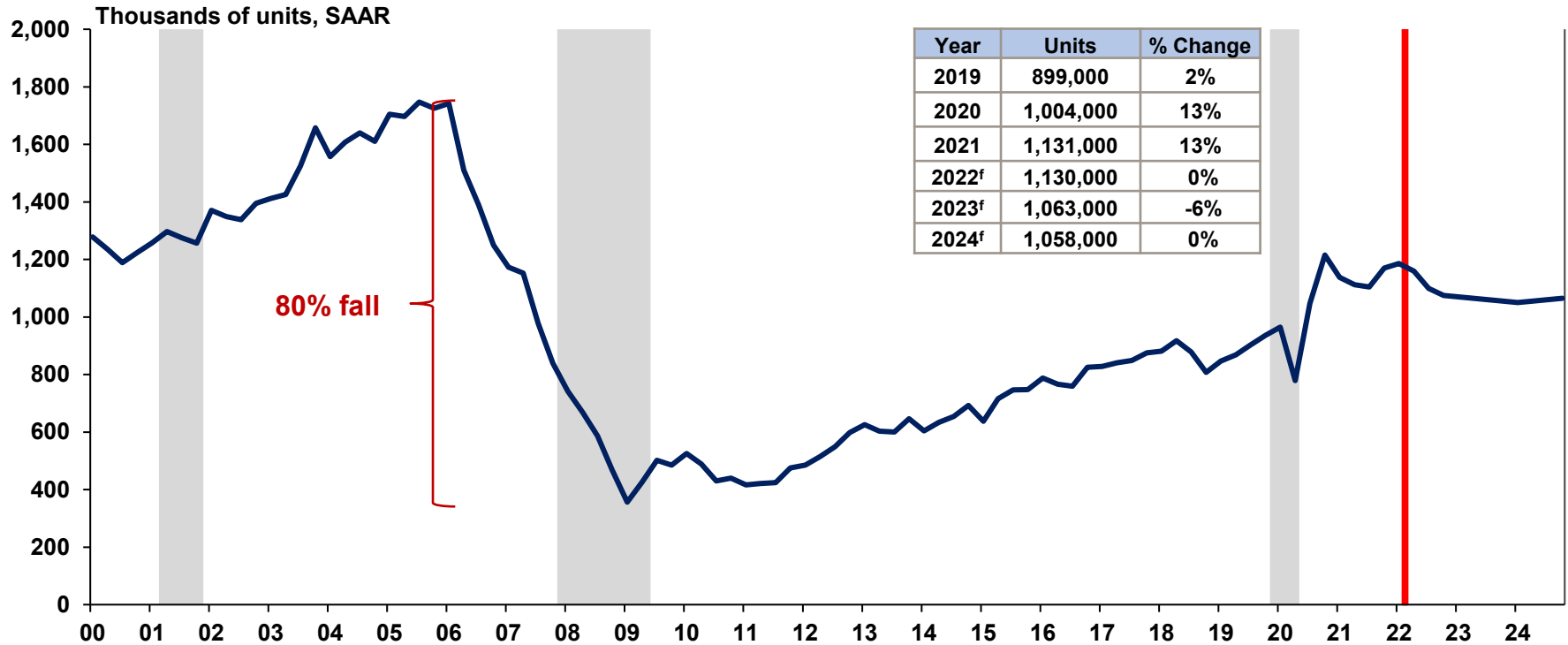
Builder confidence edged lower in March as material challenges persist



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Single-Family Starts

Home building declines as interest rates increase



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

Top 10 Largest Single-Family Markets by Permits

Metropolitan Statistical Area	Single-Family Permits: Mar-22 (Units #YTD, NSA)
Houston-The Woodlands-Sugar Land, TX	15,072
Dallas-Fort Worth-Arlington, TX	13,065
Phoenix-Mesa-Scottsdale, AZ	10,016
Atlanta-Sandy Springs-Roswell, GA	7,697
Austin-Round Rock, TX	6,435
Charlotte-Concord-Gastonia, NC-SC	5,647
Orlando-Kissimmee-Sanford, FL	4,919
Nashville-Davidson--Murfreesboro--Franklin, TN	4,827
Jacksonville, FL	4,344
Raleigh, NC	3,999

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



Top 20 Markets for Single-Family Permits Growth

Hickory-Lenoir-Morganton, NC

St. Cloud, MN

Lima, OH

Kingsport-Bristol-Bristol, TN-VA

St. Joseph, MO-KS

Monroe, MI

Modesto, CA

Springfield, MA

Kankakee, IL

Johnstown, PA

Lancaster, PA

Jackson, MI

Pittsfield, MA

Elmira, NY

Williamsport, PA

Muskegon, MI

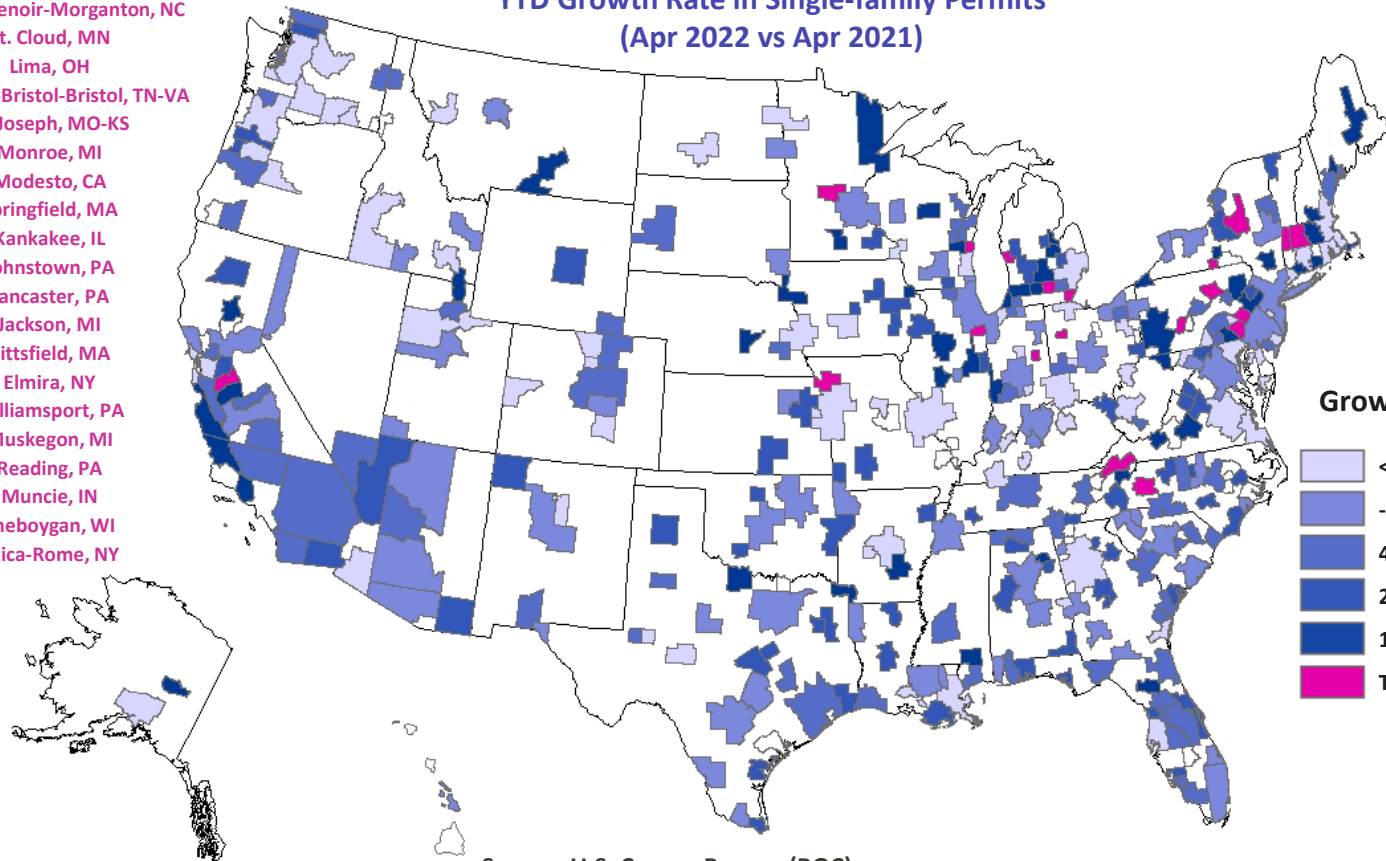
Reading, PA

Muncie, IN

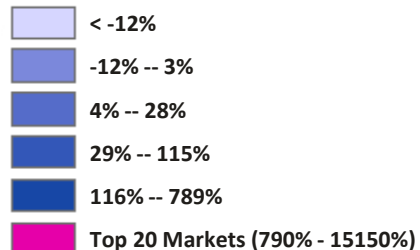
Sheboygan, WI

Utica-Rome, NY

YTD Growth Rate in Single-family Permits
(Apr 2022 vs Apr 2021)



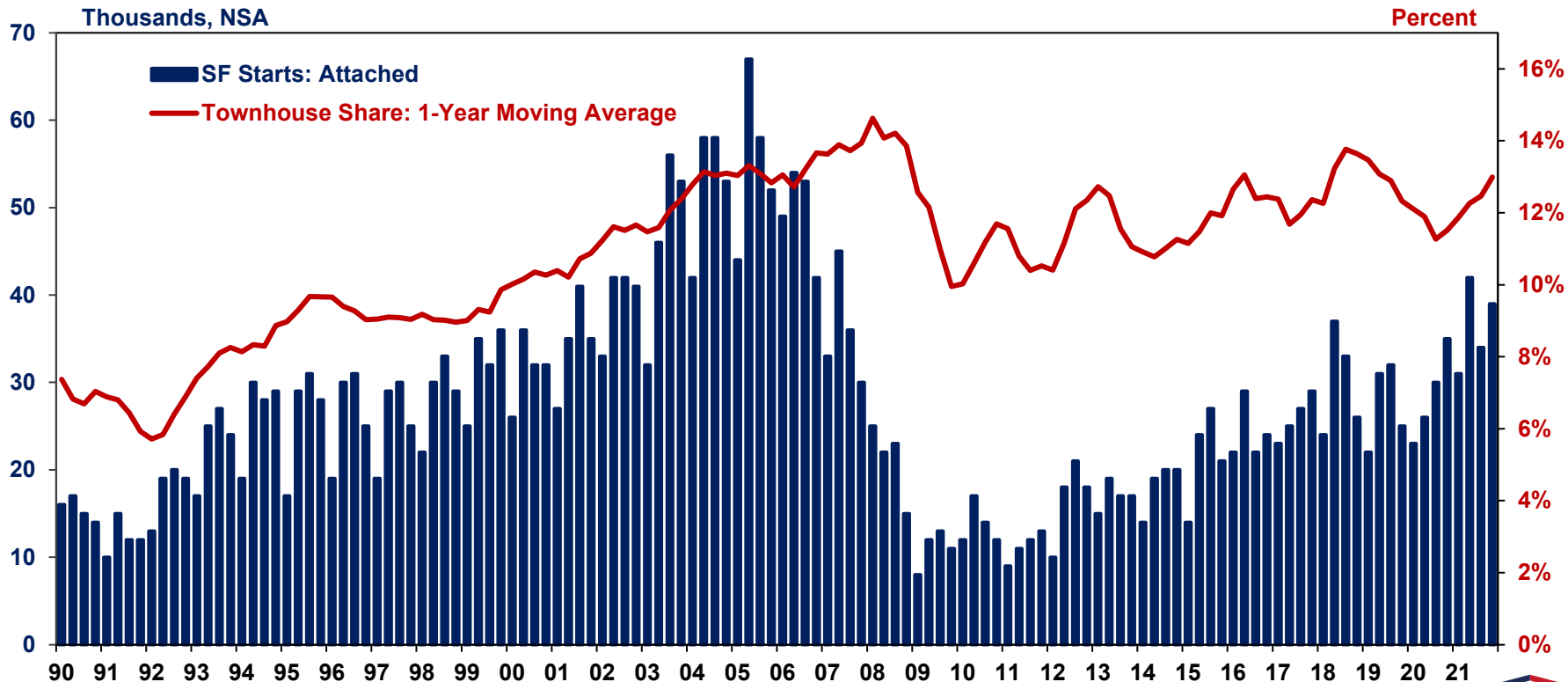
Growth Rate by Quintile



Source: U.S. Census Bureau (BOC)

Townhouse Construction Accelerating

Year-over-year construction increases continued in 3Q21

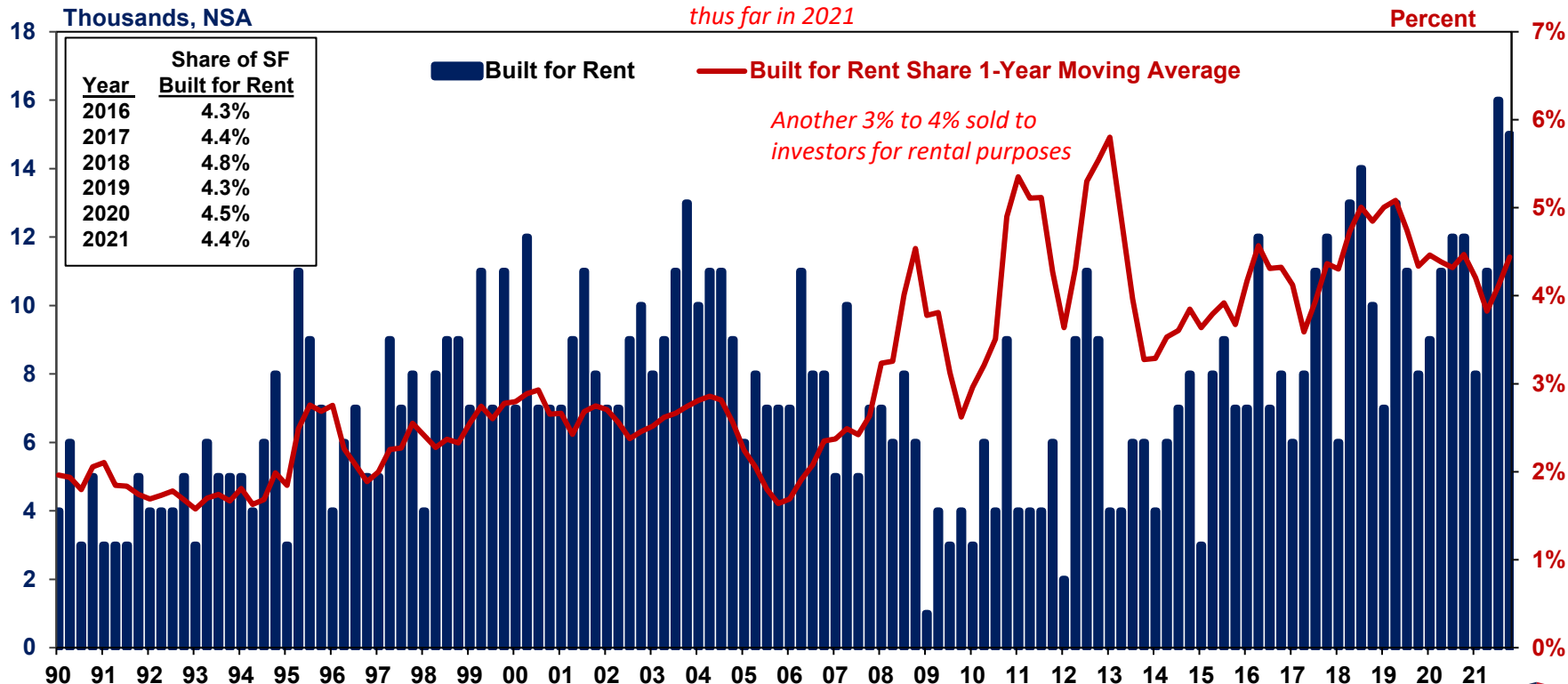


Source: U.S. Census Bureau (BOC)

Single-Family Built-for-Rent Construction

A window of opportunity

25% of builders have seen an uptick of investor buyers thus far in 2021



Source: U.S. Census Bureau (BOC)



How Single-Family Built-for-Rent Differ from Built-for-Sale

- SFBFR are typically smaller with fewer bedrooms and bathrooms.
- SFBFR are more likely to be a single-story building.
- SFBFR are much more likely to be a townhouse (single-family attached).
- SFBFR are more likely to be located on a smaller lot.
- SFBFR are almost all wood-framed.
- SFBFR are more likely to have a vinyl siding exterior and less likely to have stucco.
- SFBFR are more likely to have a one-car garage or no garage.
- The highest count of SFBFR construction is found in the West South Central Census division (Texas, Oklahoma, Arkansas and Louisiana).
- Although a small share of the total, SFBFR are more likely to be age-restricted.
- SFBFR are more likely to have a smaller construction permit value but have many units with permit values above \$300,000.
- Average construction time is slightly longer for SFBFR homes.

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

<https://eyeonhousing.org/2019/08/contrasting-built-for-rent-and-for-sale-new-single-family-homes/>

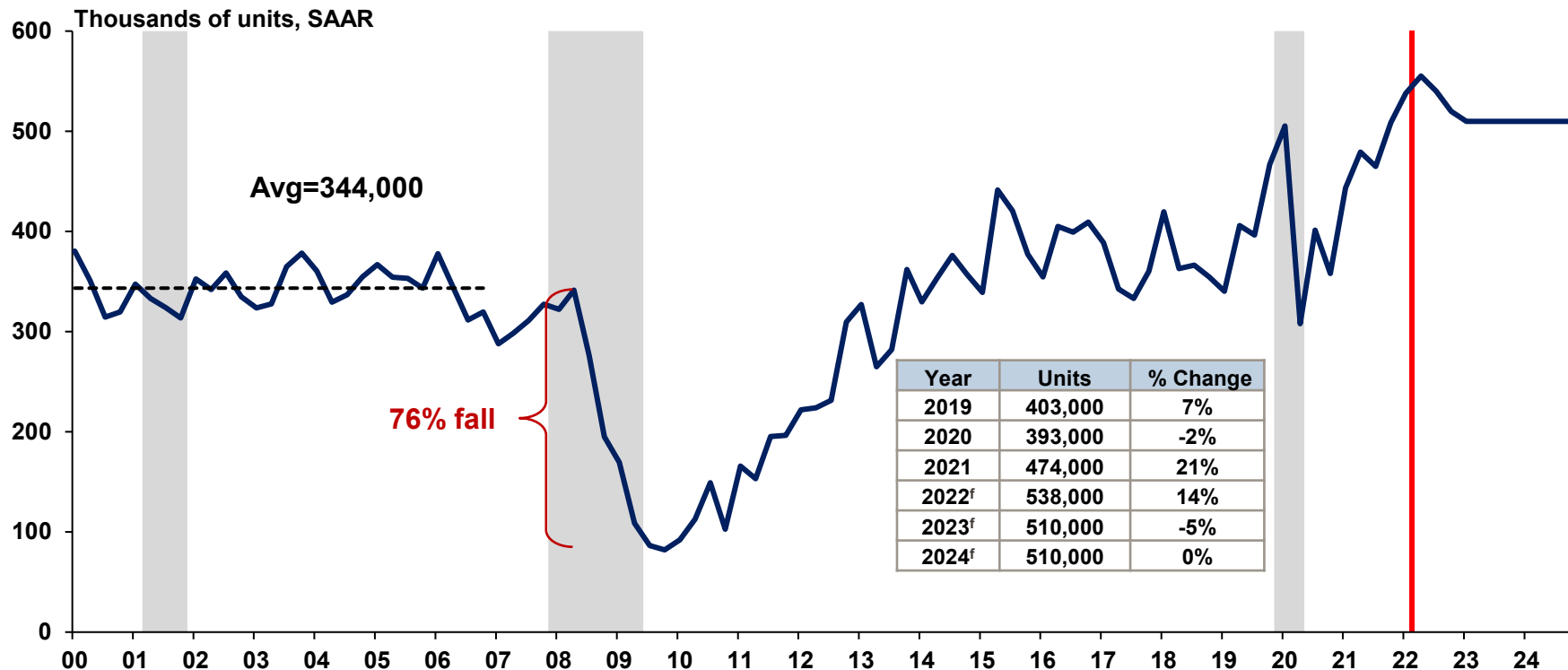


Multifamily Outlook



/ Multifamily Construction Growing

Multifamily growth rising on low vacancies and rising rents



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

Top 10 Largest Multifamily Markets by Permits

Metropolitan Statistical Area	Multifamily Permits: Mar-22 (Units #YTD, NSA)
New York-Newark-Jersey City, NY-NJ-PA	13,660
Dallas-Fort Worth-Arlington, TX	7,395
Austin-Round Rock, TX	5,439
Seattle-Tacoma-Bellevue, WA	5,140
Houston-The Woodlands-Sugar Land, TX	5,127
Washington-Arlington-Alexandria, DC-VA-MD-WV	4,387
Minneapolis-St. Paul-Bloomington, MN-WI	3,983
Phoenix-Mesa-Scottsdale, AZ	3,889
Atlanta-Sandy Springs-Roswell, GA	3,787
Denver-Aurora-Lakewood, CO	3,768

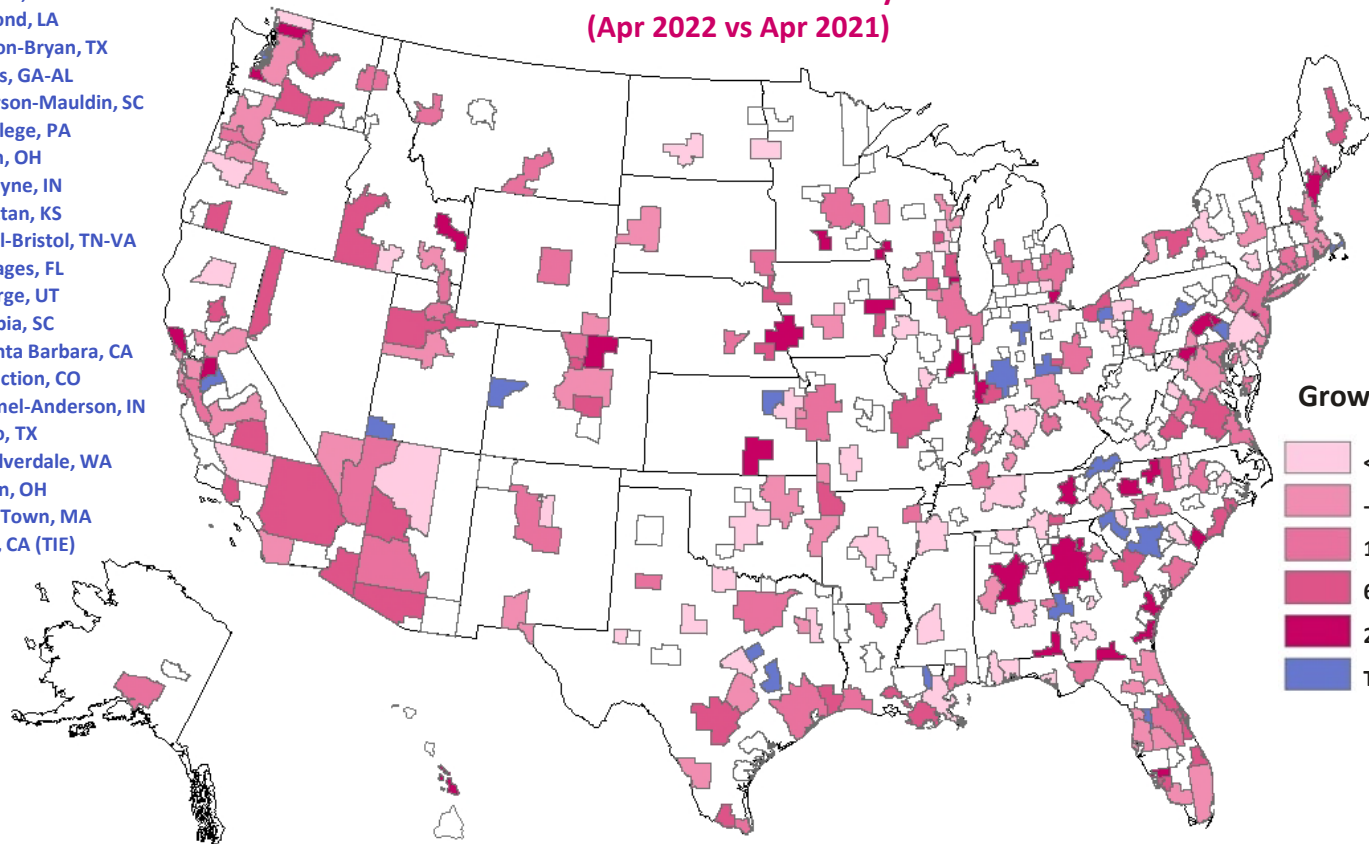
Source: U.S. Census Bureau (BOC).



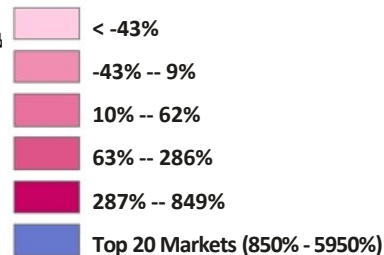
Top 20 Markets for Multifamily Permits Growth

YTD Growth Rate in Multifamily Permits
(Apr 2022 vs Apr 2021)

Lancaster, PA
Hammond, LA
College Station-Bryan, TX
Columbus, GA-AL
Greenville-Anderson-Mauldin, SC
State College, PA
Akron, OH
Fort Wayne, IN
Manhattan, KS
Kingsport-Bristol-Bristol, TN-VA
The Villages, FL
St. George, UT
Columbia, SC
Santa Maria-Santa Barbara, CA
Grand Junction, CO
Indianapolis-Carmel-Anderson, IN
Waco, TX
Bremerton-Silverdale, WA
Dayton, OH
Barnstable Town, MA
Modesto, CA (TIE)



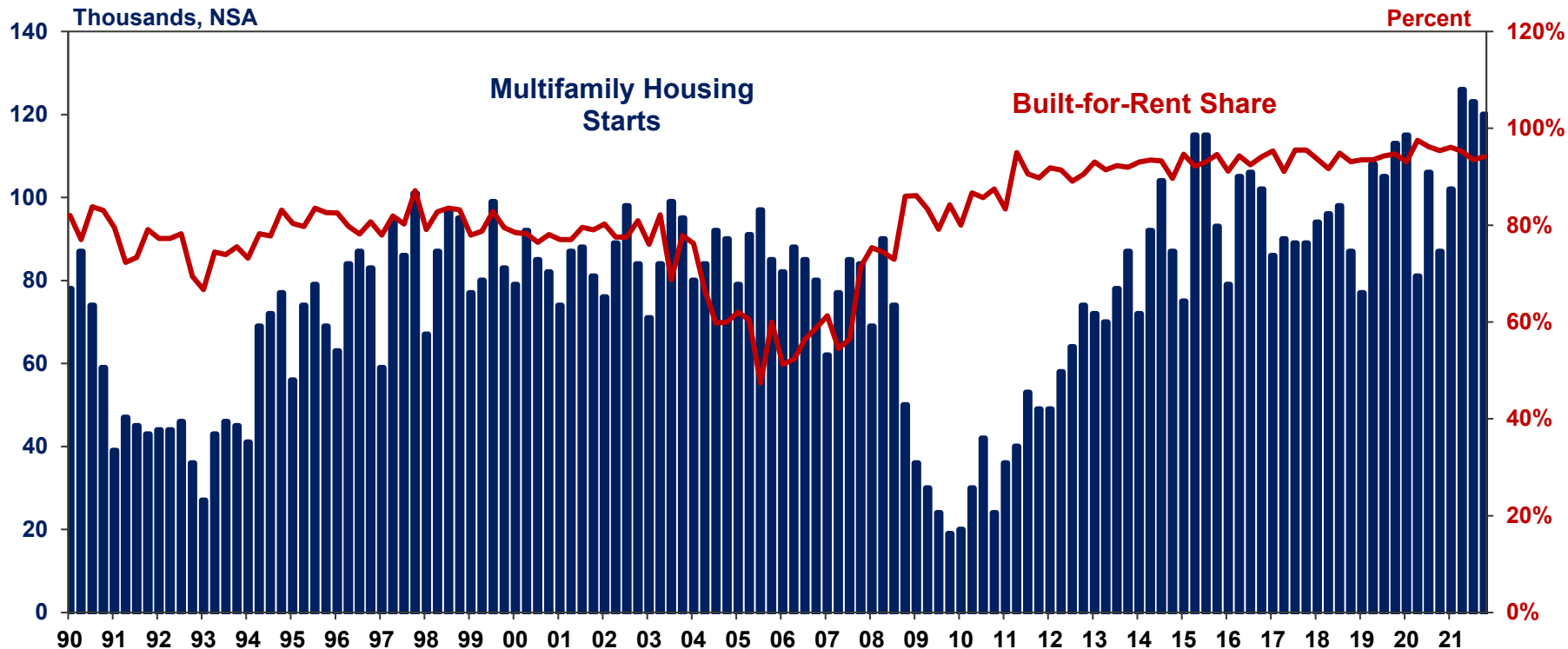
Growth Rate by Quintile



Source: U.S. Census Bureau (BOC)

Multifamily Construction

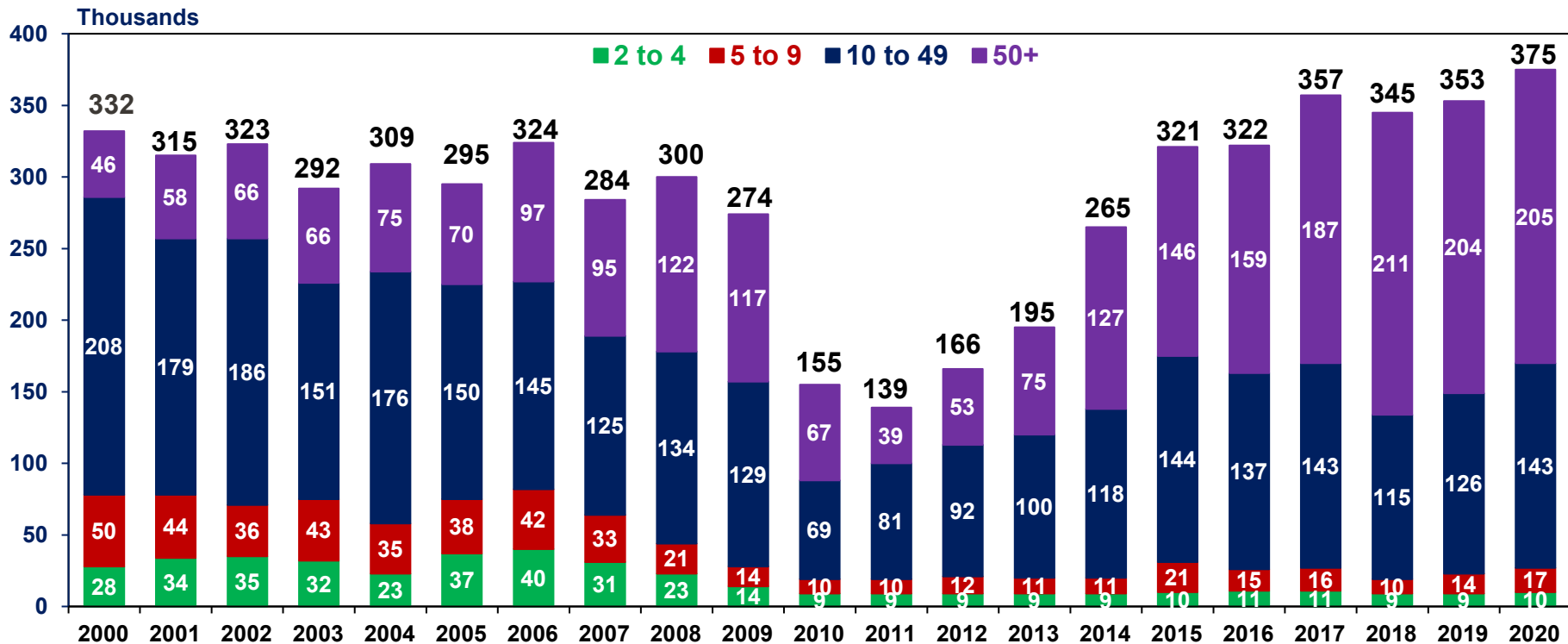
Rental production dominates



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

Multifamily Buildings Completed By Units

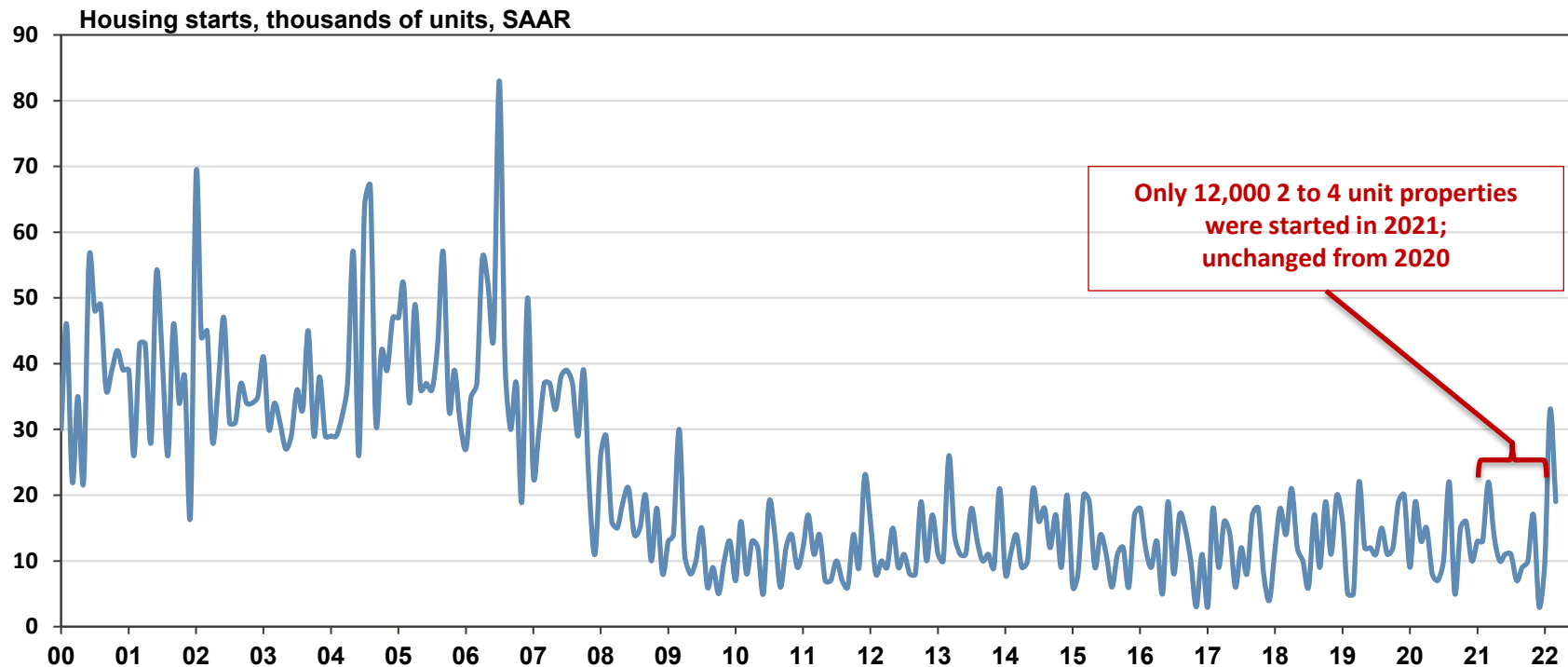
The share of 50+ unit property declined to 55% in 2020



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

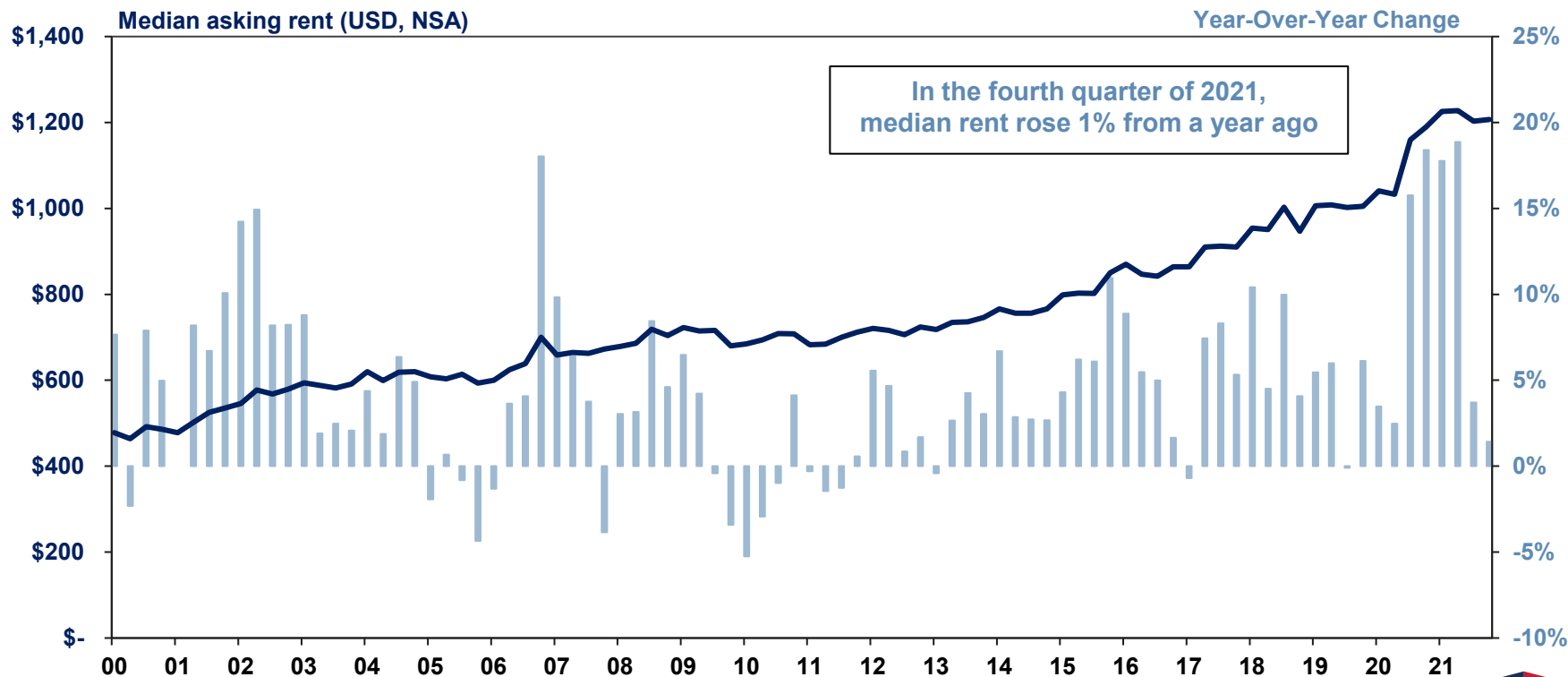
Multifamily Missing Middle

2- to 4- unit production disappointed in 2021



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

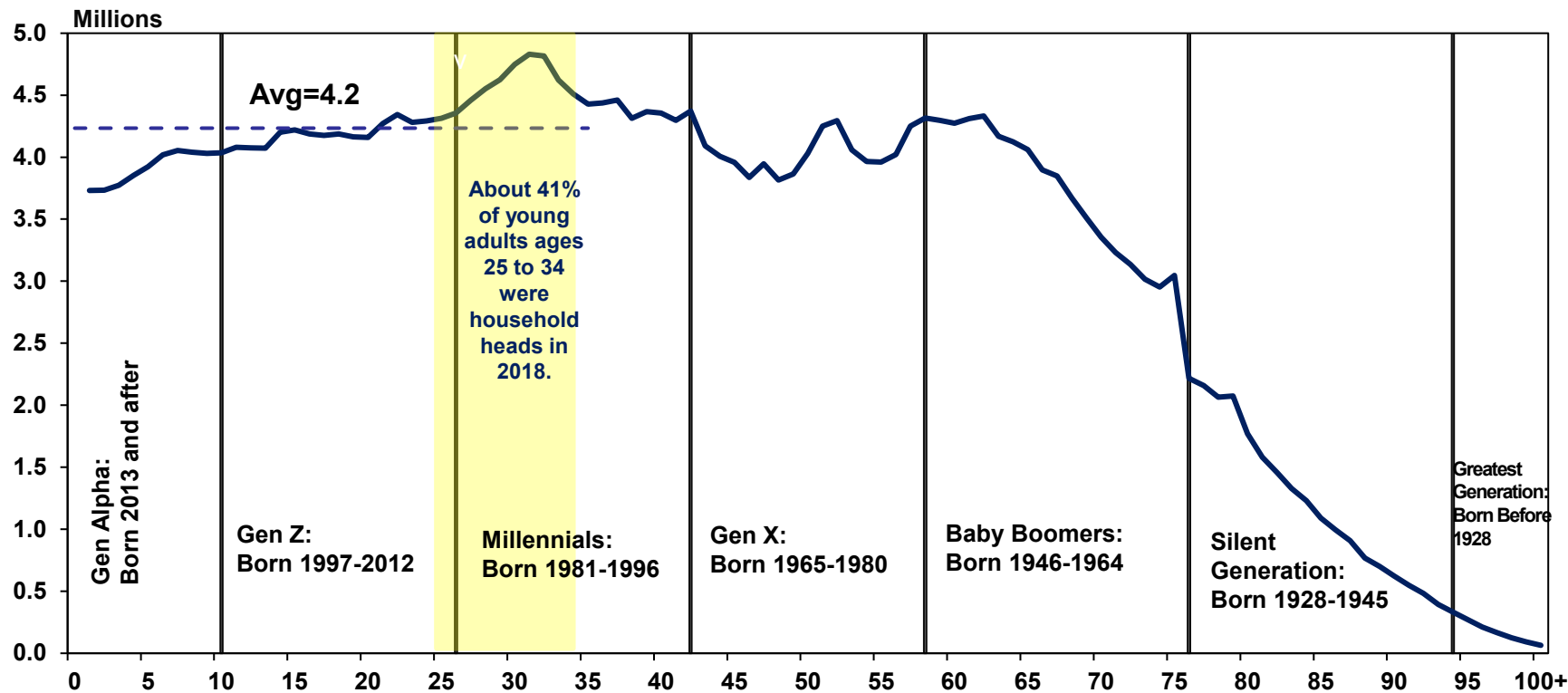
Rent Growth Slowing



Source: U.S. Census Bureau (BOC): Housing Vacancy Survey

Rising Population Entering Housing Demand Years: 2022

Gen X the majority of new construction home buyers



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

Thank you

Questions?

dnanayakkara@nahb.org



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Home Mortgage

eyeonhousing.org
housingeconomics.com