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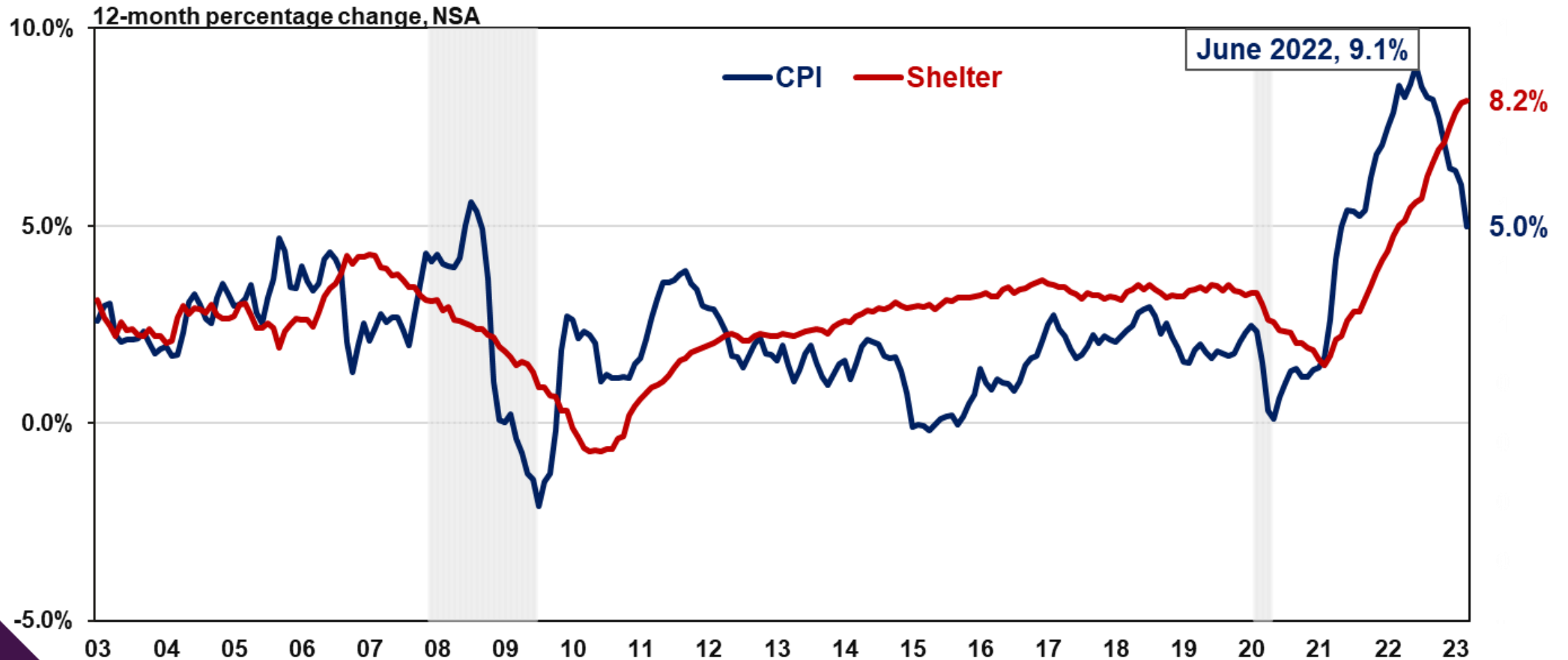
Home Building Turning Point in View

NAR Residential Economic Issues and Trends Forum
May 9, 2023

Robert Dietz, Ph.D.
NAHB Chief Economist

Home Building Turning Point in View

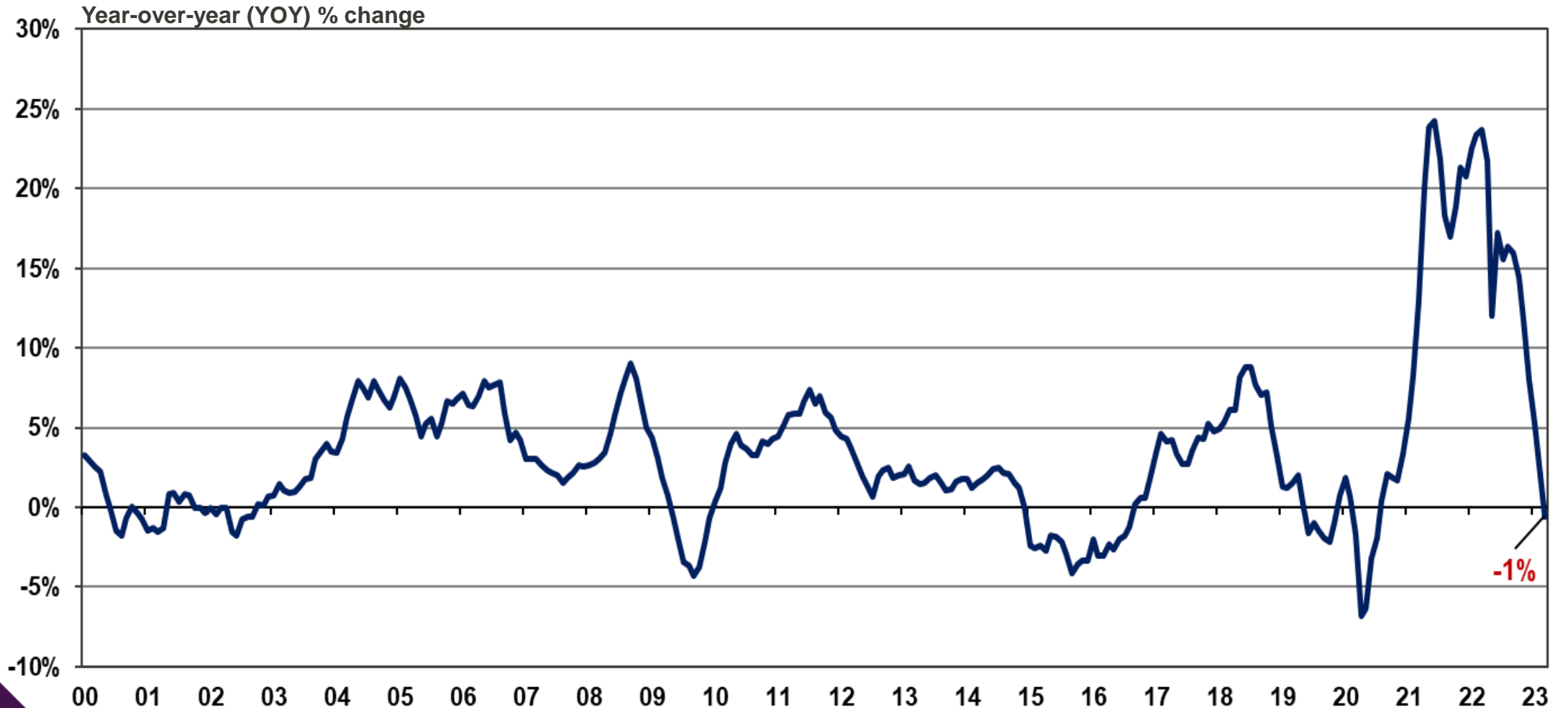
Shelter costs continue to rise despite Fed policy tightening --- "Gimmie Shelter"



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

Supply-Side Factors

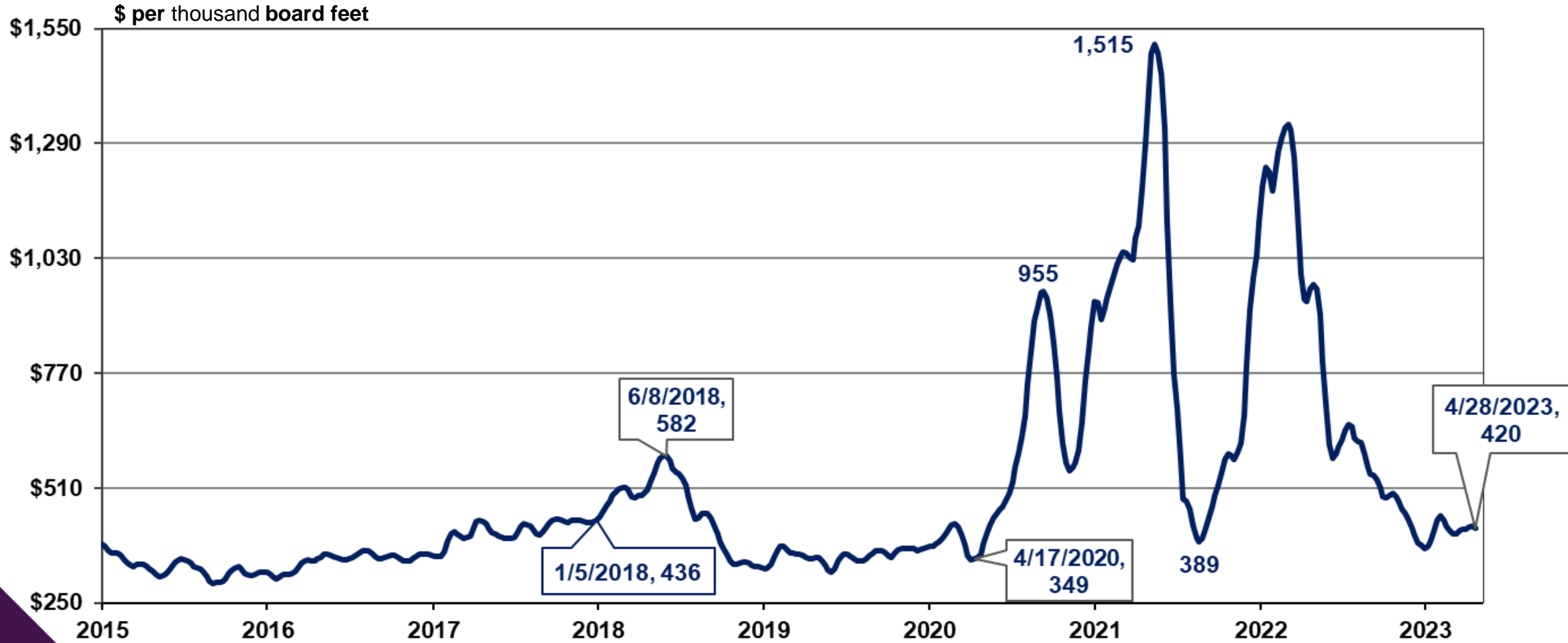
Building Materials - Residential Construction Cost



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

Lumber Prices Ticked Down

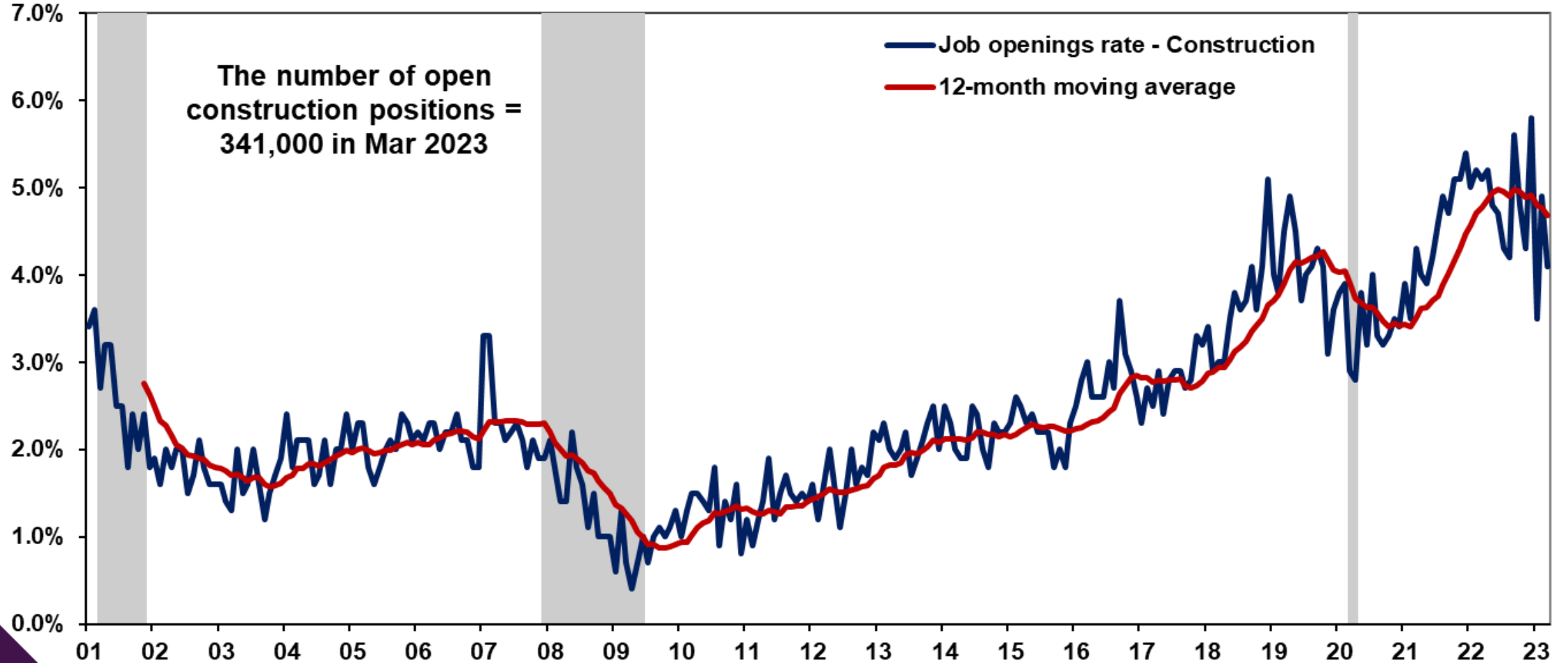
Current April price is \$420; down 1% in the past week



Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Peaked for Cycle?

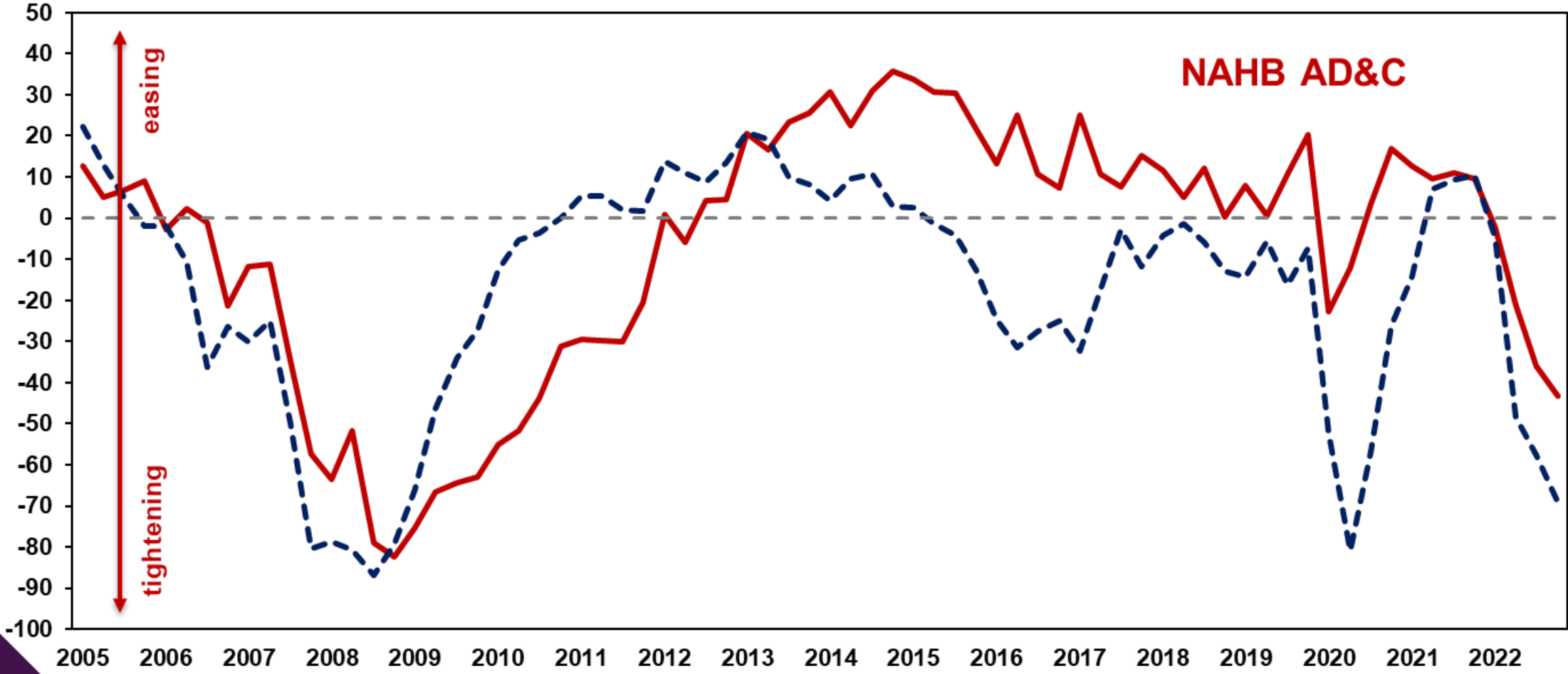
Skilled labor shortage persists; 301,000 net gain for residential construction since Jan 2020



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

Lending – AD&C Loan Conditions

Credit for builders tightens as rates climb



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

Regulatory Costs – The Inventory Challenger

For a typical single-family home, regulatory costs make up 24% of purchase price

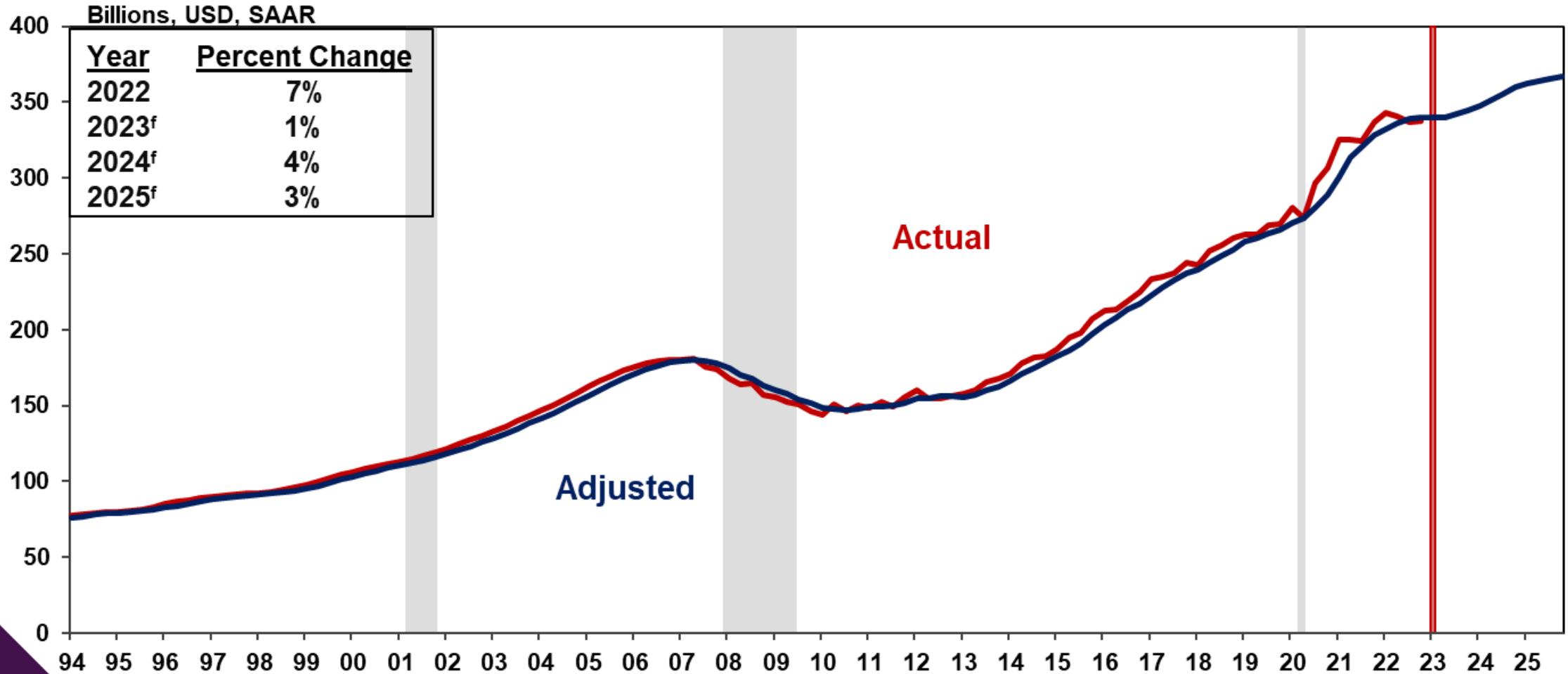


Source: NAHB survey and analysis

Construction Outlook

Residential Remodeling

Remodeling growth is expected to soften as housing demand is weakening

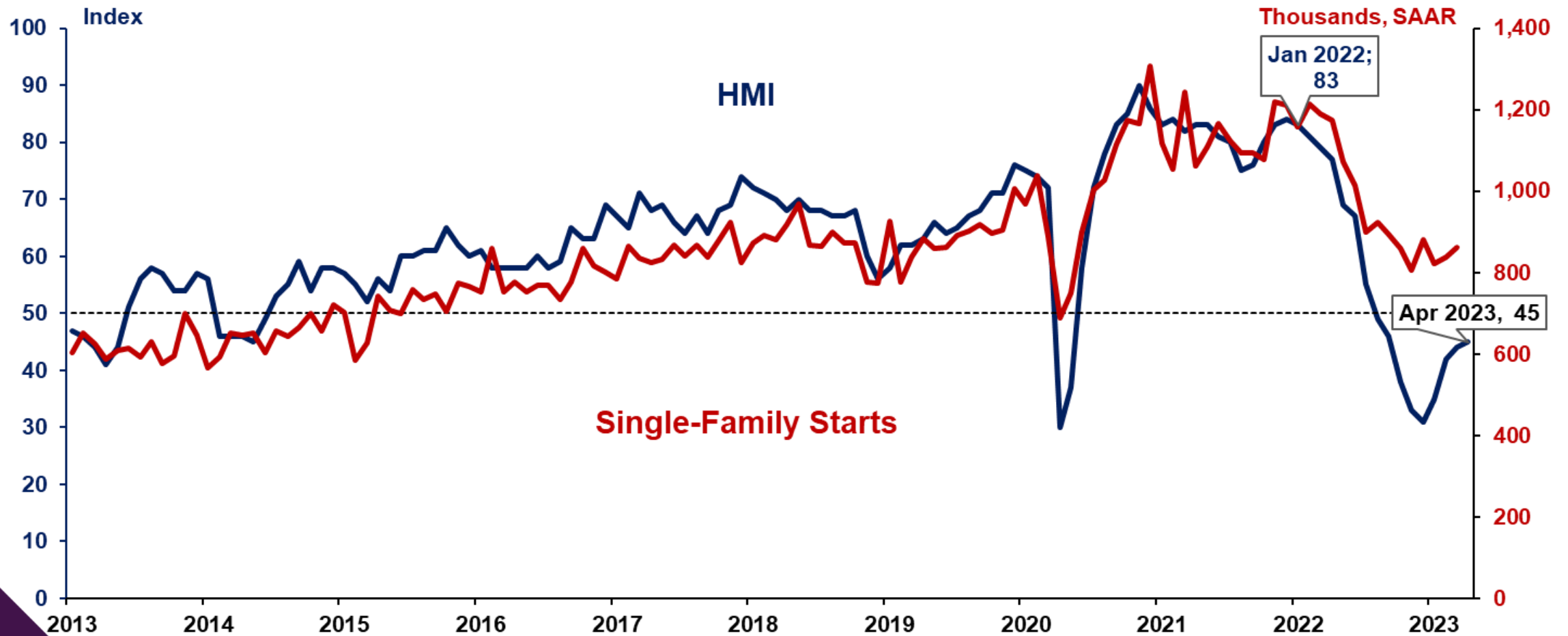


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

NAHB/Wells Fargo Housing Market Index (HMI)

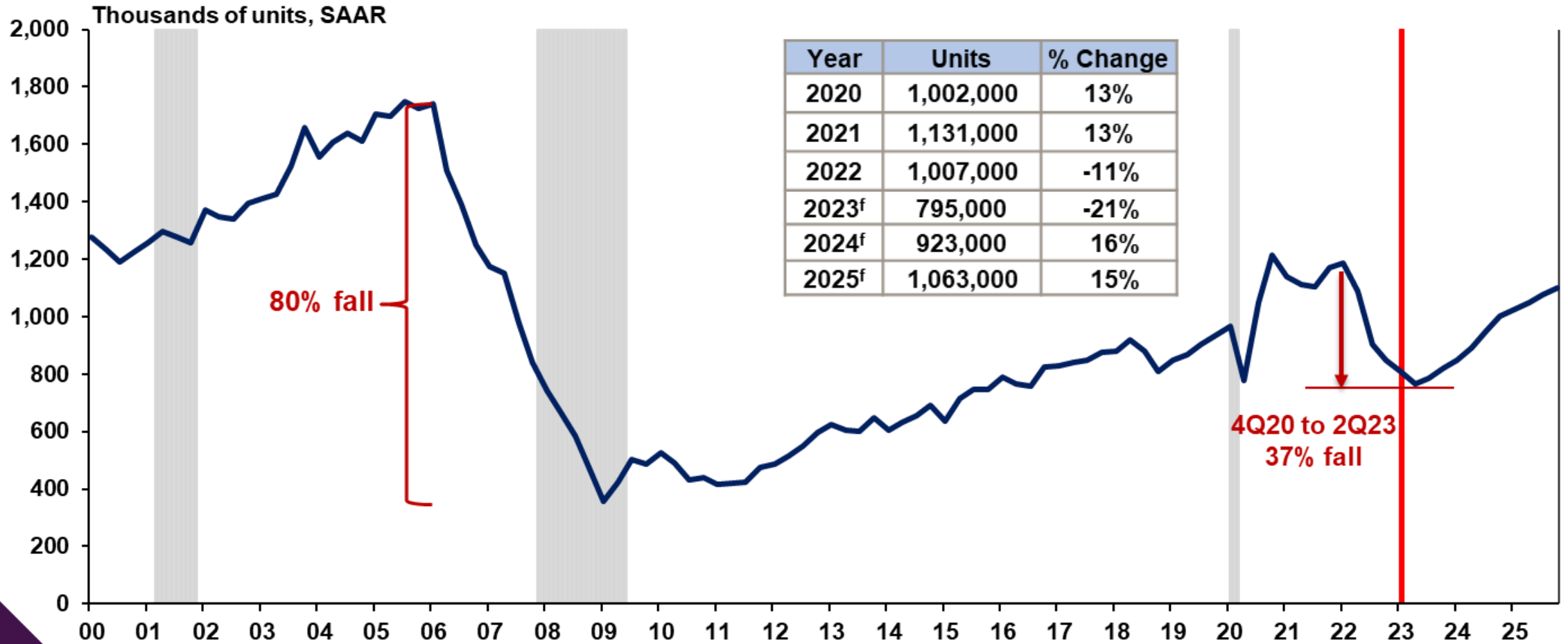
Builders remained cautiously optimistic in April



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Single-Family Starts

Construction to increase in the quarters ahead



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

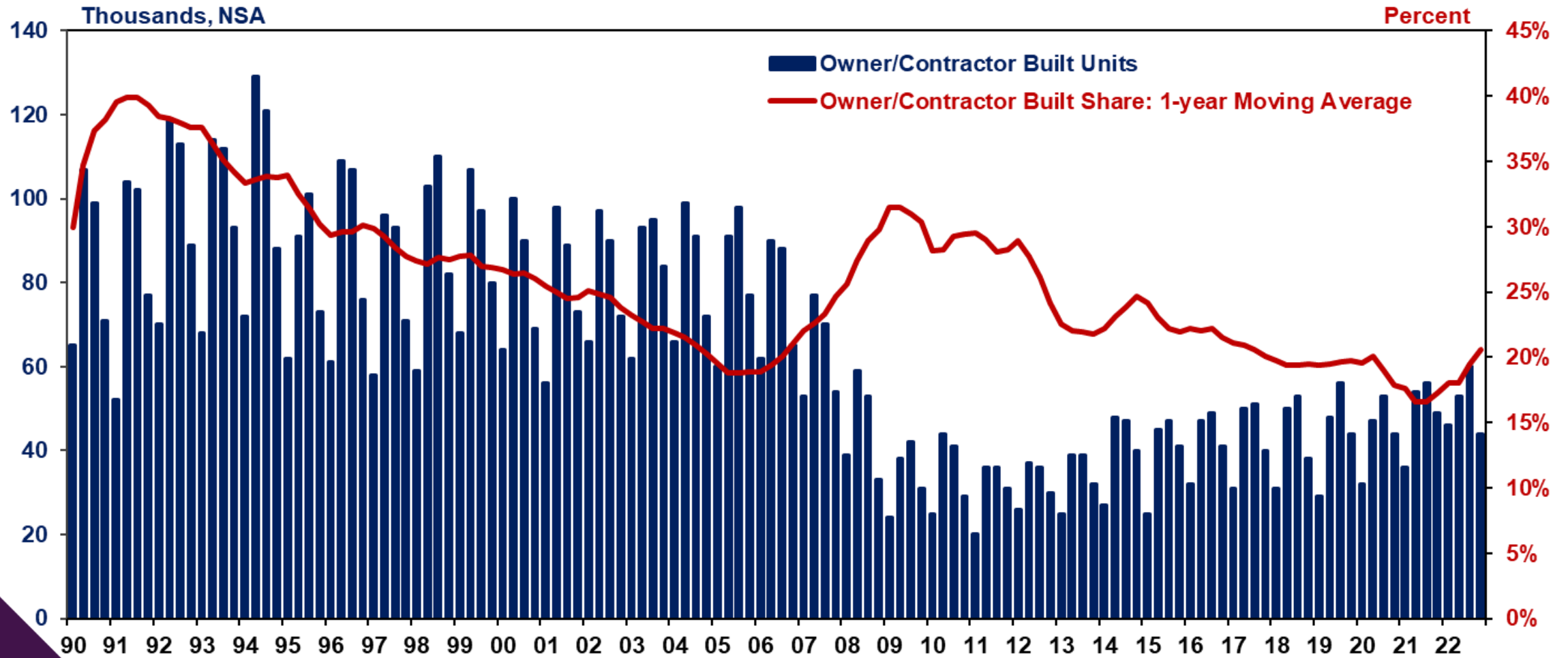
Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	December 2022 (# of units YTD, NSA)	YTD % Change (compared to Dec 2021)
Houston-The Woodlands-Sugar Land, TX	47,633	-9%
Dallas-Fort Worth-Arlington, TX	43,574	-13%
Phoenix-Mesa-Scottsdale, AZ	26,828	-24%
Atlanta-Sandy Springs-Roswell, GA	26,382	-17%
Austin-Round Rock, TX	21,358	-13%
Charlotte-Concord-Gastonia, NC-SC	18,932	0%
Orlando-Kissimmee-Sanford, FL	16,194	-9%
Tampa-St. Petersburg-Clearwater, FL	15,667	-19%
Nashville-Davidson-Murfreesboro-Franklin, TN	15,311	-6%
Jacksonville, FL	14,368	-13%

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

Custom Home Building Market

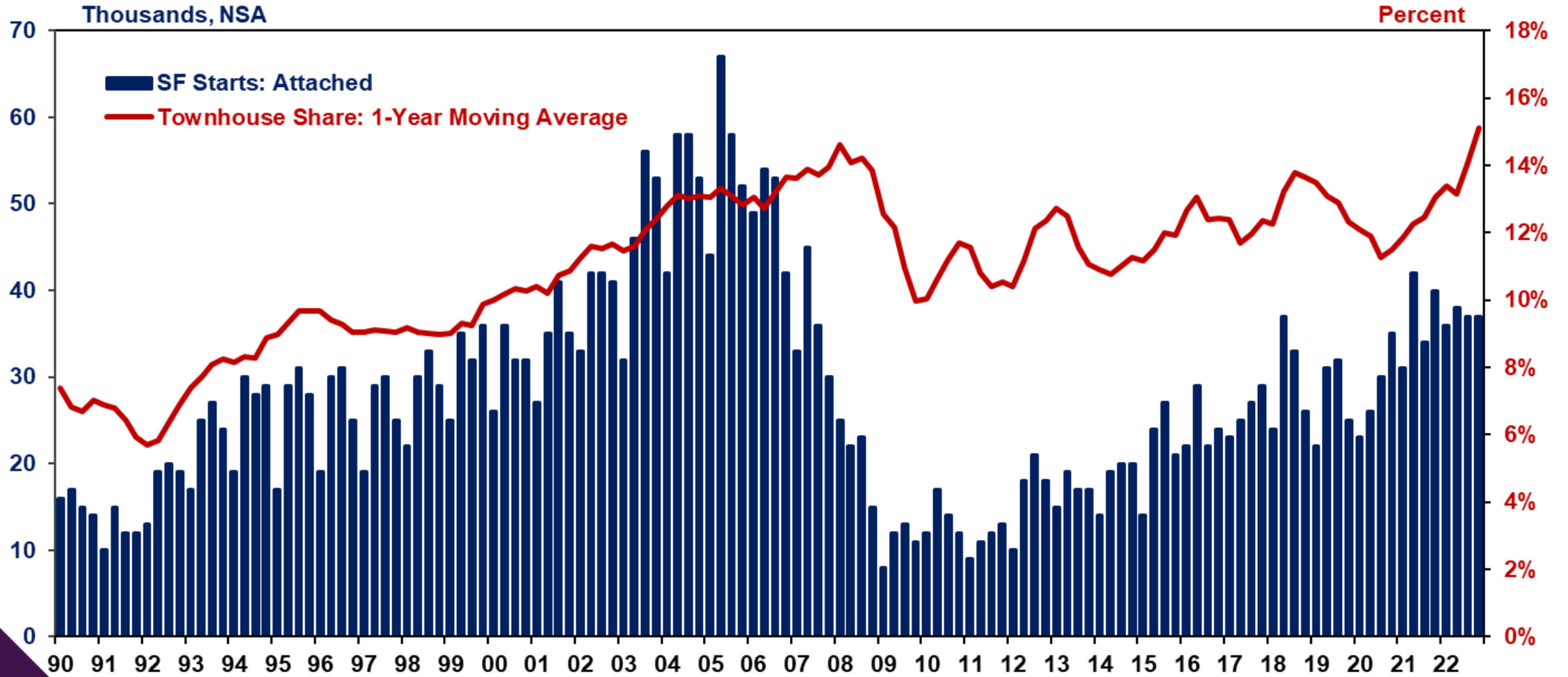
Solid gain in 2022



Source: U.S. Census Bureau (BOC)

Townhouse Market Share Reaches Multidecade High

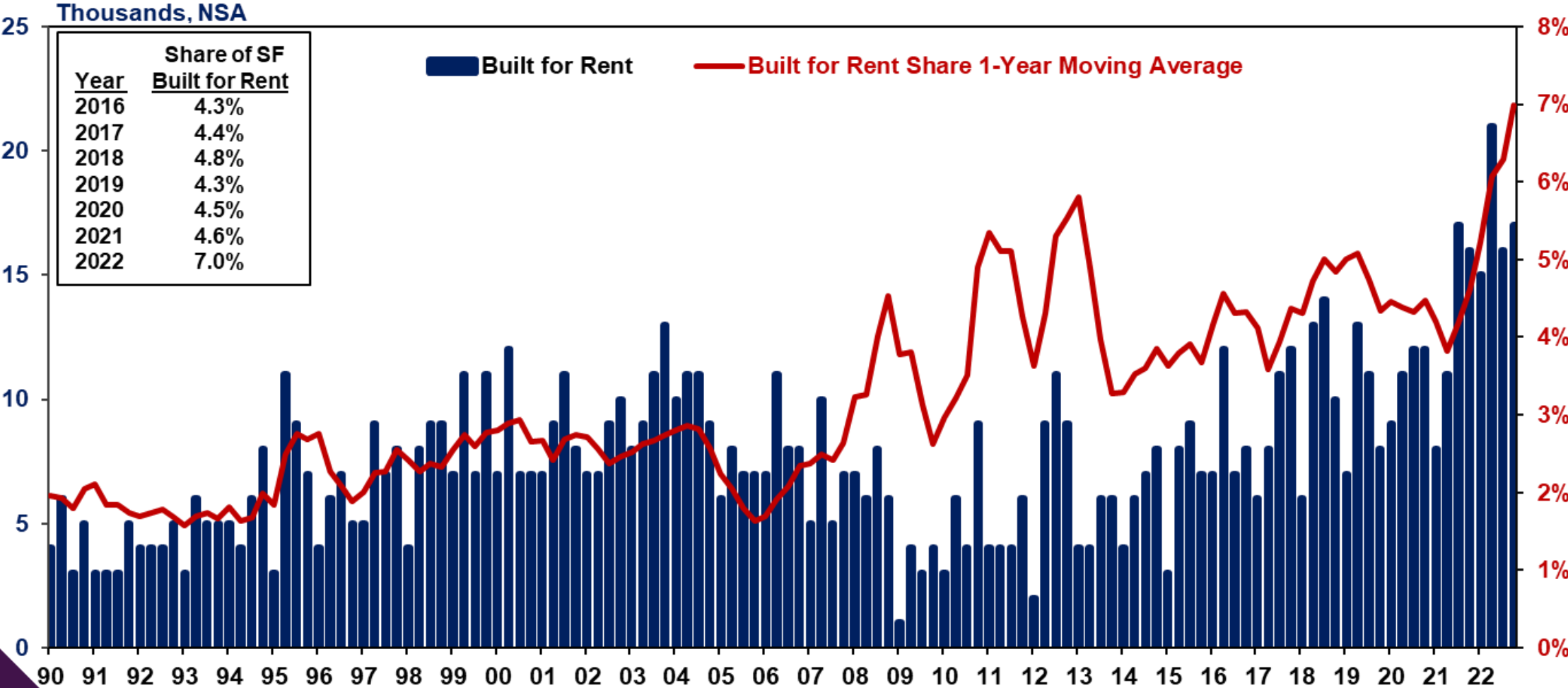
Sector will continue to gain share



Source: U.S. Census Bureau (BOC)

Single-Family Built-for-Rent Construction

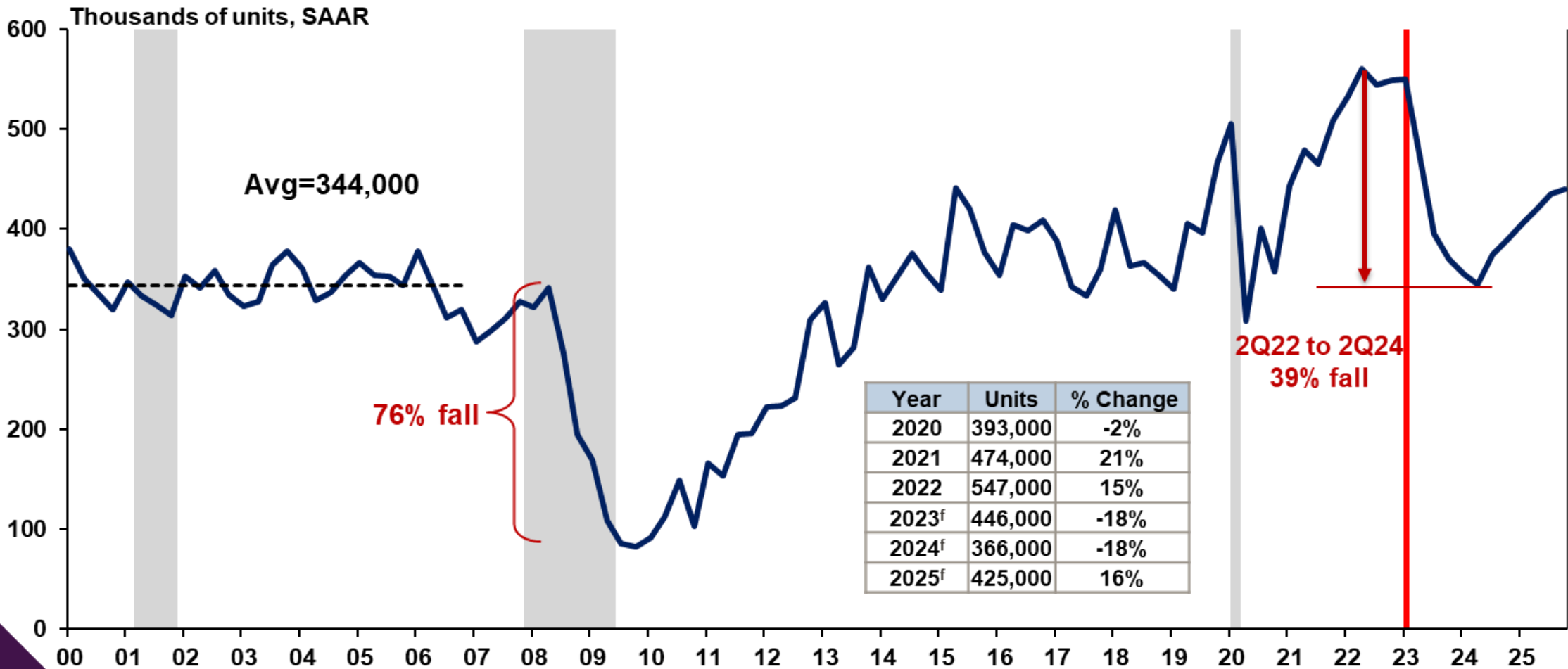
Is market cooling?



Source: U.S. Census Bureau (BOC)

Multifamily Construction Growing?

Multifamily strong in 2022 and then weakening



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

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*

Thank you

Questions?

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