

# Housing and Economic Outlook

*Housing Innovation Marketplace  
Conference  
March 21st, 2017*

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NAHB Senior Economist*

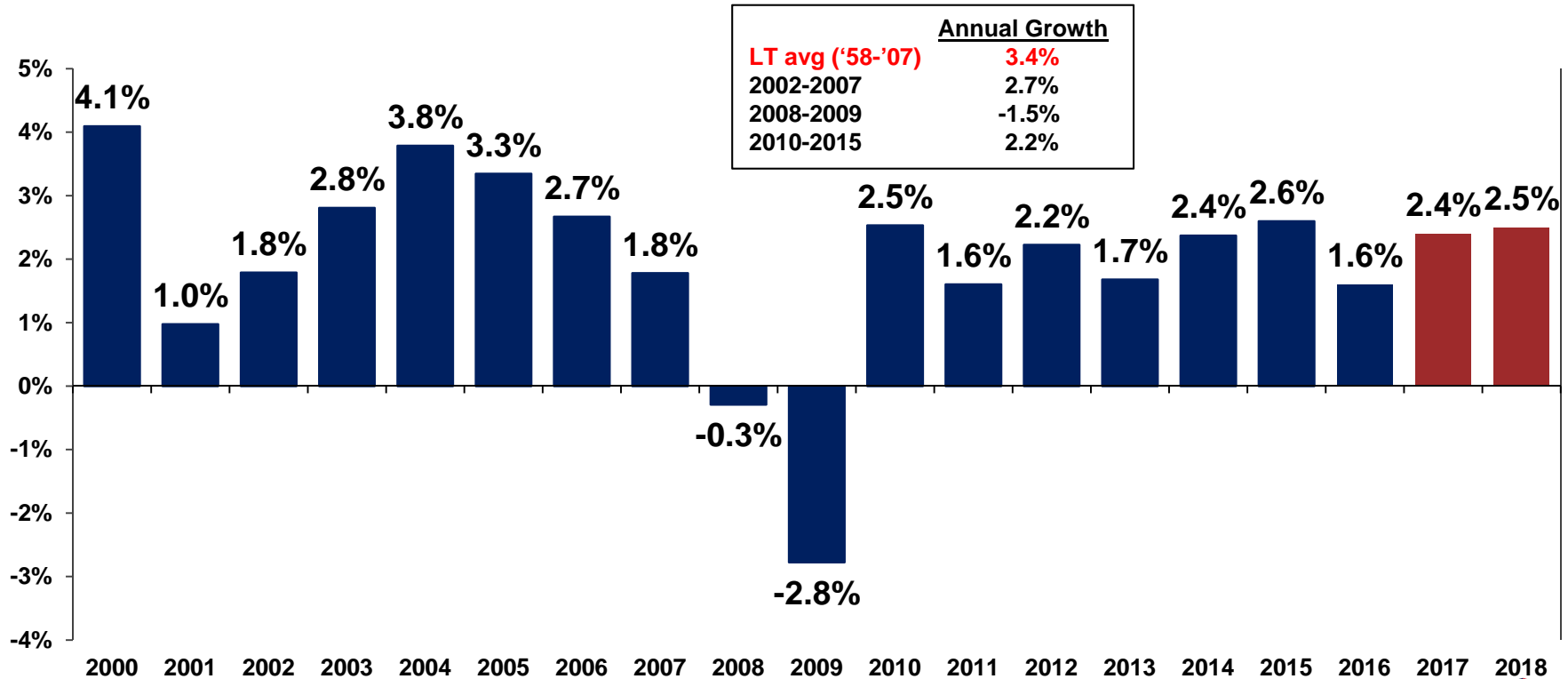




# MacroEconomic Overview

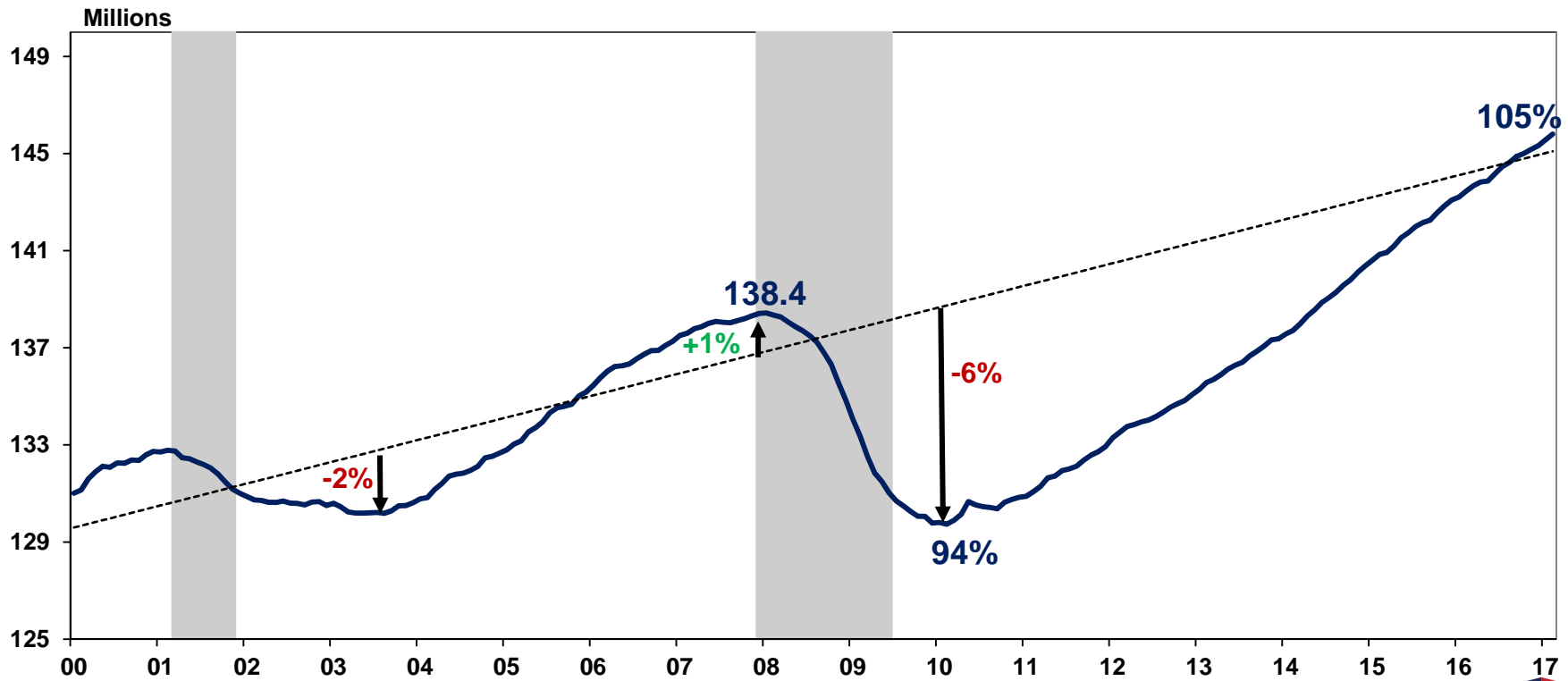
# GDP Growth: United States

*Growth accelerated in 2014 and 2015, but 2016 is the weakest year of the expansion*



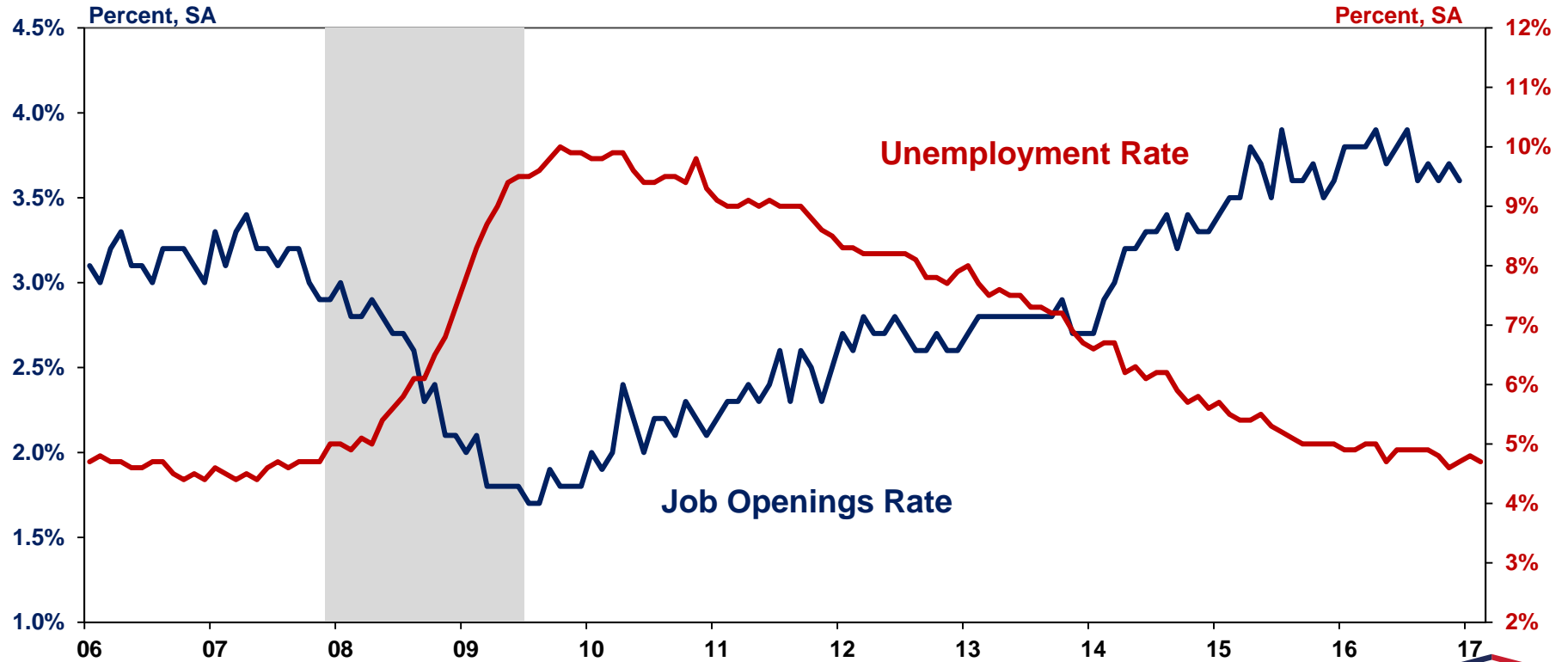
# US Payroll Employment

Adding jobs



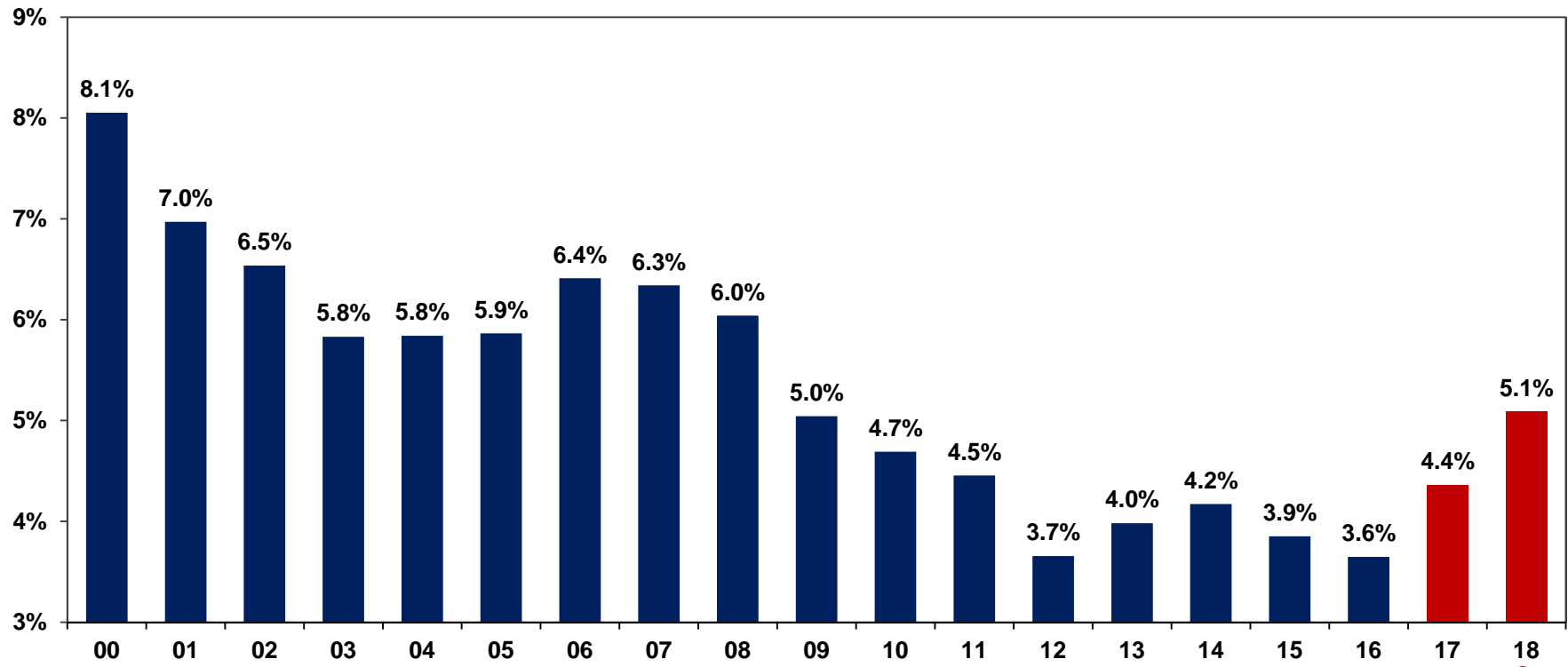
# Tight Labor Market

Rise of unfilled jobs



# Mortgage Rates are Rising

*Monetary policy expected to continue tightening*



## Fiscal Policies and Impacts

**Taxes receipts lower**

**Spending higher**

**Deficit larger**

**Higher GDP in short-run  
(stronger dollar offsets,  
lowering exports)**

**Full employment implies higher  
interest rates, more inflation  
(long-term budget reform on hold)**

# Fiscal Policy is Different Now --- More Constrained

## Debt held by the public

1981:	25.1% of GDP
2001:	31.4% of GDP
2017:	76.6% of GDP

## Projected revenues (next 5 year average)

1981:	22.4% of GDP
2001:	20.4% of GDP
2017:	18.4% of GDP

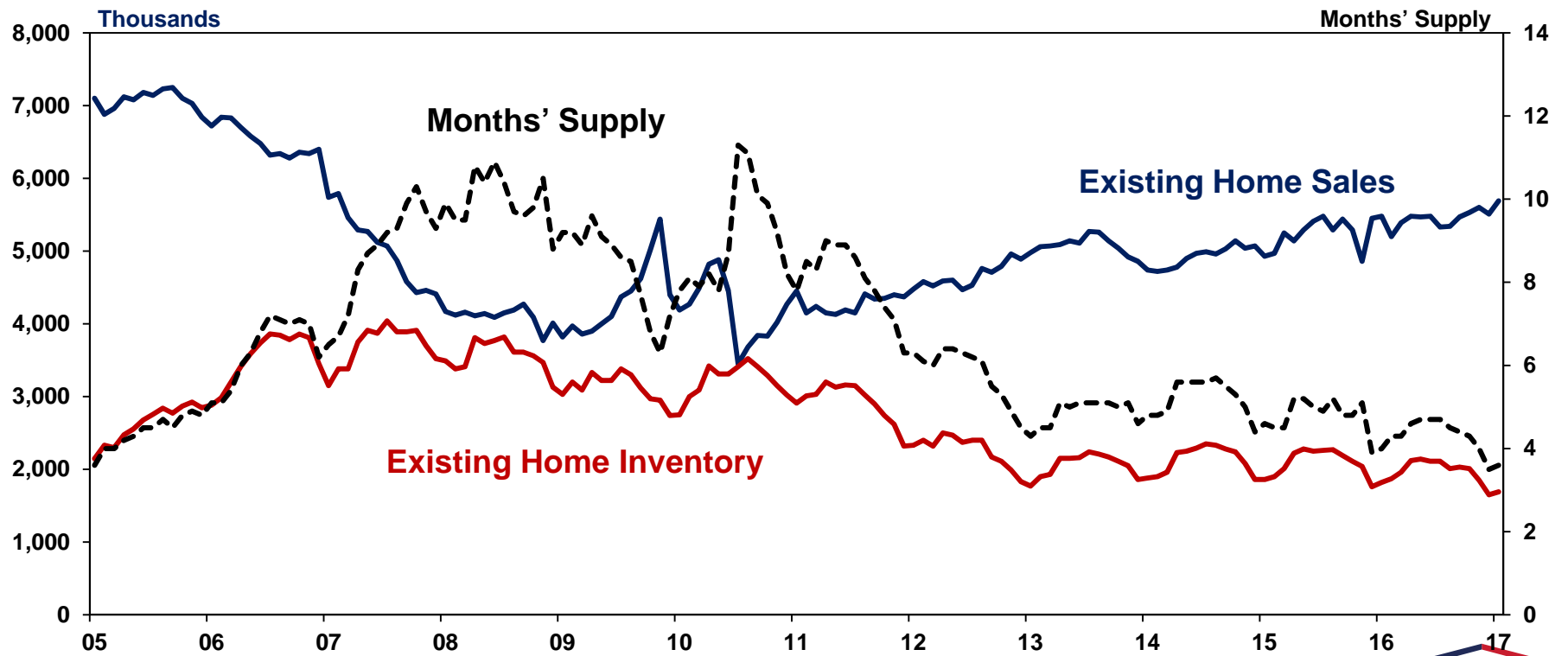




# Housing Market Overview

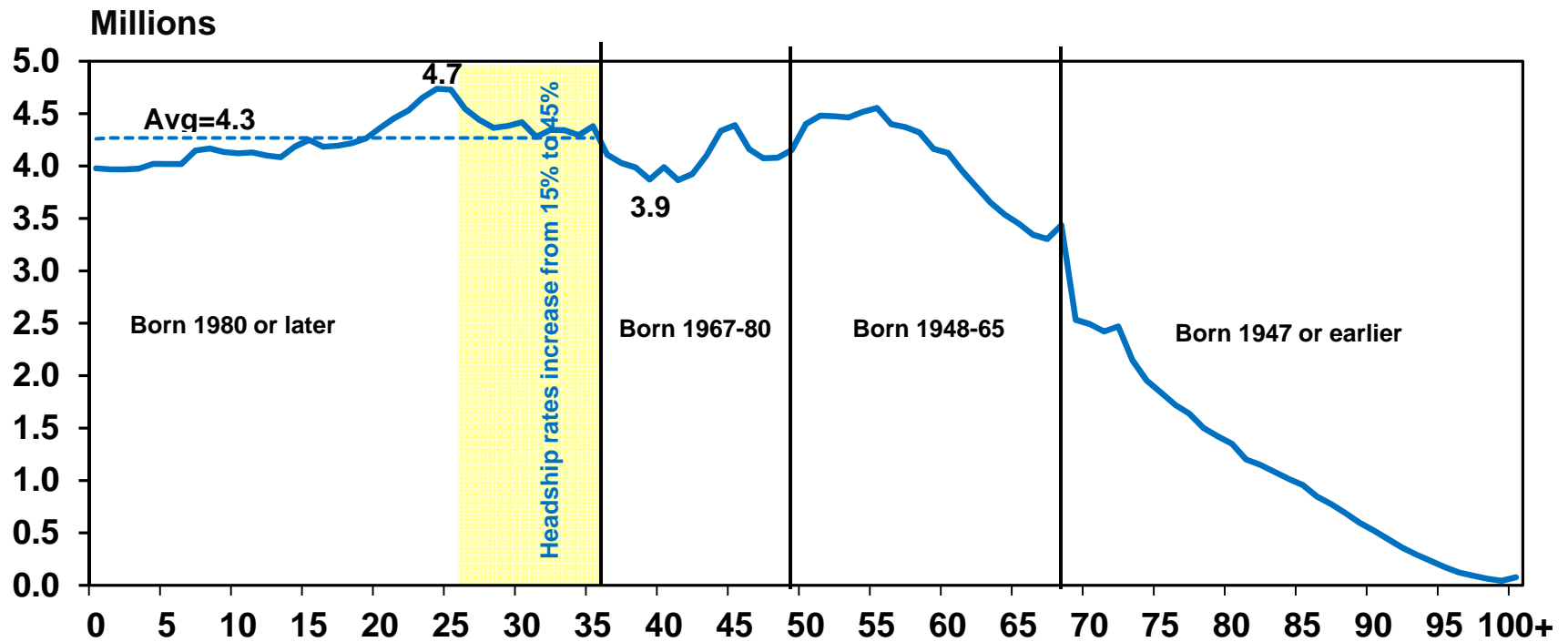
# Existing Home Sales

*Low inventory*



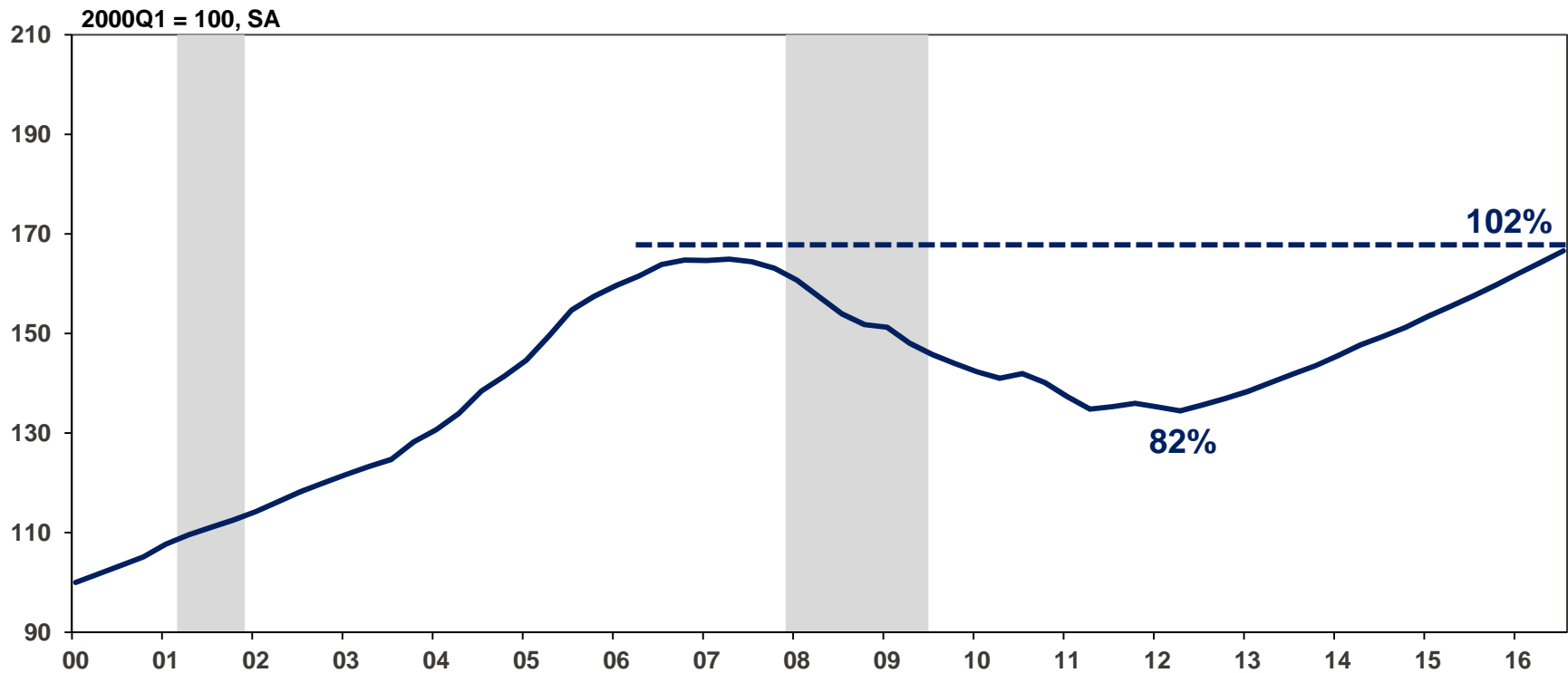
# Population

*Rising population entering housing demand years*



# Existing House Price Index

*House prices nationwide now exceed pre-recession peak*

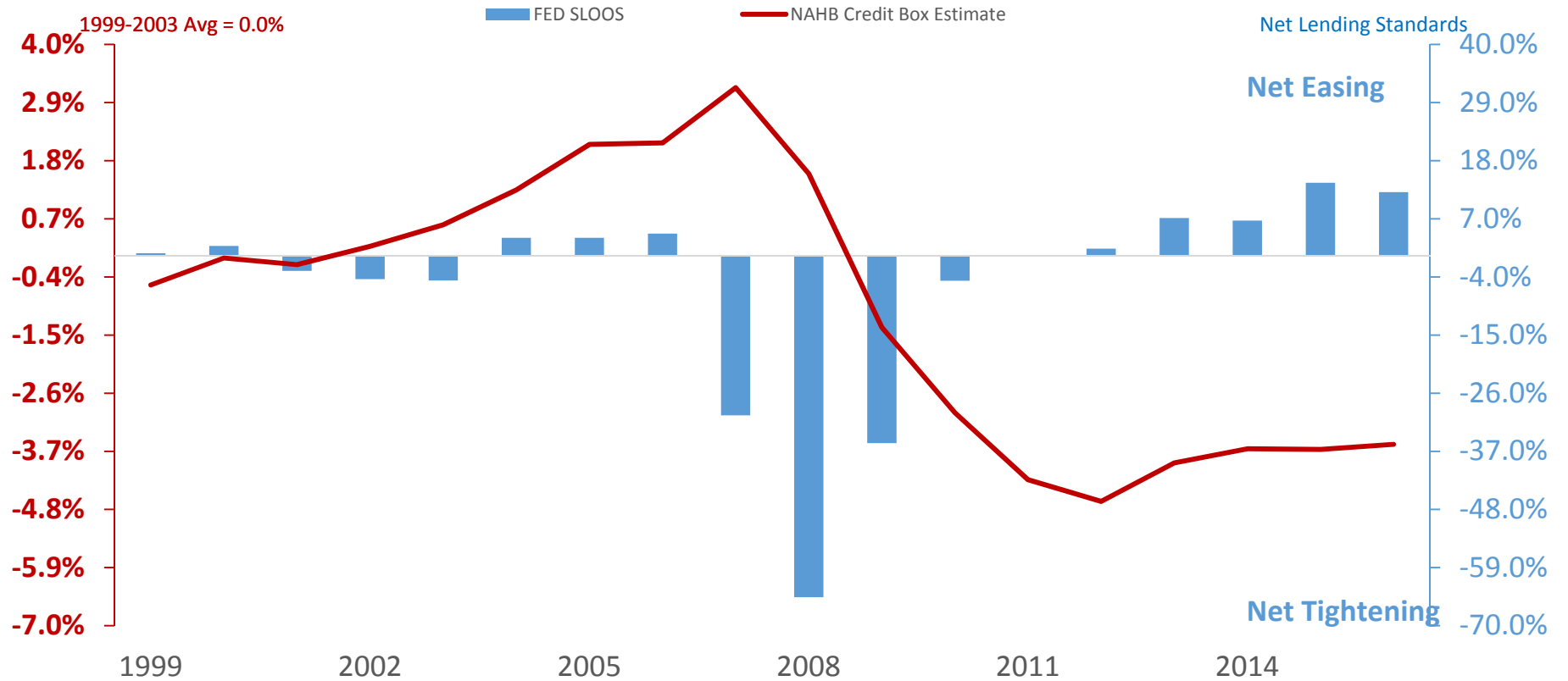




# Demand-Side Headwinds

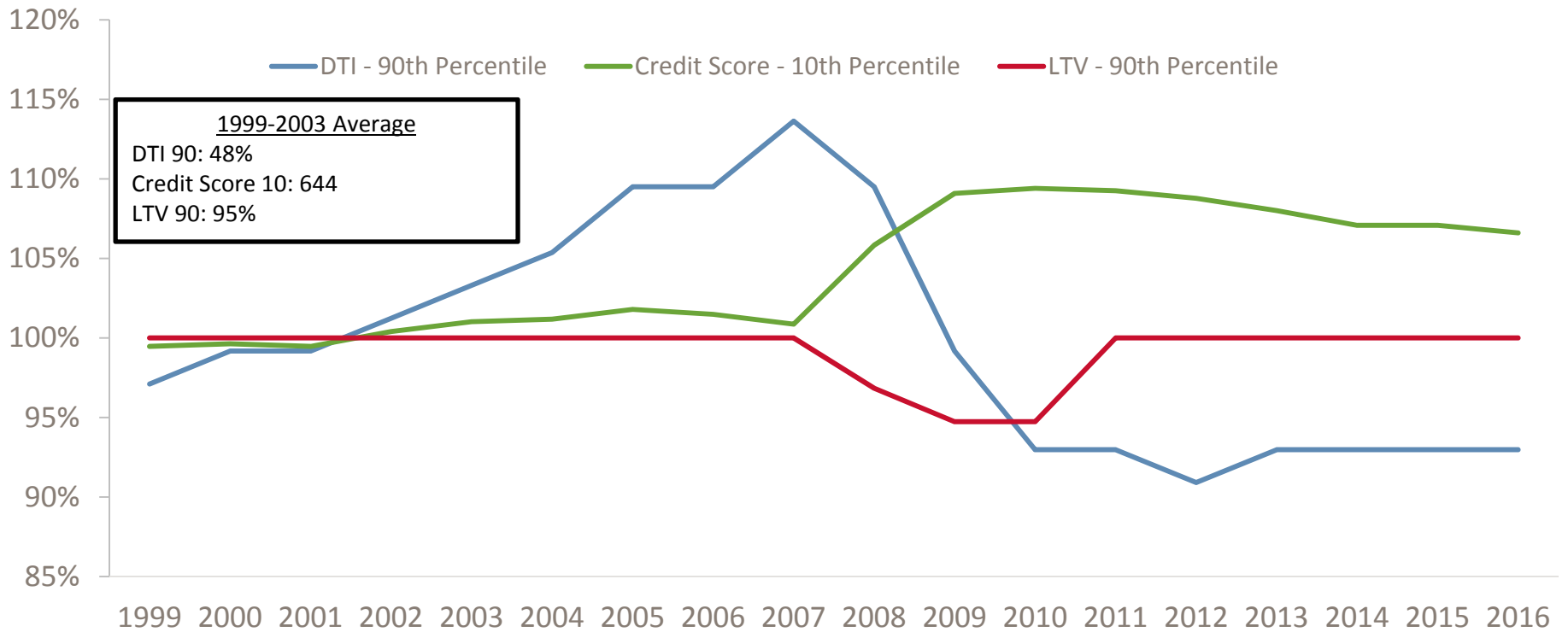
# Mortgage Lending Standards

*Standards are easing, but remain tight overall*



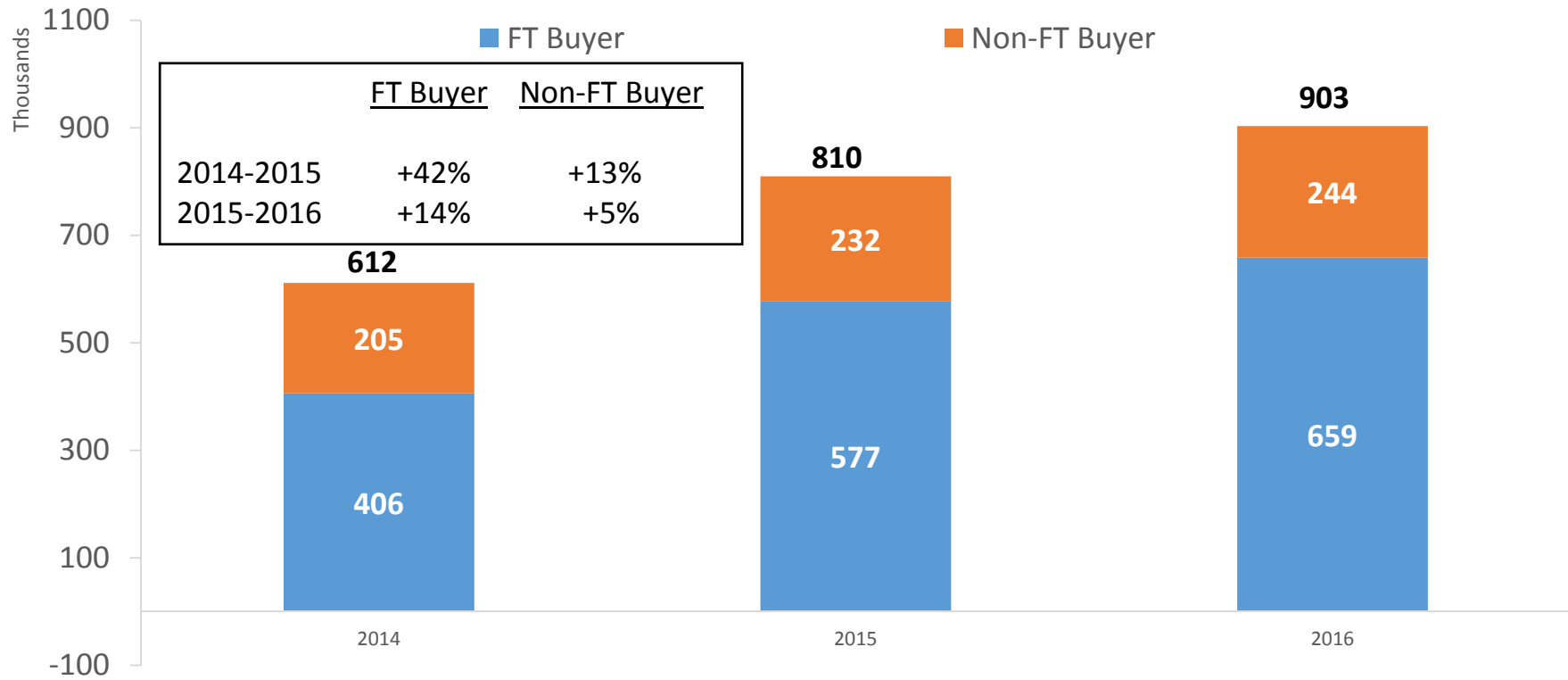
# Mortgage Lending Standards

*Credit Scores remain tight*



# FHA Purchase Mortgages

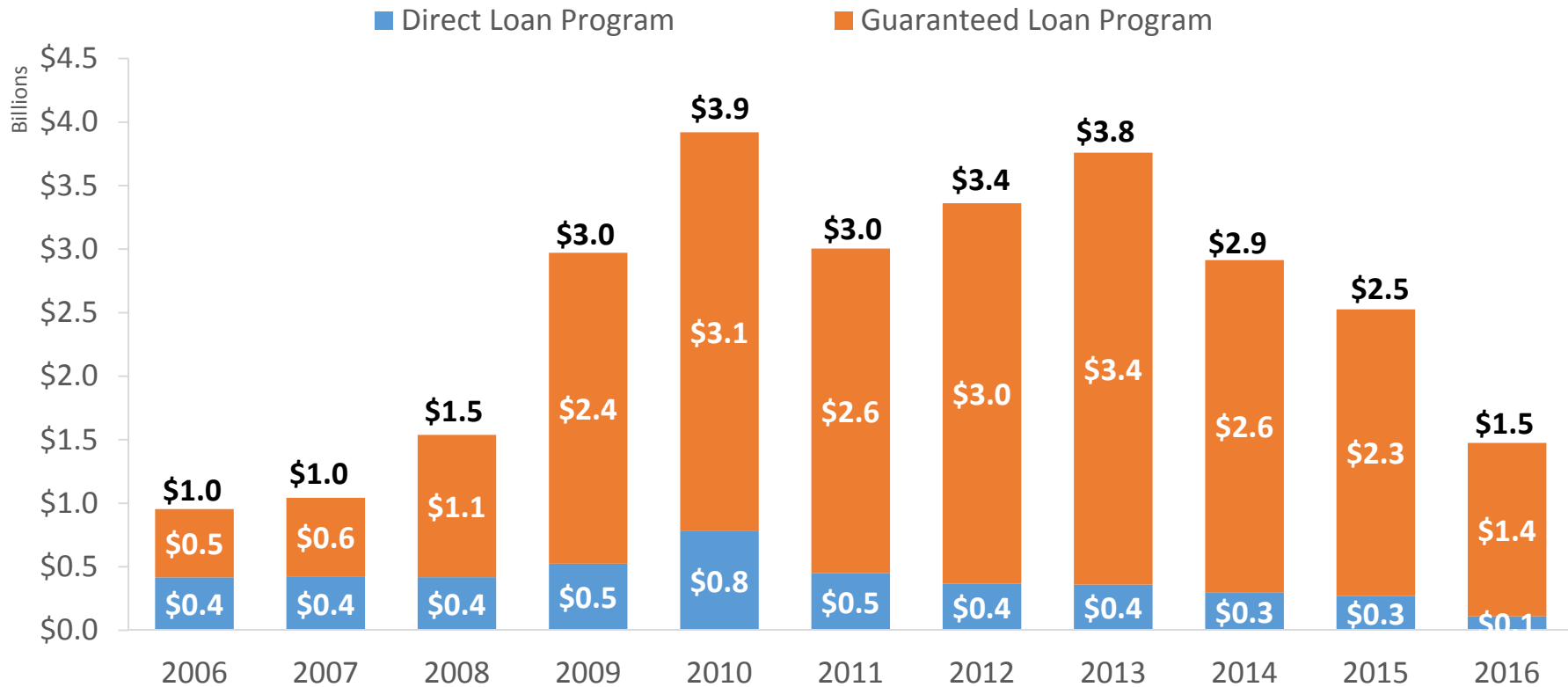
*With conventional loans tight, MIP cut may lower first-time home buyers*





# RHS Mortgages for New Construction

*Obligations for Section 502 mortgages are declining*



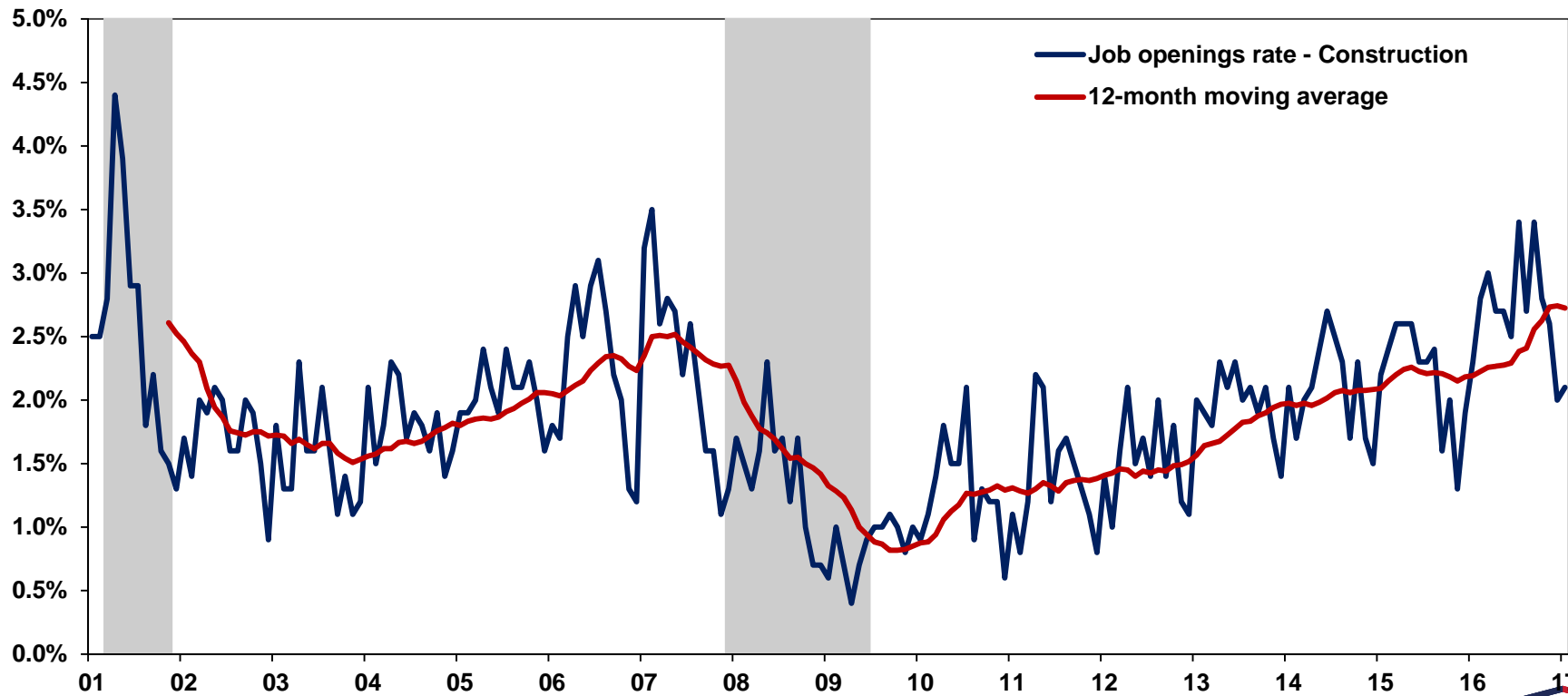
Source: Author's calculations from data provided by the Department of Agriculture. Data covers new construction only.



# Supply-Side Headwinds

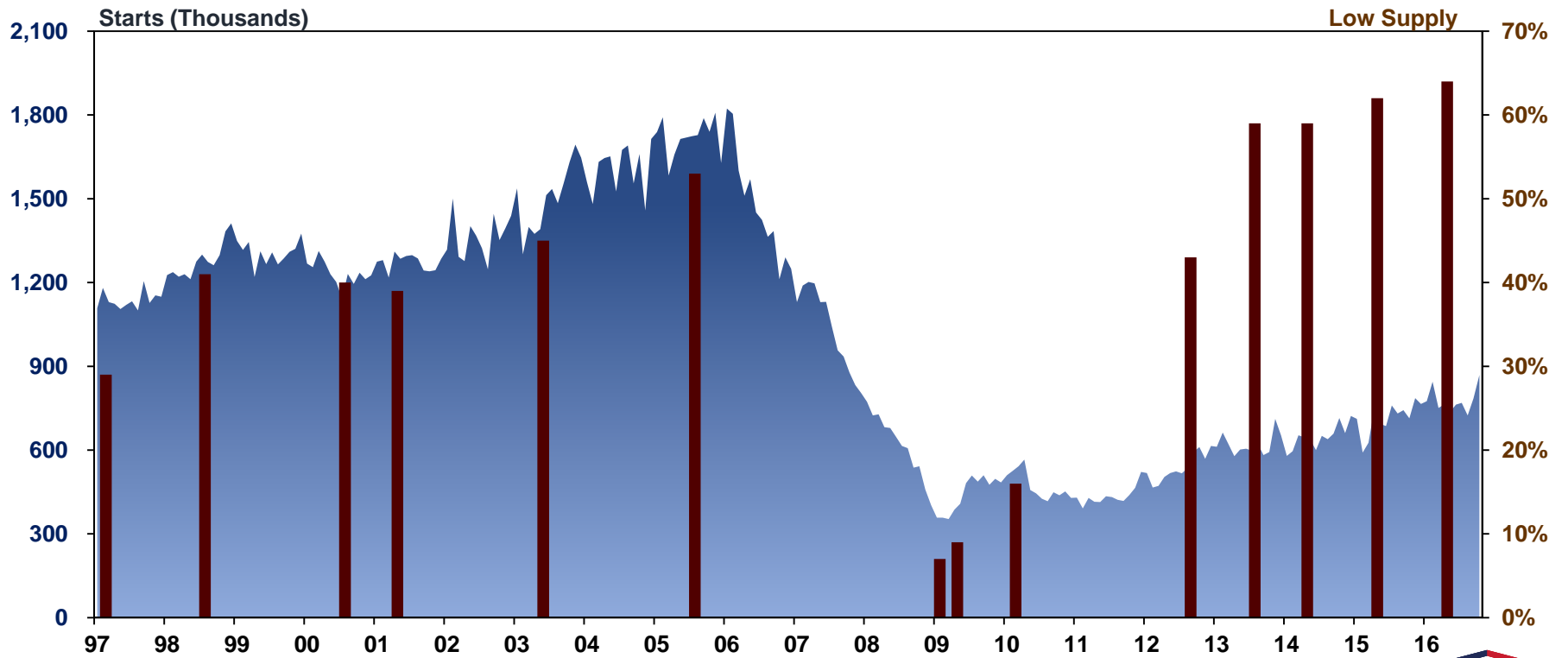
# Labor

*Unfilled construction jobs rising*



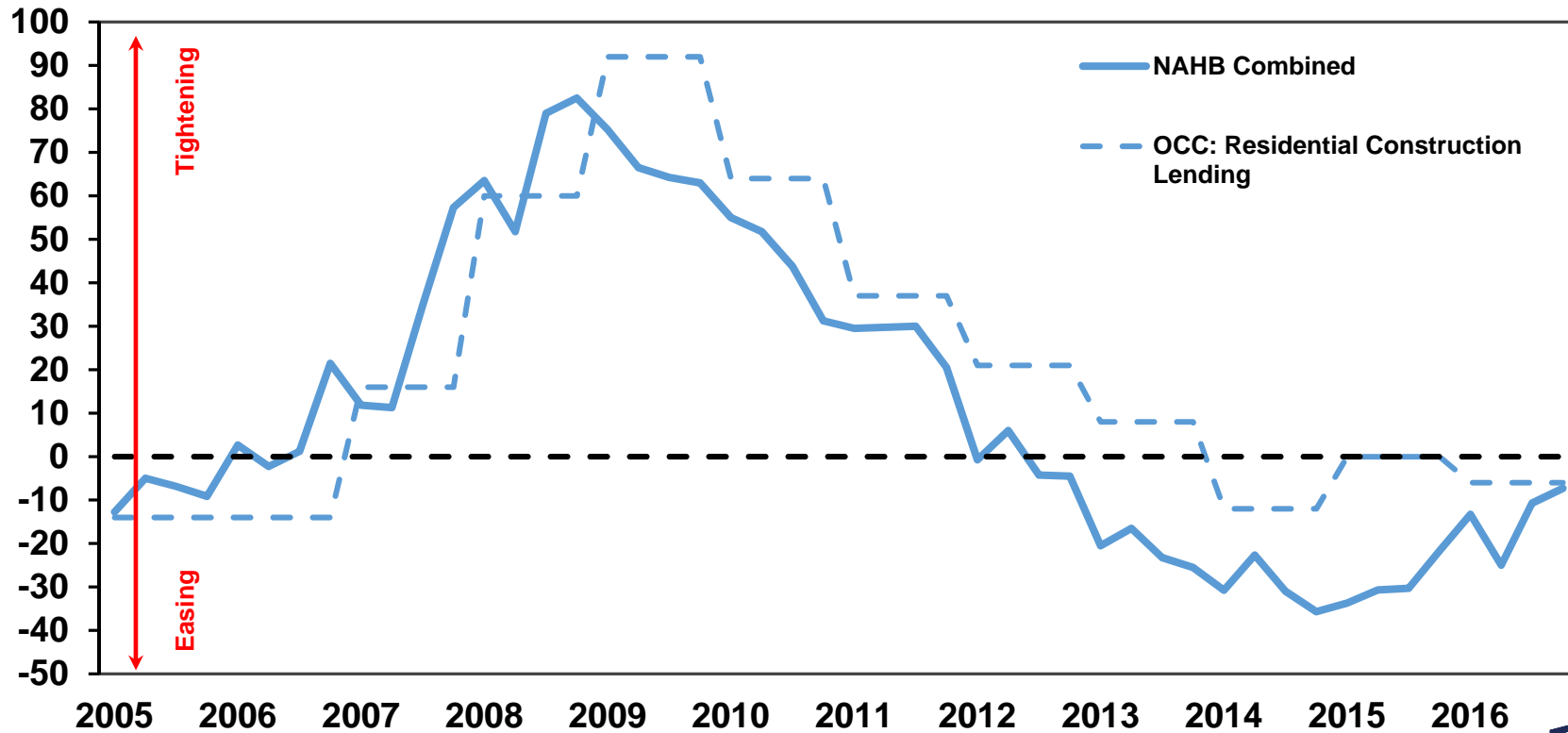
# Lots

*Housing Starts (Area) and Low/Very Low Lot Supply (bars)*



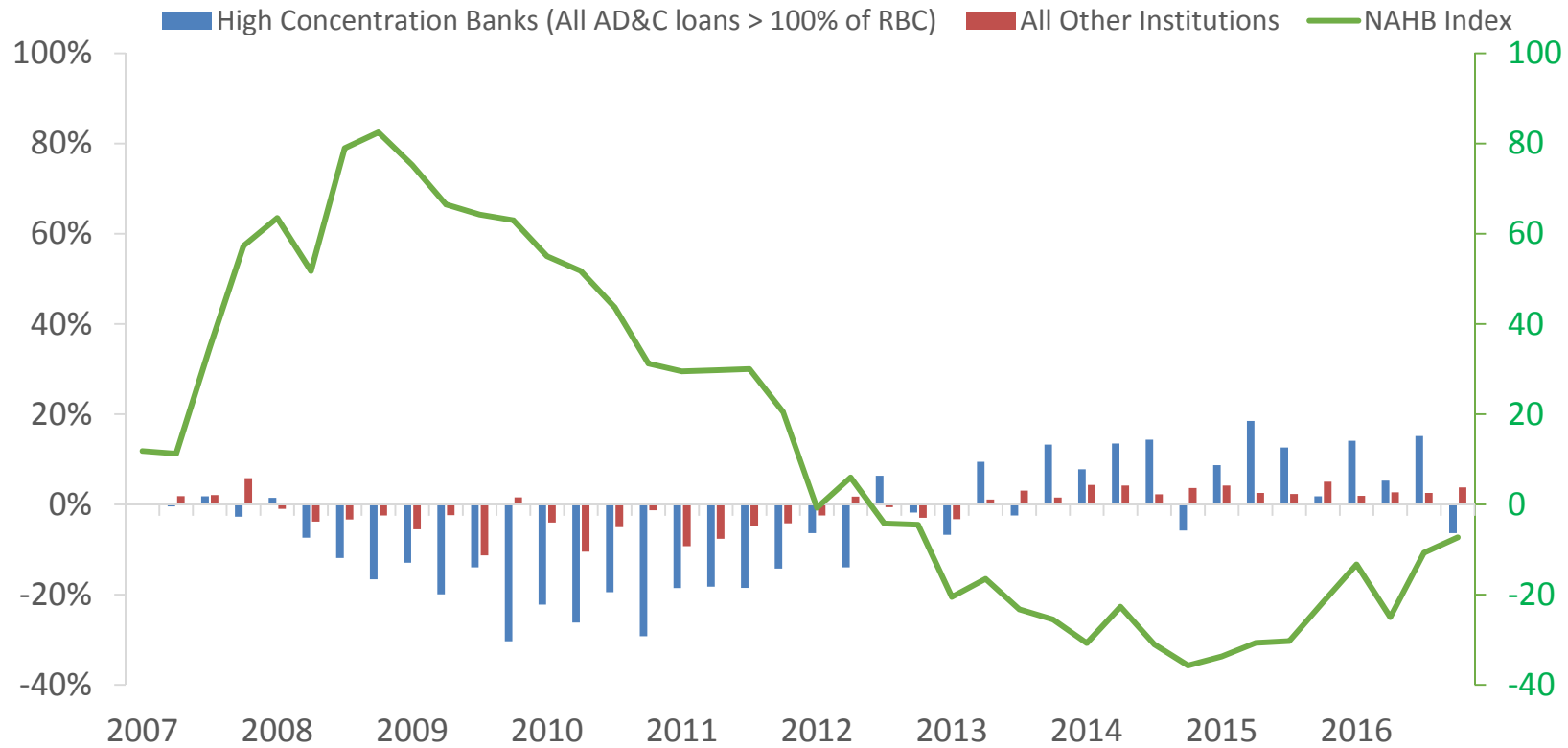
# Acquisition Development & Construction Lending

*Views on Residential Lending Agree*



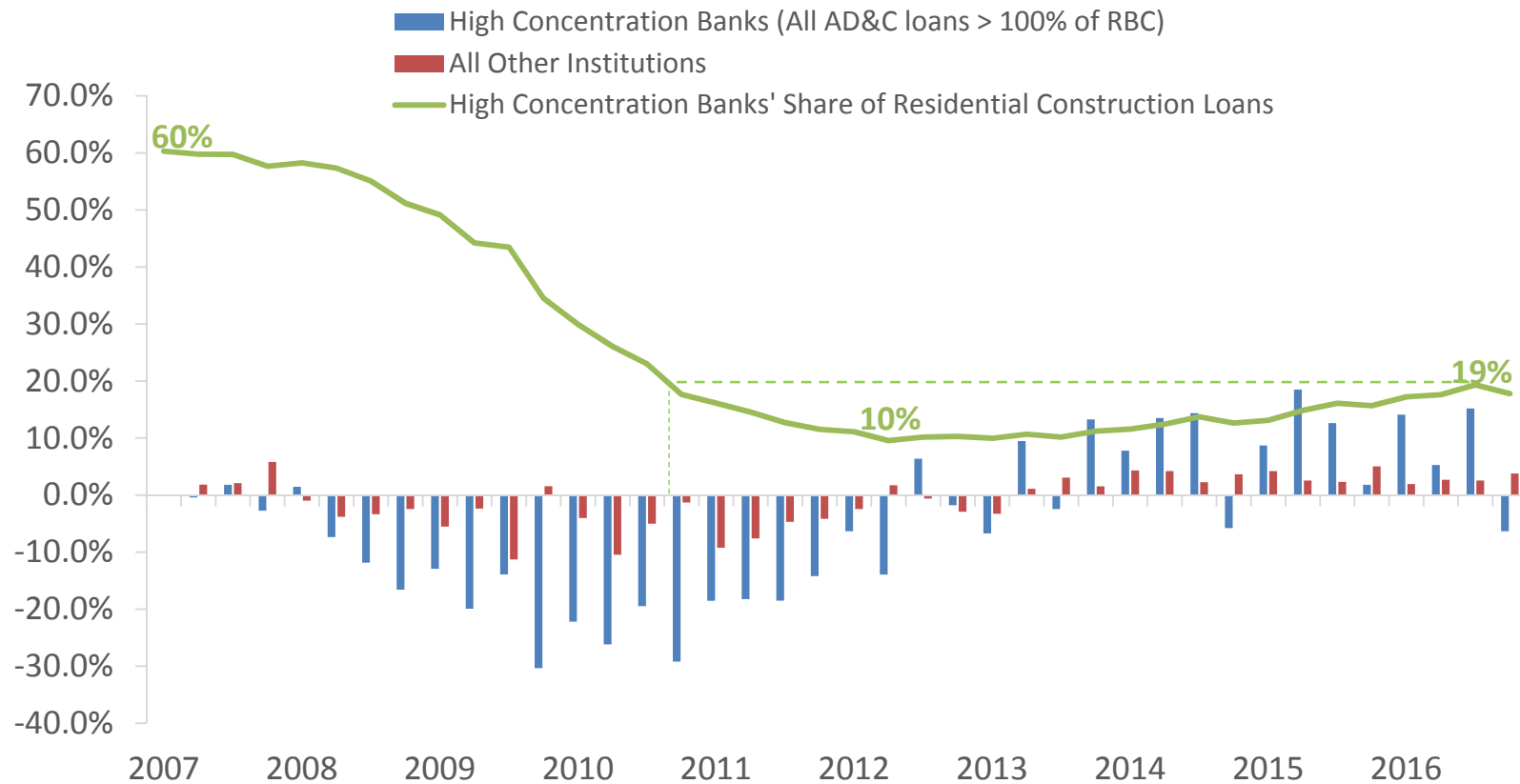
# Residential Construction Lending

*Survey reflects quarterly changes at high concentration banks*

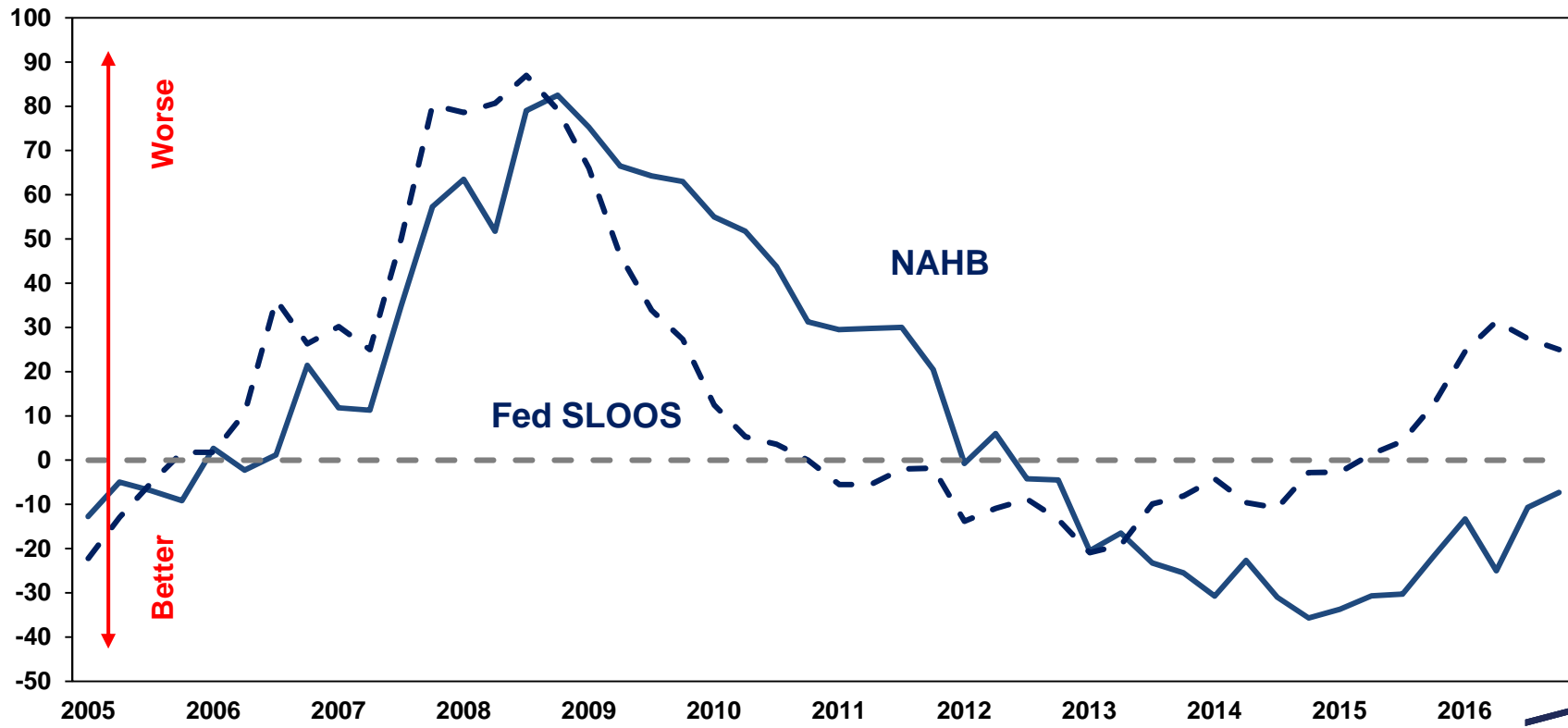


# Residential Construction Lending

*Growth at high concentration banks is more volatile, but share remains low*



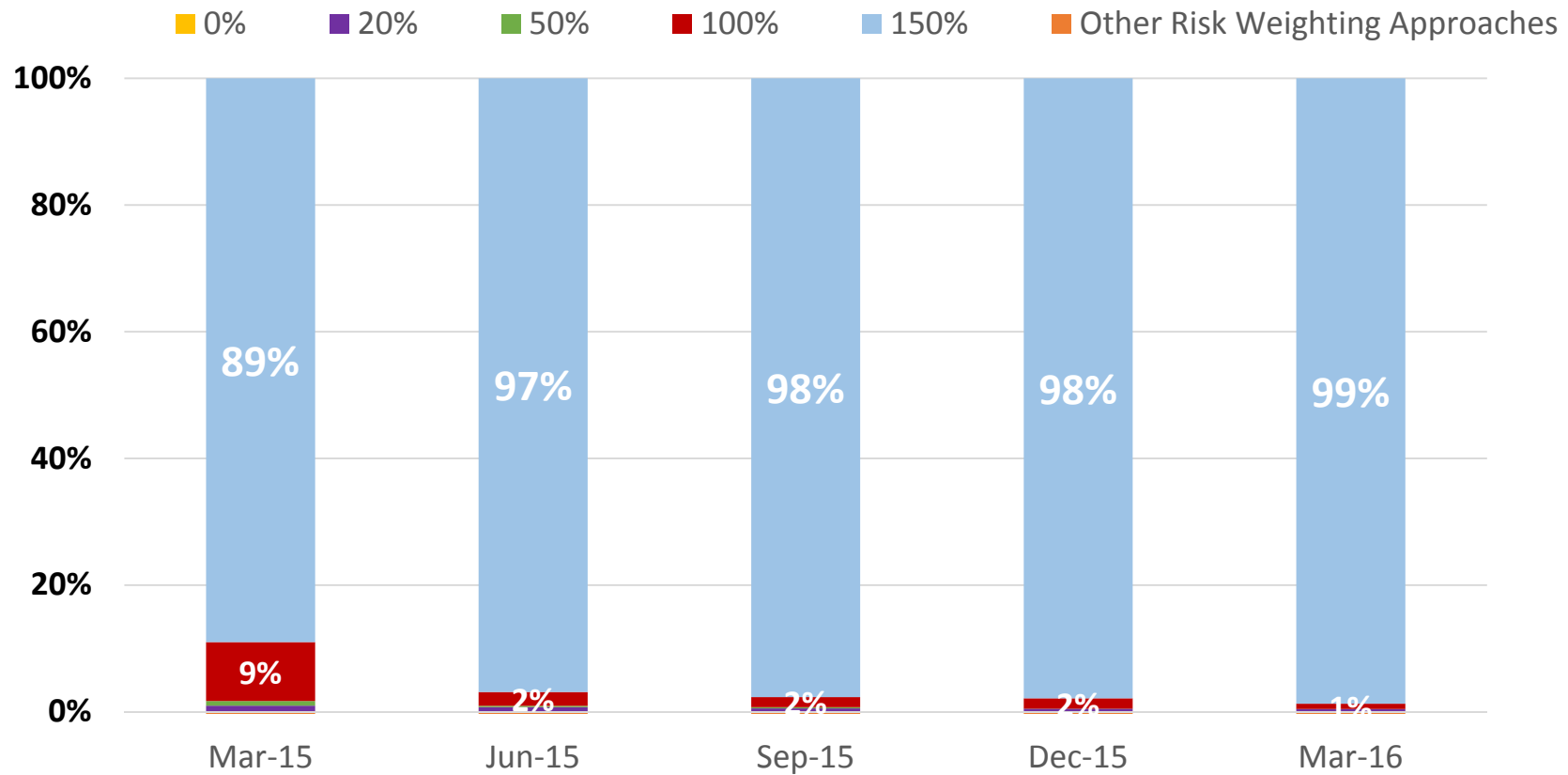
# Lending - AD&C Access





# Commercial Construction Lending

*Most HVCRE loans have a 150% risk weight*



# / Regulations

*Regulatory burden contributes to higher costs*

## **Regulatory burdens are rising for home builders Up 29.8% over the last 5 years**

Building codes  
Environmental  
Labor  
Zoning

## **NAHB research finds that 24% final cost of a home due to direct and indirect regulatory costs**

3/5 of that total is associated with land use

# Economics of Trade Policy

**Stronger dollar due to higher rates, GDP**

**Move away from TPP**

**More than 'sound and fury'?**

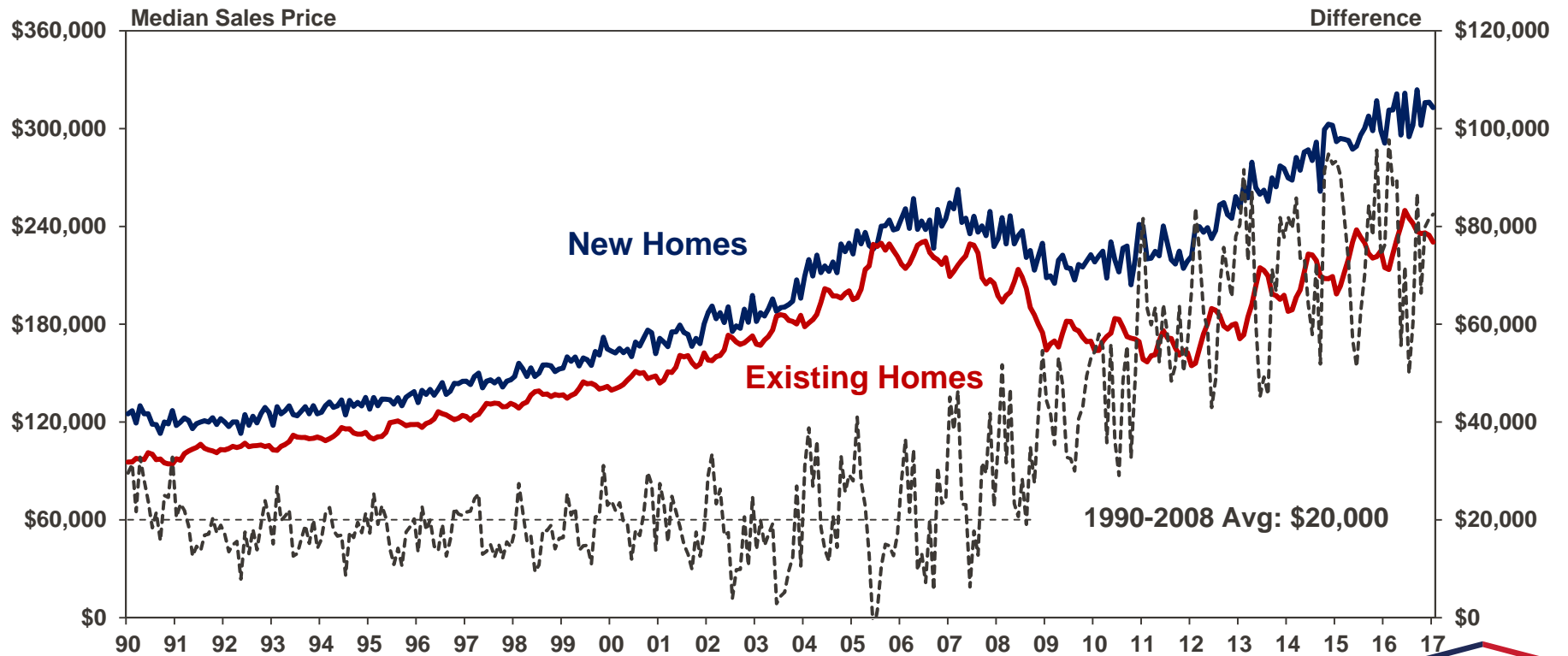
**Tariffs would be a tax increase on consumers**

**Increase inflation and harm domestic supply chains**

**Increase in Trade Adjustment Assistance would be stimulative**

# Home Prices of New and Existing Homes

Prices began to diverge in 2008, gap widened more post 2012



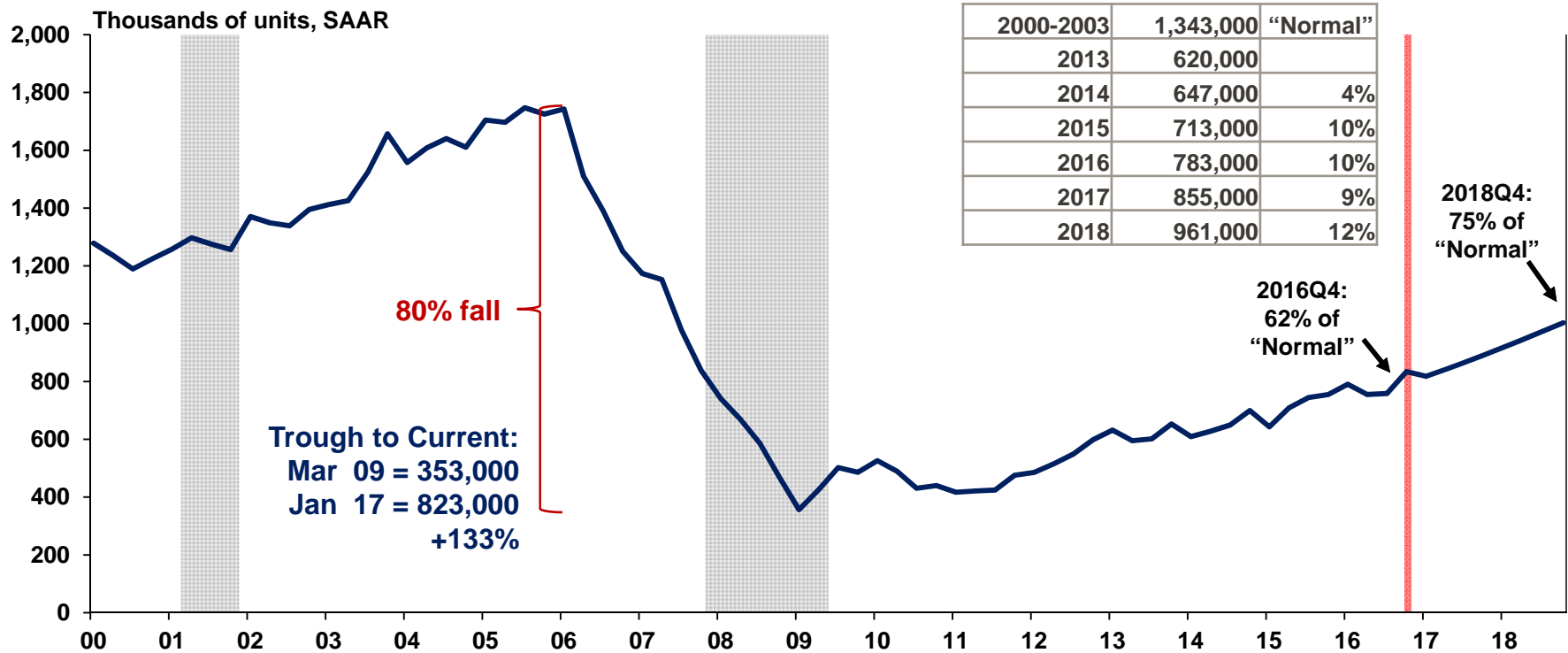


# Forecasts



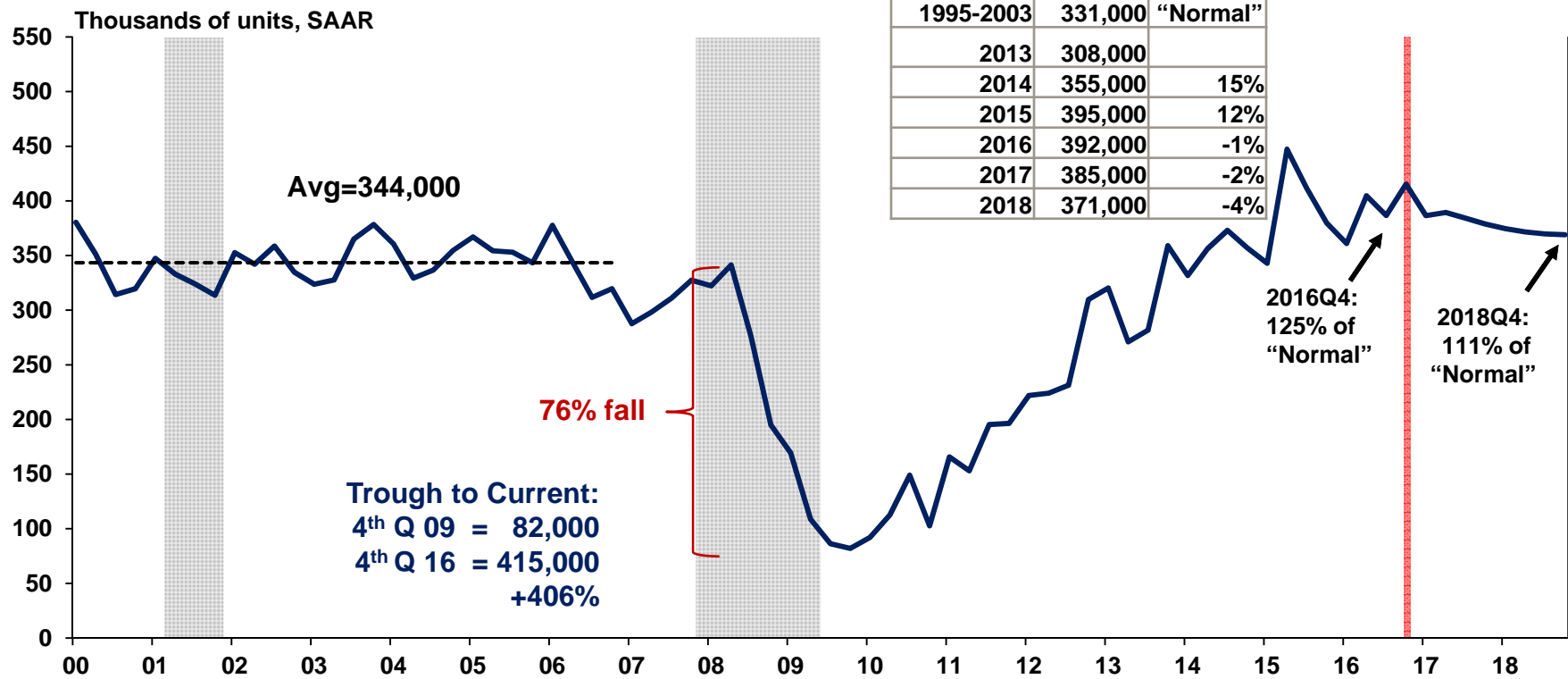
# Single-Family Starts: United States

*Growing trend*



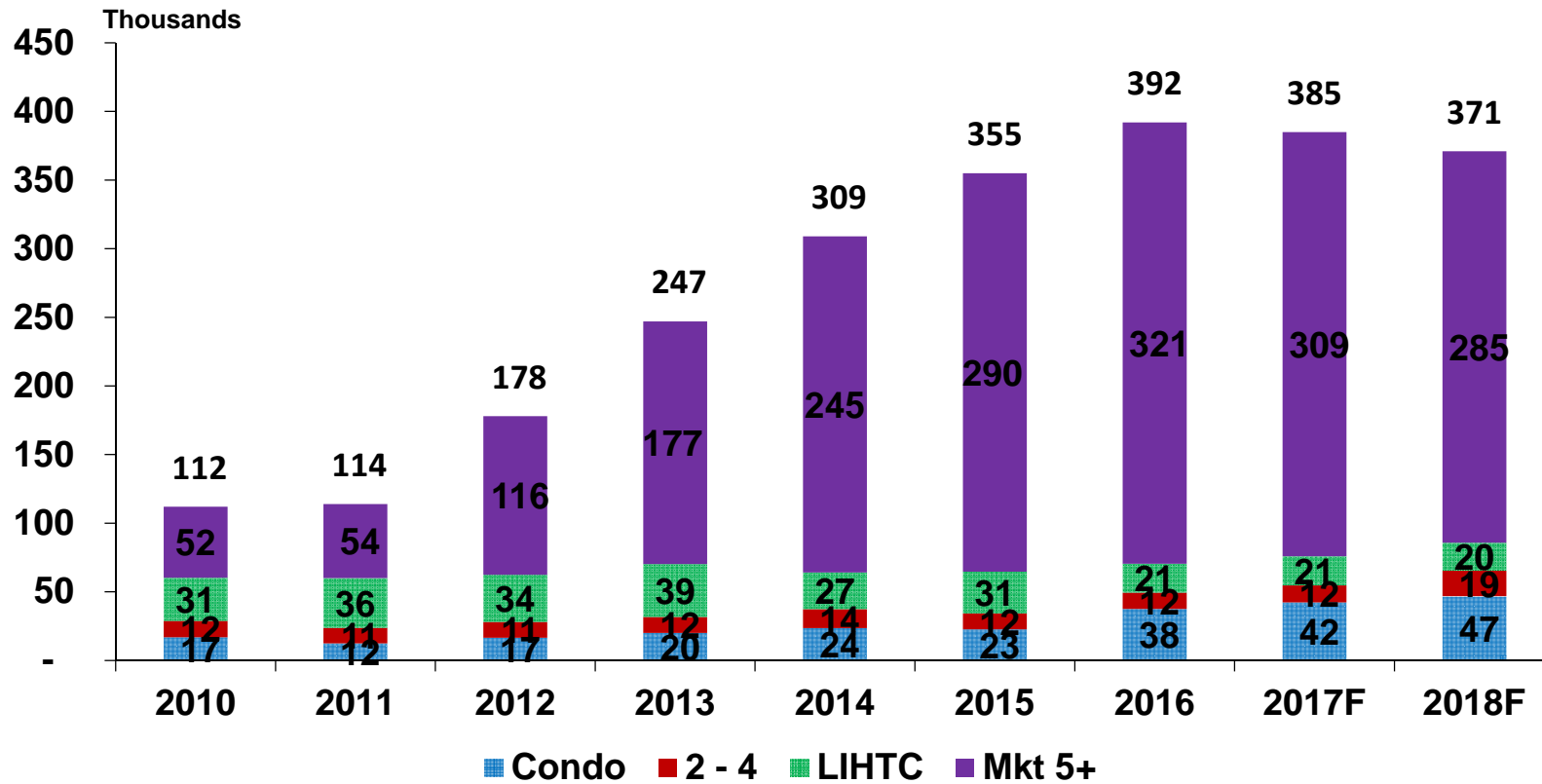
# Multifamily Housing Starts

## Leveling off



# Distribution of Multifamily Starts by Type

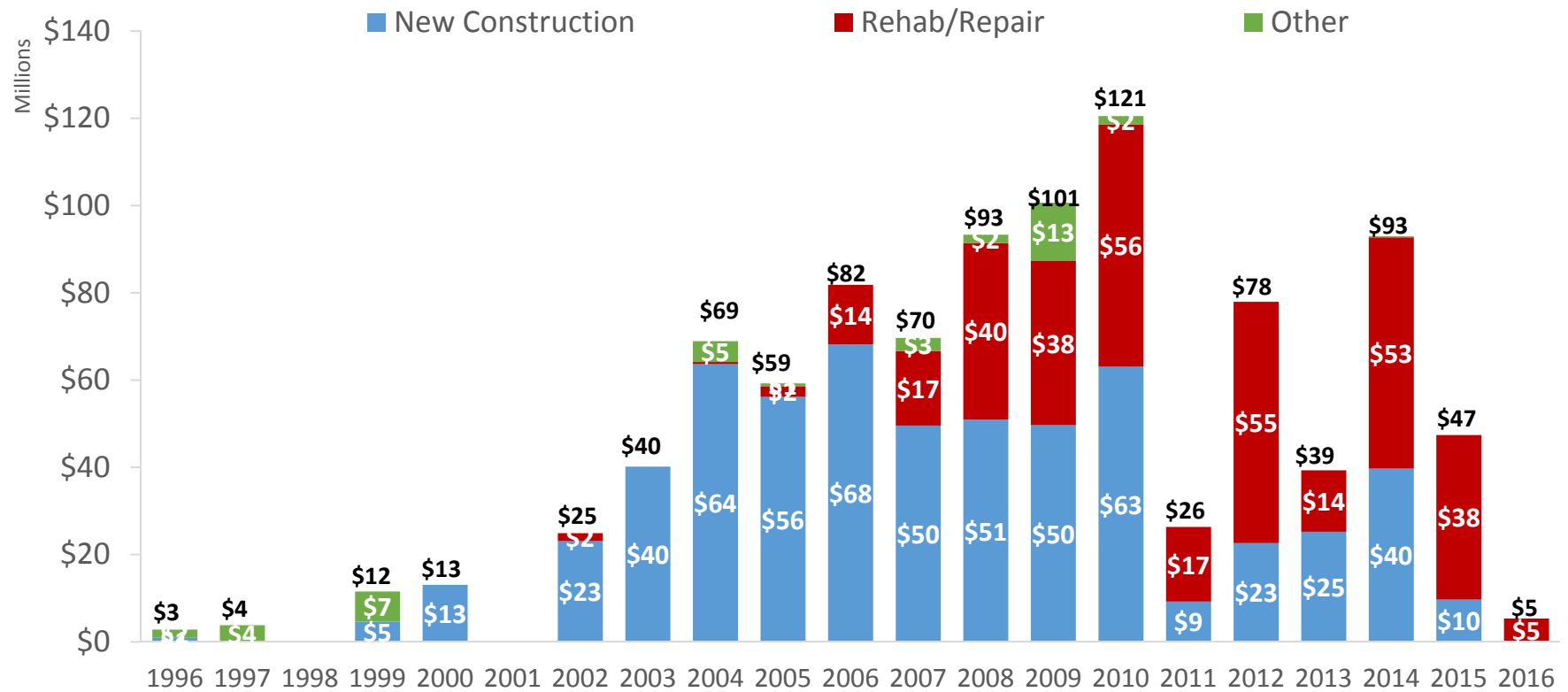
*Declines expected in large, market rate starts*





# RHS 538 Multifamily Program

*Increase for new construction in recent years*

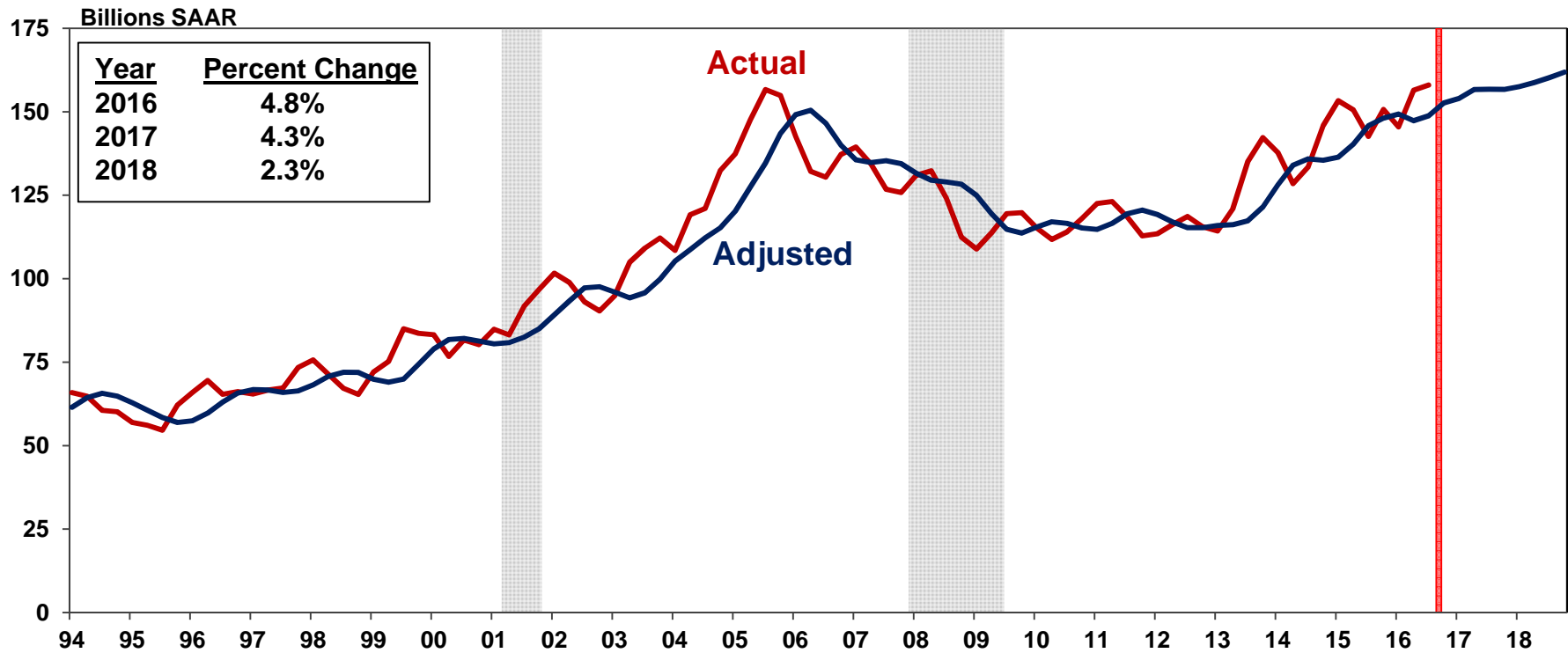


Note: Years on horizontal axis represent the fiscal year in which the closed loan was obligated.

Source: Author's calculations based on data publicly available from the USDA.

# Residential Remodeling

*Growth ahead*



# Thank you

*Questions?*

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