

National Association of Home Builders

Perspectives on Housing Economics
and Affordability

March 11-13, 2019
Washington Hilton Hotel
Washington, DC

THE **JUST** **ECONOMY**  2019
CONFERENCE

Housing's Impact on the Nation

- Housing construction related services account for 15% of U.S. GDP
- Almost 4 million Americans work in the residential construction industry
- Millions more work in related industries

Housing's Impact on the Nation

The construction of 1,000 single-family homes generates:

- 2,970 jobs
- Approximately \$162 million in wages
- More than \$110 million in federal, state and local taxes

Housing's Impact on the Nation

The construction of 1,000 rental apartments generates:

- 1,130 jobs
- Approximately \$61 million in wages
- More than \$42 million in federal, state and local taxes

Housing's Impact on the Nation

- A \$1,000 increase in the cost of a median-priced home would force 127,560 households out of the market
- Home equity accounts for more than \$15 trillion in household wealth
- Annually, Americans spend approximately \$190 billion on home remodeling projects

Affordability Constraints

- Housing affordability is the key constraint on construction, home sales, and homeownership
- NAHB measure of housing affordability has fallen from 78 to 57 over the last 6 years
- Meaning only just more than half of home sales are currently affordable for a typical family

Why Are We Here

- The rise in interest rates at the end of 2018
- Lack of existing home inventory prevents entry-level homeownership and restricts move-up purchases of new homes
- Lack of new construction was also critical
 - 1–4 million shortfall of apartments/single-family homes
 - Tracking approx. 1 million Accessory Dwelling Units

Causes of the Construction Lag

- Labor
- Lumber and other building materials
- Lending for builders and developers
- Lots and land
- Laws

Housing Outlook and Forecast

- Slowing economy
- More dovish Fed
- Home construction forecast
 - 2% growth for single-family starts to just under 900,000 starts
 - Slight decline for multifamily starts (more than 90% for rent, compared to 80% historical for-rent share)
 - Remodeling slows to 4% growth rate as existing home sales slow and home prices slow

Bright Spots

- Townhouse construction up 24% over the last 4 quarters (14% market share)
- Single-family new home size continues to fall – entry level is growing
- Inner suburb areas seeing faster growth rates than exurbs or rural areas

Solutions for Housing

- Reduce regulatory burdens on housing supply
- Long-run effort to bring young adults into residential construction
- Examine tax and incentive policies
- Protect access to affordable 30-year mortgage and expand AD&C access