

Economic Slowdown Ahead

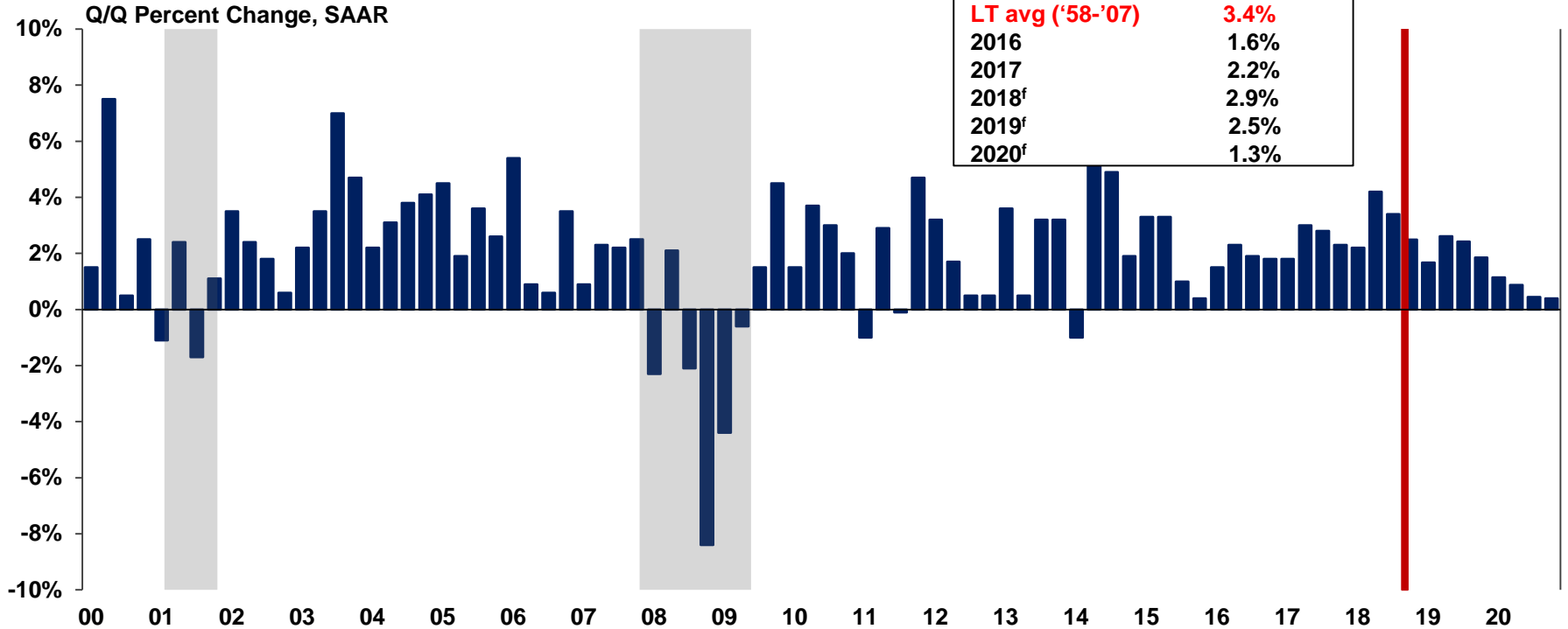
NAHB Meeting of the Members
February 20, 2019

Robert Dietz, Ph.D.
NAHB Chief Economist



GDP Growth

Economic slowdown approaching



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



Did the Fed Back Down?

Federal Reserve - Economic Goals

Congress directed the Fed to conduct monetary policy to support three specific goals:

maximum sustainable employment

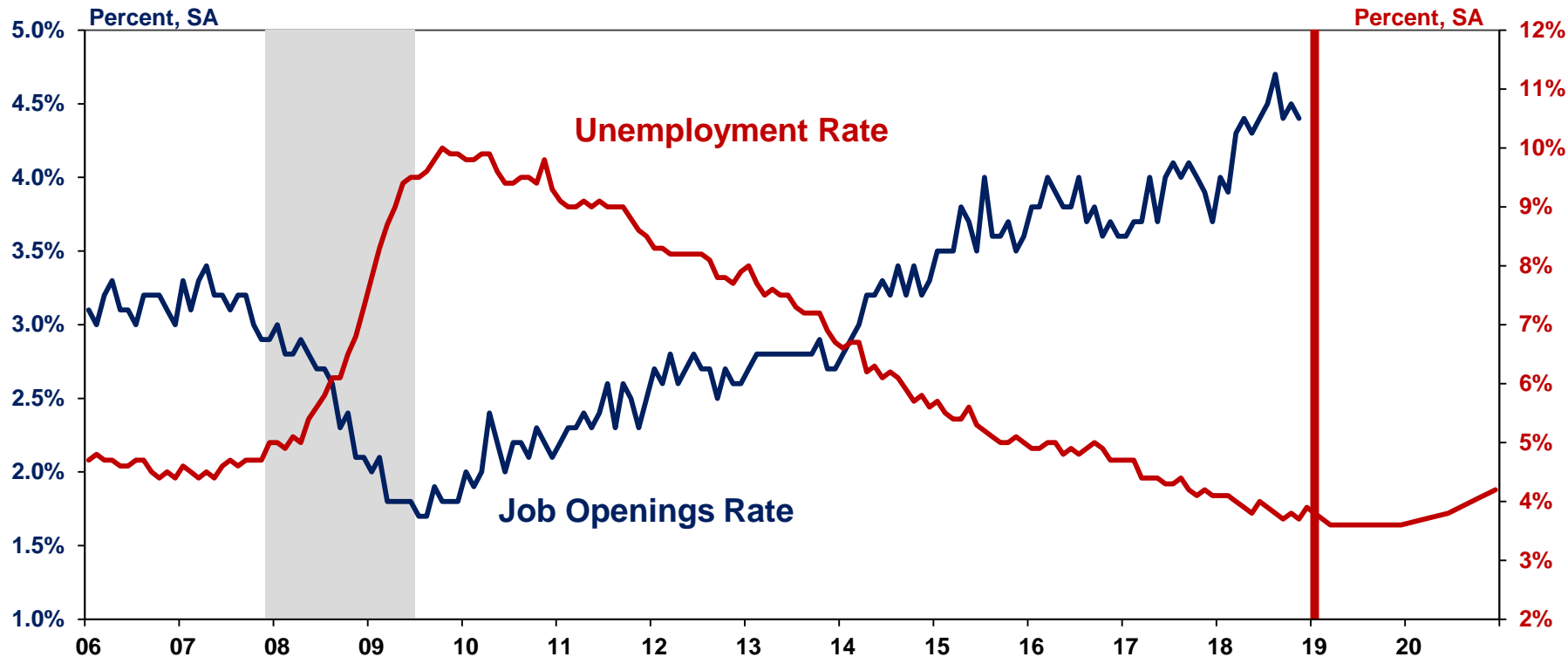
stable prices

moderate long-term interest rates

These goals are sometimes referred to as the Fed's mandate.

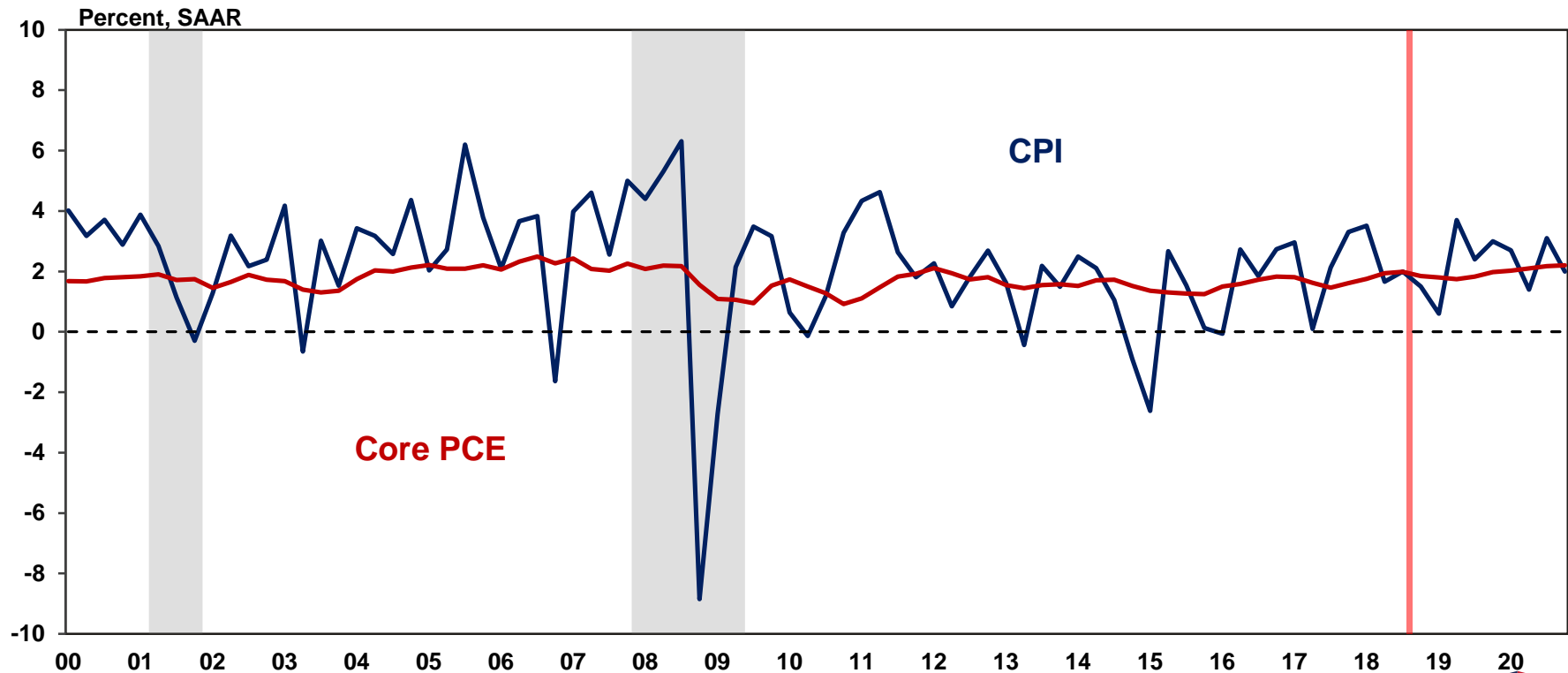
Tight Labor Market

Lack of labor represents a macro risk



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

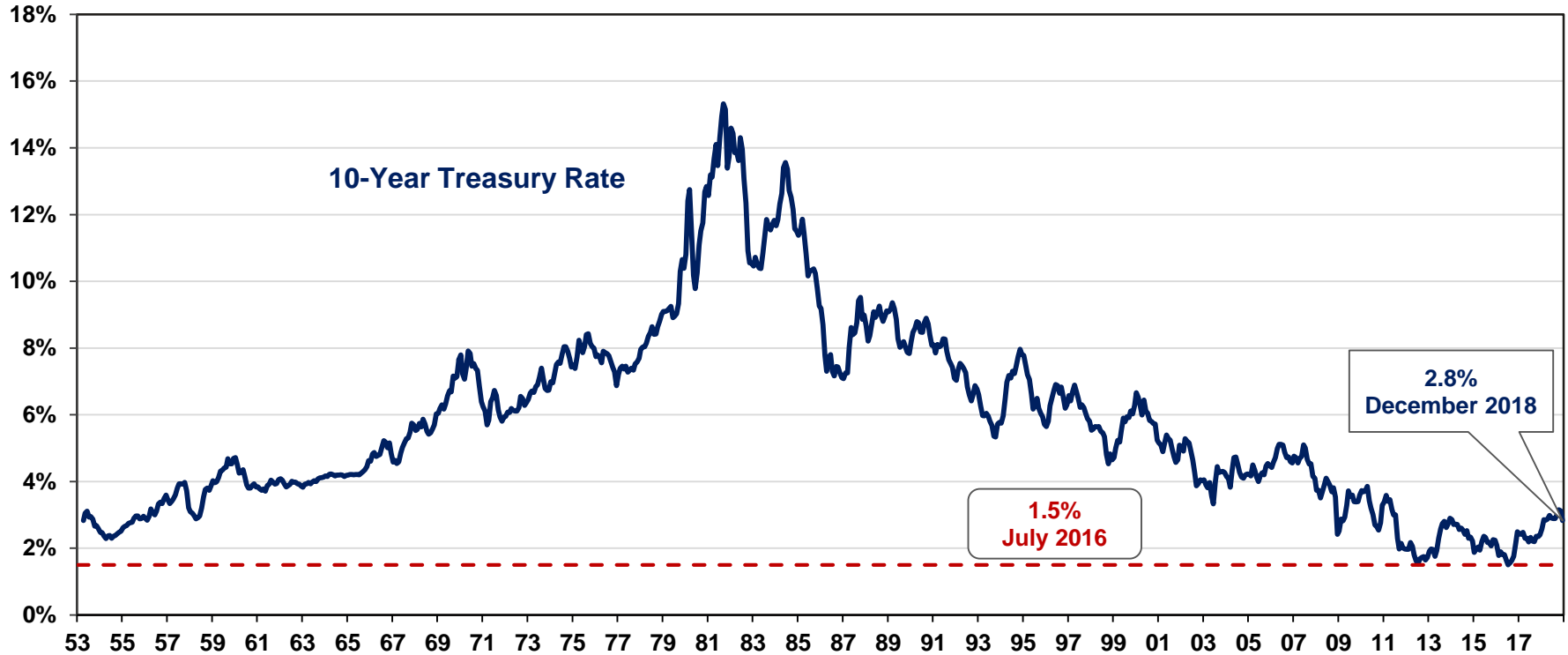
Consumer and Core Inflation



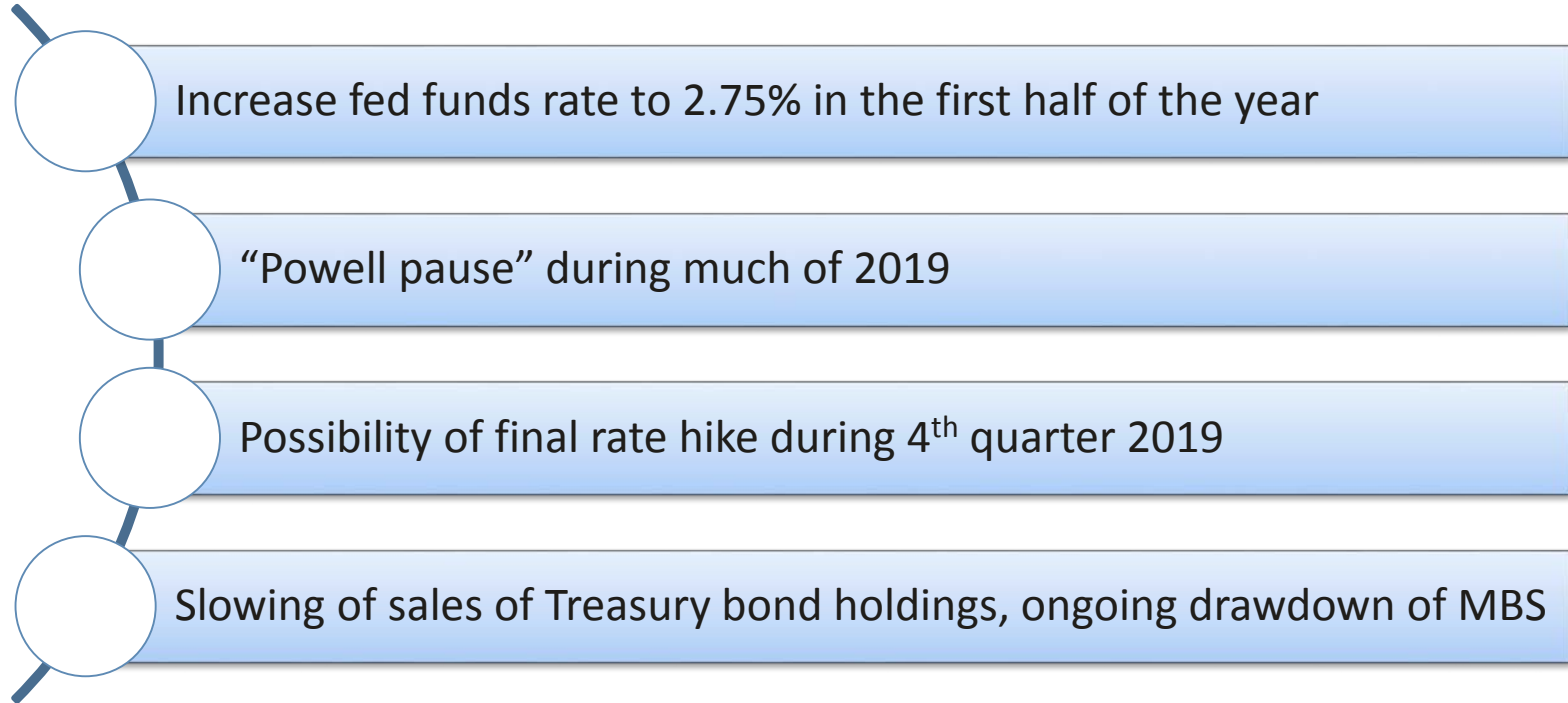
Source: U.S. Bureau of Labor Statistics (BLS); U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

/ The Great Moderation

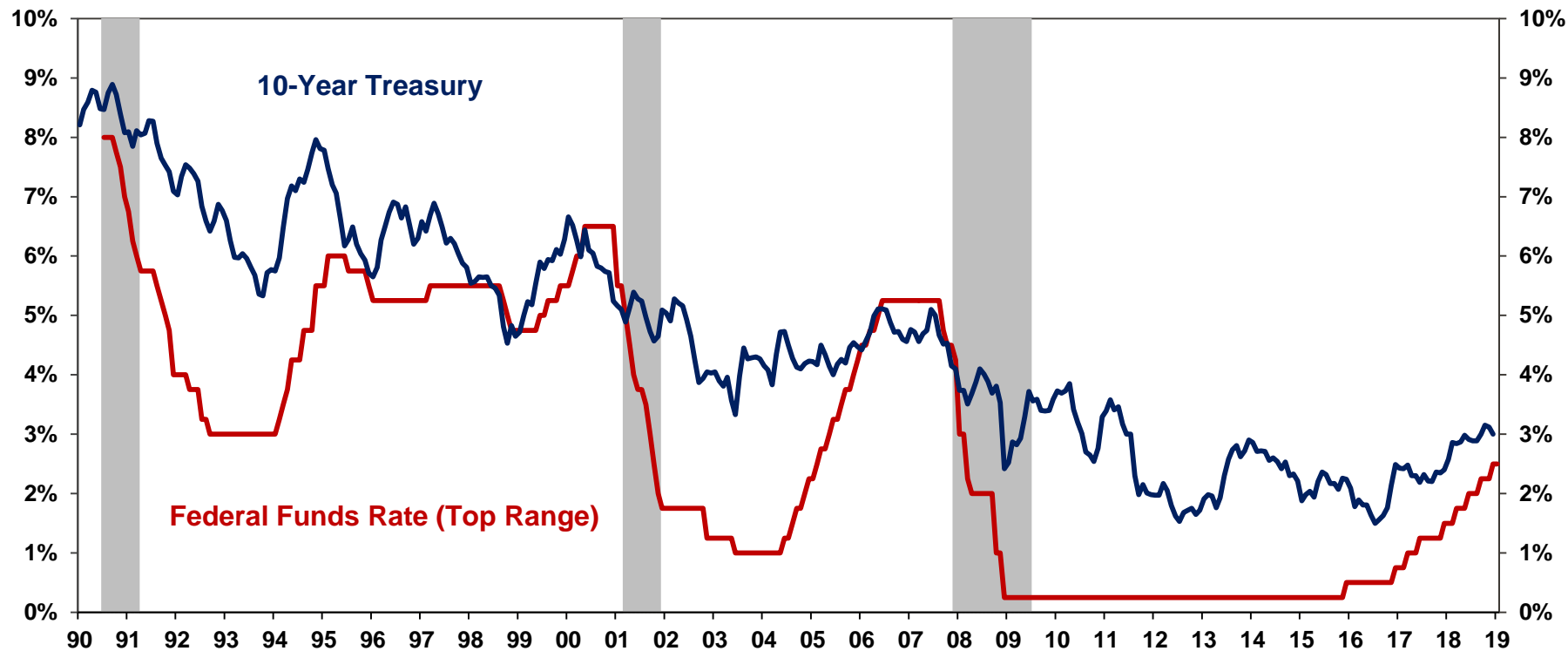
The Decline of Long-Term Rates



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



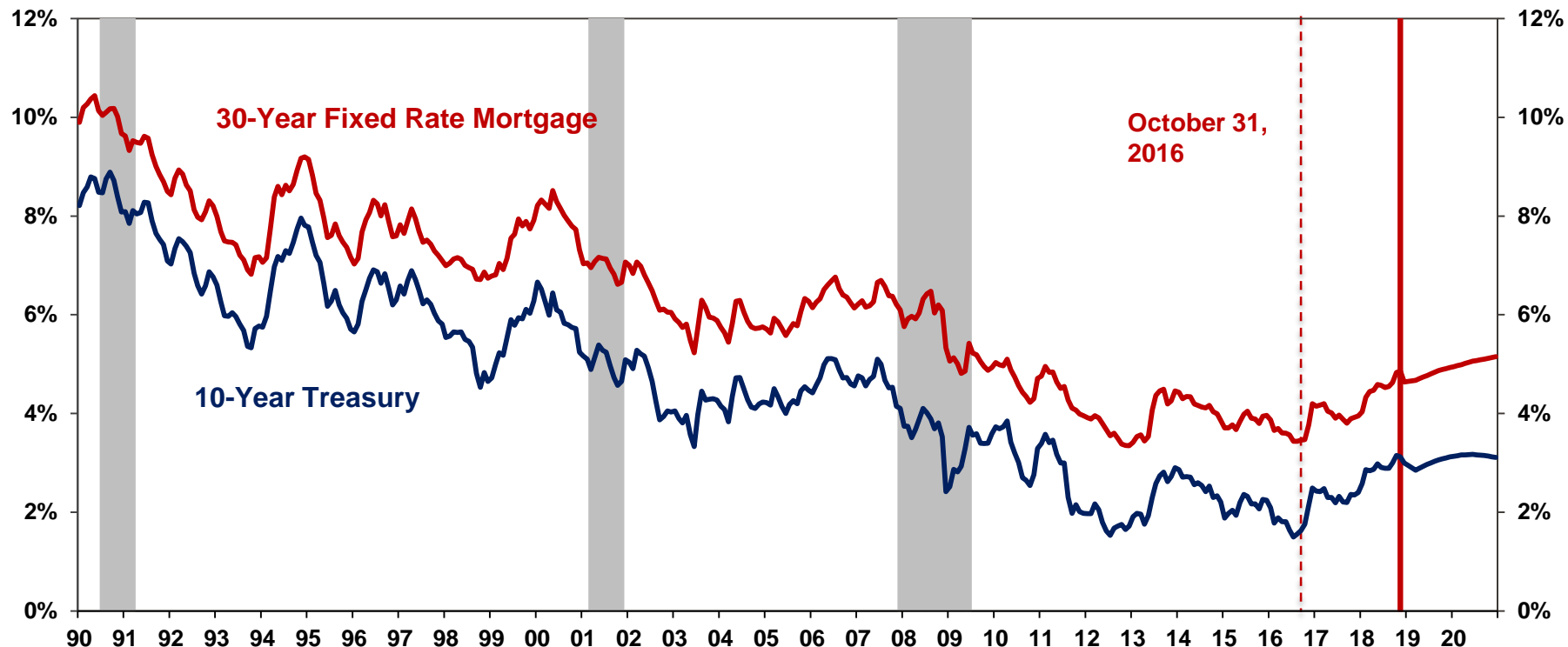
Fed Funds Rate



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

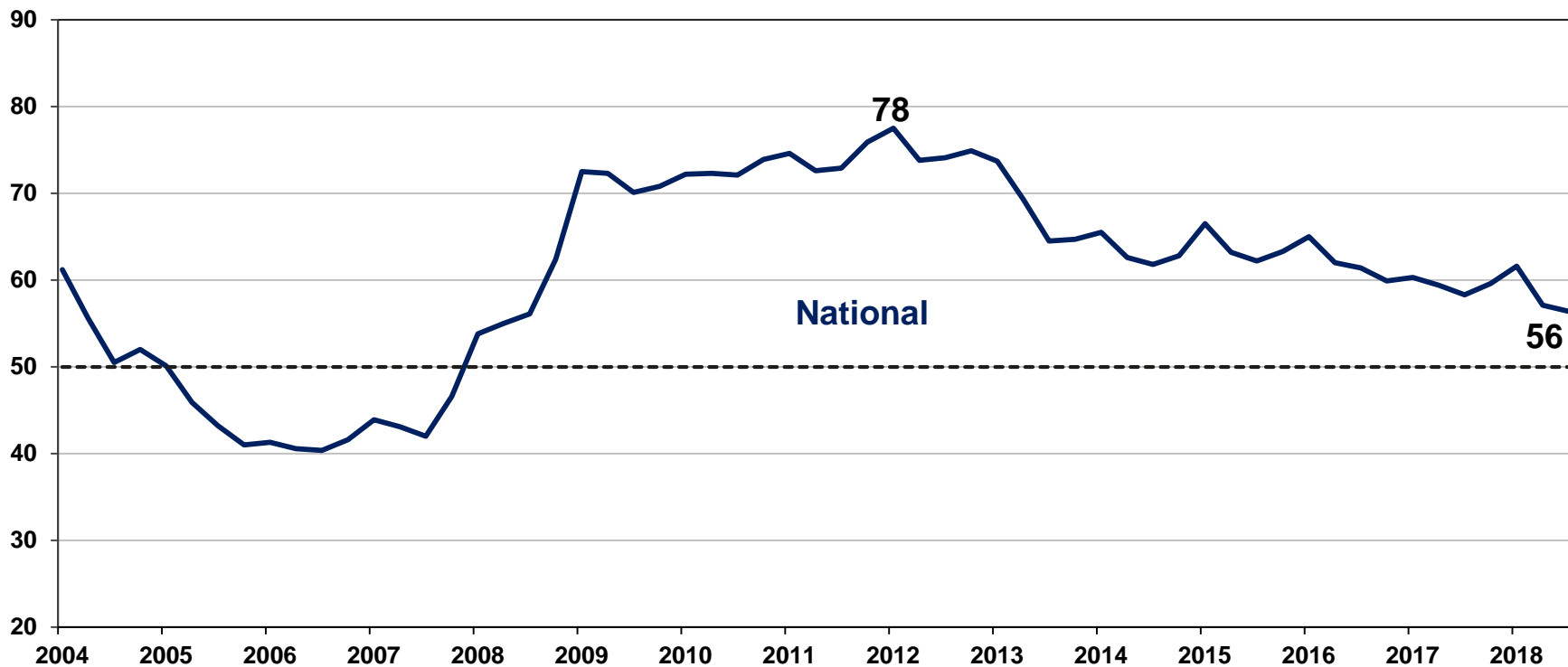
30-Year Fixed Rate Mortgage and 10-Year Treasury

Some increases ahead but nearing peak rates for the cycle



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

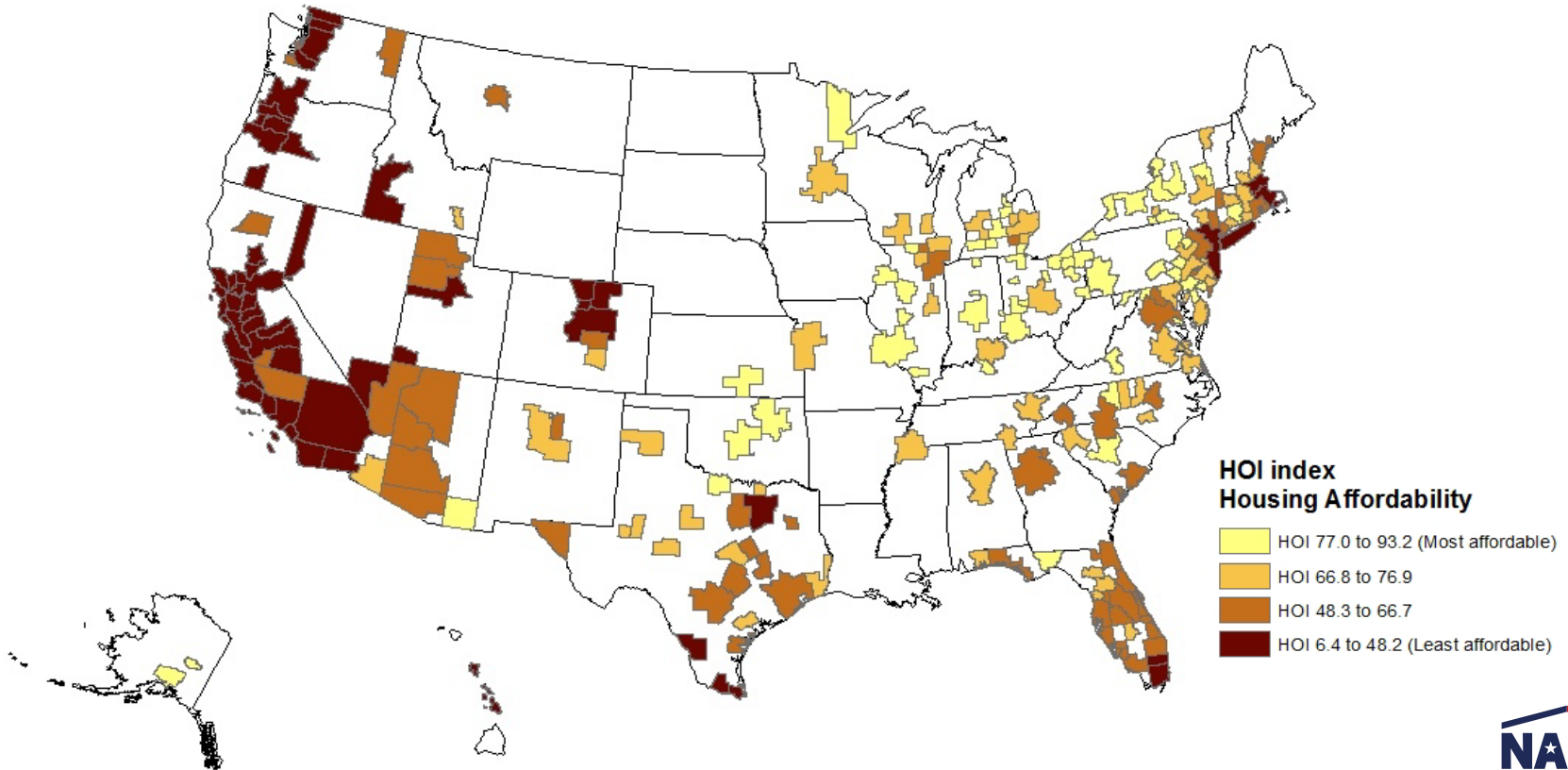
Housing Affordability – NAHB/Wells Fargo HOI



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

The Geography of Housing Affordability-NAHB/Wells Fargo HOI

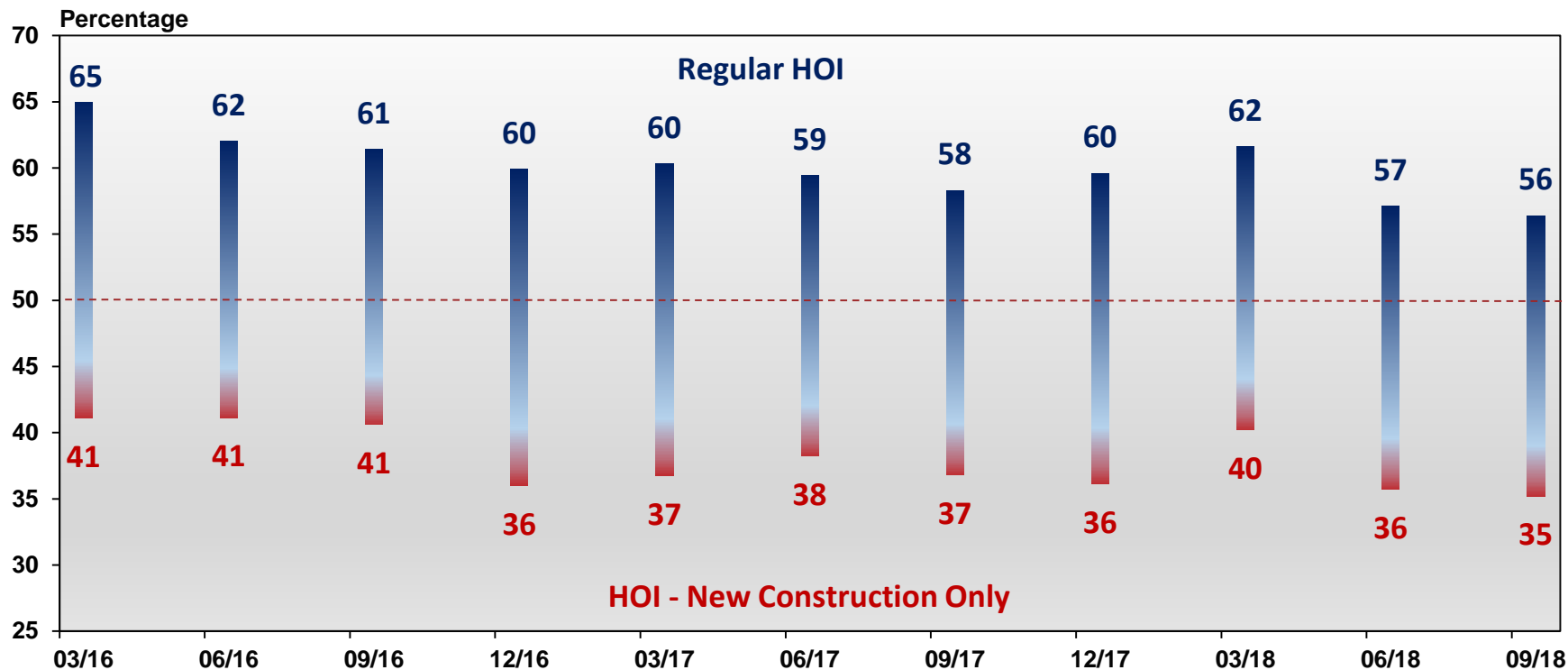
Coastal markets least affordable



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

New Construction Housing Affordability Lower

Approximate 20 point difference between all sales and new sales



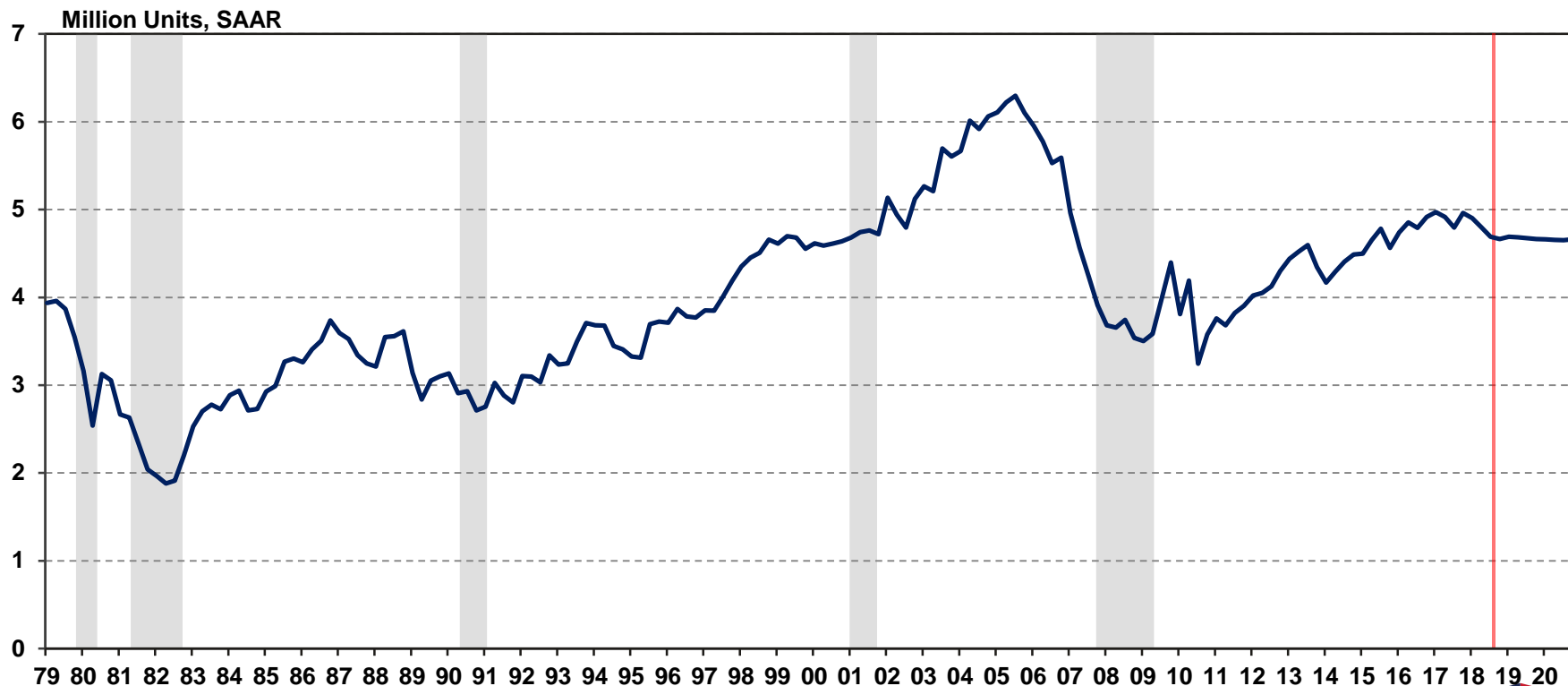
Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).



Housing Forecast



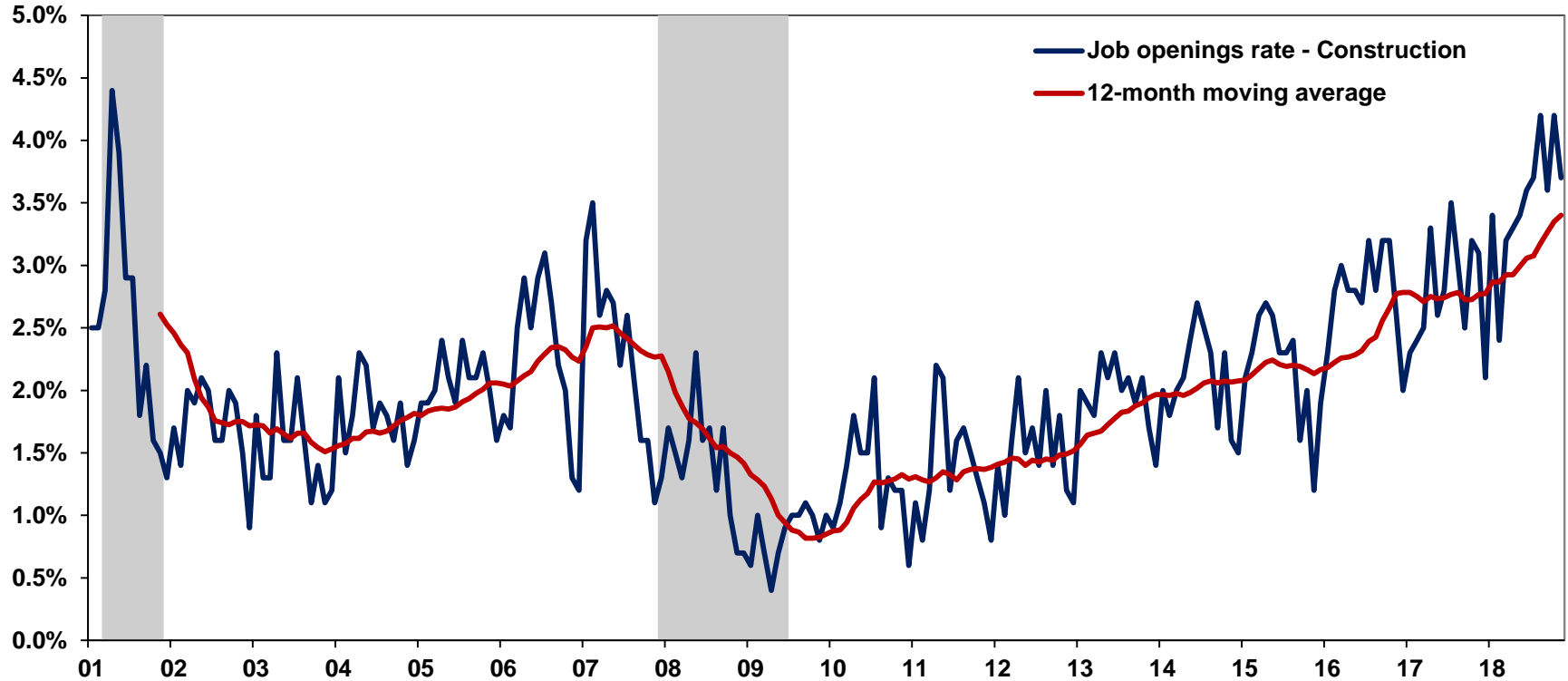
Existing Single-Family Home Sales



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

Labor

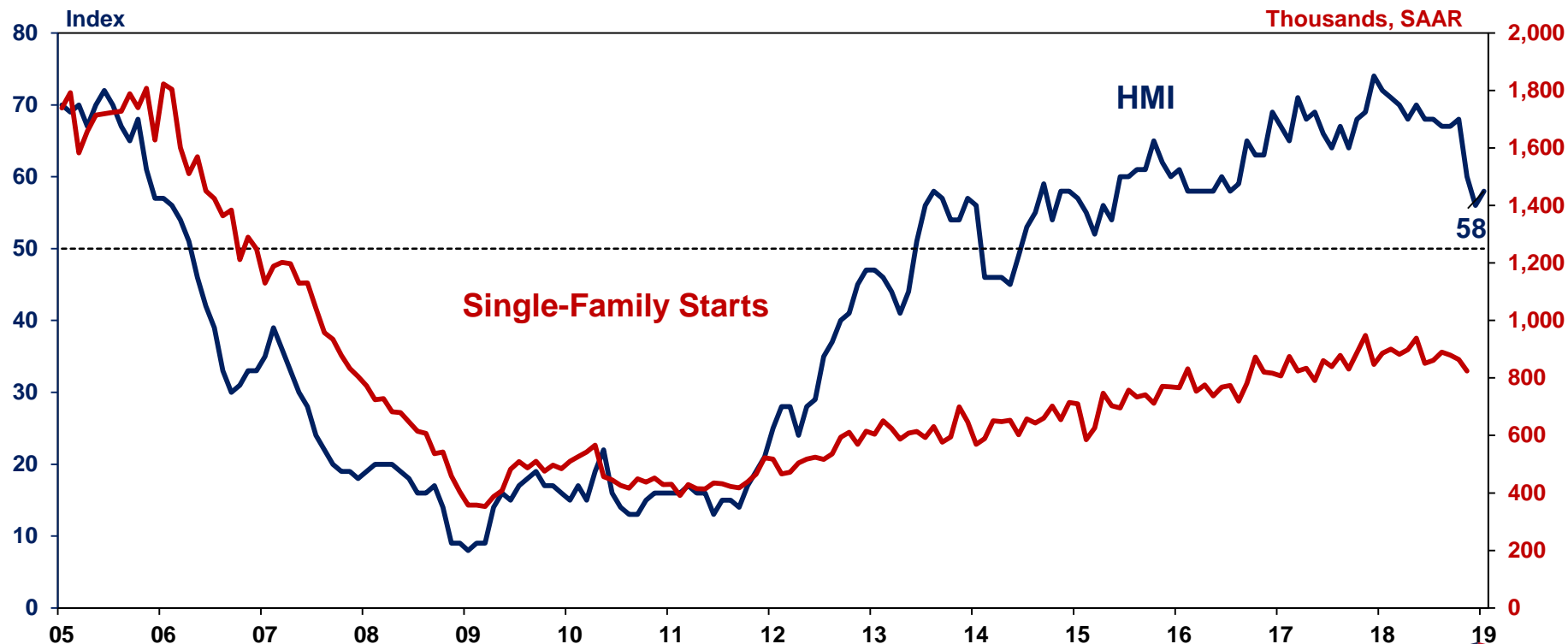
Labor shortage continued through 2018



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

NAHB/Wells Fargo Housing Market Index

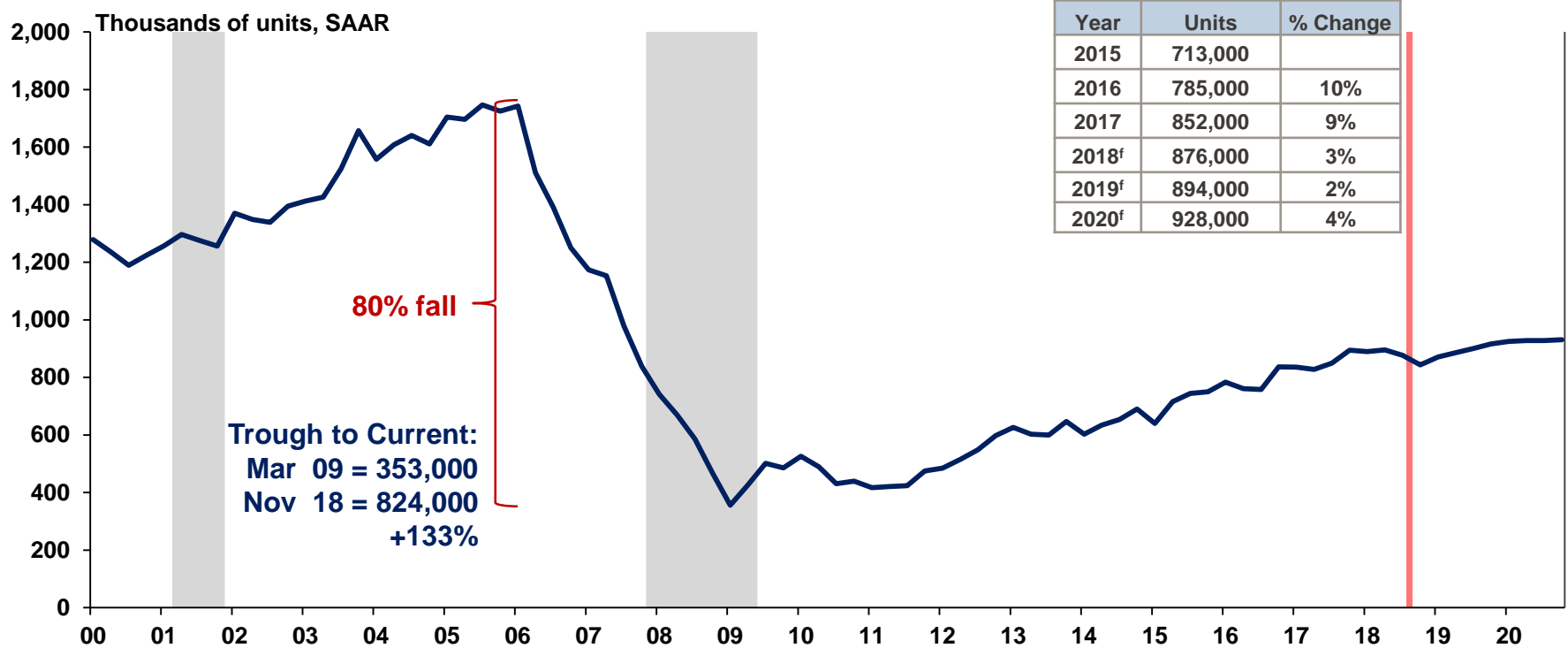
Lower interest rates stabilize builder confidence



Source: Census Bureau and NAHB/Wells Fargo HMI survey.

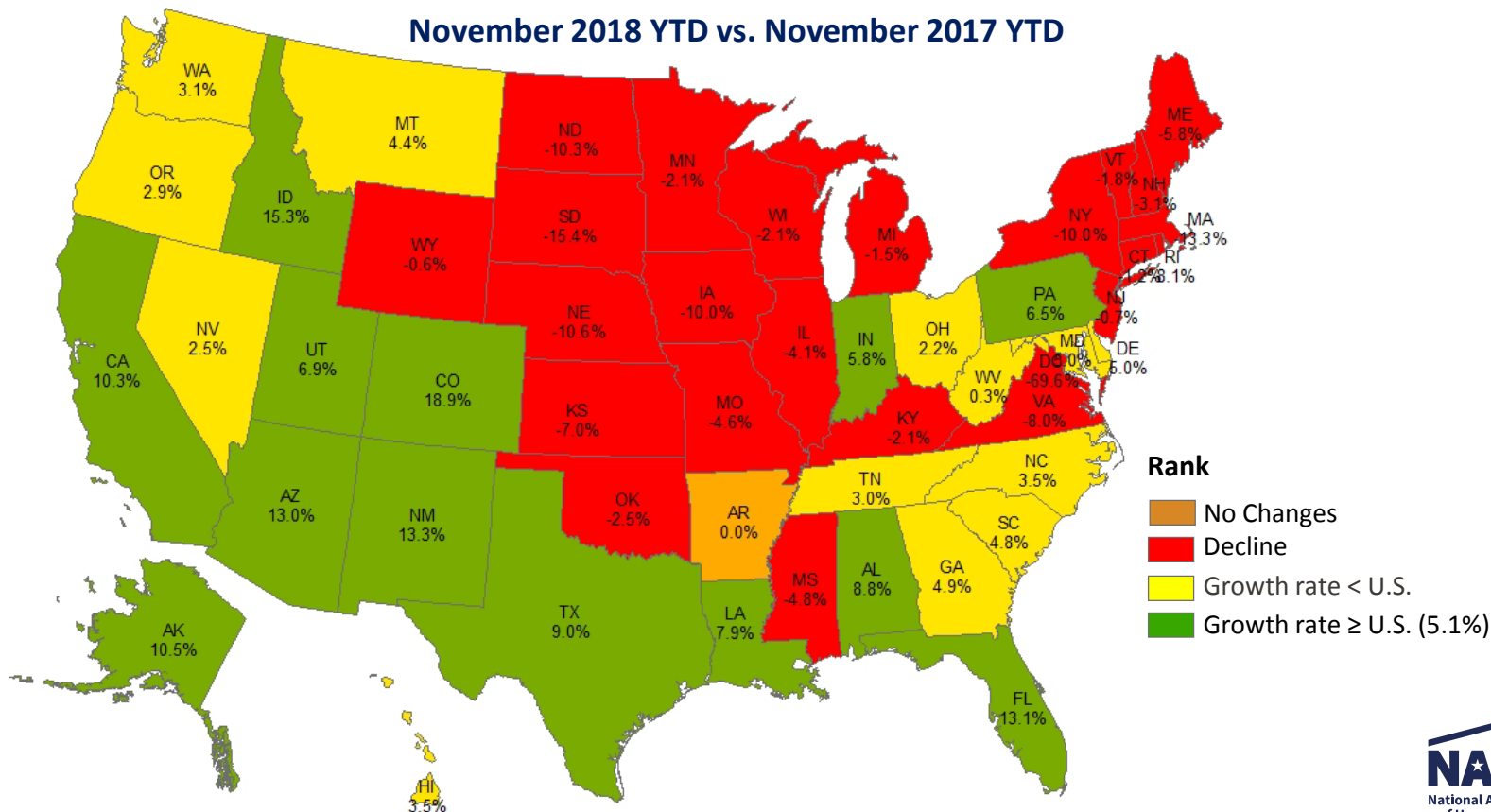
Single-Family Starts

Limited growth as economy slows



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

Growth in Single-Family Permits



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



New NAHB Leading Markets Index

New economic geography measure of building conditions

- First index metric is metro areas – third quarter data

Smaller metro areas – core counties (29% of single-family permits)

- Smaller towns like Xenia, Ohio and Darlington, South Carolina
- 9.8% annual growth rate, 7.4% year-over-year

Large metro areas – core counties (18% share)

- Columbus, Ohio and Orange County, California
- 6.5% annual growth rate, 6.8% year-over-year

Large metro areas – suburban counties (26% share)

- Fairfax, Virginia
- 4.1% annual growth rate, 3.2% year-over-year

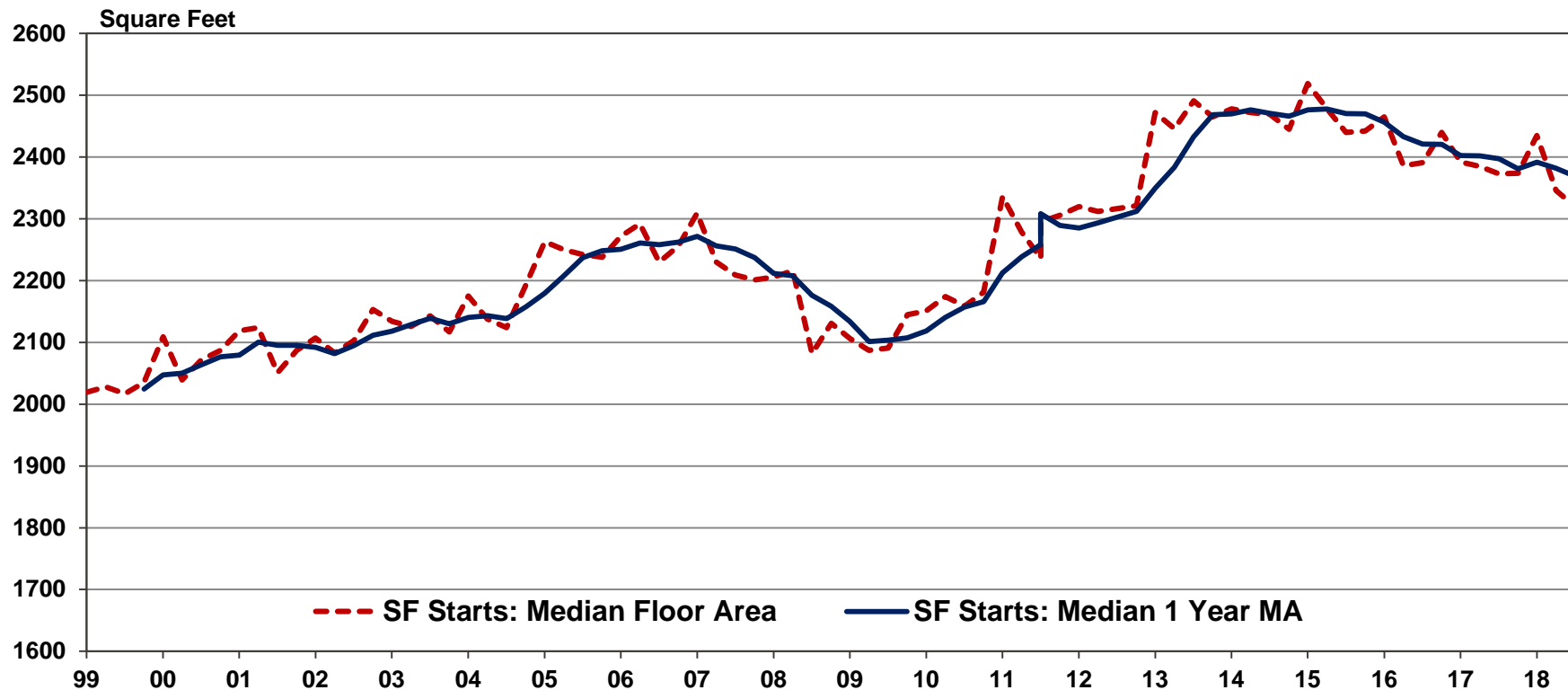
Smaller metro, outlying areas (8% market share)

- Rural areas near small towns
- 2.7% growth rate, -2.4% year-over-year

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

Typical New Home Size

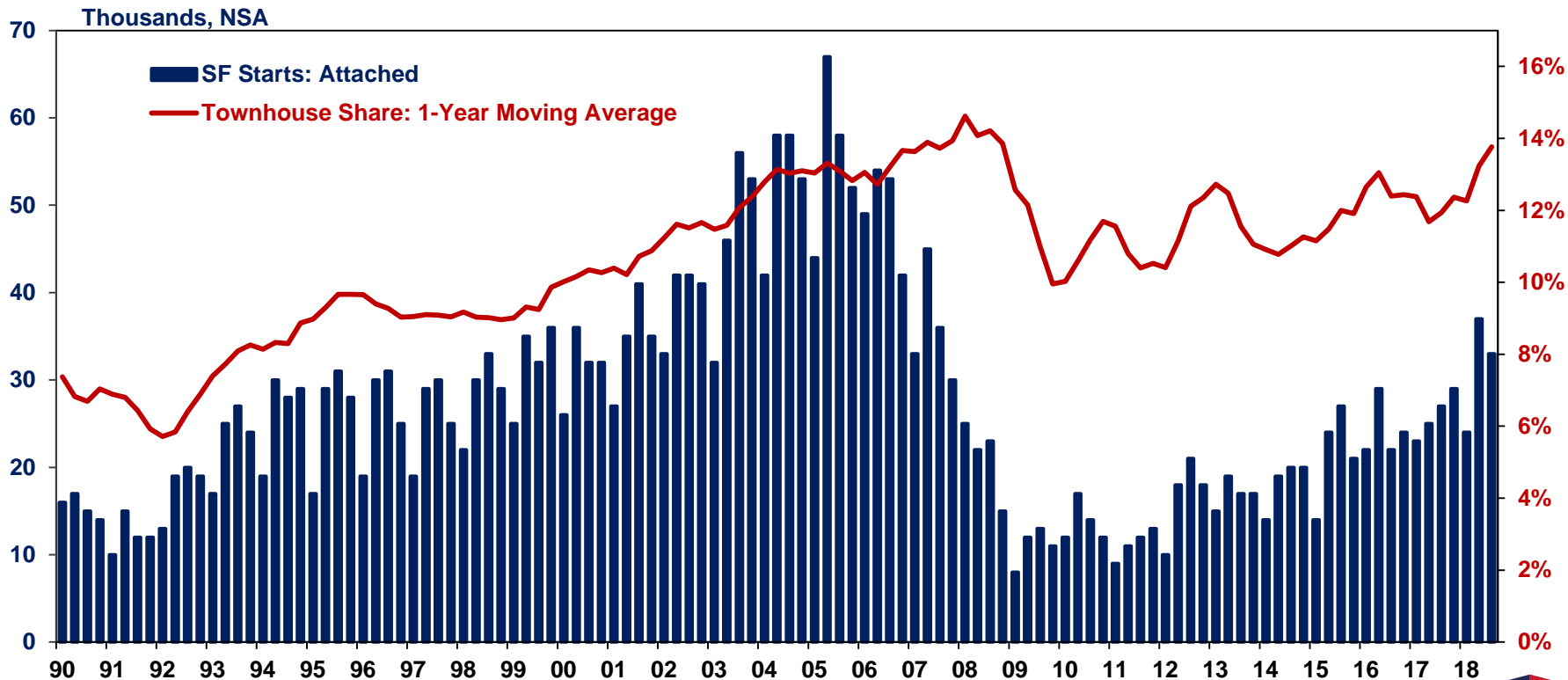
Decline after market shift



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

Townhouse Market Expanding

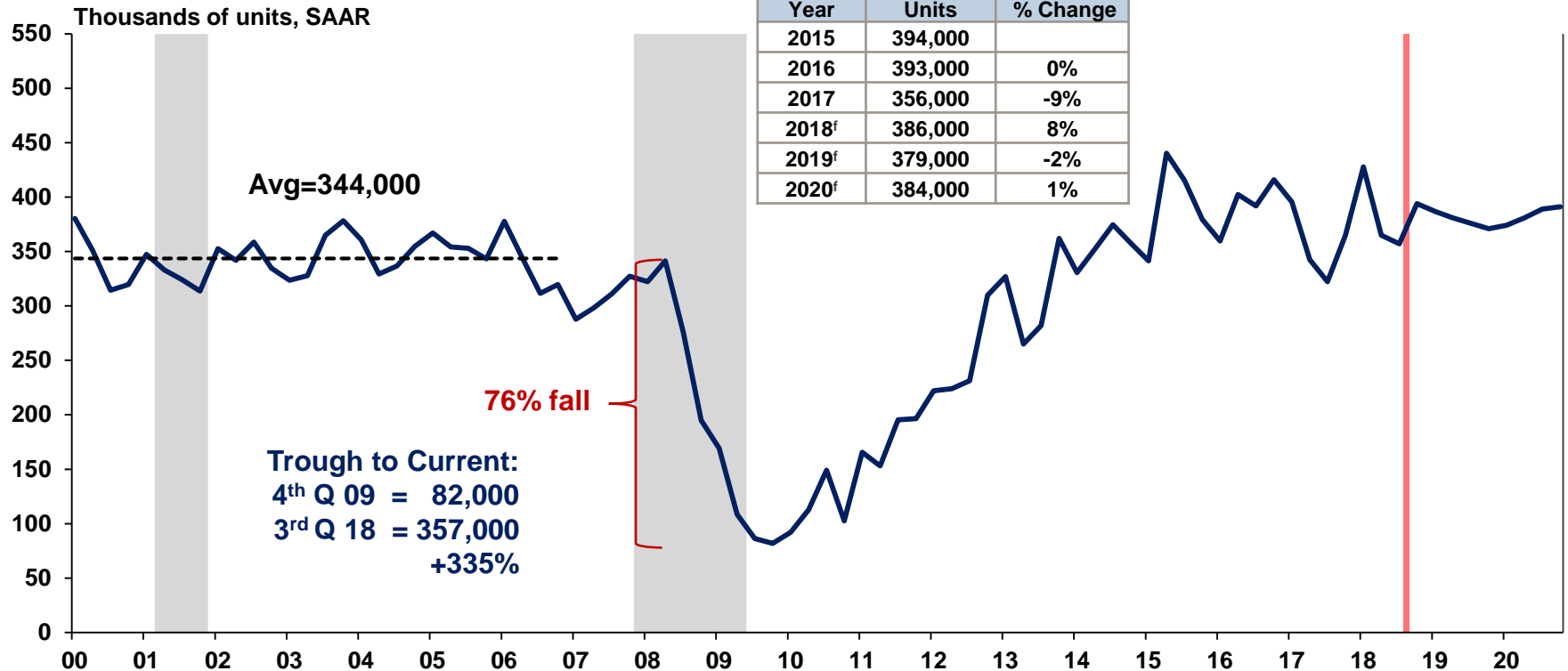
24% annualized growth rate



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

Multifamily Housing Starts

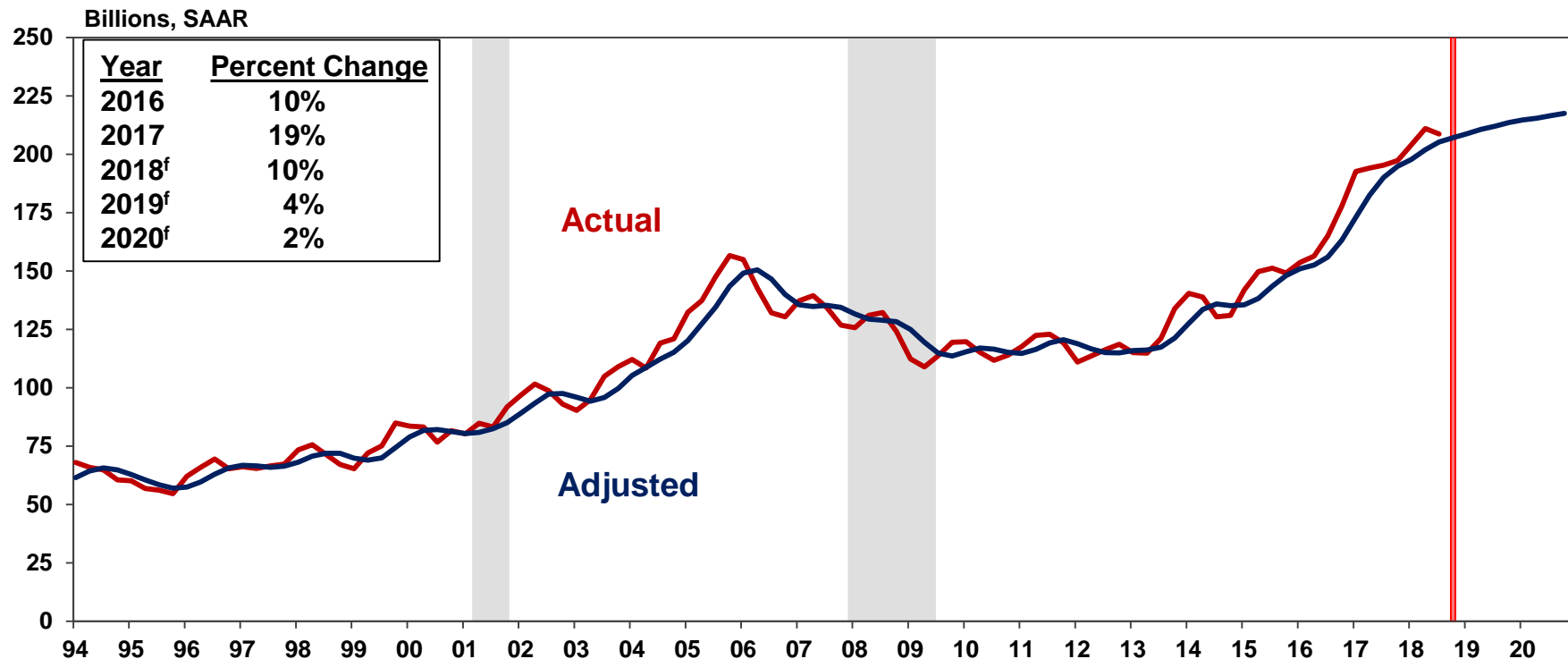
Leveling off



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

Residential Remodeling

Growth ahead but softening



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

Thank you

Questions?

rdietz@nahb.org

@dietz_econ



Economic Leadership Sponsor



eyeonhousing.org
housingeconomics.com