



# Hot or Not? Real Estate in a Declining Rate Environment

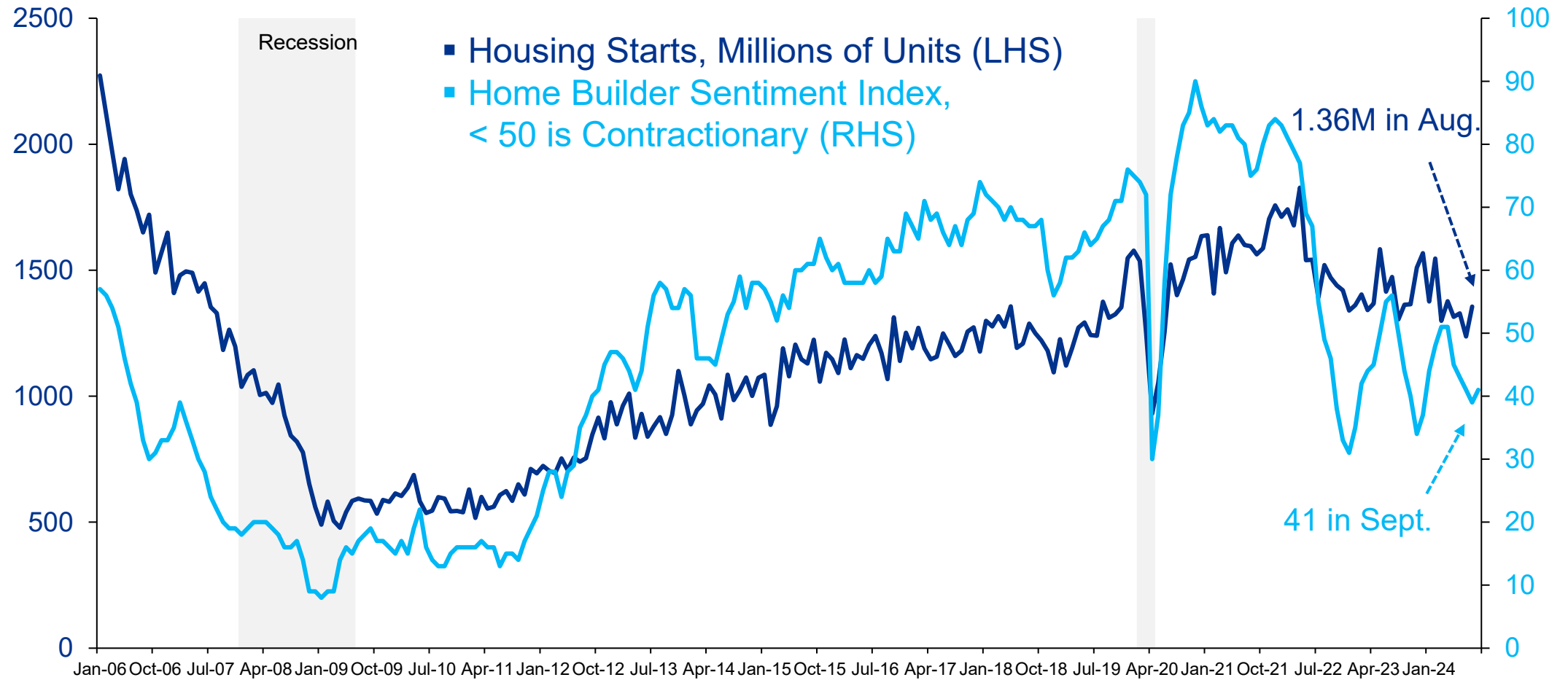
**Yelena Maleyev, Senior Economist**

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October 1, 2024

# Homebuilders pessimistic; less so about sales 6 months out

## Construction expected to pick up, but with speed limits



Source: KPMG Economics, National Association of Home Builders, Census Bureau

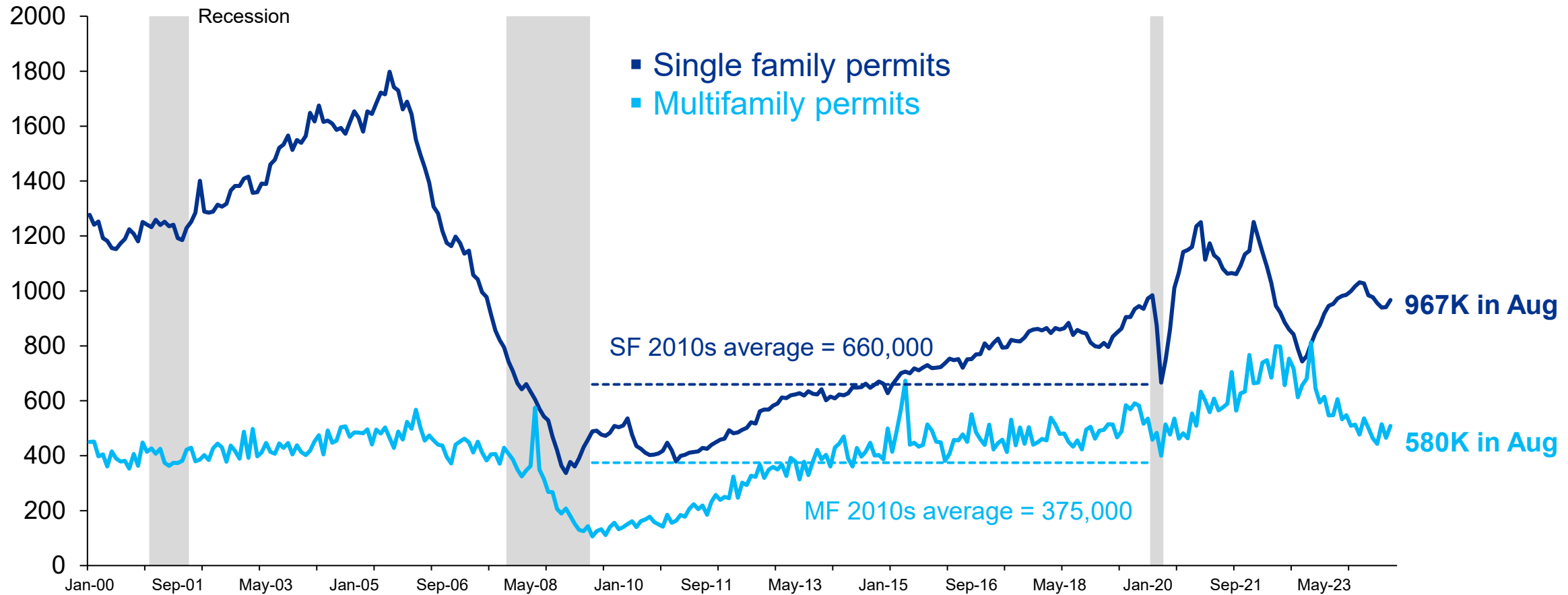


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# Building permits rebounding

## Permits above 2010s averages

SAAR, Thousands



Source: KPMG Economics, Census Bureau

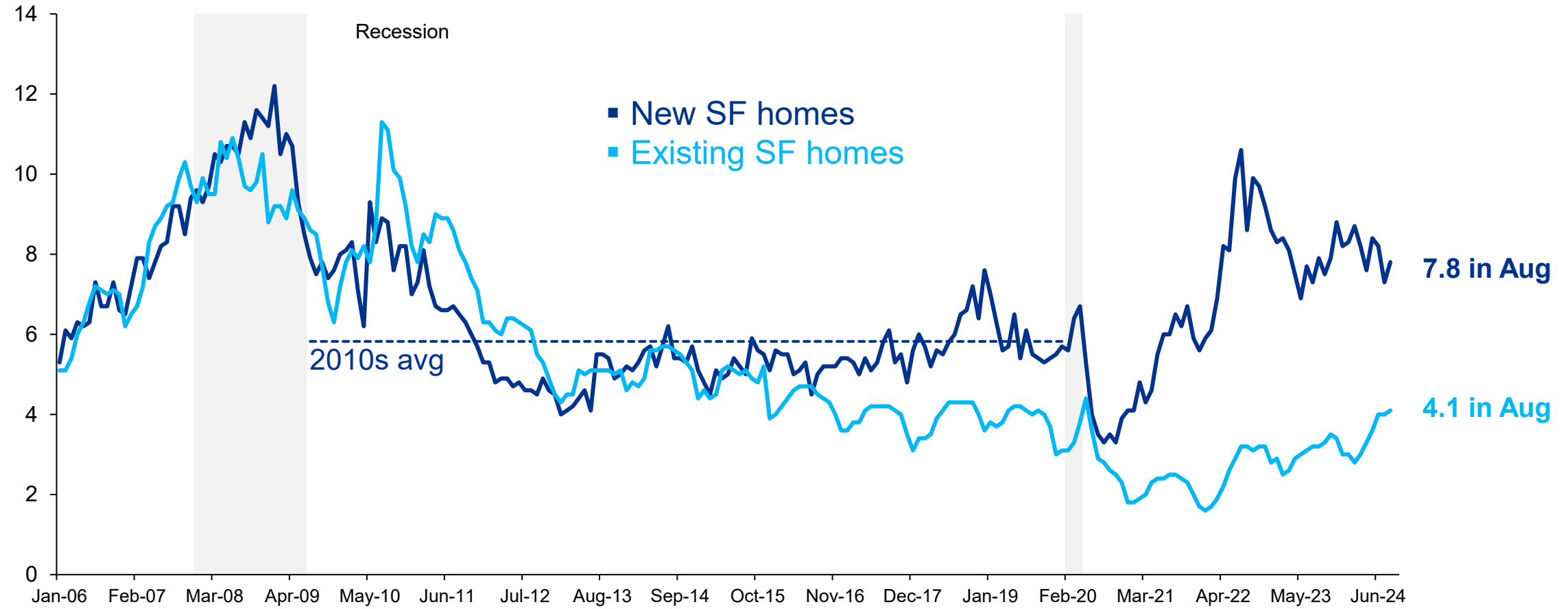


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# Housing supply low in resale market, more inventory for new

## Supply of new homes above pre-pandemic average

Months supply at current sales pace, SA, ratio



Source: KPMG Economics, Census Bureau



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# Low inventory in resale market means builders gain share

## Builders benefitting from supply shortages

New single-family homes as a percentage of total single-family homes for sale



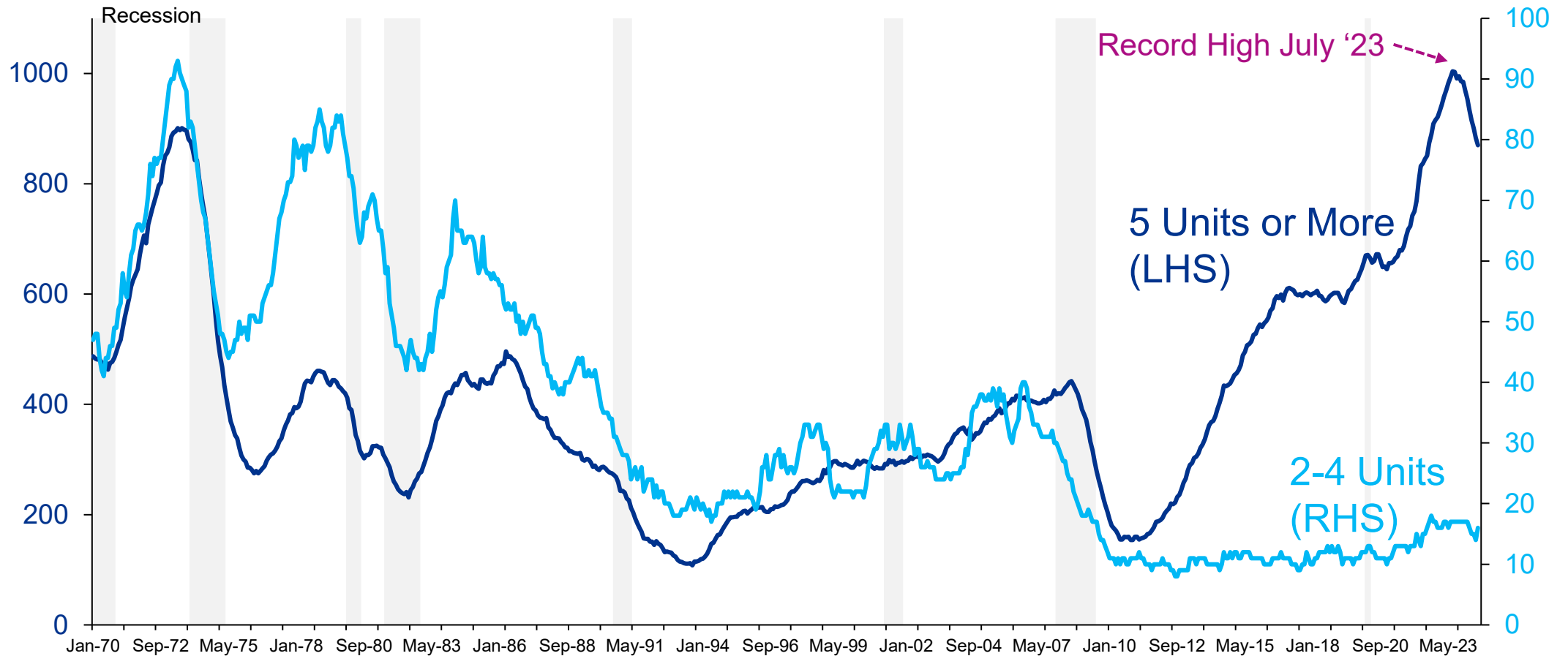
Source: KPMG Economics, National Association of Realtors, Census Bureau, Author's calculations



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# Near-record levels of apartment construction

**Multifamily construction concentrated on 5+ units**  
Number of housing units under construction, SA, Thousands



Source: KPMG Economics, Census Bureau

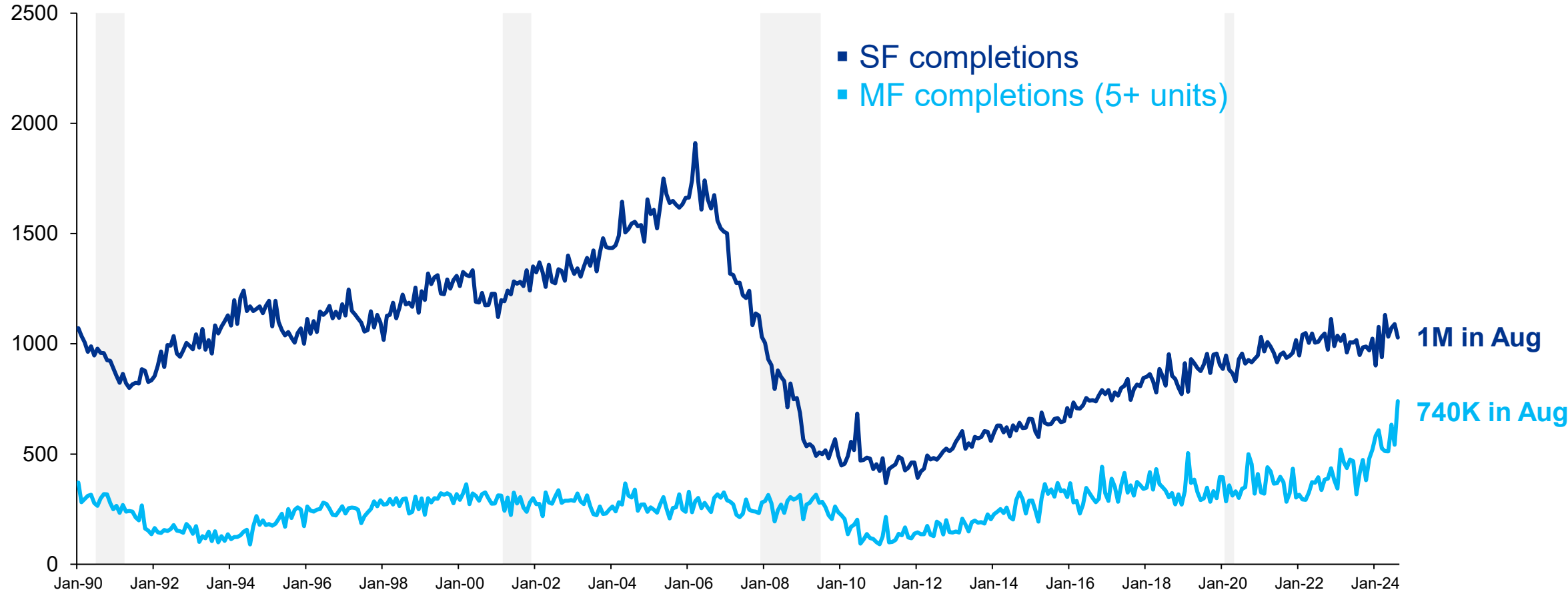


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# Record apartment completions in decades, SF maxed at 1M

Single-family completions hit a speed limit at one million, multifamily hitting record

New privately owned housing units completed, thousands



Source: KPMG Economics, Census Bureau



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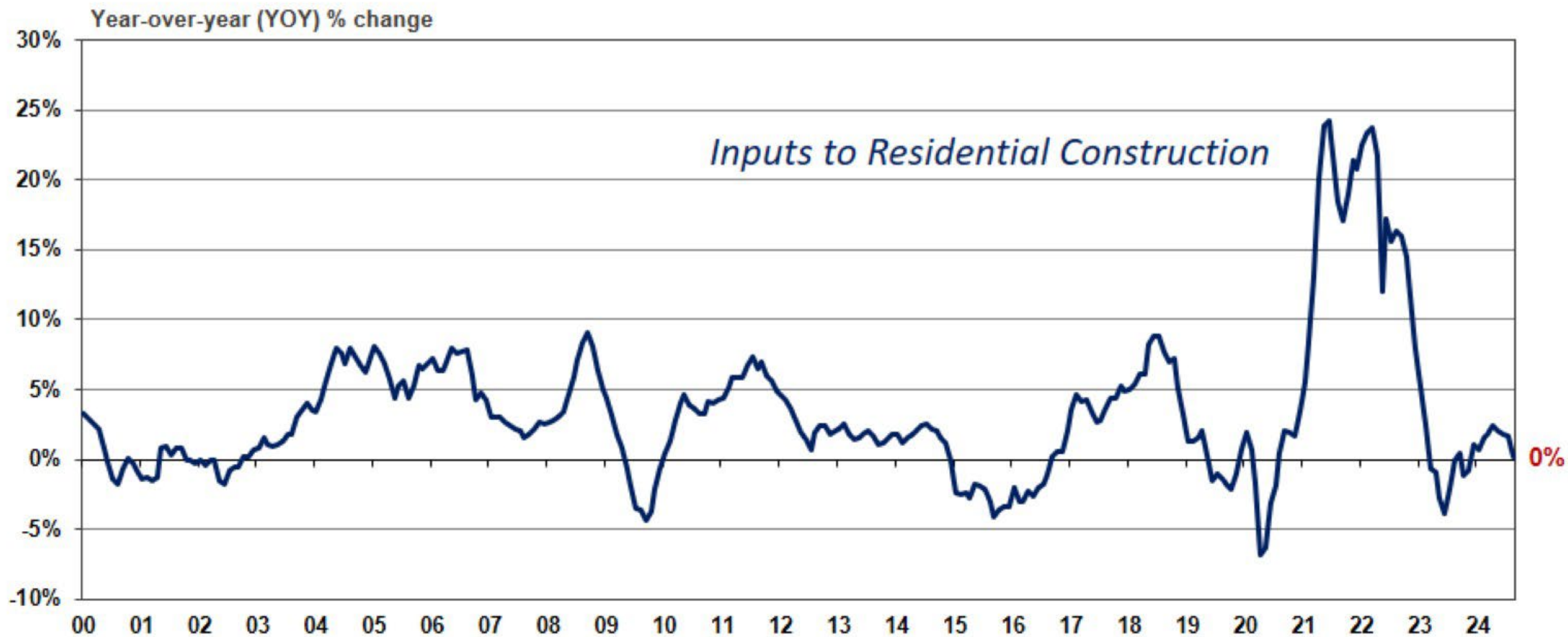


# NAHB Updates

Courtesy: Robert Dietz

[eyeonhousing.org](http://eyeonhousing.org)

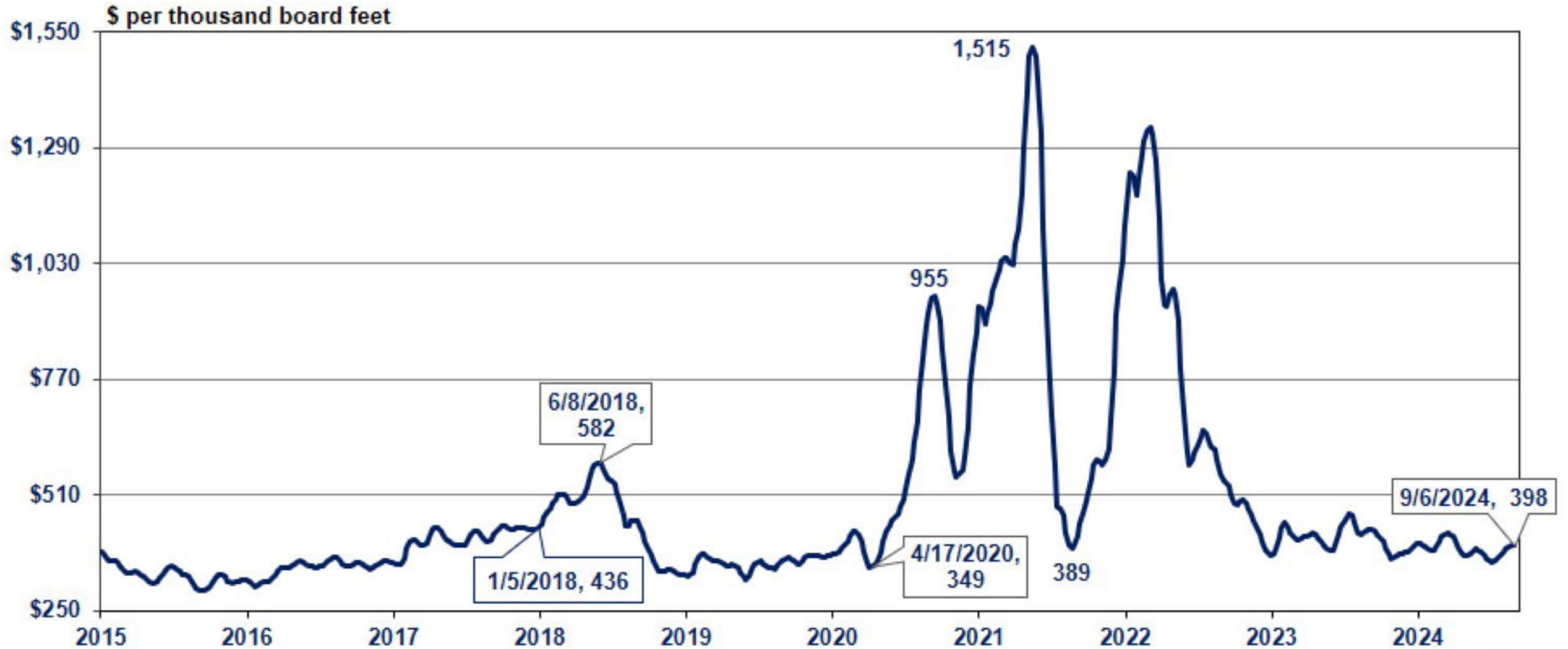
# Building Materials - Residential Construction Cost



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

# Lumber Prices Near Pre-pandemic Low

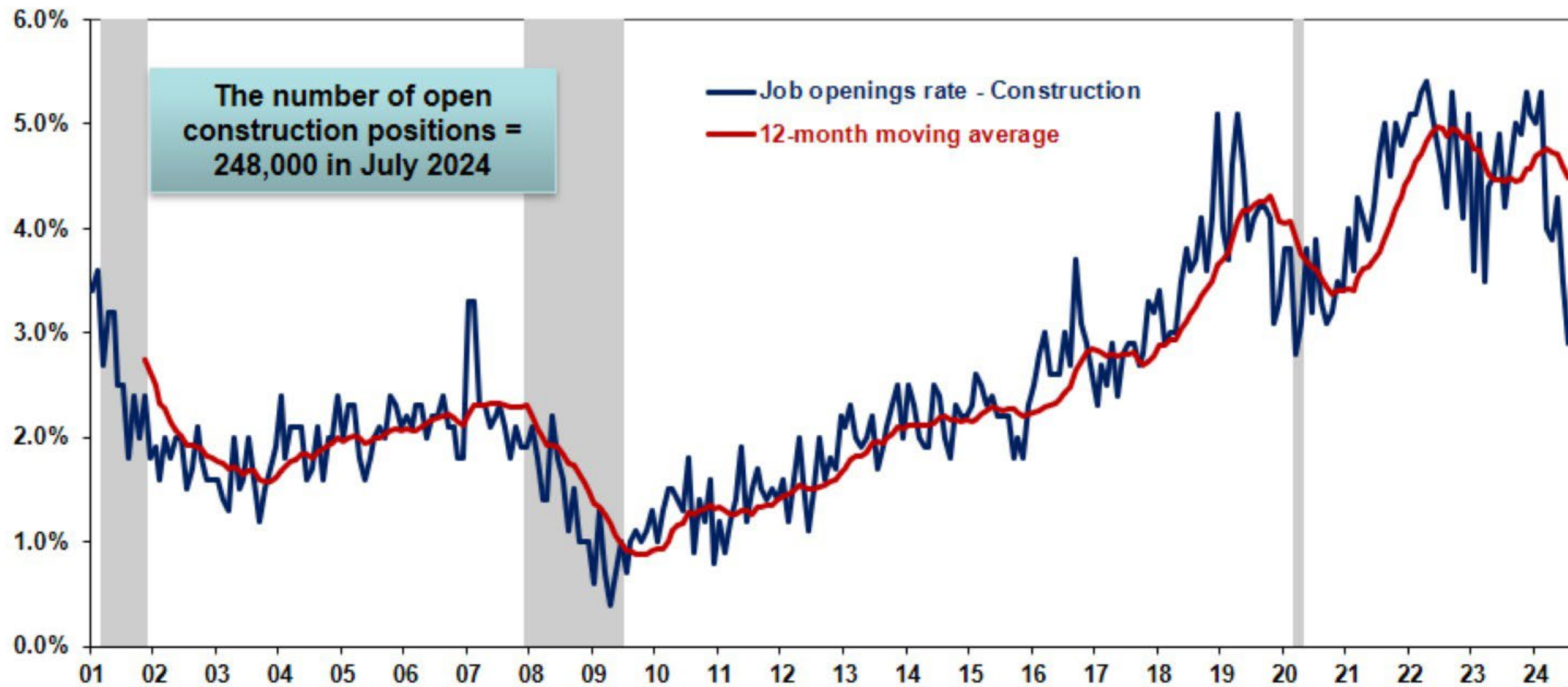
*Current September price is \$398; flat over the week after increasing for seven weeks in a row*



Source: NAHB Analysis; Random Lengths Composite Index

# Labor – Construction Job Openings Peaked for Cycle?

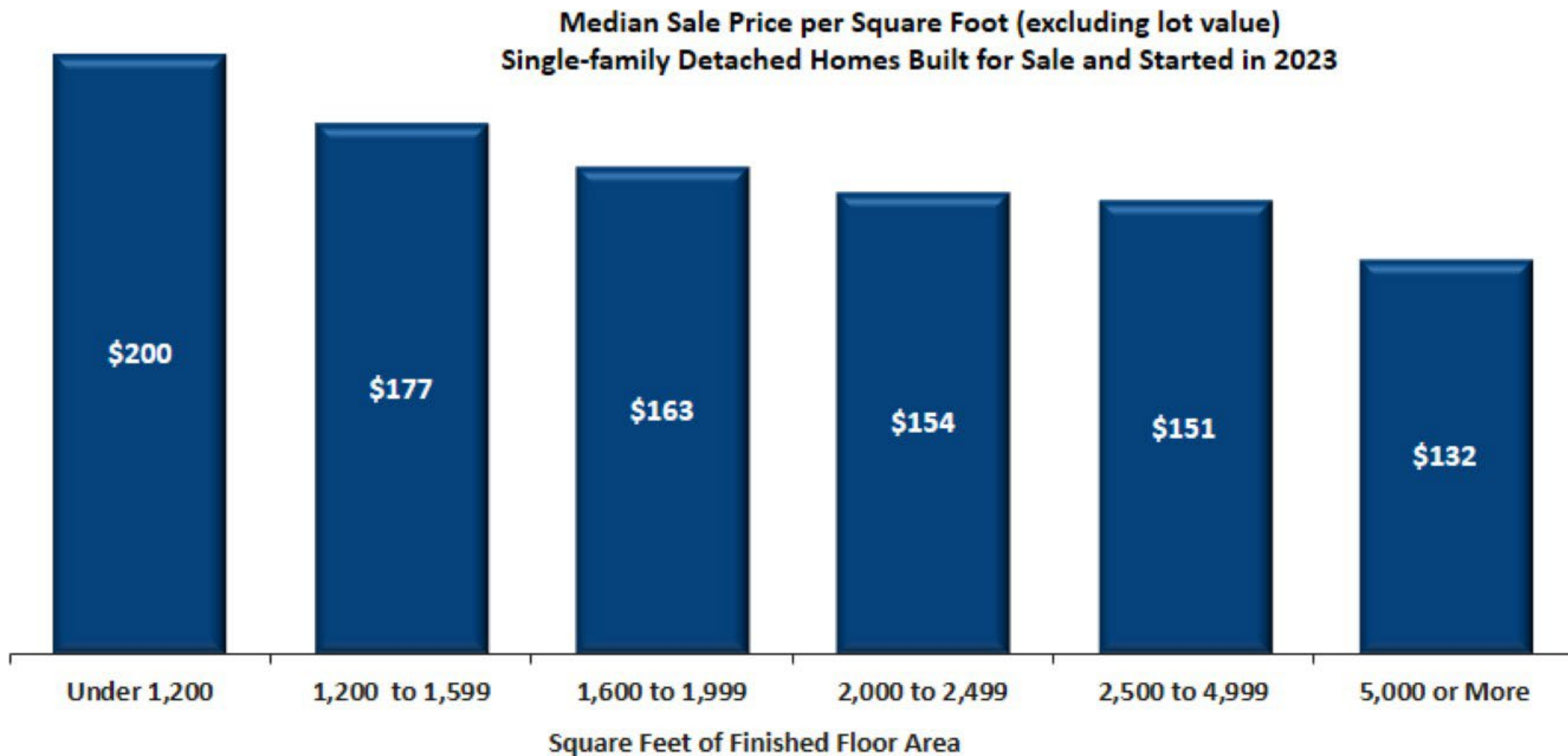
*Skilled labor shortage persists; 423,100 net gain for residential construction since Jan 2020*



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

# Economies of Scale in Single-Family Home Construction

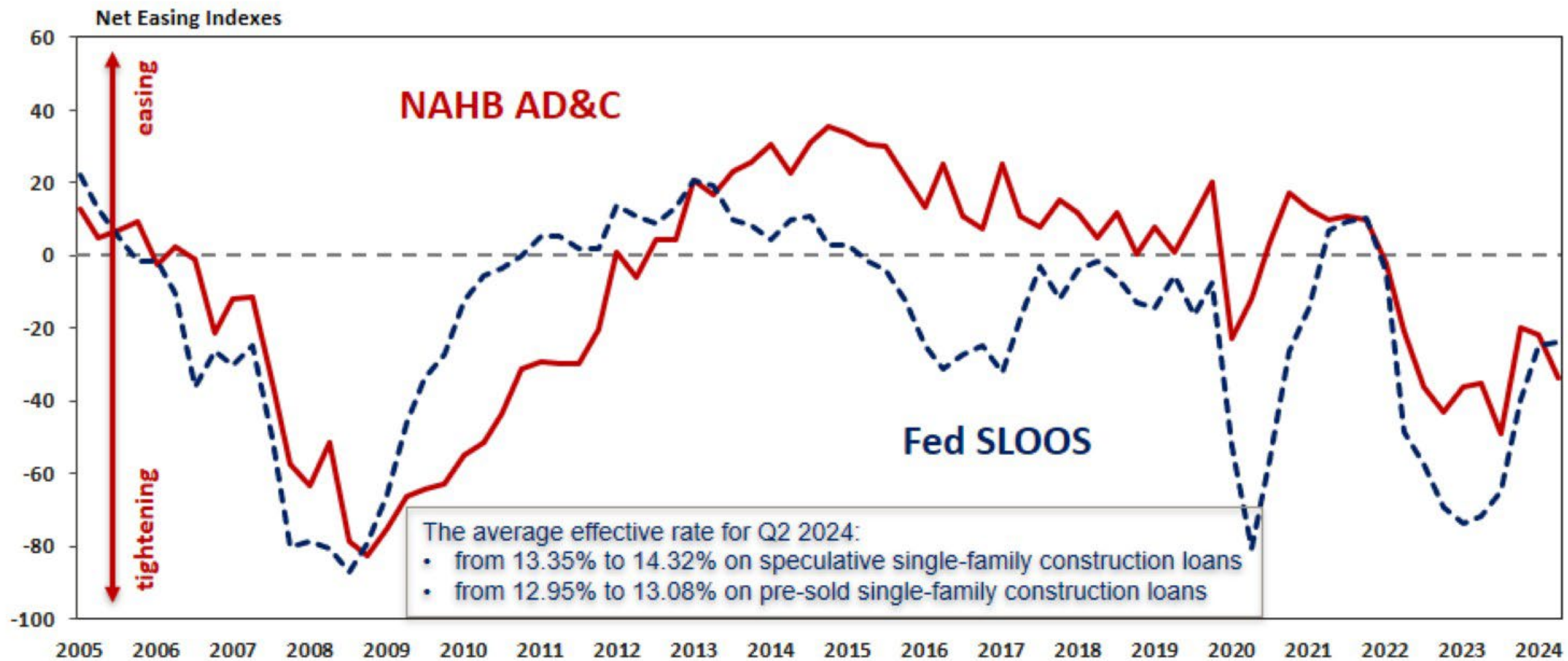
*The cost per square foot of a SF home declines systematically as the home becomes larger*



Source: NAHB tabulation of data on new homes started, from the Survey of Construction, U.S. Census Bureau and HUD.

# Lending – AD&C Loan Conditions

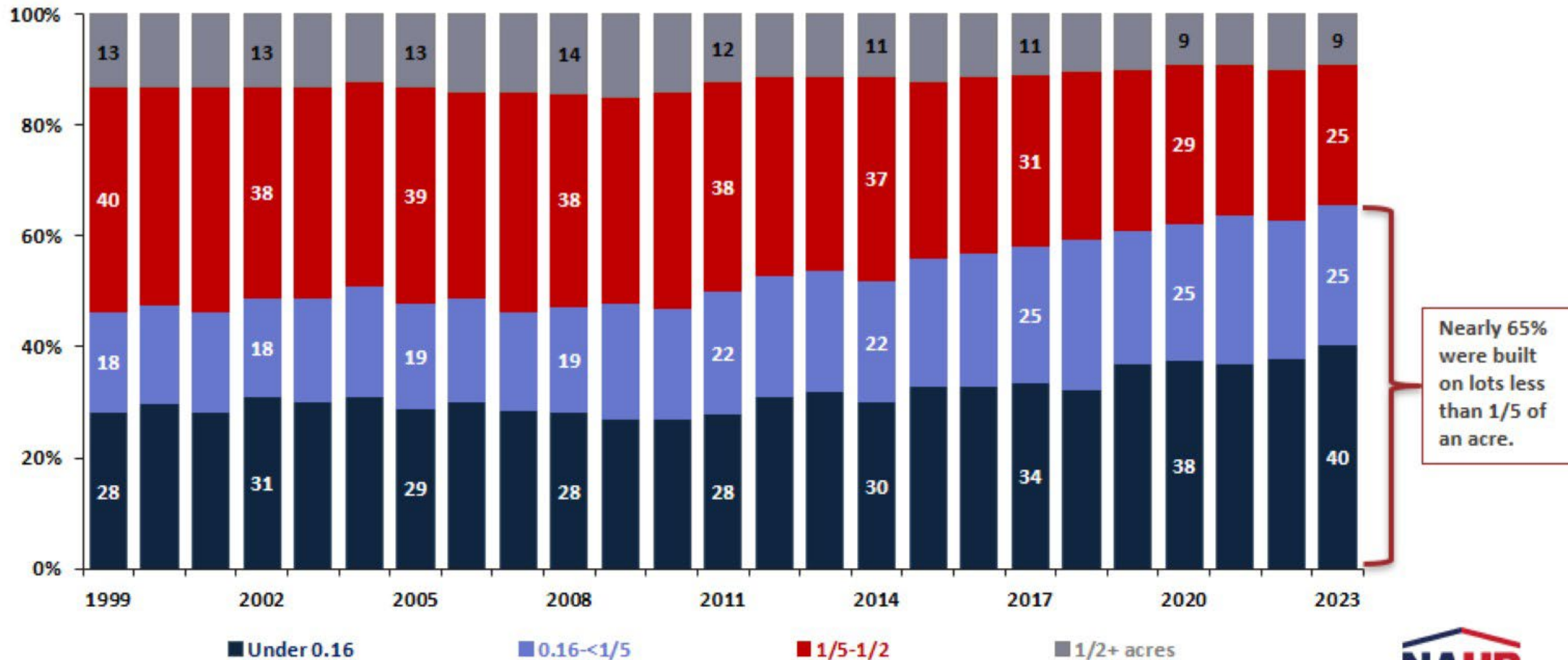
*Credit conditions for builders and developers continued to tighten*



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

# Lot Size Distribution: New Single-Family Detached Homes Sold

*Share of smaller lots is at new high*



Nearly 65% were built on lots less than 1/5 of an acre.

Source: NAHB tabulations of data from the 2023 Survey of Construction.



# 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

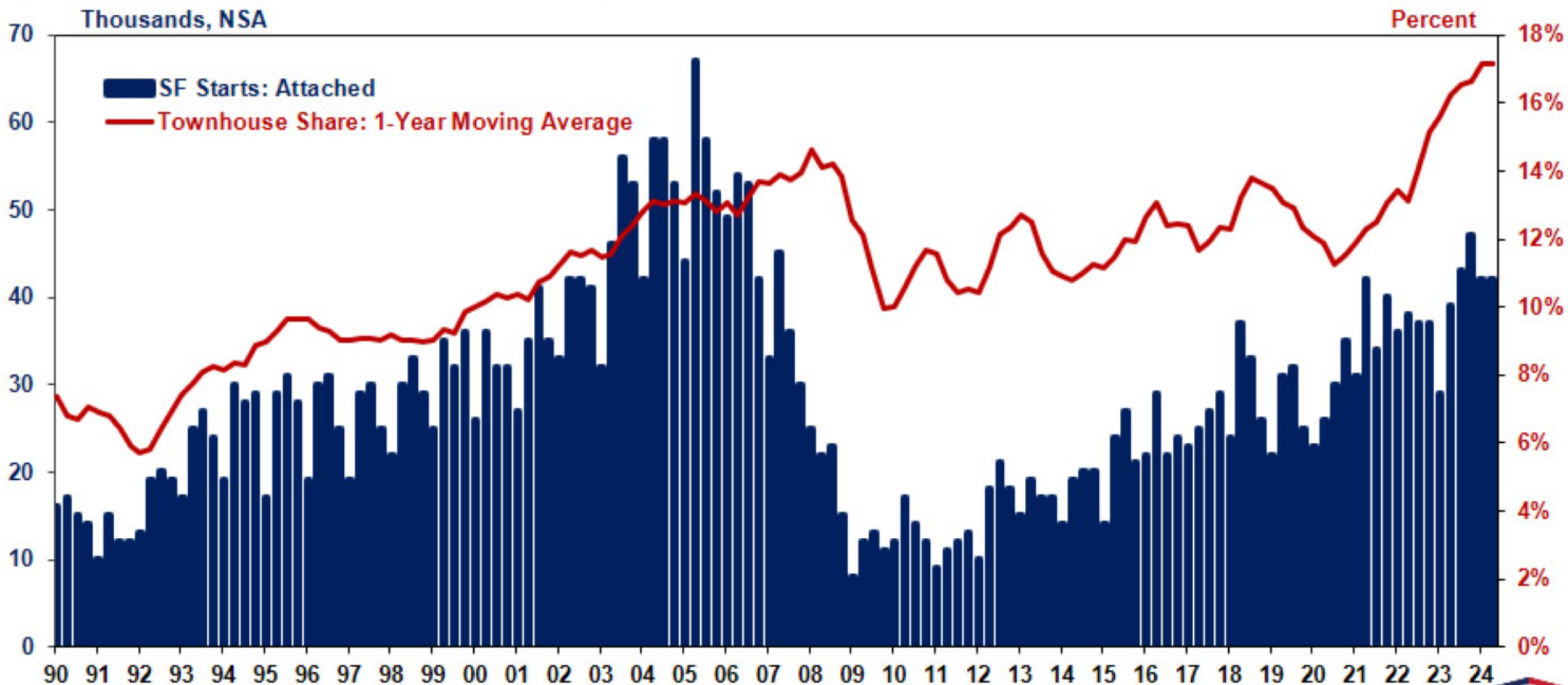


Source: NAHB/Wells Fargo Housing Market Index (HMI)



# Townhouse Construction Gains Continue

Market share at multidecade high



Source: U.S. Census Bureau (BOC)

# Thank you

For more information, please see the KPMG Economics Website:

[KPMG Economics \(kpmg.us\)](http://kpmg.us)



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