

Policies to Solve the Housing Shortage

Challenges and Opportunities

NABE
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NAHB Chief Economist



Building Costs

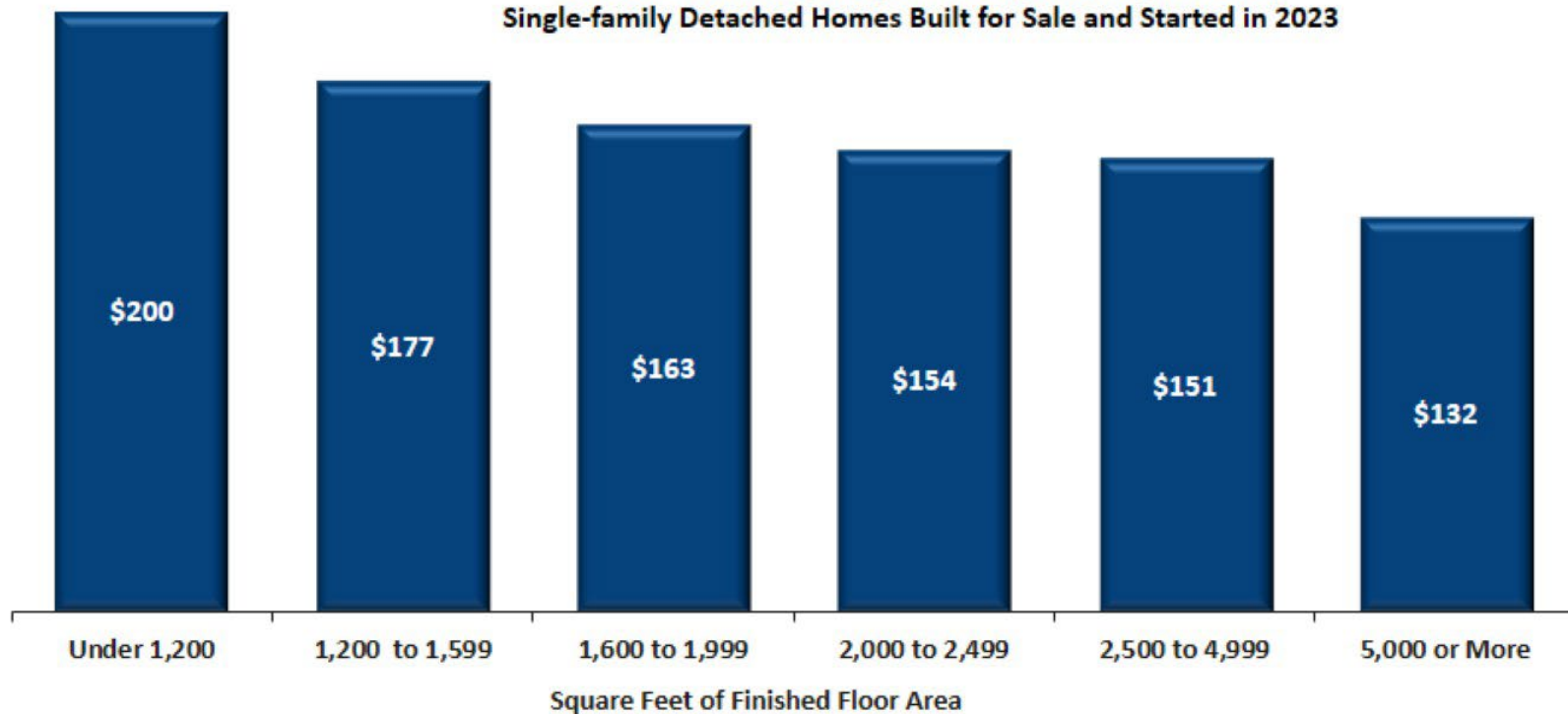
| I. Sale Price Breakdown ¹ | Average | Share of Price |
|---|------------------|----------------|
| A. Finished Lot Cost (including financing cost) | \$91,057 | 13.7% |
| B. Total Construction Cost | \$428,215 | 64.4% |
| C. Financing Cost | \$10,220 | 1.5% |
| D. Overhead and General Expenses | \$38,248 | 5.7% |
| E. Marketing Cost | \$5,633 | 0.8% |
| F. Sales Commission | \$18,955 | 2.8% |
| G. Profit | \$72,971 | 11.0% |
| Total Sales Price | \$665,298 | 100.0% |

| II. Construction Cost Breakdown ² | Average | Share of Construction Cost |
|--|------------------|----------------------------|
| I. Site Work (sum of A to E) | \$32,719 | 7.6% |
| A. Building Permit Fees | \$7,640 | 1.8% |
| B. Impact Fee | \$6,367 | 1.5% |
| C. Water & Sewer Fees Inspections | \$6,260 | 1.5% |
| D. Architecture, Engineering | \$6,480 | 1.5% |
| E. Other | \$5,972 | 1.4% |
| II. Foundations (sum of F to G) | \$44,748 | 10.5% |
| F. Excavation, Foundation, Concrete, Retaining walls, and Backfill | \$43,002 | 10.0% |
| G. Other | \$1,747 | 0.4% |
| III. Framing (sum of H to L) | \$70,982 | 16.6% |
| H. Framing (including roof) | \$49,763 | 11.6% |
| I. Trusses (if not included above) | \$12,903 | 3.0% |
| J. Sheathing (if not included above) | \$6,513 | 1.5% |
| K. General Metal, Steel | \$1,718 | 0.4% |
| L. Other | \$85 | 0.0% |
| IV. Exterior Finishes (sum of M to P) | \$57,510 | 13.4% |
| M. Exterior Wall Finish | \$24,450 | 5.7% |
| N. Roofing | \$16,732 | 3.9% |
| O. Windows and Doors (including garage door) | \$15,990 | 3.7% |
| P. Other | \$338 | 0.1% |
| V. Major Systems Rough-ins (sum of Q to T) | \$82,319 | 19.2% |
| Q. Plumbing (except fixtures) | \$27,180 | 6.3% |
| R. Electrical (except fixtures) | \$27,383 | 6.4% |
| S. HVAC | \$26,938 | 6.3% |
| T. Other | \$817 | 0.2% |
| VI. Interior Finishes (sum of U to AE) | \$103,391 | 24.1% |
| U. Insulation | \$6,992 | 1.6% |
| V. Drywall | \$13,962 | 3.3% |
| W. Interior Trims, Doors, and Mirrors | \$12,920 | 3.0% |
| X. Painting | \$11,150 | 2.6% |
| Y. Lighting | \$5,392 | 1.3% |
| Z. Cabinets, Countertops | \$19,056 | 4.5% |
| AA. Appliances | \$7,499 | 1.8% |
| AB. Flooring | \$15,388 | 3.6% |
| AC. Plumbing Fixtures | \$7,922 | 1.9% |
| AD. Fireplace | \$2,378 | 0.6% |
| AE. Other | \$732 | 0.2% |
| VII. Final Steps (sum of AF to AJ) | \$27,710 | 6.5% |
| AF. Landscaping | \$9,269 | 2.2% |
| AG. Outdoor Structures (deck, patio, porches) | \$4,722 | 1.1% |
| AH. Driveway | \$9,635 | 2.3% |
| AI. Clean Up | \$3,183 | 0.7% |
| AJ. Other | \$902 | 0.2% |
| VIII. Other | \$8,835 | 2.1% |
| Total | \$428,215 | 100.0% |

Economies of Scale in Single-Family Home Construction

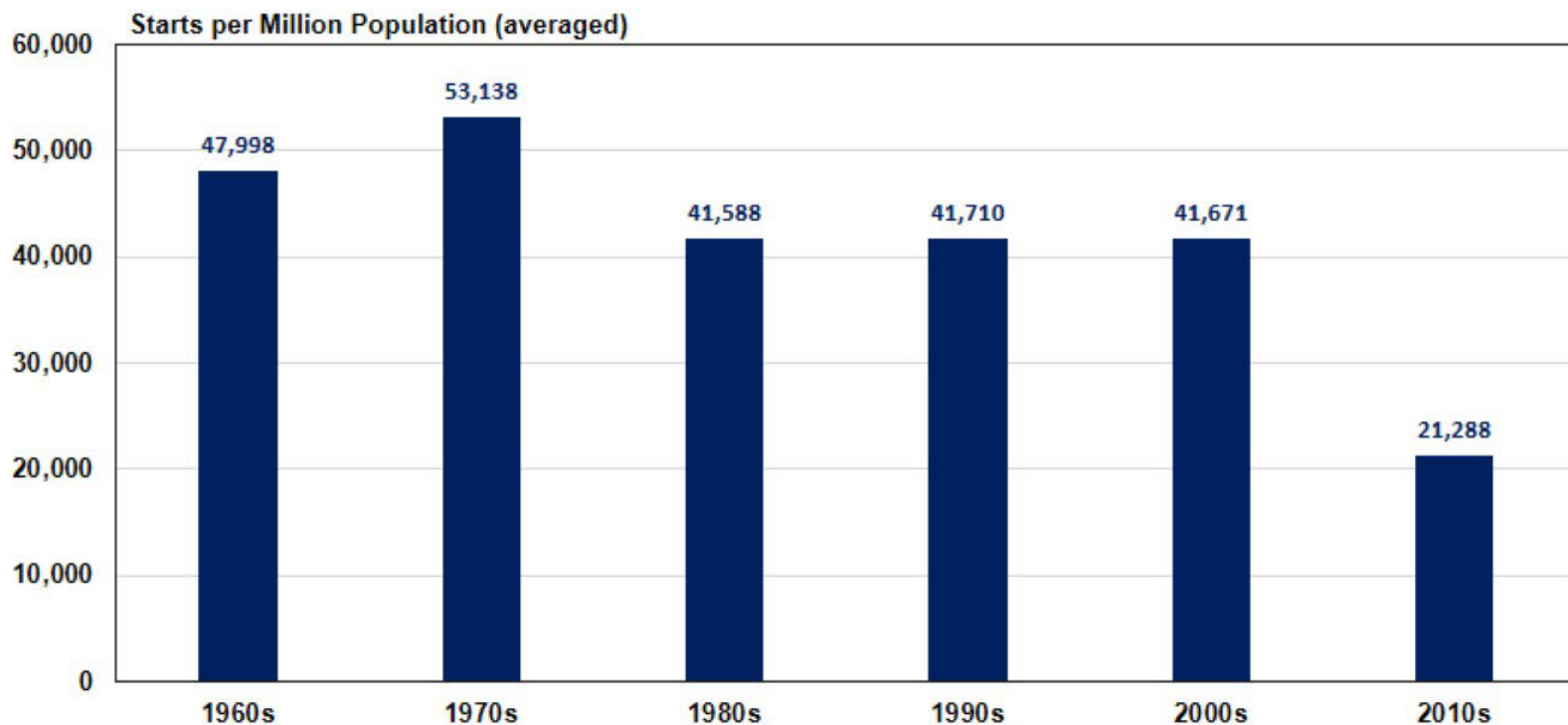
The cost per square foot of a SF home declines systematically as the home becomes larger

Median Sale Price per Square Foot (excluding lot value)
Single-family Detached Homes Built for Sale and Started in 2023



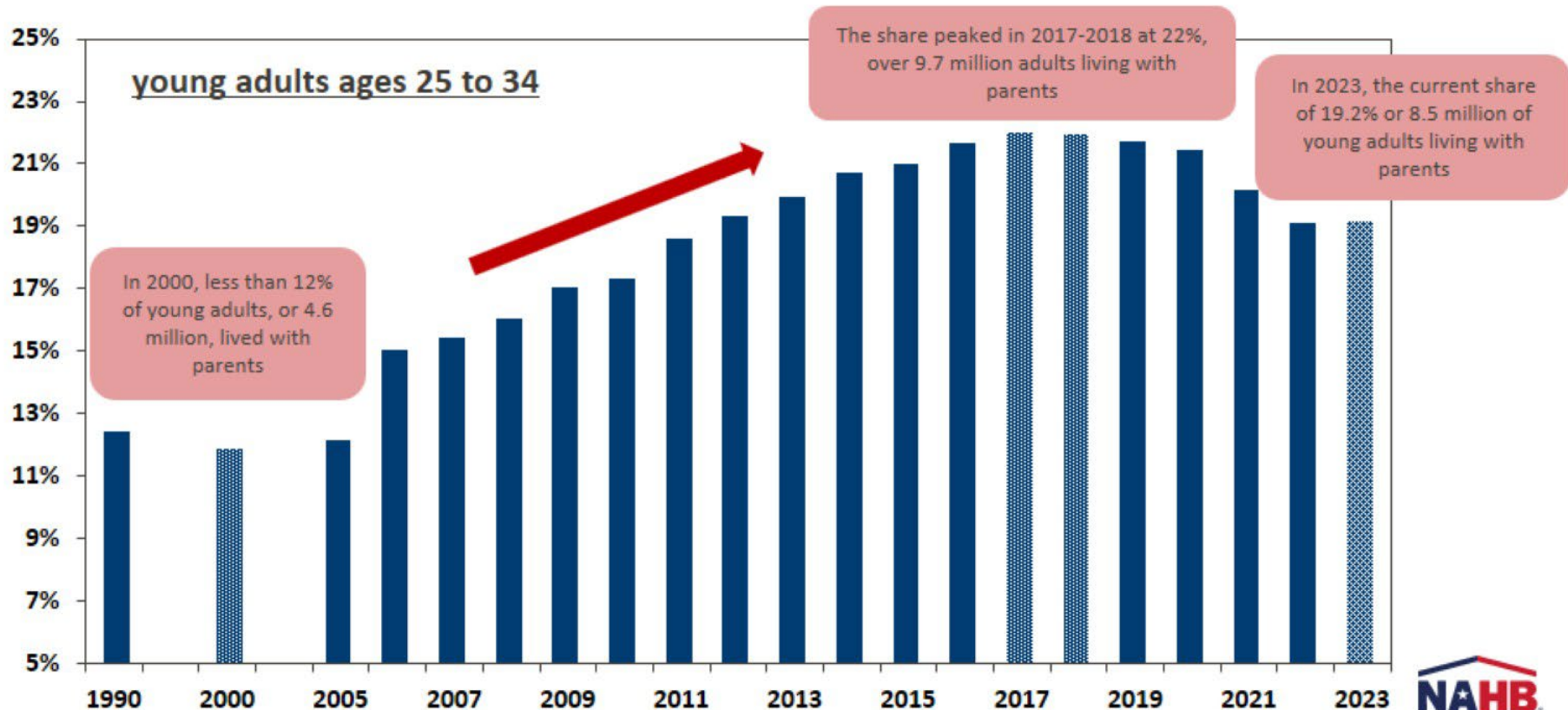
Source: NAHB tabulation of data on new homes started, from the Survey of Construction, U.S. Census Bureau and HUD.

Single-Family Starts by Decade: 1.5 Million Deficit



Source: Census Bureau and NAHB analysis

Share of Young Adults Living with Parents

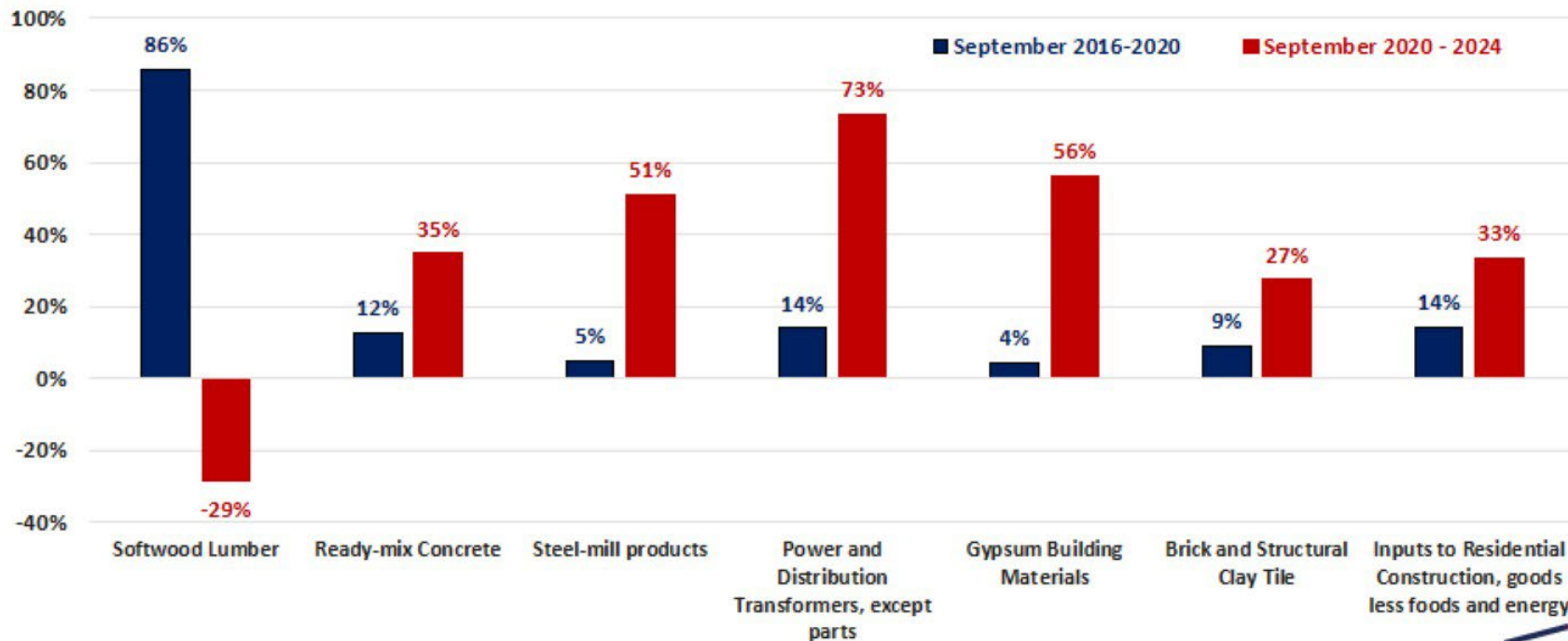


Source: US Census 1990, 2000, PUMS, 2005-2023 ACS, PUMS, NAHB Estimates

Building Material Prices

Costs of Building Materials Have Surged Since the Pandemic

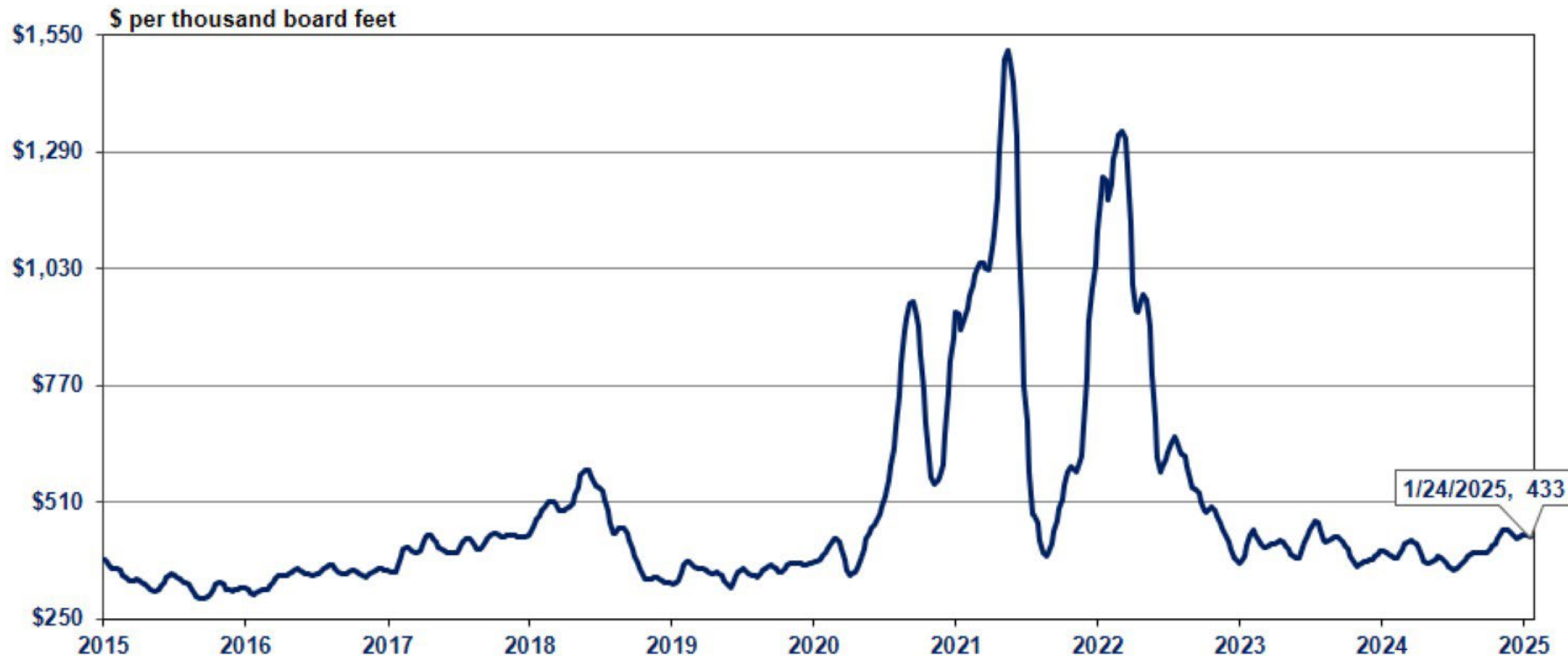
Four-year Price Percentage Change



Source: U.S. Bureau of Labor Statistics; Producer Price Index

Lumber Prices Near Pre-pandemic Low

Current January price is \$433; down 0.5% over the week

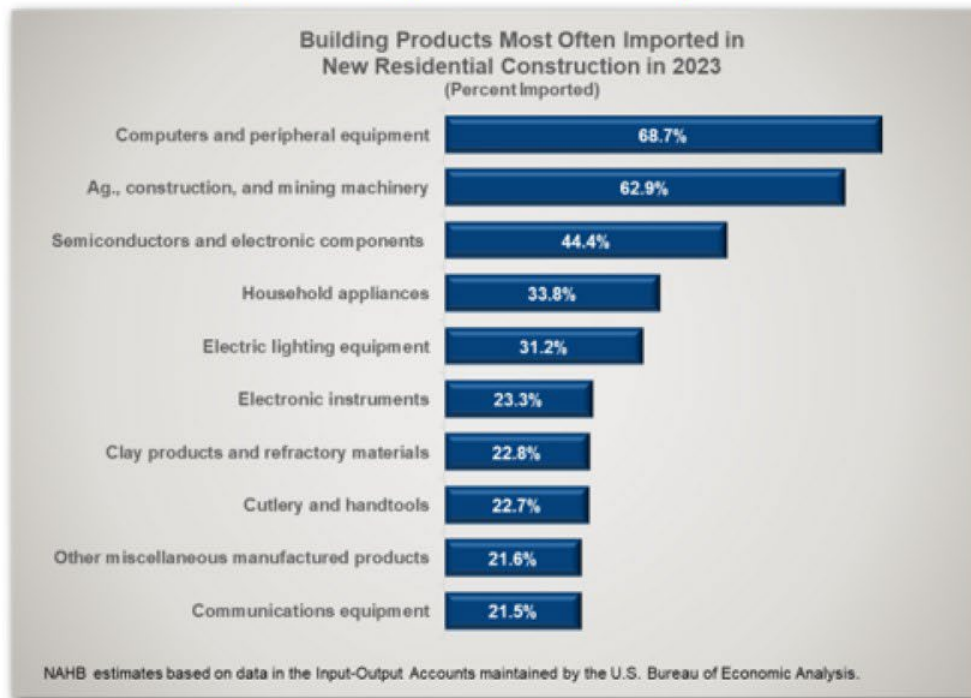


Source: NAHB Analysis; Random Lengths Composite Index

Tariff Considerations

Tariffs are taxes and taxes have costs

7.3% of building materials imported

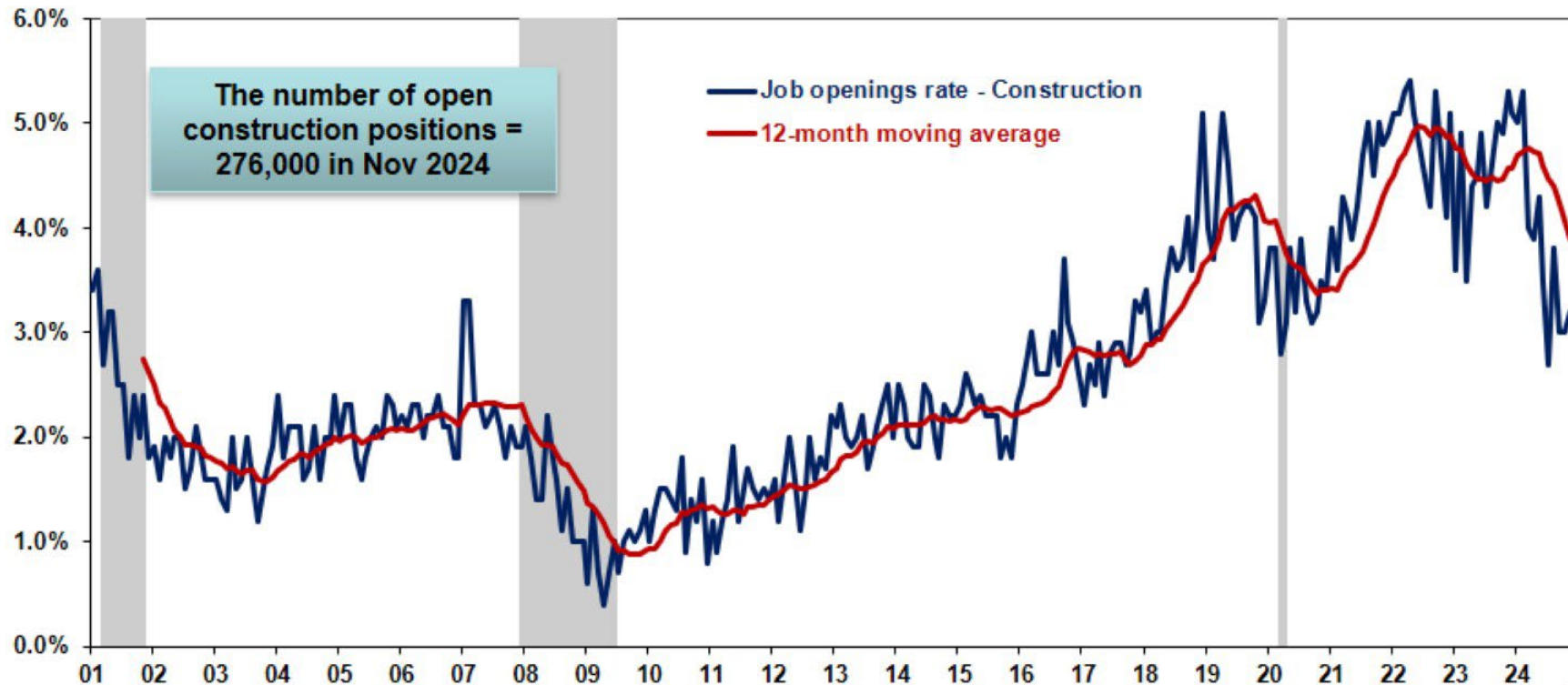


- *U.S. government*
 - *\$2 trillion income tax revenue from \$20 trillion in income*
- *Proposed 10% across the board tariff*
 - *\$2.7 trillion in imports*
 - *Perhaps raise \$240 billion after substitution effect*
 - *Laffer curve reduces revenues at 50% tariff rate*
 - *Max revenue maybe \$700 billion*
- *After-tax distribution effects 10% tariff*
 - *Bottom 20% - 3% income decline*
 - *Top 20% - 0.7% income decline*

Replacing income taxes with tariffs would have complex effects; no free lunch

Labor – Construction Job Openings Peaked for Cycle?

Skilled labor shortage persists; 434,300 net gain for residential construction since Jan 2020

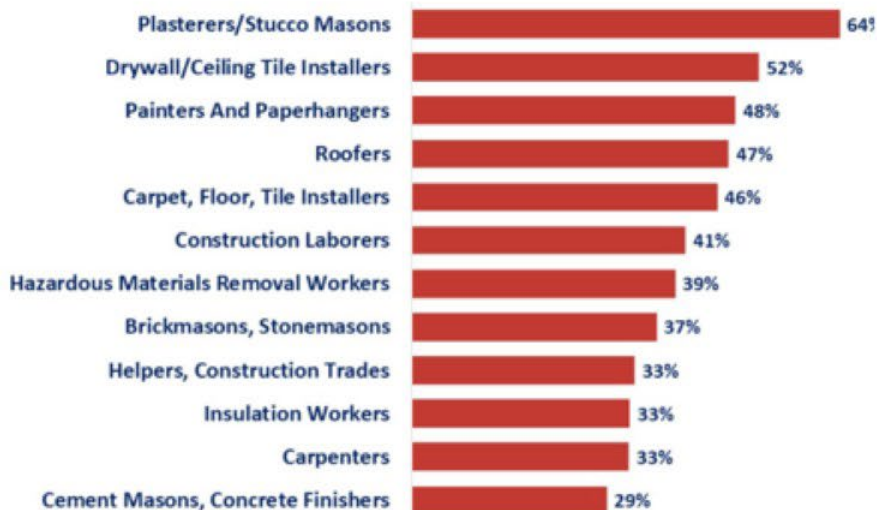


Source: U.S. Bureau of Labor Statistics (BLS).

Immigrant Workers in the Construction Sector

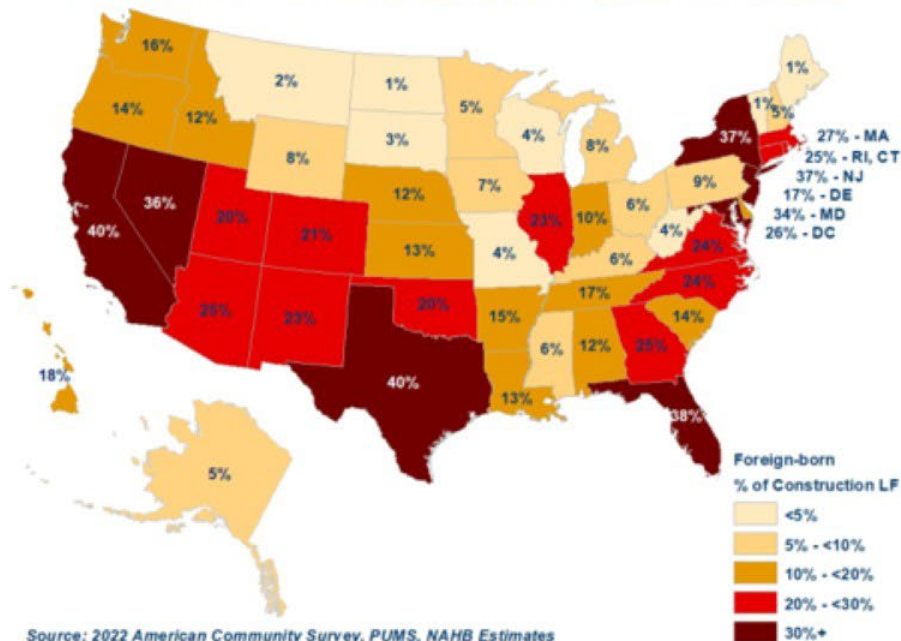
Construction Trades Most Reliant on Immigrants

Share of Immigrants in Labor Force, 2022



Source: American Community Survey PUMS, 2022, NAHB Estimates

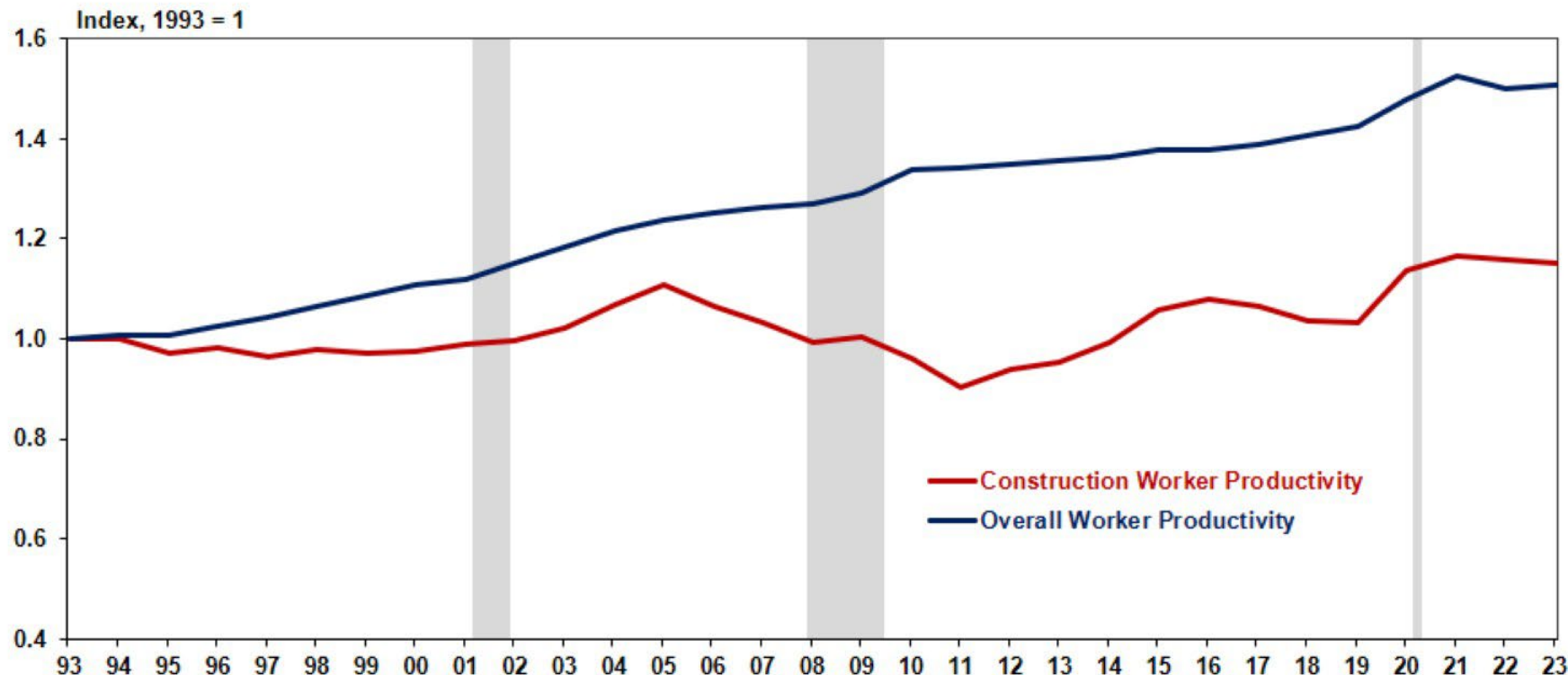
Immigrant Workers in the Construction Labor Force, 2022



Source: NAHB analysis of Census data

Construction Sector Productivity Lags

15% gain for construction compared to 49% gain for overall economy

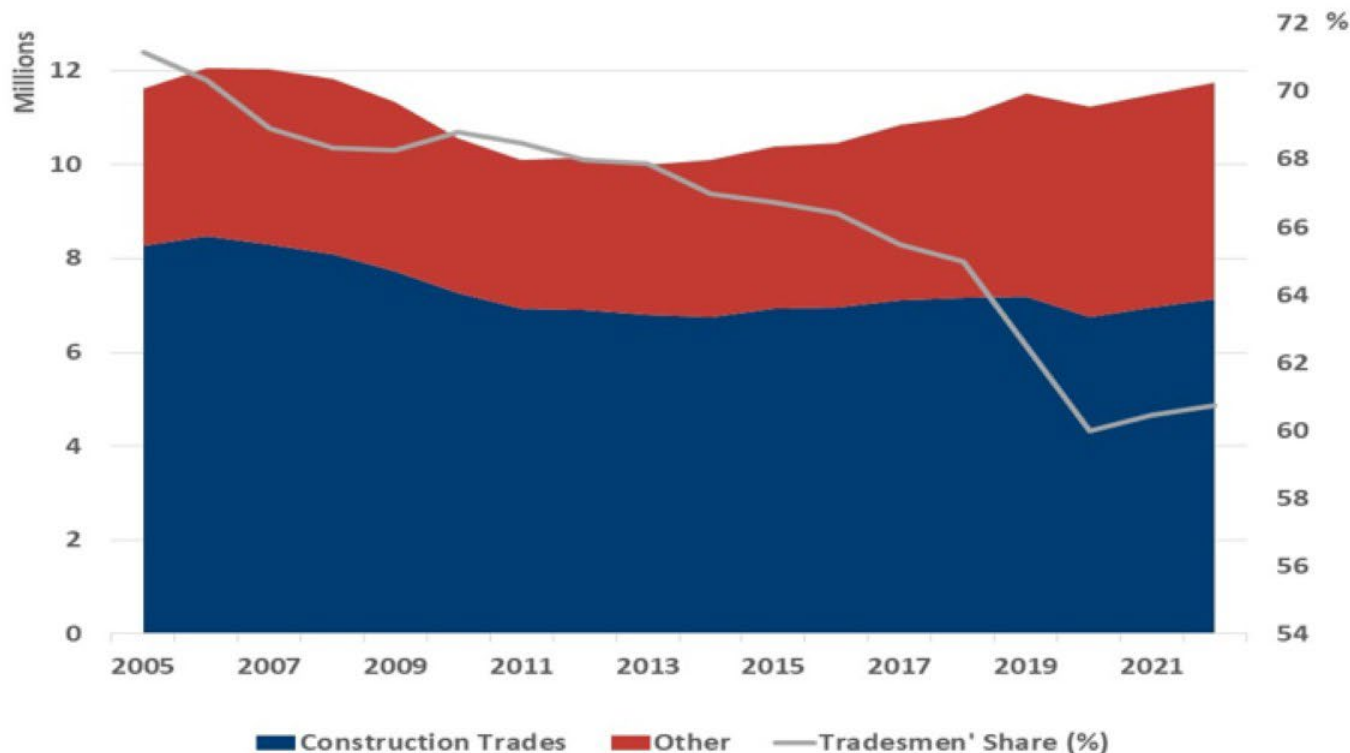


Source: U.S. Bureau of Labor Statistics (BLS).

Share of Trades Workers in Construction is Falling

White-collar worker share rises from 29% in 2005 to 39% in 2022

Construction Labor Force



72 % *Why?*

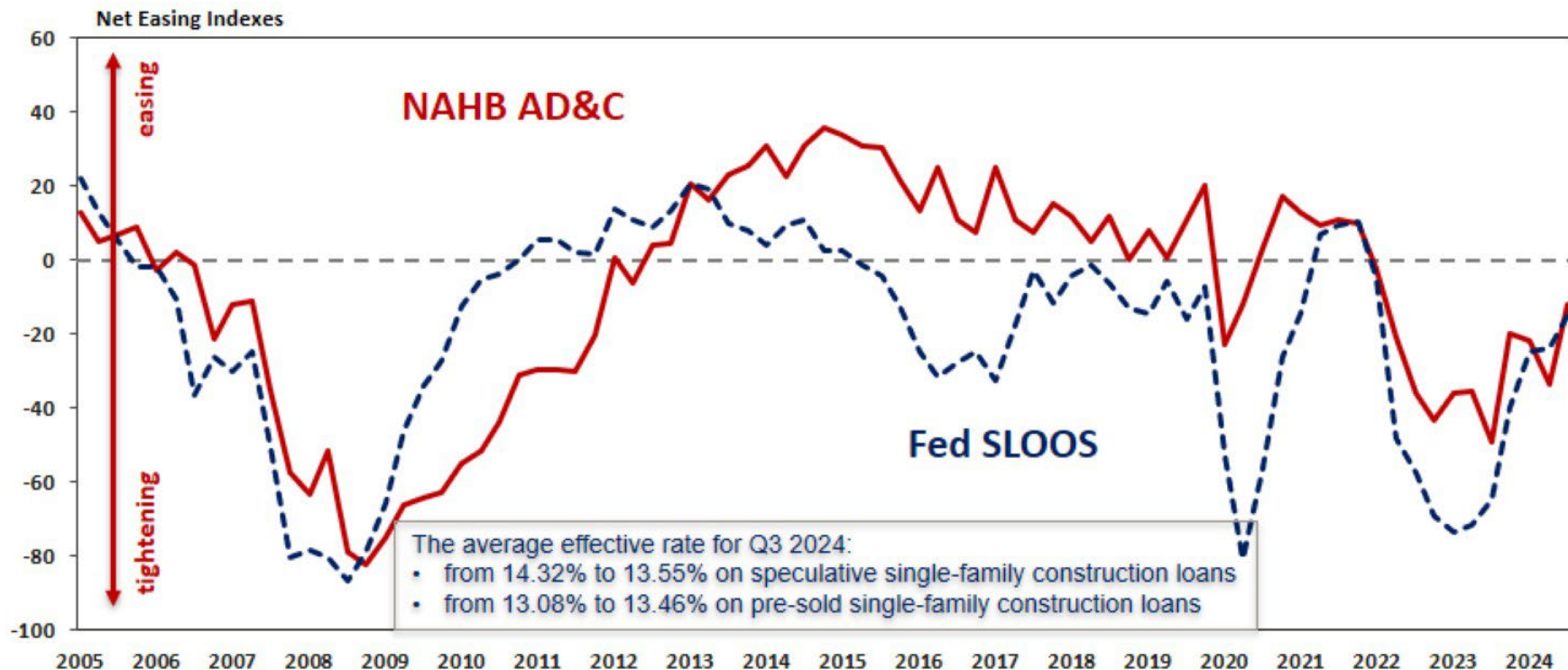
Could be more technology use and thus help construction labor productivity

More likely:

More workers dealing with rising regulatory burdens

Lending – AD&C Loan Conditions

Credit conditions for builders and developers continued to tighten

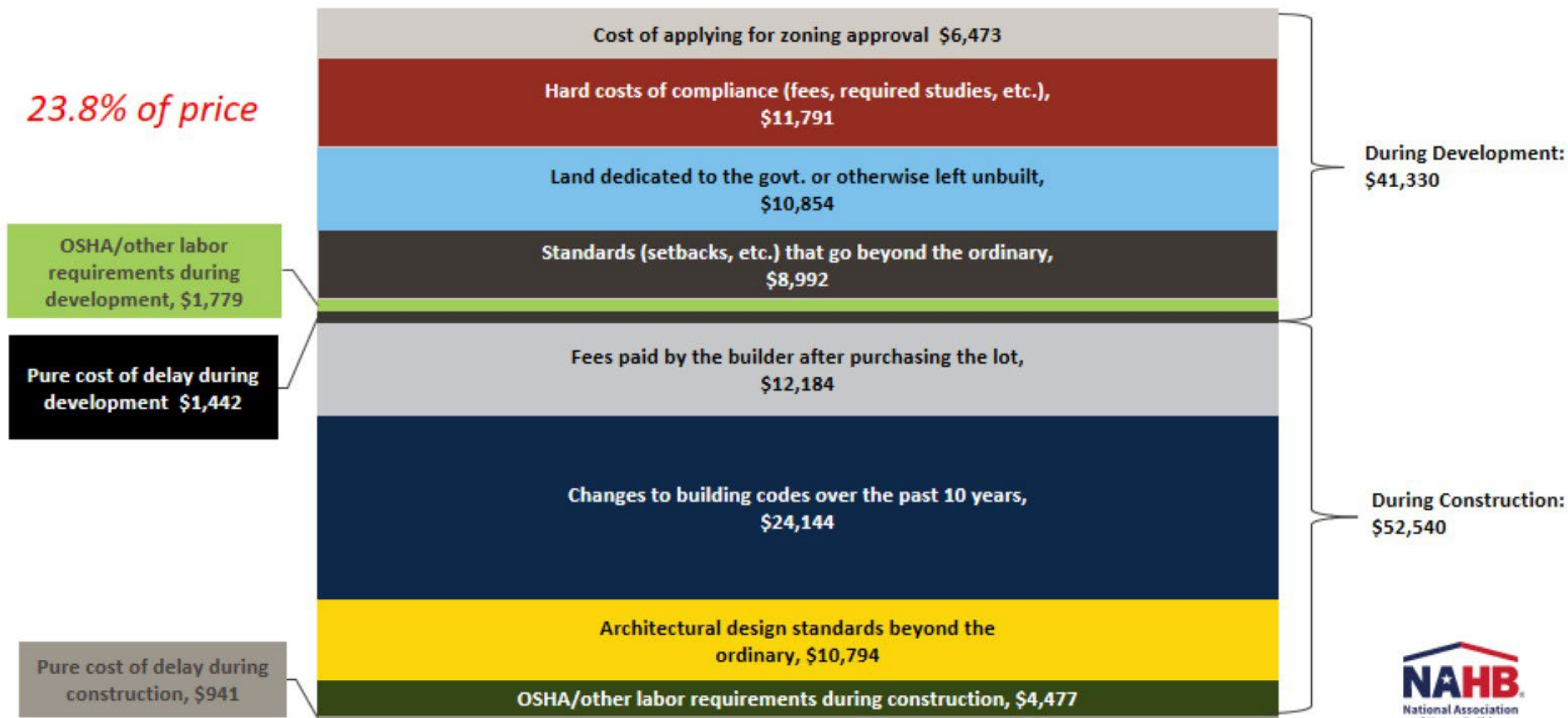


Source: NAHB survey; Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS)

Regulatory Costs \$93,870 Per New Home (11% Gain 2016 to 2021)

Total effect of building codes, land use, environmental and other rules

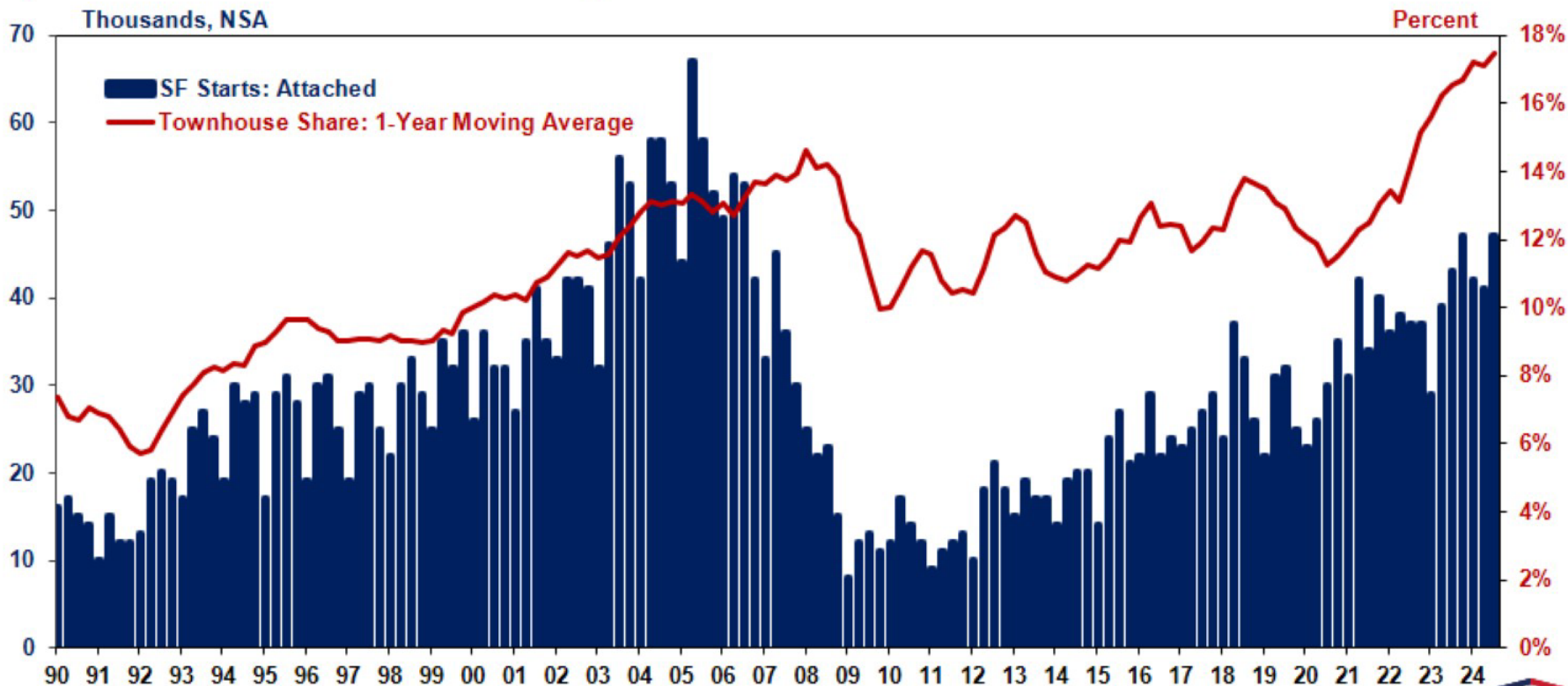
23.8% of price



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

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com