Southern Arizona Home Builders Association

NAHBNews

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New Home Sales Up as Mortgage Rates Moderate

While **new home sales** received a slight bounce in November from lower mortgage rates, the housing market continues to struggle because of ongoing supply chain disruptions, elevated construction costs and challenging affordability conditions.



Sales of newly built, single-family homes in November increased 5.8% to a 640,000 seasonally adjusted annual rate, according to newly released data from HUD and the Census Bureau. On a year-to-date basis, new home sales are down 15.2%.

A new home sale occurs when a sales contract is signed or a deposit is accepted. The home can be in any stage of construction: not yet started, under construction or completed. In addition to adjusting for seasonal effects, the November reading of 640,000 units is the number of homes that would sell if this pace continued for the next 12 months.

New single-family home inventory remained elevated at an 8.6 months' supply (of varying stages of construction). A measure near a 6 months' supply is considered balanced. The count of homes available for sale, 461,000, is up 18.2% over last year.

A year ago, there were just 32,000 completed, ready to occupy homes available for sale. By November 2022, that number increased to 64,000, reflecting flagging demand and more standing inventory due to lower sales.

Regionally, year-to-date, new home sales fell in all four regions, down 3.6% in the Northeast, 22.3% in the Midwest, 13.1% in the South and 19.3% in the West.

Action Needed on Transformers

NAHB and other industry groups are urging policymakers to resolve an ongoing supply chain shortfall that is affecting delivery of much-needed transformers and other electrical switch gear. The **scarcity of transformers** is having a dramatic effect on new construction projects and repairs of homes, commercial buildings and infrastructure.

Urge your members of Congress to support the implementation of the Defense Production Act to address the supply chain crisis for electric distribution transformers.

Looking at the 2023 Economic Outlook

Where is the housing industry heading in 2023? NAHB Chief Economist Robert Dietz recently discussed key data to help answer that question during a webinar with Pro Builder Editorial Director Rich Binsacca. **The webinar provided** an overview of the impact of interest rate hikes, supply chain issues, and rising labor and materials costs on residential construction. A summary document with key highlights is also **available to download**.

Materials Prices Eased in November

The prices of building materials decreased 0.3% in November (not seasonally adjusted) following 0.5% and 0.1% declines in September and October, respectively, according to the latest Producer Price Index (PPI) report. **The index has decreased** five of six months for the first time since 2015.

The PPI for goods inputs to residential construction, including energy, fell 0.8% in November. The index was led lower by a 5.3% drop in energy input prices as the PPIs of regular unleaded gasoline and No. 2 diesel fuel decreased 6.7% and 4.5%, respectively.

NAHB Responds to Rule on Independent Contractors

The U.S. Department of Labor recently published a proposed rule updating the test for determining whether a worker is an employee under the Fair Labor Standards Act (FLSA) or an independent contractor. NAHB has **submitted formal comments** opposing the proposed rule.

The language of the new test introduces new, undefined, vague terminology that would reclassify legitimate independent contractors into employees, affecting many industries, including residential construction that rely on the subcontractor business model.

FHA Announces Increases To Loan Limits in 2023

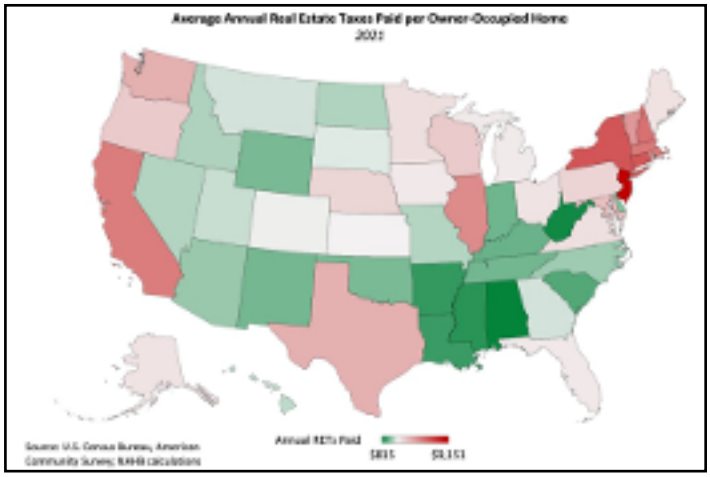
The FHA on Dec. 1 announced its **loan limits for 2023**. The nation-wide rise in median home prices indicates most buyers across the country will see increases.

The FHA floor will increase from $420,680 to $472,030 for single-family home loans. The floor amount is the lowest the FHA loan limit can be for any area of the country. FHA's ceiling loan limits, the maximum loan amount the agency will insure, will increase from $970,800 to $1,089,300 for a single-family property, even higher in some states and territories.

Real Estate Taxes Vary Widely Across the Union

Real estate taxes vary widely across states, both in terms of annual taxes paid as well as effective tax rates. In 2021, the difference between average real estate taxes (RETs) paid by New Jersey and Alabama home owners was $8,336. New Jersey continued to have the highest average **real estate tax bill** per home owner ($9,151) as well as the highest effective tax rate (2.02%).

Hawaii (0.28%) and Alabama ($815) were at the other end of the spectrum, boasting the lowest average effective tax rate and annual real estate tax bill, respectively. The difference between the highest-taxed state (New Jersey) and lowest (Alabama) grew by $362 between 2019 and 2021.



The map illustrates the concentration of high average property tax bills in the Northeast. In contrast, southern states (excluding Texas) boast some of the lowest real estate taxes for their homeowners.

Strong Job Growth, Year-Over-Year

Construction sector jobs in the United States increased by 248,000, year over year — a 3.3% increase compared to November 2021. California added 37,200 jobs, which was the largest gain of any state, while South Carolina lost 4,700 construction sector jobs. In percentage terms, North Dakota had the highest annual growth rate in the construction sector by 15.6%. Over this period, South Carolina reported a decline of 4.5%.

Year over year ending in November, 4.9 million total jobs have been added, marking a more than full recovery of the labor market from the COVID-19 pandemic-induced recession.

Funding Bill Gives More to HUD

Congress has approved a $1.72 trillion spending bill that will fund the government through fiscal 2023, which ends on Sept. 30, 2023. Of note to the housing community, the measure includes a total of $58.2 billion for the U.S. Department of Housing and Urban Development, an increase of $4.5 billion above fiscal year 2022.

The HUD funding includes $85 million for a new "Yes In My Backyard" (YIMBY) grant program championed by NAHB that will incentivize affordable housing production. The new grant program rewards state and local jurisdictions advancing policies that increase the supply of affordable housing.

NAHB Connect Brings the Industry Together

In an industry where work often stays close to home, connecting with peers across the country can help jumpstart your business and add value to what you do every day.

NAHB Connect is a free online platform that helps connect NAHB members with one another for discussions, learning, the sharing of ideas and more.

Members on the NAHB Connect platform engage in discussions on a wide variety of topics. Whether it's permitting challenges at the local level or comparing and contrasting different building techniques or materials, there's always someone on the platform willing to provide their insight, experience and assistance to help a fellow member.

Popular discussion topics in 2022 included adapting to the "new normal" of the economy, supply chain challenges, marketing strategies and trade show booth ideas.



Not only do NAHB Connect members connect with one another in conversation, but Ask Me Anything events (AMAs) also feature guest experts who are ready and available to answer any question posed by the virtual audience.

If you're not yet a member of NAHB Connect, you can create your profile today at **connect.nahb.org**. Use the same credentials you use to sign in to nahb.org.



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