Southern Arizona Home Builders Association

NAHBNews

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New Home Sales Up But Market Weakness Remains

While new home sales posted a modest gain in December, elevated mortgage rates and higher construction costs continue to hinder housing affordability and dampen consumer demand.



Sales of newly built, single-family homes in December increased 2.3% to a 616,000 seasonally adjusted annual rate from a downwardly revised reading in November, according to newly released data by HUD and the U.S. Census Bureau. New home sales were down 16.4% in 2022 compared to the previous year.

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 December reading of 616,000 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 a 9 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 18.5% over last year.

The median new home sale price in December was $442,100, down 3.7% from November. But it is still up 7.8% compared to last year due to higher construction costs.

Regionally, on a year-to-year basis, new home sales fell in all four regions, down 8.2% in the Northeast, 22.1% in the Midwest, 13.0% in the South and 23.5% in the West.

$1.2 Billion for Strict Energy Codes

The Biden administration has launched several federal initiatives to reduce greenhouse gas emissions through programs designed to encourage state and local governments to update their building energy codes.

Embedded in two recent pieces of legislation – the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022 – was $1.2 billion in incentives specifically for states to **update their energy codes** for new homes.

New WOTUS Rule Muddies the Waters

The Biden administration on Dec. 30, 2022, announced **a final rule** that will dramatically expand the definition of "waters of the United States" (WOTUS) under the Clean Water Act (CWA). The final rule continues to rely upon a confusing theory of CWA federal jurisdiction known as the "significant nexus test" to potentially assert federal control over isolated wetlands, features that contain water only in response to rainfall events, and ephemeral streams that affect many activities.

NAHB Criticizes Biden Rental Plan

The White House on Jan. 25 announced a plan to "protect renters and promote rental affordability," but NAHB called it "the wrong strategy" to confront the nation's housing affordability crisis.

NAHB criticized **the White House plan** for focusing on rental protections instead of market solutions that will ease the nation's housing and rental affordability crisis by spurring production of badly needed affordable housing. NAHB believes policymakers should instead strengthen successful programs like the Low-Income Housing Tax Credit.

New Radon Rules for Some Multifamily Properties

The Federal Housing Finance Agency recently announced **enhanced radon testing requirements** for Fannie Mae and Freddie Mac multifamily properties with loan applications received after June 30, 2023.

The enhanced testing at Fannie and Freddie-backed multifamily properties will include: Increasing the amount of required testing from 10% of ground floor units to 25% of ground floor units; requiring an environmental professional to oversee radon testing; and requiring the environmental professional to notify tenants of radon testing.

BUILD-PAC Enjoys Success In Competitive Races

BUILD-PAC, NAHB's bipartisan fundraising arm, enjoyed real success in helping to ensure the new Congress supports pro-housing and pro-business policies.

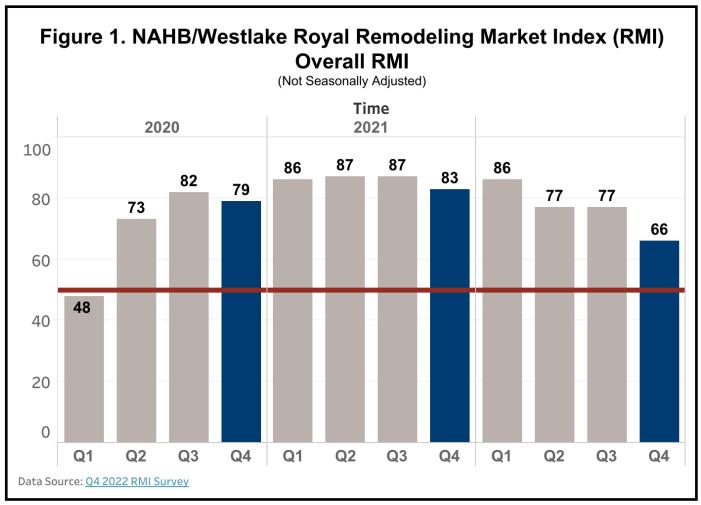
Increased investment from NAHB members allowed BUILD-PAC to disburse a total of $2.8 million to federal candidates and committees for these elections. **BUILD-PAC contributed** to 376 candidates, and remained active in 100 competitive or toss-up House and Senate races. Thanks to the PAC's involvement, 92% of supported campaigns won their races on Nov. 8.

Remodeling Sentiment Weaker in Q4, But Still Positive

The NAHB/Westlake Royal Remodeling Market Index (RMI) posted a reading of 66 for Q4 of 2022, a decline of 17 points compared to Q4 of 2021.

The survey asks remodelers to rate five components of the remodeling market as "good," "fair" or "poor". Each question is measured on a scale from 0 to 100, where a number above 50 indicates that a higher share view conditions as good than poor.

The Current Conditions Index is an average of three components: the current market for large remodeling projects, moderately sized projects and small projects. The Future Indicators Index is an average of two components: the current rate at which leads and inquiries are coming in and the current backlog of remodeling projects. **The overall RMI** is calculated by averaging the Current Conditions Index and the Future Indicators Index.



The Cost of Rising Mortgage Rates

As the Federal Reserve fights inflation, mortgage rates have increased rapidly, starting 2022 at 3% and rising above 7% before dropping back to roughly 6.5%. **How does this affect affordability?**

The difference between a slightly more than 3% mortgage rate and a 7% mortgage rate adds roughly an additional $1,000 mortgage payment to a typical, new median-priced single-family home and prices 18 million U.S. households out of the market for the home.

A mortgage payment on a $450,700 home would have increased from $1,925 in January 2022 to $2,923 in late October when mortgage rates topped 7%.

Fewer Planning Home Purchase

The share of adults planning a home purchase in the next 12 months dropped to 13% in the final quarter of 2022, down from 15% in the previous quarter. The drop is not surprising, given that housing affordability worsened during this period, as mortgage interest rates surpassed 7% and reached levels not seen in nearly 20 years.

The **share of adults** with plans to buy a home within a year changed unevenly across regions from the third to the final quarter of 2022, dropping in the Northeast (15% to 11%) and West (20% to 14%), staying flat in the South (at 14%), and edging up in the Midwest (9% to 10%).

NAHB Toolkit Provides Water Management Resources

As water costs continue to rise across the country, and some areas face droughts, aridification and water supply constraints, water efficiency strategies in residential construction can play an important role, and provide multiple benefits for builders and consumers alike.

"Conservation is the No. 1 technique – finding ways to use less water," said Craig Karn, principal at Consilium Design in Denver and vice chair of NAHB's Sustainability and Green Building Subcommittee, "And the secret to conservation is building awareness."

One way in which NAHB is working to build awareness is through NAHB's recently released **"A Builder's Toolkit for Water."** The toolkit explores water management issues and provides case studies that highlight how different areas of the country have tackled key issues such as water conservation, flooding and more.



The toolkit also includes tips for builders to share with home owners to help them improve their own conservation efforts.

"We must learn to live better using less water," Karn added. "We can help consumers be better water stewards by educating them on everything from the drip irrigation system to how they can best use their smart water meter."



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