

Southern Arizona Home Builders Association

# NAHBNews



June 2024

## Higher Mortgage Rates Dampen April New Home Sales

Mortgage rates that averaged above 7% since mid-April per Freddie Mac data acted as a drag on [new home sales](#) in April.

Sales of newly built, single-family homes in April fell 4.7% to a 634,000 seasonally adjusted annual rate from a downwardly revised reading in March, according to newly released data from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. The pace of new home sales in April is down 7.7% from a year earlier.

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 April reading of 634,000 units is the number of homes that would sell if this pace



continued for the next 12 months.

New single-family home inventory in April remained elevated at a level of 480,000, up 12.1% compared to a year ago. This represents a 9.1 months' supply at the current building pace, which has been supported by the

ongoing shortage of resale homes. Completed, ready to occupy inventory (97,000 homes in April) is up 42.6% from a year ago. However, that inventory type remains 20% of total inventory.

The median new home sale price in April was \$433,500, down 1.4% from March, and up 3.9% compared to a year ago.

Regionally, on a year-to-date basis, new home sales are up 22.4% in the Northeast, 22.3% in the Midwest and 14.0% in the West. New home sales are down 10.5% in the South.

## NAHB Announces Housing Plan

With a nationwide shortage of roughly 1.5 million housing units that is making it increasingly difficult for American families to afford to purchase or rent a home, the National Association of Home Builders (NAHB) recently unveiled a [10-point housing plan](#) designed to tame shelter inflation and ease the housing affordability crisis by removing barriers that hinder the construction of new homes and apartments. The only way to effectively tame shelter inflation is to build more attainable, affordable housing.

## New Refrigerants Are Coming

The HVAC industry is transitioning to new refrigerants required by the American Innovation and Manufacturing Act of 2020, which gradually phases down the use of existing classes of refrigerants and establishes new requirements for the refrigerants used in air conditioners and heat pumps. The [new class of refrigerants](#) has a lower global warming potential. The U.S. EPA has set transition dates for new equipment required to use new refrigerants, commonly referred to as A2Ls.

## NAHB Opposes Reporting Rule

On Jan. 1, new business reporting requirements were imposed under the Corporate Transparency Act (CTA) by the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN). Now, NAHB has joined a coalition of business groups in filing an amicus brief in National Small Business United, et al. v. U.S. Department of Treasury, et al., challenging the constitutionality of the recently enacted [Beneficial Ownership Information Reporting Rule](#).

## Don't Federalize Codes, NAHB Tells Congress

The recent federal push to require certain new homes to meet the stringent energy efficiency requirements of the 2021 International Energy Conservation Code (IECC) and ASHRAE 90.1-2019 will price many would-be home buyers and renters out of the market and give them no choice but to stay in older, less efficient homes. [Testifying on behalf of NAHB](#) before a House energy subcommittee, Shawn Woods, a home builder from Blue Springs, Mo., said the negatives of a restrictive, costly national energy code, with no consideration for local conditions, outweigh the minimal improvements to energy efficiency.

## Apply Now for Scholarship To 2025 Builders' Show

The NAHB International Builders' Show® (IBS) Scholarship Program is a way for NAHB members who are 21-35 years old to experience everything IBS offers. Scholarship recipients receive an IBS Registration (IBS Expo+Education Pass), travel stipend, hotel accommodations for the show, and more for IBS 2025, which takes place Feb. 25-27, 2025, in Las Vegas. The deadline to apply is 5 p.m. ET on July 12. Application information, including video submission guidelines, can be found at [buildersshow.com](http://buildersshow.com).

## NAHB Offers New Resource on Streamlining Development

In the evolving landscape of housing development and urban planning, the adoption of [pre-approved housing plans](#) has emerged as a useful tool for increasing the efficiency and speed of the housing approval process. NAHB's newest report, *From Blueprint to Reality: Harnessing the Power of Pre-Approved Housing Plans with Real-World Examples*, explores this topic with the goal of spreading awareness of this tool.

Pre-approved housing plans are architectural designs and construction blueprints that



have already received approval from municipal authorities or regulatory bodies. These plans adhere to local building codes, zoning regulations and other standards, ensuring compliance with local requirements. By providing a pre-approved framework for residential construction, these plans expedite the development process, and promote efficiency, consistency and regulatory adherence.

Explore this and other effective planning and housing tools at NAHB's Land Use 101 Toolkit.

## Multifamily Confidence Declines

Confidence in the market for new multifamily housing declined year-over-year in the first quarter of 2024, according to results from NAHB's [Multifamily Market Survey](#) (MMS), released in May. The MMS produces two separate indices. The Multifamily Production Index (MPI) had a reading of 47, down three points year-over-year, while the Multifamily Occupancy Index (MOI) had a reading of 83, up one point year-over-year.

Both indices and all their components are scaled so that a number below 50 indicates that more respondents report conditions are poor than report conditions are good. Visit NAHB's [MMS web page](#) for more information.

## New Cost of Housing Index

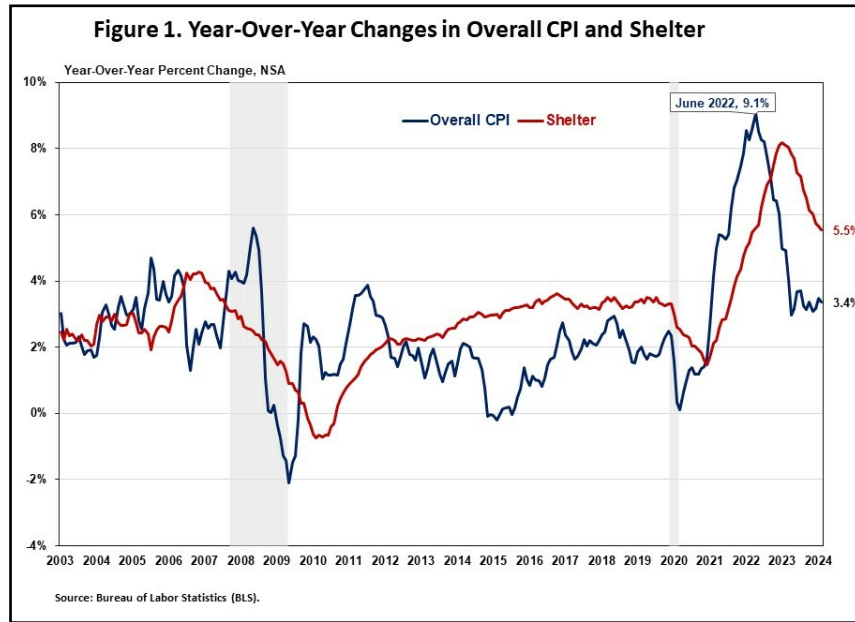
A new quarterly [Cost of Housing Index](#) unveiled recently by NAHB and Wells Fargo underscores the housing affordability crisis in America by revealing that in the first quarter of 2024, 38% of a typical family's income was needed to make a mortgage payment on a median priced new single-family home in the United States. Low-income families, defined as those earning only 50% of the area's median income, would have to spend 77% of their earnings to pay for the same new home.

HUD defines cost-burdened families as those "who pay more than 30% of their income for housing" and a severe cost burden is defined as paying more than 50% of one's income on housing.

# Housing Cost Gains Continue to Outpace Core Inflation

Shelter costs continue to put upward pressure on inflation, accounting for nearly 70% of the total increase in all items excluding food and energy. This ongoing elevated inflation is likely to keep the Federal Reserve on hold and delay rate cuts this year.

Both overall and core inflation eased slightly in April amid higher costs for gasoline and shelter. On a year-over-year (YOY) basis, the



shelter index rose by 5.5% in April, following a 5.7% increase in March.

The Fed's ability to address **rising housing costs** is limited because increases are driven by a lack of affordable supply and increasing

development costs. Additional housing supply is the primary solution to tame housing inflation. Figure 1 demonstrates how shelter costs are rising faster than core inflation.

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