

Viral Uncertainty

NAHB Townhall
March 26, 2020

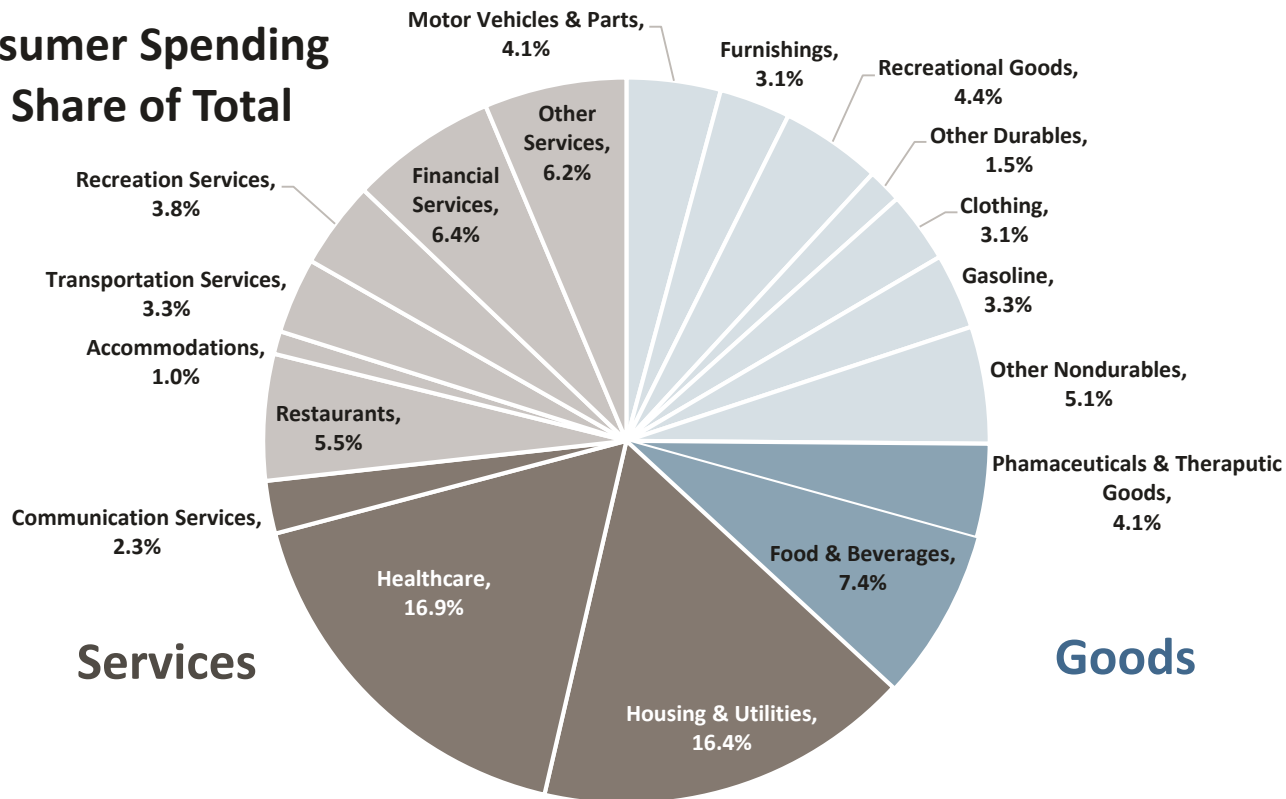
Robert Dietz, Ph.D.
NAHB Chief Economist



Consumer Spending Shares

Goods 40%, Housing/Health Care 33%, Other Services 27%

Consumer Spending as Share of Total

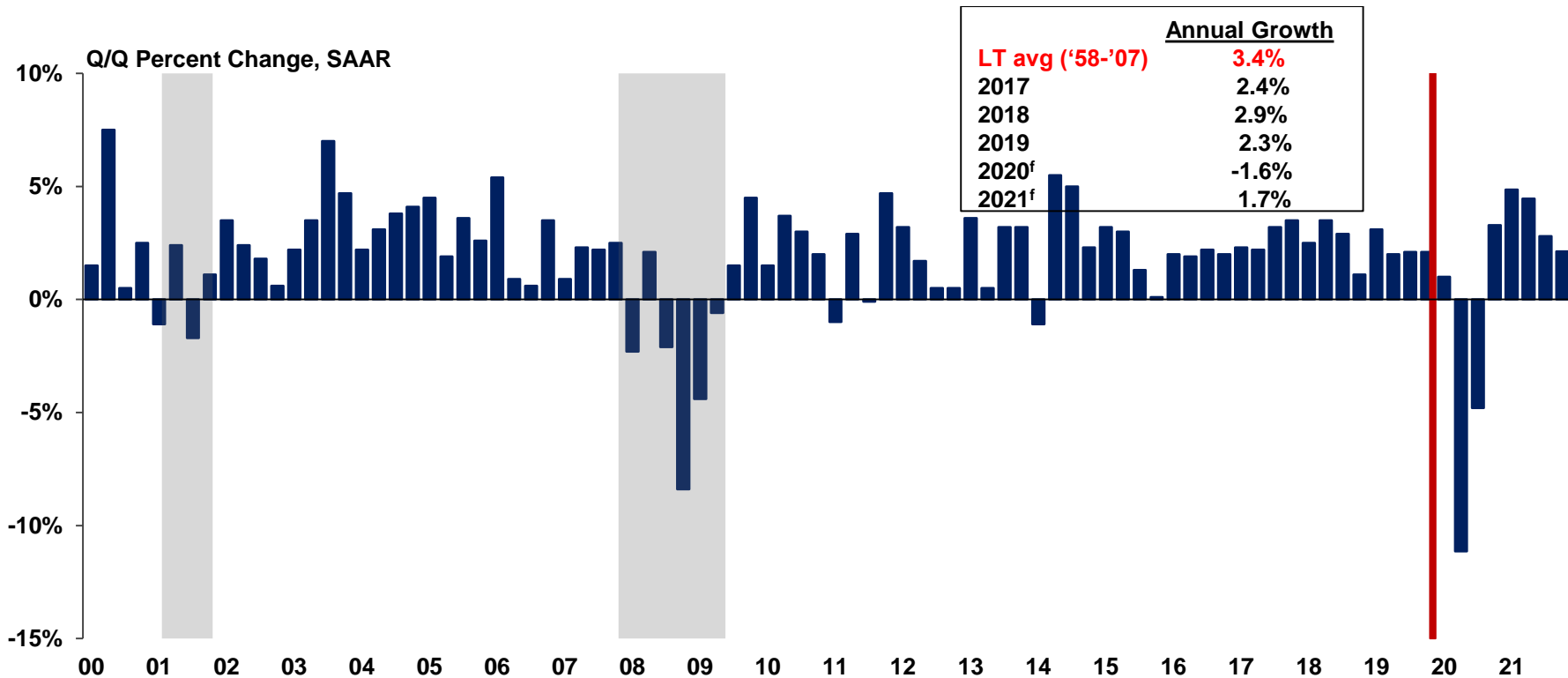


*Dark shades represent resilient categories of consumer spending.

Source: U.S. Department of Commerce and Wells Fargo Securities

GDP Growth

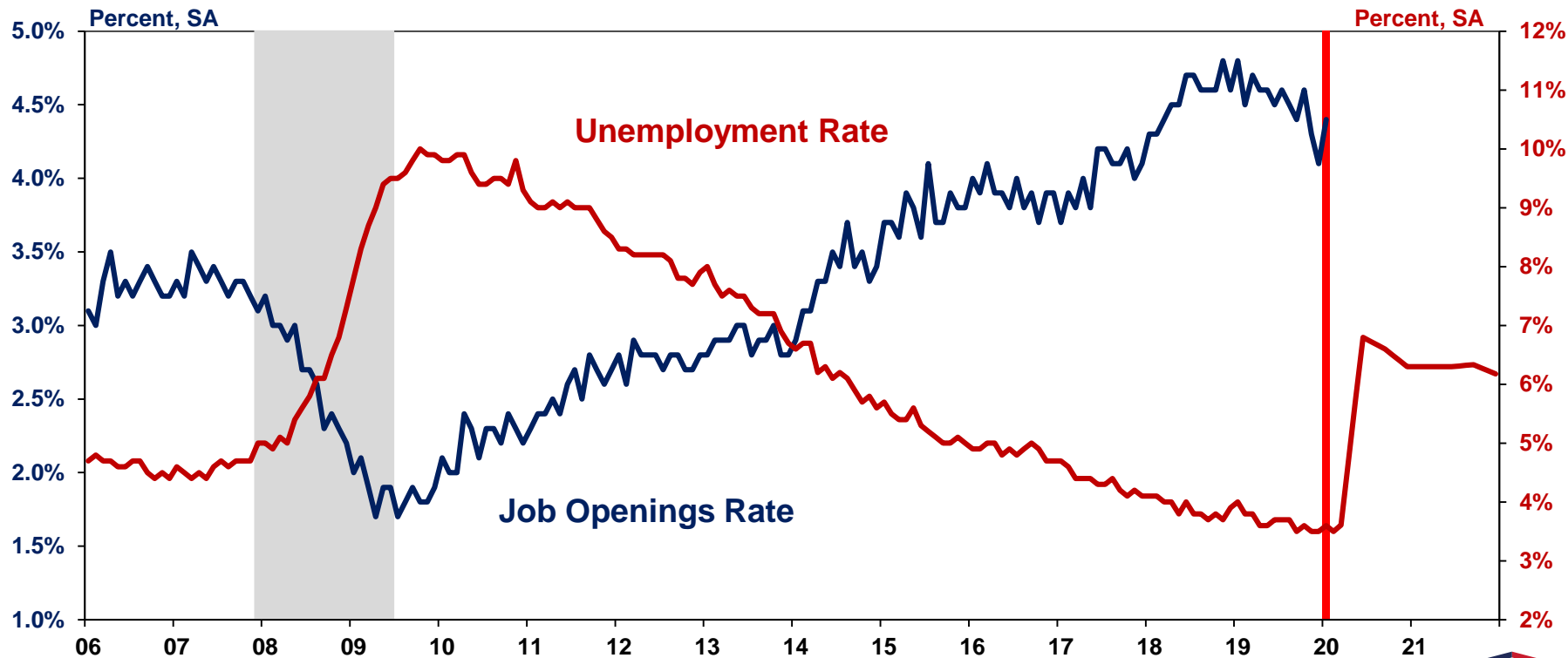
Virus mitigation will bring on a recession with declines in Q2 and Q3 – Q1 looking weak



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

Sudden Labor Market Reversal

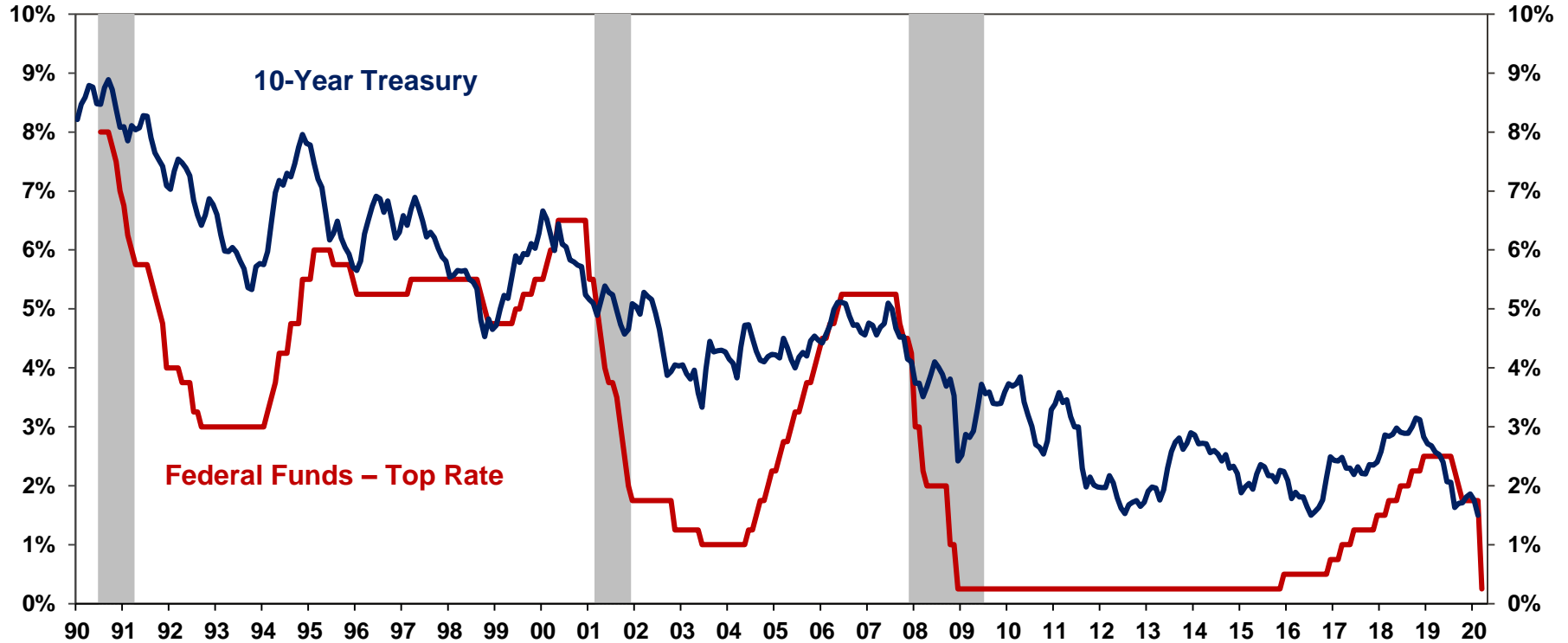
Unemployment is rising sharply



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

Fed Funds Rate

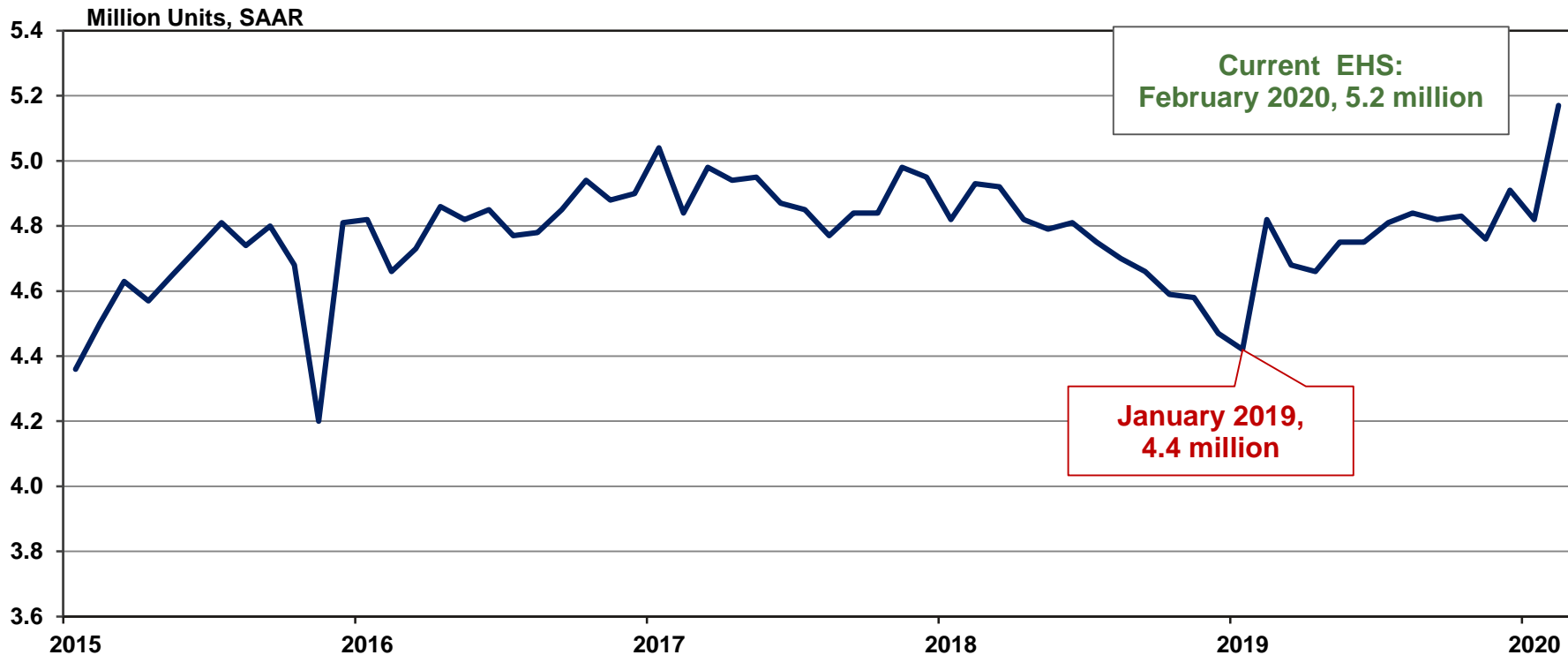
All powers of the Fed working to stabilize financial system



Source: U.S. Board of Governors of the Federal Reserve System (FRB).

Existing Single-Family Home Sales (EHS)

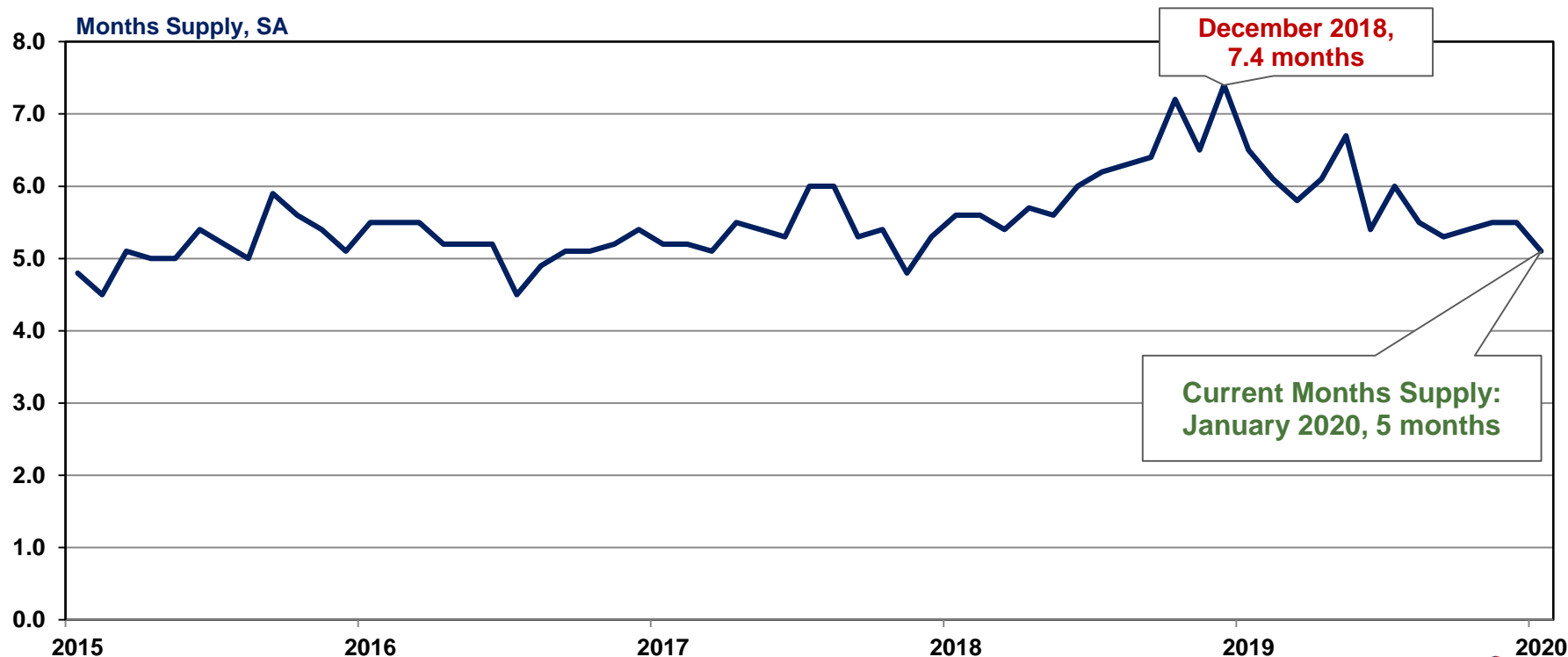
Housing was strong at start of 2020....



Source: National Association of Realtors (NAR)

New Home Inventory

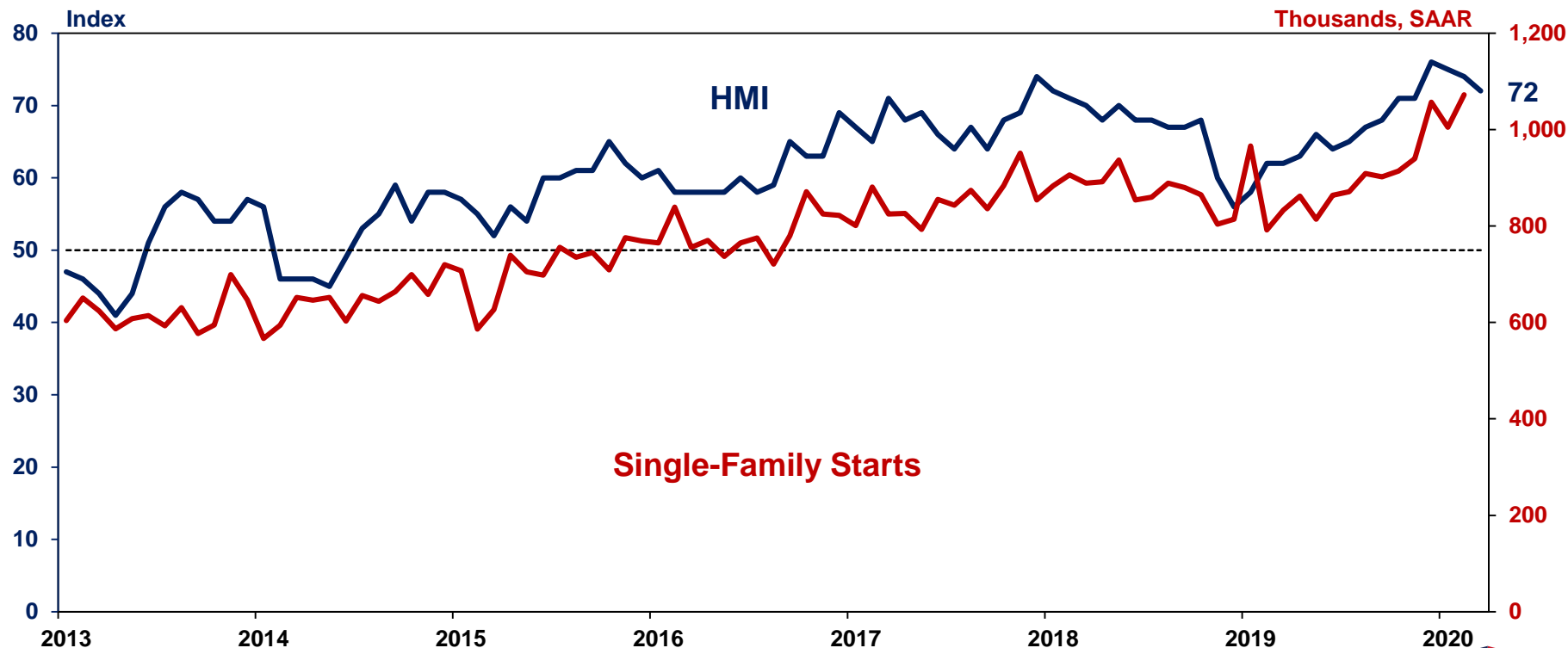
Increase in sales rate had lowered sales-adjusted inventory levels



Source: U.S. Census Bureau (BOC)

/ NAHB/Wells Fargo Housing Market Index (HMI)

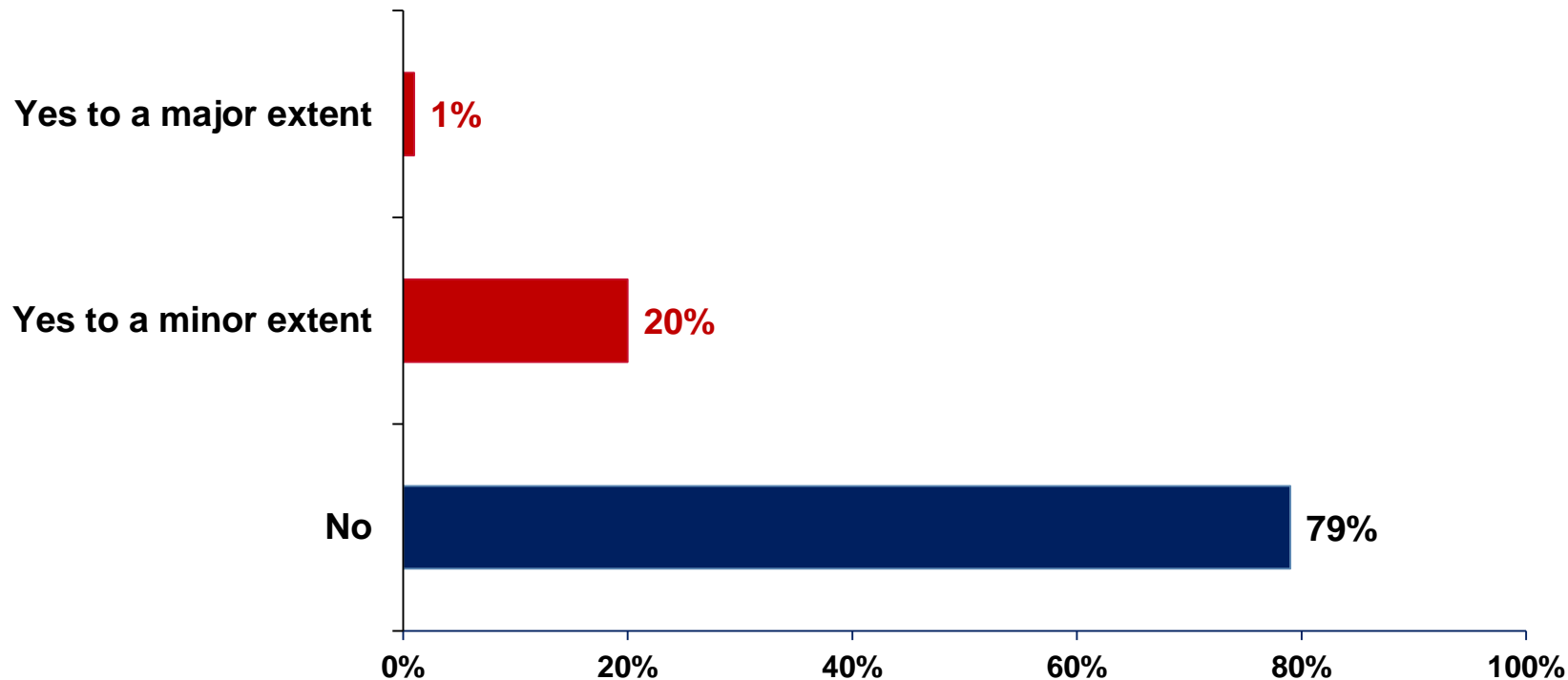
Builder confidence remained solid amid rising risks – April will show decline



Source: Census Bureau and NAHB/Wells Fargo HMI survey

/ NAHB/Wells Fargo HMI Special Analysis

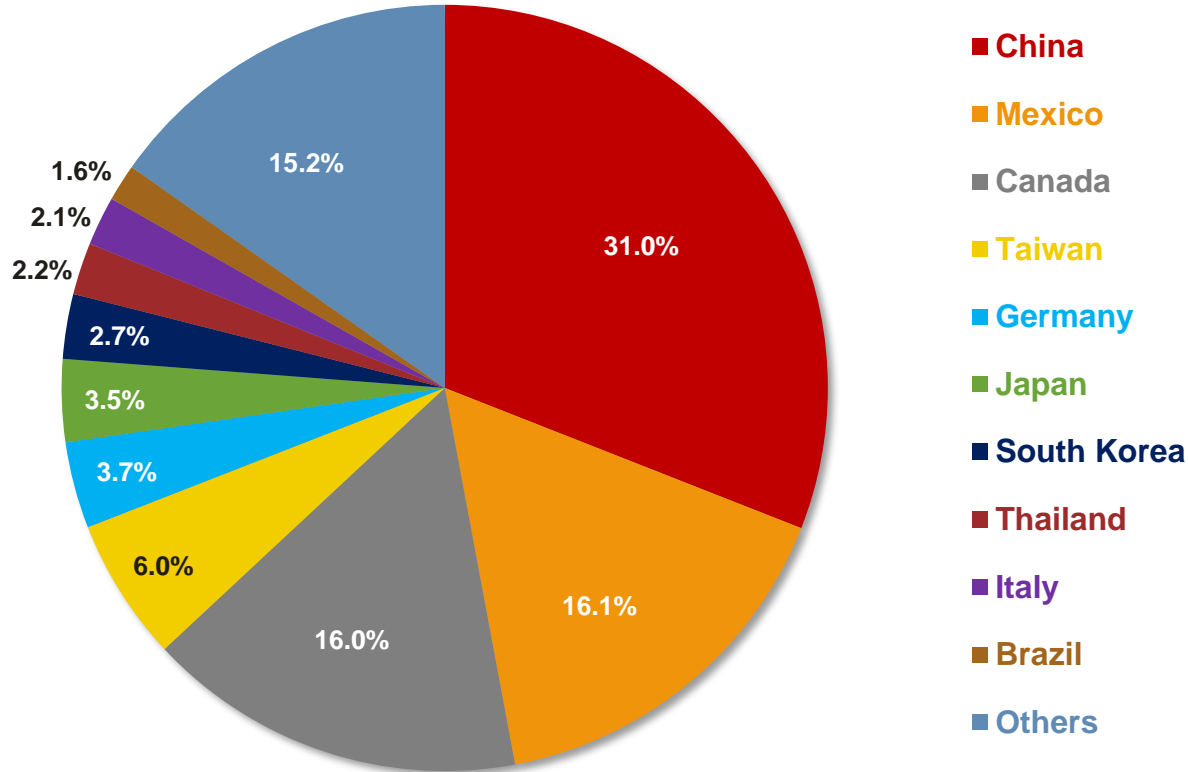
21% builders report supply disruptions due to coronavirus concerns in other countries



Source: NAHB/Wells Fargo HMI Survey, Special Analysis, March 2020.

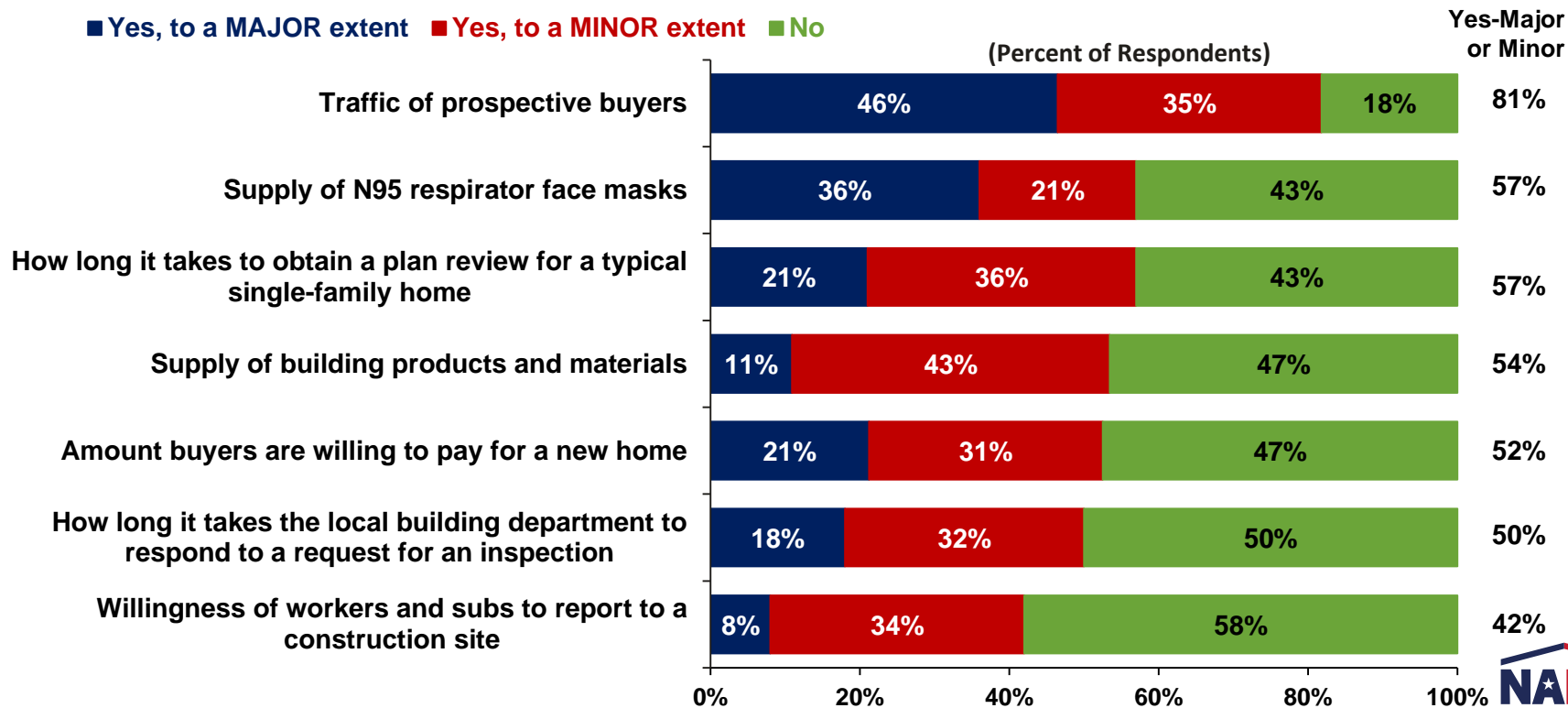
Share of Building Materials Imports in 2019

Totally \$65 billion imports in 2019 and 31% from China



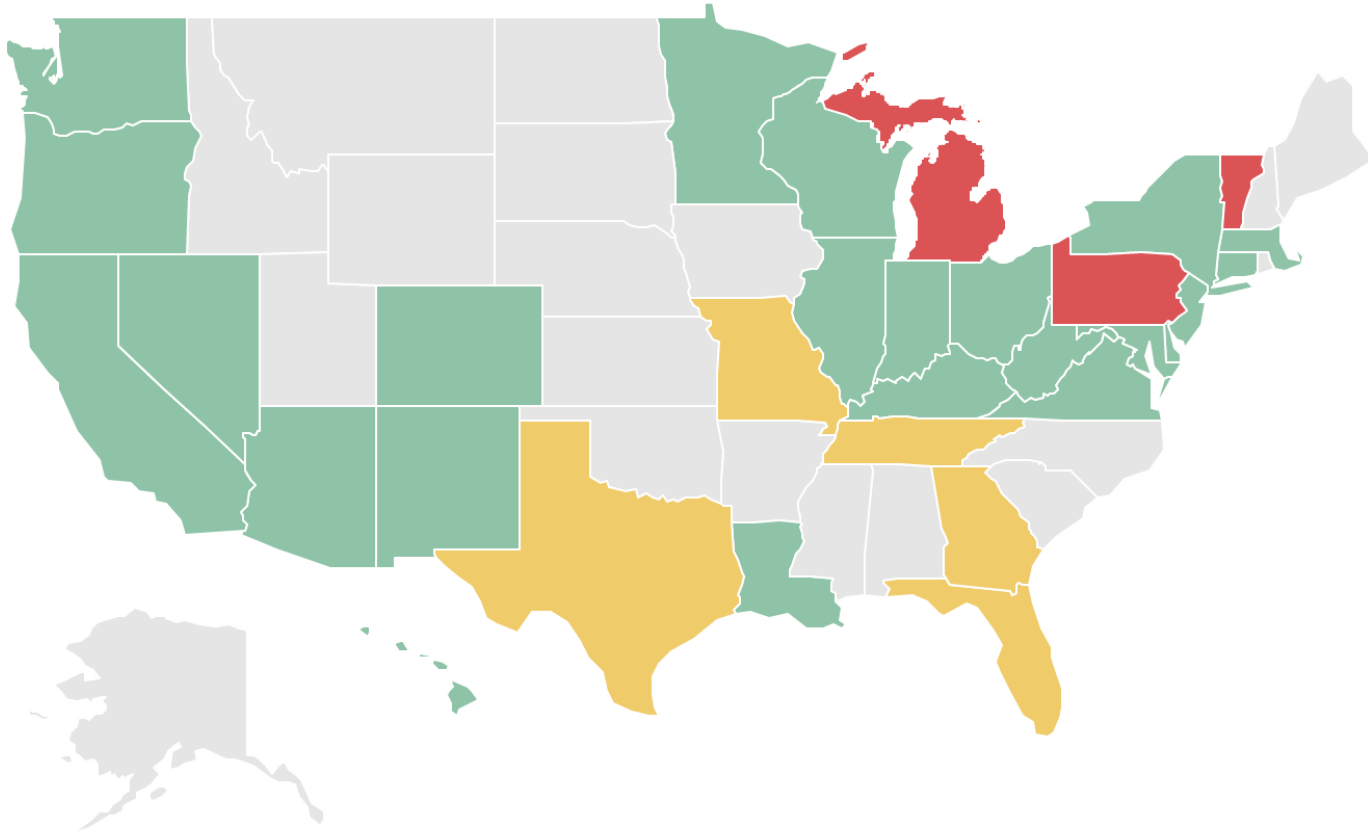
Source: NAHB Analysis of U.S. International Trade Commission data.

As of this date, has the coronavirus had a noticeable, adverse effect on any of the following aspects of your business?



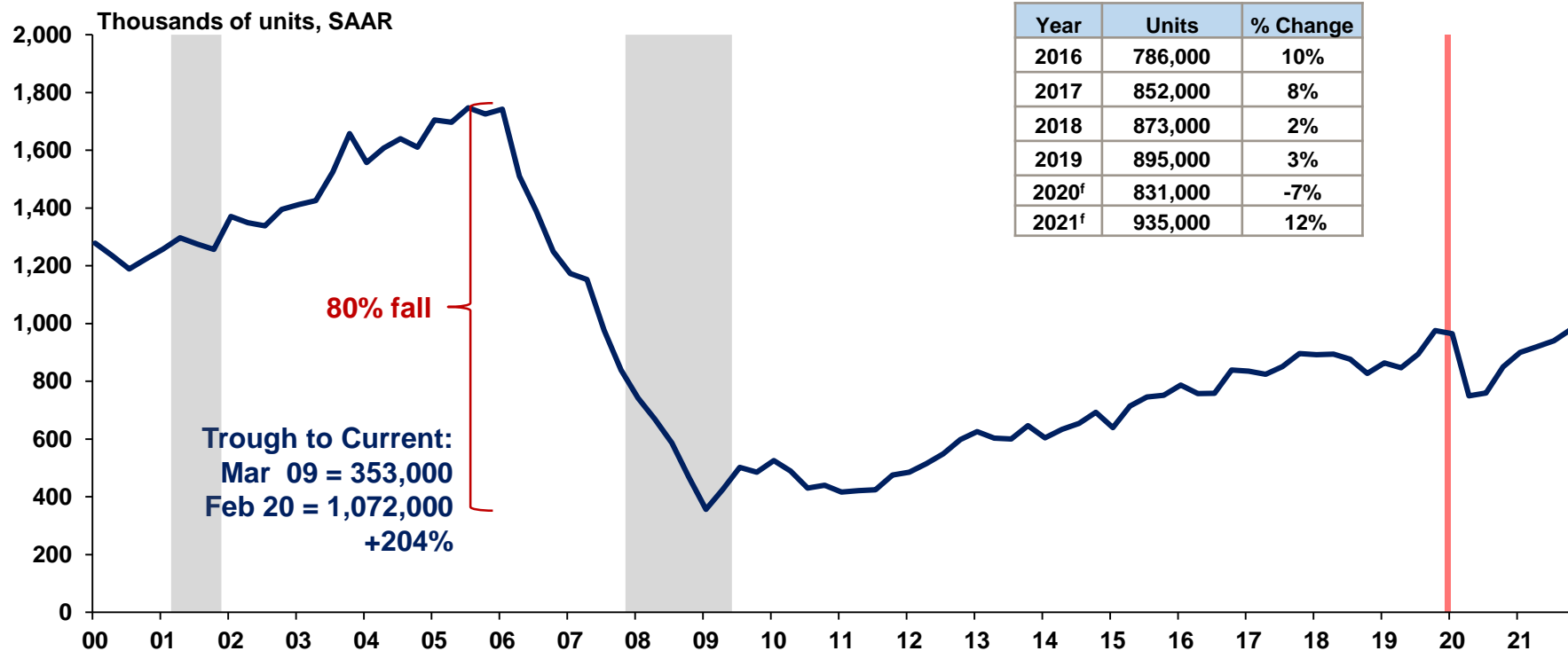
Source: NAHB Survey

Residential Construction as an “Essential” Business



/ Single-Family Starts

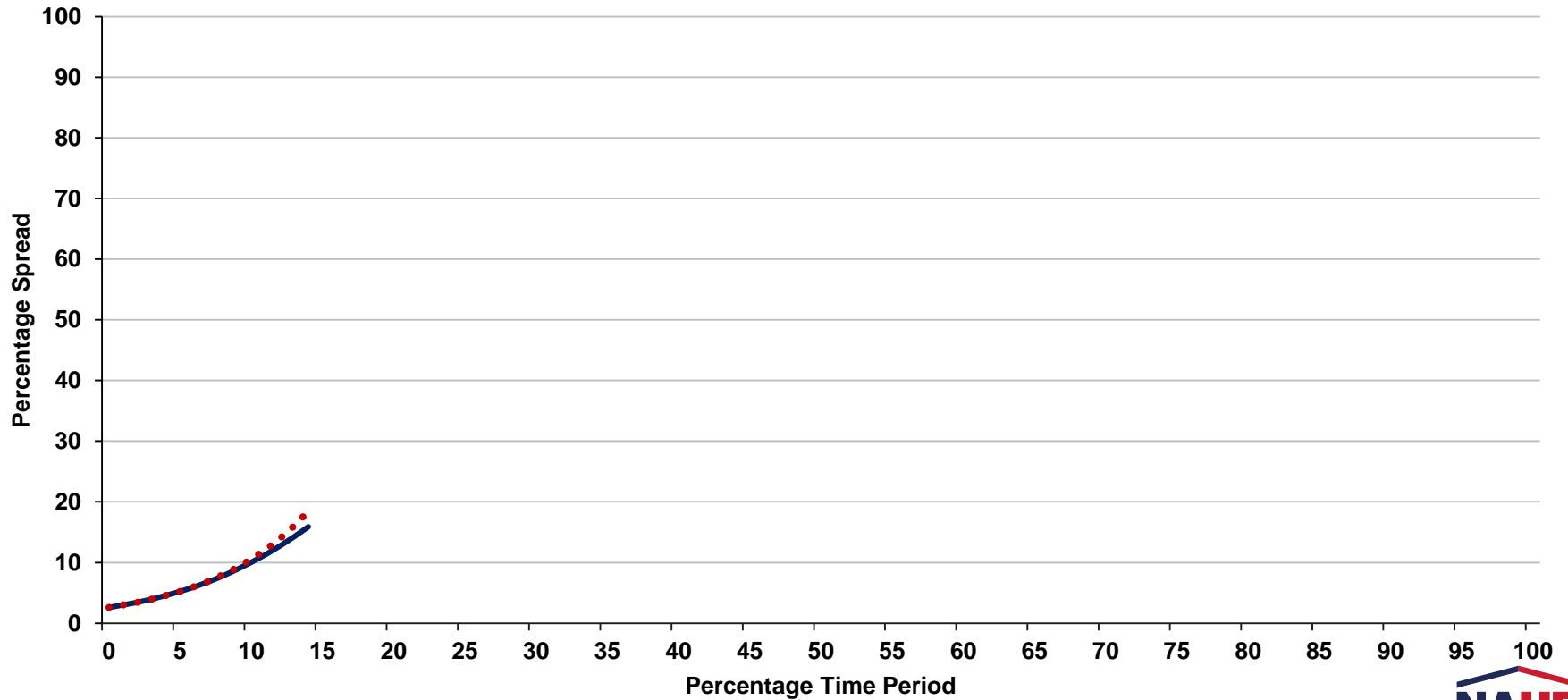
Weakness in the near-term due to coronavirus mitigation efforts



Source: U.S. Census Bureau (BOC) and NAHB forecast

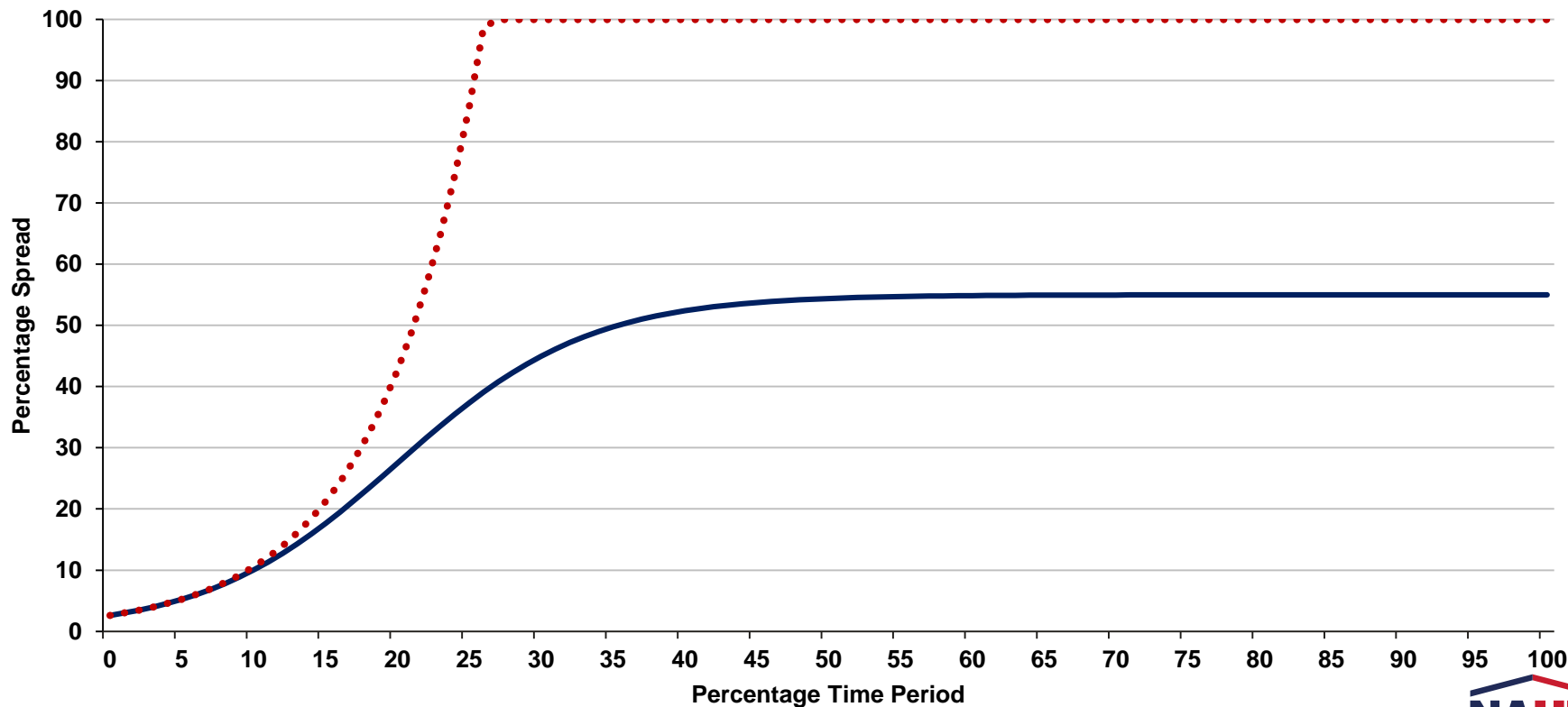
Virus Considerations

US is on exponential growth curve now



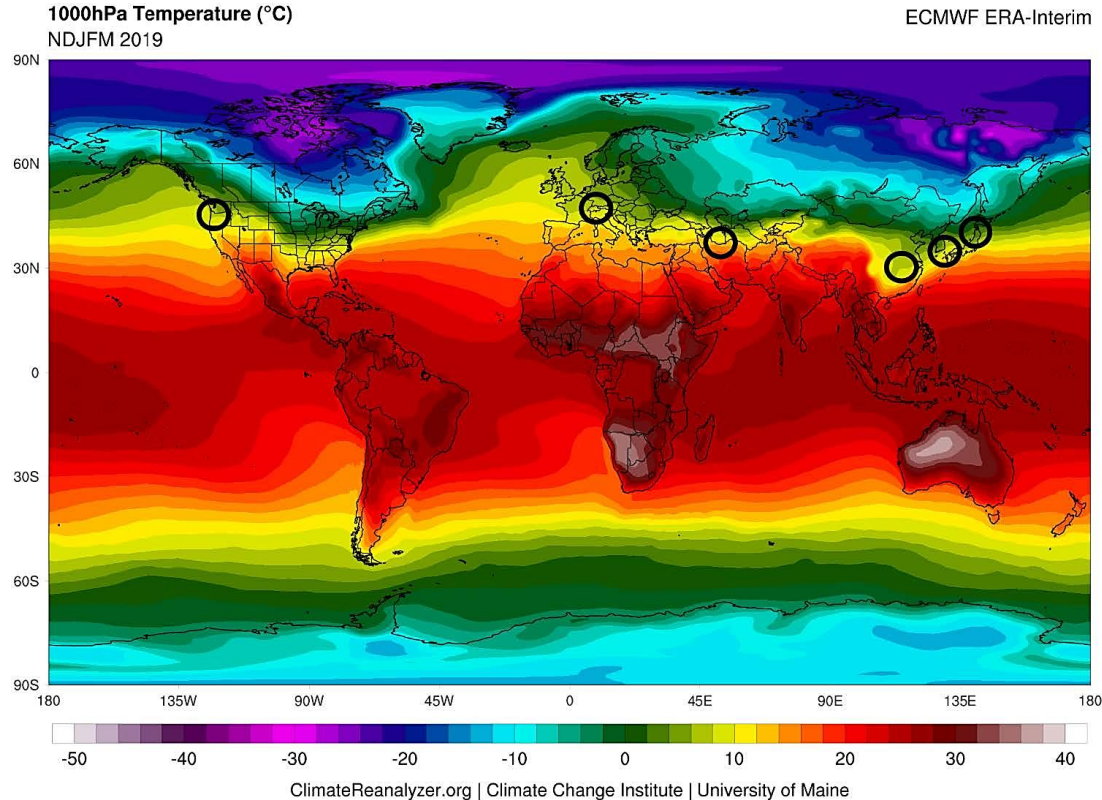
/ The S Curve of Community Spread

Red is unchecked exponential growth --- blue is S curve logistic



World Temperature Map (November 2018 - March 2019)

The new epicenters of disease were all roughly along the 30-50 N" zone



Source: Sajadi, Mohammad M. and Habibzadeh, Parham and Vintzileos, Augustin and Shokouhi, Shervin and Miralles-Wilhelm, Fernando and Amoroso, Anthony, Temperature and Latitude Analysis to Predict Potential Spread and Seasonality for COVID-19 (March 5, 2020). Available at SSRN: <https://ssrn.com/abstract=3550308> or <http://dx.doi.org/10.2139/ssrn.3550308>

Economic/Housing Conclusions



Currently modeling an 8 week pause for the economy



High level of fear – calm and perspective are needed



We will get through this...



Baby boom???



Very weak mid-year economic performance, bounce back after?

Thank you

Questions?

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