

Supply-Side Hurdles for Home Building

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Housing Deficit Persists



Size of the deficit is debatable
5 million, 3+ million, or 1 million



Reason for deficit
Years of underbuilding



Supply-side limiting factors:
5 Ls : Labor, lots, lending, lumber/materials, laws/regs

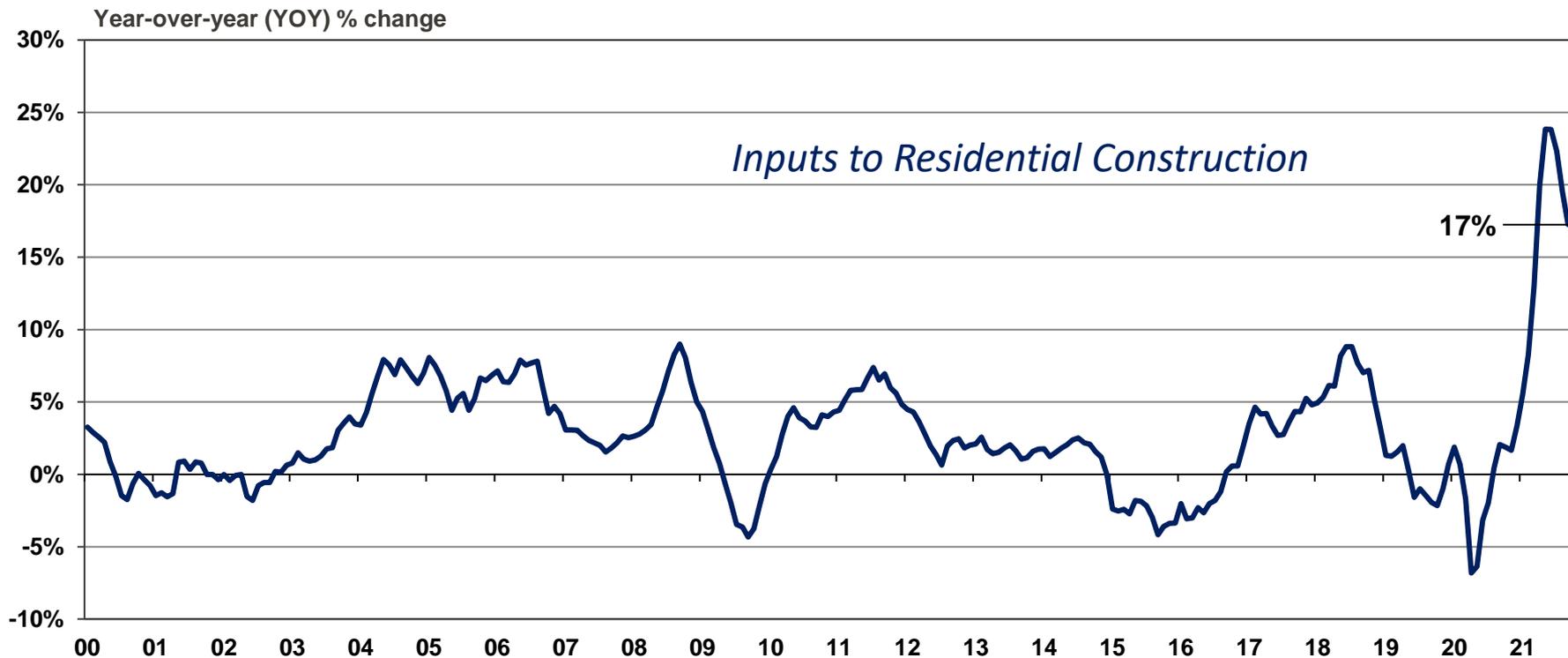


Suburban shift for home building in mid-2020 thru early 2021
Shift is now easing as economy reopens (except for multifamily)



Remodeling market still strong thanks to equity gains

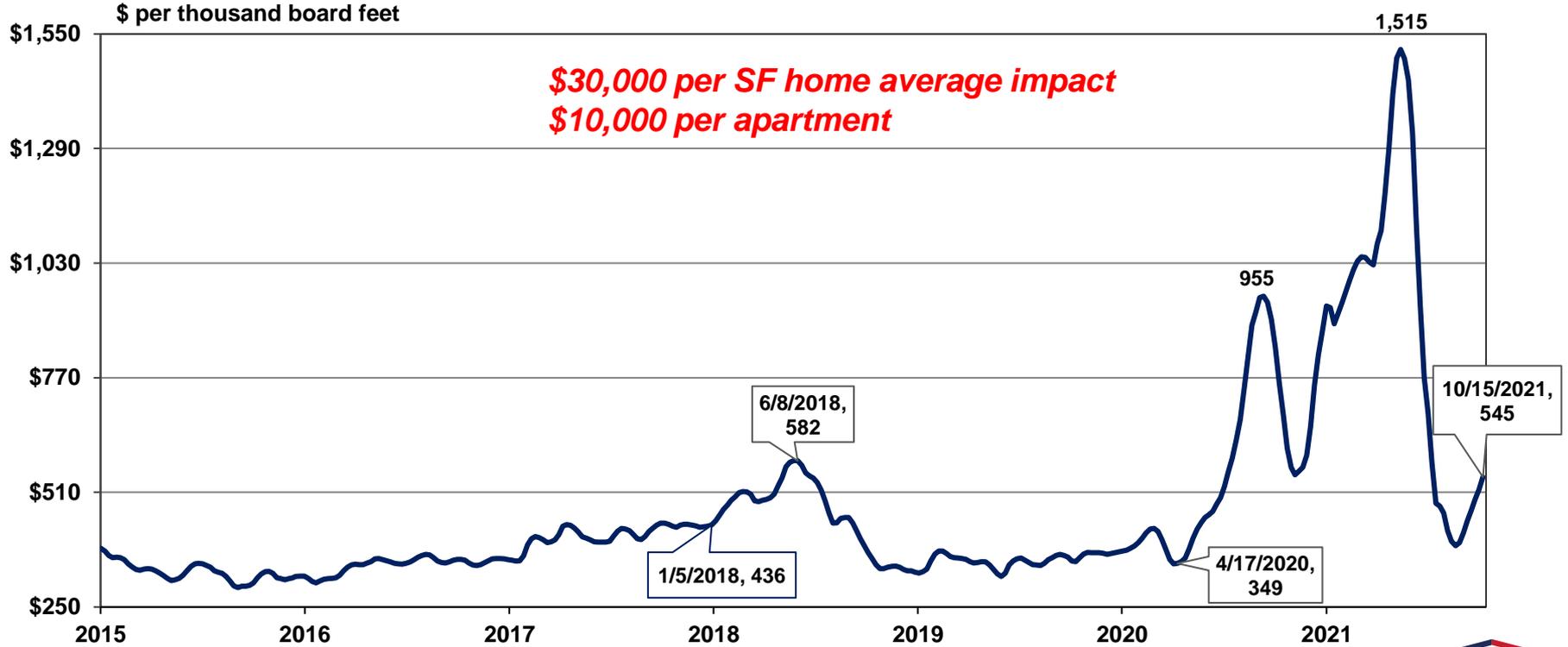
Building Materials - Residential Construction Cost



Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI)

Lumber Prices Edged Higher

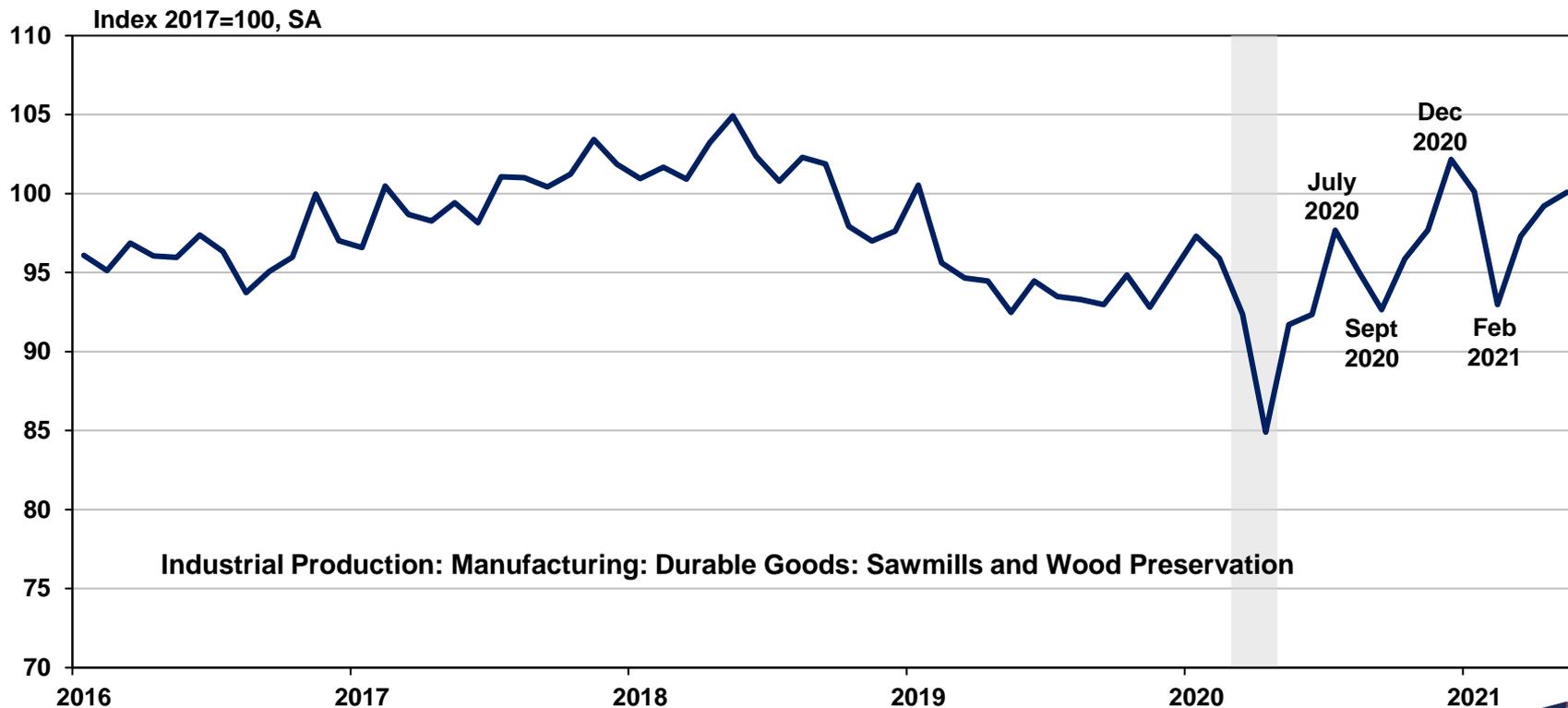
Current October price \$545; increased 22% over the past four weeks



Source: NAHB Analysis; Random Lengths Composite Index

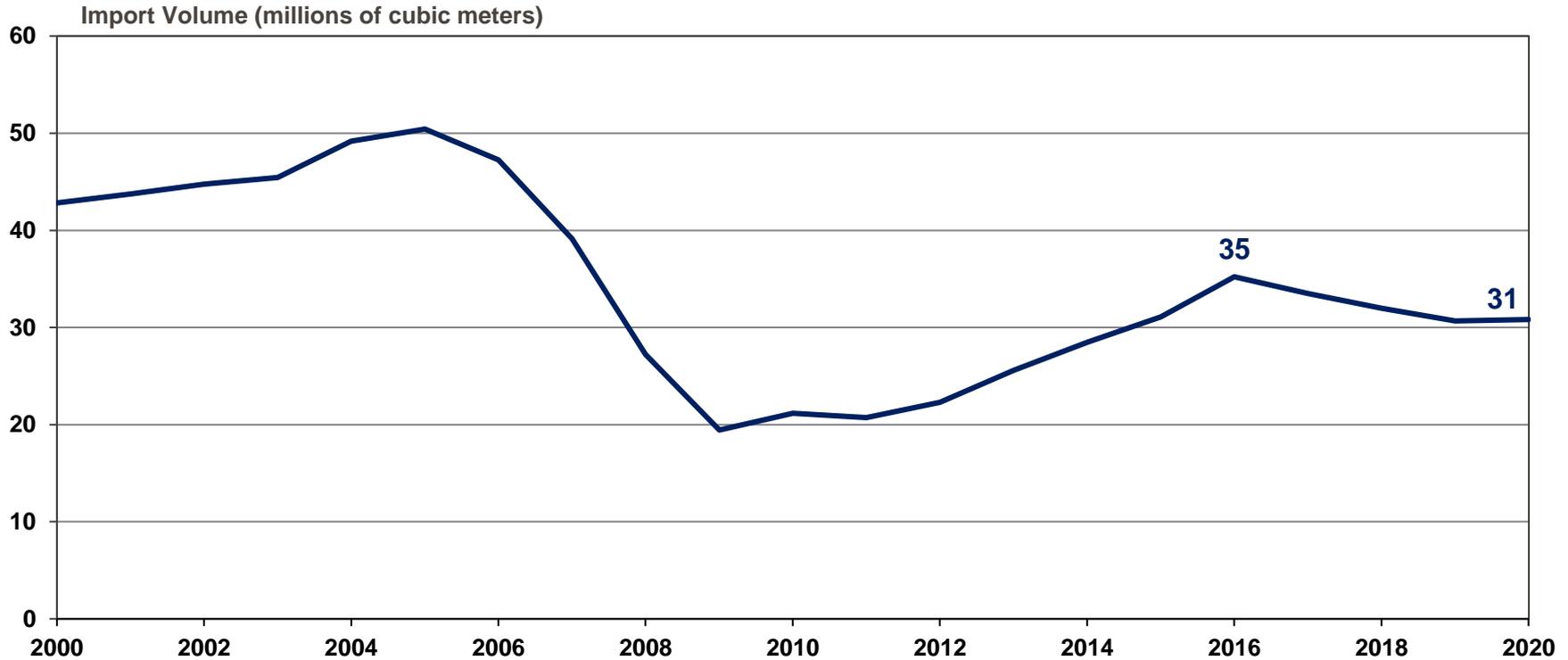
Domestic Sawmill Output

In July, sawmill employment is 3% higher than a year ago



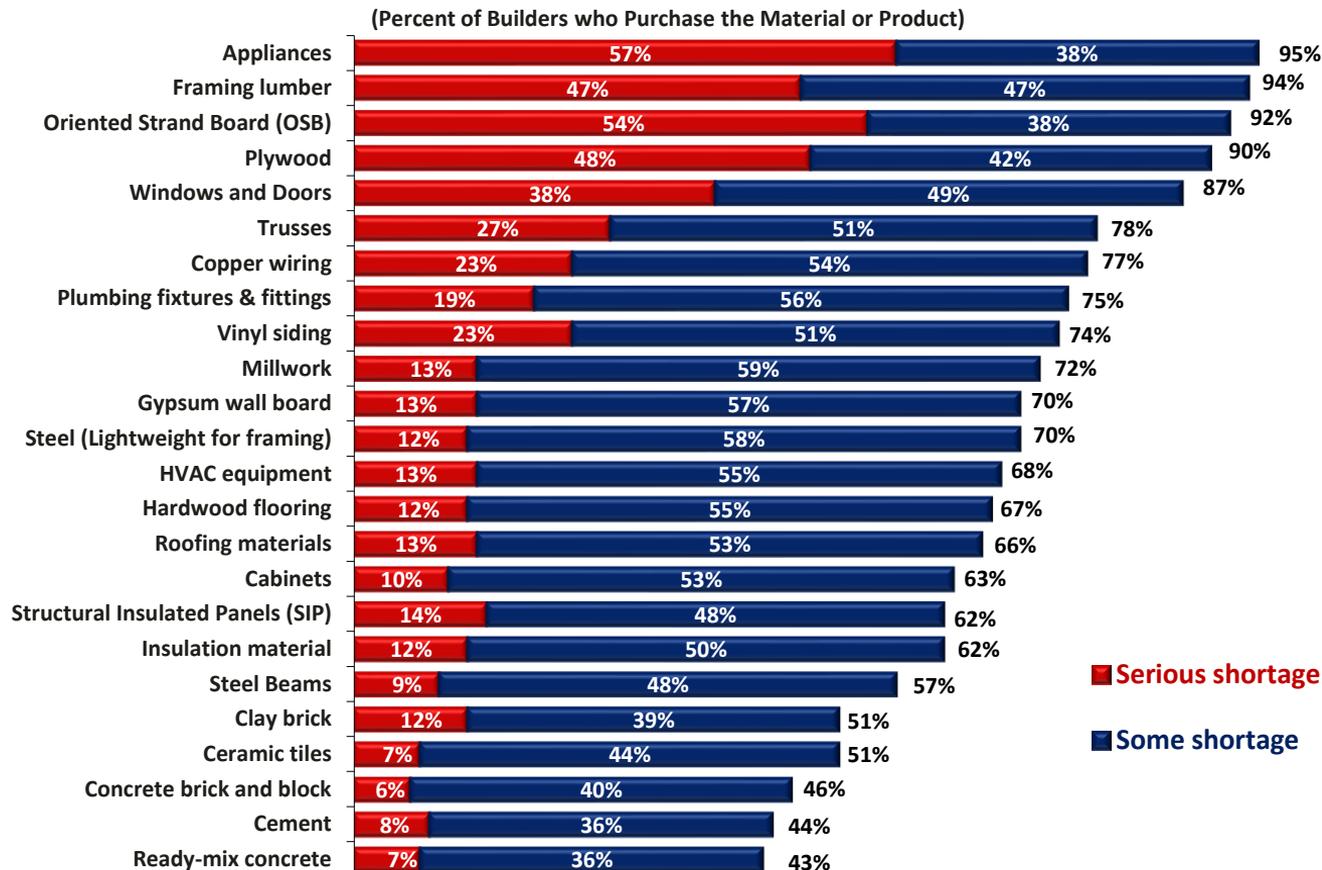
Source: Board of Governors of the Federal Reserve System (US)

Softwood Lumber Imports from Canada: Lower than 2016



Source: DataWeb, U.S. International Trade Commission

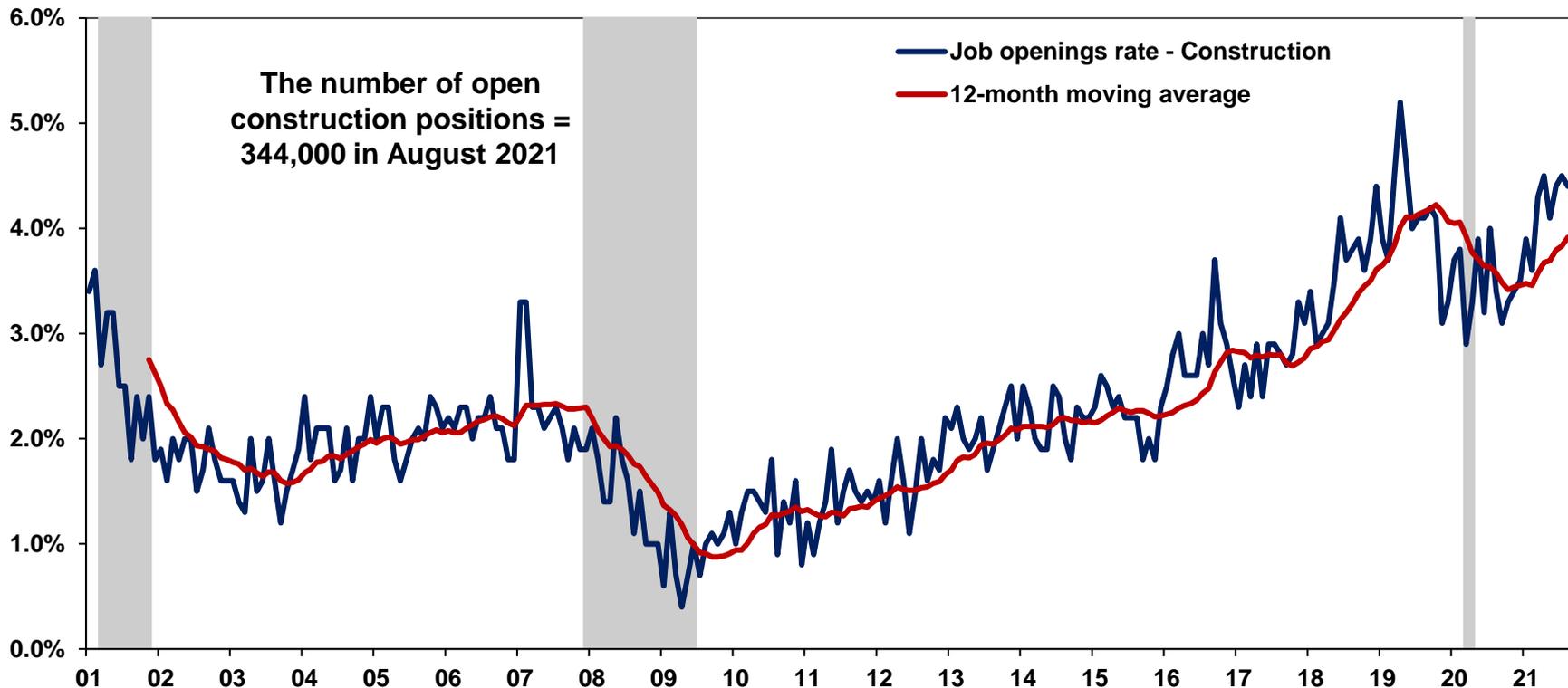
Builders Reporting Shortages in May 2021



Source: NAHB Survey.

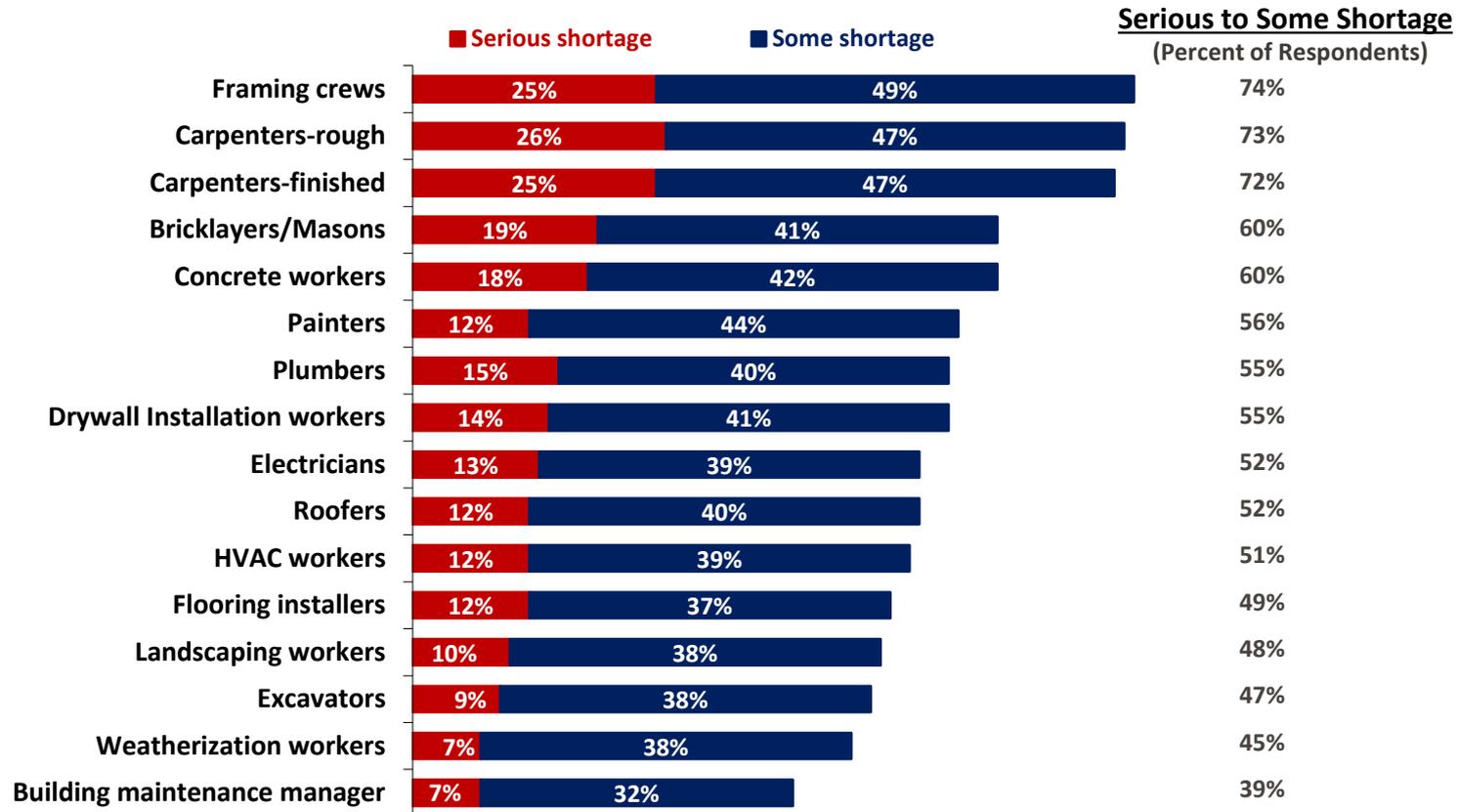
Labor - Construction

Skilled labor shortage persists; 104,000 net gain for residential construction since Jan 2020



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

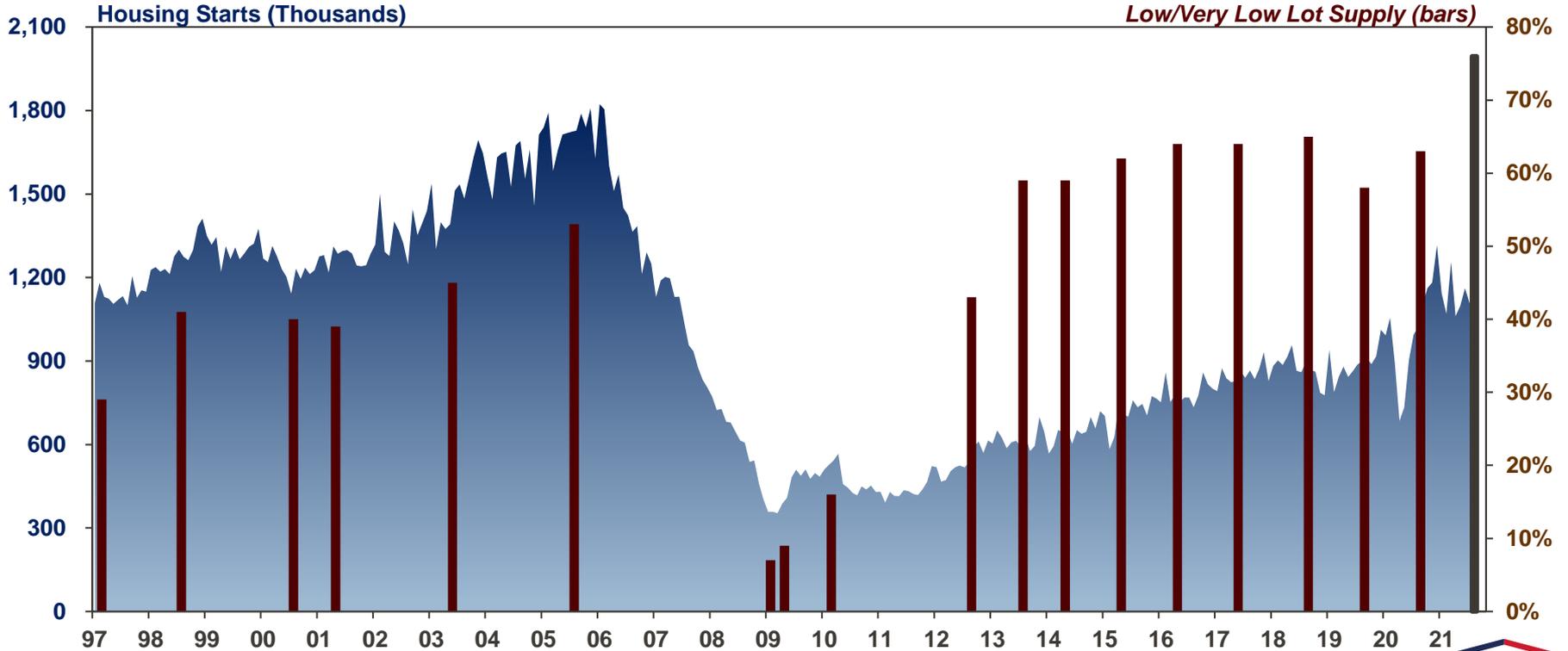
Construction Occupations in Highest Demand



Source: NAHB/Wells Fargo Housing Market Index (HMI)

/ Lot Shortages Reported by Single-family Builders

Shortage of lots worse than ever, hit a new record in 2021

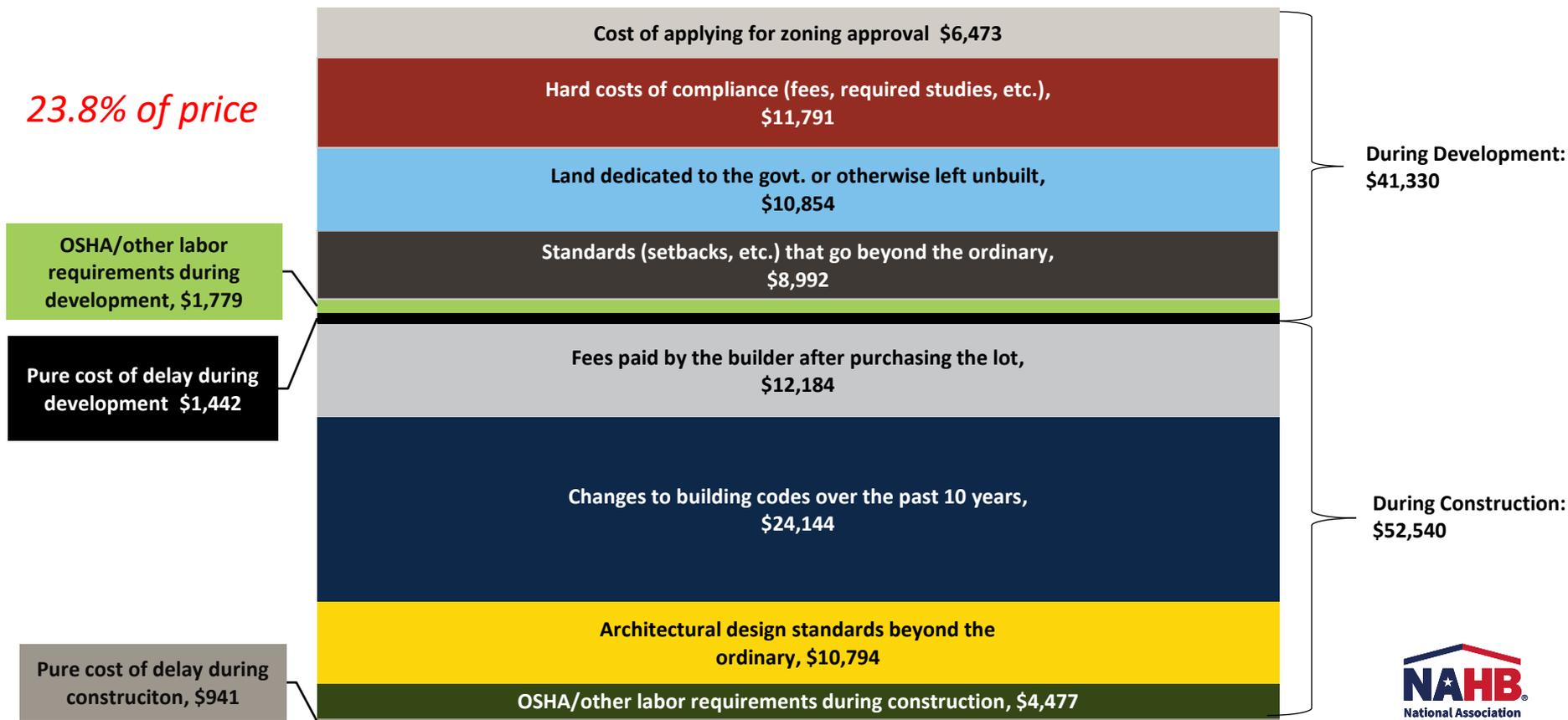


Source: Census Bureau and NAHB/Wells Fargo HMI survey

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



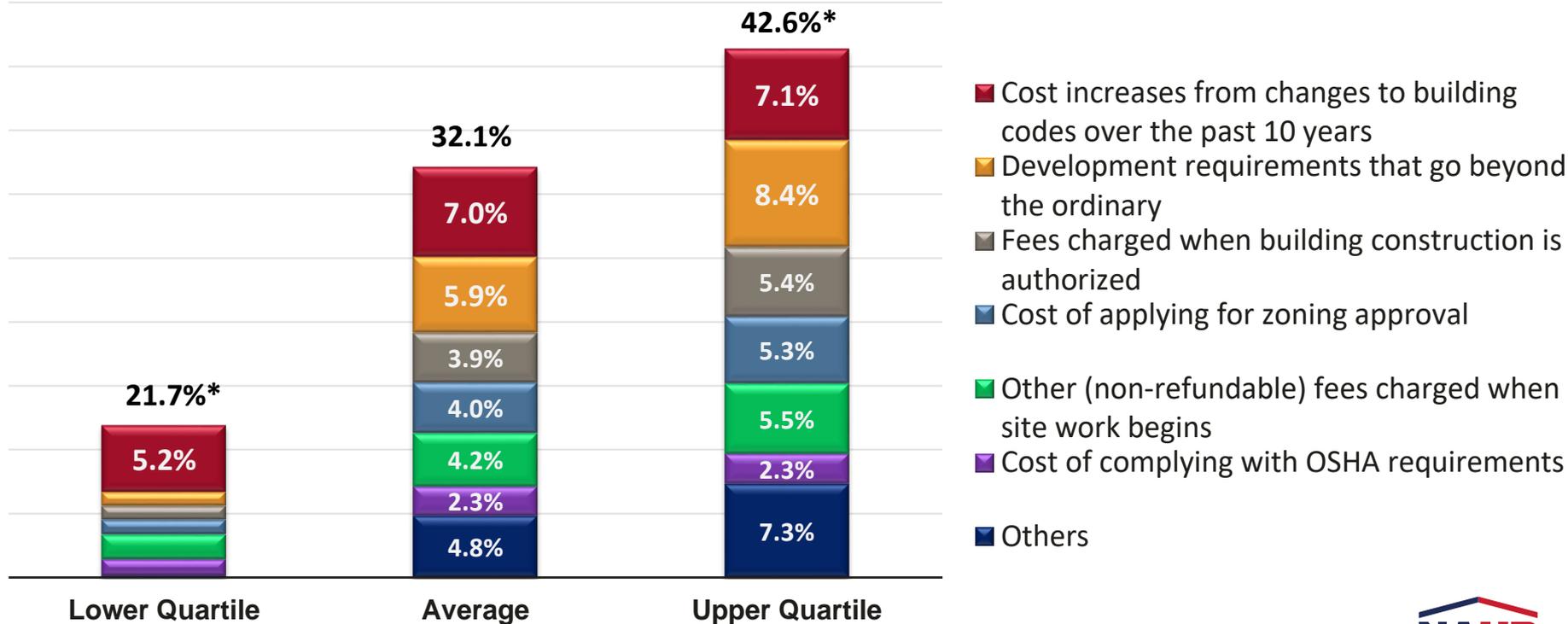
Source: NAHB/Wells Fargo Housing Market Index (HMI)



Regulations: 32% of Multifamily Development Costs

NAHB-NMHC research

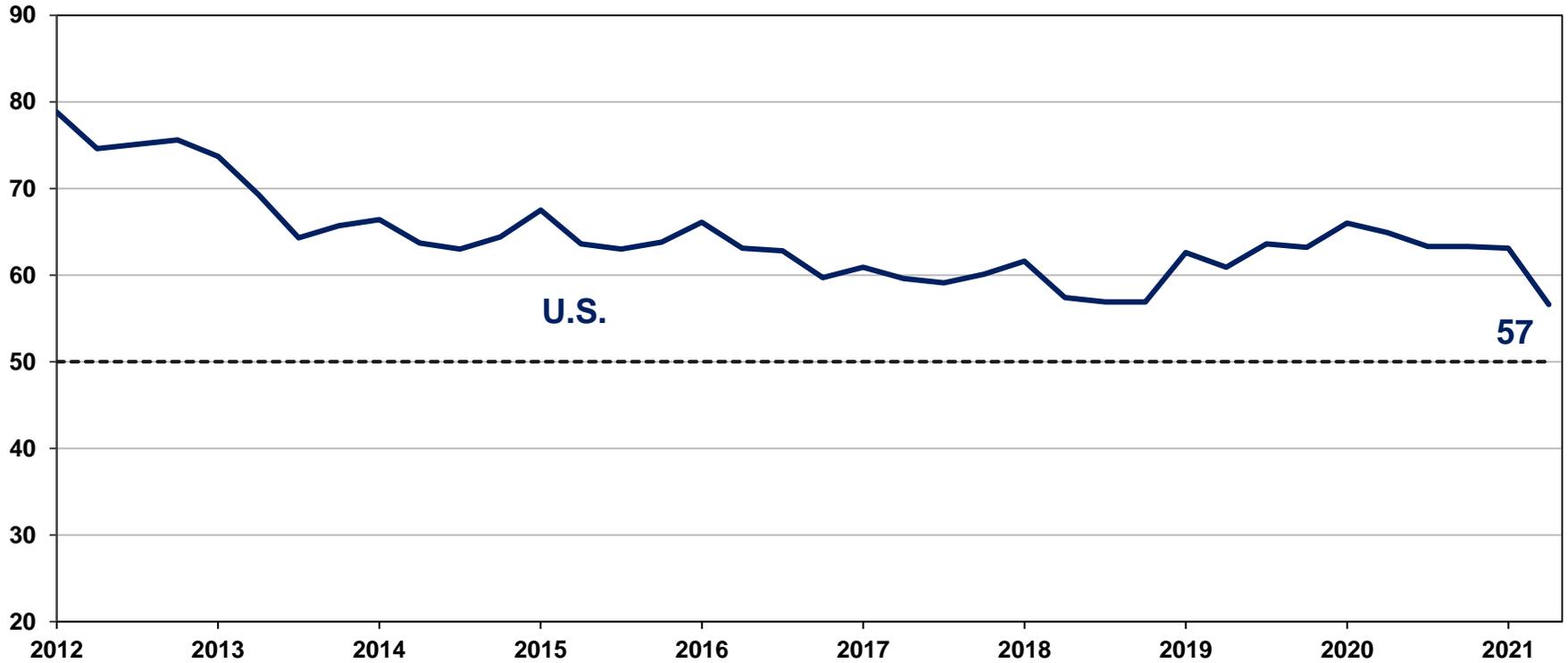
Government Regulations as a Share of Multifamily Development Costs



Note: * For quartiles, all types of costs do not sum to the total.

Source: NAHB/Wells Fargo HMI survey

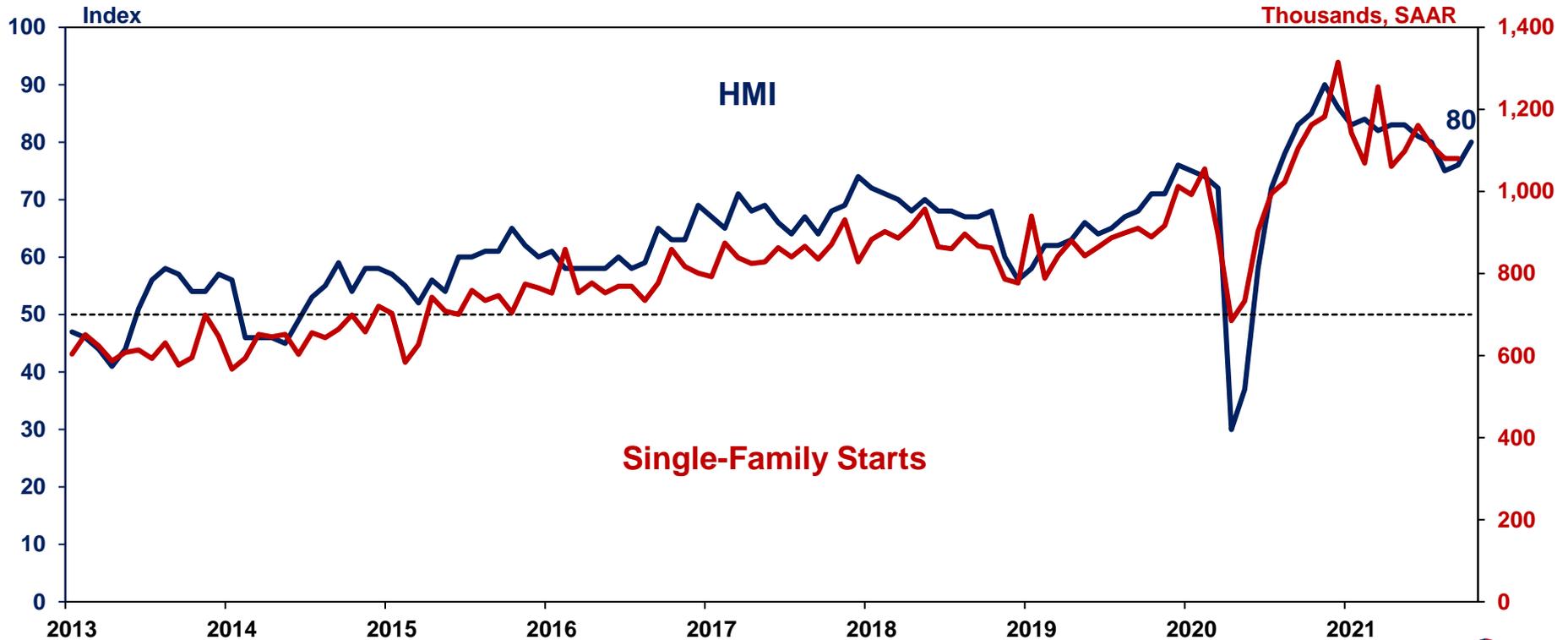
Housing Affordability Declines: NAHB/Wells Fargo HOI Lower



Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).

NAHB/Wells Fargo Housing Market Index (HMI)

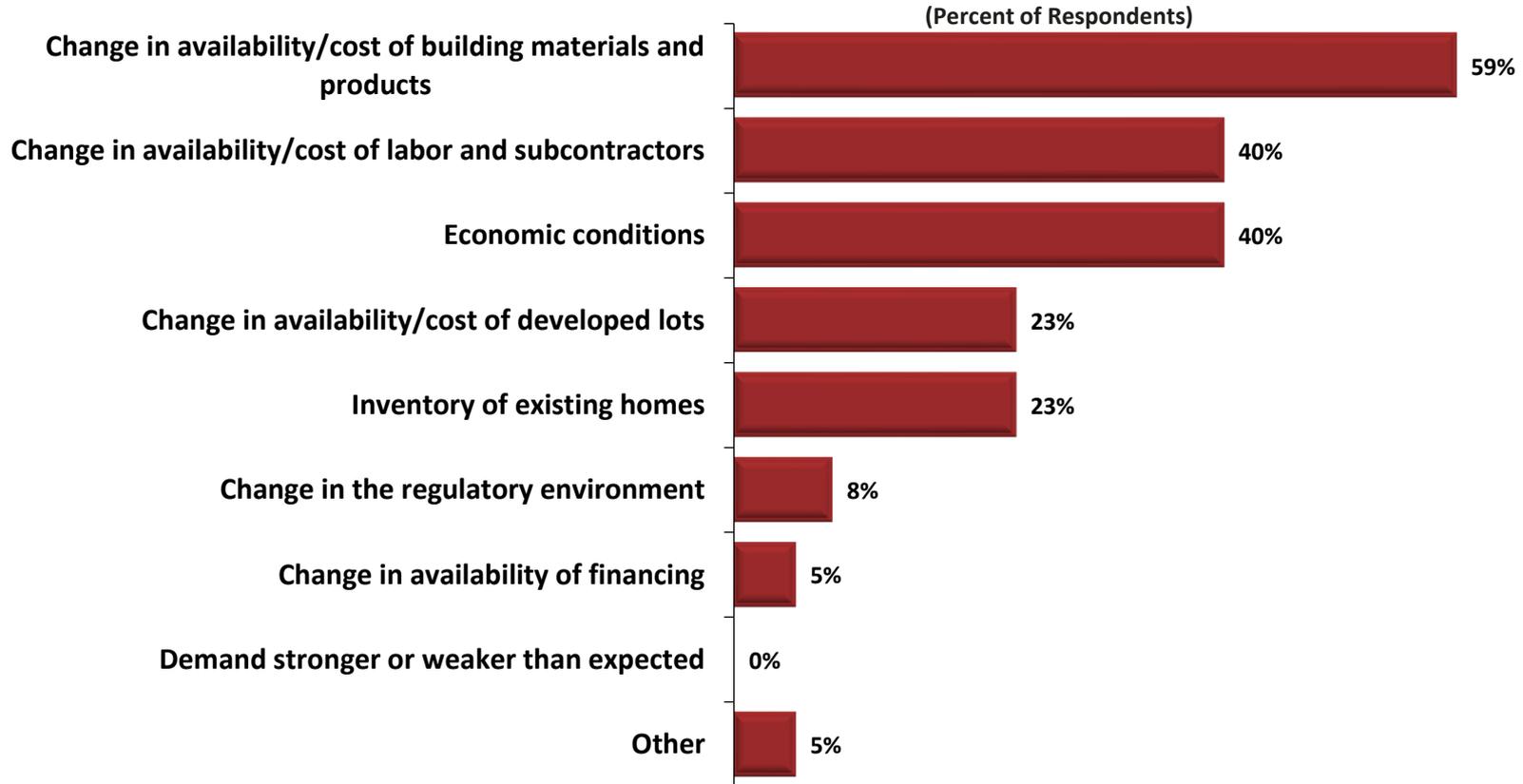
Strong demand boosts builder confidence in October despite supply chain disruptions



Source: Census Bureau and NAHB/Wells Fargo HMI survey

44% of Builders Report Reducing 2021 Starts Expectations

Reasons for the change



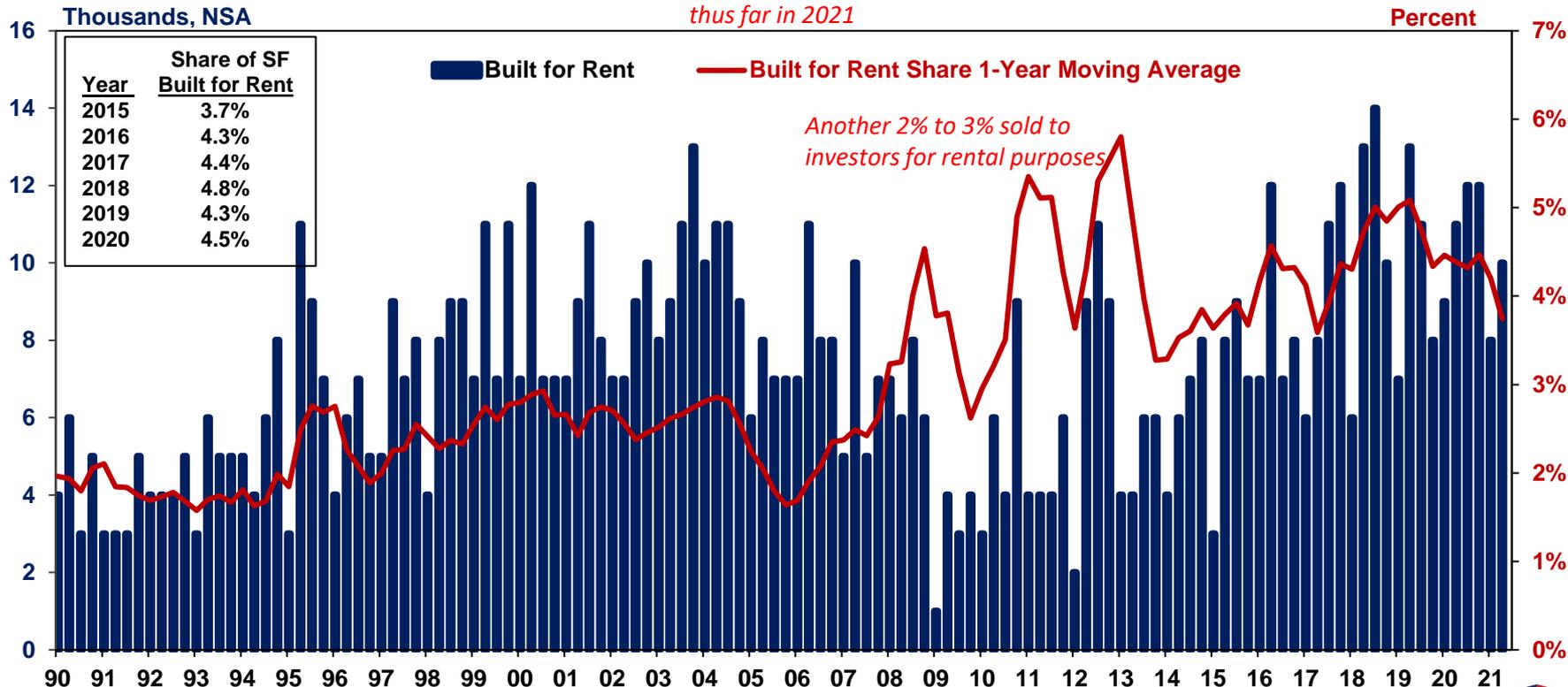
Source: NAHB Survey.

Single-Family Built-for-Rent Construction: 64,000 in 2020

A window of opportunity

25% of builders have seen an uptick of investor buyers thus far in 2021

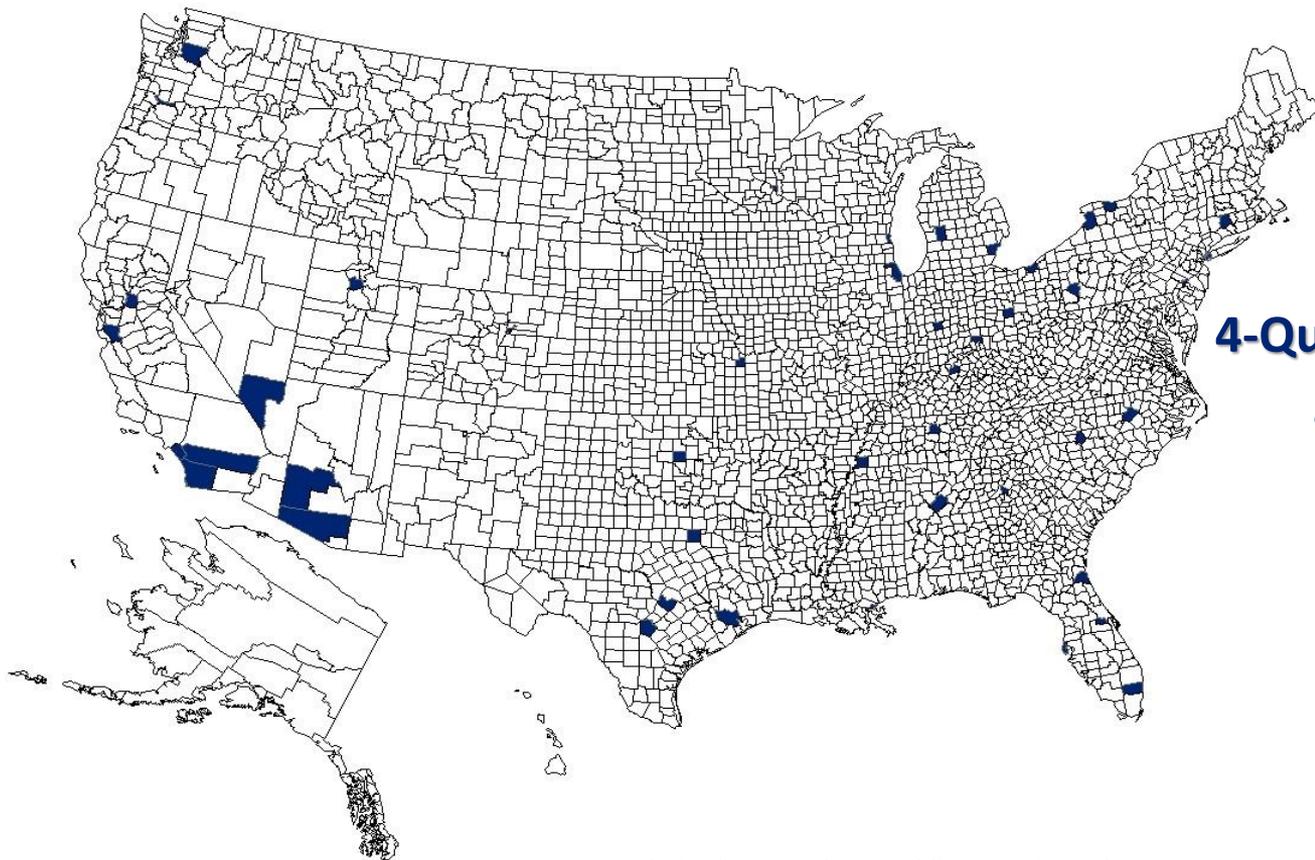
Another 2% to 3% sold to investors for rental purposes



Source: U.S. Census Bureau (BOC)

NAHB Home Building Geography Index

17.0% of single-family construction takes place in Large Metro – Core County

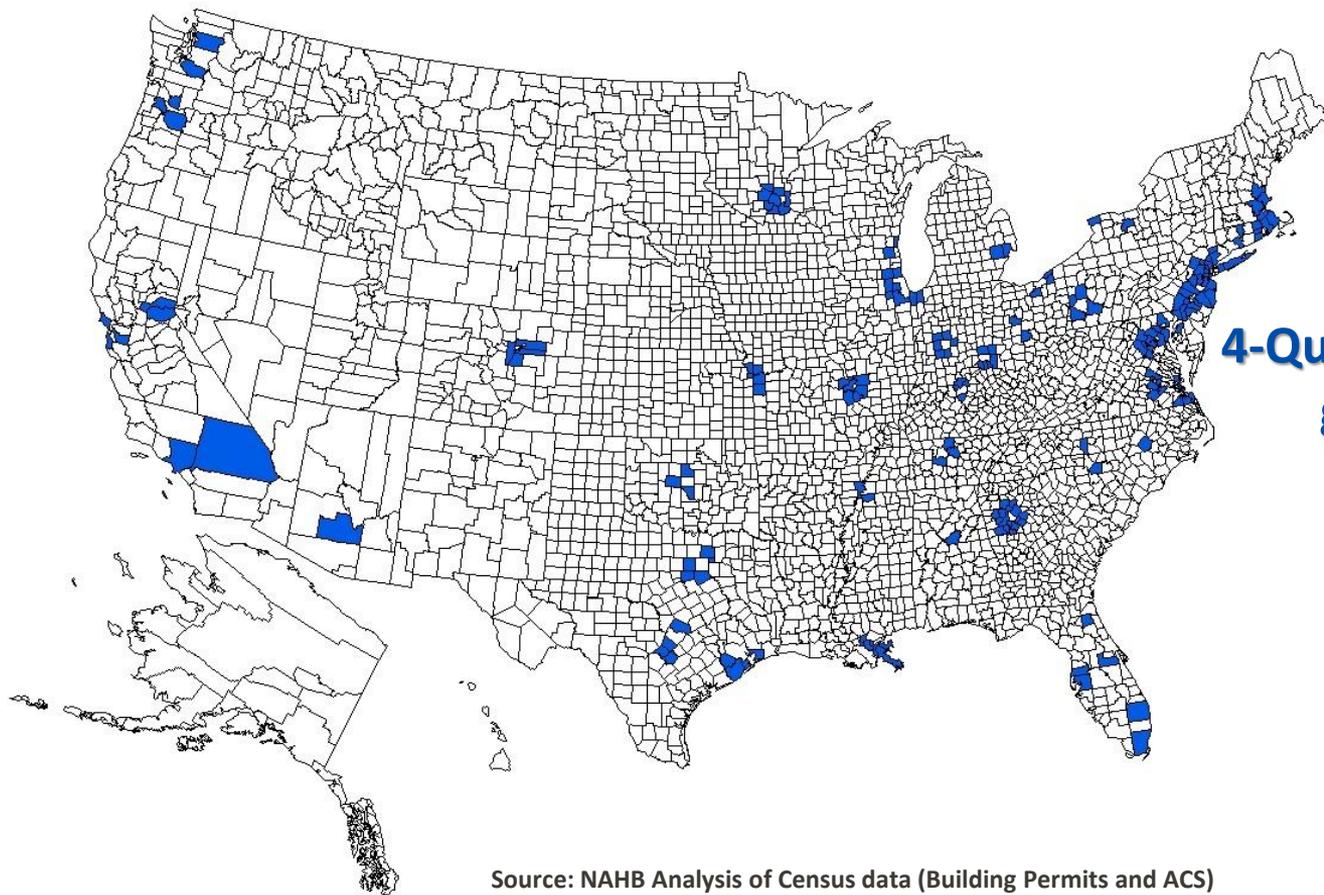


Q2 2021
4-Quarter MA of YoY
growth rate:
26.2%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

26.0% of single-family construction takes place in Large Metro – Suburban County

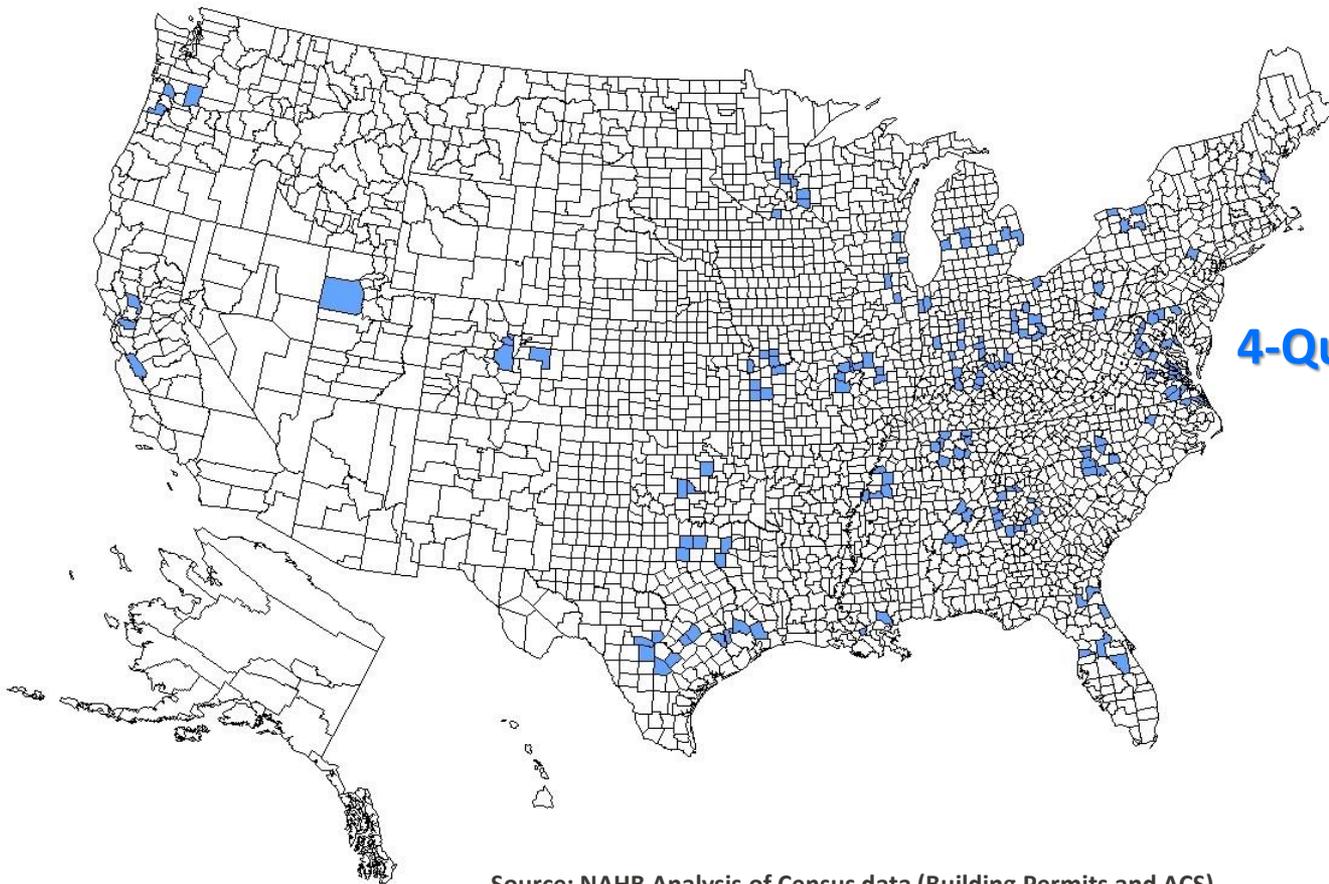


Q2 2021
4-Quarter MA of YoY
growth rate:
31.2%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

9.2% of single-family construction takes place in **Large Metro – Outlying County**

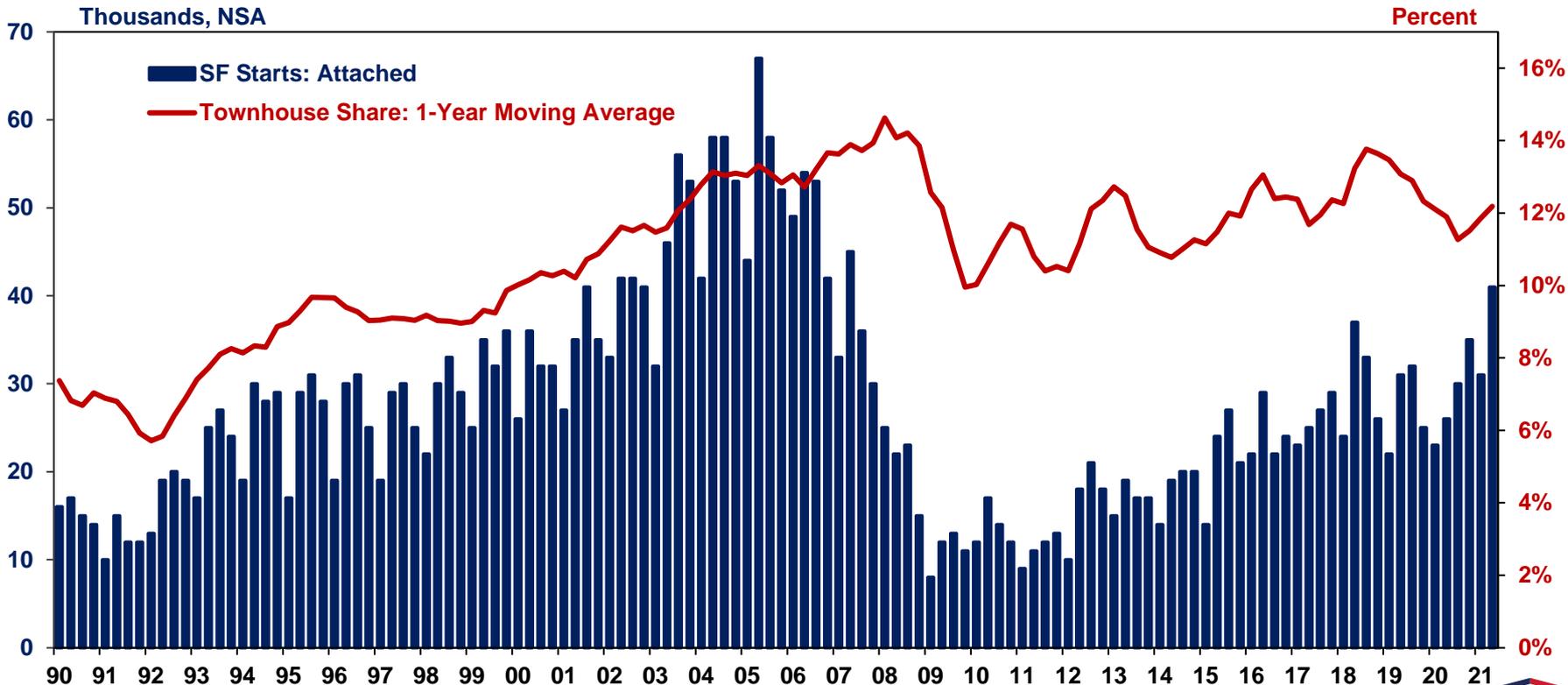


Q2 2021
4-Quarter MA of YoY
growth rate:
36.3%

Source: NAHB Analysis of Census data (Building Permits and ACS)

Townhouse Construction Accelerating

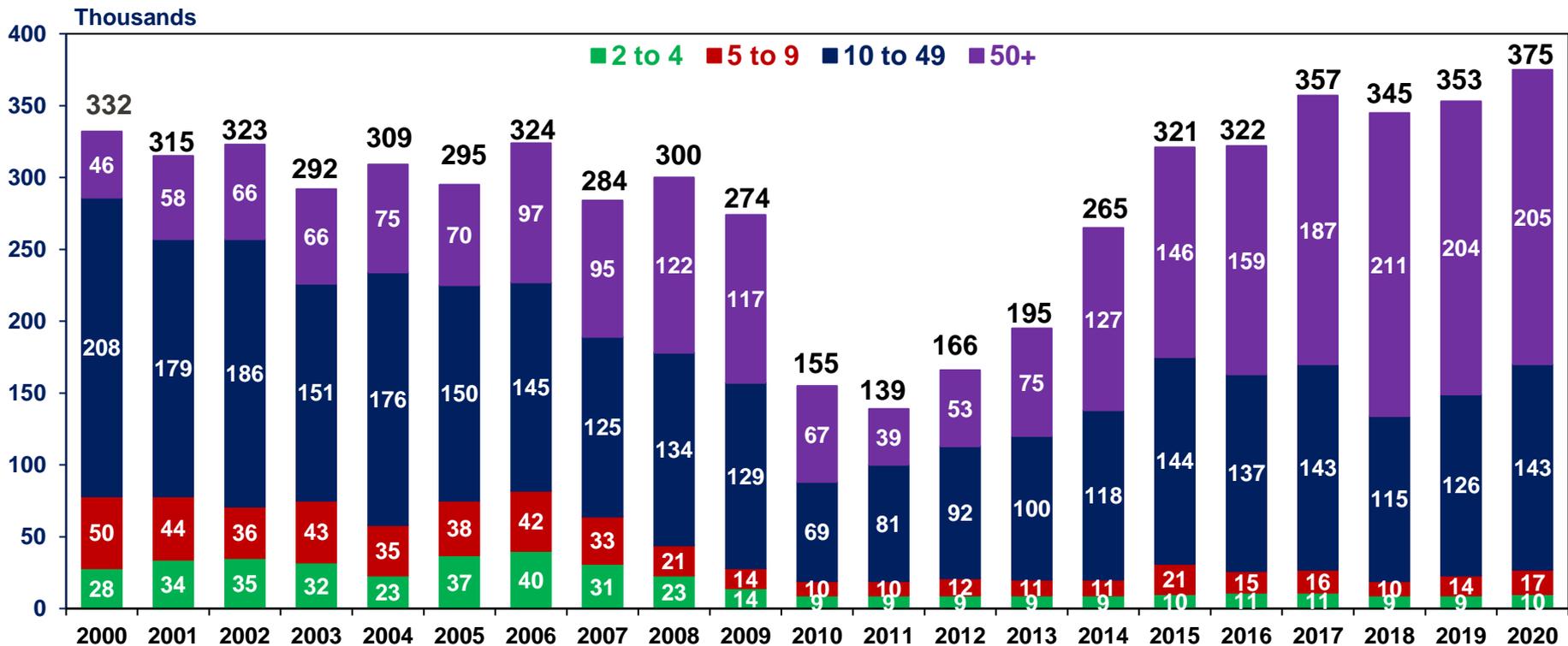
2Q21 best quarter in 14 years



Source: U.S. Census Bureau (BOC)

Multifamily Buildings Completed By Units

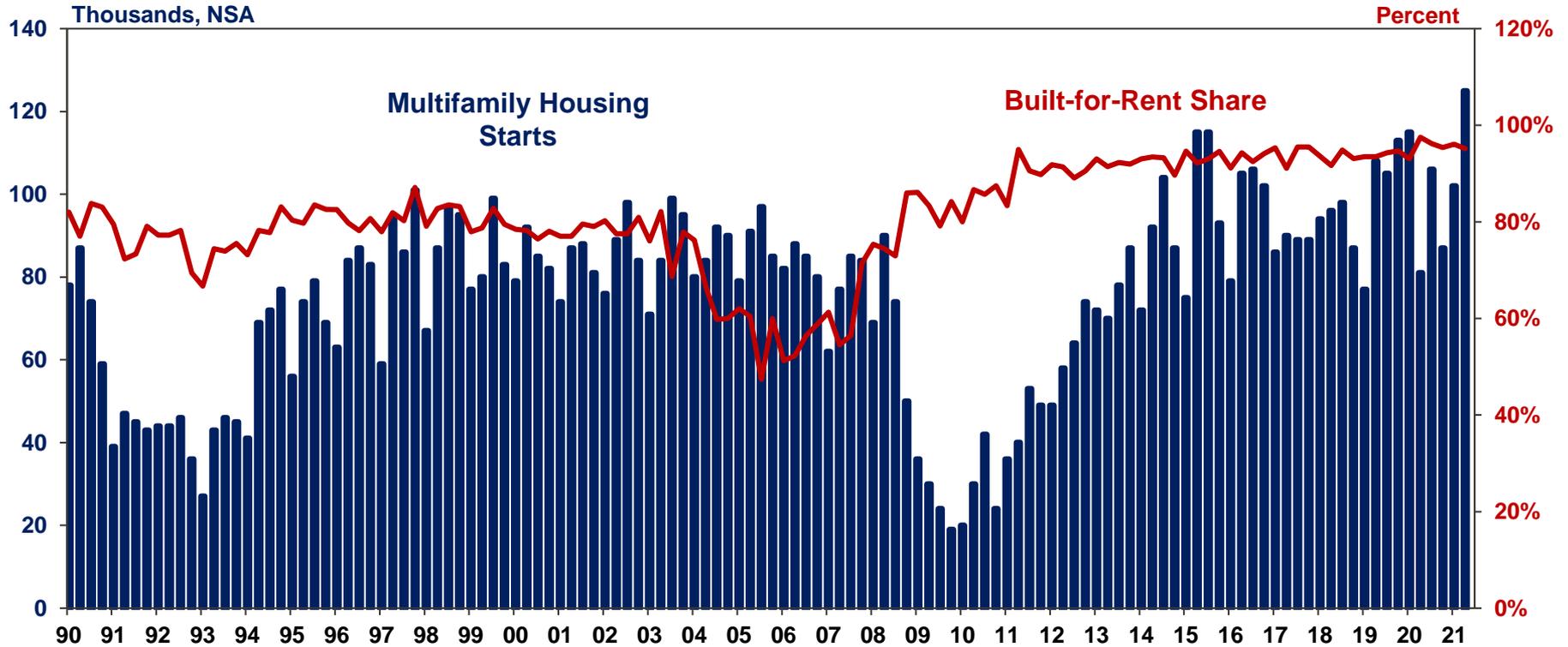
The share of 50+ unit property declined to 55% in 2020



Source: U.S. Census Bureau (BOC).

Multifamily Construction

Rental production dominates



Source: U.S. Census Bureau (BOC).

Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com