

Housing the Bright Spot of a Recovering Economy

HBA of Virginia
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Dramatic Rebound for Housing



Three historic data signals



NAHB/Wells Fargo HMI at 90 – all-time high



Median resale price near median new home price



Largest ever gap between new home sales and production



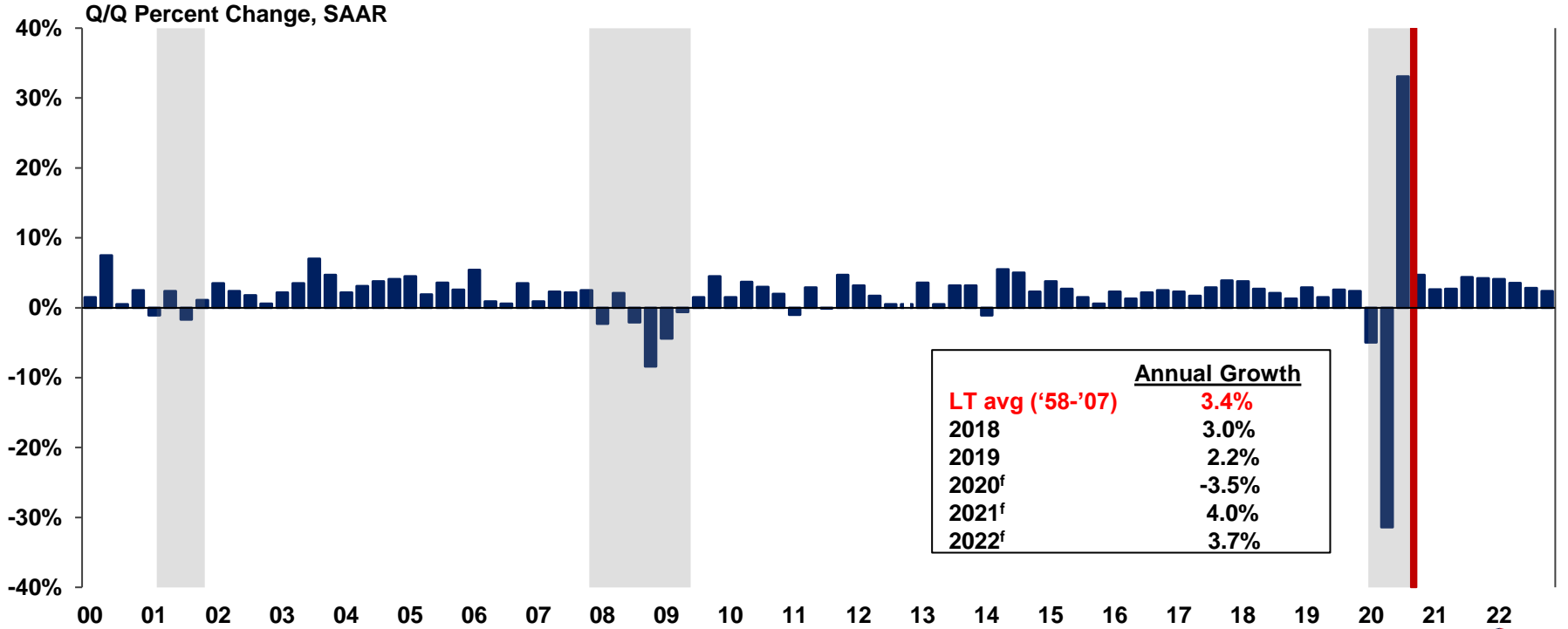
Supply-chain issues, including lumber



Demand is growing due to suburban shift, work-from-home, historically low interest rates, and favorable demographics

GDP Growth – Recovery Gains Ground During 2H20

Growth continues into 2021 and 2020

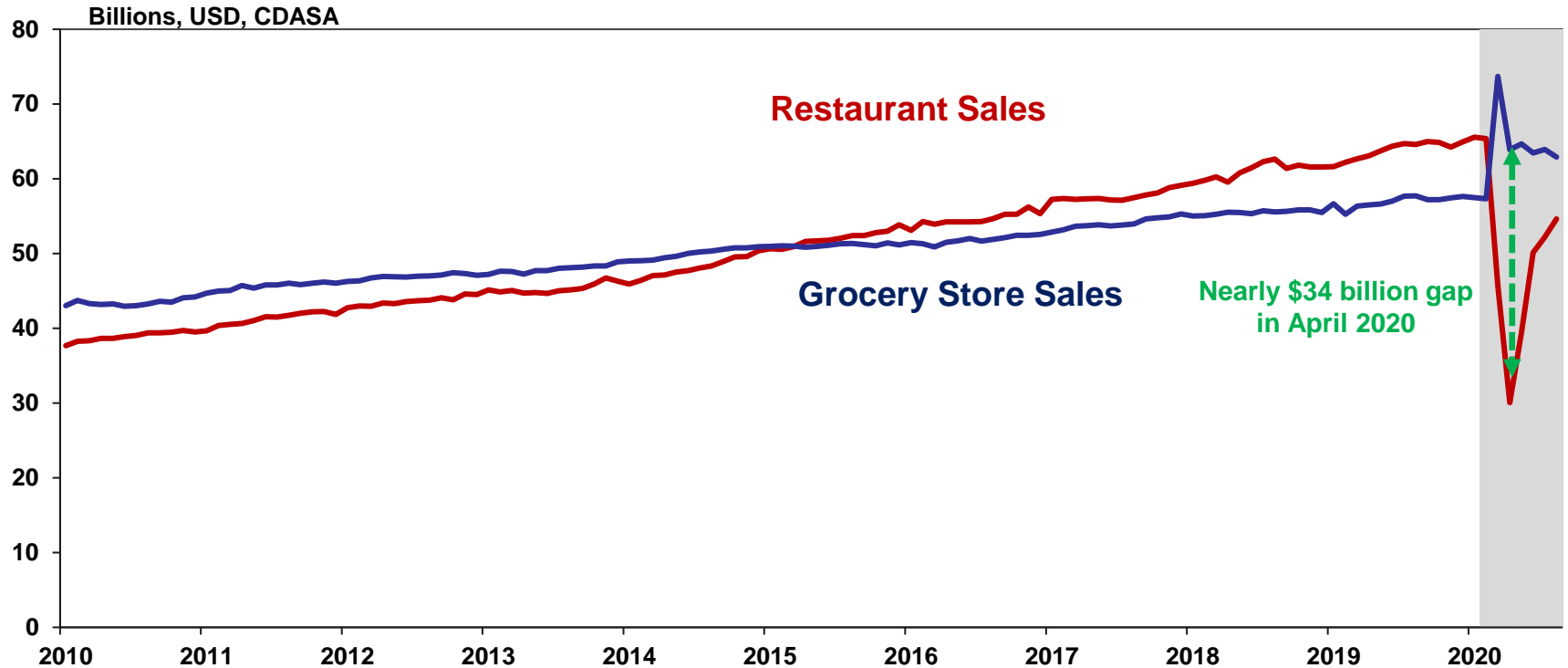


Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.



Grocery Store Sales vs. Restaurant Sales

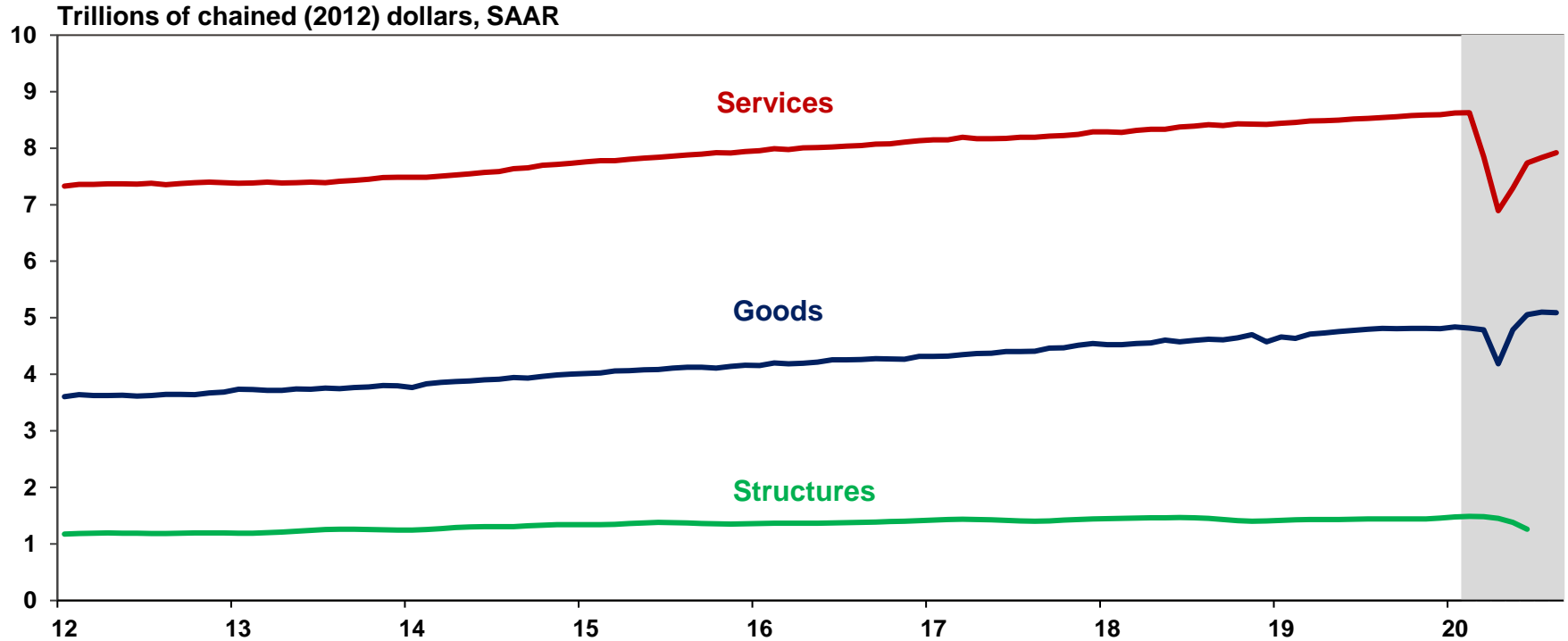
Virus impacts on food purchases --- evidence of the Great Disruption



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

Monthly Goods, Services, and Structures: GDP Data

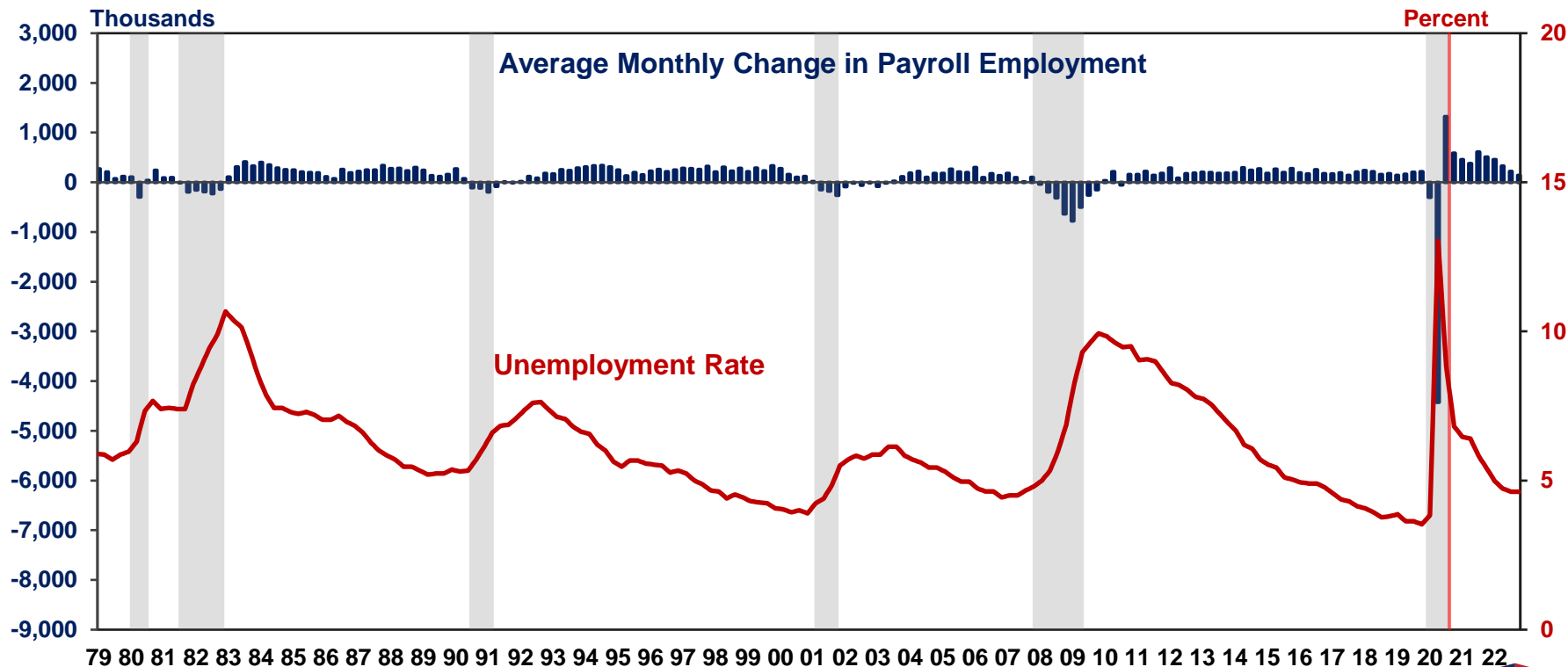
Services still down, goods higher and structures little changed thanks to housing



Source: U.S. Bureau of Economic Analysis (BEA) - National Income and Product Accounts (NIPA).

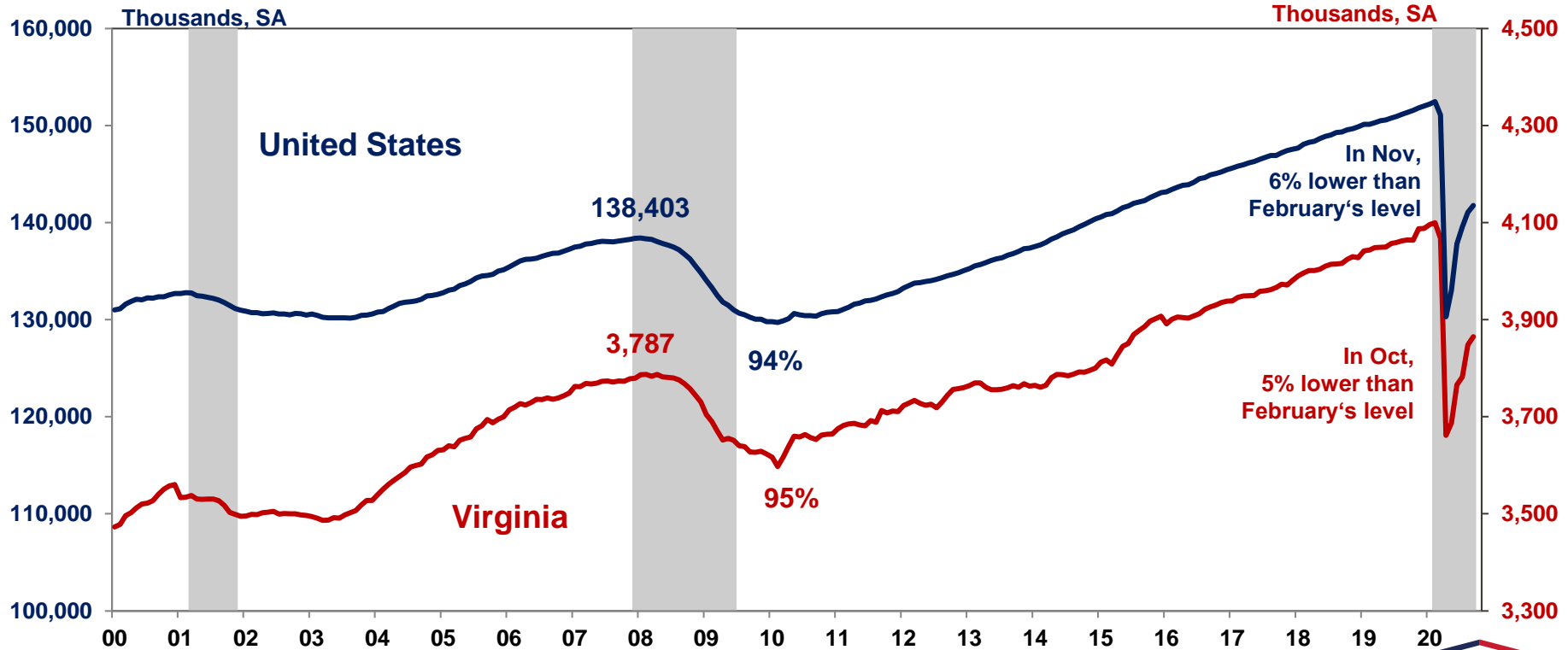
Good/Bad News: 6% to 7% U-Rate Expected at 2020 End

Duration matters: research indicates spells of 6-months or longer affects consumption



Payroll Employment

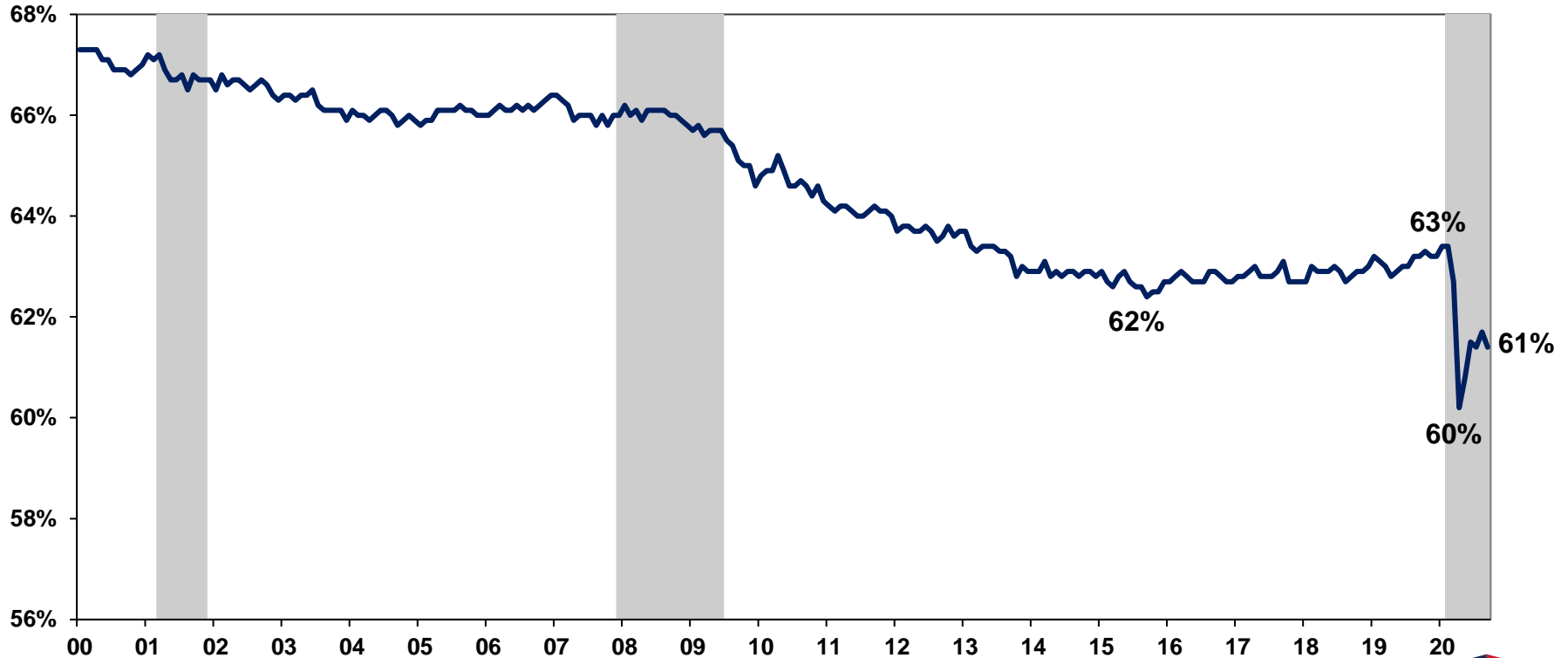
Virginia recovering from COVID-19 recession



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

Labor Force Participation Rate

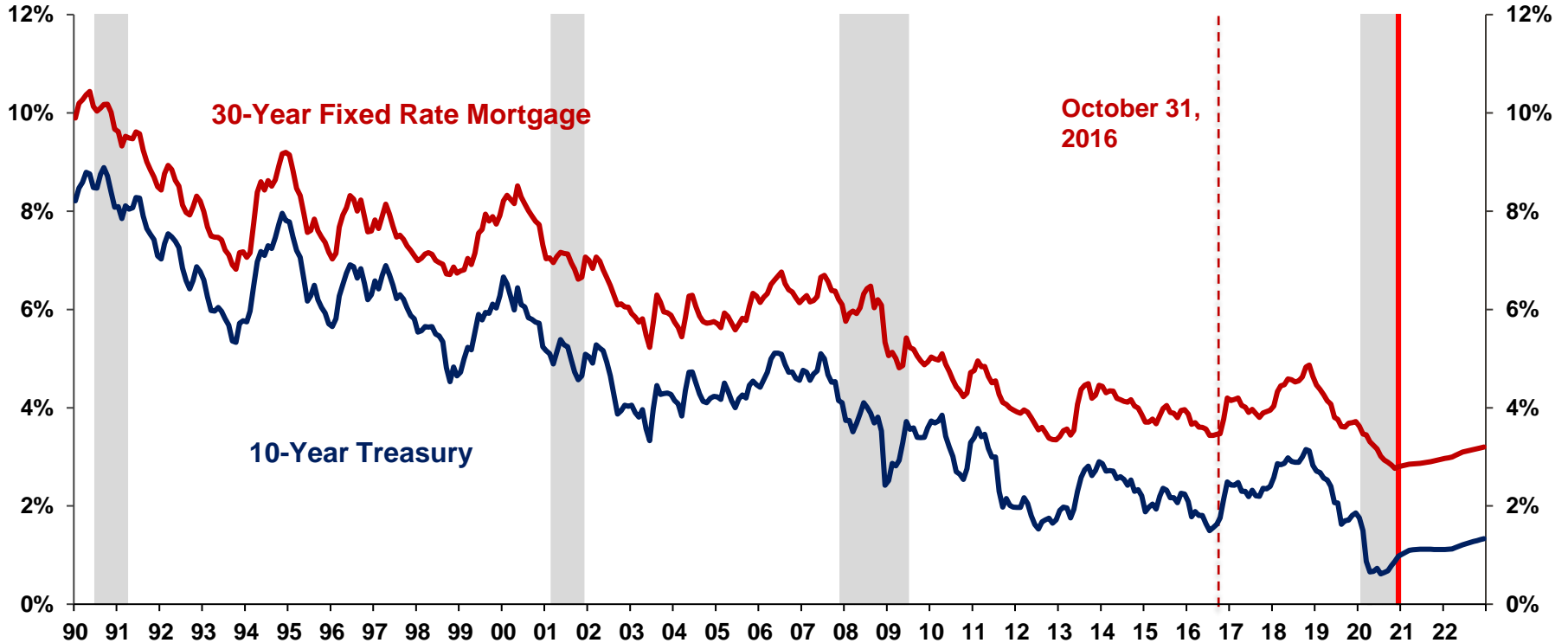
Labor force participation must be repaired as part of job market recovery



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

30-Year Fixed Rate Mortgage and 10-Year Treasury

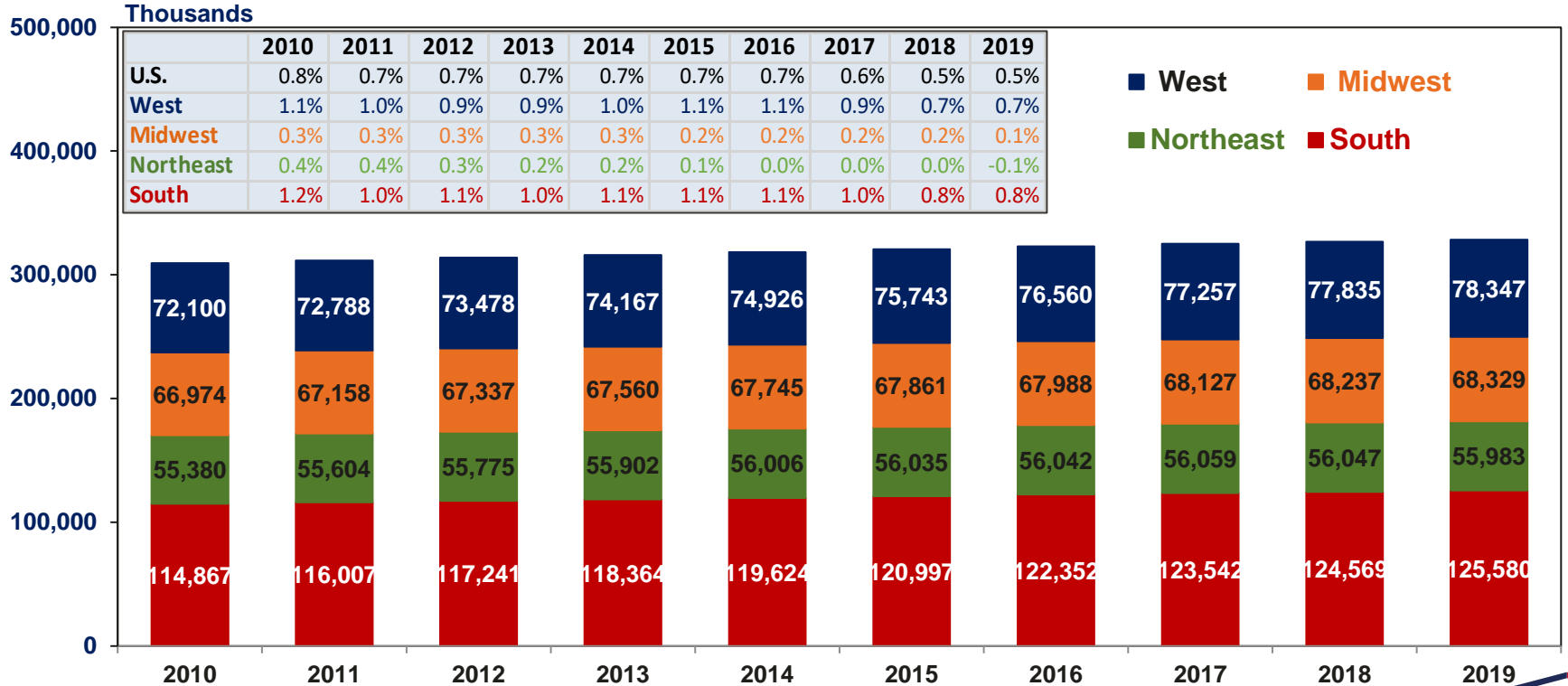
Low interest rates thanks to aggressive Federal Reserve action



Source: Federal Reserve and Freddie Mac data and NAHB forecast.

Population Growth

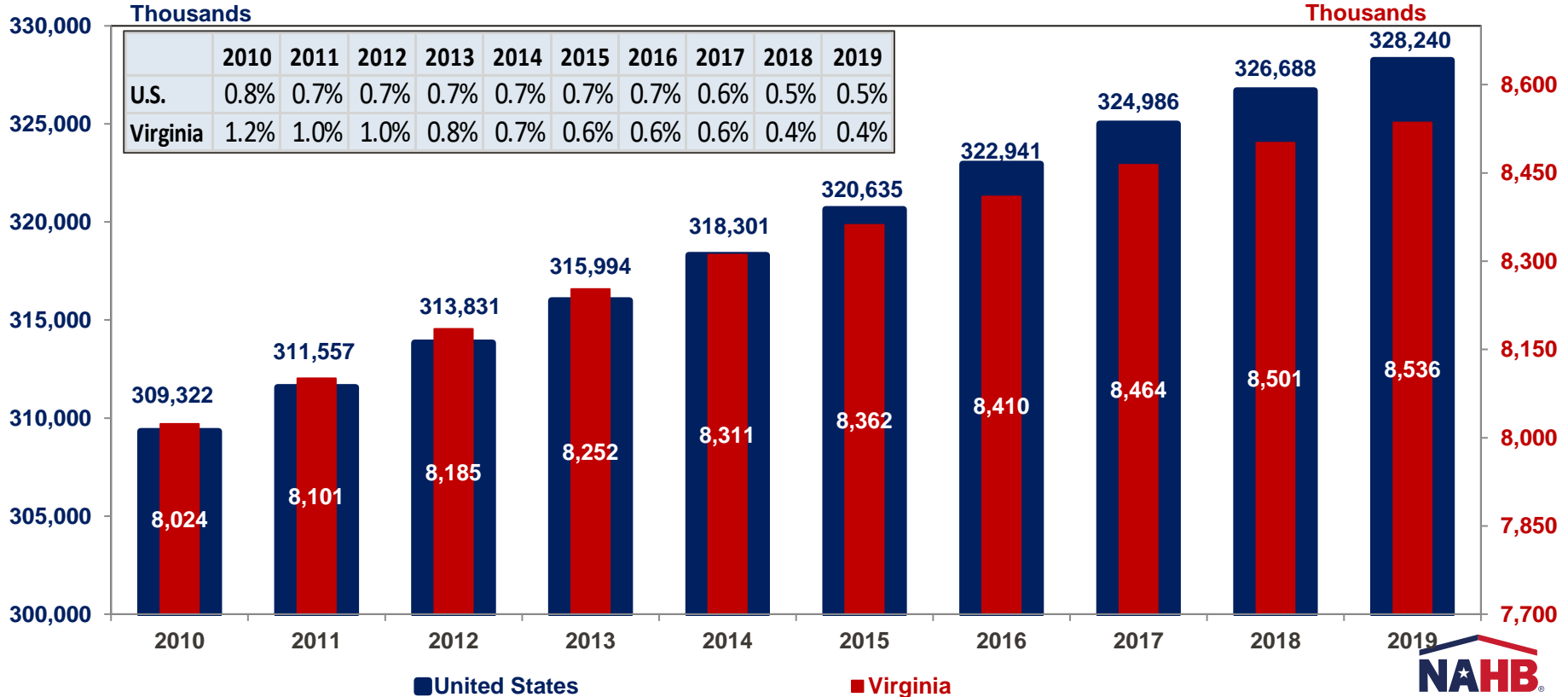
Population decreased in the Northeast, while growth slowing in other three regions



Source: U.S. Census Bureau (BOC)

Population Growth

Virginia population growth close to national rate



Source: U.S. Census Bureau (BOC)



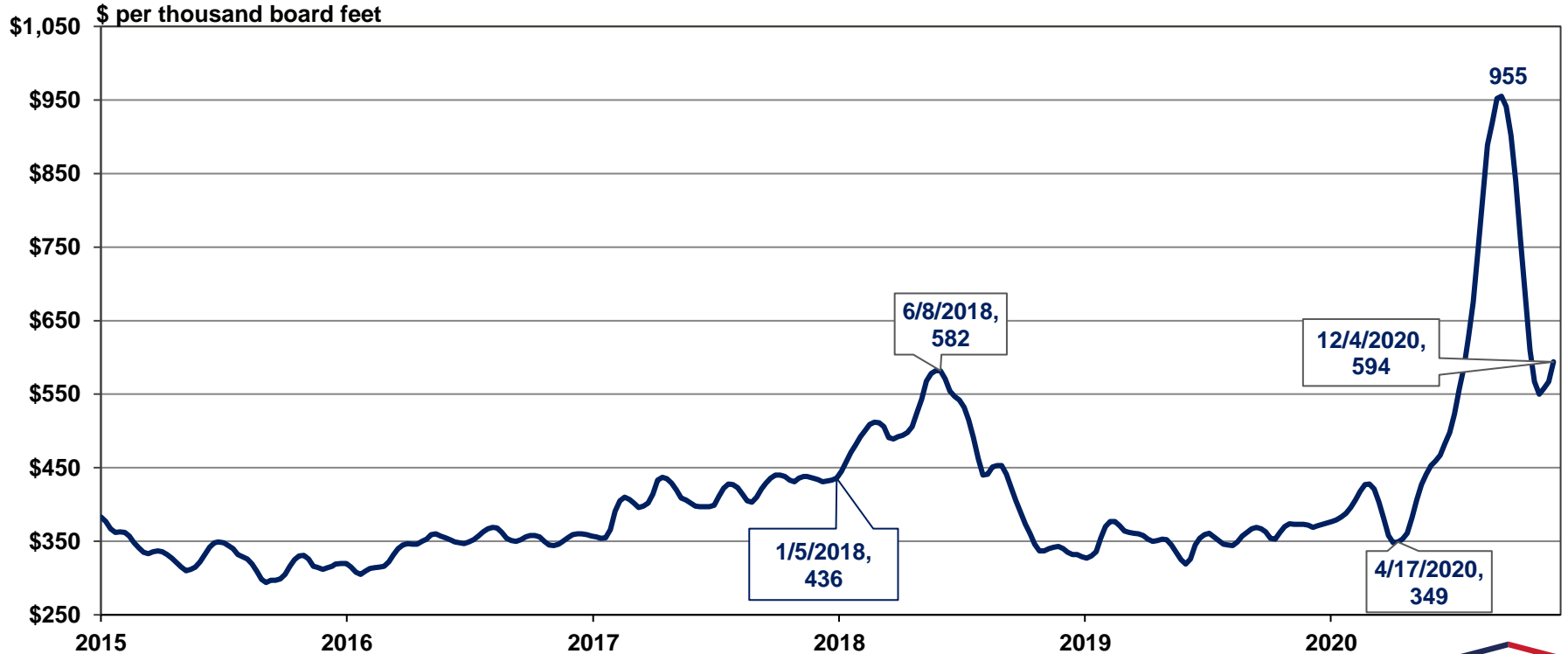


Supply-Side Factors



Building Materials – Lumber Prices

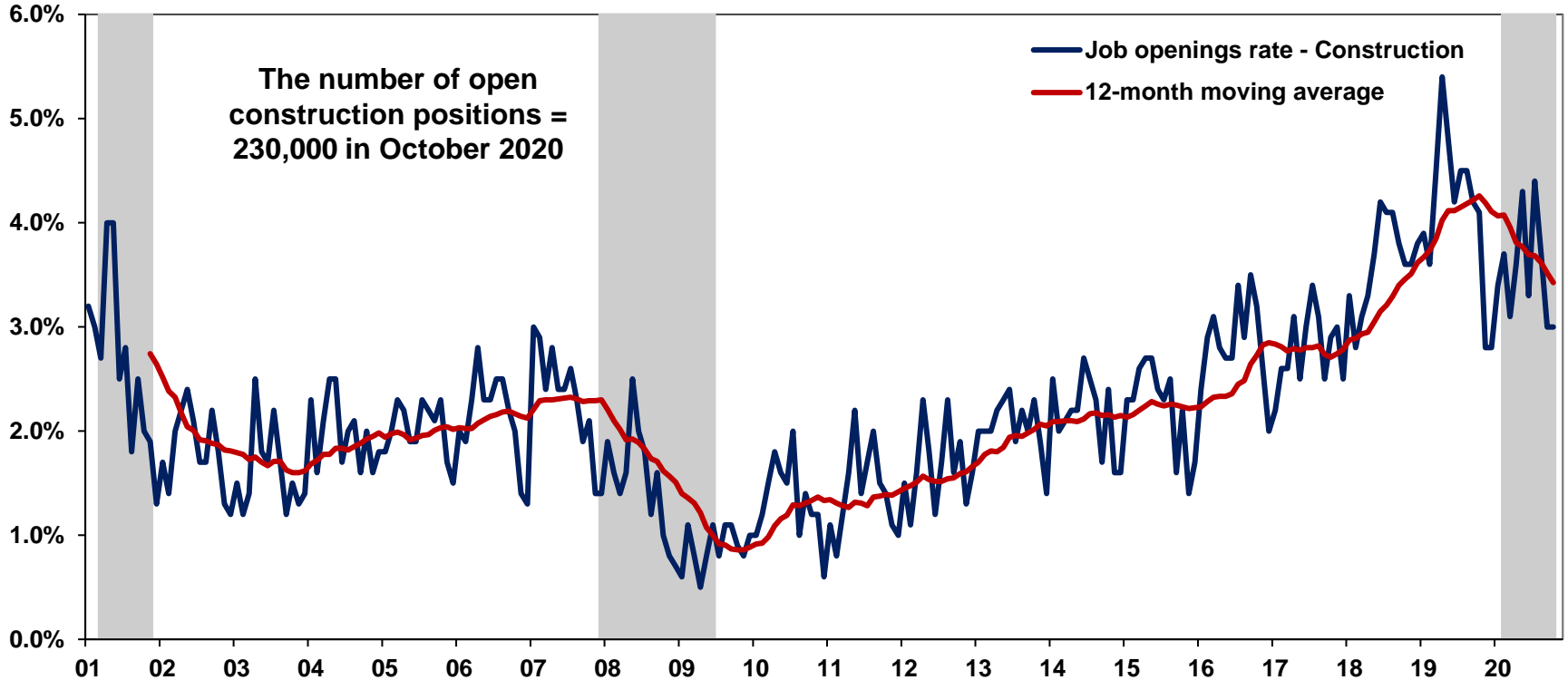
Current December price \$560; up 70% since mid-April but 38% lower than Sep. 18th



Source: NAHB Analysis; Random Lengths Composite Index

Labor - Construction

Skilled labor shortage persists



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

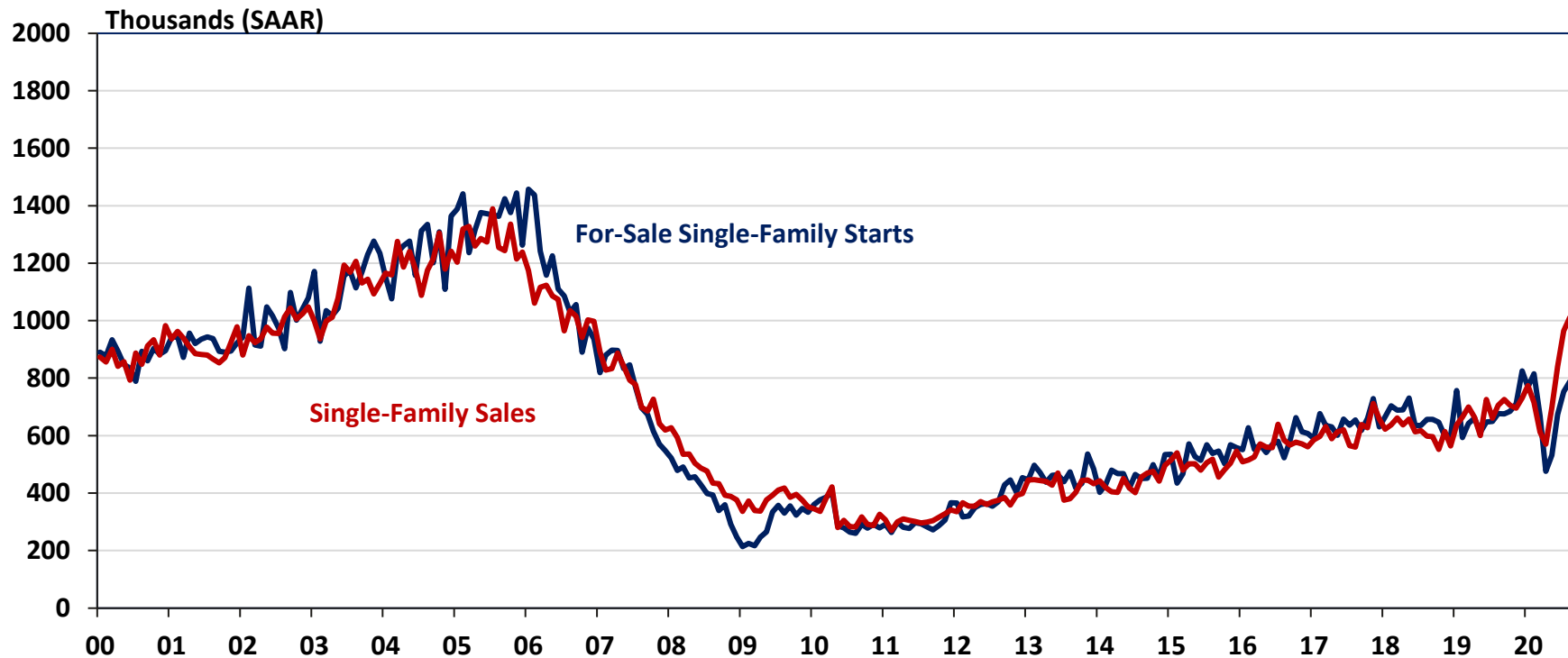


Construction Outlook



Single-Family For-Sale Starts and Sales – More Building Ahead

NAHB estimated for-sale starts series --- sales ahead of for-sale starts during mid-2020

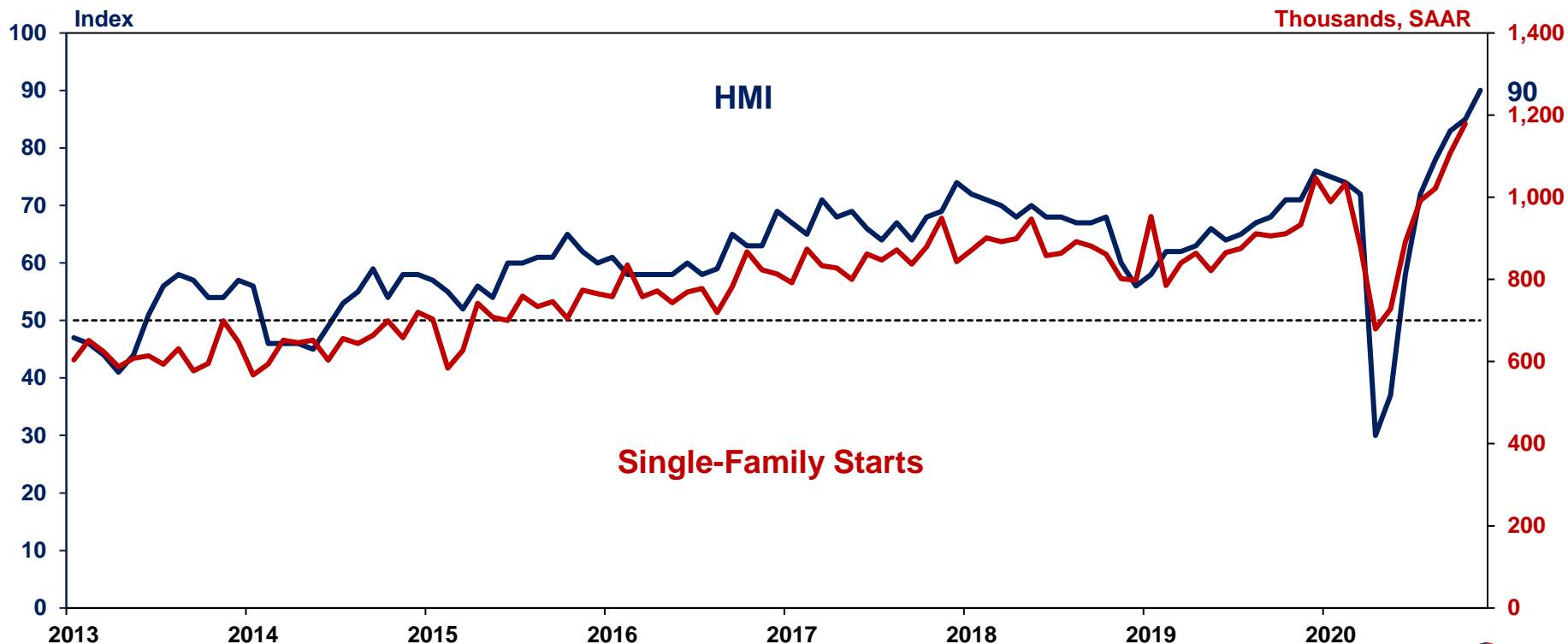


Source: NAHB analysis of Census Bureau data

For-sale starts calculated by using quarterly Census data, subtracting for-rent and custom starts, and using reticulated-spline interpolation to transform into seasonally adjusted monthly data

NAHB/Wells Fargo Housing Market Index (HMI)

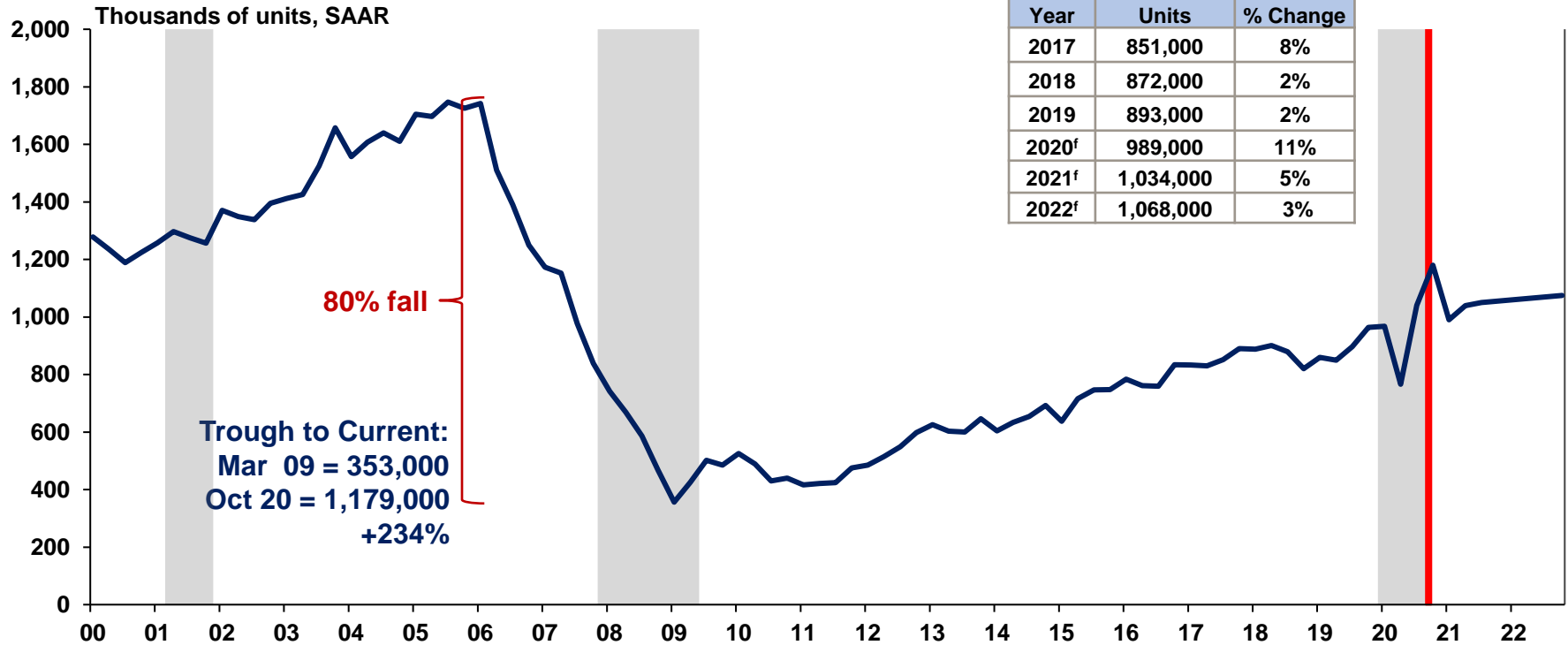
Builder confidence levels have hit successive all-time highs over the past three months



Source: Census Bureau and NAHB/Wells Fargo HMI survey

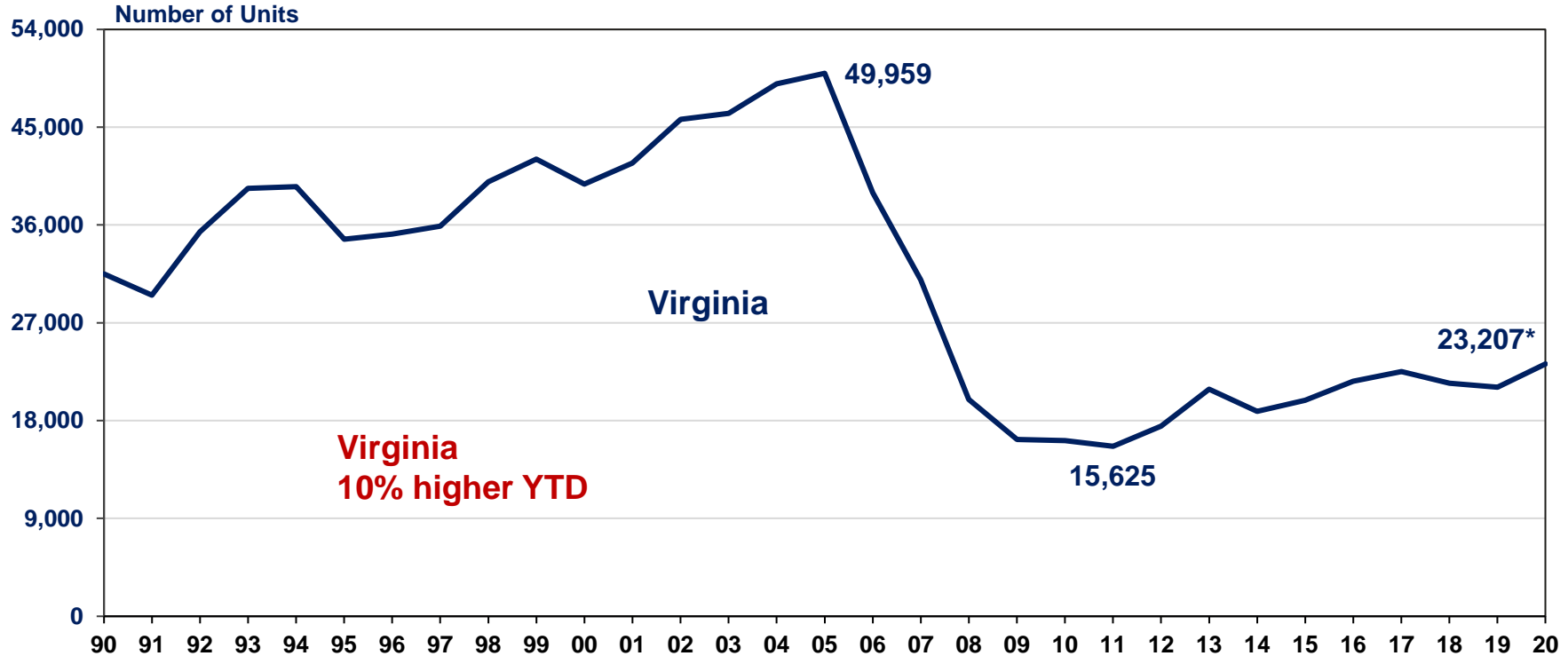
Single-Family Starts

Gain for 2020 and choppy trend growth ahead



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

Single-Family Building Permits – Virginia

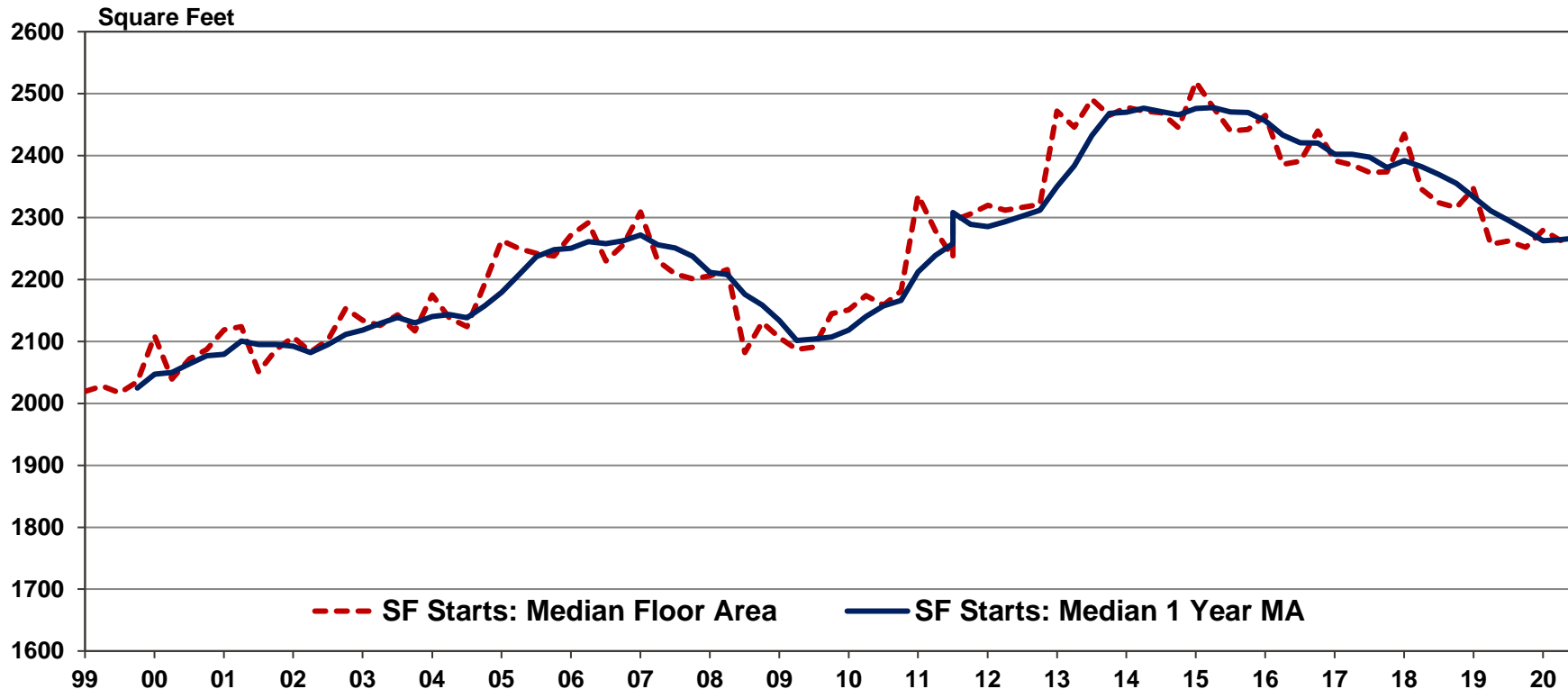


Source: U.S. Census Bureau (BOC)

Note: * 2020 permits are projected based on YTD data.

Typical New Home Size

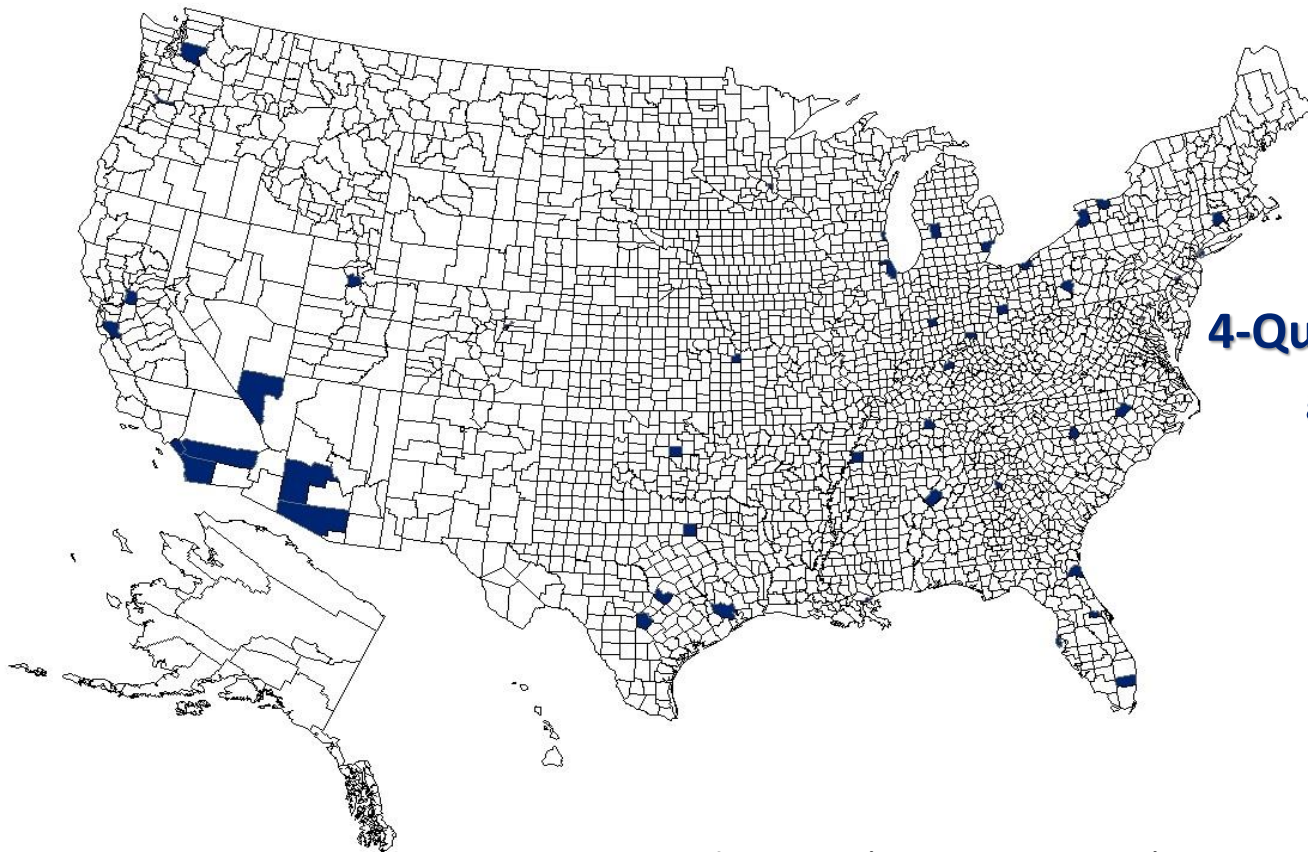
End of declines ahead?



Source: U.S. Census Bureau (BOC)

NAHB Home Building Geography Index

17.2% of single-family construction takes place in Large Metro – Core County

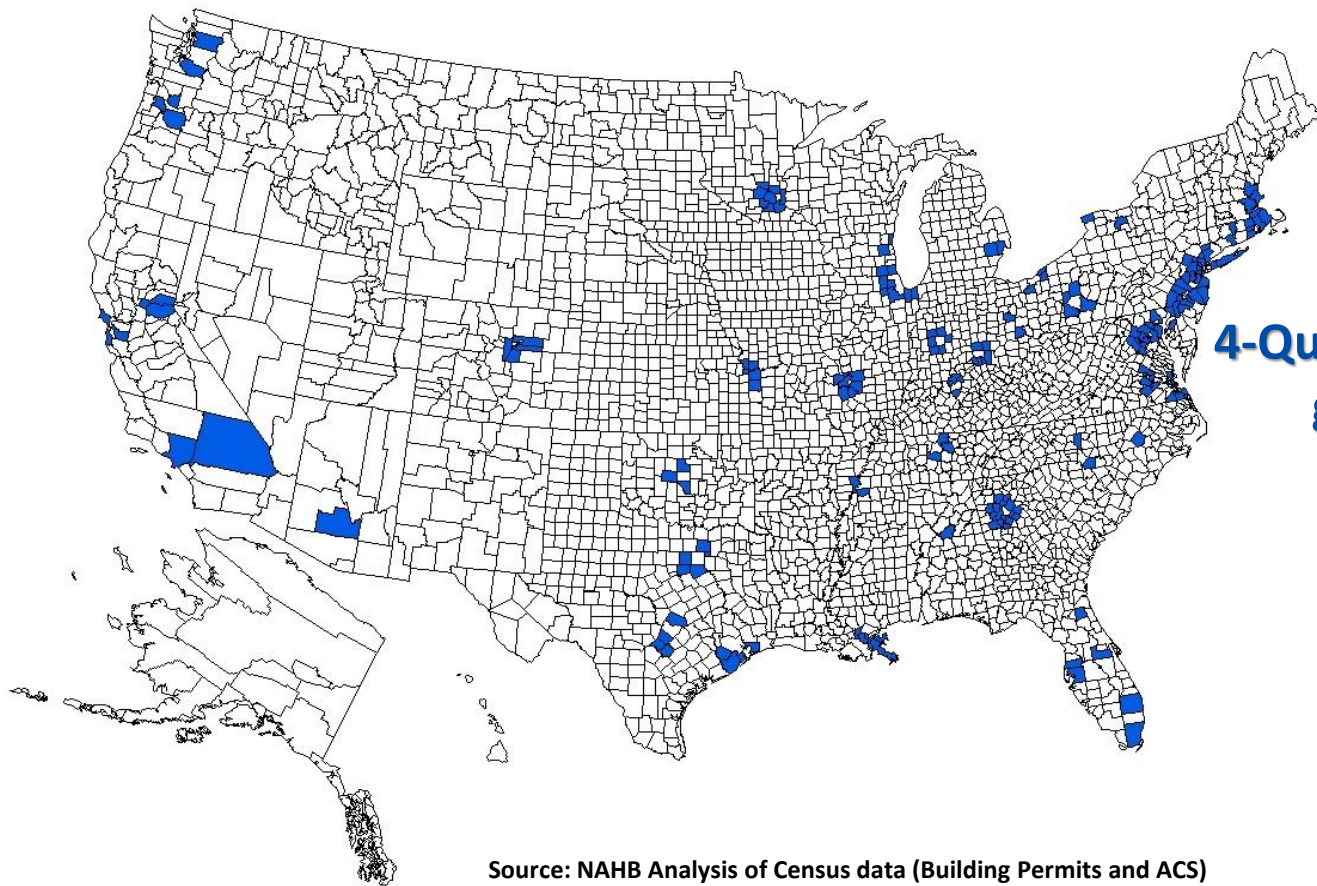


Q3 2020
4-Quarter MA of YoY
growth rate:
5.7%

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

NAHB Home Building Geography Index

25.5% of single-family construction takes place in Large Metro – Suburban County



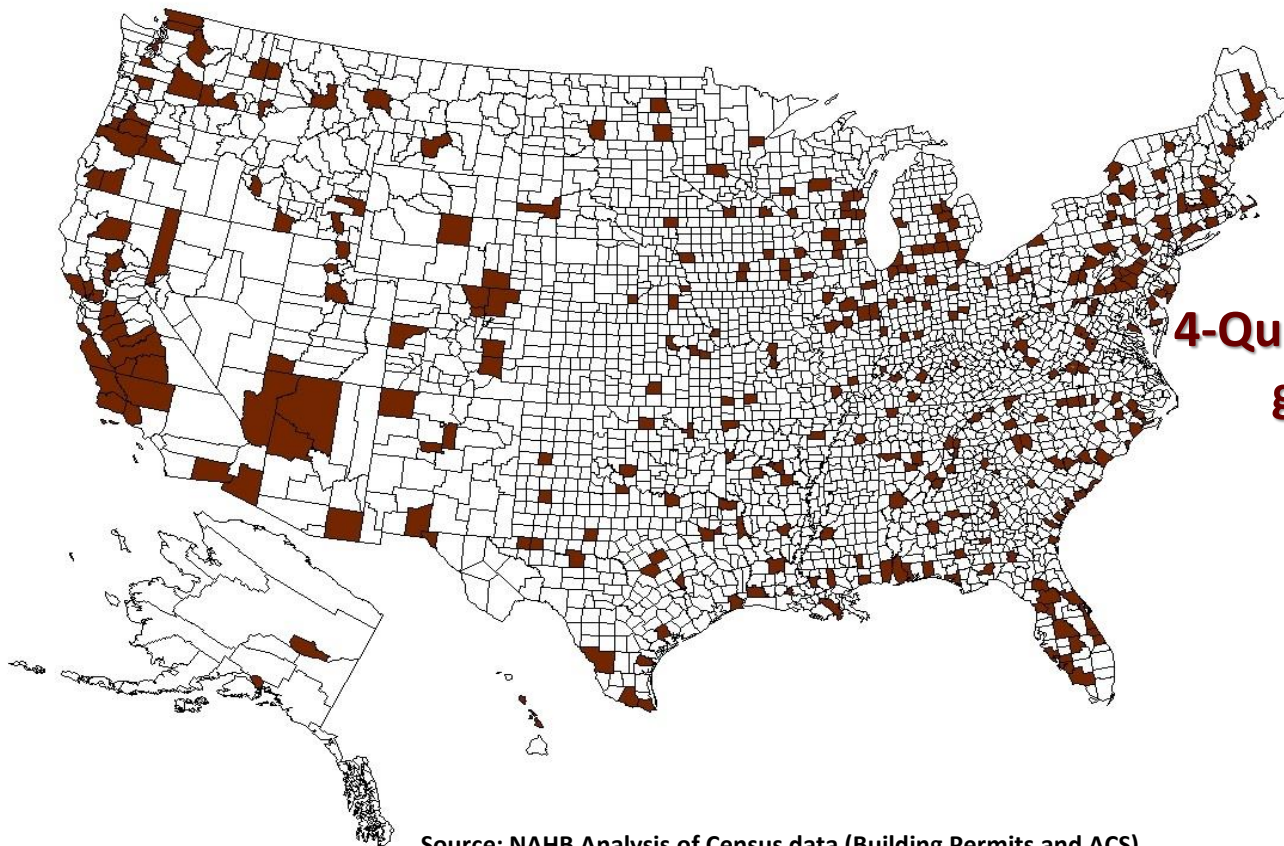
Q3 2020
4-Quarter MA of YoY
growth rate:
10.8%

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



NAHB Home Building Geography Index

29.4% of single-family construction takes place in **Smaller Metro – Core County**

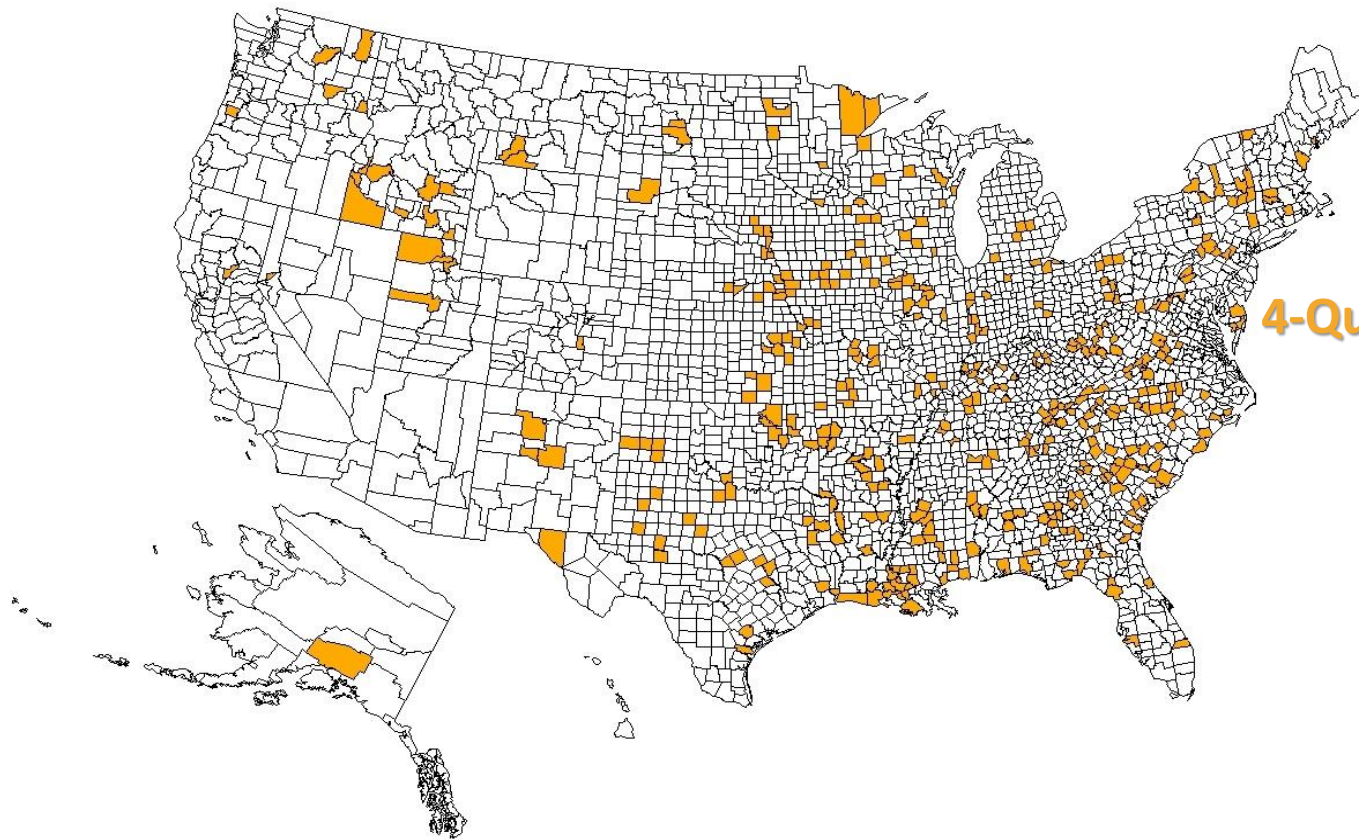


Q3 2020
4-Quarter MA of YoY
growth rate:
12.3%

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

NAHB Home Building Geography Index

8.9% of single-family construction takes place in **Smaller Metro – Outlying County**

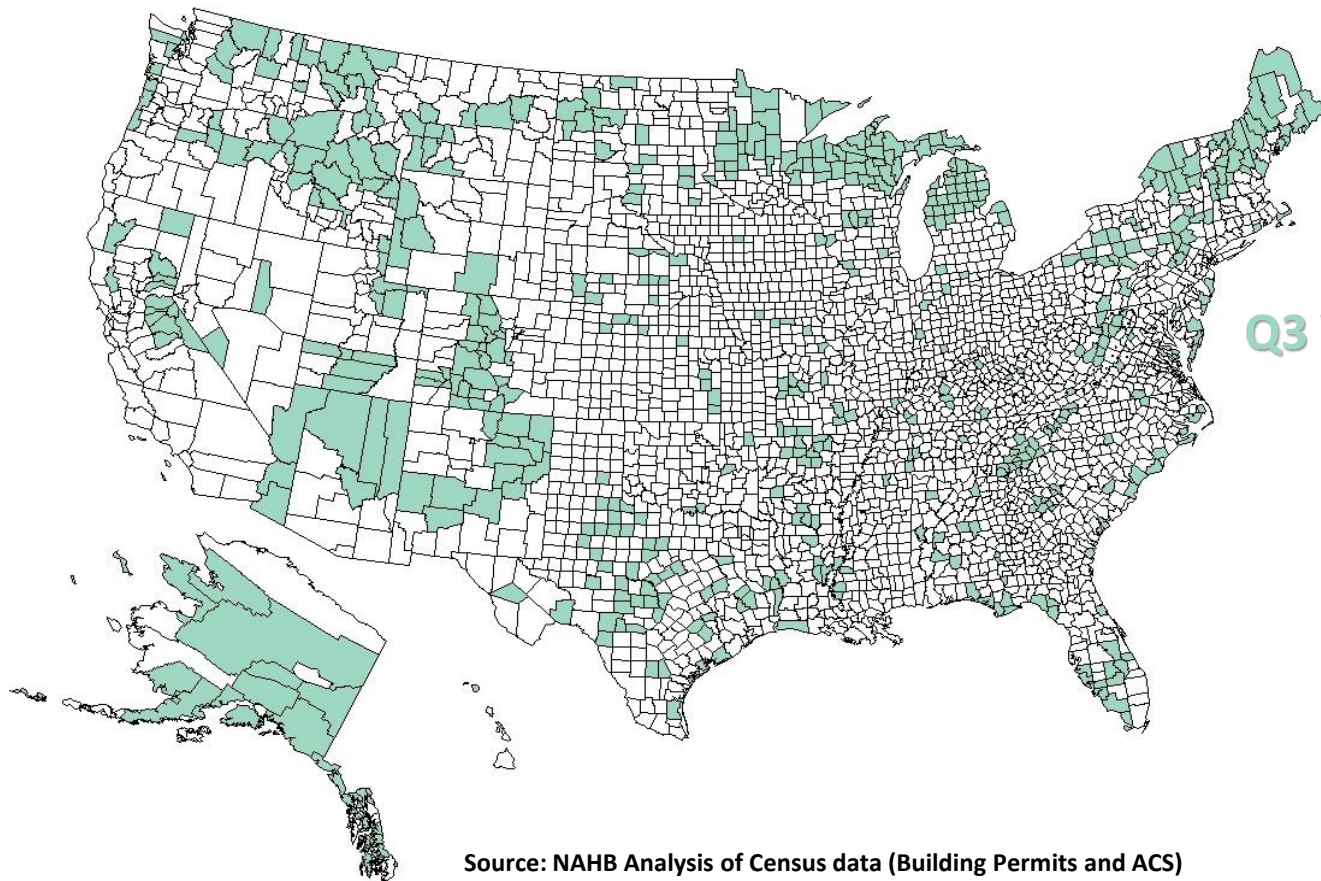


Q3 2020
4-Quarter MA of YoY
growth rate:
15.1%

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

NAHB Home Building Geography Index

9.9% of single-family construction takes place in **Second Home Counties**

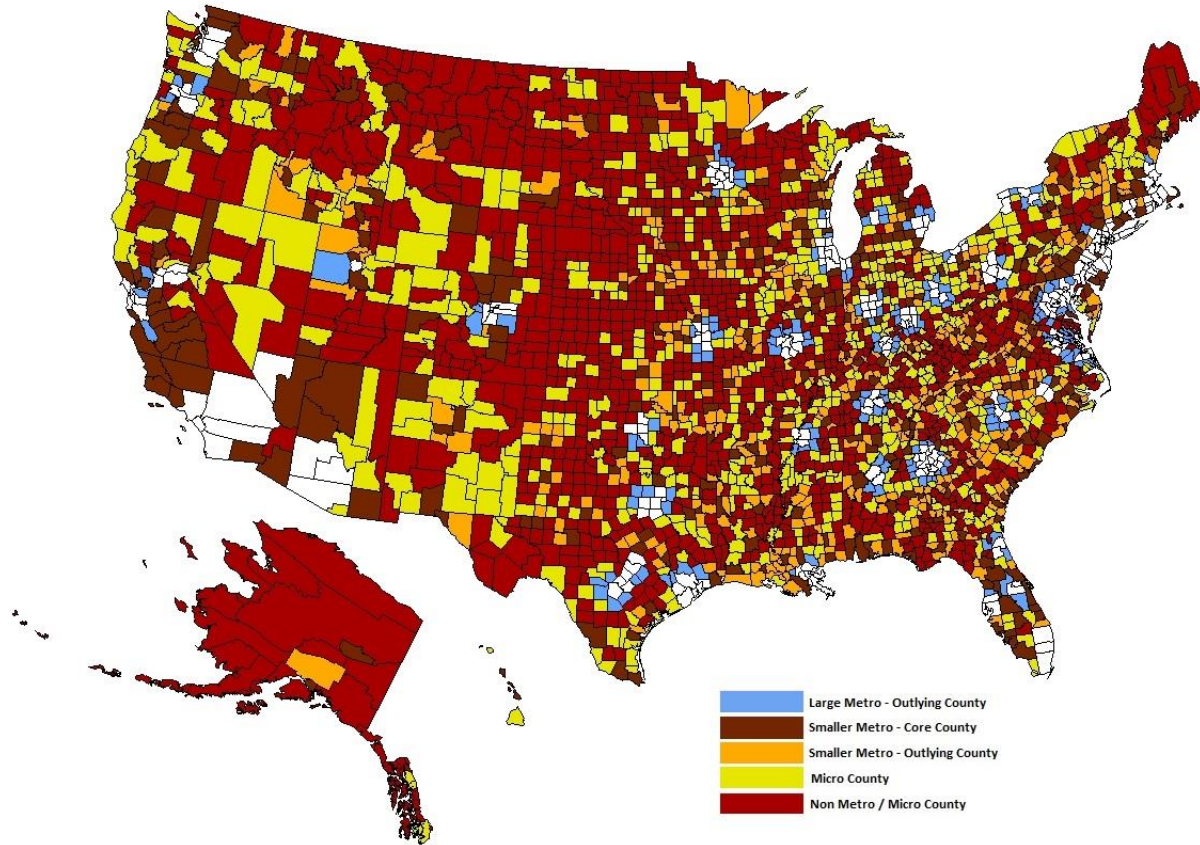


Q3 2020
Q3 YoY growth rate:
23.2%

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

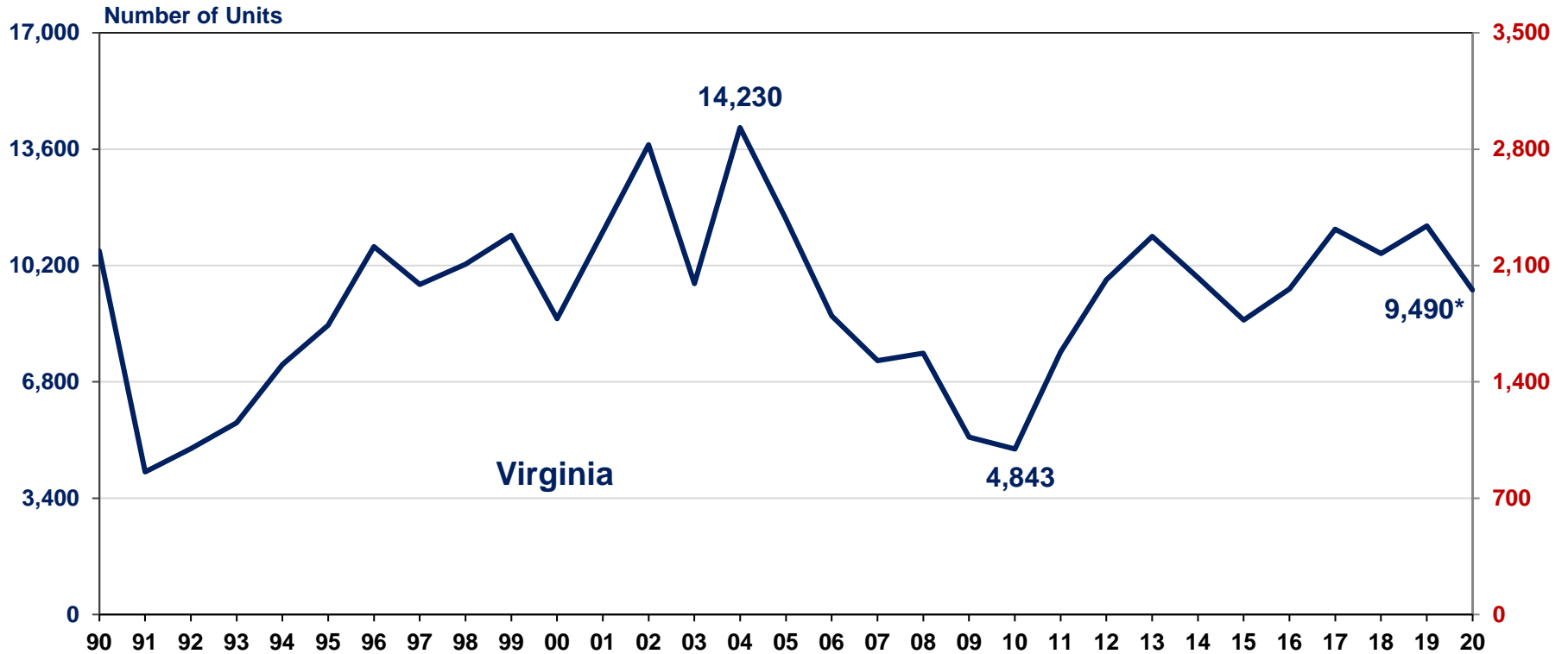
34% Multifamily Construction in Low Density Markets

These areas have outpaced higher density markets over the last four quarters



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

Multifamily Building Permits – Virginia



Source: U.S. Census Bureau (BOC)

Note: * 2020 permits are projected based on YTD data.

Multifamily Housing Starts

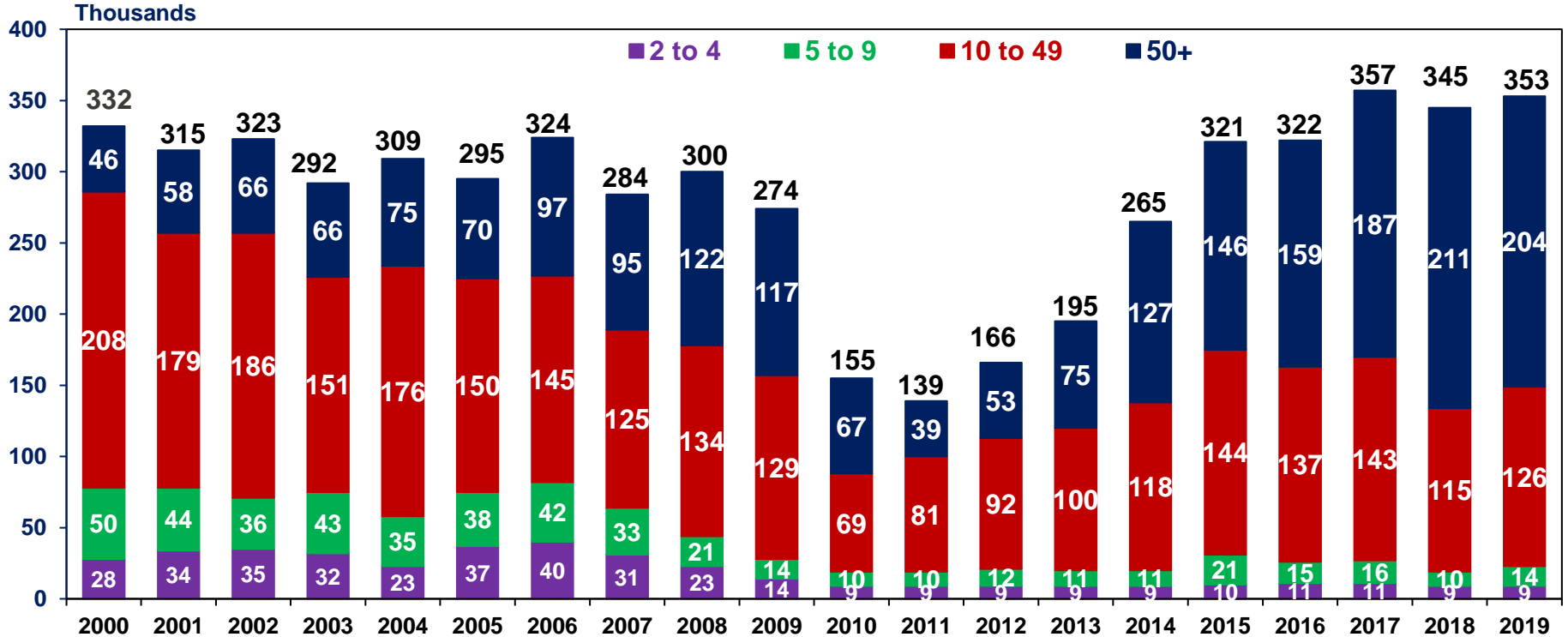
Multifamily growth for low-rise and low-density development



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

Multifamily Buildings Completed By Units

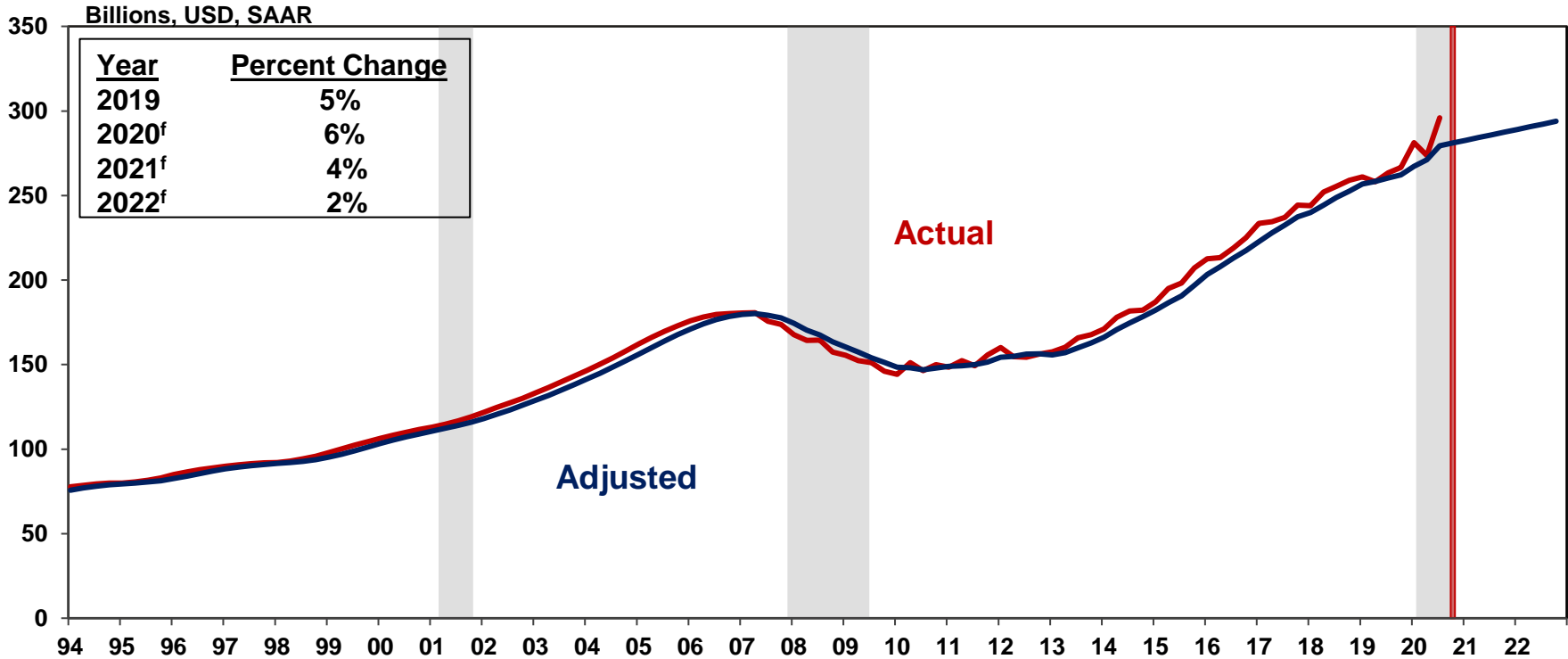
Expect 50+ unit property share to decline



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

Residential Remodeling

Remodeling will weather the crisis well due to ongoing needs for home improvement

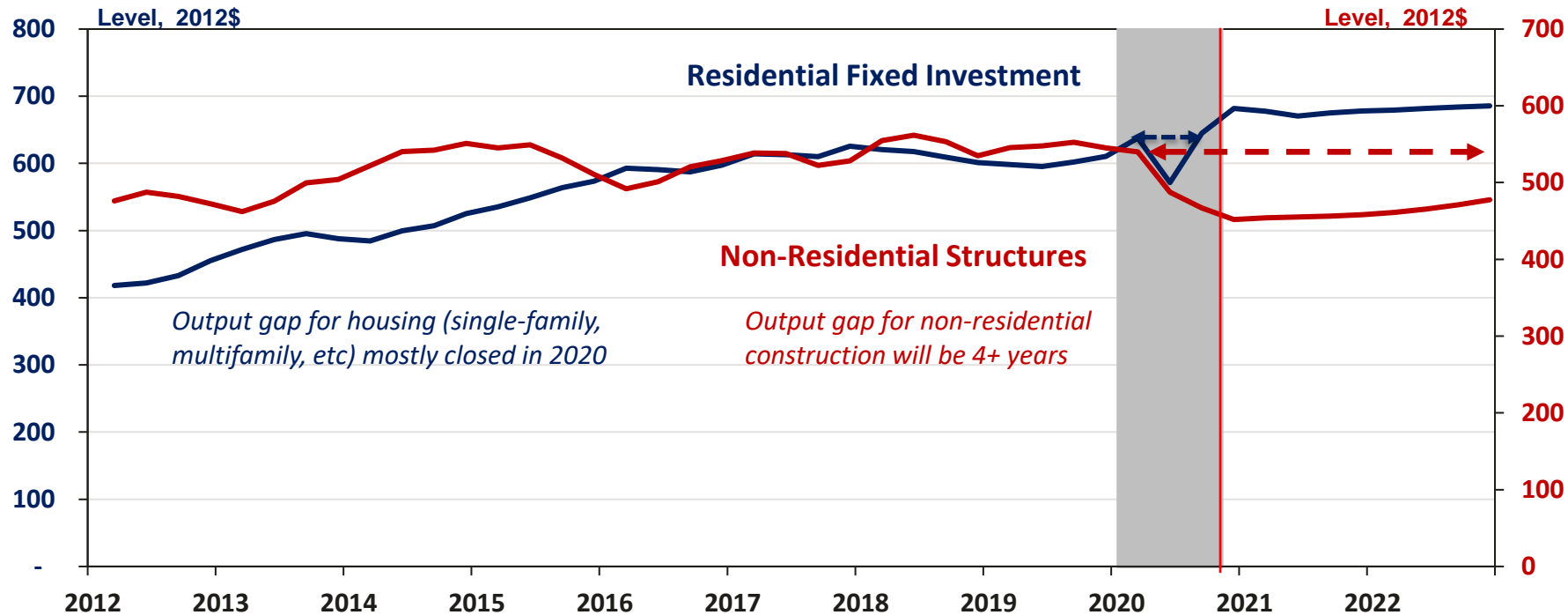


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.

Housing and Commercial Construction

Recession will have much larger impact on nonresidential building



Output gap for housing (single-family, multifamily, etc) mostly closed in 2020

Non-Residential Structures

Output gap for non-residential construction will be 4+ years

Source: BEA, NAHB Forecast

Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com