

# Housing Will Lead the Recovery

*HBA of Dayton*  
*July 1, 2020*

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*NAHB Chief Economist*



# Economic Outlook



**2-months, 2-quarters, and 2-years perspective**



**Housing will lead an economic recovery: 15% of GDP**



**9 weeks of gains for mortgage purchase applications**



**New single-family home sales strong  
Up 2% YTD in 2020 through May**



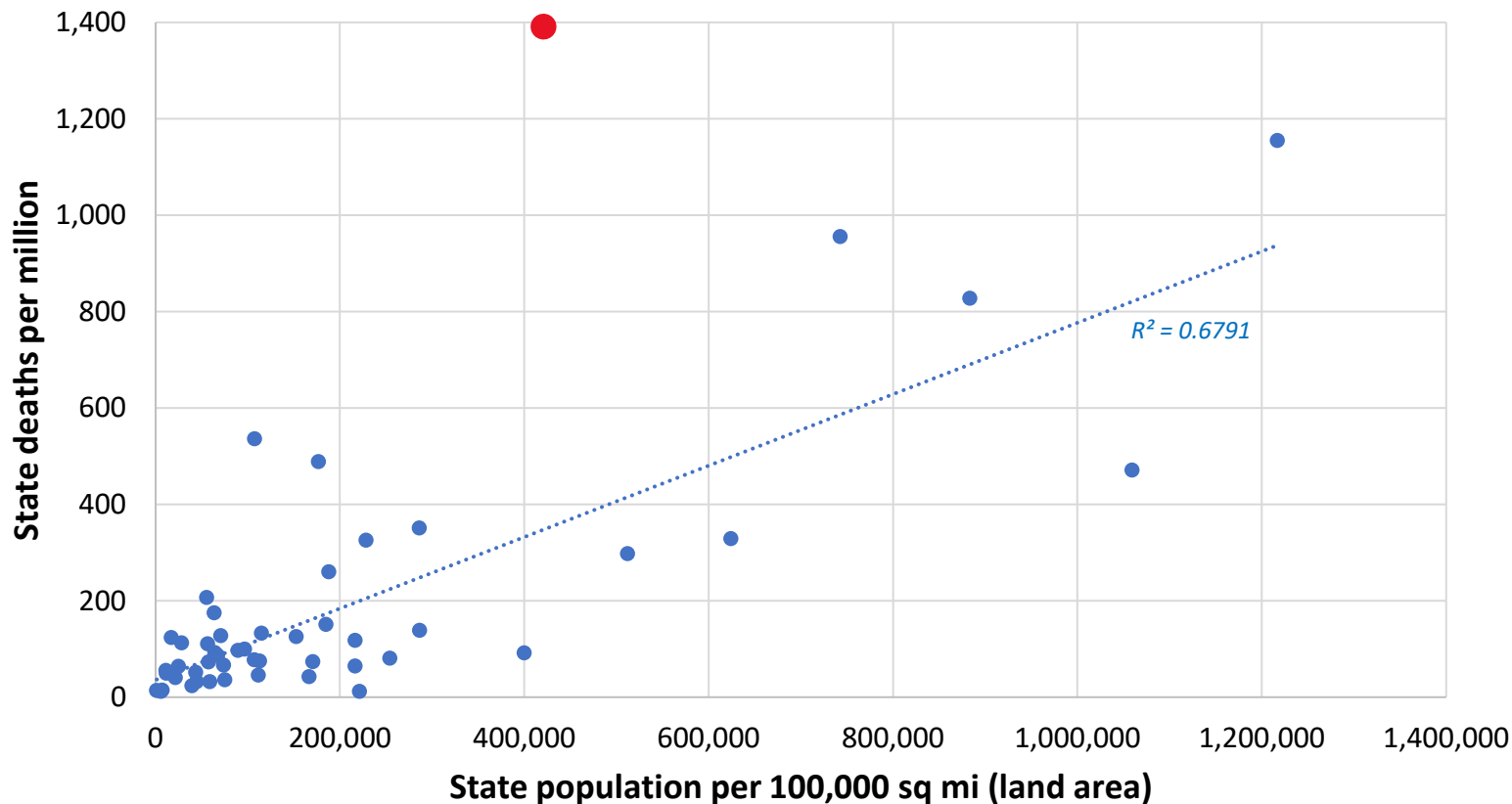
**Risk of a second wave of virus  
Summer slump**



**Sharp mid-year decline, V-shape recovery for housing**

# We Need to Talk about Density...

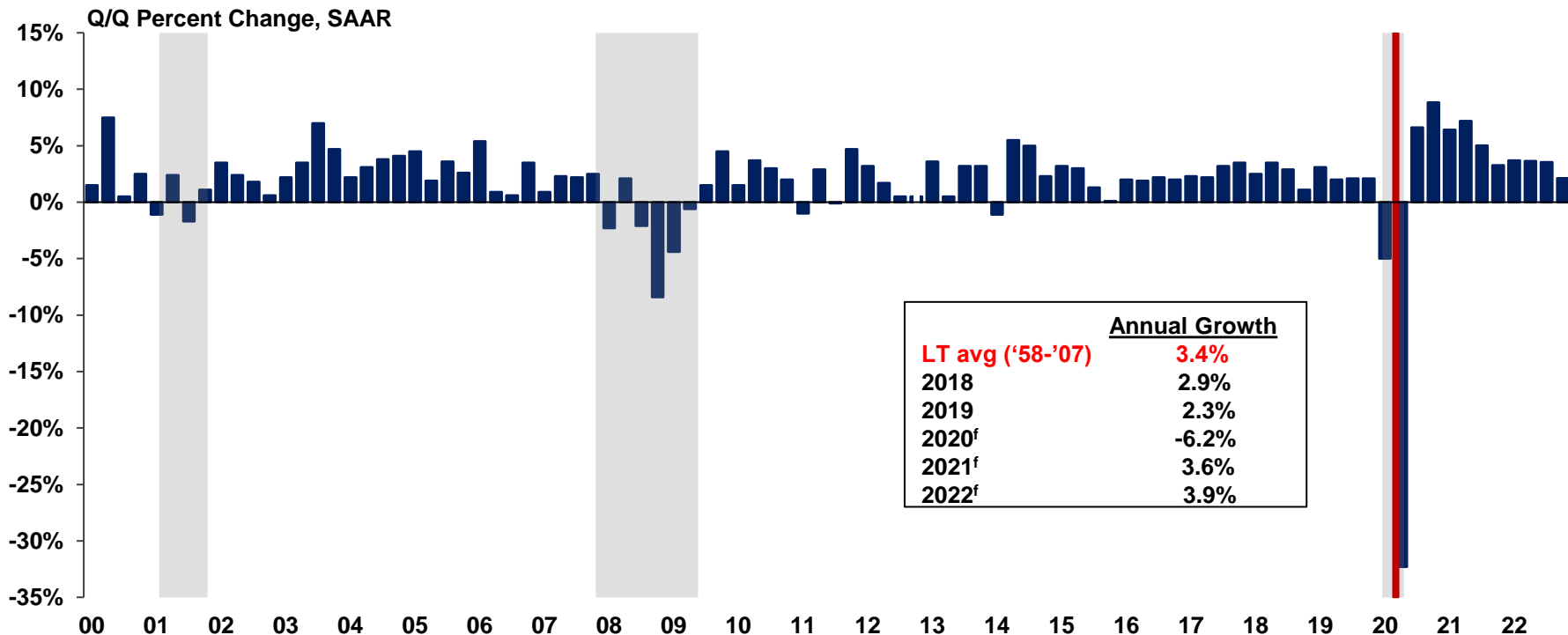
*Strong correlation between population density and virus-related deaths*



*Trend excludes New York*

# GDP Growth – Sharp Recession

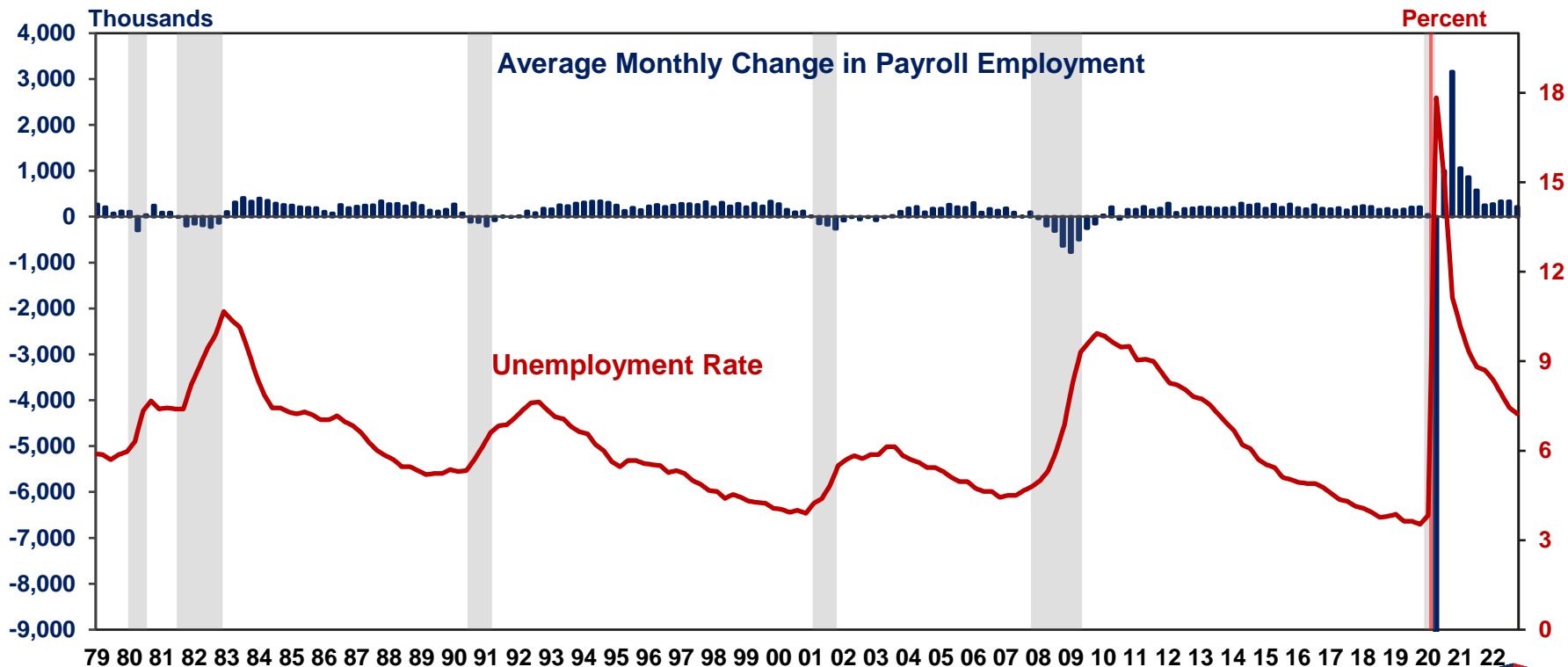
*Rebound builds momentum during 2H20 but risks remain*



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

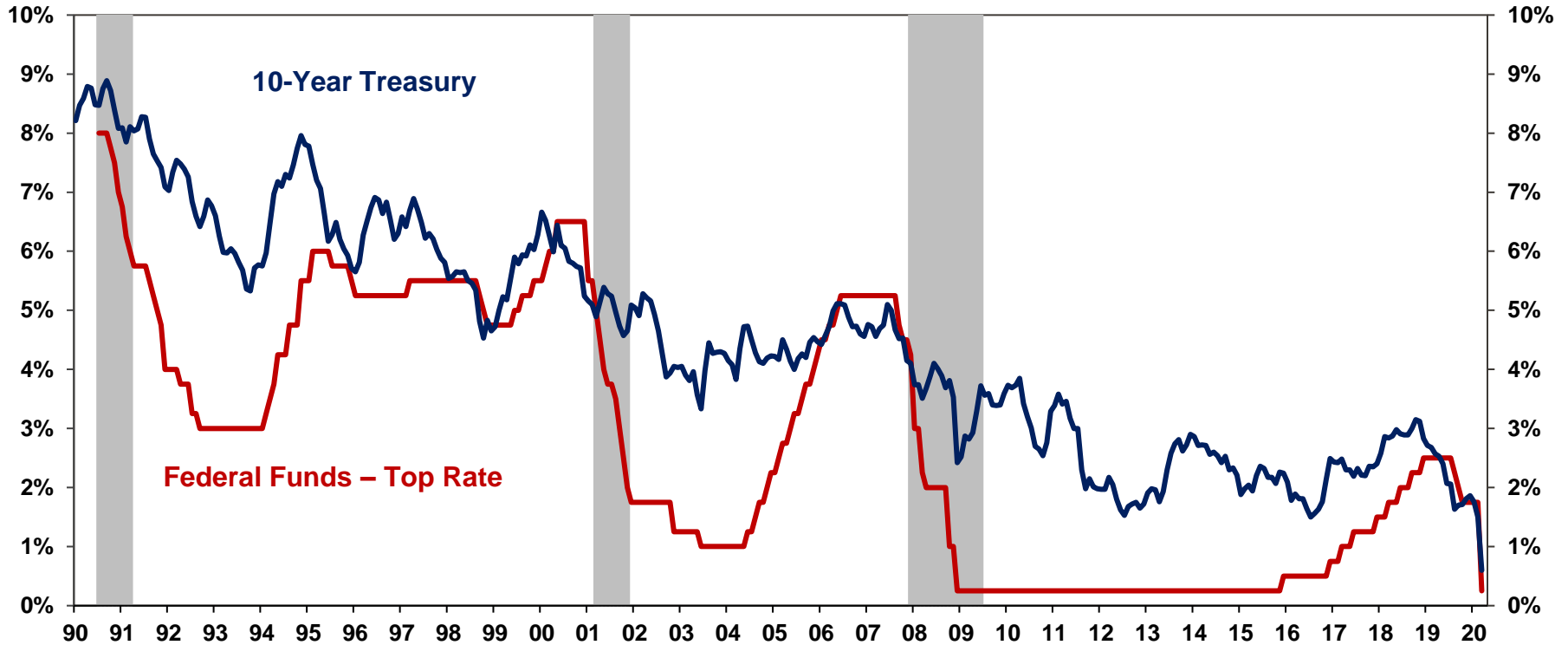
# Good/Bad News: 10% to 11% U-Rate Expected at 2020 End

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



# Fed Funds Rate – Fed All In on Supporting Economy

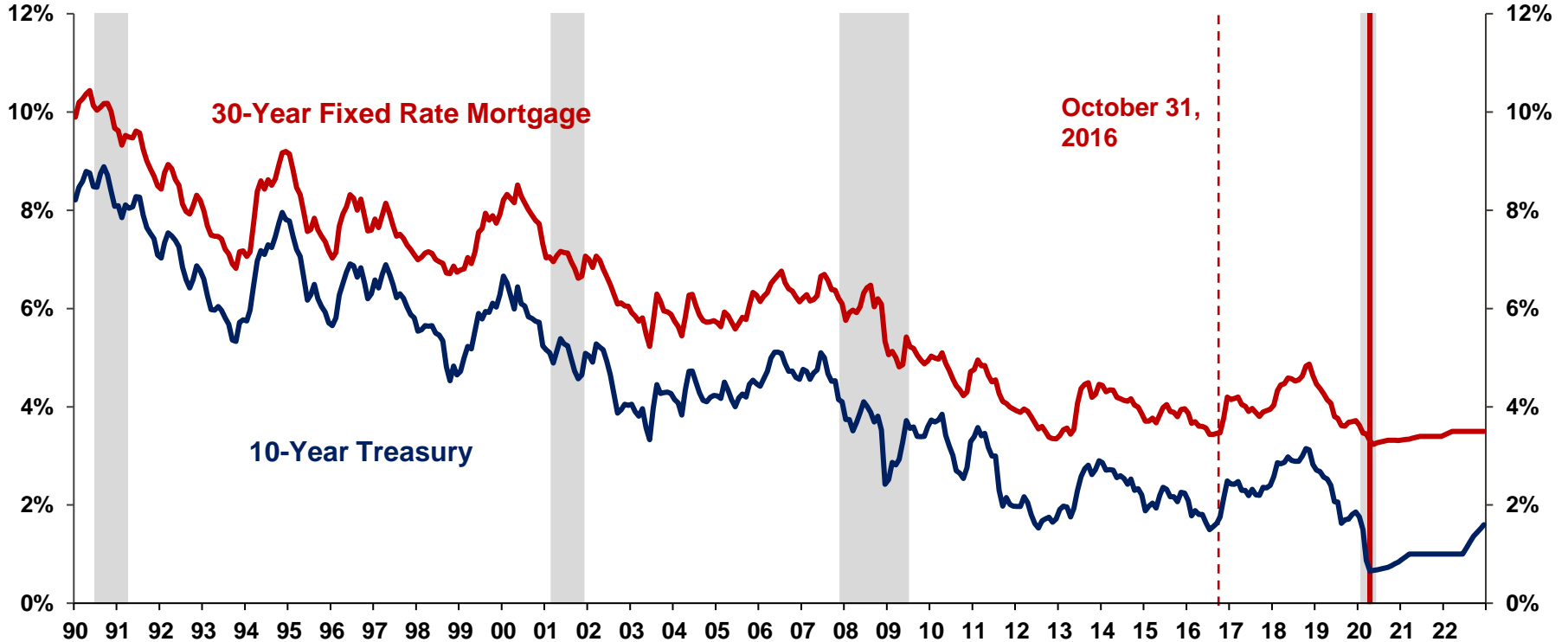
*Lender and buyer of last resort*



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

# 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.



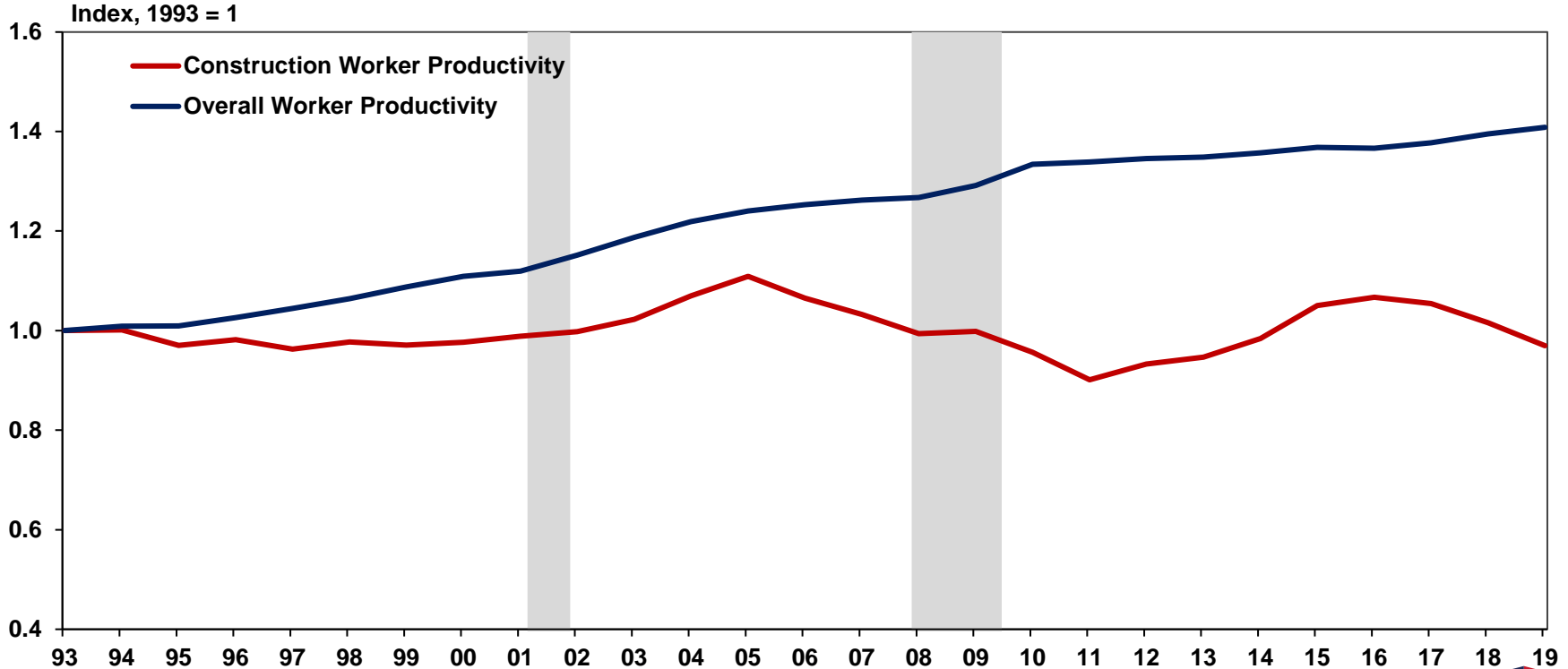
# Supply-Side Issues





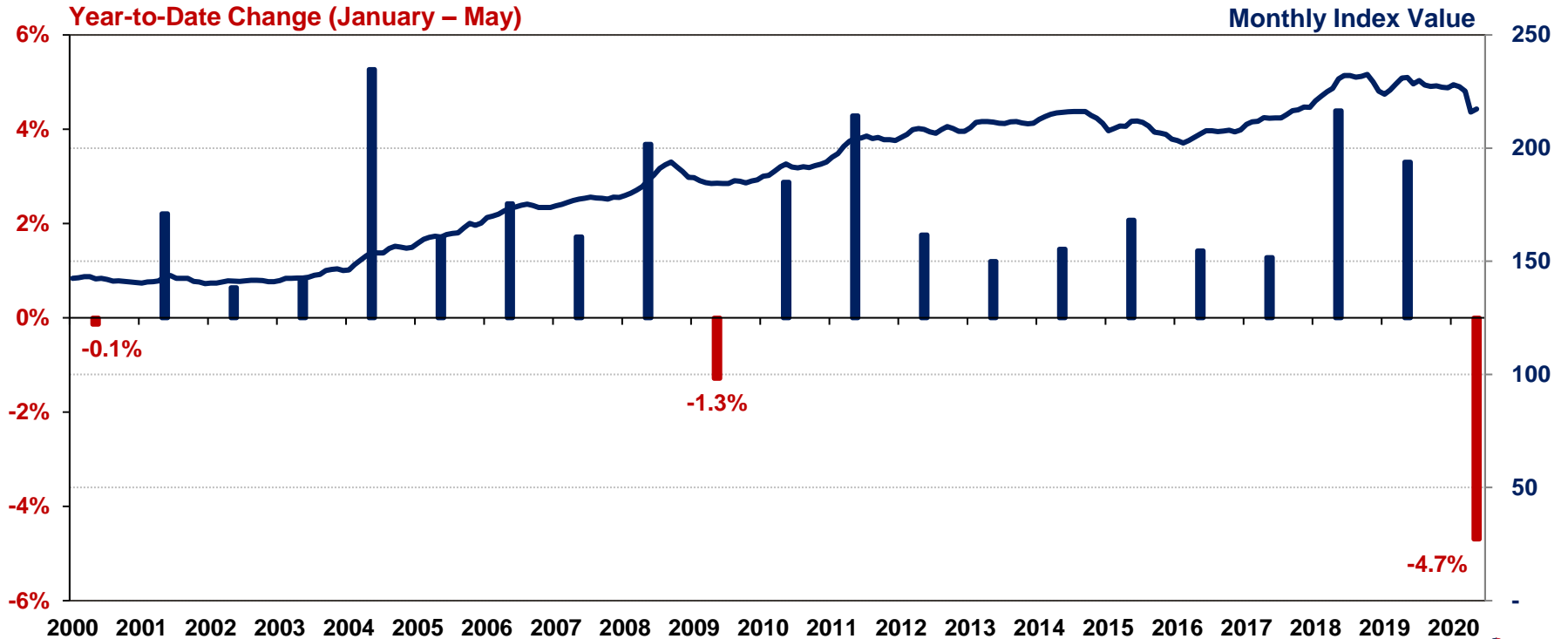
# Construction Sector Productivity

*Home building/remodeling lost 450,000 jobs in April, gained half back in May*



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

# Building Material Prices Declined in May 2020



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

# Building Materials – Lumber Prices

*Highest since September 2018*



Source: NAHB Analysis; Random Lengths Composite Index



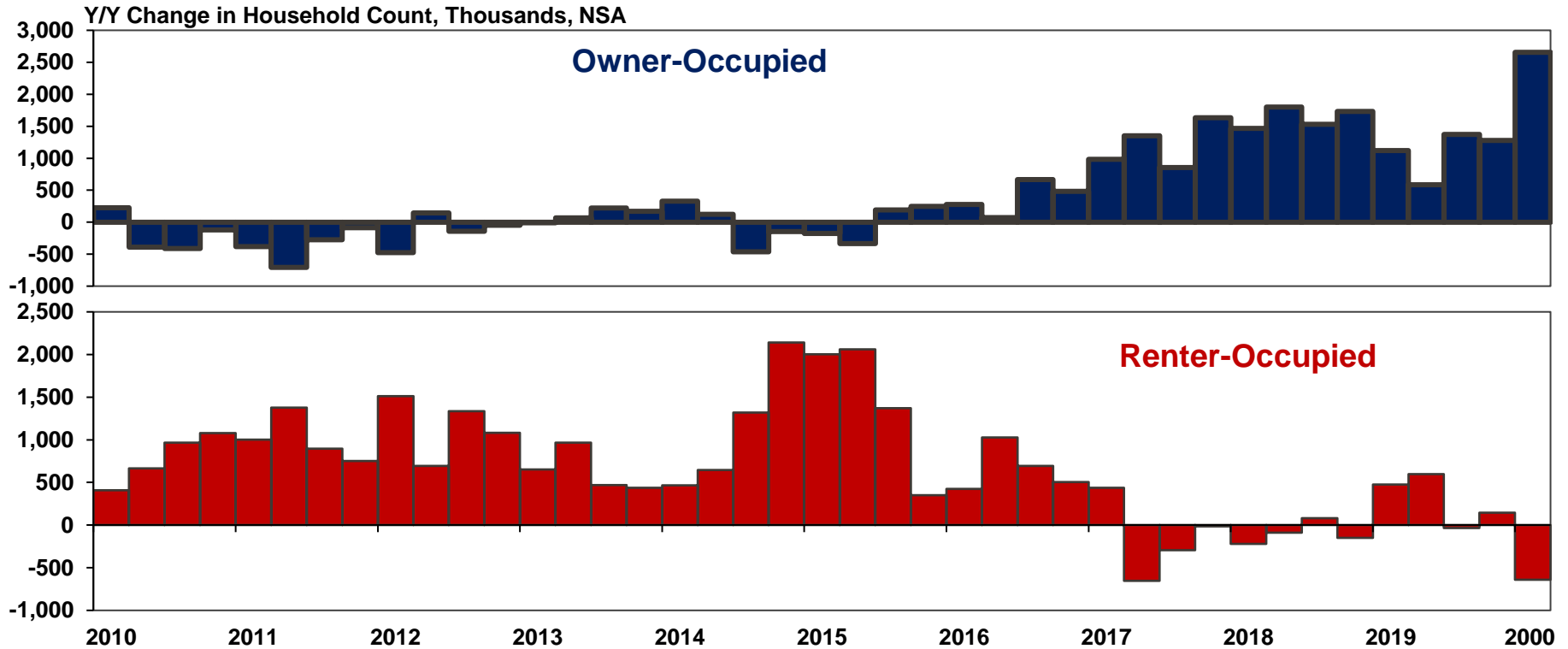


# Construction Outlook



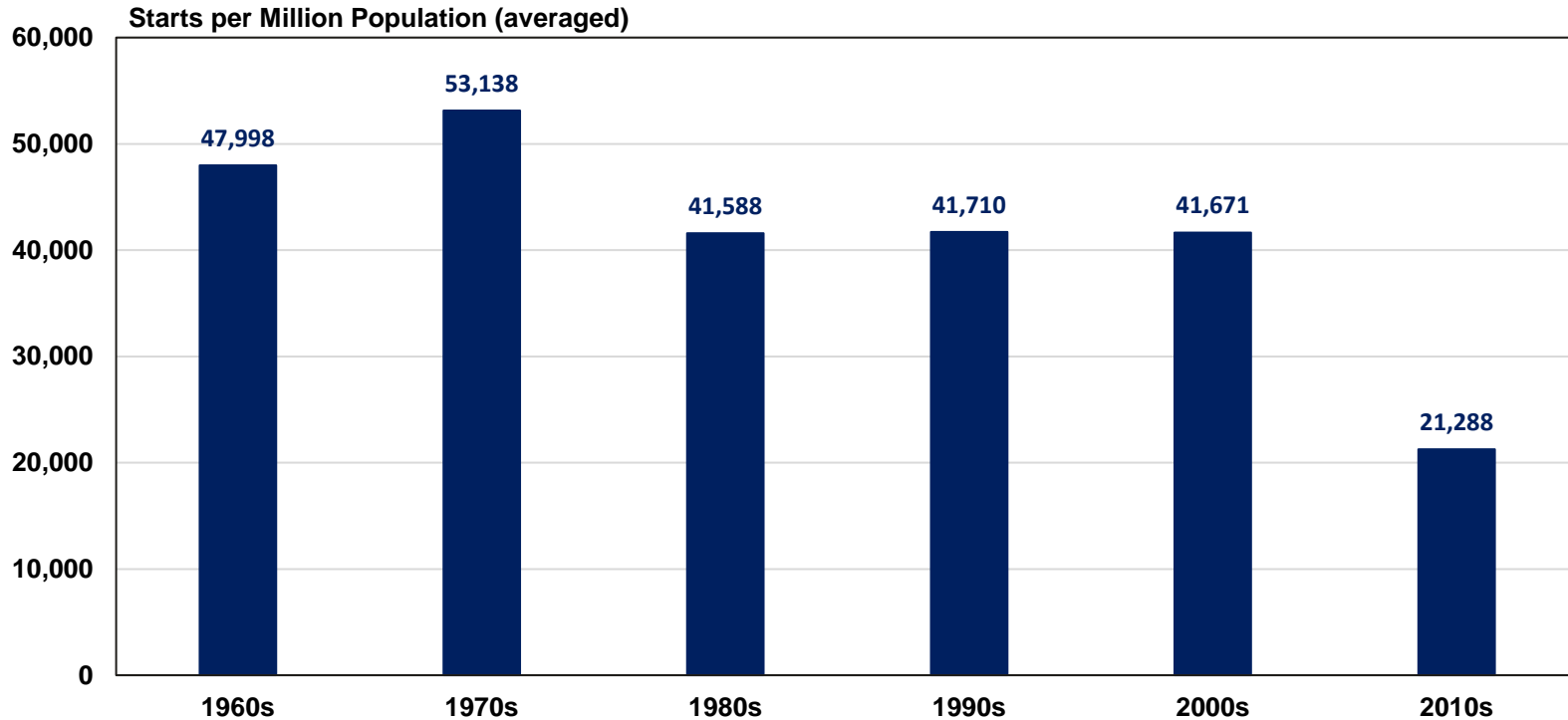
# Household Formation

*Strong demand for home ownership going into 2020*



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

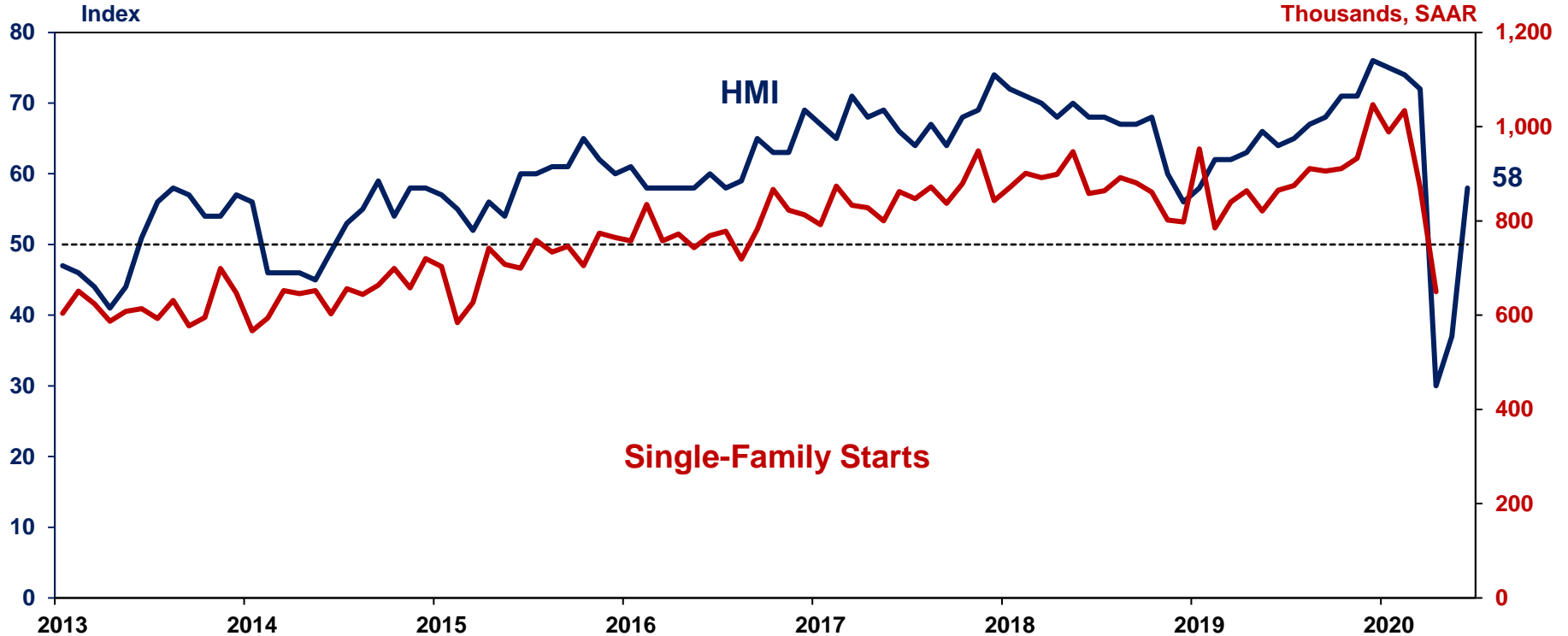
# Single-Family Starts by Decade: Population Adjusted



Source: Census Bureau and NAHB analysis

# NAHB/Wells Fargo Housing Market Index (HMI)

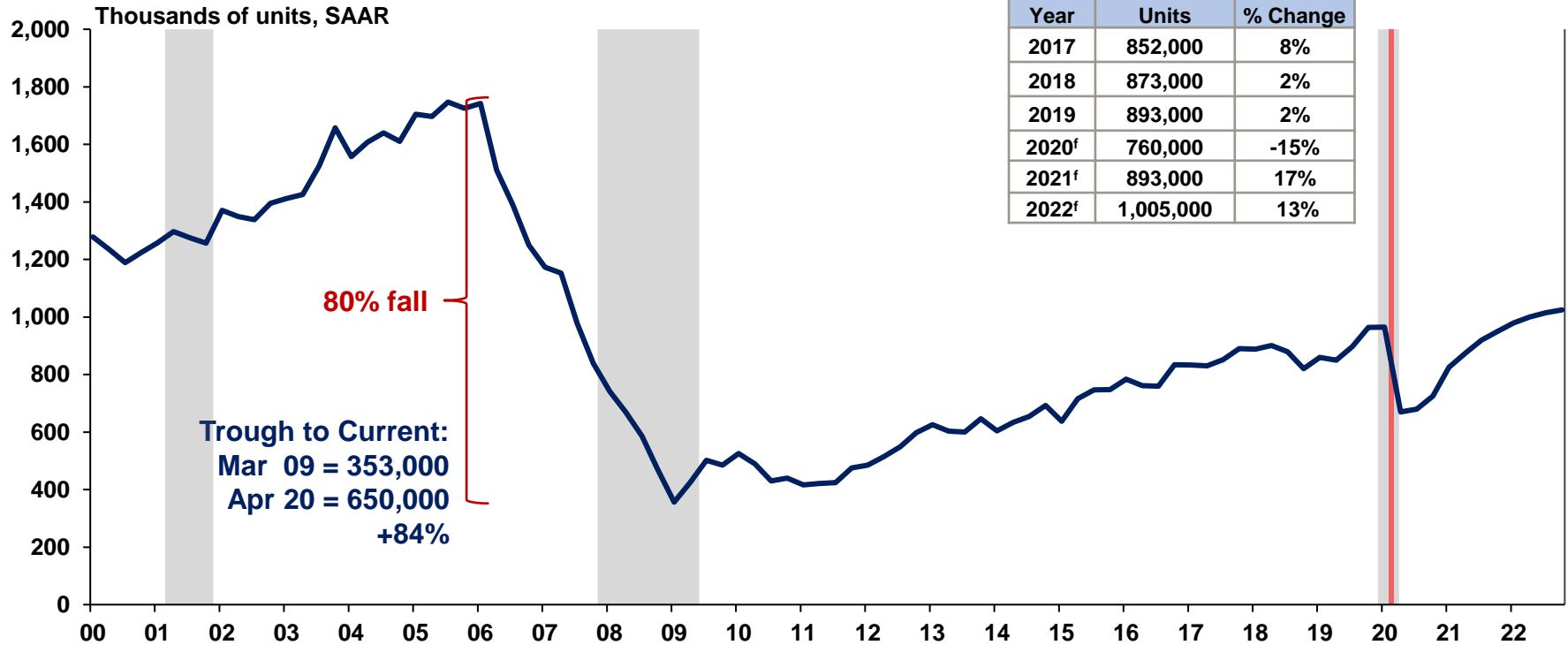
Confidence surged to 58 in June



Source: Census Bureau and NAHB/Wells Fargo HMI survey

# Single-Family Starts

Upward revisions for the 2020 outlook but still a down year



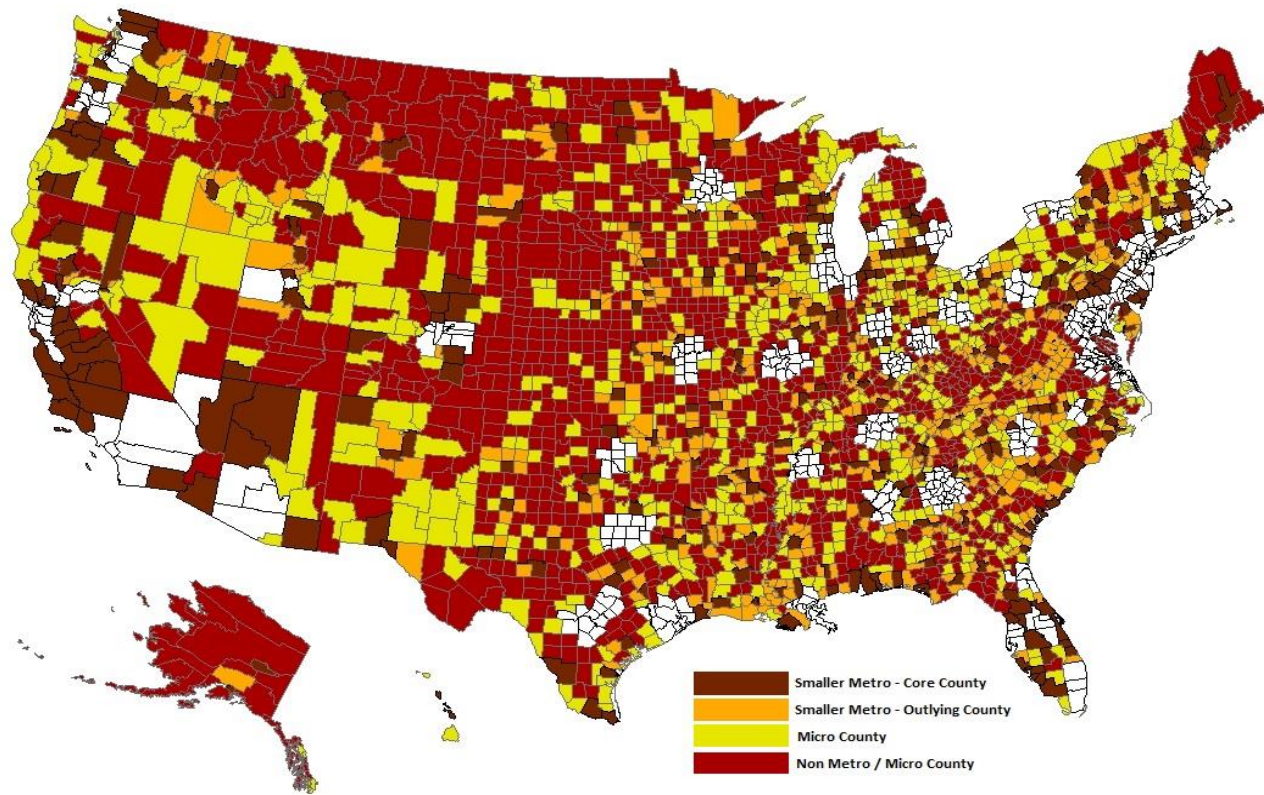
Source: U.S. Census Bureau (BOC) and NAHB forecast

Flat conditions for Dayton 2020 May YTD



# 47% Single-Family Construction in Low Density Markets

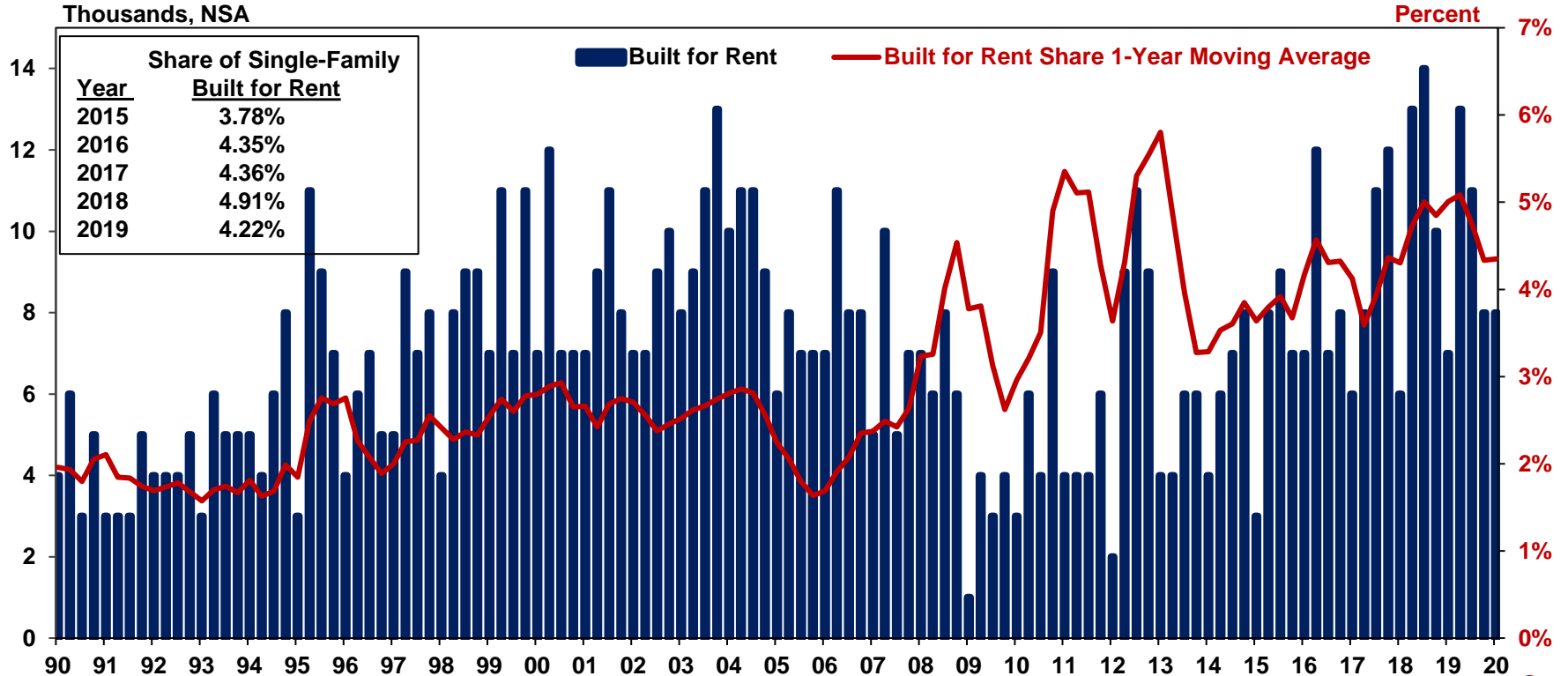
*These areas have outpaced higher density markets over the last four quarters*



Source: NAHB HBGI

# Single-Family Built-for-Rent Construction

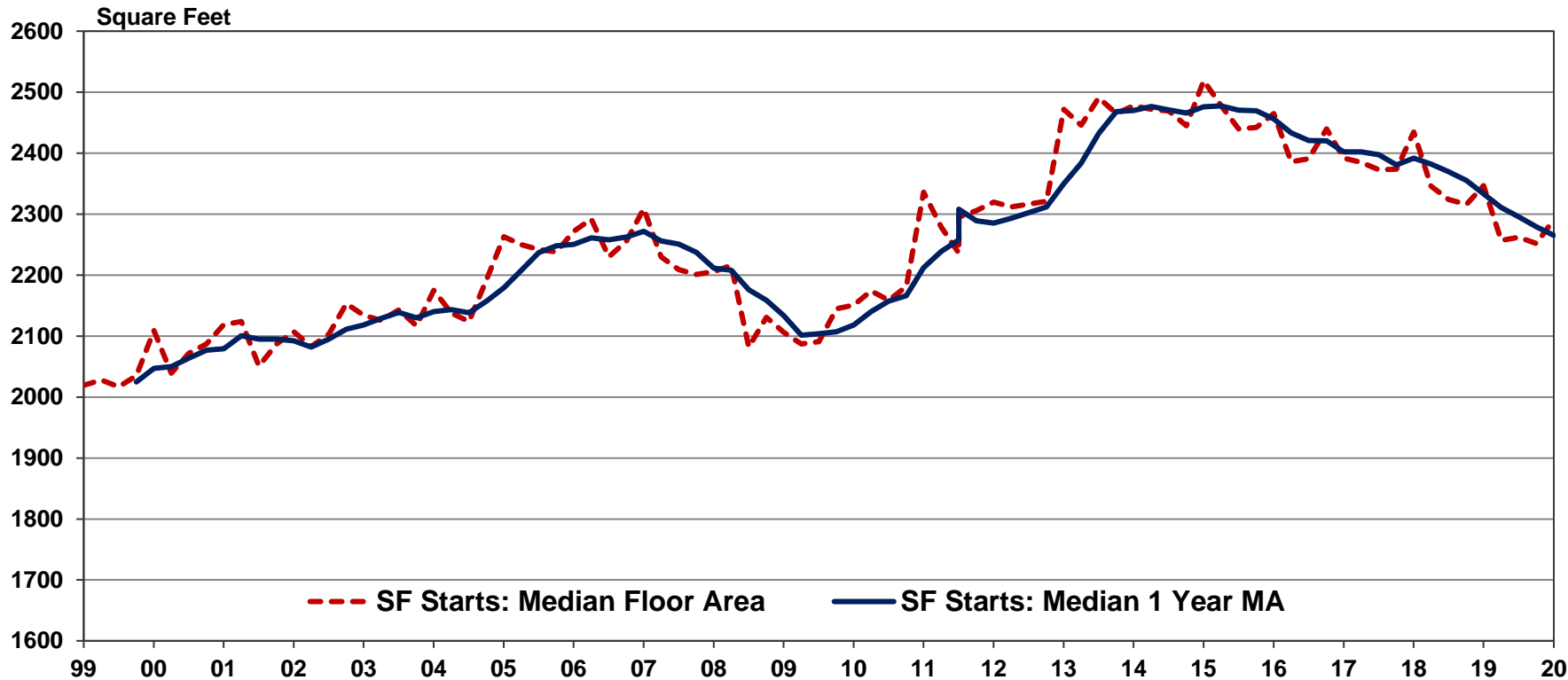
*A window of opportunity*



Source: U.S. Census Bureau (BOC)

# Typical New Home Size

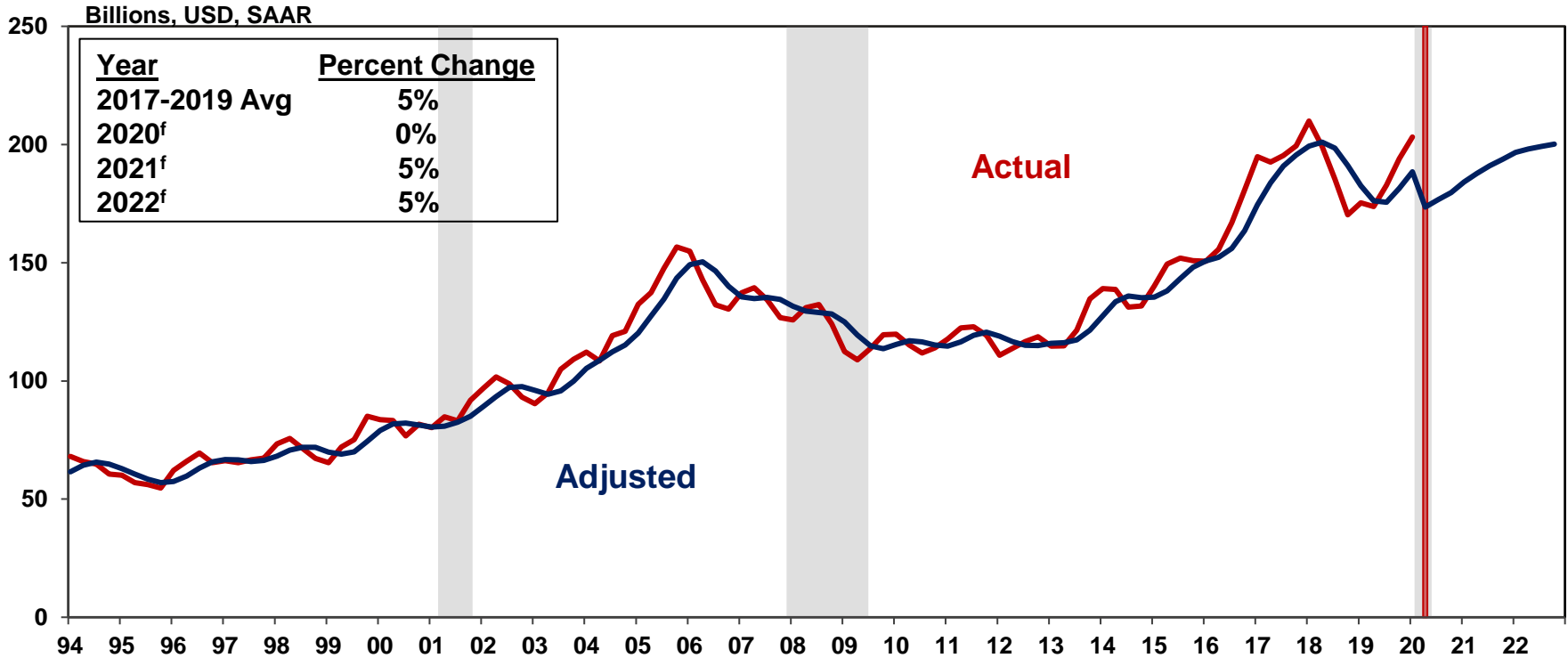
*End of declines ahead?*



Source: U.S. Census Bureau (BOC)

# Residential Remodeling

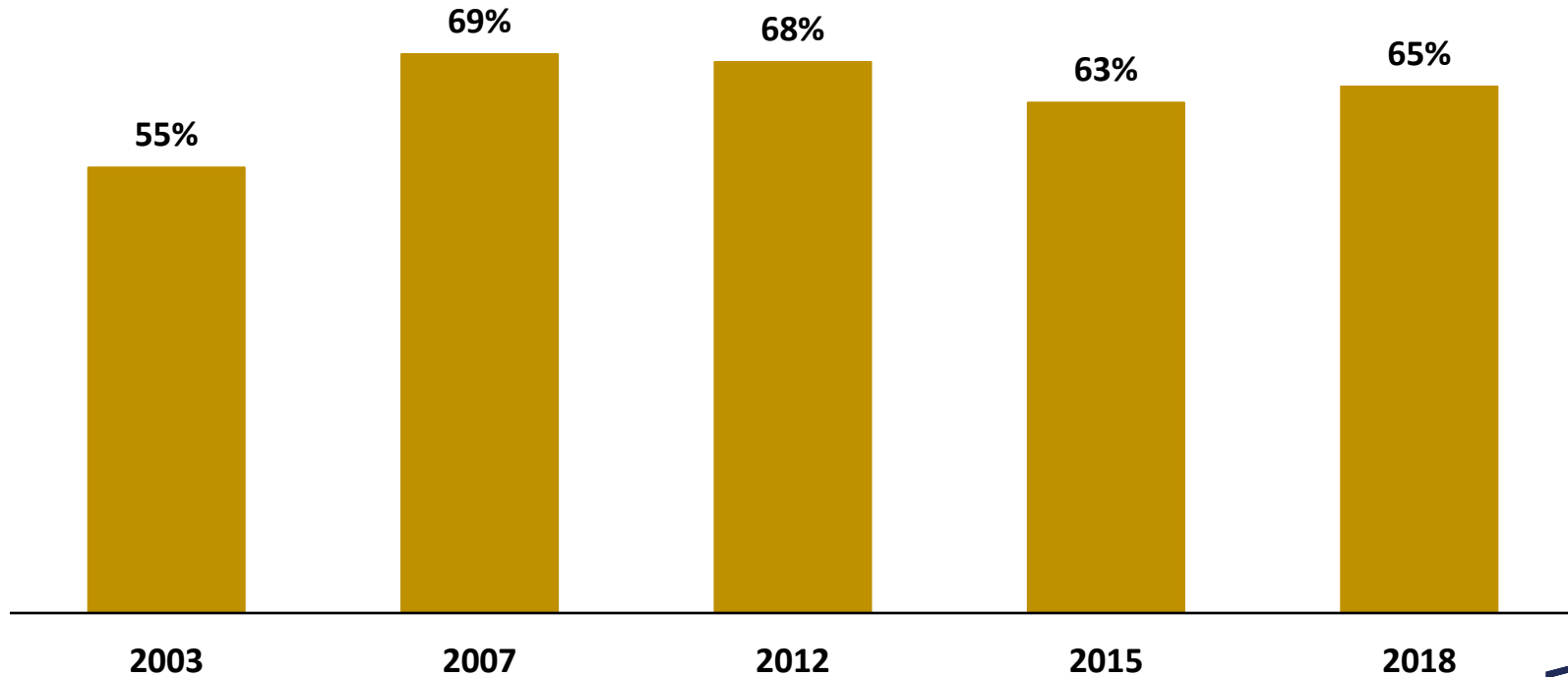
*Remodeling will weather the crisis well due to ongoing needs for home improvement*



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

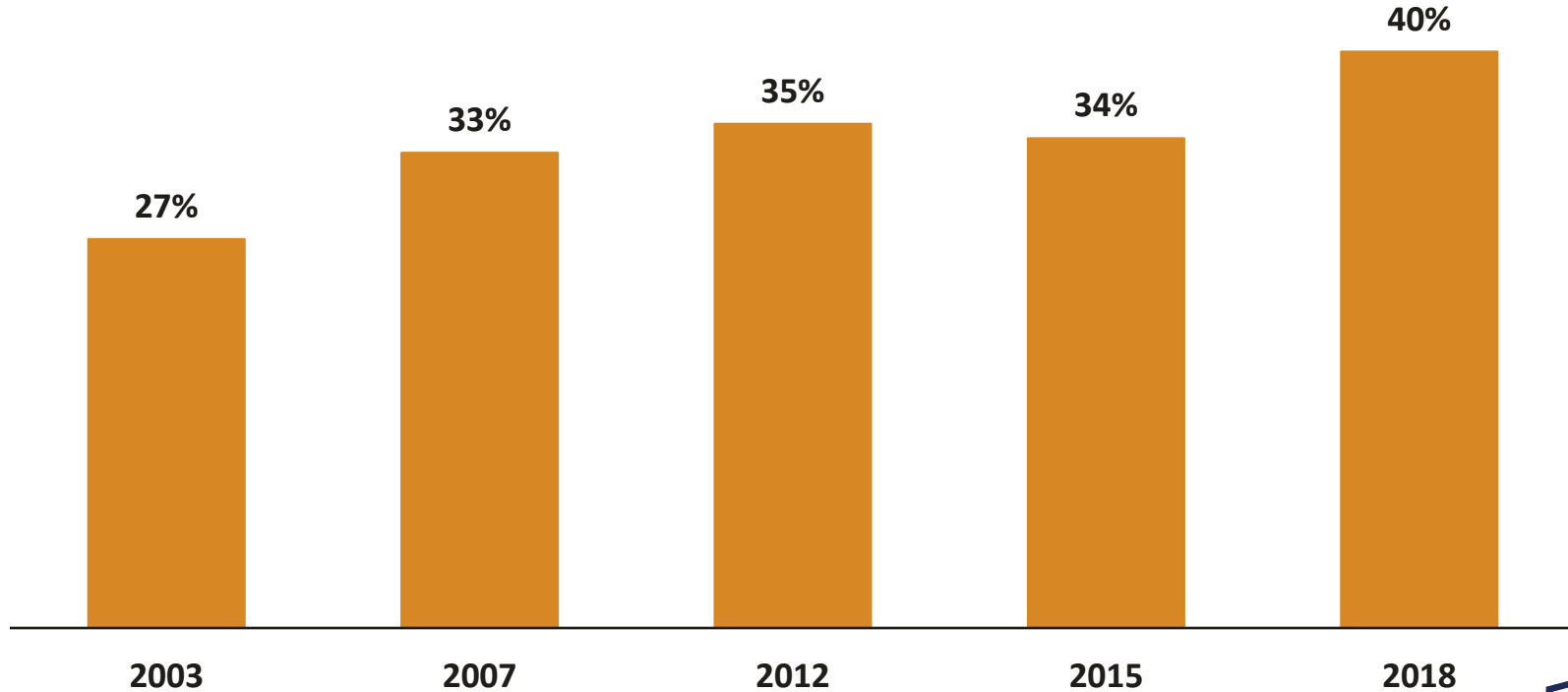
Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend

# Share of Home Buyers Who Want a Home Office



Source: NAHB's consumer preference study "What Home Buyers Really Want".

# Share of Home Buyers Who Want an Exercise Room

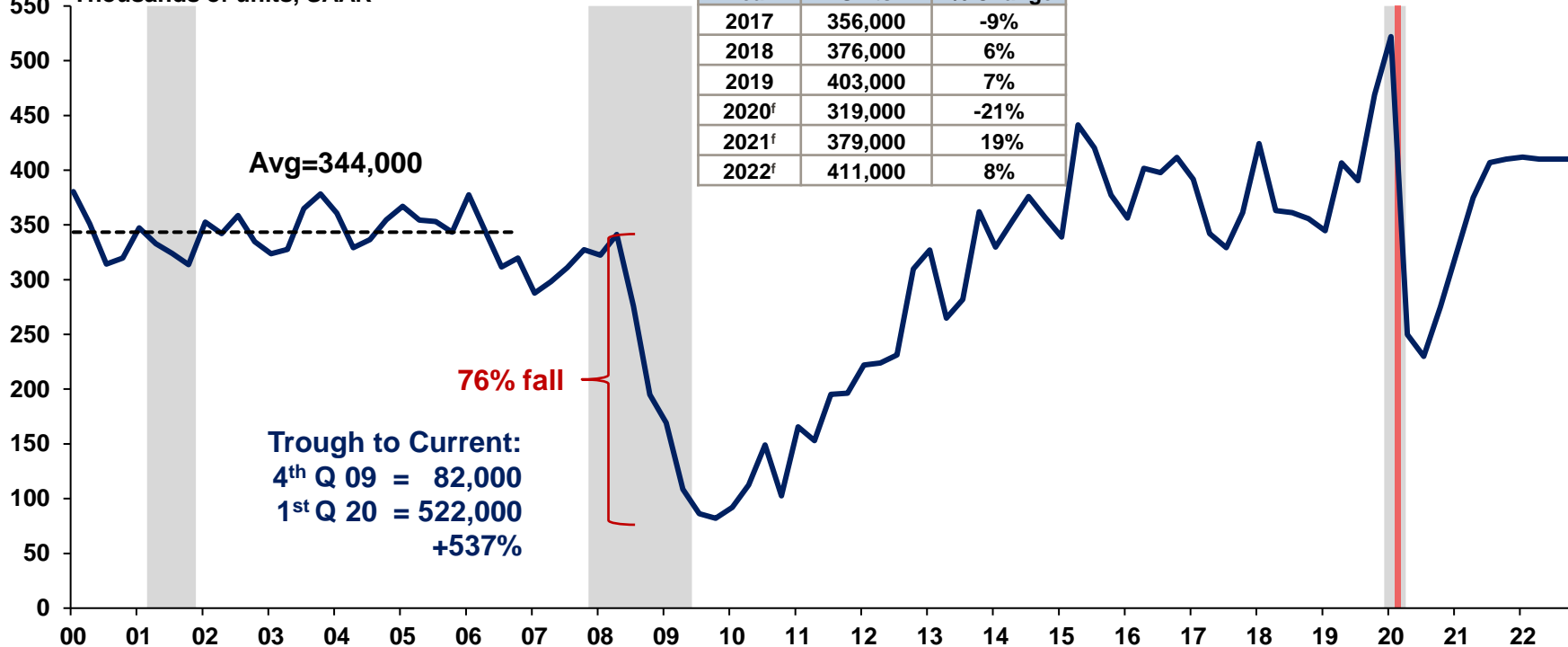


Source: NAHB's consumer preference study "What Home Buyers Really Want".

# Multifamily Housing Starts

*Sharp decline and a return to trend*

Thousands of units, SAAR



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

# Thank you

*Questions?*

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Economic Leadership Sponsor



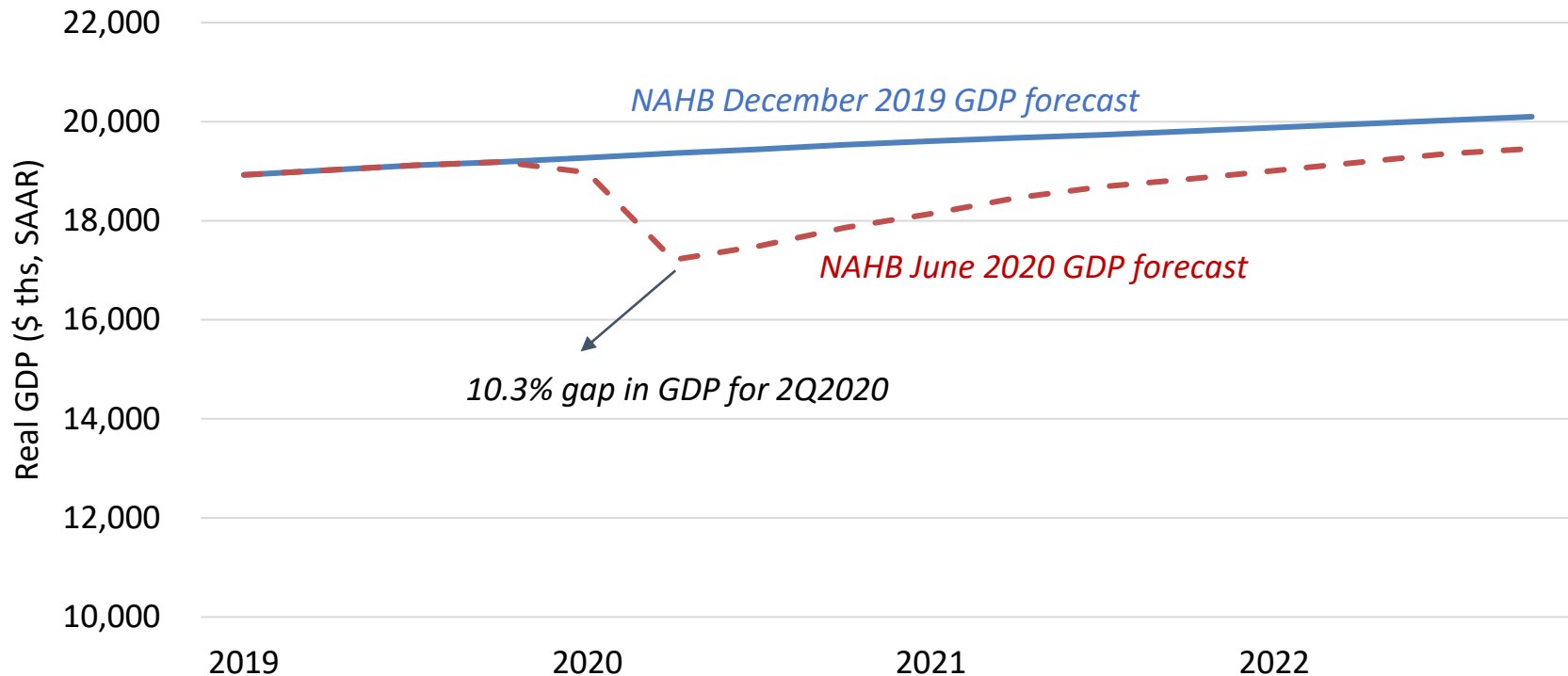
Home Mortgage

*eyeonhousing.org*  
*housingeconomics.com*



# Recession Output Gap

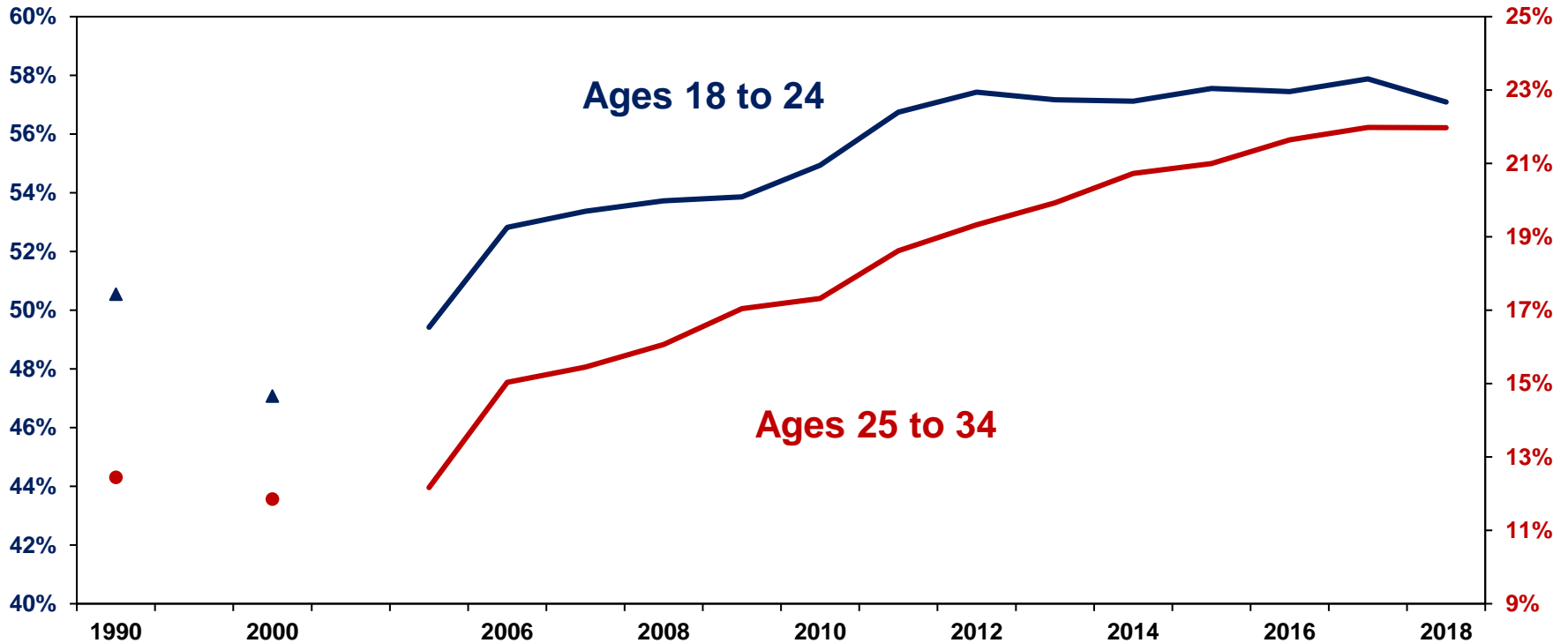
*Return to first quarter 2020 GDP total in second quarter 2021*



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

# Share of Young Adults Living with Parents

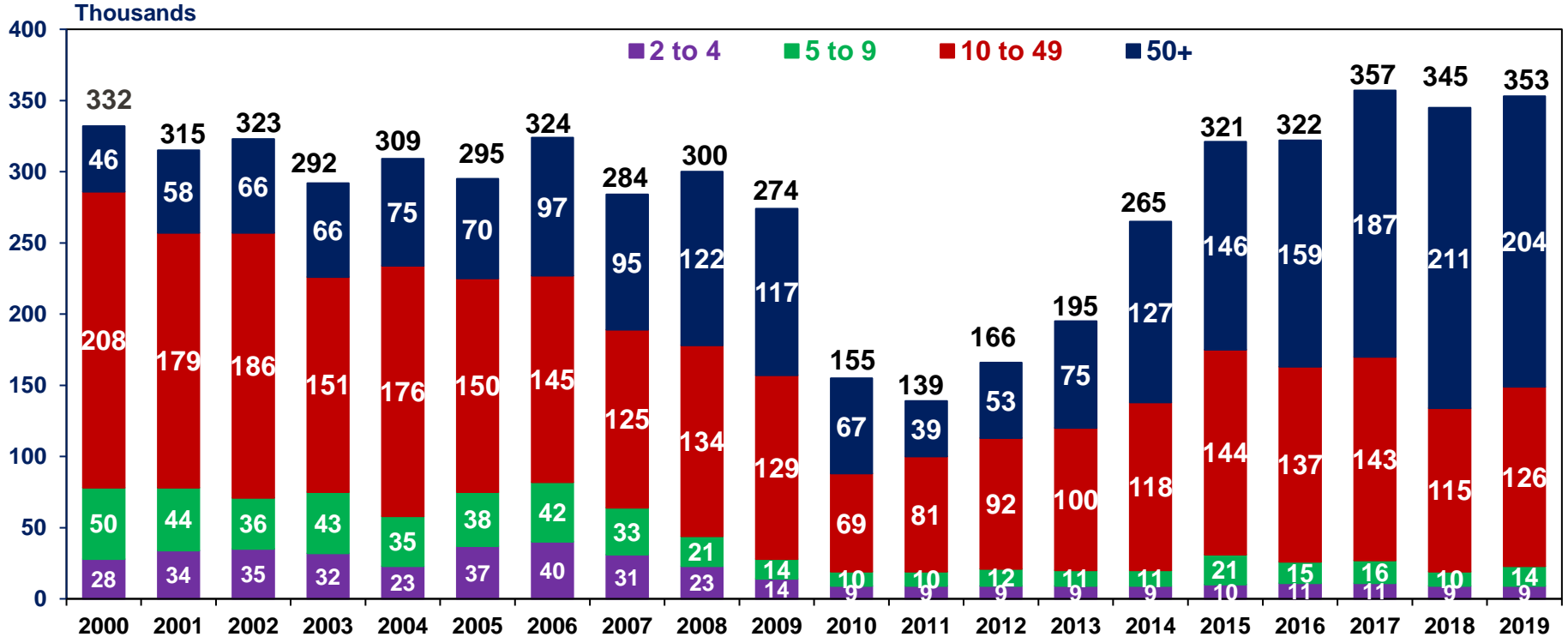
*Almost doubled but was leveling off before 2020 downturn*



Source: US Census 1990, 2000, PUMS, 2005-2018 ACS, PUMS, and NAHB Estimates

# Multifamily Buildings Completed By Units

*Expect 50+ unit property share to decline*

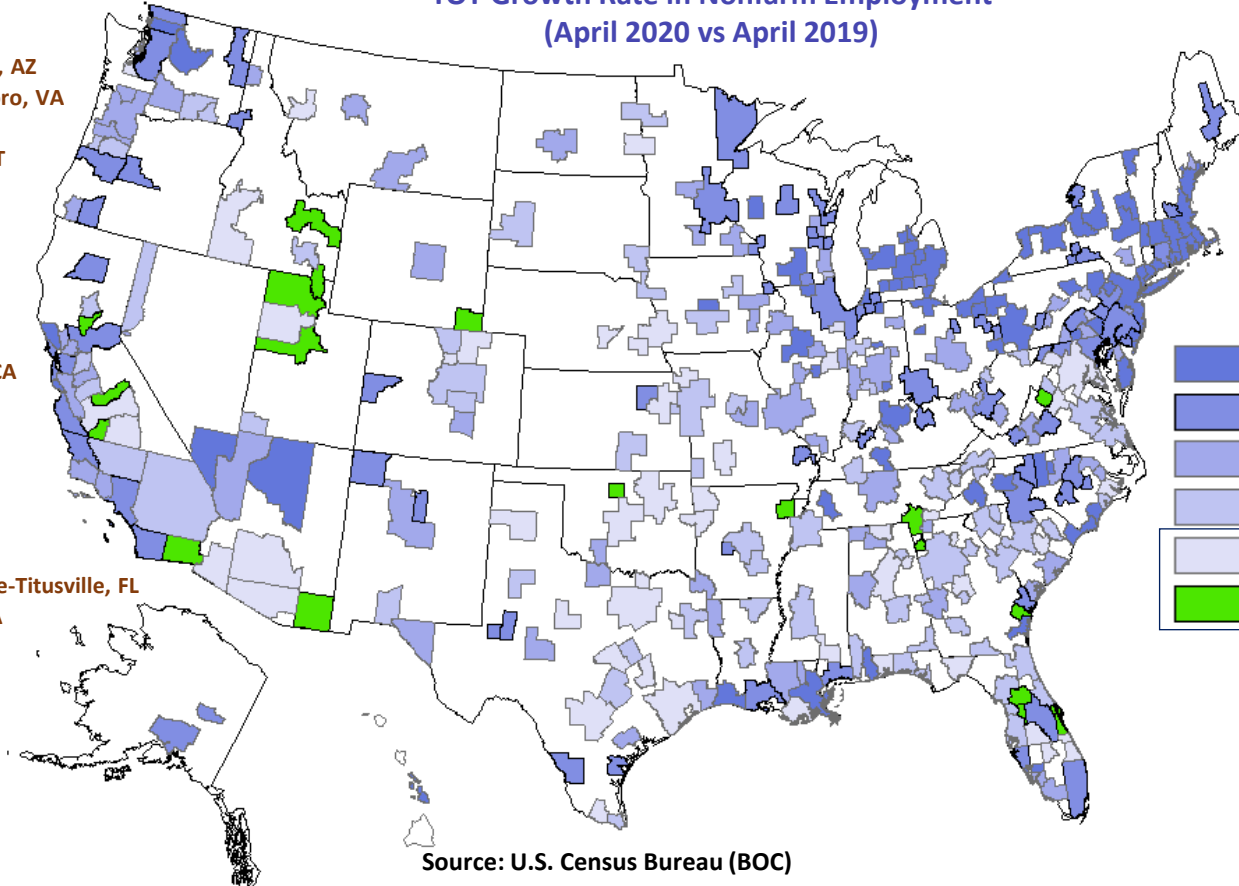


Source: U.S. Census Bureau (BOC).

# Top 20 Markets for Employment Growth

YOY Growth Rate in Nonfarm Employment  
(April 2020 vs April 2019)

- Idaho Falls, ID
- Sierra Vista-Douglas, AZ
- Staunton-Waynesboro, VA
- Yuba City, CA
- Ogden-Clearfield, UT
- Rome, GA
- Madera, CA
- El Centro, CA
- Cheyenne, WY
- Hinesville, GA
- Enid, OK
- Hanford-Corcoran, CA
- Prescott, AZ
- Ocala, FL
- Jonesboro, AR
- Provo-Orem, UT
- Logan, UT-ID
- The Villages, FL
- Palm Bay-Melbourne-Titusville, FL
- Chattanooga, TN-GA



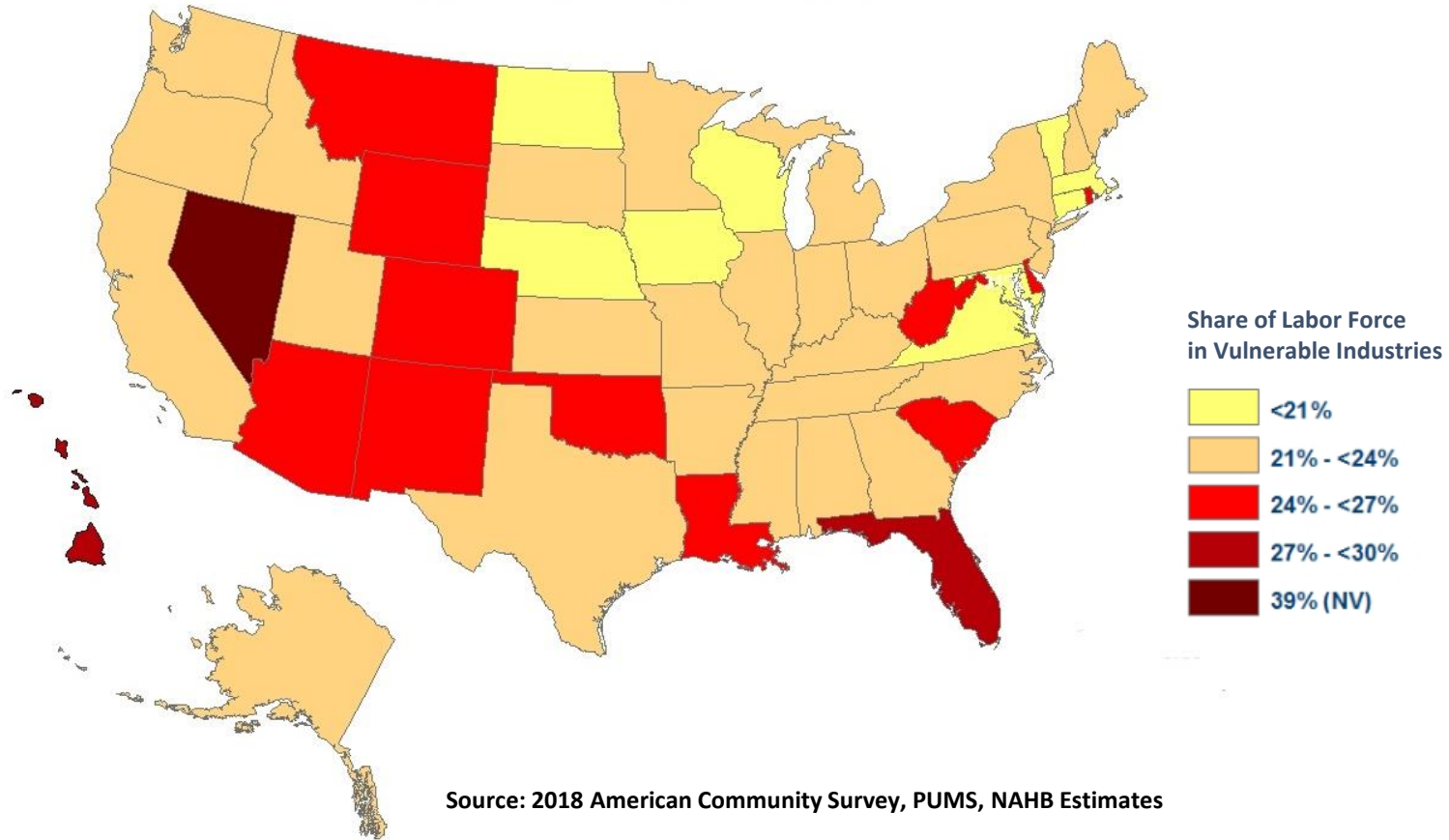
## Growth Rate by Quintile

- Lower or equal to -15.6%
- Between -15.5% and -13.0%
- Between -12.9% and -10.7%
- Between -10.6% and -9.1%
- Between -9.0% and -6.6%
- Top 20 Markets (-6.5% to -0.4%)

Source: U.S. Census Bureau (BOC)



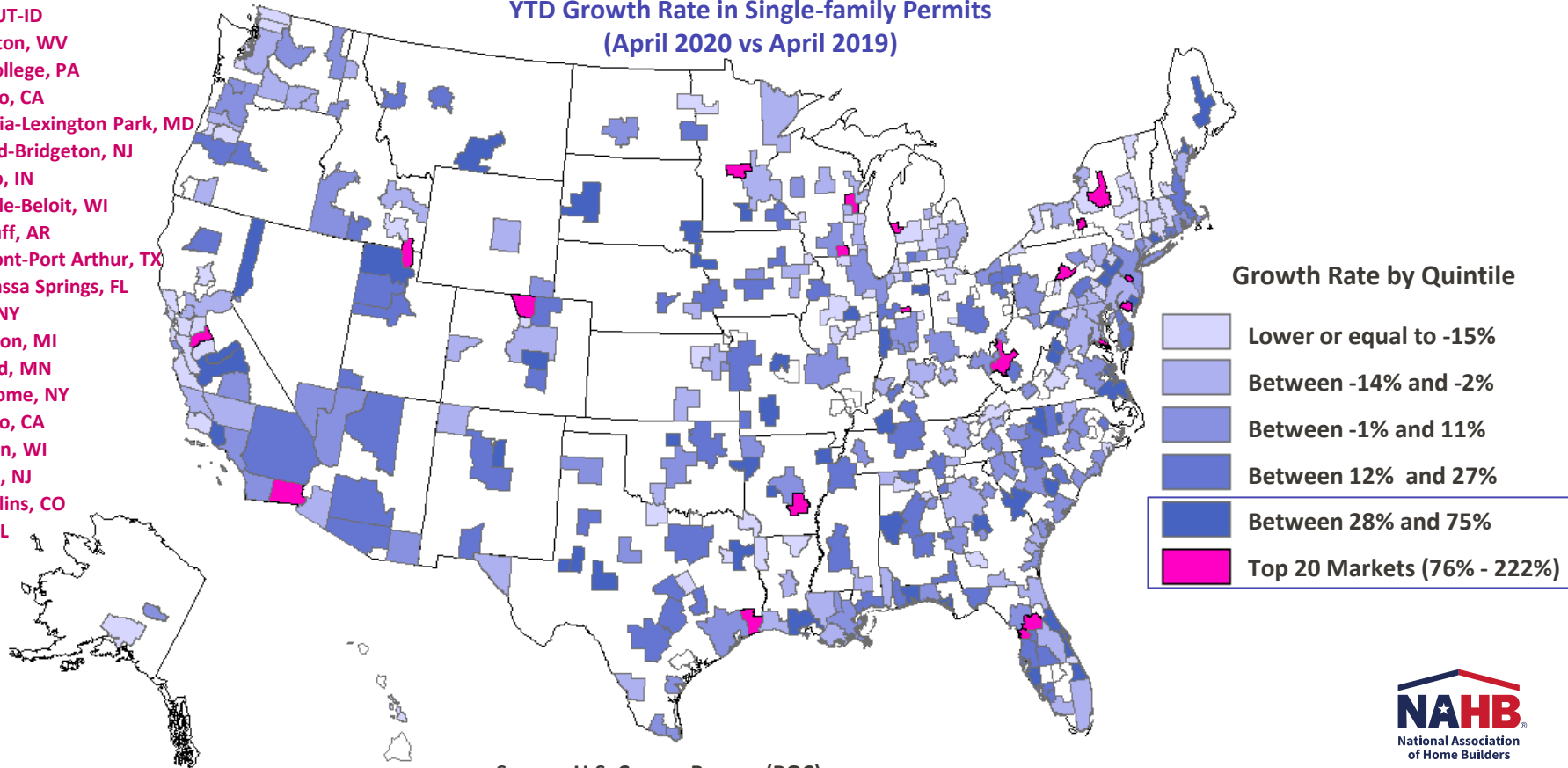
# Share of Labor Force in Vulnerable Industries



# Top 20 Markets for Single-Family Permits Growth

Logan, UT-ID  
Charleston, WV  
State College, PA  
Modesto, CA  
California-Lexington Park, MD  
Vineland-Bridgeton, NJ  
Kokomo, IN  
Janesville-Beloit, WI  
Pine Bluff, AR  
Beaumont-Port Arthur, TX  
Homosassa Springs, FL  
Ithaca, NY  
Muskegon, MI  
St. Cloud, MN  
Utica-Rome, NY  
El Centro, CA  
Appleton, WI  
Trenton, NJ  
Fort Collins, CO  
Ocala, FL

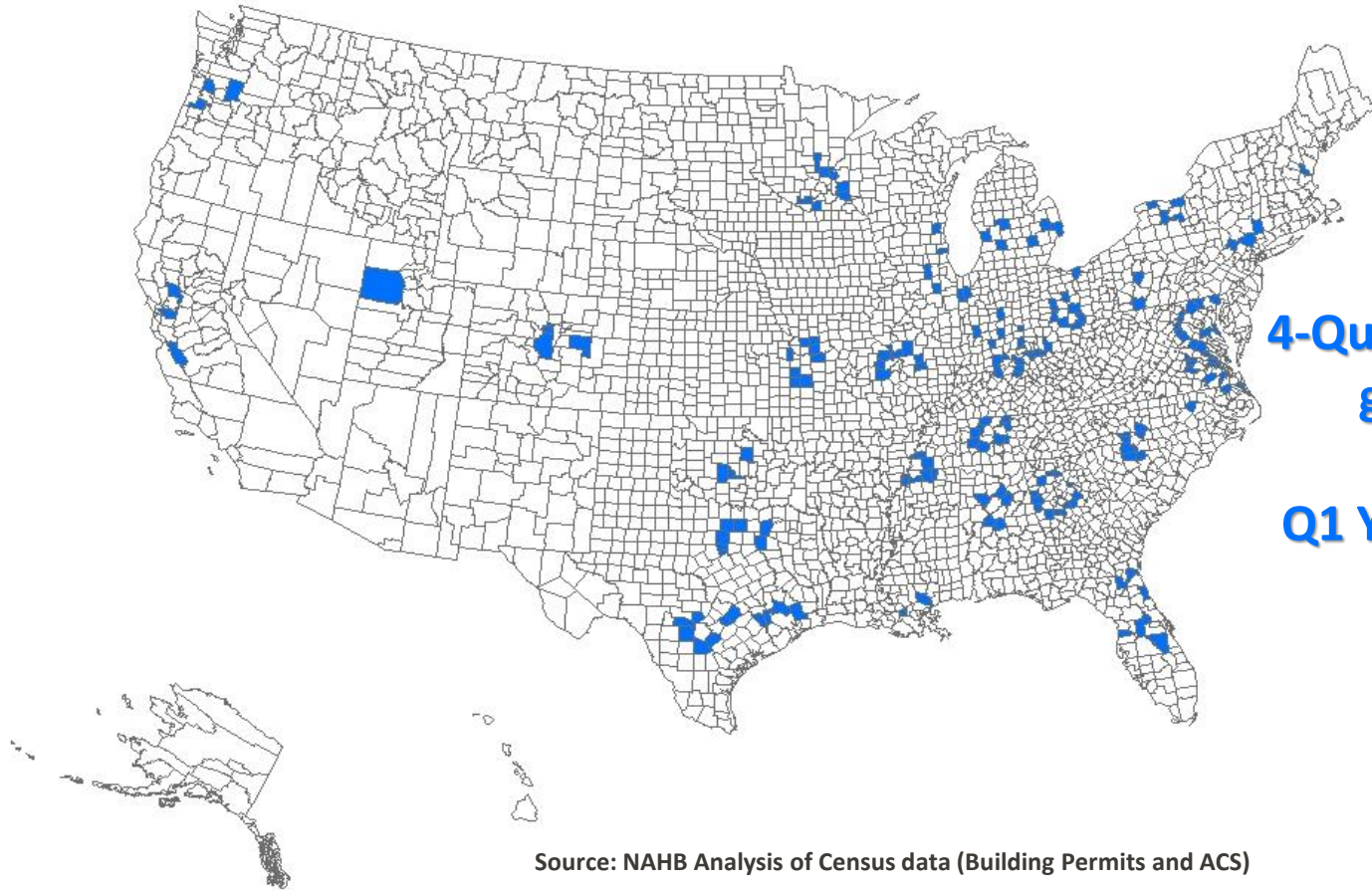
YTD Growth Rate in Single-family Permits  
(April 2020 vs April 2019)



Source: U.S. Census Bureau (BOC)

# New NAHB Home Building Geography Index

8.6% of single-family construction takes place in **Large Metro – Outlying County**



**Q1 2020**

**4-Quarter MA of YoY  
growth rate :**

**5.4%**

**Q1 YoY growth rate:**

**3.7%**

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