Waiting for Lower Rates

NAHB-ProBuilder
June 26, 2024
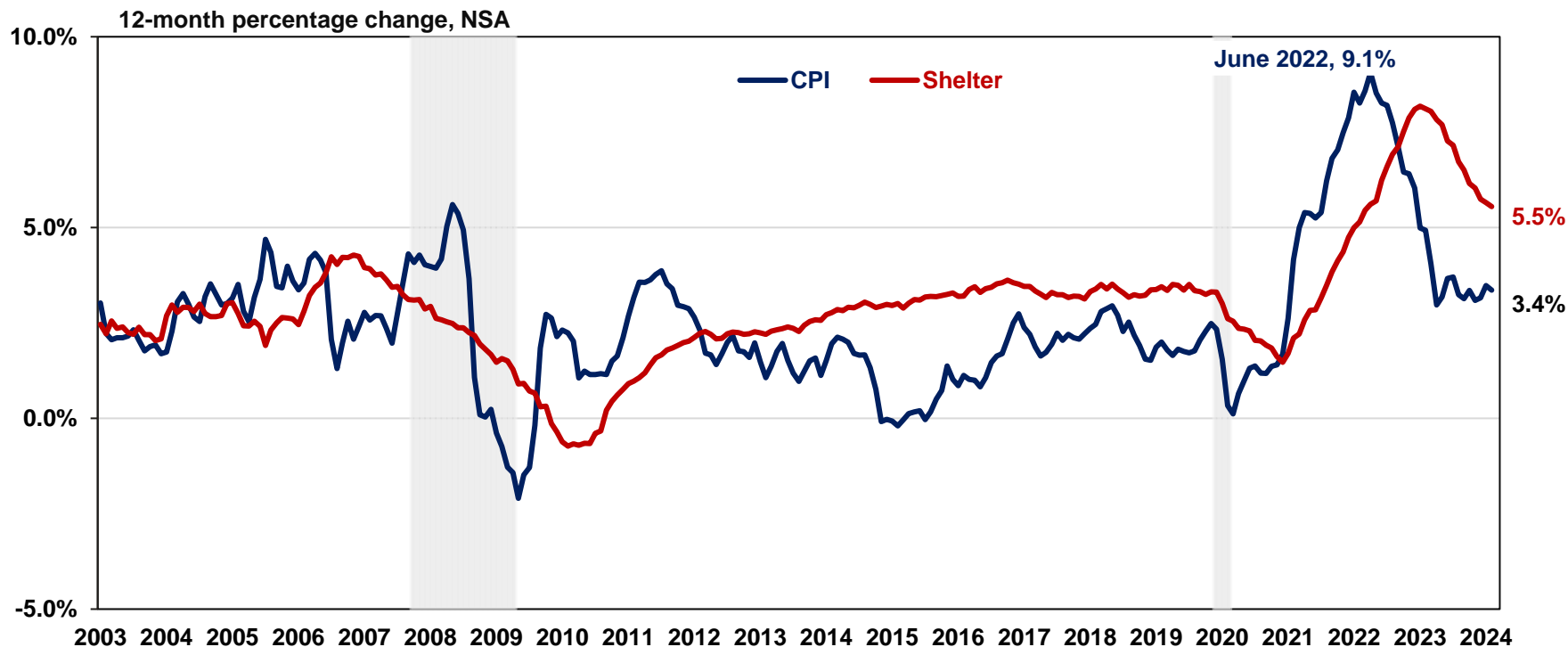
Robert Dietz, Ph.D.
NAHB Chief Economist

Fan-Yu Kuo
NAHB Economist

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Consumer Inflation – Headline Rate and Shelter

Shelter costs continue to rise despite Fed policy tightening --- "Gimmie Shelter"

12-month percentage change, NSA

CPI — Shelter

June 2022, 9.1%

5.5%

3.4%

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

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Total Housing Inventory
Insufficient resale inventory is supporting demand for new construction

Thousands, SA

NEW single-family houses for sale

About 1/3 of current single-family homes for sale are NEW homes

9.1 months' supply for new homes Apr 2024
3.4 months' supply for resale homes Apr 2024
Combined months' supply is 4.2

EXISTING single-family homes for sale
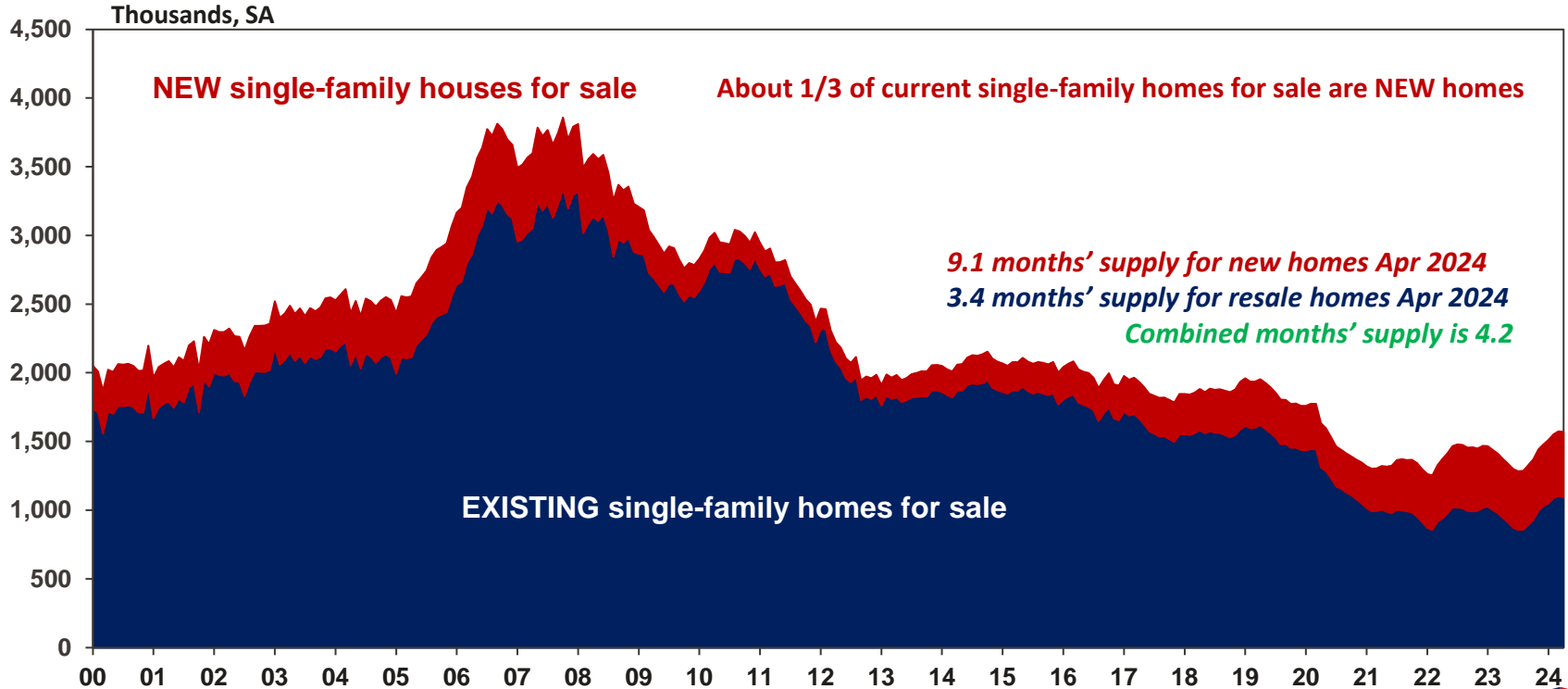
Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

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Slowing Growth Ahead
Soft landing for the cycle?

Q/Q Percent Change, SAAR

	Annual Growth
LT avg ('58-'07)	3.4%
2021	5.8%
2022	1.9%
2023	2.5%
2024f	2.5%
2025f	1.5%
2026f	1.2%

Increased 34.8% during the third quarter of 2020

Dropped 28.0% during the second quarter of 2020
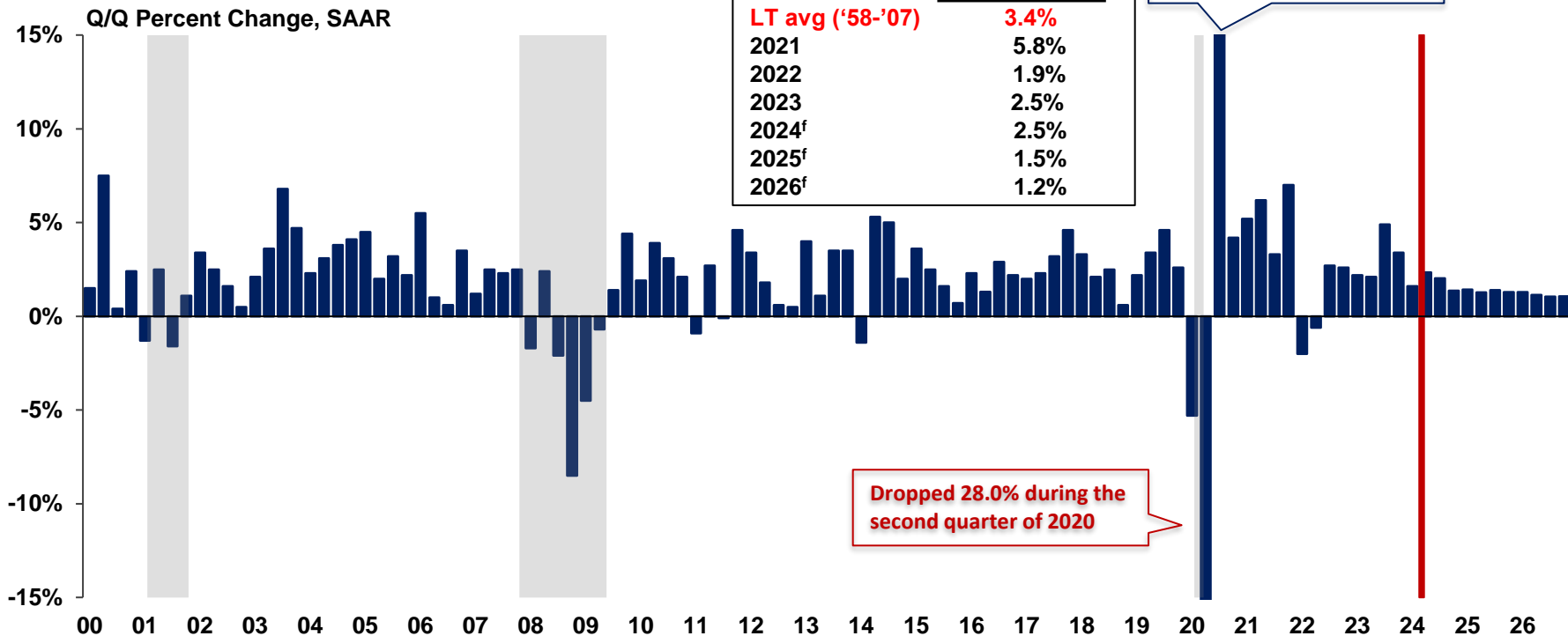
Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

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Personal Saving Rate Falling

Consumers are dipping into savings to support spending

Percent, Monthly, Seasonally Adjusted Annual Rate

Personal saving rate --
personal saving as a percentage of disposable personal income

Apr 2020, 32.0%

2019
pre-pandemic level:
7.4%

April 2024, 3.6%

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Job Openings Trending Lower
Fell to 8.06 million in April

Percent, SA   Percent, SA

Job Openings Rate

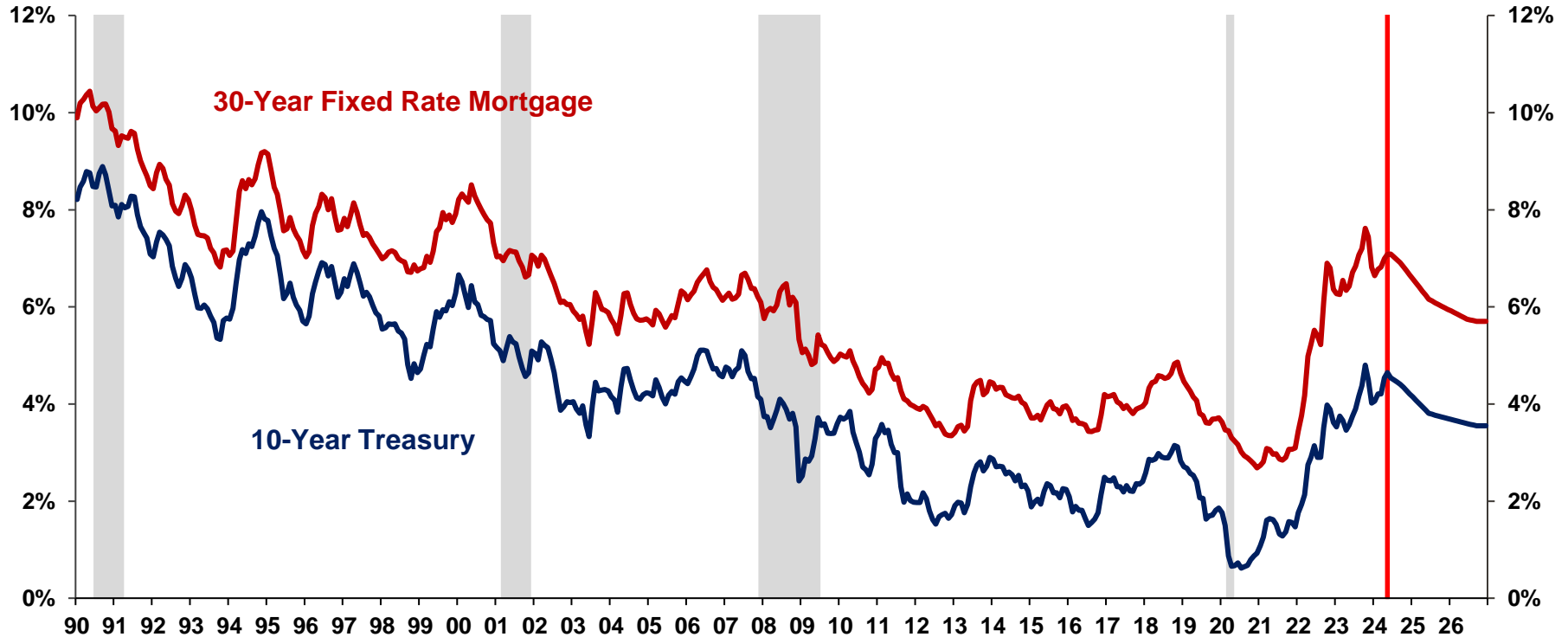Unemployment Rate
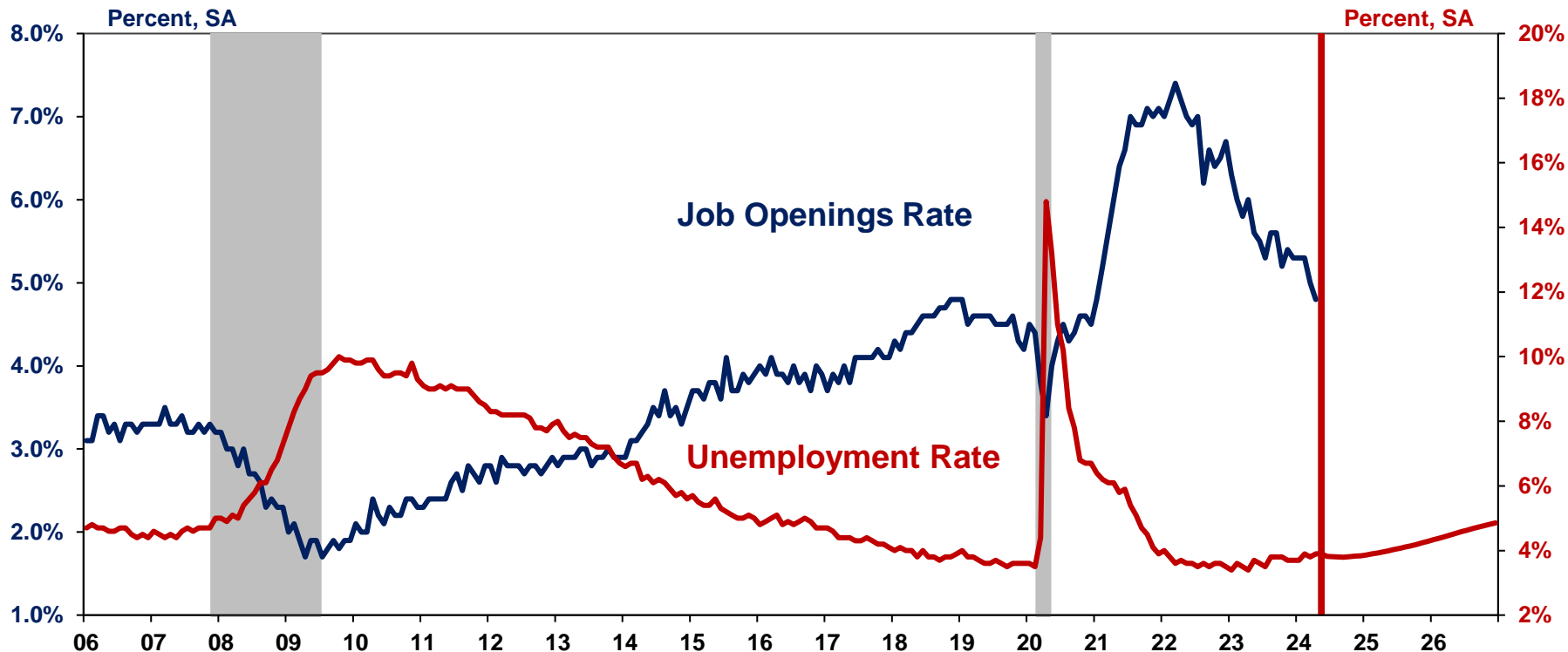
Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

Lower Mortgage Rates But the Process Won't Be Smooth

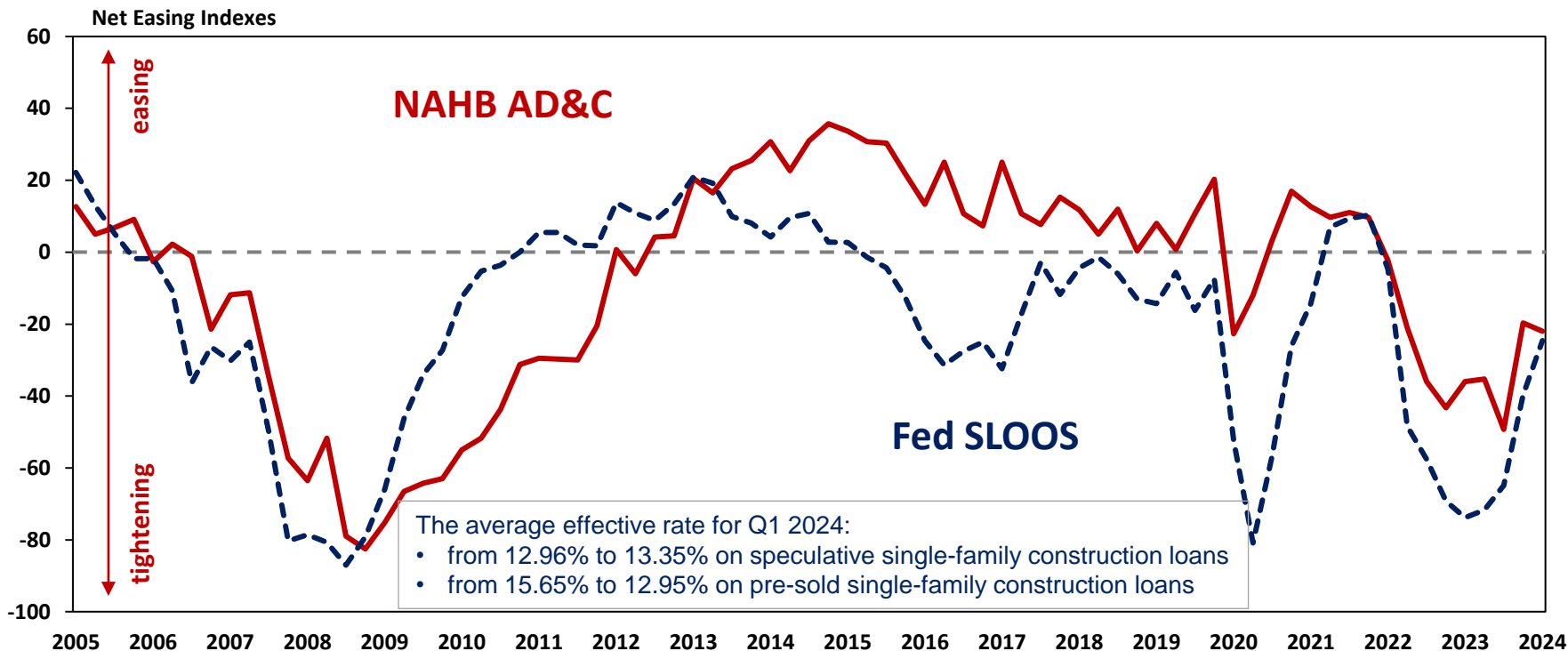*Housing affordability at more than decade low*

30-Year Fixed Rate Mortgage

10-Year Treasury

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

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Lending – AD&C Loan Conditions

Credit conditions for builders and developers tightened slightly and remained costly

Net Easing Indexes

easing ↑ / tightening ↓

NAHB AD&C

Fed SLOOS

The average effective rate for Q1 2024:
- from 12.96% to 13.35% on speculative single-family construction loans
- from 15.65% to 12.95% on pre-sold single-family construction loans

Source: NAHB survey; Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS)

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NAHB 10-Point Plan to Boost Housing Supply

Increased housing supply reduces shelter inflation and eases the affordability crisis

1 Eliminate excessive regulations

2 Promote careers in the skilled trades

3 Fix building material supply chains and ease costs

4 Pass federal tax legislation to expand the production of affordable and attainable housing

5 Overturn inefficient local zoning rules

Alleviate permitting roadblocks 6

Adopt reasonable and cost-effective building codes 7

Reduce local impact fees and other upfront taxes associated with housing construction 8

Make it easier for developers to finance new housing 9

Update employment policies to promote flexibility and opportunity 10

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Thank you

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