

# Housing the Bright Spot of a Recovering Economy

*HBA of Greater Cincinnati  
HBA of Dayton  
November 24, 2020*

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NAHB Chief Economist*



# Dramatic Rebound for Housing



**Three historic data signals**



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



**Median resale price now greater than median new home price**



**Largest ever gap between new home sales and production**

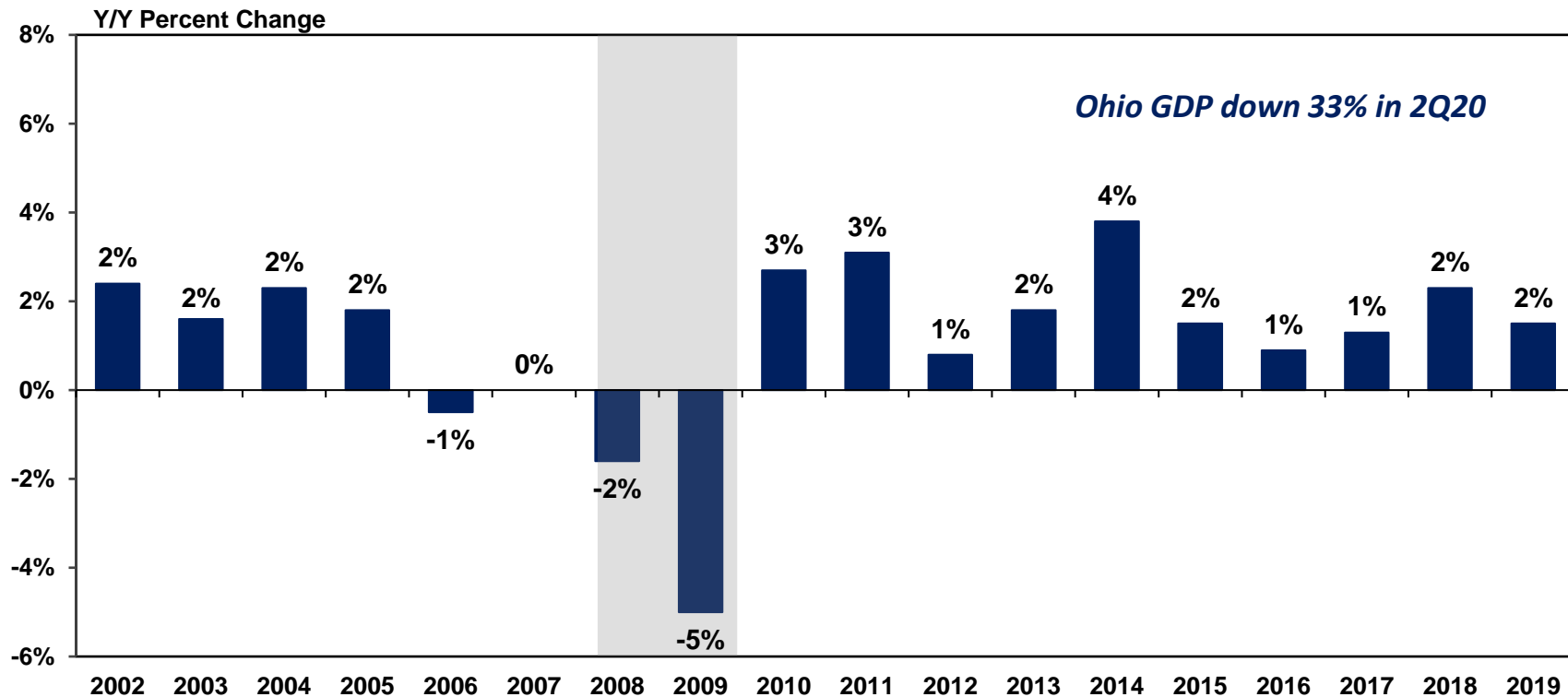


**Supply-chain issues, including lumber**



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

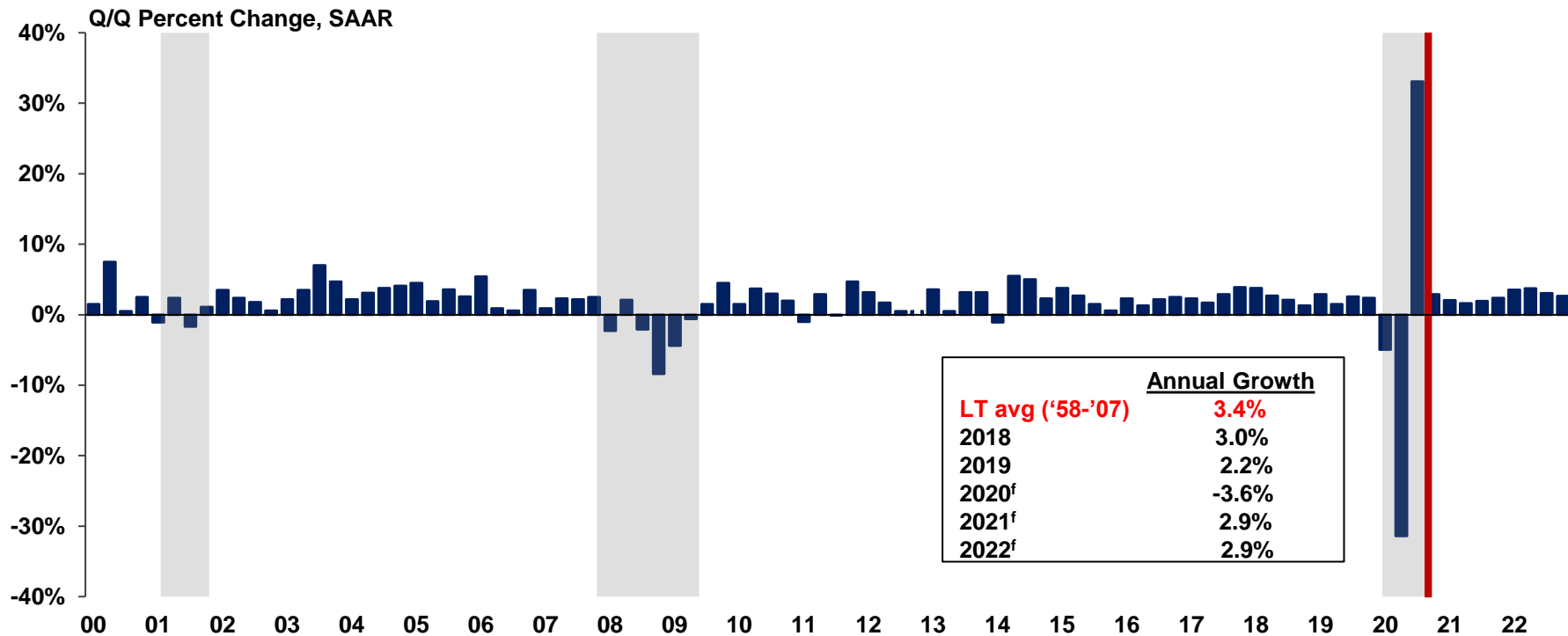
# Real GDP Growth in Ohio



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

# GDP Growth – Recovery Gains Ground During 2H20

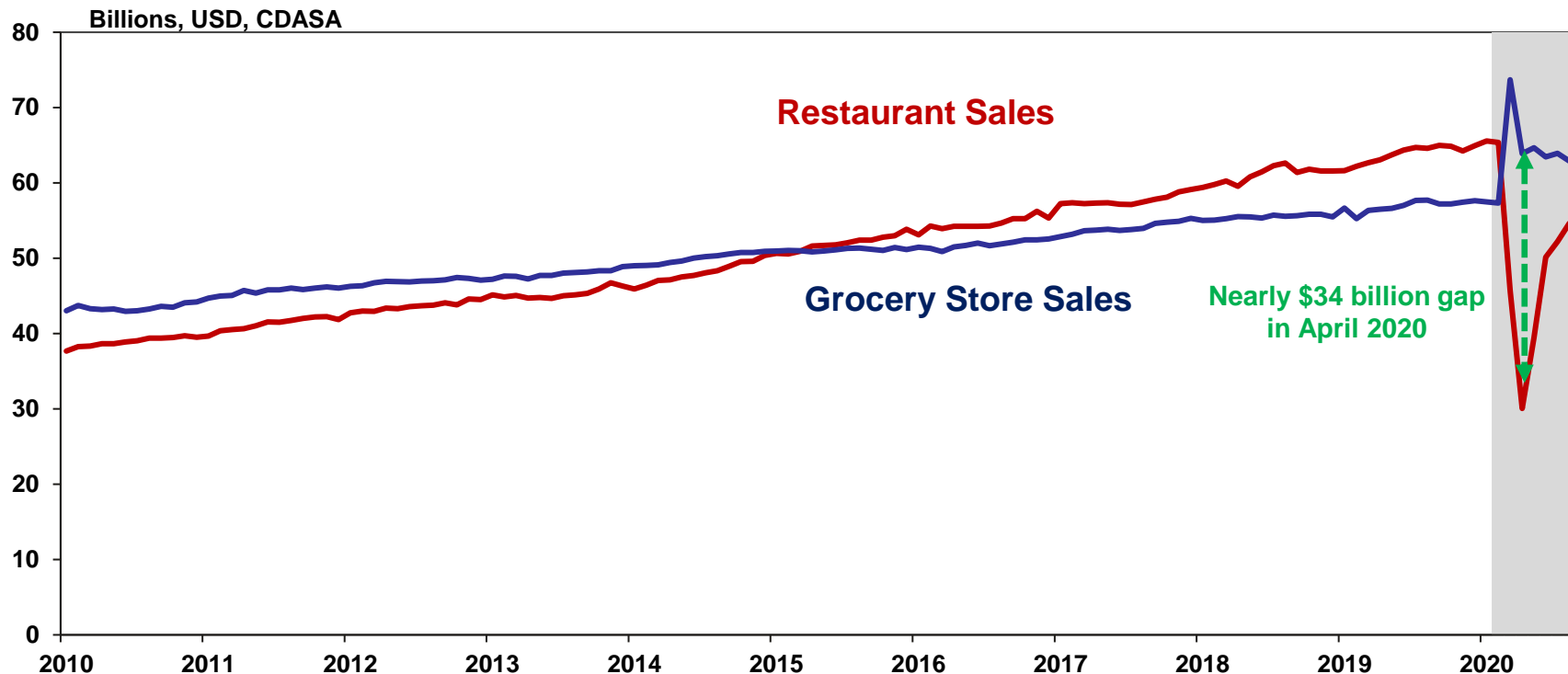
*Growth continues into 2021 and 2022*



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

# Grocery Store Sales vs. Restaurant Sales

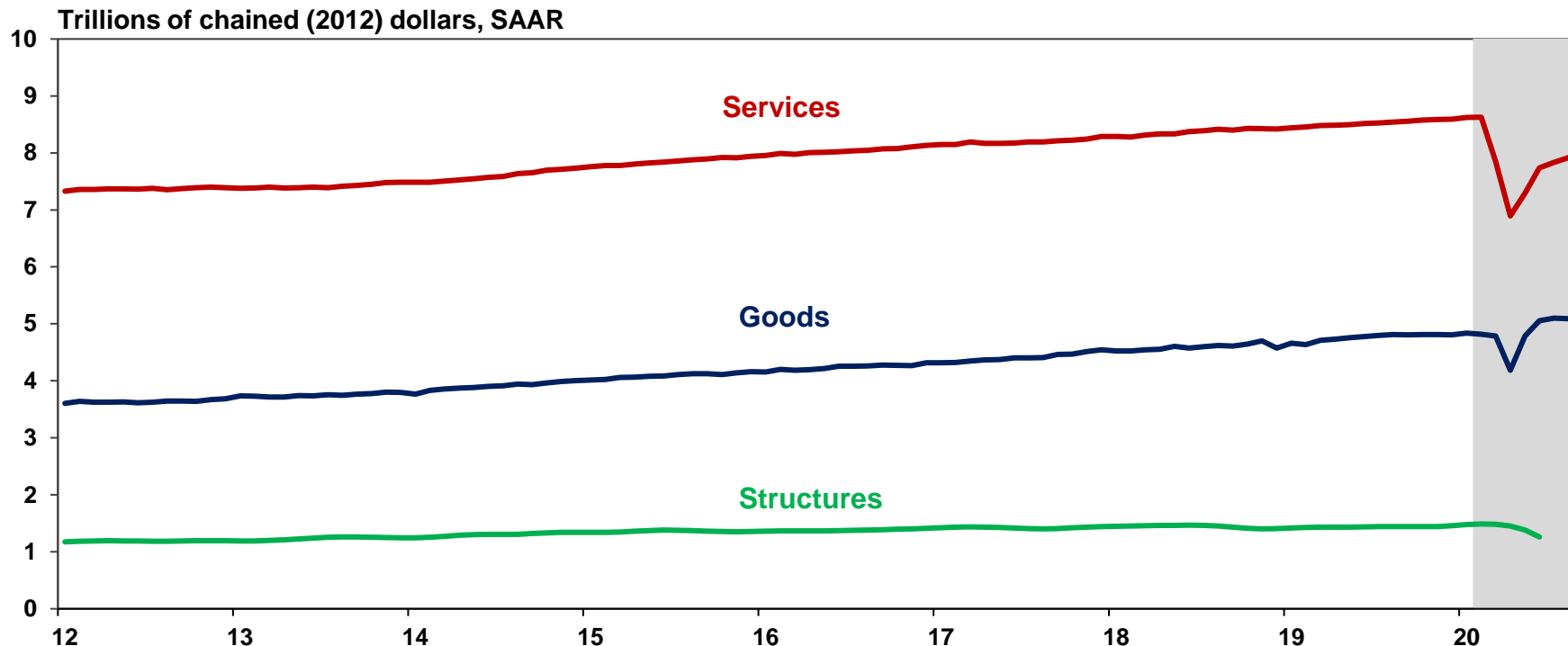
*Virus impacts on food purchases --- evidence of the Great Disruption*



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

# Monthly Goods, Services, and Structures: GDP Data

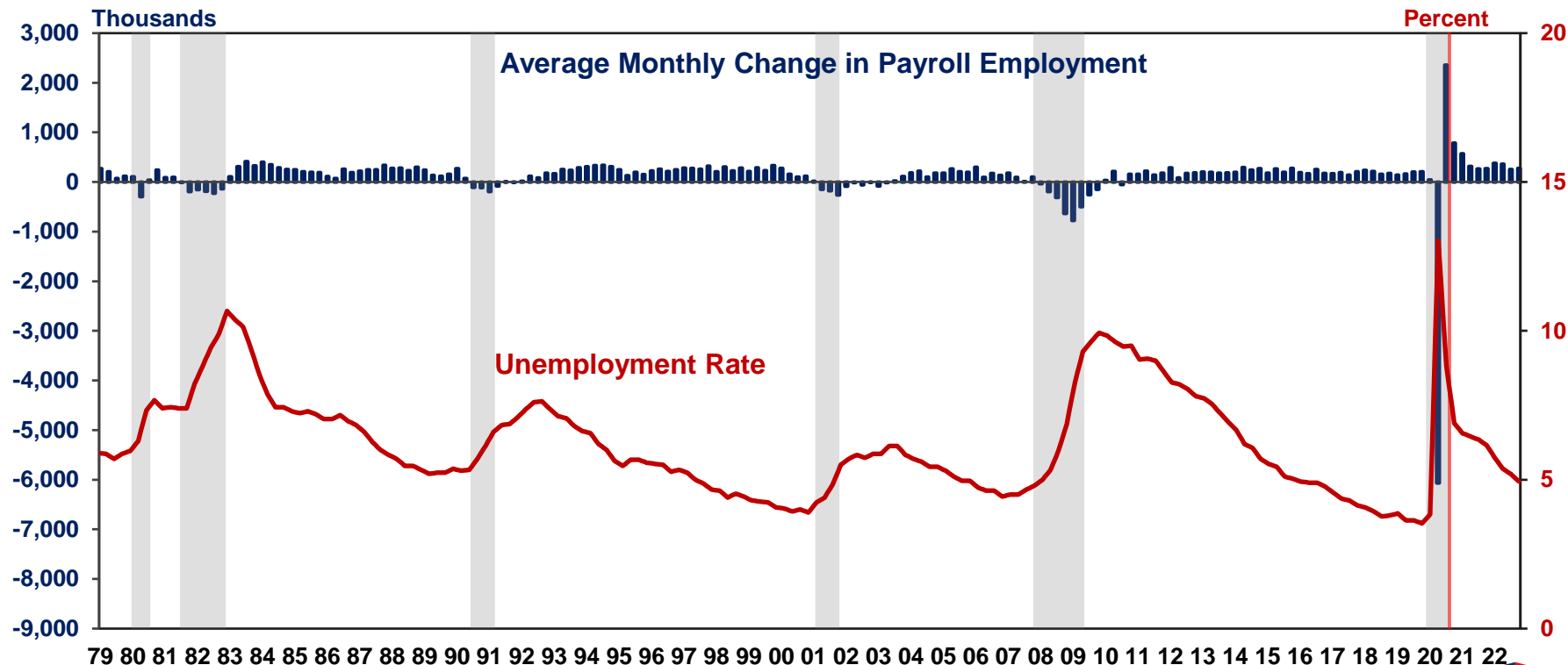
*Services still down, goods higher and structures little changed thanks to housing*



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

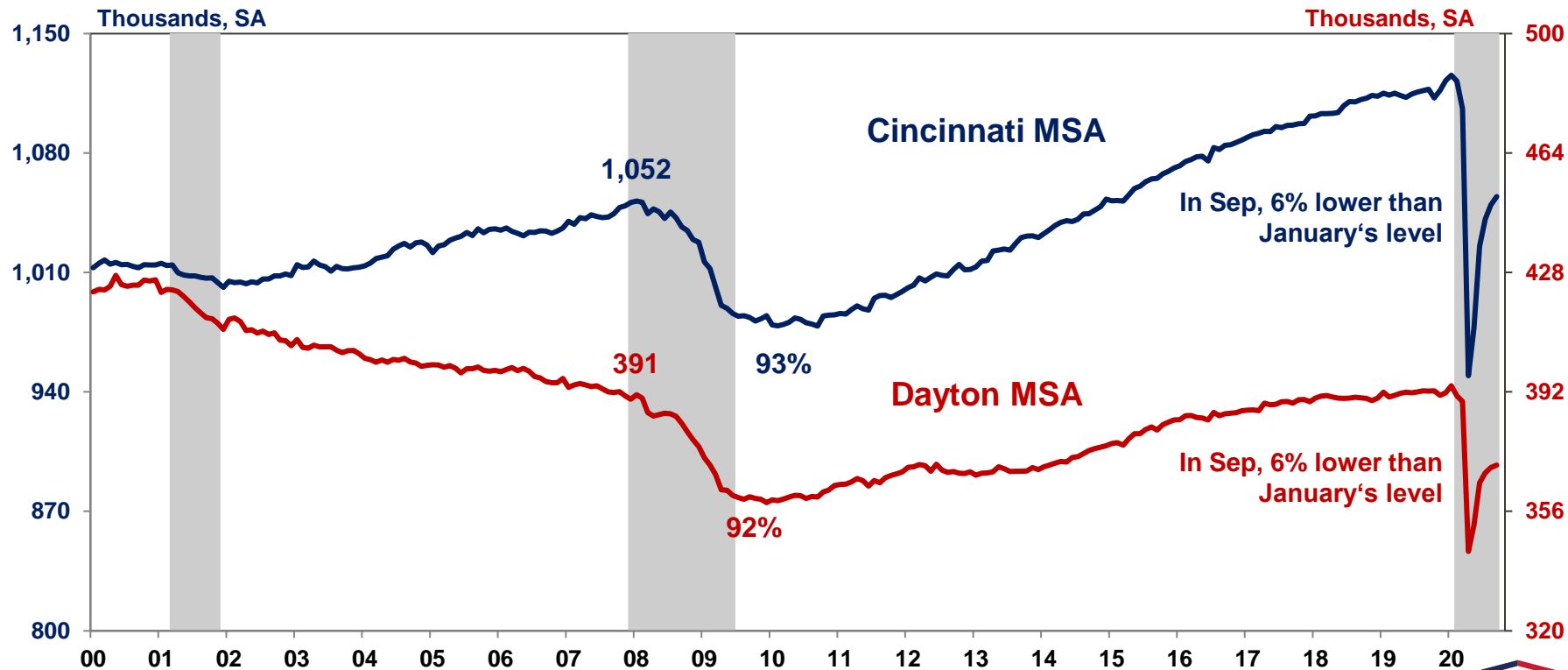
# Good/Bad News: 6% to 7% U-Rate Expected at 2020 End

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



# Payroll Employment

*Cincinnati and Dayton MSAs recovering from COVID-19 recession*

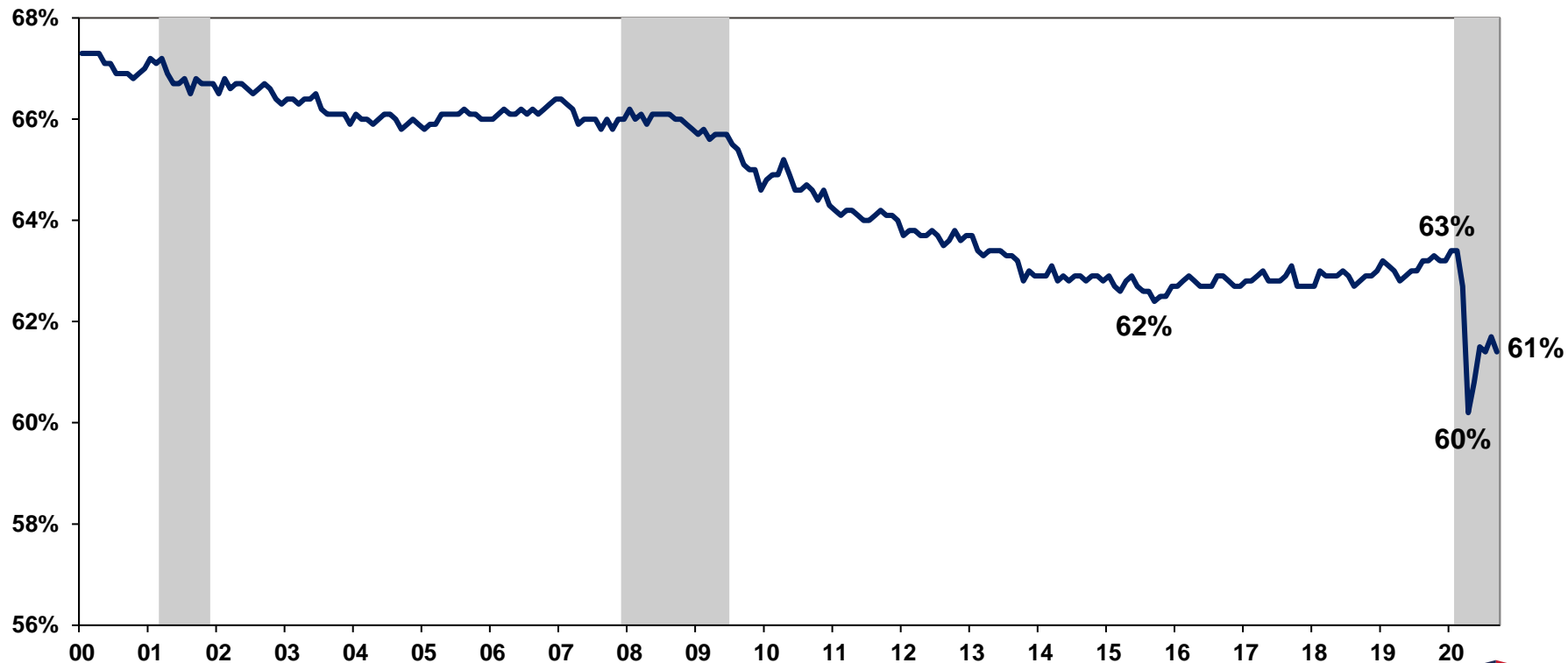


Source: U.S. Bureau of Labor Statistics (BLS)



# Labor Force Participation Rate

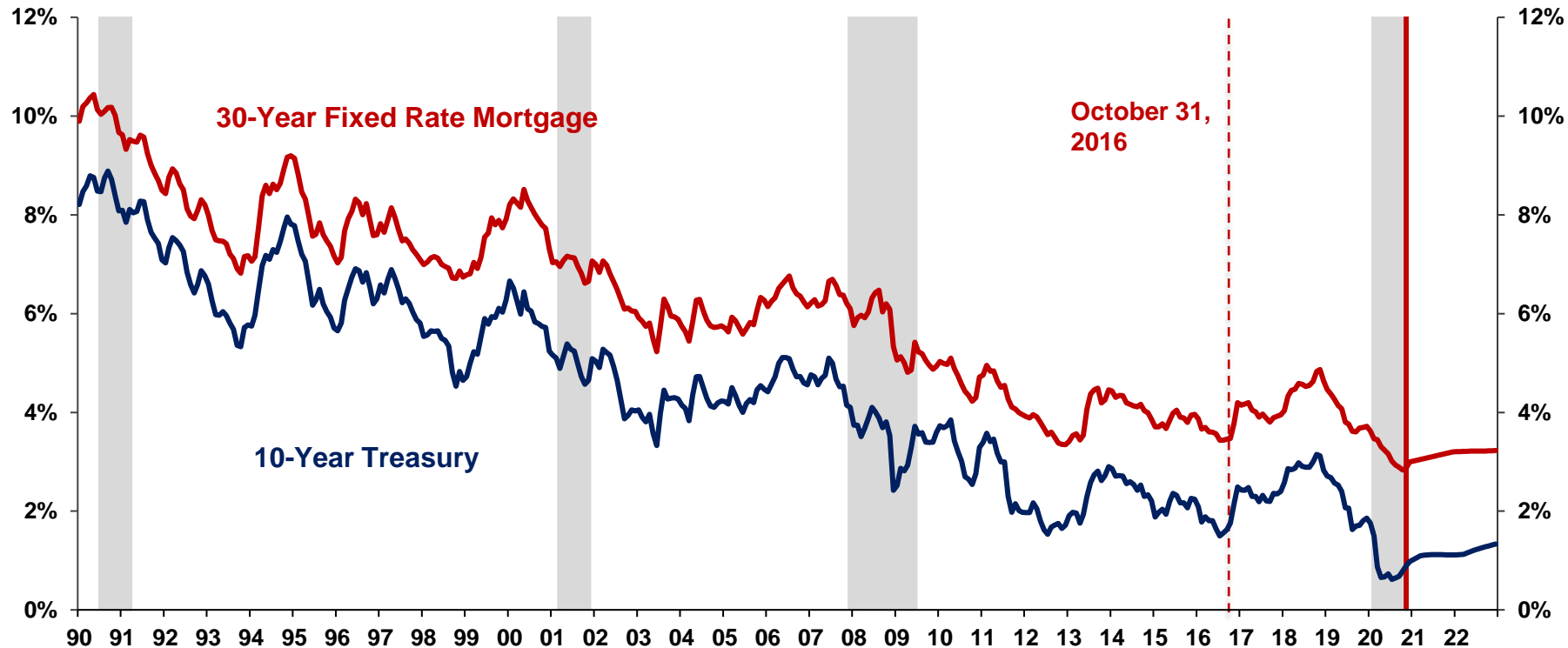
*Labor force participation must be repaired as part of job market recovery*



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

# 30-Year Fixed Rate Mortgage and 10-Year Treasury

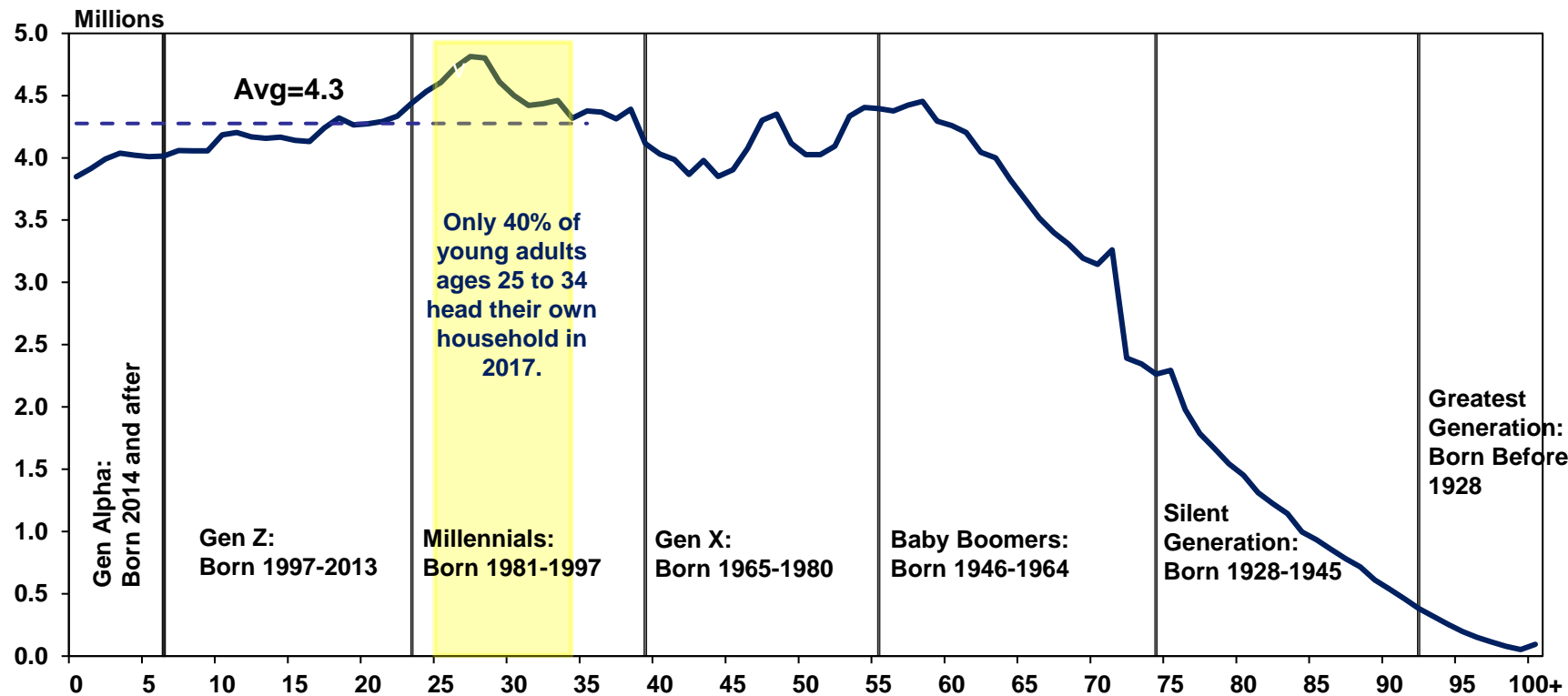
*Low interest rates thanks to aggressive Federal Reserve action*



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

# Rising Population Entering Housing Demand Years: 2020

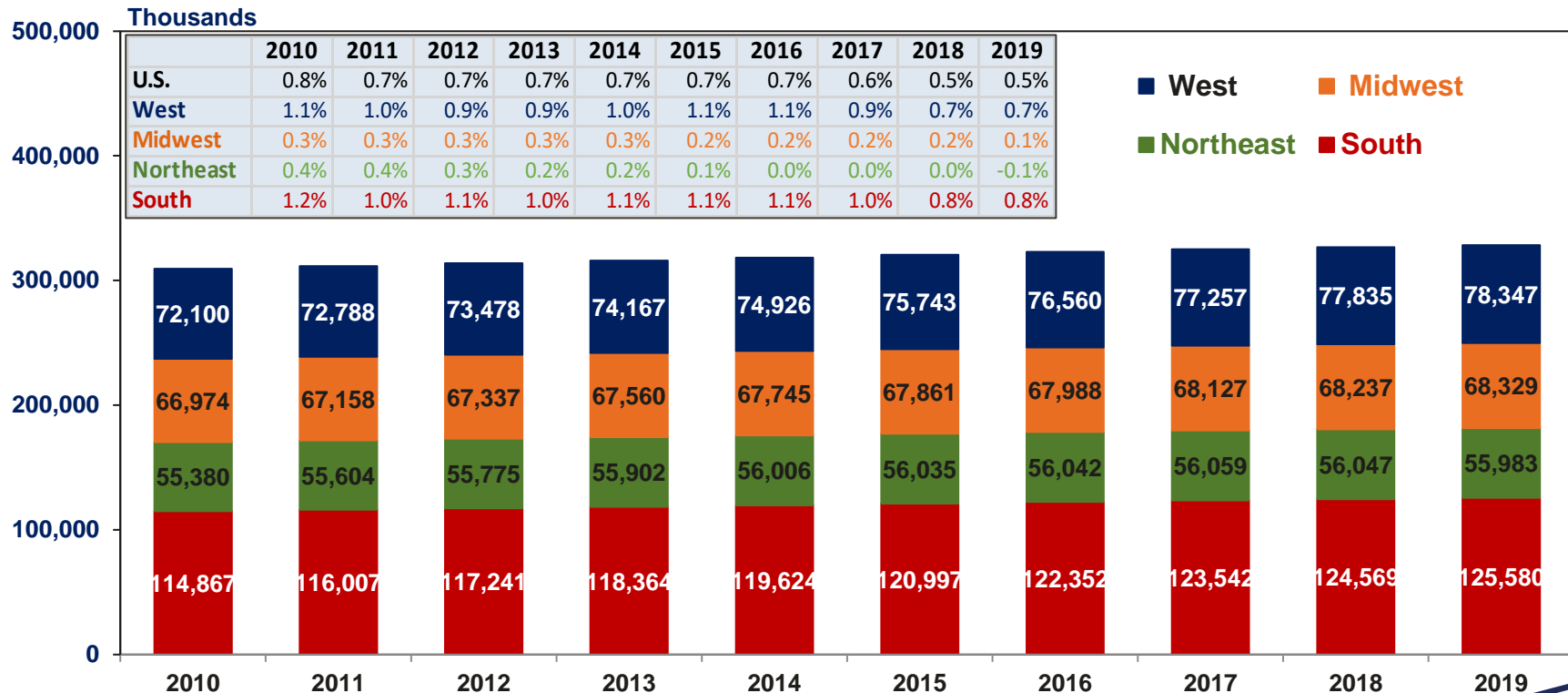
*Gen X the majority of new construction home buyers*



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

# Population Growth

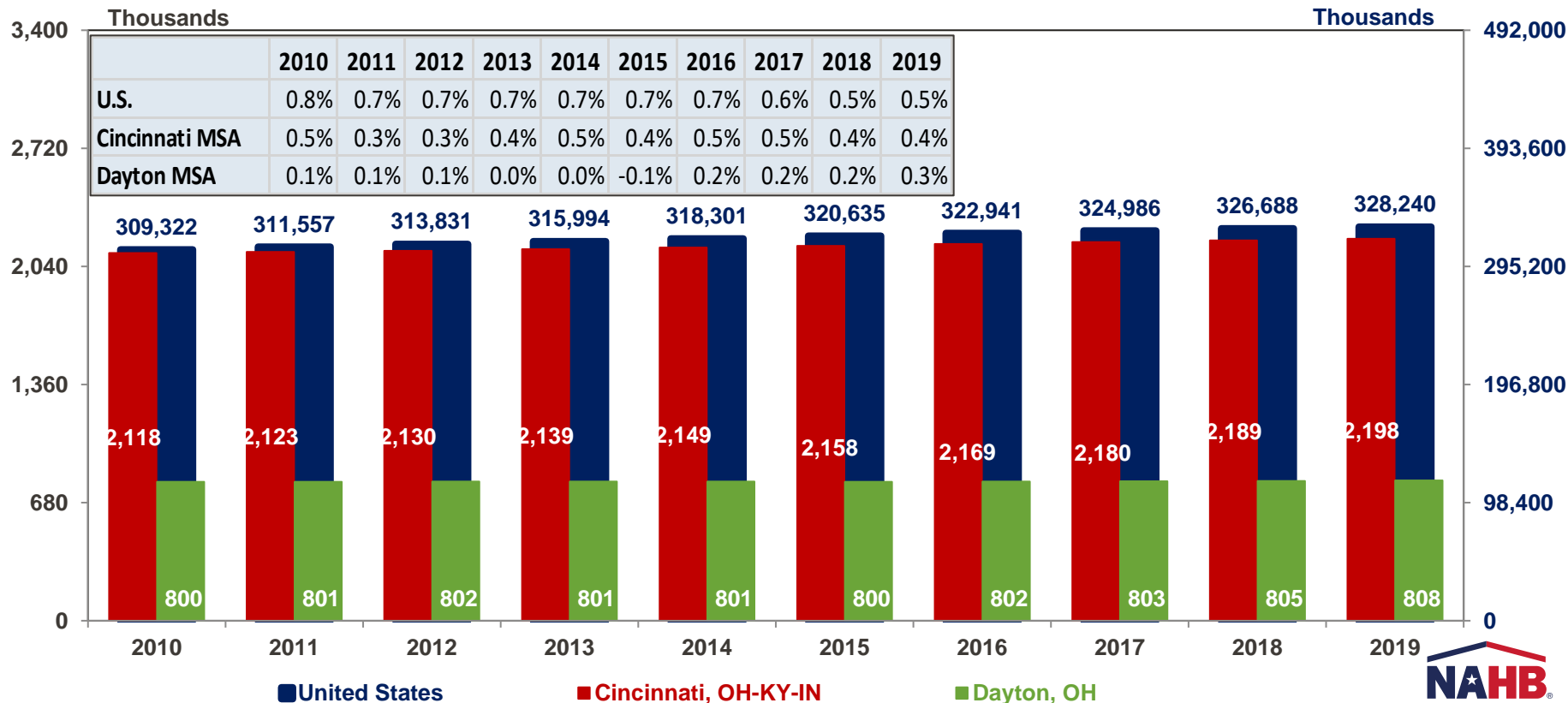
*Population decreased in the Northeast, while growth slowing in other three regions*



Source: U.S. Census Bureau (BOC)

# Population Growth

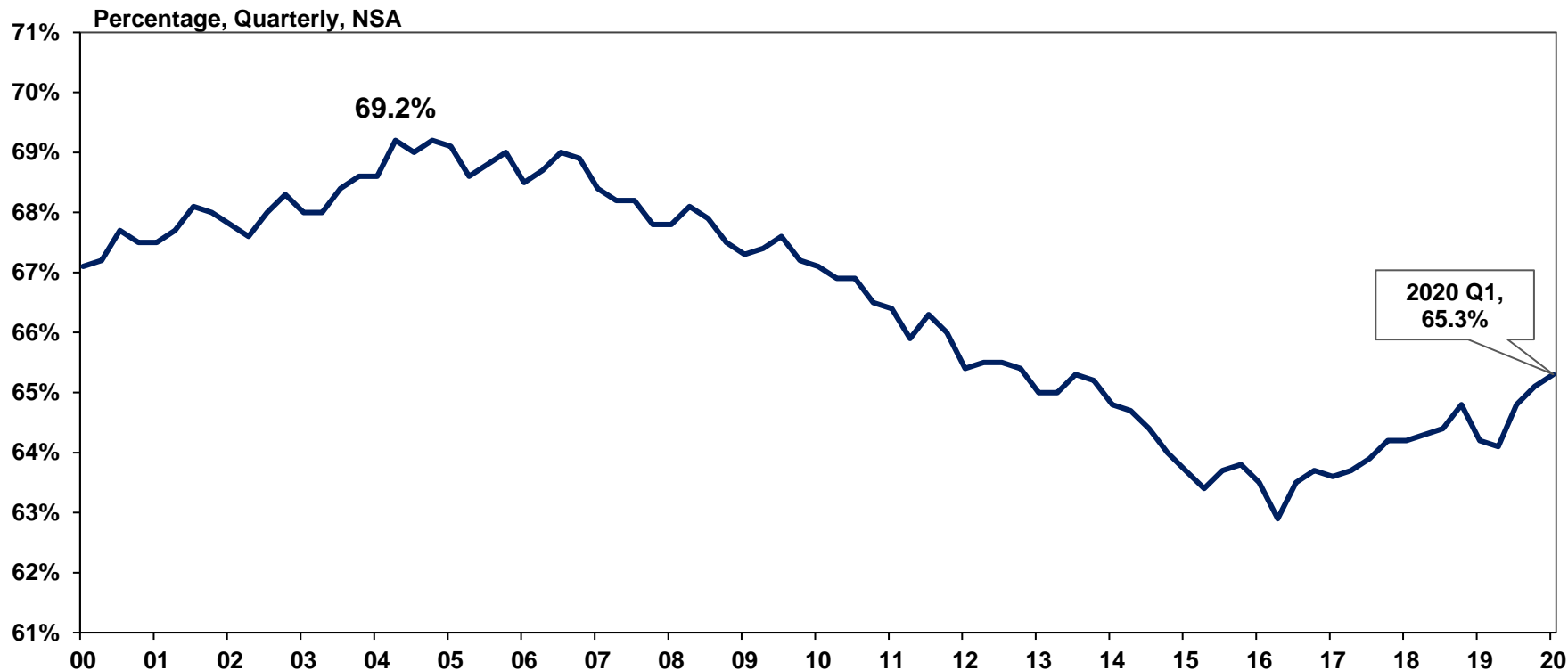
*Cincinnati and Dayton MSA population growing faster than Midwest averages*



Source: U.S. Census Bureau (BOC)

# Homeownership Rate

*Near new normal for homeownership*

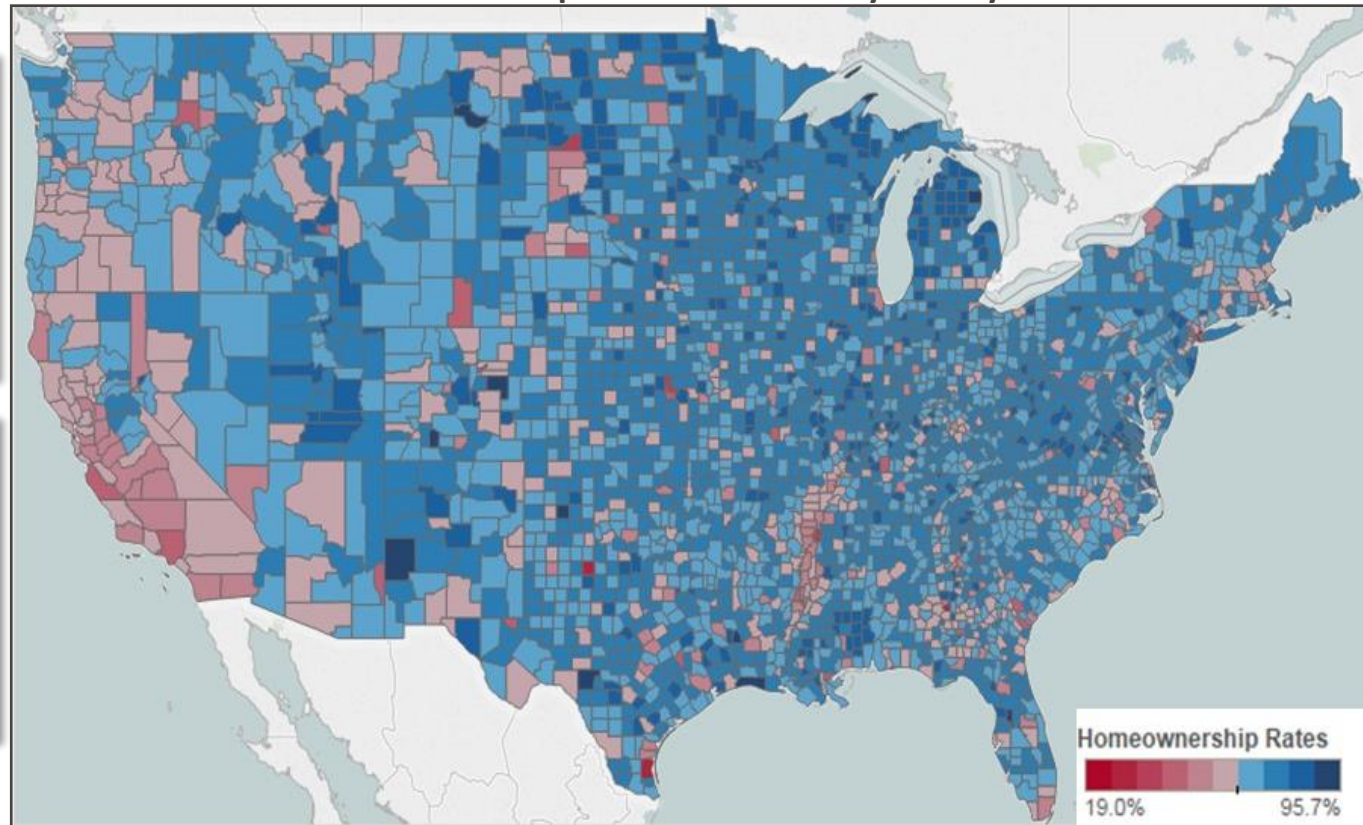
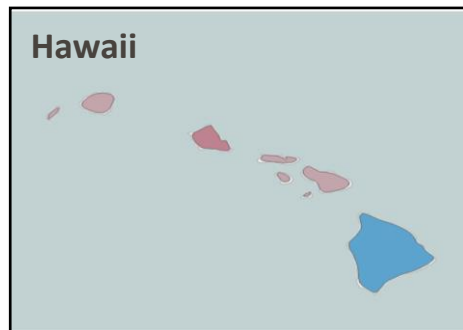
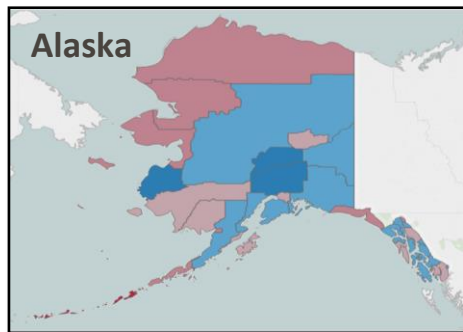


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

# Geography of Homeownership

*Homeownership rate for Cincinnati MSA is 74.0% and Dayton MSA is 69.4% for the 3<sup>rd</sup> quarter*

Homeownership Rates in the U.S. by County



Source: 2013-2017 American Community Survey 5-Year Estimates



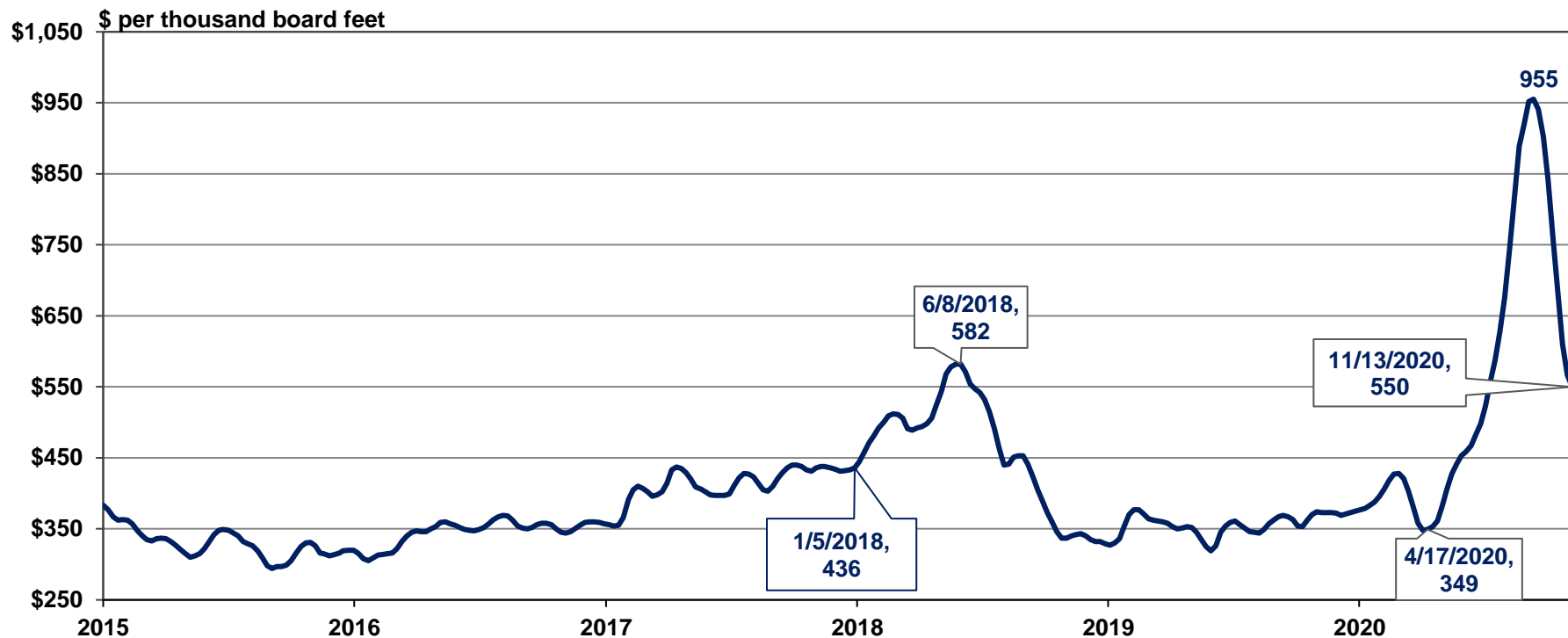
# Supply-Side Factors





# / Building Materials – Lumber Prices

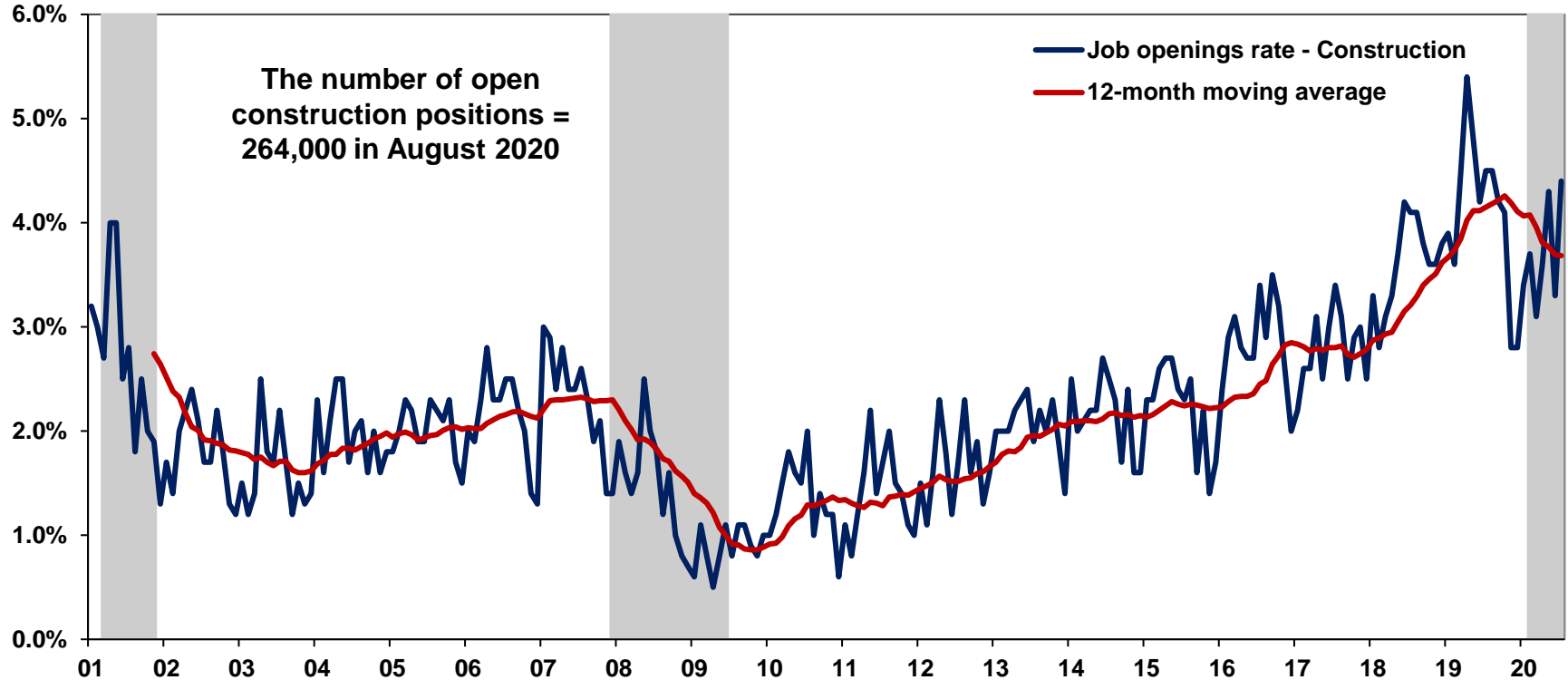
*Current November price \$550; up 58% since mid-April but down 42% since Sep. 18<sup>th</sup>*



Source: NAHB Analysis; Random Lengths Composite Index

# Labor - Construction

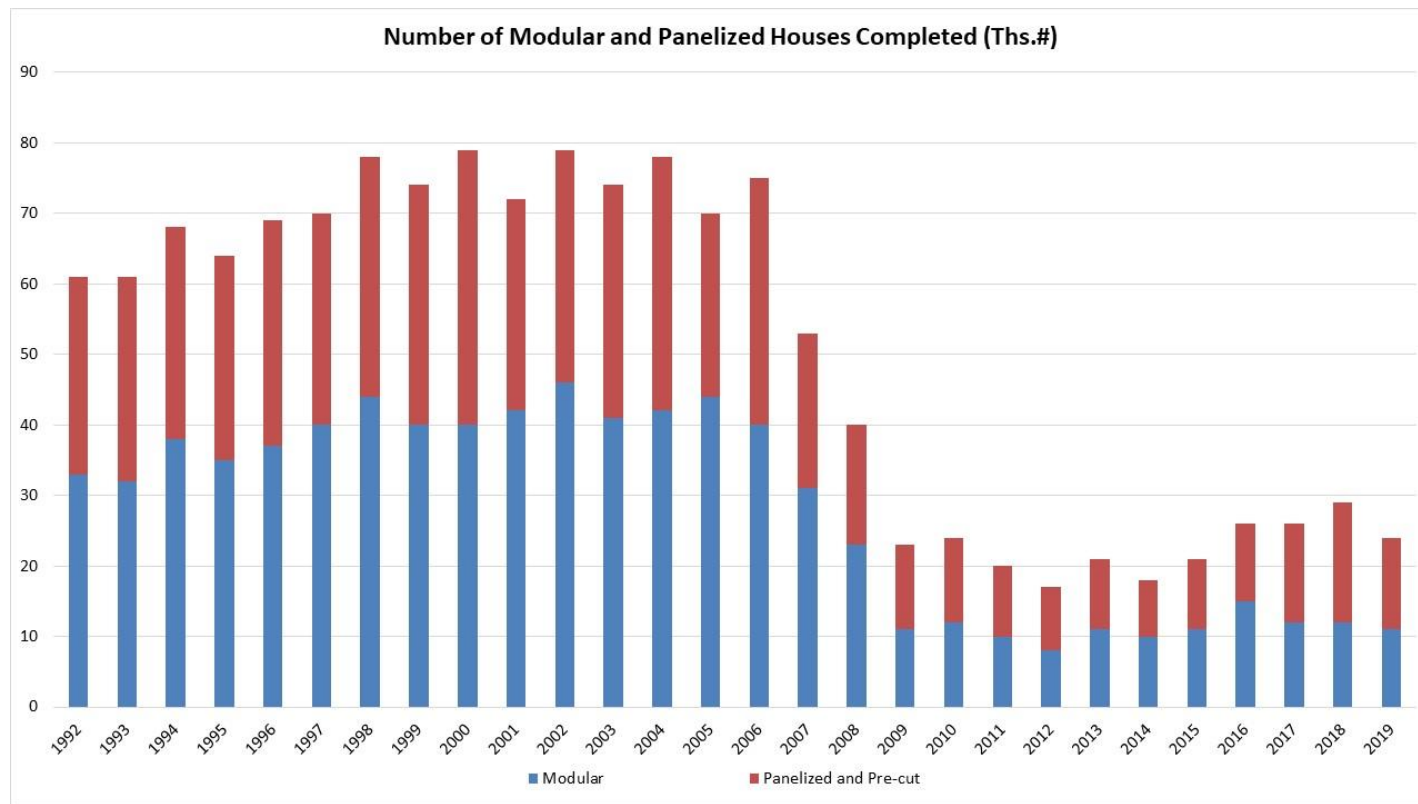
*Skilled labor shortage persists*



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

# Offsite Construction

*Growing (?) but small share (3% total for panelized and modular; 7% in 1998)*

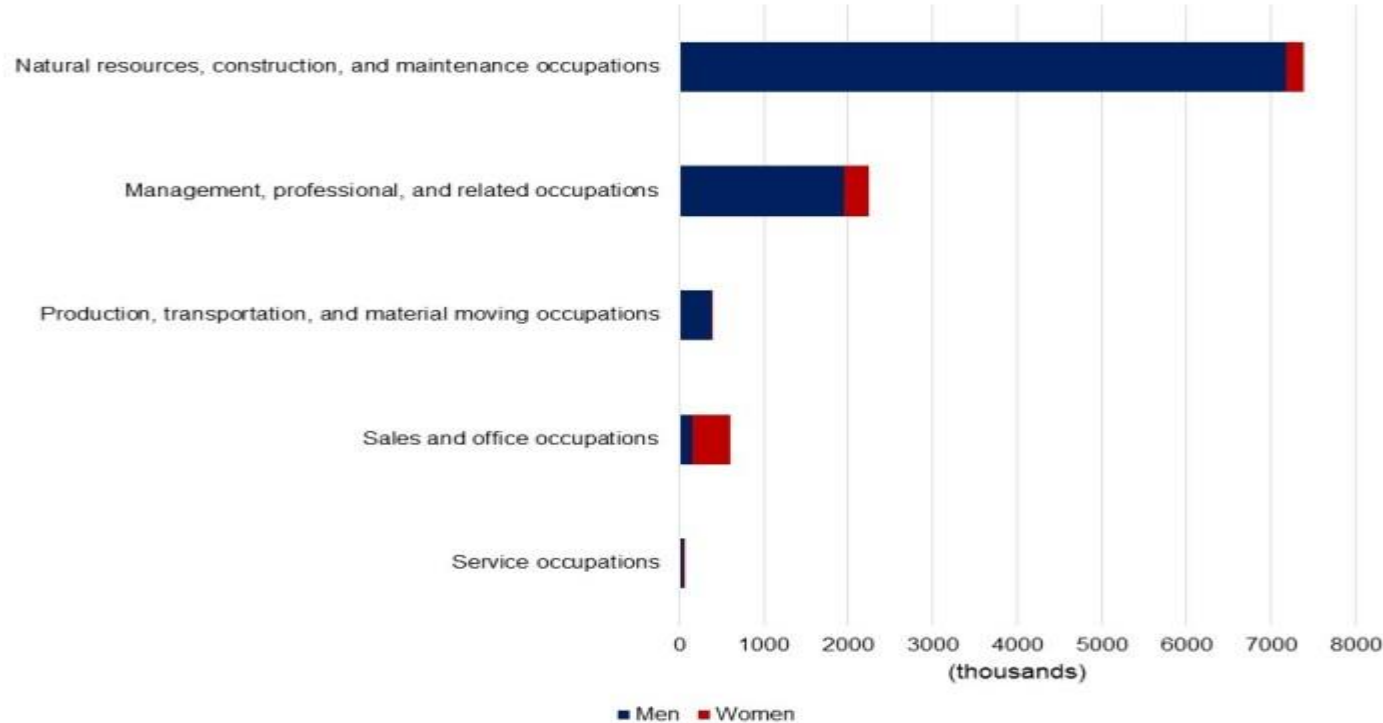


Source: NAHB tabulation of data from Survey of Construction, U.S. Census Bureau

# Women in Construction

*Still only 3% of actual construction jobs*

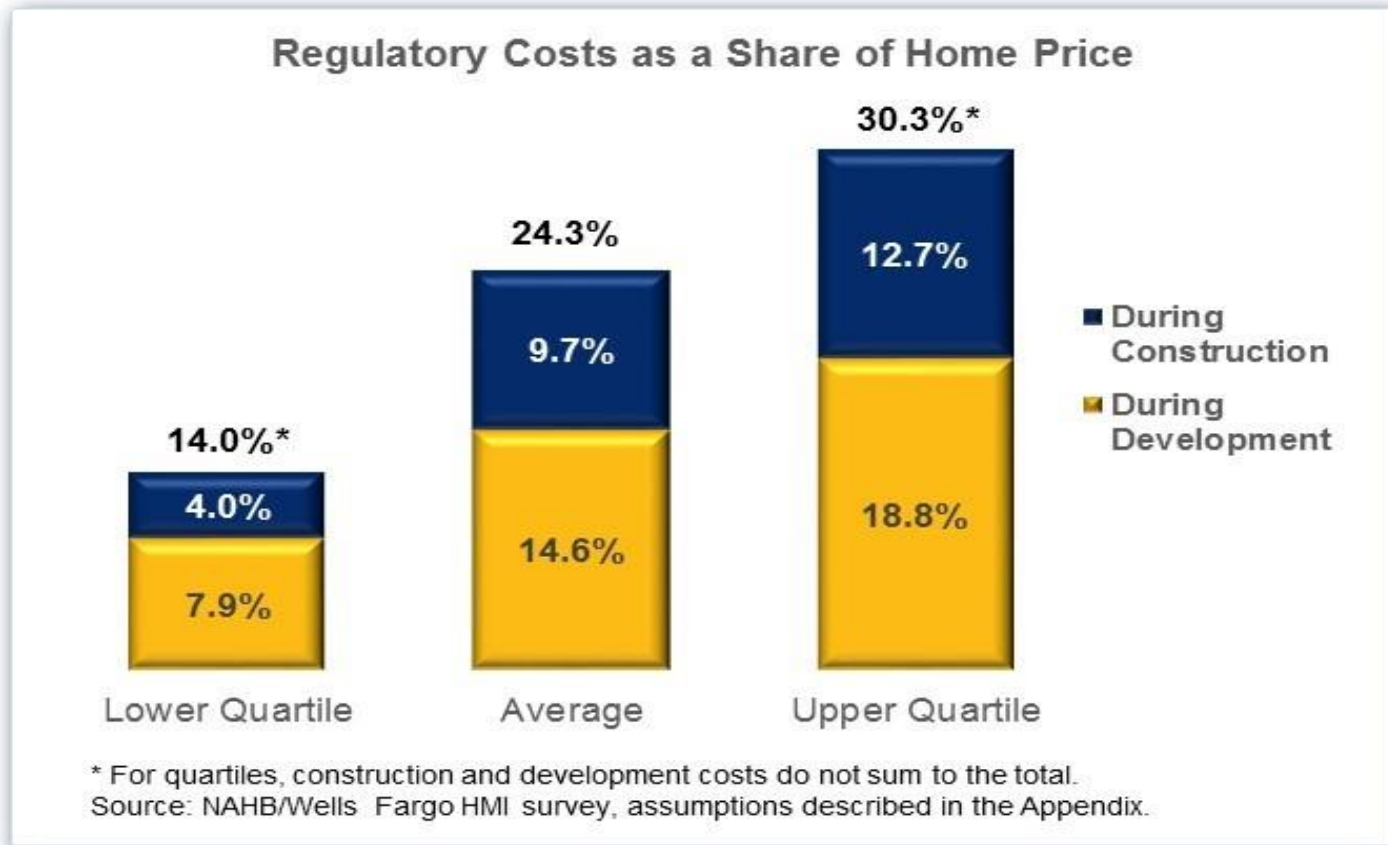
**Construction Workers by Occupation Categories and Gender**



Source: NAHB, Census data from Survey of Construction, U.S. Census Bureau

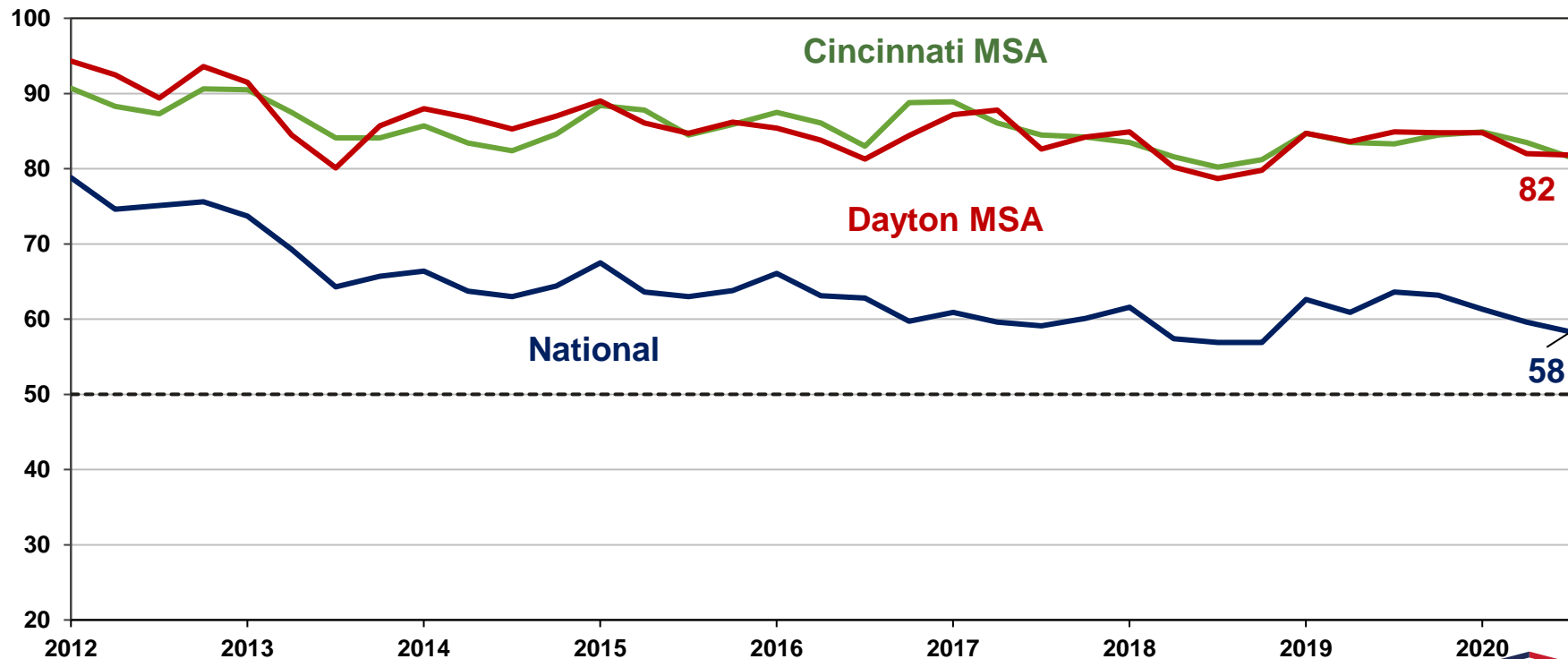
# / Regulatory Costs Rising – Up 29% Over 2011-2016

*Total effect of building codes, land use, environmental and other rules*



# /Housing Affordability – NAHB/Wells Fargo HOI

*Declining trends*



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

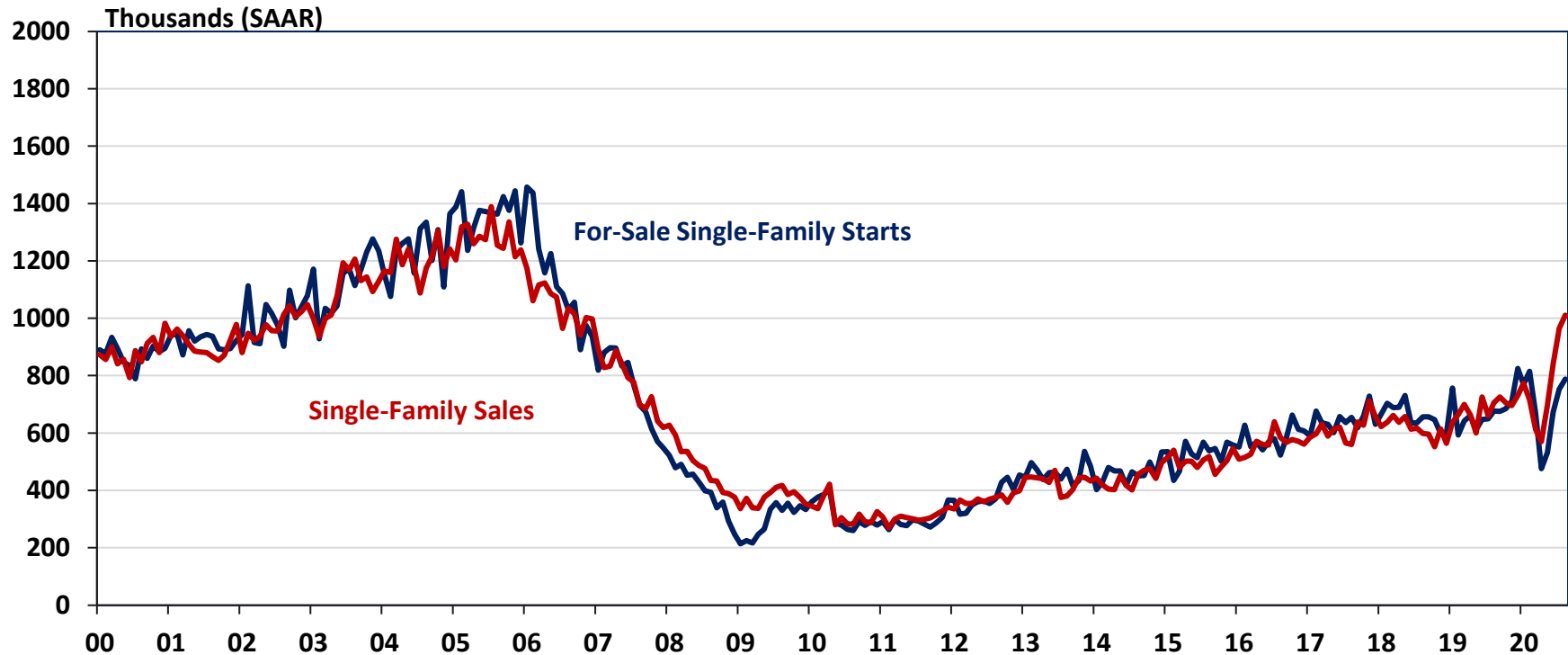


# Construction Outlook



# 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*



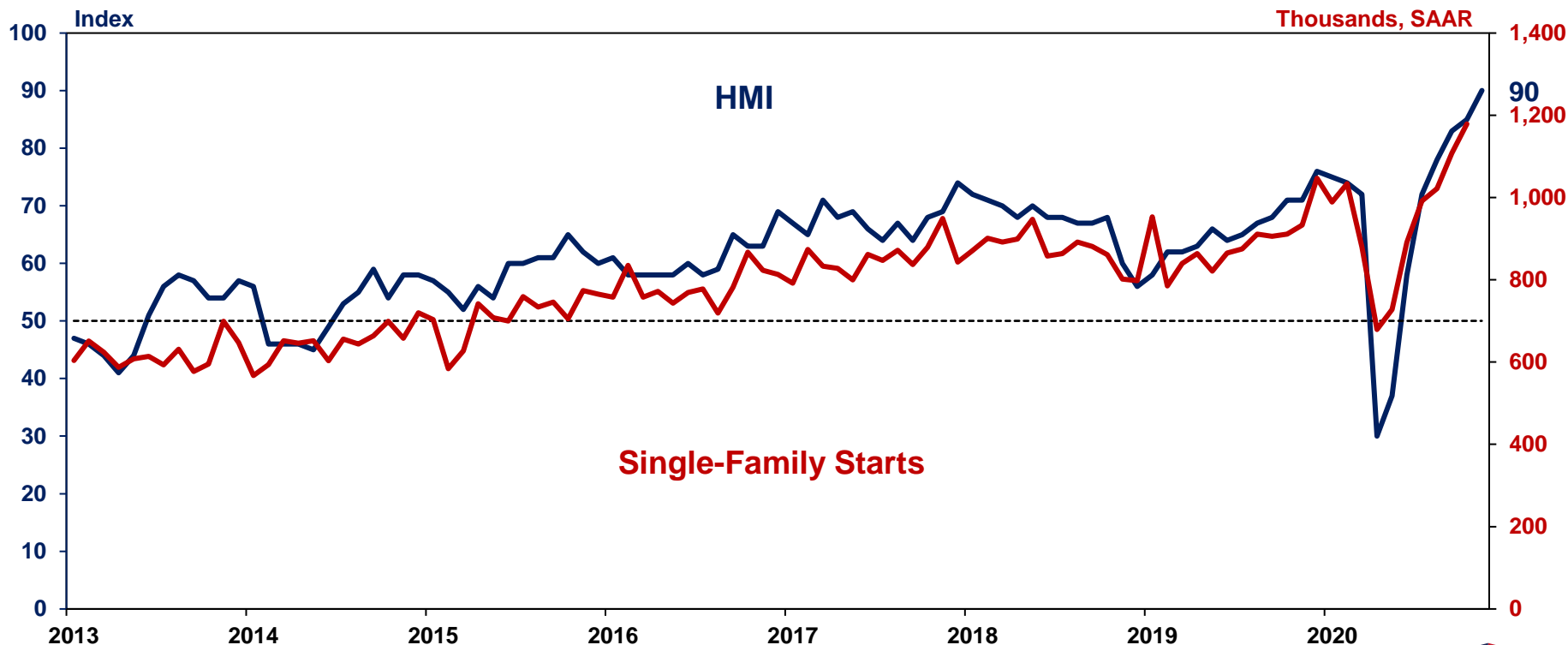
Source: NAHB analysis of Census Bureau data

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)

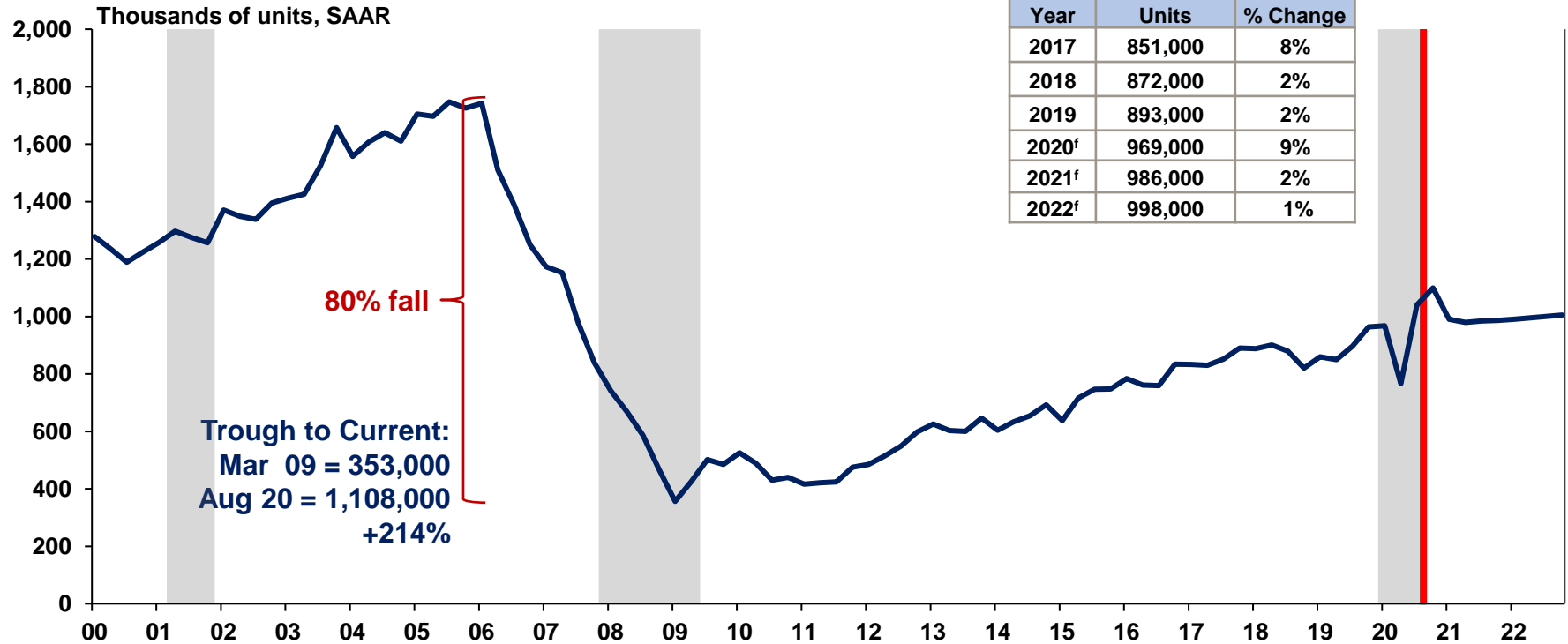
*Builder confidence levels have hit successive all-time highs over the past three months*



Source: Census Bureau and NAHB/Wells Fargo HMI survey

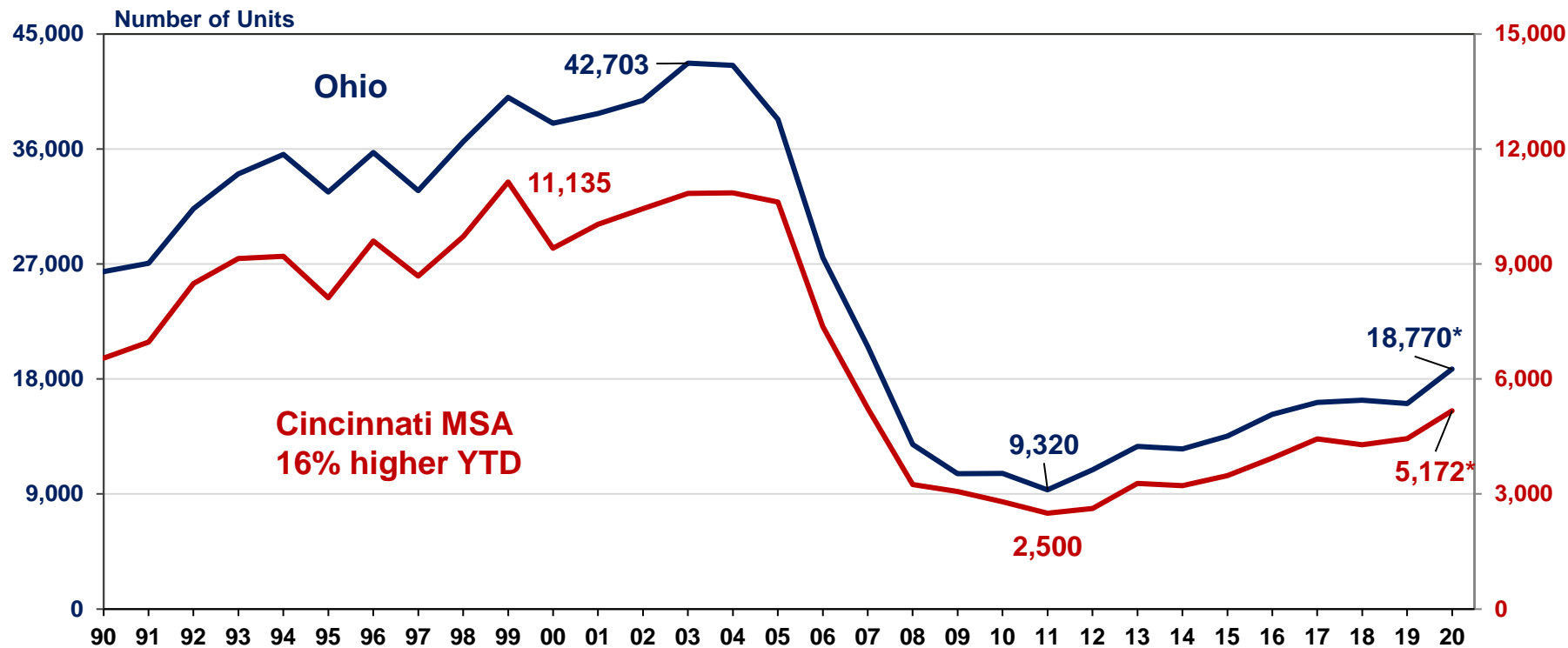
# Single-Family Starts

*Gain for 2020 and choppy trend growth ahead*



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

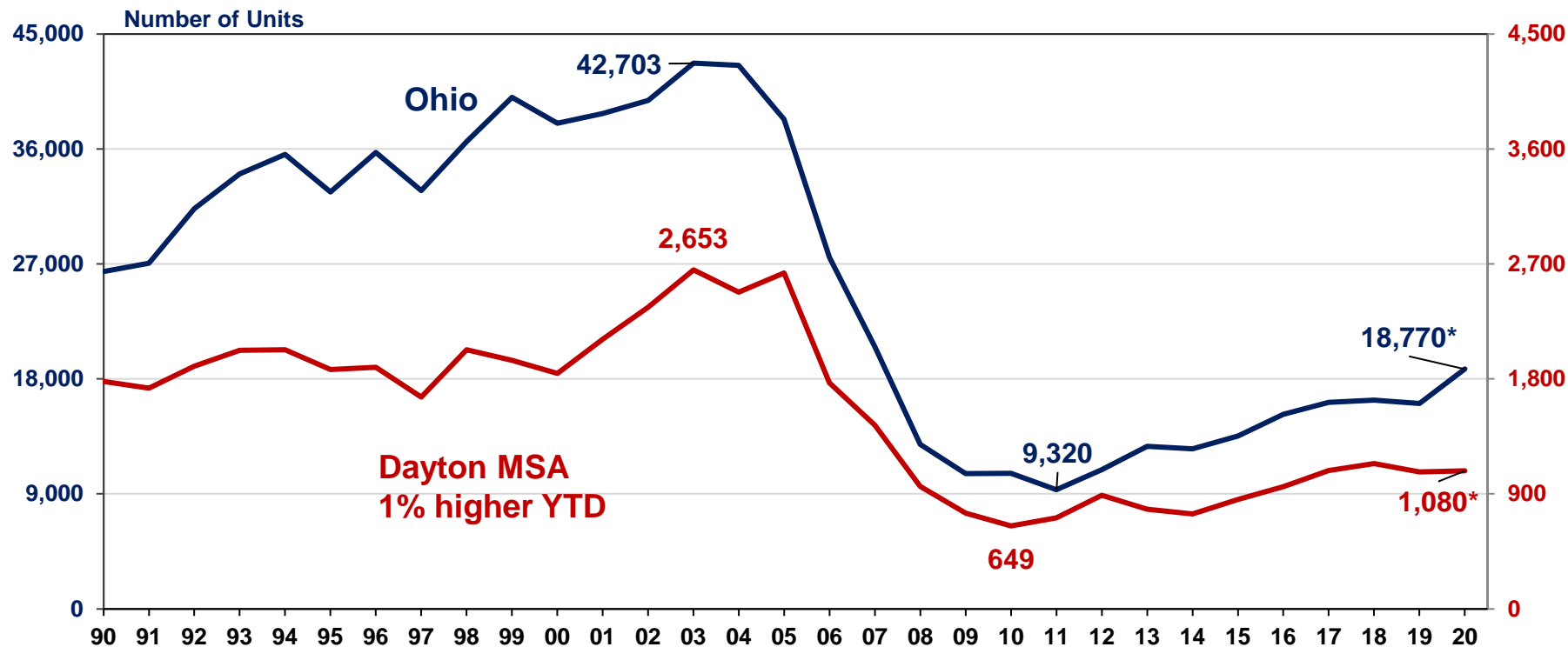
# Single-Family Building Permits – Ohio and Cincinnati MSA



Source: U.S. Census Bureau (BOC)

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

# Single-Family Building Permits – Ohio and Dayton MSA

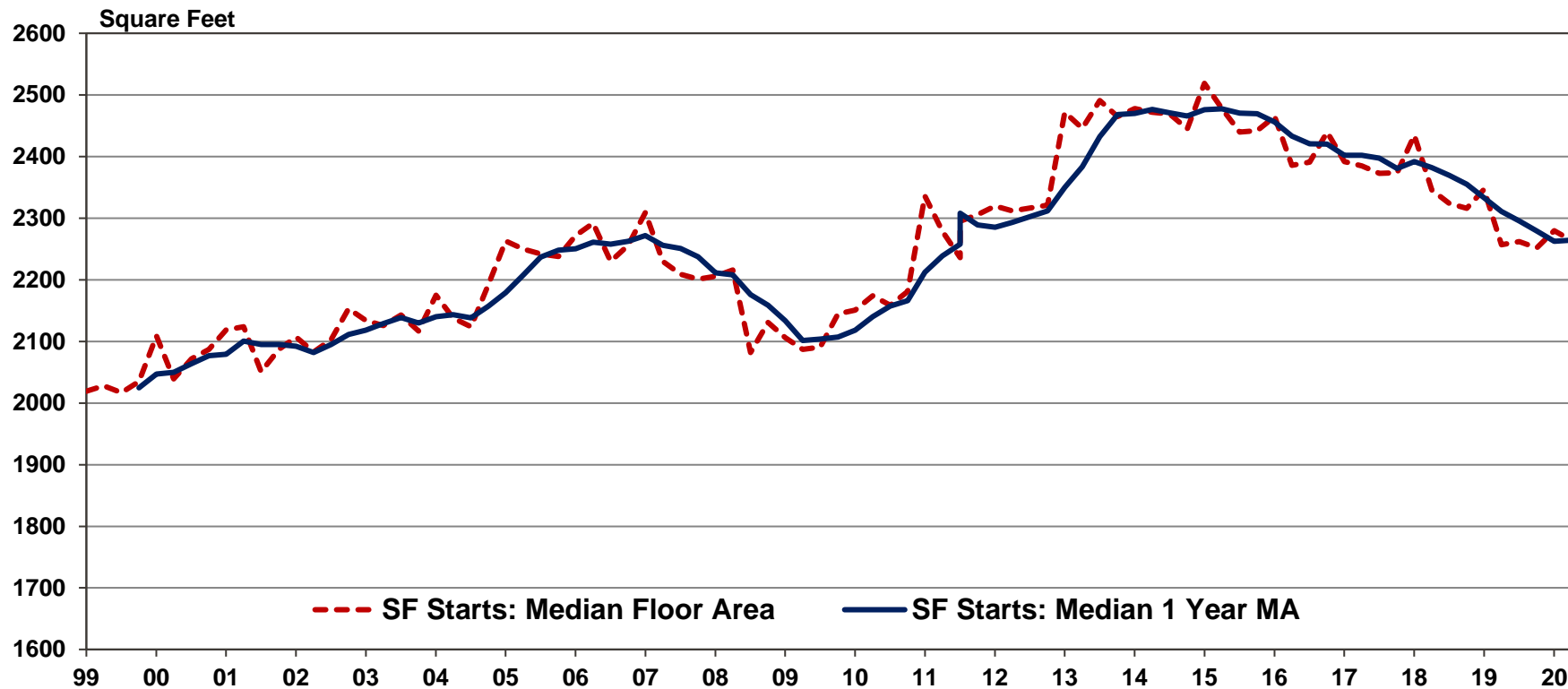


Source: U.S. Census Bureau (BOC)

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

# Typical New Home Size

*End of declines ahead?*

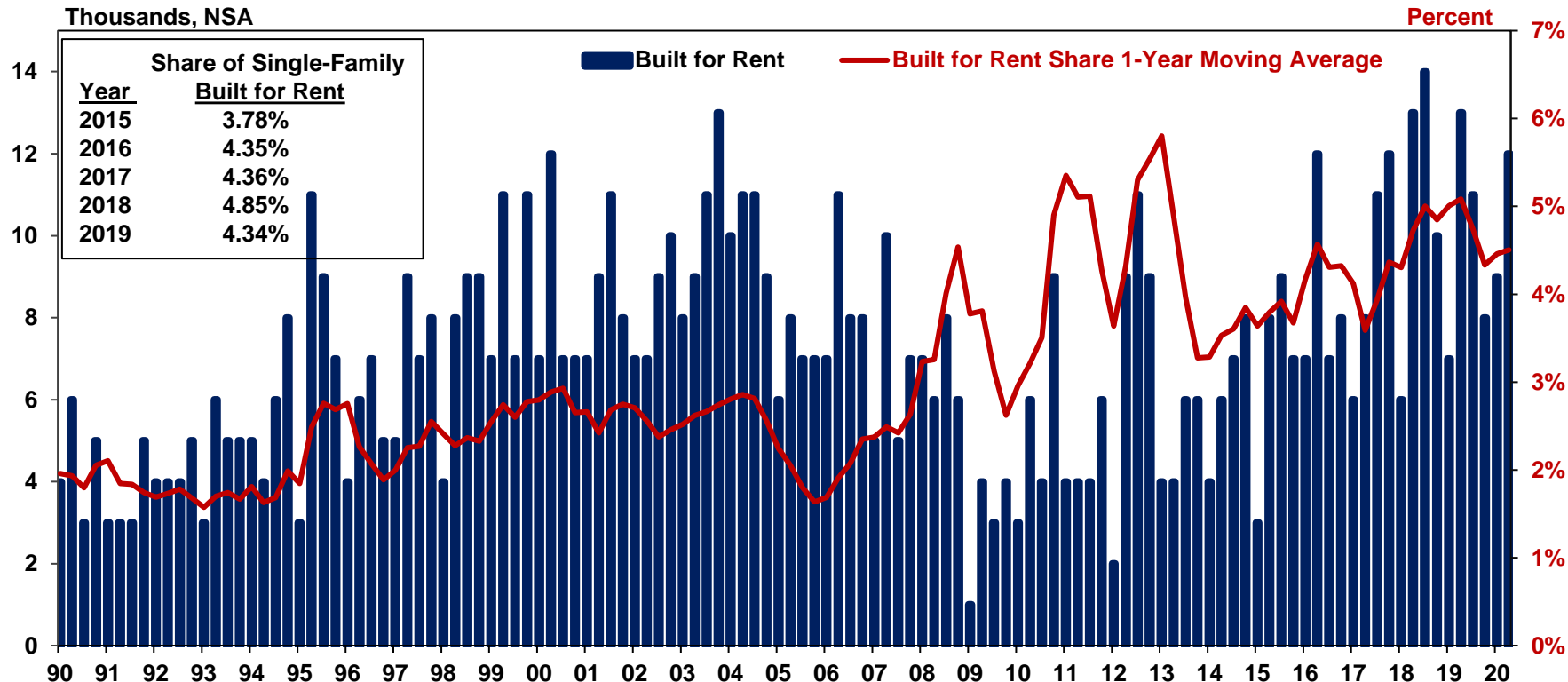


Source: U.S. Census Bureau (BOC)

# Single-Family Built-for-Rent Construction

*A window of opportunity*

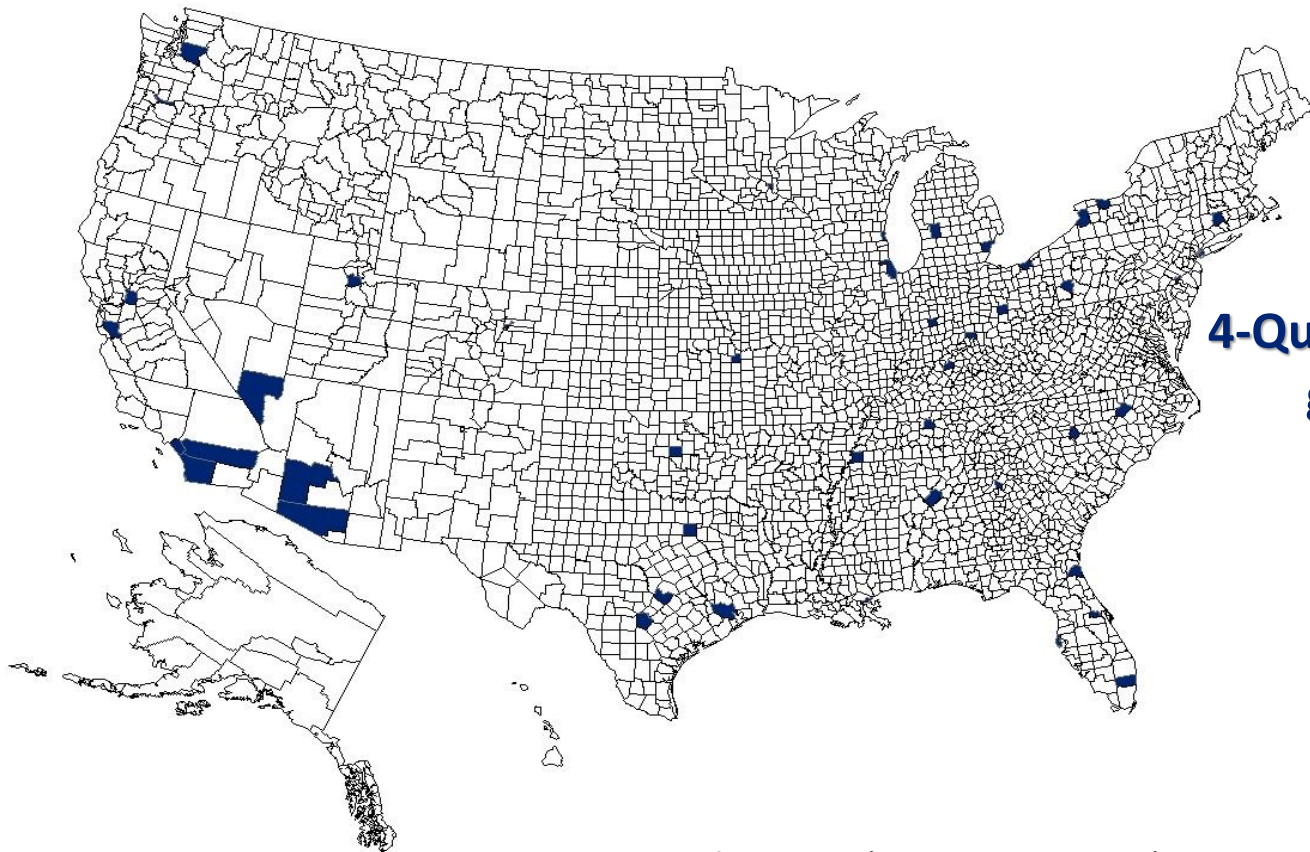
Thousands, NSA



Source: U.S. Census Bureau (BOC)

# / NAHB Home Building Geography Index

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



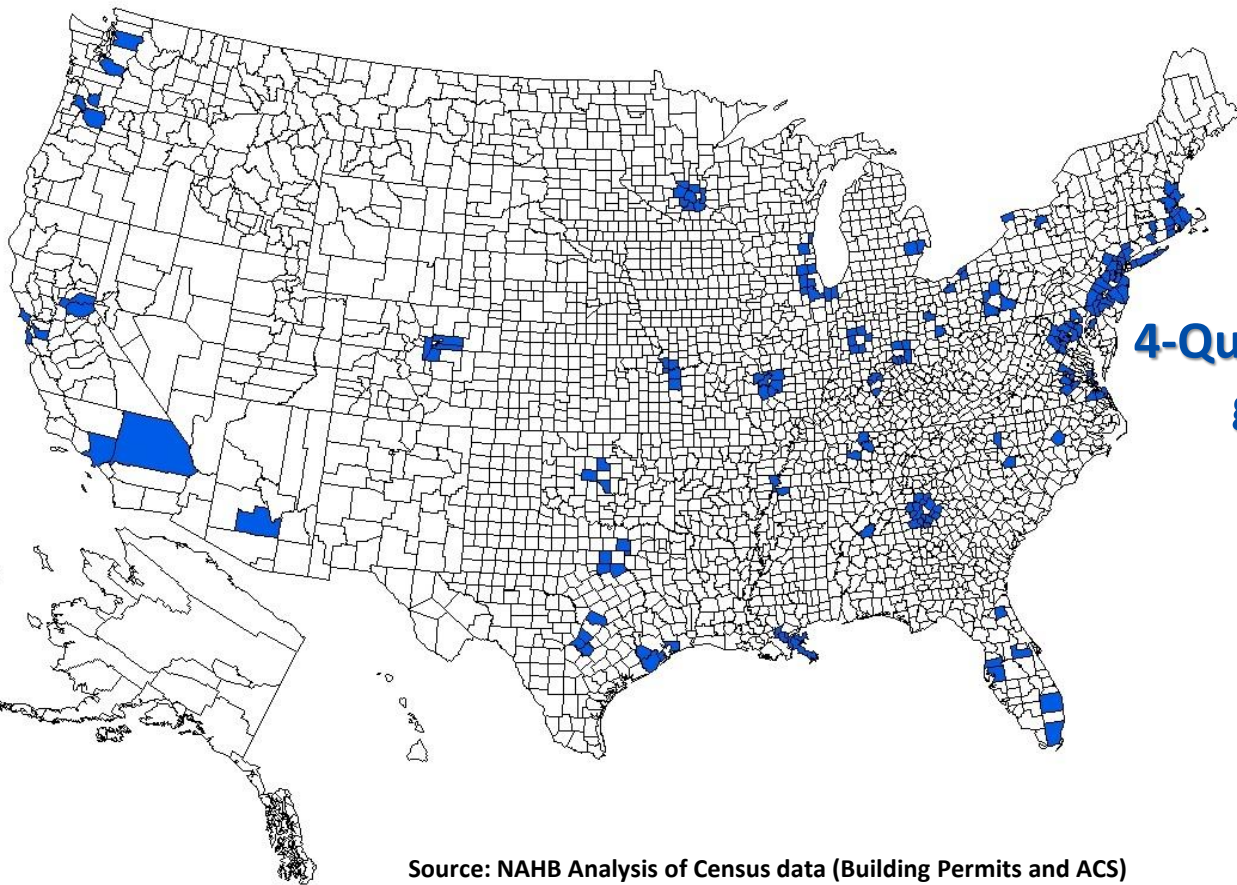
**Q3 2020**

**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**

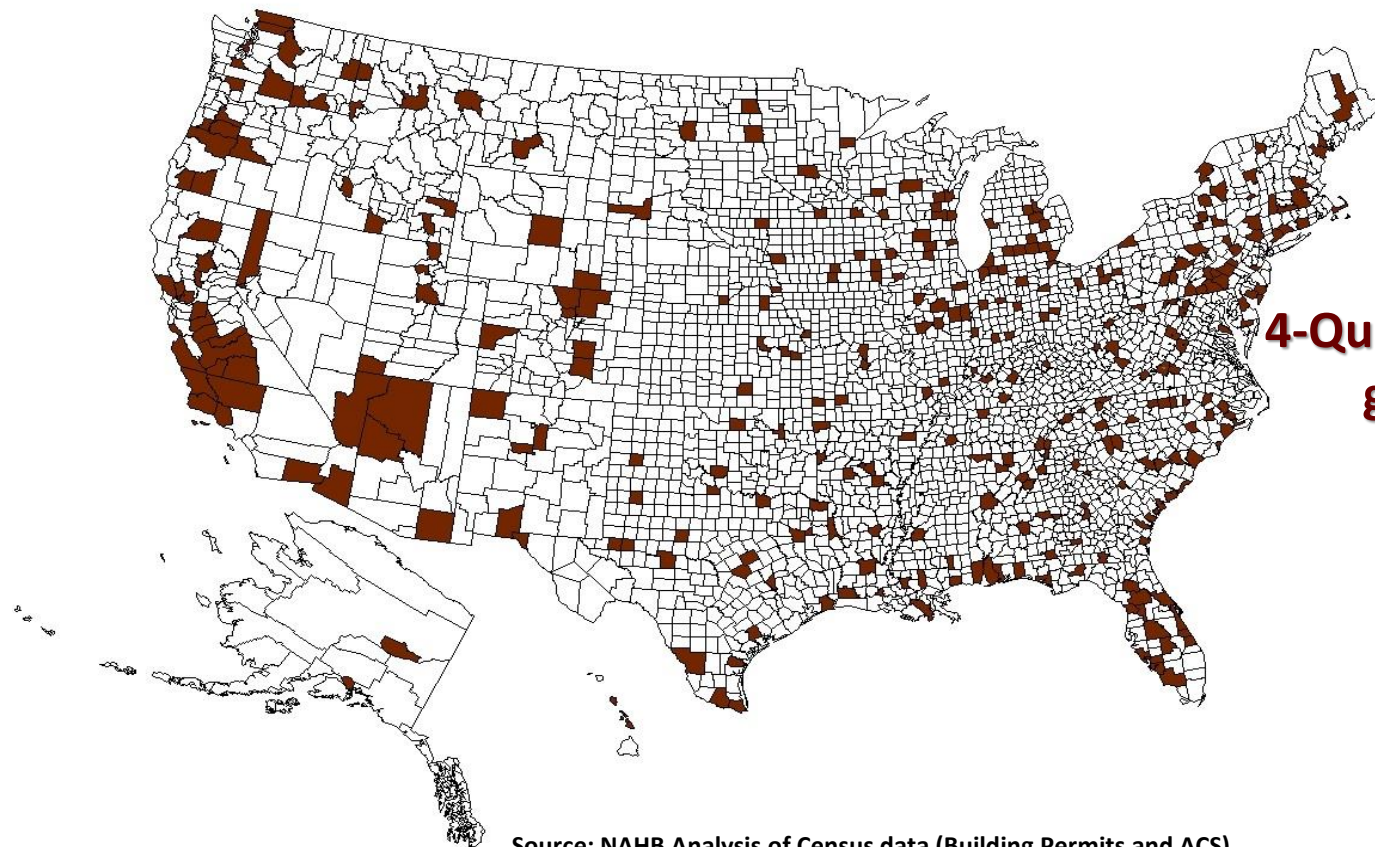
**4-Quarter MA of YoY  
growth rate:  
10.8%**

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***

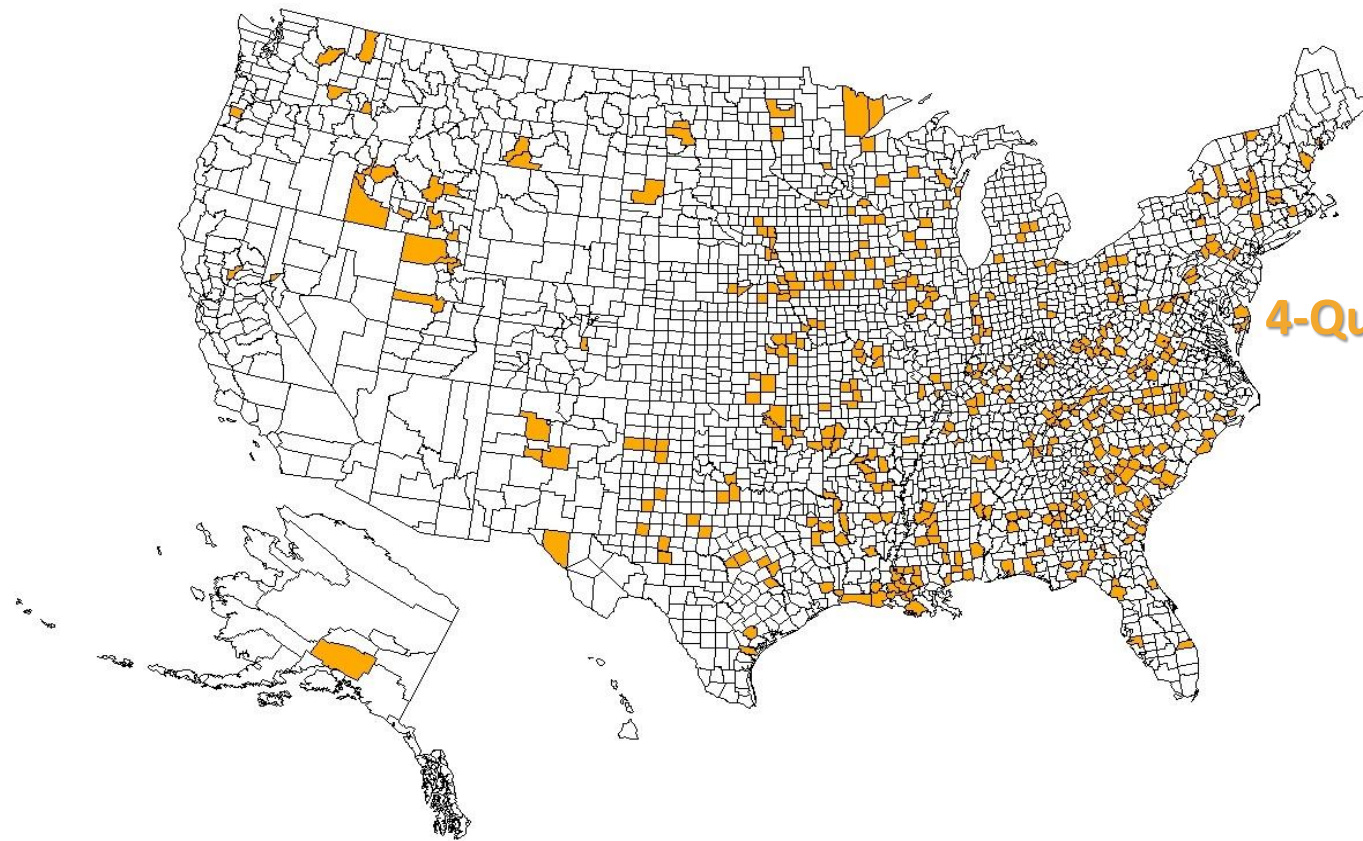


**Q3 2020**  
**4-Quarter MA of YoY**  
**growth rate:**  
**12.3%**

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**

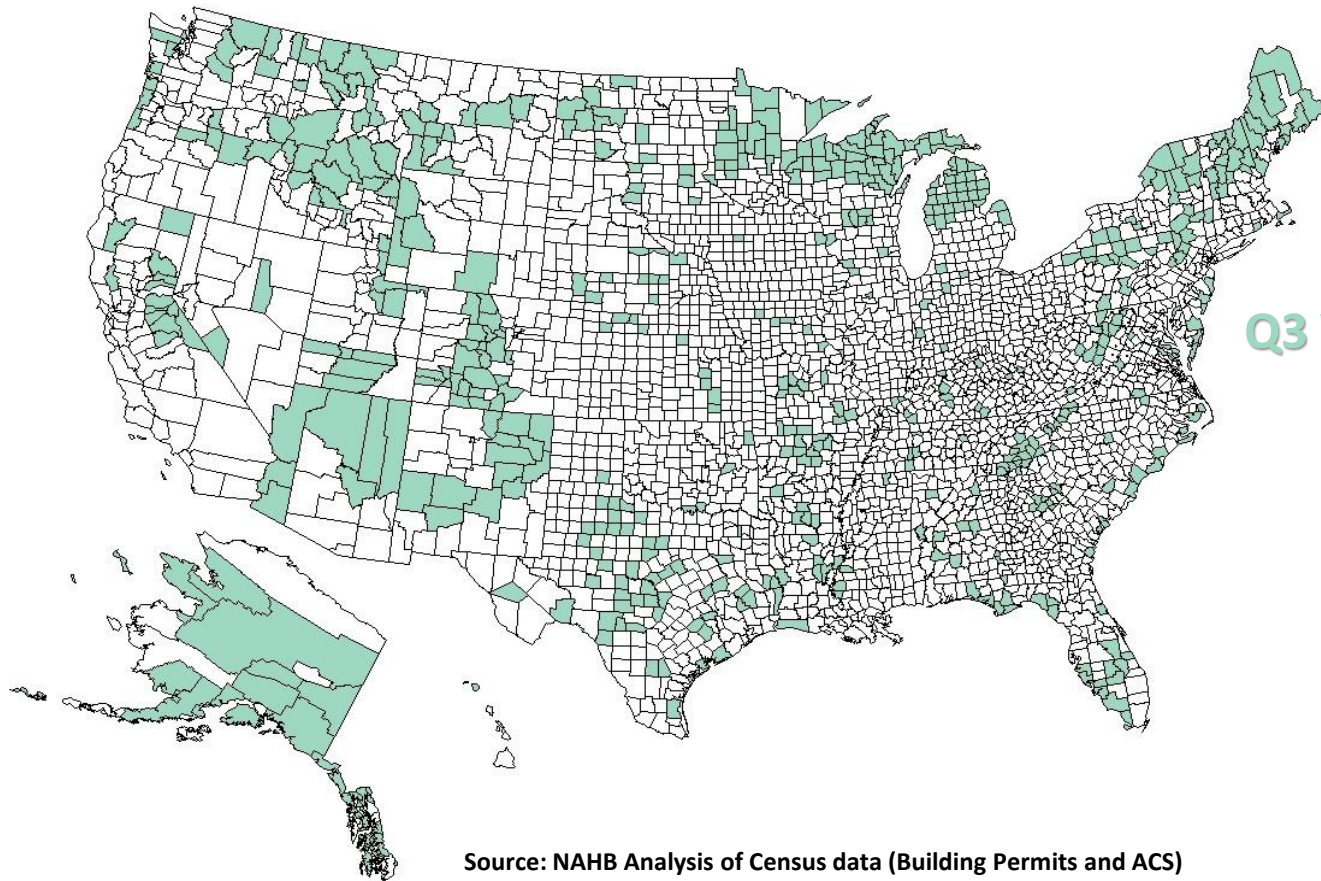


Q3 2020  
4-Quarter MA of YoY  
growth rate:  
15.1%

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*



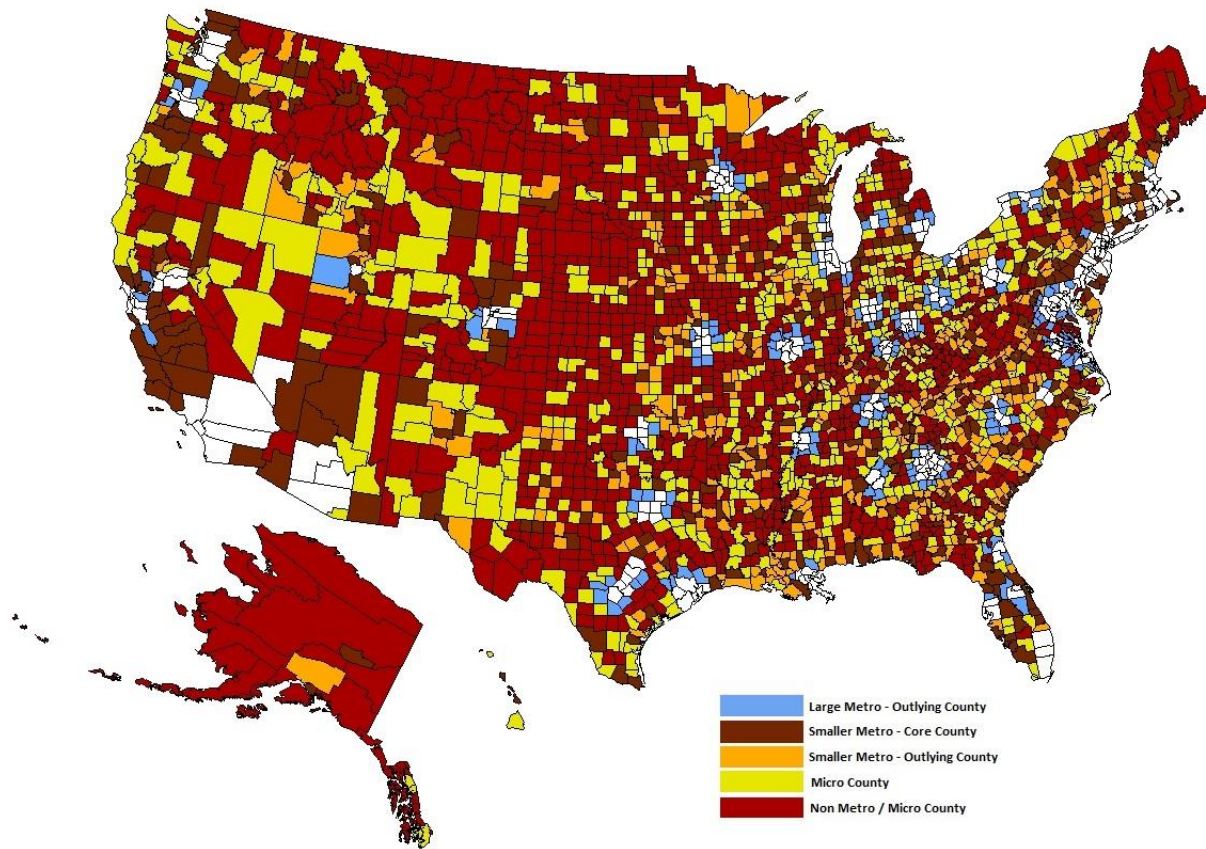
Q3 2020  
Q3 YoY growth rate:  
23.2%

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



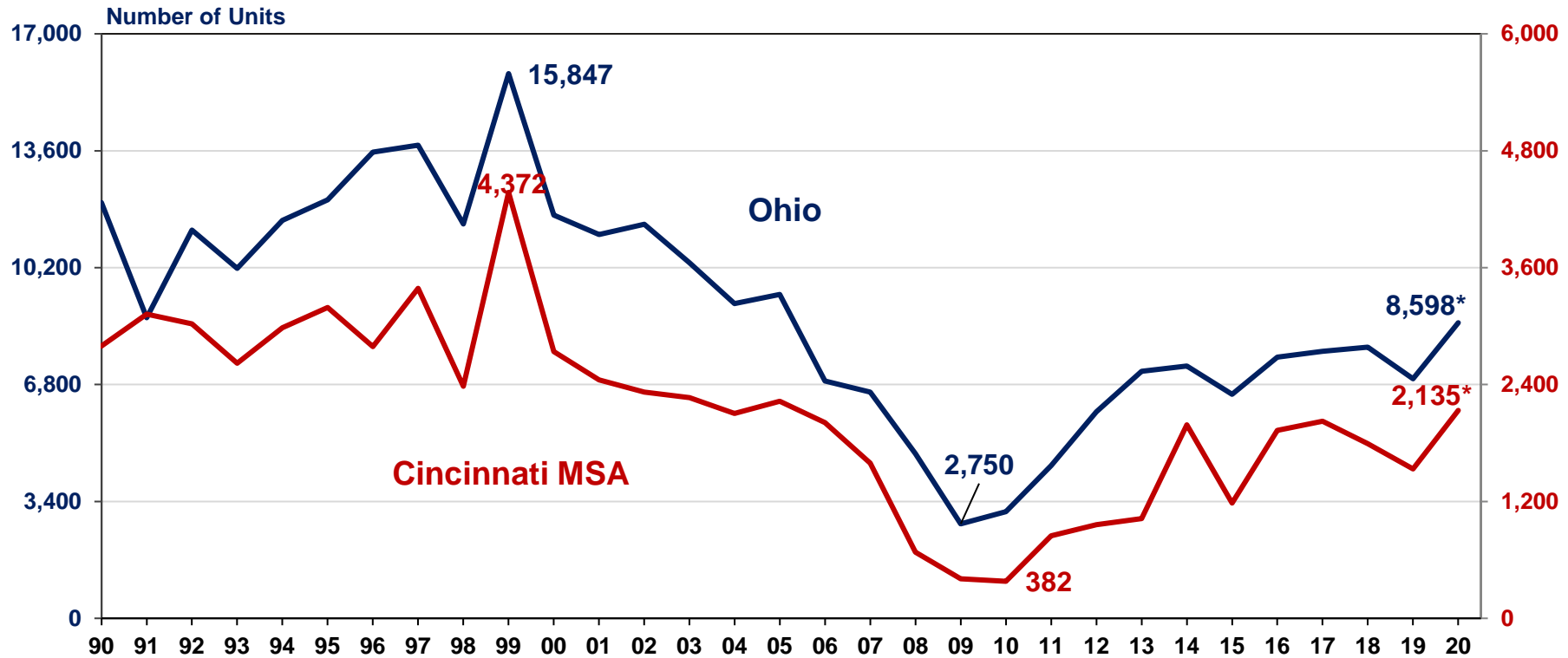
# 34% Multifamily Construction in Low Density Markets

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



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

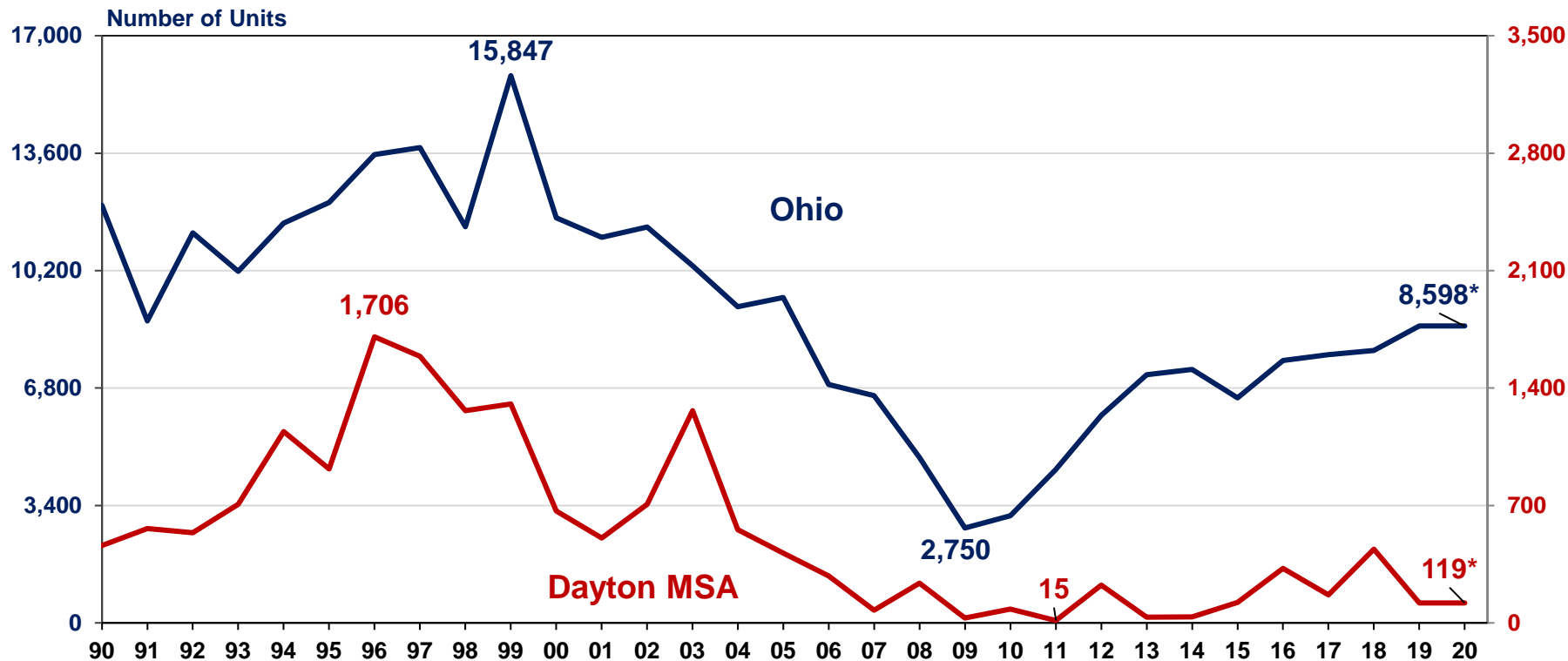
# Multifamily Building Permits – Ohio and Cincinnati MSA



Source: U.S. Census Bureau (BOC)

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

# Multifamily Building Permits – Ohio and Dayton MSA

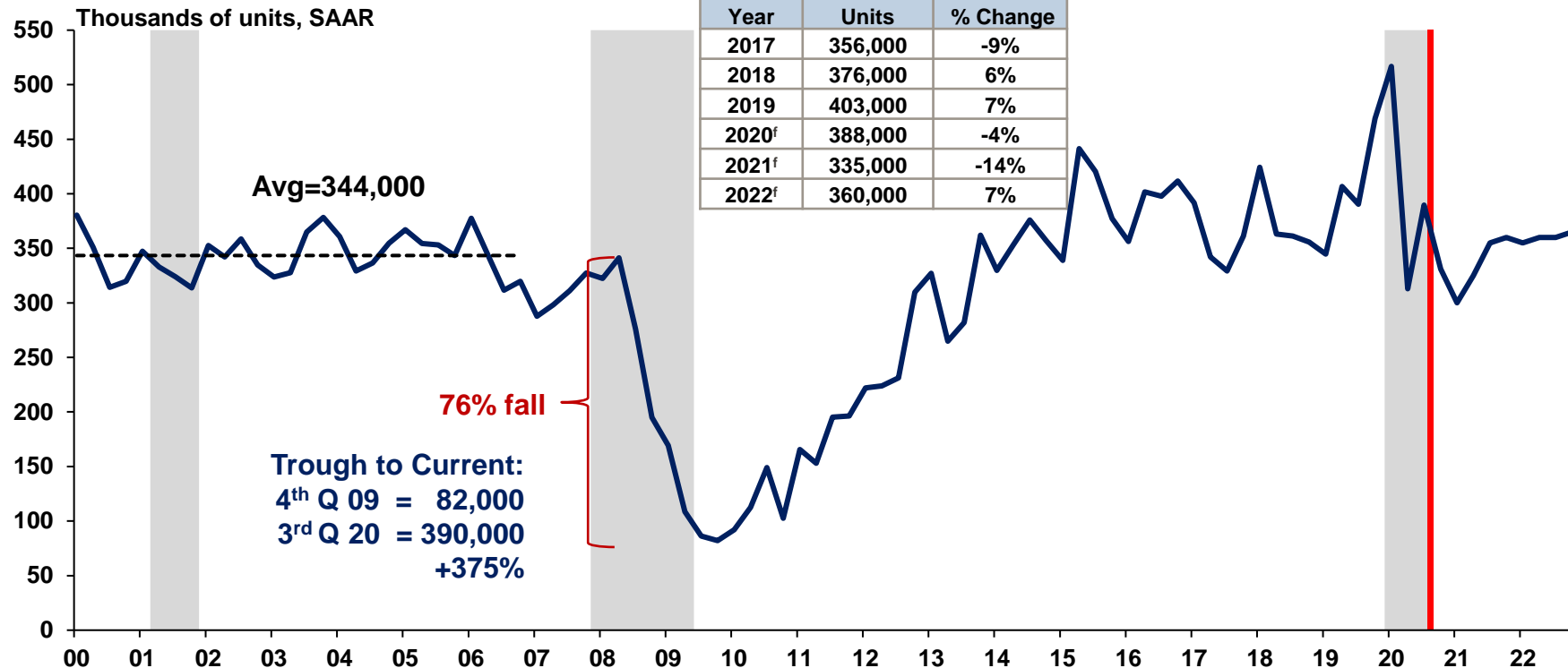


Source: U.S. Census Bureau (BOC)

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

# Multifamily Housing Starts

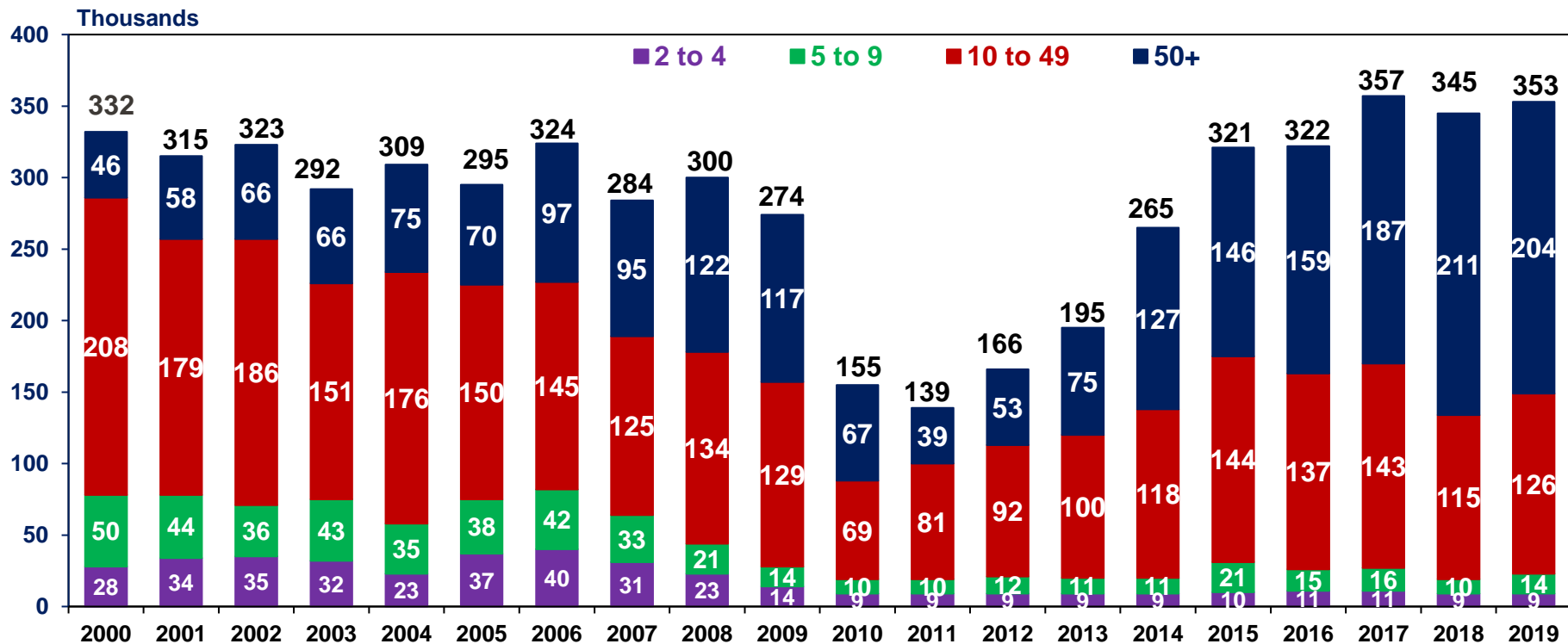
*Multifamily growth for low-rise and low-density development*



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

# Multifamily Buildings Completed By Units

*Expect 50+ unit property share to decline*

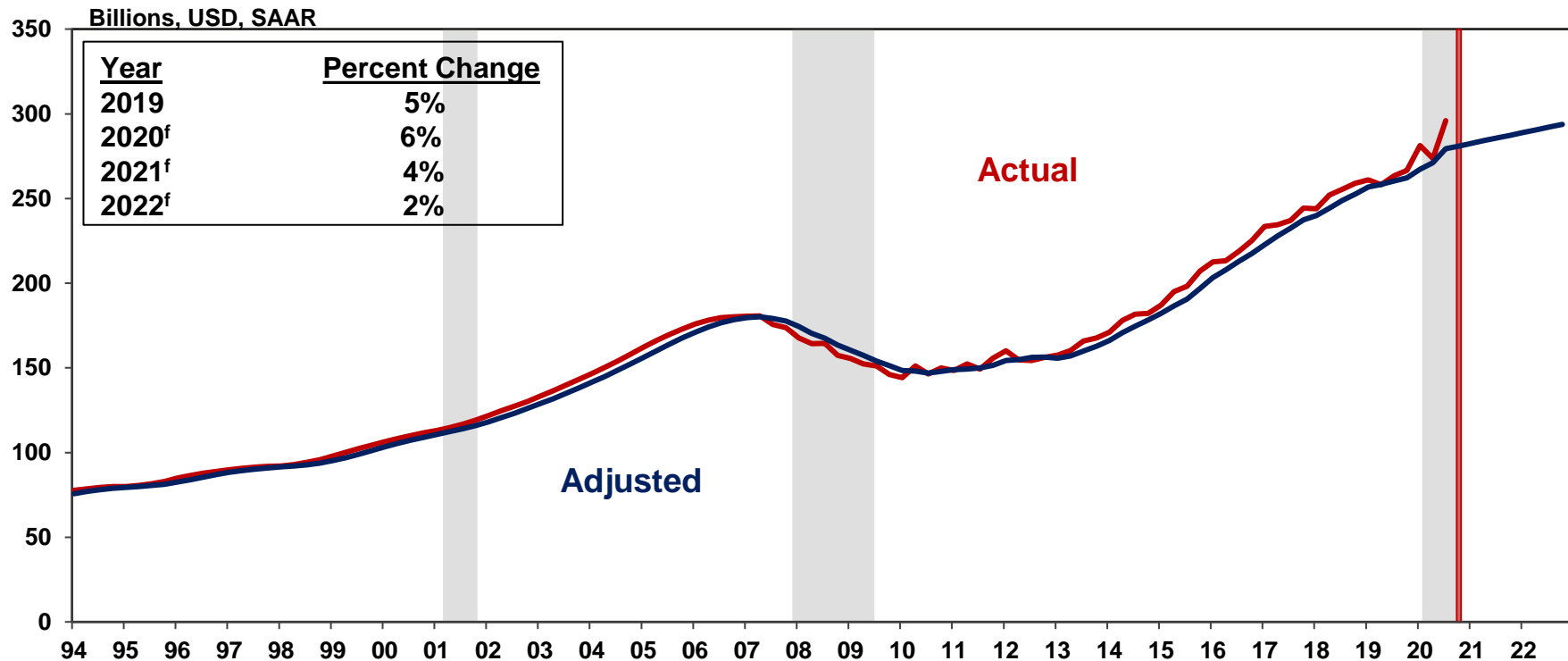


Source: U.S. Census Bureau (BOC).



# Residential Remodeling

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

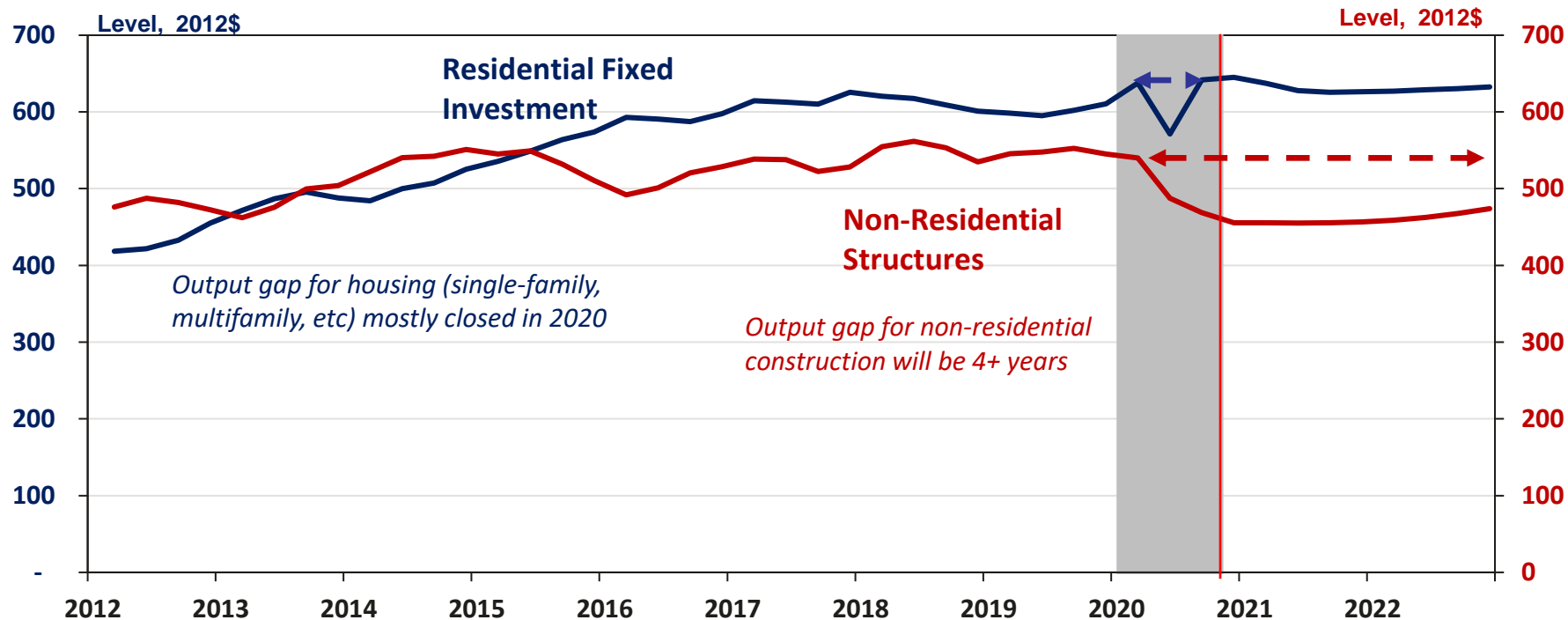


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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*



Source: BEA, NAHB Forecast

# Thank you

*Questions?*

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Home Mortgage

*eyeonhousing.org*  
*housingeconomics.com*