

# Housing and Economic Outlook

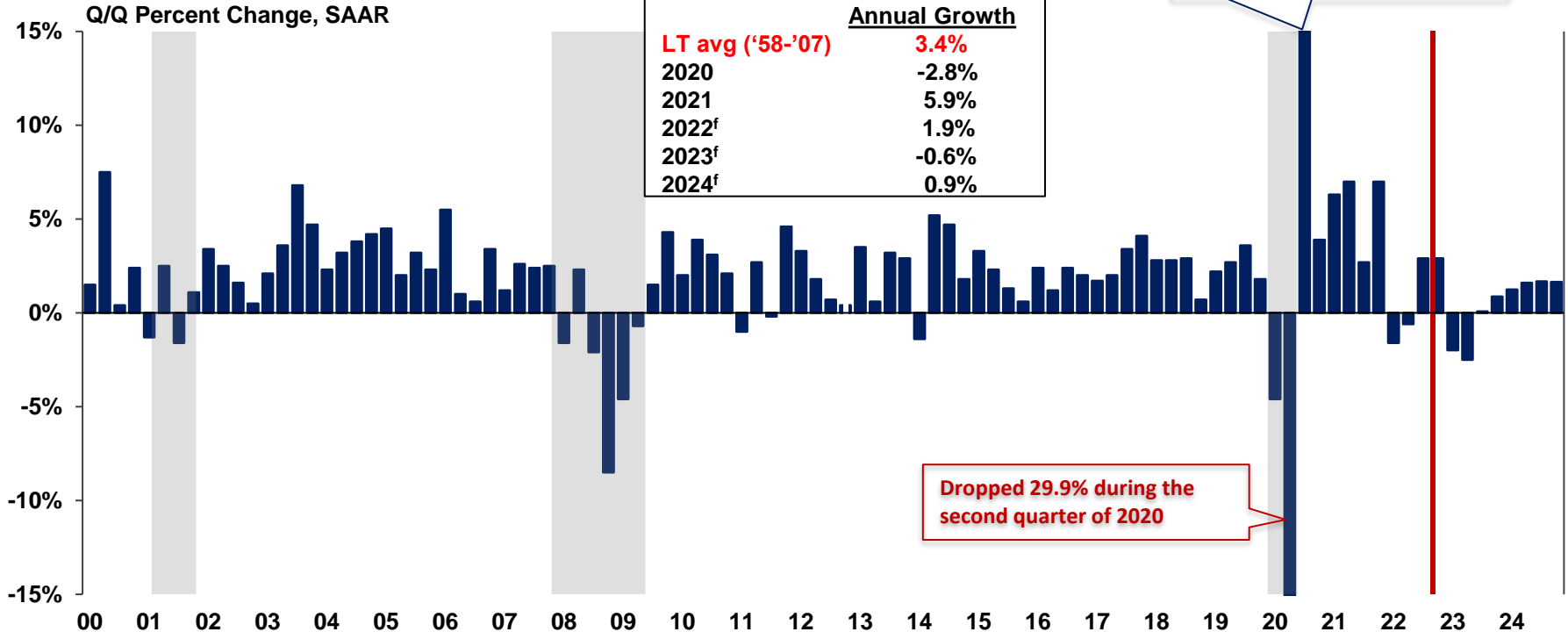
*IBS Outlook*  
*January 31, 2023*

*Robert Dietz, Ph.D.*  
*NAHB Chief Economist*



# GDP Growth – Recession in the Forecast Window

*From 2022 to mid-2023: four of six quarters of GDP declines*

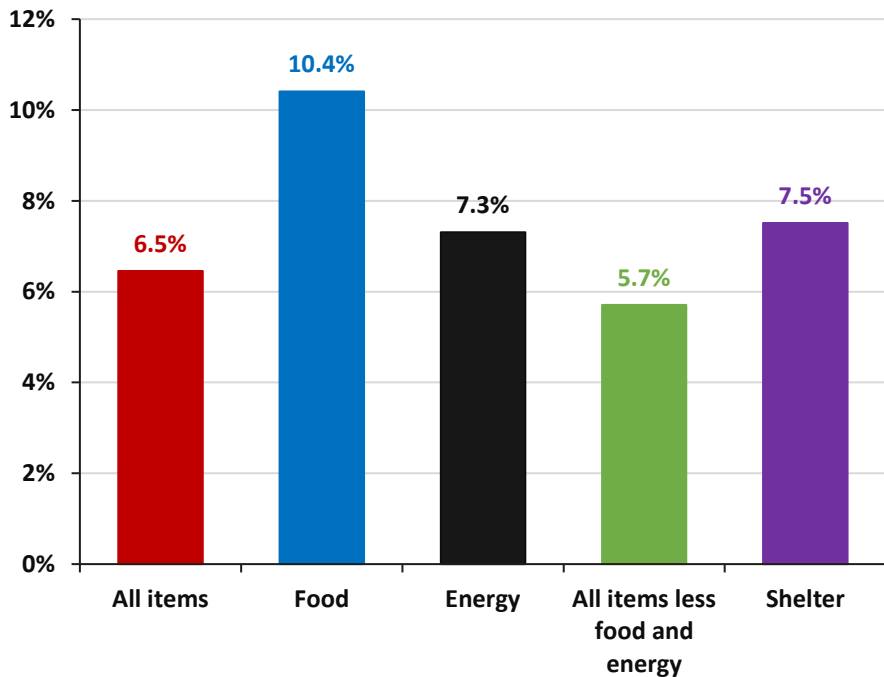


Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

# Inflation

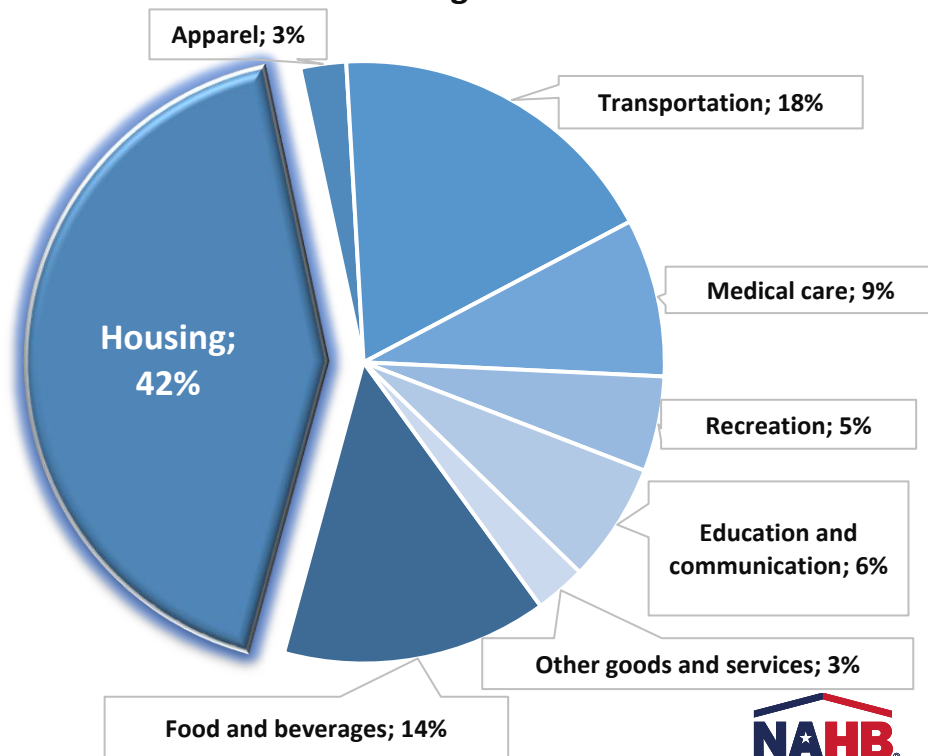
*Broad-based rise in all prices; shelter effects will continue*

12-month percentage change for CPI component items  
December 2022, NSA



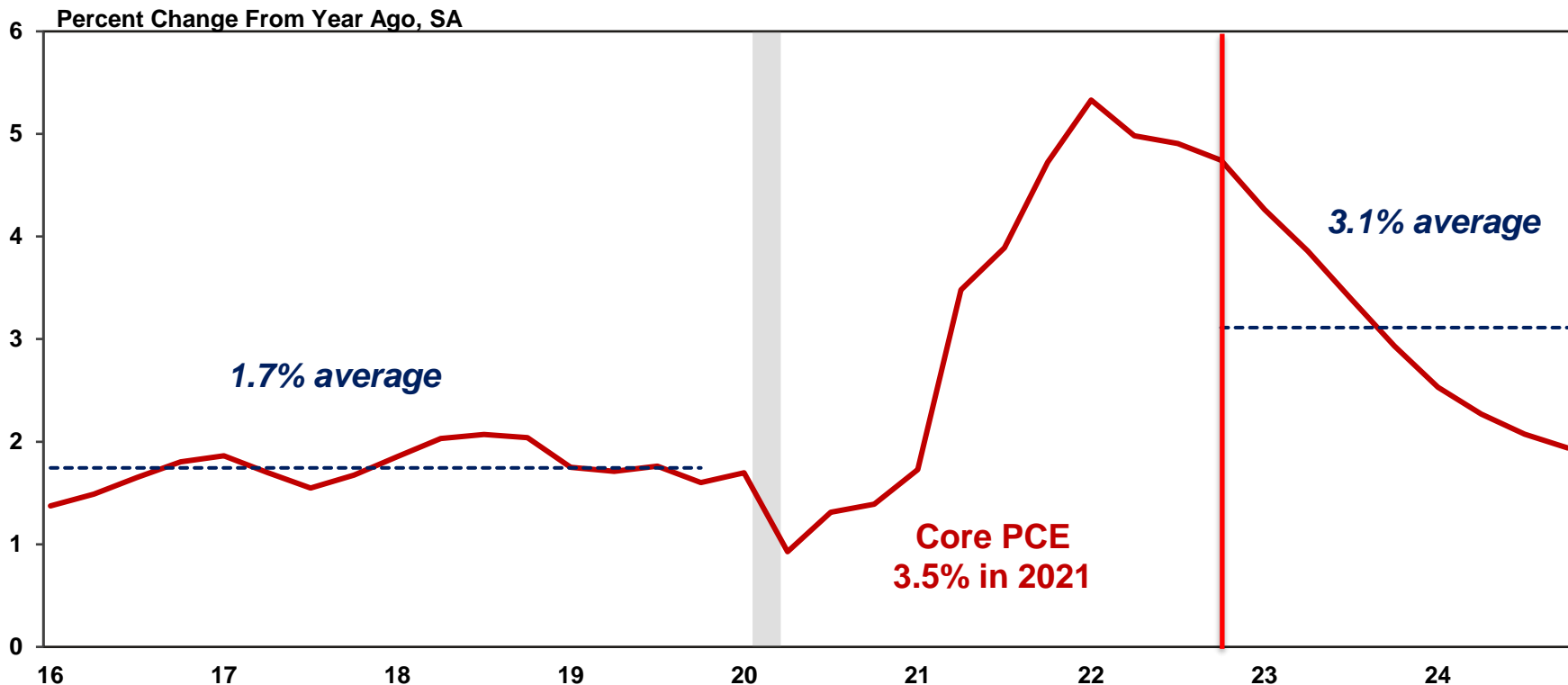
Source: U.S. Bureau of Labor Statistics (BLS)

CPI Weights



# Core Inflation

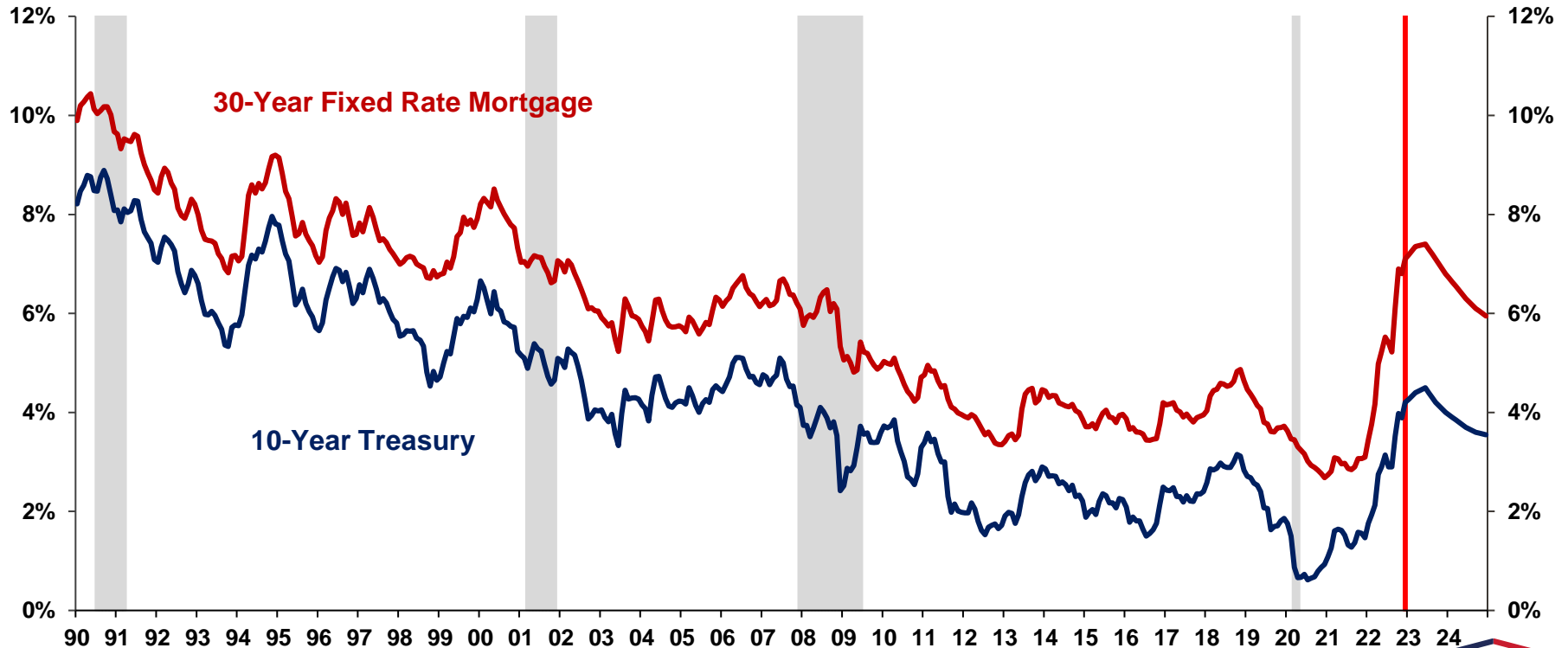
*Inflation will decelerate in 2023*



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

# Interest Rates Will Move Lower in Quarters Ahead

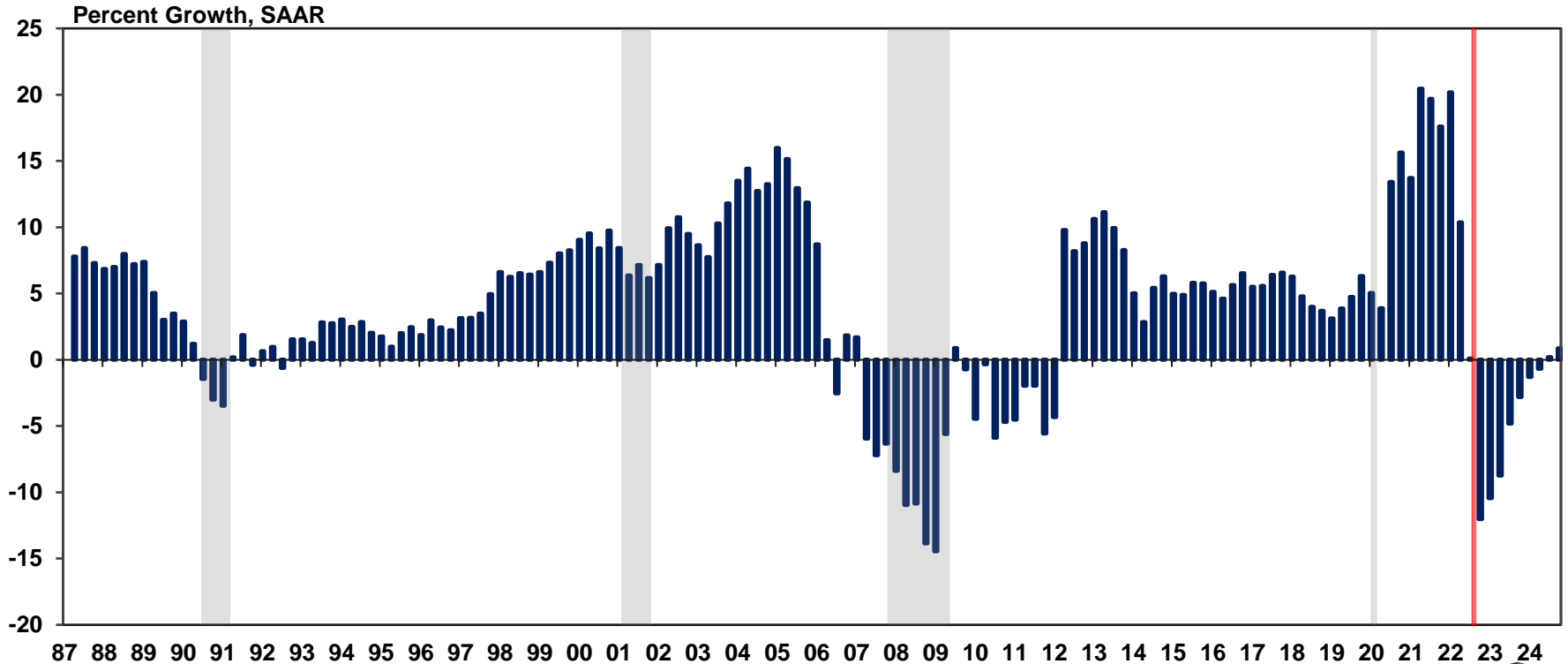
*Federal Reserve actions close to ending*



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

# S&P CoreLogic Case-Shiller National US Home Price Index

Home prices are slowing, 15% decline for NAHB forecast after almost 40% covid era gain



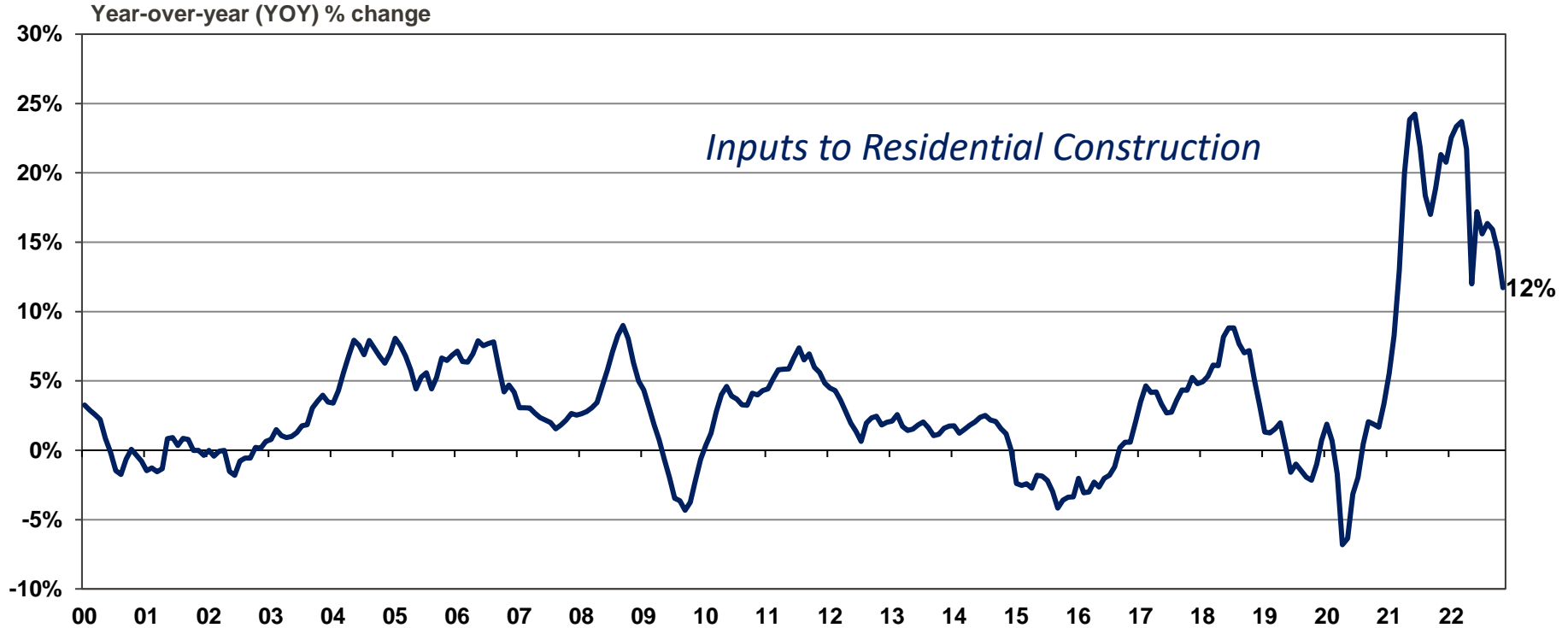
Source: NAHB forecast and S&P Dow Jones Indices LLC; CoreLogic, Inc..



# Supply-Side Factors



# Building Materials - Residential Construction Cost

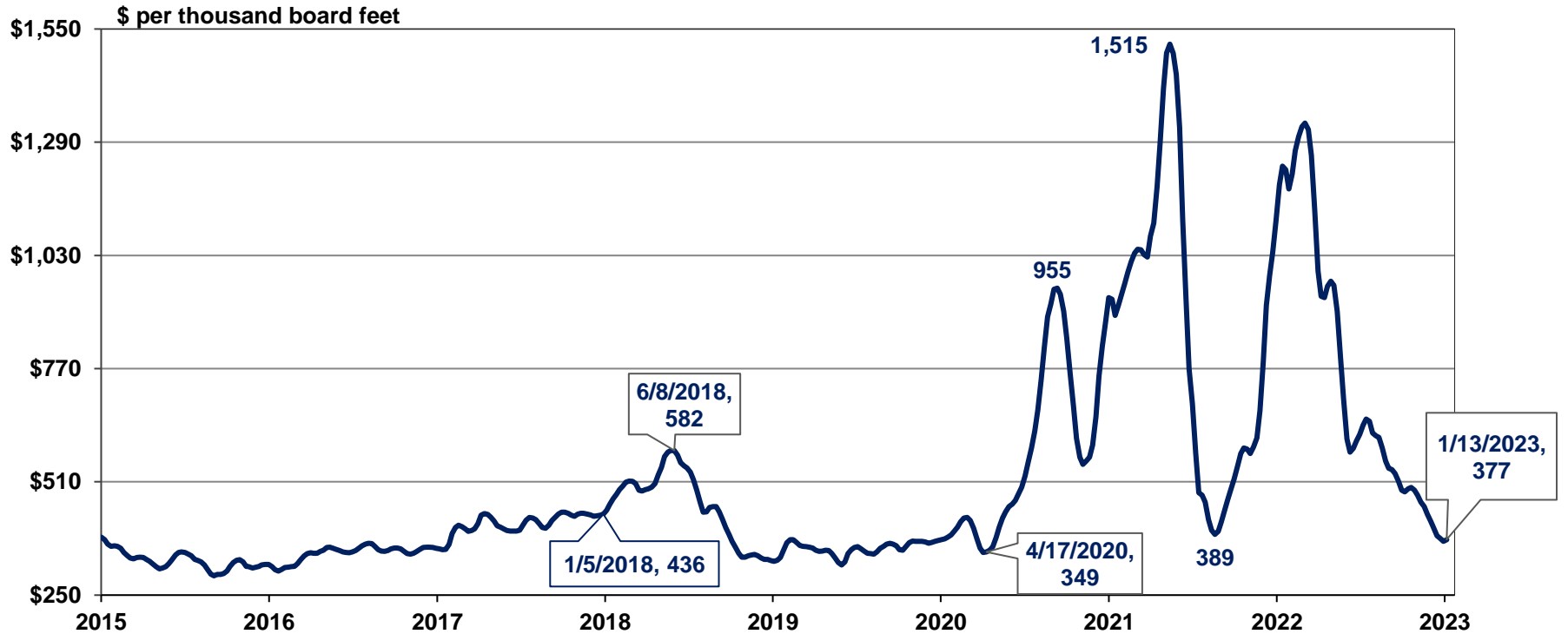


Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI)



# Lumber Prices Back to Around Pre-pandemic Levels

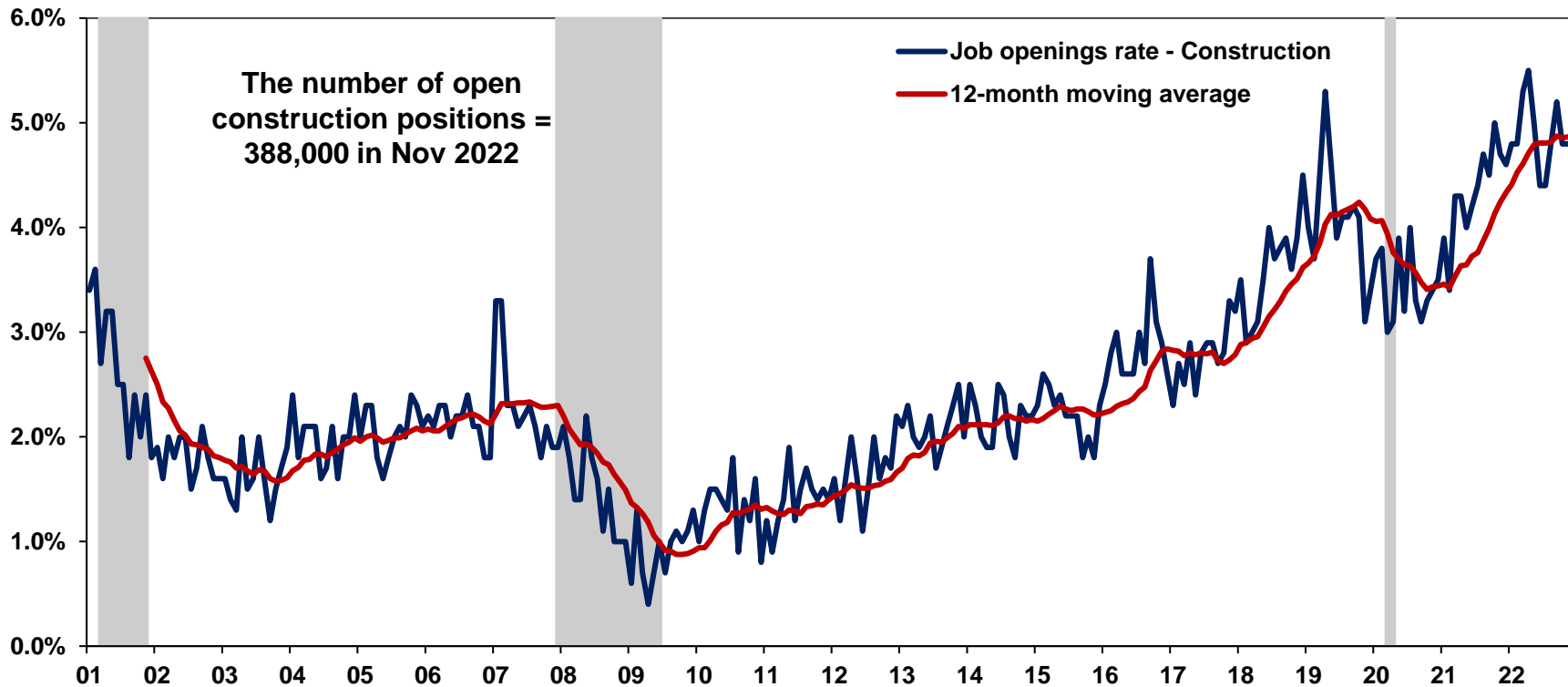
Current January price is \$377; down 24% in the past two months



Source: NAHB Analysis; Random Lengths Composite Index

# Labor – Construction Job Openings Peaked for Cycle?

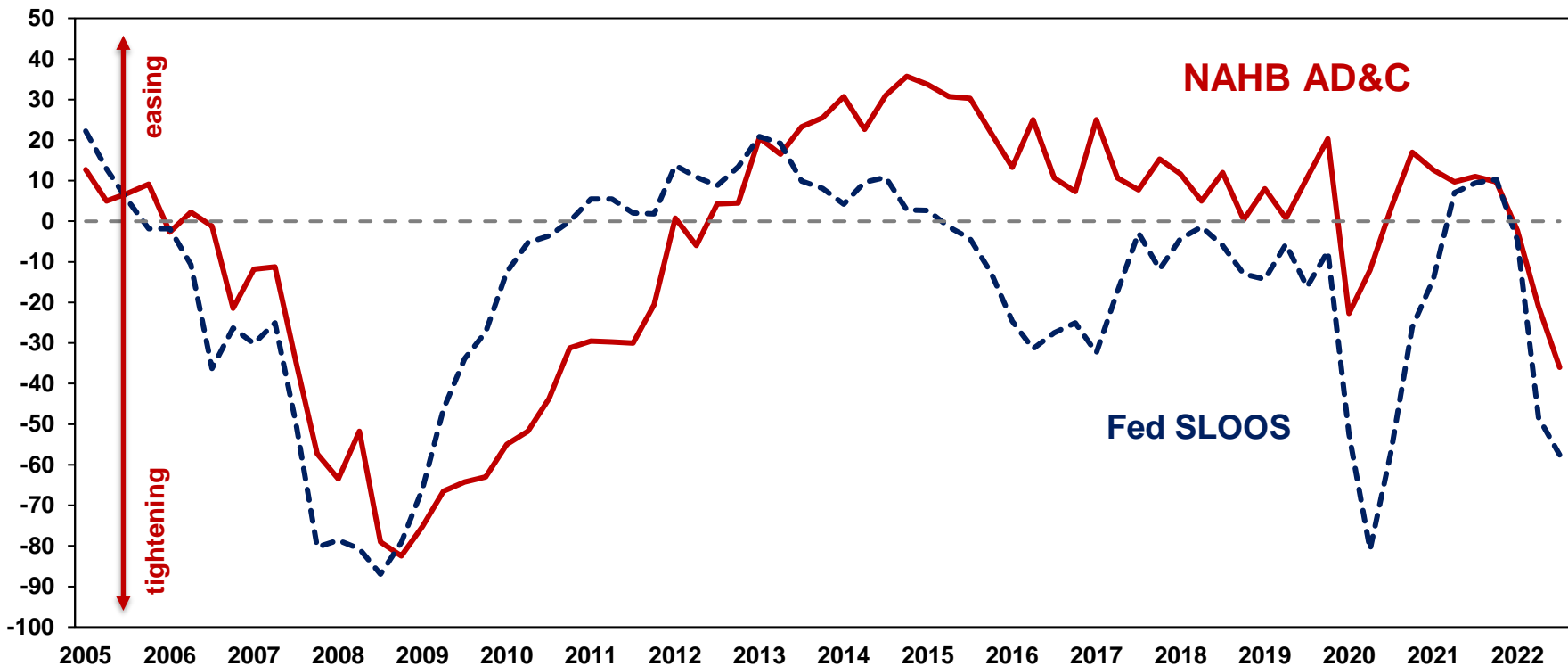
*Skilled labor shortage persists; 254,300 net gain for residential construction since Jan 2020*



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

# / Lending – AD&C Loan Conditions

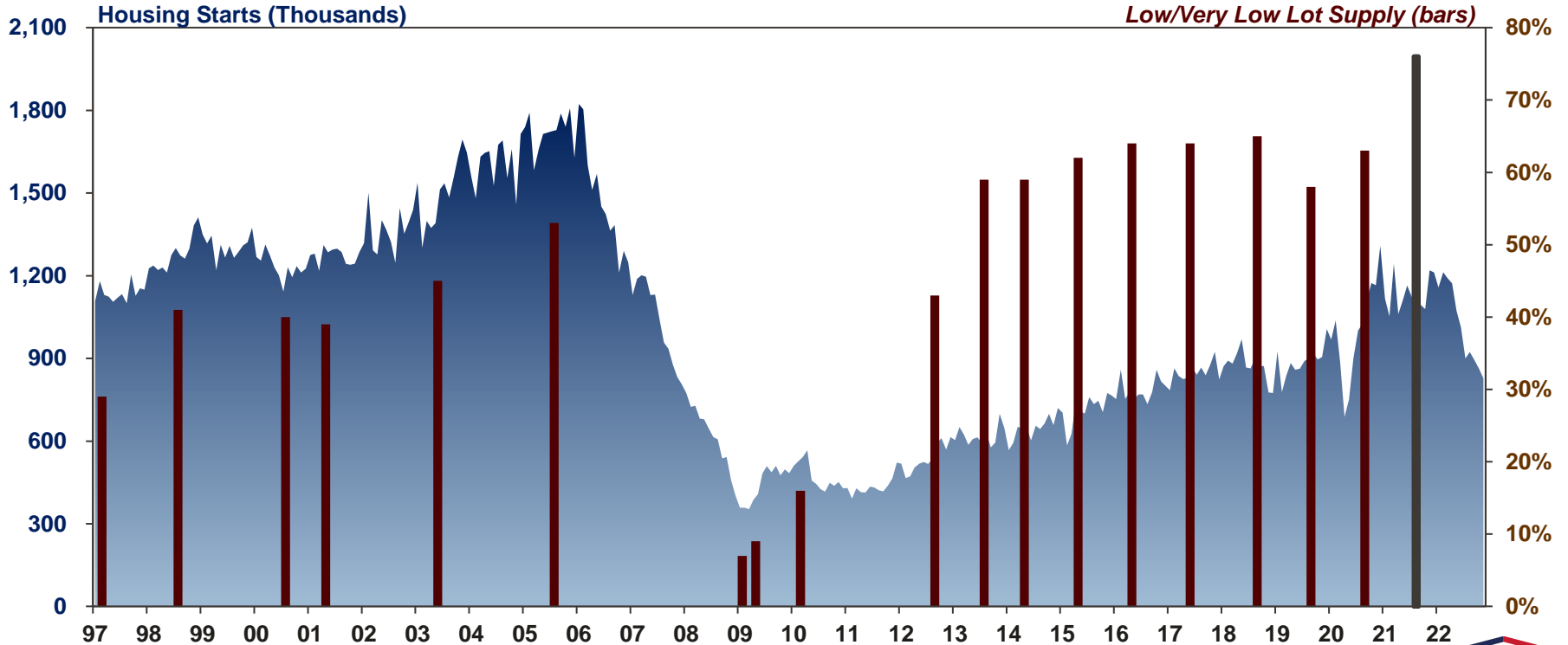
*Credit conditions continued to worsen*



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

# / Lot Shortages Reported by Single-family Builders

*Shortage of lots reached a new record in 2021*



Source: Census Bureau and NAHB/Wells Fargo HMI survey



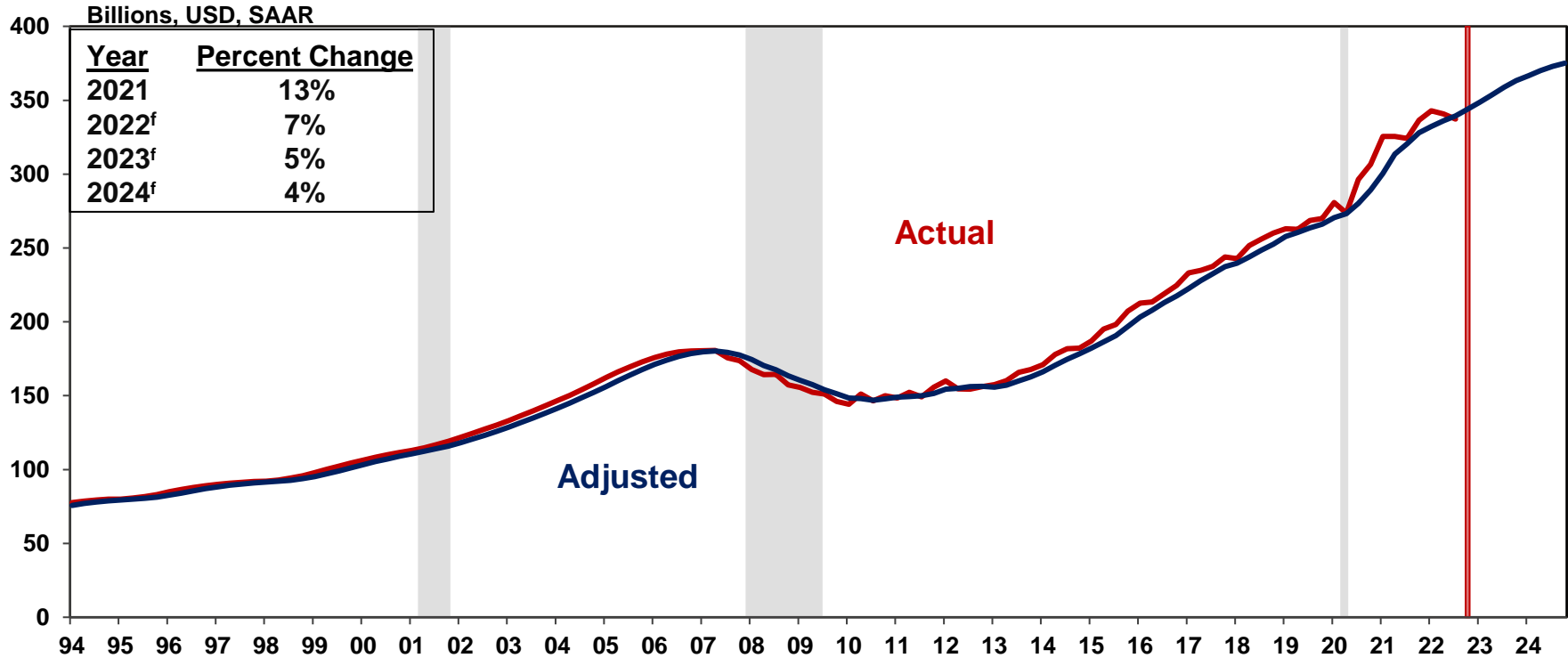


# Construction Outlook



# Residential Remodeling

*Remodeling growth is expected to soften as housing demand is weakening*

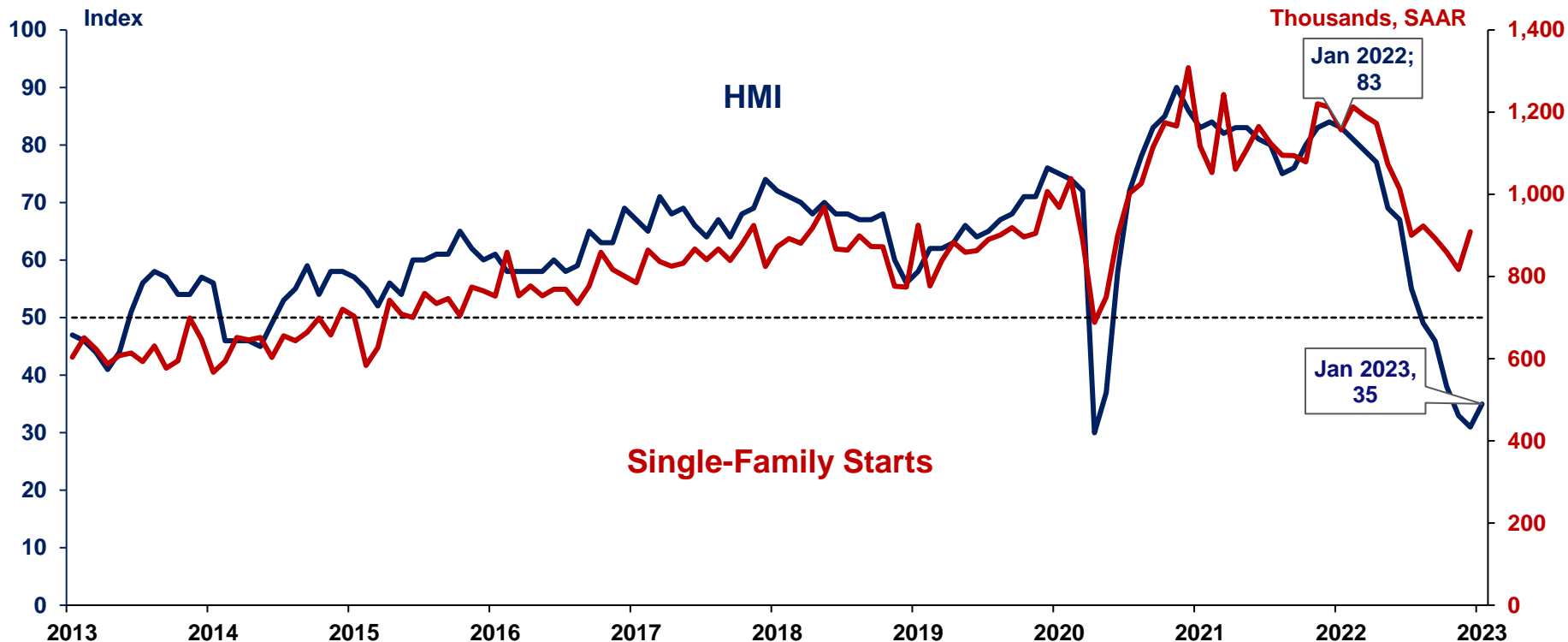


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

# NAHB/Wells Fargo Housing Market Index (HMI)

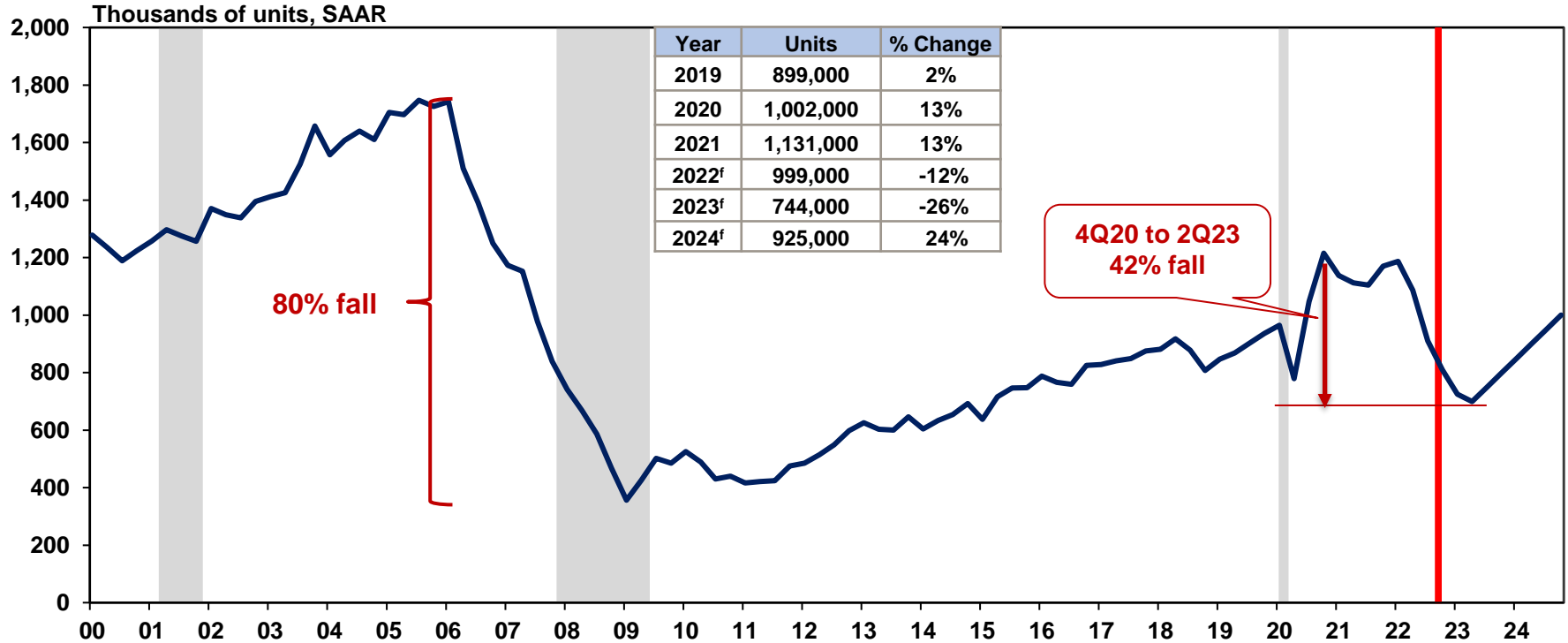
*Builder confidence uptick signals turning point for housing lies ahead*



Source: Census Bureau and NAHB/Wells Fargo HMI survey

# Single-Family Starts

Home building declines as interest rates increase, but rebound expected during 2H23



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



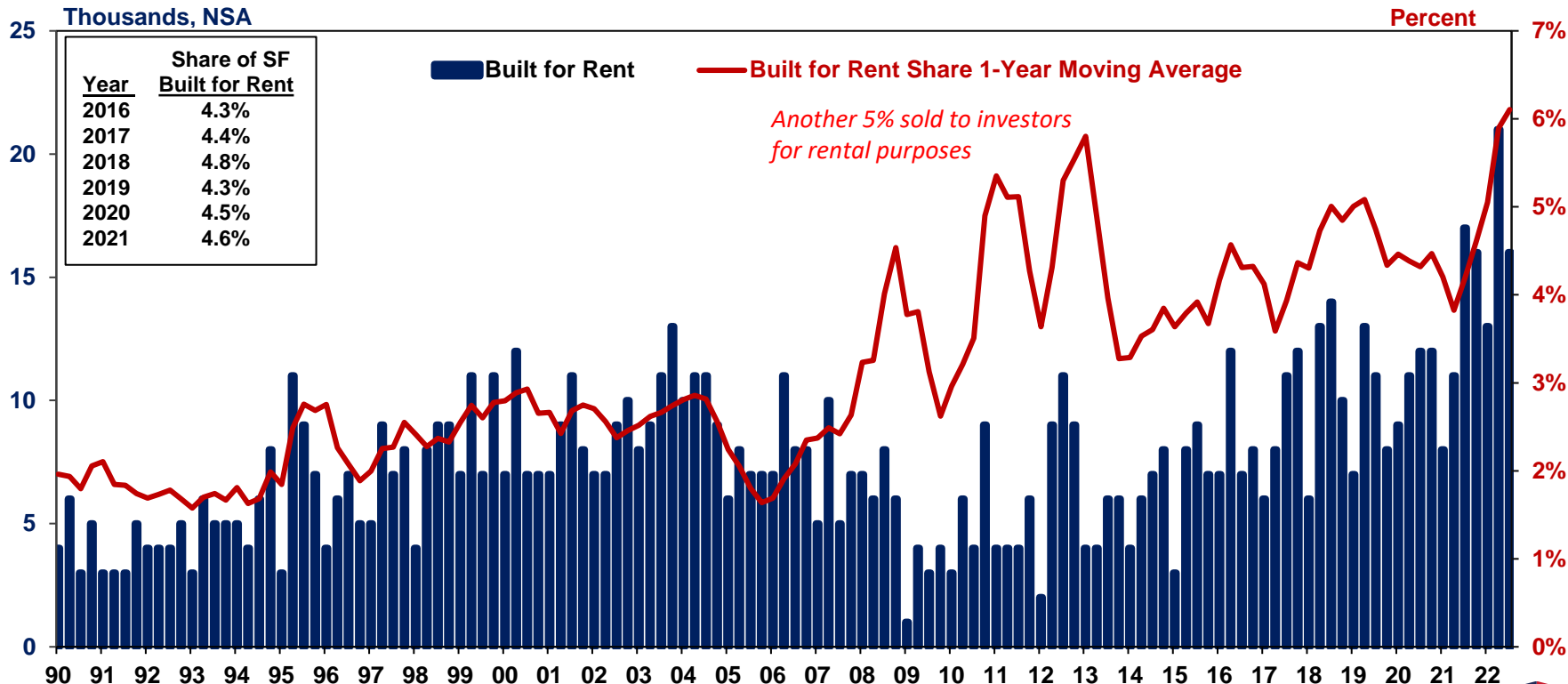
# Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	November 2022 (# of units YTD, NSA)	YTD % Change (compared to Nov 2021)
Houston-The Woodlands-Sugar Land, TX	45,584	-6%
Dallas-Fort Worth-Arlington, TX	41,437	-11%
Phoenix-Mesa-Scottsdale, AZ	25,831	-21%
Atlanta-Sandy Springs-Roswell, GA	25,278	-14%
Austin-Round Rock, TX	20,589	-8%
Charlotte-Concord-Gastonia, NC-SC	17,848	1%
Orlando-Kissimmee-Sanford, FL	15,110	-7%
Tampa-St. Petersburg-Clearwater, FL	14,785	-18%
Nashville-Davidson-Murfreesboro-Franklin, TN	14,636	-3%
Jacksonville, FL	13,345	-11%

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

# Single-Family Built-for-Rent Construction

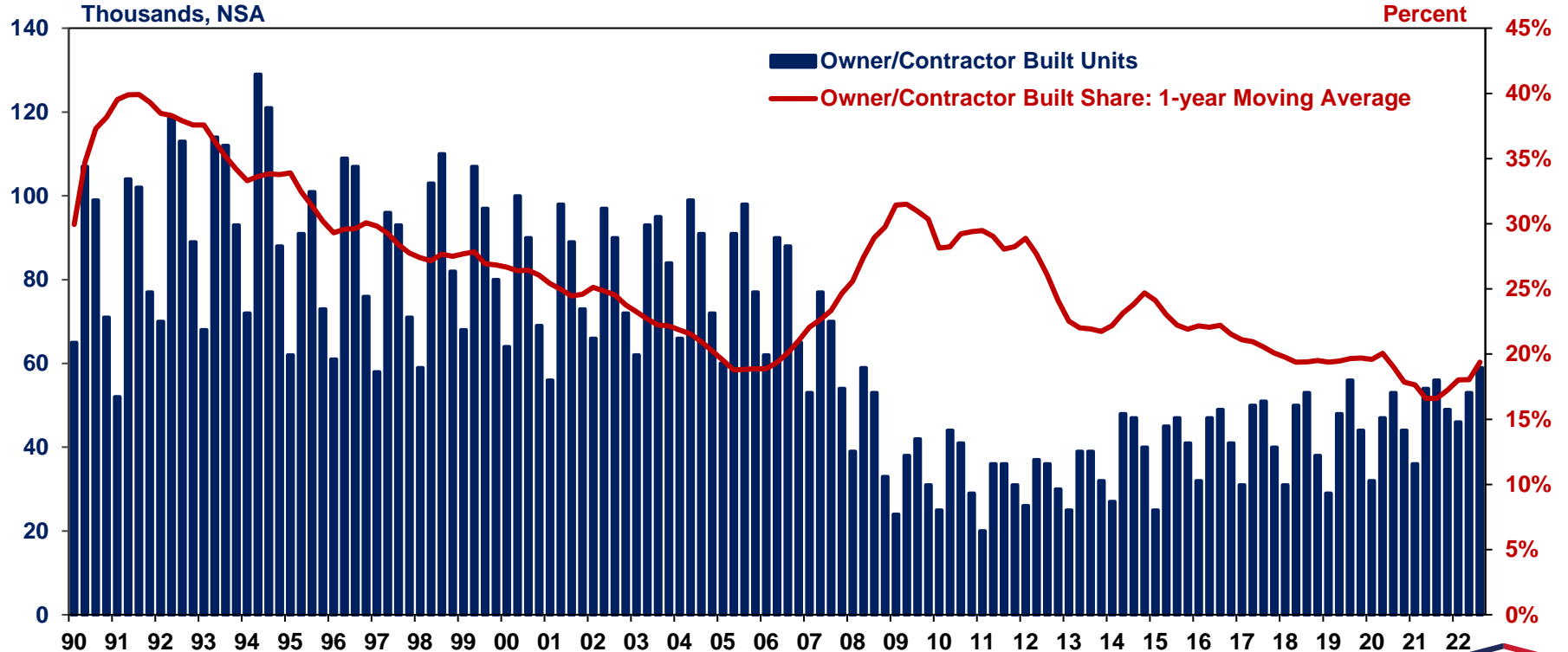
*Still gaining market share but should slow in quarters ahead*



Source: U.S. Census Bureau (BOC)

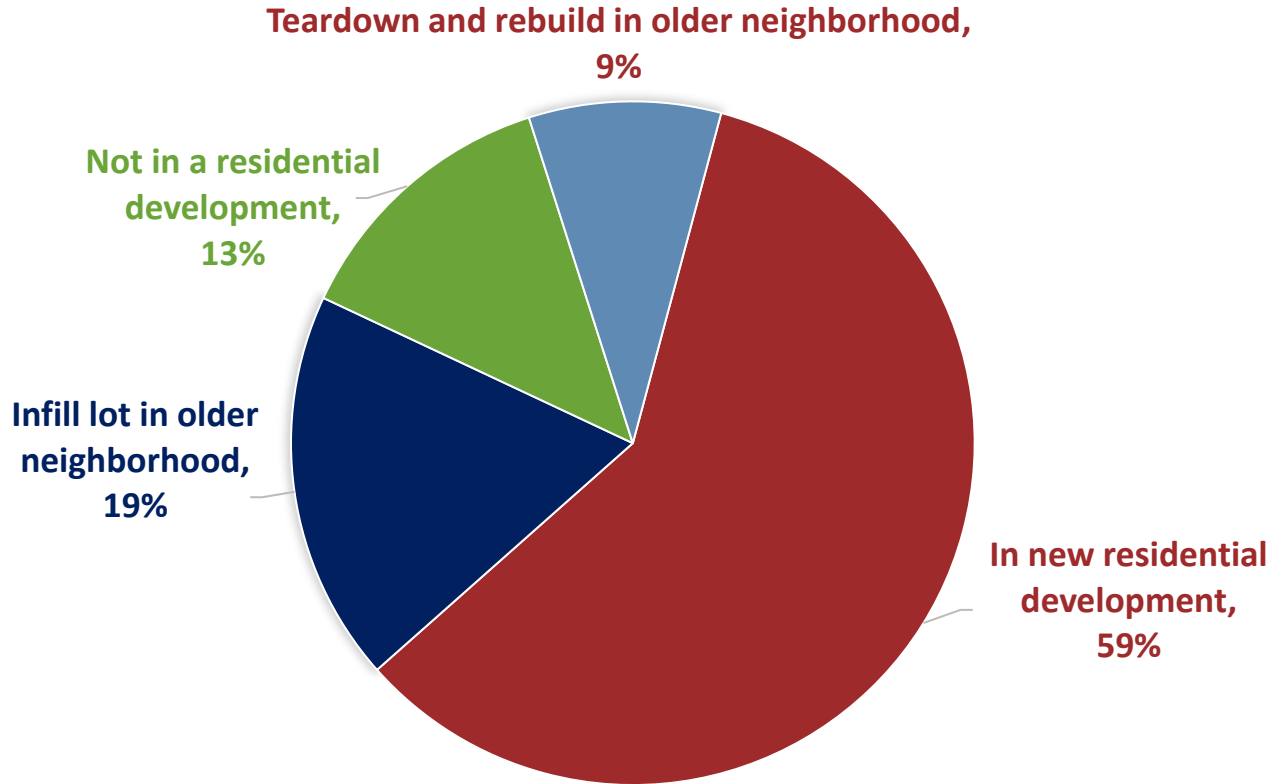
# Custom Home Building Market – A Bright Spot

*Third quarter was the best quarter since the Great Recession*



Source: U.S. Census Bureau (BOC)

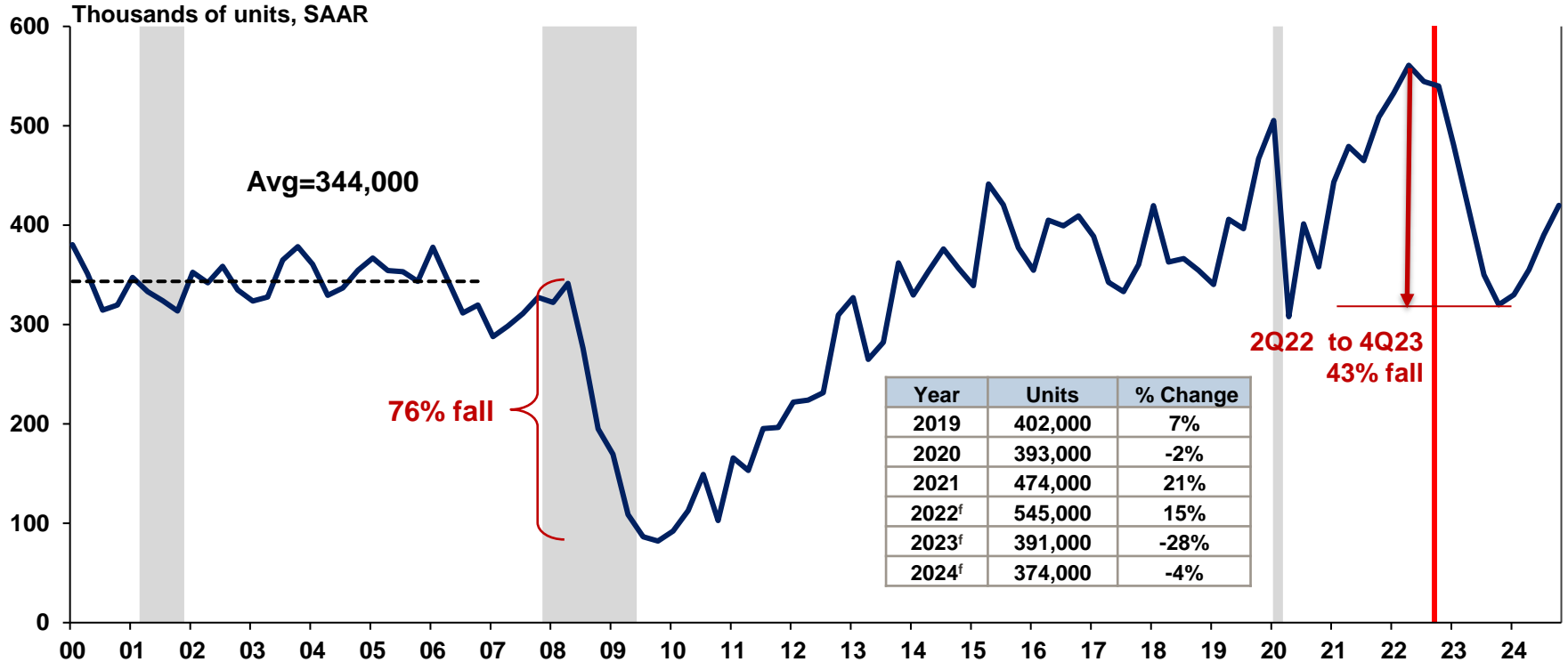
# Shares of New Single-family Homes Built in 2021



Source: 2022 Builder Practices Survey

# Multifamily Construction Growing

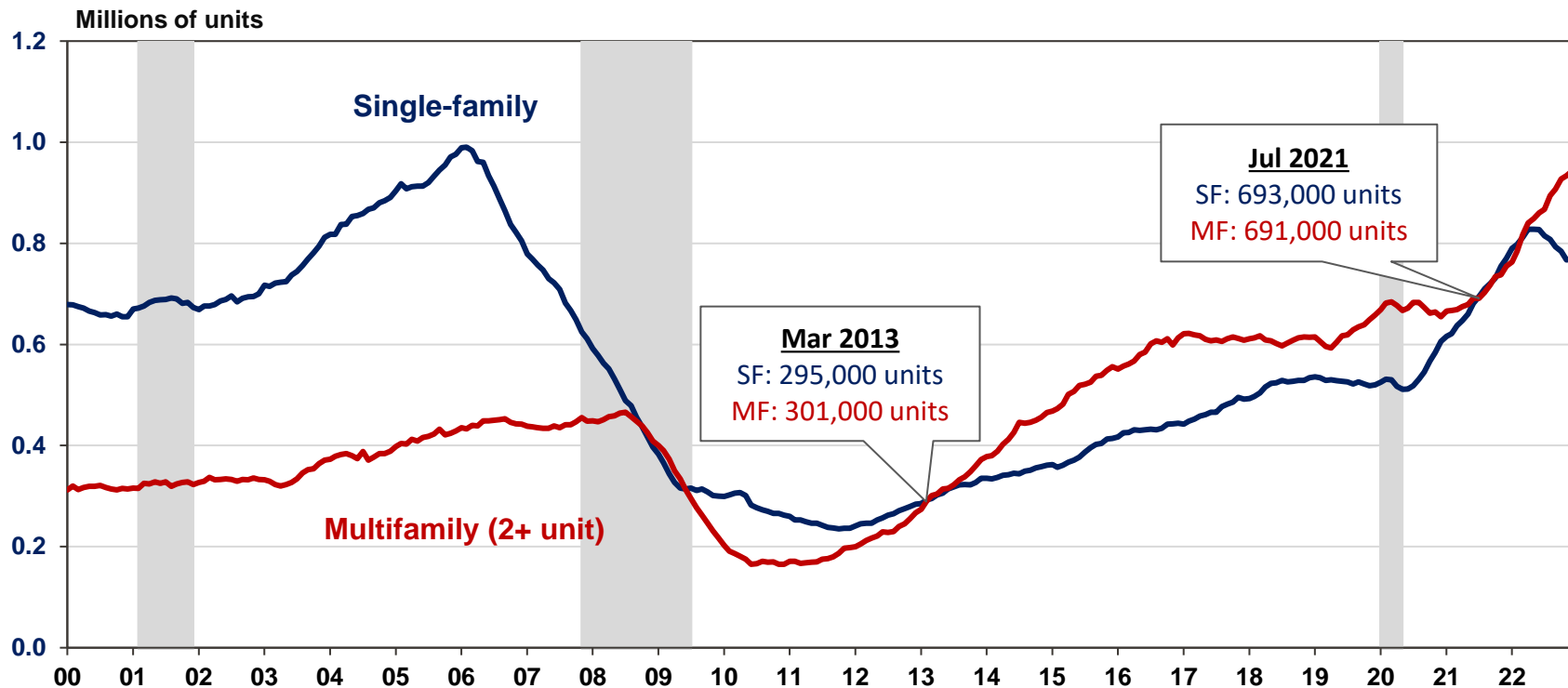
*Declines in 2023 due to slowing rent growth, tighter financing, and supply concerns*



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

# Housing Units under Construction

*Highest count of apartments under construction since 1974*



Source: U.S. Census Bureau (BOC)

# Medium-Term Outlook for Residential Construction

- 2024
  - *Fed will ease, interest rates will normalize*
  - *Single-family home building will lead a recovery*
  - *Demand will return, but supply-side issues will increase*
    - *Lack of lots*
    - *AD&C availability*
    - *Building material constraints*
- 2025 through 2030
  - *Demographics yield a good runway for home building growth*
  - *Structural housing deficit will be reduced*
  - *Single-family home building volumes near or above 1.1 million per year*
- 2030 and after
  - *Declining demographics weaken multifamily and single-family demand*

# Thank you

*Questions?*

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*eyeonhousing.org*  
*housingeconomics.com*