

Housing Rebound of 2019

HBA of Greater Cincinnati
HBA of Dayton
November 26th, 2019

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NAHB Chief Economist



Housing Markets Showing Gradual Improvement



Regional and local population, job and home price grow



GDP, labor markets, and monetary policy/interest rates



Housing demand, homeownership trends, and affordability



Supply-side factors (labor shortage, lots, AD&C loans, reg burdens)



Housing rebound of 2019



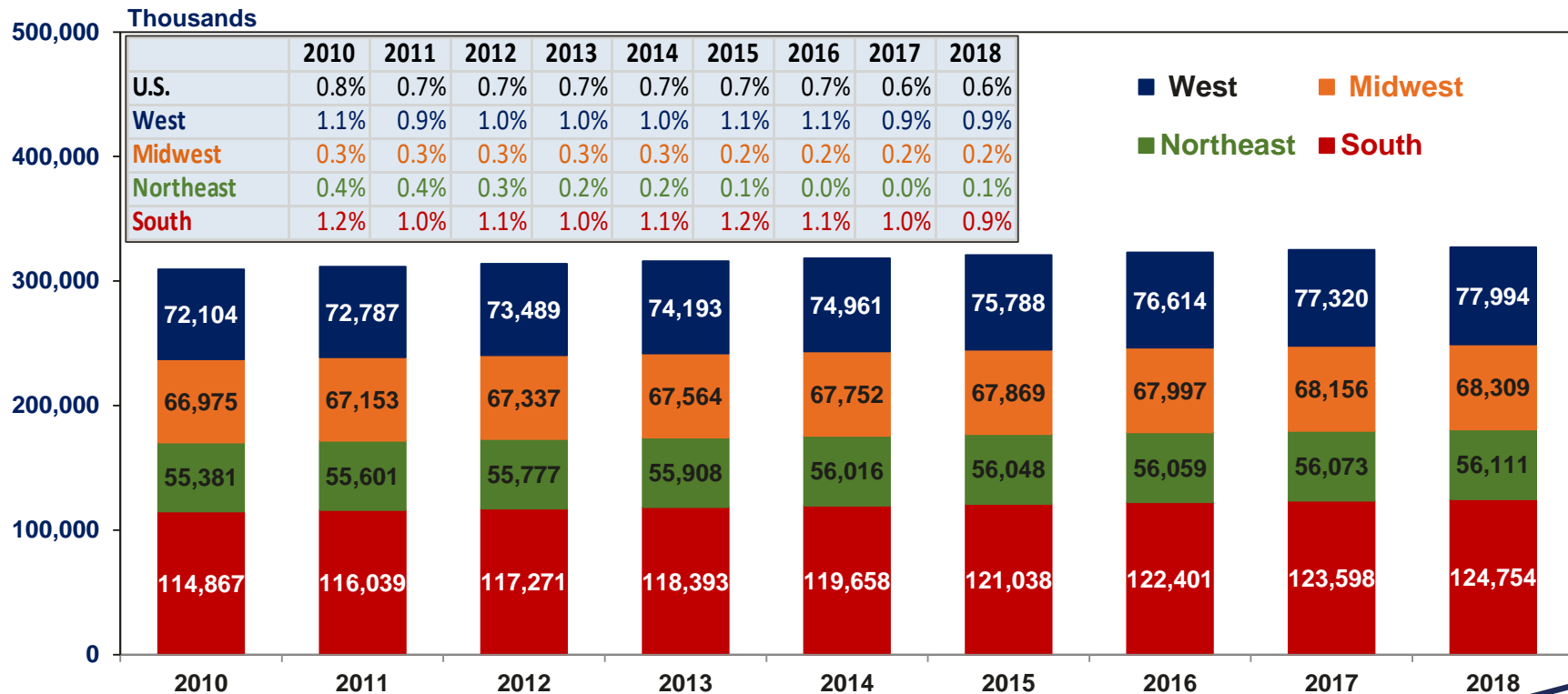
Single-family forecast and trends



Multifamily and remodeling outlook

Population Growth

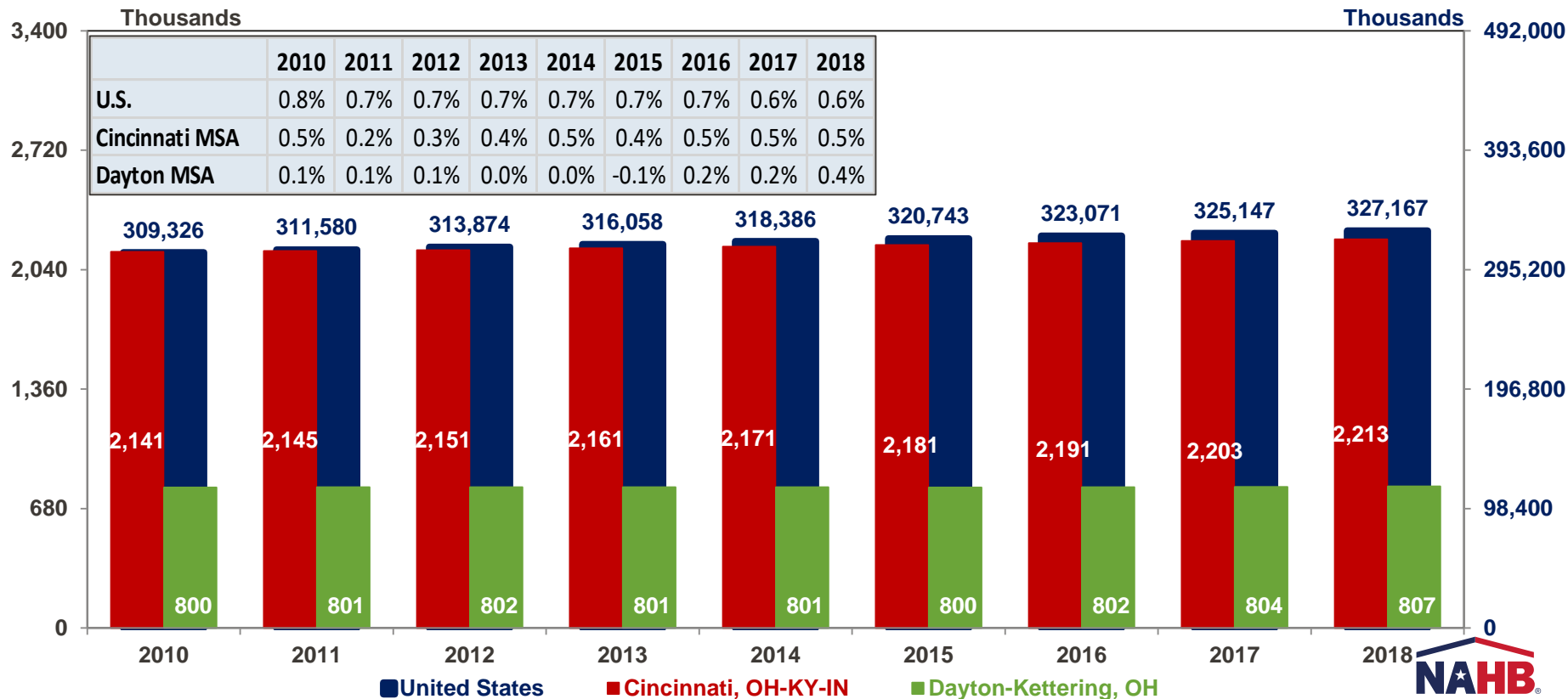
Population growth slowing in all regions



Source: U.S. Census Bureau (BOC)

Population Growth

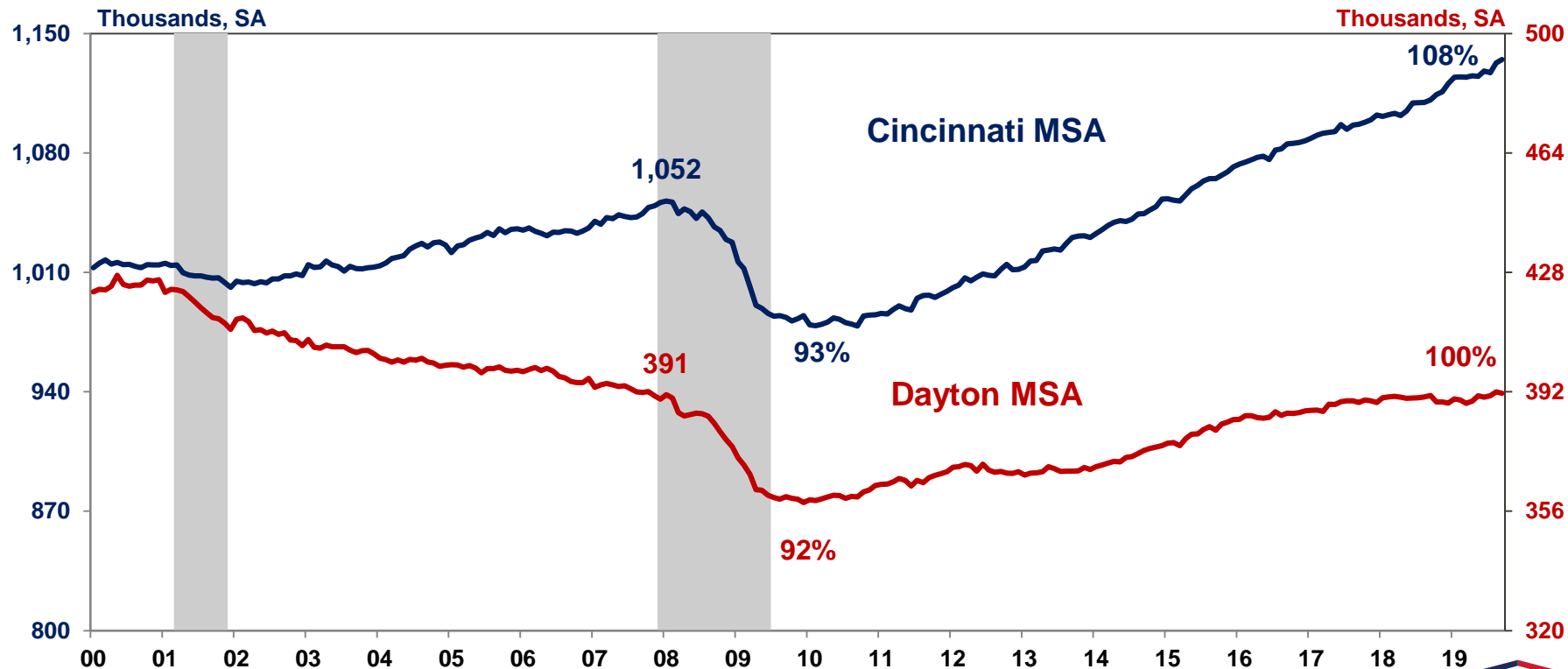
Cincinnati and Dayton MSA population growing slower than national rates



Source: U.S. Census Bureau (BOC)

Payroll Employment

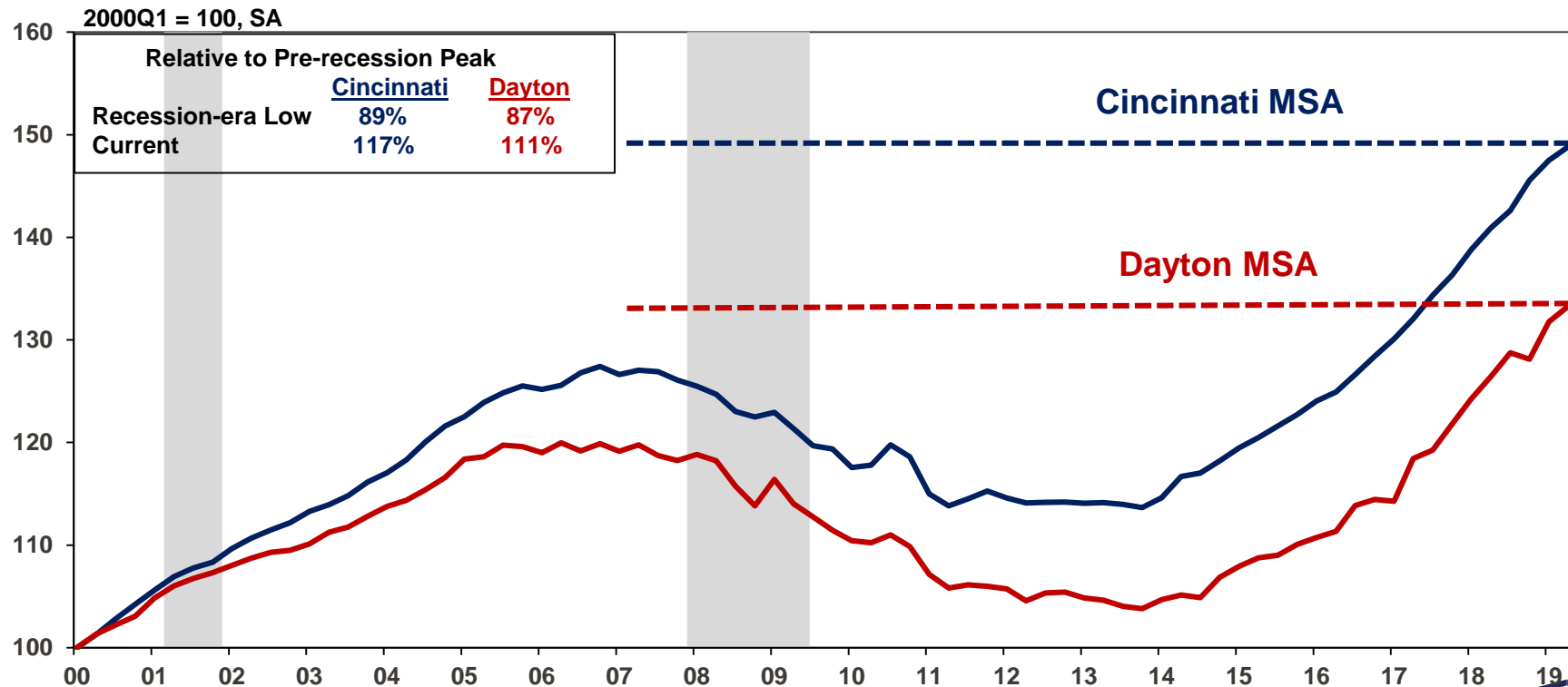
Cincinnati MSA above the pre-recession peak; Dayton MSA reach the pre-recession level



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

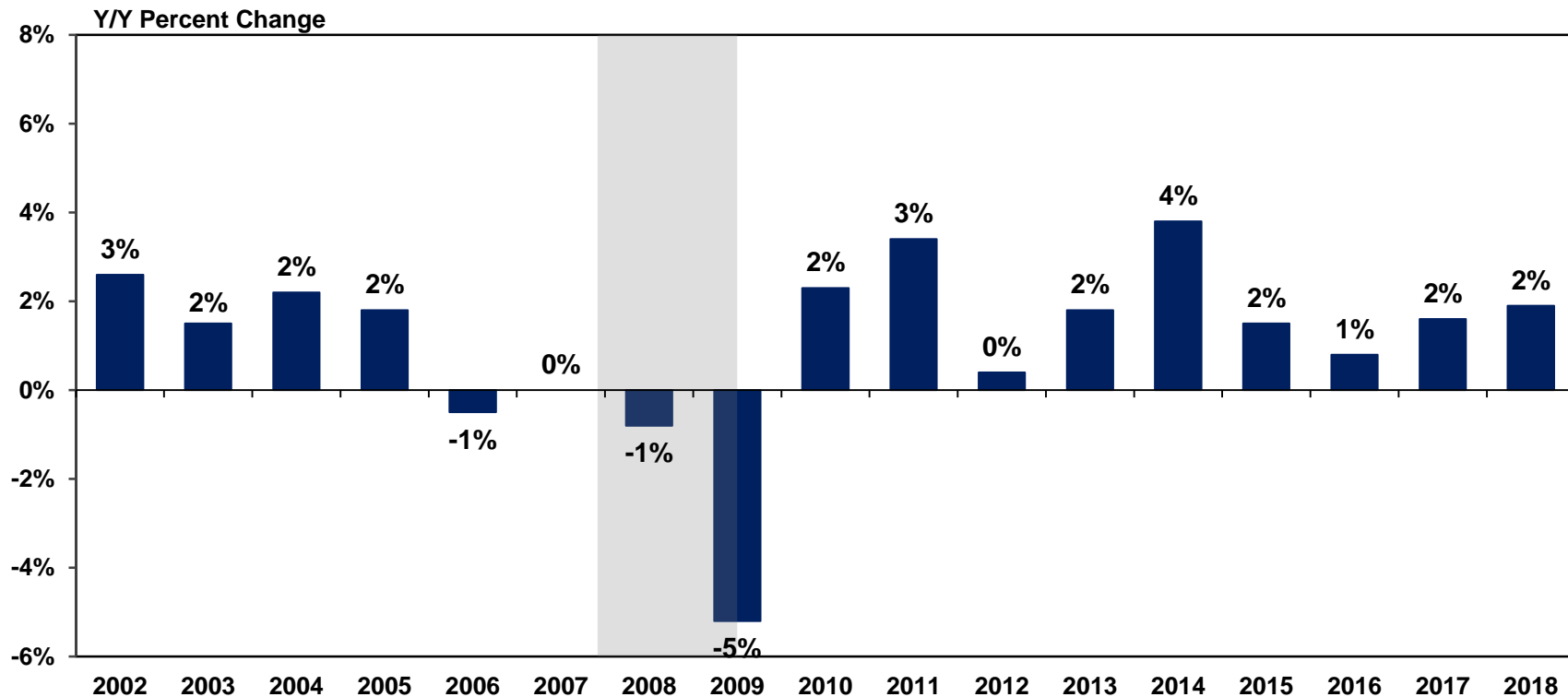
Existing House Price Index

Cincinnati and Dayton MSA above the pre-recession peak



Source: U.S. Federal Housing Finance Agency (FHFA)

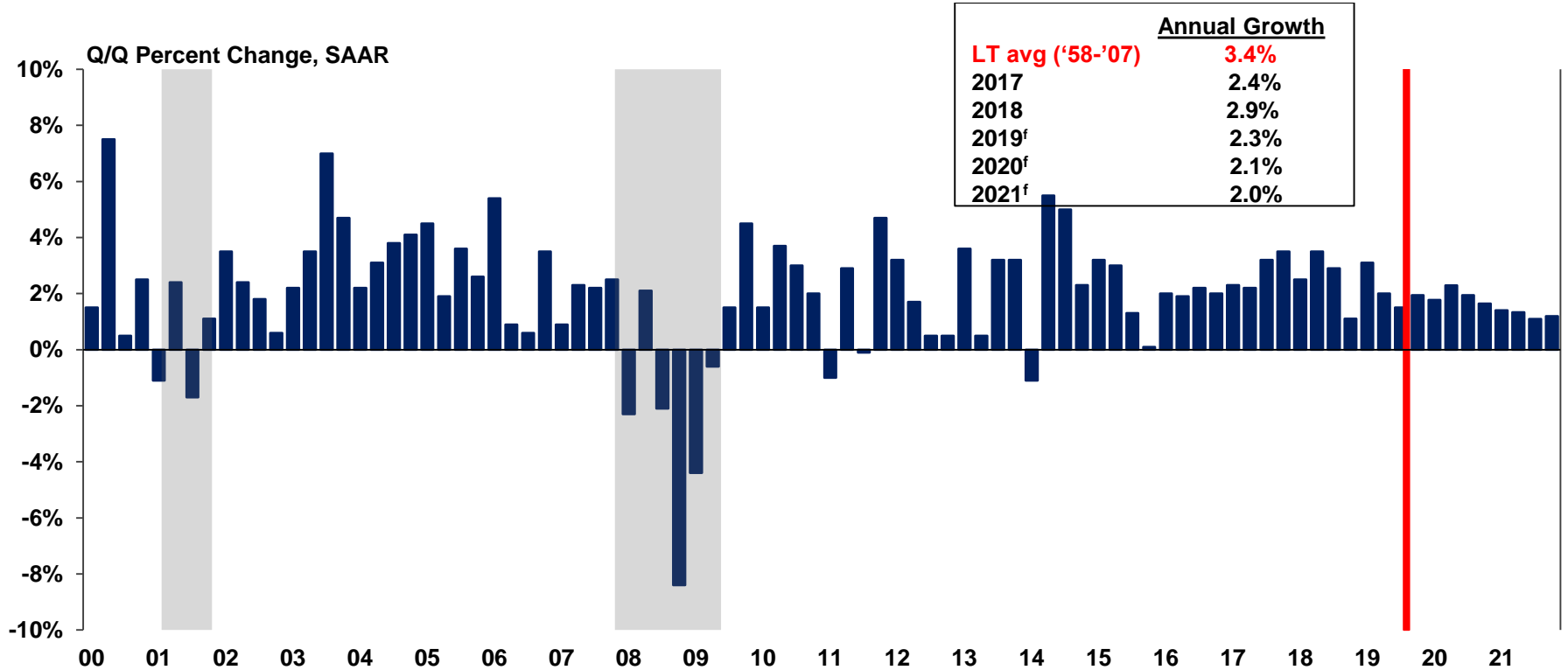
Real GDP Growth in Ohio



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

GDP Growth

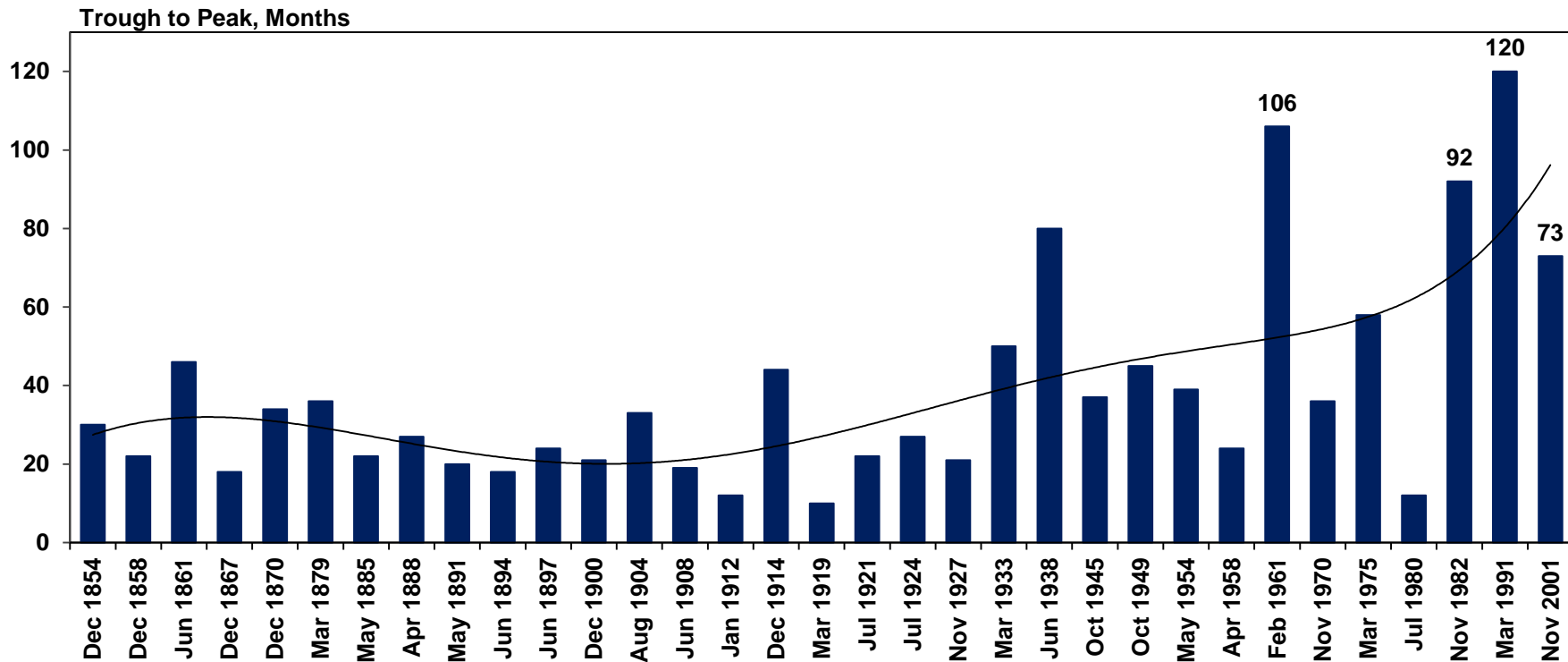
Economy is slowing after strong 1Q19



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

Expansion is Aging

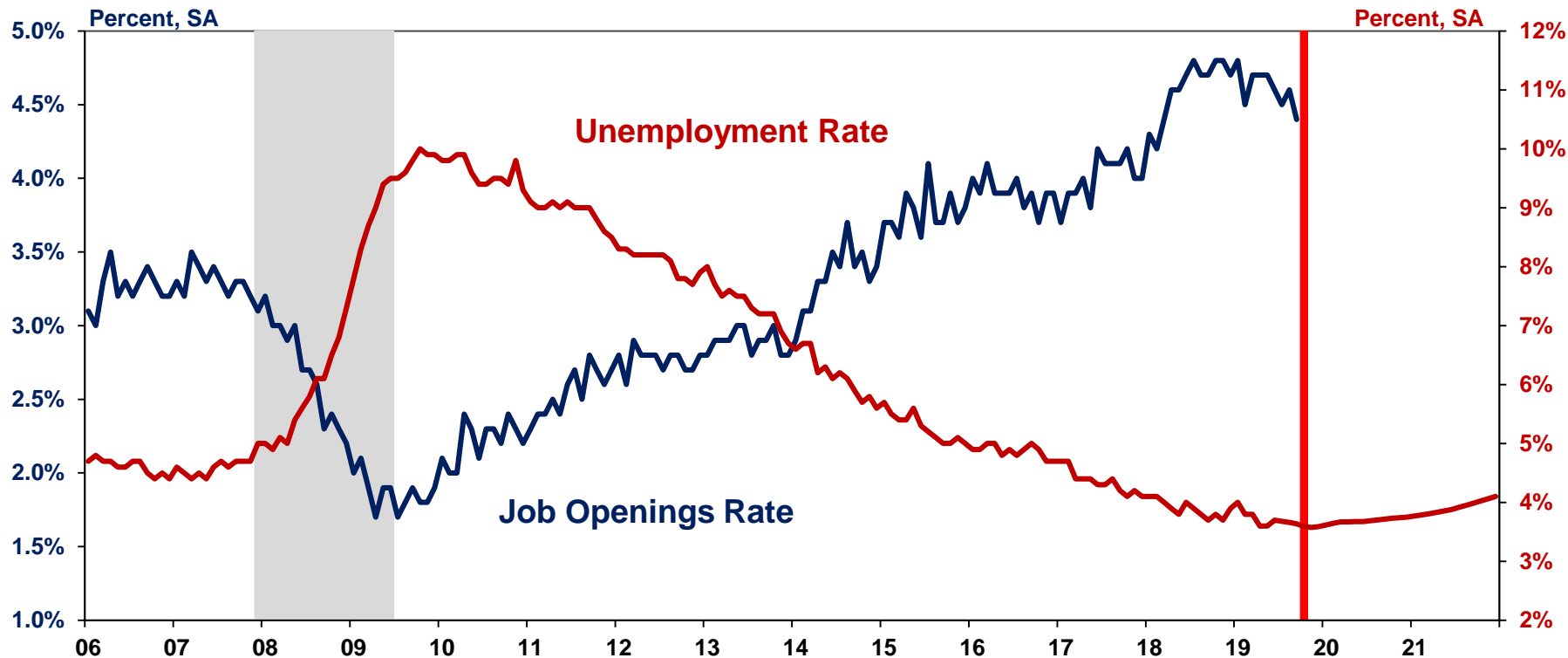
Current expansion is 126 months old



Source: National Bureau of Economic Research (NBER)

Tight Labor Market

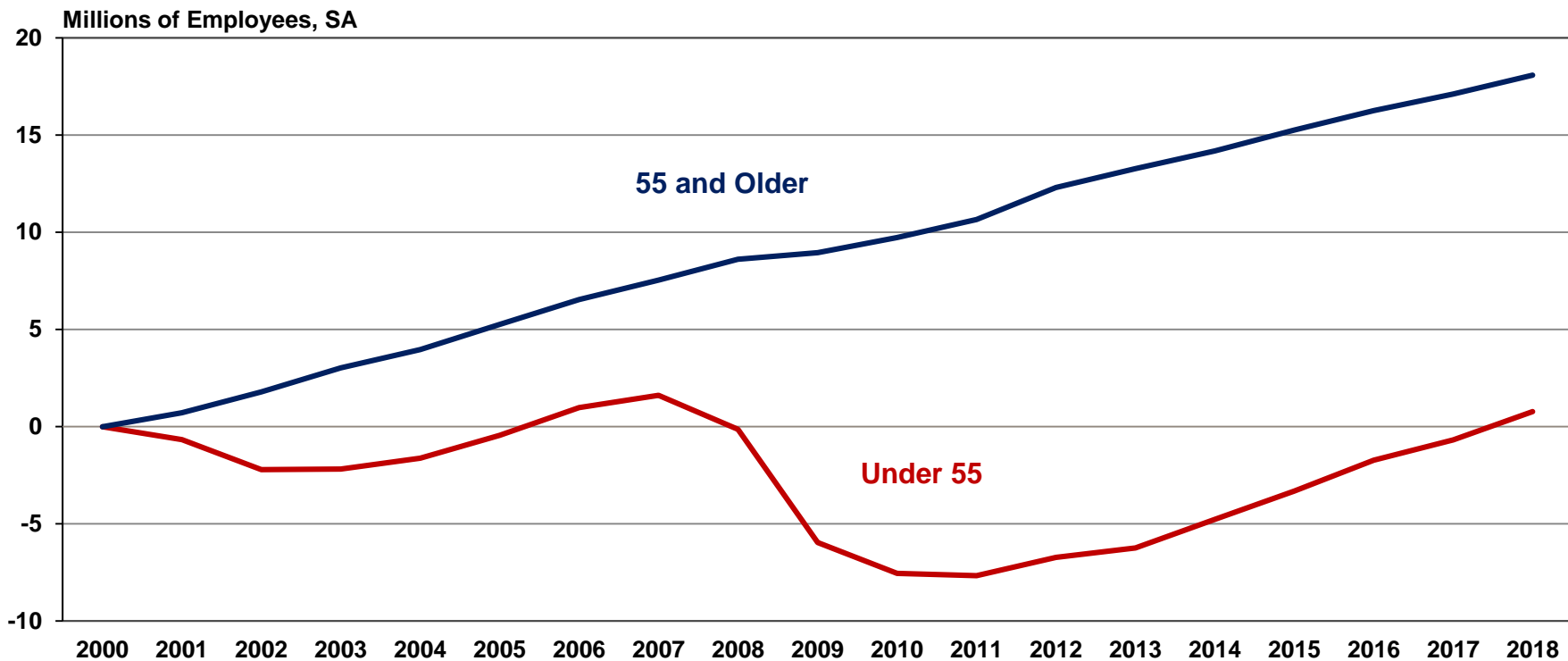
Lack of labor represents a macro risk



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

Cumulative Change in Employment by Age Group

Mind the Gen-X gap

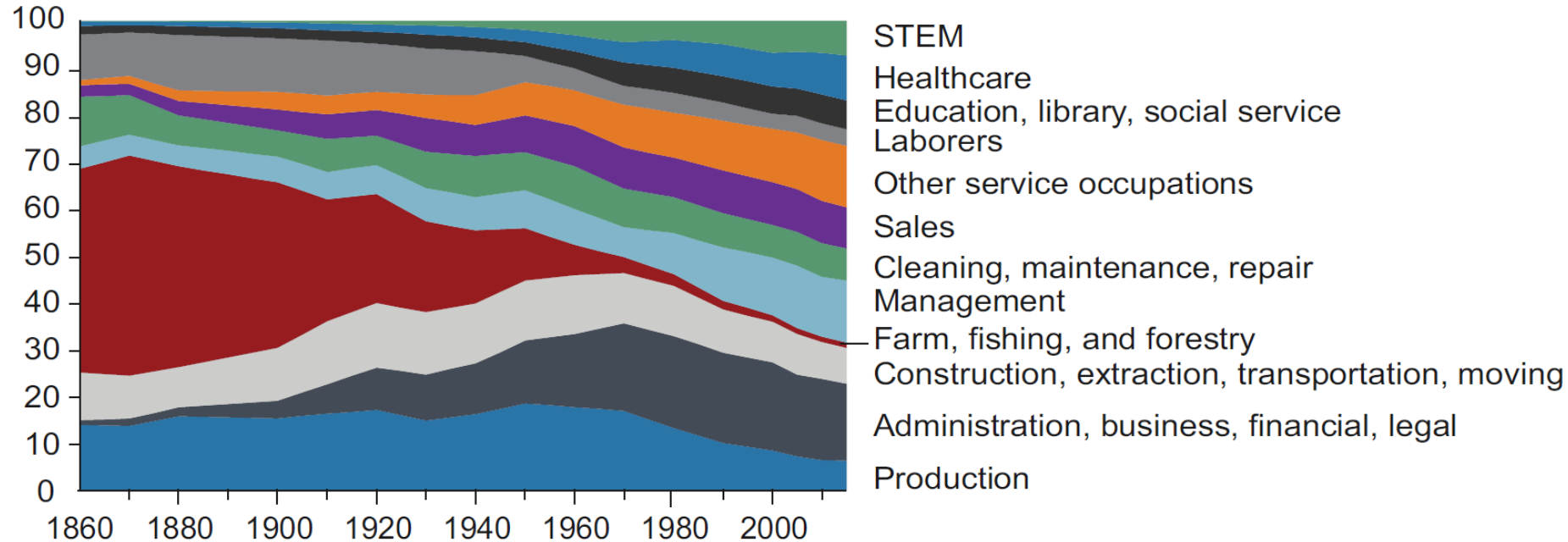


Source: U.S. Bureau of Labor Statistics (BLS)

/ Occupational Group Employment Share by Year

Construction share has remained stable since the Civil War

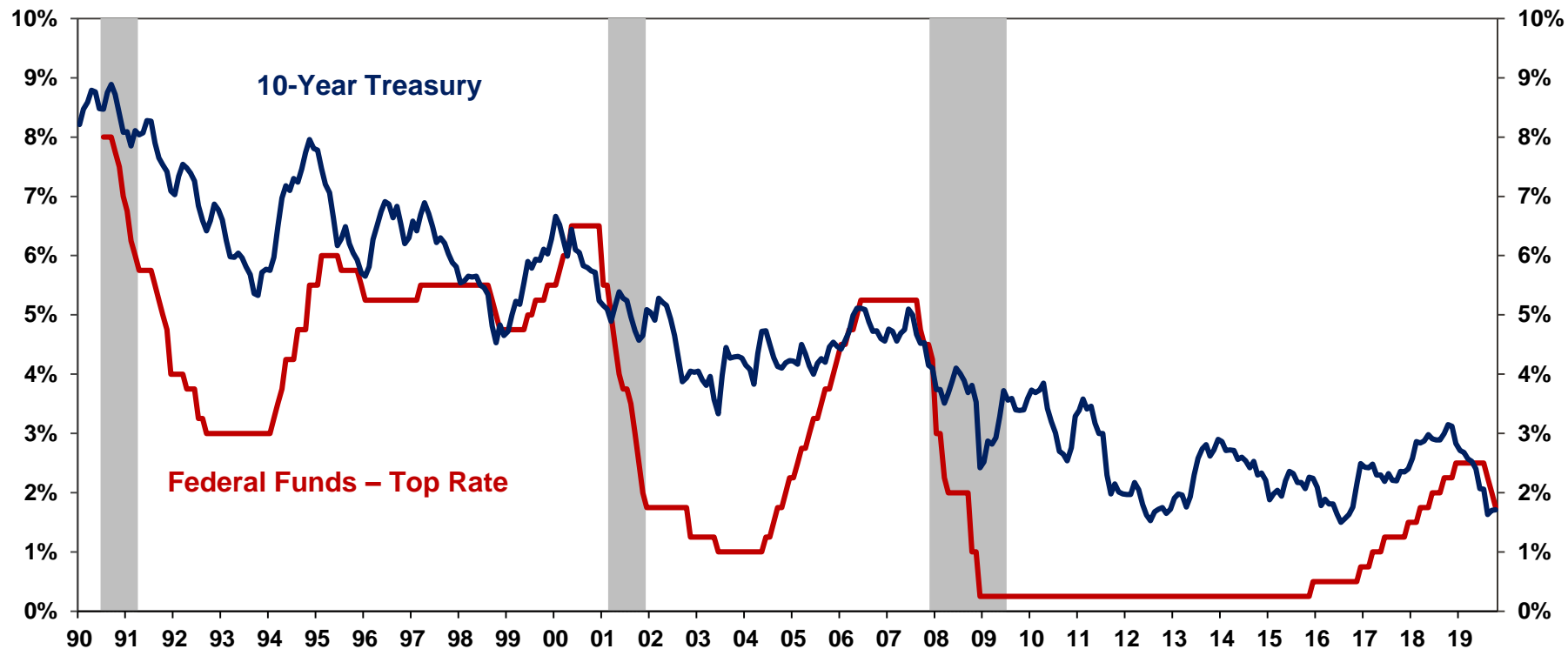
Employment share



Source: Joel A. Elvery, "Changes in the Occupational Structure of the United States: 1860 to 2015", Economic Commentary, Number 2019-09.

<https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2019-economic-commentaries/ec-201909-changes-in-us-occupational-structure.aspx>

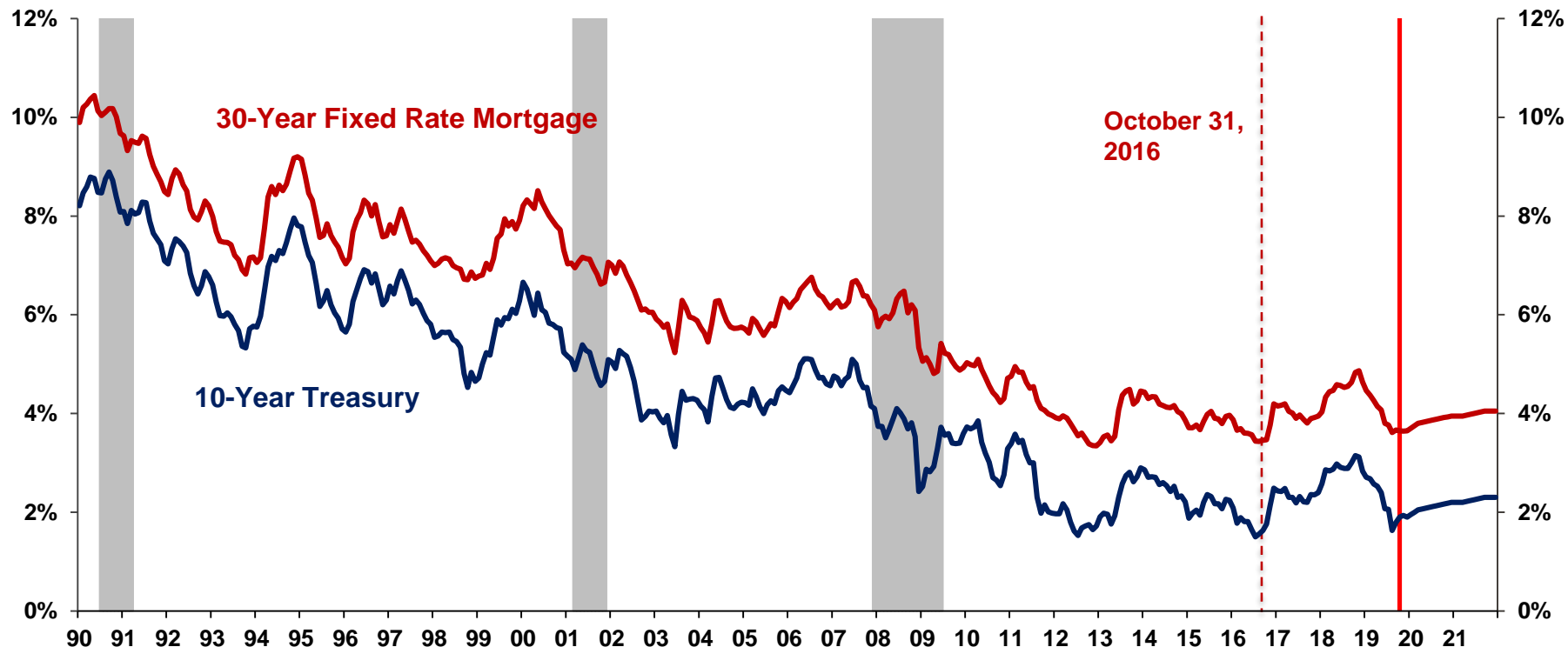
Fed Funds Rate



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

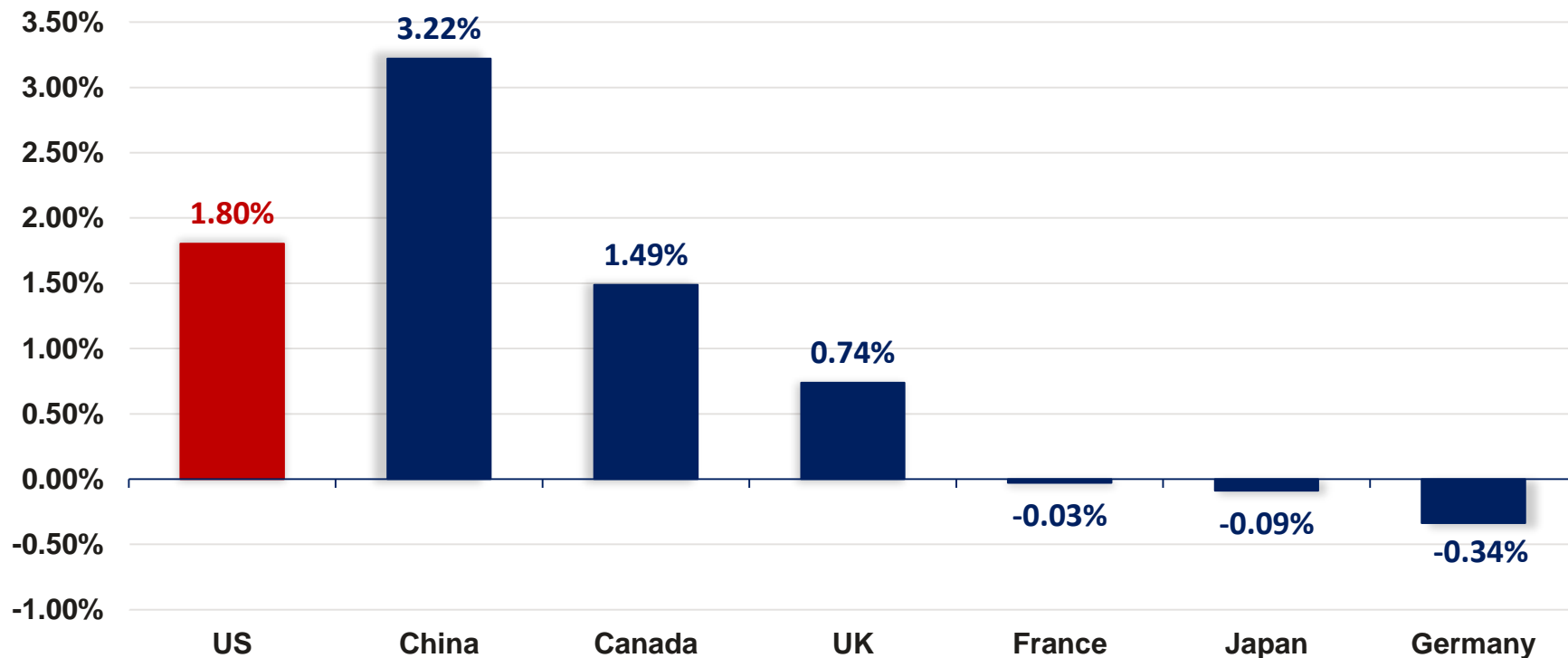
30-Year Fixed Rate Mortgage and 10-Year Treasury

Interest rate declines amidst trade concerns and economic slowing

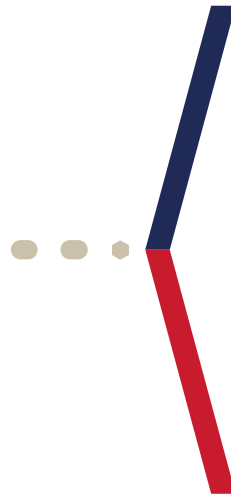


Source: Federal Reserve and Freddie Mac data and NAHB forecast

10-Year Treasury Yield by Country



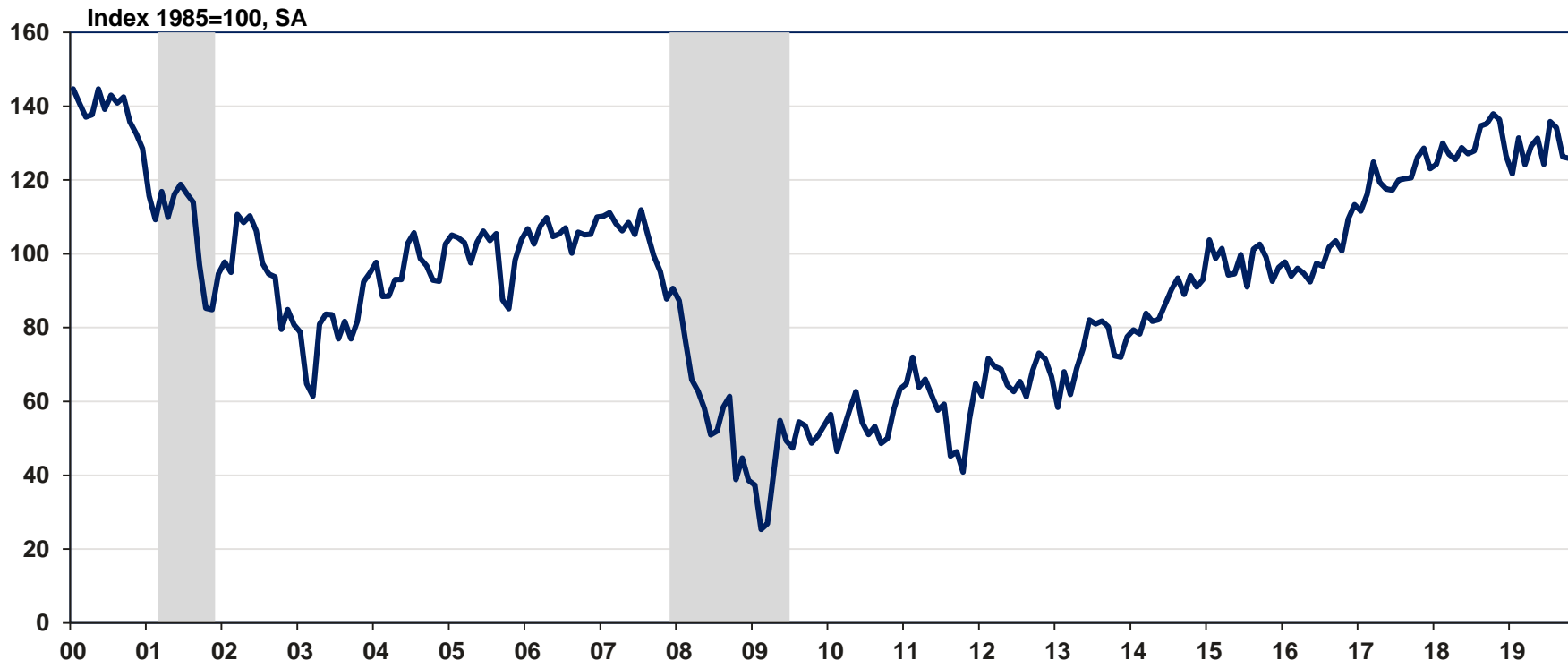
Source: www.investing.com; 10-year treasury rate on November 19, 2019



Housing Demand and Affordability

Consumer Confidence Leveling Off

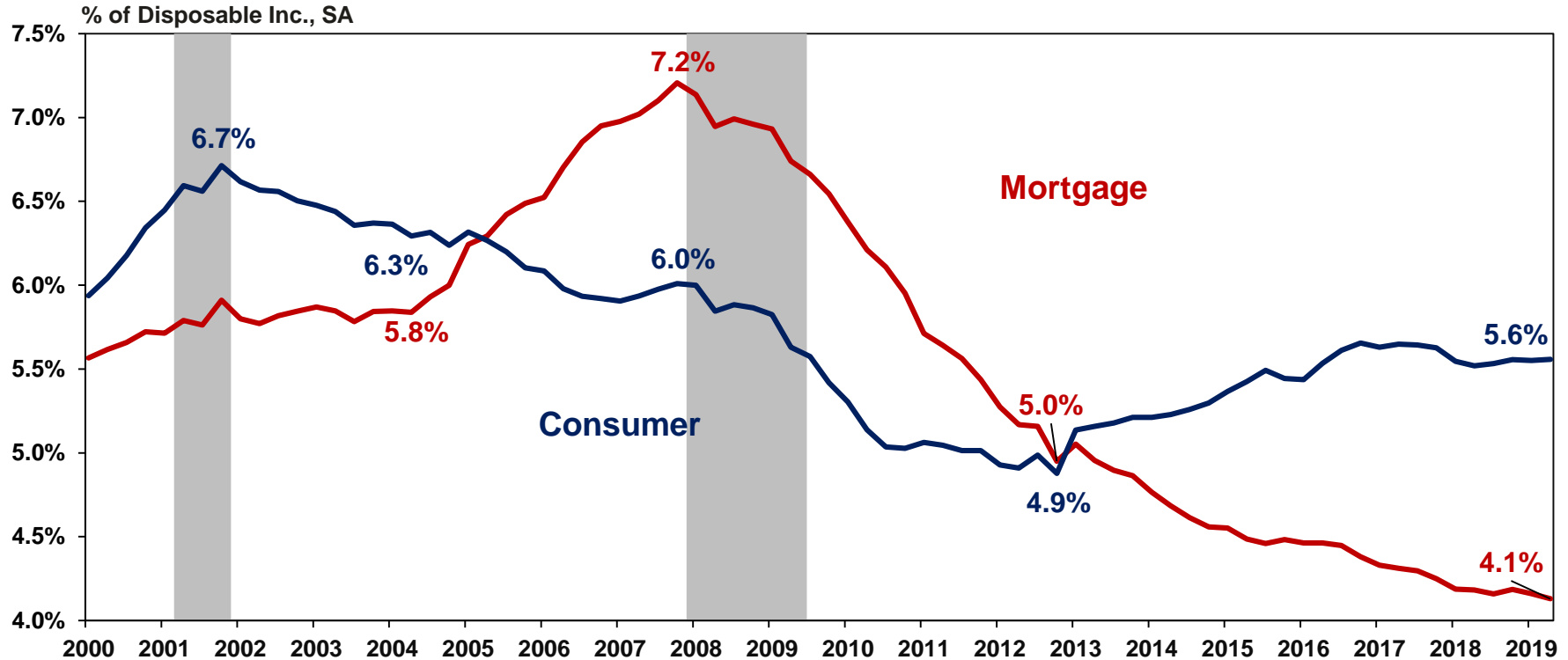
Near two-decade high but economic uncertainty took a toll at end of year



Source: The Conference Board

Household Balance Sheets

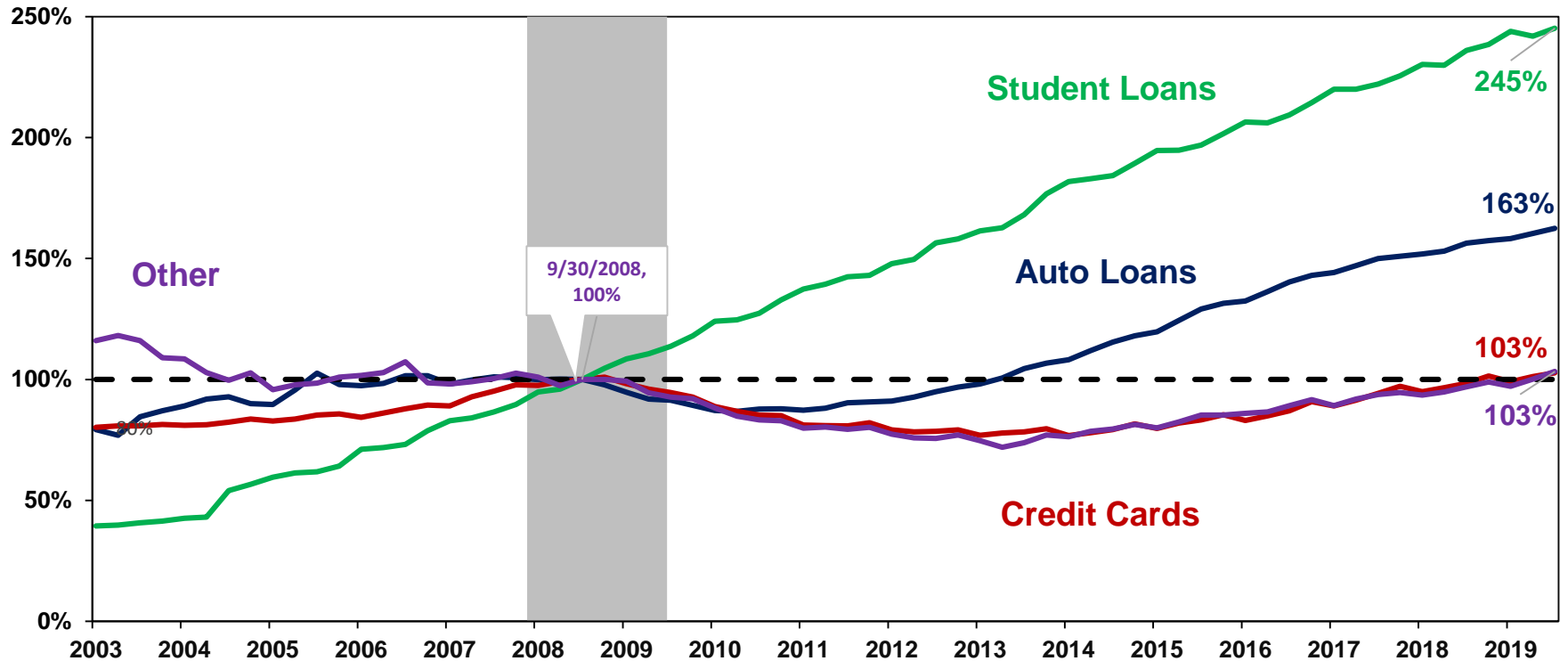
A shift in debt away from mortgages



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

Consumer Debt

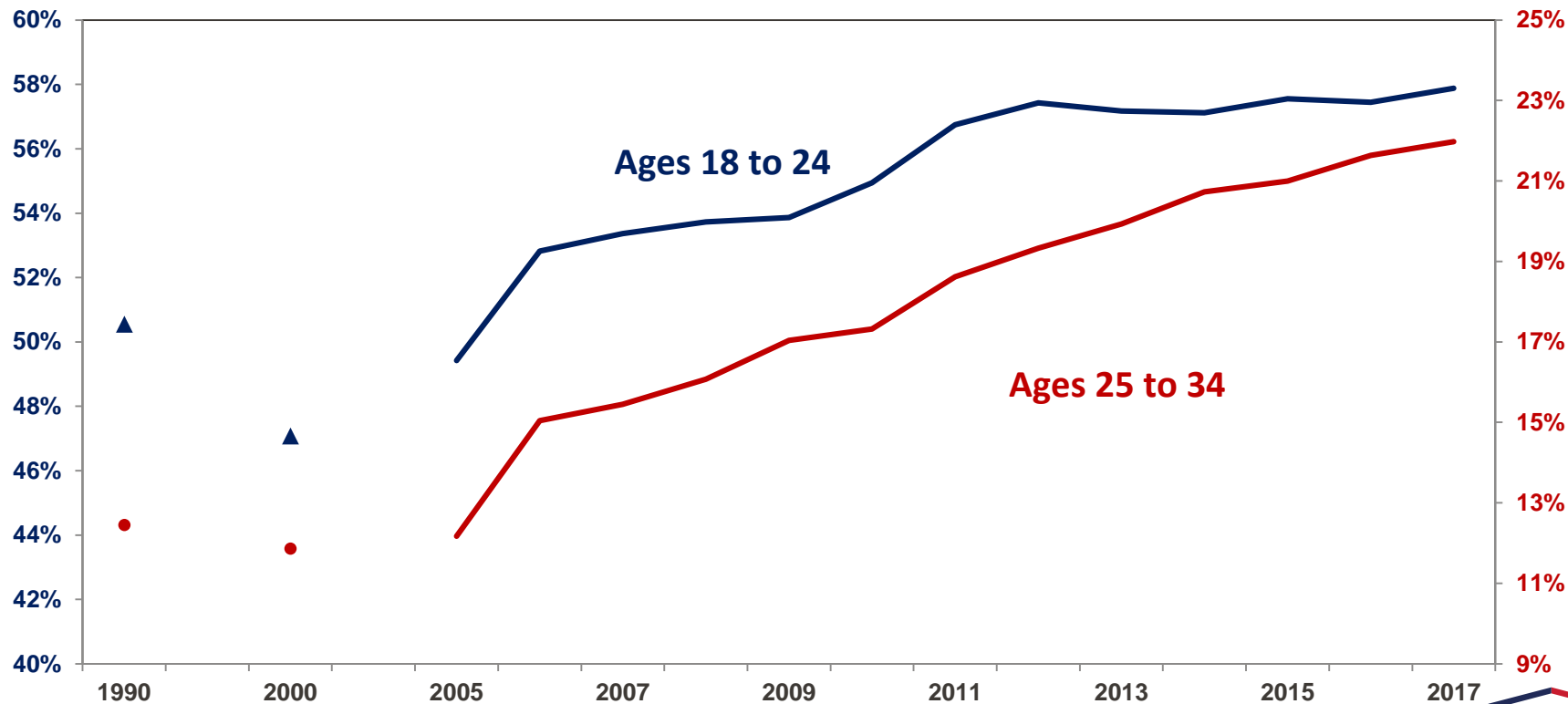
Rise in student and auto loans



Source: Federal Reserve Bank of New York

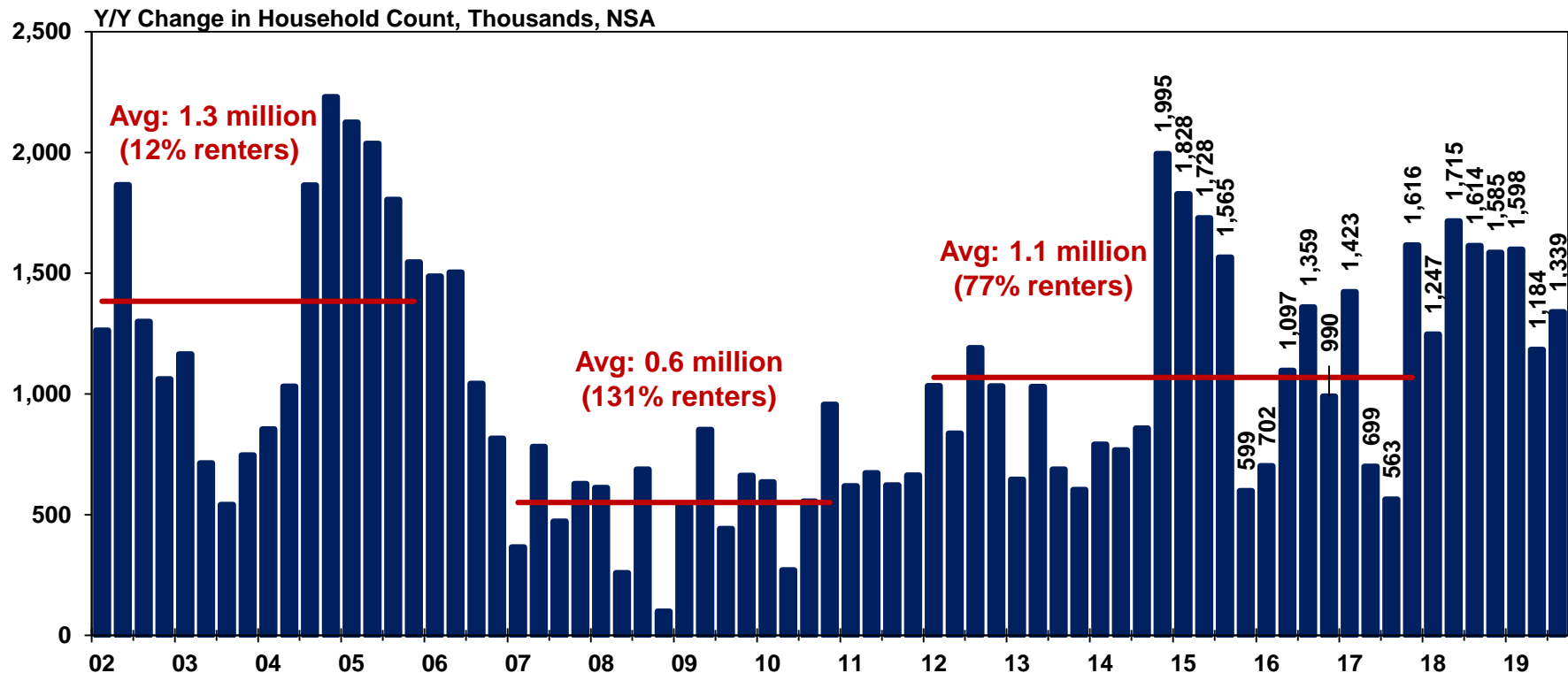
Share of Young Adults Living with Parents

Almost doubled



Source: US Census 1990, 2000, PUMS, 2000-2017 ACS, PUMS, and NAHB Estimates

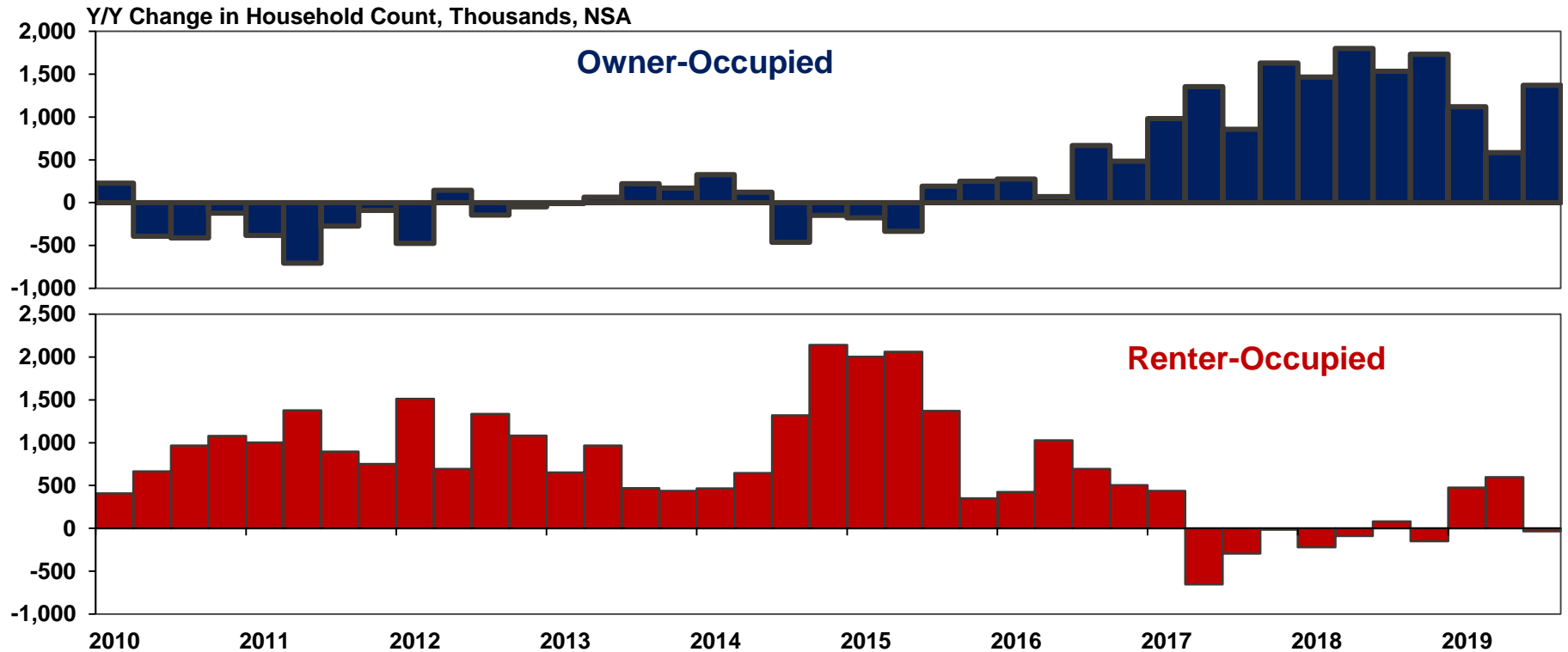
Household Formation



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

Household Formation

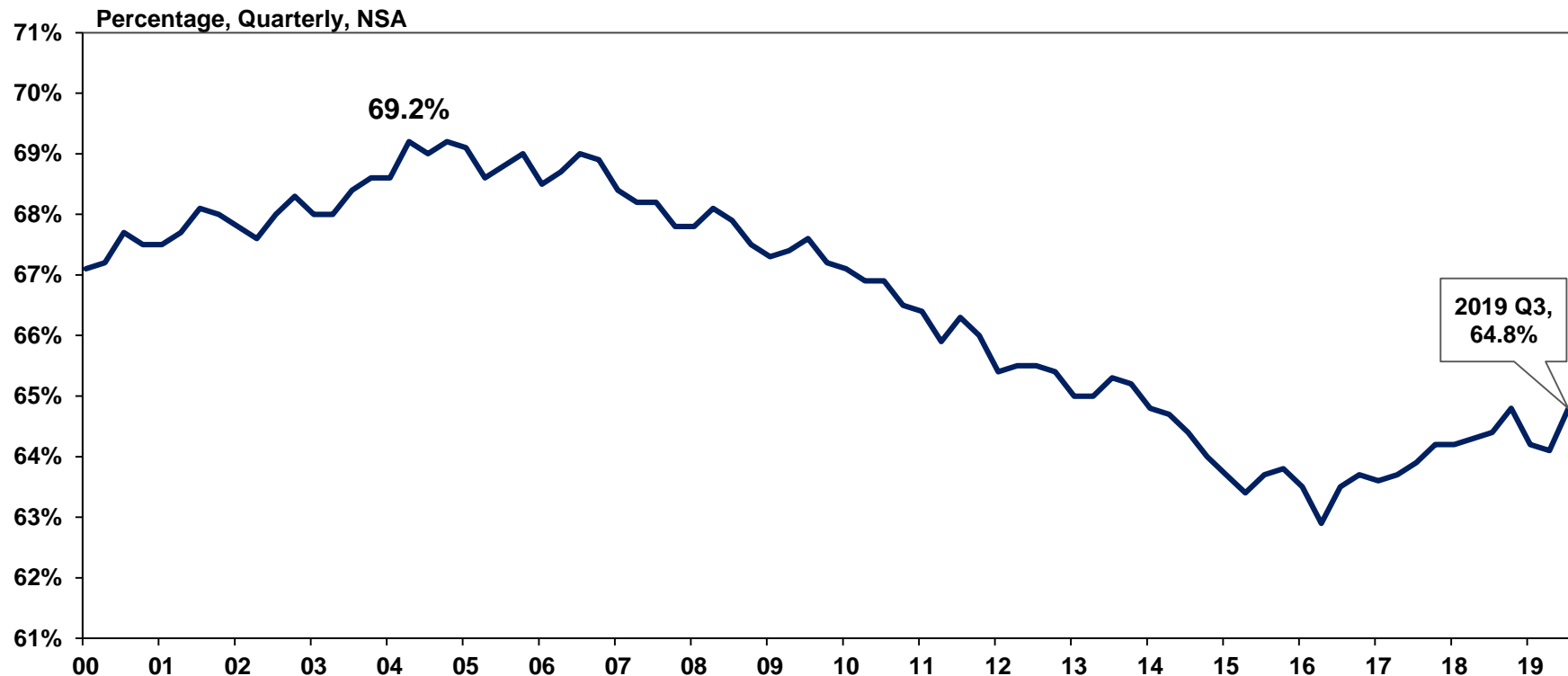
Strong demand for home ownership in Q3 2019



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

Homeownership Rate

Bounced back after two declines

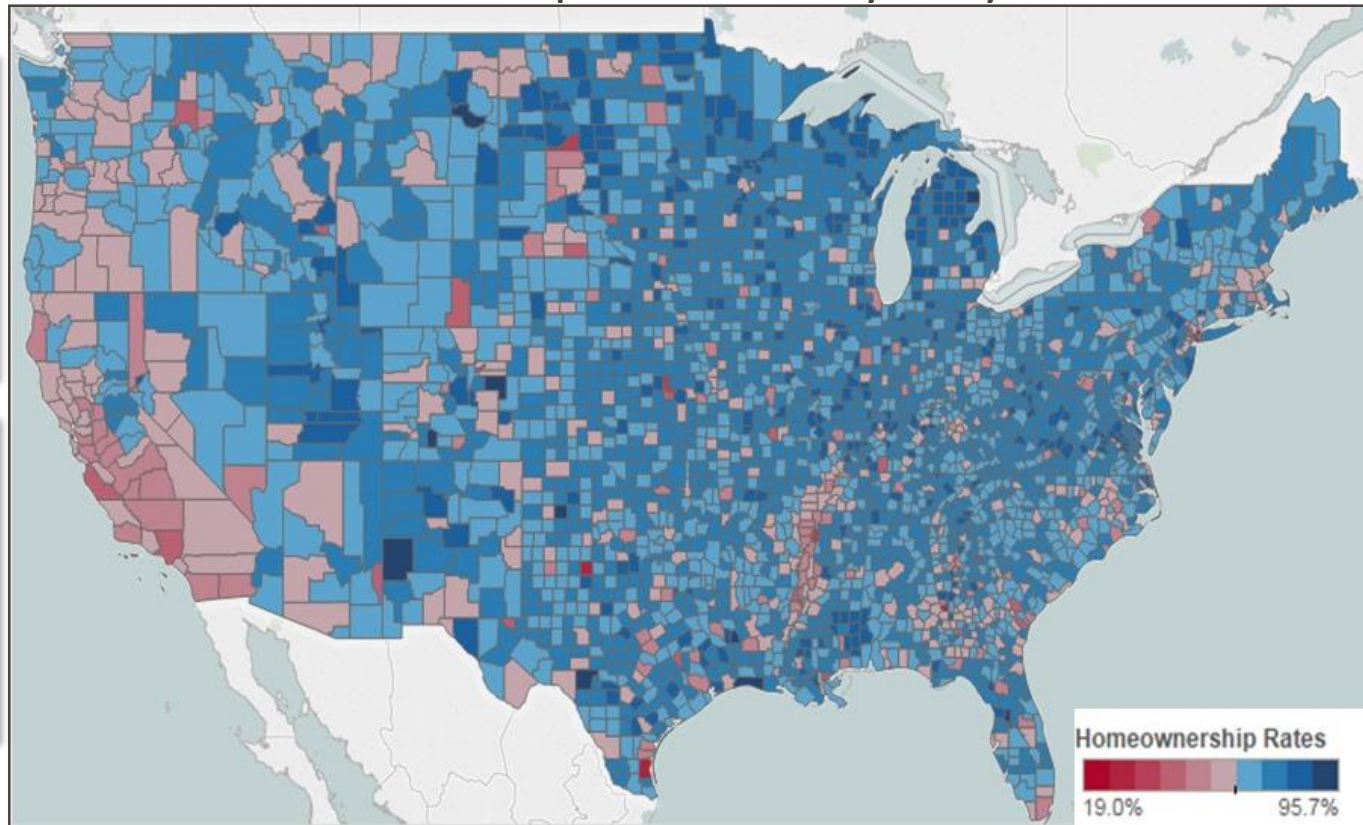
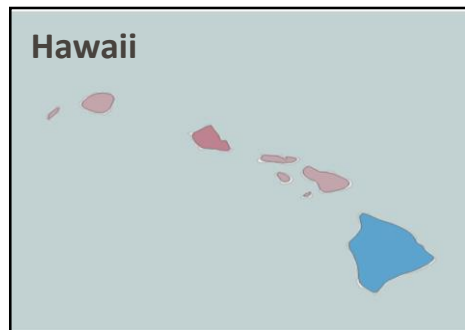
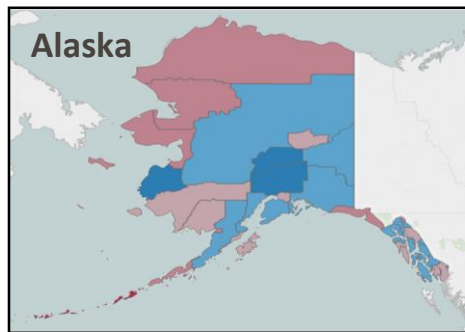


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

Geography of Homeownership

Homeownership rate for Cincinnati MSA is 66.1% and Dayton MSA is 63.4%

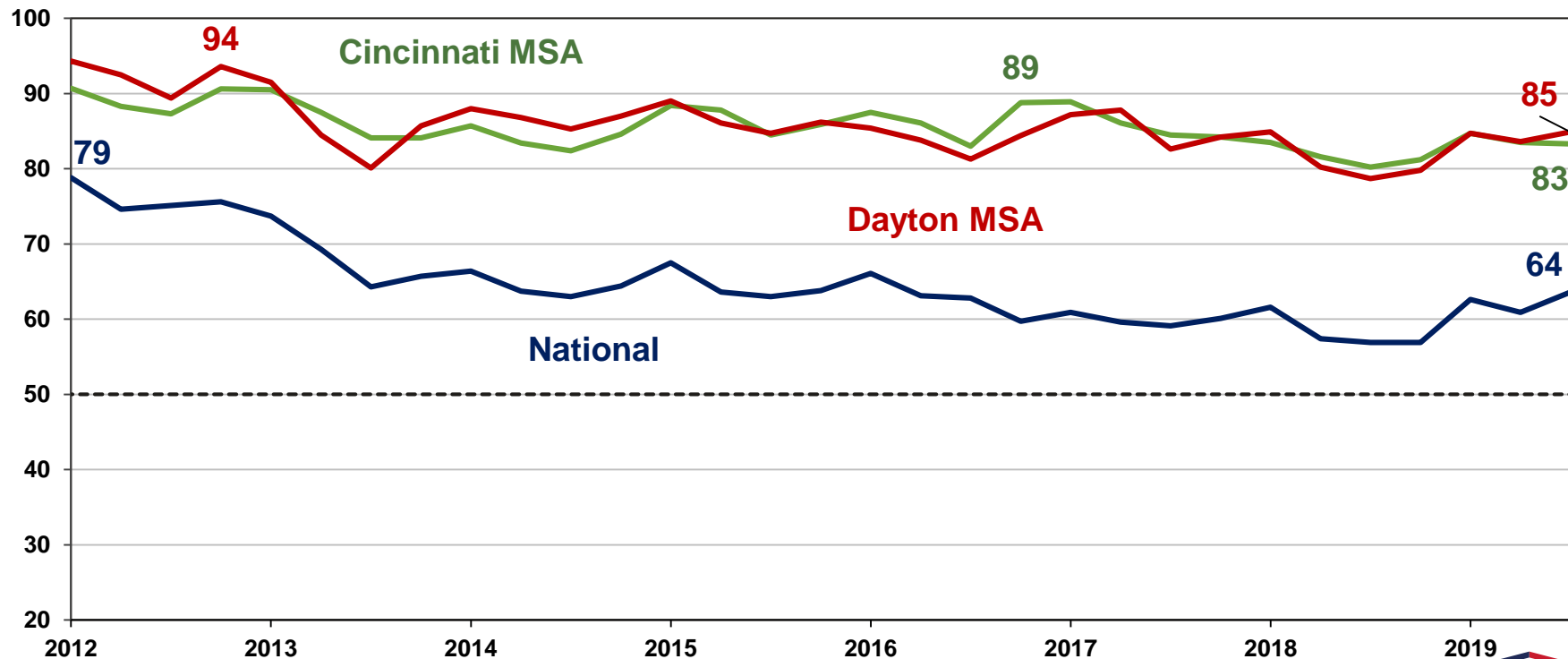
Homeownership Rates in the U.S. by County



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

/Housing Affordability – NAHB/Wells Fargo HOI

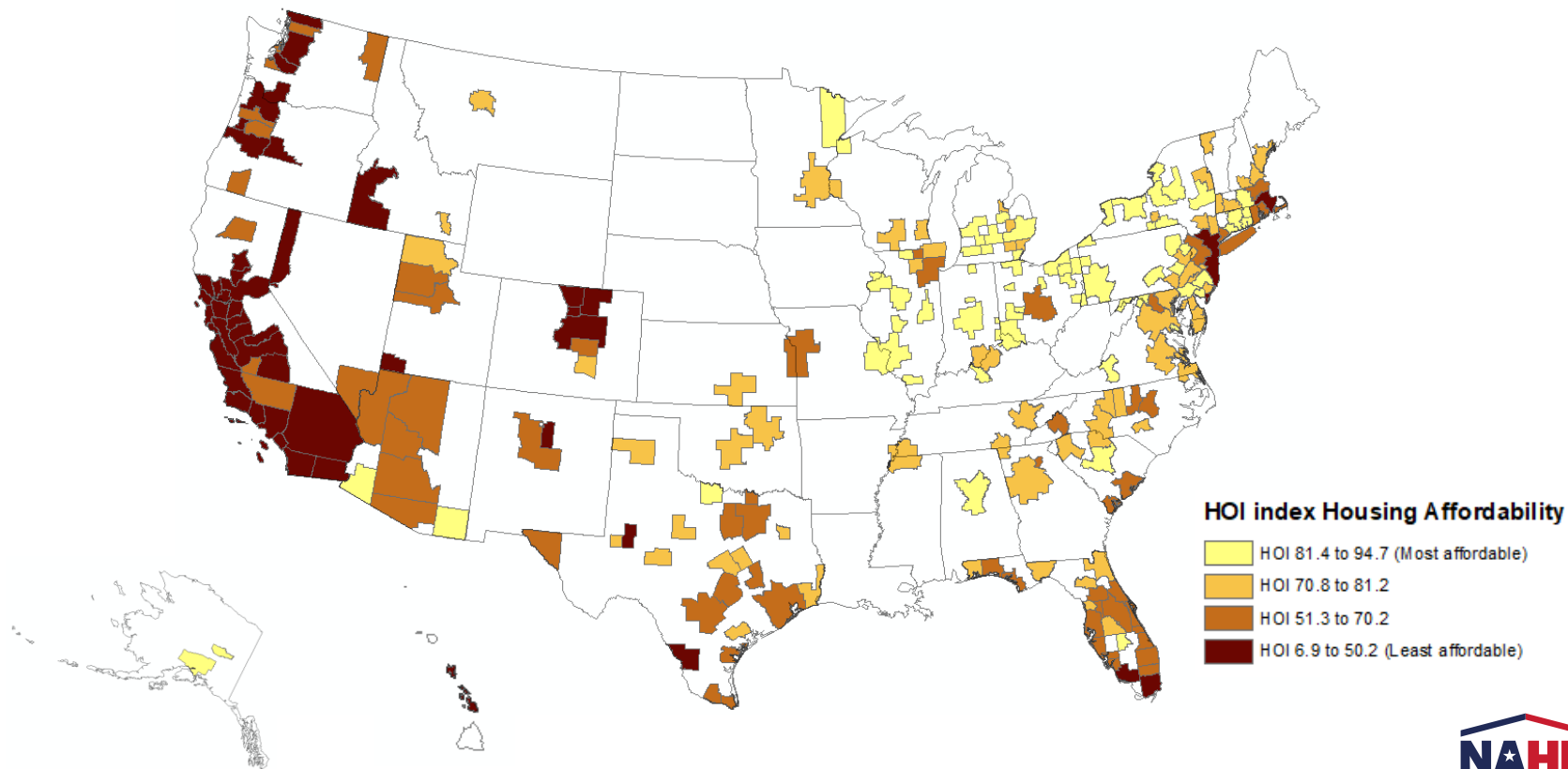
Declining trends



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

The Geography of Housing Affordability-NAHB/Wells Fargo HOI

Wide variation



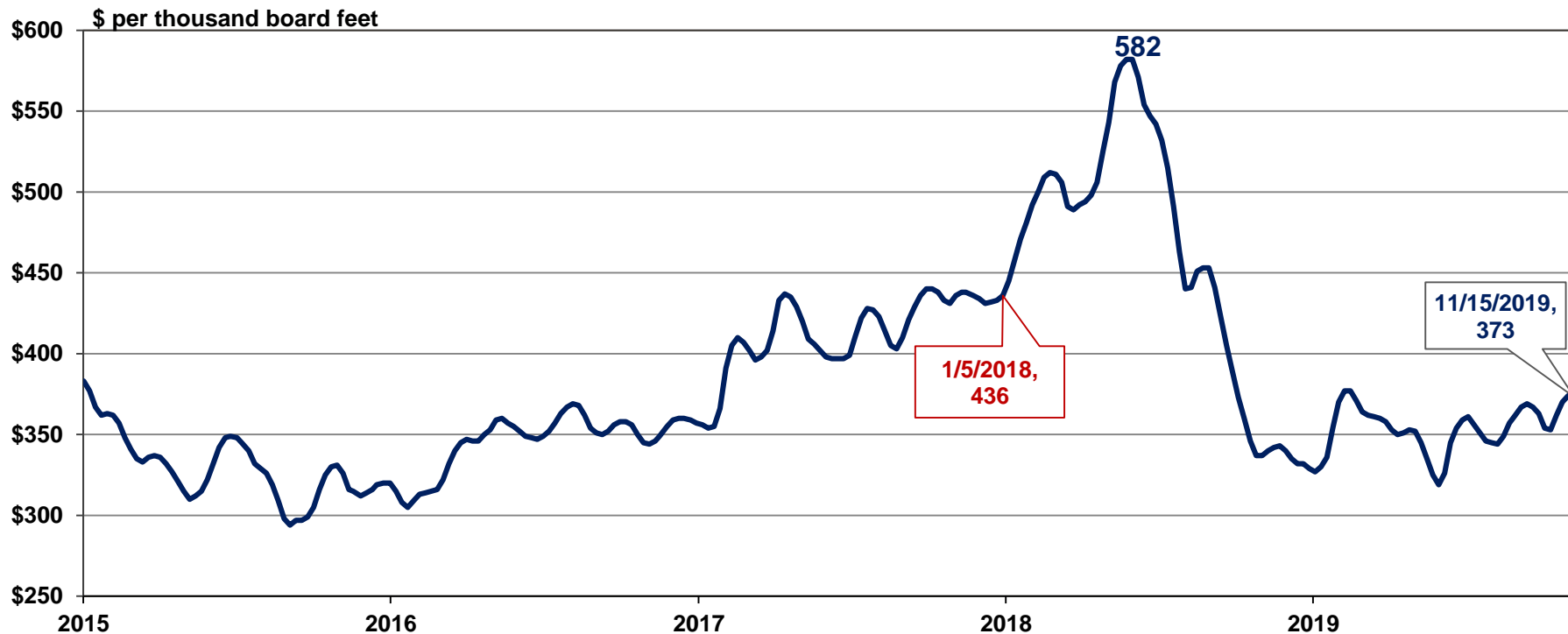
Source: NAHB/Wells Fargo Housing Opportunity Index (HOI)



Supply-Side Factors

/ Building Materials – Lumber Prices

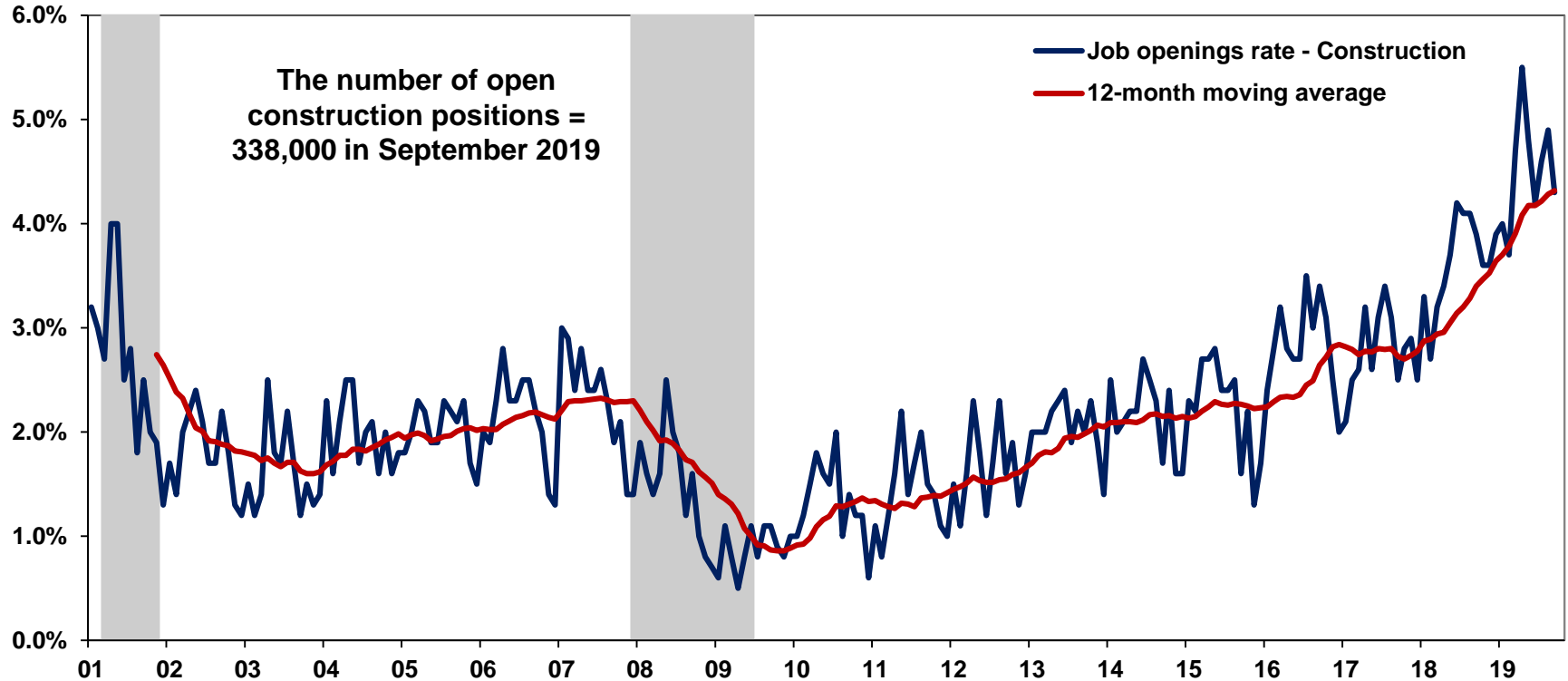
Lumber prices rose 63% to a peak from January 2017; dropped 14% since January 2018



Source: NAHB Analysis; Random Lengths Composite Index

Labor - Construction

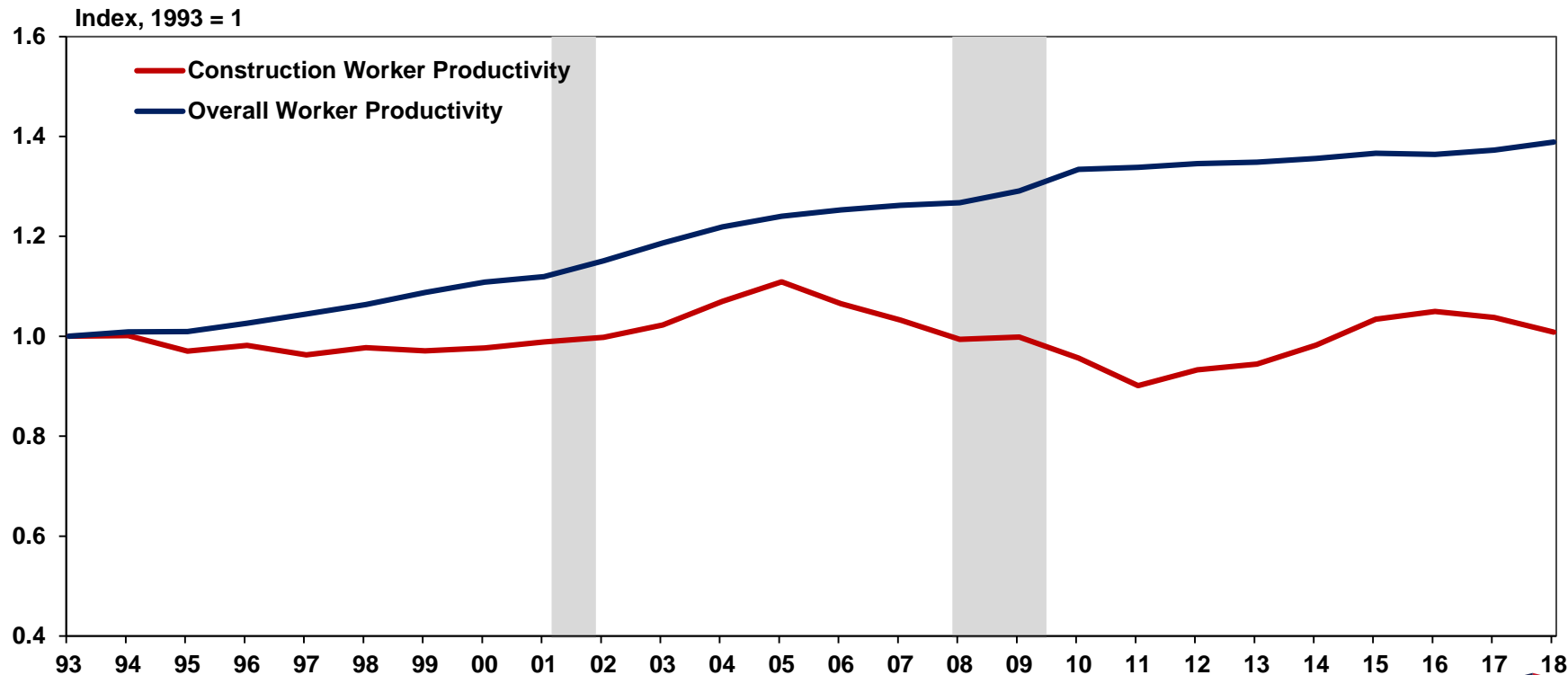
Labor shortage continued through 2018



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

Construction Sector Productivity

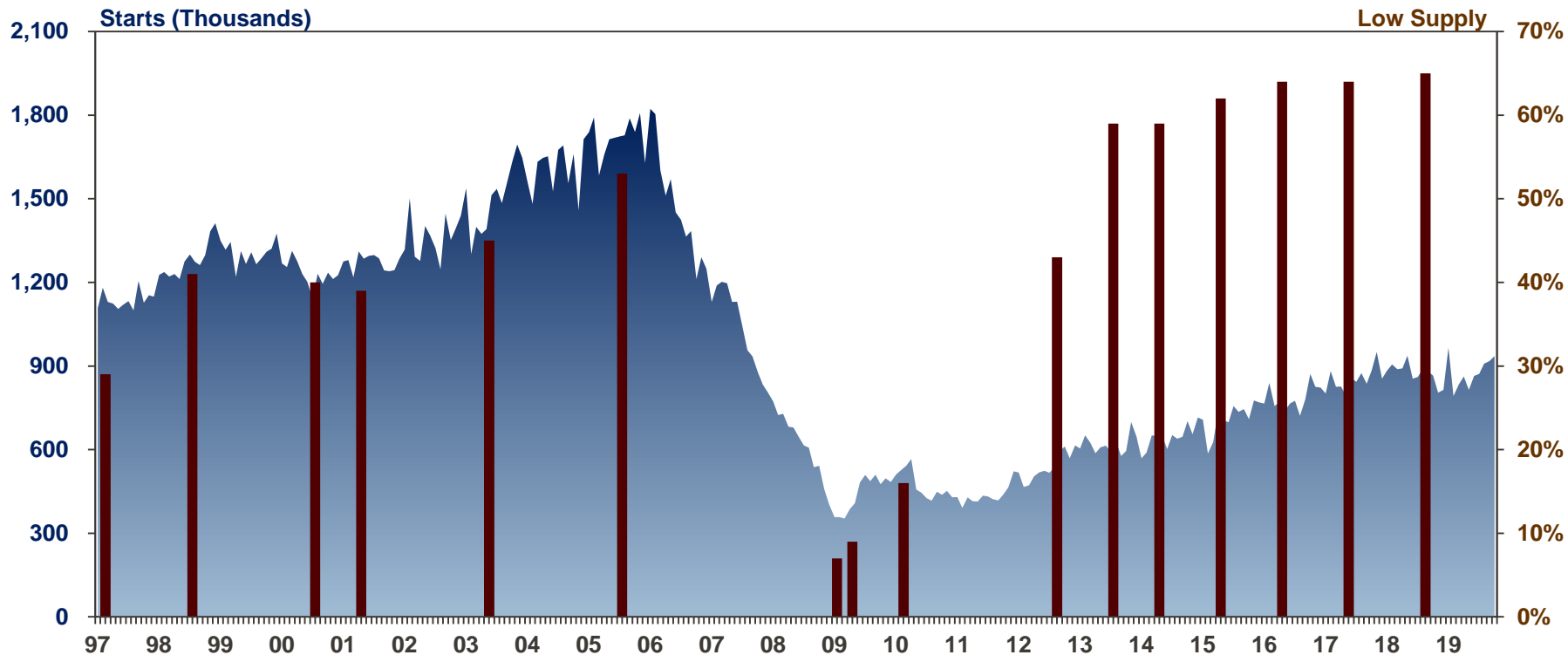
Lagging overall economy



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

Lots

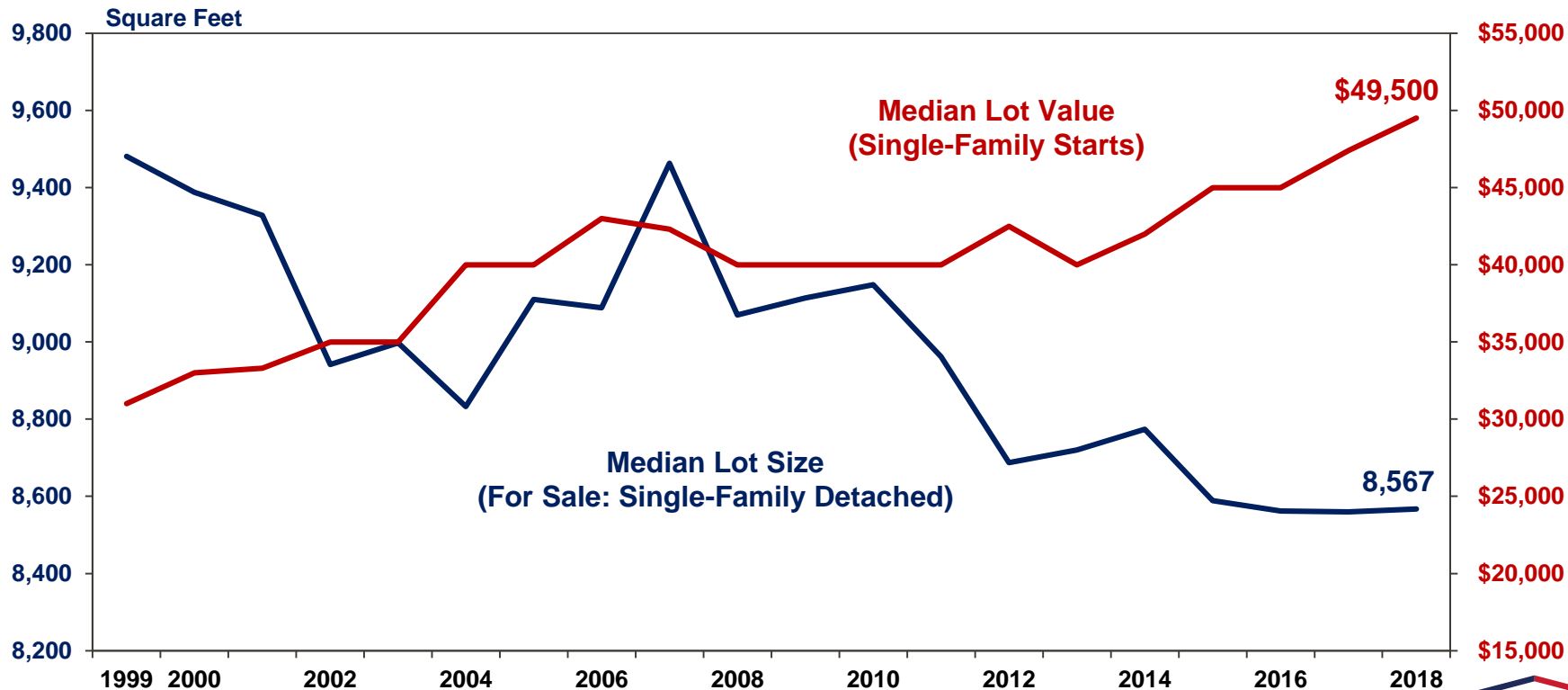
Housing Starts (Area) and Low/Very Low Lot Supply (bars)



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Median Lot Value and Size

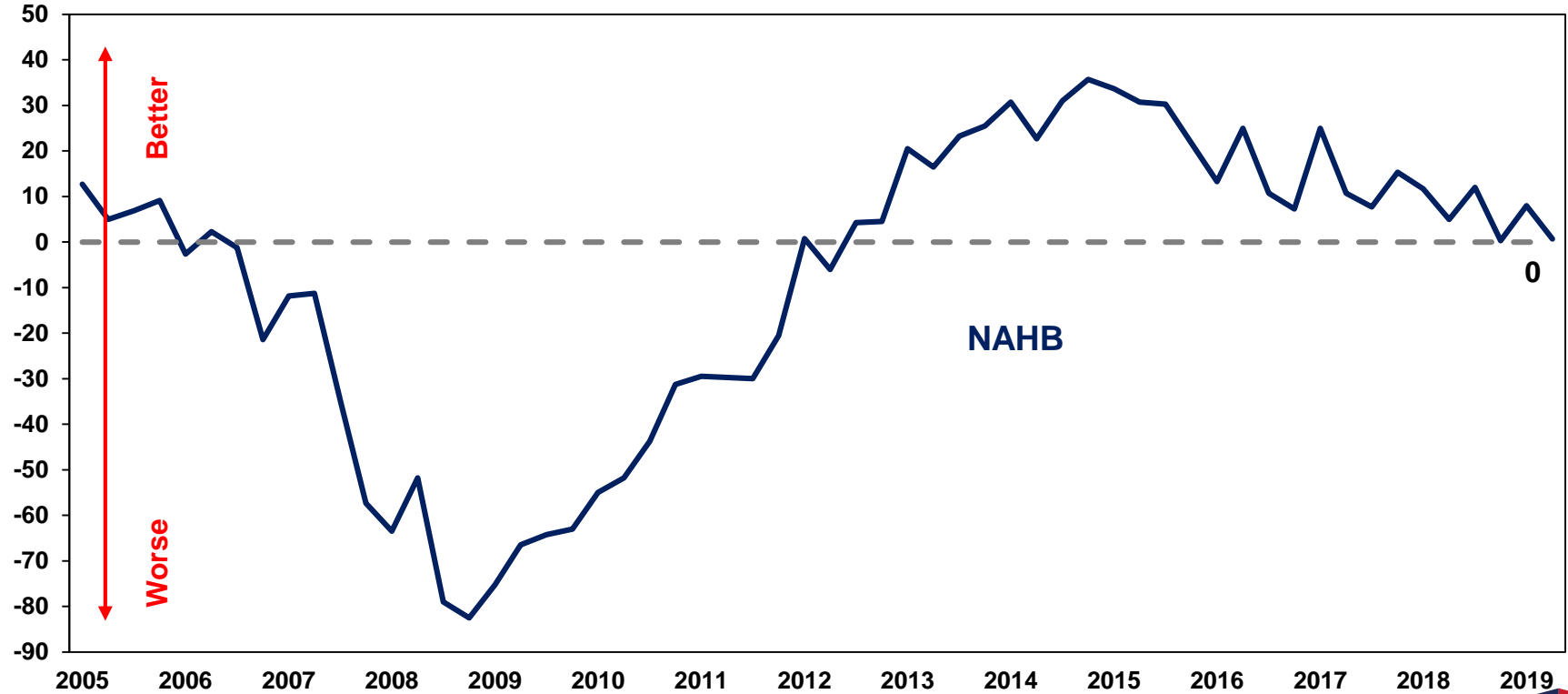
Lot size declining --- lot value increasing



Source: 2017 Survey of Construction (SOC) and NAHB Economics Estimates

/ AD&C Lending Conditions Have Moved to Neutral

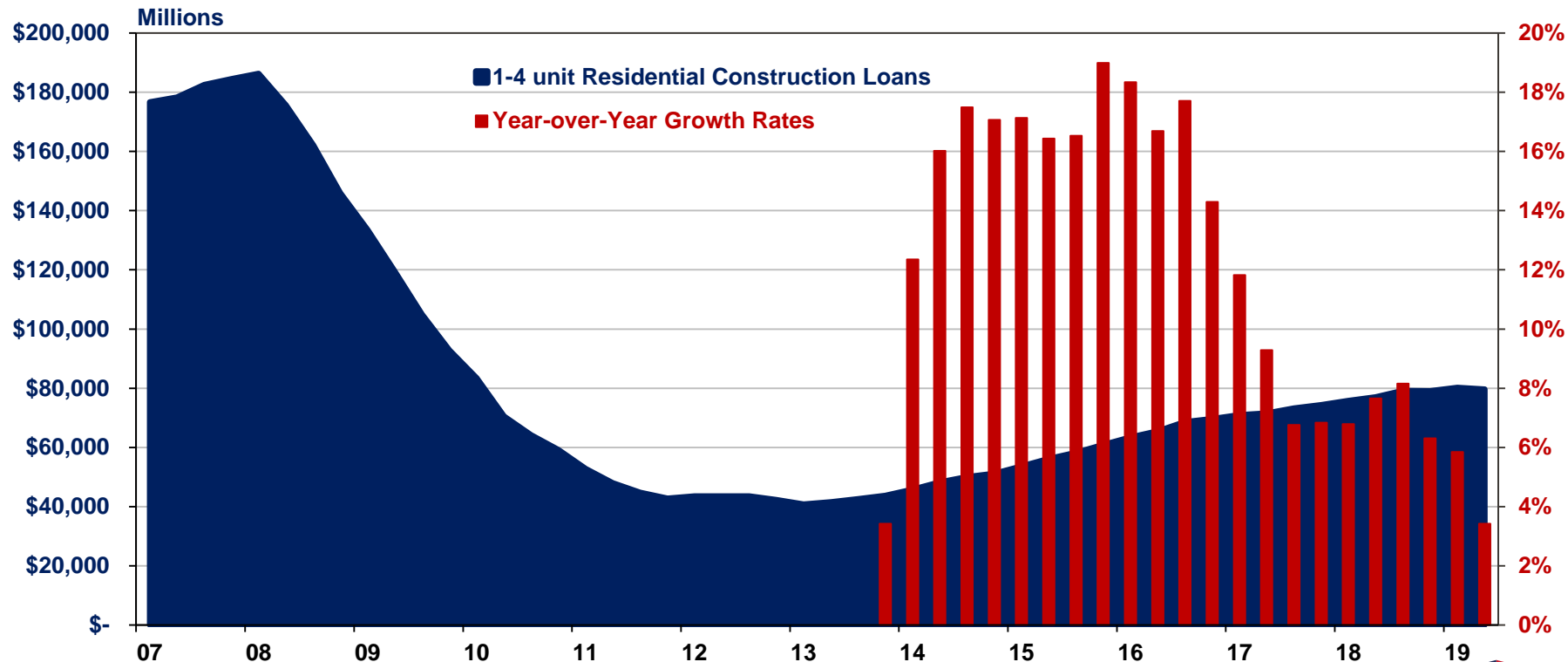
Ends long period of easing



Source: NAHB quarterly survey

/ Lending – AD&C Loan Conditions Tightening

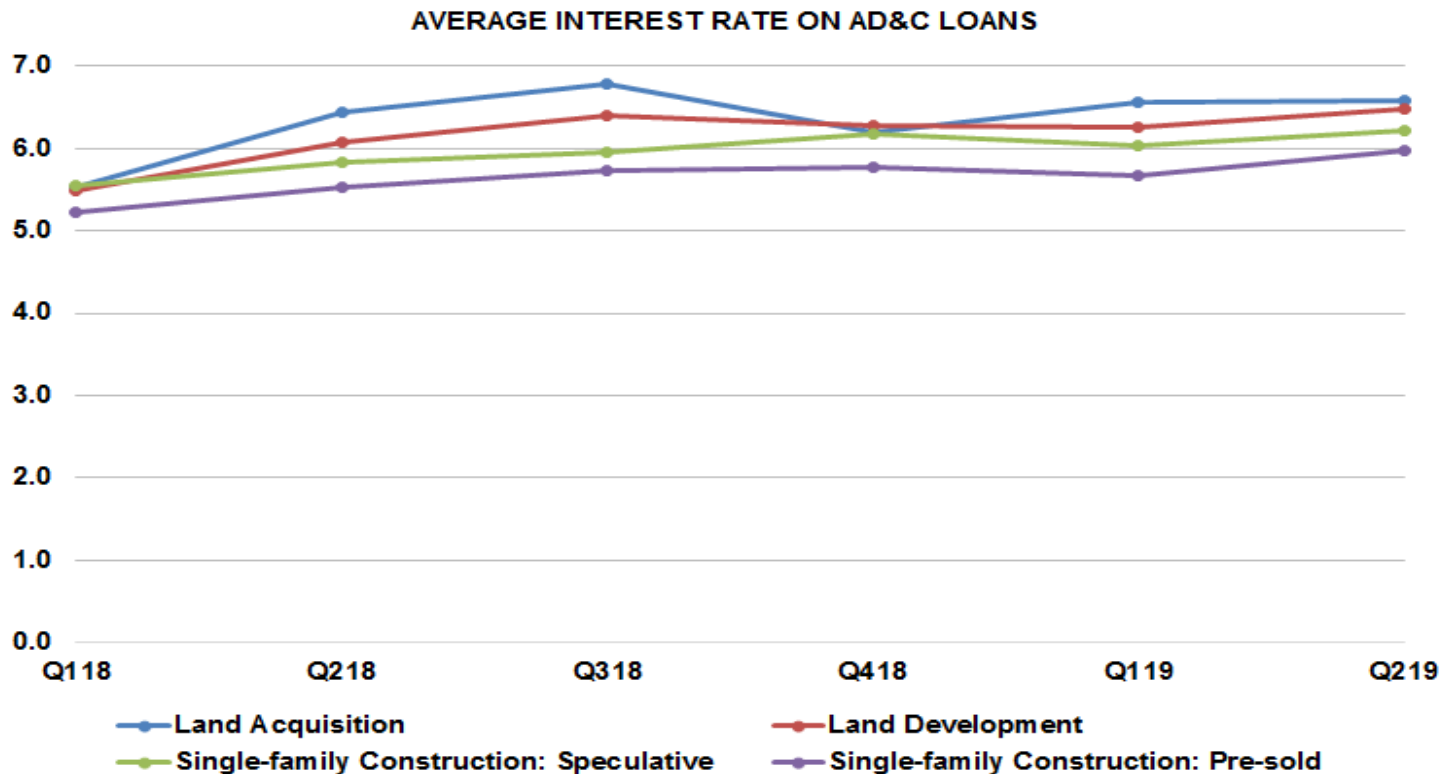
Decline in lending stock for 4Q18 and 2Q19



Source: Federal Deposit Insurance Corporation (FDIC).

AD&C Interest Rates Remain Elevated

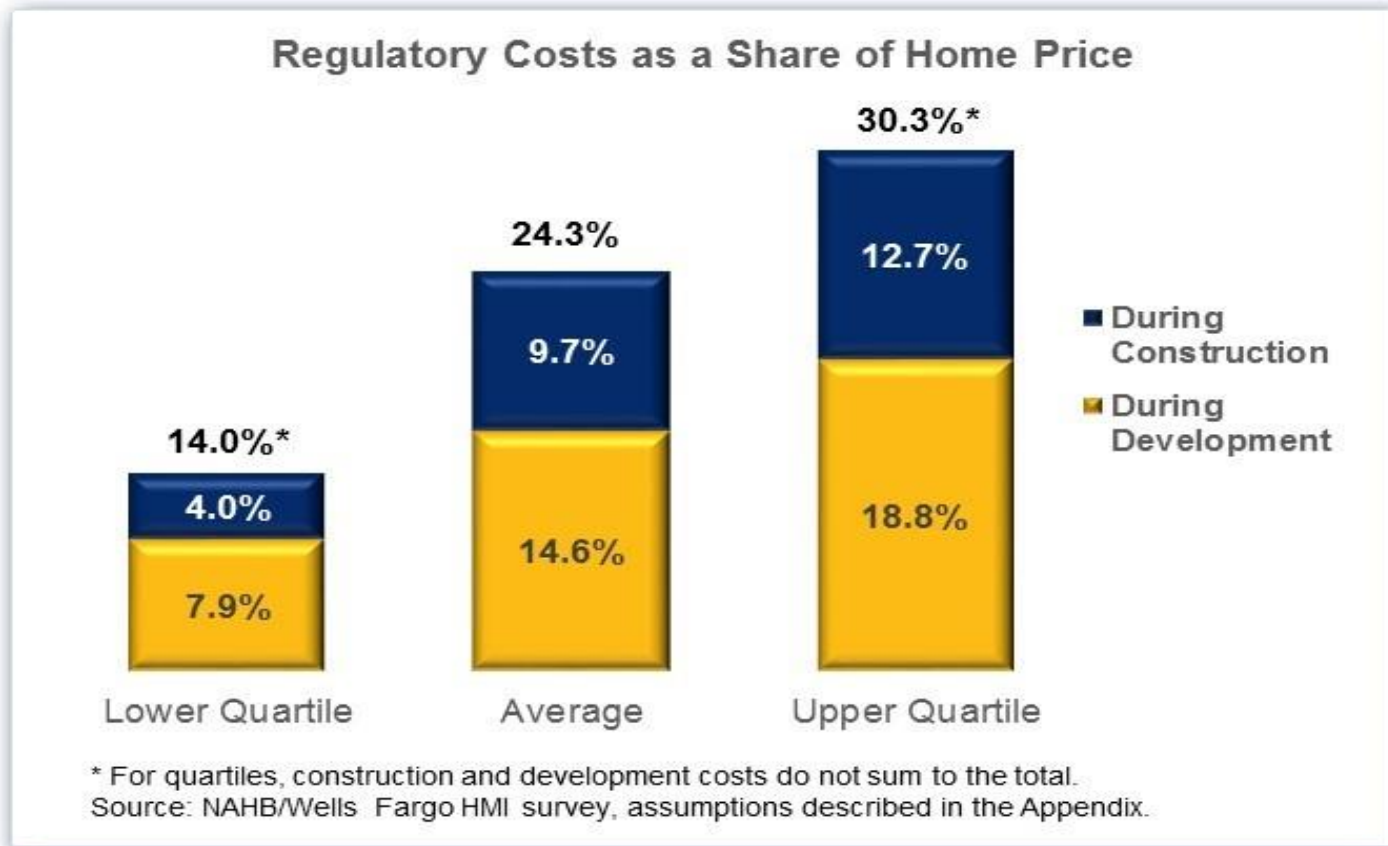
Does not match recent rate history for mortgages



Source: NAHB quarterly survey.

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

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





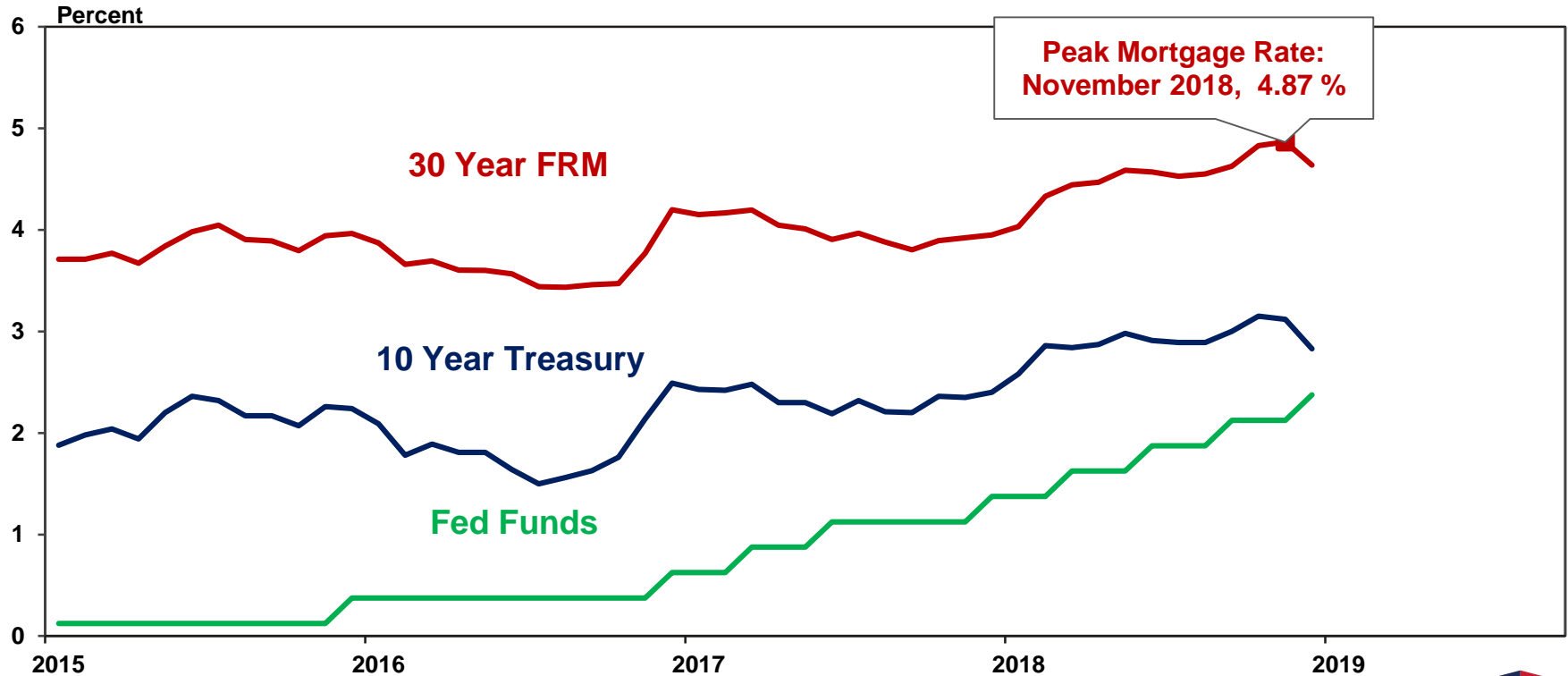
Construction Outlook

*2019 Rebound
and Forecasts*



Interest Rates

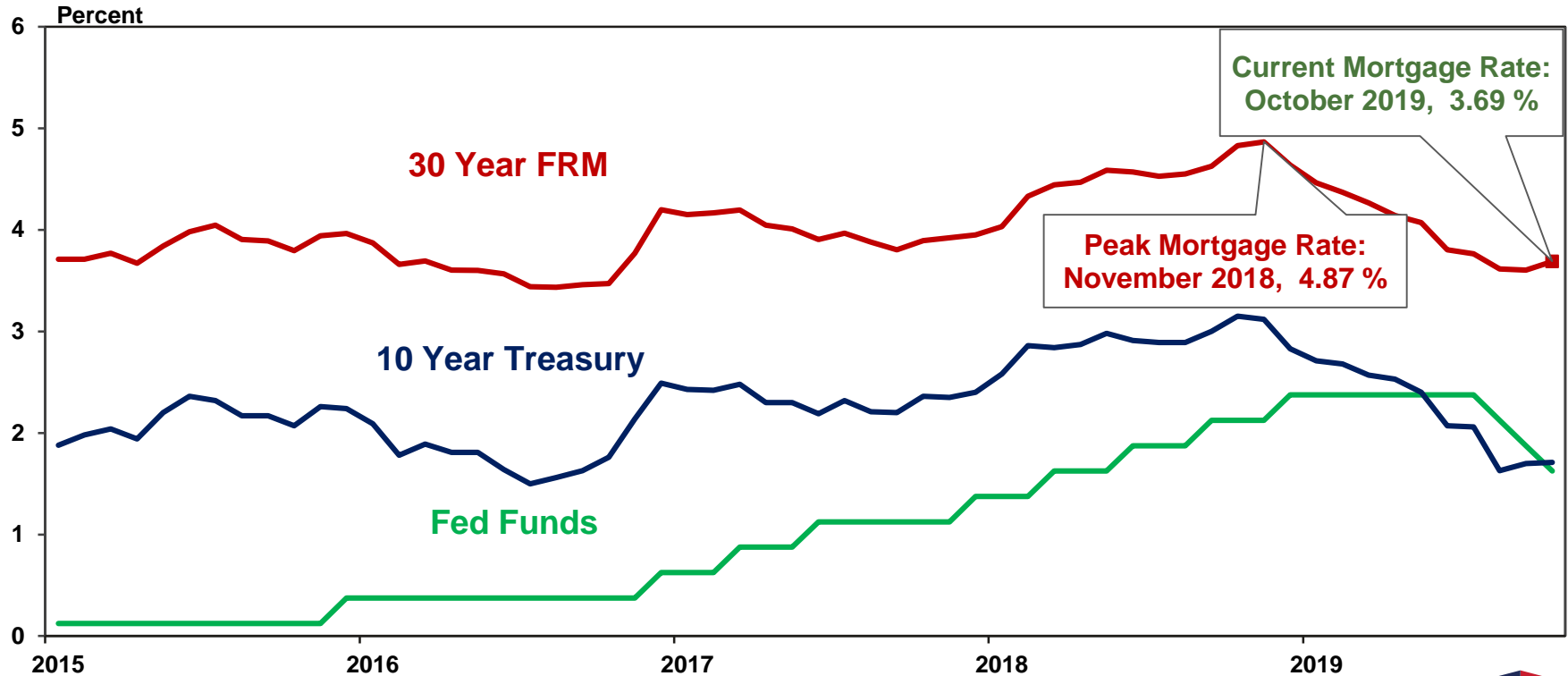
Mortgage rates increased during 2018 due to hawkish Fed



Source: Federal Reserve and Freddie Mac data

Interest Rates

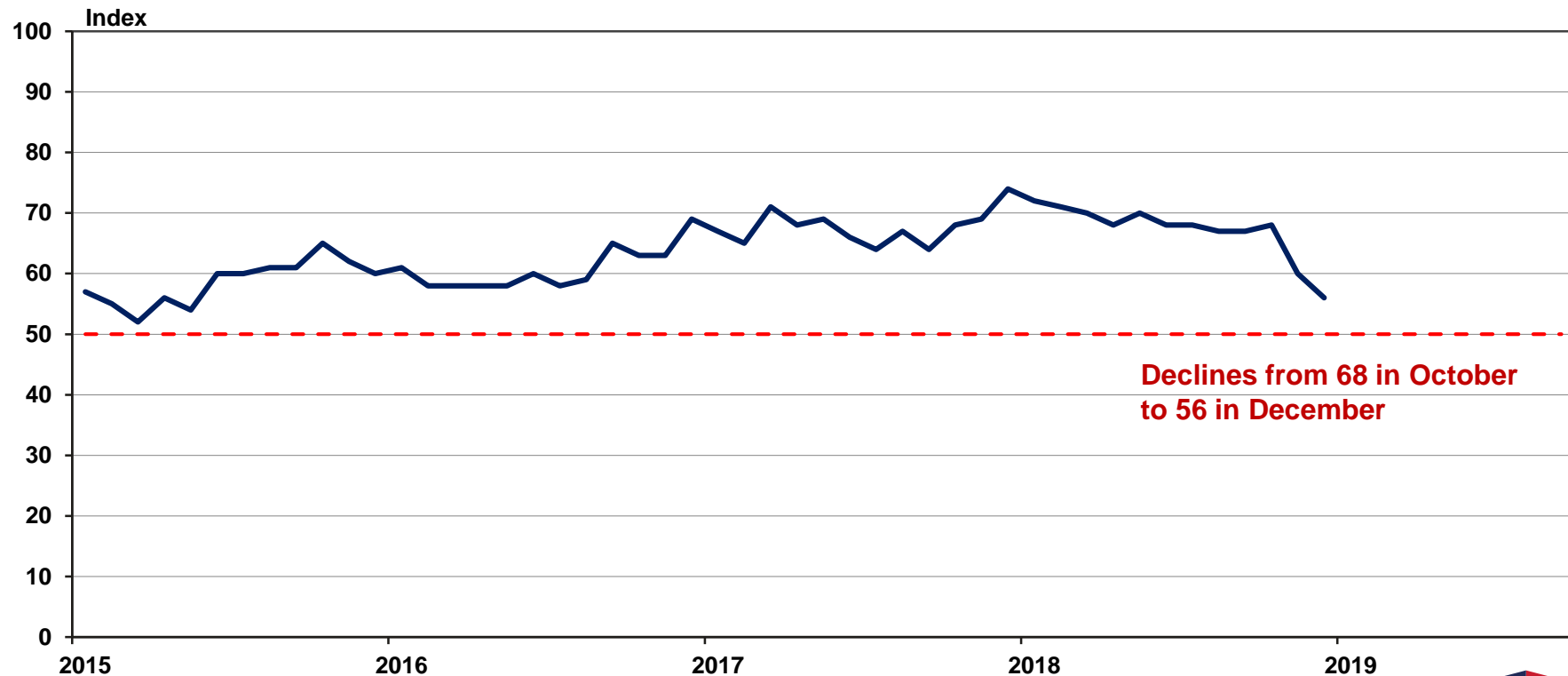
Rates have declined, led by 50 basis point cut by the Fed and slower growth expectations



Source: Federal Reserve and Freddie Mac data

NAHB/Wells Fargo Housing Market Index (HMI)

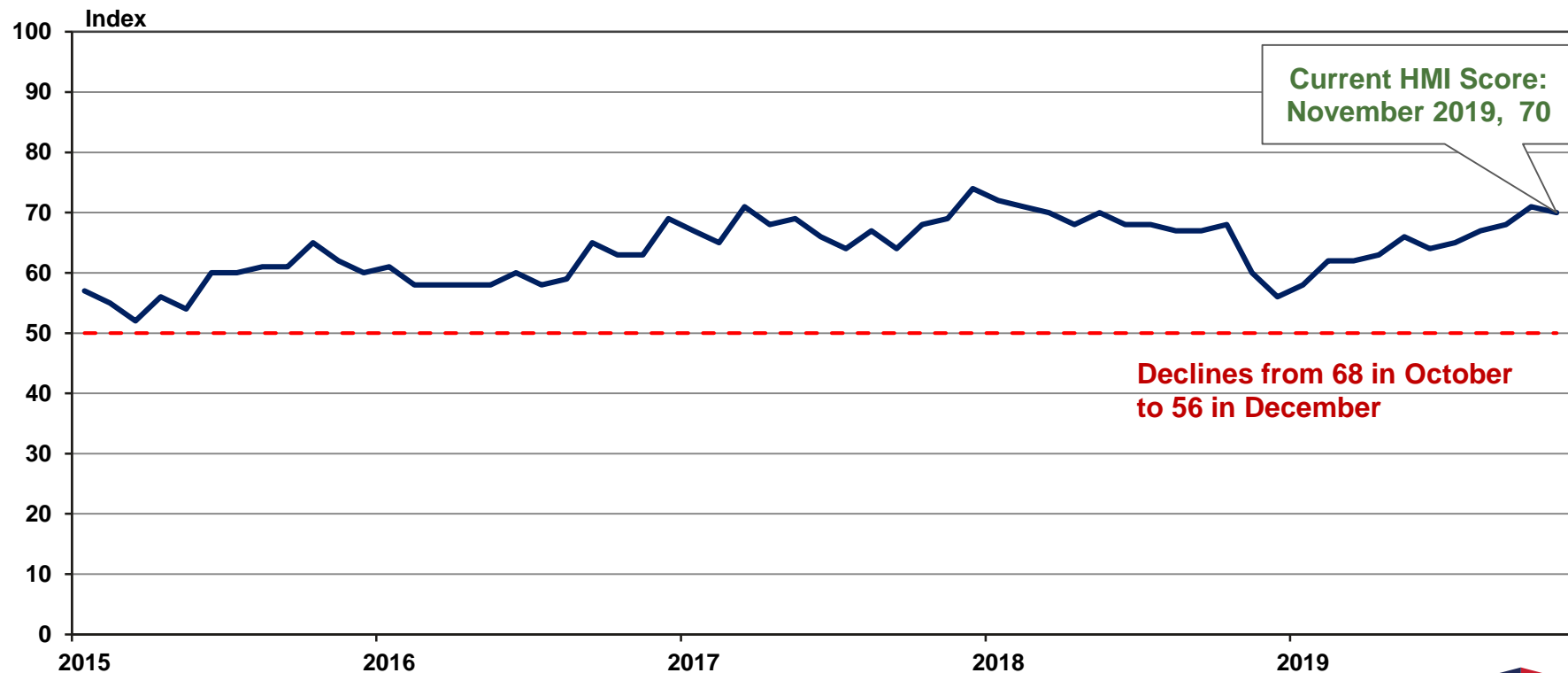
The HMI was the leading indicator of the late 2018 slowdown



Source: NAHB/Wells Fargo HMI survey

NAHB/Wells Fargo Housing Market Index (HMI)

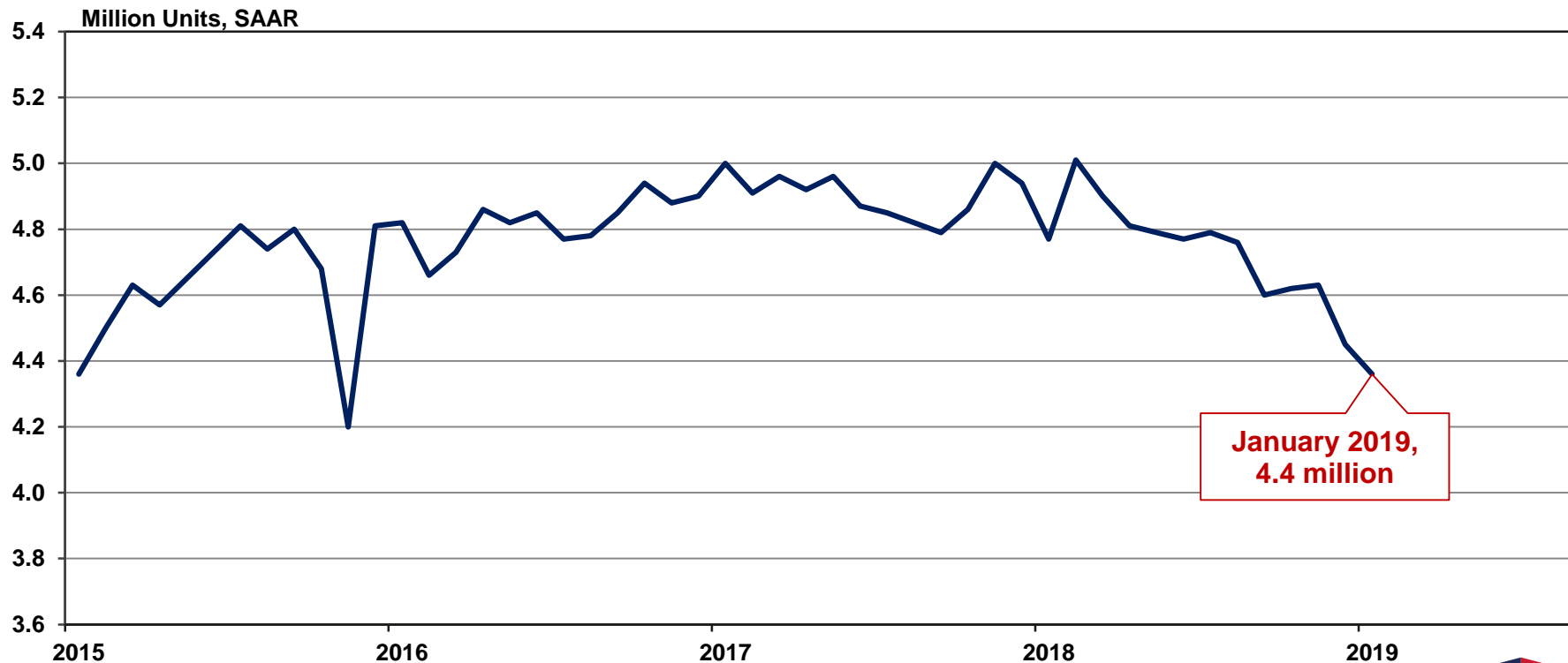
Rebound in the HMI during 2019



Source: NAHB/Wells Fargo HMI survey

Existing Single-Family Home Sales (EHS)

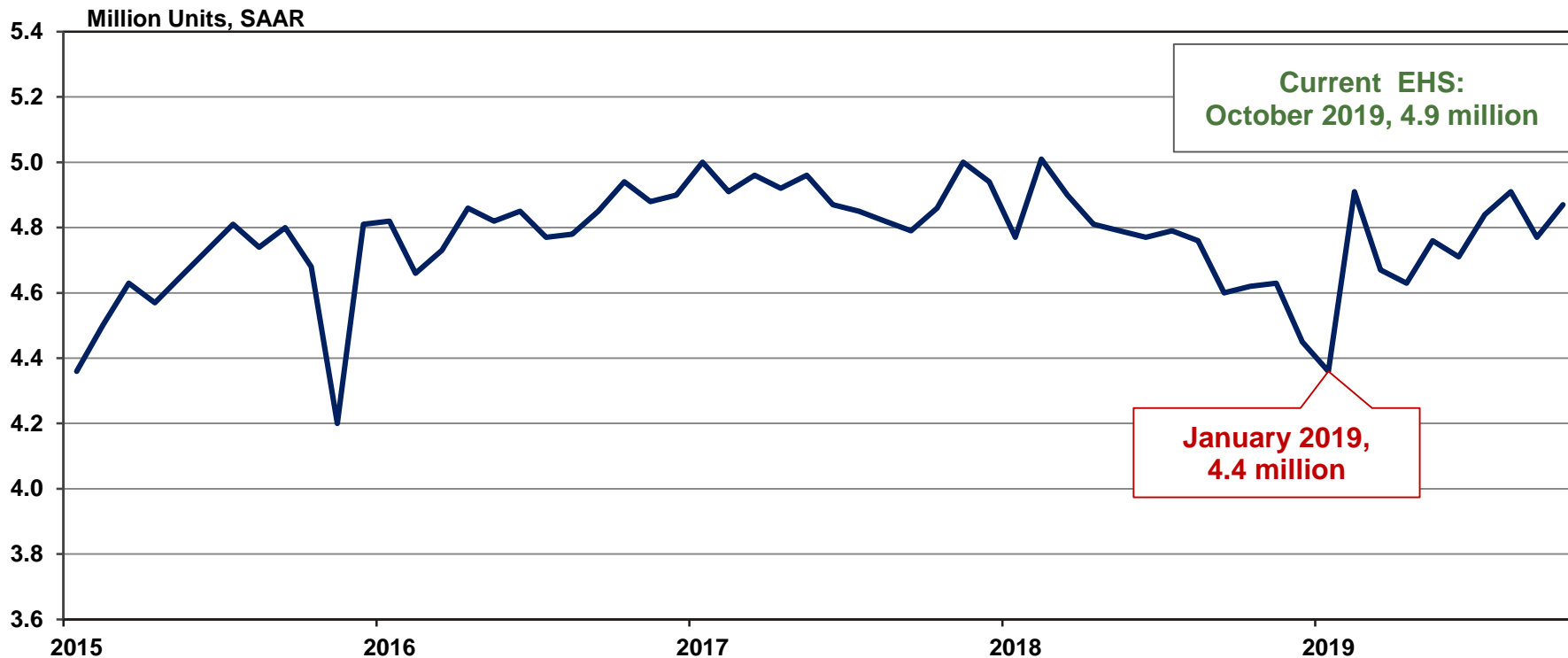
Resales of single-family homes declining since 2018



Source: National Association of Realtors (NAR)

Existing Single-Family Home Sales (EHS)

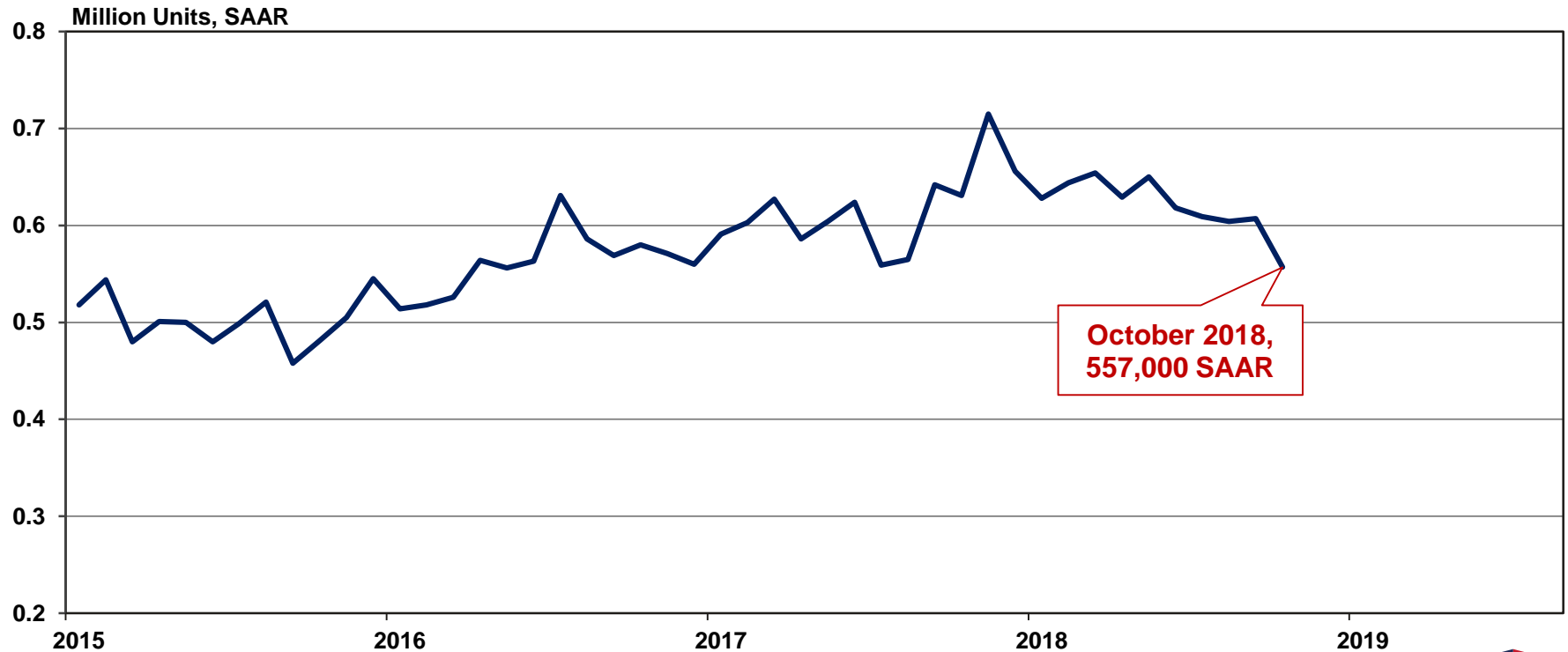
During 2019, the pace of existing sales has rebounded



Source: National Association of Realtors (NAR)

New Single-Family Home Sales

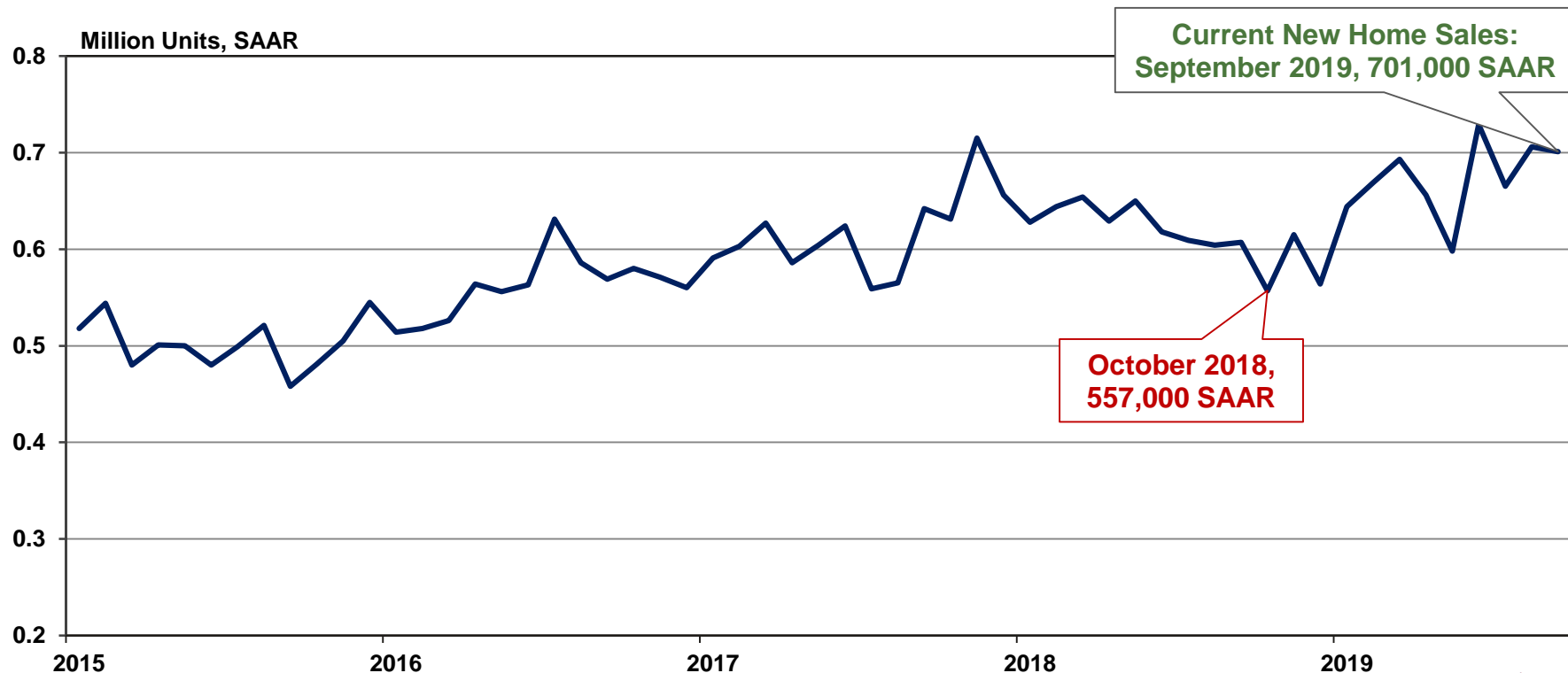
Pace of new home sales declined during 2018



Source: U.S. Census Bureau (BOC)

New Single-Family Home Sales

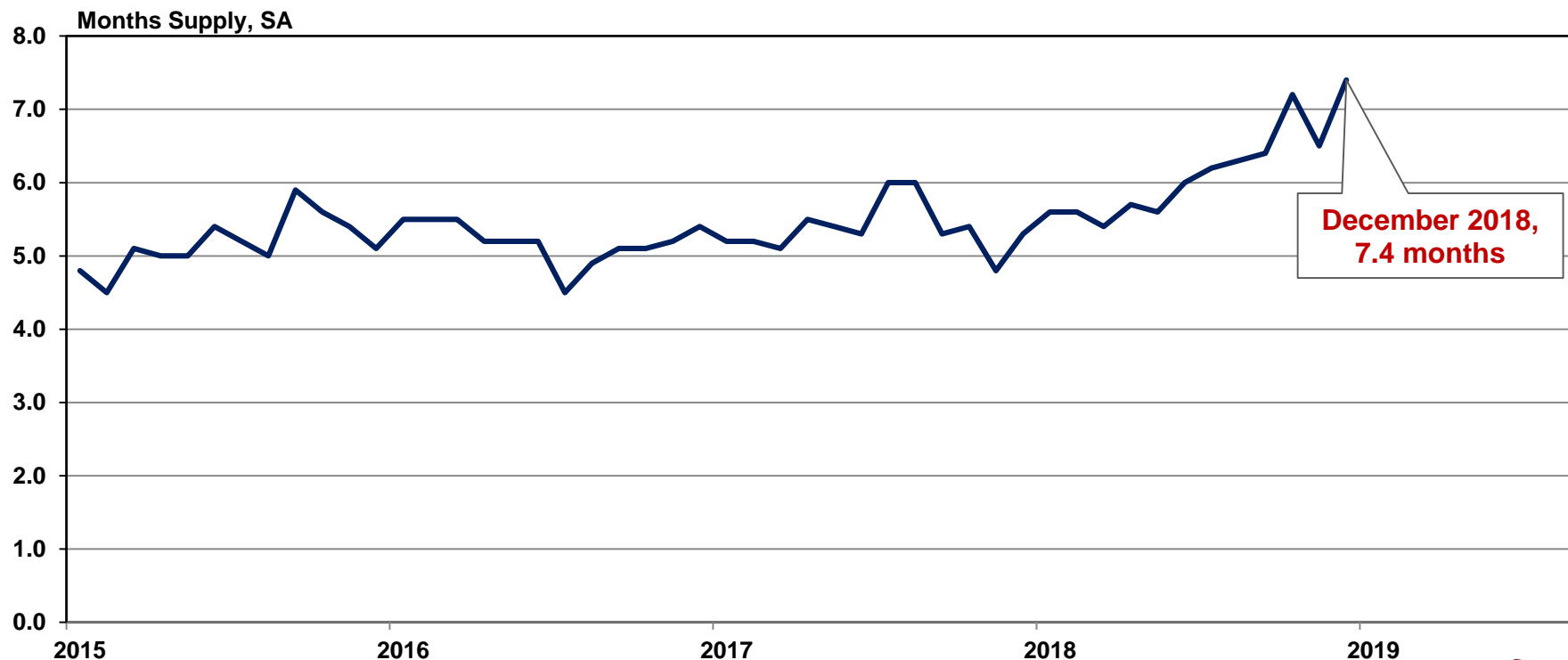
Significant rebound in 2019, sales 7.2% higher YTD 2019



Source: U.S. Census Bureau (BOC)

New Home Inventory

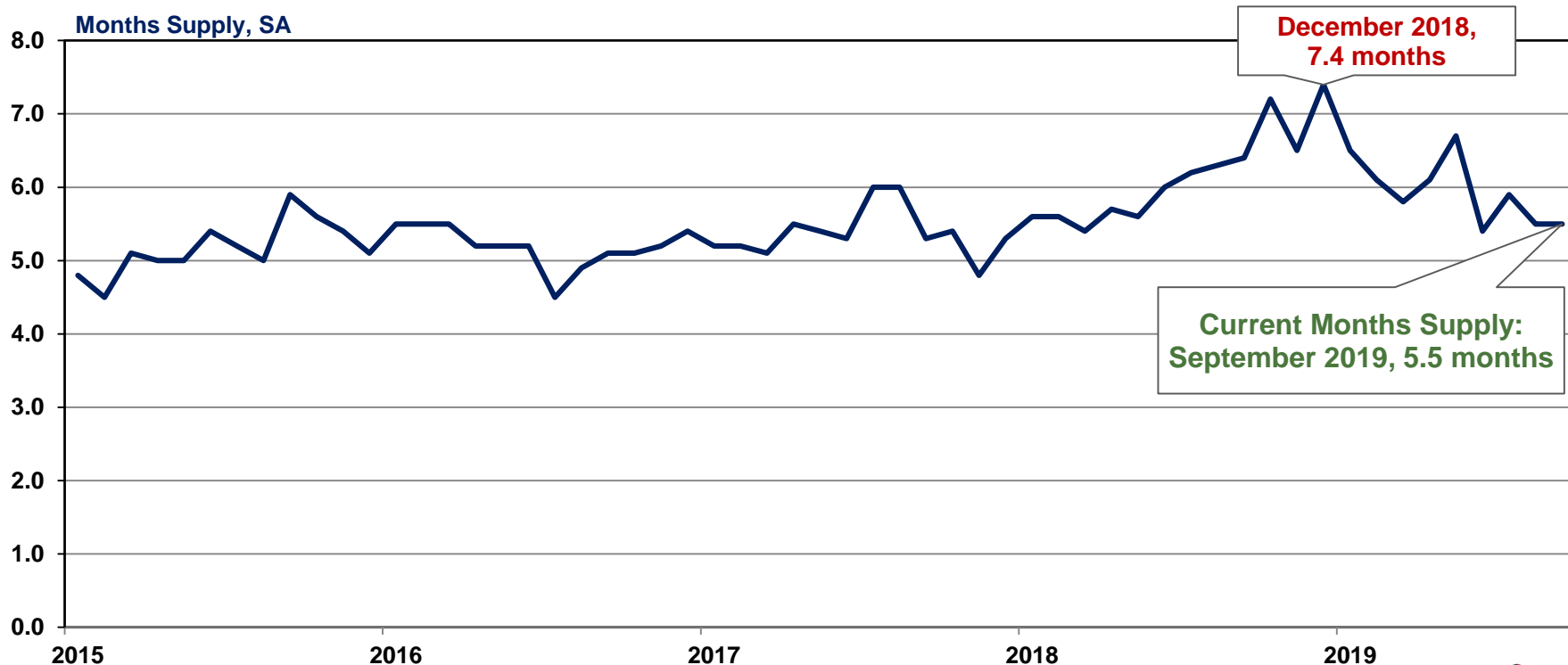
Slowdown in sales, raised inventory above benchmark 6 months' supply level



Source: U.S. Census Bureau (BOC)

New Home Inventory

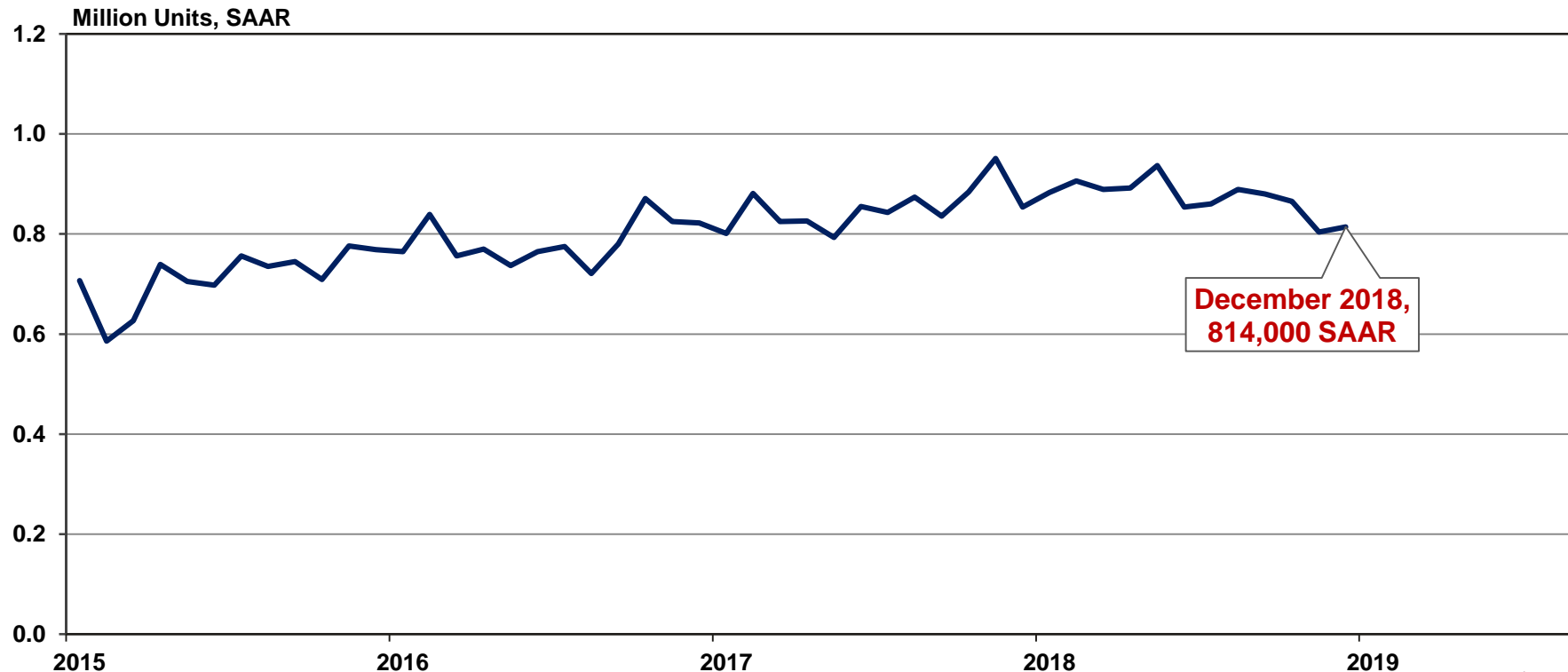
Increase in sales rate has lowered sales-adjusted inventory levels



Source: U.S. Census Bureau (BOC)

/ Single-Family Housing Starts

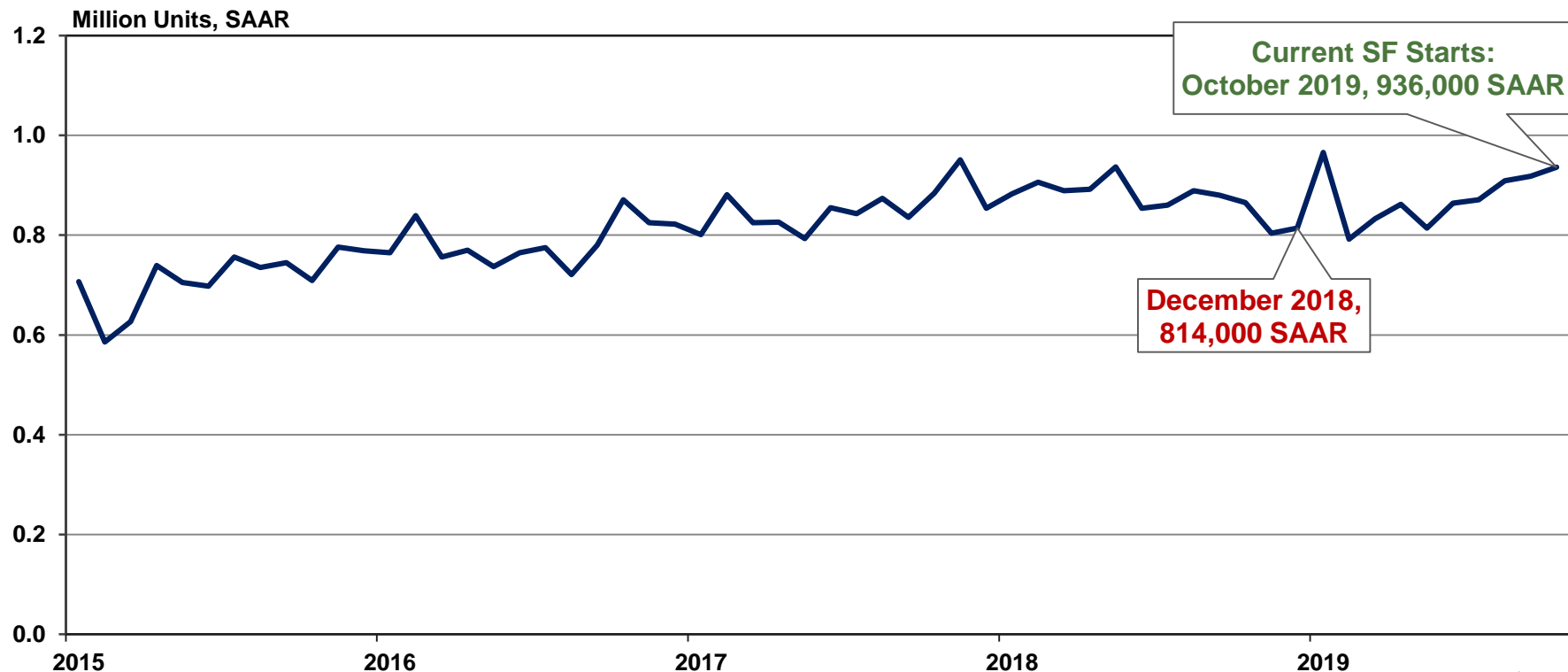
As inventory levels increased, permits and starts declined



Source: U.S. Census Bureau (BOC)

Single-Family Housing Starts

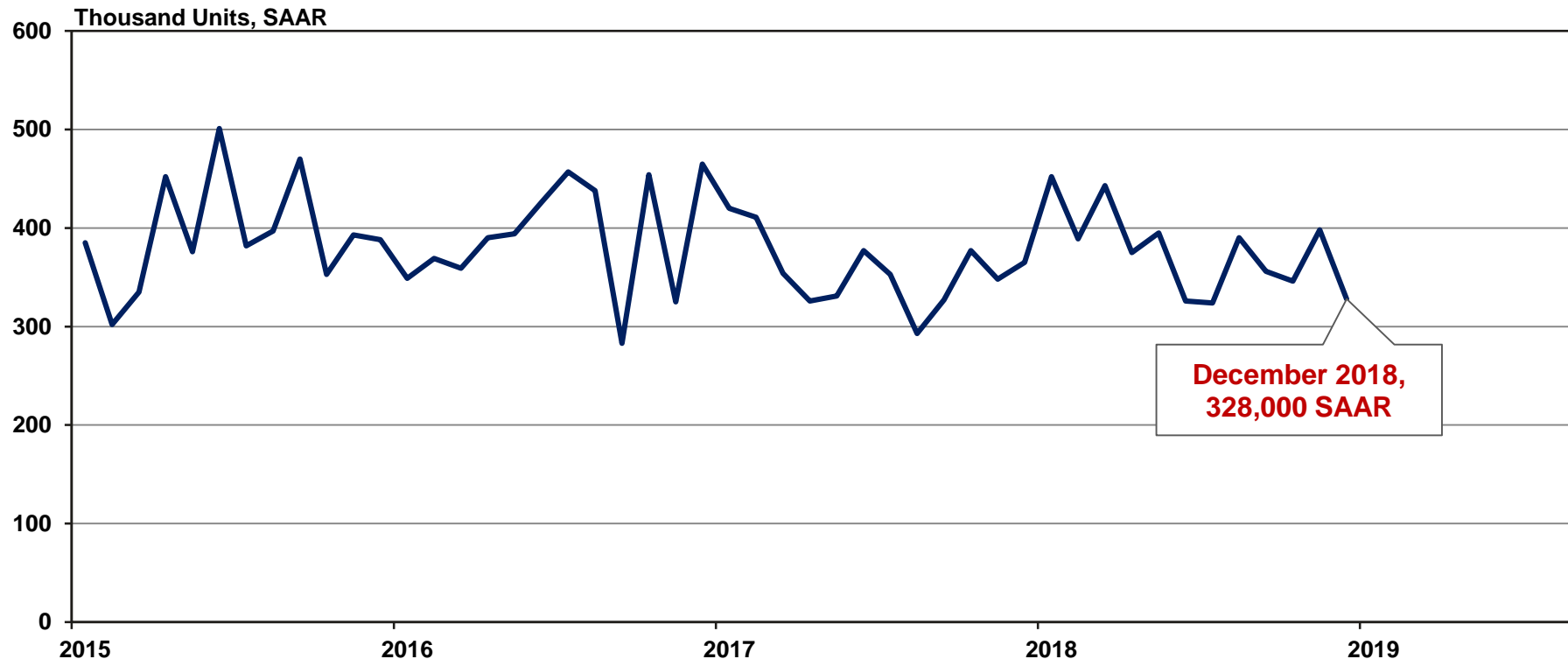
Step-up in sales has modestly pace of permits and starts



Source: U.S. Census Bureau (BOC)

/ Multifamily Housing Starts

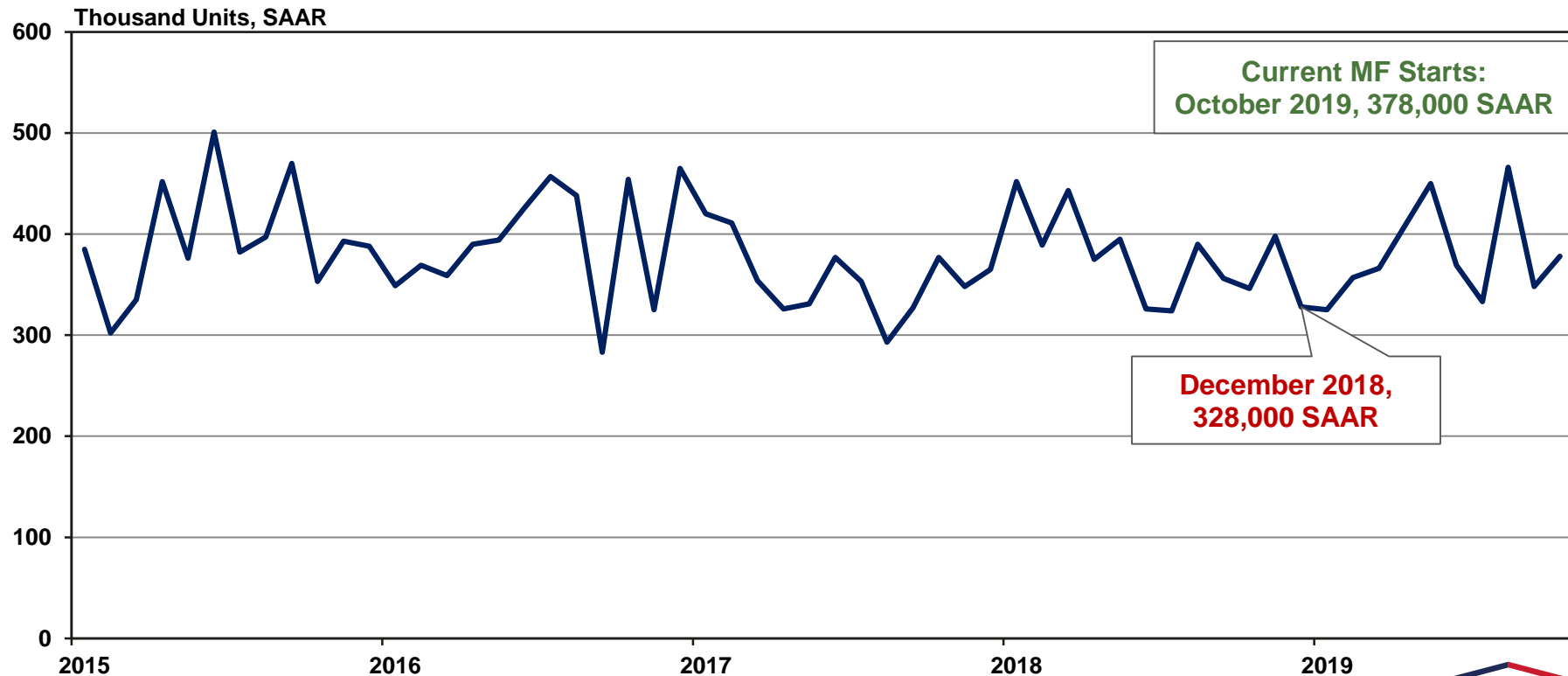
Apartment construction has leveled off since 2015



Source: U.S. Census Bureau (BOC)

/ Multifamily Housing Starts

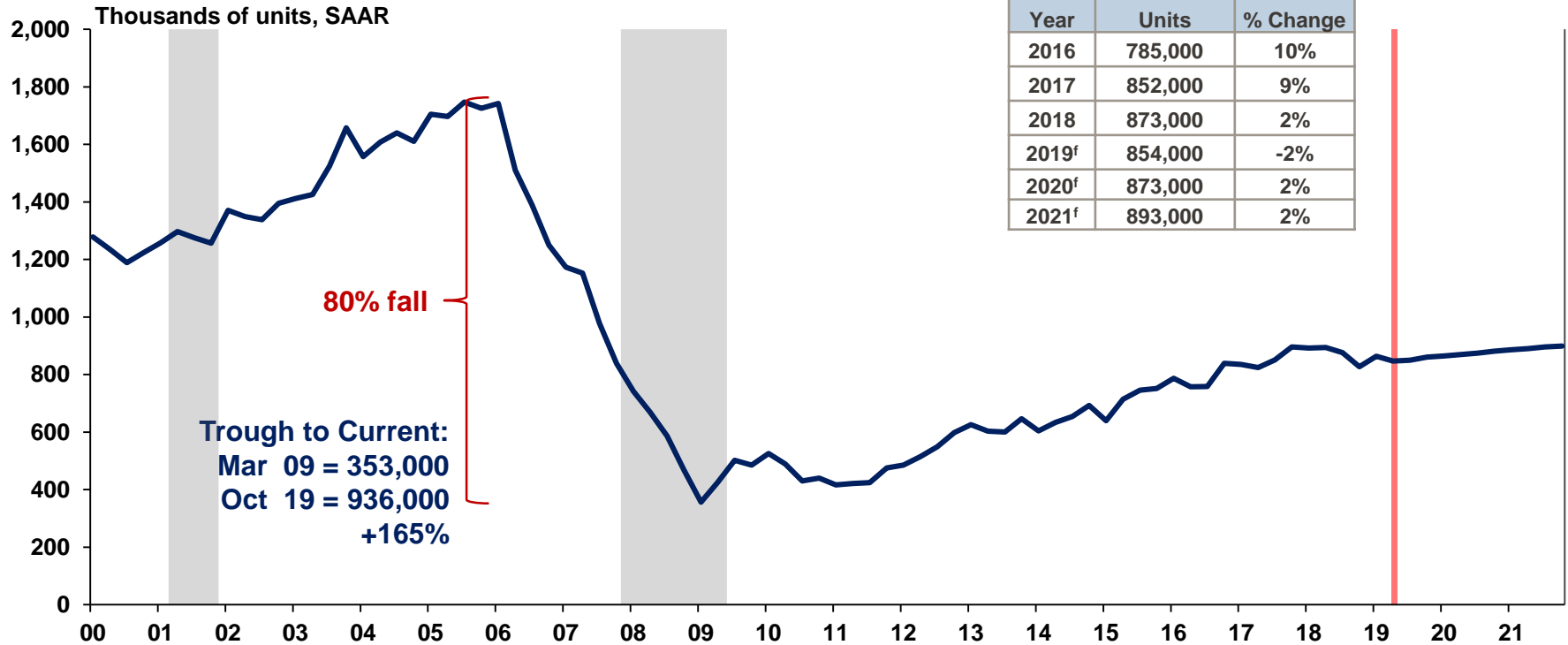
Apartment construction increased slightly due to single-family slowdown



Source: U.S. Census Bureau (BOC)

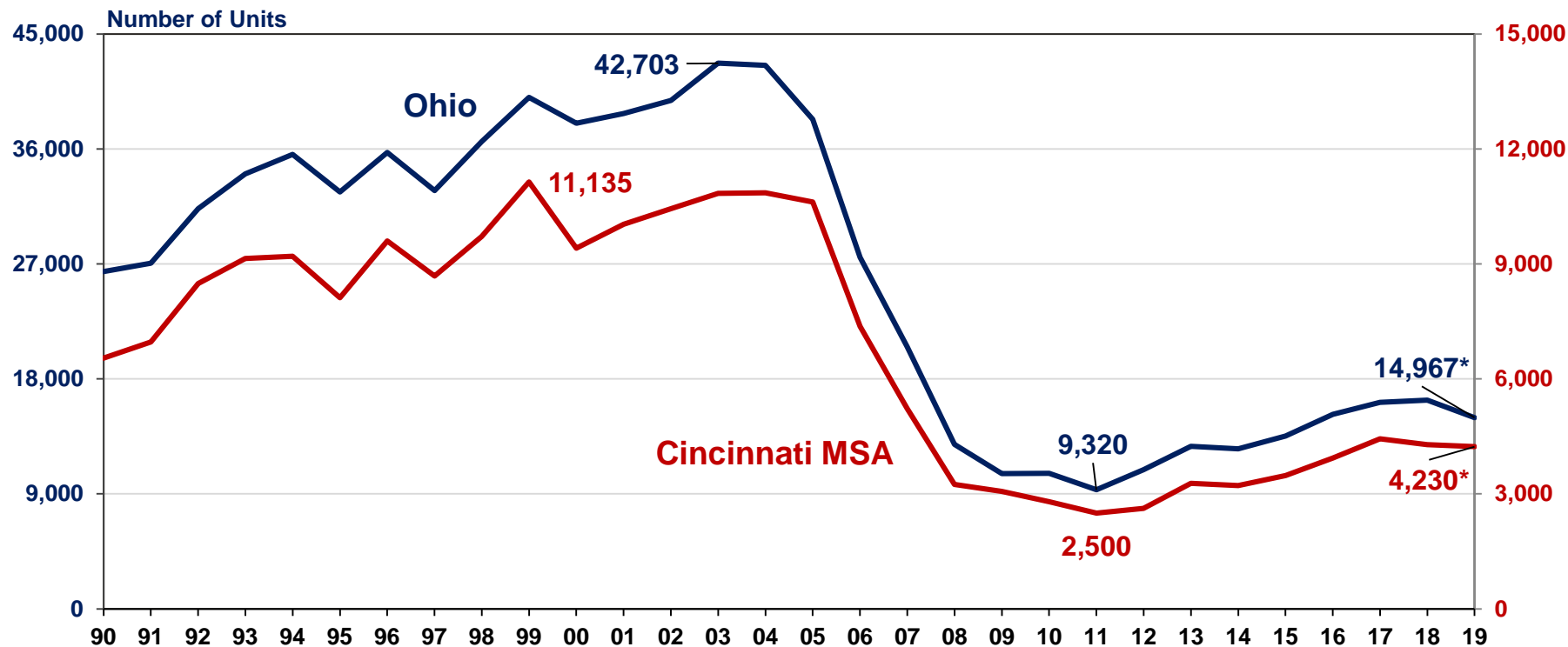
Single-Family Starts

Limited growth as economy slows



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

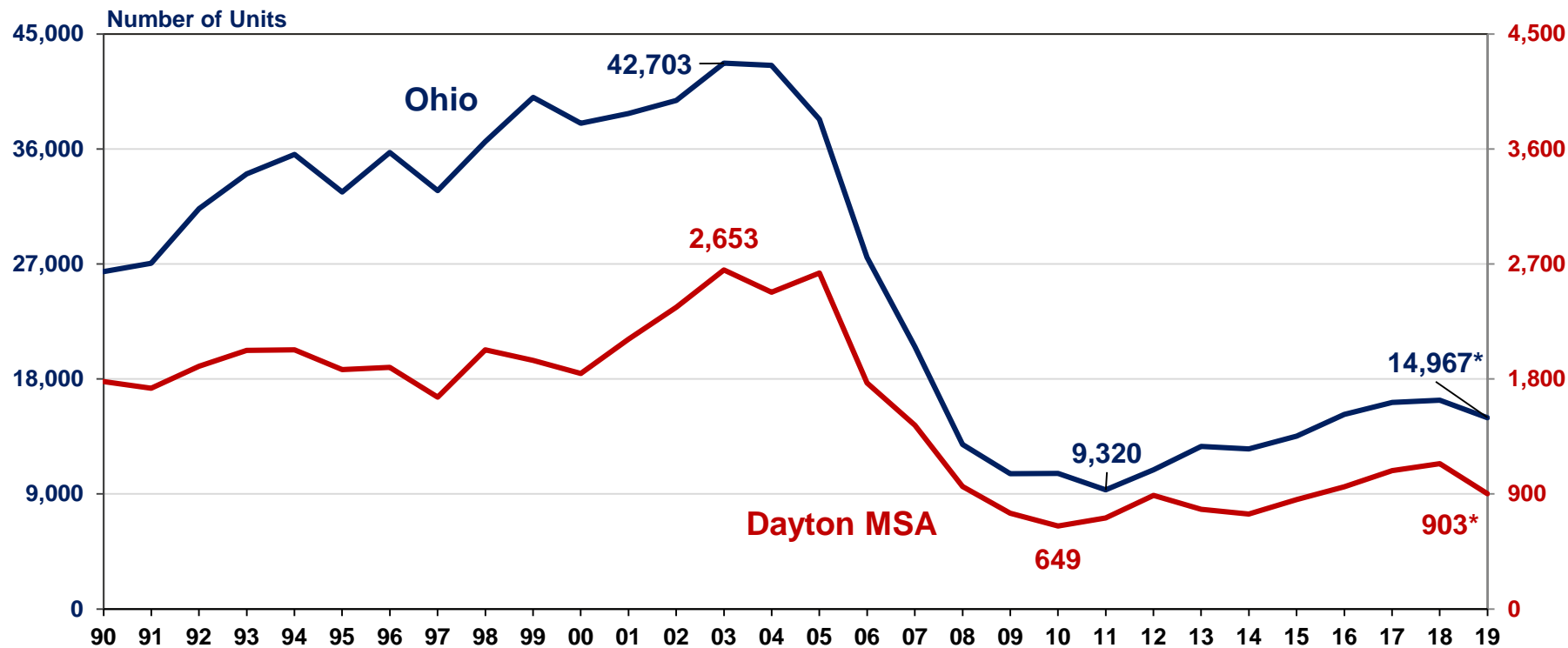
Single-Family Building Permits – Ohio and Cincinnati MSA



Source: U.S. Census Bureau (BOC)

Note: * 2019 permits are projected based on YTD data.

Single-Family Building Permits – Ohio and Dayton MSA

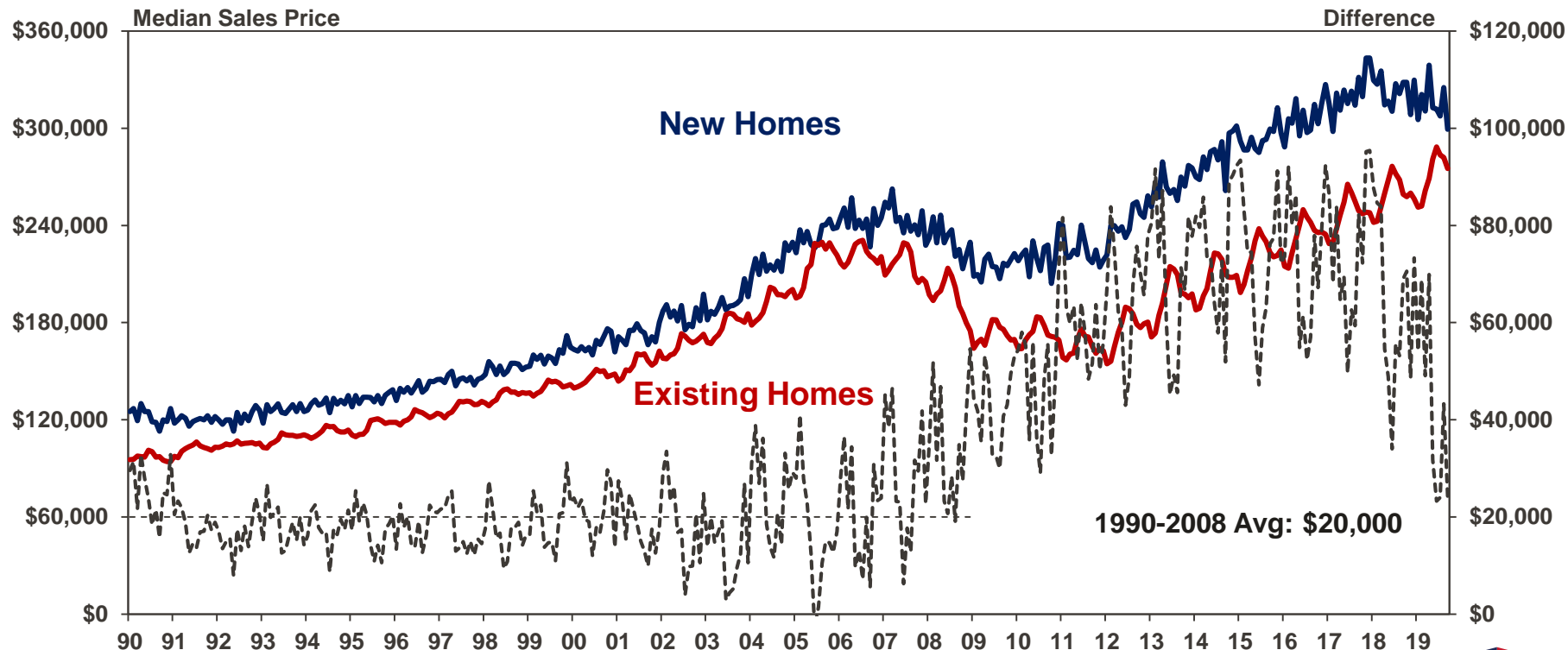


Source: U.S. Census Bureau (BOC)

Note: * 2019 permits are projected based on YTD data.

Home Prices of New and Existing Homes

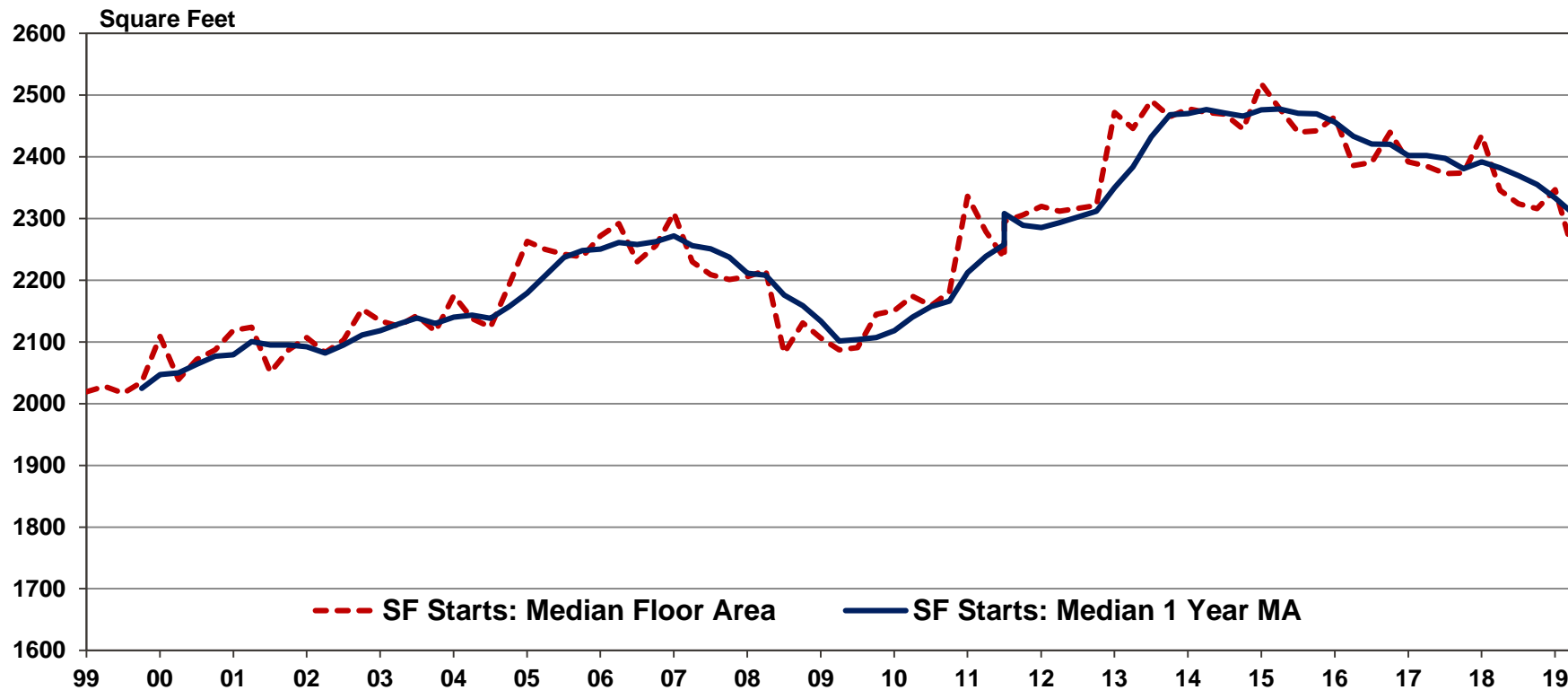
Gap narrowing due to price incentives, more entry-level homes



Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

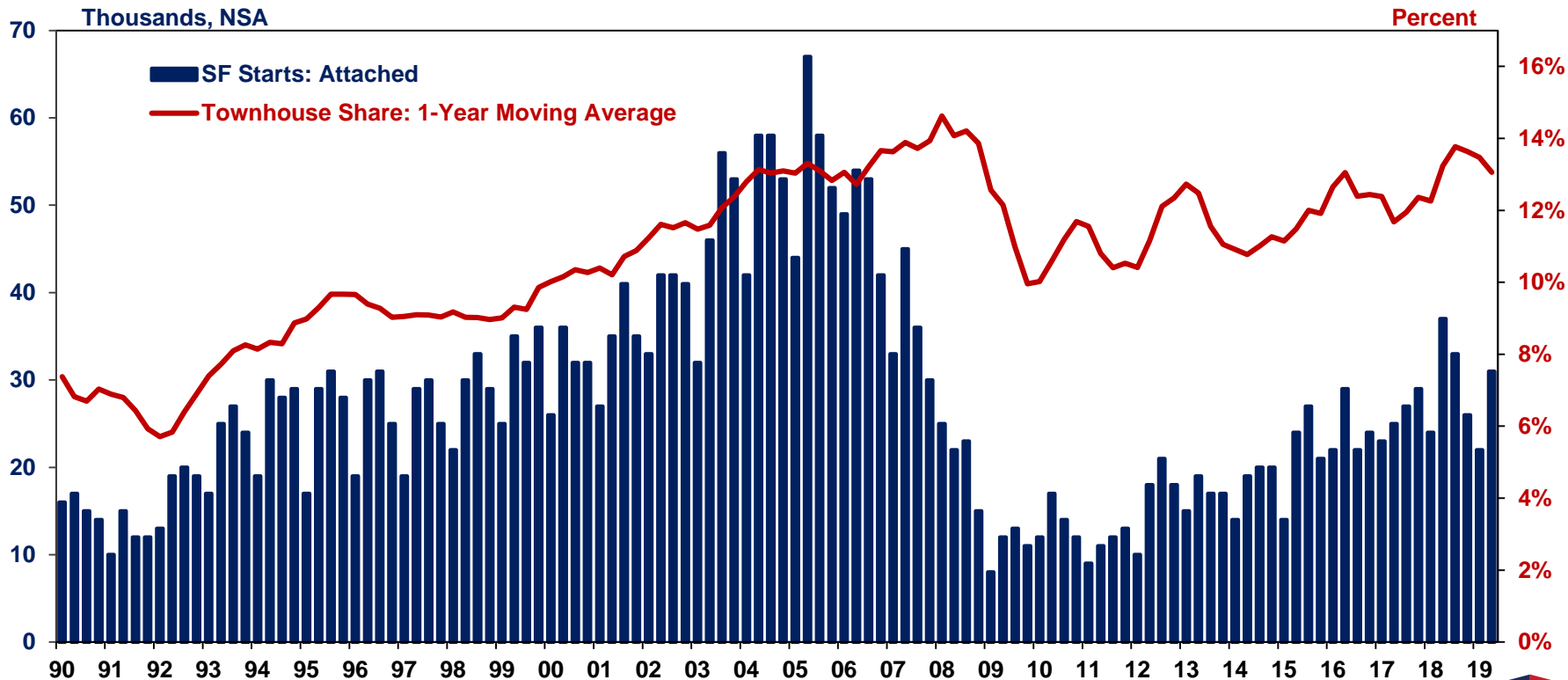
Typical New Home Size

Decline after market shift



Source: U.S. Census Bureau (BOC)

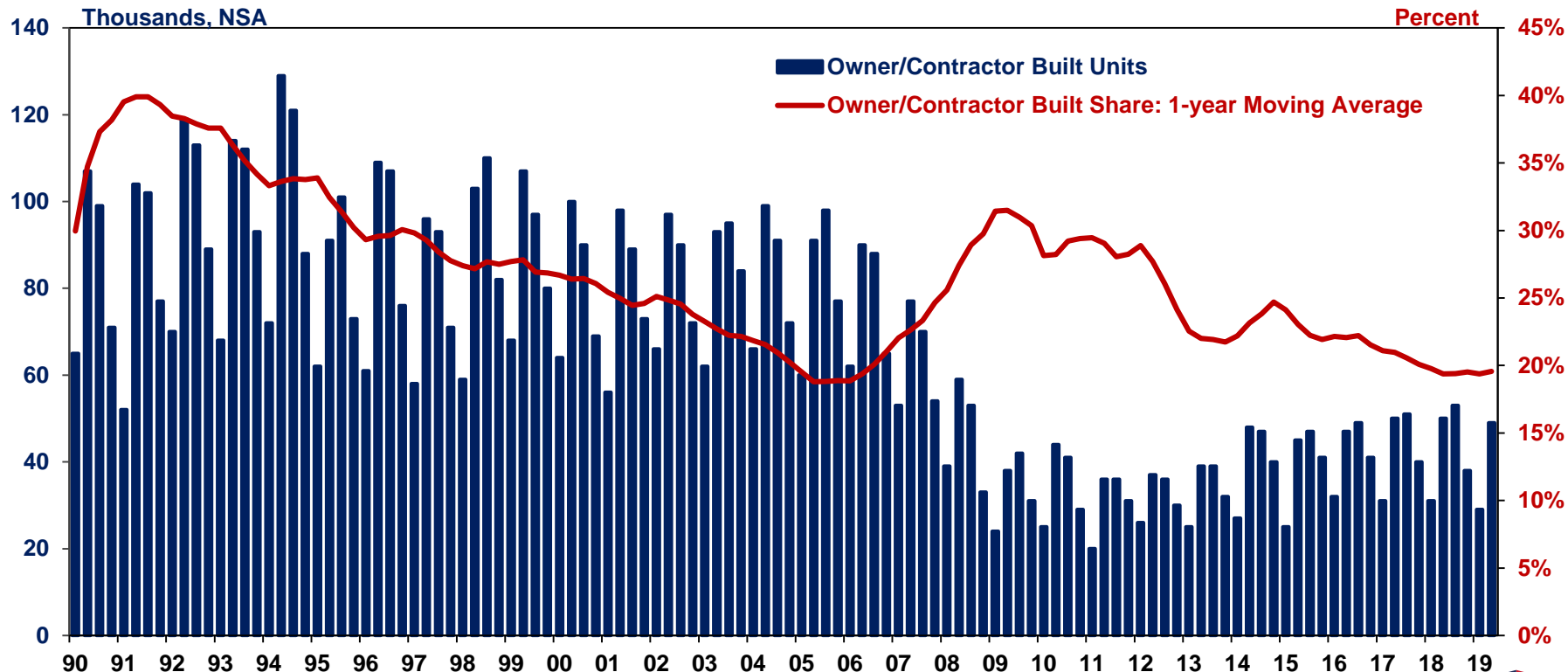
Townhouse Market Expanding



Source: U.S. Census Bureau (BOC)

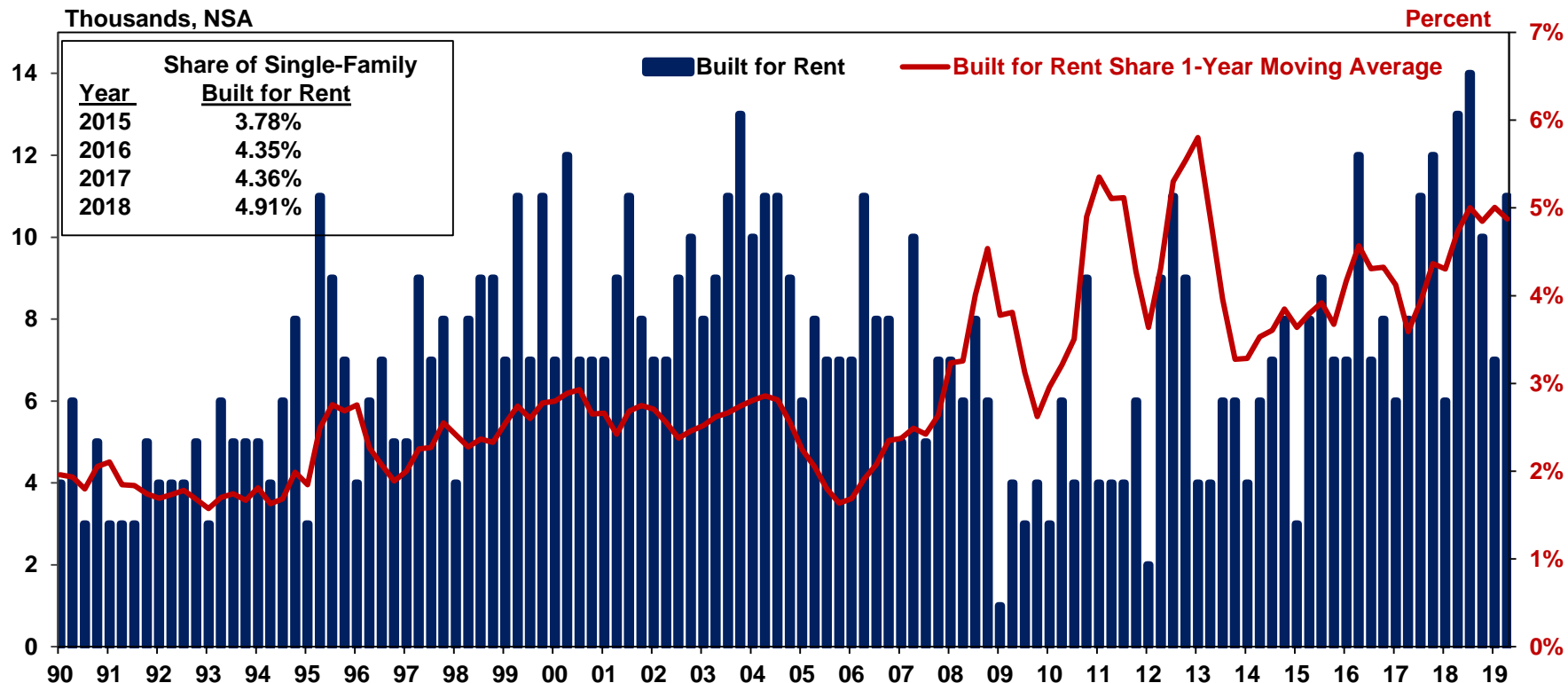
Custom Home Building Market

Flat market conditions



Source: U.S. Census Bureau (BOC)

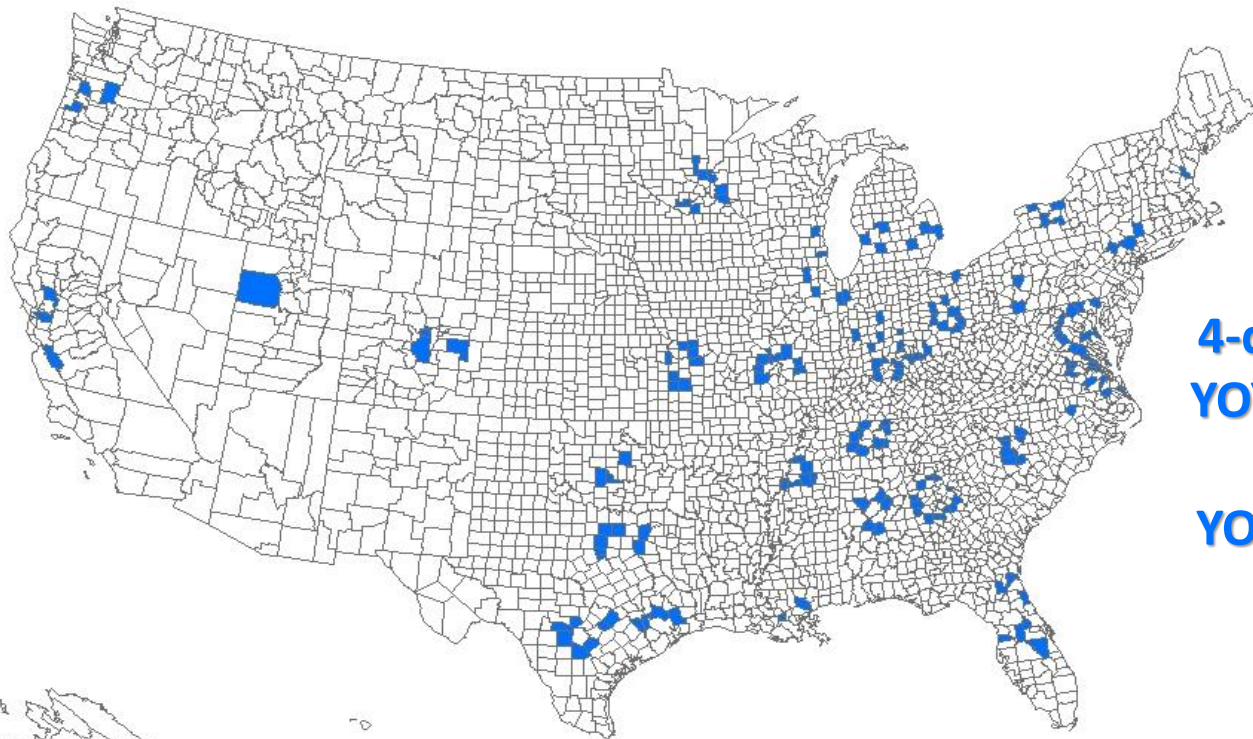
Single-Family Built-for-Rent a Niche Market



Source: U.S. Census Bureau (BOC)

New NAHB Home Building Geography Index

8.7% of single-family construction takes place in **Large Metro – Outlying County**



Q2 2019

**4-quarter MA of
YOY growth rate :**

0.3%

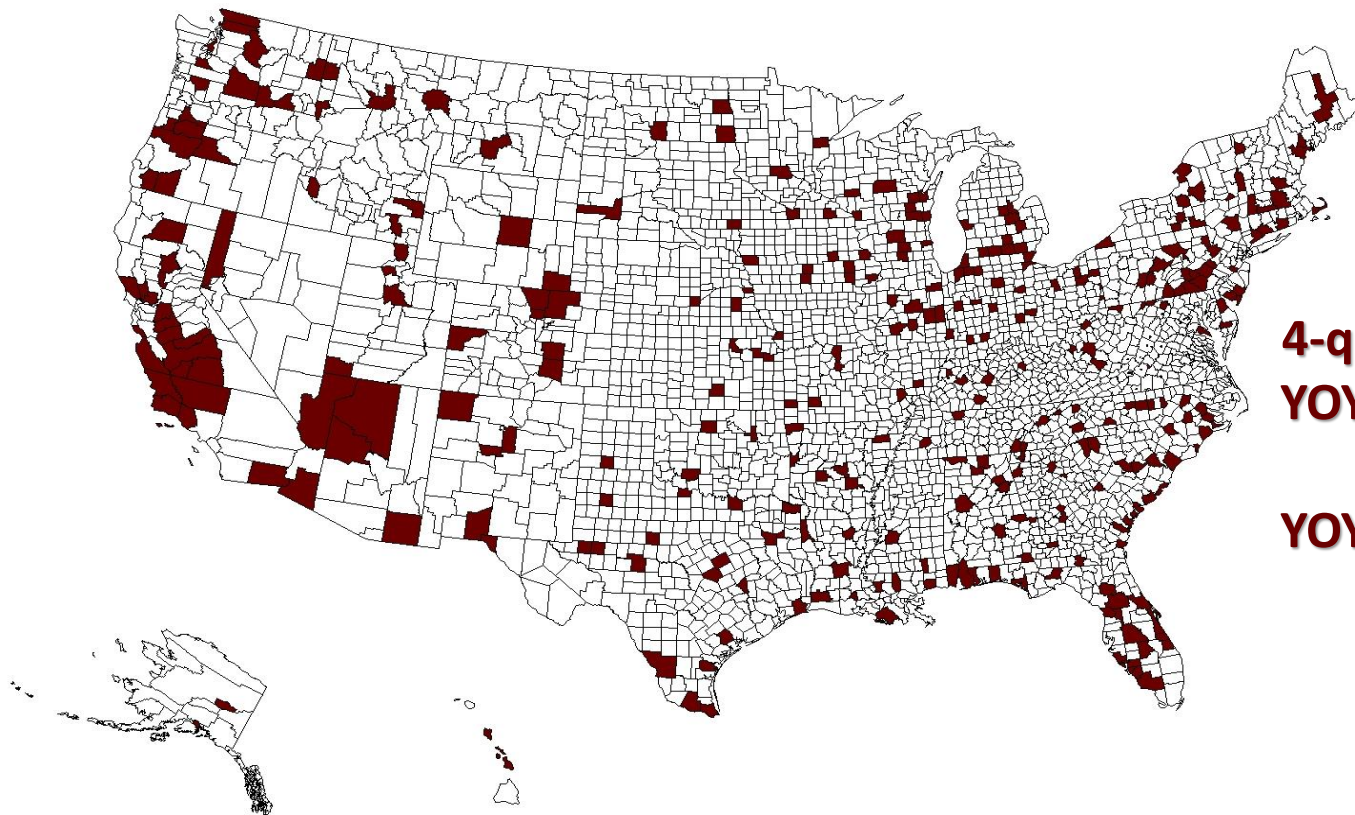
YOY growth rate:

-8.3%

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

/ New NAHB Home Building Geography Index

*28.6% of single-family construction takes place in **Smaller Metro – Core County***



Q2 2019

**4-quarter MA of
YOY growth rate:**

-0.8%

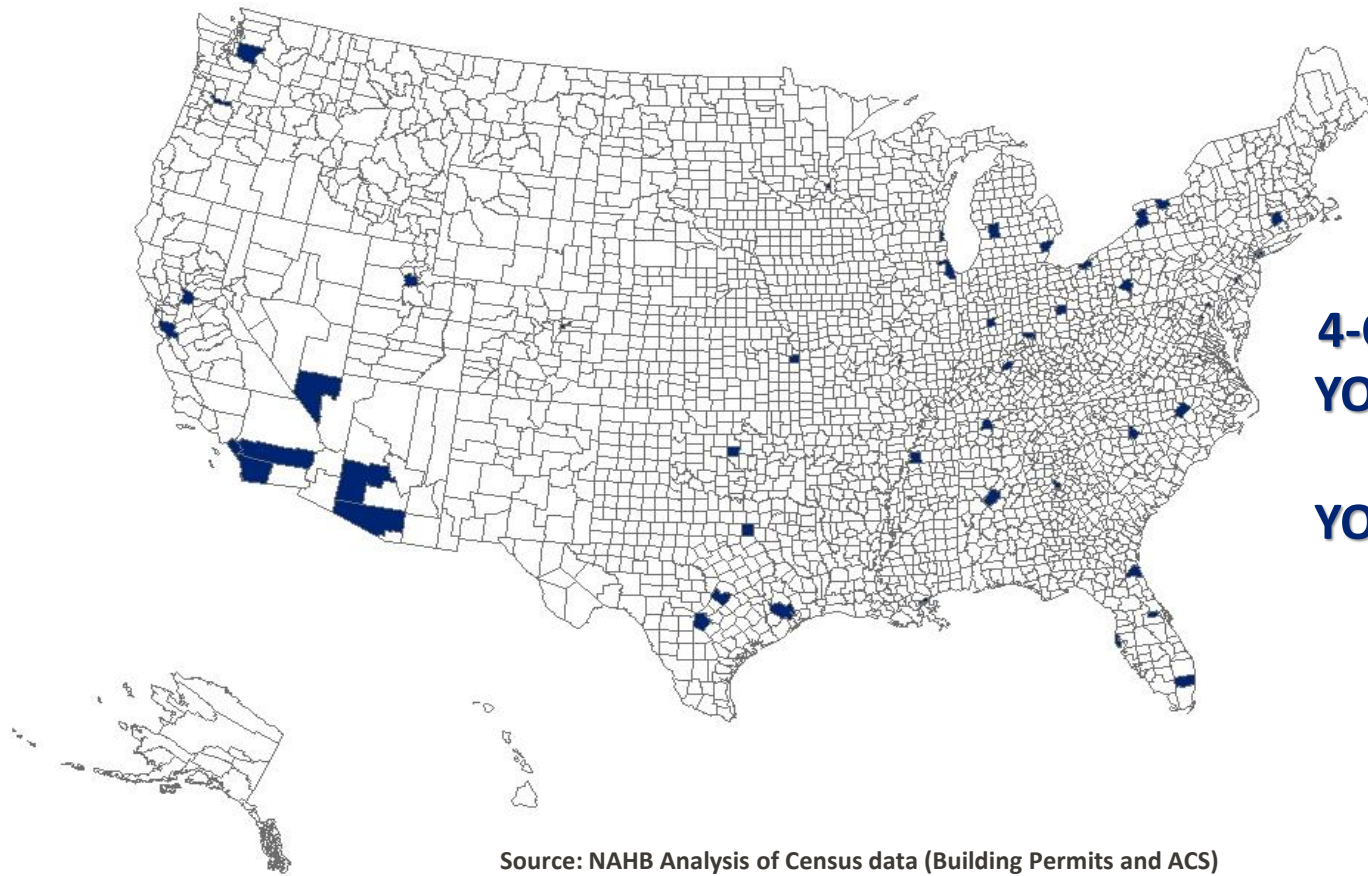
YOY growth rate:

-3.1%

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

/ New NAHB Home Building Geography Index

18.0% of single-family construction takes place in Large Metro – Core County



Q2 2019

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

-1.8%

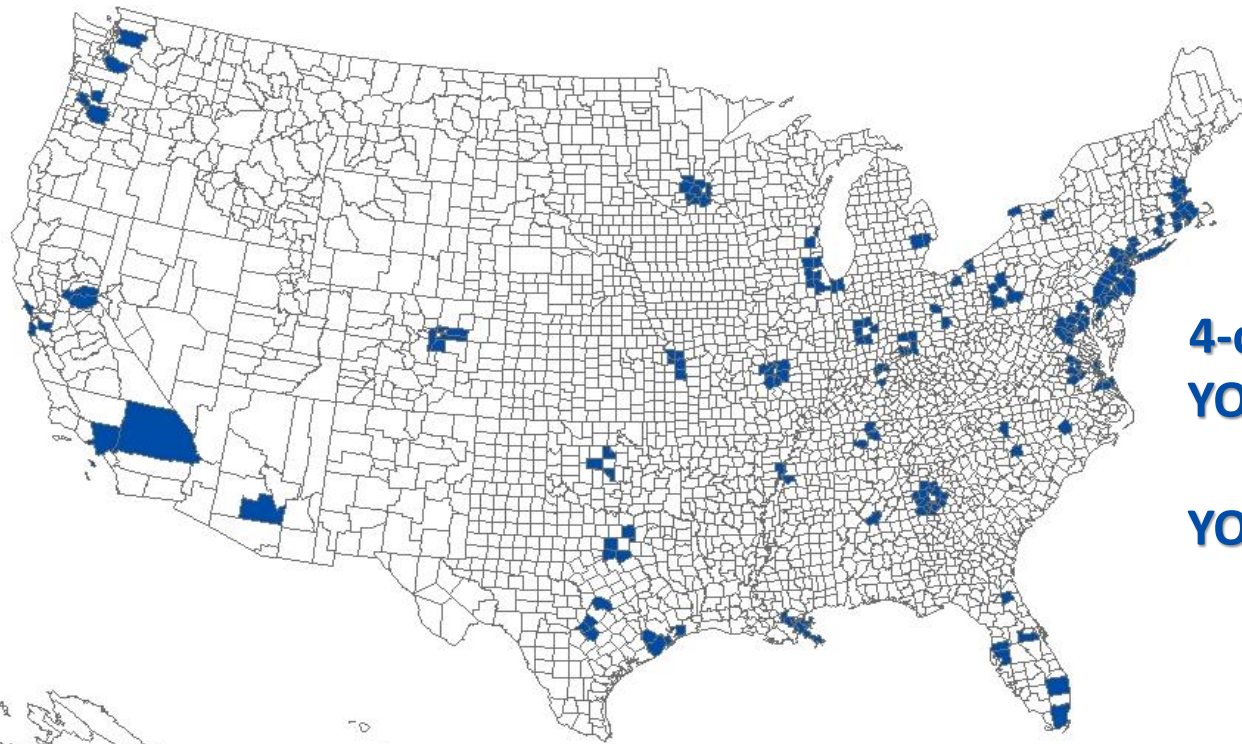
YOY growth rate:

-3.9%

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

/ New NAHB Home Building Geography Index

26.7% of single-family construction takes place in Large Metro – Suburban County



Q2 2019

**4-quarter MA of
YOY growth rate:**

-3.4%

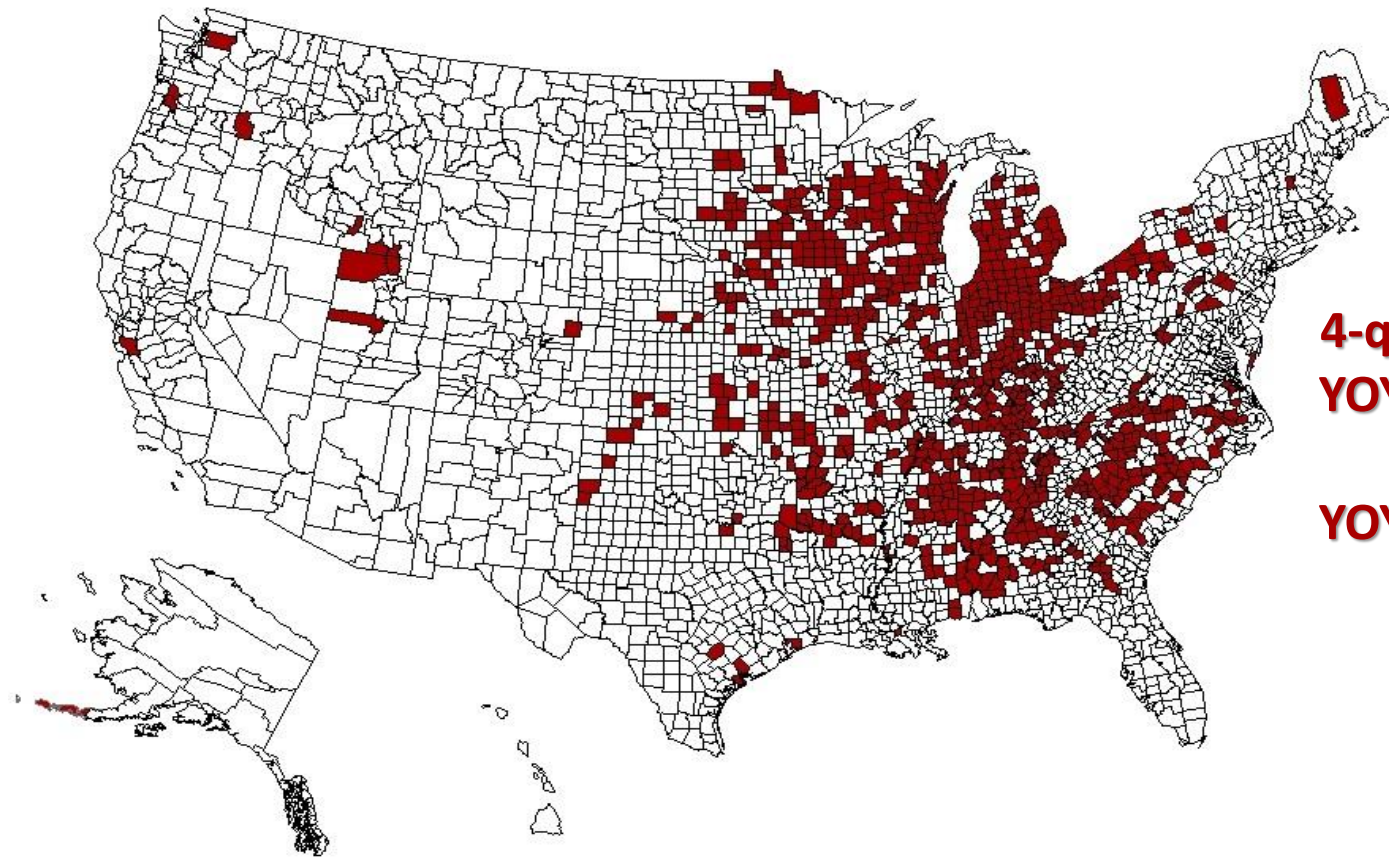
YOY growth rate:

-7.9%

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

/ New NAHB Home Building Geography Index

*10% of single-family construction takes place in **Manufacturing Counties***



Q2 2019

**4-quarter MA of
YOY growth rate:**

-3.8%

YOY growth rate:

-1.4%

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

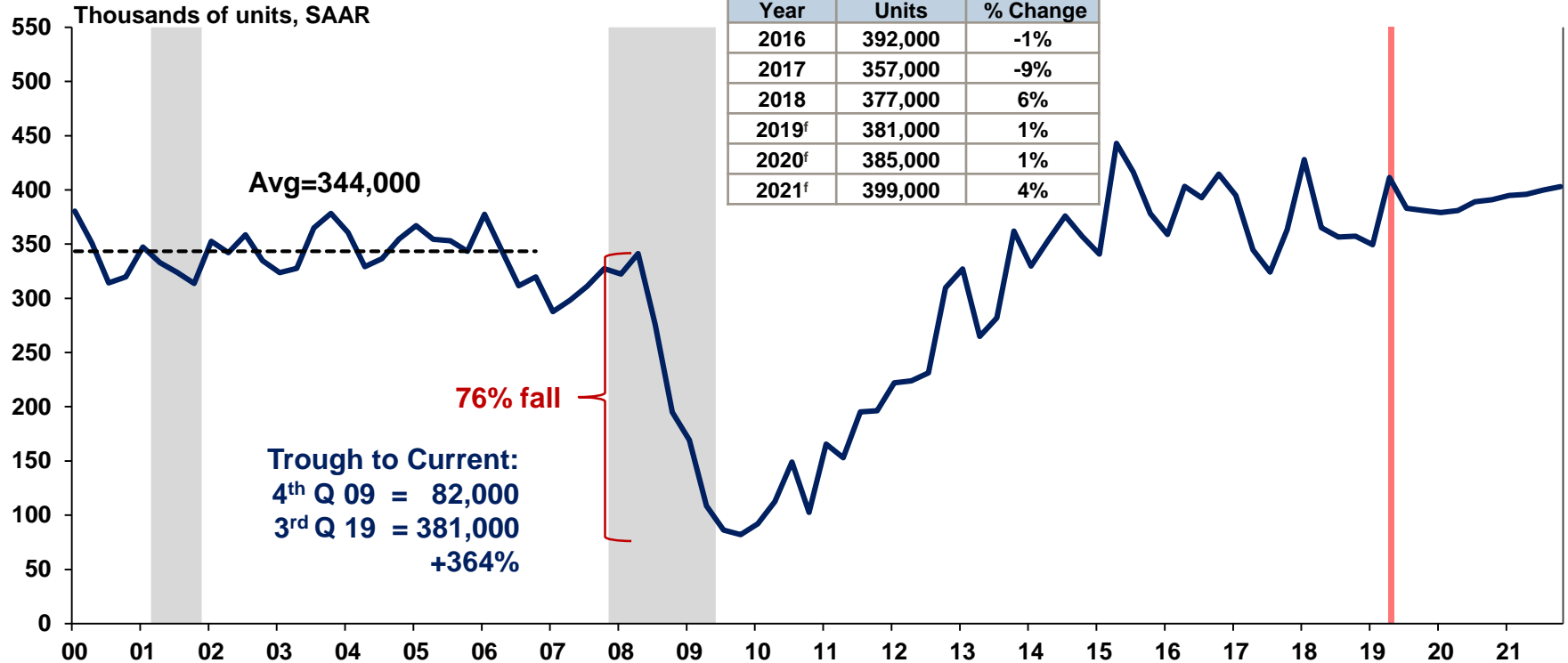
New NAHB Home Building Geography Index (HBGI)

	Multifamily		
	Market Share	YOY Growth Rate	
	(4-Quarter MA)	(Q2 2019)	(4-Quarter MA)
Large Metro - Core County	41%	-0.9%	-0.9%
Large Metro - Suburban County	26%	-12.6%	-6.8%
Large Metro - Outlying County	4%	-17.4%	15.5%
Smaller Metro - Core County	22%	28.3%	7.4%
Smaller Metro - Outlying County	3%	20.1%	8.6%
Micro County	3%	30.1%	12.4%
Non Metro/Micro County	1%	62.7%	39.1%

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

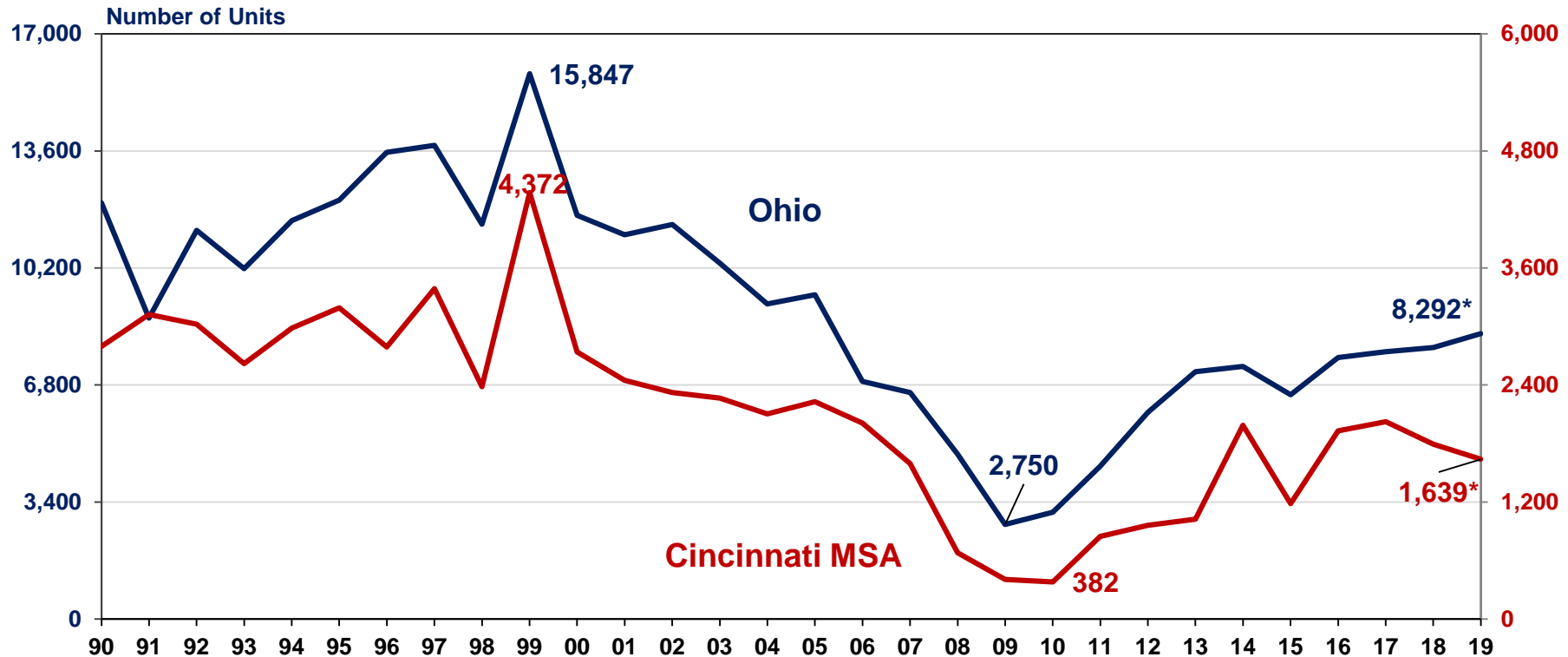
Multifamily Housing Starts

Leveling off



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

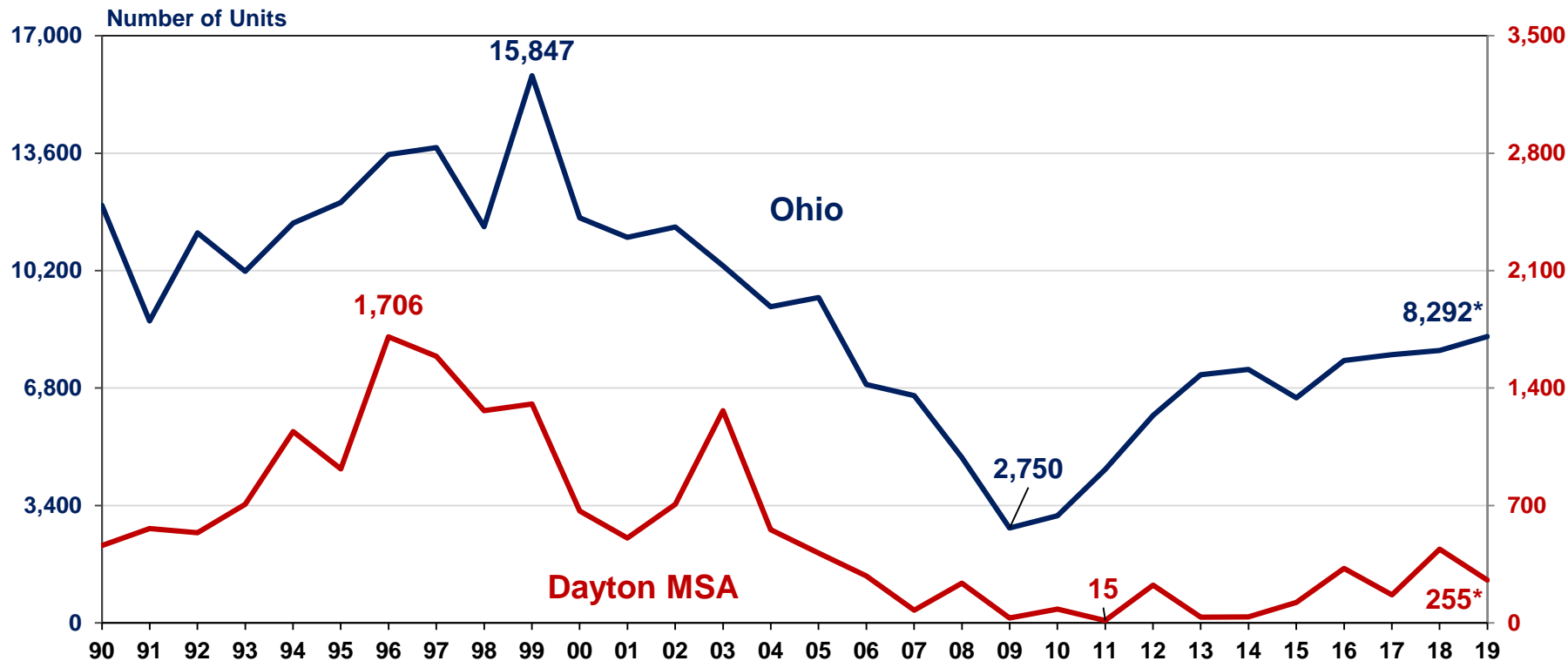
Multifamily Building Permits – Ohio and Cincinnati MSA



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Note: * 2019 permits are projected based on YTD data.

Multifamily Building Permits – Ohio and Dayton MSA

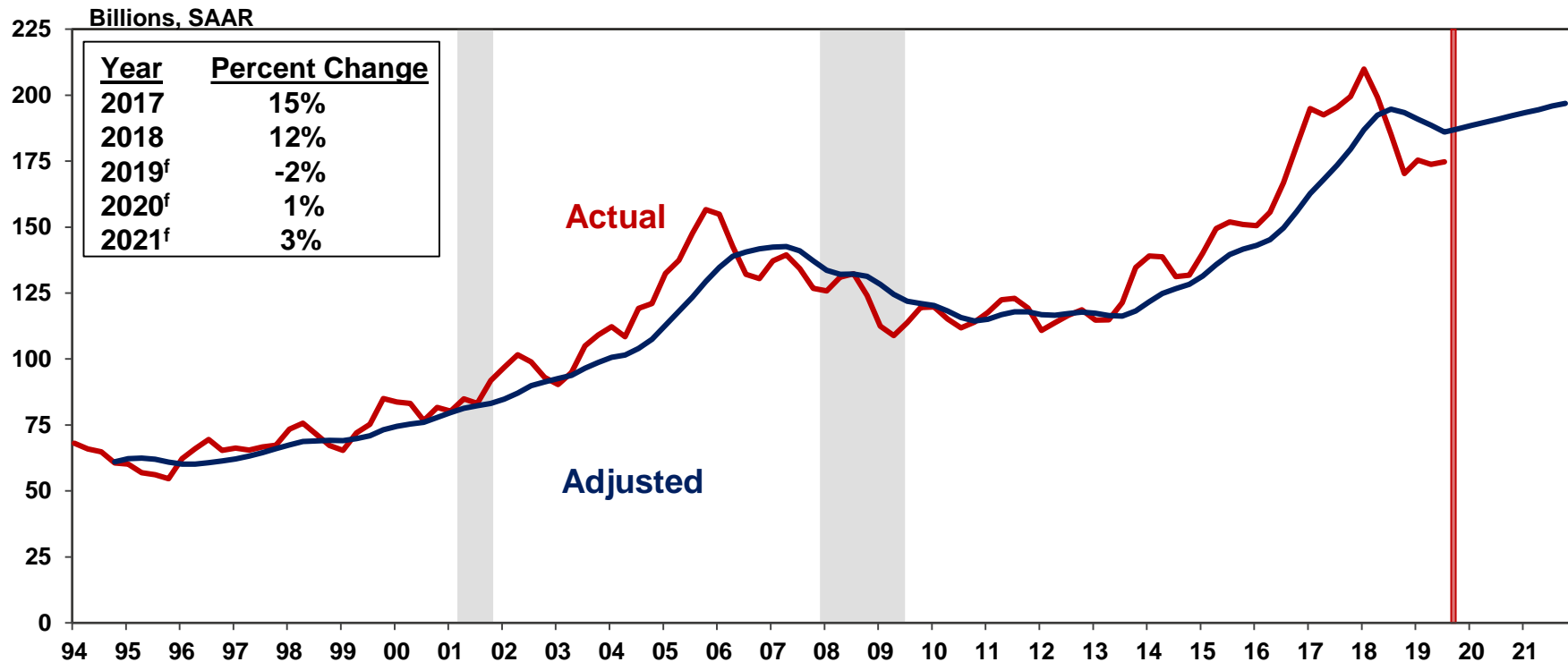


Source: U.S. Census Bureau (BOC)

Note: * 2019 permits are projected based on YTD data.

Residential Remodeling

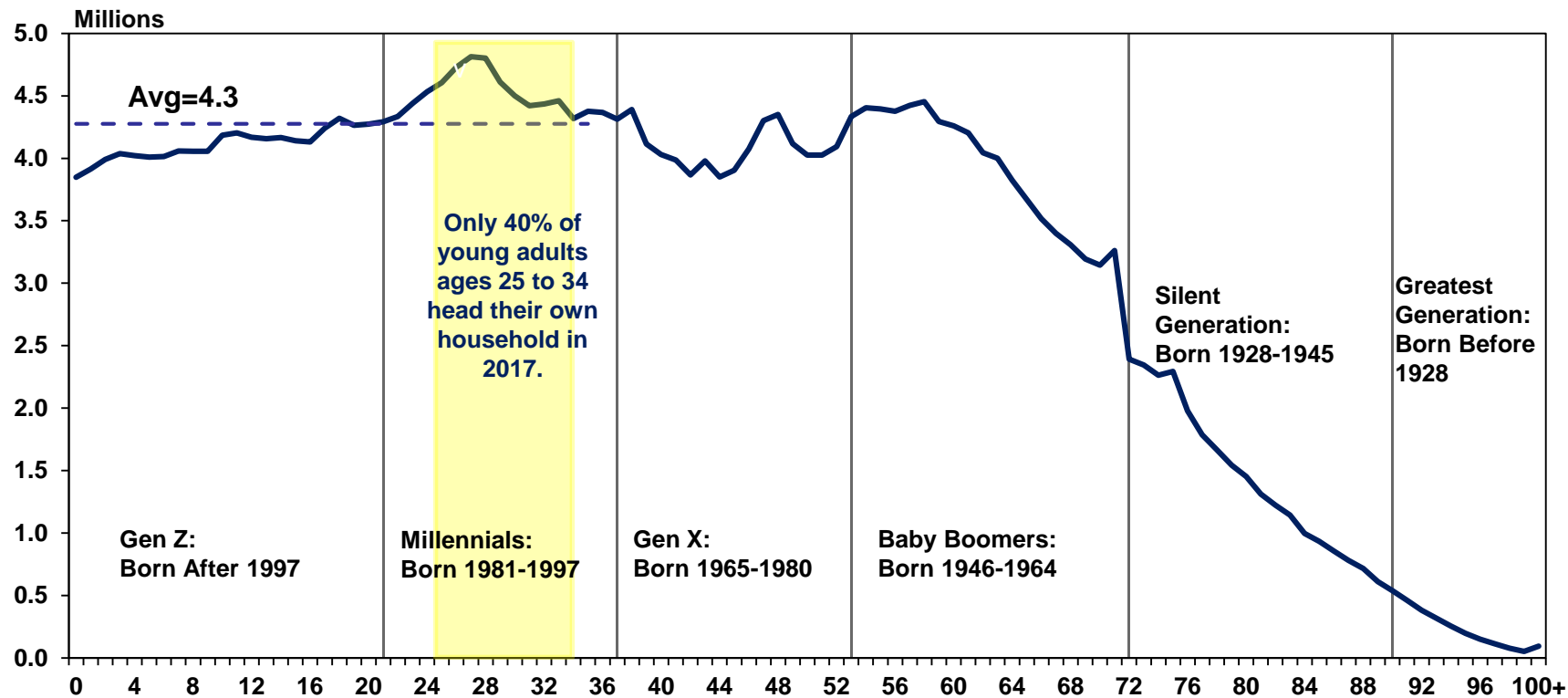
Remodeling market slowing



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

Note: In the analysis, 2-year moving average is used for adjusted data to smooth the trend

Rising Population Entering Housing Demand Years: 2018



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

Thank you

Questions?

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