

# Lower Rates Ahead

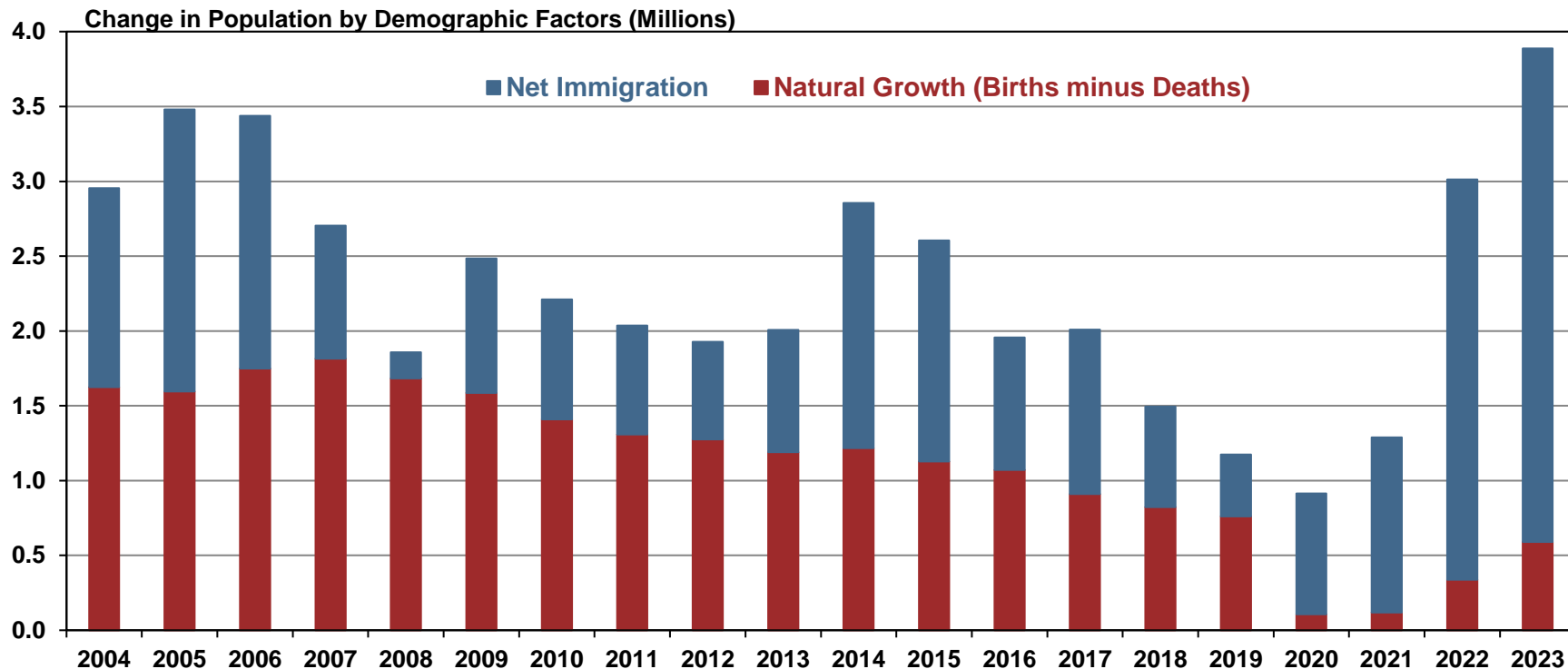
*Anchorage Home Builders Association*  
*October 30, 2024*

*Danushka Nanayakkara,*  
*NAHB AVP, Forecasting and Analysis*



# Post-Covid Population Growth Helped Housing Demand

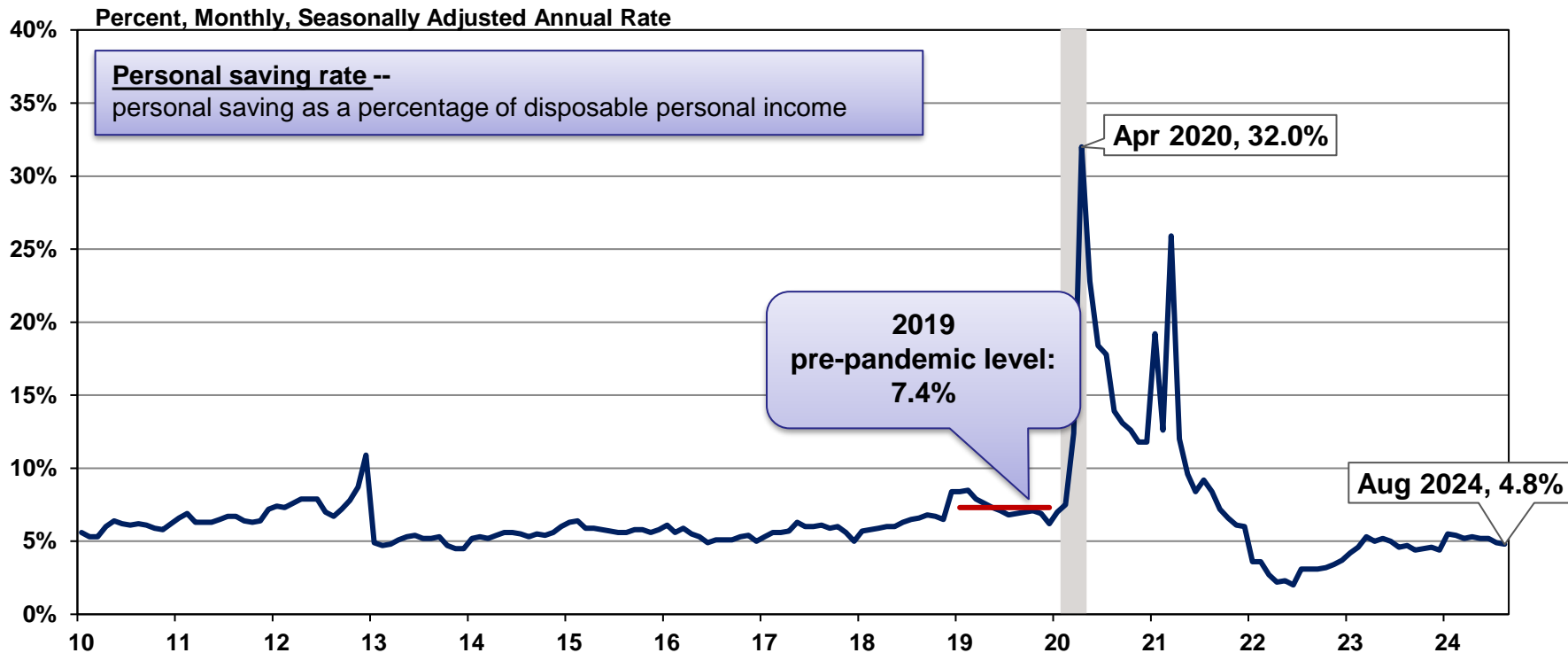
*Post-2020 composition shift for population growth*



Source: NAHB tabulations of Congressional Budget Office's January 2024 report The Demographic Outlook: 2024 to 2054.  
Original slide format published by Harvard JCHS in 2024.

# Personal Saving Rate Falling

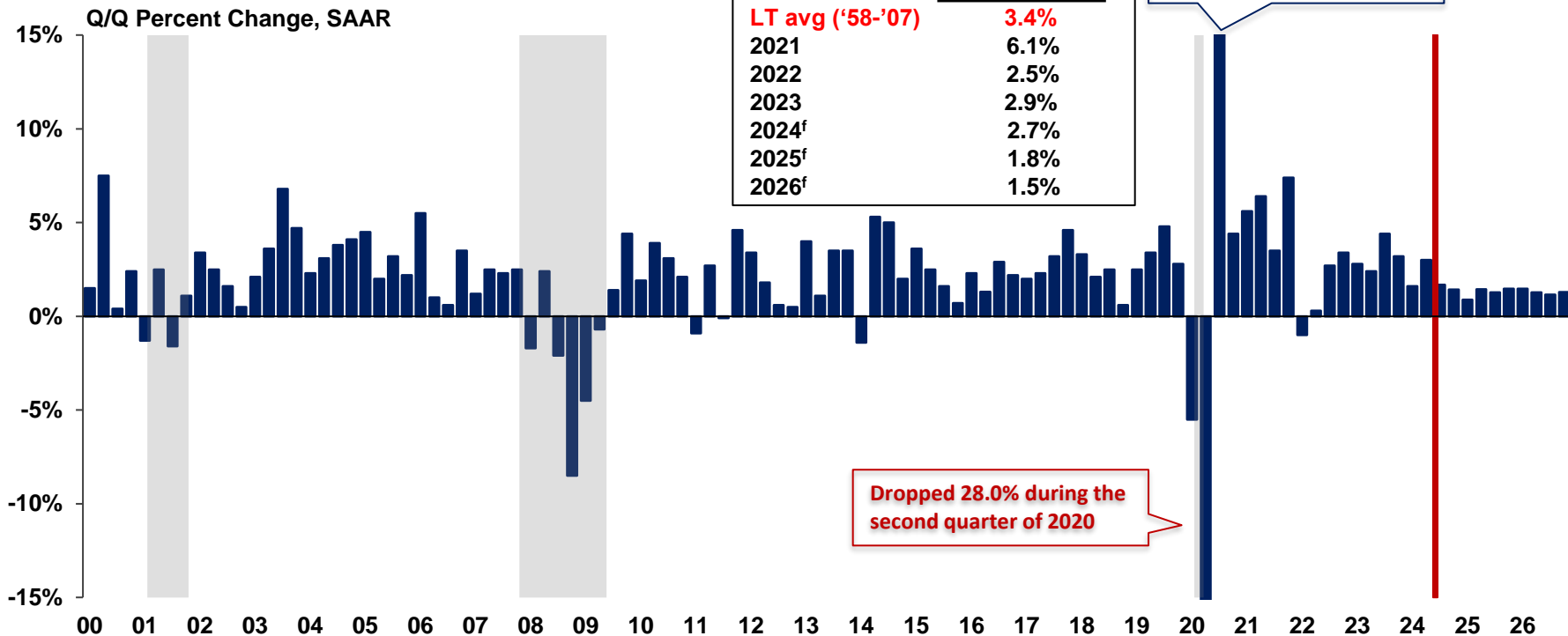
Consumers are dipping into savings to support spending



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

# Slowing Growth Ahead

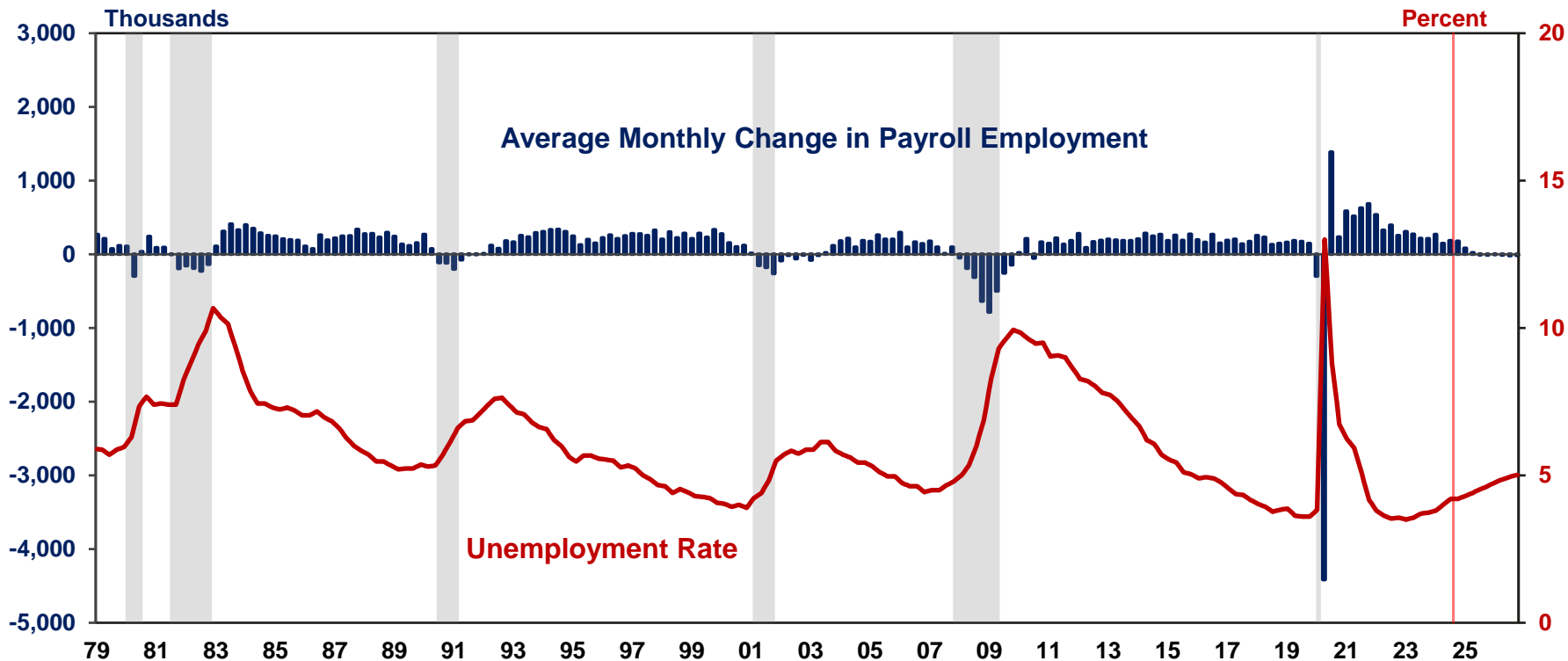
*Soft landing for the cycle?*



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

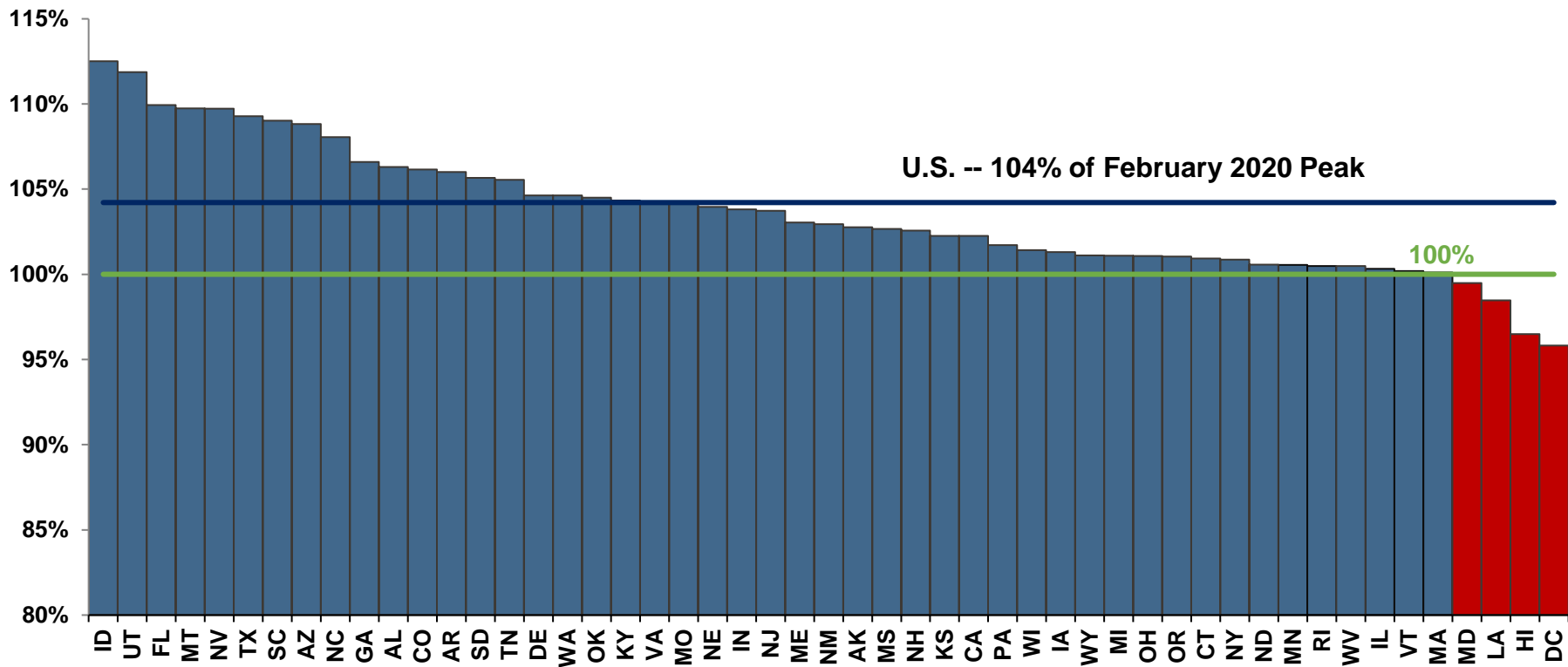
# Unemployment Rising But Should Remain Low

*Job growth will continue to slow*



# Payroll Employment

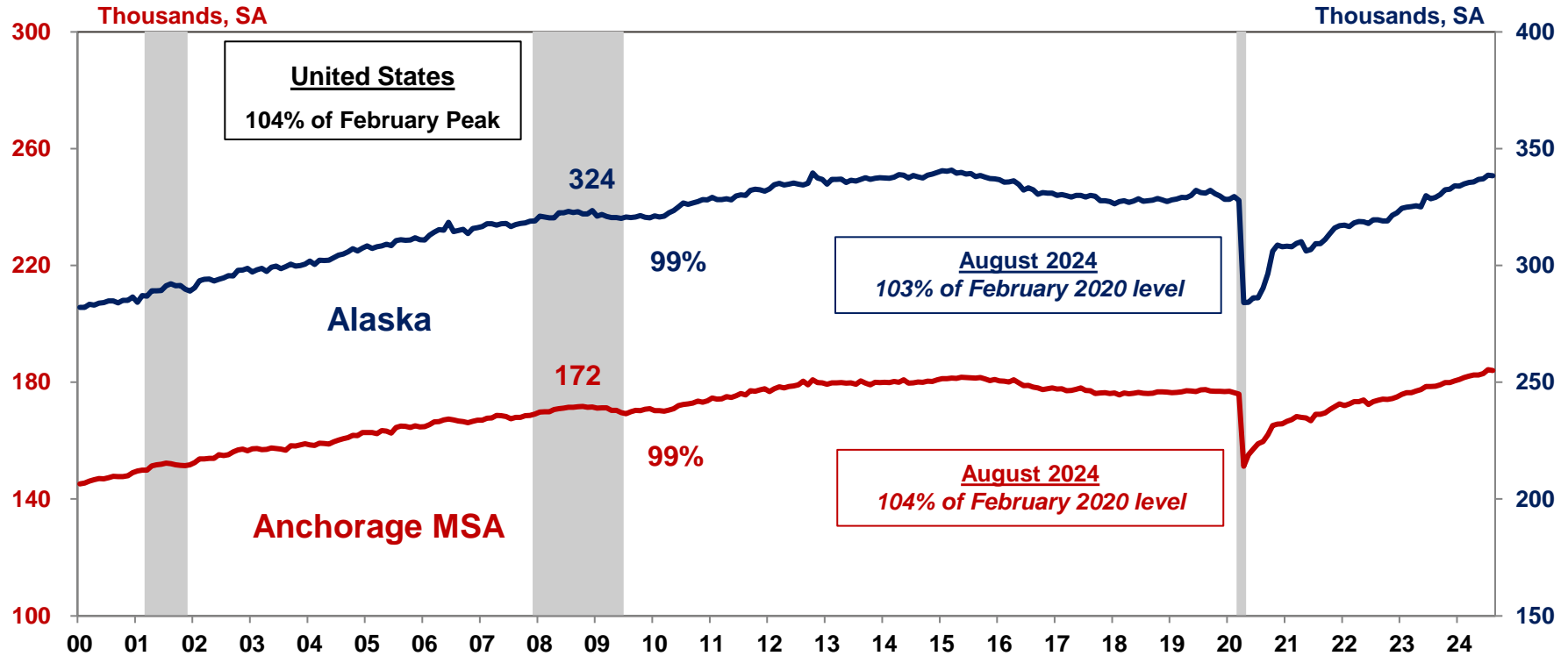
*Mountain states leading job gains, 47 states reached or exceeded the pre-pandemic peak*



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

# Payroll Employment

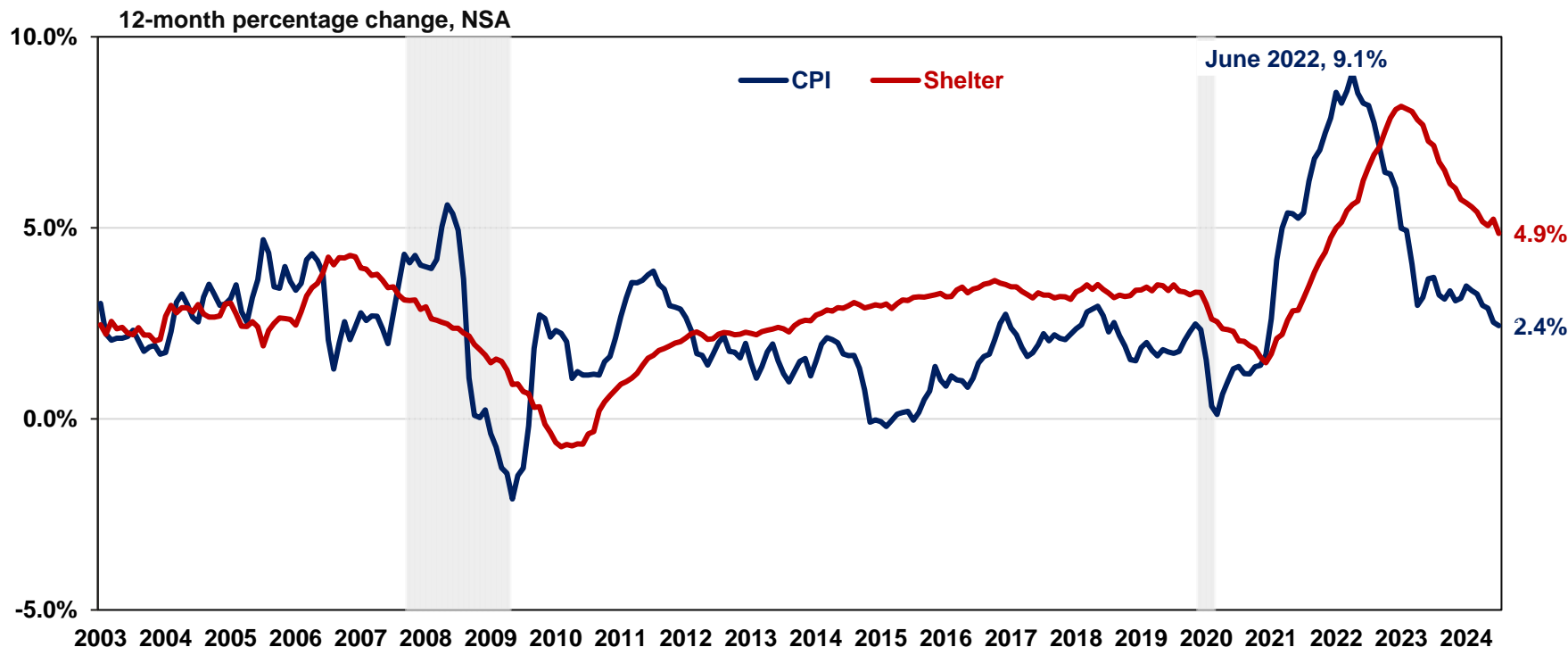
Anchorage MSA recovered from COVID-19 recession



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

# Consumer Inflation – Headline Rate and Shelter

*Shelter costs continue to outpace broader consumer prices – only more housing can fix*

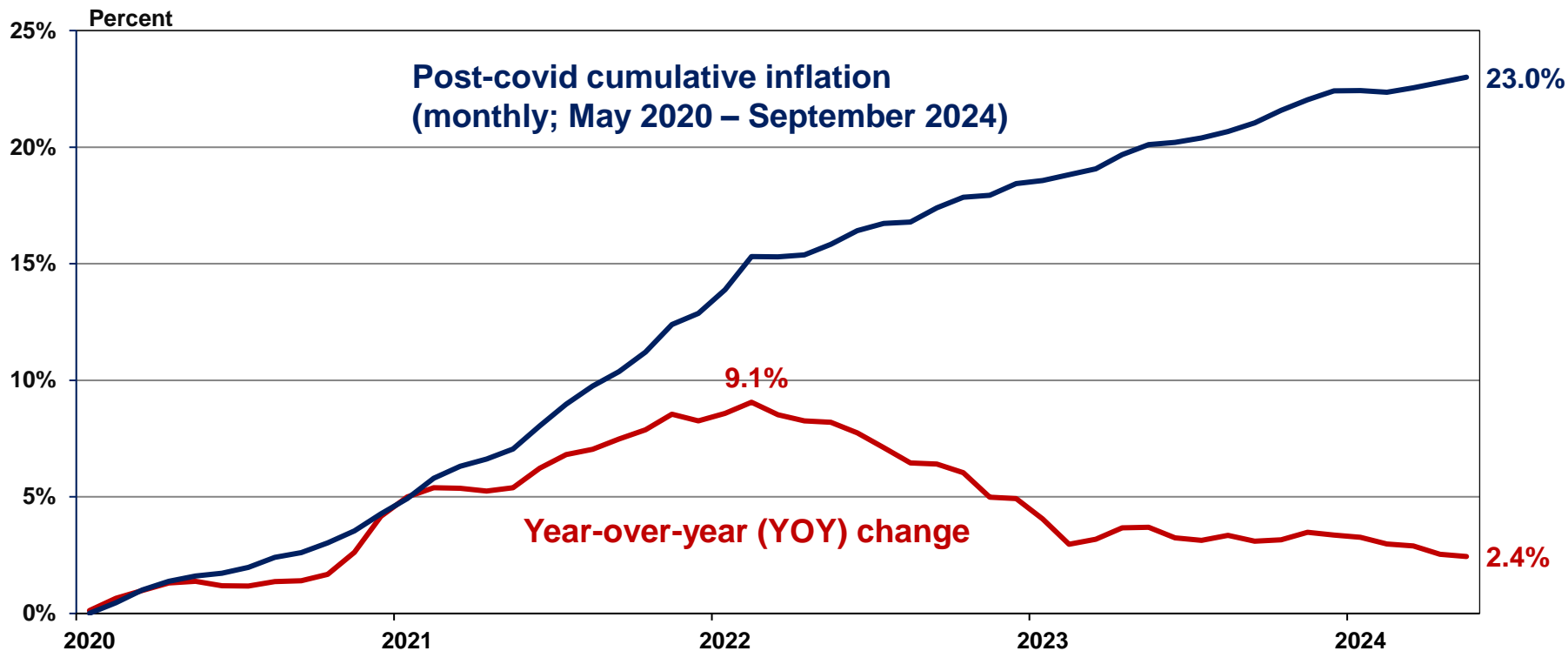


Source: U.S. Bureau of Labor Statistics (BLS)



# Post-Covid Cumulative Inflation

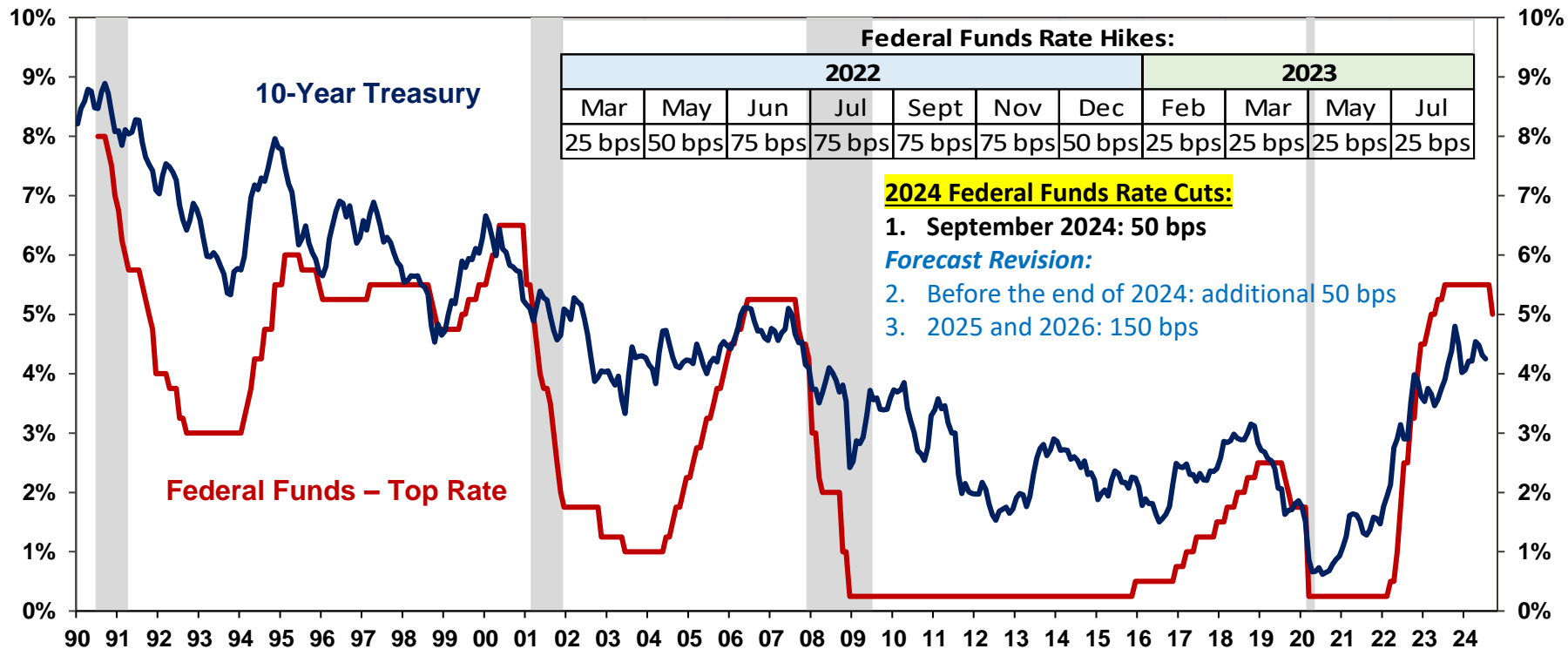
*Cumulative inflation surged; YOY change has slowed from a peak of 9.1% in June 2022*



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

# Monetary Policy Easing Cycle Begins

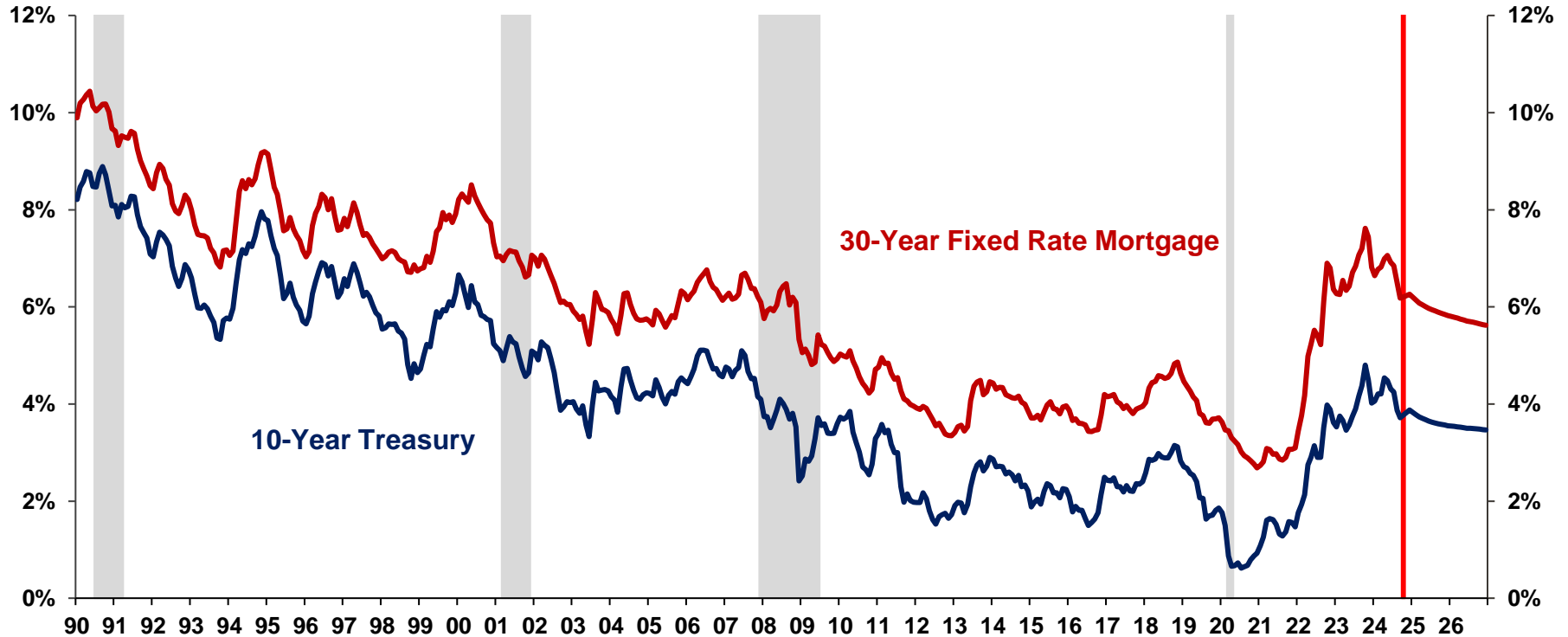
Fed cuts interest rates for the first time since 2020



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

# Lower Mortgage Rates But the Process Won't Be Smooth

*Housing affordability at more than decade low*



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

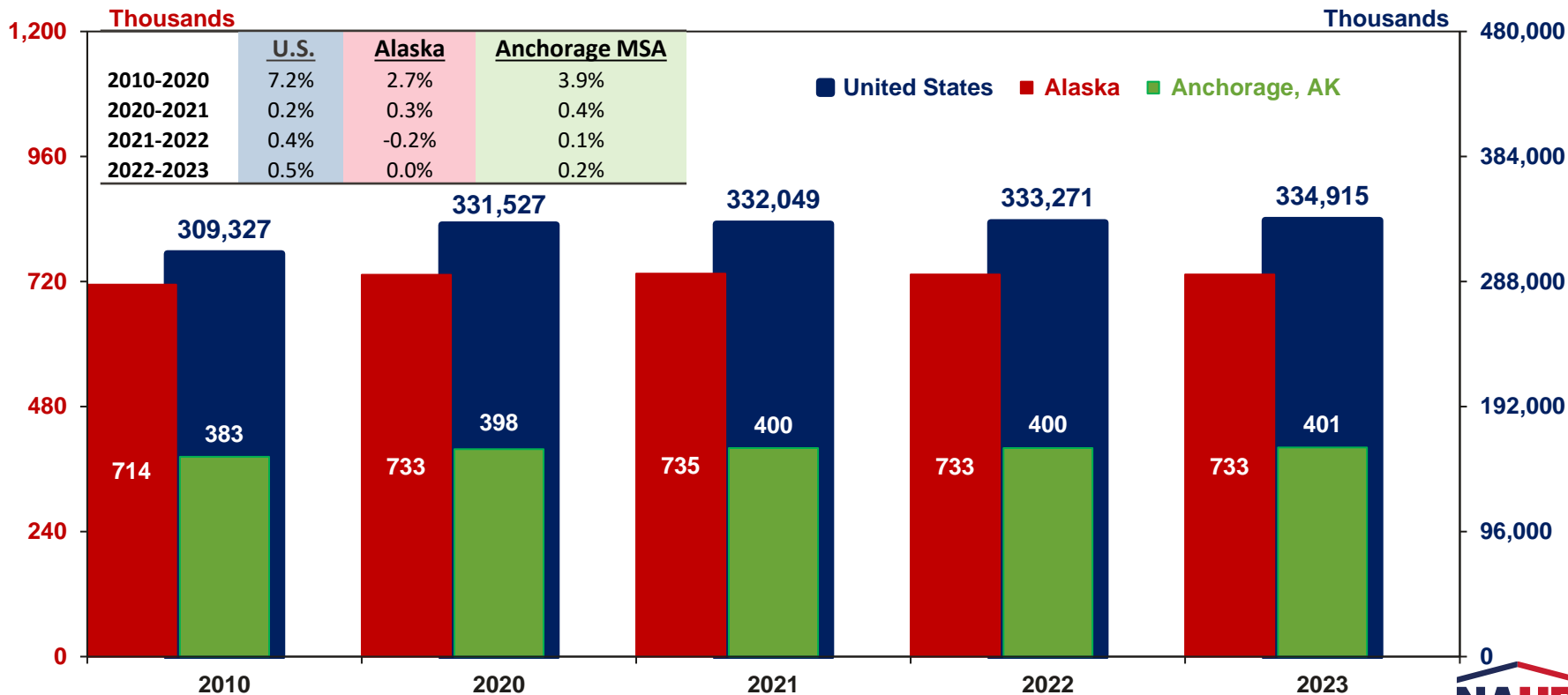


# Demand-Side Economic Factors



# Population Growth

Anchorage MSA population grew faster than state rate

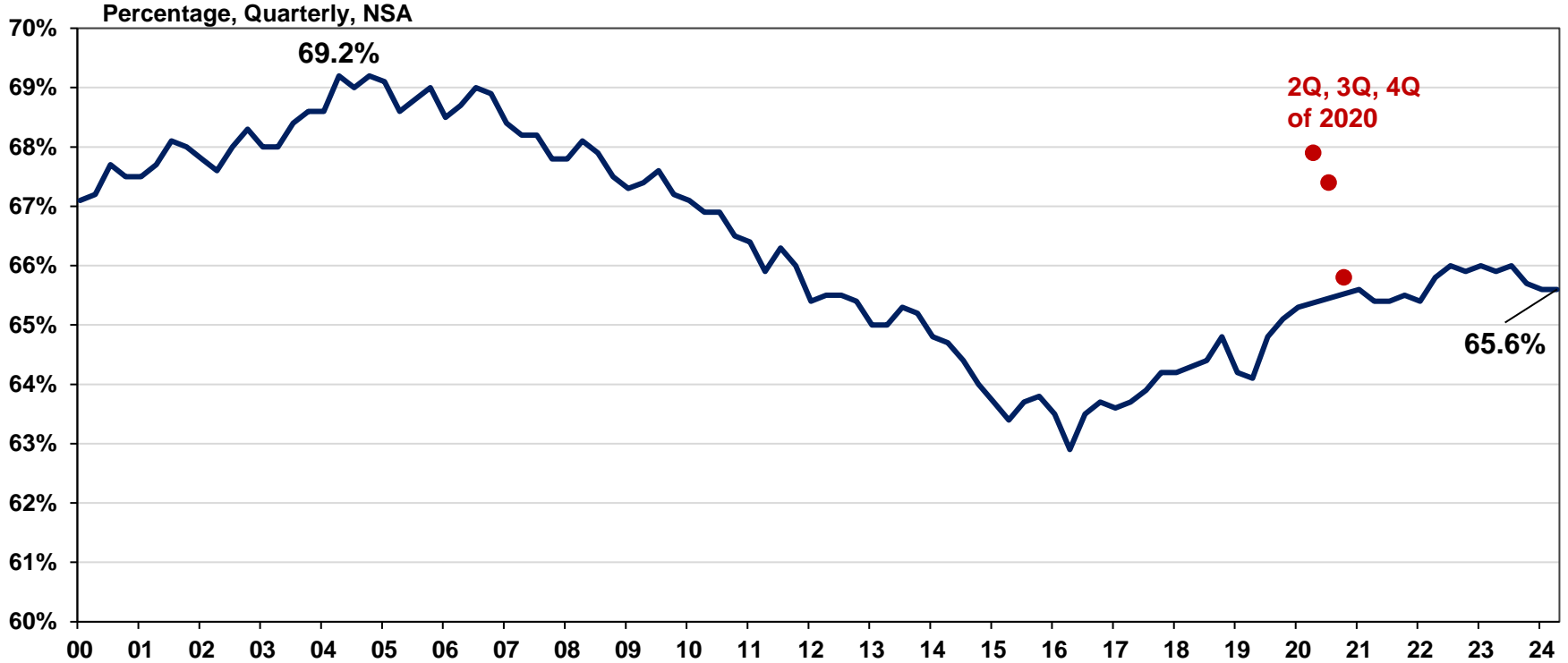


Source: U.S. Census Bureau (BOC).

Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

# Homeownership Rate

*Homeownership decreased to the lowest rate in the past two years*

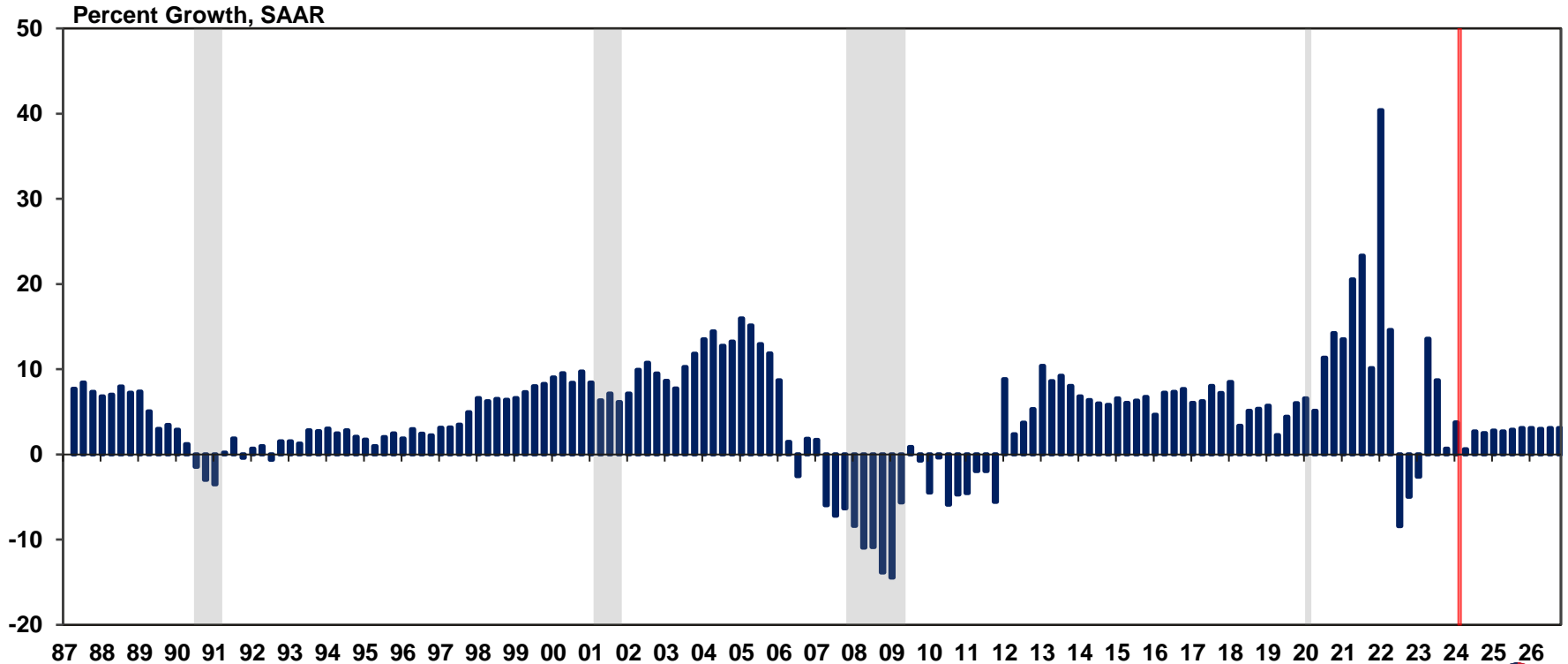


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

Note: Red dots denote technical issues for the last four quarters.

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

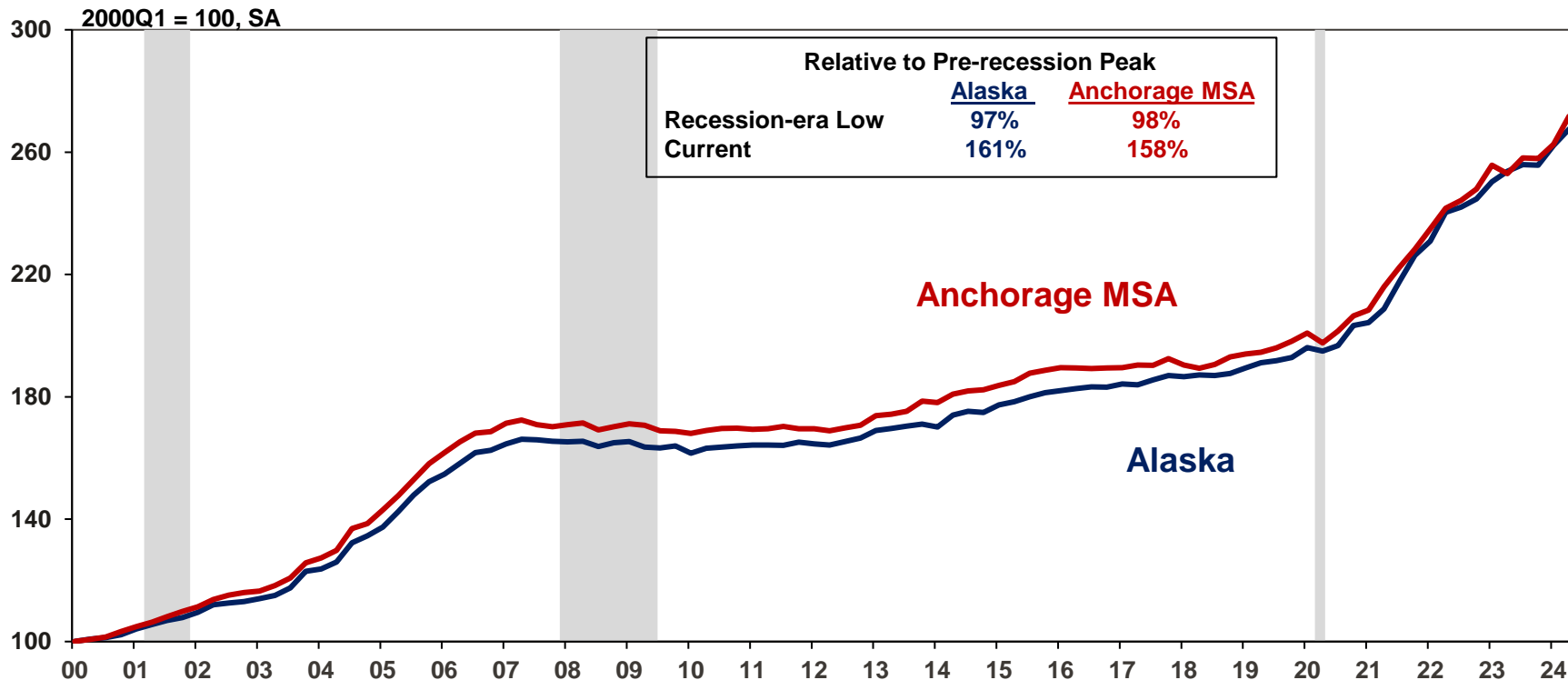
*Home prices expected to grow at a relatively slow pace in the coming year; local declines possible*



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

# Existing House Price Index

Anchorage MSA 35% home price gain since covid, 36% for Alaska and 50% for U.S.

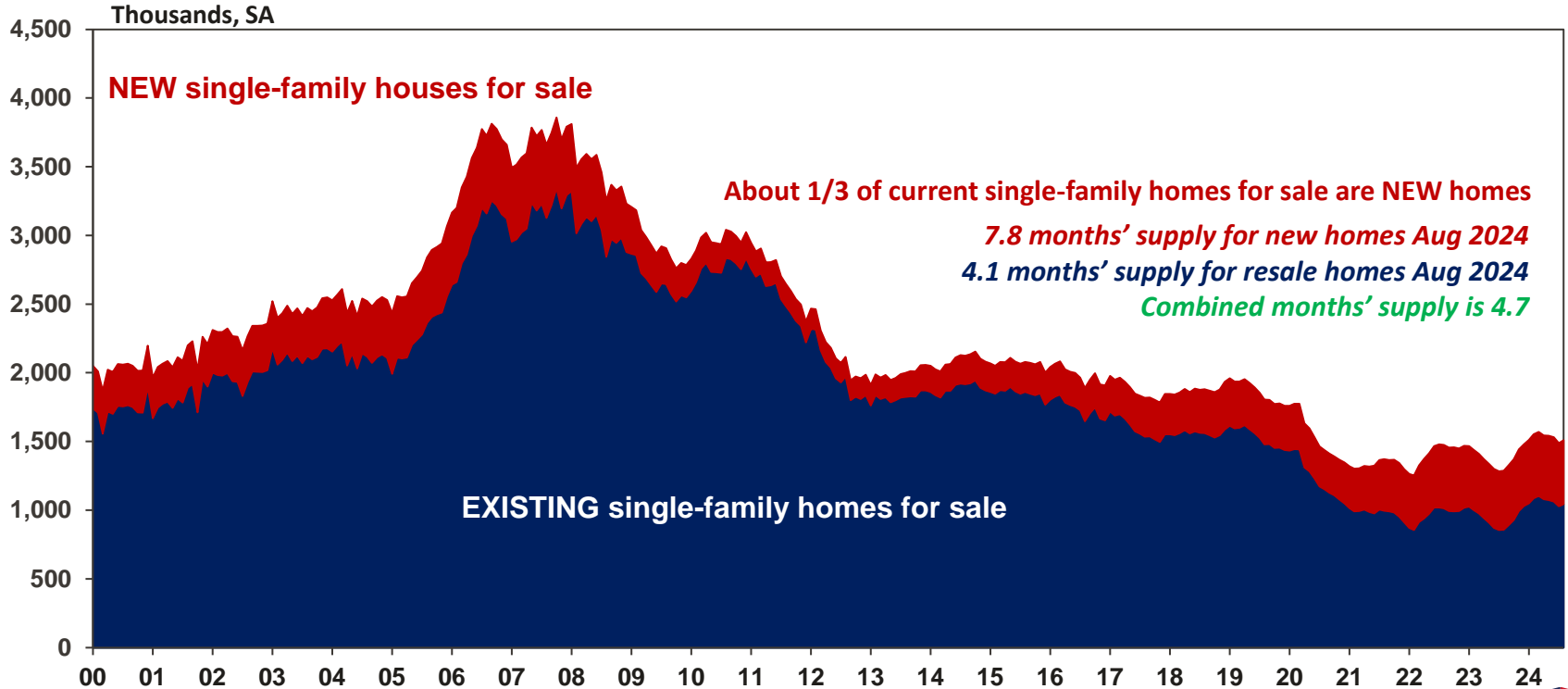


Source: U.S. Federal Housing Finance Agency (FHFA).



# Total Housing Inventory

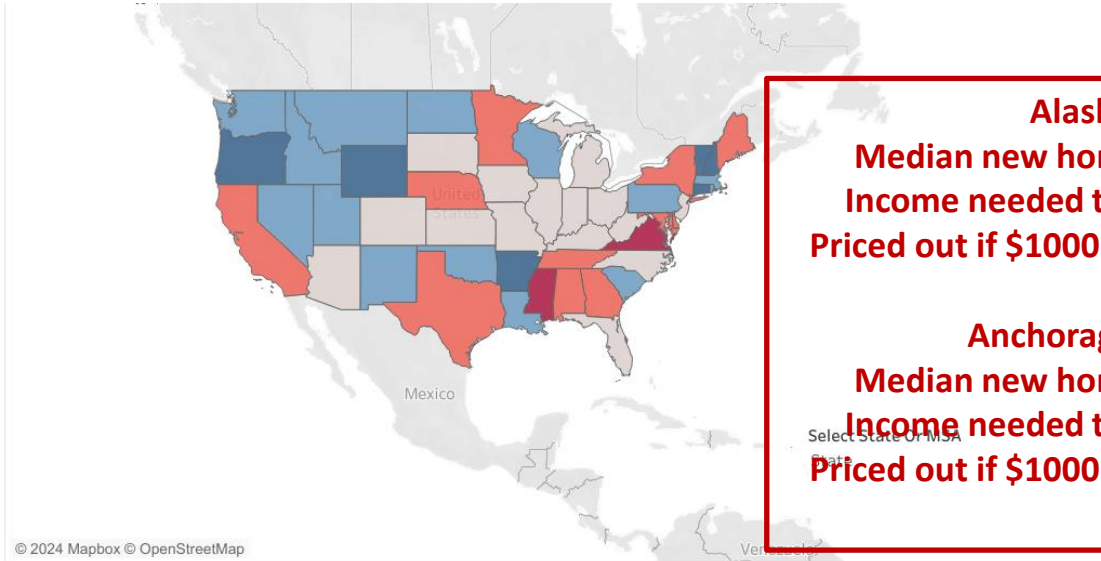
*Insufficient resale inventory is supporting demand for new construction*



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

# NAHB 2024 Priced-Out Analysis

*Shows how higher prices and interest rates affect housing affordability*



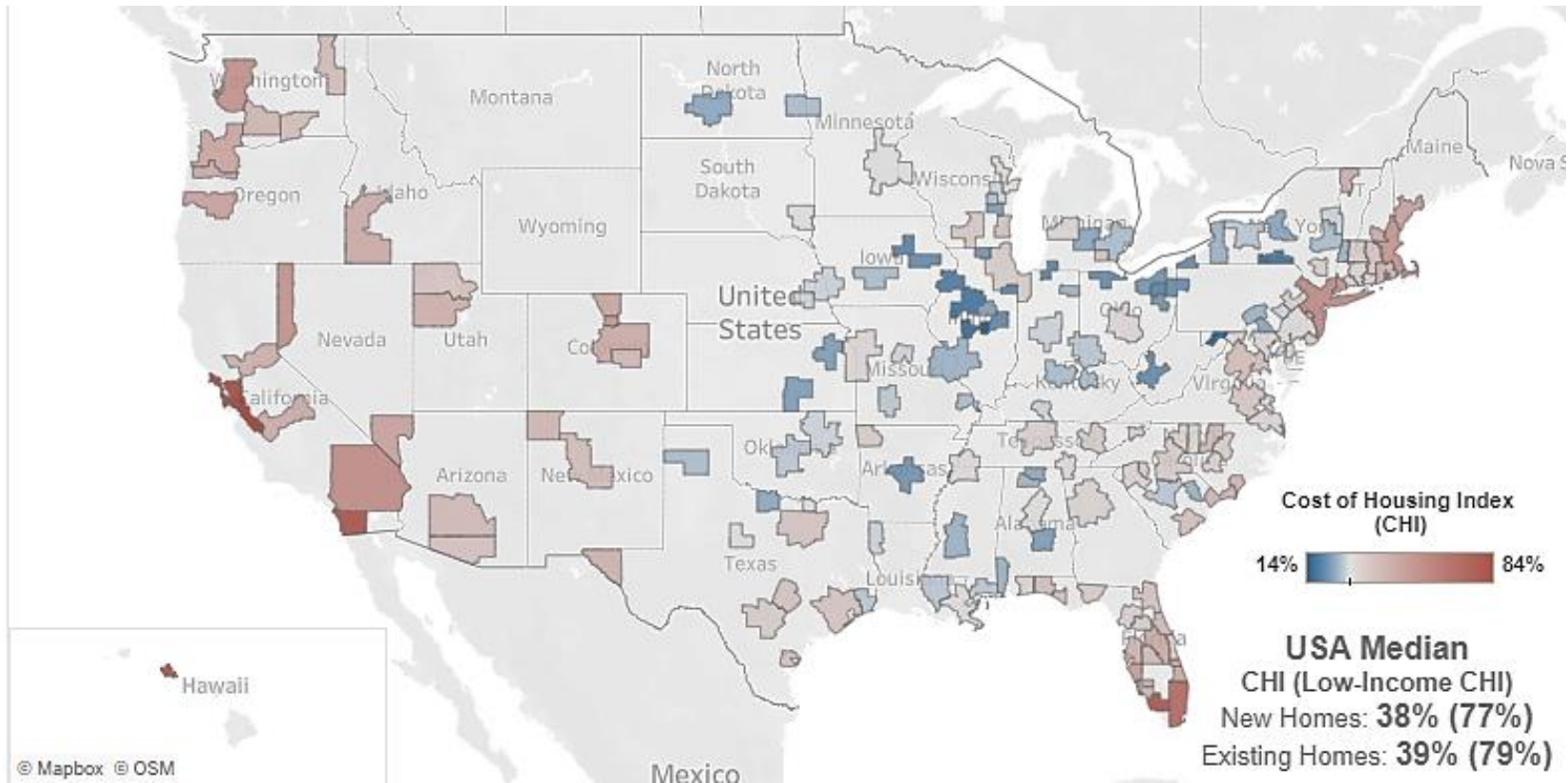
**Alaska: 70%**  
**Median new home price: \$423,327**  
**Income needed to qualify: \$132,871**  
**Priced out if \$1000 increase in price: 289**

**Anchorage, AK: 86%**  
**Median new home price: \$683,134**  
**Income needed to qualify: \$217,651**  
**Priced out if \$1000 increase in price: 110**



Source: NAHB Estimates, American Community Survey

# NAHB/Wells Fargo Cost of Housing Index (CHI) (Q2 2024)



Source: NAHB/Wells Fargo Cost of Housing Index (CHI).

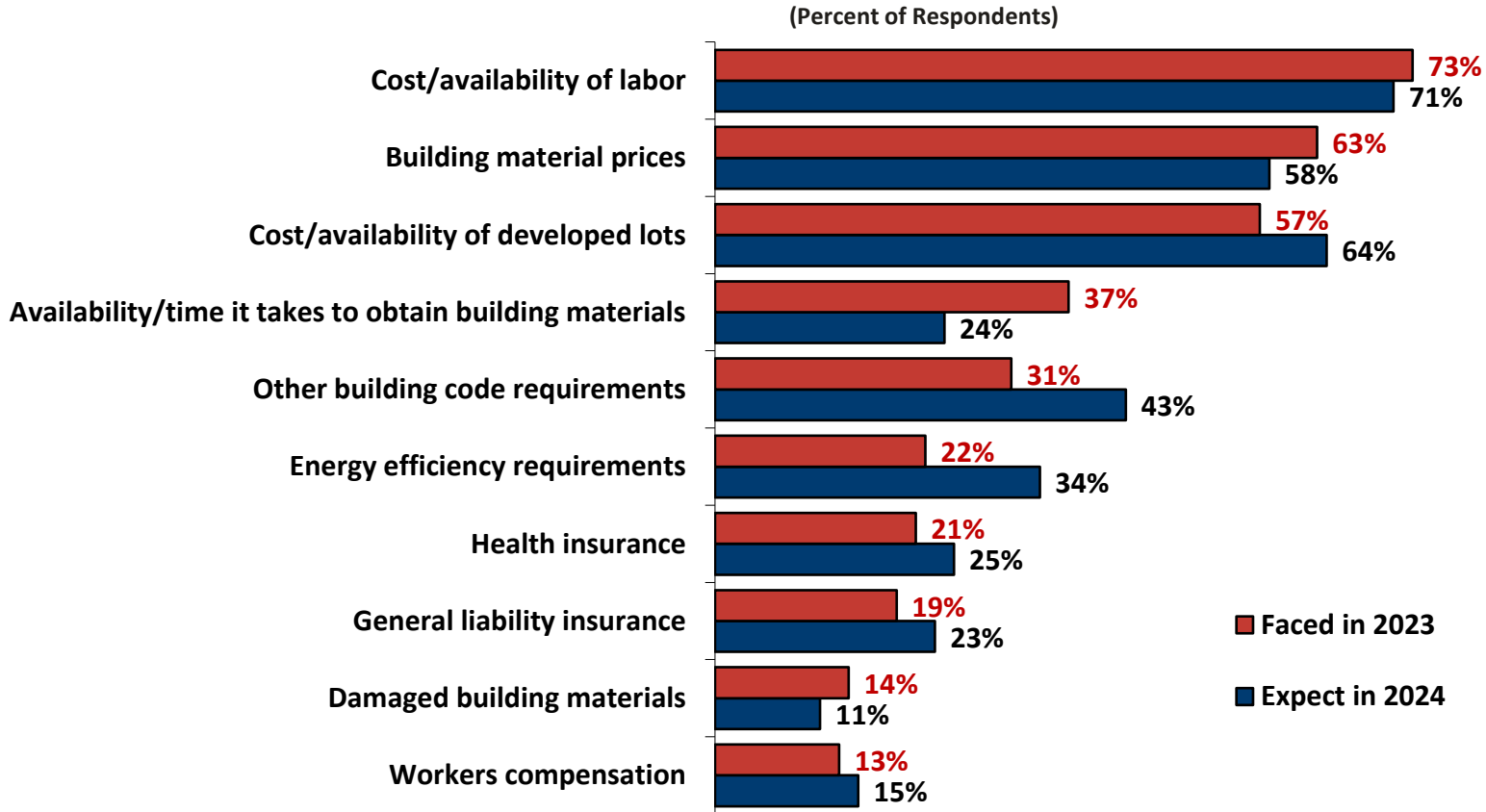


# Construction Supply-Side Factors



# Most Significant Problems Faced in 2023 and 2024

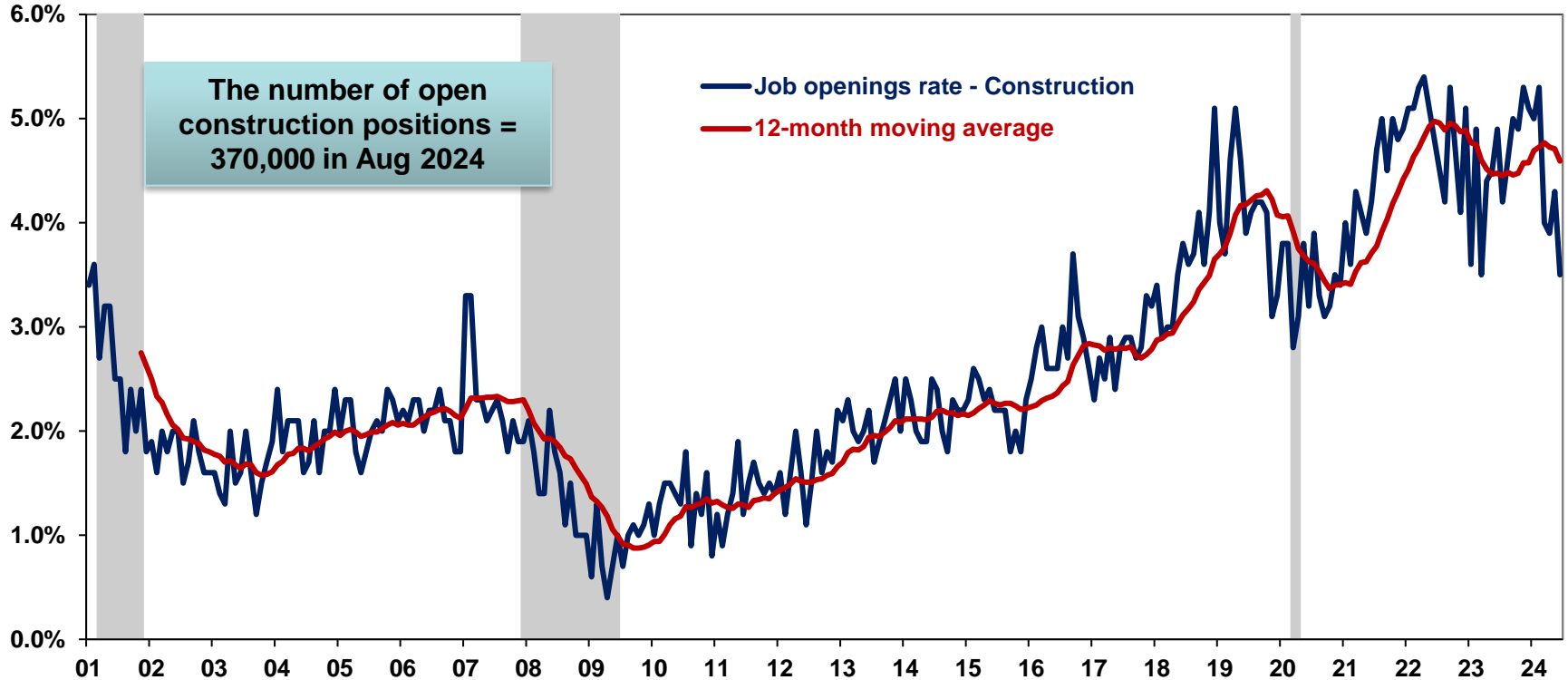
*Builder costs*



Source: NAHB Survey.

# Labor – Construction Job Openings Peaked for Cycle?

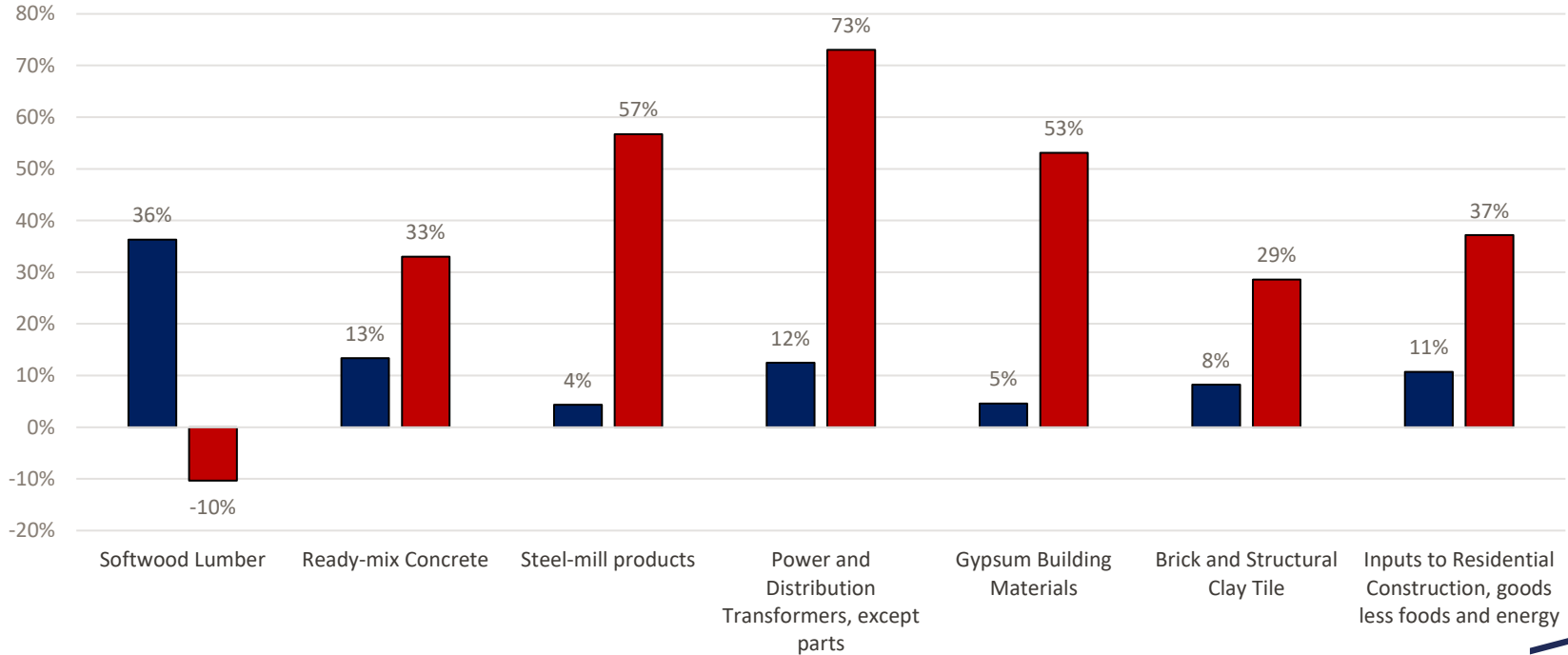
*Skilled labor shortage persists; 425,500 net gain for residential construction since Jan 2020*



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

# Building Material Prices

## Costs of Building Materials Have Surged Since the Pandemic Four-year Price Percentage Change

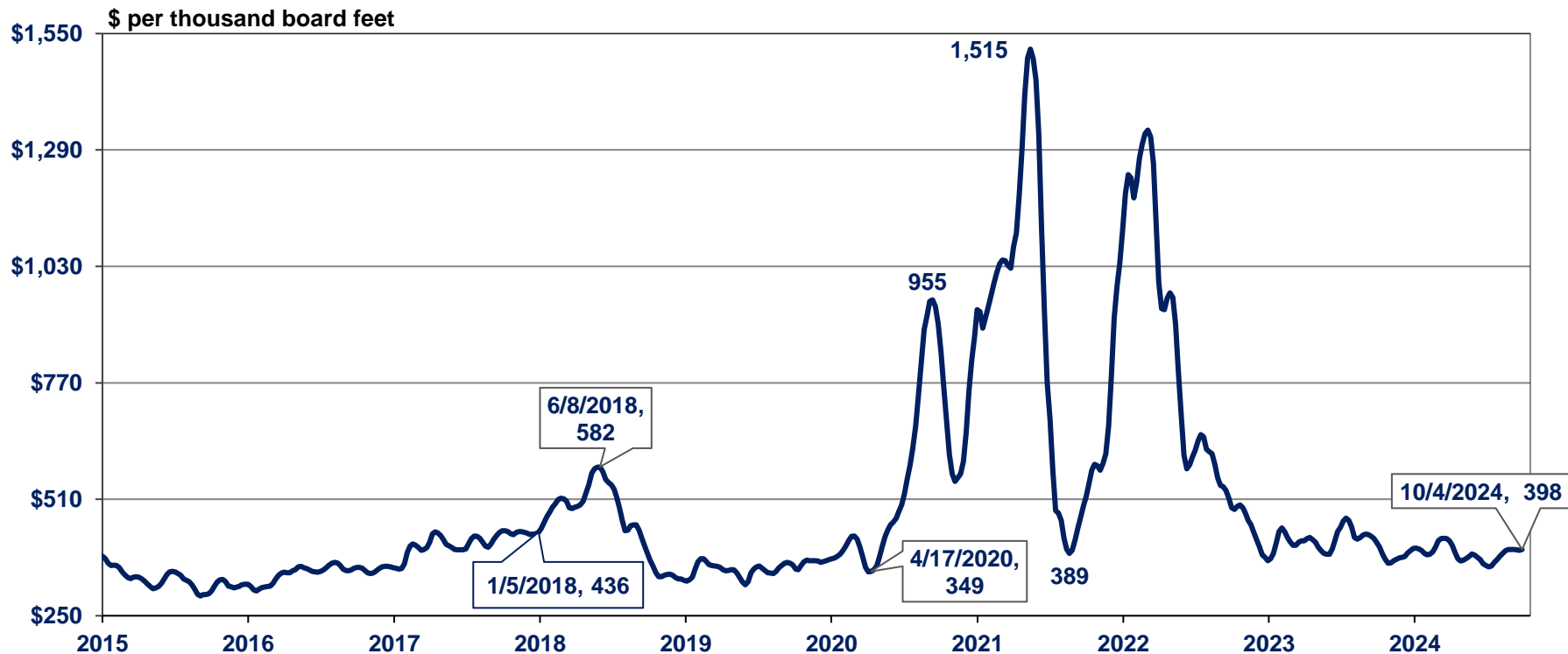


Source: U.S. Bureau of Labor Statistics; Producer Price Index

■ July 2016-2020 ■ July 2020 - 2024

# Lumber Prices Near Pre-pandemic Low

Current October price is \$398; up 0.5% over the week

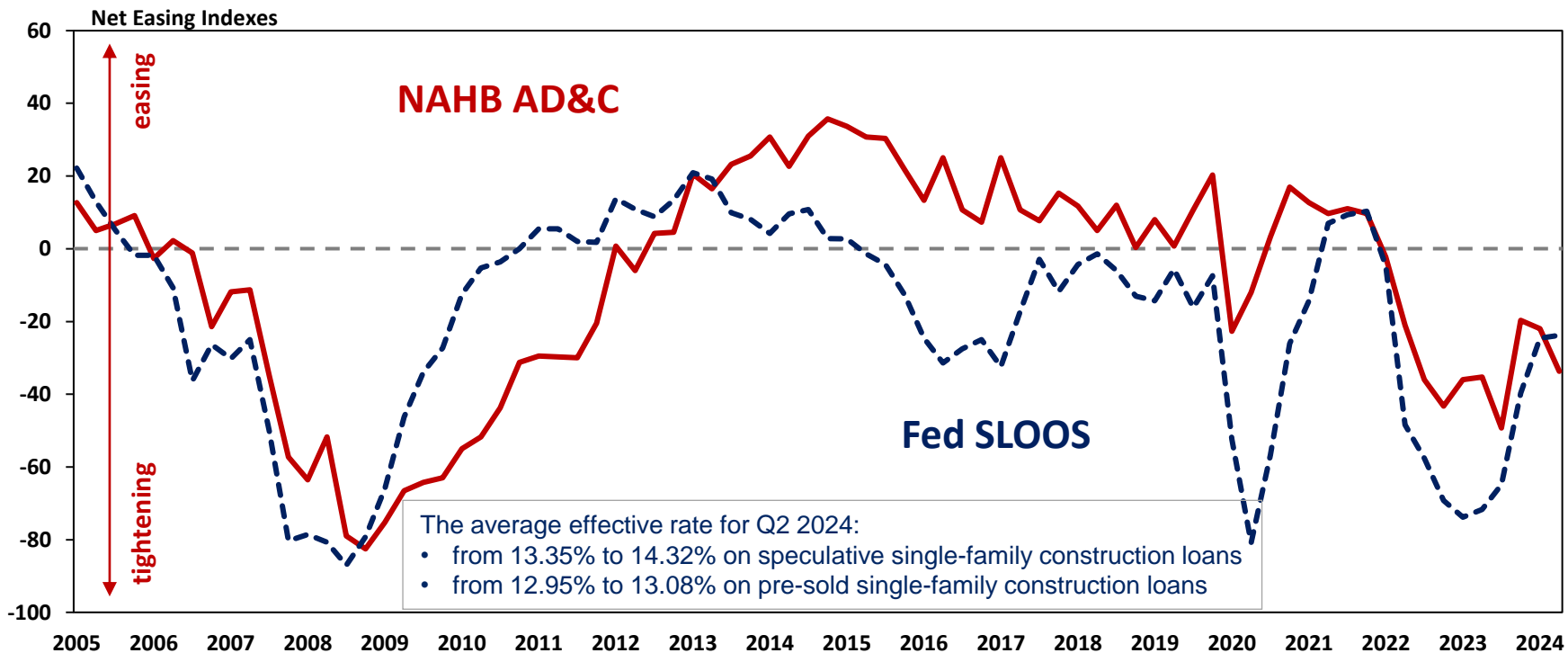


Source: NAHB Analysis; Random Lengths Composite Index



# Lending – AD&C Loan Conditions

*Credit conditions for builders and developers continued to tighten*



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

# Regulatory Costs \$93,870 Per New Home (11% Gain 2016 to 2021)

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

23.8% of price



Source: NAHB/Wells Fargo Housing Market Index (HMI)



# / NAHB 10-Point Plan to Tame Shelter Inflation, Ease the Housing 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;*
- 6. Alleviate permitting roadblocks;*
- 7. Adopt reasonable and cost-effective building codes;*
- 8. Reduce local impact fees and other upfront taxes associated with housing construction;*
- 9. Make it easier for developers to finance new housing; and*
- 10. Update employment policies to promote flexibility and opportunity.*

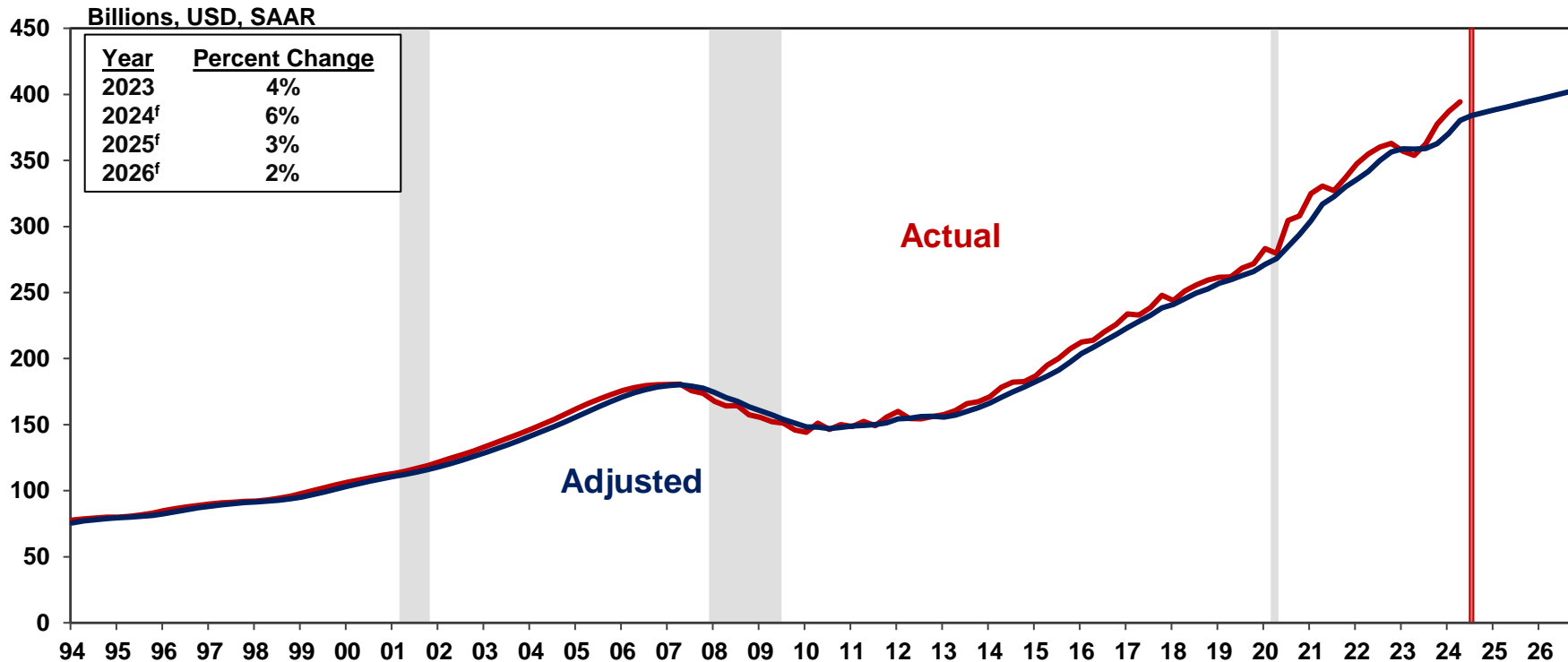


# Construction Outlook



# Residential Remodeling

*Positive growth prospects*

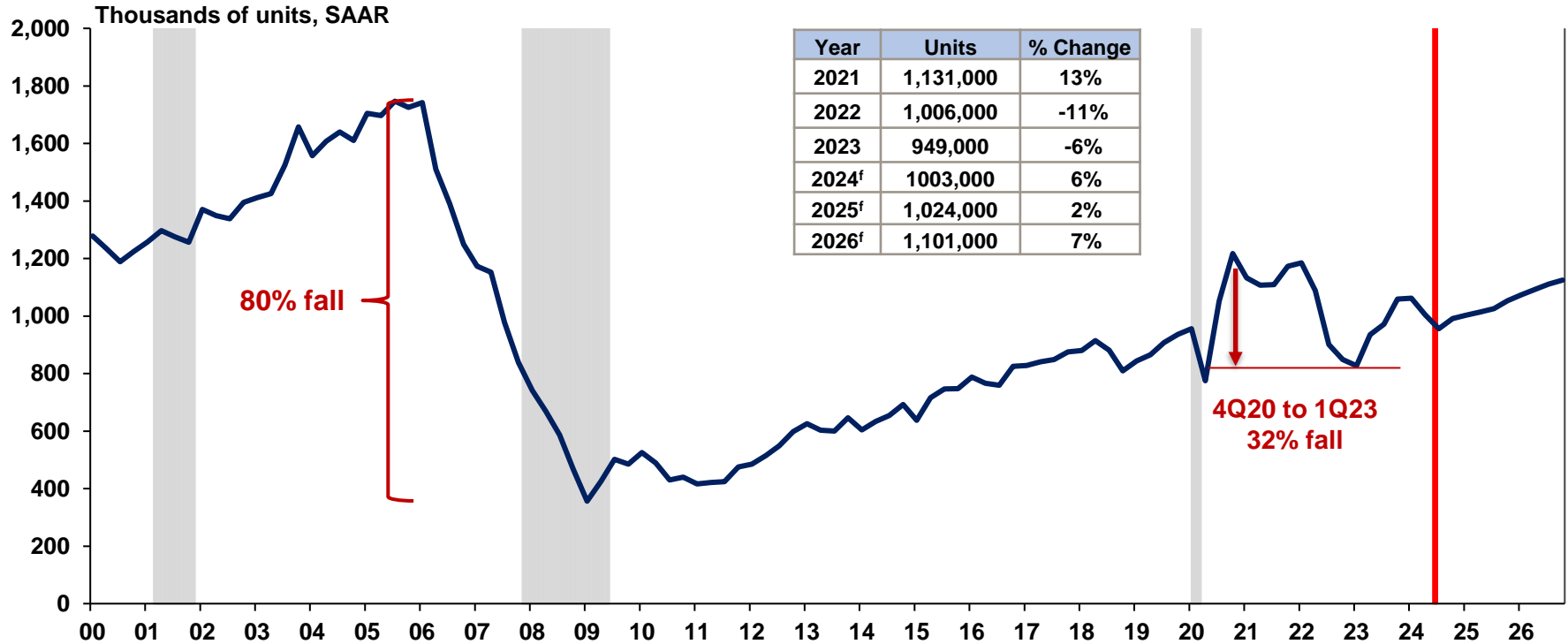


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

# Single-Family Starts

Single-family housing starts to post moderate gains as interest rates move lower



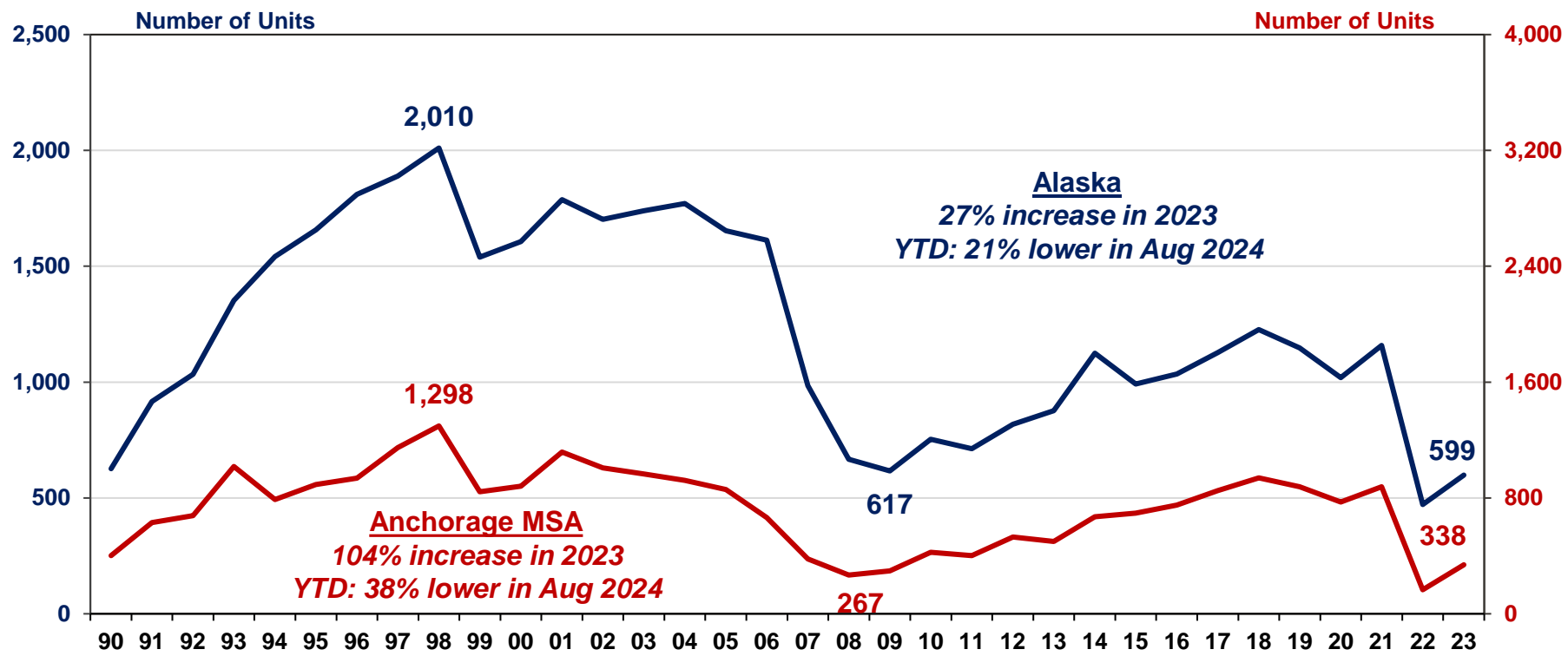
Source: U.S. Census Bureau (BOC) and NAHB forecast

# Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	Aug 2024 (# of units YTD, NSA)	YTD % Change (compared to Aug 2023)
Houston-The Woodlands-Sugar Land, TX	36,083	4%
Dallas-Fort Worth-Arlington, TX	33,461	18%
Phoenix-Mesa-Scottsdale, AZ	21,003	32%
Atlanta-Sandy Springs-Roswell, GA	18,530	10%
Charlotte-Concord-Gastonia, NC-SC	13,347	3%
Austin-Round Rock, TX	11,963	10%
Orlando-Kissimmee-Sanford, FL	10,505	-10%
Nashville-Davidson-Murfreesboro-Franklin, TN	10,427	5%
Tampa-St. Petersburg-Clearwater, FL	9,814	2%
Raleigh, NC	9,489	9%

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

# Single-Family Building Permits – Alaska and Anchorage MSA



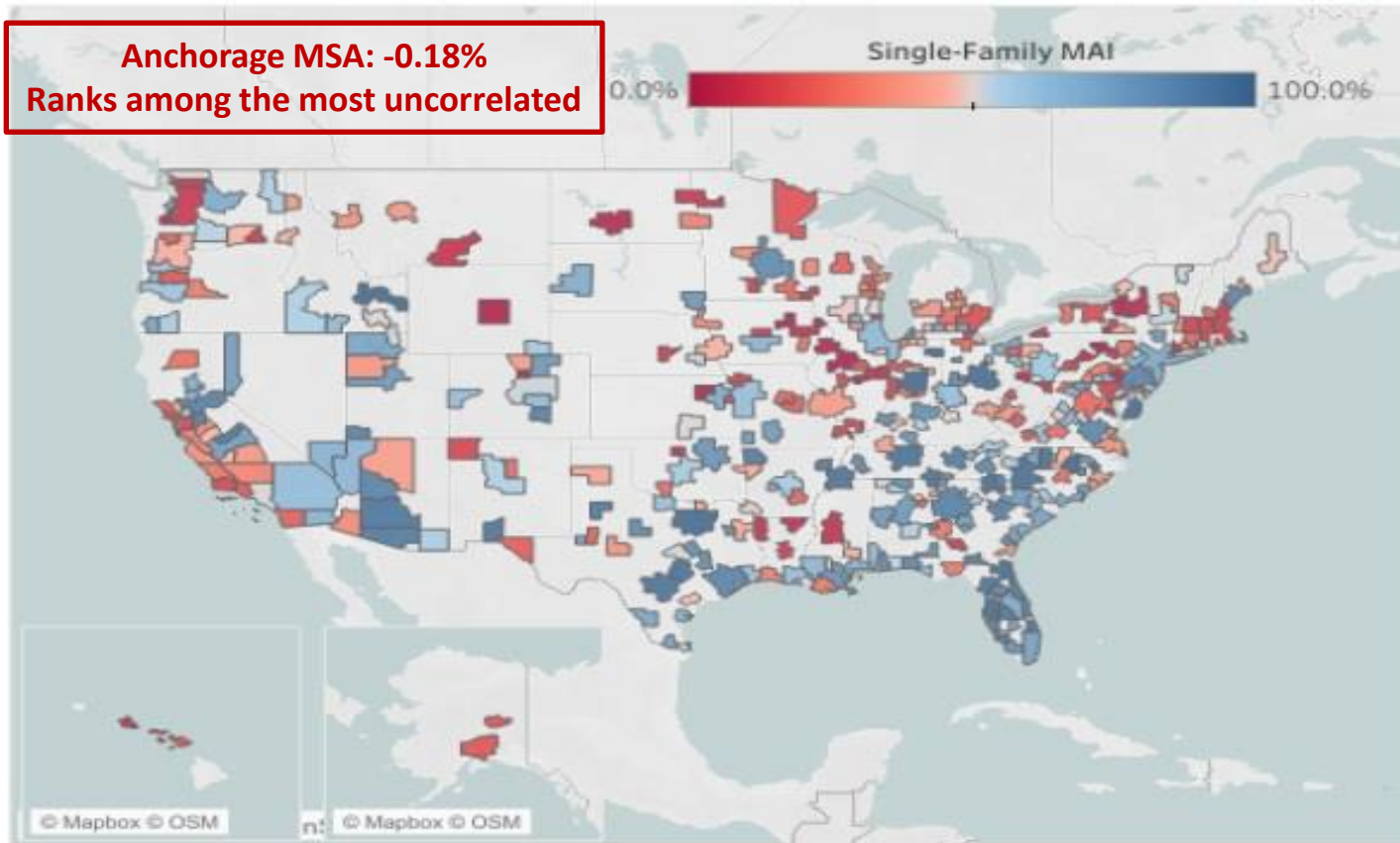
Source: Census Bureau.





# NAHB Single-Family Market Association Index (MAI)

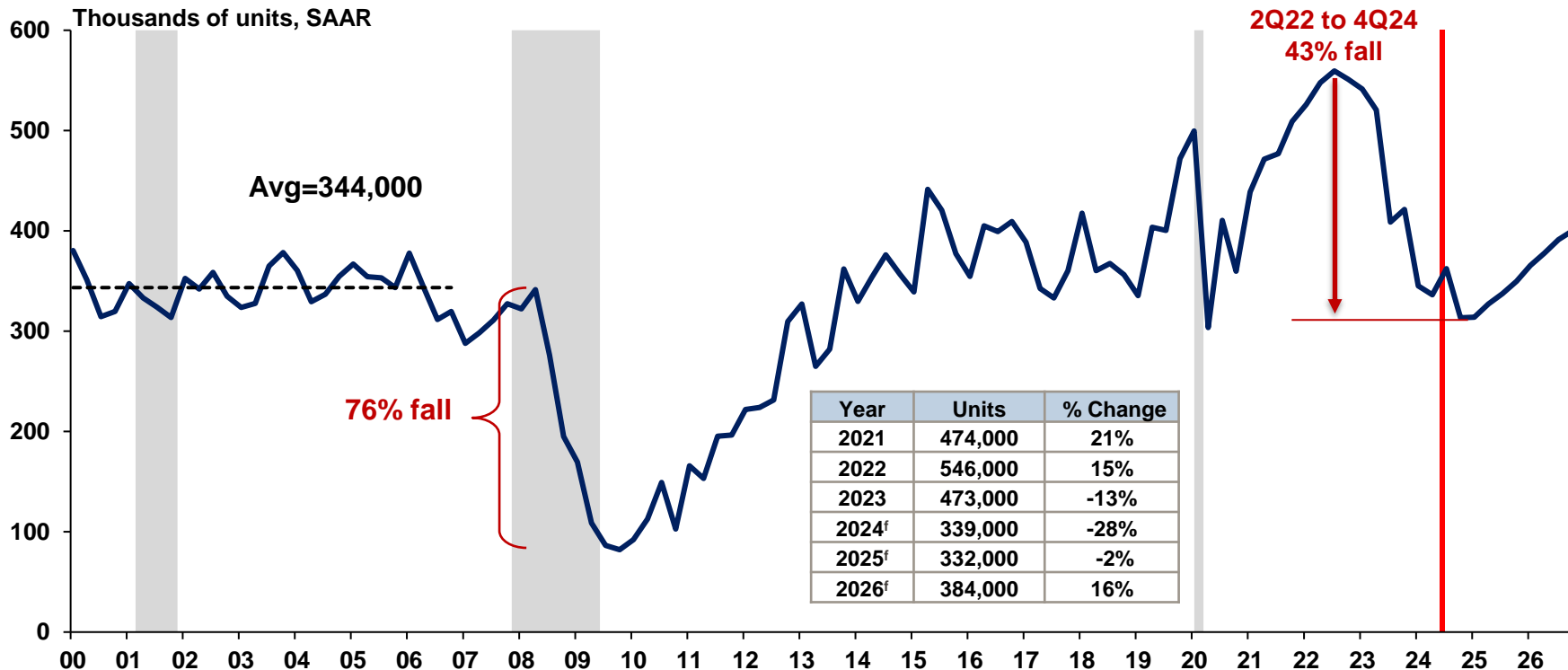
*Shows how close local trends are to national conditions*



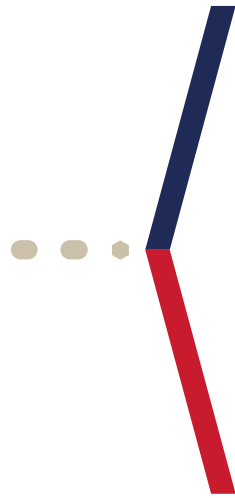
Source: U.S. Census Bureau (BOC) and NAHB analysis.

# Multifamily Construction Slowdown

Apartment construction will record a significant decline in 2024



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



# Home Building Economic Impact

# What is the Economic Impact of Home Building?

Study of Anchorage, AK

- Municipality of Anchorage

271 single-family homes

28 multifamily units

# Assumptions of the Model

<u>Inputs To Model</u>	<u>Single-family</u>
<i>Average house price:</i>	\$600,000
<i>Average raw lot cost:</i>	\$50,000
<i>Permits/Infrastructure:</i>	\$10,000
<i>Annual property taxes:</i>	\$9,364

# FIRST YEAR IMPACT: Single-family Construction – 271 Homes

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$86,456,500	\$29,313,700	\$57,142,800	\$4,333,700	717

## INCLUDING:



\$2.7M permit and impact fees

495 jobs in Construction

122 jobs in Wholesale and Retail Trade

54 jobs in Business and Professional Services

\* One job represents enough work to keep one worker employed full-time for a year.

# FIRST YEAR IMPACT: Single-Family Ripple

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$38,193,000	\$8,865,400	\$29,327,800	\$4,400,600	501

## INCLUDING:

110 jobs in Wholesale and Retail Trade

79 jobs in Health, Education and Social Services

66 jobs in Local Government

# ONGOING Single-Family -- ANNUAL EFFECT

Local Income	Local Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$17,078,800	\$3,838,200	\$13,240,600	\$4,783,300	229



\$2.3M property tax

## INCLUDING:

50 jobs in Wholesale and Retail Trade

38 jobs in Local Government

31 jobs in Health, Education and Social Services

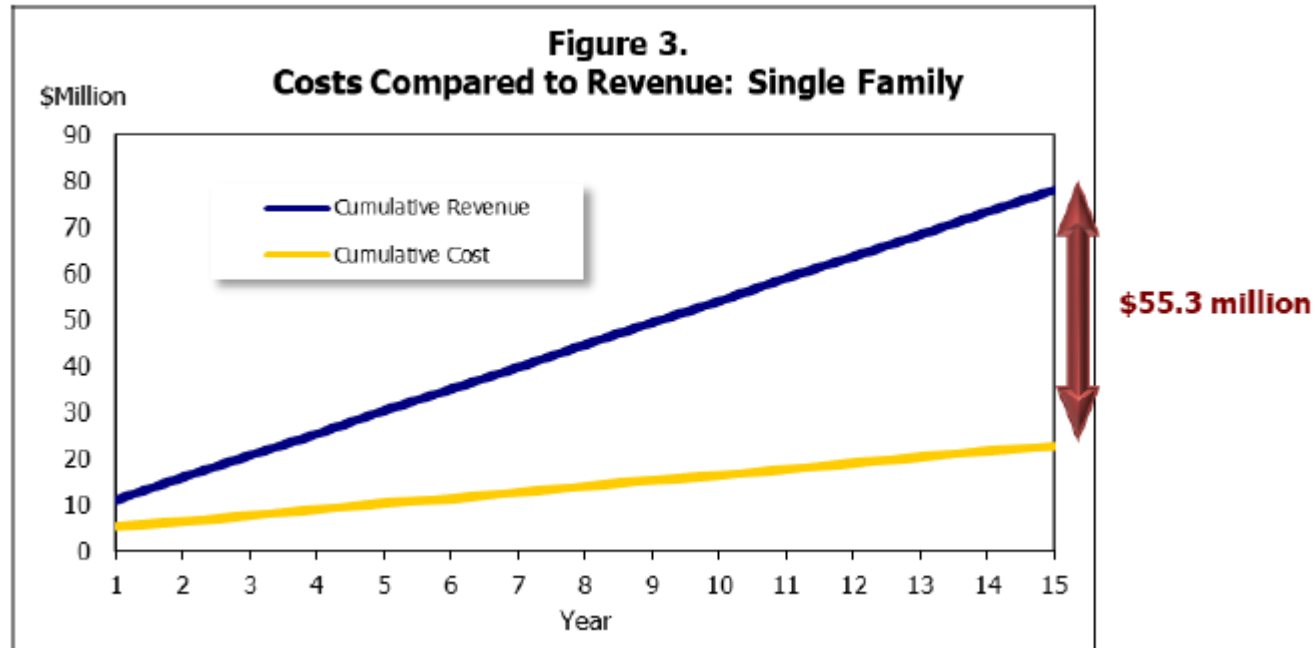


# Net Economic Impact Estimates

271 Single-Family Homes (1,218 Phase I and II jobs, 229 Phase III jobs)

\$78.1 million in revenue; \$22.8 million in costs

\$55.3 million in net revenue



# 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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Home Mortgage

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