

# Housing Affordability Headwinds Rising

*Anchorage HBA*  
*September 30, 2021*

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*NAHB Chief Economist*



# Macro/Housing Outlook



**Deployment of the vaccine is supporting economic growth  
Delta variant raising counts, but deaths remain lower**



**Stronger growth in 2021, with increases for interest rates**



**Building materials a key concern  
Supply-chains are a mess**



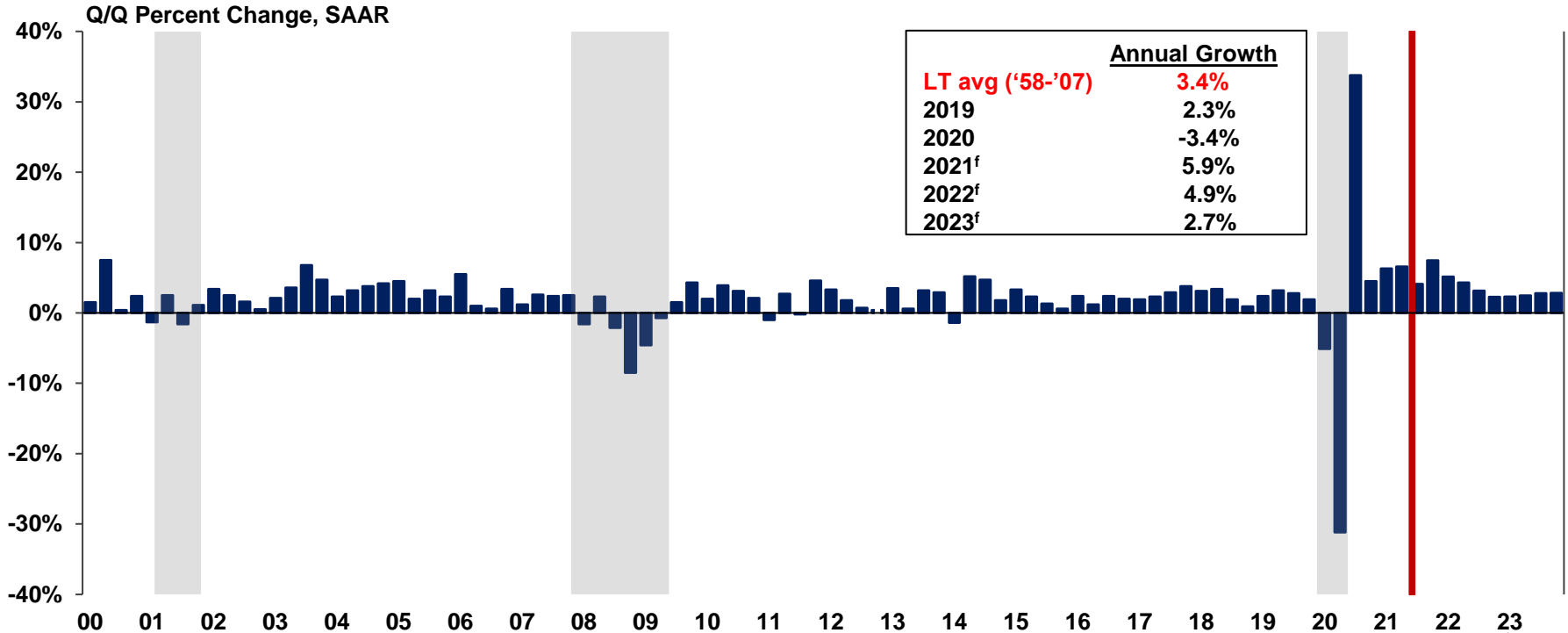
**Single-family, remodeling and multifamily construction gains for 2021  
Telecommuting and other factors driving a suburban shift**



**Housing affordability risks erosion in 2021  
Communities with ability to add affordable housing will grow**

# GDP Growth – Recovery Accelerates During 2021

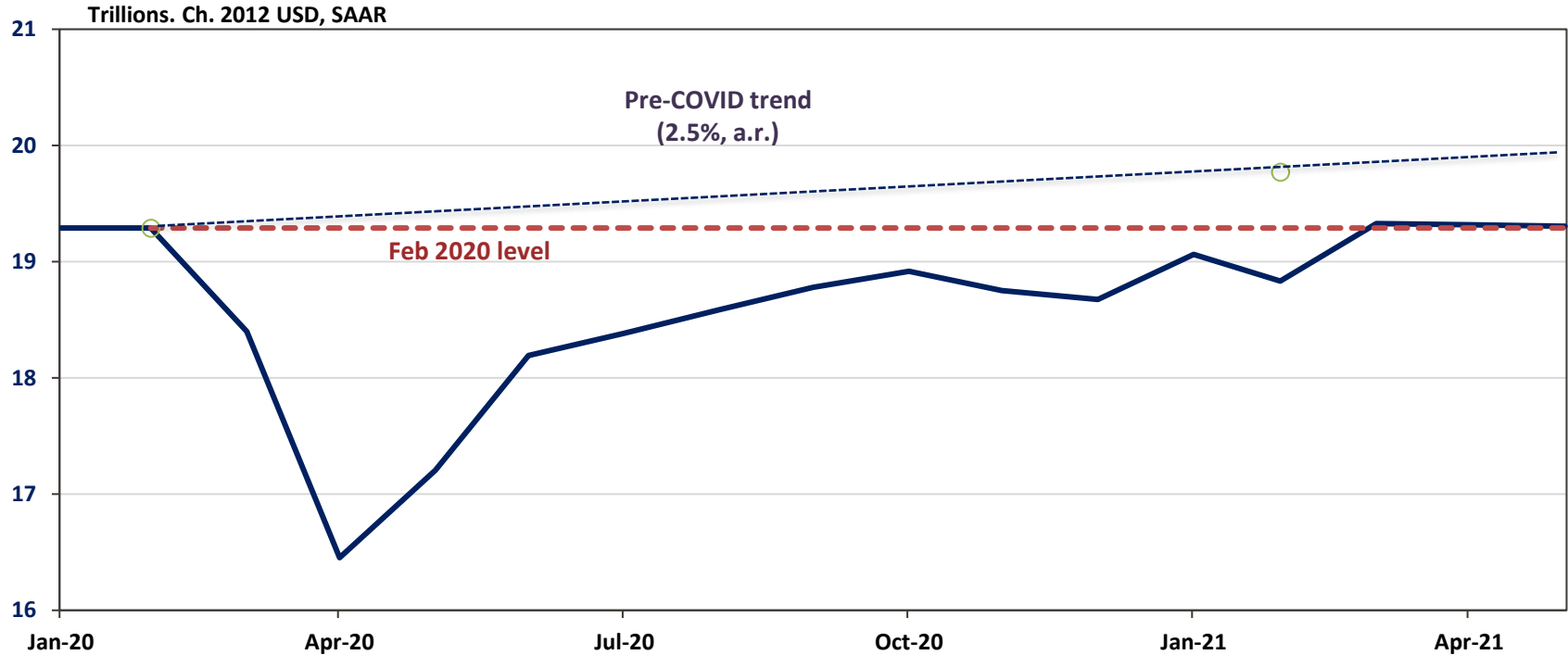
*Recovery and expansion continues into 2021 and 2022*



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

# Has the Economy Recovered?

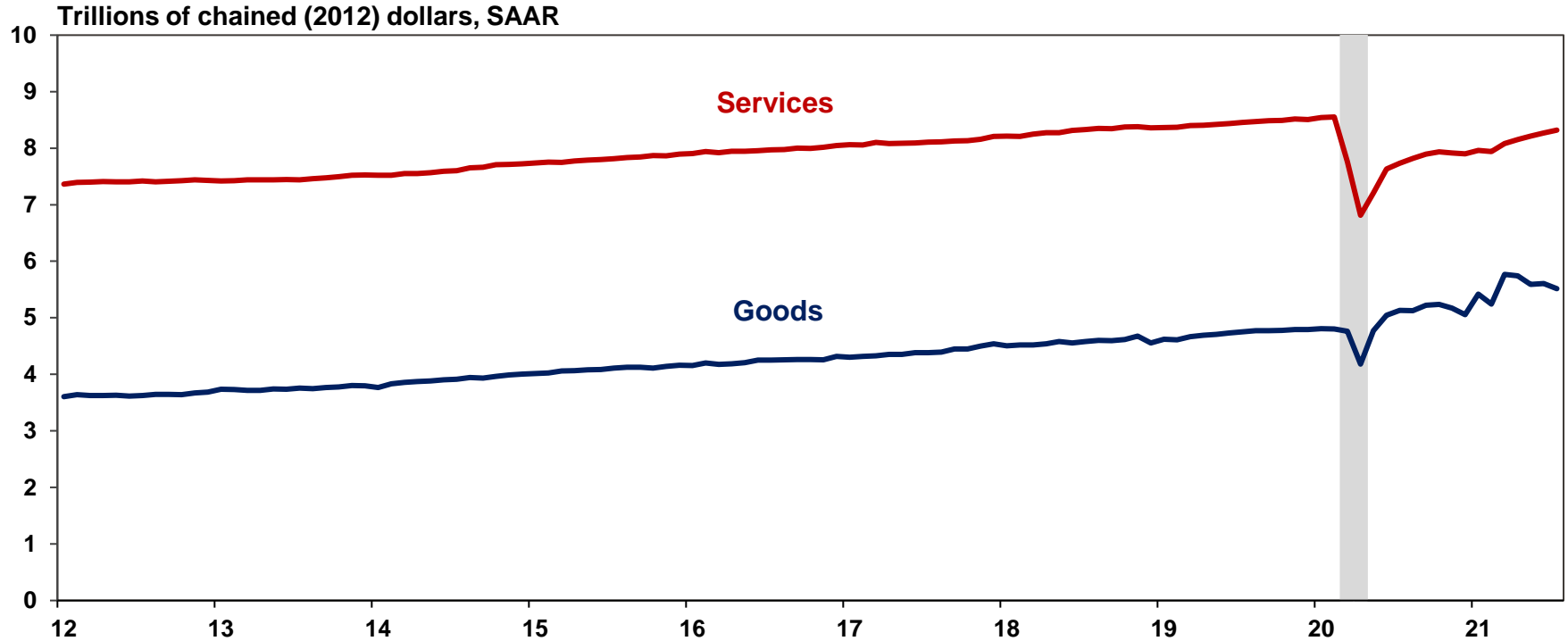
*GDP has reached Feb 2020 level*



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

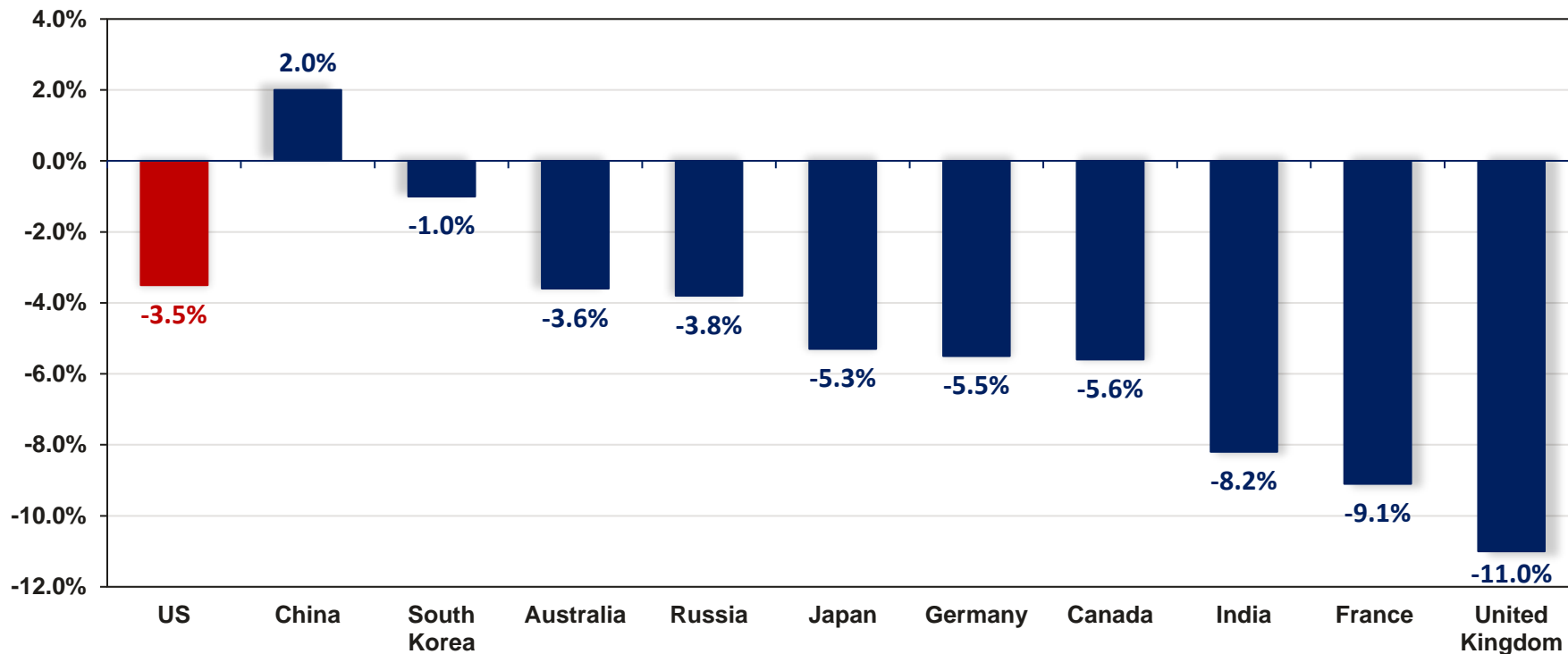
# Monthly Goods and Services: GDP Data

*Services still down, goods higher*



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

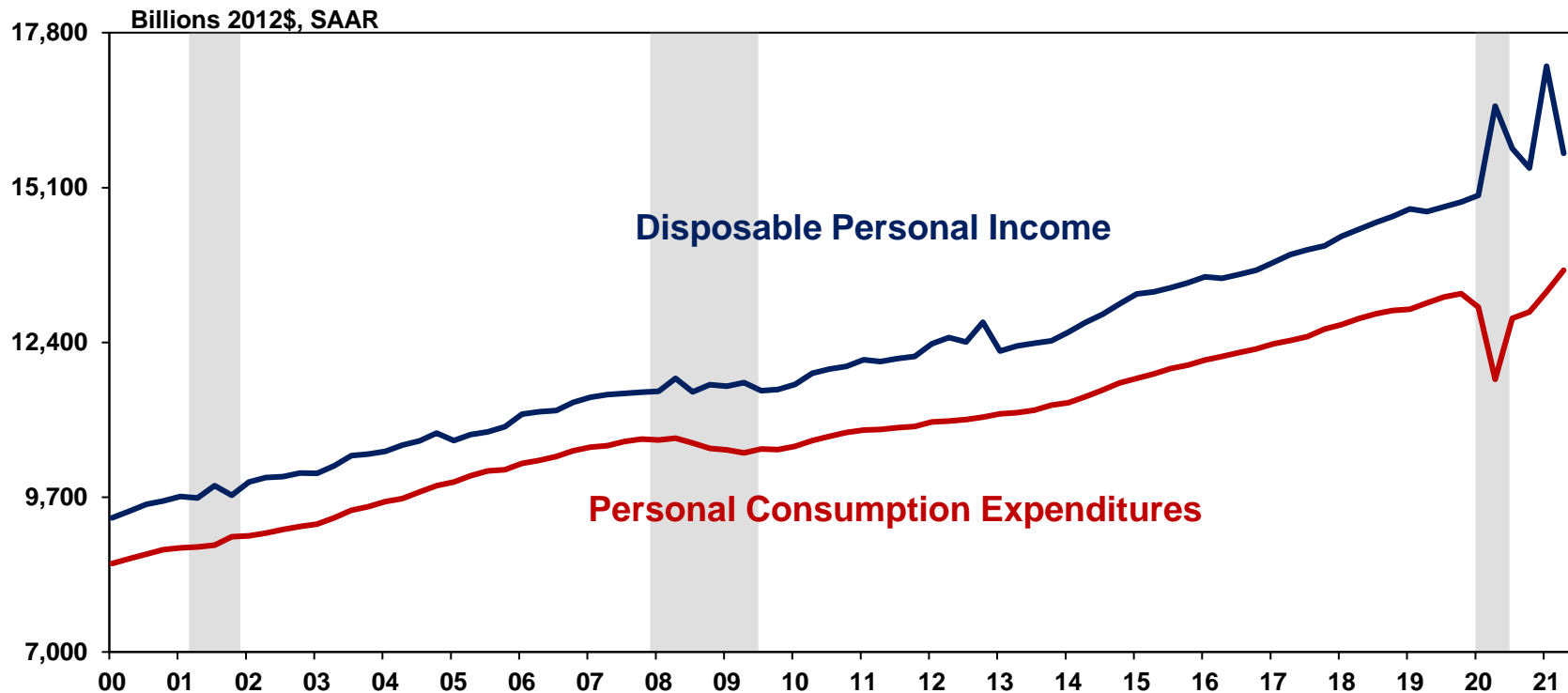
# International 2020 Real GDP Growth Rates



Source: NAHB forecast; BlueChip Survey

# Savings Increased Due to Stimulus and Spending Declines

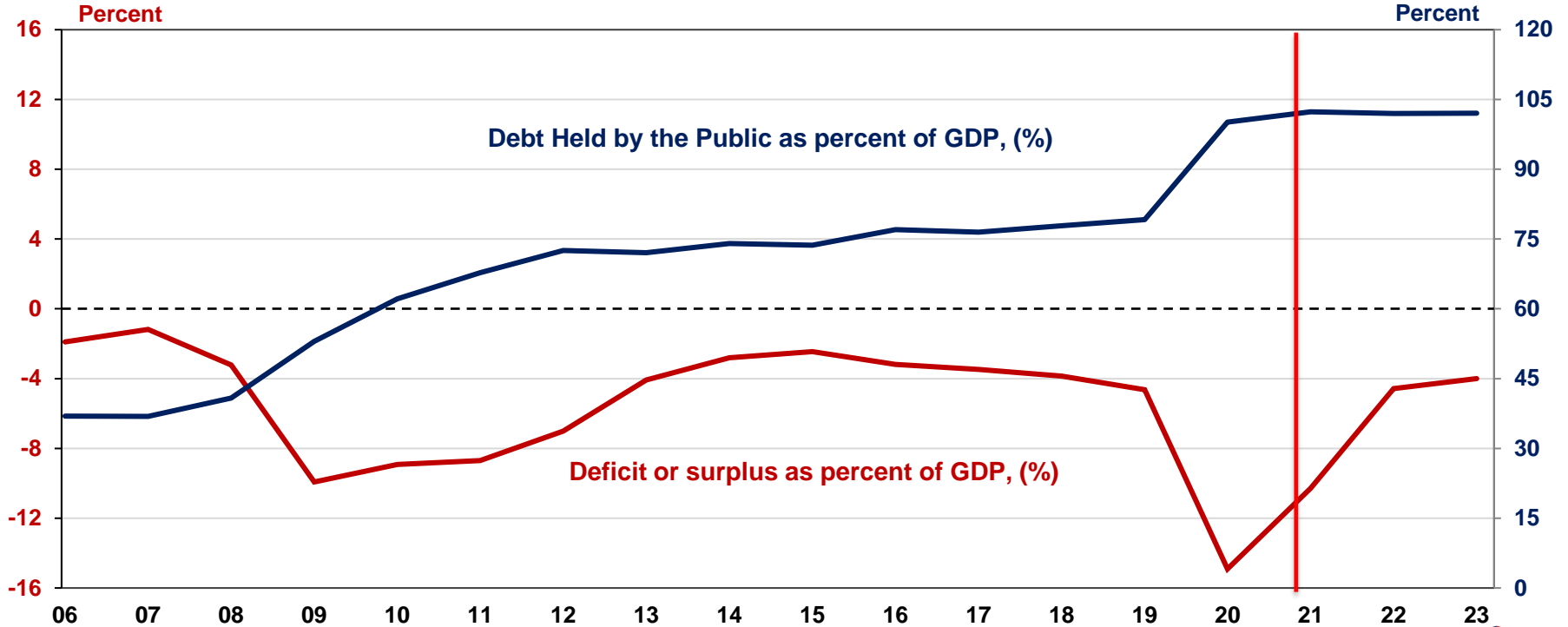
*Household balance sheets improved during a recession?*



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

# Government Deficits Growing

*Reaching unsustainable levels*

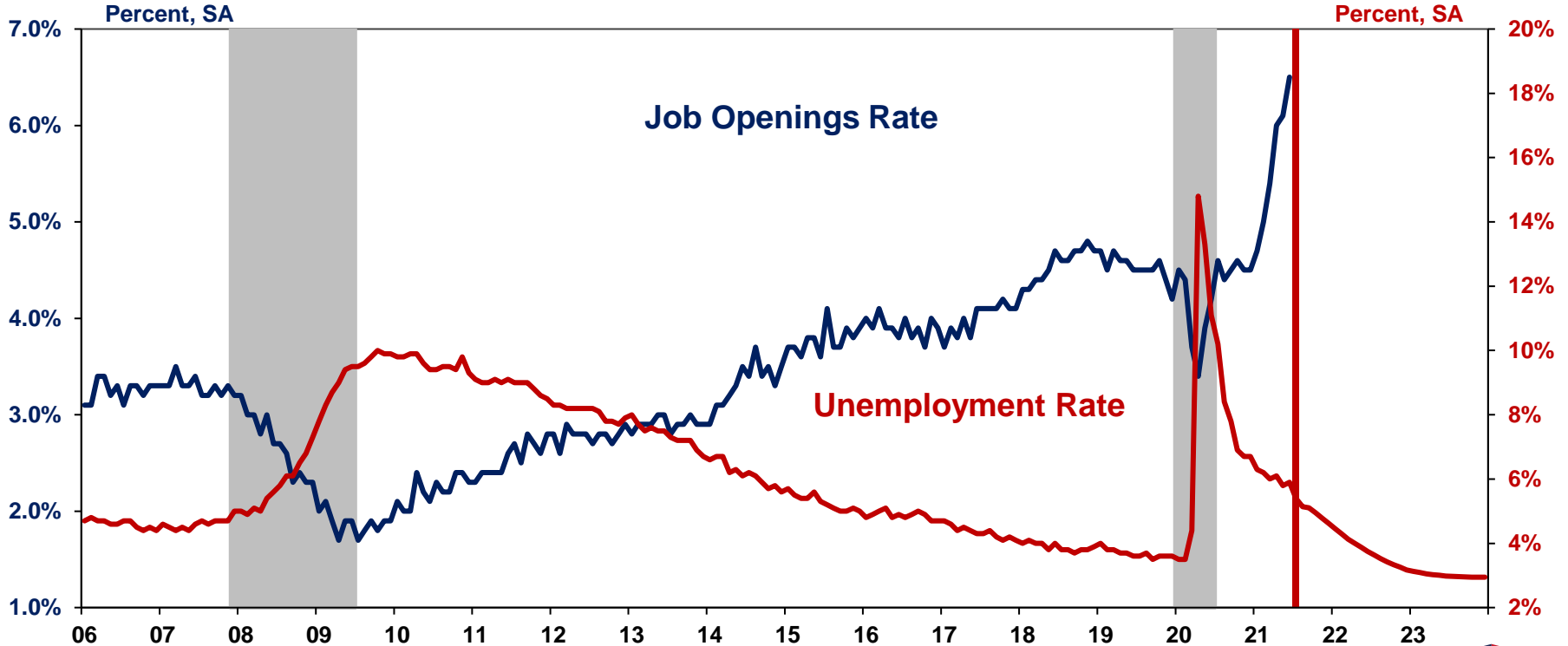


Source: Congressional Budget Office (CBO).



# Sudden Labor Market Reversal

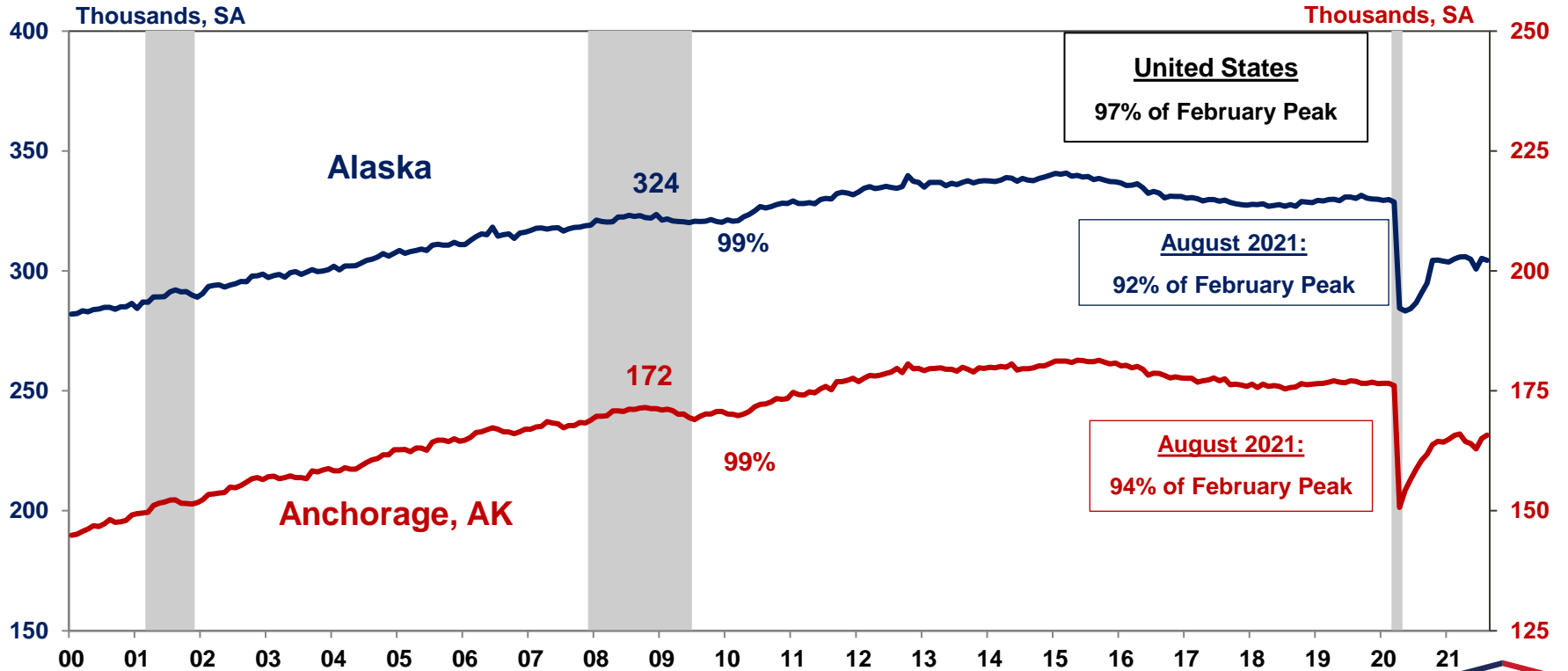
*More than 10 million open jobs*



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

# Payroll Employment

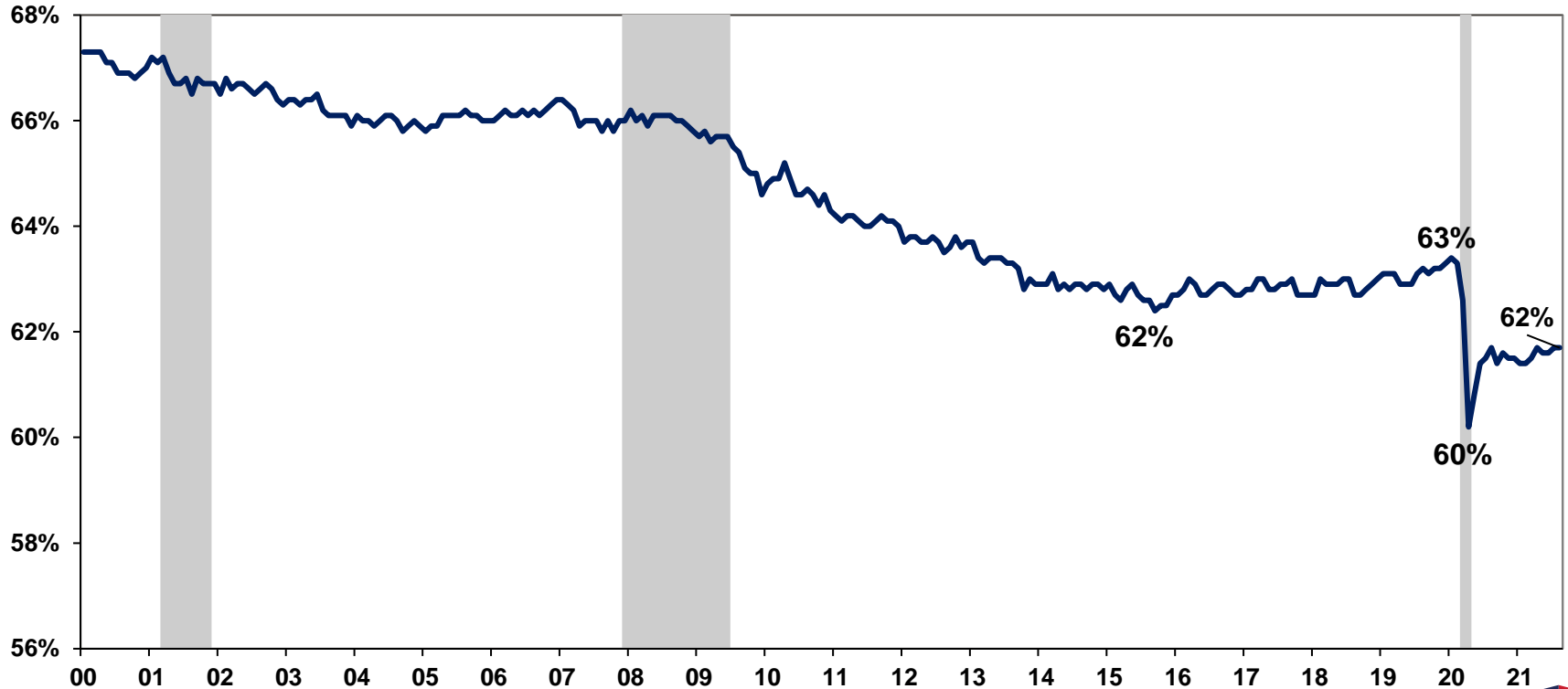
Anchorage MSA recovering from COVID-19 recession



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

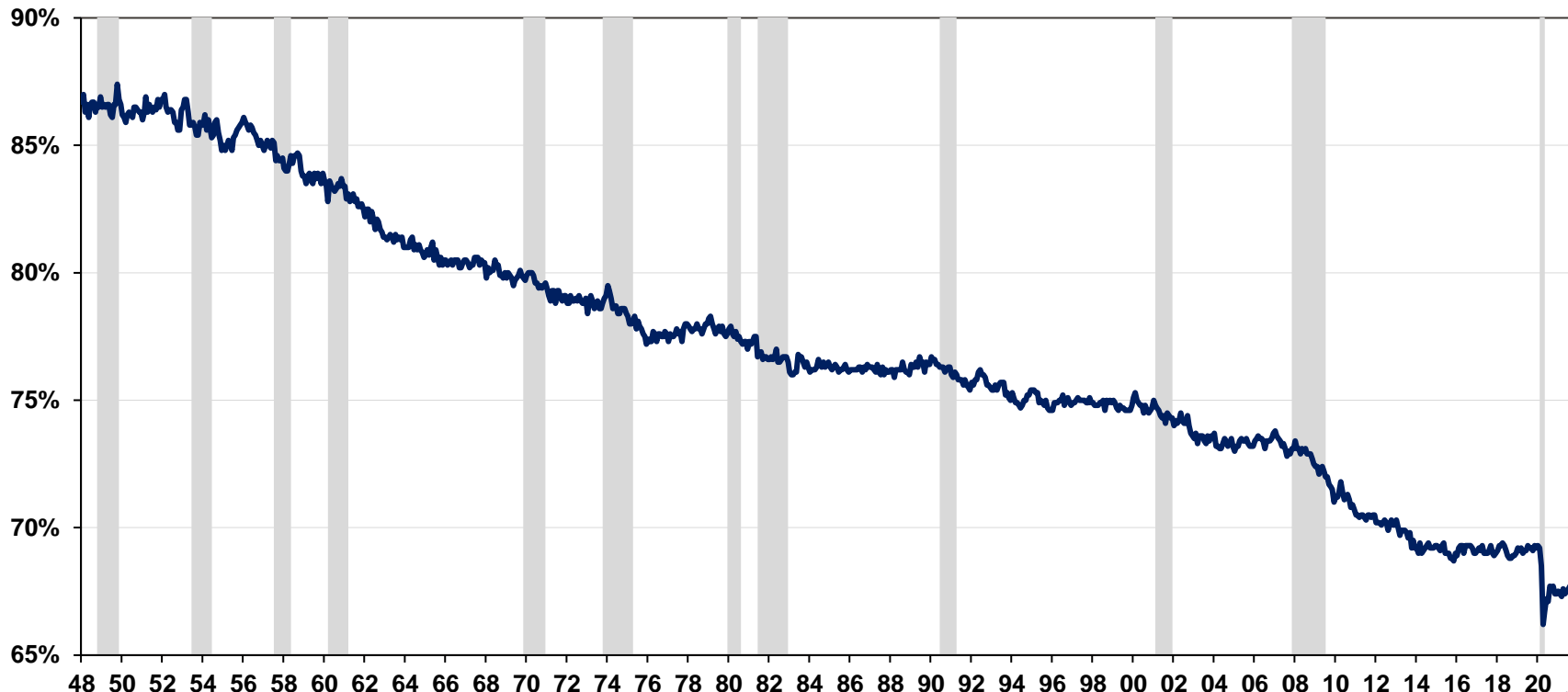
# Labor Force Participation Rate

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



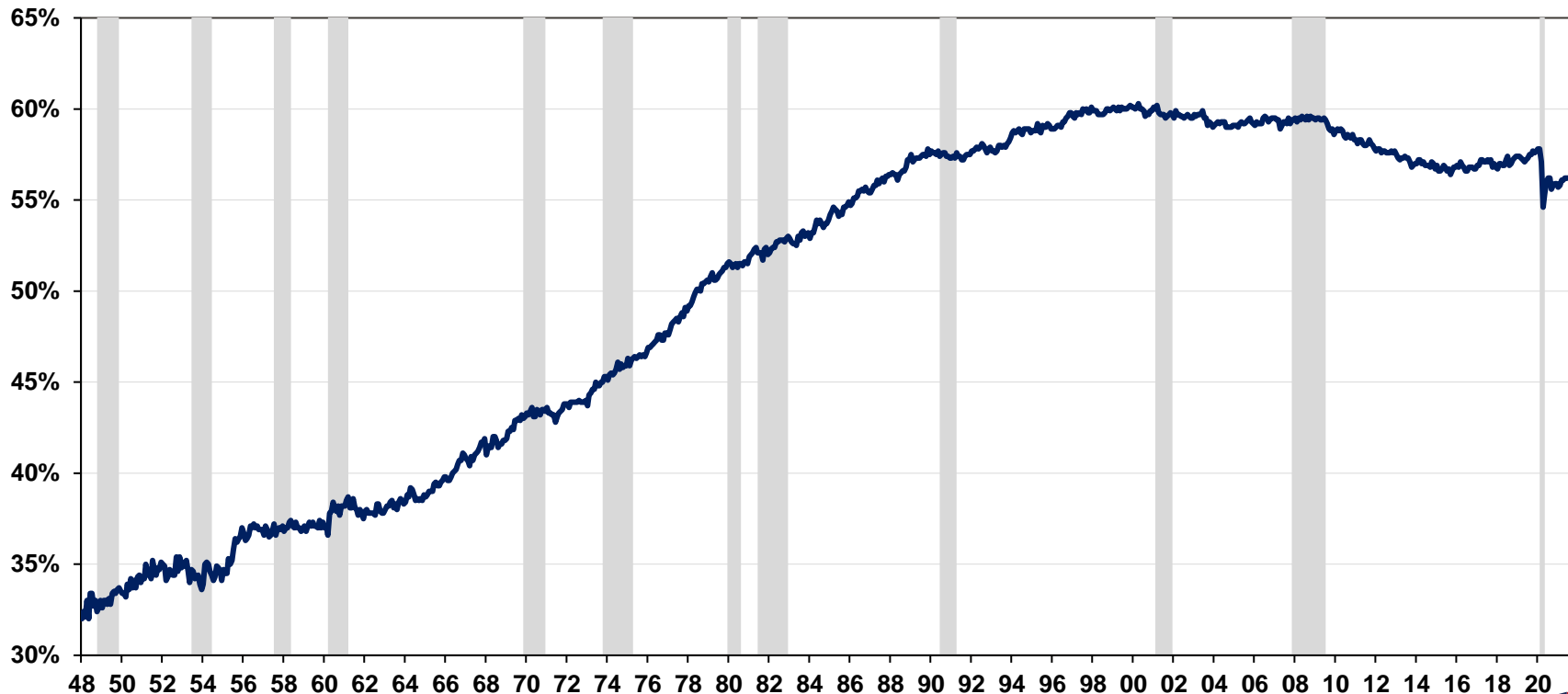
Source: U.S. Bureau of Labor Statistics (BLS).

# Labor Force Participation Rate -- Men



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

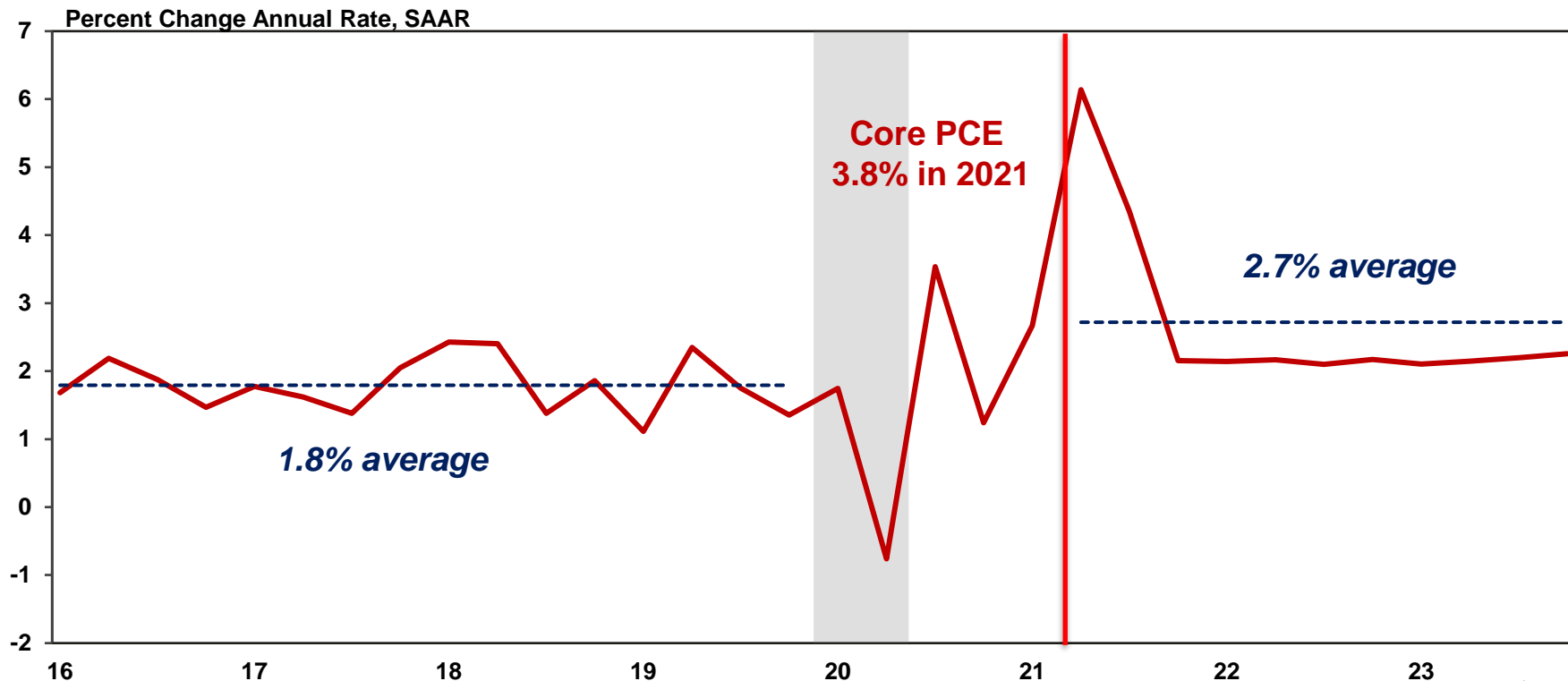
# Labor Force Participation Rate -- Women



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

# Core Inflation

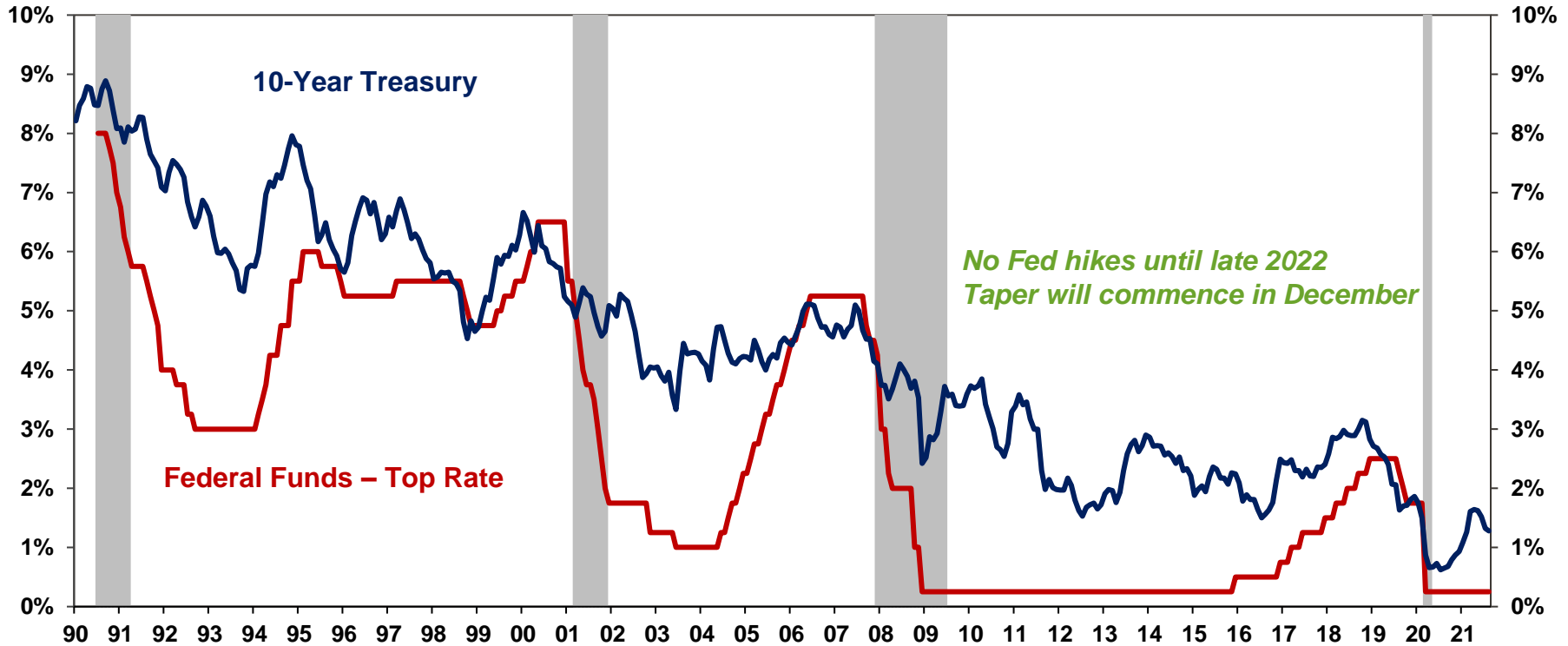
*Inflation pressures eased in August but remain elevated*



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

# Fed Funds Rate – Fed All In on Supporting Economy

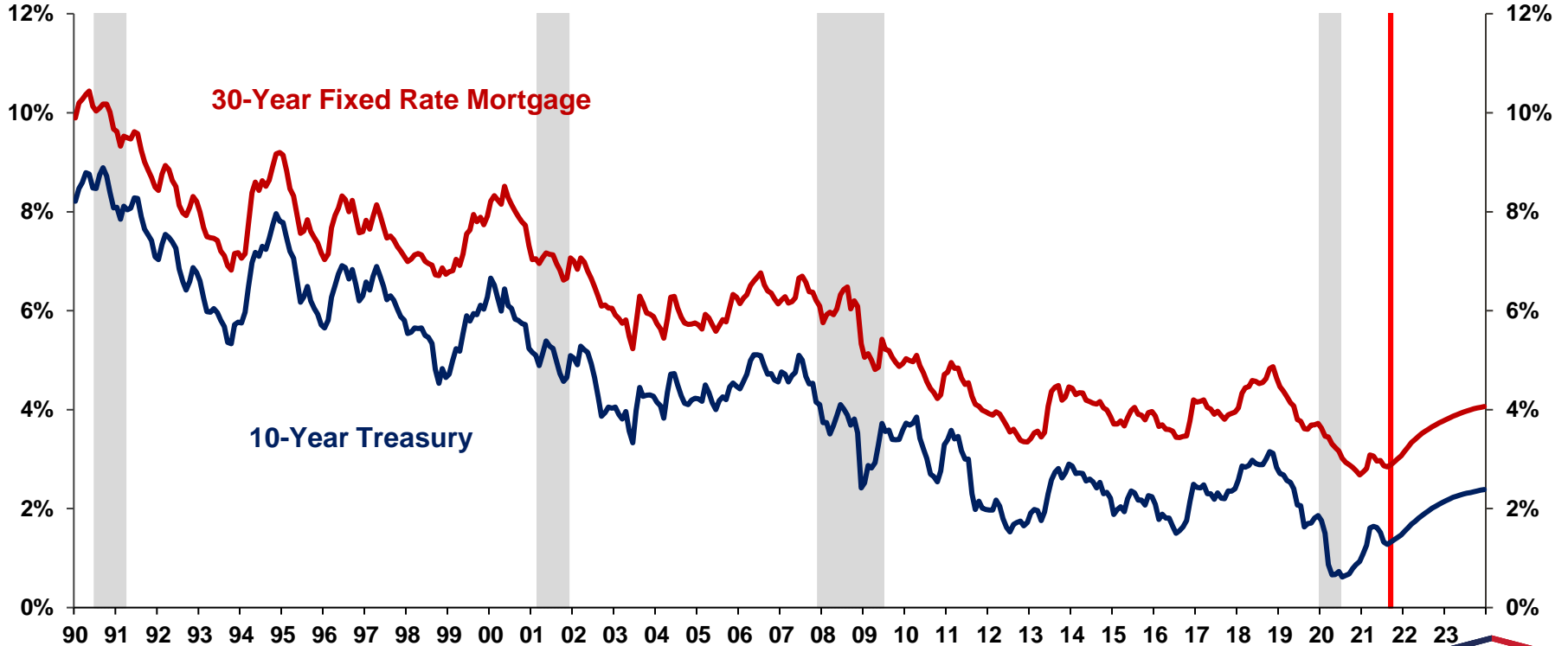
*Effective 0% fed funds rate and \$40 billion a month in MBS purchases supporting housing*



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

# Interest Rates Will Trend Higher with Recovery

*As growth expectations increase, interest rates are rising*

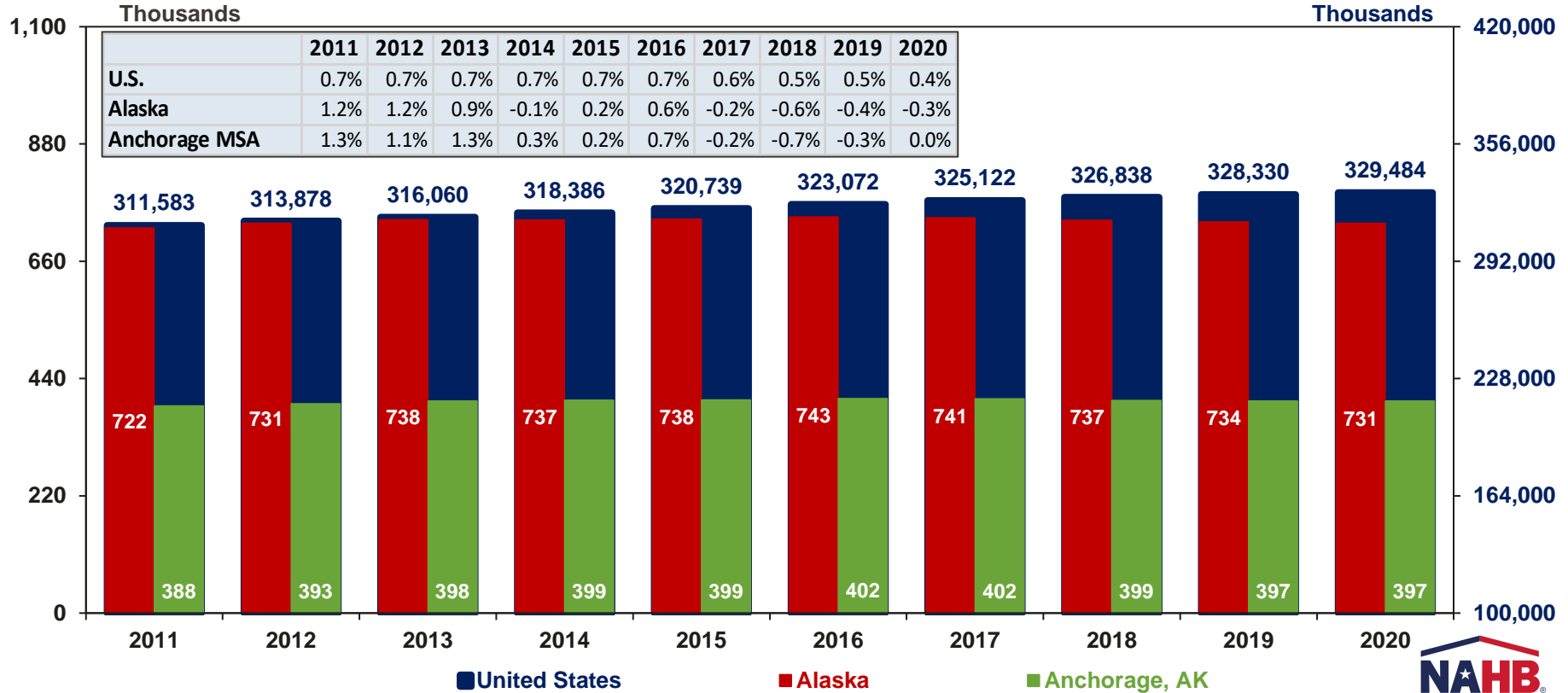


Source: Federal Reserve and Freddie Mac data and NAHB forecast.



# Population Growth

*Anchorage MSA population remained unchanged in 2020*

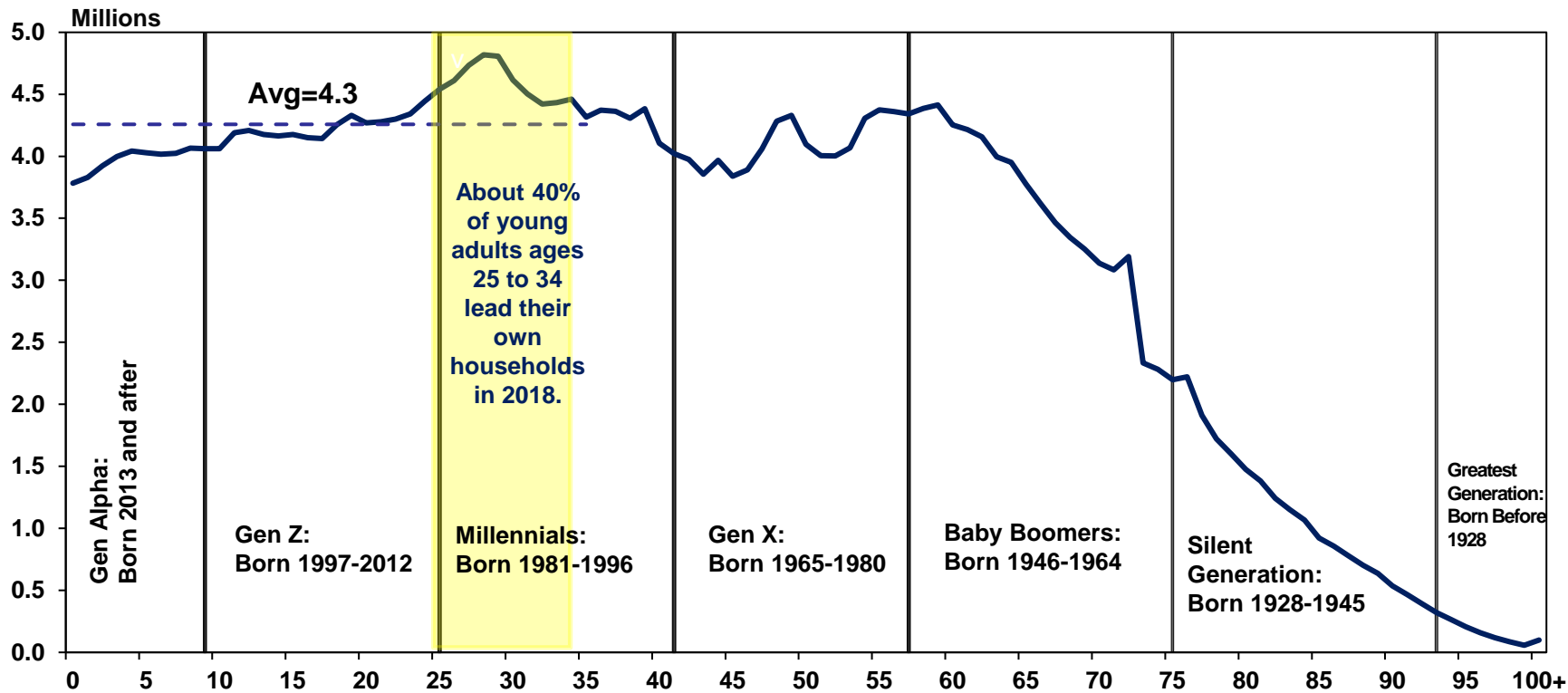


Source: U.S. Census Bureau (BOC).



# Rising Population Entering Housing Demand Years: 2021

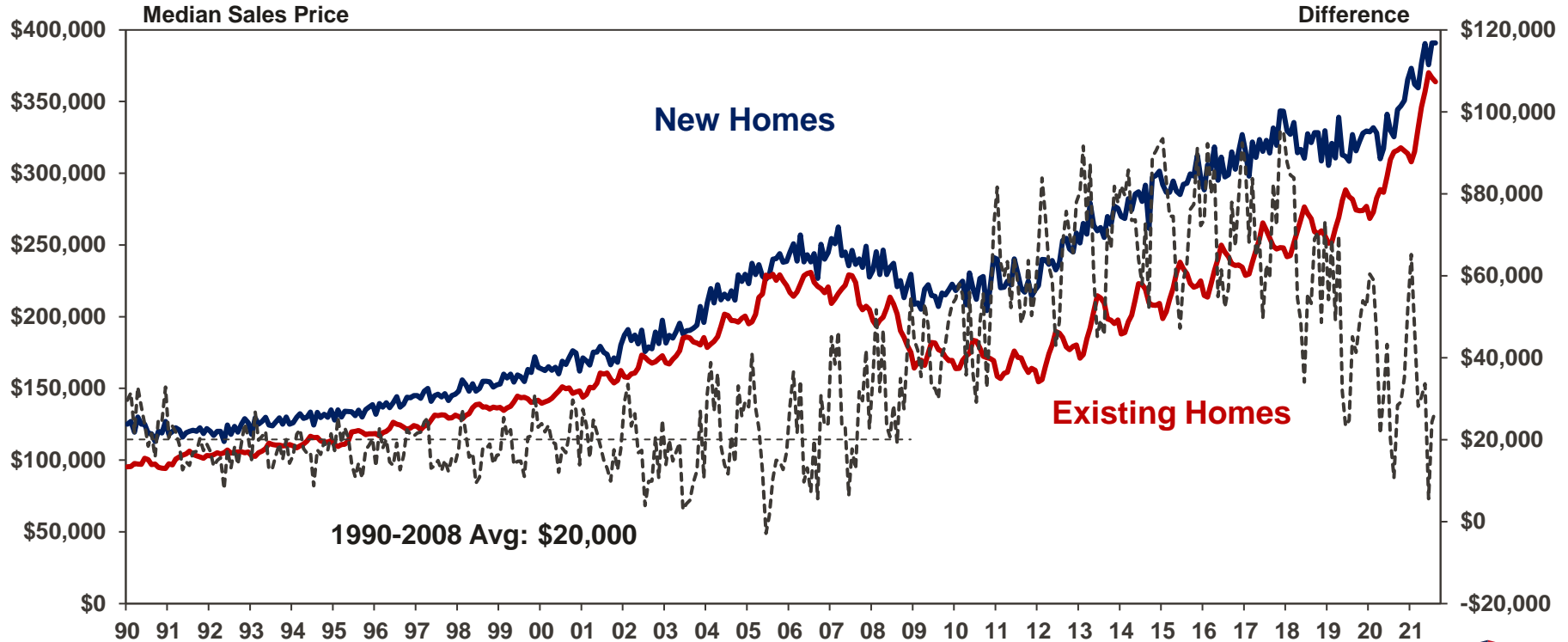
*Gen X the majority of new construction home buyers*



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

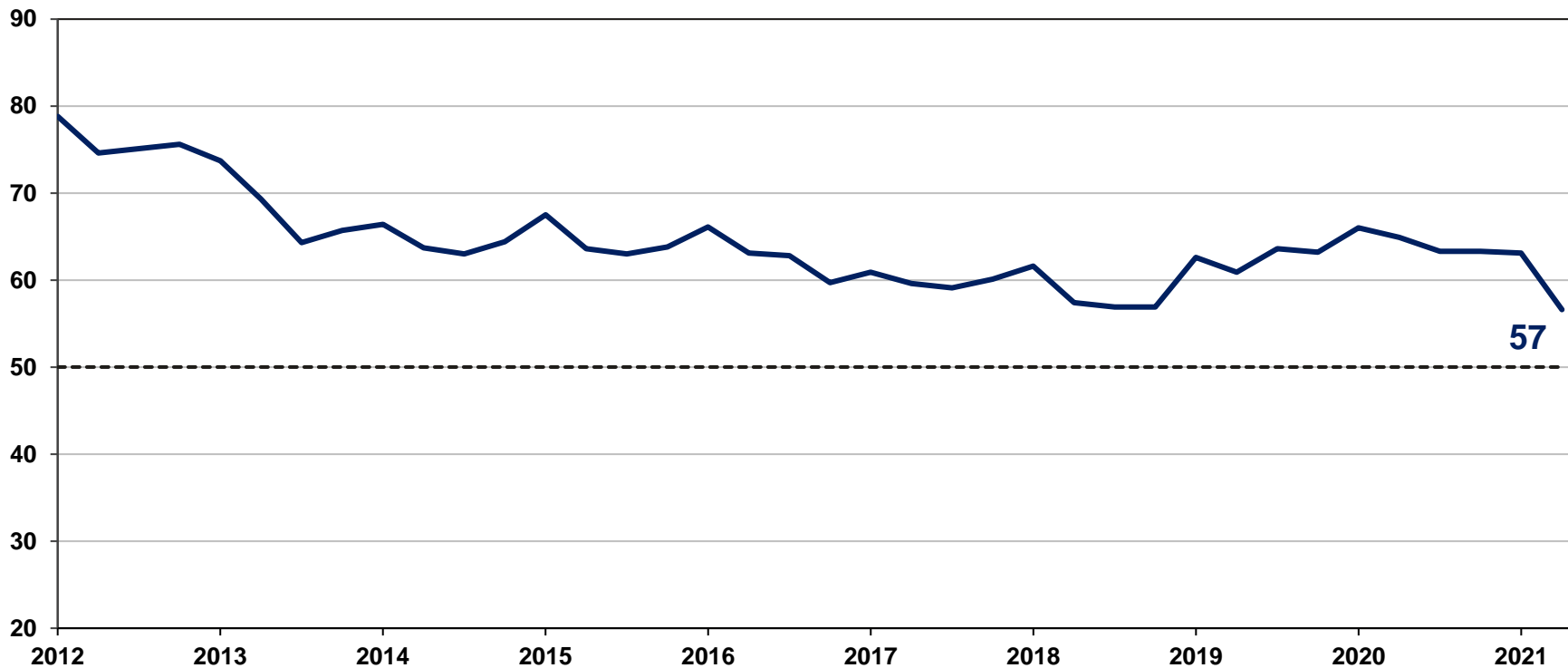
# Home Prices of New and Existing Homes

*Gap widened in the past two months as existing home prices fell*



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

# Housing Affordability – NAHB/Wells Fargo HOI

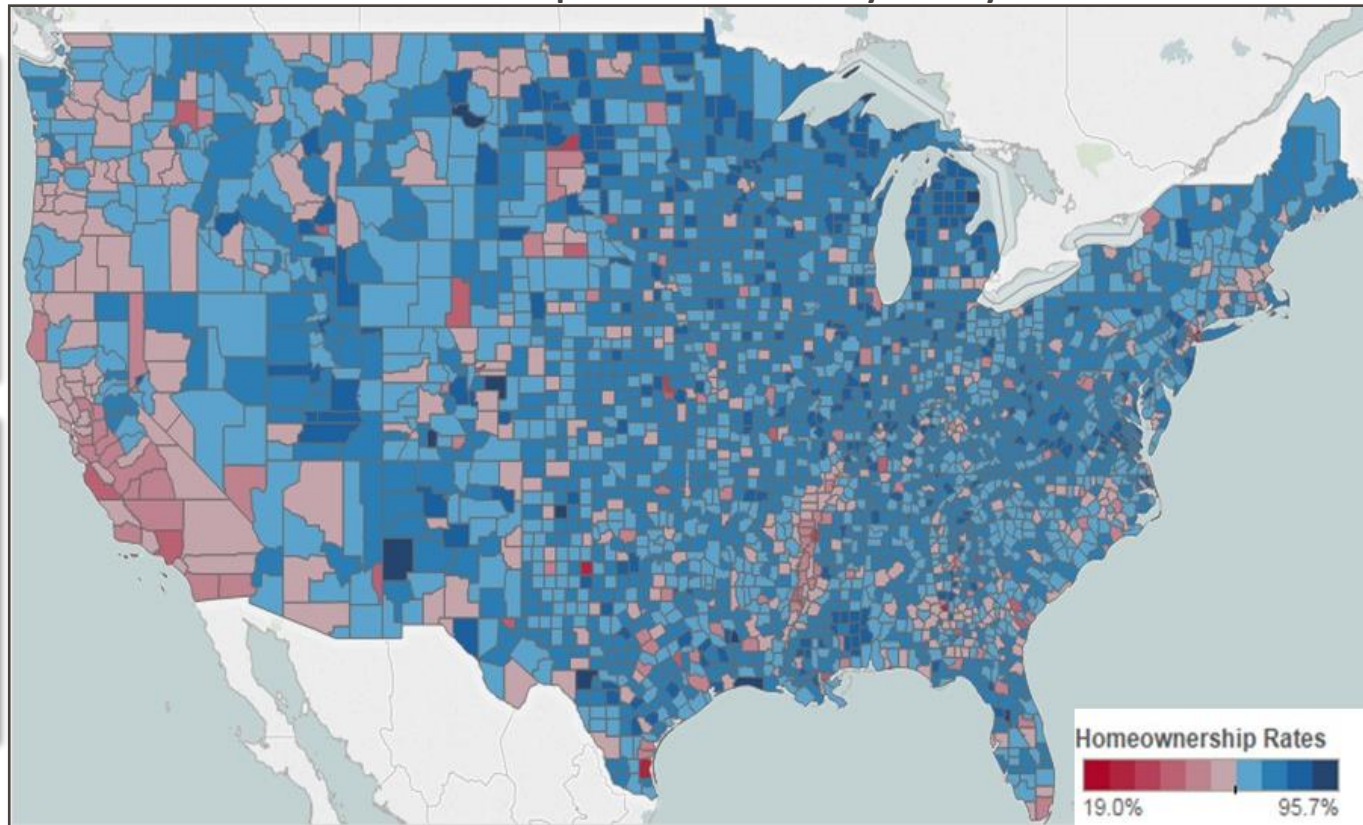
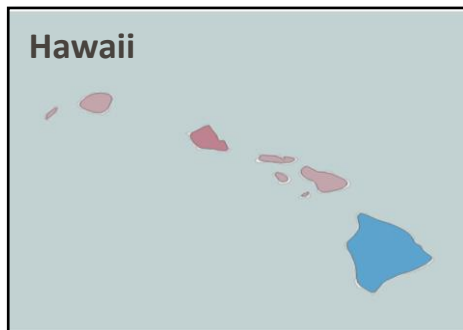
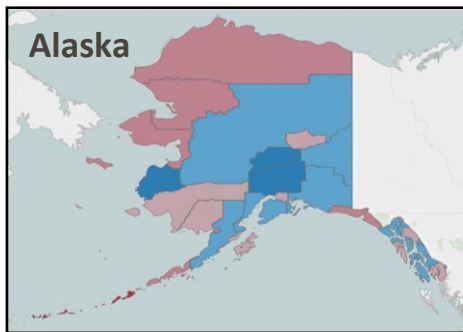


Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).

# Geography of Homeownership

Homeownership rate for Anchorage MSA was 64.6%

Homeownership Rates in the U.S. by County



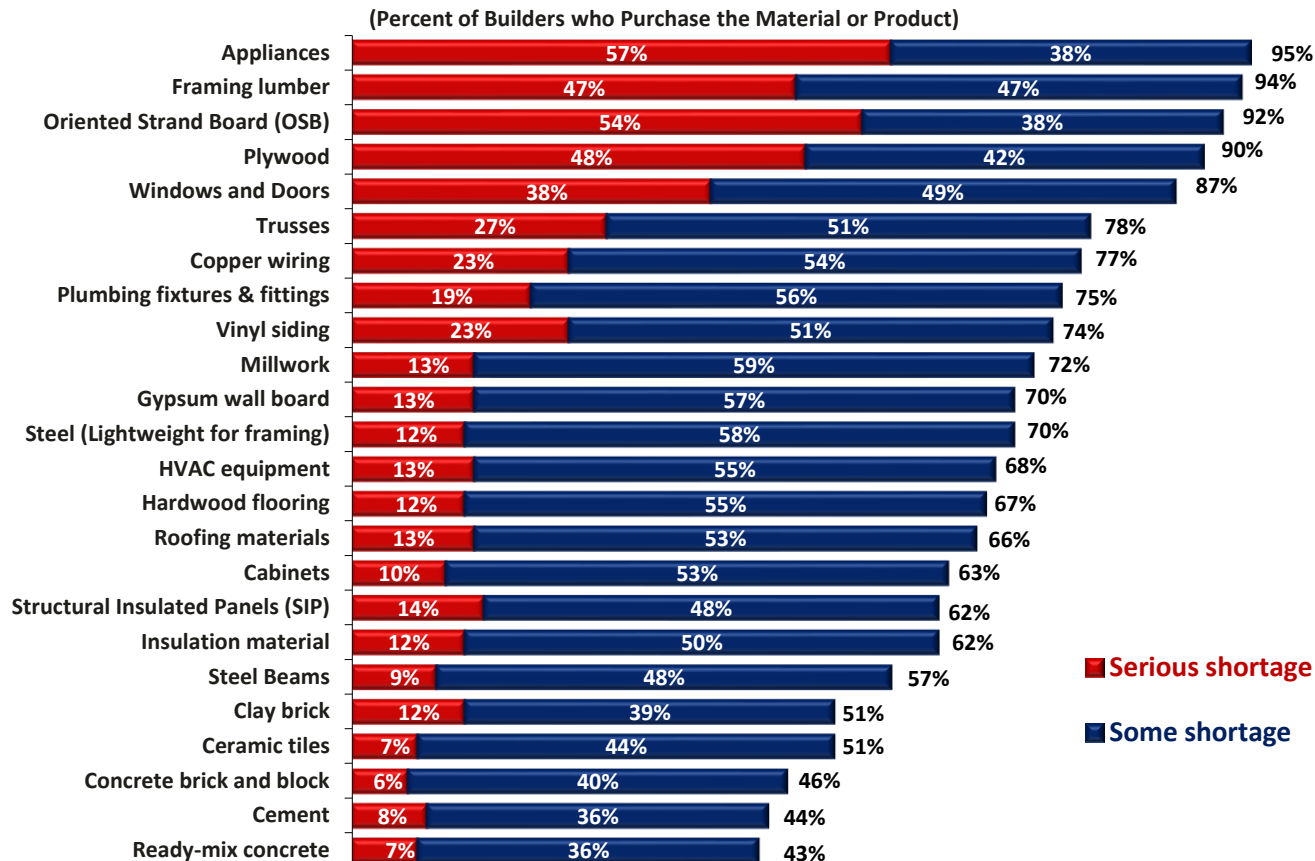
Source: 2013-2017 American Community Survey 5-Year Estimates



# Supply-Side Factors

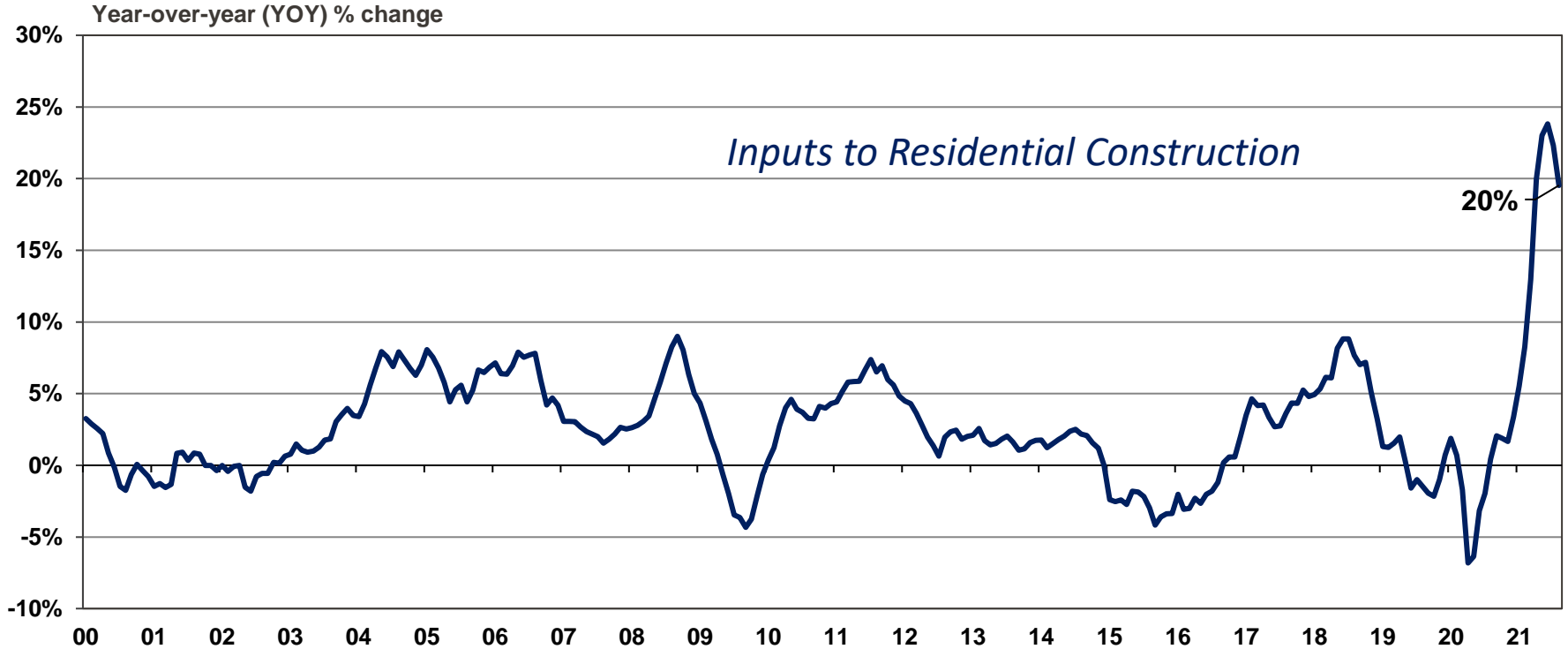


# Builders Reporting Shortages in May 2021



Source: NAHB Survey.

# Building Materials - Residential Construction Cost

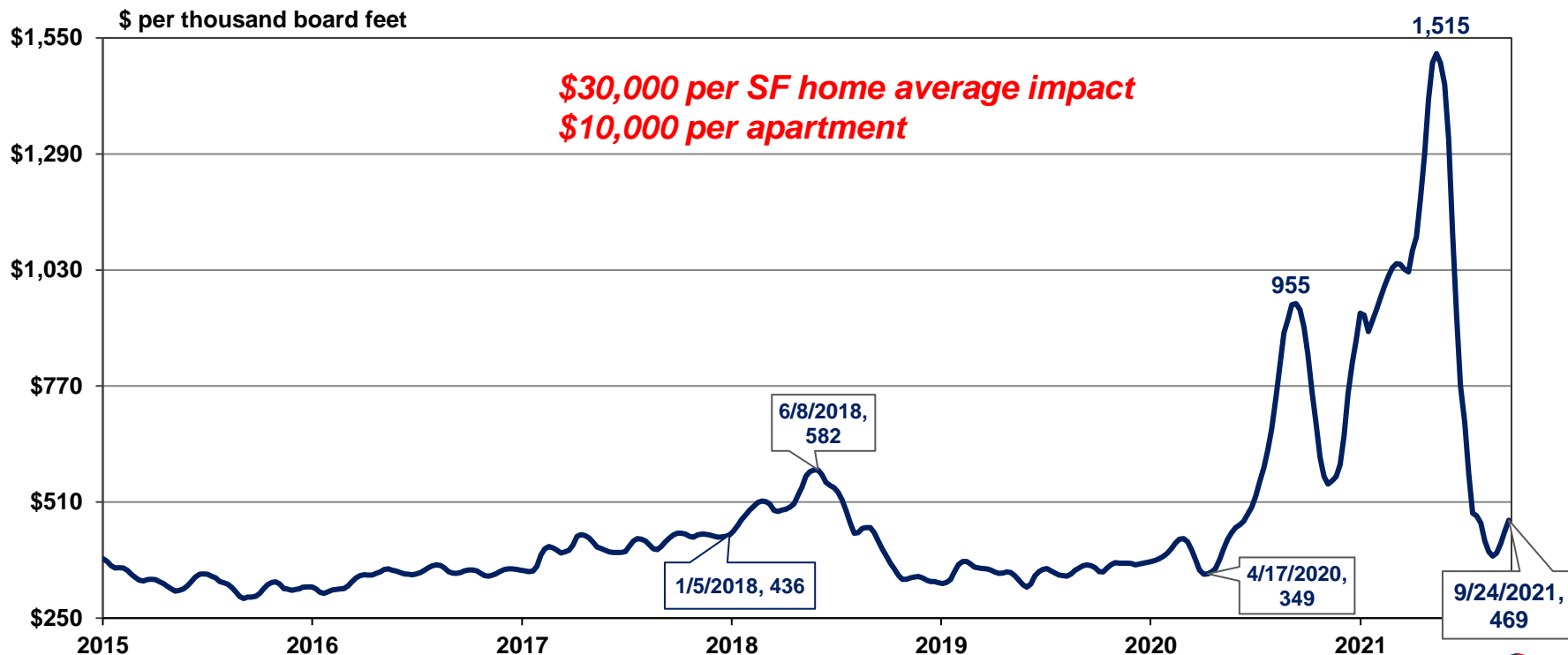


Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI)



# Lumber Prices Edged Higher

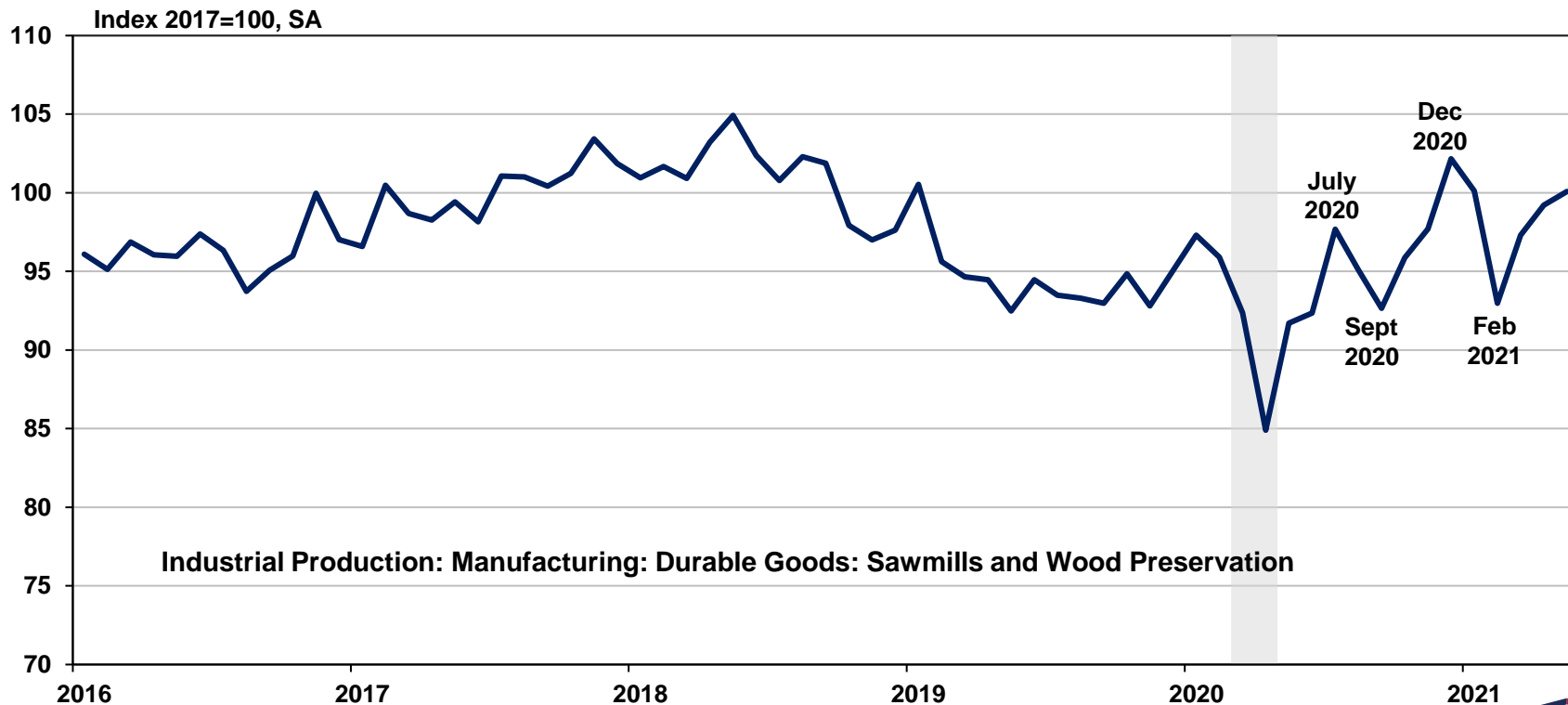
Current September price \$469; increased 21% over the past four weeks



Source: NAHB Analysis; Random Lengths Composite Index

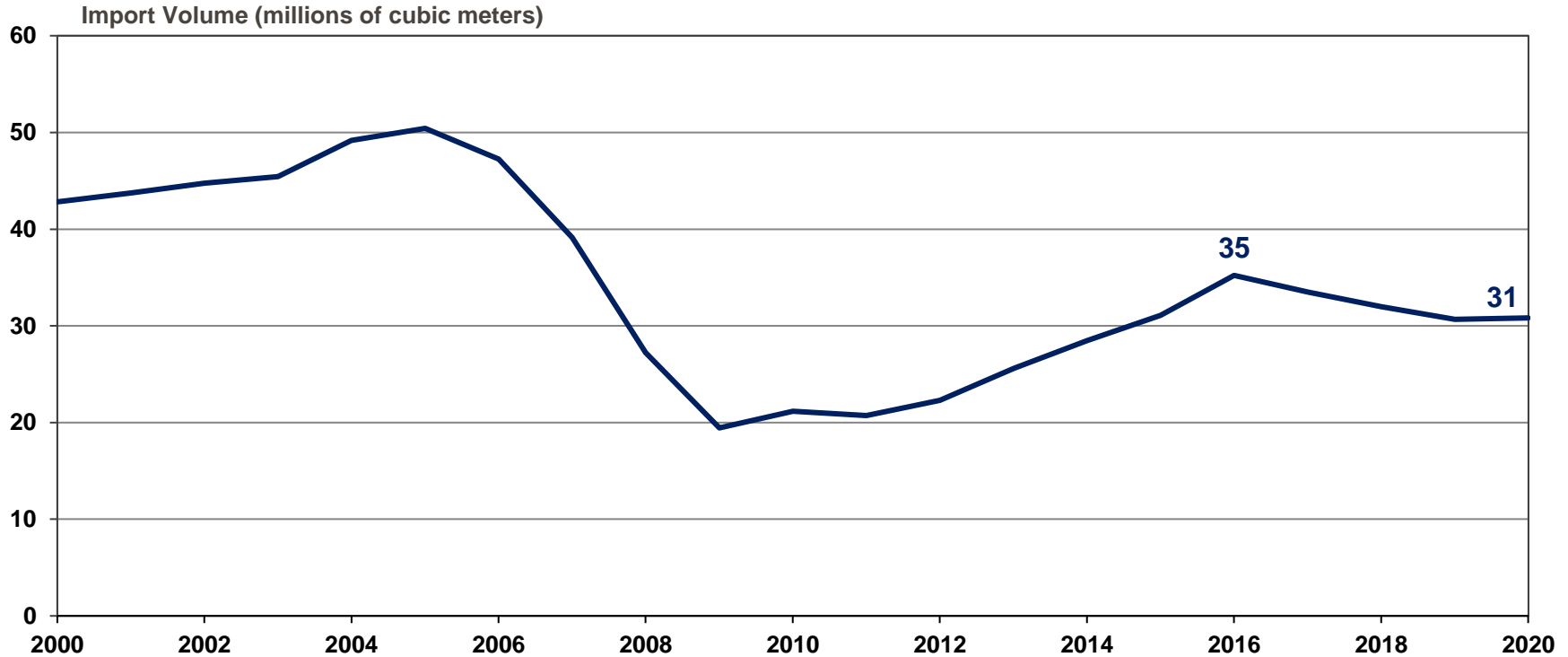
# Domestic Sawmill Output

*In July, sawmill employment is 3.0% higher than a year ago*



Source: Board of Governors of the Federal Reserve System (US)

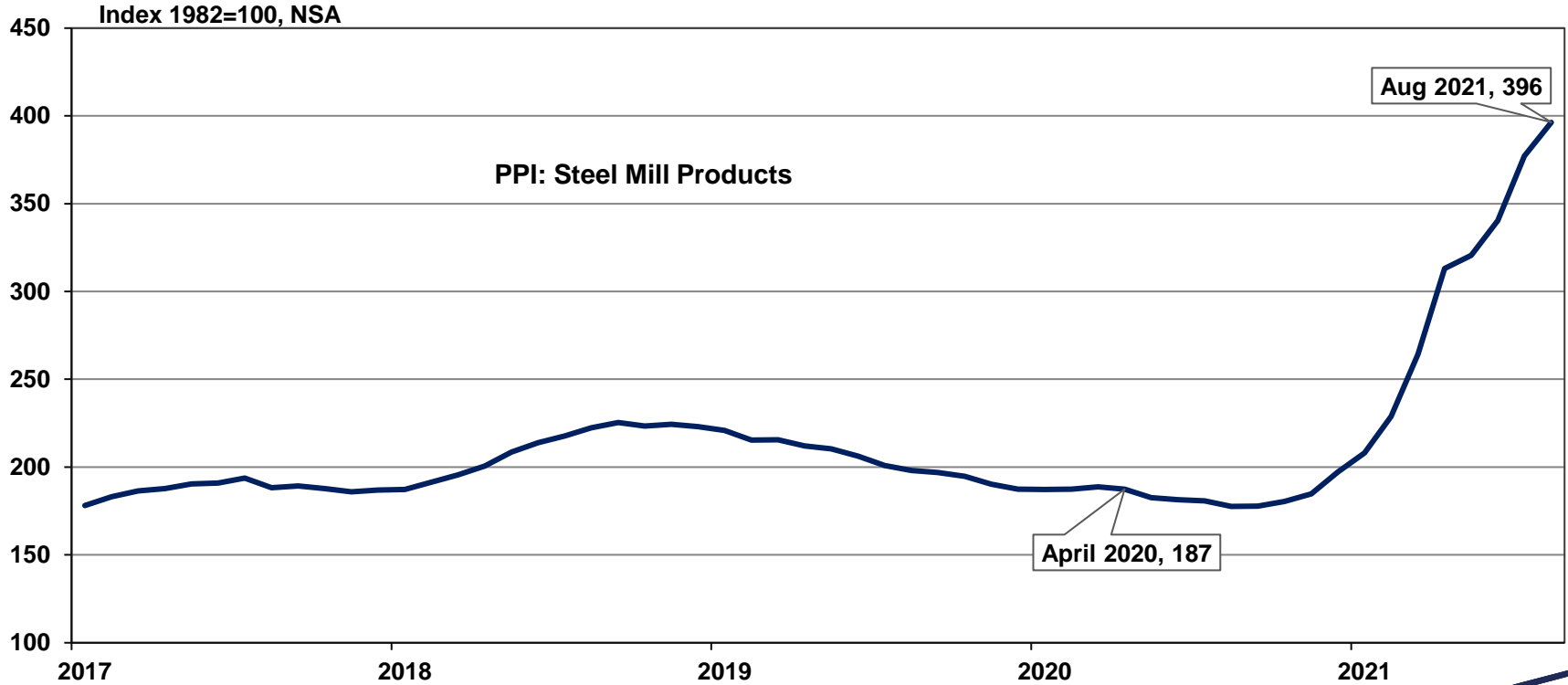
# Softwood Lumber Imports from Canada



Source: DataWeb, U.S. International Trade Commission

# Building Materials Prices – Steel and Others

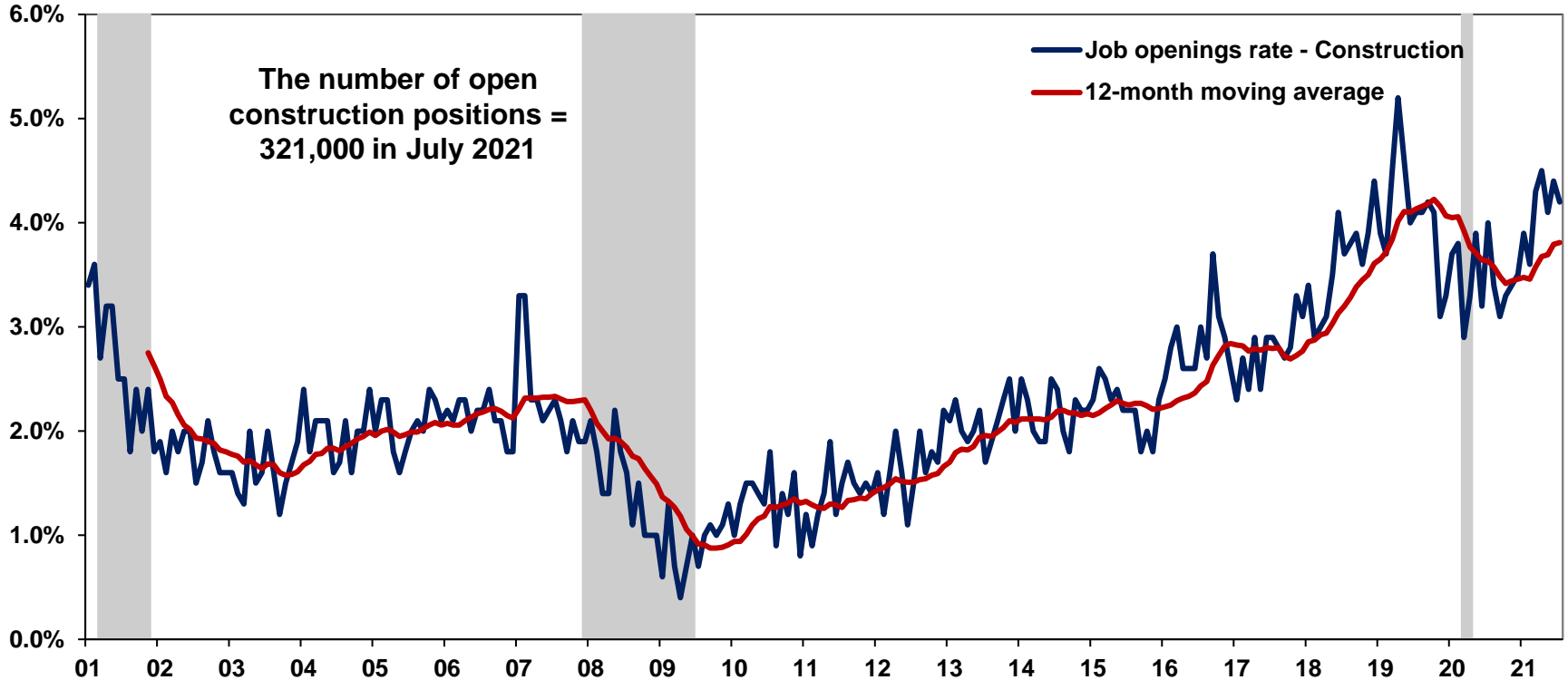
*Steel prices increased 123% in a year; copper +39%, aluminum +60%, gypsum +23%*



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

# Labor - Construction

*Skilled labor shortage persists; 102,300 net gain for residential construction since Jan 2020*



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

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

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

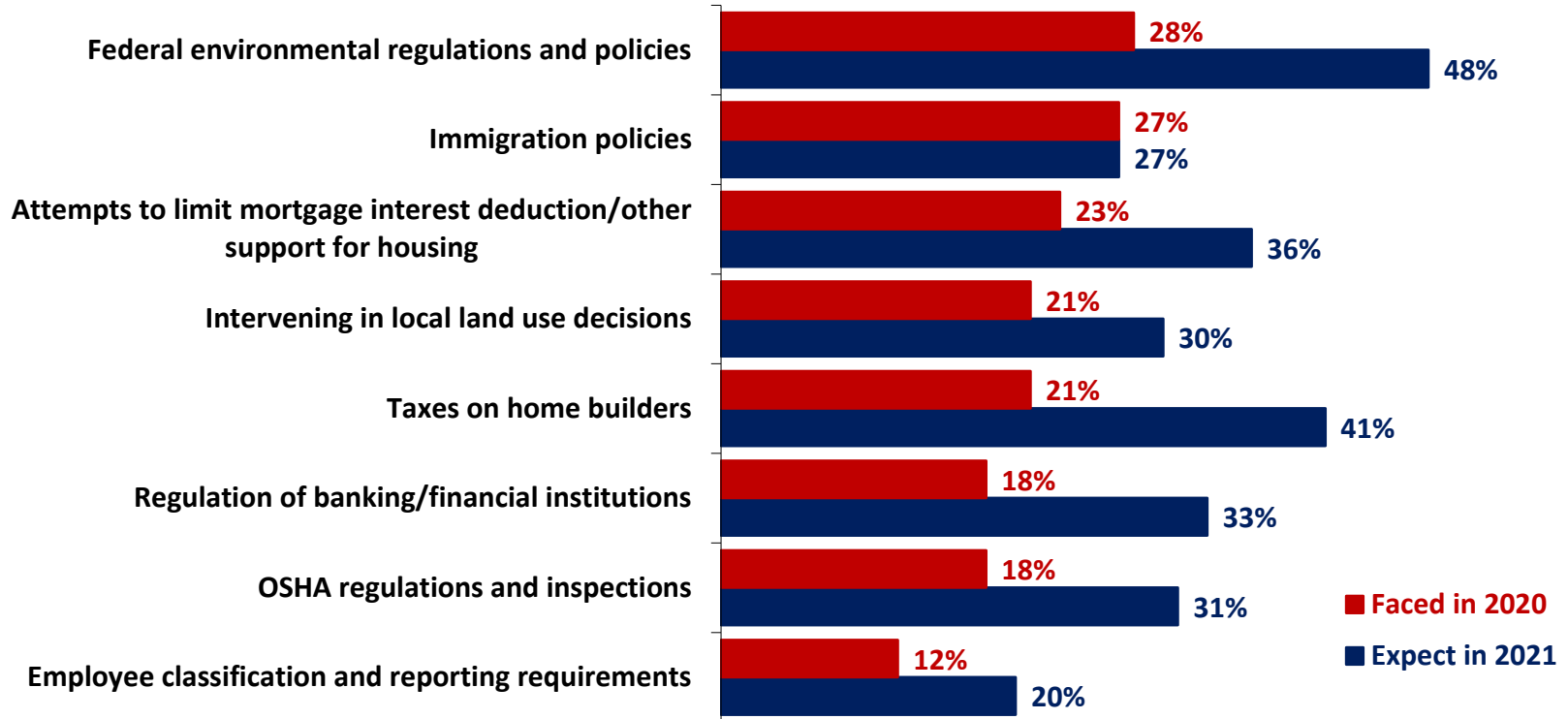
23.8% of price



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



# Federal Government Regulations and Policies



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



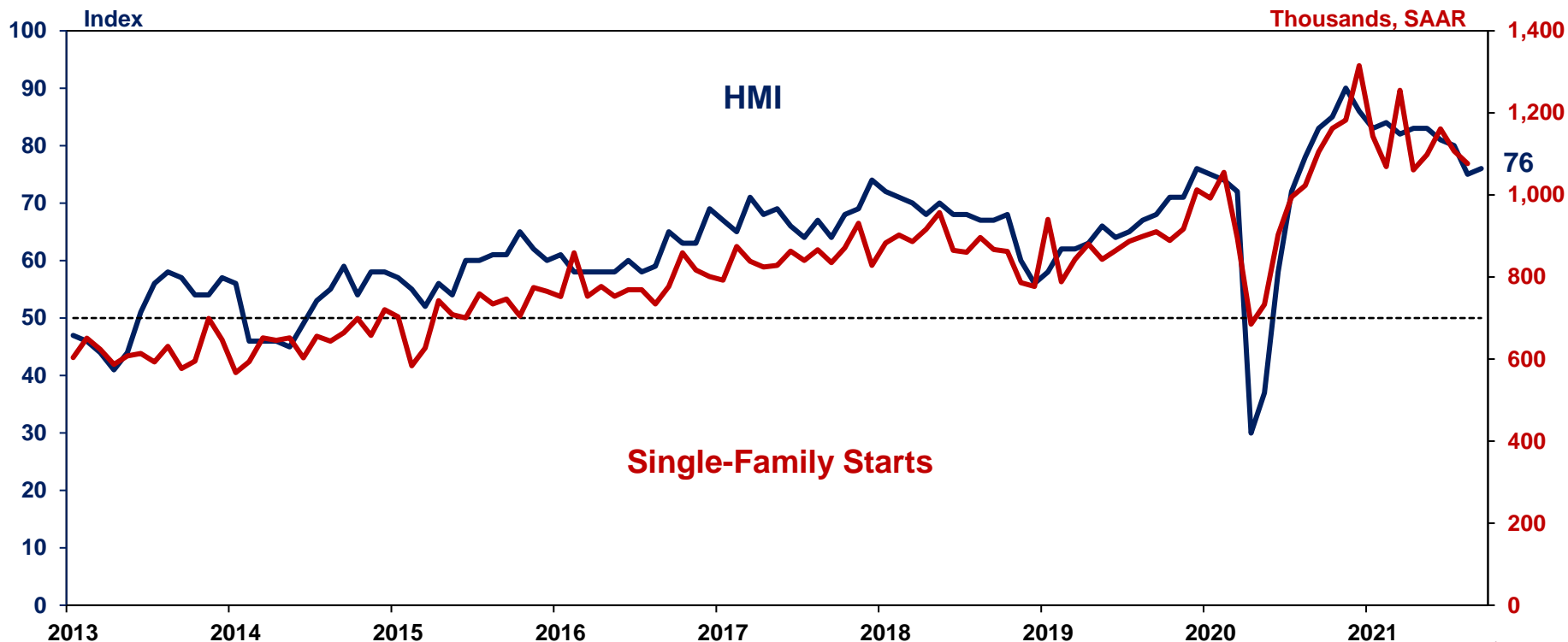
# Construction Outlook





# NAHB/Wells Fargo Housing Market Index (HMI)

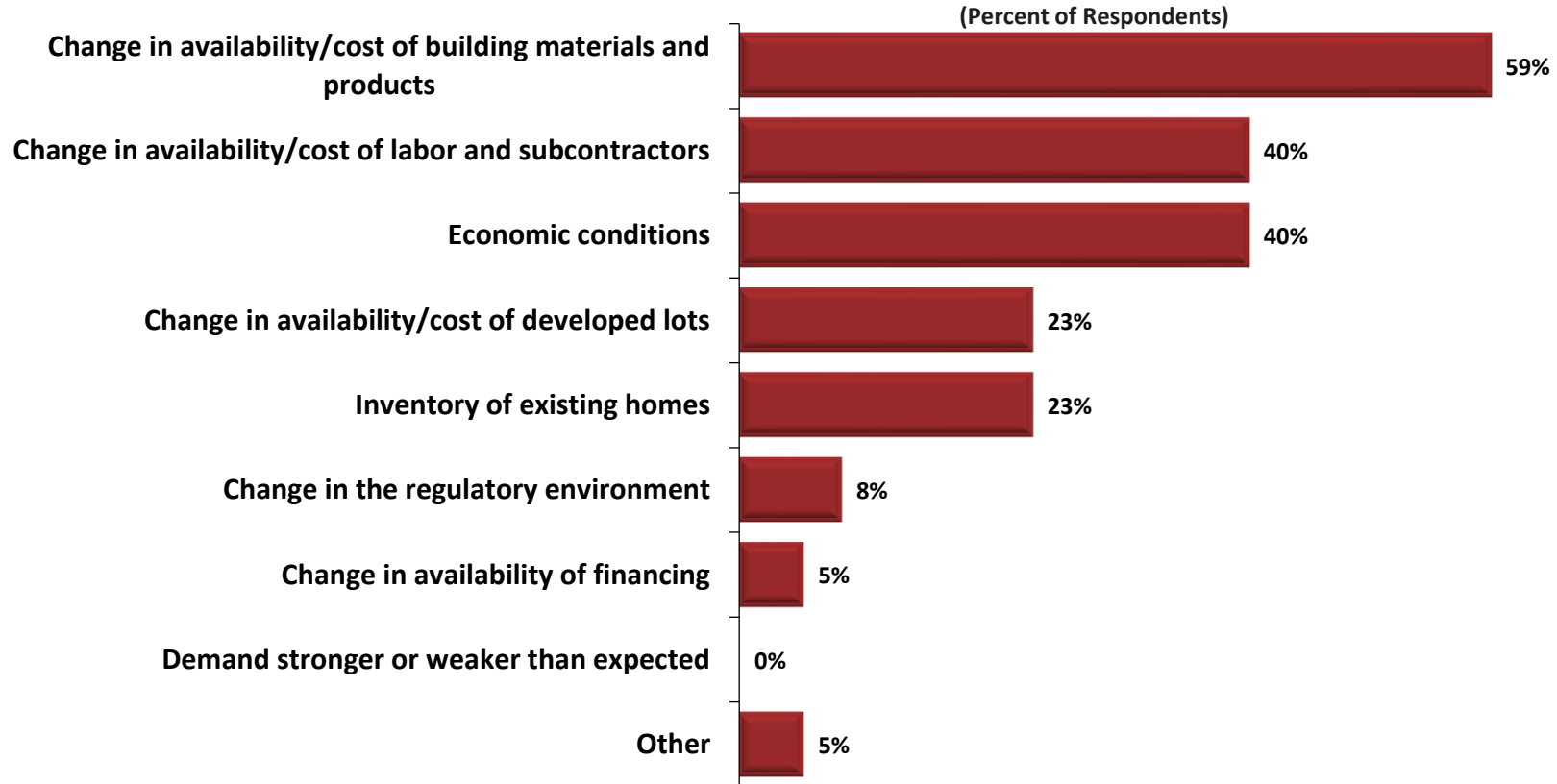
*Builder confidence steadied in September as material and labor challenges persist*



Source: Census Bureau and NAHB/Wells Fargo HMI survey

# 44% of Builders Report Reducing 2021 Starts Expectations

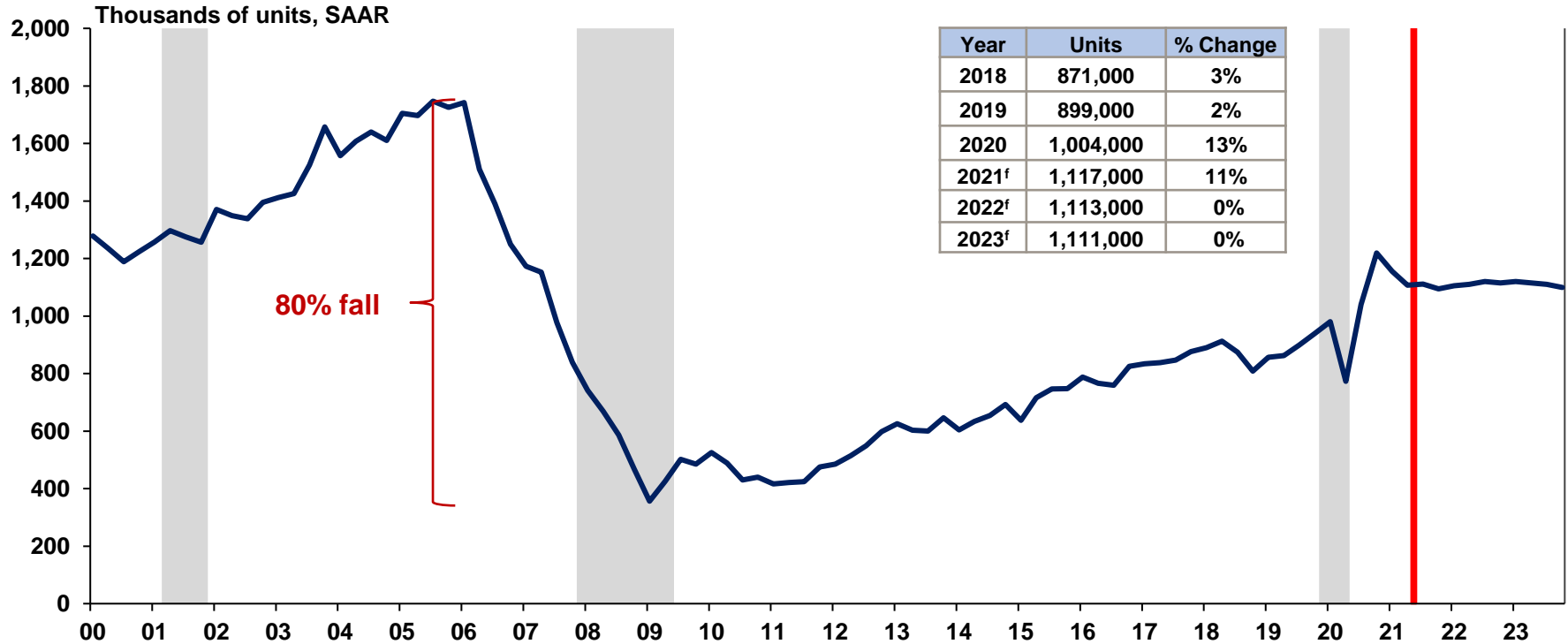
## Reasons for the change



Source: NAHB Survey.

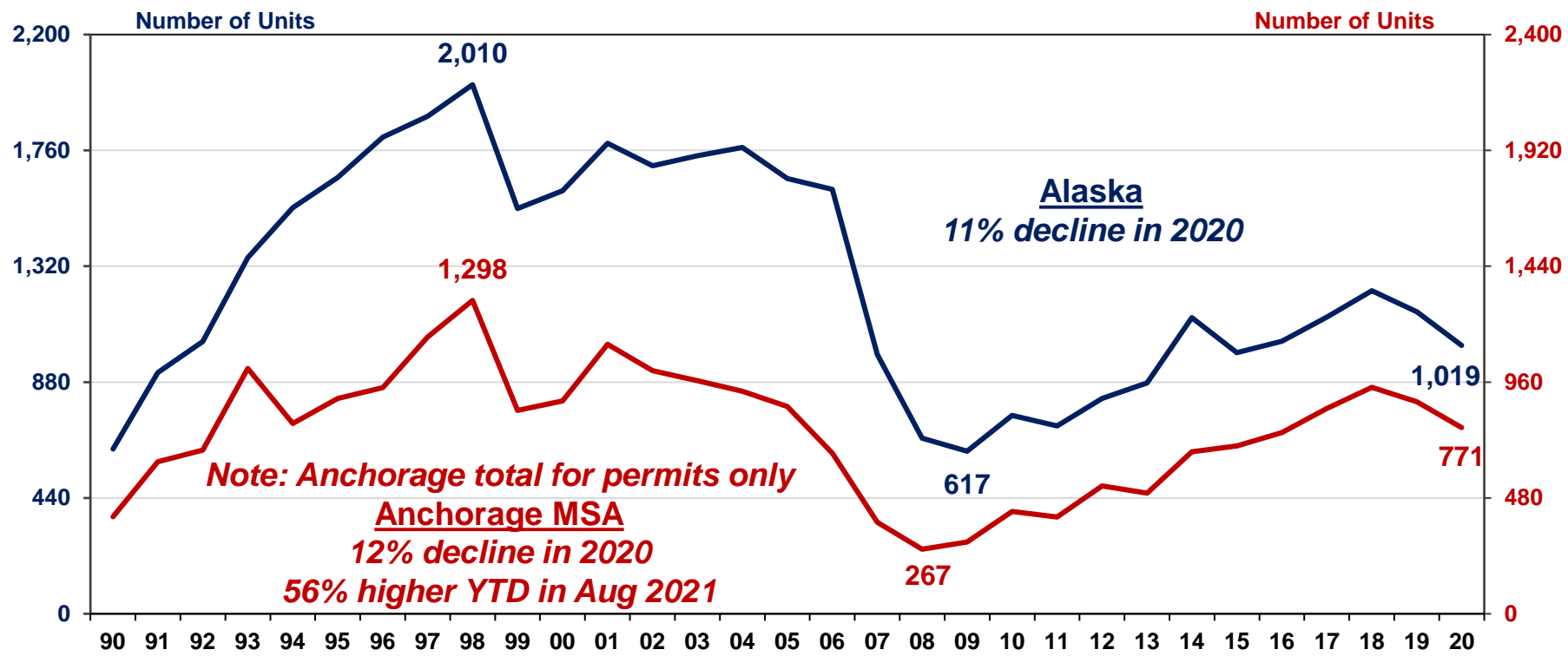
# Single-Family Starts

*Choppy growth ahead, moving back to long-run trend*



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

# Single-Family Building Permits – AK and Anchorage MSA



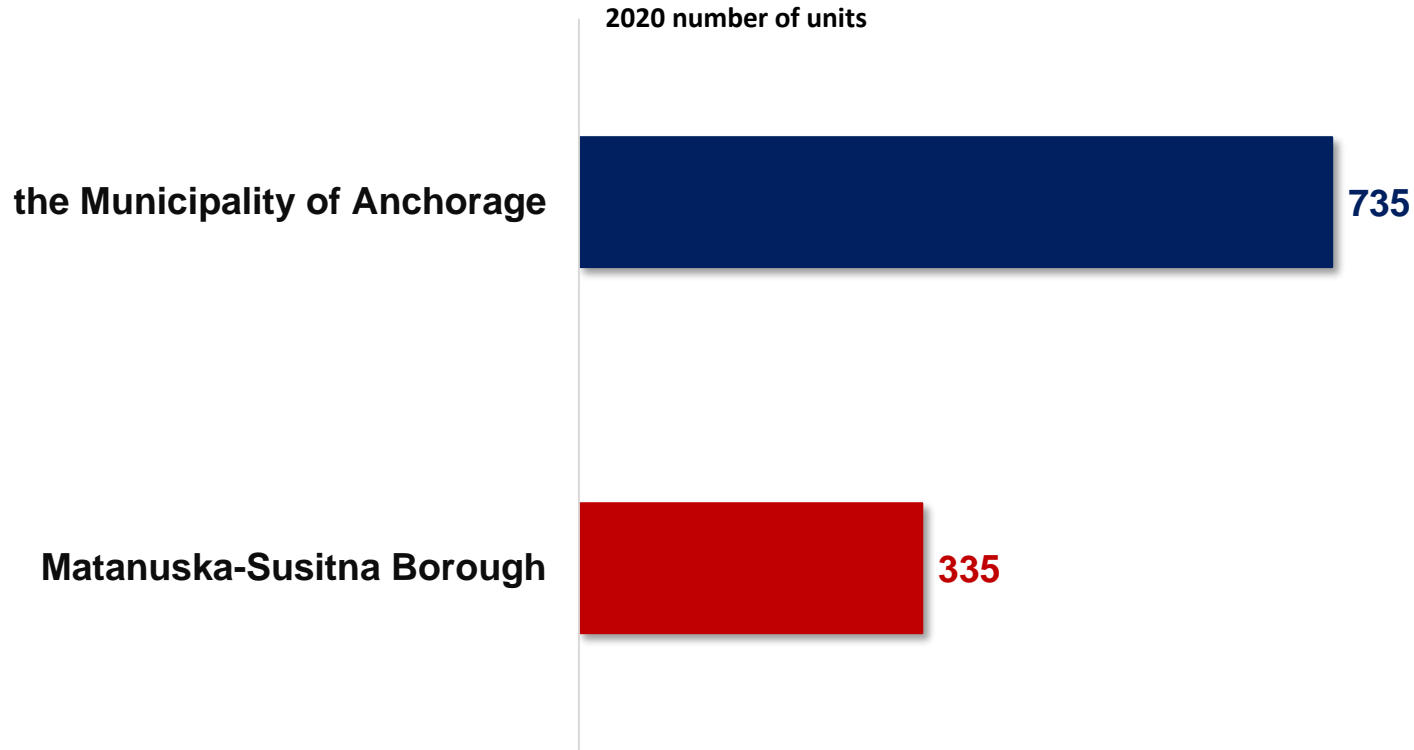
**Note: Anchorage total for permits only**  
**Anchorage MSA**  
**12% decline in 2020**  
**56% higher YTD in Aug 2021**

**Alaska**  
**11% decline in 2020**

Source: Census Bureau.



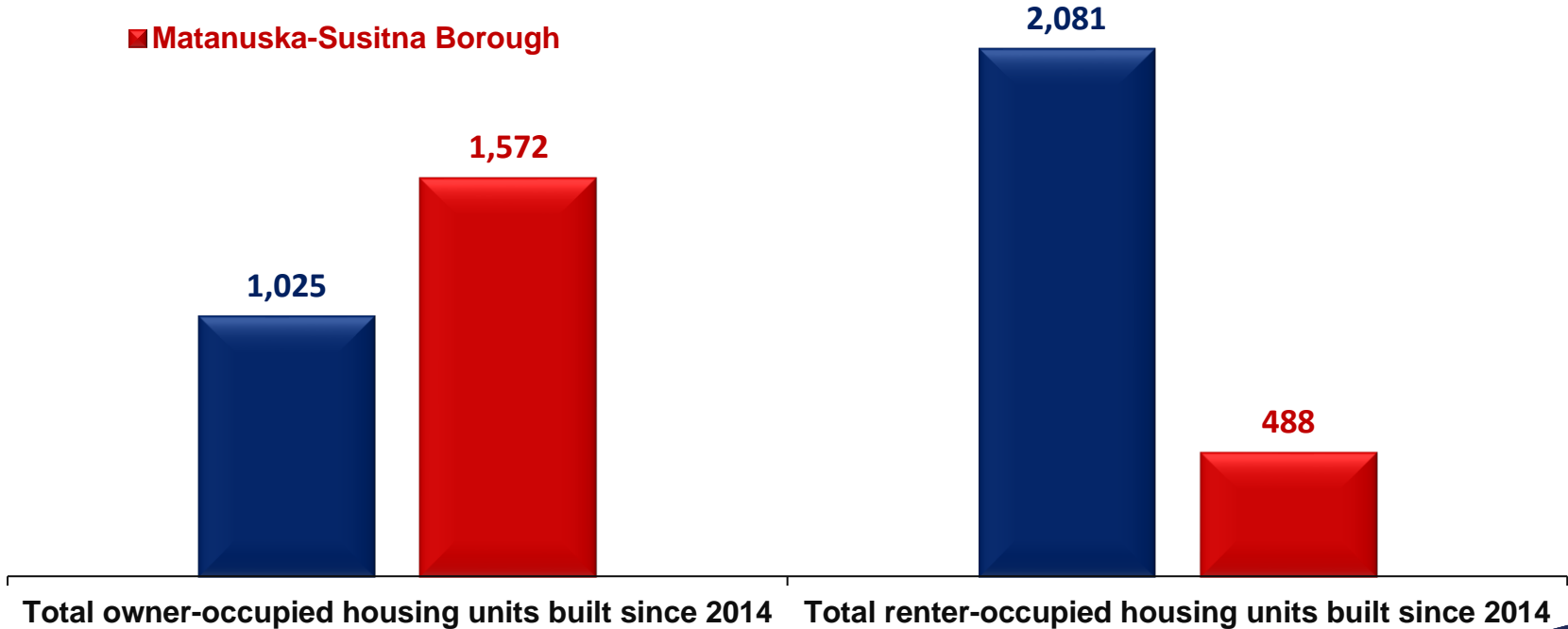
# Single-Family Construction – Anchorage and Matanuska-Susitna



Source: Census Bureau and MLS data.

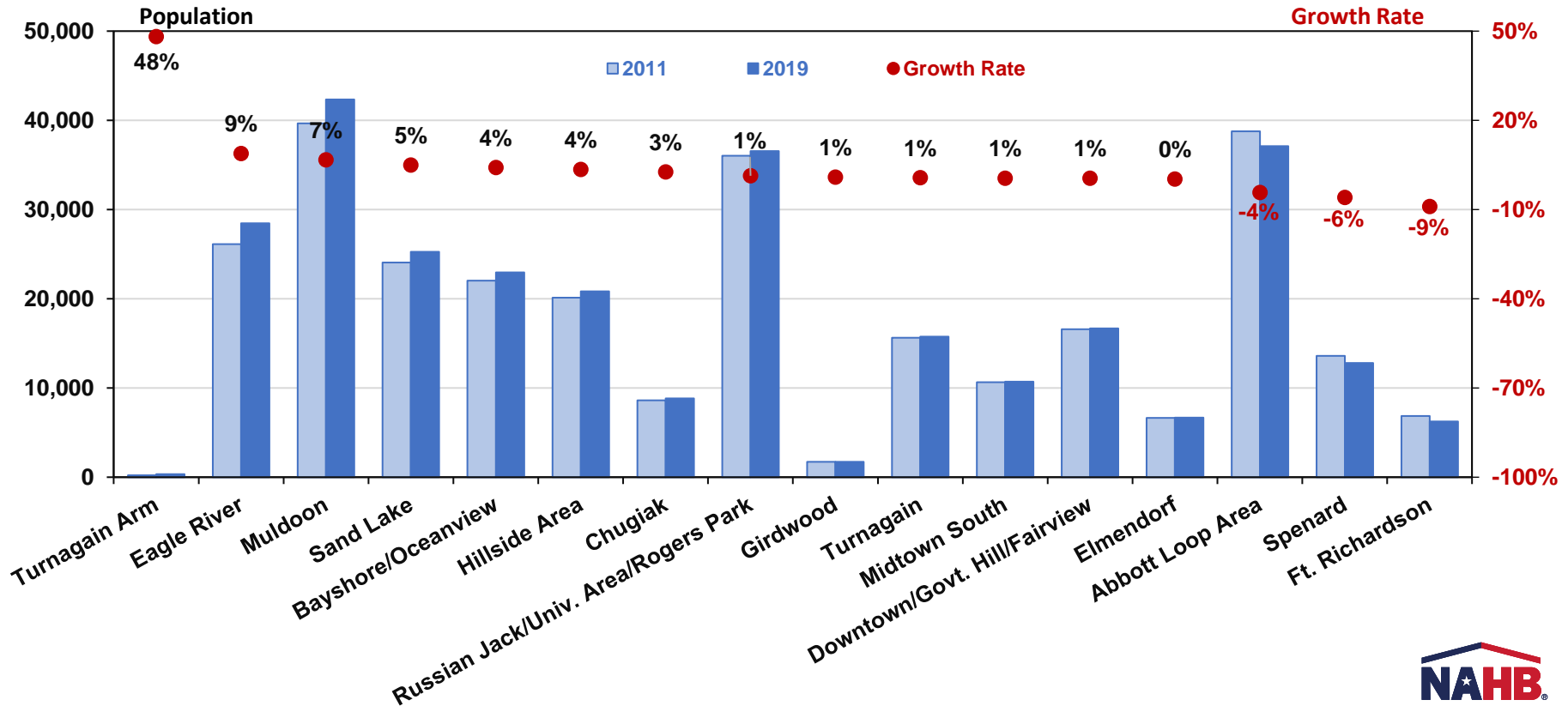
# Occupied Housing Units – Anchorage and Matanuska-Susitna

- the Municipality of Anchorage
- Matanuska-Susitna Borough



Source: 2019 American Community Survey 1-Year Estimates

# Population Change in the Municipality of Anchorage



Source: American Community Survey 5-Year Estimates.

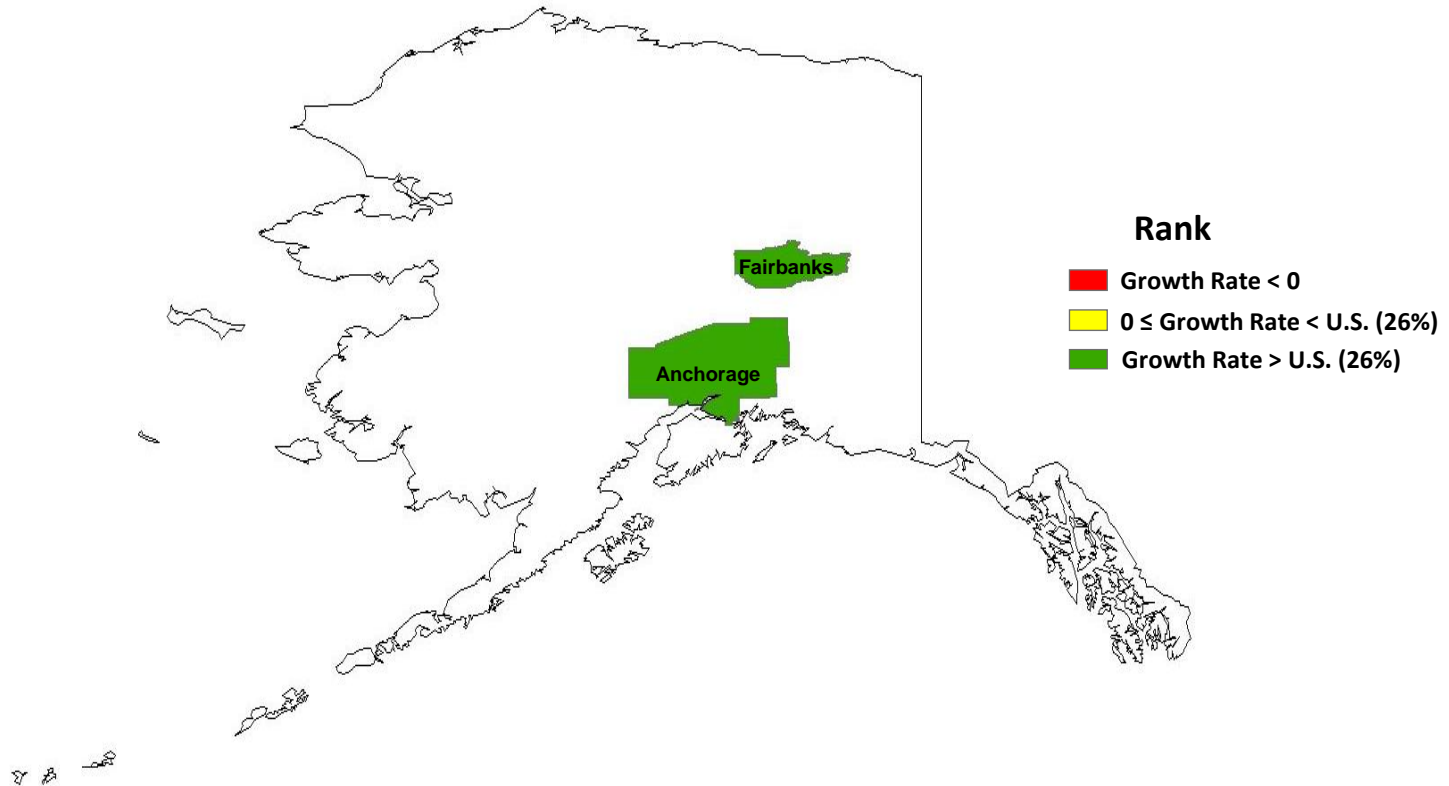


# Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	December 2020 (# of units YTD, NSA)	YTD % Change (compared to 2019)
Houston-The Woodlands-Sugar Land, TX	48,208	21%
Dallas-Fort Worth-Arlington, TX	43,884	25%
Phoenix-Mesa-Scottsdale, AZ	31,724	27%
Atlanta-Sandy Springs-Roswell, GA	28,057	7%
Austin-Round Rock, TX	21,653	19%
Charlotte-Concord-Gastonia, NC-SC	17,752	19%
Tampa-St. Petersburg-Clearwater, FL	16,028	9%
Orlando-Kissimmee-Sanford, FL	15,523	3%
Nashville-Davidson-Murfreesboro-Franklin, TN	14,232	5%
Washington-Arlington-Alexandria, DC-VA-MD-WV	13,594	9%



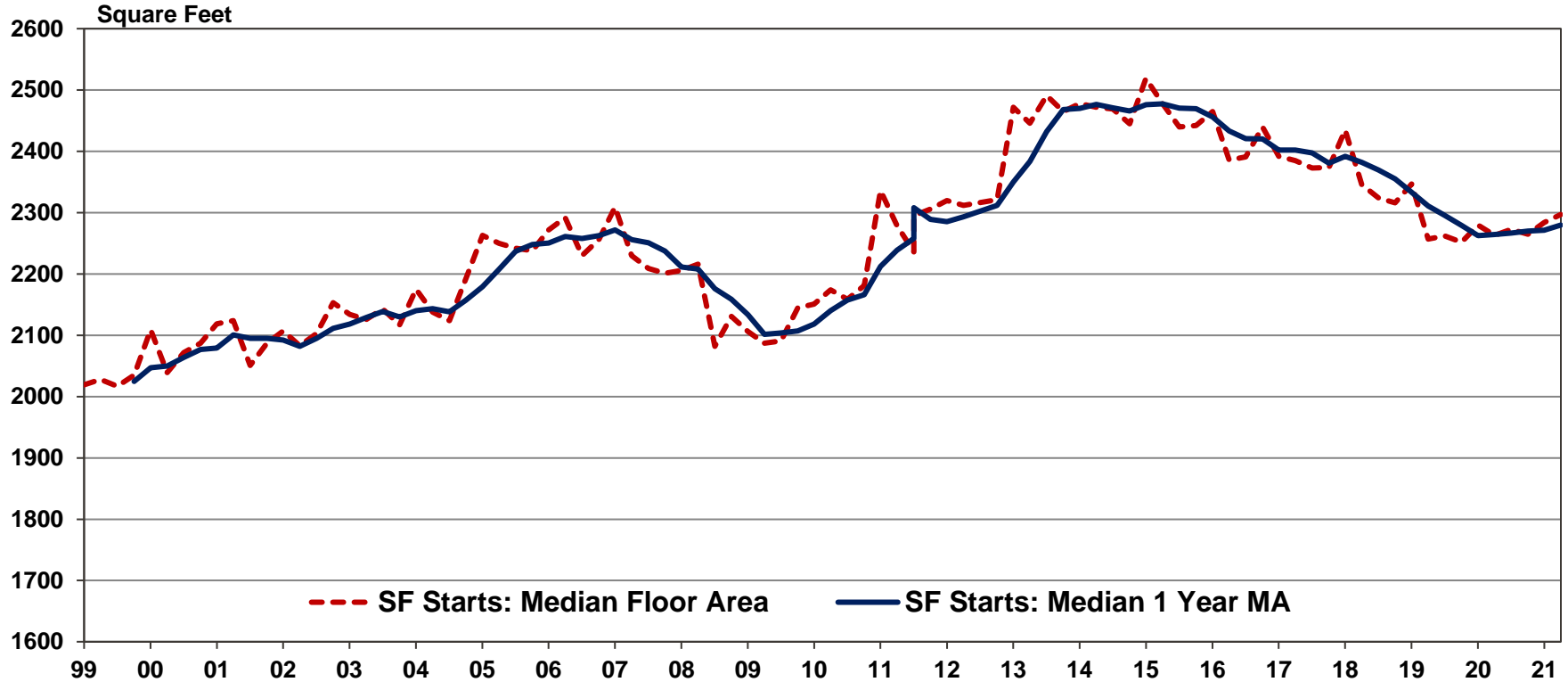
# YOY Growth for Single-Family Permits: August 2021 vs. August 2020



Source: U.S. Census Bureau (BOC)

# Typical New Home Size

*End of declines as people use their homes for more purposes*

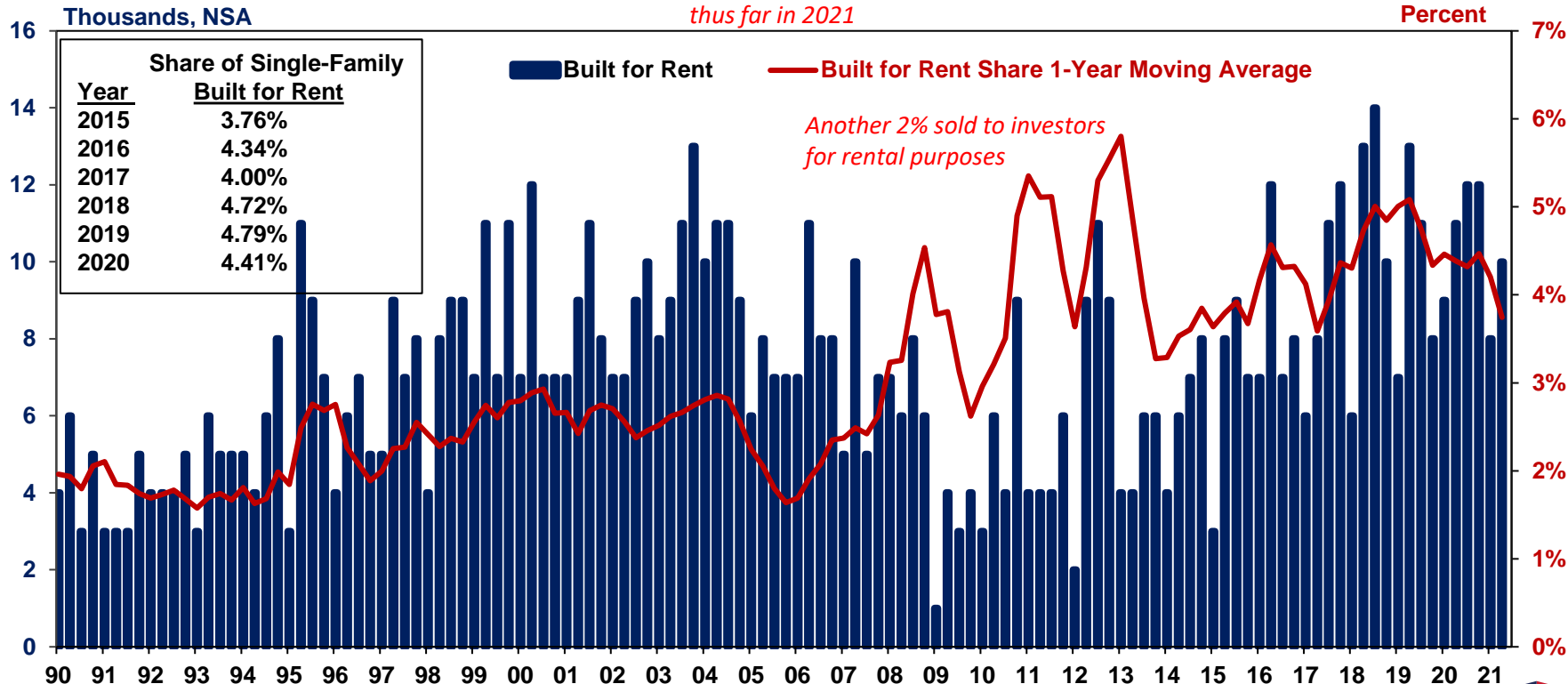


Source: U.S. Census Bureau (BOC)

# Single-Family Built-for-Rent Construction: 64,000 in 2020

*A window of opportunity*

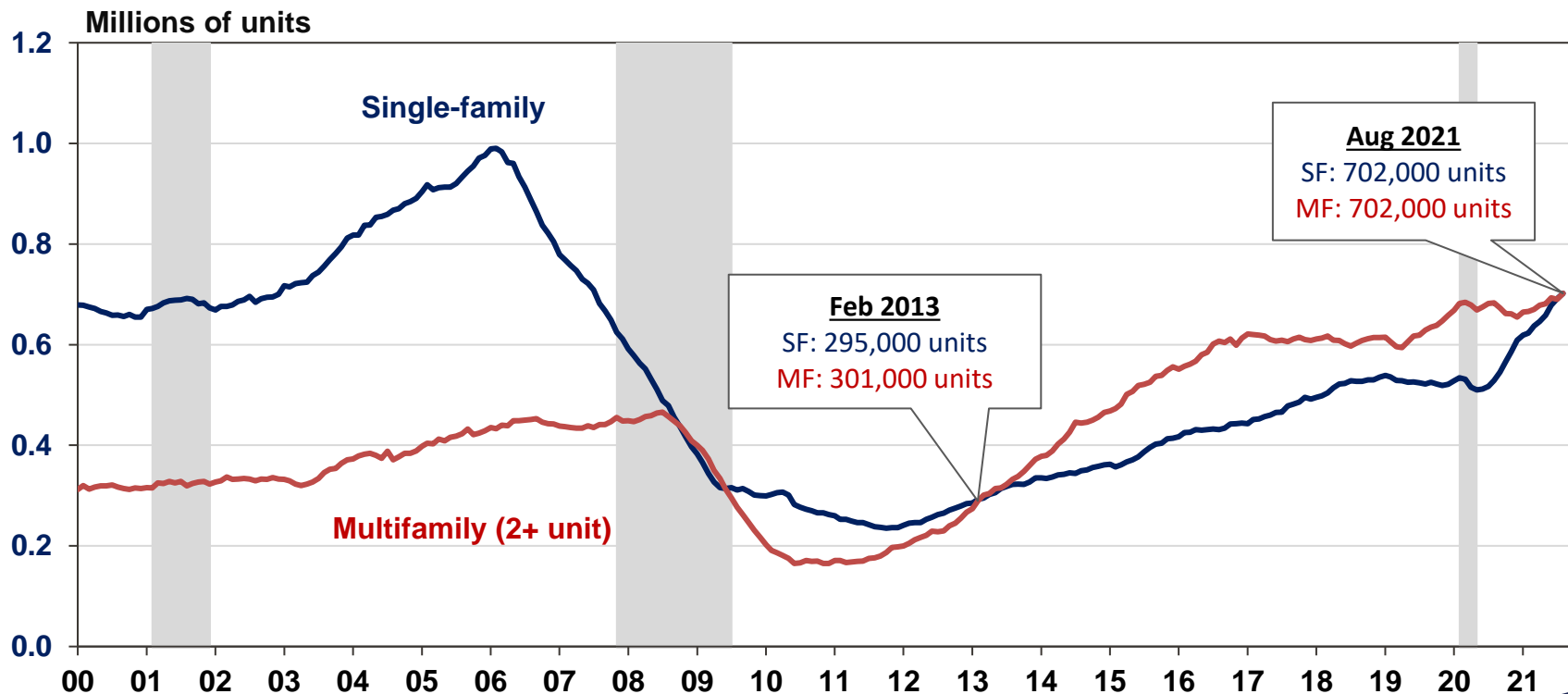
*25% of builders have seen an uptick of investor buyers thus far in 2021*



Source: U.S. Census Bureau (BOC)

# Housing Units under Construction

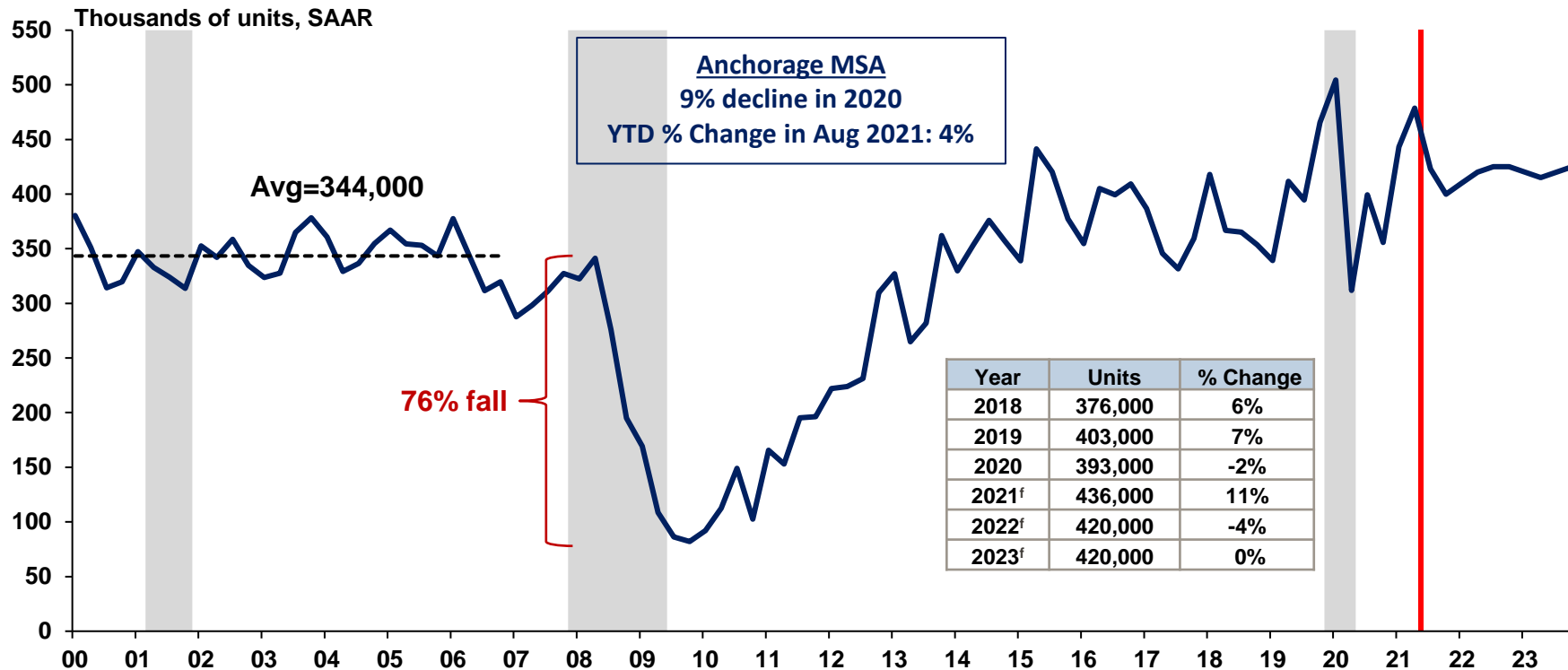
Equal number of single-family and multifamily units for first time since 2013



Source: U.S. Census Bureau (BOC)

# Multifamily Construction Stabilizing

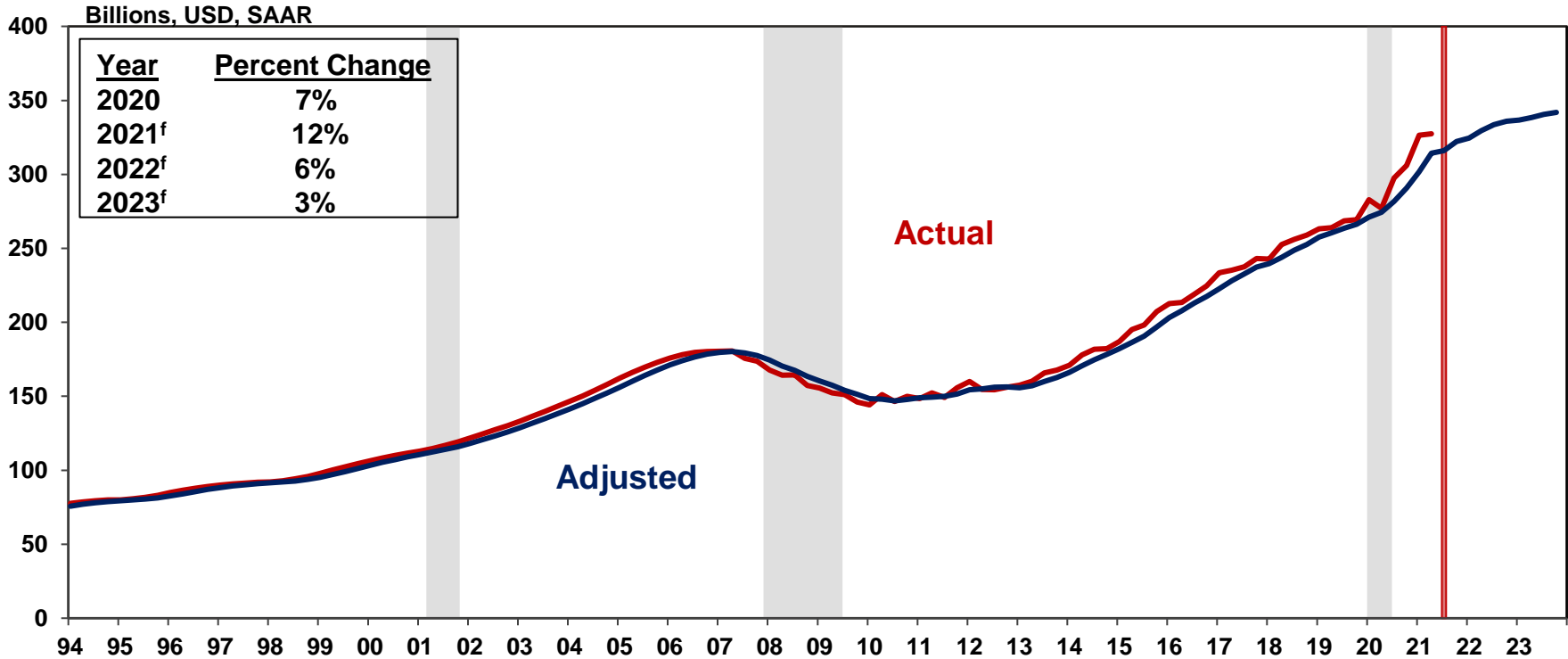
Multifamily growth for low-rise and low-density development



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

# Residential Remodeling

*Remodeling growth will continue as people use their homes for more purposes*

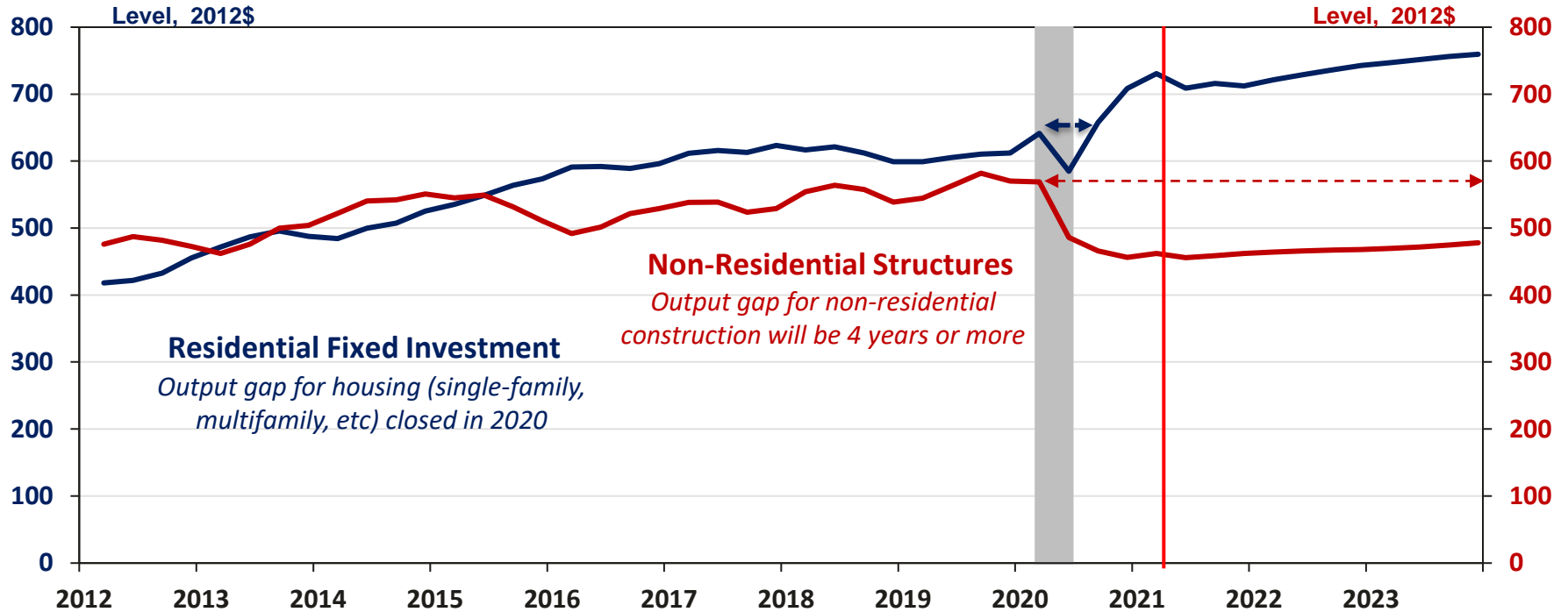


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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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*eyeonhousing.org*  
*housingeconomics.com*