

National Association of Home Builders

ECONOMIC AND HOUSING OUTLOOK

Volusia Building Industry Association
Forecast Luncheon
October 31, 2014

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Chief Economist





Housing Market Overview

1. Macro Economy
2. Employment
3. House Prices & Affordability
4. Head Winds

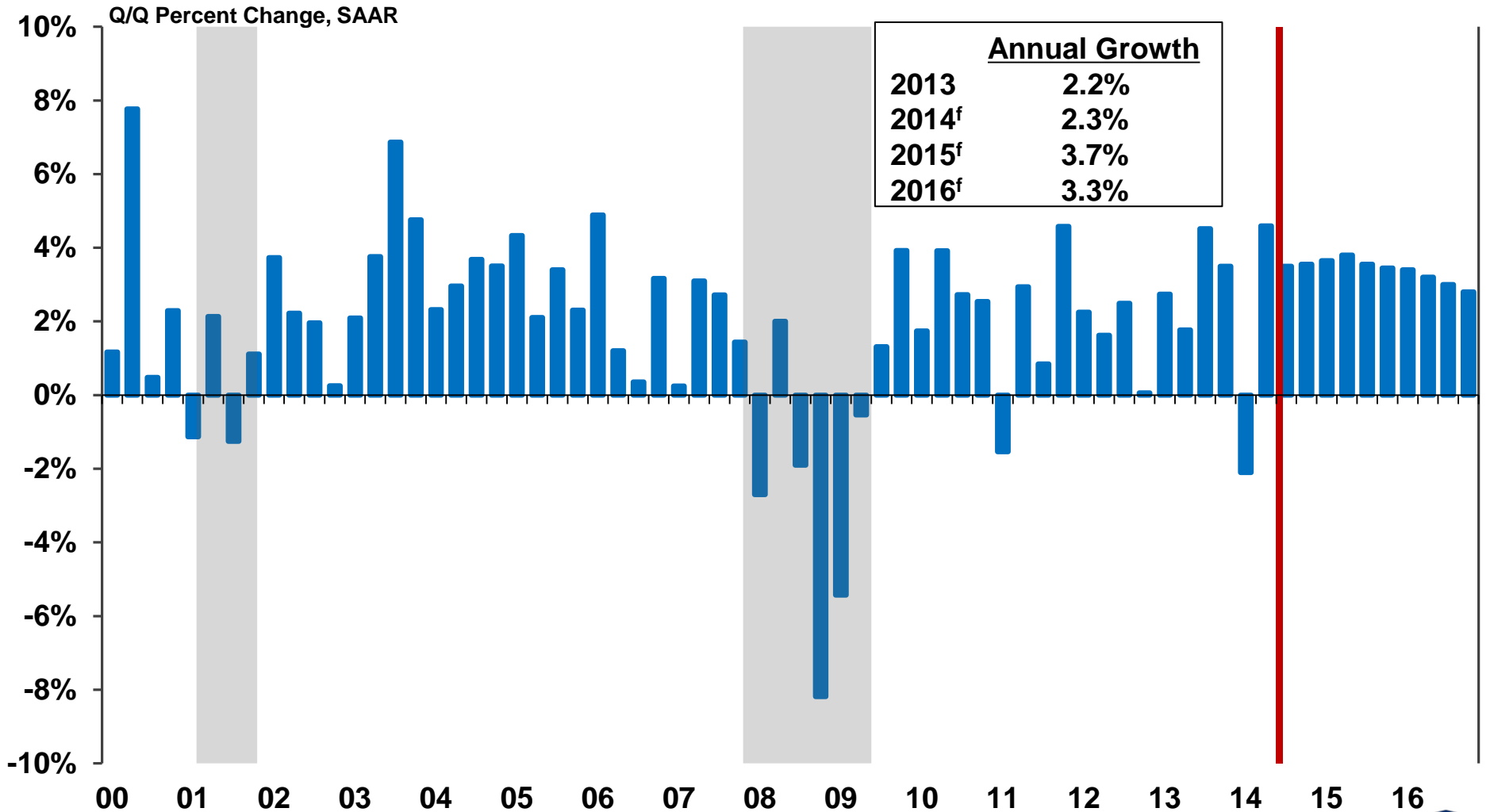
Forecasts



1. Macro Economy

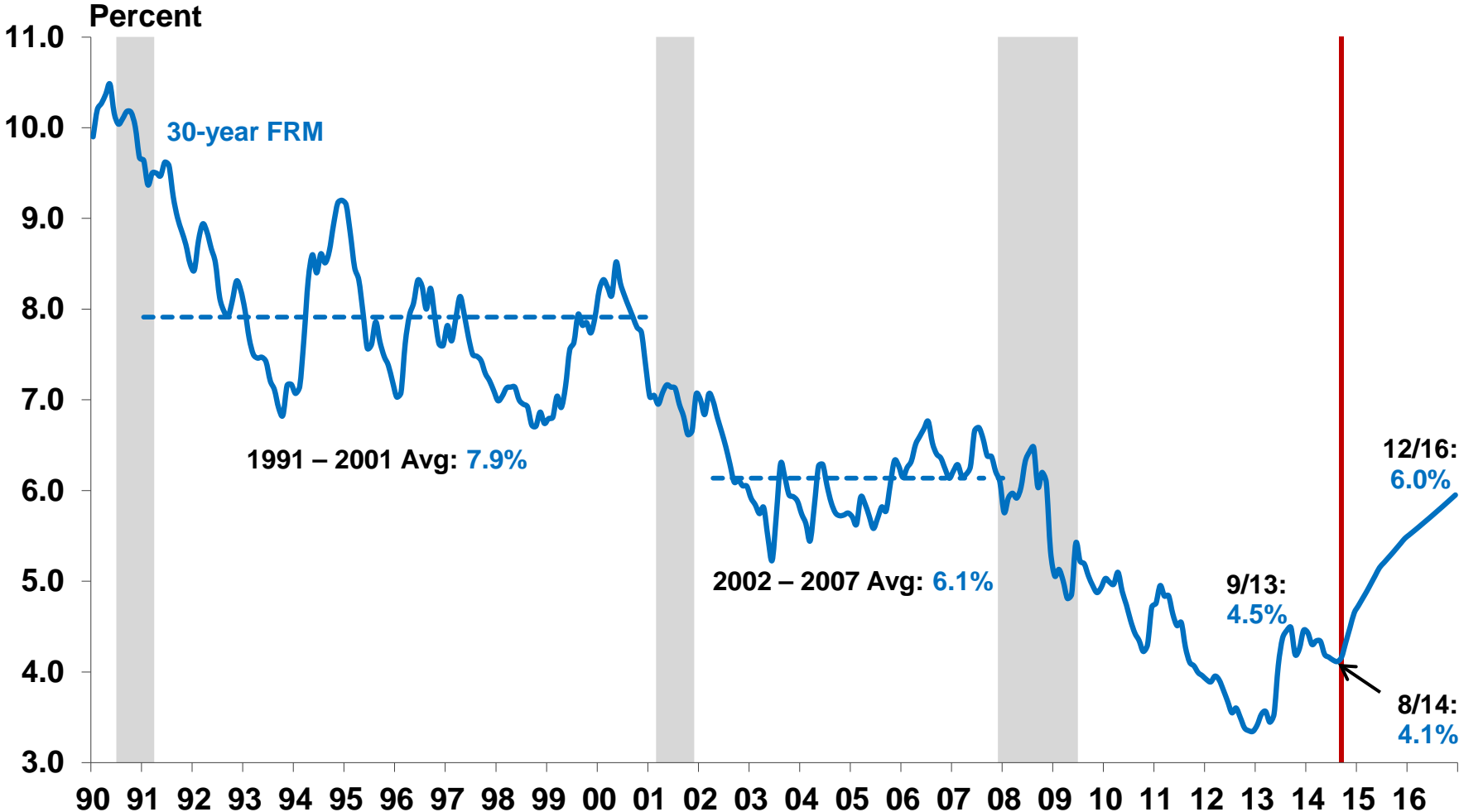
Real GDP Growth

Economy returns to growth after Q1 '14 blip



Mortgage Rates

Rates have fallen since one year ago, but are expected to rise over the near-term

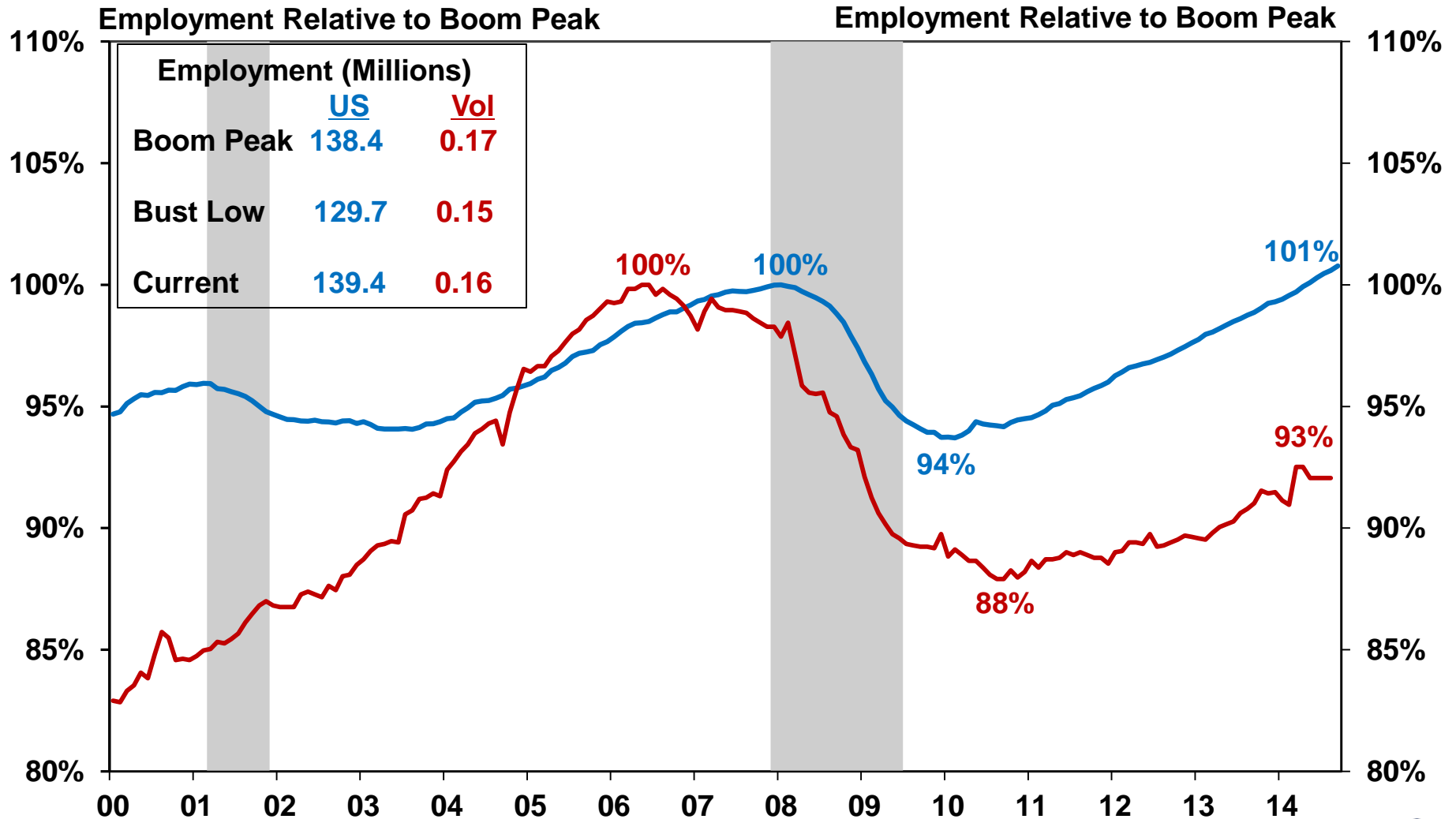




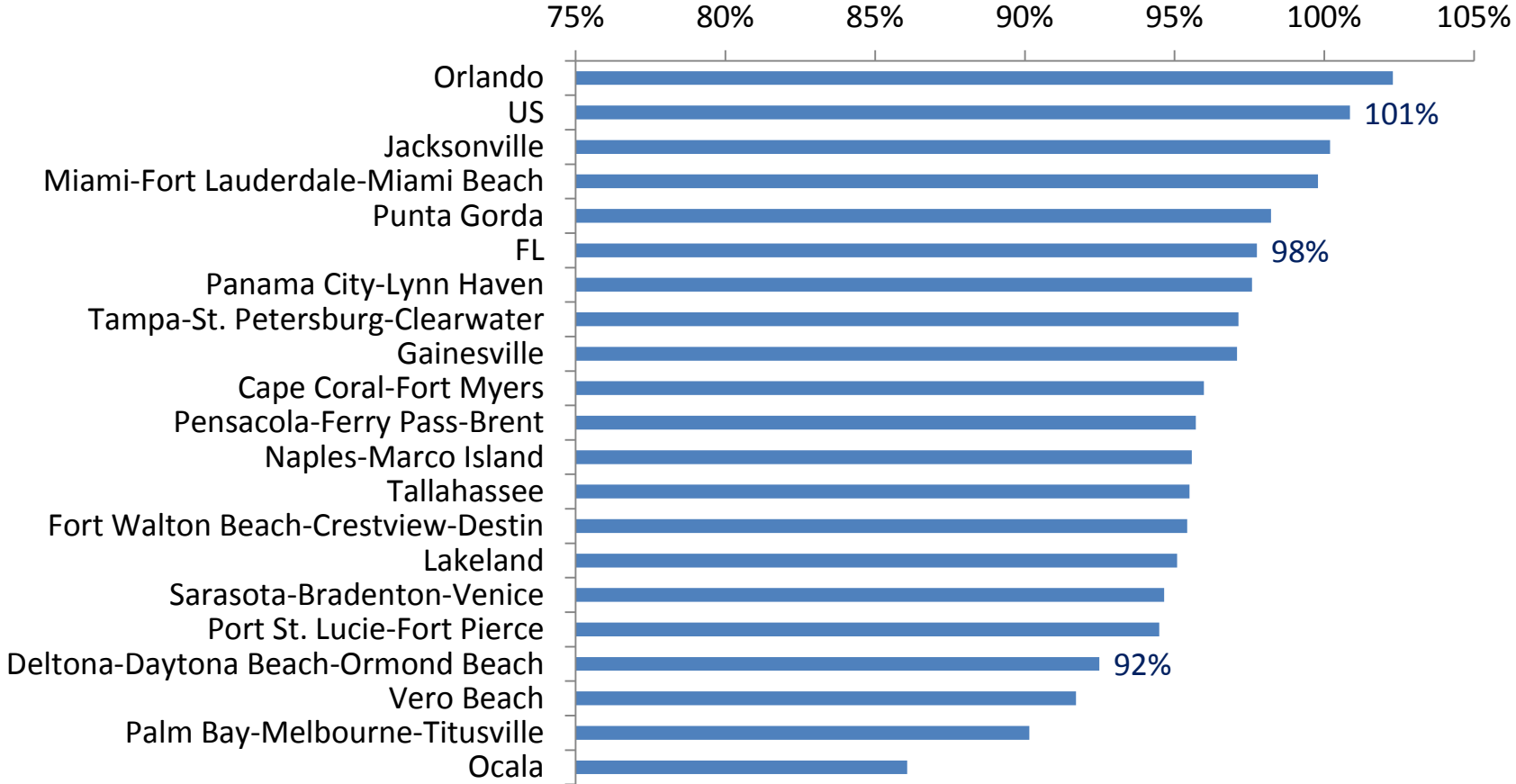
2. Employment

Payroll Employment

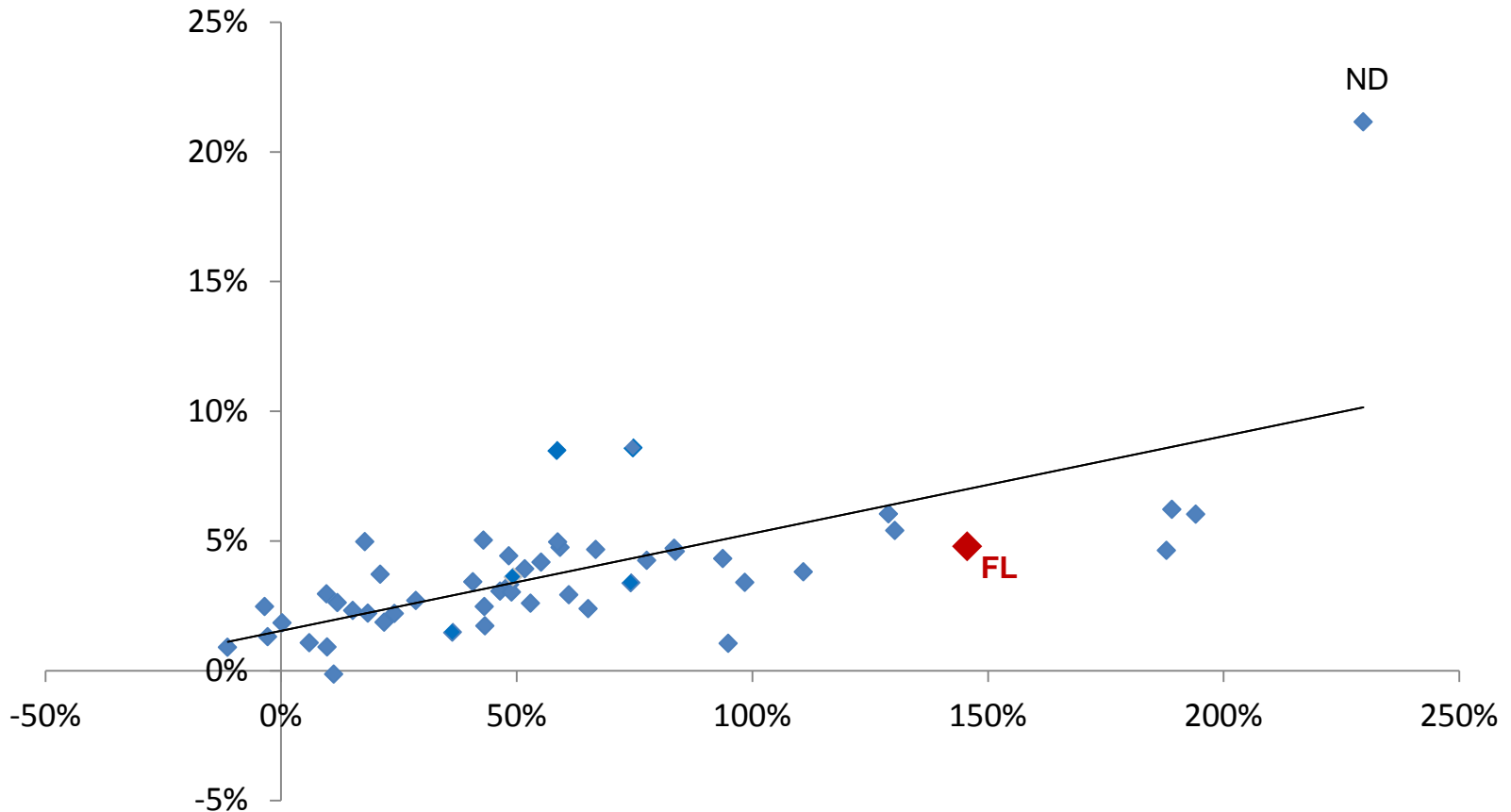
Local recovery lags nationwide job growth



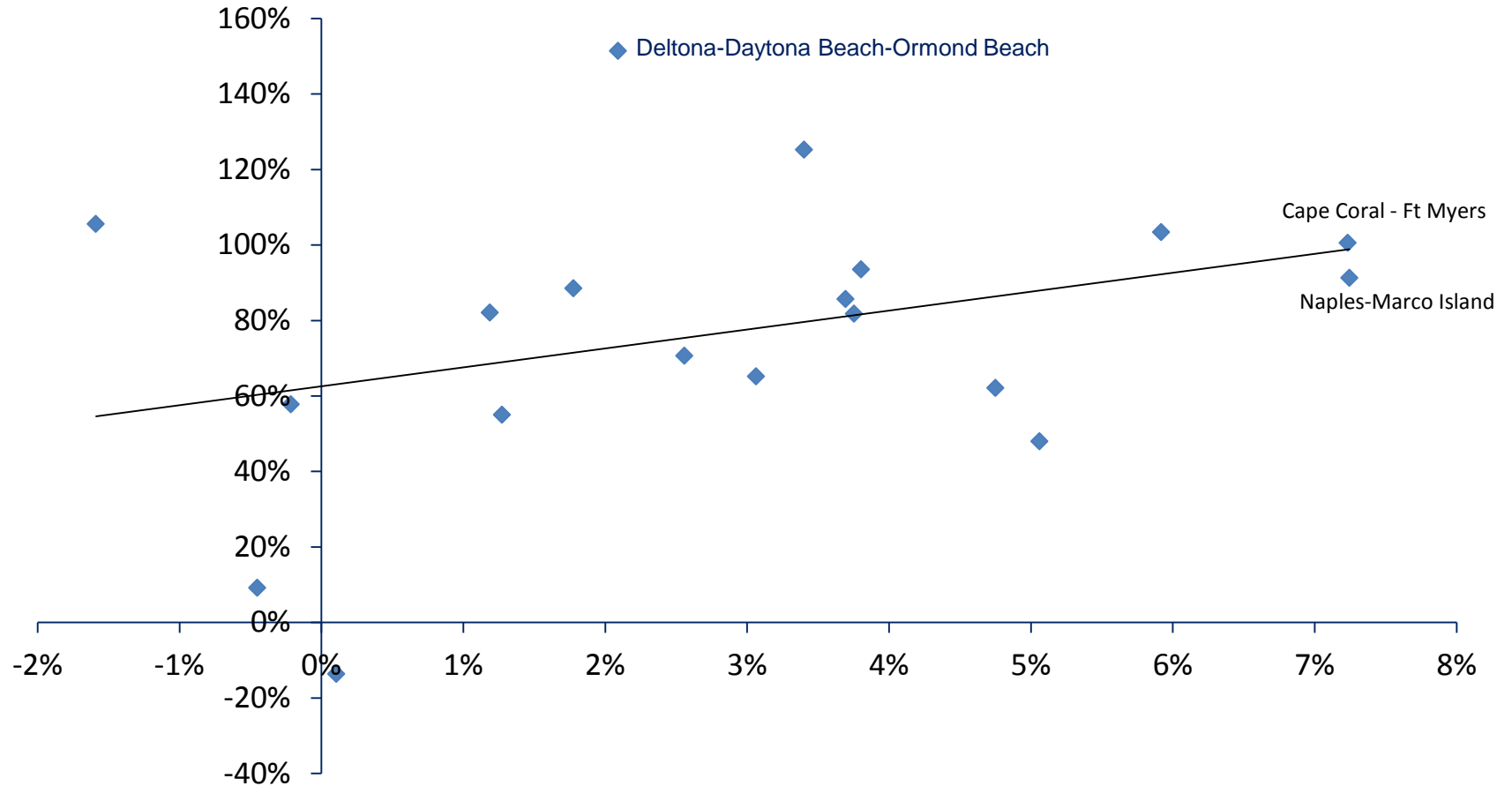
Proximity to Peak in Employment



Change in Employment (Y) vs Change in Single-family Permits (X) 2009-2013

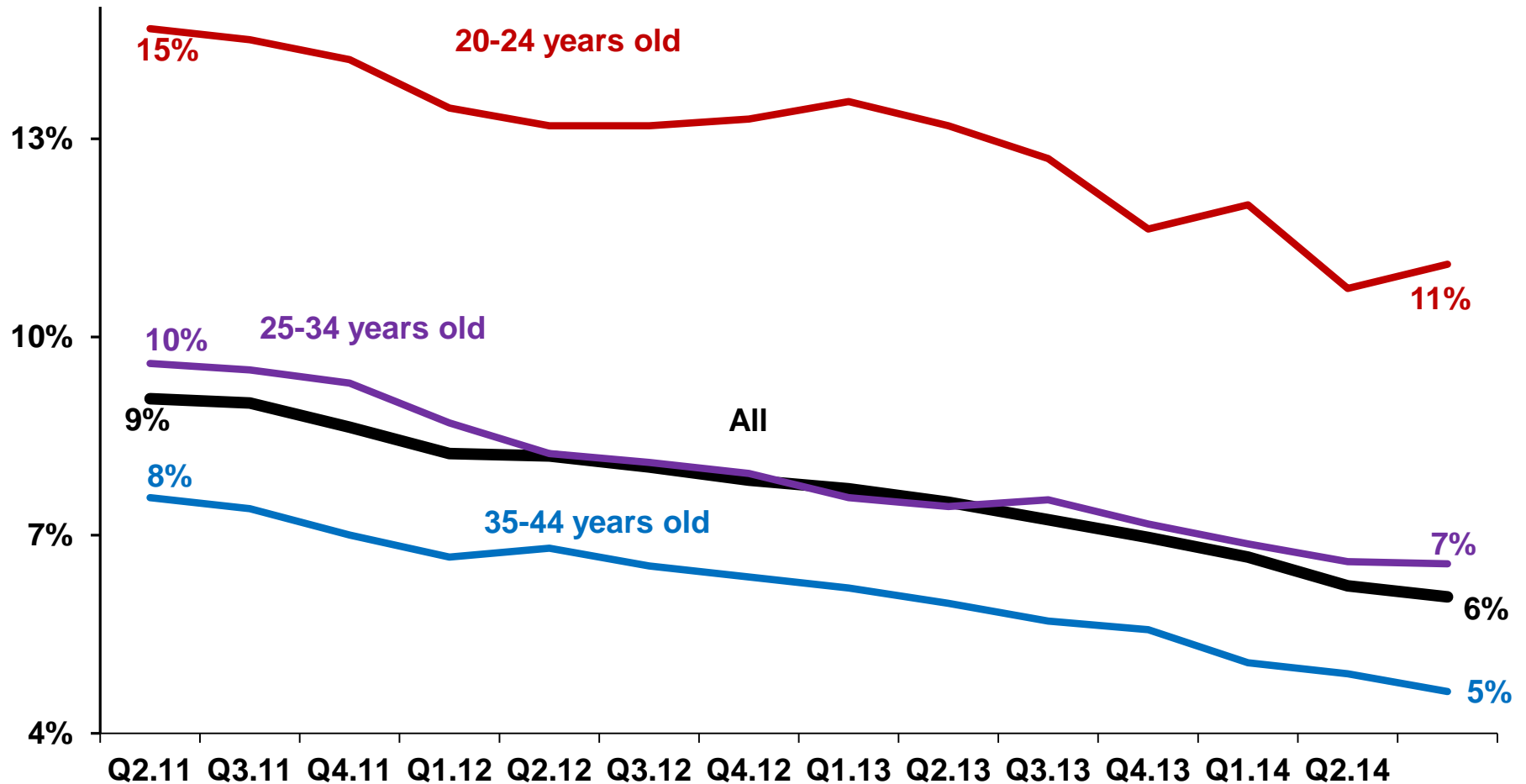


Change in SF Permits (Y) vs Change in Employment (X)

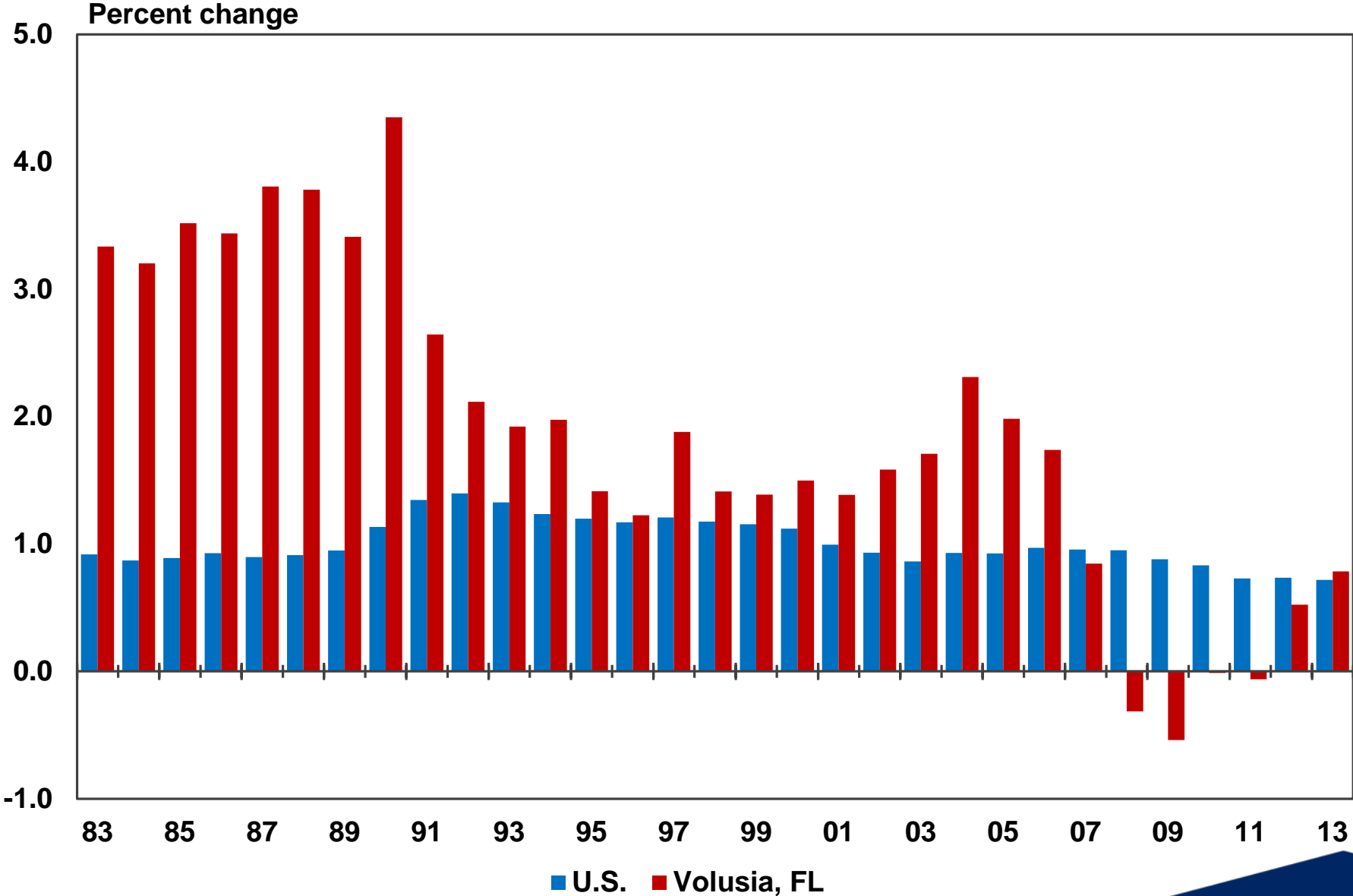


Unemployment Rates

Falling, but young people are more likely to be unemployed than their older peers.



Above Average Local Population Growth Returns

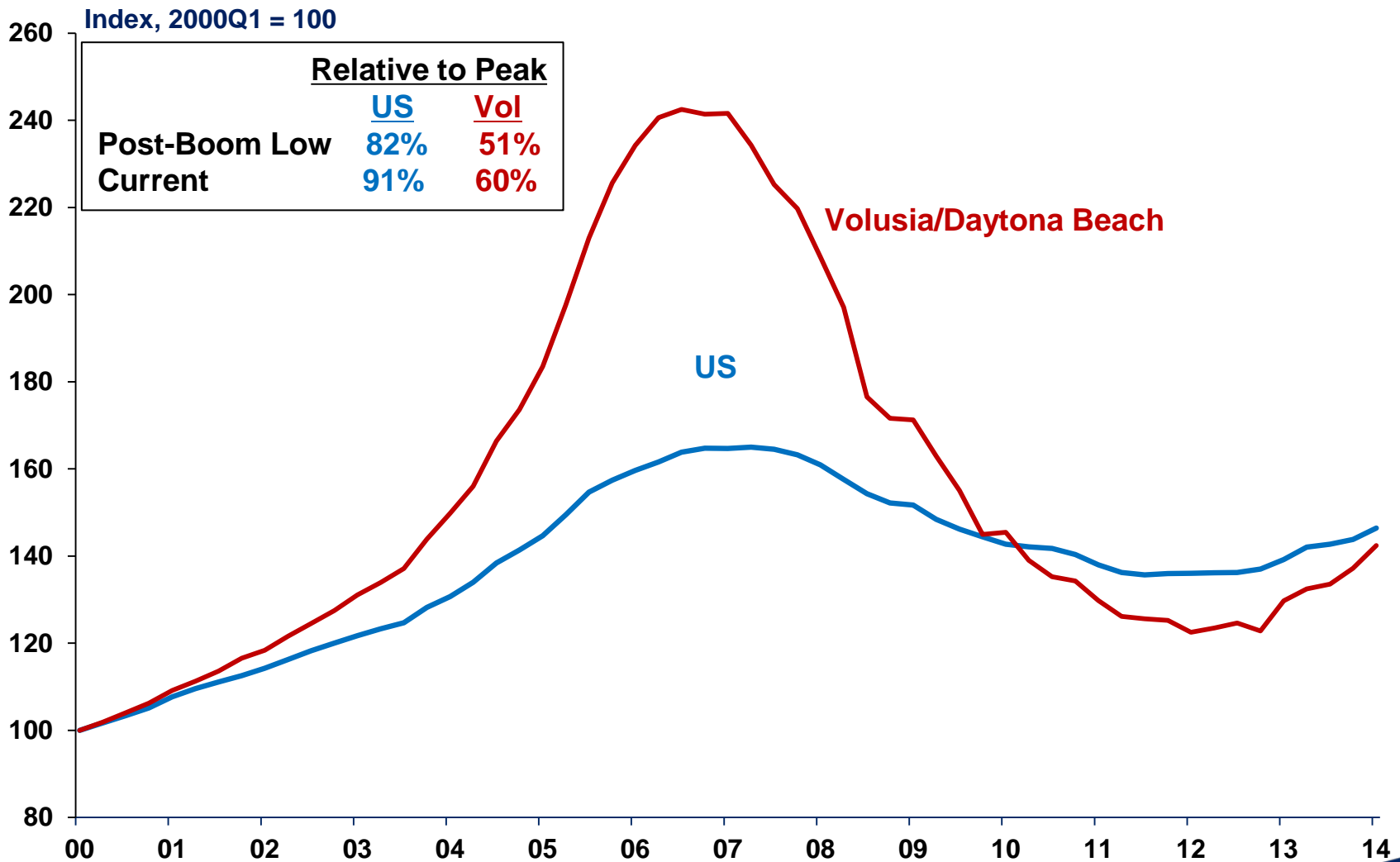




3. House Prices & Affordability

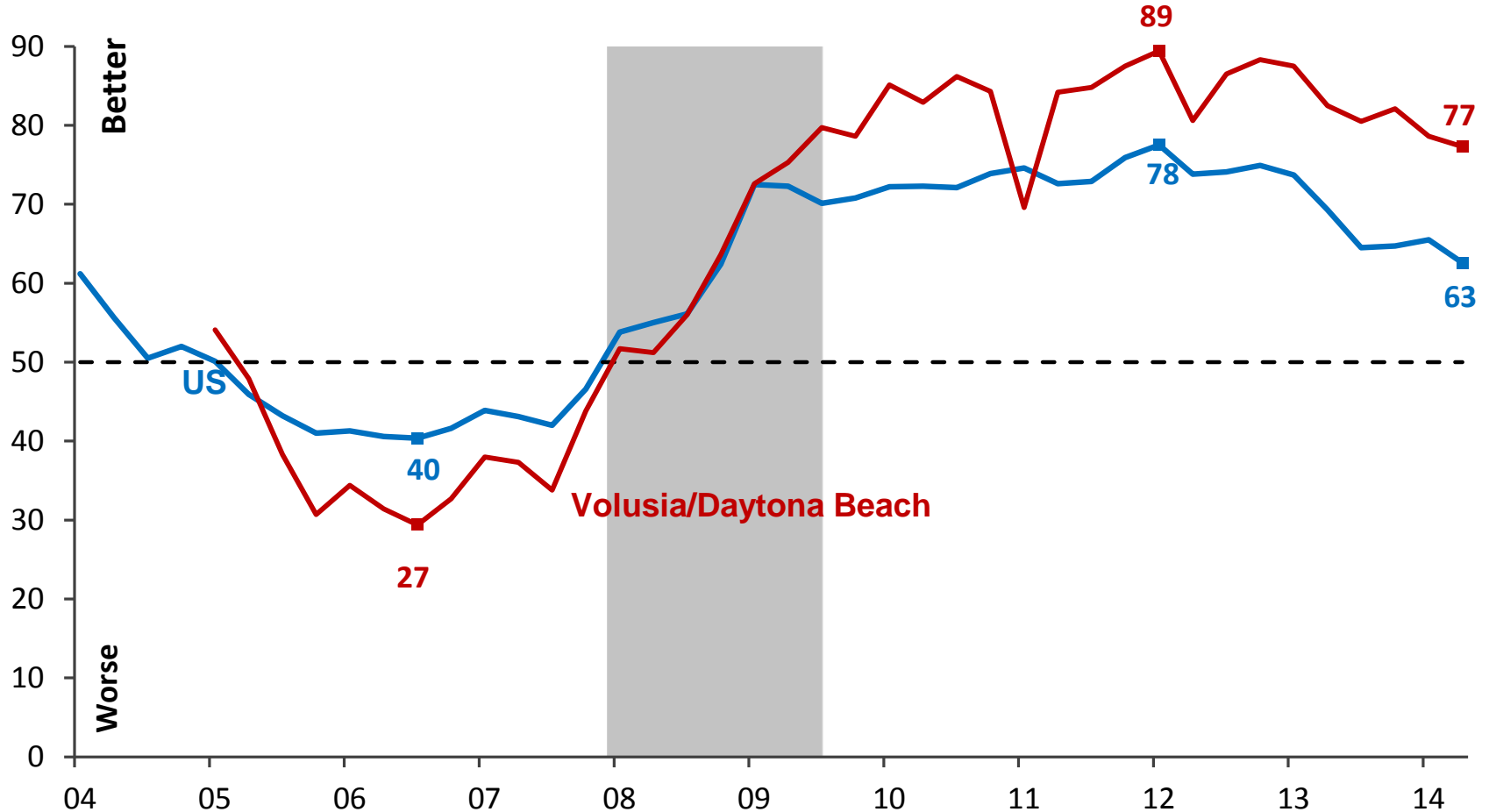
Housing Prices Recovering

Local prices fell more and are further from recovering



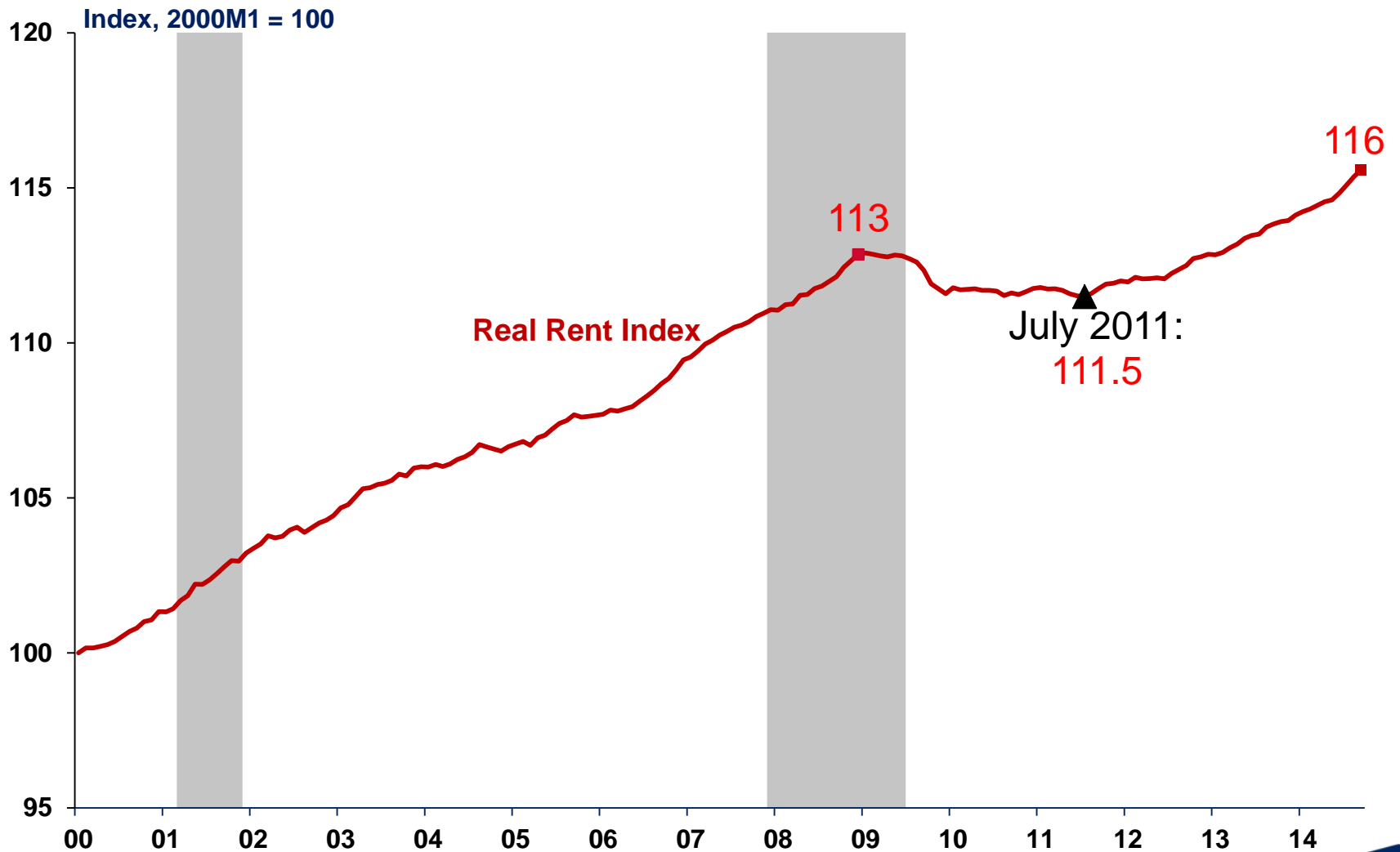
Affordability Remains High

NAHB/Wells Fargo Housing Opportunity Index



Real Rent Index

Rental prices have outpaced inflation





4. Head Winds

First time buyer

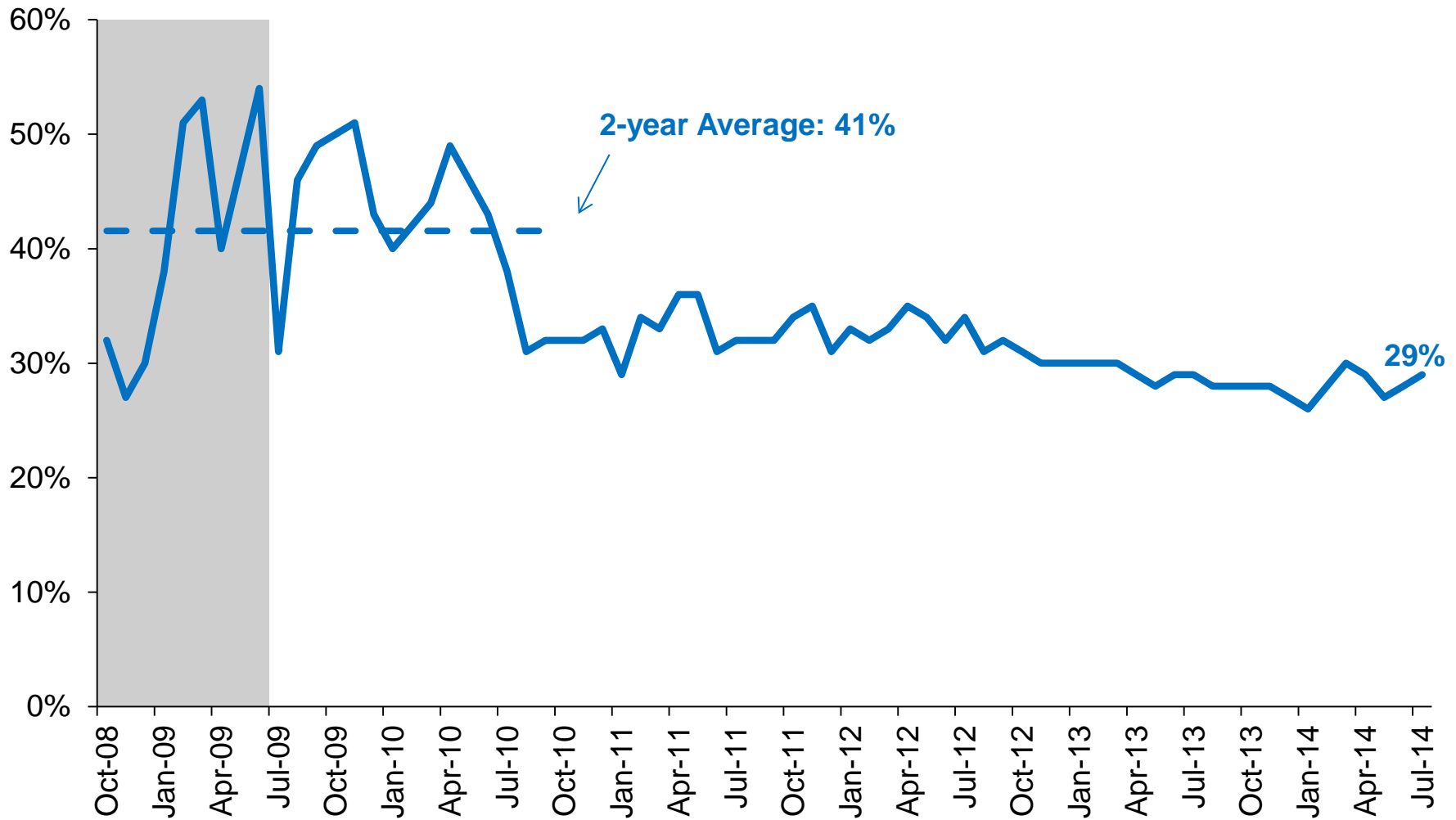
Land

Labor

Capital

Materials

First-time Homebuyers: A Smaller Share of Existing Home Market

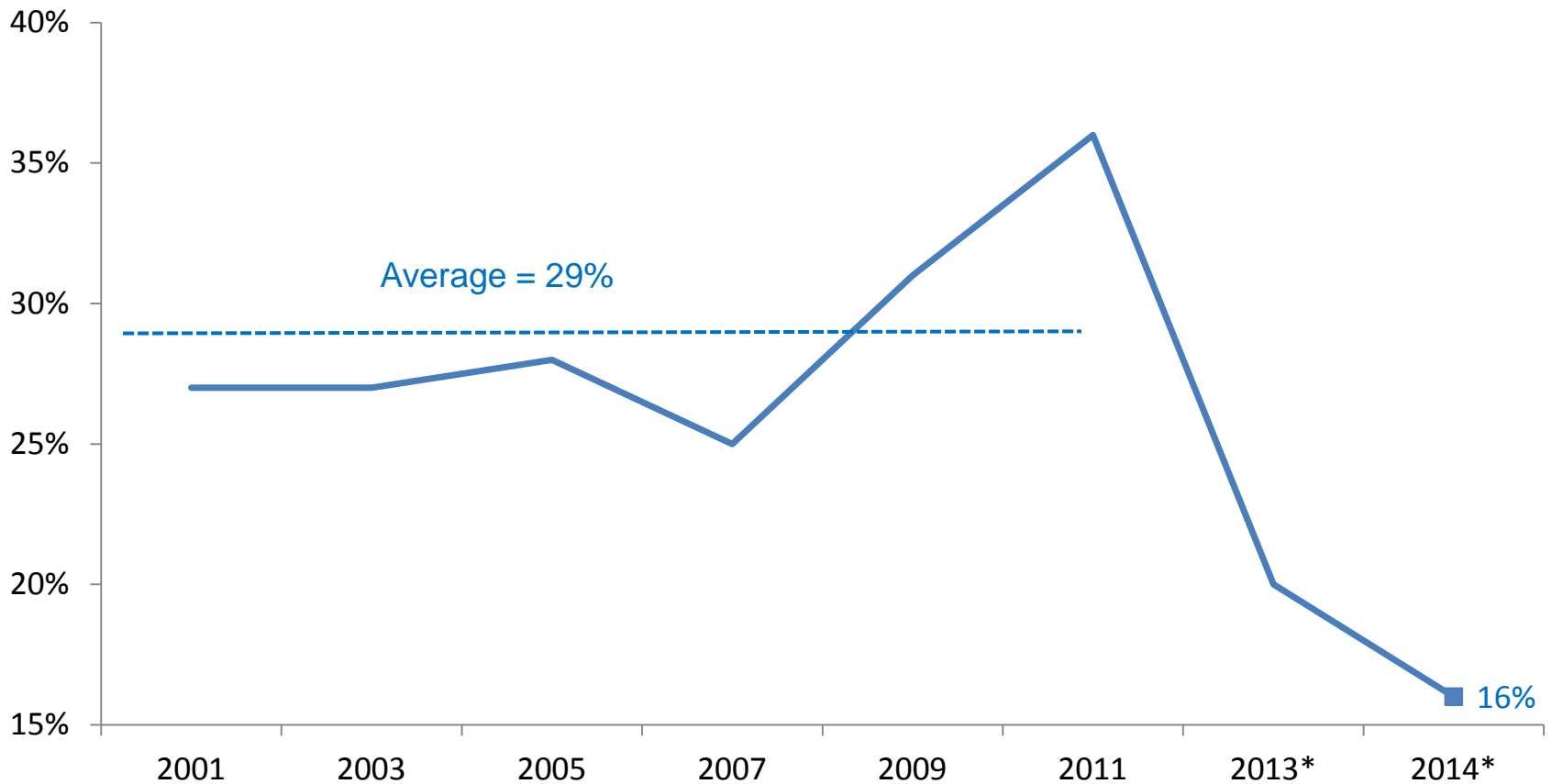


Source: NAR

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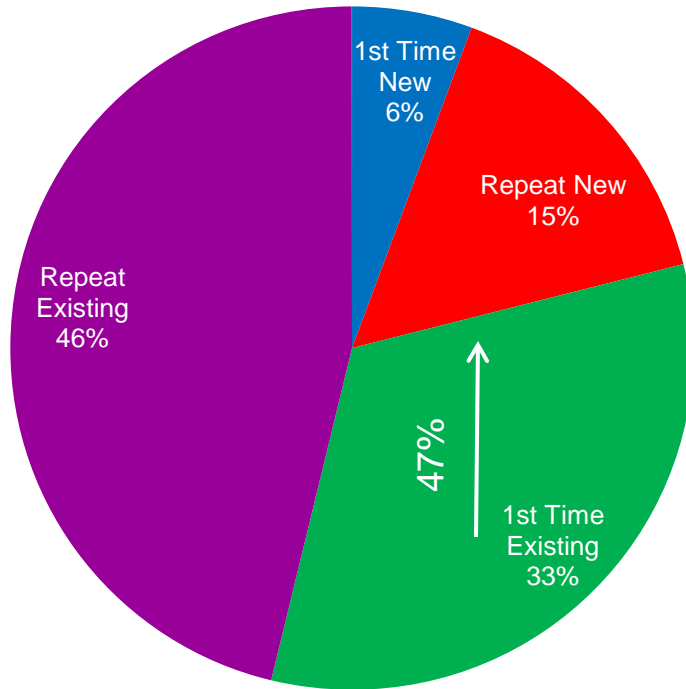
First-time Homebuyers: A Smaller Share of New Home Market



Source: AHS and NAHB for 2013 & 2014

Shift in Total Home Sales

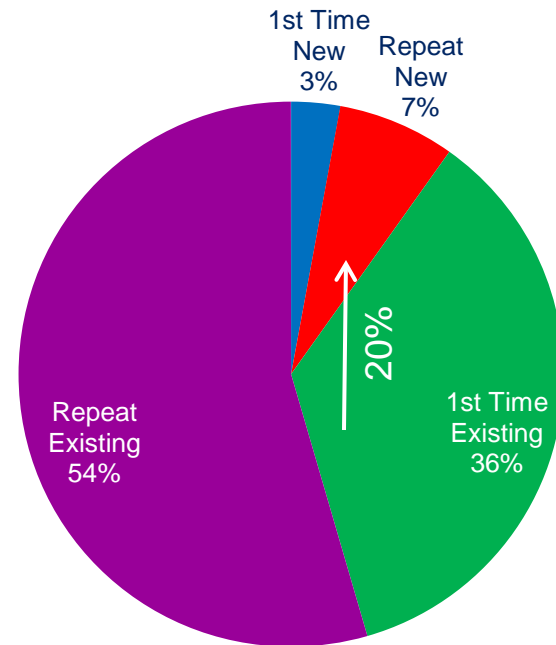
New share went from 20% to 10%



2001-2007 average
5.6 million sales/yr

Source: AHS

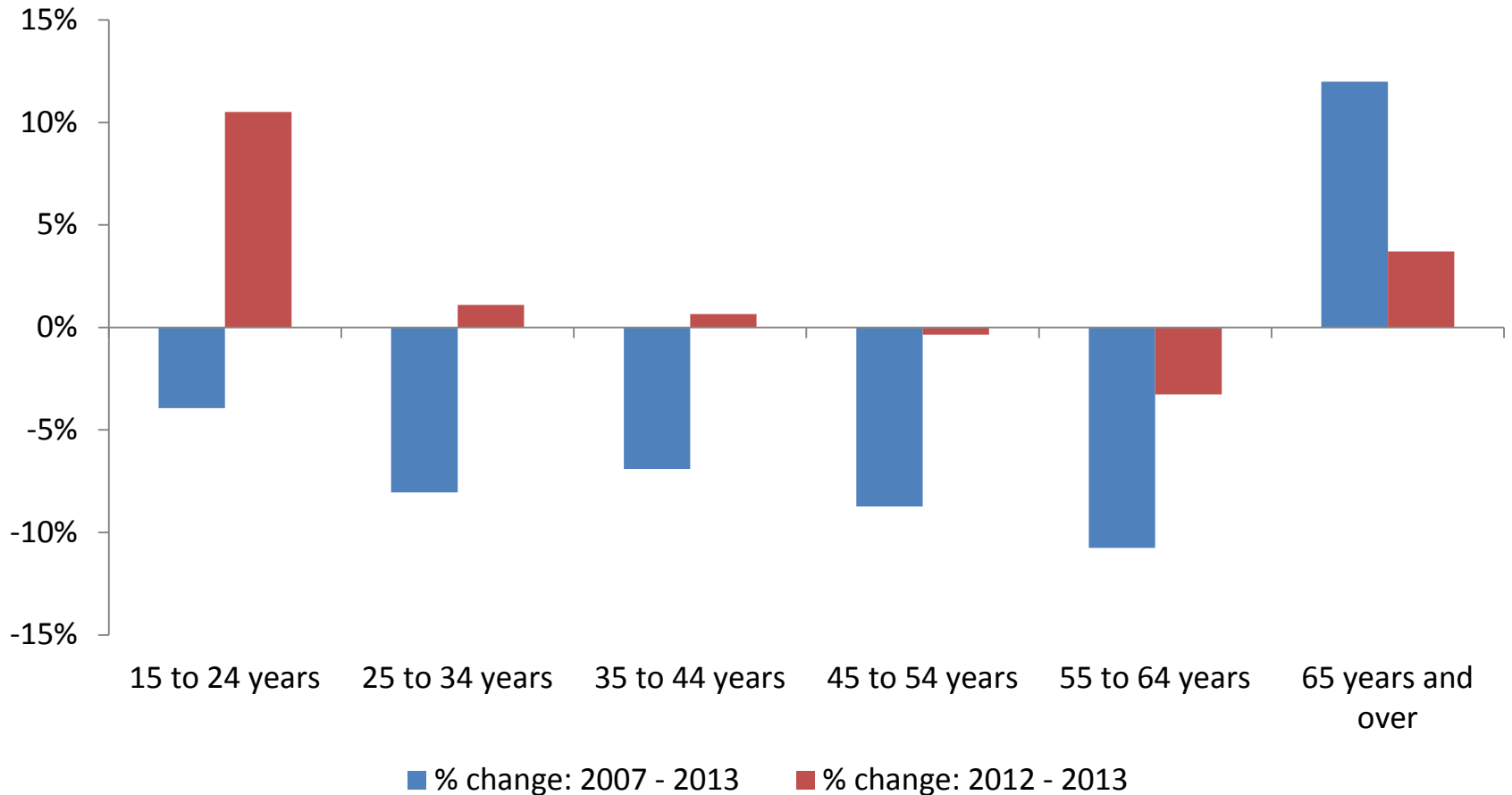
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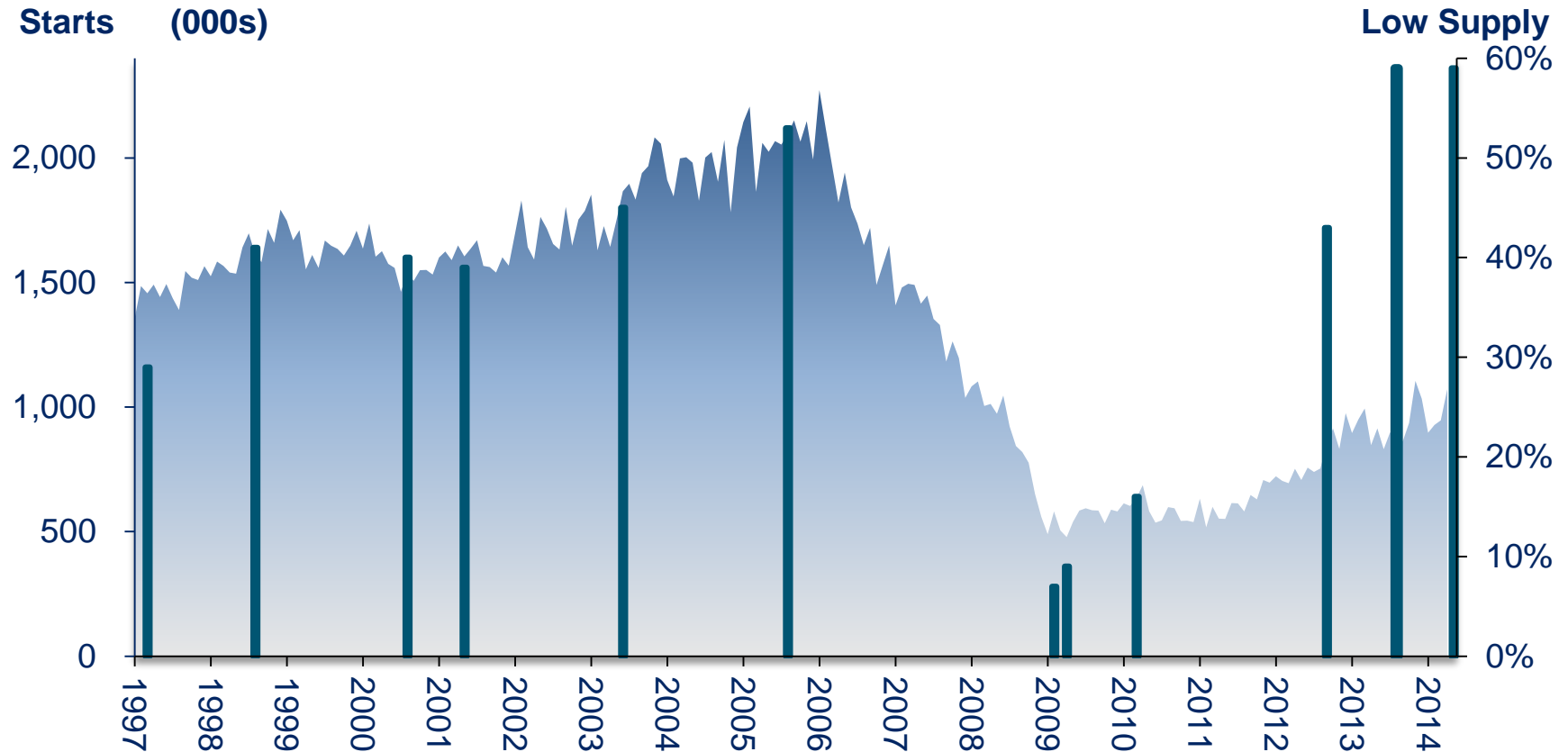
2013
4.1 million sales

Real Income Change by Age

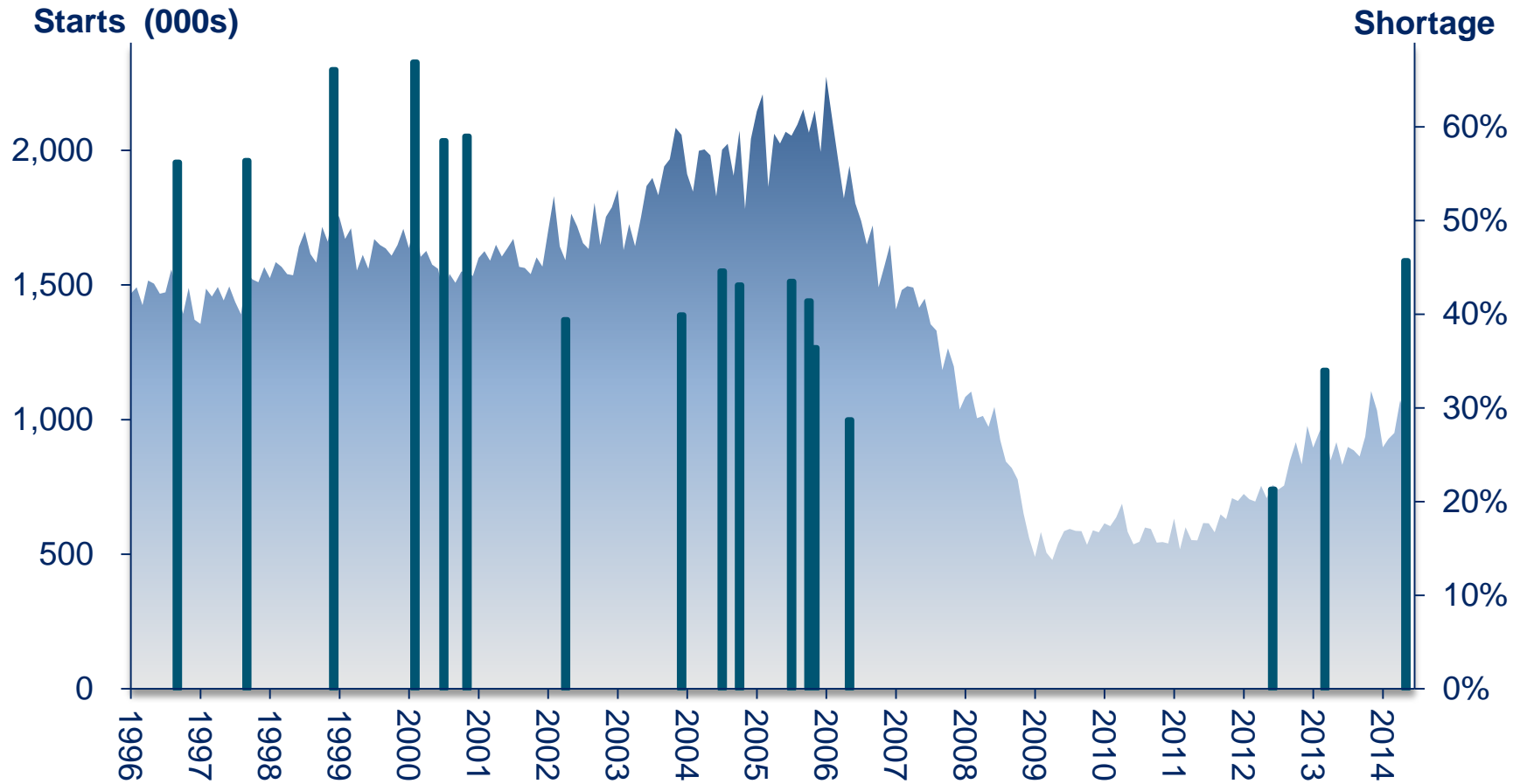
Recent improvements for most age groups



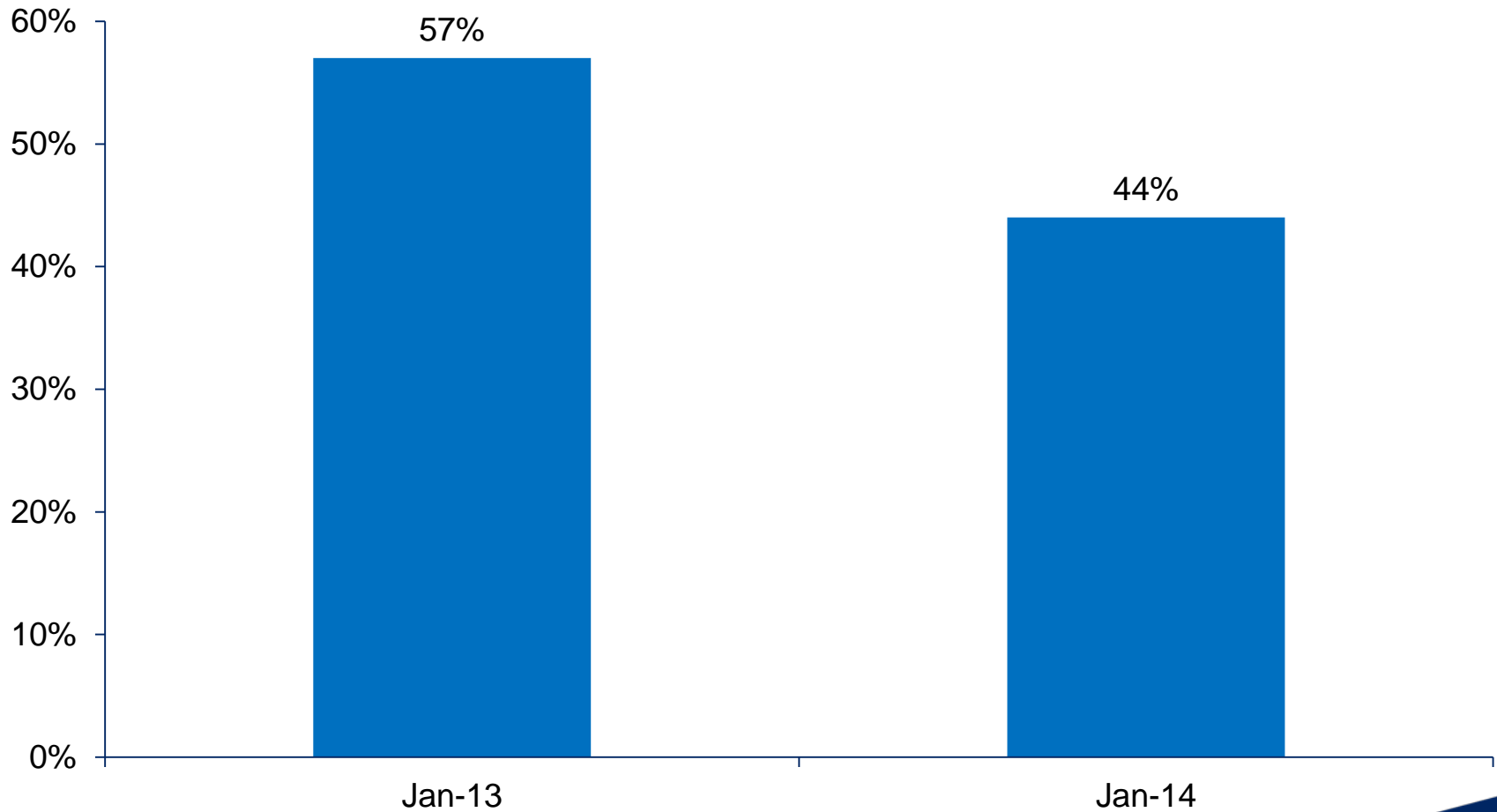
Housing Starts (Area) and Low/Very Low Lot Supply (Bars)



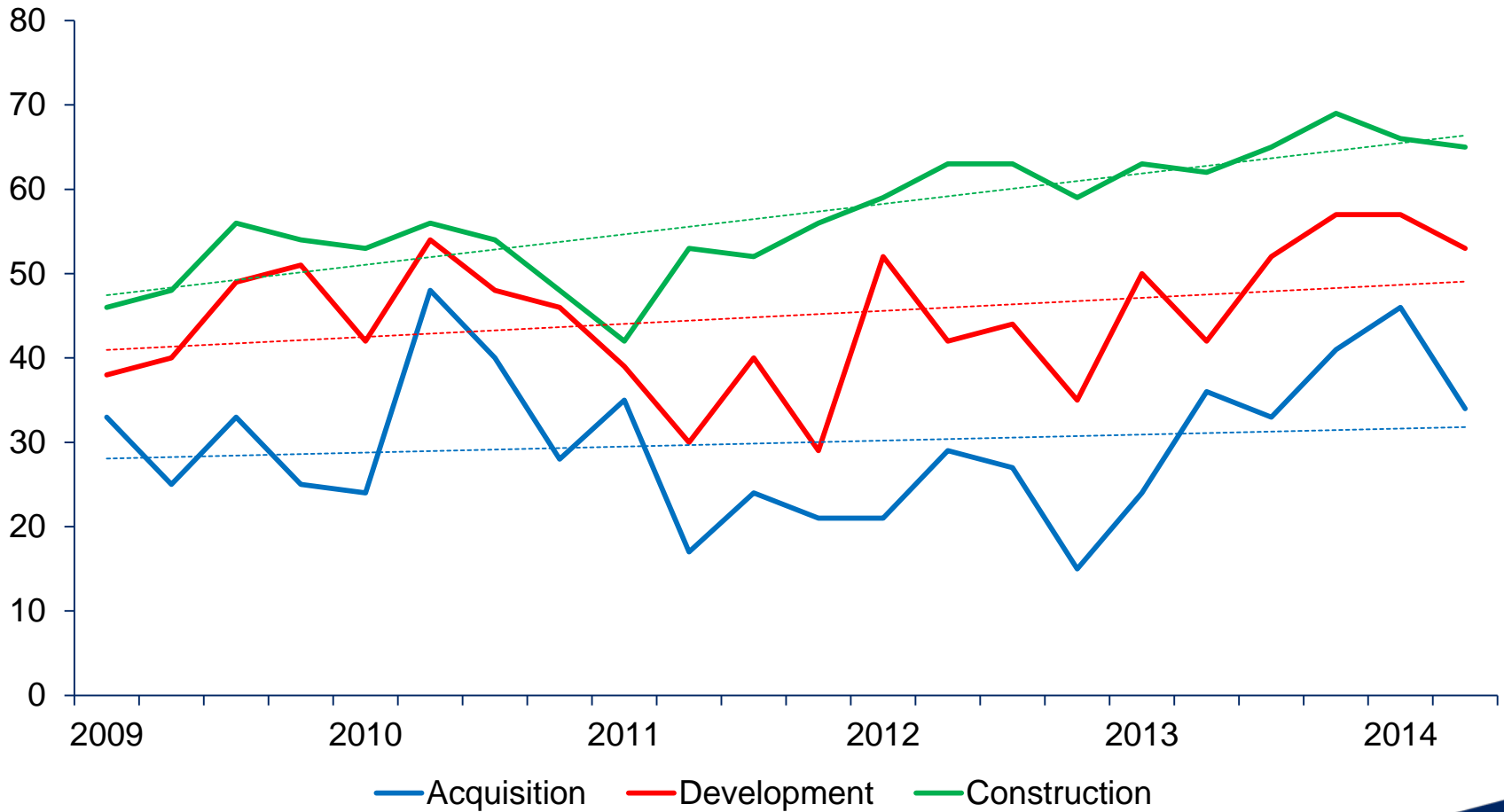
Housing Starts (area) and % Reporting Labor Shortage



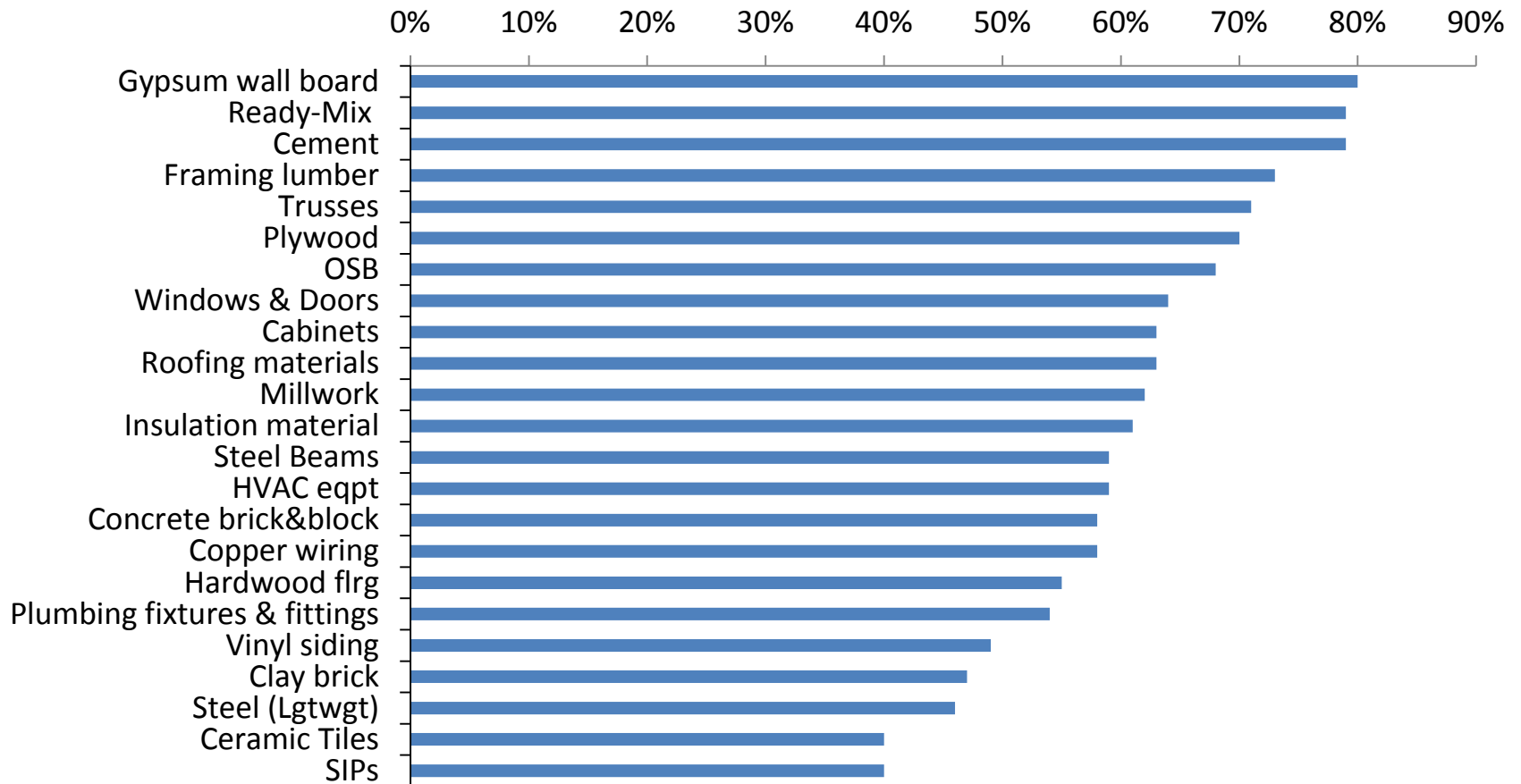
Share of Builders Who Lost Sale Because Buyer Could Not Qualify



Developers and Builders Seeking Credit



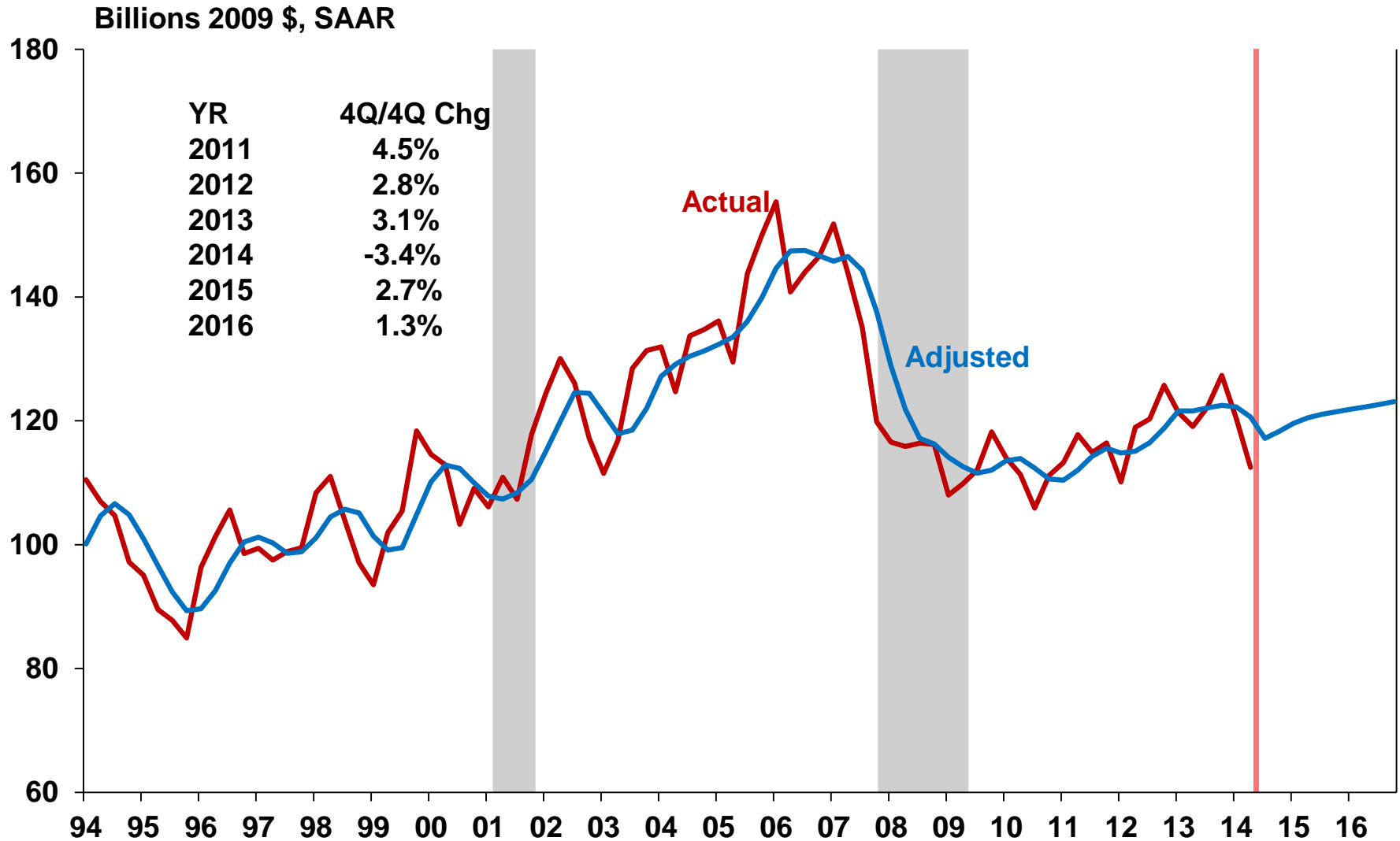
Builders Experiencing Price Increases in Last 6 Months





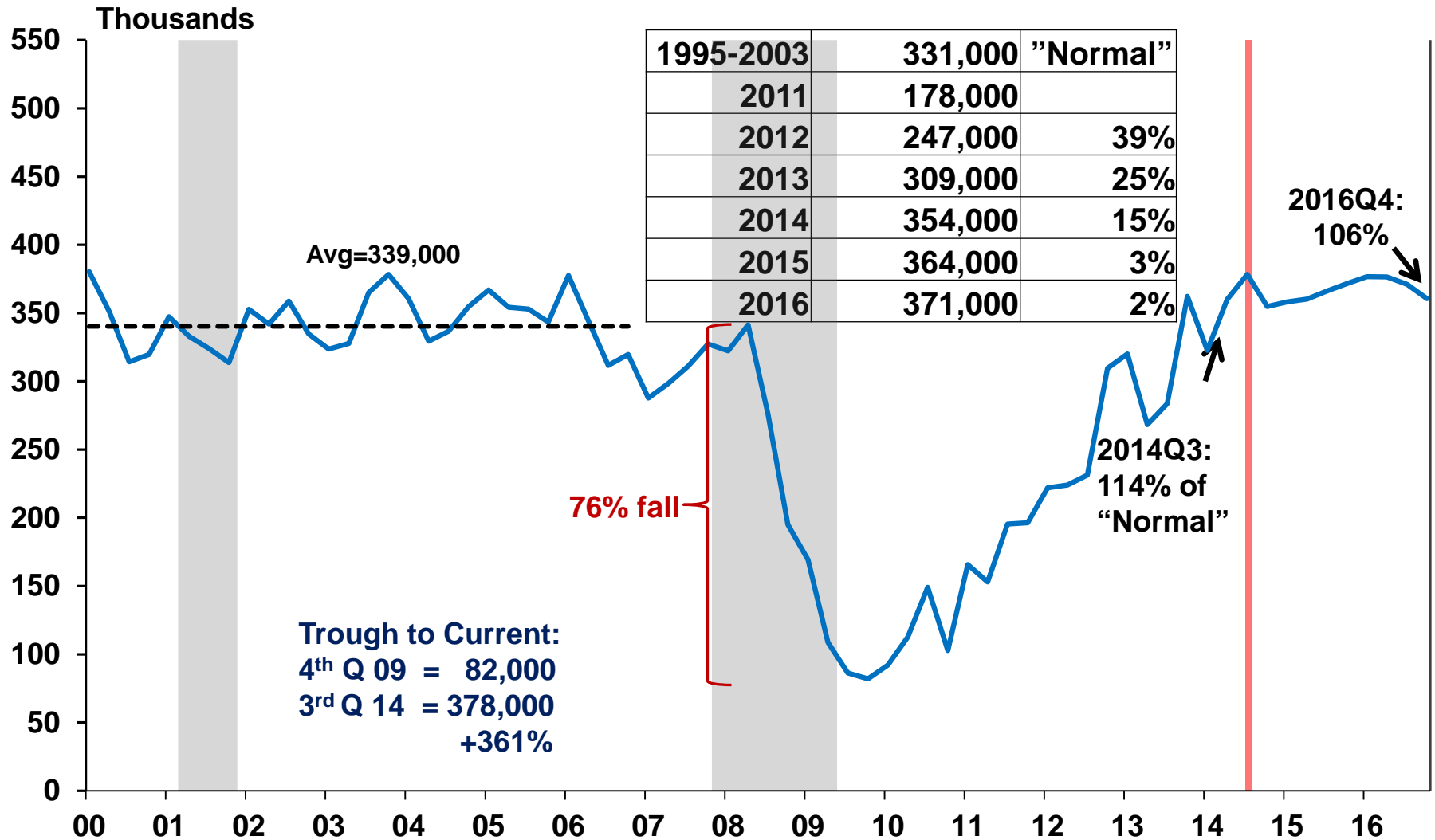
Forecasts

Residential Remodeling

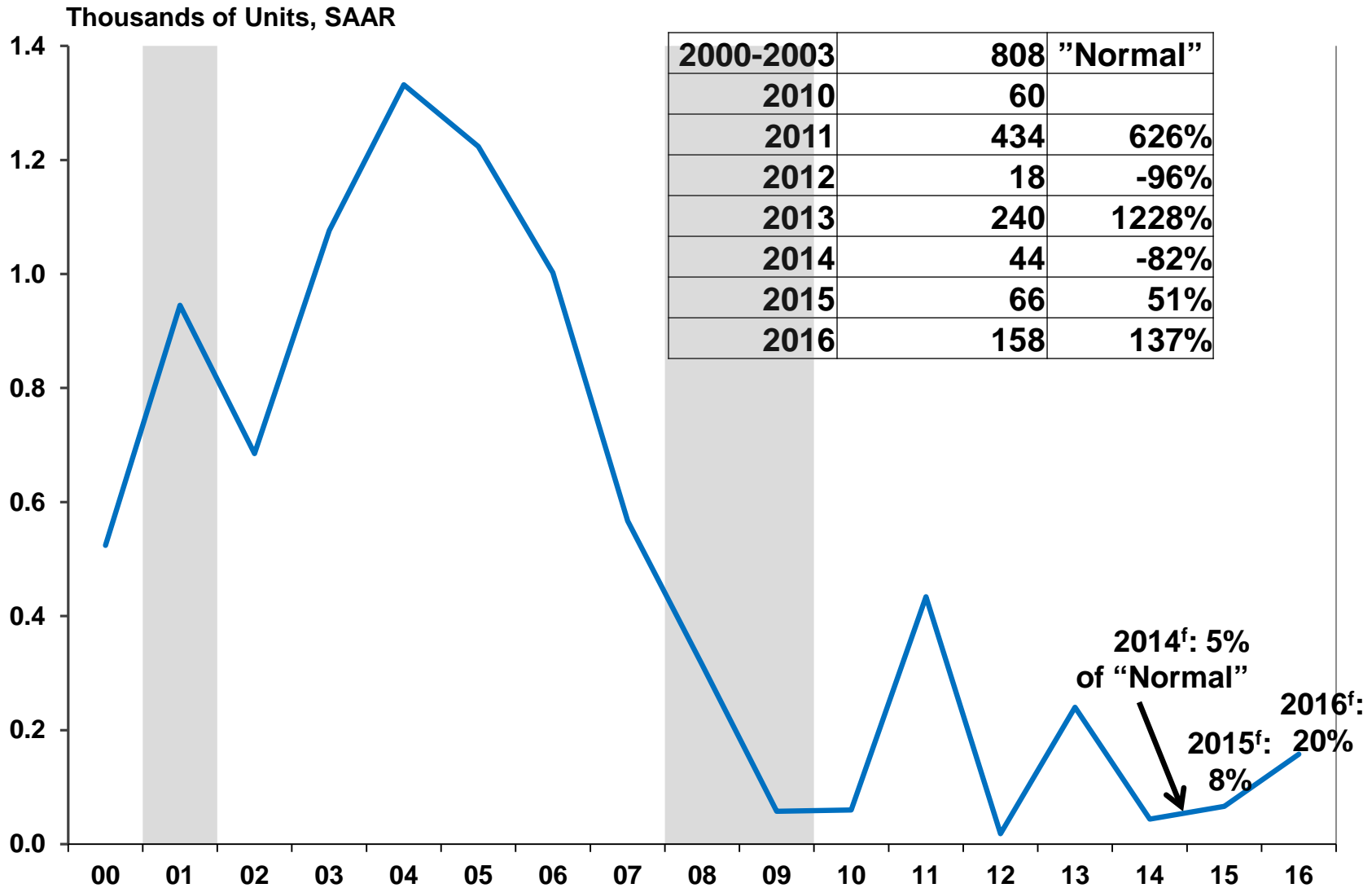


Multifamily Housing Starts

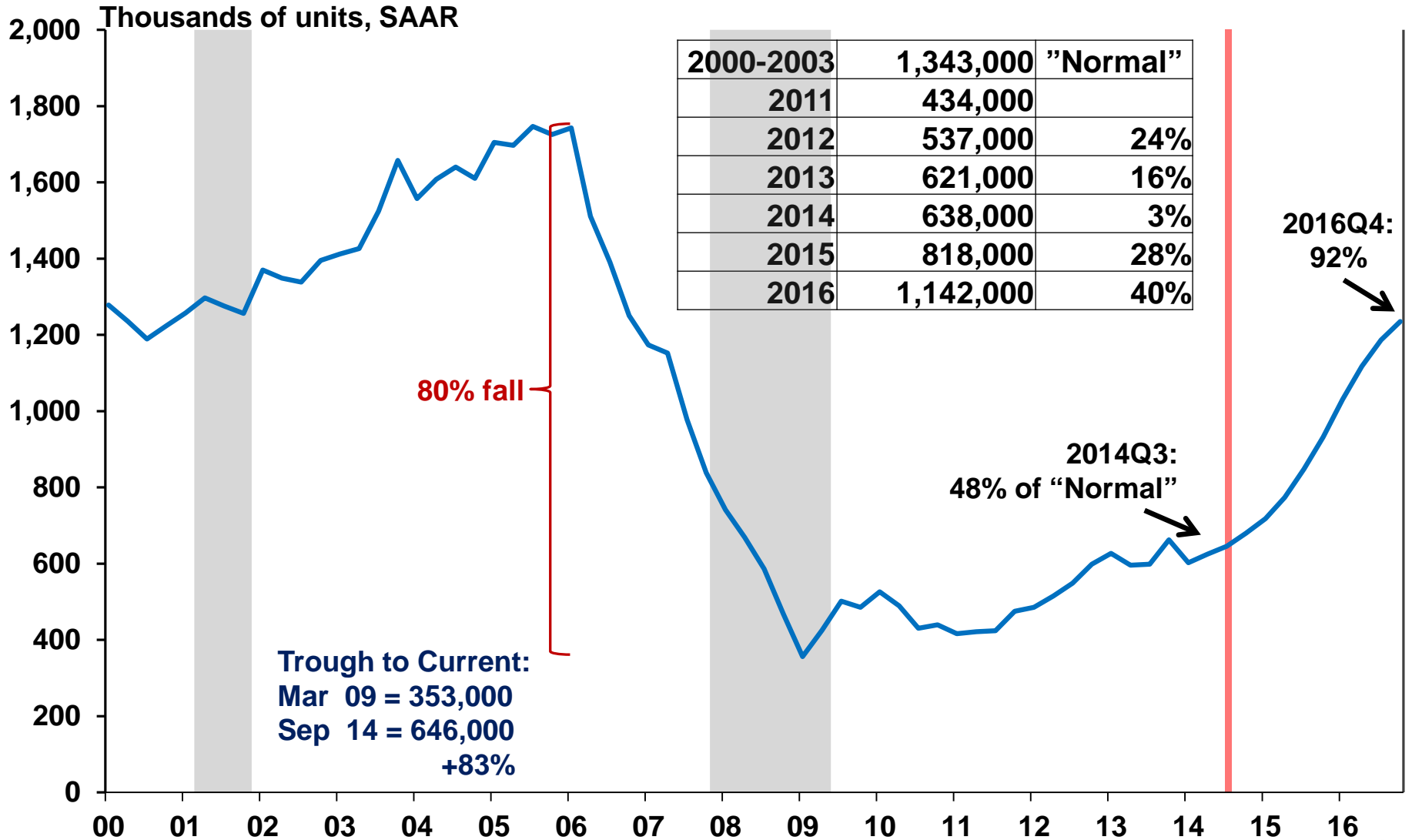
Healthy Response from Growth in Renters



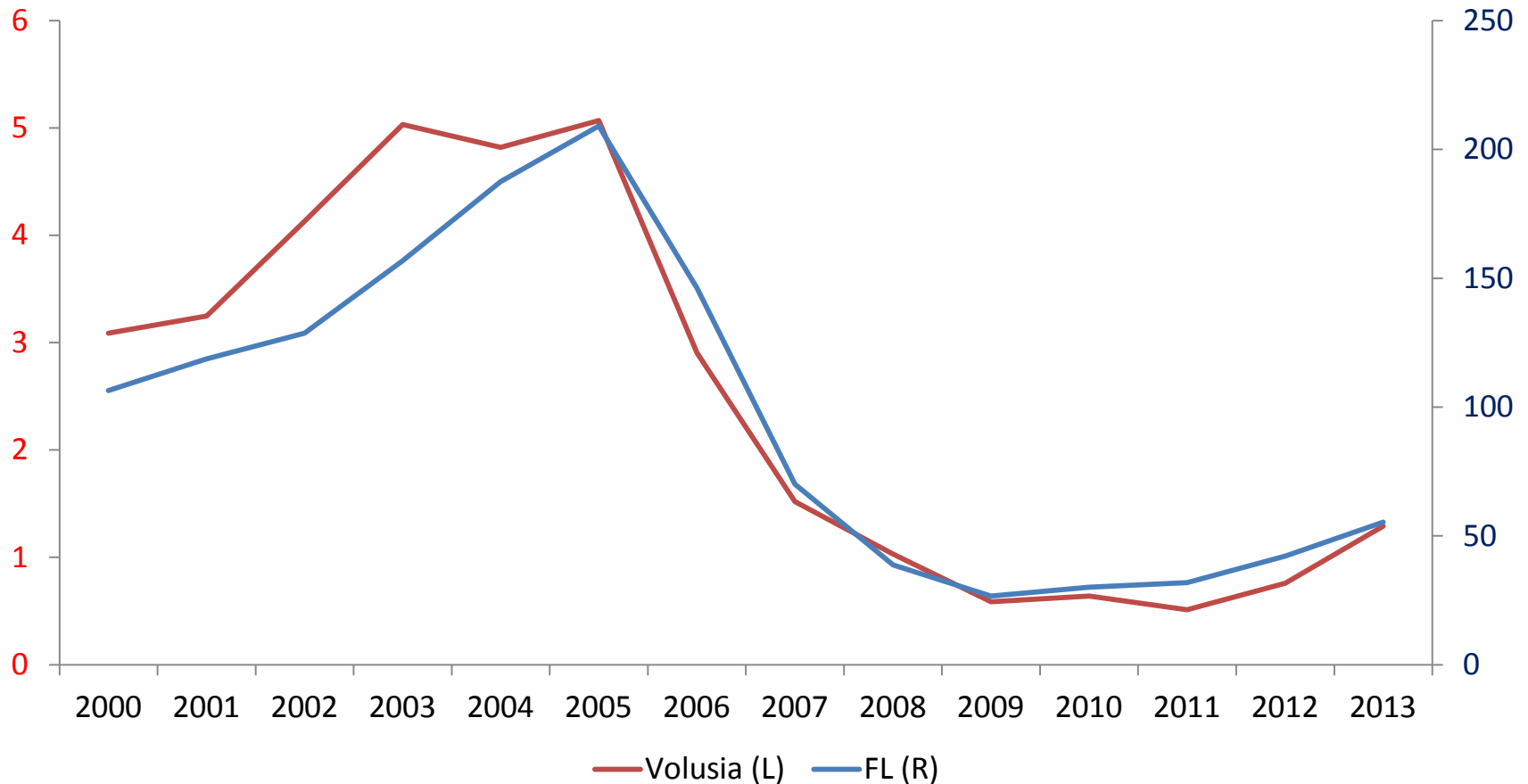
Multifamily Housing Starts – Volusia



Single-Family Starts – Continuing to recover

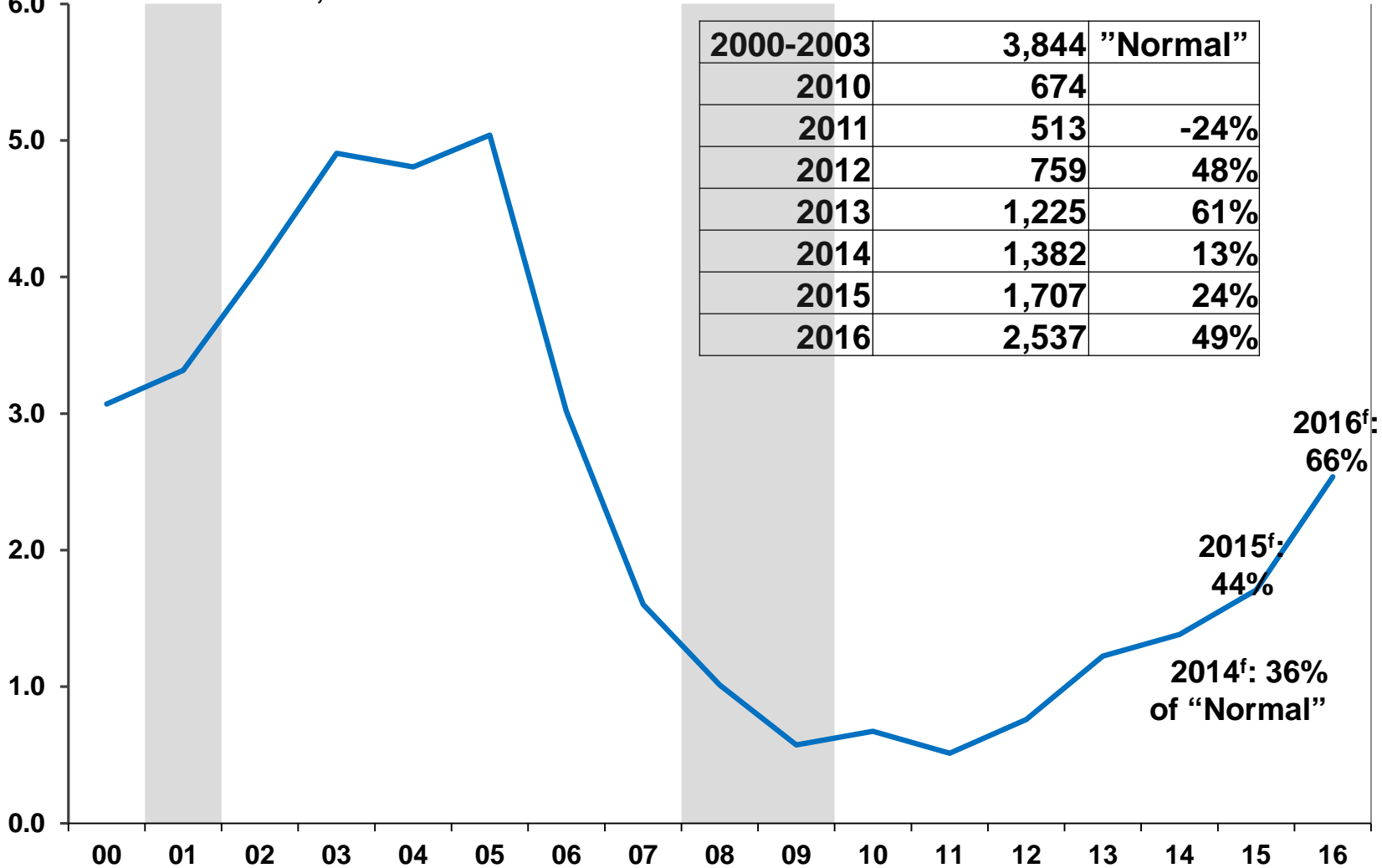


Single-family Permits (000s)

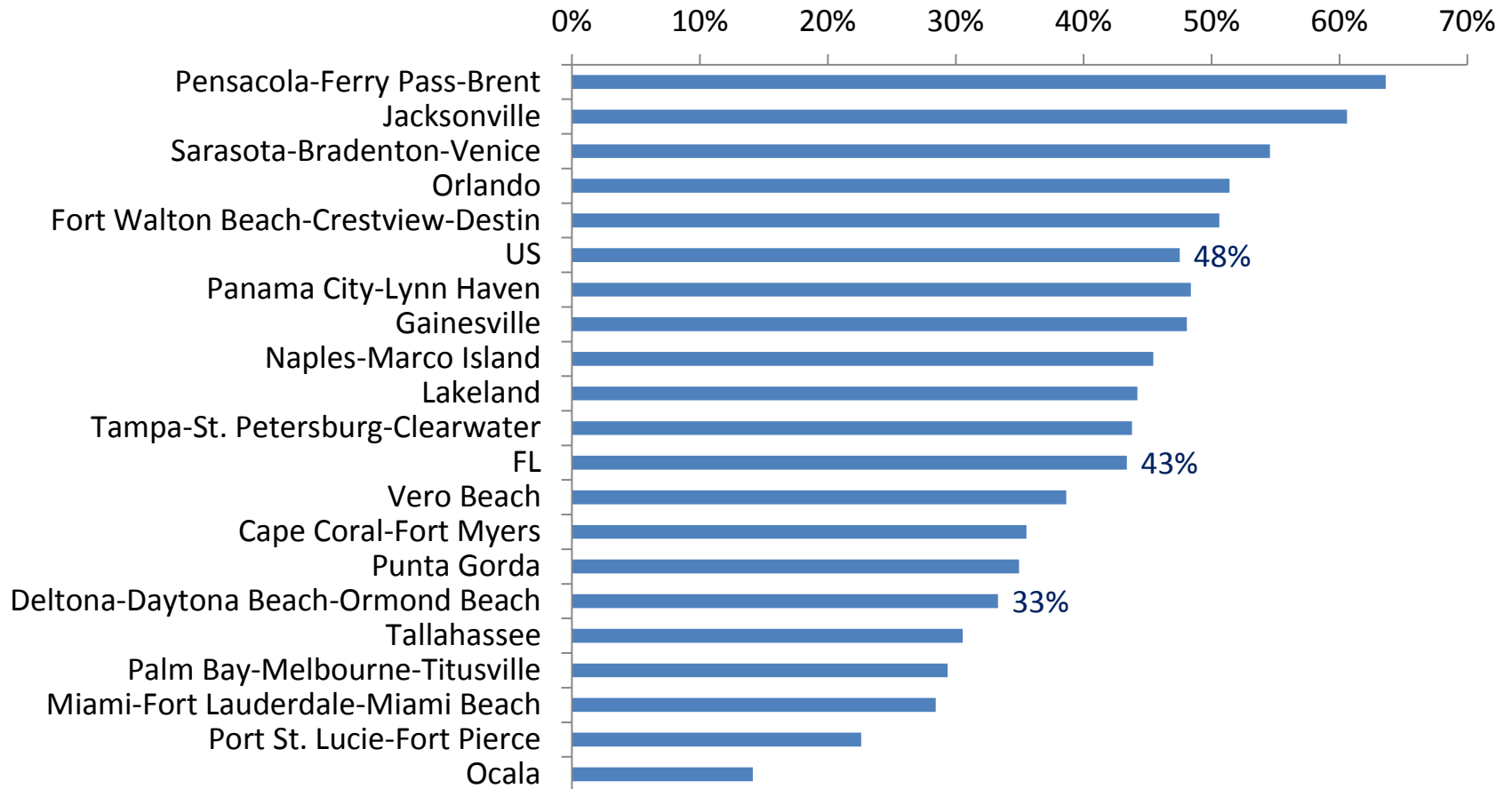


Single-family Housing Starts – Volusia

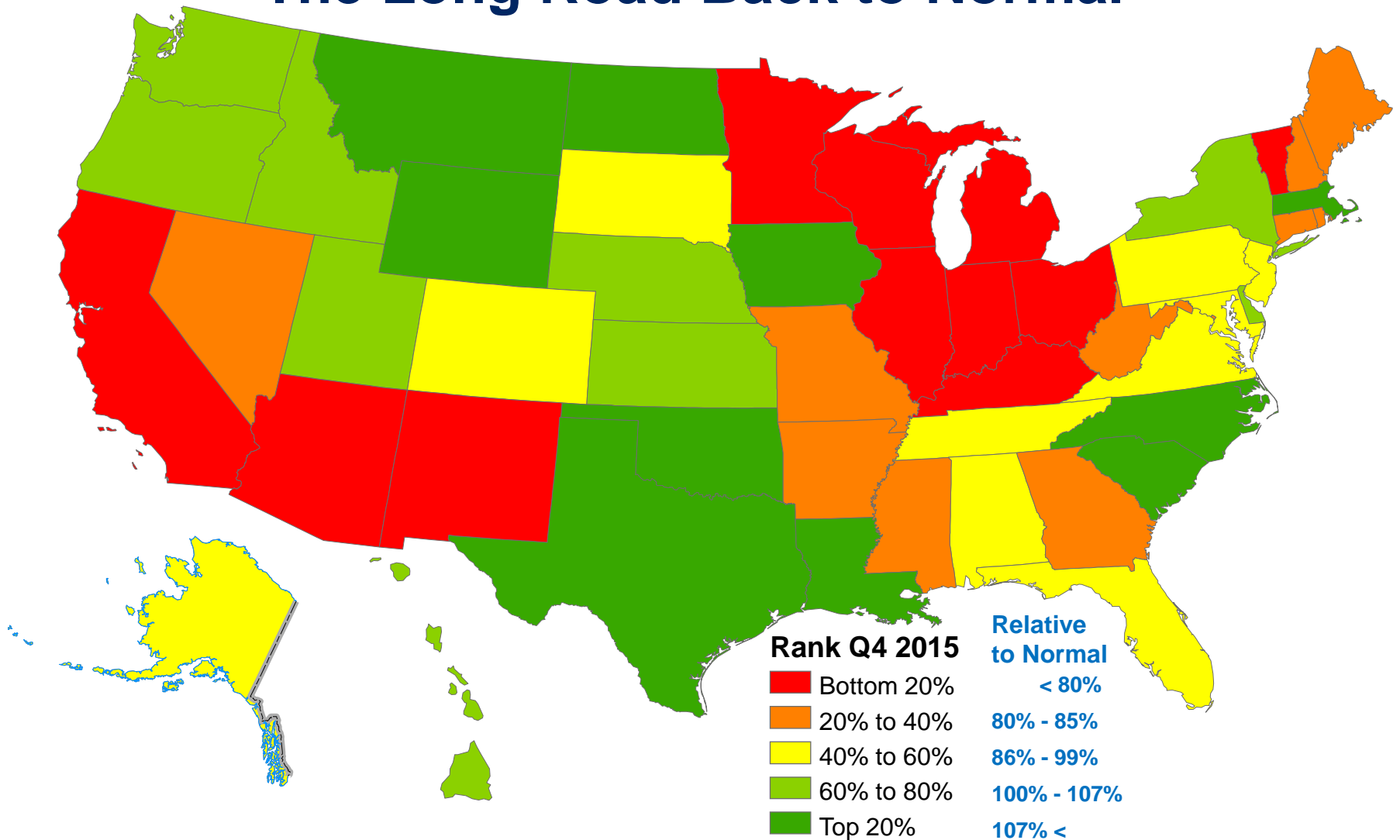
Thousands of Units, SAAR



Proximity to Normal Single-family Permits 2013



The Long Road Back to Normal



This map shows how the states rank in the return to more normal levels of housing production. By the end of 2015, the top 40% will be back to normal production levels. The bottom 20% will be below 80% of normal production.



Questions?

Answers:

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