

# Peering into 2021: Outlook for Housing and the Economy

**Wisconsin Real Estate & Economic Outlook Conference**  
*October 1, 2020*

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*NAHB Chief Economist*



# Economic Outlook



**2-year period for economic recovery**



**Housing is leading the economic recovery: 16% of GDP**



**New single-family home sales strong**  
**Up 15% YTD in 2020, 3.3 months' supply in July**



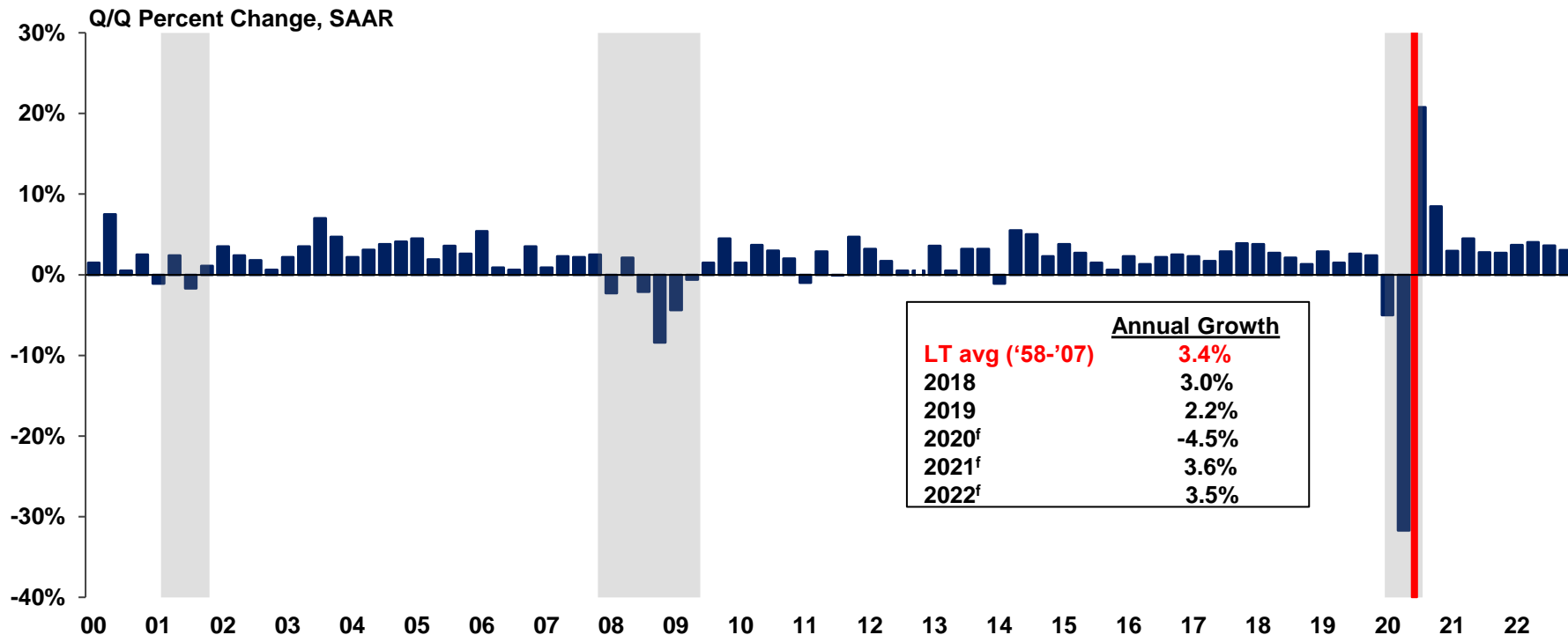
**Risk of renewed lockdowns**  
**Lumber price gains**



**Suburban Shift is real**

# GDP Growth – Recovery Gains Ground During 2H20

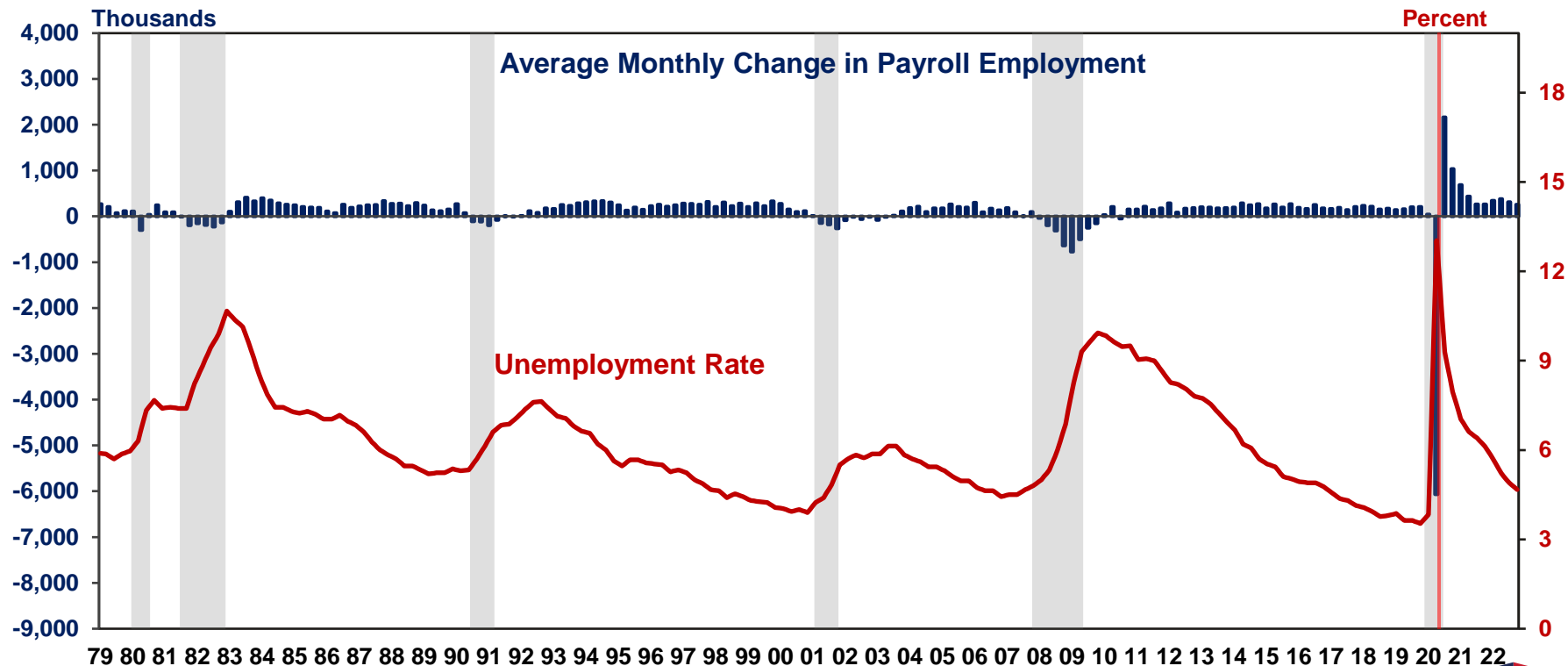
*Uptick for growth after a vaccine deployed*



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

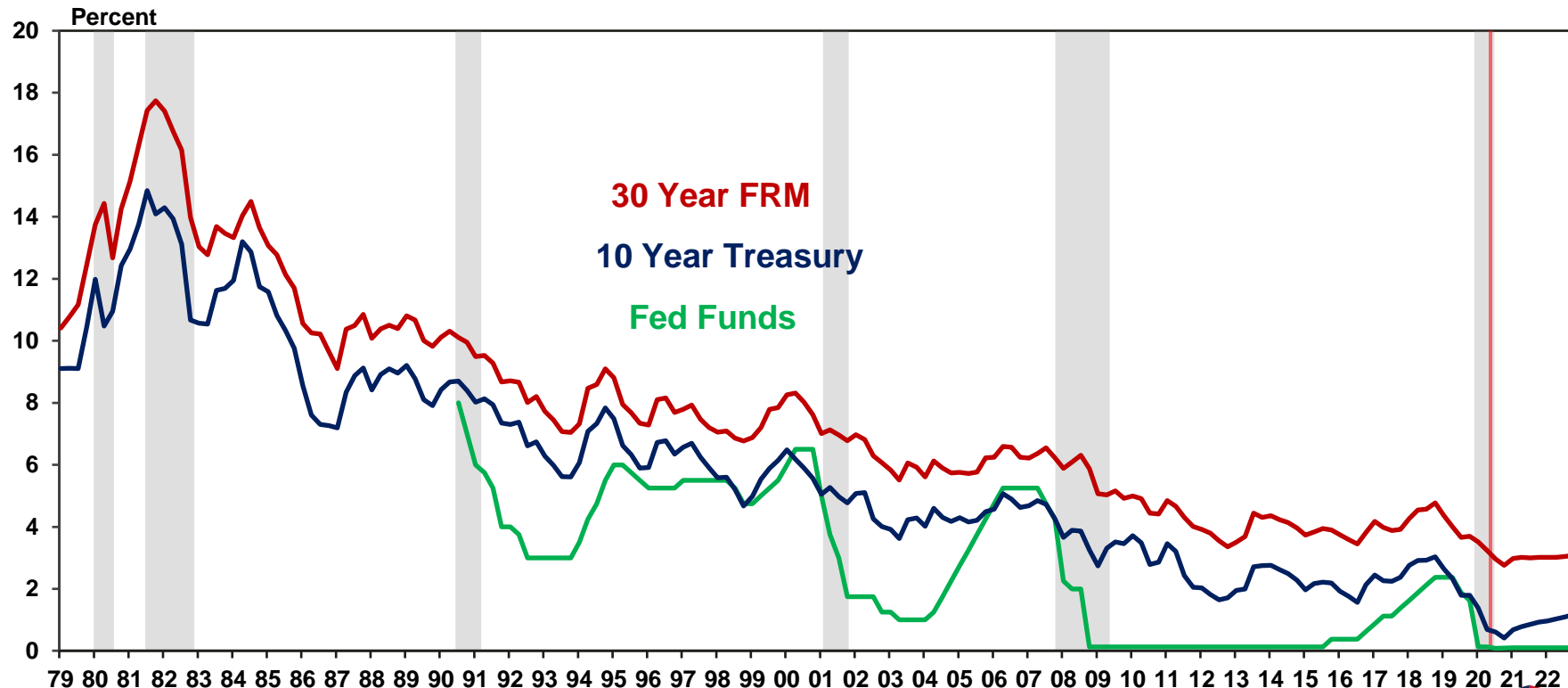
# / Good/Bad News: 8% U-Rate Expected at 2020 End

*Duration matters: research indicates spells of 6-months or longer affects consumption*



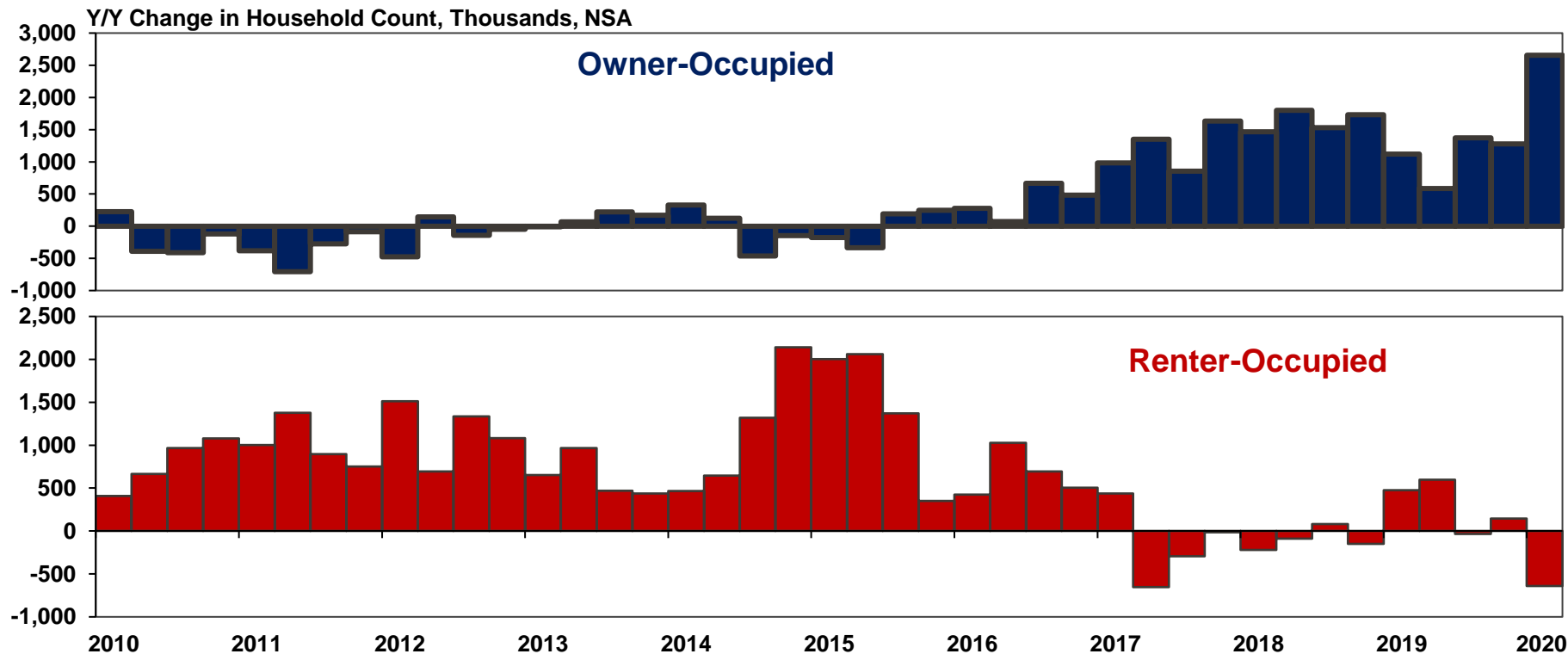
# Interest Rates – Lower for Longer

*Low interest rates thanks to aggressive Federal Reserve action*



# Household Formation

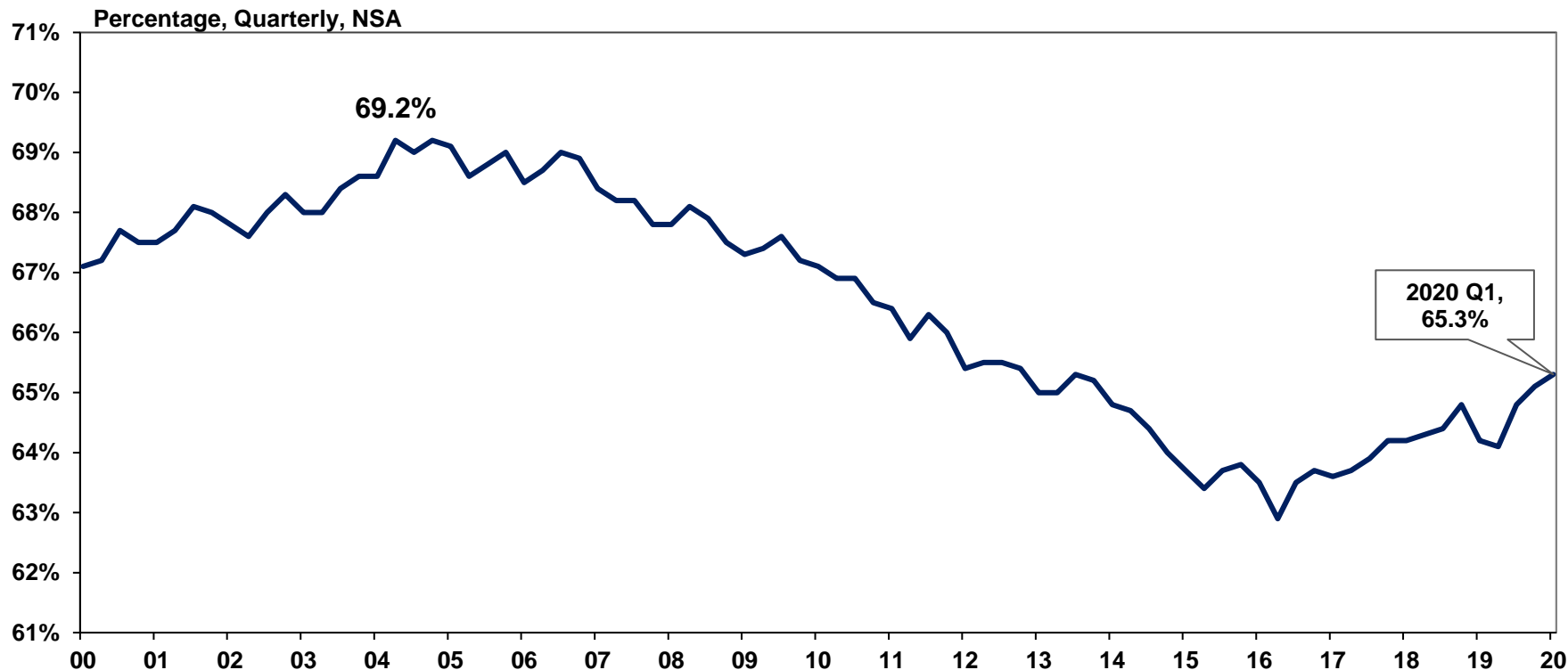
*Strong demand for home ownership going into 2020*



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

# Homeownership Rate

*Near new normal for homeownership*

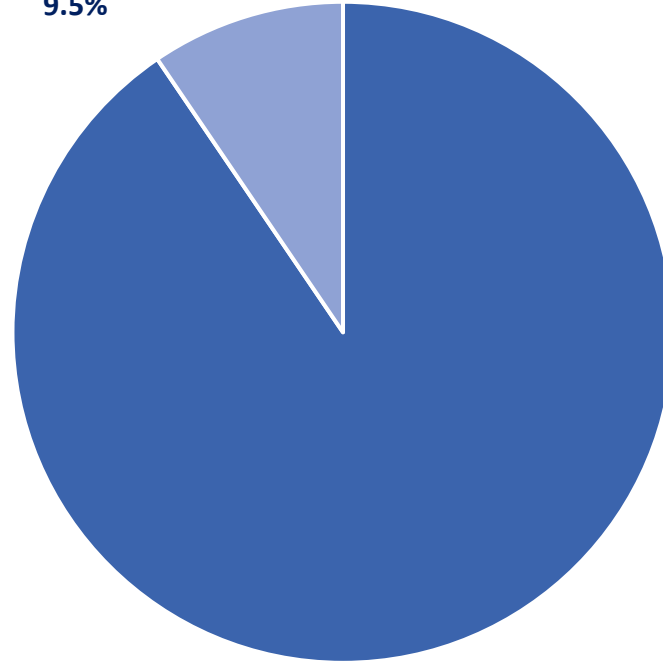


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

# Lifetime Homeownership Rates – NAHB Research

*A reminder that most households need access to rental and for-sale housing*

Share Who Have Never Owned a Home  
9.5%



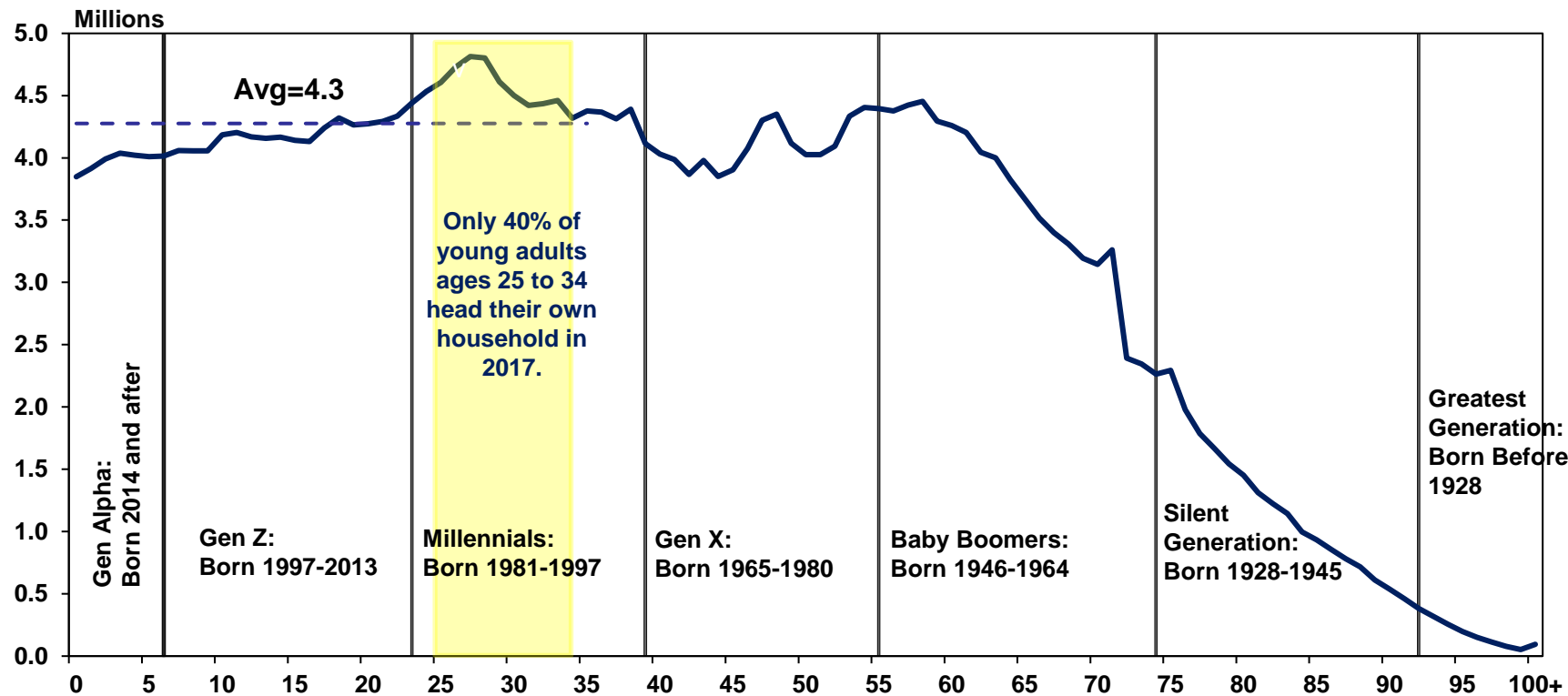
Lifetime Homeownership  
Rate  
90.5%

Source: The National Longitudinal Survey of Youth and NAHB Analysis.



# Rising Population Entering Housing Demand Years: 2020

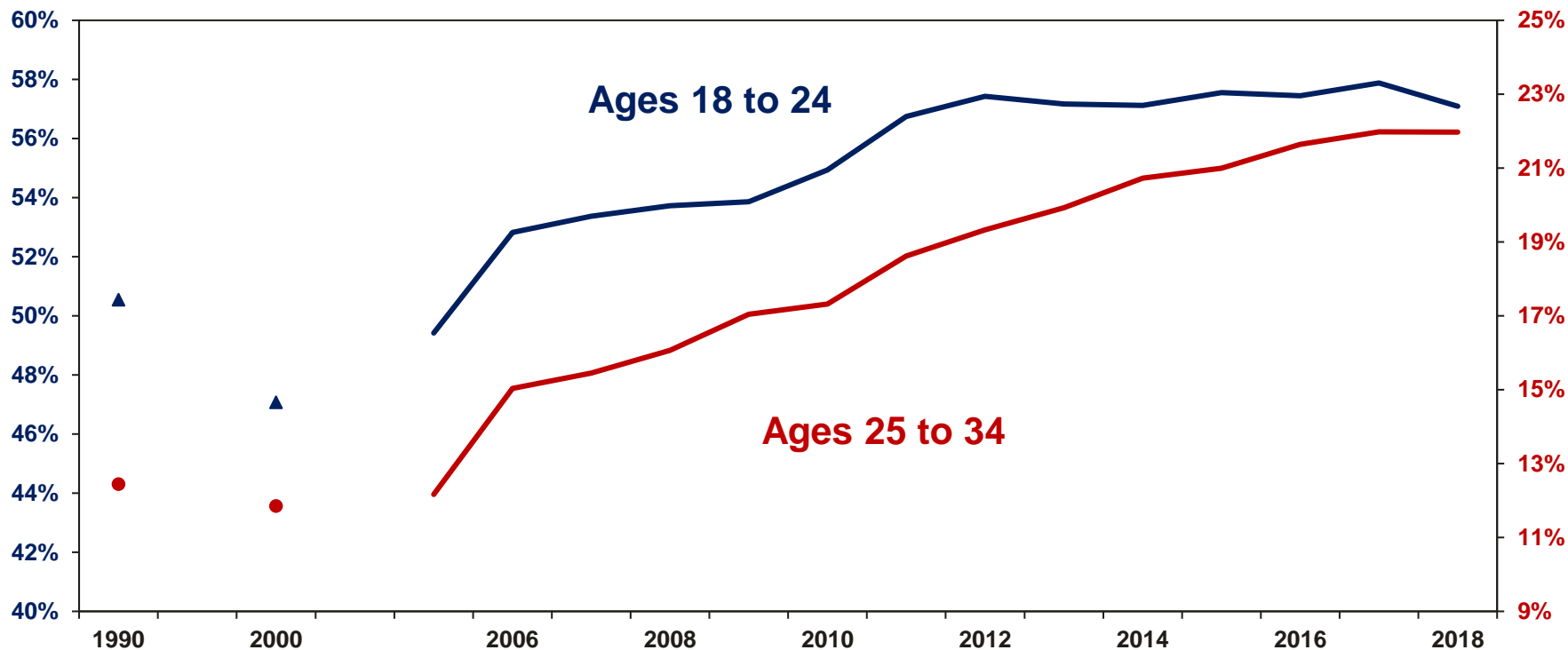
*Gen X the majority of new construction home buyers*



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

# Share of Young Adults Living with Parents

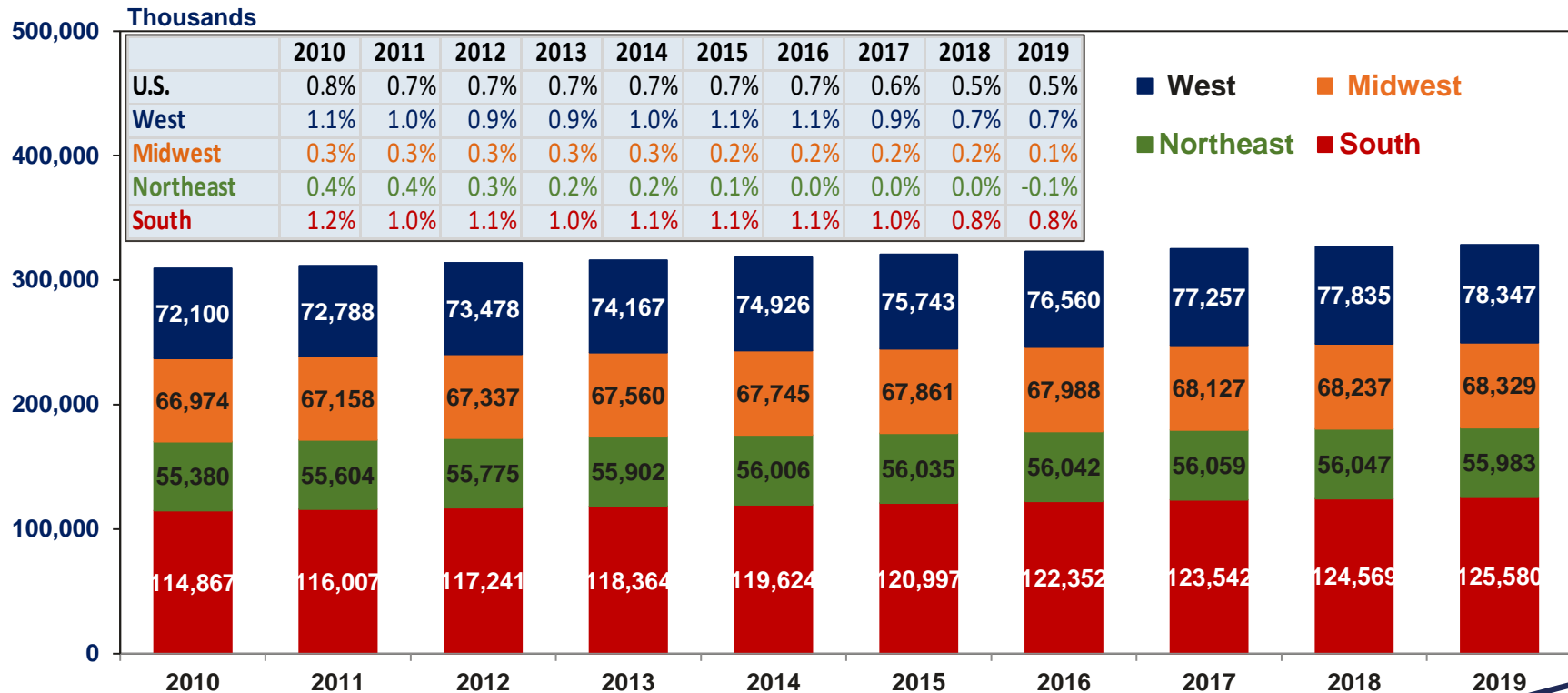
*Almost doubled but was leveling off before 2020 downturn*



Source: US Census 1990, 2000, PUMS, 2005-2018 ACS, PUMS, and NAHB Estimates

# Population Growth

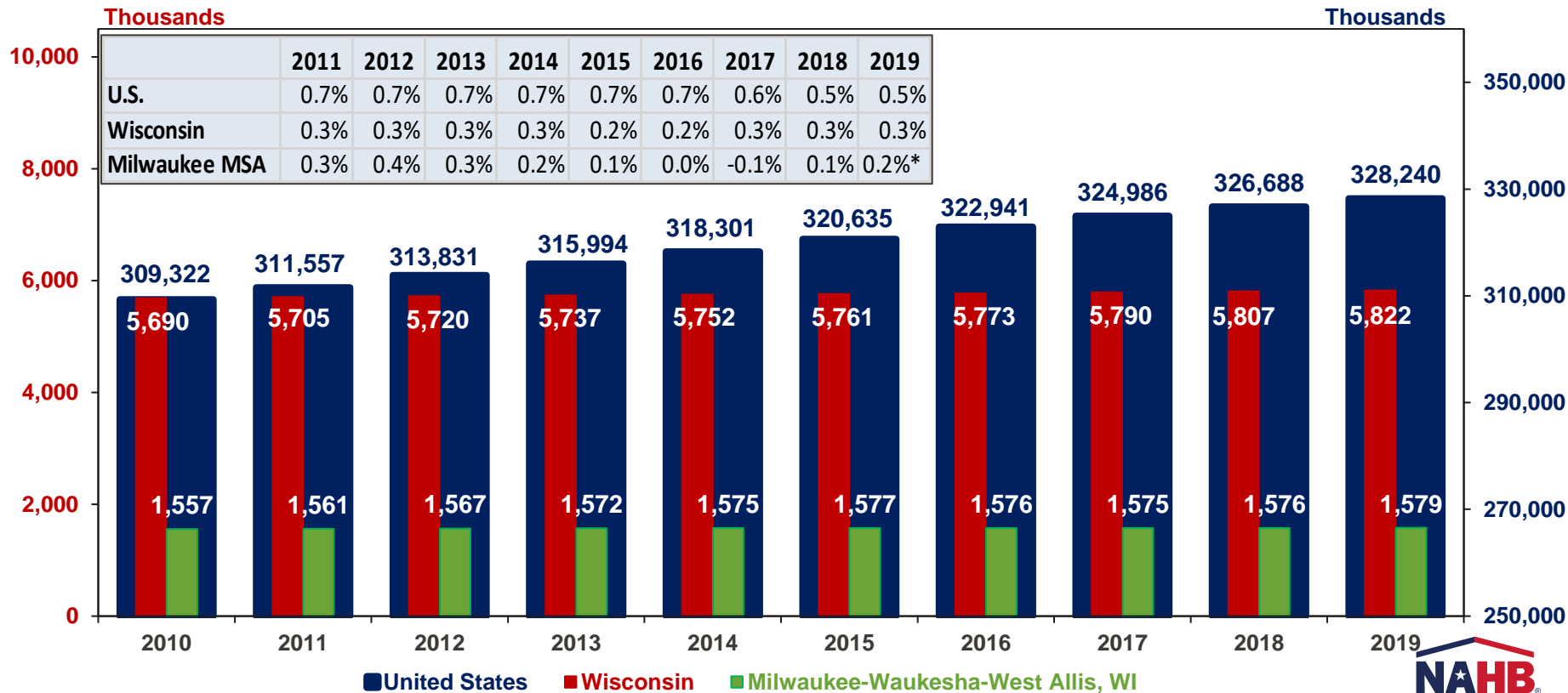
*Population growth slowing in all regions*



Source: U.S. Census Bureau (BOC)

# Population Growth

*Milwaukee MSA population growing slower than national and statewide rates*



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

\* U.S. Census Bureau (BOC): Population Estimates, Projections; Moody's Analytics Estimated



# Supply-Side Factors

*Labor*

*Lumber/materials*

*Lending (AD&C)*

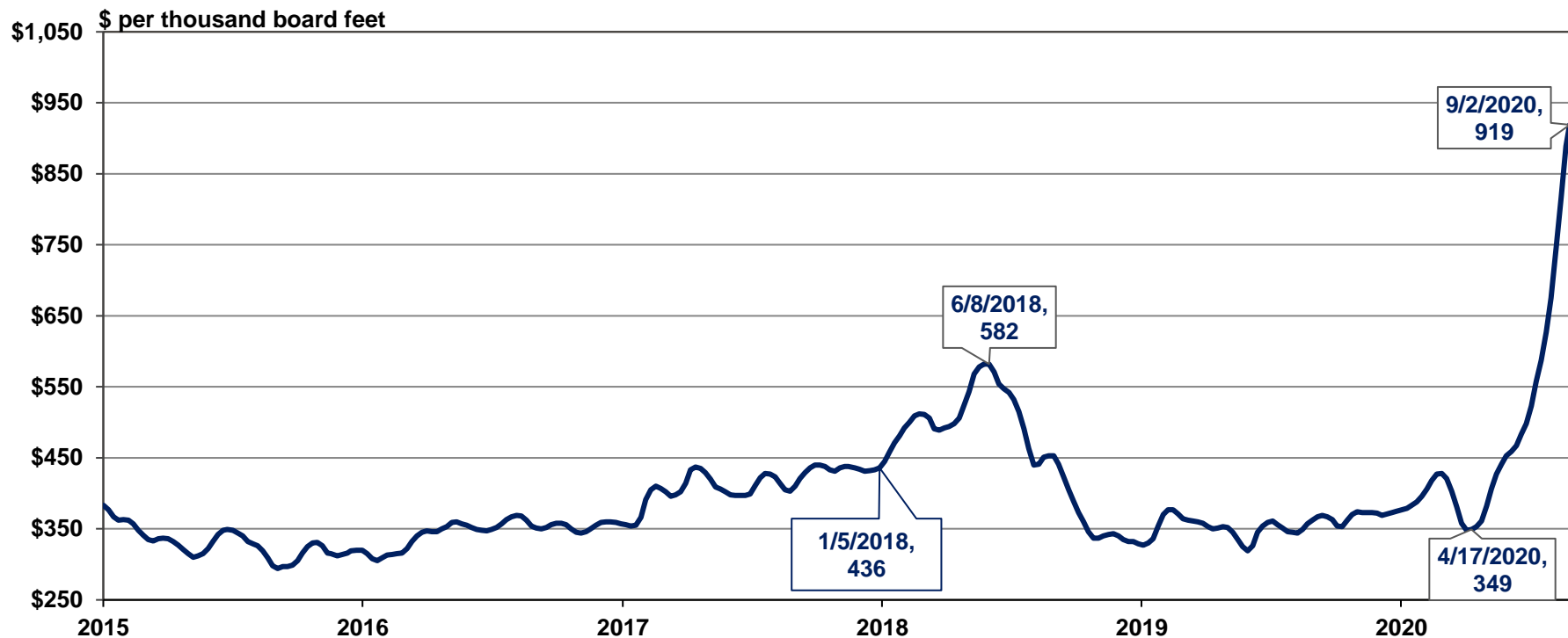
*Lots/land*

*Laws/regs*



# / Building Materials – Lumber Prices

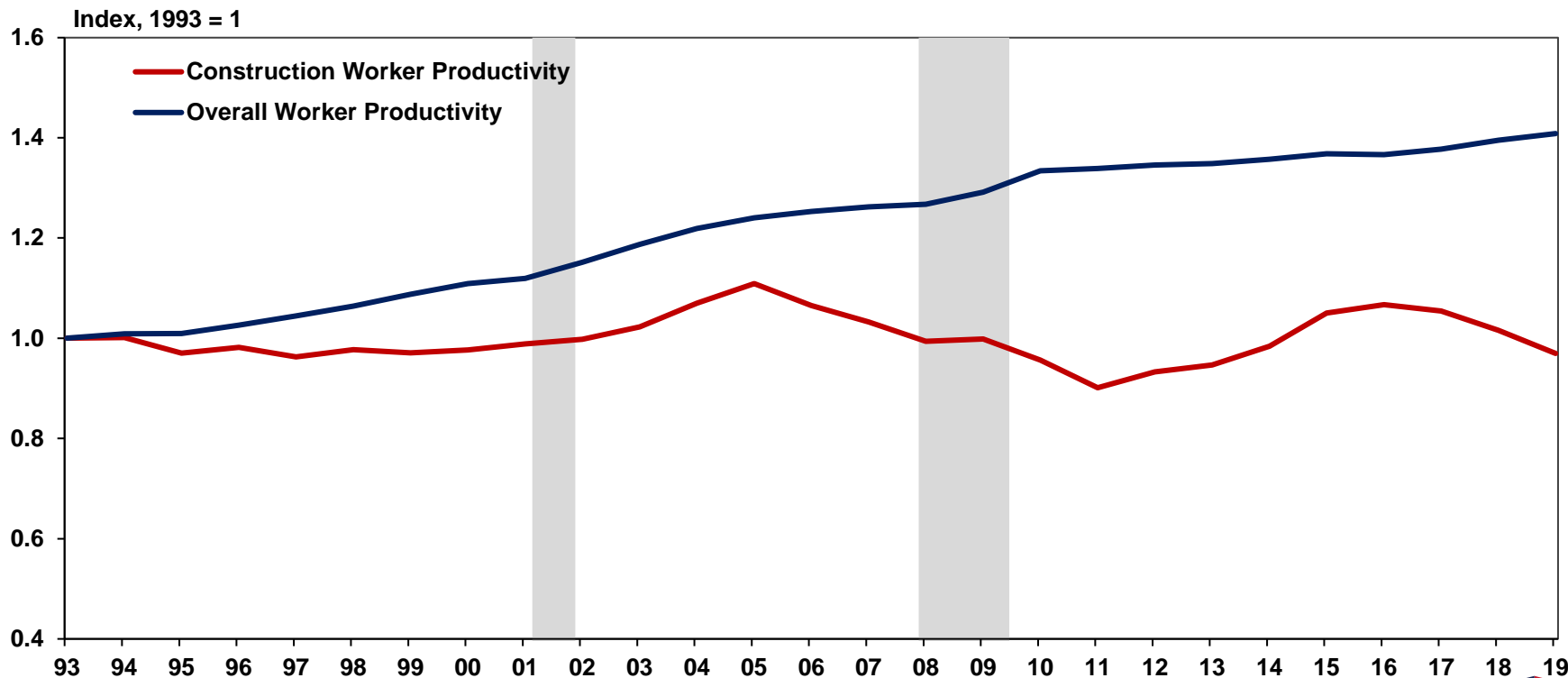
*Current September price \$957 and up 174% since mid-April*



Source: NAHB Analysis; Random Lengths Composite Index

# Construction Sector Productivity

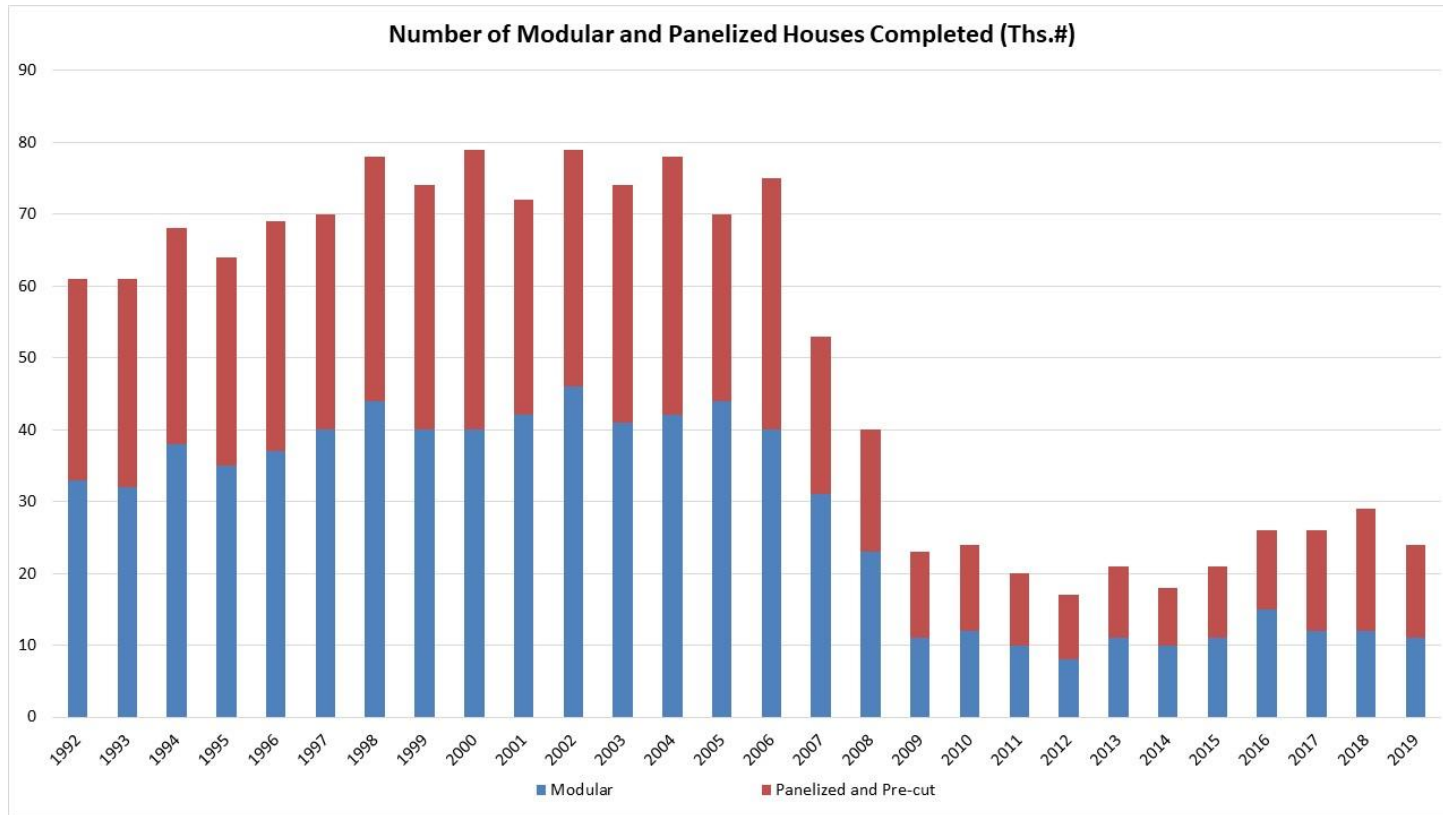
*Home building/remodeling lost 456,800 jobs in March and April, gained 81% back in May thru Aug*



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

# Offsite Construction

*Growing (?) but small share (3% total for panelized and modular; 7% in 1998)*

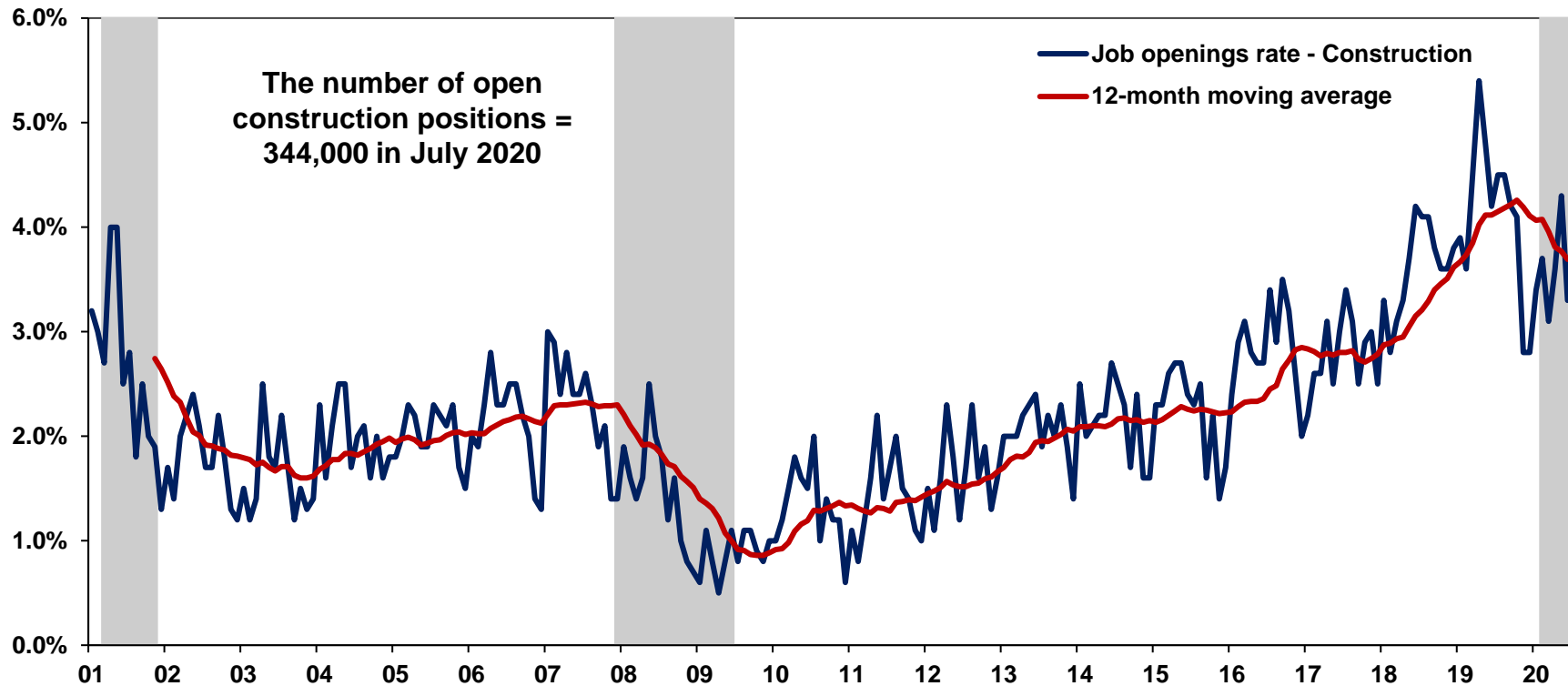


Source: NAHB tabulation of data from Survey of Construction, U.S. Census Bureau



# Labor - Construction

*Skilled labor shortage persists – nonresidential and residential have different outlooks*

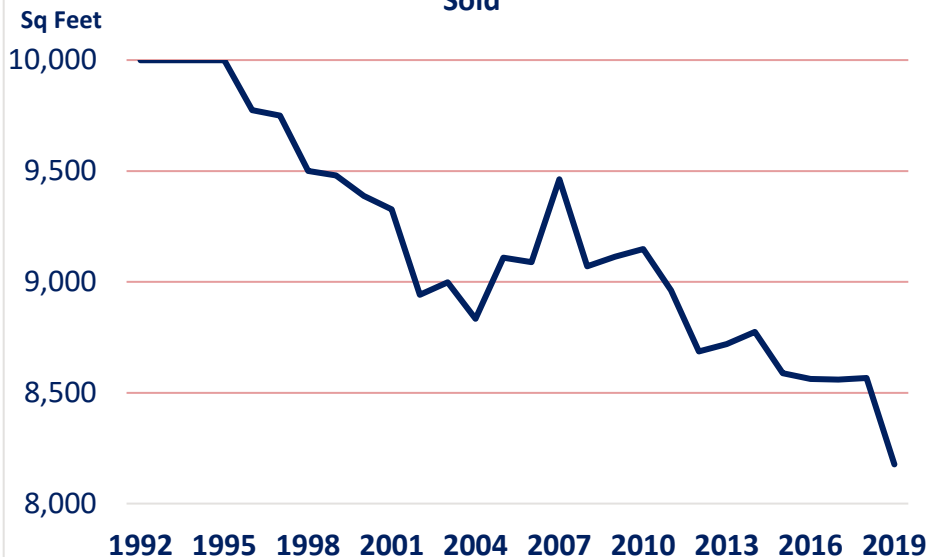


Source: U.S. Bureau of Labor Statistics (BLS).

# Lot Size is Falling – Market Forces

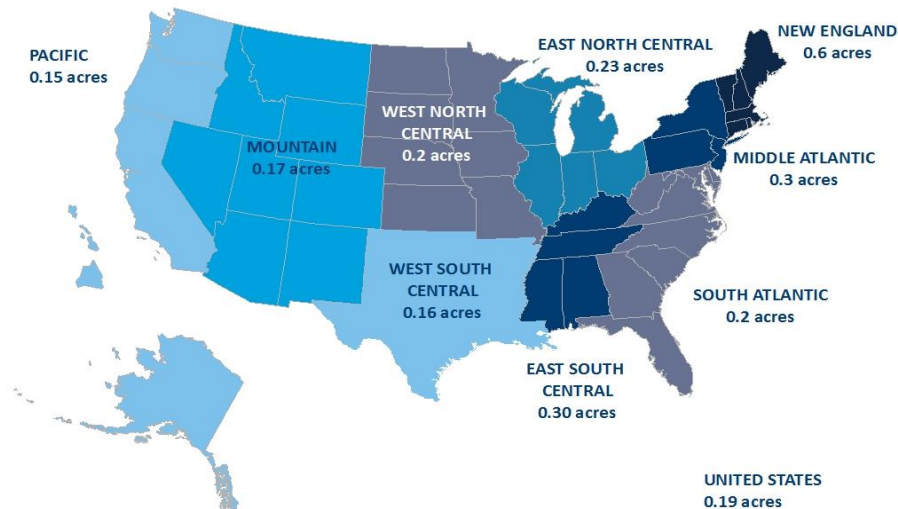
*New England has the largest lots, the Pacific states the smallest*

**Median Lot Size: New Single-family Detached Homes Sold**



Source: US Census Bureau

**Median Lot Size**  
*New Single-Family Detached Spec Homes Started in 2019*



Source: 2019 Survey of Construction, NAHB Estimates

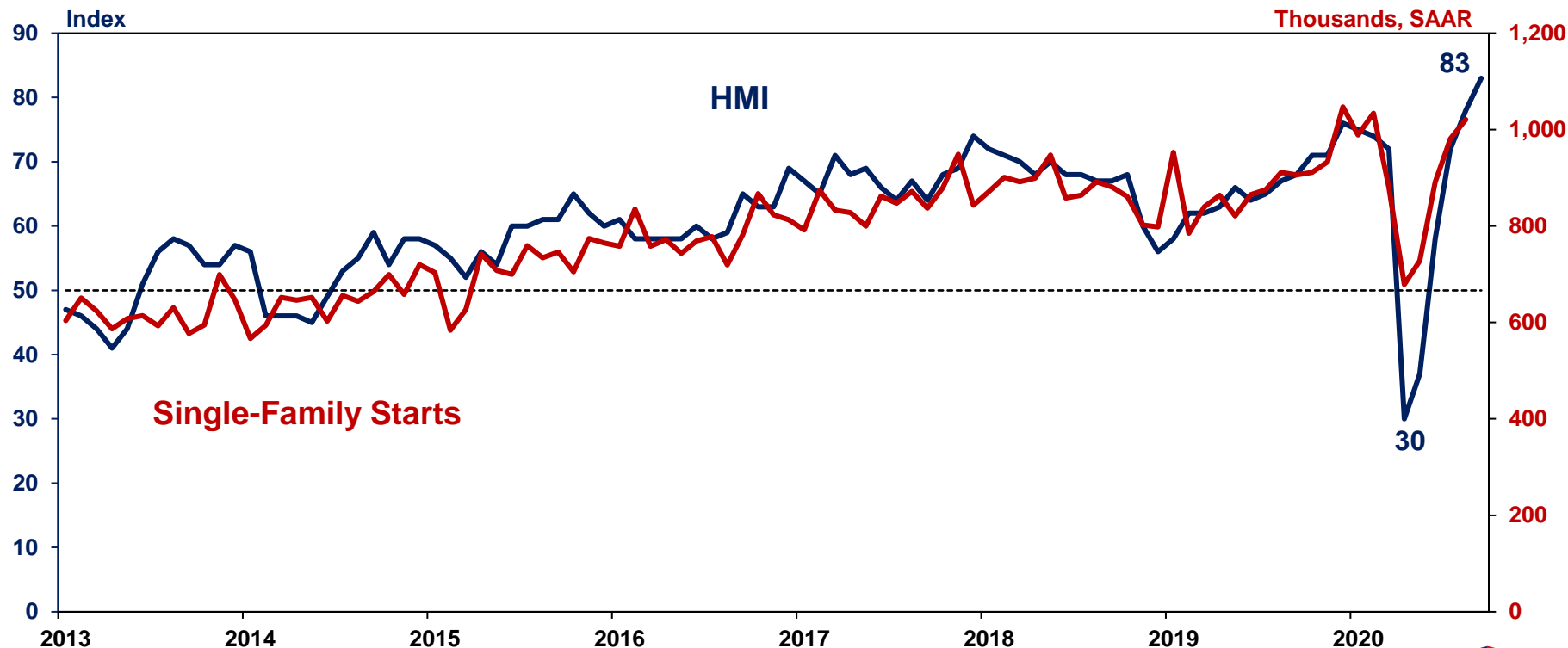


# Construction Outlook



# NAHB/Wells Fargo Housing Market Index (HMI)

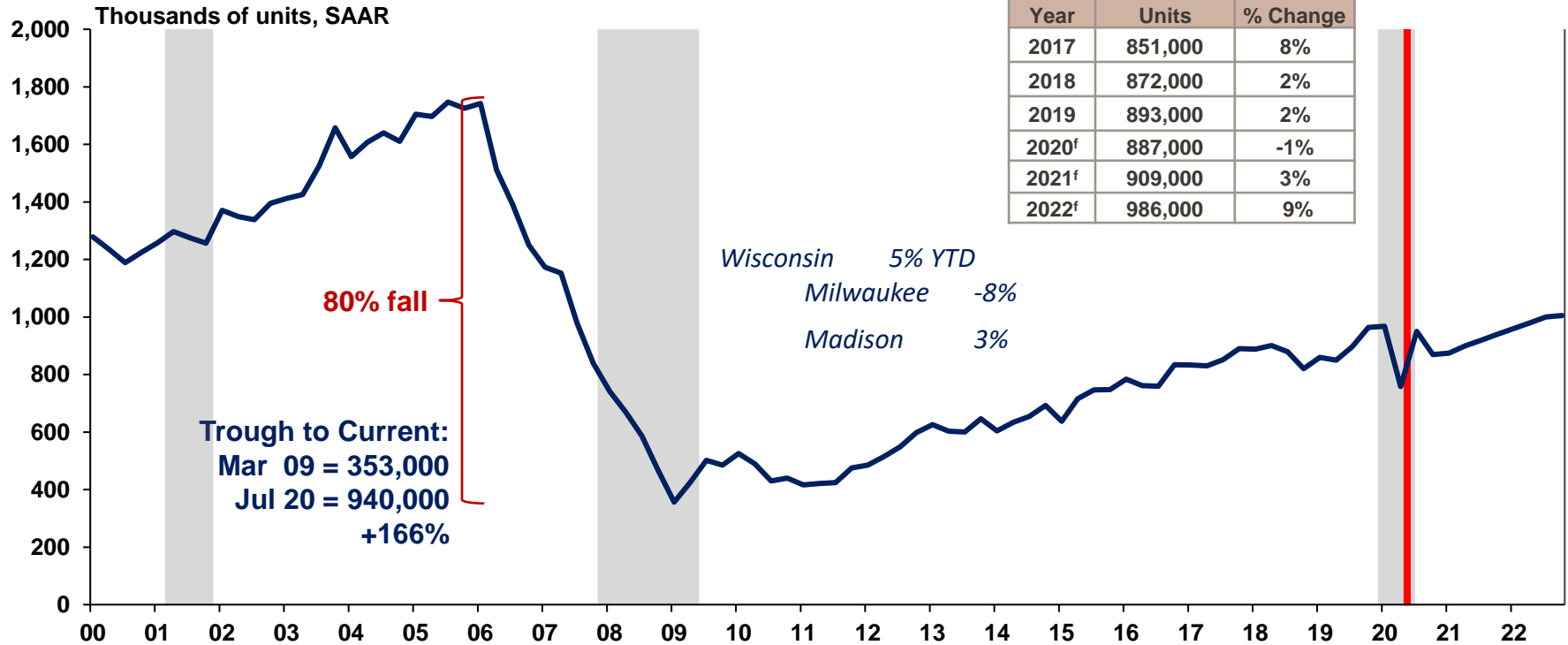
*Builder confidence rises to all-time high (83 for September)*



Source: Census Bureau and NAHB/Wells Fargo HMI survey

# Single-Family Starts

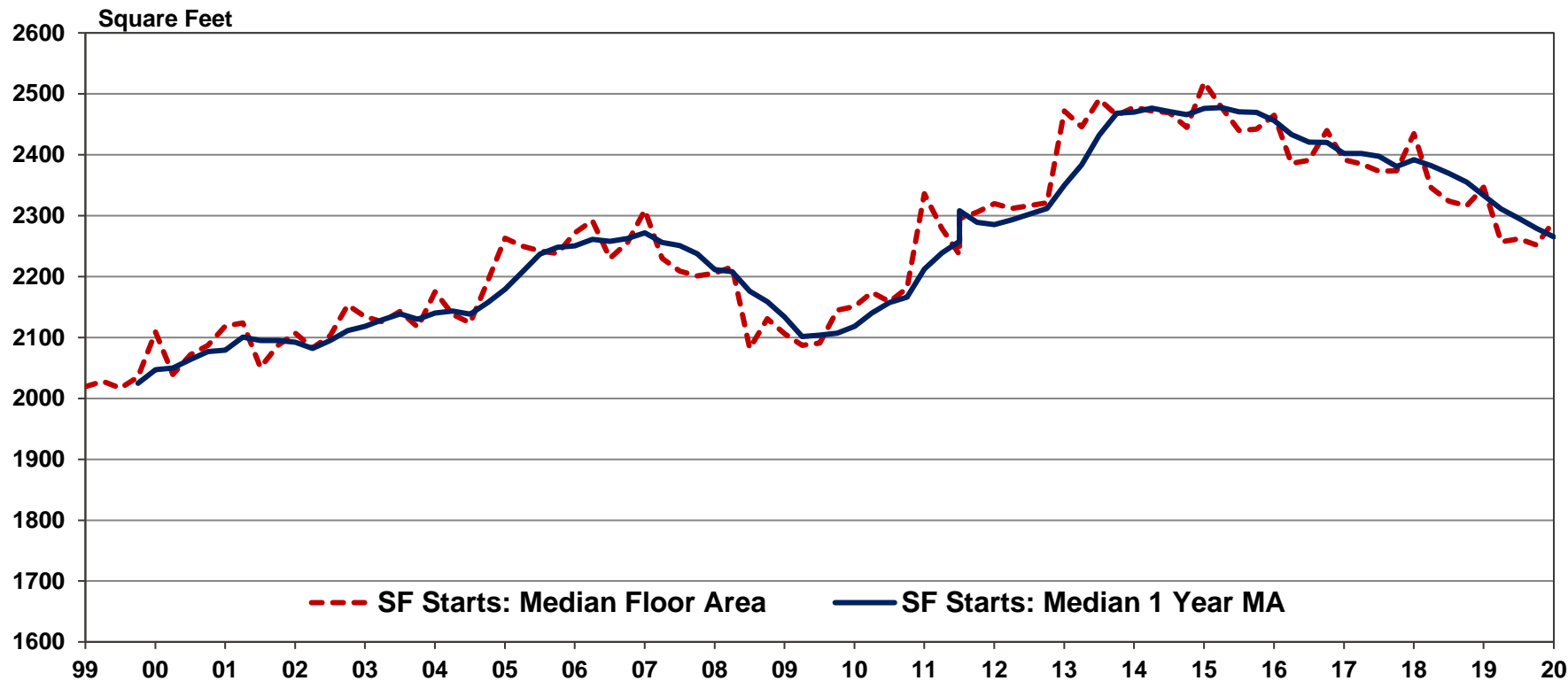
*Choppy conditions ahead*



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

# Typical New Home Size

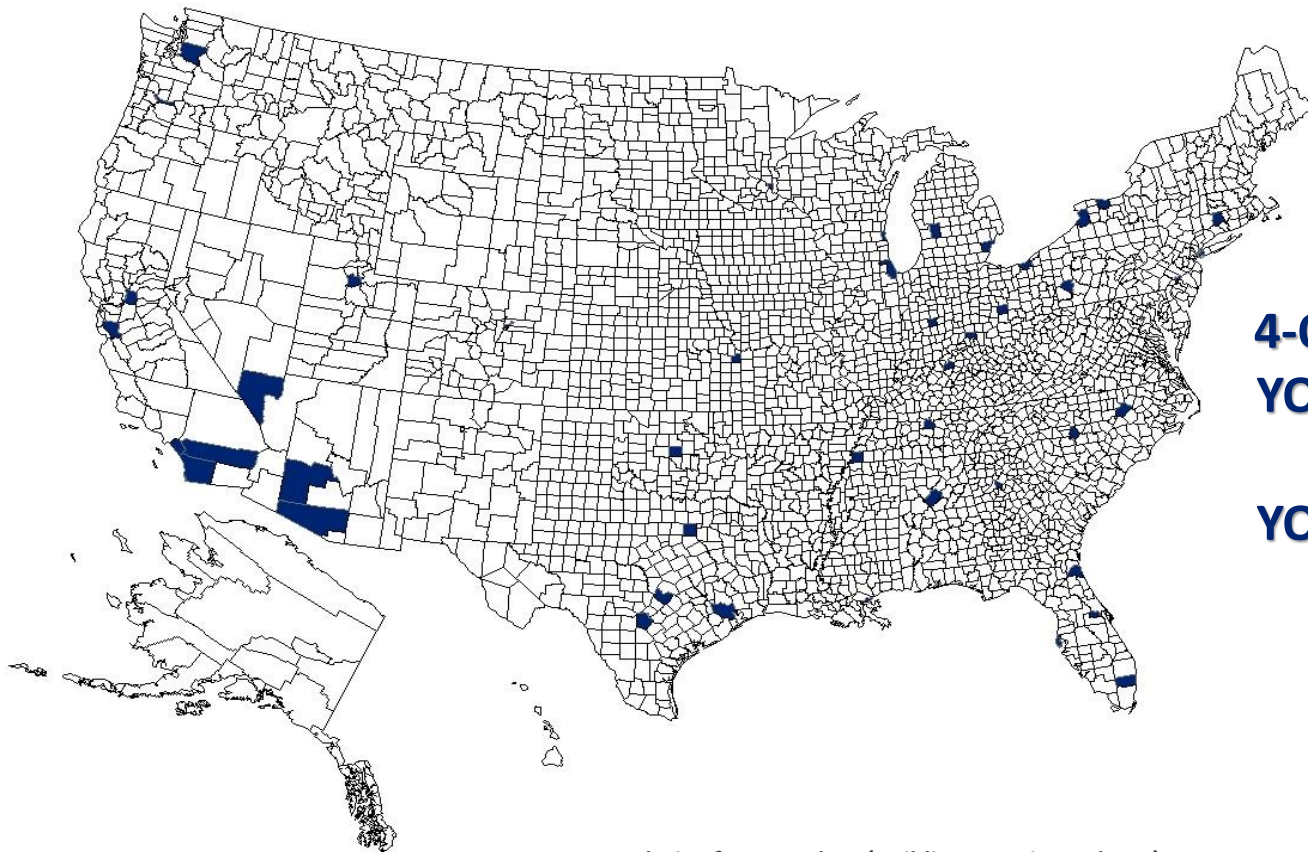
*End of declines ahead?*



Source: U.S. Census Bureau (BOC)

# NAHB Home Building Geography Index

*17.6% of single-family construction takes place in Large Metro – Core County*



**Q2 2020**

**4-Quarter MA of  
YOY growth rate:  
3.9%**

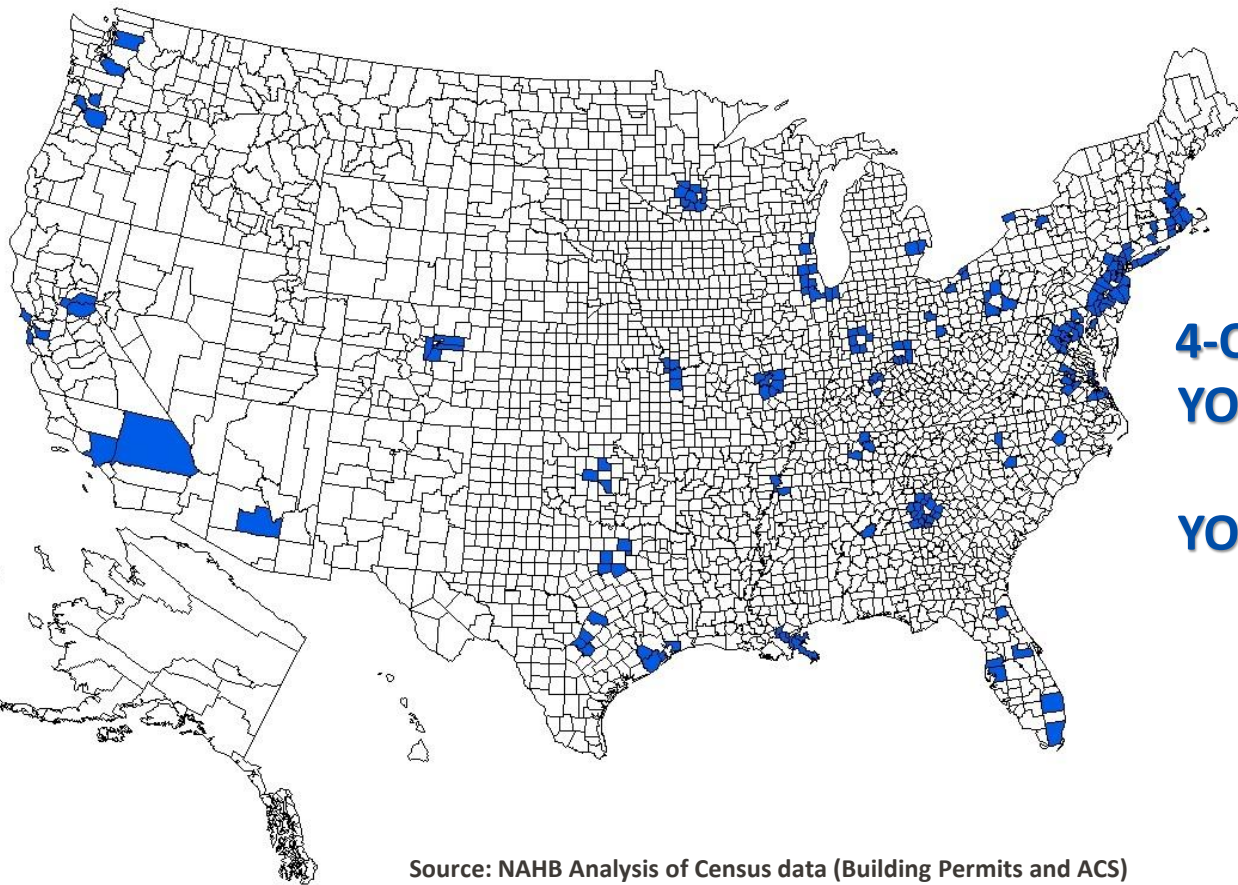
**YOY growth rate:  
-16.8%**

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



# / NAHB Home Building Geography Index

*25.4% of single-family construction takes place in Large Metro – Suburban County*



Q2 2020

4-Quarter MA of  
YOY growth rate:

4.5%

YOY growth rate:

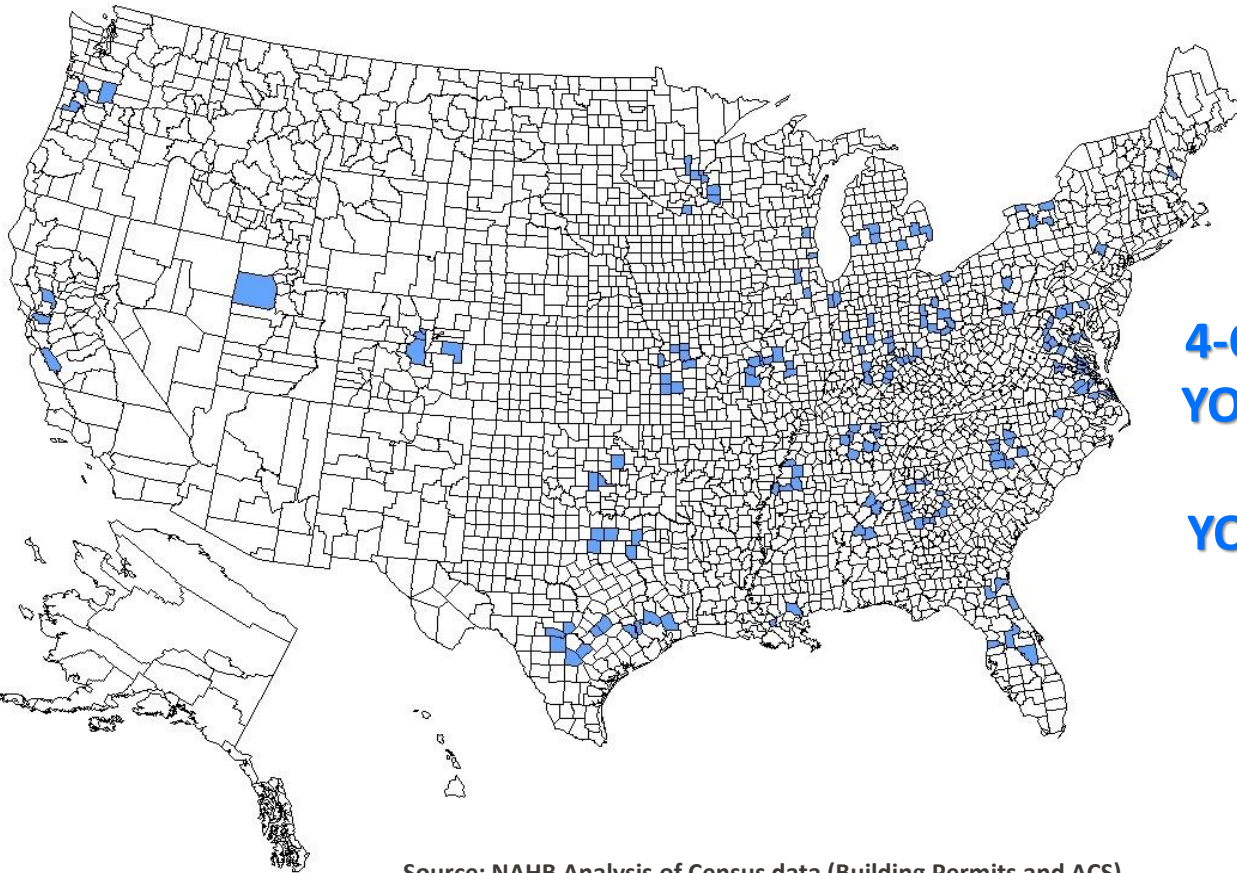
-9.1%

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



# NAHB Home Building Geography Index

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



Q2 2020

4-Quarter MA of  
YOY growth rate :

5.6%

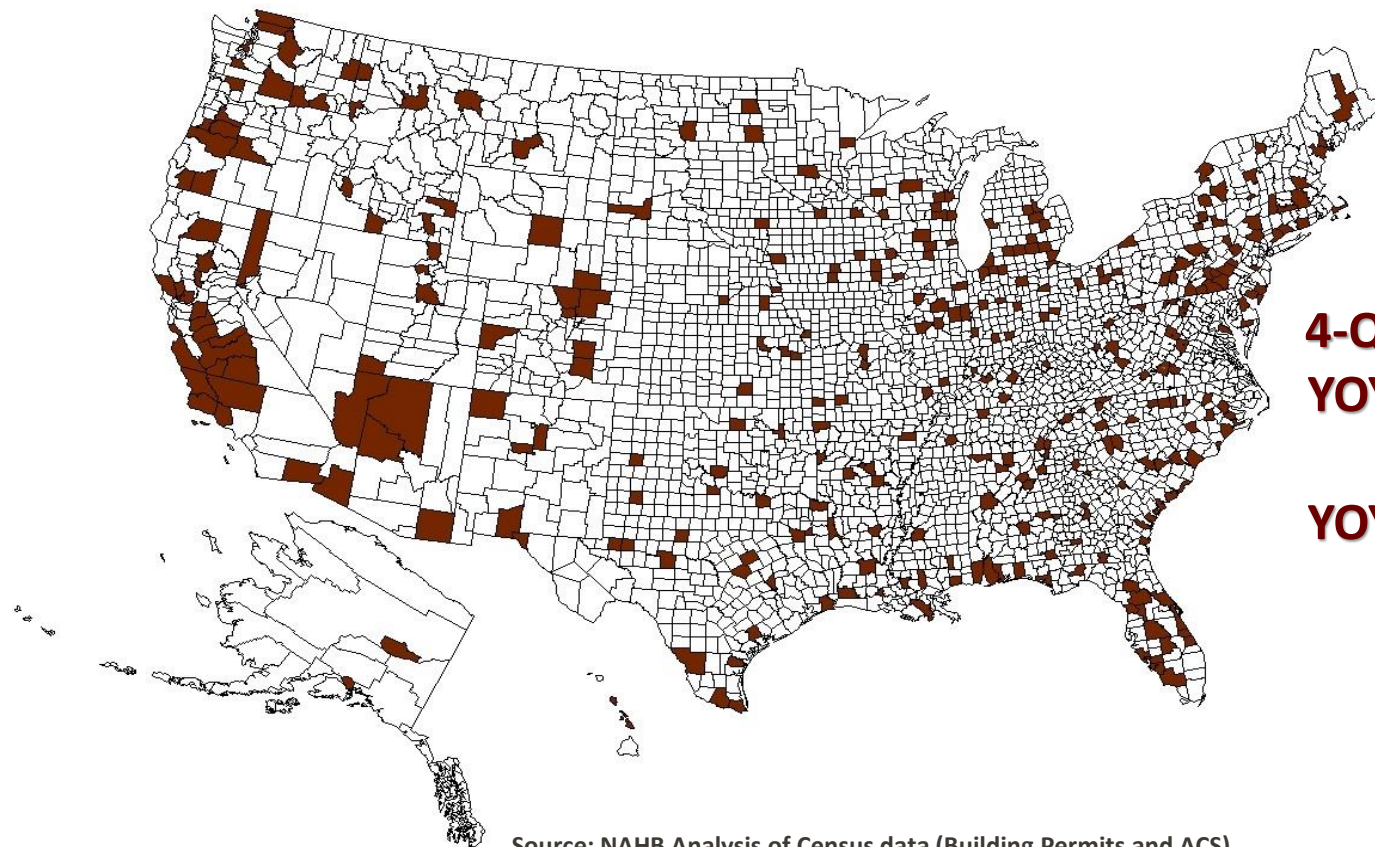
YOY growth rate:

-8.9%

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

# / NAHB Home Building Geography Index

*29.3% of single-family construction takes place in **Smaller Metro – Core County***



**Q2 2020**

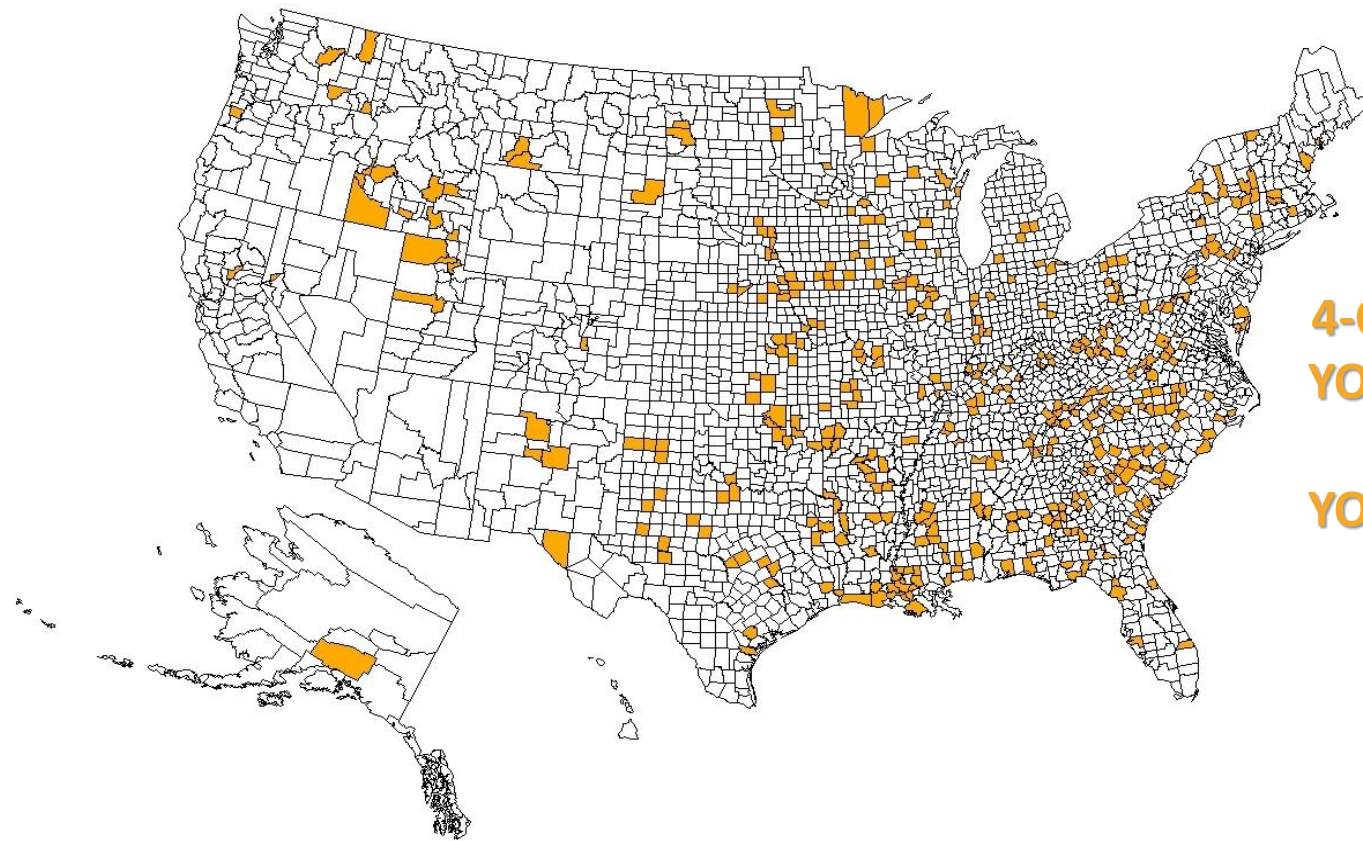
**4-Quarter MA of  
YOY growth rate:  
7.5%**

**YOY growth rate:  
-5.9%**

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

# NAHB Home Building Geography Index

8.8% of single-family construction takes place in **Smaller Metro – Outlying County**



Q2 2020

4-Quarter MA of  
YOY growth rate:

10.6%

YOY growth rate:

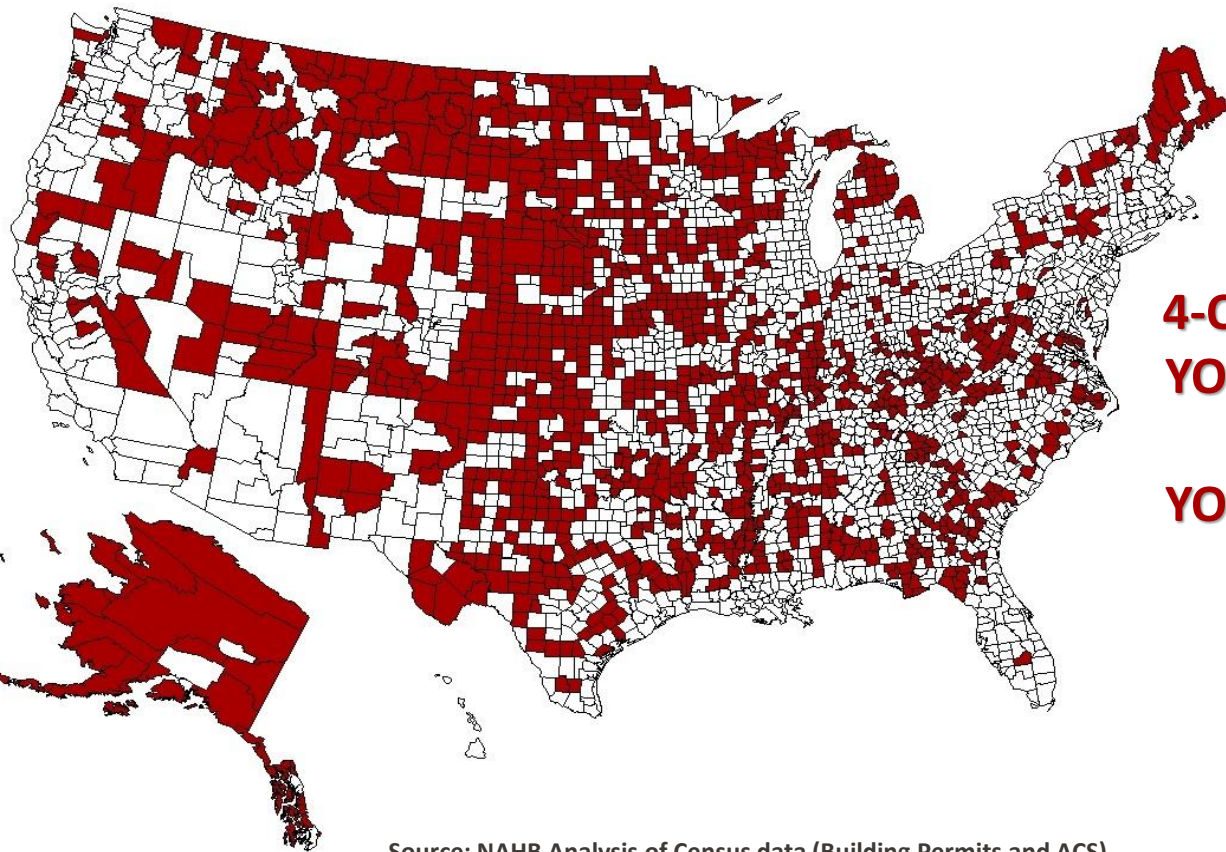
2.7%

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



# / NAHB Home Building Geography Index

*4.1% of single-family construction takes place in Non Metro/Micro County*



Q2 2020

4-Quarter MA of  
YOY growth rate:

4.3%

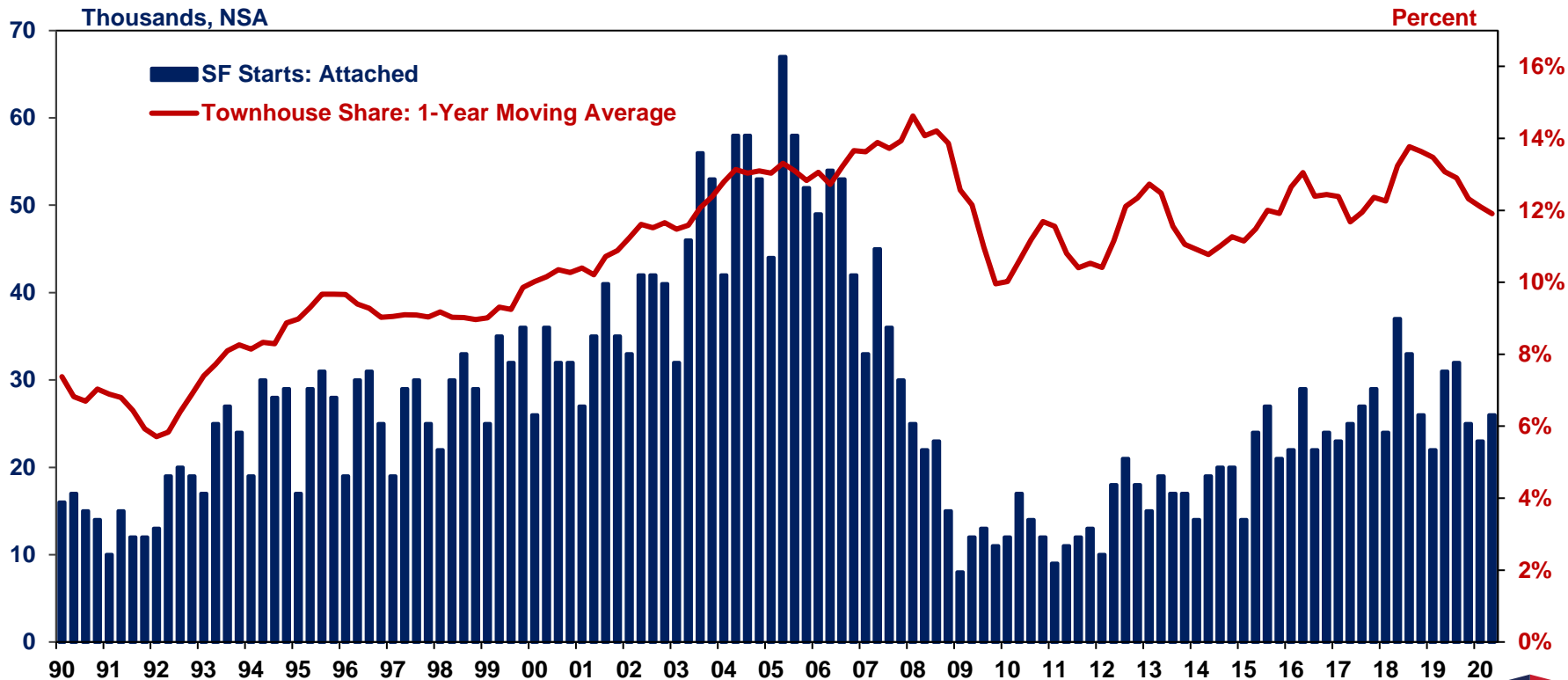
YOY growth rate:

-2.7%

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

# Townhouse Market Stalls

*Expansion expected as high-density markets decline*

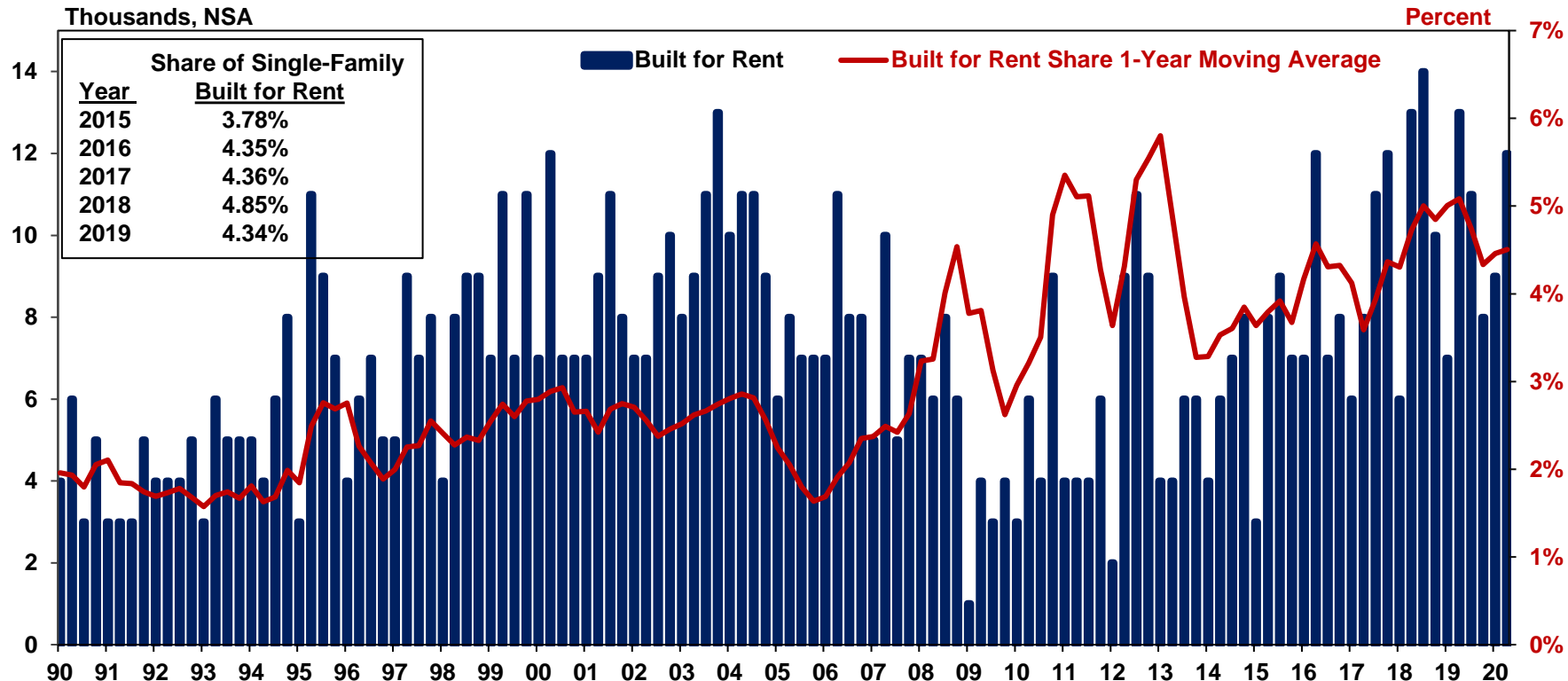


Source: U.S. Census Bureau (BOC)

# Single-Family Built-for-Rent Construction

*A window of opportunity*

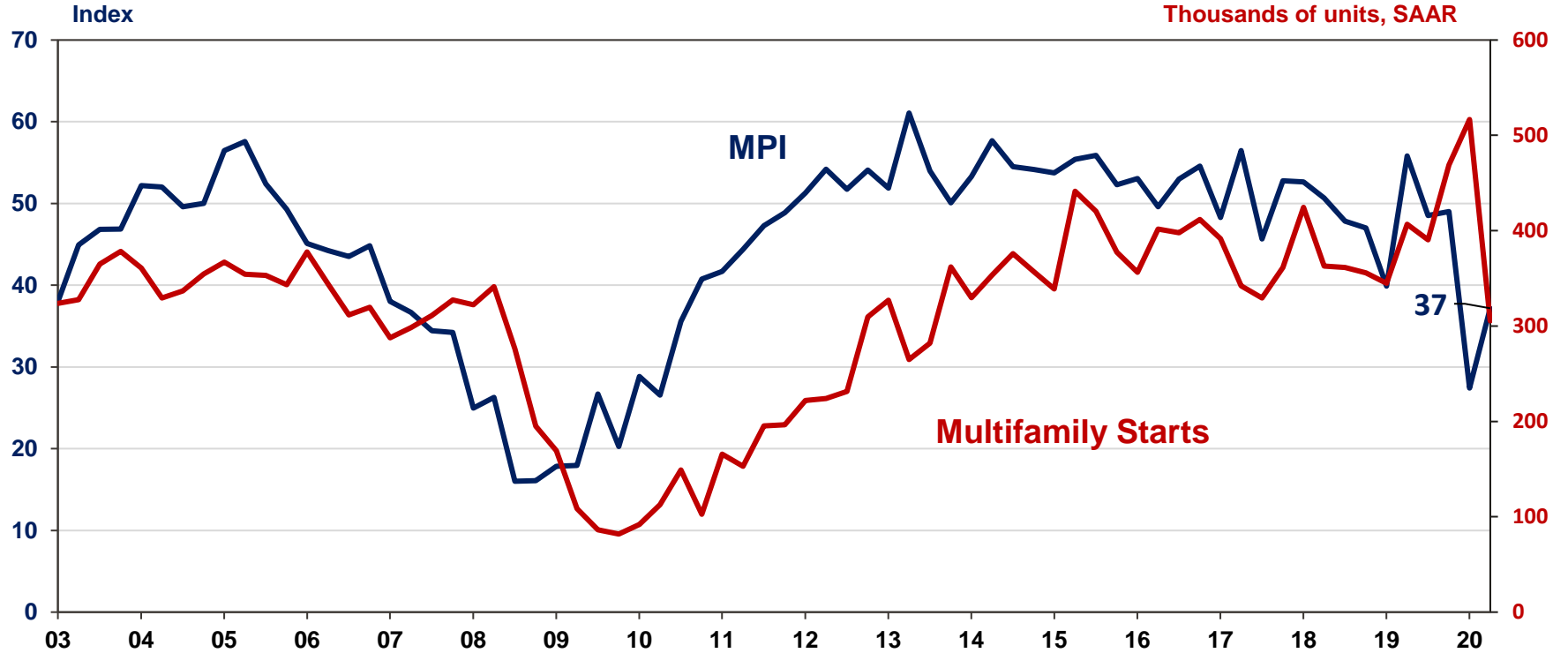
Thousands, NSA



Source: U.S. Census Bureau (BOC)

# NAHB Multifamily Production Index

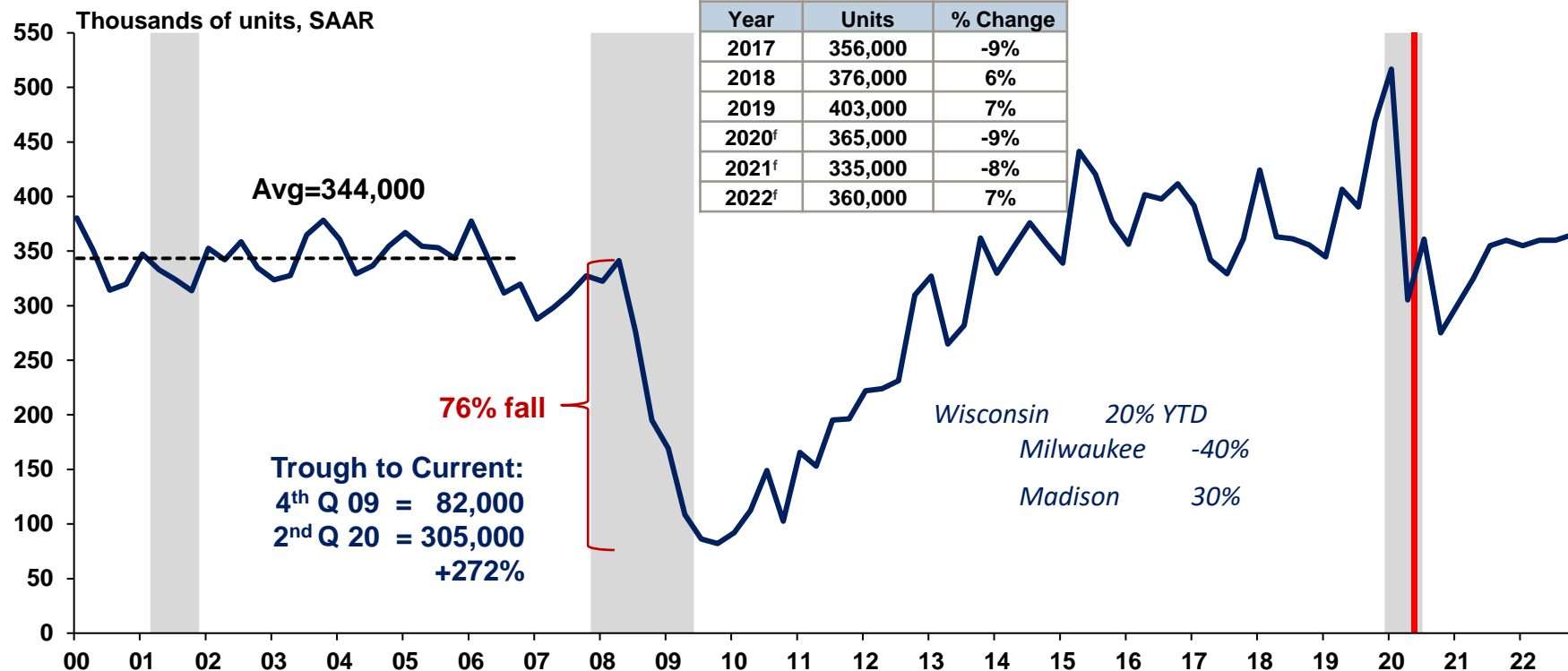
*Confidence in the multifamily market weakened*



Source: U.S. Census Bureau (BOC) and NAHB Multifamily Market Survey (MMS).

# Multifamily Housing Starts

Multifamily growth for low-rise and low-density development

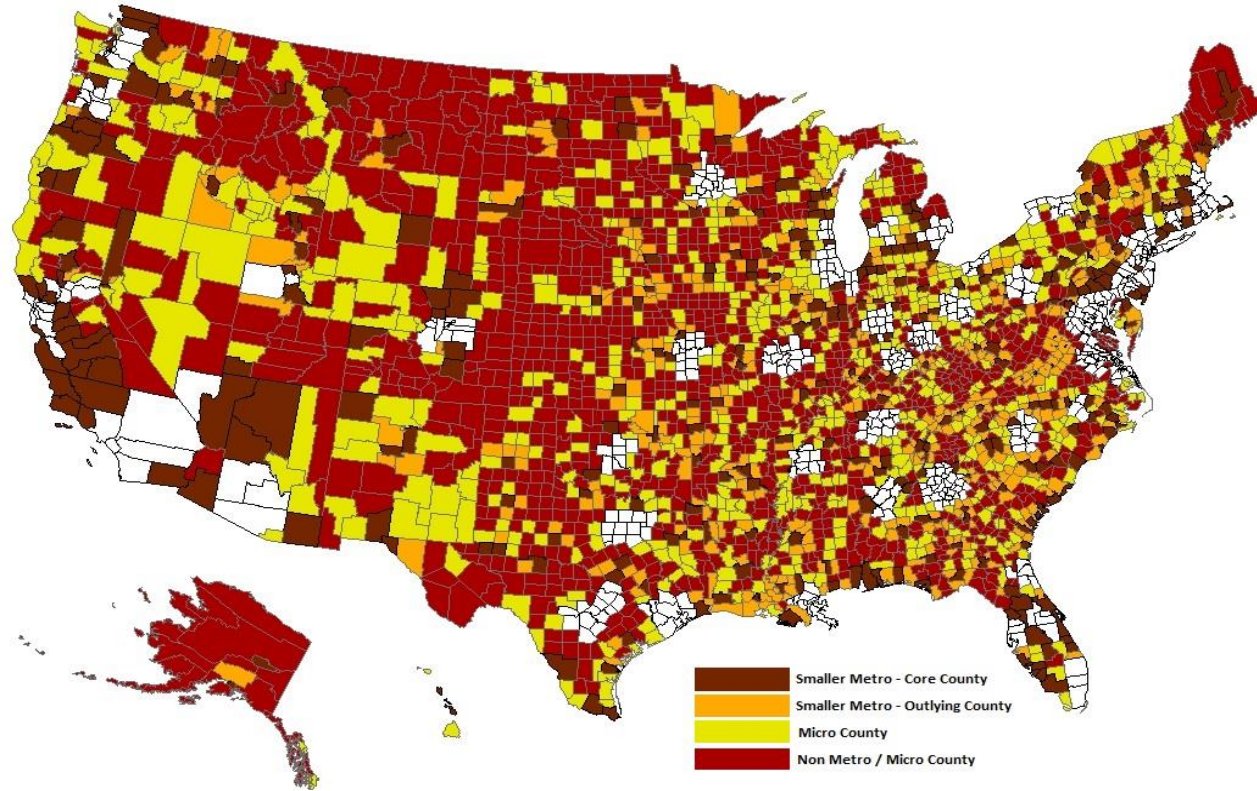


Source: U.S. Census Bureau (BOC) and NAHB forecast



# / 30% Multifamily Construction in Low Density Markets

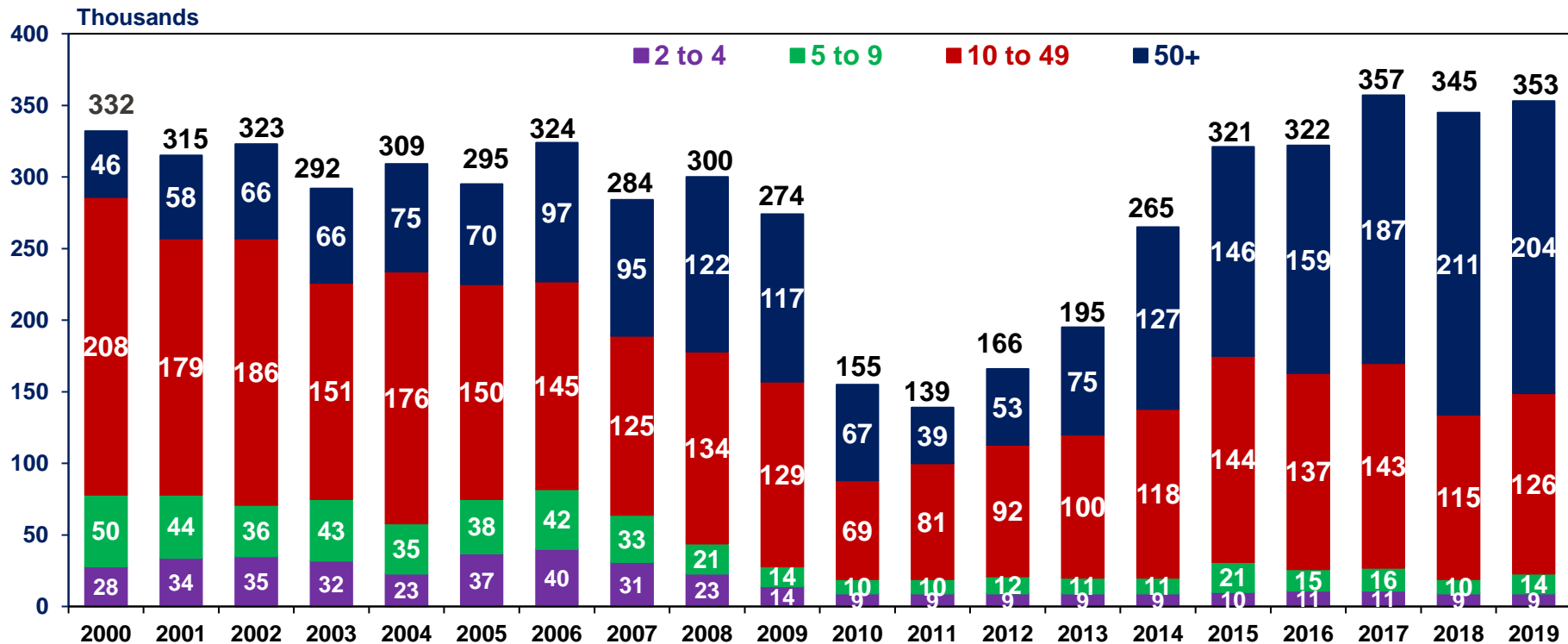
*These areas have outpaced higher density markets over the last four quarters*



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

# Multifamily Buildings Completed By Units

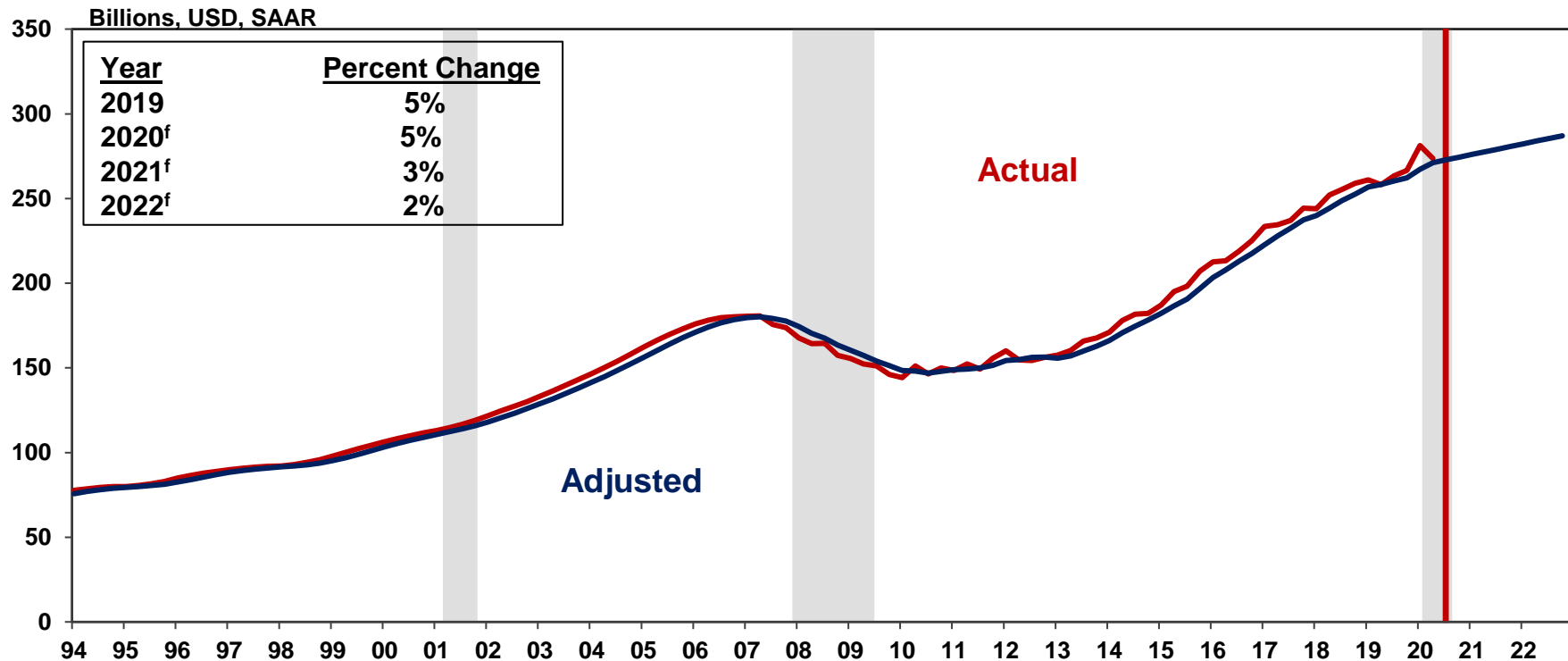
*Expect 50+ unit property share to decline*



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

# Residential Remodeling

*Remodeling will weather the crisis well due to ongoing needs for home improvement*



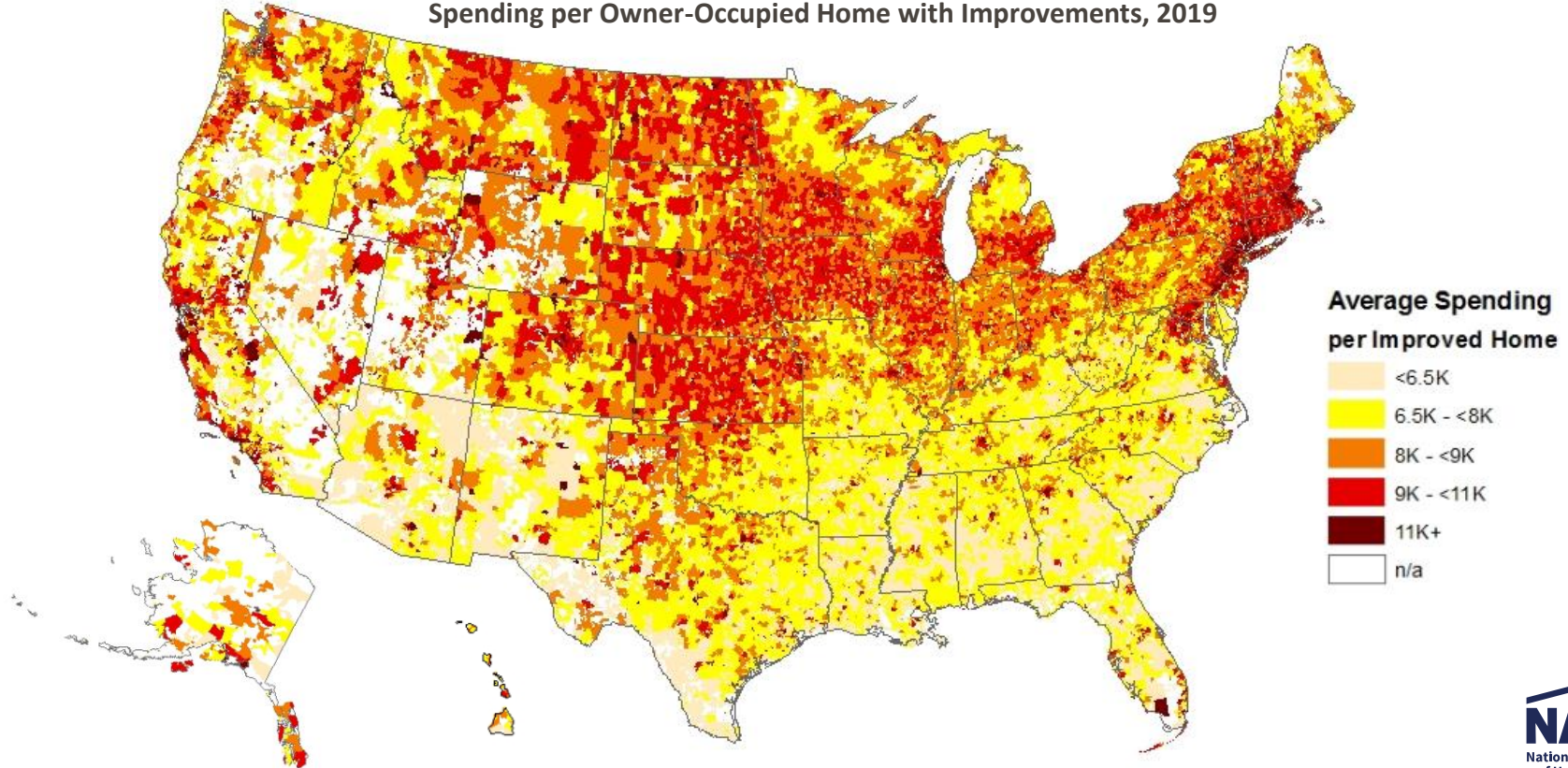
Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

# Geography of Remodeling Activity

*Zip code level average spending analysis*

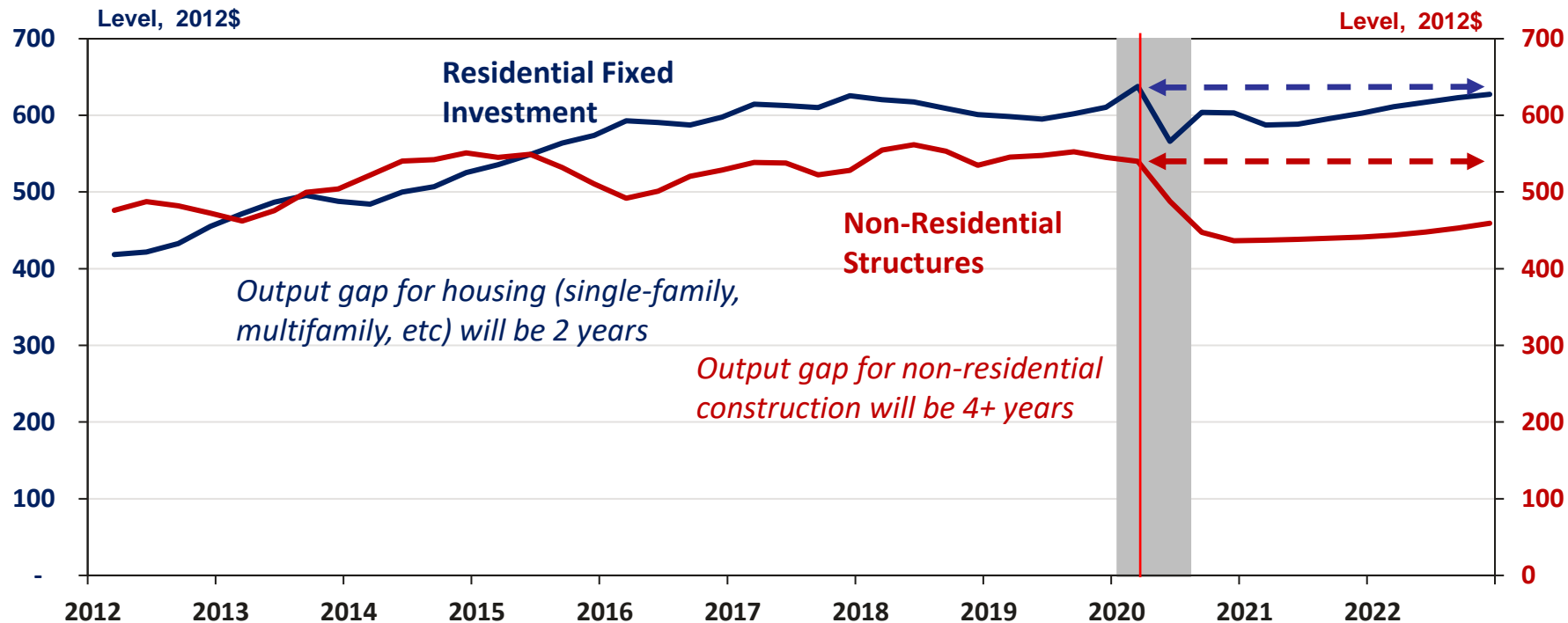
Spending per Owner-Occupied Home with Improvements, 2019



Source: HUD/Census Bureau American Housing Survey

# Housing and Commercial Construction

*Recession will have much larger impact on nonresidential building*



Source: BEA, NAHB Forecast

# Thank you

*Questions?*

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Economic Leadership Sponsor



Home Mortgage

*eyeonhousing.org*  
*housingeconomics.com*