

National Association of Home Builders

HOUSING DEMAND & SUPPLY

Collateral Risk Network
November 17, 2015

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Chief Economist



Points

Demand

- Demographics

- Economics

Supply

- Characteristics of New Homes

- Builders' Plans for Future Homes

- What Consumers Want

- Headwinds

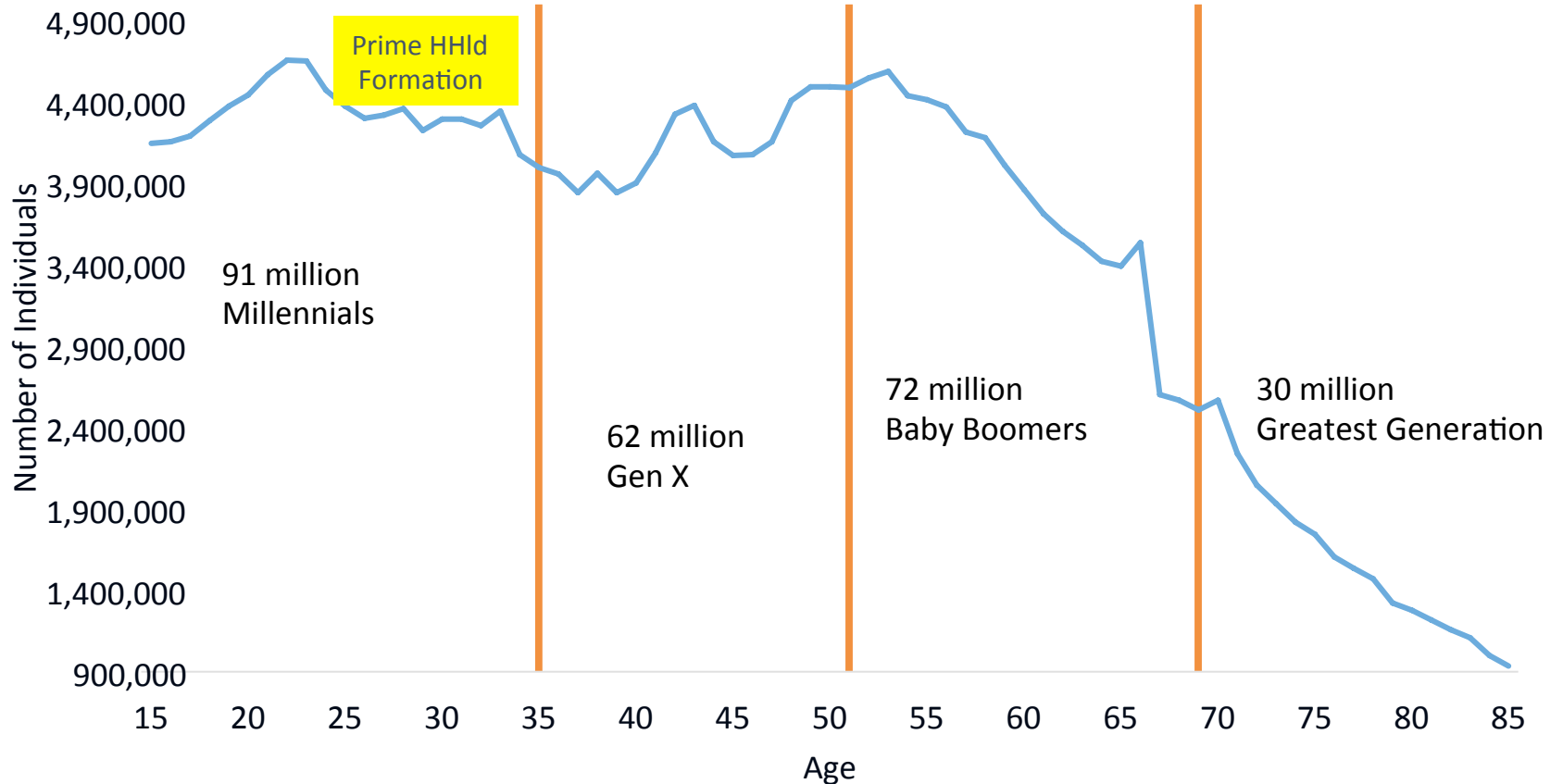
Forecast



Demand: Demographics

Current Population Distribution

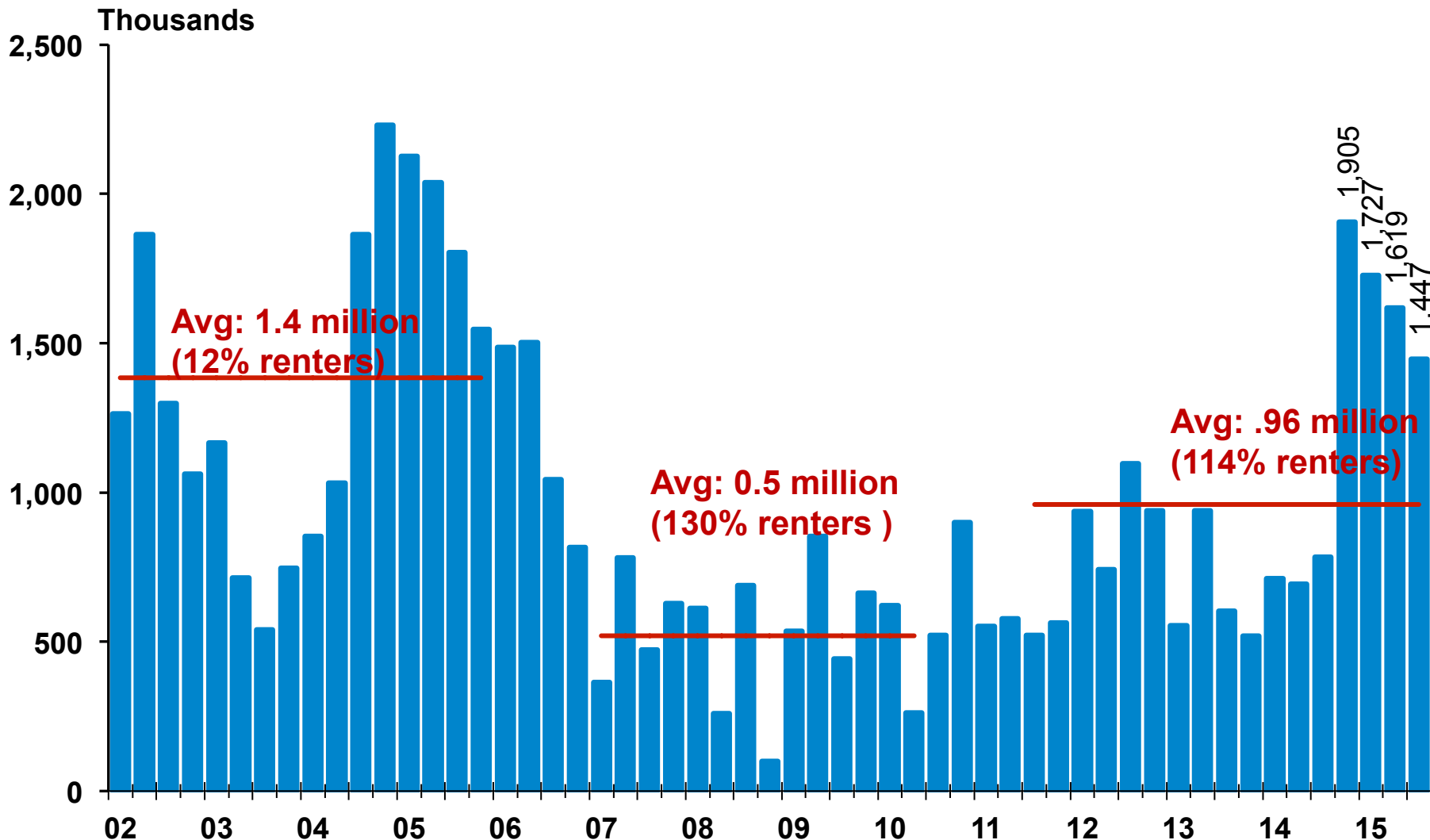
Number of people at each age



Source: Census population estimates by age

Household Formations Higher in Recent Qtrs

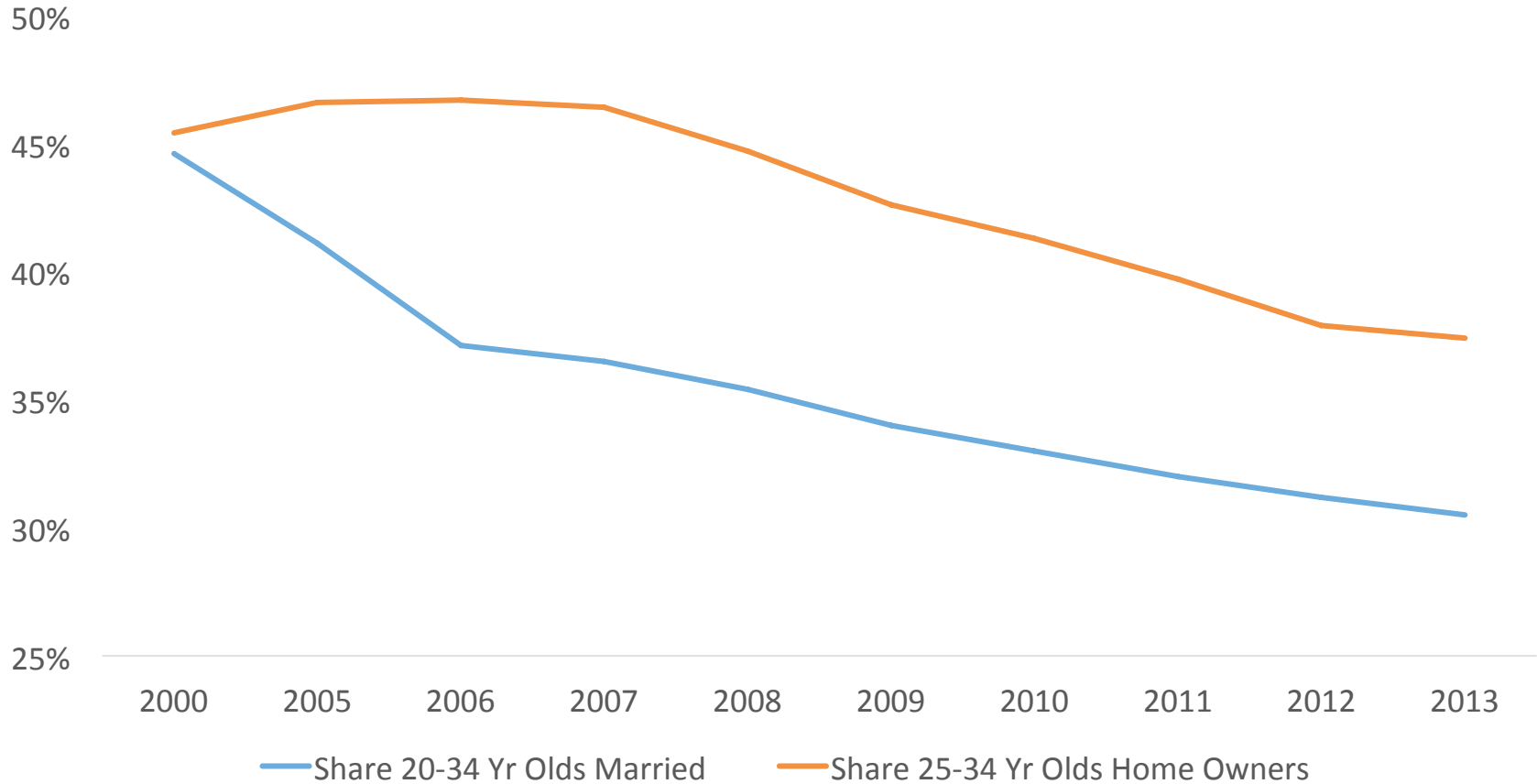
Uptick in year-over-year change in households



Source: Census Housing Vacancy Survey

Marriage and Homeownership

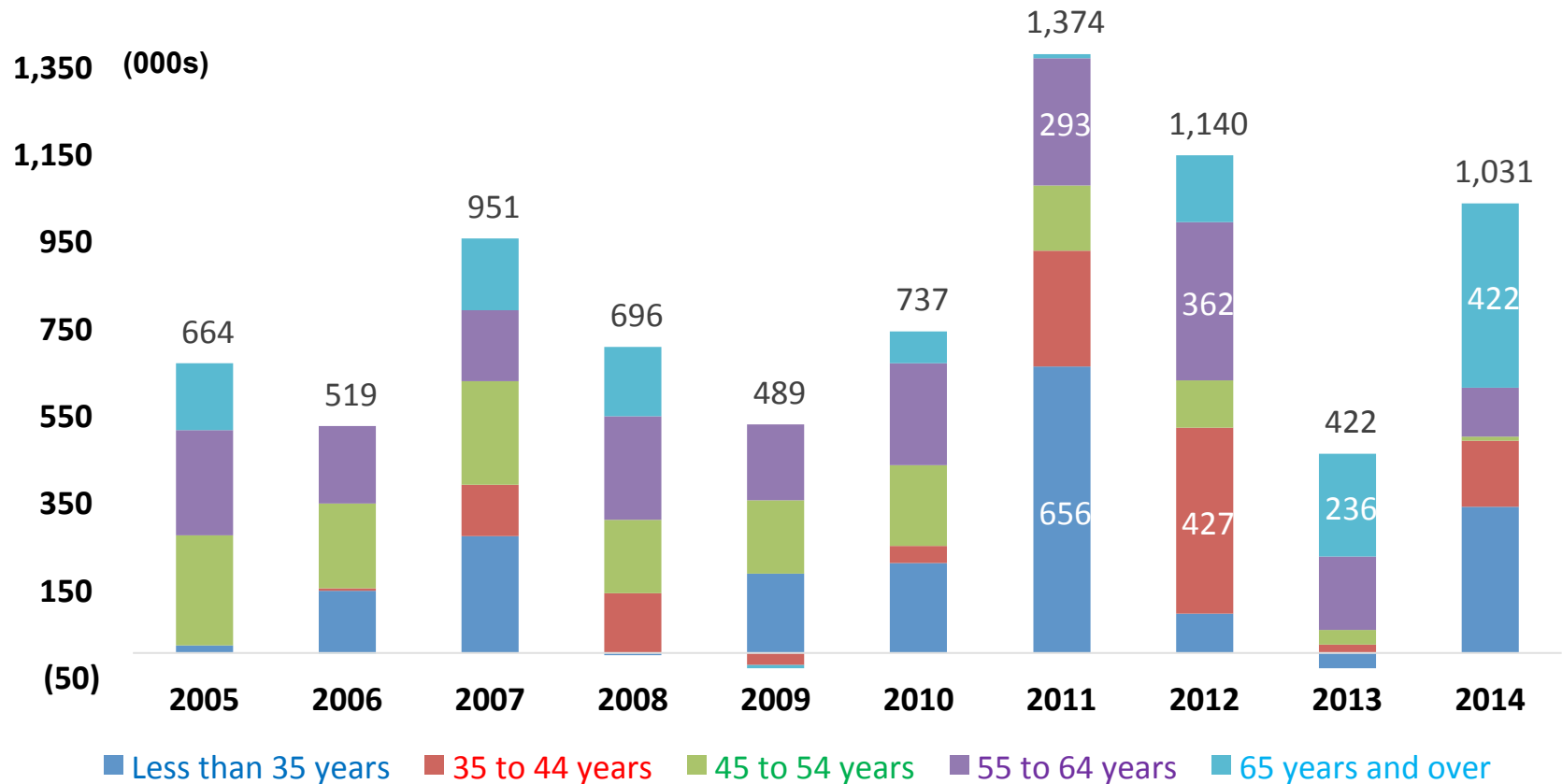
Delays feed delays



Source: Census ACS

Added Renter Households

8 million more renters in 10 years

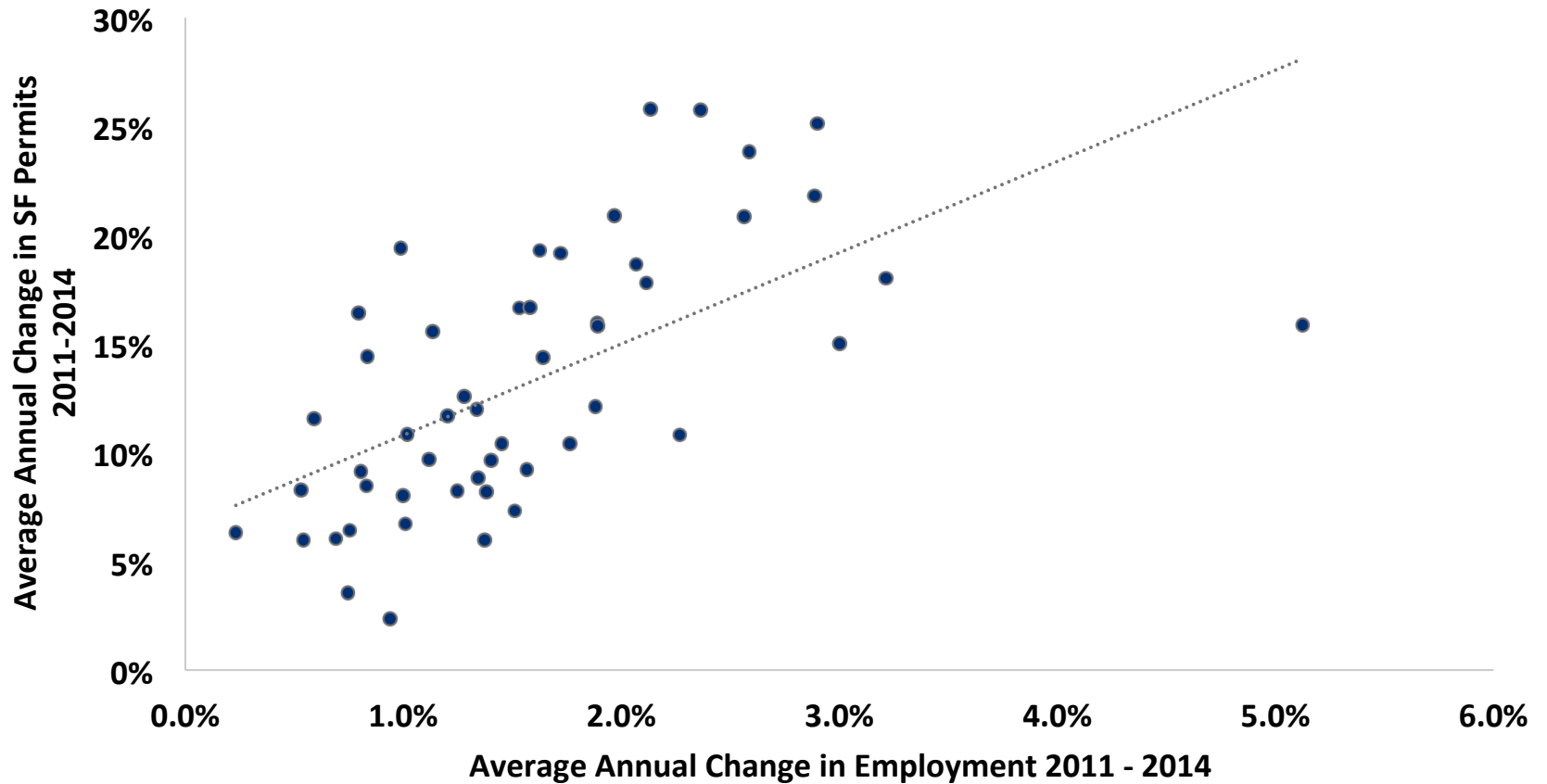




Demand: Economy

Employment and Permits

Each point a state



Source: BLS annual employment & Census annual permits

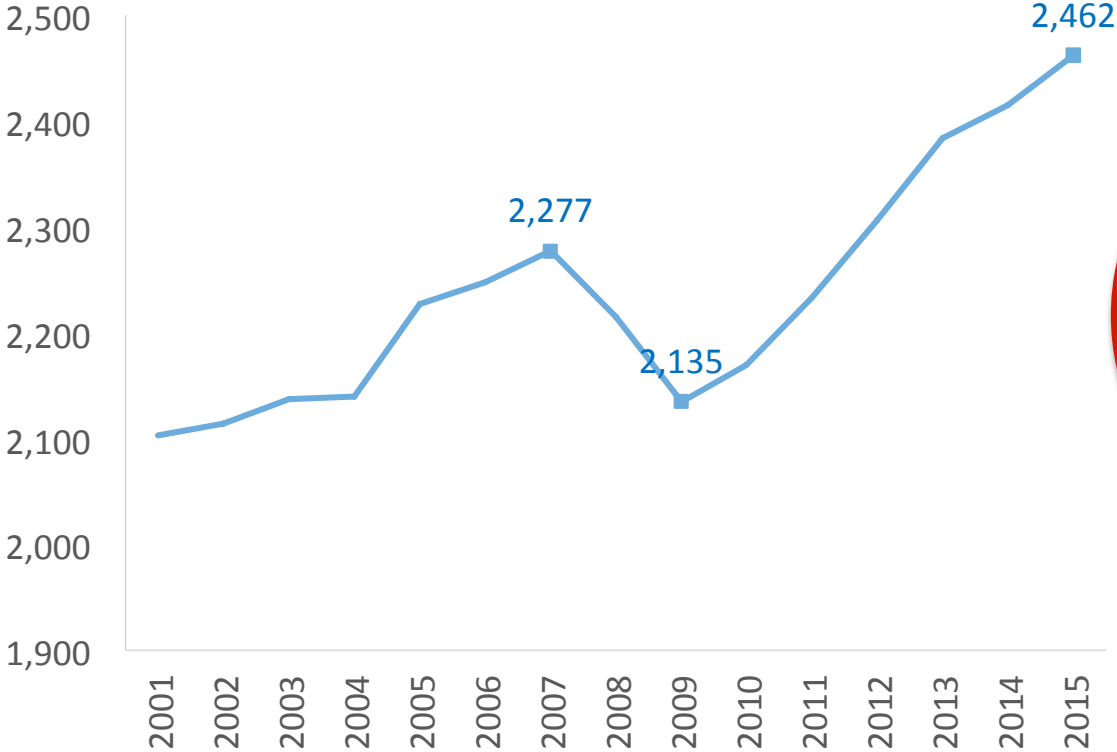
National Association of Home Builders



Supply: Characteristics of New Homes

What Has Been Built

Median Size of New Single-Family Homes Completed (Square Feet)

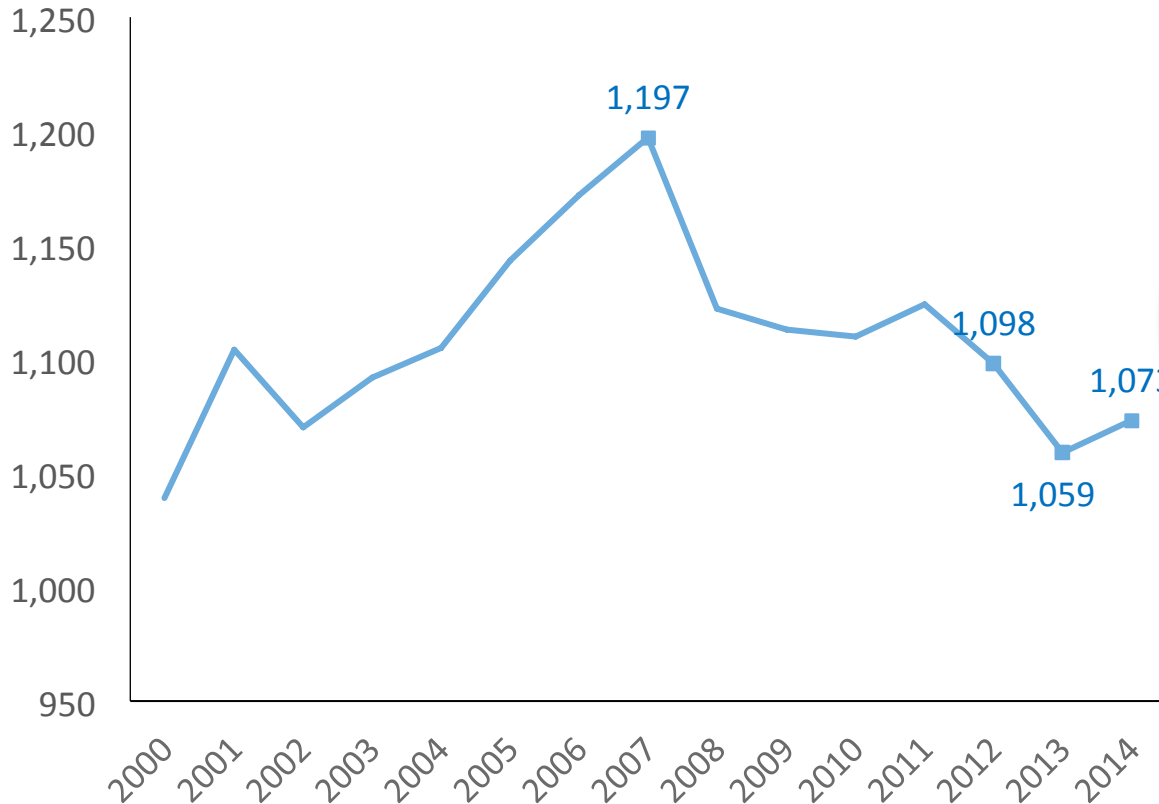


New home size largest in 40 years of data. 8% greater than last peak.

Source: U.S. Census Bureau.

Note: Data for 2015 is based on the first quarter.

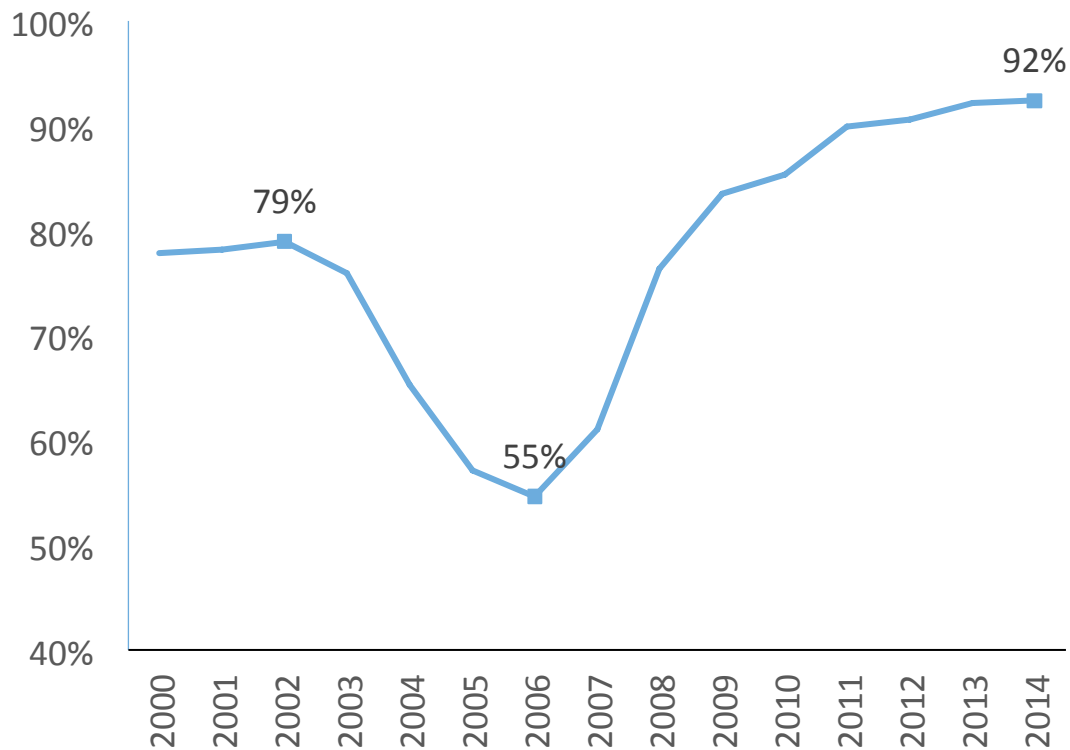
Median Size of New Multifamily Homes Completed



New multifamily size declining
Larger share are rental

Source: U.S. Census Bureau.

Share of Multifamily Units Intended for Rent

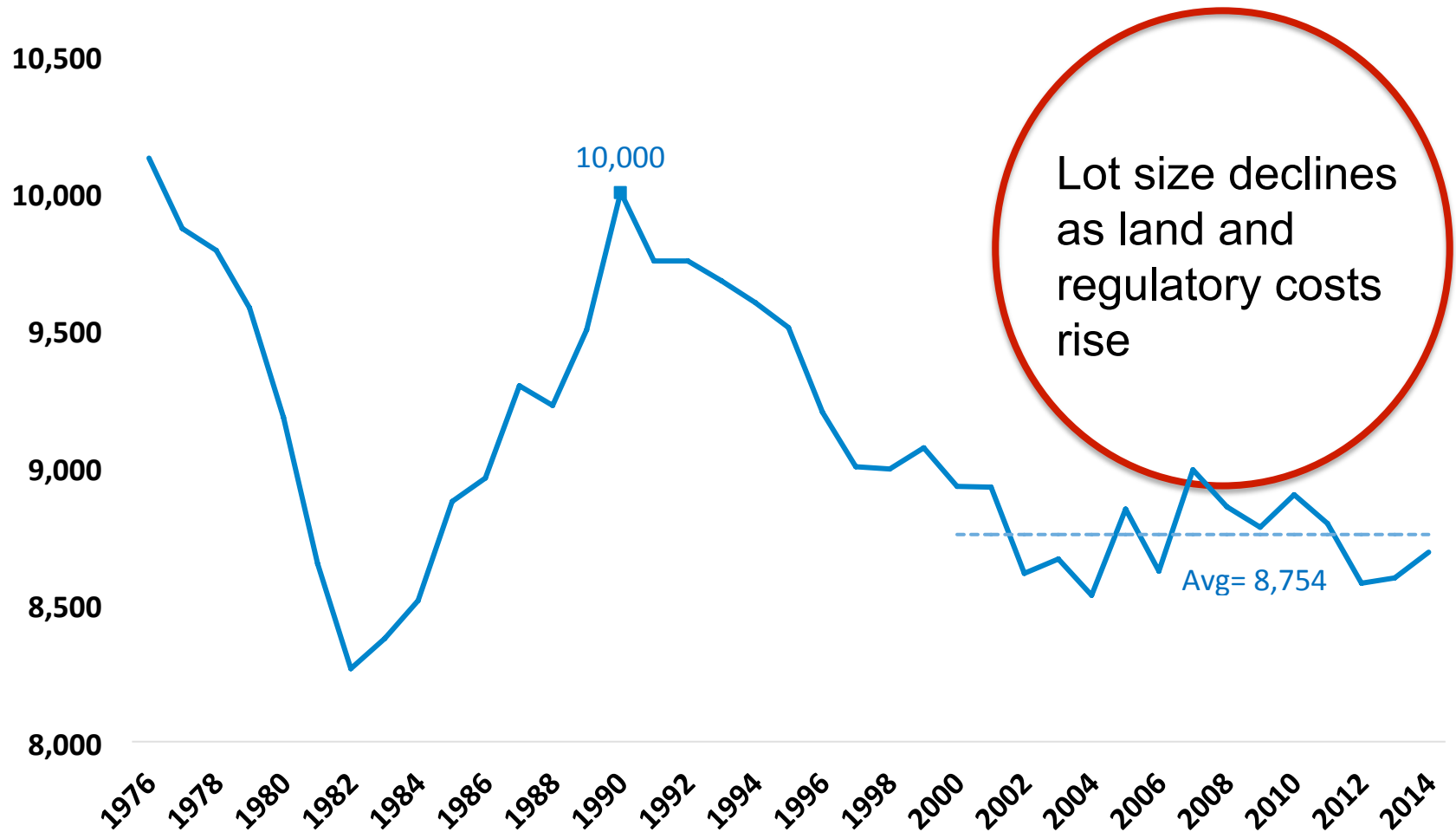


Share of multifamily units intended for rent

Up 13 % pts since last peak

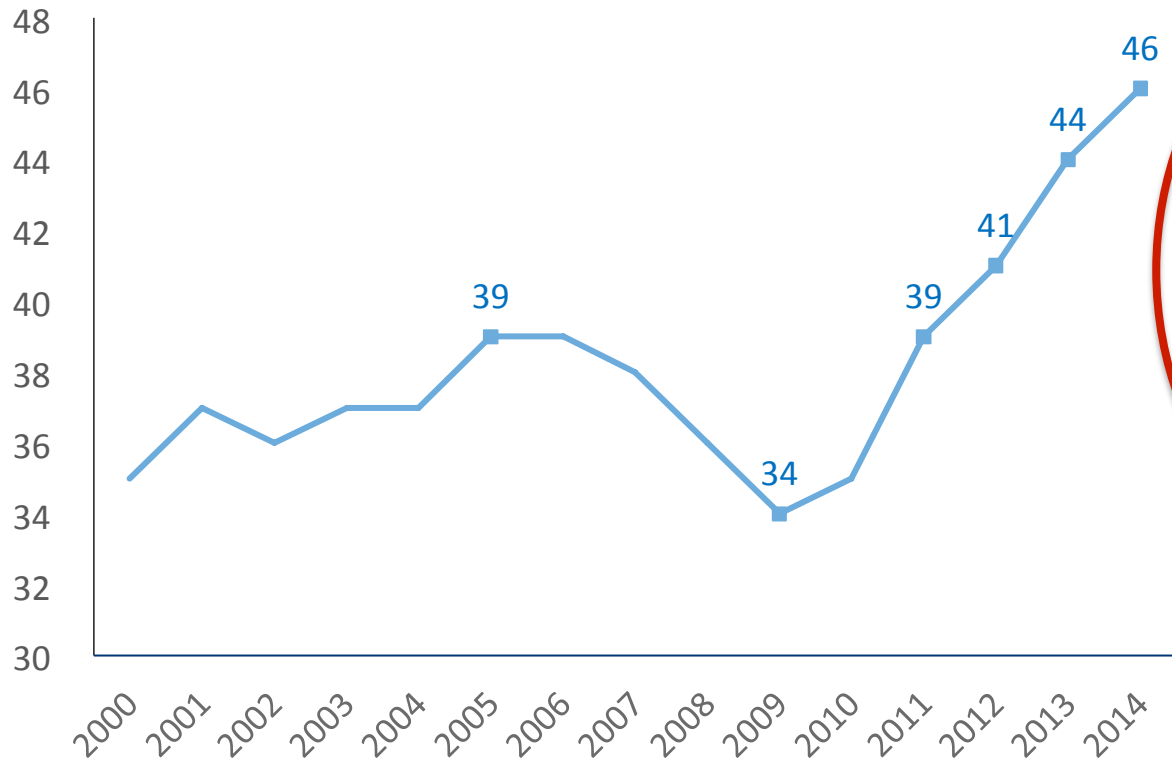
Source: U.S. Census Bureau.

Single-family Lot Size



Homes with 4+ Bedrooms

(% of single-family homes completed)



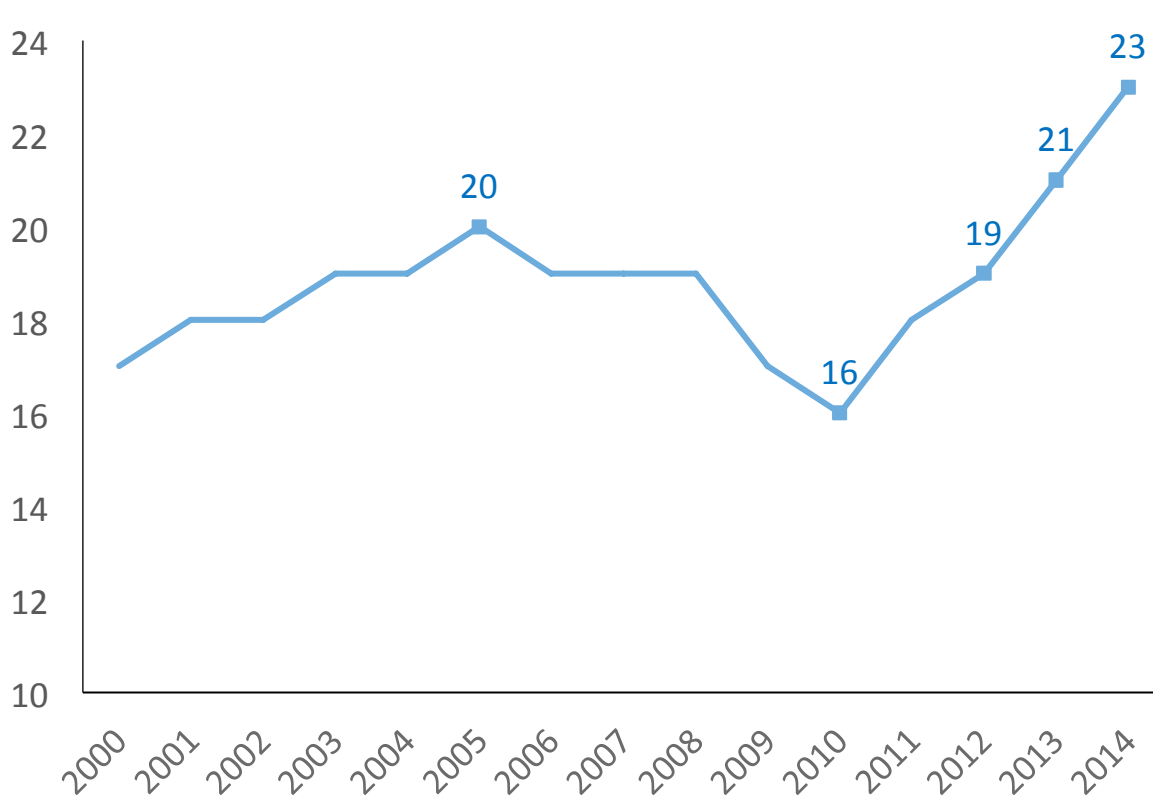
Share of new homes with 4+ bedrooms:

18% increase since last peak

Source: U.S. Census Bureau.

Homes with 3+ Car Garage

(% of single-family homes started)



Share of new homes with 3+ car garage:

15% increase from last peak

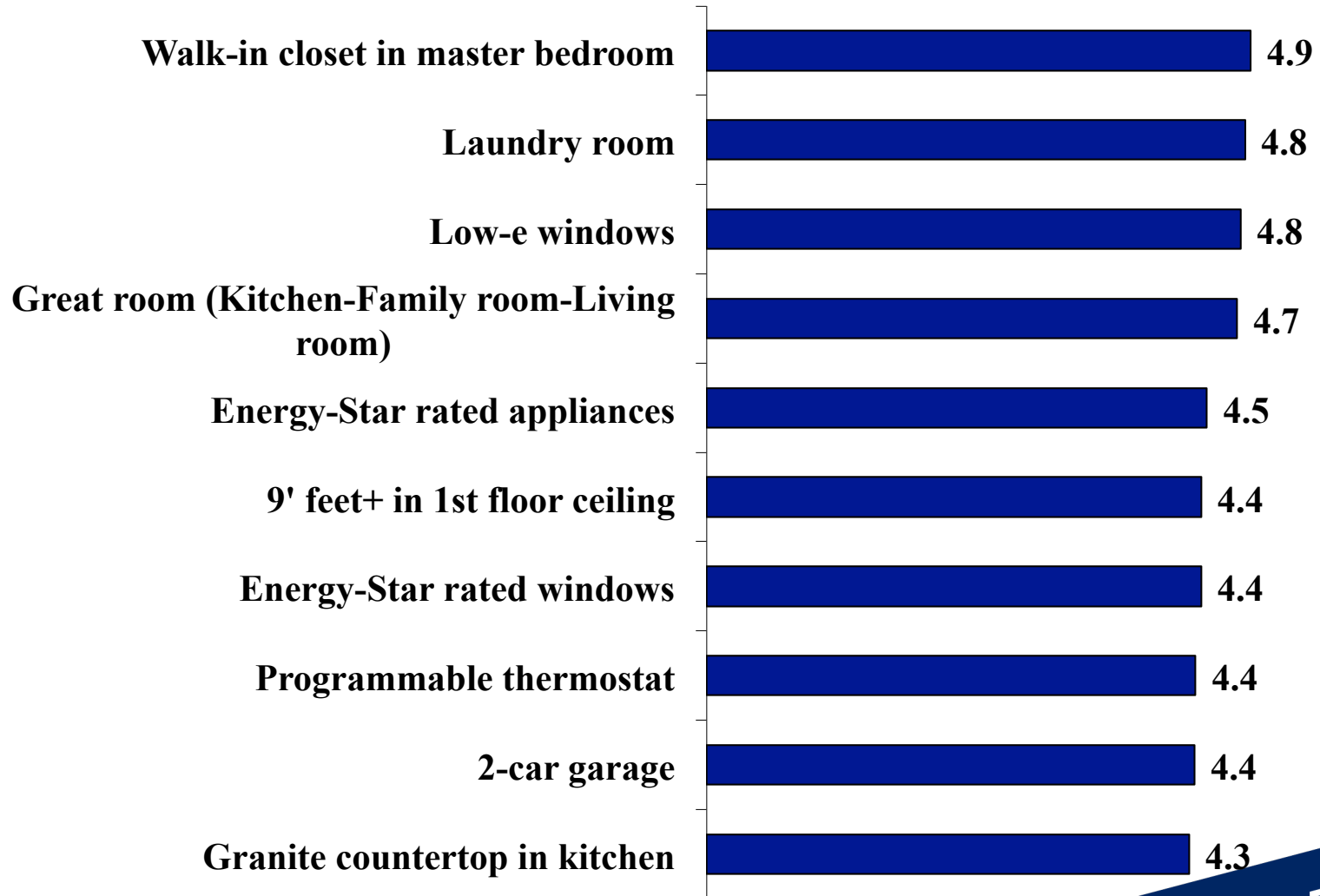
Source: U.S. Census Bureau.

Supply: Builders' Plans for New Homes

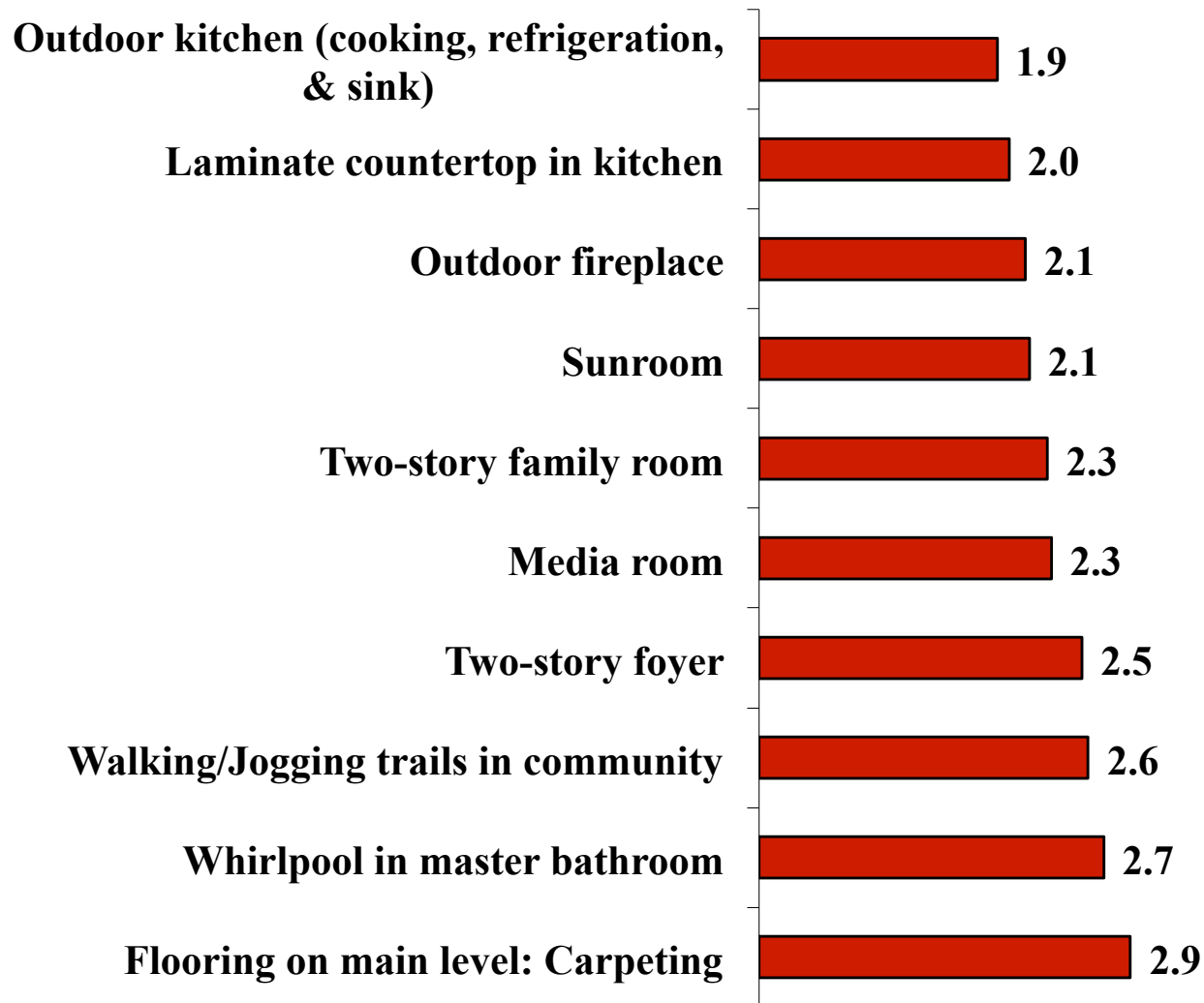
What Builders Are Planning

10 **MOST LIKELY** Features in Typical Single-family Home in 2015

(1=Not at all likely, 5=very likely; avg. rating)

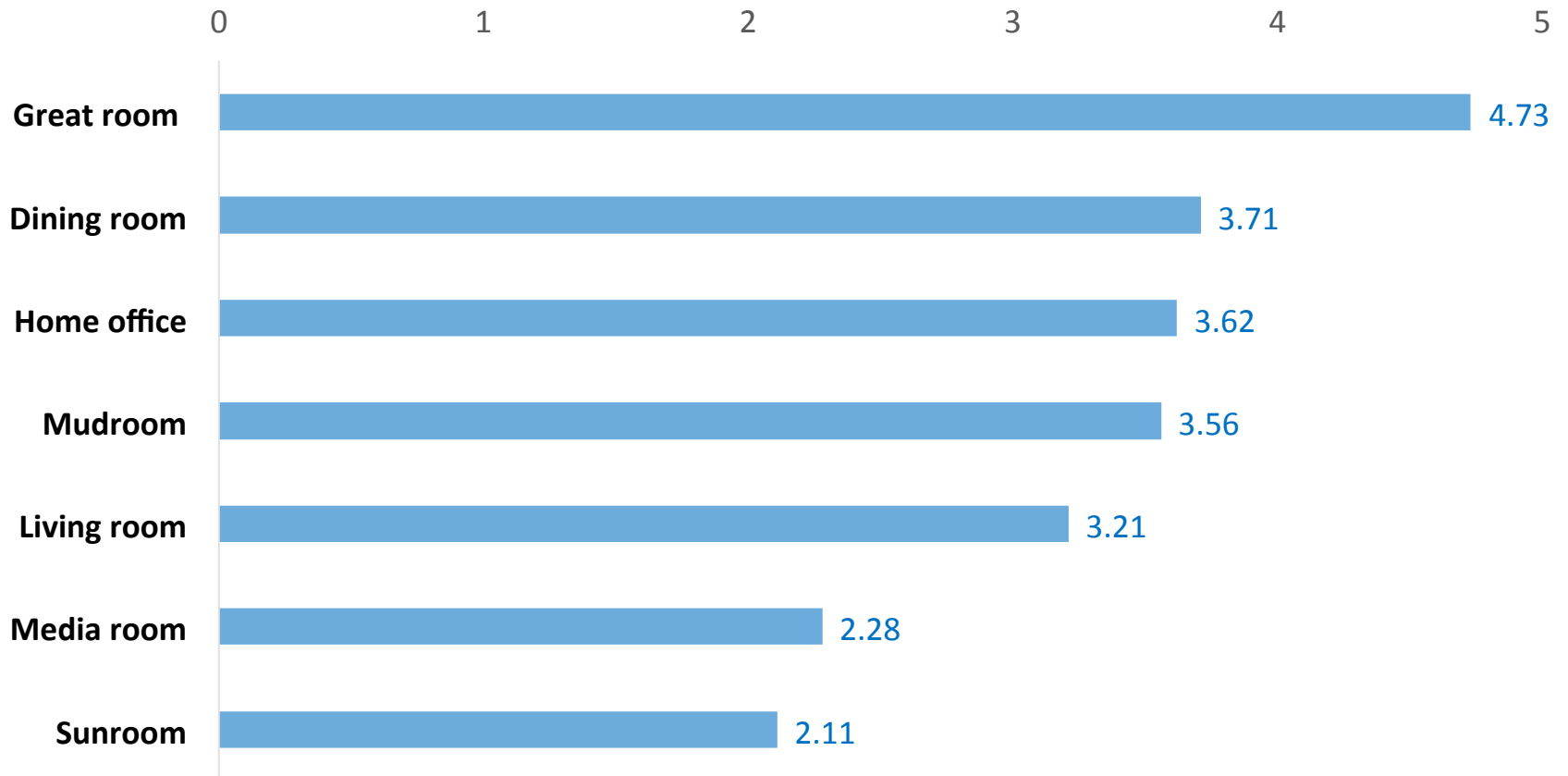


10 LEAST LIKELY Features in Typical Single-family Home in 2015 (1=Not at all likely, 5=very likely; avg. rating)

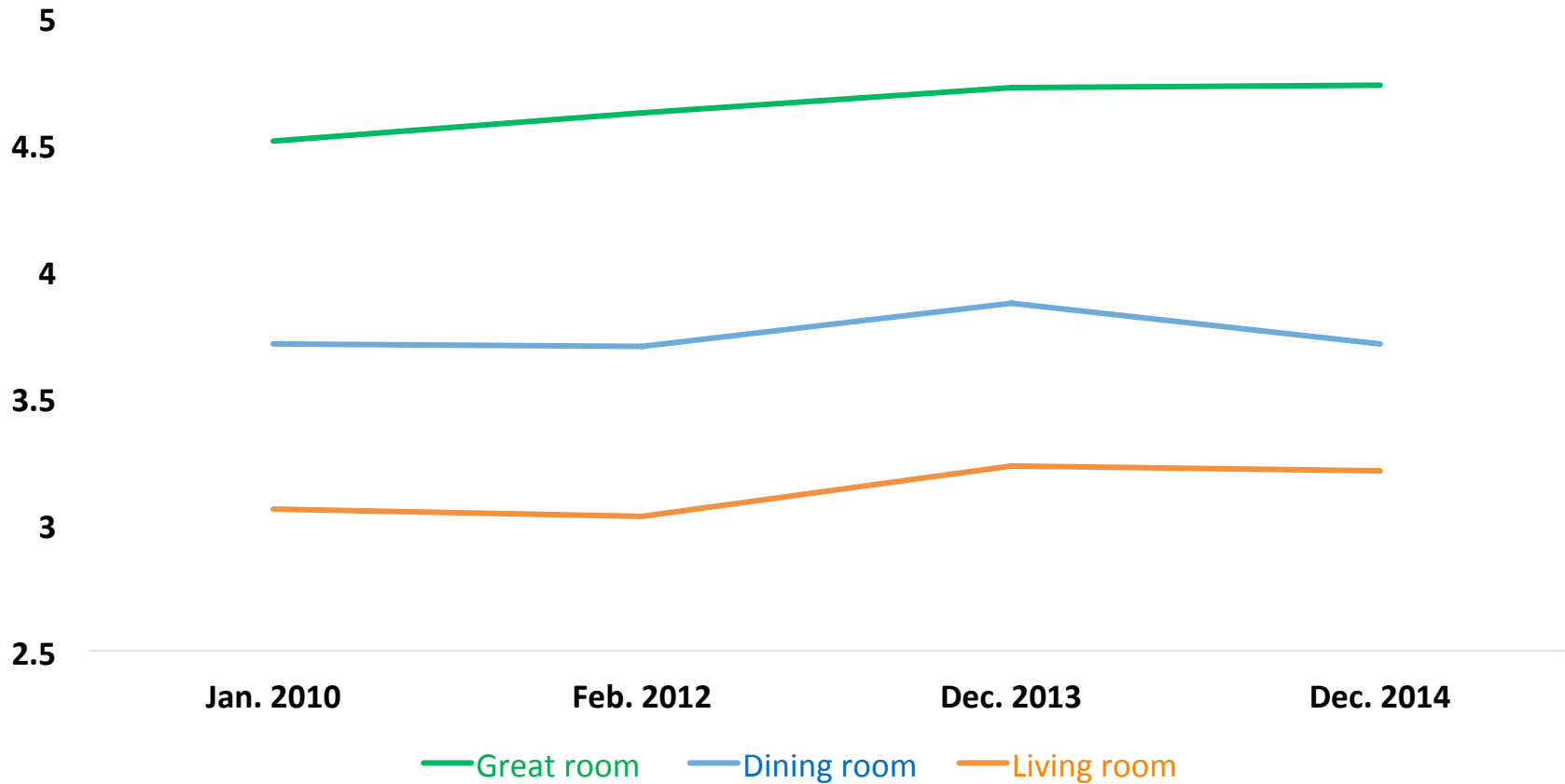


Most Likely Rooms

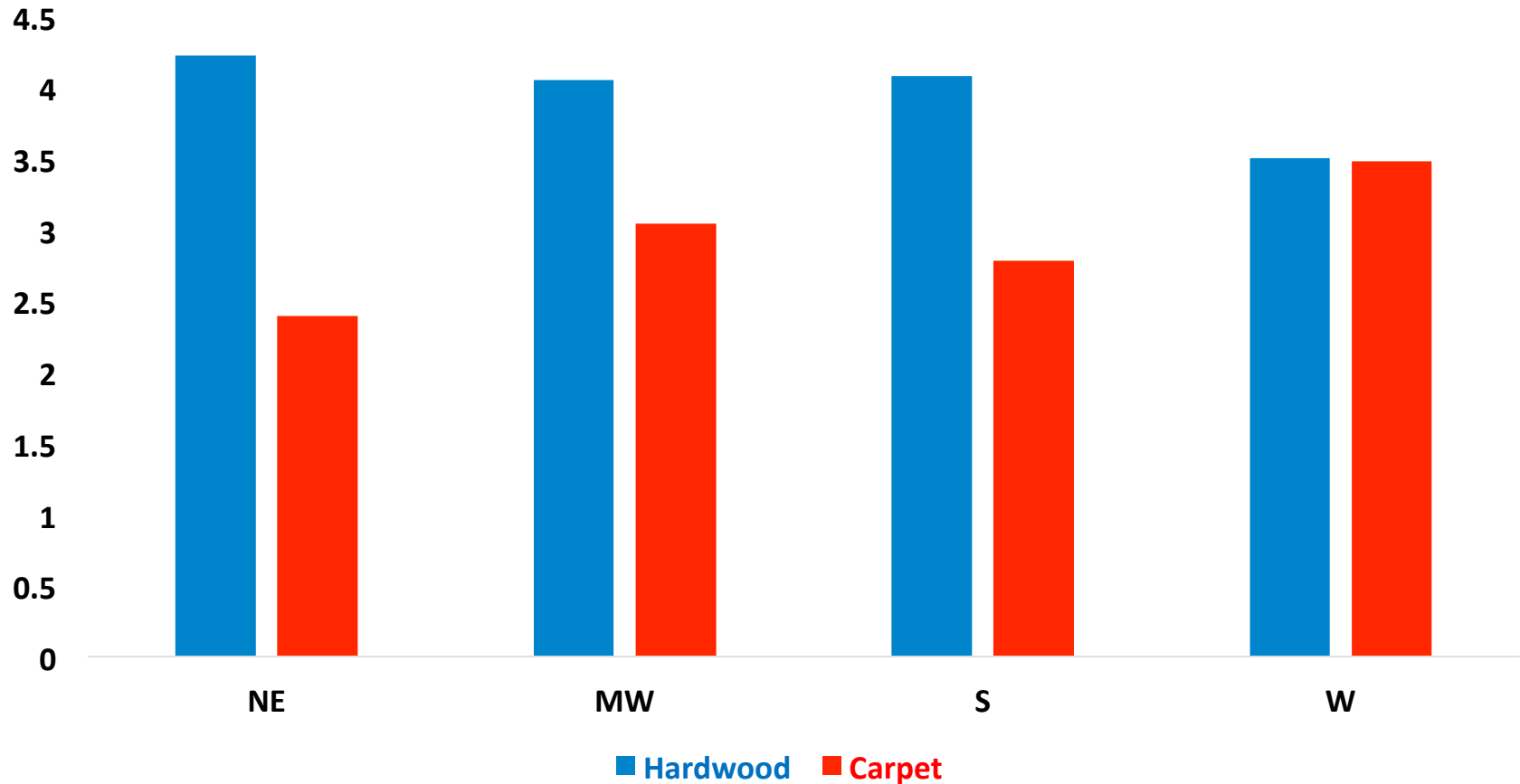
(1=Not at all likely, 5=very likely; avg. rating)



Changing Preference for Rooms



Preference for Flooring on First Floor





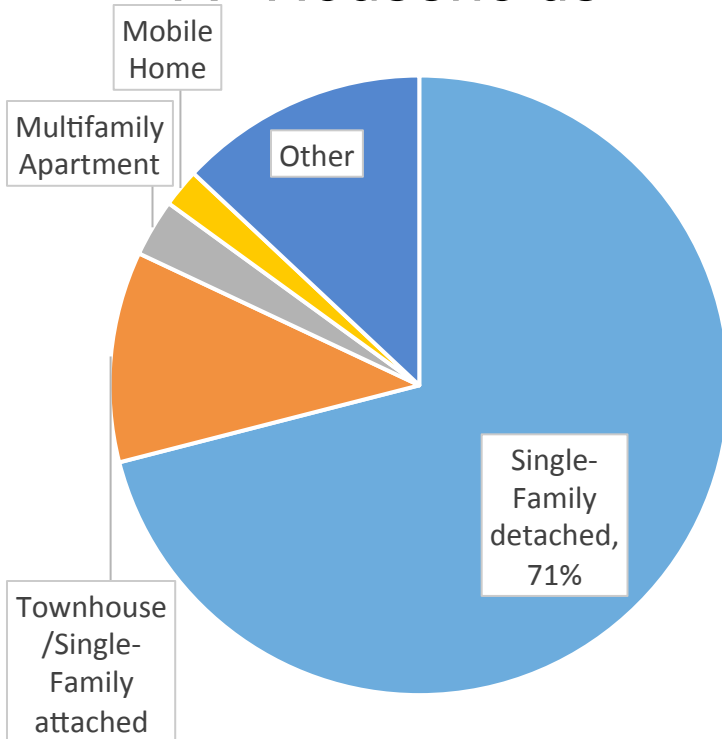
Supply: What Home Buyers Really Want

Consumers' Preferences

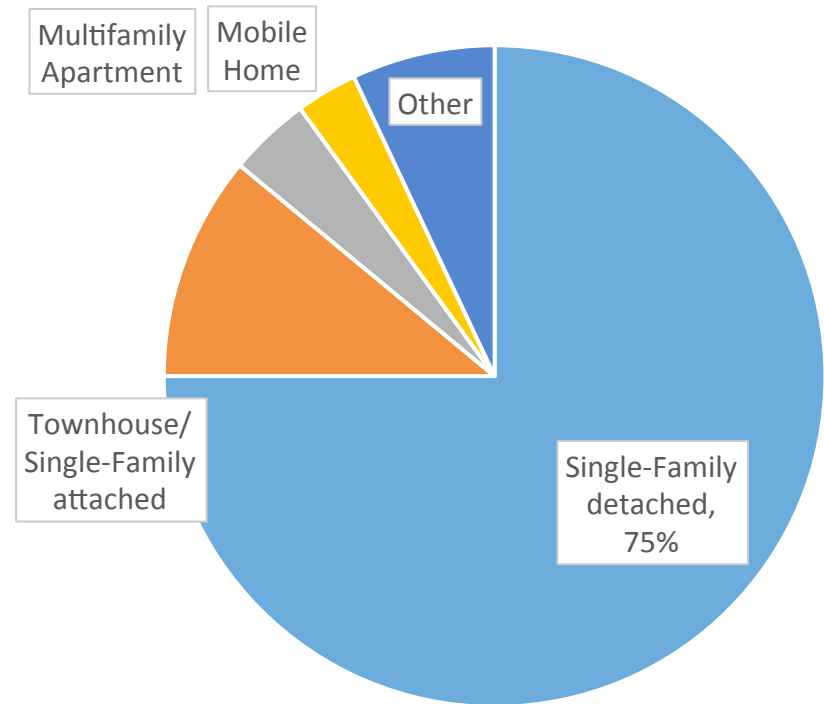
Most Want a Single-family

(Even Millennials)

All Households

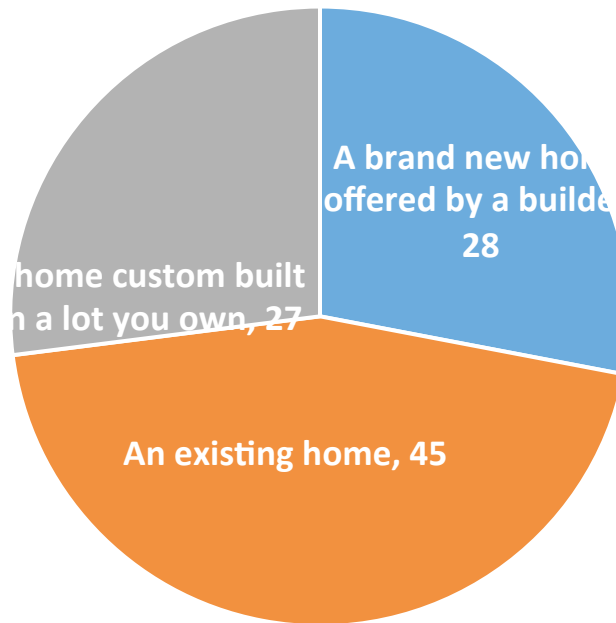


Gen-Y Households



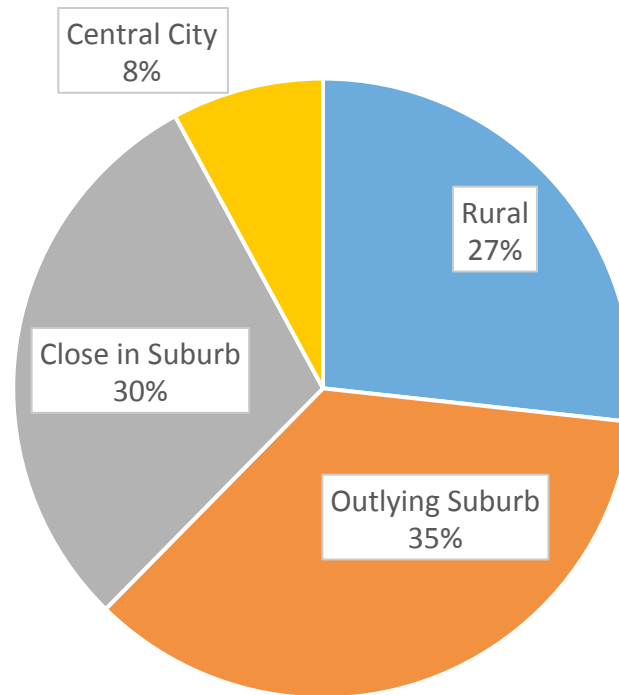
Most Want a New Home

(actual sales are 10% new, 90% existing)



Most Want to Live Outside City

(current stock: 30% city, 50% suburb, 20% rural)



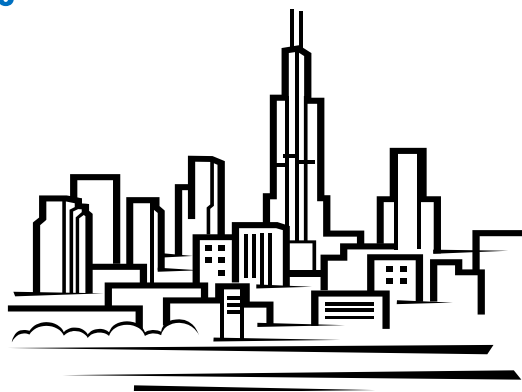
Millennials Preferences



Suburbs: 66%



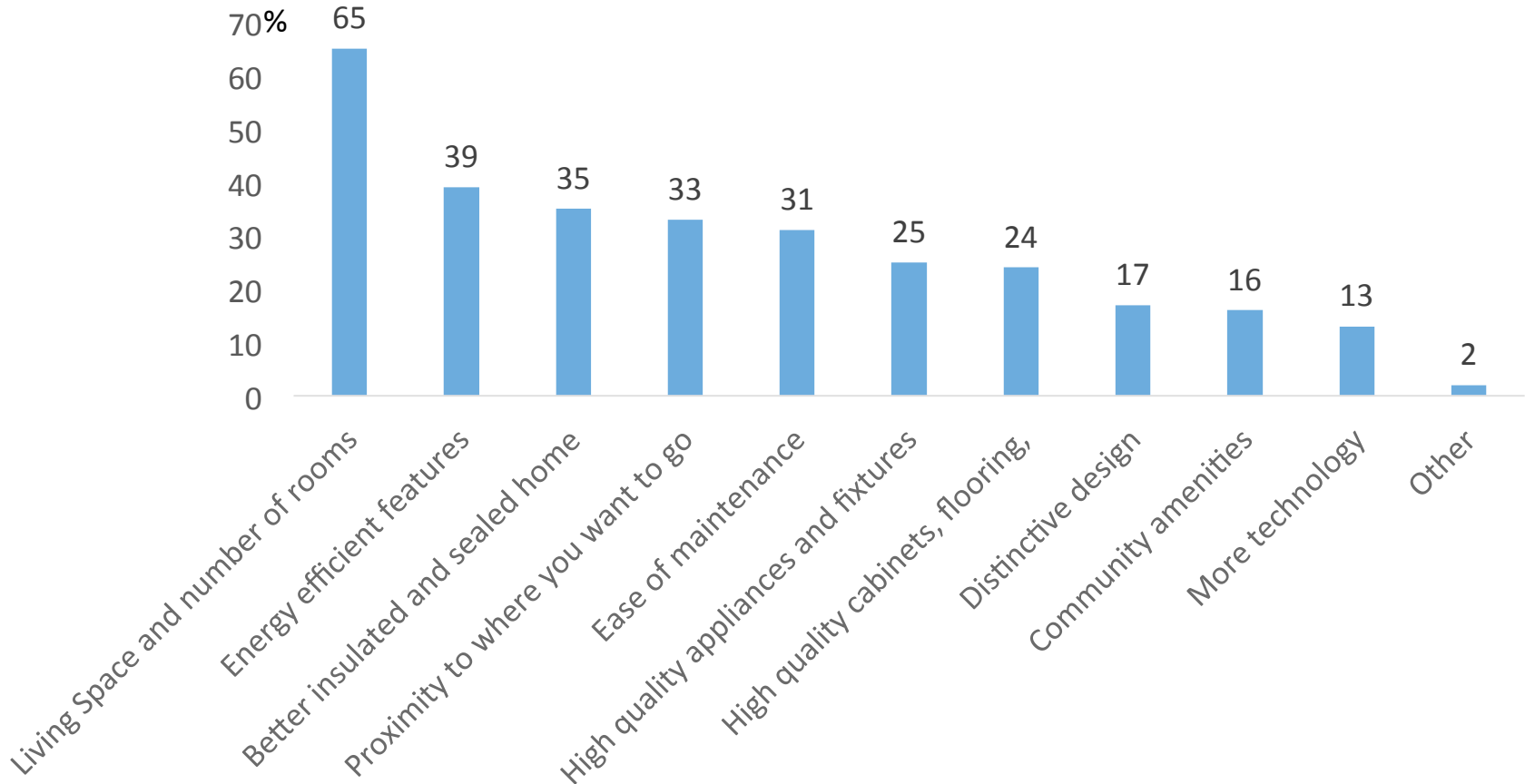
Rural: 24%



Central City: 10%

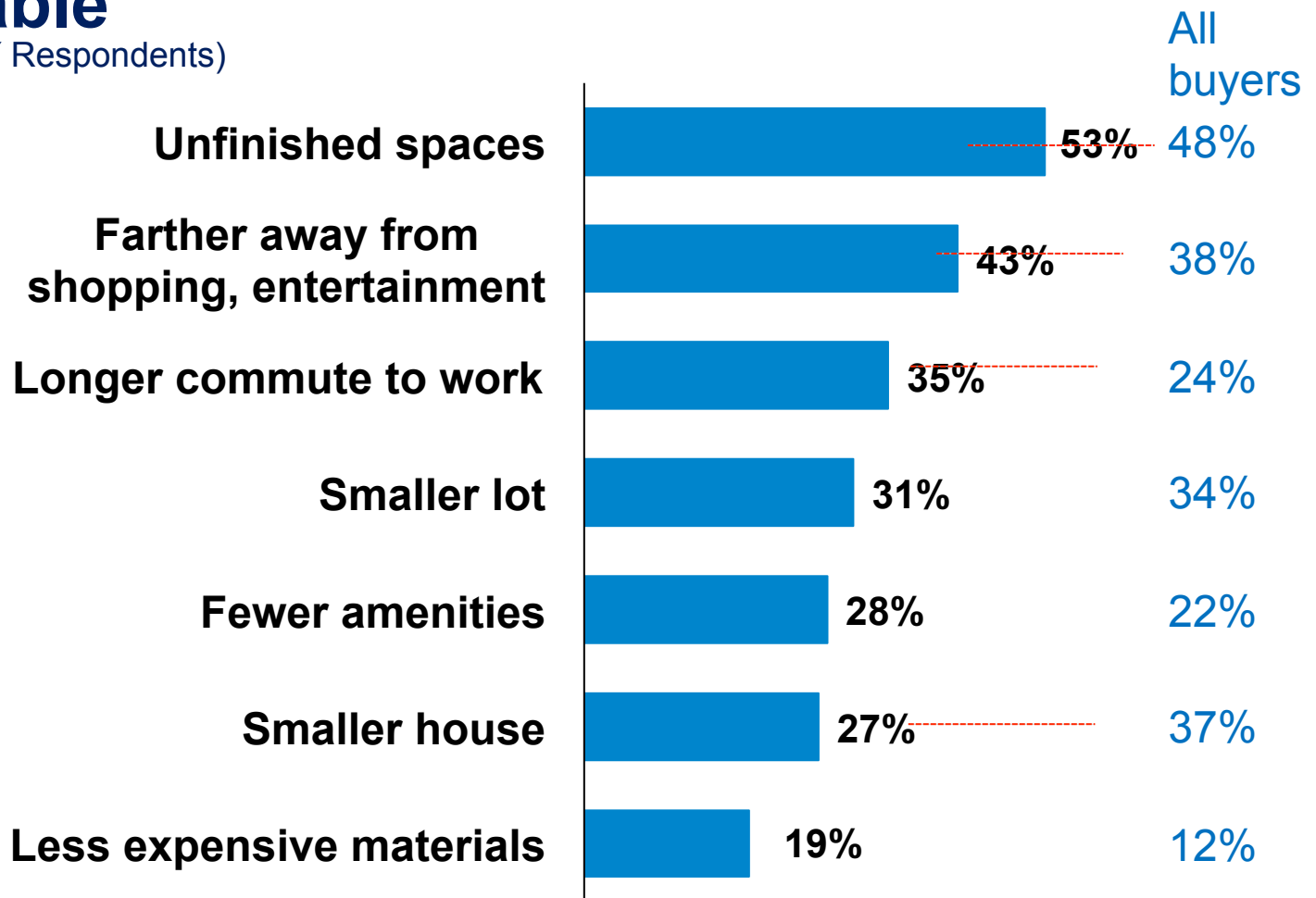
What Drives Purchase?

Energy plays a large part of decision



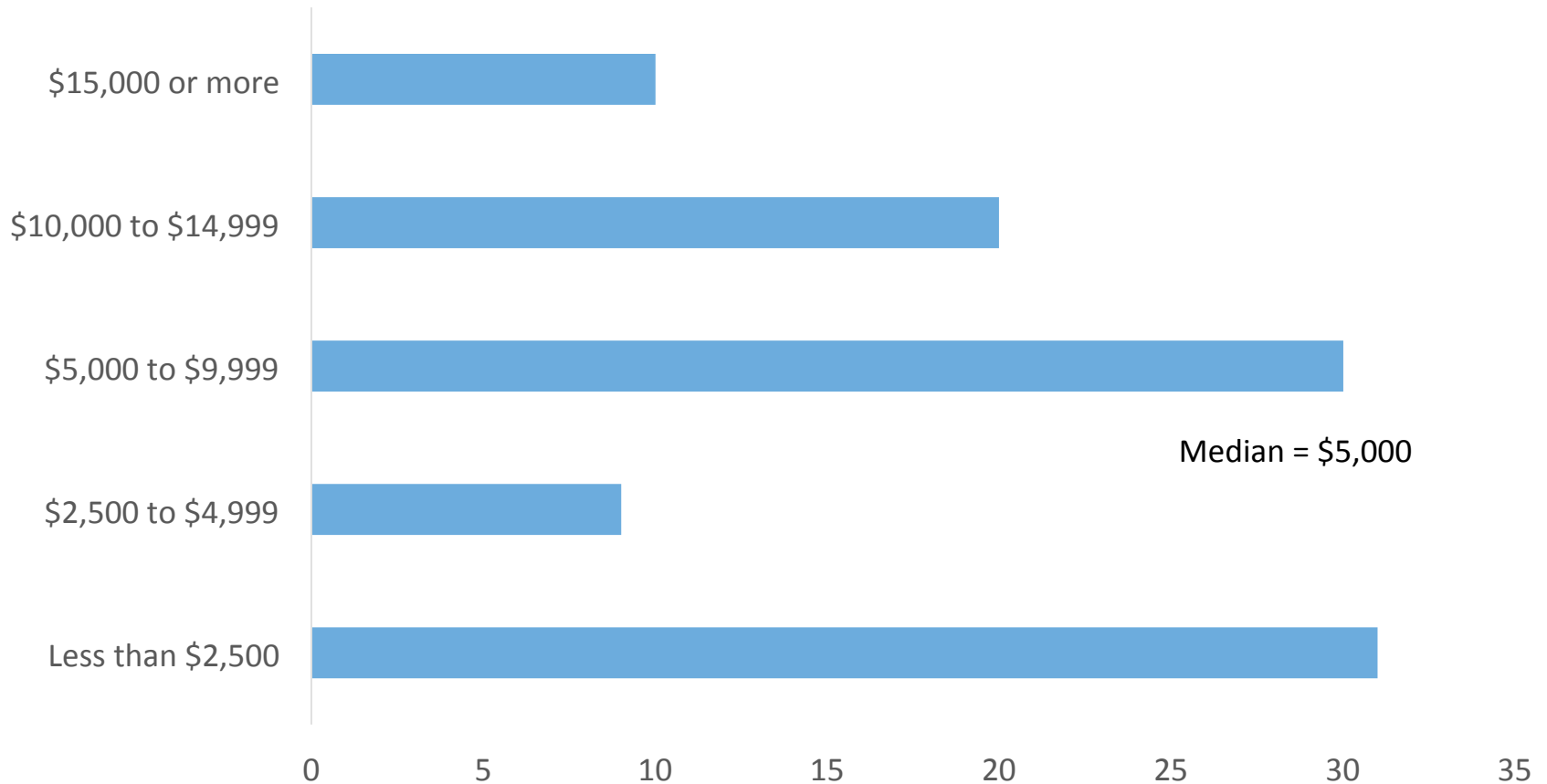
Millennials Willing to Accept to Make Home Affordable

(% of Gen Y Respondents)



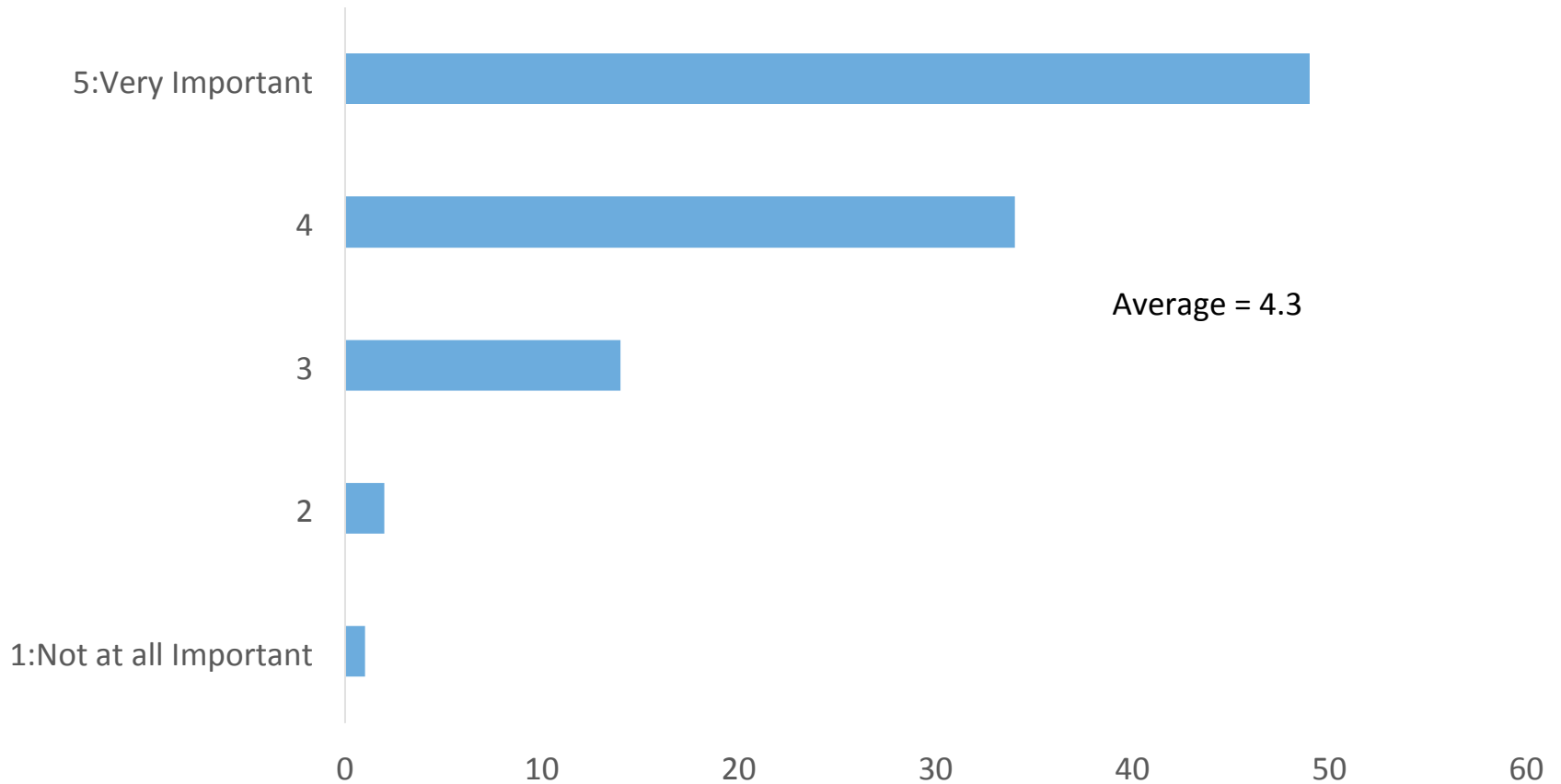
How Much Extra Would You Pay to Save \$1,000/Yr on Utility Cost?

Rises with income and price but falls with age



How Important is It to Have Low Utility Costs?

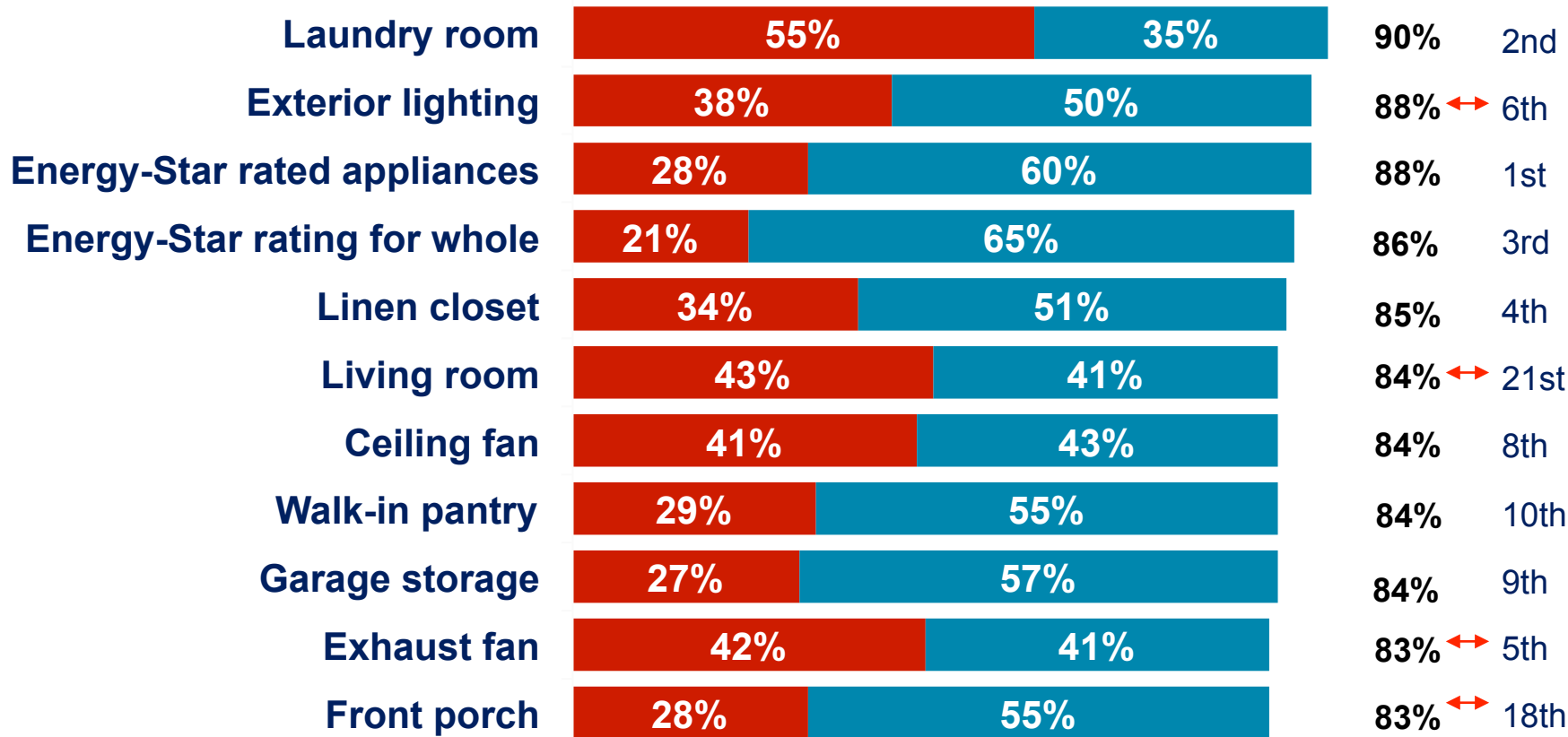
Falls as income and price rise



The Most Wanted List

(% of Gen Y Respondents)

All Buyers Rank



■ Essential/Must Have

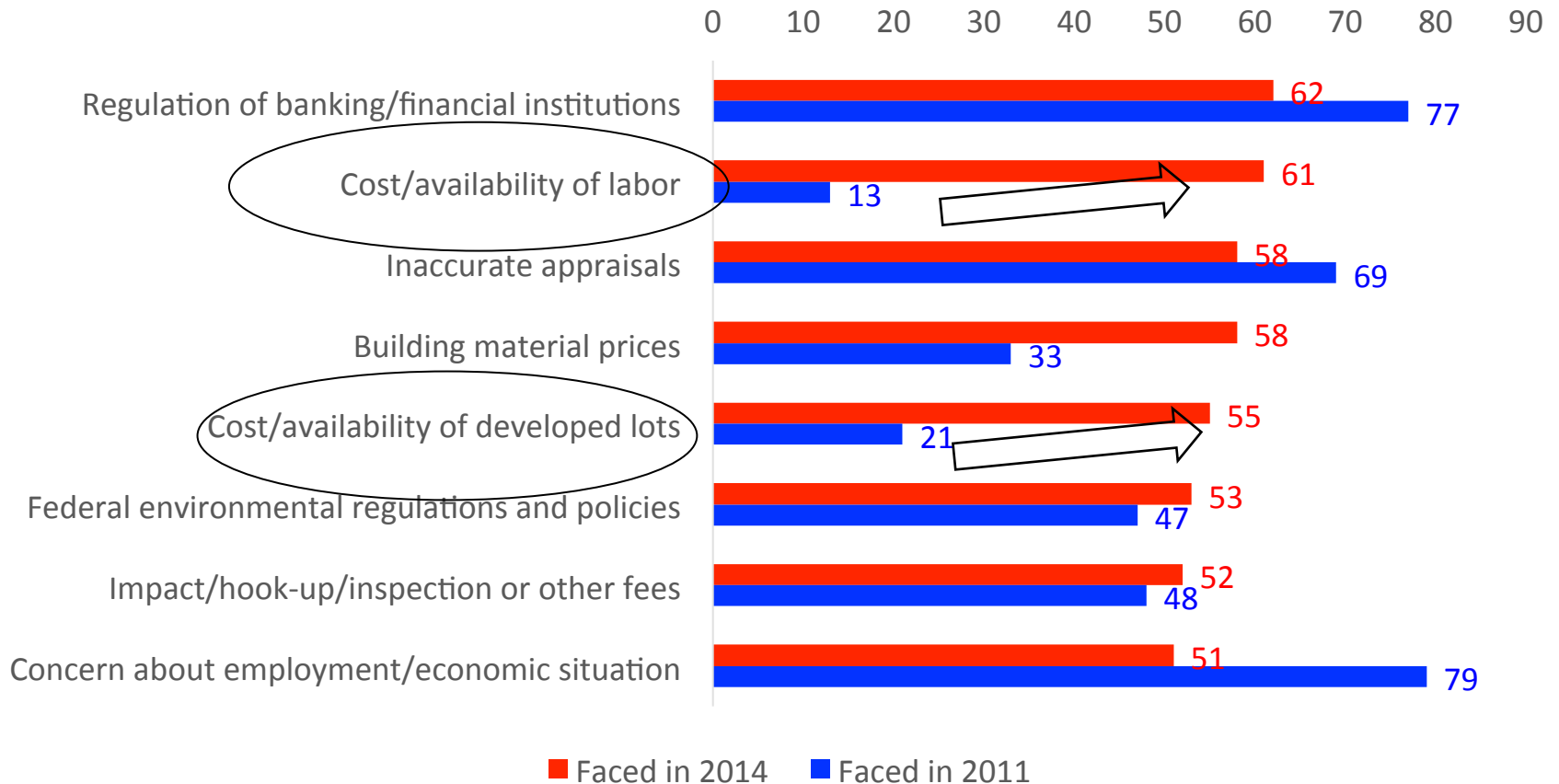
■ Desirable



Supply: Headwinds

Most Significant Problems

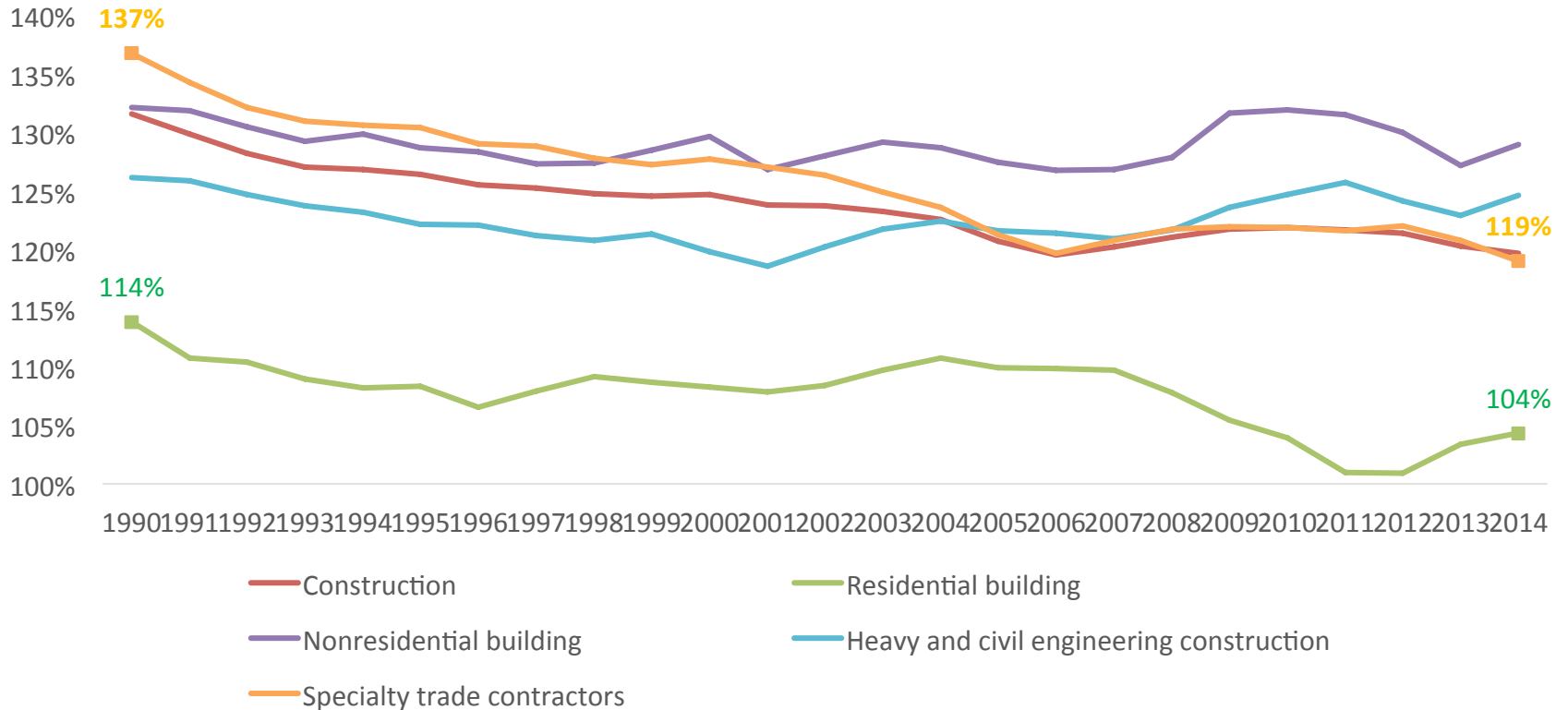
What's grown in importance?



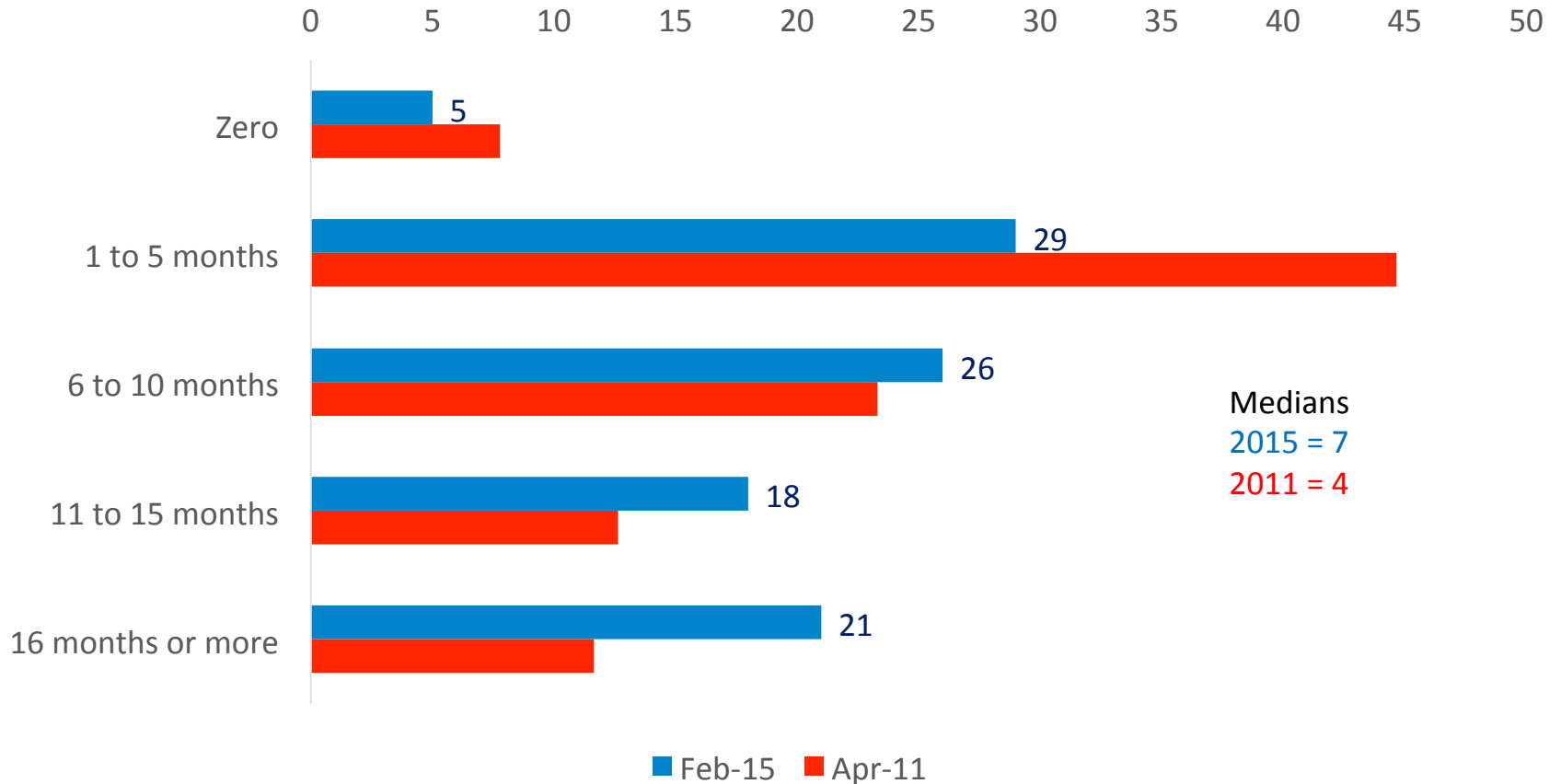
Source: NAHB January 2012 and 2015 Surveys

Wage Trends in Construction

Production and nonsupervisory workers



Months Added to Development Because of Regulatory Requirements



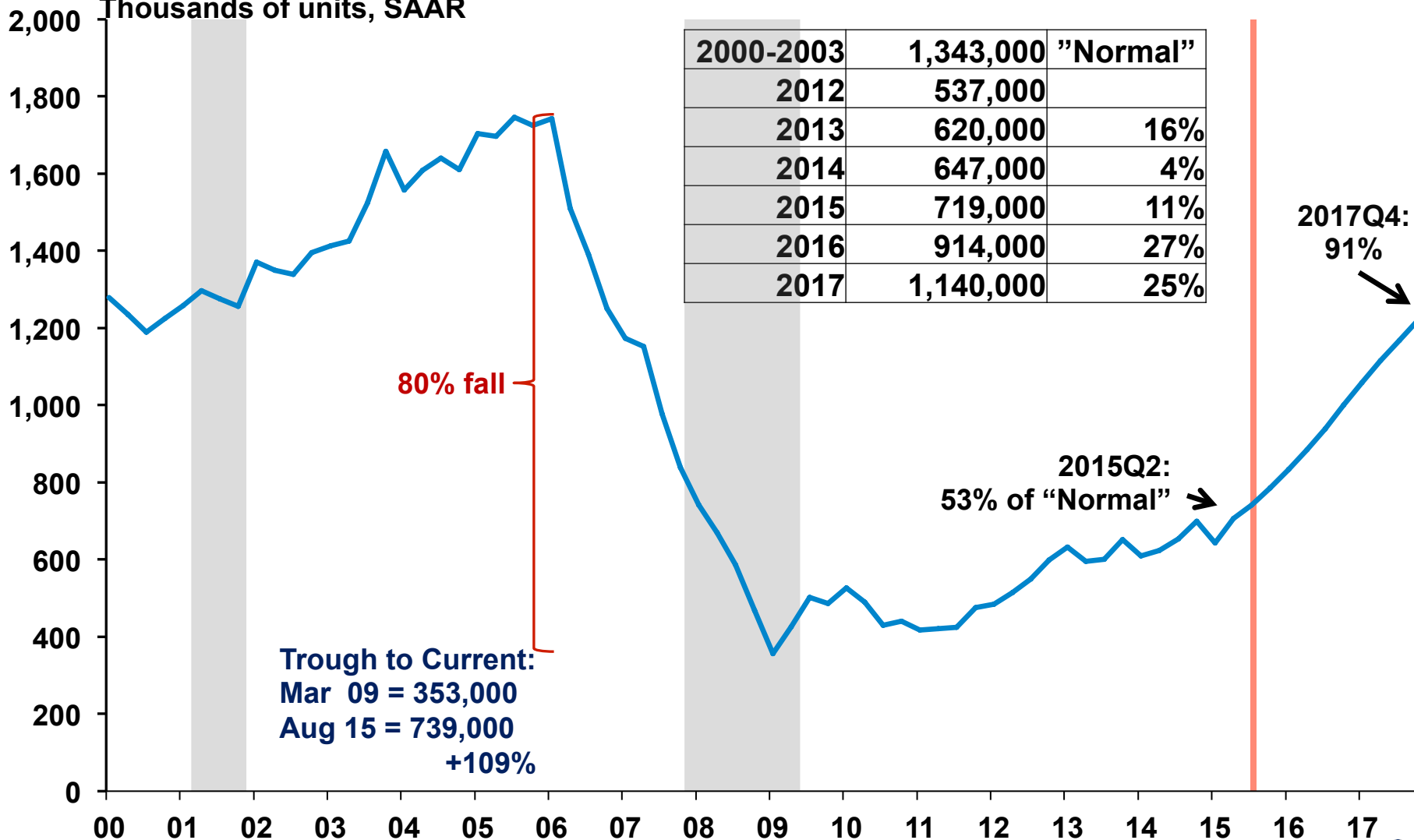


Forecasts

Single-Family Starts - US

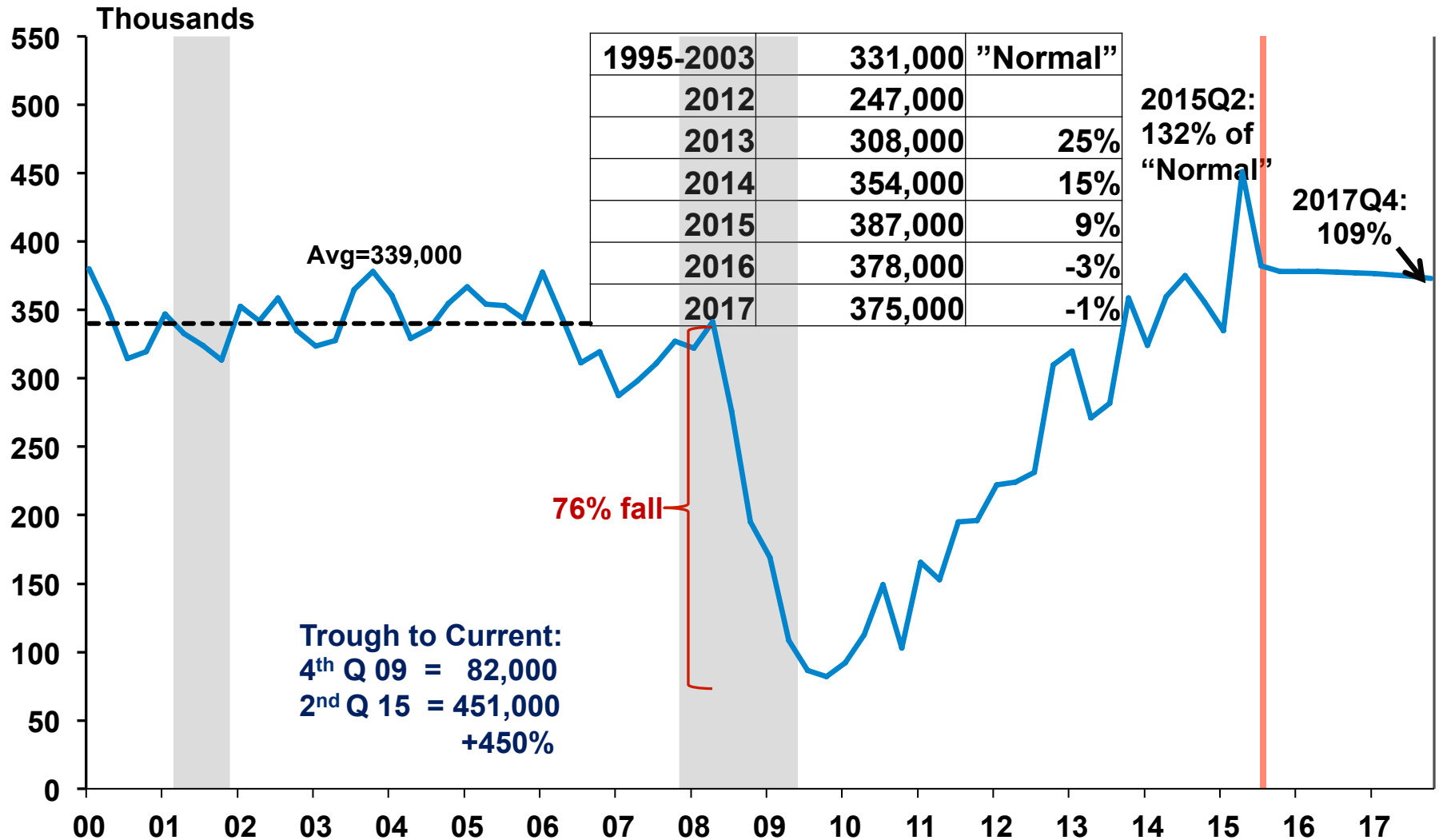
Continuing to recover

Thousands of units, SAAR

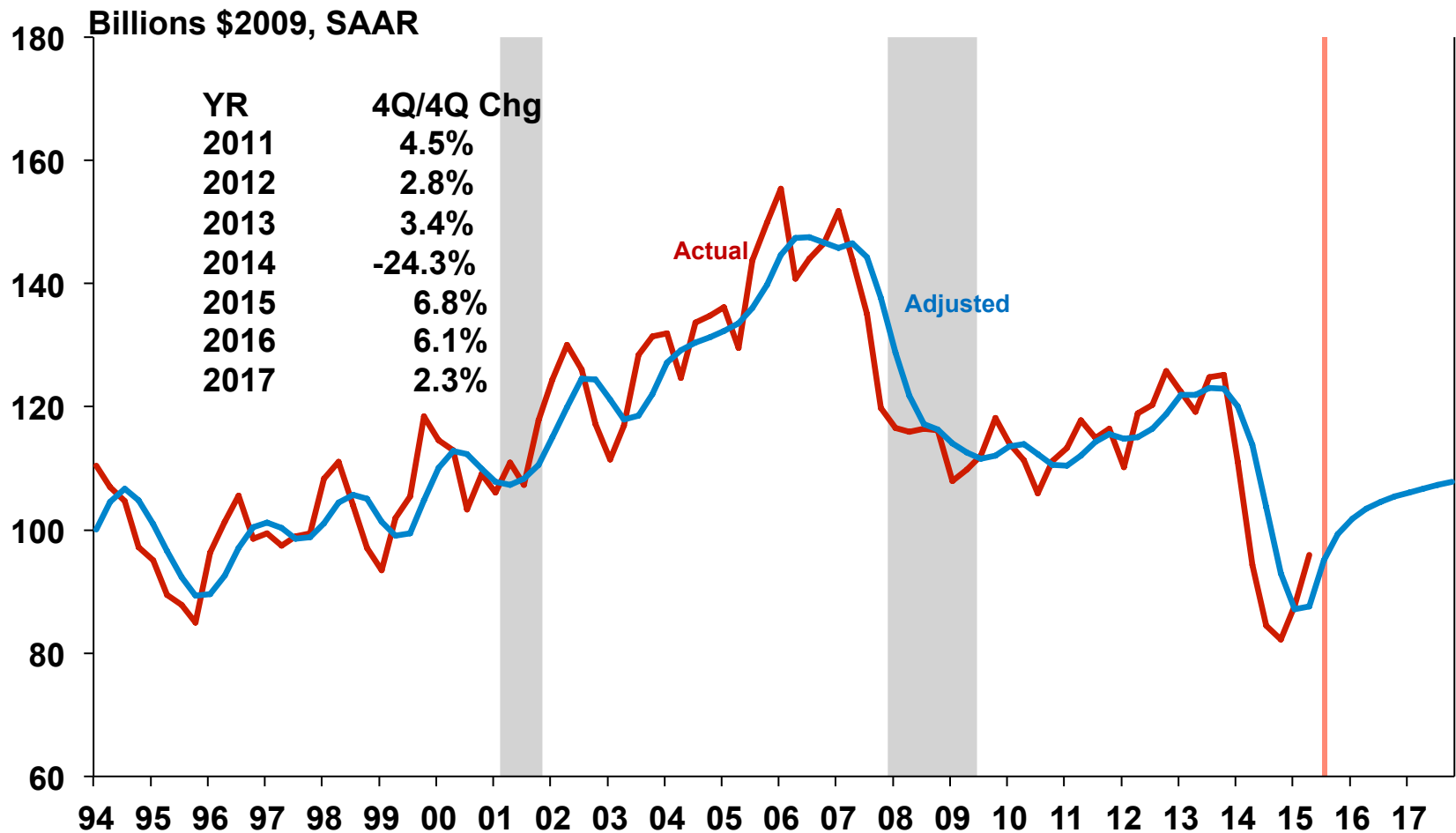


Multifamily Housing Starts - US

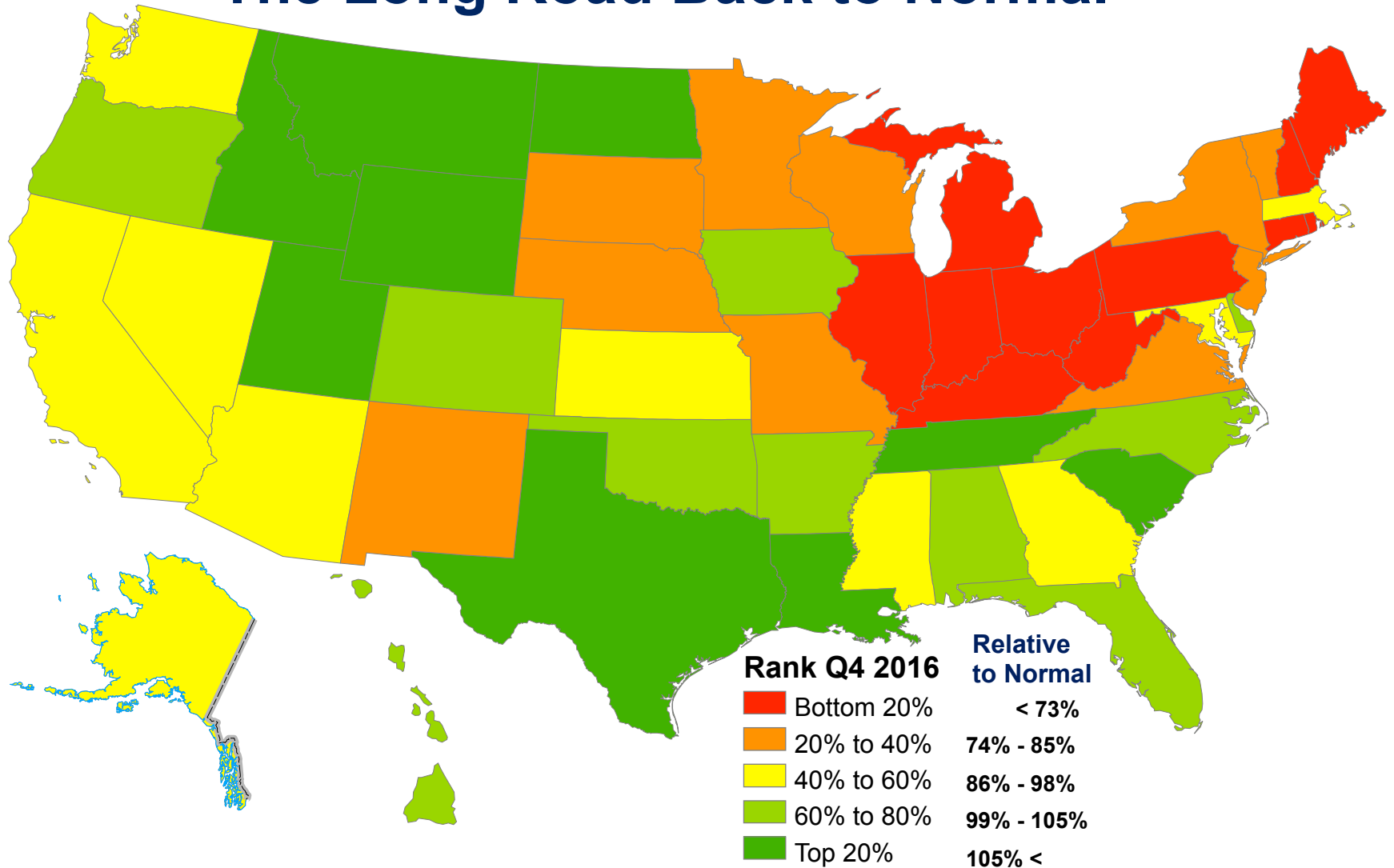
Healthy Response from Growth in Renters



Residential Remodeling



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 2017, the top 40% will be back to 99% or more of normal production levels. The bottom 20% will be below 73% of normal production.



Questions?

Answers:

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