

The Post-Election Housing and Economic Outlook

NJBA – Atlantic Builders Convention
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Election Impacts on the Outlook

- **Good**

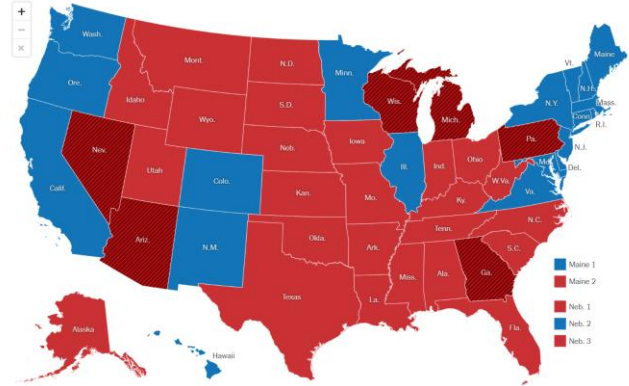
- *Extension of most or all of the 2017 tax cuts*
- *Reduction of costly/inefficient regulatory policies*
- *Increased macroeconomic growth environment*



- **Bad**

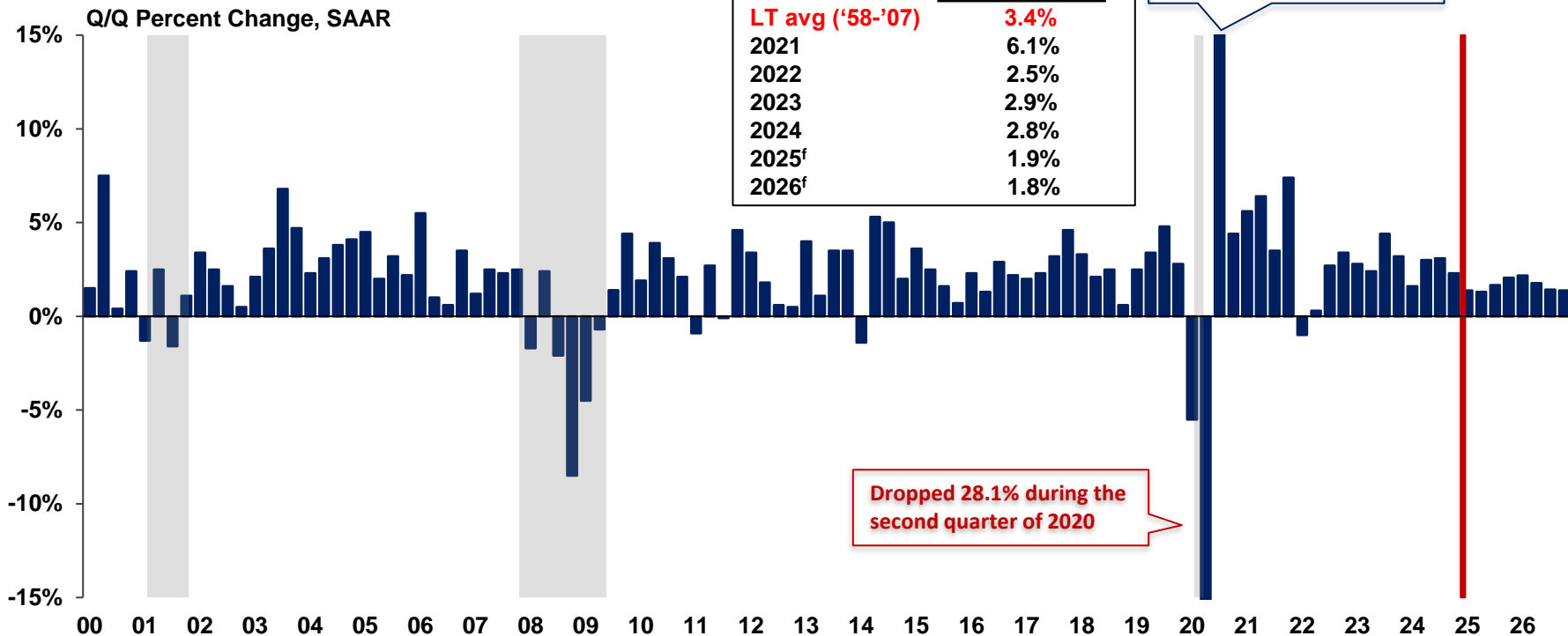
- *Larger government deficit*
- *Narrow and general tariffs*
- *Inflationary impacts*

- *Uncertain risks (need more policy detail)*
 - *Illegal immigration enforcement*



Moderating Growth Ahead

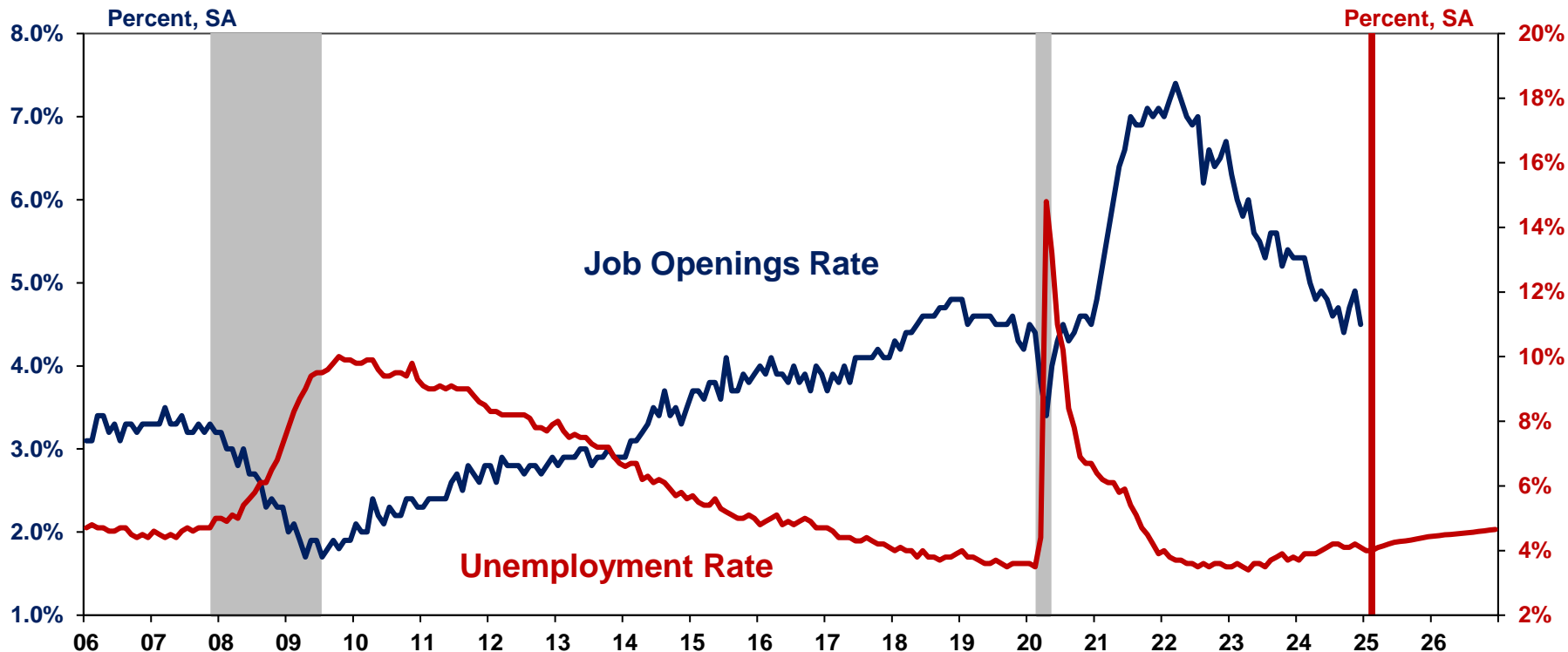
Tariff and regulatory reform offer offsetting risks



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

Job Openings Trending Lower

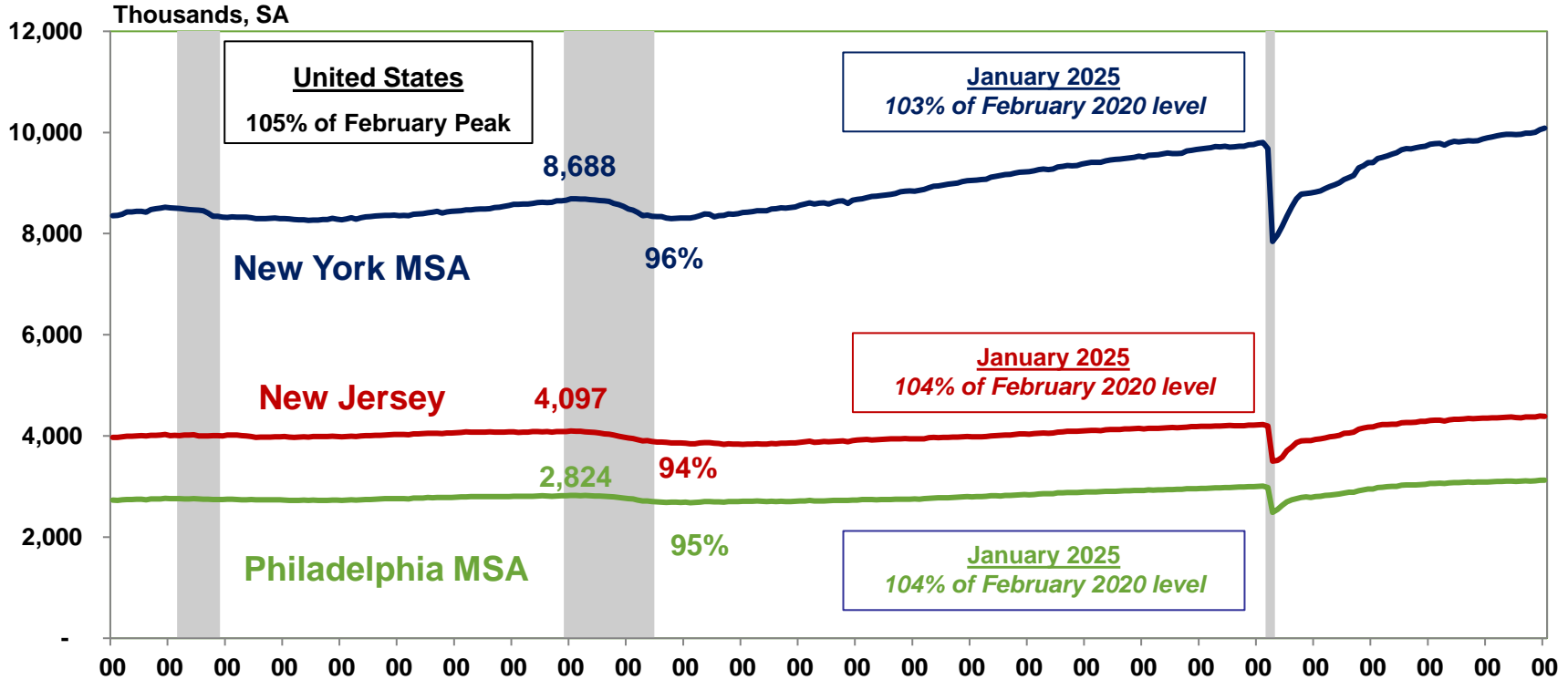
Little changed at 7.7 million in January



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

Payroll Employment

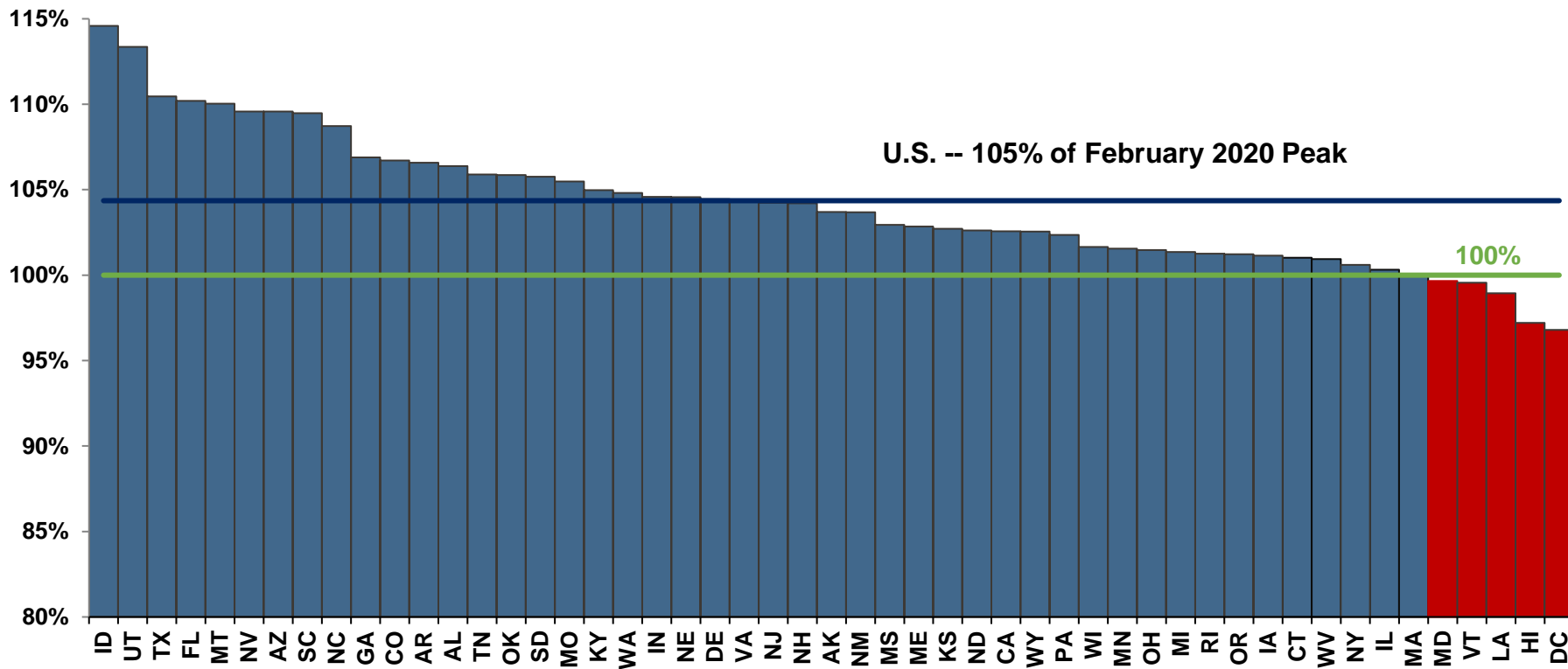
New Jersey recovered from COVID-19 recession



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

Payroll Employment

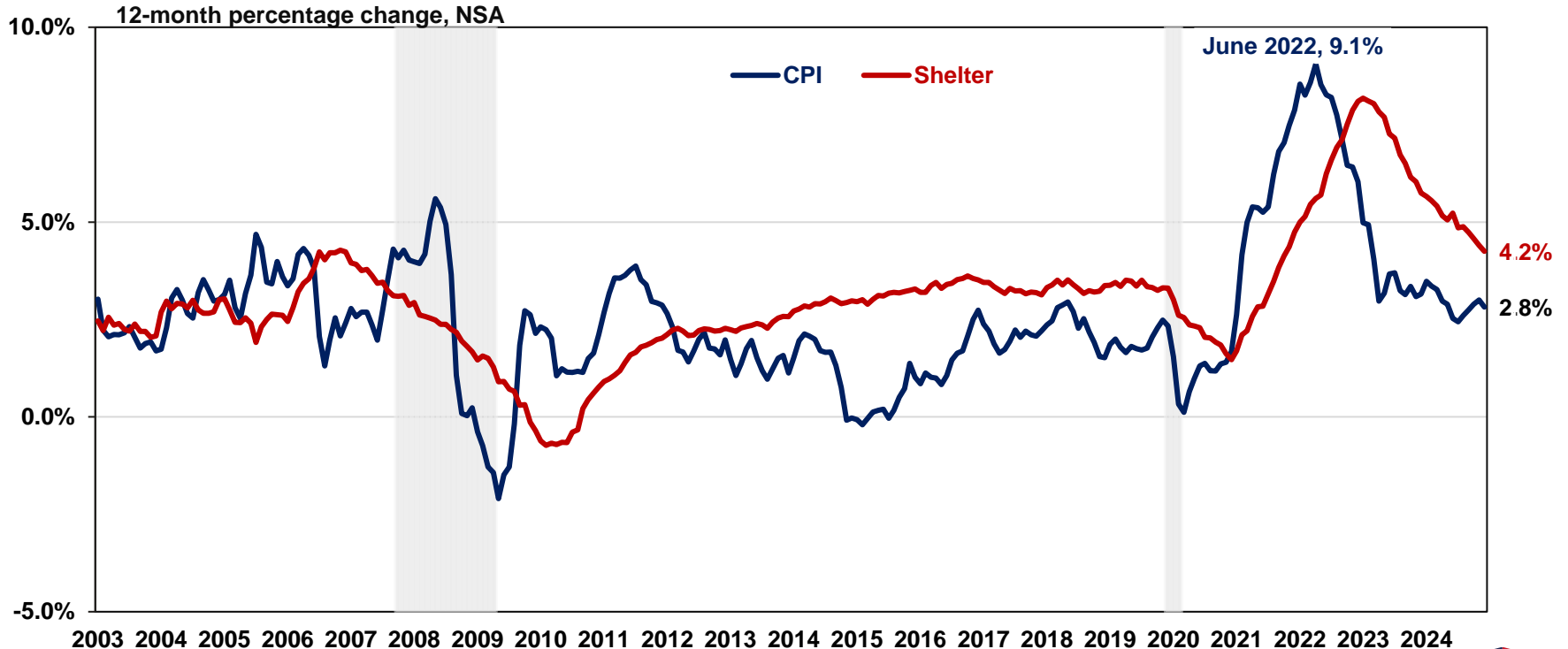
Mountain states leading job gains, 46 states reached or exceeded the pre-pandemic peak



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

Consumer Inflation – Headline Rate and Shelter

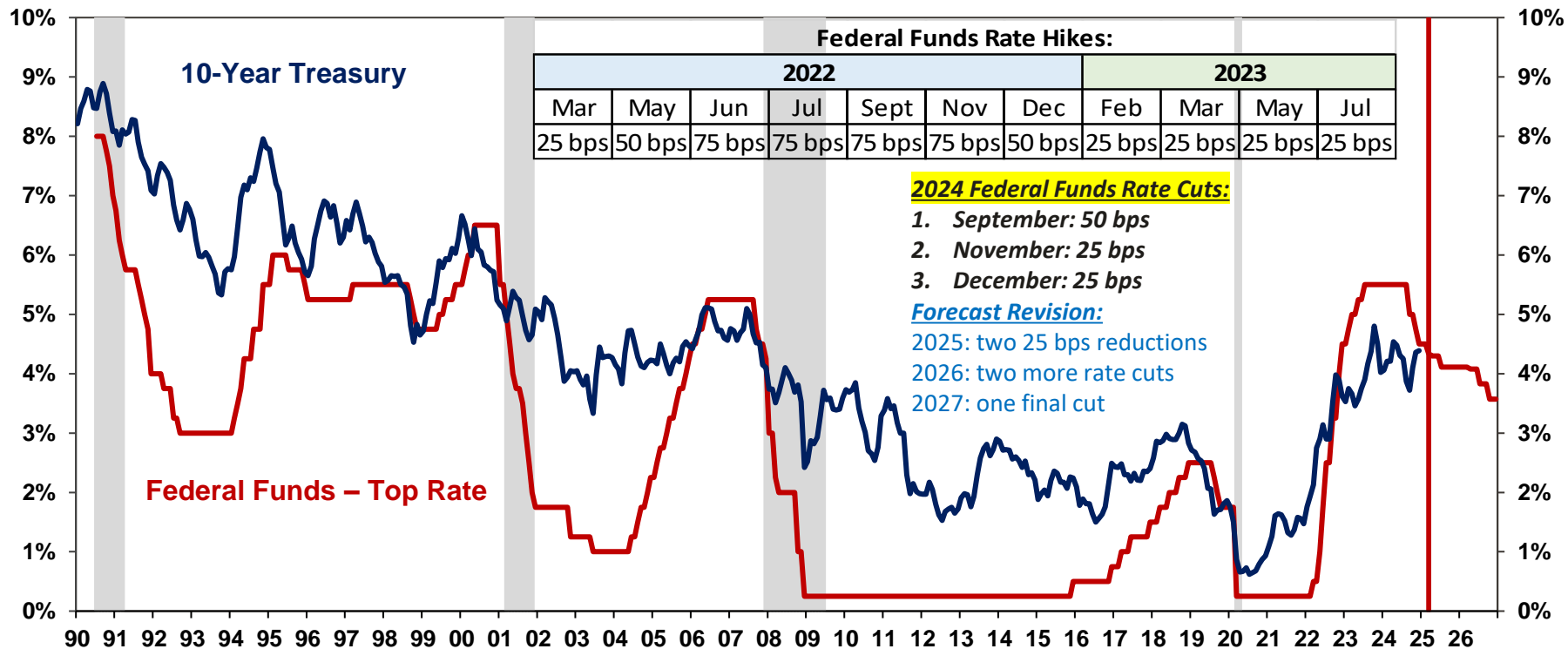
Shelter costs continue to outpace broader consumer prices – only more housing can fix



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

Monetary Policy Easing Cycle Begins

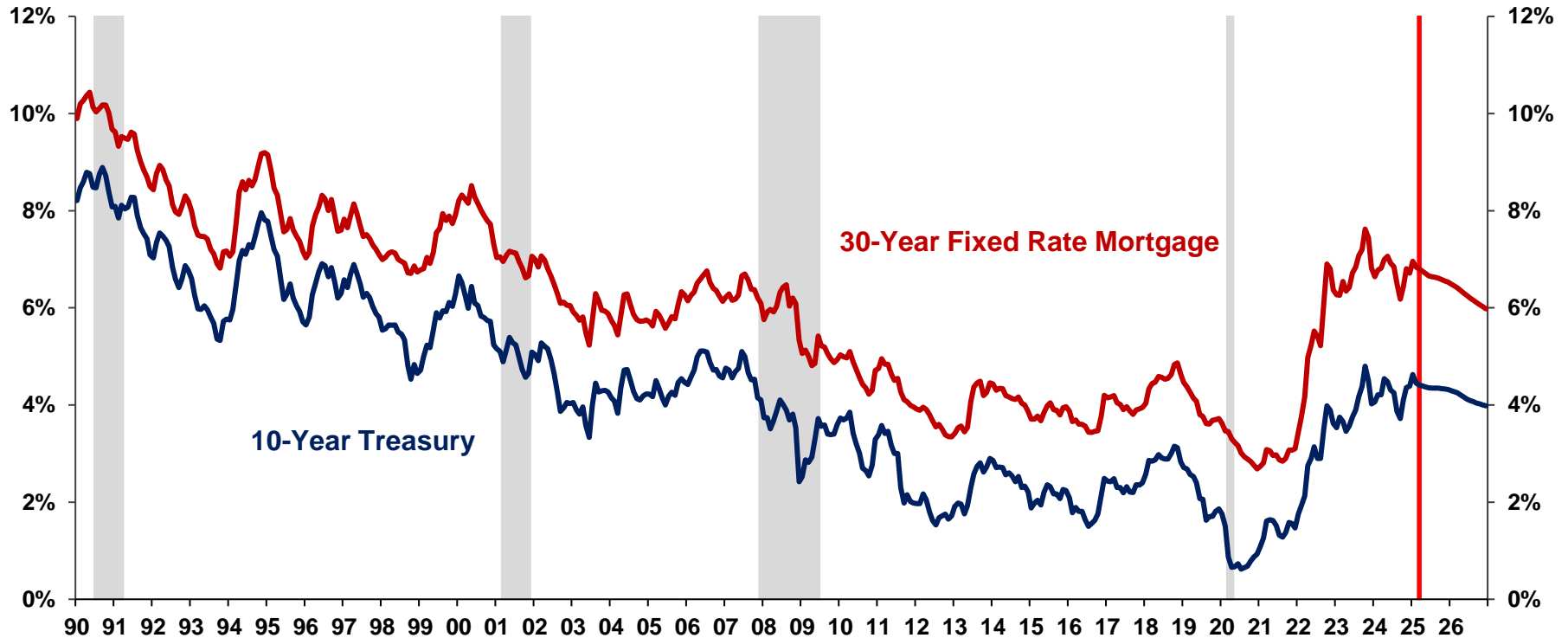
Fed cuts interest rates for the first time since 2020



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

Lower Mortgage Rates But the Process Won't Be Smooth

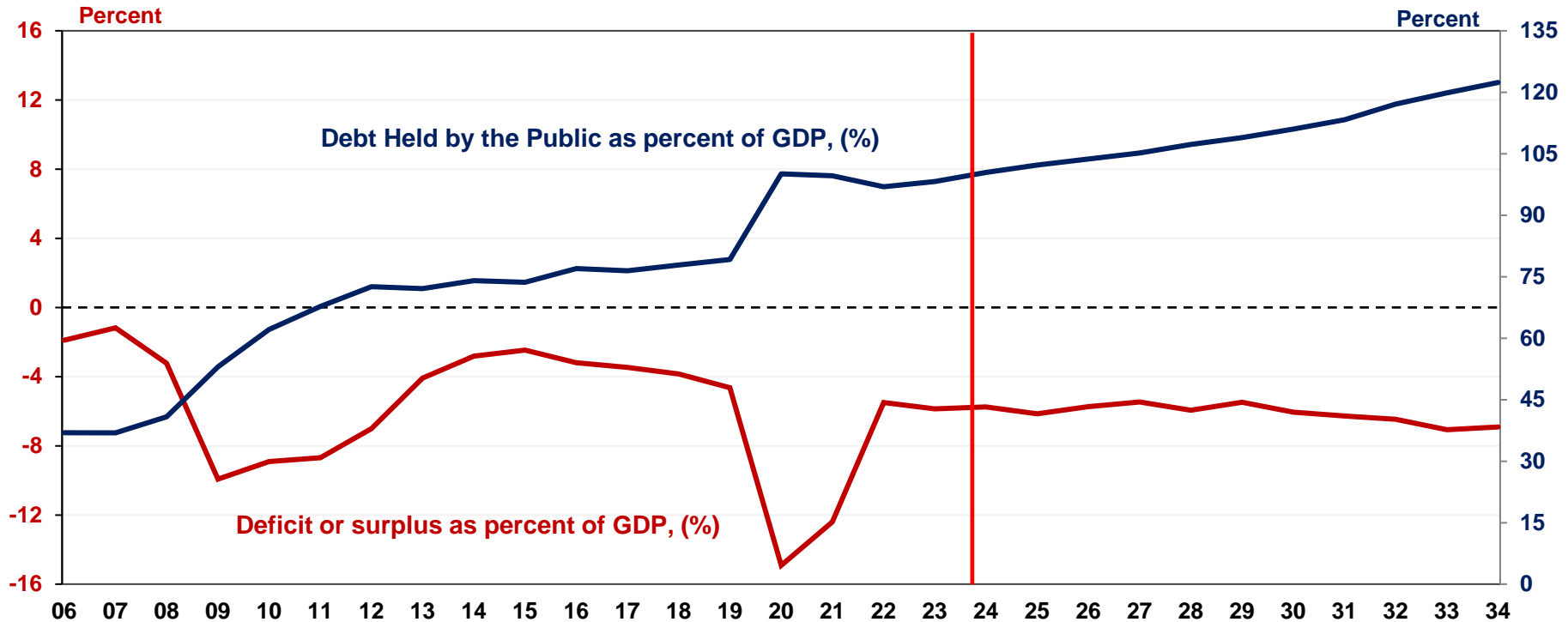
Long-term interest rates could move sideways or higher with larger deficits



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

Government Deficits Growing

Approaching unsustainable trends despite low unemployment

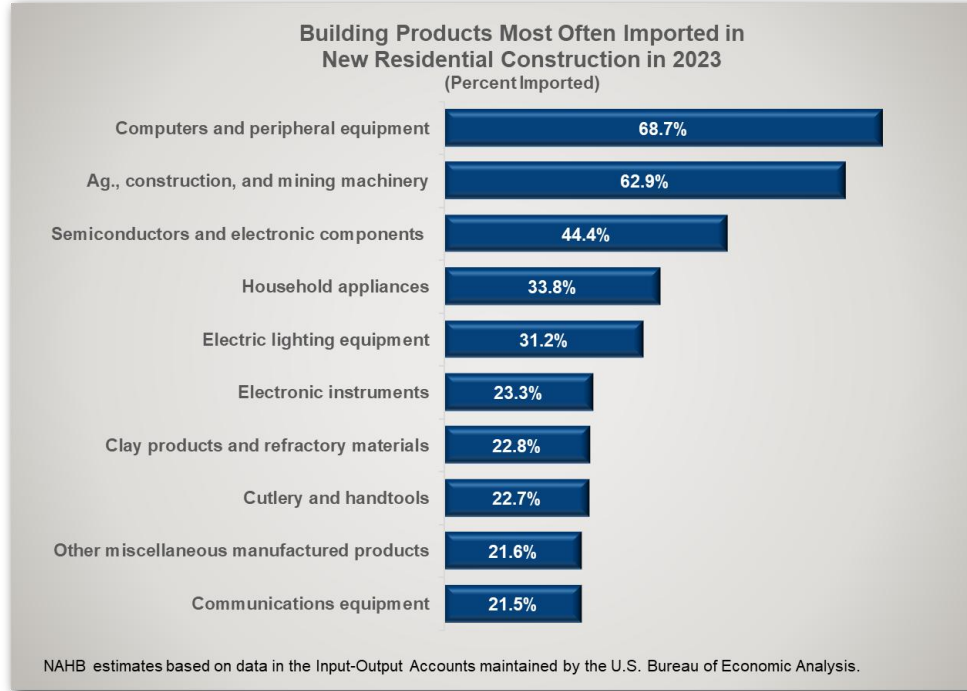


Source: Congressional Budget Office (CBO).

Tariff Considerations

Tariffs are taxes and taxes have costs

7.3% of building materials imported

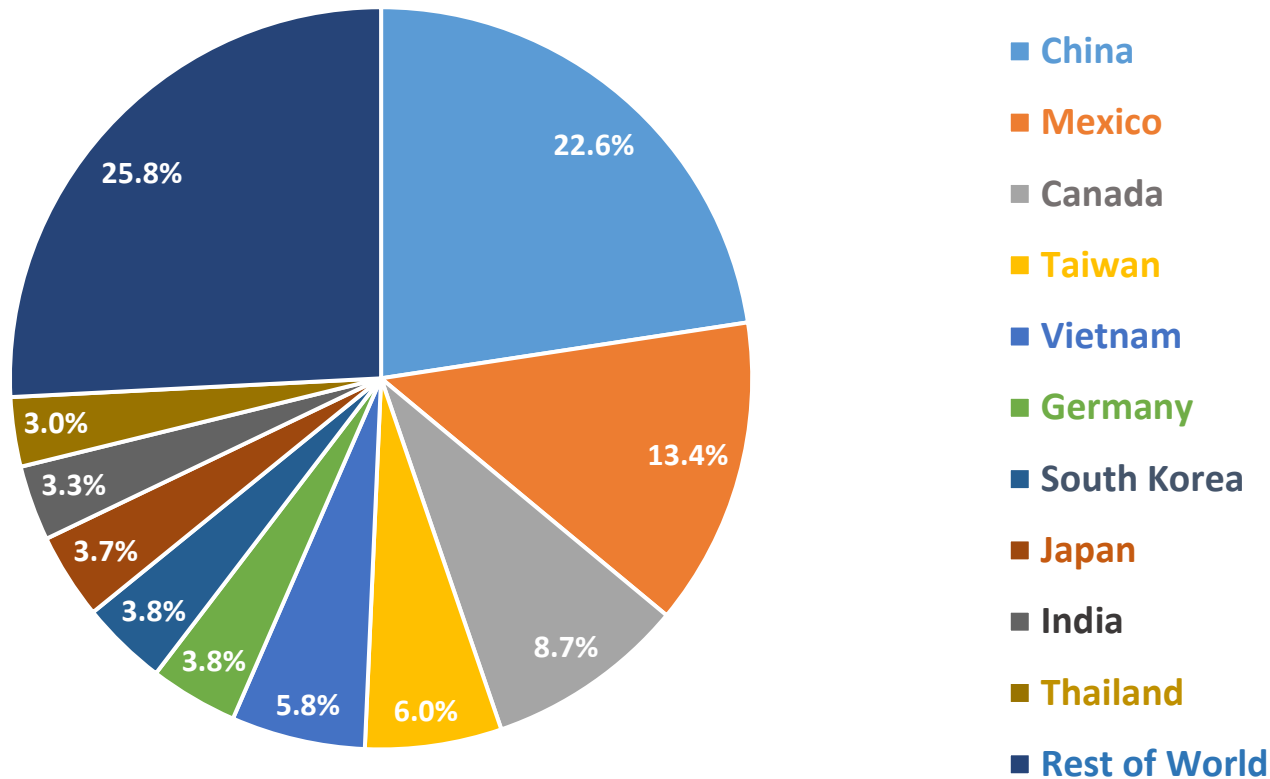


- *U.S. government*
 - *\$2 trillion income tax revenue from \$20 trillion in income*
- *Proposed 10% across the board tariff*
 - *\$2.7 trillion in imports*
 - *Perhaps raise \$240 billion after substitution effect*
 - *Laffer curve reduces revenues at 50% tariff rate*
 - *Max revenue maybe \$700 billion*
- *After-tax distribution effects 10% tariff*
 - *Bottom 20% - 3% income decline*
 - *Top 20% - 0.7% income decline*

Replacing income taxes with tariffs would have complex effects; no free lunch

Share of Residential Building Material Imports in 2024

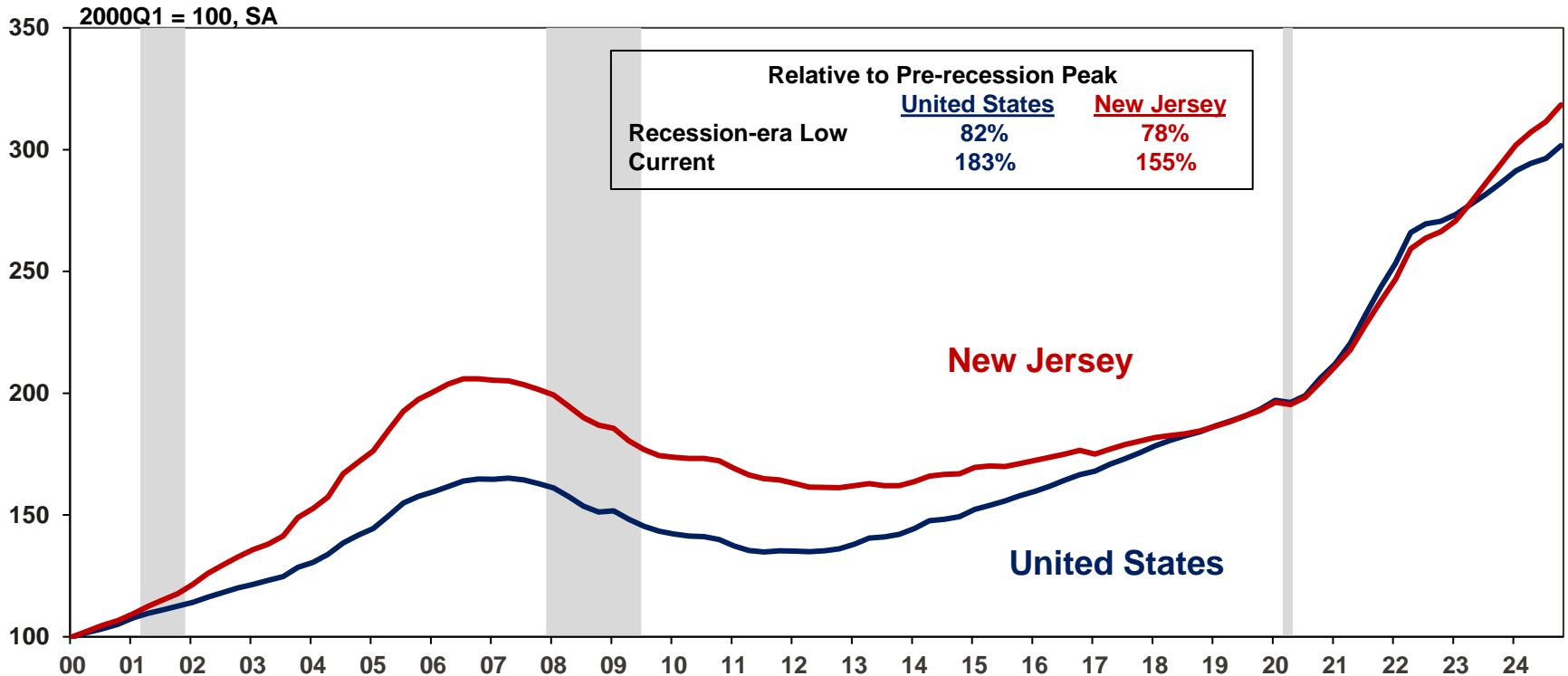
Total imports valued \$11.2 billion in 2024 with 22.6% from China



Source: U.S. Census Bureau; NAHB Analysis

Existing House Price Index

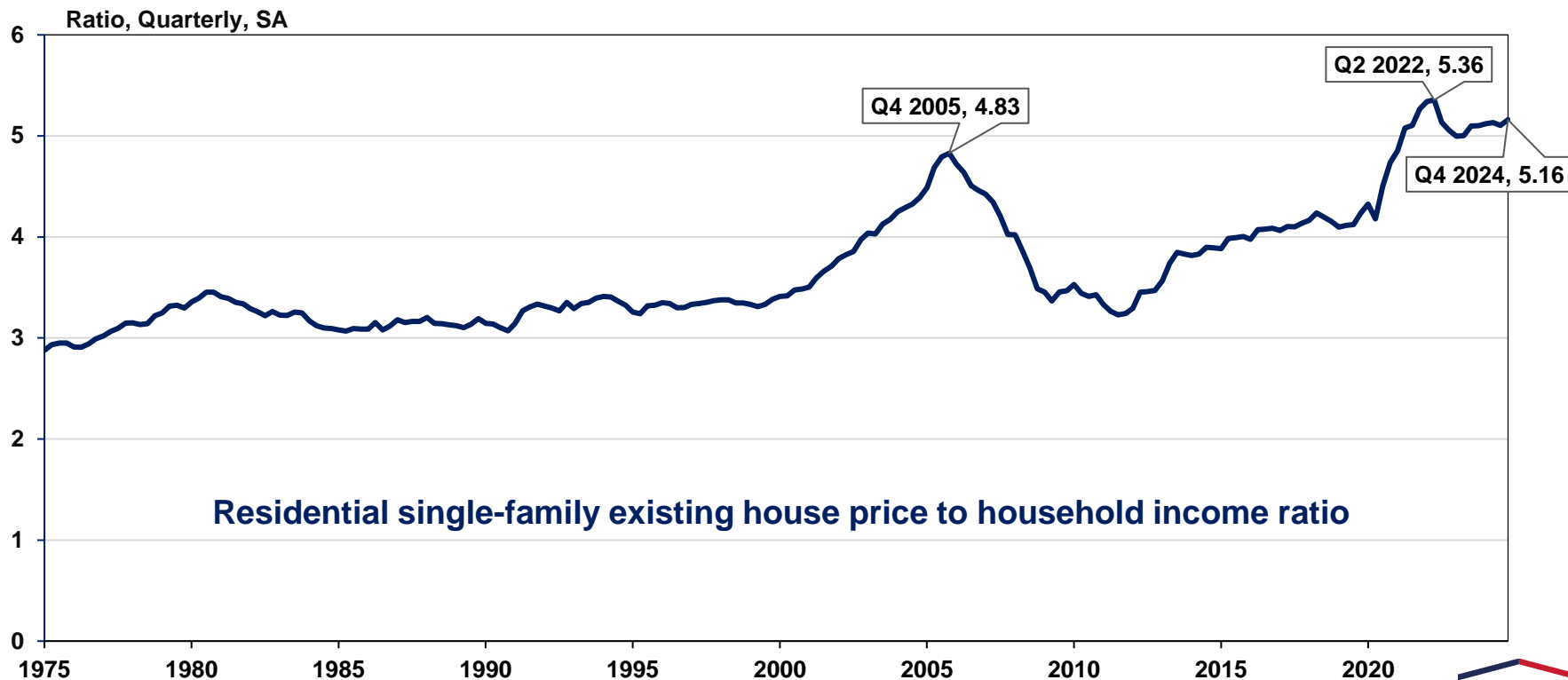
New Jersey 62% home price gain since covid, and 53% for U.S.



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

Home Price to Household Income Ratio

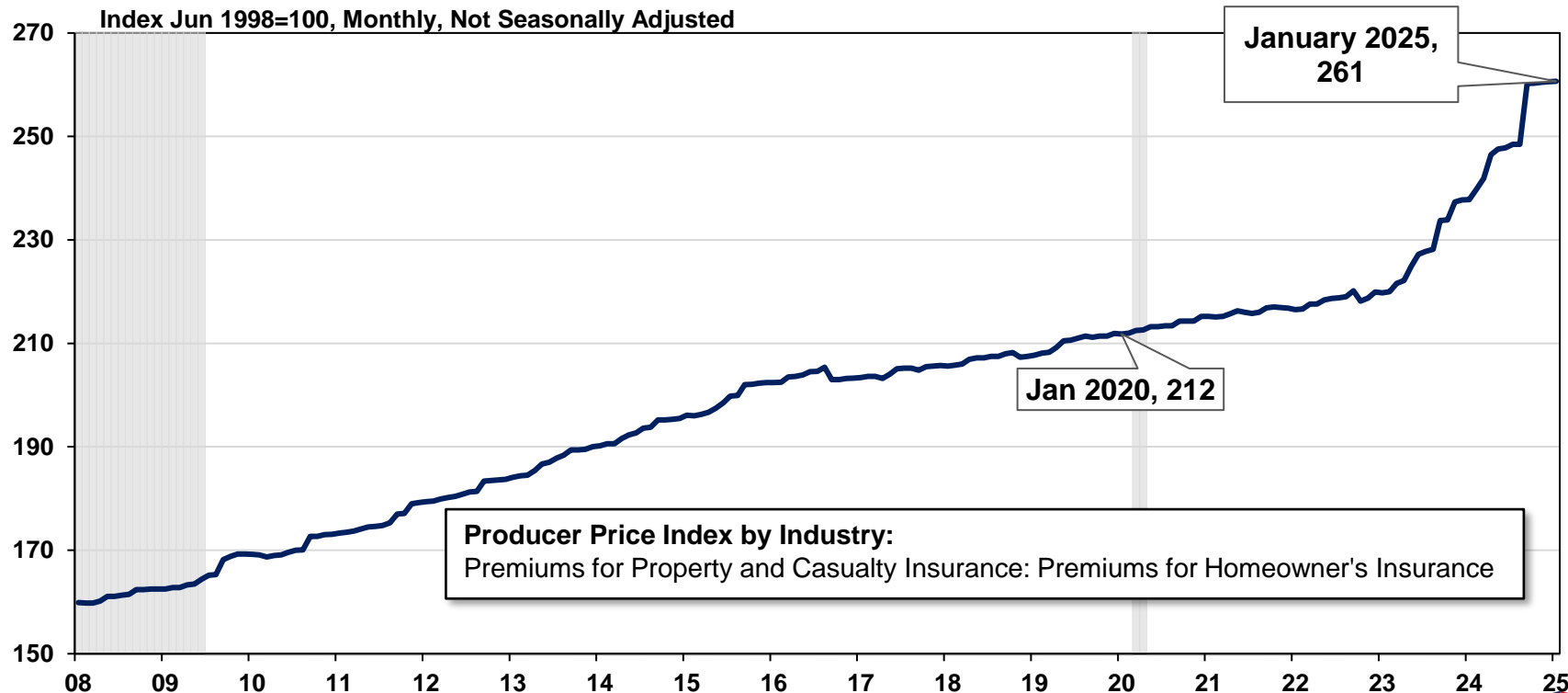
Home price to income ratio was lower decades ago, reached record high in 2022



Source: National Association of Realtors (NAR); U.S. Bureau of Economic Analysis (BEA); U.S. Census Bureau (BOC); Moody's Analytics Estimated

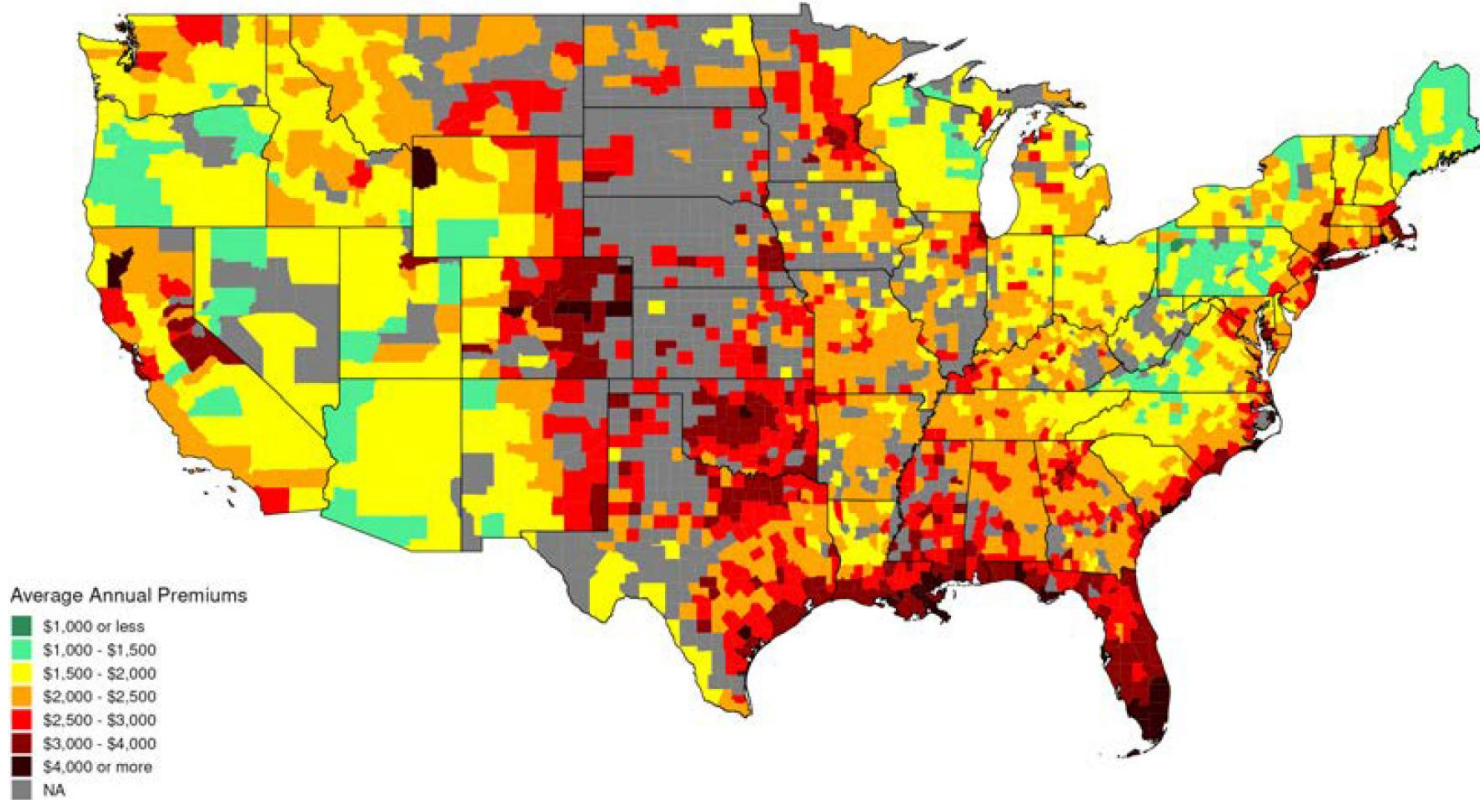
Premiums for Homeowners Insurance Rising

23.1% increase since start of 2020; availability declining as well



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner's Insurance

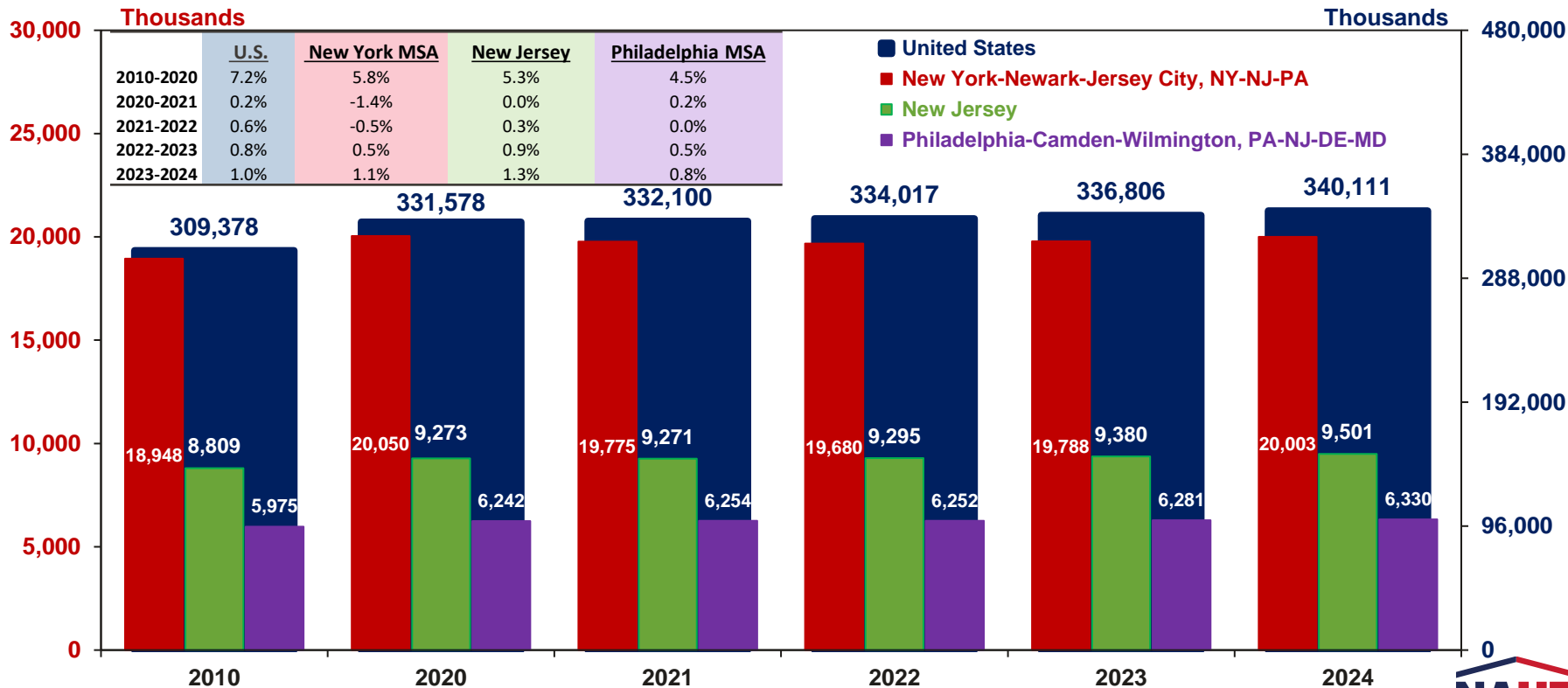
Wide Geographic Differences for Insurance Premiums



Source: PROPERTY INSURANCE AND DISASTER RISK: NEW EVIDENCE FROM MORTGAGE ESCROW DATA, NBER Working paper 32579

Population Growth

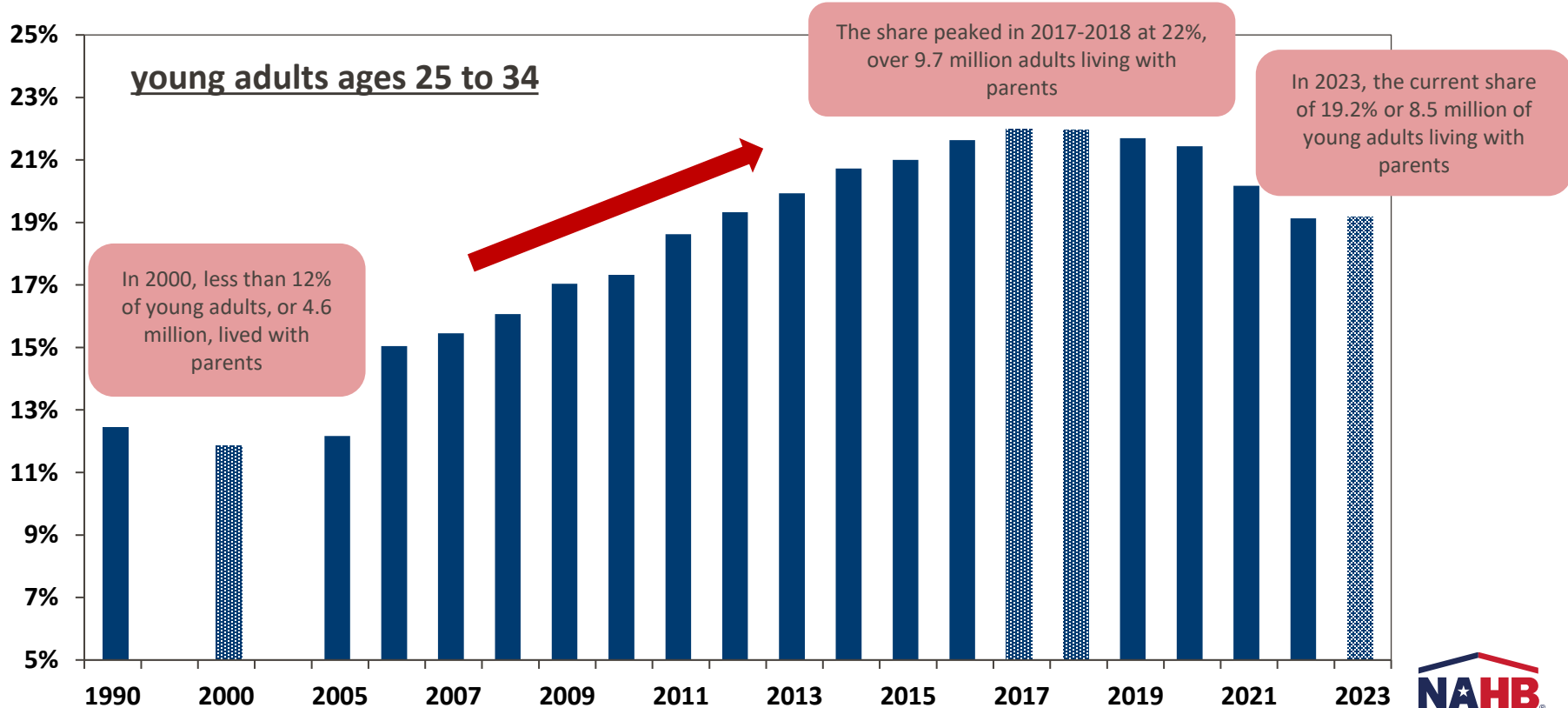
New Jersey population grew faster than national rate



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

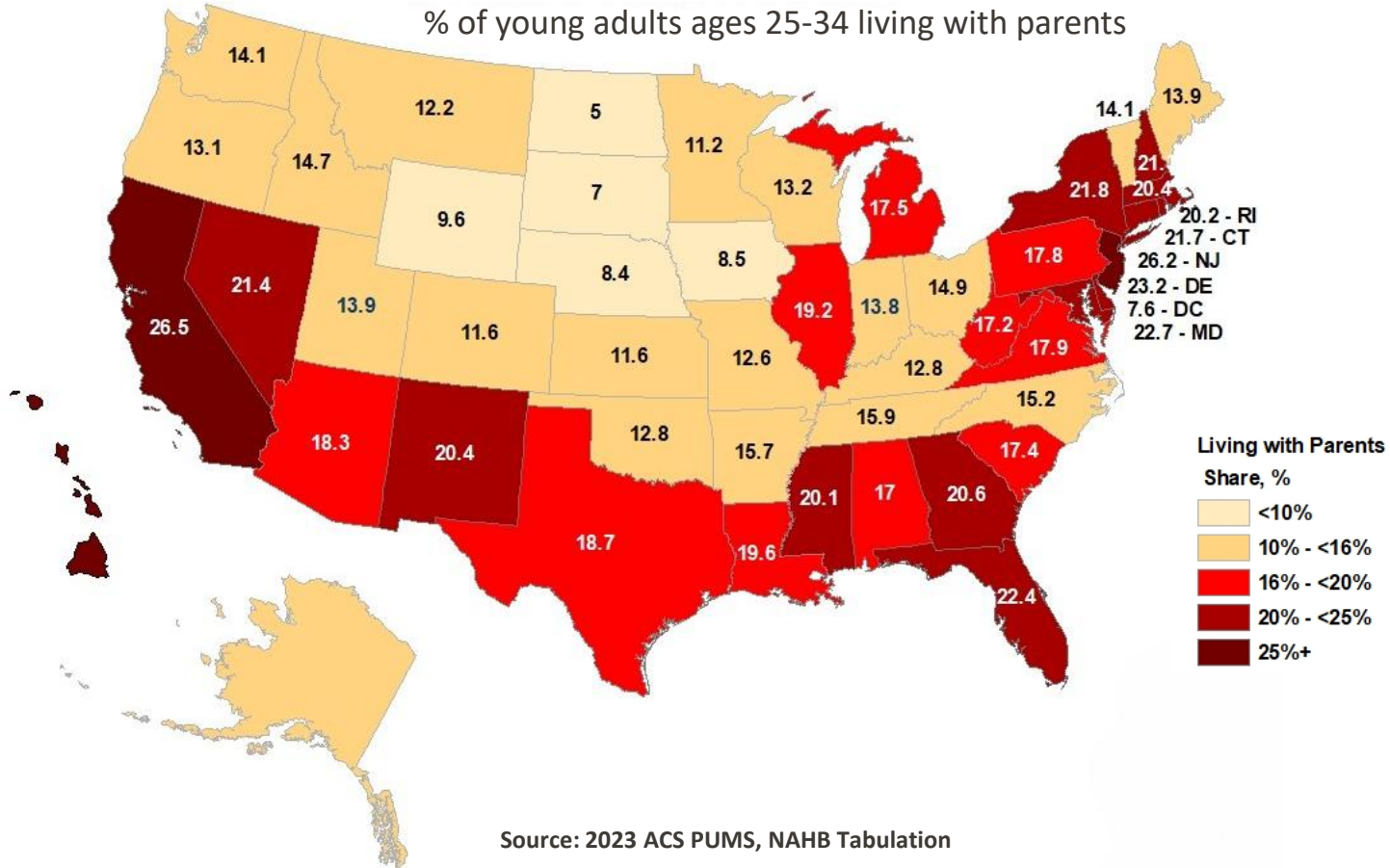
Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

Share of Young Adults Living with Parents



Source: US Census 1990, 2000, PUMS, 2005-2023 ACS, PUMS, NAHB Estimates

Higher Share in High Cost Areas: Young Adults with Parents



Source: 2023 ACS PUMS, NAHB Tabulation



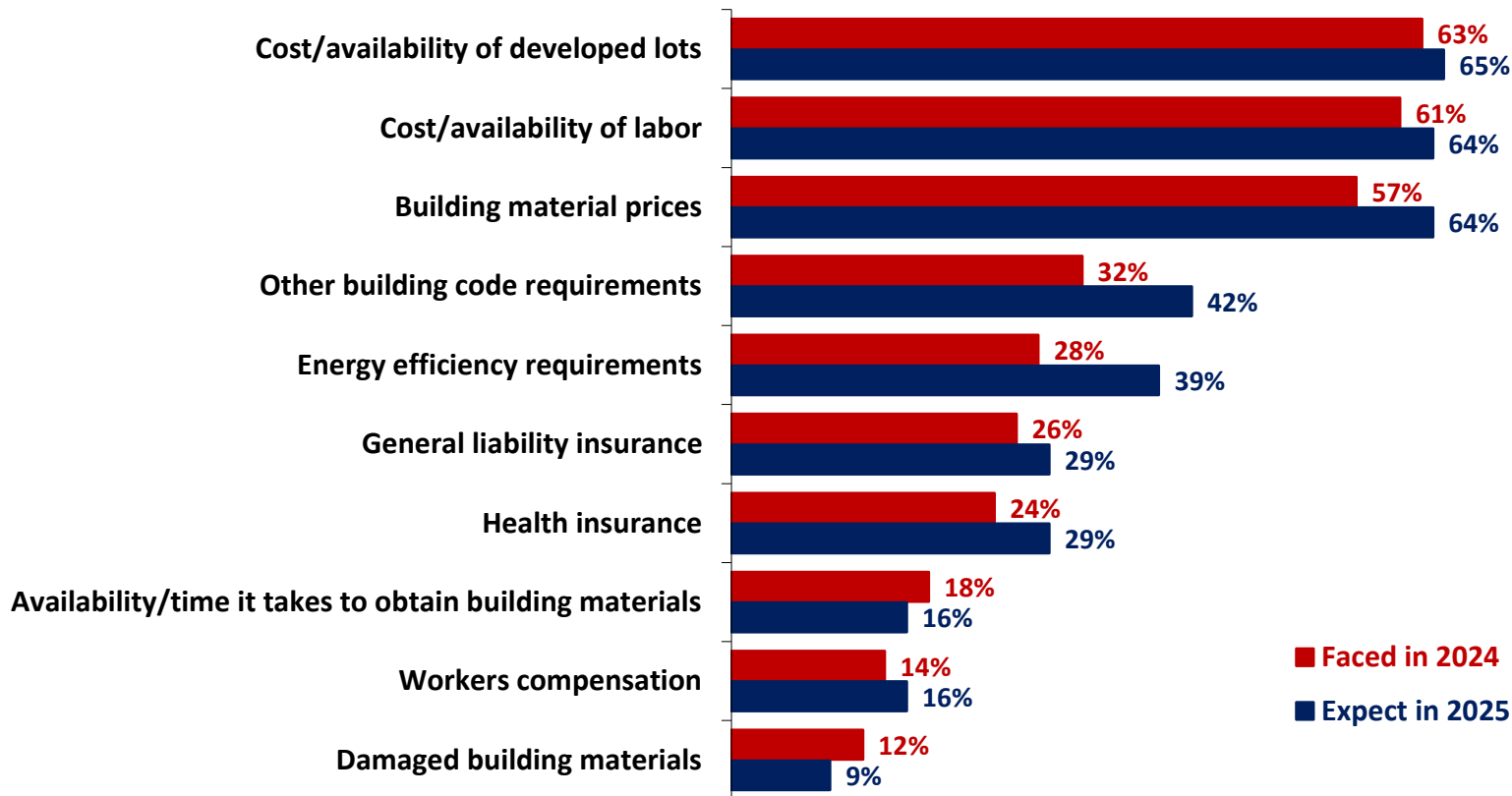
Supply-Side Factors



Most Significant Problems Faced in 2024 and 2025

Builder costs

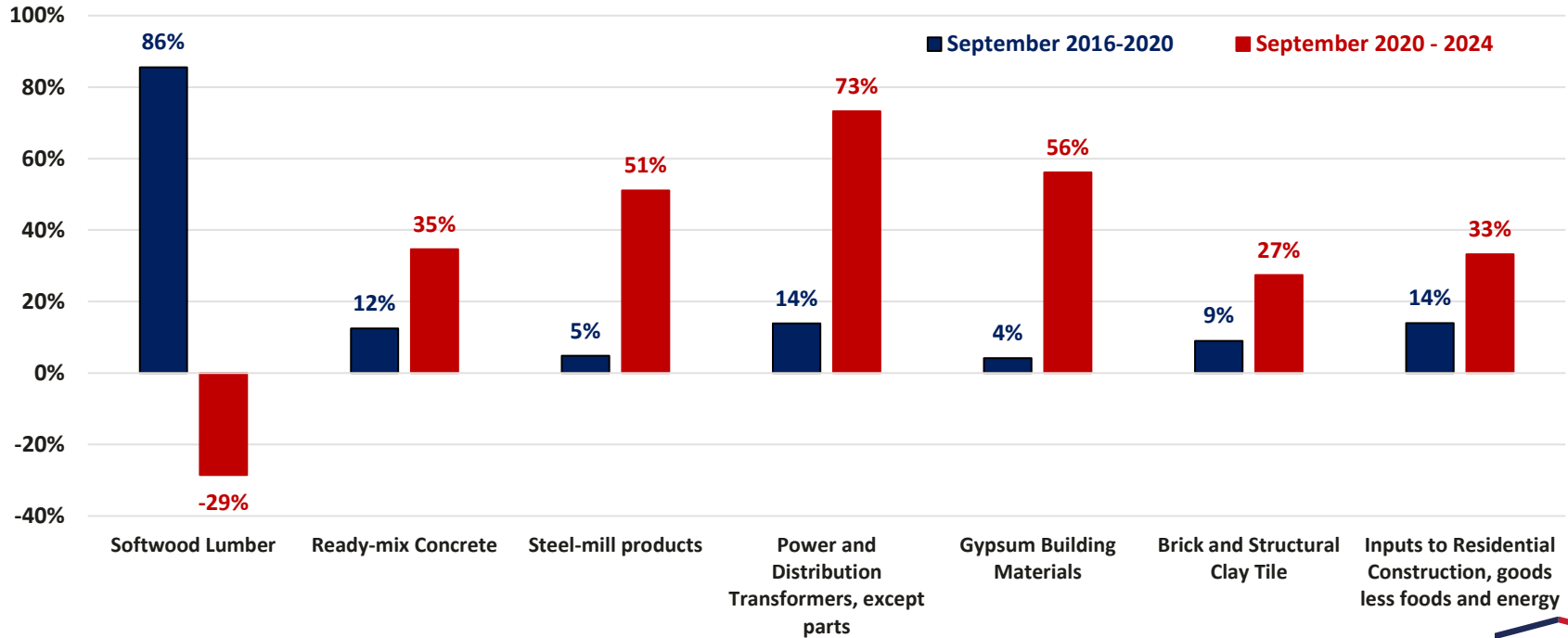
(Percent of Respondents)



Source: NAHB HMI Survey.

Building Material Prices

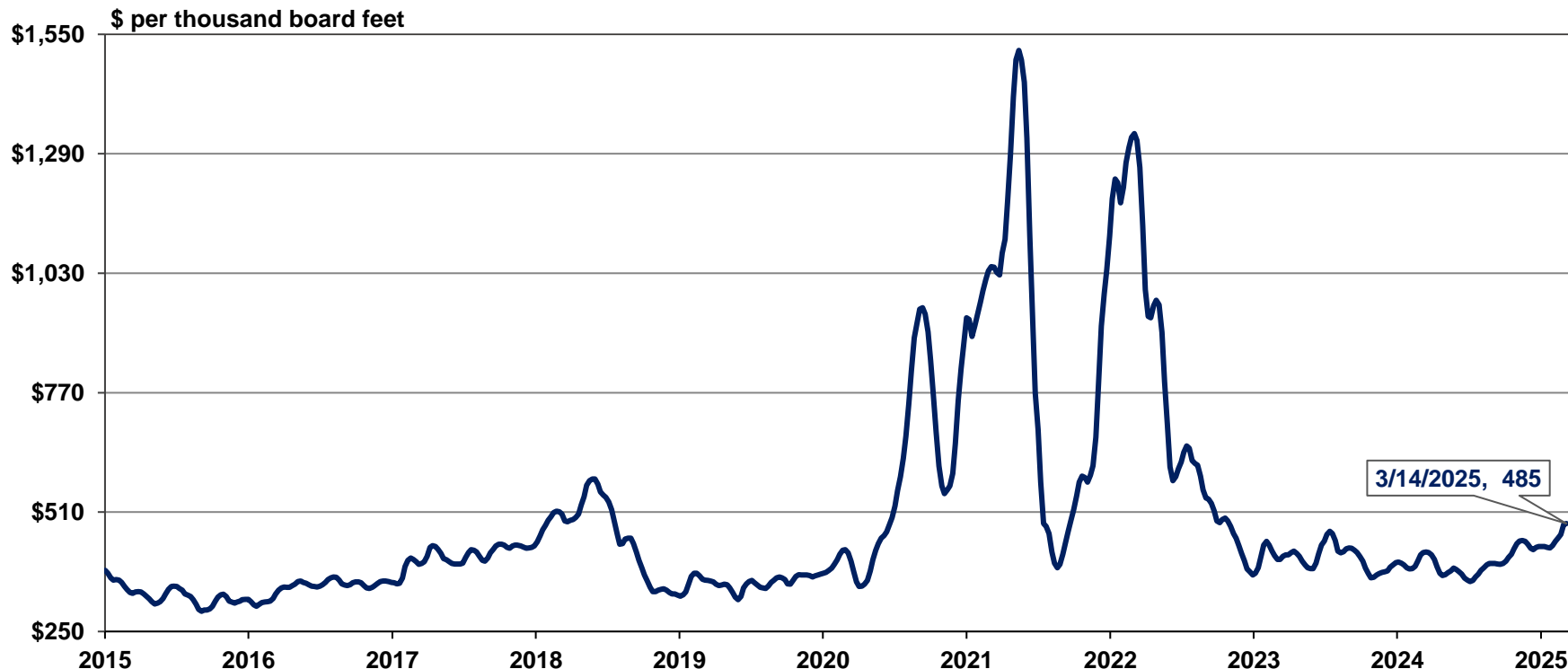
Costs of Building Materials Have Surged Since the Pandemic Four-year Price Percentage Change



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

Lumber Prices Trending Up

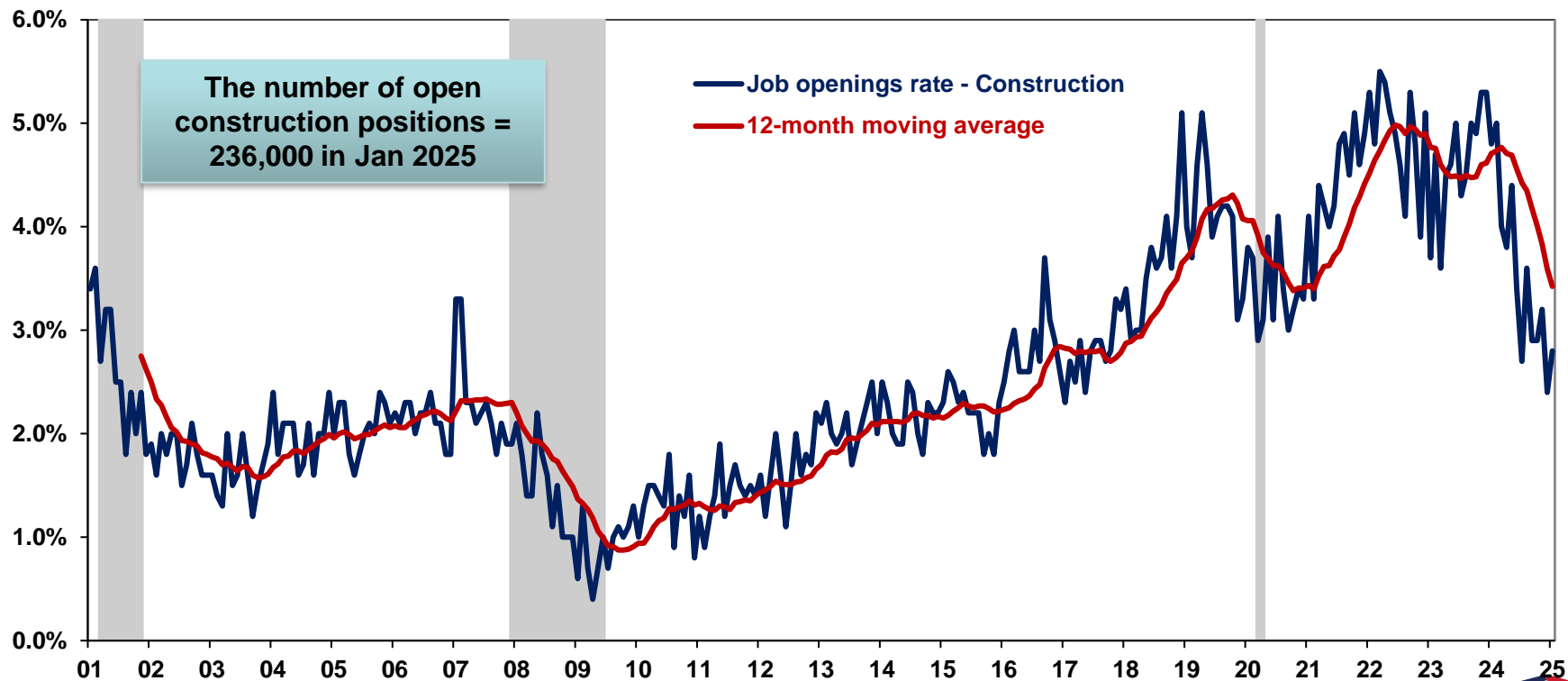
Current March price is \$485, marking the highest point since Nov 2022



Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Peaked for Cycle

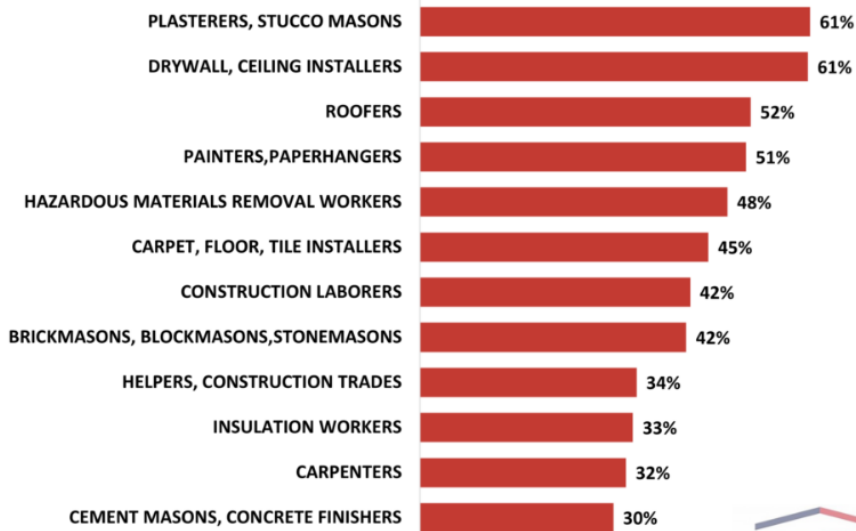
Skilled labor shortage persists; 421,200 net gain for residential construction since Jan 2020



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

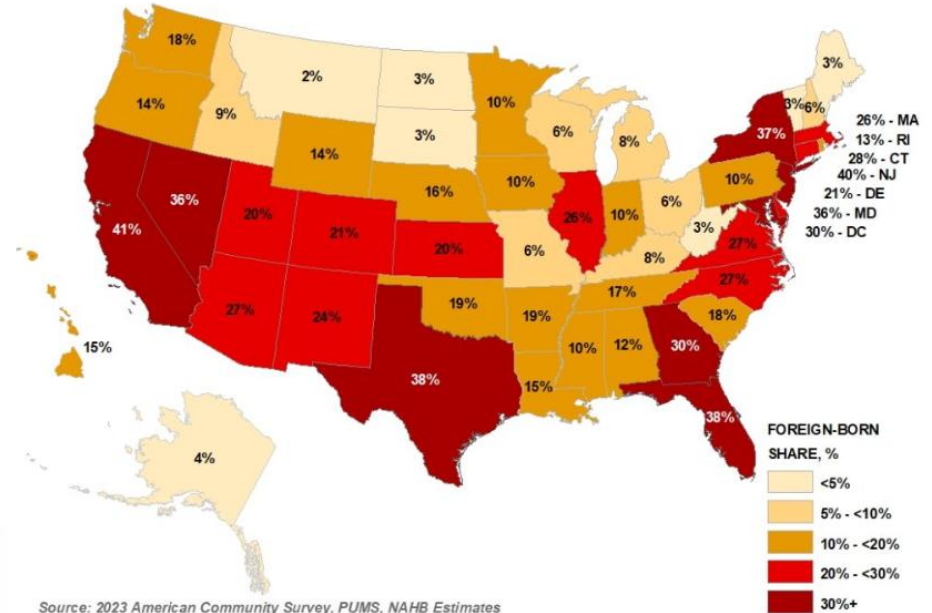
Immigrant Workers in the Construction Sector

CONSTRUCTION TRADES MOST RELIANT ON IMMIGRANTS SHARE OF IMMIGRANTS IN THE WORKFORCE, 2023



Source: 2023 ACS PUMS; NAHB analysis

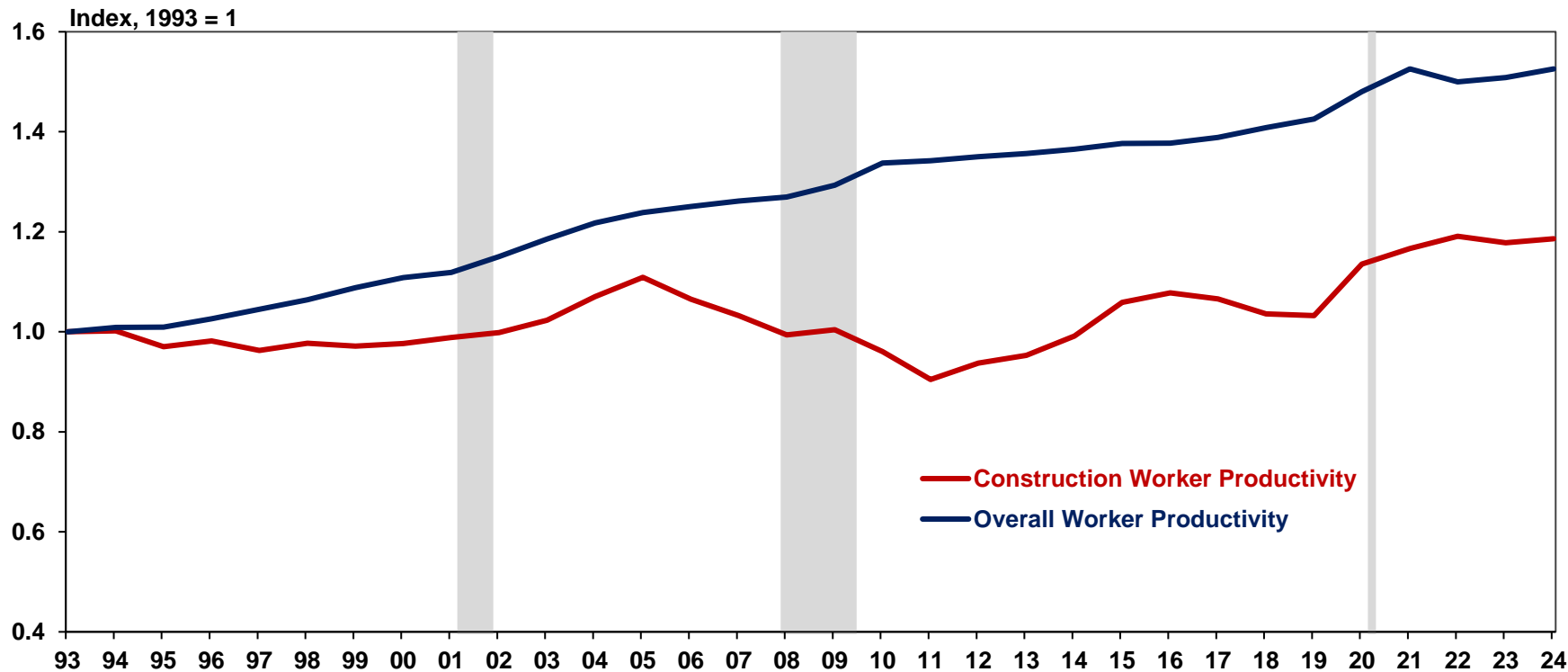
IMMIGRANT WORKERS IN THE CONSTRUCTION LABOR FORCE, 2023



Source: NAHB analysis of Census data

Construction Sector Productivity Lags

19% gain for construction compared to 53% gain for overall economy

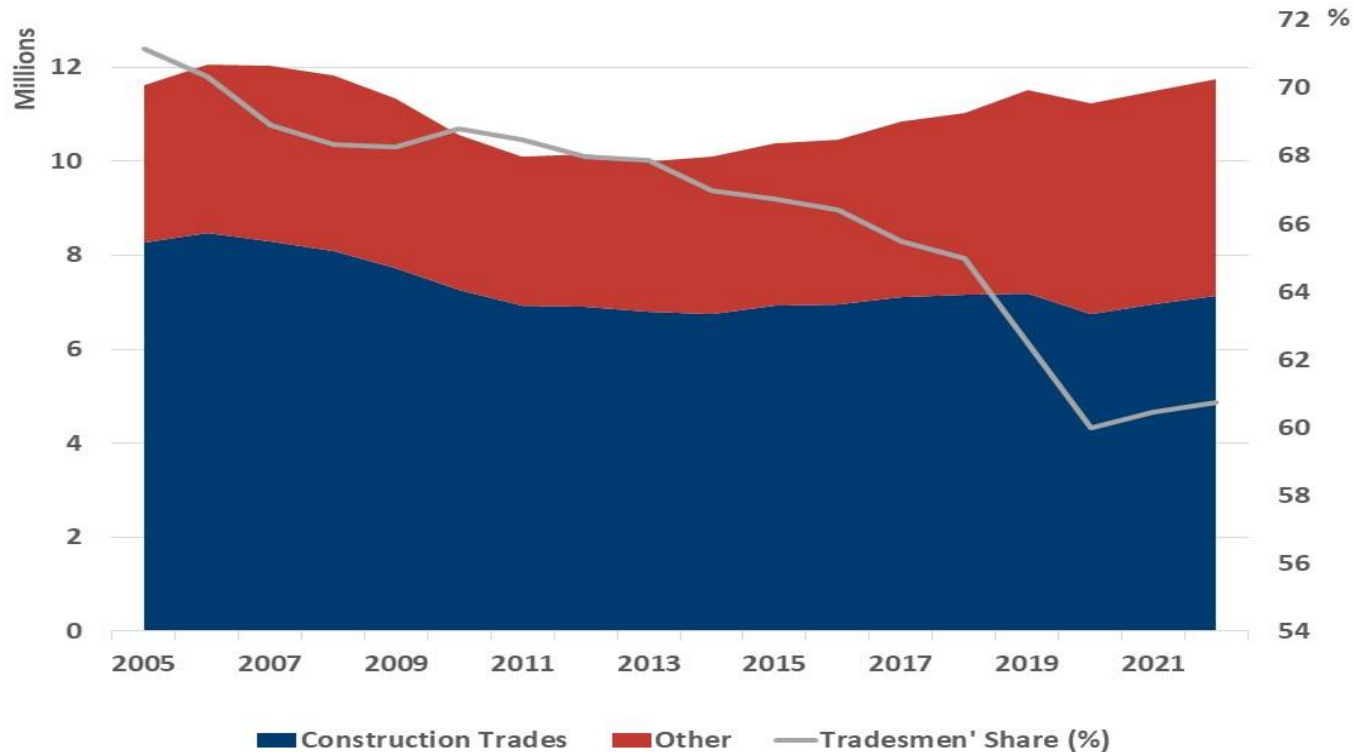


Source: U.S. Bureau of Labor Statistics (BLS).

Share of Trades Workers in Construction is Falling

White-collar worker share rises from 29% in 2005 to 39% in 2022

Construction Labor Force



72 % *Why?*

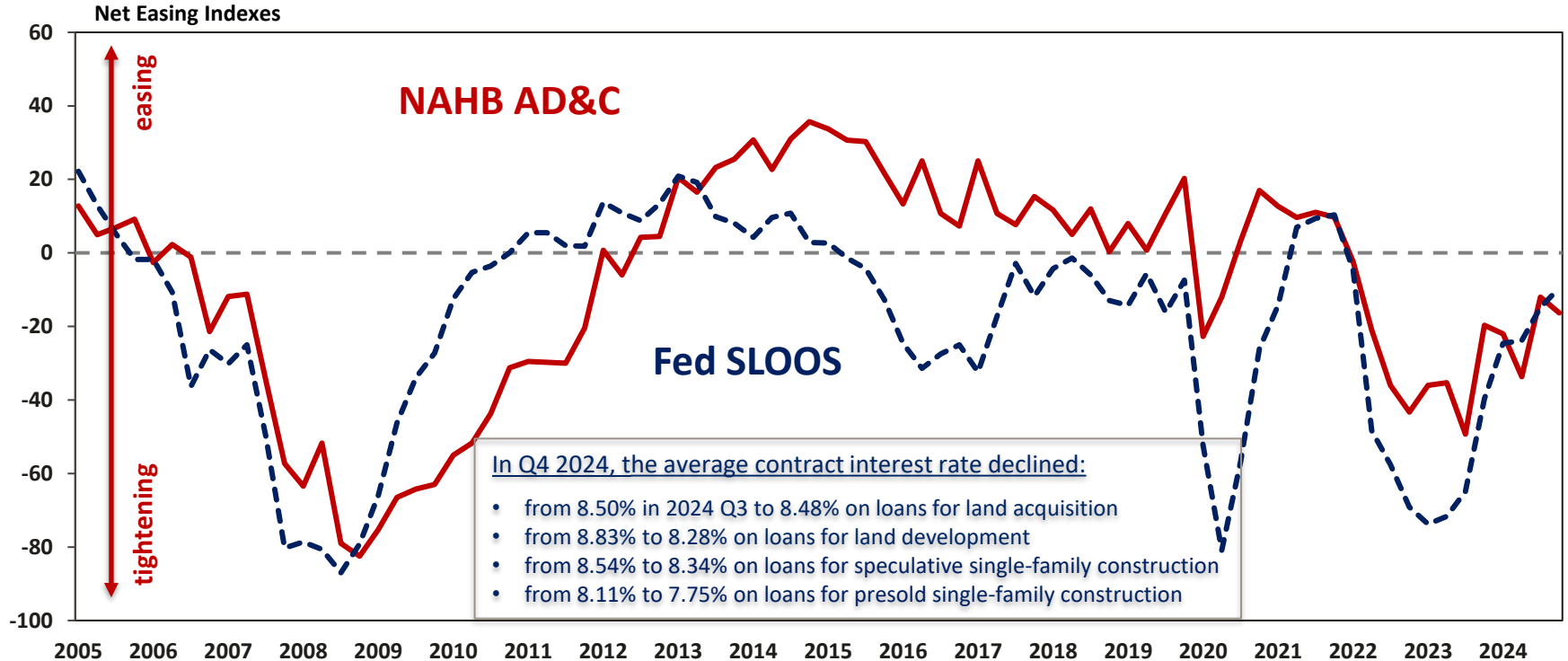
Could be more technology use and thus help construction labor productivity

More likely:

More workers dealing with rising regulatory burdens

Lending – AD&C Loan Conditions

For the second consecutive quarter, the contract interest rate declined on all four categories of loans



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 Boost Housing Supply

Increased housing supply reduces shelter inflation and eases the affordability crisis

1 Eliminate excessive regulations

Alleviate permitting roadblocks

6

2 Promote careers in the skilled trades

Adopt reasonable and cost-effective building codes

7

3 Fix building material supply chains and ease costs

Reduce local impact fees and other upfront taxes associated with housing construction

8

4 Pass federal tax legislation to expand the production of affordable and attainable housing

Make it easier for developers to finance new housing

9

5 Overturn inefficient local zoning rules

Update employment policies to promote flexibility and opportunity

10

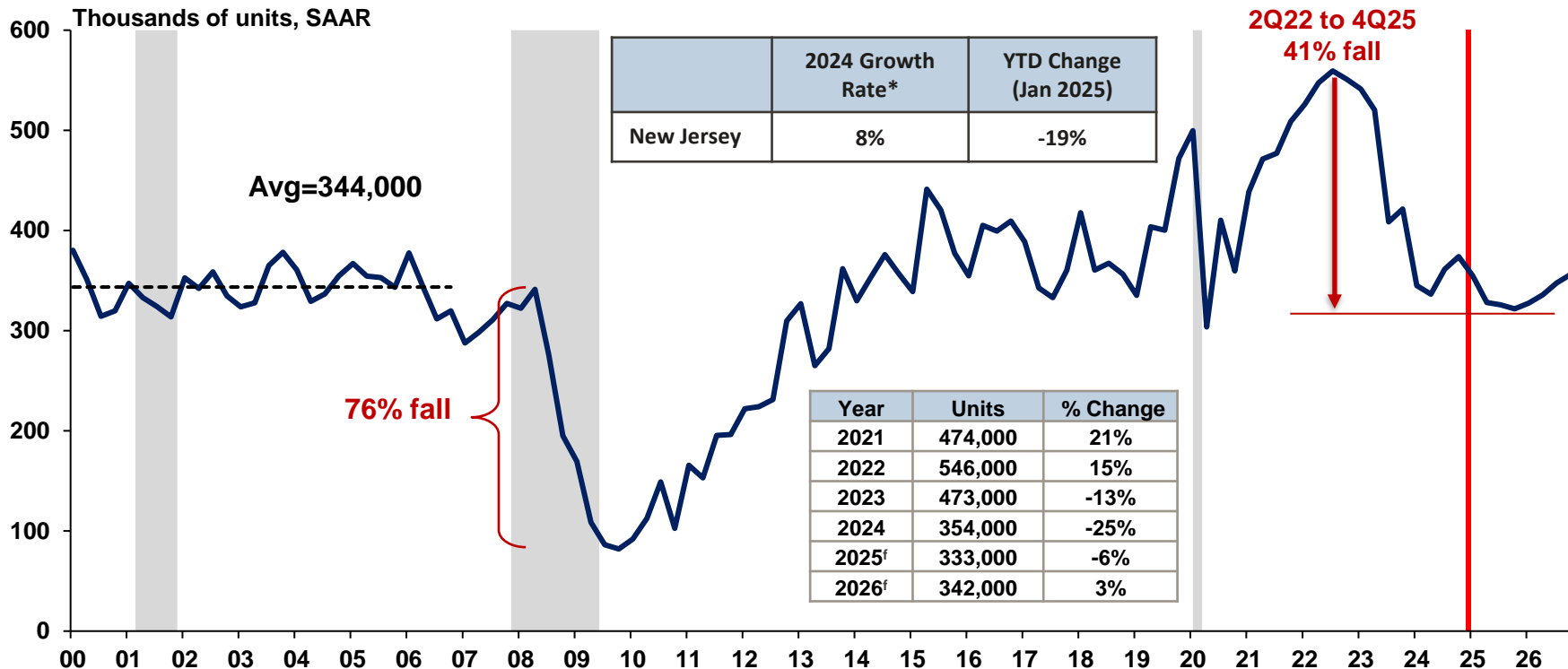


Construction Outlook



Multifamily Construction Stabilizing Ahead

Apartment construction records a significant decline in 2024

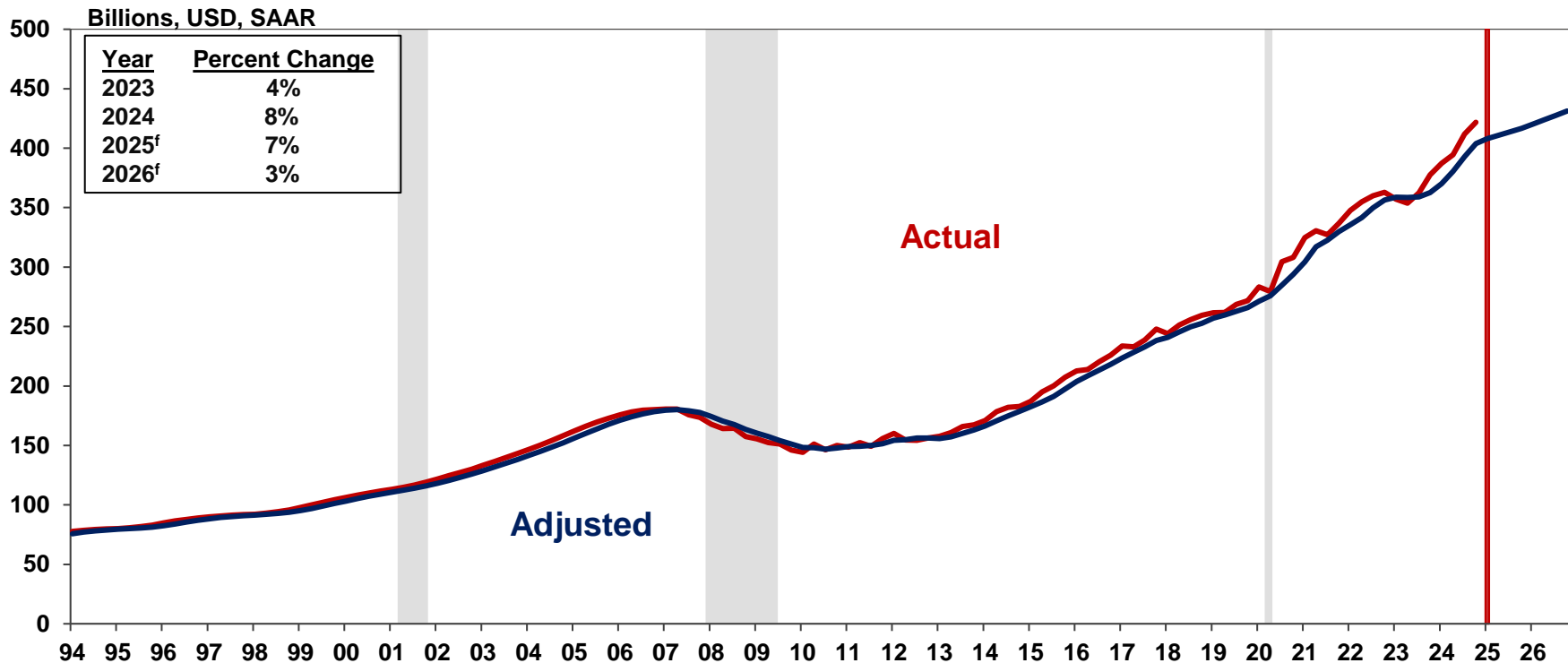


Source: U.S. Census Bureau (BOC) and NAHB forecast

Note: * 2024 permits are December 2024 YTD data as annual permits for 2024 are not available yet.

Residential Remodeling Expanding

Positive growth prospects ahead

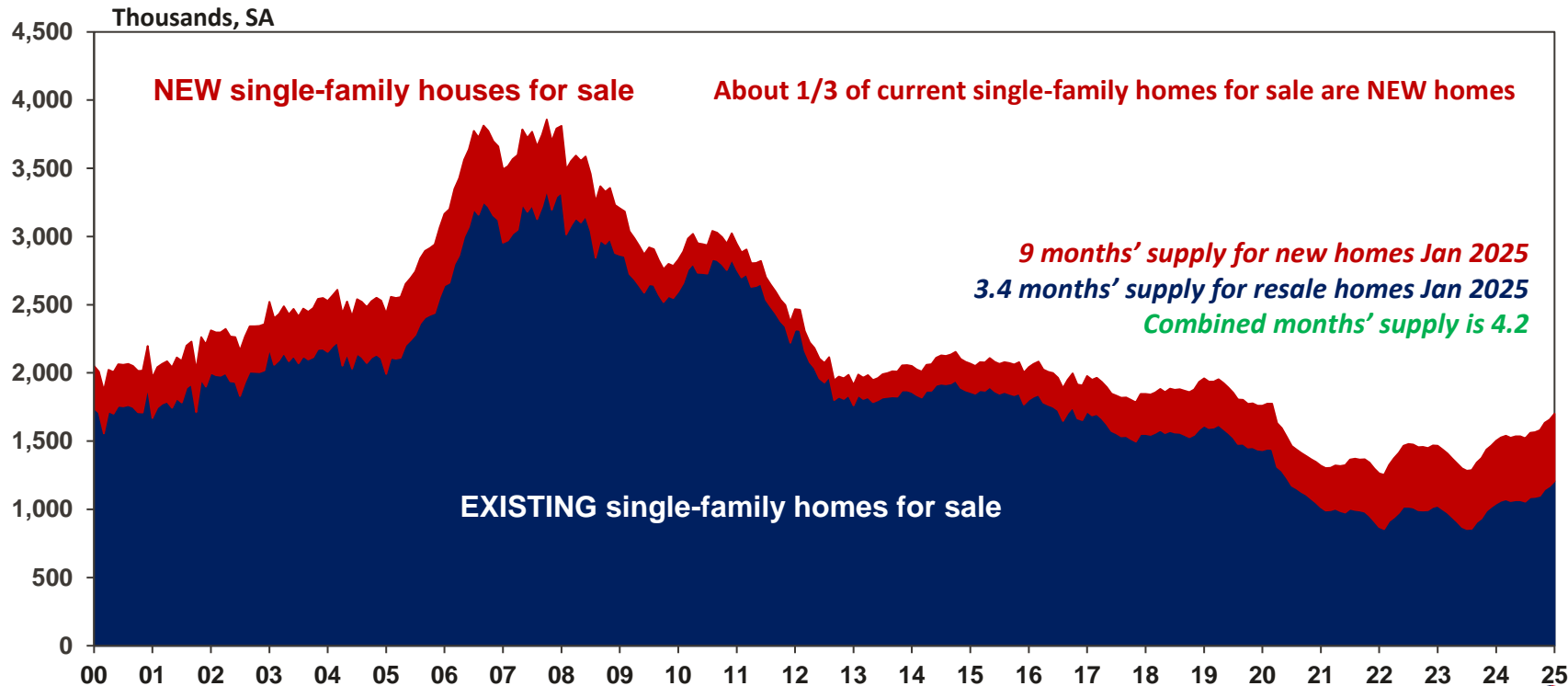


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

Total Housing Inventory

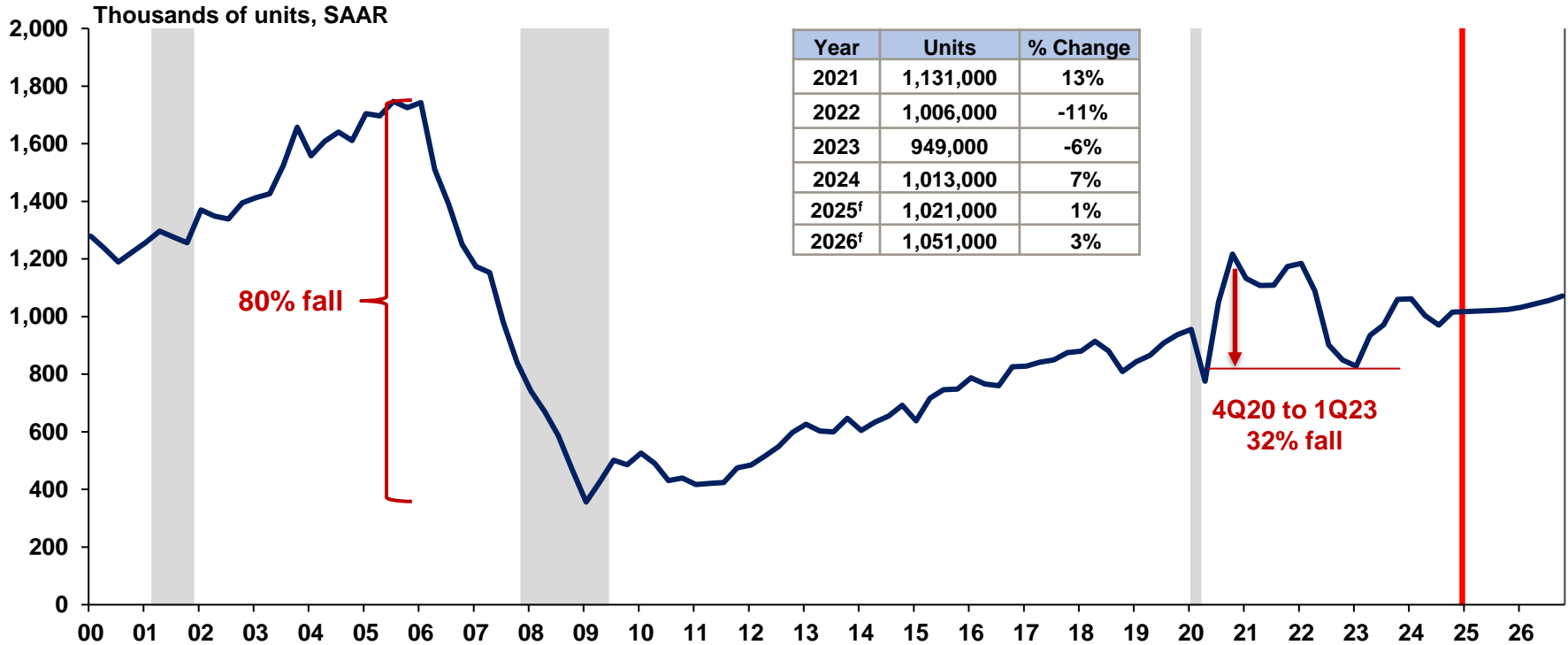
Insufficient resale inventory is supporting demand for new construction



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

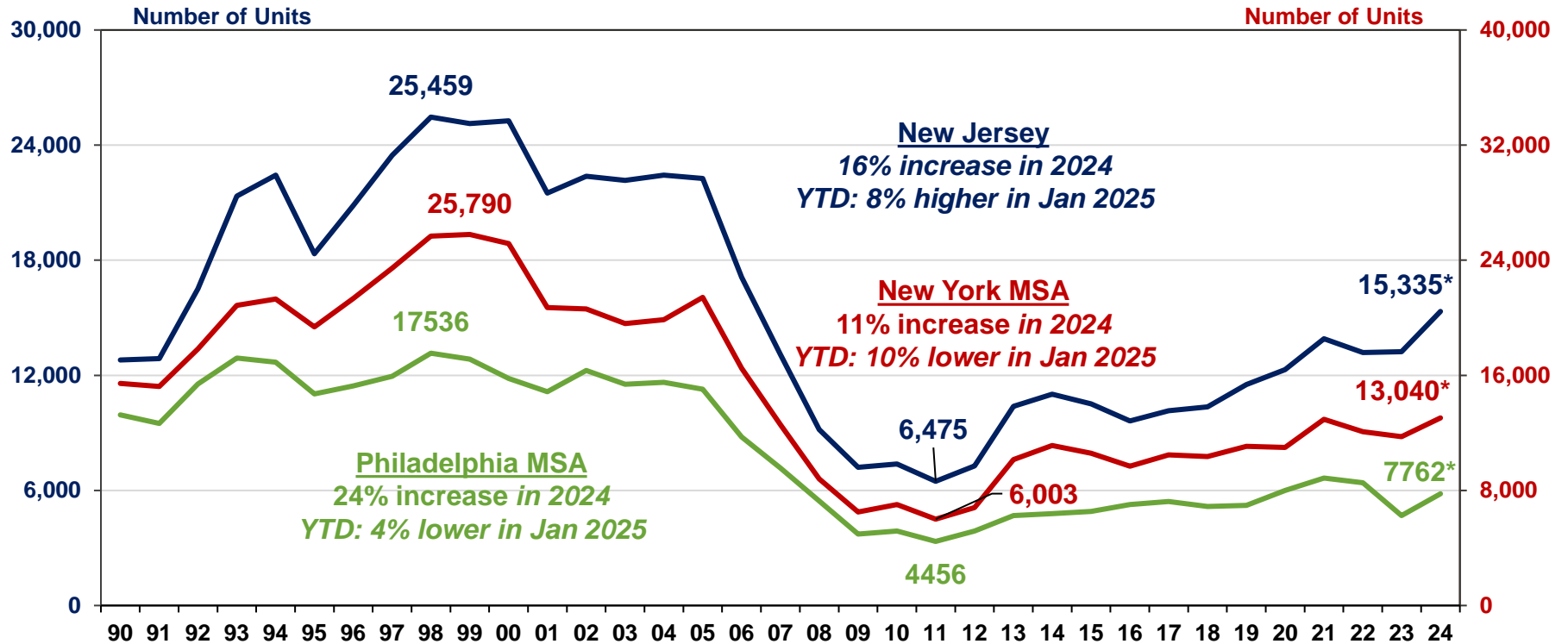
Single-Family Starts Trending Higher

Single-family starts will grow at slower pace in 2025 as positive and negative policy risks rise



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

Single-Family Building Permits—NJ, New York and Philadelphia MSAs



Source: Census Bureau.

Note: * 2024 permits are December 2024 YTD data as annual permits for 2024 are not available yet.

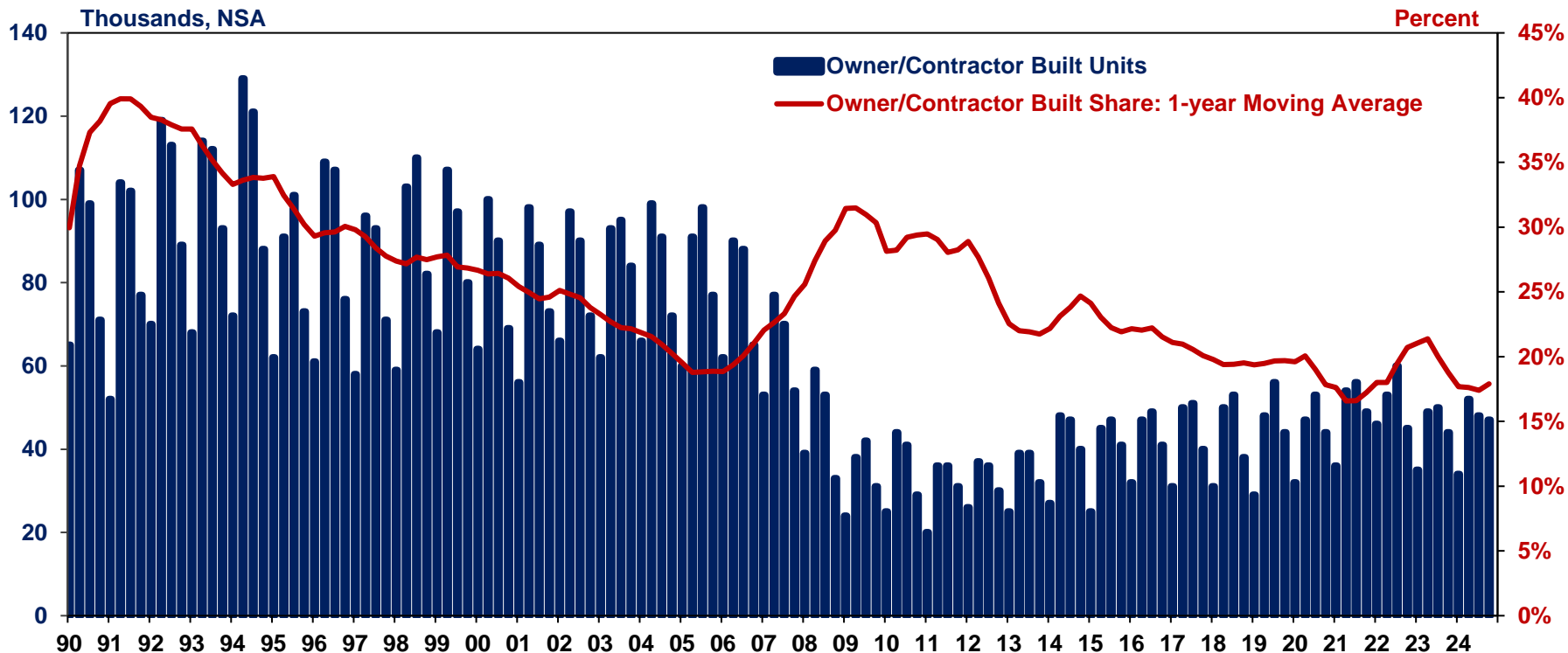
Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	Jan 2025 (# of units YTD, NSA)	YTD % Change (compared to Jan 2024)
Houston-The Woodlands-Sugar Land, TX	4,135	4%
Dallas-Fort Worth-Arlington, TX	3,431	-3%
Phoenix-Mesa-Scottsdale, AZ	2,493	-8%
Atlanta-Sandy Springs-Roswell, GA	1,855	-14%
Charlotte-Concord-Gastonia, NC-SC	1,419	-5%
Orlando-Kissimmee-Sanford, FL	1,393	28%
Washington-Arlington-Alexandria, DC-VA-MD-WV	1,168	25%
Austin-Round Rock, TX	1,159	-26%
Tampa-St. Petersburg-Clearwater, FL	1,091	-31%
New York-Newark-Jersey City, NY-NJ-PA	1,018	-7%

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

Custom Home Building Market

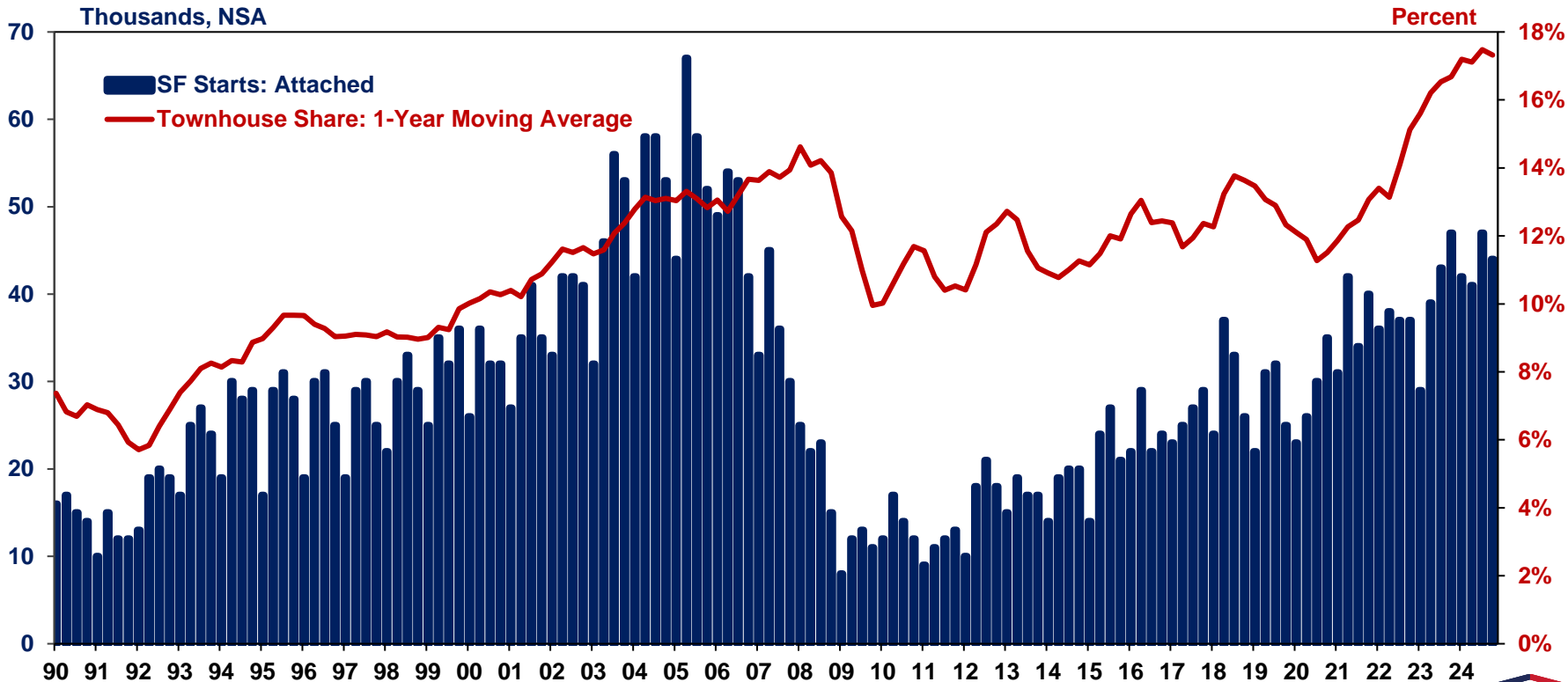
Market share in the 20% range



Source: U.S. Census Bureau (BOC)

Townhouse Construction Gains Continue

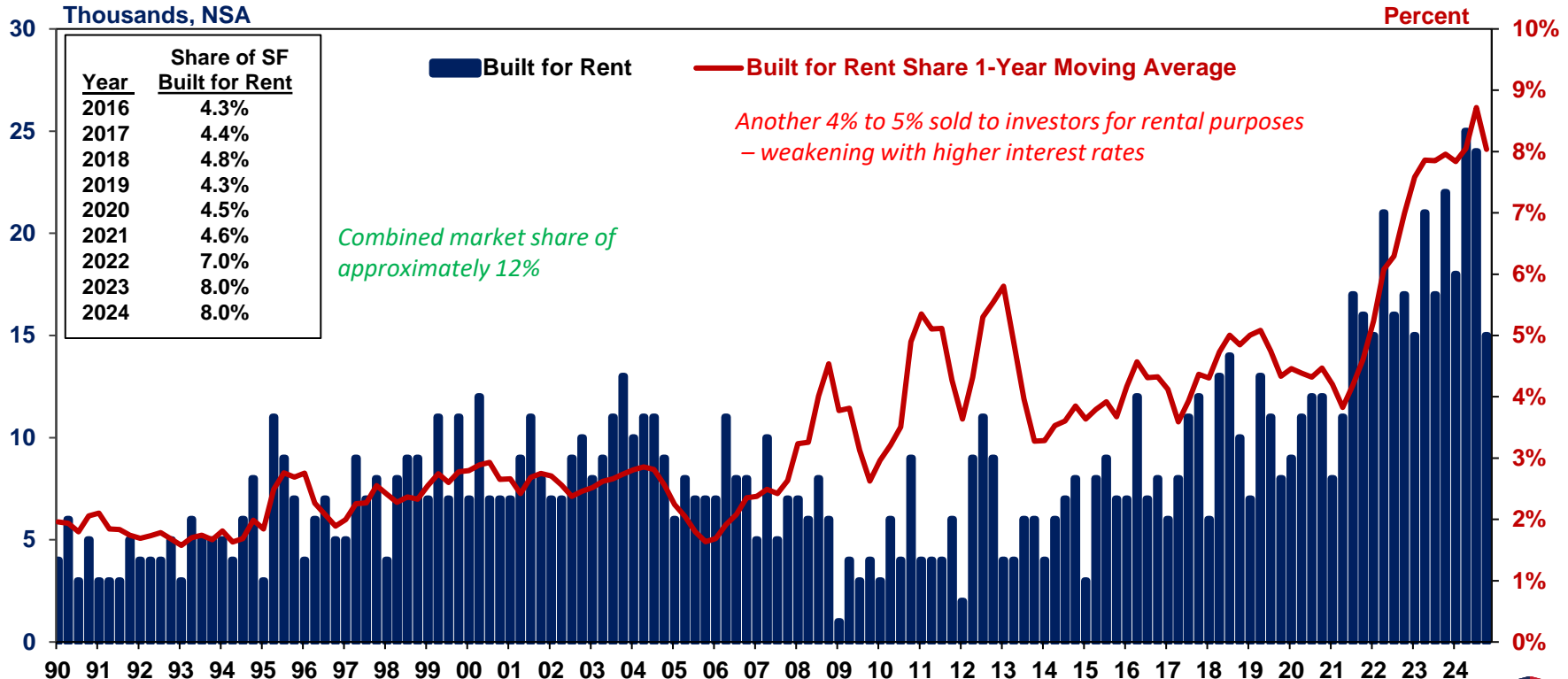
Market share at multidecade high



Source: U.S. Census Bureau (BOC)

Single-Family Built-for-Rent Construction (SFBFR)

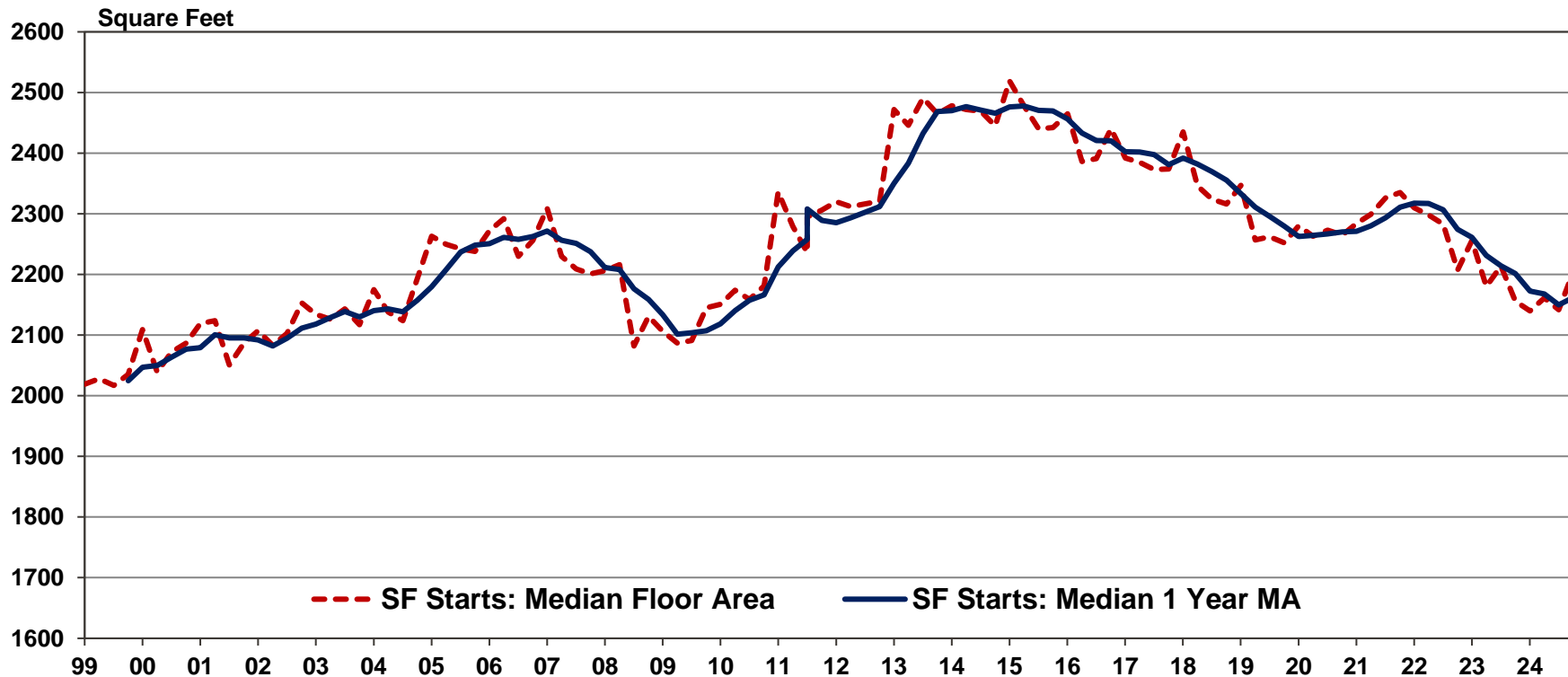
The SFBFR market will likely retain an elevated market share; likely to slow in the near-term



Source: U.S. Census Bureau (BOC)

Typical New Home Size

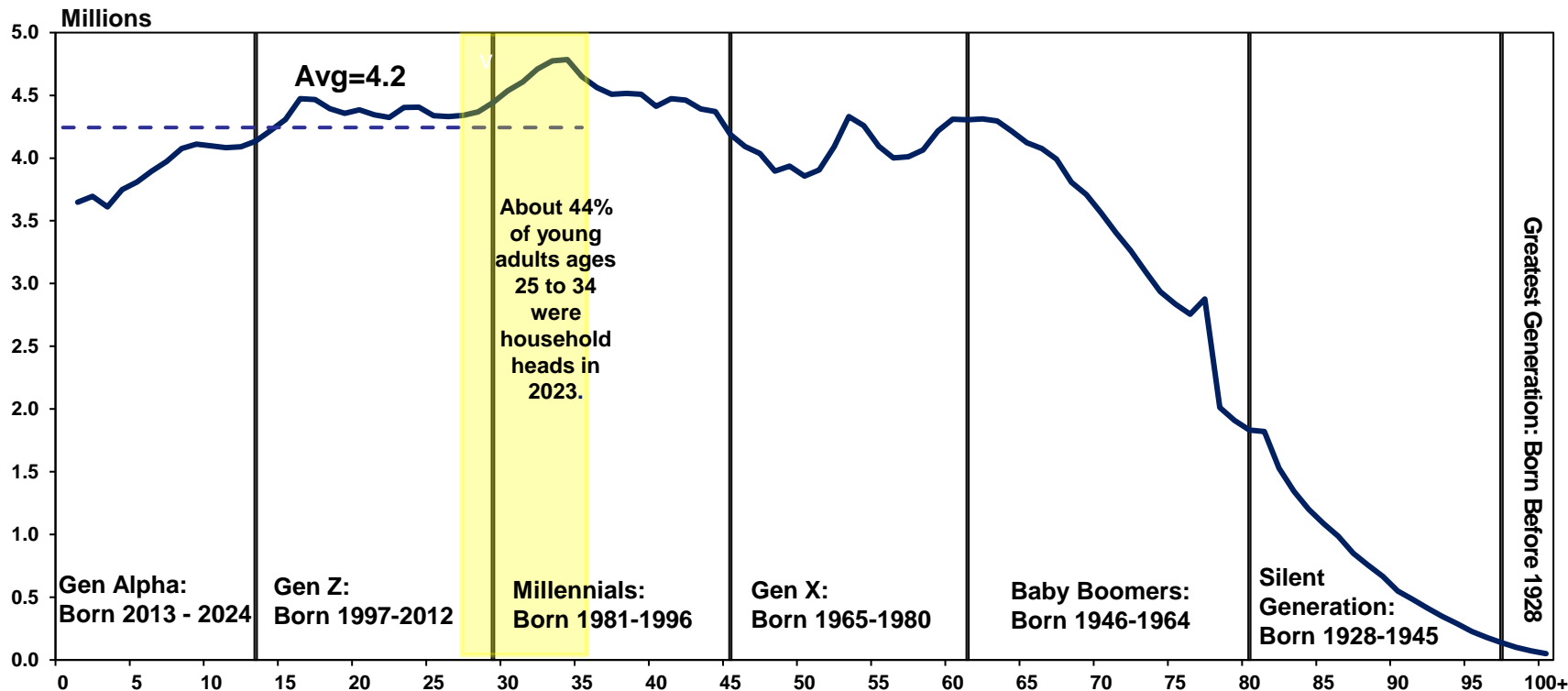
Size reversed and moved higher in the fourth quarter of 2024



Source: U.S. Census Bureau (BOC)

Rising Population Entering Housing Demand Years: 2025

Solid demand for housing during the second half of the decade



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

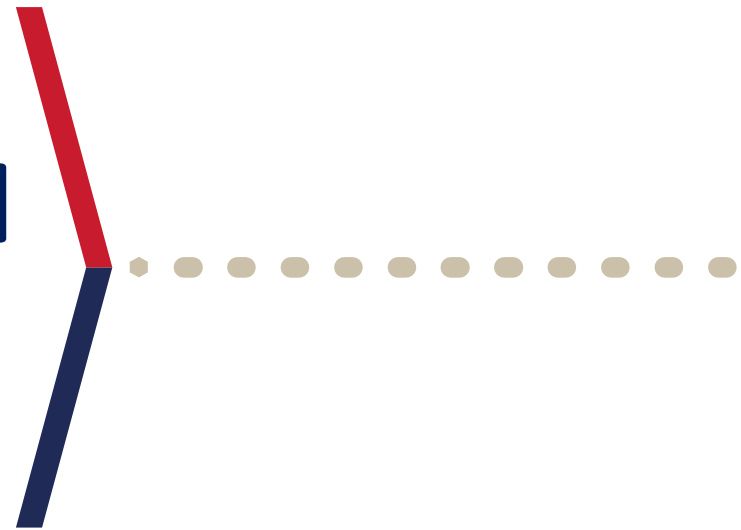


Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com