

# Rising Recession Concerns?

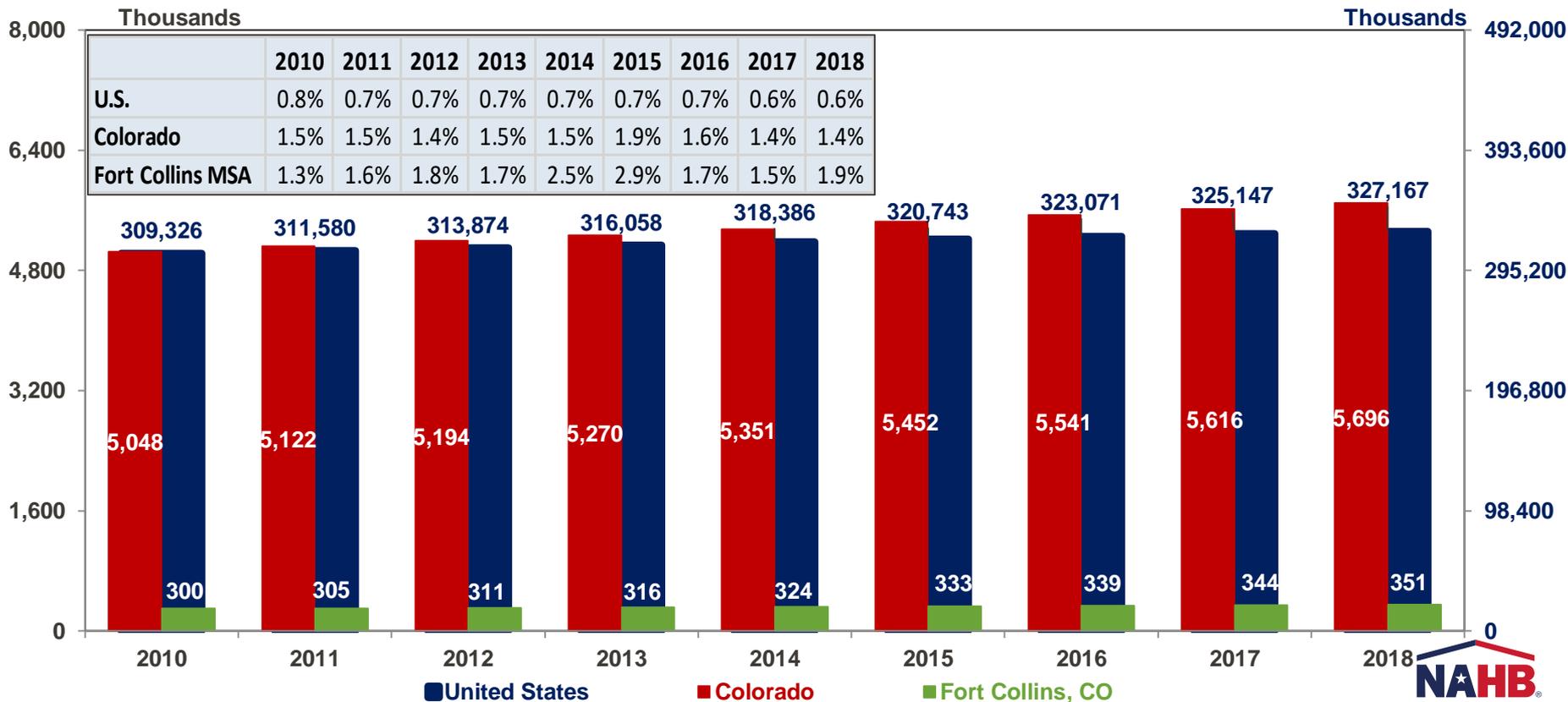
*HBA of Northern Colorado*  
*October 9<sup>th</sup>, 2019*

*Robert Dietz, Ph.D.*  
*NAHB Chief Economist*



# Population Growth

*Fort Collins MSA population growing faster than national and statewide rates*

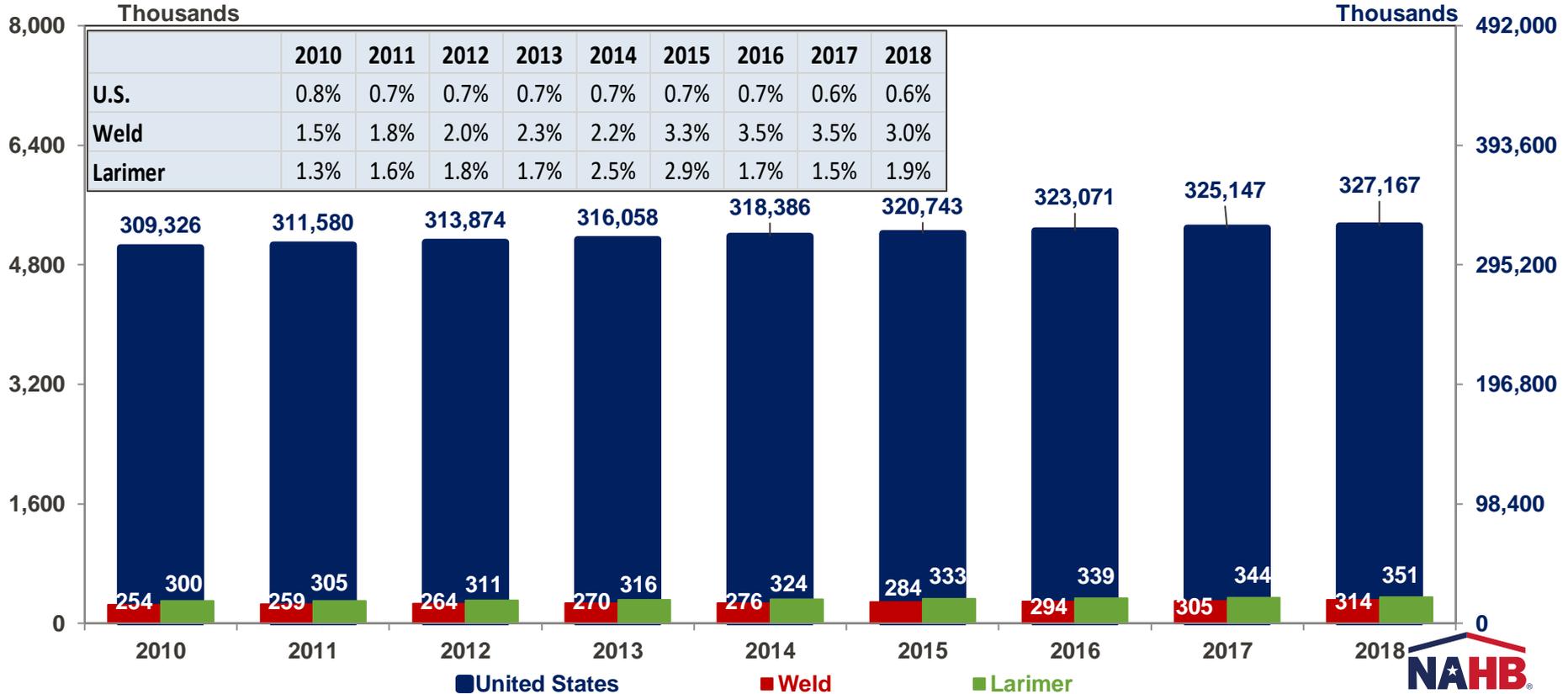


Source: U.S. Census Bureau (BOC)



# Population Growth

*Weld County growing faster*

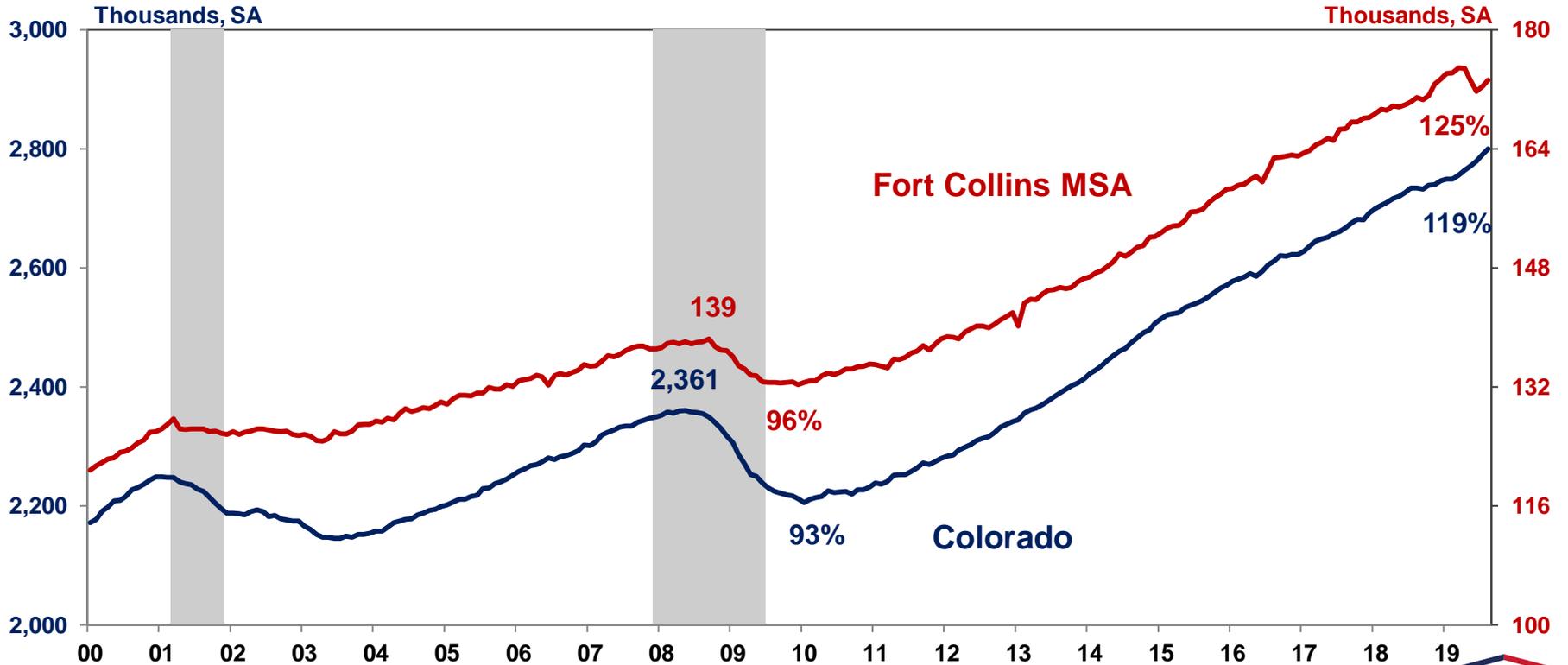


Source: U.S. Census Bureau (BOC)



# Payroll Employment

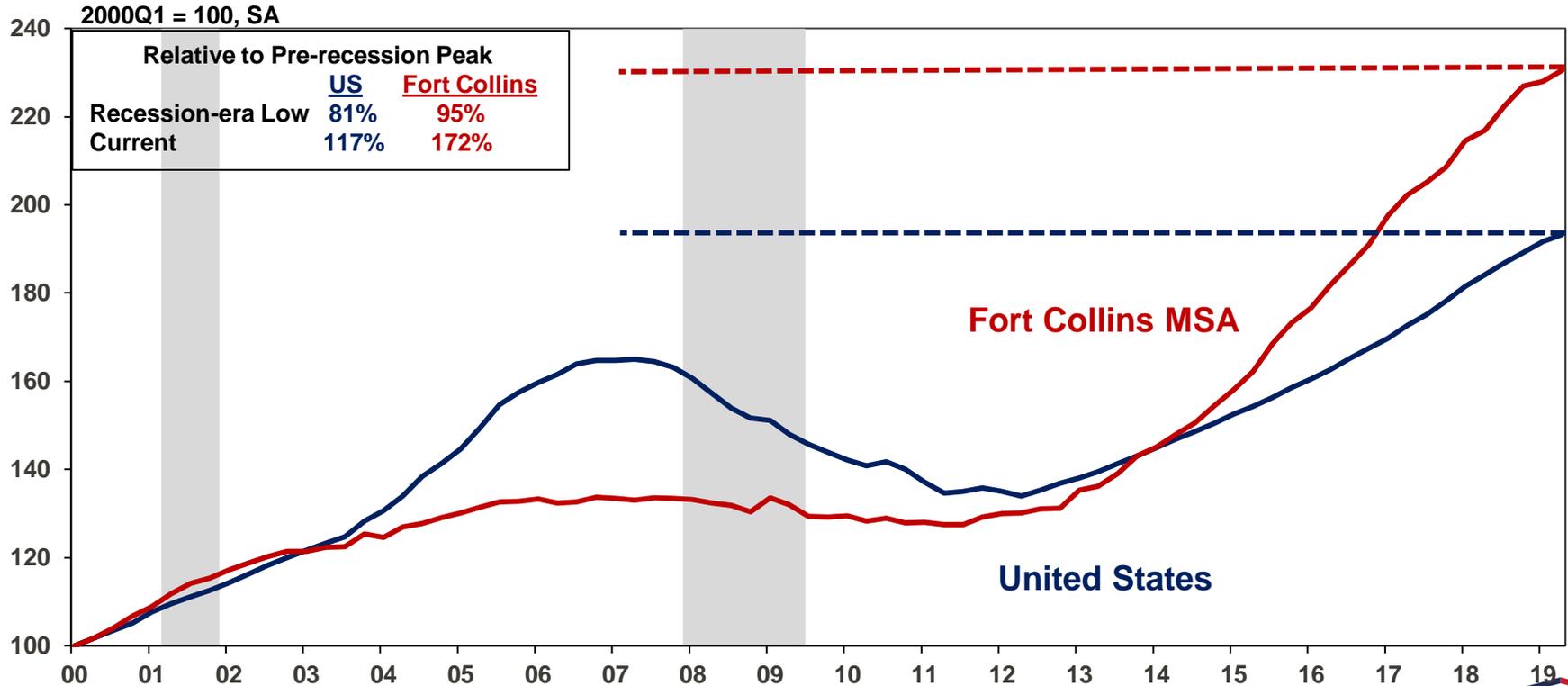
Fort Collins MSA above the pre-recession peak



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

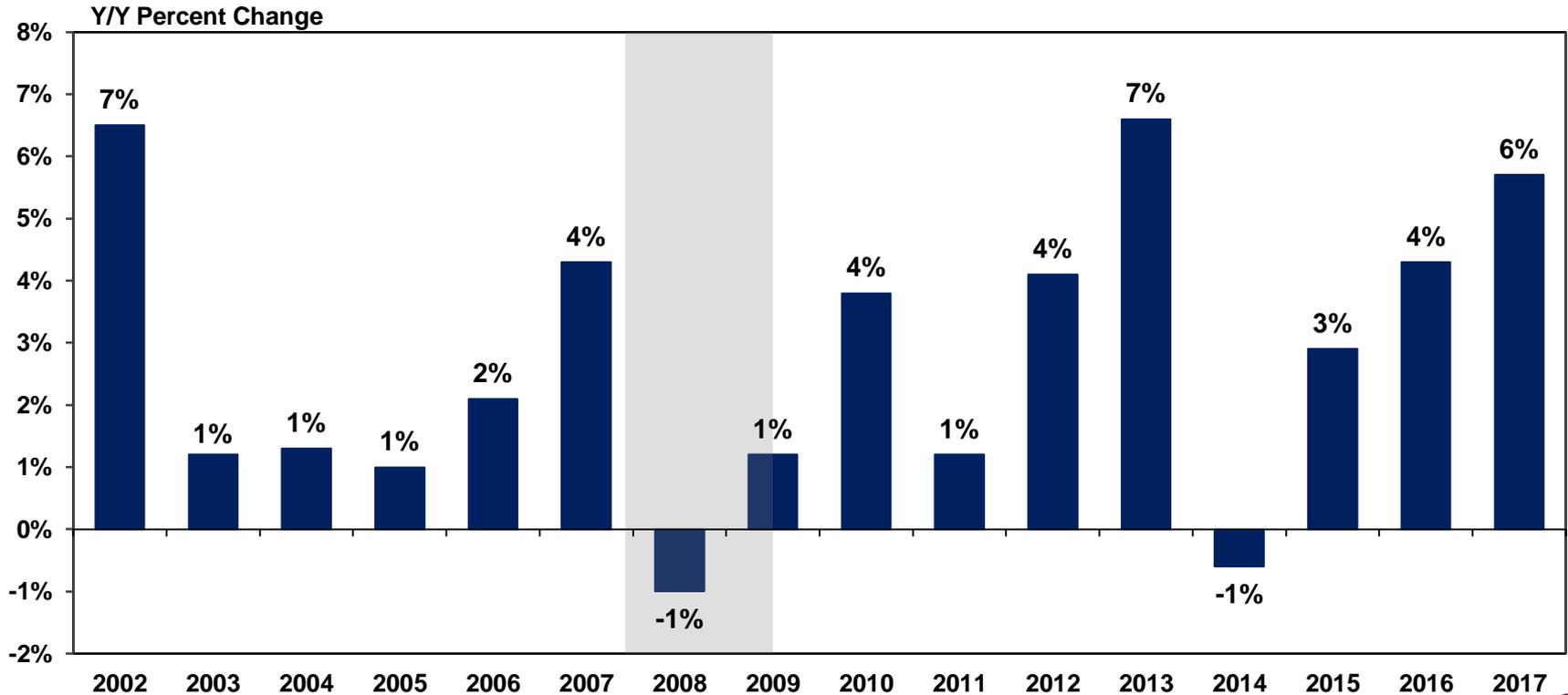
# Existing House Price Index

Fort Collins MSA above the pre-recession peak



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

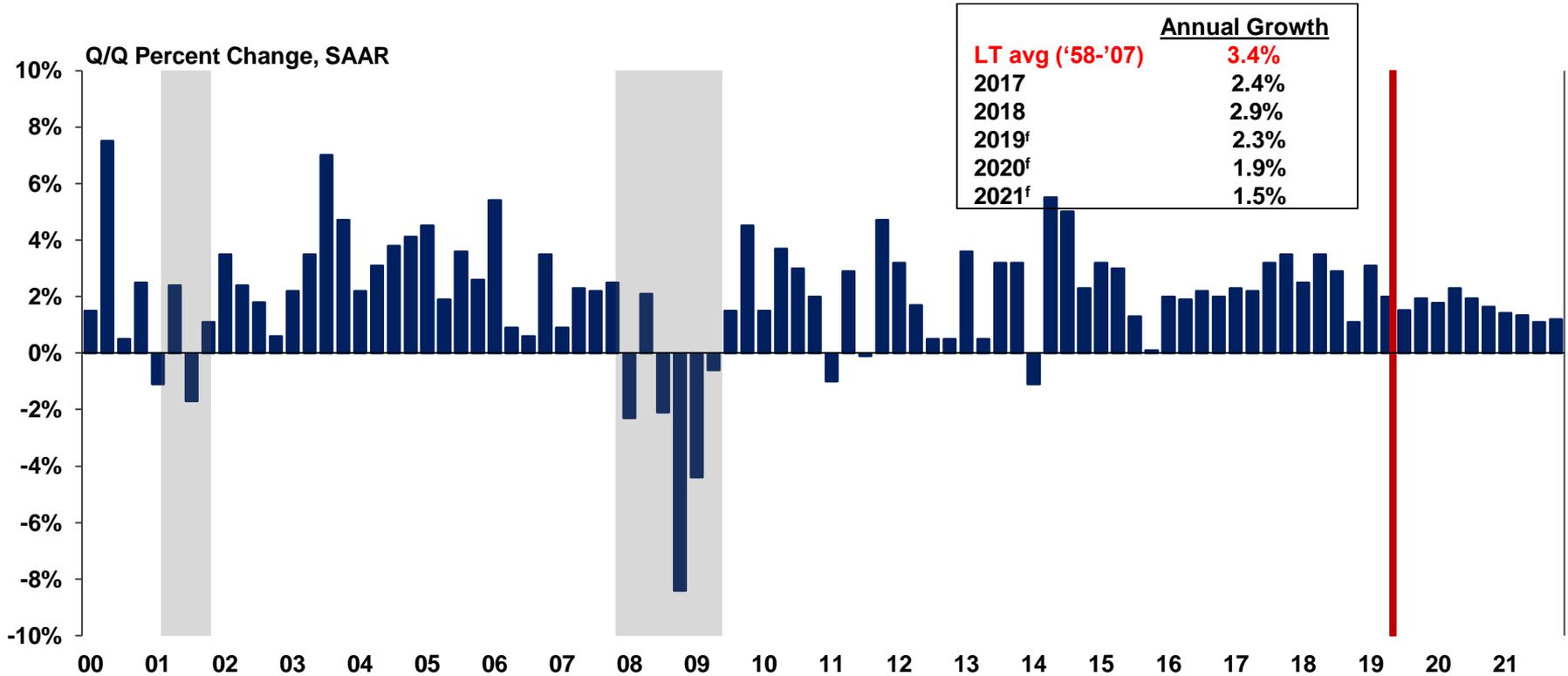
# Fort Collins MSA GDP Growth



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

# GDP Growth

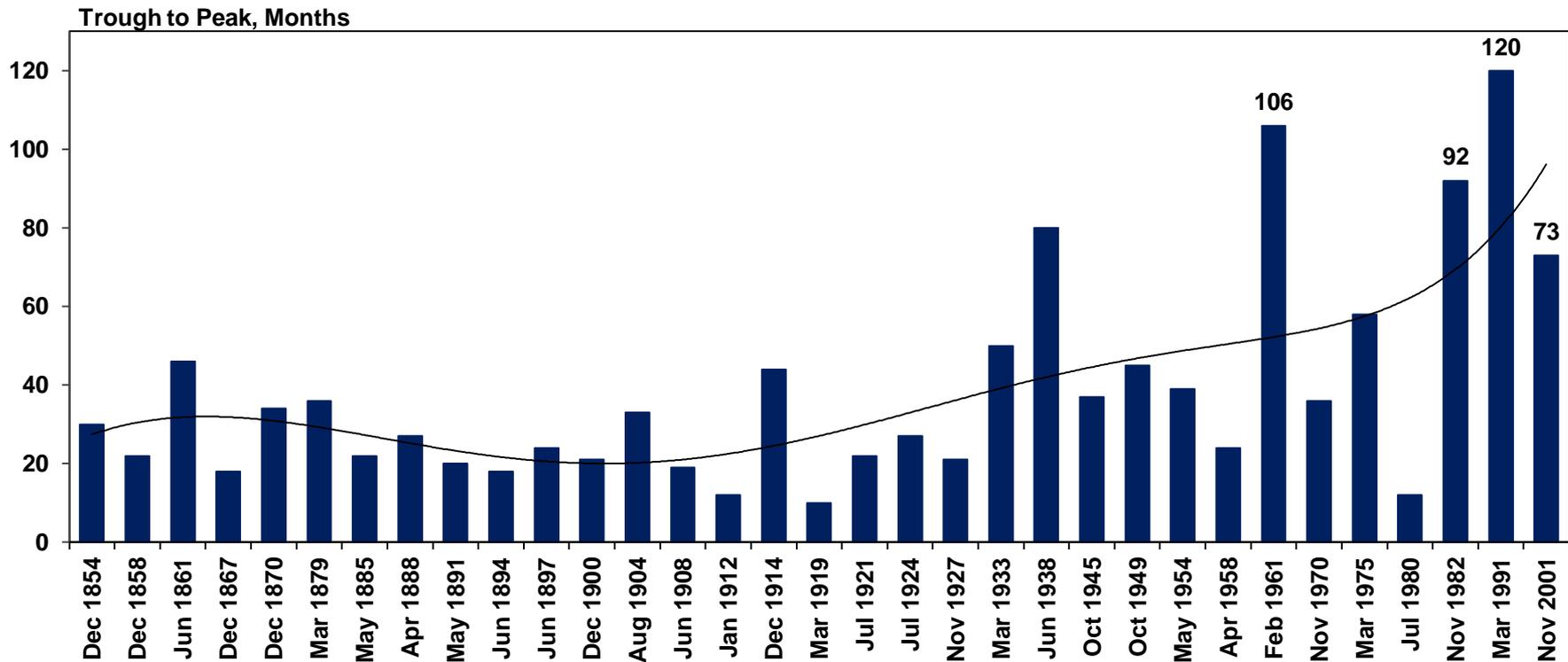
*Economy is slowing after strong 1Q19*



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

# Expansion is Aging

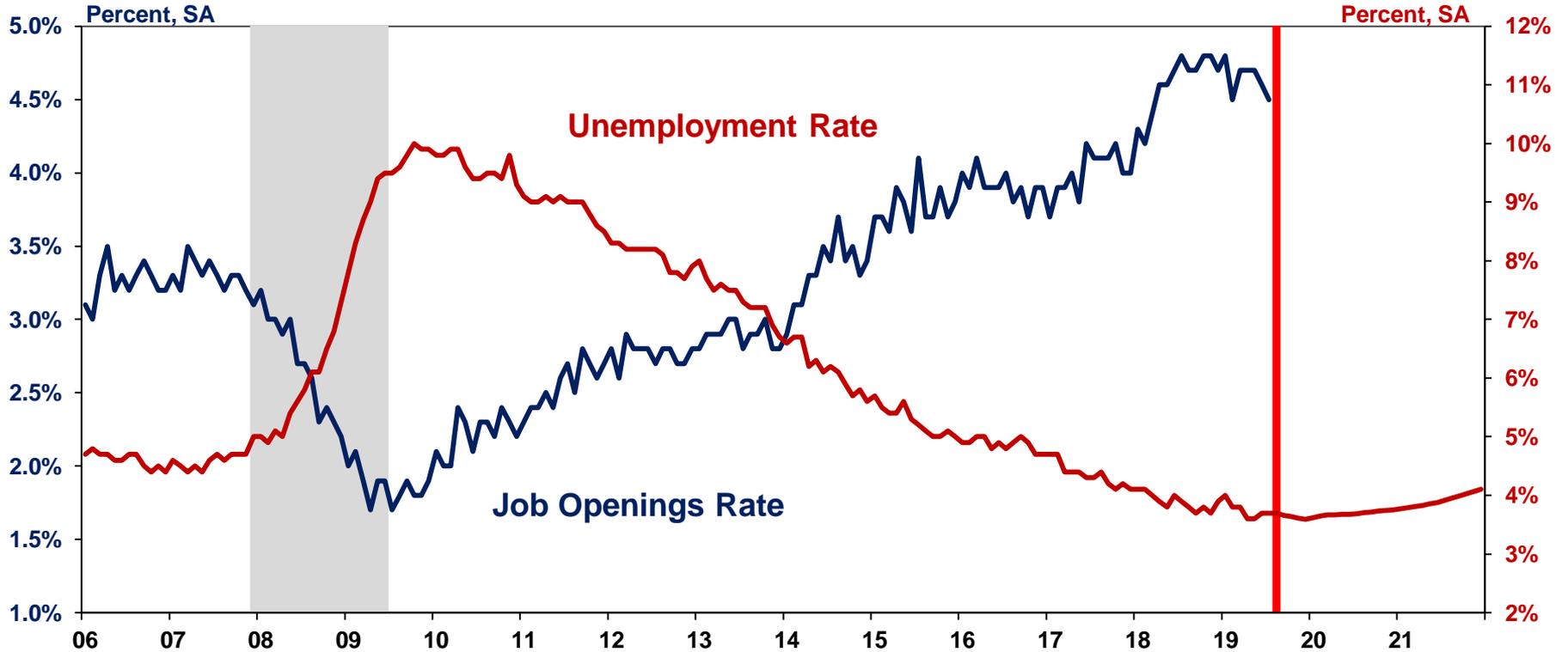
*Current expansion is 125 months old*



Source: National Bureau of Economic Research (NBER)

# Tight Labor Market

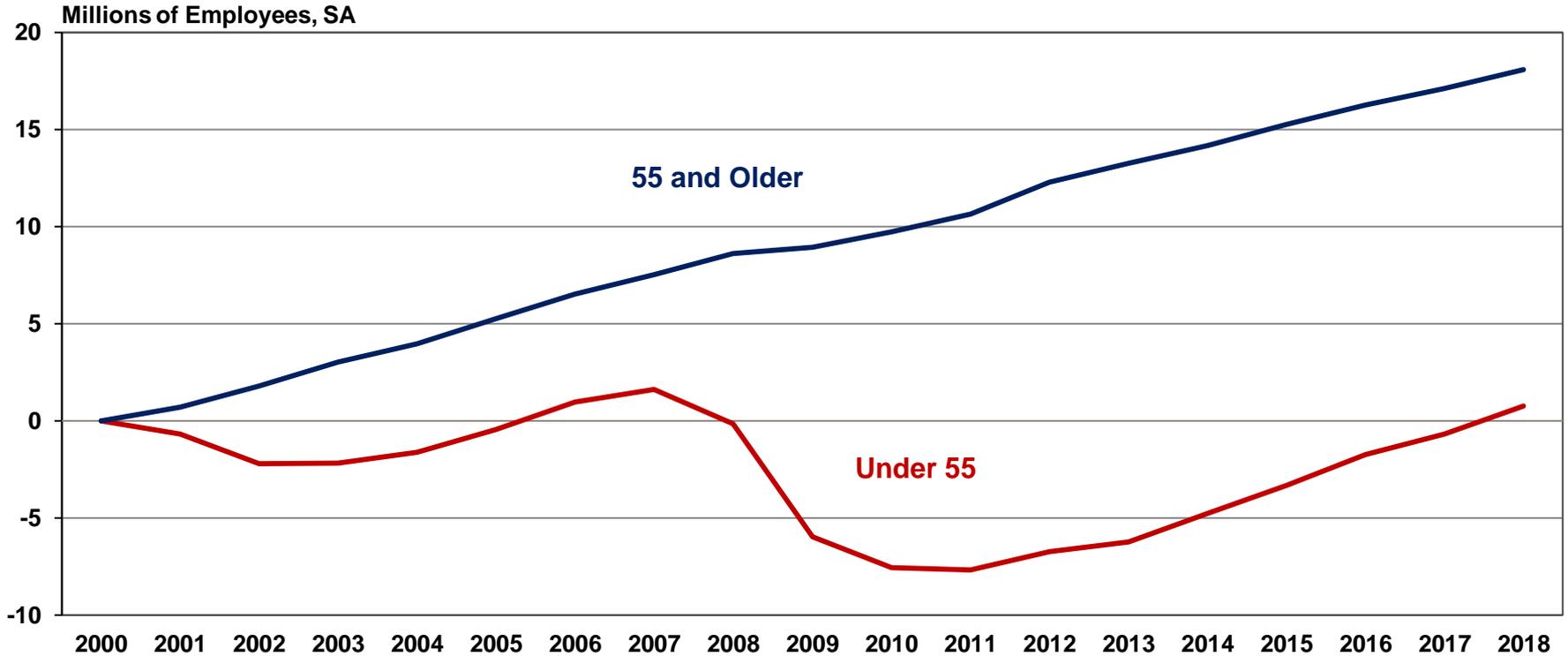
*Lack of labor represents a macro risk*



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

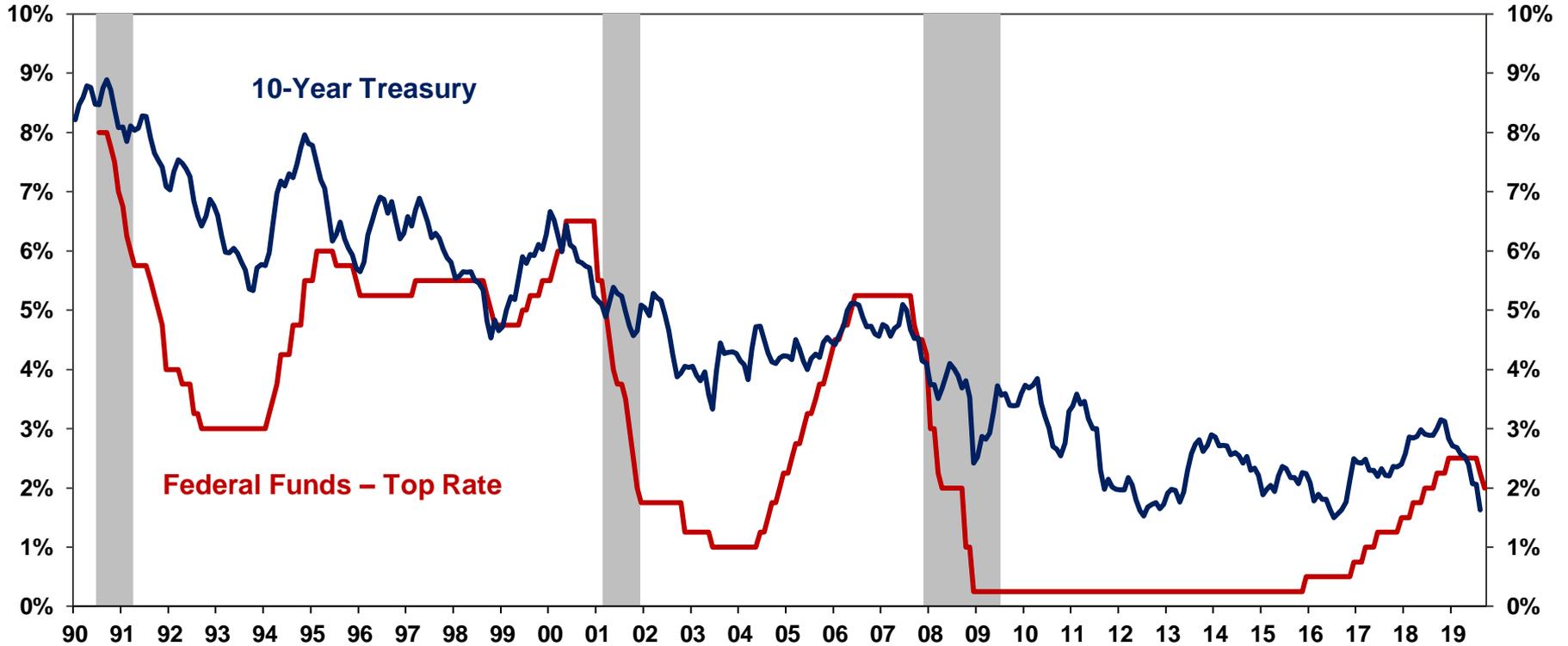
# Cumulative Change in Employment by Age Group

*Mind the Gen-X gap*



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

# Fed Funds Rate



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

# / The Easiest Game of Clue .... Ever

*Who Killed the Expansion?*

*“Expansions don’t die of old age.  
They are murdered.”*

*Ben Bernanke*

# The Easiest Game of Clue .... Ever

*Who Killed the Expansion?*

## *The Suspects*

*Professor Plumb*



*Miss Scarlett*



*Mr. Powell*



# The Easiest Game of Clue .... Ever

*Who Killed the Expansion?*

## The Weapons

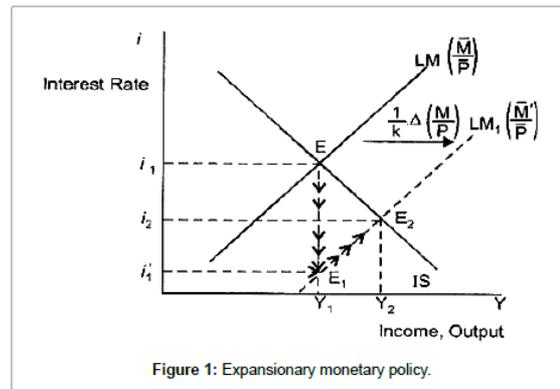
*Candlestick*



*Lead Pipe*



*Monetary Policy*



# The Easiest Game of Clue .... Ever

*Who Killed the Expansion?*

## *The Room*

### *The Study*



### *The Lounge*



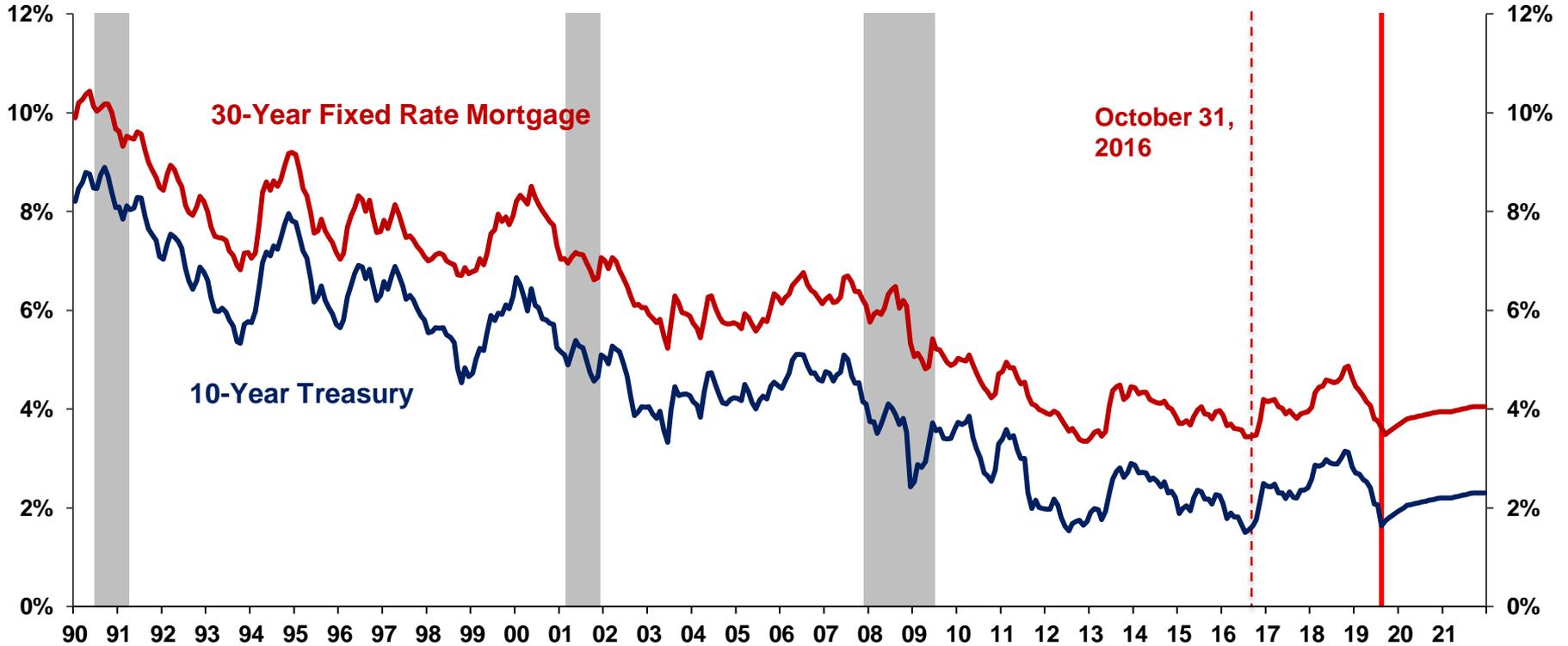
### *The Boardroom*



- Current top fed funds rate of 2%
- A more dovish stance for 2019 and 2020
- One more cut during the remainder of 2019
- End of quantitative tightening

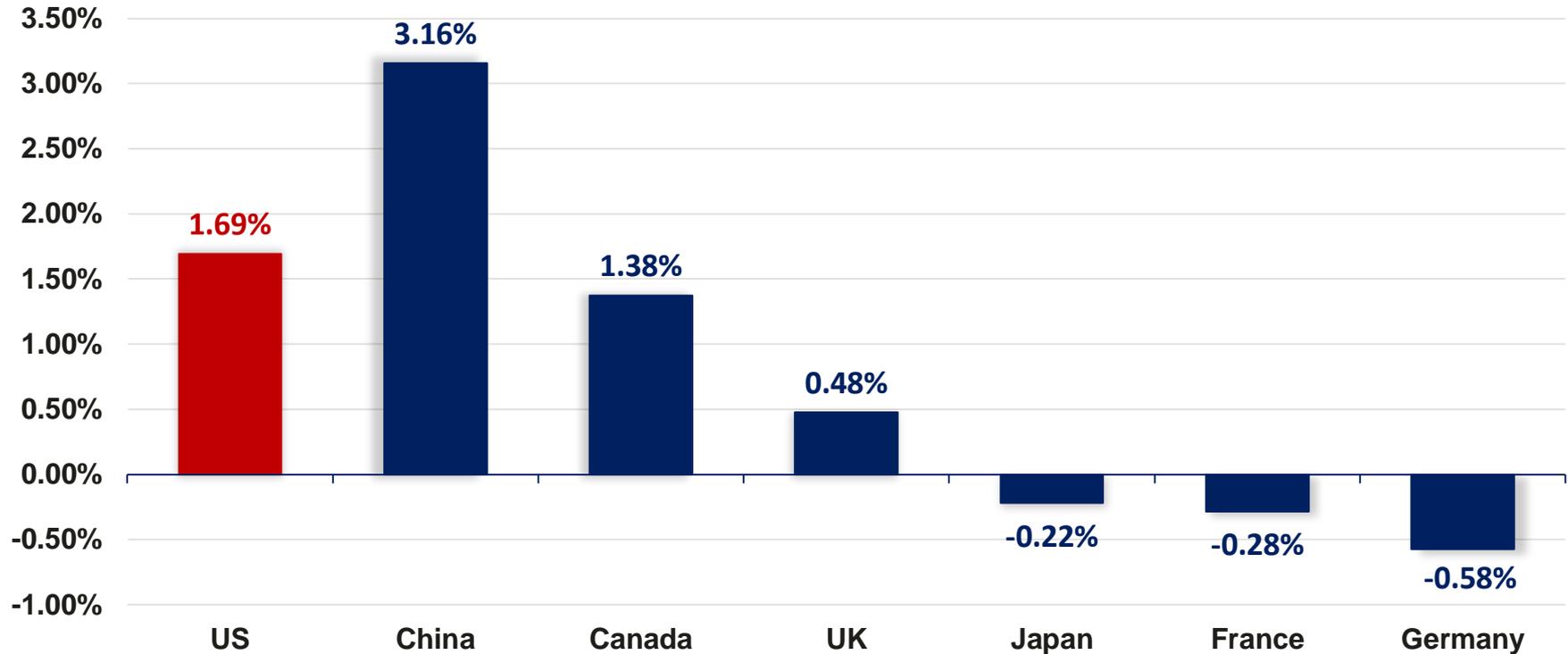
# 30-Year Fixed Rate Mortgage and 10-Year Treasury

*Interest rate declines amidst trade concerns and economic slowing*

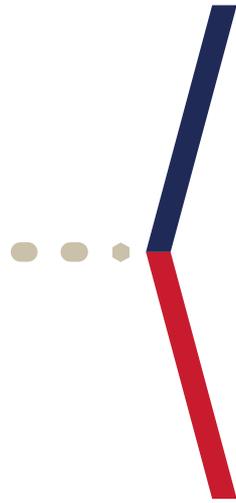


Source: Federal Reserve and Freddie Mac data and NAHB forecast

# 10-Year Treasury Yield by Country



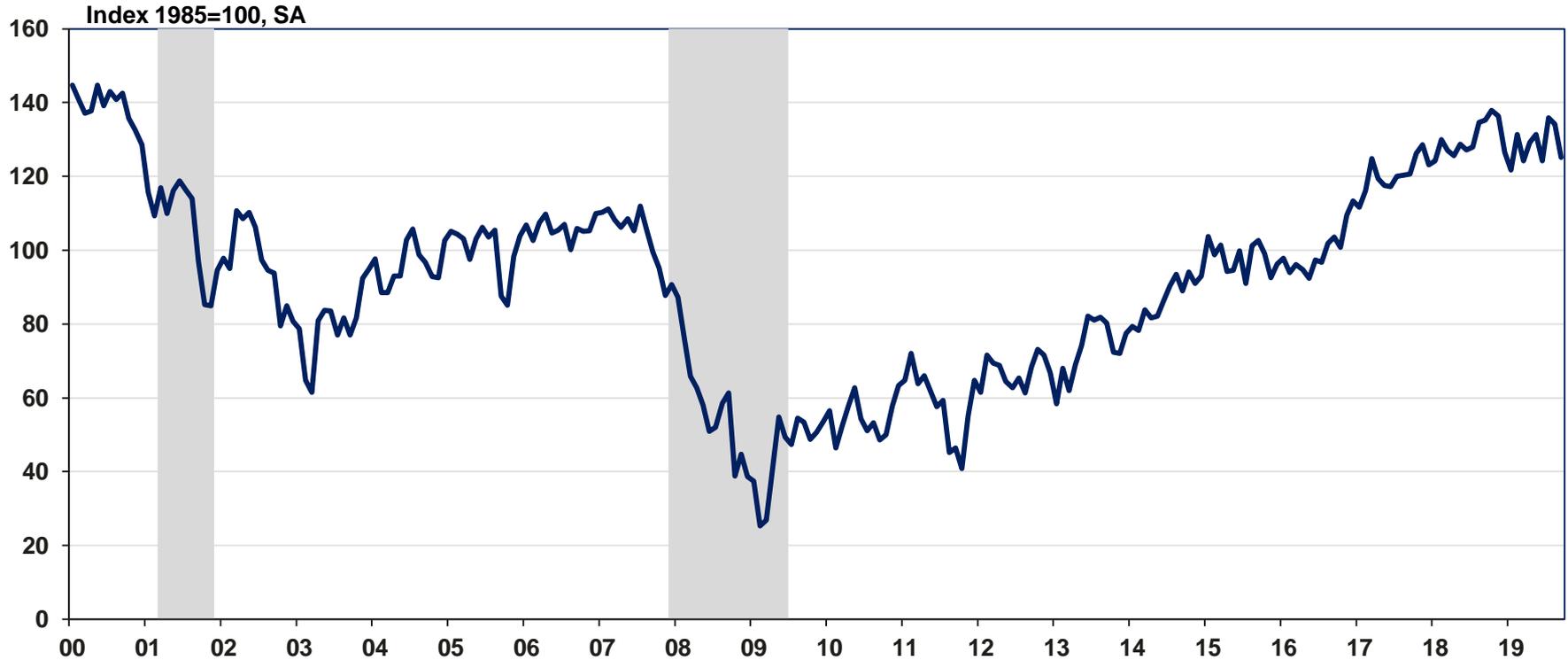
Source: [www.investing.com](http://www.investing.com); 10-year treasury rate on September 30, 2019



# Housing Demand and Affordability

# Consumer Confidence Leveling Off

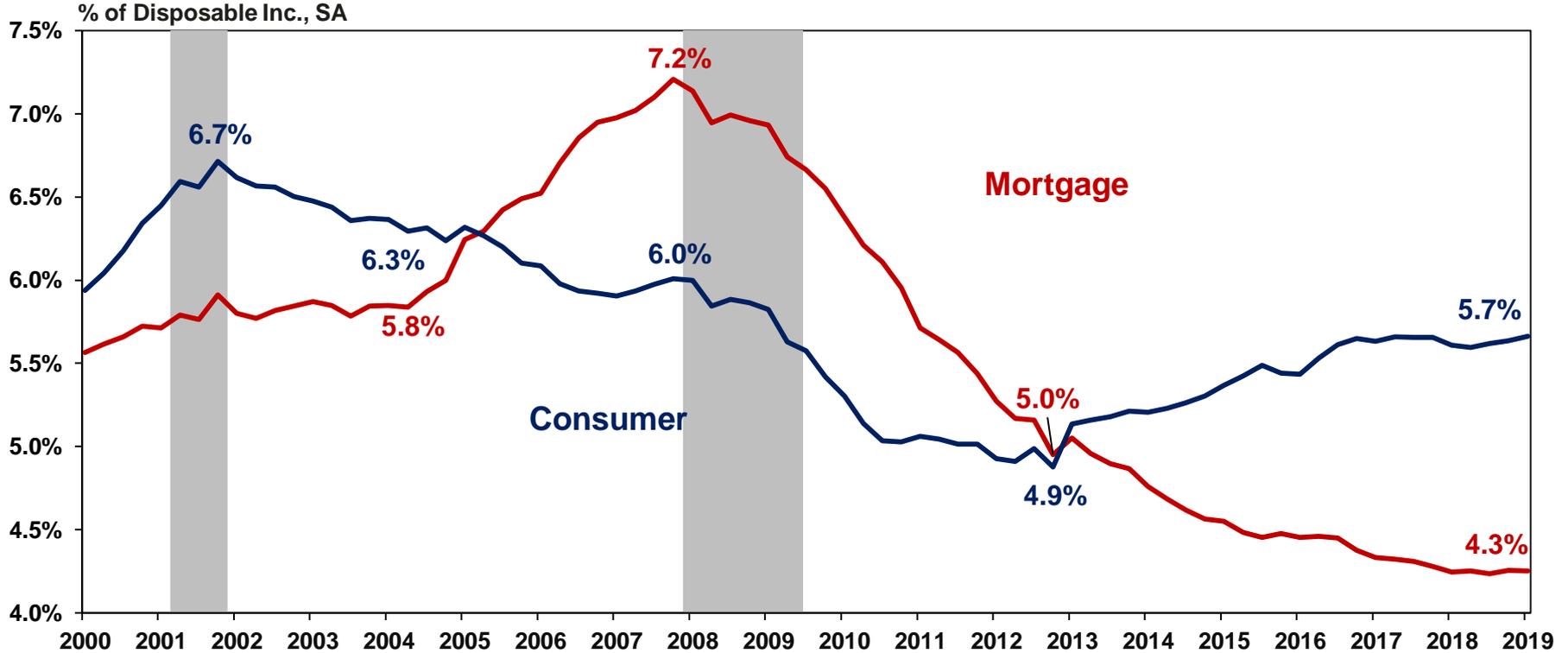
*Near two-decade high but economic uncertainty took a toll at end of year*



Source: The Conference Board

# Household Balance Sheets

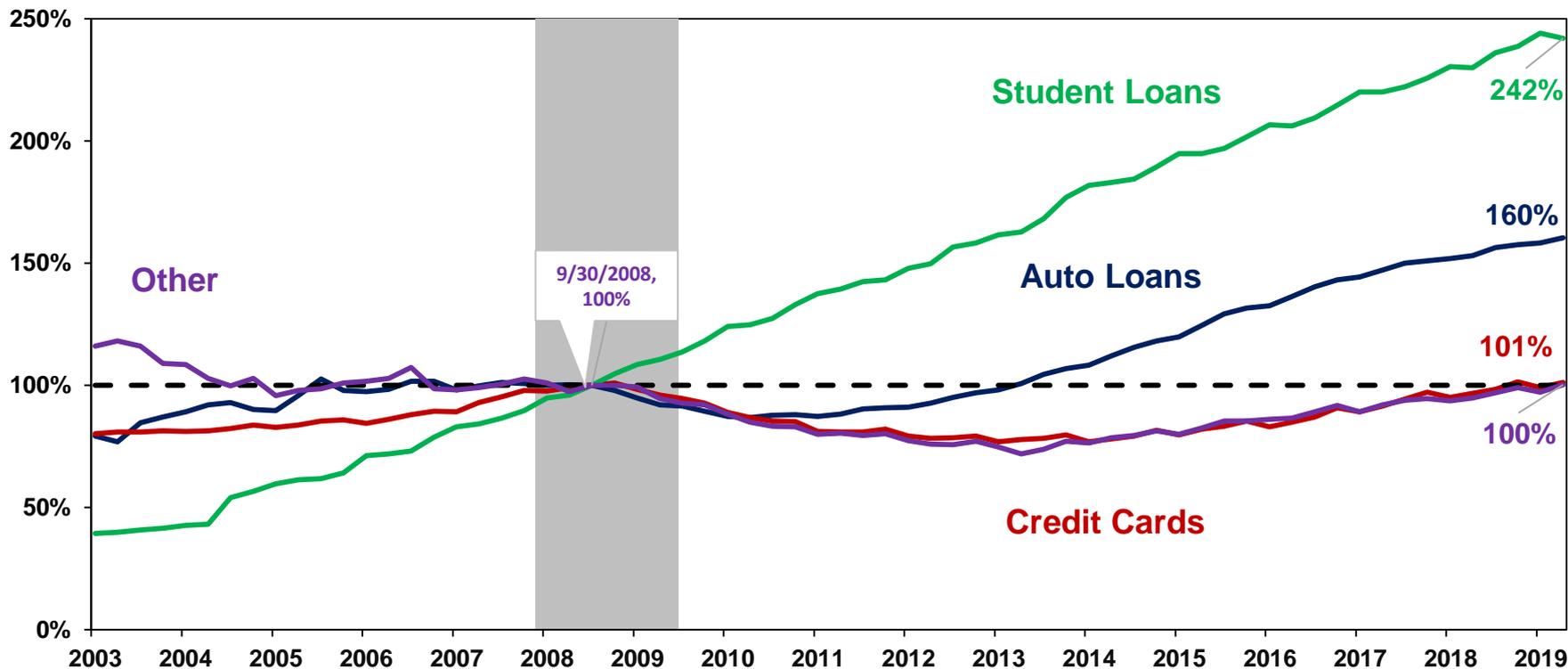
*A shift in debt away from mortgages*



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

# Consumer Debt

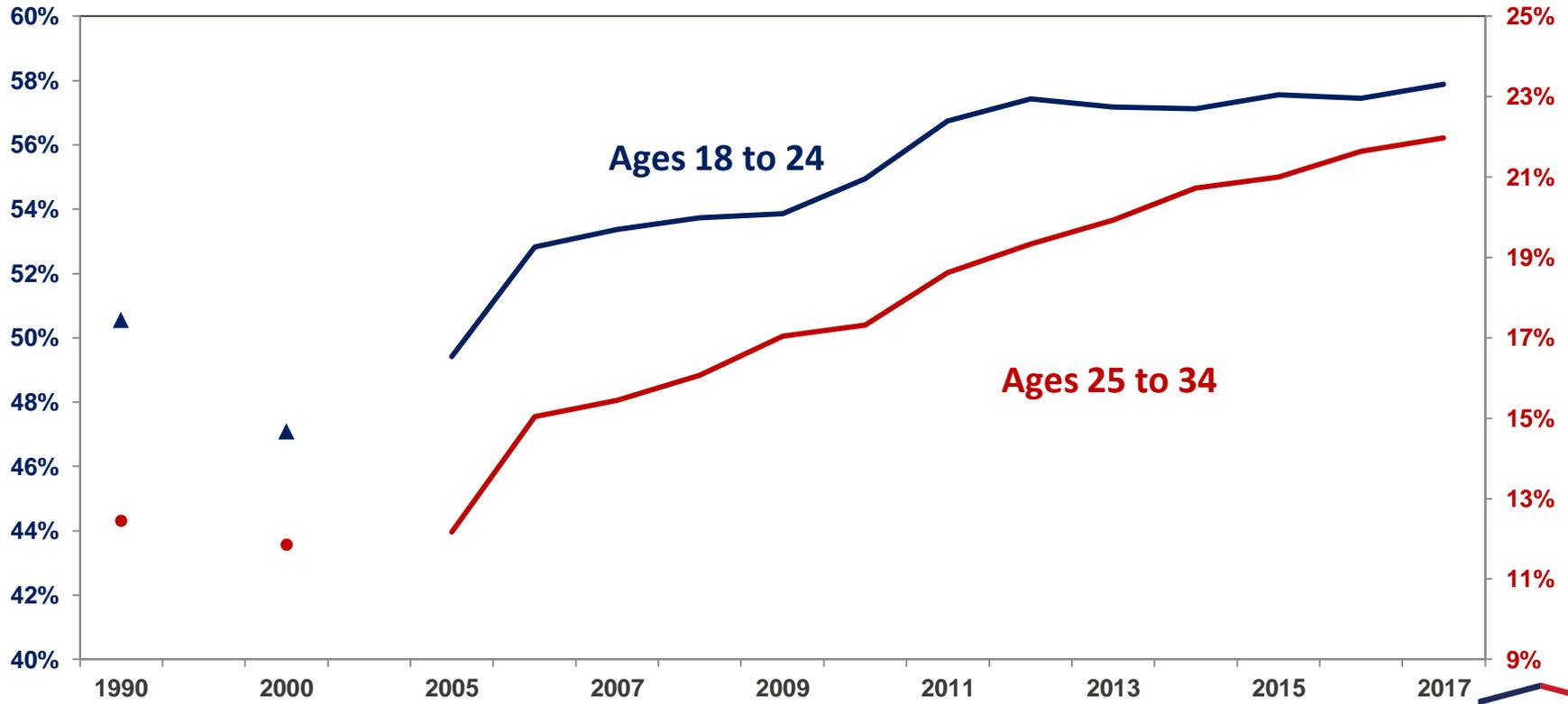
Rise in student and auto loans



Source: Federal Reserve Bank of New York

# Share of Young Adults Living with Parents

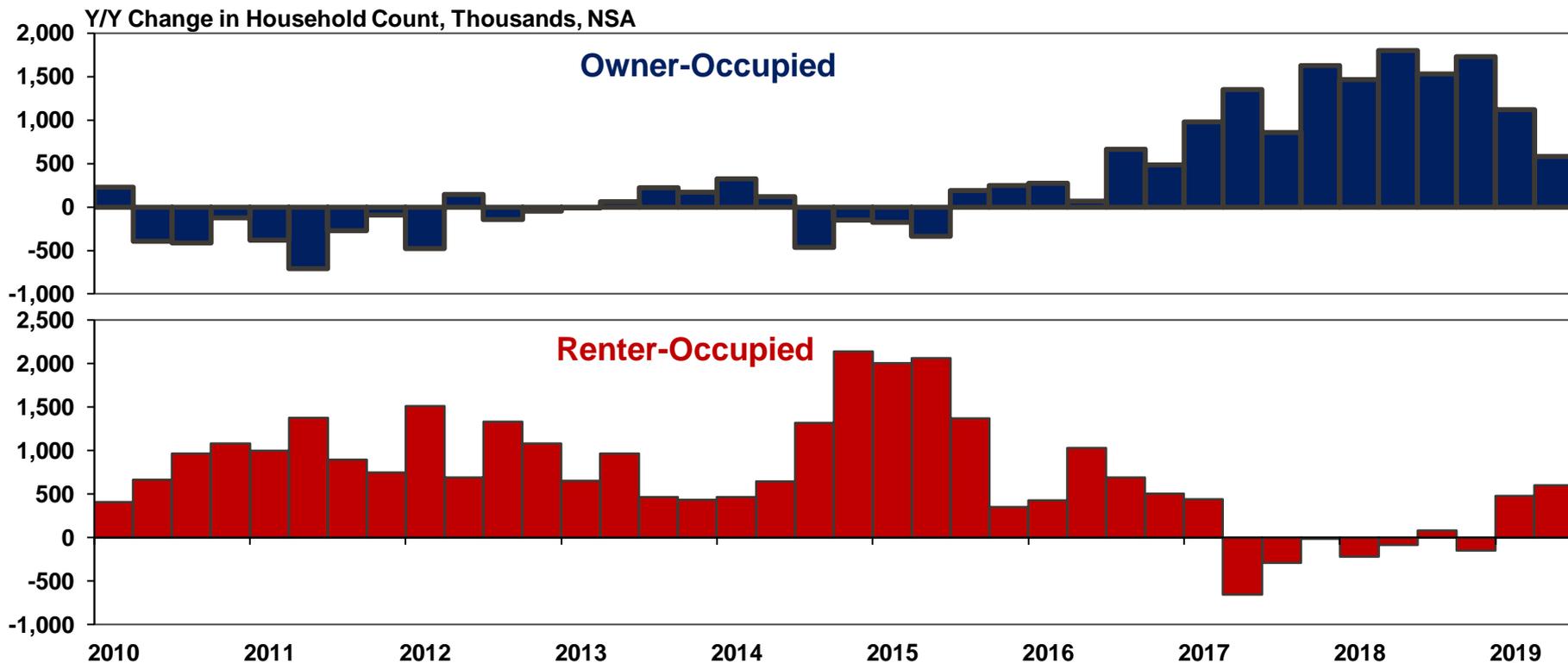
*Almost doubled*



Source: US Census 1990, 2000, PUMS, 2000-2017 ACS, PUMS, and NAHB Estimates

# Household Formation

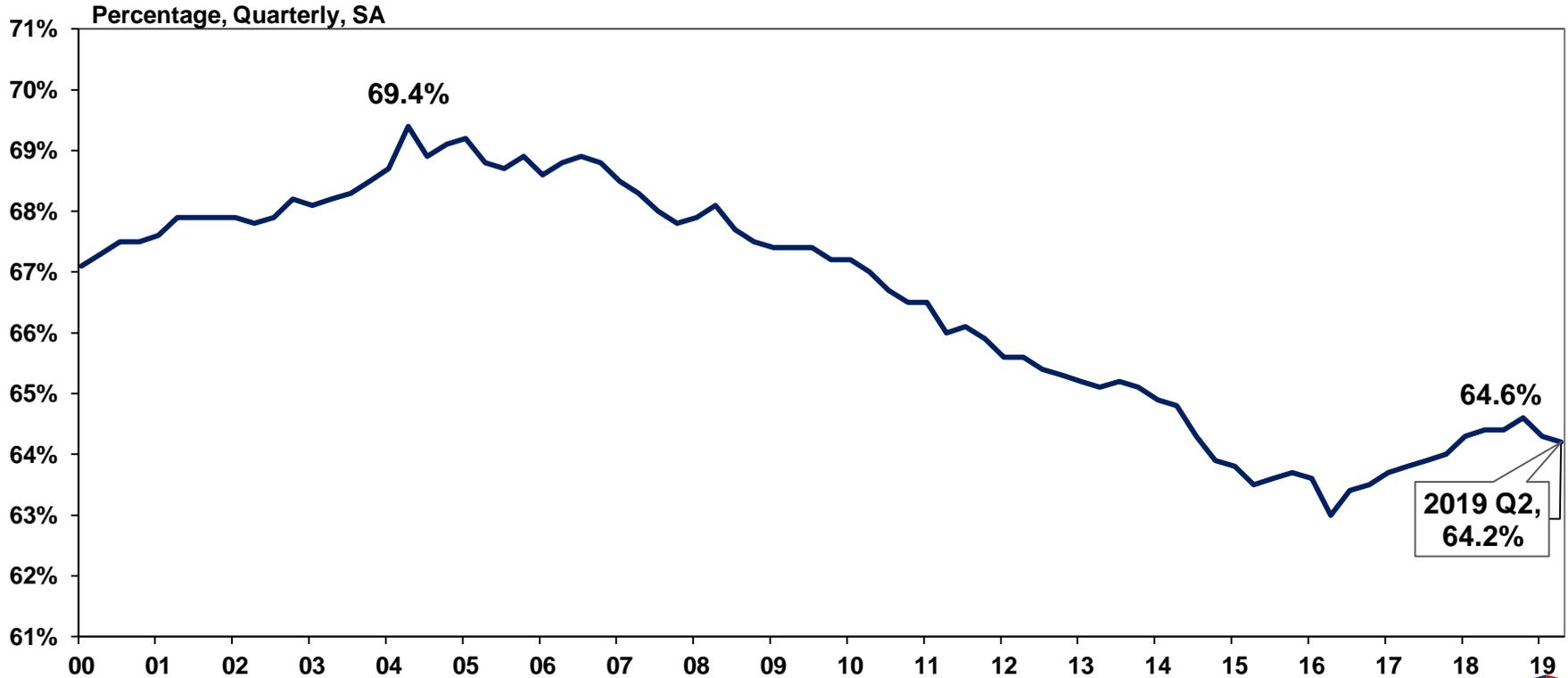
*Two quarters of relative decline in the owner-occupied sector*



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

# Homeownership Rate

*The second drop after ten quarters of growth*

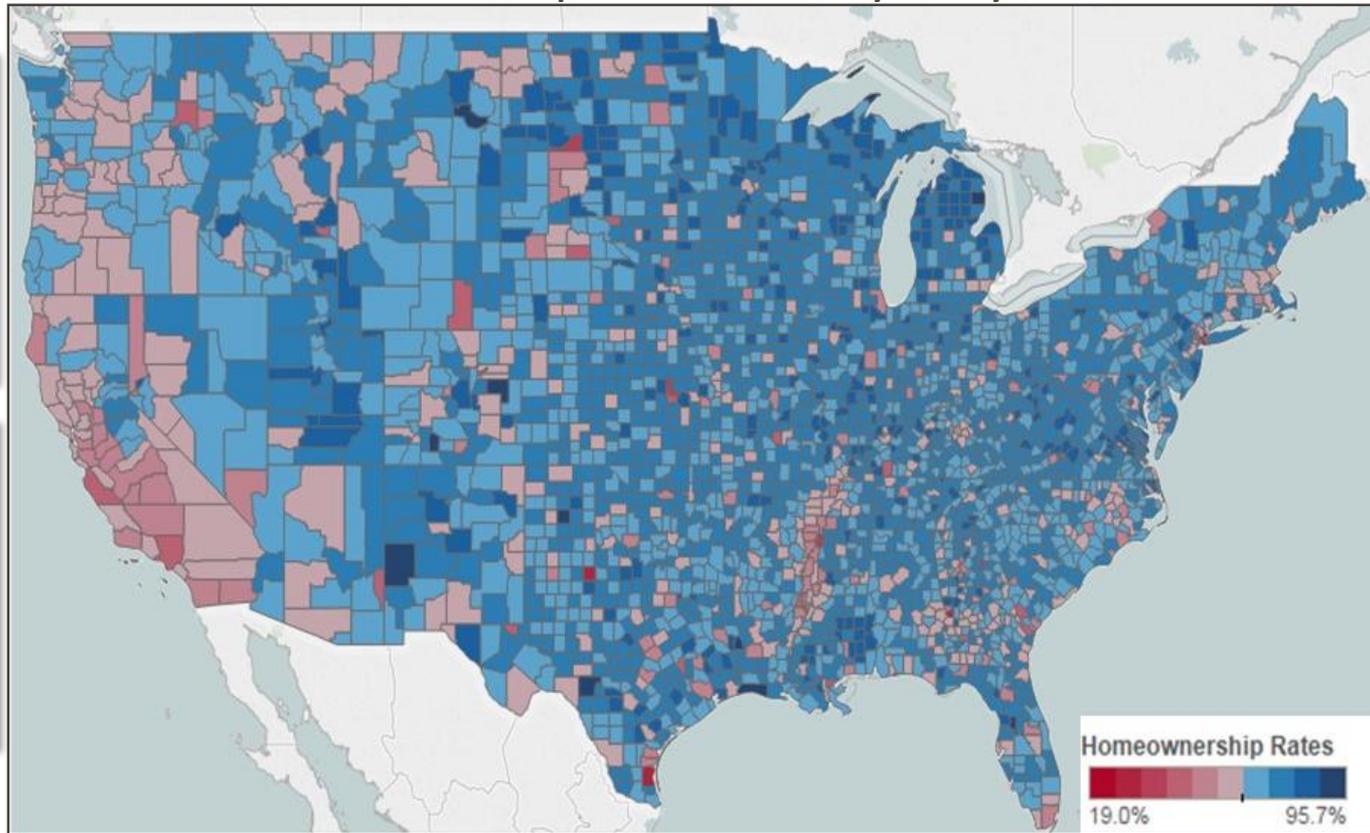
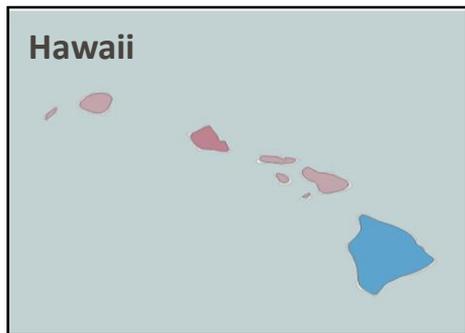
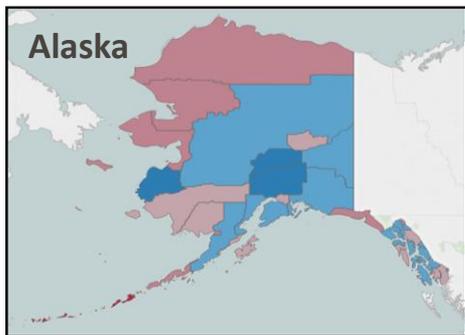


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

# Geography of Homeownership

*Homeownership rate for Larimer was 64.8% and 72% for Weld county*

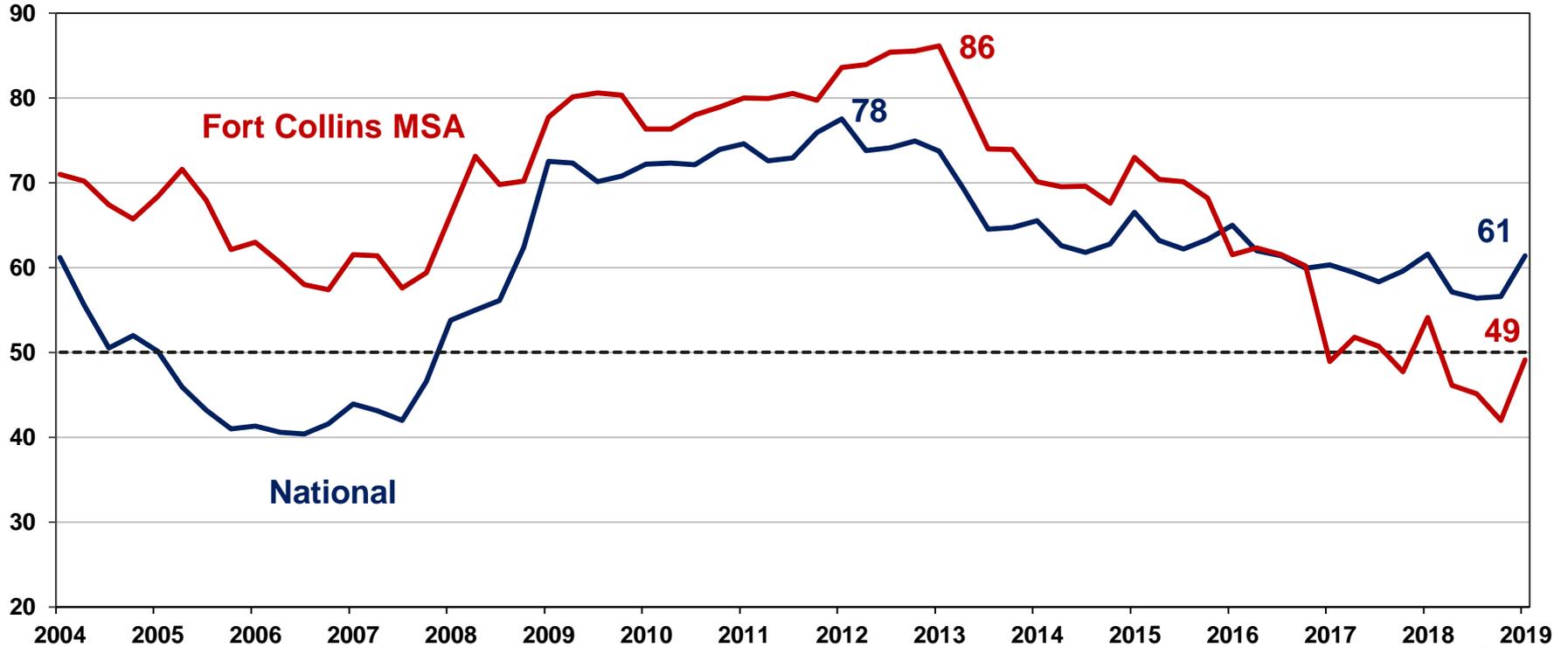
Homeownership Rates in the U.S. by County



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

# /Housing Affordability – NAHB/Wells Fargo HOI

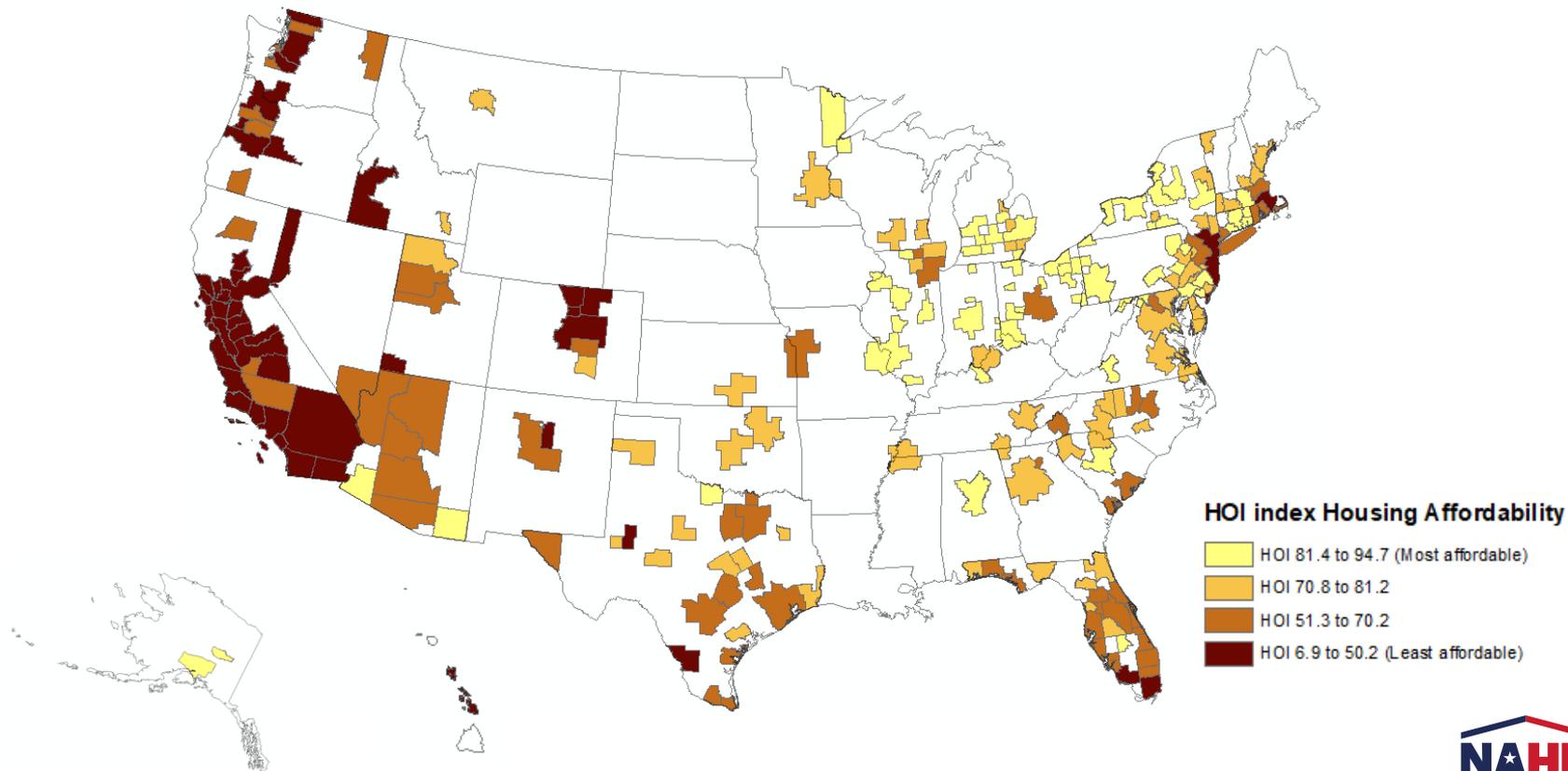
*The second drop after ten quarters of growth*



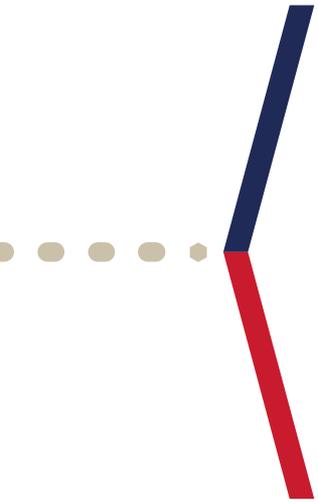
Source: NAHB/Wells Fargo Housing Opportunity Index (HOI)

# The Geography of Housing Affordability-NAHB/Wells Fargo HOI

Wide variation. Local – Larimer average price is \$307,000; Weld is \$245,000



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

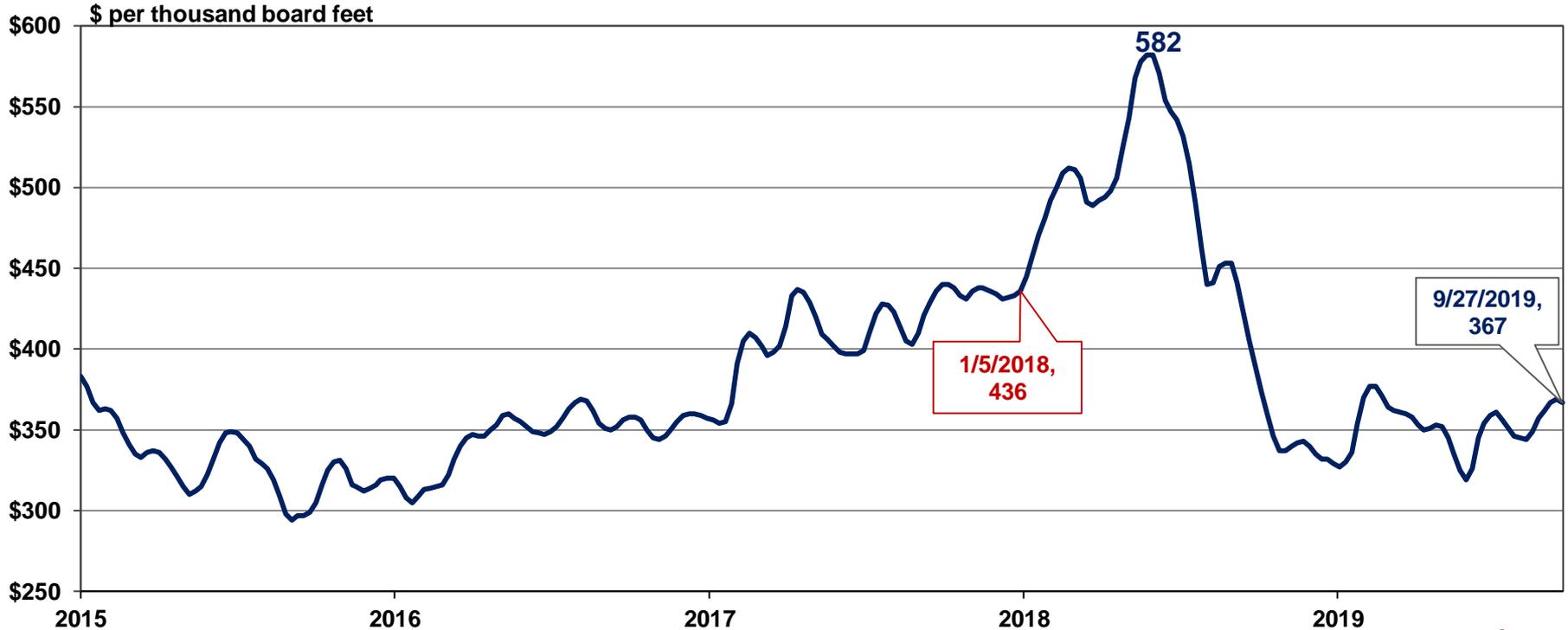


# Supply-Side Factors



# Building Materials – Lumber Prices

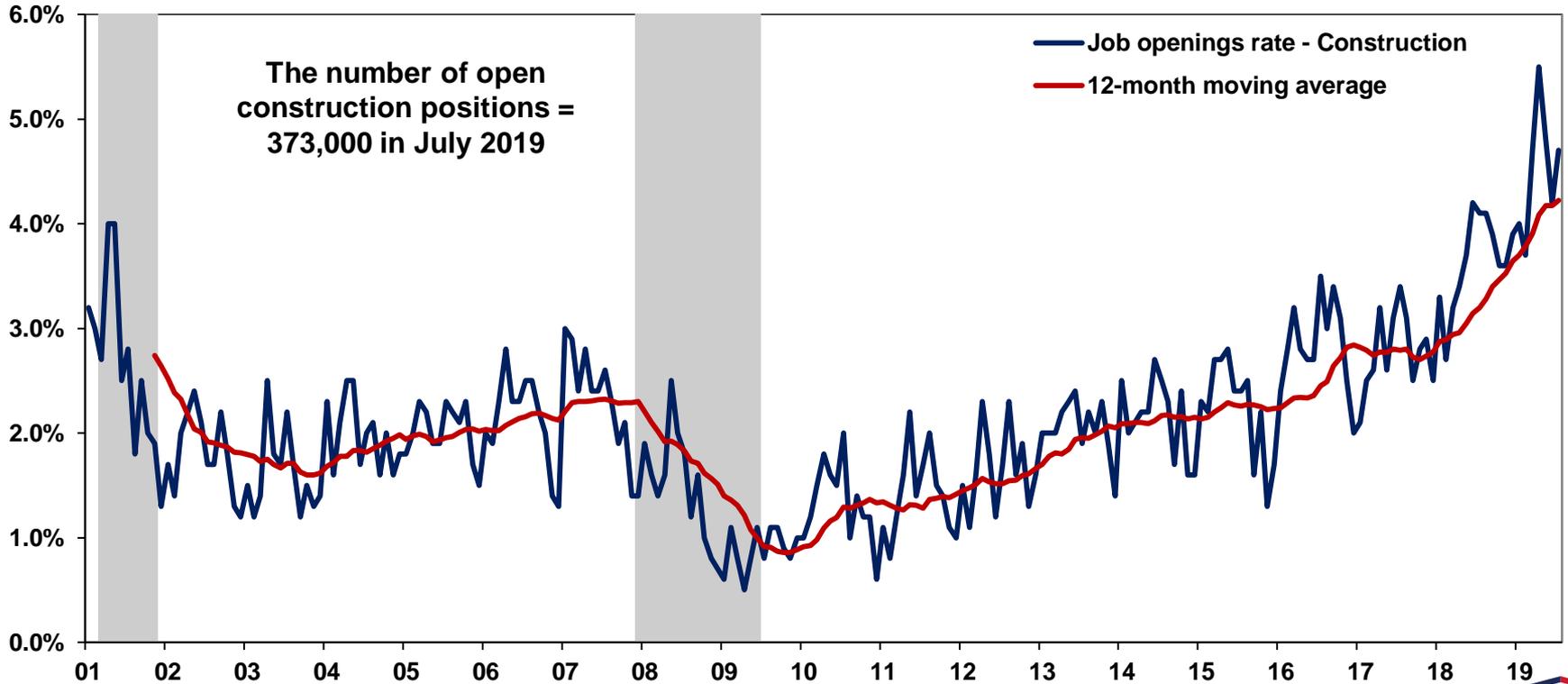
Lumber prices rose 63% to a peak from January 2017; dropped 16% since January 2018



Source: NAHB Analysis; Random Lengths Composite Index

# Labor - Construction

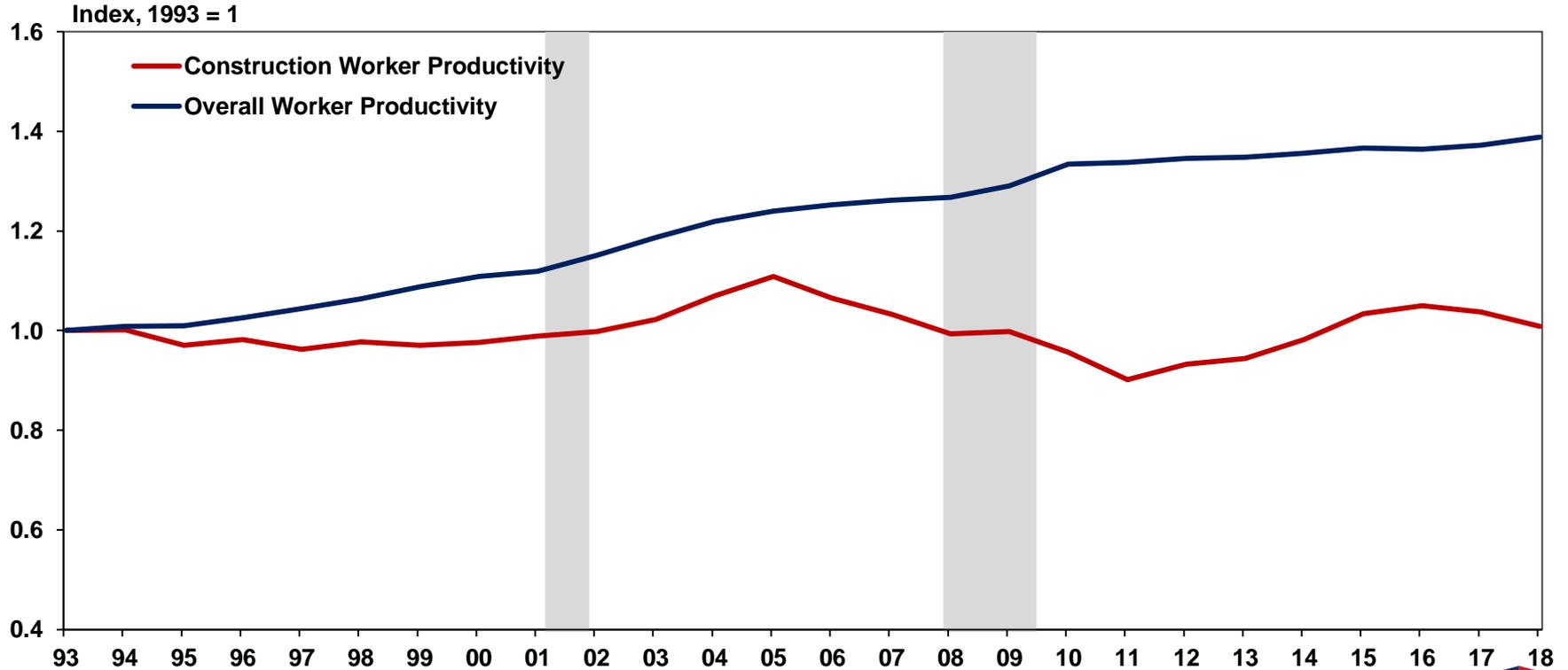
*Labor shortage continued through 2018*



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

# Construction Sector Productivity

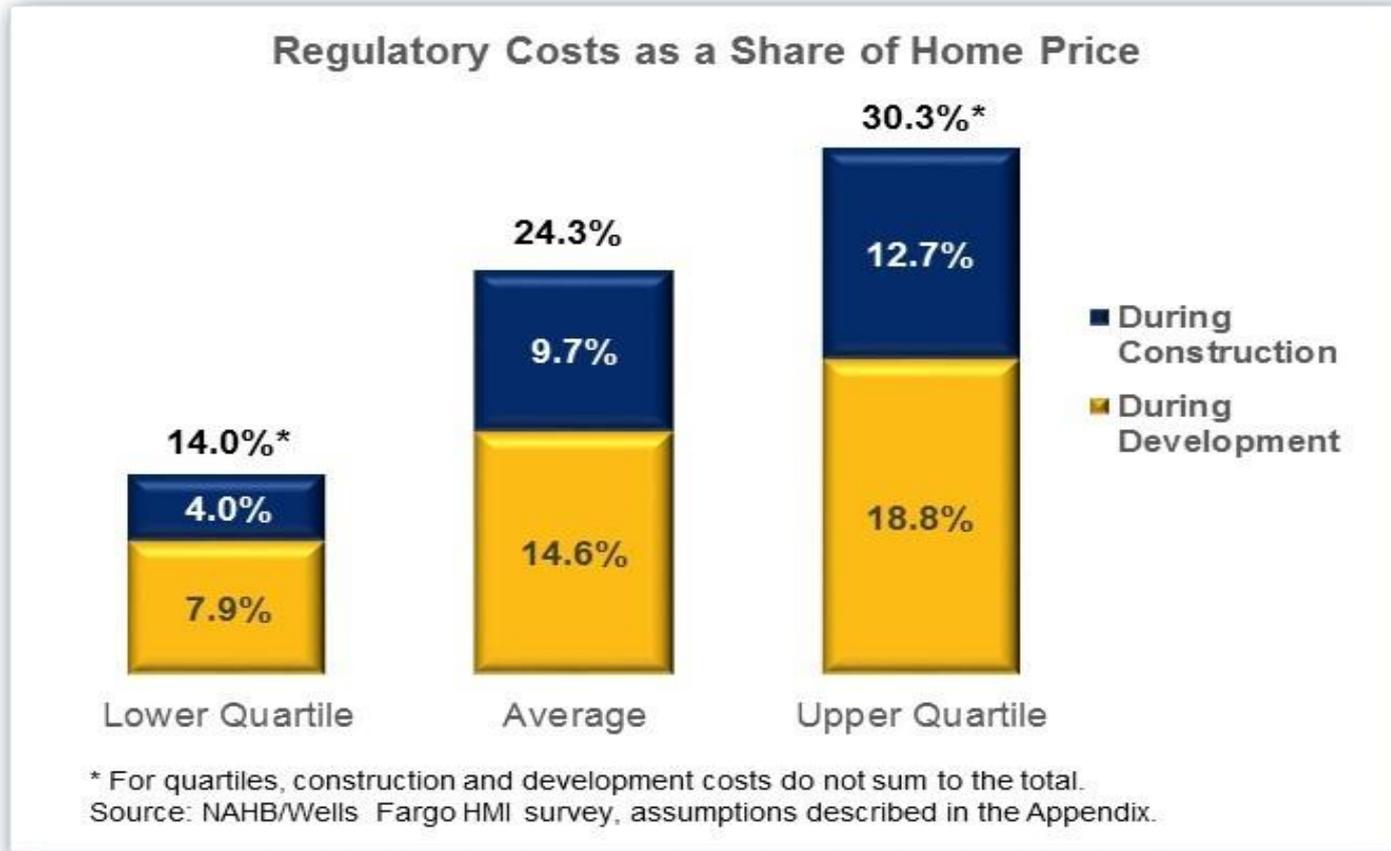
*Lagging overall economy*

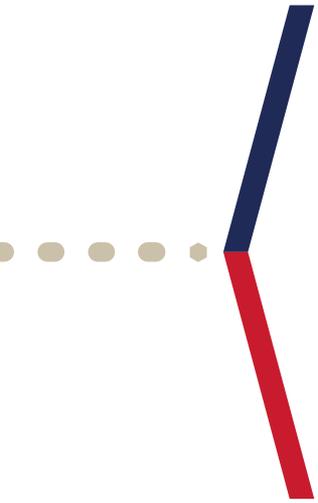


Source: U.S. Bureau of Labor Statistics (BLS)

# Regulatory Costs Rising – Up 29% Over 2011-2016

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



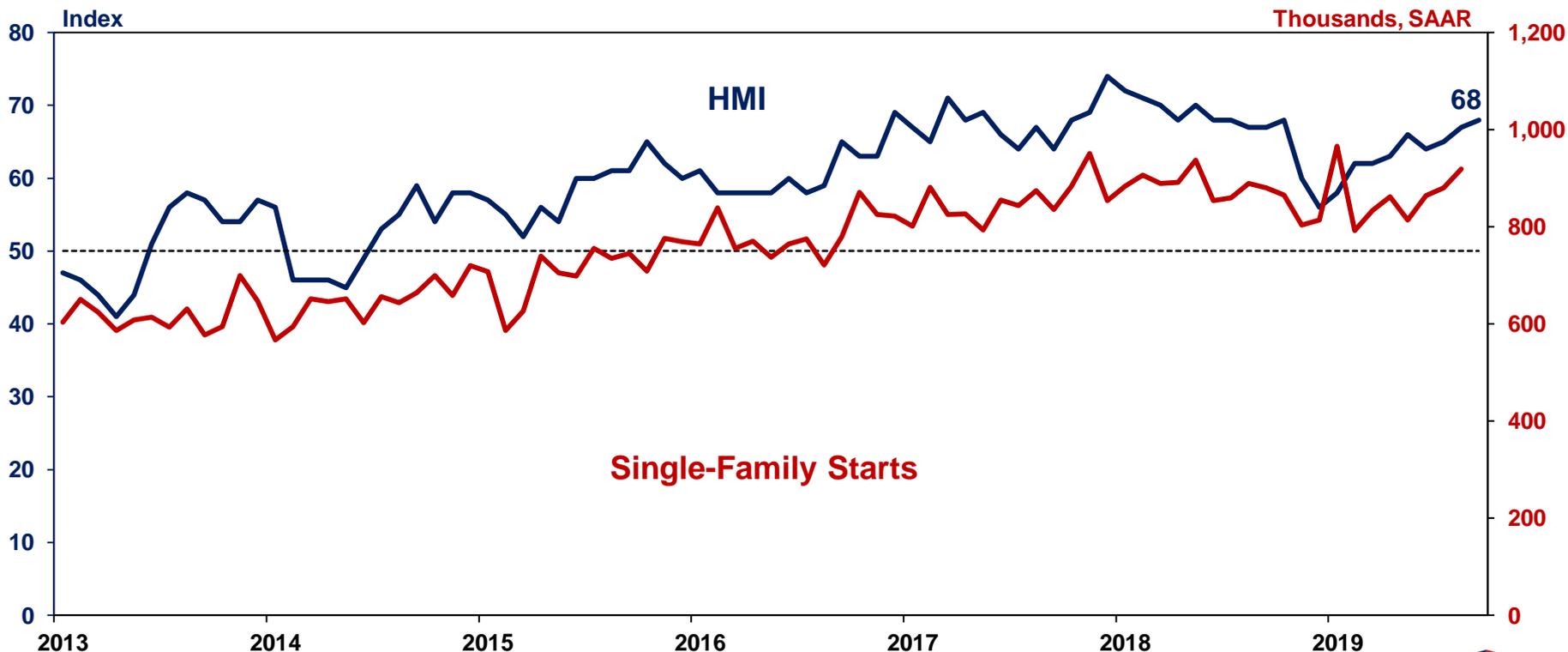


# Construction Outlook



# NAHB/Wells Fargo Housing Market Index

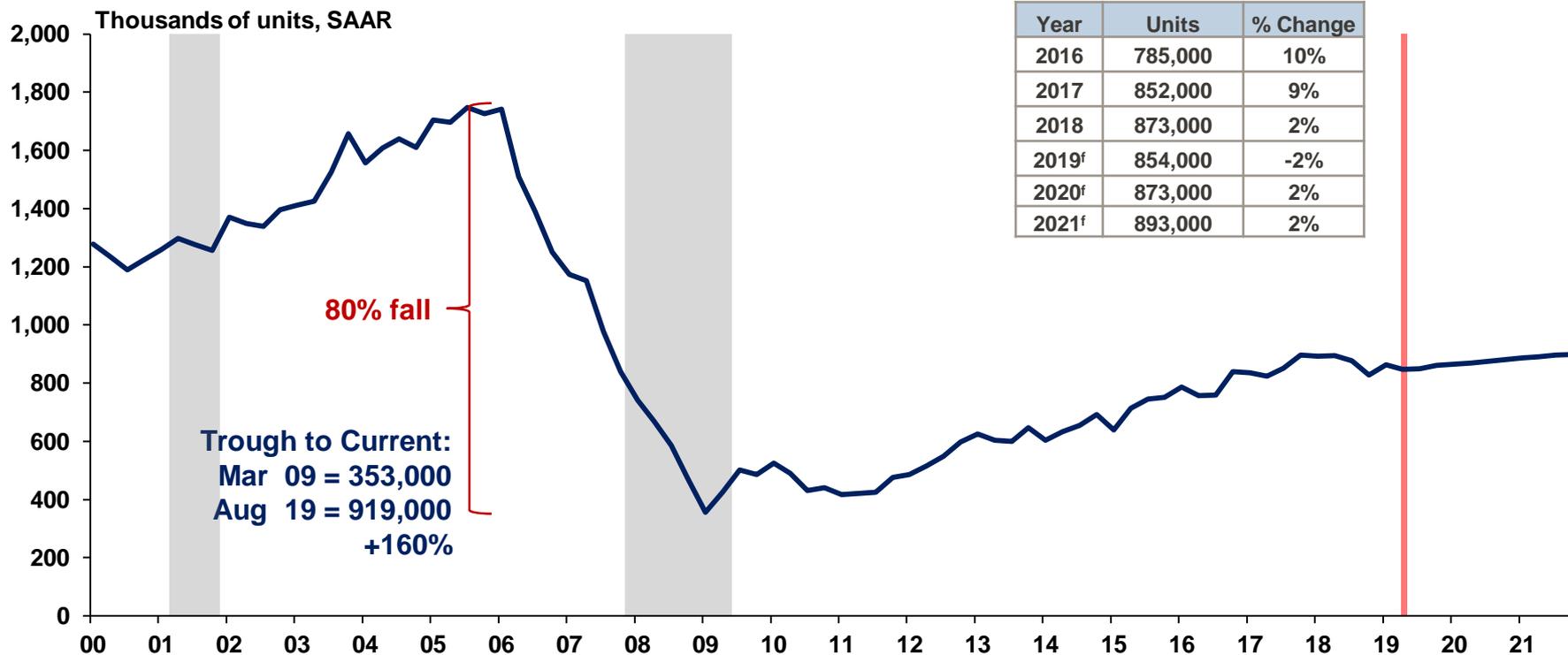
*Builder confidence trending higher as interest rates move lower*



Source: Census Bureau and NAHB/Wells Fargo HMI survey

# Single-Family Starts

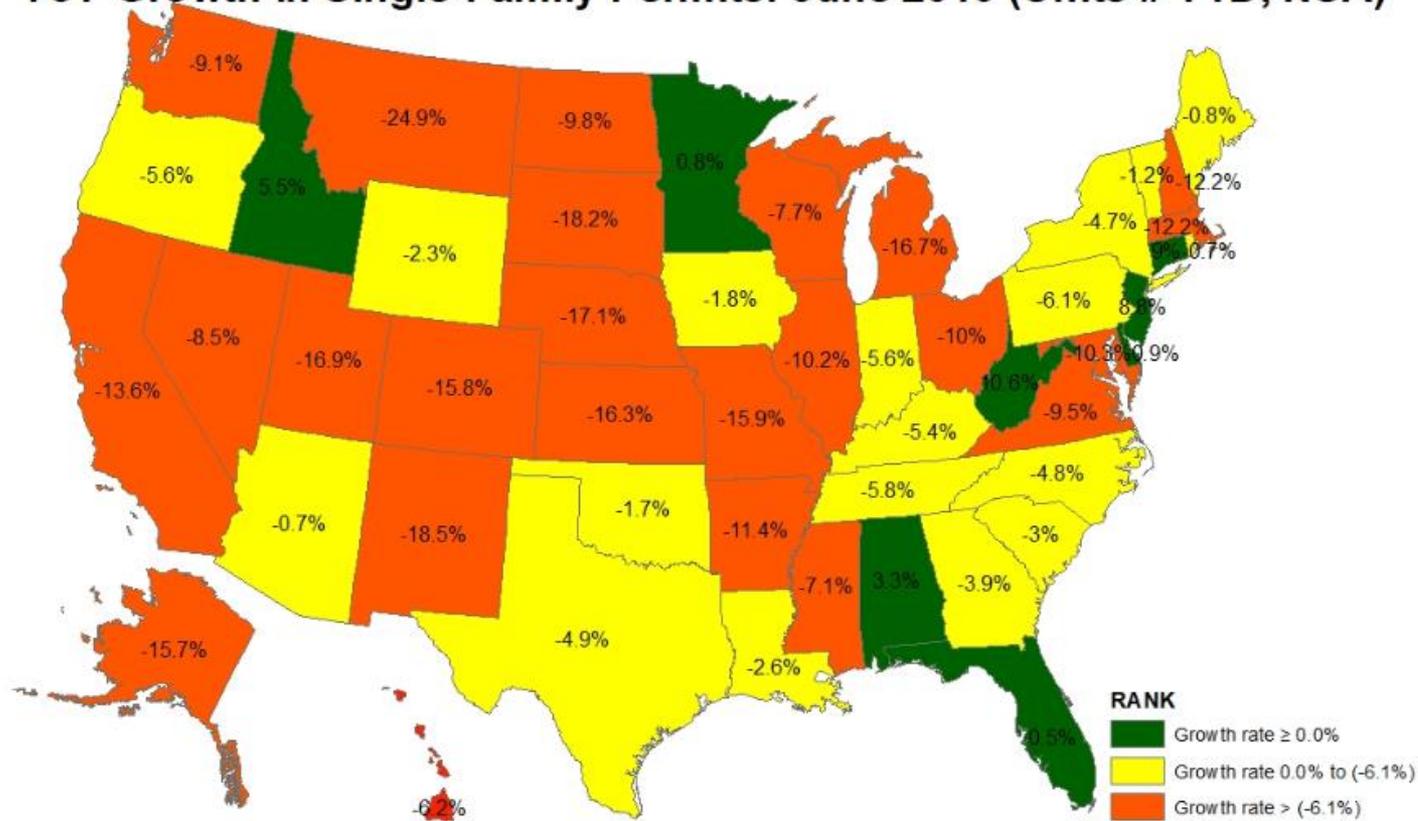
Limited growth as economy slows



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

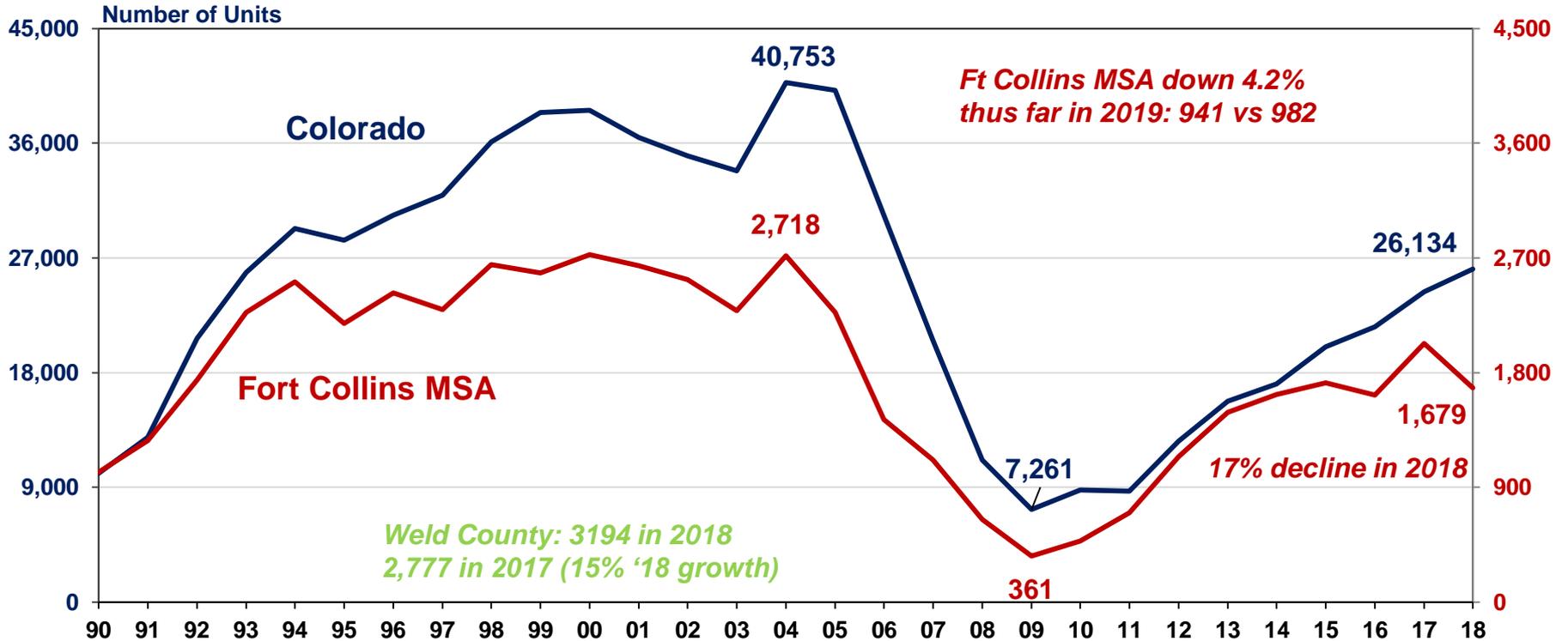
# Growth in Single-Family Permits

YoY Growth in Single-Family Permits: June 2019 (Units # YTD, NSA)



Source: U.S. Census Bureau (BOC)

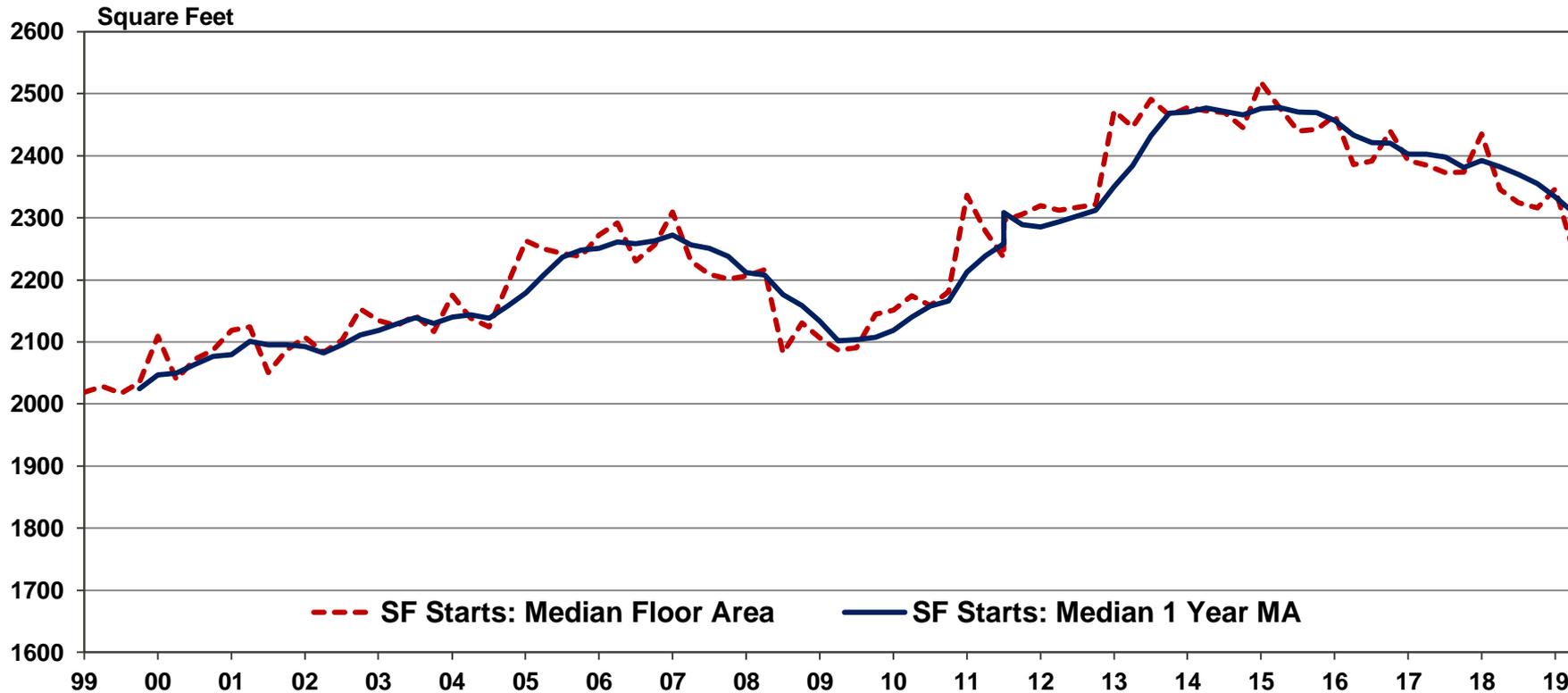
# Single-Family Building Permits – CO and Fort Collins MSA



Source: U.S. Census Bureau (BOC)

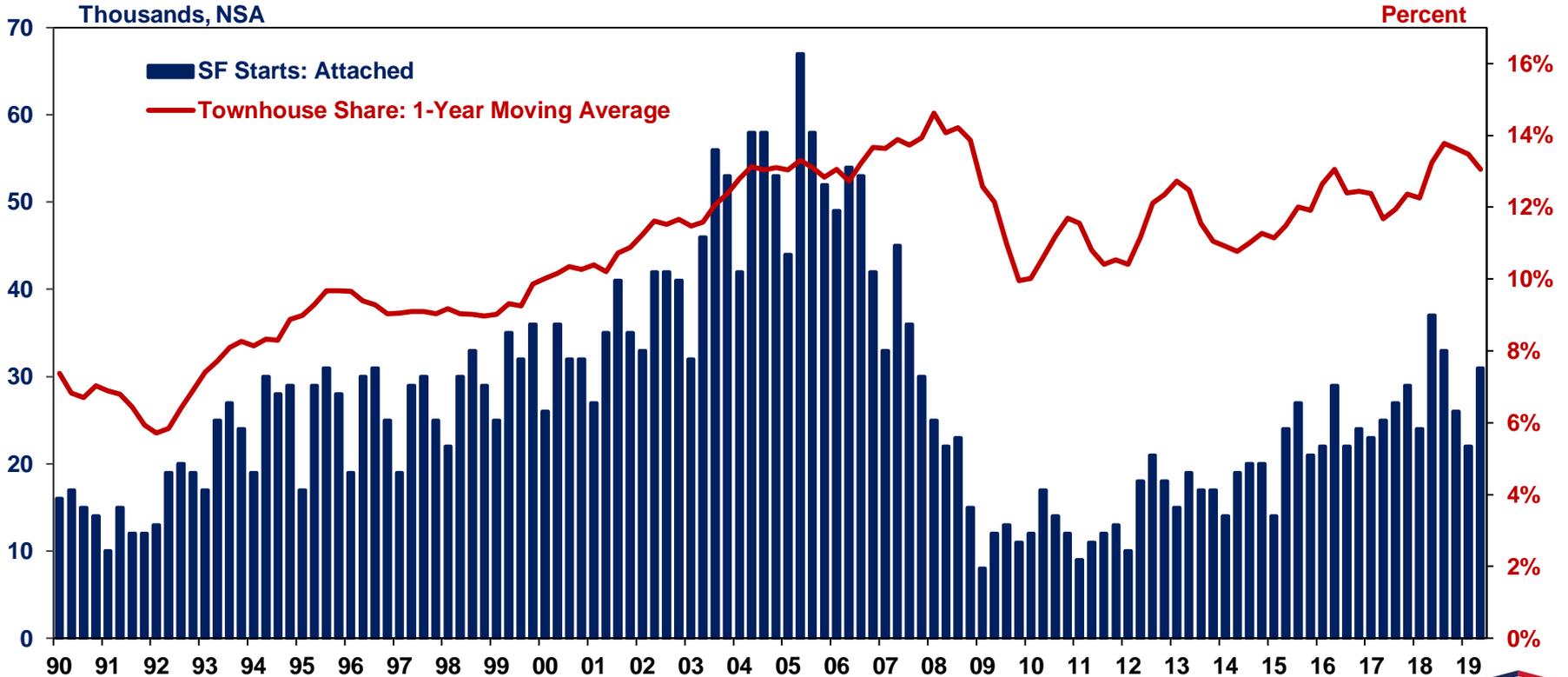
# Typical New Home Size

*Decline after market shift*



Source: U.S. Census Bureau (BOC)

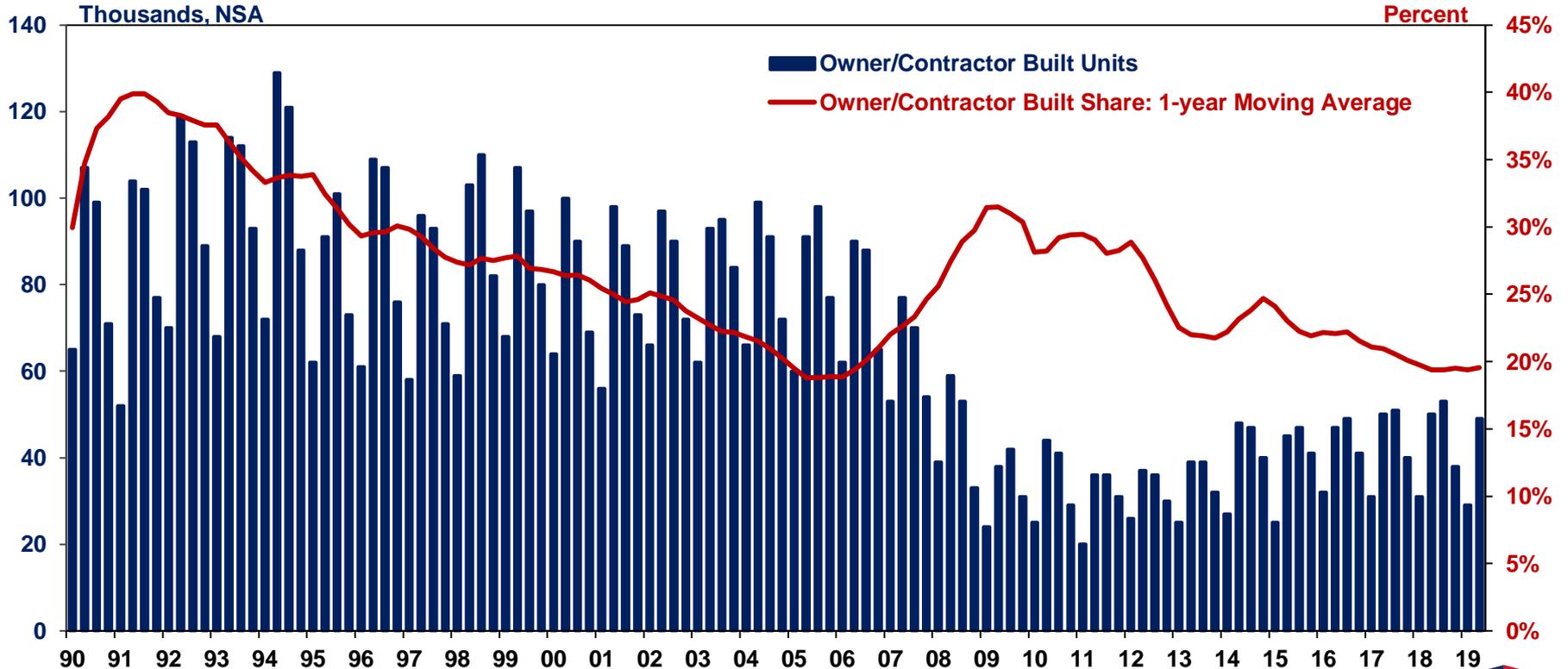
# Townhouse Market Expanding



Source: U.S. Census Bureau (BOC)

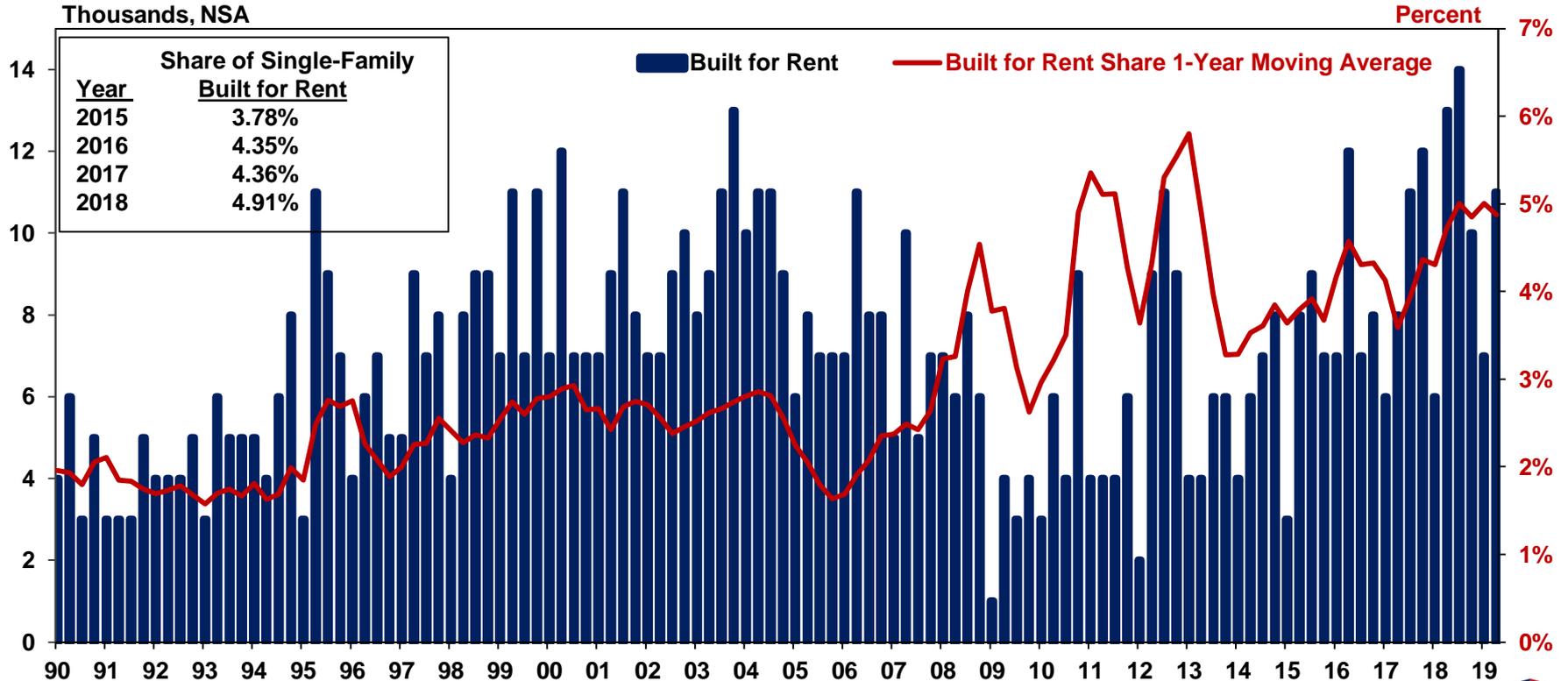
# Custom Home Building Market

*Flat market conditions*

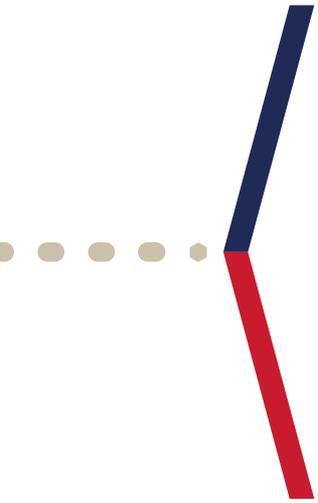


Source: U.S. Census Bureau (BOC)

# Single-Family Built-for-Rent a Niche Market



Source: U.S. Census Bureau (BOC)

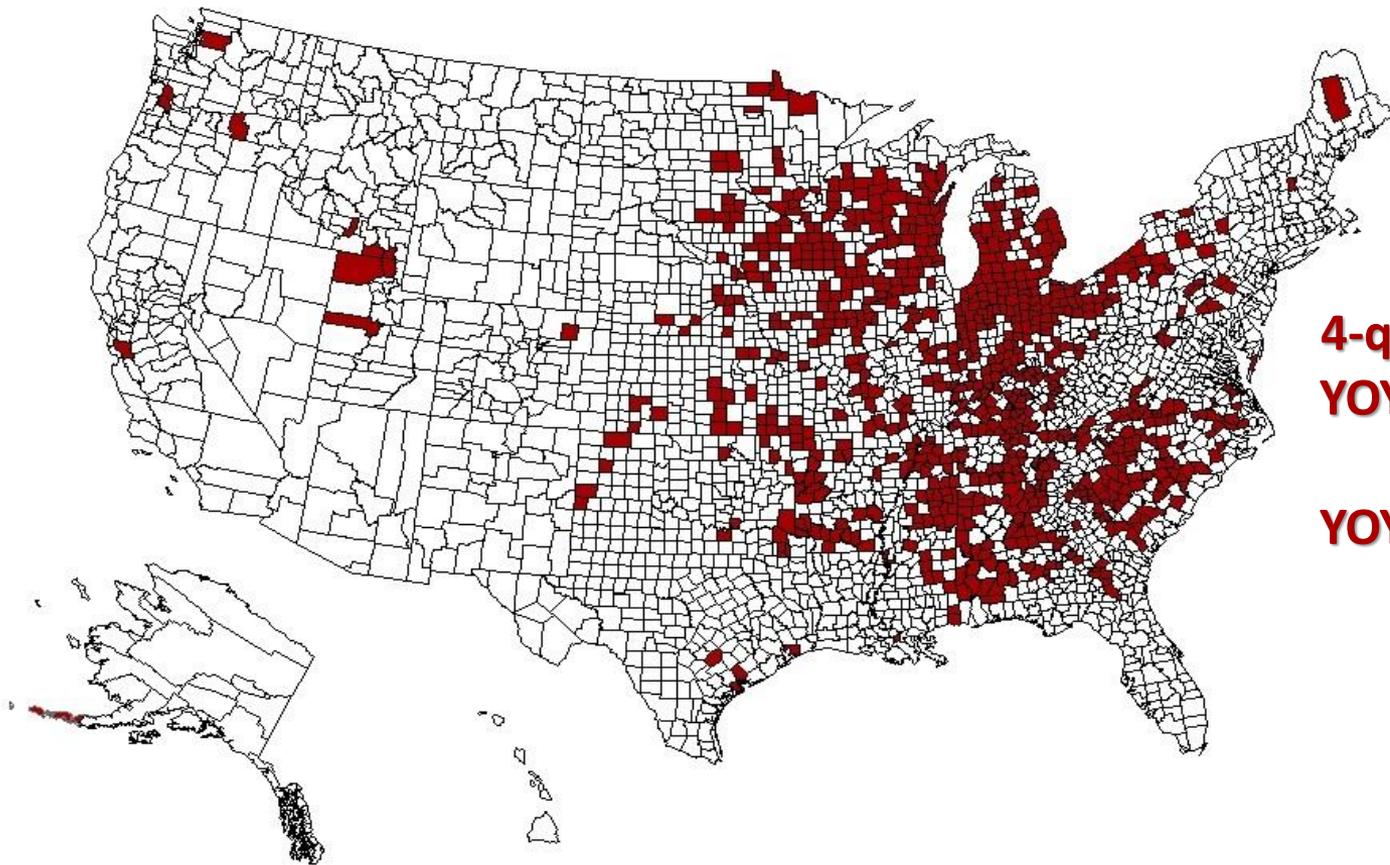


# NAHB Home Building Geography Index



# New NAHB Home Building Geography Index

10% of single-family construction takes place in **Manufacturing Counties**



**Q2 2019**

**4-quarter MA of  
YOY growth rate:**

**-3.8%**

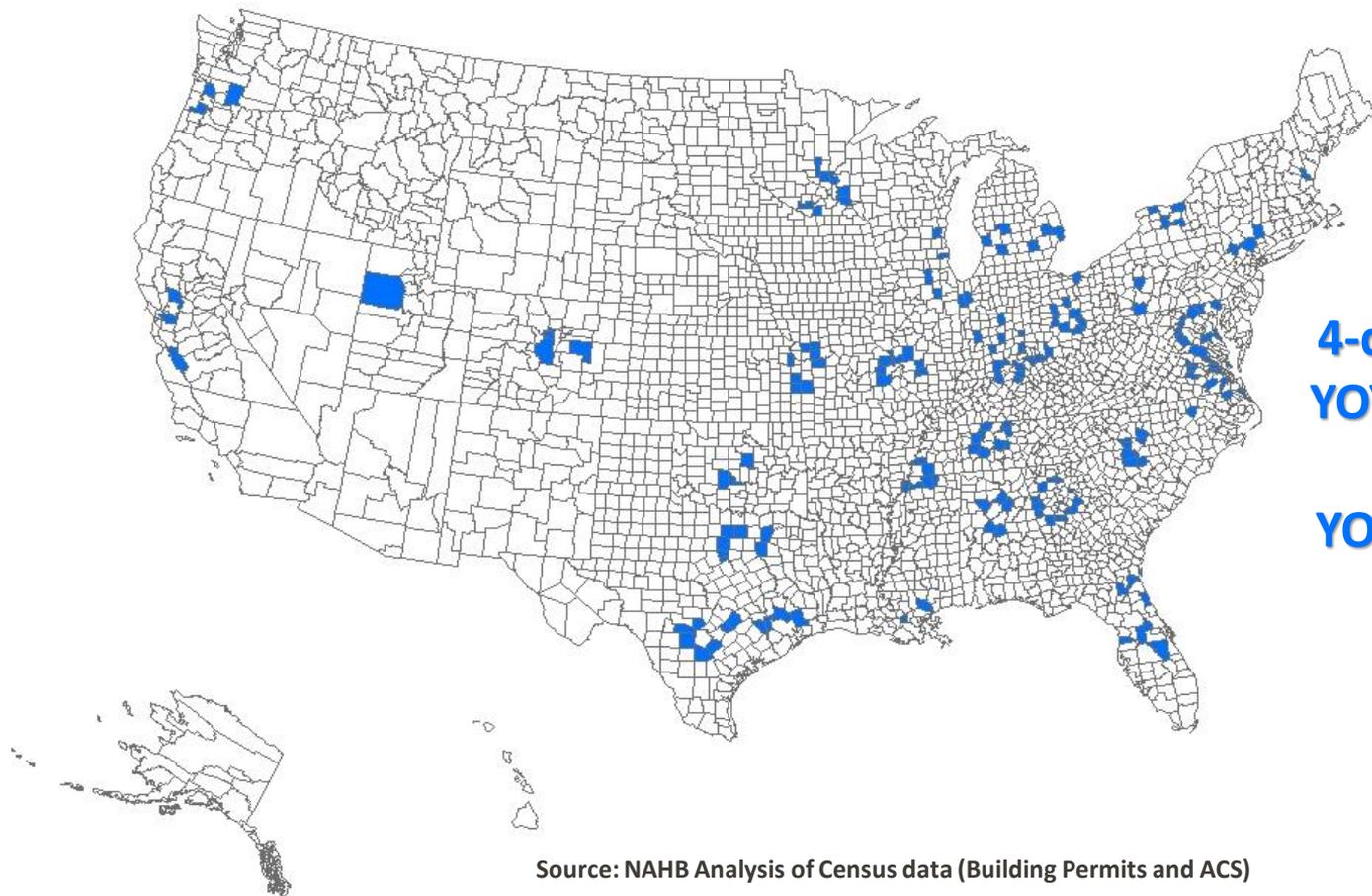
**YOY growth rate:**

**-1.4%**

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

# New NAHB Home Building Geography Index

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



**Q2 2019**

**4-quarter MA of  
YOY growth rate :**

**0.3%**

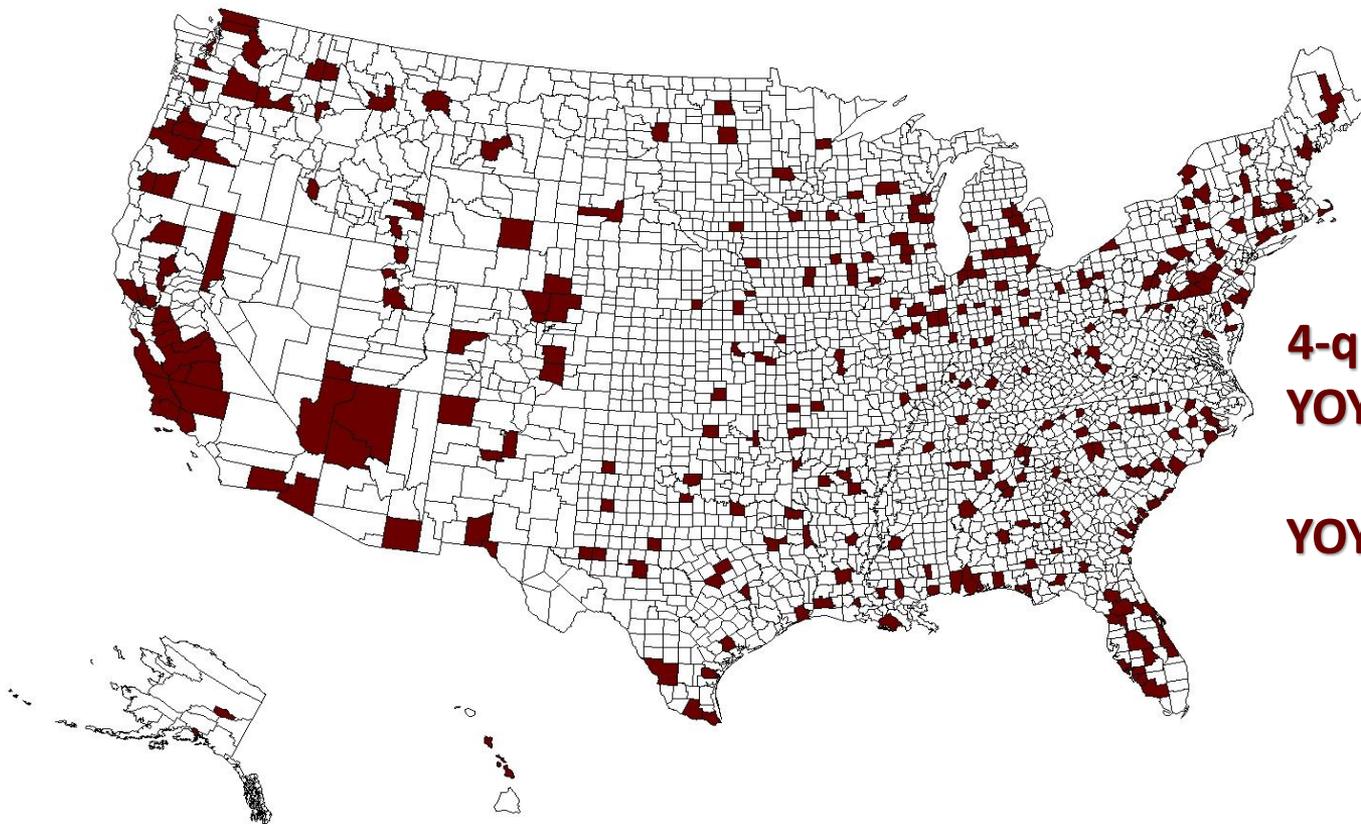
**YOY growth rate:**

**-8.3%**

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

# New NAHB Home Building Geography Index

28.6% of single-family construction takes place in **Smaller Metro – Core County**



**Q2 2019**

**4-quarter MA of  
YOY growth rate:**

**-0.8%**

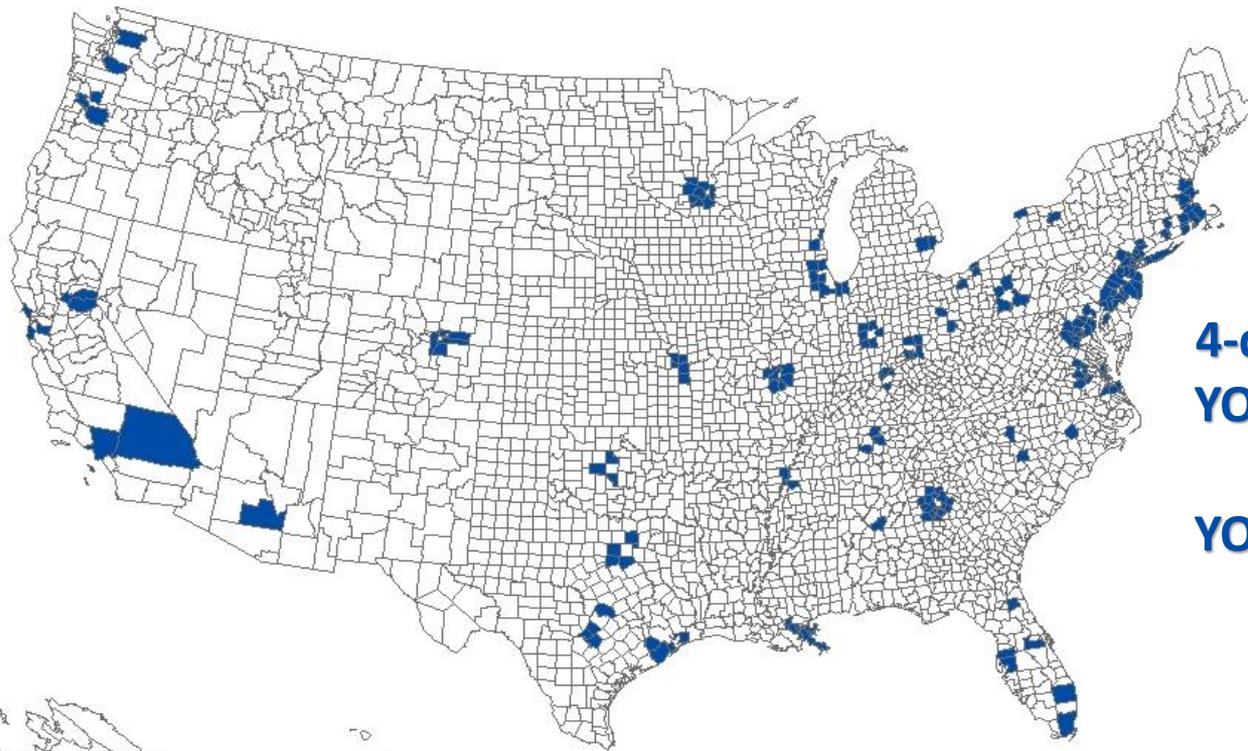
**YOY growth rate:**

**-3.1%**

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

# New NAHB Home Building Geography Index

*26.7% of single-family construction takes place in Large Metro – Suburban County*



**Q2 2019**

**4-quarter MA of  
YOY growth rate:**

**-3.4%**

**YOY growth rate:**

**-7.9%**

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

# New NAHB Home Building Geography Index (HBGI)

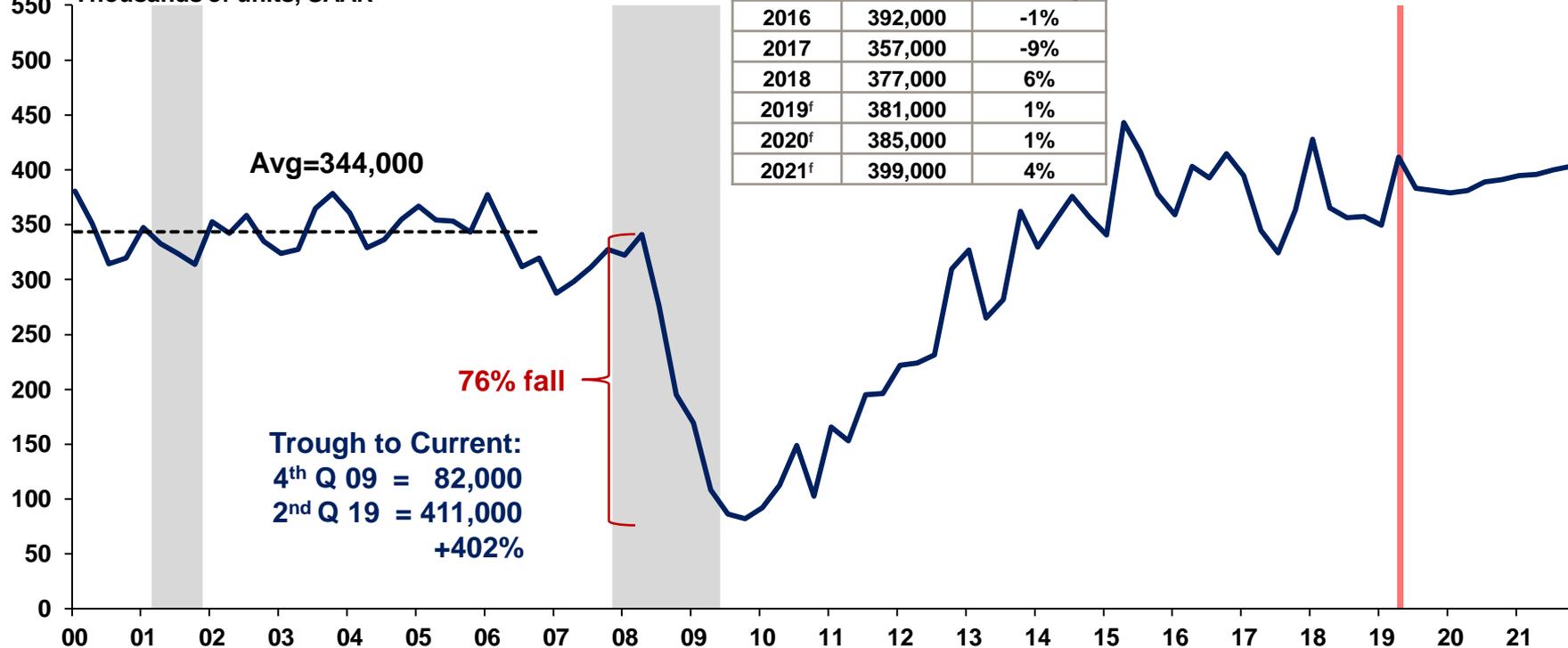
	Multifamily		
	Market Share (4-Quarter MA)	YOY Growth Rate	
		(Q2 2019)	(4-Quarter MA)
Large Metro - Core County	41%	-0.9%	-0.9%
Large Metro - Suburban County	26%	-12.6%	-6.8%
Large Metro - Outlying County	4%	-17.4%	15.5%
Smaller Metro - Core County	22%	28.3%	7.4%
Smaller Metro - Outlying County	3%	20.1%	8.6%
Micro County	3%	30.1%	12.4%
Non Metro/Micro County	1%	62.7%	39.1%

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

# Multifamily Housing Starts

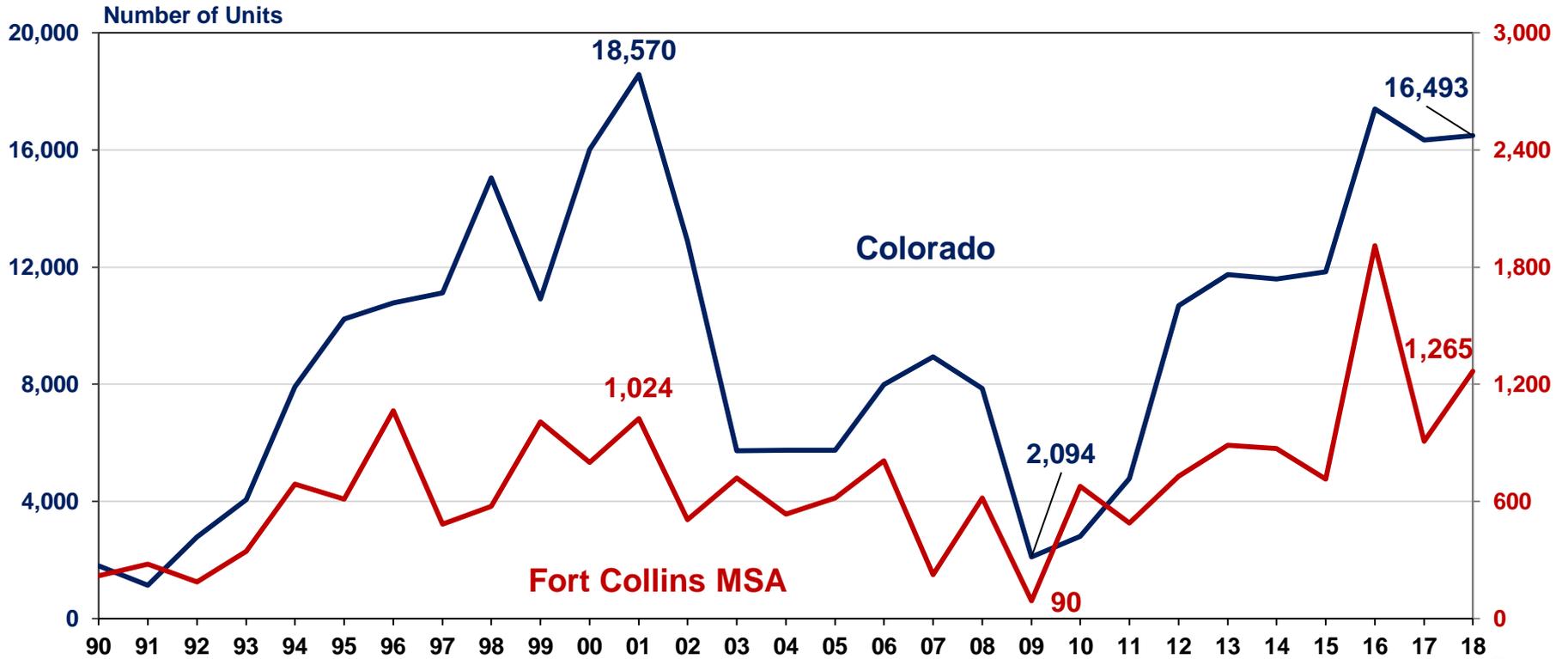
Leveling off

Thousands of units, SAAR



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

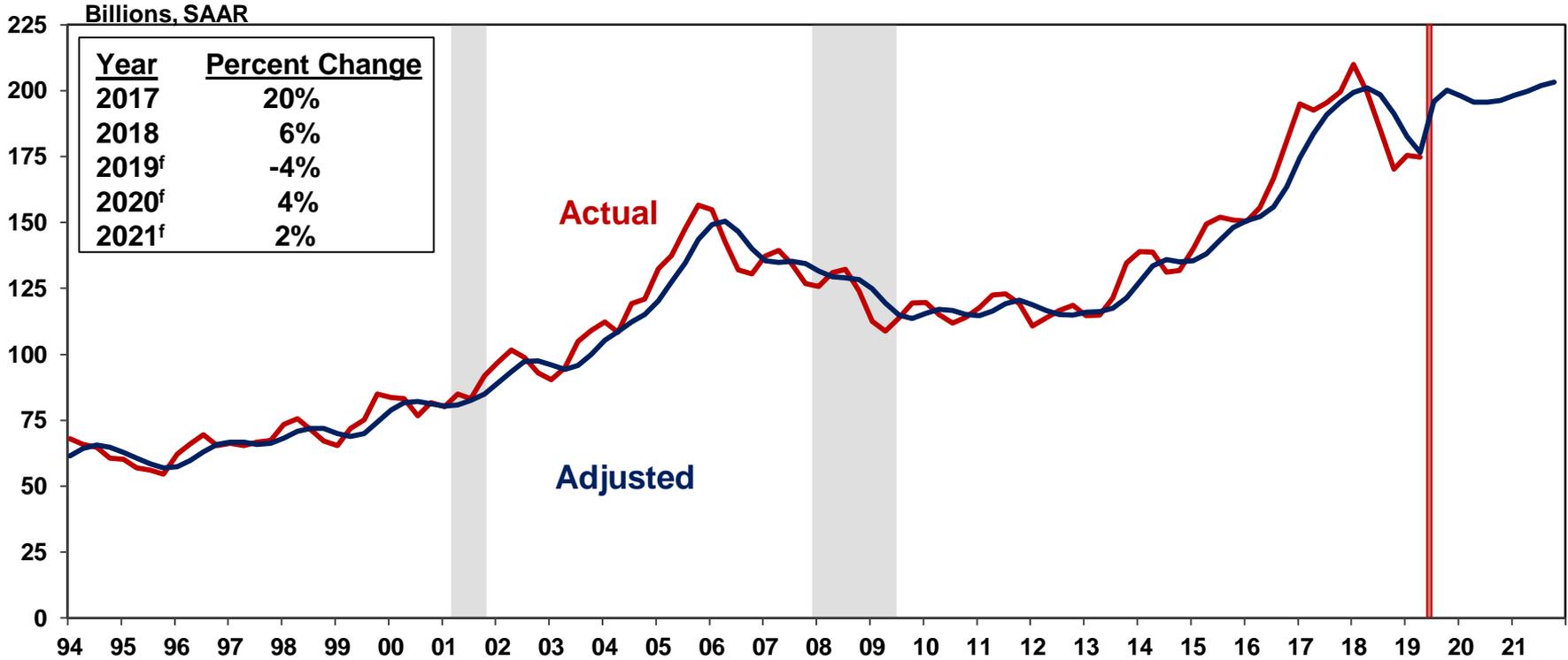
# Multifamily Building Permits – CO and Fort Collins MSA



Source: U.S. Census Bureau (BOC)

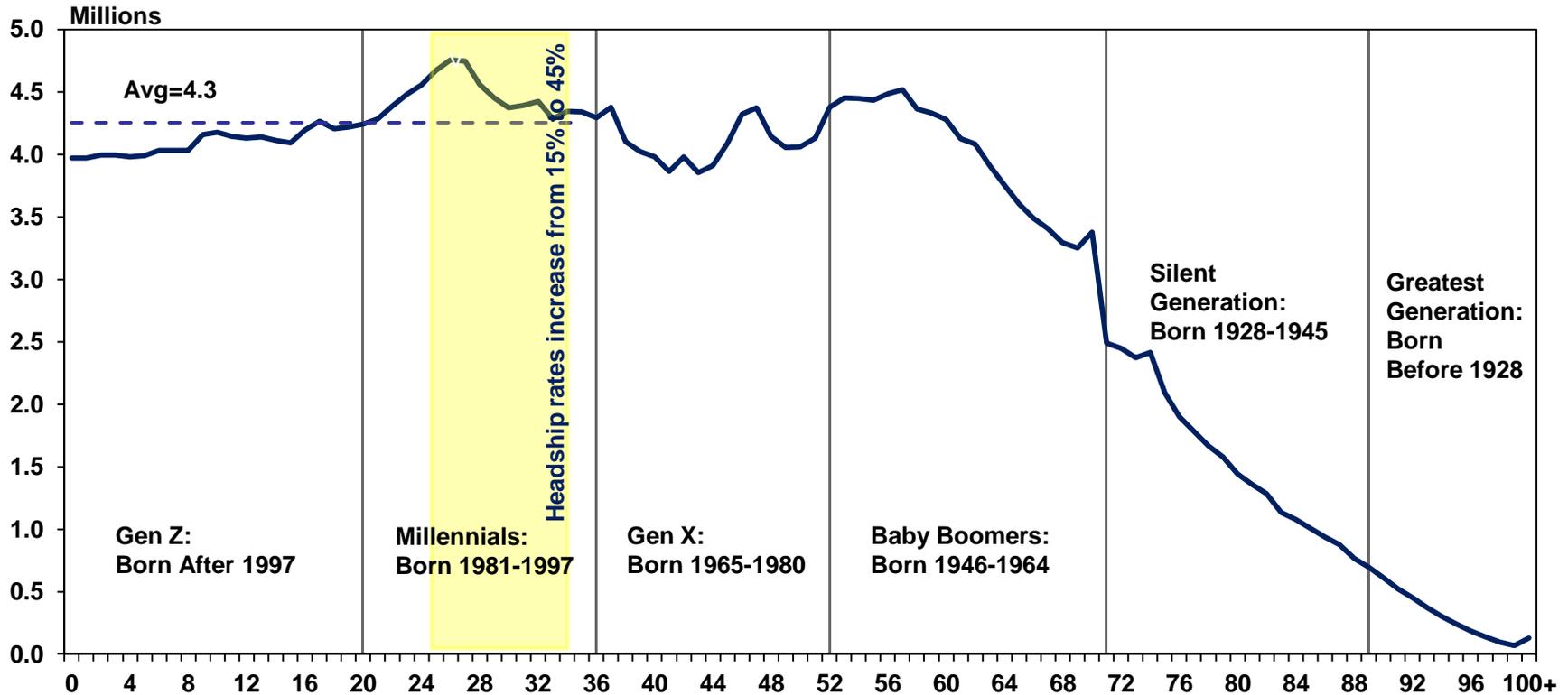
# Residential Remodeling

*Remodeling market slowing*



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

# Rising Population Entering Housing Demand Years



Source: U.S. Census Bureau (BOC)

# Thank you

*Questions?*

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Economic Leadership Sponsor



Home Mortgage

*eyeonhousing.org*  
*housingeconomics.com*