

Rising Recession Concerns?

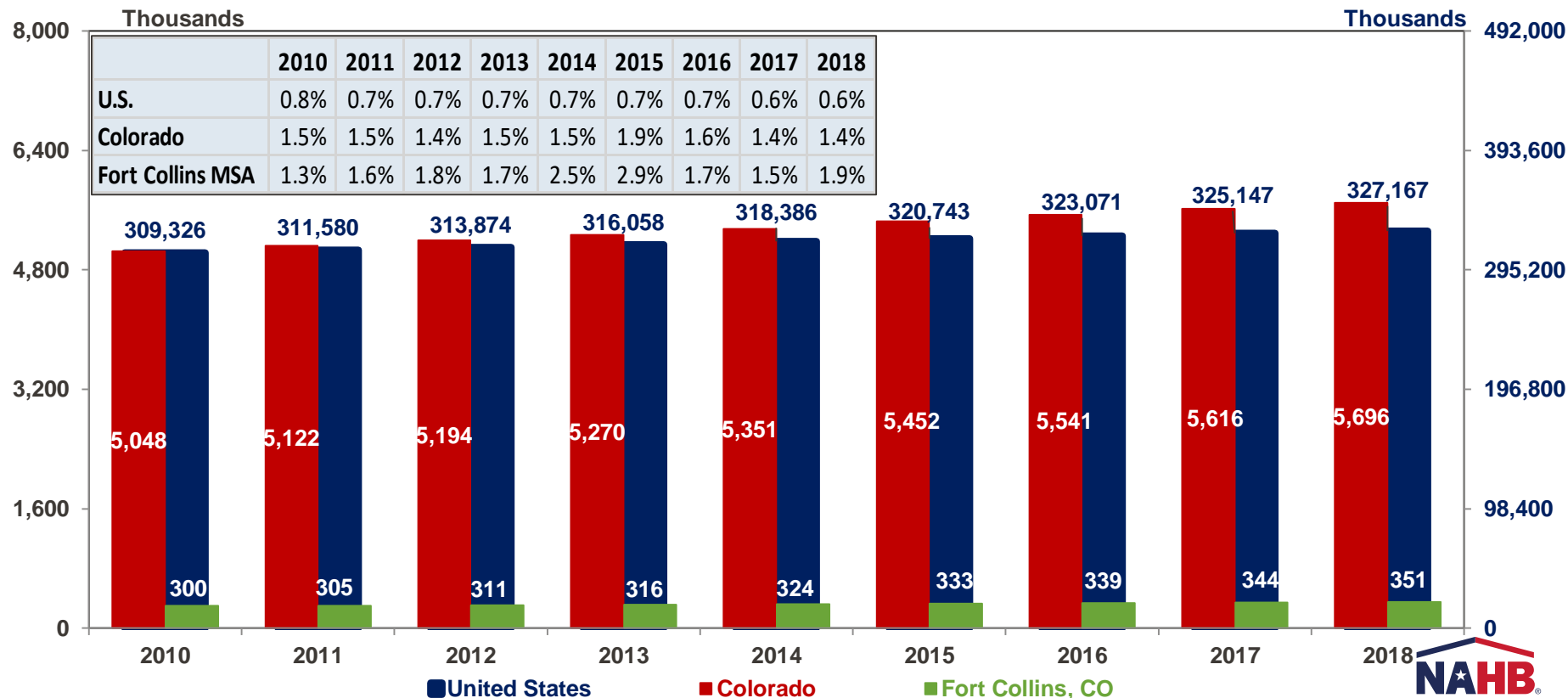
HBA of Northern Colorado
October 9th, 2019

Robert Dietz, Ph.D.
NAHB Chief Economist



Population Growth

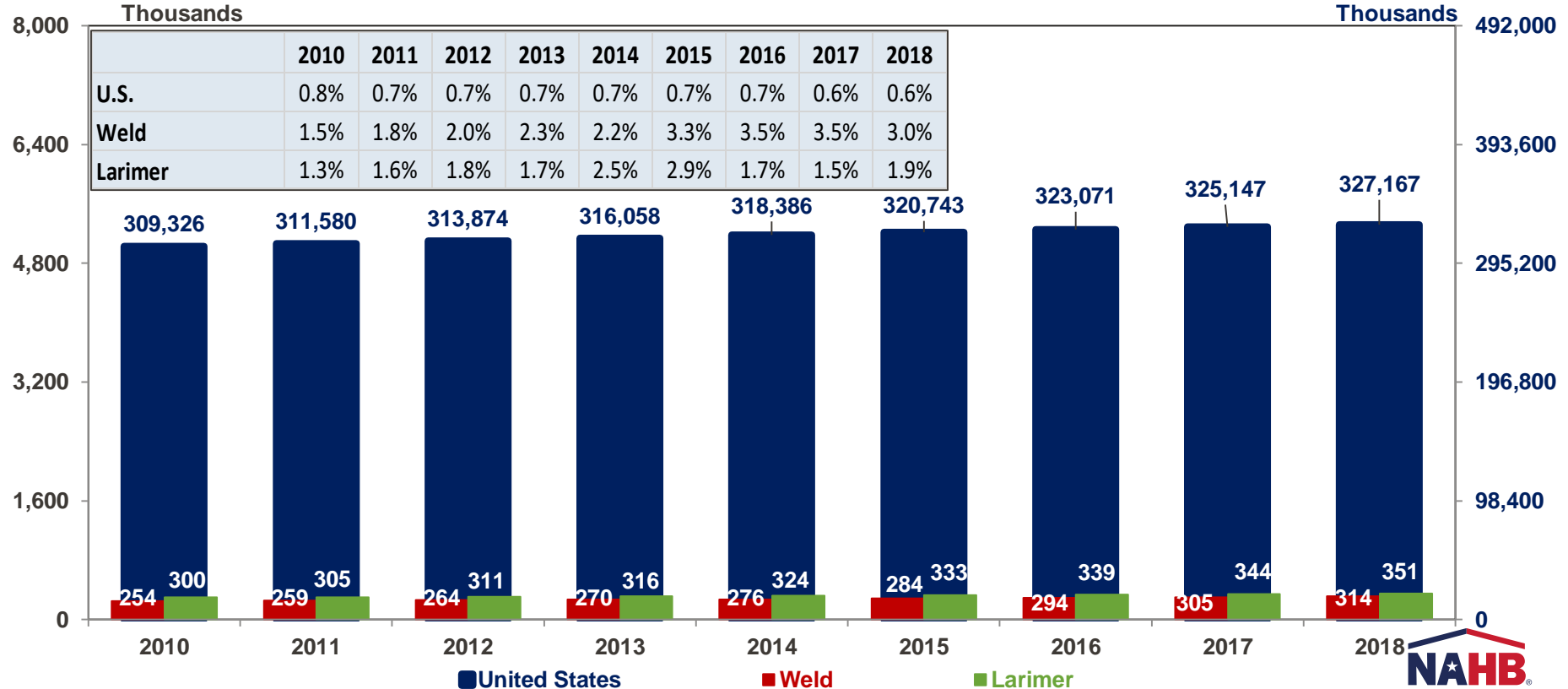
Fort Collins MSA population growing faster than national and statewide rates



Source: U.S. Census Bureau (BOC)

Population Growth

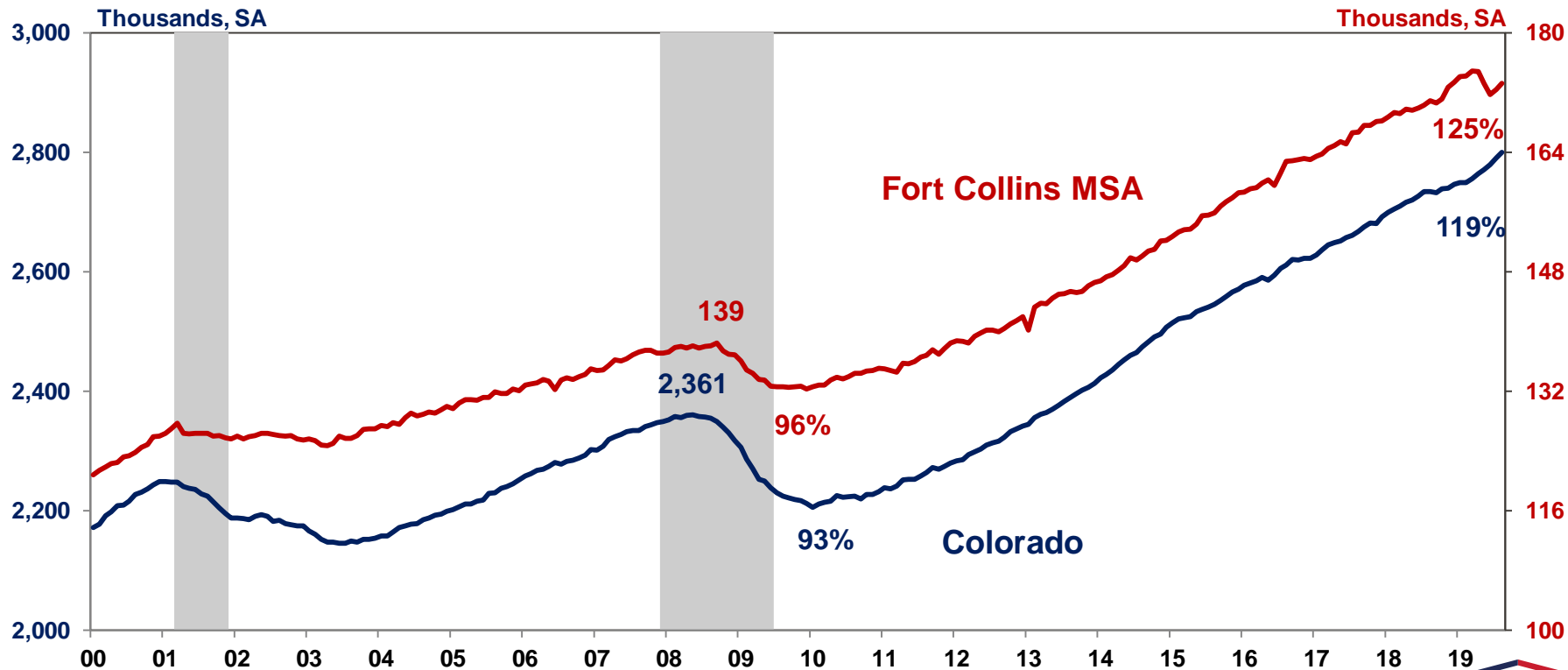
Weld County growing faster



Source: U.S. Census Bureau (BOC)

Payroll Employment

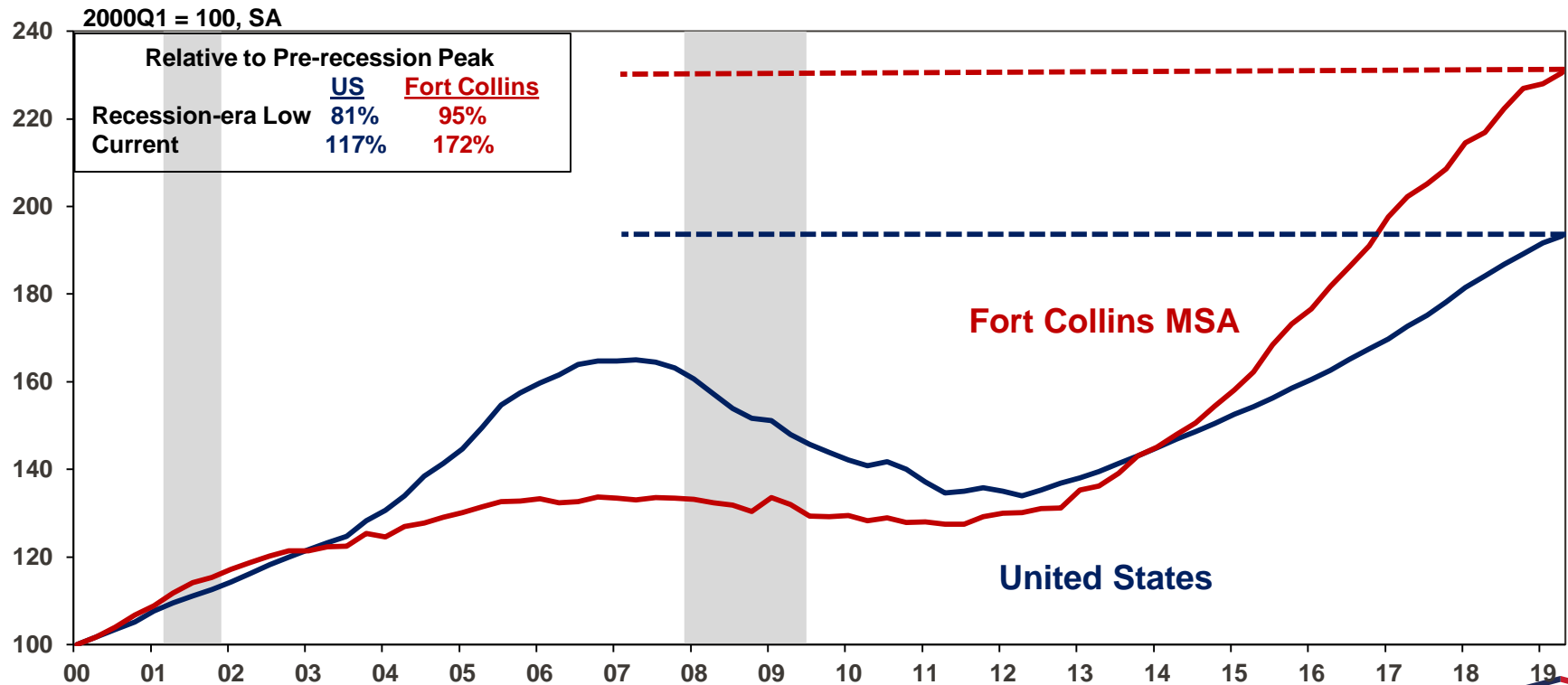
Fort Collins MSA above the pre-recession peak



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

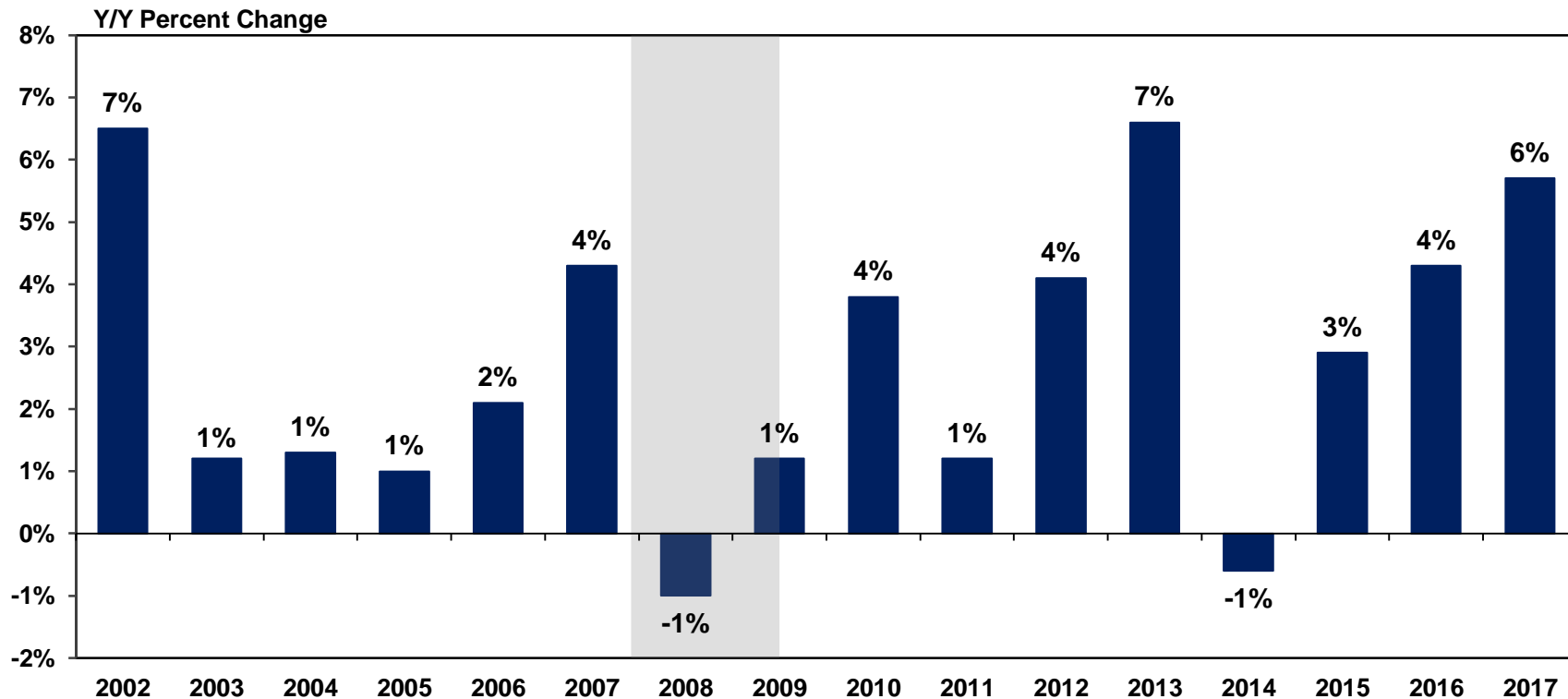
Existing House Price Index

Fort Collins MSA above the pre-recession peak



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

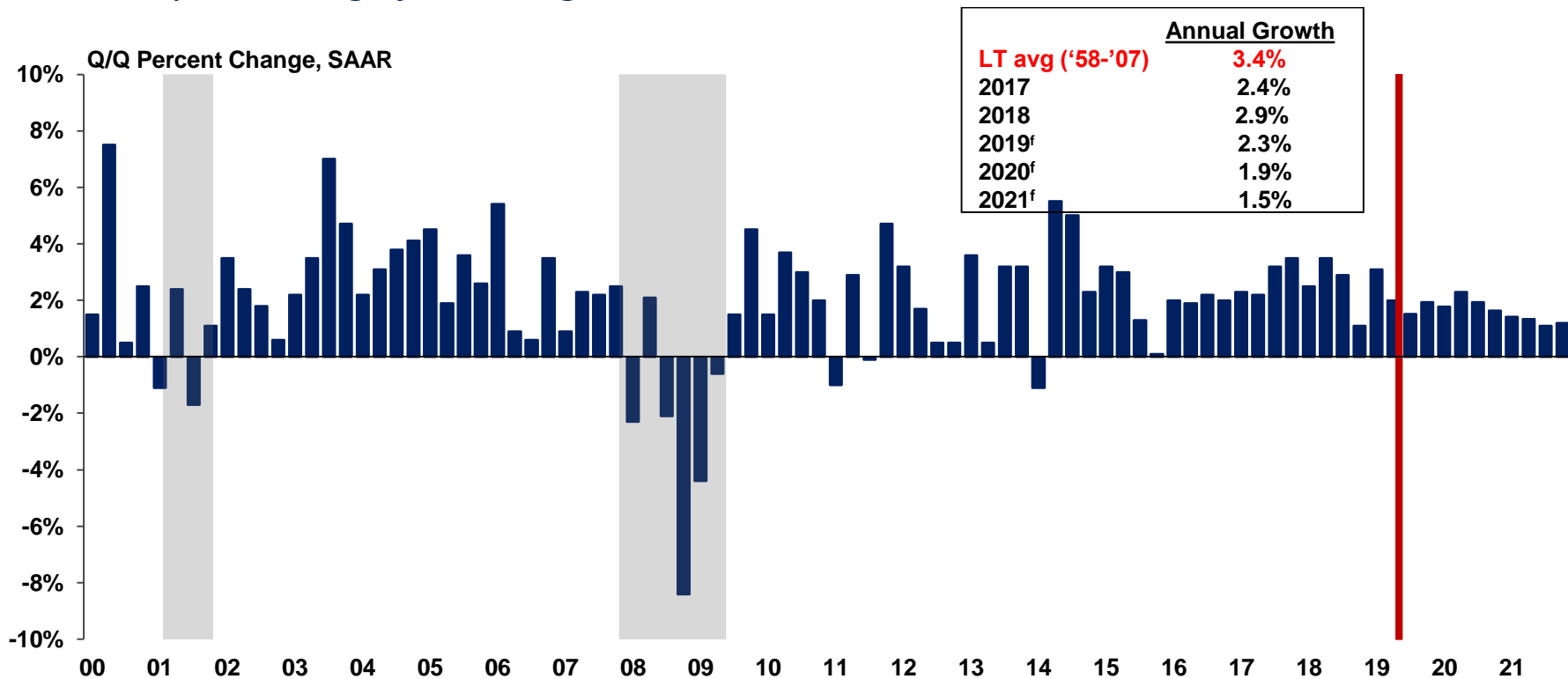
Fort Collins MSA GDP Growth



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

GDP Growth

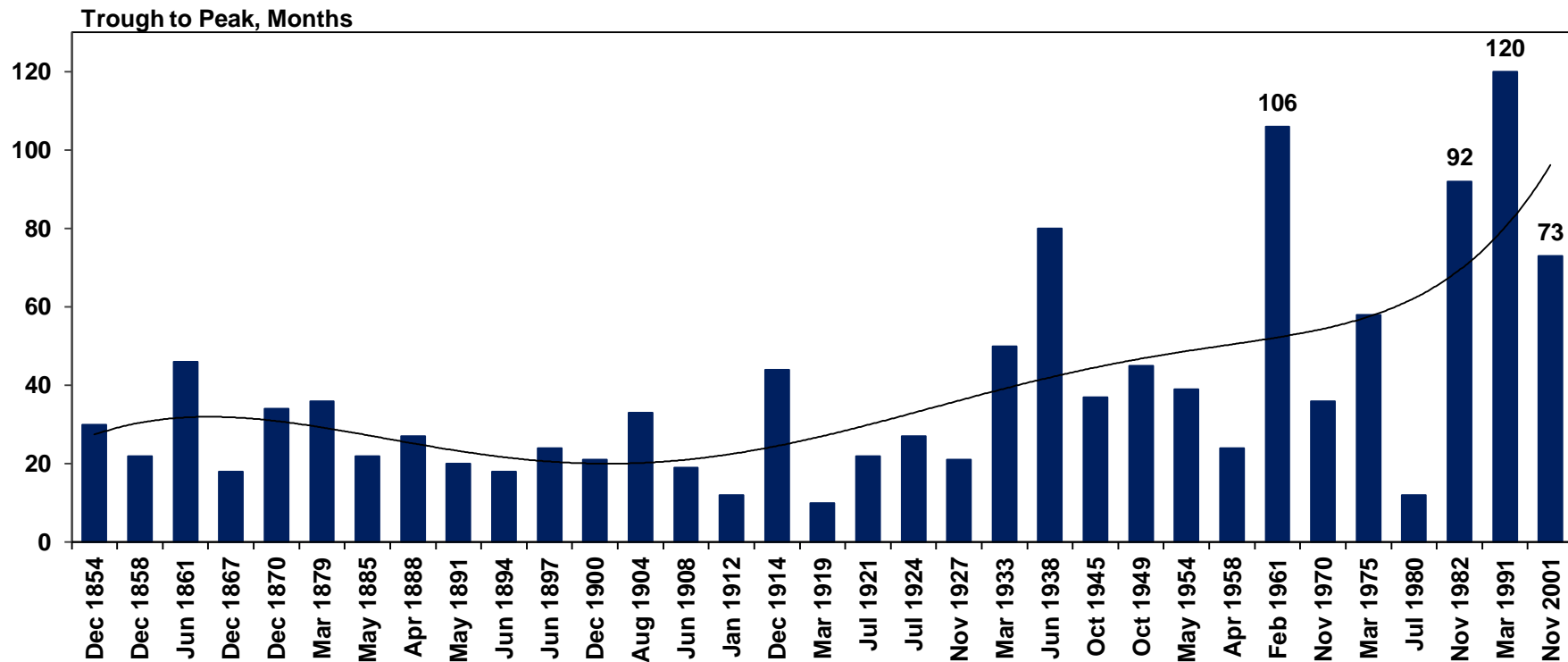
Economy is slowing after strong 1Q19



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

Expansion is Aging

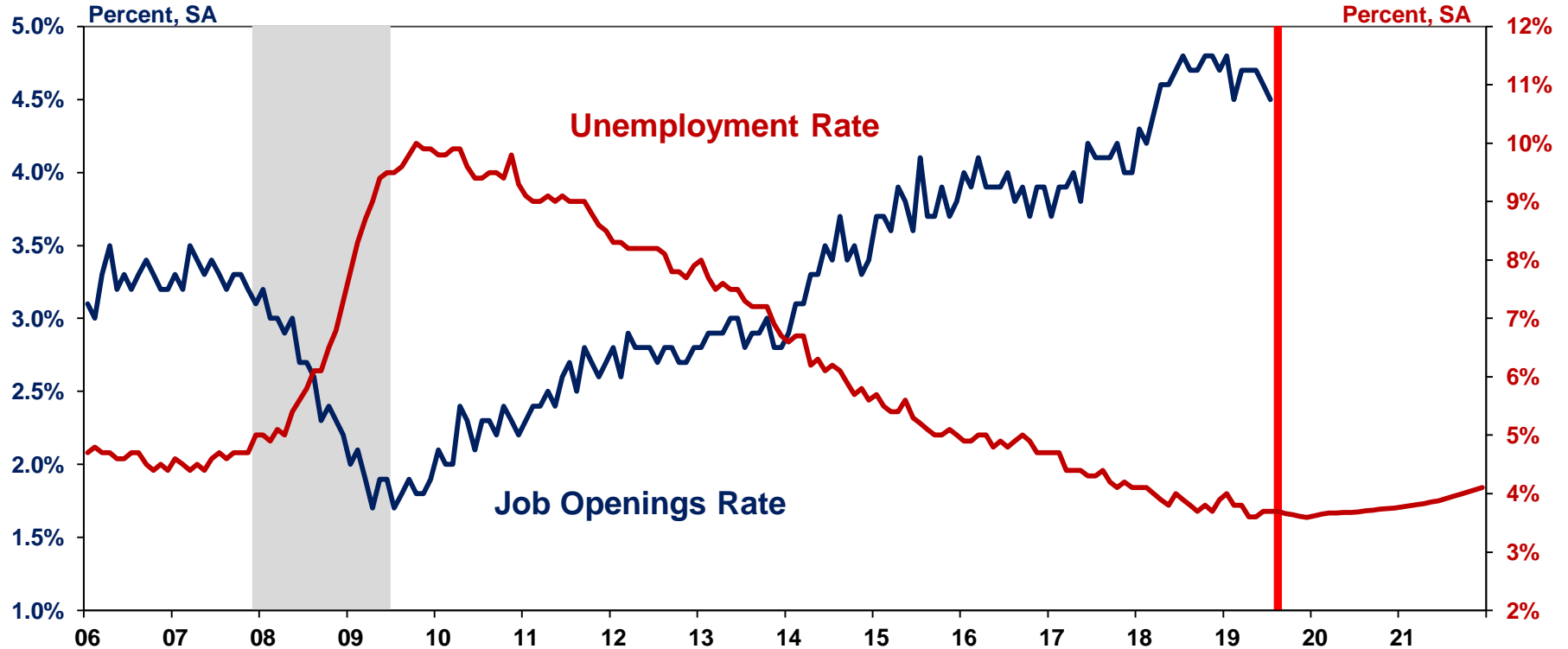
Current expansion is 125 months old



Source: National Bureau of Economic Research (NBER)

Tight Labor Market

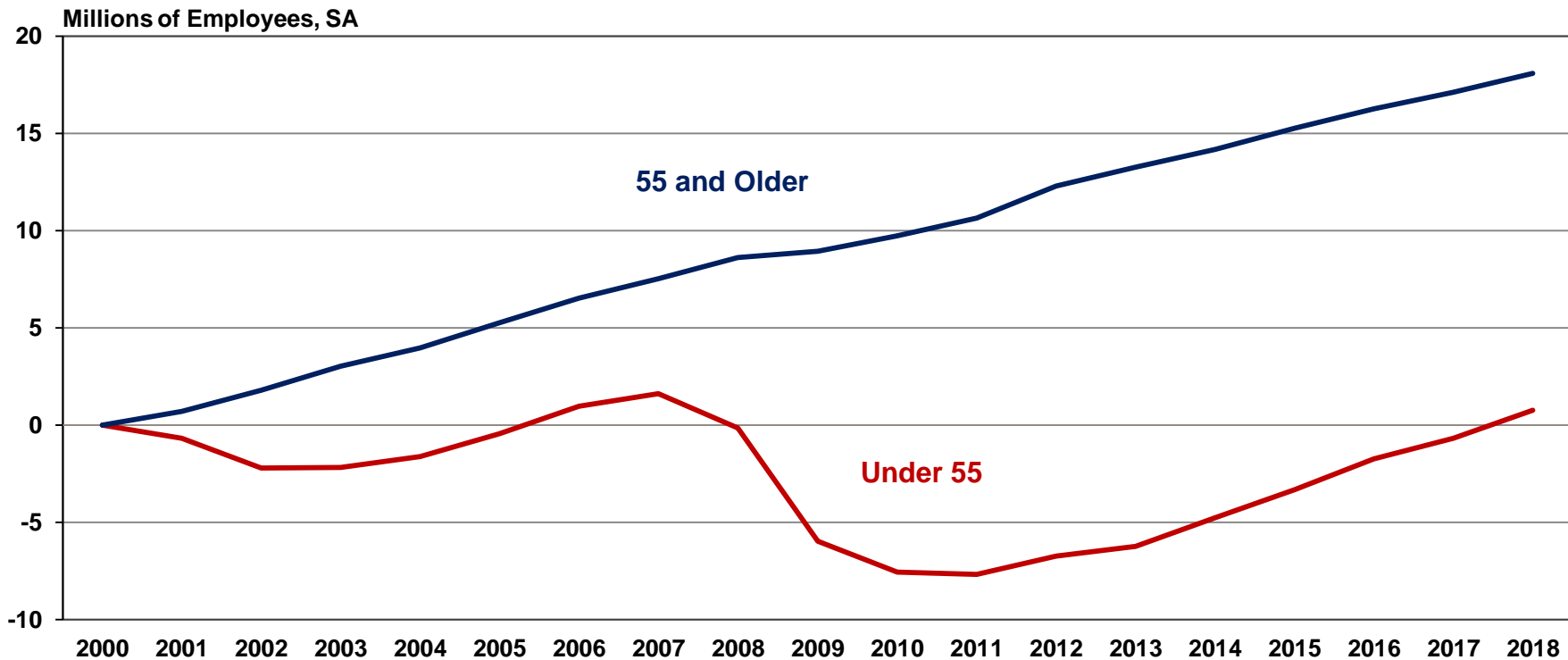
Lack of labor represents a macro risk



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

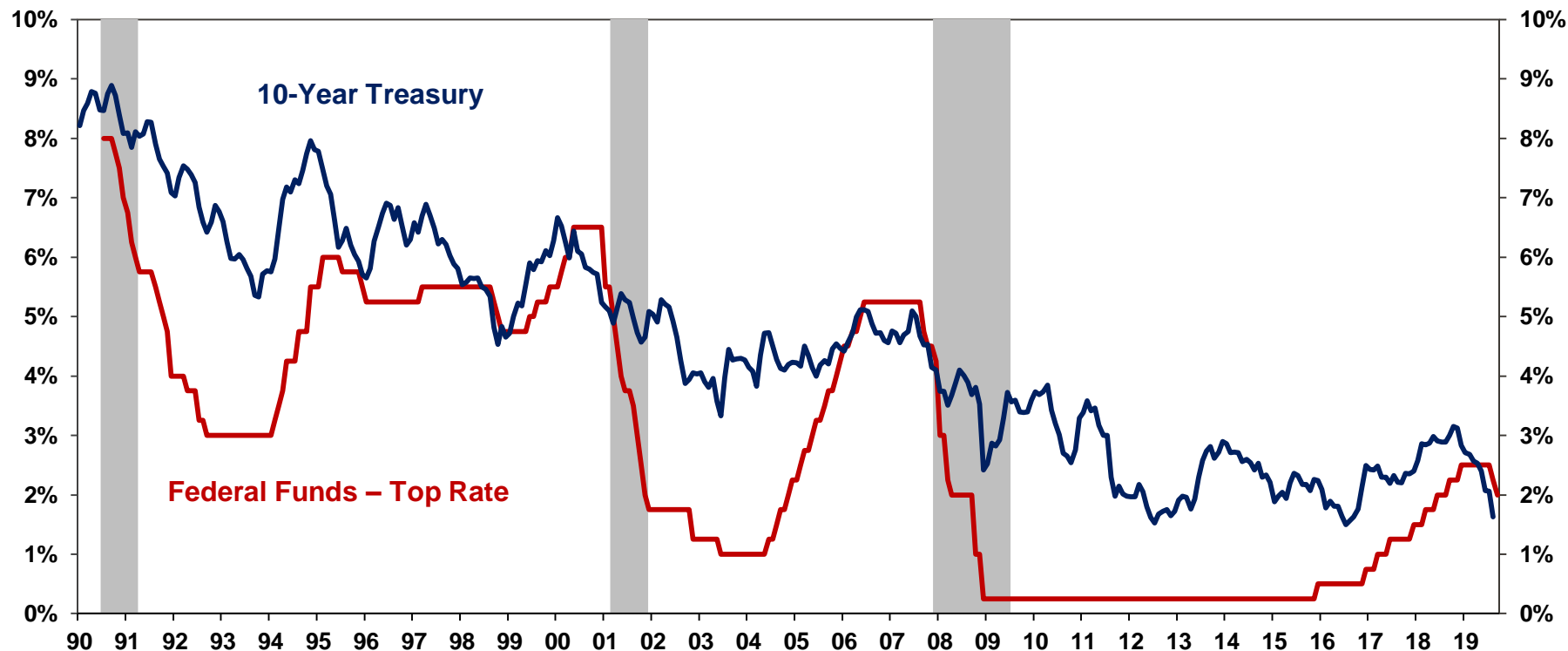
Cumulative Change in Employment by Age Group

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

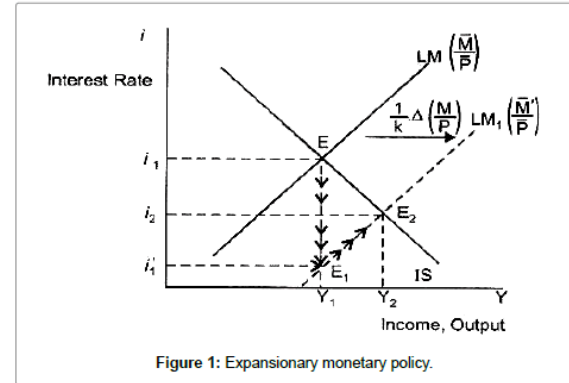
Candlestick



Lead Pipe



Monetary Policy



The Easiest Game of Clue Ever

Who Killed the Expansion?

The Room

The Study



The Lounge



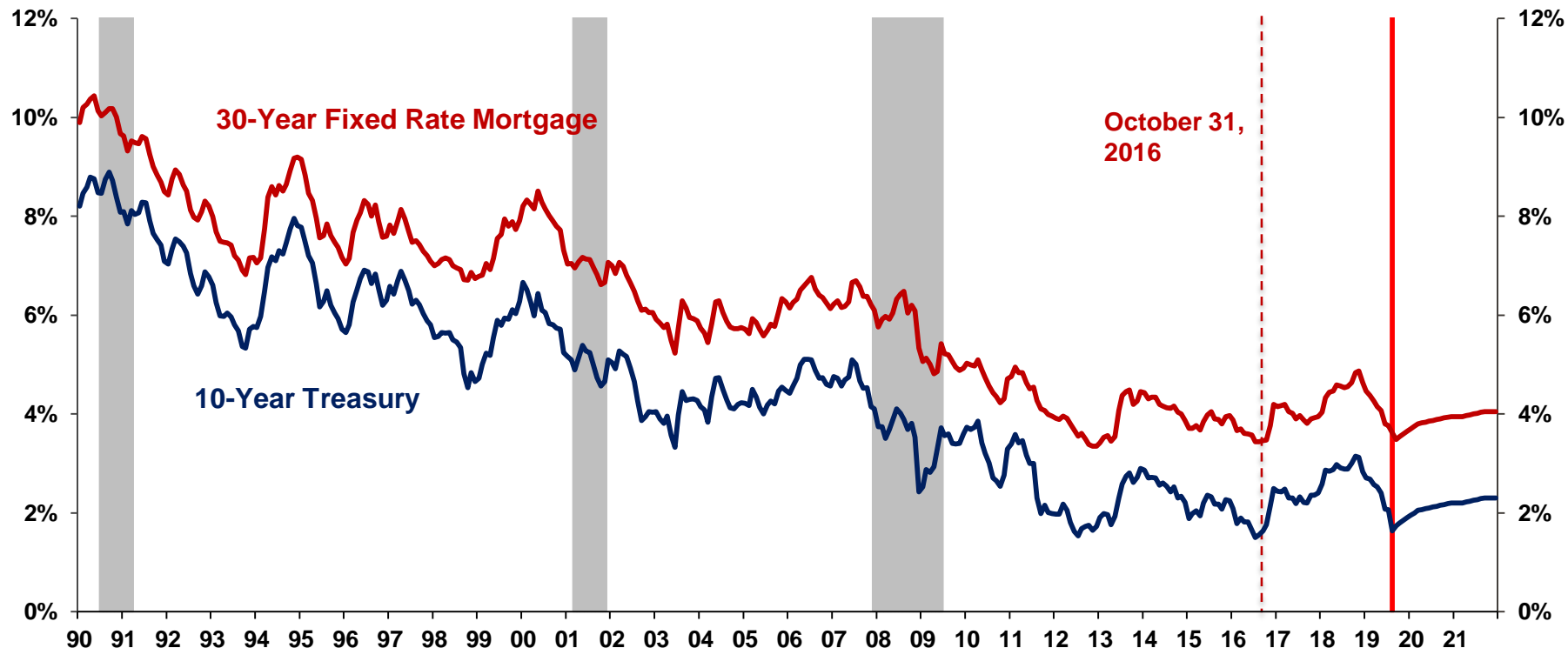
The Boardroom



- 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

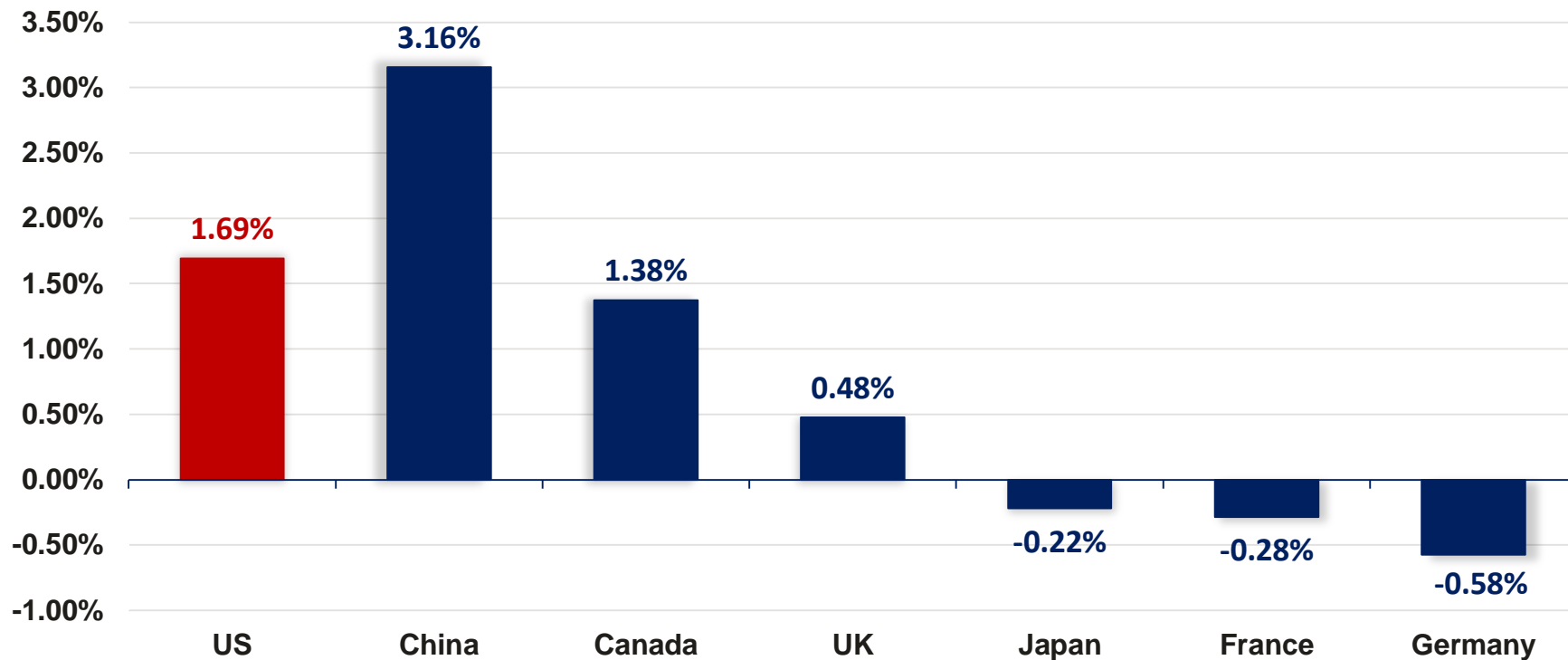
30-Year Fixed Rate Mortgage and 10-Year Treasury

Interest rate declines amidst trade concerns and economic slowing

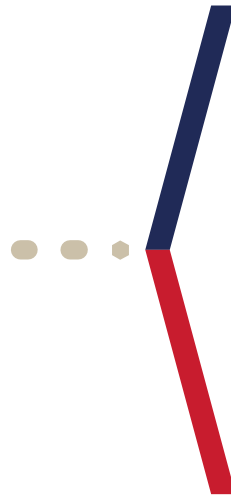


Source: Federal Reserve and Freddie Mac data and NAHB forecast

10-Year Treasury Yield by Country



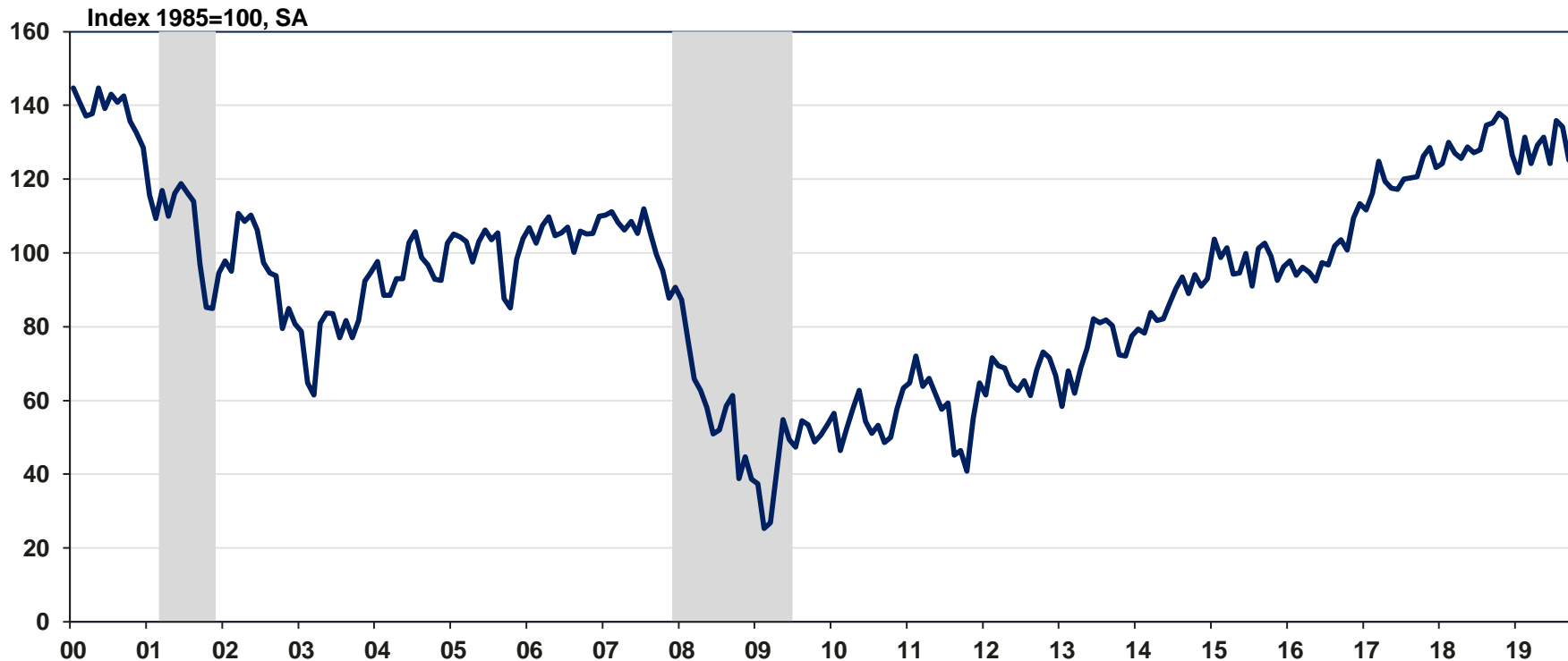
Source: www.investing.com; 10-year treasury rate on September 30, 2019



Housing Demand and Affordability

Consumer Confidence Leveling Off

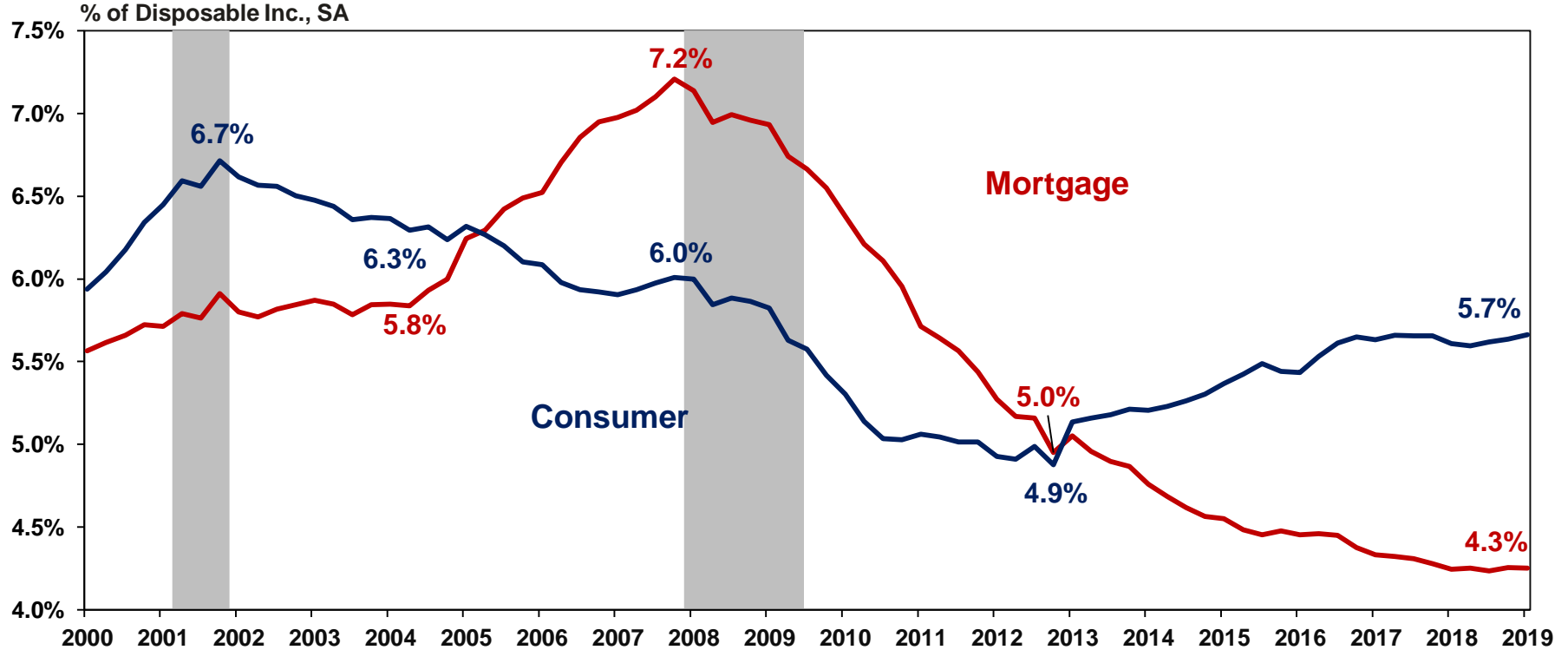
Near two-decade high but economic uncertainty took a toll at end of year



Source: The Conference Board

Household Balance Sheets

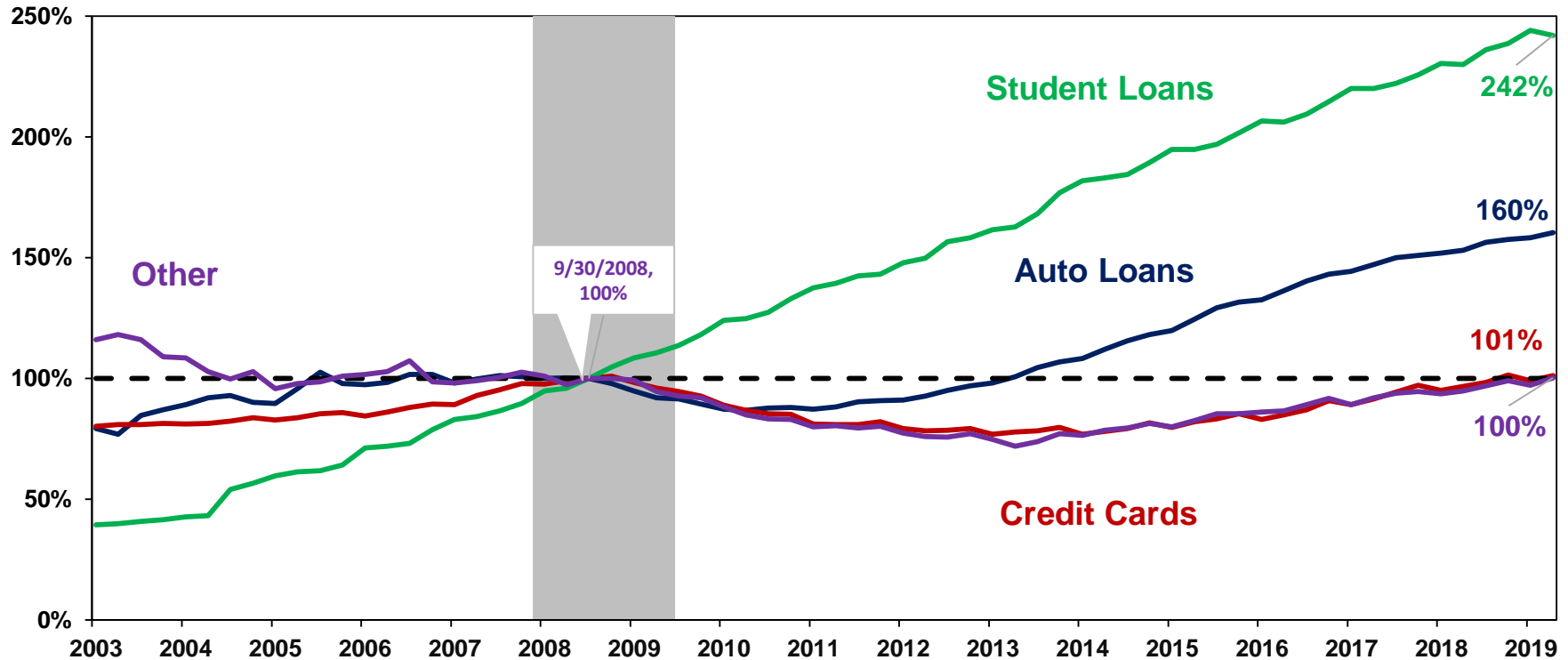
A shift in debt away from mortgages



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

Consumer Debt

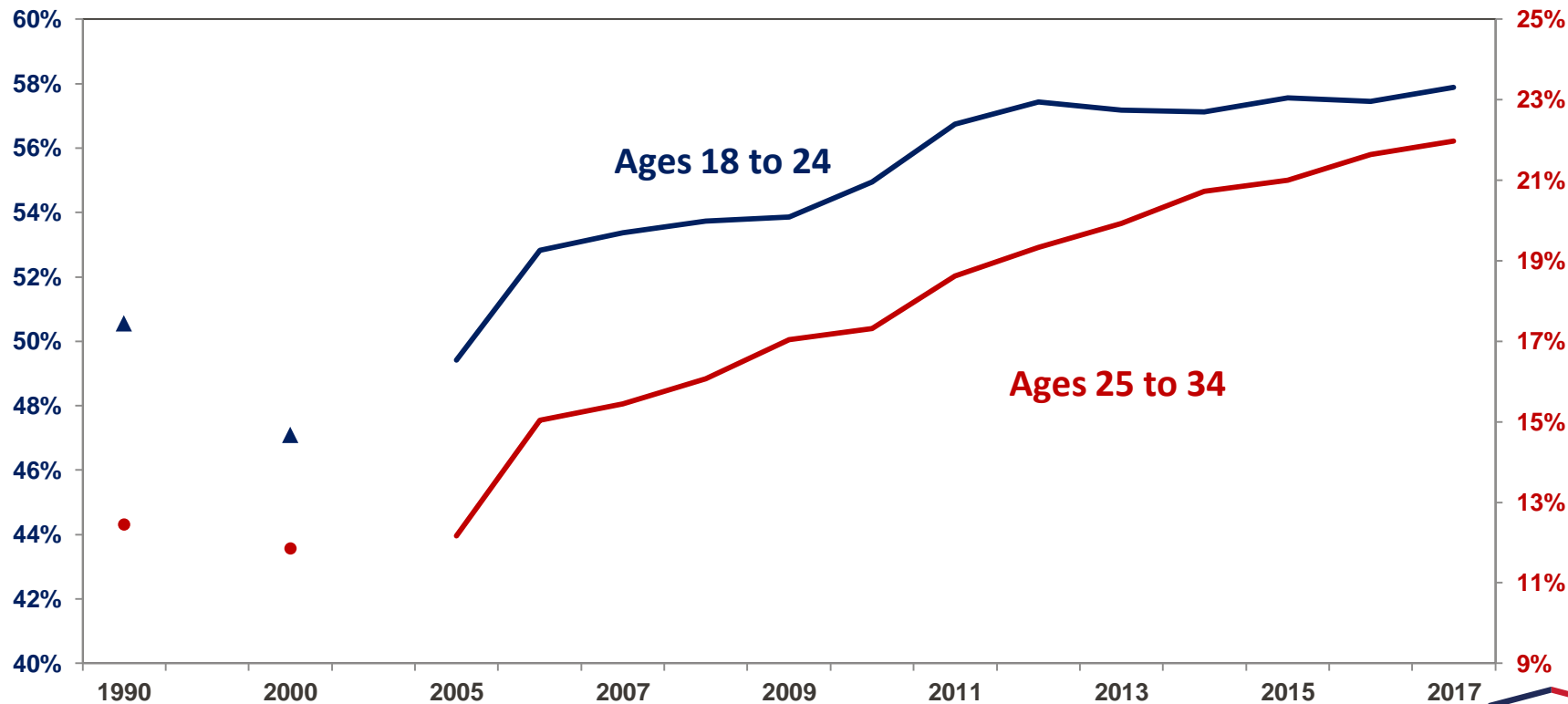
Rise in student and auto loans



Source: Federal Reserve Bank of New York

Share of Young Adults Living with Parents

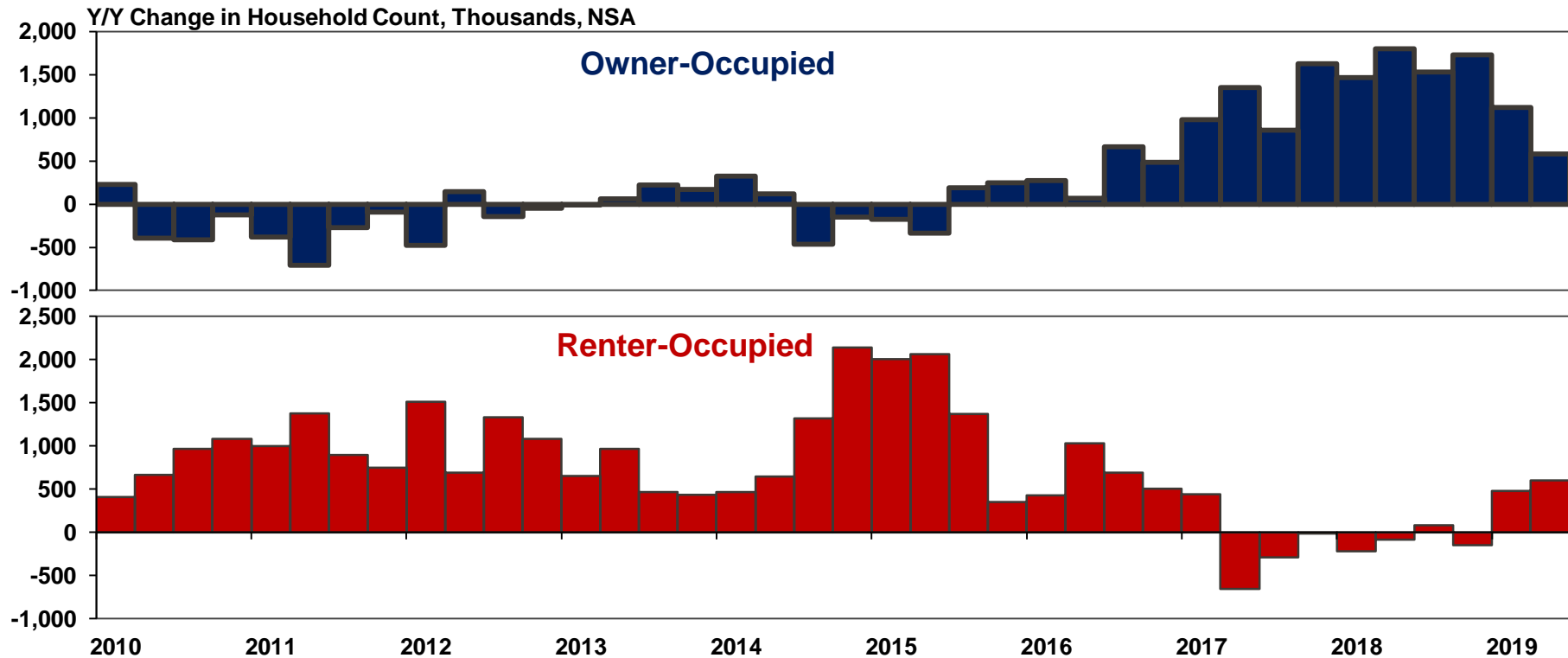
Almost doubled



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

Household Formation

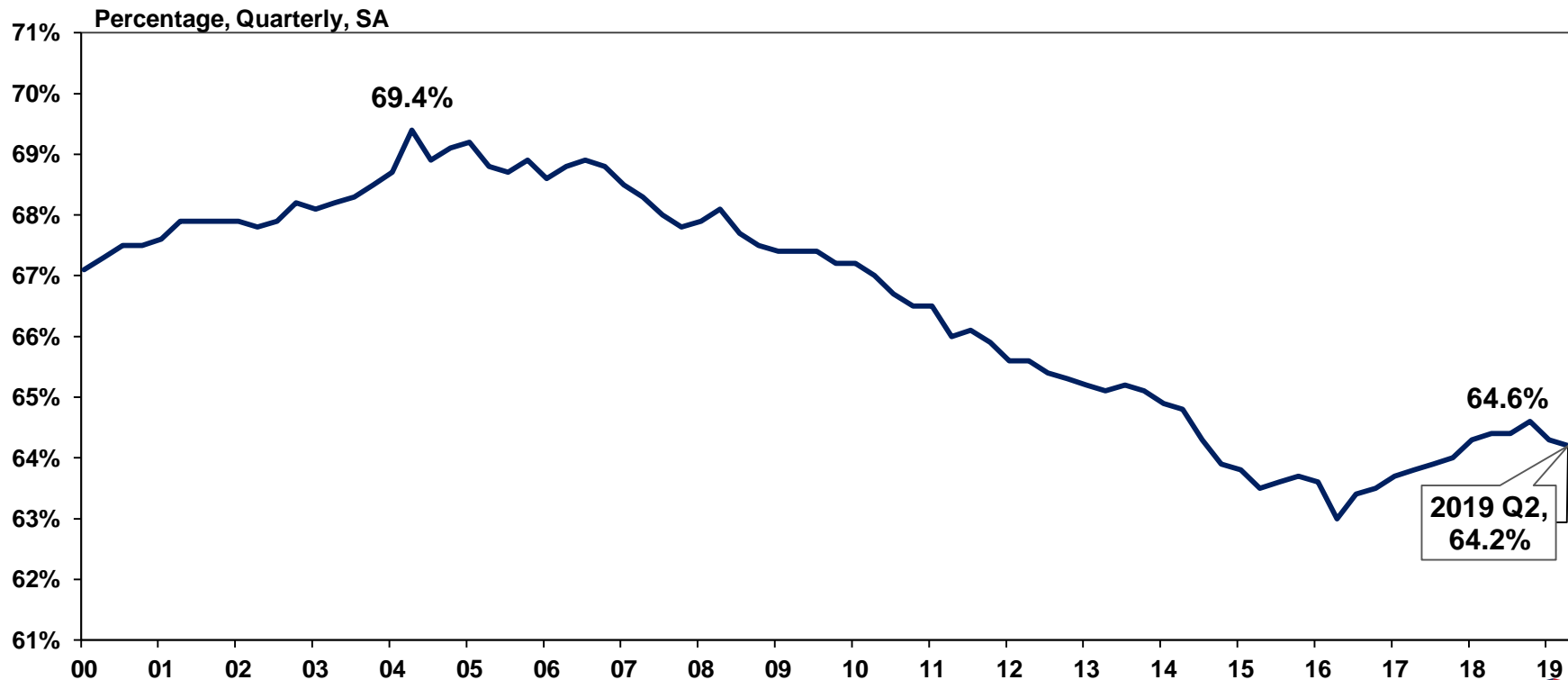
Two quarters of relative decline in the owner-occupied sector



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

Homeownership Rate

The second drop after ten quarters of growth

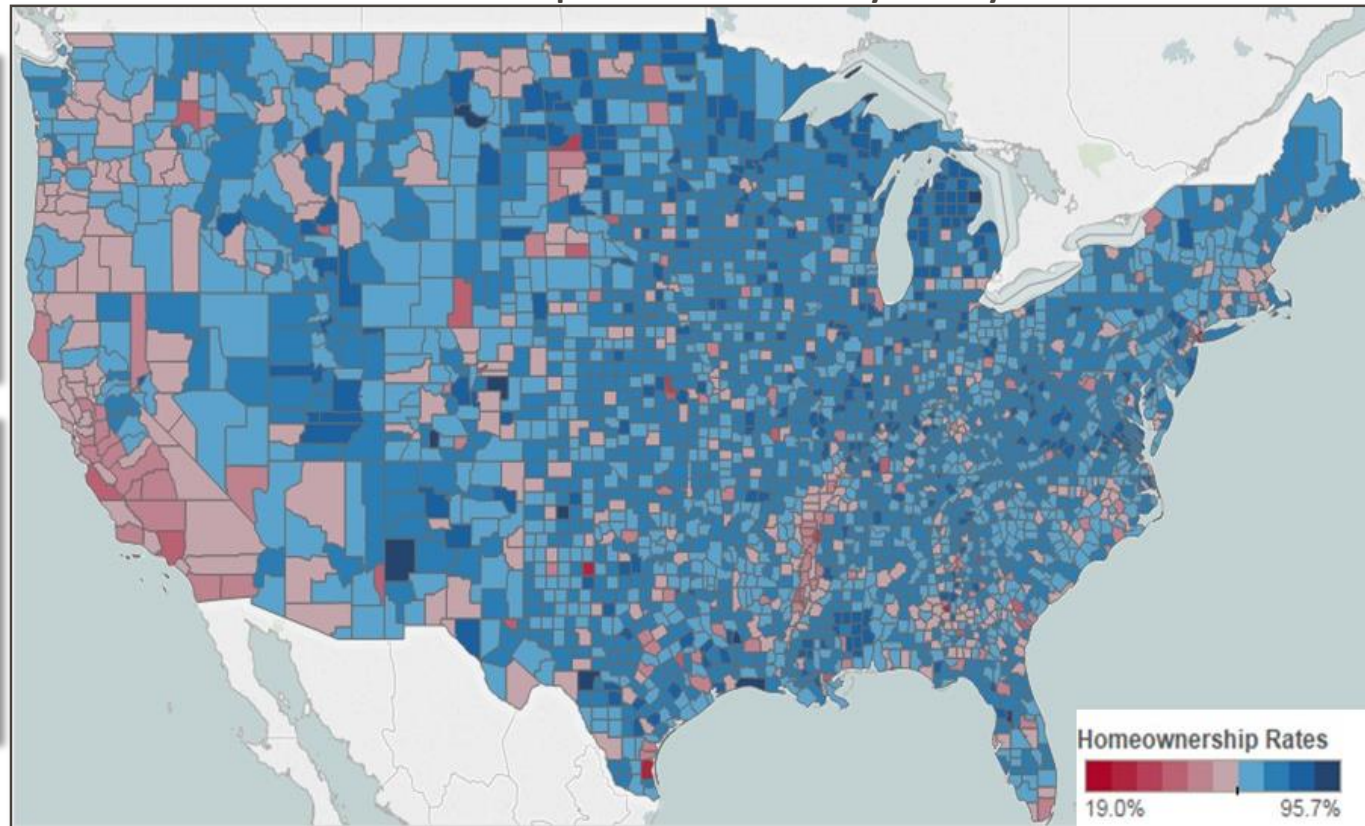
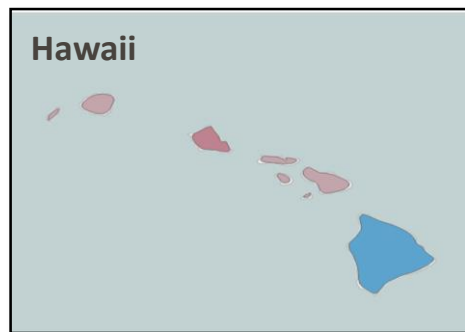
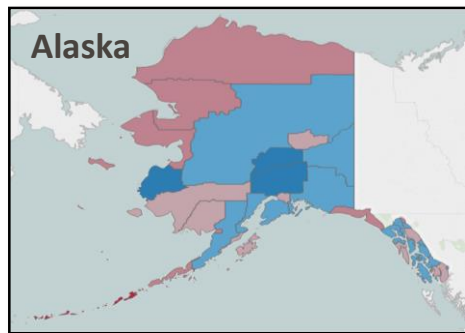


Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership

/ Geography of Homeownership

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

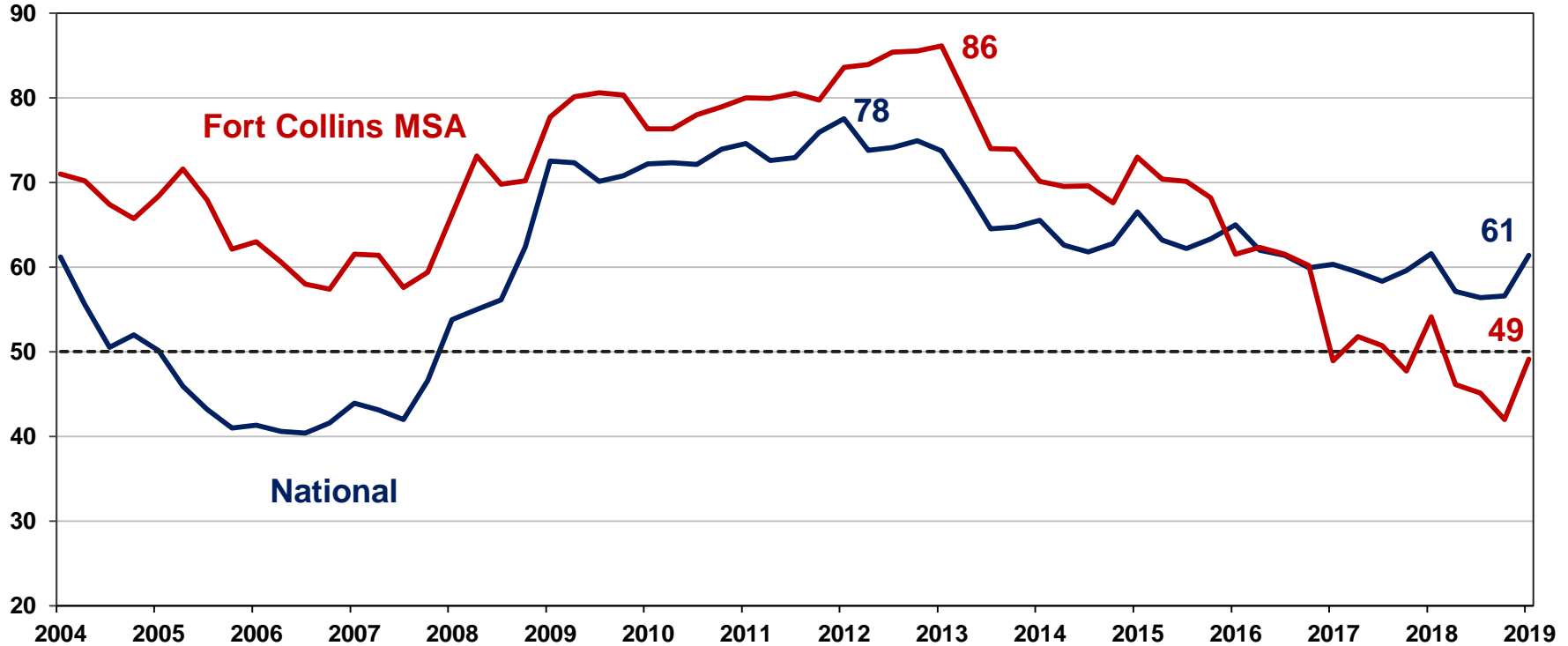
Homeownership Rates in the U.S. by County



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

/Housing Affordability – NAHB/Wells Fargo HOI

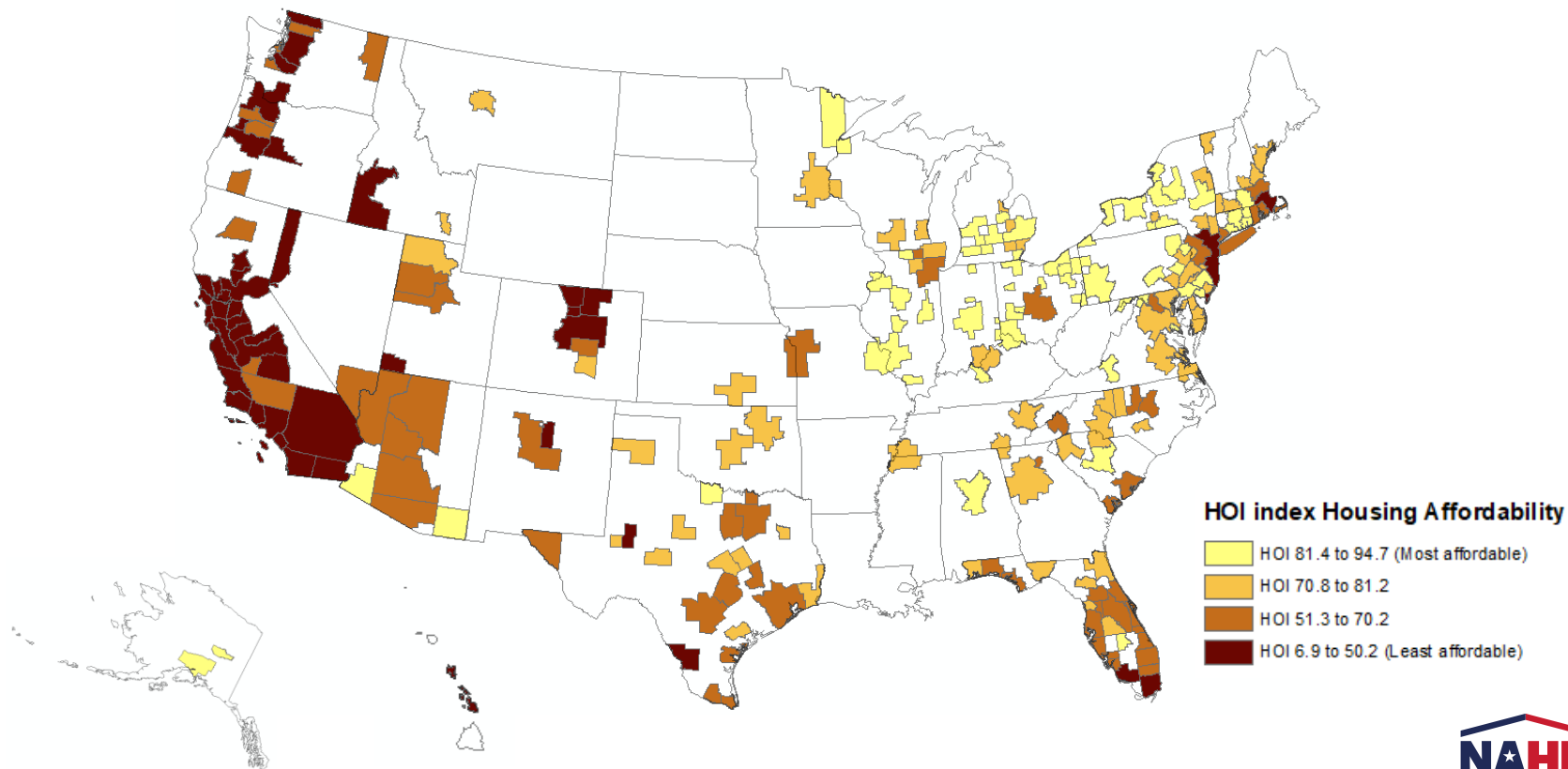
The second drop after ten quarters of growth



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)

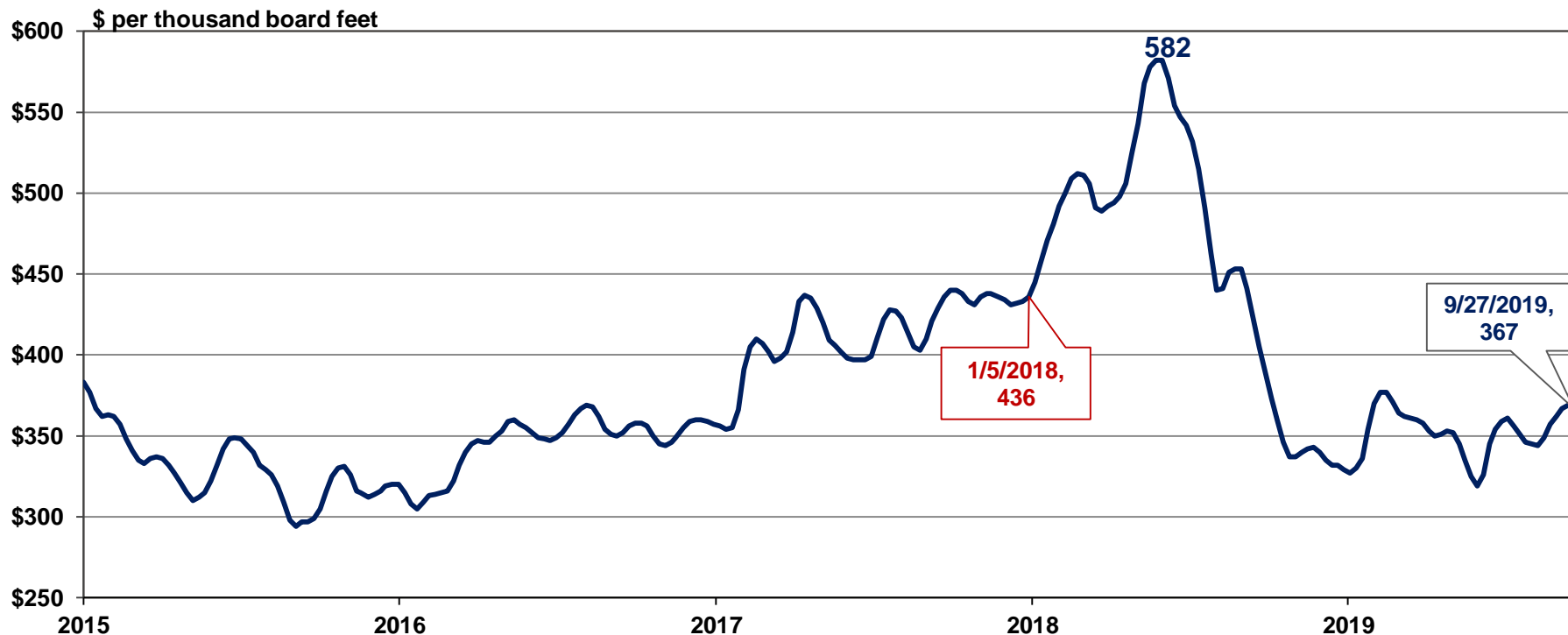


Supply-Side Factors



/ Building Materials – Lumber Prices

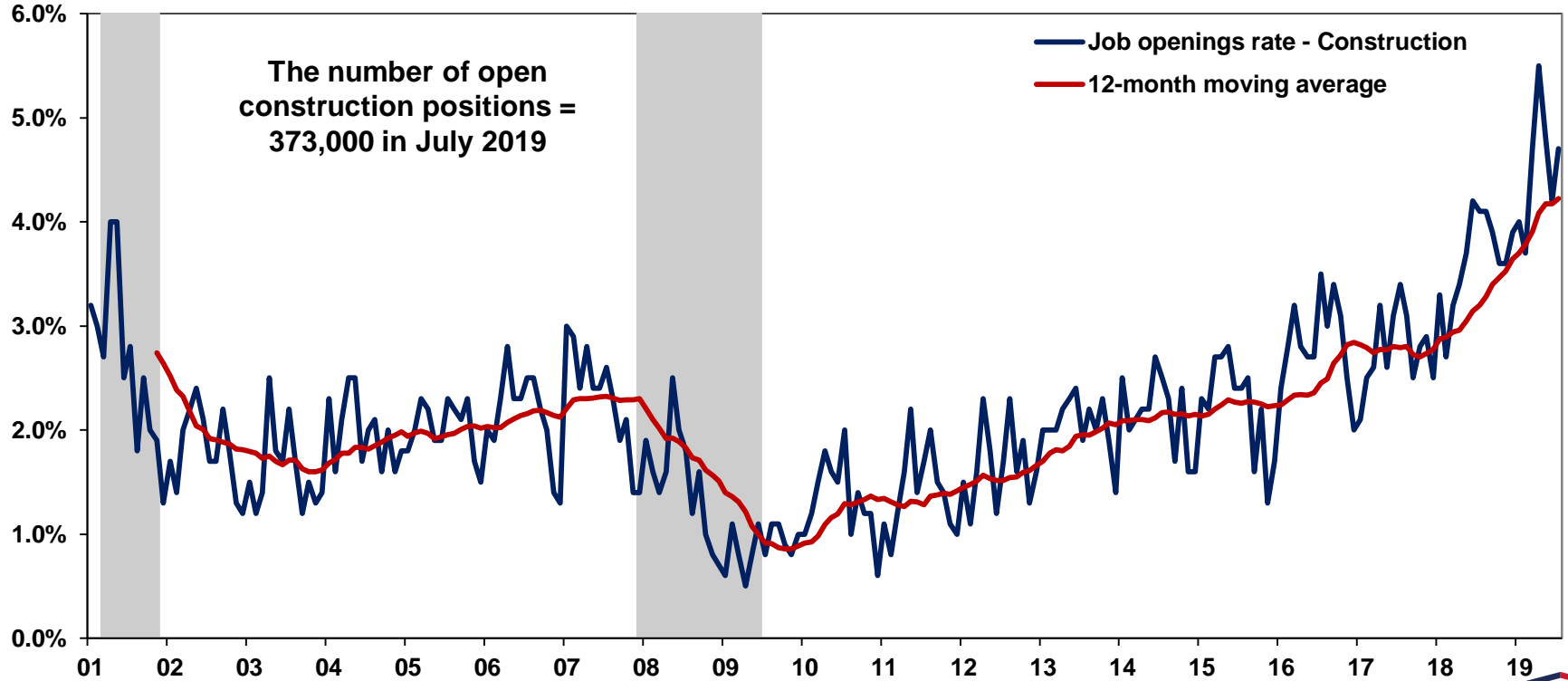
Lumber prices rose 63% to a peak from January 2017; dropped 16% since January 2018



Source: NAHB Analysis; Random Lengths Composite Index

Labor - Construction

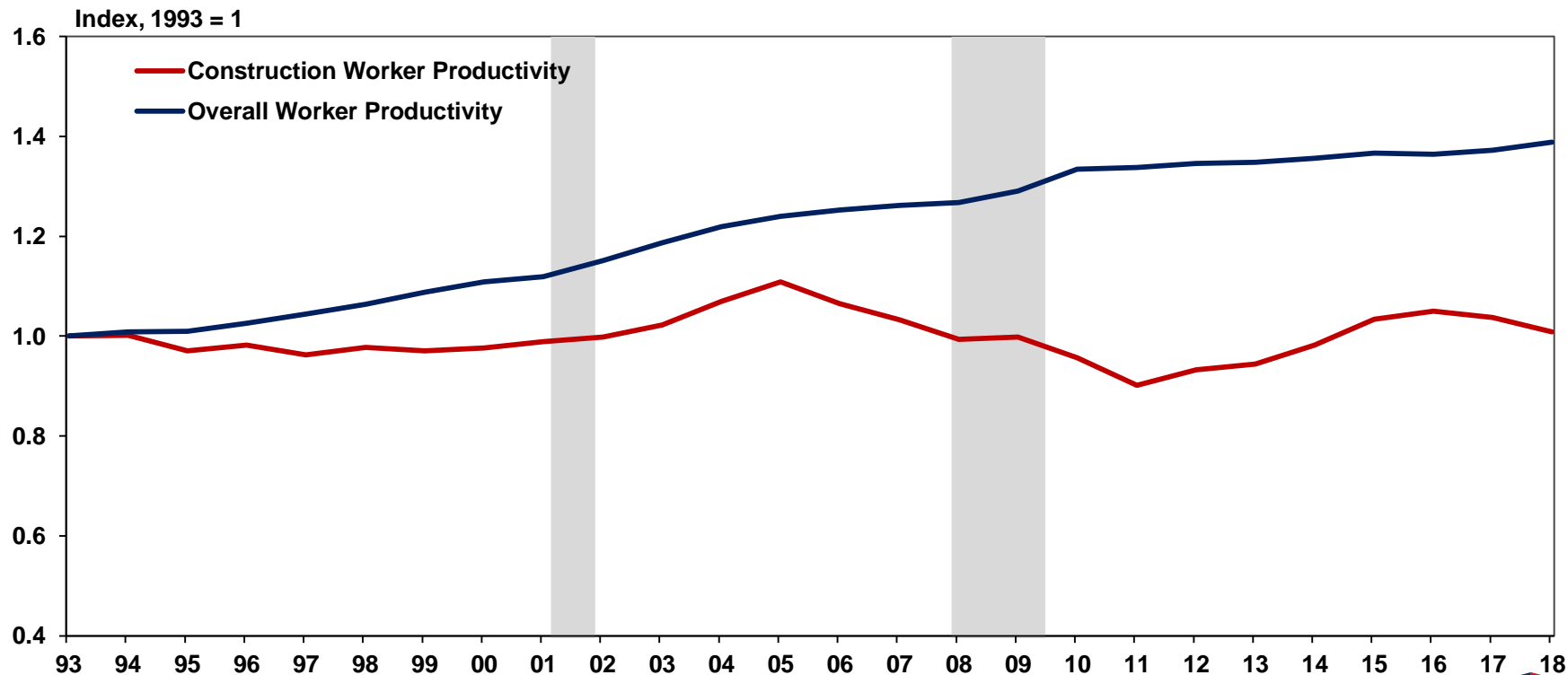
Labor shortage continued through 2018



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

Construction Sector Productivity

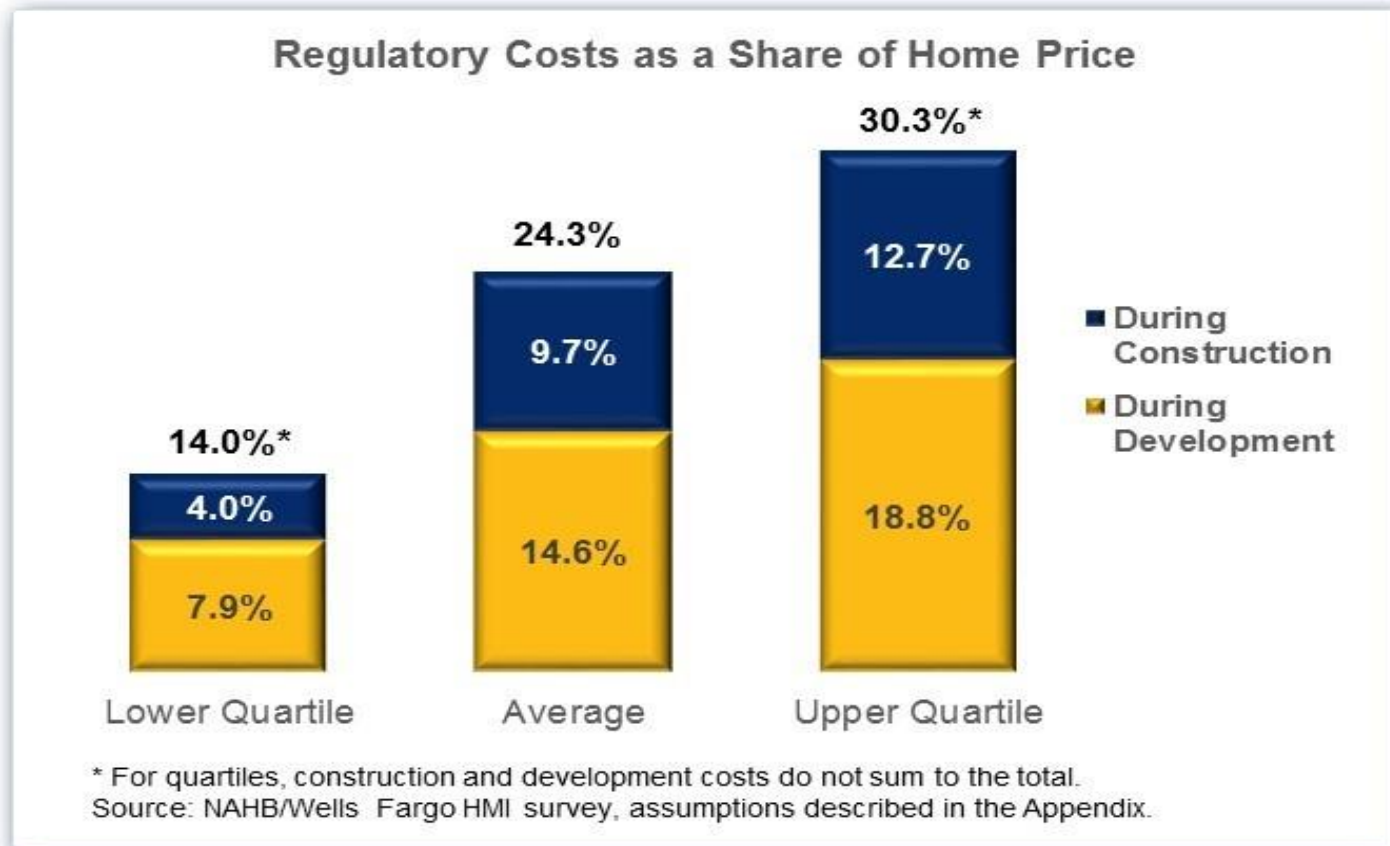
Lagging overall economy



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



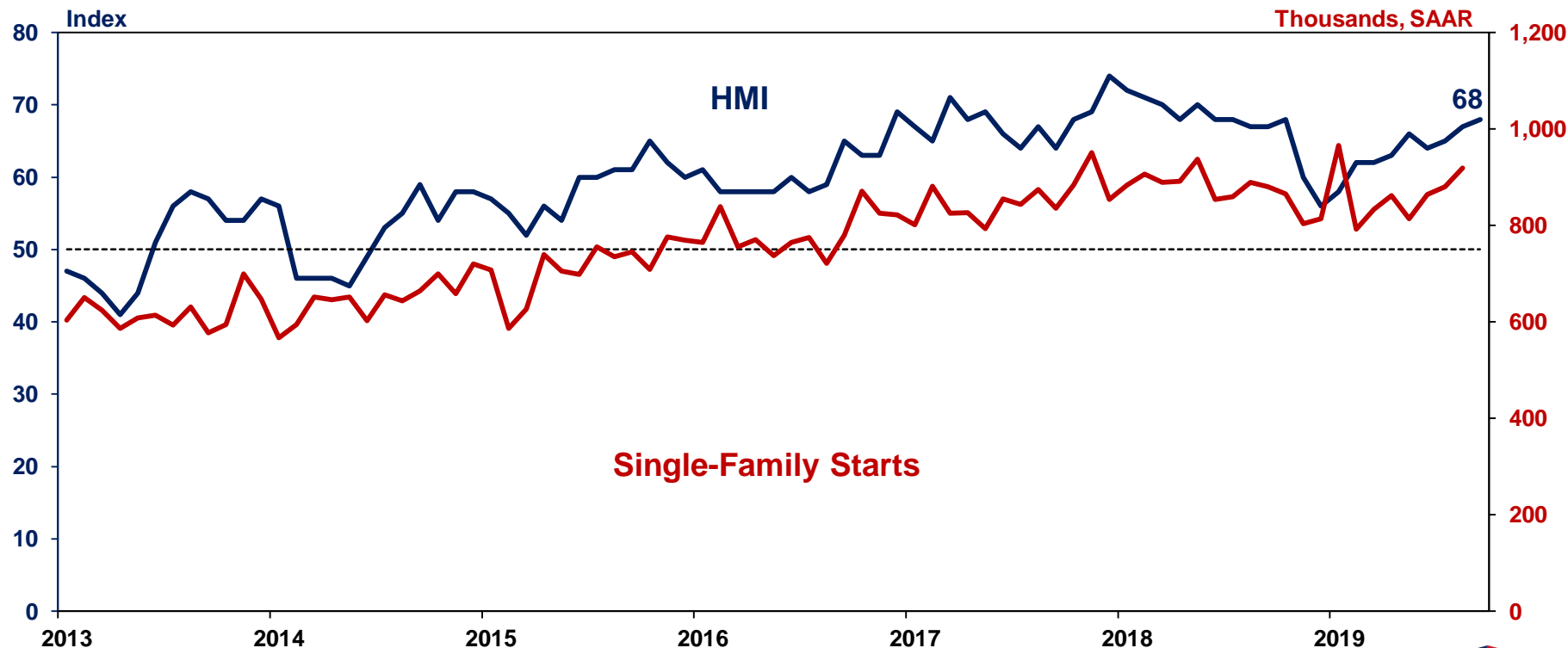


Construction Outlook



NAHB/Wells Fargo Housing Market Index

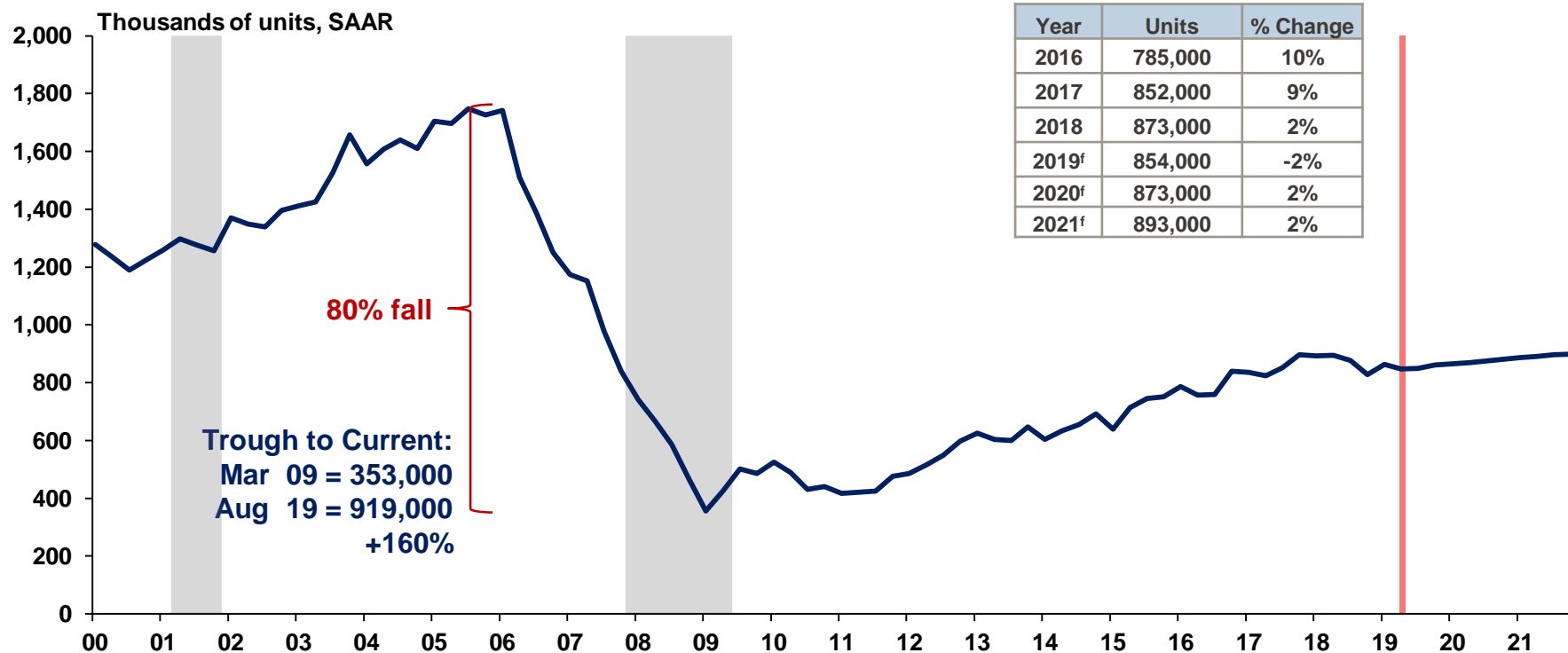
Builder confidence trending higher as interest rates move lower



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Single-Family Starts

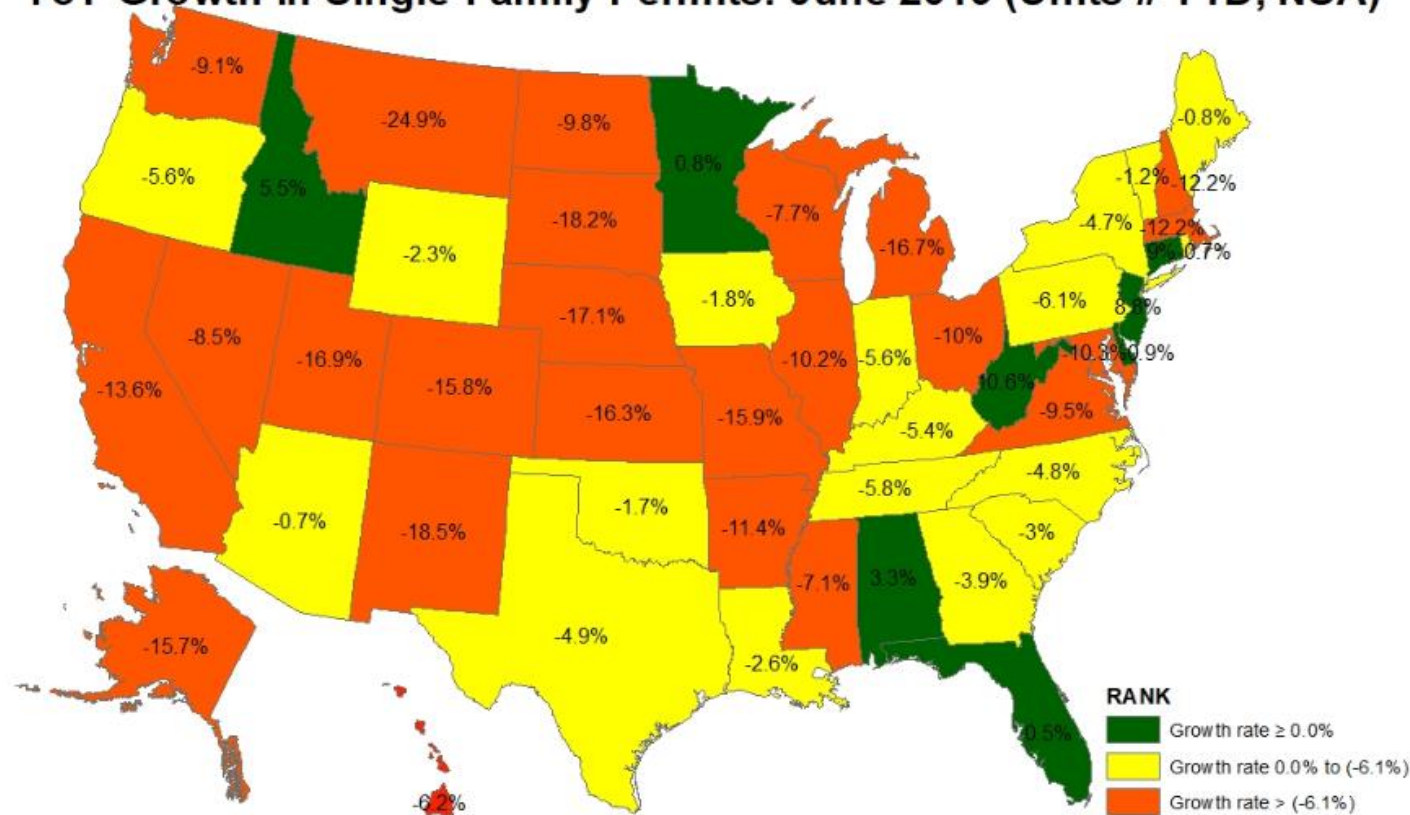
Limited growth as economy slows



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

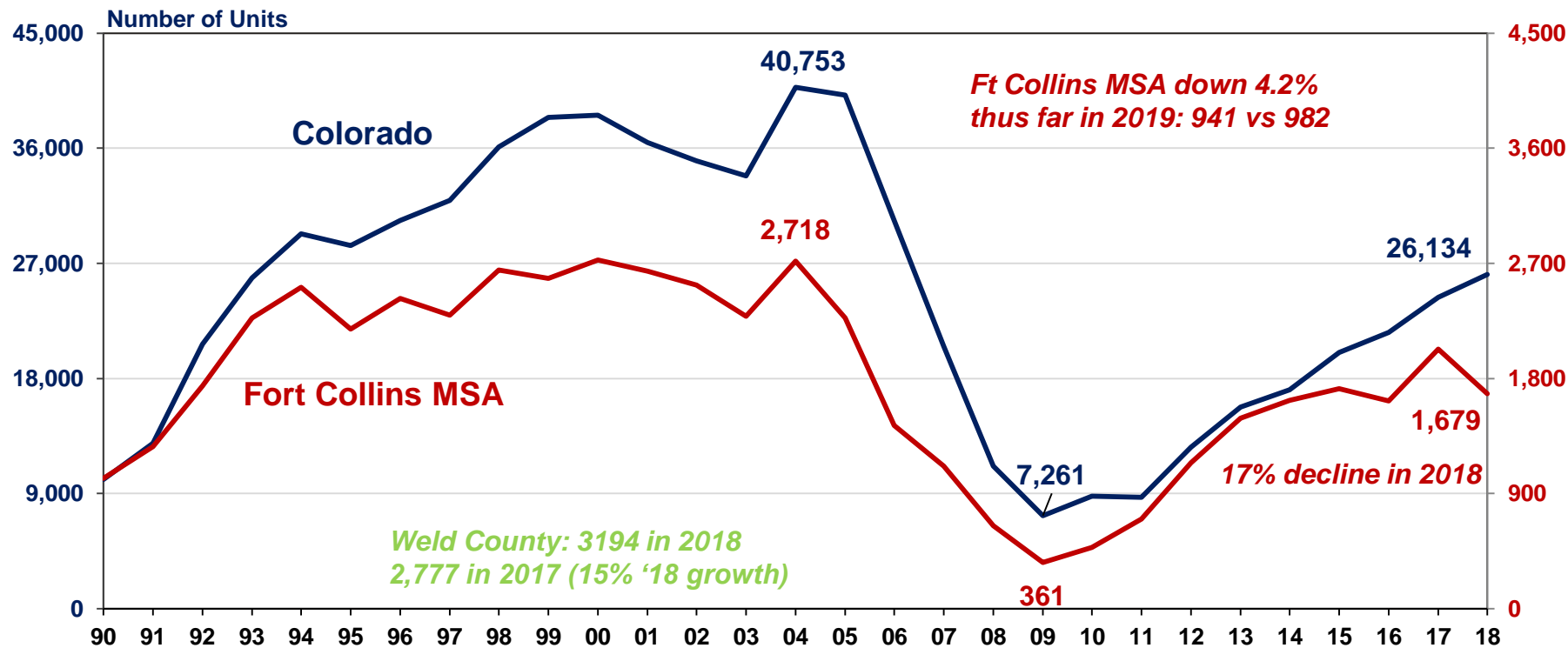
Growth in Single-Family Permits

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



Source: U.S. Census Bureau (BOC)

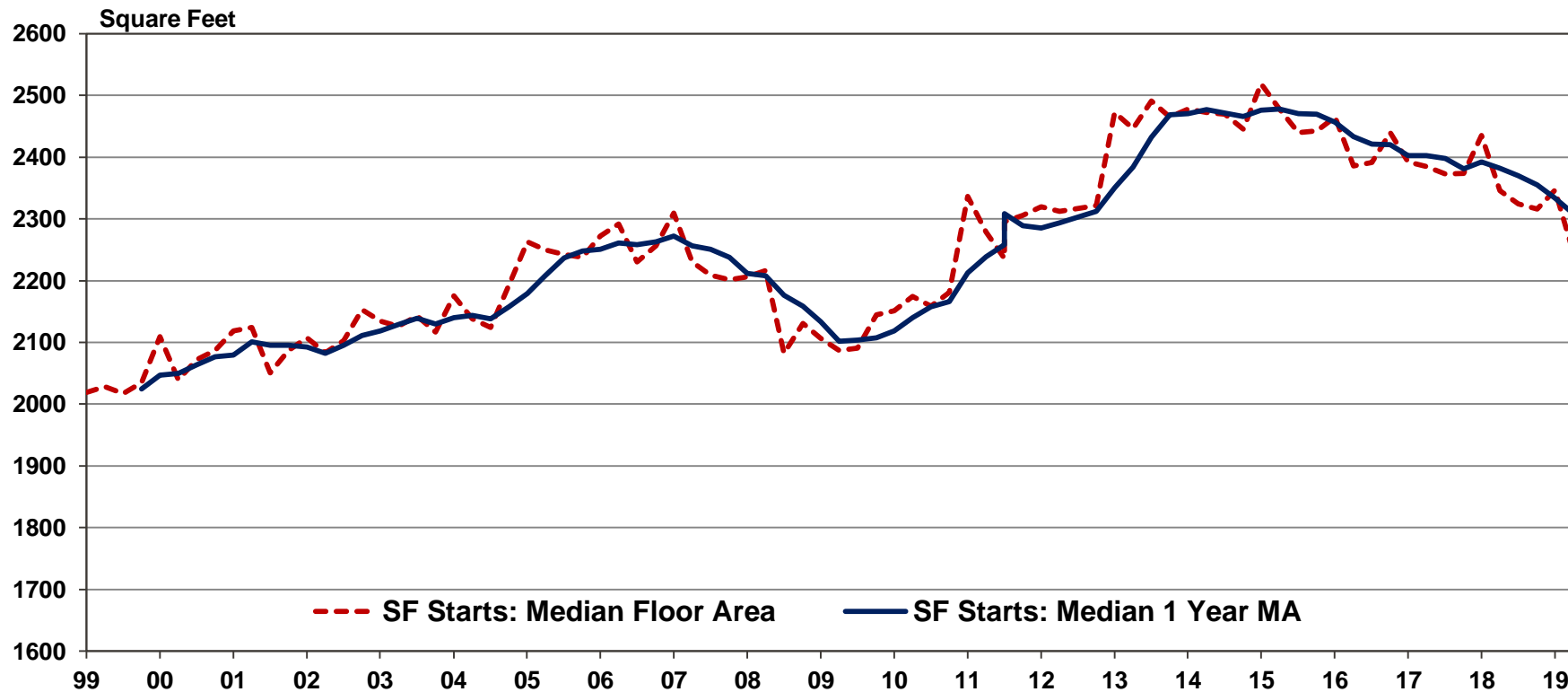
Single-Family Building Permits – CO and Fort Collins MSA



Source: U.S. Census Bureau (BOC)

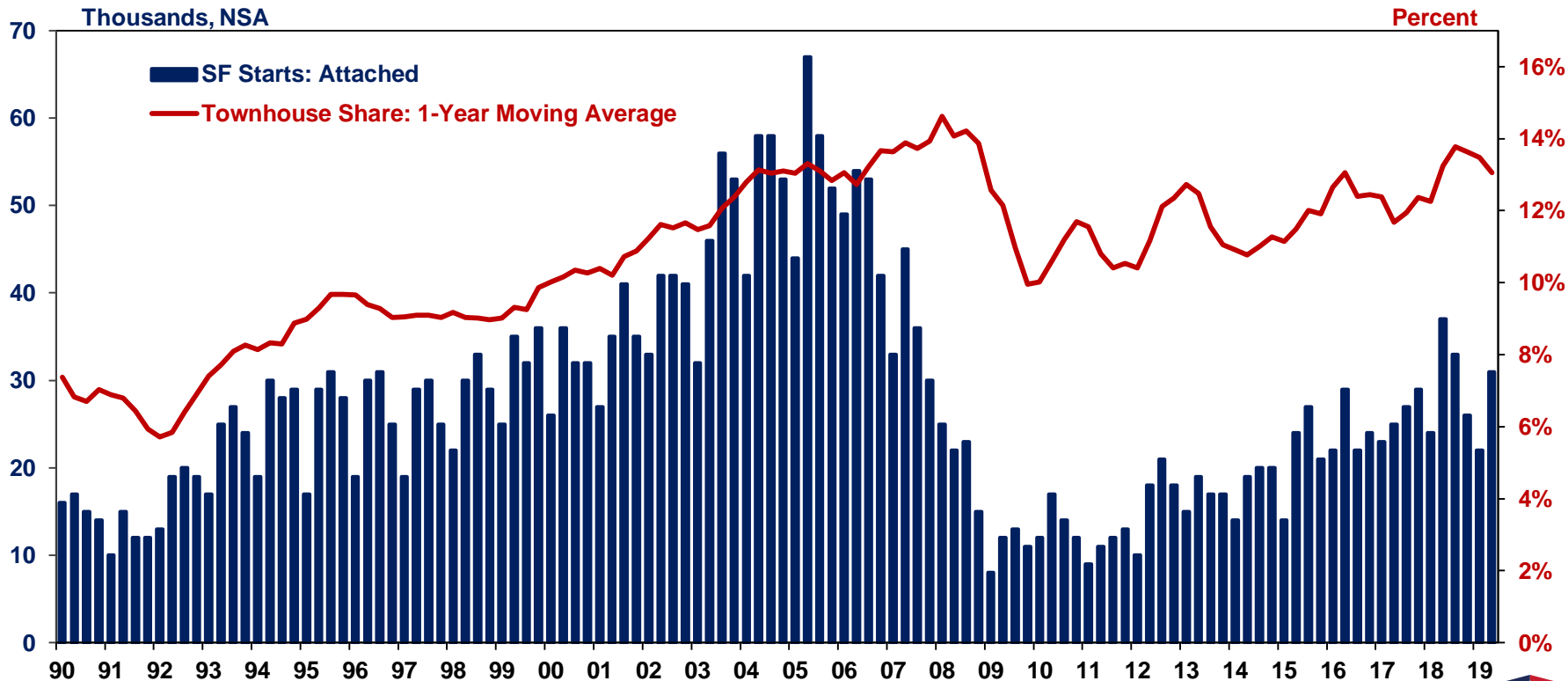
Typical New Home Size

Decline after market shift



Source: U.S. Census Bureau (BOC)

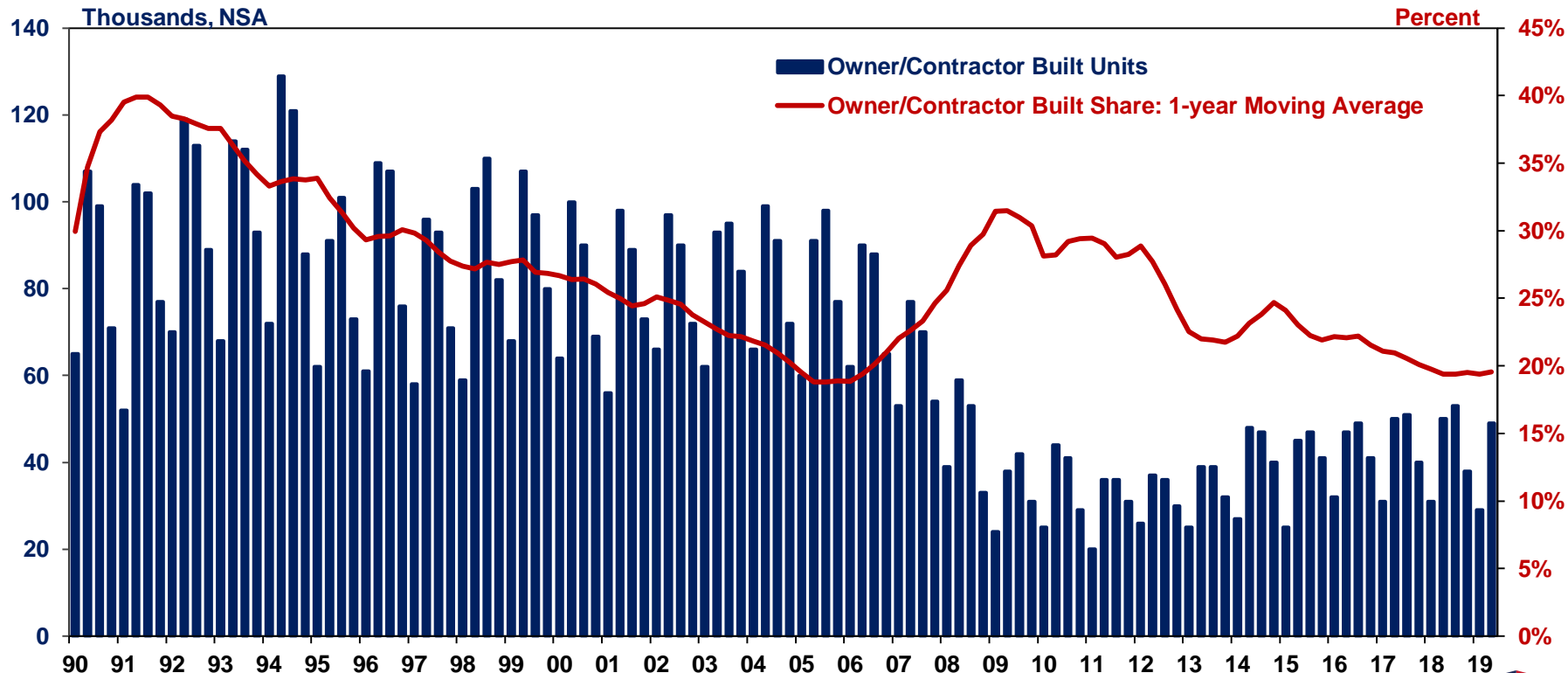
Townhouse Market Expanding



Source: U.S. Census Bureau (BOC)

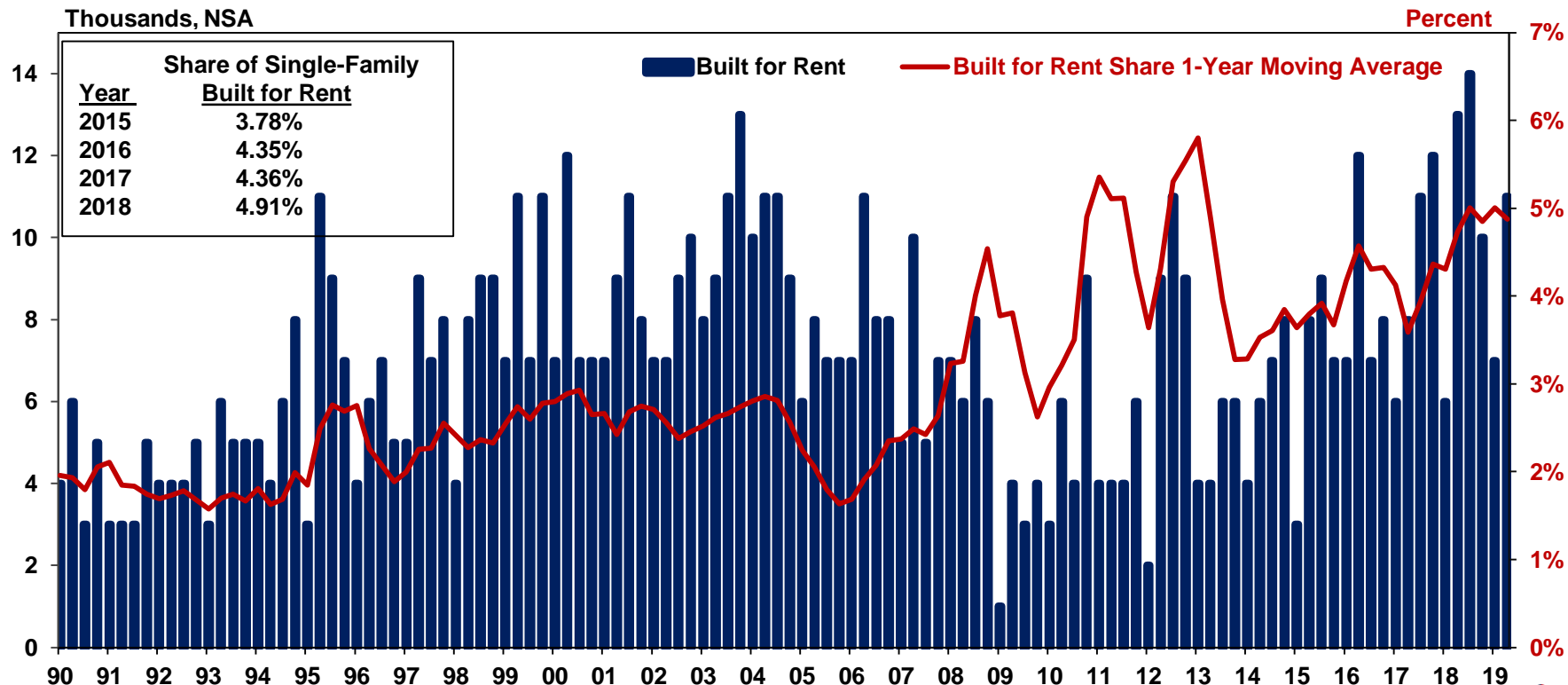
Custom Home Building Market

Flat market conditions



Source: U.S. Census Bureau (BOC)

Single-Family Built-for-Rent a Niche Market



Source: U.S. Census Bureau (BOC)

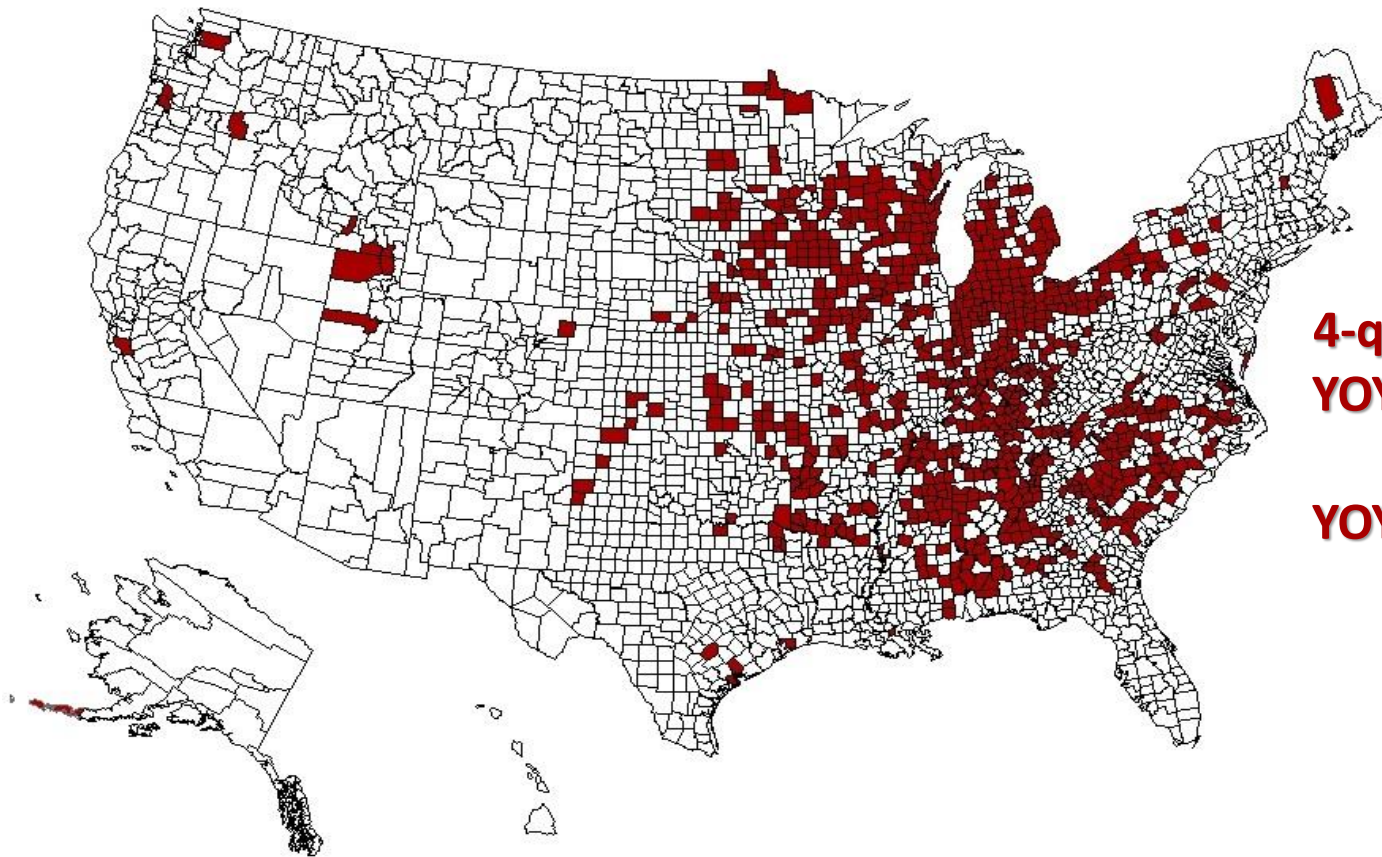
A decorative graphic on the left side of the slide. It features a vertical line that is dark blue on top and red on the bottom. To the left of this line is a horizontal row of five small, light brown dots.

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%

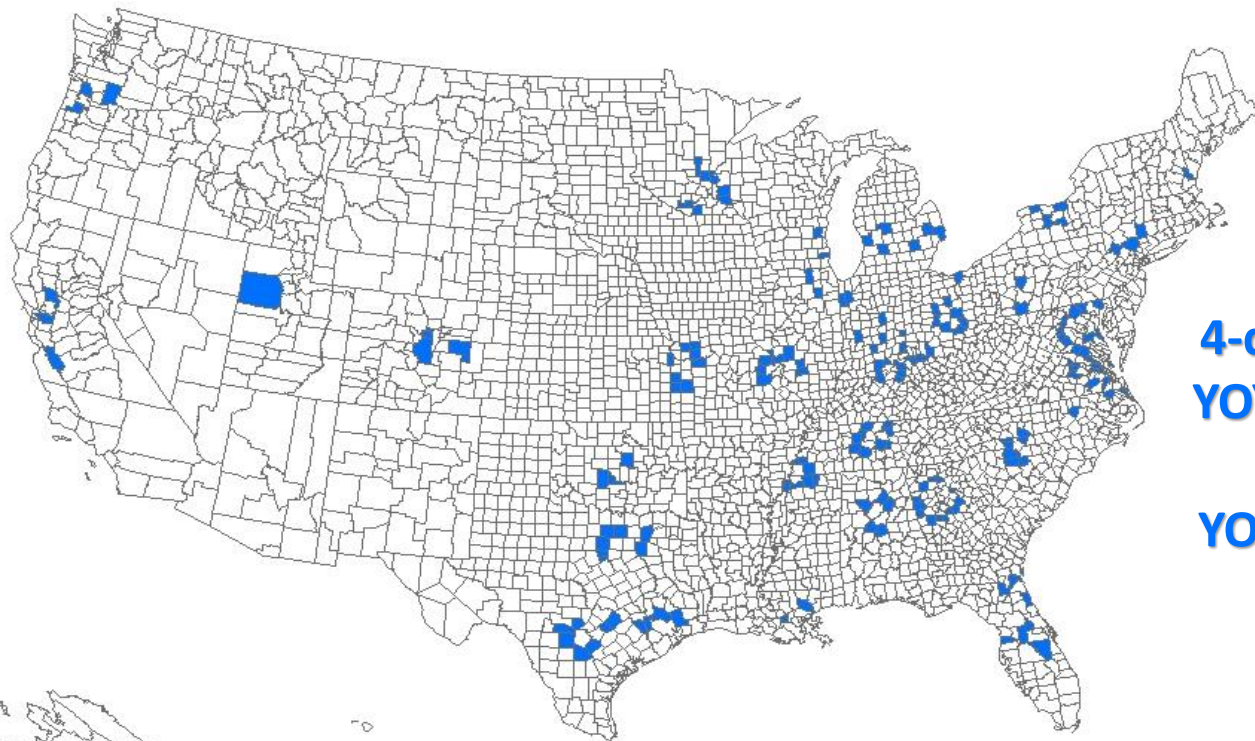
YOY growth rate:

-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%

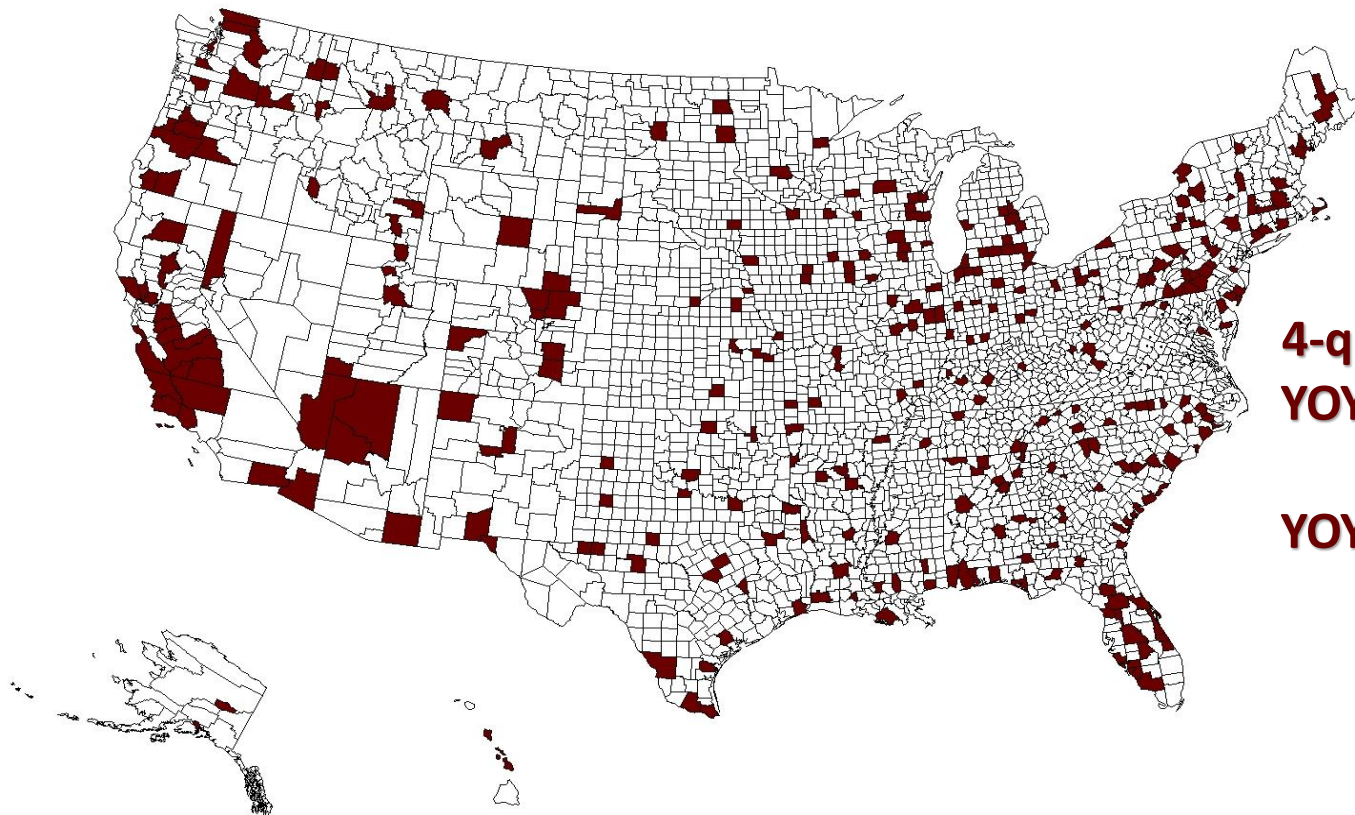
YOY growth rate:

-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%

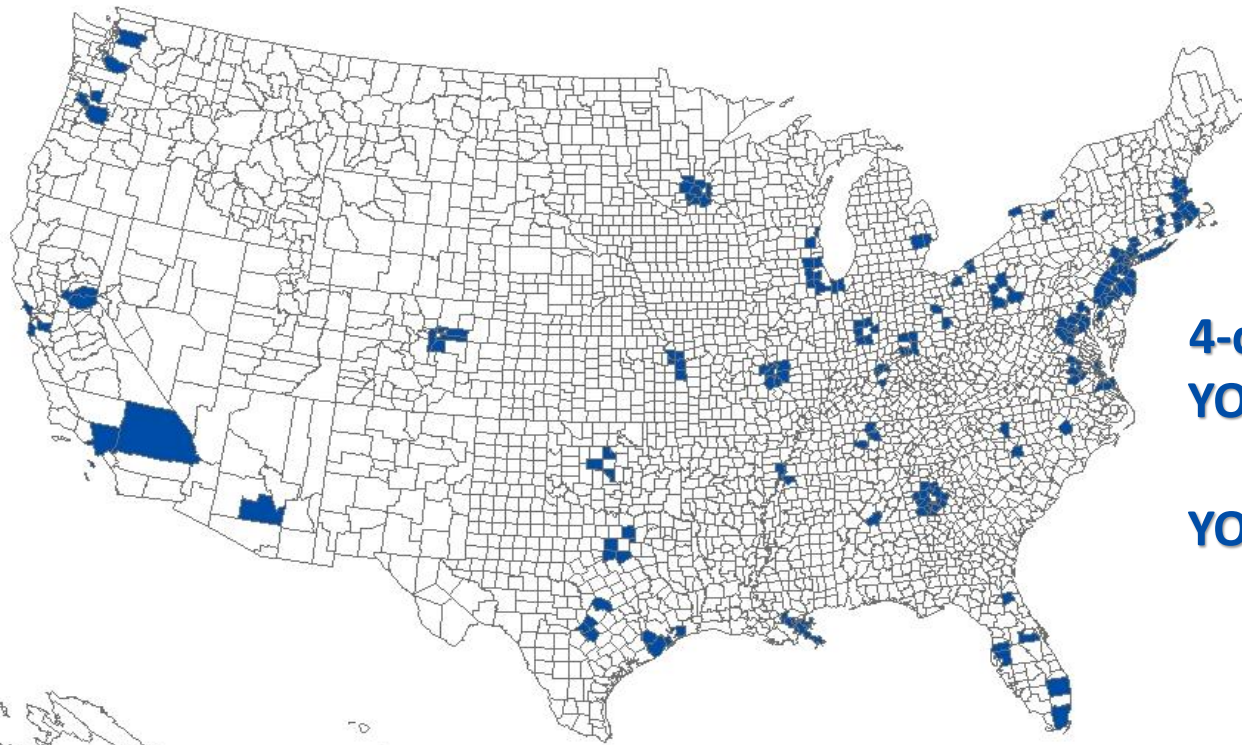
YOY growth rate:

-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)

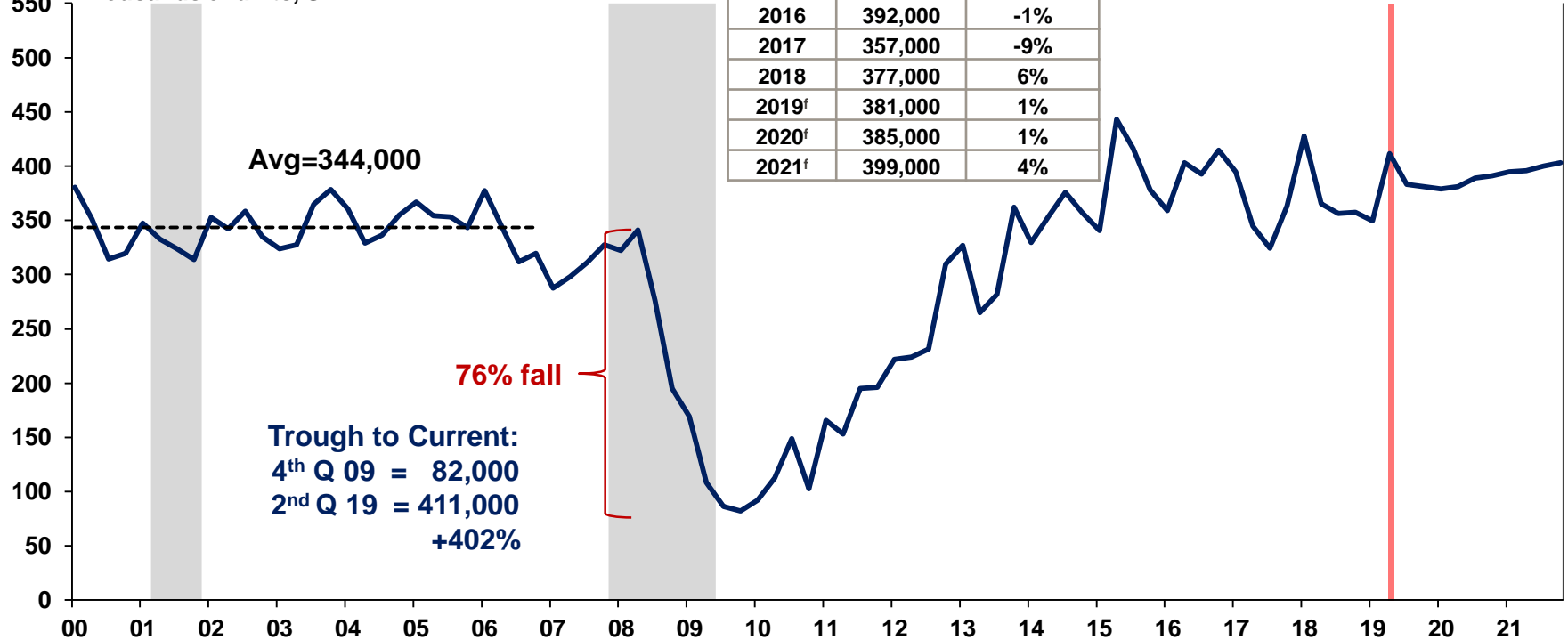
	Multifamily		
	Market Share	YOY Growth Rate	
	(4-Quarter MA)	(Q2 2019)	(4-Quarter MA)
Large Metro - Core County	41%	-0.9%	-0.9%
Large Metro - Suburban County	26%	-12.6%	-6.8%
Large Metro - Outlying County	4%	-17.4%	15.5%
Smaller Metro - Core County	22%	28.3%	7.4%
Smaller Metro - Outlying County	3%	20.1%	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

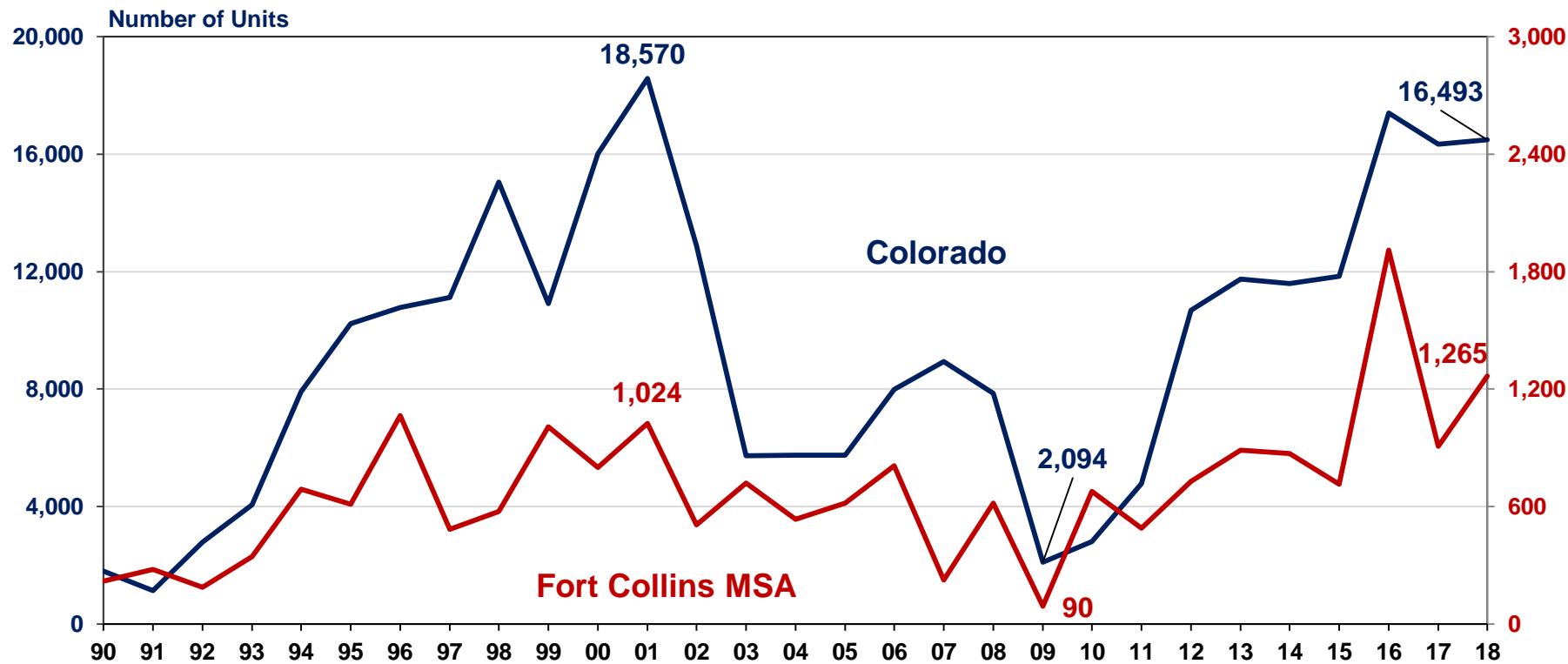
Leveling off

Thousands of units, SAAR



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

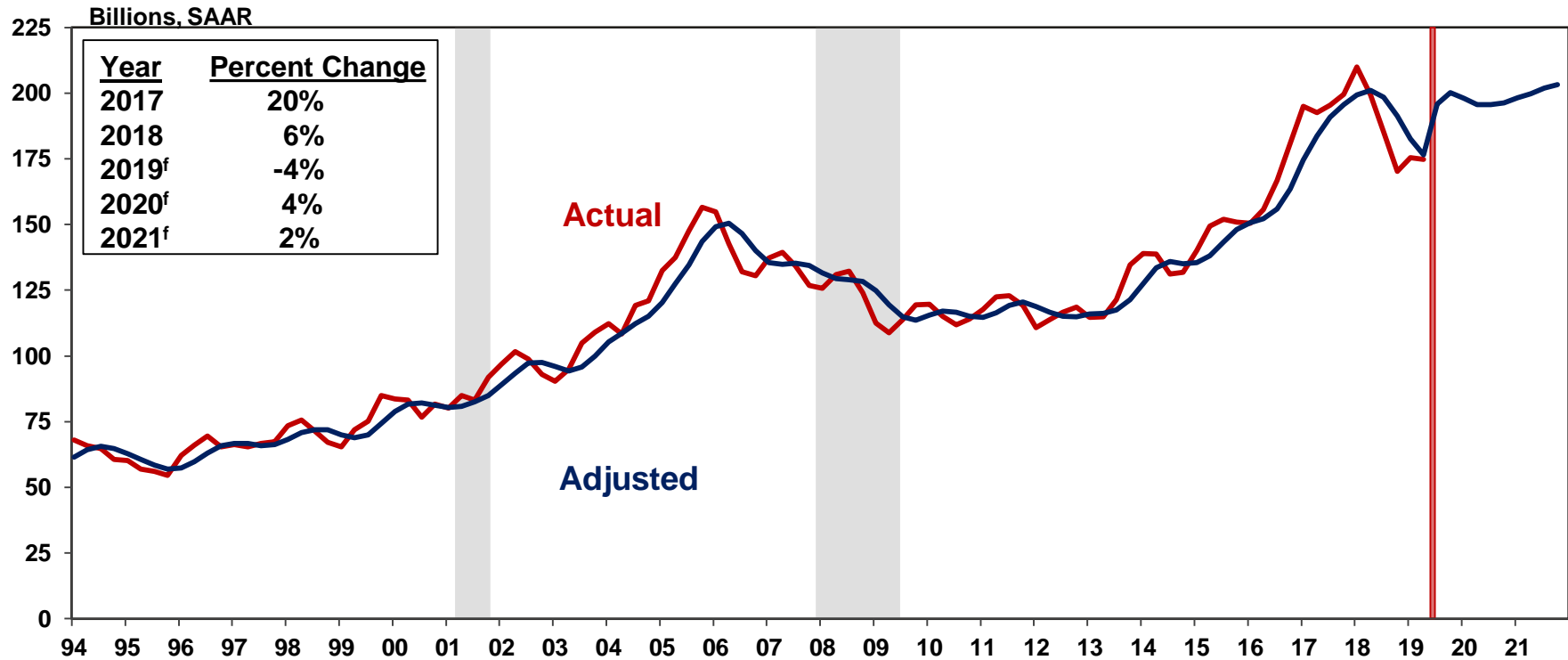
Multifamily Building Permits – CO and Fort Collins MSA



Source: U.S. Census Bureau (BOC)

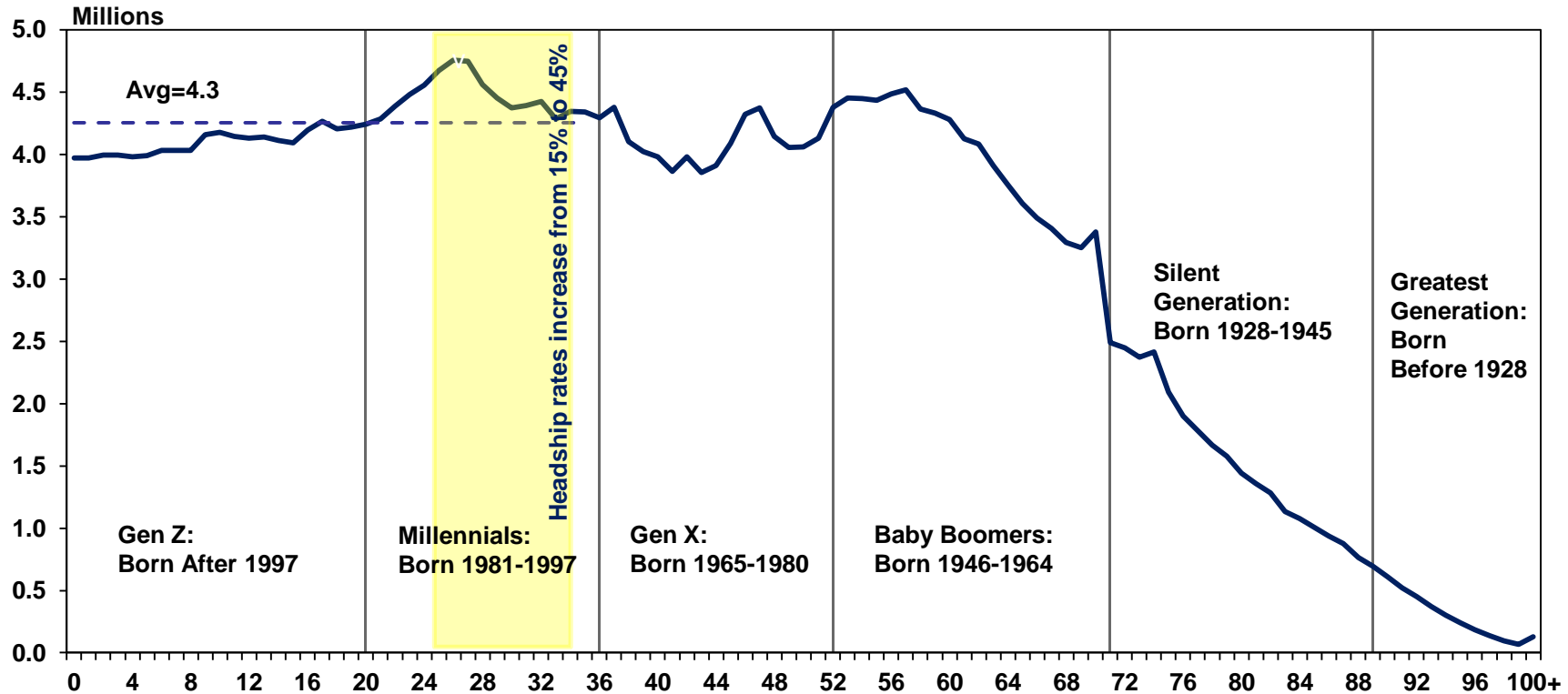
Residential Remodeling

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