

HOUSING

HOW DID WE GET HERE



**Building Materials Prices Up
More Than 19% Year over
Year**



State Wage and Workforce Demand Data: Idaho

Annual Wages in Construction: Idaho	Mean	Top 25% Earn at Least
First-Line Supervisors of Construction Trades and Extraction Workers	61,960	72,370
Brickmasons and Blockmasons	46,750	56,200
Carpenters	41,060	48,510
Tile and Stone Setters	38,830	46,380
Cement Masons and Concrete Finishers	42,840	50,080
Construction Laborers	36,050	40,680
Paving, Surfacing, and Tamping Equipment Operators	40,270	45,330
Operating Engineers & Other Construction Equipment Operators	47,920	56,310
Drywall and Ceiling Tile Installers	37,870	46,410
Electricians	50,130	63,150
Glaziers	42,970	50,810
Insulation Workers, Floor, Ceiling, and Wall	47,030	62,410
Painters, Construction and Maintenance	33,780	41,100
Pipelayers	48,540	51,970
Plumbers, Pipefitters, and Steamfitters	49,720	67,530
Plasterers and Stucco Masons	41,060	47,210
Roofers	40,980	47,890
Construction and Building Inspectors	n/a	n/a
Tapers	n/a	n/a

Source: Occupational Employment Statistics (OES), Bureau of Labor Statistics, 2020.

Latest Wave of Rising Lumber Prices Adds More than \$18,600 to the Price of a New Home

Housing Affordability



Published Jan 04, 2022

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Following a few months of moderating prices last spring and summer, lumber prices are soaring once again, disrupting the housing market and harming housing affordability.

Over the past four months, lumber prices have nearly tripled, causing the price of an average new single-family home to increase by more than \$18,600, according to NAHB standard estimates of lumber used to build the average home. This lumber price hike has also added nearly \$7,300 to the market value of the average new multifamily home, which translates into households paying \$67 a month more to rent a new apartment.

According to Random Lengths, as of Dec. 29, the price of framing lumber topped \$1,000 per thousand board feet — a 167% increase since late August.

NAHB calculated these average home price increases based on the softwood lumber that goes into the average new home, as captured in the Builder Practices Survey conducted by Home Innovation Research Labs. Included is any softwood used in structural framing (including beams, joists, headers, rafters and trusses), sheathing, flooring and underlayment, interior wall and ceiling finishing, cabinets, doors, windows, roofing, siding, soffit and fascia, and exterior features such as garages, porches, decks, railing, fences and landscape walls.

Why Lumber Prices Have Surged

The unprecedented price volatility in the lumber market dates back to April 2020 when the COVID-19 pandemic took hold and sawmills curtailed production in anticipation of reduced demand. When it became clear in the ensuing months that housing weathered the storm much better than predicted and demand remained strong, lumber mills did not ramp up production accordingly.

The slow reaction by sawmills, combined with massive uptick in demand from do-it-yourselfers and big box retailers during the pandemic resulted in lumber prices peaking at a record-shattering

Rising Interest Rates, Construction Costs Exacerbate Housing Affordability

Economics



Published Mar 28, 2022

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NAHB Chief Economist Robert Dietz recently provided this housing industry overview in the biweekly e-newsletter Eye on the Economy.

An elevated pace of inflation will challenge the economy for at least the next few years, prompting tighter credit market conditions. The broadest measure of inflation, the Consumer Price Index (CPI), is up 7.9% over the last 12 months, [reaching a 40-year high](#). Although this rate of inflation should ease, albeit slowly, it will remain above the Federal Reserve's target for price changes. This is particularly true for housing rents, which make up approximately one-third of overall inflation data.

Rents are rising quickly, and those increases will persist in the CPI data as leases are renewed in the coming year.

Higher prices continue to affect the building material market as well. Led by recent gains in lumber and OSB pricing, combined with limited availability of numerous types of building products, [building materials in aggregate are up 20.4%](#) over the last year and 31.3% since January 2020.

As a result of these inflationary forces, the Federal Reserve [enacted its first federal funds rate hike](#) in March, increasing the short-term interest rate by 25 basis points. The economic projections provided by the central bank indicate that markets may expect six additional 25 basis-point increases through the end of 2022. Chairman Powell indicated in his commentary this week that the Fed is prepared to increase by 50 basis points, if needed. Additionally, the Fed will provide details later this year on how it will reduce its \$9 trillion balance sheet. Such a reduction will have an impact on long-term rates, including mortgage interest rates. The intended monetary policy path of the Fed is more accelerated than what NAHB had built into its initial 2022 forecast.

Our concern is that the Fed will move too quickly, invert the yield curve, and risk an economic recession. [Monetary policy tightening](#) can help normalize financial conditions and temper

Supply Chain Issues Continue to Slow Housing

Economics



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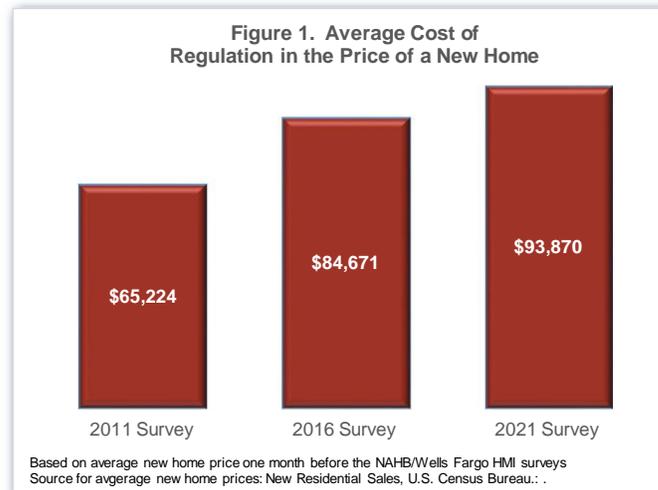
With builders continuing to report supply chain problems that are causing construction delays, overall housing starts decreased 4.1% to a seasonally adjusted annual rate of 1.64 million units, according to a report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. However, in a sign of strong demand, building permits increased at a solid pace in January. The January reading of 1.64 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months. Within this overall number, single-family starts decreased 5.6% to a 1.12 million seasonally adjusted annual rate. The multifamily sector, which includes apartment buildings and condos, decreased 0.8% to an annualized 522,000 pace. "The market needs more housing, but chronic production bottlenecks, including ongoing price increases for lumber and OSB, continue to raise housing costs and harm housing affordability," said NAHB Chairman Jerry Konter. "In fact, the number of single-family homes under construction continues to rise as construction cycle times increase due to delivery delays with building materials." "While single-family starts dropped in January, the rise in permits, along with solid builder sentiment as measured in recent monthly surveys, suggest a positive start to the year given the recent rise in mortgage rates," said NAHB Chief Economist Robert Dietz. "The average 30-year mortgage rate increased from 3.1% to a 3.45% from December to January. Fueled by higher mortgage rates and construction costs, declining housing affordability will continue to affect the home building market in 2022." On a regional basis compared to the previous month, combined single-family and multifamily starts are 2.6% higher in the Northeast, 37.7% lower in the Midwest, 2.0% lower in the South and 17.7% higher in the West. Overall permits increased 0.7% to a 1.90 million unit annualized rate in January. Single-family permits increased 6.8% to a 1.21 million unit rate. Multifamily permits decreased 8.3% to an annualized 694,000 pace. Looking at regional permit data compared to the previous month, permits are 48.3% lower in the Northeast, 0.7% lower in the Midwest, 11.4% higher in the South and 13.9% higher in the West. There are now 785,000 single-family homes under construction, a 26.8% year-over-year gain. There are 758,000 multifamily units under construction — a 14% gain.

Government Regulation in the Price of a New Home: 2021

May 5, 2021
Special Study for Housing Economics
Paul Emrath, Ph.D.
Economics and Housing Policy
National Association of Home Builders

Rising regulatory costs are a limiting factor on housing supply, particularly for the entry-level market in need of inventory. This study updates NAHB's estimates of the aggregate cost of regulation in the price of a new single-family home. The methodology is slightly different from the one used in the [previous](#) (2016) study, in that it is based on two separate surveys—one of land developers, and one of single-family builders. The survey questions were also modified slightly, to incorporate lessons learned during previous iterations of the study.

On a dollar basis, applied to the current average price (\$394,300) of a new home, regulation accounts for **\$93,870** of the final house price. Of this, **\$41,330** is attributable to regulation during development, **\$52,540** due to regulation during construction. In dollar terms, the NAHB studies show the cost of regulation continuing to rise between 2016 and 2021, although not as much as it did between 2011 and 2016 (Figure 1).



President Biden Announces New Actions to Ease the Burden of Housing Costs

MAY 16, 2022: [STATEMENTS AND RELEASES](#)

New Biden-Harris Administration Housing Supply Action Plan To Help Close the Housing
Supply Gap in Five Years

As President Biden said last week, tackling inflation is his top economic priority. Today, President Biden is releasing a Housing Supply Action Plan to ease the burden of housing costs over time, by boosting the supply of quality housing in every community. His plan includes legislative and administrative actions that will help close America's housing supply shortfall in 5 years, starting with the creation and preservation of hundreds of thousands of affordable housing units in the next three years. When aligned with other policies to reduce housing costs and ensure affordability, such as rental assistance and downpayment assistance, closing the gap will mean more affordable rents and more attainable homeownership for Americans in every community. This is the most comprehensive all of government effort to close the housing supply shortfall in history.

The Plan will help renters who are struggling with high rental costs, with a particular focus on building and preserving rental housing for low- and moderate-income families. The Plan's policies to boost supply are an important element of bringing homeownership within reach for Americans who, today, cannot find an affordable home because there are too few homes for sale in their communities. And it will help reduce price pressures in the economy, as housing costs make up about one-third of of the market basket for inflation, as measured by the Consumer Price Index.

Under the Plan, the Administration will:

SOLUTIONS?

