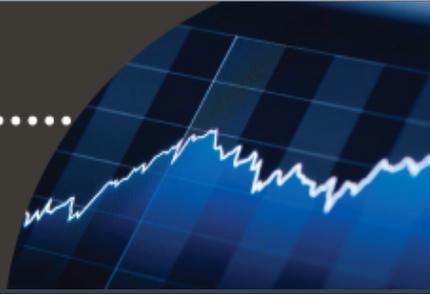


Eye on the Economy



May 9, 2018

Increased Builder Costs Weaken Housing Affordability

Low inventories of homes and higher costs of materials continue to have significant impacts on the housing market. For example, the ongoing increase in softwood lumber costs — partly the result of [tariffs on Canadian lumber](#) — is harming affordability. As of the end of April, composite prices for framing lumber were up almost 42% since the start of 2017 and more than 58% above prices at the start of 2016. These price increases have added about \$6,000 to the cost of a typical, newly built single-family home.

The [overall economy created 164,000 jobs](#) in April and the unemployment rate dipped to 3.9% — the lowest since 2001. However, [labor remains tight for builders and remodelers](#), despite the housing sector adding 125,500 jobs over the last 12 months. Yet, given the low overall unemployment rate, housing's rate of job growth is likely to slow, causing wage growth to accelerate among a smaller pool of available labor.

Higher costs for materials and wages are consistent with the Federal Reserve's current view of the economy, which requires tightening monetary policy. While the [Fed held rates constant in April](#), we expect another 25 basis point increase in June, followed by one or two additional rate hikes later in 2018. [Higher rates](#) and increasing home prices will continue to harm housing affordability. But those hindrances will be offset somewhat by [income growth](#), which will enable positive housing demand conditions.

-NAHB Chief Economist Robert Dietz

Employment Conditions

Count of Unfilled Construction Jobs Nears Cycle High

The overall trend has been worsening since the end of the Great Recession.

Labor Shortages Resume Aggravating Trend for Remodelers

Carpenters and framers top the list of the scarcest trades.

Modest Job Gains in April

Not since 2001 has the unemployment rate been this low.

Job Growth Strongest Across States in the West, South

Only two states lost payroll employment in March.

Economic Indicators

Personal Income Rises in March

Disposable income grew for the seventh consecutive month.

Nation's Economy Grows in the 1st Quarter

Estimates show GDP rose 2.3%.

Tax Reform: Changes to the Business Interest Deduction

There's good news and bad news in real estate.

Fed Keeps Rates Steady

However, several rate increases are expected through 2019.

Home Buying

Most For-Sale Homes Out of Reach for Prospective Buyers

The vast majority say they can afford fewer than half the homes in their area.

Conventional Loan Share Reaches Decade High

In the last two years, the share of FHA mortgages has dropped 5.5%.

Prospective Buyers Not Giving Up Despite Strong Competition

More than half of all home buyers report searching for three months or longer.

Mortgage Rates Climb in April

NAHB analysis reveals a predictive model for future recessions.

Most Buyers Don't See Housing Availability Improving

Among all age groups, seniors are the least optimistic.

Industry Insight

Private Residential Spending Tumbles

March had the biggest monthly decline in nearly nine years.

Pending Home Sales Increase Slightly in March

Limited inventory is holding back larger growth.

Homeownership Rate Stable at 64%

Census survey depicts a sustainable, upward trend.

Bath Remodels Reclaim Top Spot from Kitchens

NAHB survey ranks the most common remodeling jobs.

Builder Confidence Remains Healthy in the 55+ Housing Market

Optimism dipped slightly after the previous index reached an all-time high.