

# Economic & Housing Outlook luncheon

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October 13th-15th & 20th- 22nd

# Economic and Housing Outlook



*Home Builders Association of Greater Chattanooga  
Greater Chattanooga Association of REALTORS*

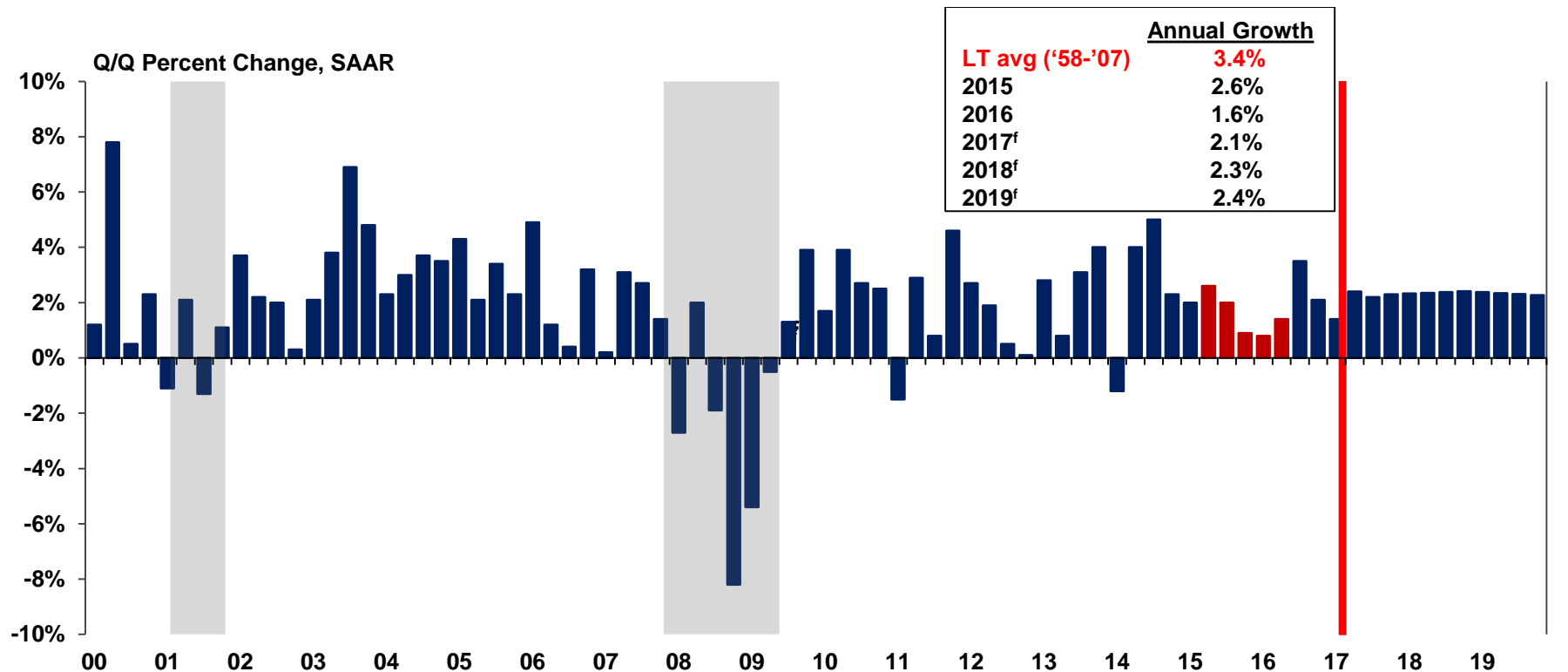
*August 8, 2017*

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



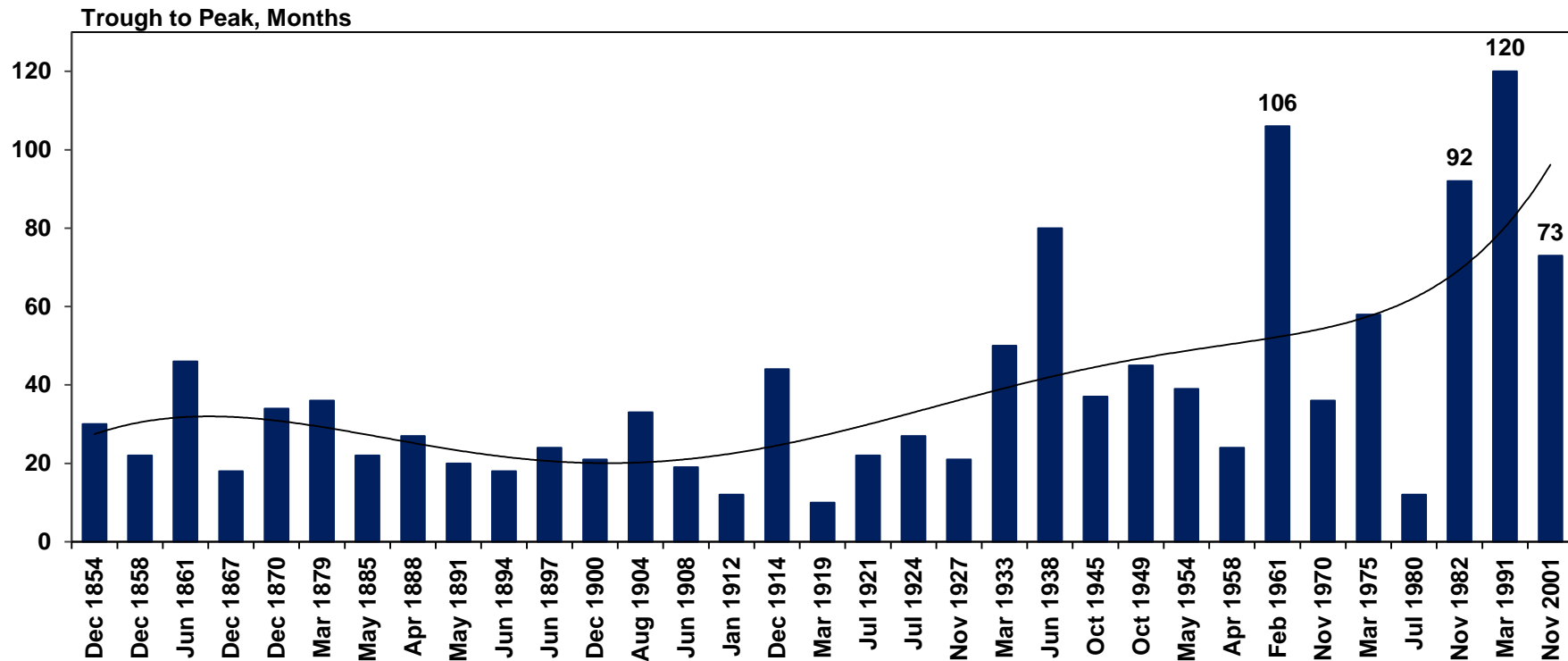
# GDP Growth

*Curb Your Enthusiasm*



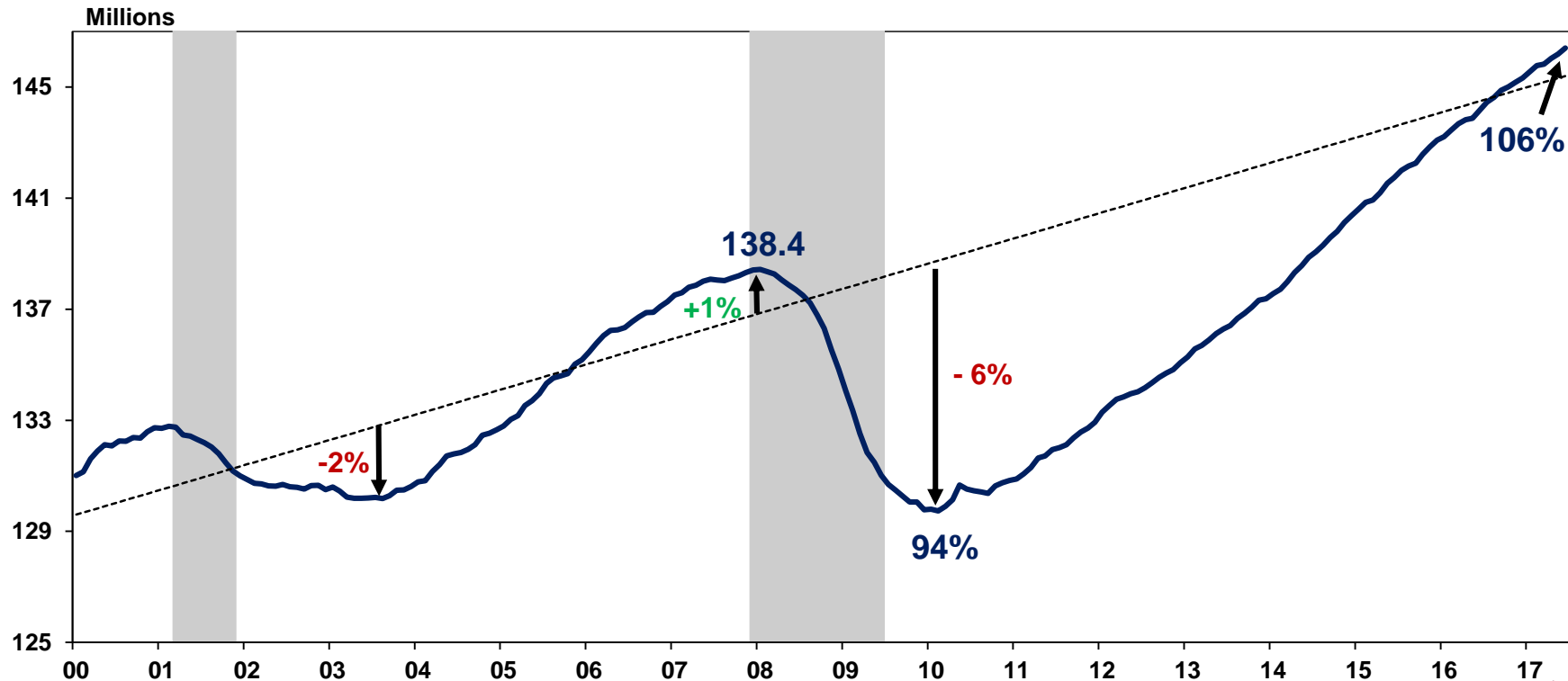
# Expansion is Aging

*Current expansion is 97 months old*



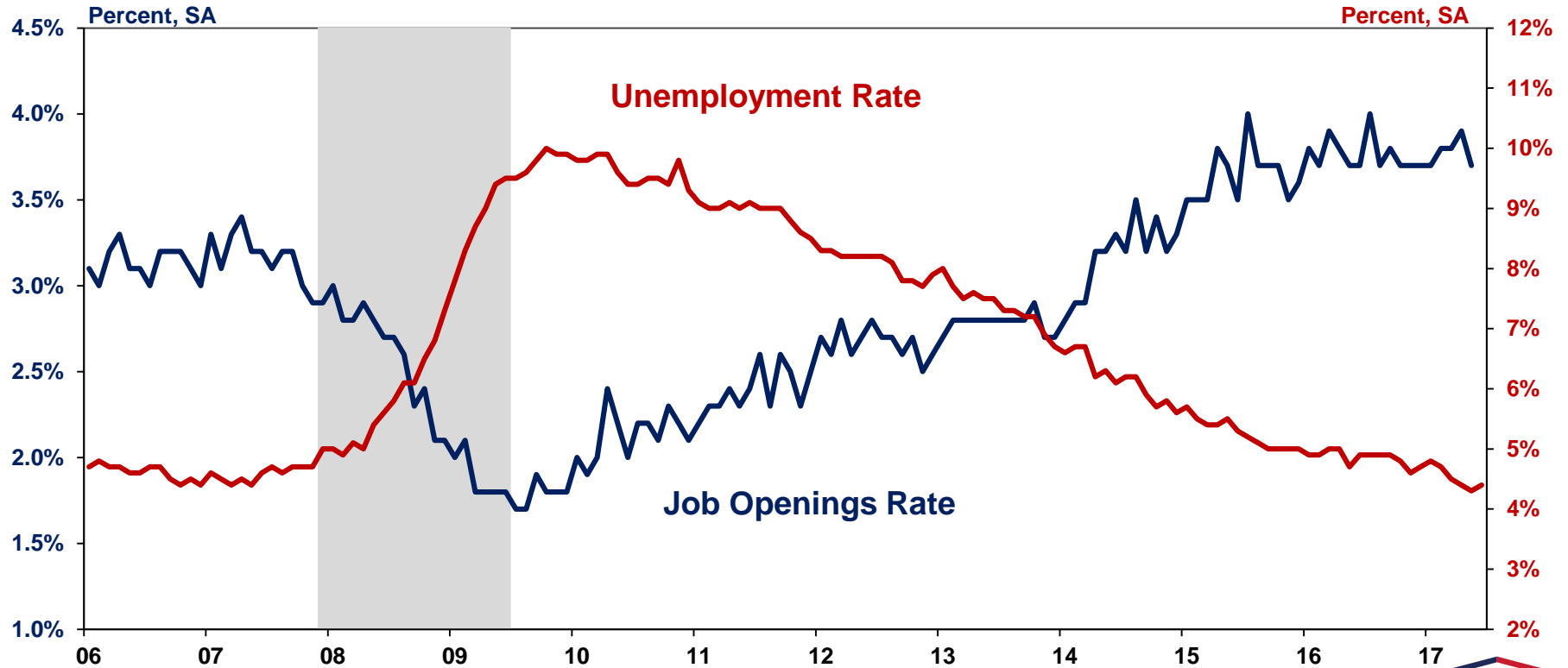
# US Payroll Employment

*Adding jobs*



# Tight Labor Market

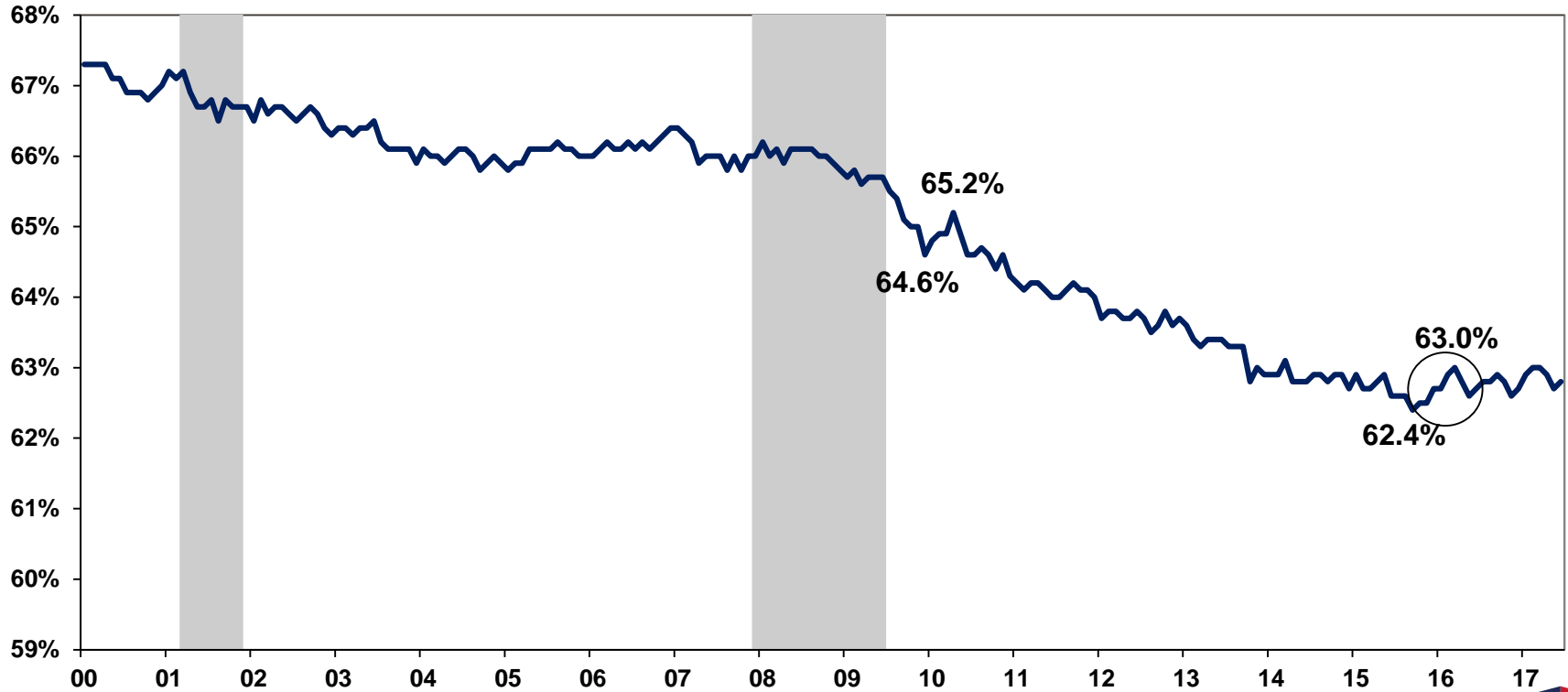
*Rise of unfilled jobs*





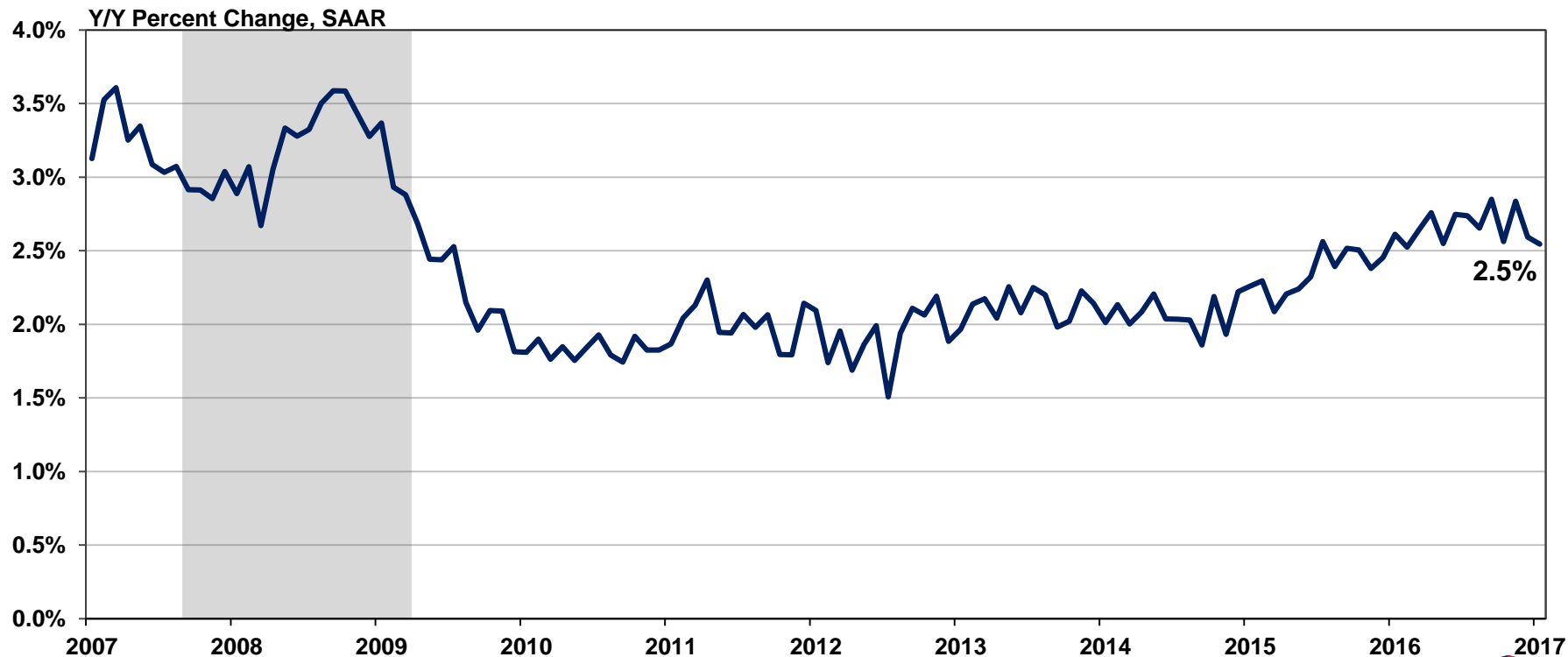
# Labor Force Participation Rate

*Stabilizing?*



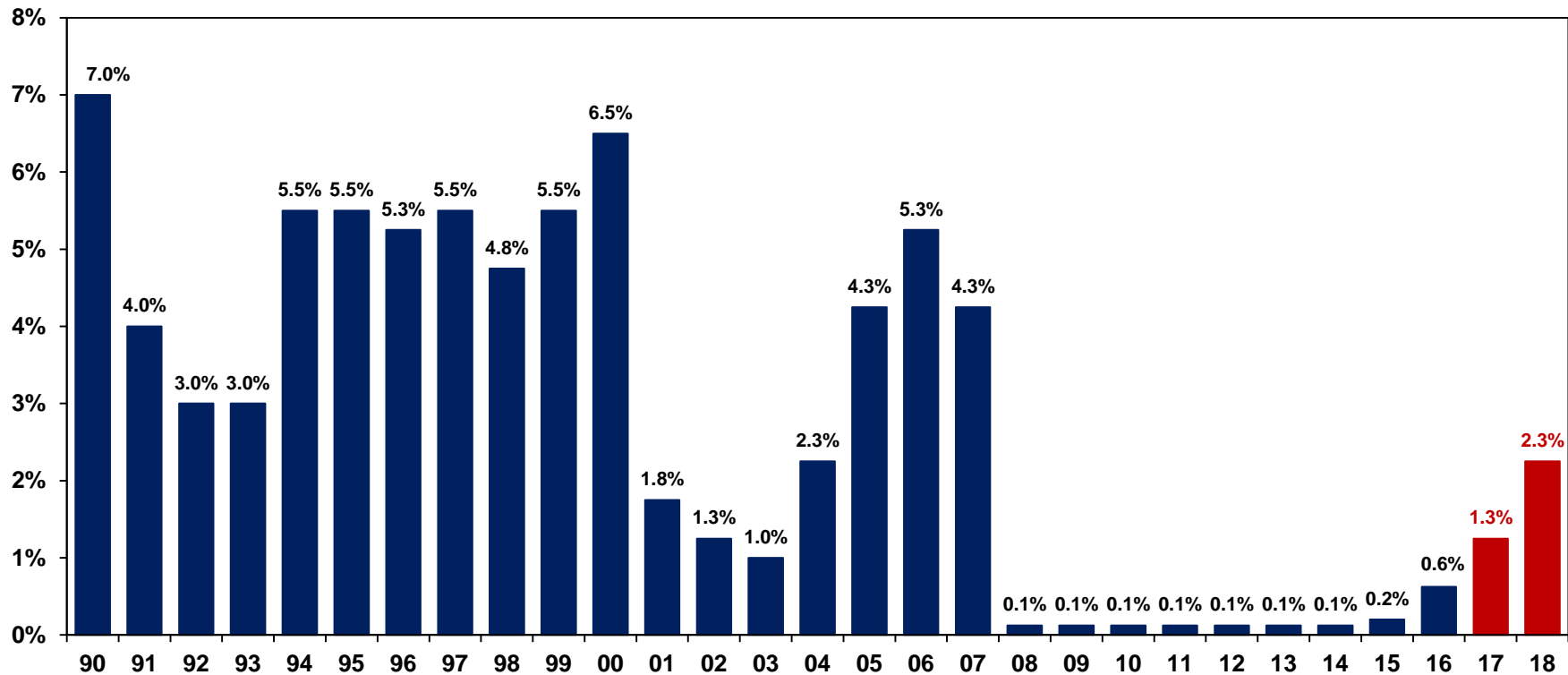
# Average Hourly Wages

*Wages growing slowly*



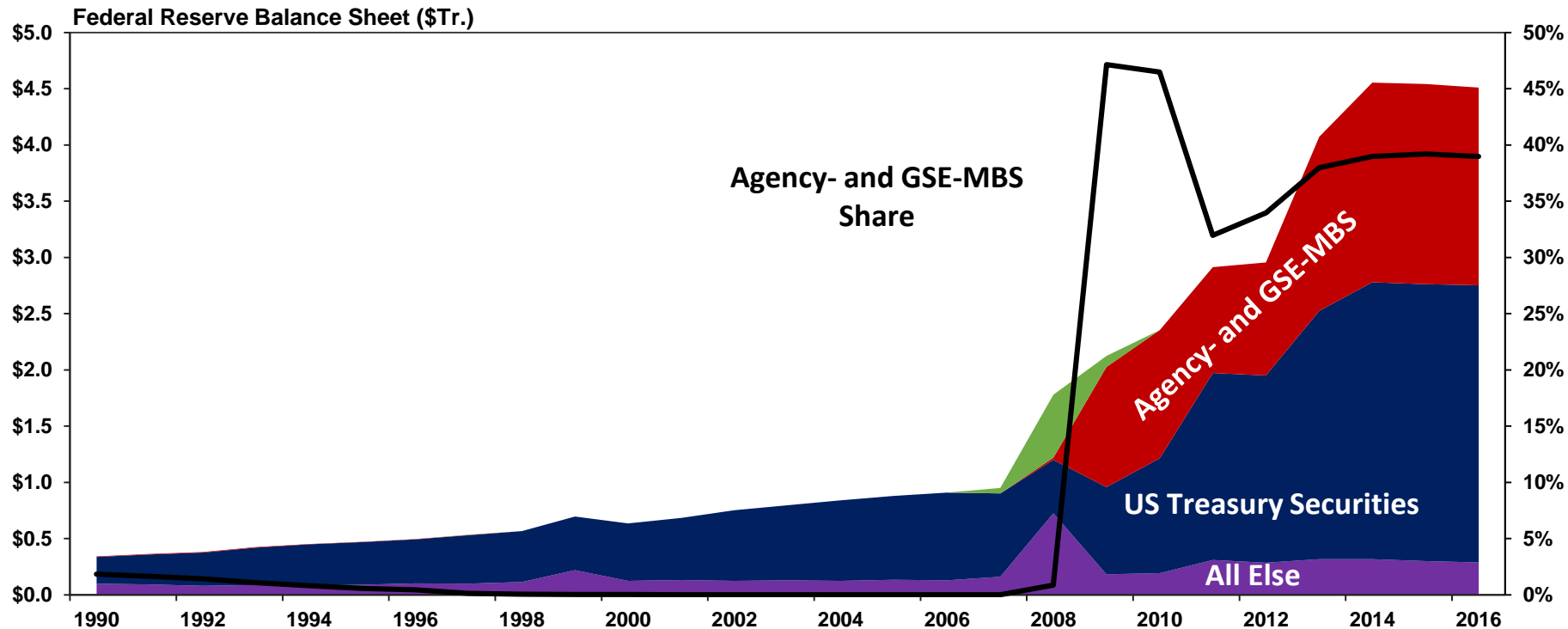
# Target Federal Funds Rate

*Fed will continue to raise rates*



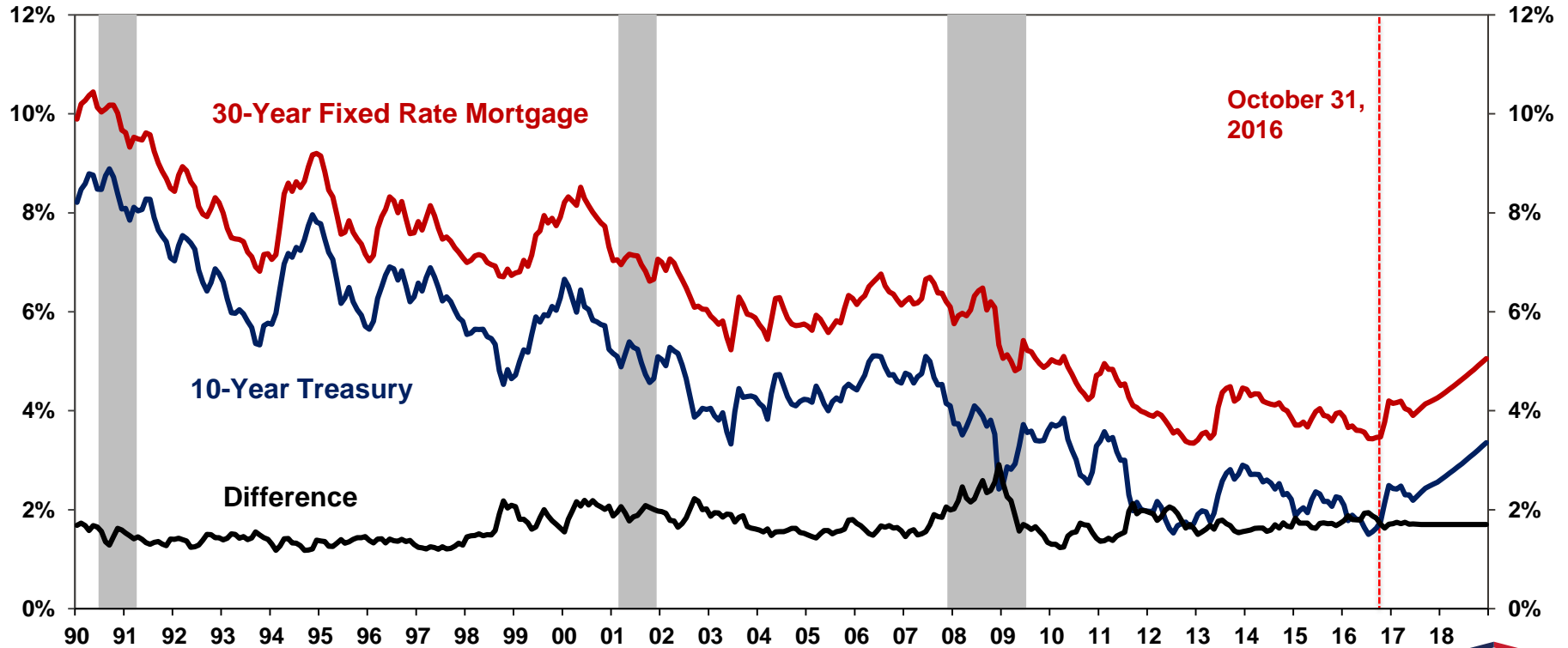
# Federal Reserve Balance Sheet

*Expansion and composition shift*



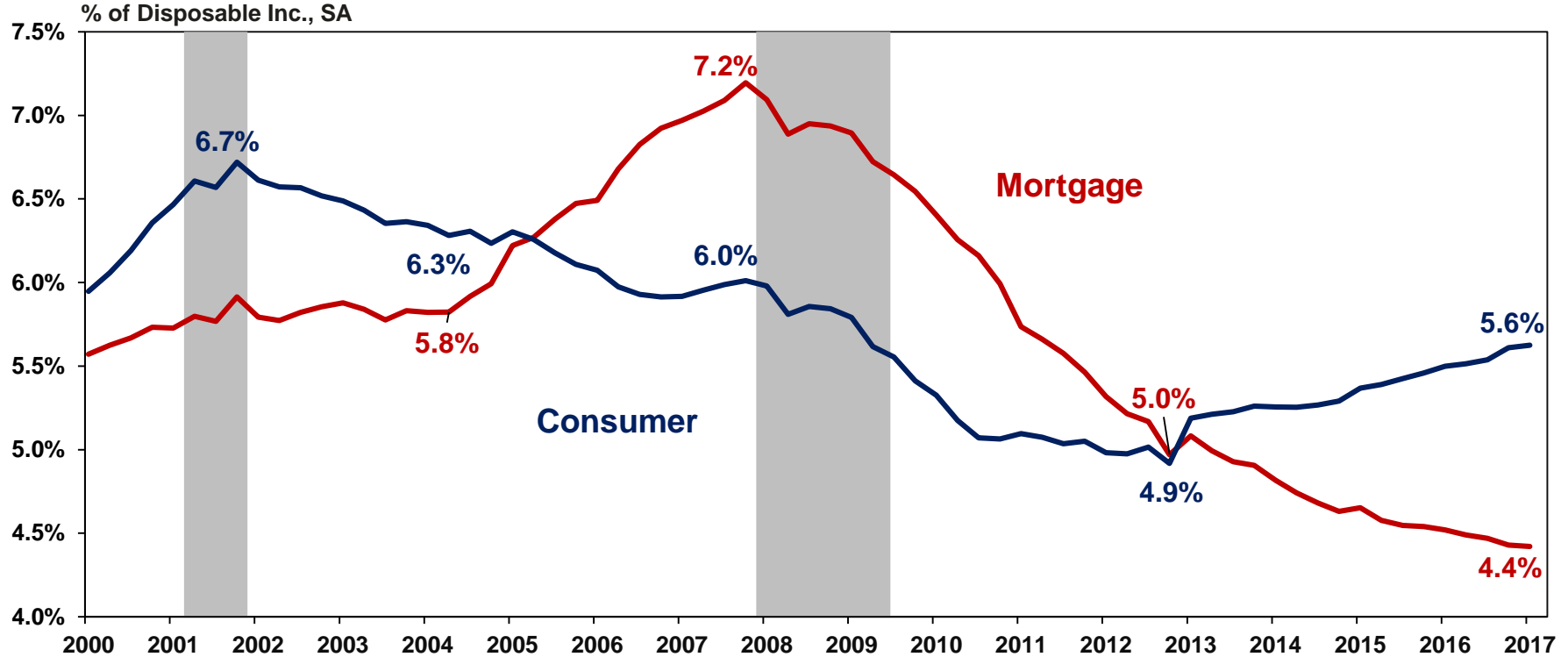
# 30-Year Fixed Rate Mortgage and 10-Year Treasury

*Monetary policy tightening*



# Household Balance Sheets

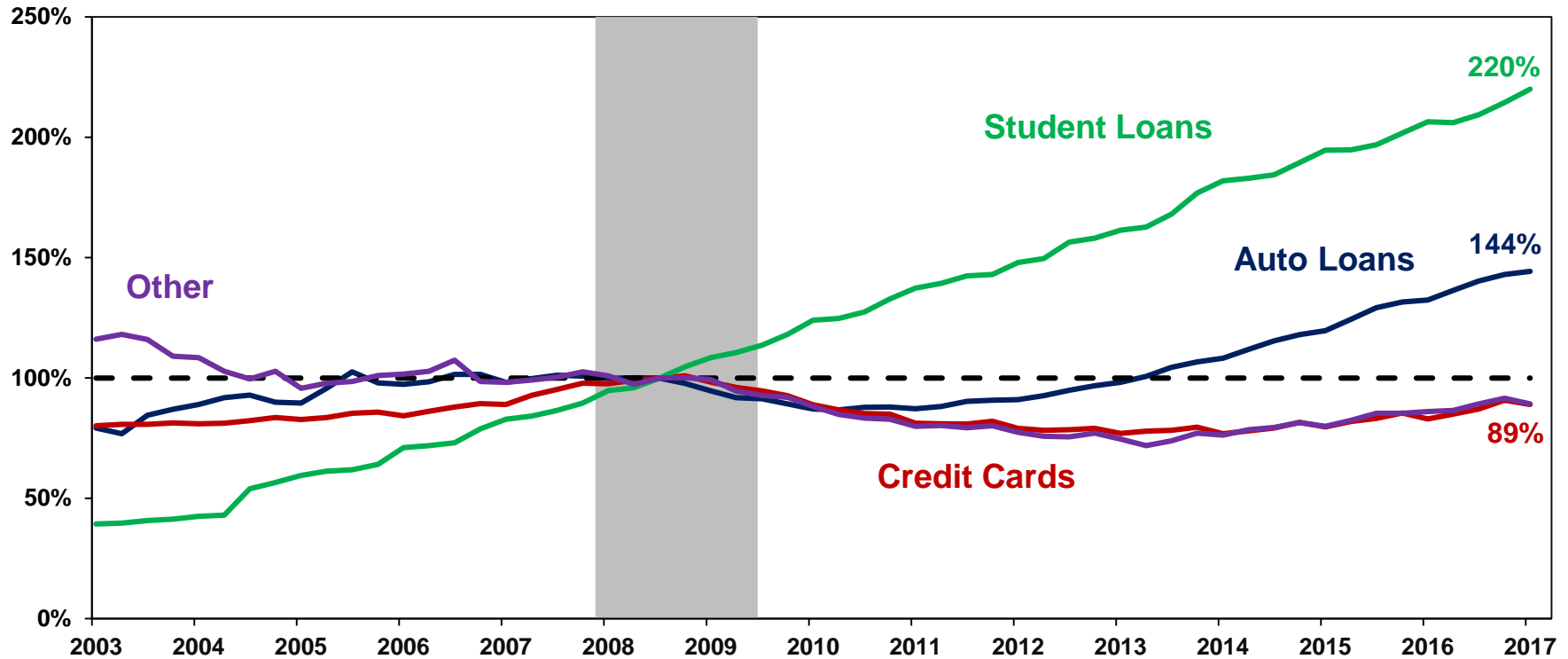
*A shift in debt away from mortgages*



Source: Federal Reserve Board.

# Consumer Debt

*Rise in student and auto loans*



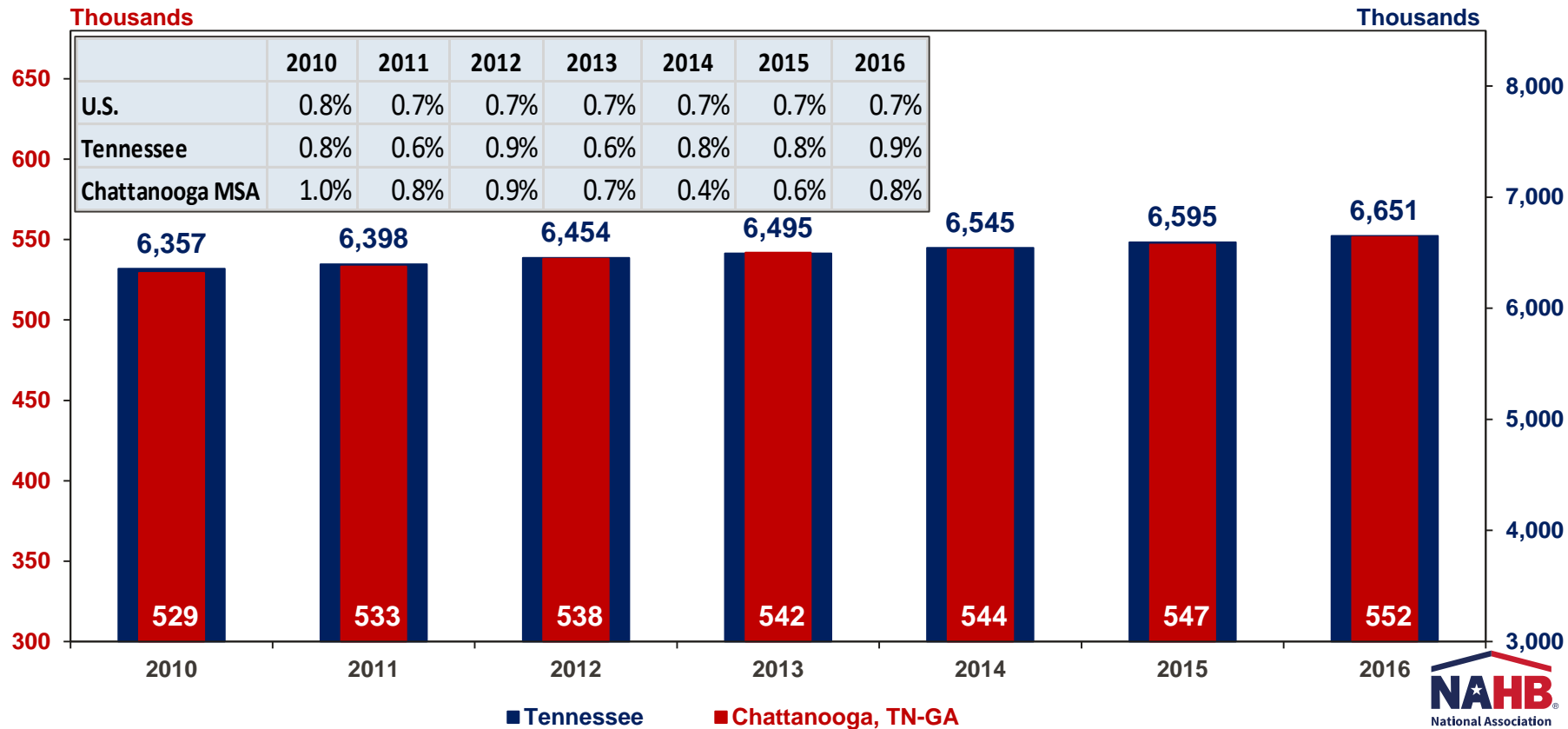


# Demand Conditions



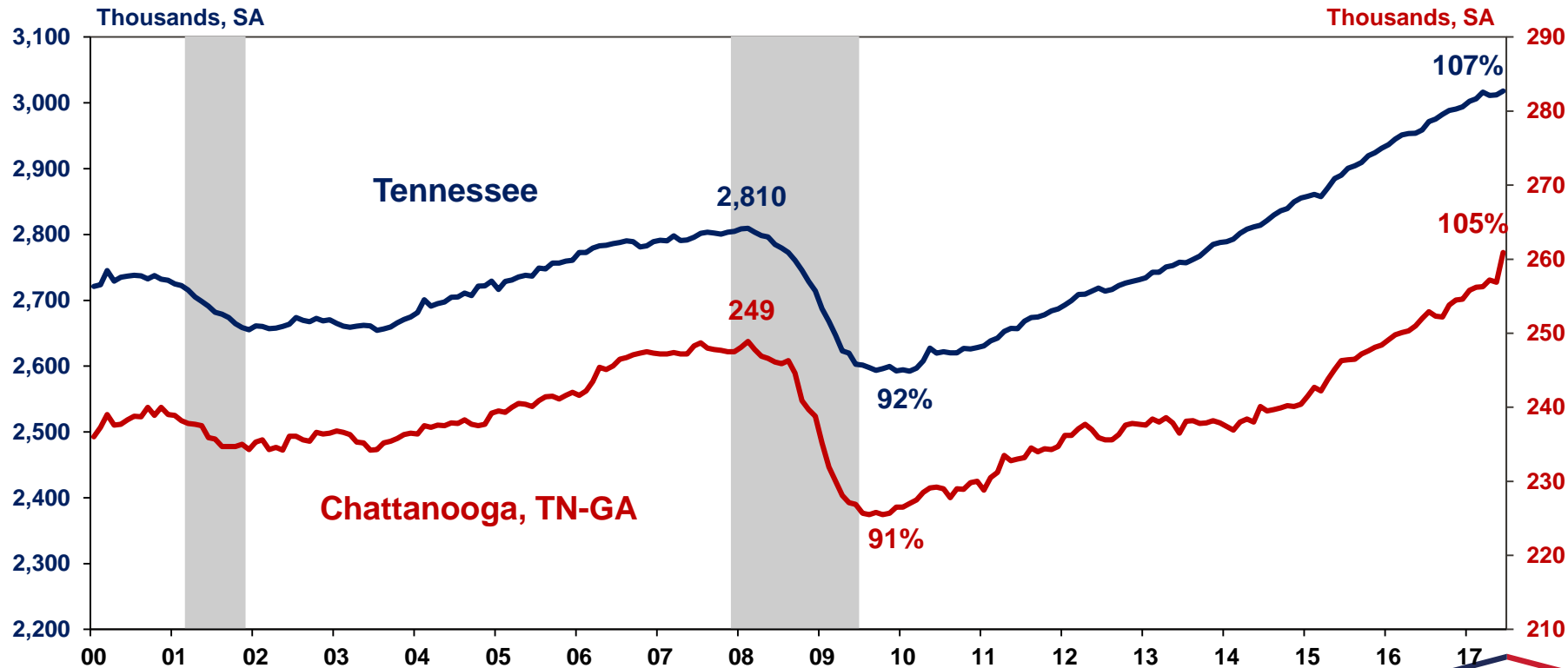
# Population Growth

*Chattanooga MSA population growth accelerated in 2016*



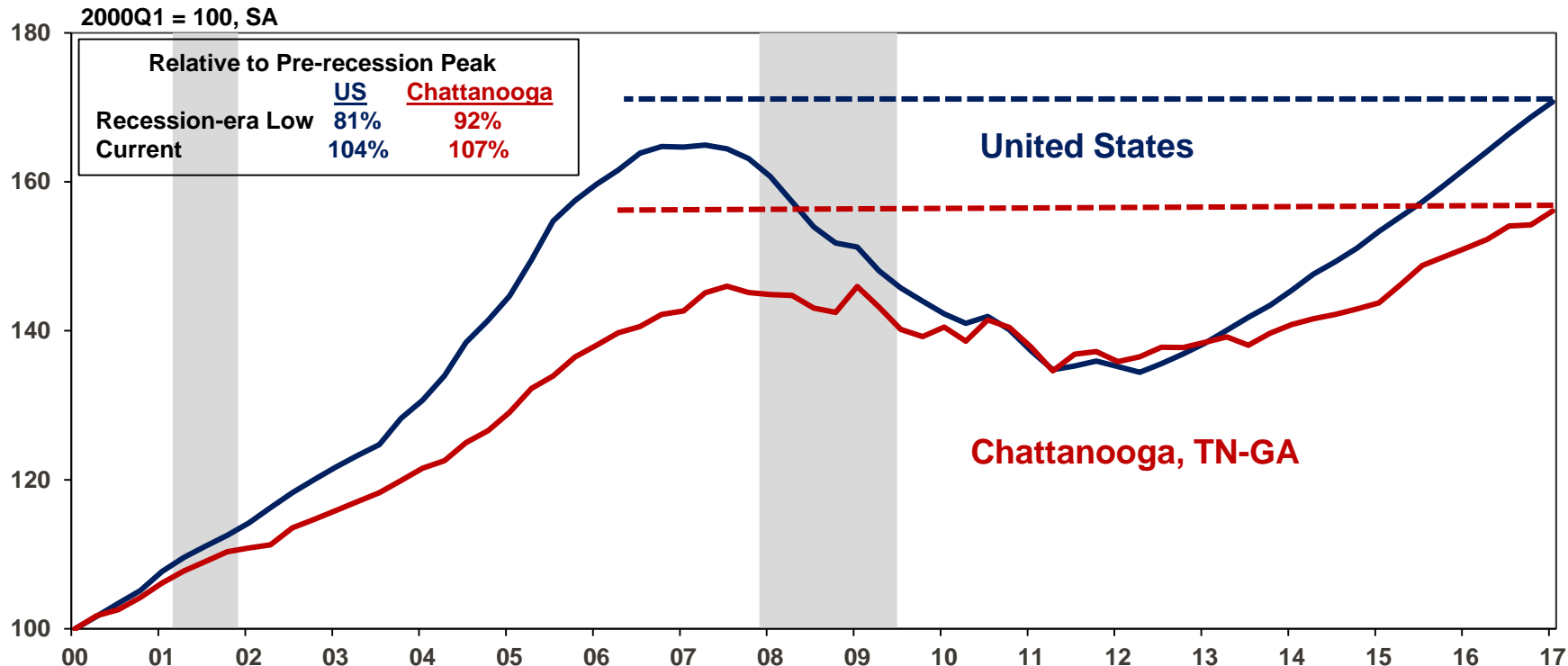
# Payroll Employment

*Chattanooga MSA above pre-recession peak*



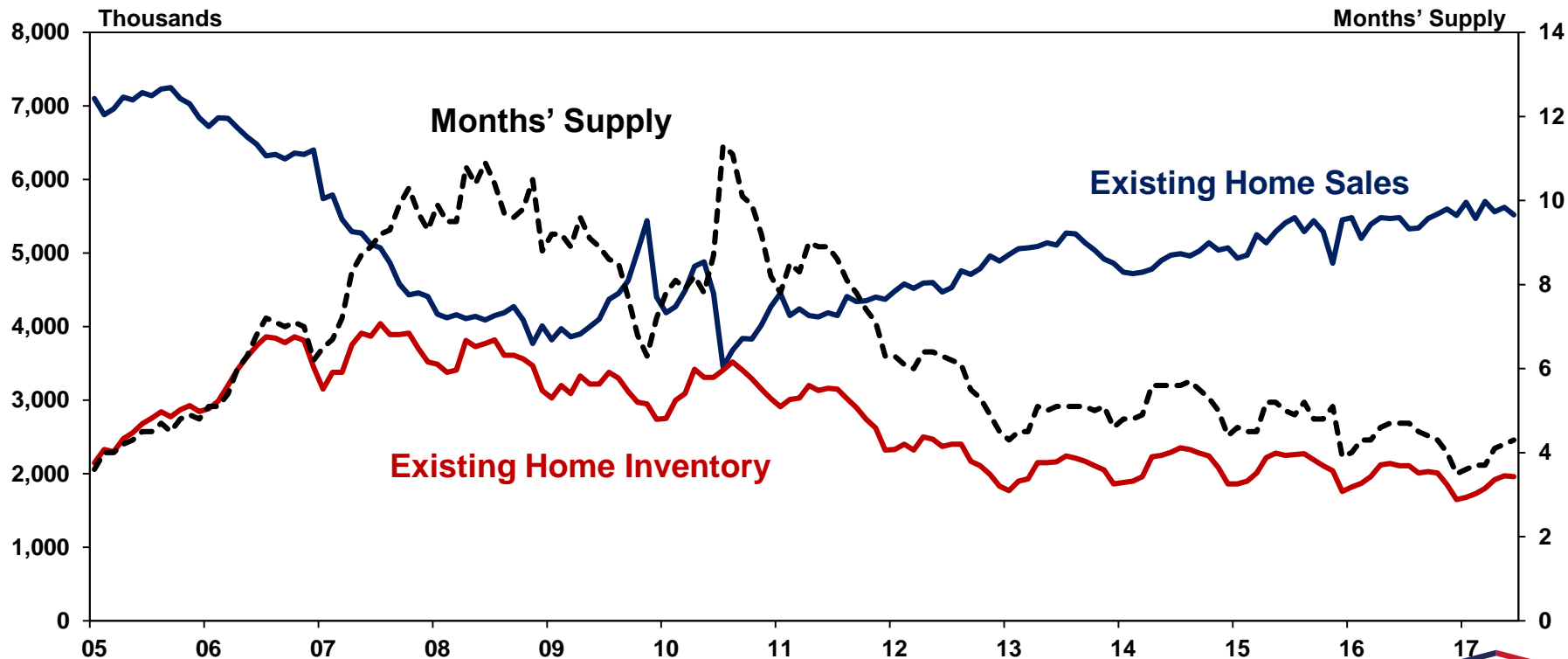
# Existing House Price Index

*Chattanooga MSA above pre-recession peak*



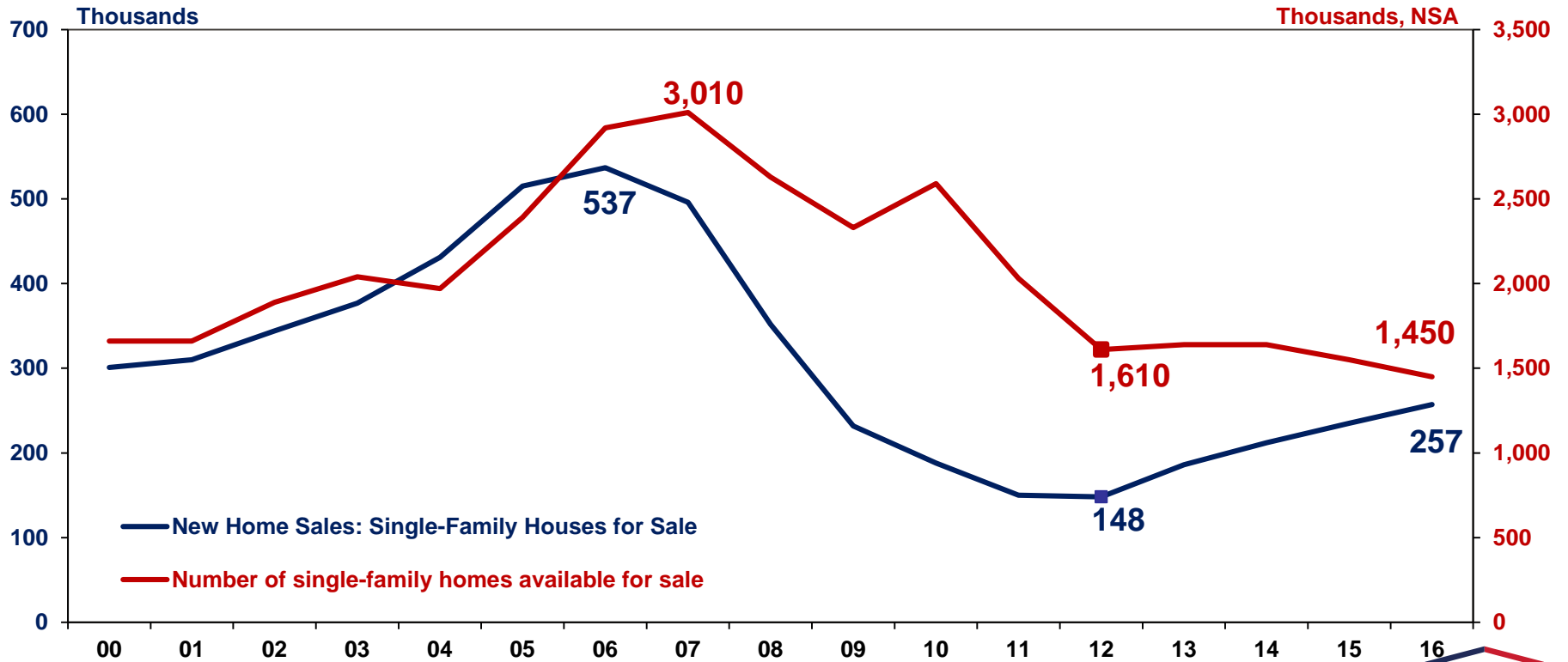
# Existing Home Sales

*Low inventory*



# Low Housing Inventory

Existing home inventory flat

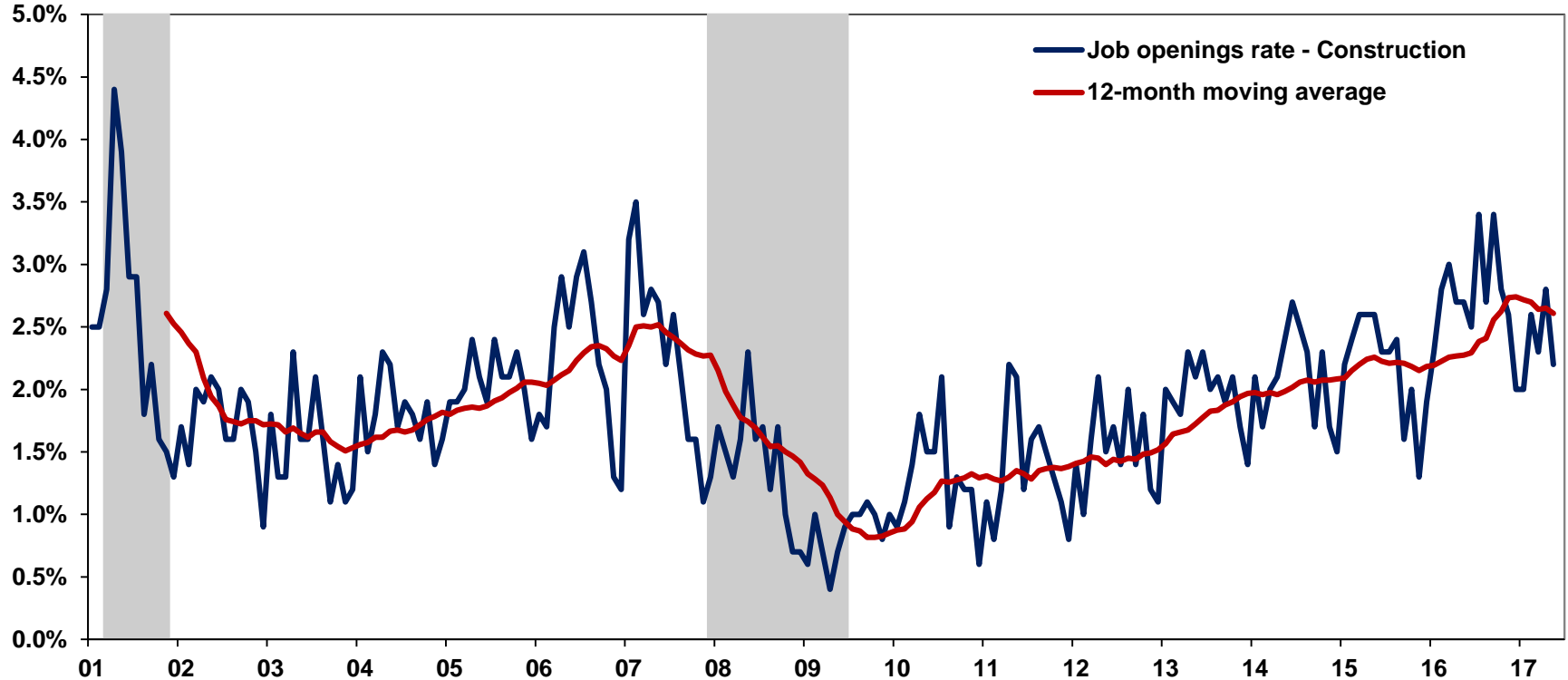




# Supply-Side Headwinds

# Labor

*Unfilled construction jobs rising*

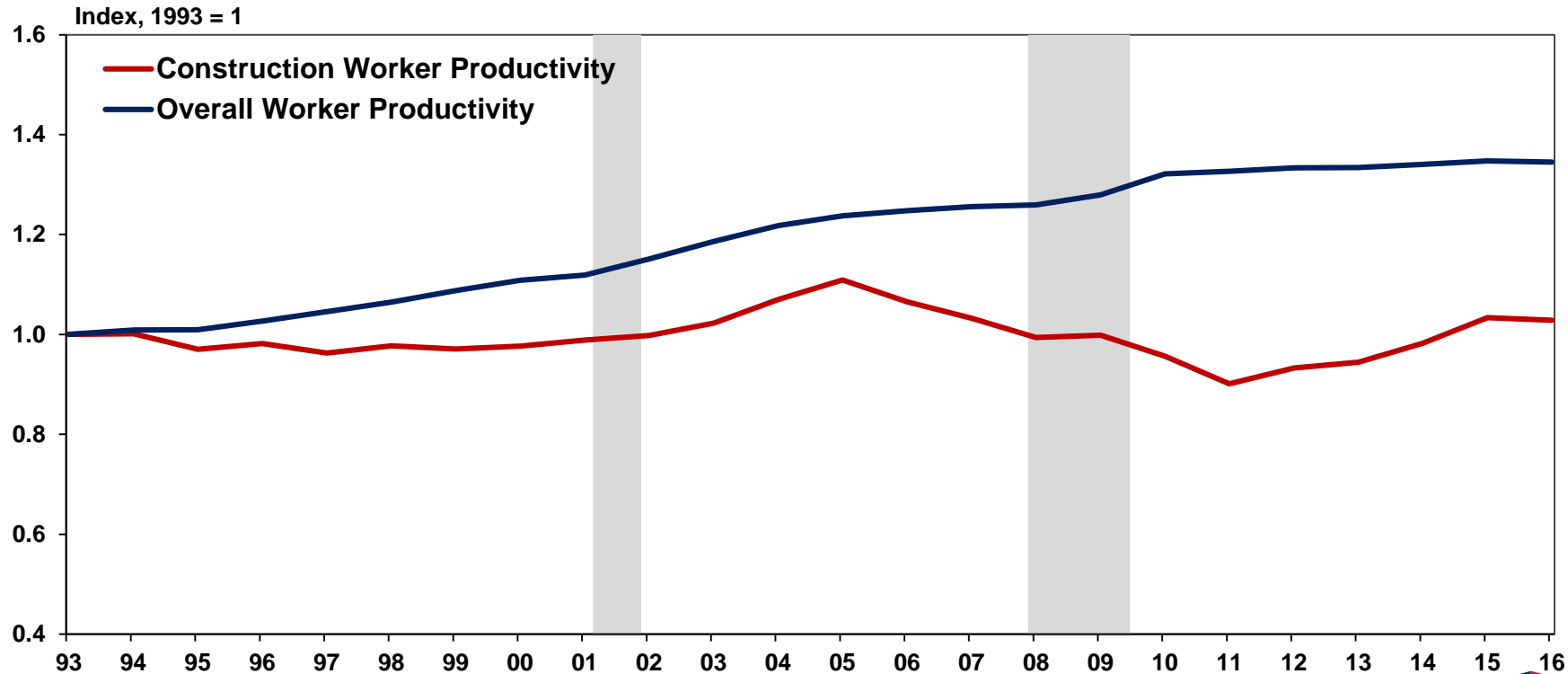






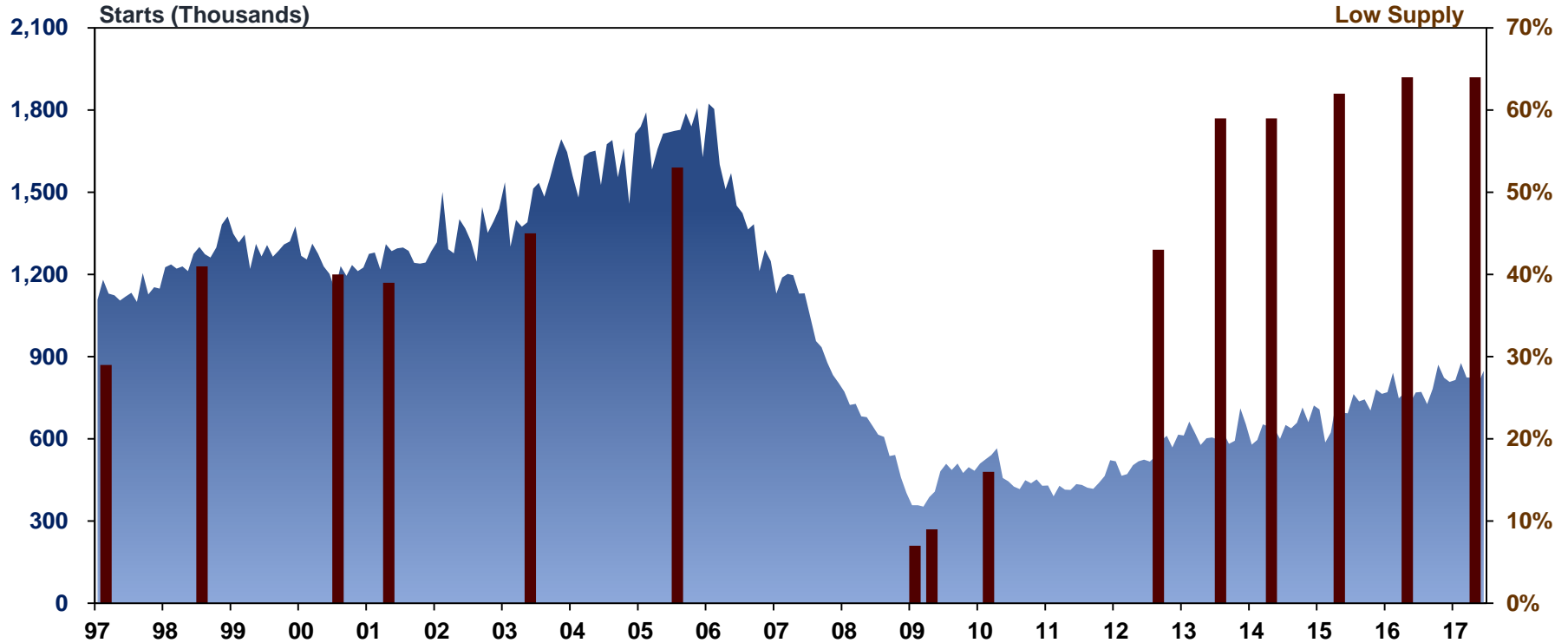
# Construction Sector Productivity

*Lagging overall economy*



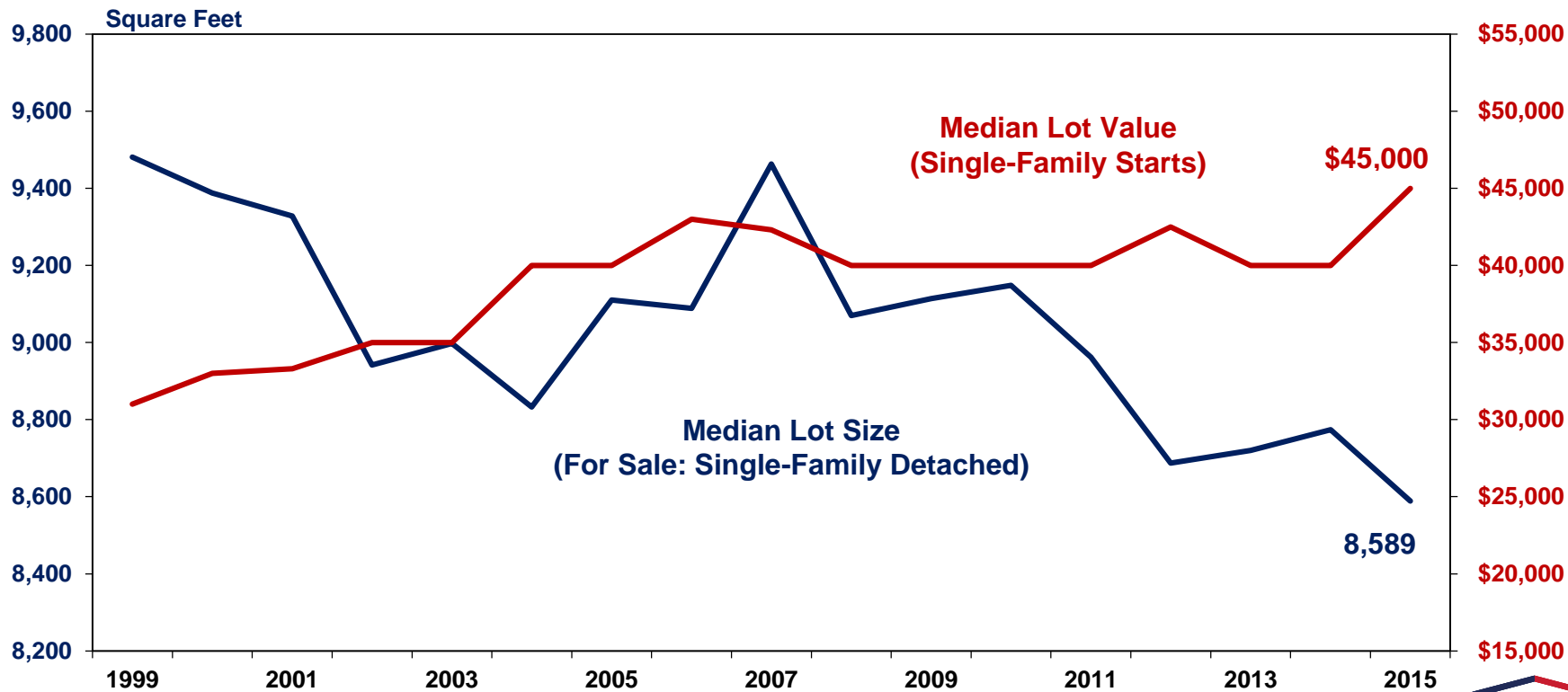
# Lots

*Housing Starts (Area) and Low/Very Low Lot Supply (bars)*



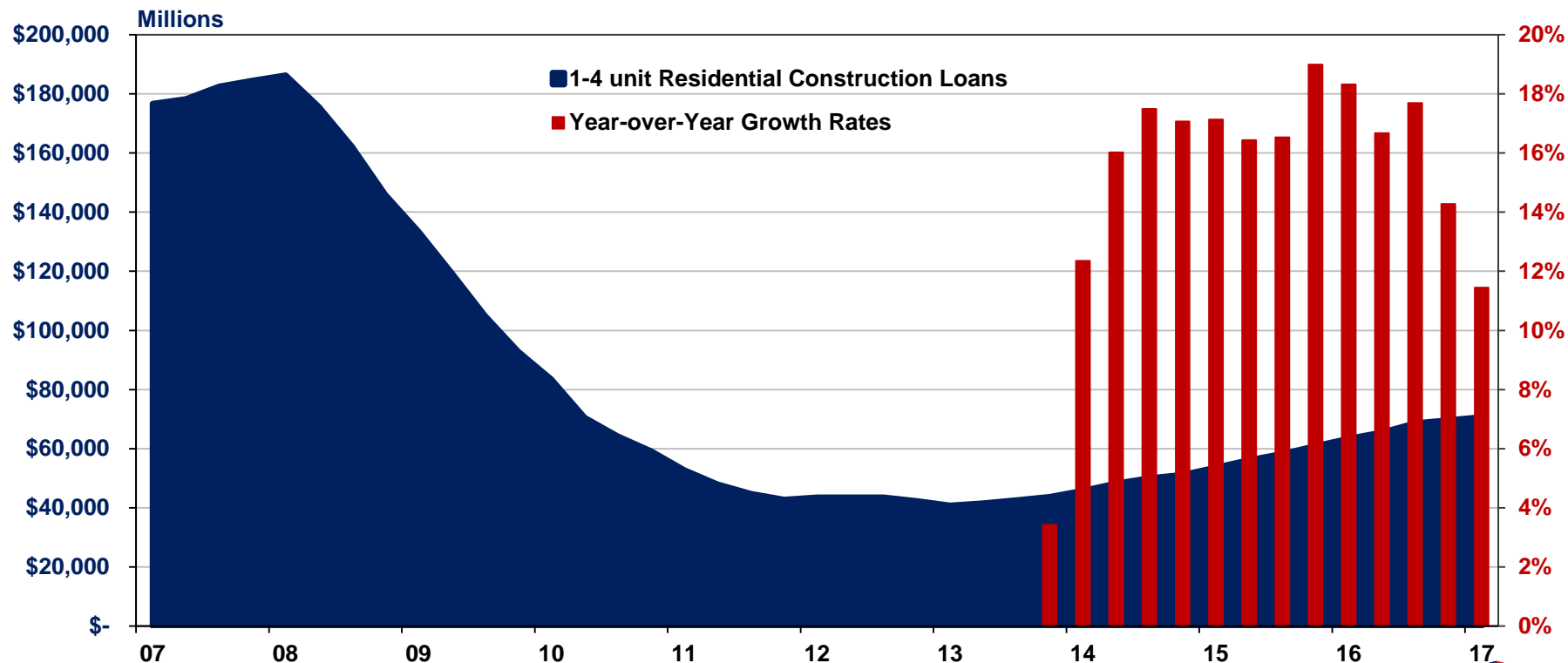
# Median Lot Value and Size

*Lot size declining --- lot value increasing*



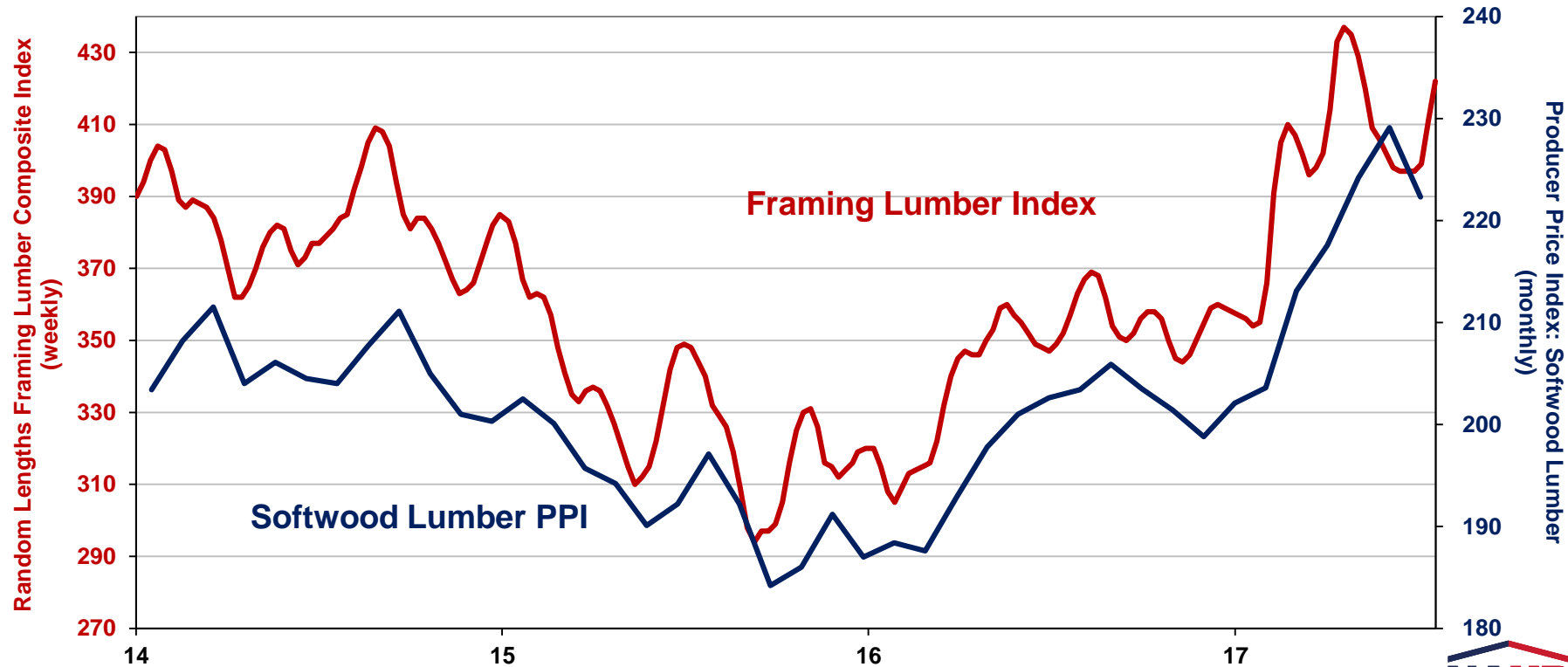
Source: 2015 Survey of Construction (SOC), NAHB Economics Estimates.

# Lending – AD&C Access





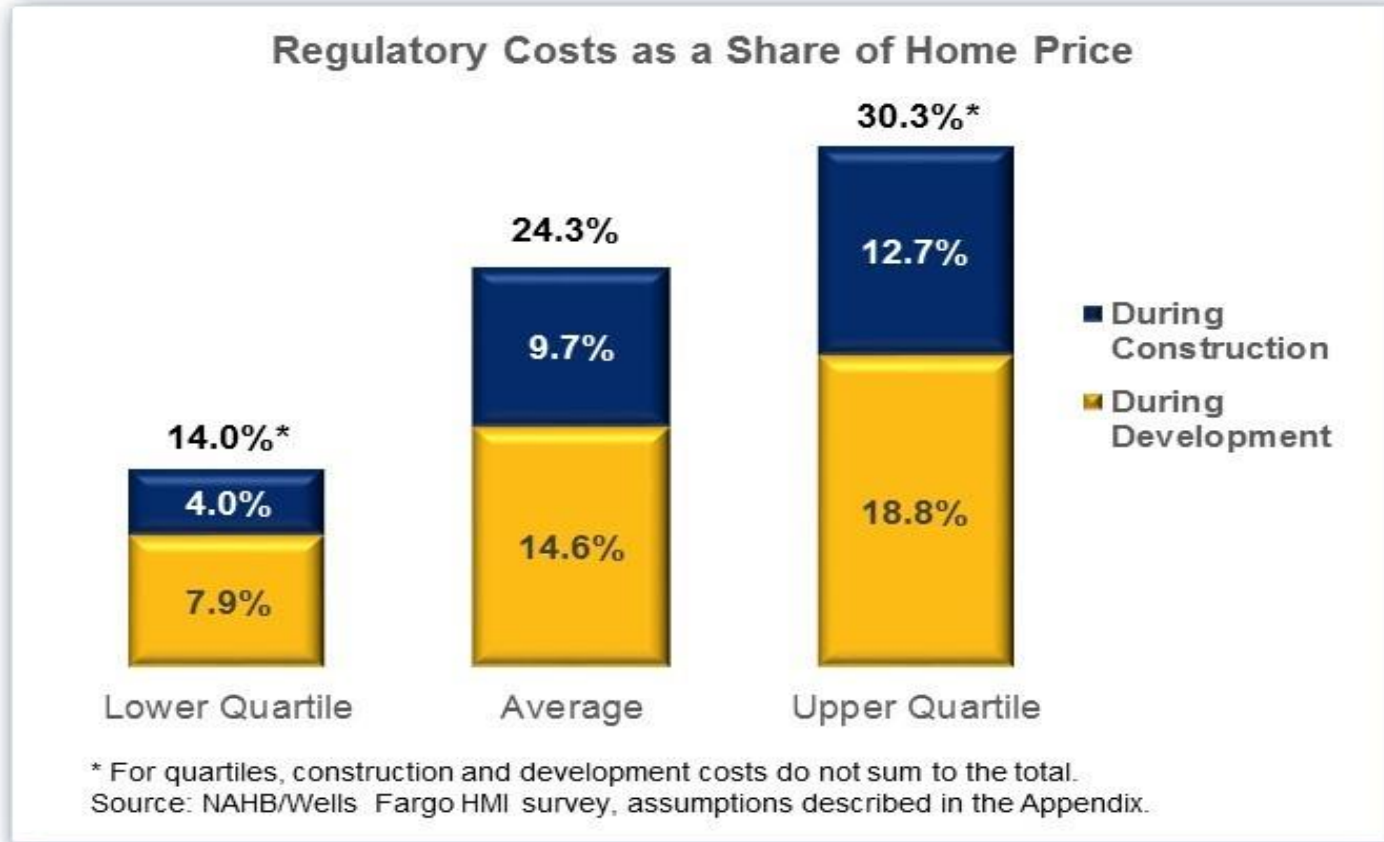
# Building Materials – Wood Products



Source: Random Lengths; Bureau of Labor Statistics

# Regulatory Costs Rising – Up 29% Over Last 5 Years

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



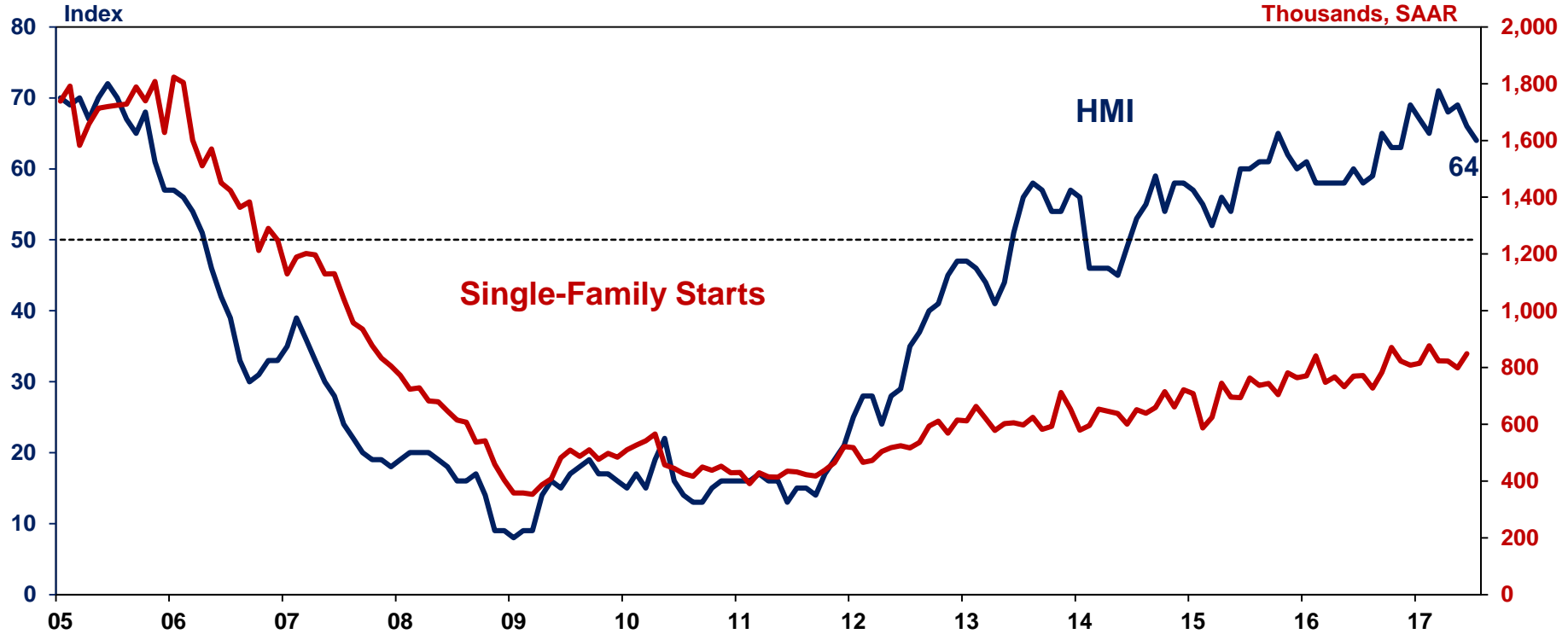


# Forecasts



# NAHB/Wells Fargo Housing Market Index

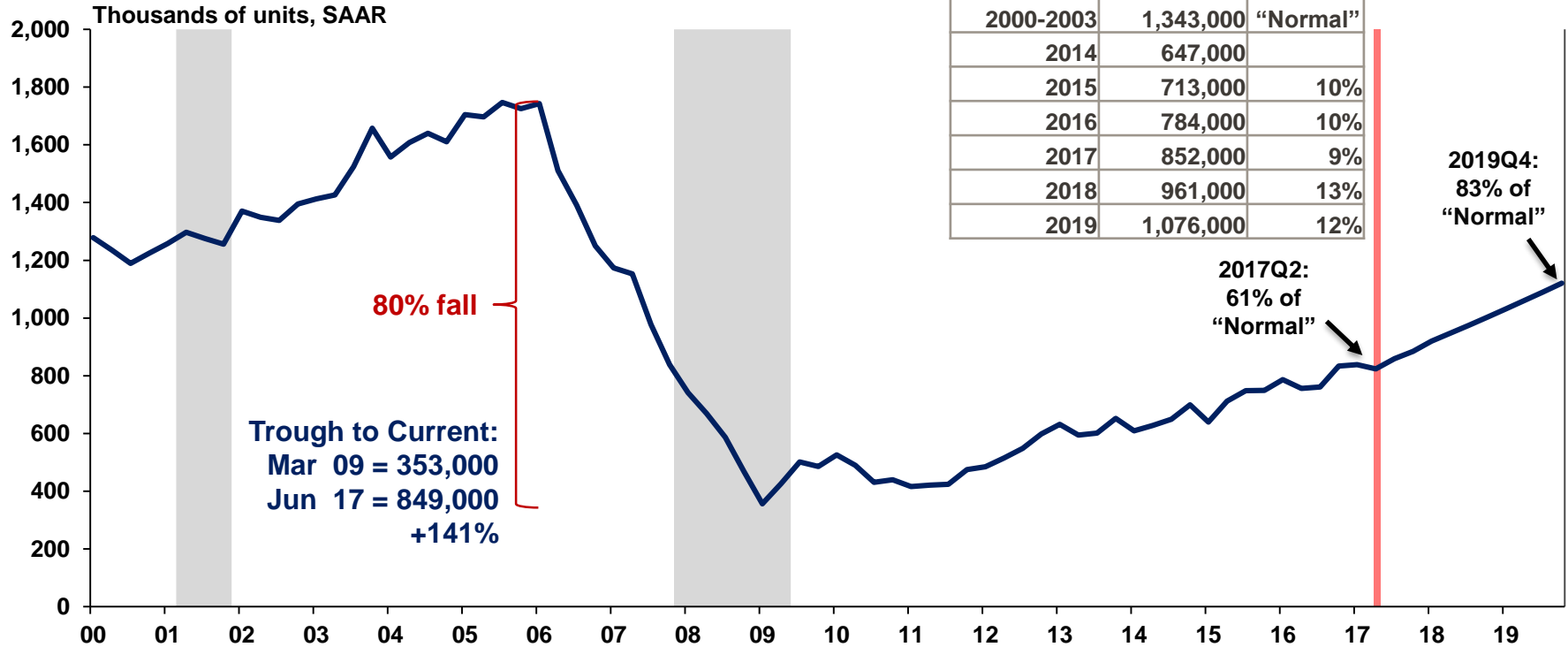
*Post-election surge*



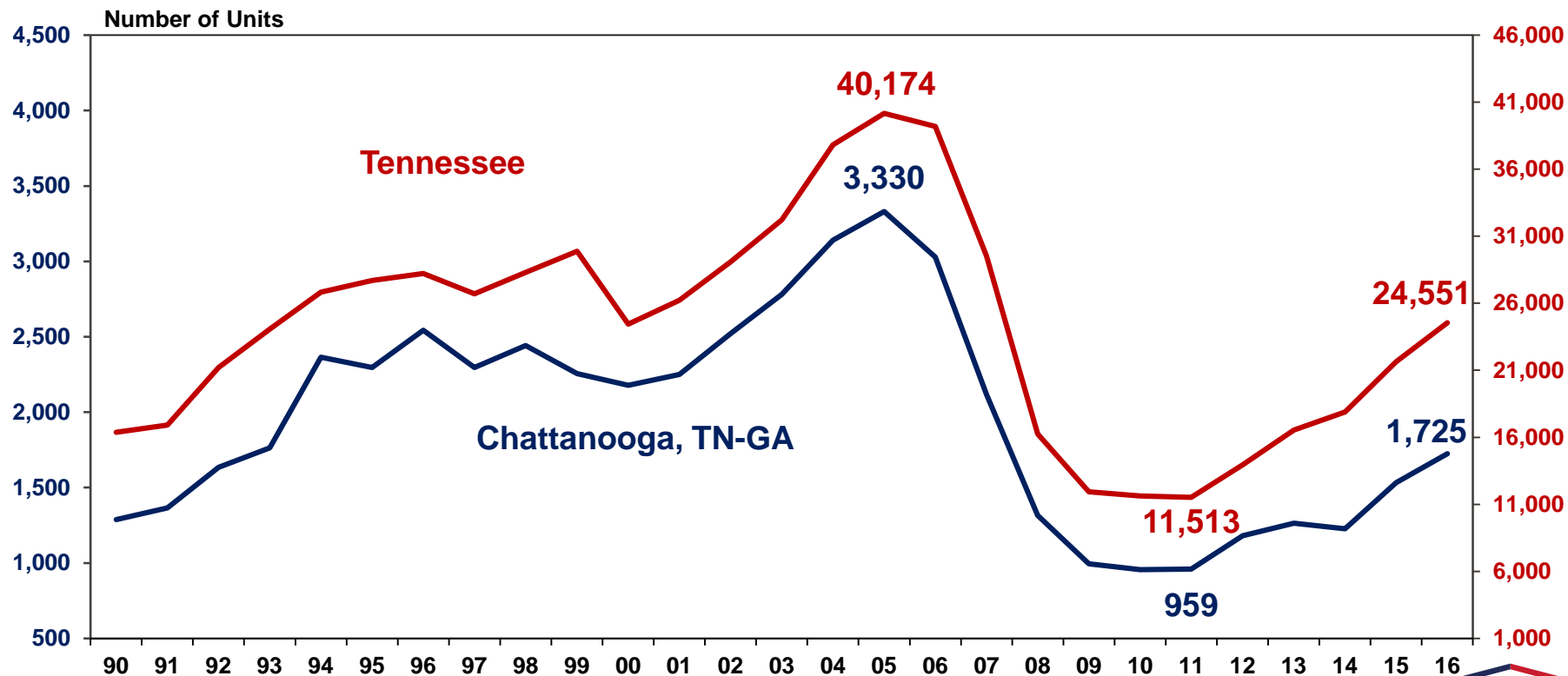


# Single-Family Starts

Growing trend

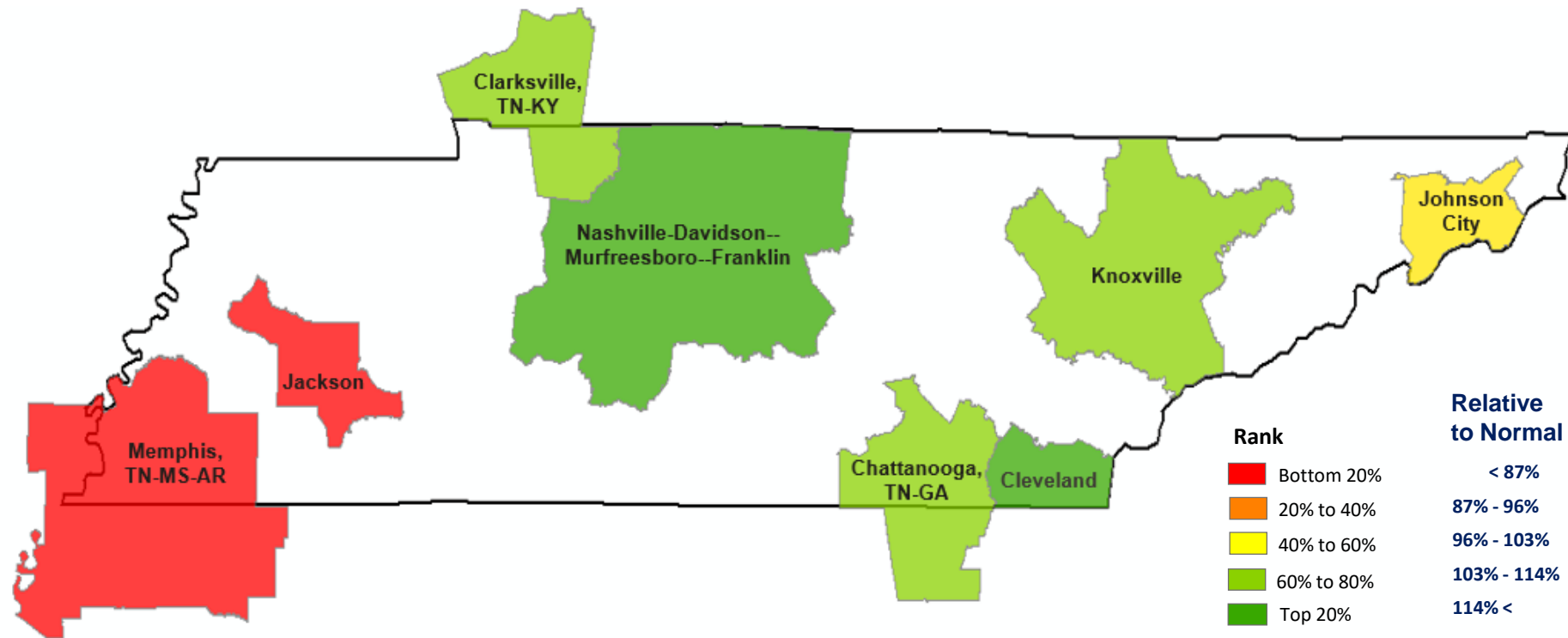


# Single-Family Building Permits – Chattanooga MSA



# Tennessee's Housing Market Recovery

*Some metro areas are closer to a recovery than others*



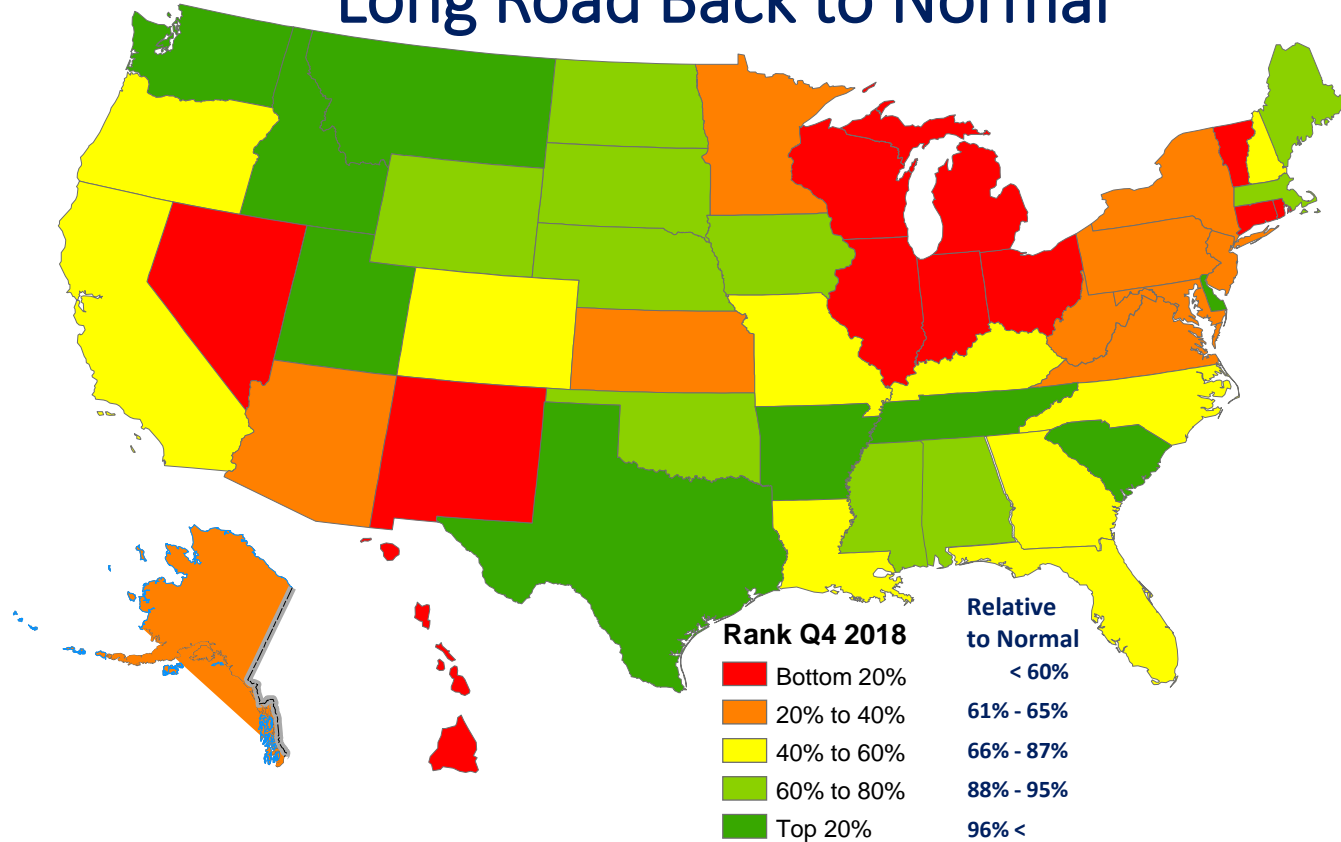
**Rank**

- Bottom 20%
- 20% to 40%
- 40% to 60%
- 60% to 80%
- Top 20%

**Relative to Normal**

- < 87%
- 87% - 96%
- 96% - 103%
- 103% - 114%
- 114% <

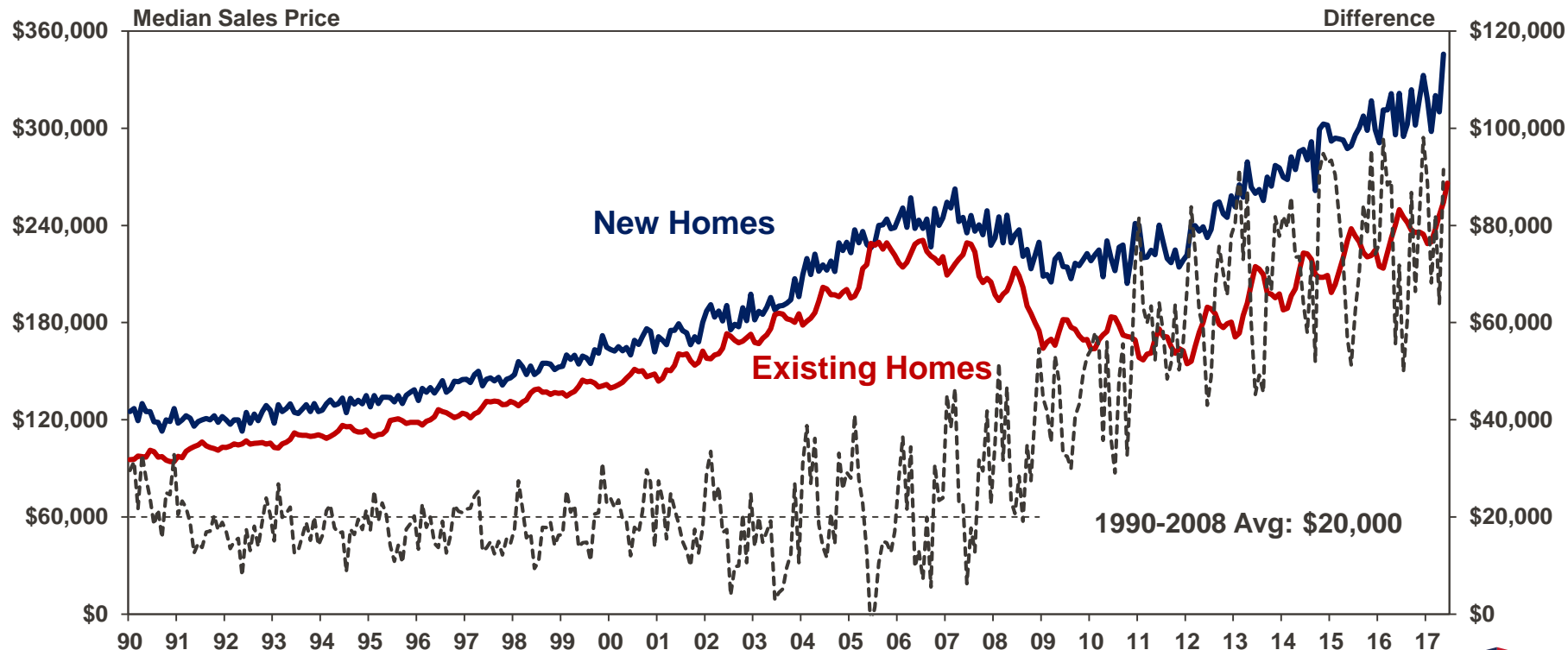
# Long Road Back to Normal



This map shows how the states rank in the return to more normal levels of housing production. By the end of 2018, the top 20% will be above 96% of normal production levels. The bottom 20% will be below 60% of normal production.

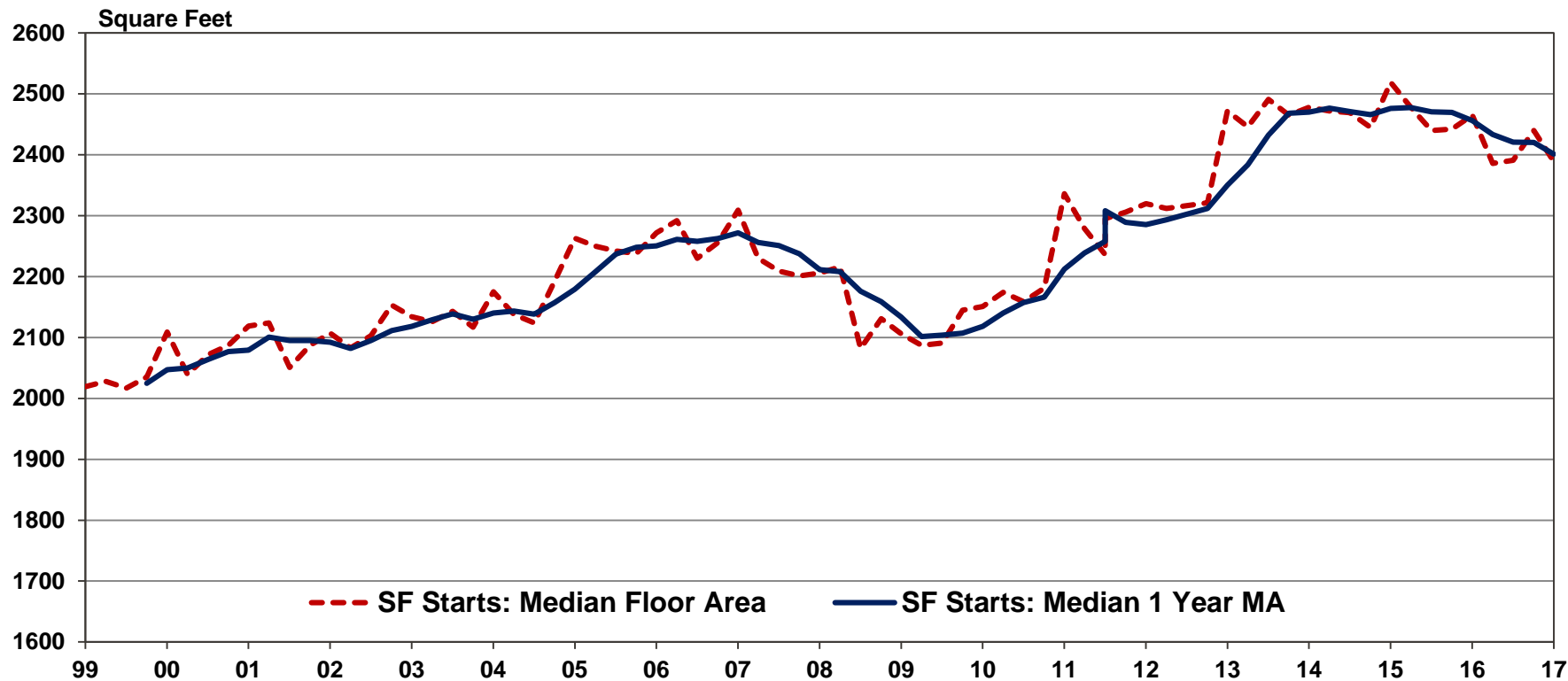
# Home Prices of New and Existing Homes

*Wide gap since 2012*

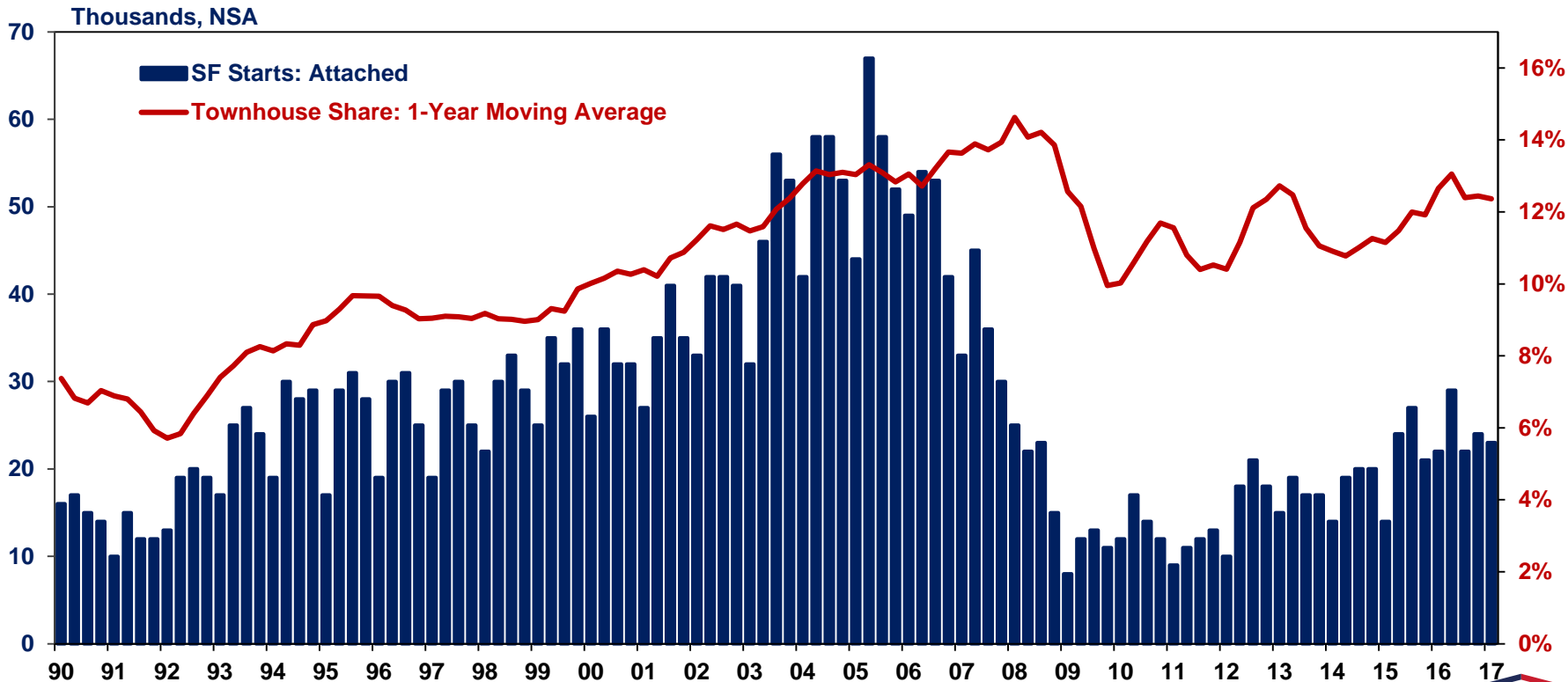


# Typical New Home Size

*Decline after market shift*



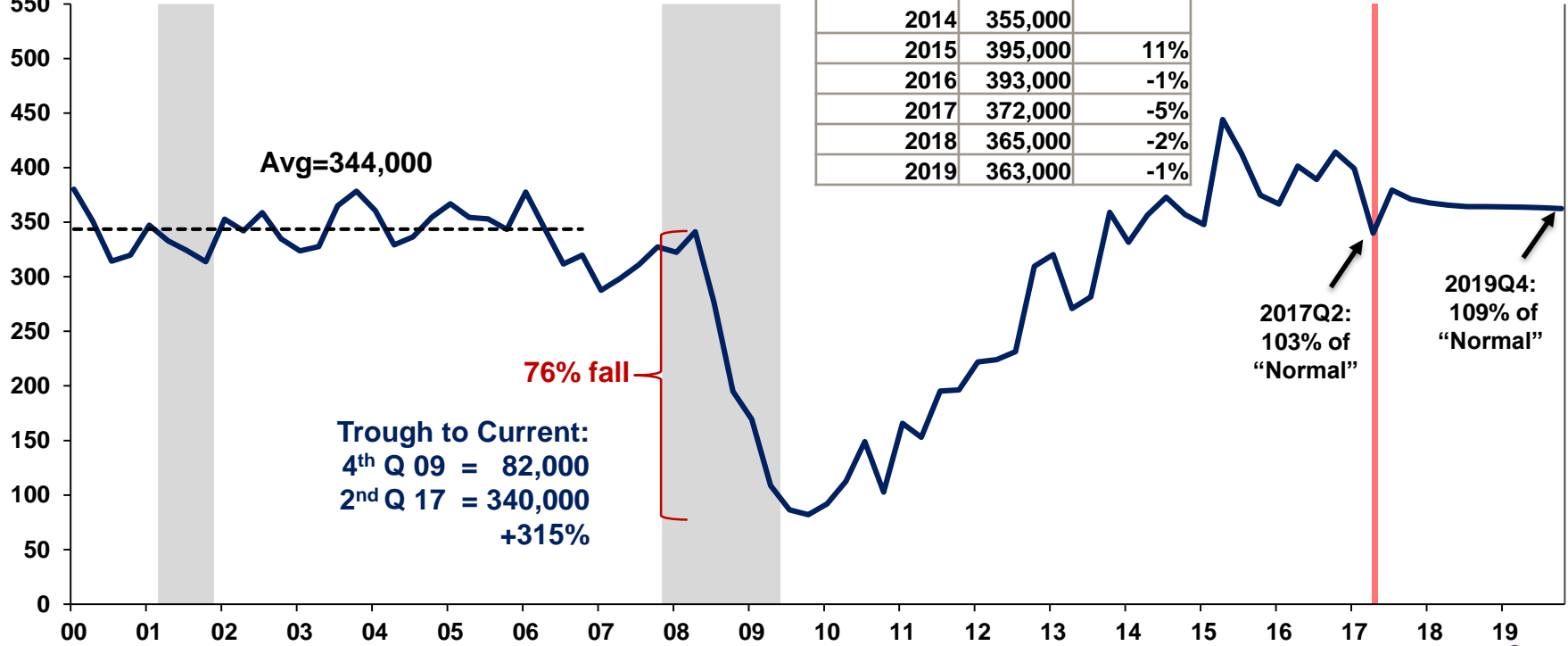
# Townhouse Market Expanding



# Multifamily Housing Starts

## Leveling off

Thousands of units, SAAR

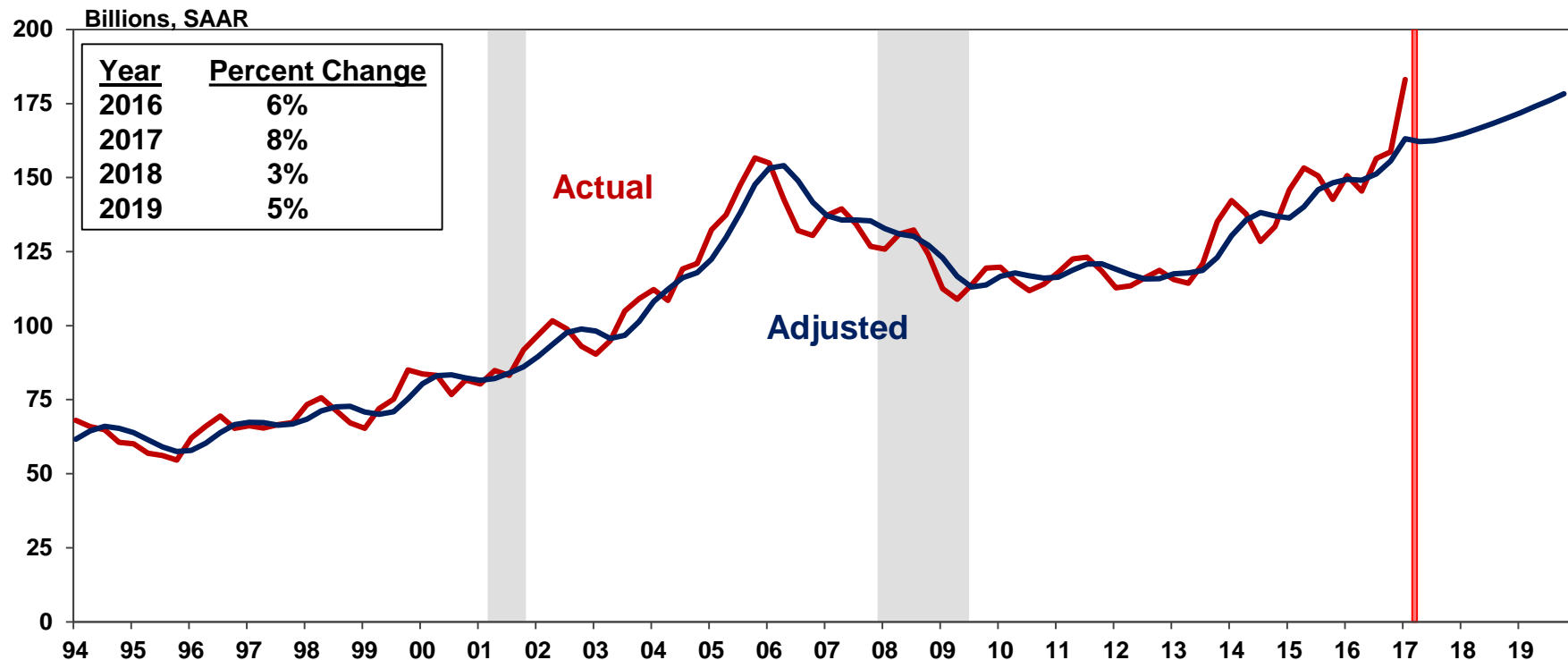


1995-2003	331,000	"Normal"
2014	355,000	
2015	395,000	11%
2016	393,000	-1%
2017	372,000	-5%
2018	365,000	-2%
2019	363,000	-1%



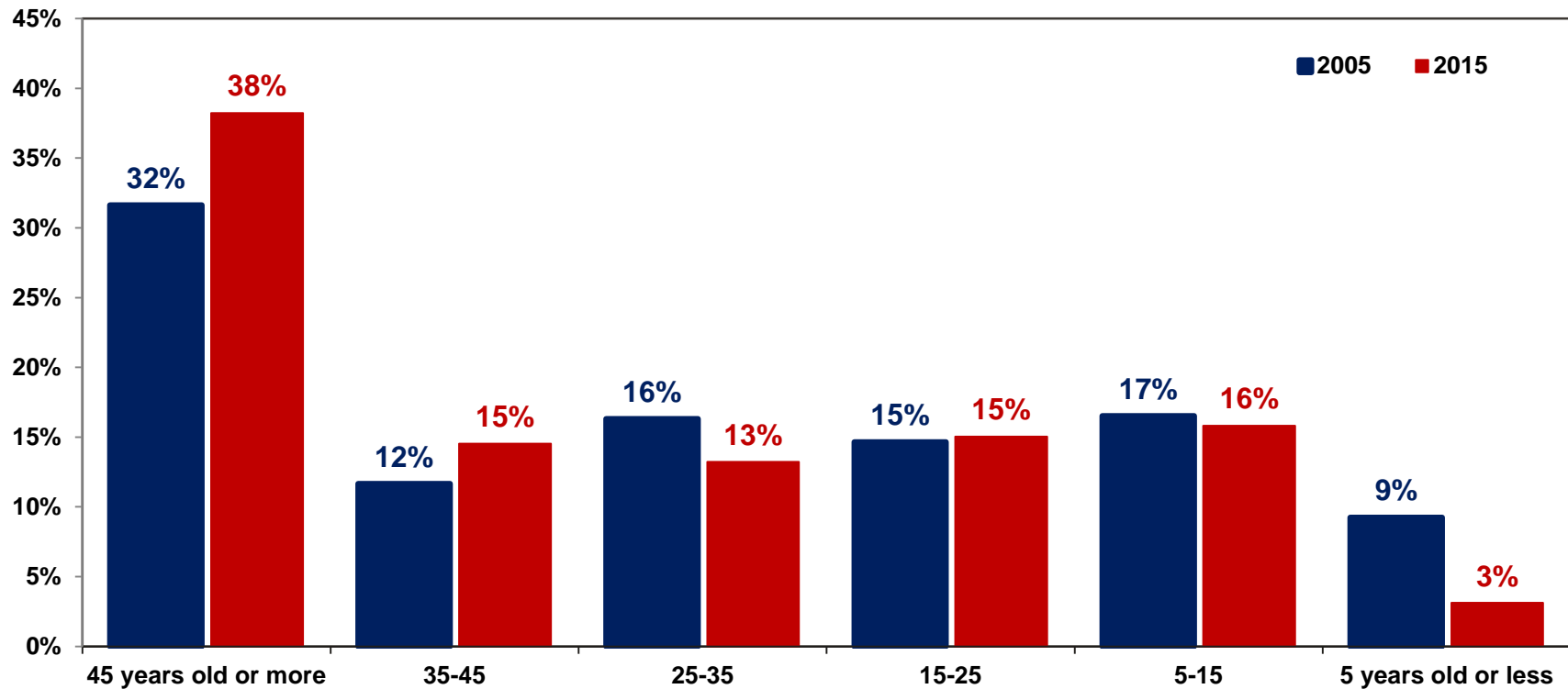
# Residential Remodeling

*Growth ahead*

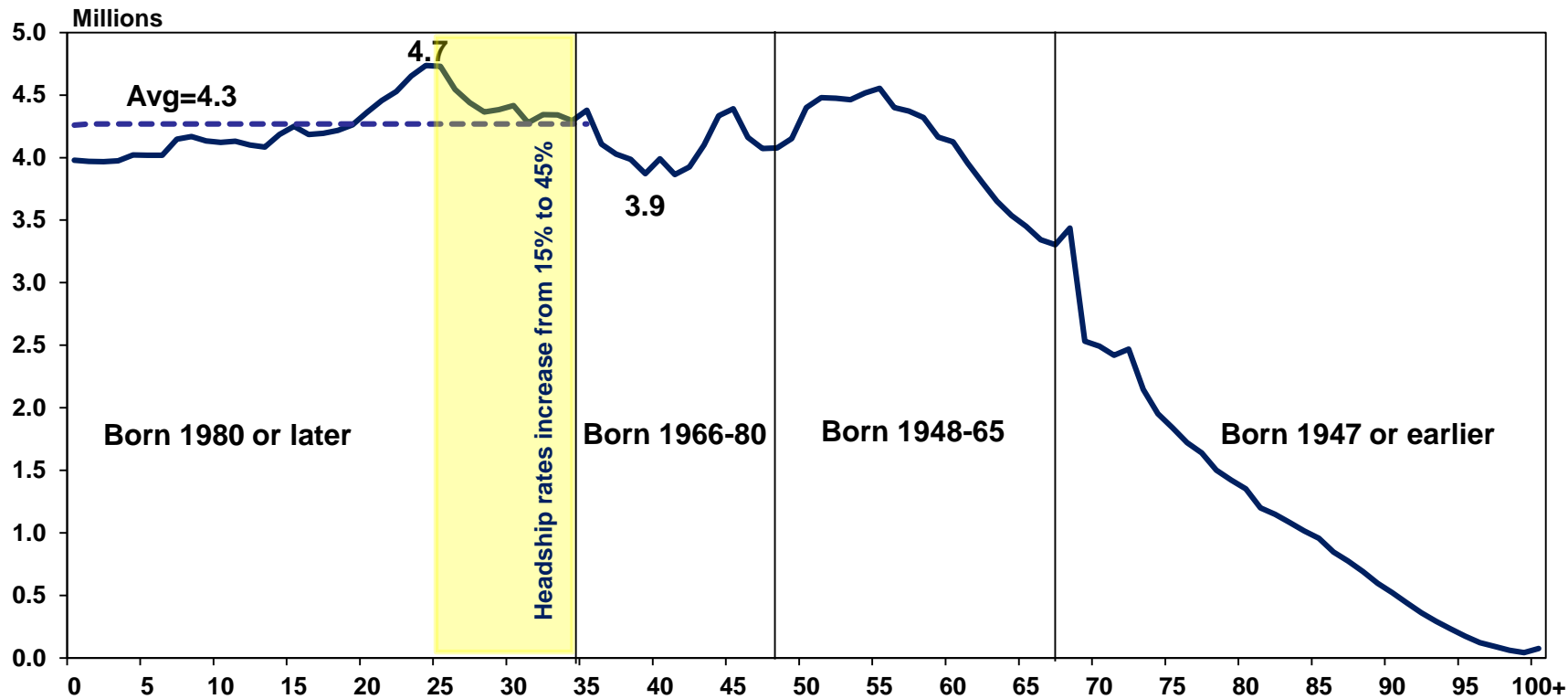


# The Age of the Housing Stock

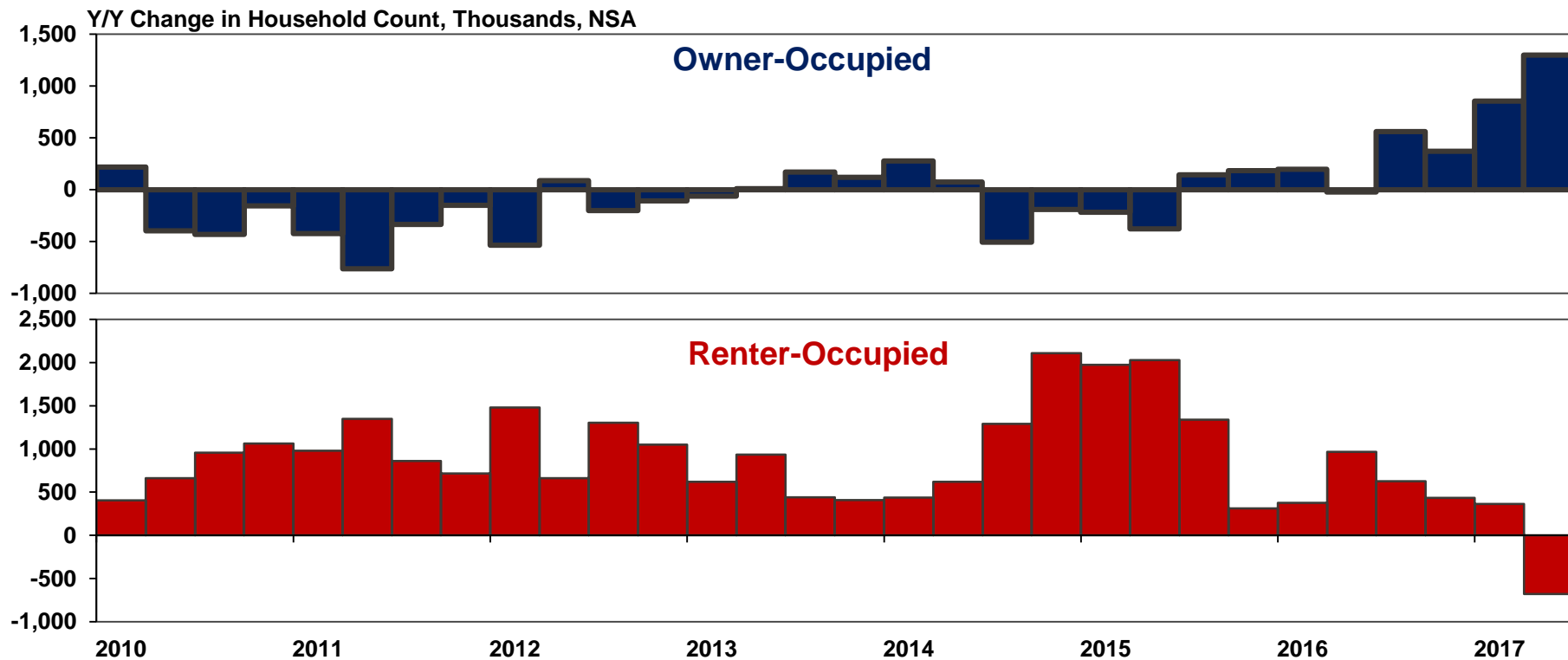
*Typical home is almost 40 years old*



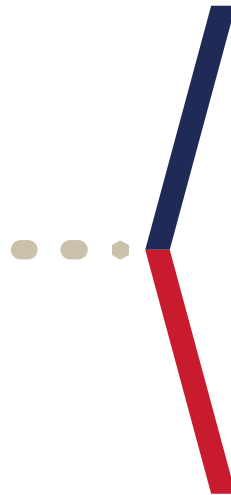
# Rising Population Entering Housing Demand Years



# Household Formation



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



# Home Building Economic Impact

# What is the Economic Impact of Home Building

NAHB impact developed in 1996

More than 800 studies, including for universities and affordable housing groups

2002: adapted for Low-Income Housing  
Tax Credit rental developments

2005: adapted for remodeling analysis

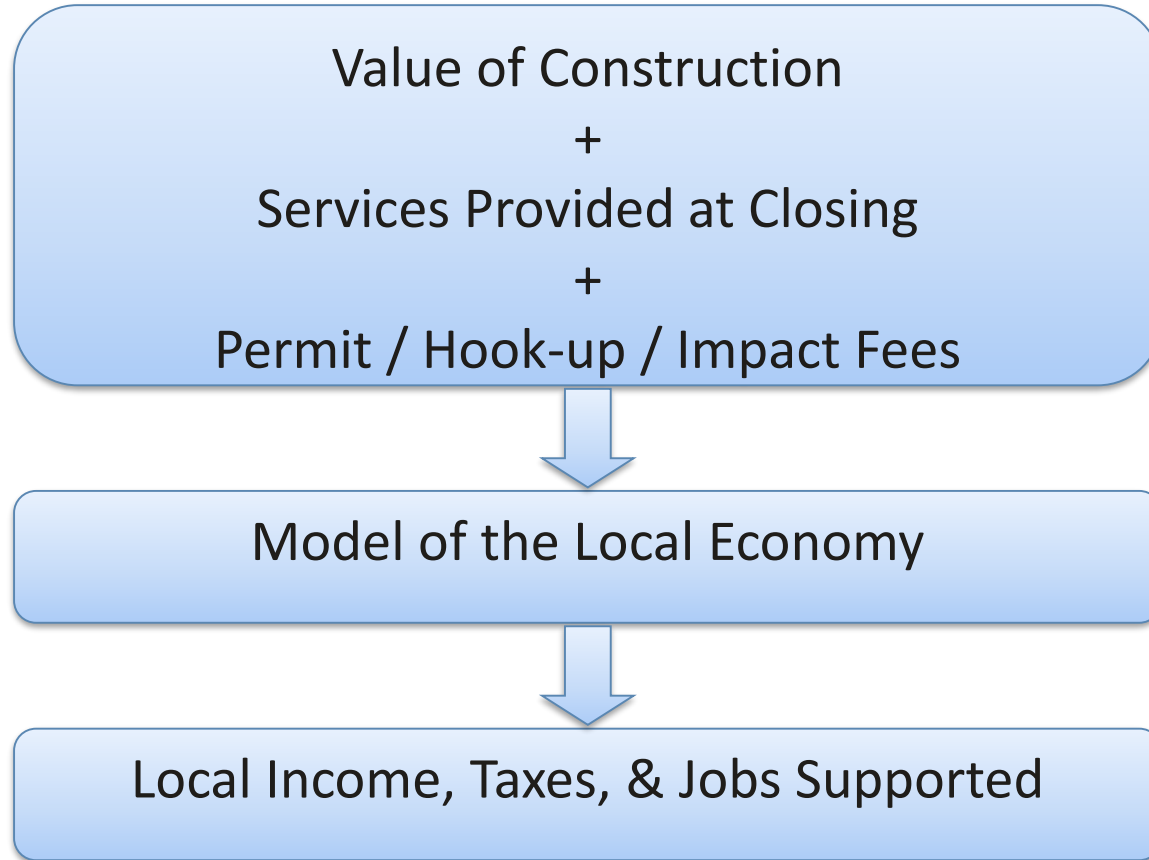
# What is the Economic Impact of Home Building?

## Study of Chattanooga, TN-GA MSA

- Hamilton County (TN)
- Marion County (TN)
- Sequatchie County (TN)
- Catoosa County (GA)
- Dade County (GA)
- Walker County (GA)

1,117 single-family homes built in Hamilton, TN

# Phase I -- CONSTRUCTION





# FIRST YEAR IMPACT: Single-family Construction – 1,117 Homes

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$133,528,200	\$45,516,500	\$88,012,100	\$11,493,200	1,694



**INCLUDING:**

\$1.1 M permit and impact fees

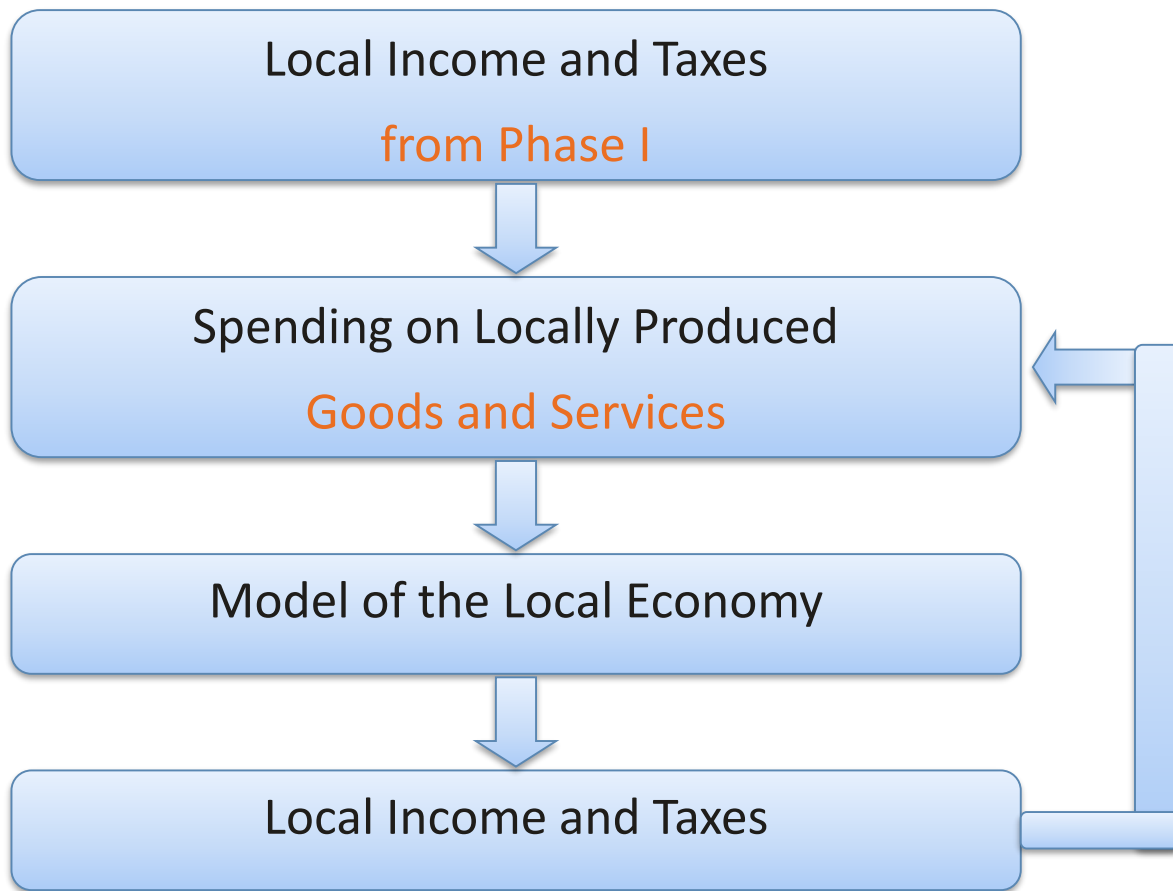
1,246 jobs in Construction

224 jobs in Wholesale and Retail Trade

120 jobs in Business and Professional Services

\* One job represents enough work to keep one worker employed full-time for a year.

## Phase II -- RIPPLE



# FIRST YEAR IMPACT: Single-Family Ripple

Local Income	Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$58,695,000	\$13,801,300	\$44,893,700	\$14,971,800	1,102

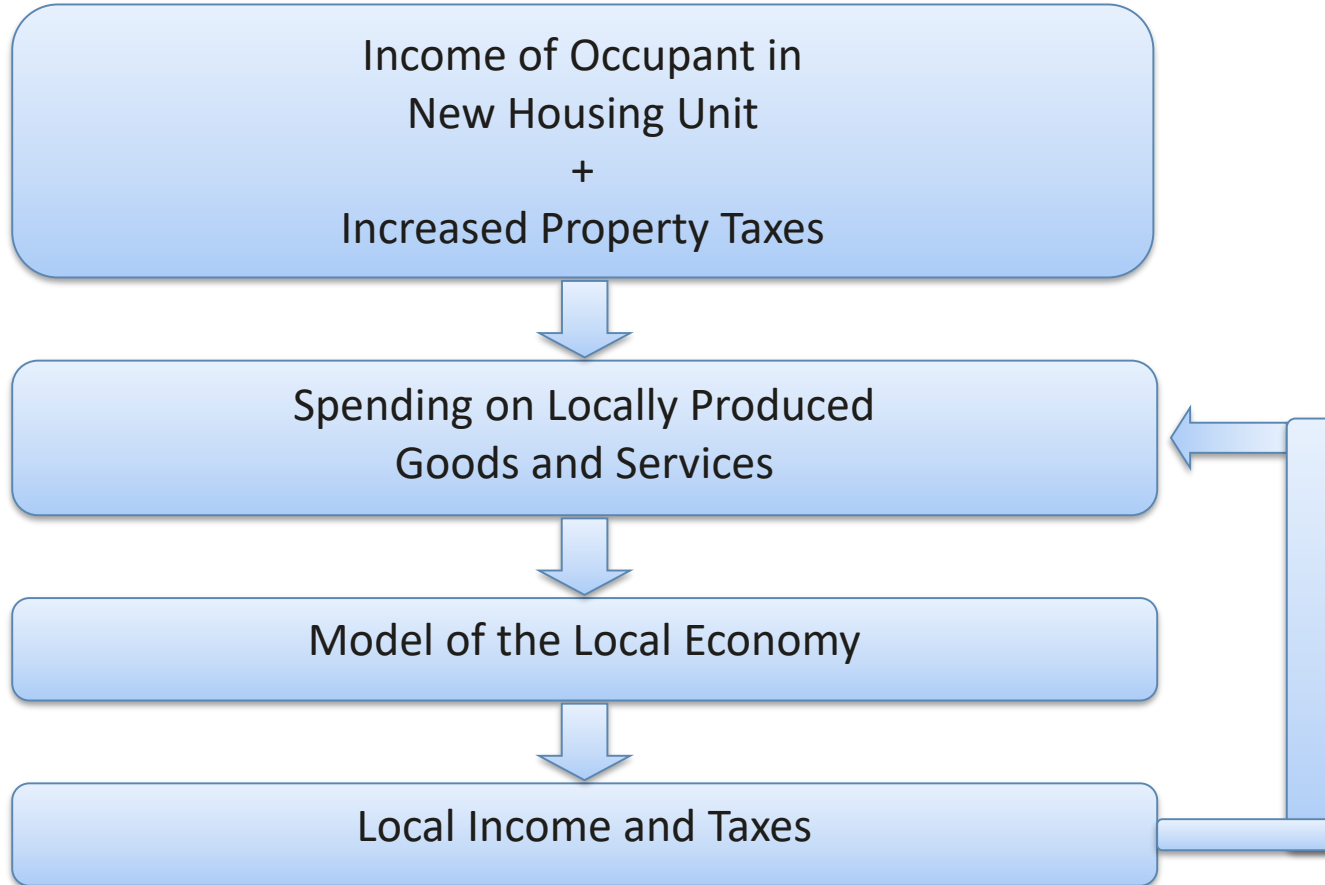
## INCLUDING:

258 jobs in Wholesale and Retail Trade

151 jobs in Eating and Drinking Places

135 jobs in Local Government

## Phase III -- OCCUPANCY



# ONGOING Single-Family -- ANNUAL EFFECT

Local Income	Local Business Owners' Income	Local Wages and Salaries	Local Taxes <sup>1</sup>	Local Jobs Supported
\$36,949,900	\$8,505,100	\$28,444,700	\$13,444,300	705

**INCLUDING:**

\$3.0M property tax

165 jobs in Wholesale and Retail Trade  
106 jobs in Eating and Drinking Places  
93 jobs in Local Government



# New Homes Require

Fire and police protection

Garbage collection

Parks and recreational opportunities

Roads

Correctional facilities

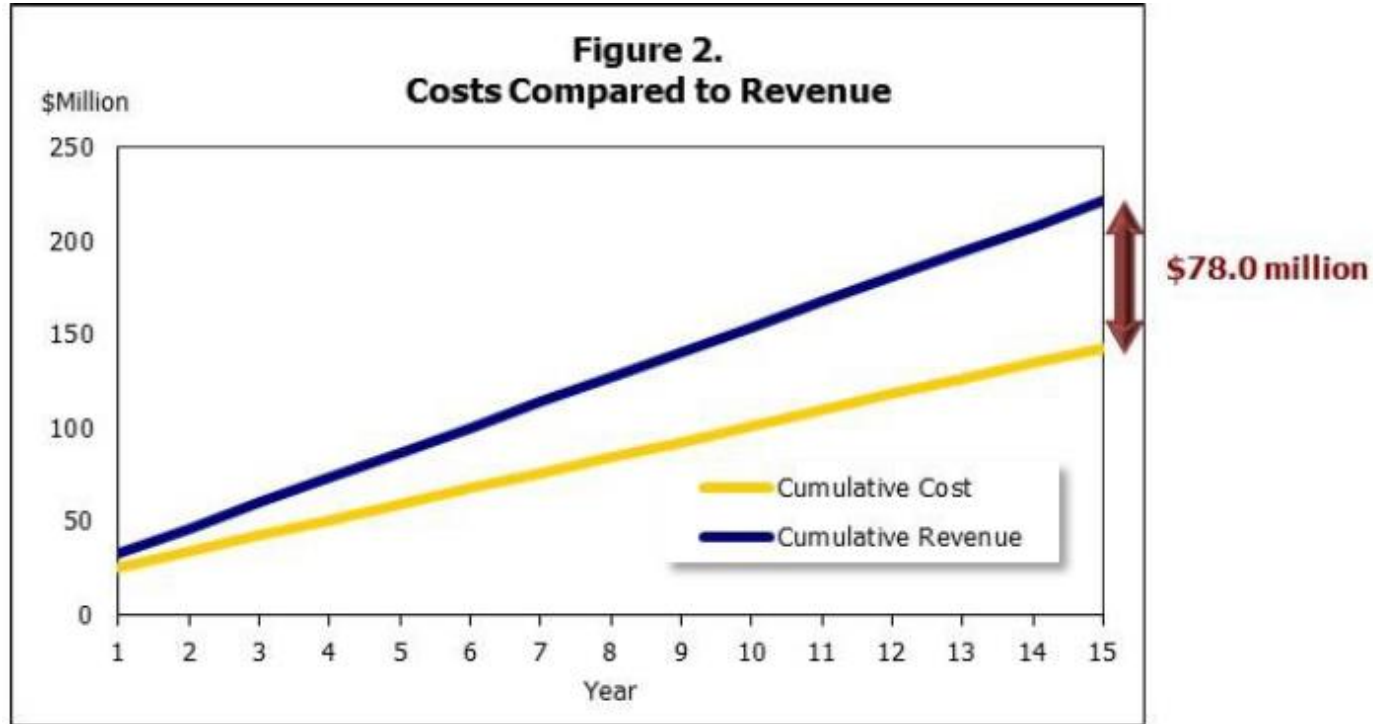
Primary and secondary education

Etc.

Data: Local and Federal Government

# Net Economic Impact Estimates

1,117 Single-Family Homes (2,796 Phase I and II jobs, 705 Phase III jobs)  
\$221.4 million in revenue; \$143.4 million in costs  
\$78.0 million in net revenue



# Thank you

*Questions?*

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