

Fed Cuts on the Horizon

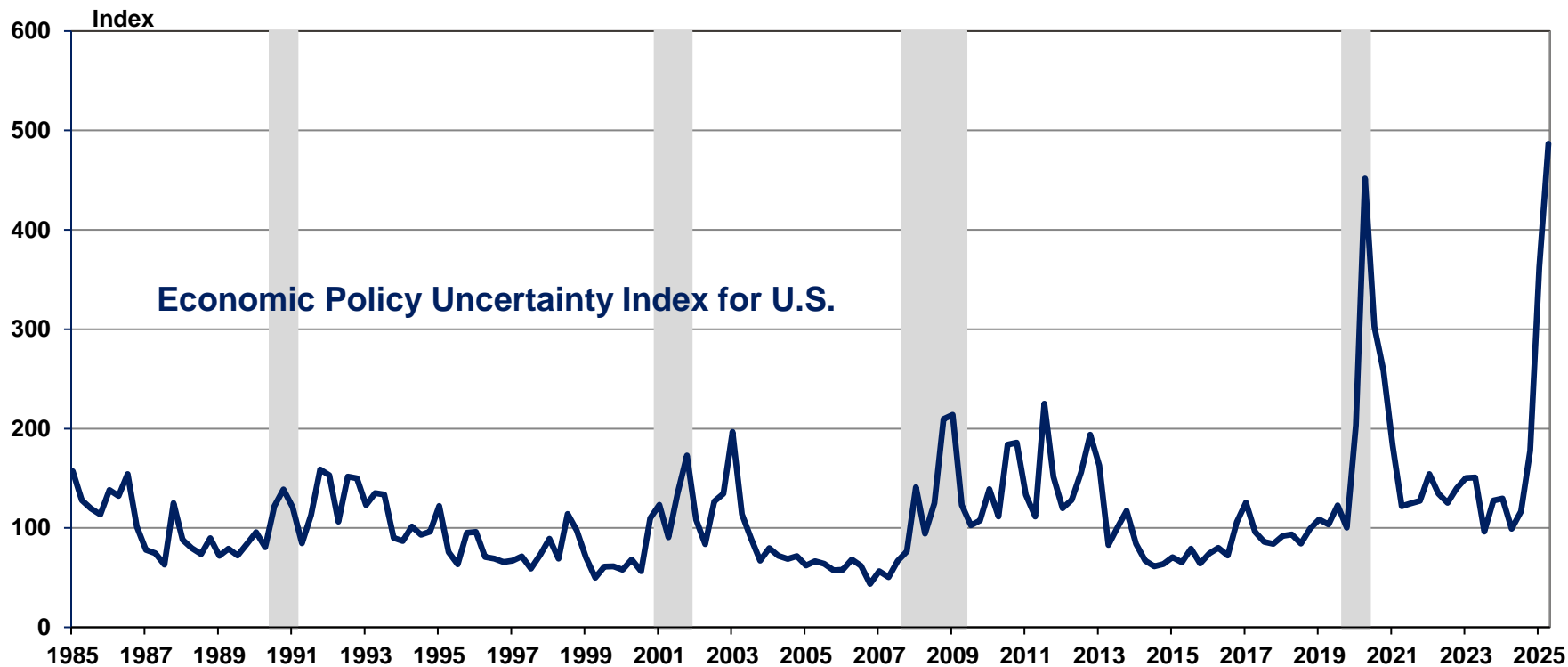
HBA Michigan Summer Convention
August 14, 2025

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NAHB Chief Economist



Economic Policy Uncertainty Near a Multidecade High

Only covid era saw higher uncertainty



Source: Baker, Scott R.; Bloom, Nick; Davis, Stephen J. via FRED®

Consumer Confidence

Consumer confidence weakened in June, reversing a significant portion of the gains seen in May



Source: The Conference Board.

/ Average 12-month Inflation Expectations

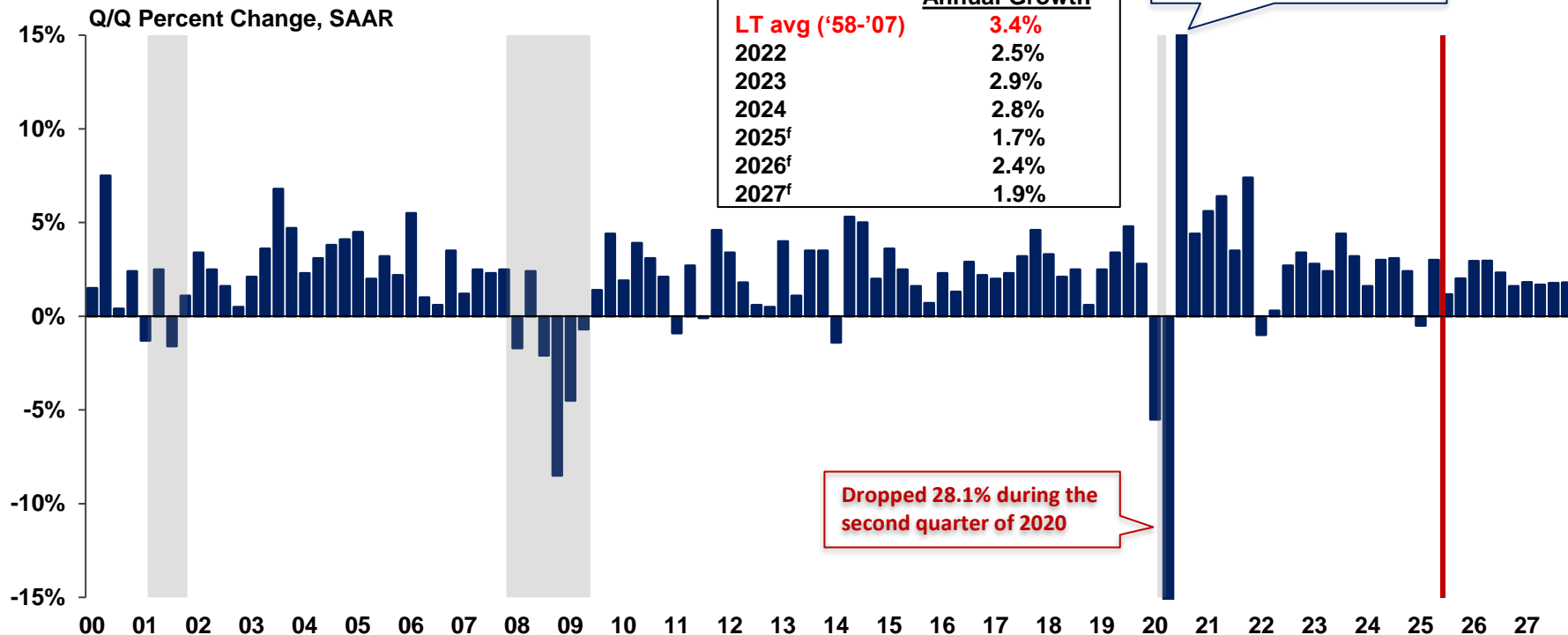
Consumers concerned about high prices for key household staples and the impact of tariffs



Source: The Conference Board.

GDP Growth Slows with Tariffs

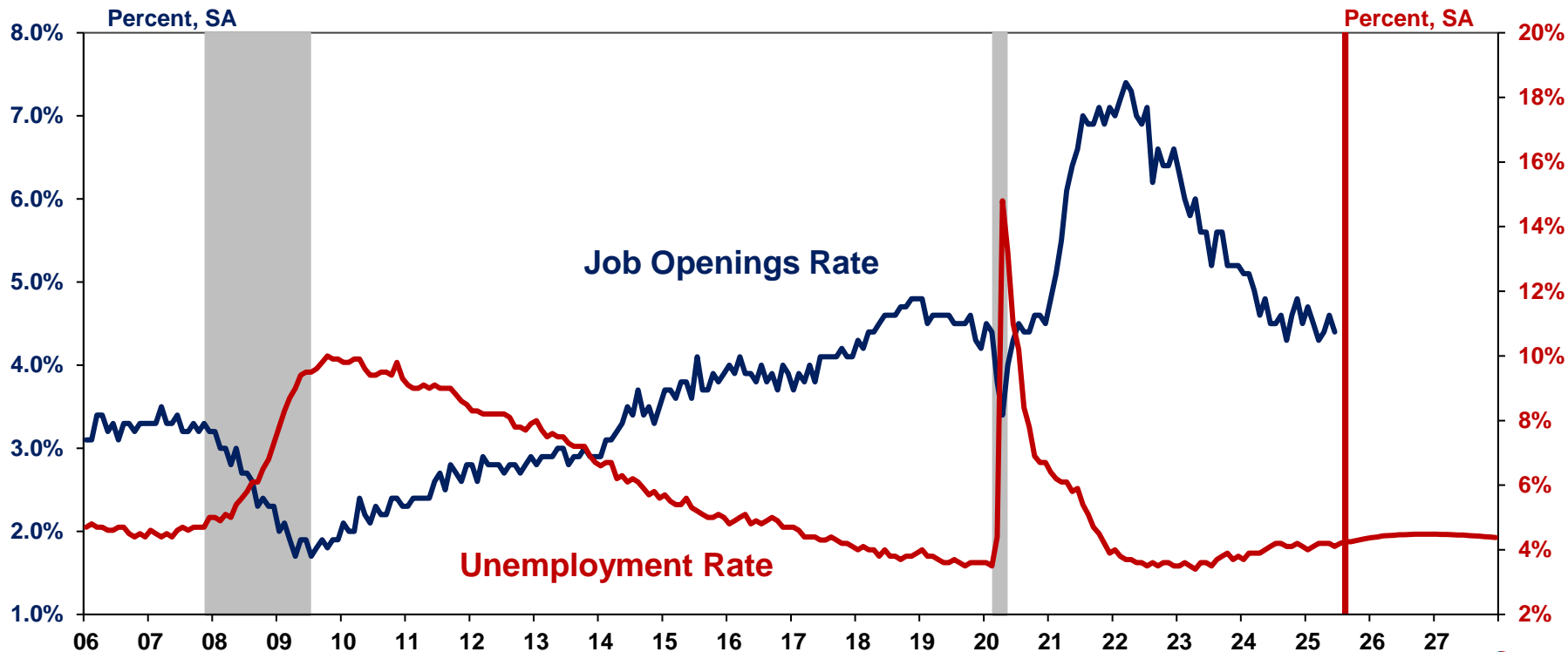
Recession risk – 30% chance



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

Unemployment Rate Rising

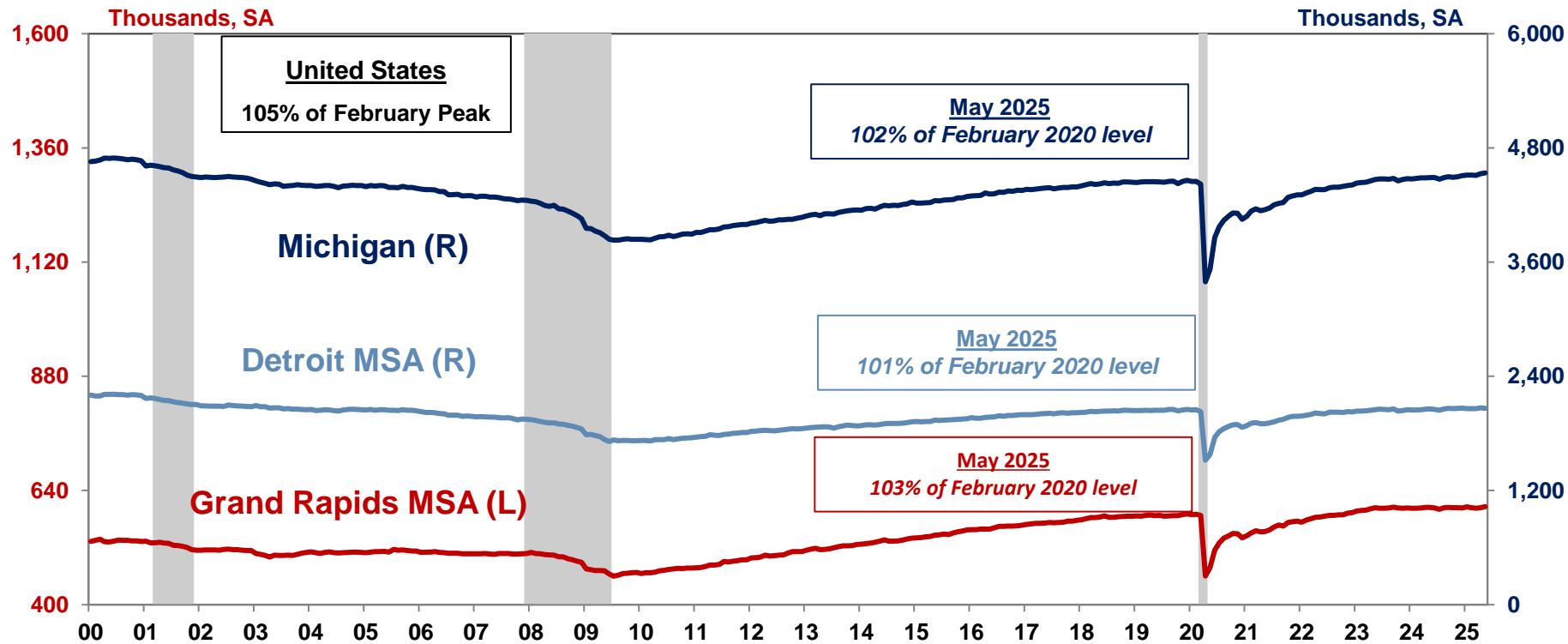
Job openings decreased slightly to 7.4 million in June



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

Payroll Employment

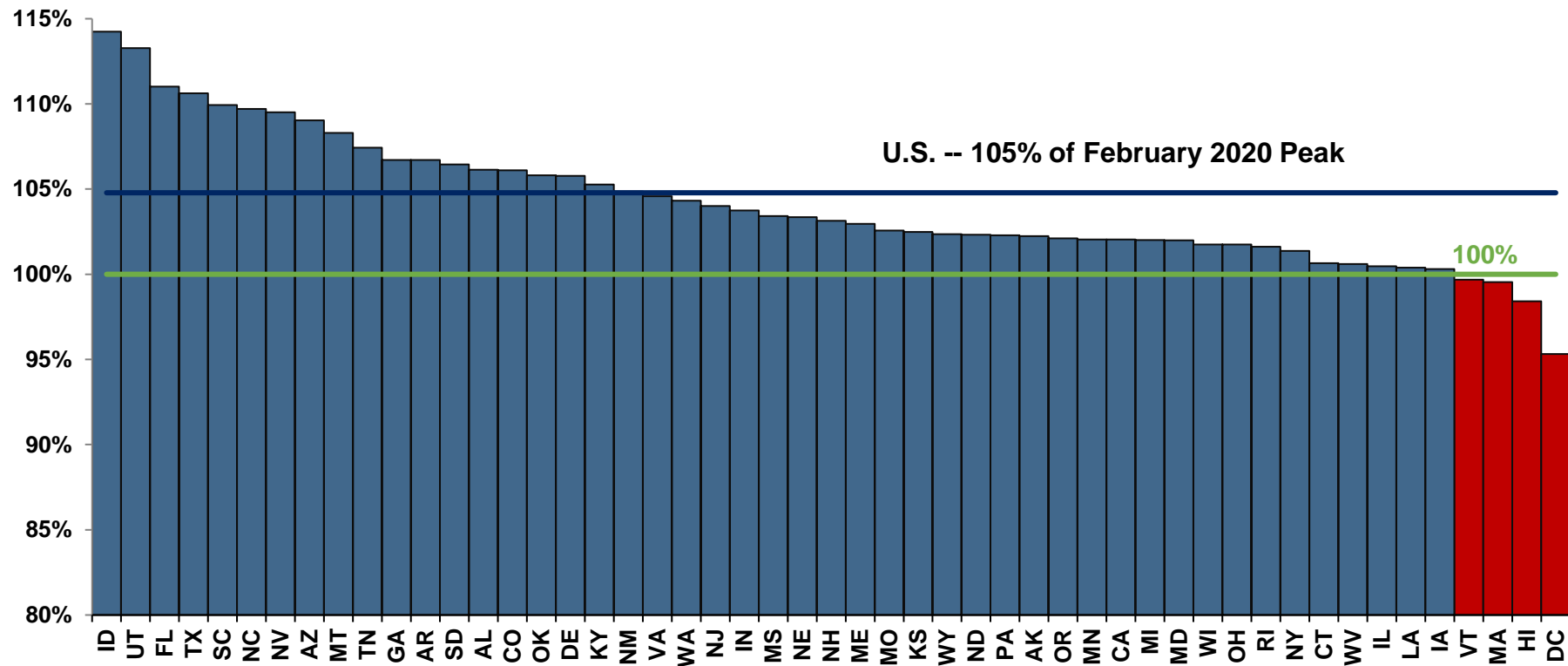
Detroit and Grand Rapids MSAs recovered from COVID-19 recession



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

/ Payroll Employment

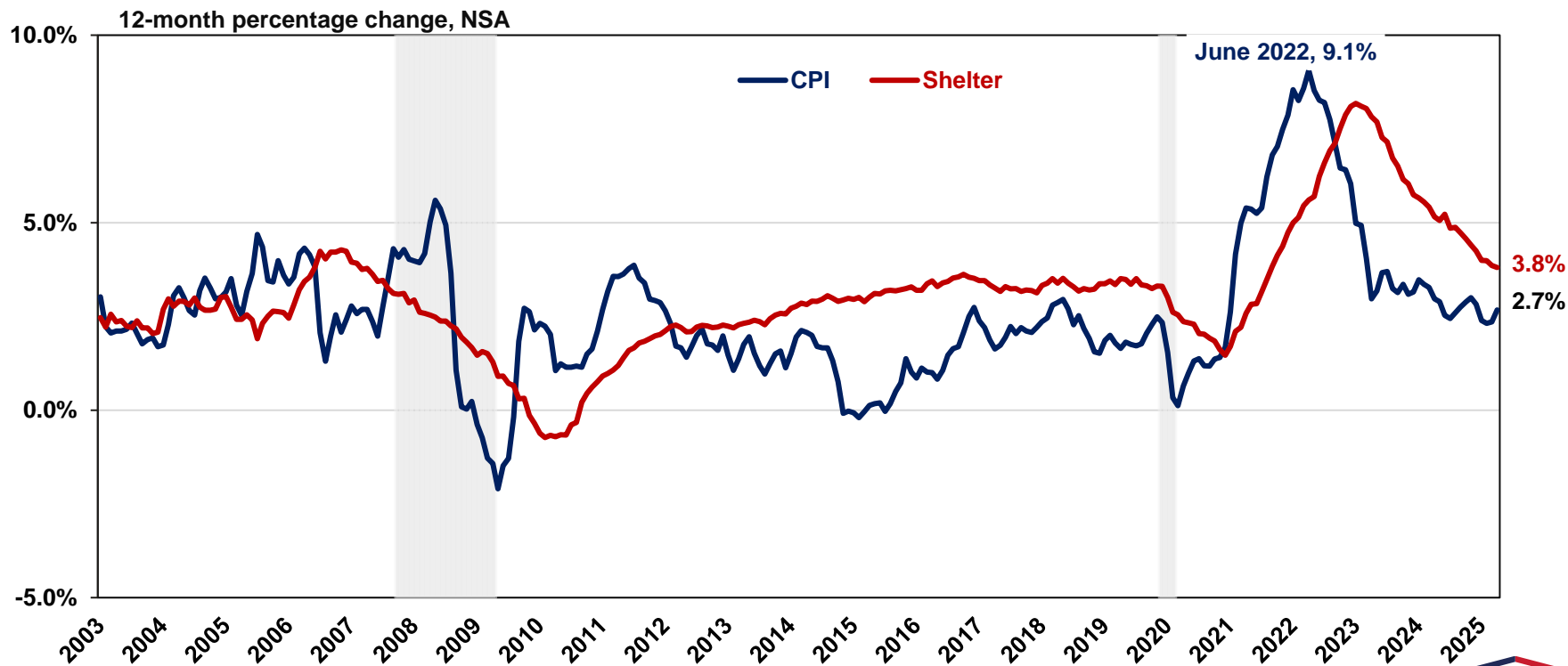
Mountain states leading job gains, 47 states exceeded the pre-pandemic peak



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

Consumer Inflation – Headline Rate and Shelter

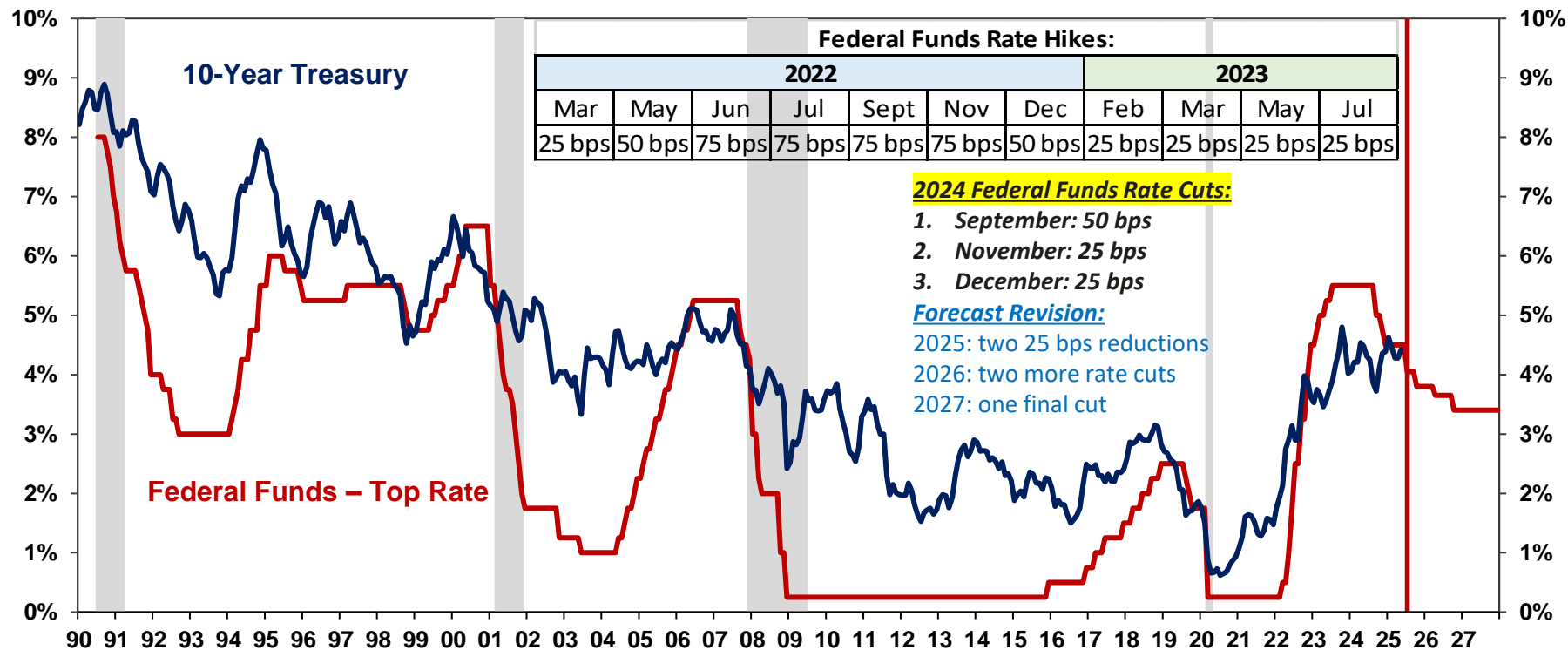
Shelter costs continue to outpace broader consumer prices – only more housing can fix



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

Monetary Policy Easing Cycle Begins

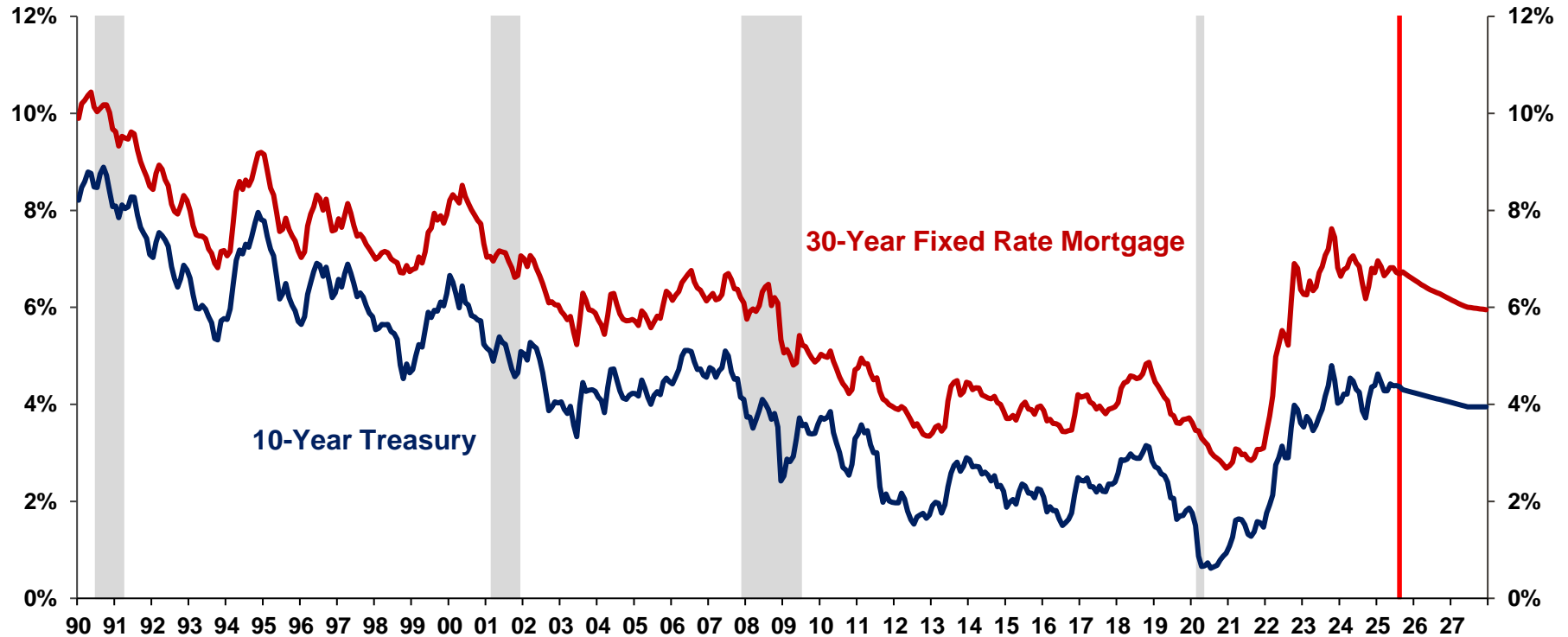
Fed cuts interest rates for the first time since 2020



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

Mortgage Rates Remain in 6% to 7% Range

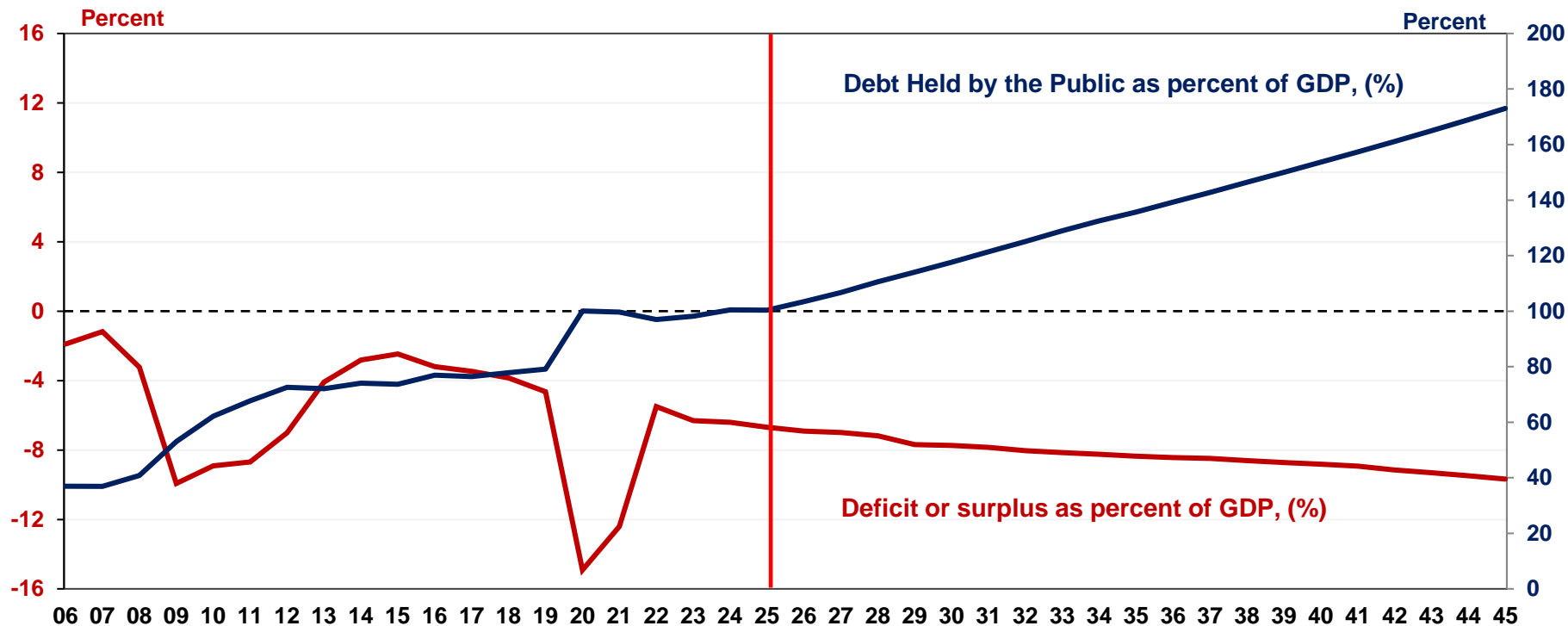
Long-term interest rates remain elevated on policy risk



Source: Federal Reserve and Freddie Mac data and NAHB forecast.

Government Deficits Growing

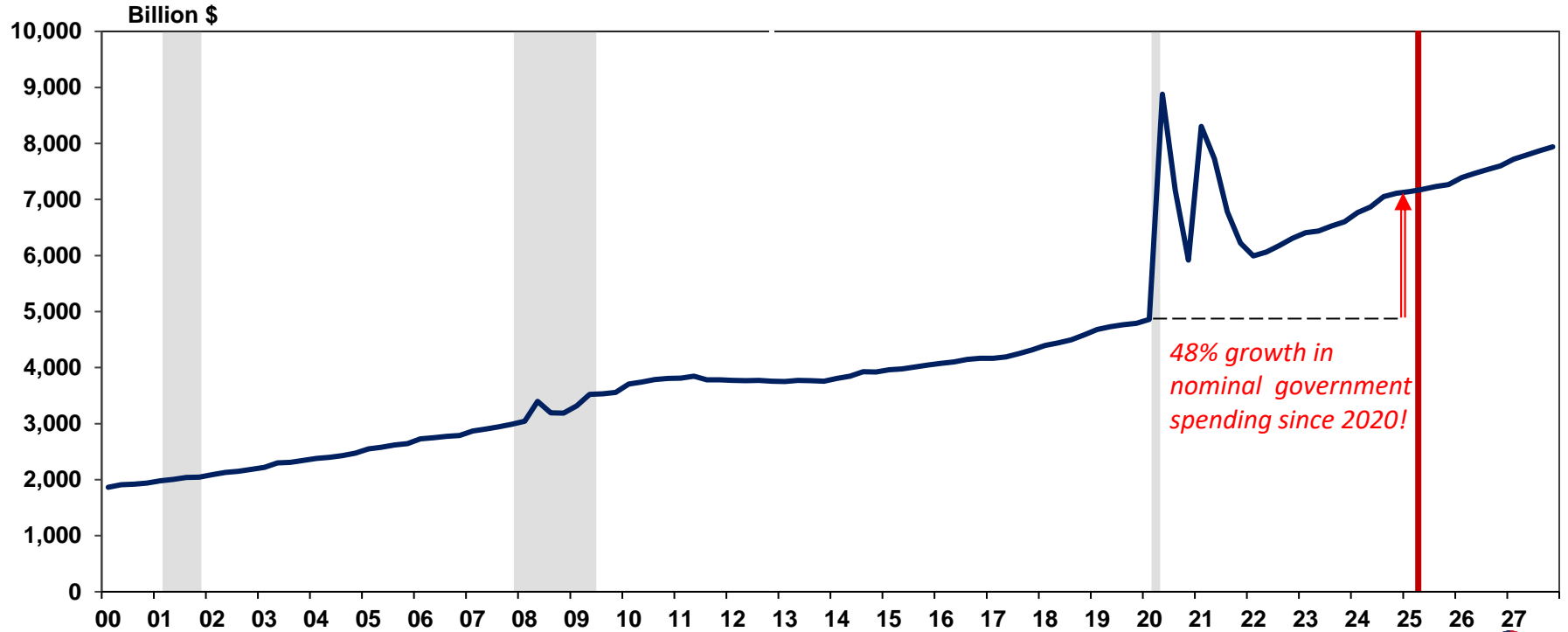
Approaching unsustainable trends despite low unemployment



Source: Congressional Budget Office (Congressional Budget Office Alternative Policy Baseline with Tax Policy Extensions).

Historic Expansion for Government Spending

Covid era government spending surge

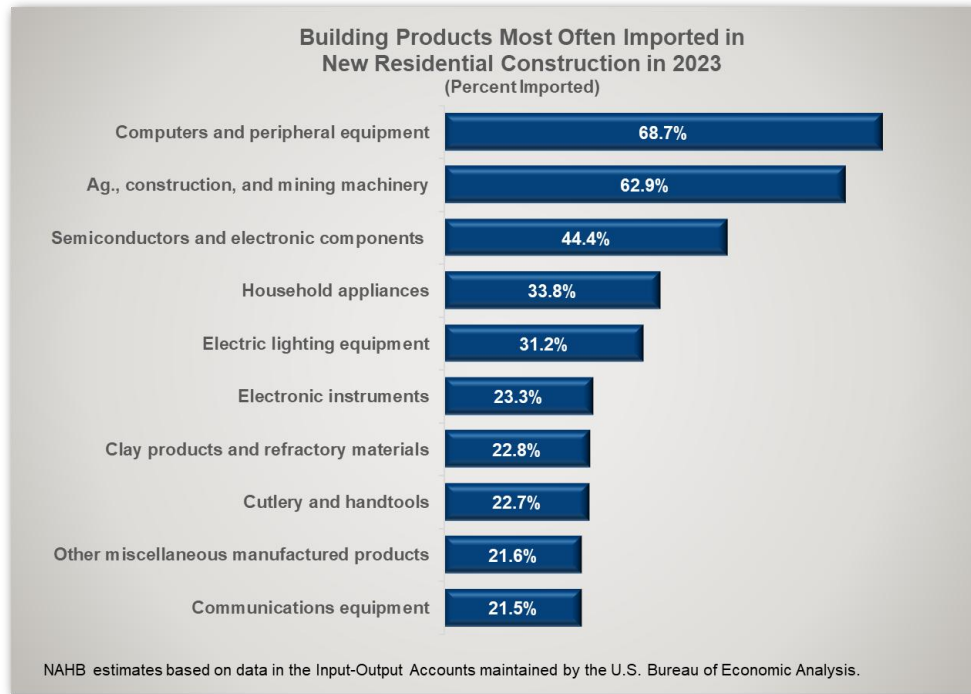


Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

Tariff Considerations

\$10,900 per single-family home

7.3% of building materials imported

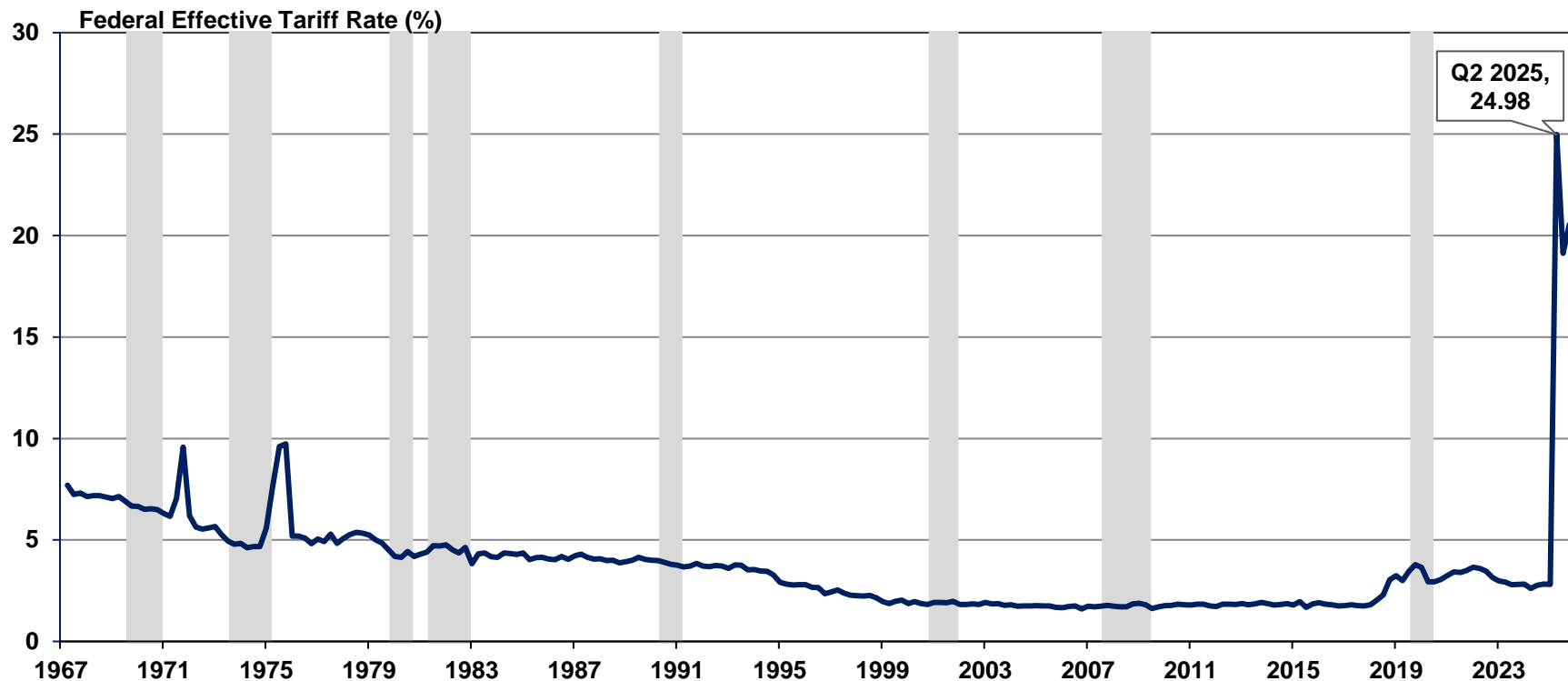


- *U.S. government*
 - *\$2 trillion income tax revenue from \$20 trillion in income*
- *Proposed 10% across the board tariff*
 - *\$2.7 trillion in imports*
 - *Perhaps raise \$240 billion after substitution effect*
 - *Laffer curve reduces revenues at 50% tariff rate*
 - *Max revenue maybe \$700 billion*
- *After-tax distribution effects 10% tariff*
 - *Bottom 20% - 3% income decline*
 - *Top 20% - 0.7% income decline*

Replacing income taxes with tariffs would have complex effects; no free lunch

Unprecedented Tariff Proposals with High Economic Cost

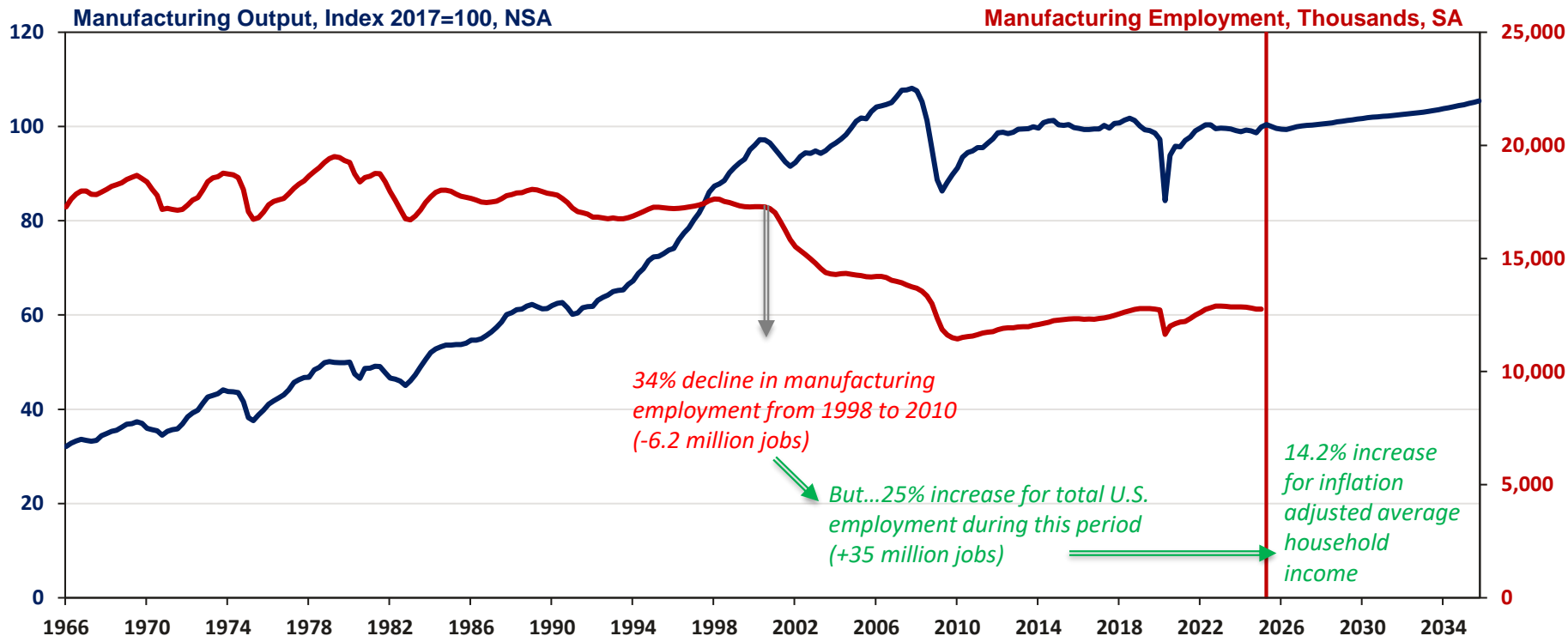
A tax hike risking inflation with uncertainty



Source: Bureau of Economic Analysis (BEA), ITC, and NAHB Analysis

Flat Manufacturing Trends

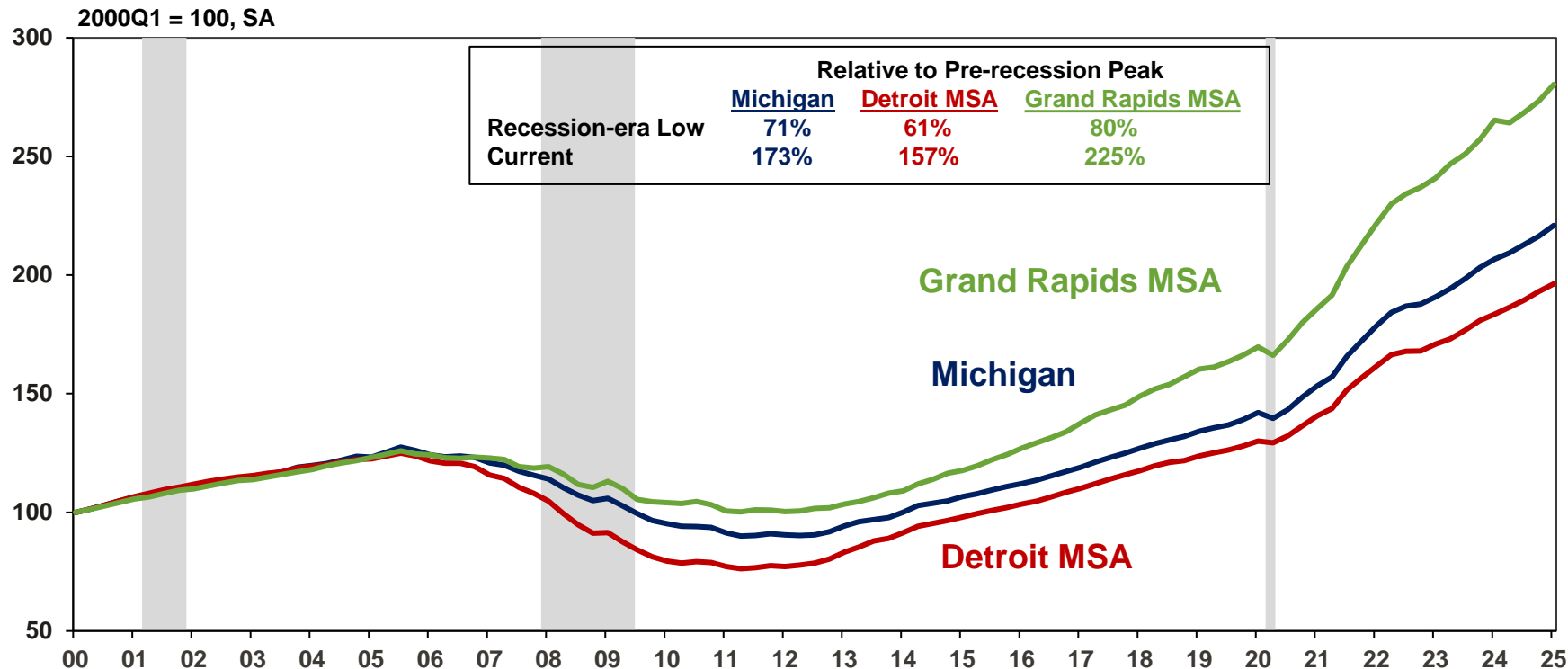
Large sector employment declines after China entered WTO



Source: Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), and NAHB Analysis

Existing House Price Index

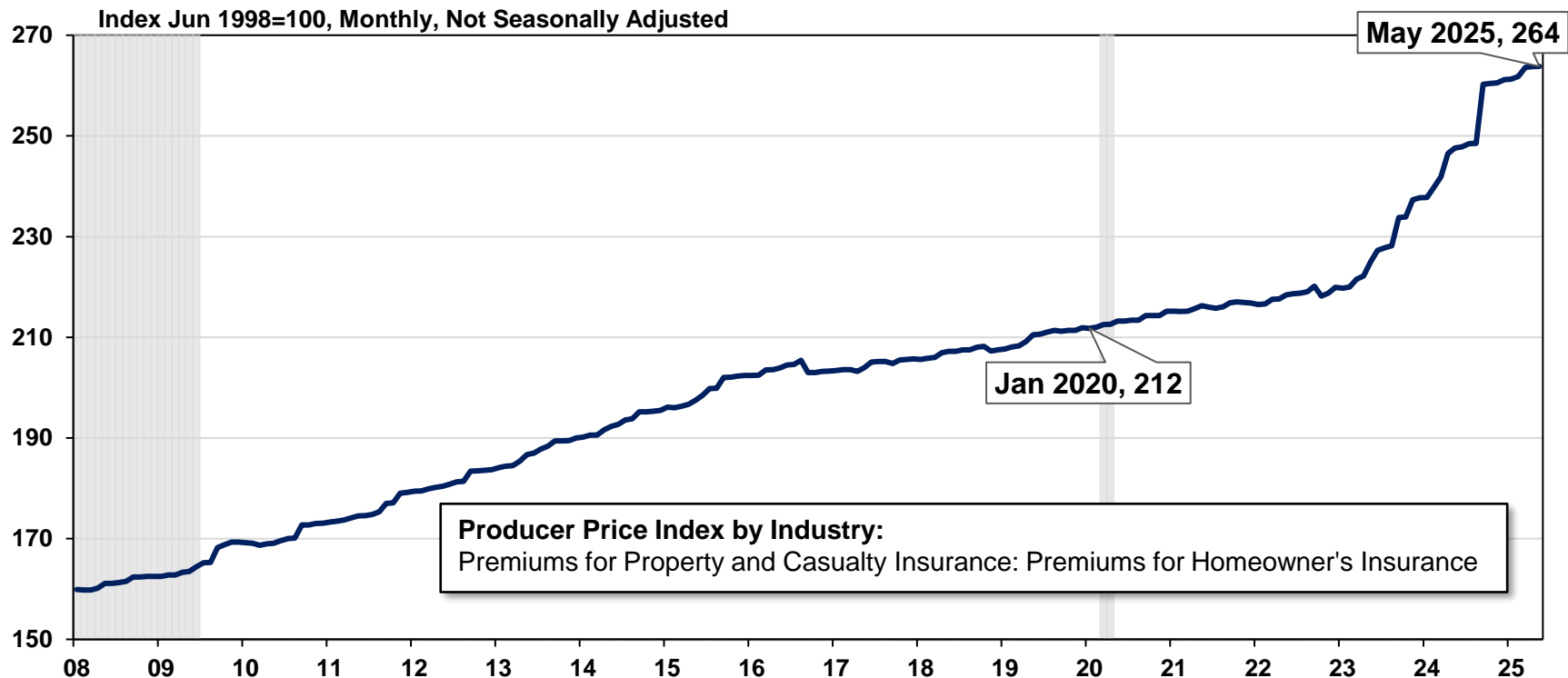
Detroit MSA 51% home price gain since covid, 65% for Grand Rapids MSA, 56% for MI and 55% for U.S.



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

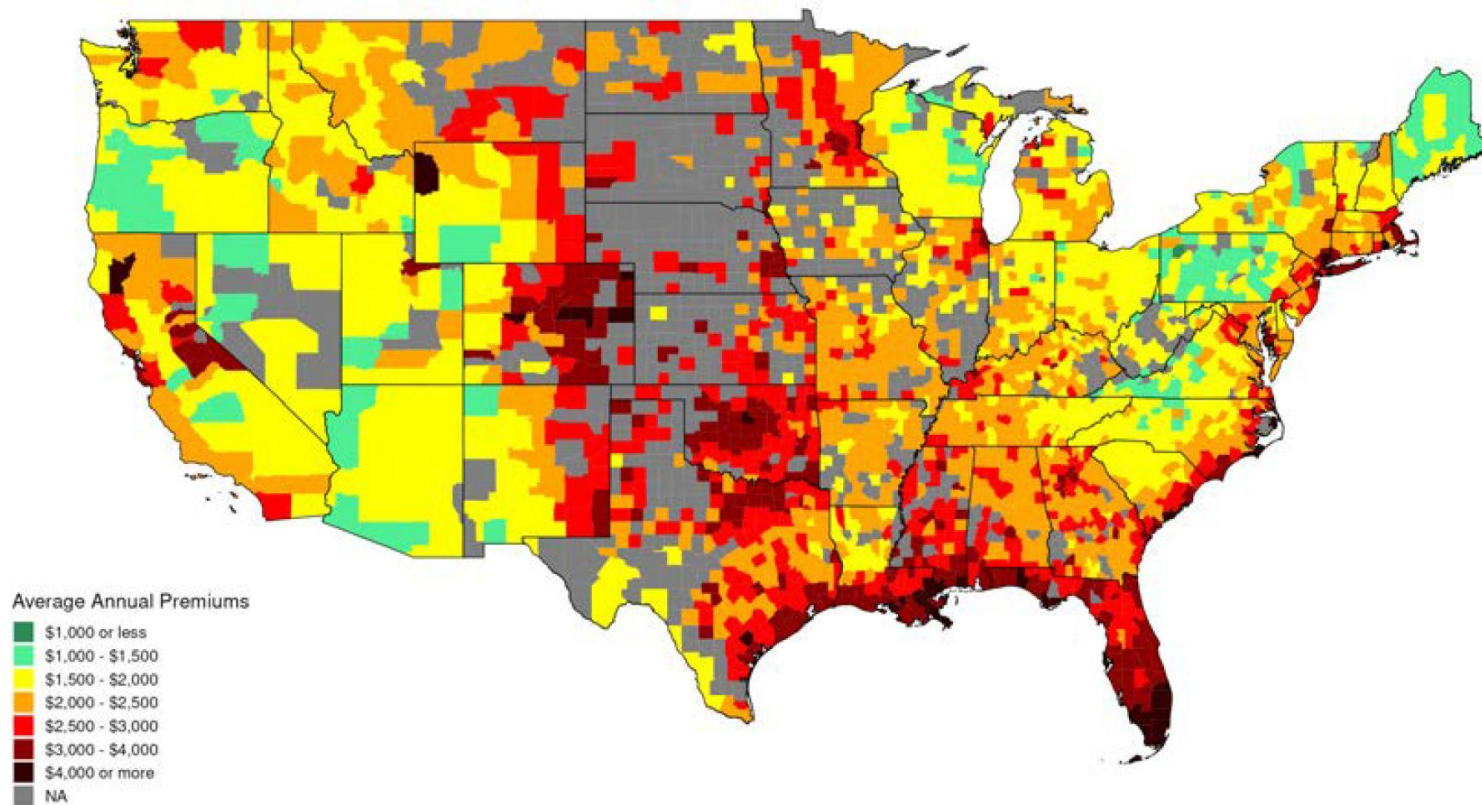
Premiums for Homeowners Insurance Rising

24.6% increase since start of 2020; availability declining as well



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Industry: Premiums for Property and Casualty Insurance: Premiums for Homeowner's Insurance

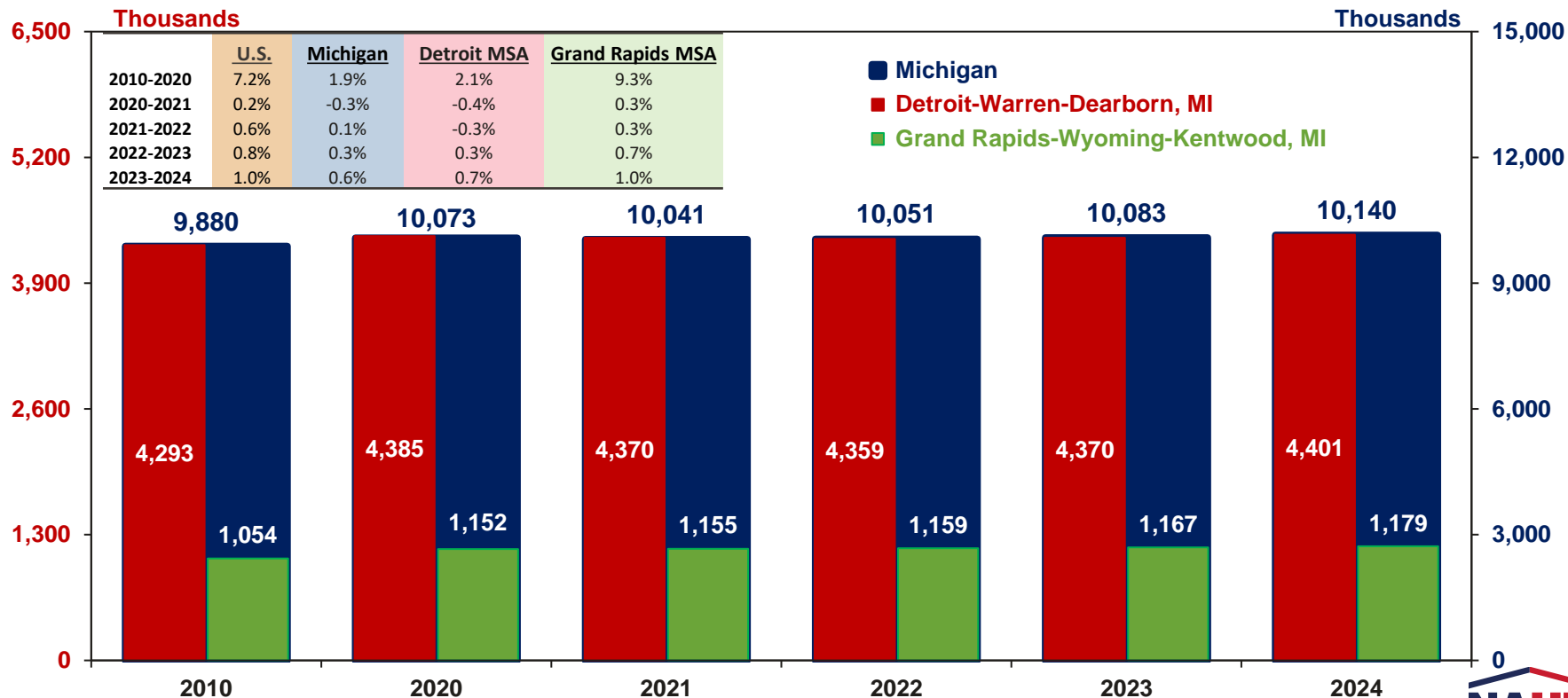
Wide Geographic Differences for Insurance Premiums



Source: PROPERTY INSURANCE AND DISASTER RISK: NEW EVIDENCE FROM MORTGAGE ESCROW DATA, NBER Working paper 32579

Population Growth

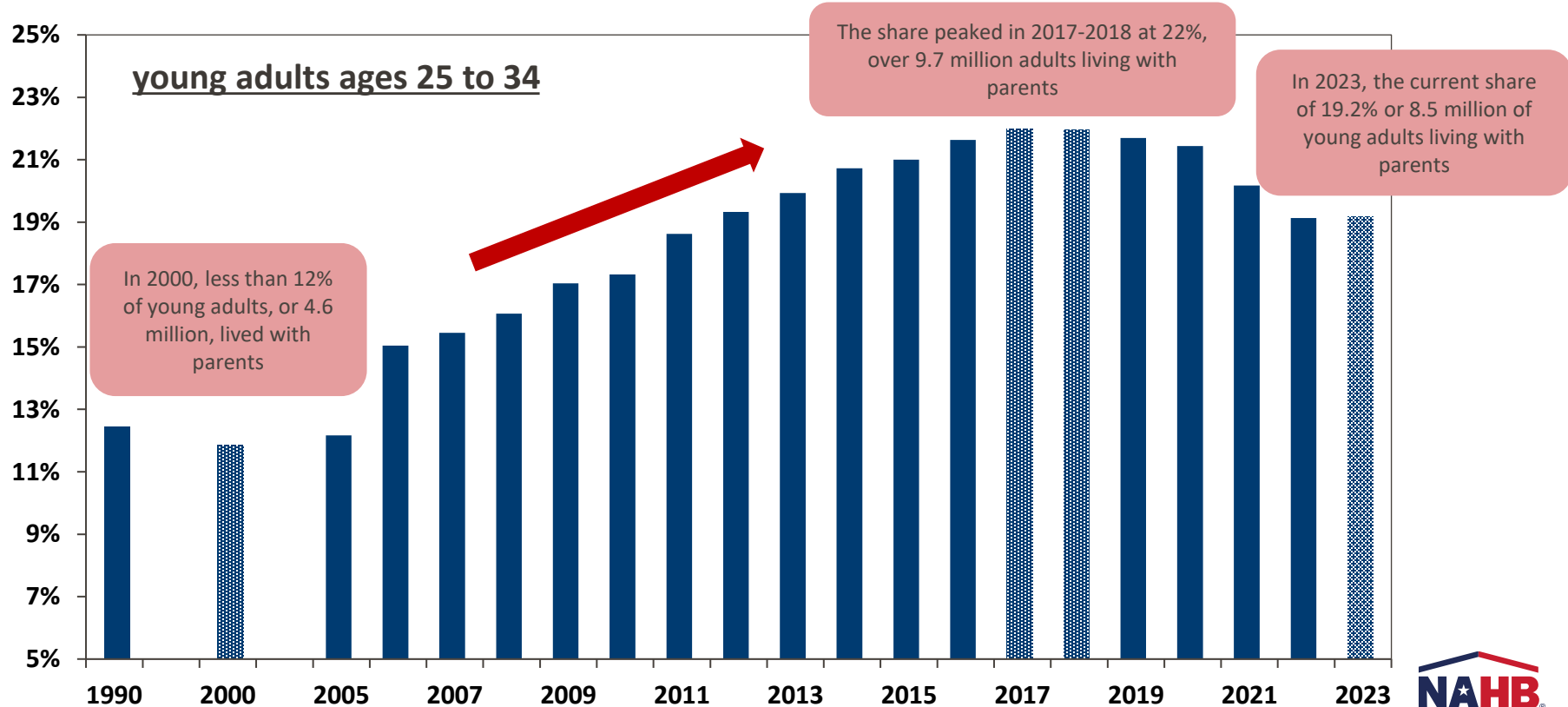
Detroit and Grand Rapids MSAs population grew faster than the state rate



Source: U.S. Census Bureau (BOC).

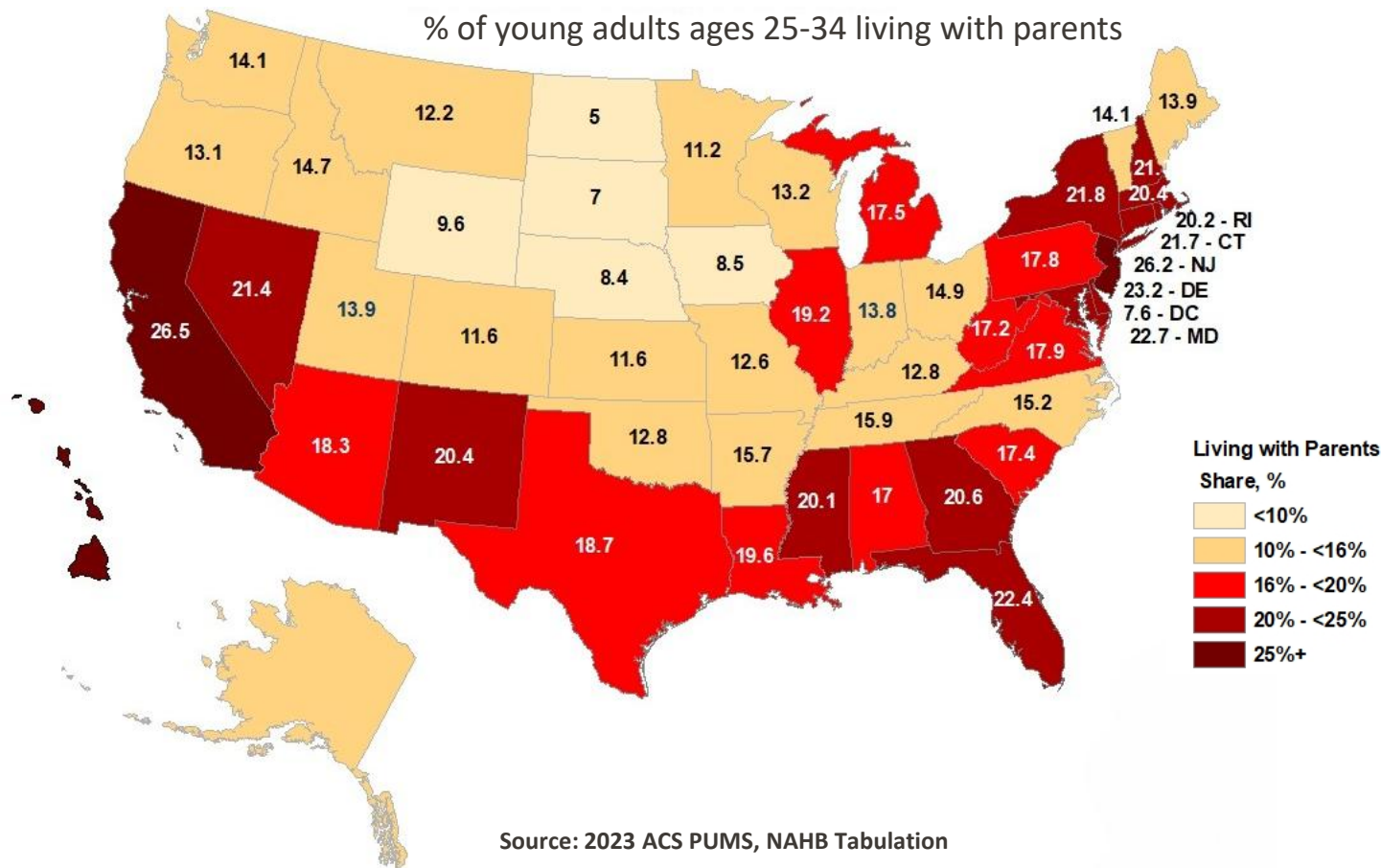
Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

Share of Young Adults Living with Parents



Source: US Census 1990, 2000, PUMS, 2005-2023 ACS, PUMS, NAHB Estimates

Higher Share in High Cost Areas: Young Adults with Parents



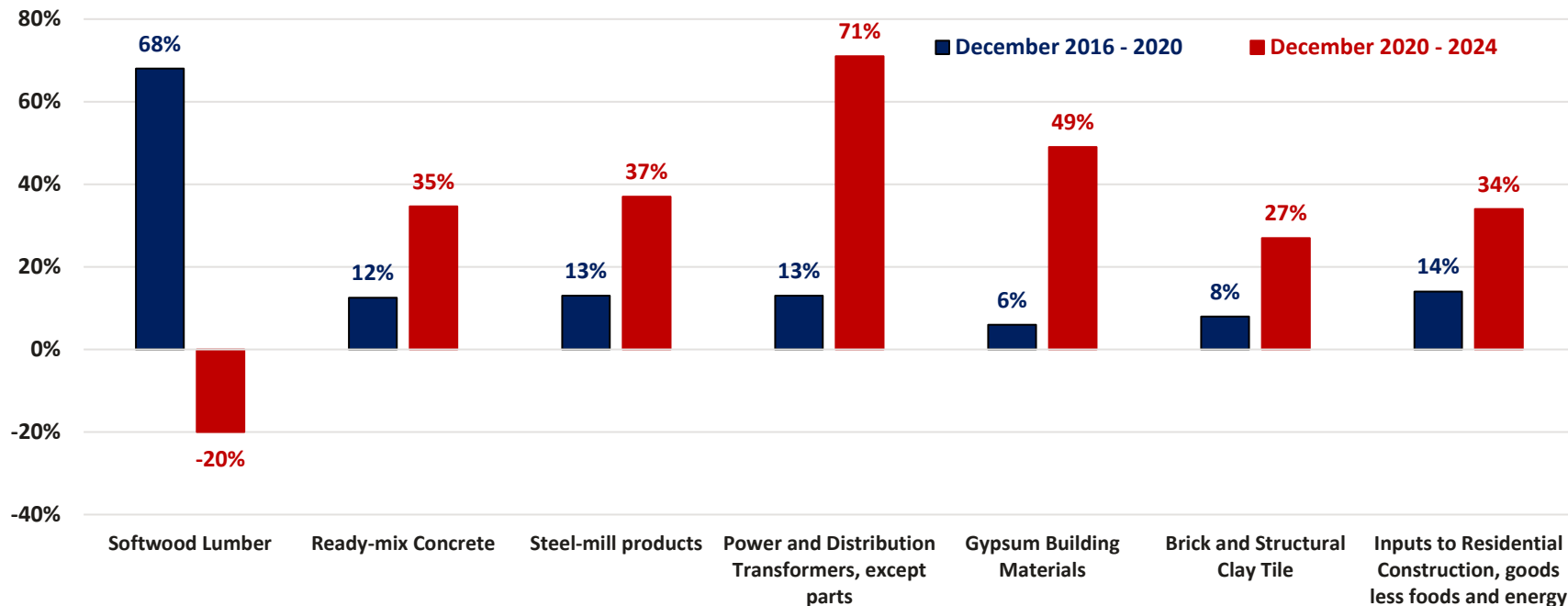


Supply-Side Factors



Building Material Prices

Costs of Building Materials Have Surged Since the Pandemic
Four-year Price Percentage Change



Source: U.S. Bureau of Labor Statistics; Producer Price Index

Lumber Prices Rising

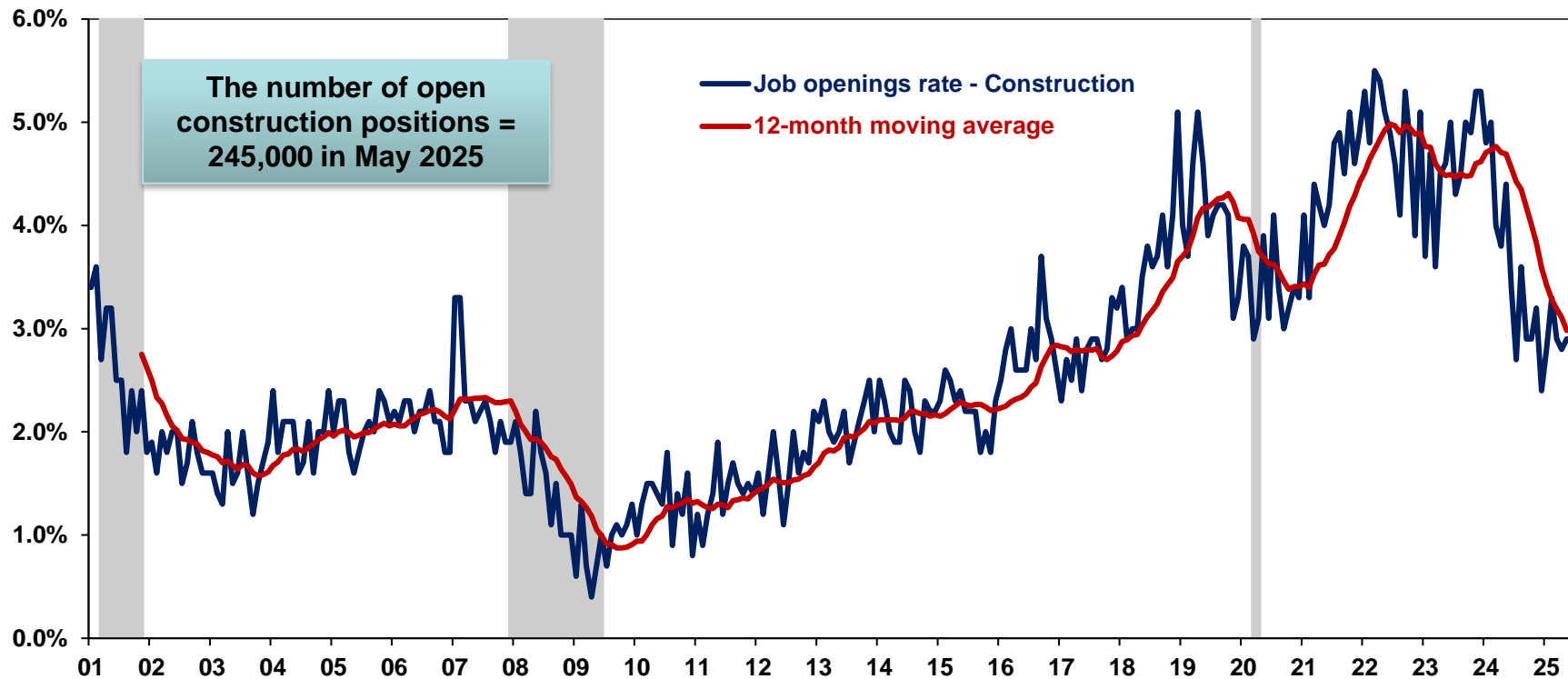
Current July price is \$427, up 1.2% last week – the first increase in almost 3 months



Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Peaked for Cycle

Skilled labor shortage persists; 400,700 net gain for residential construction since Jan 2020



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

Economic Impact of Skilled Labor Shortage

Skilled labor shortage impact of billions of dollars per year

- University of Denver study (Holt and Ray, 2025)
 - *The Skilled Labor Shortage and the Impact on Building Costs and Cycle Times*
 - Underwritten by HBI and Fannie Mae
- NAHB Economics aggregate analysis using report's findings
 - 1.98 month cycle time extension
 - \$1,333 monthly per home carrying cost due to financing/administrative expense
 - A little more than 1 million single-family homes constructed in baseline
 - Direct financial impact: \$2.663 billion higher carrying cost
 - 19,000 deferred or lost home builds due to cost impact
 - Indirect economic impact: \$8.143 billion
- Total economic impact of **\$10.8 billion annually** from skilled labor shortage

SHARE OF IMMIGRANTS IN THE WORKFORCE, 2023



FOREIGN-BORN SHARE, %

- <5%
- 5% - <10%
- 10% - <20%
- 20% - <30%
- 30%+

Source: 2023 American Community Survey, PUMS, NAHB Estimates



Source: NAHB analysis of Census data

Regulatory Costs \$93,870 Per New Home (11% Gain 2016 to 2021)

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

23.8% of price



Source: NAHB/Wells Fargo Housing Market Index (HMI)

/ NAHB 10-Point Plan to Boost Housing Supply

Increased housing supply reduces shelter inflation and eases the affordability crisis

1

Eliminate excessive regulations

Alleviate permitting roadblocks

6

2

Promote careers in the skilled trades

Adopt reasonable and cost-effective building codes

7

3

Fix building material supply chains and ease costs

Reduce local impact fees and other upfront taxes associated with housing construction

8

4

Pass federal tax legislation to expand the production of affordable and attainable housing

Make it easier for developers to finance new housing

9

5

Overturn inefficient local zoning rules

Update employment policies to promote flexibility and opportunity

10

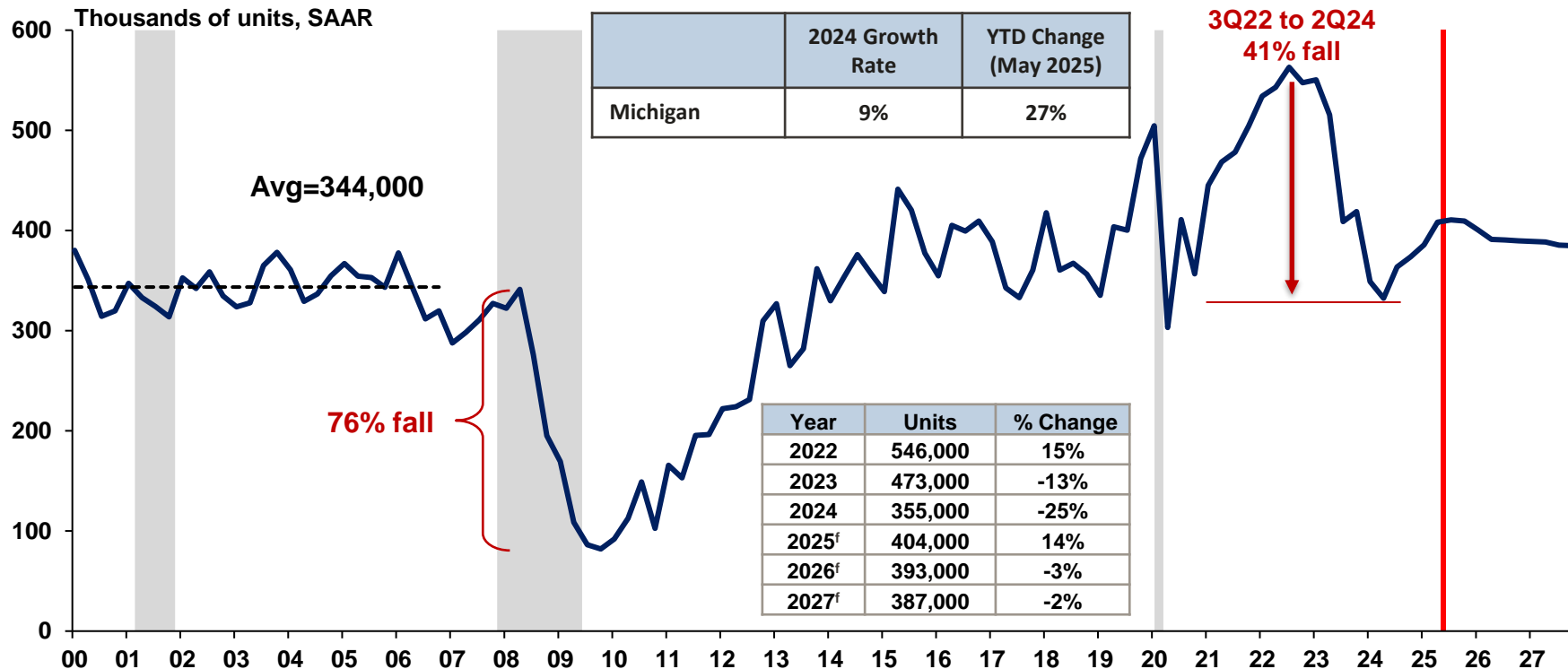


Construction Outlook



Multifamily Construction

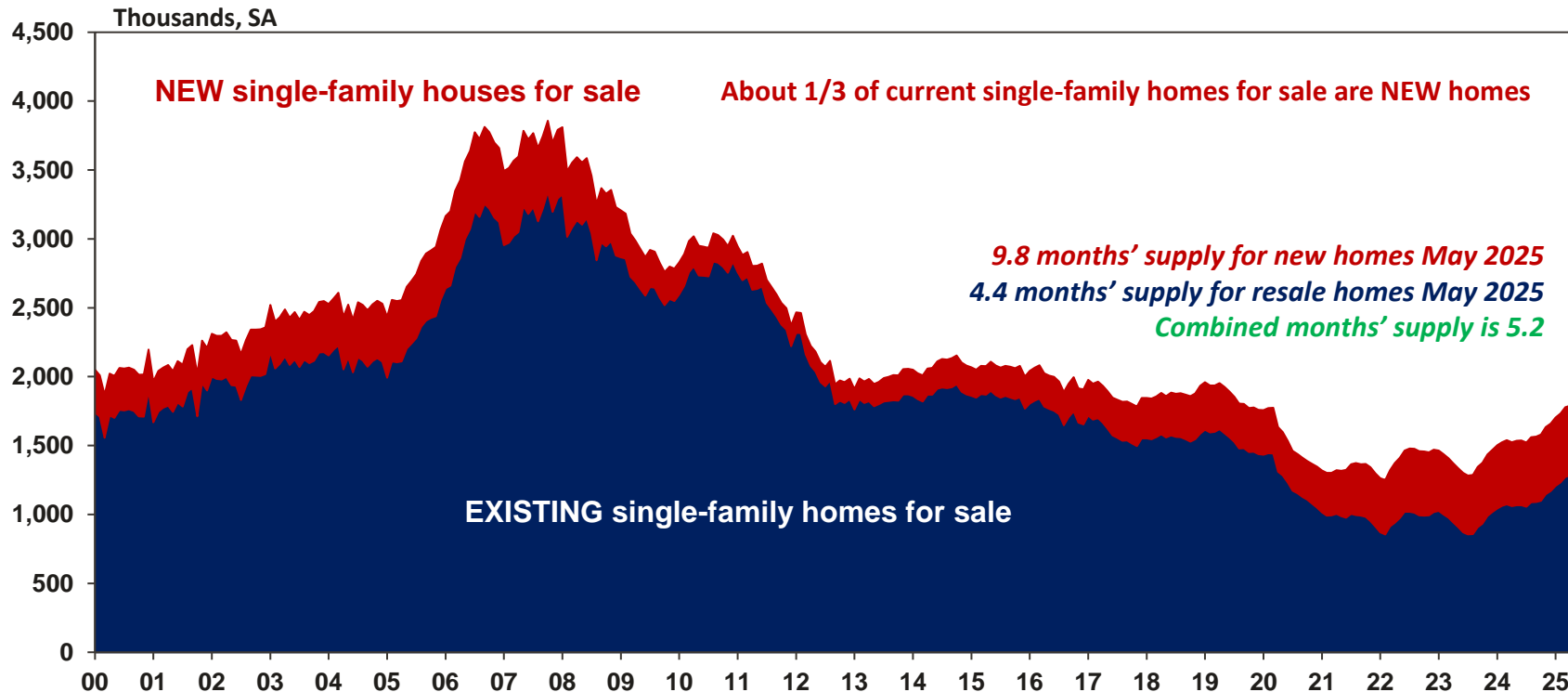
Apartment construction recorded a significant decline in 2024; will grow moderately in 2025



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

Total Housing Inventory

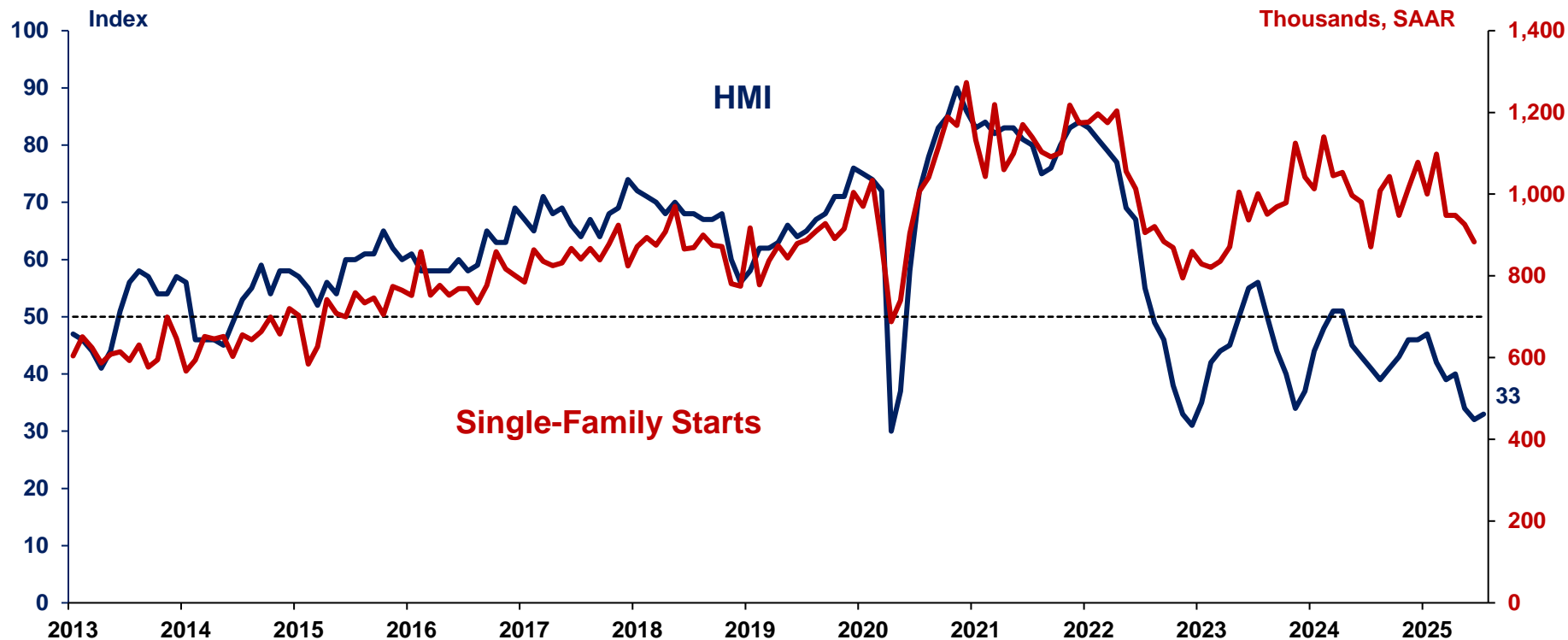
Insufficient resale inventory is supporting demand for new construction



Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

NAHB/Wells Fargo Housing Market Index (HMI)

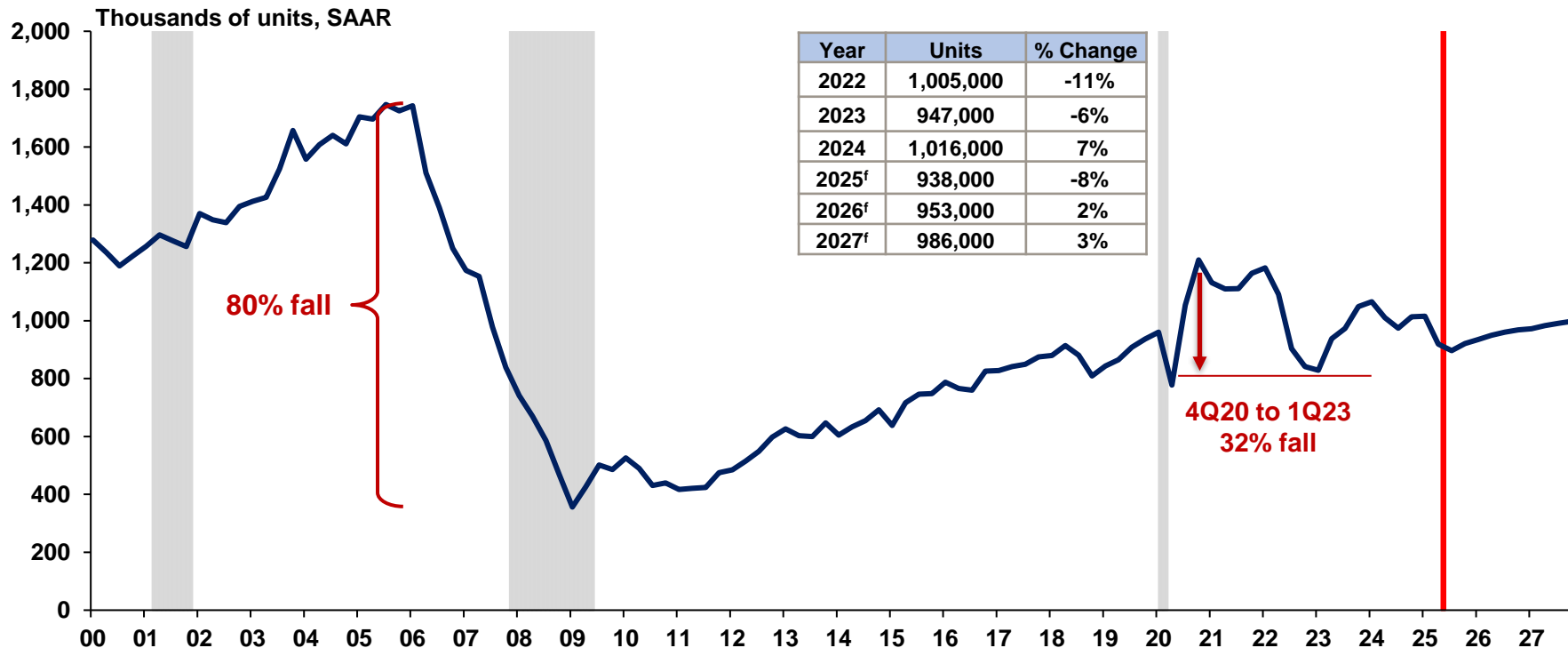
Builder confidence edged up in July amid elevated interest rates and economic and policy uncertainty



Source: Census Bureau and NAHB/Wells Fargo HMI survey

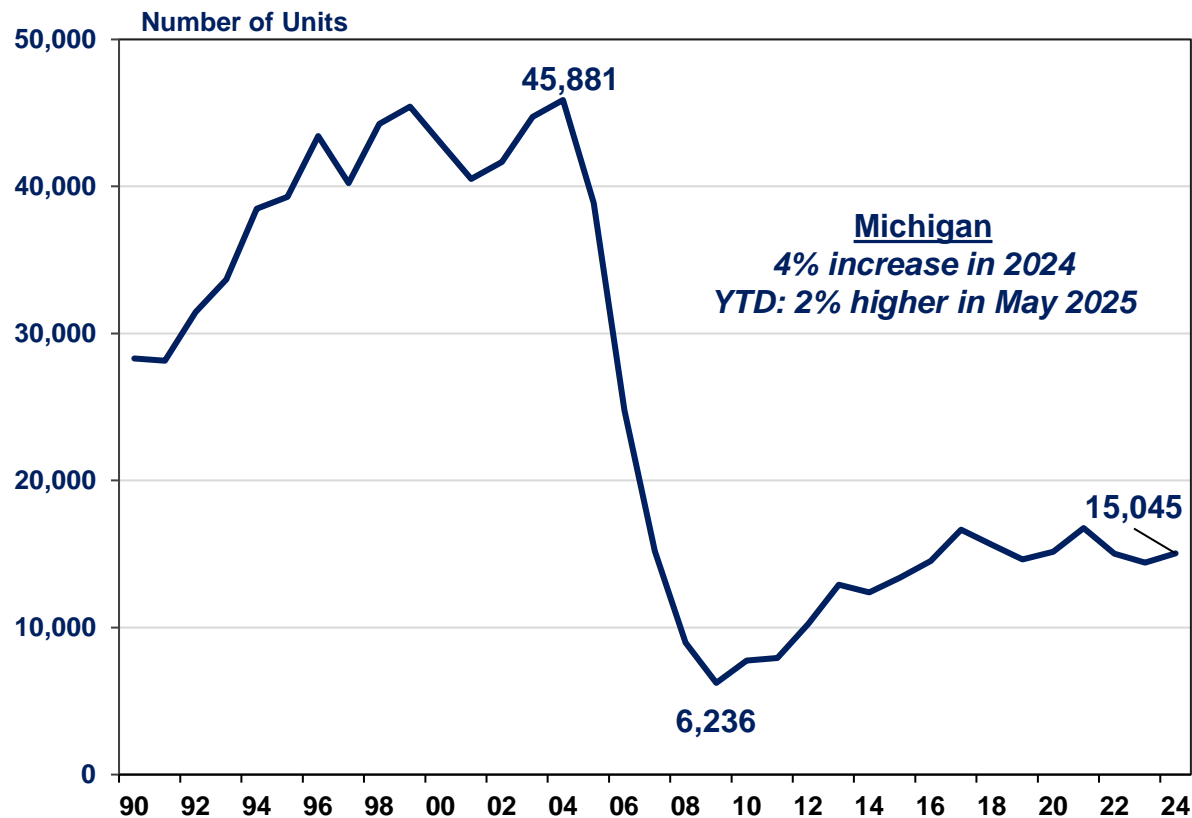
Single-Family Starts

Elevated interest rates and policy uncertainty weigh on single-family starts



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

Single-Family Building Permits – Michigan



Source: Census Bureau.

Michigan MSAs	YTD Change (May 2025)
Ann Arbor	12%
Battle Creek	18%
Bay City	-39%
Detroit-Warren-Dearborn	-5%
Flint	30%
Grand Rapids-Wyoming-Kentwood	11%
Jackson	18%
Kalamazoo-Portage	81%
Lansing-East Lansing	54%
Midland	16%
Monroe	-12%
Muskegon-Norton Shores	18%
Niles	34%
Saginaw	11%
Traverse City	6%

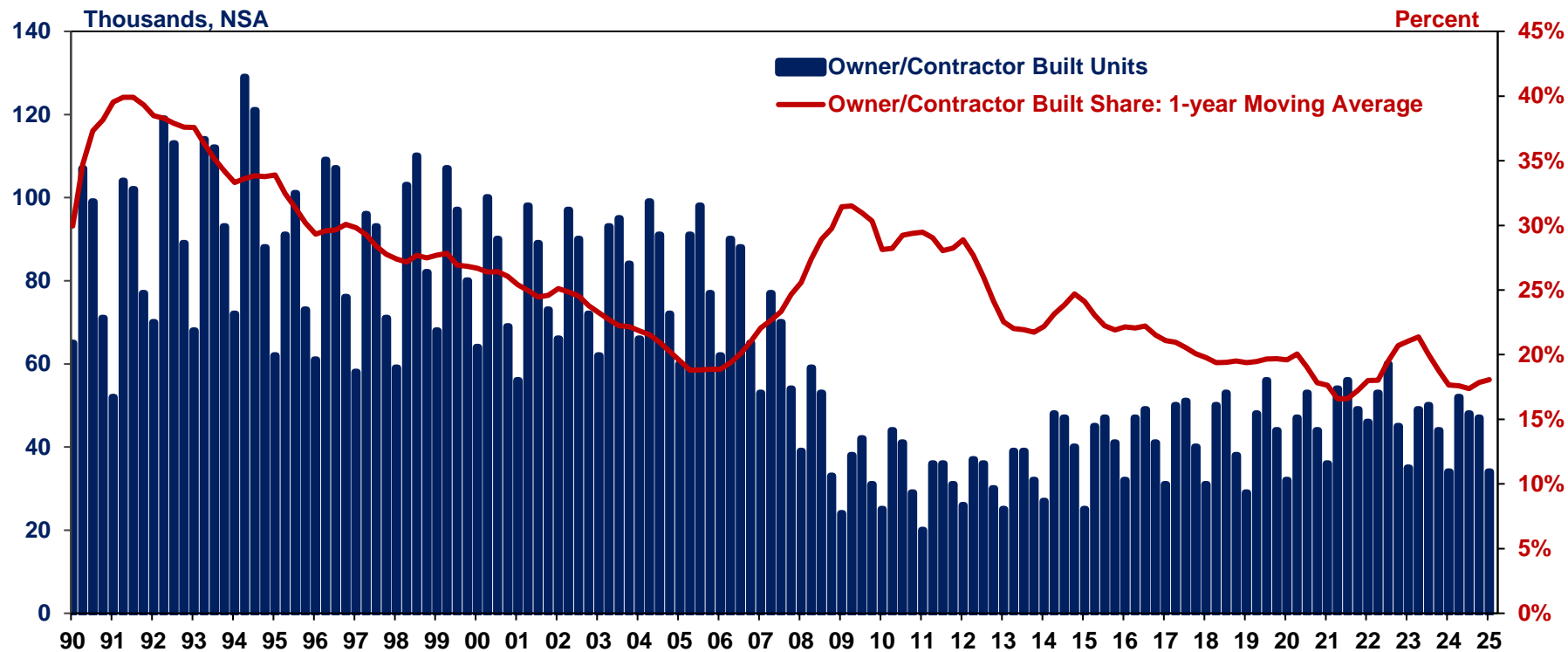
Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	May 2025 (# of units YTD, NSA)	YTD % Change (compared to May 2024)
Houston-Pasadena-The Woodlands, TX	21,983	-8%
Dallas-Fort Worth-Arlington, TX	18,970	-11%
Phoenix-Mesa-Chandler, AZ	11,753	-14%
Atlanta-Sandy Springs-Roswell, GA	10,121	-14%
Charlotte-Concord-Gastonia, NC-SC	7,846	-9%
Austin-Round Rock-San Marcos, TX	7,166	-11%
Orlando-Kissimmee-Sanford, FL	6,772	10%
Nashville-Davidson--Murfreesboro--Franklin, TN	5,987	-6%
Tampa-St. Petersburg-Clearwater, FL	5,790	-15%
Raleigh-Cary, NC	5,450	-7%

Source: U.S. Census Bureau (BOC).

Custom Home Building Market

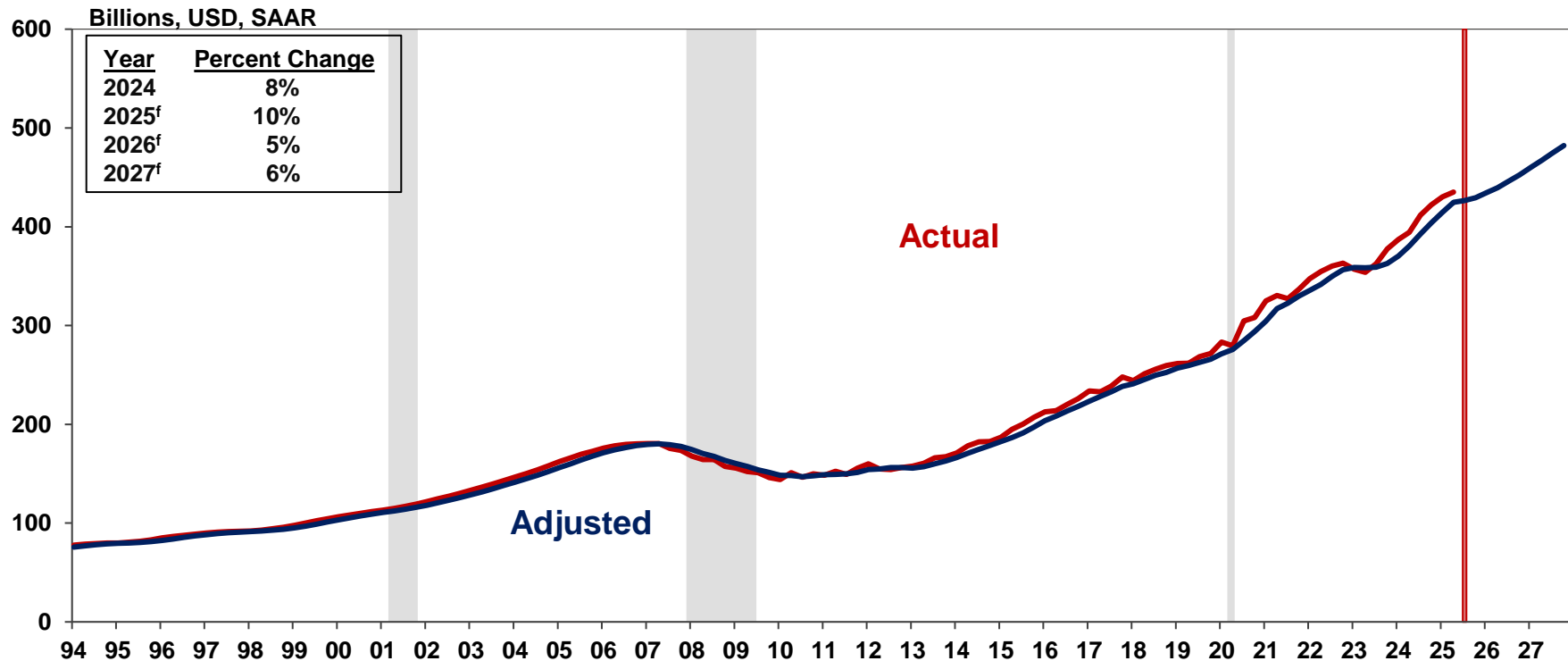
Market share in the 20% range



Source: U.S. Census Bureau (BOC)

Residential Remodeling Expanding

Positive growth prospects ahead

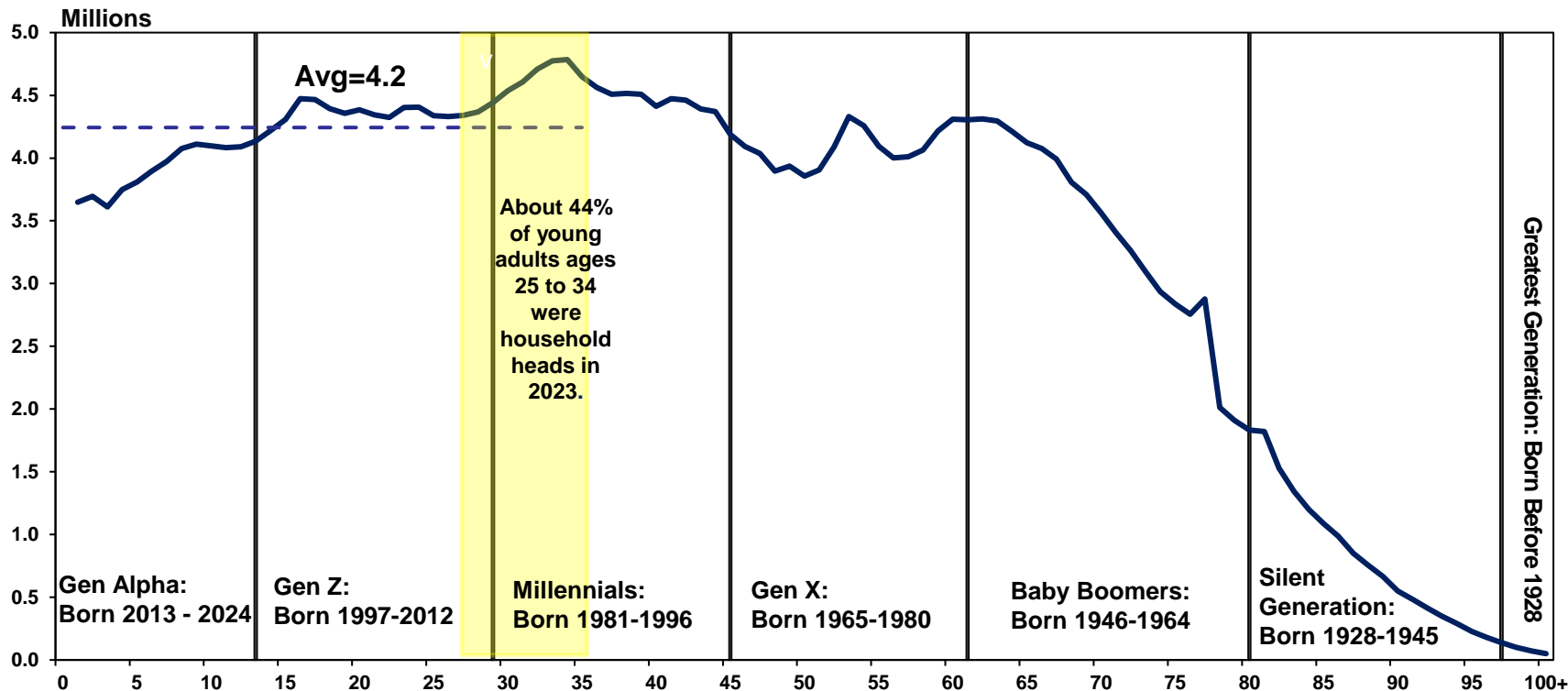


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.

Rising Population Entering Housing Demand Years: 2025

Solid demand for housing during the second half of the decade



Source: U.S. Census Bureau (BOC).



Thank you

Questions?

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