

The Fed (Finally) Cuts

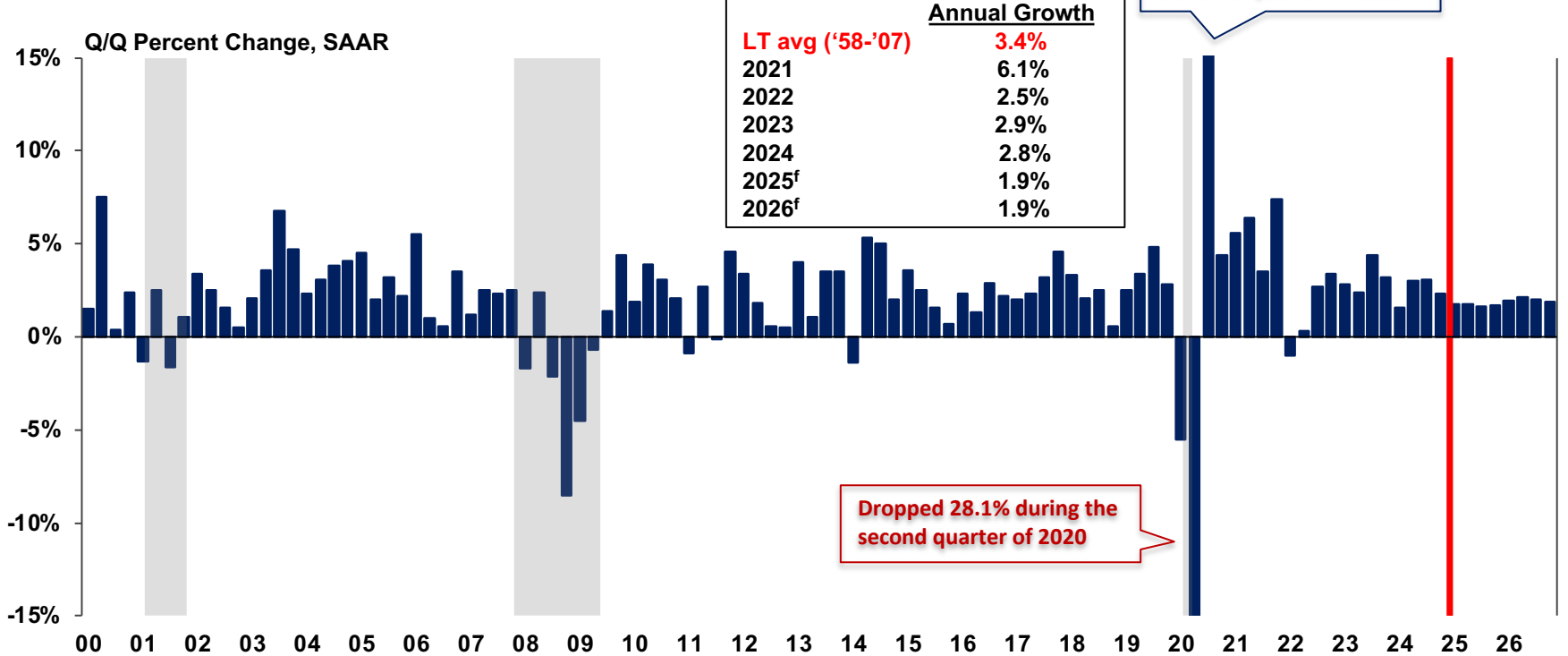
Capital Region Builders & Remodelers Association
February 11, 2025

Fan-Yu Kuo
NAHB Senior Economist



Moderating Growth Ahead

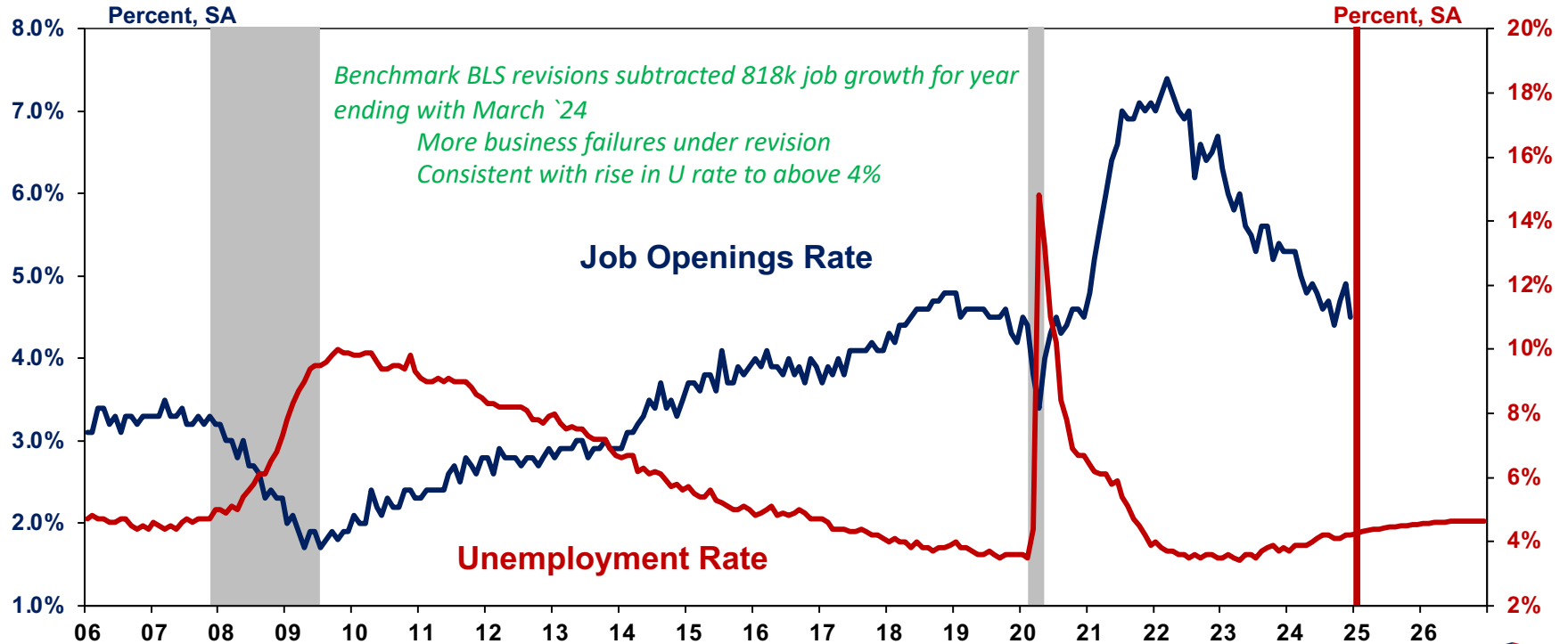
Pro-growth fiscal policy will lift GDP growth ahead



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

Job Openings Trending Lower

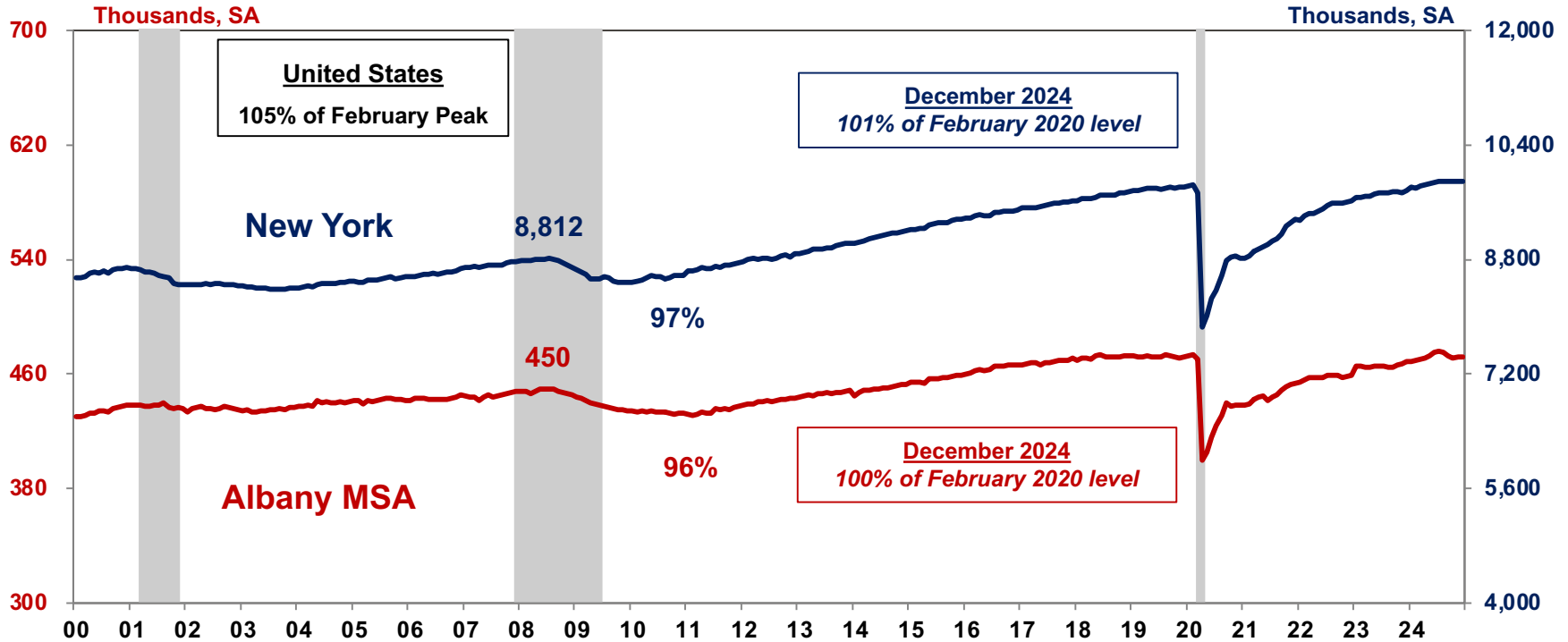
Decreased to 7.6 million in December



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

Payroll Employment

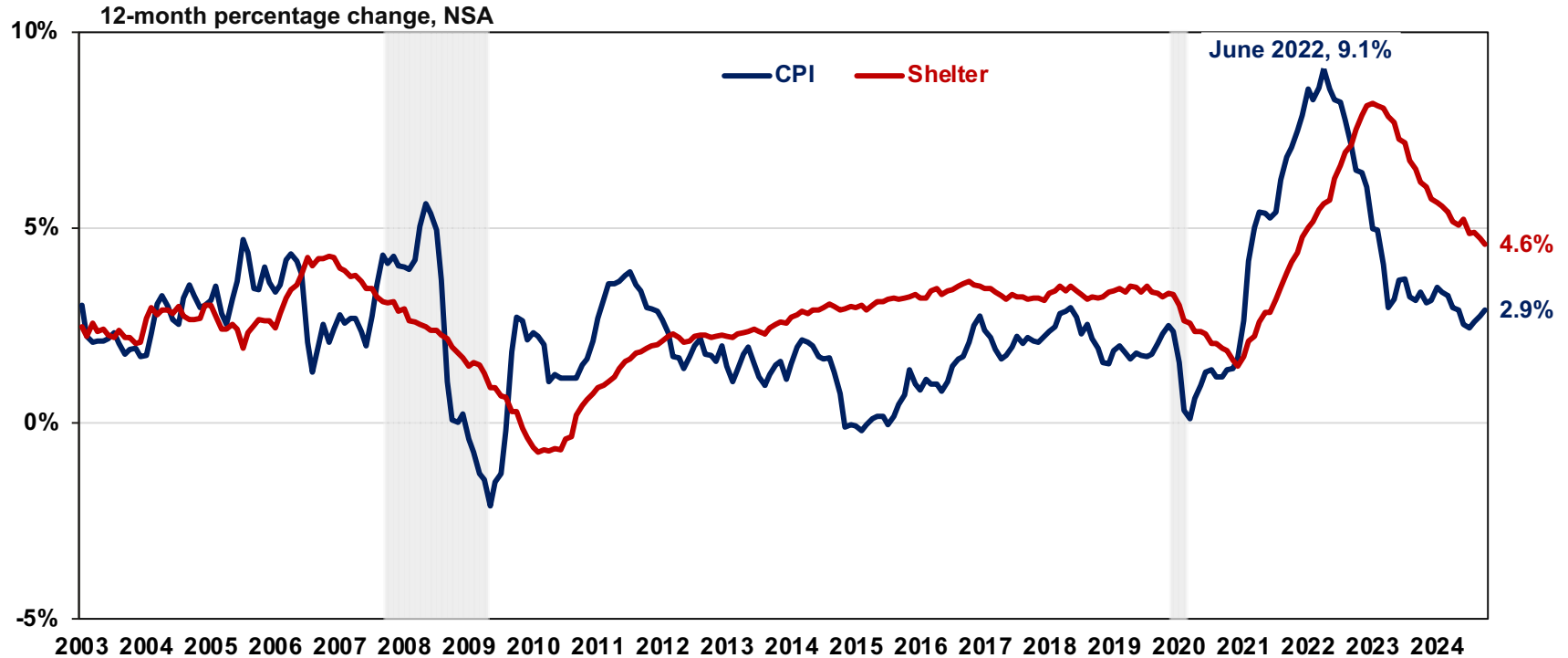
Albany MSA recovered from COVID-19 recession



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

Consumer Inflation – Headline Rate and Shelter

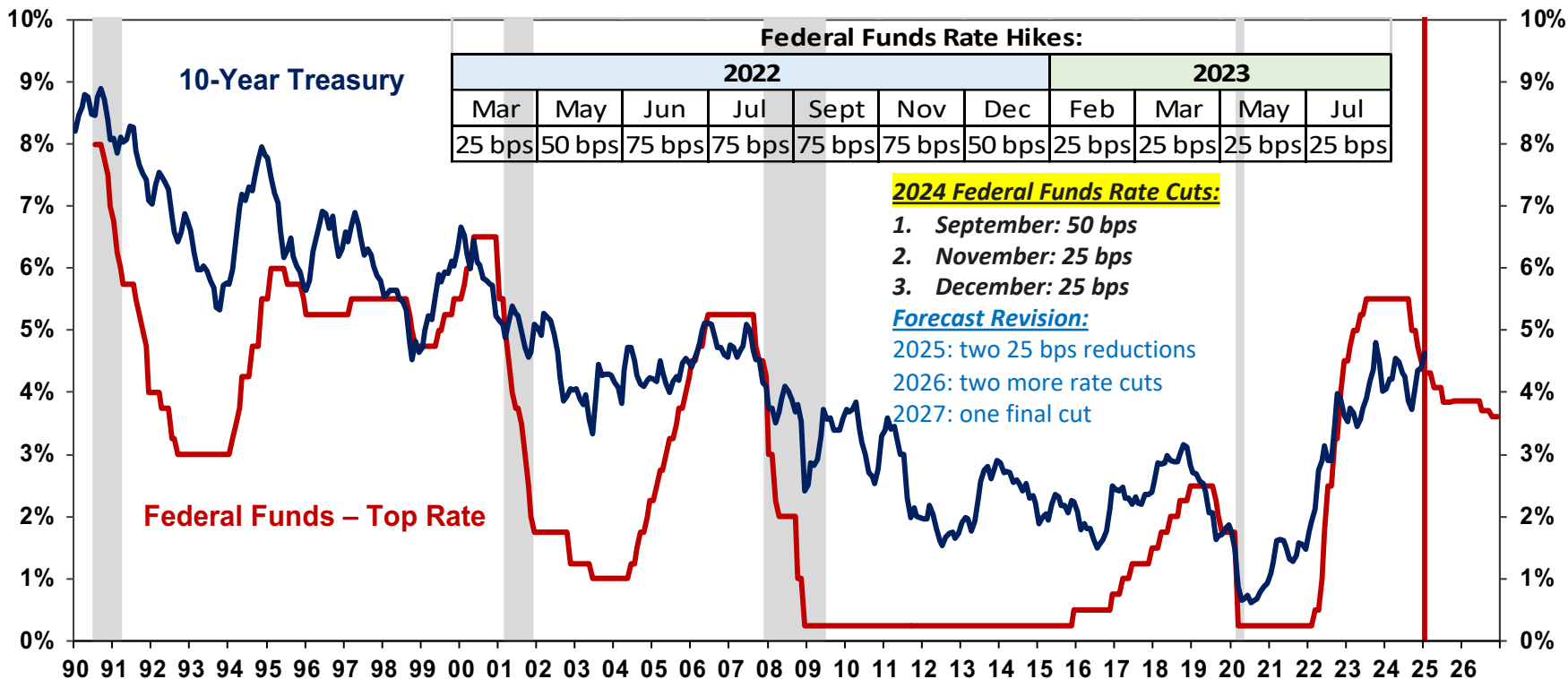
Shelter costs continue to outpace broader consumer prices – only more housing can fix



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

Monetary Policy Easing Cycle Begins

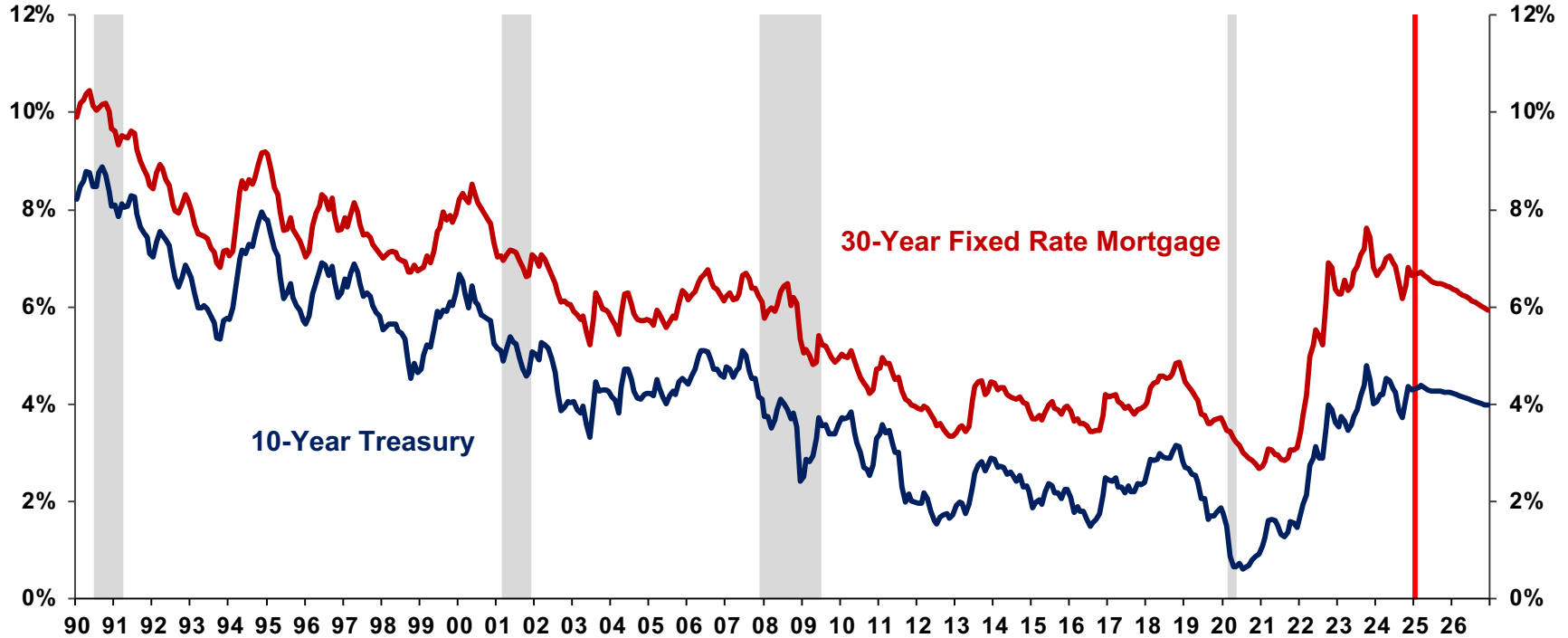
Fed cuts interest rates for the first time since 2020



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

Lower Mortgage Rates But the Process Won't Be Smooth

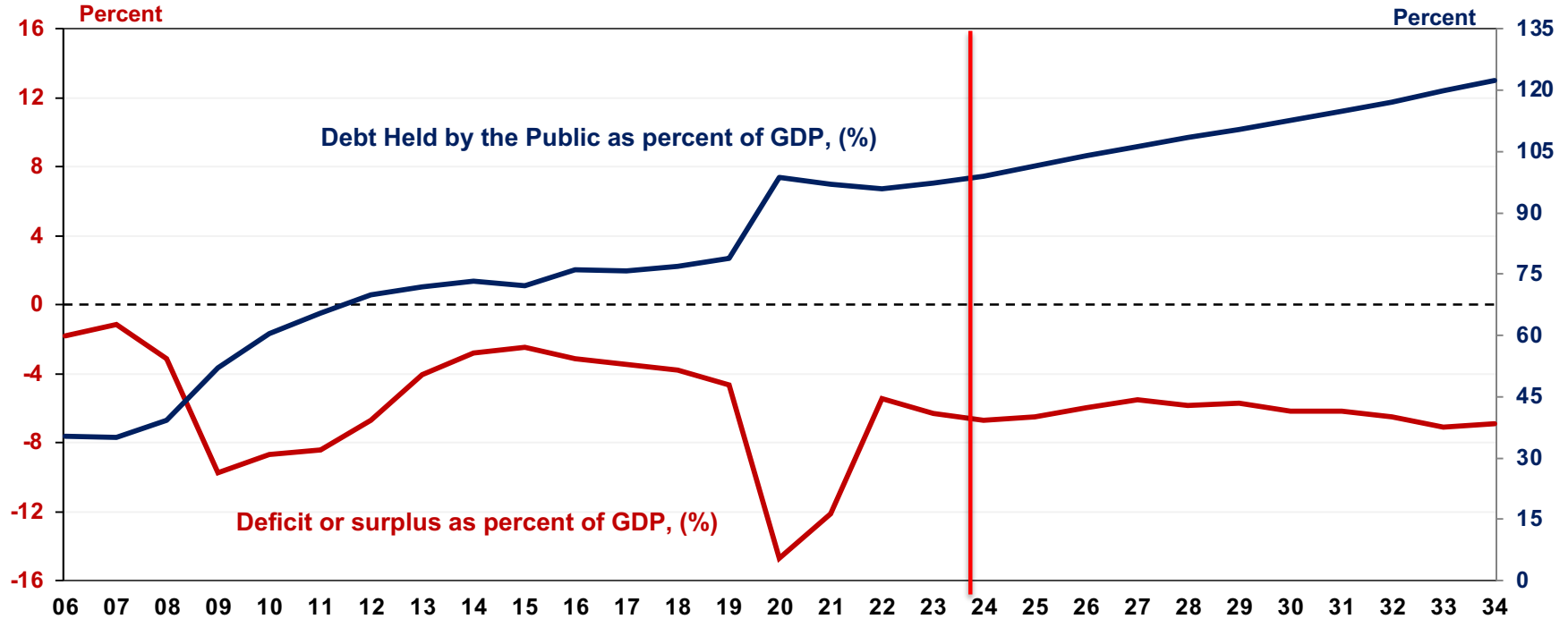
Long-term interest rates could move sideways or higher with larger deficits



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

Government Deficits Growing

Approaching unsustainable trends despite low unemployment

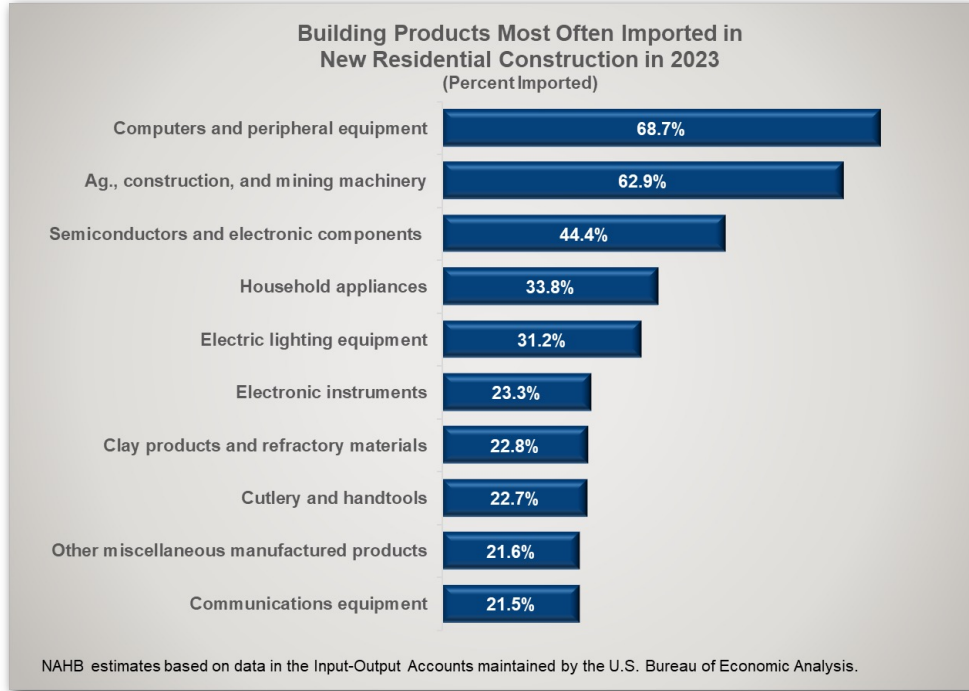


Source: Congressional Budget Office (CBO).

Tariff Considerations

Tariffs are taxes and taxes have costs

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



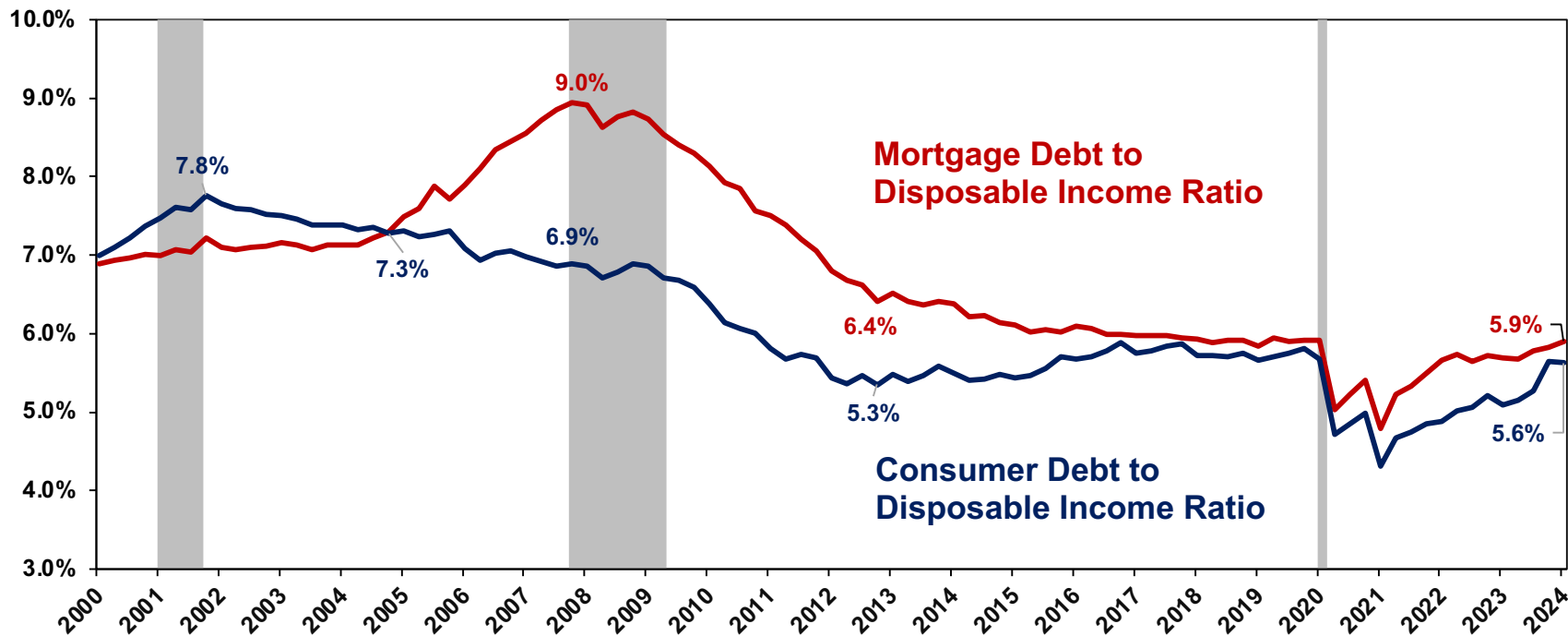
Demand-Side Economic Factors



Household Balance Sheets

Debt-to-income ratio near pre-pandemic level

% of Disposable Inc.. SA

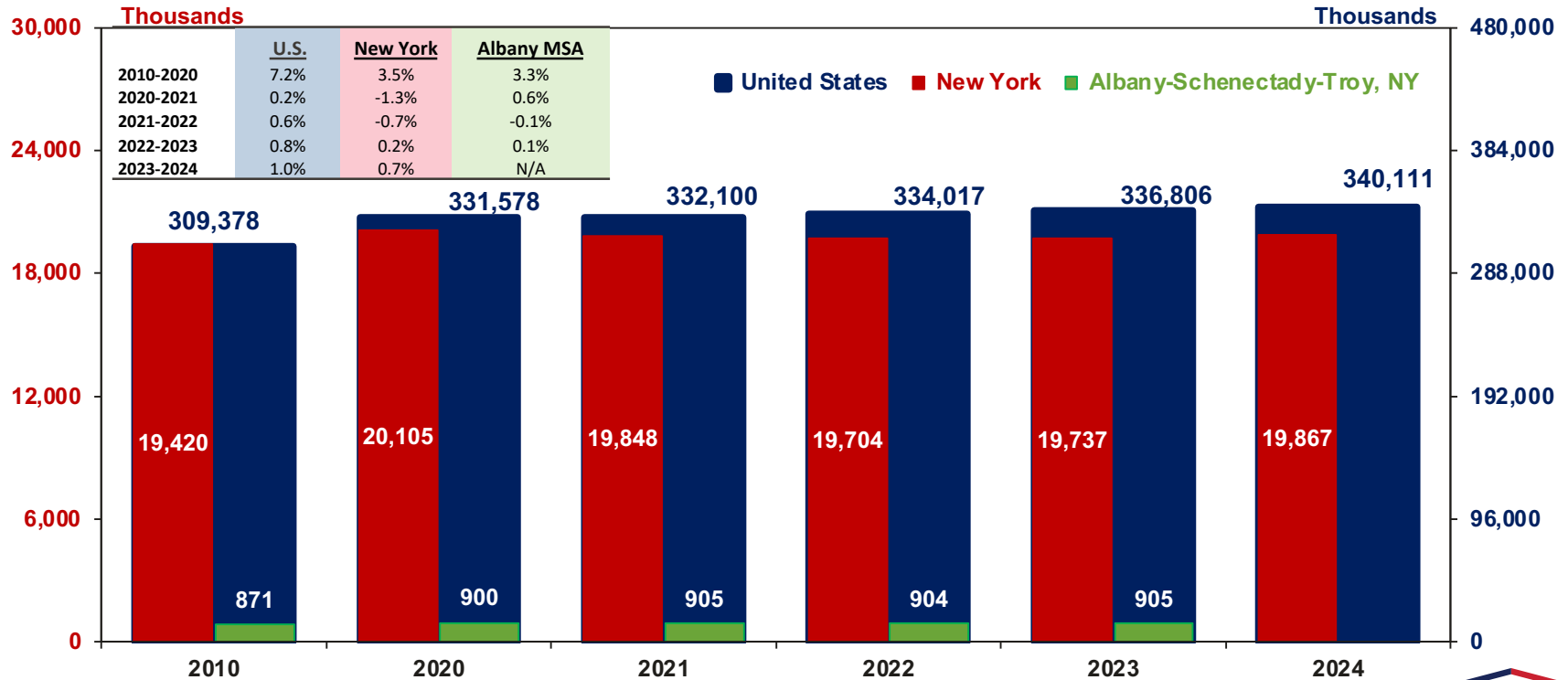


Source: U.S. Board of Governors of the Federal Reserve System (FRB).

Note: Starting with Q2 2024, the Board transitioned to a new, credit bureau data-based methodology for calculating the Debt Service Ratio (DSR), Mortgage DSR, and Consumer DSR.

Population Growth

Albany MSA population grew slower than state and national rates

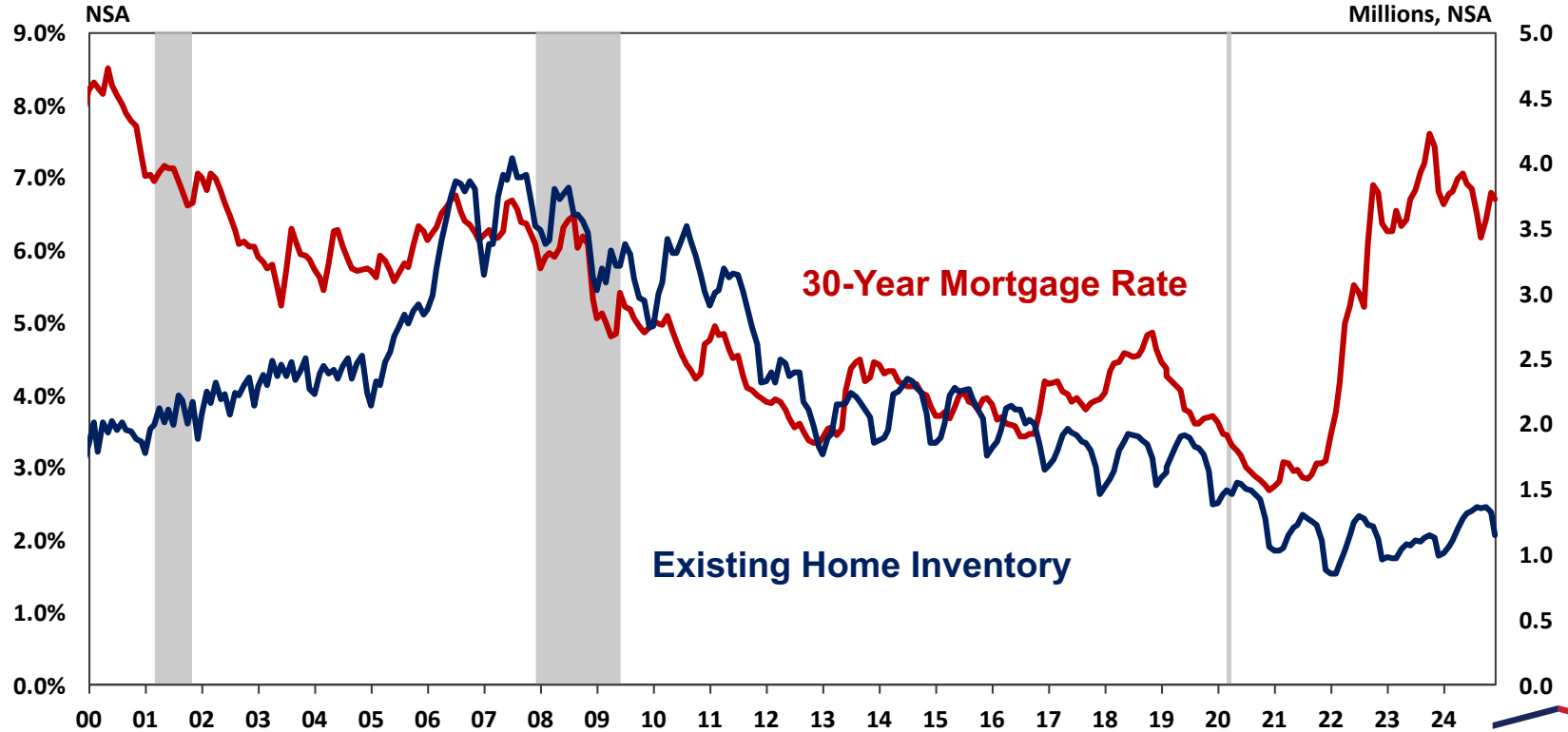


Source: U.S. Census Bureau (BOC).

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.



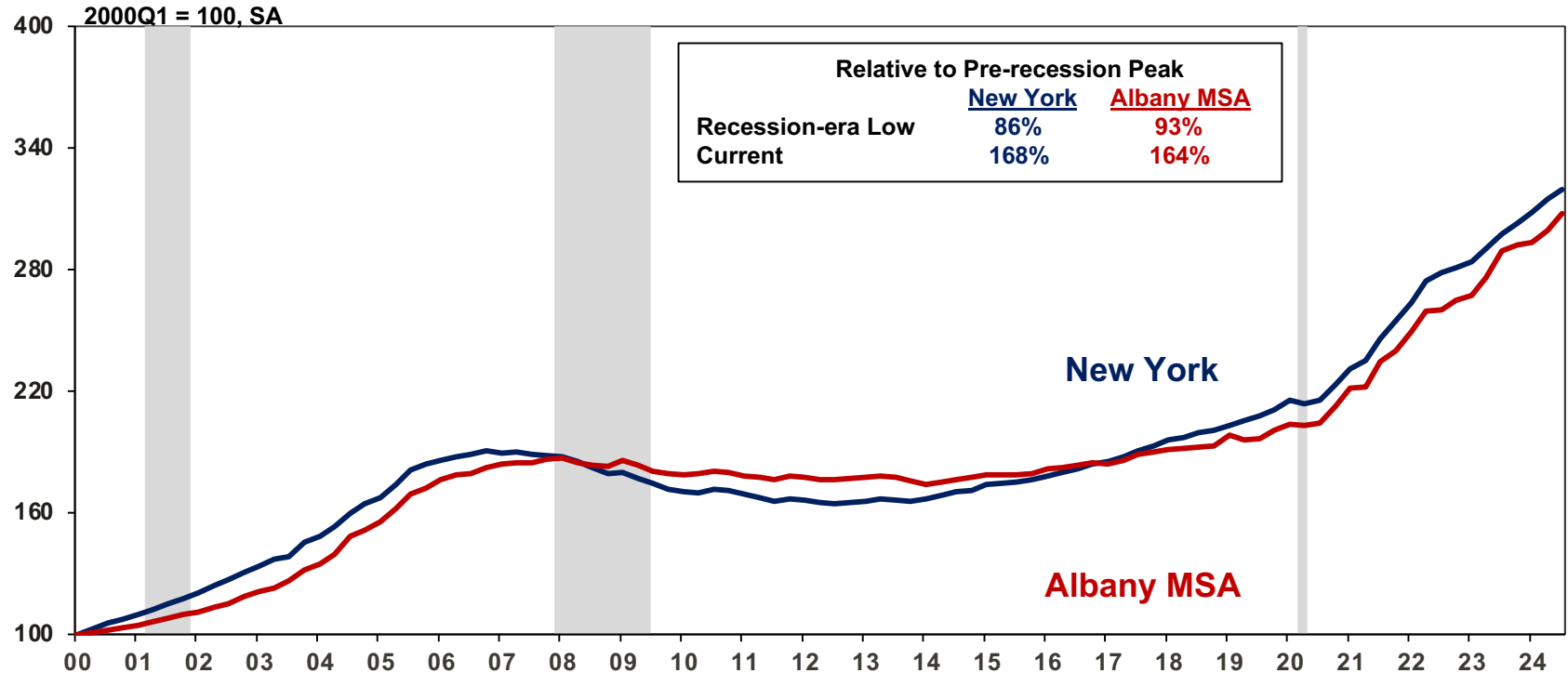
Existing Home Inventory



Source: Freddie Mac; National Association of Realtors

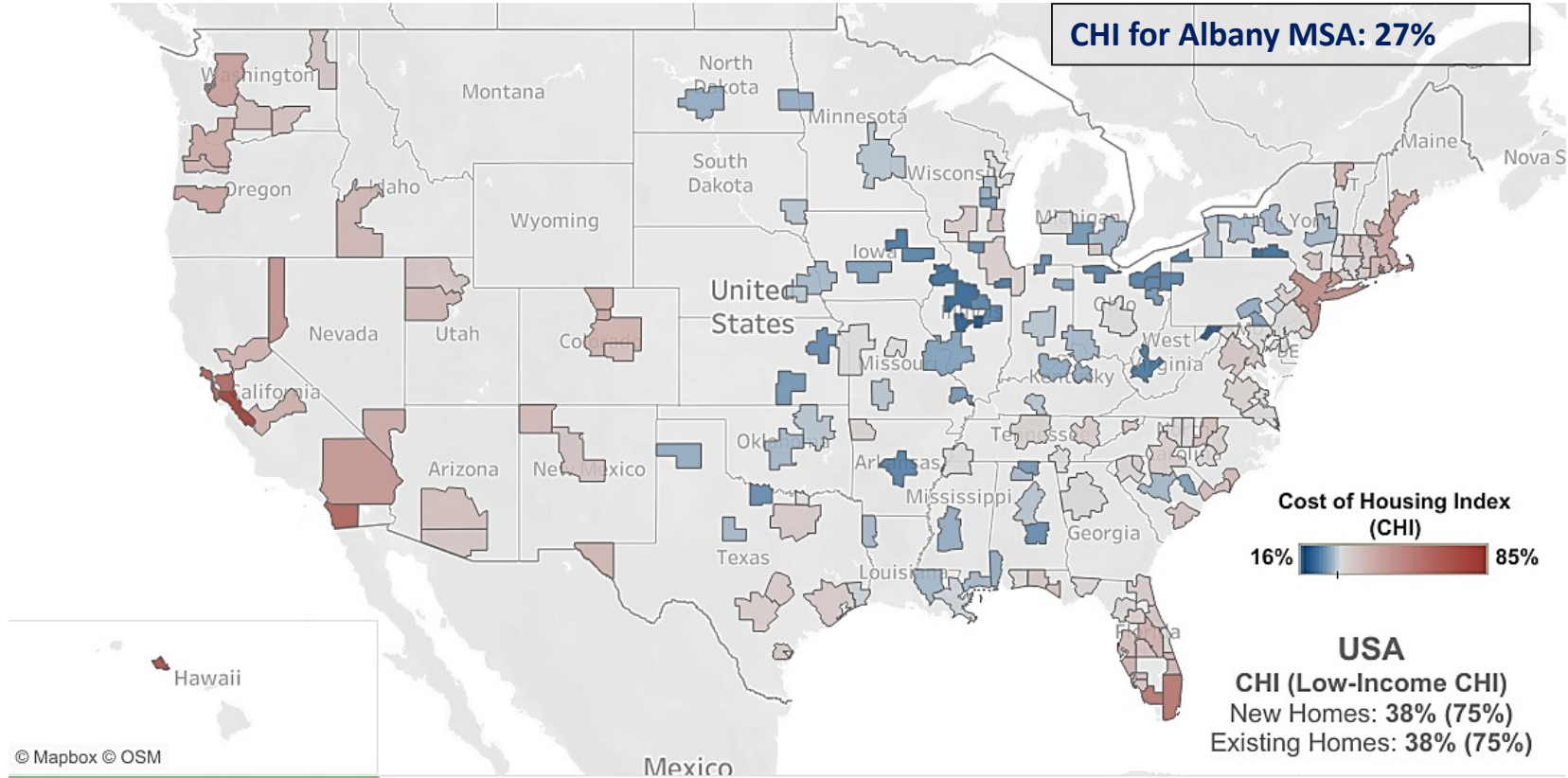
Existing House Price Index

Albany MSA 51% home price gain since covid, 48% for New York and 50% for U.S.



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

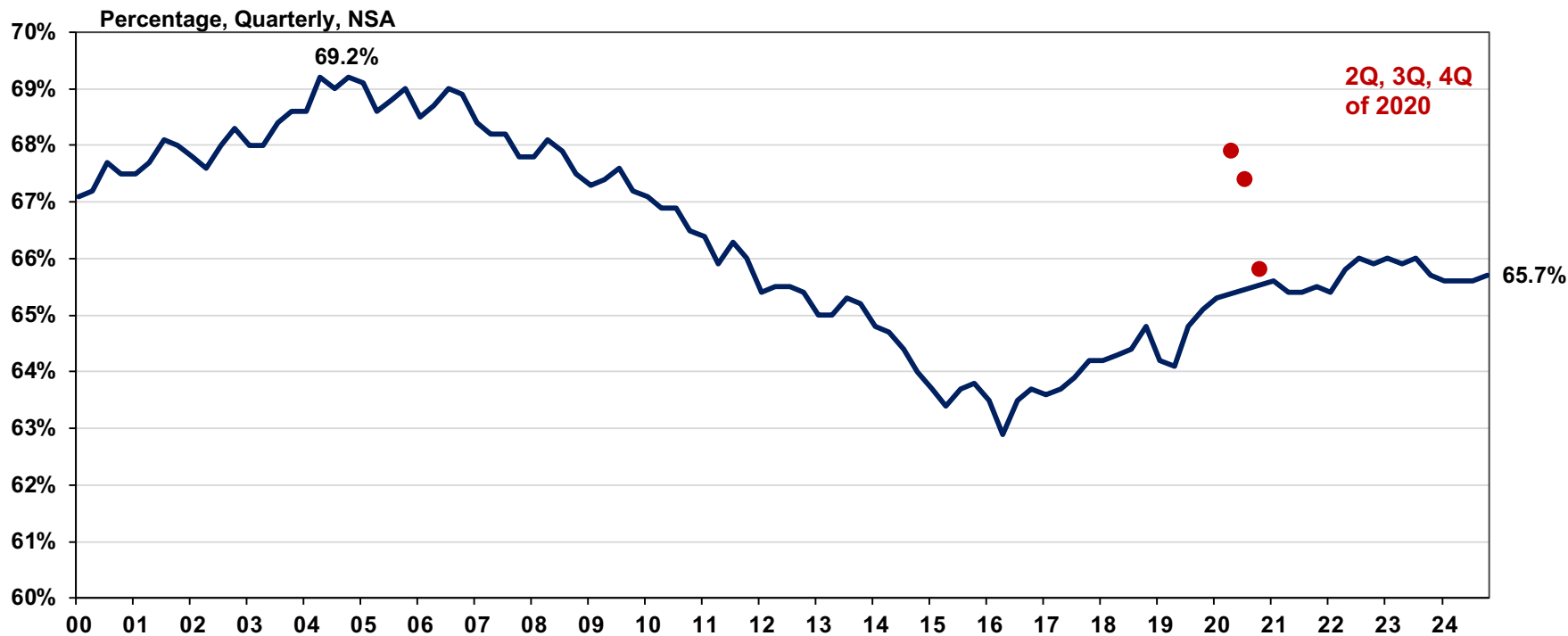
NAHB/Wells Fargo Cost of Housing Index (CHI) (Q3 2024)



Source: NAHB/Wells Fargo Cost of Housing Index (CHI).

Homeownership Rate

Homeownership will decline in 2024



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

Note: Red dots denote technical issues for 2Q, 3Q, 4Q of 2020.

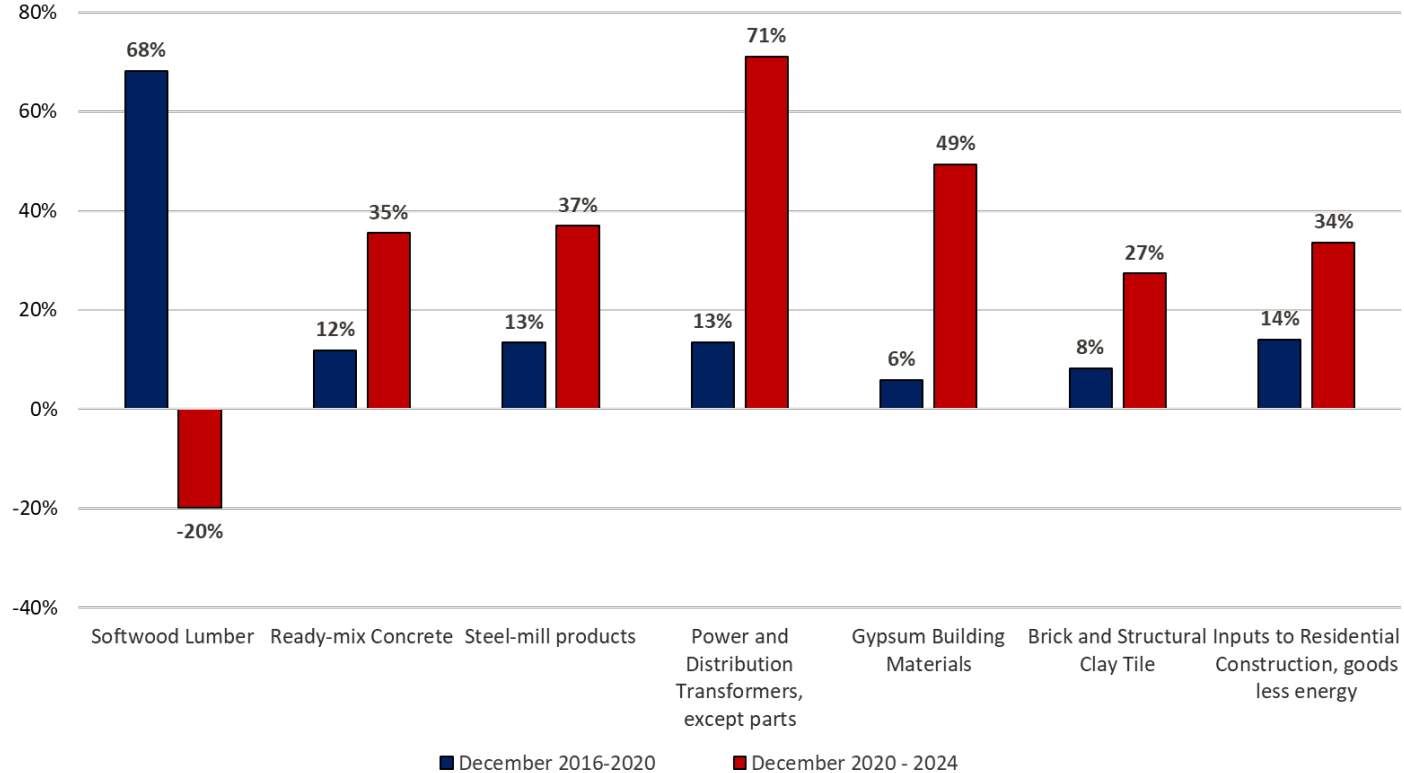


Supply-Side Factors



Price Growth Has Slowed, But Prices Remain Higher

Four-year Price Percentage Change for Common Building Materials

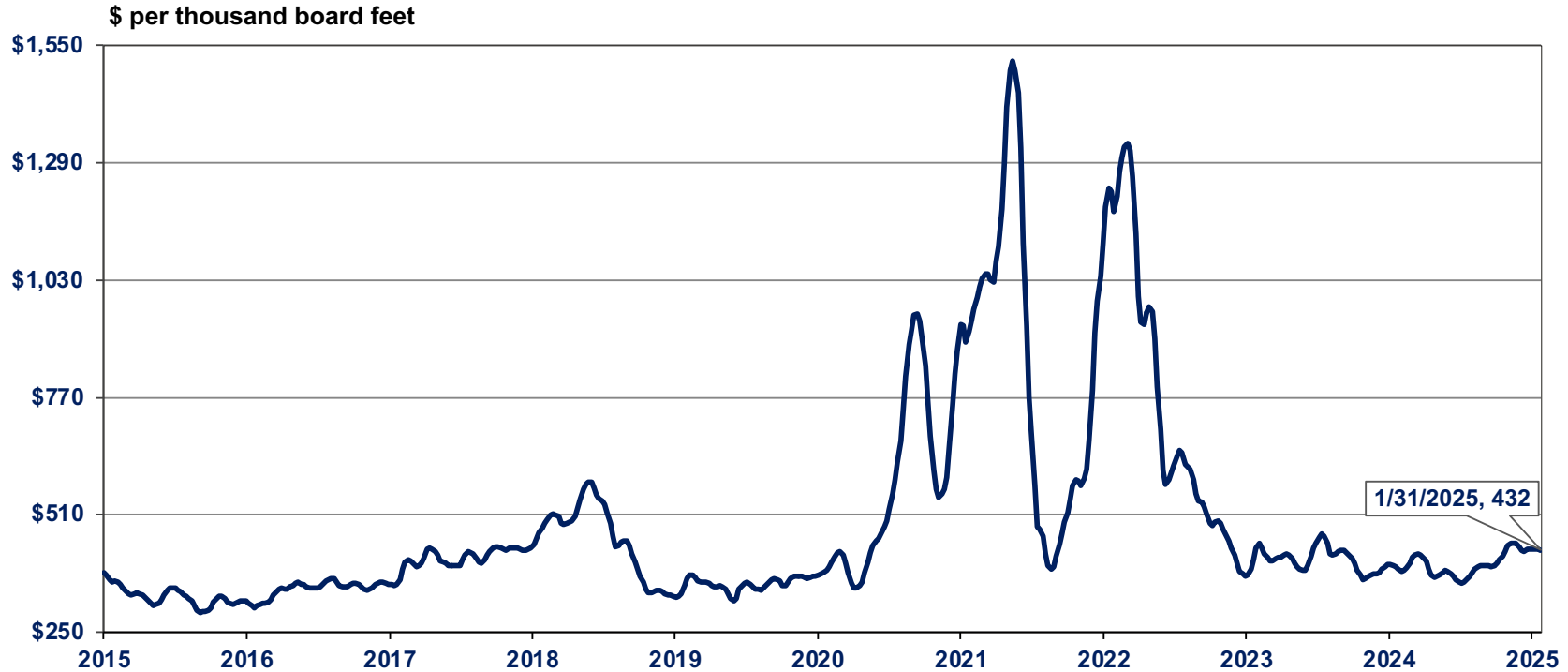


Source: U.S. Bureau of Labor Statistics; NAHB Analysis



Lumber Prices Near Pre-pandemic Low

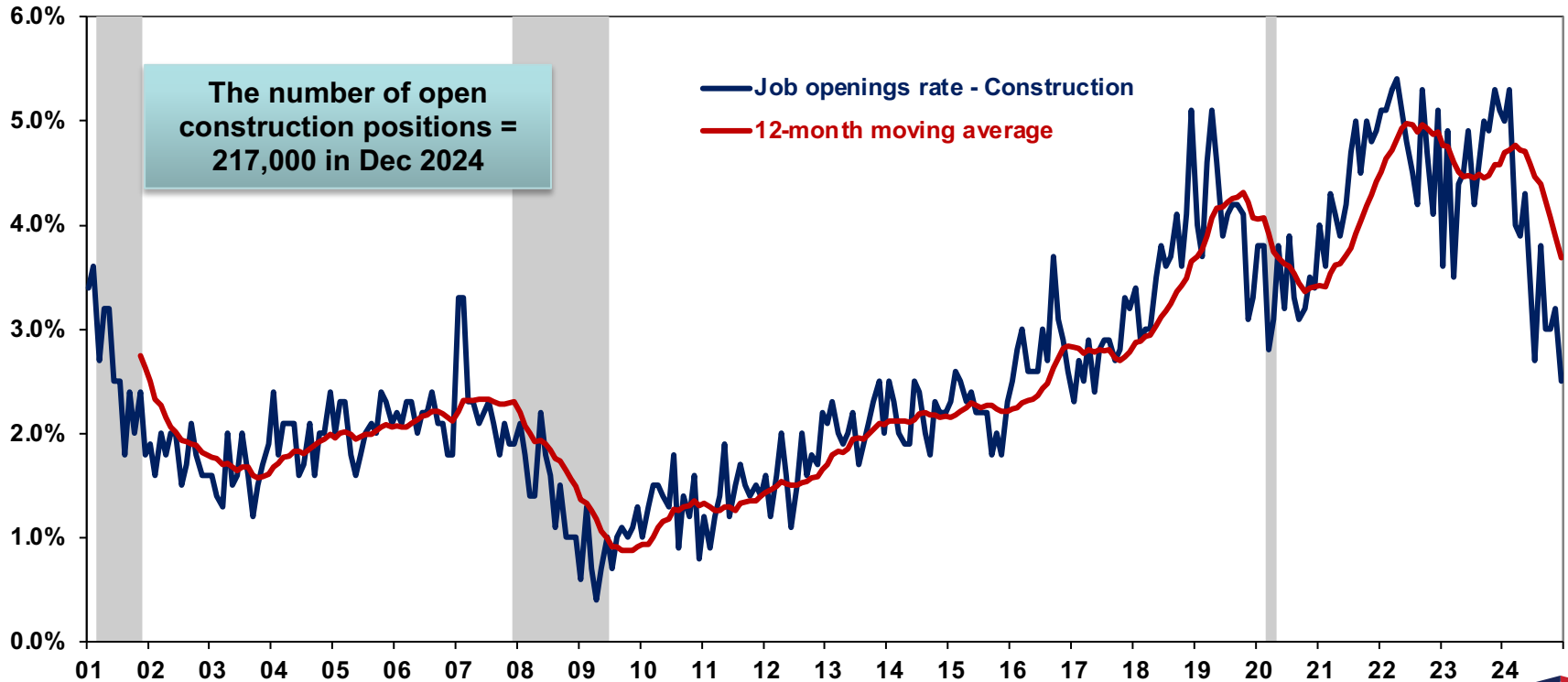
Current January price is \$432; Virtually unchanged over the past month



Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Peaked for Cycle?

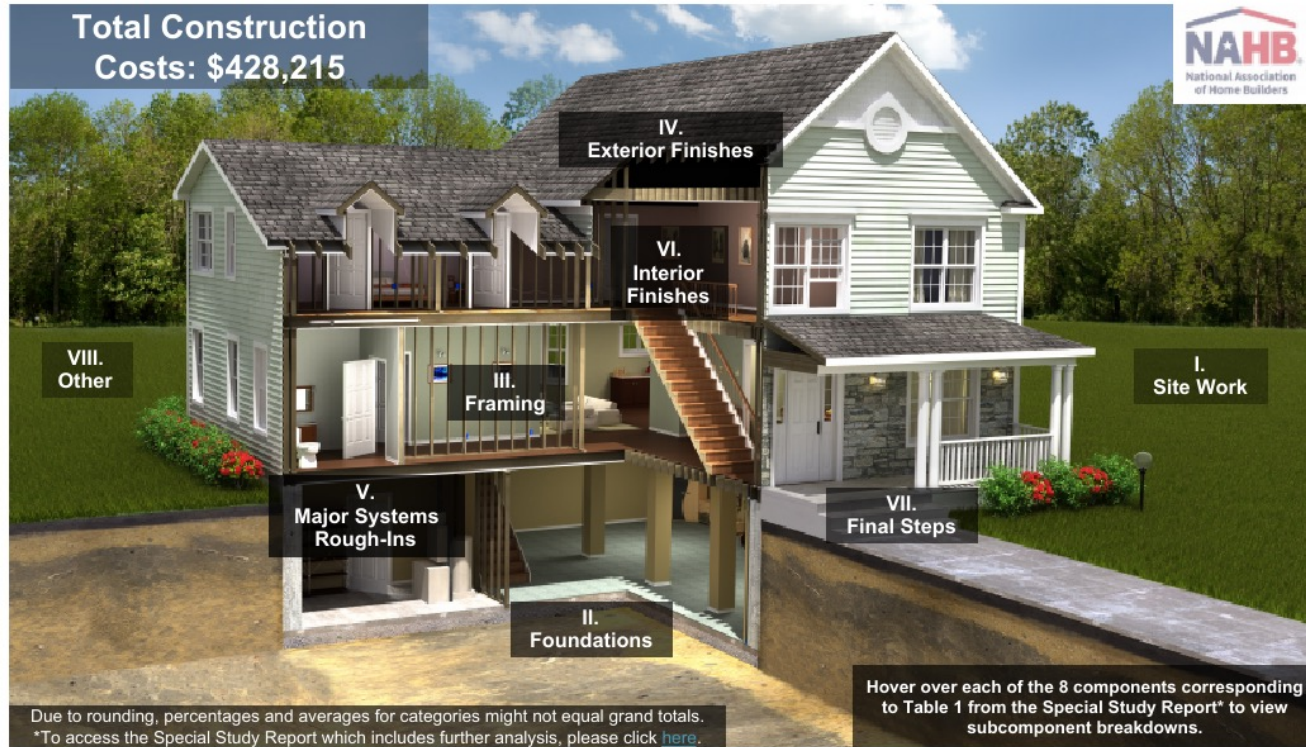
Skilled labor shortage persists; 429,500 net gain for residential construction since Jan 2020



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

Cost of Construction a Home

Construction costs account for around 65% of a home



Source: NAHB Research; <https://eyeonhousing.org/2025/01/cost-of-constructing-a-home-in-2024/>

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)

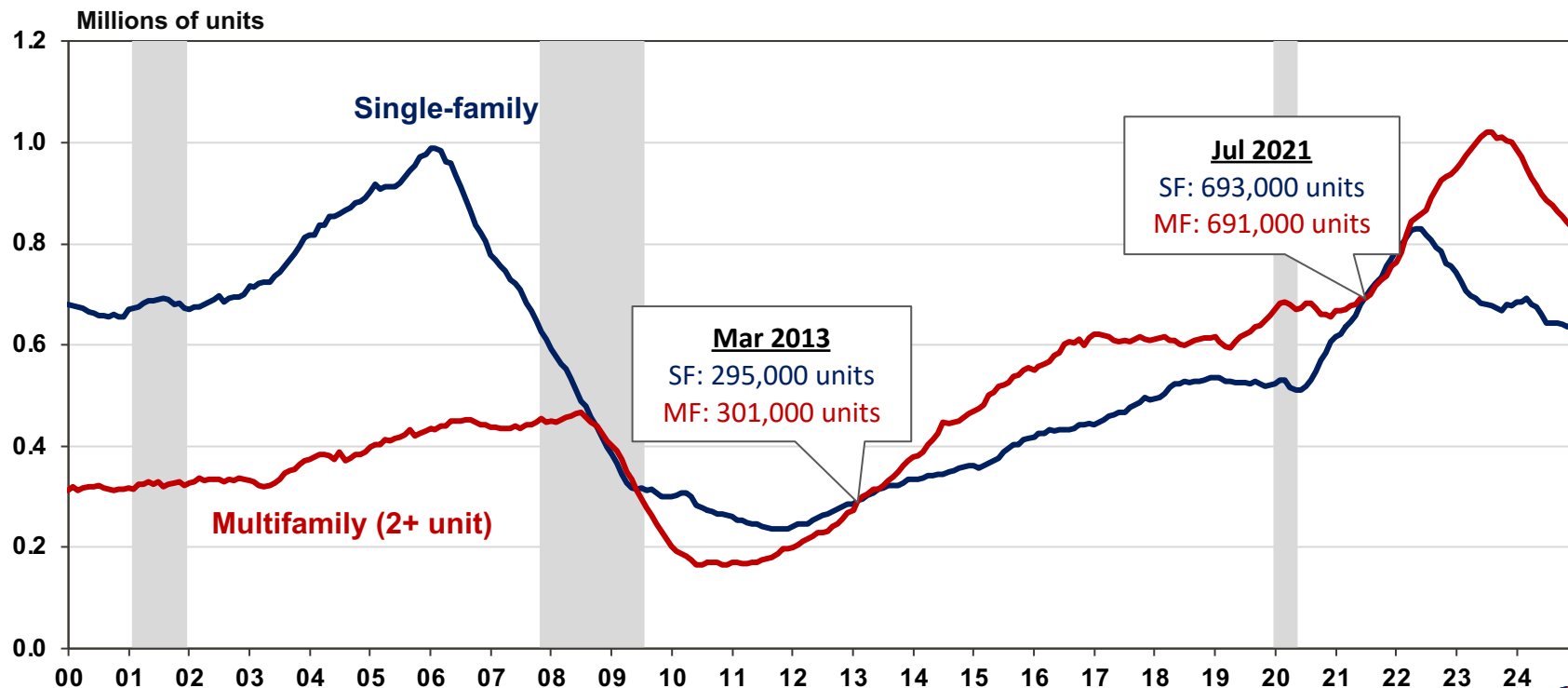


Construction Outlook



Housing Units under Construction

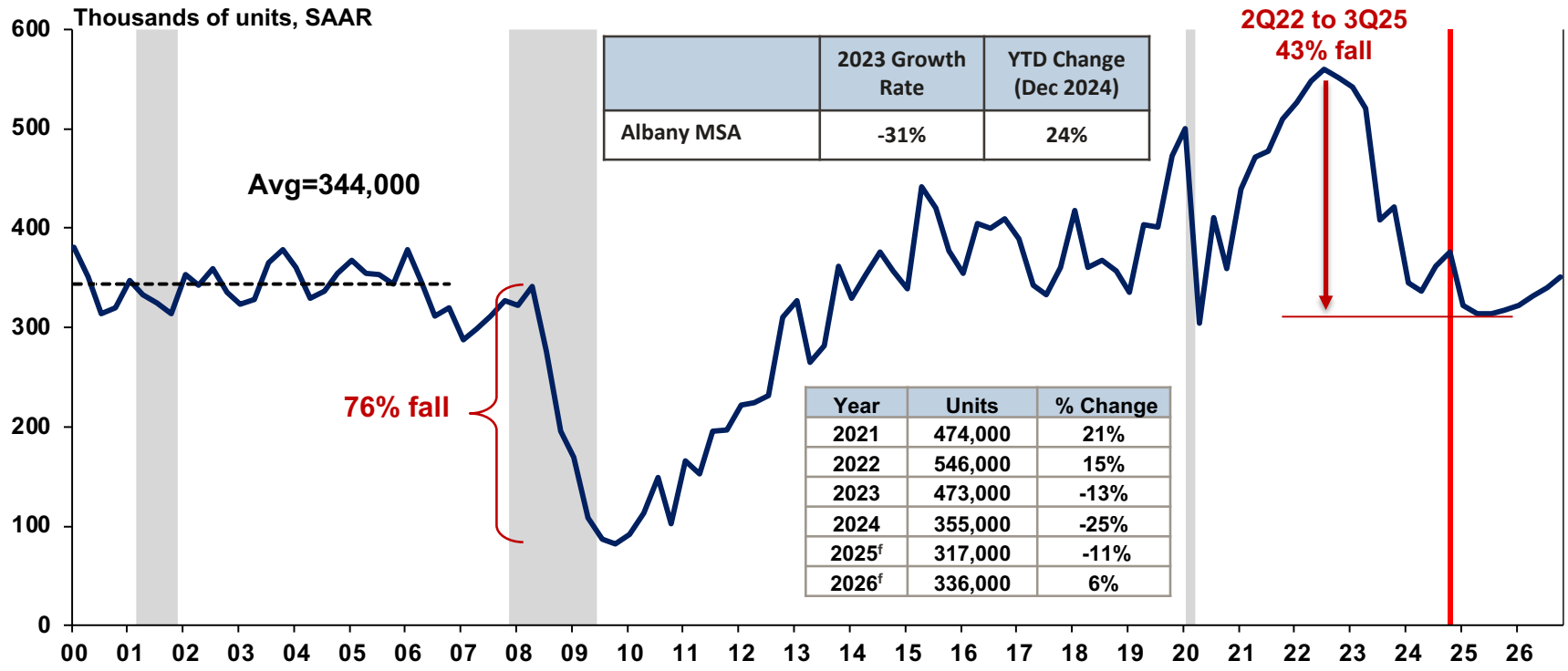
Highest count of apartments under construction since late 1973



Source: U.S. Census Bureau (BOC)

Multifamily Construction Stabilizing Ahead

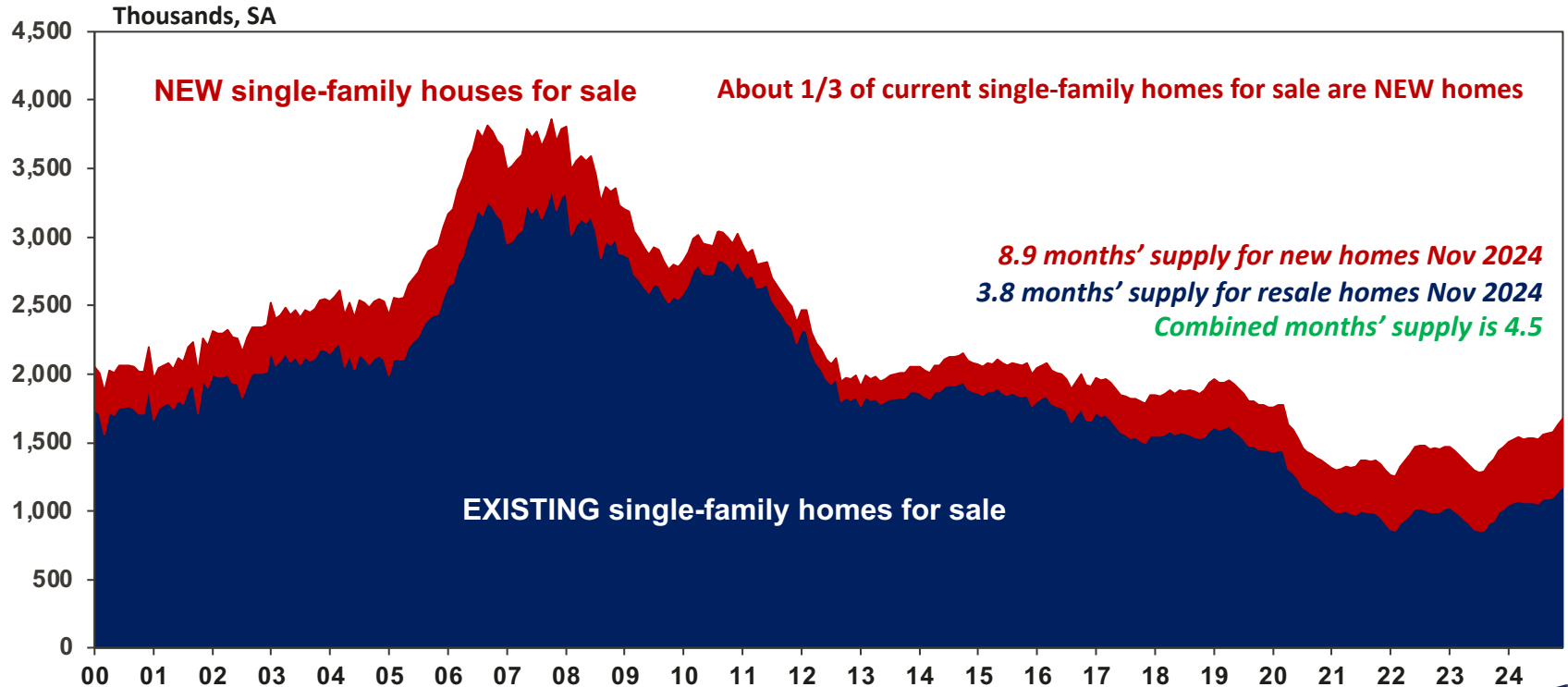
Apartment construction records a significant decline in 2024



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

Total Housing Inventory

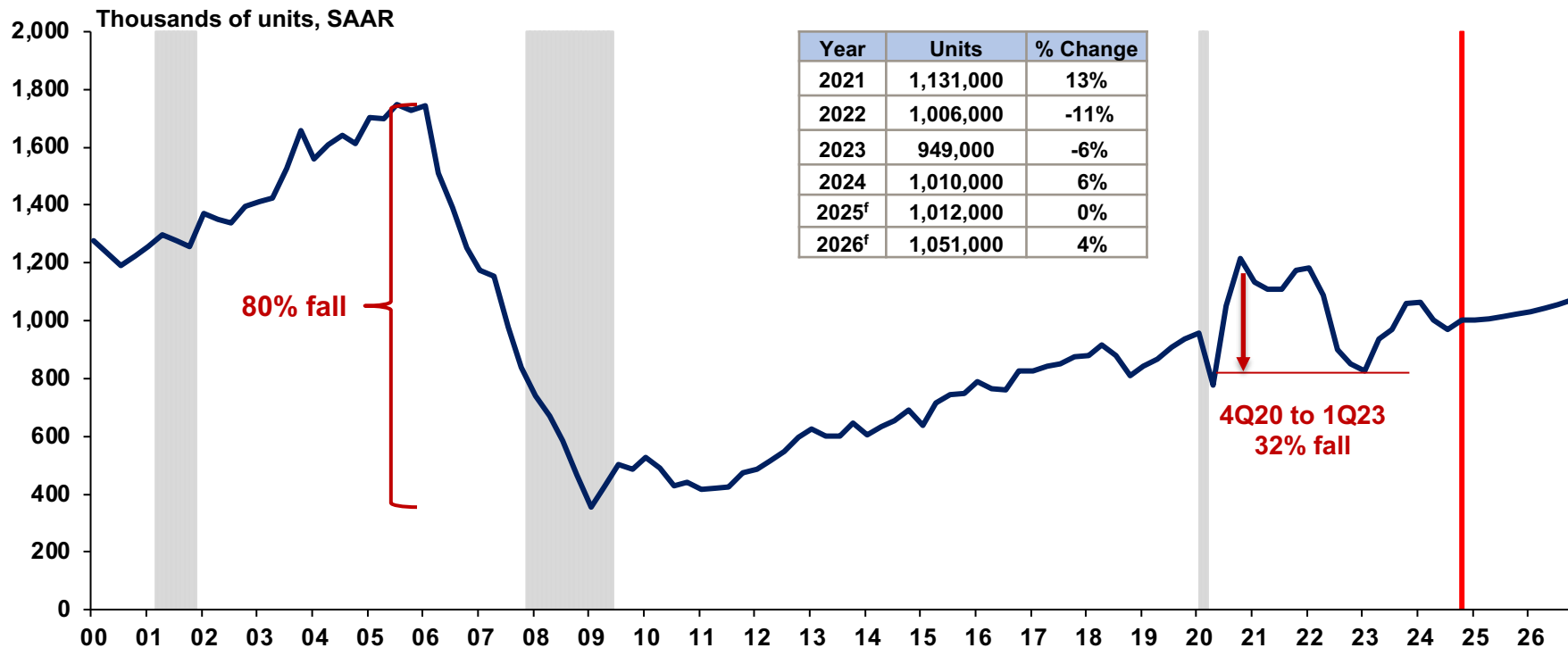
Insufficient resale inventory is supporting demand for new construction



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

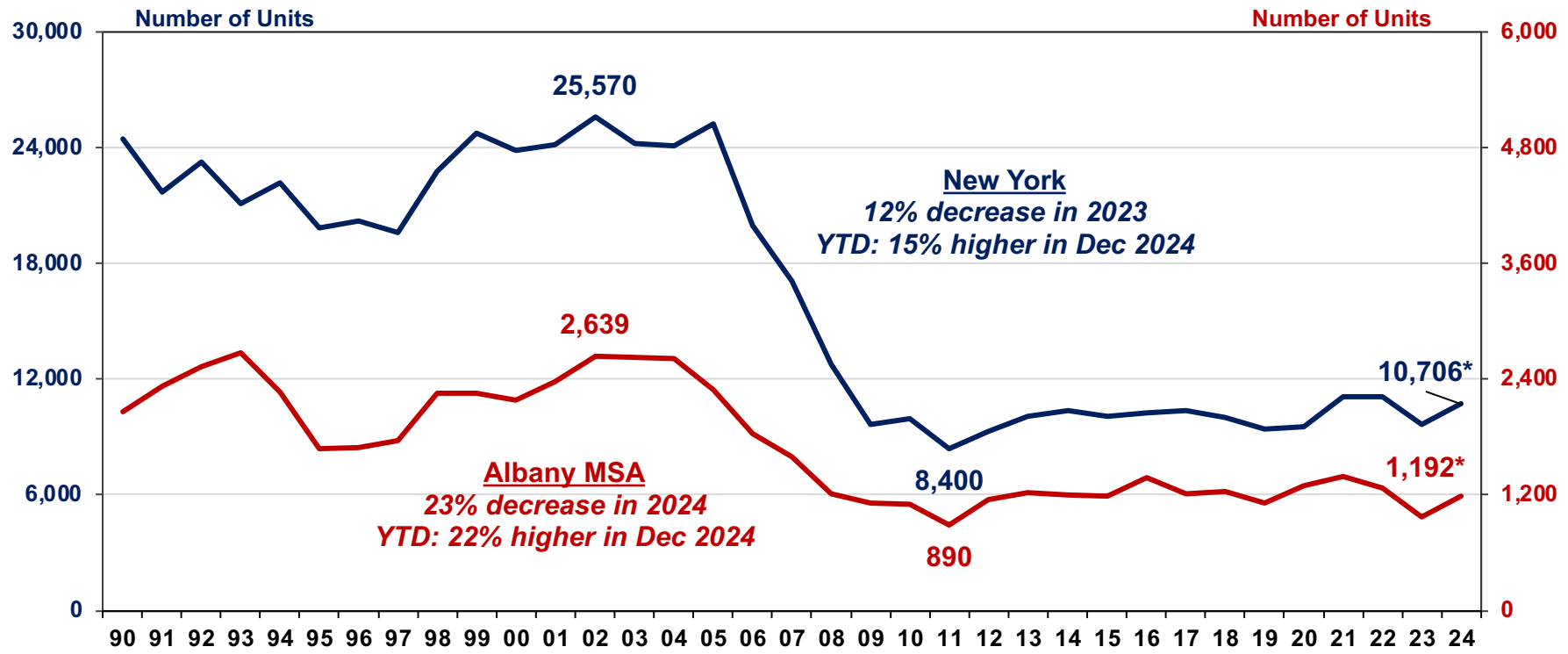
Single-Family Starts Trending Higher

Single-family starts will grow at slower pace in 2025 as positive and negative policy risks rise



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

Single-Family Building Permits – New York and Albany MSA



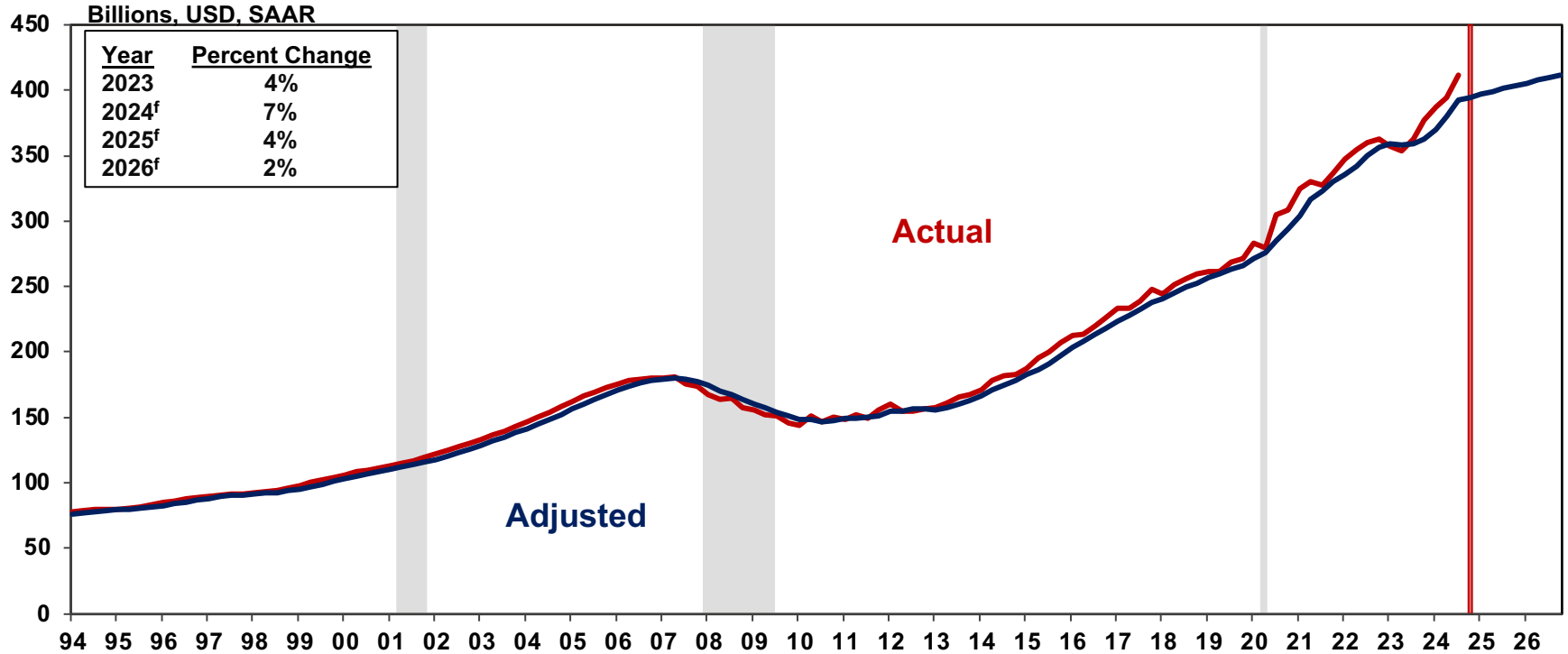
Source: Census Bureau.

Note: * 2024 permits are 2024 December YTD data as annual permits for 2024 are not available yet.



Residential Remodeling Expanding

Positive growth prospects ahead

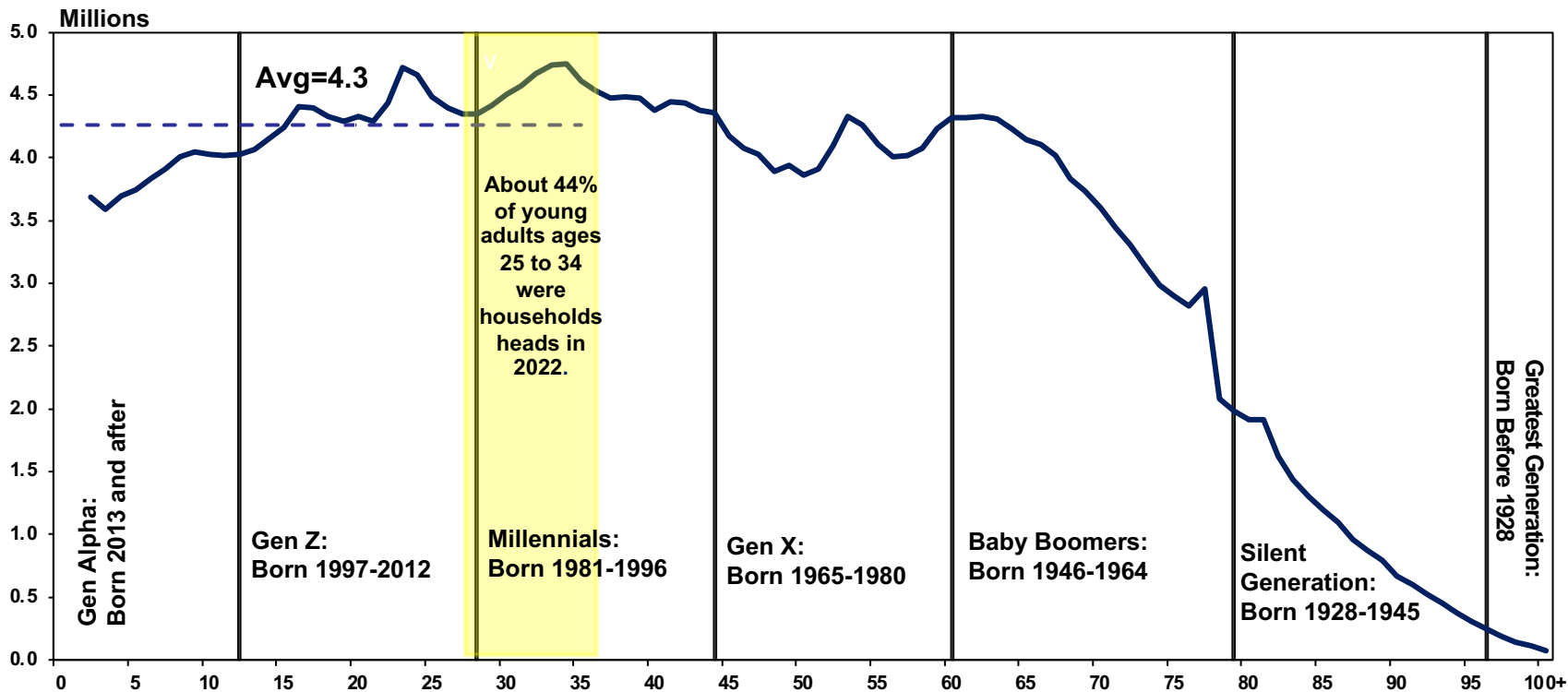


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

Rising Population Entering Housing Demand Years: 2024

Solid demand for housing during the second half of the decade

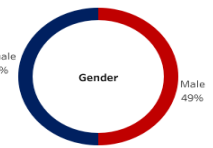
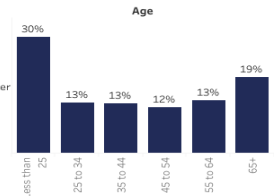
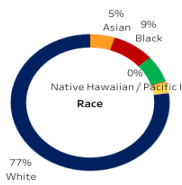
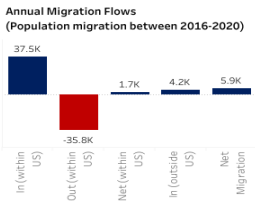


Source: U.S. Census Bureau (BOC).

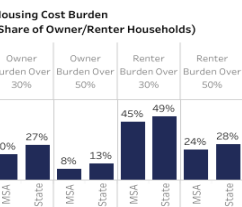
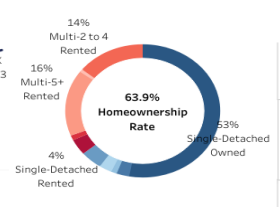
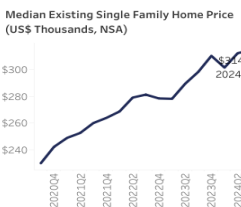
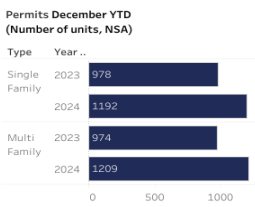
Metro Area Demographics, Macroeconomic and Housing Market Dashboard

Population (2024Q3)	Median Family Income (2023 Inflation-Adjusted Dollars)	Exist. SF Median Home Price (2024Q3)	Total Permits YTD (December 2024)	Unemployment Rate (December 2024)
900.6K -3.7K from 1-year ago	\$107,450 -3.2% YOY	\$314.4K +5.5% YOY NSA	2,401 +23.0% YOY NSA	percentage points YOY SA

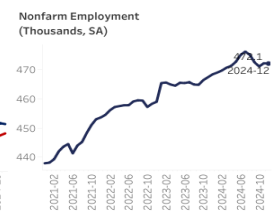
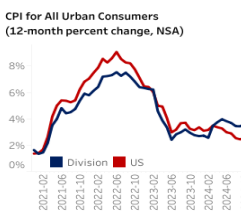
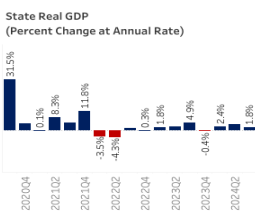
Demographics



Housing Market



Local Economy



Metro Area Dashboard for Albany MSA, New York

You can find this dashboard at NAHB.org
www.NAHB.org

↓

Housing Economics

↓

State and Local Data

↓

Metro Area Dashboard

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Thank you

Questions?

fkuo@nahb.org



Economic Leadership Sponsor

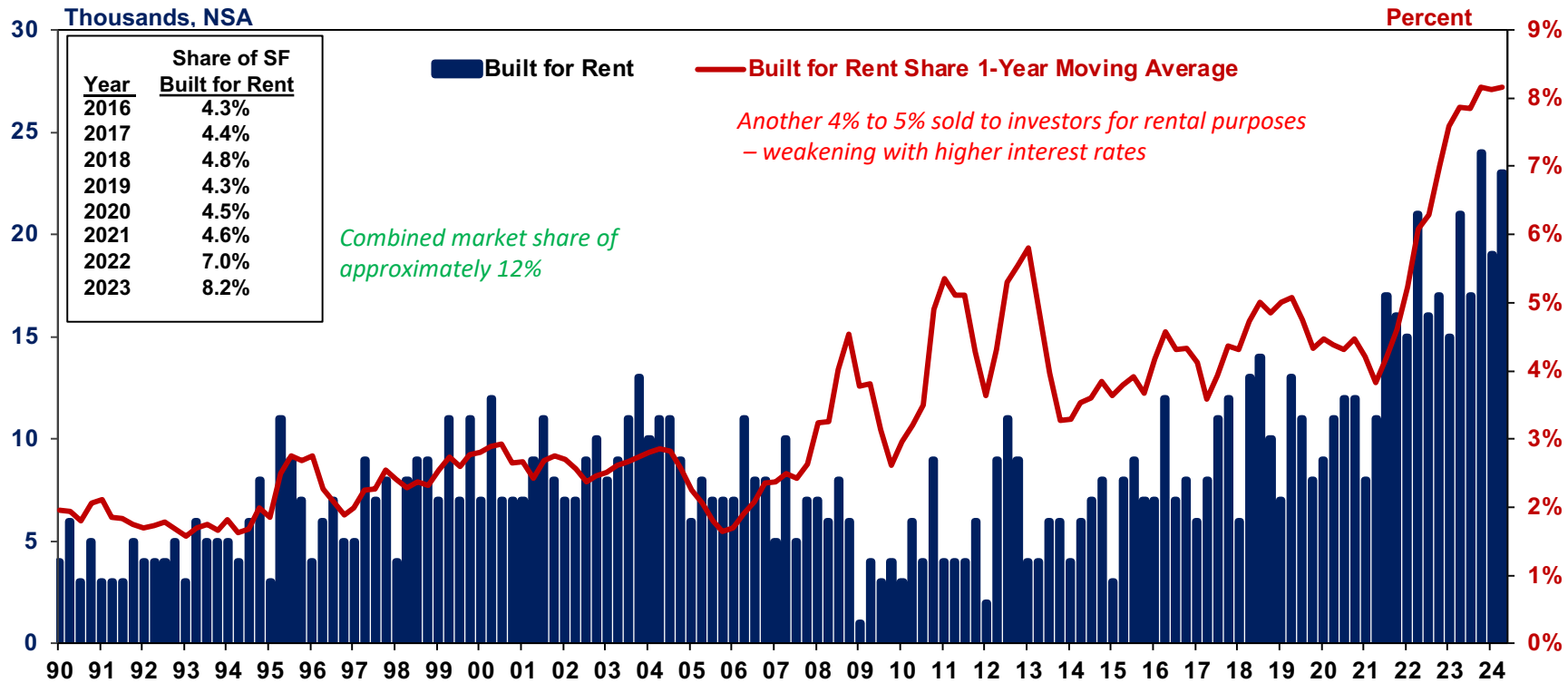


Home Mortgage

eyeonhousing.org
housingeconomics.com

Single-Family Built-for-Rent Construction

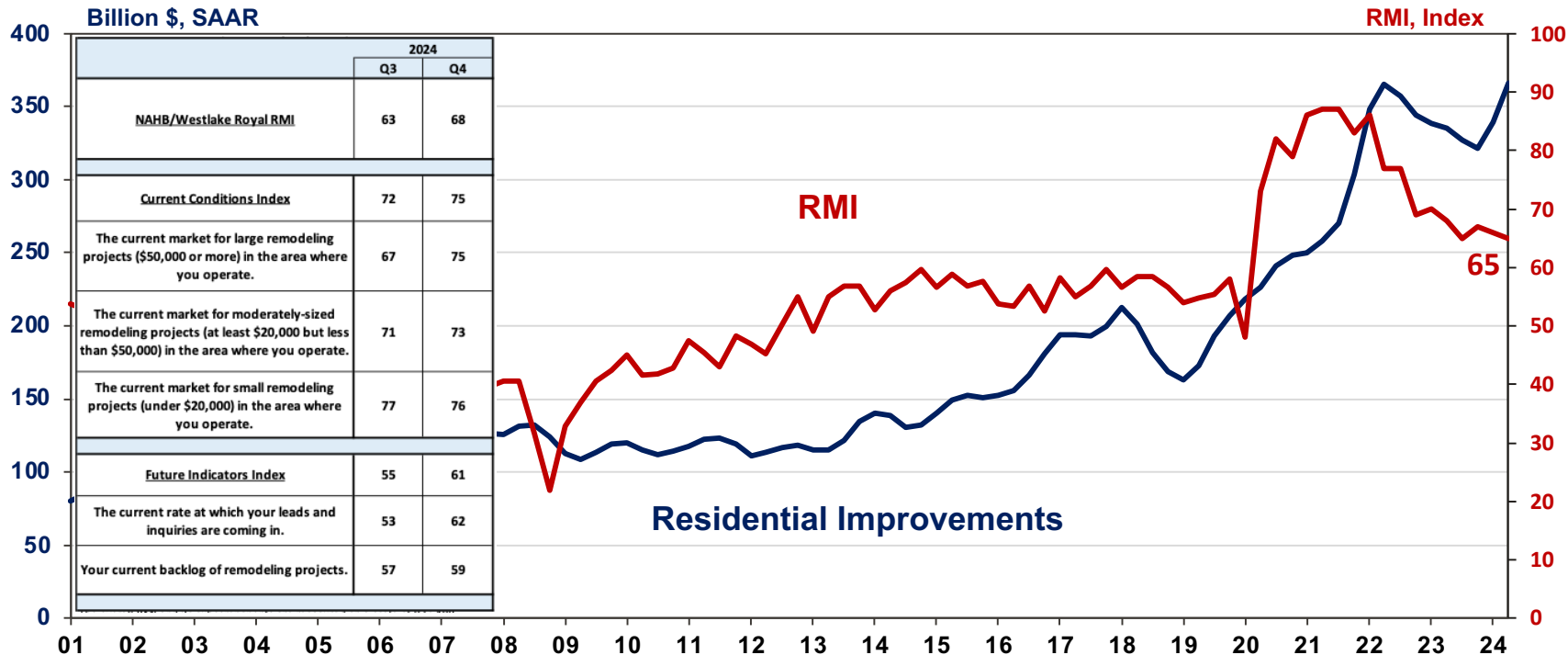
Is the market cooling?



Source: U.S. Census Bureau (BOC)

NAHB/Westlake Royal Remodeling Market Index (RMI)

Remodeling market sentiment remains solidly in positive territory

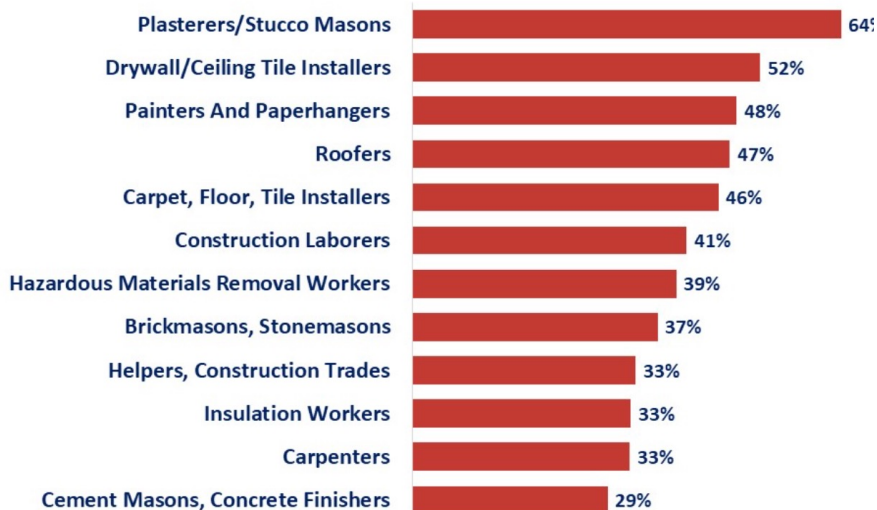


Source: U.S. Census Bureau (BOC) and NAHB/Westlake Royal Remodeling Market Index (RMI)

Immigrant Workers in the Construction Sector

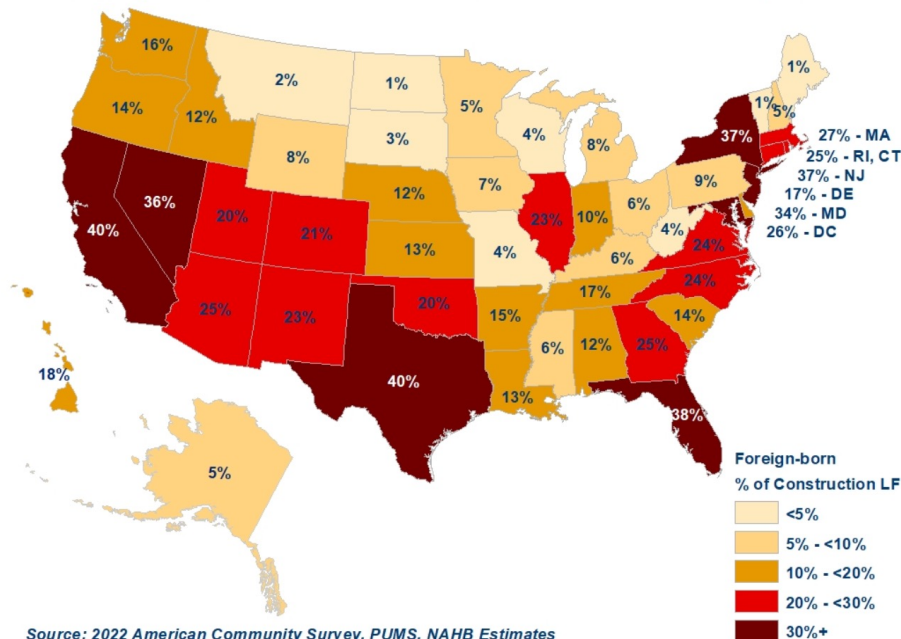
Construction Trades Most Reliant on Immigrants

Share of Immigrants in Labor Force, 2022



Source: American Community Survey PUMS, 2022, NAHB Estimates

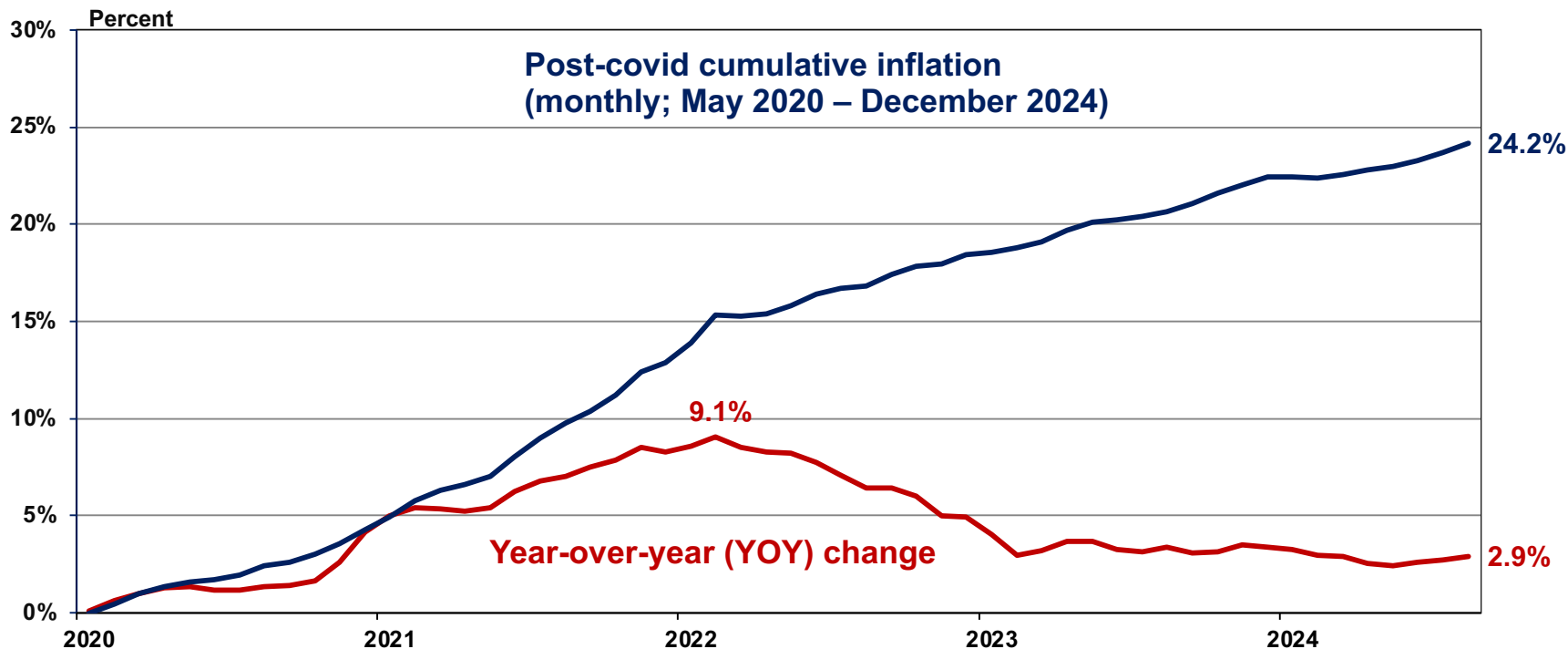
Immigrant Workers in the Construction Labor Force, 2022



Source: NAHB analysis of Census data

Post-Covid Cumulative Inflation

Cumulative inflation surged; YOY change has slowed from a peak of 9.1% in June 2022



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