

# **United States Housing Market and Hardwoods**

## **The Future of the Hardwood Lumber Industry**

Wood Education Resource Center

Princeton, WV

November 3, 2016

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# **United States Housing Market and Hardwoods**

## **Outline**

- Where we're at
- Demographics
- GDP projections
- Summary



# United States Housing Market and Hardwoods

*“Never make predictions, especially about the future.”*

The late, great Casey Stengel

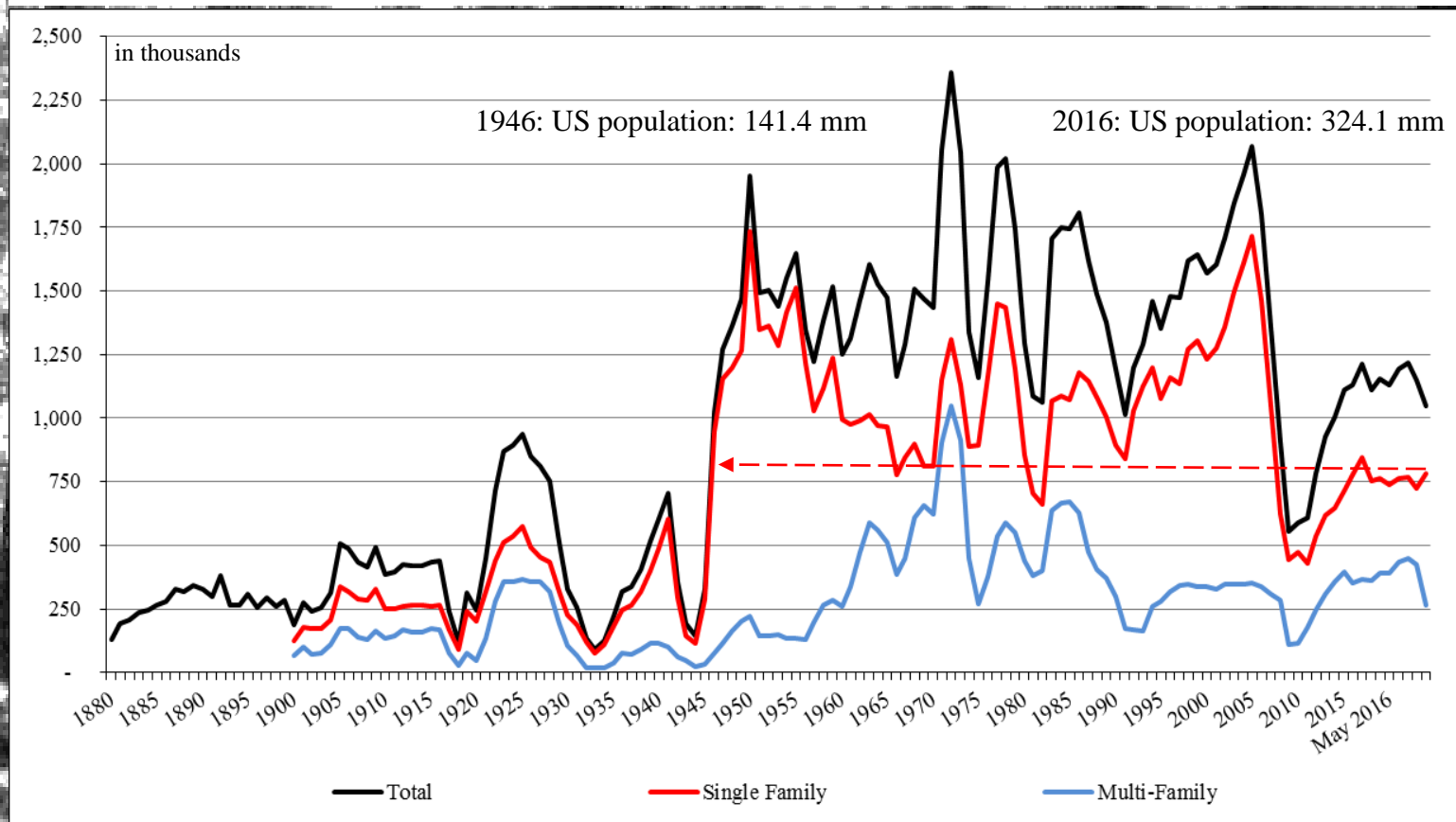
and

*“It's tough to make predictions,  
especially about the future.”*

The late, great Yogi Berra

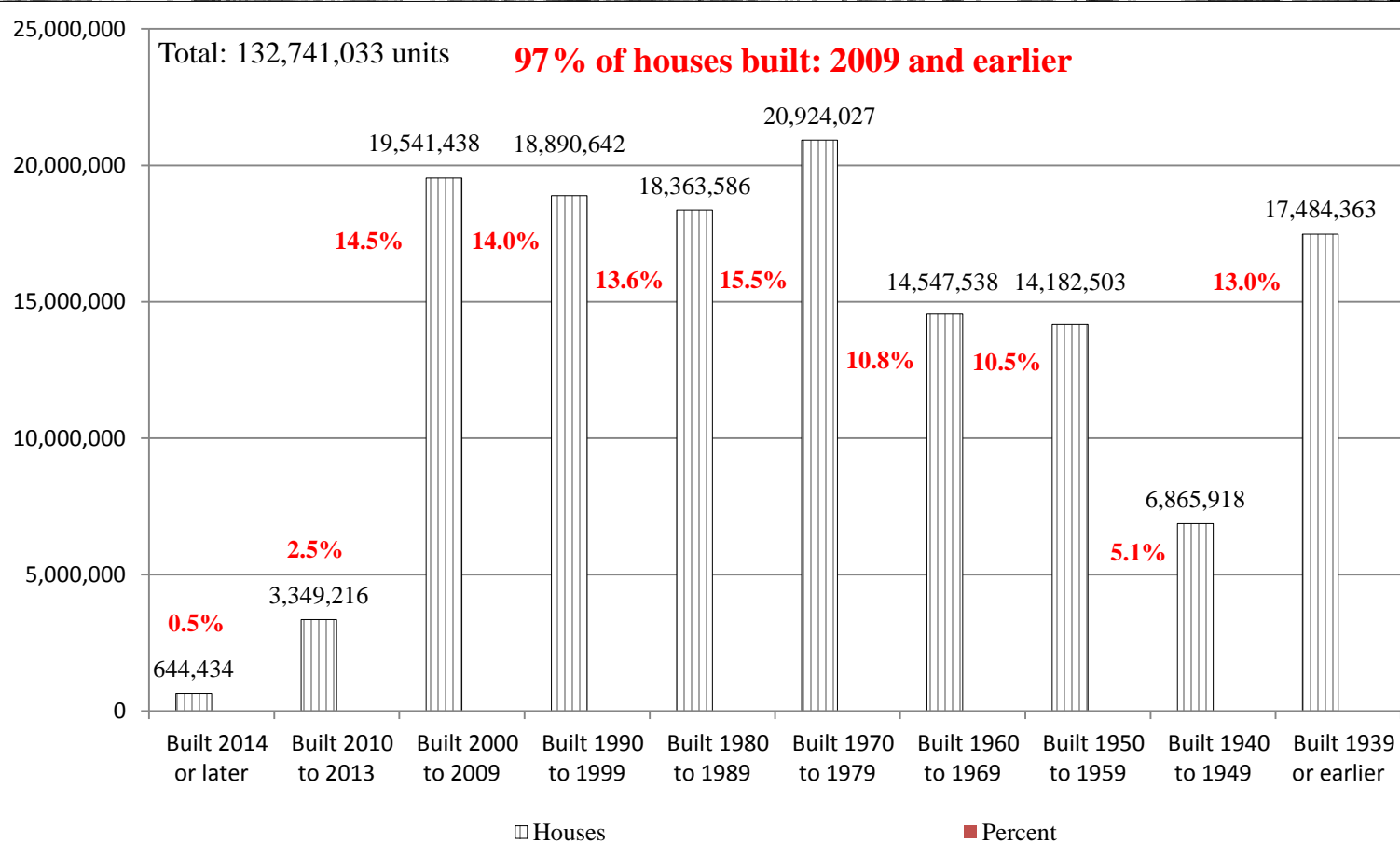
# United States Housing Market and Hardwoods

## Housing Units and Starts – 1880 to September 2016



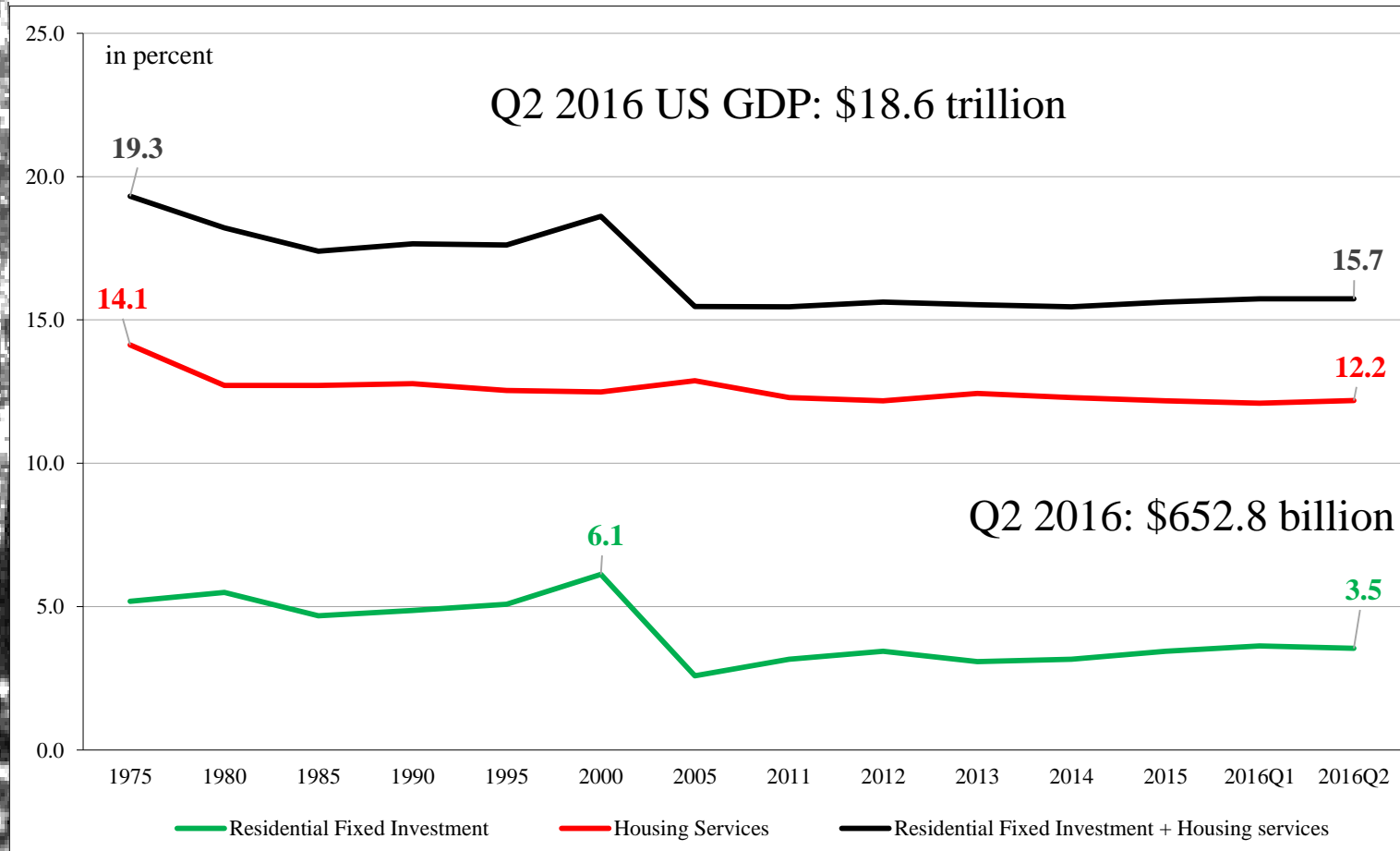
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## September 2016 – Housing Stock & Age



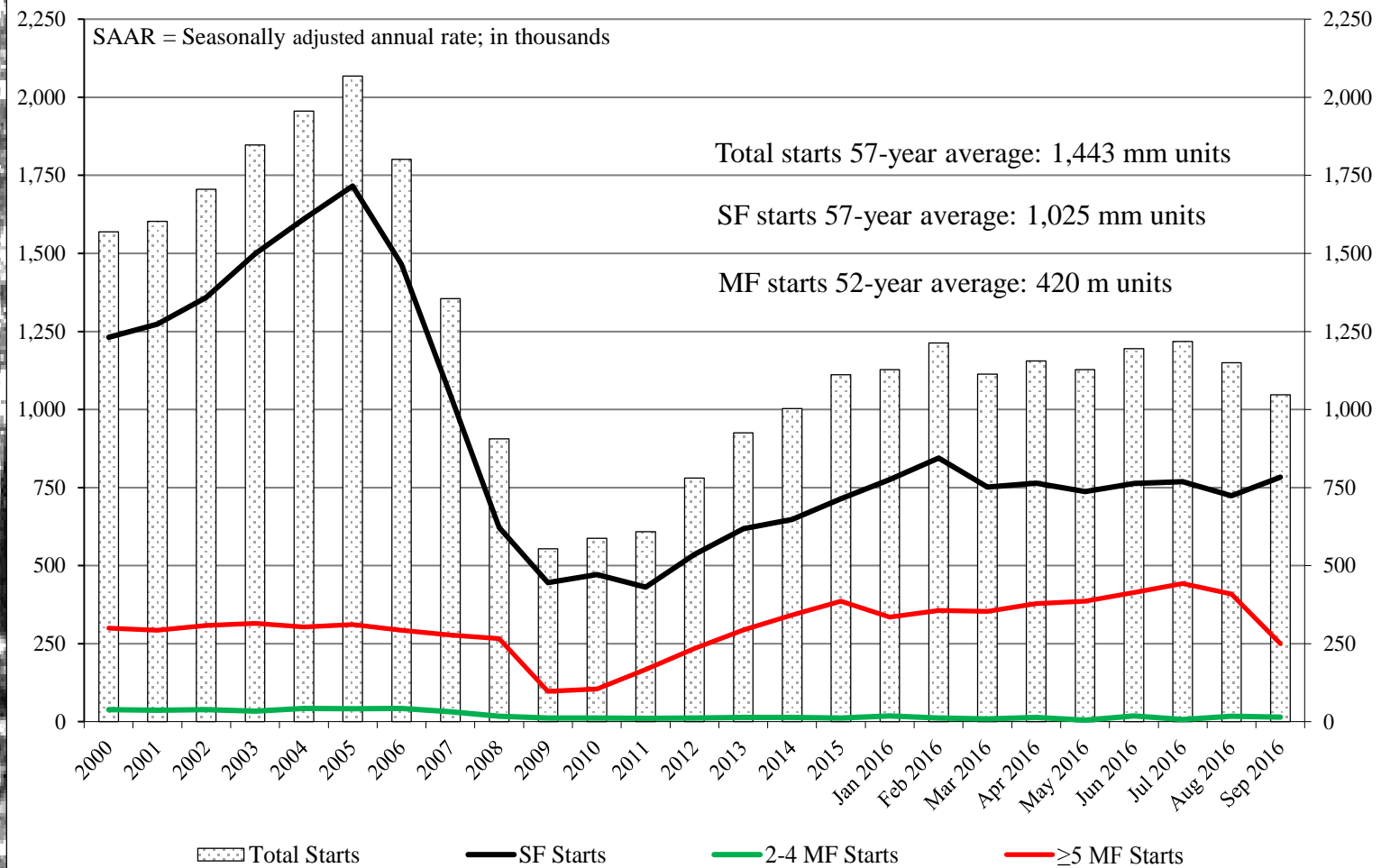
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## NAHB - Housing's USD Percentage Contribution to GDP



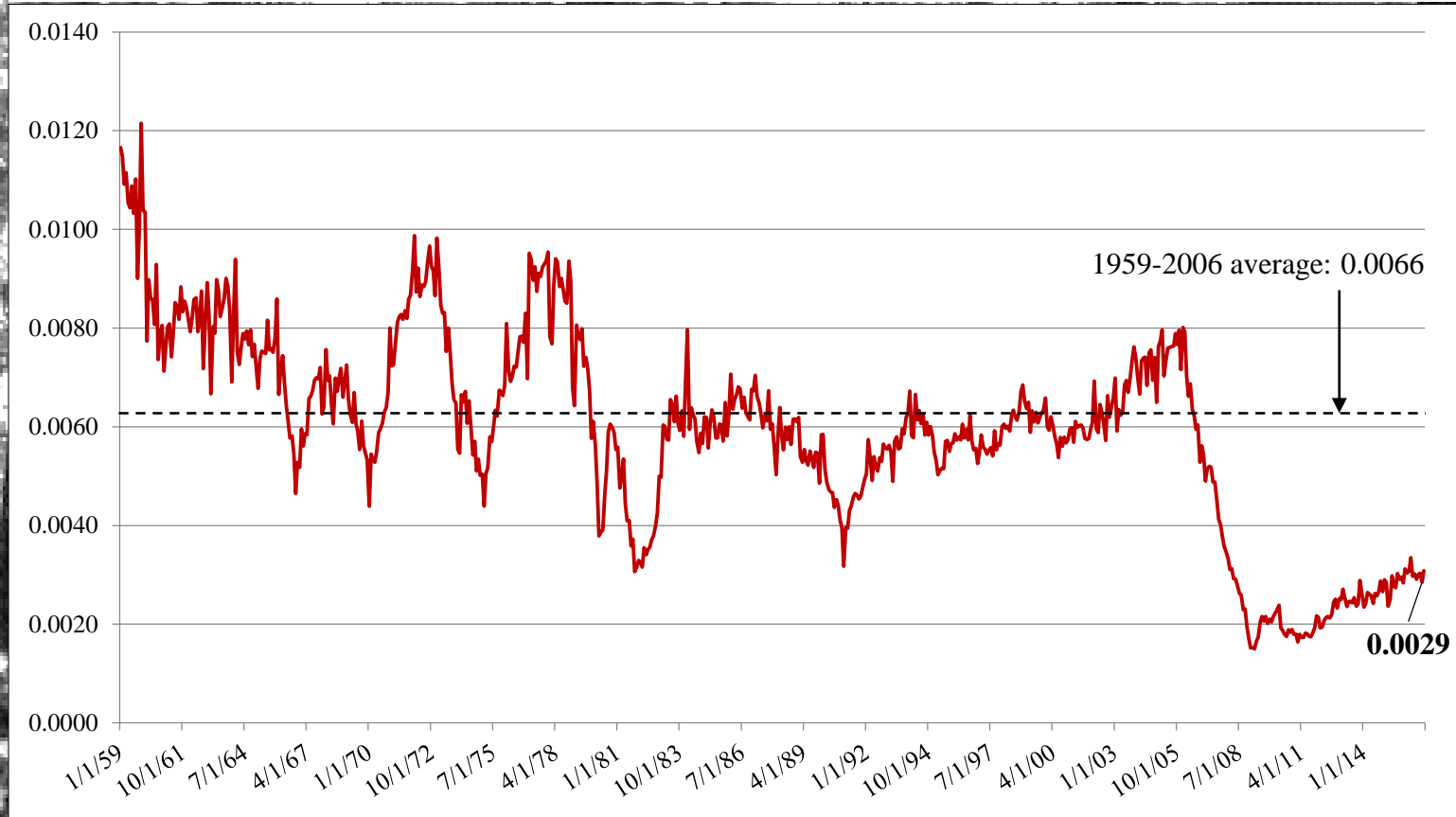
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## September 2016 – Total Housing Starts



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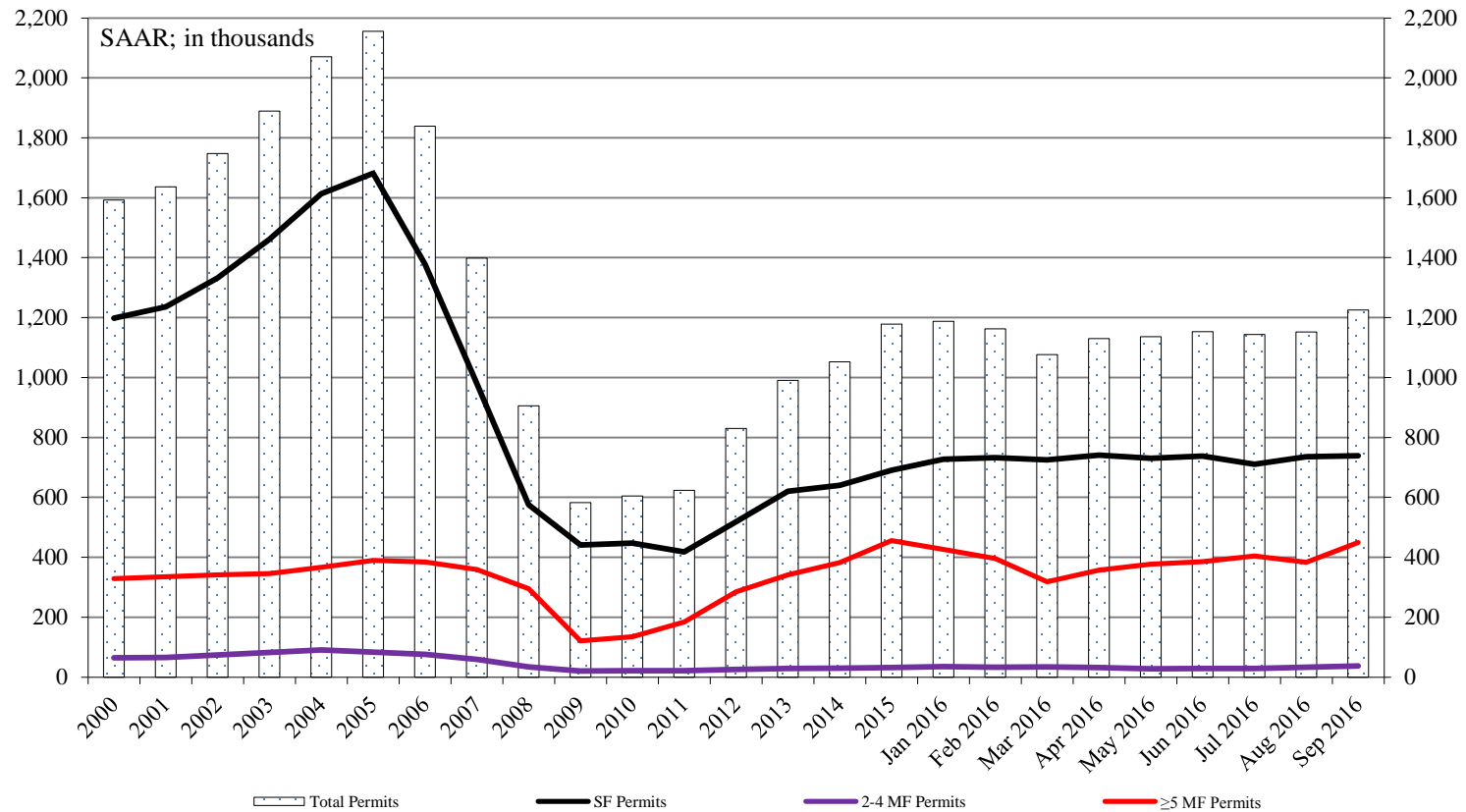
## New SF Housing Starts – Civilian Non-Institutional Population





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## September 2016 – Total Housing Permits



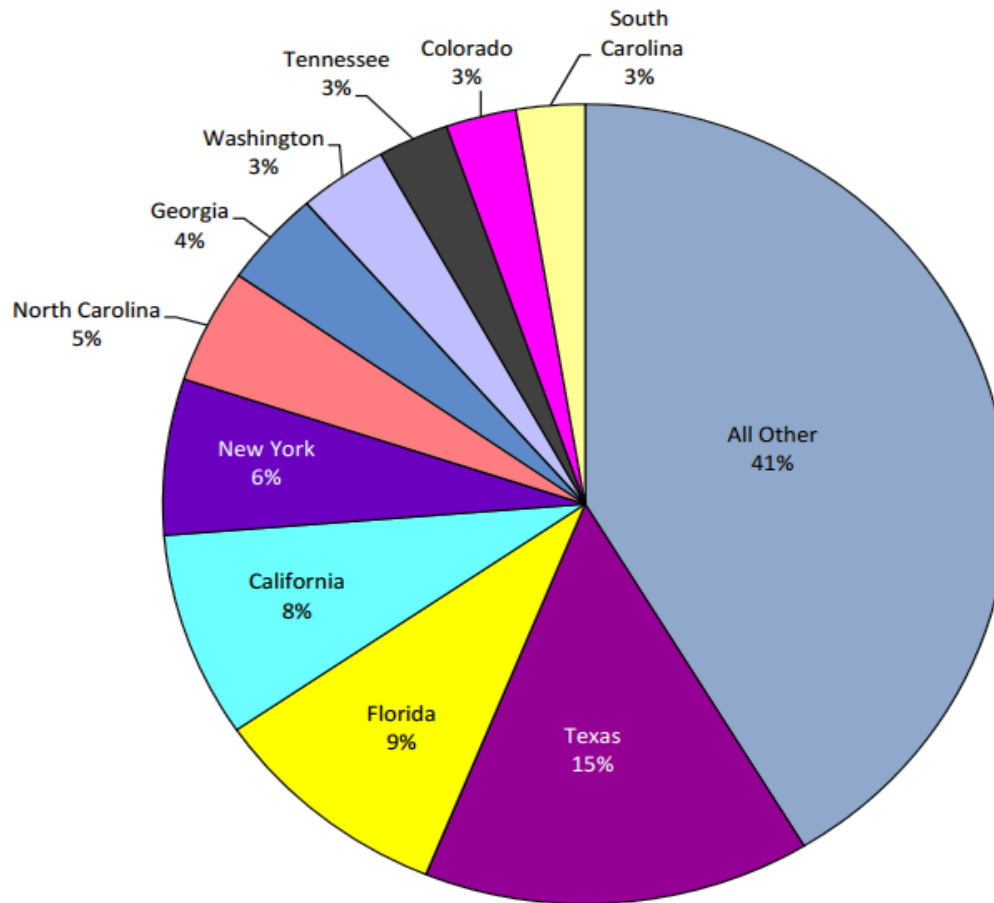
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## Building permits by region: 2015

		Total	1-unit	2-unit	3 - 4 units	≥ 5 units
1	South	572,779	378,203	5,864	4,625	184,087
2	West	277,235	160,707	3,702	4,357	108,469
3	Midwest	170,584	104,673	4,238	3,363	58,310
4	Northeast	161,984	52,415	3,178	2,750	103,641
	United States	1,182,582	695,998	16,982	15,095	454,507

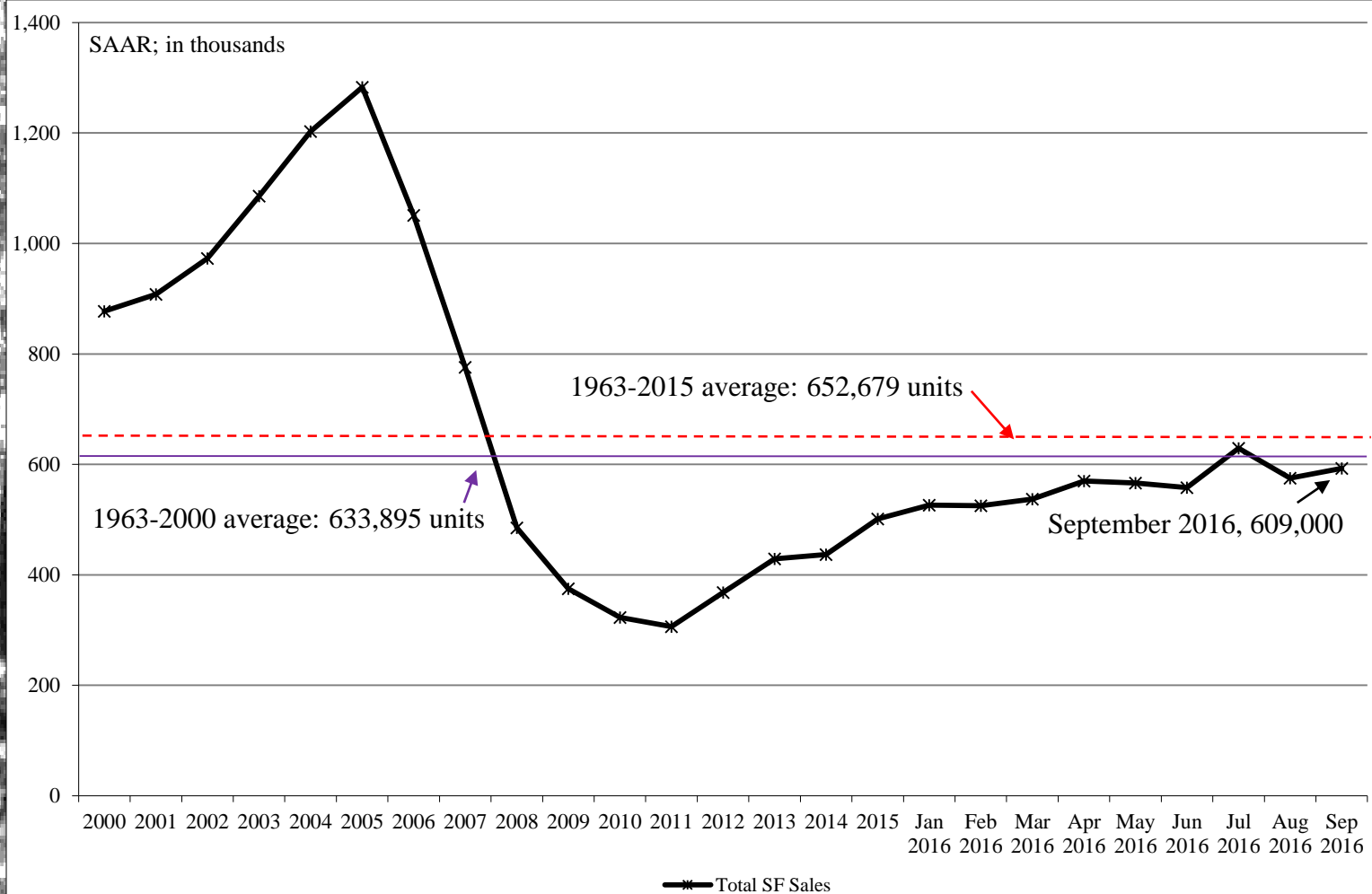
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Percent of U.S. Total Housing Units Authorized by State: 2015



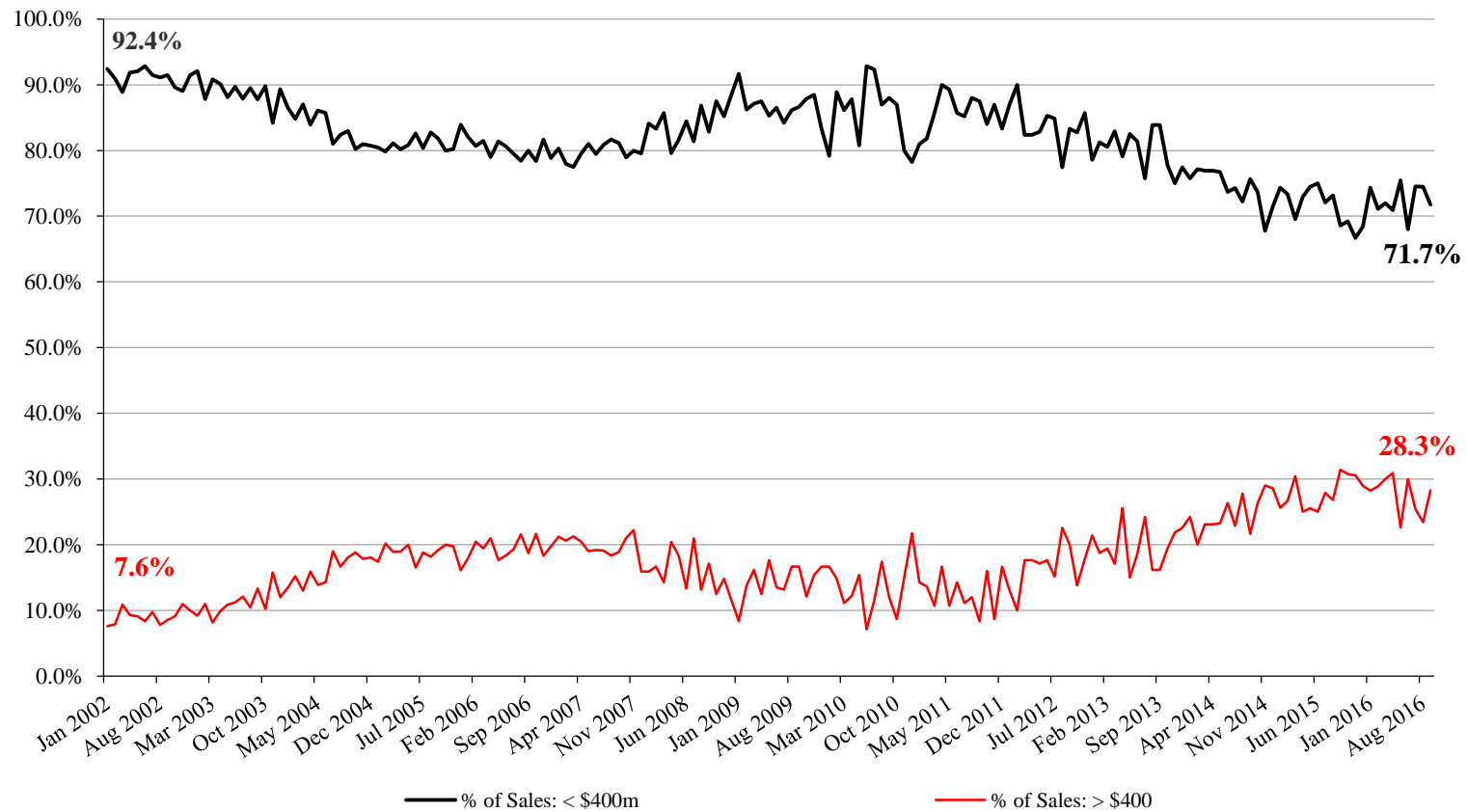
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## September 2016 – Total New SF Housing Sales



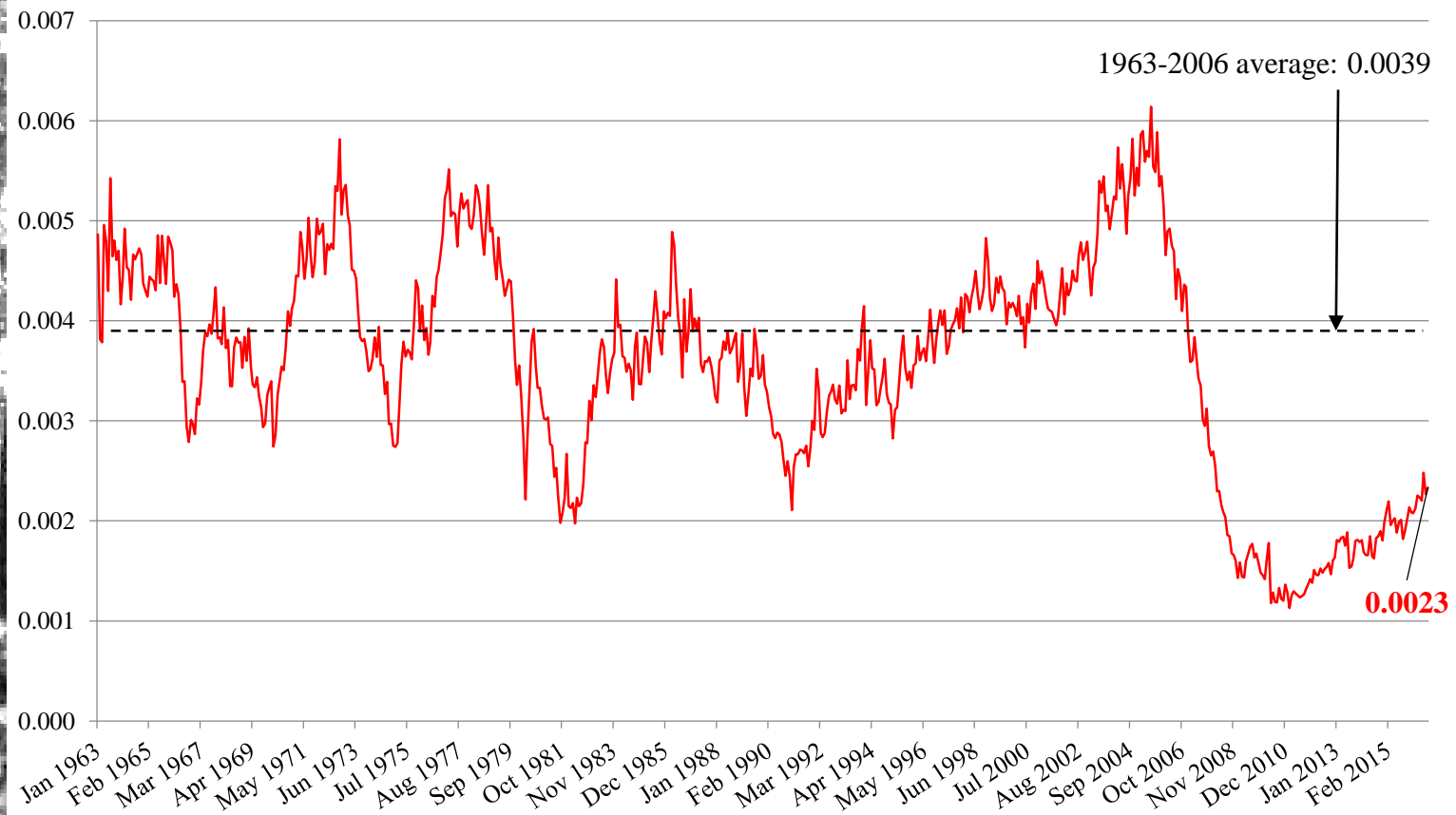
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## New SF Housing Sales Ratio of $\geq \$400m : \leq \$400m$



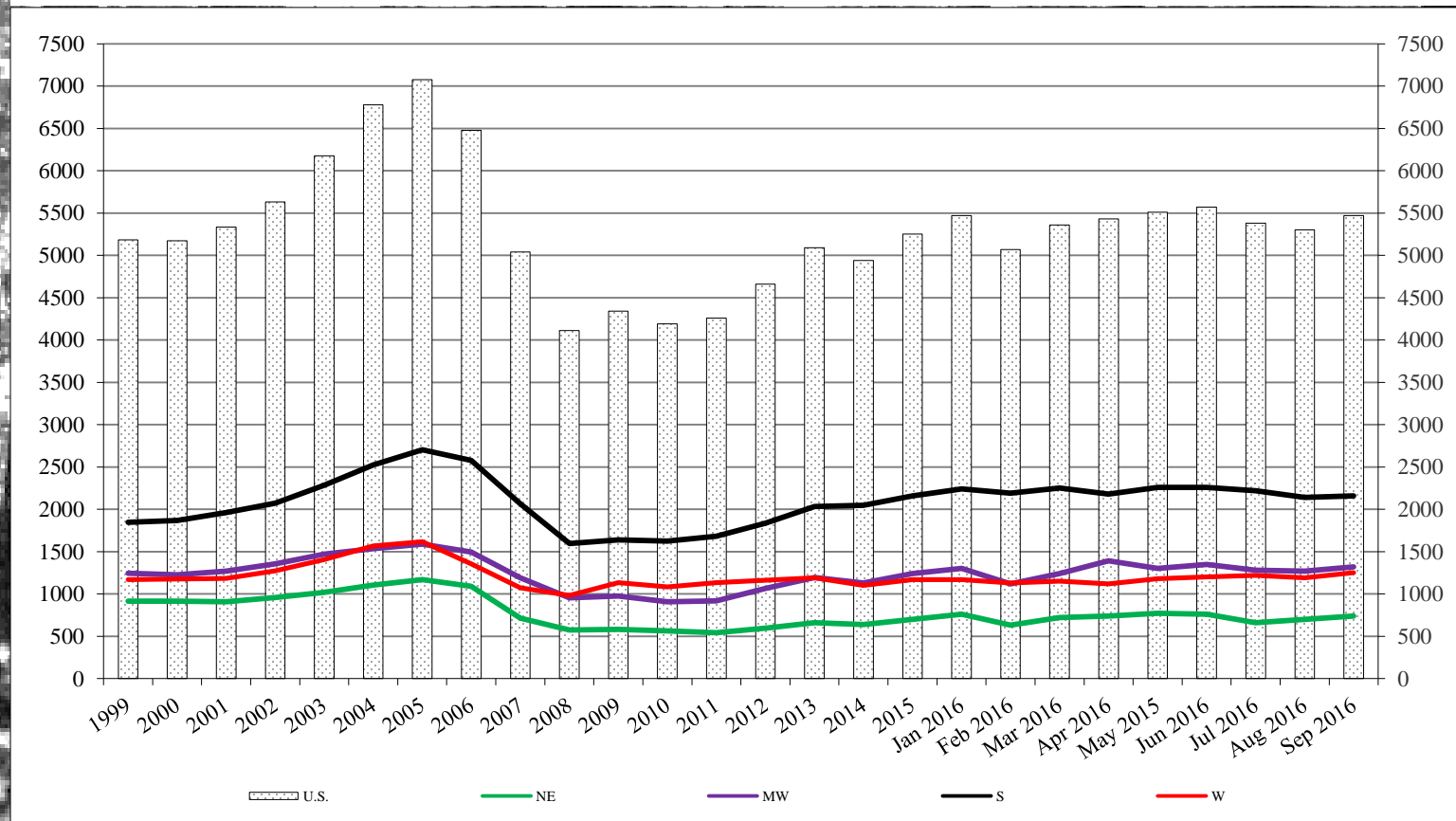
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## New SF Housing Sales:Civilian Non-Institutional Population



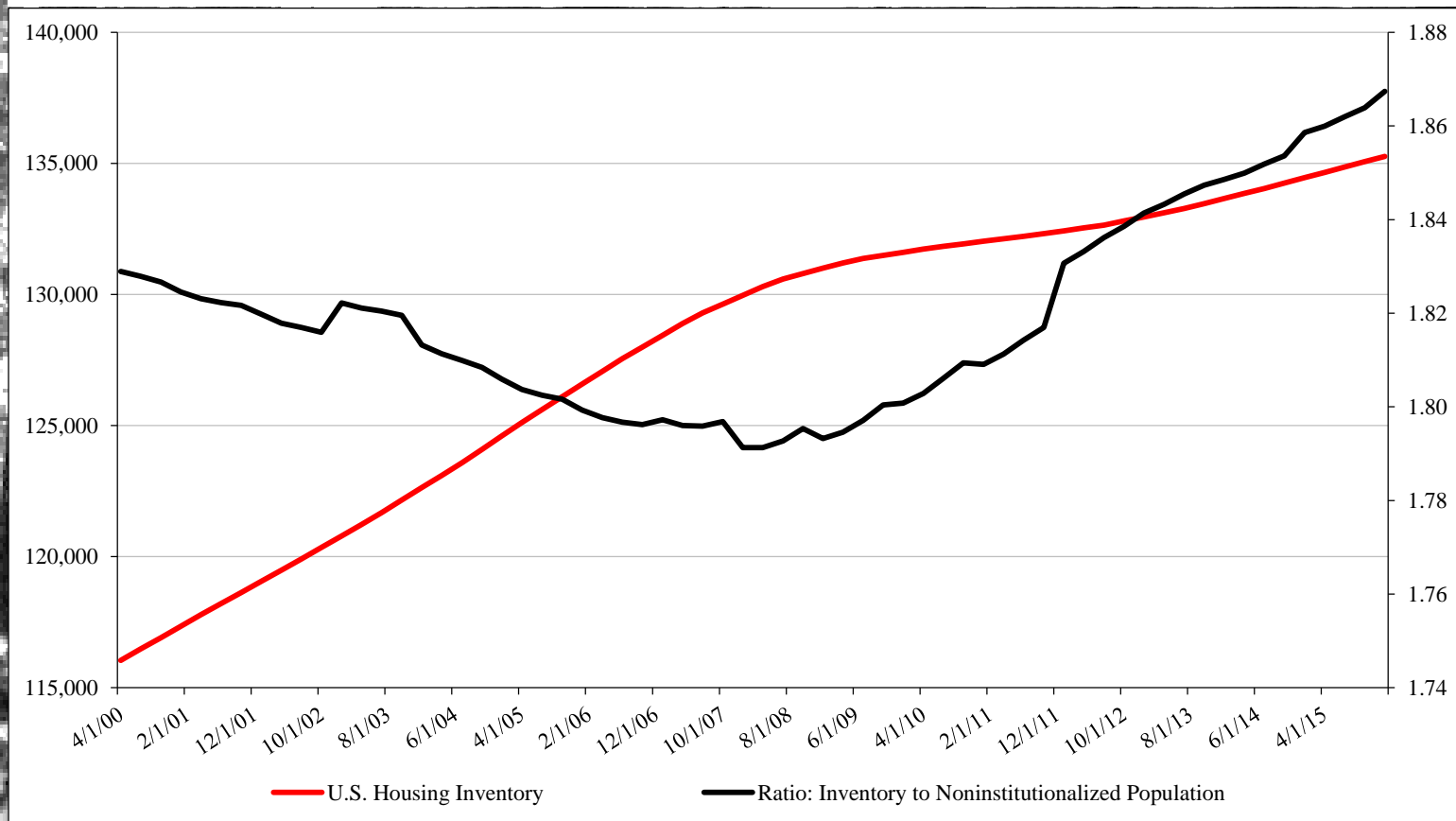
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## Existing House Sales



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## Housing Inventory: Civilian Non-Institutional Population



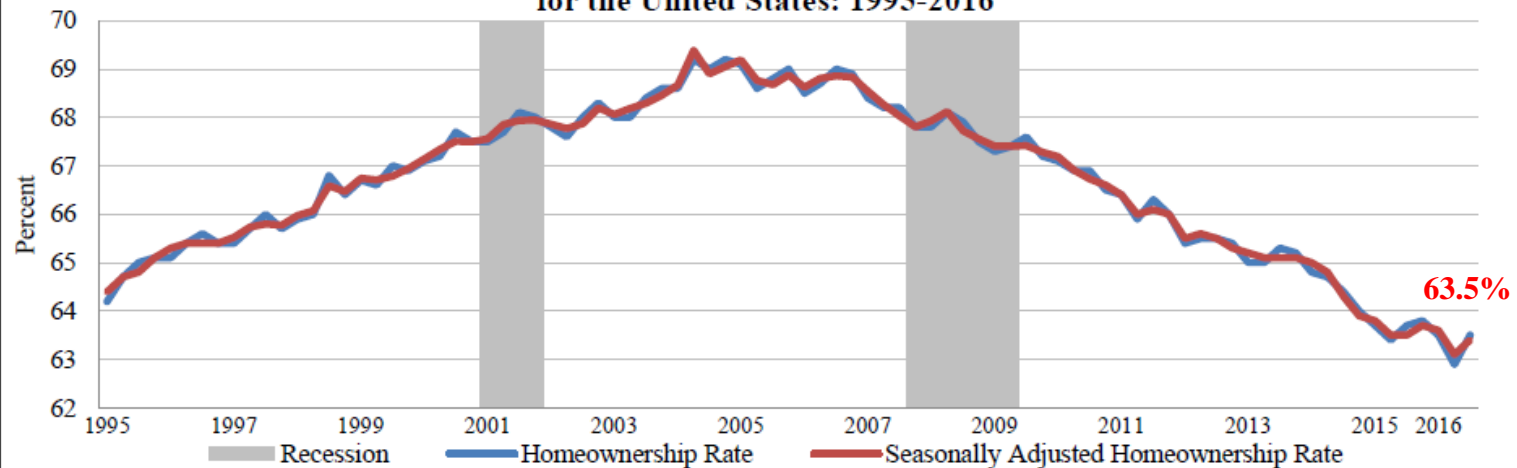
Source: NAR® <http://www.realtor.org/news-releases/2016/10/first-time-buyers-steer-existing-home-sales-higher-in-september;> & [https://fred.stlouisfed.org/;](https://fred.stlouisfed.org/) 10/20/16



# United States Housing Market and Hardwoods

Figure 4

## Quarterly Homeownership Rates and Seasonally Adjusted Homeownership Rates for the United States: 1995-2016



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, Recession data: National Bureau of Economic Research, <[www.nber.org](http://www.nber.org)>

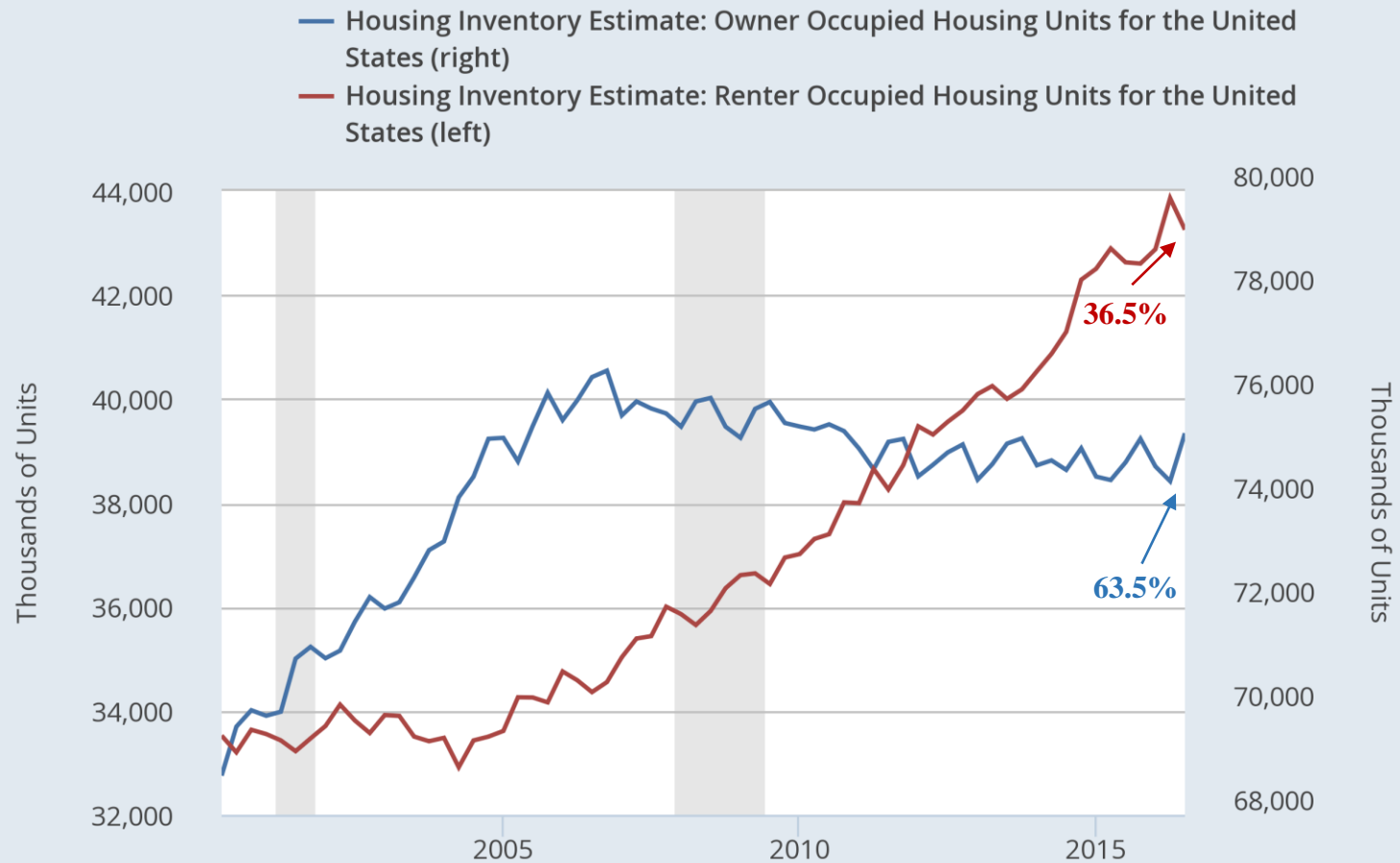
## Homeownership Rate Claws Back Up, But Wait . . .

“On the optimist’s side, household formation – whether it’s from new renter or new owner households – is good for both the housing market and the general economy, as some renters eventually become owners and new households drive demand for home-related goods and services. On the pessimist’s side, there are headwinds for those that want to own a home but can’t: prices and rents have outpaced incomes, credit standards are higher, and a high share of young households are still living with their parents. On the neutral side, the homeownership rate is not different from last year or last quarter when seasonally adjusted.”<sup>2</sup> – Ralph McLaughlin, Chief Economist, Trulia

Sources: <sup>1</sup><http://www.census.gov/housing/hvs/files/currenthvspress.pdf>; 10/27/16

<sup>2</sup> <http://www.themreport.com/daily-dose/10-27-2016/homeownership-rate-claws-back-wait>; 10/27/16

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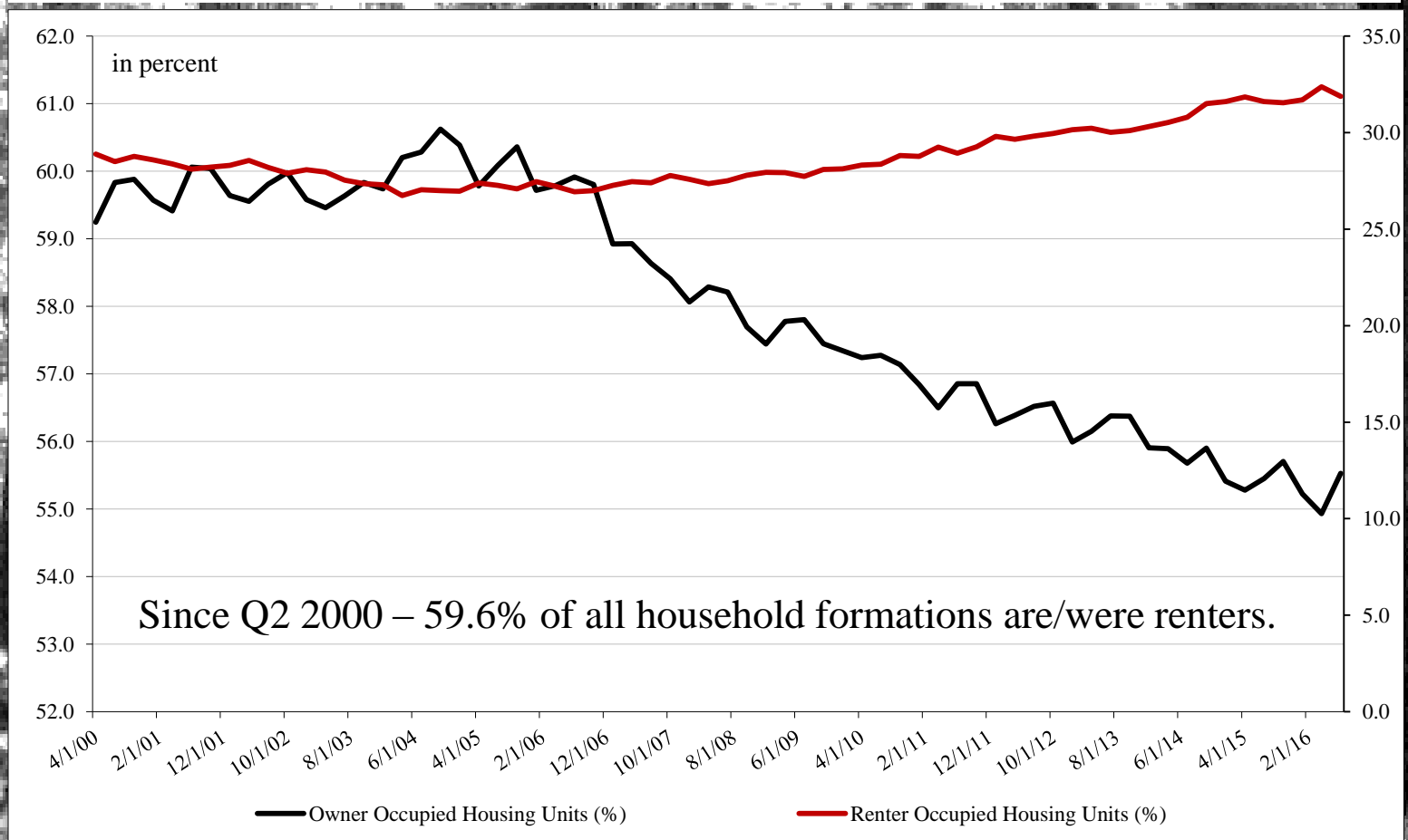


fred.stlouisfed.org

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## Percentage Change: Owner- vs. Renter-Occupied Housing





# **United States Housing Market and Hardwoods**

## **Demographics**

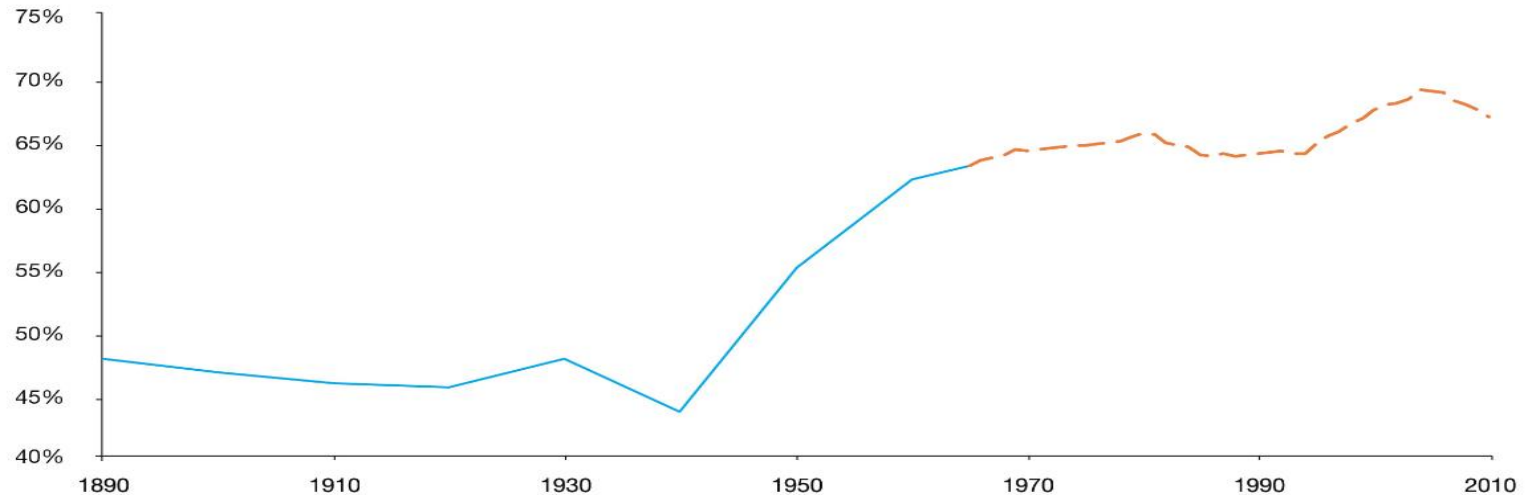
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## U.S. HOMEOWNERSHIP RATES

1890	47.8%	1940	43.6%	1990	64.2%
1900	46.7%	1950	55.0%	2000	66.2%
1910	45.9%	1960	61.9%	2010	66.5%
1920	45.6%	1970	62.9%		
1930	47.8%	1980	64.4%		

EXHIBIT 2

Homeownership Rate 1890 - 2010



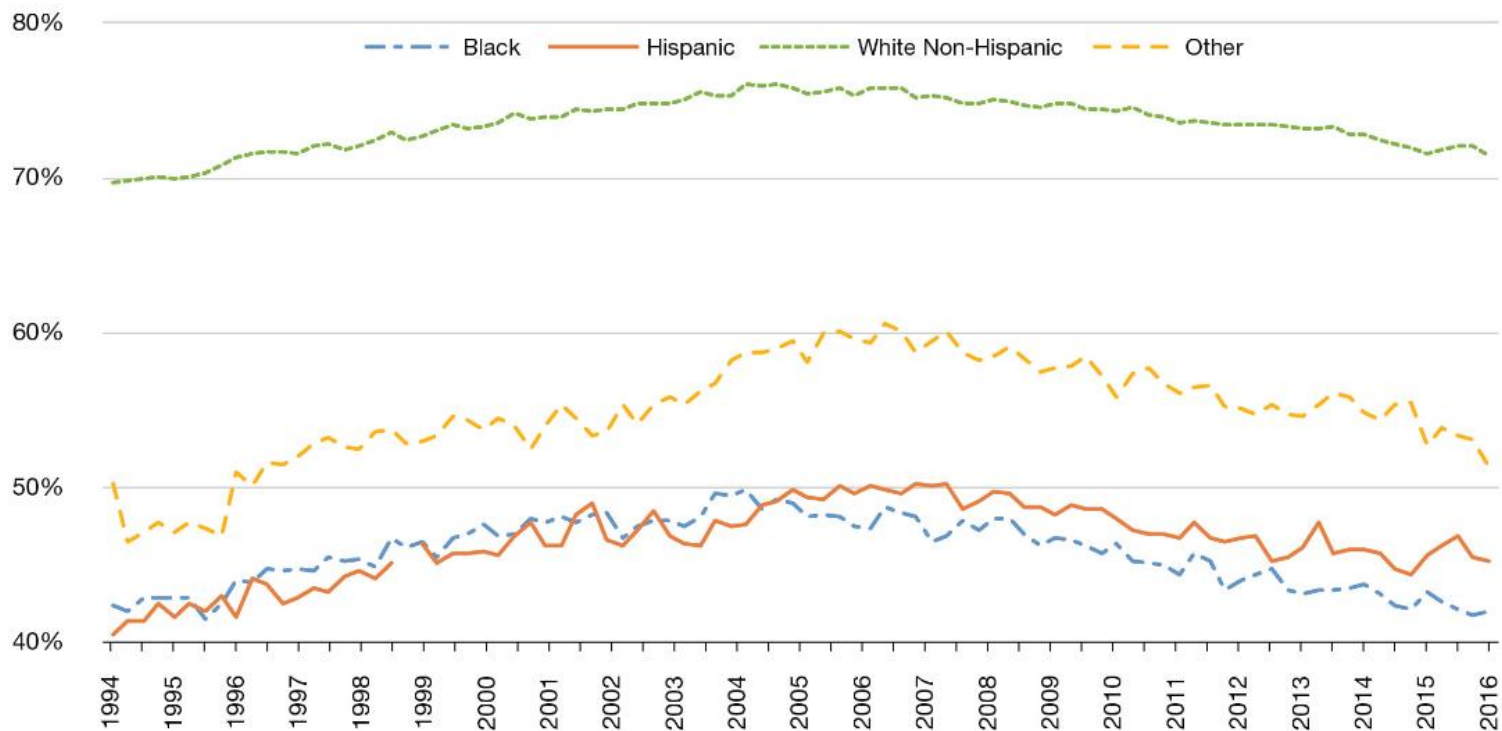
Source: U.S. Census Bureau, Solid line from Decennial Census, dashed line from Current Population Survey/Housing Vacancy Survey

Sources: NAR® <http://www.realtor.org/news-releases/2016/10/first-time-buyers-steer-existing-home-sales-higher-in-september>; & [http://www.freddiemac.com/finance/report/20161012\\_why\\_are\\_experts\\_pessimistic.html](http://www.freddiemac.com/finance/report/20161012_why_are_experts_pessimistic.html); 10/12/16

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EXHIBIT 4

## Homeownership Rate by Demographics (Race/Ethnicity)

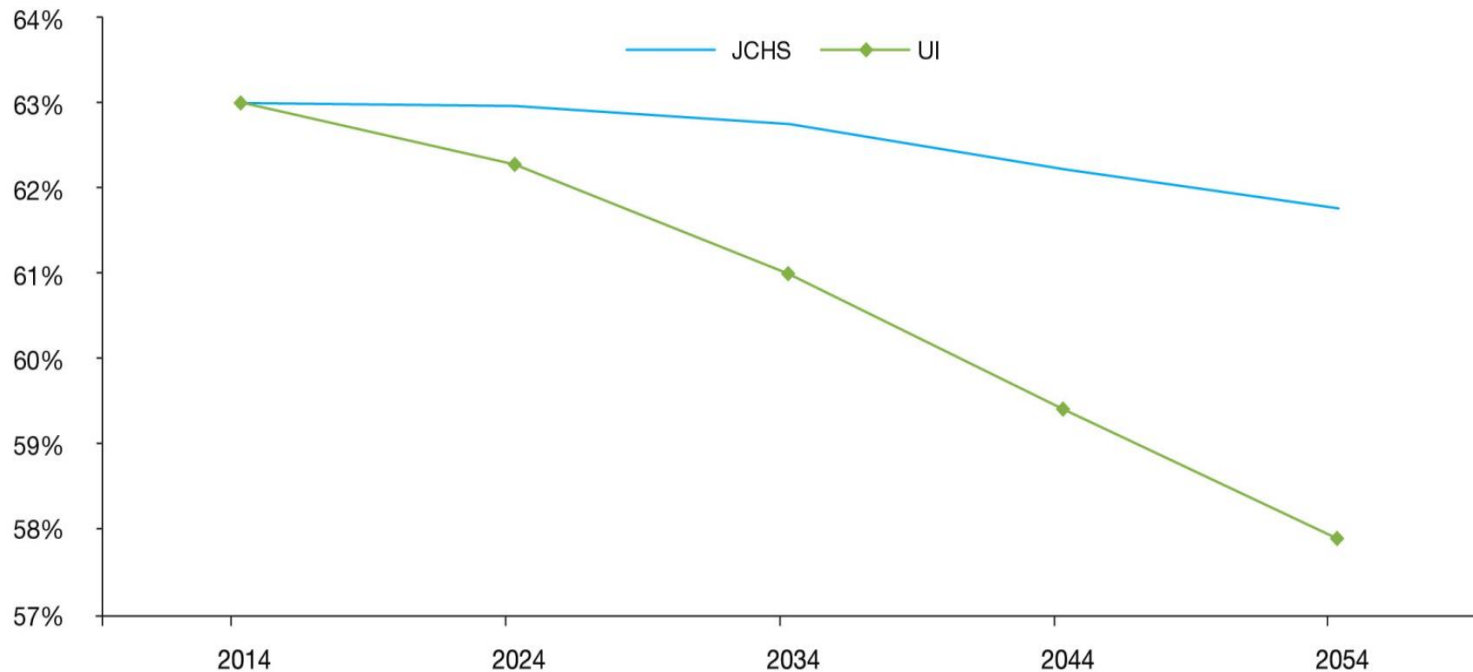


Source: U.S. Census Bureau Current Population Survey/Housing Vacancy Survey

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EXHIBIT 7

## Projected Homeownership Rates



Source: Freddie Mac Economic and Housing Research projections based on U.S. Census Bureau data (Census 2000, 2010 American Community Survey 1-year Estimates, 2014 American Community Survey 1-year Estimates). Data accessed from IPUMS: IPUMS-USA, University of Minnesota, [www.ipums.org](http://www.ipums.org). U.S. Census Bureau 2014 national population projections. For details see Appendix.

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## EXHIBIT 6

### Homeownership: Will Millennials Resemble Boomers in the Future?

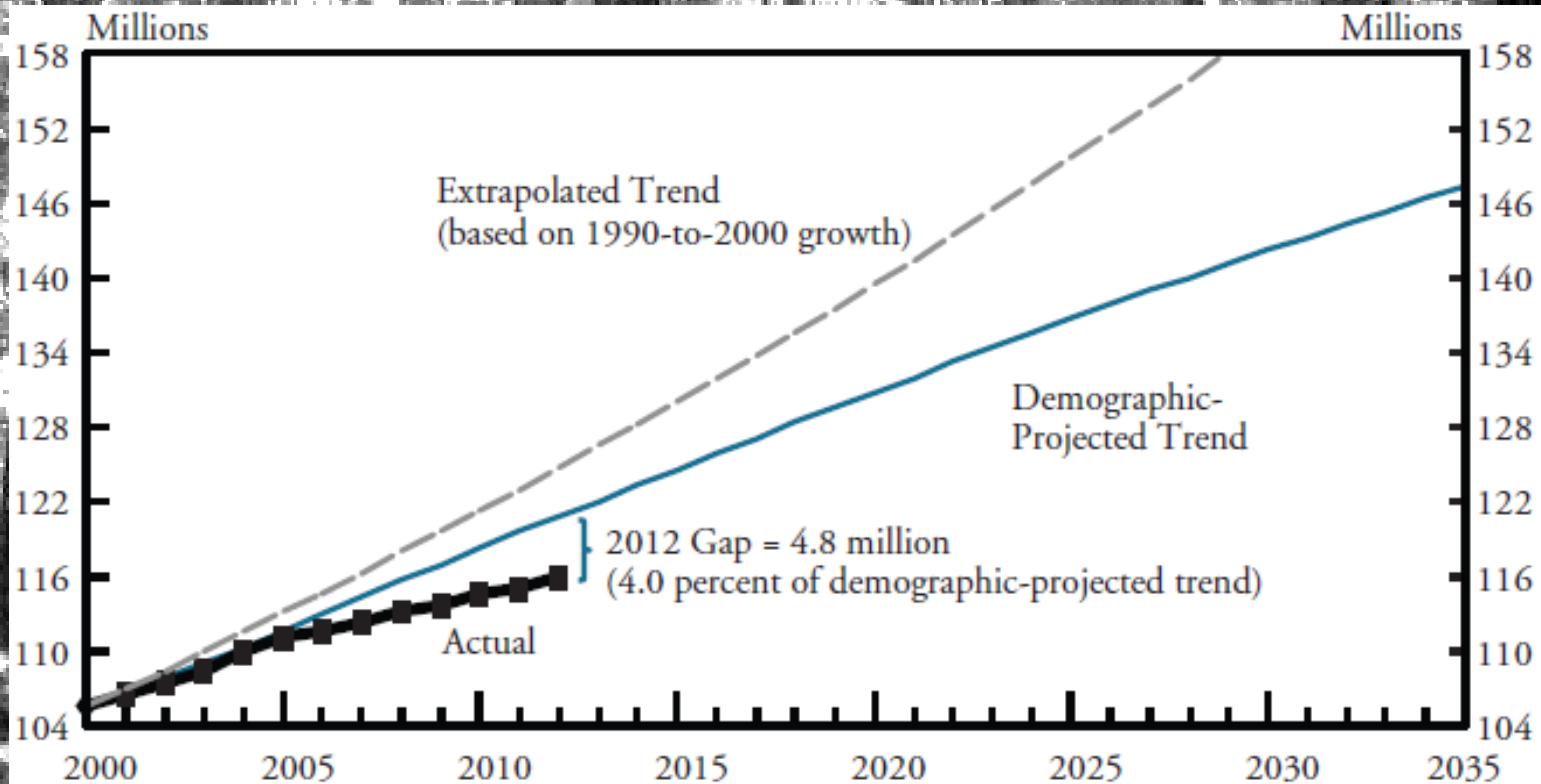
25 years ago		Today		25 years from now	
Age	Homeownership rate (%)	Age	Homeownership rate (%)	Age	Homeownership rate (%)
35 to 39	63	35 to 39	55	35 to 39	?
60 to 64	80	60 to 64	76	60 to 64	?

Source: U.S. Census Bureau Current Population Survey/Housing Vacancy Survey



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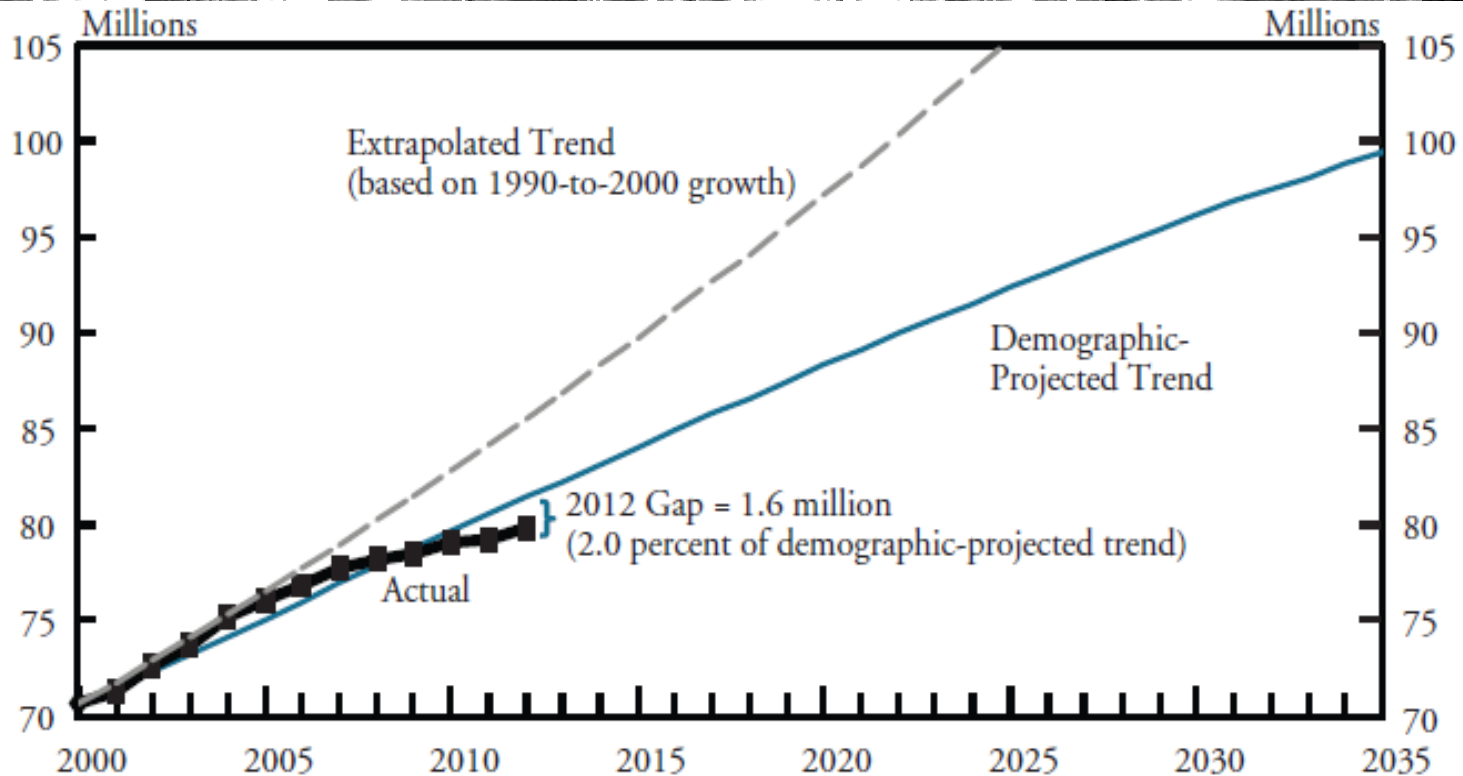
## Projected U.S. Households



Sources: Census Bureau, author's calculations.

# United States Housing Market and Hardwoods

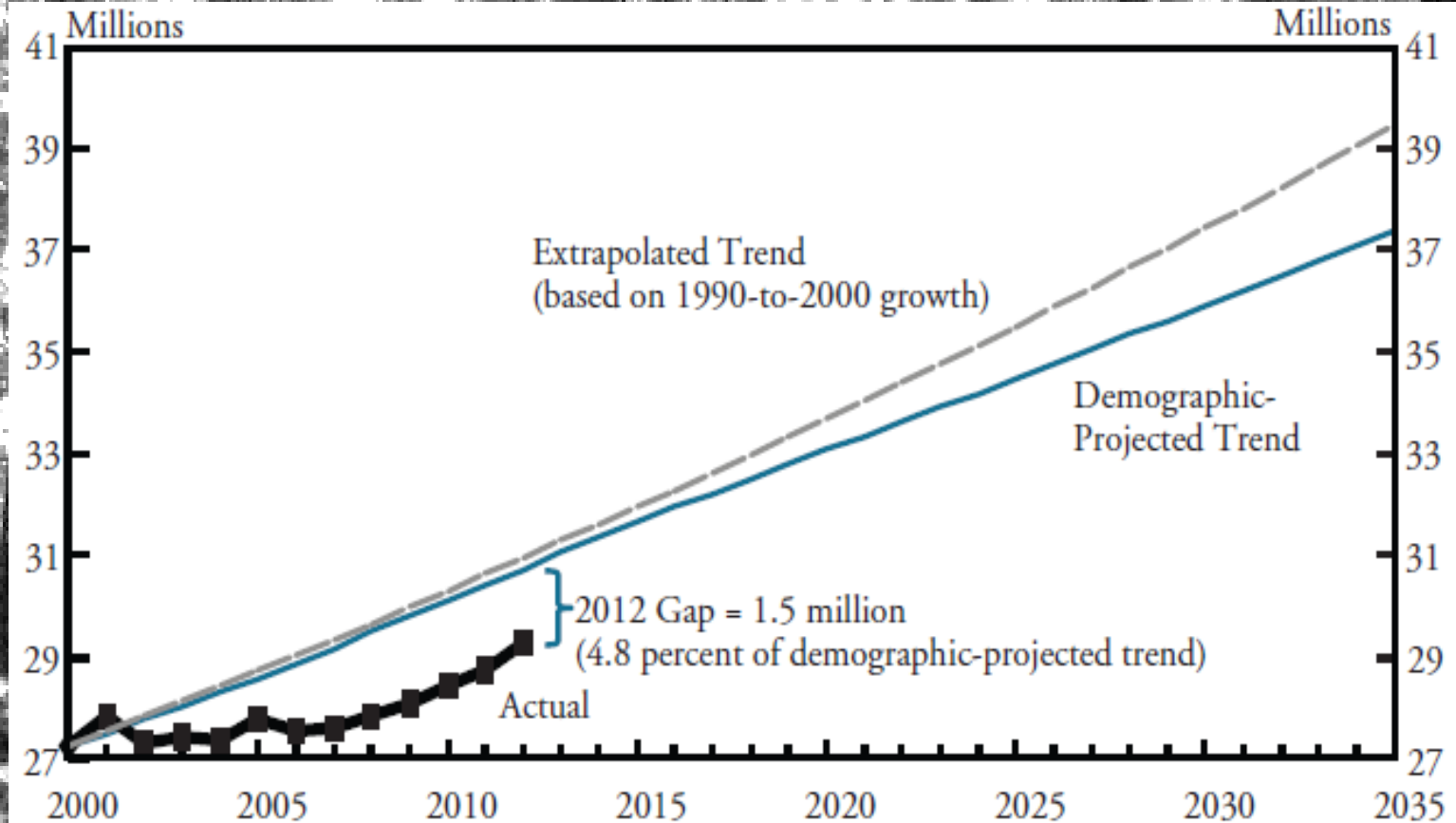
## Occupied U.S. Single-Family Housing Units



Sources: Census Bureau, author's calculations.

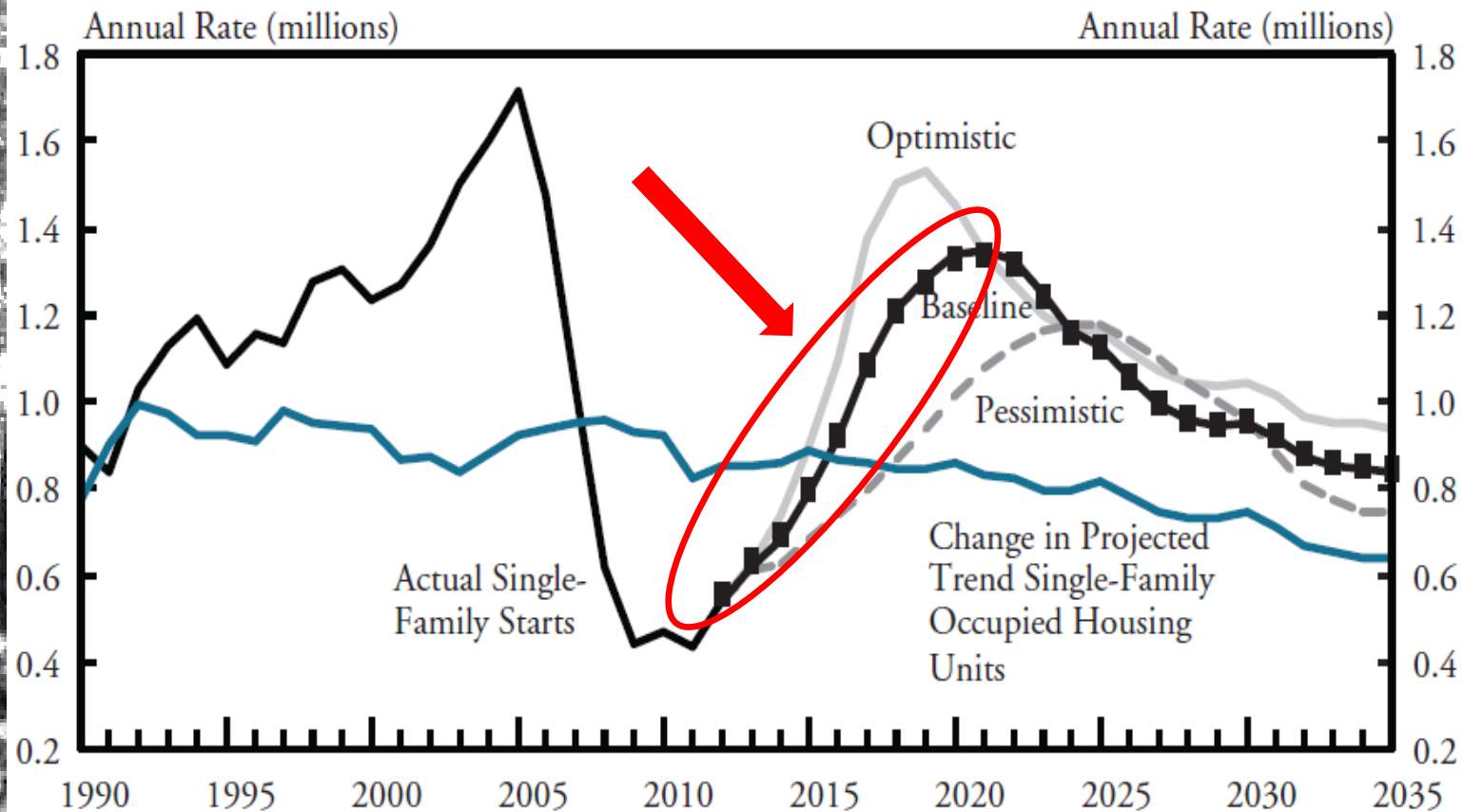
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## Occupied U.S. Multi-Family Housing Units



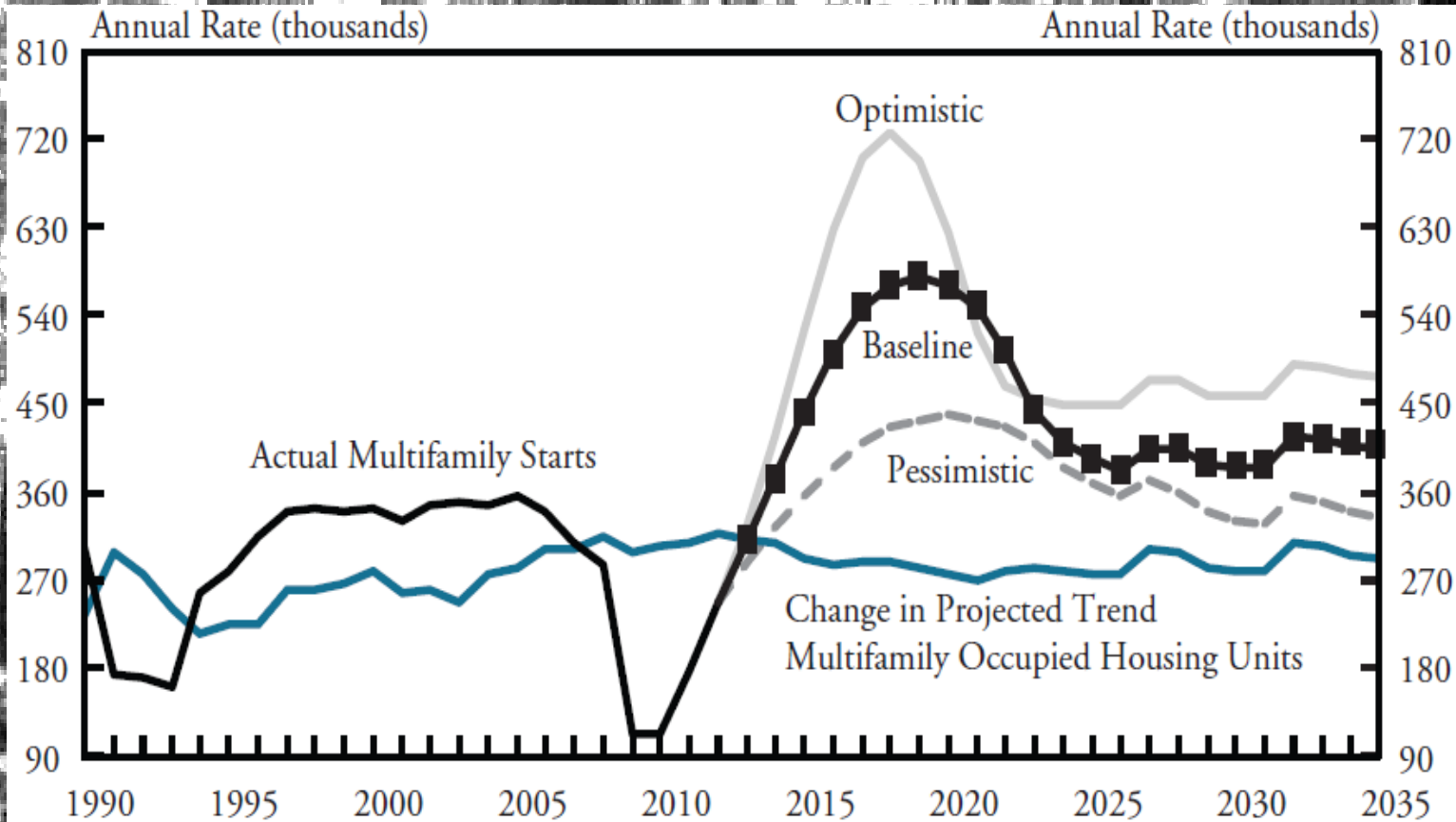
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## Projected U.S. Single-Family Starts



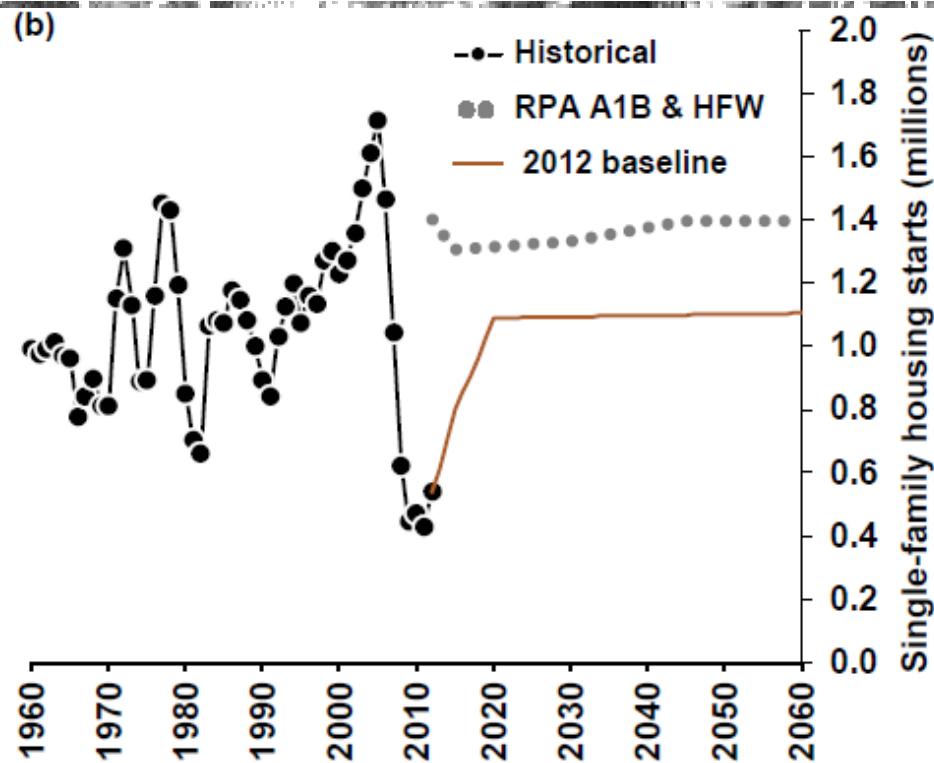
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## Projected U.S. Multi-Family Starts



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**Annual U.S. single-family housing starts,  
along with 2012 baseline  
and 2010 RPA A1B and HFW scenario projections.**



“... a gradual rebound in single-family housing starts, reaching the logarithmic trend line by 2020:

**± 1.1 million**

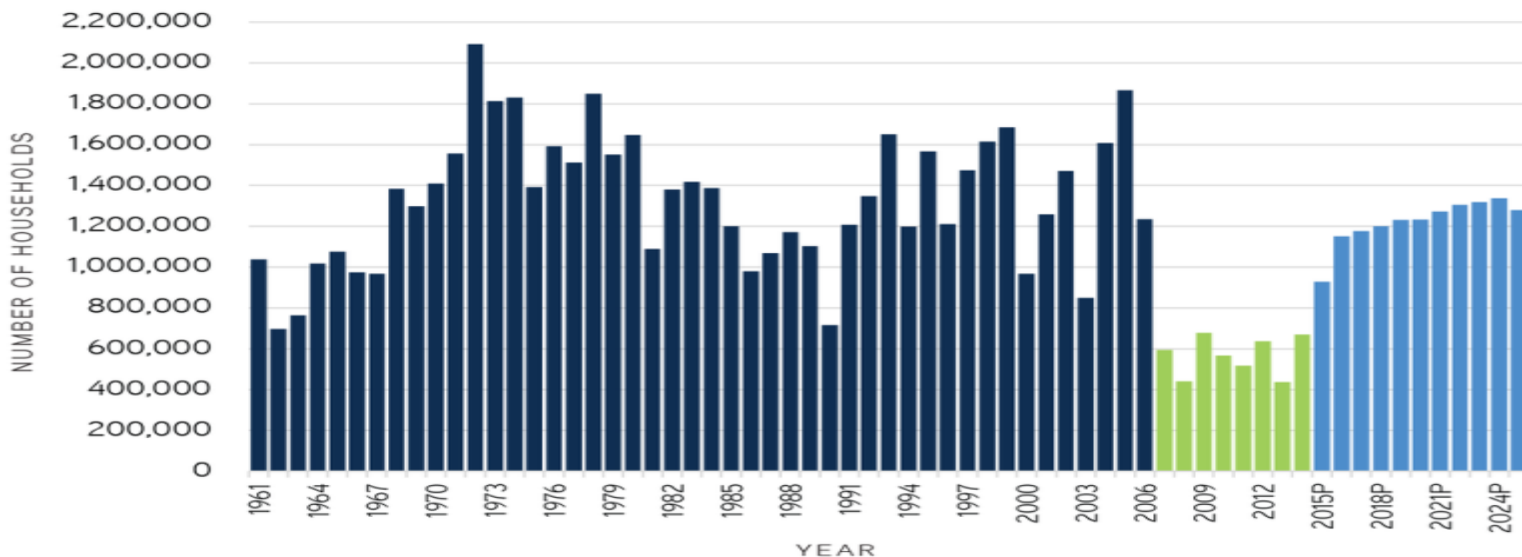
close to the long-run historical norm and within the range of current housing expectations

but much lower than recent RPA scenarios with similar or higher population growth.”

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12.5 million households will be formed over the next decade.

Net Household Formation, 1961–2025



Source: U.S. Census Bureau; John Burns Real Estate Consulting LLC calculations and projections using Census Bureau data.  
\*projection

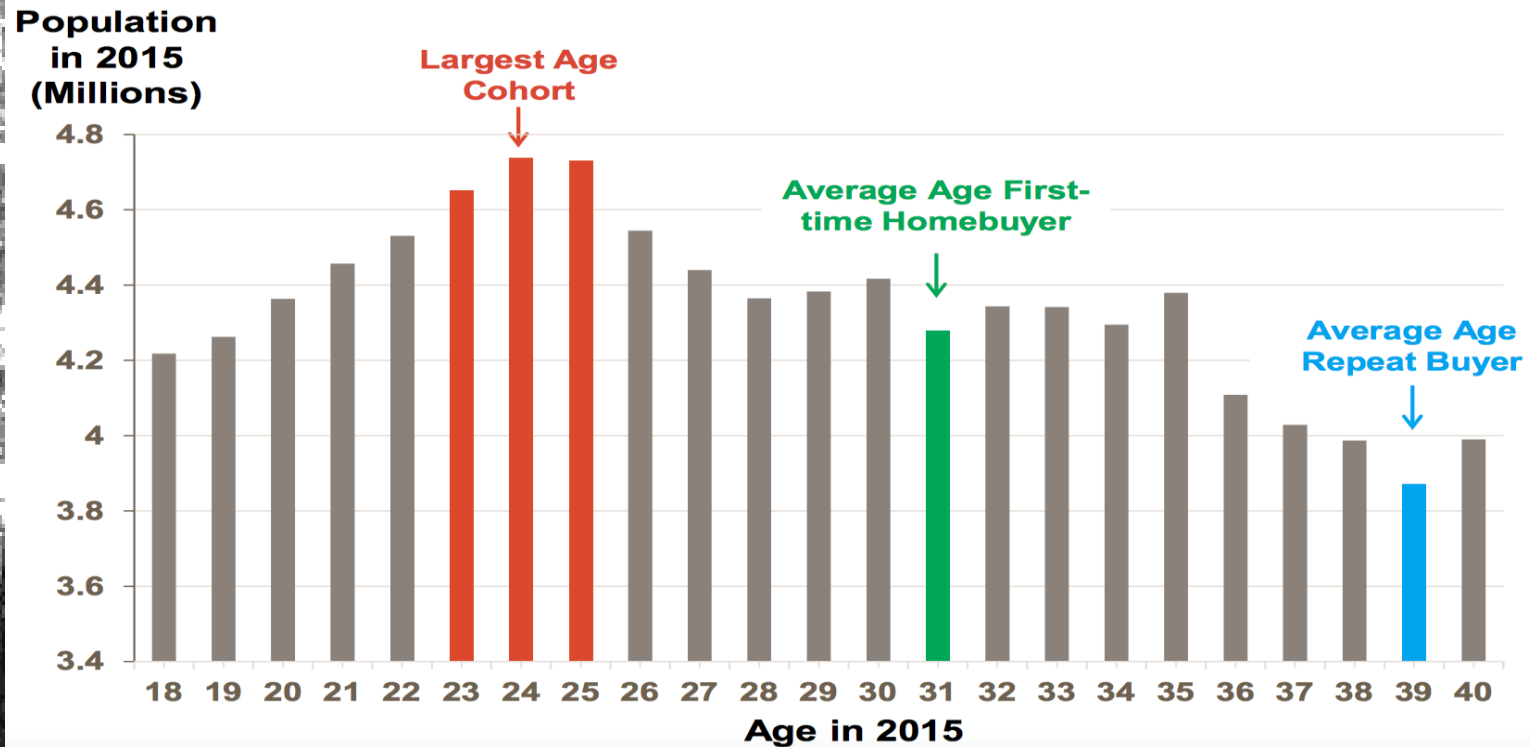
“At the current pace, 52 million Americans, or one in seven residents, will be foreign-born by 2025....

The pent-up demand for households for young adults will radically reshape land-use policy, according to Williams. The report predicts that a staggering 86 percent more households will form between 2015 and 2025 than the previous decade. That translates into 13.7 million new homes and apartments being built to meet the demand.” – Patrick Sisson, Senior Reporter, Curbed

“*Demographic Strategies for Real Estate*” – John Burns Real Estate Consulting for the Urban Land Institute

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## Large Demographic Tailwind Has Arrived



“Millennial buyers are coming, and they’re coming relatively soon.” – Frank Nothaft, Chief Economist, CoreLogic

Source: <http://www.housingwire.com/articles/38432-housings-new-normal-low-interest-rates-shifting-demand-coming-wave-of-new-homebuyers>; 11/2/13

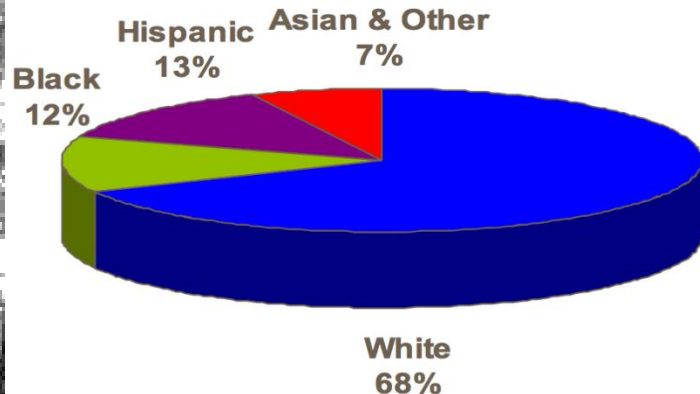


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## Household Composition More Diverse

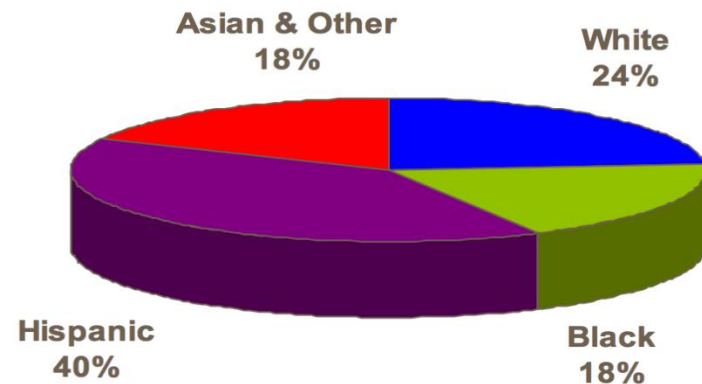
### Three-fourths of New Households Will Be Minority-Headed

2015 Share of All Households



**117 Million Households in 2015**

2015-25 Share of Household Growth



**12 Million Increase by 2025**

“Among the 117 million households in 2015, 68% of those are white households, while 13% are Hispanic, 12% are black, and 7% are Asian or others. For the next 10 years referenced, 2015-2025, the household formation will shift to minorities, as 40% of the share of household growth during that time period will be from Hispanics, while 24% will come from whites, and 18% will come from each blacks and Asians.” – Frank Nothaft, Chief Economist, CoreLogic

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## Economic Projections

	2015	2016	2017	2018	2019	Longer Run
<b>United States</b>						
<b>Board of Governors of the Federal Reserve System</b>		1.8	2.0	2.0	1.8	1.8
<b>IMF</b>	2.6	1.6	2.2			
<b>World Bank</b>		2.4	1.9	2.2	2.1	
<b>World Economies</b>						
<b>European Central Bank</b>	3.2	3.0	3.5	3.7		
<b>IMF</b>	3.2	3.1	3.4			
<b>World Bank</b>	2.4	2.4	2.8	3.0		

Sources: <https://www.federalreserve.gov/monetarypolicy/fomcproptabl20160921.htm>;  
<https://www.ecb.europa.eu/pub/pdf/other/ecbstaffprojections201609.en.pdf>;  
<http://www.imf.org/external/pubs/ft/weo/2016/02/>;  
<http://www.worldbank.org/en/publication/global-economic-prospects>



# Summary

## U.S Housing

- Aggregate market has improved
  - Beginner or starter home starts/sales lag below normal
- Demographic composition of house ownership is going to change
- U.S. cues to watch: Job creation & salaries and housing affordability
- Global cues to watch:
  - Will the Eurozone economies continue to improve?
  - Geopolitical tensions
  - Some large banks appear to be in trouble; and
  - Global debt – companies, countries, and personal

# United States Housing Market and Hardwoods

**Questions?**

**Thank you**



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