

Chicago Builder

The Newsletter of the Home Builders Association of Greater Chicago



December 2018

Economic Growth Continues Solid Pace

While the cost of mortgage financing and its impact on housing affordability are giving many prospective home buyers pause, the overall **state of the economy** remains positive, according to NAHB Chief Economist Robert Dietz.

Following a 4.2% growth rate in the second quarter, third quarter real GDP growth came in at an annualized rate of 3.5%. This was the strongest two-quarter performance in four years. And in October, the economy created 250,000 jobs, beating expectations and leaving the unemployment rate at a near 50-year low of 3.7%.

Increases in the 10-year Treasury rate have pushed mortgage interest rates up in recent months. In September, the average rate on 30-year mortgages for new homes increased to 4.64%, up from approximately 4% over the last 12 months.

While higher rates have cooled home sales, home price appreciation remains solid, increasing at a 5.8% year-over-year basis according to the Case Shiller Index in August.

Dietz provided this housing industry overview in the bi-weekly newsletter "Eye on the Economy."

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Supreme Court Ruling a Win for NAHB

The U.S. Supreme Court in November handed down a decision in *Weyerhaeuser Co. v. United States Fish and Wildlife Service*, [giving a victory](#) to two NAHB members and land developers across the country.

The case examined the Fish and Wildlife Service's designation of over 1,500 acres of private property in Louisiana as "critical habitat" for the endangered dusky gopher frog. In an 8-0 opinion, the Supreme Court ordered the Court of Appeals for the Fifth Circuit to reconsider its decision that allowed the Service to designate the area as critical habitat.

NAHB filed briefs in both the Fifth Circuit and Supreme Court.

Settlement Ends "Persuader Rule"

In a victory for NAHB, the Department of Labor on Nov. 9 agreed to a settlement that keeps a permanent injunction in place that stops the ["persuader rule"](#) from taking effect and prevents a future administration from seeking to revive the rule.

The Obama-era persuader rule sought to unfairly

require lawyers and consultants to report to the DOL when counseling employers concerning union organizing. And trade associations like NAHB would have been directly regulated under the rule if they engaged in certain activities, such as holding educational seminars on labor relations topics.

FHFA Announces Higher Loan Limits

The Federal Housing Finance Agency announced recently that the maximum baseline [conforming loan limits](#) for mortgages acquired by Fannie Mae and Freddie Mac in 2019 will increase from \$453,100 to \$484,350.

The loan limit will rise 6.9% in

2019 because FHFA has determined that the average U.S. home value increased 6.9% between the third quarters of 2017 and 2018.

Higher loan limits will be in effect in higher-cost areas as well, rising from \$679,650 to \$726,525.

Midterm Elections and The Housing Agenda

The 2018 midterm elections delivered a split decision: Republicans expanded their majority in the Senate, picking up two seats to give them a 53-47 edge. Democrats picked up a net gain of 39 seats in the House to give them a majority for the first time since 2010.

[NAHB's election](#)

[summary](#) looks at the election results and explains how the new political landscape will affect the housing agenda.

Make the Most of Pre-Show Education

Would you like to learn how to better manage your company, discover the latest techniques in high-performance building, or work toward an NAHB professional designation? Then take advantage of NAHB's [Pre-Show Education offerings](#), taught Feb. 16-18, just before the NAHB International Builders' Show begins.

Roughly 13% Plan to Purchase a Home in the Next Year

Only 13% of adults are planning to buy a home in the next 12 months, according to NAHB's [Housing Trends Report](#) for the third quarter of 2018.

Most of these prospective buyers (58%) report this is the first time in their lives they would be buying a home.

The younger people are, the more likely they are to be interested in purchasing a home. The data shows that 19% of millennials have plans to purchase a home in the next year, with the percentage falling to 13% among the Gen Xers, 7% for the baby boomers and a scant 3% for seniors.

These results are not surprising, given that mobility rates decline significantly with age. According to the Census Bureau's 2017 Current Population Survey, 18% of those under 40 years of age moved in the previous year, compared to 9% in the 40-49 age range, 6% of people aged 50-69, and 3% who were 70 or older.

The Housing Trends Report is a research product created by the NAHB Economics team to track changes in buyers' perceptions over time. The data are derived from national polls of representative samples of American adults conducted for NAHB by Morning Consult.

Study Looks at Non-Metro Areas

Of the 848,000 single-family homes started in 2017, roughly 79,000 were nonmetropolitan – that is, they were built outside of one of the officially-defined metropolitan areas. This is one finding of a special study from NAHB Economics looking at characteristics of newly built [nonmetropolitan homes](#). Other highlights include:

The 79,000 nonmetropolitan single-family starts in 2017 is a 40% increase from 2011, compared to 97% for single-family starts overall.

The average size of a single-family home built in the nonmetropolitan part of the U.S. was 2,148 square feet in 2017, compared to 2,639 square feet inside metropolitan areas.

The average price of a single-family home built for sale in the nonmetropolitan part of the U.S. was \$245,552, about a third less than in metropolitan areas.

Builders Report Shortage of Lots

In a recent NAHB survey, 65% of builders reported that the overall supply of developed lots in their area was low to very low. This is up only 1% from June 2017, but is significantly higher than the 42% posted in September 2012.

The focus on lots was included in a special survey section in September's NAHB/Wells Fargo Housing Market Index (HMI). The 65% of respondents citing a shortage of lots represents the largest low-supply percentage recorded since NAHB began periodically asking the question in the HMI survey in 1997.

The 65% includes 43% who characterized the supply of lots simply as low and 22% who said the supply of lots was very low.

The continued [low supply of developed lots](#) is a hindrance to a fuller housing recovery.

Veterans Find New Careers in Home Building

In the home building industry, rather than simply thanking veterans for their service to our country, many builders also are hiring veterans.

The industry has long focused on training veterans through the Home Builders Institute,

the nonprofit partner of NAHB. The HBI [Military and Veterans Program](#) operates on a number of U.S. military bases with training, certification and placement services focused on landing home building jobs for transitioning military members and veterans.

Skills learned in the military can easily transfer to the home building industry.

Marci O'Brien, a new home sales specialist in California, served in the Marine Corps from 1989 to 1994. She then got a real estate license and began participating in the housing boom in Southern California during the mid-90s.

O'Brien noted that the Marines' unofficial slogan "Improvise, Adapt and Overcome" helped her a great deal in 2008 and 2009 during the housing market collapse. "The ability to confront challenges head-on and the thick skin I developed were invaluable during that time," she said.

Looking to join a supportive community, O'Brien became involved in the Sales & Marketing Council of the BIA of Southern California soon after starting in the industry, eventually serving on its board.

That sense of belonging and validation also rings true for Air Force veteran Quint Lears, MIRM, who specializes in new home sales in New Mexico.

Lears also became involved with NAHB and his local Las Cruces (N.M.) HBA early in his career. He won the 2012 Salesperson of the Year at The Nationals and has recently published a book through Builder Books, "Partnering with Brokers to Win More Sales."



CALENDAR OF EVENTS

HBAI BOD & Installation of Officers

Thursday Dec 6, 2018

CAPS III

Friday Dec 7, 2018

HBAGC HOLIDAY PARTY

Tuesday Dec 18, 2018

HBAI Board of Directors Installation & Orientation

Thursday Jan 24, 2019