

# Growing Housing Affordability Crisis Threatens to Derail the Economy



*Building Materials Supply Chain Constraints, Rising Interest Rates and Persistent Labor Shortages Continue to Impede Home and Apartment Construction*

# About NAHB

- A Federation of more than 700 state and local builders associations.
- NAHB’s 140,000 members work to provide housing opportunities for all Americans in every congressional district across the nation.
- **NAHB’s builder members construct about 80 percent of the homes and apartments built in the U.S. each year; 1.62 million new housing units are projected for 2022.**

## Housing’s Impact on the Nation

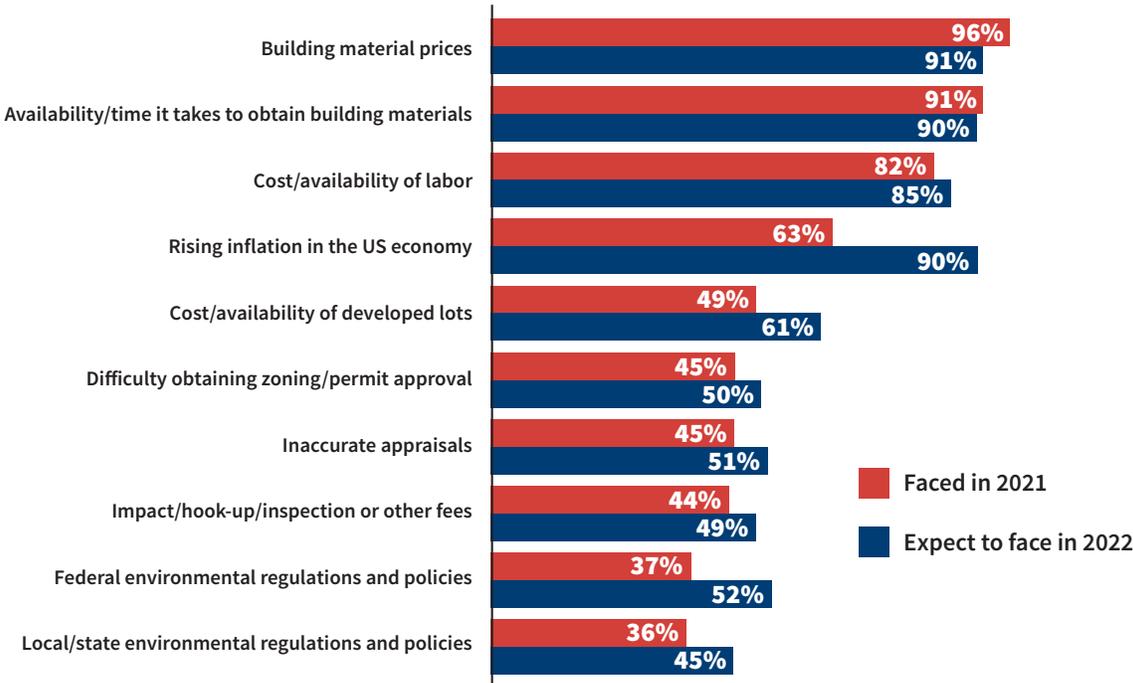
- Housing construction and the value of housing-related services account for over 15% of the Gross Domestic Product, making housing a major component of the economy.
- **Roughly 4.4 million Americans work in the residential construction industry, and millions more are engaged in businesses directly relating to home building.**
- The construction of 1,000 single-family homes generates:
  - 2,900 jobs across all U.S. industries (including construction, manufacturing, trade and professional services).
  - Approximately \$189 million in wages and more than \$129 million in federal, state and local tax revenues and fees.

- The construction of 1,000 rental apartments generates:
  - 1,250 jobs across all U.S. industries.
  - Approximately \$80 million in wages and \$56 million in federal, state and local tax revenues and fees.
- A \$1,000 increase in the price of a median-priced new home would force 117,932 U.S. households out of the market for the home.
- About 65 out of 100 households own their own home.
- **Home equity accounts for a total of more than \$25 trillion in wealth for American households.**
- American home owners spend about \$270 billion annually on home improvement projects.

## Since the spring of 2020:

ORIENTED STRAND BOARD PRICES ARE UP	<b>216%</b>
FRAMING LUMBER PRICES ARE UP	<b>167%</b>
ALUMINUM PRICES ARE UP	<b>114%</b>
COPPER PRICES ARE UP	<b>114%</b>

## TOP 10 SIGNIFICANT PROBLEMS FACING THE HOUSING INDUSTRY



# Housing at Inflection Point as Affordability Woes Mount

A growing shortage of affordable housing is hurting families and communities nationwide and threatens to derail the current economic expansion. Rising costs stemming from historically high price levels for lumber and other building materials, supply chain bottlenecks, surging interest rates, excessive regulations, and a persistent lack of construction workers are dramatically affecting home prices and rental costs and threaten the nation's economic stability.

The price spike in a lumber package since last August has added more than \$18,600 to the price of an average new single-family home, and this has hit first-time home buyers especially hard. A shortage of entry-level housing has strong implications for the wealth, health and stability of American communities.

*The price spike in a lumber package since last August has added more than \$18,600 to the price of an average new single-family home.*

Mortgage interest rates have jumped more than 1.9 percentage points since the start of the year and currently stand above 5%, the highest level in more than a decade. Every quarter-point hike in mortgage rates means that 1.3 million households are priced out of the market for a nationwide median priced home. And mortgage rates face more upward pressure with the Federal Reserve starting a series of monetary tightening measures in response to a 40-year high for inflation readings.

## Material Prices Up 33% Since 2020

Further exacerbating affordability woes is the unprecedented volatility in residential building material prices, which are up 20% year-over-year and 33% higher since the start of the pandemic. Tariffs on Canadian lumber shipments into the U.S. are further fueling this price volatility and acting as a tax on American home buyers at a time when housing affordability is already at a more than 10-year low.

Federal regulatory reform is another area that must be addressed to ease housing affordability woes. Reducing burdensome regulations that account for nearly 25% of the price of building a single-family home and more than 30% of the cost of a typical multifamily development will provide more homeownership and rental housing opportunities for all Americans.

On the labor front, there is a shortage of 380,000 workers in the residential construction industry, and this is resulting in construction delays and higher home building costs. Home builders will need to add 2.2 million new workers over the next three years to keep up with housing demand.

## Building More Homes is Key

The lack of housing units is the primary cause of growing housing affordability challenges. Any policy that seeks to improve affordability without adding single-family or multifamily for-sale or for-rent housing is doomed to fail.

And with the housing market reaching an inflection point due to these extraordinary affordability challenges, Congress must make it an urgent priority to act now. Housing accounts for more than 15% of the nation's gross domestic output; if the housing market falters, the economy will surely follow.

## How Congress Can Help Ease the Affordability Crisis:

- Call on the Biden administration to suspend tariffs on Canadian lumber imports into the U.S. and to move immediately to enter into negotiations with Canada on a new softwood lumber agreement.
- Pass the No Timber from Tyrants Act, which would ban lumber imports from Russia and ramp up responsible harvesting of timber from federal lands to create jobs and produce more sustainable wood products.
- Pass the Ocean Shipping Reform Act, which would ease building materials supply chain bottlenecks and allow builders to increase production of badly needed affordable housing.
- Promote and fund job training programs to prepare individuals for careers in home building and pursue immigration policies that help fill labor gaps while protecting the nation's borders.

These actions will help the housing market and economy recover from the disruptions caused by the pandemic and provide all Americans the opportunity to enjoy safe, quality, affordable housing.

# 10 Key Facts About the Housing Affordability Crisis and Lumber and Building Material Supply Chain Disruptions

- 1** Home prices rose 18.8% in 2021, according to the S&P CoreLogic Case-Shiller U.S. National Home Price Index, the biggest increase in the 34-year history of the index and well above 2020's 10.4% gain.
- 2** Mortgage interest rates have increased from 3.1% at the start of the year to 5.1% as of mid-April. This is the largest magnitude increase for mortgage costs in decades.
- 3** Every quarter-point hike in interest rates means that 1.3 million households are priced out of the market for a nationwide median priced home. And mortgage rates face more upward pressure with the Federal Reserve starting a series of monetary tightening measures in response to a 40-year high for inflation readings.
- 4** For-sale and rental housing affordability has been declining since the Great Recession due to underbuilding and now stands at more than a 10-year low. NAHB estimates a net deficit of U.S. housing totaling more than 1 million homes.
- 5** Home building material costs are up 20% year-over-year – the highest annual increase on record – and 33% since the start of the pandemic. These historically high costs continue to imperil the U.S. housing sector and are dramatically affecting home prices and rental costs.
- 6** The price spike in the lumber package alone since last August has added more than \$18,600 to the price of a typical new single-family home and approximately \$10,000 to the cost of a typical apartment.
- 7** The residential construction industry faced a shortfall of approximately 380,000 workers as of February and the chronic labor shortage is delaying home building and remodeling projects and raising construction costs.
- 8** Protectionist tariffs on Canadian lumber are not creating domestic lumber mill jobs or increasing domestic production – but they are exacerbating unprecedented lumber price volatility and acting as a tax on American home buyers.
- 9** Timber production from federally owned lands was more than 10 billion board feet in the 1990s; today it is less than 2 billion board feet.
- 10** Negotiating a new softwood lumber agreement with Canada that will eliminate tariffs will help the economy recover from the disruptions of the past year and help ease the nation's housing affordability crisis.

Learn more about the building material supply chain crisis at [nahb.org/lumber](https://nahb.org/lumber)

## Data by Congressional District

Learn more about how housing fuels the economy. Get detailed information for your congressional district that includes homeownership rates, median values of owner-occupied homes, median family income and much more by logging onto [NAHBHousingPortal.org](https://NAHBHousingPortal.org).

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