

June 2017

## **National and DC region housing supply and for-sale home data presented at “Economic Summit”**

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EHI’s President attended an “Economic Summit” hosted by the Dulles (Virginia) Area Association of Realtors® on March 24, 2017. Among the presentations were:

- A comprehensive summary of the nation’s economic and real estate market outlook, given by Lawrence Yun, Ph.D., Chief Economist for the National Association of Realtors® (NAR);
- A summary of key data regarding current home building activity, nationally and in the DC region, by Robert Dietz, Ph.D., Chief Economist for the National Association of Home Builders (NAHB); and
- A discussion of major real estate trends in the DC region, by Mark C. White, Ph.D., Deputy Director of George Mason University’s Center for Regional Analysis.

Dr. Yun presented the NAR’s current figures and its forecasts for the near-term future. The NAR predicts continued, robust growth of 4% in the median price of homes for sale in 2017, and ongoing growth of 3.2% in 2018.<sup>1</sup>

Dr. Dietz said the DC Metropolitan area, and Northern Virginia, are doing quite well on new home construction, compared to the nation overall. He identified four “supply-side headwinds” in the real estate market: “Lots, Labor, Lending, and Lumber.”

- *Lots*: Dr. Dietz identified exclusionary zoning as a major, ongoing restraint on the number of new houses coming on the market. He added that other regulatory costs of home building have risen about 29% over the past five years. As we have reported, a May 2016 NAHB report concluded that those other costs (see note 2, below), imposed by government at all levels, account for 24.3% of the final price of a new single-family home built for sale.<sup>2</sup> For more on those costs, click on [TRUMP ON REGULATORY BARRIERS TO HOUSING DEVELOPMENT](#).

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<sup>1</sup> Lawrence Yun, Ph.D., *Economic and Real Estate Market Outlook*, Presentation at Dulles Area Association Realtors®, March 24, 2017, slide 47 of 48.

<sup>2</sup> Paul Emrath, Ph.D., *Government Regulation in the Price of a New Home*, p. 1 (NAHB Housing-Economics.com, May 2016). Those costs are NAHB’s estimates of average fees and other regulatory requirements nationwide on home builders during:

- *Labor*: It has become more challenging for home builders to hire all the construction workers they need, with the nation's unemployment rate dipping below 5% and wage rates rising. (EHI surmises that the recent departure of many Latin American immigrants may be another factor in the increasing difficulty finding all the qualified construction workers that home builders could use, in this nation's growth areas.)<sup>3</sup>
- *Lending*: The controversial credit restrictions of the Dodd-Frank Act still are in place, for example, limiting the amount of home mortgage activity.<sup>4</sup>
- *Lumber*: This is the most recently developing headwind. The lumber market has tightened recently, as Canada is exporting less of it to the United States. Lumber is not a commodity subject to NAFTA (the North American Free Trade Agreement).

As to DC region real estate trends, Dr. White of GMU (which is the leading regional source for DC Metropolitan area housing and economic data) said that the inventory of homes for sale in the region was down almost 10% for the year ending in February 2017.<sup>5</sup> The median house sales price in the Washington MSA has risen steadily at an annual rate of roughly 3.5% for the past three years.<sup>6</sup>

Dr. White noted that Loudoun County has had the greatest household growth rate in the region in recent years, and its home sales prices are going up. Its active listing of homes for sale was down 22.2% for the year ending in February 2017. The median number of days on the market for homes for sale dipped almost 70%, compared to a year earlier (to a fairly minimal 17 days on market, compared with 58 days in February 2016).

For related information on current rental costs, please click on [RENTAL COSTS 2017](#).

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- *land development* (such as the costs of seeking zoning/subdivision approval, of complying with changes in development standards, and of land the developer feels constrained to give away to the local government ("dedicate") for public uses (roads, parks, etc.) in order to facilitate development approval; and
  - *construction* (such as permit, hook-up, impact fees, and changes in building and housing codes and standards over the past 10 years).

<sup>3</sup> Other factors apparently include the reduction in secondary school apprenticeship training programs for construction skills, and the increasing regional migration of workers to hot markets and disaster areas.

<sup>4</sup> On June 8, the U.S. House of Representatives passed the "Financial Choice Act" (in a party-line vote, 233-186) which would undo numerous provisions of Dodd-Frank. That bill now is before the Senate, where a revised bill is being crafted. Donna Borak, *House votes to kill Dodd-Frank. Now what?*, CNN Money, June 8, 2017.

<sup>5</sup> Mark C. White, Ph.D., *Regional Real Estate Trends*, Presentation at Dulles Area Association of Realtors®, March 24, 2017, slide 2 of 21 (homes for sale were down 9.6% during that period).

<sup>6</sup> White, slide 7 of 21.