



MONTHLY NEWS

May 2020

“Every man owes a part of his time and money to the business or industry to which he is engaged. No man has a moral right to withhold his support from an organization that is striving to improve conditions within his sphere.” — President Theodore Roosevelt

Housing can lead the economy back to recovery: Dietz

The national economy has taken an historic beating over the last 8-10 weeks, but there are signs that home sales may be picking up and that the housing market could recover ahead of the national economy, according to NAHB Chief Economist Rob Dietz.

Dietz spoke to more than 200 NCHBA members virtually on May 15 about the overall state of the economy and how the housing sectors are faring.

“Obviously, the second quarter is going to be pretty rough,” Dietz said, “but we see improvement in the third quarter and the beginning of a rebound in the fourth quarter.”

He forecasts a gross domestic product (GDP) decline of 30% in the second quarter, the worst quarter since World War 2. He sees only a 2% GDP decline in the third quarter.

He forecasts a 6.4% GDP decline for all of 2020, but growth in 2021 of as much as 5.4%.

“Consumer confidence is down but not as much as we expected,” Dietz said. “That’s a good thing and it should improve as the country reopens for business.”

“This collapse has nothing to do with economic fundamentals,” Dietz said. “All of this is a consequence of the public health strategy undertaken by government. Economic fundamentals and trends were in good shape before the virus hit.”

The housing industry was helped by being able to work during the shutdown, but it still has taken a hit. There were huge declines in buyer traffic through April; however, traffic has improved over the last few weeks as financial situations for some have stabilized. There have been supply chain issues, and they should continue to some degree over the next few months, Dietz said.

Obtaining new building loans has become difficult as access to capital has shrunk. Dietz said loan availability right now is back to 2011 levels, but that should not be a long-term problem. He predicted housing starts will decline 20% for 2020 but will rebound in 2021 as the economy recovers.

Dietz believes North Carolina is positioned well for a housing recovery. Home sales and contracts that have been delayed now should take place later in the year.

“The Southeast has not been hurt by the virus as badly as areas like the Northeast,” he said. “This should allow the Southeast to reopen more successfully. As the recovery continues, the Southeast should outperform the rest of the country.”

Dietz sees remodeling outperforming other housing sectors in 2020 due to shifts in consumer demand.



DIETZ



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