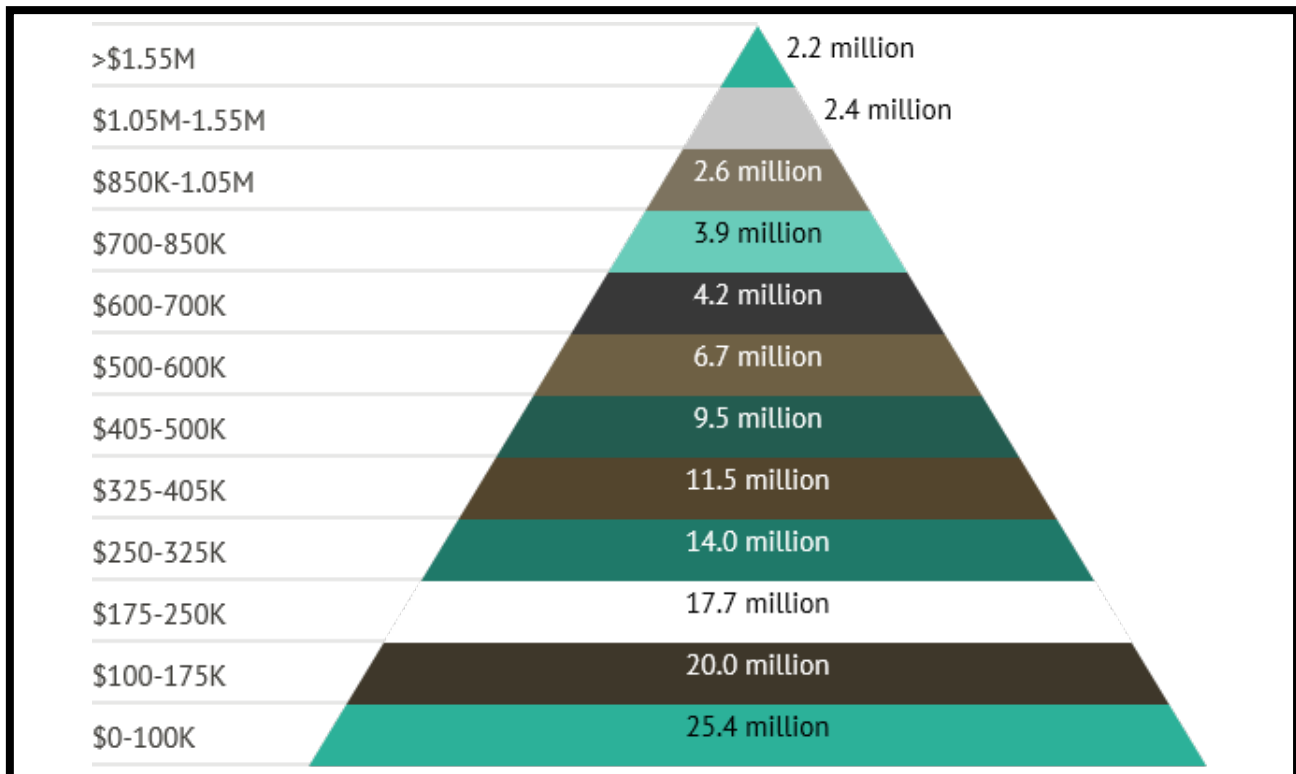


BuilderUpdate

March 2020



Housing Affordability Explained in One Graph



Applying conventional underwriting standards that the cost of a mortgage, property taxes and property insurance should not exceed 28% of household income, NAHB economists have calculated how many households have enough income to afford a home at various price thresholds. The [housing affordability pyramid](#) reveals that 63 million households out of a total of 120 million are unable to afford a \$250,000 home. The affordability problem is explained in NAHB's new [priced-out estimates](#) for 2020.

IRS Clarifies LIHTC Income Limits

The IRS has released revenue ruling 2020-4 instructing taxpayers how to calculate Low-Income Housing Tax Credit (LIHTC) [income limits](#) should they choose to use the income averaging minimum set-aside test to meet LIHTC eligibility and compliance requirements.

This test was created by the Consolidated Appropriations Act of 2018 to complement the existing tests established by the Tax Reform Act of 1986 and allows LIHTC projects to serve households earning as much as 80% of Area Median Gross Income in some circumstances.

Costs Up in Recent Builder Survey

The cost of constructing a typical single-family home has gone up, but builder profits have fallen slightly, according to a [recent survey](#) of home builders. On average, 61.1% of the sales price, goes to construction costs. Add to that finished lot costs (18.5%), overhead (4.9%), sales commissions (3.7%), financing (1.7%), and marketing (1%), and the average builder profit is 9.1%, before taxes. In separate studies, NAHB economists have found that 24.3% of the cost of a typical, new single-family home comes from regulatory compliance.

BUILD-PAC Focused on Election Success

As the 2020 BUILD-PAC chairman, Justin MacDonald has his eyes on the November prize of electing more pro-housing candidates. He knows the best way to get there is to increase the number of members involved [in BUILD-PAC](#), NAHB's political action committee.

With the 2020 elections approaching, MacDonald wants a continued push for pro-housing legislation, including efforts to reduce excessive regulations that stifle growth.

Mortgage Delinquency Rates Hit Record Low

The [delinquency rate](#) for mortgage loans on single-family homes decreased to 3.8% of all loans outstanding in the fourth quarter of 2019, according to the Mortgage Bankers Association's National Delinquency Survey. This is the lowest it has been since the series began in 1979.

Codes Vote Could Affect Affordability

Preliminary results indicate that a number of aggressive energy efficiency proposals were approved during the [online vote](#) on the 2021 cycle of the International Codes Council (ICC). These proposals, known as "zombie proposals," had been defeated at ICC Committee Action Hearings and during the Public Comment Hearings and therefore required a two-thirds vote to pass. No previous proposal had ever met the threshold. But during the ICC's Online Governmental Consensus Vote, held late last year, 20 aggressive International Energy Conservation Codes passed that hurdle.

Labor Shortage Remains Top Concern for Home Builders

The cost and availability of labor continues to stand out as the most significant challenge that builders will face in 2020, according to a [recent survey](#) of members as part of the monthly NAHB/Wells Fargo Housing Market Index (HMI).

Roughly 85% of builders expect to face serious challenges regarding the cost and availability of labor this year.

Building material prices and the cost and availability of lots were tied as the No. 2 problem builders expect to face in 2020, with these issues cited by 66% of the survey respondents.

All three of these supply-side issues have been a growing concern for builders over the past several years. To put it into perspective, in 2011, just 13% of builders cited labor issues as an important concern, with the rate steadily rising over the ensuing years before peaking at 87% last year.

Rounding out the top five concerns for builders in 2020 are impact/hook-up/inspection or other fees (60%) and gridlock/uncertainty in the nation's capital making buyers more cautious (56%).

LA Now Least Affordable

San Francisco, which has been the nation's least affordable major housing market for the past two years, was supplanted by Los Angeles in the fourth quarter of 2019, according to the most recent NAHB/Wells Fargo [Housing Opportunity Index](#) (HOI).

Indianapolis-Carmel-Anderson, Ind. was rated the nation's most affordable major housing market, defined as a metro with a population of at least 500,000.

Cumberland-Md.-W.Va. was rated the nation's most affordable smaller market.

In all, 63.2% of new and existing homes sold from October through December were affordable to families earning the U.S. median income of \$75,500.

Suicides in Construction Climb

Public health experts are increasingly concerned at the high level of suicides among construction workers, according to Scott Earnest, acting director of NIOSH's Office of Construction Safety and Health.

Speaking during the 2020 International Builders' Show, Earnest told the NAHB Construction Safety and Health Committee about the nationwide trend of rising suicide rates among construction workers.

A study showed that the profession with the highest [rate of suicides](#) was Construction and Extraction, at 52.1 suicides per 100,000 people.

NAHB has joined the Construction Industry Alliance for Suicide Prevention in an effort to raise awareness of the problem.

LEADERSHIP

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Scott Cragun, Executive VP
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Melissa DeLeon, Assistant
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Ketchikan Title Agency

Todd MacManus, Treasurer
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Kelley Roth, Builder
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MISSION STATEMENT

*The Association of local
contractors and related
businesses recognized as the
voice of the community, for*

Calendar of Events

**2020 is a new election year
for our Board of Directors.**

**Looking for a fun new way
to serve our community?**

**Consider a position on the
2020-2022 Board of
Directors.**

email

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Regular Meeting:

March 13th, 2020

@ 2:30 p.m.