

The News of the Home Builders Association of West Florida

# CORNSTONE

February 2015

JANUARY GMM

## Positive Market Report



page 7



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## CORNERSTONE

*The official magazine of the  
Home Builders Association of West Florida*



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Home Builders Association of West Florida

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# In This Issue

## CORNERSTONE



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**Next Issue:  
March  
2015**

Edit: February 2, 2014  
Space: February 17, 2014  
Materials: February 23, 2014

Magazine Design & Layout by  
warren wight creative services  
www.warrenworld.com



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Cornerstone, the monthly publication of the Home Builders Association of West Florida serving Escambia and Santa Rosa Counties, is published monthly, twelve (12x) per year. Send address changes to HBA of West Florida, 4400 Bayou Boulevard, Suite 45, Pensacola, Florida 32503-1910. Cornerstone, is published in the interests of all segments of the home building industry and is distributed to its members and others associated with the HBA of West Florida. HBA of West Florida and Richard K. Nicholson Pub., Inc. does not accept responsibility for, or endorse any statement or claims made by advertisers or authors of any articles. Every effort has been made to assure accuracy of information, but authenticity cannot be guaranteed. No part of this publication may be reproduced without the written consent of Home Builders Association of West Florida, Copyright ©, 4400 Bayou Boulevard, Suite 45, Pensacola, Florida 32503-1910, 850.476.0318. Advertisers and advertorials in Cornerstone do not constitute an offer for sale in states where prohibited by law.

# HBA and Florida Home Builders Association Working Together

In early January, the Florida Home Builders Association, led by its new CEO Rusty Thompson and President Jerry Linder, of Jacksonville, made a trip to our stopping grounds to get input from our members on its potential 2015 legislative issues. I am very appreciative to 1999 FHBA President Edwin Henry, of Henry Company Homes, Florida Housing Hall of Famer Jack McCombs of McCombs Electric, HBA Immediate Past President Newman Rodgers of Newman Rodgers Construction, HBA Board members Pat Kozma of Acme Brick, Rod Hurston of Fisher Brown Botrell Insurance, Dennis Remesch of RE/MAX on the Coast, HBA EO David Peaden and HBA Director of Marketing and Communication Vicki Pelletier, for attending the meeting.

The Florida Home Builders team does a wonderful job in the legislature every year. A portion of your membership dues goes to support FHBA's Political Action Committee. The FHB PAC supports candidates and elected officials who are pro-business and understand the importance of keeping regulations down so you can grow your respective businesses. They need more participation in the PAC and if you are willing to become a FHB PAC 1,000 Club, please let David Peaden know. The 1,000 Club members will be:

- Recognized in FHBA publications
- Given priority consideration for the delivery of checks to candidates
- Invited to exclusive receptions and identified with a FHB PAC 1,000 Club lapel pin

*The following are some of the FHBA Legislative Priorities:*

#### **Building Code Bill:**

- Eliminate advanced code training requirements mandated by Florida Building Commission;
- Grant statutory authority to UL to be an evaluation entity for product approvals;
- Clarify Dept. of Health's role relating to maintenance of commercial pools;
- Add Division II Contractors to Construction Recovery Fund;

*more President's Message, page 6*



## President's Message



*“The Florida Home Builders team does a wonderful job in the legislature every year. A portion of your membership dues goes to support FHBA’s Political Action Committee.”*

*From left, Newman Rodgers, FHBA CEO Rusty Payton, David Peaden, Rod Hurston, Shelby Johnson and Vicki Pelletier. Not pictured but in attendance: Edwin Henry, Jack McCombs, Pat Kozma and Denise Remesch.*

# President's Message

from page 5

**Lien Law: Legislation to repeal lien law for residential application**

- Amendments were filed during 2014 session
- Oppose as proposed at this time (outright repeal of residential lien law)
- Alternatives are just as costly

**Fire Code Bill:**

- Revise Chapter 633, F.S. to make time constraints for fire code plan reviewers consistent with timelines for building official plan reviewers;
- Increase education and training for fire code plan reviewers;
- Address inconsistencies between fire and building codes regarding dead-end corridors and change of occupancy definition;
- Allow fire marshals to issue binding interpretations;
- Grant authority to combine fire and building code appeal boards where feasible;
- Exploration of moving Florida to the International Fire Code

**Springs Protection**

- House and Senate agree that 2015 will be the year of springs protection legislation
- Potential prohibition on new septic tanks in springsheds
- How large is a springshed? 70 percent of Leon County is in Wakulla Springs spingshed

**Growth Management/Exactions**

- Changes to how School Impact Fee capacity is calculated. Has significant impact on total amount assessed
- Expansion of the definition of mitigation banking and who can provide service. Helps with costs where completion is limited
- Implement "Koontz" US Supreme Court decision on takings into Florida law limits local government and their regulation

**Homeowners Associations**

- Potential changes to lower the number of units that require turn over to homeowners. FHBA opposes this change.

**Elimination of Sunset provision on Bulk Buyer Condo Statute**

- No successor liability issues for purchase of units in bulk
- Significant barrier to transactions

**Floodplain Management Percentages**

- Rebuild issues with hitting 50% code trigger. Helps greatly to rebuild homes, especially after a disaster.

**Final Year funding: Septic Tank Study**

- Development of an effective yet less costly alternative to more regulation. Potentially \$1,000 in savings.

**Continuing Funding of FBA at \$250,000**

- Funding for Future Builders of America

**Continuing Funding of FHBA Training/Grant**

- Offer free training to contractors for CE

**Continuing Funding of Sadowski Funding**

- Funds many activities at the local level
- Continuing Funding of Unlicensed Activity Funds at DBPR
- Support more resources for more government enforcement action
- What's unlicensed activity cost you?

**Statute of Repose**

- Move from 10 to 7 years to limit your liability

**Construction Defects Bill Requires Notice of Claim to contain:**

- Specific location of each alleged defect to allow responding party to locate all alleged defects without undue burden
- ID specific provisions of the building code, project plans, project drawings, project specifications, or other documentation that serve as basis of claim

**Estoppel Fees**

- For those transactions that require an estoppel letter, individuals have used this essential administrative function to charge a significant fee
- Place a cap on this fee



**Florida Home Builders Association**

# HBA January Membership Meeting Highlights

*Rob Hale of MarketGraphics Southeast with meeting sponsor Blaise Adams, Market President of Centennial Bank, at the membership meeting.*



*Before the HBA's Membership Meeting, the HBA was invited to address the Santa Rosa County Board of County Commissions. HBA EO David Peaden and Rob Hale spoke to the board about the importance of housing and its economic impact. Hale told the board that the permit numbers are getting to the 2006 levels and the market looked very positive for the next five years.*



## ROB HALE GIVES POSITIVE MARKET REPORT TO HBA MEMBERS

**A strengthening labor market, low interest rates, improving mortgage availability and growing pent-up demand will help to significantly boost single-family housing production in the year ahead and move the housing recovery to higher ground, according to Rob Hale of MarkeGraphics Southeast who spoke to over 130 HBA members at New World Landing in late January. Hale gave a positive outlook for the next five years in Escambia and Santa Rosa Counties, respectively.**

Hale said that it's a great time to be in the banking and building business, because Escambia and Santa Rosa Counties need 7,568 and 7,568 lots to meet the demand over the next five years.

### *The number of new lots that need to be developed:*

#### **Escambia County**

7,231	Total lot demand for the next five (5) years
3,136	Number of lots we should have in inventory at the end of 2019
10,367	Total of demand plus inventory
2,799	Number of lots in current inventory
7,568	Number of lots that need to be developed in the next five years

#### **Santa Rosa County**

6,685	Total lot demand for the next five (5) years
2,900	Number of lots we should have in inventory at the end of 2019
9,585	Total of demand plus inventory
2,885	Number of lots in current inventory
6,700	Number of lots that need to be developed in the next five years

### **Forecast for 2015 Starts by County:**

Escambia 1,195	Santa Rosa 1,105
Okaloosa 628	Walton 1,276

**PICTURES FROM THE JANUARY GMM ON PAGES 8 & 9**

JANUARY GMM



**HBA**

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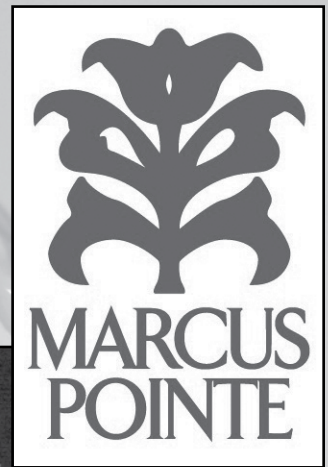


# HBA SPRING GOLF CLASSIC

Thursday, March 26th at Marcus Pointe Golf Club

12:00 p.m. Registration

1:00 p.m. Tee-Off



Prizes, Contests, Great Food and Fun



The HBA's Golf Committee, led by David Redmond of Supreme Lending, is working hard to bring you a fantastic golf tournament at Marcus Pointe Golf Club. Be on the lookout for your opportunity to register or sponsor this event, with a mailing and email from the HBA, in the near future.

Above: HBA Golf Committee from right, Alex D'Amico of All Risk Insurance; Chair David Redmond of Supreme Lending; HBA's Vicki Pelletier; Gus Uebelsteadt of Sherwin Williams; Wayne Blalock of United Lighting; Rosa Roberts of University Lending Group; Carmen Handrahan of Beach Community Mortgage; Larry Pursell of Hancock Bank and Carlin Bennett of ProBuild.



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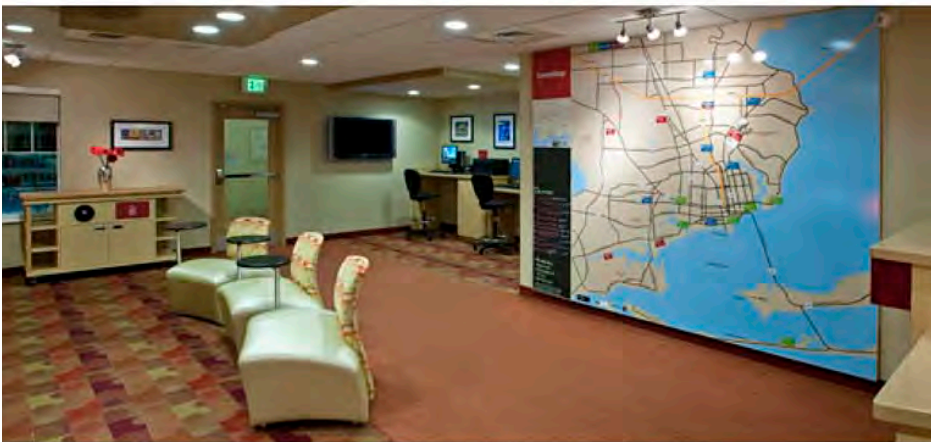
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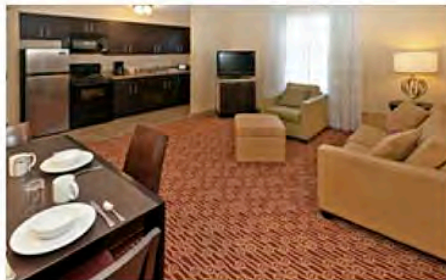
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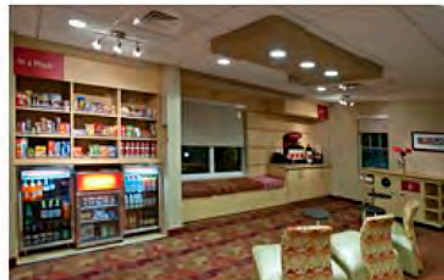
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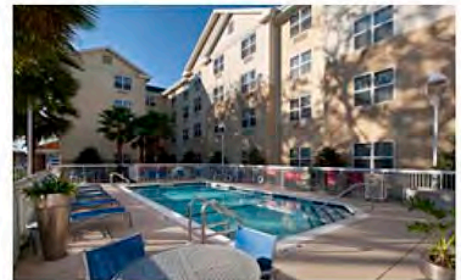
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**Here's what we've been working on so far this year.**

These dollar values represent the **savings per housing start** a typical builder will see as a result of select NAHB advocacy victories in 2014. Some members will experience more of these benefits than others, depending on location and market segment.

Learn more at [valueofnabh.org](http://valueofnabh.org)

**\$1,281**

Farm Bill generates additional home building and remodeling.

**\$669**

EPA drops post-construction stormwater rule.

**\$813**

U.S. Supreme Court Clean Air Act ruling benefits multifamily builders.

**\$1,477**

Keeping costly provisions out of building codes saves construction costs.

**\$1,132**

Homeowner Flood Insurance Affordability Act saves business for builders and remodelers.



# Record High In Final Quarter for Remodeling Index

**The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) posted a record-high result of 60 in the final quarter of 2014.**

A reading of 60 indicates remodelers' confidence in the quarter-over-quarter improvement in the remodeling market.

An RMI above 50 indicates that more remodelers report market activity is higher (compared to the prior quarter) than report it is lower. The overall RMI averages ratings of current remodeling activity with indicators of future remodeling activity.

"The recent pace and volume of business has been a boon to our remodeler members' confidence in the recovery of the housing market," said NAHB Remodelers Chair Paul Sullivan, CAPS, CGR, CGP, of Waterville Valley, N.H. "The upward trajectory of the RMI results over the

past year has shown that home owners are ready, willing and deciding to remodel."

The RMI's future market conditions index rose to 60 from 58 in the previous quarter. All four of its subcomponents—calls for bids, amount of work committed for the next three months, backlog of jobs and appointments for proposals—increased from the previous quarter's reading.

The current market conditions component of the RMI also increased to 60 from 57 in the previous quarter. The readings for all subcomponents, including large additions and small remodels as well as maintenance and repair, also saw increases.

"Even with some weakness in existing homes sales and house prices earlier in the year, remodelers are upbeat as 2014 closes," said NAHB Chief Economist David Crowe. "The consistent improvement in RMI results throughout 2014 are a sign of the gradual recovery of the remodeling market."



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# VALUE OF NAHB MEMBERSHIP IN 2014

## 1. National Flood Insurance Act Saves Business for Builders and Remodelers *Estimated value: \$1,125 per housing unit started in 2014.*

NAHB lobbied successfully in support of the Homeowner Flood Insurance Affordability Act. The legislation provides a more affordable rate structure for policy holders; repeals the requirement that flood insurance premiums increase immediately to full actuarial rates for homes that are sold; and restores “grandfathering” for properties that were paying premiums applicable to their initial flood risk rating, allowing owners to pay premiums based on the original risk zone rather than updated flood risk zones. It also restores the “substantial improvement threshold” that triggers a higher flood insurance rate if a remodeling project adds 50 percent level of a structure’s value (a recent change had lowered the threshold to only 30 percent).

## 2. Farm Bill Generates Additional Home Building and Remodeling *Estimated value: \$1,273 per U.S. housing unit started in 2014.*

The Farm Bill, signed into law, includes an important provision championed by NAHB that allows more than 900 communities nationwide to retain their status as “rural” areas where residents have access to important rural housing programs. USDA estimated 933 rural places would lose that status if not for this provision. NAHB investigated places in the 25,000-35,000 population range (using the most recent American Community Survey data maintained on NAHB’s server) and estimated that 257 additional places would benefit due to the expansion of the cap to 35,000. Average numbers of housing units in the

places in the affected population range were used to estimate the number of single-family and multifamily homes in the places benefitting from the bill. The new investment and increased income for owners of rental property total roughly \$1.26 billion.

## 3. EPA Drops Post-Construction Stormwater Rule *Estimated value: \$665 per U.S. housing unit started in 2014.*

In a major win for the home building industry, the Environmental Protection Agency (EPA) is abandoning plans for a National Post Construction Stormwater Rulemaking, plans that NAHB repeatedly told the agency would have added onerous, costly and in many cases impractical steps to the residential development process. In a recent study conducted in part by the EPA, it is estimated that low impact development (LID) techniques proposed in the EPA’s storm water rule would lead to an increase in building and site costs of one percentage point (Christian et al.). The impact of implementing this ruling in lower density areas such as single-family was estimated by NAHB to be roughly 0.5 percentage points. From these figures, NAHB was able to estimate the cost saving for the residential construction industry of \$660 million in 2014 from the non-implementation of this ruling. If the rule were adopted, it would apply more stringent standards in 32 states where LID retention requirements are not currently applied by state and local jurisdictions. Based on NAHB’s state housing forecast, single-family housing starts in the 32 states account for 51% of the national share. The 2014 forecasted multi-family housing starts in the 32 account for 66% of the

national share. The forecasted share of housing activity in the affected states was applied to the December 2013 annual estimate of the value of construction put in place. The constructed value was aged by the Case-Shiller National HPI forecast to determine the 2014 estimated industry savings. Dividing by NAHB’s forecast of 992,508 total housing starts for calendar year 2014 generates an estimate of \$665 per start.

## 4. U.S. Supreme Court Ruling on Clean Air Act Benefits Multifamily Builders *Estimated value: \$808 per U.S. housing unit started in 2014.*

The U.S. Supreme Court ruled in June that EPA doesn’t have the authority to require multifamily and commercial builders to get pre-construction permits for greenhouse gases generated by the buildings they construct. NAHB joined other trade groups in filing suit against EPA in 2010 because it was interpreting the Clean Air Act to allow it to treat apartment complexes like power plants. As a result, many multifamily builders and developers would have been required to get pre-construction permits for greenhouse emissions. Typically, such a permit would cost about \$60,000. Costs due to delays would add an average of about \$40,000 to each property, depending on size. For a property with 50 or more apartments, costs due to delays could go as high as \$200,000. The suit included a declaration from an NAHB economist estimating, among other things, that the above costs would reduce investment in multifamily housing by approximately \$730 million per year. This estimate is for a typical year based on a long run average, and NAHB’s forecast for multifamily starts in 2014 is close to the long-run average. However, the estimate is also based on an average construction value of \$116,515 per apartment as of 2008. The equivalent estimate for 2014 (published in the May article Impact

more *Value of NAHB*, page 18

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ISSUE  
**March 2015**

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# VALUE OF NAHB MEMBERSHIP IN 2014

from page 17

of Home Building and Remodeling on the U.S. Economy )is used to adjust for inflation and bring the older estimate forward in time—to \$802.1 million that would have been lost had the EPA requirement (hat NAHB opposed in 2010, and succeeded in delaying and eventually defeating )been in effect throughout 2014. Dividing by NAHB’s forecast dated 1/01/15 of 992,508 housing starts for 2014 generates an estimate of \$808 per start.

## 5. Keeping Costly Provisions Out of Building Codes Saves on Construction Costs

*Estimated value: \$1,120 per U.S. housing unit started in 2014.*

For years, the Construction, Codes and Standards (CC&S) department of NAHB has maintained an ongoing effort to keep costly items out of the code. When successful, this saves builders money in subsequent years in areas built to those codes. At the 2015 International Code Council hearings in Atlantic City, N.J. in early October, for example, NAHB was successful on 78 percent of the codes proposals that the association either supported or rejected, including five key proposals that NAHB fought against, to keep building codes flexible, cost-effective and product-neutral. NAHB members won’t directly benefit from these particular victories until local jurisdictions begin to adopt the 2015 version of the code. However, in 2014 members realized benefits from key accessibility proposals that NAHB kept out of the 2009 and 2012 IRC that would have required builders to provide elevators or lifts in all townhomes and split level homes with entrances that do not open into living space and porches on all homes (to satisfy a zero clearance entrance provisions). The annual benefits are, in fact, increasing as more jurisdictions adopt these codes and more homes are being built in the affected areas. Using the method described in the document detailing NAHB’s victories for 2012, adjusting the costs per unit that Codes

staff estimated at that time for inflation (using the annual CPI for 2012 and NAHB’s forecast for 2014), the new estimates are that, in 2014, the above code

victories saved builders \$893 million in costs of including elevators and \$218 million in costs of building porches on homes where they otherwise would be provided (numbers that are slightly lower than previously estimated due to recently released data from the Census Bureau showing that a smaller share of new construction would have been subject to the provisions). Dividing by NAHB’s forecast dated 1/01/15 of 992,508 housing starts for 2014 generates an estimate of \$1,120 per start.



## 6. Value of NAHB Designations Earned During the Year

*Estimated value: \$250 per U.S. housing unit started in 2014.*

NAHB members continue to invest time, effort and money to attain professional designations offered by NAHB, which they clearly wouldn’t do unless they believed the designations provided value. There is further

evidence in NAHB’s latest consumer survey, where 64 percent of recent and prospective home buyers agreed that contractors with such specialized, professional designations are “worth paying a higher price for.”

## 7. Delayed Affordable Care Act (ACA) Requirements Saves Costs for the Building Industry

*Estimated value: \$510 per U.S. housing unit started in 2014.*

NAHB pushed hard for a delay of the Affordable Care Act’s requirements for employers with more than 50 employees. Partly as a result of these efforts, requirements for businesses with 100 or more full-time workers have been delayed to 2015, and requirements for businesses with 50 to 99 full-time workers have been delayed to 2016. We value this victory at the value of the tax penalty that would have hit businesses that do not currently provide health care coverage.

## 8. Workforce Act Funds Training for Careers in Home Building

*Estimated value: \$18 per housing unit started in 2014.*

In July, the Workforce Innovation and Opportunity Act was signed into law. NAHB championed this bill because it will help alleviate labor shortages in the housing industry by providing investment and resources to train workers for careers in home building and other industries. In addition, the law reauthorizes the Job Corps and Youth build programs as federal programs operated through the U.S. Department of Labor. Enactment of H.R. 803 preserved an \$18 million annual Job Corps contract between HBI and DOL that provides job training in 74 sites around the country with 151 programs. Over the long run, the bill will increase the supply of trained workers for the residential construction industry. Industry value of \$18 million in the short-run. Dividing by NAHB’s forecast dated 8/01/14 of 986,061 housing starts for 2014 generates an estimate of \$18 per start.

## 9. Extending Mortgage Insurance Tax Deduction Preserves New Home Sales

*Estimated value: \$347 per housing unit started in 2014.*

H.R. 5771, the Tax Increase Prevention Act of 2014, extended the deduction for mortgage insurance for 2014, including deductions paid for FHA- and VA-backed loans. Such

deductions reduce the after-tax cost of purchasing a home with a low down payment, which is common among first-time homebuyers. NAHB estimates with IRS data that the loss of the deduction would eliminate about 1.6% of home sales by buyers expecting to use the deduction. We estimate approximately 1,280 potential lost new home sales if the deduction had not been extended for 2014, reducing industry revenue by approximately \$344 million. Dividing by NAHB's forecast dated 1/01/15 of 992,508 housing starts for 2014 generates an estimate of \$347 per start.

#### **10. Extension of Energy Tax Credits Stimulates New Construction and Remodeling**

*Estimated value: \$767 per housing unit started in 2014.*

NAHB has long lobbied for tax credits designed to promote energy efficiency. Recently, this involved lobbying for extension (both prospectively and retroactively for all of 2013) of the 45 L and 25 C credits. H.R. 5771, the Tax Increase Prevention Act of 2014, retroactively renewed 45L, which provides builders a \$2,000 tax credit for the sale of homes that achieve a 50 percent improvement in energy efficiency over the 2006 International Energy Conservation Code. In 2014, home builders are expected to qualify for \$267 million in tax savings due to 45L, according to estimates from the congressional Joint Committee on Taxation. H.R. 5771, also retroactively renewed 25C, which provides consumers a tax credit of up to \$500 for the purchase of qualifying energy-efficient products. The 25C tax credit supported almost 140,000 jobs in remodeling in 2009, and government data indicates that the typical energy-efficient remodeling project costs a little more than \$2,800. NAHB estimates that nearly 18 percent of these remodeling projects would not have occurred without the credit, however that effect is reduced due to the retroactive nature of the extension (to approximately 6%). Using tax data and NAHB estimates, the expected extension of the 25C credit for 2014 resulted in an additional \$494 million in remodeling revenue for the industry. Combined, the effect of the extension of the 45L and 25C credits is an estimated \$761 million in additional new construction and remodeling in 2014. Dividing by NAHB's forecast dated 1/01/15 of 992,508 housing starts for 2014 generates an estimate of \$767 per start.

*Estimates produced by the economic and housing policy group January 2015.*

# **National Housing Looks Promising Across the Nation**

## **A More Robust Year for Housing in 2015**

With economic growth near 4 percent for the last half of 2014 and employment gains averaging more than 250,000 per month last year, NAHB Chief Economist David Crowe said these are the primary factors that have helped consumer confidence jump back to pre-recession levels. "The signs point to a more robust year for housing," Crowe said. "Household balance sheets are returning to normal levels, home owners' equity is increasing and significant pent-up demand is rising. More than 7 million existing home sales were postponed or lost during the downturn; and while some are lost forever, we should see some catch-up."

## **The Forecast**

NAHB is projecting 993,000 total housing starts in 2014, up 6.7 percent from last year's total of 930,000 units. Single-family production is expected to rise 26 percent in 2015 to 804,000 units. "While a good beginning, this is still well below a normal level of 1.3 to 1.4 million single-family starts," Crowe said.

On the multifamily front, NAHB is anticipating 358,000 starts in 2015, up 2 percent from 352,000 last year. The sale of new single-family homes is expected to hit 564,000 this year, a 29.3 percent increase above last year's 436,000 in sales. Meanwhile, residential remodeling activity is expected to register a 3 percent gain this year over 2014.

The ongoing housing recovery will see single-family starts steadily climb from 49 percent of normal production at the end of the third quarter of 2014 all the way up to 90 percent of normal by the end of 2016, Crowe said. Examining the recovery on a state level, by the end of 2016, the top 40 percent of states will be back to near normal production levels, compared to the bottom 20 percent, which will still be below 75 percent.

## **Where are All the New Households?**

David Berson, chief economist at Nationwide Insurance, said the number of new household formations was far fewer in the current economic expansion than in previous recoveries. "Give the job growth we've seen in 2014, there should have been better household formations," he said, adding that the slower pace may be because "the real acceleration in job growth has occurred just recently – in the last six months." As the economy and job growth continue to strengthen in 2015, Berson said this will be a "significant factor to encourage people who have doubled up to move out on their own."

Moreover, he noted that the real slowdown in household formations has come from the Millennials, who have suffered disproportionately from stagnant wage growth and student debt. However, he added that this key demographic is getting older and ready to set down roots. "The leading edge are now in their young 30s," said Berson. "Homeownership desire is much higher for those who are in their 30s than those in their 20s."

## **A Rising Economy Lifts Housing**

Freddie Mac Chief Economist Frank Nothaft also foresees a good year for housing. "We're projecting 3 percent economic growth in 2015, which would only be the second year in the last decade that we've seen growth at that level," said Nothaft. "A stronger economy supports a rise in household formation and home buying."

Not quite as bullish as NAHB, Nothaft expects that housing starts will rise about 15 percent in 2015, and that home sales will be up 4 percent, which would be the best year for home sales since 2007. He added that nationwide home prices this year should increase about 3.5 percent to 4 percent above last year's level.

With 30-year mortgages currently running at about 3.75 percent, Nothaft called them "dirt cheap" and said he expects rates to rise this year but remain at affordable levels.

"If we see economic growth running at 3 percent at an annualized rate, the Federal Reserve should begin to push up short-term interest rates by the second half of 2015," said Nothaft. "We see mortgage rates going up to 4.5 percent on the high side at the end of this year, going from dirt cheap to cheap. Overall, affordability for buyers in most markets will be well maintained in the context of strong job and income growth."

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