

The Fed Returns to Easing Rates as the Labor Market Cools

Economic Forecast Breakfast
February 3, 2026

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Outline

- 1. Macroeconomic Update*
- 2. Demand-side Factors*
- 3. Supply-side Factors*
- 4. Construction Outlook*
- 5. Q&A*

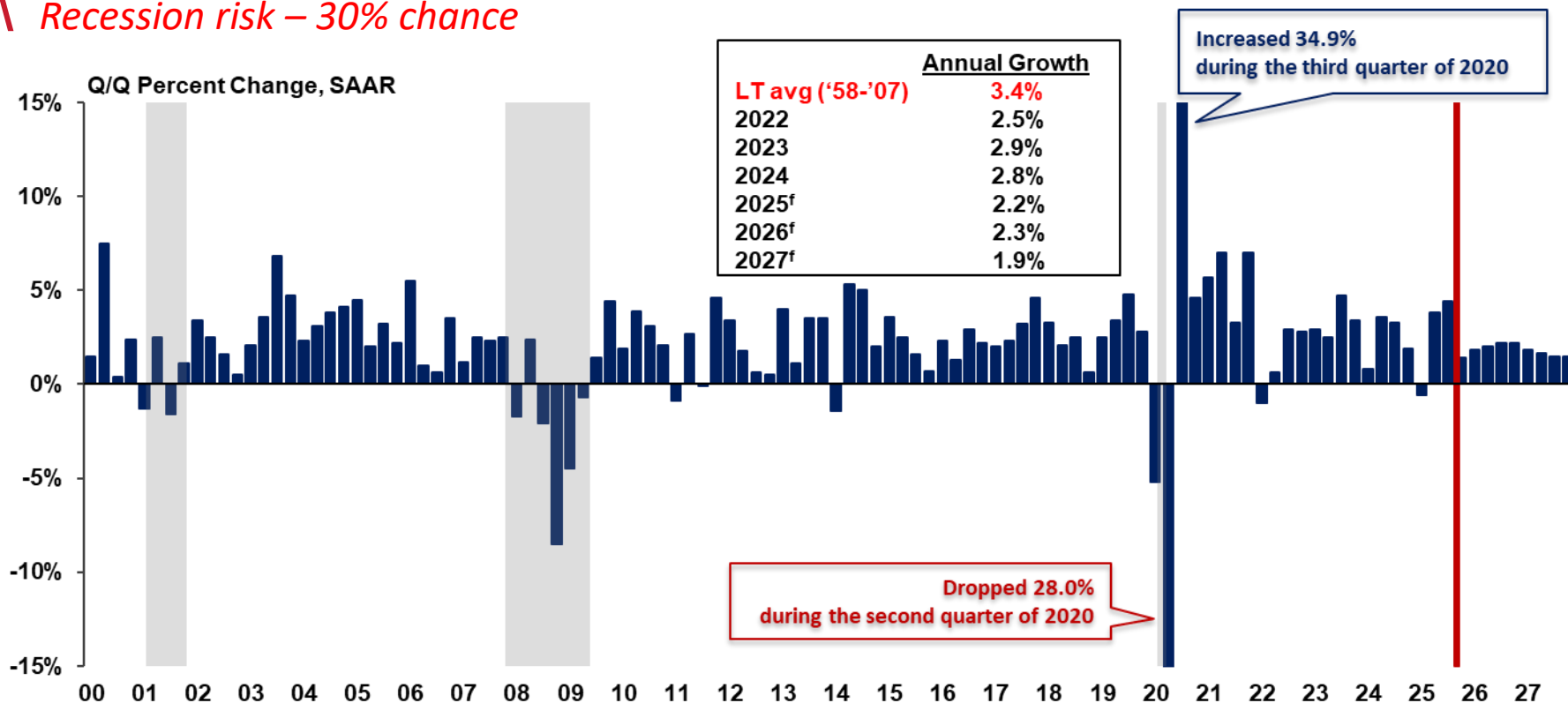


Macroeconomic Update



GDP Growth Slows with Tariffs

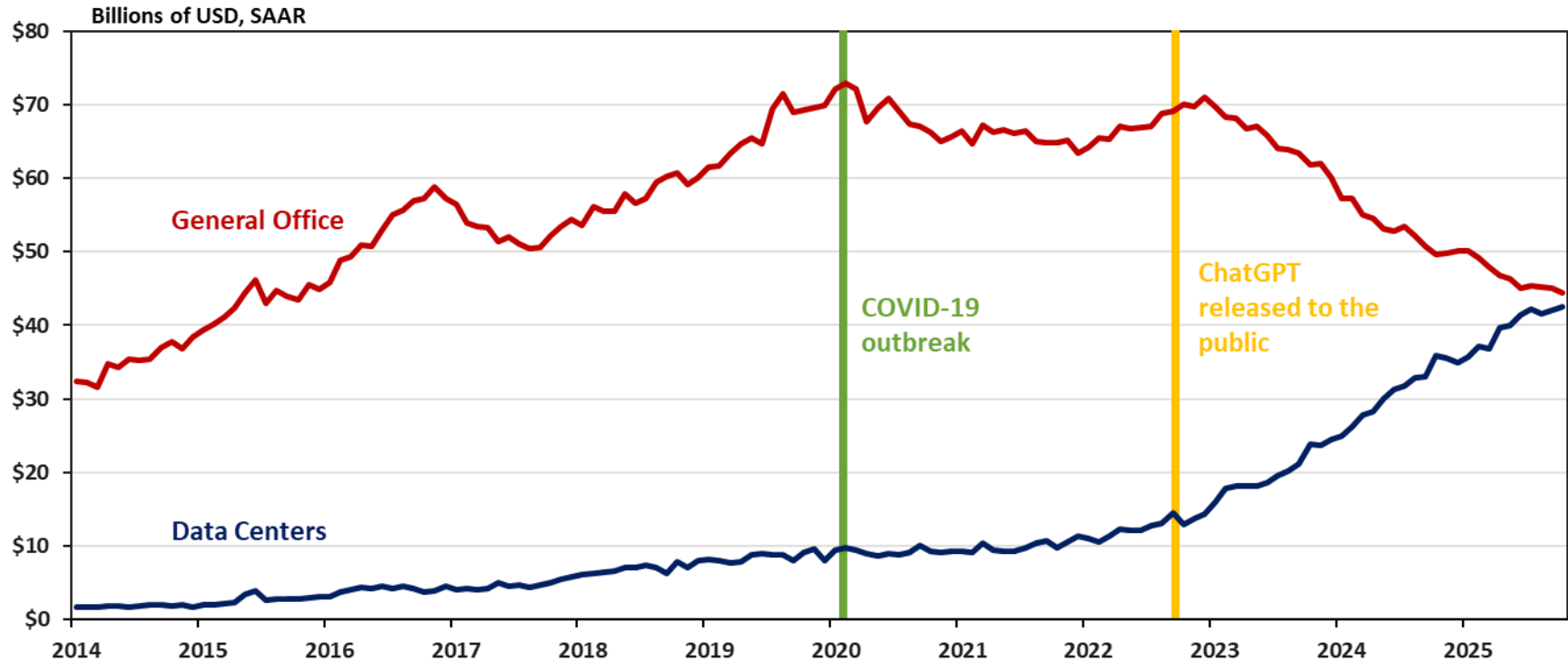
Recession risk – 30% chance



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

Construction Spending: General Office & Data Centers

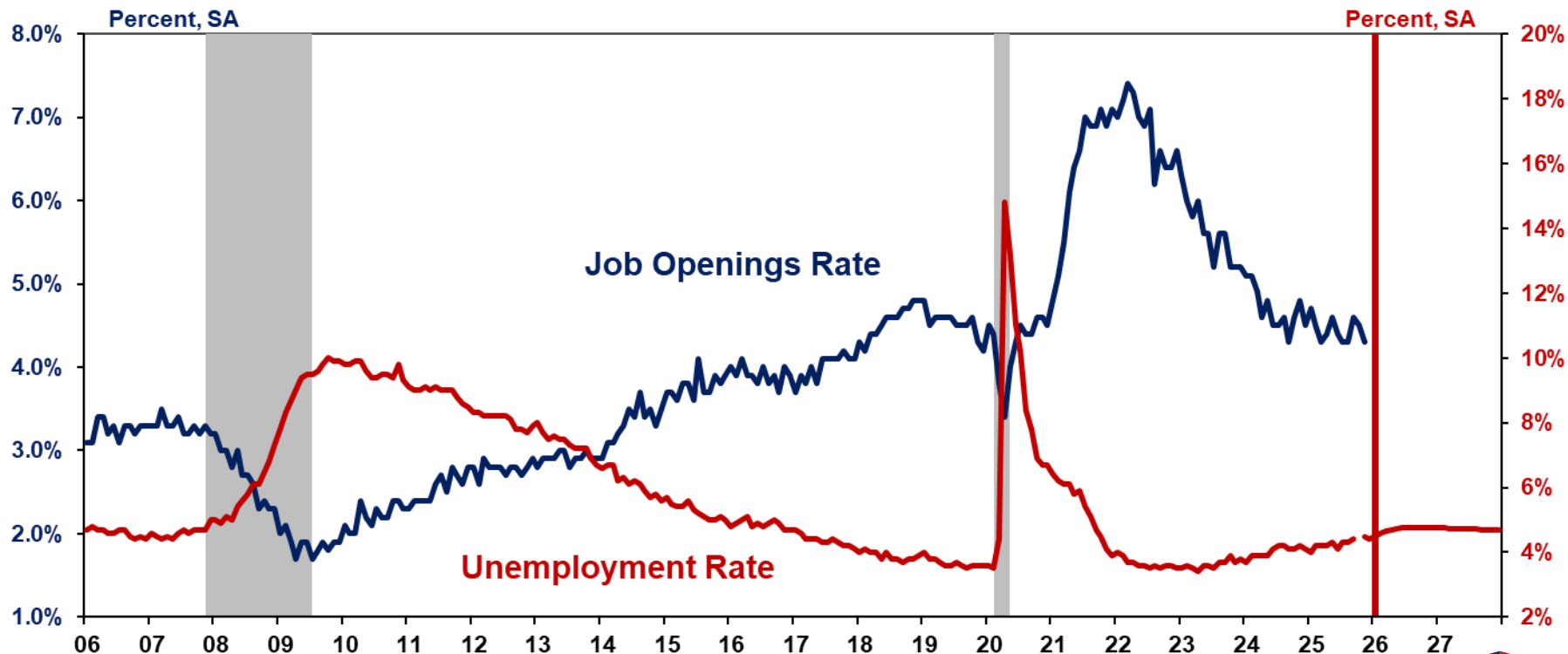
Data center construction surges as companies race to expand AI infrastructure



Source: U.S. Census Bureau (BOC) and NAHB Analysis.

Unemployment Rate Rising

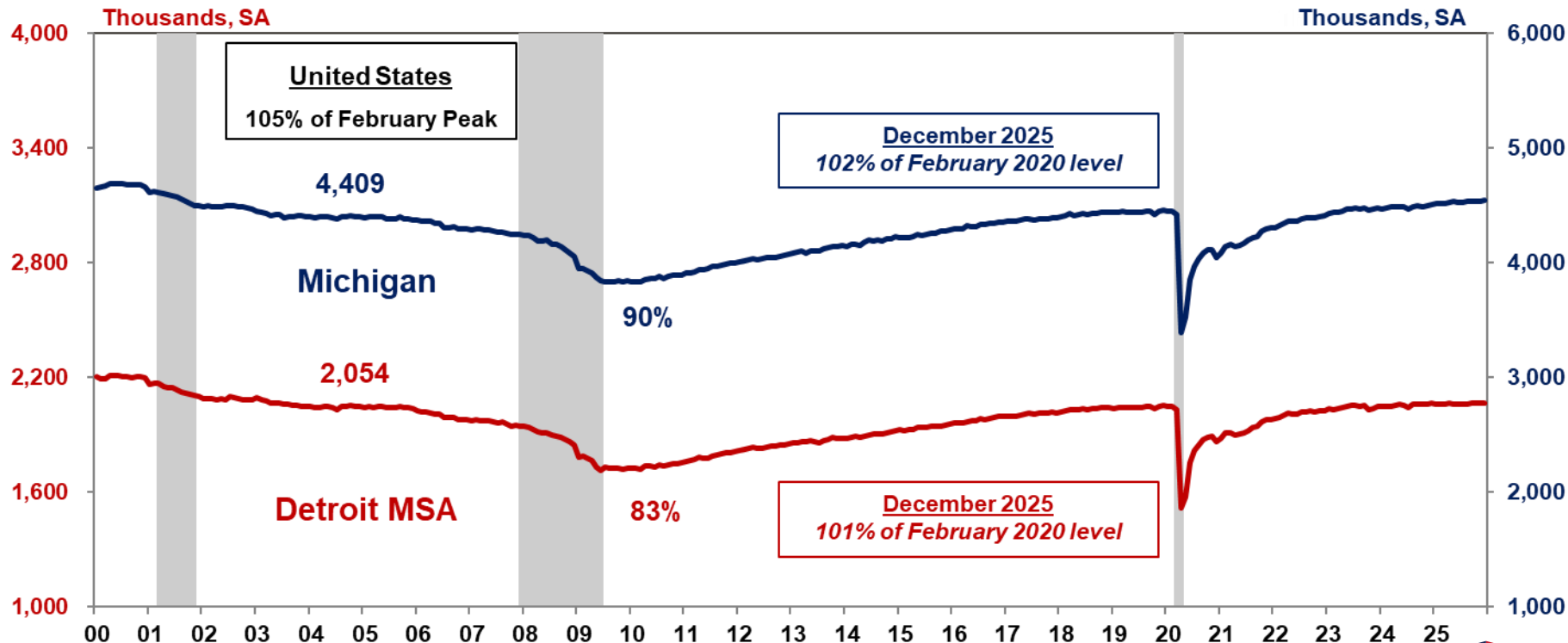
Job openings down from 2022 peaks as hiring slows



Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

Payroll Employment

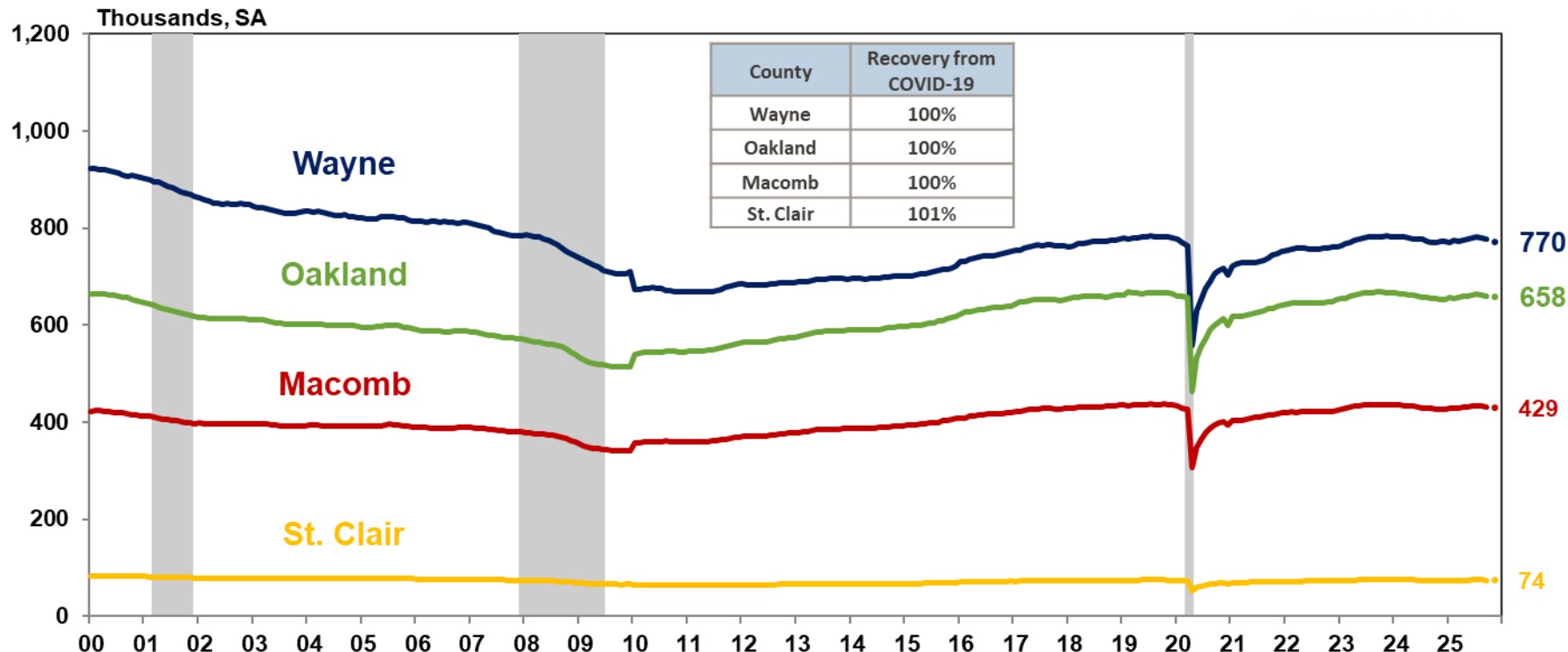
Detroit MSA recovered from COVID-19 recession



Source: U.S. Bureau of Labor Statistics (BLS)

Payroll Employment

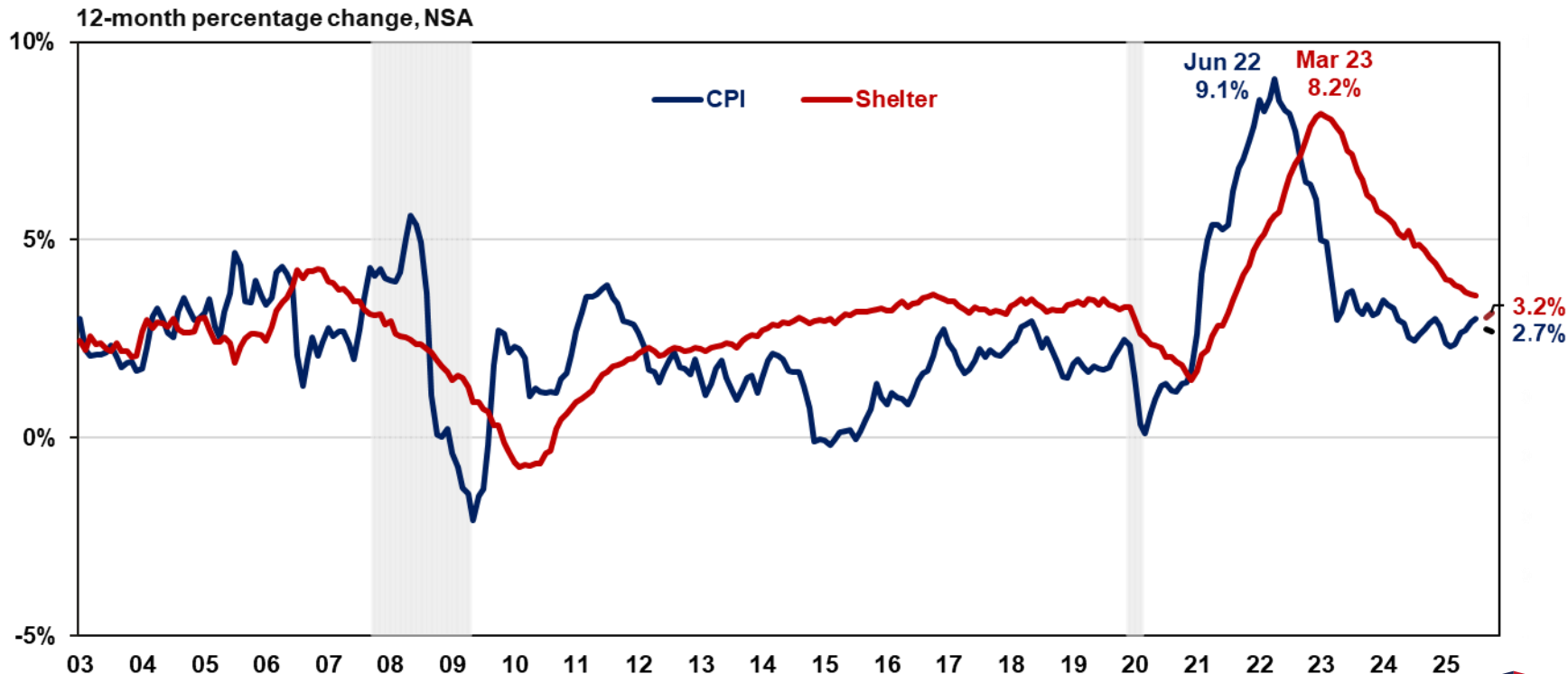
Southeastern Michigan recovered from COVID-19 recession



Source: U.S. Bureau of Labor Statistics (BLS)

Consumer Inflation – Headline Rate and Shelter

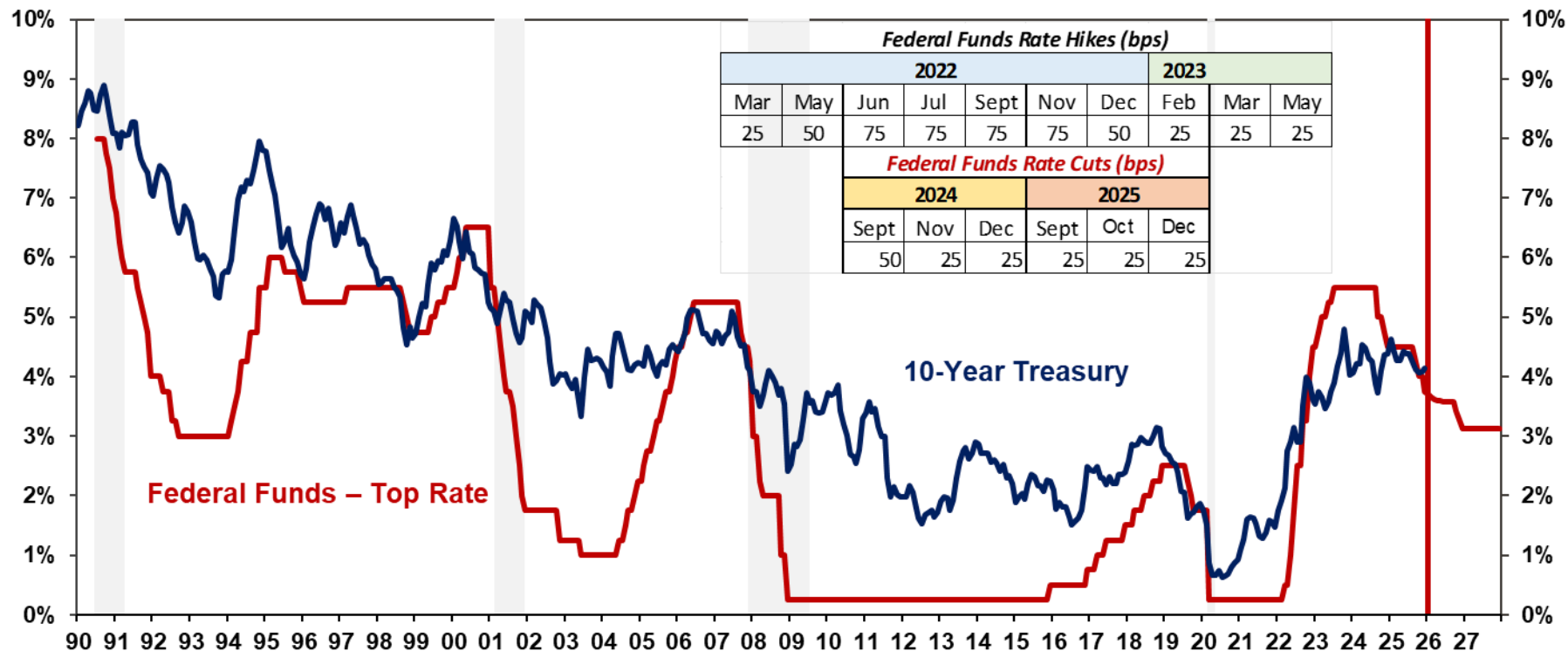
Shelter costs continue to outpace broader consumer prices – only more housing can fix



Source: U.S. Bureau of Labor Statistics (BLS)

Monetary Policy Easing Cycle Ongoing

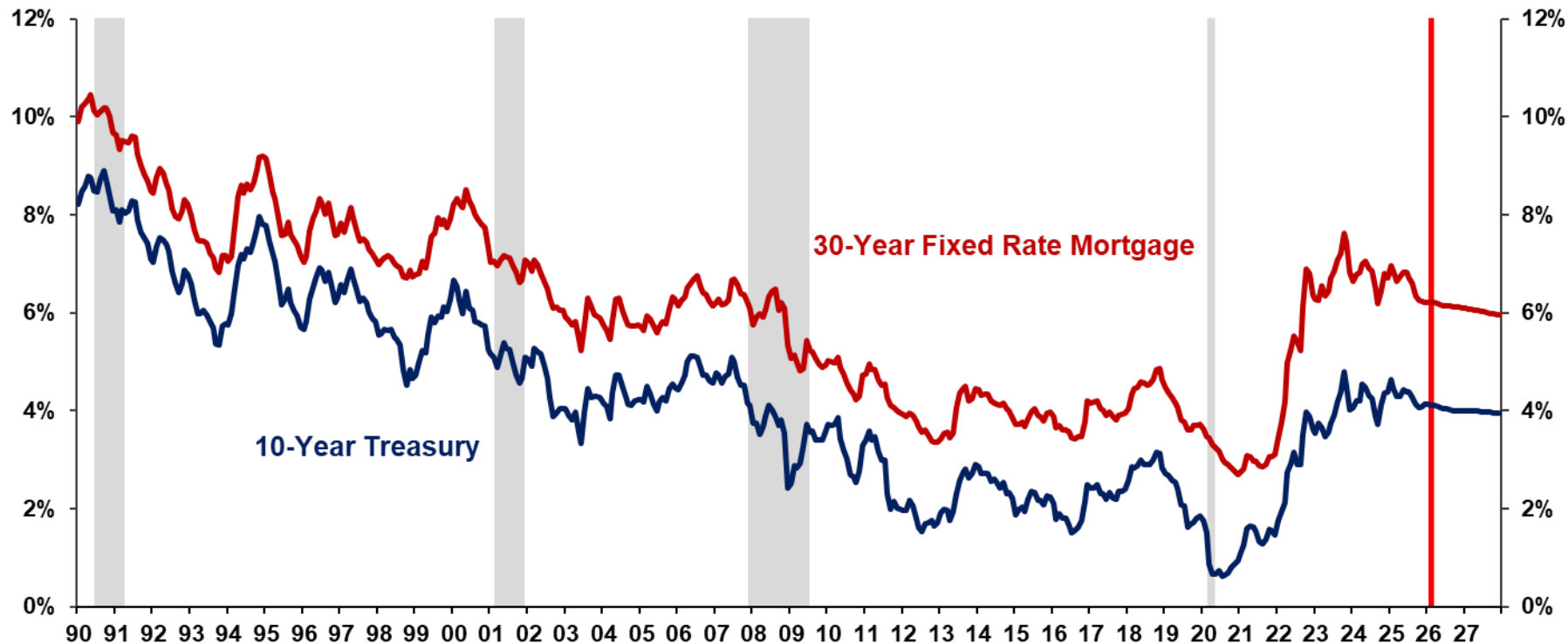
The Fed cuts rates and projects more easing to come



Source: U.S. Board of Governors of the Federal Reserve System (FRB).

Mortgage Rates Remain above 6%

Rates unevenly trending lower as Fed eases



Source: Federal Reserve and Freddie Mac data and NAHB forecast.

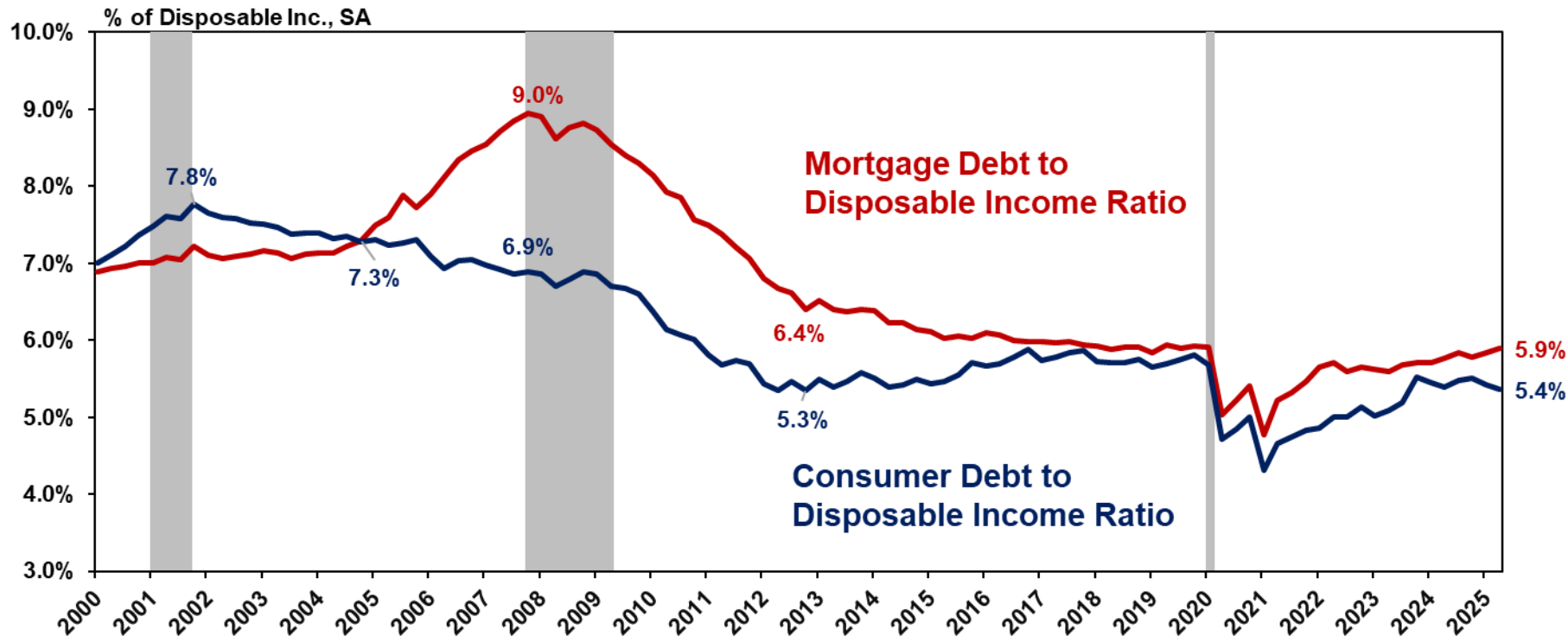


Demand-Side Economic Factors



Household Balance Sheets

Debt-to-income ratio near pre-pandemic level

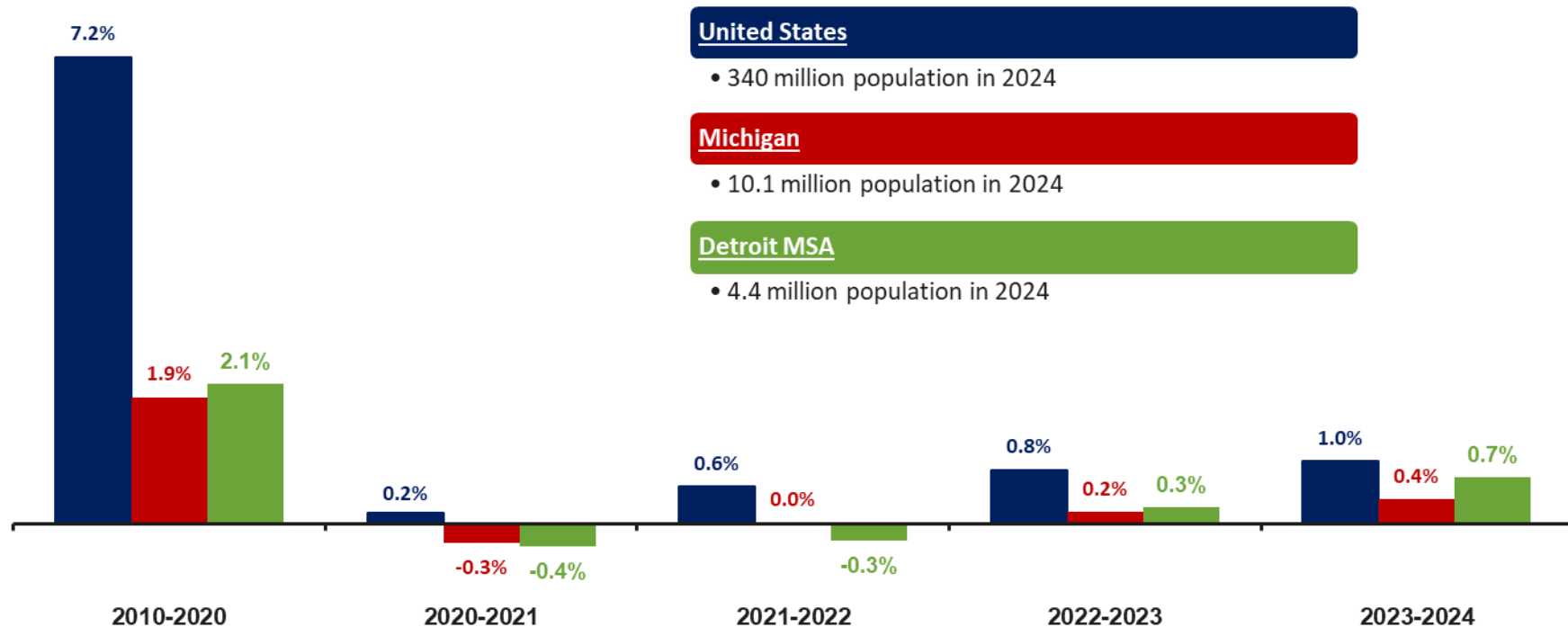


Source: U.S. Board of Governors of the Federal Reserve System (FRB).

Note: Starting with Q2 2024, the Board transitioned to a new, credit bureau data-based methodology for calculating the Debt Service Ratio (DSR), Mortgage DSR, and Consumer DSR.

/ Population Growth (2010 – 2024)

Detroit MSA population grew slower than national but faster than state rate

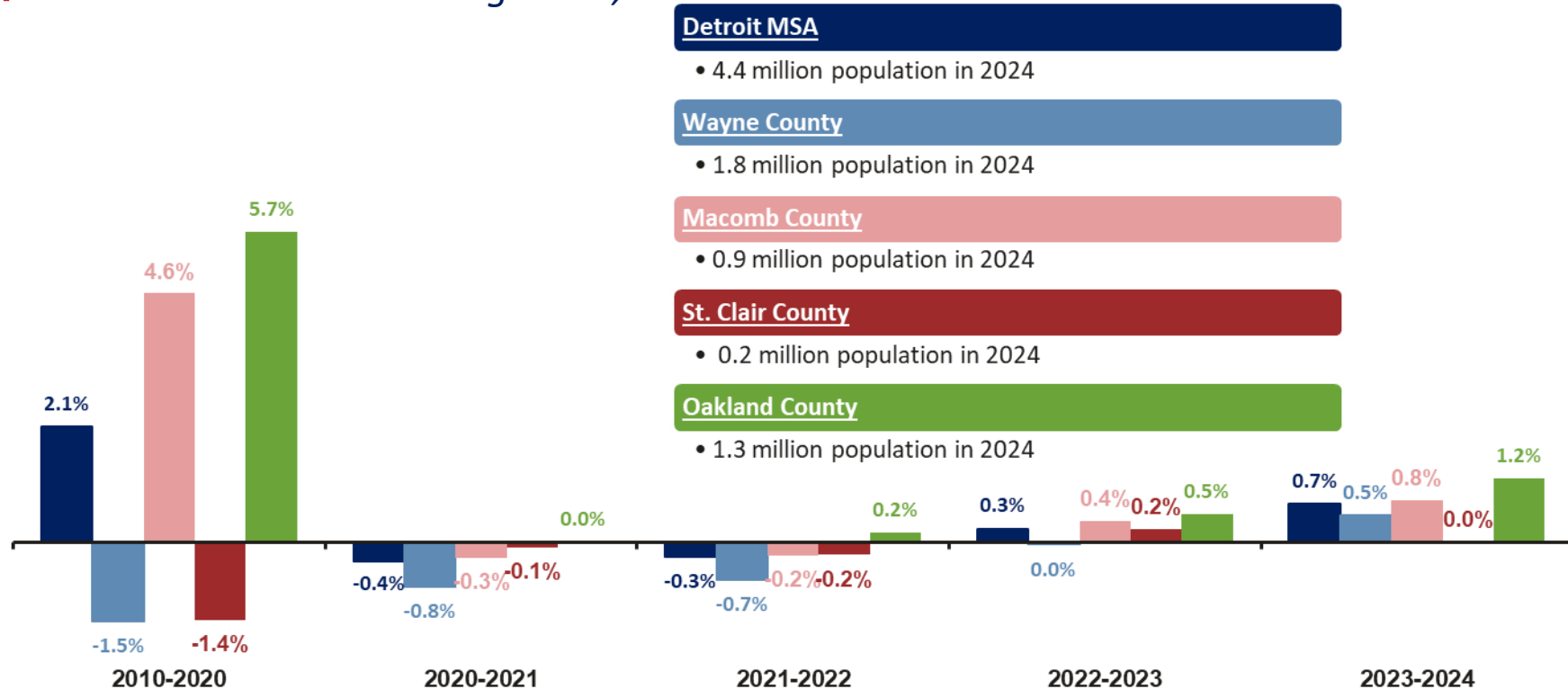


Source: U.S. Census Bureau (BOC).

Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

/ Population Growth (2010 – 2024)

Oakland and Macomb led growth; Wayne was modest and St. Clair flat

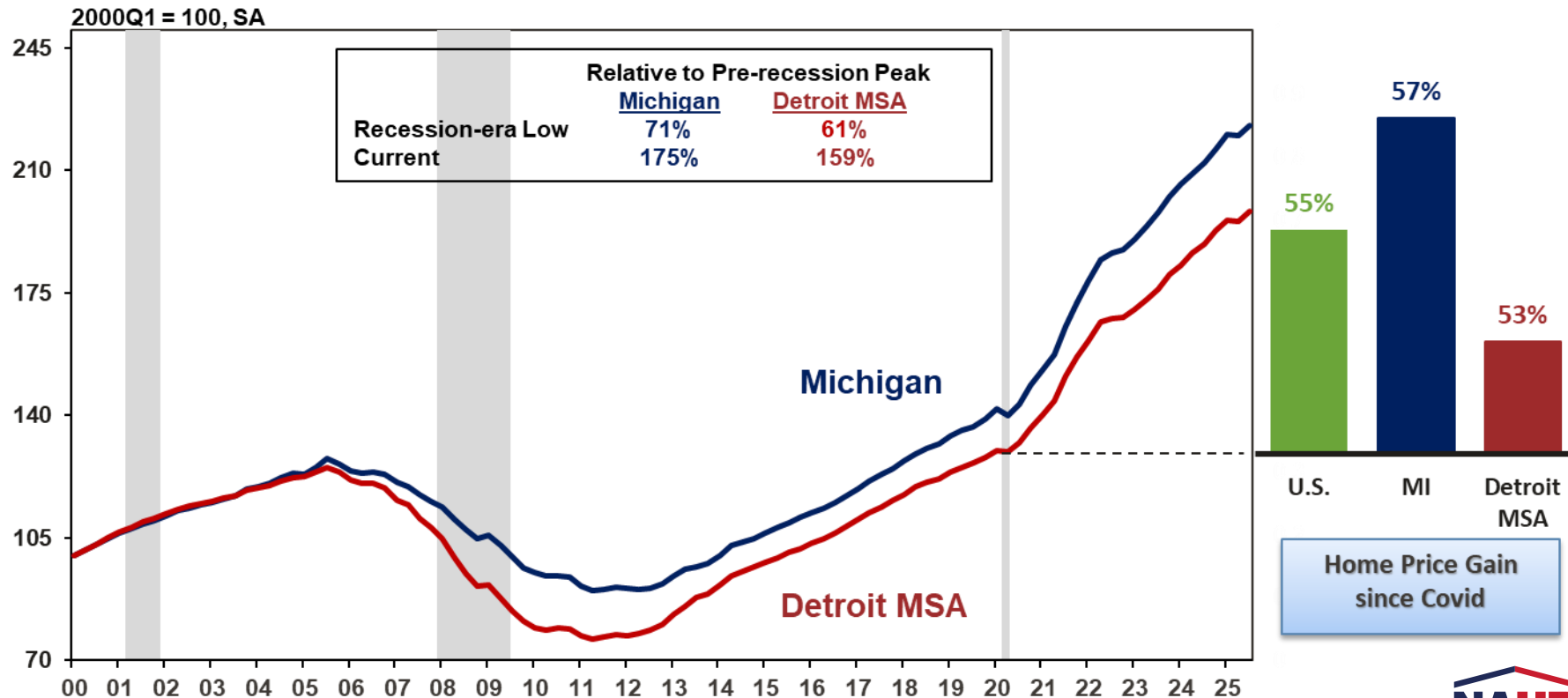


Source: U.S. Census Bureau (BOC).

Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

Existing House Price Index

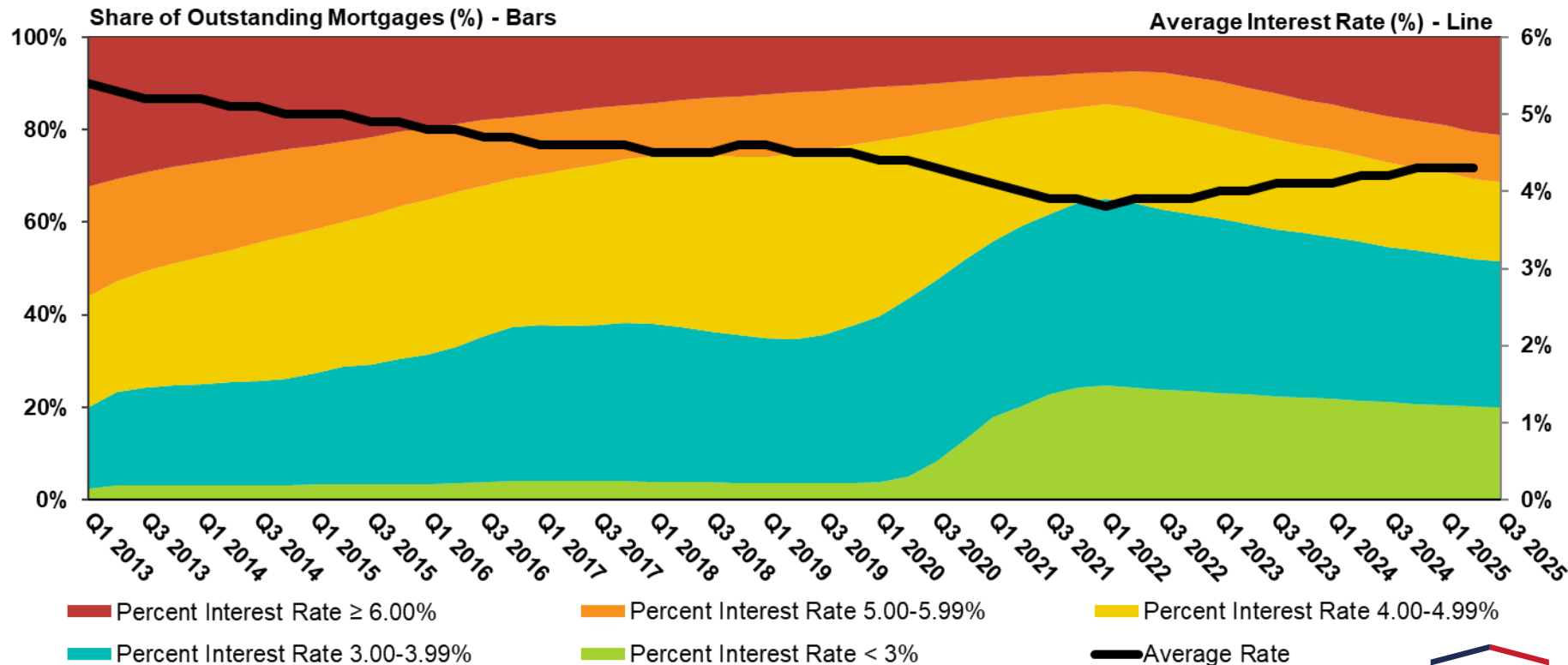
Detroit MSA 53% home price gain since covid, 57% for Michigan and 55% for U.S.



Source: U.S. Federal Housing Finance Agency (FHFA). The chart has been updated with Q3 2025 data.

Current Outstanding Mortgage Rates

"Lock-in" effect lessening, but still prevalent

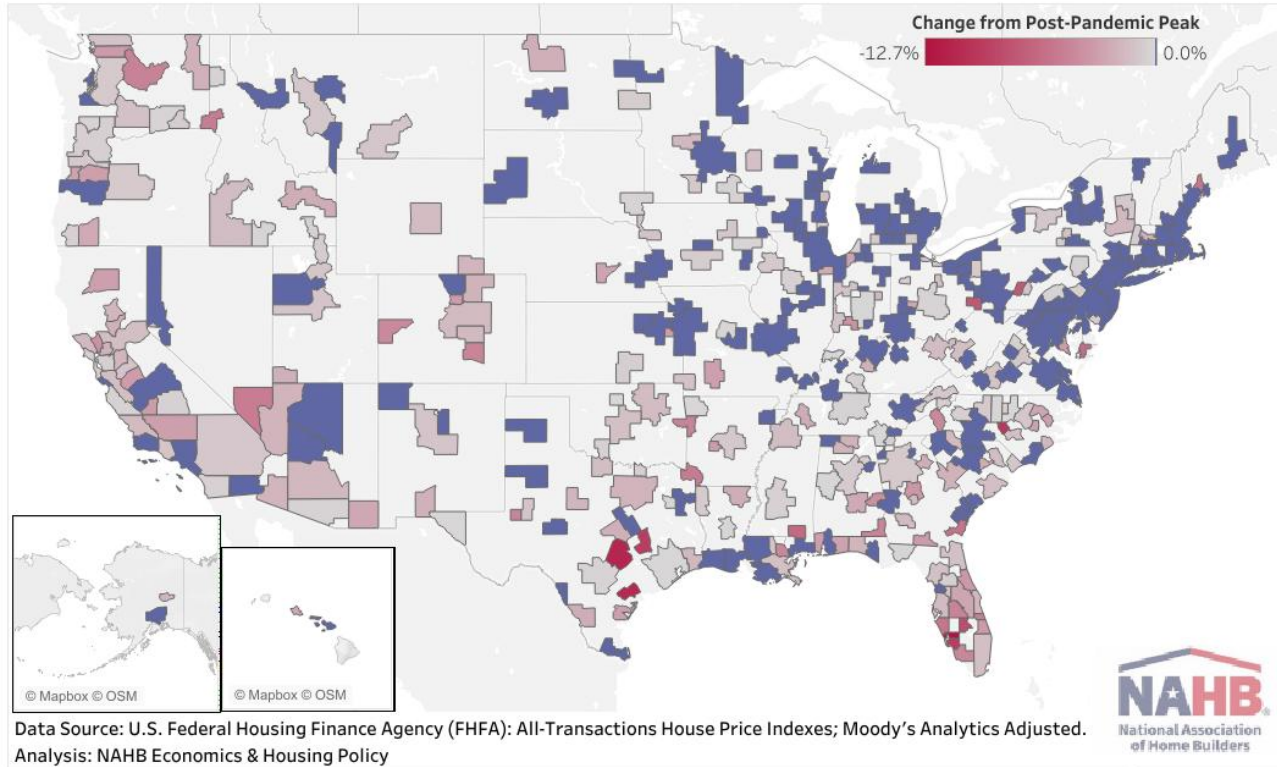


Source: U.S. Federal Housing & Finance Agency (FHFA) National Mortgage Database (NMDb), NAHB Analysis

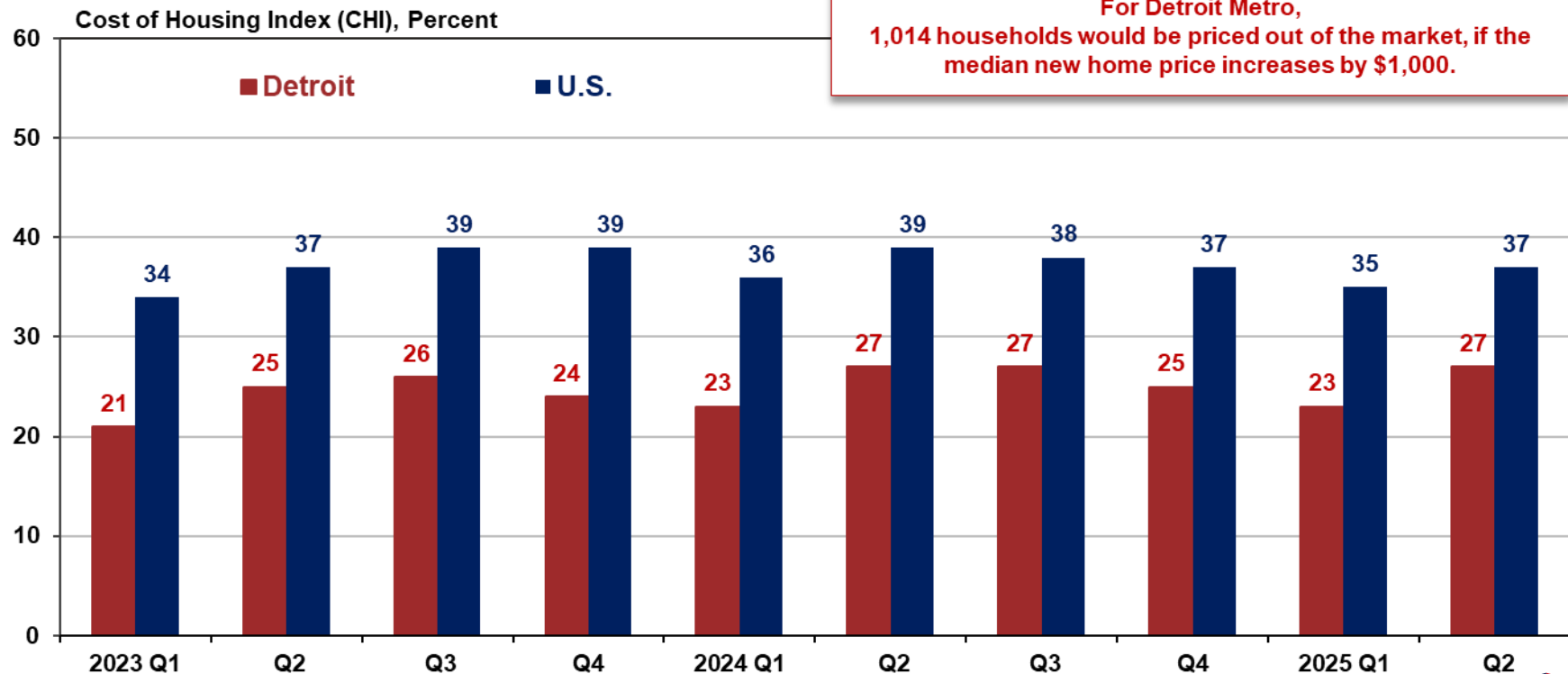
Home Prices Hold Strong Across the Region

More than half of U.S. metros seeing modest declines from peak

Changes in House Prices Since the Recent Peak (Recent Peak vs 3Q 2025)



NAHB/Wells Fargo Cost of Housing Index (CHI)



Source: NAHB/Wells Fargo Cost of Housing Index (CHI).

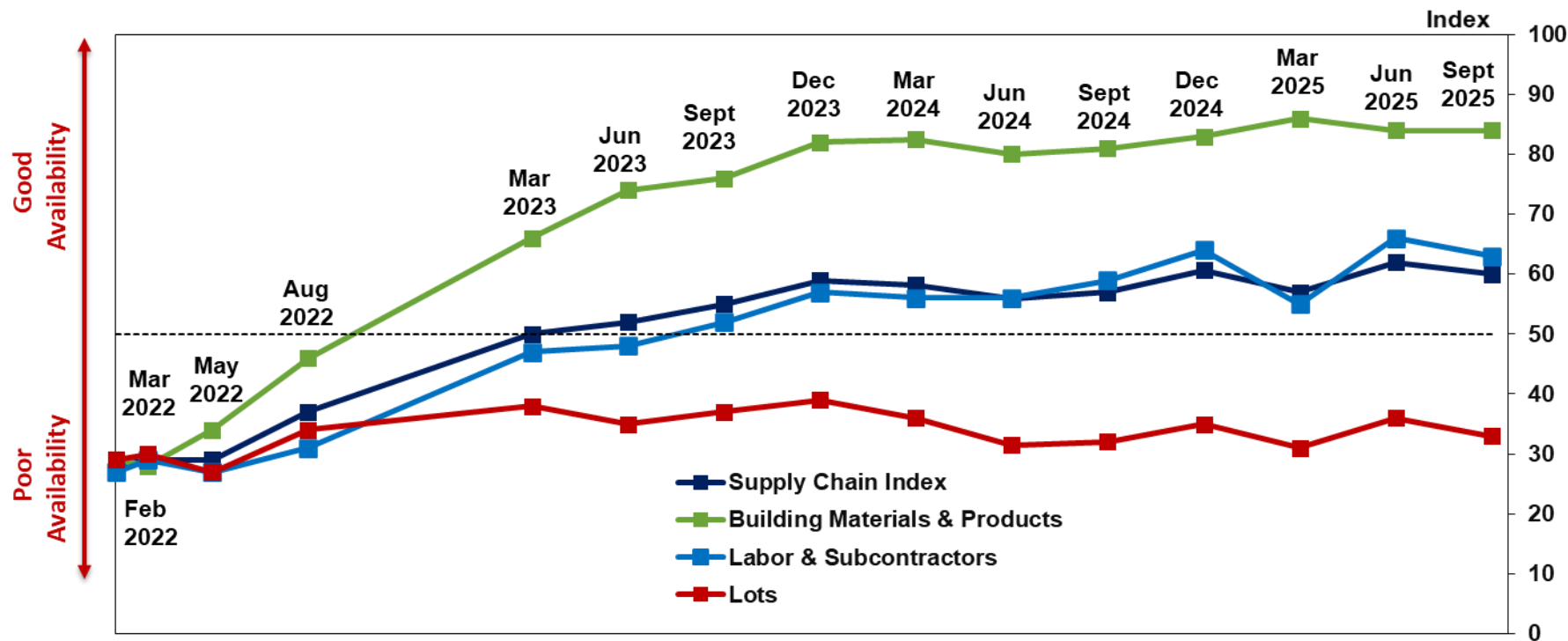


Supply-Side Factors



NAHB Supply Chain Index

Material constraints easing while lot and labor shortages persist

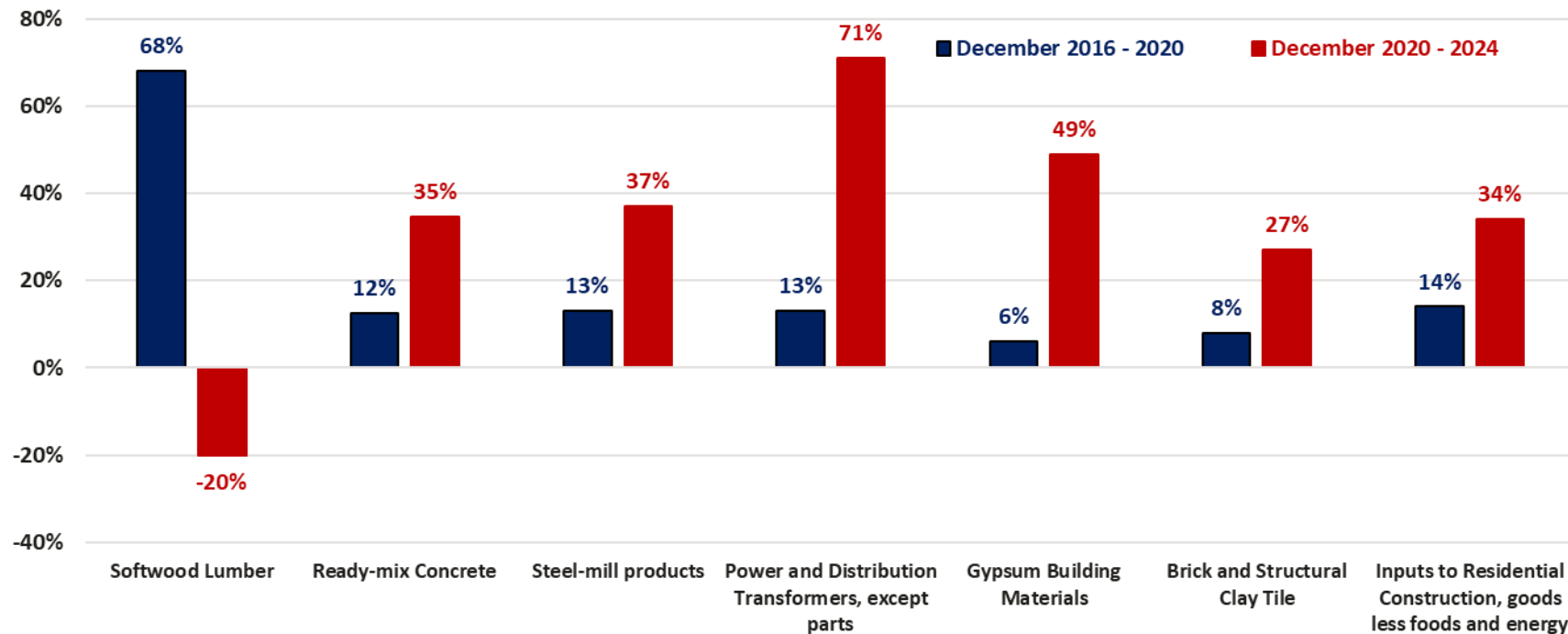


Source: Source: NAHB/Wells Fargo HMI survey

Building Material Prices

Costs of Building Materials Have Surged Since the Pandemic

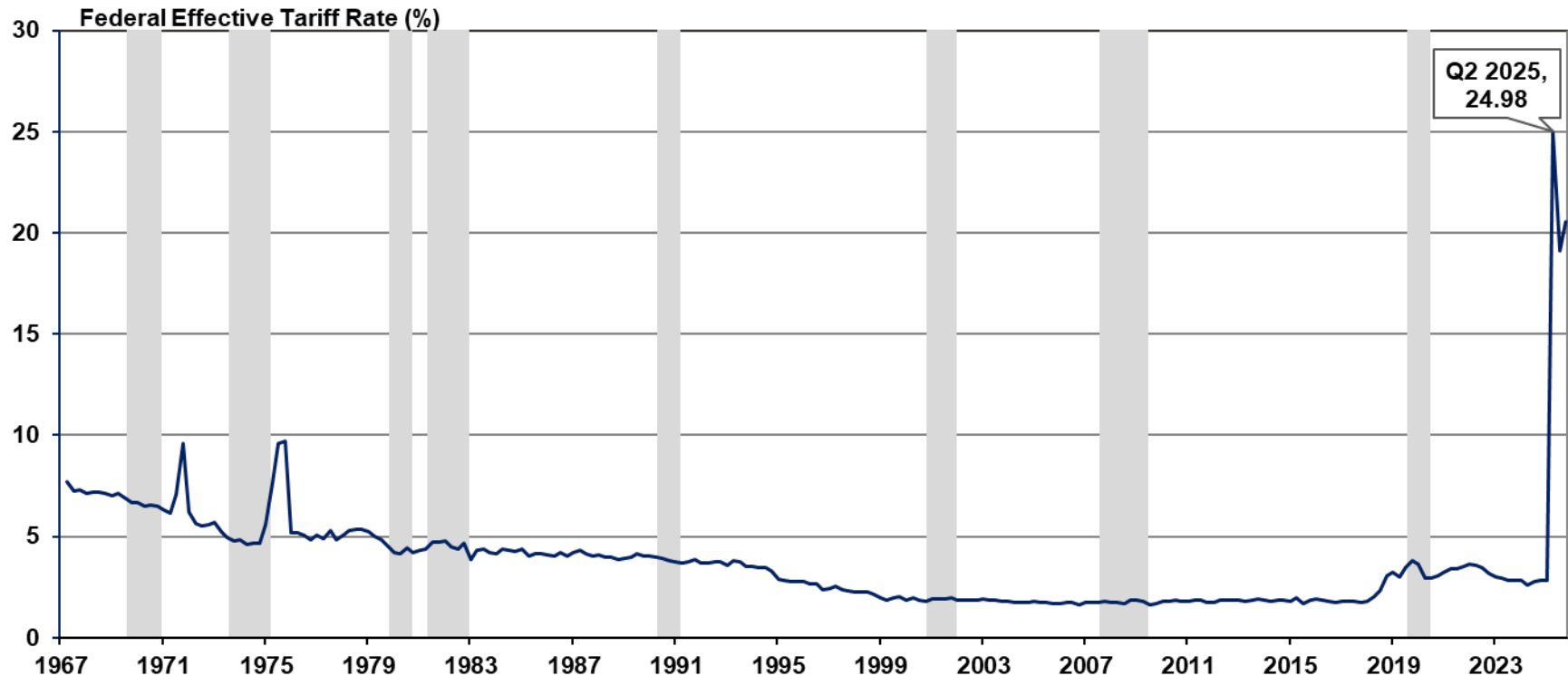
Four-year Price Percentage Change



Source: U.S. Bureau of Labor Statistics; Producer Price Index

Wrong Solution to the Wrong Problem at the Wrong Time?

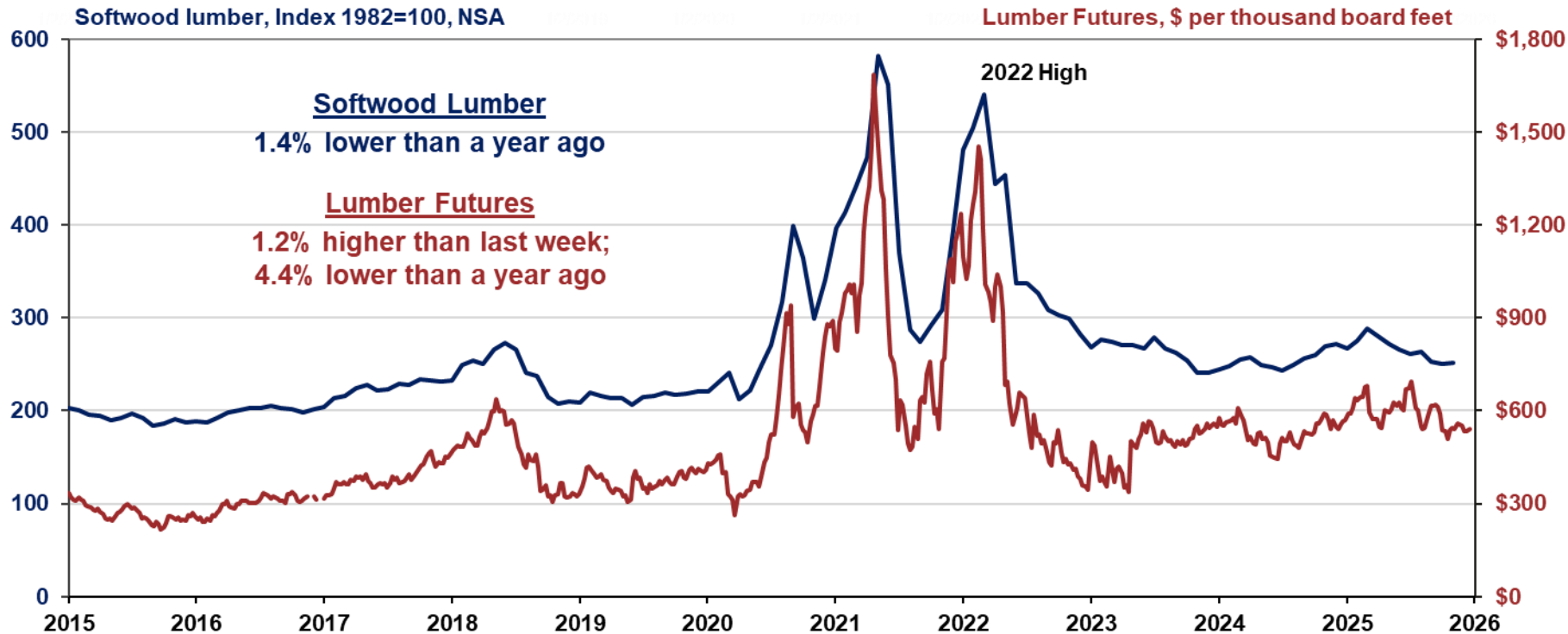
A tax hike risking inflation and uncertainty



Source: Bureau of Economic Analysis (BEA), ITC, and NAHB Analysis

Building Materials - Lumber Prices

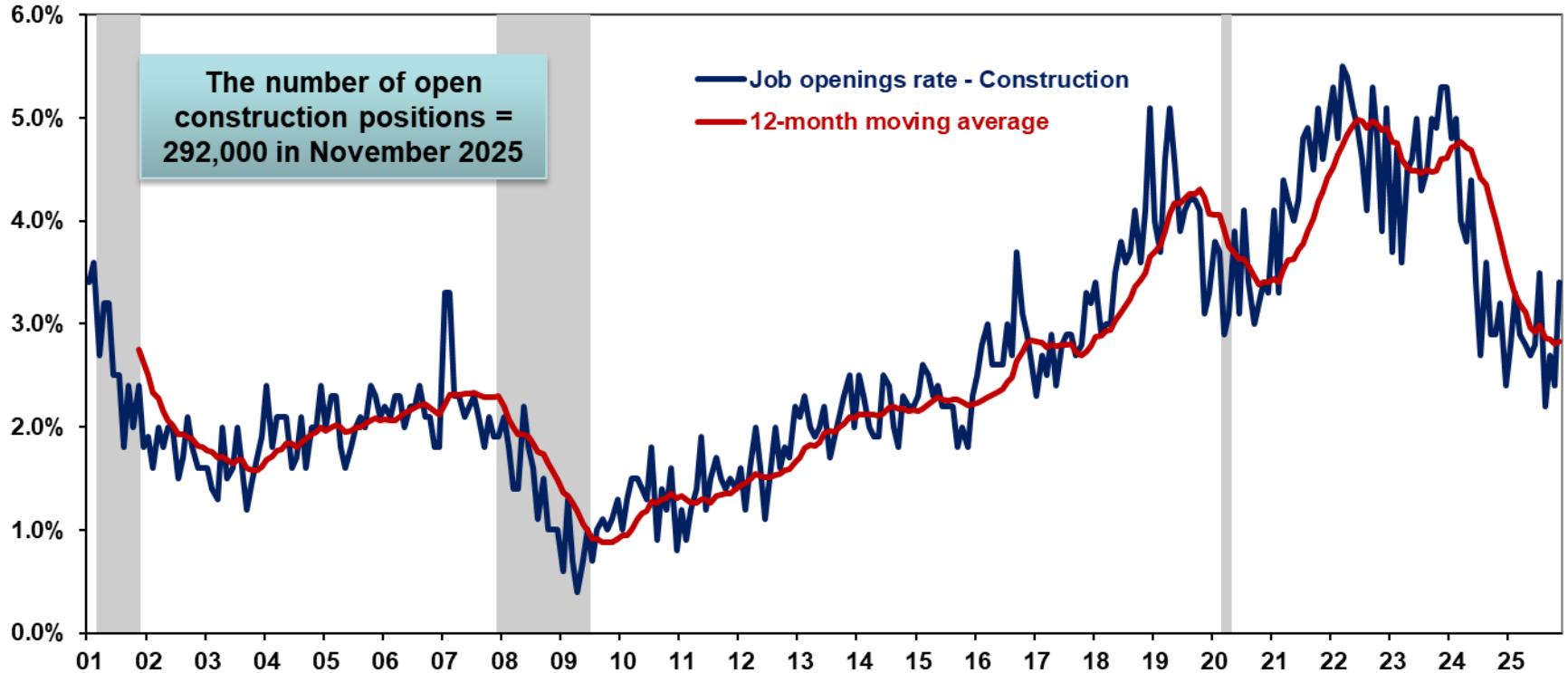
Uncertainty for pricing given soft demand and tariff effects



Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI); Random Lengths Composite Index; NAHB Analysis

Labor – Construction Job Openings Peaked for Cycle

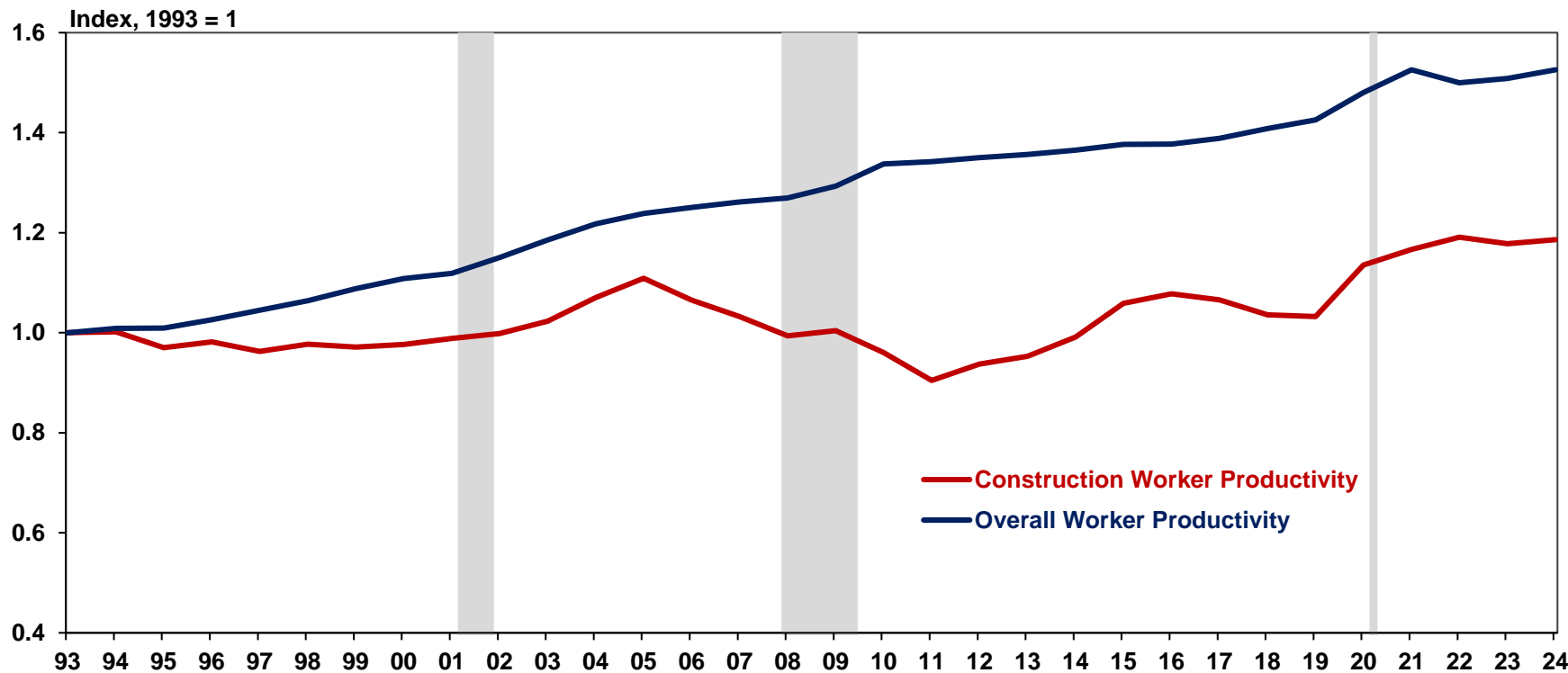
Skilled labor shortage persists



Source: U.S. Bureau of Labor Statistics (BLS).

Construction Sector Productivity Lags

19% gain for construction compared to 53% gain for overall economy



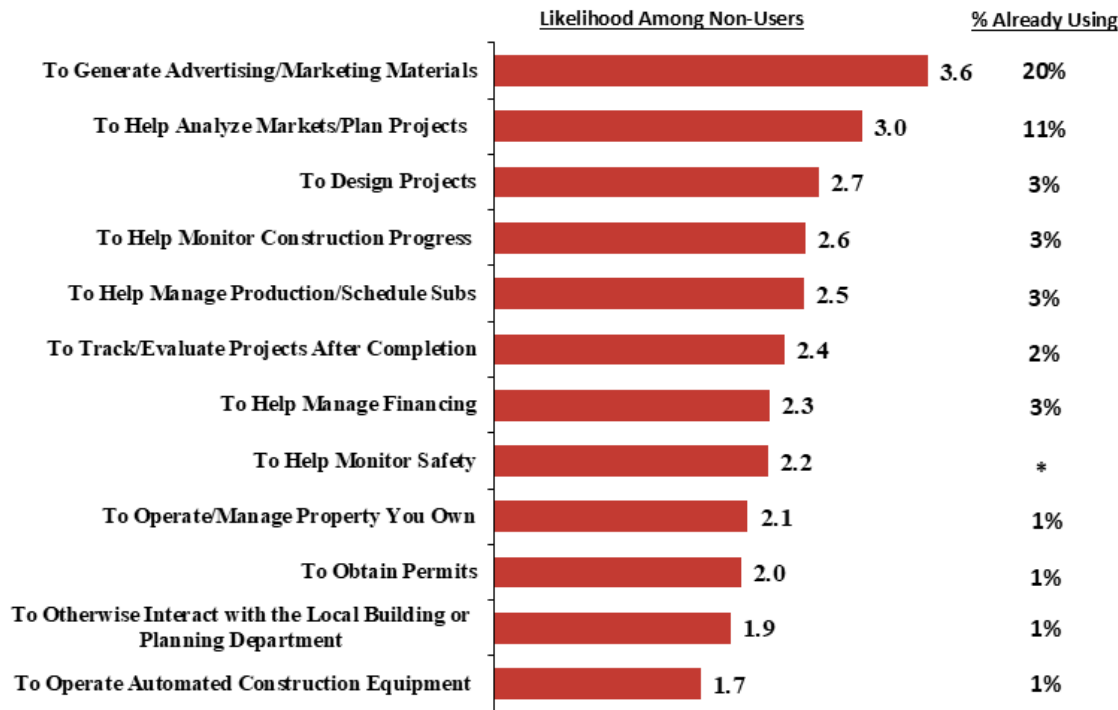
Source: U.S. Bureau of Labor Statistics (BLS).

Builders' Use of Artificial Intelligence

AI adoption remains limited in home building

Share of Builders Already Using AI – Likelihood of Using in Next Two Years

(Avg. Rating, 1=not at all likely and 5=very likely)



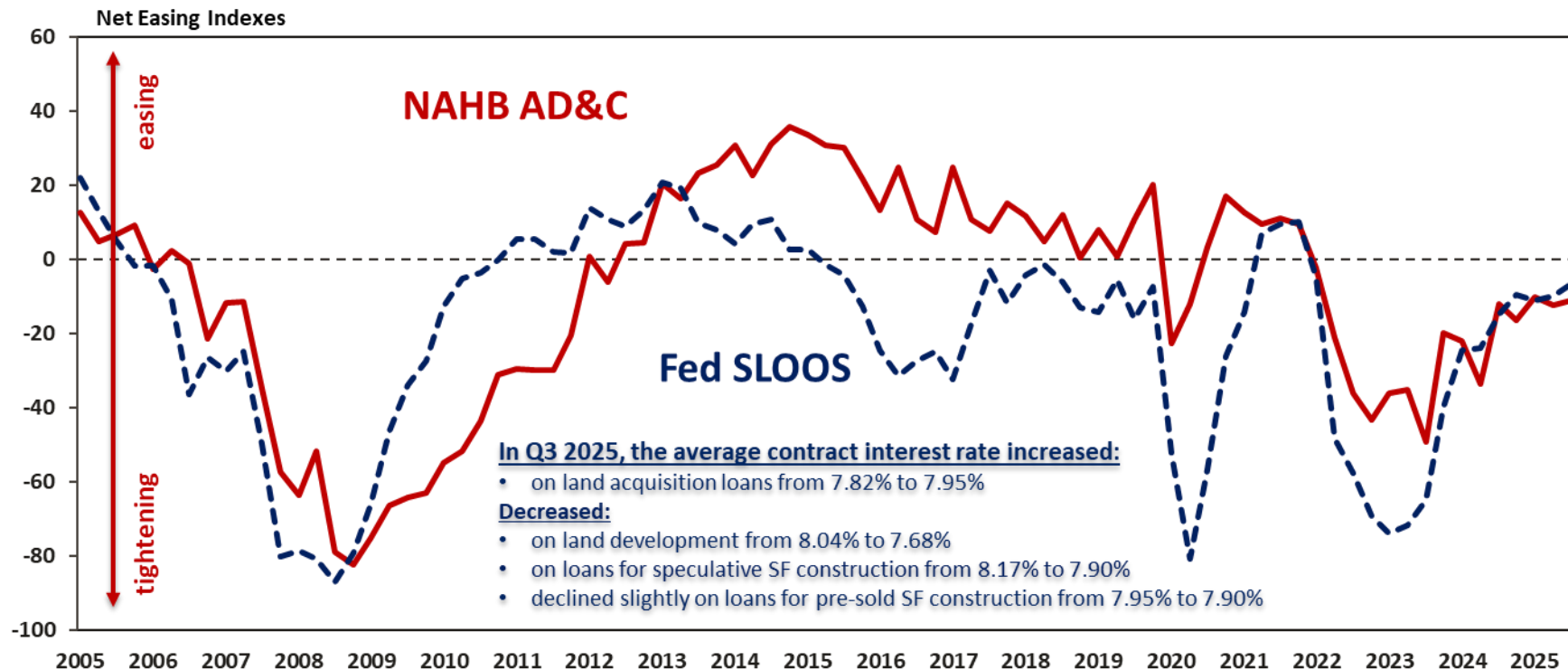
*Less than 0.5%.

Source: NAHB/Wells Fargo Housing Market Index



Lending – AD&C Loan Conditions

Credit conditions for builders tightened in the second quarter of 2025



Source: NAHB survey; Federal Reserve's Senior Loan Officer Opinion Survey (SLOOS)

Regulatory Costs \$93,870 Per New Home (11% Gain 2016 to 2021)

Total effect of building codes, land use, environmental and other rules

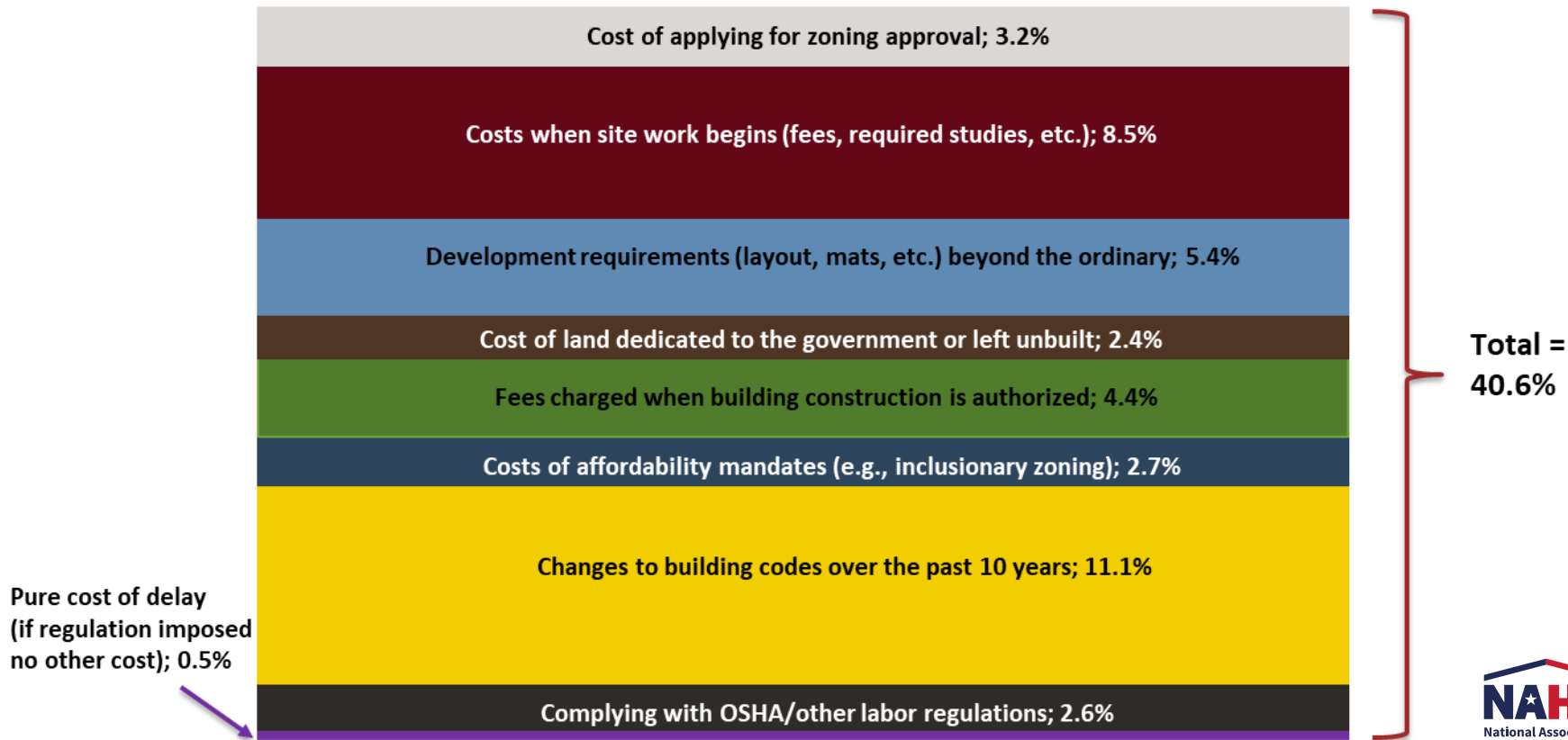


Source: NAHB/Wells Fargo Housing Market Index (HMI)

/ Regulations - 41% of Multifamily Development Costs

NAHB-NMHC research

Government Regulations as a Share of Multifamily Development Costs



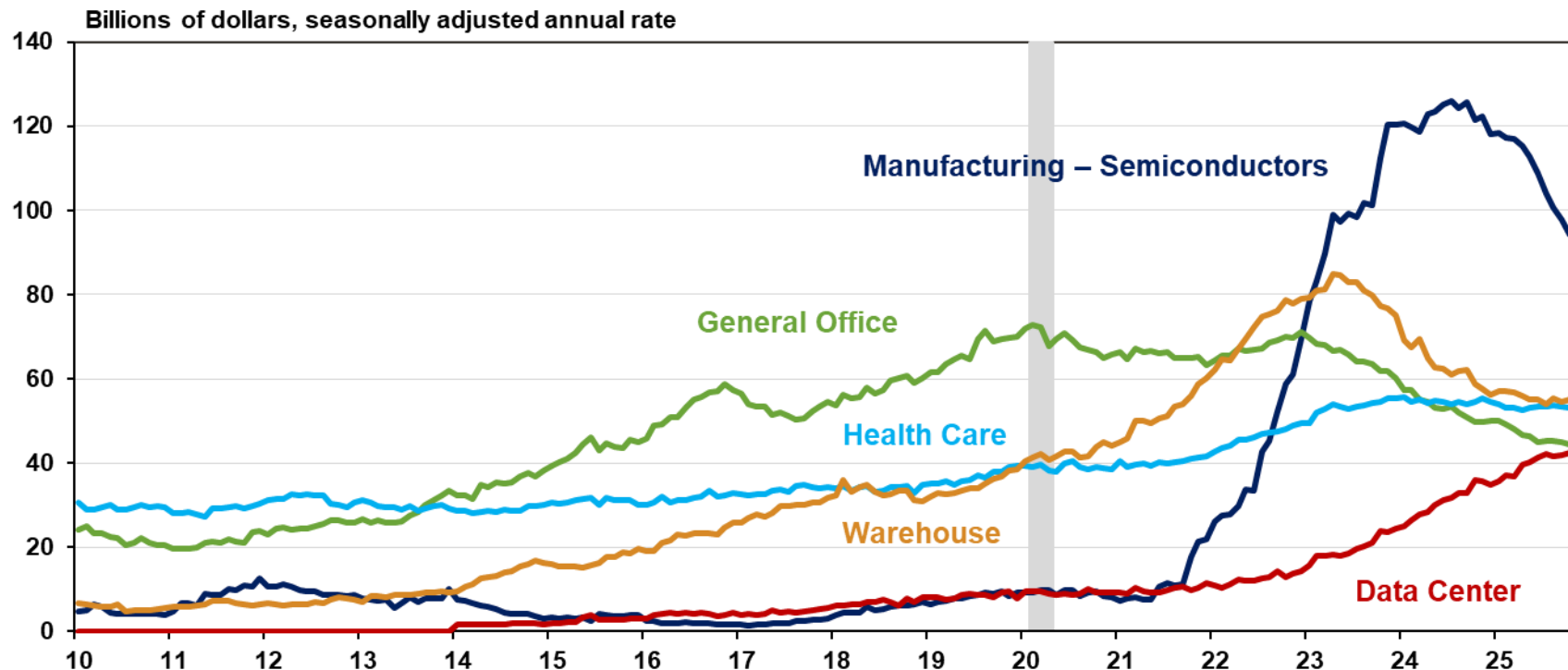
Source: NAHB/Wells Fargo HMI survey with additional NMHC survey respondents



Construction Outlook



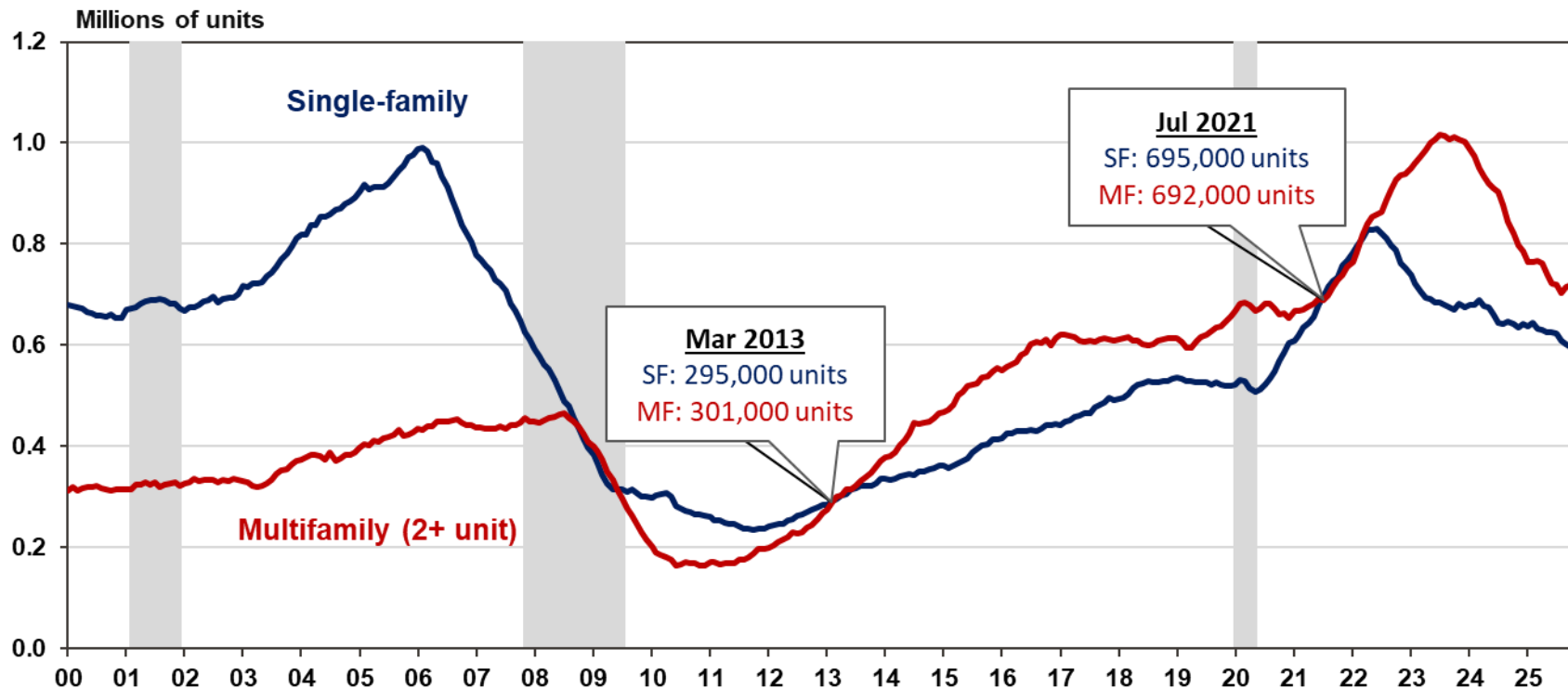
Commercial Construction Spending by Sector



Source: U.S. Census Bureau (BOC): Construction Put-In-Place (C30); NAHB Analysis

Housing Units under Construction

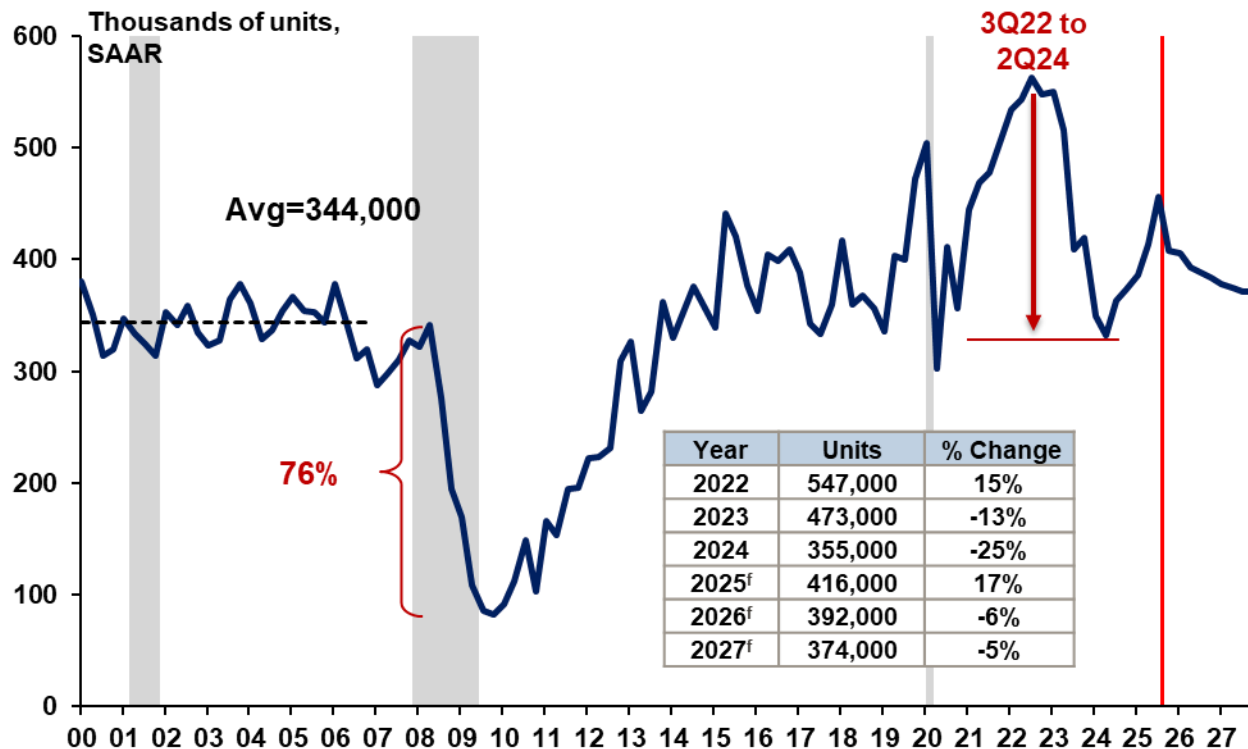
Declining counts of both single-family and multifamily units under construction



Source: U.S. Census Bureau (BOC)

Multifamily Construction

Apartment construction leveling off near pre-covid levels

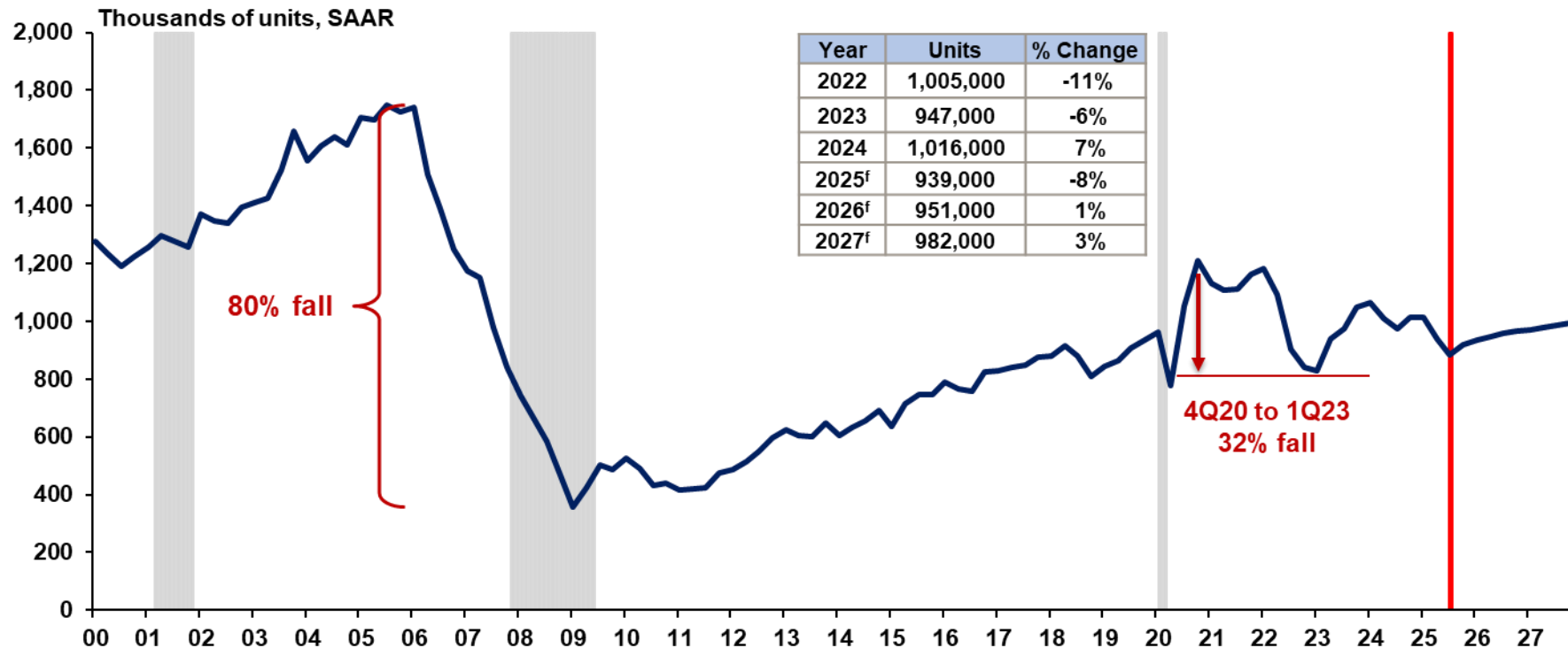


	2024 Growth Rate	YTD Change (Oct 2025)
Wayne	66%	125%
Macomb	-22%	245%
Oakland	80%	-32%
St. Clair	-100%	-50%

Source: U.S. Census Bureau (BOC) and NAHB forecast

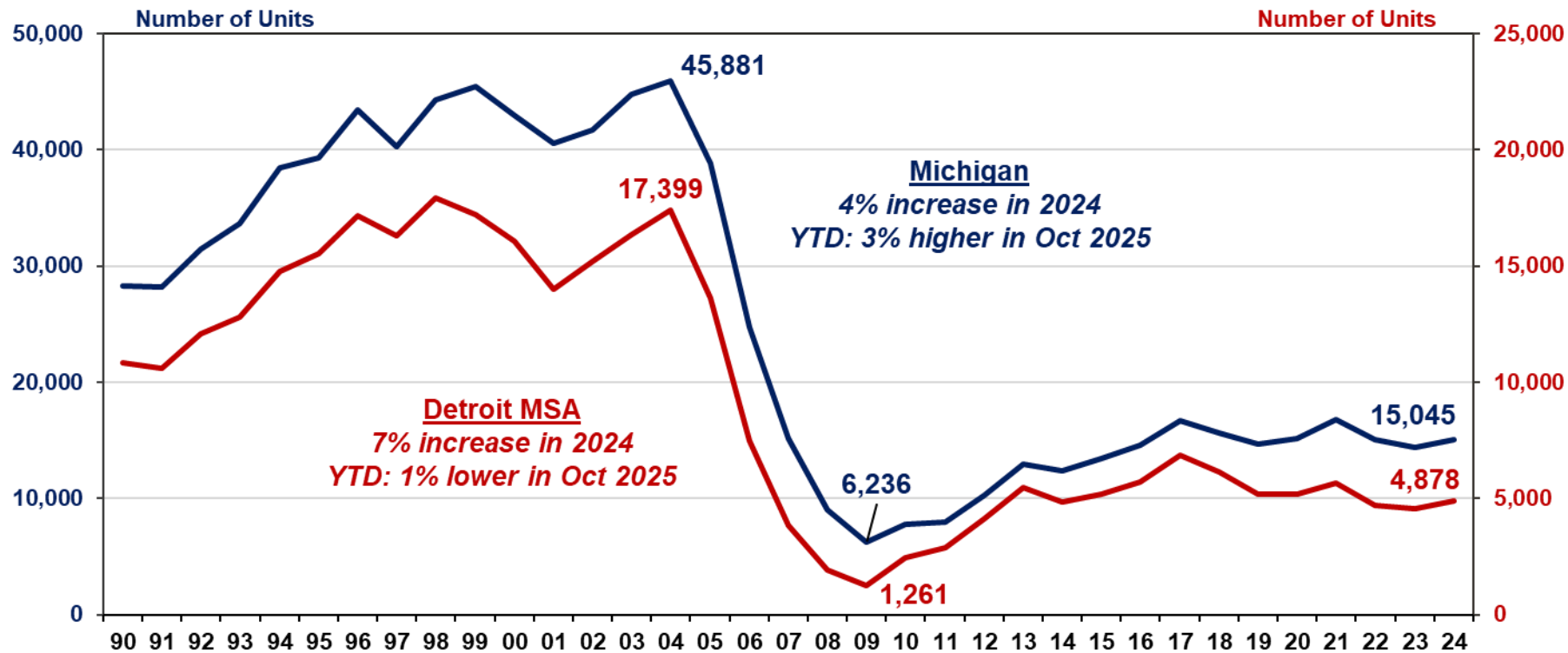
Single-Family Starts

Single-family starts expected to decline in 2025, then increase in 2026



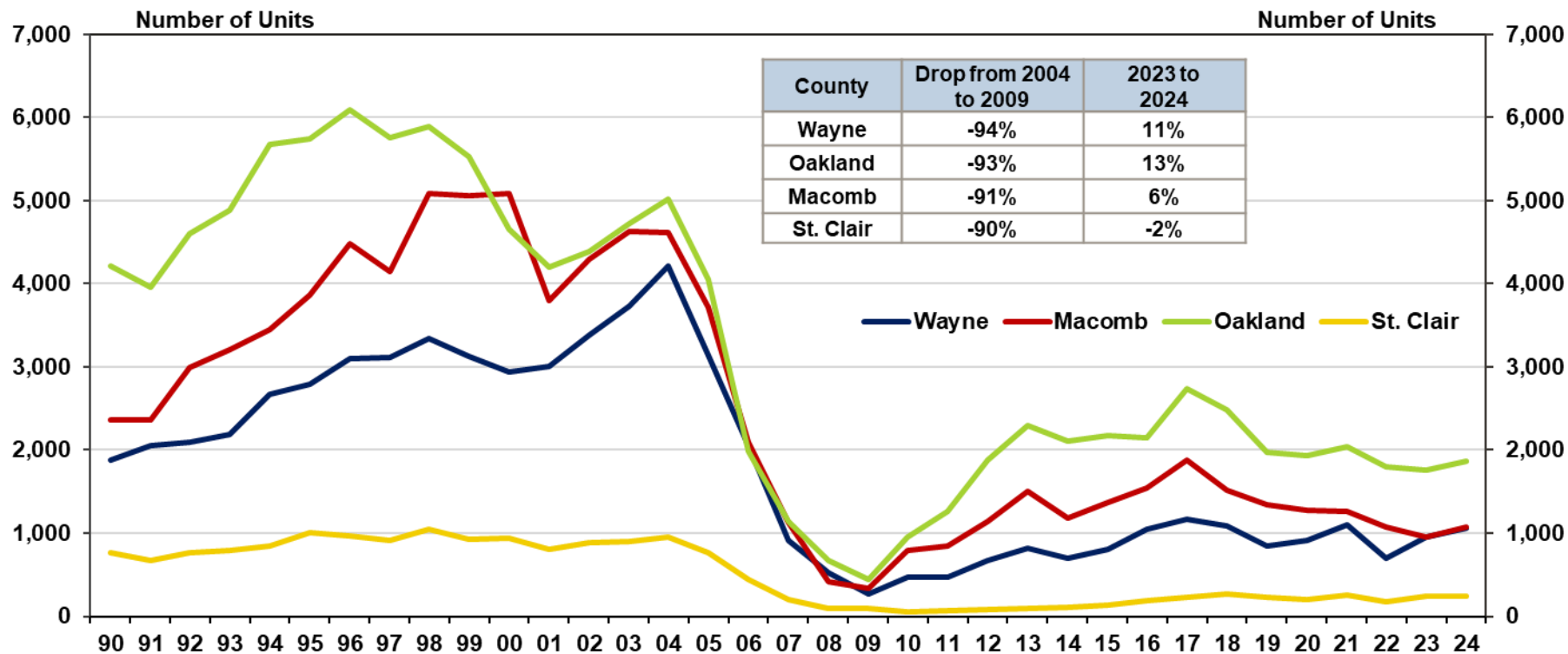
Source: U.S. Census Bureau (BOC) and NAHB forecast.

Single-Family Building Permits – Michigan and Detroit MSA



Source: Census Bureau.

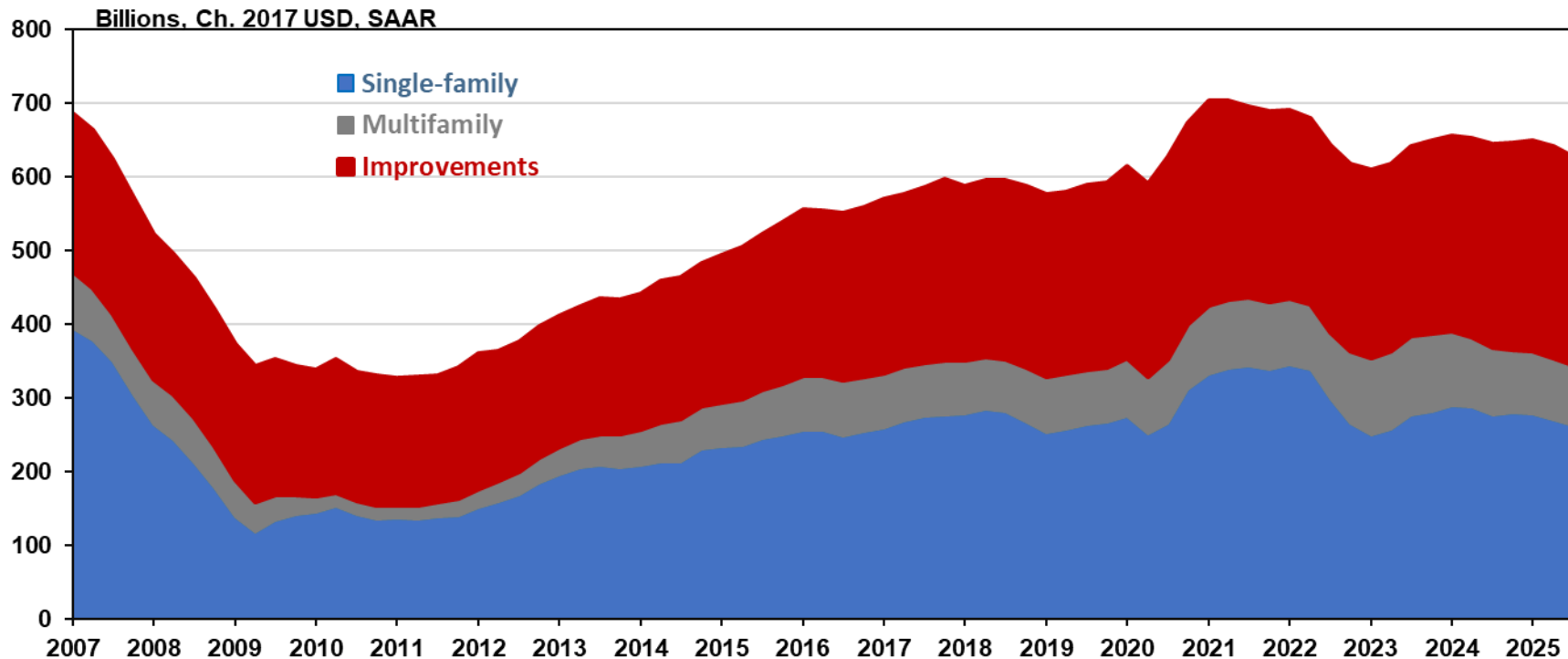
Single-Family Building Permits – Southeastern MI



Source: Census Bureau.

Remodeling Gaining Market Share for Residential Construction

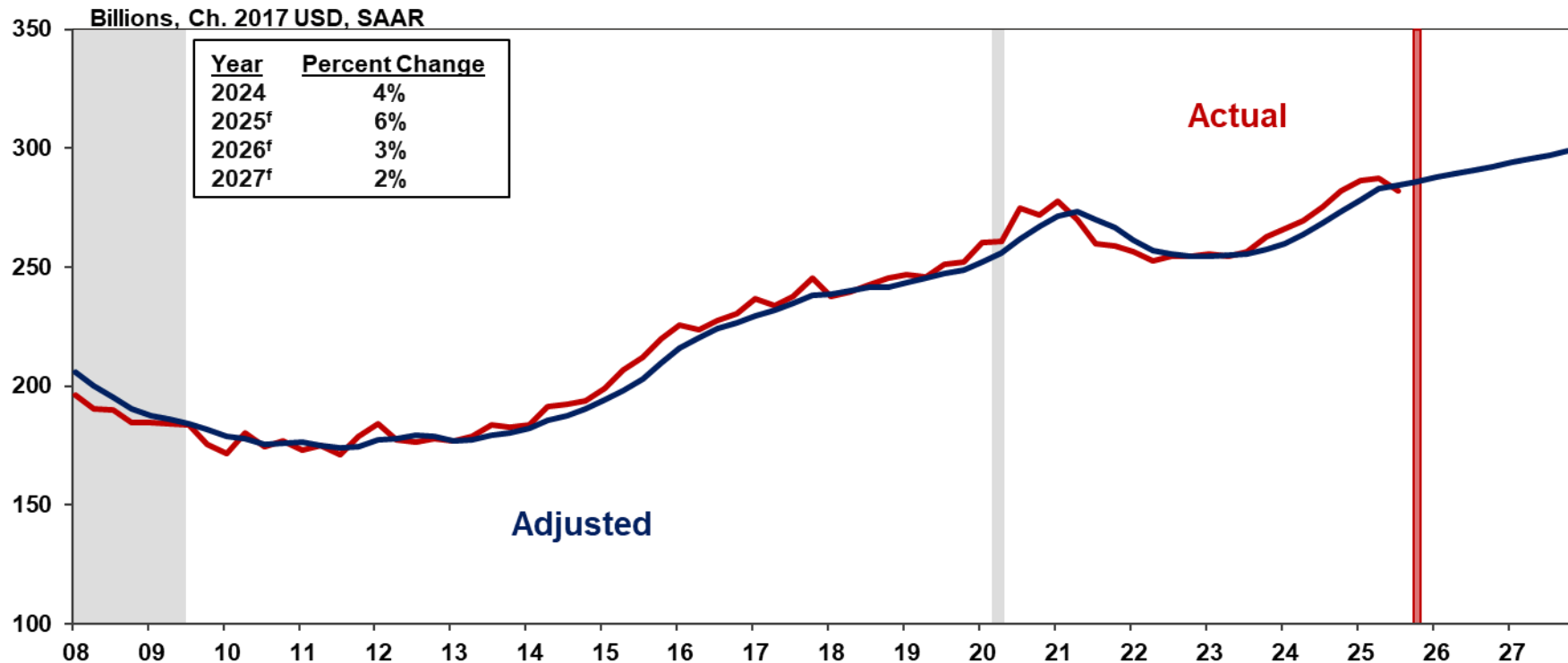
Improvement spending share increased from 33% in 2007 to 45% in 3Q2025



Source: Bureau of Economic Analysis: National Income and Product Accounts (NIPA)

Residential Remodeling Outlook

Growth continues, but at a slower rate



Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.



Thank you

Questions?

fkuo@nahb.org



Economic Leadership Sponsor

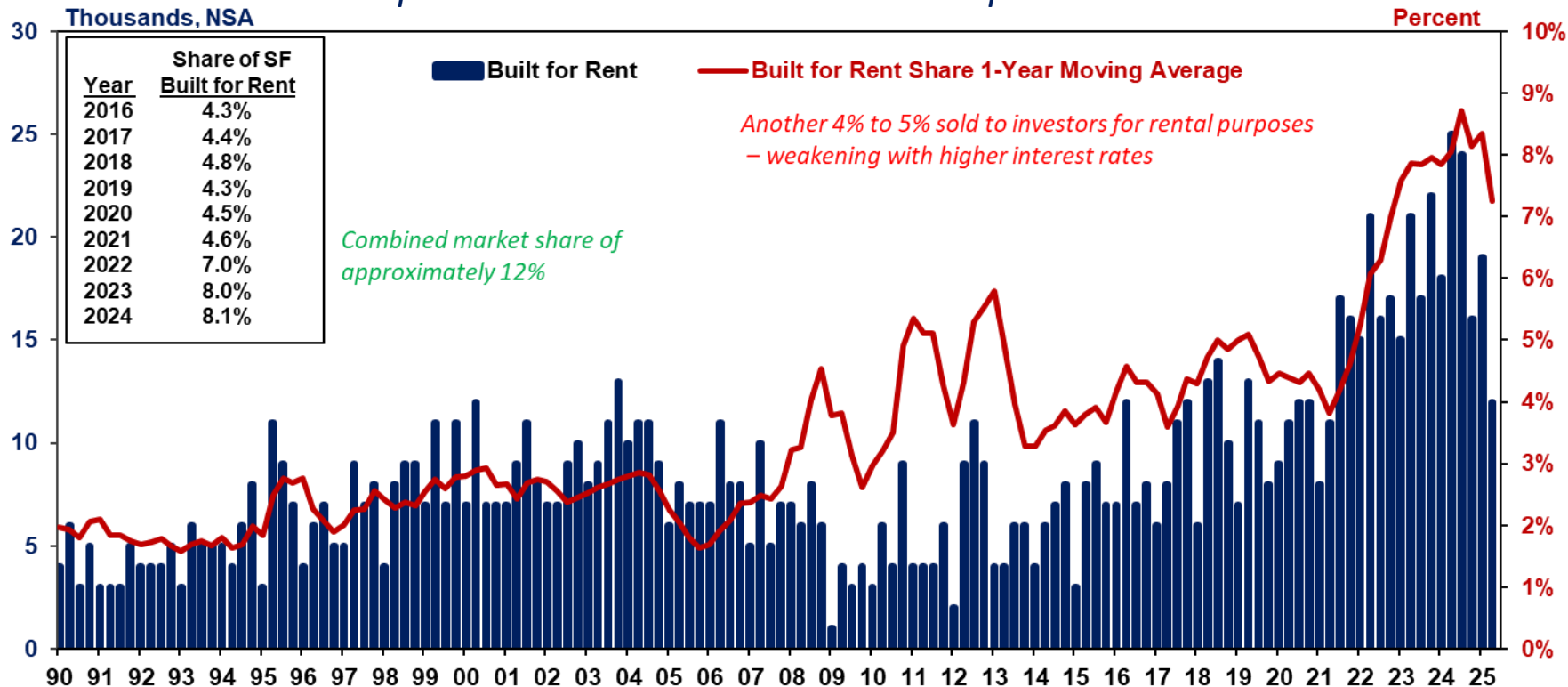


Home Mortgage

eyeonhousing.org
housingeconomics.com

Single-Family Built-for-Rent Construction (SFBFR)

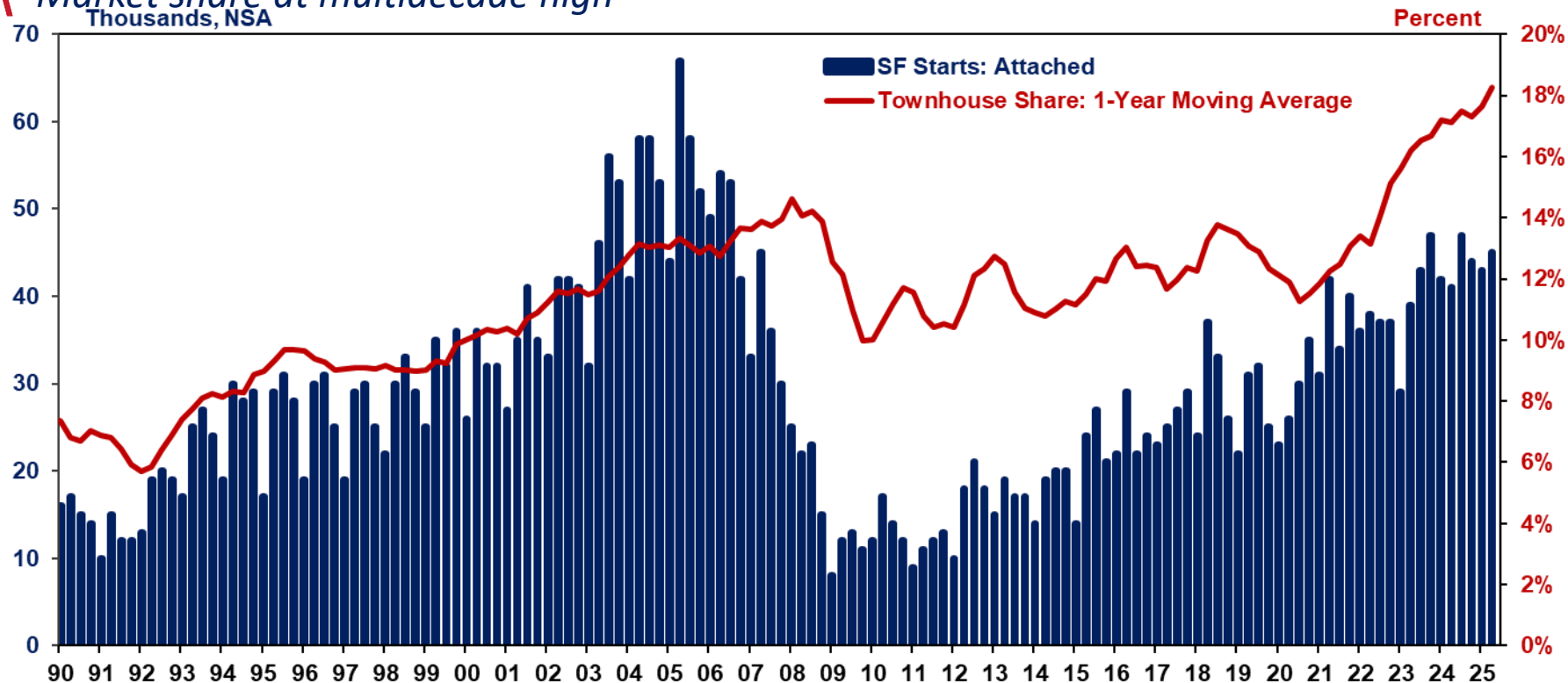
SFBFR construction experienced a retreat in the second quarter



Source: U.S. Census Bureau (BOC)

Townhouse Construction Gains Continue

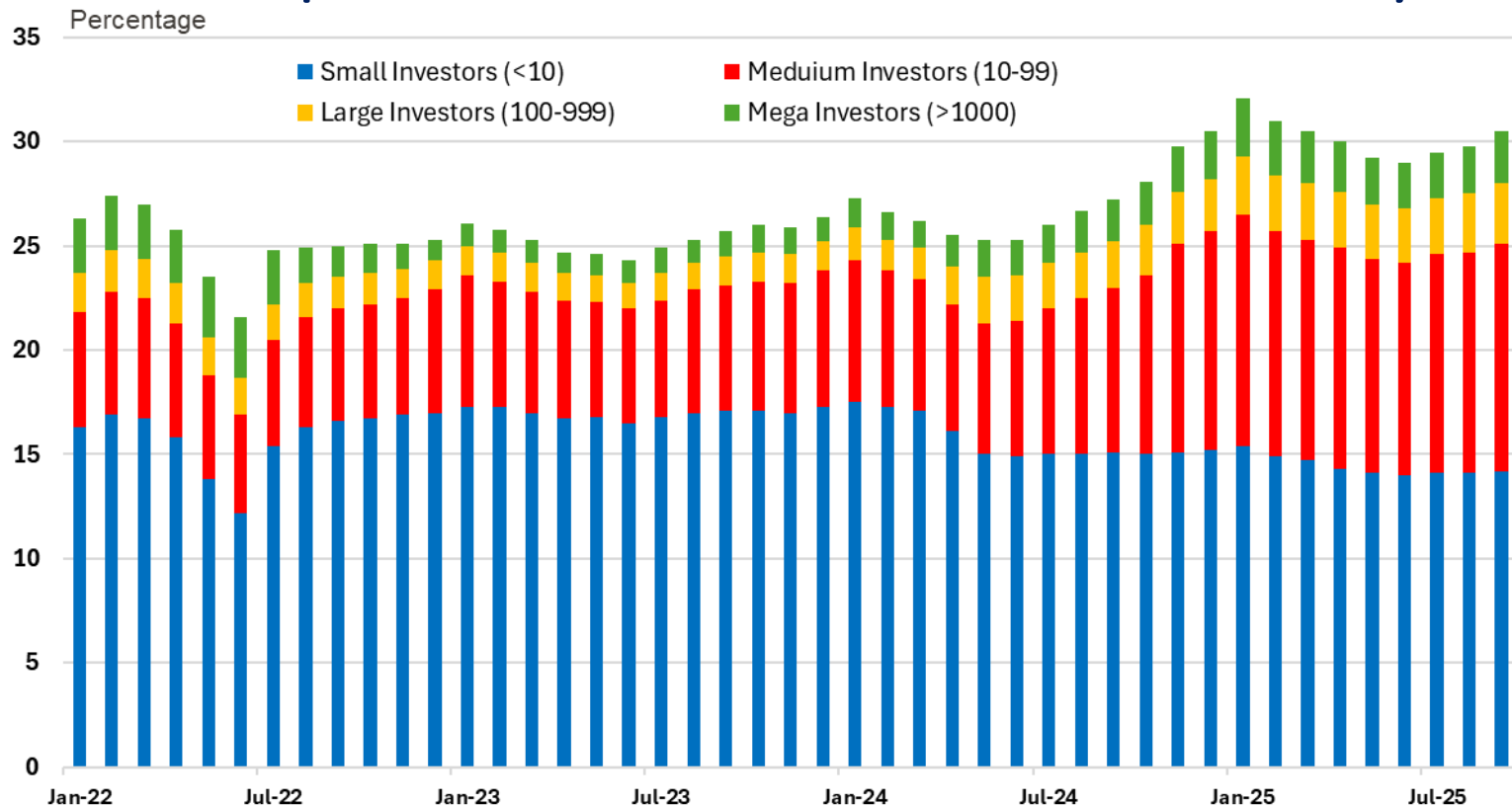
Market share at multidecade high



Source: U.S. Census Bureau (BOC)



Mom-and-Pop Landlords Dominate Investor Activity



Source: Cotality