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## Recent Evidence of Housing's Affordability Struggle

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NAHB Chief Economist Robert Dietz recently provided this housing industry overview in the bi-weekly newsletter [Eye on the Economy](#):



Mixed housing data over the last two weeks reveal a market struggling with an ongoing housing affordability challenge. Low unemployment, solid household formations, and accelerating income growth are supporting for-sale and for-rent housing demand.

But despite lower mortgage interest rates (currently averaging 4.2% on a 30-year fixed-rate mortgage), high housing prices have held back sales volume growth, especially in the resale market. For example, existing home sales declined 4.9% in March and were 5.4% lower than the number of sales recorded a year ago.

For new home construction, single-family builders reported slightly more positive conditions in April, according to the NAHB/Wells Fargo Housing Market Index. However, Census Bureau data indicate that single-family starts for the first quarter of 2019 were 5.3% lower than the year prior, and below what NAHB had forecast.

All regions of the United States recorded production declines — except the South, which improved by 5%. Additionally, multifamily construction was down 19% at the start of the year, compared to the first quarter of 2018.

Running counter to the existing home sales and construction reports, new single-family home sales improved in March, up nearly 5% from the previous month. Inventory fell back to a six-month supply, down from December's high point of a 7.4-month supply.

Sales growth was recorded at the lower end of the market, with 50% of new home sales priced below \$300,000, compared to 39% a year ago. Median prices fell from \$335,400 in March 2018 to \$302,700 in March 2019.

The combination of product shift and price incentives, in tandem with lower rates, caused the pace of new home sales for the month to increase. Although this is promising news, it raises concerns for builders' future profit margins, given the ongoing growth in construction and regulatory costs.

For more, go to the [Eye On Housing](#) blog.



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