

# Tariffs Clouding the Housing and Economic Outlook

*New Mexico Home Builders Association*  
*May 16, 2025*

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*NAHB Chief Economist*



# Election Impacts on the Outlook

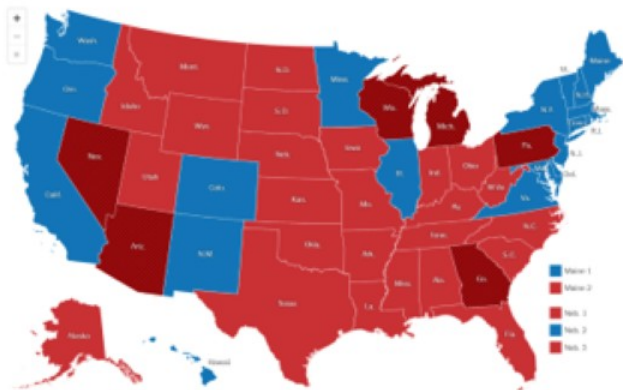
- *Good*

- *Extension of most or all of the 2017 tax cuts*
- *Reduction of costly/inefficient regulatory policies*



- *Bad*

- *Larger government deficit*
- *Narrow and general tariffs*
- *Inflationary impacts*



- *Uncertain risks (need more policy detail)*
  - *Illegal immigration enforcement*



# / The Costs of Tariffs

*Stock prices fall in response to tariff risks*

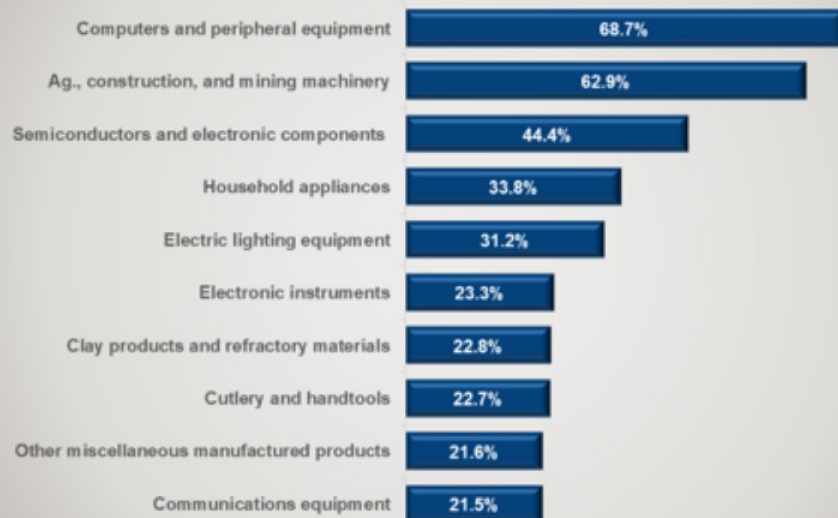
- Stock market declines of up 20%
- Inflation expectations
  - Surveys indicate households expect inflation to rise from 2.6% to 4.3% over the next year
- Reciprocal tariffs were not reciprocal
  - Announced taxes were goods deficit taxes
    - Rates equal to goods deficit total divided by total imports from that nation or 10%, whichever larger
  - \$3 to \$5 trillion in tax hikes
  - Will have only limited effect on domestic investment
    - Tariffs are temporary (not codified into law)
    - Changing manufacturing centers takes time and money
      - Sawmill capacity to replace Canada will take 5 to 10 years

# Tariff Considerations

*\$10,900 per single-family home*

*7.3% of building materials imported*

Building Products Most Often Imported in  
New Residential Construction in 2023  
(Percent Imported)



NAHB estimates based on data in the Input-Output Accounts maintained by the U.S. Bureau of Economic Analysis.

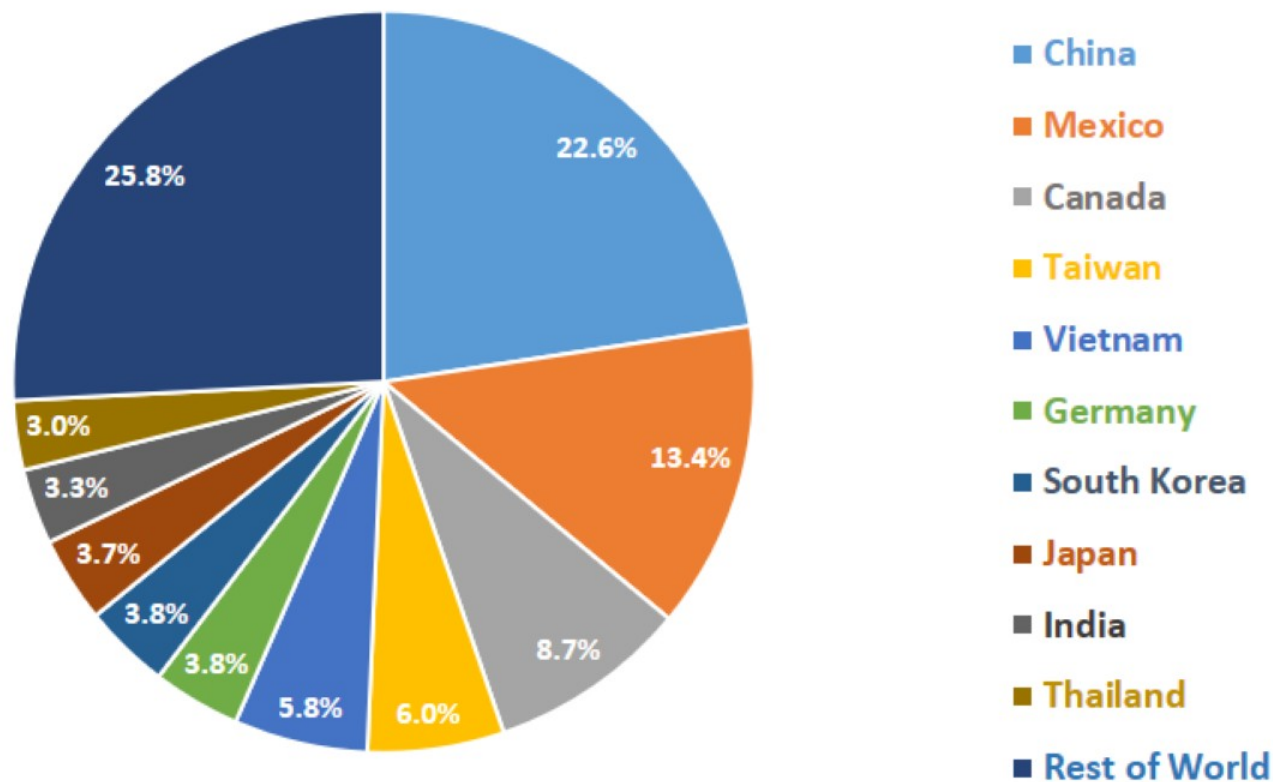
- U.S. government
  - \$2 trillion income tax revenue from \$20 trillion in income
- Proposed 10% across the board tariff
  - \$2.7 trillion in imports
  - Perhaps raise \$240 billion after substitution effect
  - Laffer curve reduces revenues at 50% tariff rate
  - Max revenue maybe \$700 billion
- After-tax distribution effects 10% tariff
  - Bottom 20% - 3% income decline
  - Top 20% - 0.7% income decline

*Replacing income taxes with tariffs would have complex effects; no free lunch*



# Share of Residential Building Material Imports in 2024

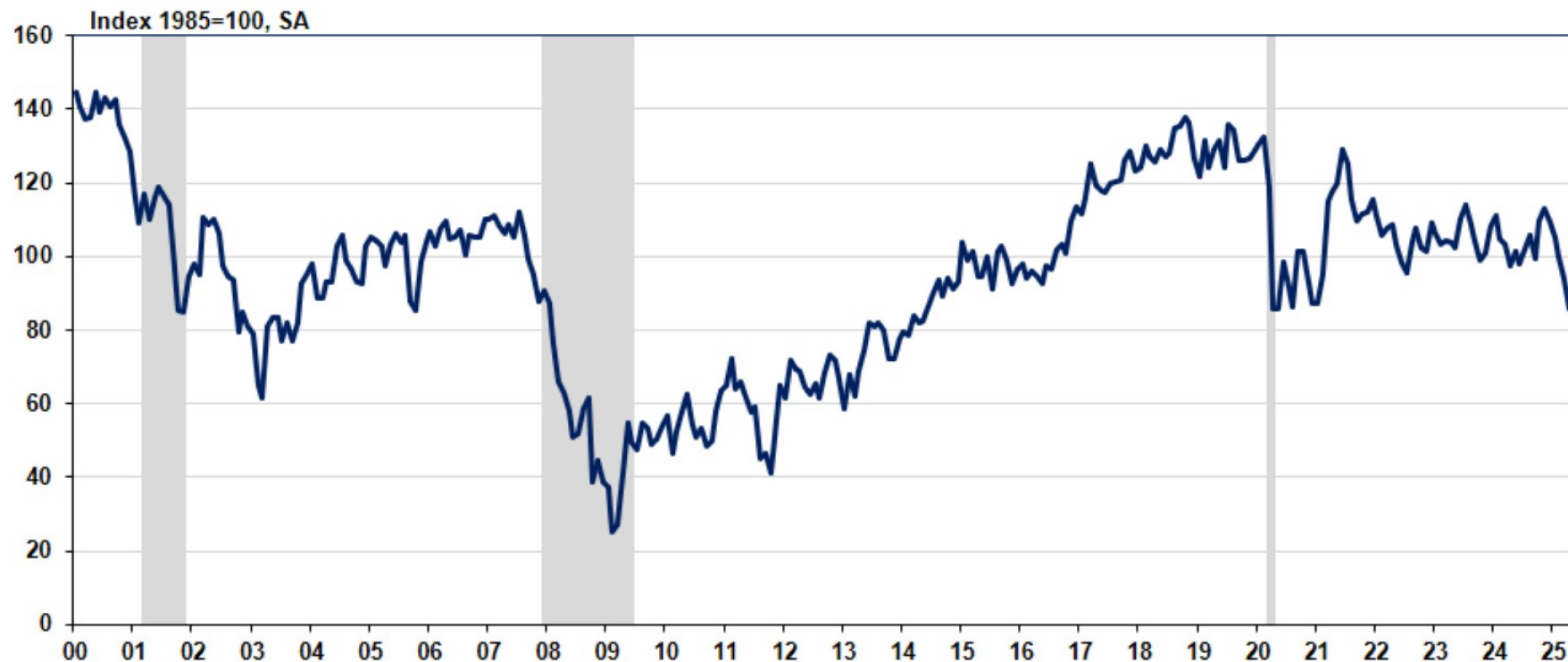
Total imports valued \$11.2 billion in 2024 with 22.6% from China



Source: U.S. Census Bureau; NAHB Analysis

# Consumer Confidence

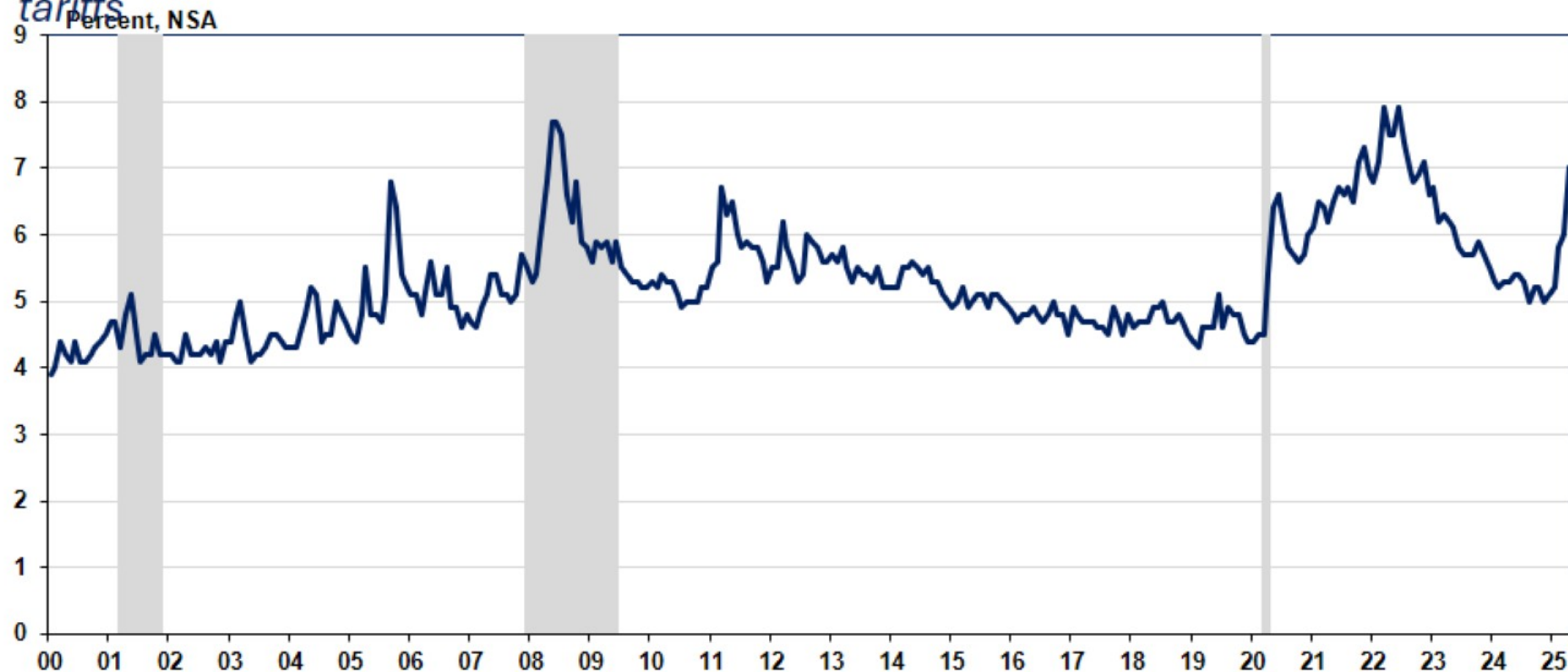
*Consumer confidence dropped to the lowest level since May 2020*



Source: The Conference Board.

# / Average 12-month Inflation Expectations

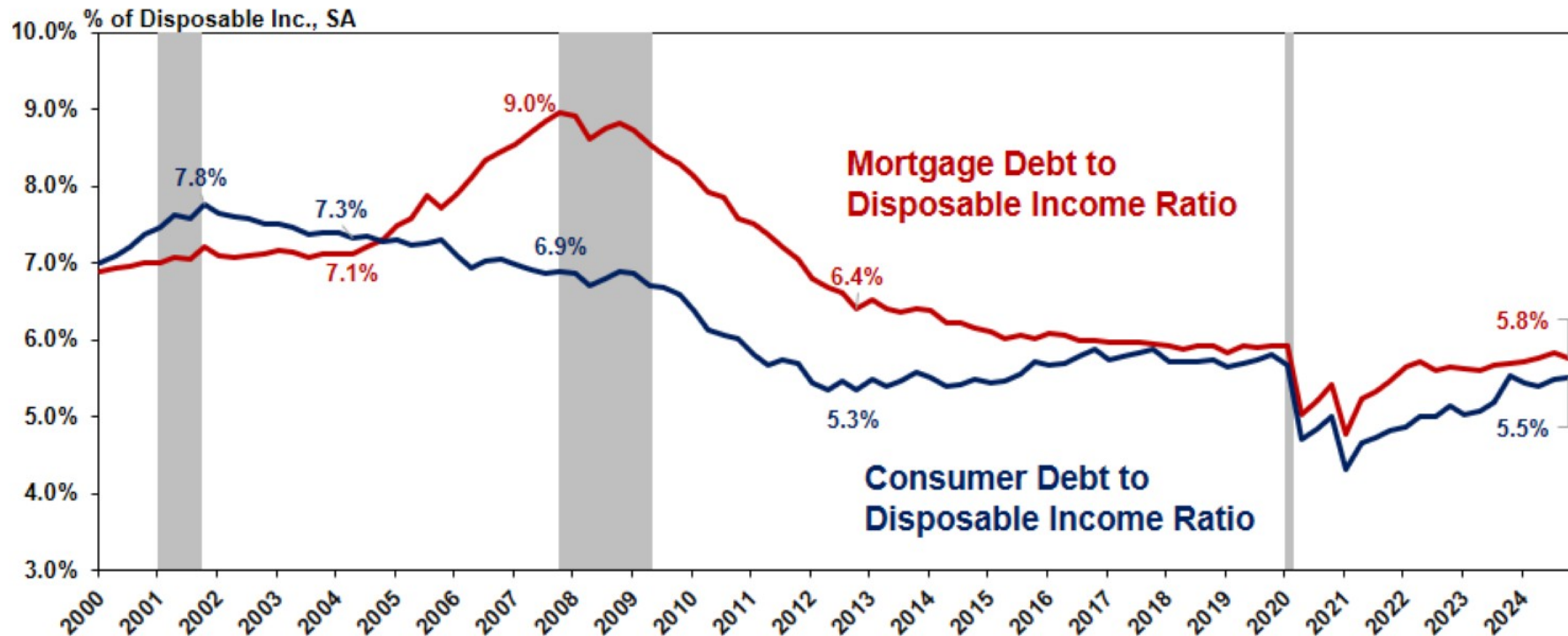
*Consumers concerned about high prices for key household staples and the impact of tariffs*



Source: The Conference Board.

# Household Balance Sheets

*Debt-to-income ratio near pre-pandemic level*



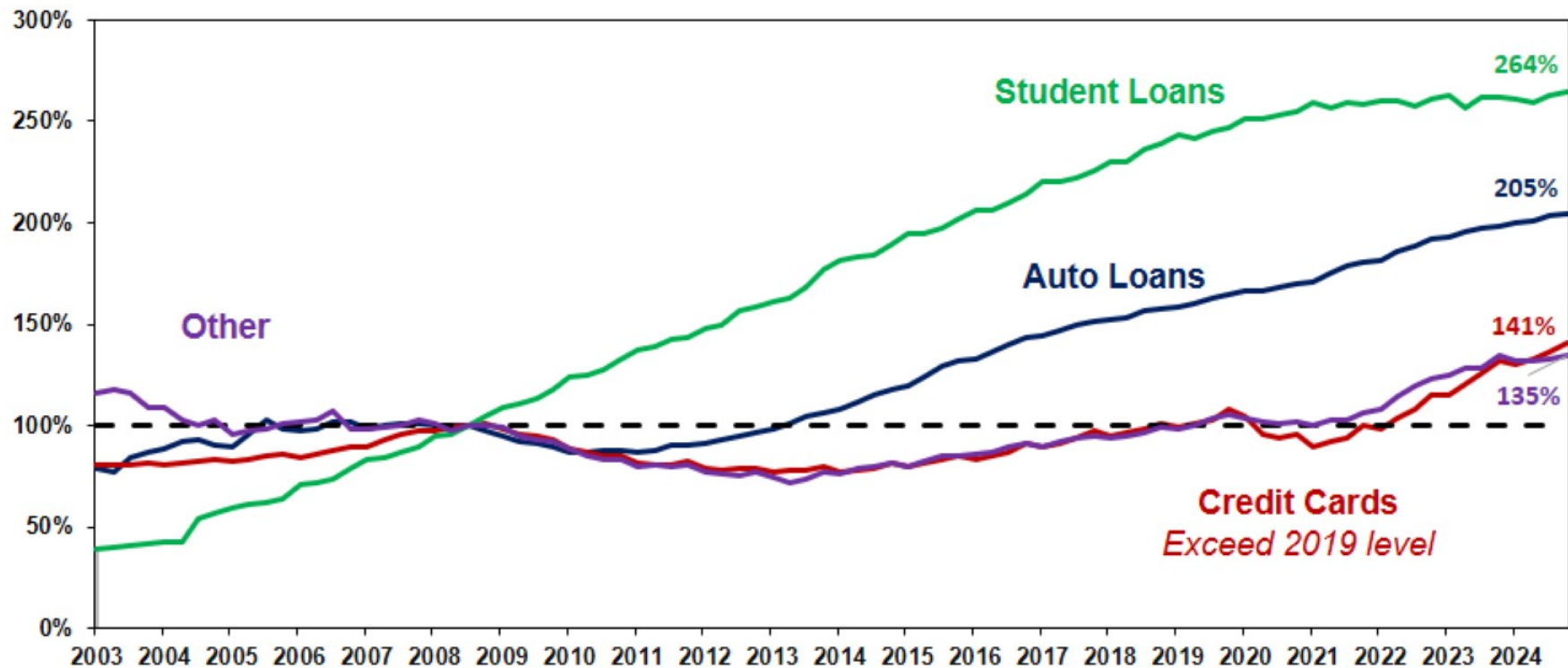
Source: U.S. Board of Governors of the Federal Reserve System (FRB).

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.



# Consumer Debt

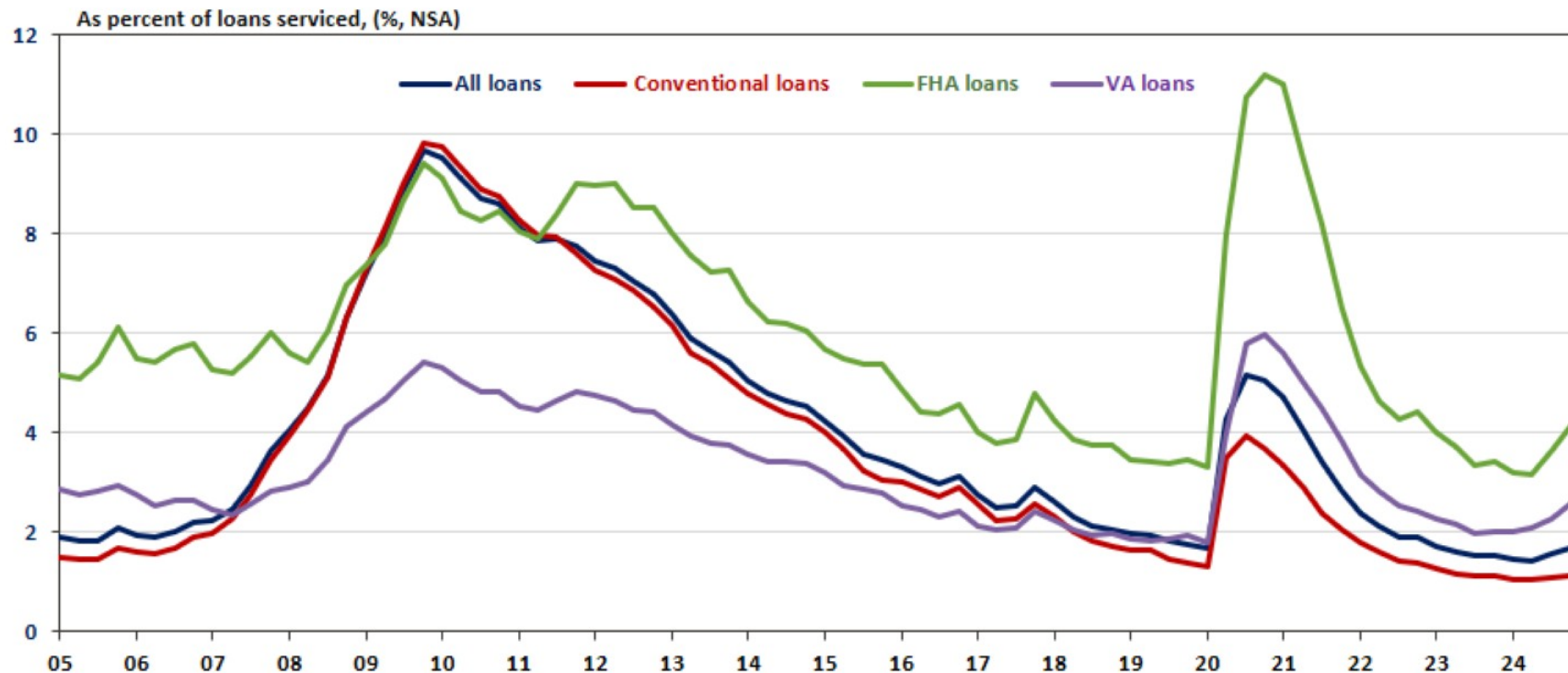
*Credit card debt up 44% since 2022*



Source: Federal Reserve Bank of New York

# Seriously Delinquent Rates by Loan Type

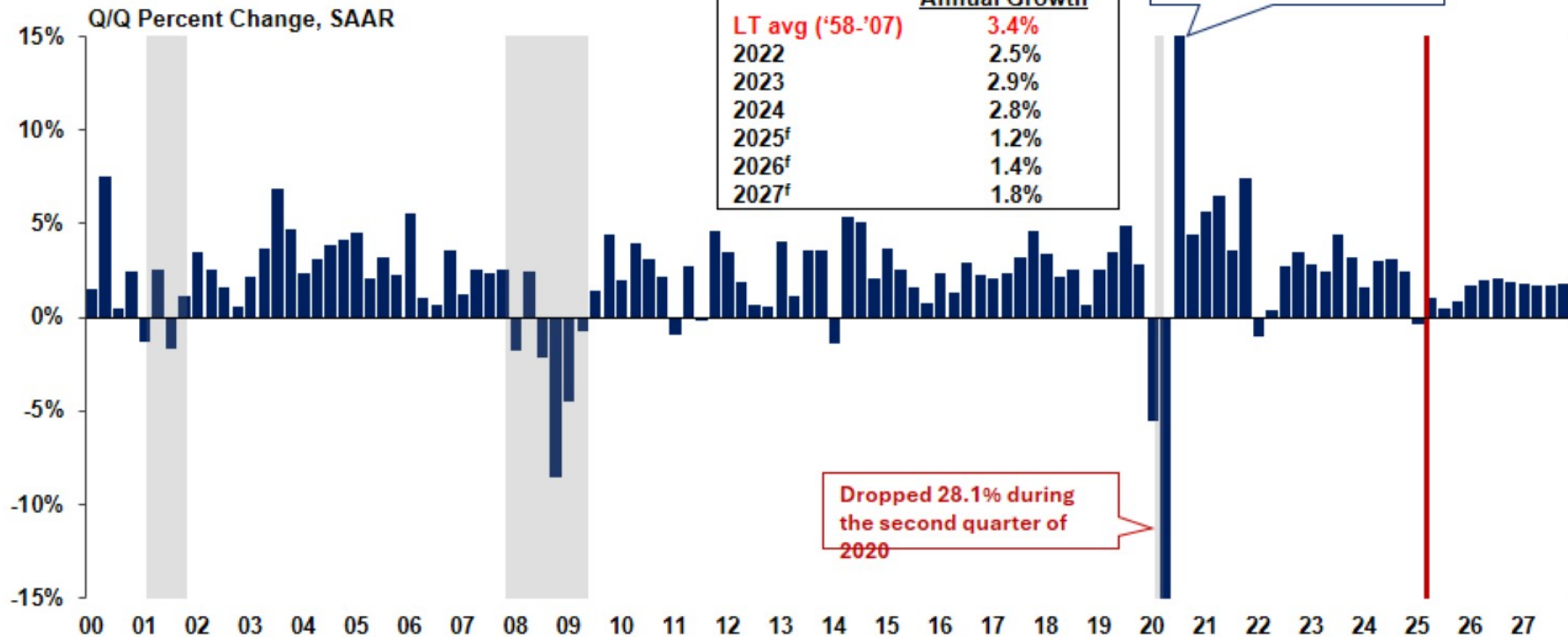
*Trending higher but still low*



Source: Mortgage Bankers Association (MBA): National Delinquency Survey

# GDP Growth Slows with Tariffs

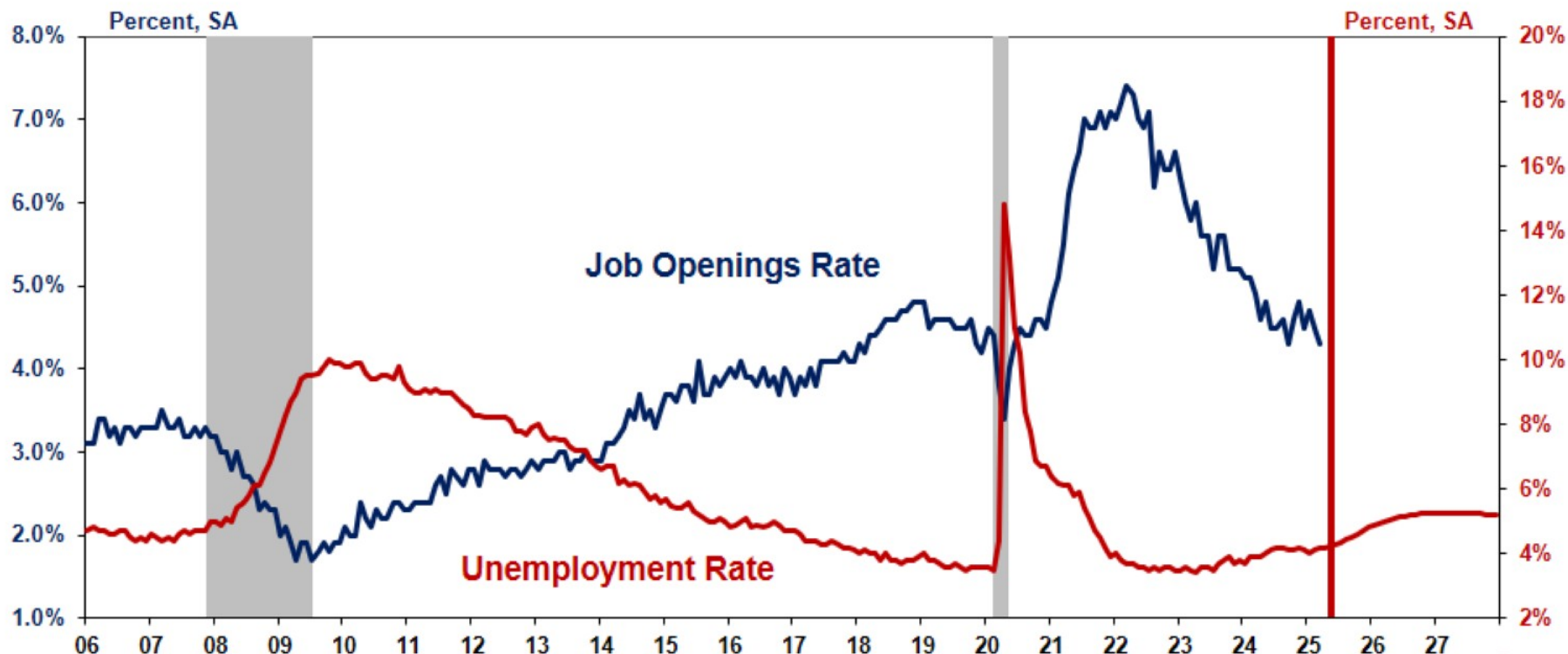
*Recession risk – 30% chance and rising*



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

# Unemployment Rate Rising

*Job openings declined to 7.2 million in March*

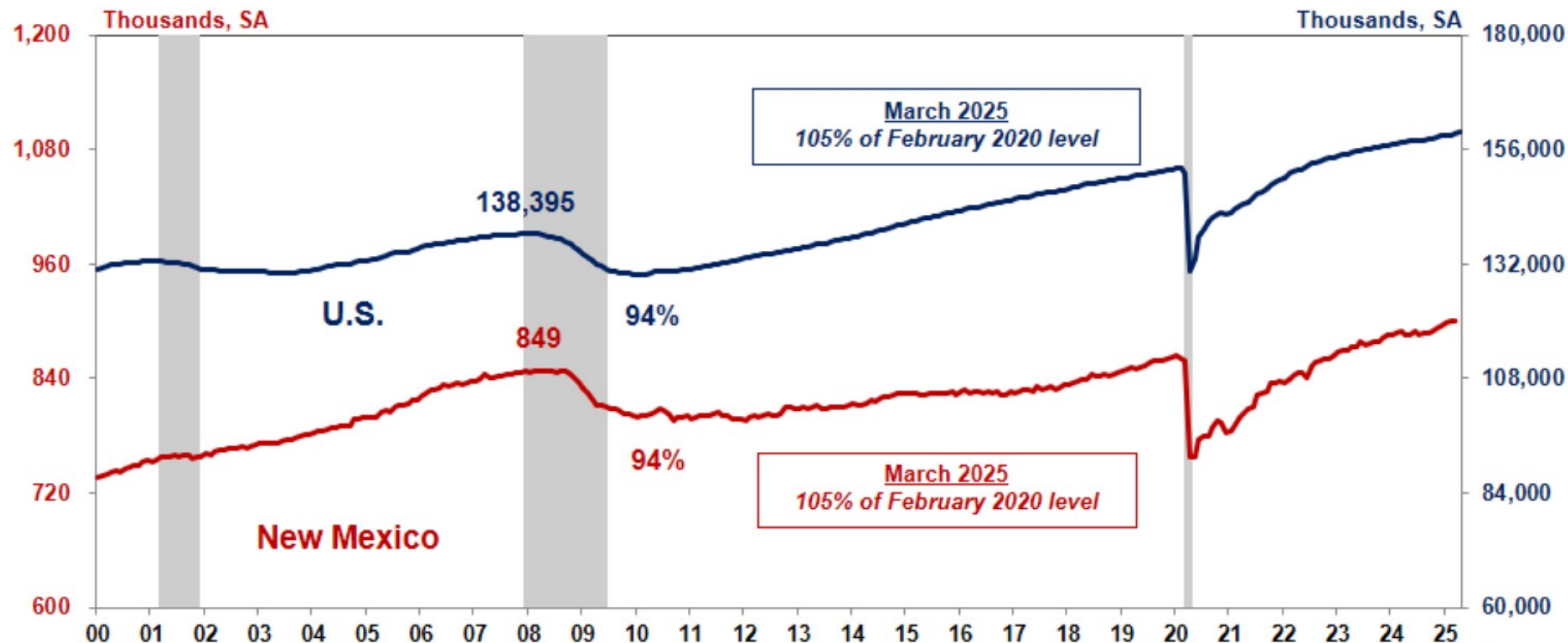


Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.



# / Payroll Employment

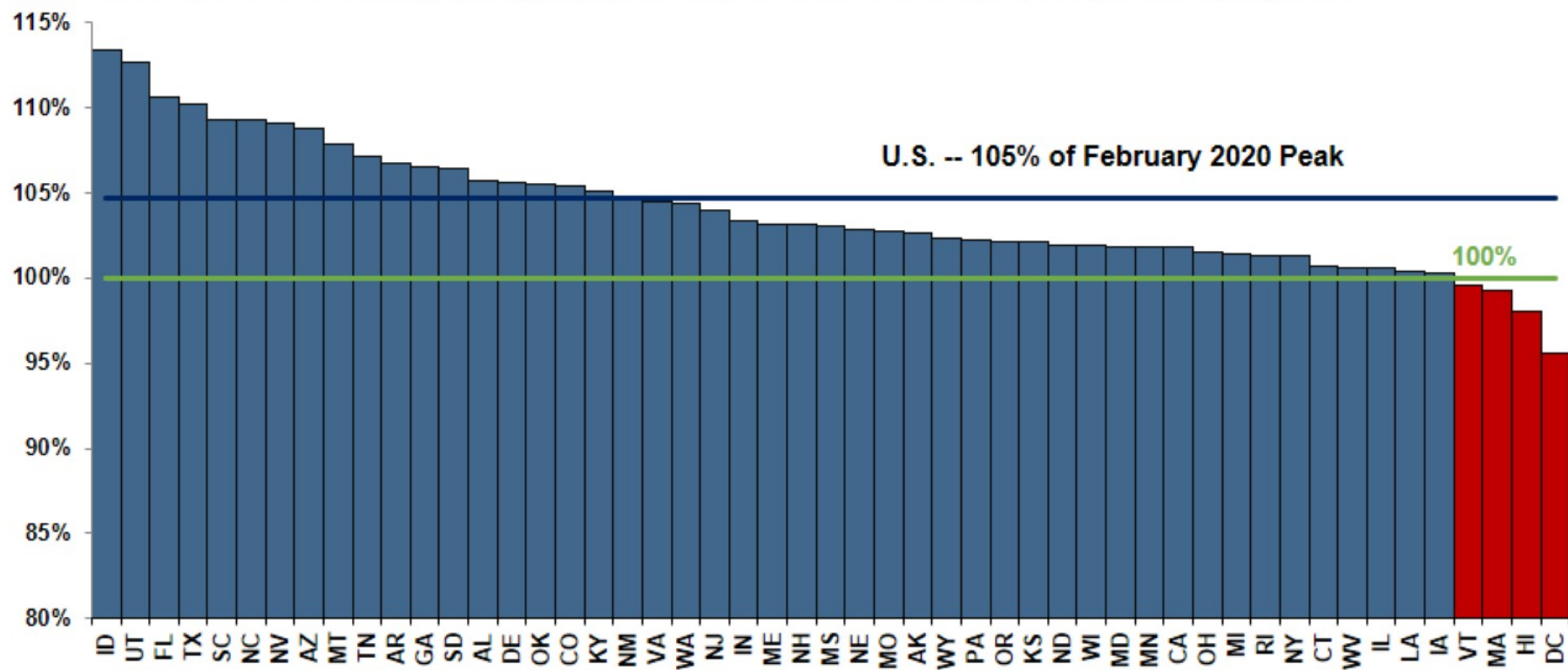
*New Mexico recovered from COVID-19 recession*



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

# Payroll Employment

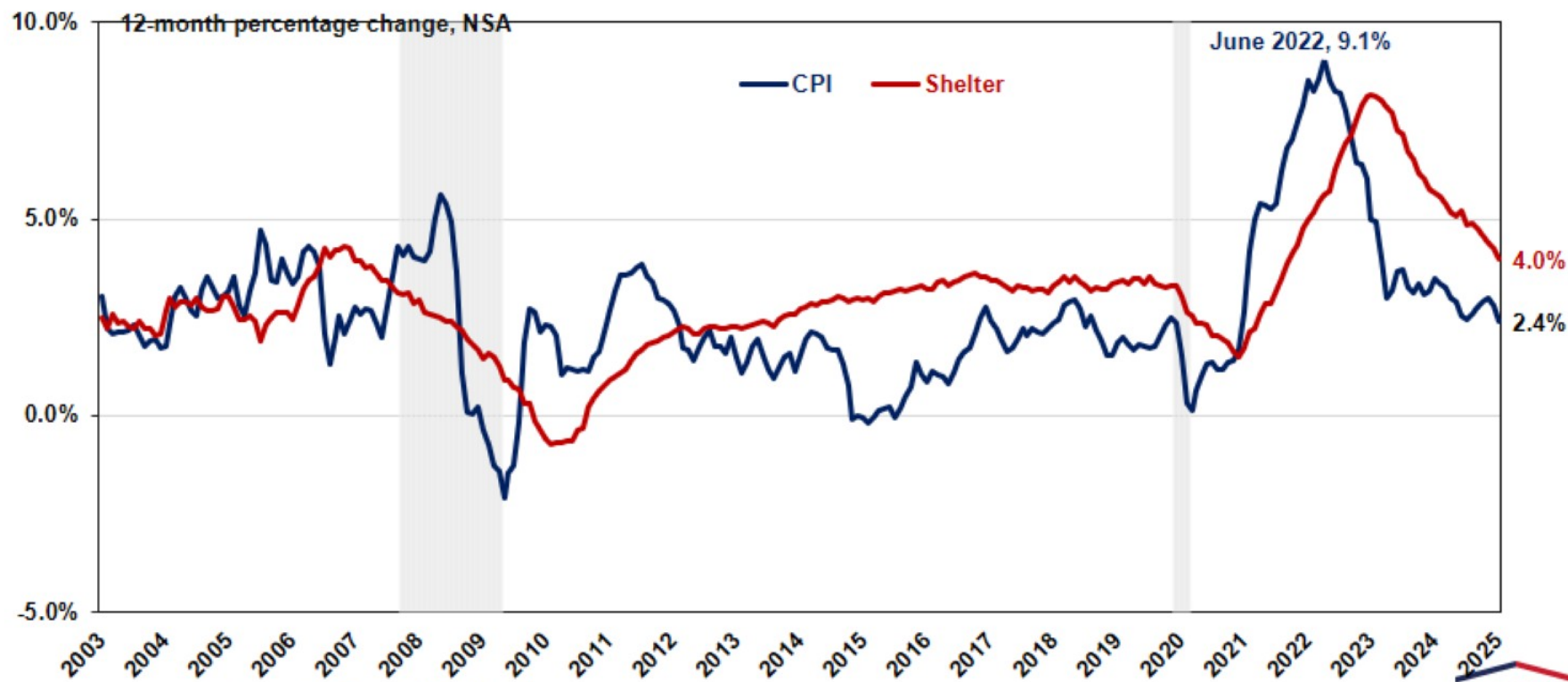
*Mountain states leading job gains, 47 states exceeded the pre-pandemic peak*



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

# Consumer Inflation – Headline Rate and Shelter

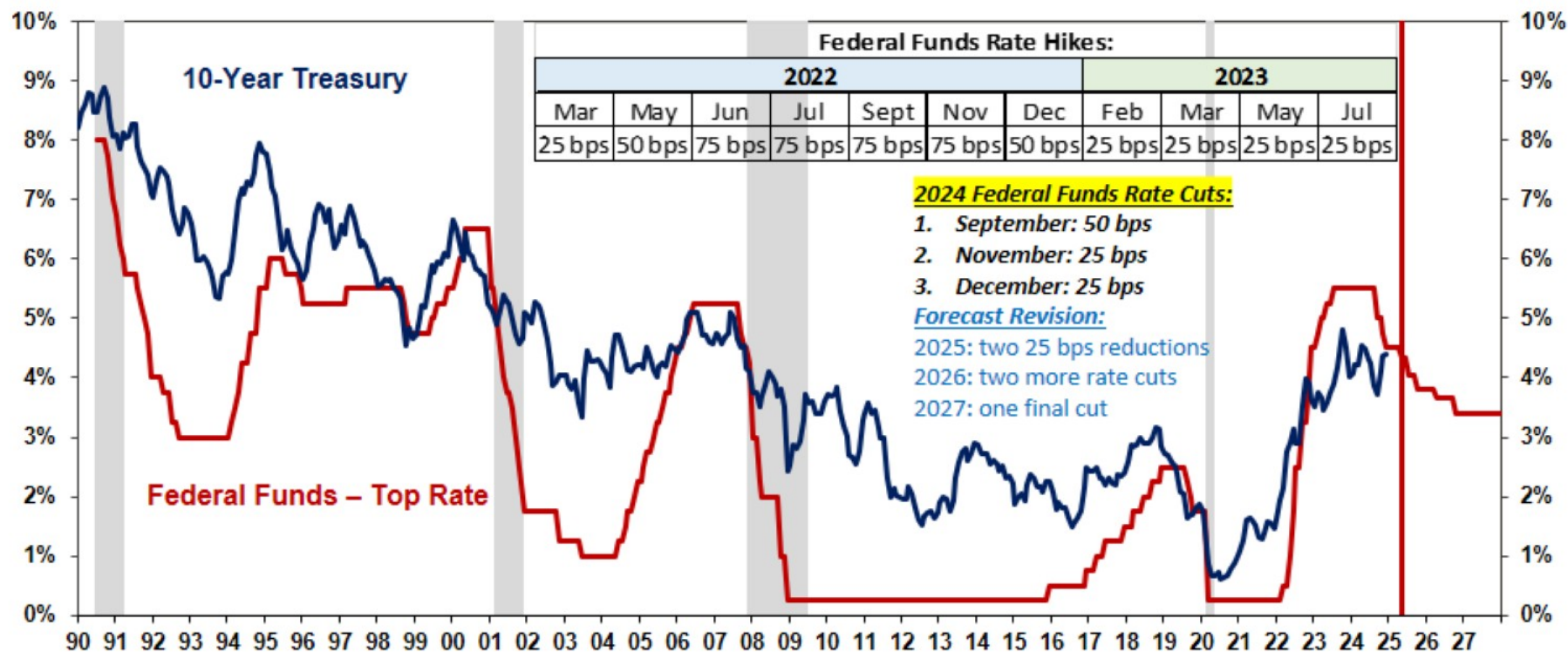
*Shelter costs continue to outpace broader consumer prices – only more housing can fix*



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

# Monetary Policy Easing Cycle Begins

*Fed cuts interest rates for the first time since 2020*

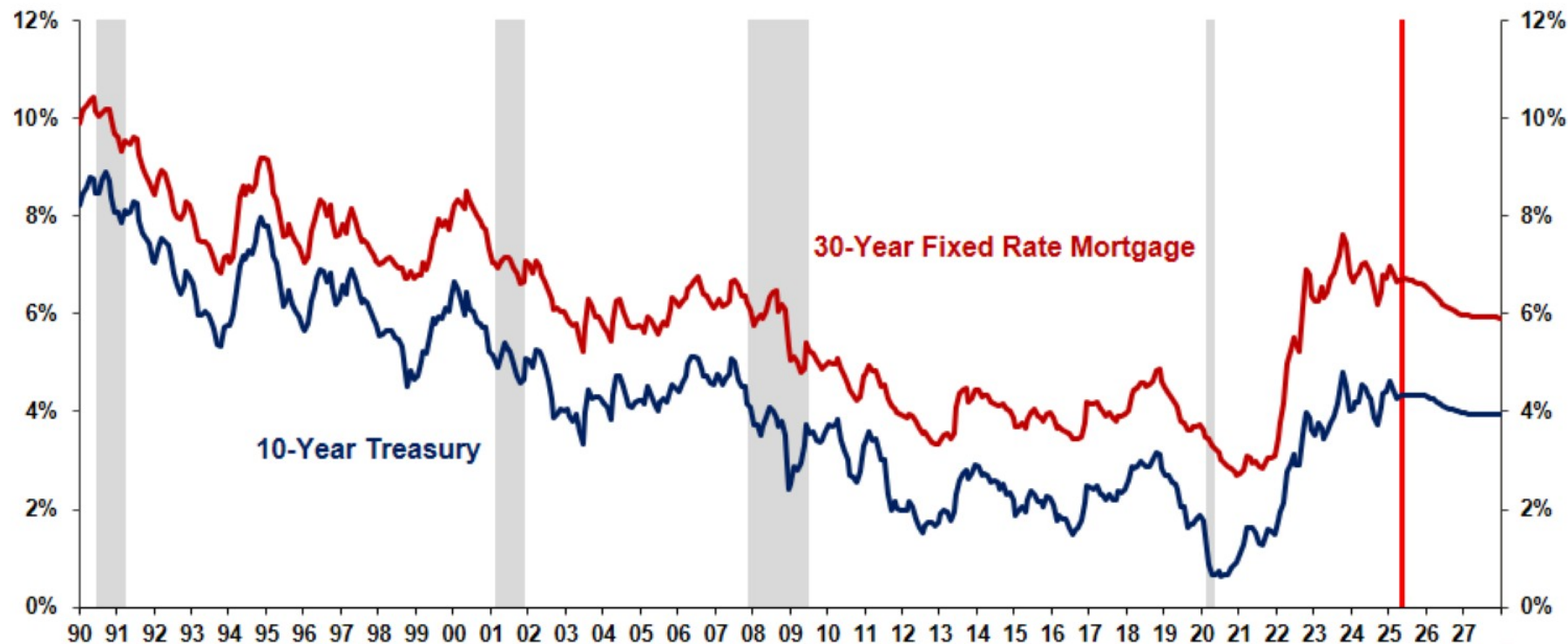


Source: U.S. Board of Governors of the Federal Reserve System (FRB).



# Mortgage Rates Remain in 6% to 7% Range

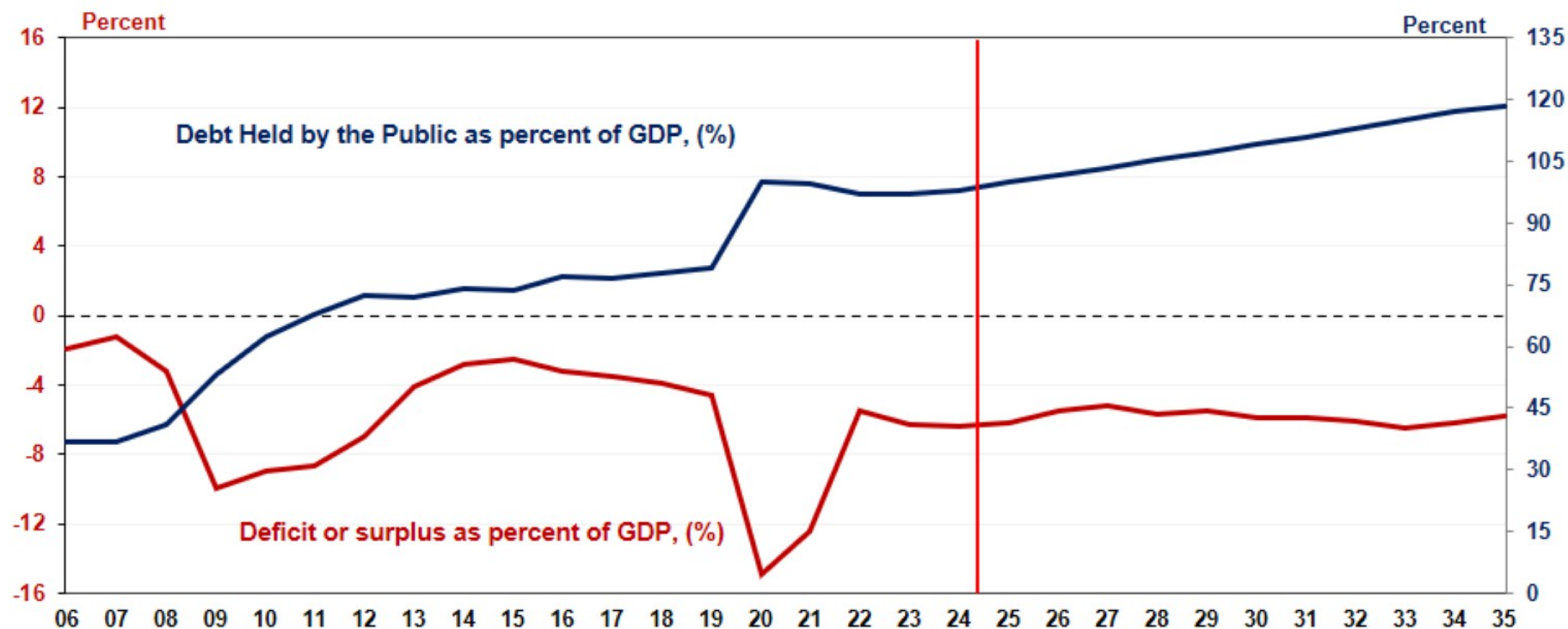
*Long-term interest rates remain elevated on policy risk*



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

# Government Deficits Growing

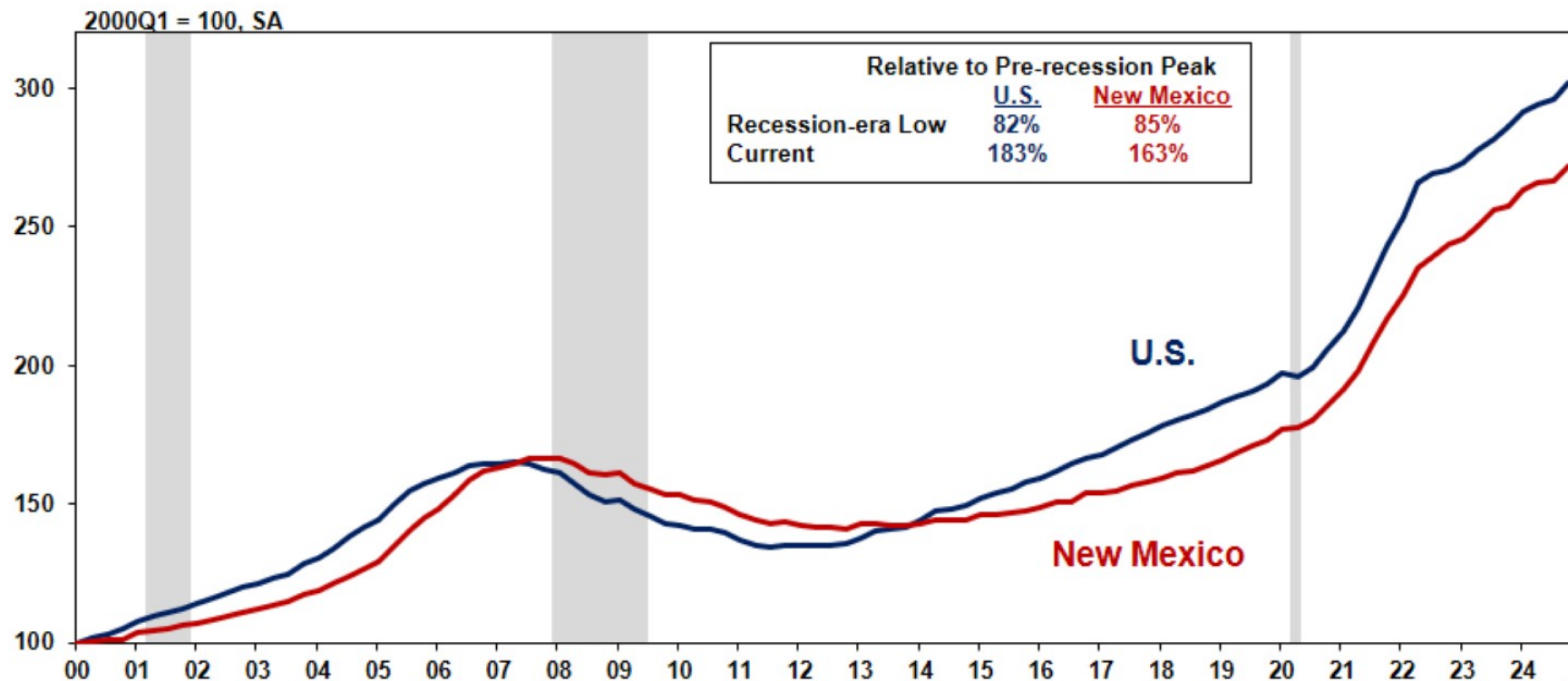
*Approaching unsustainable trends despite low unemployment*



Source: Congressional Budget Office (CBO).

# / Existing House Price Index

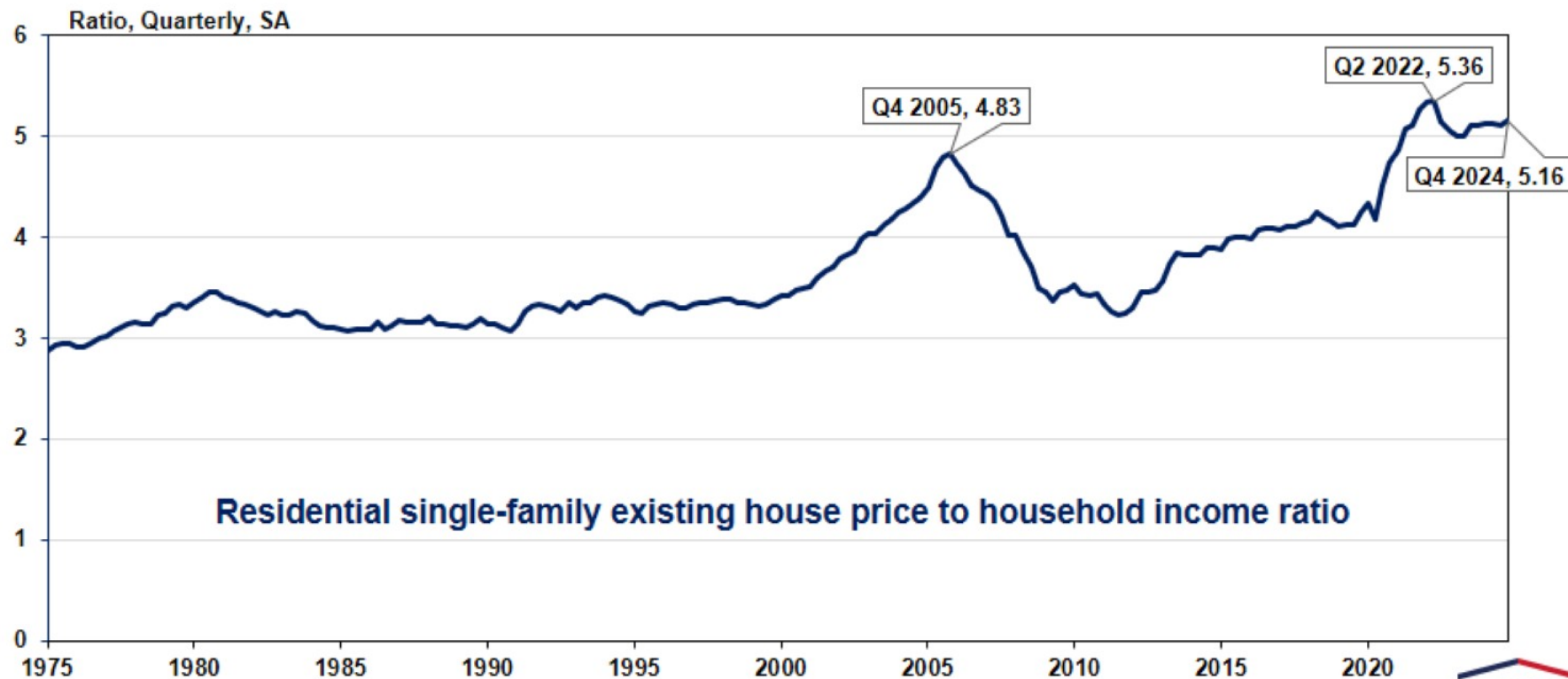
*New Mexico 54% home price gain since covid, 53% for U.S.*



Source: U.S. Federal Housing Finance Agency (FHFA).

# Home Price to Household Income Ratio

*Home price to income ratio was lower decades ago, reached record high in 2022*

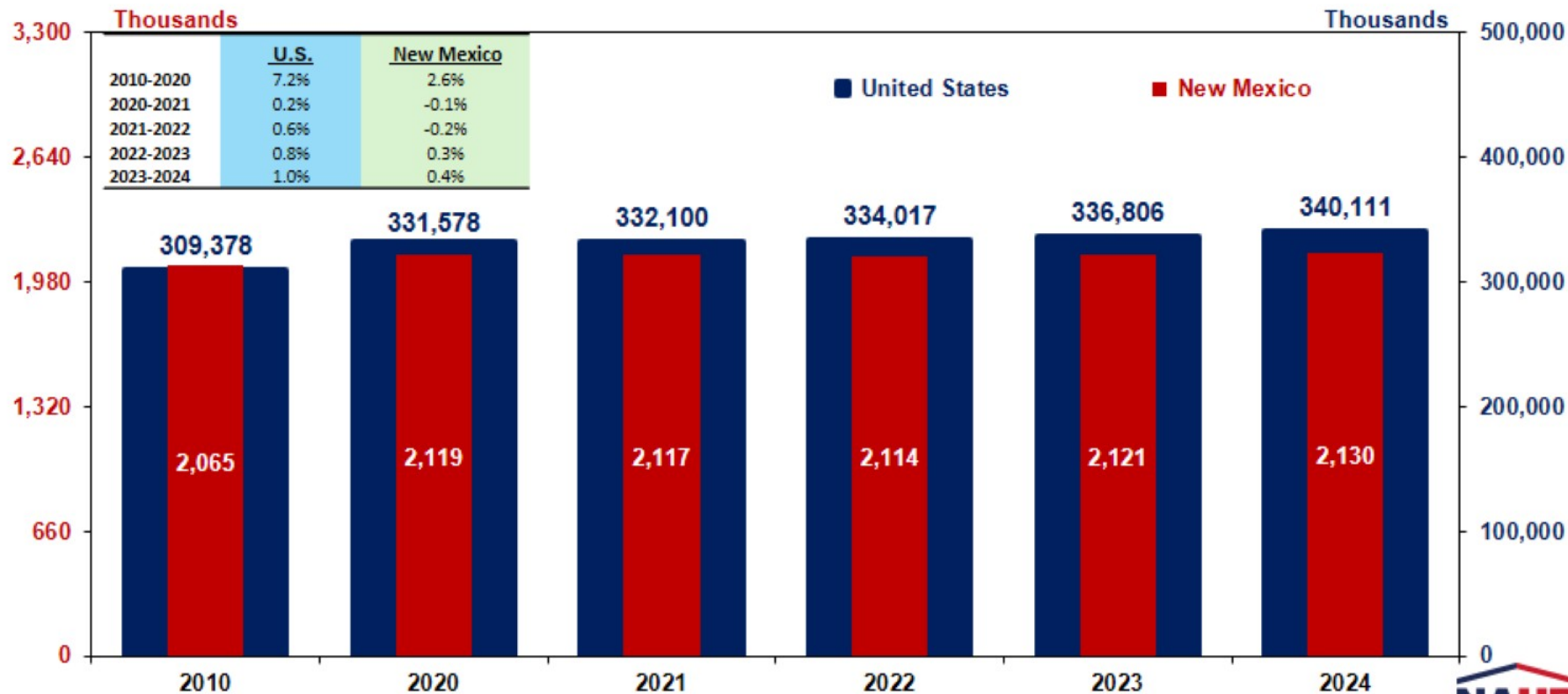


Source: National Association of Realtors (NAR); U.S. Bureau of Economic Analysis (BEA); U.S. Census Bureau (BOC); Moody's Analytics  
Estimated



# Population Growth

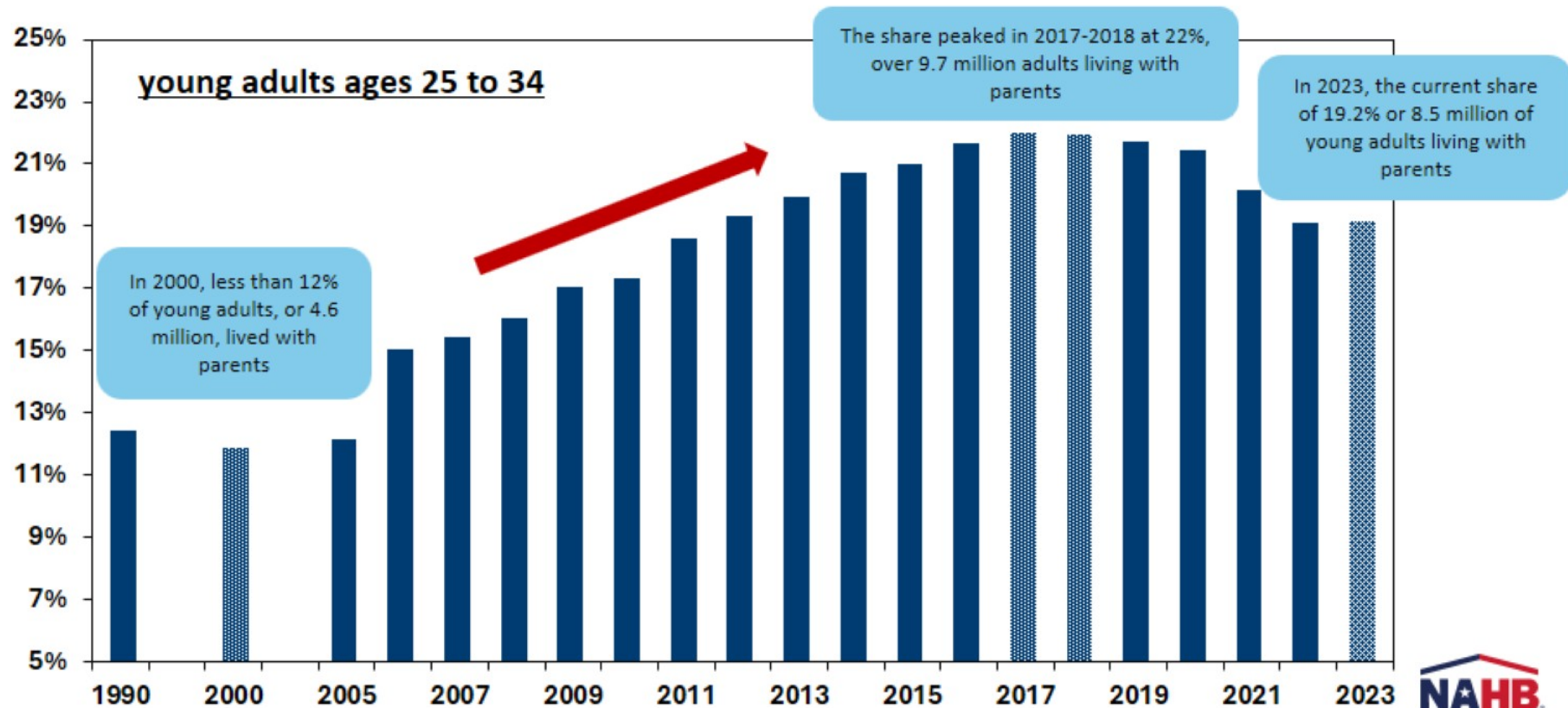
*New Mexico population grew slower than the national average*



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

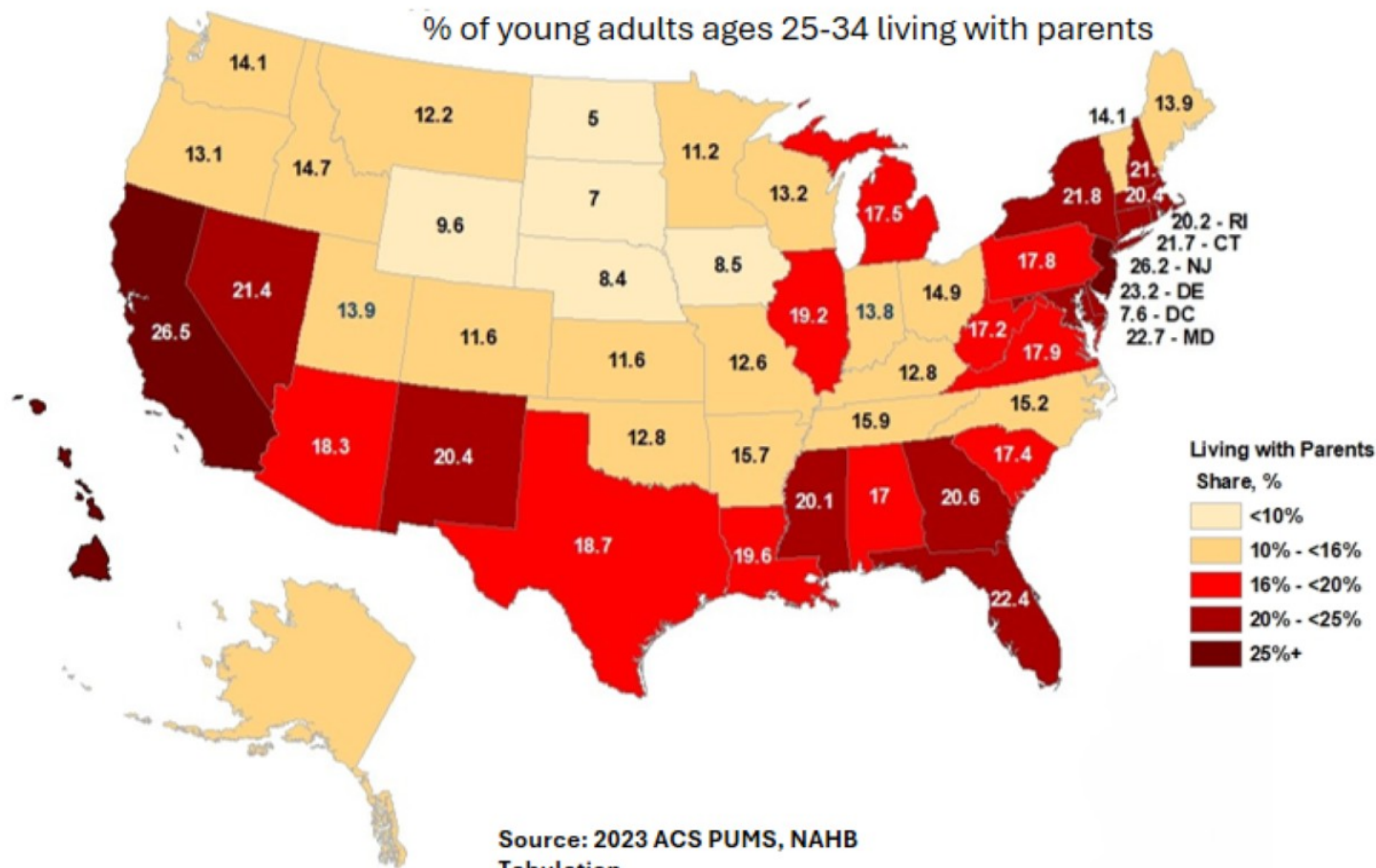
Note: The population estimates (as of July 1) of 2020-2022 are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates.

# Share of Young Adults Living with Parents



Source: US Census 1990, 2000, PUMS, 2005-2023 ACS, PUMS, NAHB Estimates

# Higher Share in High Cost Areas: Young Adults with Parents





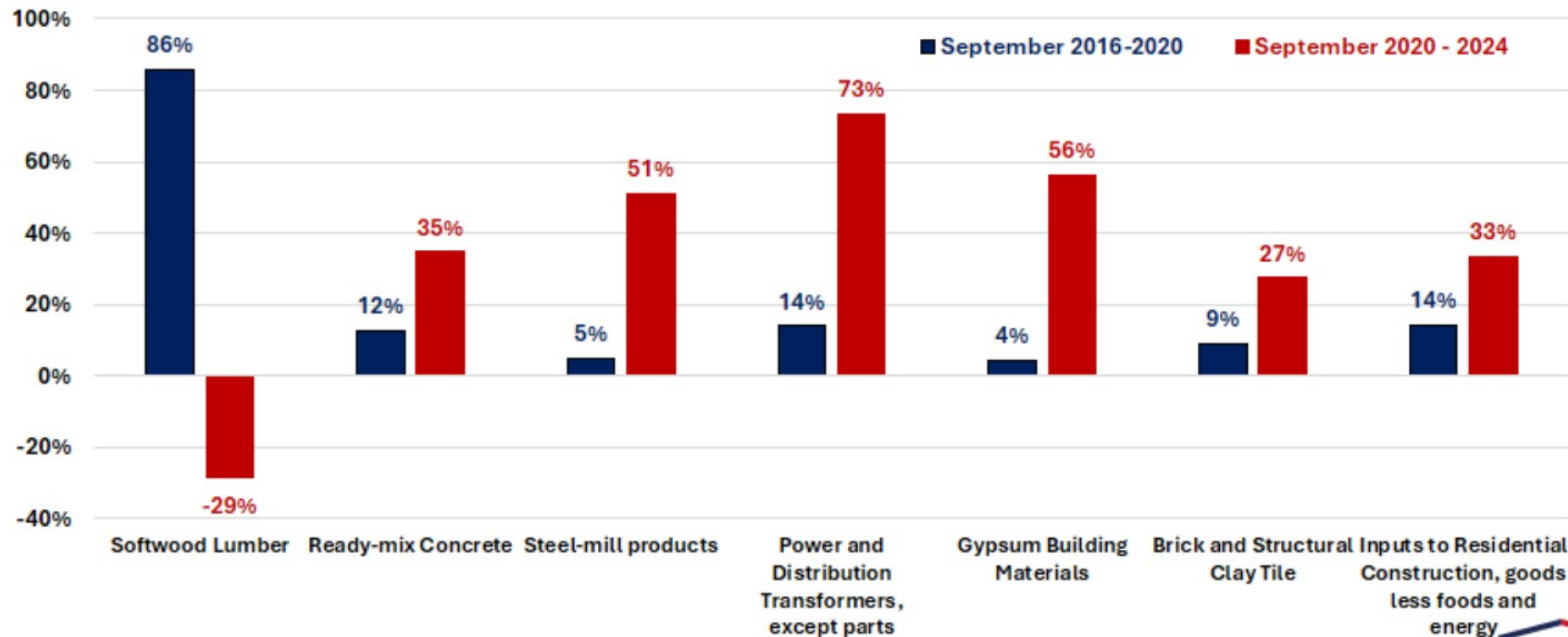
# Supply-Side Factors



# Building Material Prices

## Costs of Building Materials Have Surged Since the Pandemic

Four-year Price Percentage Change

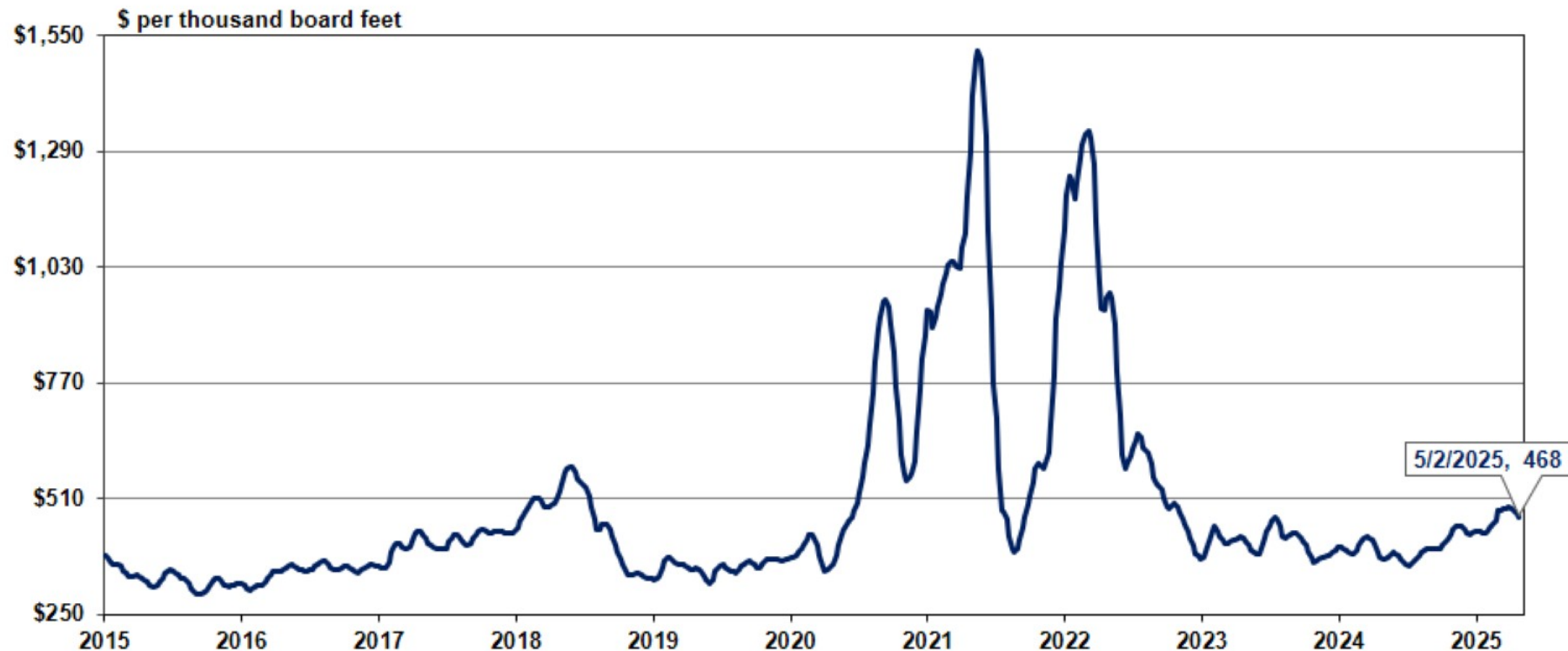


Source: U.S. Bureau of Labor Statistics; Producer Price Index



# / Lumber Prices Declining

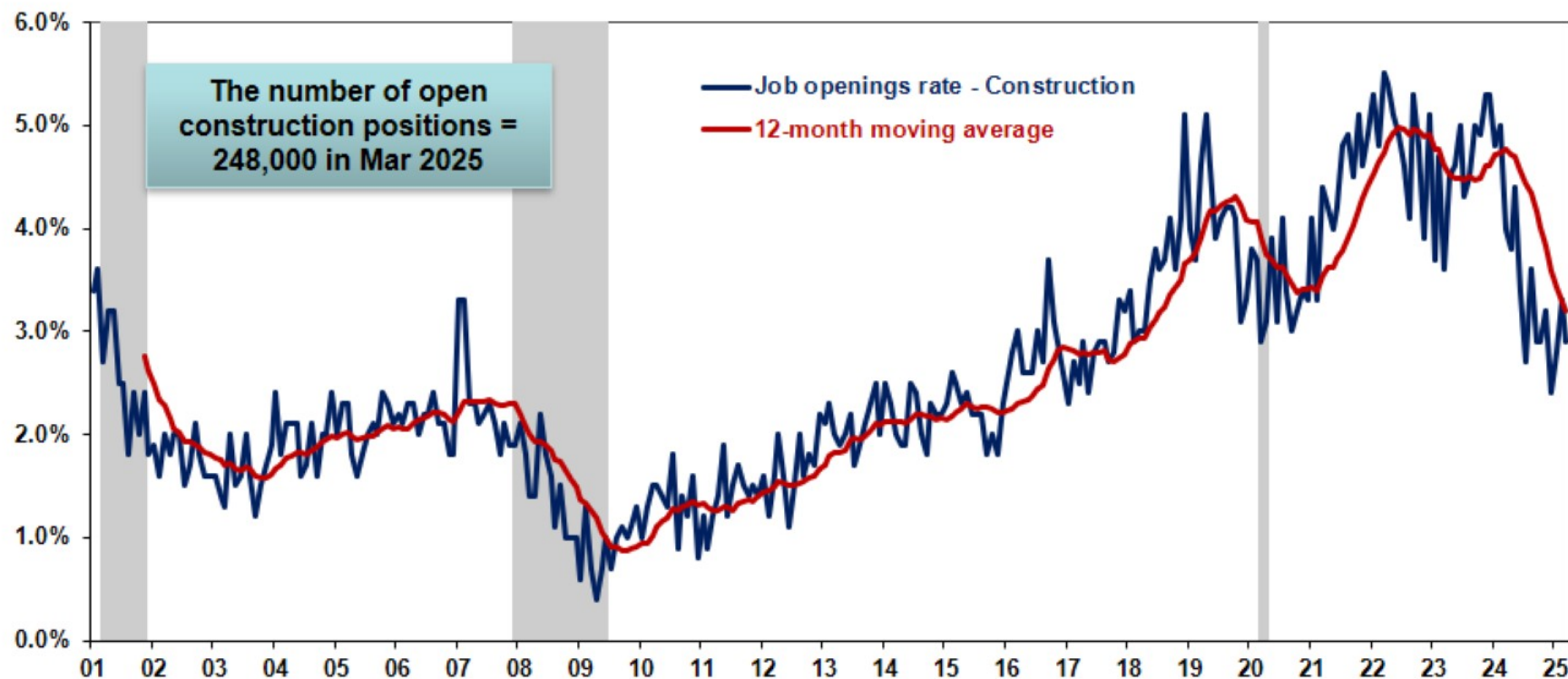
*Current April price is \$468, down 1.7% -- declining for the fourth straight week*



Source: NAHB Analysis; Random Lengths Composite Index

# Labor – Construction Job Openings Peaked for Cycle

*Skilled labor shortage persists; 401,200 net gain for residential construction since Jan 2020*

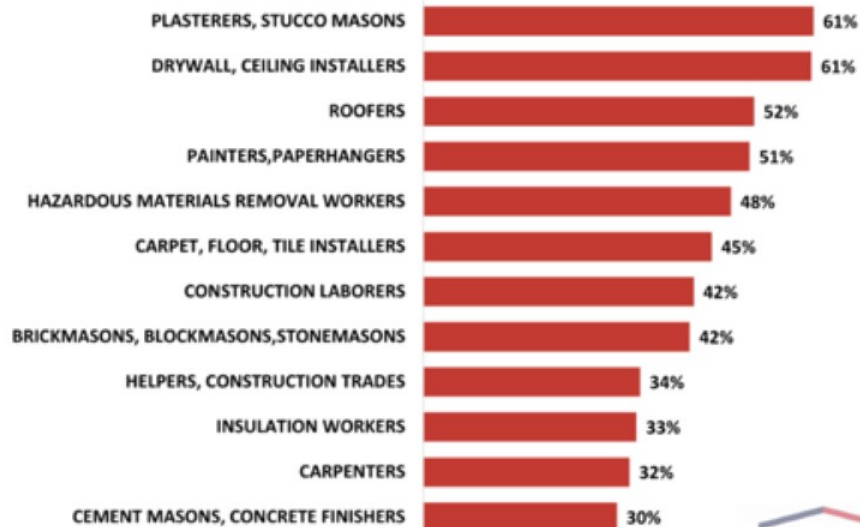


Source: U.S. Bureau of Labor Statistics (BLS).

# Immigrant Workers in the Construction Sector

## CONSTRUCTION TRADES MOST RELIANT ON IMMIGRANTS

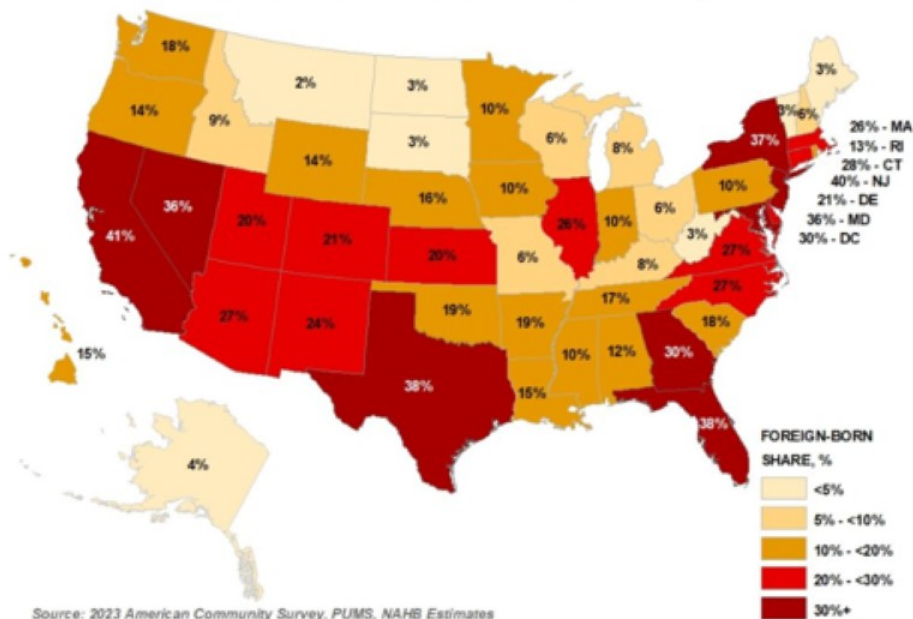
SHARE OF IMMIGRANTS IN THE WORKFORCE, 2023



Source: 2023 ACS PUMS; NAHB analysis



## IMMIGRANT WORKERS IN THE CONSTRUCTION LABOR FORCE, 2023



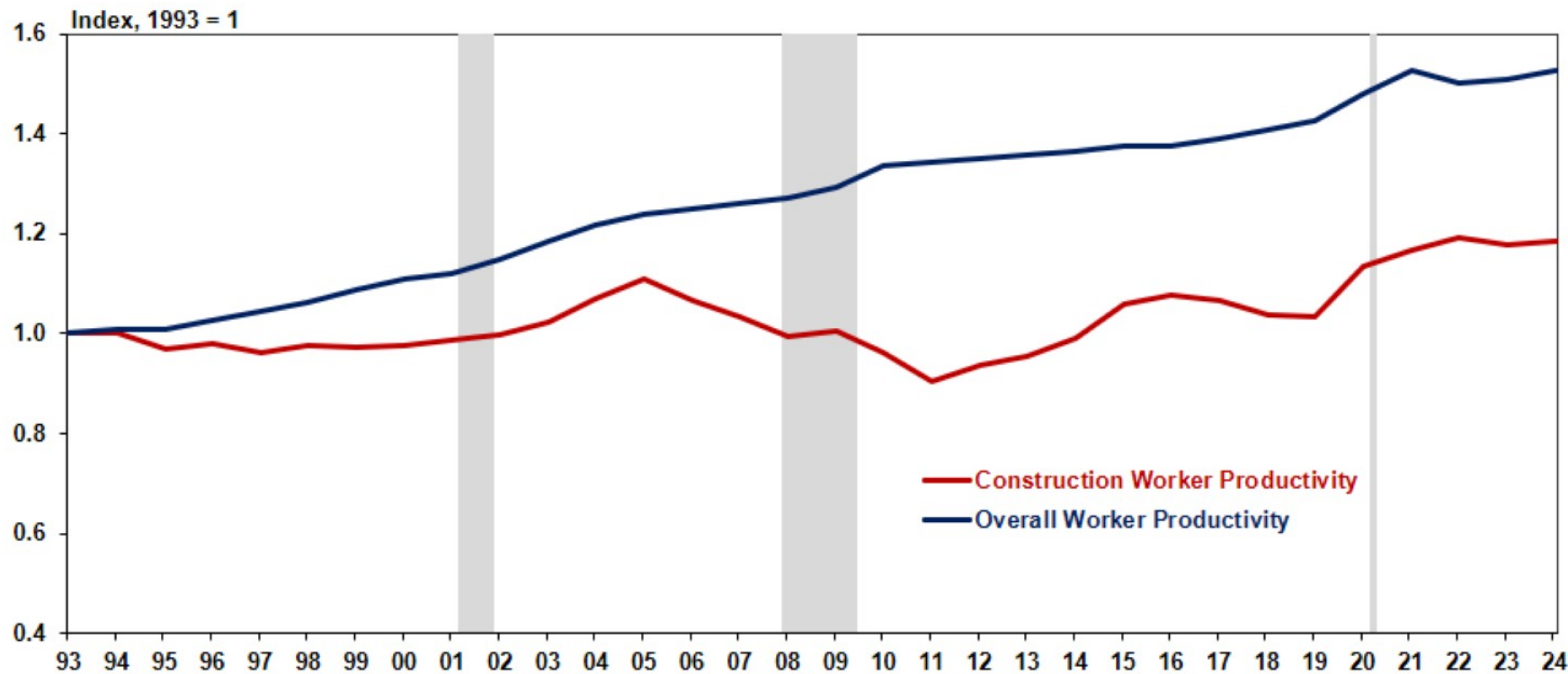
Source: 2023 American Community Survey, PUMS, NAHB Estimates



Source: NAHB analysis of Census data

# Construction Sector Productivity Lags

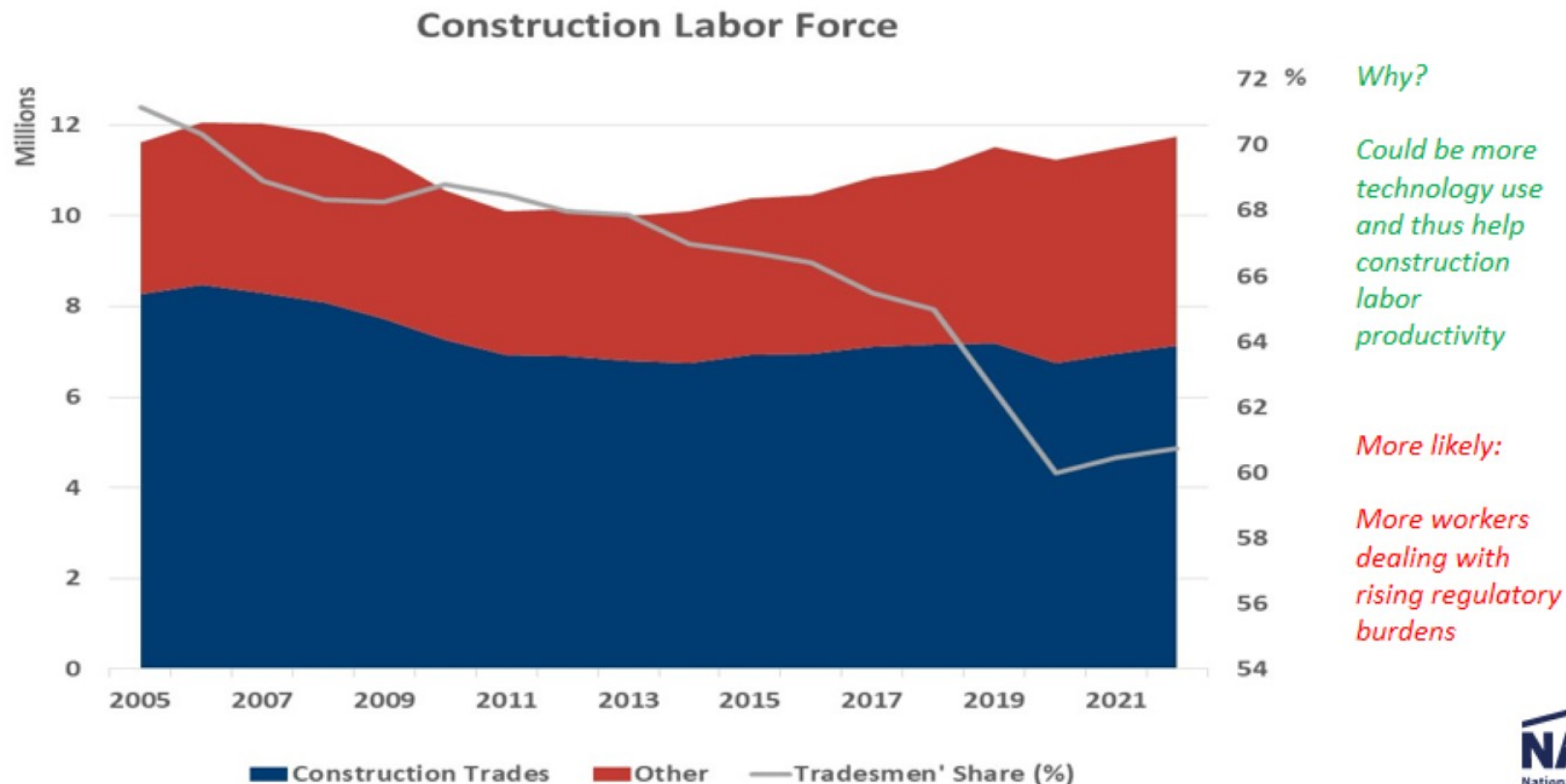
*19% gain for construction compared to 53% gain for overall economy*



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

# Share of Trades Workers in Construction is Falling

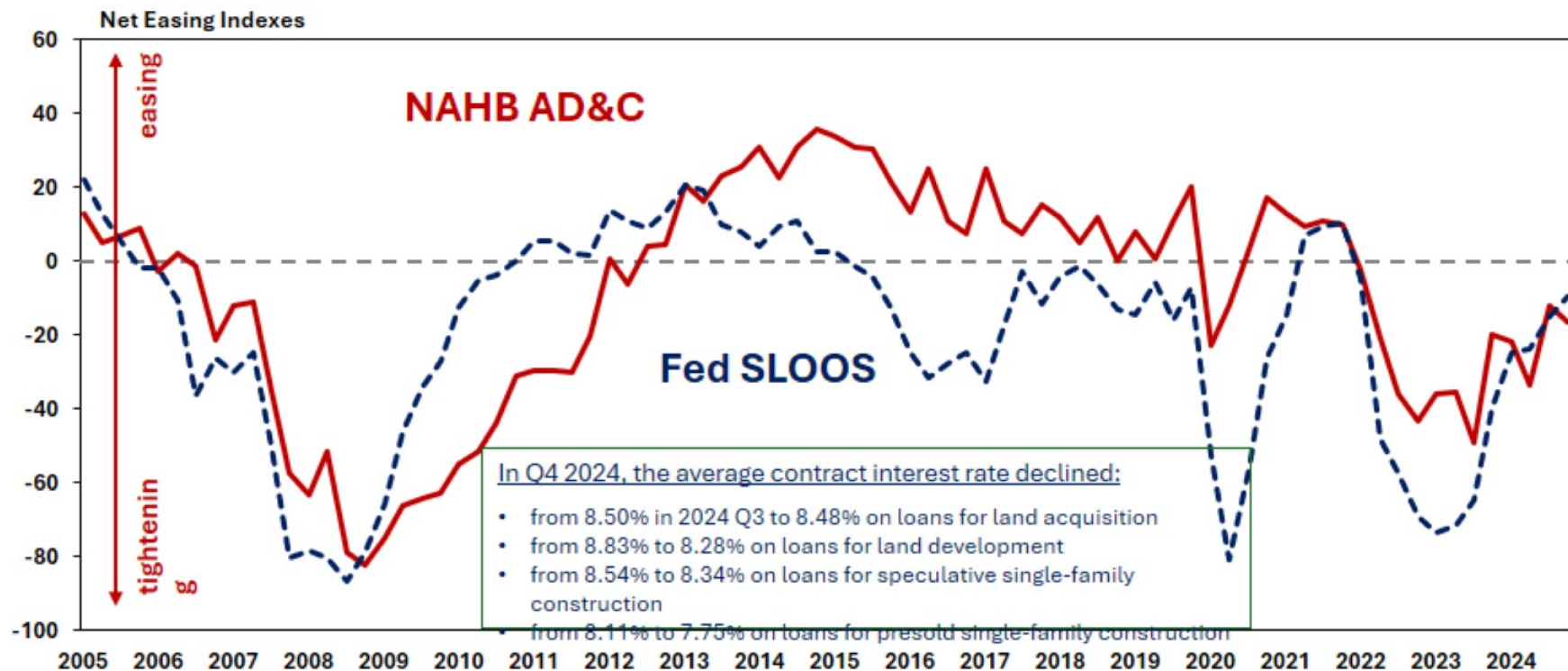
*White-collar worker share rises from 29% in 2005 to 39% in 2022*





# Lending – AD&C Loan Conditions

*For the second consecutive quarter, the contract interest rate declined on all four categories of loans*



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

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

*New Mexico estimate approximately \$119,000 per home, 42% in development stage*

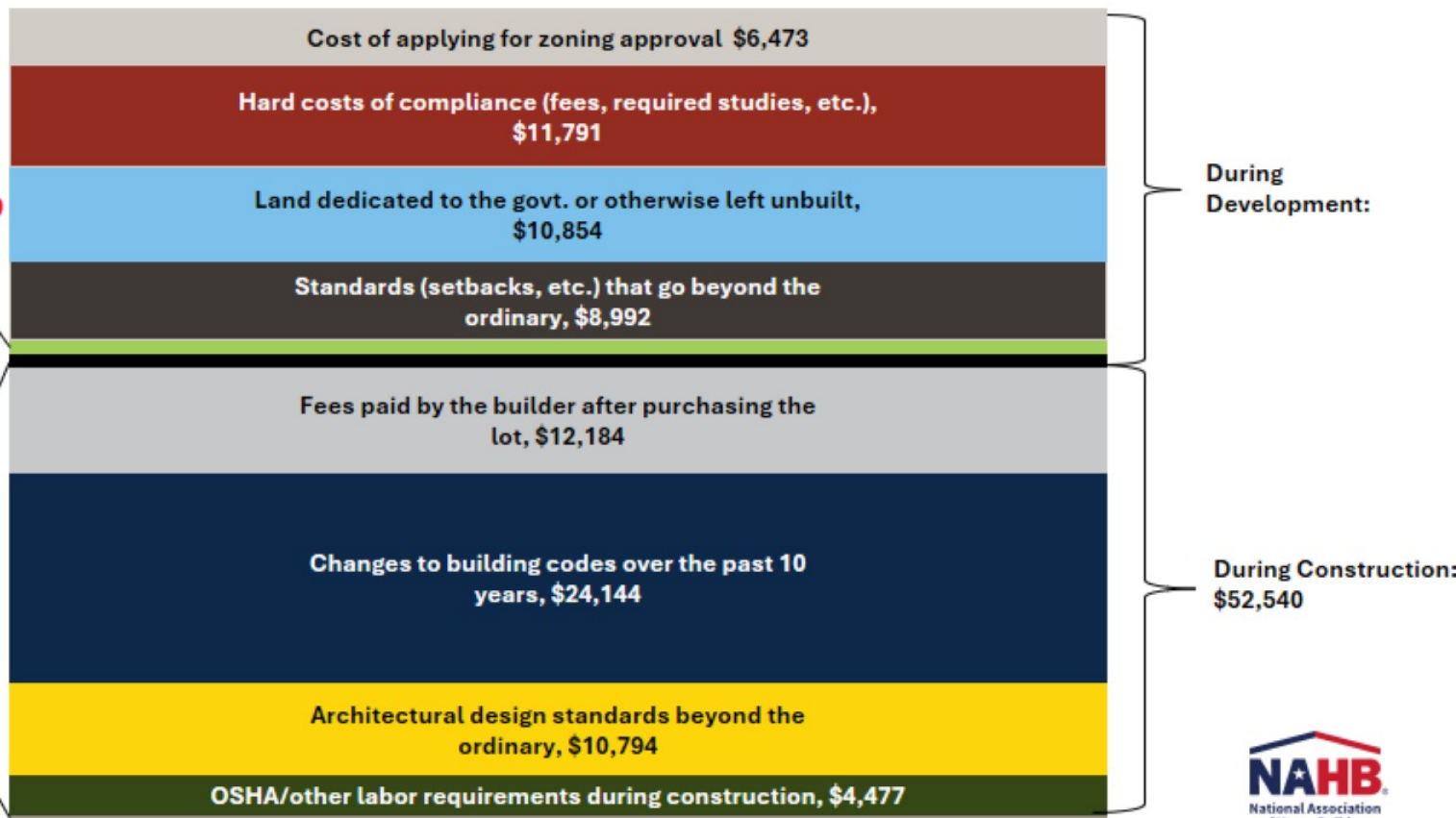
23.8% of price  
US new home

38.8% New Mexico

OSHA/other labor  
requirements during  
development, \$1,779

Pure cost of delay during  
development \$1,442

Pure cost of delay during  
construction, \$941



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

# / NAHB 10-Point Plan to Boost Housing Supply

*Increased housing supply reduces shelter inflation and eases the affordability crisis*

1

Eliminate excessive regulations

Alleviate permitting roadblocks

6

2

Promote careers in the skilled trades

Adopt reasonable and cost-effective building codes

7

3

Fix building material supply chains and ease costs

Reduce local impact fees and other upfront taxes associated with housing construction

8

4

Pass federal tax legislation to expand the production of affordable and attainable housing

Make it easier for developers to finance new housing

9

5

Overturn inefficient local zoning rules

Update employment policies to promote flexibility and opportunity

10



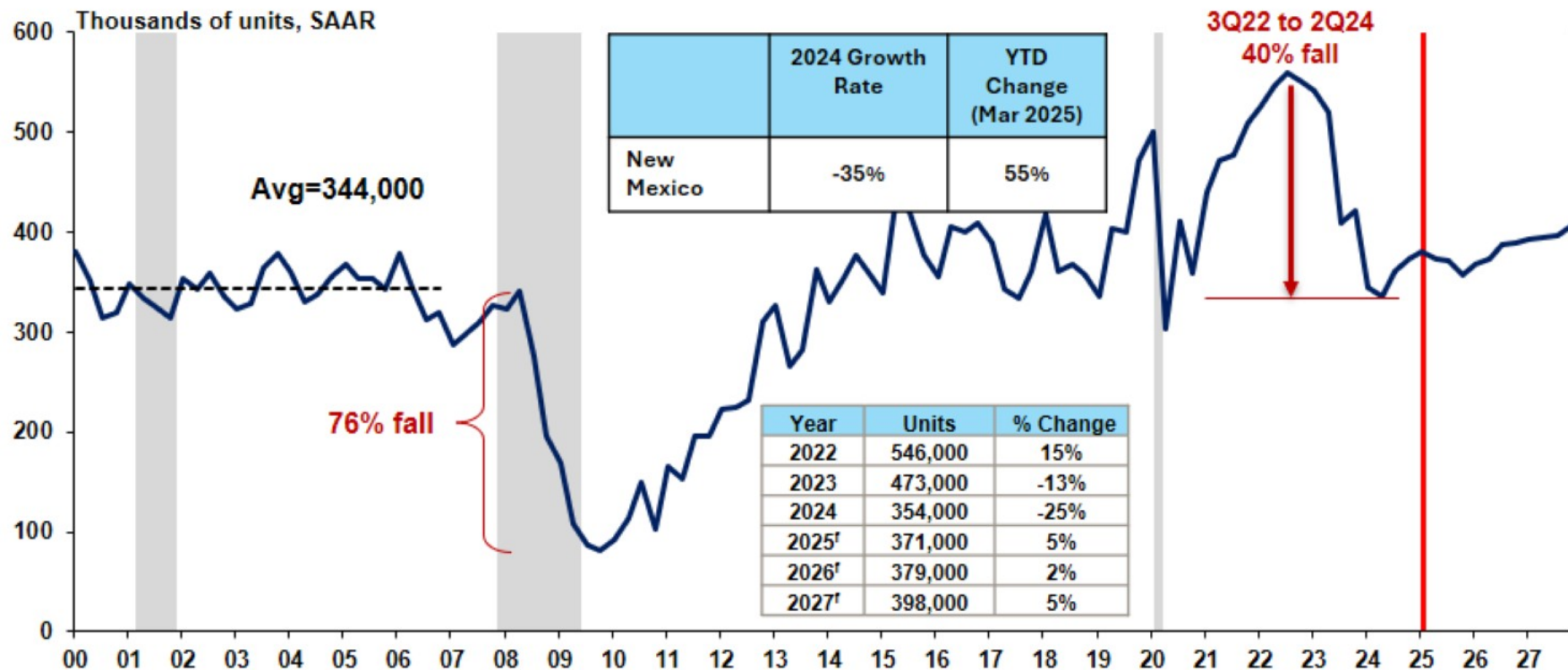
# Construction Outlook





# / Multifamily Construction

*Apartment construction recorded a significant decline in 2024*

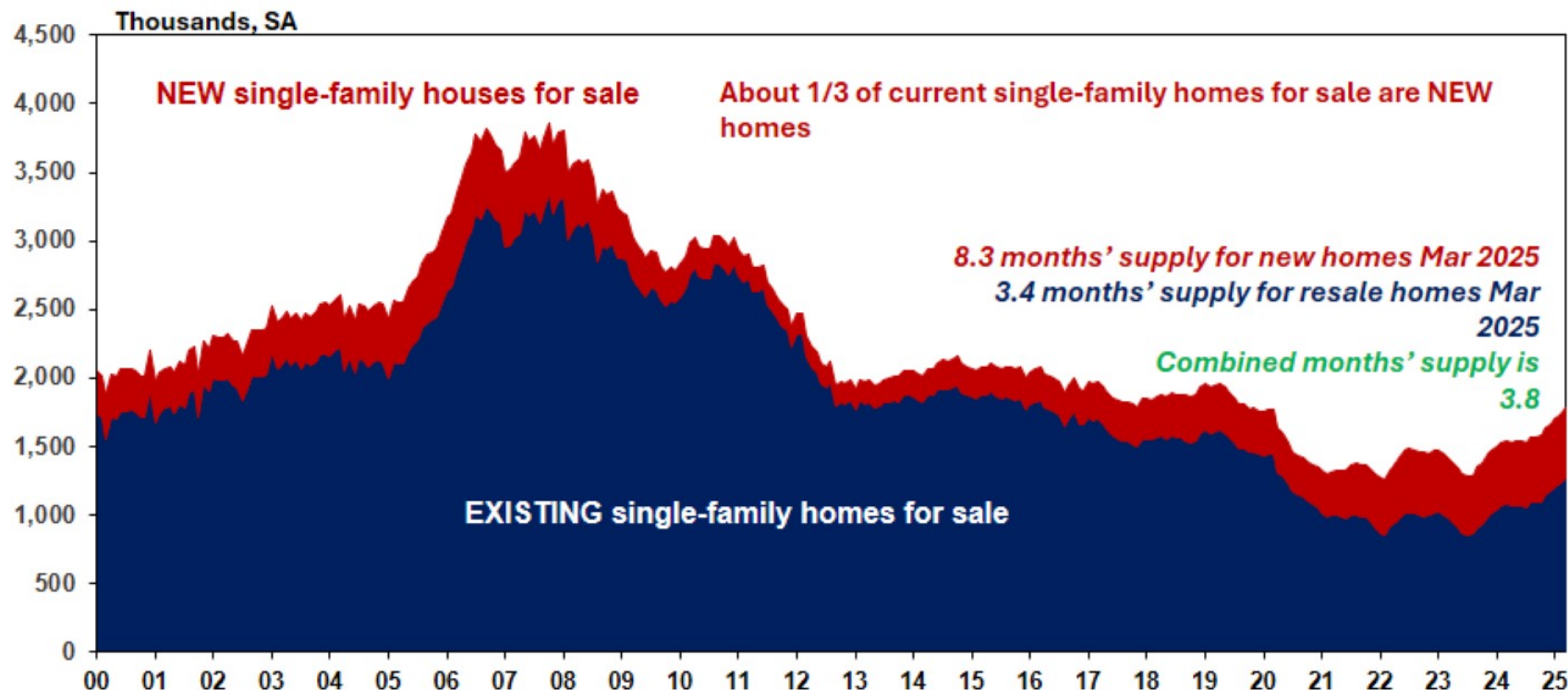


Source: U.S. Census Bureau (BOC) and NAHB forecast



# / Total Housing Inventory

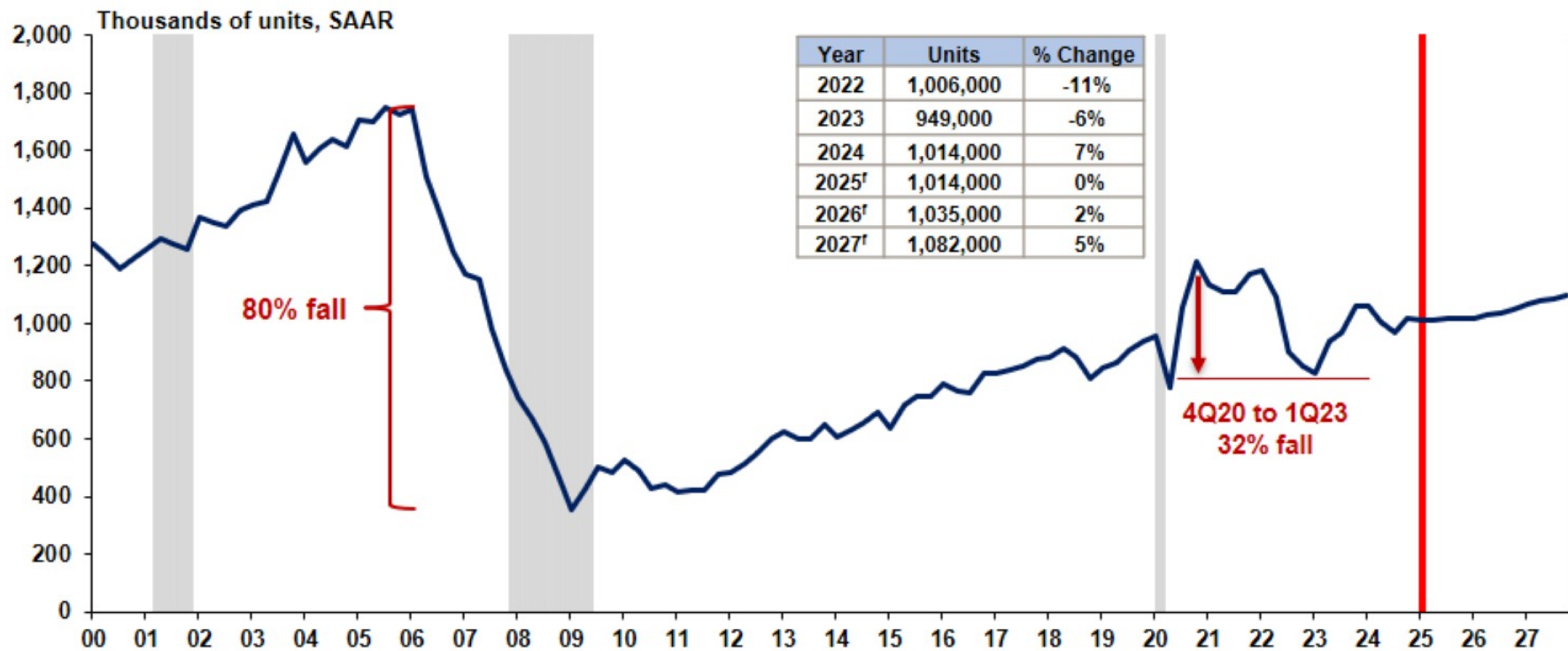
*Insufficient resale inventory is supporting demand for new construction*



Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

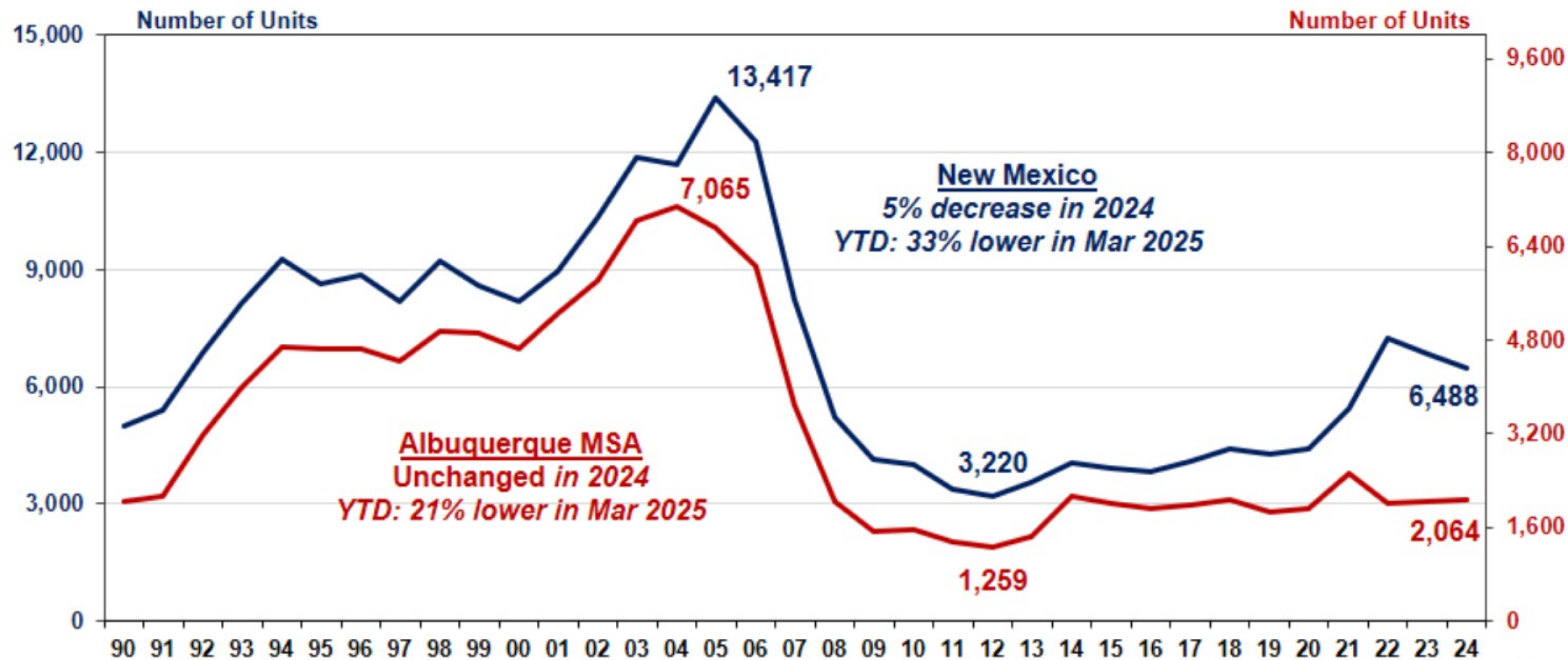
# Single-Family Starts

*Single-family starts at stall speed in 2025 as positive and negative policy risks rise*



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

# Single-Family Building Permits—New Mexico and Albuquerque MSA



Source: Census Bureau.

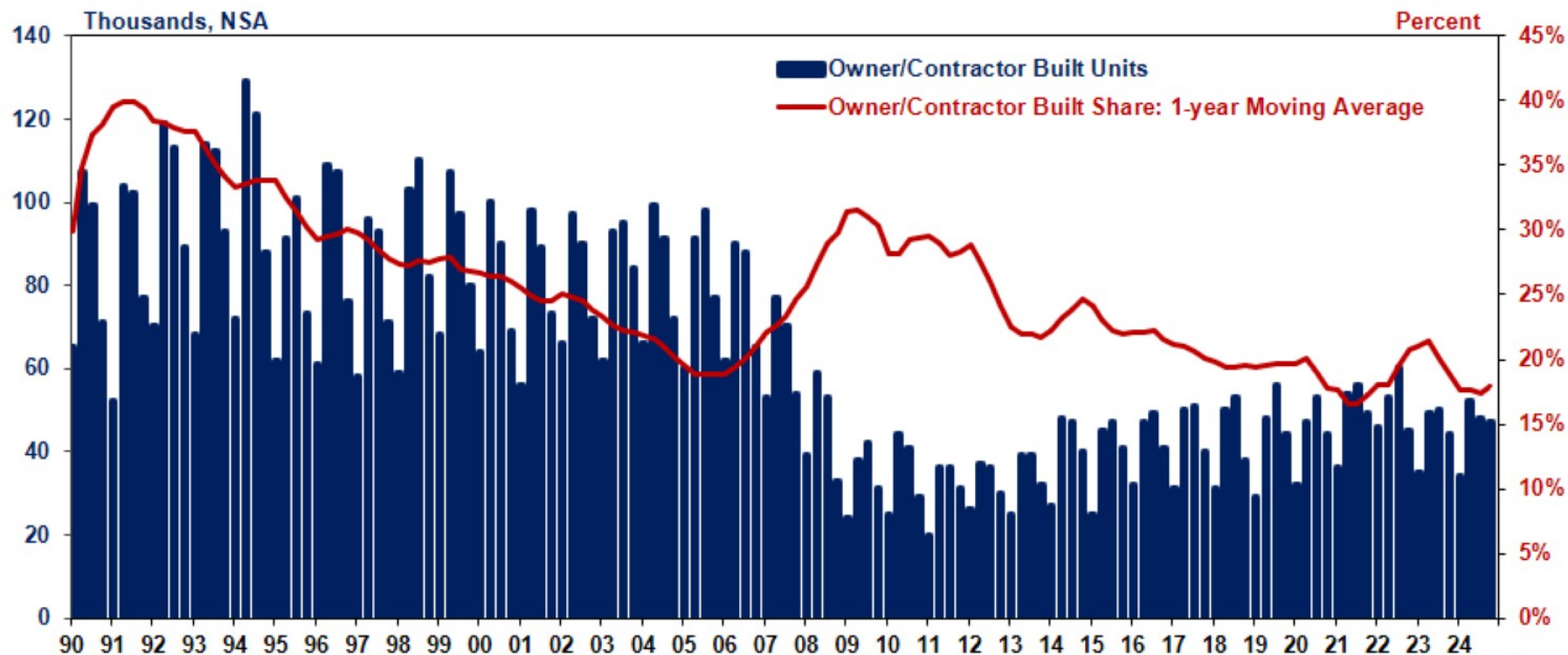
# Top 10 Largest Single-Family Markets by Permits

Top 10 Largest SF Markets	Dec 2024 (# of units YTD, NSA)	YTD % Change (compared to Dec 2023)
Houston-The Woodlands-Sugar Land, TX	52,276	5%
Dallas-Fort Worth-Arlington, TX	47,191	11%
Phoenix-Mesa-Scottsdale, AZ	30,166	22%
Atlanta-Sandy Springs-Roswell, GA	25,662	7%
Charlotte-Concord-Gastonia, NC-SC	18,896	-1%
Austin-Round Rock, TX	16,521	-1%
Orlando-Kissimmee-Sanford, FL	15,173	-11%
Nashville-Davidson-Murfreesboro-Franklin, TN	14,415	1%
New York-Newark-Jersey City, NY-NJ-PA	13,810	11%
Raleigh, NC	13,344	10%

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

# Custom Home Building Market

*Market share in the 20% range*

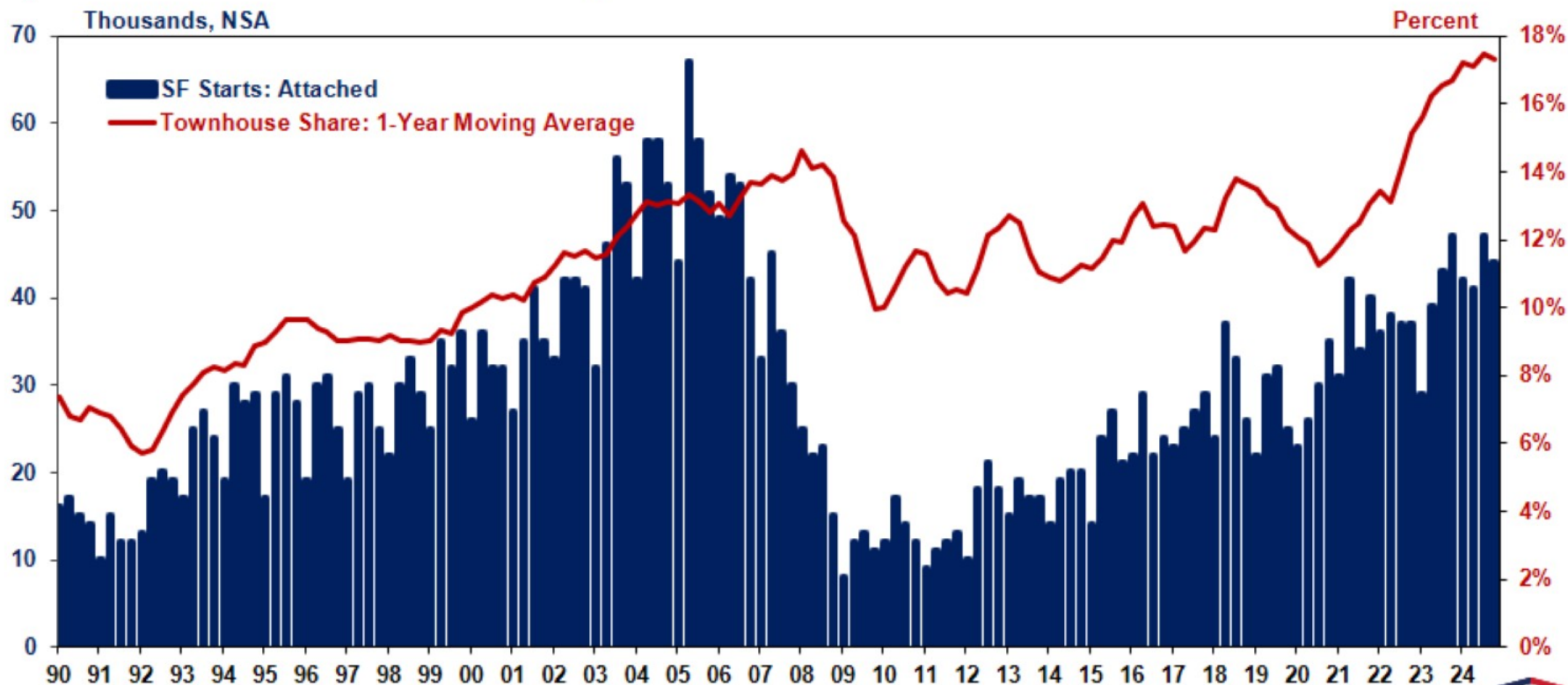


Source: U.S. Census Bureau (BOC)



# Townhouse Construction Gains Continue

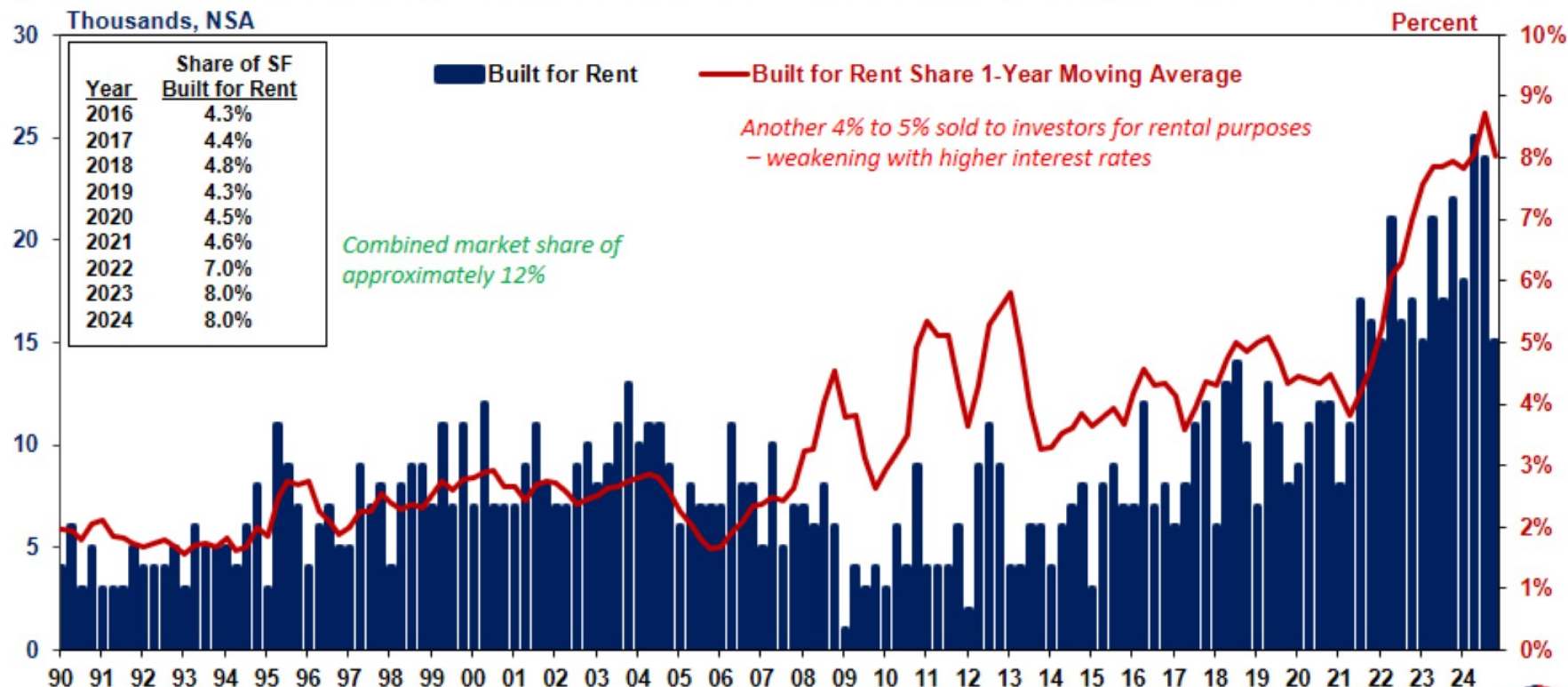
*Market share at multidecade high*



Source: U.S. Census Bureau (BOC)

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

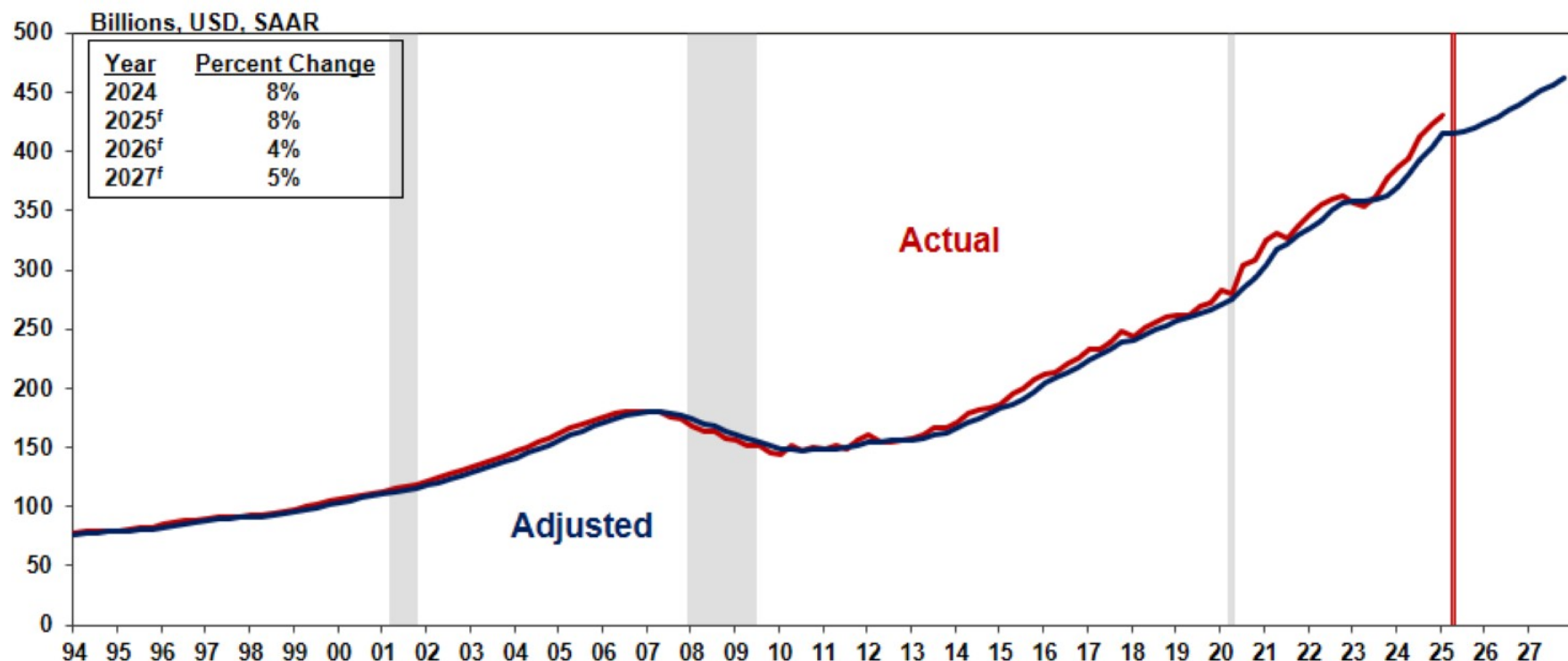
*SFBFR market will likely retain an elevated market share; likely to slow in the near-term*



Source: U.S. Census Bureau (BOC)

# Residential Remodeling Expanding

*Positive growth prospects ahead*

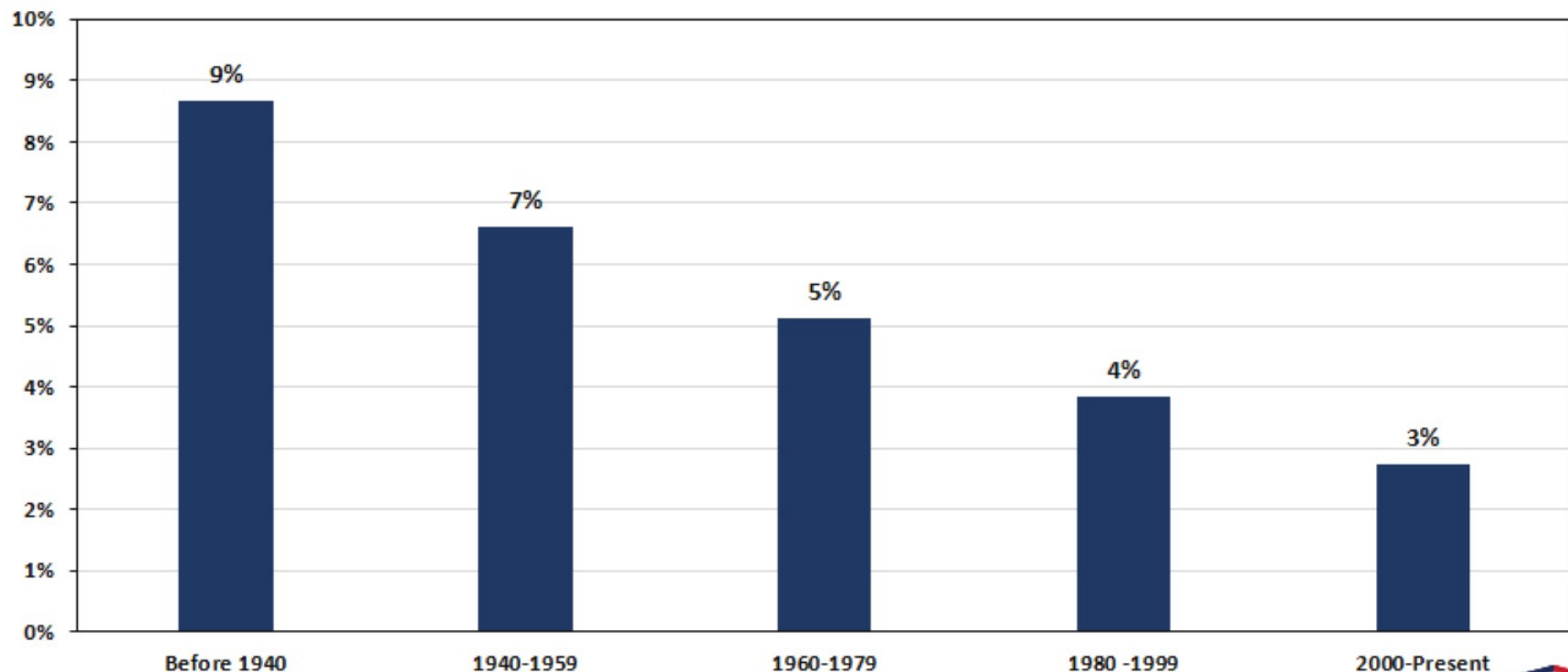


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

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

# Housing Inadequacy By Year Built in 2023

*Older homes have higher rates of inadequacy.*

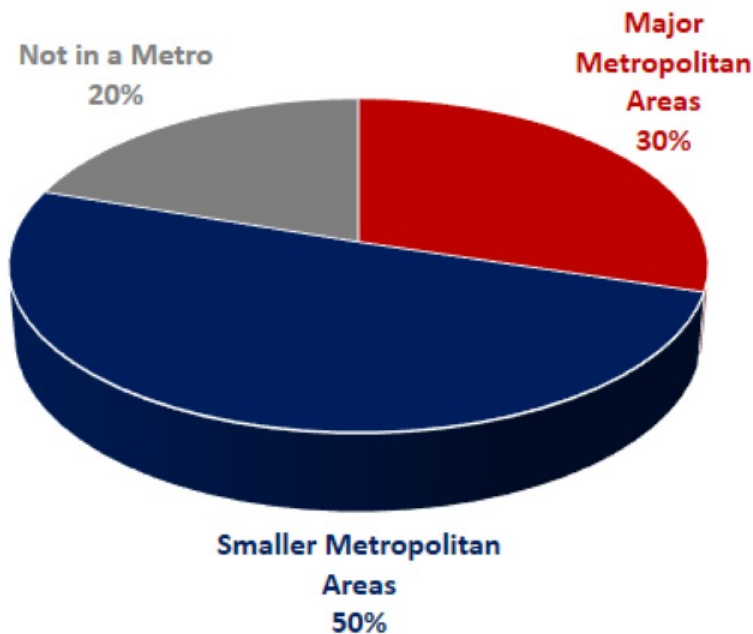


Source: 2023 American Housing Survey, NAHB Analysis.

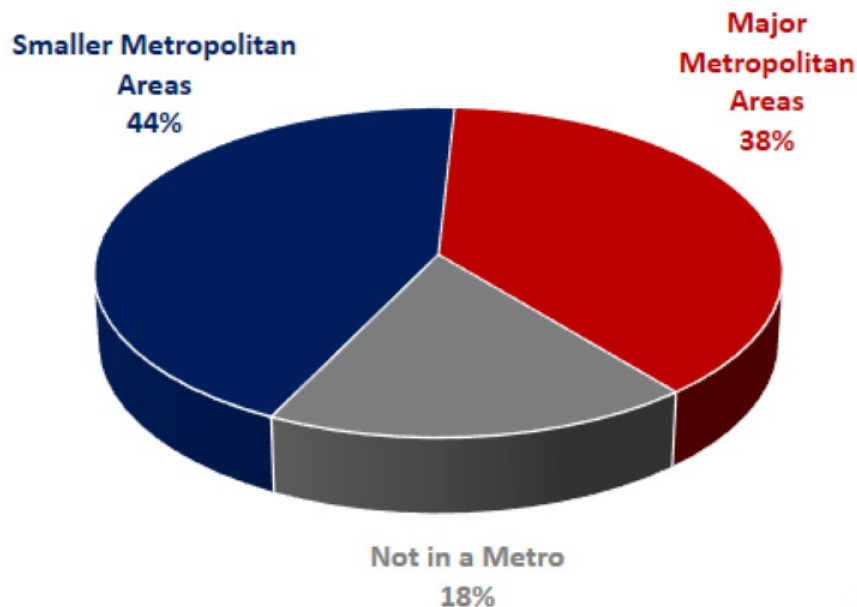
# Housing Inadequacy Is Most Common In Smaller Metro Areas

*This trend is likely driven by aging housing stock and lower household income.*

## Moderately Inadequate



## Severely Inadequate

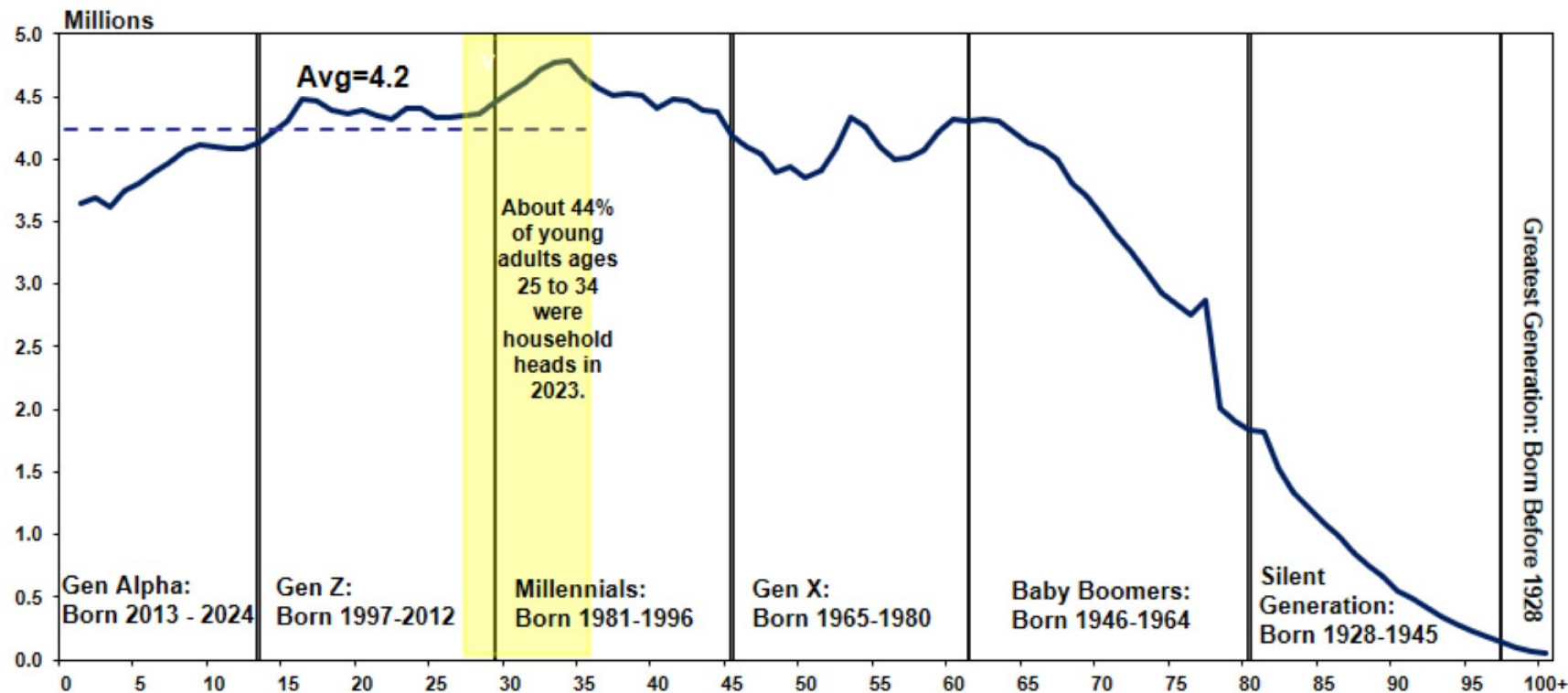


Source: 2023 American Housing Survey, NAHB Analysis.



# Rising Population Entering Housing Demand Years: 2025

*Solid demand for housing during the second half of the decade*



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



# Thank you

*Questions?*

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Economic Leadership Sponsor



Home Mortgage

*eyeonhousing.org*  
*housingeconomics.com*