



# Housing Market Index

Special Questions on Significant Problems  
Builders Faced in 2019 and Expect to face in  
2020

December 2019

**Economics & Housing Policy Group**



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## **Introduction:**

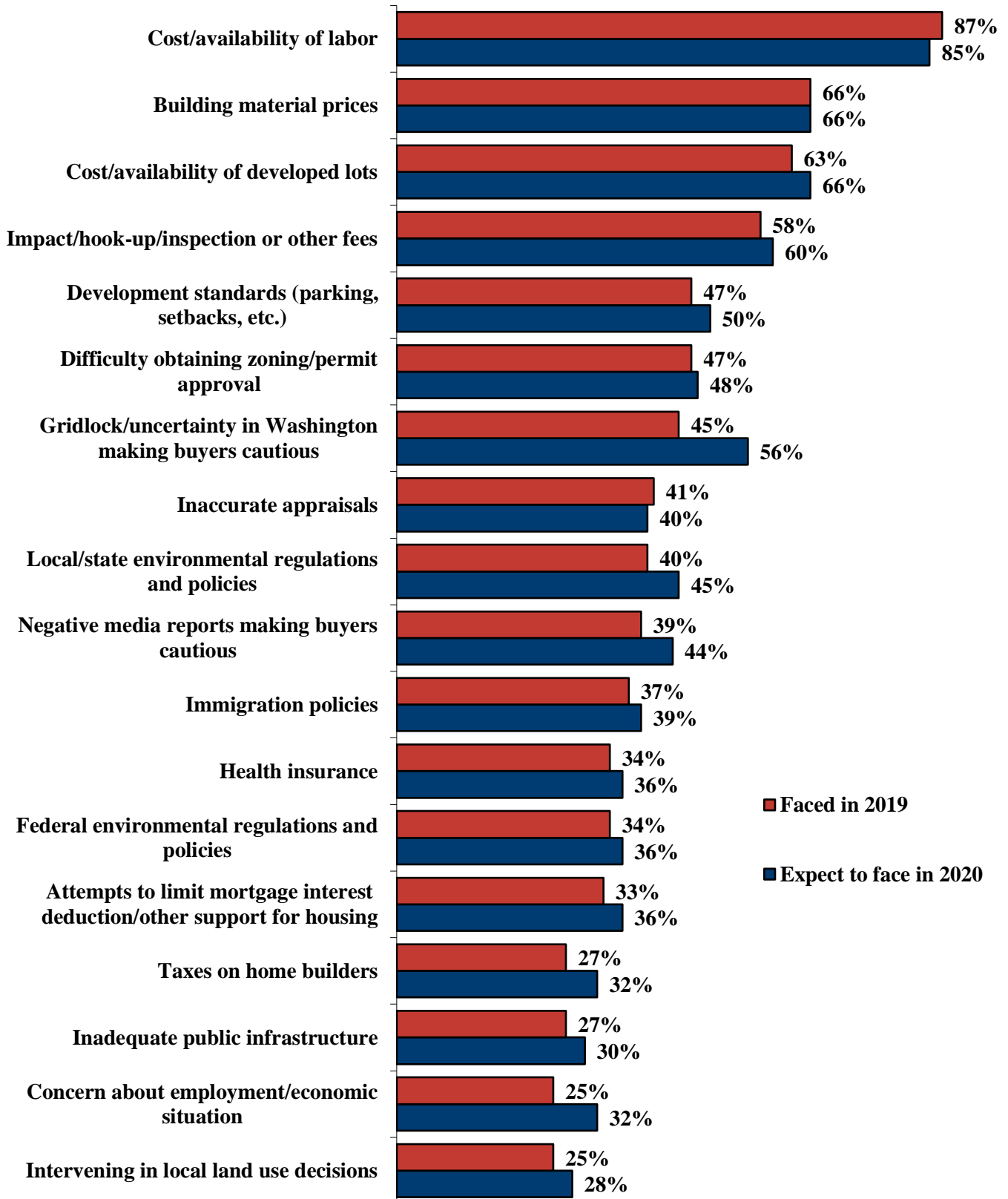
For more than 25 years, the National Association of Home Builders (NAHB) has conducted a monthly survey of its builder members that is used to generate the NAHB/Wells Fargo Housing Market Index (HMI). The main section of the HMI survey asks builders to rate market conditions for the sale of new homes at the present time and expected over the next 6 months, as well as the traffic of prospective buyers. The results are combined into a single composite index that measures the overall strength of the market for new single-family housing.

Throughout its history, the HMI has generally performed well as a leading indicator of single-family housing starts and is widely reported in business media and used by government and Wall Street analysts. This month survey was sent electronically to a panel of roughly 2,700 builder members. Results are broken down by the four census regions and by total number of units started in 2018. The survey sample is refreshed annually to keep the panel consistent overtime.

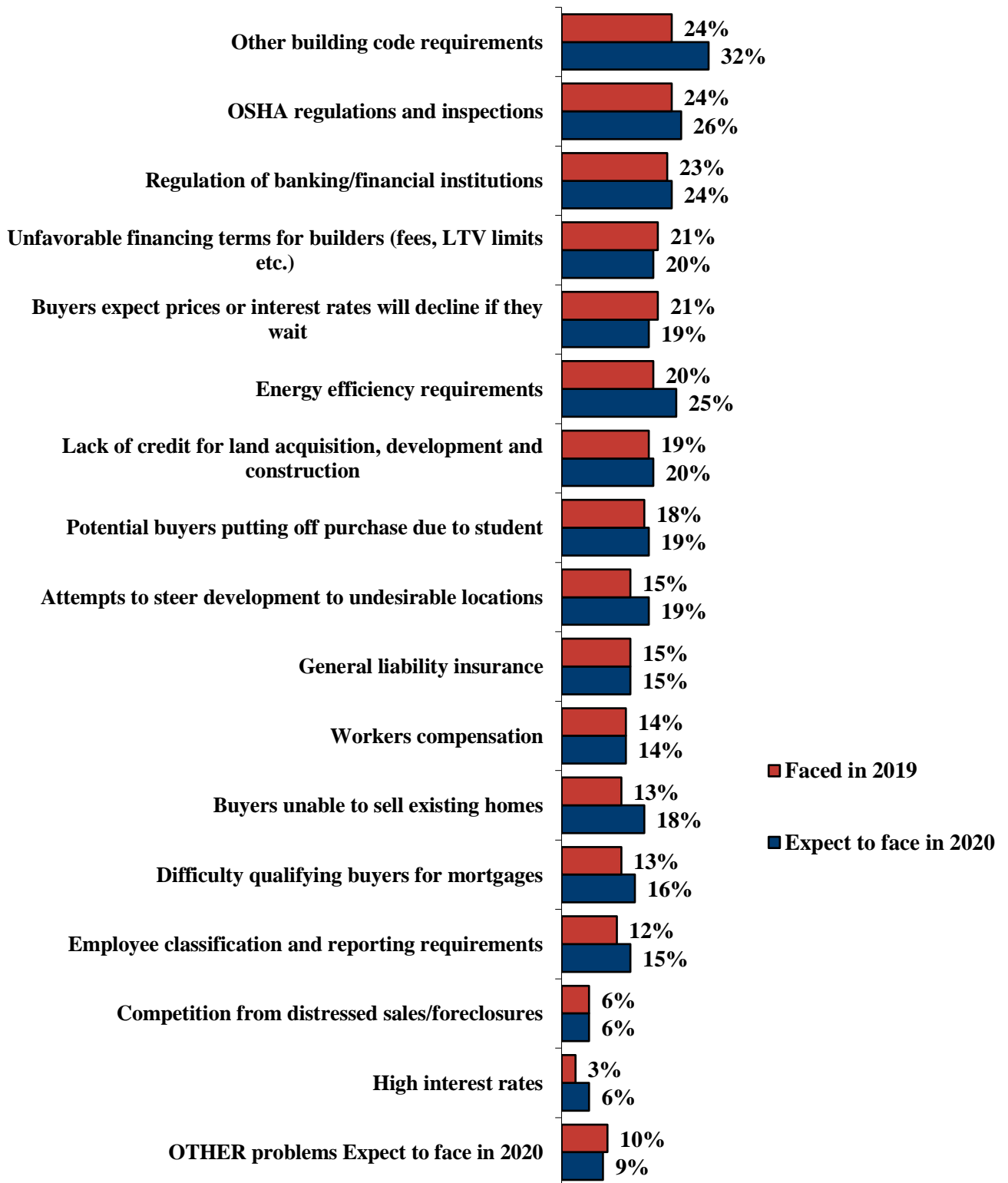
In addition to the questions that provide the data needed to compute the HMI, the survey often also includes a set of “special” questions on a topic of current interest to the housing industry. The special questions for this month cover issues relating to the most significant problems faced by builders during 2019, and problems they expect to face during 2020. The results in this report are based on 332 responses.

**What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020?**

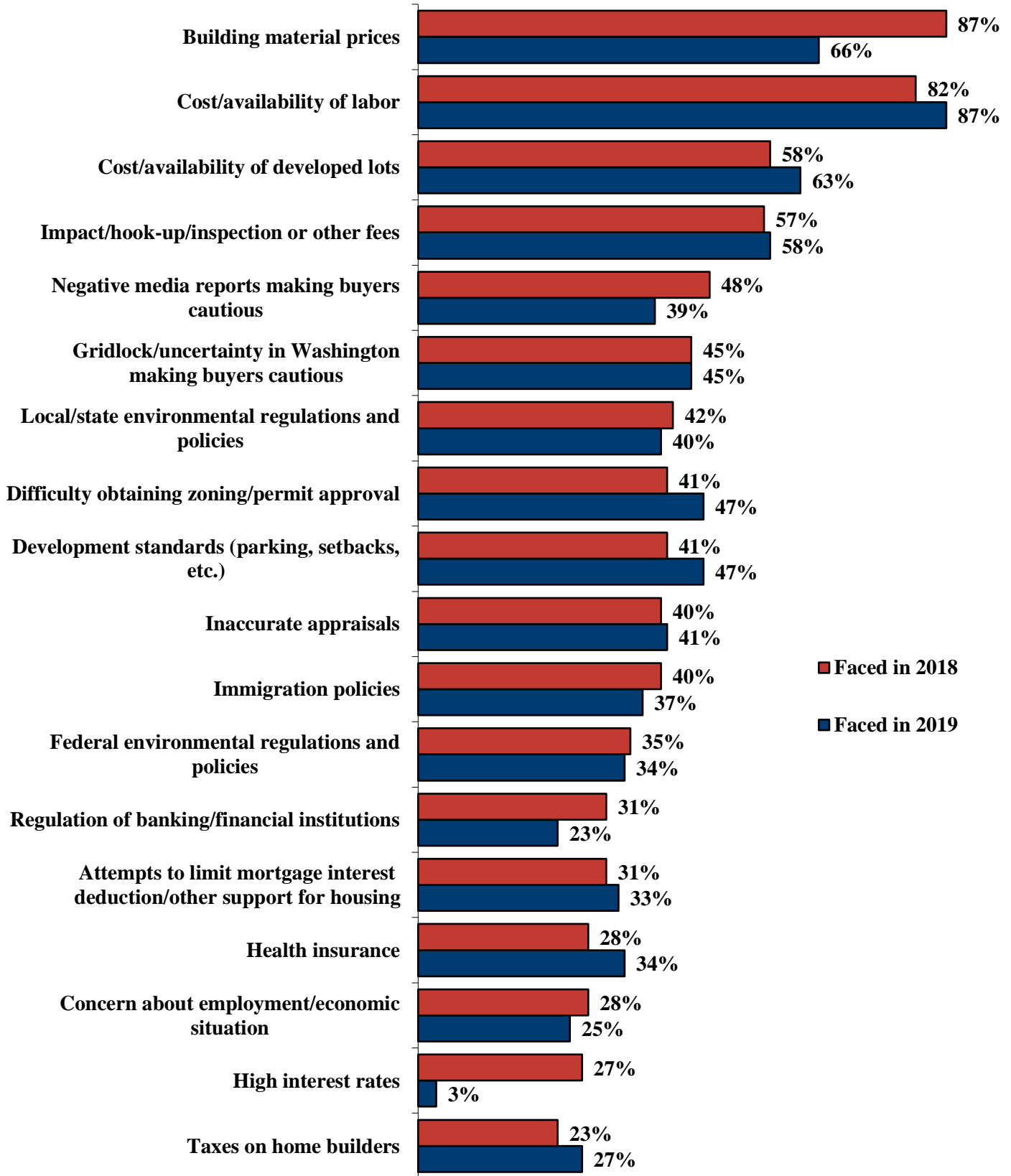
**(Percent of Respondents)**



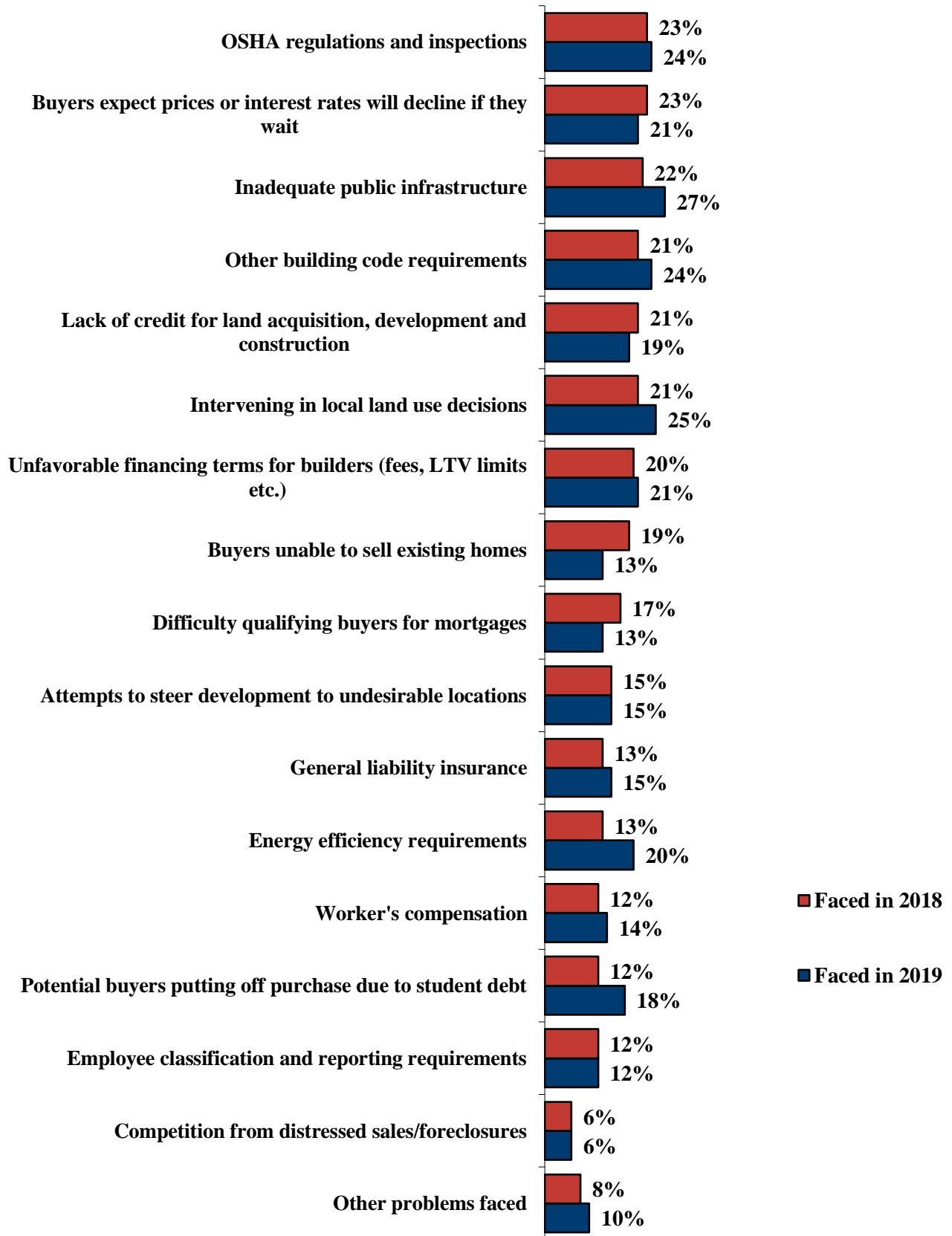
**What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020? - *continued***  
**(Percent of Respondents)**



**Most significant problems FACED by builders during 2018 vs. 2019  
(Percent of Respondents)**



**Most significant problems FACED by builders during 2018 vs. 2019 - *continued***  
**(Percent of Respondents)**



**Most significant problems Builders Faced and Expect to Face - HISTORY**  
(Percent of Respondents)

	<i>January 2012</i>		<i>January 2013</i>		<i>January 2014</i>		<i>January 2015</i>		<i>January 2016</i>		<i>December 2016</i>		<i>December 2017</i>		<i>January 2019</i>		<i>December 2019</i>	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect in 2015</i>	<i>Faced in 2015</i>	<i>Expect in 2016</i>	<i>Faced in 2016</i>	<i>Expect in 2017</i>	<i>Faced in 2017</i>	<i>Expect in 2018</i>	<i>Faced in 2018</i>	<i>Expect in 2019</i>	<i>Faced in 2019</i>	<i>Expect in 2020</i>
<b>BUILDER COSTS</b>																		
<b>Building material prices</b>	33	62	46	76	68	81	58	66	42	56	48	60	77	84	87	69	66	66
<b>Cost/availability of labor</b>	13	21	30	51	53	65	61	68	71	76	78	82	82	84	82	82	87	85
<b>Cost/availability of developed lots</b>	21	30	34	48	46	55	55	57	58	59	60	67	58	62	58	63	63	66
<b>Energy efficiency requirements</b>	29	38	25	33	26	34	25	28	20	26	24	33	17	21	13	17	20	25
<b>Other building code requirements</b>	33	39	27	33	31	36	30	37	28	32	32	35	23	29	21	25	24	32
<b>Workers compensation</b>	22	23	18	20	19	22	18	18	17	18	18	20	12	13	12	12	14	14
<b>General liability insurance</b>	25	26	20	24	19	21	21	22	18	19	23	25	14	15	13	14	15	15
<b>Health insurance</b>	37	43	30	42	33	48	34	39	34	39	42	40	37	40	28	28	34	36



**Most significant problems Builders Faced and Expect to Face – HISTORY**  
**(Percent of Respondents) – continued**

	<i>January 2012</i>		<i>January 2013</i>		<i>January 2014</i>		<i>January 2015</i>		<i>January 2016</i>		<i>December 2016</i>		<i>December 2017</i>		<i>January 2019</i>		<i>December 2019</i>	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect in 2015</i>	<i>Faced in 2015</i>	<i>Expect in 2016</i>	<i>Faced in 2016</i>	<i>Expect in 2017</i>	<i>Faced in 2017</i>	<i>Expect in 2018</i>	<i>Faced in 2018</i>	<i>Expect in 2019</i>	<i>Faced in 2019</i>	<i>Expect in 2020</i>
<b>FINANCING PROBLEMS</b>																		
<b>High interest rates</b>	5	6	3	5	5	26	3	10	4	15	3	28	4	18	27	56	3	6
<b>Unfavorable financing terms (fees, LTV limits etc.)</b>	43	50	33	37	33	38	28	30	25	26	28	28	23	25	20	24	21	20
<b>Difficulty qualifying buyers for mortgages</b>	69	69	57	58	46	48	46	43	33	35	26	29	17	21	17	26	13	16
<b>Lack of credit for land acquisition, development and construction</b>	42	48	42	47	36	36	37	36	26	26	27	28	23	26	21	21	19	20
<b>Inaccurate appraisals</b>	69	66	68	59	58	50	58	50	52	48	49	46	47	42	40	37	41	40

**Most significant problems Builders Faced and Expect to Face - HISTORY**  
**(Percent of Respondents) – continued**

	January 2012		January 2013		January 2014		January 2015		January 2016		December 2016		December 2017		January 2019		December 2019	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect in 2015</i>	<i>Faced in 2015</i>	<i>Expect in 2016</i>	<i>Faced in 2016</i>	<i>Expect in 2017</i>	<i>Faced in 2017</i>	<i>Expect in 2018</i>	<i>Faced in 2018</i>	<i>Expect in 2019</i>	<i>Faced in 2019</i>	<i>Expect in 2020</i>
<b>PROBLEMS ATTRACTING BUYERS</b>																		
<b>Buyers unable to sell existing homes</b>	83	77	60	44	42	32	42	40	27	26	20	19	15	17	19	24	13	18
<b>Concern about employment/economic situation</b>	79	73	71	69	60	60	51	54	47	55	44	39	25	27	28	46	25	32
<b>Competition from distressed sales/foreclosures</b>	72	70	54	39	40	23	32	19	21	14	15	10	11	8	6	7	6	6
<b>Buyers expect prices or interest rates will decline if they wait</b>	35	27	20	13	16	14	16	15	13	11	12	12	13	11	23	31	21	19
<b>Negative media reports making buyers cautious</b>	63	56	47	37	31	29	26	30	28	35	25	30	22	28	48	62	39	44
<b>Gridlock/uncertainty in Washington making buyers cautious</b>	68	72	67	70	65	62	48	45	46	53	50	26	39	42	45	53	45	56
<b>Potential buyers putting off purchase due to student debt</b>	na	na	na	na	na	na	na	na	na	na	19	18	17	19	12	12	18	19

**Most significant problems Builders Faced and Expect to Face - HISTORY**  
**(Percent of Respondents) – continued**

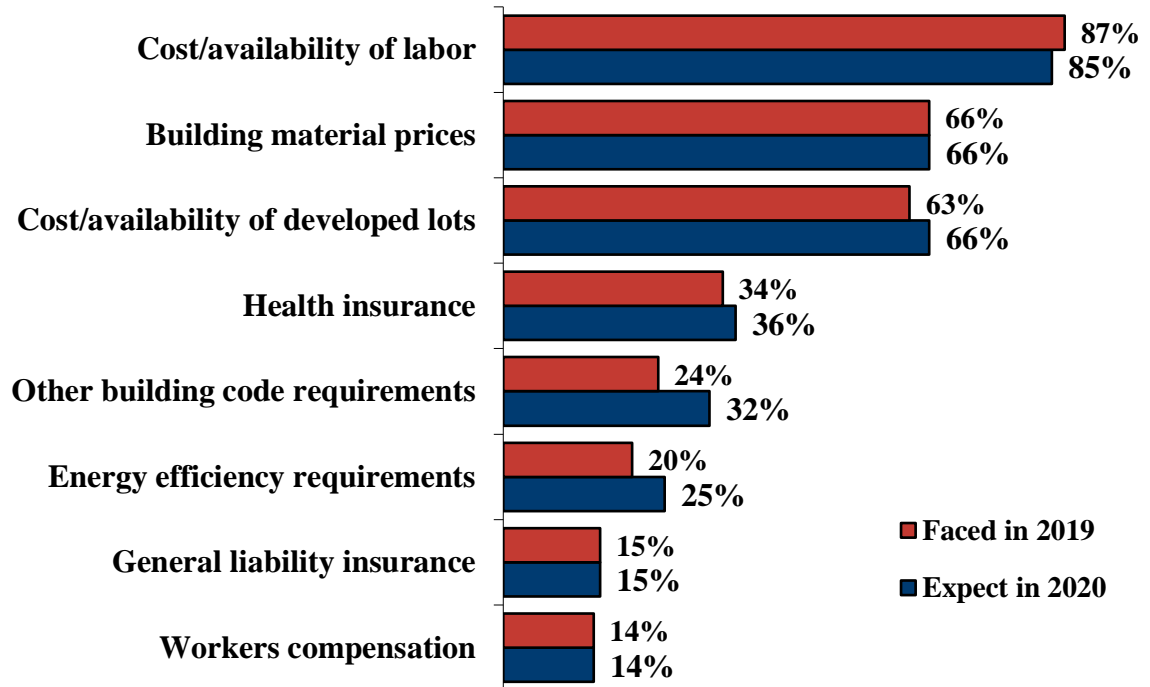
	<i>January 2012</i>		<i>January 2013</i>		<i>January 2014</i>		<i>January 2015</i>		<i>January 2016</i>		<i>December 2016</i>		<i>December 2017</i>		<i>January 2019</i>		<i>December 2019</i>	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect in 2015</i>	<i>Faced in 2015</i>	<i>Expect in 2016</i>	<i>Faced in 2016</i>	<i>Expect in 2017</i>	<i>Faced in 2017</i>	<i>Expect in 2018</i>	<i>Faced in 2018</i>	<i>Expect in 2019</i>	<i>Faced in 2019</i>	<i>Expect in 2020</i>
<b>FEDERAL GOVERNMENT POLICIES</b>																		
<b>Federal environmental regulations and policies</b>	47	53	43	49	46	54	53	57	55	57	58	52	44	42	35	38	34	36
<b>OSHA regulations and inspections</b>	40	47	34	42	39	43	34	38	36	41	39	39	31	33	23	23	24	26
<b>Regulation of banking/financial institutions</b>	77	78	70	69	63	67	62	61	53	53	55	48	38	36	31	33	23	24
<b>Attempts to limit mortgage interest deduction/ other support for housing</b>	42	60	35	55	37	50	31	40	23	32	21	30	31	49	31	38	33	36
<b>Taxes on home builders</b>	27	33	22	36	26	31	29	33	22	26	32	30	29	29	23	26	27	32
<b>Employee classification and reporting requirements</b>	17	21	12	18	16	21	13	15	19	23	24	24	12	14	12	15	12	15
<b>Immigration policies</b>	15	19	12	16	17	22	24	30	25	30	22	33	34	41	40	46	37	39
<b>Intervening in local land use decisions</b>	18	24	19	24	26	29	27	30	25	28	28	26	20	21	21	20	25	28

**Most significant problems Builders Faced and Expect to Face - HISTORY**  
**(Percent of Respondents) – continued**

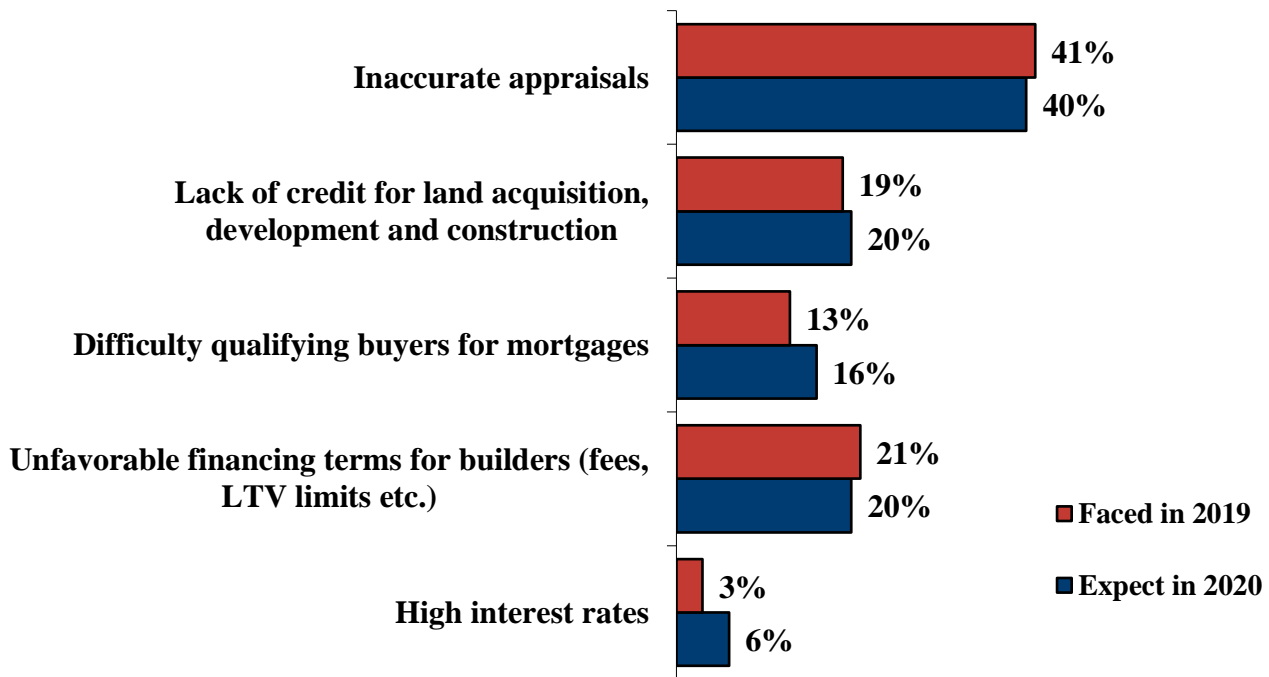
	<i>January 2012</i>		<i>January 2013</i>		<i>January 2014</i>		<i>January 2015</i>		<i>January 2016</i>		<i>December 2016</i>		<i>December 2017</i>		<i>January 2019</i>		<i>December 2019</i>	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect in 2015</i>	<i>Faced in 2015</i>	<i>Expect in 2016</i>	<i>Faced in 2016</i>	<i>Expect in 2017</i>	<i>Faced in 2017</i>	<i>Expect in 2018</i>	<i>Faced in 2018</i>	<i>Expect in 2019</i>	<i>Faced in 2019</i>	<i>Expect in 2020</i>
<b>LOCAL LAND USE POLICIES</b>																		
<b>Impact/hook-up/inspection or other fees</b>	48	52	40	47	46	52	52	55	53	55	60	61	57	60	57	61	58	60
<b>Inadequate public infrastructure</b>	11	13	12	16	18	24	22	26	24	25	23	29	26	29	22	26	27	30
<b>Difficulty obtaining zoning/permit approval</b>	21	23	22	29	33	38	32	39	32	37	36	40	40	42	41	45	47	48
<b>Local/state environmental regulations and policies</b>	41	47	39	45	47	49	45	49	44	49	52	52	40	45	42	47	40	45
<b>Attempts to steer development to undesirable locations</b>	10	14	11	16	13	18	16	19	15	18	14	18	13	16	15	18	15	19
<b>Development standards (parking, setbacks, etc.)</b>	26	29	25	28	32	36	34	35	33	34	45	47	38	38	41	44	47	50
<b>OTHER PROBLEMS</b>	7	5	8	9	9	13	9	10	5	5	9	11	8	8	8	8	10	9

What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020? – BY CATEGORY  
(Percent of Respondents)

**BUILDER COSTS**

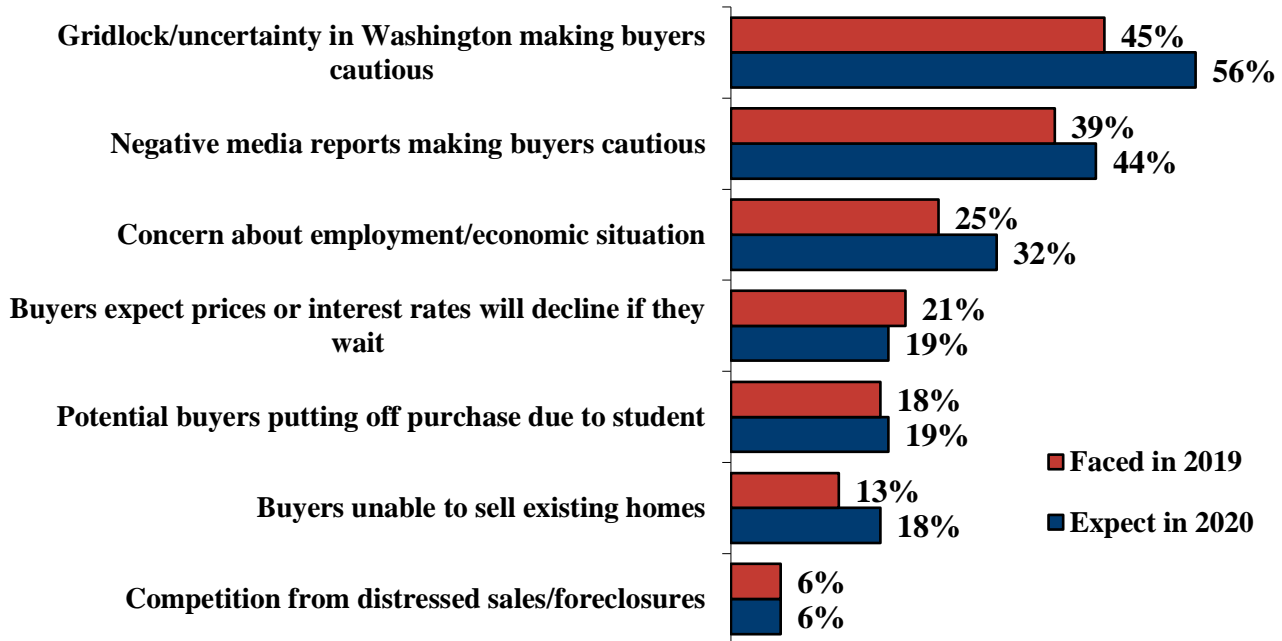


**FINANCING PROBLEMS**

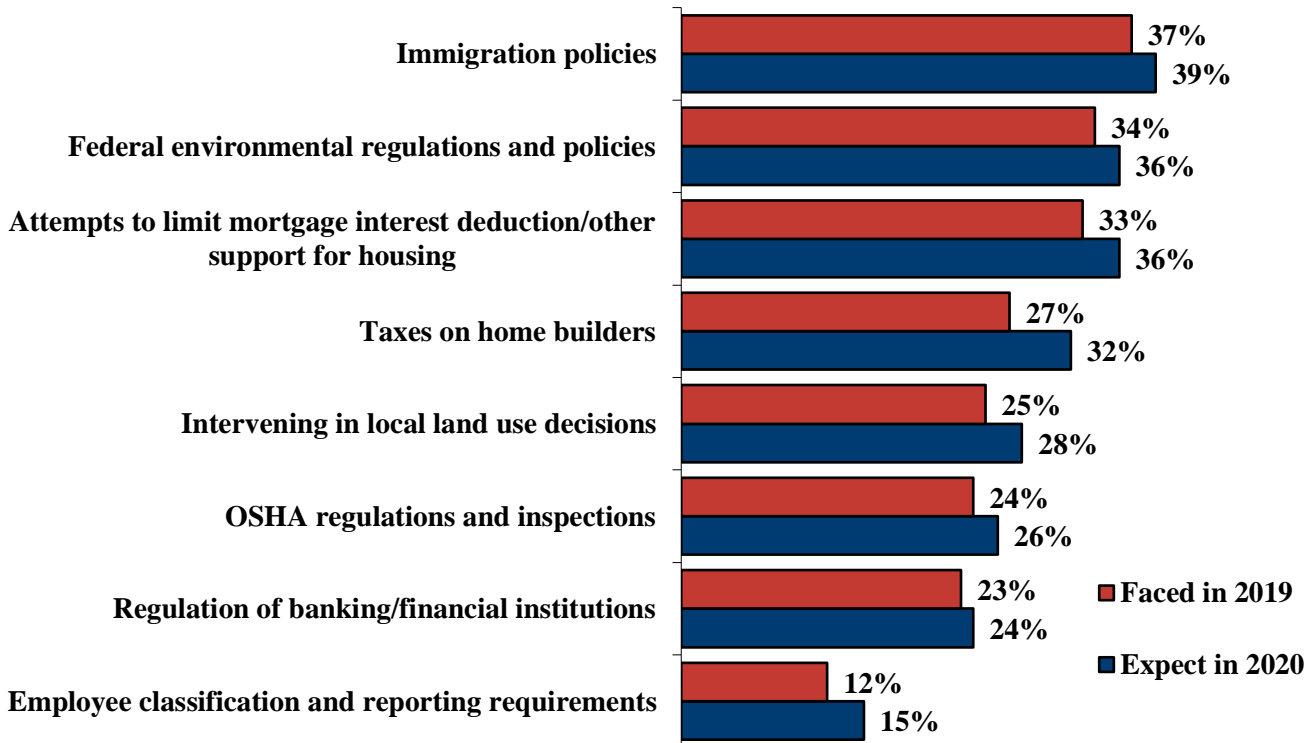


What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020? – By Category (*continued*)  
 (Percent of Respondents)

**PROBLEMS ATTRACTING BUYERS**

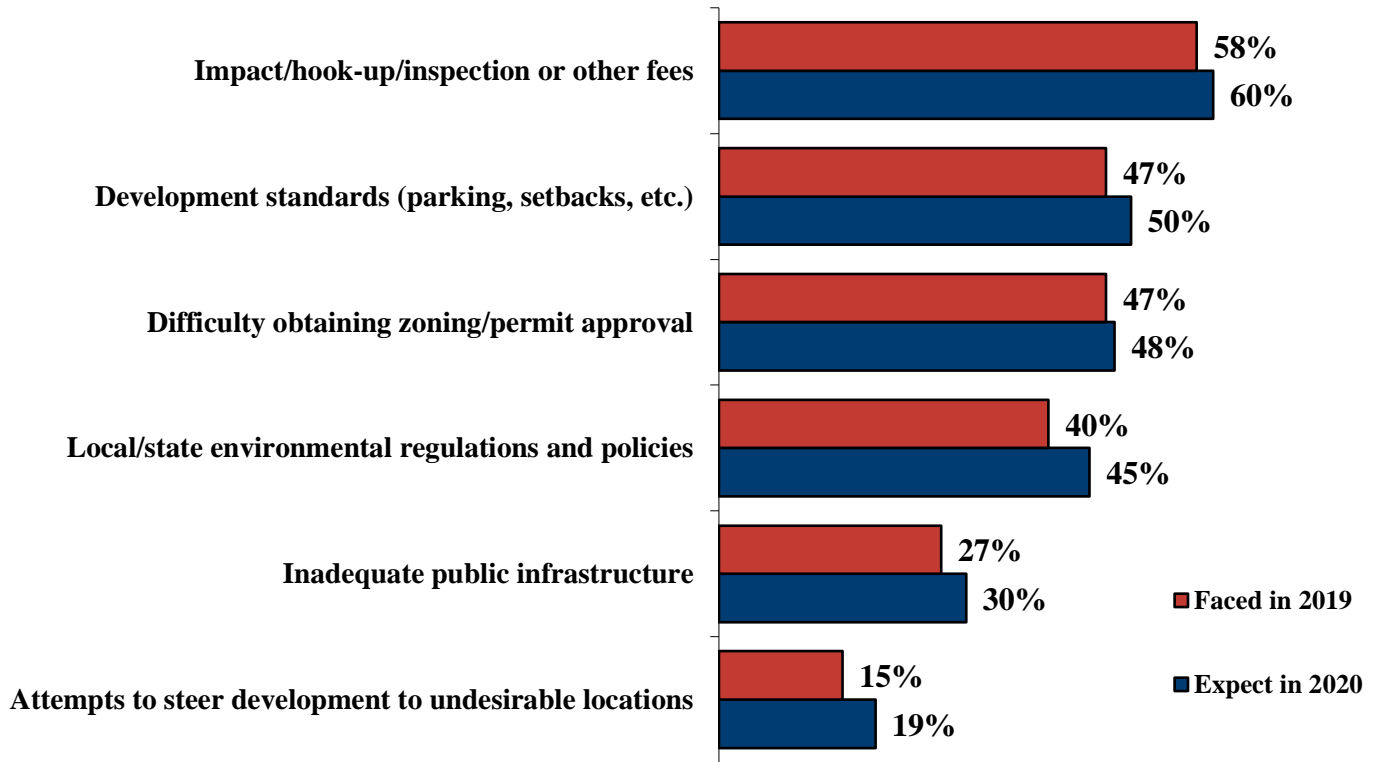


**FEDERAL GOVERNMENT POLICIES**



What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020? – By Category (*continued*)  
 (Percent of Respondents)

**LOCAL LAND USE POLICIES**



## **Detailed Tables**



**Q1. What, in your opinion, were the most significant problems FACED by builders during 2019?  
(Percent of Respondents)**

	Total	Region				Total Number of Units Started during 2018			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
<b>BUILDER COSTS</b>									
Building material prices	66	61	64	67	68	58	70	70	65
Cost/availability of labor	87	74	93	84	89	86	88	83	78
Cost/availability of developed lots	63	61	55	69	63	59	66	66	78
Energy efficiency requirements	20	36	22	13	25	18	16	32	16
Other building code requirements	24	29	24	20	33	22	24	28	30
Worker's compensation	14	26	19	10	7	18	11	11	0
General liability insurance	15	23	16	13	14	18	14	9	3
Health insurance	34	45	41	31	25	31	36	30	38
<b>FINANCING PROBLEMS</b>									
High interest rates	3	10	5	0	4	3	3	4	0
Unfavorable financing terms for builders (fees, LTV limits etc.)	21	26	23	19	21	22	25	23	3
Difficulty qualifying buyers for mortgages	13	10	13	14	11	17	8	6	22
Lack of credit for land acquisition, development and construction	19	26	19	16	23	19	22	25	11
Inaccurate appraisals	41	42	42	46	25	43	40	32	35
<b>PROBLEMS ATTRACTING BUYERS</b>									
Buyers unable to sell existing homes	13	19	16	13	5	20	10	9	8
Concern about employment/economic situation	25	26	33	22	19	25	30	25	27
Competition from distressed sales/foreclosures	6	13	8	5	2	10	6	4	0
Buyers expect prices or interest rates will decline if they wait	21	19	27	13	33	19	21	23	22
Negative media reports making buyers cautious	39	35	40	38	40	38	33	45	57
Gridlock/uncertainty in Washington making buyers cautious	45	48	49	46	33	48	49	42	46
Potential buyers putting off purchase due to student debt	18	26	17	14	25	14	17	28	32

*Q1. What, in your opinion, were the most significant problems **FACED** by builders during 2019?  
(Percent of Respondents) - continued*

	Total	Region				Total Number of Units Started during 2018			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
<b>FEDERAL GOVERNMENT POLICIES</b>									
Federal environmental regulations and policies	34	42	32	33	37	28	30	51	43
OSHA regulations and inspections	24	26	22	26	21	25	19	19	41
Regulation of banking/financial institutions	23	32	26	17	30	20	26	21	19
Attempts to limit mortgage interest deduction/other support for housing	33	48	31	29	37	30	33	36	35
Taxes on home builders	27	29	28	24	30	26	28	23	27
Employee classification and reporting requirements	12	13	16	10	11	15	11	9	8
Immigration policies	37	29	34	46	25	48	33	40	46
Intervening in local land use decisions	25	29	26	26	21	20	25	30	38
<b>LOCAL LAND USE POLICIES</b>									
Impact/hook-up/inspection or other fees	58	55	49	57	74	56	56	62	73
Inadequate public infrastructure	27	32	15	35	19	22	25	25	49
Difficulty obtaining zoning/permit approval	47	52	35	45	67	41	46	53	68
Local/state environmental regulations and policies	40	52	31	37	56	33	41	42	65
Attempts to steer development to undesirable locations	15	13	14	18	11	14	18	21	22
Development standards (parking, setbacks, etc.)	47	52	43	46	56	35	48	51	65
<b>OTHER problems Faced in 2019</b>	10	10	13	7	12	8	8	15	11
<b>Responses</b>	323	31	88	147	57	88	96	53	37

*Q1. What, in your opinion, are problems you EXPECT to be most significant during 2020?  
(Percent of Respondents)*

	Total	Region				Total Number of Units Started during 2018			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
<b>BUILDER COSTS</b>									
Building material prices	66	68	70	65	60	60	68	75	57
Cost/availability of labor	85	81	91	83	84	88	81	81	78
Cost/availability of developed lots	66	58	59	71	70	61	68	70	73
Energy efficiency requirements	25	36	28	16	37	20	24	38	24
Other building code requirements	32	45	33	25	42	27	32	42	38
Workers compensation	14	23	22	12	5	17	13	13	3
General liability insurance	15	23	16	13	18	16	15	13	5
Health insurance	36	48	42	31	30	30	42	32	38
<b>FINANCING PROBLEMS</b>									
High interest rates	6	10	8	3	7	3	4	9	8
Unfavorable financing terms for builders (fees, LTV limits etc.)	20	29	20	16	23	23	21	21	8
Difficulty qualifying buyers for mortgages	16	13	18	16	16	23	8	6	30
Lack of credit for land acquisition, development and construction	20	26	20	16	28	19	20	26	19
Inaccurate appraisals	40	39	39	44	30	38	44	30	41
<b>PROBLEMS ATTRACTING BUYERS</b>									
Buyers unable to sell existing homes	18	19	22	18	11	24	16	17	19
Concern about employment/economic situation	32	36	38	29	32	25	41	36	38
Competition from distressed sales/foreclosures	6	6	8	6	4	11	5	2	0
Buyers expect prices or interest rates will decline if they wait	19	19	25	10	30	20	18	13	19
Negative media reports making buyers cautious	44	45	45	40	49	41	40	49	57
Gridlock/uncertainty in Washington making buyers cautious	56	61	56	60	44	51	55	58	70
Potential buyers putting off purchase due to student	19	26	19	16	25	15	17	28	35

*Q1. What, in your opinion, are problems you EXPECT to be most significant during 2020?*

*(Percent of Respondents) - continued*

	Total	Region				Total Number of Units Started during 2018			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
<b>FEDERAL GOVERNMENT POLICIES</b>									
Federal environmental regulations and policies	36	39	38	34	35	30	30	51	46
OSHA regulations and inspections	26	26	24	28	25	26	19	23	43
Regulation of banking/financial institutions	24	39	30	18	25	22	24	25	22
Attempts to limit mortgage interest deduction/other support for housing	36	52	38	30	39	34	34	36	38
Taxes on home builders	32	39	34	27	35	31	31	30	30
Employee classification and reporting requirements	15	13	22	12	12	17	14	13	8
Immigration policies	39	35	34	48	26	48	33	42	51
Intervening in local land use decisions	28	29	26	32	21	24	30	30	41
<b>LOCAL LAND USE POLICIES</b>									
Impact/hook-up/inspection or other fees	60	58	49	61	79	60	56	66	81
Inadequate public infrastructure	30	32	16	39	28	27	29	25	57
Difficulty obtaining zoning/permit approval	48	55	36	46	67	41	46	55	68
Local/state environmental regulations and policies	45	52	36	42	60	38	46	47	68
Attempts to steer development to undesirable locations	19	16	19	21	16	22	20	21	30
Development standards (parking, setbacks, etc.)	50	52	47	46	61	38	50	51	70
<b>OTHER problems Expect to face in 2020</b>	9	13	11	5	14	7	9	15	11
<b>Responses</b>	323	31	88	147	57	88	96	53	37

**Appendix I: Survey Questionnaire: HMI Special Questions for December 2019**

**1. What, in your opinion, were the most significant problems faced by builders during 2019, and which do you expect to be most significant during 2020? *Check all that apply.***

<b>Faced in 2019</b>	<b><i>Expect in 2020</i></b>	<b>PROBLEMS</b>
		<b><i>BUILDER COSTS</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	Building material prices
<input type="checkbox"/>	<input type="checkbox"/>	Cost/availability of labor
<input type="checkbox"/>	<input type="checkbox"/>	Cost/availability of developed lots
<input type="checkbox"/>	<input type="checkbox"/>	Energy efficiency requirements
<input type="checkbox"/>	<input type="checkbox"/>	Other building code requirements
<input type="checkbox"/>	<input type="checkbox"/>	Worker's compensation
<input type="checkbox"/>	<input type="checkbox"/>	General liability insurance
<input type="checkbox"/>	<input type="checkbox"/>	Health insurance
		<b><i>FINANCING PROBLEMS</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	High interest rates
<input type="checkbox"/>	<input type="checkbox"/>	Unfavorable financing terms for builders (fees, LTV limits etc.)
<input type="checkbox"/>	<input type="checkbox"/>	Difficulty qualifying buyers for mortgages
<input type="checkbox"/>	<input type="checkbox"/>	Lack of credit for land acquisition, development and construction
<input type="checkbox"/>	<input type="checkbox"/>	Inaccurate appraisals
		<b><i>PROBLEMS ATTRACTING BUYERS</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	Buyers unable to sell existing homes
<input type="checkbox"/>	<input type="checkbox"/>	Concern about employment/economic situation
<input type="checkbox"/>	<input type="checkbox"/>	Competition from distressed sales/foreclosures
<input type="checkbox"/>	<input type="checkbox"/>	Buyers expect prices or interest rates will decline if they wait
<input type="checkbox"/>	<input type="checkbox"/>	Negative media reports making buyers cautious
<input type="checkbox"/>	<input type="checkbox"/>	Gridlock/uncertainty in Washington making buyers cautious
<input type="checkbox"/>	<input type="checkbox"/>	Potential buyers putting off purchase due to student debt
		<b><i>FEDERAL GOVERNMENT POLICIES</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	Federal environmental regulations and policies
<input type="checkbox"/>	<input type="checkbox"/>	OSHA regulations and inspections
<input type="checkbox"/>	<input type="checkbox"/>	Regulation of banking/financial institutions
<input type="checkbox"/>	<input type="checkbox"/>	Attempts to limit mortgage interest deduction/other support for housing
<input type="checkbox"/>	<input type="checkbox"/>	Taxes on home builders
<input type="checkbox"/>	<input type="checkbox"/>	Employee classification and reporting requirements
<input type="checkbox"/>	<input type="checkbox"/>	Immigration policies
<input type="checkbox"/>	<input type="checkbox"/>	Intervening in local land use decisions
		<b><i>LOCAL LAND USE POLICIES</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	Impact/hook-up/inspection or other fees
<input type="checkbox"/>	<input type="checkbox"/>	Inadequate public infrastructure
<input type="checkbox"/>	<input type="checkbox"/>	Difficulty obtaining zoning/permit approval
<input type="checkbox"/>	<input type="checkbox"/>	Local/state environmental regulations and policies
<input type="checkbox"/>	<input type="checkbox"/>	Attempts to steer development to undesirable locations
<input type="checkbox"/>	<input type="checkbox"/>	Development standards (parking, setbacks, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	<b><i>OTHER: (Specify for problems Faced in 2019):</i></b> _____
	<input type="checkbox"/>	<b><i>OTHER: (Specify for problems Expect in 2020):</i></b> _____

**THANK YOU**