



Housing Market Index

Special Questions on Significant Problems
Builders Faced in 2020 and Expect to face in
2021

December 2020

Economics & Housing Policy Group



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Introduction:

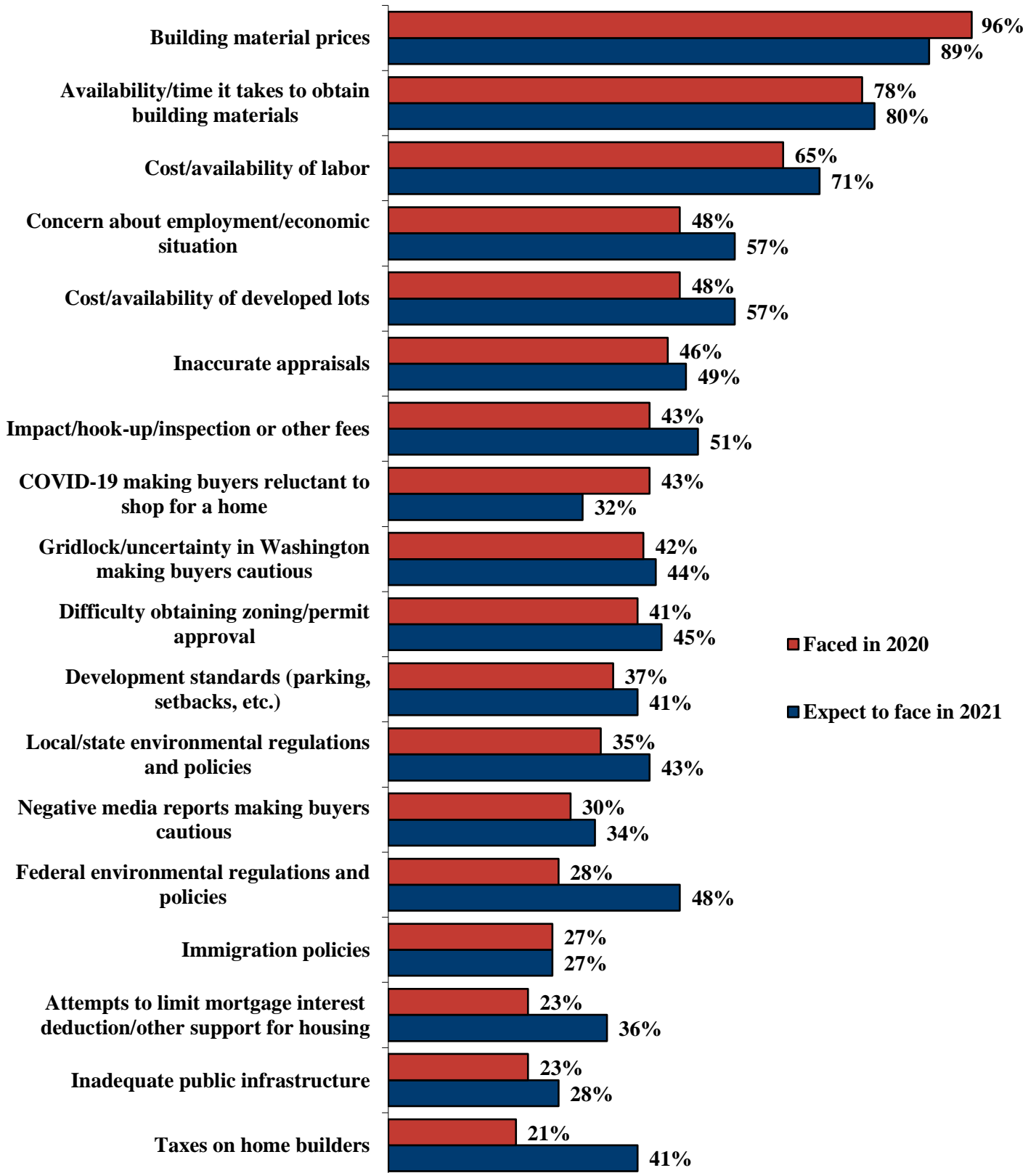
For more than 25 years, the National Association of Home Builders (NAHB) has conducted a monthly survey of its builder members that is used to generate the NAHB/Wells Fargo Housing Market Index (HMI). The main section of the HMI survey asks builders to rate market conditions for the sale of new homes 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 2,900 builder members. Results are broken down by the four census regions and by total number of units started in 2019. The survey sample is refreshed annually to keep the panel consistent overtime.

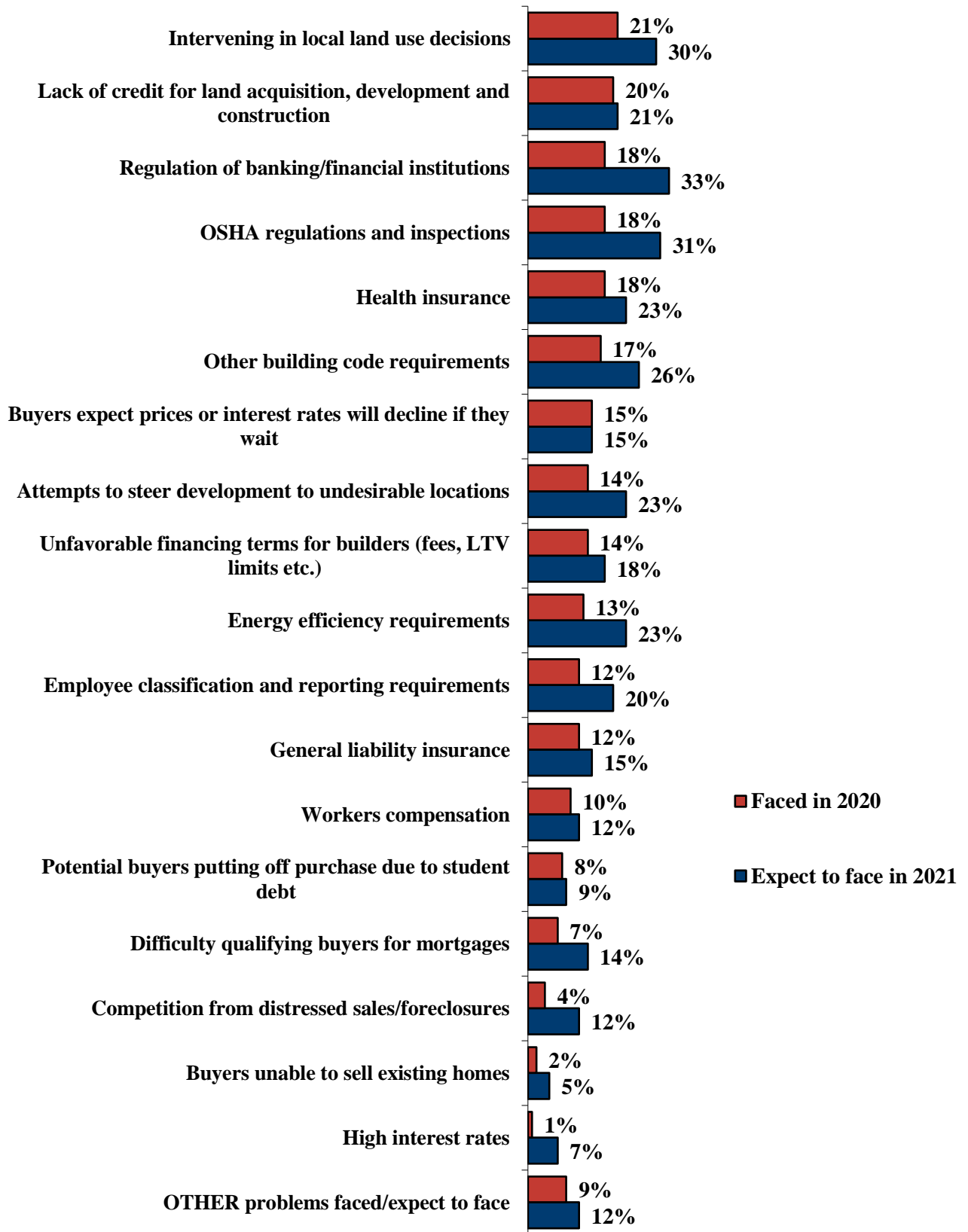
In addition to the questions that provide the data needed to compute the HMI, the survey often also includes a set of “special” questions on a topic of current interest to the housing industry. The special questions for this month cover issues relating to the most significant problems faced by builders during 2020, and problems they expect to face during 2021. The results in this report are based on 385 responses.

What, in your opinion, were the most significant problems faced by builders during 2020, and which do you expect to be most significant during 2021?

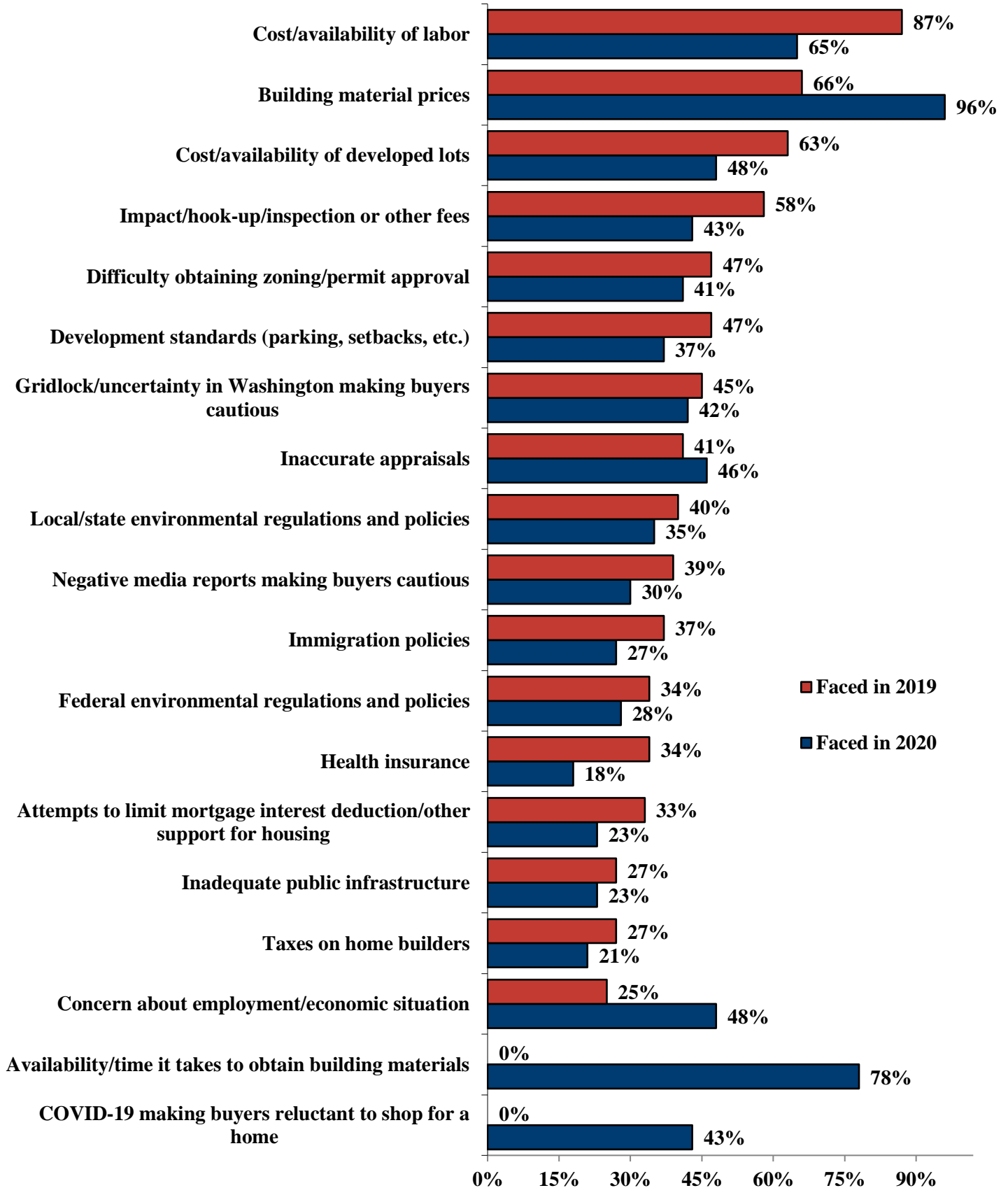
(Percent of Respondents)



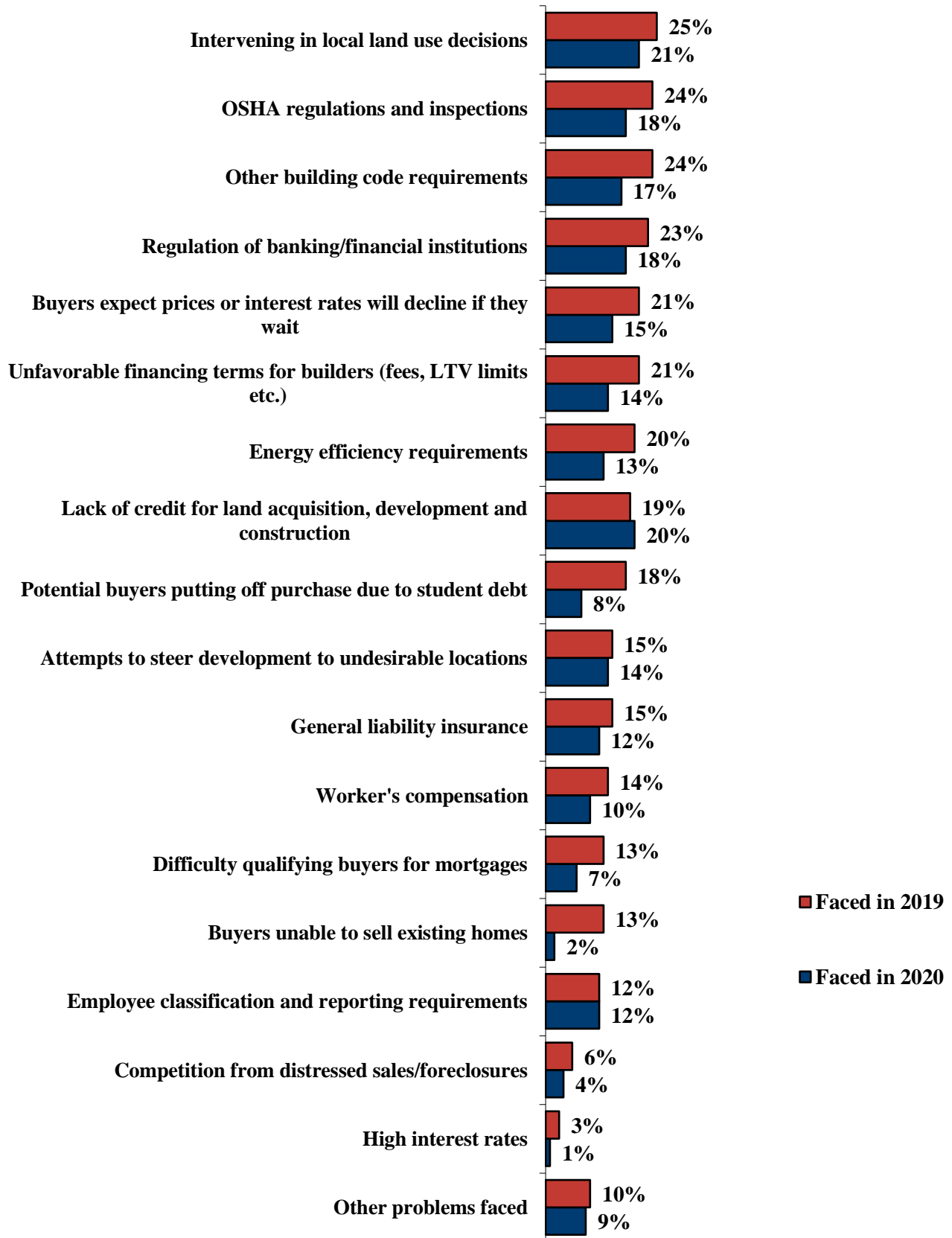
3. What, in your opinion, were the most significant problems faced by builders during 2020, and which do you expect to be most significant during 2021? - *continued*
(Percent of Respondents)



**Most significant problems FACED by builders during 2019 vs. 2020
(Percent of Respondents)**



Most significant problems FACED by builders during 2019 vs. 2020 - *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>December 2020</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>	<i>Faced in 2020</i>	<i>Expect in 2021</i>
BUILDER COSTS																				
Building material prices	33	62	46	76	68	81	58	66	42	56	48	60	77	84	87	69	66	66	96	89
Availability/time it takes to obtain building materials	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	78	80
Cost/availability of labor	13	21	30	51	53	65	61	68	71	76	78	82	82	84	82	82	87	85	65	71
Cost/availability of developed lots	21	30	34	48	46	55	55	57	58	59	60	67	58	62	58	63	63	66	48	57
Energy efficiency requirements	29	38	25	33	26	34	25	28	20	26	24	33	17	21	13	17	20	25	13	23
Other building code requirements	33	39	27	33	31	36	30	37	28	32	32	35	23	29	21	25	24	32	17	26
Workers compensation	22	23	18	20	19	22	18	18	17	18	18	20	12	13	12	12	14	14	10	12
General liability insurance	25	26	20	24	19	21	21	22	18	19	23	25	14	15	13	14	15	15	12	15
Health insurance	37	43	30	42	33	48	34	39	34	39	42	40	37	40	28	28	34	36	18	23

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>December 2020</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>	<i>Faced in 2020</i>	<i>Expect in 2021</i>
FINANCING PROBLEMS																				
High interest rates	5	6	3	5	5	26	3	10	4	15	3	28	4	18	27	56	3	6	1	7
Unfavorable financing terms (fees, LTV limits etc.)	43	50	33	37	33	38	28	30	25	26	28	28	23	25	20	24	21	20	14	18
Difficulty qualifying buyers for mortgages	69	69	57	58	46	48	46	43	33	35	26	29	17	21	17	26	13	16	7	14
Lack of credit for land acquisition, development and construction	42	48	42	47	36	36	37	36	26	26	27	28	23	26	21	21	19	20	20	21
Inaccurate appraisals	69	66	68	59	58	50	58	50	52	48	49	46	47	42	40	37	41	40	46	49

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

	Januar-2012		January 2013		January 2014		January 2015		January 2016		December 2016		December 2017		January 2019		December 2019		December 2020	
	<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>	<i>Faced in 2020</i>	<i>Expect in 2021</i>
PROBLEMS ATTRACTING BUYERS																				
Buyers unable to sell existing homes	83	77	60	44	42	32	42	40	27	26	20	19	15	17	19	24	13	18	2	5
Concern about employment/economic situation	79	73	71	69	60	60	51	54	47	55	44	39	25	27	28	46	25	32	48	57
Competition from distressed sales/foreclosures	72	70	54	39	40	23	32	19	21	14	15	10	11	8	6	7	6	6	4	12
Buyers expect prices or interest rates will decline if they wait	35	27	20	13	16	14	16	15	13	11	12	12	13	11	23	31	21	19	15	15
Negative media reports making buyers cautious	63	56	47	37	31	29	26	30	28	35	25	30	22	28	48	62	39	44	30	34
Gridlock/uncertainty in Washington making buyers cautious	68	72	67	70	65	62	48	45	46	53	50	26	39	42	45	53	45	56	42	44
Potential buyers putting off purchase due to student debt	na	na	na	na	na	na	na	na	na	na	19	18	17	19	12	12	18	19	8	9
COVID-19 making buyers reluctant to shop for a home	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	na	43	32

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

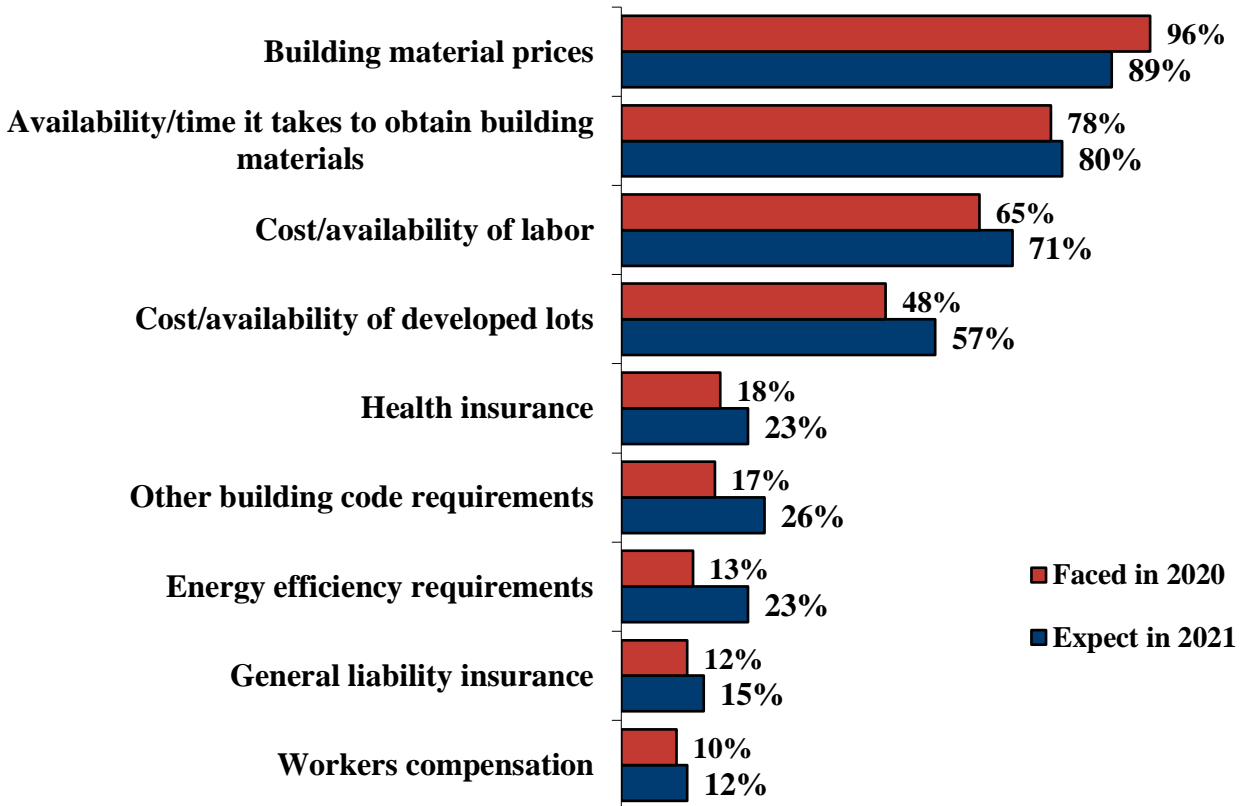
	January 2012		January 2013		January 2014		January 2015		January 2016		December 2016		December 2017		January 2019		December 2019		December 2020	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<i>Faced in 2013</i>	<i>Expect in 2014</i>	<i>Faced in 2014</i>	<i>Expect 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>	<i>Faced in 2020</i>	<i>Expect in 2021</i>
FEDERAL GOVERNMENT POLICIES																				
Federal environmental regulations and policies	47	53	43	49	46	54	53	57	55	57	58	52	44	42	35	38	34	36	28	48
OSHA regulations and inspections	40	47	34	42	39	43	34	38	36	41	39	39	31	33	23	23	24	26	18	31
Regulation of banking/financial institutions	77	78	70	69	63	67	62	61	53	53	55	48	38	36	31	33	23	24	18	33
Attempts to limit mortgage interest deduction/other support for housing	42	60	35	55	37	50	31	40	23	32	21	30	31	49	31	38	33	36	23	36
Taxes on home builders	27	33	22	36	26	31	29	33	22	26	32	30	29	29	23	26	27	32	21	41
Employee classification and reporting requirements	17	21	12	18	16	21	13	15	19	23	24	24	12	14	12	15	12	15	12	20
Immigration policies	15	19	12	16	17	22	24	30	25	30	22	33	34	41	40	46	37	39	27	27
Intervening in local land use decisions	18	24	19	24	26	29	27	30	25	28	28	26	20	21	21	20	25	28	21	30

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

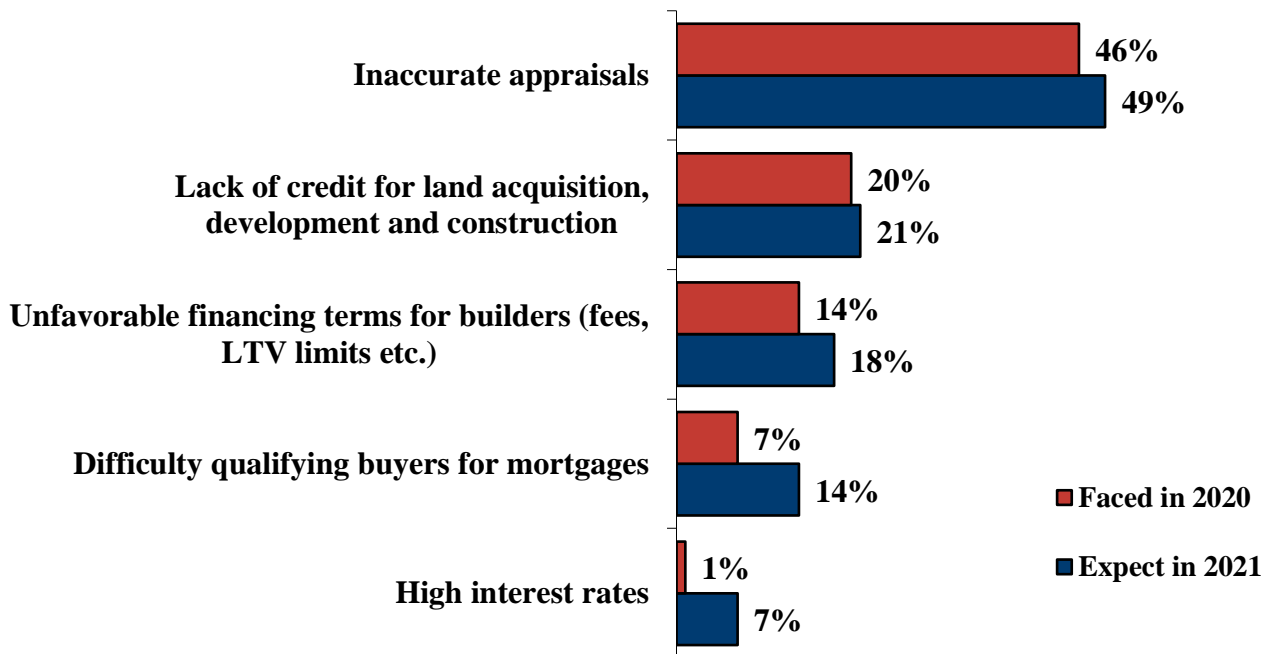
	<i>January 2012</i>		<i>January 2013</i>		<i>January 2014</i>		<i>January 2015</i>		<i>January 2016</i>		<i>December 2016</i>		<i>December 2017</i>		<i>January 2019</i>		<i>December 2019</i>		<i>December 2020</i>	
	<i>Faced in 2011</i>	<i>Expect in 2012</i>	<i>Faced in 2012</i>	<i>Expect in 2013</i>	<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>	<i>Faced in 2020</i>	<i>Expect in 2021</i>
LOCAL LAND USE POLICIES																				
Impact/hook-up/inspection or other fees	48	52	40	47	46	52	52	55	53	55	60	61	57	60	57	61	58	60	43	51
Inadequate public infrastructure	11	13	12	16	18	24	22	26	24	25	23	29	26	29	22	26	27	30	23	28
Difficulty obtaining zoning/permit approval	21	23	22	29	33	38	32	39	32	37	36	40	40	42	41	45	47	48	41	45
Local/state environmental regulations and policies	41	47	39	45	47	49	45	49	44	49	52	52	40	45	42	47	40	45	35	43
Attempts to steer development to undesirable locations	10	14	11	16	13	18	16	19	15	18	14	18	13	16	15	18	15	19	14	23
Development standards (parking, setbacks, etc.)	26	29	25	28	32	36	34	35	33	34	45	47	38	38	41	44	47	50	37	41
OTHER PROBLEMS	7	5	8	9	9	13	9	10	5	5	9	11	8	8	8	8	10	9	9	12

What, in your opinion, were the most significant problems faced by builders during 2020, and which do you expect to be most significant during 2021? – BY CATEGORY
(Percent of Respondents)

BUILDER COSTS

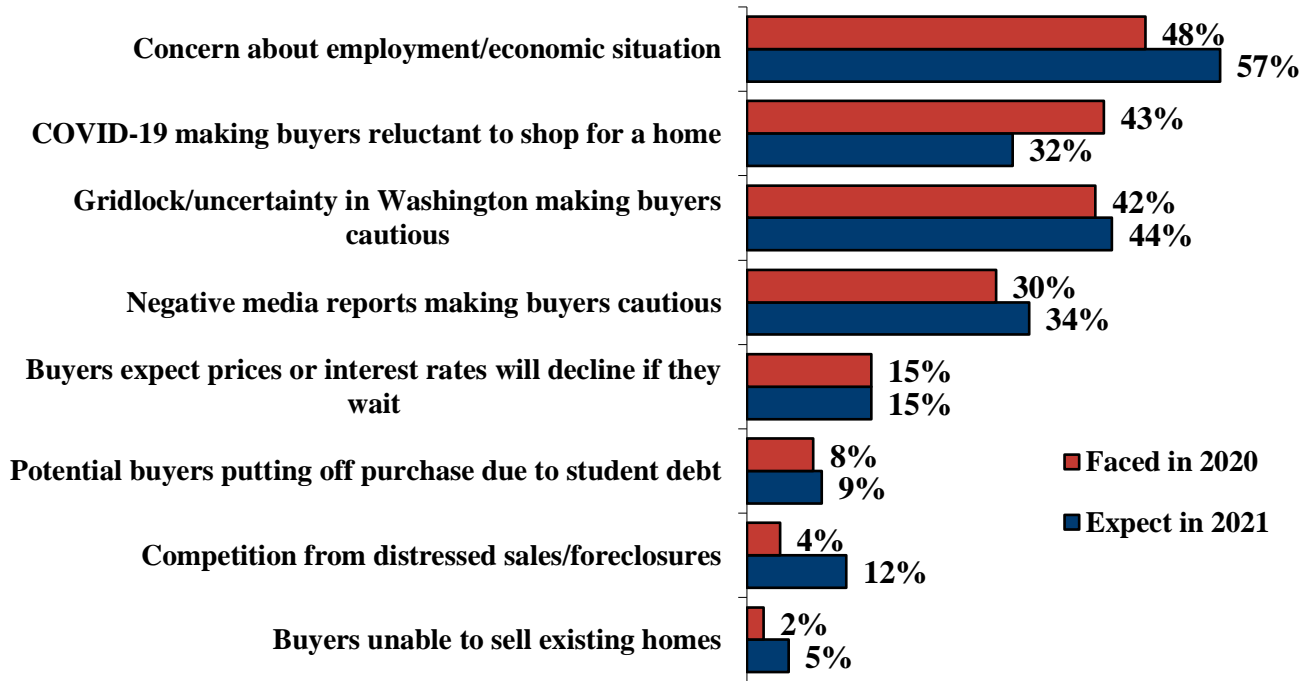


FINANCING PROBLEMS

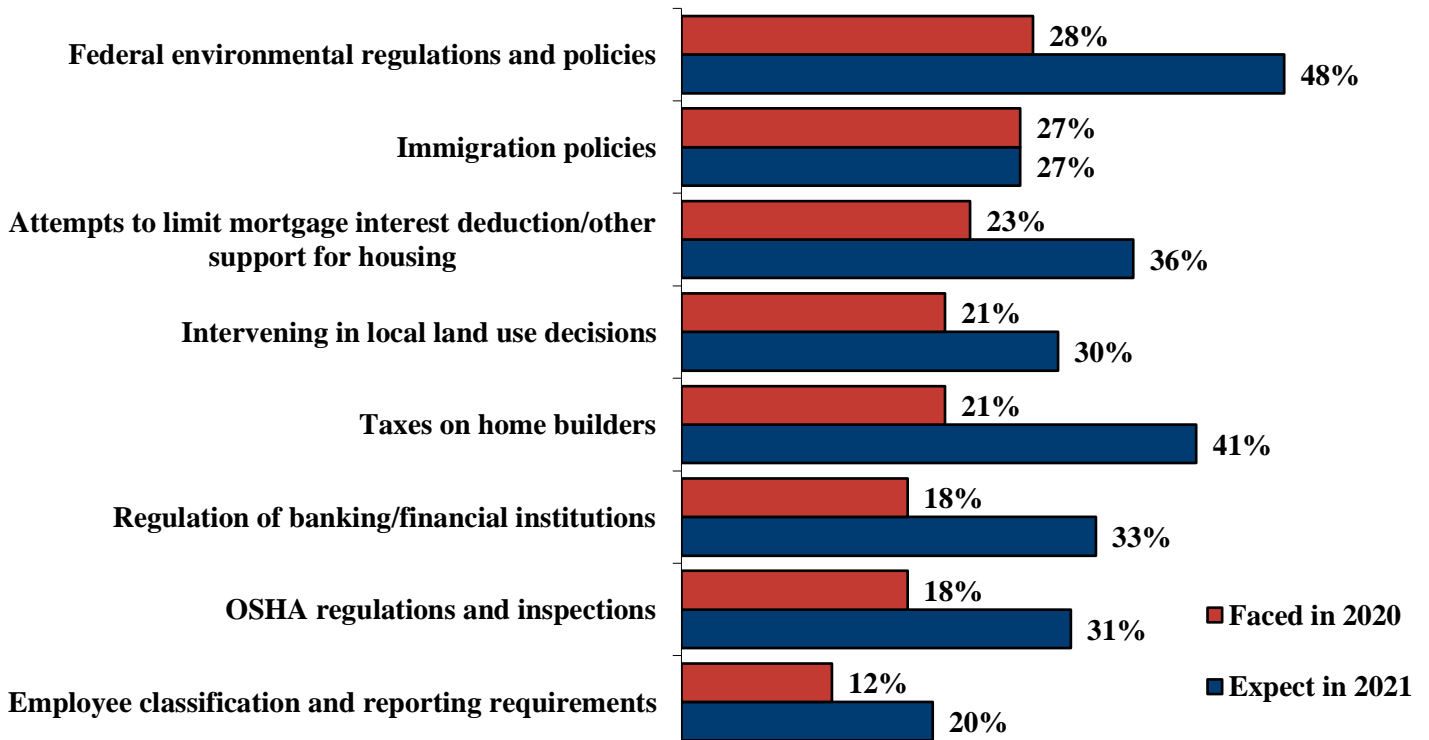


What, in your opinion, were the most significant problems faced by builders during 2020, and which do you expect to be most significant during 2021? – By Category (*continued*)
(Percent of Respondents)

PROBLEMS ATTRACTING BUYERS

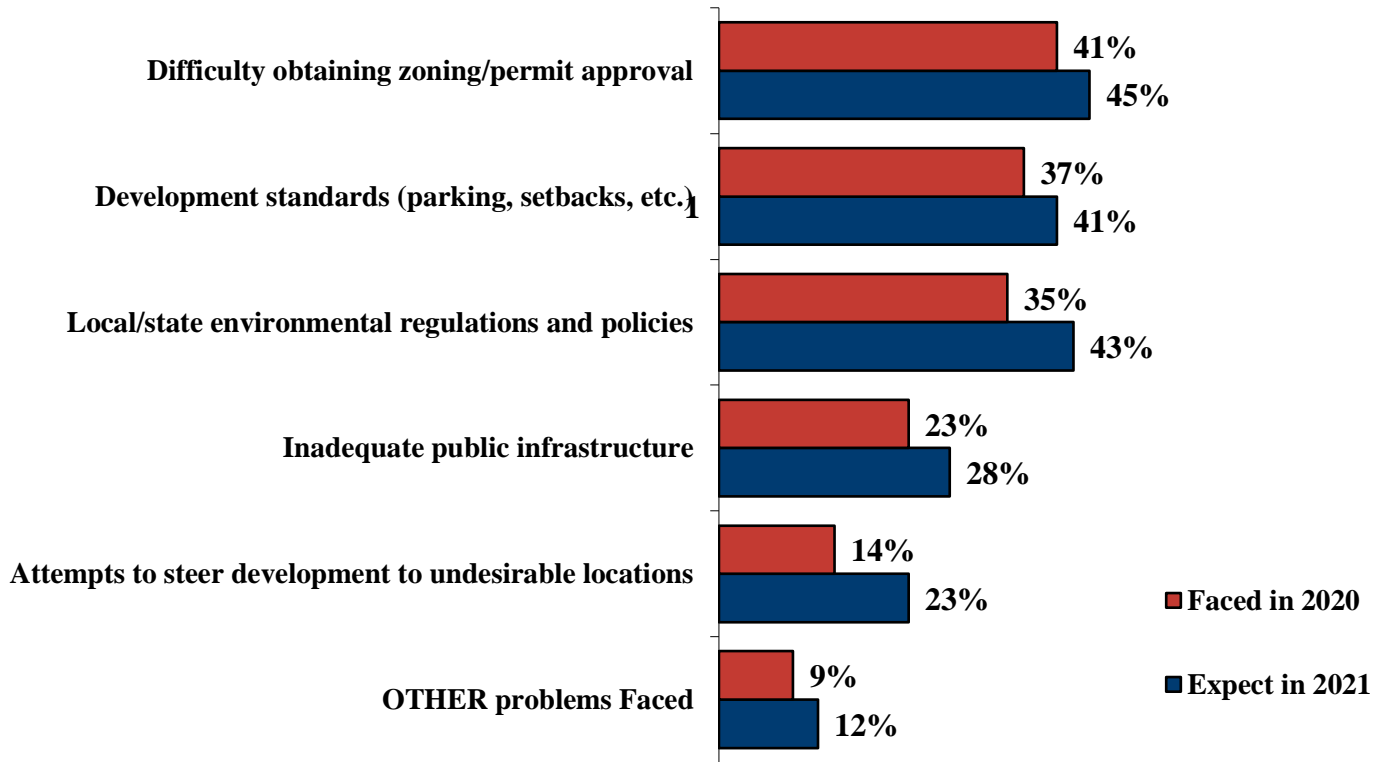


FEDERAL GOVERNMENT POLICIES



What, in your opinion, were the most significant problems faced by builders during 2020 and which do you expect to be most significant during 2021? – 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 2020?
(Percent of Respondents)**

	Total	Region				Total Number of Units Started during 2019			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
BUILDER COSTS									
Building material prices	96	94	98	96	94	96	95	98	94
Availability/time it takes to obtain building materials	78	77	84	77	70	77	84	75	71
Cost/availability of labor	65	61	74	61	67	71	64	65	49
Cost/availability of developed lots	48	52	52	45	52	47	55	47	54
Energy efficiency requirements	13	35	12	11	12	12	13	12	23
Other building code requirements	17	26	14	19	11	18	14	19	14
Worker's compensation	10	13	17	8	3	14	6	4	0
General liability insurance	12	23	15	8	11	18	11	5	3
Health insurance	18	26	20	16	17	25	22	9	6
FINANCING PROBLEMS									
High interest rates	1	6	1	1	2	2	3	0	0
Unfavorable financing terms for builders (fees, LTV limits etc.)	14	19	11	13	17	14	19	11	3
Difficulty qualifying buyers for mortgages	7	6	8	6	9	9	8	4	6
Lack of credit for land acquisition, development and construction	20	29	21	16	23	21	23	11	11
Inaccurate appraisals	46	48	43	49	36	48	40	37	49
PROBLEMS ATTRACTING BUYERS									
Buyers unable to sell existing homes	2	0	4	1	0	2	4	0	0
Concern about employment/economic situation	48	52	54	46	42	56	53	32	60
Competition from distressed sales/foreclosures	4	6	3	5	2	8	3	0	6
Buyers expect prices or interest rates will decline if they wait	15	16	17	15	12	16	16	16	3
Negative media reports making buyers cautious	30	26	34	32	20	30	34	23	23
Gridlock/uncertainty in Washington making buyers cautious	42	39	49	42	33	46	45	35	37
Potential buyers putting off purchase due to student debt	8	10	7	7	12	8	6	9	11
COVID-19 making buyers reluctant to shop for a home	43	48	58	38	35	47	40	40	46

Q1. What, in your opinion, were the most significant problems FACED by builders during 2020?
(Percent of Respondents) – *continued*

	Total	Region				Total Number of Units Started during 2019			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
FEDERAL GOVERNMENT POLICIES									
Federal environmental regulations and policies	28	26	28	29	27	33	22	39	20
OSHA regulations and inspections	18	19	20	16	18	21	14	19	9
Regulation of banking/financial institutions	18	13	18	22	11	20	22	19	17
Attempts to limit mortgage interest deduction/other support for housing	23	39	26	19	20	17	28	25	14
Taxes on home builders	21	23	14	20	35	20	24	21	23
Employee classification and reporting requirements	12	23	11	11	9	12	11	9	9
Immigration policies	27	23	20	31	30	31	24	23	46
Intervening in local land use decisions	21	32	12	20	30	16	21	19	40
LOCAL LAND USE POLICIES									
Impact/hook-up/inspection or other fees	43	39	38	41	58	49	40	46	46
Inadequate public infrastructure	23	36	10	25	32	21	15	26	37
Difficulty obtaining zoning/permit approval	41	45	26	39	64	39	45	30	51
Local/state environmental regulations and policies	35	45	30	33	44	34	33	33	51
Attempts to steer development to undesirable locations	14	13	11	14	17	14	15	16	17
Development standards (parking, setbacks, etc.)	37	39	29	38	47	30	31	46	54
OTHER problems Faced in 2020	9	13	12	8	9	10	10	11	6
Responses	379	31	92	190	66	105	97	57	35

**Q1. What, in your opinion, are problems you EXPECT to be most significant during 2021?
(Percent of Respondents)**

	Total	Region				Total Number of Units Started during 2019			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
BUILDER COSTS									
Building material prices	89	97	88	87	91	90	93	84	80
Availability/time it takes to obtain building materials	80	87	84	80	70	83	84	75	77
Cost/availability of labor	71	71	76	68	73	71	71	75	60
Cost/availability of developed lots	57	58	60	54	62	56	63	60	66
Energy efficiency requirements	23	42	17	20	30	26	20	26	31
Other building code requirements	26	26	21	31	20	28	27	26	23
Workers compensation	12	16	21	9	6	16	9	7	0
General liability insurance	15	23	20	13	12	19	16	11	0
Health insurance	23	26	26	21	23	30	26	7	9
FINANCING PROBLEMS									
High interest rates	7	6	8	6	9	10	8	7	3
Unfavorable financing terms for builders (fees, LTV limits etc.)	18	19	16	16	24	17	23	11	9
Difficulty qualifying buyers for mortgages	14	16	15	14	14	13	14	9	11
Lack of credit for land acquisition, development and construction	21	32	22	19	21	22	27	14	9
Inaccurate appraisals	49	39	51	53	41	49	46	42	57
PROBLEMS ATTRACTING BUYERS									
Buyers unable to sell existing homes	5	0	7	6	3	8	6	4	0
Concern about employment/economic situation	57	55	62	57	52	66	59	49	69
Competition from distressed sales/foreclosures	12	10	14	12	8	14	10	7	14
Buyers expect prices or interest rates will decline if they wait	15	29	15	14	12	19	14	12	6
Negative media reports making buyers cautious	34	32	39	33	30	36	34	30	26
Gridlock/uncertainty in Washington making buyers cautious	44	39	51	42	44	48	48	42	46
Potential buyers putting off purchase due to student debt	9	6	5	8	18	7	8	11	14
COVID-19 making buyers reluctant to shop for a home	32	45	43	28	23	32	35	32	23

**Q3. What, in your opinion, are problems you EXPECT to be most significant during 2021?
(Percent of Respondents) - *continued***

	Total	Region				Total Number of Units Started during 2019			
		NE	MW	S	W	5 or Fewer	6 to 24	25 to 99	100+
FEDERAL GOVERNMENT POLICIES									
Federal environmental regulations and policies	48	45	47	51	44	52	48	56	60
OSHA regulations and inspections	31	29	36	30	29	34	34	33	29
Regulation of banking/financial institutions	33	29	28	37	27	42	33	35	43
Attempts to limit mortgage interest deduction/other support for housing	36	52	38	34	30	33	37	39	29
Taxes on home builders	41	36	32	43	52	42	43	40	54
Employee classification and reporting requirements	20	29	17	23	14	27	19	19	17
Immigration policies	27	19	22	31	29	30	24	26	34
Intervening in local land use decisions	30	42	18	32	33	29	28	32	49
LOCAL LAND USE POLICIES									
Impact/hook-up/inspection or other fees	51	42	52	49	59	53	46	54	63
Inadequate public infrastructure	28	36	17	30	33	25	20	28	43
Difficulty obtaining zoning/permit approval	45	58	26	43	68	43	44	42	60
Local/state environmental regulations and policies	43	48	40	40	52	37	37	49	69
Attempts to steer development to undesirable locations	23	19	16	26	24	25	28	23	29
Development standards (parking, setbacks, etc.)	41	45	36	40	48	31	36	51	57
OTHER problems Expect to face in 2021	12	16	15	9	14	15	8	12	6
Responses	379	31	92	190	66	105	97	57	35

Appendix I: Survey Questionnaire: HMI Special Questions for December 2020

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.

Faced in 2020	<i>Expect in 2021</i>	PROBLEMS
		<i>BUILDER COSTS</i>
<input type="checkbox"/>	<input type="checkbox"/>	Building material prices
<input type="checkbox"/>	<input type="checkbox"/>	Availability/time it takes to obtain building materials
<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
		<i>FINANCING PROBLEMS</i>
<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
		<i>PROBLEMS ATTRACTING BUYERS</i>
<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
<input type="checkbox"/>	<input type="checkbox"/>	COVID-19 making buyers reluctant to shop for a home
		<i>FEDERAL GOVERNMENT POLICIES</i>
<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
		<i>LOCAL LAND USE POLICIES</i>
<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"/>	<i>OTHER: (Specify for problems Faced in 2020):</i> _____
	<input type="checkbox"/>	<i>OTHER: (Specify for problems Expect in 2021):</i> _____

THANK YOU