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(Home) Building our Way out of Crisis

Home building might be the answer to more than just the housing shortage according to some information provided by Paul Emrath, economist for the National Association of Home Builders (NAHB). He maintains that **it can also be a significant factor in rebuilding the economy once the COVID-19 crisis ends.** Emrath has updated NAHB's 2014 estimates of the economic impact that residential construction has on the U.S. economy, especially via the number of jobs it creates.

Nationally he estimates that building an average single-family home creates 2.90 full-time equivalent (FTE) jobs. **Full-time equivalency is enough work to keep one person employed for a full year.** This work generates $189,000 in wages and salaries and $110,957 in taxes.

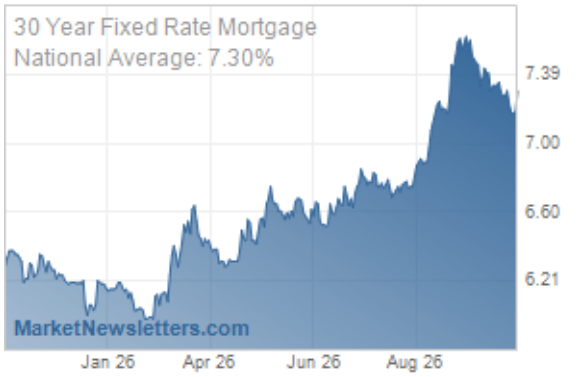
Although the majority of these jobs (FTE of 1.71) are in construction, at the national level they also include jobs in the industries that produce lumber, concrete, lighting fixtures, heating equipment, and other products that go into building or remodeling. Other jobs are created in the process of transporting, storing and selling these products and for professionals such as architects, engineers, real estate agents, lawyers, and accountants.

Income/Employment Impacts of Building a Single-family Home on the U.S. Economy

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes		Wages and Profits Combined
			Proprietors	Corporations	
All industries	**2.90**	**$188,962**	**$71,963**	**$66,656**	**$327,581**
Construction	1.71	$111,668	$45,029	$19,760	$176,457
Manufacturing	0.36	$22,197	$1,955	$18,259	$42,411
Trade, Transportation & Warehousing	0.37	$19,475	$3,097	$9,052	$31,623
Finance and insurance	0.06	$6,132	$151	$4,486	$10,768
Real estate and rental and leasing	0.02	$1,542	$8,650	$2,024	$12,216
Professional, Management, Admin. services	0.21	$16,585	$4,711	$3,148	$24,445
Other	0.18	$11,362	$8,371	$9,928	$29,661

Building an average rental unit is expected to create 1.25 FTE jobs, generate $80,300 in wages, and $55,909 in taxes. Every $100,000 spent on remodeling creates 0.75 FTE jobs, $48, 200 in wages and $29,797 in taxes. Emrath bases his projections on an average construction value of $421,000 for single-family houses and $169,000 for rental apartments.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Income/Employment Impacts of Building a Multifamily Rental Apartment

	Full Time Equivalent Jobs	Wages and Salaries	Profits Before Taxes		Wages and Profits Combined
			Proprietors	Corporations	
All industries	**1.25**	**$80,334**	**$32,189**	**$29,619**	**$142,141**
Construction	0.75	$48,660	$23,685	$10,393	$82,739
Manufacturing	0.16	$10,223	$669	$8,119	$19,011
Trade, Transportation & Warehousing	0.19	$9,671	$1,555	$4,403	$15,629
Finance and insurance	0.01	$1,583	$43	$1,197	$2,822
Real estate and rental and leasing	0.01	$516	$1,759	$894	$3,169
Professional, Management, Admin. services	0.07	$5,547	$1,345	$852	$7,745
Other	0.06	$4,135	$3,132	$3,761	$11,027

In addition to wages, **there is also an impact from profits of the proprietors and corporations.** Since two-thirds of single-family home builders subcontract out 75 percent of the work of building a home, a large share of proprietors are subcontractors. These subs are often quite small, perhaps only one-person operations and they are not included in the number of jobs created, even though they are generating income and taxes. Self-employment is even more of an issue in the real estate industry where proprietor profits are several times larger than the wages and salaries generated because most agents are classified as contractors.

The wages and salaries of workers shown in the first two tables are subject to federal, state, and sometimes local taxes. So are the profits of businesses, whether organized as proprietorships or corporations. Beyond this, many states collect sales taxes on material sold to home builders, and local jurisdictions typically charge fees for approving building permits and extending utility services.

Table 2. Impacts on Government Revenue

	Per New Single-family Home:	Per New Multi-family Rental Unit:	Per $100,000 Spent on Remodeling:
Total government revenue generated	**$129,647**	**$55,909**	**$29,797**
Federal	**$86,759**	**$37,363**	**$21,796**
Income taxes	$44,081	$18,928	$10,931
Government social insurance*	$41,270	$17,849	$10,512
Excise taxes and customs duties	$1,408	$586	$353
State and local	**$42,888**	**$18,546**	**$8,001**
Income taxes	$12,444	$5,344	$3,086
Permit, hook-up, impact, etc. fees	$15,805	$7,108	$1,250
Sales taxes	$5,458	$2,272	$1,367
Other business taxes & license fees	$9,181	$3,823	$2,299

Source: NAHB estimates, as described in the text and appendix.

In summary, home building generates jobs in industries like construction and manufacturing, jobs for highly educated professionals like engineers and financiers, and revenue to support owners of small businesses like construction trade contractors. This is an attractive mix of entities to support in a healthy national economy, especially during a period of recovery.

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Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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