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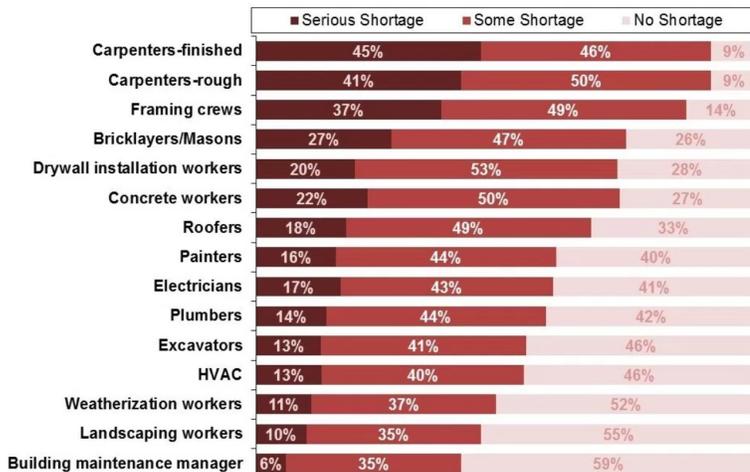
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Remodelers Say Labor Shortages are Raising Costs, Delaying Work

Home owners who have needed help from someone in the trades in the recent past will probably agree with a report from the National Association of Home Builders (NAHB) noting the **serious shortages of labor faced by remodelers**. Paul Emrath, writing in the NAHB *Eye-on-Housing* blog says 91 percent of remodelers responding to an Association survey said they had encountered shortages of labor available to perform carpentry work. Forty percent called the shortages serious.

NAHB's third quarter 2017 Remodeling Market Index (RMI) included special questions about the availability of labor in 15 specific trades. Shortages were most widespread for the three categories of carpenters, finished, rough, and framing crews, but over half of the respondents noted labor shortfalls in 12 of the 15 categories. Even the remaining three were cited by at least 40 percent of respondents as having some lack of available labor.

How NAHB Remodelers Rate the Availability of Labor
 (3rd Quarter, 2017)



Remodelers generally noted **larger shortfalls among subcontractors** than among their own employees and the order of trades by degree of severity varied, but the three carpentry trades remained at the top of both lists.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00

Freddie Mac

30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

NAHB has asked its remodeler members about labor availability since 2013, initially inquiring about 12 occupations. Emrath says many of the original 12 have followed a similar pattern since then, with percentages about perceived problems that skyrocketed between 2013 and 2014 and plateaued somewhere between 2014 and 2016, before resuming an upward, worsening trend.

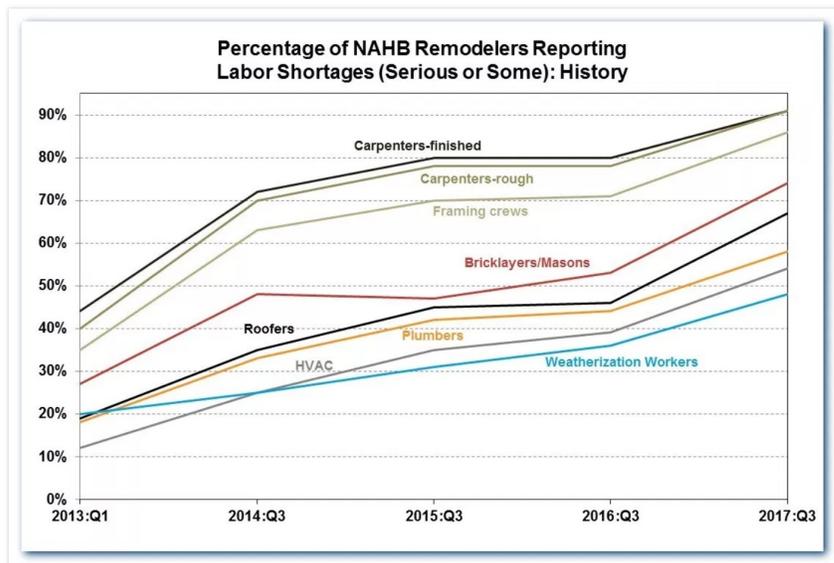
Builder Confidence

Mar

51

+6.25%

For example, the reported shortage of rough carpenters increased from 40 percent in 2013 to 78 percent in 2015, remained unchanged in 2016, but then increased again in 2017. Over the same period, the percentages for finished carpenters, framing crews and roofers followed similar-and almost perfectly parallel-trend lines. For bricklayers & masons, the incidence of shortages plateaued a year earlier, at a little under 50 percent in 2014 and 2015, but then resumed its upward trend in both 2016 and 2017.



Many of the trades that initially were perceived to have adequate supplies of labor **have now become a concern**. The share of remodelers reporting a need for more weatherization workers increased regularly from 20 percent in 2013 to 48 percent in 2017. For HVAC workers, the trend has been even steeper, climbing from being named as a problem by 12 percent of remodelers to 54 percent over the four-year period.

The bottom line is that, for every one of the 12 trades covered by NAHB's RMI survey in both years, the share of remodelers reporting a shortage jumped by more than 10 percentage points between 2016 and 2017. The most common effects of the shortages have been higher labor costs for the available help, higher prices being passed through to customers, and difficulties and delays in completing projects. These are the same effects mentioned most often by single-family builders.

Effect of Labor Shortages on Remodelers' Businesses



Emrath concludes that home owners who are thinking about substantial projects should understand that labor shortages are, in part, behind the **higher than anticipated estimates they may be receiving**. Recent increases in building material costs, especially lumber and drywall, are playing a part as well.

NAHB conducted its third-quarter 2017 RMI among over 2,000 of its remodeler members, primarily by electronic mail. The response rate was 12 percent.

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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