



**Northern
Colorado**
Home Builders Association

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February 2023

New Home Sales Up But Market Weakness Remains

While new home sales posted a modest gain in December, elevated mortgage rates and higher construction costs continue to hinder housing affordability and dampen consumer demand.

Sales of newly built,

single-family homes in December increased 2.3% to a 616,000 seasonally adjusted annual rate from a downwardly revised reading in November, according to newly released data by HUD and the U.S. Census Bureau. New home sales were down 16.4% in 2022 compared to the previous year.

A new home sale occurs when a sales contract is signed or a deposit is accepted. The home can be in any stage of construction: not yet started, under construction or completed. In addition to adjusting for seasonal effects, the December reading of 616,000 units is the



number of homes that would sell if this pace continued for the next 12 months.

New single-family home inventory remained elevated at a 9 months' supply (of varying stages of construction). A measure near a 6 months' supply is considered balanced.

The count of homes available for sale, 461,000, is up 18.5% over last year.

The median new home sale price in December was \$442,100, down 3.7% from November. But it is still up 7.8% compared to last year due to higher construction costs.

Regionally, on a year-to-year basis, new home sales fell in all four regions, down 8.2% in the Northeast, 22.1% in the Midwest, 13.0% in the South and 23.5% in the West.

\$1.2 Billion for Strict Energy Codes

The Biden administration has launched several federal initiatives to reduce greenhouse gas emissions through programs designed to encourage state and local governments to update their building energy codes.

Embedded in two recent pieces of legislation – the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022 – was \$1.2 billion in incentives specifically for states to [update their energy codes](#) for new homes.

New WOTUS Rule Muddies the Waters

The Biden administration on Dec. 30, 2022, announced [a final rule](#) that will dramatically expand the definition of "waters of the United States" (WOTUS) under the Clean Water Act (CWA). The final rule continues to rely upon a confusing theory of CWA federal jurisdiction known as the "significant nexus test" to potentially assert federal control over isolated wetlands, features that contain water only in response to rainfall events, and ephemeral streams that affect many activities.

NAHB Criticizes Biden Rental Plan

The White House on Jan. 25 announced a plan to "protect renters and promote rental affordability," but NAHB called it "the wrong strategy" to confront the nation's housing affordability crisis.

NAHB criticized [the White House plan](#) for focusing on rental protections instead of market solutions that will ease the nation's housing and rental affordability crisis by spurring production of badly needed affordable housing. NAHB believes policymakers should instead strengthen successful programs like the Low-Income Housing Tax Credit.

New Radon Rules for Some Multifamily Properties

The Federal Housing Finance Agency recently announced [enhanced radon testing requirements](#) for Fannie Mae and Freddie Mac multifamily properties with loan applications received after June 30, 2023.

The enhanced testing at Fannie and Freddie-backed multifamily properties will include: Increasing the amount of required testing from 10% of ground floor units to 25% of ground floor units; requiring an environmental professional to oversee radon testing; and requiring the environmental professional to notify tenants of radon testing.

BUILD-PAC Enjoys Success In Competitive Races

BUILD-PAC, NAHB's bipartisan fundraising arm, enjoyed real success in helping to ensure the new Congress supports pro-housing and pro-business policies.

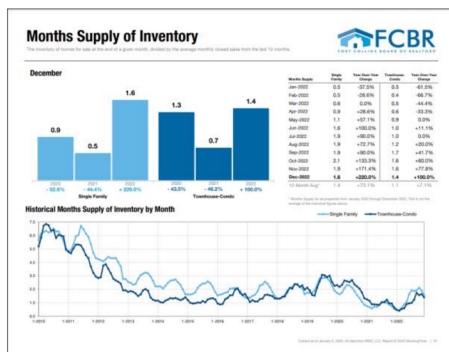
Increased investment from NAHB members allowed BUILD-PAC to disburse a total of \$2.8 million to federal candidates and committees for these elections. [BUILD-PAC contributed](#) to 376 candidates, and remained active in 100 competitive or toss-up House and Senate races. Thanks to the PAC's involvement, 92% of supported campaigns won their races on Nov. 8.

A note from our HBA Chair, Mike Welty

Gaining Market Share in an Uncertain Market

2023 is off to a fast start and the real estate market is showing some positive signs amid the current and consistent negative news cycle that we are all bombarded with each day.

According to the Fort Collins Board of Realtors, monthly supply of inventory for single family and multi-family homes was still hovering under two months' supply at the end of 2022. So even though the buyer pool has shrunk considerably because of affordability and interest rates hikes, the supply of inventory in the Northern Colorado is slowing house prices from falling off a cliff. Unlike the 2008 recession, buyers are still interested in the American dream of homeownership, and we are seeing proof that buyers are still circling the top of the sales funnel.



Website traffic to builder and realtor websites are trending up. Lead inquiry is slowing picking up from the 2022 fall season, and the buyers that are out looking for a home are taking advantage of builder incentives and price decreases. What happens over the next three months is anyone's guess. But what we can all agree on is that 2023 will be different than 2022 and we are all facing tough challenges together. Uncertainty is never kind to the housing market, but within every housing slump, there are opportunities for all of us to grow our businesses and gain market share.

The Northern Colorado HBA is here to help you gain market share in your business for your business in 2023, and because we are all facing the uncertain market together, now is a great time to get more involved with the HBA and gain market share within your specific industry.

The greatest strength of the NoCo HBA is that members conduct business with other HBA members. I see it every week while attending events and HBA meetings. A quick example of HBA member taking full advantage is Brad Turner, who is currently the Business Director for RMG and the Chair for our membership council. Brad has been involved in the HBA over two years and he has been able to grow his business by getting in front of other members and networking at events:

“When I first got involved with NoCo HBA, I utilized our contacts to reach out to builder and affiliates. I had some initial success from the membership list alone. But, as I got more involved with the organization my relationships strengthened, resulting in paying for our membership a thousand times over. I am living proof that getting involved makes a difference. Brad Turner.

As a current member of the HBA, you've taken the first step in growing your business and gaining market share in 2023. How can the HBA help you and your business take the next step in 2023 and beyond?



Mike Welty
President of Homebuilding



Welcome New Members

Access Garage Doors of NoCo
Splittberger Construction
Zonda
Marina Lewellan with ReMax Alliance
Bath & Kitchen Supply by Winsupply Greeley
Sunnova New Homes
David Biggers with Gateway Mortgage
Ariel Ververs with ReMax Alliance
Lucy Trevizo with Realty One Group
DreamMaker Bath & Kitchen of Larimer Co.
Western Range Carpentry LLC



Thank you for Renewing

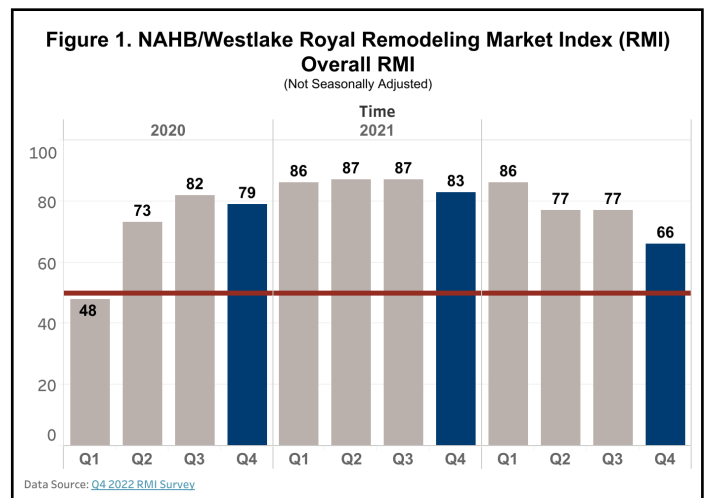
Dream Finders Homes
LoanDepot
Alpine Cabinet Company
Brannen Design and Construction
Aims Community College
5 Star Roofing & Home Improvement
Daltile
Environmental Stoneworks LLC
Godden Sudik Architects
Builders Supply Inc
Snively Forest Products

Remodeling Sentiment Weaker in Q4, But Still Positive

The NAHB/Westlake Royal Remodeling Market Index (RMI) posted a reading of 66 for Q4 of 2022, a decline of 17 points compared to Q4 of 2021.

The survey asks remodelers to rate five components of the remodeling market as “good,” “fair” or “poor”. Each question is measured on a scale from 0 to 100, where a number above 50 indicates that a higher share view conditions as good than poor.

The Current Conditions Index is an average of three components: the current market for large remodeling projects, moderately sized projects and small projects. The Future Indicators Index is an average of two components: the current rate at which leads



and inquiries are coming in and the current backlog of remodeling projects. [The overall RMI](#) is calculated by averaging the Current Conditions Index and the Future Indicators Index.

The Cost of Rising Mortgage Rates

As the Federal Reserve fights inflation, mortgage rates have increased rapidly, starting 2022 at 3% and rising above 7% before dropping back to roughly 6.5%.

[How does this affect affordability?](#)

The difference between a slightly more than 3% mortgage rate and a 7% mortgage rate adds roughly an additional \$1,000 mortgage payment to a typical, new median-priced single-family home and prices 18 million U.S. households out of the market for the home.

A mortgage payment on a \$450,700 home would have increased from \$1,925 in January 2022 to \$2,923 in late October when mortgage rates topped 7%.

Fewer Planning Home Purchase

The share of adults planning a home purchase in the next 12 months dropped to 13% in the final quarter of 2022, down from 15% in the previous quarter. The drop is not surprising, given that housing affordability worsened during this period, as mortgage interest rates surpassed 7% and reached levels not seen in nearly 20 years.

The [share of adults](#) with plans to buy a home within a year changed unevenly across regions from the third to the final quarter of 2022, dropping in the Northeast (15% to 11%) and West (20% to 14%), staying flat in the South (at 14%), and edging up in the Midwest (9% to 10%).

A message from our Executive Officer, Kelly Schramm

What's On the Horizon?

In 2018 gas was \$2.81 a gallon, you could buy a dozen eggs for \$1.57 and the average home in the United States cost \$385,000, compared to \$543,000 in 2022. This was the last time that NoCo HBA adjusted membership dues and assessments.

For NoCo HBA to grow and continue supporting the home building industry in Northern Colorado, our Board of Directors approved this increase. But this doesn't mean that we will be happy with the status quo. In 2023 we are increasing the number of opportunities you have to network with your fellow HBA members. We are also expanding the market opportunities for your business, see the 2023 Marketing Tool Kit, and we continue to strengthen our Government Affairs Committee.

2023 is also the year we focus on increasing the size and stability of your association. Last year, we were able to grow by 48 members and over the next 12 months we have our sights set on 400! To accomplish this, we will be expanding our Spike Program, accurately keeping count of who is referring new members, and rewarding them for their efforts! We will also be growing the Sales & Marketing Council and the other Committees and Councils that benefit you, our members.

Starting in April, Builder and Associate dues will be \$750 per year. Affiliate dues will increase \$85 and Assessments will also increase by \$10. The new fee structure will be as follows:

Single Family Home Permit = \$65

Multi-Family Home Permit = \$35 per door per permit (i.e. one fourplex = \$140)

Remodeling Permit = \$25 per permit pulled for remodeling jobs under \$25,000; \$35 per permit pulled for remodeling jobs over \$25,000.

Remodelers Council dues are set at \$40/year and Sales & Marketing Council dues will increase to \$100 per year. If you have any questions regarding these changes, please contact any of our Board Members. <https://www.nocohba.com/bod>

Sincerely,

Kelly D. Schramm

Executive Officer

NoCo HBA Home & Remodeling Show



The NoCo HBA Home & Remodeling Show is scheduled for March 17-19 at The Ranch Complex in Loveland. Please visit our website for details and to reserve your booth today! There are also opportunities available to sponsor this event. Information on these sponsorships are available on our website.

To reserve a booth and/or sponsor this event, please go online to [NoCo HBA](#) or call the HBA Office at 970.686.2798.

Thank You SMC Event Sponsors



NOCO HBA FOUNDATION

2023 BUILDING THE FUTURE SCHOLARSHIP

This award* supports a continuing student or a student graduating from a Northern Colorado high school, desiring post-secondary education in any aspect of the construction industry. The winning candidate(s) will demonstrate a good work ethic, strong interest in pursuing a career in building, construction management, or design, and a willingness to learn.

*One or more scholarships in the amount of \$2,500 will be awarded and will be paid directly to the school of a recipient's choice, upon confirmation of the recipient's full time enrollment.



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What's a SPIKE???

Some of you already know what a Spike is, but for those of you who don't... please read on!

In a nut shell, A Spike is any member of the NAHB who recruits six or more members to the local HBA. Just as the nail is an integral part of home building, Spikes are key to the growth, development, and stability of your association.

What's in it for me?

In 2023 we have revised the Spike program by adding local recognition to encourage you and your fellow NoCo HBA members to grow membership.

If you recruit 2 new members, we will run your company profile and member bio on all NoCo HBA social media. Recruit 5 new members and you will receive a certificate highlighting your accomplishment, plus the profile and bio mentioned above.

Every 6 months, a high-end celebration and networking opportunity will be held for Local Spike recipients. These events will be an exclusive opportunity for spike members only!

In addition to these local incentives, members who recruit 6 members become nationally recognized and become a member of the Spike Club.

Each year, Spikes who have recruited at least one new Builder or Associate member receives two complimentary tickets to the Closing Spike Concert at the International Builders' Show (IBS), and for those who have recruited 5 or more new members receive an invitation to the Spike VIP section at the concert to enjoy complementary food and drinks for the duration of the show.

An additional Spike benefit is the SKS Competition. Signature Kitchen Suite offers builder members and their affiliate members a chance to win a trip to Napa Valley, California for the nine members, who sign up the most new Builder and Associate members during the competition period. Each winner and their guest will receive an all-inclusive trip to Napa Valley and enjoy fine wine, great food, and fun outdoor activities.

Who should I recruit?

Start with the people and businesses you work with. View the [Prospect Rolodex](#) for a long list of industry-related jobs to help you to brainstorm and organize potential new members.

You can also review the complete [Spike Club Guide](#) or the [FAQs](#) about the Spike program by visiting the NAHB website.

Note: The NoCo HBA Member who recruits a new member is responsible for informing the potential new member to list them as a referral on application and/or to let the HBA staff know they have recruited a new member.

Thank you for your interest in the Spike Program! Together we can make 2023 a great year for our association!

NAHB Toolkit Provides Water Management Resources

As water costs continue to rise across the country, and some areas face droughts, aridification and water supply constraints, water efficiency strategies in residential construction can play an important role, and provide multiple benefits for builders and consumers alike.

“Conservation is the No. 1 technique – finding ways to use less water,” said Craig Karn, principal at Consilium Design in Denver and vice chair of NAHB's Sustainability and Green Building Subcommittee, “And the secret to conservation is building awareness.”

One way in which NAHB is working to build awareness is through NAHB's recently released **“A Builder’s Toolkit for Water.”** The toolkit explores water management

issues and provides case studies that highlight how different areas of the country have tackled key issues such as water conservation, flooding and more.



The toolkit also includes tips for builders to share with home owners to help them improve their own conservation efforts.

“We must learn to live better using less water,” Karn added. “We can help consumers be better water stewards by educating them on everything from the drip irrigation system to how they can best use their smart water meter.”








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