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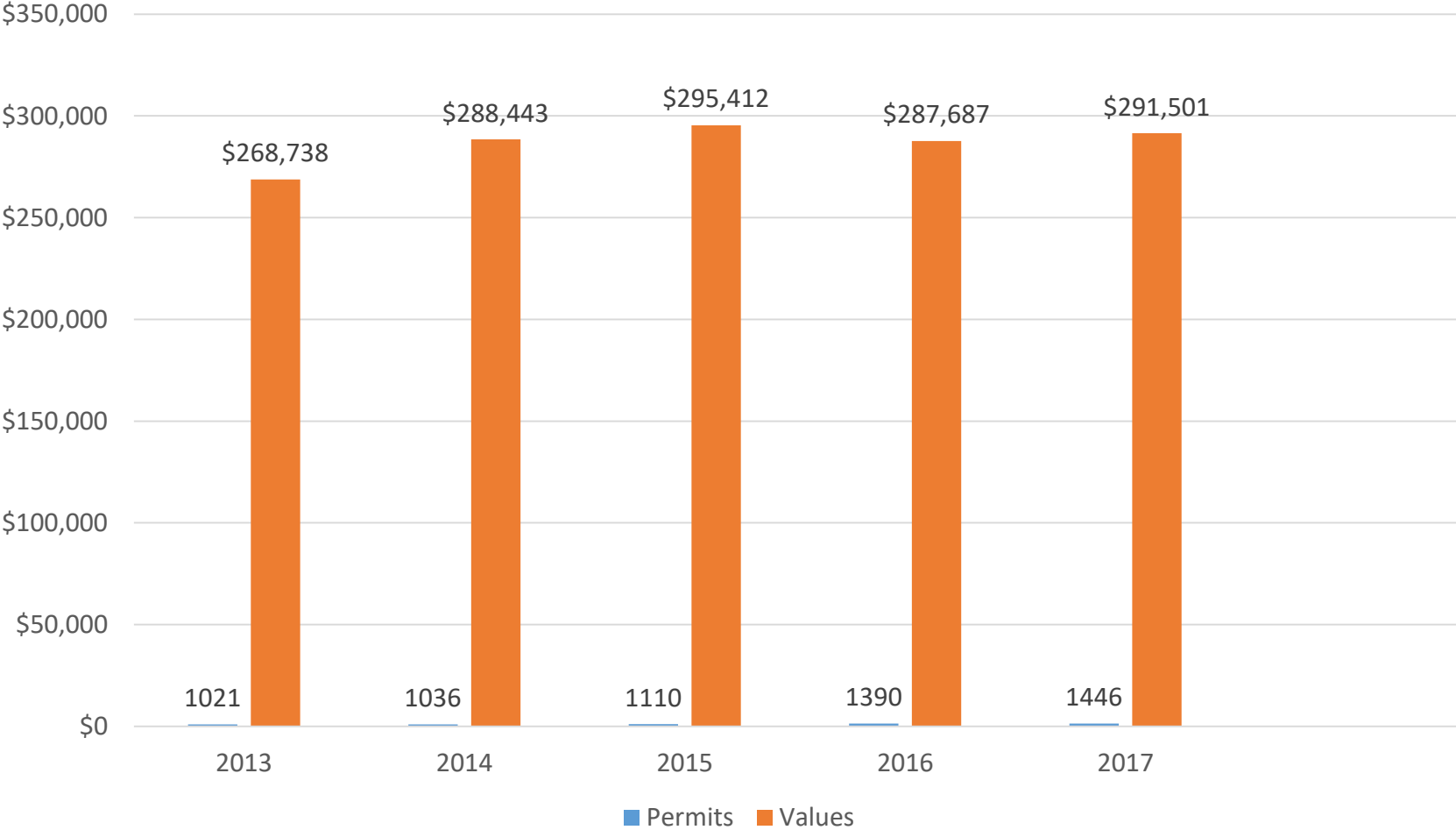
EXECUTIVE DIRECTOR



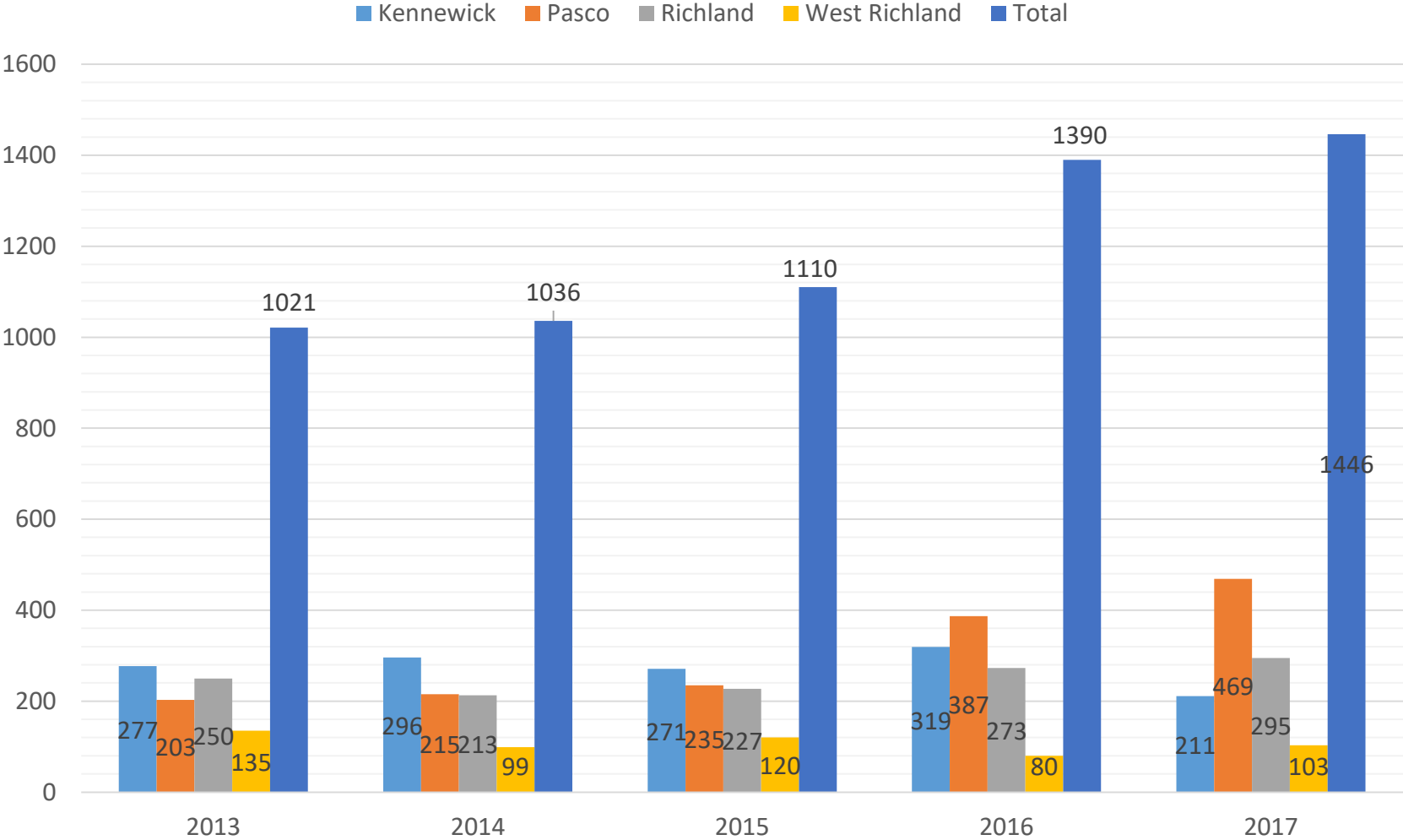
HOUSING STATS



SFR Total Permits and Average Values 2012-2016



Permits Issued by Jurisdiction – 2012-2016



TAX REFORM



Tax Reform – Policy Changes and Impacts

- Individual Taxpayers
 - Lower tax rates, with top rate of 37%\$1.2 trillion tax cut for rate reduction
 - Personal exemptions eliminated but standard deduction nearly doubles, child credit expands
 - \$70 billion tax cut on net basis
 - Housing deductions
 - Fewer itemizers, but offset by larger standard deduction
 - \$750K cap for MID, second home rule retained
 - Property tax and income/sales SALT deduction capped at \$10,000
 - AMT thresholds raised: \$637 billion tax cut
 - Estate tax exemption amounts doubled to \$11 million per person: \$83 billion tax cut

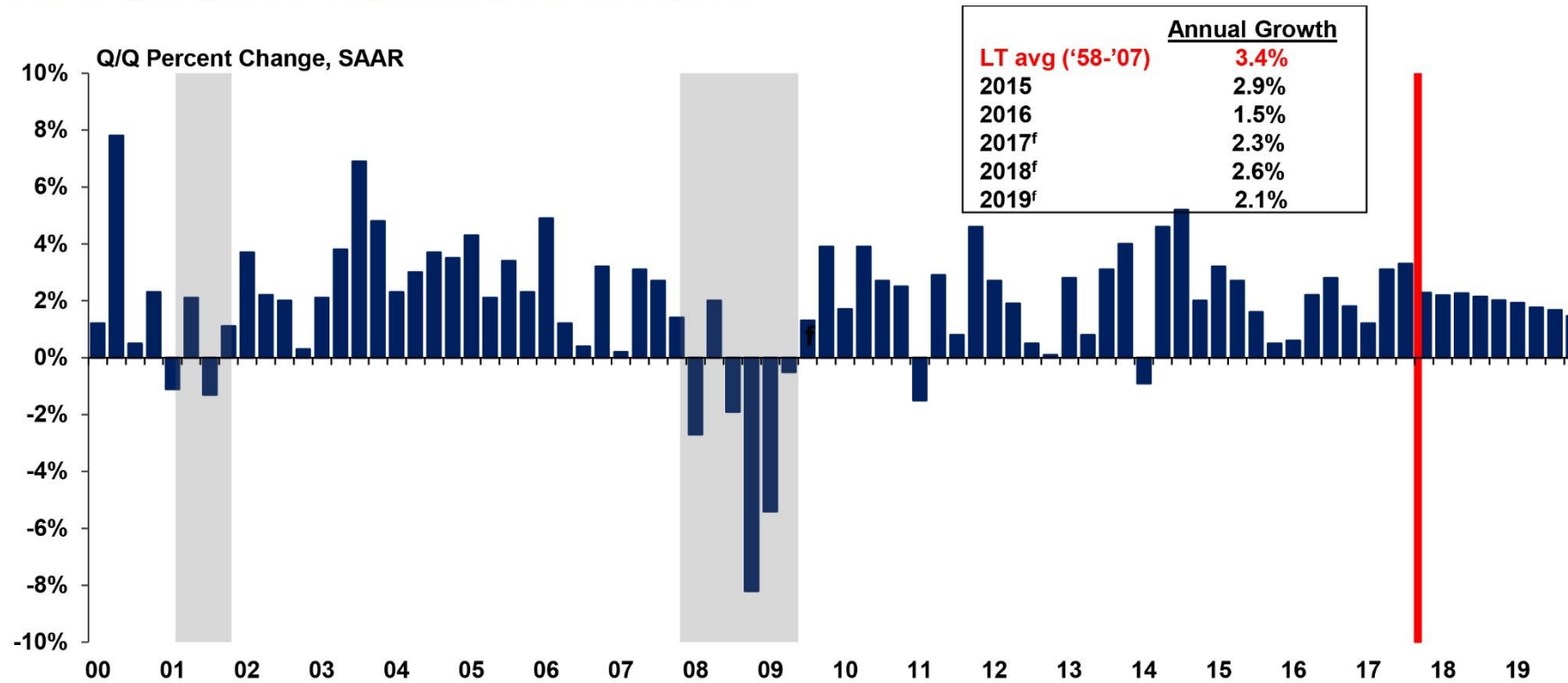


Tax Reform – Policy Changes and Impacts

- Economic Impacts
 - GDP
 - Marked up 2018 forecast to 2.6%
 - Dynamic scoring model suggests 0.8% more GDP after 10 years
 - Business investment
 - 1.1% higher after ten years
 - Labor supply and employment
 - 0.6% higher
 - 0.9 million more workers in labor force
 - Reduced home price growth to a positive 2.9% growth rate in 2018

GDP Growth

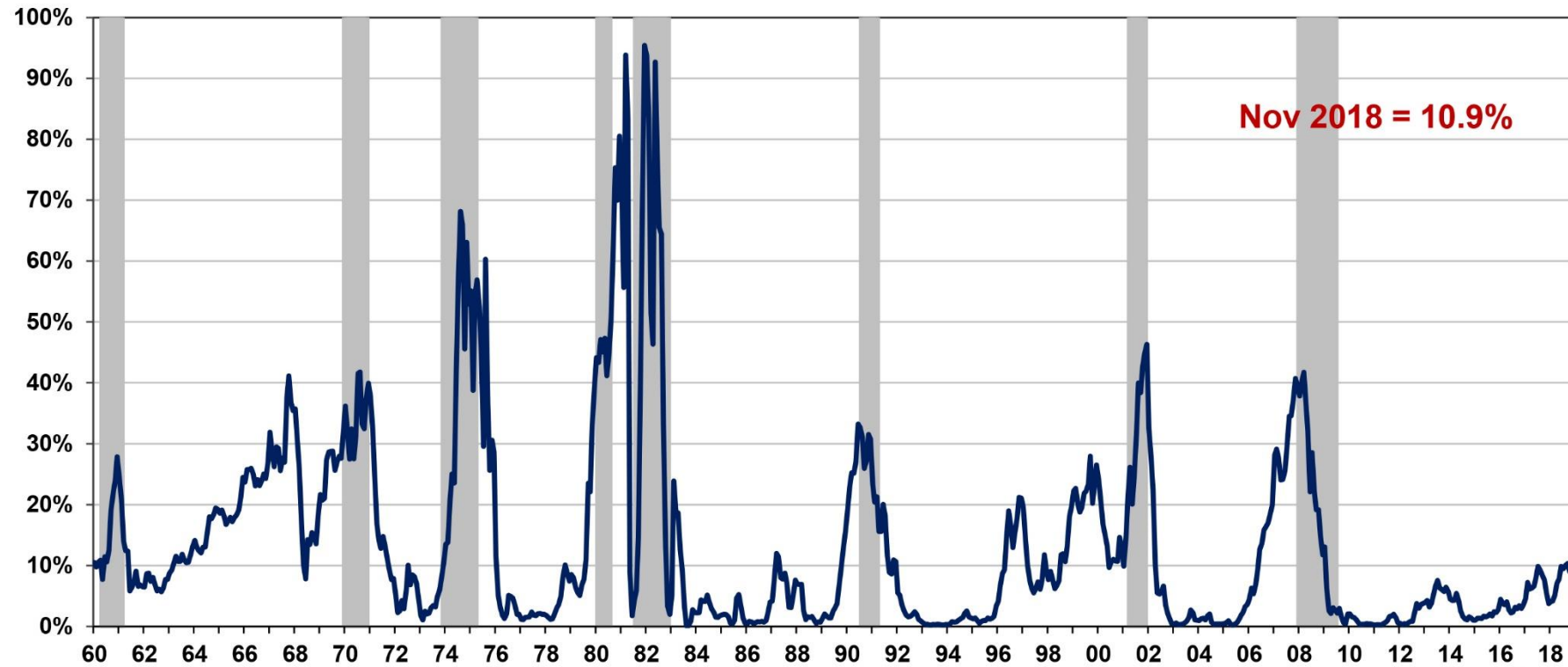
Stronger growth expected post-tax reform



Source: U.S. Bureau of Economic Analysis (BEA).

Probability of US Recession

Recession probability small for 2018



Source: NAHB calculations and Federal Reserve Bank of New York data.

Tight Labor Market

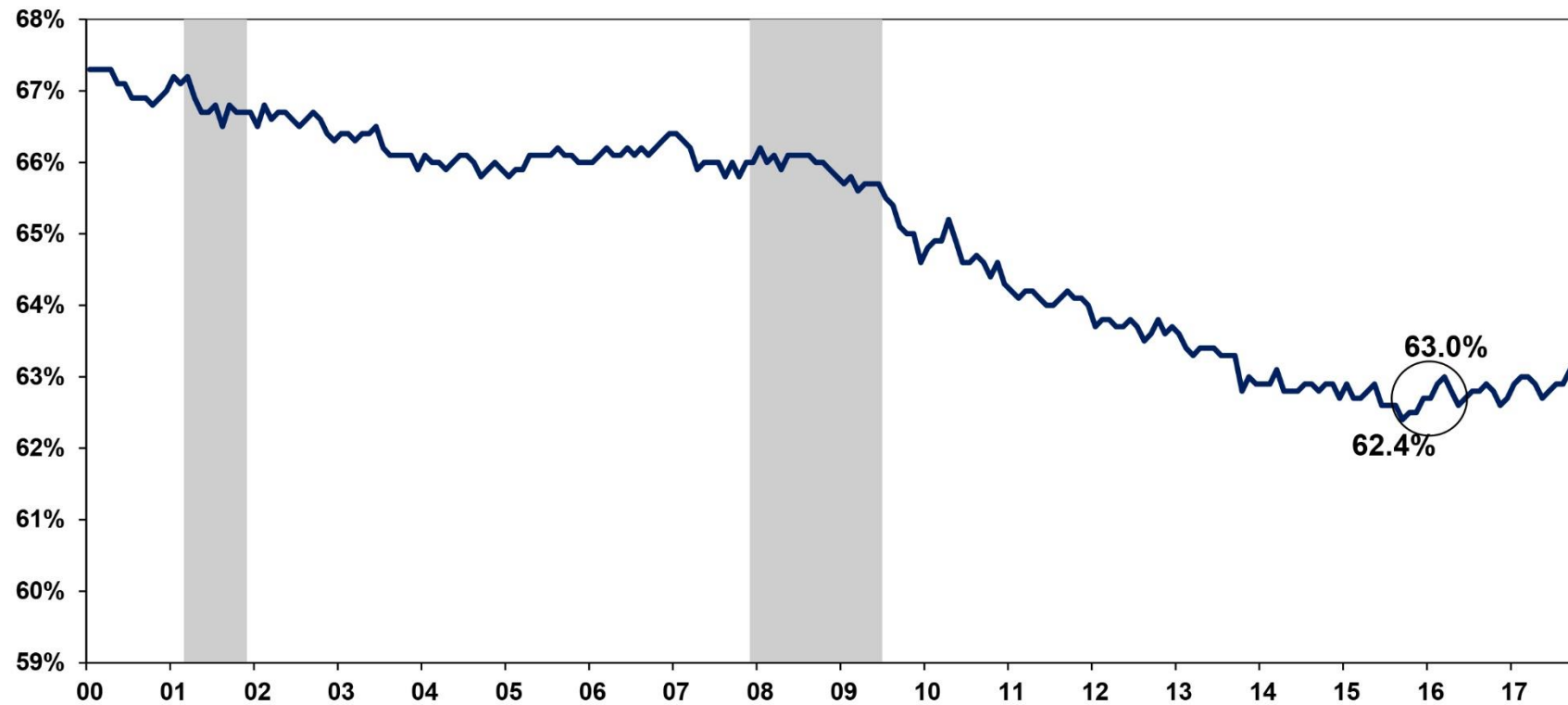
How low can unemployment go?



Source: U.S. Bureau of Labor Statistics (BLS).

Labor Force Participation Rate

Stabilized labor force participation key to future growth



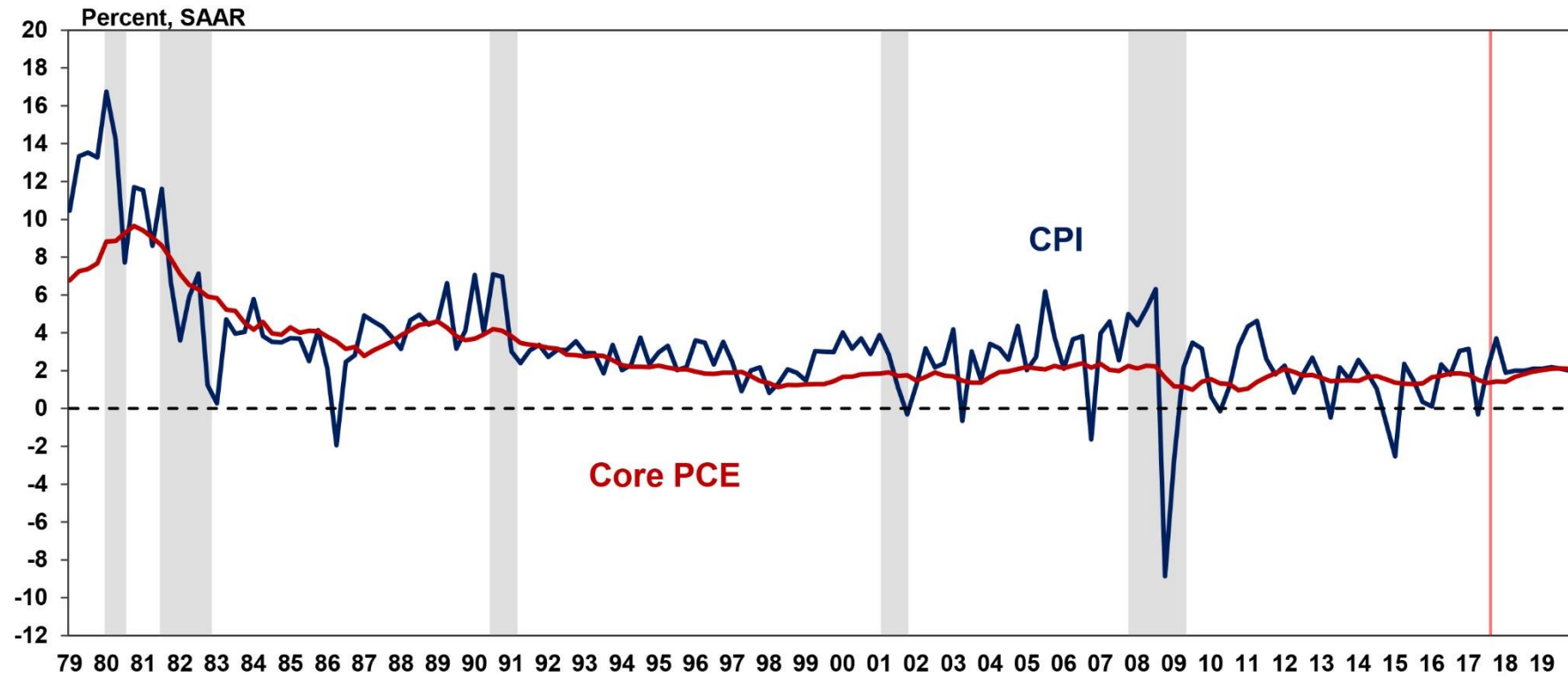
Source: U.S. Bureau of Labor Statistics (BLS).

Interest Rates and Demand



Consumer and Core Inflation

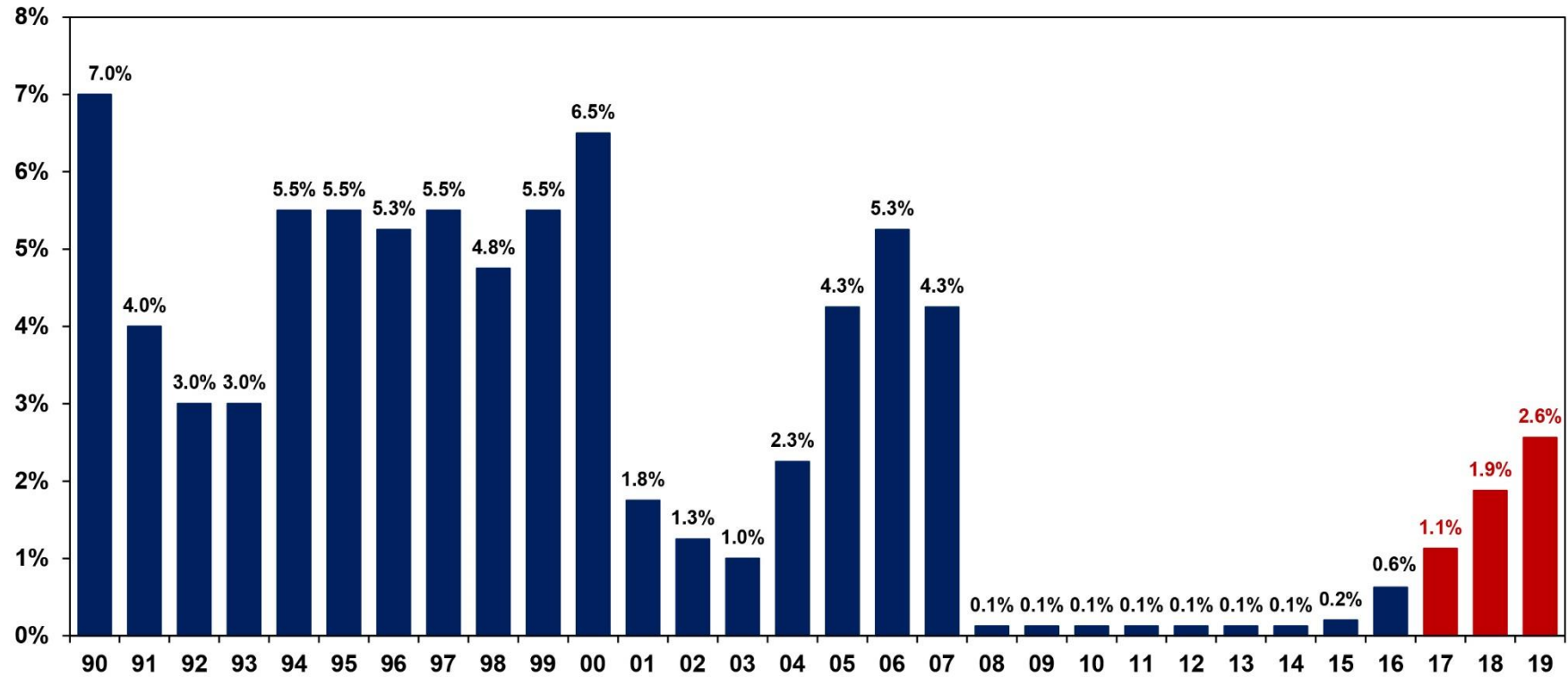
Inflation pressures building



Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

Target Federal Funds Rate

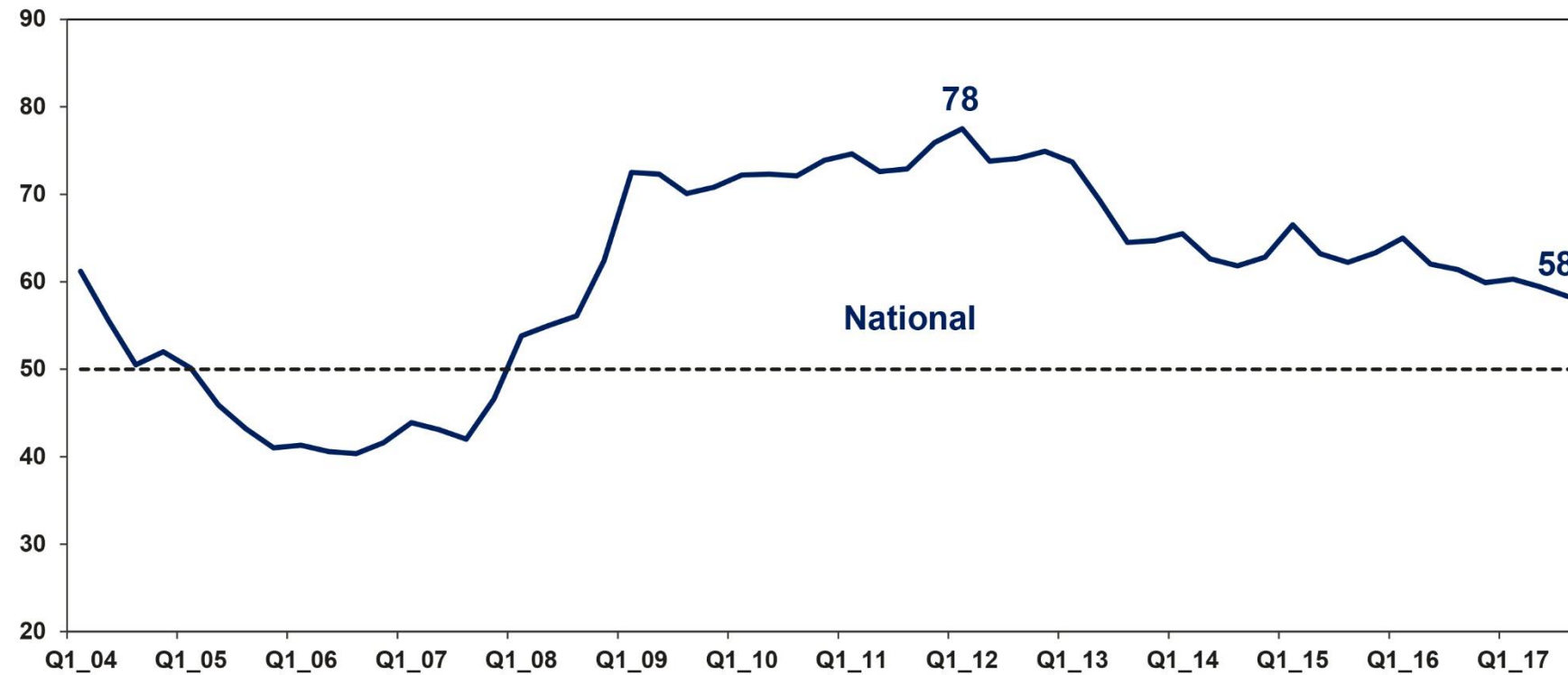
Fed will continue to raise rates



Source: NAHB forecast and Federal Reserve data.

Housing Affordability

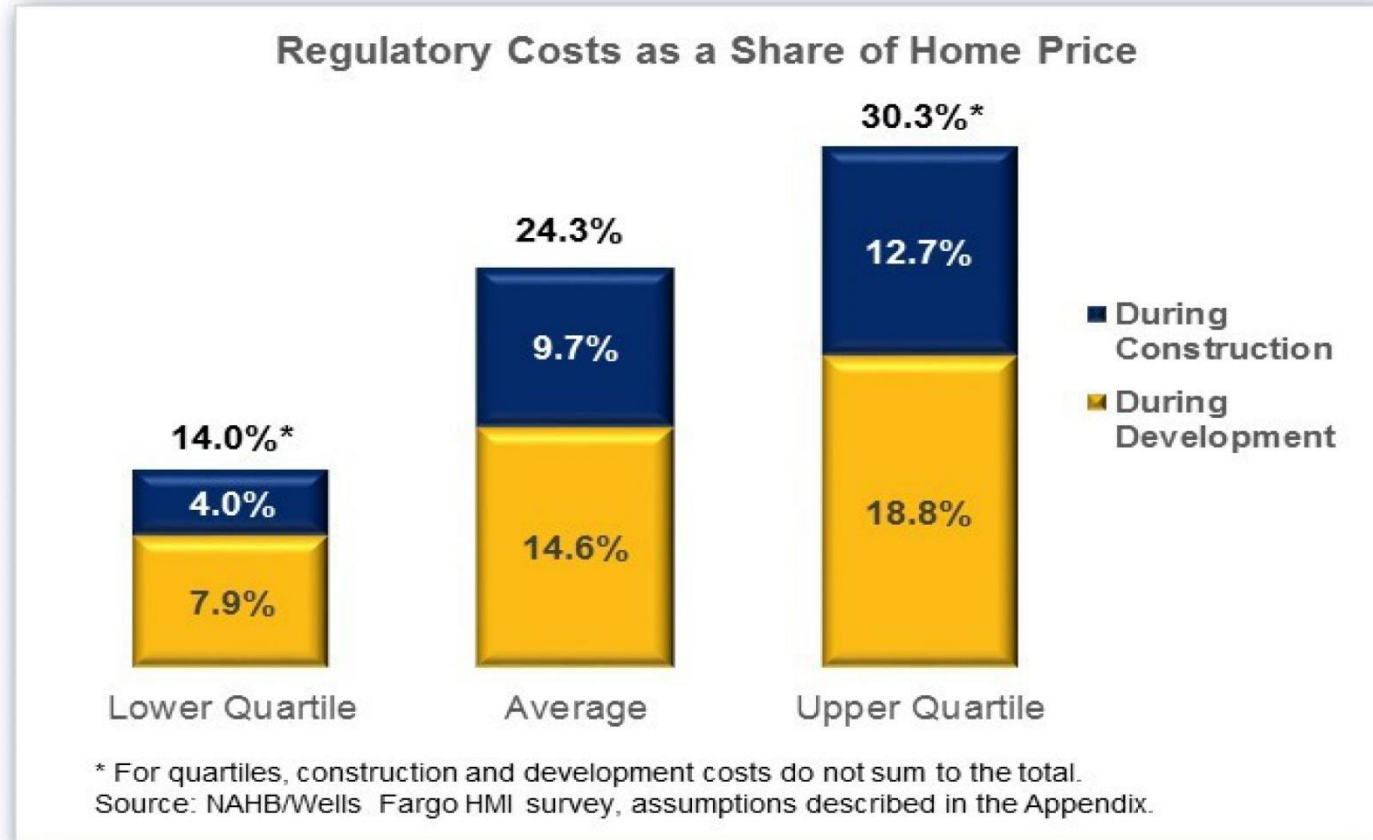
Affordability declining



Source: NAHB/Wells Fargo Housing Opportunity Index.

Regulatory Costs Rising – Up 29% 2011-2016

Total effect of building codes, land use, environmental and other rules

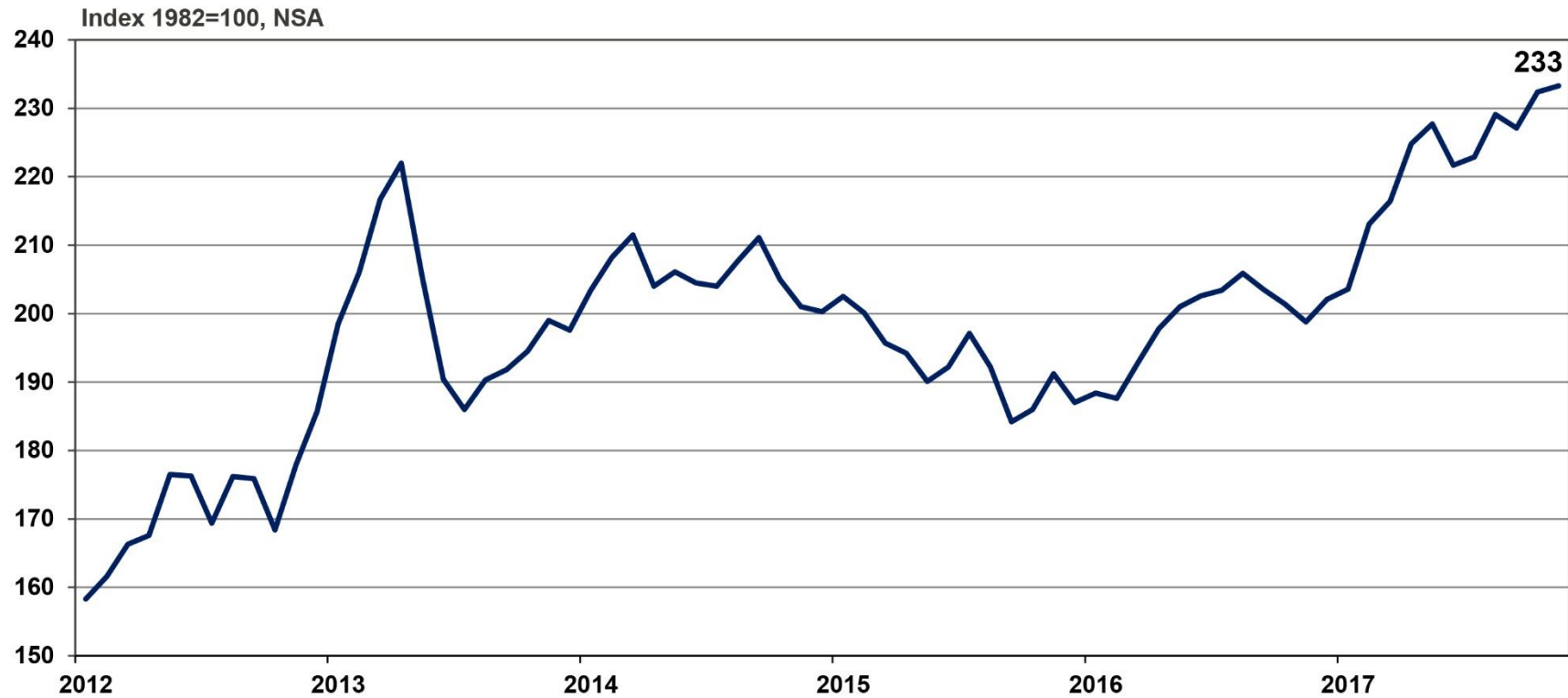


Building Materials



Building Materials – Softwood Lumber

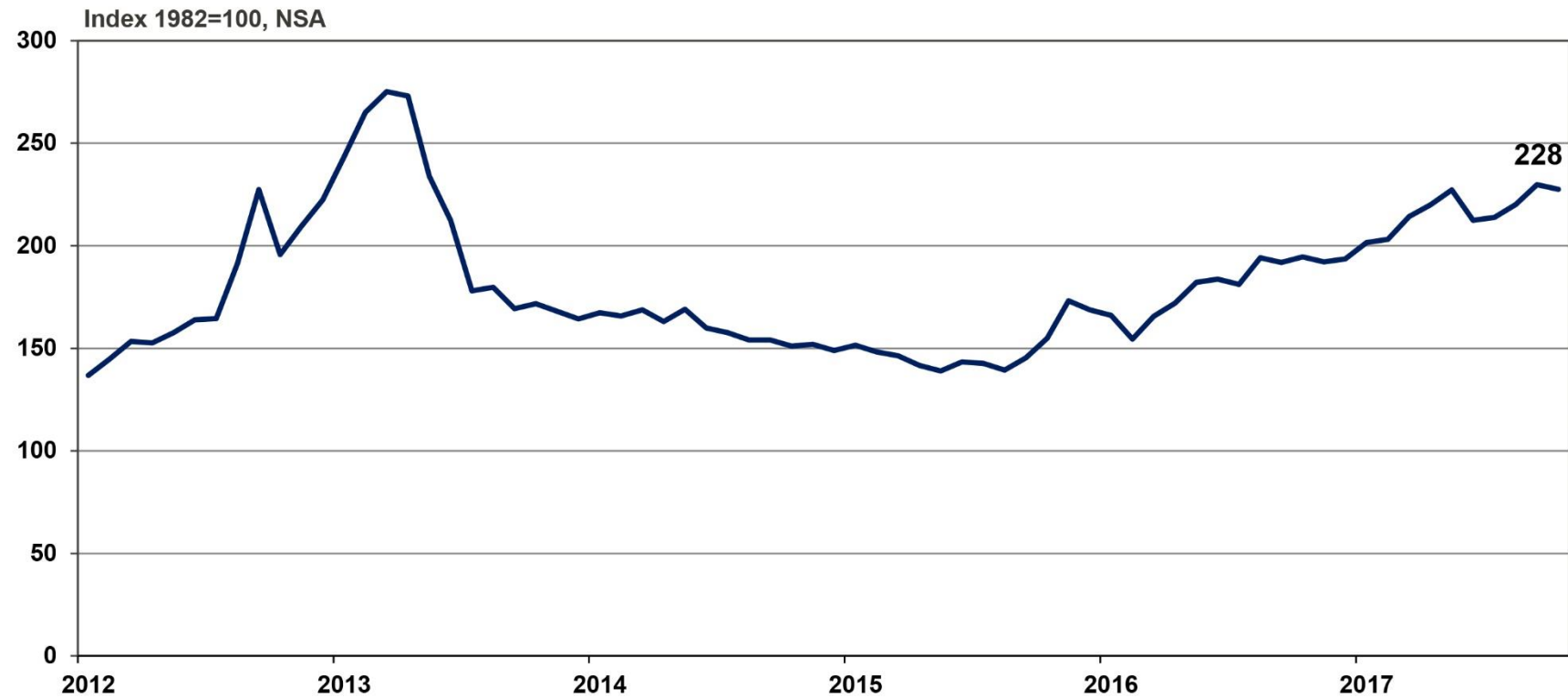
Since January 2017, softwood lumber increased 14.6%



Source: U.S. Bureau of Labor Statistics (BLS).

Building Materials – OSB

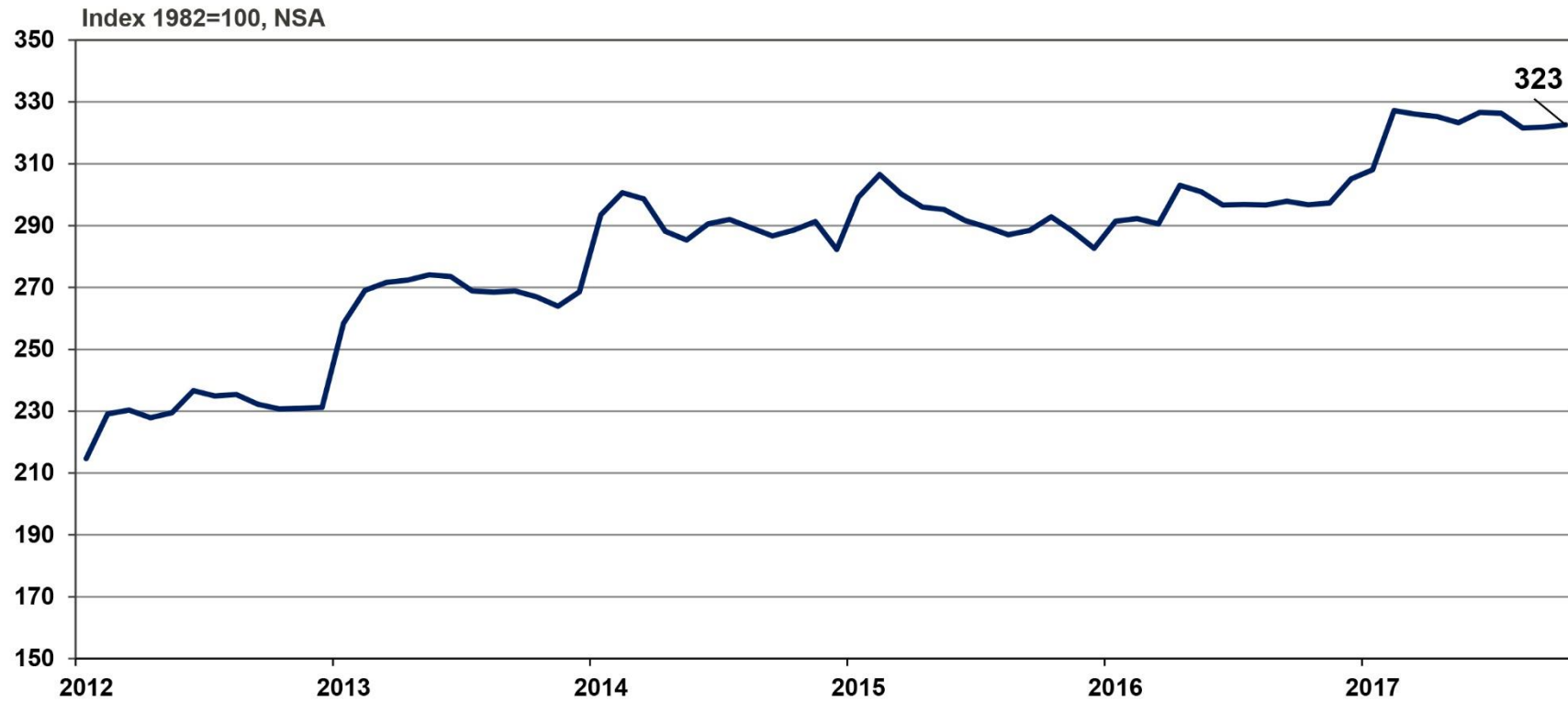
Since January 2017, OSB increased 30.2%



Source: U.S. Bureau of Labor Statistics (BLS).

Building Materials – Gypsum

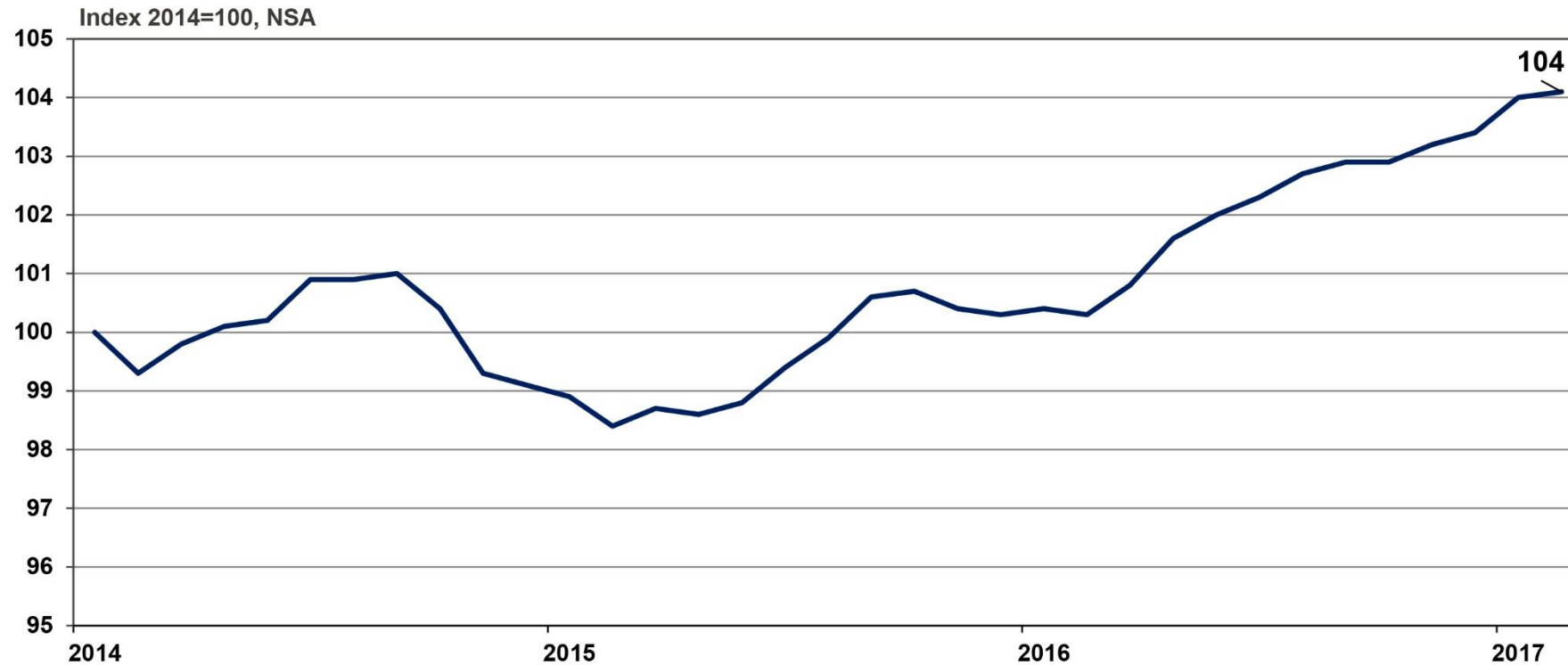
Since January 2017, gypsum products increased 7.7%



Source: U.S. Bureau of Labor Statistics (BLS).

Inputs to New Residential Construction

Since January 2017, inputs to residential construction increased 3.1%



Source: U.S. Bureau of Labor Statistics (BLS).

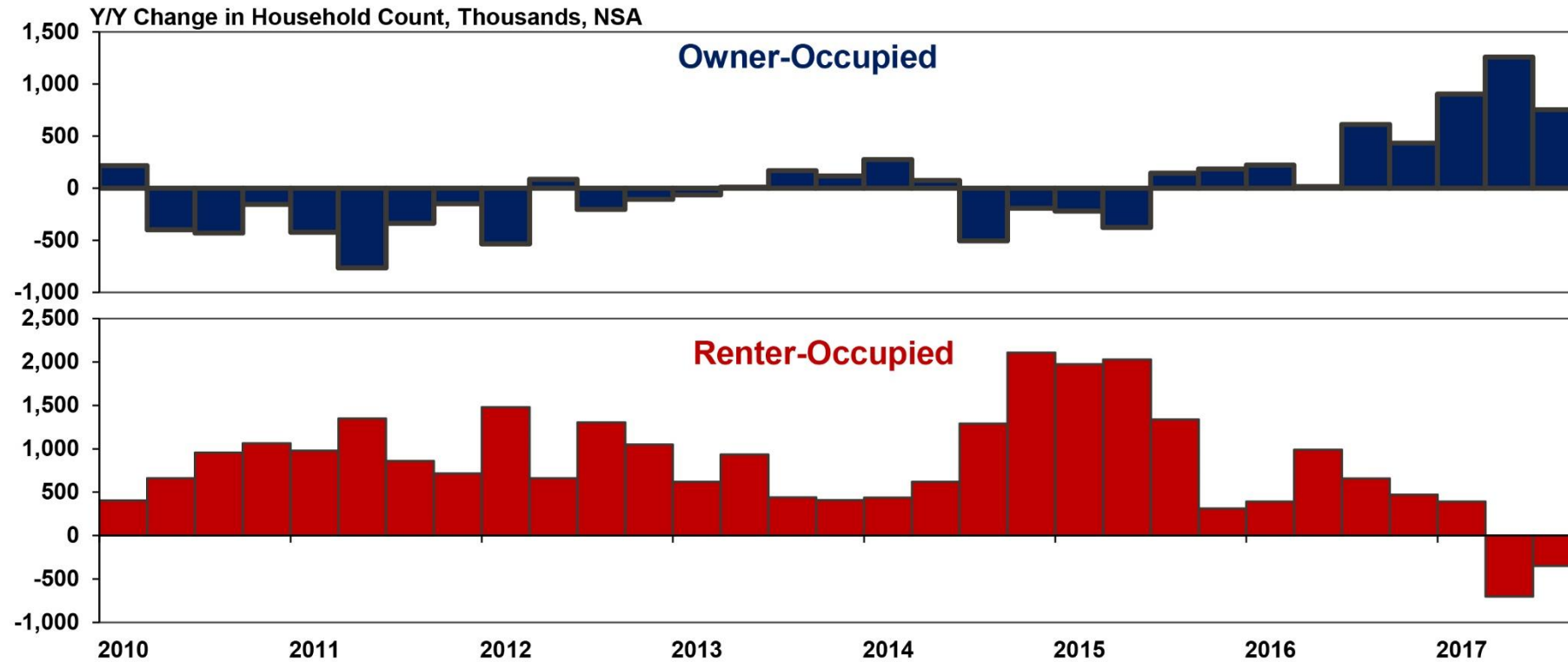


National & Tri- Cities Forecasts



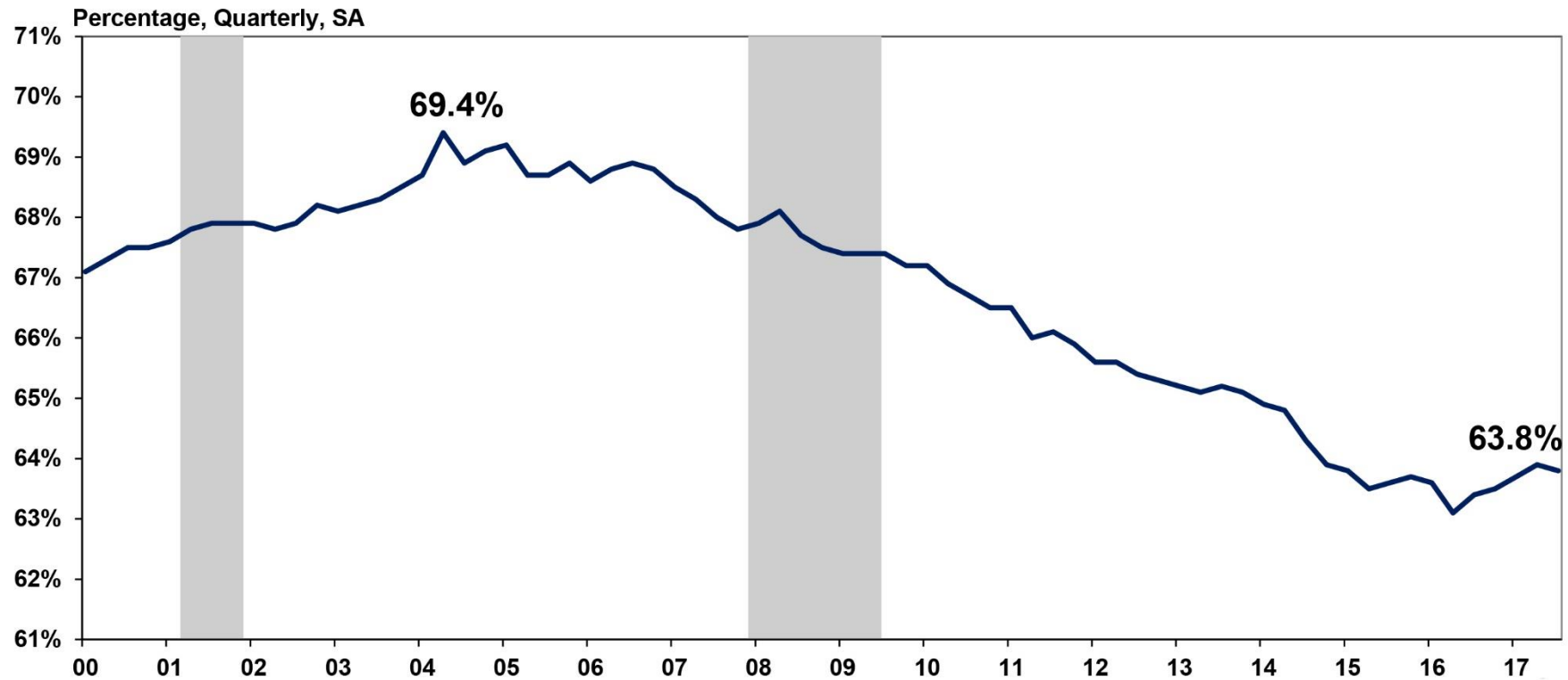
Household Formation

Demand for home ownership strengthening



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership.

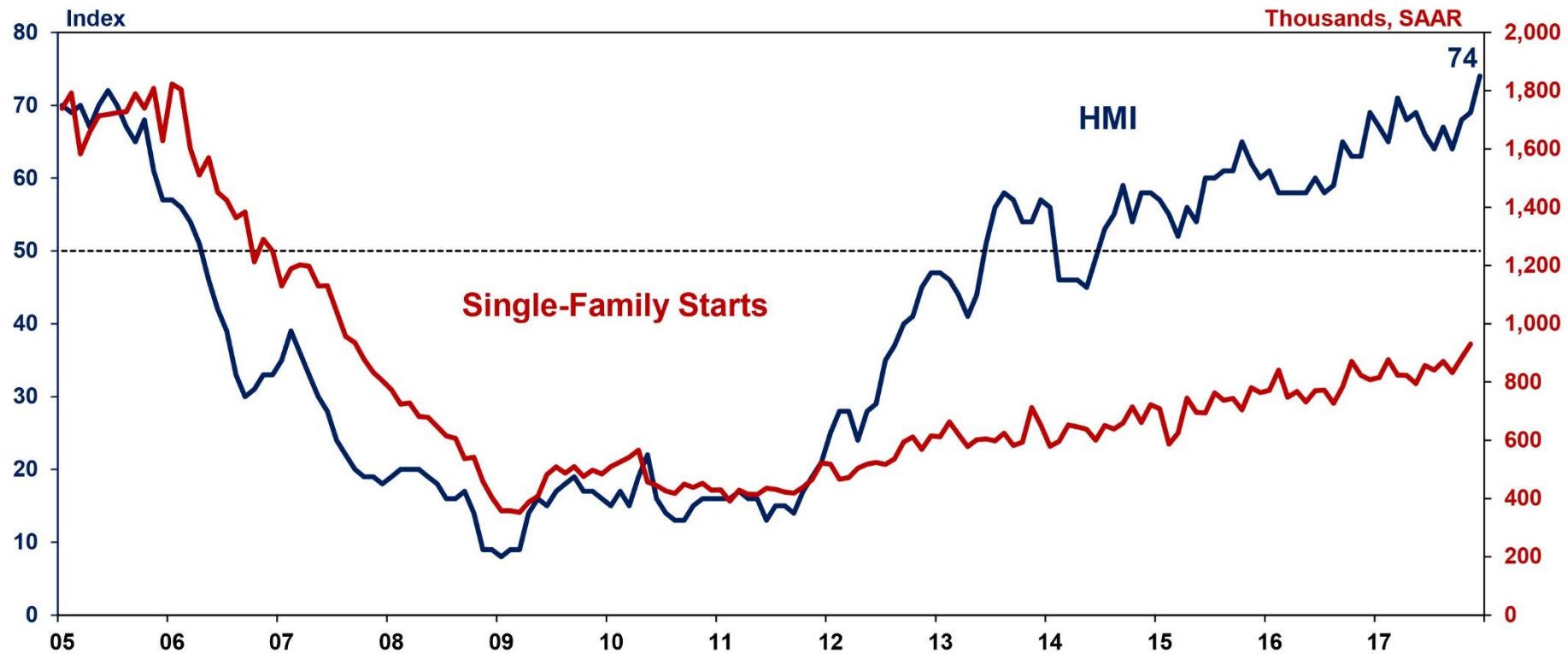
Homeownership Rate



Source: U.S. Census Bureau (BOC): Housing Vacancies & Homeownership.

NAHB/Wells Fargo Housing Market Index

Nearly two-decade high for builder confidence



Source: Census Bureau and NAHB/Wells Fargo HMI survey.



Questions?

Jeff Losey

jeff@hbatc.com

509.735.2745

