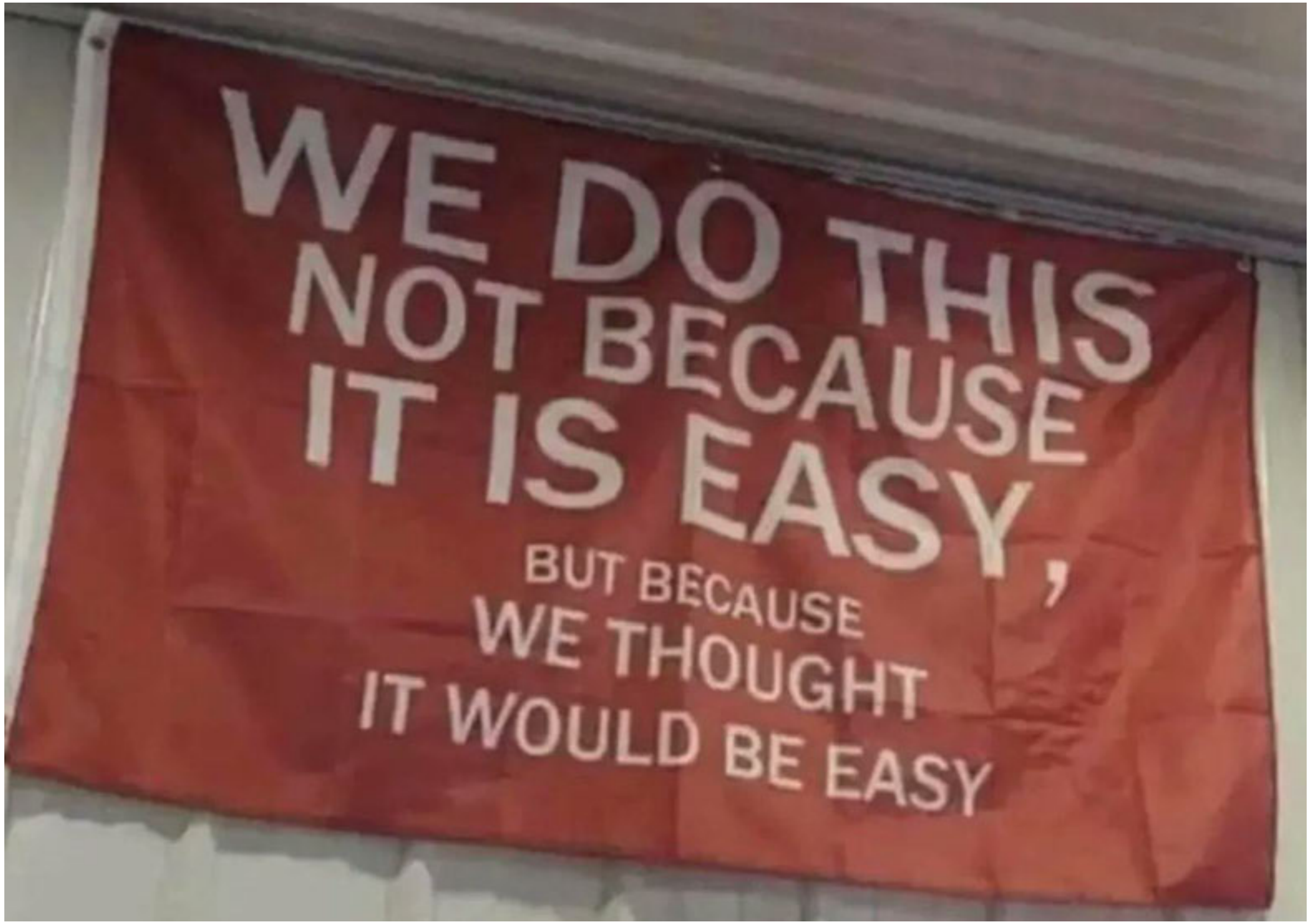
Forest Economic Advisors

# Residential Construction Outlook: Cyclical Headwinds Offsetting Secular Tailwinds

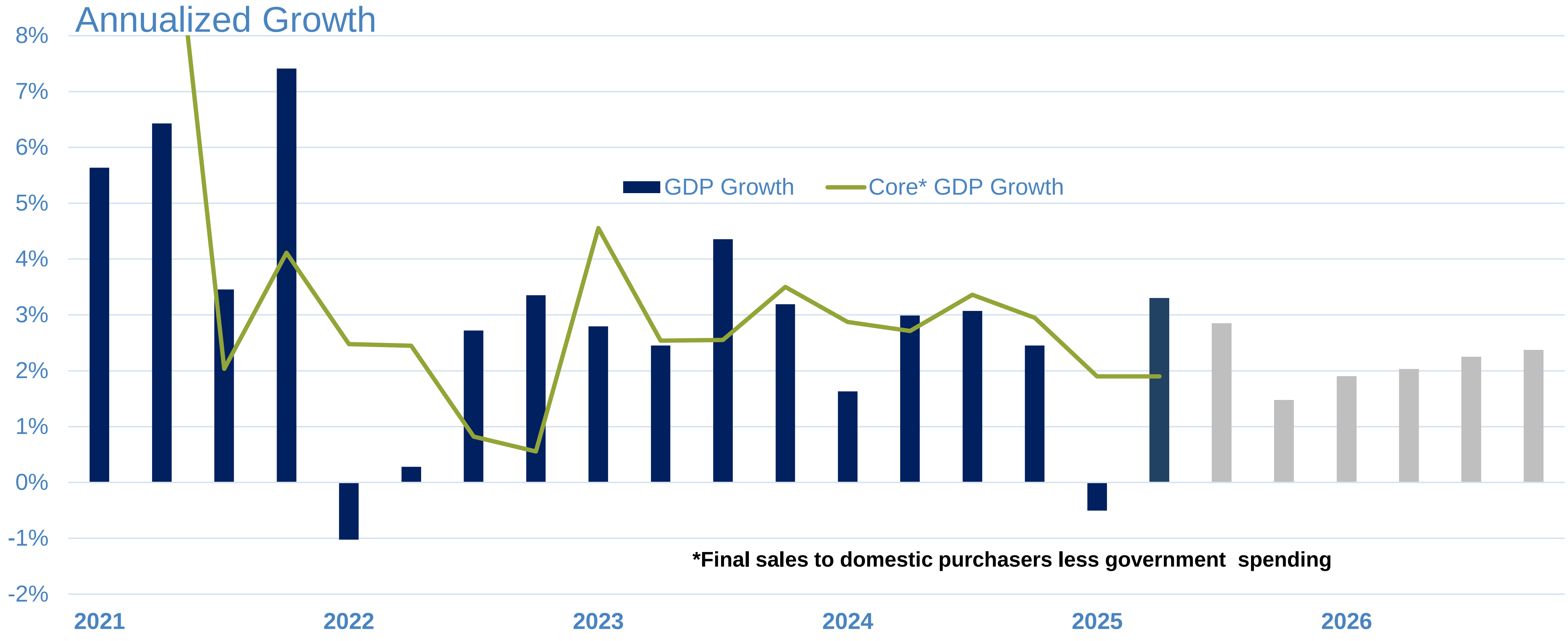
**Brendan Lowney**

October 2025

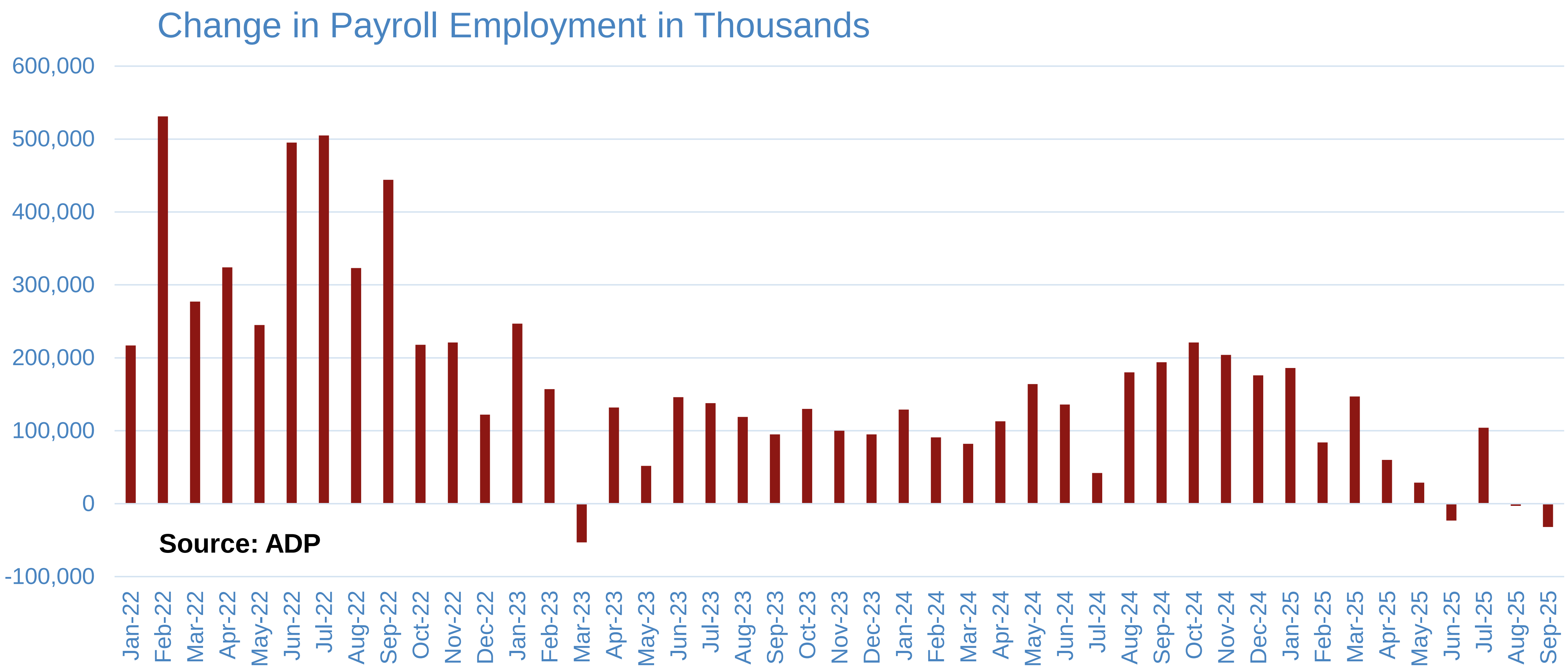
# Welcome to Mass Timber Plus



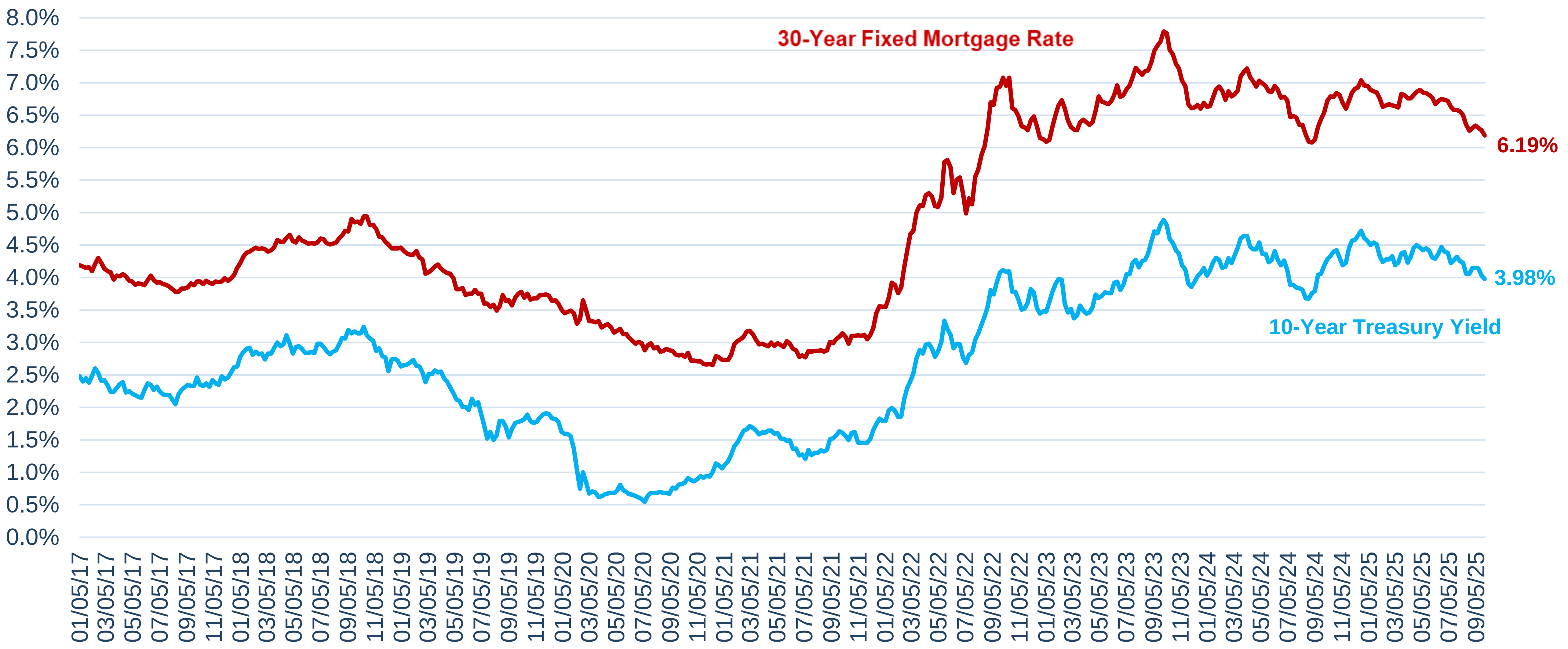
# Real GDP Growth Has Shifted to a Lower Trajectory, But We Don't Anticipate a Recession



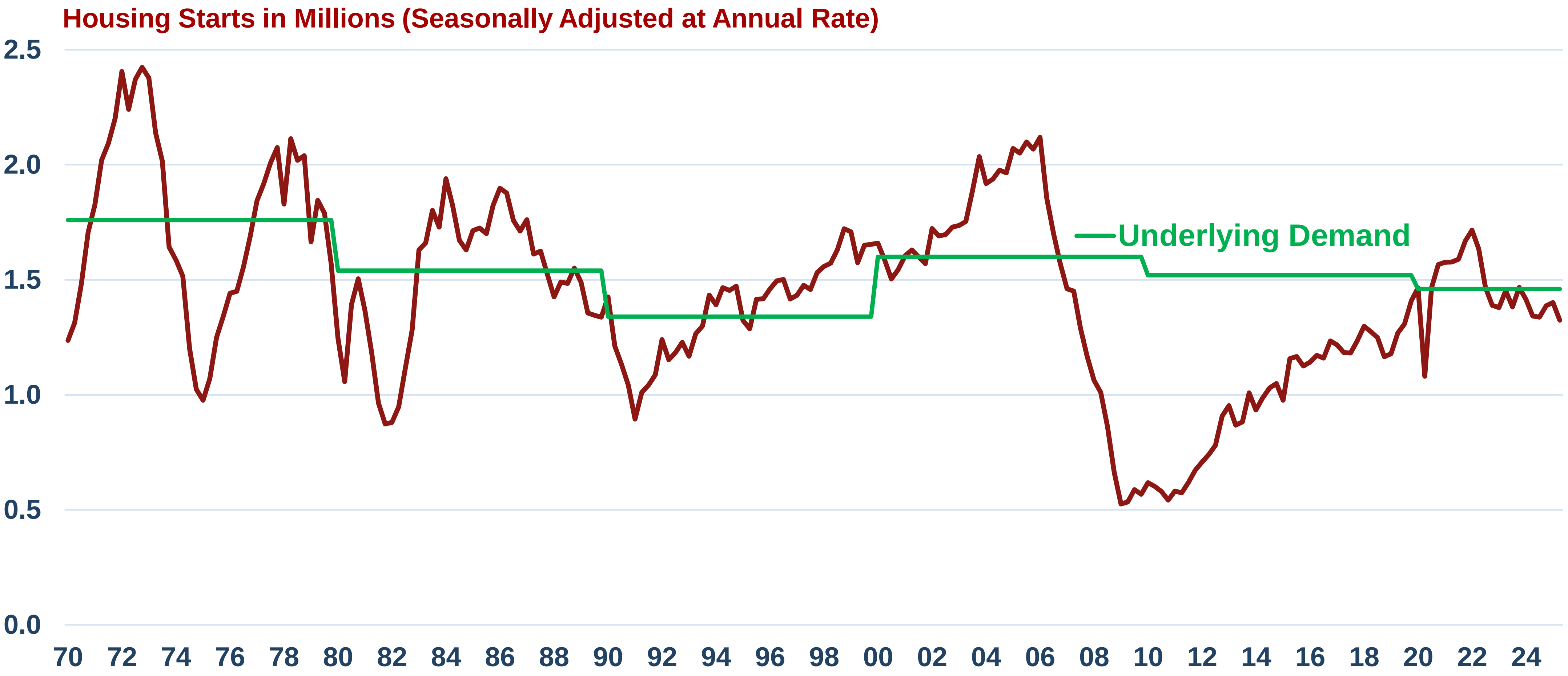
# ADP Payroll Growth Has Been Trending Down



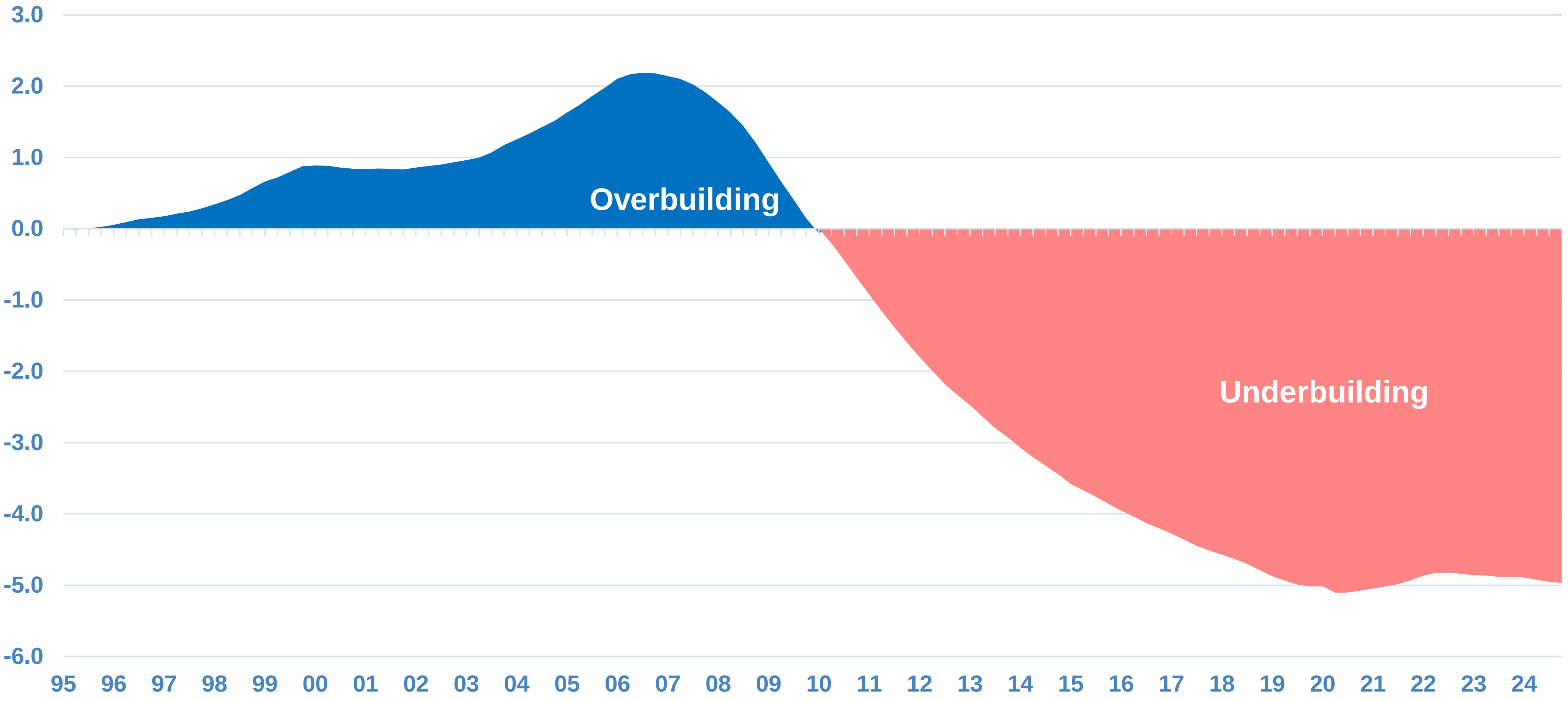
# Hopes For Lower Mortgage Rates Rekindled?



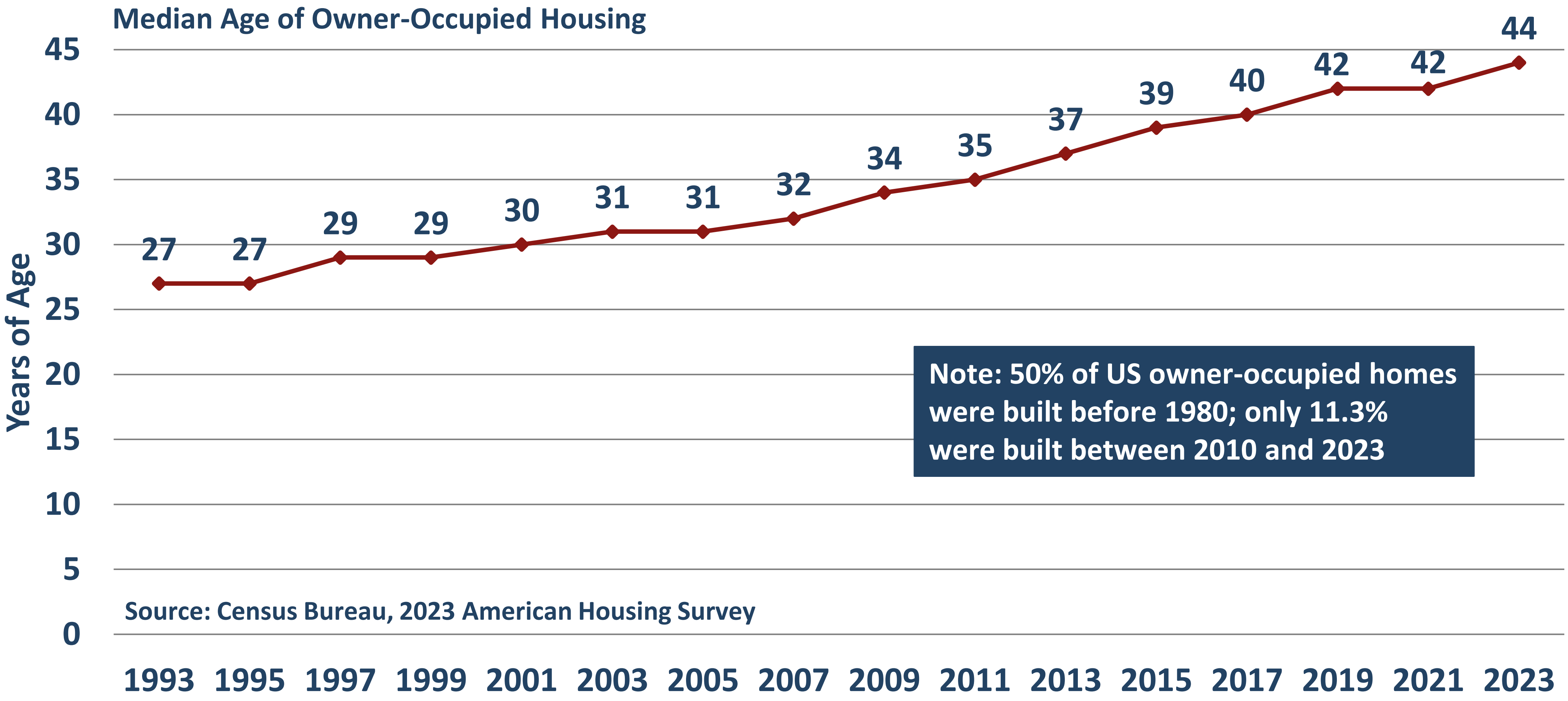
# US Housing Starts Exceeded Underlying Demand for a Fleeting Moment



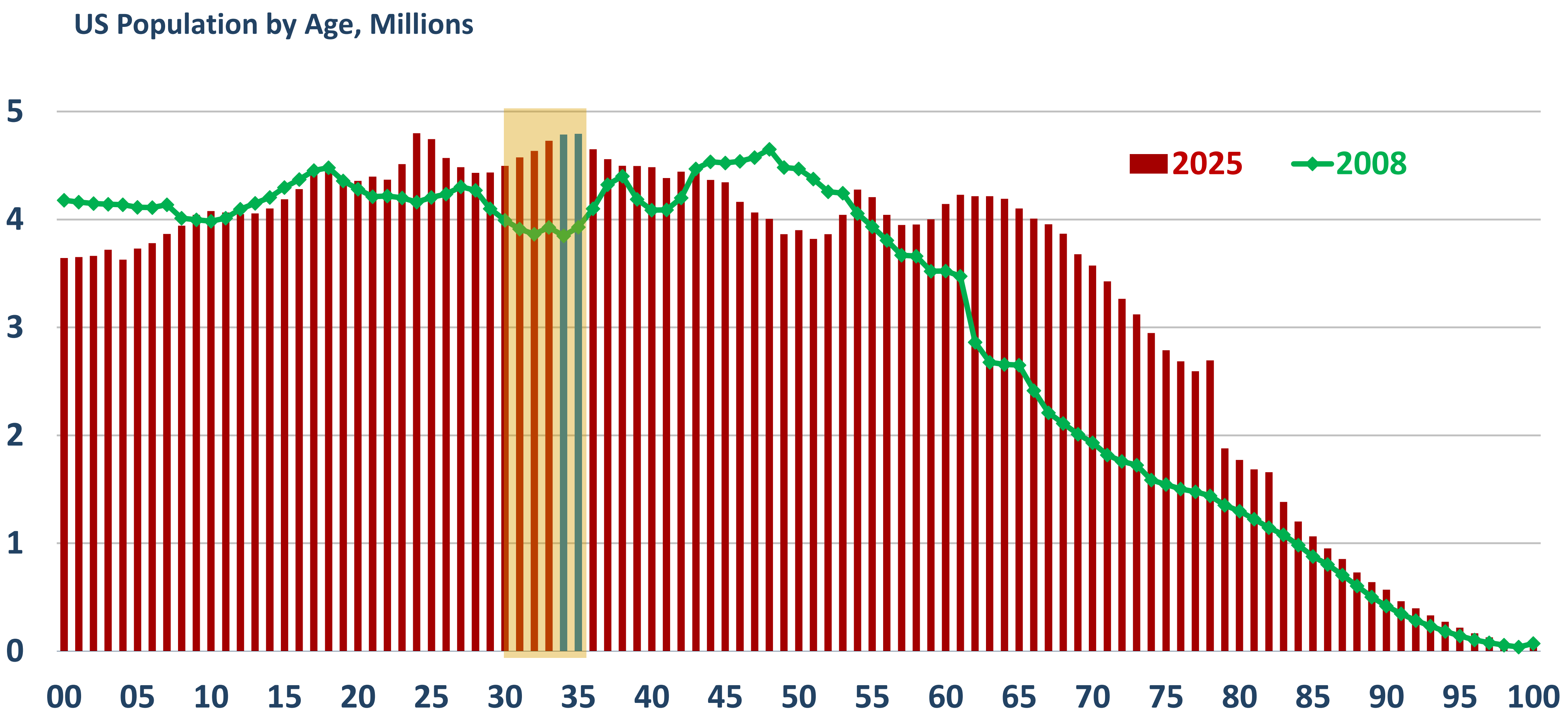
# Cumulative Over-/Underbuilding of Conventional US Homes About 5M Homes



# The US Housing Stock Has Aged Considerably

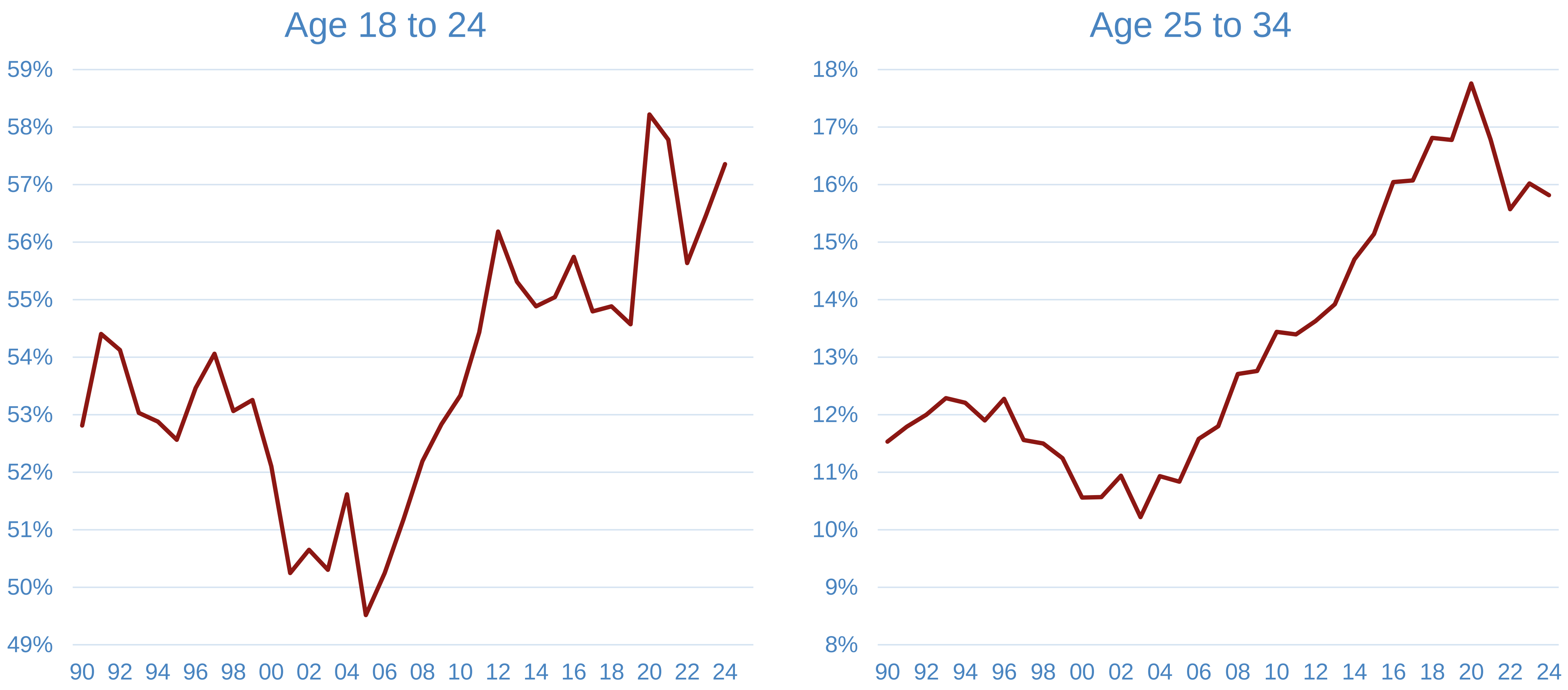


# 2008 – Strong Demographic HEADWIND
# 2025 – Strong Demographic TAILWIND



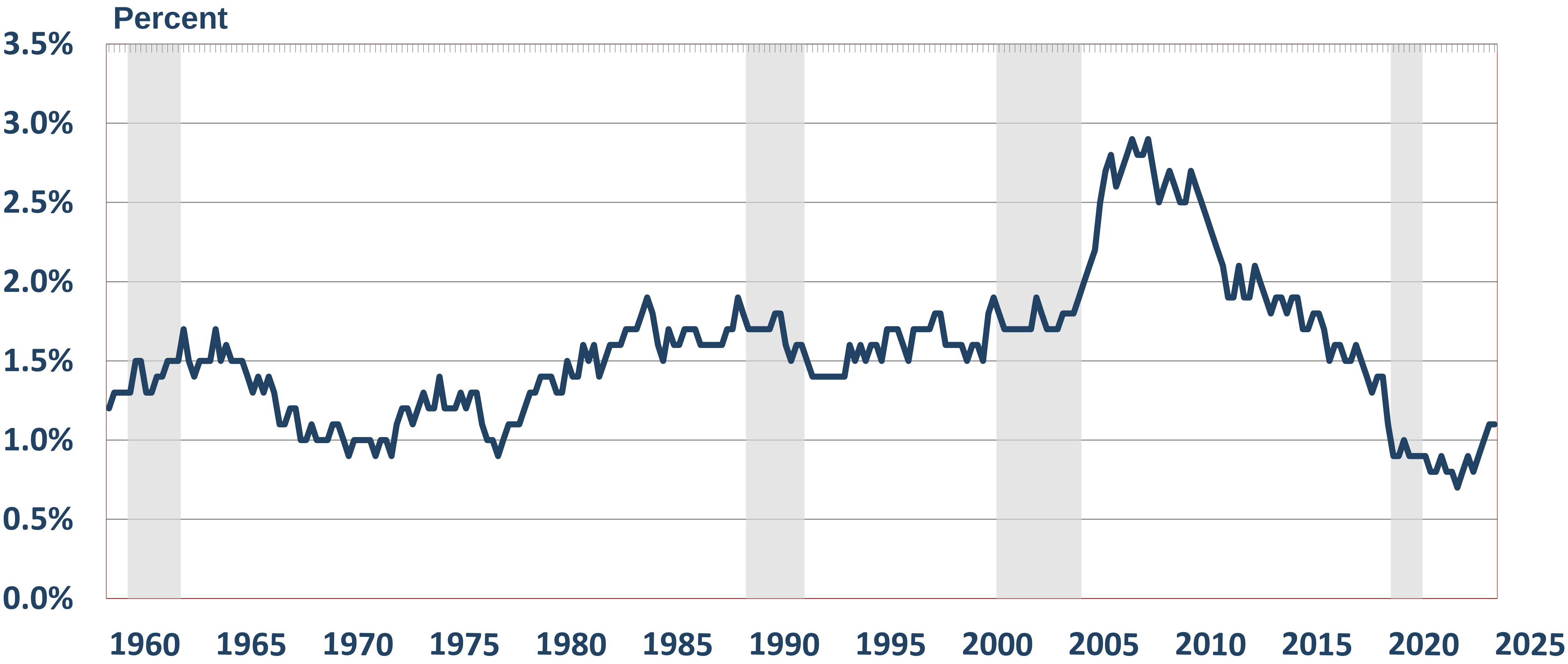

Source: Census Bureau

# The Share of Young Adults Living at Home Has Increased Substantially Over the Past Two Decades




Source: Census Bureau

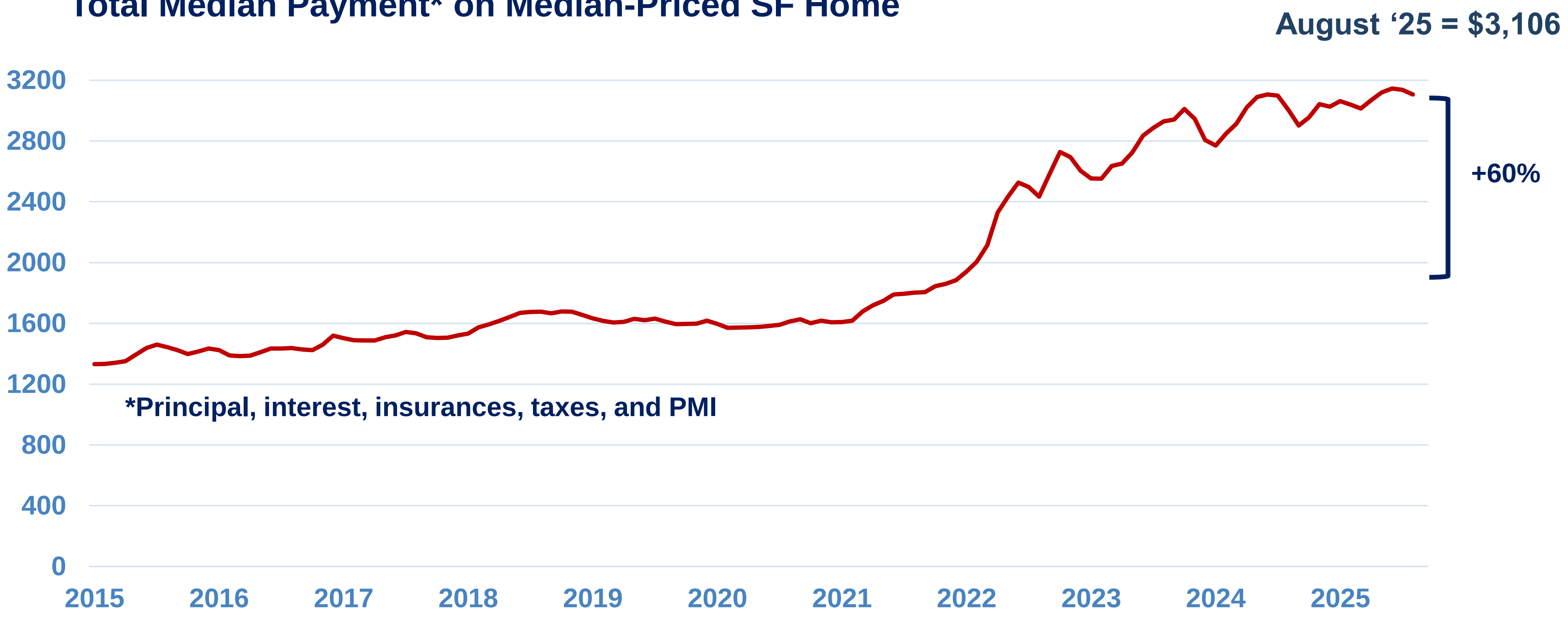
# The US Homeowner Vacancy Rate is Near Record Low




Source: Census Bureau's Home Vacancies and Homeownership Report

# Home Affordability Has Deteriorated Massively Since Early 2022

Total Median Payment* on Median-Priced SF Home

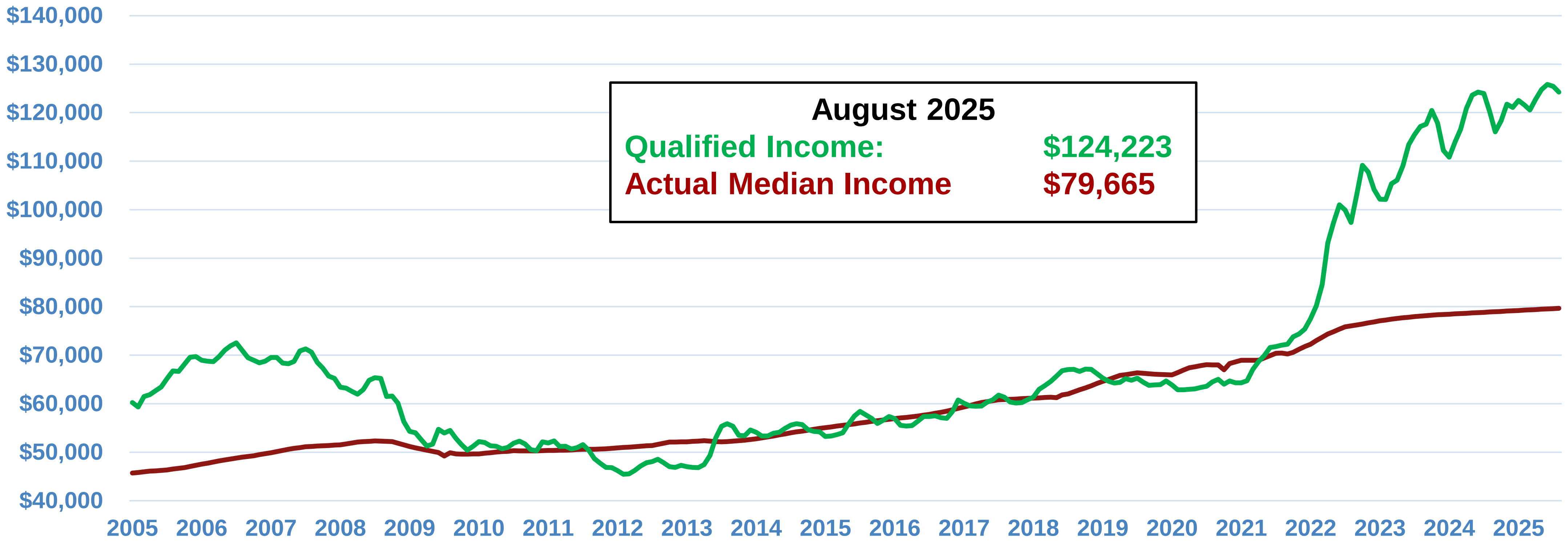



Source: Atlanta Fed's Home Ownership Affordability Monitor

# Homeownership is a Stretch for Middle-Class Households

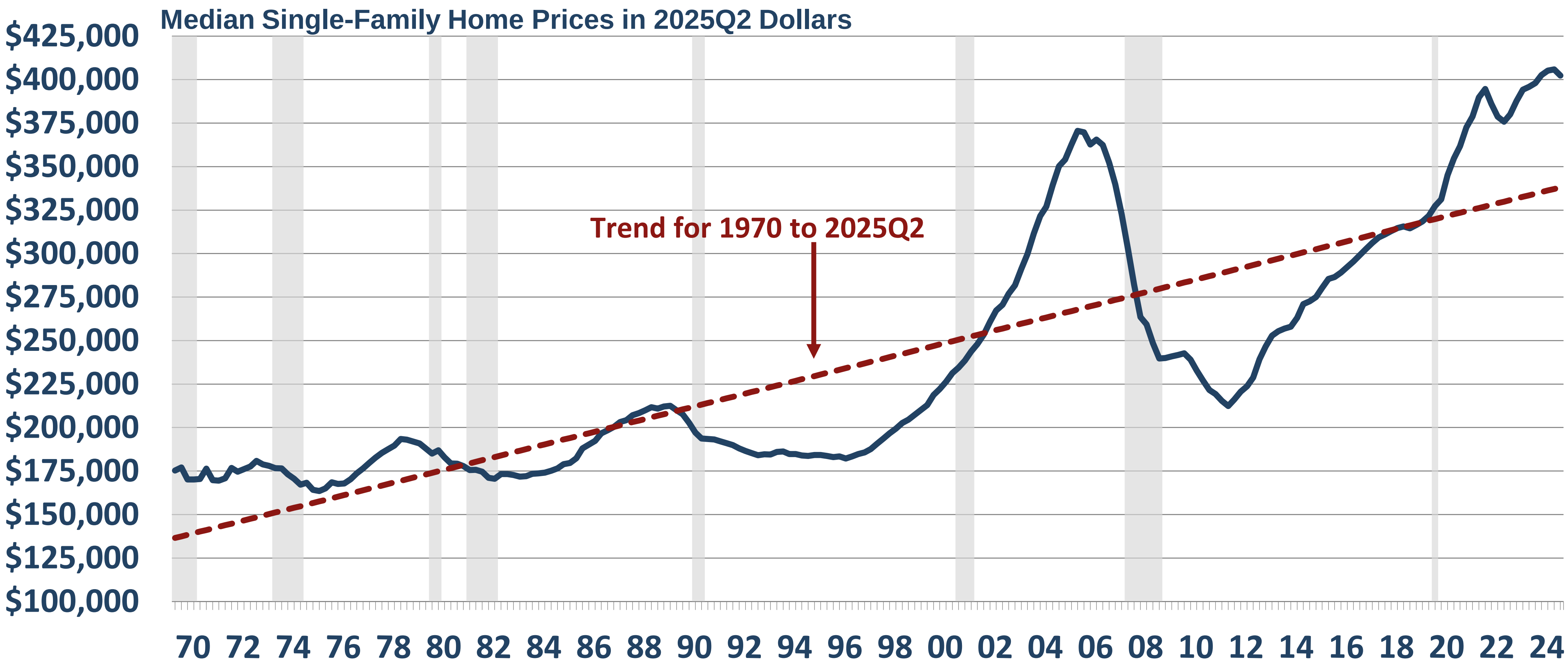
FEA
Forest Economic Advisors

**Gap Between Actual Median Household Income and Qualified Income**
***(Qualified Income = Income needed for annual homeownership cost to equal no more than 30 percent of annual income)***




**Source: Federal Reserve Bank of Atlanta**

# Real Home Prices Have Likely Peaked for the Cycle

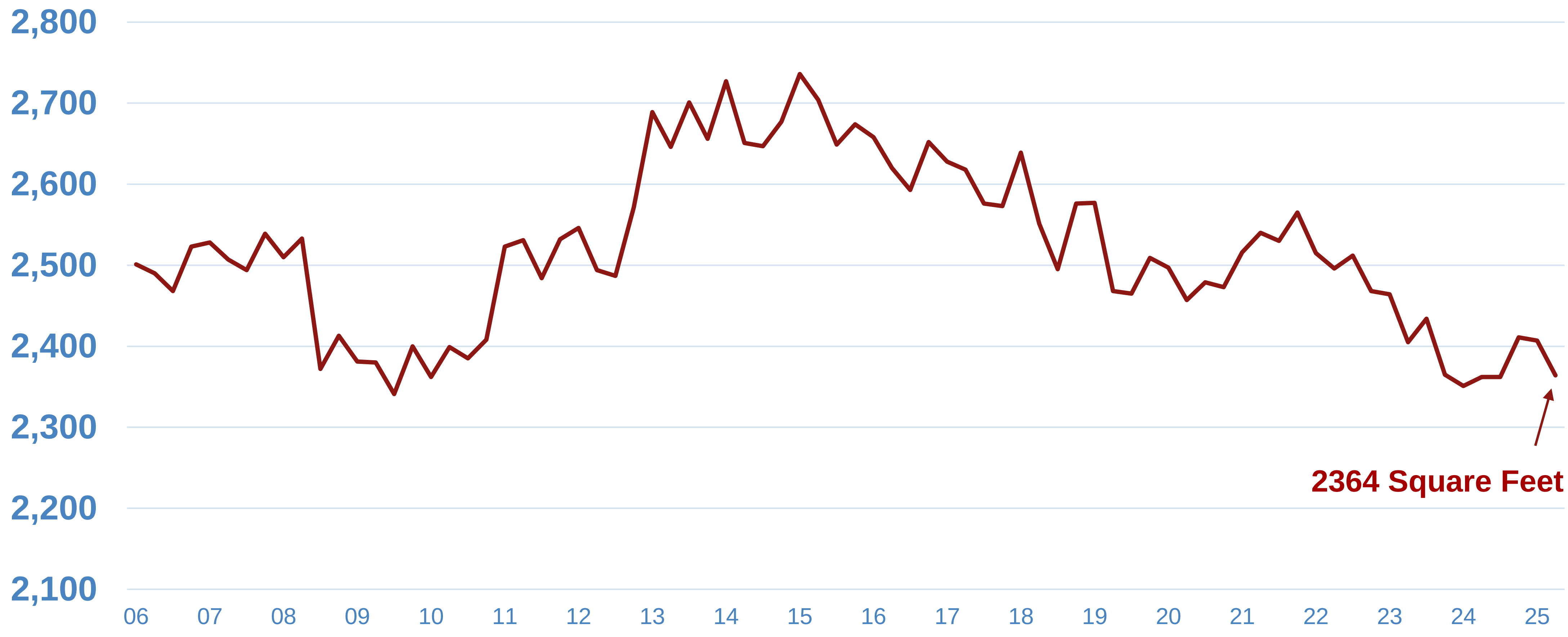



Source: National Association of Realtors, Bureau of Labor Statistics, S&P Dow Jone Indices, FEA calculations

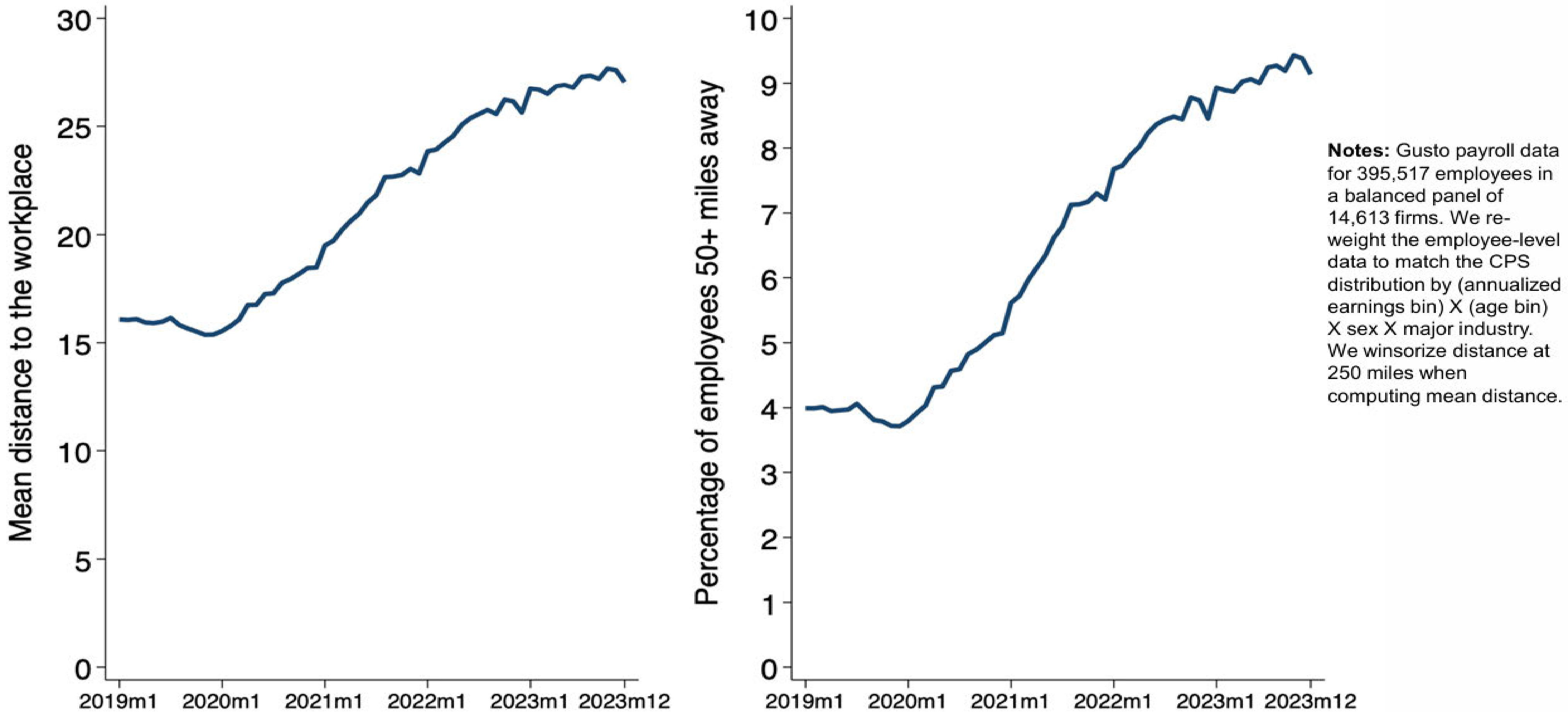
Forest Economic Advisors

# New Single-Family Home Sizes is 14% Below 2015 Peak

## Mean Size of a New Single-Family Home in the US in Square Feet



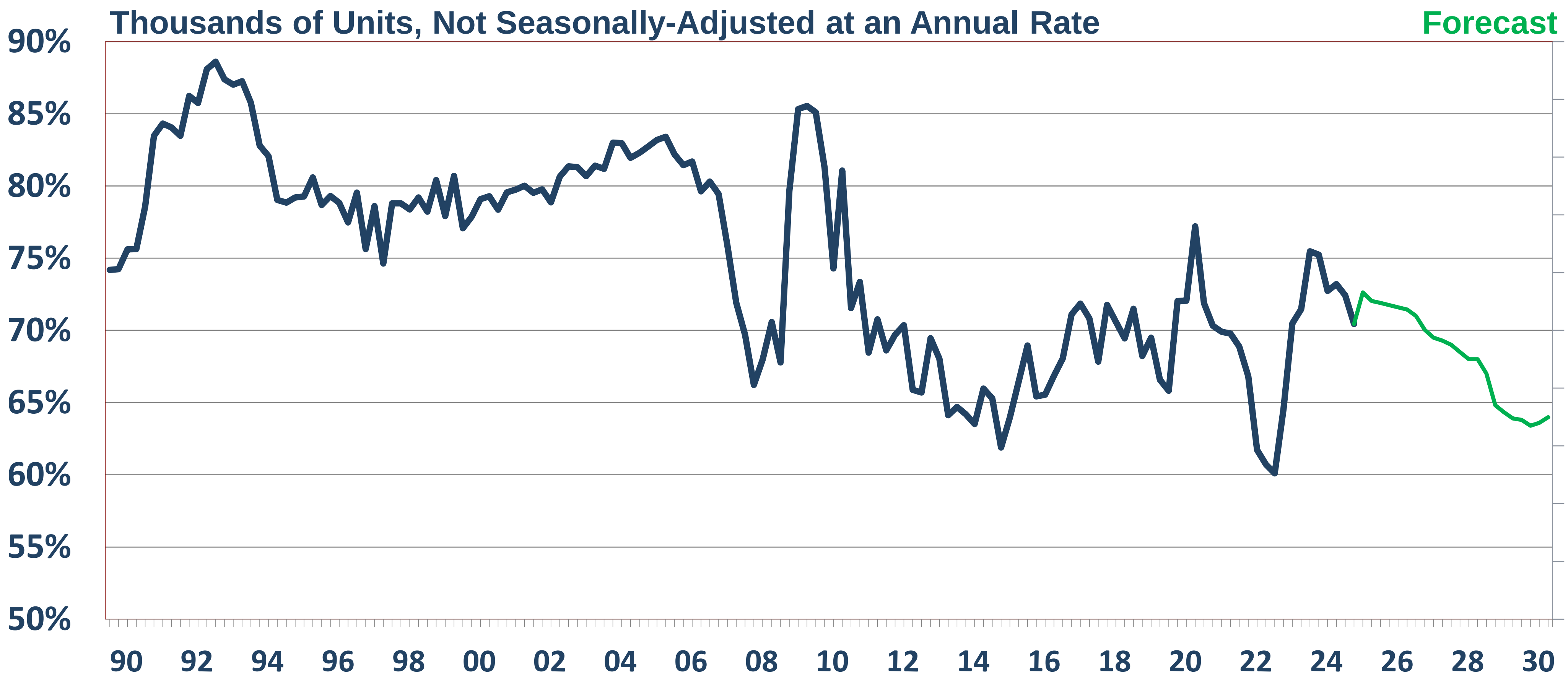
# Americans Work Further From Their Employers They Did Before the Pandemic




**Source: "The New Geography of Labor Markets" (NBER Working Paper 33582)**

# The Single-Family Share of Housing Starts Will Shrink

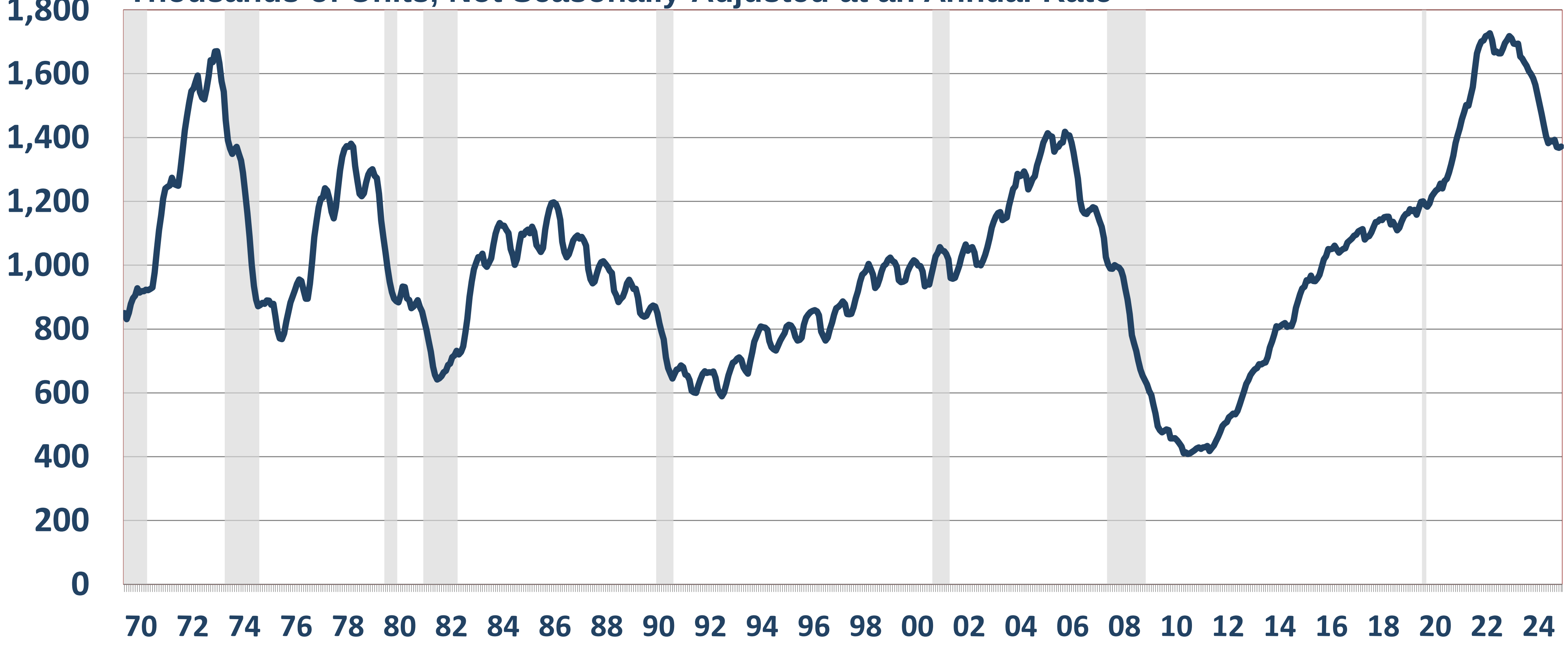
Forest Economic Advisors




Source: Census Bureau

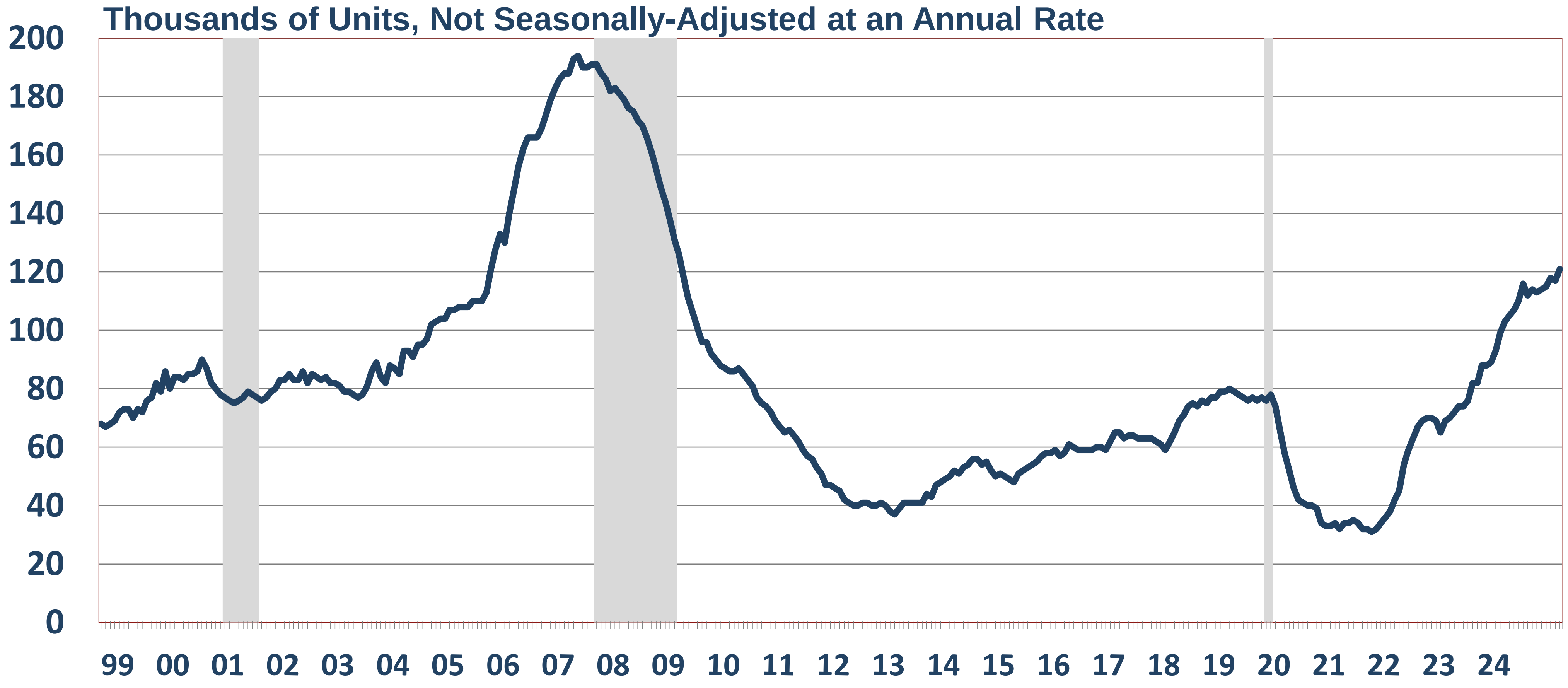
# Total Housing Units Under Construction Declining Rapidly

Thousands of Units, Not Seasonally-Adjusted at an Annual Rate



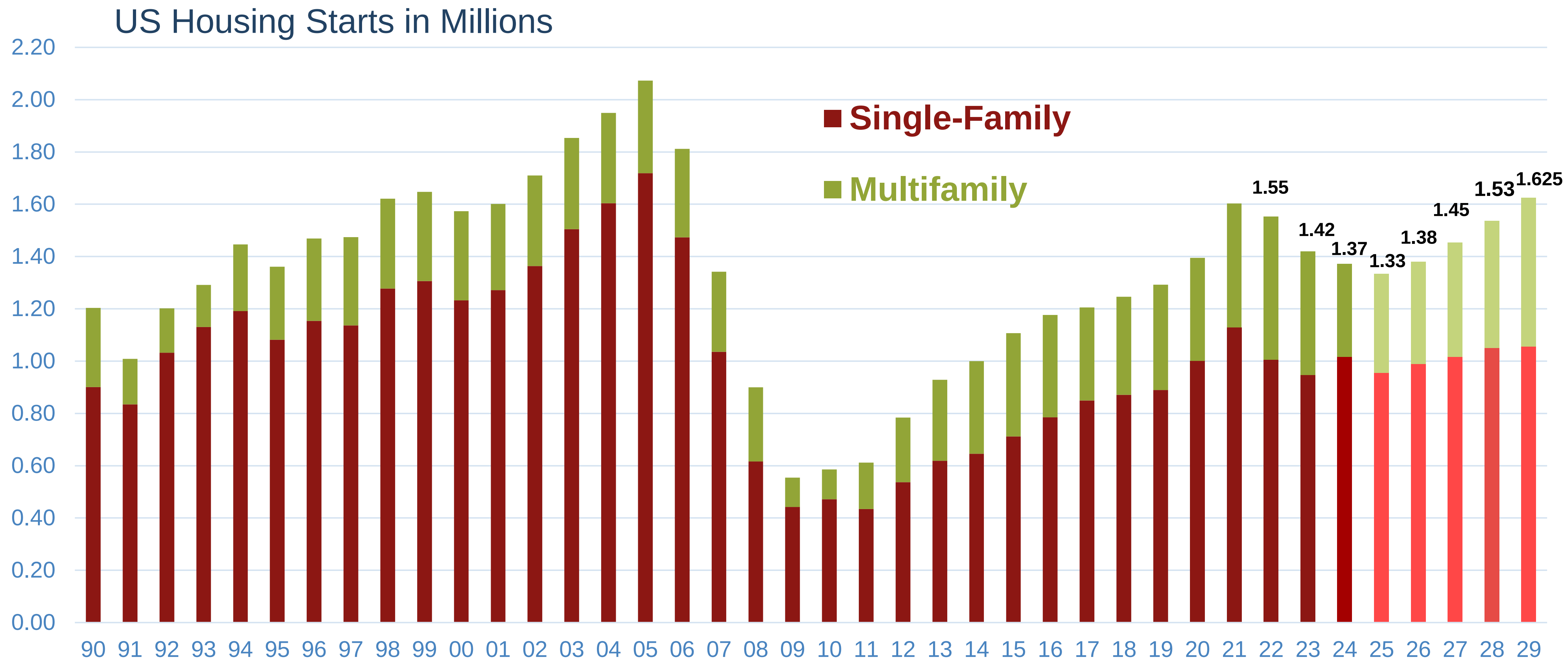

Source: Census Bureau

# Total Housing Completed Housing Units for Sale




Source: Census Bureau

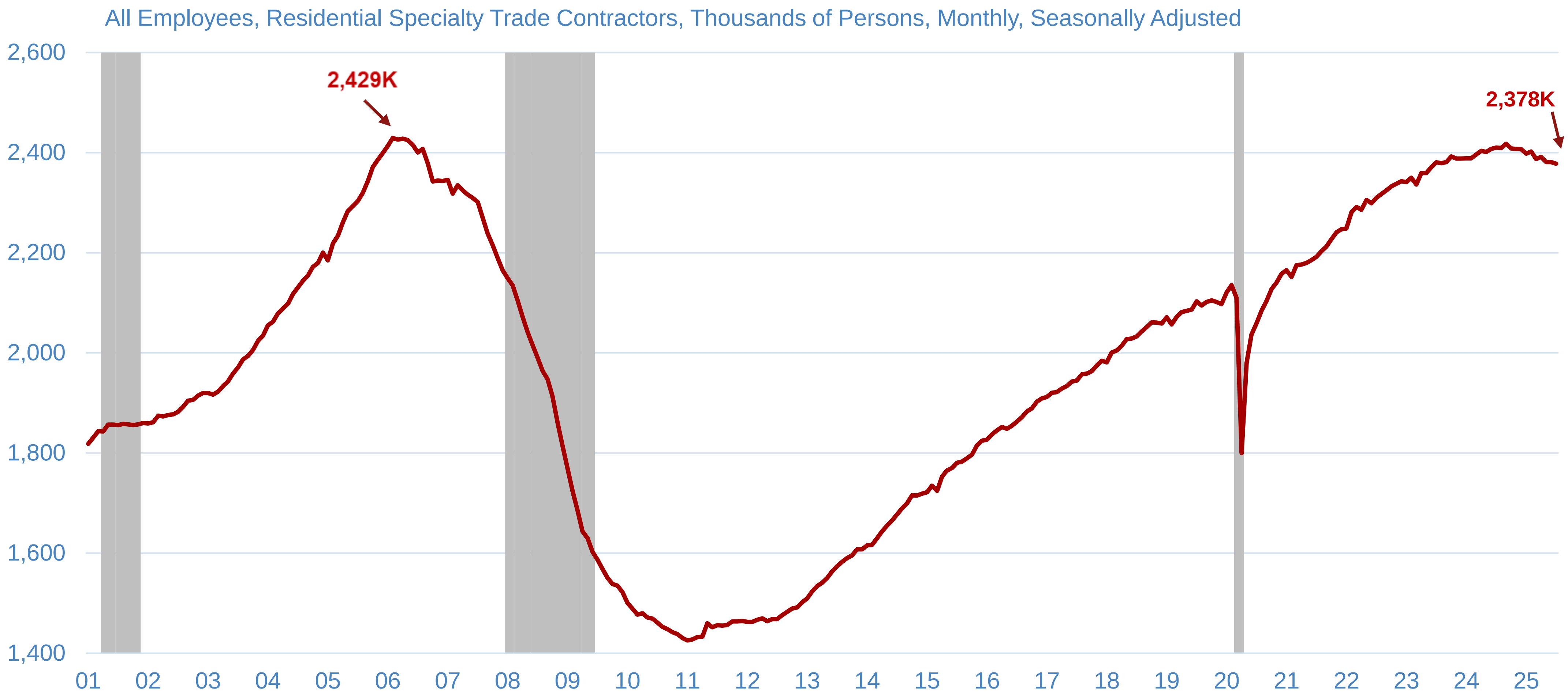
# Housing Starts Projected to Decline for 4th Straight Year in 2025



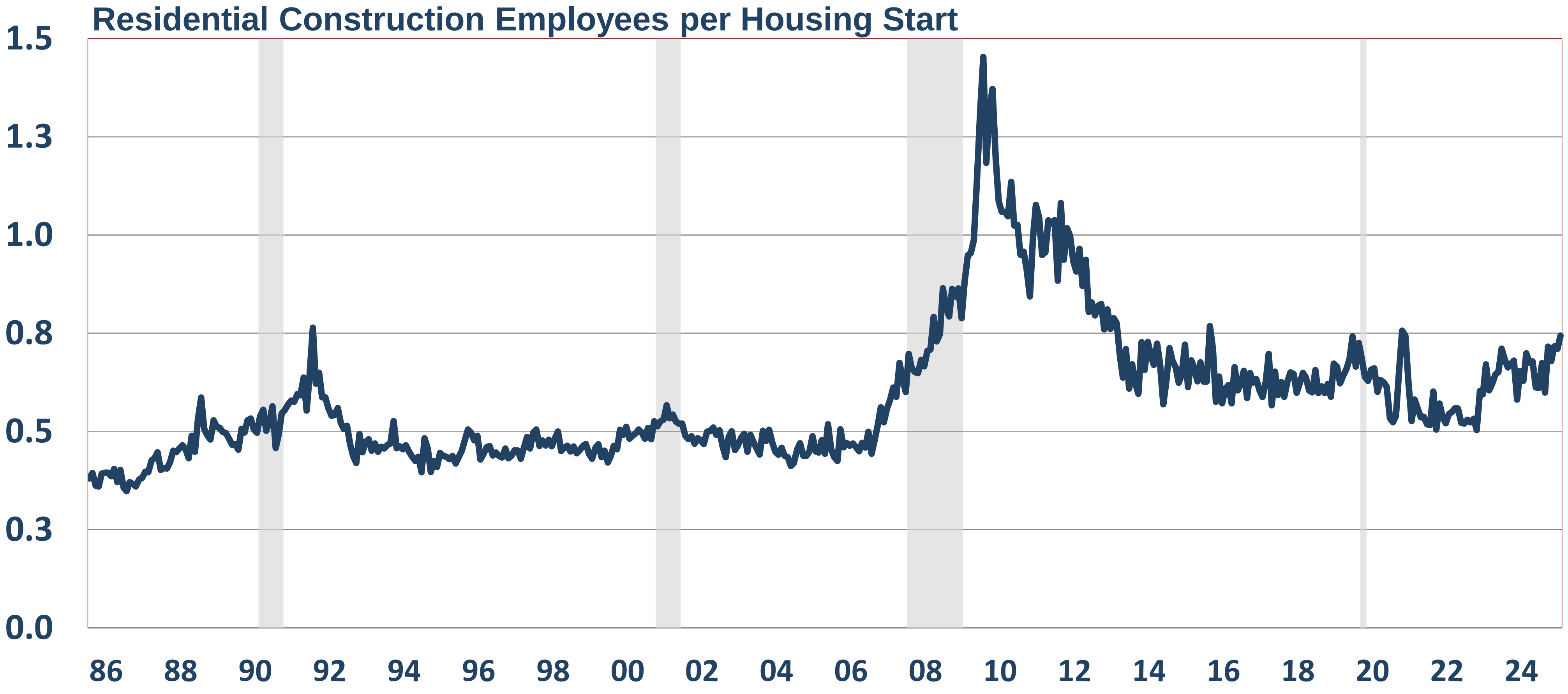

Source: Census Bureau, FEA Forecasts

Forest Economic Advisors

# The Number of Specialty Trade Contractors is Trending Down



# It Takes Twice as Many Workers to Builder a Home Than It Did When I Was in High School




Source: Census Bureau, Bureau of Labor Statistics

Forest Economic Advisors

# Questions?

If you have questions or comments, please don't hesitate to contact me at:

Brendan Lowney
Principal, Macroeconomics and Housing
Forest Economic Advisors
1-978-496-6334
blowney@getfea.com
www.getfea.com

# Uncertainty Weighs on Construction

**October 2025**

Eric Gaus, Chief Economist

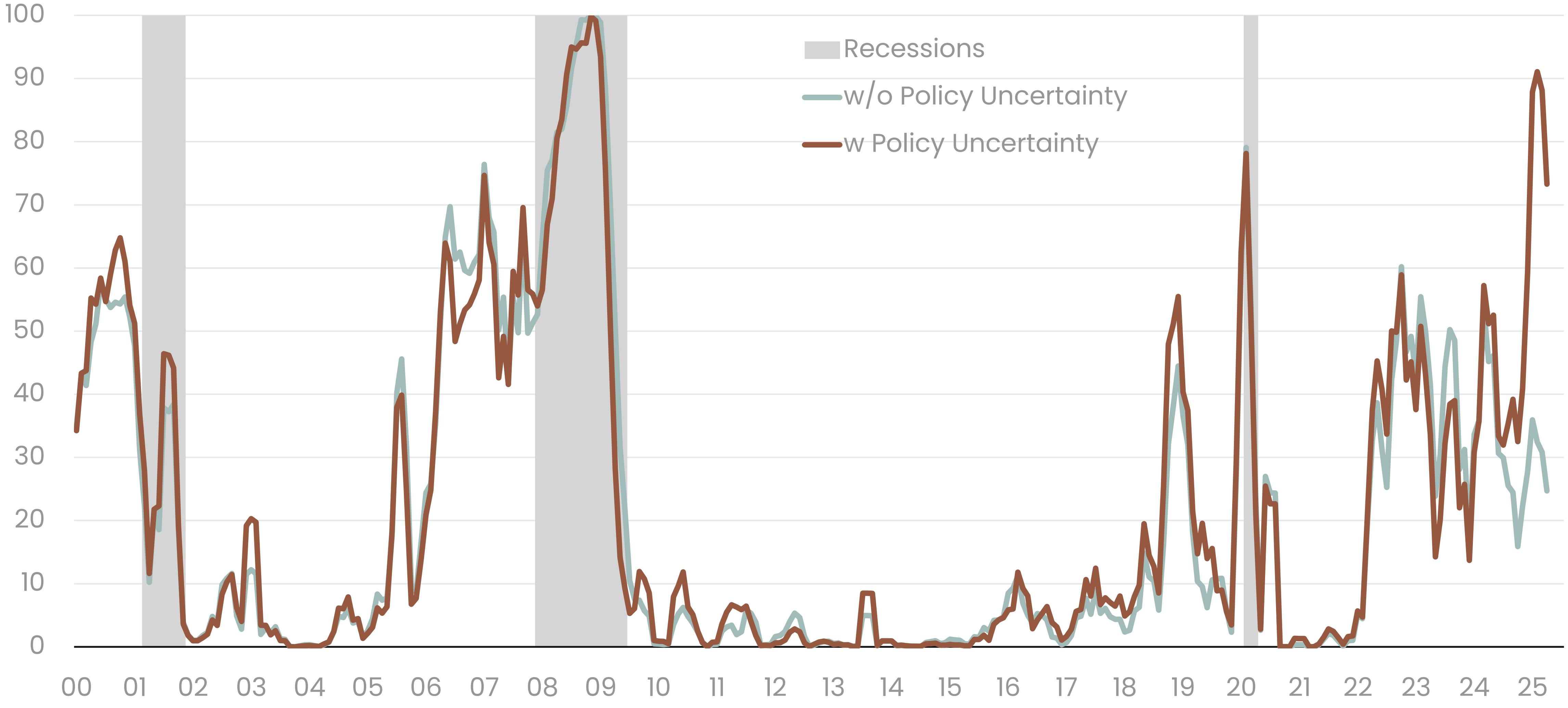
*Disclaimer: this presentation was developed by a third party and is not funded by WoodWorks or the Softwood Lumber Board.*

DODGE CONSTRUCTION NETWORK

THE CATALYST FOR MODERN CONSTRUCTION

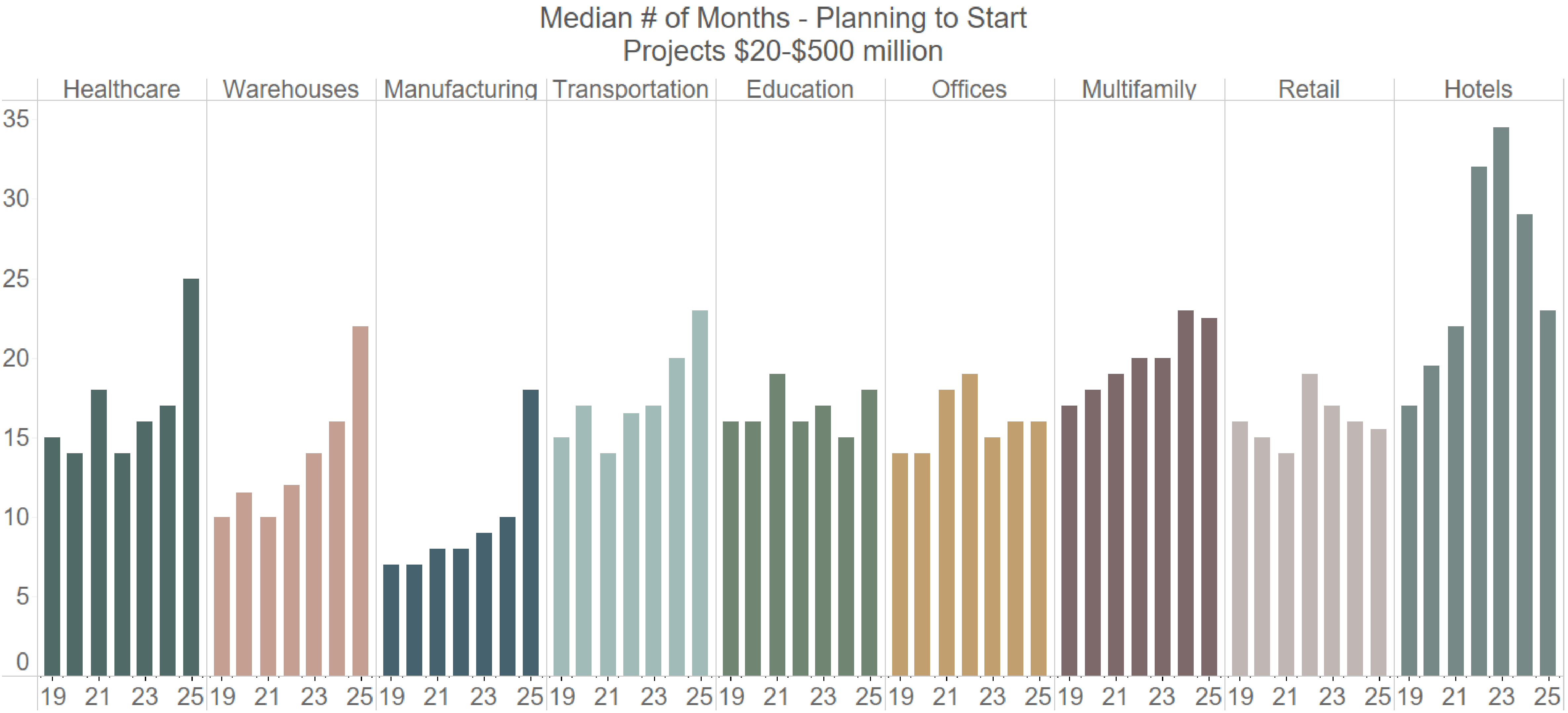
# Recession Risks are Uncomfortable

Probability of recession in next 12 months based on NBER recession dates, %.




Source: Dodge Construction Network

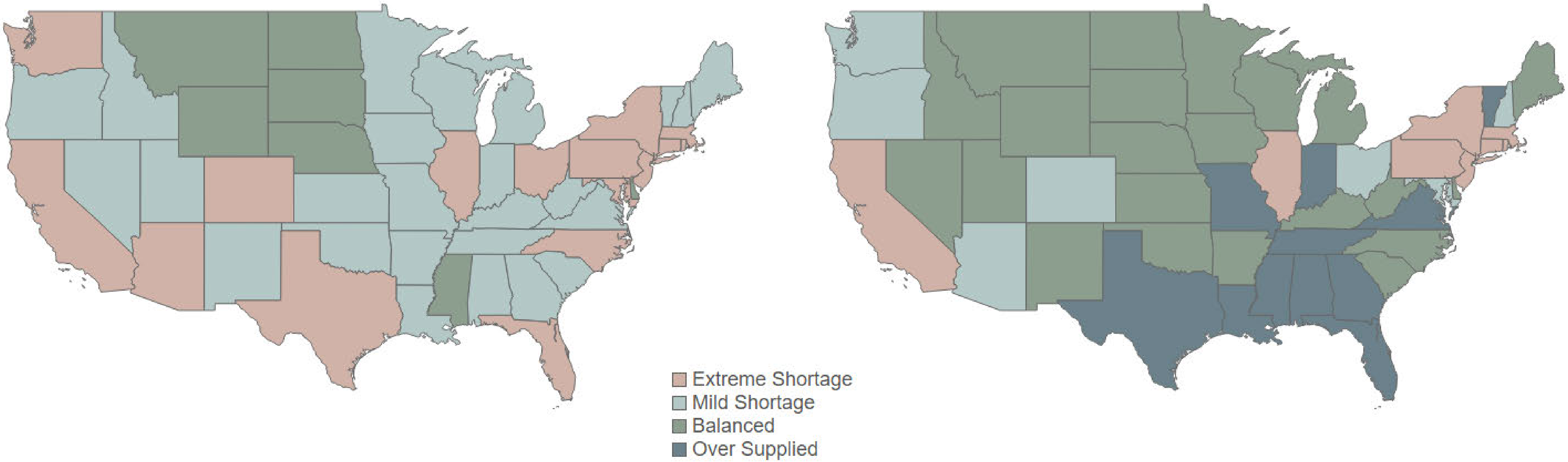
# Project Delays Remain an Issue




Source: Dodge Construction Network

# Demographics Support US South Housing Markets

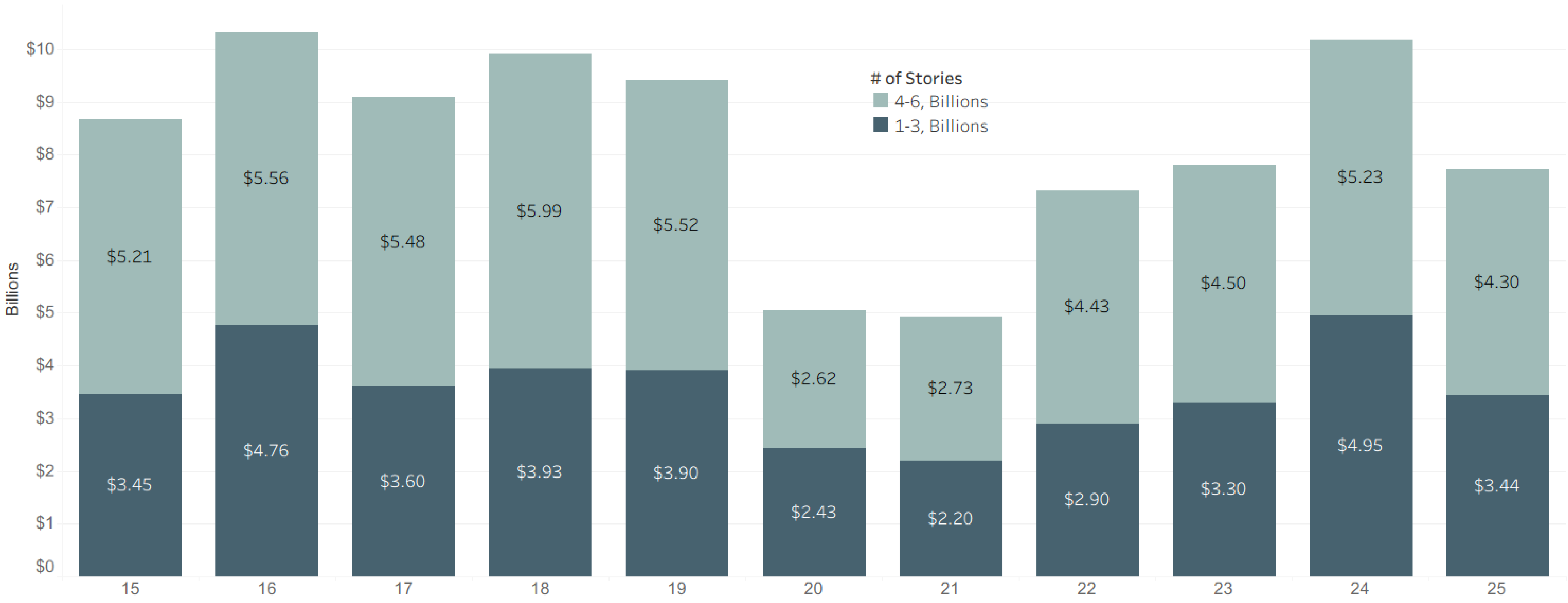
2022-Q2 (L) vs. 2025-Q1 (R)




Source: Dodge Construction Network

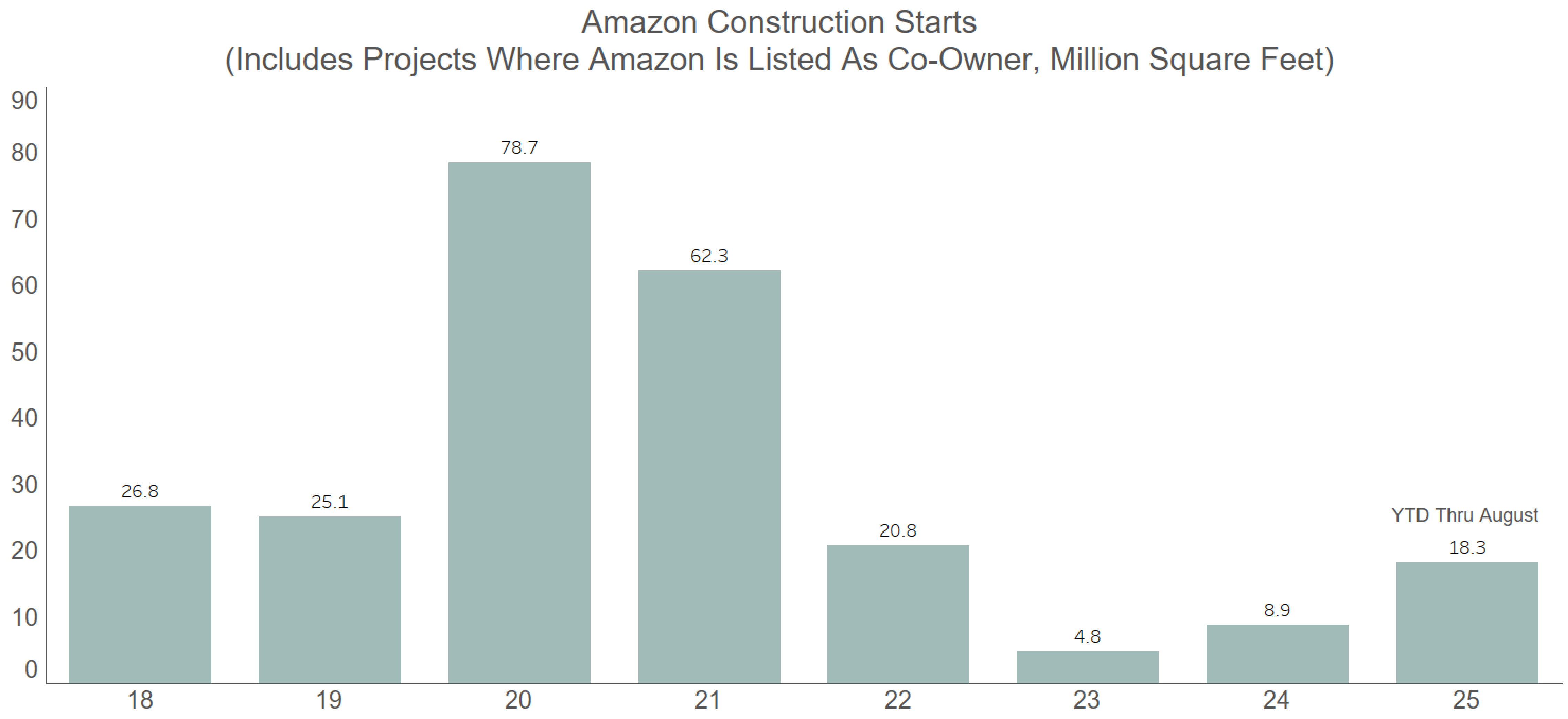
# More variation in story height for hotels

Hotel Starts by number of stories, $ Bil.




Source: Dodge Construction Network

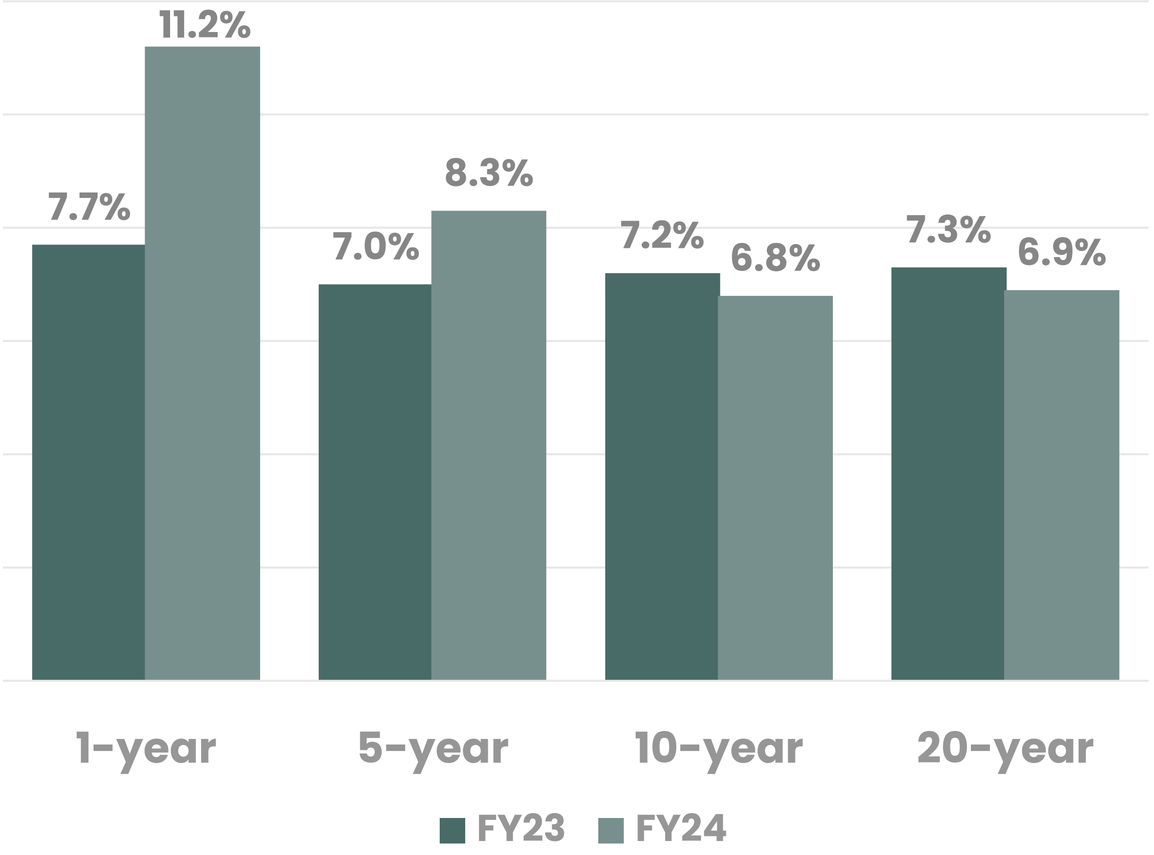
# Amazon Starts Point to a Re-Acceleration in Sector

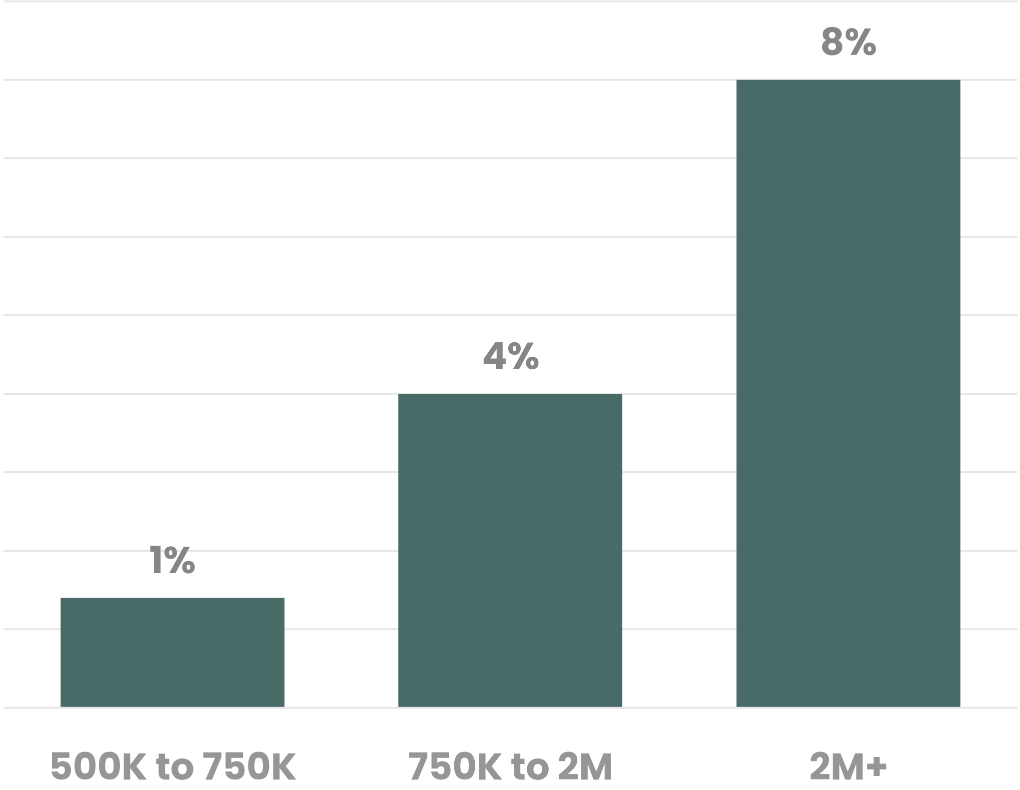



Source: Dodge Construction Network

# Short-term Returns Strong, But Endowment Tax Increases in 2026

## Average Return on Endowments FY23 vs. FY24 (L) and 2026 Endowment Tax (R)

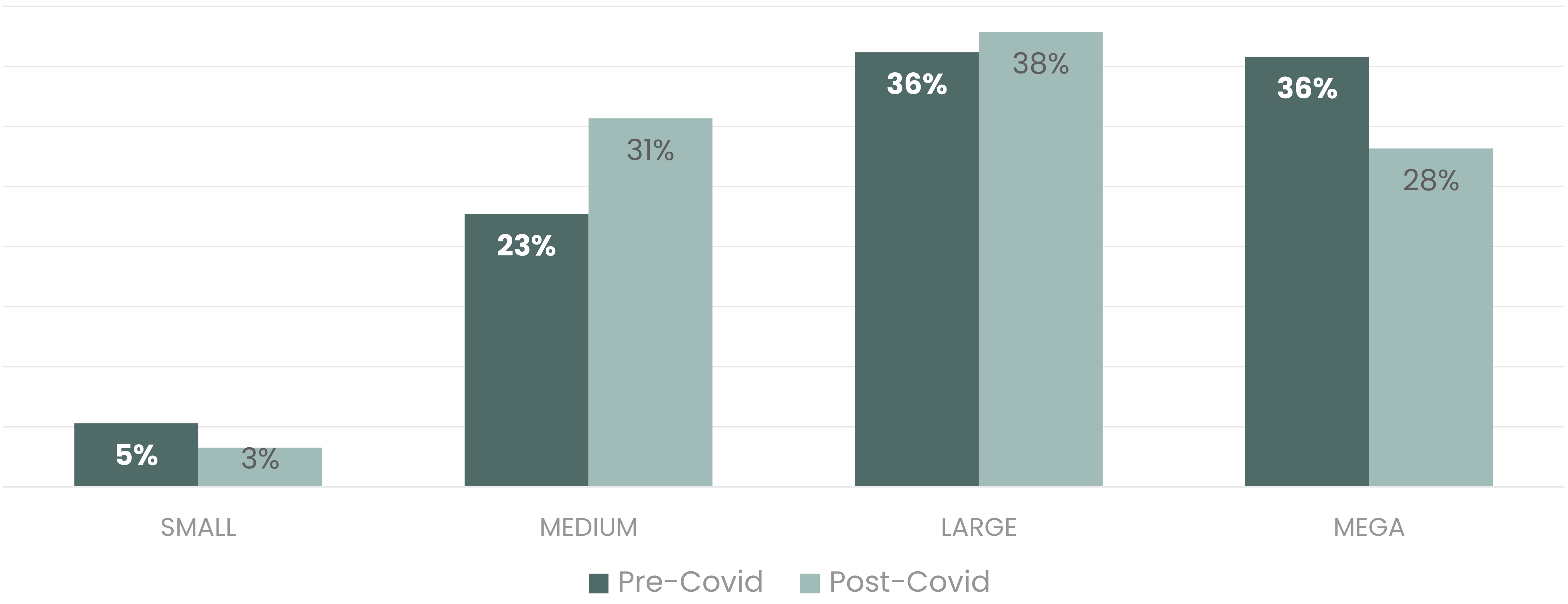



Source: NACUBO, Dodge Construction Network

# Megaproject Share On The Decline

% Share of Total Data Center Starts, Millions USD




Source: Dodge Construction Network

# Thank you!

Eric Gaus, Chief Economist
eric.gaus@construction.com