HBA CORNERSTONE MAGAZINE

A PUBLICATION OF THE HOME BUILDERS ASSOCIATION OF WEST FLORIDA

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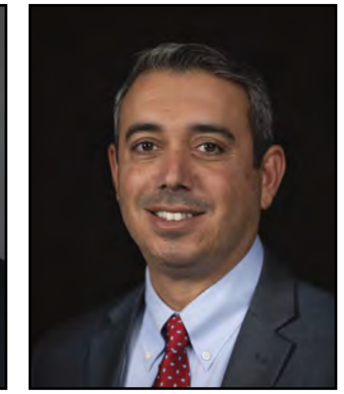

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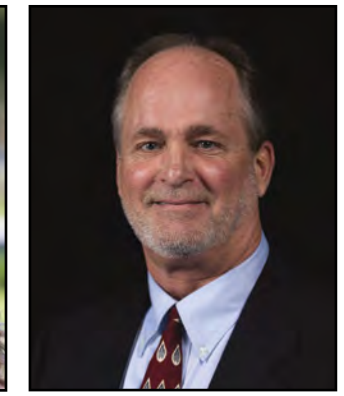

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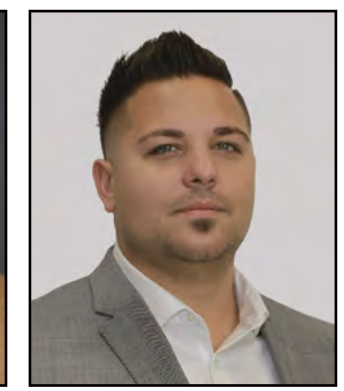

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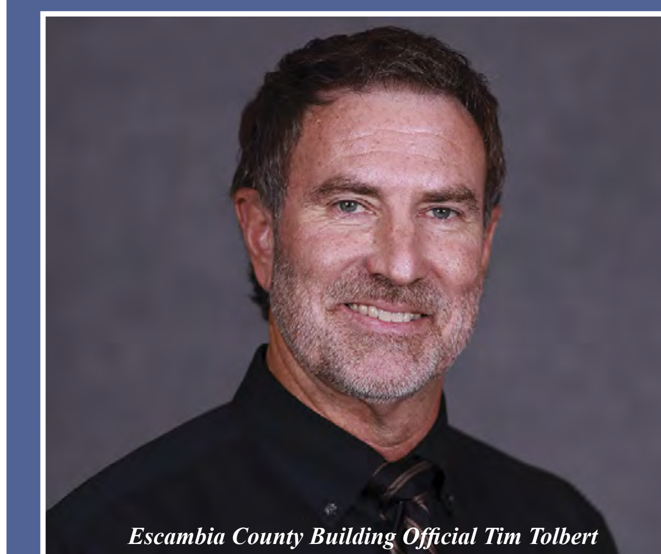
Development of 2024 IECC Well Underway; NAHB Member Action Needed Soon

Chad Edgar

In 2021, the International Code Council changed the development process for the International Energy Conservation Code (IECC) from the traditional code development process to a standards-based process where a committee comprised of various stakeholders reaches a consensus over a series of meetings and votes. The 2024 IECC will be the first ICC code developed under the new process.

Remember, that when the IECC passes new regulations, the Florida Building Commission has the final say on what happens in Florida. We are thrilled that Gov. Ron DeSantis recently appointed Escambia County Building Official Tim Tolbert to the Florida Building Commission. He is a member of the International Code Counsel and the Building Official Association of Florida. Tolbert earned a certificate from Florida State Fire College.



Escambia County Building Official Tim Tolbert

The residential consensus committee for the 2024 IECC is comprised of 48 members representing a wide range of stakeholders, including government officials, product manufacturers, advocacy groups, utility concerns and more. NAHB is represented on the committee by a small group of NAHB builder members and one NAHB staff member.

There is a long and uncertain road ahead, as the committees will be working over the next year to complete the 2024 IECC. Committees are looking at a broad array of topics, ranging from cost-effectiveness methodologies to solar photovoltaic (PV) mandates to electrification of buildings. Although the proposed changes to the IECC will go out for public comment at least twice, the 48 committee members are ultimately who decide what will go into the 2024 code.

There have been numerous full committee, subcommittee, and working group meetings during which NAHB members have actively participated, with the overall goal to ensure the next iteration of the model energy code is grounded in cost-effective, practical solutions that work in the field and are acceptable to home buyers and owners.

The ICC Board provided the following direction to the committee: *"The code is updated on a three-year cycle with each subsequent edition providing increased energy savings over the prior edition."*

continues on page 06

"There is a long and uncertain road ahead, as the committees will be working over the next year to complete the 2024 IECC."

Development of 2024 IECC Well Underway; NAHB Member Action Needed Soon

from page 07

Therefore, the 2024 IECC will be more stringent than the 2021 IECC in terms of the overall energy performance. It's important that increases in stringency are incremental to allow for a reasonable transition timeline and are balanced with added flexibly in design and construction practices.

Significant proposals that have been or will be considered include:

- Requiring whole-home electrification or electrification ready
- Requiring on-site solar PV
- Requiring homes to be solar-ready and energy-storage-ready
- Requiring electric vehicle charging capability or readiness
- Requiring grid-interactive equipment for demand response
- Increasing the stringency of insulation, windows, and building and duct tightness
- Requiring energy-recovery ventilators (ERVs)
- Eliminating batt insulation option at rim joists
- Requiring third-party inspections for energy code compliance (instead of building inspectors)
- Requiring air handlers to be in conditioned space
- Requiring ASHRAE 62.2 ventilation rates (much higher rates)
- Requiring increased building tightness
- Further reducing overall flexibility (e.g., removing air tightness trade-offs)>
- Imposing a penalty on houses larger than 5,000 sq. ft.
- Realigning energy efficiency measures to prioritize more cost-effective strategies
- Improving flexibility and increasing choices for achieving compliance when using performance design

Many of these provisions could have significant impacts on the design and construction costs of the homes of the future and remove the flexibility builders need for optimizing building performance. In the coming months, NAHB members need to become engaged in the process and raise their concerns.

Ways you can get involved:

- **Review and submit comments on the first public comment draft of the 2024 IECC**, which will be published late this summer. We will need members to comment on the proposed changes to make builders' voices heard. NAHB will publish a review summary of the public draft soon after the comments are opened to help members prioritize issues and offer solutions.
- **Attend and participate in virtual meetings of working groups, subcommittees, and committees**, which are open to the public. NAHB members are encouraged to listen in or participate by providing testimony.

Builders can still influence the 2024 IECC, but it will take a deliberate effort. Go to nahb.org/2024IECC to learn more and get resources on how to help.

Home Purchases Trigger Big Spending on Remodeling, Appliances and Furnishings

By Natalia Siniavskaia, Eye On Housing

Buyers of new and existing homes spend thousands of dollars more on appliances, furnishings and remodeling in the first year after a purchase compared to non-moving home owners, according to NAHB estimates using the Consumer Expenditure Survey (CES) data from the Bureau of Labor Statistics (BLS).

NAHB's most recent estimates are based on the pre-pandemic 2017-2019 data and show that during the first year after closing on the house, a typical buyer of a newly-built single-family detached home spends on average $9,250 more than a similar non-moving home owner. Likewise, a buyer of an existing single-family detached home tends to spend over $5,240 more than a similar non-moving home owner.

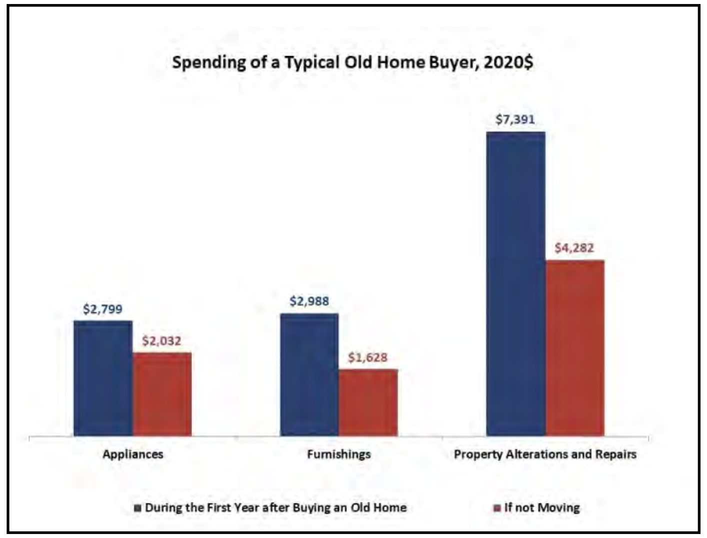
NAHB's analysis shows that a home purchase alters the spending behavior of home owners, who spend more on appliances, furnishings and remodeling compared to non-moving owners during the first year after moving.

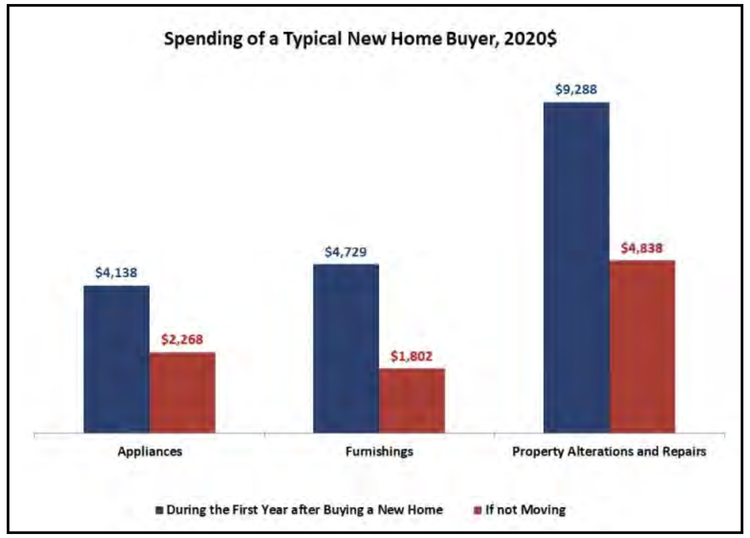
Though it appears counterintuitive, the largest difference in spending between new home buyers and households that do not move are on property alterations and repairs. A typical new home buyer is estimated to spend almost twice as much on these projects ($9,288) compared to a similar household that stays put in a house they already own. A closer examination reveals that most of these extra spending is used on building outdoor features such as patios, pools, walkways and fences, as well as landscaping and various additions to the new house.

In the same way, moving into a new home triggers higher levels of spending on furnishings. A typical new home buyer that moves into a new home is estimated to spend close to $3,000 more on furnishings during the first year compared to a non-moving owner. In the case of appliances, the differences are smallest, but nevertheless, amount to $1,870.

Similarly, buying an older home triggers additional spending. The typical buyer of an existing home is estimated to spend $5,238 more on remodeling, furnishings and appliances compared to home owners that do not move. In the case of buying an older home, most of this extra spending goes to property repairs, alterations and various remodeling projects. Buyers of existing homes spend close to $7,400 on these projects during the first year after closing on the house; while home owners that do not move spend $4,282. For furnishings, buyers of existing homes boost their spending by over $1,360 during the first year after moving in. In the case of appliances, buyers of existing homes outspend similar non-moving owners by $768.

The statistical analysis further shows that this higher level of spending on furnishings, appliances and property alterations is not paid by cutting spending on other items such as entertainment, transportation, travel, food at home, restaurant meals, etc. This confirms that home buying indeed generates a wave of additional spending and activity not accounted for in the purchase price of the home alone.





What Do Home Buyers Buy after Moving

By Natalia Siniavskaia, Eye On Housing

NAHB analysis of Consumer Expenditure Survey (CES) data from the Bureau of Labor Statistics shows that during the first year after closing on a home sale, home buyers tend to spend considerably more money on furnishings, appliances and remodeling compared to non-moving owners. Buyers of new homes spend most, spending four times as much as non-moving owners and twice as much as buyers of existing homes. This post reveals particular items that are most popular with home buyers and help explain changes in their spending behavior triggered by a house purchase.

It might come as a surprise but the biggest outlay in the budget of recent new home buyers is **alterations and repairs**. During the first year after closing, new home buyers spend close to $12,000 on these projects, while buyers of existing homes average less than half of that amount ($5,760). Non-moving owners spend even less on property alterations and repairs – under $3,000 in a typical year. The puzzle is easily solved by going over the list of the specific types of remodeling projects that homeowners engage.

New home buyers spend over $4,000 on building outdoor patios, walks, fences, pools, driveways and additional $3,167 on landscaping. In comparison, existing home buyers spend $512 on outdoor features and $335 on landscaping. The corresponding average spending by non-moving owners are $250 and $192 per year. Average spending is estimated for all households in the group regardless whether they purchased a certain item or not. Thus, higher averages may point to larger and/or more frequent spending by the group.

New home buyers also significantly outspend existing home buyers and non-moving owners when it comes to finishing a basement, attic, enclosing a porch ($1,740 vs $275 and $69, respectively) or building an addition or a new structure, including a porch ($1,003 vs $253 and $283).

At the same time, existing home buyers spend more than new home buyers on remodeling rooms, painting, wallpapering, plastering, flooring, roofing, insulation, siding, window panes, screens, storm doors, and HVAC work.

New home buyers also spend more on **appliances** – $4,254, compared with $2,500 for existing home buyers, and $1,442 for non-moving owners. On average, new home buyers tend to spend most on various types of television. Even though new television sets may not be the most expensive appliance new home buyers invest into, these are unlikely to be included in the price of the new home. As a result, buying television sets for multiple rooms in the new house can add up to the high level of spending, reflecting the high frequency of these purchases by new home buyers rather than a particularly high cost of the item.

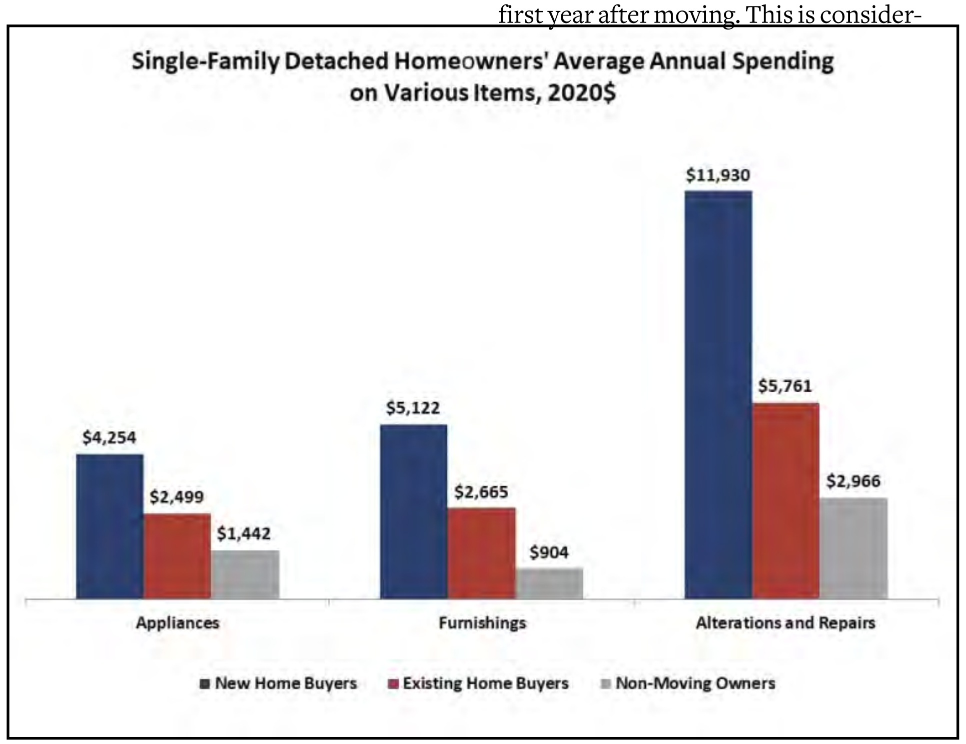
The next biggest outlays in the appliance budget of new home buyers are clothes washers/dryers, lawnmowers/other yard equipment, and new refrigerators or home freezers. Coincidentally, new home buyers outspend existing home buyers and non-moving owners on all these big-ticket items.

The high level of spending by new home buyers may seem surprising considering that many new homes come with installed appliances but suggests that these purchases are nevertheless more frequent among these households. The Builder Practices Survey conducted by Home Innovation Research Labs shows that two thirds of new single-family detached homes built in 2019 came with no clothes dryers. At the same time, virtually all new homes came with cooking stoves, ranges, or ovens. This explains why new home buyers have lower spending on cooking stoves, ranges and minimal spending on built-in-dishwashers and microwave ovens. Rather, new home buyers spent most on items that are less likely to be included in the price of new homes.

The appliances that consume the largest share of the budget of existing homeowners are clothes washers/dryers, followed by refrigerators/home freezers, lawnmowers, televisions, and computer hardware/systems.

New and existing home buyers spend even more on than appliances. During the first year after moving, new home buyers spend $5,122 on furnishings. This is nearly twice as much as existing home buyers spend and 5.6 times higher, compared to non-moving owners' spending on furnishings. The differences are not only large but also most consistent when comparing expenditures on furnishings. Compared to existing home buyers, new home buyers spend more on every single item the CES counts as furnishings. Existing home buyers, in turn, outspend non-moving owners on all furnishings with the only exception of non-electric cookware, where their annual spending is similar.

The two biggest ticket items for home buyers are sofas and bedroom furnishings, including mattresses and springs. On average, new home buyers spend close to $860 on sofas and $718 on bedroom furnishings. The corresponding spending by existing home buyers on these items average just over $610 during the first year after moving. This is considerably higher than non-moving owners typically spend on sofas ($148) and bedroom furnishings ($204) per year.



A home purchase, especially when it is a new home, has a particularly large effect on expenditures on window coverings (blinds, shades), as well as curtains and drapes. During the first year after moving, new home buyers spend $516 on window coverings outspending non-moving owners and existing home buyers 22 and 4 times, respectively.

The differences in spending patterns are similarly large when comparing spending on dining room and kitchen furniture. New homebuyers outspend non-moving owners 11 times over ($460 compared to $40), while existing home buyers (with an average annual spending on dining room and kitchen furniture of $207) outspend non-moving owners 5 times.

Even though during the first year after closing on the house, home buyers tend to spend on furnishings, appliances, and property alterations considerably more compared to non-moving owners, most of the demand for appliances, furnishings, and remodeling projects in a given year is generated by non-moving homeowners, because they outnumber home buyers by such a wide margin.

Membership Meeting at Scenic Hills

Edsel Charles of Market Graphics Addresses the Santa Rosa County Commission and HBA members at Scenic Hills Country Club.

10 Significant Insights from his presentation in terms of the Alabama Coast and Florida Panhandle (8 counties):

1. The projected lot shortage must be addressed.
2. The current lot inventory is 20,616.
3. In 2023, the market will need 12,580 lots
4. The total market demand for lots between 2022 and 2027 is 70,283
5. 19,912 of the aforementioned lots needed will be in Baldwin County
6. 11,781 of those lots needed will be in Walton County
7. There will be 82,817 lots needed to be developed before the end of 2027.
8. The lot count has fallen 16,632 since May 2013.
9. The number of started subdivisions has fallen since May 2013.
10. The number of newly finished unoccupied has fallen 576 since May 2013.

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Harvard's State of the Nation's Housing Report Highlights Housing Affordability Challenges

The Harvard Joint Center for Housing Studies (JCHS) has released its State of the Nation's Housing 2022 report, highlighting the housing affordability challenges ahead, following a year of rising housing costs and demand.

According to the report, home price appreciation was 20.6% in March 2022, while rents rose 12% in the first quarter of 2022 — with rents in some metros increasing more than 20%. These increases have created additional hurdles to first-time and middle-income buyers to purchase a home, especially amid rising costs for other necessities such as food and gas.

"At today's prices, the typical downpayment that a first-time buyer would need for a median-priced home is $27,400," Alexander Hermann, a JCHS senior research analyst, said in a press release. "Without help from family or other sources, this would rule out 92% of renters, whose median savings are just $1,500."

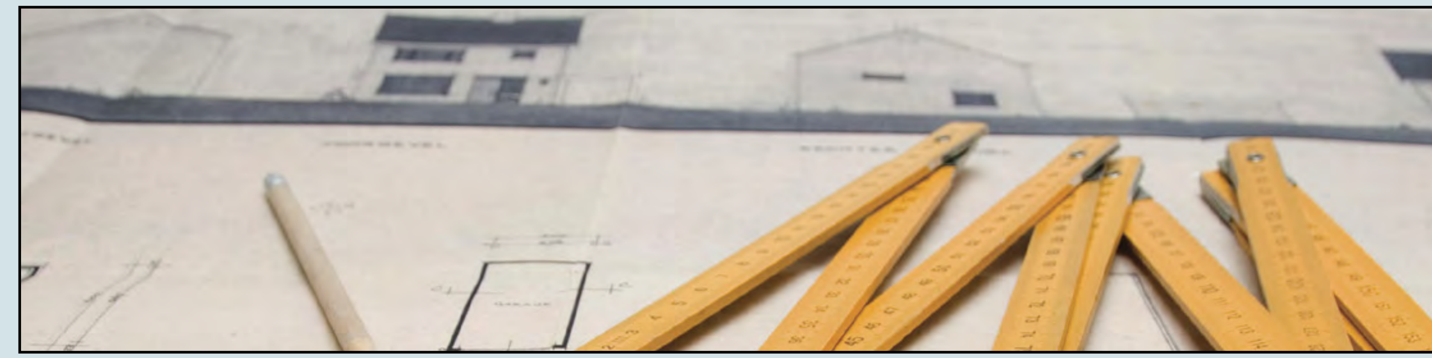
Other key findings include:

- Recent interest rate hikes amount to a 27% jump in home prices for monthly mortgage payments, which have increased by more than $600 a month on a median-price home.
- The greatest homeownership increases occurred in the under-45 age group, as millennials were able to capitalize on strong income gains and low employment to achieve stronger financial footing.
- Rapidly rising home prices have increased the wealth gap between home owners and renters, with home owners cashing out $275 billion in equity in 2021 — the highest level since 2005.

Supply-chain constraints have left some 1.64 million new homes still under construction — the highest level since 1973. The State of the Nation report notes the increase in starts for single-family and multifamily construction in 2021 may help slow rising housing prices and rents; however, data recently reported by NAHB indicates housing starts are slowing in 2022.

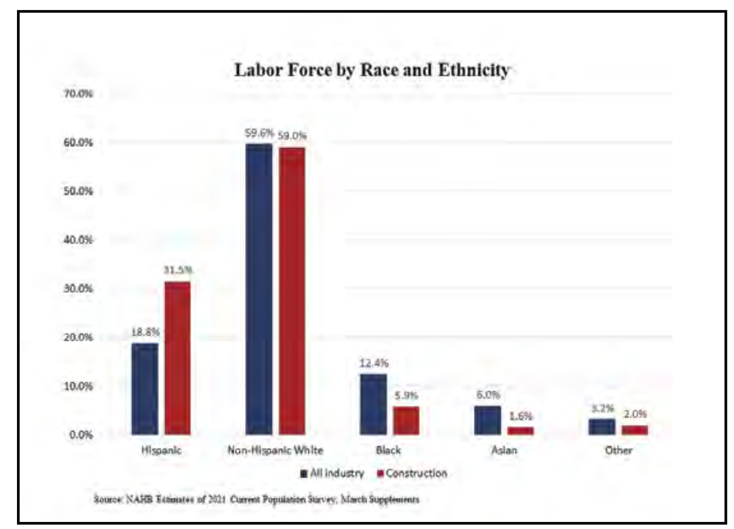
NAHB Chief Economist Robert Dietz noted in a recent Eye on Housing post that there are now 822,000 single-family homes and 843,000 apartments under construction — a 24% year-over-year increase in total housing units now under construction.

"The number of units under construction is rising on both the total volume of construction, as well as longer construction times," Dietz concluded. "However, it appears the number of single-family units in the construction pipeline is now peaking for this business cycle."



One in Three Workers in Construction Is Hispanic

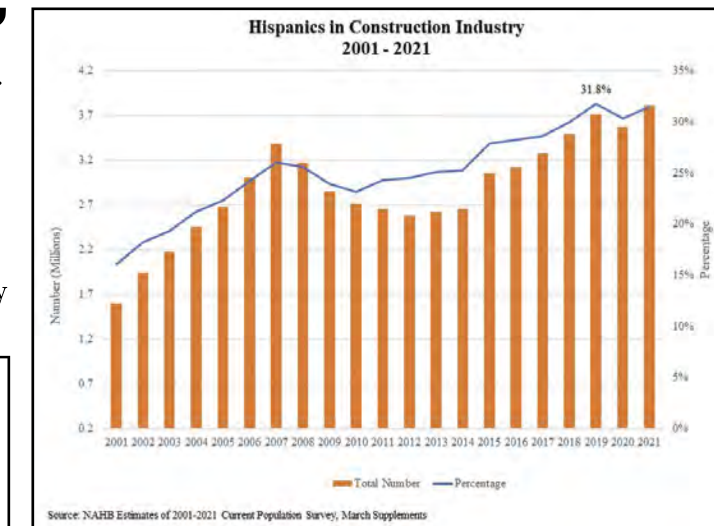
Hispanics are an important source of labor in the U.S. construction industry, where skilled labor shortage is a long-term issue. One in three workers in the US construction industry is Hispanic. The latest labor force statistics from the 2021 Current Population Survey show that Non-Hispanic Whites account for the majority of workers in the construction industry (59%). Hispanics make up close to a third of the construction labor force (31.5%), followed by African Americans (5.9%), and Asians (1.6%).



The most noticeable trend in construction employment is the increase in the number and share of Hispanics over time. During the Great Recession, the number of Hispanic construction workers declined sharply by 20%, from 3.3 million in 2007 to 2.6 million in 2010. From 2010 to 2017, Hispanic construction employment recovered to around 3.2 million but remained below the pre-recession levels. Most recently, the number of Hispanic workers in construction grew rapidly and reached a record high employment of 3.8 million in 2021, after a small dip during the volatile start of the pandemic.

Similarly, the share of Hispanics employed in the construction industry grew rapidly over the past two decades, from 16.7% in 2001 to 31.5% in 2021. Now close to a third of workers in construction is Hispanic.

Hispanics are overrepresented in the construction industry, as they make up 31.5% of construction employment compared to 18.8% across all industries. Non-Hispanic Whites account for 59%, about the same as across all industries (59.6%). Blacks and Asians are underrepresented in the construction industry.



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Federal Reserve
Accelerates Rate Hikes

To fight persistent inflation, the Federal Reserve has committed to significantly cooling demand. This approach reflects a non-monetary policy failure to fix underlying supply-side challenges that are pushing up inflation. The Fed lacks policy tools to make these supply-side fixes, so it must rely on demand-side impacts to bring down inflation by reducing economic growth.

Consequently, at the conclusion of its June meeting, the Fed raised the federal funds target rate by 75 basis points, increasing that target to an upper bound of 1.75%. This is the largest increase for the funds rate since 1994 and is a clear response to elevated inflation data from May. Moreover, the Fed's forward-looking projections indicate on a median participant basis an additional 205 basis points of tightening through 2023. Without convincing evidence of moderating inflation, the Fed is likely to continue to raise the target rate at each meeting by 50 basis points or more. The Fed's target is a 2% inflation rate.

The Fed's June statement also confirmed its existing plan to reduce its balance sheet, including net reduction of $35 billion of mortgage-backed securities a month when fully phased in. The lack of change for the balance sheet reduction plan is a positive element of today's news for housing, as there was a risk of a planned faster pace, which would further increase mortgage interest rates. Given signs of slowing economic activity, including six straight months of declines for home builder sentiment, a clear risk is that by falling behind the curve, the Fed will overshoot on tightening and bring on a recession as it fights inflation. This would not be the soft landing the Fed is attempting to orchestrate. Indeed, the NAHB economic forecast now includes a 2023 recession as financial conditions tighten. Chair Powell noted in his press conference that housing market conditions are slowing given higher mortgage rates.

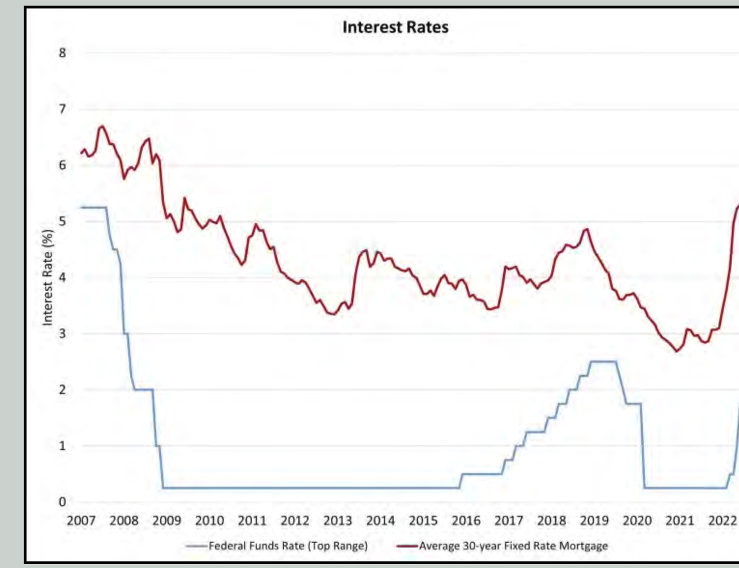
The Fed notes that inflation remains elevated, citing the Ukraine war and global supply-chain issues, among other factors. Their revised economic projections find slowing economic growth, with a GDP outlook for 2023 of 1.7%. This will be very difficult to achieve. The Fed's unemployment projection sees that rate increasing to 4.1% through 2024. So even under this optimistic outlook, this increase for joblessness would qualify as a growth recession. As this economic slowing occurs, the Fed's projections indicates inflation will decline. Using the core PCE measure, the Fed sees a 4.3% rate for 2022, then 2.7% in 2023 and falling to 2.3% in 2024. This too will be difficult to achieve given the lagged impact on inflation from increasing residential rents, which materialize in inflation readings on a lagged basis when leases are renewed. This shelter impact on inflation is also a reminder that tightening interest rate conditions can affect supply, not just demand. Higher rents are due to a lack of housing supply. And higher interest rates will make it difficult to finance the development of additional housing supply.

It is important to note that there is not a direct connection between federal fund rate hikes and changes in long-term interest rates. During the last tightening cycle, the federal funds target rate increased from November 2015 (with a top rate of just 0.25%) to November 2018 (2.5%), a 225 basis point expansion. However, during this time mortgage interest rates increased by a proportionately smaller amount, rising from approximately 3.9% to just under 4.9%.

Previously, the Fed noted that inflation is elevated due to "supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures." While this verbiage may incorporate policy failures that have affected aggregate supply and demand, I do think the Fed should explicitly acknowledge the role fiscal, trade and regulatory policy is having on the economy and inflation as well.

Given today's projections, we reiterate our policy recommendation with respect to any possibility of a soft landing. Clearly, elevated inflation readings call for a normalization of monetary policy, particularly as the economy moves beyond covid-related impacts. However, fiscal and regulatory must complement monetary policy as part of this adjustment. Yet, many of these measures are simply beyond the Fed's control.

For example, higher inflation in housing is due to a lack of rental and for-sale inventory and cost growth for building materials, lots and labor. Higher interest rates will not produce more lumber. A smaller balance sheet will not increase the production of appliances and materials. In short, while the Fed can cool the demand-side of the economy (reducing inflation and growth), additional output on the supply-side is required in order to tame the growth in costs that we see in housing and other sectors of the economy. And efficient regulatory policy in particular can help achieve this goal and fight inflation.



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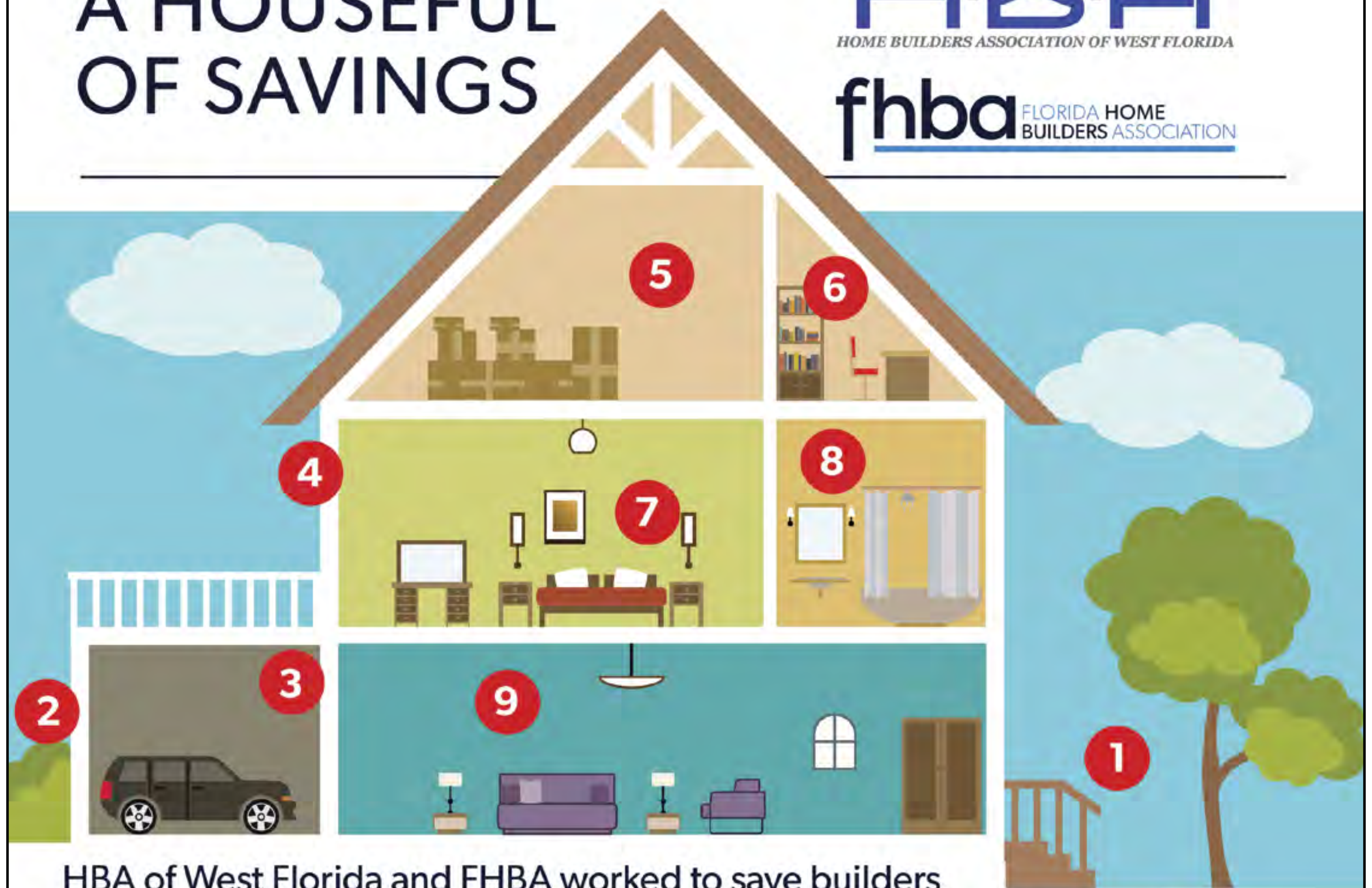

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9. Door Swing = $750
Revisions permitting doors to outswing over egress, two risers, and an exception for landings

FHBA also stopped issues from passing, which resulted in additional builder savings:
Flood Provisions = $10,000, Irrigation = $1,000, and Water Saving Fixtures = $250.

*Approximate cost savings per house/lot impacted.

To learn more on how we saved you money and how we continue to work hard on the 7th Edition of the Florida Building Code, go to www.WestFloridaBuilders.com or www.fhba.com or call 850.476.0318.

Cyber Security Threats that Small Businesses Should Address

The environments in which people work and collaborate are continually evolving. For many, work is no longer tied to one, physical location. For them, it's about being productive wherever they are — whether that's on the road, in a home office, at a jobsite or even in a coffee shop.

With so much information being shared through myriad devices and across various networks outside of traditional office firewalls, your business' data becomes increasingly vulnerable. This is especially true when even the most well-intentioned employees deliberately go around security protocols in an effort to remain productive and complete a task.

According to surveys conducted by Dell Technologies of workers from a wide variety of companies:

- 72% of employees are willing to share confidential data externally.
- 50% of employees use personal cloud apps and email to share confidential data.
- 41% of employees will work around security safeguards to get work done.

Businesses of all sizes continually face threats to their digital assets, corporate data and customer information. These data threats and attacks are becoming increasingly sophisticated, frequent and widespread. Some examples of these threats include:

- Physical theft and loss — an attack due to human error or the malicious intent of a hardware thief.
- Denial-of-service — a cyber attack in which a legitimate user cannot access information systems, devices or other network resources.
- Phishing — a fraudulent attempt by a cyber criminal to obtain sensitive information.
- Pharming — an attack that redirects unaware users to a phony website.
- Ransomware — a form of malicious software that threatens to block access to a victim's system or data until they pay a ransom.
- Malware — software that is purposely created to harm a computer, network or server.

Staying ahead of these threats is critically important, especially for small businesses. That's why Dell Technologies is a participating company of the NAHB member savings program, offering NAHB members significant savings on a broad selection of security solutions to protect your data and keep your business moving forward.

Get Involved in HBA Councils and Committees!

HBA Ambassadors
Meets Monthly 2nd Tuesday of each month

Sales & Marketing Council
Meets Monthly

Tradesman Council
Meets Monthly

Board of Directors
Meets Monthly 3rd Tuesday of each month

Membership Renewals

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Aqua Pool & Patio
Big John's Heating and Air Conditioning
Containers Gulf Coast,LLC
David W. Fitzpatrick, PE PA
Fortified Building Products, Inc
Hiles-McLeod Insurance, Inc.
Hual Electric inc
Kay's Prestige Kitchen & Bath
Majors Home Improvement
Moorhead Law Group
Southern Pipe & Supply, Inc.
Southern Site & Utility Design, Inc.
Synovus
Truist Bank
United Bank

BUILDERS

aDoor Properties
Merrill Land Construction
Southern Home & Construction, Inc.
The Roof Company of NWFL, Inc
Yellow Hat Construction Company LLC

NEW MEMBERS

BUILDERS

Plainsman Contractors Inc
Joshua Pitts
2886 N 32nd Ave
Milton, FL 32583
p (850) 384-2603
plainsmancontractors.com

ASSOCIATES

3D Surveying, LLC
Micheal Jones - Professional Surveyor
1321 E Olive Rd
Pensacola , Fl 32514
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HOME BUILDERS ASSOCIATION OF WEST FLORIDA

NEXT CORNERSTONE ISSUE: August 2022

To advertise, call Richard Nicholson 561.843.5857

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In construction, a spike is a steel object that is essential to making a building strong. As in construction, the HBA of West Florida sees a Spike as someone that works to keep our association strong. Spikes work on the recruitment and retention of members in addition to keeping members active with the association. Anyone is eligible for Spike status. On Spike credit is awarded for each new member recruited and an additional credit is awarded for that new member's renewal on or before their anniversary date. If you help to retain a member, you are eligible to receive a half point for each member.

Spike Club Levels

Spike Candidate	1-5 credits
Blue Spike	6-24
Life Spike	25-49
Green Spike	50-99
Red Spike	100-149
Royal Spike	150-249
Super Spike	250-499
Statesman Spike	500-999
Grand Spike	1000-1499
All-Time Big Spike	1500+

Spike Club Members and their credits as of 05/31/2022.

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Super Spike	**250 Credits**
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Jack McCombs	301

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