

LEWIS COUNTY CHAPTER OF OLYMPIA MASTER BUILDERS



New Home Sales Soft in June as Mortgage Rates Remain Near 7%

Elevated mortgage rates continue to keep buyers on hold



Sales of newly built, single-family homes in June fell 0.6% to a 617,000 seasonally adjusted annual rate from a slight upwardly revised reading in May, according to newly released data from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. The pace of new home sales in June is down 7.4% from a year earlier and is the lowest pace since November 2023.

“Many potential buyers are remaining in a holding pattern due to elevated mortgage rates that averaged near 7% in June,” said Carl Harris, chairman of the National Association of Home Builders (NAHB) and a custom home builder from Wichita, Kansas. “However, moderating inflation suggests lower interest rates in the months ahead and that should bring more buyers off the sidelines.”

“Though new home inventory in June remained elevated at

a 9.3 months’ supply at the current building pace, there is still a long-run need for more construction because existing inventory remains relatively low,” said Jing Fu, NAHB director of forecasting and analysis. “Due to a lack of resale homes for sale, the combined inventory for new and existing single-family homes remains lean at a 4.7 months’ supply, according to NAHB estimates.”

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 June reading of 617,000 units is the number of homes that would sell if this pace continued for the next 12 months.

New single-family home inventory in June remained elevated at a level of 476,000, up 11.2% compared to a year earlier. This

represents a 9.3 months’ supply at the current building pace, which has been supported by the ongoing shortage of resale homes. Of the new home inventory, 102,000 are completed ready-to-occupy homes, up 50% year over year. This segment represents 21% of total inventory.

The median new home price was \$417,300, up 2.5% compared to last month, and remained essentially flat compared to last year.

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What Buyers Expect to Pay vs. Actual Home Prices

There is a major gap between buyers’ expectations and home prices, according to recent surveys from NAHB and the U.S. Census Bureau.

While 38% of buyers expect to pay less than \$250,000 for their next home, only 5% of homes that started construction in 2023 are actually priced under \$250,000.

In contrast, the share of new homes being built that sell for above \$250,000 is often far greater than the share of buyers seeking homes in that price range.

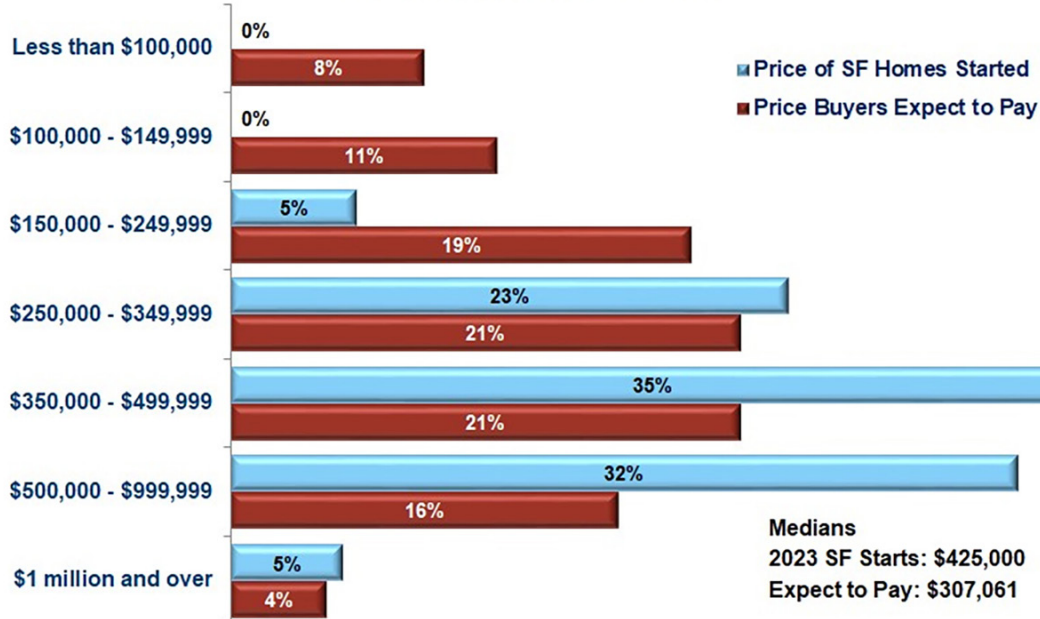
The chart below illustrates this contrast. (ATTACHED)

For new homes priced below \$250,000, the red bars are longer than the blue bars, indicating that the share of prospective and recent buyers exceeds the share of new homes being built in those price ranges. Above \$250,000, the opposite is true. The blue bars are longer than the red bars, indicating that the share of homes being built exceeds the share of buyers in the market at those prices.

While existing homes in the starter market have traditionally consisted of the bulk of sales for buyers with modest incomes, the supply of homes in the resale market have been running at historically low levels for several years and prices of existing homes have been setting record highs. Indeed, the median price of an existing home in May was well over \$400,000. A major part of the reason for this limited existing inventory is due to the interest rate “lock-in effect,” where homeowners are reluctant to sell their home because their current mortgage rate is well below market rates.

Another large part of the explanation for the actual versus expected price mismatch is the cost of new home construction. Residential construction wages continue to rise. Although prices of many residential building materials have been stable recently, the stability comes after massive increases in the two years following the onset of the COVID pandemic. A shortage of lots has

Price of Single-family Homes Started in 2023 vs. Price Buyers Expect to Pay



Sources: NAHB tabulation of data from the Survey of Construction, U.S. Census Bureau and HUD What Home Buyers Really Want, 2024 ed., NAHB

been a chronic issue since the home building industry started to recover from the Great Recession.

Moreover, regulatory costs can be substantial. NAHB’s latest study on the topic shows regulation accounting for \$93,870 of

the cost of an average new single-family home. The largest regulatory cost impact, \$24,414, comes from changes to building codes over the past 10 years. This is followed by \$12,184 in fees paid by the builder after purchasing the lot, \$11,791 in regulatory costs

incurred by the developer during site work, \$10,854 in the value of land that must be purchased and dedicated to the government or otherwise left unbuilt, and \$10,794 in required architectural details that exceed what the builder would ordinarily do.

Lewis County Industry Advocacy Update

“The lodging tax, also referred to as the hotel-motel tax, is a consumer tax on lodging for hotels, motels, rooming houses, private campgrounds, RV parks and similar facilities. Lewis County receives lodging taxes collected in the unincorporated parts of the county and then distributes the money among Lewis County entities that support tourism. LTAC volunteers advise the BOCC on how to best allocate those funds.”

Those interested in serving on the Lodging Tax Advisory Committee should submit an application and a letter of interest in one of the following three ways:

By mail at 351 N.W. North St., Chehalis, WA 98532.

Via email at Committees@LewisCountywa.gov (include “LTAC” in the subject line).

In person at the Commissioners’ Office in Room 210 of the historic courthouse at 351 N.W. North St. in Chehalis.

Applications are due by 3 p.m. Thursday, Aug. 22, 2024. For questions about the position, please contact Rieva Lester at 360-740-1419 or Rudy Rodriguez at 360-740-1233.

Comprehensive Plan Updates

As with the majority of jurisdictions planning under the guidelines of the Growth Management Act, The City of Centralia is required to do the same. Olympia Master Builders urges participation in the process in this (and every other)

jurisdiction to ensure a true community focus around future growth and potential solutions to the current housing crisis. Centralia explains the purpose below:

“Why are we updating our Comprehensive Plan?”

The Washington State Growth Management Act (GMA) RCW 36.70A.130(5), requires that cities and counties update their Comprehensive Plans on a periodic schedule. This is an opportunity to revise population, land use, and employment growth forecasts with updated data, review existing goals and policies to ensure the community supports those ideas and ensure that they

reflect the priorities and values of the community, and conform to all federal, state, and local requirements. The next update of the Comprehensive Plan is due June 30, 2025. The 2025 update will plan for the next 20 years of land use, population, and employment growth through the year 2045.

Centralia’s Comprehensive Plan

This Plan encompasses our community’s vision, values, and priorities and helps guide the decision-making for the leaders of the city for the next 20 years. The Plan consists of different elements or chapters that have goals and policies for each topic that guide and direct the city leaders.

Information around Centralia’s Comprehensive Plan update can be found at: <https://www.cityofcentralia.com/563/2025-Comprehensive-Plan-Update>

Or: Contact the Community Development Department at: Emil Pierson, Community Development Director • 360.330.7662 • Email: at CentraliaCP2025@cityofcentralia.com • In-person: City Hall, 118 W. Maple (2nd floor) • Mail: P.O. Box 0609, Centralia, WA 98531

For more information, contact the Olympia Master Builders Government Affairs Director, Jessie Simmons, at ga@omb.org or (360) 754-0912 (ext. 102).

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