





SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP



Flatbed carriers: expect healthy growth in housing starts



Realtor.com projects 7% growth in single-family housing starts for 2018

In 2017, observers of the American housing market saw trends from previous years continuing for the most part. Home prices have been growing faster than GDP since 2012, and last year saw year-over-year increases in national home prices of 6-6.5%. For the past five years, the country has experienced tight supply of single-family homes—inventory hit a record low in November and is projected to fall even further in 2018.

One thing that changed in 2017 was the rate of homeownership: it finally started ticking up after a decade of decline as millennials, who are more educated and delayed marriage longer than previous generations, finally started buying houses. Ralph McLaughlin, chief economist at Trulia, said that 2017 will be remembered as "the year the bleeding stopped and the healing started." "This will be the first of many years to come in which it's all about the millennial first-time homebuyer," said Mark Fleming, chief economist at First American Financial Corporation, a title insurance service.

What can we expect from the homebuilding industry in 2018, and how will it affect trucking? There are a multitude of factors involved in predicting how hot the housing market will be in 2018,



5 January 2018



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

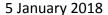
including potential interest rate increases by the Fed and the effects of the new tax reform's mortgage interest deduction at \$750K, but what concerns trucking the most is new housing starts—construction. Residential construction had a strong fall and winter, and is widely expected to grow slowly but steadily through 2018. Jotham Sedestrom, a staff writer at Inman, a real estate industry news site, wrote "Up 13.7 percent in October, new housing starts in 2018 could help offset sky-high demand and historically low inventory numbers, which have repeatedly declined over 30 consecutive months to a current total of approximately 1.8 million homes."

There are some other economic indicators that reinforce the idea that new housing starts will remain strong in 2018. Hurricanes and wildfires have pushed already high lumber futures to their highest point since 2004—now contracts are being quoted at \$457.70 for 1,000 board feet, up from about \$370 in January 2017. Homebuilding suppliers' stocks are trading well, too. Owens Corning, which makes everything from glass to shingles and insulation, has seen its stock rise 80% this year, from \$51.85 in January 2017 to \$93.36 today. US Gypsum, which manufactures a number of construction materials, notably drywall and joint compound, has enjoyed a stock price increase of 31.8% over twelve months, up to \$38.1 from \$28.9.

Accelerating construction activity is the first thing to stimulate trucking freight after the January dead period. There's always race among homebuilders to finish their new houses and get them on the market for the spring buying season, so construction starts well in advance. As building progresses, there are waves of freight that move toward construction areas. The first wave is heavy equipment on flatbed trucks for grading and excavating the building sites. Next comes lumber and sheetrock, also on flatbed. Later in the season we'll see an uptick in floor covering—everything from hardwood to laminates, tile, and carpet—arriving in dry vans. Finally, after the houses are finished and new occupants have moved in, furniture and other home furnishings pick up and continue to build momentum through the summer into their peak back-to-school season. Those items are transported by dry van to retail locations and distribution centers, but are transferred to straight vans for last mile.

According to the National Association of Homebuilders (NAHB), the South region continues to lead new housing starts, with 691K new starts in November. The West followed with 344K, the Midwest saw 175K, and finally the Northeast, the most developed and densely populated region of the







SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

country, saw 87K new starts. To put these numbers into context, every region is up year-over-year except the Midwest. The Northeast was up 4.8% since November 2016; the Midwest was down 18.9%; the South was up 19%; the West was up 27.8%. In total, new single-family construction in November was at its highest level in a decade. For 2018, single-family home starts are projected to grow 7%.

Richard P. Vlosky, Ph.D.

Director, Louisiana Forest Products Development Center Crosby Land & Resources Endowed Professor of Forest Sector Business Development Room 227, School of Renewable Natural Resources Louisiana State University, Baton Rouge, LA 70803

Phone (office): (225) 578-4527; Fax: (225) 578-4251; Mobile Phone: (225) 223-1931

Web Site: www.LFPDC.lsu.edu





