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Oil Prices and Bond Yields Cast a Long Shadow Over Residential Construction Market

Brendan Lowney

November 4, 2026

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The NY Fed's Recession Odds Have Dropped Sharply

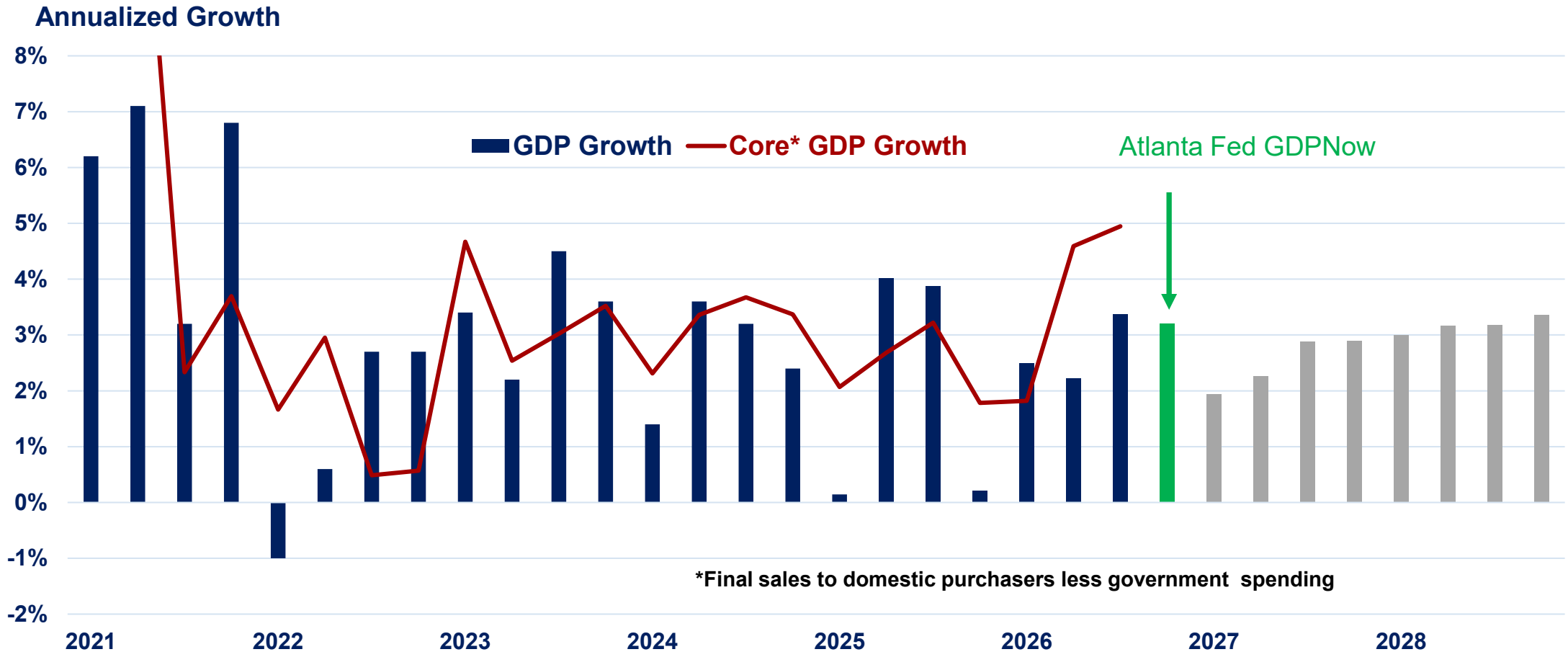


Source: New York Fed

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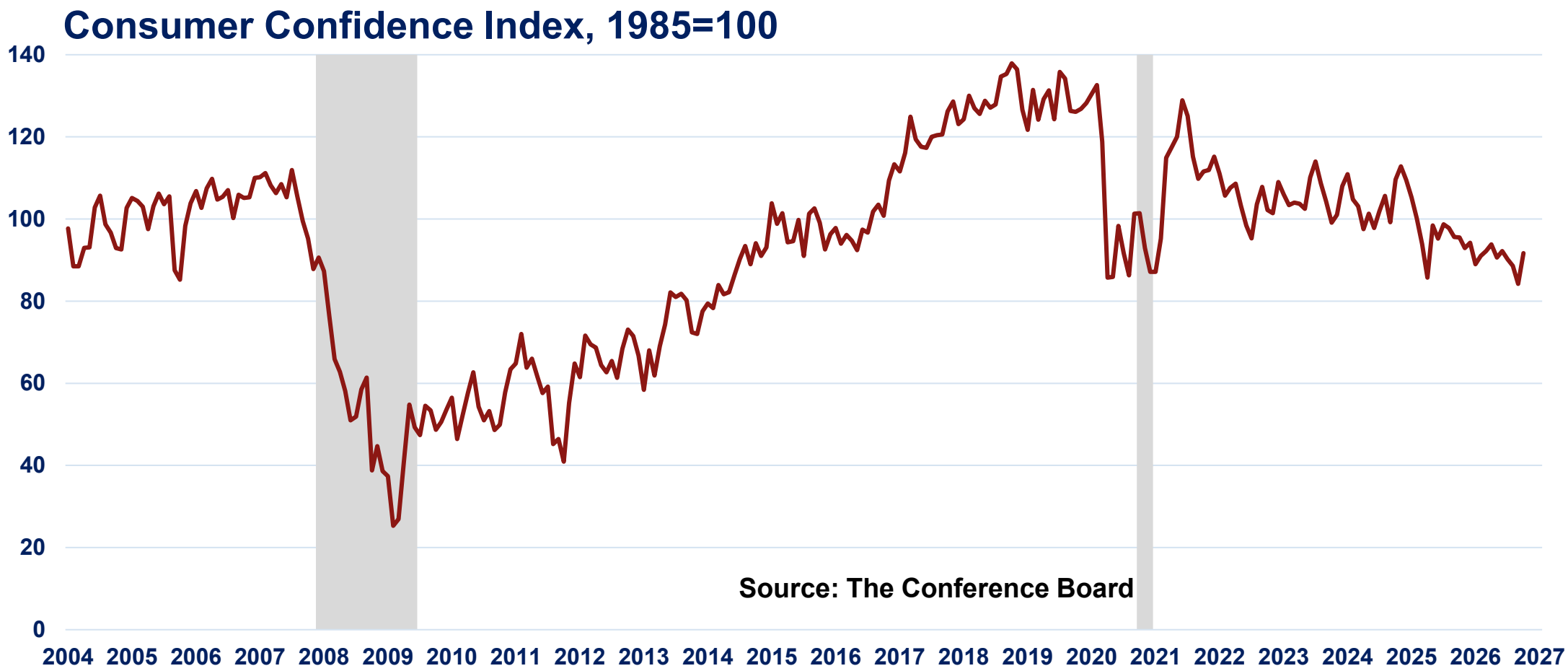
Real GDP Growth Continues to Surprise on the Upside



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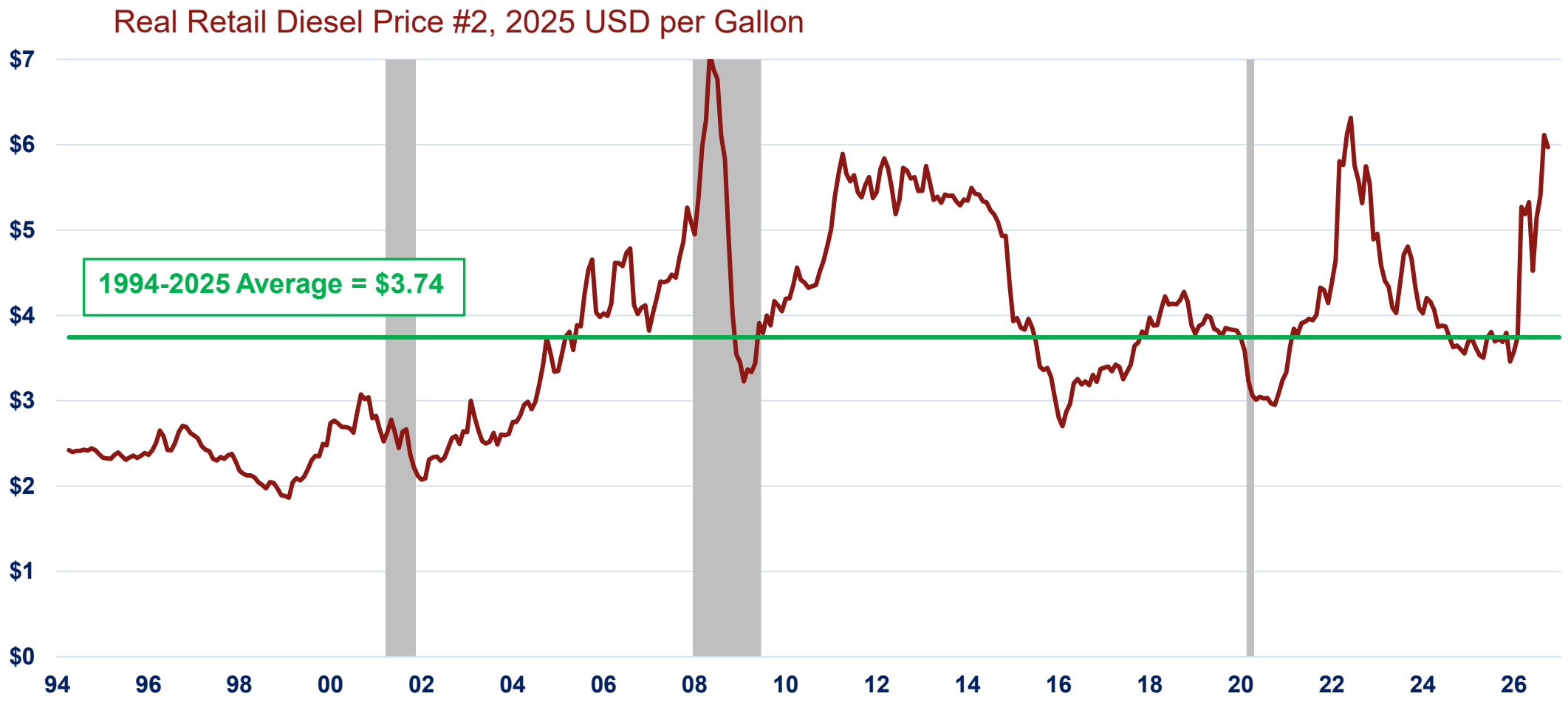
Consumer Confidence Bounced in October



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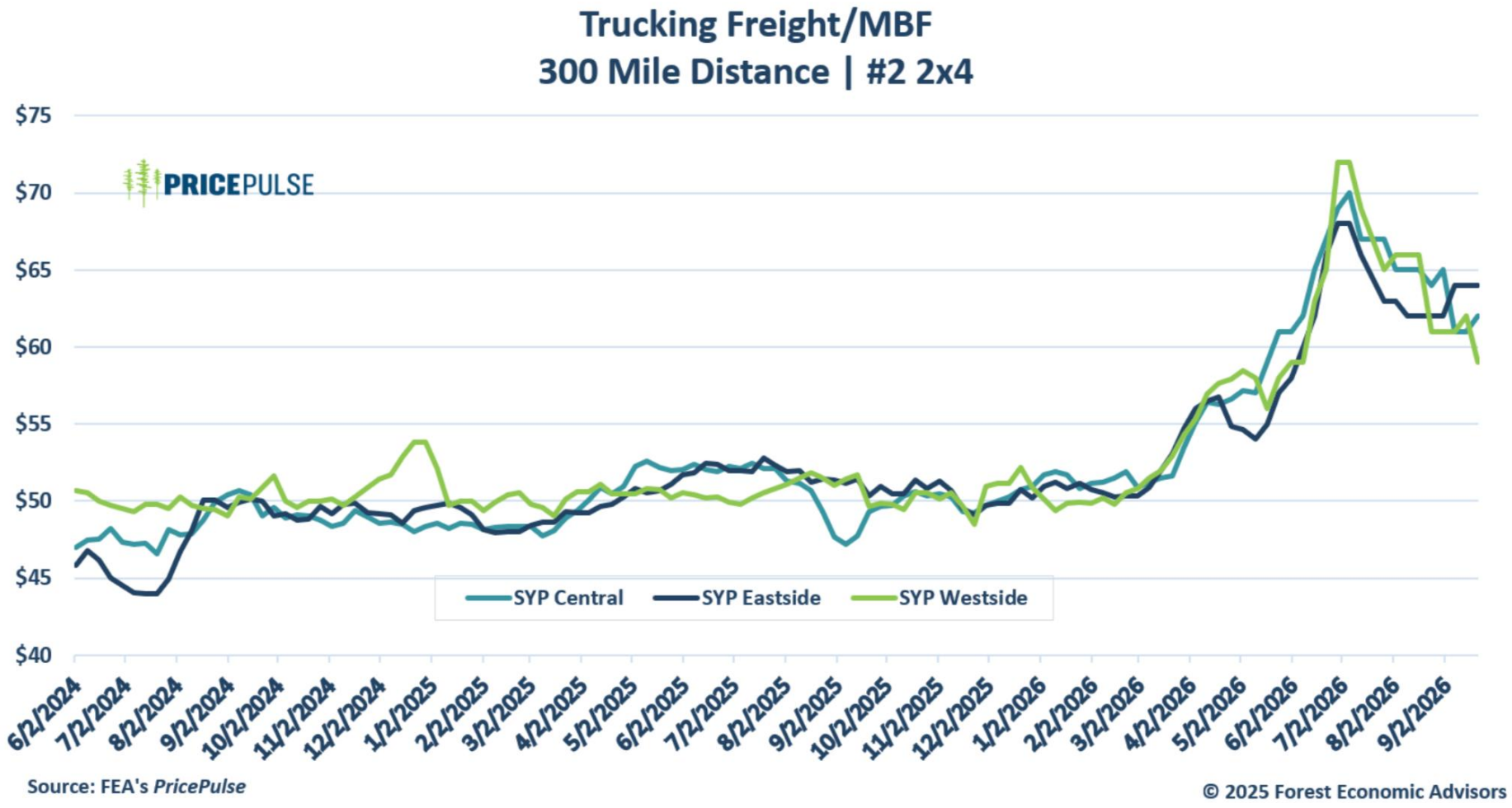
Real Diesel Price is 60% Above Long-Term Average



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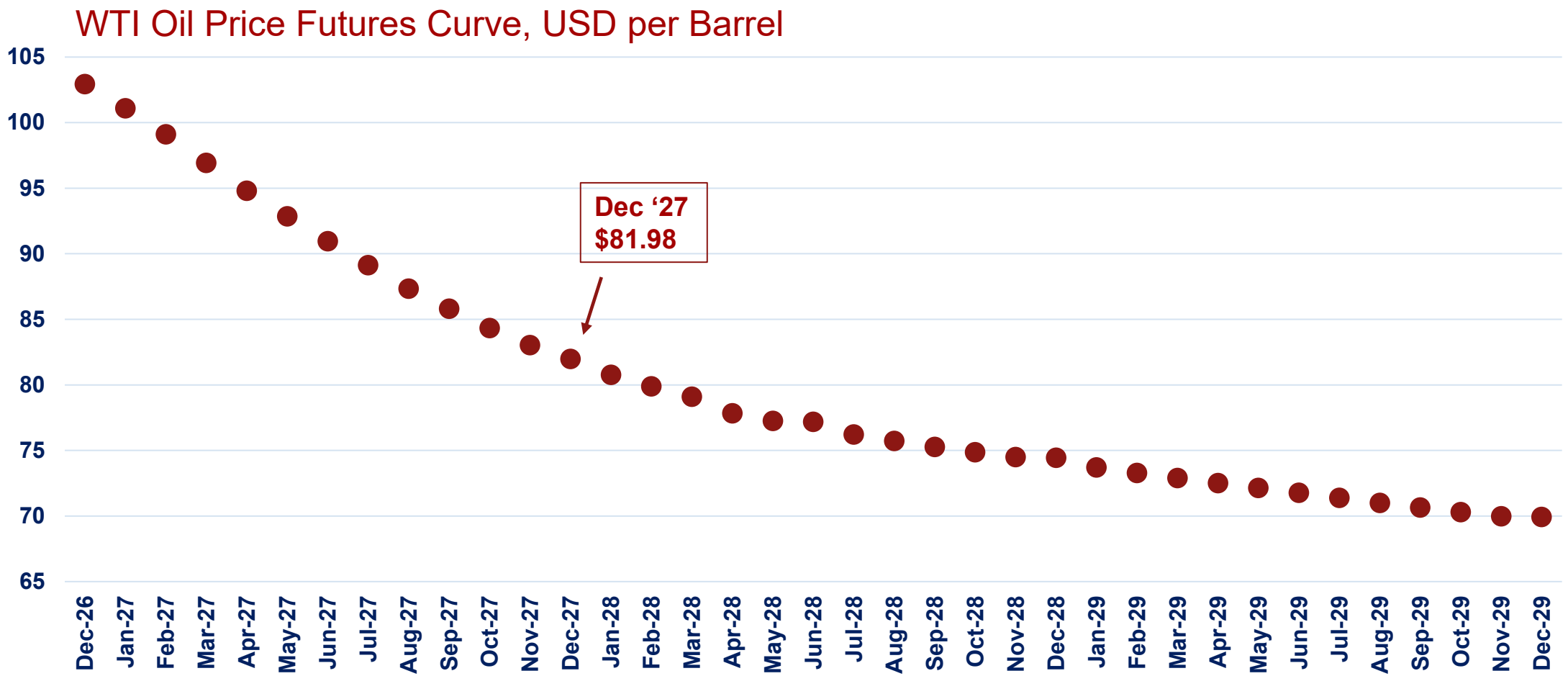
Freight Continues To Drive Up The Cost of Getting Lumber To The Home Builder



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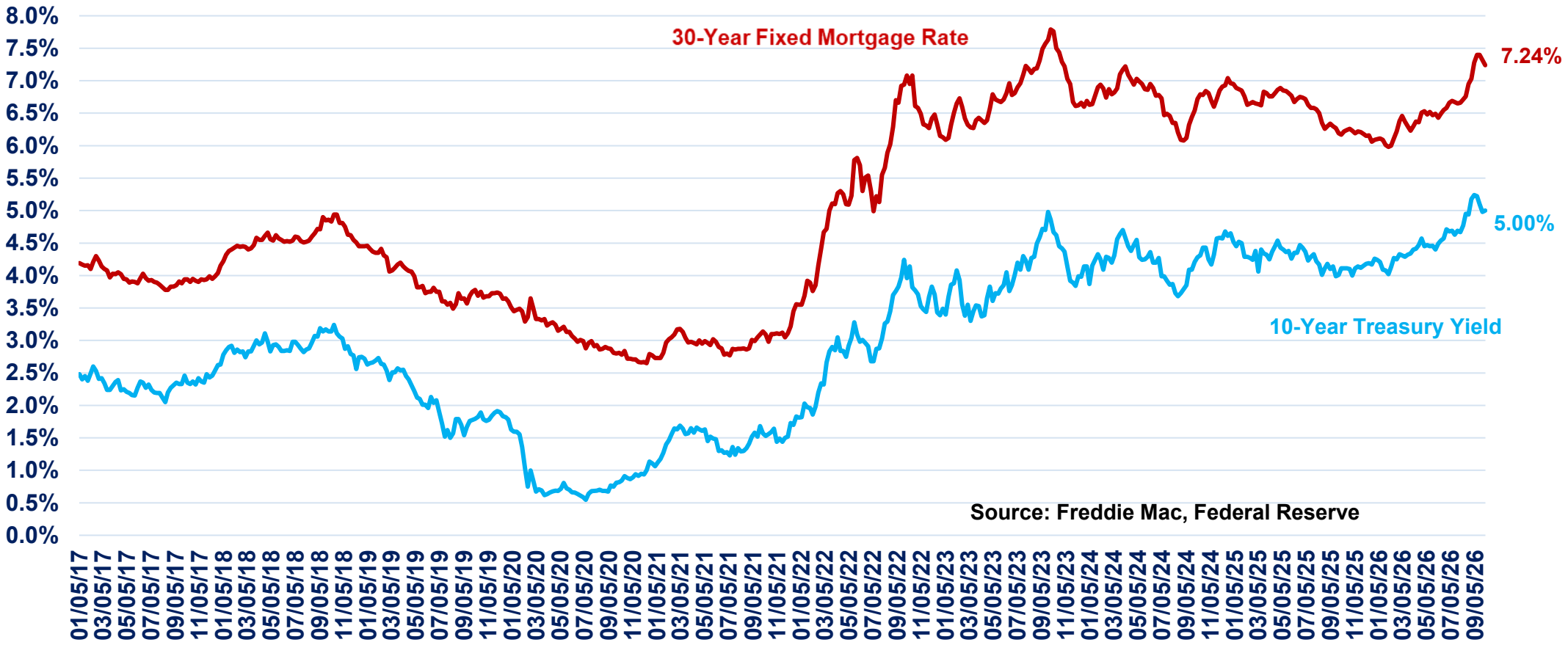
Futures Markets Still Expect Oil Prices to Decline



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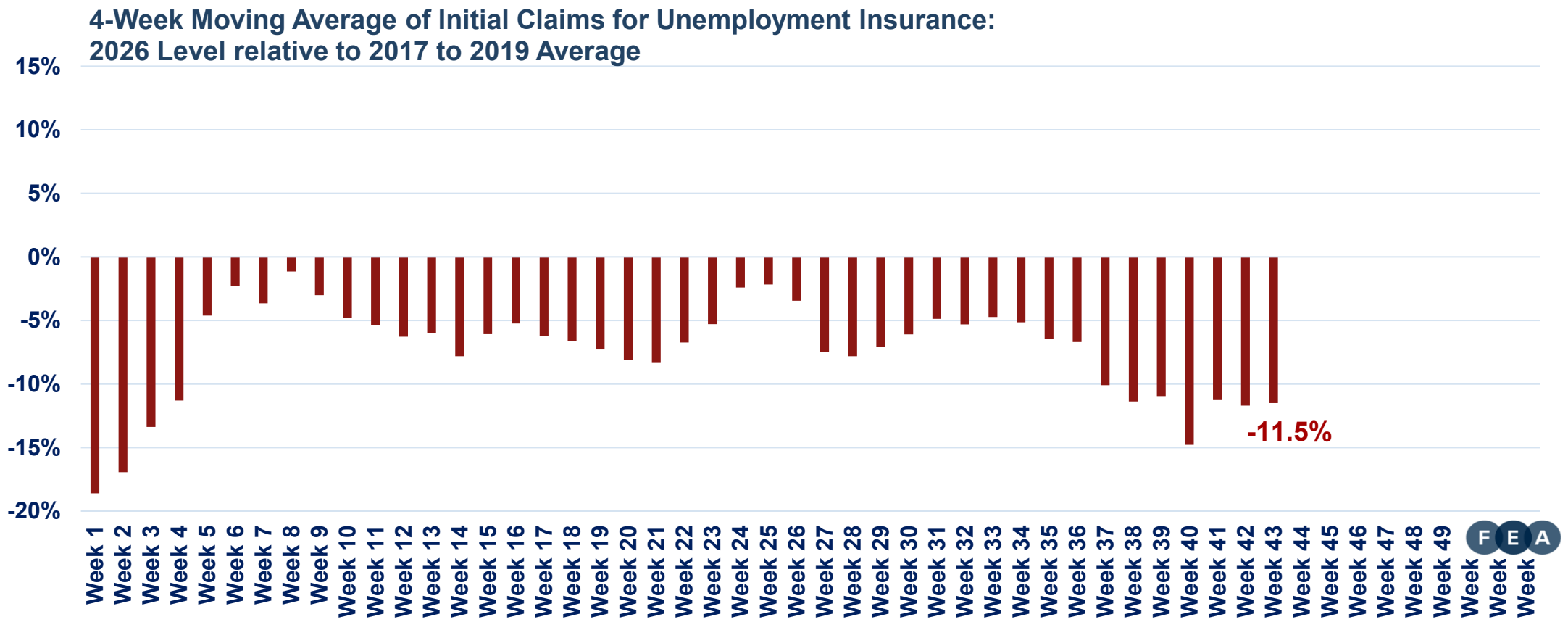
Mortgage Rates May Have Hit Near-Team Peak



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Initial Claims for Unemployment Insurance Below Pre-Pandemic Levels

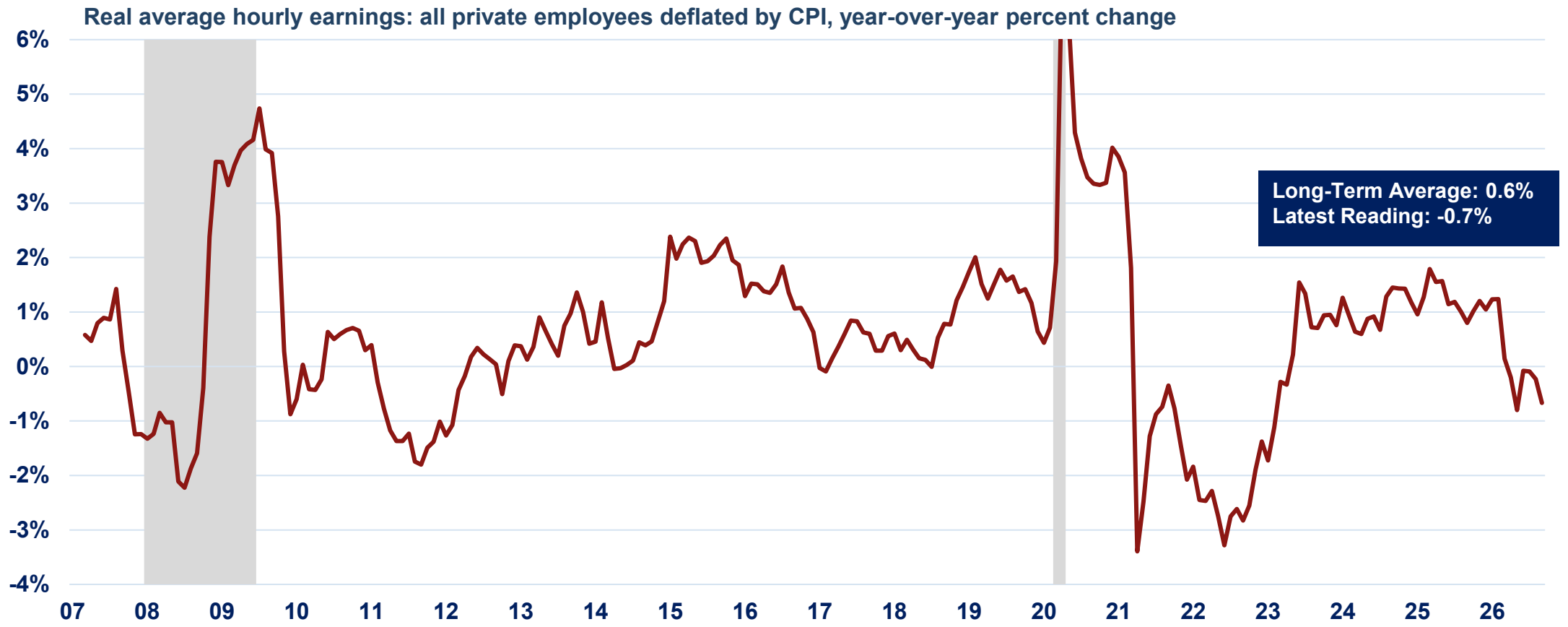


Source: Department of Labor

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Real Wage Growth is a Vital Indicator

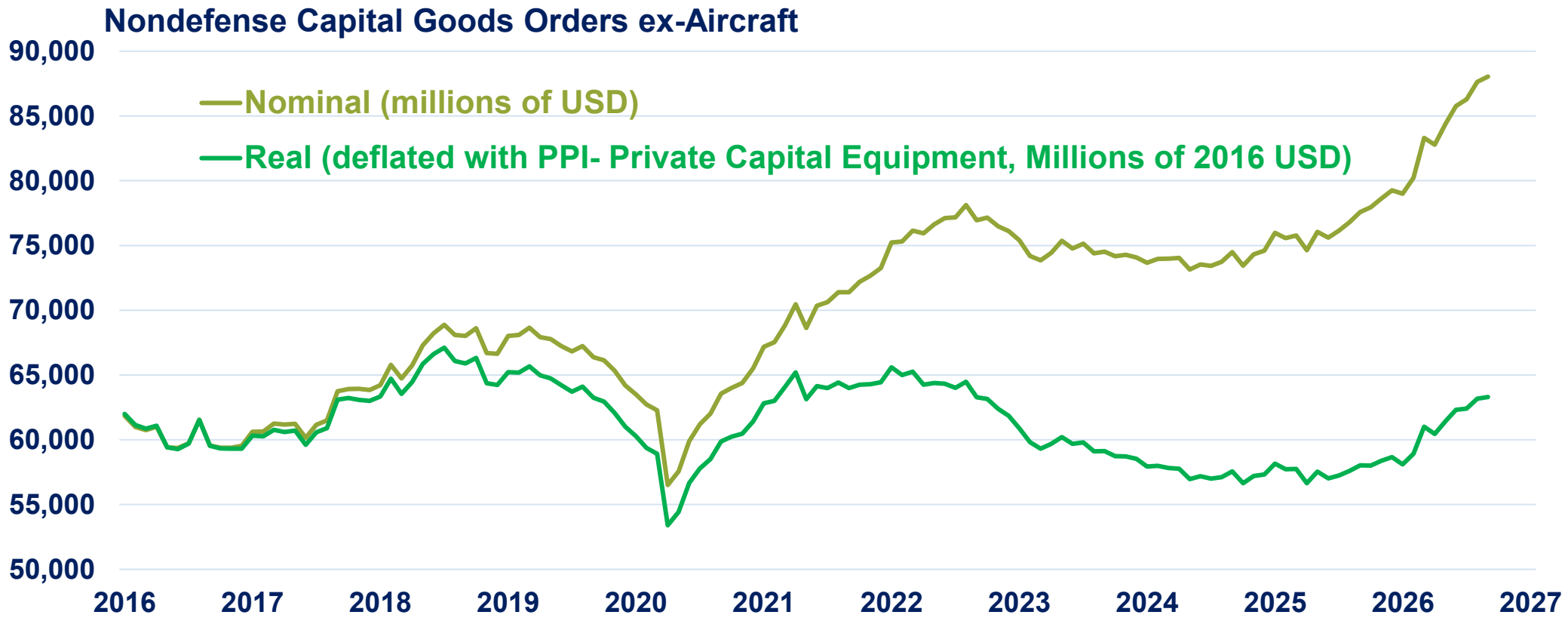


Source: Bureau of Labor Statistics

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Nondefense Capital Goods Have Turned Up

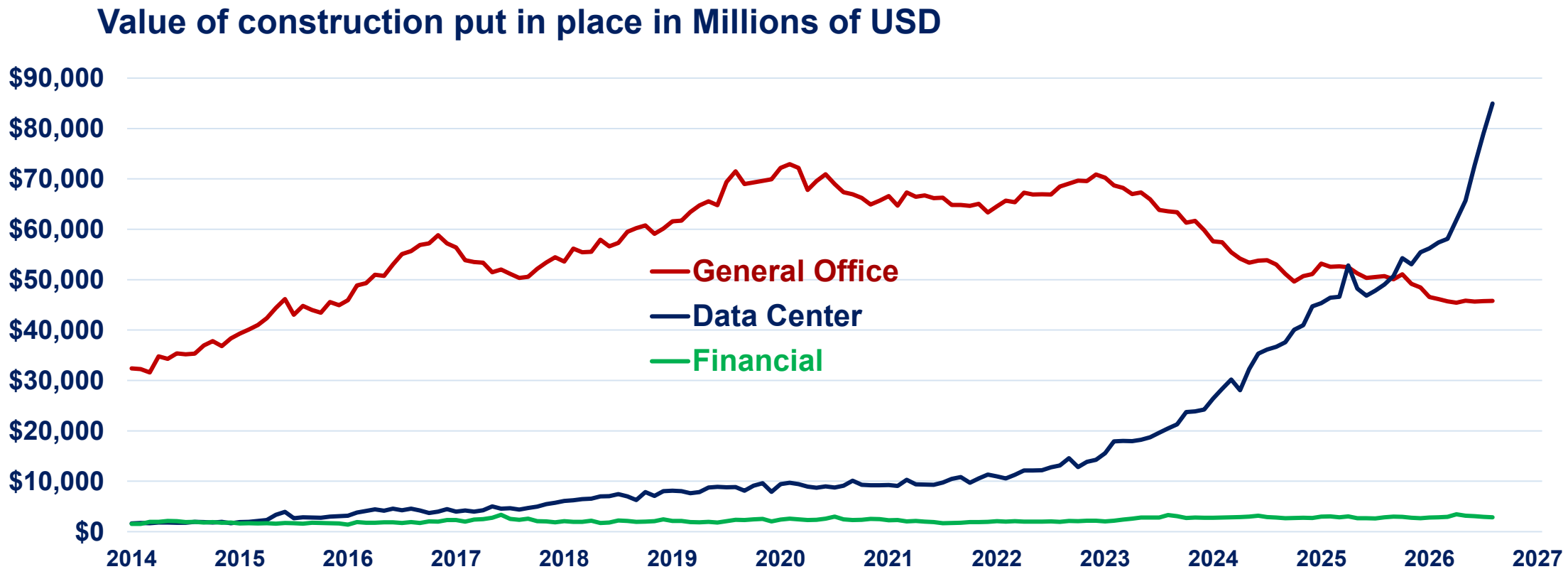


Source: Census Bureau

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Data Center Construction Has Passed Peak Level of Office Construction

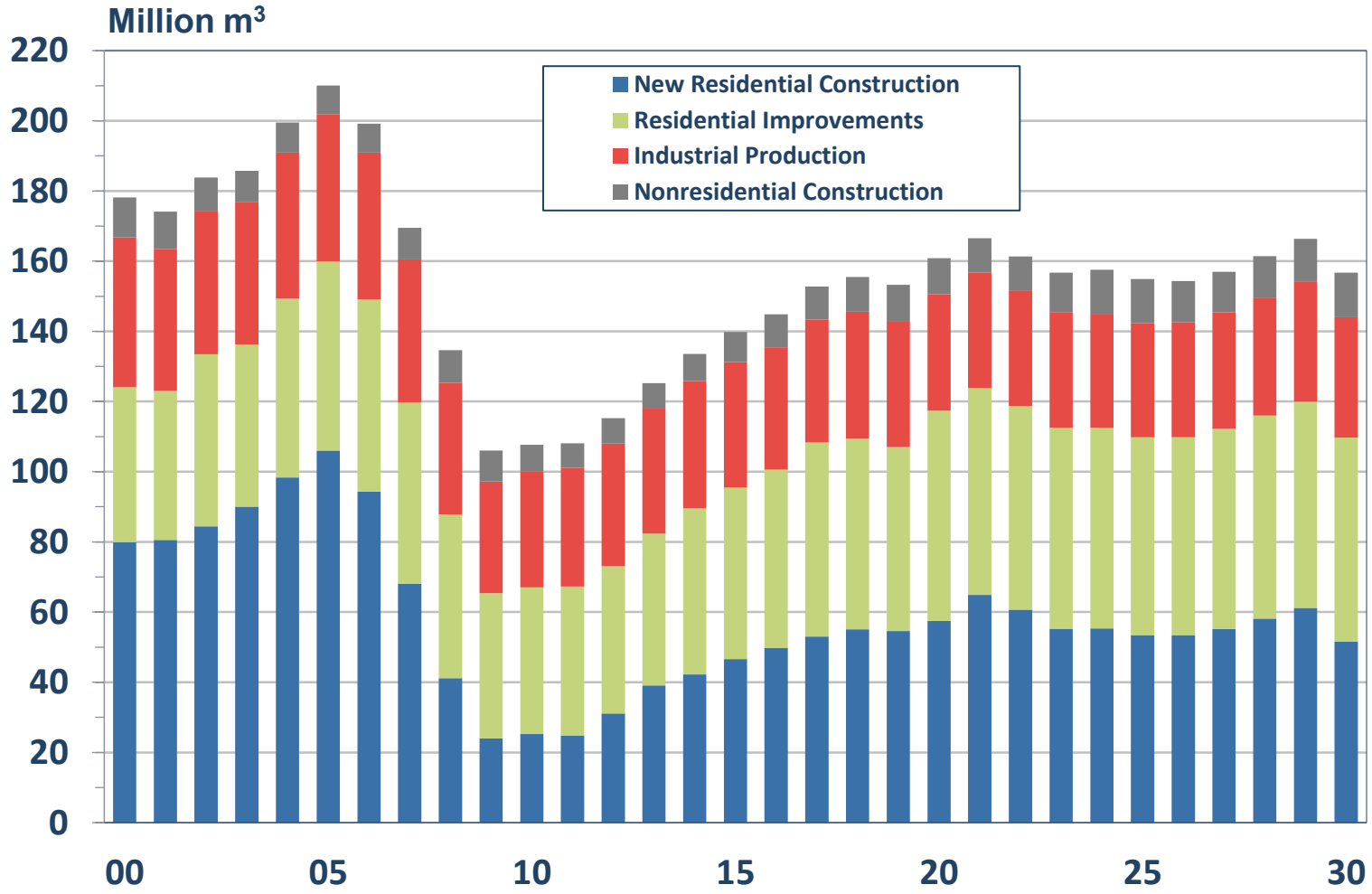


Source: Census Bureau's Value of Construction Put in Place Report

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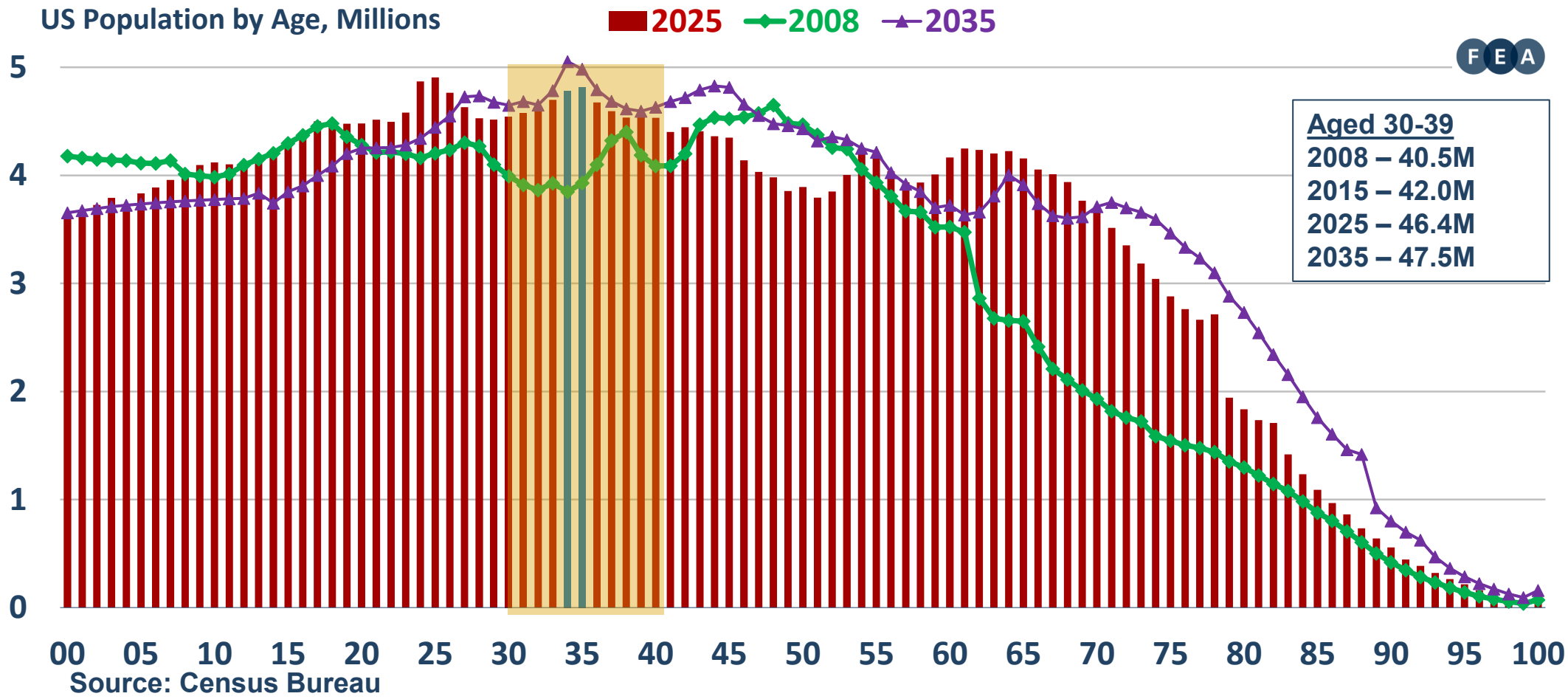
US Wood Products Consumption by End-Use Sector



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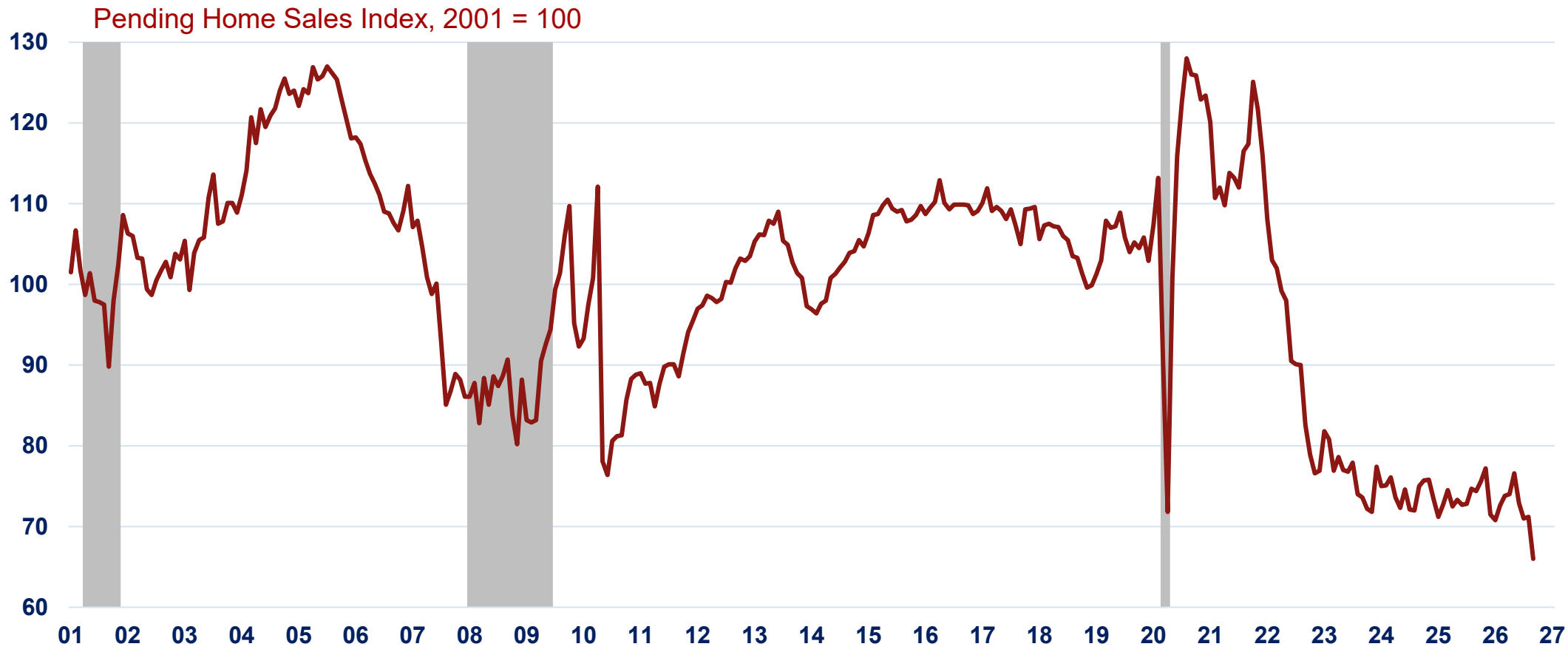
2008 – Strong Demographic HEADWIND
2025 – Strong Demographic TAILWIND
2035 – Surprising TAILWIND



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Pending Home Sales Trending at Moribund Level

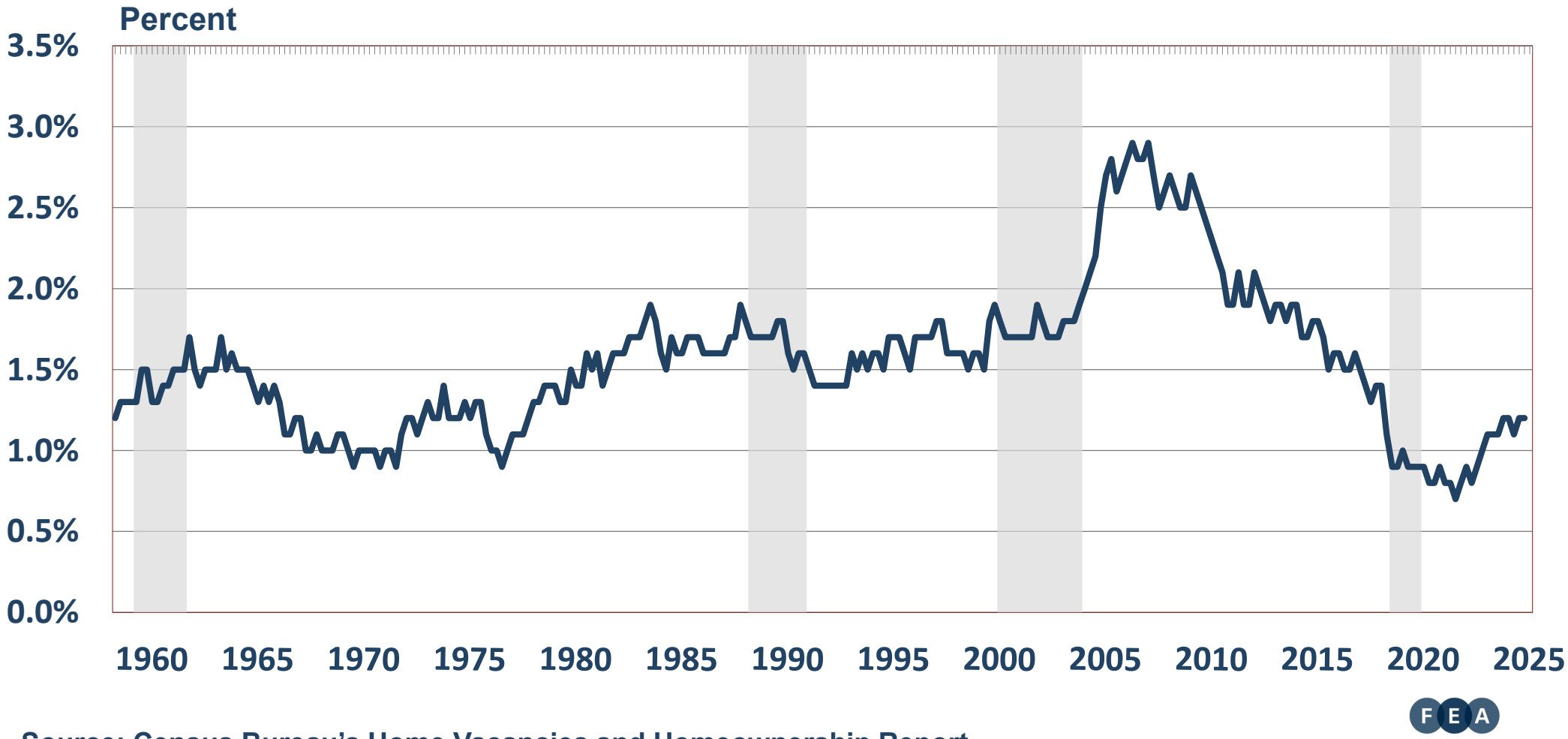


Source: National Association of Realtors

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The US Homeowner Vacancy Rate is Near Record Low

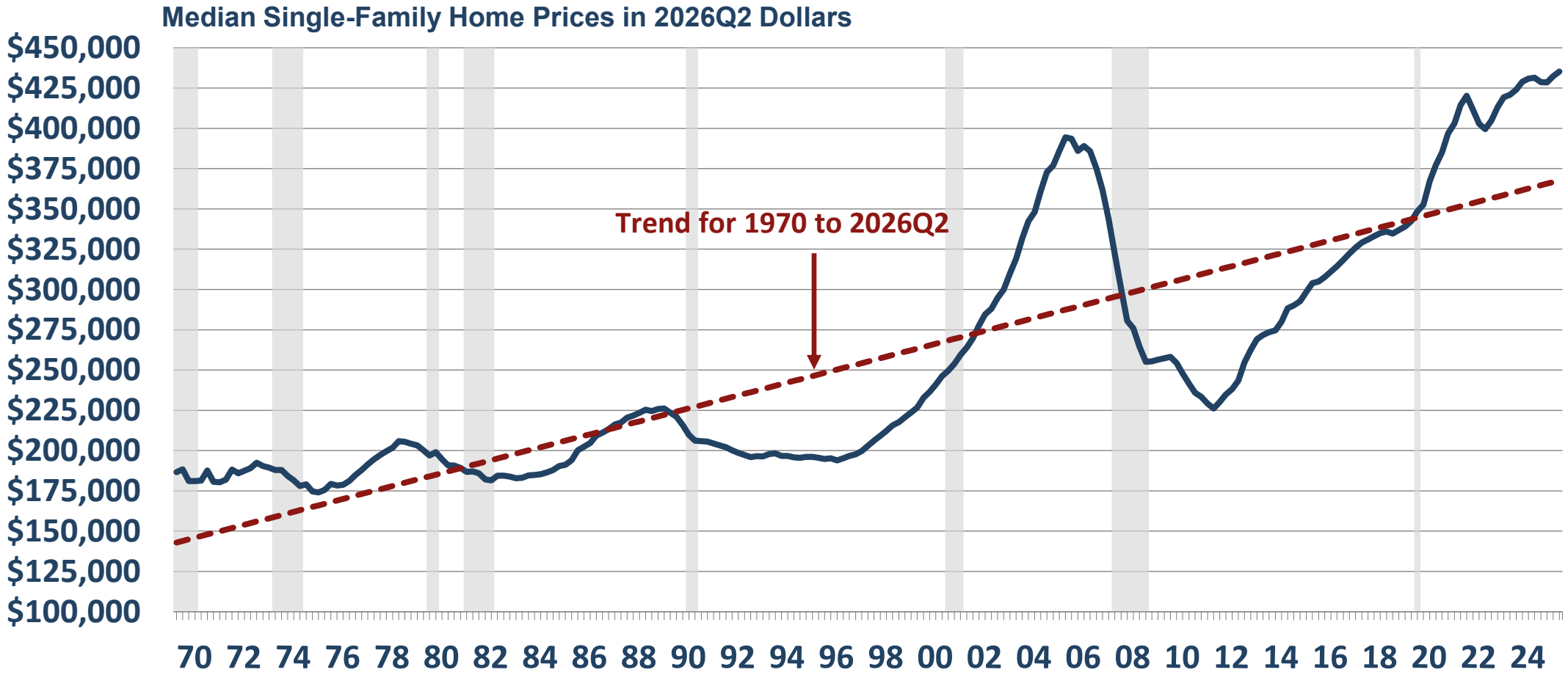


Source: Census Bureau's Home Vacancies and Homeownership Report

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Real Home Prices Have Likely Peaked for the Cycle

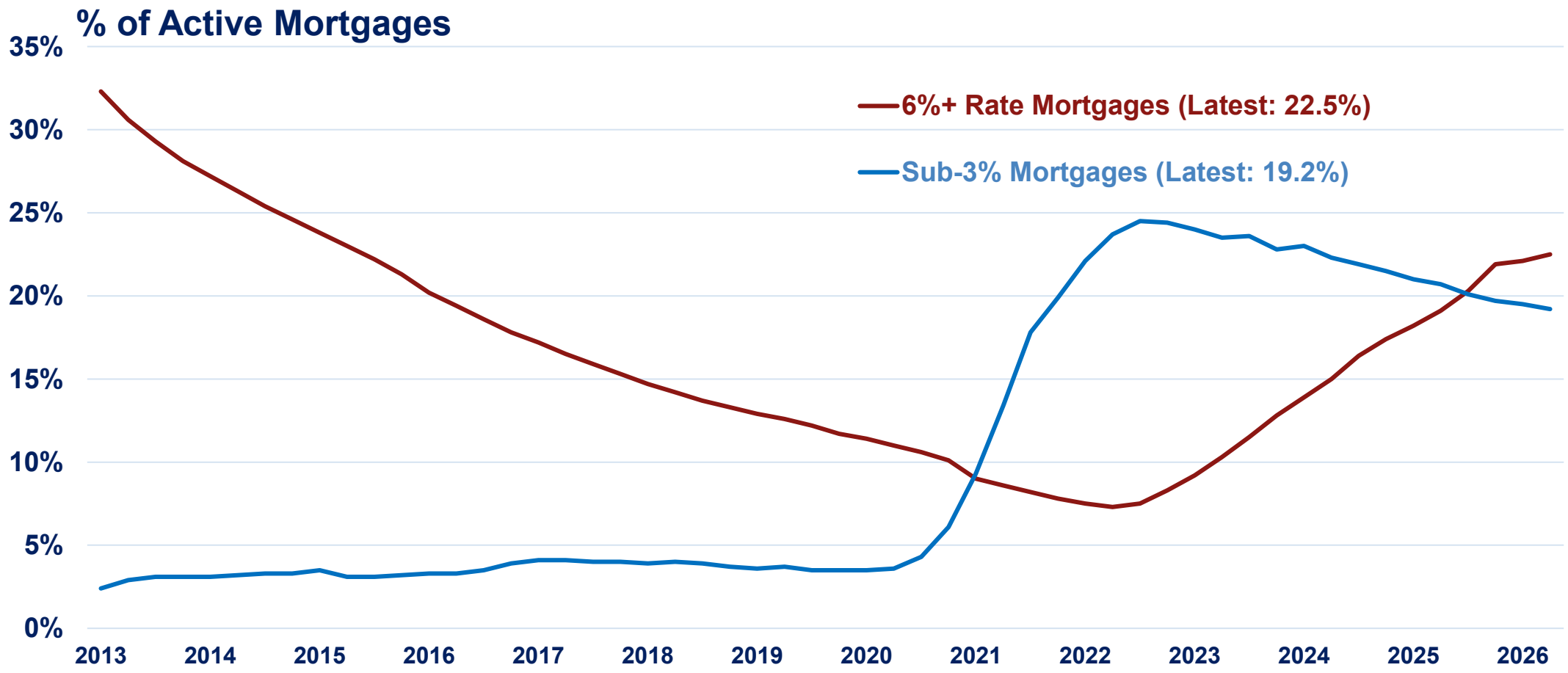


Source: National Association of Realtors, Bureau of Labor Statistics, S&P Dow Jones Indices, FEA calculations

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More Mortgages Now Carry Rates Above 6%Than Below 3%

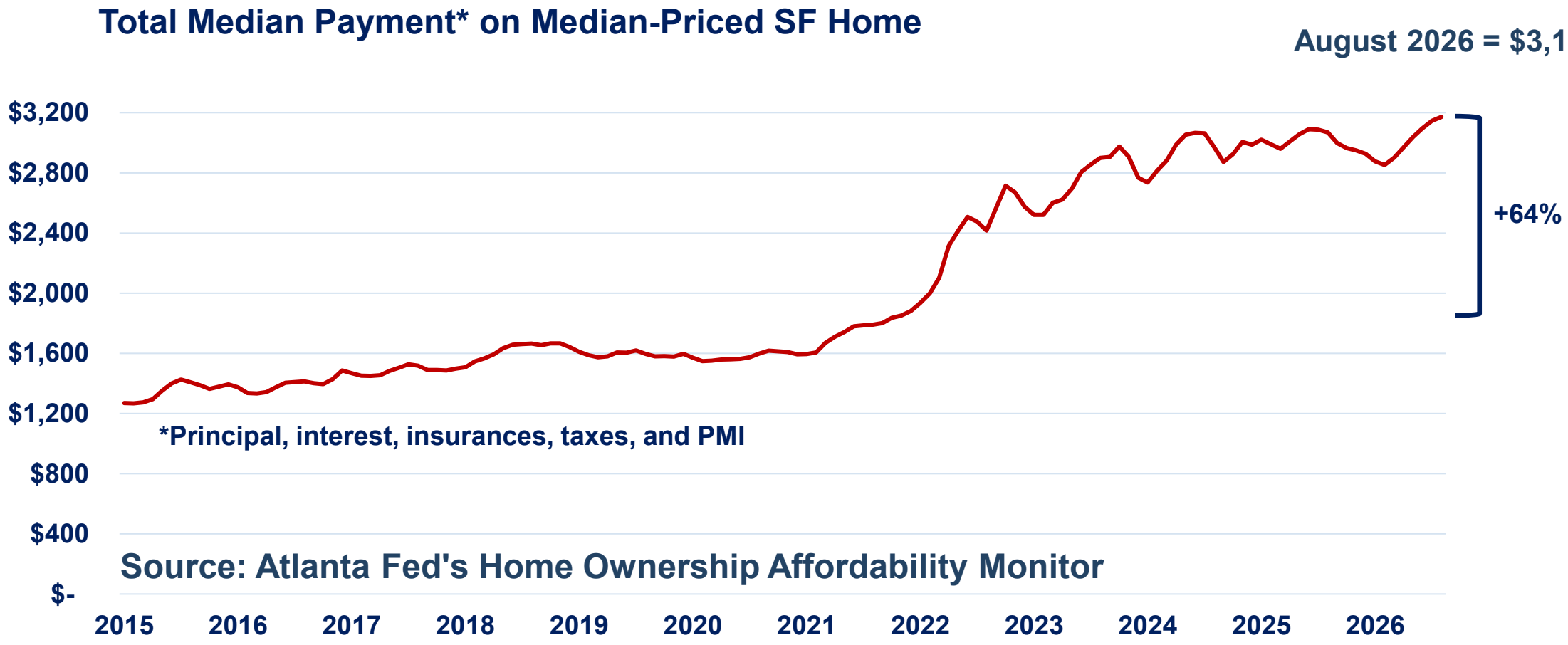


Source: FHFA National Mortgage Database

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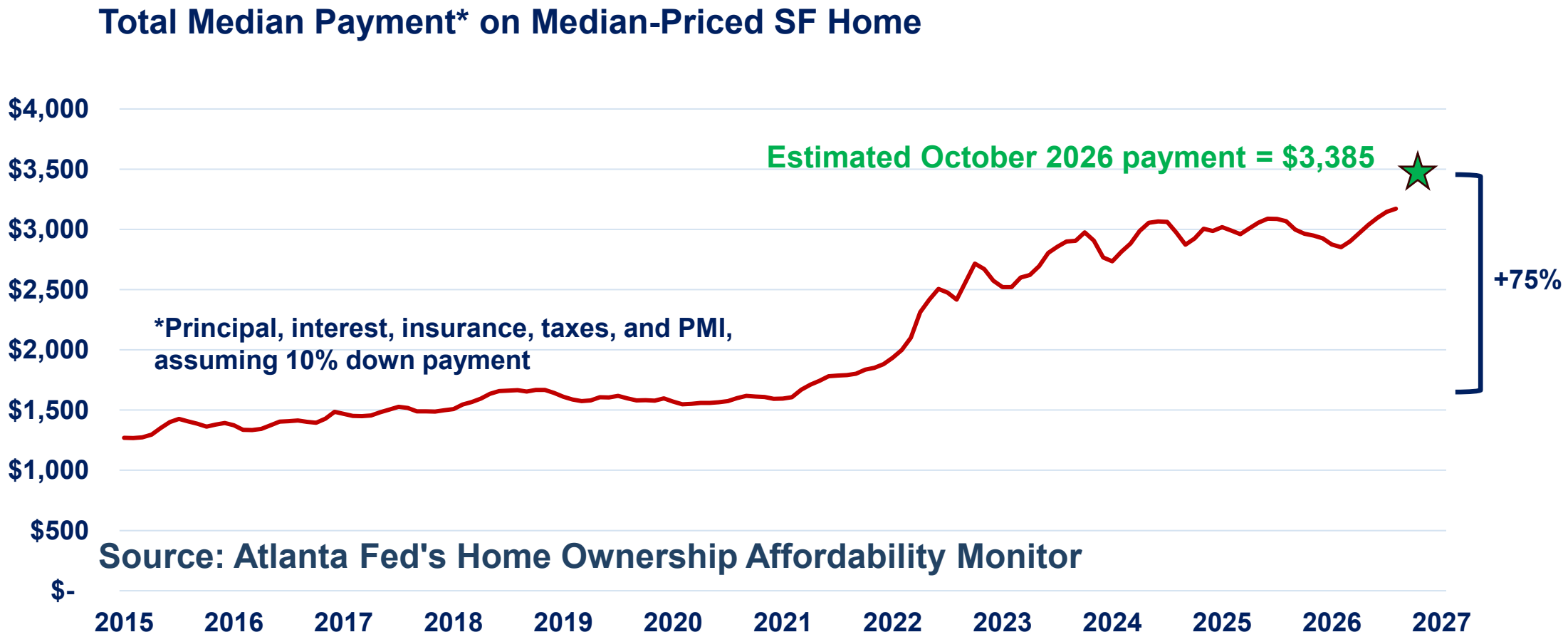
Home Affordability Has Deteriorated Massively Since Early 2022



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Home Affordability Has Deteriorated Massively Since Early 2022



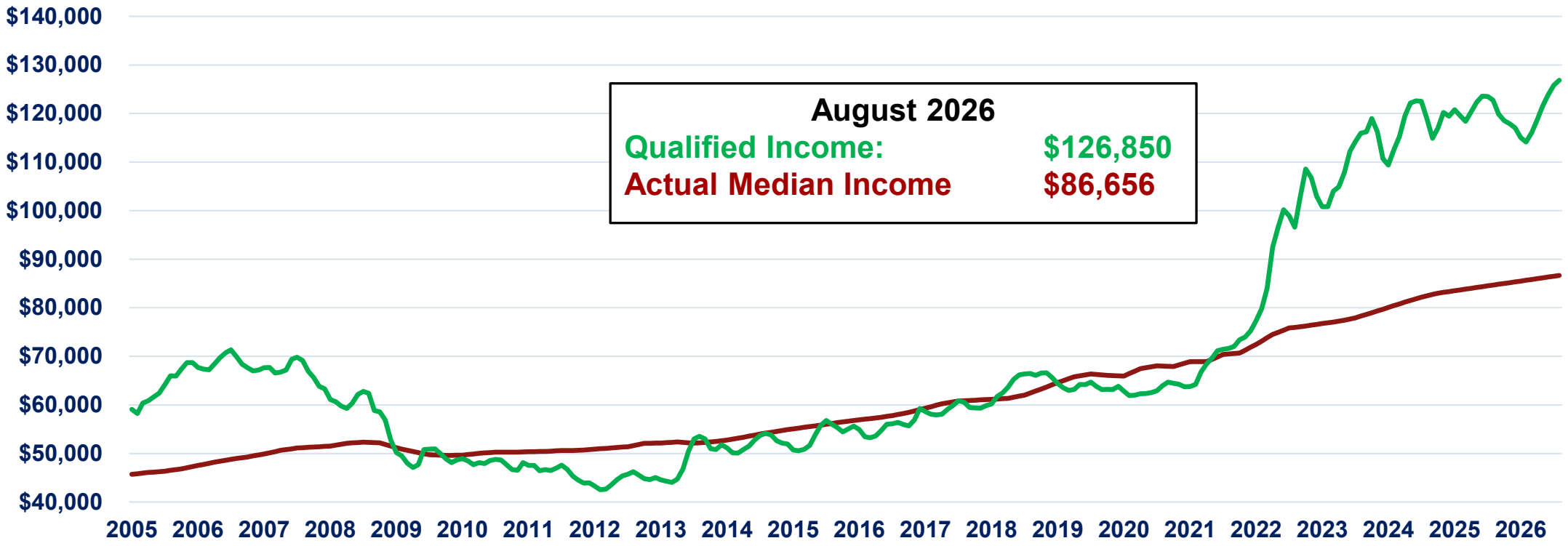
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Homeownership is a Stretch for Middle-Class Households

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)

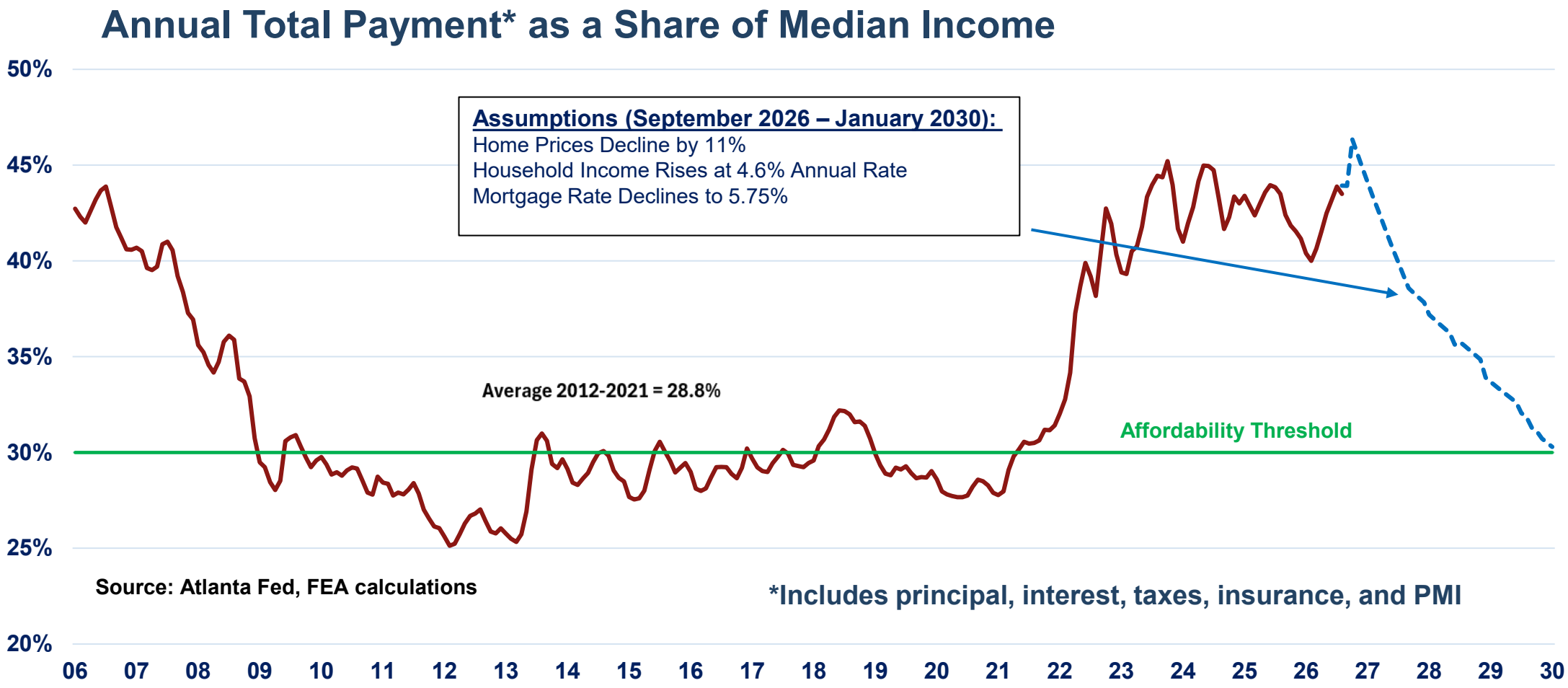


Source: Federal Reserve Bank of Atlanta

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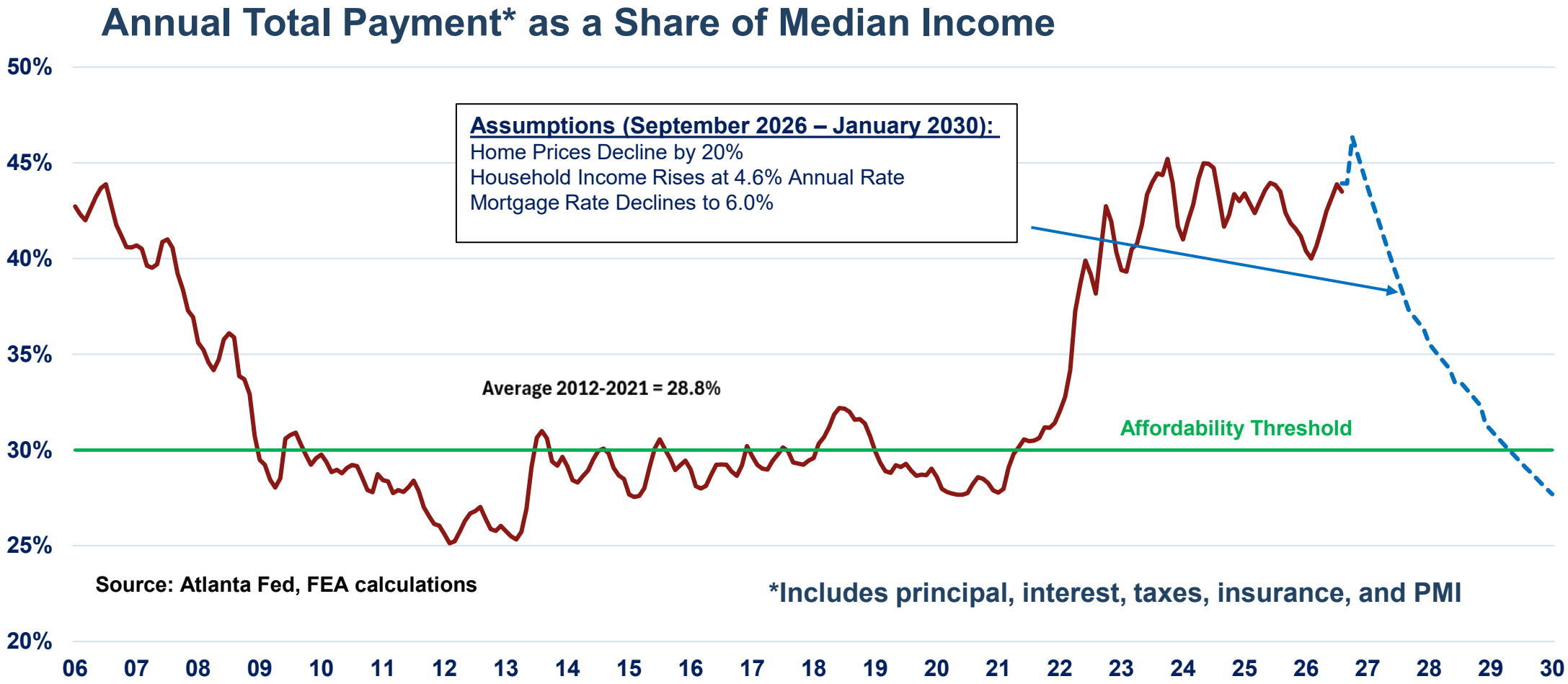
Resolution of Affordability Crisis Will Be a Slog (1)



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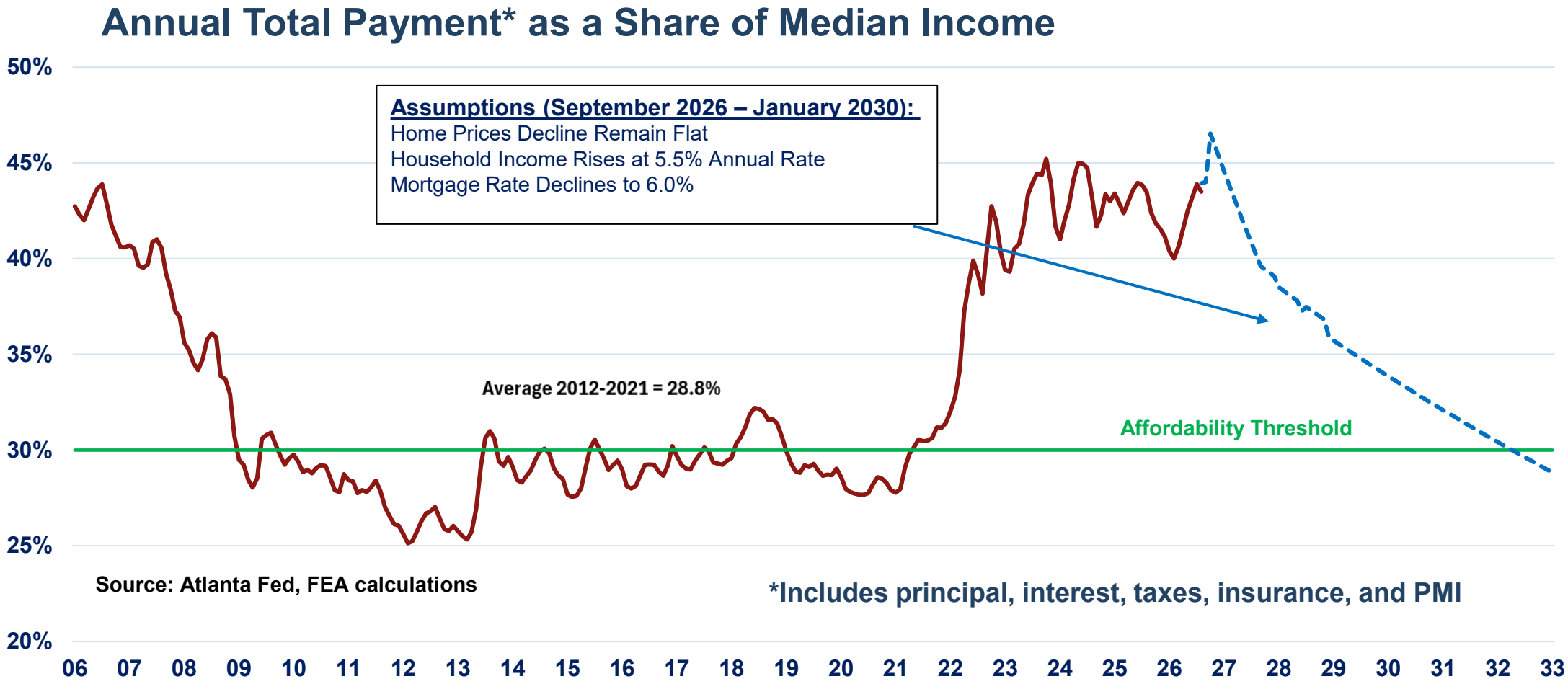
Resolution of Affordability Crisis Will Be a Slog (2)



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Resolution of Affordability Crisis Will Be a Slog (3)



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A Different View on Affordability - Washington

Median Wage as of May 2025

	Seattle MSA	Spokane MSA
Registered nurse	$ 128,260	$ 111,750
Firefighter	$ 101,090	$ 83,310
Electrician	$ 101,780	$ 79,830
Brick mason and block mason	$ 97,830	$ 78,010
Middle school teacher	$ 102,560	$ 97,850
Corrections officer	$ 81,550	$ 79,460
Refuse and recycling collecter	$ 75,090	$ 66,230
Dental assistant	$ 62,040	$ 50,980
Hairdresser, hairstylist	$ 59,810	$ 61,440
All occupations	$ 72,610	$ 54,660
Nurse + firefighter	$ 229,350	$ 195,060
Middle school teacher + firefighter	$ 203,650	$ 181,160
Two middle school teachers	$ 205,120	$ 195,700
Brick mason+hairstylist	$ 157,640	$ 139,450
Refuse collector+corrections officer	$ 156,640	$ 145,690
Double all Occupations	$ 145,220	$ 109,320

Source: Bureau of Labor Statistics

Affordability Statistics

	Seattle	Tacoma	Spokane
Median home price (most recent from Zillow)	$822,572	$482,647	$392,803
10% Downpayment	$ 82,257	$ 48,265	$ 39,280
Principal and Interest on 90% of purchase price	$ 5,075	$ 2,978	$ 2,424
Total Payment*	$ 6,852	$ 4,020	$ 3,272
Qualified income** to finance 90%	$274,071	$160,812	$130,877

*Total payment= P&I plus 35% extra to cover taxes, insurance, and PMI; 7.3% mortgage rate

**Income required to finance home and keep housing payment below 30%

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A Different View on Affordability - Massachusetts

Median Wage as of May 2025

	Boston MSA	Worcester MSA
Registered nurse	$ 106,180	$ 102,240
Firefighter	$ 73,990	$ 66,310
Electrician	$ 79,910	$ 75,510
Brick mason and block mason	$ 96,960	$ 76,930
Middle school teacher	$ 94,170	$ 82,380
Corrections officer	$ 89,060	$ 91,980
Refuse and recycling collecter	$ 50,210	$ 46,760
Dental assistant	$ 58,160	$ 50,720
Hairdresser, hairstylist	$ 37,430	$ 36,430
All occupations	$ 66,620	$ 57,830
Nurse + firefighter	$ 180,170	$ 168,550
Middle school teacher + firefighter	$ 168,160	$ 148,690
Two middle school teachers	$ 188,340	$ 164,760
Brick mason+hairstylist	$ 134,390	$ 113,360
Refuse collector+corrections officer	$ 139,270	$ 138,740
Double all Occupations	$ 133,240	$ 115,660

Source: Bureau of Labor Statistics

Affordability Statistics

	Boston	Worcester	Ayer
Median home price (most recent from Zillow)	$804,837	$495,048	$568,795
10% Downpayment	$ 80,484	$ 49,505	$ 56,880
Principal and Interest on 90% of purchase price	$ 5,015	$ 3,085	$ 3,544
Total Payment*	$ 6,771	$ 4,165	$ 4,785
Qualified income** to finance 90%	$270,825	$166,582	$191,398

*Total payment= P&I plus 35% extra to cover taxes, insurance, and PMI; 7.4% mortgage rate

**Income required to finance home and keep housing payment below 30%

Source: Zillow, FEA Calculations

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A Different View on Affordability - Florida

Median Wage as of May 2025

	Orlando MSA	Melbourne MSA
Registered nurse	$ 83,550	$ 80,900
Firefighter	$ 45,520	$ 43,850
Electrician	$ 50,820	$ 58,450
Brick mason and block mason	$ 50,470	$ 58,610
Middle school teacher	$ 60,120	$ 59,950
Corrections officer	$ 47,130	$ 59,980
Refuse and recycling collecter	$ 48,920	$ 48,870
Dental assistant	$ 46,480	$ 47,400
Hairdresser, hairstylist	$ 29,470	$ 29,020
All occupations	$ 46,630	$ 49,030
Nurse + firefighter	$ 129,070	$ 124,750
Middle school teacher + firefighter	$ 105,640	$ 103,800
Two middle school teachers	$ 120,240	$ 119,900
Brick mason+hairstylist	$ 79,940	$ 87,630
Refuse collector+corrections officer	$ 96,050	$ 108,850
Double all Occupations	$ 93,260	$ 98,060

Source: Bureau of Labor Statistics

Affordability Statistics

	Orlando	Melbourne	Apopka
Median home price (most recent from Zillow)	$372,775	$357,832	$394,805
10% Downpayment	$ 37,278	$ 35,783	$ 39,481
Principal and Interest on 90% of purchase price	$ 2,323	$ 2,230	$ 2,460
Total Payment*	$ 3,136	$ 3,010	$ 3,321
Qualified income** to finance 90%	$125,438	$120,409	$132,851

*Total payment= P&I plus 35% extra to cover taxes, insurance, and PMI; 7.4% mortgage rate

**Income required to finance home and keep housing payment below 30%

Source: Zillow, FEA Calculations

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A Different View on Affordability - Carolinas

Median Wage as of May 2025

	Charlotte MSA	Charleston MSA
Registered nurse	$ 90,620	$ 92,800
Firefighter	$ 38,700	$ 46,830
Electrician	$ 59,080	$ 59,010
Brick mason and block mason	$ 52,500	$ 48,690
Middle school teacher	$ 59,110	$ 62,530
Corrections officer	$ 54,600	$ 52,300
Refuse and recycling collecter	$ 49,470	$ 37,890
Dental assistant	$ 50,060	$ 49,040
Hairdresser, hairstylist	$ 38,530	$ 34,860
All occupations	$ 49,990	$ 49,150
Nurse + firefighter	$ 129,320	$ 139,630
Middle school teacher + firefighter	$ 97,810	$ 109,360
Two middle school teachers	$ 118,220	$ 125,060
Brick mason+hairstylist	$ 91,030	$ 83,550
Refuse collector+corrections officer	$ 104,070	$ 90,190
Double all Occupations	$ 99,980	$ 98,300

Source: Bureau of Labor Statistics

Affordability Statistics

	Charlotte	Charleston	Rock Hill
Median home price (most recent from Zillow)	$389,648	$587,511	$319,971
10% Downpayment	$ 38,965	$ 58,751	$ 31,997
Principal and Interest on 90% of purchase price	$ 2,404	$ 3,625	$ 1,974
Total Payment*	$ 3,246	$ 4,894	$ 2,665
Qualified income** to finance 90%	$129,826	$195,751	$106,610

*Total payment= P&I plus 35% extra to cover taxes, insurance, and PMI; 7.3% mortgage rate

**Income required to finance home and keep housing payment below 30%

Source: Zillow, FEA Calculations

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Regulatory Costs Vary Widely by Region

Single-family regulatory cost burden — South vs. West

SOUTH — GROWTH METRO

$3,578

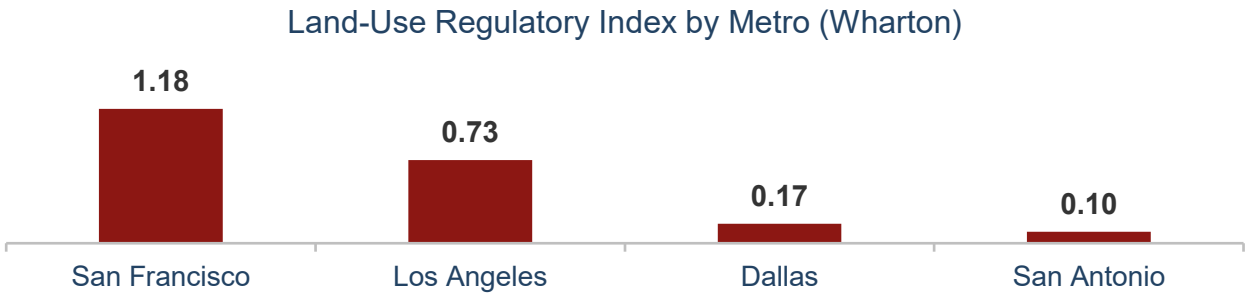
Typical new-home impact fee, Apopka, FL — a fast-growing Orlando suburb

COASTAL WEST — CALIFORNIA

~$30,000

Statewide average impact fee — triple the U.S. average; top cities top $50,000

Why the Gap: Zoning & Delay, Not Direct Fees



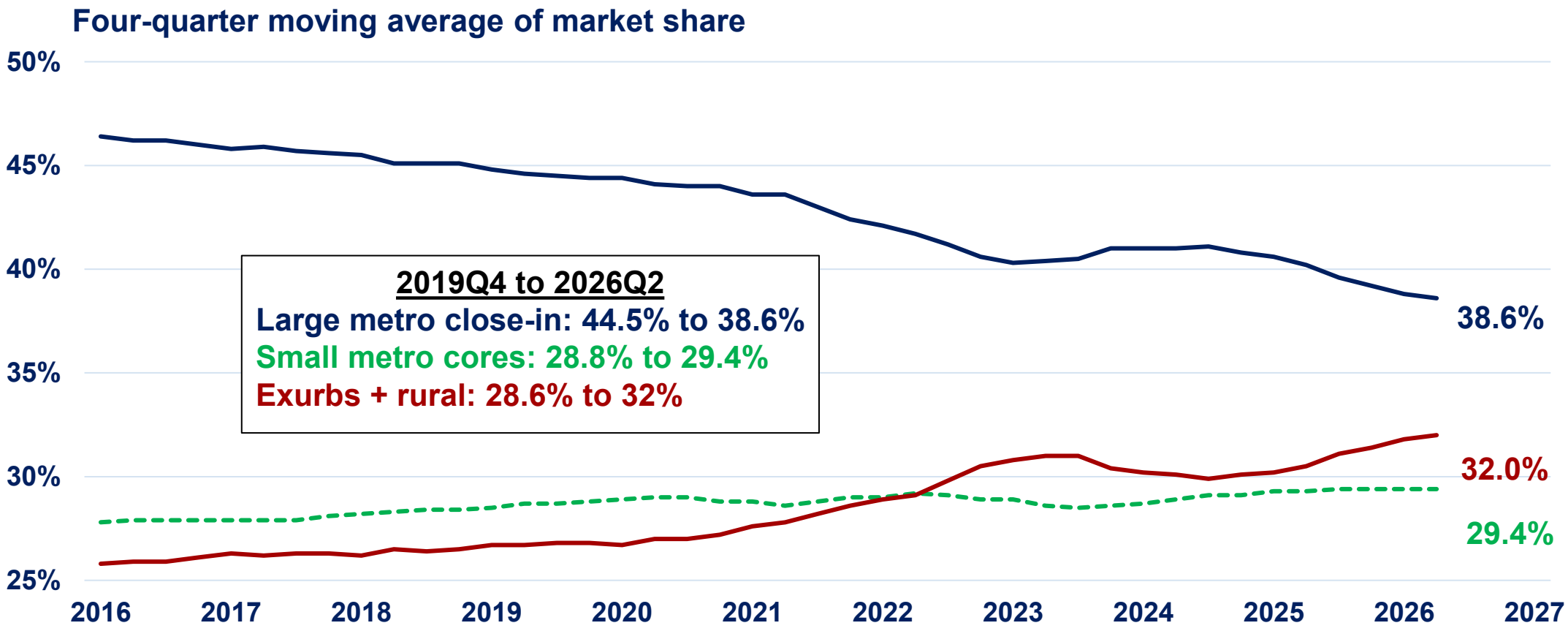
Not a monolith: interior Sunbelt metros (Phoenix, Boise, Las Vegas) look more like Dallas than San Francisco.

Sources: NAHB (2026) · Pacific Legal Foundation & Terner Center, CA impact fees · Wharton Residential Land Use Regulatory Index · BAE Urban Economics, CEQA case studies

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Builders are Shifting New Single-Family Construction to Low Density Markets

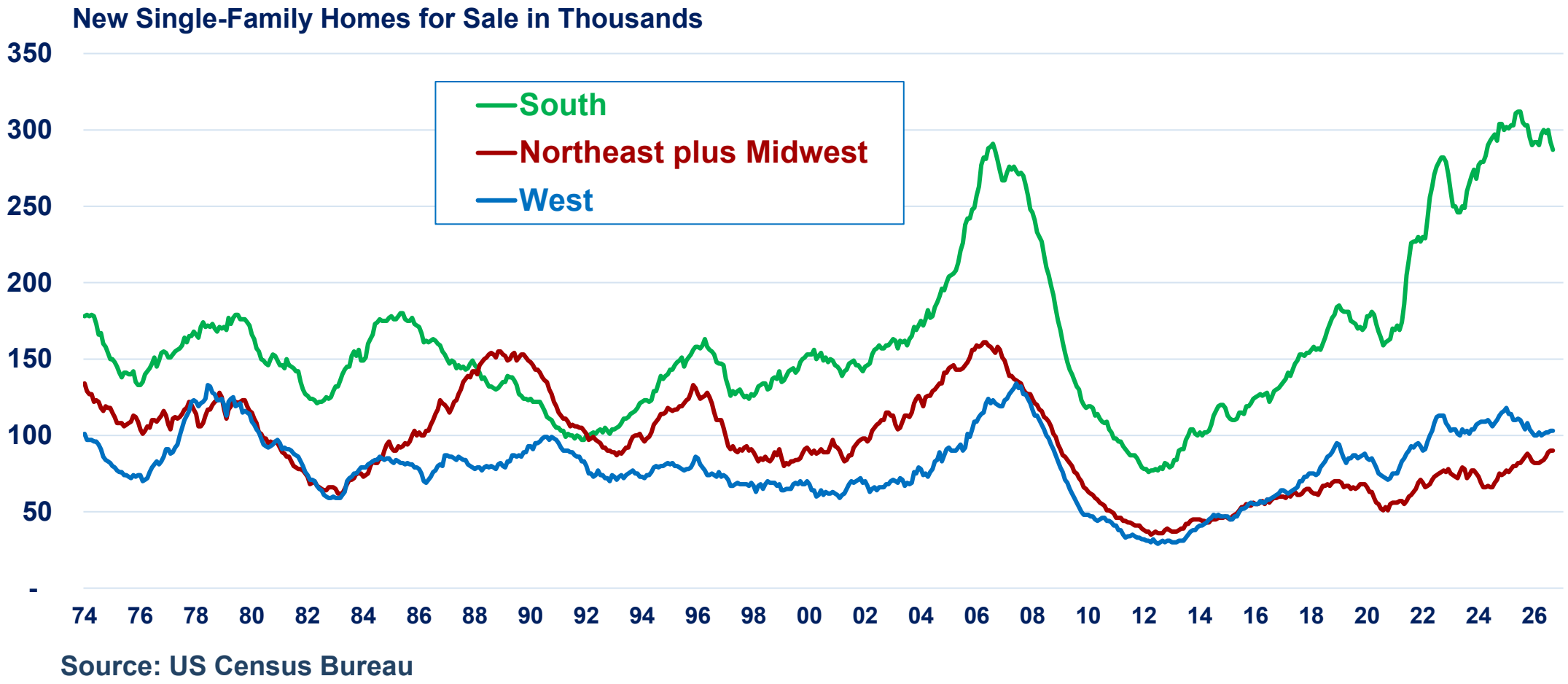


Source: NAHB Home Building Geography Index

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About 60% of New Home Inventory is in the South

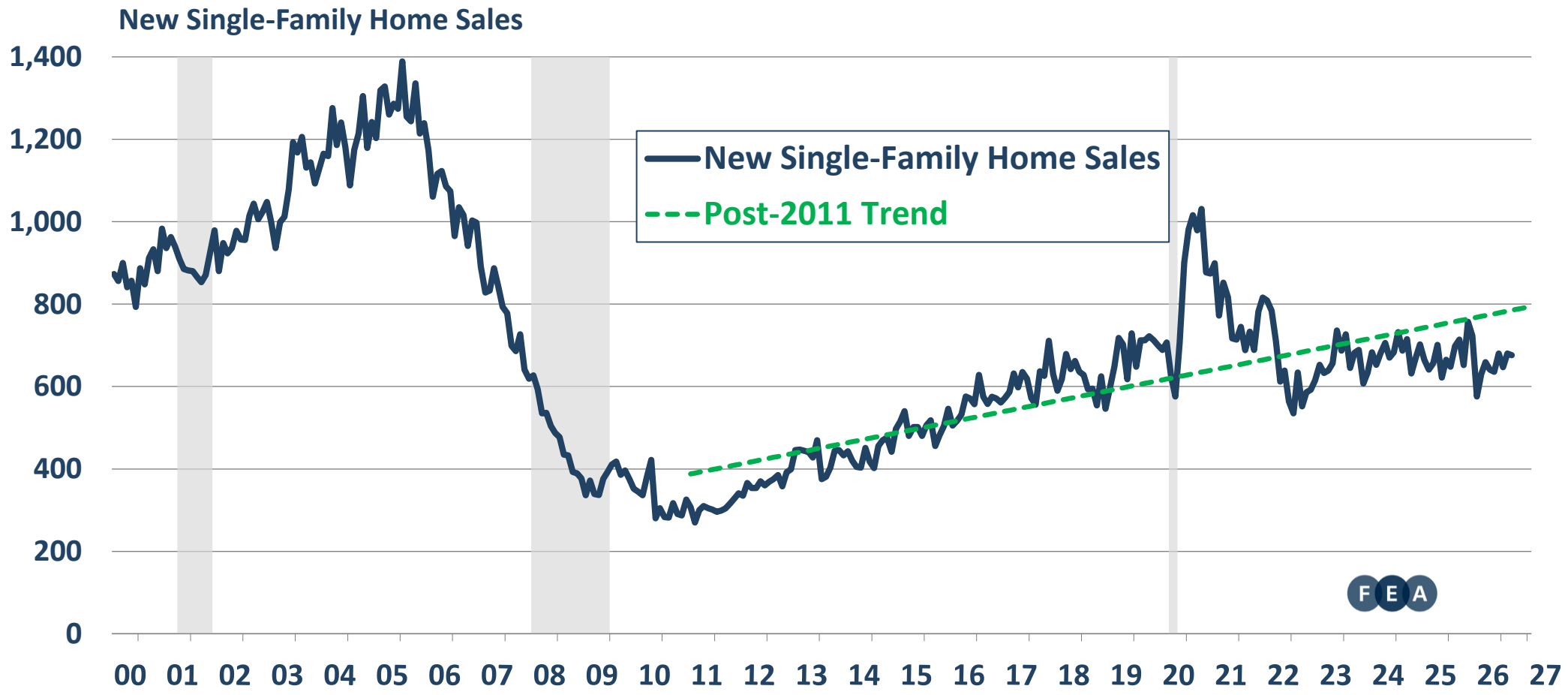


Source: US Census Bureau

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New Single-Family Home Sales Are 14% Below Post-2011 Trend

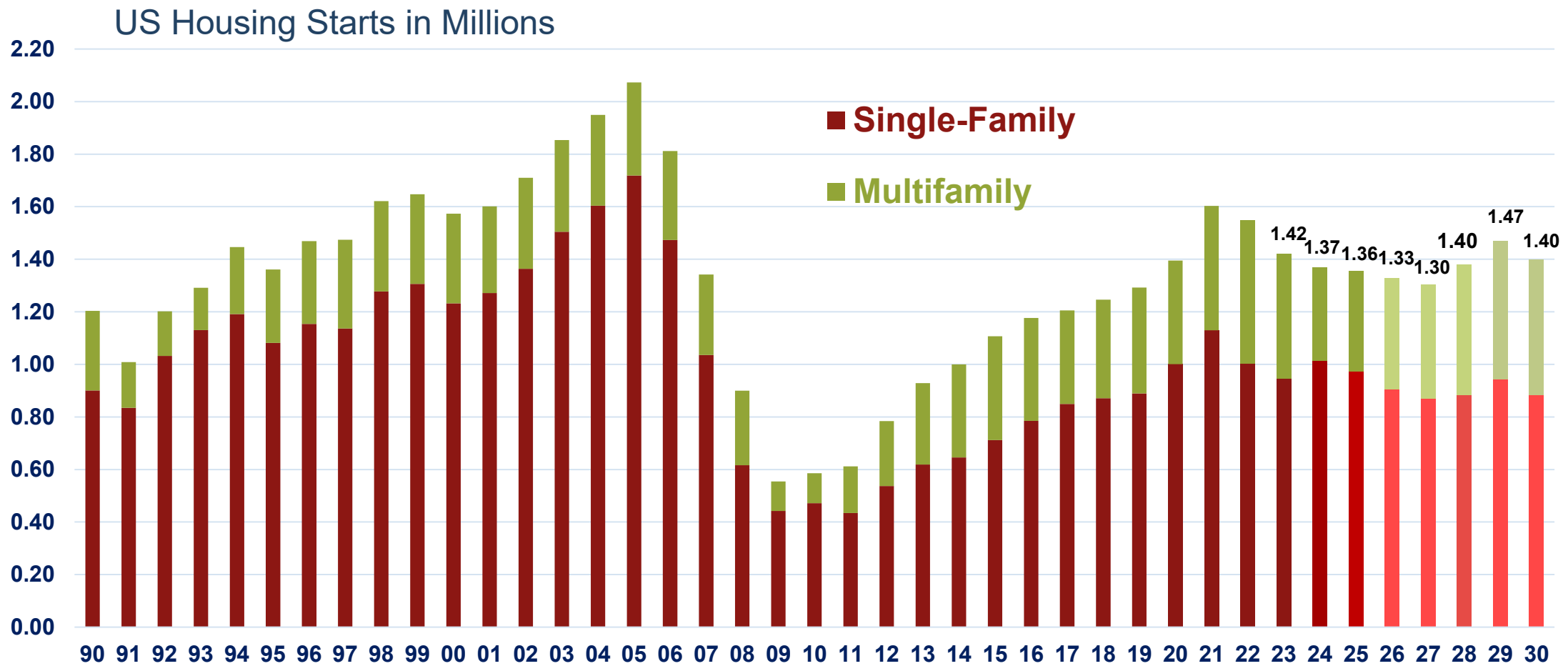


Source: Census Bureau

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We Have Once Again Lowered Our Medium-Term Housing Forecast

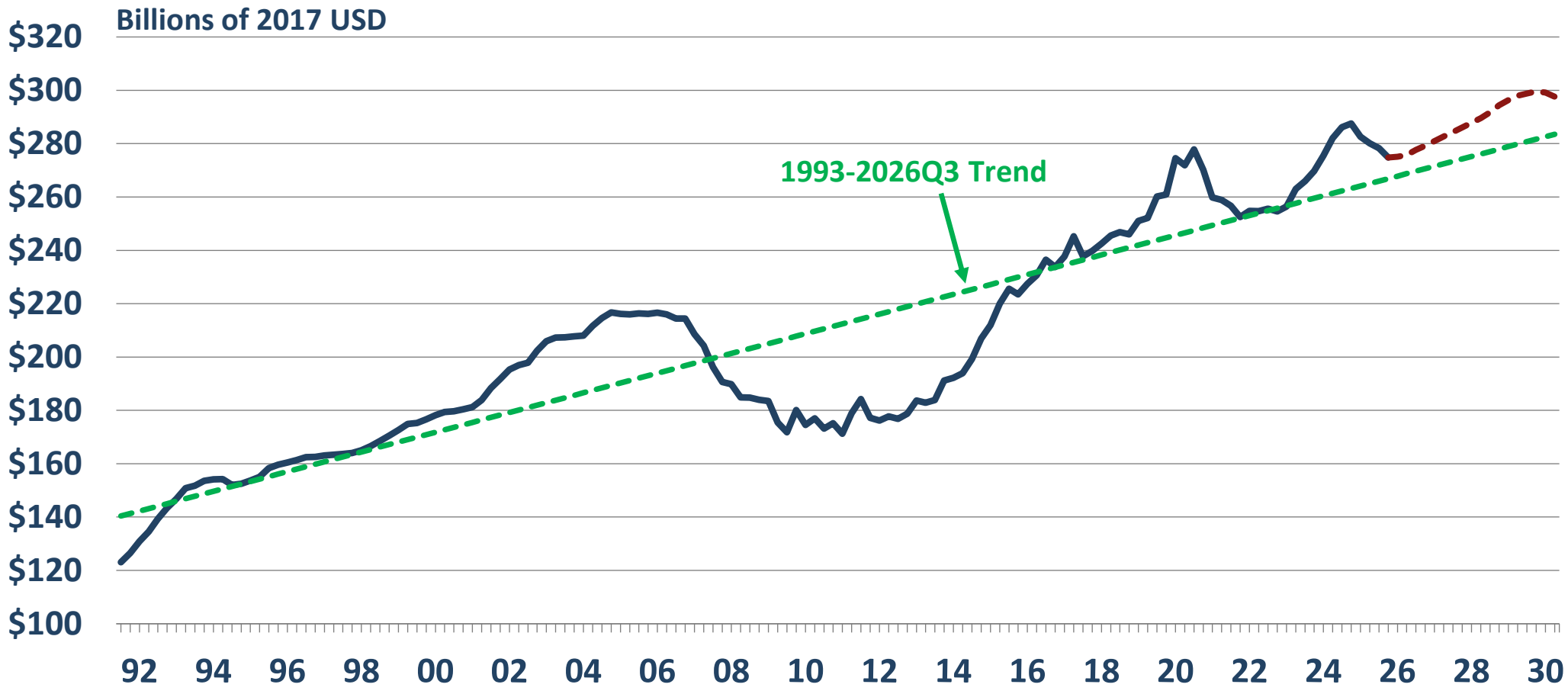


Source: Census Bureau, FEA Forecasts

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Improvement Expenditures to Remain Above Trend

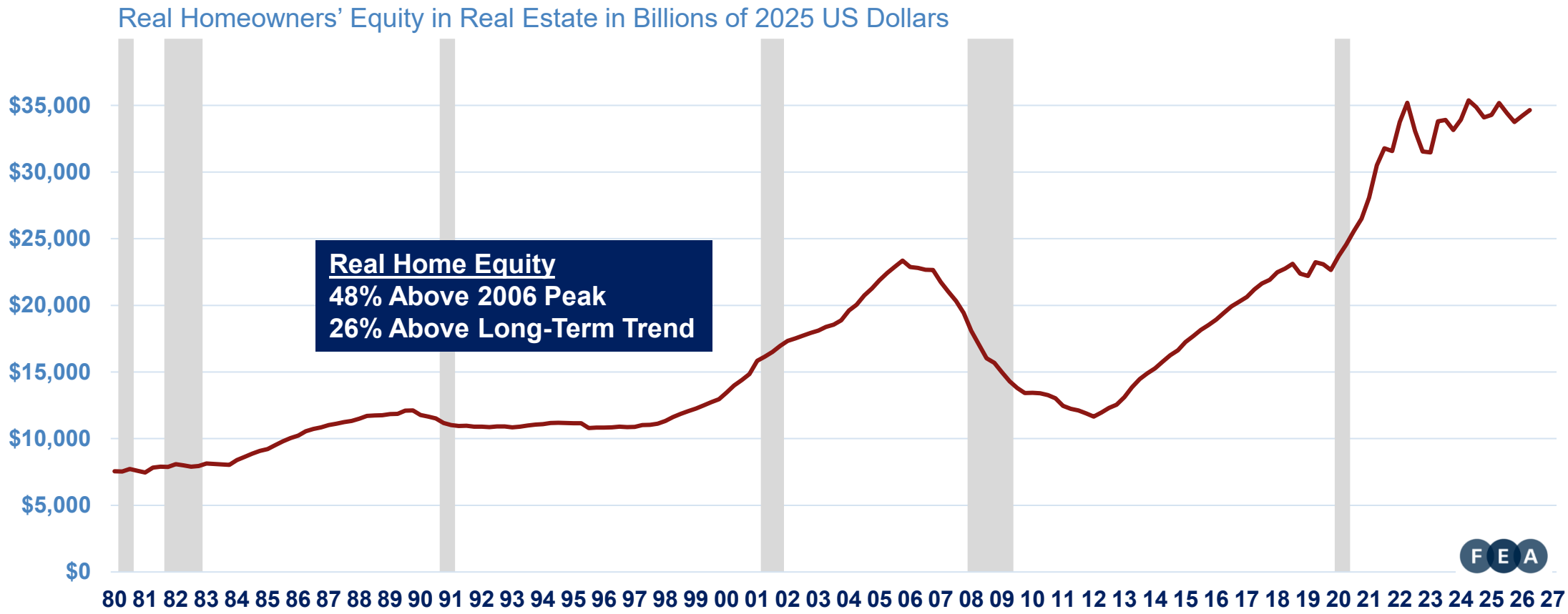


Source: Bureau of Economic Analysis, Census Bureau, Bureau of Labor Statistics, FEA calculations

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Swelling Home Equity Will Support Residential Improvements Spending in 2027

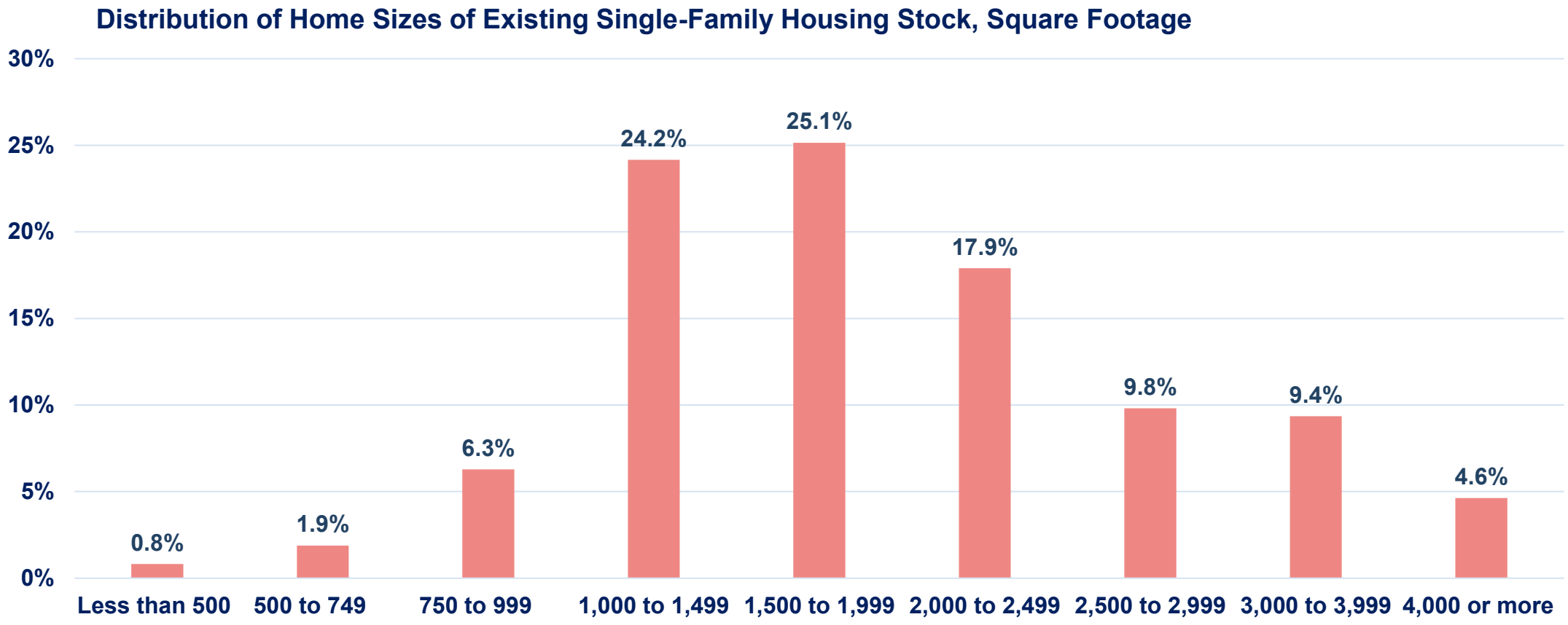


Source: Federal Reserve Z.1, FEA calculations

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Nearly 60% of Existing US Single-Family Homes Are Less Than 2,000 Square Feet in Area

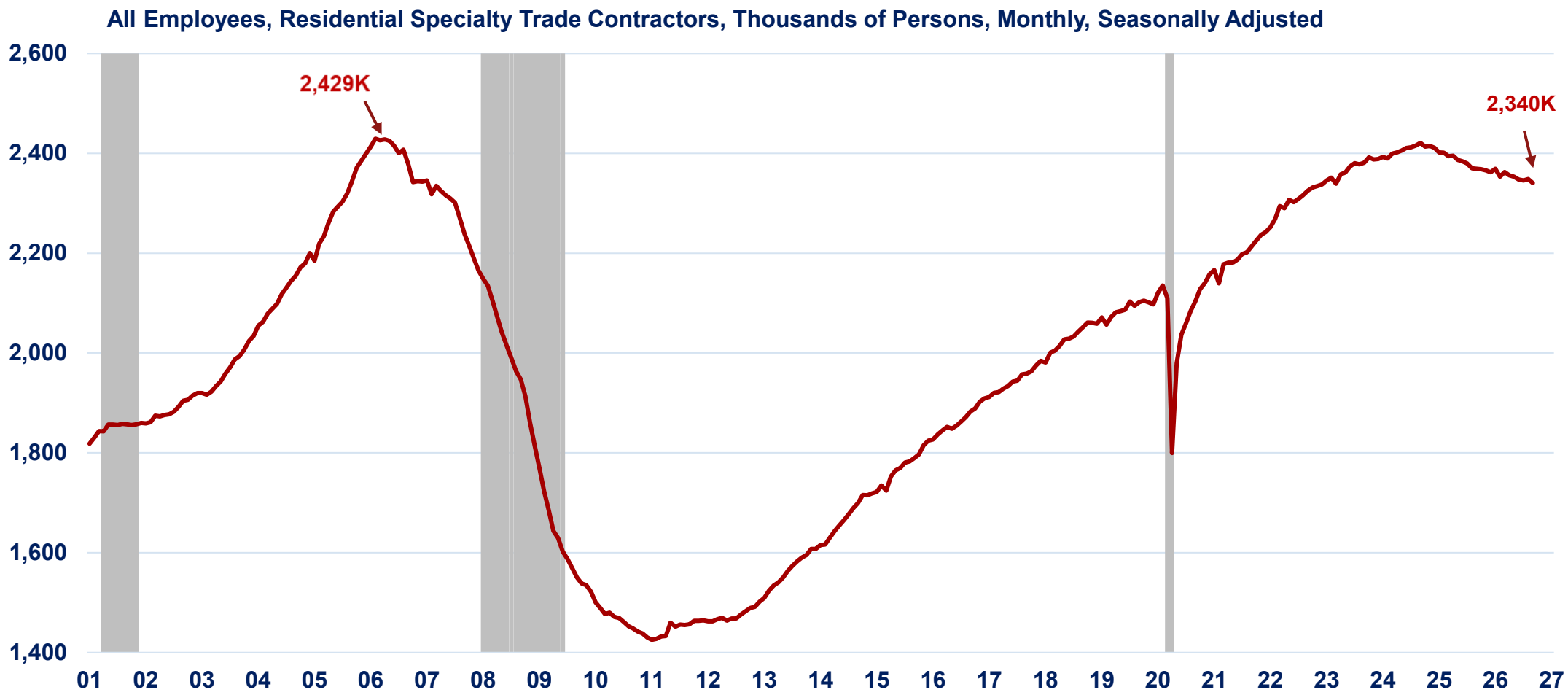


Source: Census Bureau: 2023 American Housing Survey

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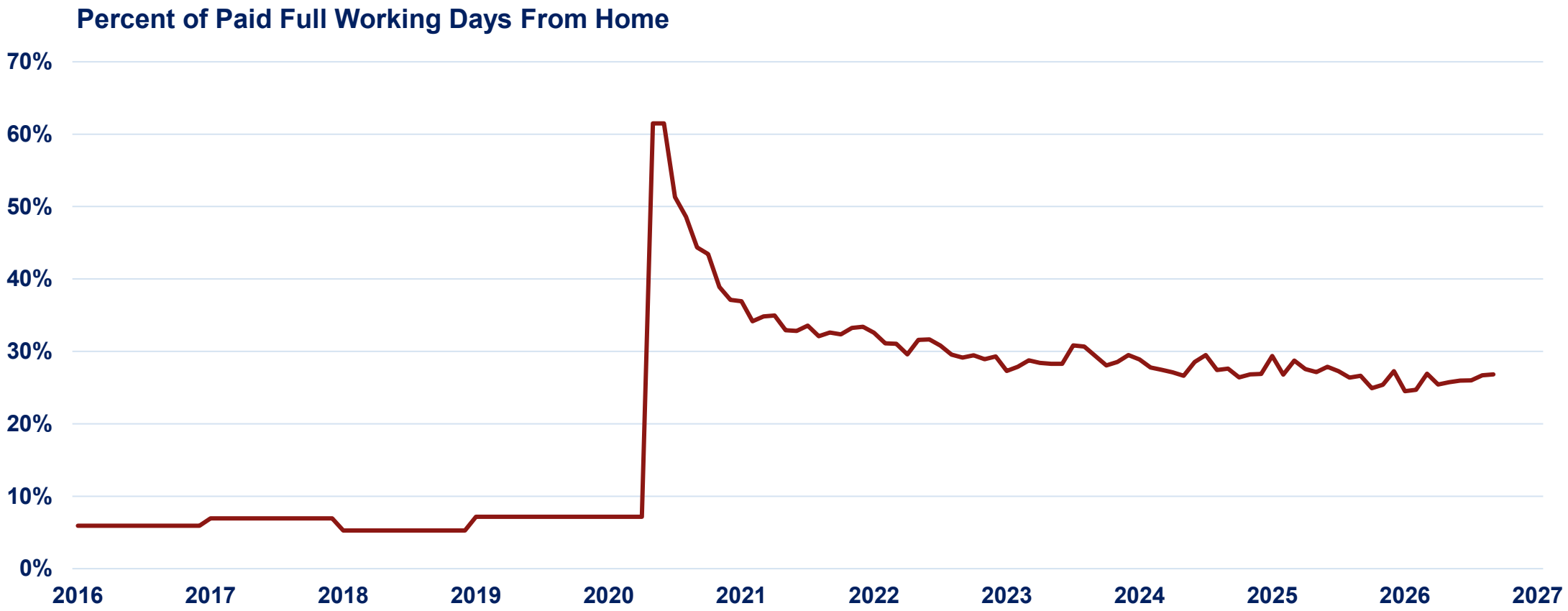
Employment of Specialty Trade Contractors is Trending Down



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The Work From Home Trend Has Stuck



Source: www.wfhresearch.com

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FEA Lumber Outlook

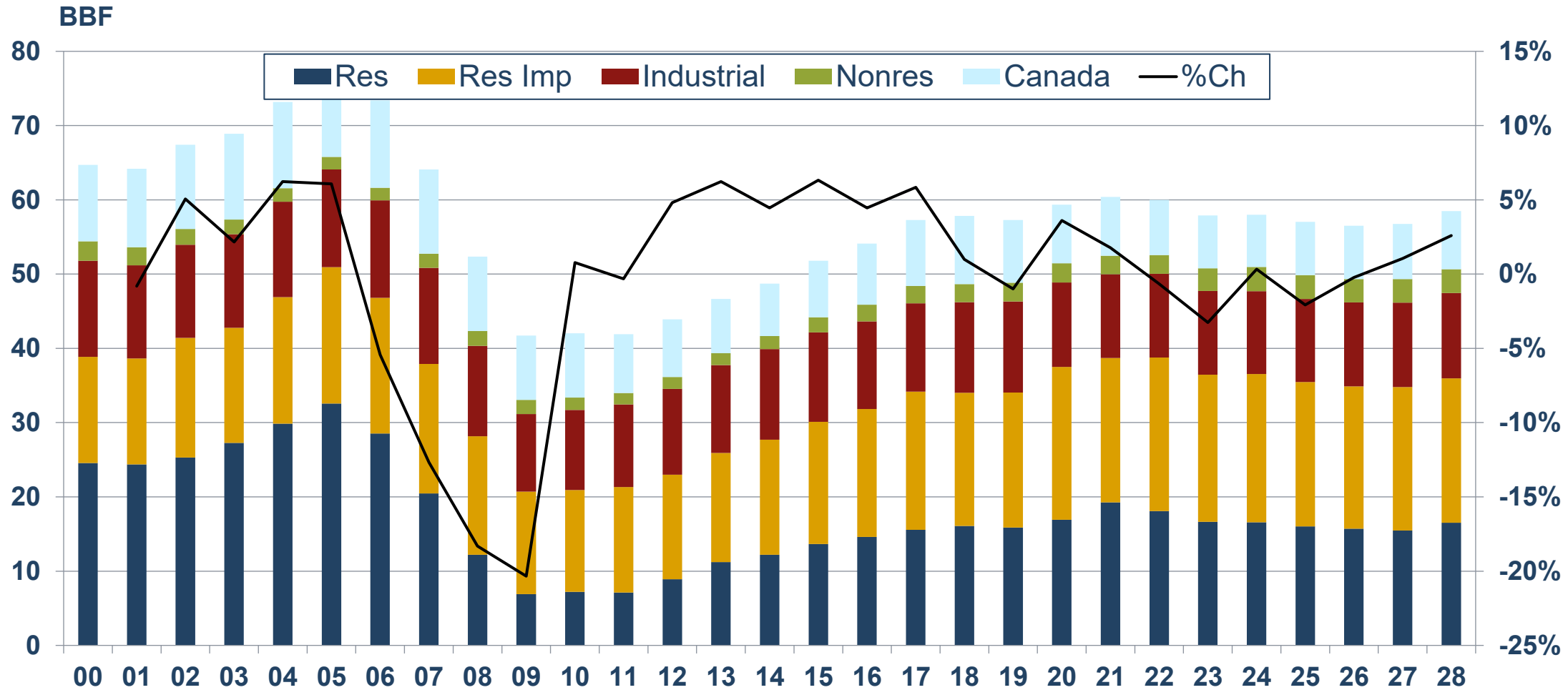


Photo: Mark Stebnicki / Pexels

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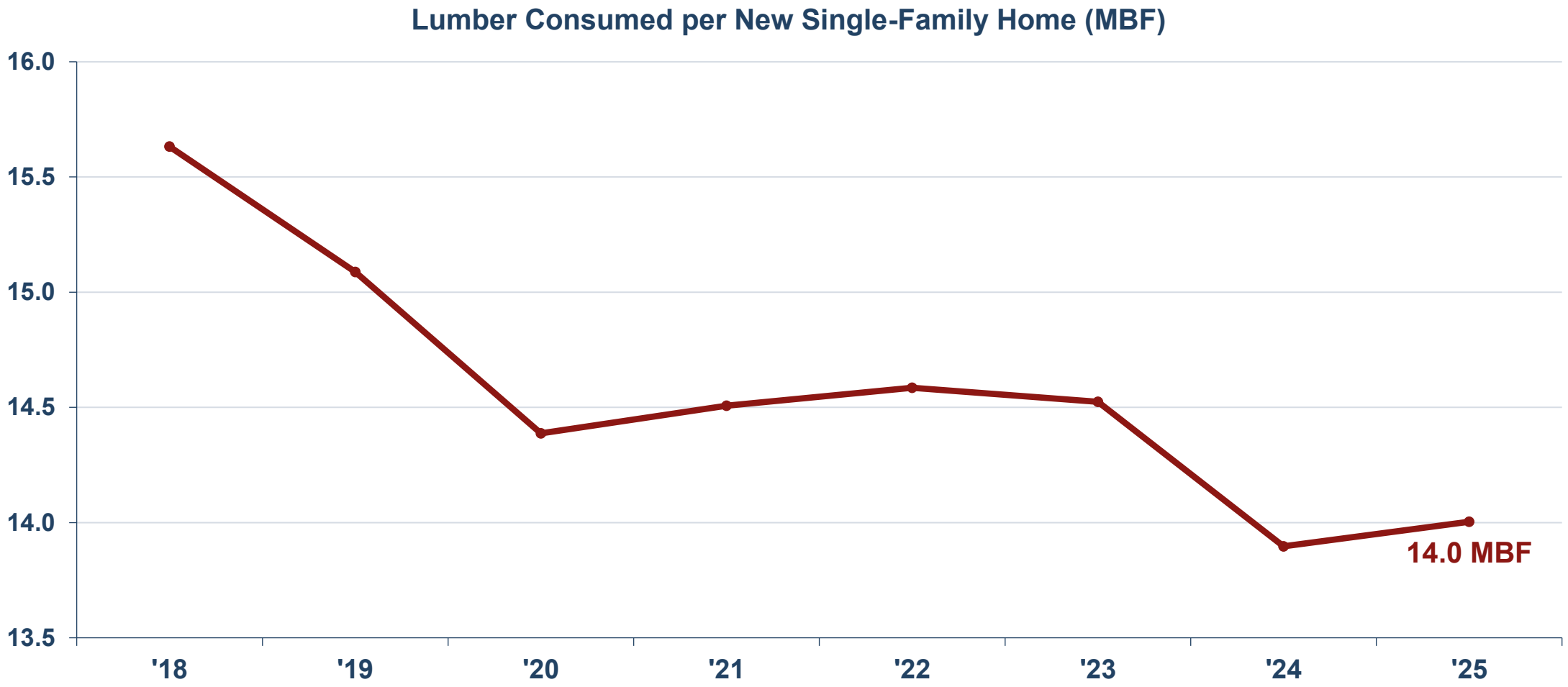
Lumber Consumption Will See Little Growth Over The Next Two Years



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Lumber Use Per Single-Family Home Is Down 10% Since 2018

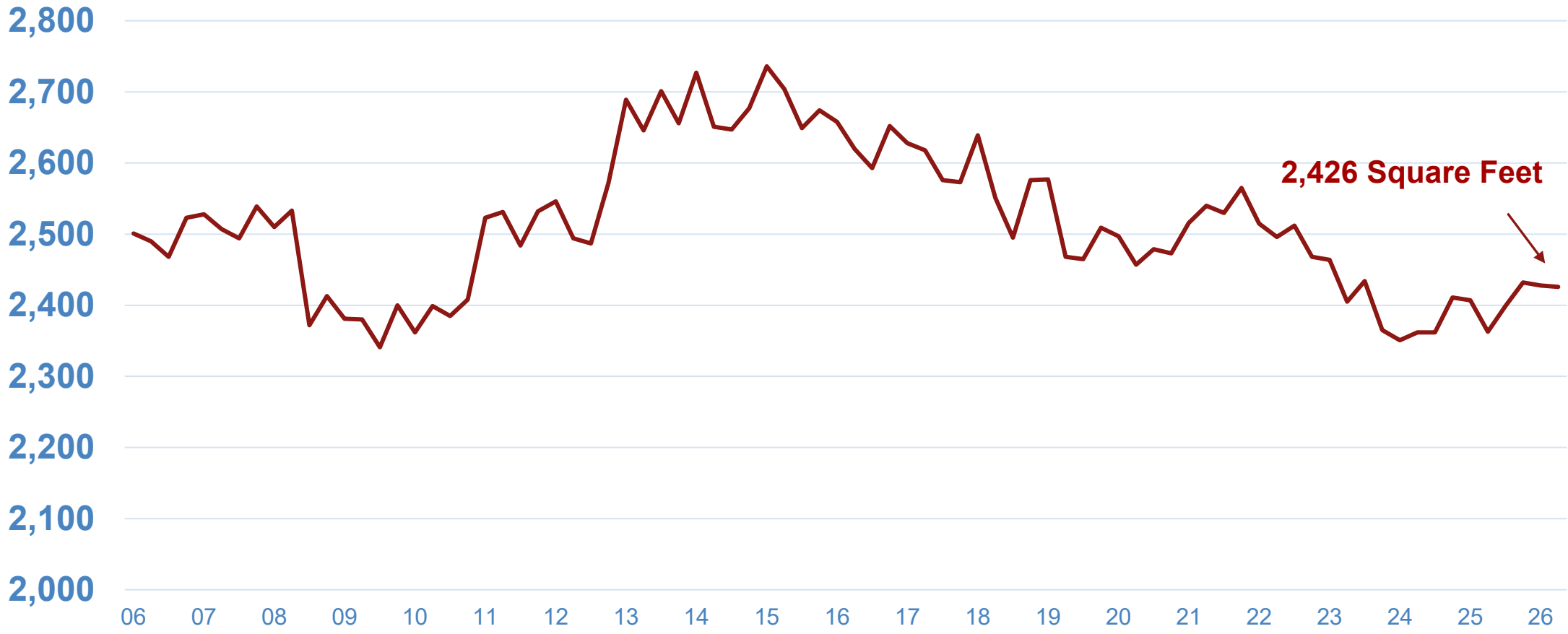


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New Single-Family Home Sizes is 11% Below 2015 Peak

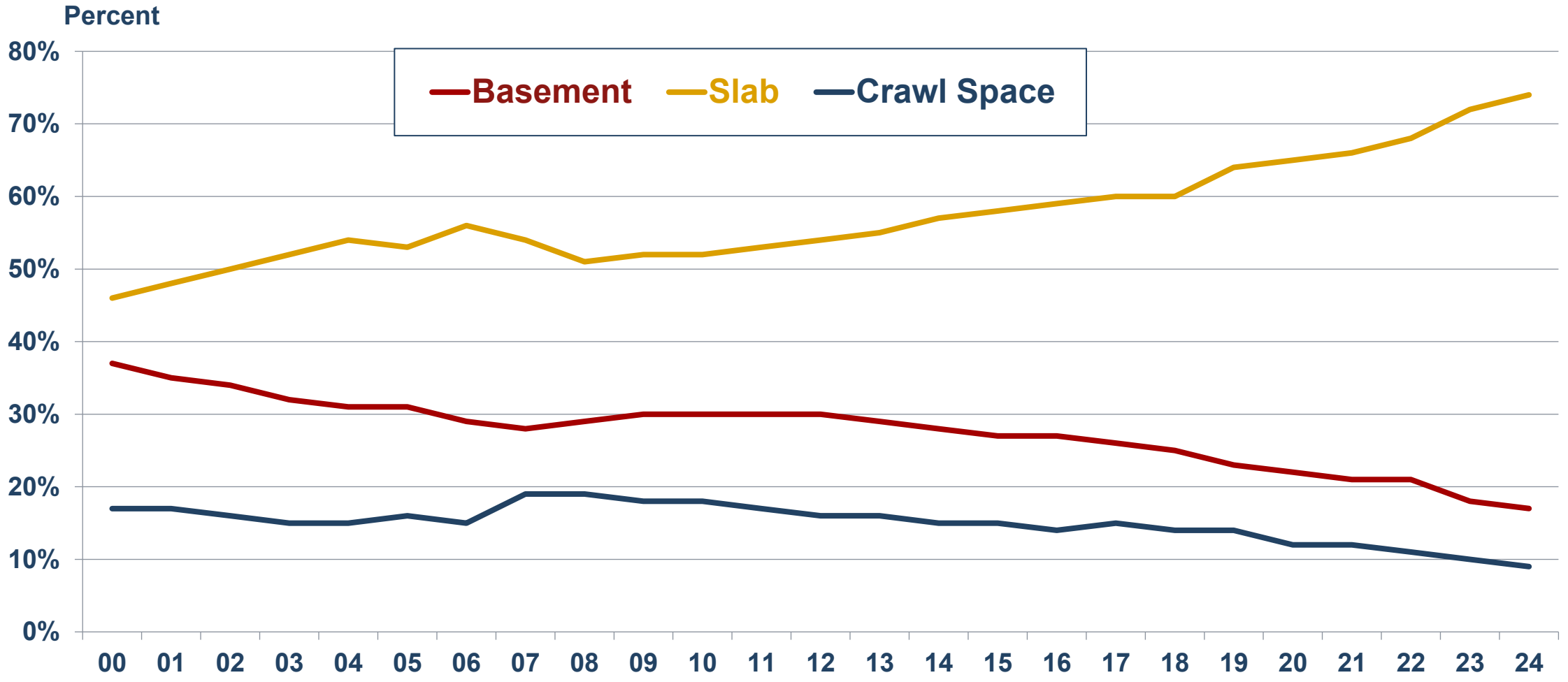
Mean Size of a New Single-Family Home in the US in Square Feet



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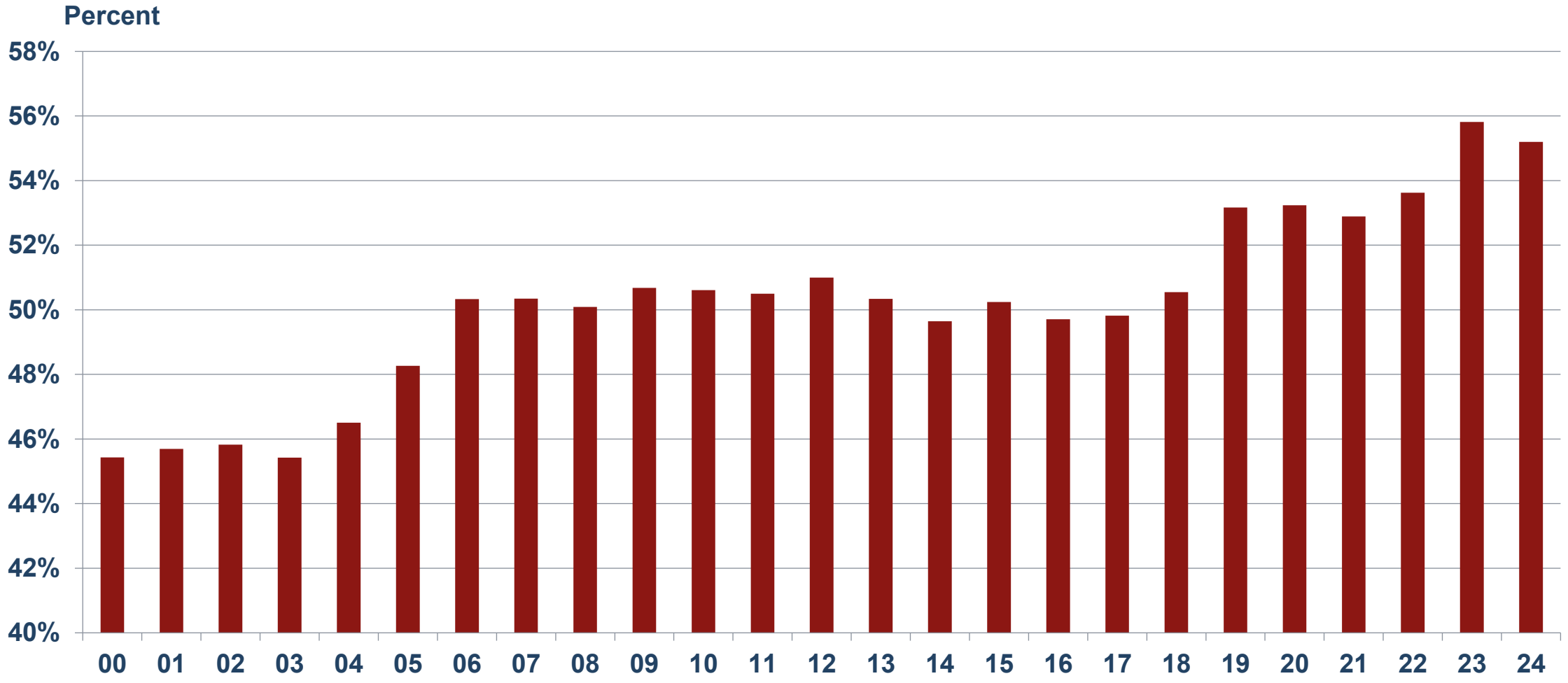
We've Also Seen A Shift In How We Build Homes



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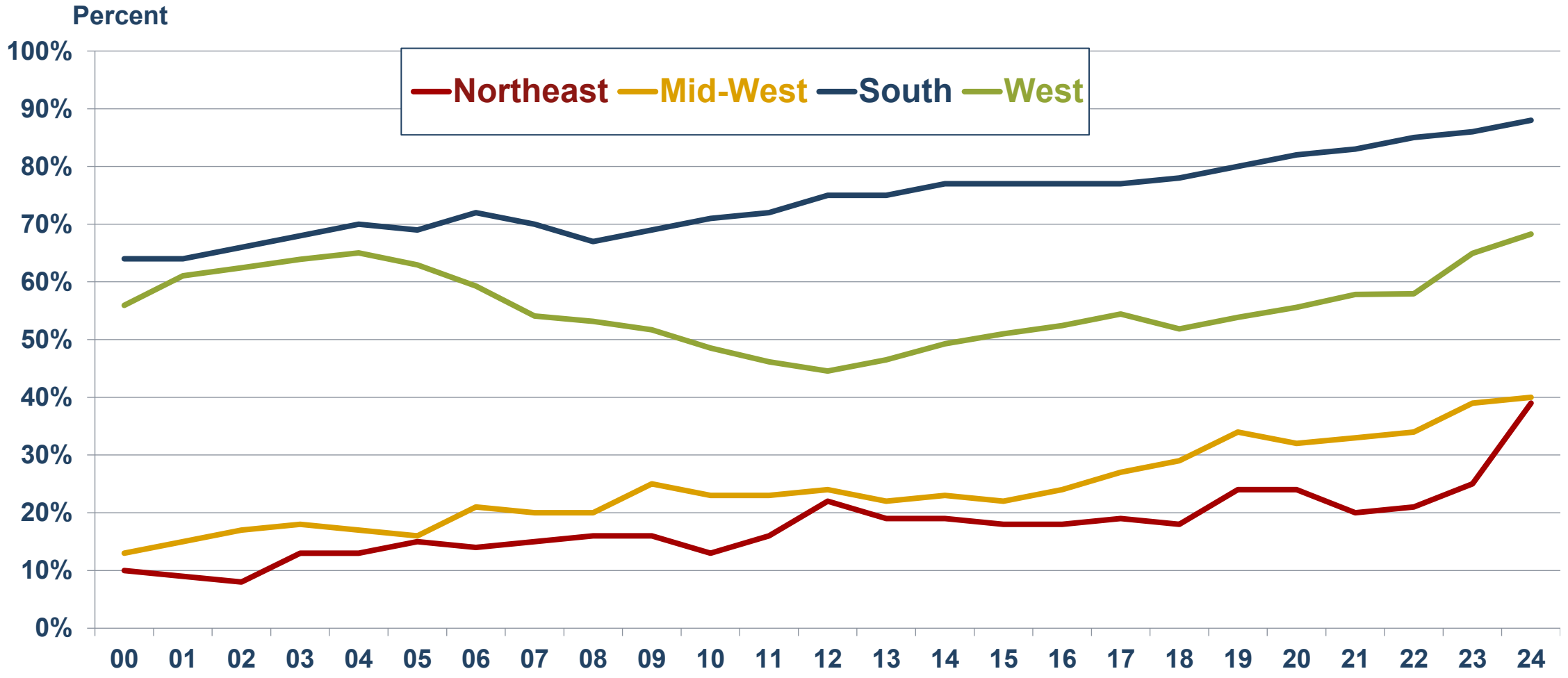
Some Folks Will Say It Is Because The Southern Share Of Housing Starts Has Increased



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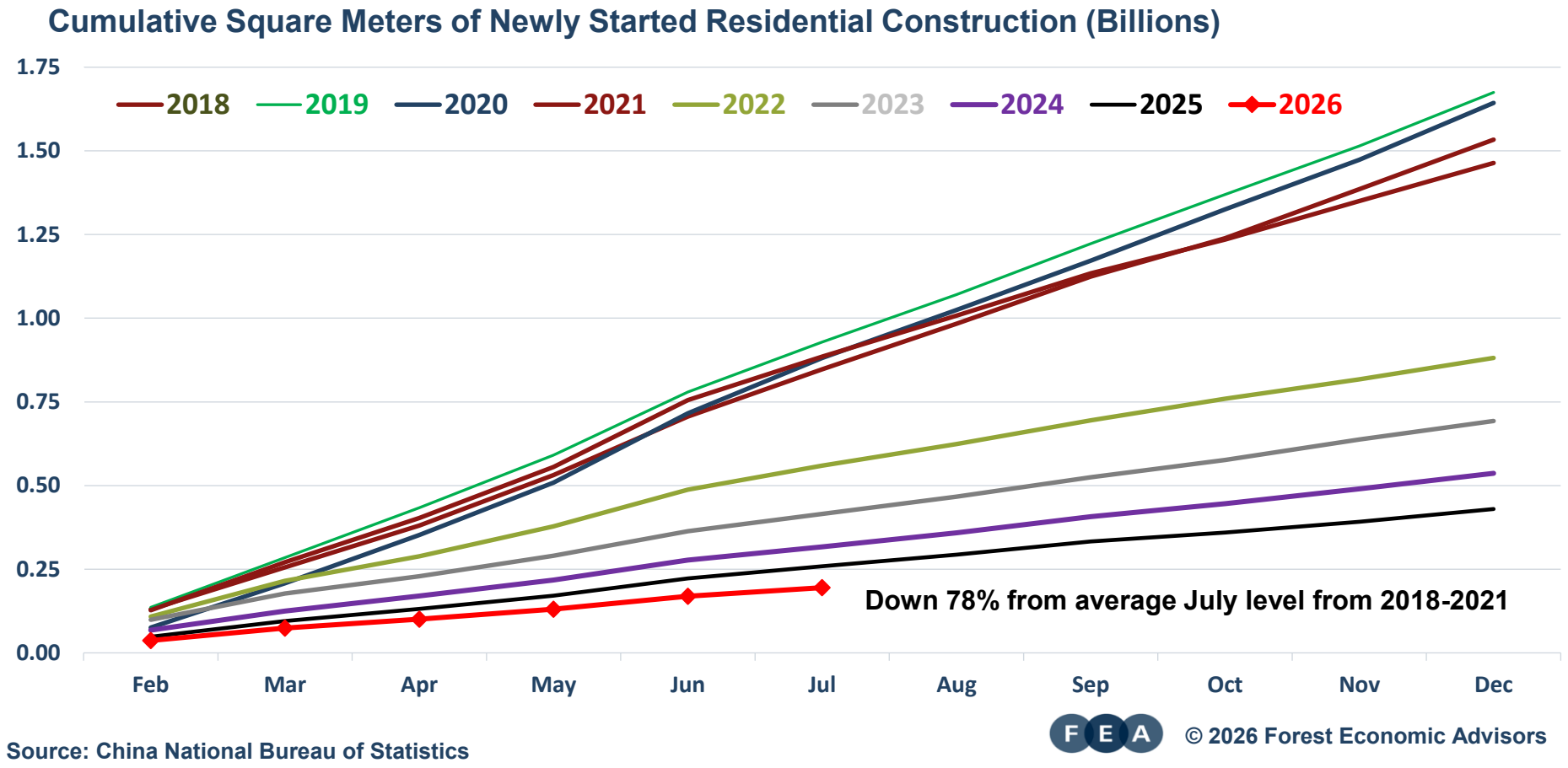
But The Shift To Slab Has Been Across All Regions



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Chinese Residential Construction is Down Bigly From Pre-Pandemic Level

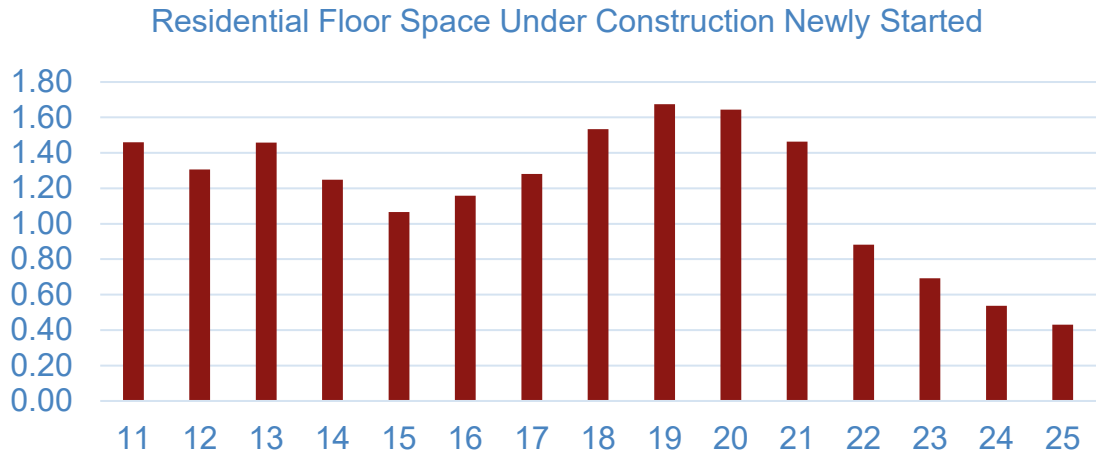


Source: China National Bureau of Statistics

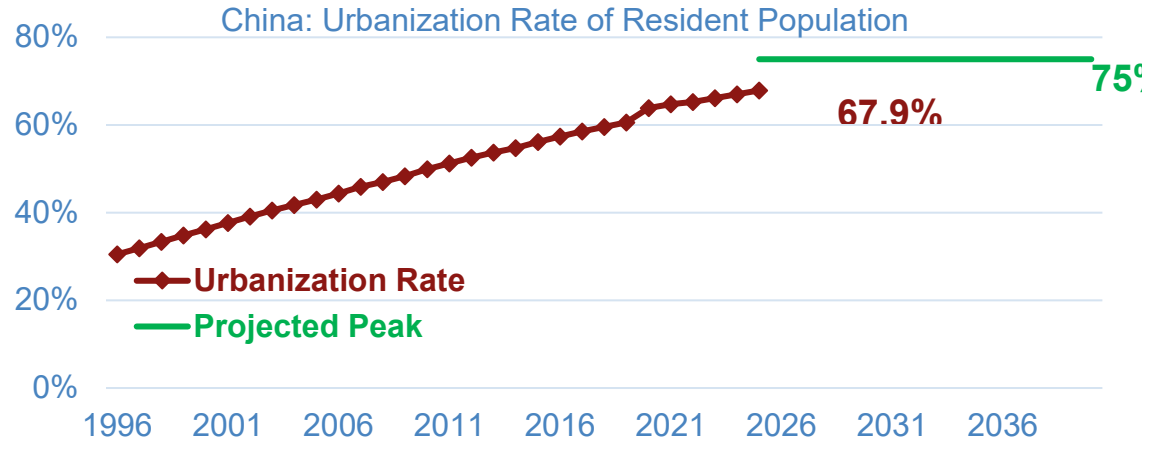
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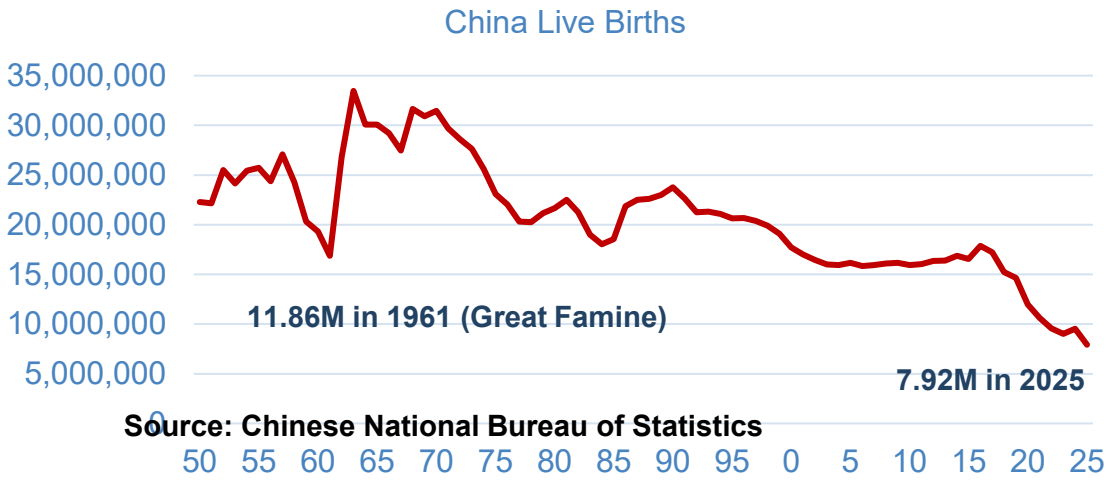
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China's Growth Prospects Are Limited

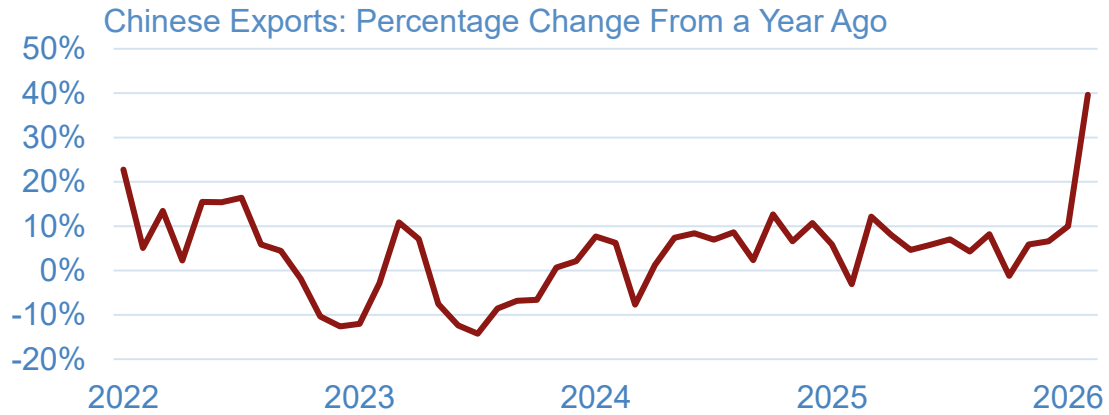


Source: China National Bureau of Statistics





Source: Chinese National Bureau of Statistics

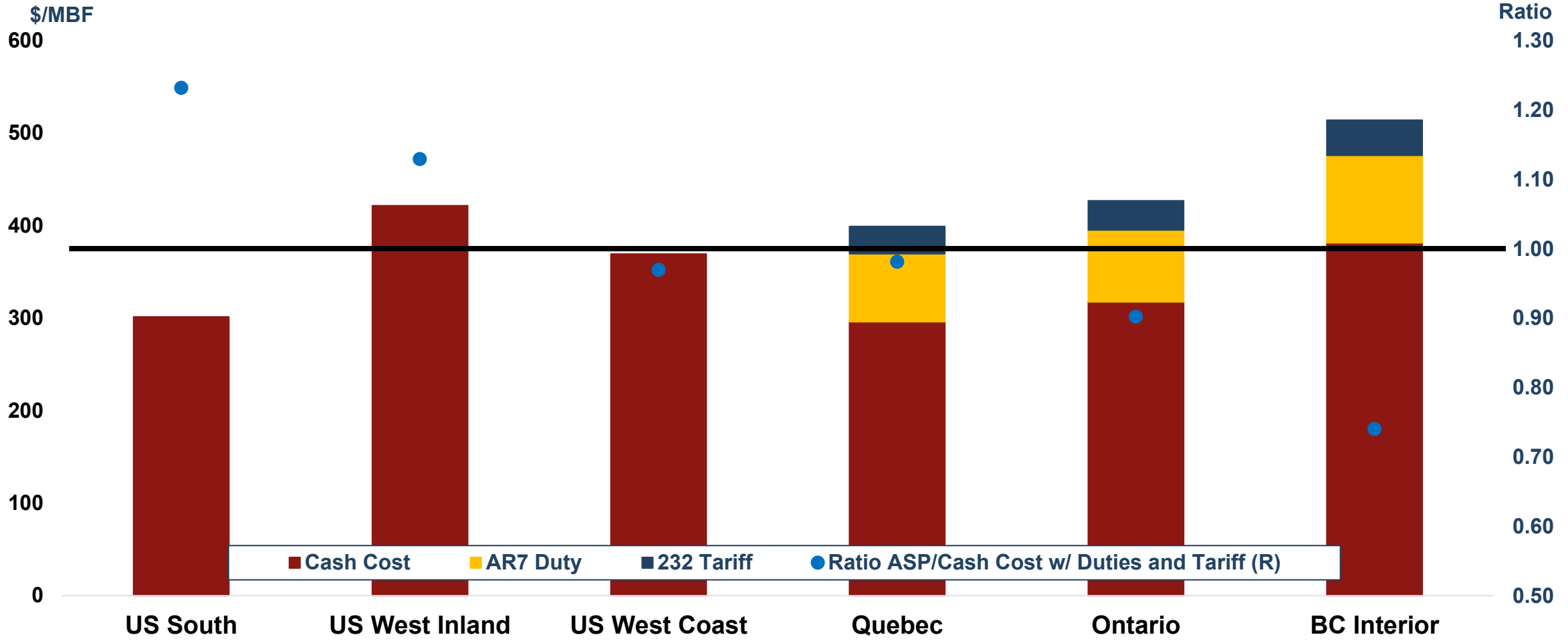


Source: China General Administration of Customs

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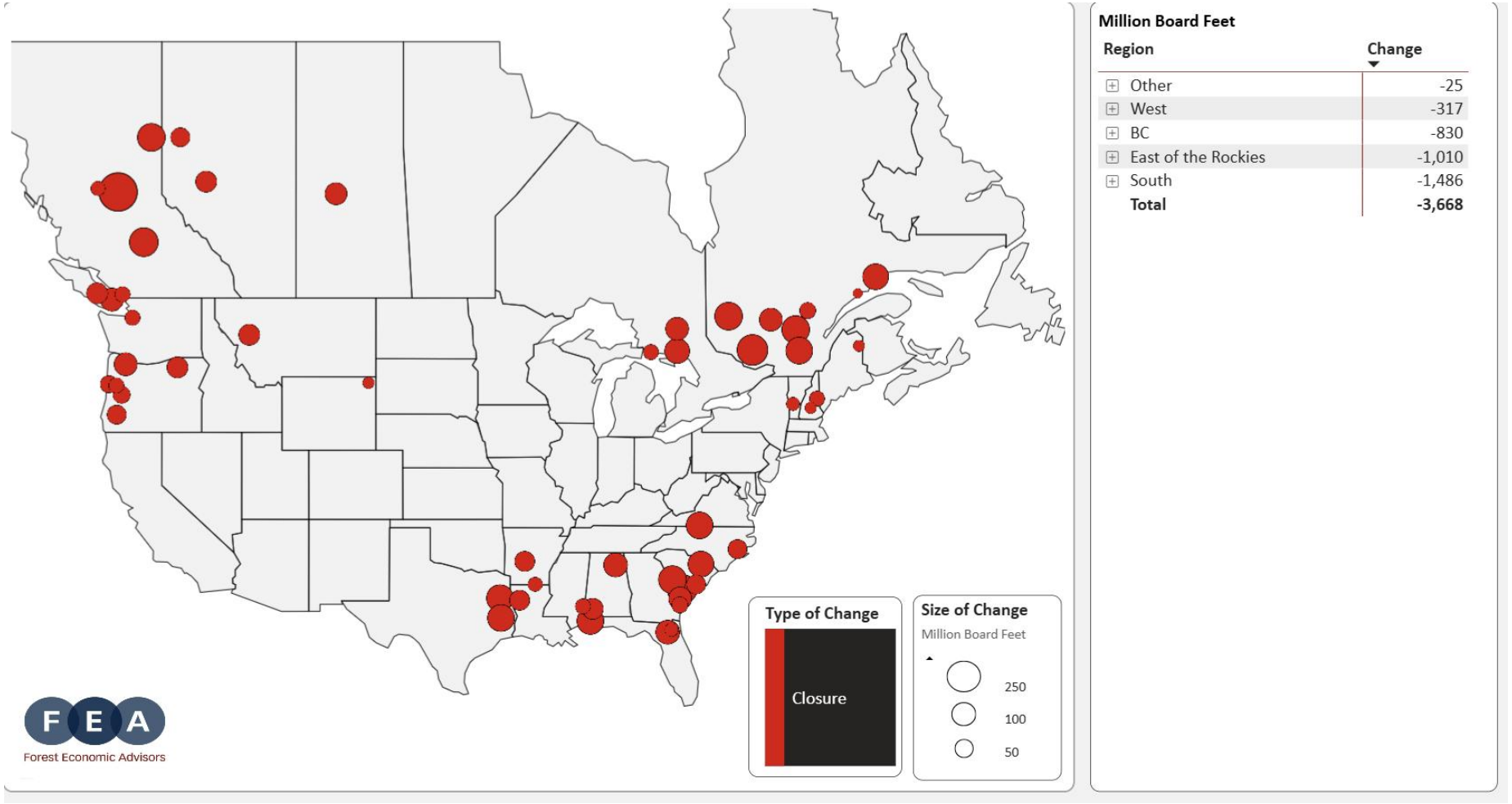
Even With Lower Duties, Prices Are Still Below Cost For Most US Bound Shipments



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North American Softwood Lumber Closures | 2025-2026



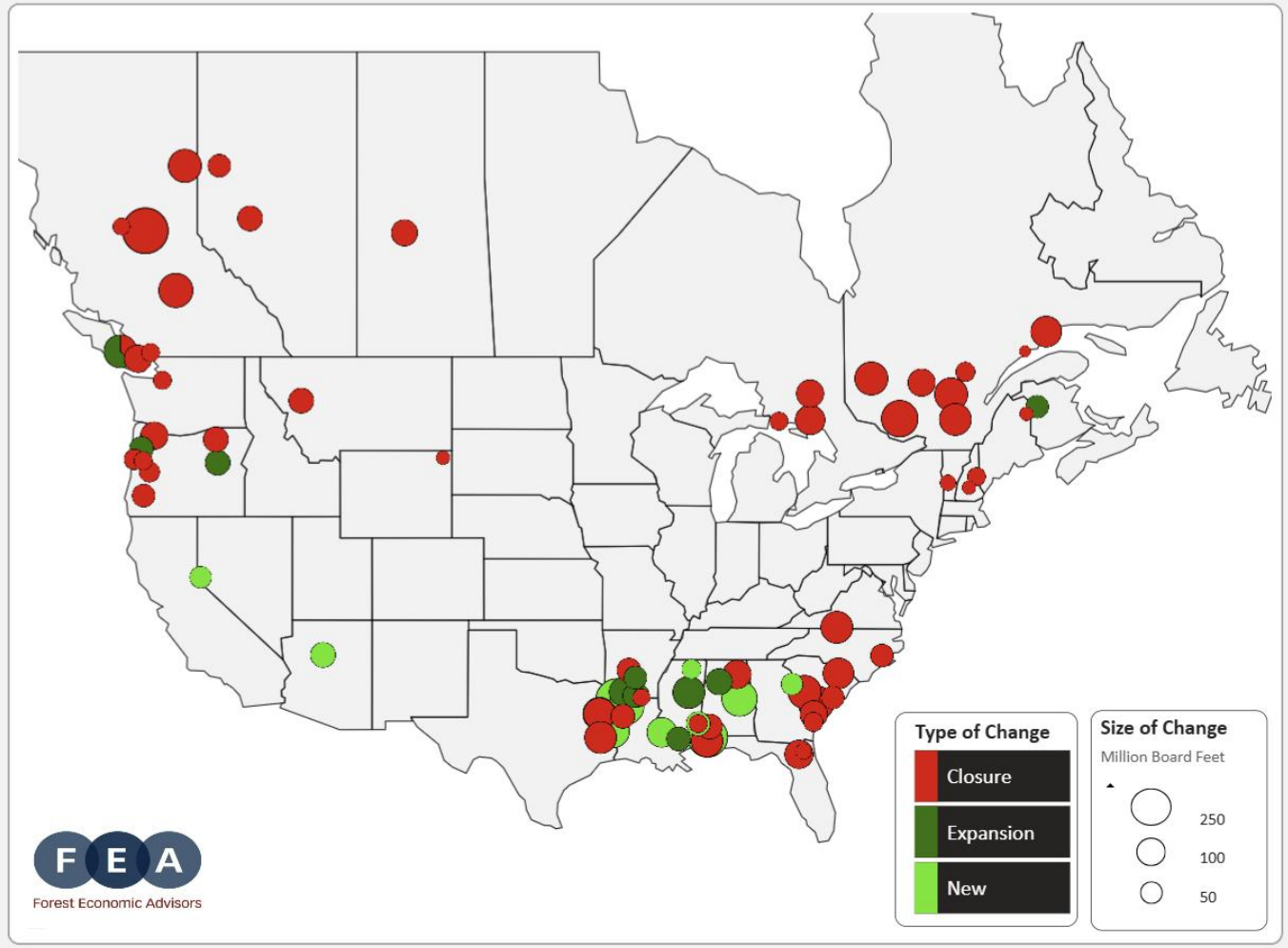
Million Board Feet

Region	Change
Other	-25
West	-317
BC	-830
East of the Rockies	-1,010
South	-1,486
Total	**-3,668**

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North American Softwood Lumber Net Closures | 2025-2026



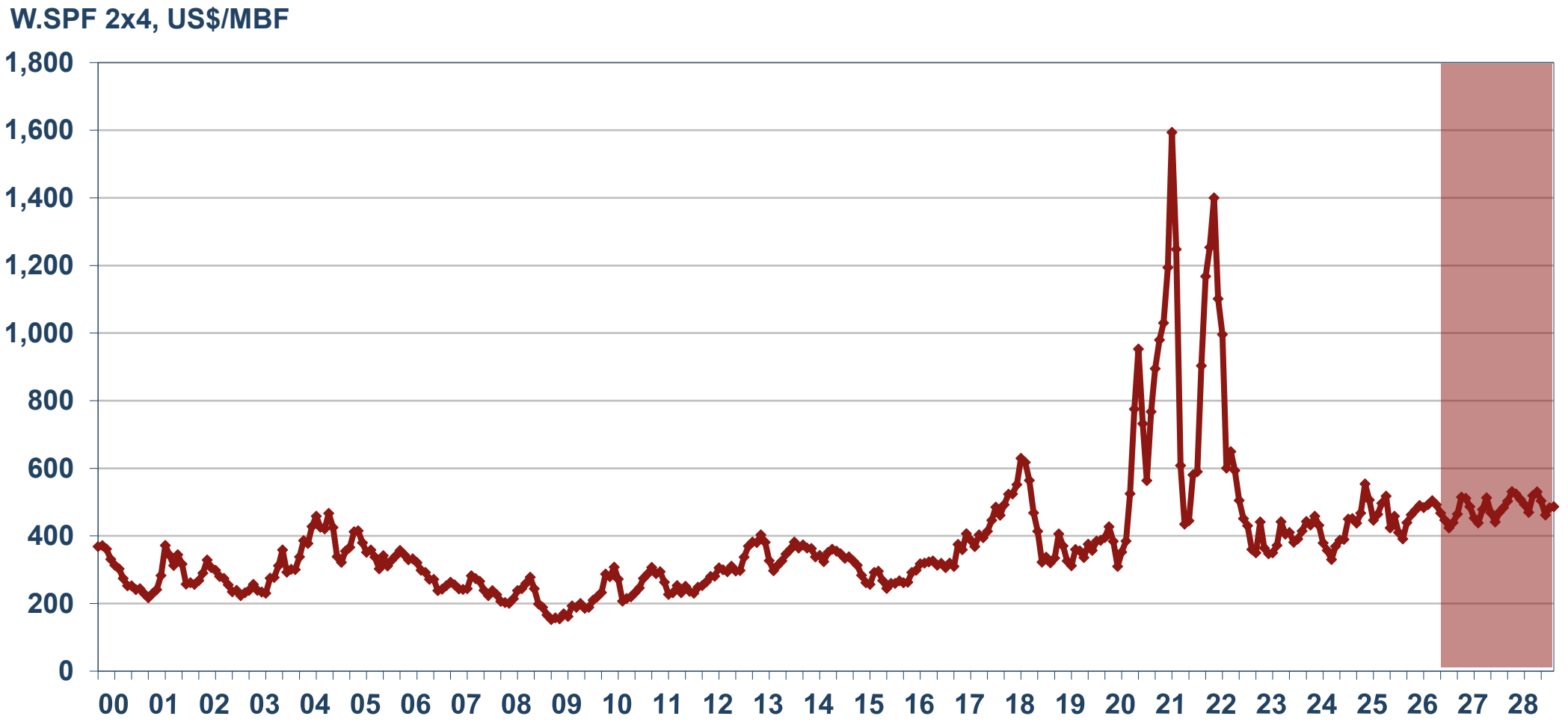
Million Board Feet

Region	Change
South	379
Other	-25
West	-120
BC	-735
East of the Rockies	-970
Total	**-1,471**

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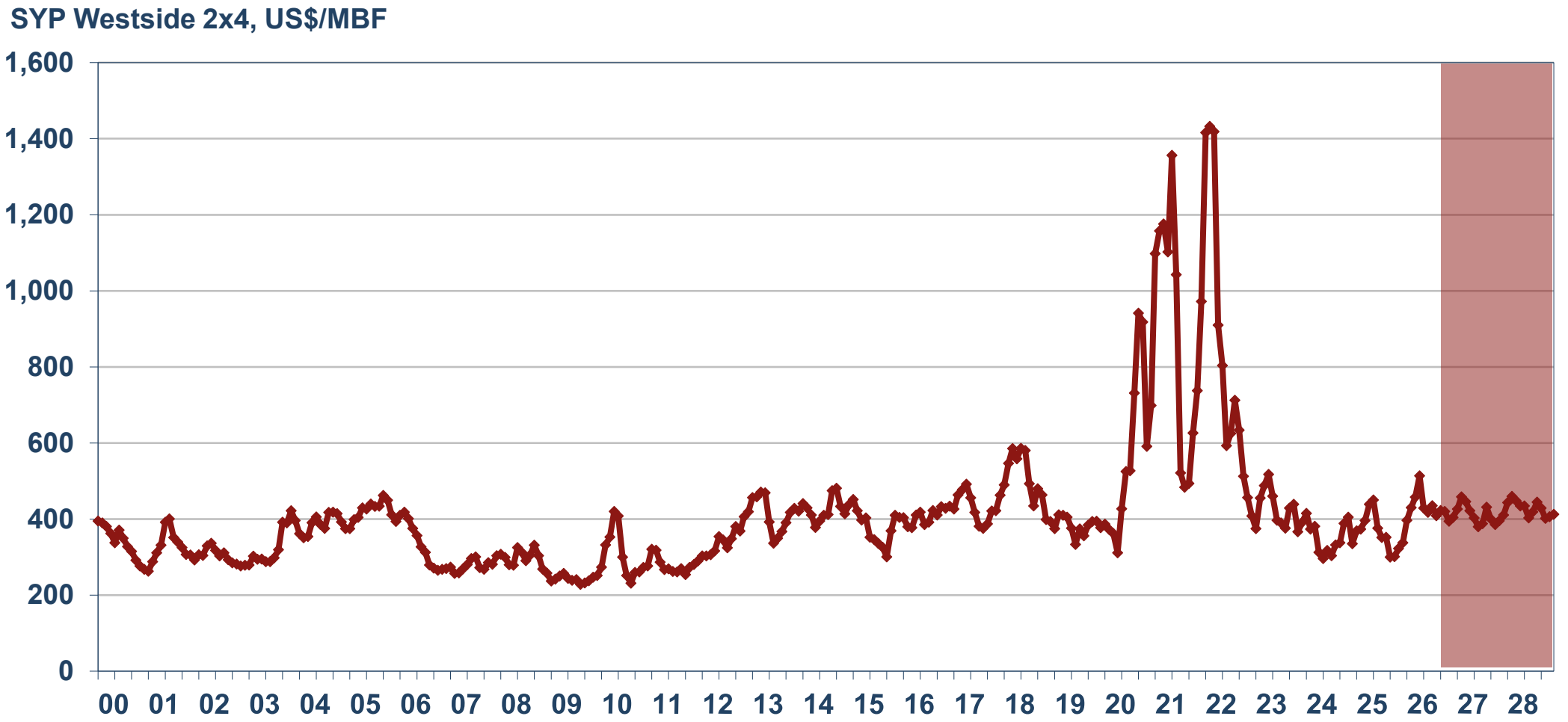
Lumber Prices Have Rebounded And Will Remain Elevated, But Profitability Will Still Be Under Pressure



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Lumber Prices Have Rebounded And Will Remain Elevated, But Profitability Will Still Be Under Pressure



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Lumber Take Home Points

- We have likely seen the bottom to the current cycle, but consumption will not see strong growth over the next year.
- Longer run, residential improvements will bolster lumber consumption.
- Exports will remain weak, driven mainly by an increase in southern yellow pine.
- Imports will fall, but remain elevated as European and Chinese consumption continues to struggle.
- Supply discipline and elevated costs will bolster lumber markets.

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FEA Timber Lumber Outlook

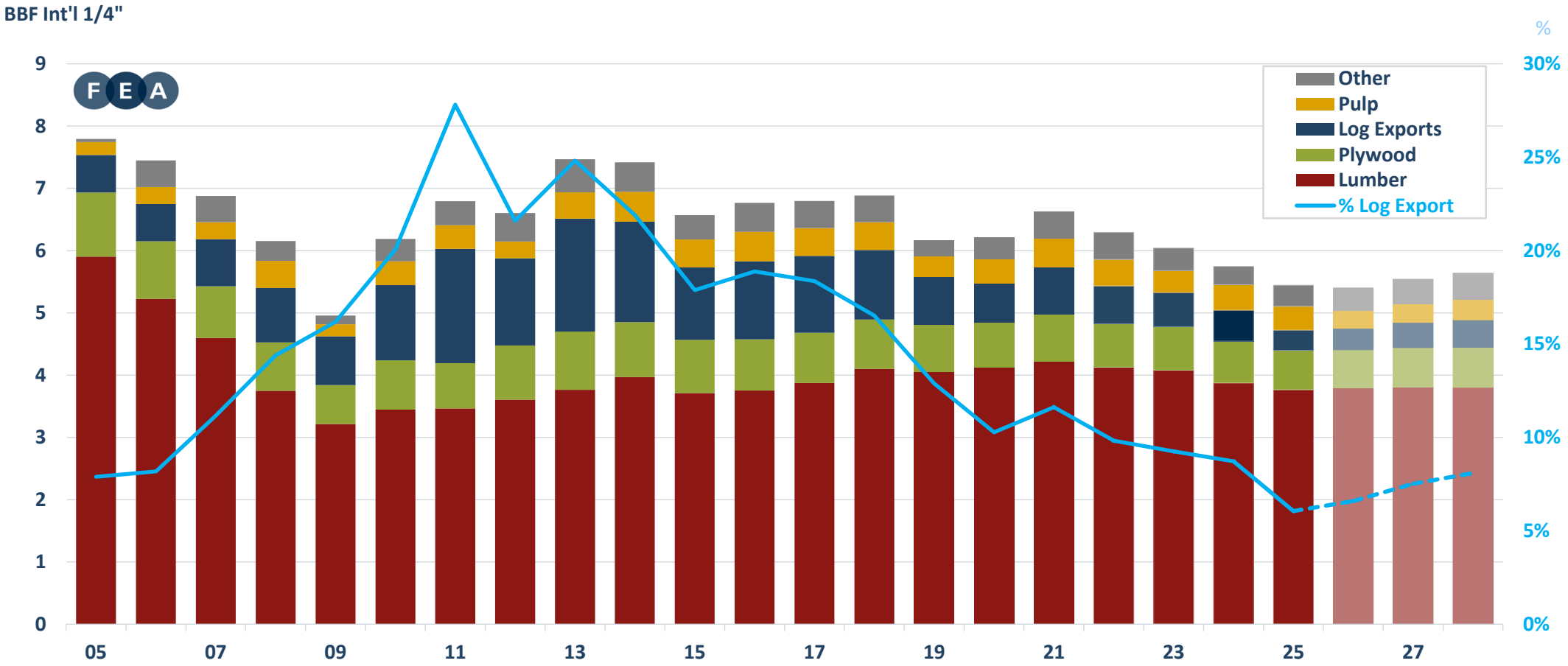


Photo: USDA Forest Service, Apache-Sitgreaves National Forests (public domain)

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West Coast Harvest Volumes Remain Weak, With Limited Recovery Expected



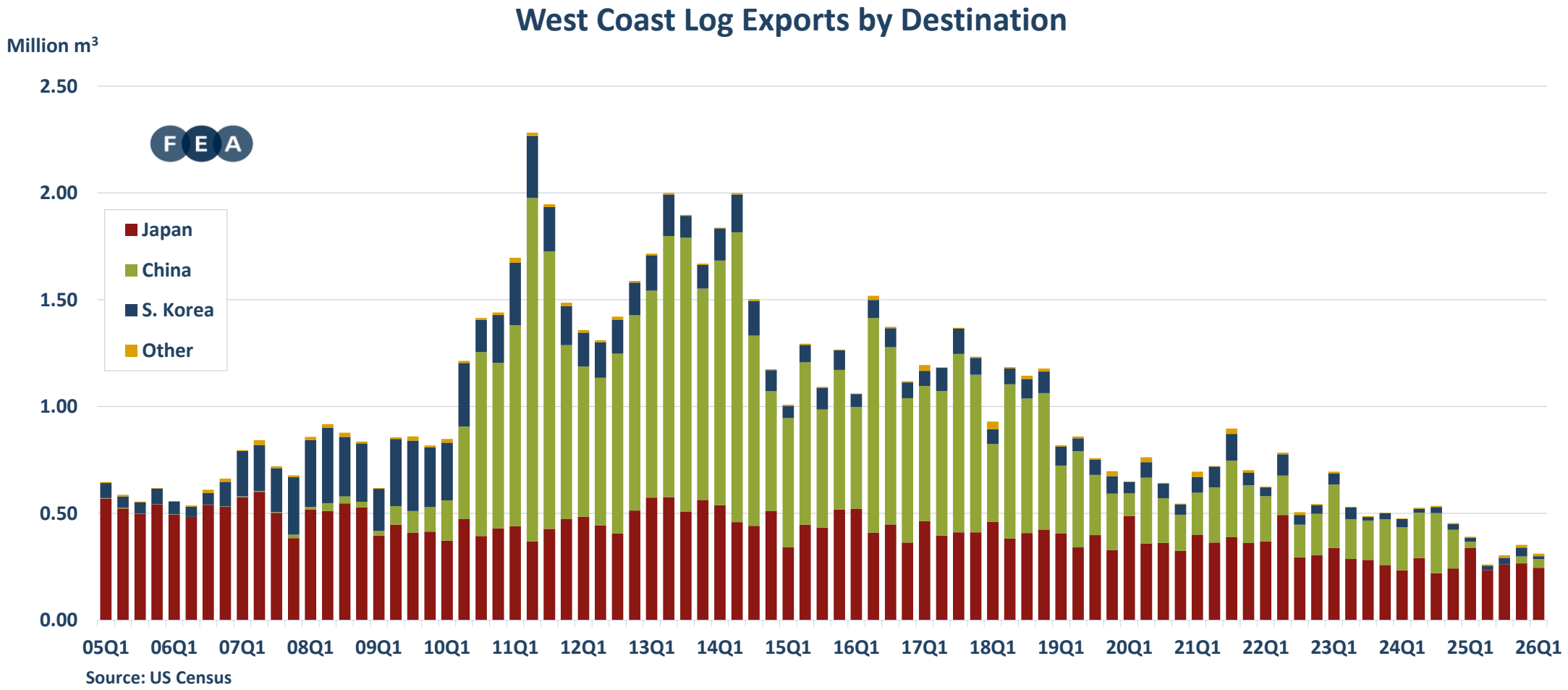
Source: FEA

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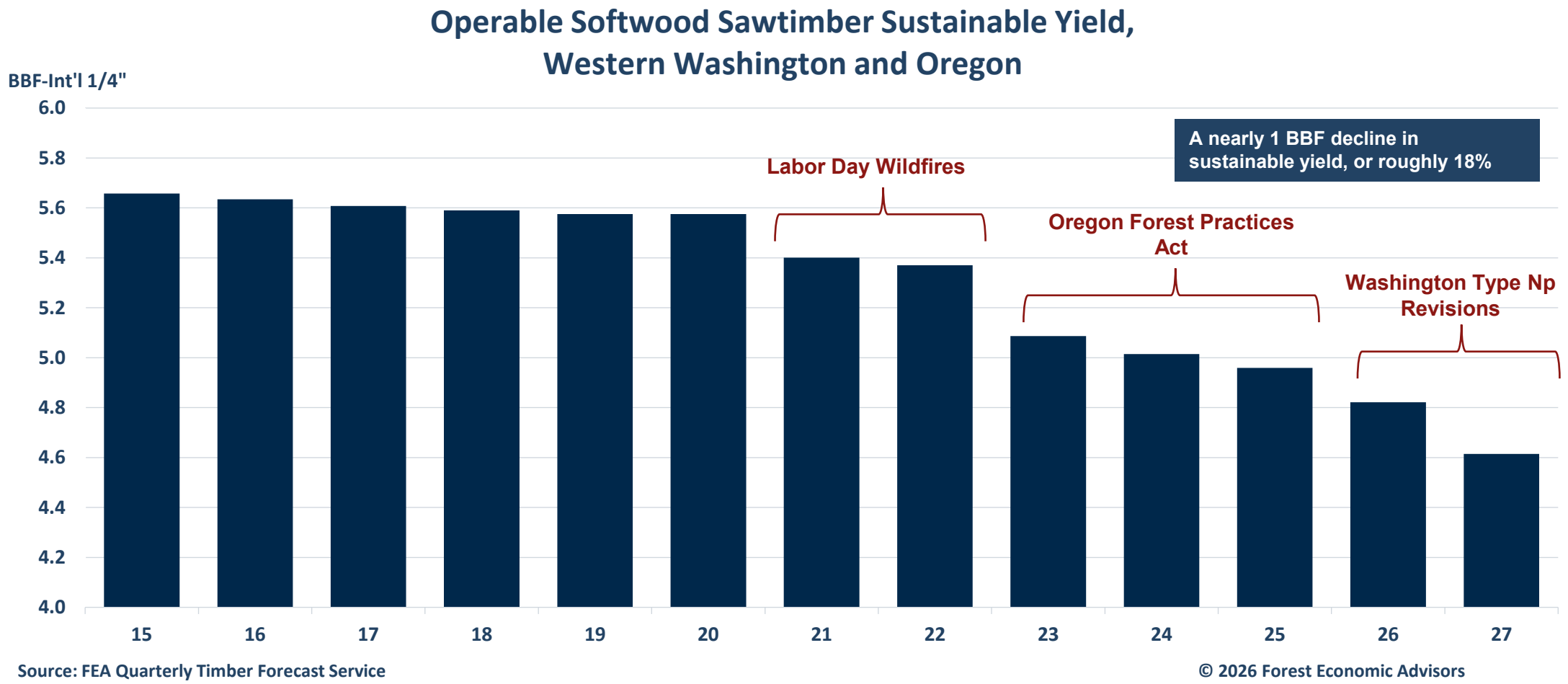
West Coast Log Exports Have Fallen to Record Lows



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Available Log Supply in the US West Coast Is Declining Due to Regulations and Wildfires



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Increases in Federal Timber Harvests Likely to Have a Limited Effect on Western Markets

- USFS required to increase timber sales by 250 mmbf on USFS and 20 mmbf on BLM lands per year for next ten years.

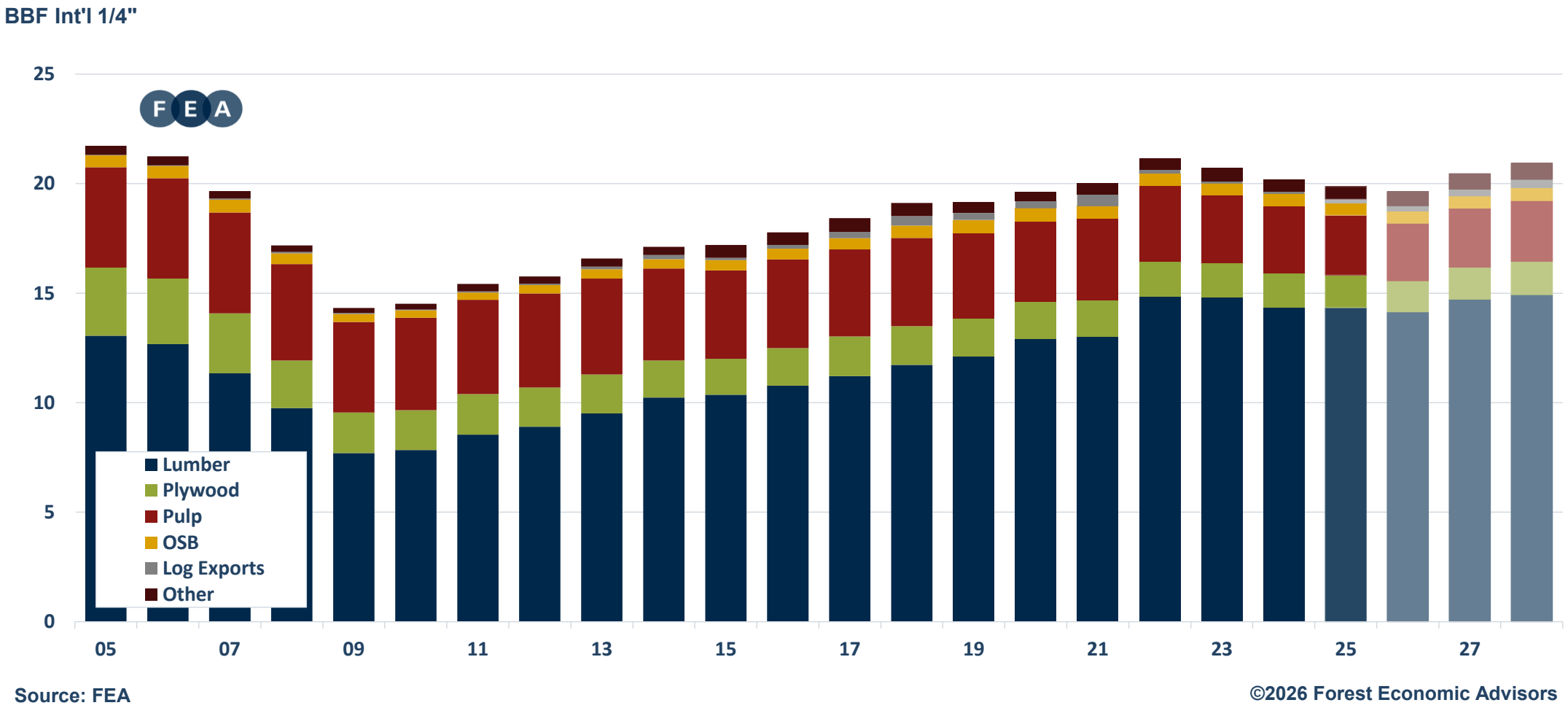
- Proposed repeal of Roadless Rule

- We expect impacts will be limited in the near-term for the following reasons:
  - Harvest goals across entire FS System – West accounted for ~65% of USFS Harvest
  - USFS/BLM has limited capacity to boost sales administration quickly.
  - Legal challenges.
  - Investment in logging, trucking and mill capacity will take time and require the confidence that the supply increase persists.
  - Declines in state managed lands in Washington and Oregon.

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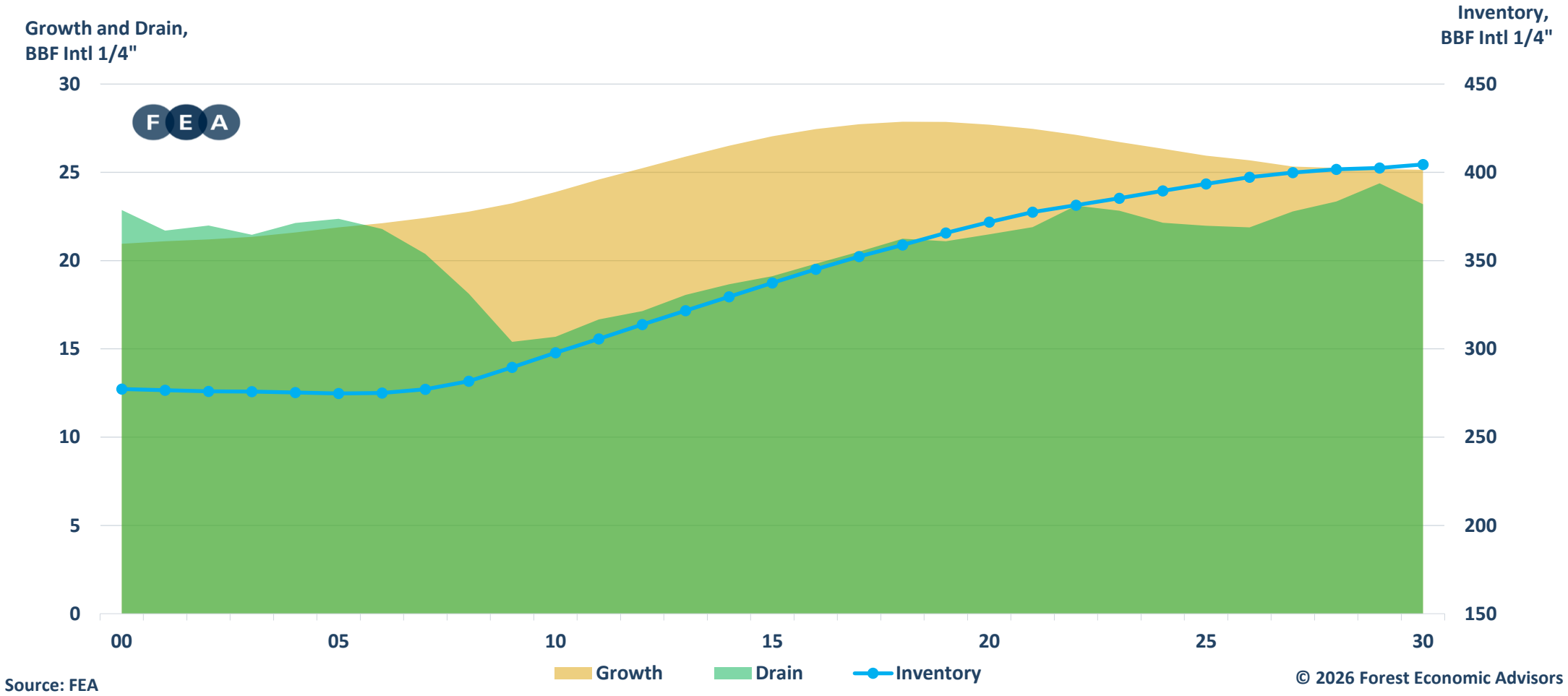
Sawtimber Demand in the US South Will Edge Higher



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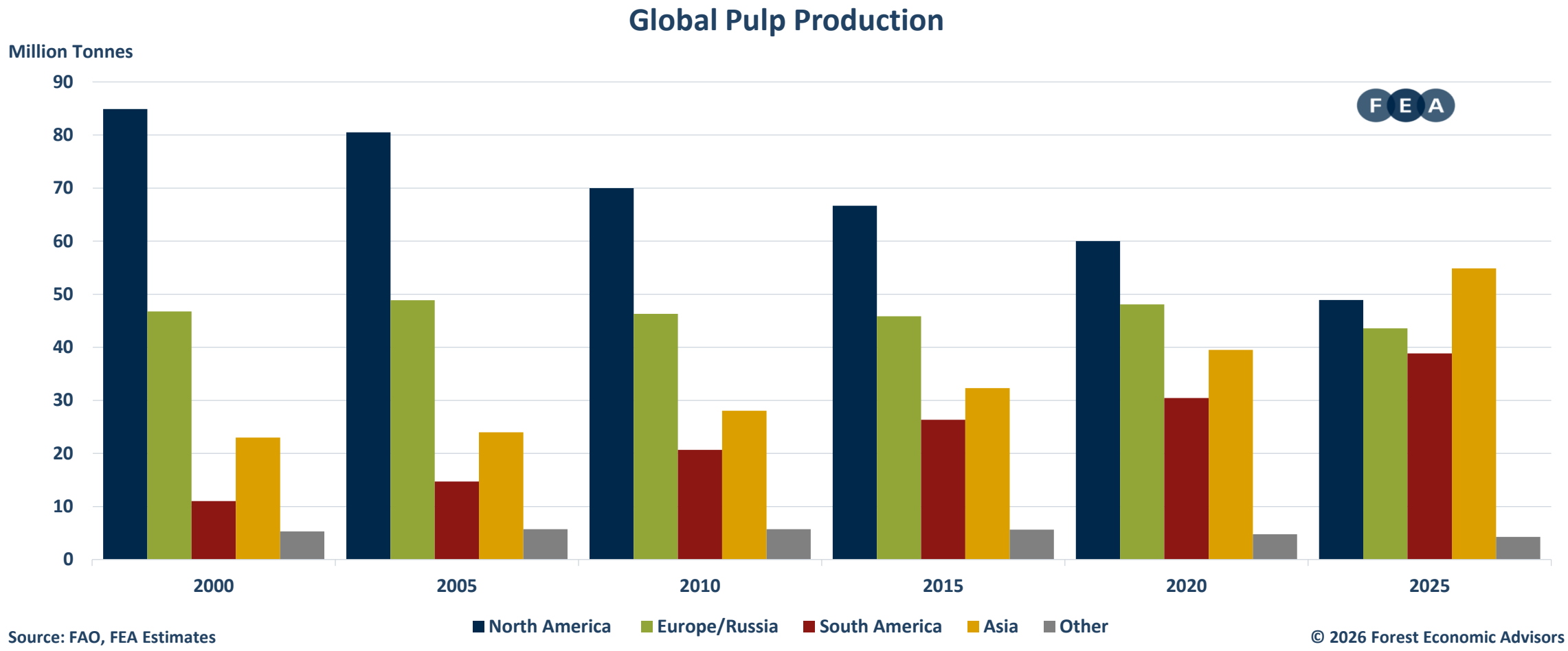
US South's Softwood Sawtimber Inventory Will Continue to Grow



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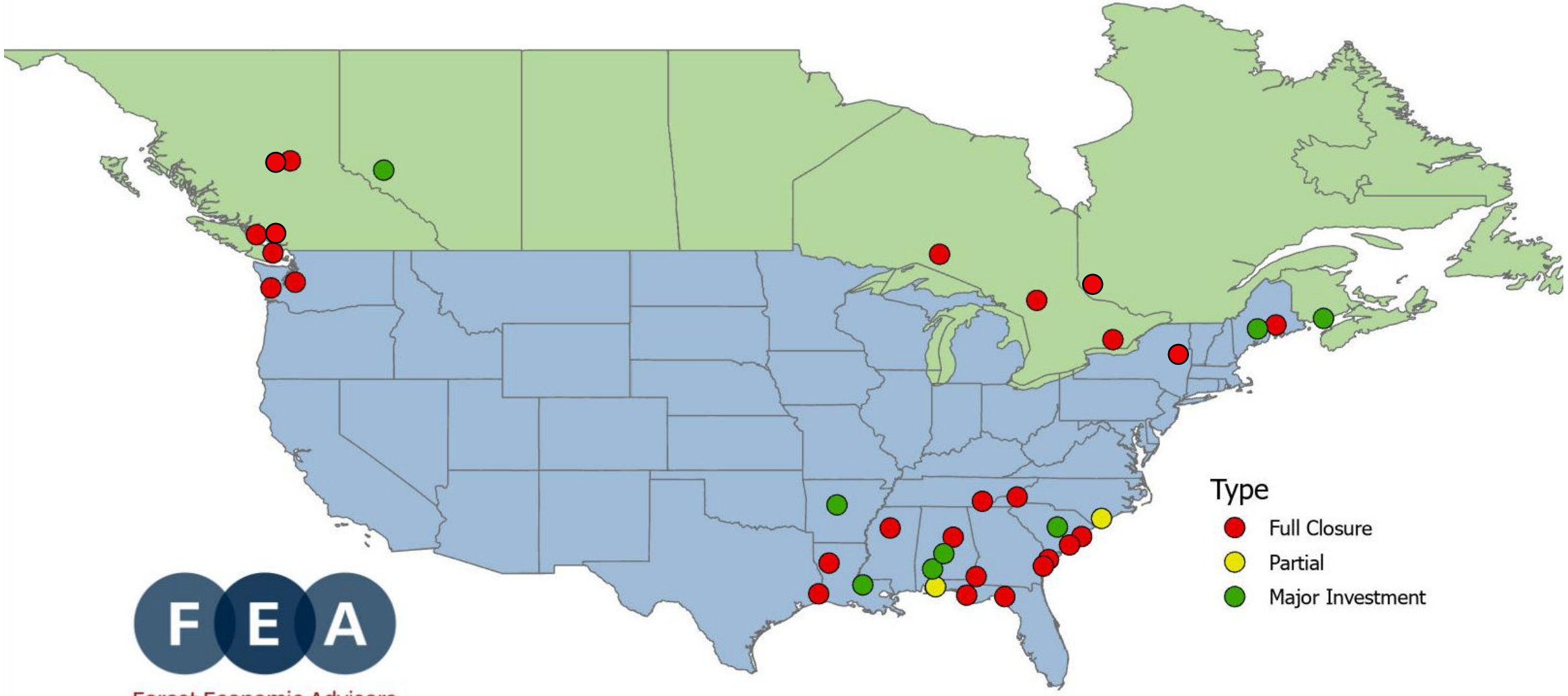
Global Pulp Markets Are Undergoing a Massive Shift In Regional Production



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Significant Pulp Capacity Closures Across North America since 2023

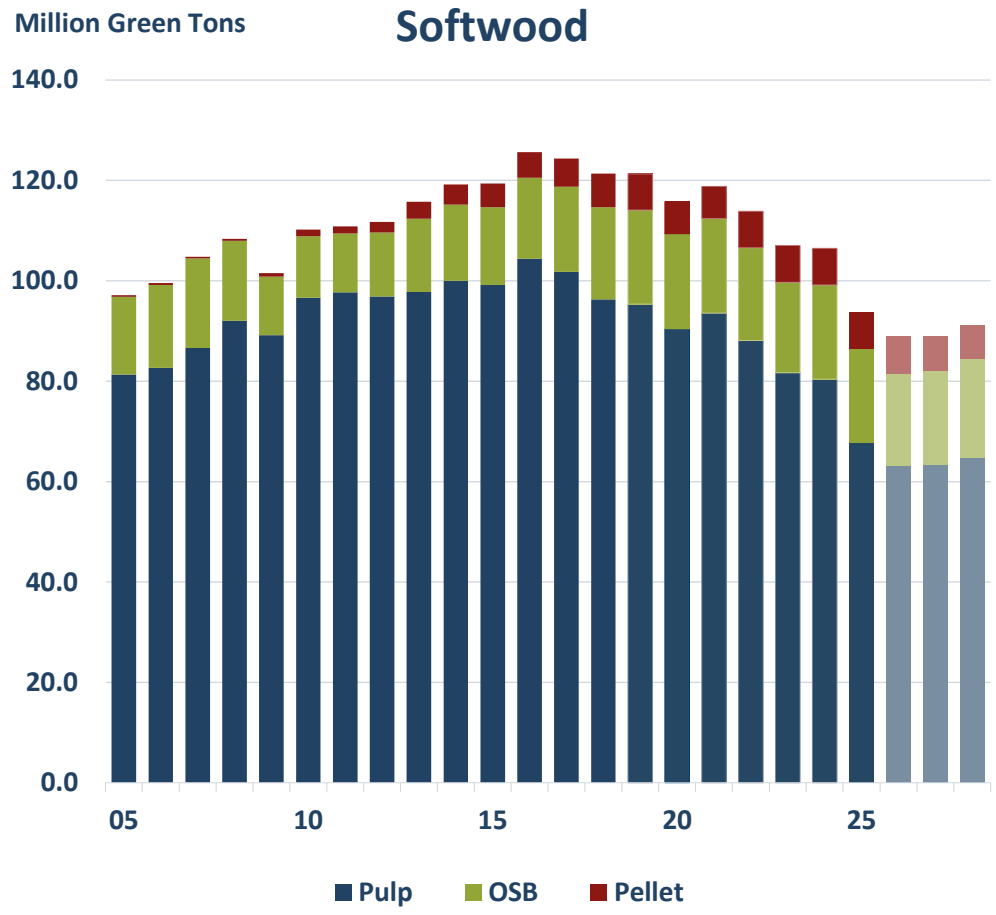


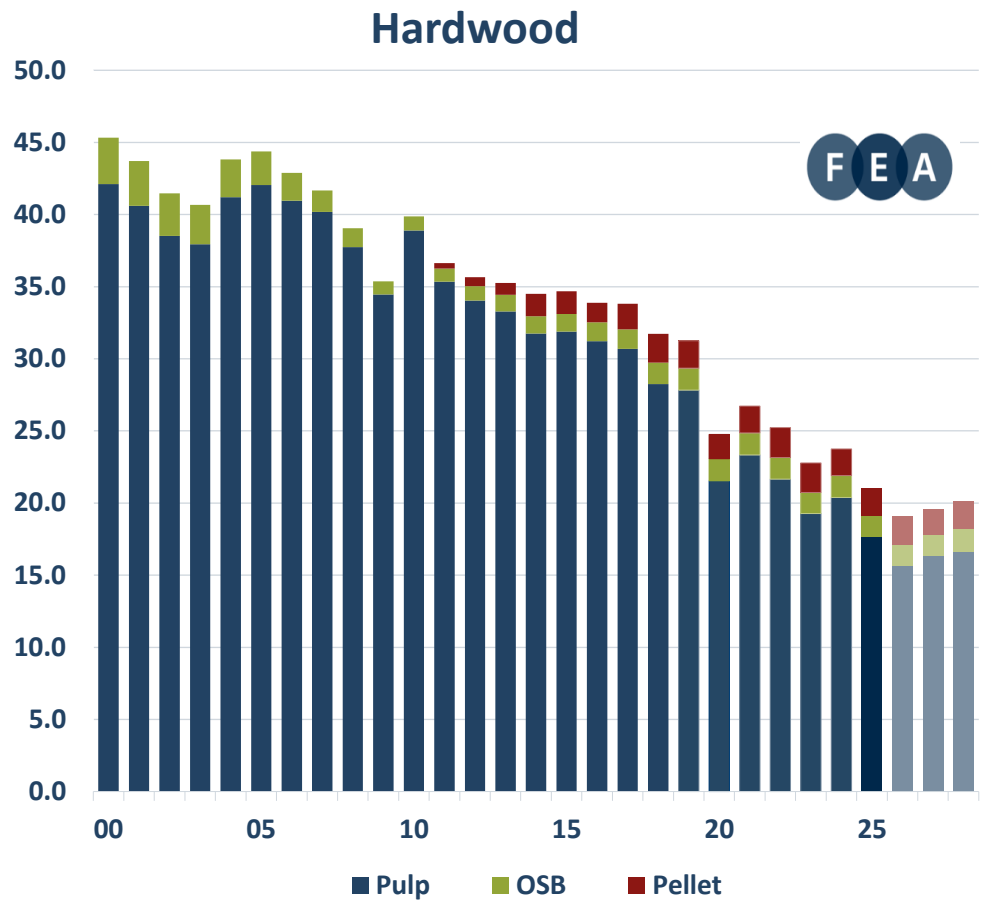
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Demand for Pulpwood Will Remain Weak





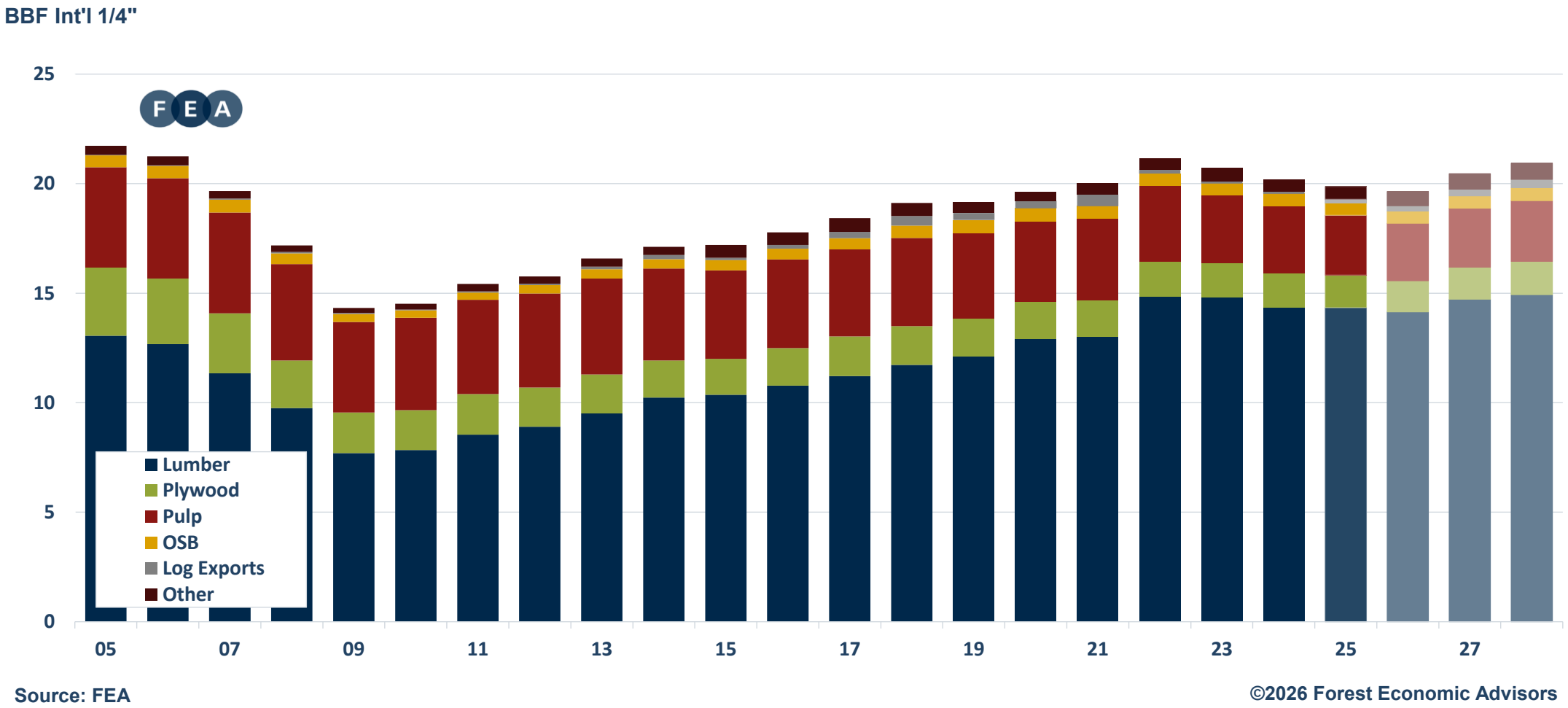
Source: FEA

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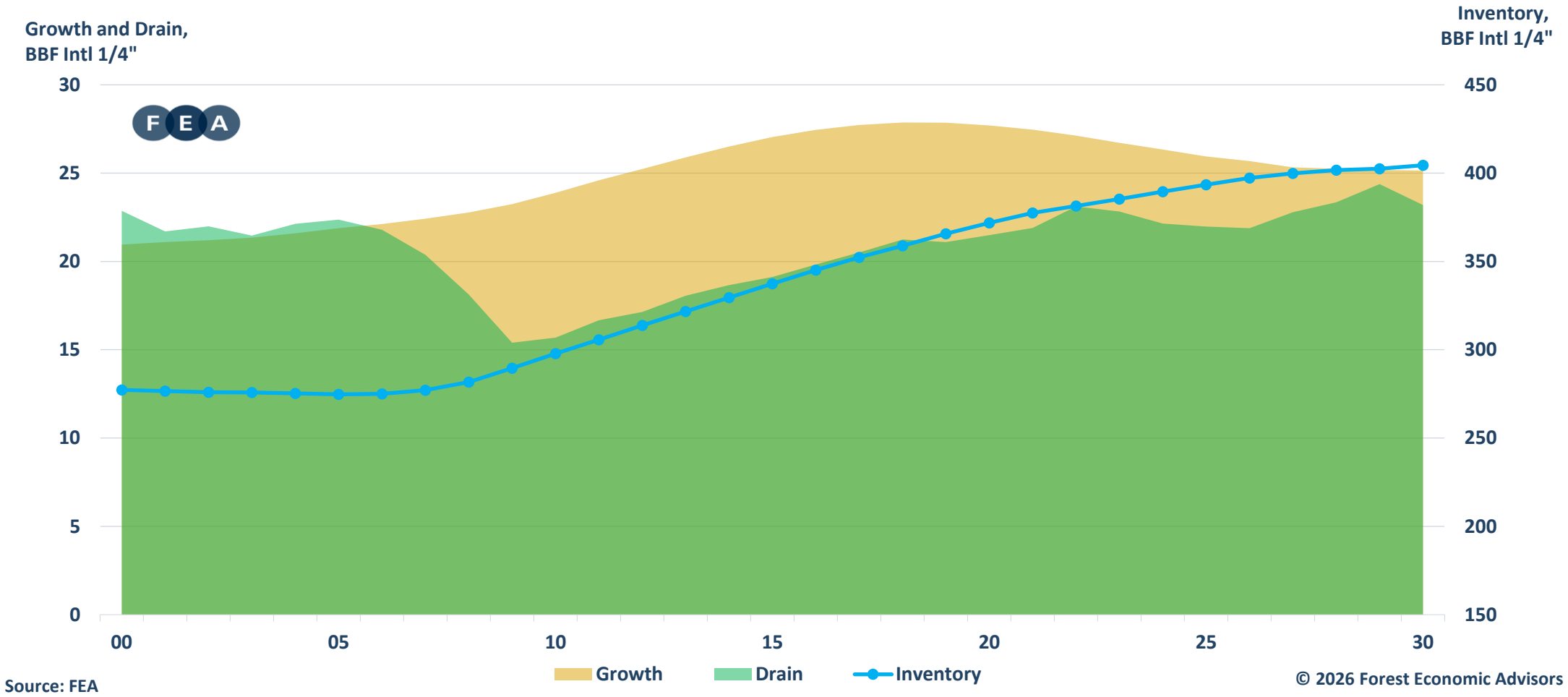
Sawtimber Demand in the US South Will Edge Higher



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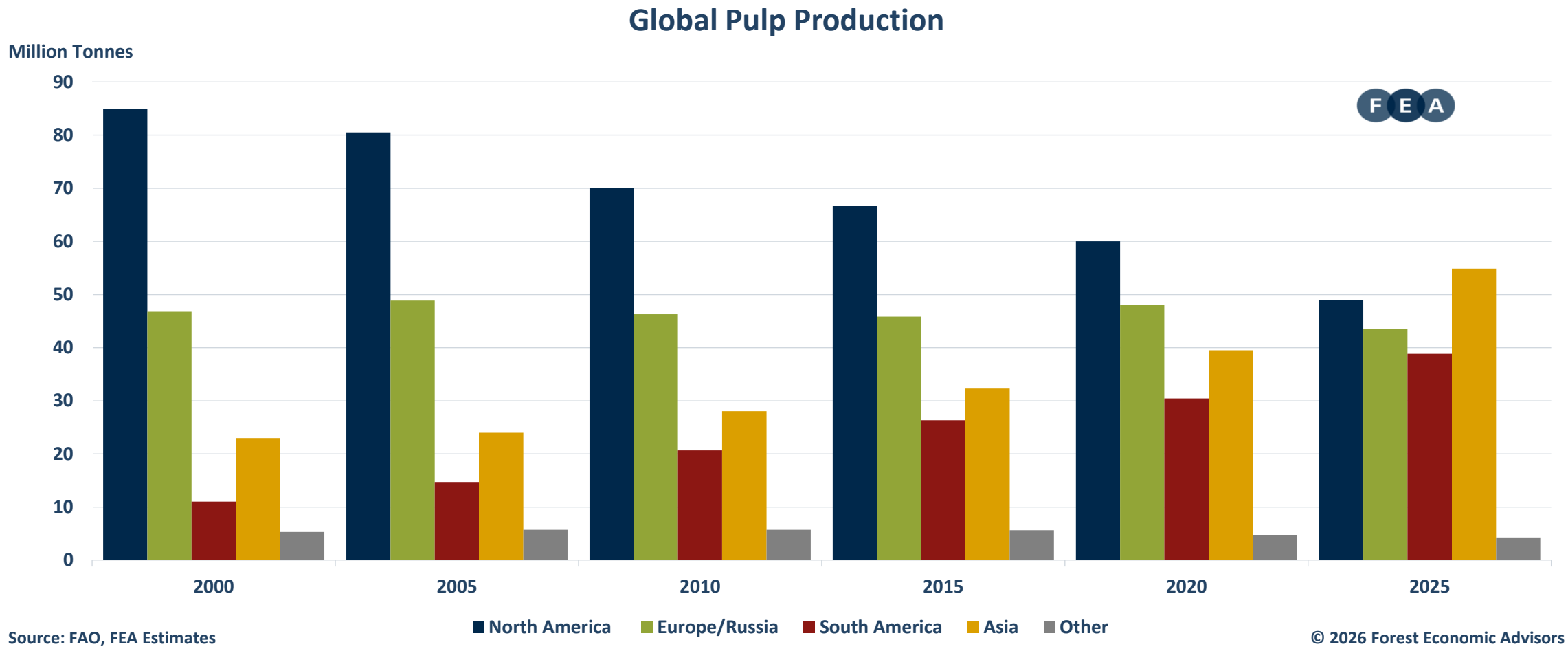
US South's Softwood Sawtimber Inventory Will Continue to Grow



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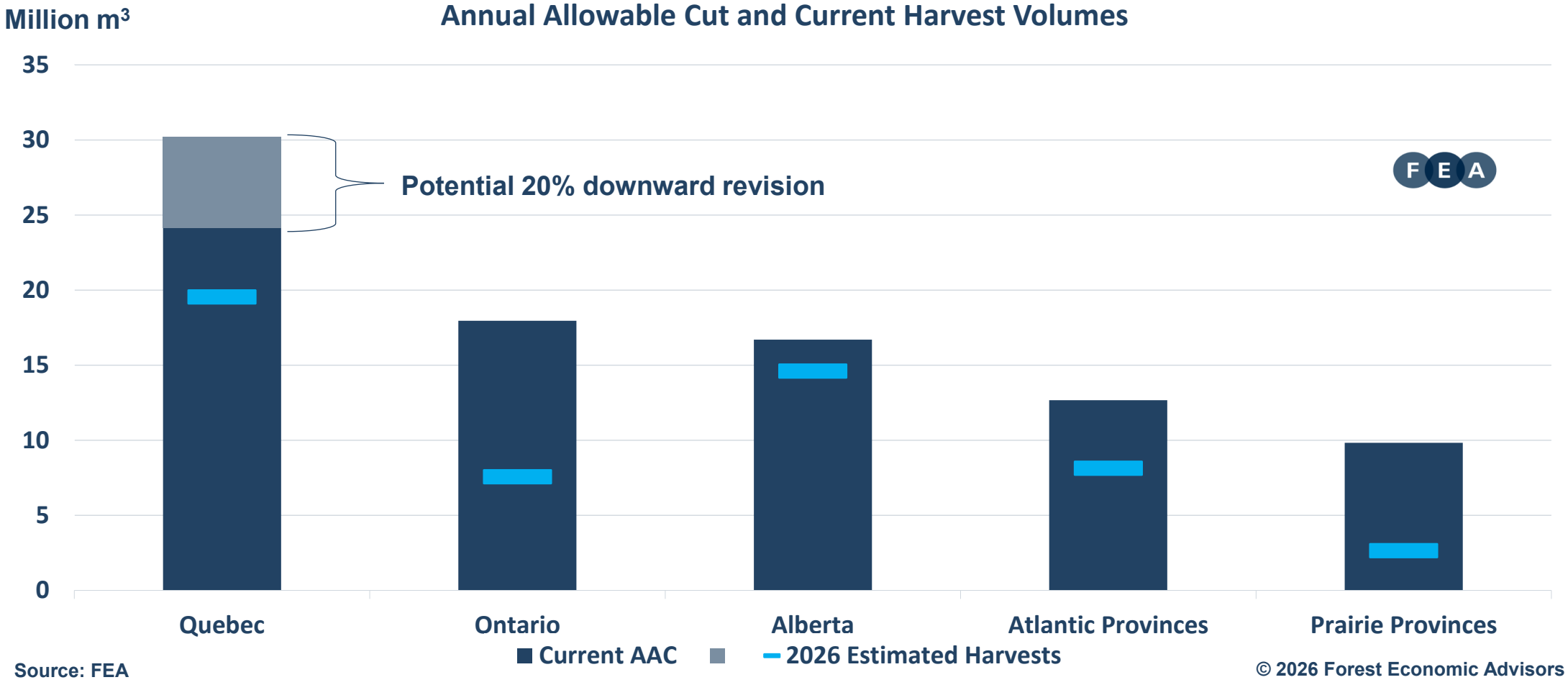
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Global Pulp Markets Are Undergoing a Massive Shift In Regional Production



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Quebec's AAC Likely to be Revised Lower



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Take Home Points

- Demand on log markets will remain weak in the near term due to tepid solid wood product markets. Improved product pricing has provided some regional support over the beginning of 2026 but the impacts likely to fade. Past the current year, the recovery in demand from domestic producers will be slow and export markets will not inject strength into the markets.
- Log supply conditions in the West likely to remain tight despite measures to increase harvest on federally managed lands. Similarly, log supply in Canada will be limited by multiple factors. Timber supply in the US South will continue to rise.
- The contraction of pulp capacity across North America will have disruptive, widespread and lasting impacts on woodfiber markets.
- Some improvement in demand will support higher log pricing, especially in regions with tight log supply, but increases in stumpage prices will be limited by higher harvest & delivery costs and the decline in pulp and chip markets.

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Questions?

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

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