

### Jobs and Income by Industry

The table below shows the number of jobs, wages and salaries, and other incomes generated from building an average single family home, a multifamily rental unit and \$100,000 spent on remodeling. The jobs are expressed in “full time equivalents”, where one full-time job means that the labor required is sufficient to keep one worker employed full time for one year.

Across all industries, 3.05 jobs are created by building an average single family home. About half of the full-time jobs created are in the construction industry. Other jobs are spread over other industries with manufacturing ranking second.

#### Income and Employment Impacts of New Residential Construction and Remodeling on the U.S. Economy in 2008

|  | Number of Full-time Jobs | Wages and Salaries | Proprietors' Income | Corporate Profits | Total Income     |
|--|--------------------------|--------------------|---------------------|-------------------|------------------|
| <b>Average New Single Family Home</b>                |                          |                    |                     |                   |                  |
| <b>All industries</b>                                | <b>3.05</b>              | <b>\$145,422</b>   | <b>\$40,615</b>     | <b>\$45,251</b>   | <b>\$231,288</b> |
| Construction   | 1.47                     | \$69,953           | \$18,056            | \$11,576          | \$99,585         |
| Manufacturing  | 0.48                     | \$22,304           | \$2,240             | \$12,526          | \$37,070         |
| Wholesale and retail, Transportation and warehousing | 0.44                     | \$17,423           | \$2,299             | \$6,251           | \$25,973         |
| Finance and insurance                                | 0.06                     | \$4,619            | \$229               | \$4,837           | \$9,685          |
| Real estate and rental and leasing                   | 0.02                     | \$1,014            | \$7,053             | \$2,161           | \$10,228         |
| Professional, Management, administrative services    | 0.33                     | \$19,823           | \$6,343             | \$2,216           | \$28,382         |
| Other services                                       | 0.25                     | \$10,286           | \$4,396             | \$5,684           | \$20,366         |

|  |             |                 |                 |                 |                 |
|--|-------------|-----------------|-----------------|-----------------|-----------------|
| <b>\$100,000 Spent on Remodeling</b>                 |             |                 |                 |                 |                 |
| <b>All industries</b>                                | <b>1.11</b> | <b>\$52,709</b> | <b>\$13,810</b> | <b>\$16,147</b> | <b>\$82,667</b> |
| Construction   | 0.54        | \$25,573        | \$6,601         | \$4,232         | \$36,406        |
| Manufacturing  | 0.18        | \$8,136         | \$824           | \$4,529         | \$13,489        |
| Wholesale and retail, Transportation and warehousing | 0.16        | \$6,432         | \$849           | \$2,307         | \$9,588         |
| Finance and insurance                                | 0.02        | \$1,487         | \$71            | \$1,459         | \$3,017         |
| Real estate and rental and leasing                   | 0.01        | \$315           | \$1,652         | \$758           | \$2,725         |
| Professional, Management, administrative services    | 0.12        | \$6,970         | \$2,191         | \$764           | \$9,924         |
| Other services                                       | 0.09        | \$3,797         | \$1,623         | \$2,098         | \$7,518         |

Source: NAHB estimates, based primarily on the data from the U.S. Bureau of Economic Analysis.

**“ November 17, 2008 -** With home prices decreasing and interest rates holding at historically low levels, the number of potential home buyers nationwide who can afford to buy new and existing homes has reached the highest level in more than four years, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index (HOI) released today.

According to the third-quarter HOI readings, 56.1 percent of all new and existing homes that were sold were affordable to families earning the national median income of \$61,500, far more than the 40.4 percent of families who could afford homes at the peak of the housing boom.

“If there is a silver lining to this crisis, it would be that some housing markets have become more affordable with a larger inventory to choose from,” said NAHB Chairman Sandy Dunn, a home builder from Point Pleasant, W.Va. “But this is undeniably a crisis and Congress needs to act on housing stimulus to get the market moving again.”

Residential construction - including the building of new structures as well as the remodeling of existing ones - has direct, positive impacts on the U.S. economy. The most obvious impacts are the work opportunities created in the housing industry, as well as in other industries that provide products or services to home builders and buyers. Workers are employed to directly engage in the construction activity. Jobs are generated in the industries where lumber, concrete, lighting fixtures, heating equipment, and other products that go into a home are produced. More jobs are created when real estate agents, lawyers, and brokers provide services to home builders and home buyers.

Other economic impacts include the revenues generated for federal and local governments. The incomes of workers are subject to federal, state and Social Security taxes. Profits made by the business owners are similarly taxed. Beyond this, states often impose sales taxes on material sold to home builders, and many local jurisdictions levy fees for approving building permits and extending utility services.

In 2008, NAHB estimates that the impacts include the following:

- 3.05 jobs and \$89,216 in taxes (from building an average new single family home).
- 1.16 jobs and \$33,494 in taxes (from building an average new multifamily rental unit).
- 1.11 jobs and \$30,217 in taxes (from \$100,000 spent on residential remodeling).

The Census Bureau provides estimates of the prices of new for-sale homes. Adjusting the most recent Census estimate for inflation using NAHB’s forecast of the OFHEO repeat home sales index, we estimate that the average price of a new home sold in 2008 is roughly \$302,000. Based on a ratio derived from the American Housing Survey, the average market value of new custom homes built in 2008 would be about \$380,000. Using evidence from surveys it has conducted, the Census Bureau subtracts 10.6 percent of the price of new built-for-sale home to account for the value of raw land. Because this is the only available estimate of embedded raw land value that is supported by data, the 10.6 percent factor is applied consistently to derive construction value from the final price or market value of new housing units, irrespective of the type of construction.

The estimate of 3.05 full-time jobs for an average new single family home built in 2008 is based on a weighted average of construction value for an average for-sale home and an average custom home. The weights are three-quarters for the for-sale home and one-quarter for the custom home, reflecting the market shares that have prevailed recently.

#### **Final Remarks**

All the numbers reported in this article show the national impact of home building and remodeling activity-numbers that are intended to be useful in discussions about national economic conditions. In the recent housing downturn, for example, the numbers reported can be used to show how many jobs in various industries are lost when fewer homes are built, and how many could be created or restored if residential construction were to rebound. Employment and tax impacts of home building can also

be useful when arguing in support of housing stimulus measures, such as the recently enacted Housing and Economic Recovery Act, which included a landmark \$7,500 tax credit for first-time home buyers. “