

Senate Economic Development Committee Testimony - 1/24/2025

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1. What is affecting housing costs and declining affordability?
 - a. Mortgage rates - Unless there is a severe financial setback, 30-year mortgage rates might be stuck in the 6.5%-to-7% range for a while.
 - b. Could financial incentives be offered for programs like the VHFH to buy down the rates more aggressively? This could be leveraged for tradespeople, first responders, teachers, medical staff...
 - c. However, simply granting additional funding outside of mortgage rate by-downs leads to higher prices/inflation.
2. Real Estate Market – Demand
 - a. Average listing price \$864,495, with that average sold price of \$485k-500k for homes and \$439,945 for condos.
 - b. When people want to downsize from a larger home, the sale price they get for their current home is about what it costs to build a smaller home. When selling a single family for \$600k and then buying anything that is comparable to the style of living that they are accustomed to, they are paying well over \$650k for a carriage home or nicer townhome.
 - c. The new Regional Housing Target assessment finds:
 - i. By 2030, for Vermont to address its demographic challenge it needs to add 41,000 new rental and owner-occupied residences. That's translates to 8,200 housing units per year for the next five years.
 - ii. By 2050, the projected need is 172,000 new homes. That translates to an average of 7,000 new homes annually over the next 25 years.
 - iii. In 2023, building permits were issued for 2,456 homes statewide. That's an improvement over the historic low of 1,300 permits set in 2011, but well below the peak of 4,800 in 1988.
 - iv. This places a significant demand on infrastructure improvements i.e. roads, power, sewer, water.
3. Lumber Prices
 - a. 8.5% higher than they were just a year ago
 - i. Yet, 2x10s costs have increased as much as 63.2%
 - b. Some of the largest mill curtailments and closures announced in 2024 in Western Canada and the Southeast will permanently take effect in January, adding to upward pricing pressure during the building season across the country along with any additional natural disasters.
 - c. Tariffs on Canadian Lumber stand at 14.5% but are expected to more than double by the second half of 2025.
 - d. This is a national problem that is affecting Vermont as well.
 - e. Pricing increases are passed on immediately, while \$ decreases take longer to see because they wait for market stability.

4. Wages

- a. While we need a living wage for tradespeople, the skyrocketing labor costs are substantial additional costs.
- b. The minimum wage in VT is \$14.01 per hour. However, laborers in Chittenden County are paid \$20 - \$30 per hour, and carpenters demand \$50-\$85 per hour.

5. RBES/CBES

- a. VT 2024 RBES is based on the 2015, 2018, and 2021 IECC International Energy Conservation Code but includes parts of the 2024 IECC along with additional VT requirements such as air tightness (2ACH50 as compared to 2.5ACH50).
- b. NAHB has estimated a national cost increase of up to \$31,000 per home for following the 2021 IECC requirements with a 90-year payback in fuel savings. Yet the PSD estimated only a \$1k cost increase or even no cost increase without performing the financial feasibility study as required by the statute.
- c. 2020 CBES – 2024 CBES Wood framed, multifamily construction yielded a 5-10% increase per unit in costs
- d. Building a house with correct Building Science considerations does make it more expensive upfront, but it will save the much more expensive costs of repairing damage to the building and healthcare costs associated with ignoring these principles.