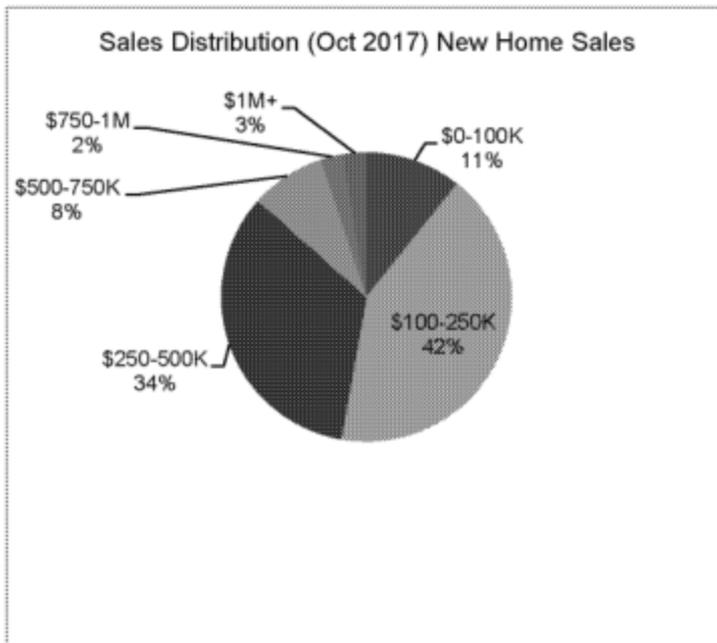


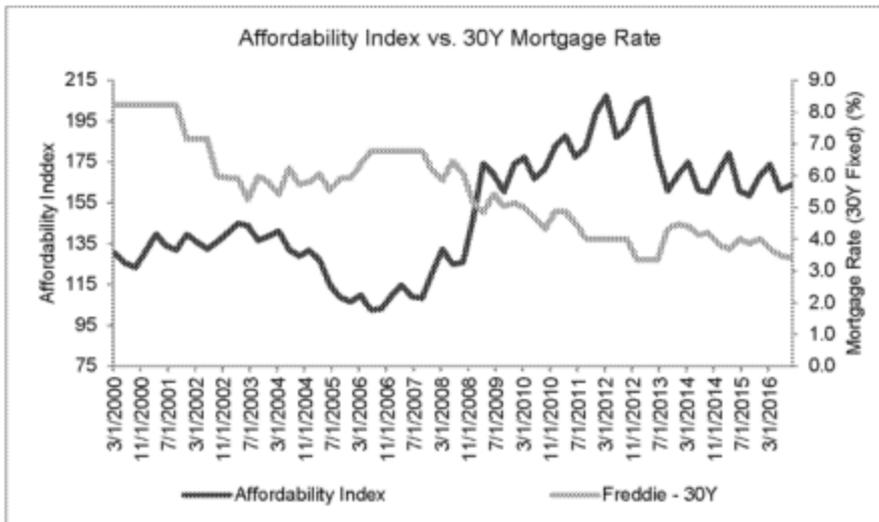


Figure 14: Sales Distribution by ASP – Existing Home Sales



Source: Deutsche Bank, National Association of Realtors

Figure 15: Affordability Index vs. 30Y Mortgage Rates



Source: Deutsche Bank, National Association of Realtors, Freddie Mac, Bloomberg Finance LP

Labor constraints and commodity inflation may impact margins along value chain. Similar to what we discussed in our *2017 Outlook*, commodity and labor inflation remain a key concern for the building product and homebuilding sectors as we go into 2018. The national unemployment was recently reported at 4.1% in Nov 2017, down from 4.7% at the beginning of the year. According to the *Bureau of Labor Statistics (BLS)*, construction employment was 6.955mn, 10% below the prior cycle peak of 7.725mn in 2006. Availability of labor remains a constraint, and should the Trump administration succeed in pushing through its long-awaited infrastructure initiative(s), this could further sap available labor from the market and push up wages. Turning to commodities, we expect 2018 to be another year of inflationary material pressures. In NAHB's most recent *Cost of Constructing a Home* survey, land development