## Report:
# Builder Sentiment Rises on Falling Interest Rates

WASHINGTON, D.C.

Falling mortgage rates helped end a four-month decline in builder confidence across the U.S., and recent economic data signal improving housing conditions heading into 2024, according to a building and realty industry report.

Builder confidence in the market for newly built single-family homes rose three points to 37 in December, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) released on Dec. 18.

"With mortgage rates down roughly 50 basis points over the past month, builders are reporting an uptick in traffic as some prospective buyers who previously felt priced out of the market are taking a second look," said NAHB Chair Alicia Huey, a custom home builder and developer from Birmingham, Ala. "With the nation facing a considerable housing shortage, boosting new home production is the best way to ease the affordability crisis, expand housing inventory and lower inflation."

"The housing market appears to have passed peak mortgage rates for this cycle, and this should help to spur home buyer demand in the coming months, with the HMI component measuring future sales expectations up six points in December," said NAHB Chief Economist Robert Dietz.

Dietz added that the recent pessimism in builder confidence last fall has been somewhat counter to gains for the pace of single-family permits and starts during this time frame.

"Our statistical analysis indicates that temporary and outsized differences between builder sentiment and starts occur after short-term interest rates rise dramatically, increasing the cost of land development and builder loans used by private builders," Dietz said. "In turn, higher financing costs for home builders and land developers add another headwind for housing supply in a market low on resale inventory. While the Federal Reserve is fighting inflation, state and local policymakers could also help by reducing the regulatory burdens on the cost of land development and home building, thereby allowing more attainable housing supply to the market. Looking forward, as rates moderate, this temporary difference between sentiment and construction activity will decline."

But, the index added, with mortgage rates still running above seven percent throughout November, per Freddie Mac data, many builders continue to reduce home prices to boost sales. In December, 36 percent of builders reported cutting home prices, tying the previous month's high point for 2023. The average price reduction in December remained at six percent, unchanged from the previous month. Meanwhile, 60 percent of builders provided sales incentives of all forms in December, the same as November but down slightly from 62 percent in October, according to the index.

### Key Facts

Derived from a monthly survey that NAHB has been conducting for more than 35 years, the index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate the traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor, NAHB officials said.

The HMI component gauging the traffic of prospective buyers in December rose three points to 24, the component measuring sales expectations in the next six months increased six points to 45 and the component charting current sales conditions held steady at 40, NAHB officials added.

Looking at the three-month moving averages for regional HMI scores, the index said the Northeast increased two points to 51, the Midwest fell one point to 34, the South dropped three points to 39 and the West posted a four-point decline to 31.

HMI tables can be found at nahb.org/hmi. More information on housing statistics is also available at Housing Economics PLUS (formerly housingeconomics.com), NAHB officials said

# Single-Family Starts Surge on Falling Interest Rates, Report Says

WASHINGTON, D.C.

Single-family construction across the U.S. surged in November as lower mortgage rates helped to assuage affordability concerns and unleash pent-up demand for housing, according to a building and realty industry analysis.

The analysis, from the National Association of Home Builders (NAHB), said that overall housing starts increased 14.8 percent in November to a seasonally adjusted annual rate of 1.56 million units. The analysis, released on Dec.19, is based on a report from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Census Bureau.

The November reading of 1.56 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months (from Dec. 19). Within this overall number, single-family starts increased 18 percent to a 1.14 million seasonally adjusted annual rate. However, single-family starts are down 7.2 percent year-to-date. The multifamily sector, which includes apartment buildings and condos, increased 6.9 percent to an annualized 417,000 pace, the analysis said.

"Lower interest rates and a lack of resale inventory helped to provide a strong boost for new home construction in November," said Alicia Huey, chair of NAHB and a custom home builder and developer from Birmingham, Ala. "And while these higher starts numbers are consistent with our latest builder survey, which shows a rise in builder sentiment and future sales expectations, home builders continue to contend with elevated construction and regulatory costs."

"The single-family starts figure is remarkably strong, and we would not be surprised to see this figure revised lower or fall back slightly in the next month, given the nearly 20 percent rise in November," said NAHB Chief Economist Robert Dietz. "NAHB is forecasting an approximate four percent gain for single-family starts in 2024, as mortgage rates settle lower, economic growth slows and inflation moves lower."

On a regional and year-to-date basis, combined single-family and multifamily starts are 16.7 percent lower in the Northeast, 12.3 percent lower in the Midwest, 6.2 percent lower in the South and 14.3 percent lower in the West, the analysis said.

The analysis said that overall permits decreased 2.5 percent to a 1.46 million unit annualized rate in November. Single-family permits increased 0.7 percent to a 976,000 unit rate. However, single-family permits are down 8.4 percent year-to-date. Multifamily permits decreased 8.5 percent to an annualized 484,000 pace.

Looking at regional permit data on a year-to-date basis, permits are 19.9 percent lower in the Northeast, 15.3 percent lower in the Midwest, 10.3 percent lower in the South and 12.8 percent lower in the West, the analysis said.



## Counsels' Corner


Ken Finger


Dorothy M. Finger


Carl Finger


Dan Finger

# The Corporate Transparency Act (CTA) Hits Co-ops – and Condos?

*By Kenneth J. Finger, Esq., Dorothy M. Finger, Esq., Carl L. Finger, Esq., and Daniel S. Finger, Esq.*

WHITE PLAINS

By the end of 2024, business entities created by the filing of a document with the New York Secretary of State must report to the United States Financial Crimes Enforcement Network (FinCEN) under the Corporate Transparency Act ("CTA") and the regulations promulgated pursuant to the CTA.

In New York State, a corporation is created by filing a Certificate of Incorporation with the Secretary of State. Such corporations include cooperatives.

Condominiums, however, are created by the filing of the declaration with the office charged with recording land records. A copy of the declaration is required to be filed with the Secretary of State, but that requirement appears to be more administrative and ministerial. Therefore, it appears that the CTA does not generally apply to condominiums. However, some condominiums have incorporated and such corporations would likely need to comply with the CTA and the regulations.

Thus, Cooperatives (and incorporated Condominiums) must file an initial report with a variety of information, explained in the following summaries, and reports within 30 days of any change to the information. Certain exemptions exist and any entity should review the exemptions with counsel to see if one might apply.

Reporting companies must provide the following information: (1) the legal name of the company, (2) any trade name (DBA) used by the company, (3) the current street address of its principal place of business and if the principal place of business is not in the U.S., then the address from which it conducts business in the U.S., and (4) the Taxpayer Identification Number.

Entities required to file under the CTA ("Reporting Companies") must provide information about themselves and about their "Beneficial Owners" of the company. Beneficial Owners include parties who exercise "substantial control" or own 25 percent of the entity.

As to Beneficial Owners, the Reporting Company must provide the (1) full legal name, (2) date of birth; (3) residential street address (4) Unique identifying number contained in a valid passport, government or tribal identification document, or state-issued driver's license, and the jurisdiction issuing the document, and (5) an image of the document.

Beneficial Owners are "substantial control" parties which are those who serve as senior officers, have authority over the appointment or removal of any senior officer or a majority of the Board of Directors (or a similar body), or of a Reporting Company, or those who direct, determine, decide, or have substantial influence over important decisions of the Reporting Company. Directors on a Cooperative Board of Directors are, presumably, Beneficial Owners.

The willful failure to report complete or updated beneficial ownership information to FinCEN, or the willful provision of or attempt to provide false or fraudulent beneficial ownership information, may result in a civil or criminal penalties, including civil penalties of up to $500 for each day that the violation continues, or criminal penalties including imprisonment for up to two years and/or a fine of up to $10,000. Senior officers of a Reporting Company who fail to file a required Beneficial Ownership Interest Report may be held accountable for that failure.

### Help Is on the Way

Filing BOIR (www.filingboir.com), currently under development, is being designed specifically for managing agents and property managers. Filing BOIR will include the following property manager specific benefits:

Single account for entering, maintaining, and submitting information for all filing entities managed by a managing agent and/or by a property manager.

Multiple users/team members per account permitted.

Board member portal for board members to complete their portion of the submission and upload required documentation.

- Automatic reminders to board members to complete their portion.
- Automatic reminders to managing agents or property managers as to incomplete filing entities.
- Automatic reports to managing agents or property managers for all account filing entities.
- Automatic submission upon completion and approval.
- Unlimited corrections with information retained from prior filings.
- Unlimited amendments with information retained from prior filings (including Board changes each year upon vacancy and appointment, or Annual Meeting and Election).
- Membership Fee per filing entity annually for ease of invoicing to client entities.

***Editor's Note:** The authors are attorneys with Finger and Finger, A Professional Corporation. The firm, based in White Plains, is Chief Counsel to The Building and Realty Institute of Westchester and the Mid-Hudson Region (BRI) and its component associations.*

### *An Important Look at the Top Five Services That Your Insurance Broker Can Provide, Continued from p. 2*

Number One - Facilitate Claim Resolution. No one wants to suffer a fire at their home or business or get into an auto accident. But, those unfortunate events are why you pay money for insurance, every year. We frequently get calls from distraught individuals or business owners, after they've been through a disastrous insurance claim with their direct insurance carrier. Often, the carrier's claim response was poor, and they were unable to connect with a representative that could expedite the process, or the carrier declined all or a portion of the claim without providing a reasonable explanation. A broker can be a reliable source of information and your best advocate, when you need your insurance to be there for you, following an accident or loss.

To take advantage of the services a broker can provide, which you might not be receiving from your direct carrier, call your broker to start a conversation about one or more of these Top Five Topics, or contact Levitt-Fuirst Insurance at (914) 457-4200.

*Editor's Note: Levitt-Fuirst Insurance is the Insurance Manager for The Builders Institute (BI)/Building and Realty Institute (BRI) of Westchester and the Mid-Hudson Region. Ken Fuirst and Jason Schiciano are Co-Presidents of the company. The firm is based in Tarrytown.*