



## Uniting Forces: Strategies for Action on Water and Climate

By Kerry Stackpole, FASAE, CAE, PMI CEO/Executive Director



*Kerry Stackpole*

The PMI Washington Legislative Forum and Fly-In, World Plumbing Day and World Water Day were special days celebrating and illuminating the importance of plumbing and the challenges relating to climate change and water sustainability that we face. The conversations were both daunting and inspiring.

How can that be? How can such critical issues fill both ends of the spectrum? The answer is that inspiration is found in the thousands of people around the globe who bring so much passion to these issues and who have in many cases given much of their lives' work to finding practical solutions. What's daunting is the almost unimaginable magnitude of the problem.

During the PMI forum, **Zachary Schafer**, a senior advisor in the Office of Water at the Environmental Protection Agency, pointed out the synergistic nature of the climate and water crises. The warming climate is stretching water resources to the limit. The need for coordination and collaboration between those pursuing solutions for the water crisis and those in equally hot pursuit of solutions to the climate crisis is now.

Organizations worldwide are grappling with these interconnected crises, recognizing that their impacts transcend geographical boundaries and require collective solutions. To effectively address these challenges, we must unite our efforts by leveraging diverse expertise, resources and networks. How do we foster collaboration among businesses, social organizations, and government bodies dedicated to tackling the water and climate crises?

Central to any collaborative effort is a shared understanding of objectives and a collective vision for change. Businesses, social organizations, and governments must engage more fully in dialogue and foster a sense of shared purpose by aligning their missions and strategies, thereby amplifying their collective impact. The goal is to get on the same page with actions related to water and climate resilience, such as promoting sustainable

water management, reducing greenhouse gas emissions, and enhancing community adaptation measures.

Developing water and climate resistance is not a one-size-fits-all problem. Demonstrating this variability is recent research of water use and conservation opportunities in Phoenix, Las Vegas, Des Moines and Houston. Introduced by the International Code Council and conducted by **Esber Andiroglu**, Ph.D., and a team at the University of Miami, the study showed that finding supplemental water sources for residential homes and conserving water in arid climates is considerably different 50 miles from the coast in Houston than in Des Moines or Las Vegas.

We know collaboration thrives on partnerships that bring together complementary strengths and capabilities. The plumbing manufacturing industry is at the forefront of water efficiency engineering, high-performance water appliances, and cutting-edge innovation. By partnering with government agencies, engaging with non-profits, and supporting research institutions, PMI is all in on this critical challenge.

The water and climate crises pose formidable challenges that demand collective action and collaboration across sectors and stakeholders. PMI members will maximize their impact and drive meaningful change in the face of these interconnected crises by establishing shared goals, building strategic partnerships, encouraging knowledge sharing, coordinating action through networks, adopting integrated approaches, and empowering local communities. Now more than ever, unity and collaboration are essential for building a sustainable and resilient future for all.

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# Lee Mercer Recalls PMI's Legislative and Brand Makeover

By Judy Wohlt, PMI Communications Team, Valek and Co.



Lee Mercer

Looking back as Plumbing Manufacturers International celebrates its 70th anniversary, **Lee Mercer** describes 2010 as a “big year.” As PMI’s Board of Directors president

at the time, he championed increasing PMI’s focus on government affairs – particularly with lead and water-efficiency laws – and expanding the association’s impact beyond the United States.

He shepherded the association through a major rebranding effort that focused on collaborations with like-minded associations in other countries. As a result, PMI replaced “Institute” with “International” in its name, said Mercer, executive vice president of industry relations & business development for PMI member IAPMO.

“Our goal was to broaden our relevance and awareness past U.S. borders,” he said. That effort led to PMI signing Memorandums of Understanding with the Canadian Institute of Plumbing and Heating (CIPH) and the Bathroom Manufacturers Association (BMA) in the United Kingdom, he added.

Mercer gives much credit to **Barbara Higgens**, PMI’s executive director at the time, for driving PMI’s big transitions to successful conclusions. “We owe a lot to Barb for her outreach and relationship-building with CIPH, BMA and CEIR in Europe,” he said. CEIR is the European association for the taps and valves industry.

## **Banding together to take on increased advocacy efforts**

As PMI began accelerating its legislative advocacy efforts, Mercer tapped into the collaborative strengths of members and PMI senior leaders, as well as outside consultants for help.

“The PMI Board of Directors shifted the association’s strategy, giving advocacy equal time to our technical efforts,” Mercer said. He described PMI legislative consultants

### **Jerry Desmond**

and **Stephanie Salmon** as “awesome resources” who have helped keep PMI well-versed about the many laws that affect plumbing manufacturers.

For example, California AB 1953 became law in 2010 and redefined the term “lead free” for plumbing fixtures, fittings and other products. Various states quickly began introducing their own lead legislation, which was inconsistent – providing multiple challenges for plumbing manufacturers, Mercer explained.

“PMI played an active role in getting lead language changed in other state laws so that it was consistent with California’s language. That work was the precursor for us to start advocating for a federal lead law,” he said.

Also that year, PMI’s relationship with CIPH opened the door to plumbing code harmonization – a win for plumbing manufacturers in the U.S. and Canada. “I chaired a PMI task group called the Universal Conformity Assessment Committee for a few years. Our big pie-in-the-sky objective was one test, one standard, and one recognition worldwide,” Mercer said. “Today, most plumbing standards between the U.S. and Canada are harmonized.”

Water efficiency took center stage as well. “Federal preemption of state water conservation regulations had ended, opening the flood gates for various states and jurisdictions to mandate lower water-flow rates. California and other drought-stricken states led that charge,” Mercer said. PMI played a significant



**PLUMBING MANUFACTURERS INTERNATIONAL**

role in driving appropriate and consistent water-efficiency standards in the U.S. by rallying its members to develop the Environmental Protection Agency’s WaterSense Program, he added.

“**Pete DeMarco**, a PMI member who worked at American Standard at the time, was instrumental in chairing many meetings with the EPA and advocating for the program’s success,” Mercer said. Today, PMI and many of its members are WaterSense Program partners – organizations recognized by the EPA for promoting the value of water efficiency and WaterSense products.

## **Building strong bonds that deliver positive results**

“PMI is such a great organization, and it comes down to the people that are engaged in it. When I think back, PMI had such a huge impact on my career, primarily because of the relationships I formed,” Mercer said. “PMI’s biggest success story for me is how we all came together as competitors to work closely for the betterment of the industry.”

He was also pleased to see PMI add third-party certifiers as allied members, such as CSA Group, IAPMO, International Code Council, NSF International, and UL Solutions, he said. “Having certifiers at the table brought a helpful perspective with all of us working together,” he added.

# PMI Members Display Innovations and Win Big at KBIS 2024

By Judy Wohlt, PMI Communications Team, Valek and Co.

Many Plumbing Manufacturers International members displayed – and received recognition for – their most innovative and water-saving kitchen and bath products at the 2024 Kitchen & Bath Industry Show (KBIS).

Kohler and House of Rohl were category winners of 2024 Best of KBIS Awards, leading other members who were finalists and participants in this annual competition.

Kohler won two Best of KBIS Awards: a Sustainability Standout Silver Award for “Transcendence by Kohler WasteLAB x Nada Debs” and a Wellness Trailblazer Gold Award for the “SpaViva Two-Function Handshower and All-in-One Cleansing Device.” In the booth competition, Kohler won Best of Show. Kohler was a finalist for “Kohler Wastelab Kitchen Sink.”

House of Rohl was the Best Large Booth winner and a Best of KBIS finalist for its “Victoria + Albert Luminaries Collection.”

BOCCHI, Delta Faucet Co., Laufen Bathrooms, and TOTO USA also were Best of KBIS finalists – BOCCHI for “Etna Monobloc Vessel and Bench in Bronzed Fireclay” and TOTO USA for



the “TOTO Neorest WX2 Smart Bidet Toilet.” Delta Faucet Co. was a Best Large Booth finalist and Laufen Bathrooms a Best Medium Booth finalist. Moen was among 10 brands competing in KBIS Design Bites for the coveted title of “Brand with the Biggest Bite.”

Learn more by reading the Best of KBIS Lookbook at [tinyurl.com/3srusxmb](https://tinyurl.com/3srusxmb).

## A great opportunity for PMI staff to mingle with members

PMI staff and many members joined more than 41,500 visitors to tour the 472,000-square-foot show floor over three days in Las Vegas. They were among the 670 exhibitors at the event, which brought together the most design professionals in the show’s 60-year history, reported the KBIS website.

“This was a good opportunity for PMI staff to visit with our members to see their showcase of products and the good work they are doing in our industry. We also were pleased to meet with our new members BLANCO, Falcon Water Technologies, and LSP Products,” said **Jodi Stuhrberg**, PMI director of programs and administration. Members’ focus on sustainability was exciting to see as it aligns with PMI’s Rethink Water initiative, she added.

Meeting with kitchen and bath designers at KBIS provided a helpful take on sustainability, too. “A meaningful benefit of participating in the show is the opportunity to talk with designers and learn what they’re thinking, and how the industry is responding to the questions of sustainability, waste and other key issues,” PMI CEO/Executive Director **Kerry Stackpole** said.

Touring PMI members’ booths also showed the growth and continued development of filter technology, particularly with kitchen faucets, he said. The demand for filtered water reflects the continued legislative focus on hazards in water, such as per- and polyfluoroalkyl substances (PFAS), lead and other heavy metals and contaminants, Stackpole added.



The Kohler team gathers around its Wellness Trailblazer Gold Award-winning KBIS entry – “SpaViva Two-Function Handshower and All-in-One Cleansing Device”



(l-r) PMI government affairs consultants Jerry Desmond and Stephanie Salmon join PMI CEO Kerry Stackpole, House of Rohl’s Todd Teter and PMI technical director Kyle Thompson near House of Rohl’s Large Booth winner at KBIS

# PMI Power Break Sheds Light on Legislative Priorities

By Judy Wohlt, PMI Communications Team, Valek and Co.

New rules on greenhouse gas (GHG) emissions reporting, the skilled worker shortage, tax incentives for manufacturers, and water efficiency were among the key topics that generated a robust conversation at the PMI Power Break & Briefing at KBIS.

The event was well attended – with about half of PMI member companies represented. Other attendees included **Veronica Blette**, chief, EPA WaterSense Branch; **Katelynn Tionson**, international trade and business industry analyst, Department of Commerce; **Shawn Oldenhoff** of Kohler and a PMI Strategic Advisory Council member; and PMI Board of Directors members **Paige Riddle** of LSP Products, **Belinda Wise** of Neoperl, and **Chip Way** of Lavelle Industries.

PMI CEO/Executive Director **Kerry Stackpole** said PMI is tracking 980 bills, of which 125 will likely impact PMI members. PMI’s “over-the-horizon” tracking focuses on new legislation and regulations about environmental issues such as single-use plastics, extended producer responsibility, water shortages, and water quality, Stackpole added. PMI’s member companies are taking steps to reduce fossil fuel consumption, single-use plastics, and landfill waste while using more renewable energy and recyclable materials, he noted.

“Innovation and entrepreneurship bloom in uncertainty,” he said. “PMI’s participation in so many legislative and regulatory forums gives us opportunities to highlight the innovative work each of you do every day.” He described the more than 37,000 WaterSense products that PMI members and other plumbing manufacturers have delivered to the marketplace as a “testament to that outstanding effort.”

**Stephanie Salmon**, PMI’s federal government affairs consultant, covered federal legislation that may impact

members, such as support for the skilled labor workforce, new SEC rules on GHG reporting, and tax relief for manufacturers.

As the skilled worker shortage continues, PMI has expressed its support for the Freedom to Invest in Tomorrow’s Workforce Act, Salmon said. The bill would expand the use of 529 tax-advantaged education savings account funds to pay for postsecondary credential and training program expenses such as licenses and professional certifications. PMI also participates in the Tomorrow’s Workforce Coalition comprised of over 500 organizations and led by the American Society of Association Executives, she added.

Salmon discussed new proposed Securities and Exchange Commission (SEC) climate disclosure rules that could affect some plumbing manufacturers. The new rules would require public companies to report climate-related information such as GHG emissions. The SEC adopted the new rules on March 6 – after KBIS.

The new rules include more relaxed disclosure requirements than originally proposed, leaving out Scope 3 emissions reporting, Salmon explained. The EPA defines Scope 3 emissions as “the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain.” For many companies, most Scope 3 emissions take place upstream via suppliers – making them more challenging to track, Salmon added. A fact sheet listing the final rules and deadlines can be viewed on the SEC website ([tinyurl.com/ptb8njez](https://tinyurl.com/ptb8njez)).

Meanwhile, California’s recently enacted climate bills will require companies doing business in the state to disclose



*Kerry Stackpole addresses the PMI Power Break attendees with Stephanie Salmon and Jerry Desmond*

Scope 3 emissions starting in 2026, Salmon said. “PMI members will likely need to follow the more stringent California rules if they do business there,” she stated.

Plumbing manufacturers and other companies face higher tax bills as pro-growth tax deductions expire. PMI supports the swift passage of the bipartisan Tax Relief for American Families and Workers Act of 2024, Salmon said. The bill would restore or keep in place critical tax deductions that allow plumbing manufacturers, suppliers and others to continue making significant investments in their facilities and employees.

**Jerry Desmond** shared insights on issues in California, such as water efficiency, water quality, corporate climate accountability, recycling and PFAS.

## **PMI participates in TOTO panel discussion on sustainability**

At the TOTO booth, PMI participated in a panel discussion on “Flowing Forward: Sustainable Solutions and Plumbing Trends, Innovations and Challenges.”

**Fernando Fernandez** of TOTO USA organized and moderated the panel. Participating on the panel were **Cambria McLeod** of IAPMO, PMI

California government affairs consultant **Jerry Desmond**, PMI federal government affairs consultant **Stephanie Salmon**, **Gordon Tai** of TOTO USA, and PMI CEO/executive director **Kerry Stackpole**.

Panelists discussed how high-performing, water-efficient plumbing products deliver good results for customers. Stackpole said large-scale legacy product replacement – a major focus of PMI’s Rethink Water initiative – could save billions of gallons of water in California alone.

**Crystal Vision Awards recognize building industry’s generosity**

PMI sponsored the 23rd annual Crystal Vision Awards Breakfast along with PMI members Gerber Plumbing Fixtures and Kohler Co. The awards recognize important contributions made by manufacturers, distributors and retailers in the building industry toward the Storehouse of World Vision, which supplies building materials to families and organizations in need.

ProVia – a manufacturer of doors, windows, siding and roofing – won this year’s Crystal Vision Award for their generous donations of products. Kohler won the award in 2023. PMI and many of its members have developed a strong partnership with the storehouse, generously donating products, time and funds.

World Vision and the Crystal Vision Executive Committee hosted the event. The vice chair of this committee is **Iasmin Acioli** of Gerber. Committee members from PMI member companies include **Jacob Puckett** of Reliance Worldwide Corp. and **Molly Pajauskas** with Zurn Elkay Water Solutions.



*Fernando Fernandez (r) of TOTO USA organized and moderated a panel about sustainable solutions in plumbing at KBIS. Participating on the panel were (l-r) Cambria McLeod of IAPMO, PMI government affairs consultants Jerry Desmond and Stephanie Salmon, Gordon Tai of TOTO USA, and PMI CEO Kerry Stackpole.*



*EPA WaterSense chief Veronica Blette with PMI Board of Directors president Chip Way and vice president Belinda Wise at the Crystal Vision Awards Breakfast*

# Tax and Regulatory Policies Top PMI's Federal Agenda

By Ray Valek, PMI Communications Team, Valek and Co.

**Charles Crain**, the National Manufacturers Association (NAM) vice president, domestic policy, provided an overview of tax and regulatory policies under consideration in Congress and federal agencies at the March 12-13 Plumbing Manufacturers International (PMI) Washington Legislative Forum and Fly-In.

He described the tax policy “trifecta” of importance to plumbing manufacturers:

- Restoring immediate R&D expensing for domestic research.
- Reinstating 100% accelerated depreciation for business capital investments.
- Returning the U.S. to an interest deductibility standard that supports business growth.

When the Tax Cuts and Jobs Act (TCJA) became law in 2017, it provided businesses with the tax policy trifecta, but these measures have since expired. Restoring these tax breaks has bipartisan support in the House and Senate, Crain said. The House voted to restore these measures through the Tax Relief for American Families and Workers Act. Along with more than 250 other associations, PMI joined NAM in voicing for the approval of the tax package.

Reinstating this package will enable plumbing manufacturers to invest in their businesses, create jobs, and compete in the global marketplace. The bill is particularly important for small- and medium-sized manufacturers, many of which experienced significant tax increases as a result of the expiration of pro-growth provisions. The overwhelming majority – 89% – of respondents to the NAM’s Q4 Manufacturers’ Outlook Survey said higher tax burdens on manufacturing would make it more difficult for them to hire, buy new equipment, and expand their facilities.

Now, the action moves to the Senate, which is considering the trifecta, as well as other TCJA measures due to expire in

2025. These measures include current individual income tax rates and brackets, Section 199A 20% passthrough deduction, estate tax exclusion, and international tax rates, Crain explained.

## Manufacturers advocate for more sensible regulations

During the regulatory portion of his presentation, Crain provided an overview of a NAM study on the cost of federal regulations. The study found that the total cost of federal regulations exceeds \$3 trillion annually. Manufacturers spend \$350 billion per year on federal regulations, with the average manufacturer incurring more than \$29,000 per employee per year in regulatory costs. Small-sized manufacturers spend more than \$50,000 per employee per year due to having less employees to absorb the costs. Since 2012, aggregate regulatory compliance costs have increased by \$465 billion.

In response, a coalition of manufacturing industry groups, including PMI, are advocating for more sensible regulations, saying that unbalanced regulations are hindering manufacturing growth in the United States, Crain said. He added that manufacturers need better coordination among federal agencies, including a senior White House advisor, as well as more balanced and workable regulations that don’t undermine President **Joe Biden’s** manufacturing agenda.

Crain also discussed the Environmental Protection Agency’s PM2.5 Standard, which was finalized on Feb. 8 to protect against harms caused by particle pollution. The new standard reduces the former standard from 12 to nine micrograms per cubic meter of air and is aligned with background levels of particle pollution in many areas of the U.S. Hundreds of counties will be in “non-attainment,” Crain said.

He added that 70% of PM2.5 comes from non-industry sources such as

wildfires, controlled burns, crops and livestock, and unpaved roads. The NAM and industry groups filed a lawsuit on March 6 to block the ruling, due to its “tremendous costs and burdens.” The suit was filed “to protect manufacturers’ ability to obtain permits, expand facilities, and pursue long-term investment plans, and defend our country’s competitive advantage,” said NAM chief legal officer **Linda Kelly**.

## SEC climate rule issued, debated in courts

NAM advocacy resulted in significant changes to the Security and Exchange Commission’s Climate Disclosure Rule, which was issued in March 2024, Crain said. The rule requires companies to report greenhouse gas emissions (GHG), submit financial statements of expenses or losses due to severe weather events or other natural conditions, assess climate-related risks, and to set goals and governance for GHG mitigation.

Significant changes due to NAM advocacy included the narrowing or removal of the rule’s scopes, curtailed financial requirements, more tailored focus on materiality, enhanced liability protections, scaled compliance for smaller companies, and delayed effective dates, which now range from fiscal years 2025 to 2029, Crain explained. Due to lawsuits being filed, there is likely to be a protracted battle over the details of the rule.

“I don’t think (the lawsuits are) going to fundamentally change the trajectory,” said **Margaret Farrell**, chair of law firm Hinckley Allen’s securities law group, in the Wall Street Journal. “There is an obligation, which the SEC underscored a few years back, to consider the impact of climate change and climate events on the business, regardless of the new rule.”

PMI members can log in to view Crain’s presentation slides at [tinyurl.com/47tac3jh](https://tinyurl.com/47tac3jh).

# Regulations, Market Forces to Drive PFAS Reductions

By Ray Valek, PMI Communications Team, Valek and Co.

**Cally S. Edgren**, senior director, regulatory and sustainability experts, Assent, presented on the “Impact of PFAS Reporting for 2024 and Beyond” at the March 12-13 PMI Washington Legislative Forum and Fly-In.

On Oct. 11, 2023, the EPA published the final rule requiring reporting and recordkeeping requirements for PFAS. The long-awaited rule was first published as a draft in June 2021 after being mandated by the National Defense Authorization Act for fiscal year 2020. Reporting for most manufacturers will be required between Nov. 12, 2024 and May 8, 2025, she stated.

PFAS reporting under TSCA Section 8(a)(7) requires submission of PFAS manufacturing and importing data for each year from 2011 to 2022, including PFAS that are incorporated into imported articles. This requirement applies to everyone who has “manufactured” a PFAS in any year since Jan. 1, 2011. Manufacturers of PFAS, including those who import PFAS to a U.S. territory or create PFAS as a byproduct to another manufacturing process, are required to provide detailed data within 18 months (by May 8, 2025), Edgren explained. “Small manufacturers” as defined at 40 CFR 704.3 are granted an additional six months for reporting, with a due date of Nov. 10, 2025.

Substances in scope of TSCA reporting are those that meet a definition provided by the EPA rather than a fixed substance list. Under the rule, imported articles containing PFAS, such as articles containing PFAS as part of surface coatings, are included in the scope. Distributors and contract manufacturers are also in scope if they import PFAS as a substance, mixture, or already incorporated into an article, she said.

## Foreign and state regulations differ from federal policies

Regulations from different jurisdic-

tions – including the U.S. government, various states, the European Union, and the United Kingdom – do not consistently define which PFAS are in scope of their requirements. They don’t necessarily even define PFAS the same way, leading to a lack of clarity over which substances meet the definition and are reportable. There are also differences in what the EPA considers to be a reportable PFAS under TSCA Section 8(a)(7) versus a broader range of PFAS that are included on the EPA “CompTox” List, Edgren explained.

In addition, 46 states have passed or proposed PFAS legislation, according to the Bloomberg Industry Group, and at least 35 states will introduce policies around PFAS in 2024, per the Safer States 2024 analysis of state legislation addressing toxic chemicals and plastics. These actions include product restrictions or reporting requirements and in some cases, most notably in Maine and Minnesota, apply to all products unless the state agencies determine the uses are “unavoidable.”

“The number of theoretical and R&D PFAS is broad – tens of thousands by some estimates, which can be overwhelming for manufacturers and their suppliers. Narrowing the scope of reportable PFAS to those likely to be found in commerce, typically as demonstrated by inclusion in the TSCA inventory, will better support reporting and restriction obligations for regulations across the U.S. at both federal and state levels,” she stated.

## Market forces place pressure on PFAS use

Beyond the regulations, Edgren identified non-regulatory drivers to eliminate PFAS. These drivers include suppliers, insurers, investors, customers, non-governmental organizations, and competitors – all of which have reasons to discontinue the use of PFAS.

Of suppliers, she stated, “Regulations don’t matter if you can’t get parts.” On Dec. 20, 2022, 3M announced they will discontinue the manufacture of all PFAS chemicals by the end of 2025, impacting nearly 25,000 products that use PFAS and driving the risk of early obsolescence for materials downstream in the supply chain.

Responding to rising litigation and anticipated remediation costs, liability insurers are increasingly asking manufacturers about their use of PFAS chemicals in both processes and products, impacting coverage if contamination is found or even underwriting of new policies. Insurance professionals are concerned that PFAS is the “next asbestos,” resulting in countless legal bills and exposure for years to come, Edgren stated.

## What does this mean for plumbing manufacturers?

Even if your company is exempt from some regulations or doesn’t make PFAS chemicals itself, plumbing products may be dependent on PFAS not only for product design but also for manufacturing processes including chrome plating, injection molding, electronics in sensors, and plumber’s tape, Edgren stated.

Understanding where you have PFAS in purchased materials as well as operations, and what they’re used for, is urgent, she continued. She identified various ways of identifying PFAS in materials and applications. “These are high-performance substances, and are often used to provide specific capabilities, so look for those features first,” she stated. “Don’t forget about MRO (maintenance, repair and operations) materials, even if they’re not part of the final product.”

PMI members can access Edgren’s presentation slides at [tinyurl.com/47tac3jh](https://tinyurl.com/47tac3jh).

## Improved Conditions, Pent-Up Demand to Increase Home Sales

By Ray Valek, PMI Communications Team, Valek and Co.



Lawrence Yun

Citing improved economic conditions and pent-up demand, National Association of Realtors' (NAR) chief economist **Lawrence Yun**, Ph.D., provided an optimistic

view of future home sales during a real estate outlook presented at the March 12-13 Plumbing Manufacturers International (PMI) Washington Legislative Forum and Fly-In.

Existing home sales declined 18% from 2021 to 2022 and 19% from 2022 to 2023, which NAR data show was the worst year for existing home sales since 1995, he stated. New home sales also declined in comparison to the peak sales year of 2020 but started to bounce back in 2023, which was the third-best year for sales since the 2008 mortgage foreclosure crisis, Yun said, citing United States Census and Housing and Urban Development (HUD) data. NAR sales trends data show the inventory of new homes rising while the inventory of existing homes falls, he explained.

### Mortgage rates have peaked, home purchase sentiment improving

NAR expects existing home sales to turn higher because 30-year mortgage rates have likely peaked, and the Fannie Mae Home Purchase Sentiment Index is beginning to improve. The index is now above 70% after hitting bottom at about 57% in 2022, Yun said.

Also lifting enthusiasm for home buying is reduced inflation, with the Consumer Price Index (CPI) down to 3.1% in January, down from its 2022 peak of about 9%, Yun stated, citing the Bureau of Labor Statistics (BLS).

Yun explained that the rent component CPI was still at a relatively high 6.1% in January, according to BLS, despite

annual apartment construction having been at a 40-year high for the past three years, per U.S. Census and HUD data.

A factor contributing to inflation in rents and interest rates is the federal budget deficit, Yun explained. The interest cost of financing the national debt matches national defense spending, according to the Congressional Budget Office.

### Job growth, home value appreciation drive housing demand

Yun said he expects job growth to drive long-term real estate demand. Total payroll jobs have increased by 5 million compared to pre-COVID highs, according to BLS.

Also, homes rapidly appreciated in value from 2020 to 2023, according to an NAR analysis of the Federal Housing Finance Agency's Home Price Index. Percentage increases during that timeframe ranged from a low of 15.6% in the District of Columbia to a high of 65.3% in Florida.

Yun forecasted that the 30-year fixed rate will be 6-7% by early spring. He said he expects the price of renting to calm down and help to reduce the CPI; this relief from price increases could allow the Federal Reserve to cut interest rates.

Pent-up selling demand cannot wait much longer, Yun explained, citing life changes occurring over the next two years that include 7 million births, 3 million marriages, 1.5 million divorces, 7 million Americans turning age 65, 4 million deaths, 5 million new jobs created, and 50 million job switches.

As a result, citing NAR and HUD data, he expects total home sales to rise over the next two years to pre-COVID levels.

PMI members can view Yun's presentation slides by logging in to [tinyurl.com/47tac3jh](https://tinyurl.com/47tac3jh).

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