

Home Building Defies Expectations, Up 11% From 2018

By: Jann Swanson | Tue, Dec 17 2019, 10:37 AM

The numbers for November residential construction **permits and housing starts came in higher than expected**, marking the second straight month of increases and putting the rate for both well ahead of last year. Housing completions were down significantly but still maintained a year-over-year edge. The Census Bureau and the Department of Housing and Urban Development said building permits nationwide were at a seasonally adjusted annual rate of 1,482,000 during the month, up 1.4 percent from a slightly revised October rate of 1,461,000. Construction authorizations are now **up 11.1 percent from the November 2018** rate of 1,334,000.

The permit results defied expectations that they would decline after their strong showing in October when they posted a 5.0 percent gain. The consensus of analysts polled by *Econoday* was for a permitting rate of 1,410,000 with a range of 1,380,000 to 1,450,000. Single family permits rose 0.8 percent from October to a rate of 918,000 units, 8.9 percent higher than a year earlier. The initial estimate of 909,000 units in October was revised up to 911,000. Permits for multifamily units were up 4.4 percent for the month and 16.4 percent year-over-year to a rate of 524,000 units. On a non-seasonally adjusted basis there were 108,100 permits for residential construction issued in November, 63,500 of them for single-family units. The comparable numbers in October were 131,700 and 79,800. For the year-to-date (YTD) through November, there have been **1,259,500 permits issued** compared to 1,224,800 for the same period last year, **a 2.8 percent increase**. Single-family permits for the YTD total 790,800, down 1.1 percent from last year, and multifamily permits for the first 11 months are 10.2 percent higher at 430,500 units.

Housing starts rose 3.2 percent from October to a seasonally adjusted rate of 1,365,000 units, an **annual gain of 13.6 percent**. The October number, already a 3.8 percent increase from September, was revised from 1,314,000 to 1,323,000. Starts were higher than the consensus estimate of 1,340,000 units and on the high end of the range of analysts' forecasts which ranged from 1,293,000 to 1,390,000 units. Single family starts were at a seasonally adjusted rate of 938,000, up 2.4 percent from October's rate of 916,000. That, however, was a downgrade from the 936,000 units originally reported. Multifamily starts gained 2.3 percent to rise to a rate of 404,000 units. This was 4.4 percent higher than starts a year earlier. On a non-adjusted basis there were 103,500 residential starts in November, down from 113,700 the prior month. Single family starts also fell to an estimated 68,300 compared to 77,300 in October. YTD starts total 1,180,600 compared to 1,173,900 during the first 11 months of 2018, a 0.6% gain. Single family starts are down 0.4 percent to 819,700 and multifamily starts increased by 3.0 percent to 348,600.

Lawrence Yun, Chief Economist for the National Association of Realtors, provided the following assessment of the construction numbers. "The latest housing starts numbers are good and rising, but still short by 135,000 compared to the long term average - and well short of the 5 to 6 million that is now needed to fully end the housing shortage. More home construction appears to be on the way as we move into 2020, as reflected in the very high confidence of home builders. They are clearly recognizing an improved business opportunity. Some innovation in the industry is required as construction workers are hard to obtain in the current tight job market conditions. Modular factory-produced aspects need to be considered more intently to boost productivity. Overall, more construction will mean more housing inventory to choose from for consumers. Home sales can then easily rise while taming the fast growth in home prices."

While completions dropped by 6.6 percent from October, there were 7.3 percent more units brought on-line than a year earlier. The seasonally adjusted estimate was 1,188,000 units, 883,000 of which were single-family, a 3.6 percent decline. The number of multifamily units completed fell 16.0 percent. On an unadjusted basis there were 98,100 units completed during the month, down from 113,900 in October. Single family completions fell from 83,300 in October to 75,300. For the YTD there have been 1,128,500 units completed, a 4.0 percent increase from the same point in 2018. Single family completions rose 6.1 percent to 811,600 and there was a 1.0 percent dip in the number of multifamily units completed to 308,700. At the end of November there were 1,170,000 units under construction, 526,000 of which were single-family units. In addition, there were 188,000 permits that had been issued but under which construction had not started. Eight-nine thousand of those were for single-family homes.

Permitting in the **Northeast** rose 18.1 percent from November and is running 26.4 percent ahead of November 2018. Starts were down by 3.7 percent and 4.6 percent from the two earlier periods and completions fell by 11.6 percent and 13.0 percent respectively. The **Midwest** saw permitting increase 15.1 percent from October and 16.4 percent on an annual basis. There were 15.5 percent fewer starts than in October and 4.5 percent fewer completions, but each category was up year-over-year, by 9.7 percent and 9.5 percent respectively. Permitting was down 4.7 percent from the prior month in the **South** but remained 4.4 percent higher than a year earlier. Starts rose 10.3 percent and 13.4 percent from October and November 2018 respectively. There were 0.9 percent fewer completions than the previous month but 17.0 percent more than a year earlier. There was an increase of 1.3 percent in permits issued in the **West** compared to October and they rose 16.8 percent year-over-year. Starts increased by 1.4 percent and were 22.7 percent higher on an annual basis. Completions were down for

both periods, by 16.1 percent for the month and 2.6 percent annually.

View this Article: <https://www.mortgagenewsdaily.com/news/12172019-permits-and-starts>