

Residential Construction Remains Strong as it Awaits Coronavirus Impact

By: Jann Swanson | Thu, Mar 19 2020, 8:10 AM

As anticipated, the two major data sets in February's residential construction report declined from their January level but both construction permitting and housing starts **maintained a significant edge over their performance in February 2019.**

Permits for residential construction were issued during the month at a seasonally adjusted annual rate of 1,464,000 units, 5.5 percent below the January rate of 1,550,000. The January estimate was revised only slightly, down about 1000 units. February permits were up 13.8 percent compared to a year earlier.

The consensus estimate from analysts polled by Econoday nailed the 1,550,000-permitting figure. The range of their forecasts was 1,460,000 to 1,550,000.

Single family permits were up 1.7 percent from the 987,000 rate in January to 1,004,000 unit. This was a 23.3 percent gain from the 1,287,000 estimate a year earlier. Multifamily permits fell 20.2 percent to 415,000 annual units and were 5.0 percent lower year-over-year.

On a non-adjusted basis there were 100,800 permits issued in February compared to 112,800 the previous month. There were 70,600 permits issued for single-family homes, up from 70,400 in the first month of the year.

Permits fell in all four major regions. There was a 25.1 percent decline from January in the **Northeast**, but the rate was 1.5 percent higher than a year earlier. The loss in the **Midwest** was 8.2 percent for the month, but there was 5.2 percent growth on an annual basis.

The **South's** rate of permitting was down 1.6 percent from January and the **West's** fell 2.5 percent. The regions' annual numbers were up 9.9 percent and 34.3 percent respectively.

On a year-to-date (YTD) basis there have been 213,600 permits issued compared to 185,000 in 2019, a 15.5 percent increase. Single-family permits at 141,000 grew by 21.3 percent from the same period in 2019, and the increase in multifamily permits over the first two months is 4.9 percent.

Housing starts dipped 1.5 percent from January to a seasonally adjusted annual rate of 1,599,000 units. The January rate was revised up substantially, from 1,551,000 units to 1,624,000. Housing starts grew by 39.2 percent year-over-year.

Analysts came close with their forecasts for housing starts at a consensus of 1,520,000. The range was 1,450,000 to 1,620,000.

Single family starts rose 6.7 percent from January to 1,072,000 and by 35.4 percent from the 792,000 units started a year earlier. The January estimate was revised down from 1,010,000 to 1,005,000 units. Multifamily starts fell 17.0 percent but remained 44.3 percent higher on an annual basis.

Construction was started on 113,000 residential units in February, 75,300 of them single family houses. Starts in January numbered 113,200, 68,000 of them single-family homes.

The Northeast region accounted for most of the February downturn in starts, with a 41.4 percent decline. That, however, was mirrored by a nearly identical percentage gain year-over-year. The West also lost ground with starts there falling 18.2 percent, but again remaining higher (+49.0 percent) on an annual basis. Starts in the Midwest rose by 16.7 percent and 32.1 percent for the two earlier periods and the South saw increase of 15.2 percent and 36.8 percent.

Starts YTD are up 35.3 percent at a total of 226,100 units. Single family starts, an aggregate of 143,300 during the two months, are 20.6 percent ahead of last year and starts in buildings with five or more units are up 73.6 percent at 81,000 units.

Joel Kan, Associate Vice President of Economic and Industry Forecasting for the Mortgage Bankers Association said of the report, "Housing starts saw another strong month in February, another data point displaying the strength of the housing market before the impacts from the coronavirus.

Due to the slowdown in economic growth and the volatility in markets from the coronavirus, **mortgage rates will remain lower for longer, which will help homebuyers in the longer run,**" he continued. "However, we may start to see these homebuilding trends take a turn for the worse, depending on the industry's ability to continue day-to-day operations during these difficult times."

Units were completed at a slightly higher rate in February, up 0.2 percent to 1,316,000 units. This is down 1.2 percent from a year earlier. Single-family completions rose 14.1 percent and 22.4 percent while multifamily completions dived 31.4 percent and 41.2 percent from the

two earlier periods.

There was little difference in the non-adjusted number of completed units in February and January at 91,900 and 91,100 respectively, but single-family completions rose to 71,900 from 62,400. YTD completions are 2.1 percent higher than during the first two months of 2019 and single-family completions are up 10.3 percent.

Completions were down for both time periods in the Northeast, by 5.6 percent and 1.9 percent respectively. The Midwest gained 3.2 percent for the month while falling behind the previous February by 4.0 percent. Completions rose 5.1 percent in the South compared to January but were 1.9 percent lower than a year earlier while the West lost 8.9 percent, remaining 2.0 percent higher on an annual basis.

At the end of February there were 1,222,000 residential units under construction, 539,000 of them single family units. An additional 162,000 permits were awaiting construction, 85,000 of them are for single-family homes.

View this Article: <https://www.mortgagenewsdaily.com/news/03182020-permits-and-starts>