

New Home Construction is Officially Picking Back Up

By: Jann Swanson | Wed, Jun 17 2020, 10:49 AM

Residential construction numbers climbed in May after their pandemic-driven collapse in April. The Census Bureau and the Department of Housing and Urban Development report that both permitting and starts rose during the month although completions fell.

Permits for residential construction were authorized at a seasonally adjusted annual rate of 1,220,000, **up 14.4 percent from the previous month**. The 1,074,000 permitting rate originally reported for April was revised even lower to 1,066,000 and the rate is now down 8.8 percent compared to a year earlier.

Analysts polled by *Econoday* had expected permits to be in the 1,000,000 to 1,300,000 range. Their consensus was 1,250,000.

Single-family permits rose 11.9 percent to a seasonally adjusted annual rate of 745,000 from an adjusted rate of 666,000 (revised from 669,000) in April and are 9.9 percent lower year-over-year. Permits for construction of multifamily units rose 18.3 percent to 434,000 units, a loss of 8.4 percent compared to a year earlier.

On a non-adjusted basis there were 105,100 residential construction permits issued in May compared to 96,000 in April. The single-family permitting numbers in May and April were 66,100 and 63,300, respectively.

National Association of Home Builders economist Robert Dietz **called the permit data "the turning point for the market."** An increase in the pace, he said, **signals gains for single-family starts ahead.**

Housing starts rose 4.3 percent from April's revised rate of 934,000 (up from 891,000) units to 974,000 annualized units. This still leaves the rate down 23.2 percent compared to May 2019. Starts were at the low end of analysts predictions that ranged from 965,000 to 1,170,000 units. The consensus published by *Econoday* was 1,100,000 units.



Single-family starts were up only a slight 0.1 percent, compared to April at 675,000. The uptick in May's starts was muted by the addition of 24,000 more units to the original April estimate of 650,000 starts. Single family starts still lag by 17.8 percent those of a year earlier. Multifamily starts rose 16.9 percent to 291,000 but were down 33.1 percent on an annual basis.

The number of housing starts increased from 84,800 in April to 89,300 in May on an unadjusted basis but were down by nearly 30,000 units from a year earlier. Single family starts were unchanged month-over-month at 62,600.

Starts thus far in 2020 total 503,400, 0.7 percent more than a year earlier. Single-family starts are down 2.4 percent at 339,600 while multifamily starts rose 8.0 percent to 159,000.

Units were completed during the month were at an adjusted annual rate of 1,115,000, 791,000 of which were single-family houses

representing monthly declines of 7.3 percent and 9.8 percent. It is likely that the completion rate reflects work stoppages in March and April. **Completions were 9.3 percent and 10.8 percent lower than in May 2019.** Multifamily completions also fell, down 2.2 percent and 8.6 percent from the earlier periods.

At the end of the reporting period there were an estimated 1,172,000 residential units under construction, 503,000 of them single family houses. In addition, there was a backlog of permits estimated at 182,000, 98,000 of which were for single family construction.

The **Northeast** saw an 82.0 percent jump in permitting, putting authorizations up 6.7 percent year-over-year. Starts rose a more modest 12.8 percent, leaving the rate 39.1 percent lower than the prior May. The completion rate rose 11.5 percent but was still down 31.3 percent for the year.

Permits increased by 18.4 percent in the **Midwest** but remain 4.6 percent below the May 2019 rate. Starts were down 1.5 percent and 15.8 percent from the two earlier periods. Completions were 11.6 percent higher than the previous month's rate but down 3.5 percent year-over-year.

Permits rose 7.7 percent in the **South** but lag the previous May by 7.6 percent. Starts declined 16.0 percent for the month and 32.3 percent annually and completions were off 16.5 percent and 3.2 percent, respectively.

The rate of permitting grew 12.3 percent in the **West** but remains down 18.2 percent on an annual basis. Starts surged nearly 70 percent but failed to reach May 2019 levels by 1.9 percent. The rate of completions was unchanged from April and down 17.6 percent annually.

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