

Strong Construction Data Led by Single Family Homes

By: Jann Swanson | Wed, Nov 18 2020, 3:16 PM

Residential construction data for October was mixed. The U.S. Census Bureau and Department of Housing and Urban Development reported that the rate of permitting flattened and completions declined. Housing starts, usually considered the key number, continued to climb.

Permits for residential construction were issued at a seasonally adjusted annual rate of **1,545,000 units**, virtually identical to the September pace after its revision down from 1,553,000. Permits have grown by 2.8 percent year-over-year.

The September rate had been **higher** than anticipated, so builders may now be working off a backlog. Still, October's permits were only slightly less than forecast. Analysts polled by Econoday had looked for a range of 1,520,000 to 1,600,000 with a consensus of 1,560,000.

Permits for single-family houses rose **0.6 percent** to a rate of 1,120,000 units and were 20.6 percent higher than in October 2019. The September estimate was revised from 1,119,000 units down to 1,113,000. Multifamily permits dropped by 5.9 percent to 365,000 units and were 30.6 percent lower on an annual basis.

On a non-adjusted basis there were 133,000 permits issued compared to 133,300 in September and single-family permits declined from 94,700 to 94,500.

For the year-to-date (YTD) through October there have been 1,192,900 permits issued compared to 1,155,100 for the same period last year, a **3.3 percent increase**. Single-family permits YTD total 807,700, up 10.9 percent while multifamily permits at 347,100 are 11.4 percent lower.

Housing starts continued to increase, rising 4.9 percent in October to put them up 14.2 percent from the rate a year earlier. The report estimates that starts were at a seasonally adjusted rate of 1,530,000 compared to an upwardly revised (from 1,415,000) rate of 1,459,000 in September.

October's results were at the **top of analysts' projections** which ranged from 1,430,000 to 1,530,000. The consensus was 1,460,000.

Single-family starts fared even better, rising 6.4 percent from September's 1,108,000 units to 1,179,000 units. The September estimate was not revised. Single family starts have exceeded those in October 2019 by 29.4 percent. Multifamily starts however were down 3.2 percent and are 19.9 percent below their year-earlier pace.

Joel Kan's, the Mortgage Bankers Association's Assistant Vice President of Economic and Industry Forecasting, said the following about housing starts. "Housing starts increased for the second straight month to a seasonally adjusted annual pace of 1.53 million starts - the highest since this February. Most notably for the housing market's continued supply shortages, the pace was driven by 1.179 million single-family starts. Single-family construction has now increased for six consecutive months and is at the highest level since 2007. The rise in construction is in line with other data on homebuilder confidence and should help to alleviate the supply and demand imbalances seen in most parts of the country."

There were 132,000 residential units started in October, 101,000 of them single-family houses. The September numbers were 128,800 and 96,300, respectively.

Housing starts are **6.7 percent higher YTD** in 2020 than during the same period last year at 1,150,000 units. Single-family starts have increased by 8.6 percent to 815,300 and starts in buildings with five or more units are 2.3 percent above those during the first 10 months of 2019.

Completions, which are always volatile, fell 4.5 percent in October to an annual rate of 1,343,000 units but remain up 5.4 percent from a year earlier. September completions originally estimated at 1,413,000 were revised down to 1,406,000.

Single-family completions, at an annual rate of 883,000, represented a decline of 3.4 percent from the September rate of 914,000 units and was 4.0 percent lower than a year earlier. Multifamily completions were down 7.3 percent for the month but 27.6 percent higher year-over-year.

There were 121,100 residential units completed in October, down 100 units from the previous month. Single family completions increased from 78,600 to 80,900.

YTD completions are up 2.5 percent to 1,056,900 from 1,030,600. The number of single-family homes completed is up 1.0 percent thus far in 2020 at 744,200 and multifamily completions have risen 6.3 percent to 304,000.

At the end of the reporting period there were an estimated 1,224,000 units under construction, 564,000 of them single-family houses. There was also a backlog of 179,000 authorized permits of which 104,000 were for single-family houses.

Permits in the **Northeast** declined 9.5 percent for the month and 13.5 percent on an annual basis. Starts plunged 38.6 percent which put them down by 32.8 percent year-over-year. The rate of completions rose 2.1 percent from September but lags the previous October by 18.5 percent.

The **Midwest** saw permits increase by 2.9 percent from September and 16.4 percent year-over-year. Housing starts rose 3.3 percent and 23.0 percent for the two periods. Construction was finished at a rate that was down 2.5 percent for the month but 23.3 percent higher than a year earlier.

There was an increase of 0.7 percent in the number of permits in the **South** and they were 3.9 percent higher than the same month in 2019. Starts rose 12.9 percent compared to September and 24.3 percent on an annual basis. Completions fell 5.4 percent but were up 10.9 percent from October of last year.

Permits gained 0.5 percent in the **West** compared to both the previous month and to October 2019. Starts increased by 4.2 percent and 5.4 percent for the month and the year. Completions slowed by 5.5 percent and 4.2 percent from the two earlier periods.

View this Article: <https://www.mortgagenewsdaily.com/news/11182020-permits-and-starts>