

Construction, Housing Permit Backlogs Rose in January

By: Jann Swanson | Thu, Feb 17 2022, 9:52 AM

Residential construction numbers for January were **mixed**. Permits were up slightly from December but starts fell back from December's near 12-point surge and completions were down significantly from both December and January of last year.

The U.S. Census Bureau and the Department of Housing and Urban Development reported that residential construction permits were issued during the month at a seasonally adjusted annual rate of 1.899 million units. This was 0.7 percent higher than the rate of 1.885 million units in December, a number that, in a rarity, was not revised. The January permit rate was 0.8 percent above the estimate for January 2021.

Analysts polled by both *Econoday* and *Trading Economics* had expected a pullback, forecasting a permitting rate of 1.76 million units.

Single-family permits drove the numbers. They were **up 6.8 percent** month-over-month to a seasonally adjusted rate of 1.205 million units. The previous month's estimate, 1.128 million units, was also not revised. Single-family permits were down 5.0 percent year-over-year.

Permits for construction of units in buildings with five or more fell back from a rate of 690,000 in December to 629,000, a decline of 8.8 percent, but were 12.3 percent higher than a year earlier.

On a non-adjusted basis, there were 132,500 permits issued for residential construction during the month, down from 153,200 in December. Single-family permits increased from 81,300 to 82,700.

Housing starts fell 4.1 percent from the prior month to a rate of 1.638 million units, however, the December rate was revised up from 1.702 million to 1.708 million units. The January rate of 0.8 percent higher year-over-year.

Analysts polled by the two sources had a consensus estimate of 1.7 million housing starts.

Both single-family and multifamily starts declined from the previous month. Single-family starts were at an annual rate of 1.116 million, a loss of 5.6 percent from 1.182 million (originally reported at 1.172 million) in December and 2.4 percent below the rate a year earlier. Multifamily starts decreased 2.1 percent to 510,000 units in January. This represented annual growth of 8.7 percent.

On a non-adjusted basis, there were 117,600 housing starts in January, 76,600 of them single-family. The December numbers were 120,500 and 81,700, respectively.

Units were **completed** during the month at a seasonally adjusted annual rate of 1.246 million units, 5.2 percent fewer than the December rate of 1.315 million and down 6.2 percent on an annual basis. The single-family completion rate was an annualized 927,000 units compared to 1 million units in December, a 7.3 percent drop and an annual loss of 8.4 Percent. Multifamily completions were unchanged from the prior month at 309,000 and 0.6 percent lower than a year earlier.

The unadjusted numbers, however, show a more precipitous decline. There were 87,000 units completed during the month, 65,500 of them single-family. This was a substantial reduction from the 125,200 units brought online in December, 97,000 of which were single-family homes, and was also lower than the 93,700 units (72,200 single-family) completed in January 2021.

The number of units **under construction** at the end of the period rose 1.4 percent from December and was 20.4 percent higher than a year earlier at 1.543 million units. Single-family homes in process numbered 785,000. In addition, there was a backlog of 280,000 permits, 151,000 of them for single-family construction, an annual increase of 37.3 percent in the overall number.

The Residential Construction Report provides no narrative or analysis, but, in this week's report on **builder confidence** from the National Association of Homebuilders, its chief economist Robert Dietz said building materials delays were becoming serious. "Many builders are waiting months to receive cabinets, garage doors, countertops and appliances," he said. It is speculation on our part, but this could be behind both the substantial drop in completions and the rise in unused permits and incomplete homes.

Permitting in the Northeast dropped 48.3 percent from the December rate and 20.5 percent compared to January 2021. Starts rose 2.6 percent compared to the previous month but were 41.2 percent lower than in January of last year. Completions fell by 28.9 percent and 20.4 percent respectively.

In the Midwest, the rate of permitting was down 0.7 percent for the month but was 8.2 percent higher on an annual basis. Starts were off by 37.7 percent and 4.3 percent from the two earlier periods and completions fell 21.2 percent and 23.4 percent.

The South saw permits issued at a rate 11.4 percent higher than the prior month and 5.0 percent above the pace a year earlier. Starts fell back by 2.0 percent from December but rose 8.5 percent on an annual basis. Completions were down 7.1 and 8.5 percent.

Permits rose 13.9 percent in the West but the rate slowed by 2.5 percent year-over-year. Starts were 17.7 percent higher than in December and up 9.2 percent from 12 months earlier. Completions were up 18.3 percent and 14.4 percent.

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