



Looks Like Residential Construction is Back on Track

Residential construction resumed its upward trend after a brief pause in August. The U.S. Census Bureau and Department of Housing and Urban Development reported that all three measures of construction, permitting, housing starts, and unit completions, increased in September.

Permits for privately owned residential construction were issued at a seasonally adjusted annual rate of 1,553,000, up by 5.2 percent from the 1,476,000-unit annual rate (revised from 1,416,000) in August. The increase from the previous September's rate of 1,437,000 units was 8.1 percent.

Analysts had expected permits to recover from their slight (0.9 percent) downturn in August but those polled by Econoday had a consensus of only 1,451,000 units. Even the high end of their 1,375,000 to 1,500,000 forecast range was well below the actual number.

Single-family permits rose **7.8 percent** to an annual rate of 1,119,000 units and was 24.3 percent higher than a year earlier. The August estimate was revised slightly higher, from 1,036,000 to 1,038,000. Permits for construction in buildings with five or more units rose 1.0 percent to 390,000, however this is 22.2 percent below the pace a year earlier.



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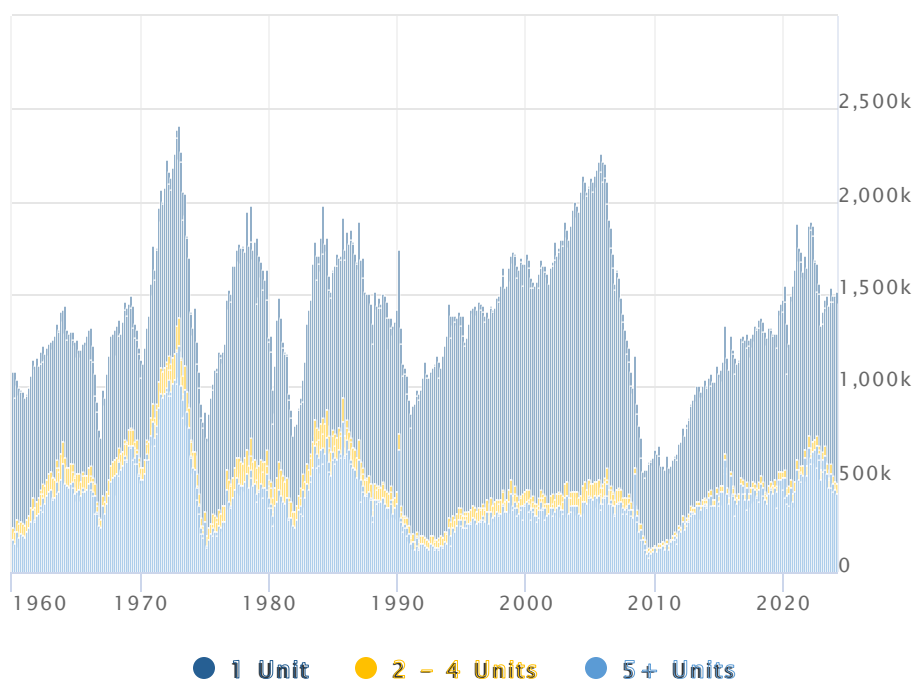
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Building Permits By Structure



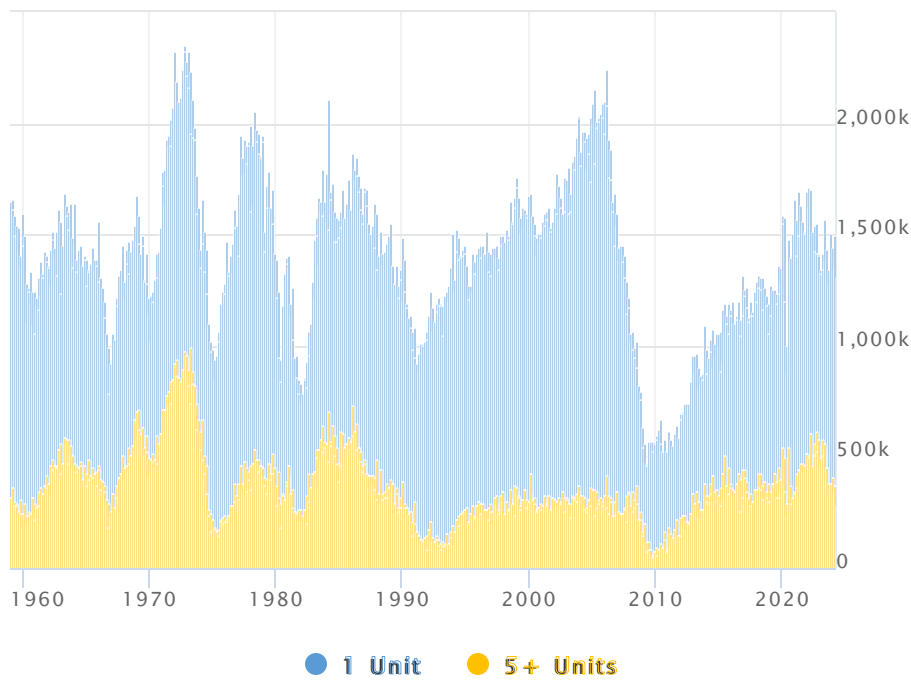
On a non-seasonally adjusted basis there were 134,200 permits issued for residential construction compared to 126,200 in August. Single family permits numbered 95,300 and 89,900 units, respectively.

For the year-to-date (YTD) there have been 1,058,700 permits issued, a 3.7 percent increase over the same period in 2019. Single-family permits are up 9.9 percent to 712,200 and the number of multifamily permits has increased 8.4 percent.

Housing starts rose 1.9 percent in September to a seasonally adjusted annual rate of 1,415,000 from an adjusted rate of 1,388,000 (revised down from 1,470,000) in August. The September rate was 11.1 percent higher than the pace of starts a year earlier.

Analysts were **way too optimistic when it came to housing starts**. They were looking for a rate in a range of 1,400,000 to 1,560,000 with a consensus of 1,500,000.

Housing Starts By Structure



Single-family starts posted an 8.5 percent month-over-month gain and 22.3 percent on an annual basis at 1,108,000 units. Starts in August were at a rate of 1,021,000 units which did not require adjustment. Multifamily starts fell 14.7 percent to 295,000 units, an annual decline of 17.4 percent.

On a non-adjusted basis there were 125,000 housing starts, up by 500 units from August. Single-family starts accounted for 97,300 of those units, compared to 92,700 the previous month.

Thus far in 2020 there have been 1,016,200 starts, up 5.5 percent from 963,500 during the first nine months of 2019. Single-family starts total 715,600, up 6.2 percent and multifamily starts have increased by 3.9 percent to 291,000.

Mike Fratantoni, chief economist for the Mortgage Bankers Association, commented, "Total September housing starts declined from August, but the retreat in building was driven by an almost 15 percent decline in multifamily starts, which tend to be more volatile. Builders are gearing up for an even faster pace in the months ahead, which is welcome news for households wanting to buy a new home. The housing market is being constrained by the lack of inventory, with both new and existing homes being sold faster than new listings are arriving.

"Home prices are once again increasing much faster than household incomes. Even though mortgage rates remain at record lows, unless more homes are built, first-time buyers will have an increasingly difficult time being able to find a home they can afford."

Homes were completed at an annual rate of 1,413,000 units, up 15.3 percent from August and 25.8 percent higher on an annual basis. Single-family homes came on line at a rate of 921,000 units, up 2.1 percent and 8.1 percent from the two earlier periods. Multifamily unit completions were 52.4 percent and 79.1 percent higher respectively.

On a non-adjusted basis there were 121,100 units completed during the month, 79,200 of which were single-family houses. In August, the numbers were 112,000 and 79,500.

YTD there have been 936,600 units completed, an increase of 2.2 percent. Single-family completions are up 1.8 percent to 664,500 units and multifamily completions, at 265,000 units, represent 3.3 percent YTD growth.

At the end of September there were 1,209,000 units under construction, 539,000 of which were single-family homes. In addition, there were 180,000 outstanding permits under which construction had not started. Single-family permits accounted for 104,000 of that total.

Permitting was up 25.8 percent month-over-month in the **Northeast** and was 15.3 percent higher on an annual basis. Starts shot up by 66.7 percent for the month and were 26.1 percent higher than a year earlier. Completions rose 5.3 percent from August but were down 2.0 percent for the year.

In the **Midwest** there were 9.6 percent more permits issued than in August and a 16.4 percent increase from the prior September. Housing starts, however, dropped by 32.7 percent although they were still 4.4 percent higher annually. Completions rose 24.6 percent and were 42.5 percent higher than a year earlier.

The rate of permitting in the **South** rose 2.0 percent from September and 7.7 percent year-over-year. Starts were up 6.2 percent and 8.9 percent from the two earlier periods. There were 21.4 percent more units brought on line than the previous month, an increase of 28.6 percent on an annual basis.

There was a 3.2 percent increase in the rate of permitting in the **West** compared to the prior month and 2.4 percent more year-over-year. Starts rose 1.4 percent from the August rate and were 13.6 percent above the rate in September 2019. Completions rose 2.3 percent and 21.5 percent from the two earlier periods.