



## Construction Surges to Highest Levels in 15 Years

Residential construction finished out 2020 much more strongly than analysts had expected. The U.S. Census Bureau and Department of Housing and Urban Development reported **significant increases in both residential permitting and housing starts in December**, the second month in a row those numbers have grown. The numbers, however, took a hit in the Northeast.

Permits for privately funded construction were issued at a seasonally adjusted annual rate of 1,709,000 units, an increase of 4.5 percent from the revised (from 1,639,000 units) rate of 1,635,000 in November. The pace of permitting in December was 17.3 percent higher than the 1,437,000 units estimated a year earlier.

*Econoday* and *Trading Economics* had reported low expectations for December permits on the part of their analysts. The consensus estimates from both were around 1,600,000 units.

**Single-family permits rose 7.8 percent from the prior month** to a rate of 1,226,000 and the November estimate was raised to 1,137,000 from 1,128,000. Single-family permits are now up 30.4 percent year-over-year. Multifamily permits, in contrast, declined by 2.0 percent for the month and were 7.8 percent lower on an annual basis. The annual permitting rate for units in building with five or more was 437,000 units.

There were 134,100 housing permits issued in December, 88,800 of them for single-family construction. The unadjusted numbers in November were 120,000 and 79,500, respectively.

There were an estimated 1,452,000 permits issued over the course of 2020 compared to 1,386,000 in 2019, an increase of 4.8 percent. The year's total of 977,000 single-family permits was a 13.3 percent annual gain while permits for multifamily construction dropped 10.8 percent to 429,400 units.

**Housing starts**, which were projected to be flat compared to November, **posted a 5.8 percent gain** to 1,669,000 units in December. The November estimate was also boosted from the original 1,547,000 to 1,578,000 units.

Single family starts increased 12.0 percent for the month and 27.8 percent on an annual basis to 1,338,000 units. Multifamily starts fell 15.2 percent and 40.0 percent compared to the two earlier periods. The December estimate was 312,000 units.

On a non-adjusted basis, housing starts totaled 113,300 for the month compared to 120,200 in November. Single family starts rose to 89,300 from 88,500.

There were an estimated 1,380,300 housing starts in 2020 compared to 1,290,000 by year's end in 2019, an increase of 7.0 percent. The 991,200 single family starts represented growth of 11.7 percent for the year while multifamily starts dipped 3.2 percent to 376,300 units.

Lawrence Yun, chief economist for the National Association of Realtors (NAR) said the December numbers represented the "biggest bang since 2006" for home construction and could mean the worst of the housing shortage might soon come to an end. However, he added, "For 13 straight years prior, homebuilders have been underproducing below historic norms. Therefore, it will take robust home construction this year and next, at a minimum, to fully supply the market to properly meet the demand. **More construction also means more local job creation.** The housing sector looks to lead the economy in recovery in 2021."



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The rate of residential completions jumped 15.9 percent in December, more than making up for a 12 percent shortfall in November and were up 8.0 percent year-over-year. The estimated rate was 1,417,000 units compared to 1,223,000 units in November, a revision from the original estimate of 1,163,000 units. Single-family completions rose 10.2 percent and were 9.0 percent higher than 12 months prior. Multifamily units were completed at a rate 32.3 percent higher than in November and 5.0 percent higher than a year earlier. The estimate rates of completion were 984,000 single-family and 422,000 multifamily units.

Completions on an unadjusted basis in December were 134,400 total and 95,700 single family units compared to 99,600 and 75,600 in November. There were a total of 1,290,600 housing units completed in 2020, a 2.8 percent increase from 2019. Single family completions rose 1.3 percent to 915,300 and multifamily completions were 6.4 percent higher at 364,000 units.

At the end of December there were an estimated 1,271,000 units under construction, 612,000 of them single-family houses. In addition, an estimated 185,000 permits were awaiting the start of construction, 105,000 of them for single-family houses.

Permits declined in the Northeast by 7.2 percent in December and were 4.1 percent lower than the same month in 2019. Starts were down 34.8 percent from November and 24.1 percent compared to the prior December. Completions did tick up 0.9 percent from the previous month but were down 44.9 percent year-over-year.

The Midwest saw permits grow by 13.6 percent from November and 20.7 percent from 12 months earlier. Starts grew 32.1 percent and 5.5 percent compared to the two prior periods. Units were brought on line at an increased rate of 15.7 percent and 38.1 percent.

Building permits were issued in the South at a rate that was 1.3 percent higher for the month and grew 22.1 percent over the last 12 months. Starts improved by 5.5 percent and 7.8 percent for the month and the year. Completions were up by 19.5 percent and 16.0 percent, respectively.

Permits increased by 11.2 percent and 14.7 percent for the month and year-over-year in the West. The rate of starts rose 10.2 percent and 10.0 percent from November 2020 and December 2019 estimates. Completions were up by 14.1 percent and 12.7 percent.