



Construction Starts and Permits Took a Double-Digit Hit in February

It looked last month as though residential construction was about to take off. While starts were down in January, permits surged by 10.4 percent. **Builders apparently had second thoughts in February as both measures fell by double digits.**

The U.S. Census Bureau and Department of Housing and Urban Development said permits for construction of residential units were at a seasonally adjusted rate of 1,682,000. **This is 10.8 percent below the revised** (from 1,881,000) rate in January of 1,886,000. The February rate was still a 17.0 percent improvement on the permitting rate a year earlier.

Permits were expected to decline after January's substantial increase, but analysts polled by Econoday were still looking for a much higher number. Estimates ranged from 1,600,000 to 1,862,000 with a consensus of 1,750,000.

Single-family permitting was down 10.0 percent from the January level of 1,270,000 to 1,143,000 although that was still 15.0 percent higher than a year earlier. Multifamily construction fell 11.6 percent to a rate of 495,000 but remained up 24.1 percent year-over-year.

On an unadjusted basis there were 117,200 residential permits issued during the month compared to 128,800 in January. Single-family permits numbered 80.9 and 83.9 for the two periods.

For the year-to-date (YTD) 246,000 permits have been issued, up 16.0 percent from the same period in 2020. There have been 164,800 single family permits and 74,500 for construction in buildings of five or more units. These are YTD increases of 16.5 percent and 15.7 percent, respectively.

Housing starts fell 10.3 percent from January's estimate of 1,584,000 (revised from 1,580,000) annualized units to 1,421,000 units, the lowest rate since last June. This put starts 9.3 percent behind the 1,567,000 unit rate in February 2020.

Analysts had expected starts to be in the range of 1,470,000 to 1,670,000 units. The consensus was 1,570,000 units.

Robert Dietz, chief economist for the National Association of Home Builders issues the following comment about the census construction data. "Builders report concerns over increasing lumber and other construction costs, as well as delays in obtaining building materials. Rising interest rates will also erode housing affordability in 2021, as seen by recent gains in the 10-year Treasury rate. Builders also reporting growing concerns about a more challenging regulatory environment that could limit land development volume. The NAHB forecast includes some weakening for single-family home building at the start of 2021 (off recent highs), **with a return to the long-run post-Great Recession trend as the year progresses.**

Single-family starts were at a rate of 1,040,000 compared to 1,136,000 the previous month, an 8.5 percent loss. Those starts are now up only a fraction of a point from a year earlier. Multifamily starts declined compared to both earlier periods, by 14.5 percent and 27.6 percent, respectively.

There were 100,700 starts during the month, 72,200 of them single family homes. In January, the respective numbers were 111,000 and 77,100 units.



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YTD there have been 211,700 housing starts, down from 224,700 in the first two months of 2020 and a decline of 5.8 percent. Single-family starts are higher than a year earlier by 6.4 percent to 149,300 units while multifamily starts are down 26.1 percent to 60,800 units.

Completions increased by 2.9 percent from January to a seasonally adjusted rate of 1,362,000 units and are running 5.0 percent above a year earlier. Single-family completions were up 2.8 percent and 3.2 percent to an annual rate of 1,042,000 and multifamily completions, at 314,000 have grown by 3.0 percent and 12.9 percent.

There were 95,600 residential units completed during the month compared to 93,000 in January. Single-family completions increased from 71,800 to 74,100.

YTD completions number 188,600, up 4.2 percent from 181,000 during the same period in 2020. The 145,900 single-family completions are 9.4 percent more than the same period last year but multifamily completions at 41,900 are down 9.6 percent.

At the end of the reporting period there were 1,283,000 units of housing under construction, 621,000 of them single-family residences. There were also 214,000 permits issued under which construction had not started.

Permits in the **Northeast** were down 9.8 percent for the month but were 32.8 percent higher on an annual basis. Starts are down 39.5 percent and 2.5 percent for the month and the year. Completions were 1.9 percent and 2.9 percent lower than in January and in February 2020.

The **Midwest** saw permitting rise 1.2 percent from January and 26.4 percent from the previous February. Starts, on the other hand, plummeted by 34.9 percent and 29.9 percent. There were 10.9 percent more completions in February than in January, 0.5 percent more than a year earlier.

Permitting declined by 13.9 percent in the **South** compared to January but were up by a nearly identical percentage year-over-year. Starts fell 9.7 percent and 16.6 percent. Completions edged up 0.8 percent from the previous month but were 16.2 percent higher on an annual basis.

The **West's** rate of permitting was 11.3 percent lower than the prior month but up 12.7 percent from the prior February. Starts rose 17.6 percent and 15.8 percent. Completions grew by 5.1 percent from January but were 10.9 percent lower year-over-year.