



May Housing Starts Post Modest Recovery from April's Slump

Housing starts recovered in May after falling more than 9 percent in April but permitting had another lackluster month. The U.S. Census Bureau and Department of Housing and Urban Development report that residential units were started at a seasonally adjusted annual rate of 1.572 million, a 3.6 percent improvement on the revised (from 1.569 million) rate of 1.517 million in April. Starts are running 50.3 percent ahead of the rate in May 2020.

May's results were slightly lower than expected. Analysts polled by *Econoday* had a consensus estimate of 1.630 million. The forecasts ranged from 1.500 to 1.735 million.

Construction was begun on single-family houses at an annual rate of 1.098 million, a 4.2 percent gain from April's revised rate of 1.054 million and up 49.8 percent year-over-year. The April starts were originally reported at a rate of 1.087 million. Multifamily starts rose 4.0 percent to 465,000 units and are 52.5 percent higher on an annual basis.

Lawrence Yun, chief economist for the National Association of Realtors, said of the report: "Housing starts picked up in May. The trend since the onset of the pandemic has been notably higher **single-family homebuilding and subdued multifamily construction**. That tilt is a proper response, given the limited single-family home inventory and what had been a deceleration in apartment rent growth."

On a non-adjusted basis there were 143,100 units of residential housing started during the month, 100,600 of them single-family units. The respective numbers for April were 135,800 and 96,600.

For the year-to-date (YTD) there have been 636,700 housing starts, 25.1 percent more than the 509,200 units started through the first five months of 2020. Single family starts are up 31.2 percent to 452,600 and the 178,300 multifamily starts represent 12.0 percent year-over-year growth.

Residential permits were issued in May at a seasonally adjusted annual rate of 1.681 million. This is 3.0 percent lower than the revised (from 1.760 million) April rate of 1.733 million. The rate was 34.9 percent higher than in May of last year.

May's number was **well below even the tightest projections for the month**. Estimates ranged from 1.700 million to 1.780 million with a consensus of 1.738 million.

Single-family permits declined 1.6 percent from 1.148 million in April to a rate of 1.130 million, a 50.1 percent year-over-year gain. The rate of permitting for multifamily construction was down 7.7 percent to 494,000 units but up 10.0 percent from the previous May.

There were 142,000 permits issued during the month, down from 157,900 in April. Single family permits fell from 107,800 to 98,700.

YTD there have been 709,400 permits issued, 32.7 percent more than the 534,500 over the same period in 2020. Single-family permits rose 38.4 percent to 482,900 and multifamily permits total 205,600 compared to 169,500 YTD in 2020.



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The rate of housing completions was down 4.1 percent from April to a seasonally adjusted annual rate of 1.368 million units, improving 16.1 percent year-over-year. Single-family houses came on line at a rate of 978,000 units, down 2.6 percent from the previous month but representing 17.0 percent growth from the prior May. Multifamily completions dropped 7.6 percent to a rate of 387,000 units.

On a non-adjusted basis there were 114,000 units completed during the month, 81,400 of them single family units. The comparable numbers in April were 113,000 and 79,500. YTD completions are up 12.6 percent to 535,800. Single family completions rose 13.1 percent and multifamily 13.4 percent to 389,500 and 144,400 units, respectively.

At the end of May there were 1.324 million residential units under construction, 652,000 of them single-family units. The backlog of permits for which construction was not started was 238,000, 142,000 of them for single-families.

Housing starts in the **Northeast** fell 22.6 percent from their April level but were 68.6 percent higher than in May 2020. Permits were down 7.1 percent for the month but were 39.3 percent higher on an annual basis. Completions fell by 33.7 percent and 29.5 percent from the two earlier periods.

The **Midwest** posted an increase of 29.9 percent for housing starts compared to the prior month and a 66.0 percent annual increase. There were 2.6 percent fewer permits issued than in April, but 29.1 percent more than in May of last year. Completions rose 9.1 percent and 3.8 percent compared to the earlier figures.

Starts gained 3.8 percent in the **South** and were 59.6 percent higher than 12 months earlier. Permitting dipped 2.3 percent but remained 31.7 percent above last May's level and completions ticked up 1.1 percent from April and were nearly one-third higher on an annual basis.

Starts eked out a 1.0 percent improvement for the month in the **West** but increased 24.5 percent from April 2020. Permitting was down 3.1 percent from April but was up 44.5 percent from the prior May. Completions fell 14.7 percent from the prior month but grew 2.2 percent on an annual basis.