



Construction Numbers Pushed Higher by Multifamily Surge

Residential construction numbers were a surprise again in August. Permits for construction and housing starts were both higher than expected, however, **multifamily numbers were driving the results.**

Housing permits were issued at a seasonally adjusted annual rate of 1.728 million units, a 6.0 percent increase from the 1.630 million permit rate (revised down from 1.635 million) in July and 13.5 percent higher than the 1.522 million number in August 2020.

Analysts had expected permits to pull back from the July pace. Those polled by both *Econoday* and *Trading Economics* had projected permits at 1.6 million units.

Single family permits were only fractionally higher than the prior month, a 0.6 percent gain from 1.048 million to 1.054 million units. Permits for construction in buildings containing five or more units rose 19.7 percent to 632,000 units and were 52.7 percent above the rate a year earlier.

On an unadjusted basis there were 155,300 permits issued in August compared to 139,200 the prior month. Single-family permits for the two periods numbered 94,000 and 91,900, respectively.

For the year-to-date (YTD), 1.166 million permits were issued, **25.7 percent more than during the first eight months of 2020** (928,000). Single family permits grew by about the same percentage, 25.5 percent, to 775,900. Permits for multifamily units, a total of 355,500 YTD, represent an increase of 26.9 percent.

Starts declined by 7.0 percent in July but recovered some of those losses last month, rising 3.9 percent. Builders began construction at a seasonally adjusted annual rate of 1.615 million units. The 1.534 million rate originally reported for July was revised upward to 1.554 million.

Starts also exceeded expectations. *Econoday's* analysts had forecast a start rate of 1.575 million units and those polled by *Trading Economics* reached a consensus of 1.555 million.

Single-family starts declined from July's 1.107 million rate (revised from 1.111 million) to 1.076 million, a -2.8 percent change. Multifamily starts, however, were 21.6 percent above the July rate and surged 60.1 percent year-over-year.

Starts rose from 142,800 unadjusted units in July to 144,000 in August. Single-family starts dropped to 96,600 from 104,000.

YTD starts totaled 1.080 million, up 21.5 percent from the 889,100 to the same date in 2020. The 765,300 single family starts thru August are 23.8 percent more than during the prior period, while the 306,300 multifamily starts represent a 16.6 percent increase from 2020.

Residential units were completed at a seasonally adjusted rate of 1.330 million in August, 4.5 percent below the July rate but 9.4 percent higher on an annual basis. Single-family completions rose 2.8 percent and 8.5 percent from the earlier periods to a rate of 971,000 while the rate of completions of multifamily units fell 17.8 percent in a month but were 14.1 percent higher year-over-year.



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There were 120,900 units brought on line during the month, 85,500 of them single-family houses. The respective July numbers were 122,100 and 78,300.

The first eight months of this year saw completion of 892,100 units, up 9.5 percent from 814,700 in 2020. Single-family completions totaled 632,400, an 8.2 percent annual increase, while multifamily completions rose 14.1 percent to 255,300.

At the end of August there were 1.404 million residential units under construction, 1.7 percent more than in July. Single-family units accounted for 702,000 of the units underway. In addition, there were 251,000 permits outstanding under which ground had not been broken, 147,000 of them for single-family units.

National Association of Home Builders economist Robert Dietz said the single-family housing starts "are **distorted by the weak readings of the Summer of 2020.**" He added, "While the single-family sector has been cooling off the unsustainable seasonally adjusted pace of last Winter, recent forward-looking readings suggest that trend is now stabilizing. For example, single-family permits have been stable since June. It is worth noting however that the number of single-family homes permitted but not started construction continues to be elevated, up 50 percent year-over-year to 147,000 single-family homes, a clear sign of ongoing supply-chain issues.

Permits in the **Northeast** rose 18.5 percent from July and were 21.3 percent higher year-over-year. Starts jumped by 167.2 percent and 105.7 percent compared to the two earlier periods. Completions grew by 38.4 percent and 61.5 percent respectively.

In the **Midwest**, permitting grew 0.9 percent from July and was 10.3 percent higher on an annual basis. Starts were up 11.4 percent for the month but declined 14.5 percent from the prior August. Completions fell by 23.8 percent and 17.5 percent from their earlier numbers.

The **South** saw increases of 6.7 percent and 11.1 percent in permitting activity for the month and from the prior August. Starts inched up 1.4 percent month-over-month and were 29.2 percent higher than in August 2020. Completions ticked down 0.7 percent from July but gained 15.9 percent on an annual basis.

Permits grew 3.5 percent in the **West** compared to the previous month and activity was 18.0 percent higher than the same month in 2020. Construction starts dropped off, falling 21.1 percent and 7.0 percent from July and from August 2020, respectively and completions fell as well, declining 14.7 and 3.6 percent.