HOUSING CONNECTION
Mortgage and Real Estate News That Matters

New Home Construction Spending Slips. Remodeling Picks up Slack

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Construction spending in August, both public and privately funded, was **essentially unchanged** from the prior month. The Census Bureau said total construction spending was at a seasonally adjusted annual rate of $1.584 trillion dollars, unchanged from July. The rate was 8.9 percent higher than in August 2020, but the gain was **solely due to an increase in privately funded residential spending.**

On a non-adjusted basis there was $148.020 billion spent during the month, again essentially unchanged from the previous month. So far in 2021 spending has totaled $1.035 trillion a 7.0 percent increase over the $966.720 billion spent during the first eight months of 2020. However, non-residential spending has declined 6.7 percent for the year-to-date (YTD). Wells Fargo says, "The construction industry as a whole has had to contend with a multitude of pandemic-related disruptions, such as increased safety precautions, building material cost run-ups created by global supply chain dysfunction, and acute skilled-labor shortages.

Privately funded construction expenditures during the month were at a seasonally adjusted annual rate of $1.242 trillion, 0.1 percent less than the rate in July. Spending on all privately funded projects is up 13.0 percent compared to the prior August. Before adjustment, the August spending on private projects totaled $113.863 billion, a slight month-over-month gain from the $111.938 rate in July. YTD spending is up 11.4 percent to $808.646 billion.

Residential spending accounted for all of the year-over-year gains. On a seasonally adjusted annual basis it consumed $786.589 billion of the $1.242 trillion total expenditures. This was a 0.4 percent gain, the sixth consecutive month that residential spending has grown and a 24.3 percent increase from August 2020. Wells Fargo points out that the month-over-month residential gains, however, were due almost entirely to a 2.5 percent increase in home improvement spending. Single-family construction spending declined 0.7 percent and multifamily spending was off 0.8 percent from July. Wells Fargo's economists said more time is being spent at home and low interest rates, rising home equity and the dearth of homes available for sale has led to a surge in repair and remodel activity. At the same time, shortages of key raw materials may be hampering new home construction.

Both single family and multifamily spending **continued to maintain a strong edge year-over-year.** They are up 38.3 percent and 12.7 percent, respectively, from last August.

On an unadjusted basis there was $113.863 billion spent in the private sector in August, $74.476 billion of it on residential projects. YTD $506.584 billion has been spent on all residential construction, a 26.2 percent increase over the same period in 2020. Single family construction is up 38.4 percent and multifamily spending has grown 18.4 percent.

Residential construction is the only privately funded category to increase on a YTD basis. The total non-residential sector is down 6.8 percent, with every subcategory declining from the amount spend in the first eight months of 2020. Five subcategories, lodging, office, educational, religious, and amusement/entertainment, have dropped by double digits.

Publicly funded construction eked out an 0.5 percent gain for the month, but the seasonally adjusted annual rate of spending, $341.869 billion, is down 4.0 percent compared to last August. Residential spending, which had been strong over the last year or so, was down 1.4 percent in August and is lagging year-over-year by 4.3 percent.

So far this year there has been $225.845 billion spent in the public sector, down 6.3 percent from the same period in 2020.