



## New Construction Numbers Would Look Way Worse Without Multifamily

It seems that most of the stories I write on home sales and construction numbers begin with a slightly different iteration of the same core thought: the housing market has undoubtedly taken a big hit since topping out about a year ago. Once we get that "big hit" part out of the way, we can then break down some of the details.

On several recent occasions, those details have involved a slower pace of declines and perhaps even some resilience when it comes to prices and certain sales metrics. We already know that homebuilders were much more upbeat in January, so let's see what it is about January's residential construction numbers that did the trick.



Hmmm... That's not looking so hot. Housing Starts came in at 1.309m (annual pace) vs forecasts calling for 1.360m and a previous reading of 1.371m.

Building Permits did a better job of holding steady at 1.339m vs forecasts calling for 1.350m and a previous reading of 1.337m.



**Jason Wood**

Mortgage Advisor & VA  
Loan Specialist, VA Loan  
Guy

[www.valoanguyusa.com](http://www.valoanguyusa.com)

P: (760) 350-3989

M: (760) 217-0820

2714 Loker Ave. W.  
Carlsbad CA 92010\_\_\_\_  
317293

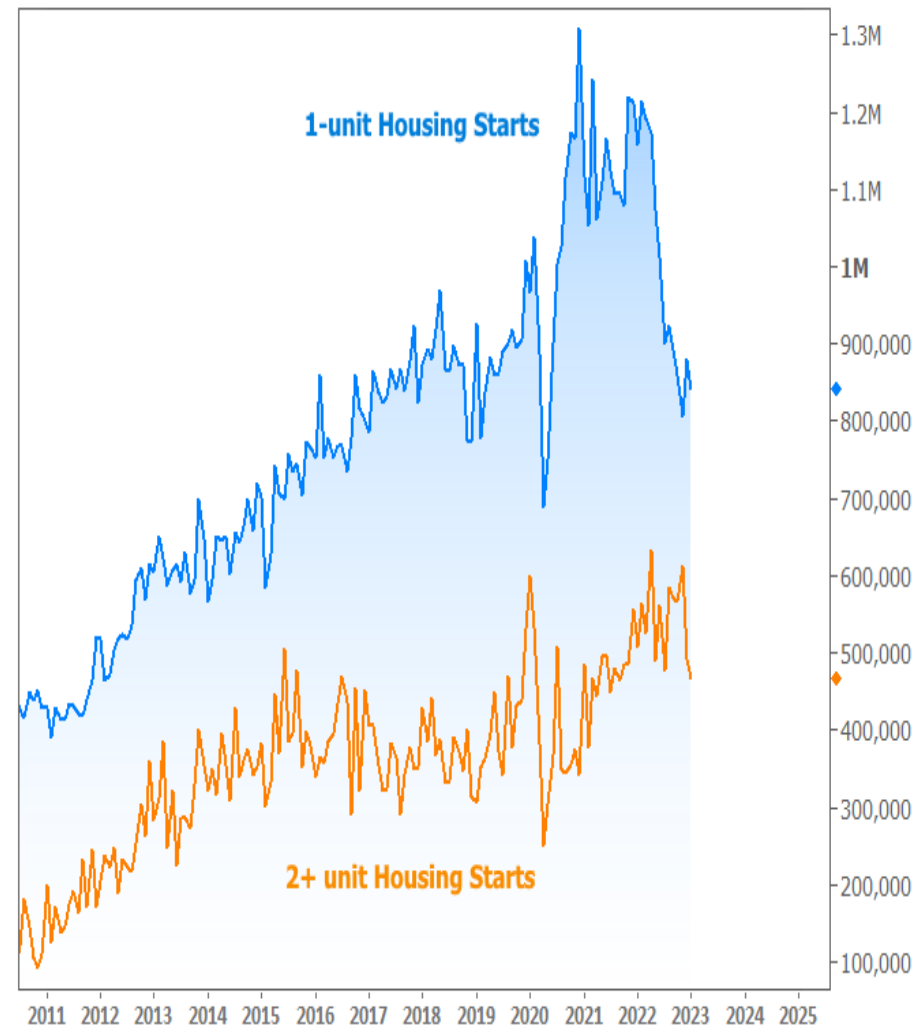
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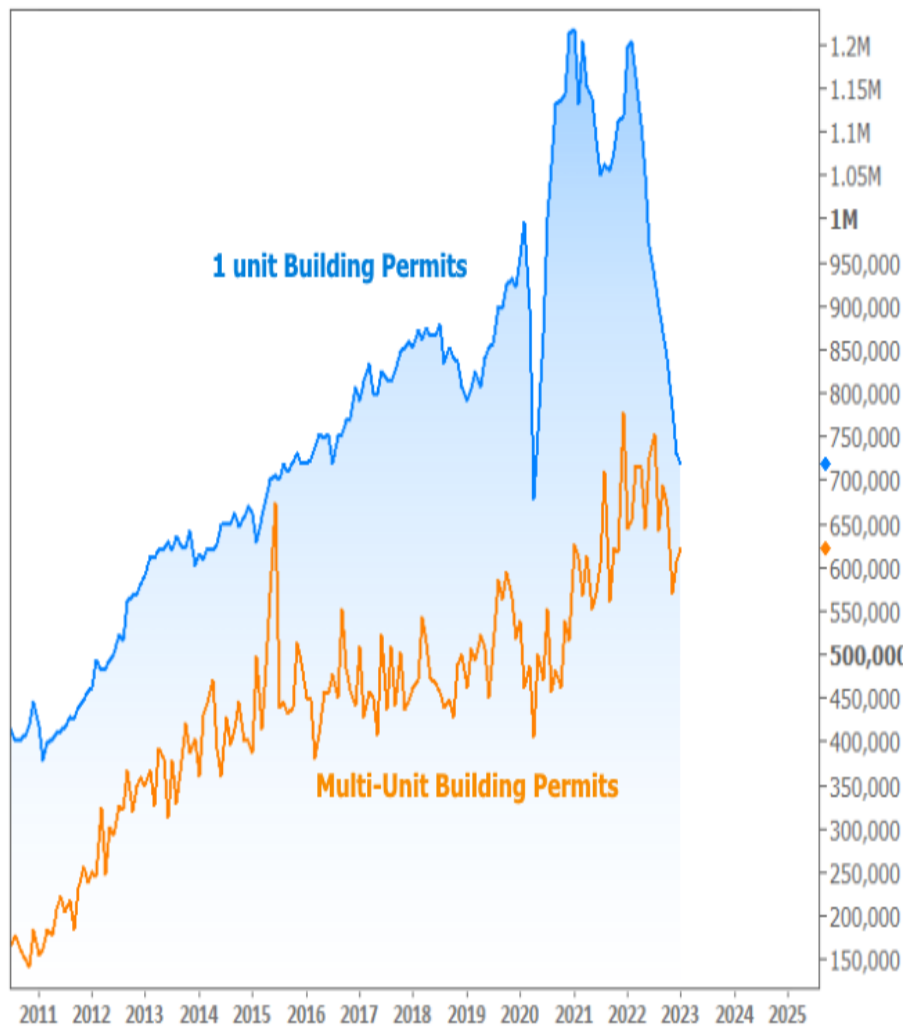
With respect to the chart above, it's worth noting that although housing starts have fallen more than expected, they're still higher than just about any pre-covid month for the past decade. Compared to some other housing metrics, they haven't retraced nearly as much of their previous range.

To some extent, we should certainly expect new housing to outperform housing in general when so many homeowners are reluctant to move out of their existing homes (either because they don't want to sacrifice their ultra low rates, or because they simply don't need to move). But if we need any additional help justifying resilience, the multifamily sector provides the answer.

The following chart shows multifamily vs 1-unit housing starts. Multifamily has quite simply been extraordinarily even-keeled by comparison and hasn't experience nearly as much of a decline.



The trend doesn't look like it will change any time soon. The difference in building permits is even more stark.



Consider this as a parting thought: there are currently MORE multifamily units that have been permitted, but not yet started than there are single family units. This isn't the first time in history such a thing has happened (the most recent trend began in July), but it hadn't ever happened before 2012. Single family construction was pulling away post-pandemic, but multi-family is taking over yet again.

