



Construction Stats Improve, Multifamily Plays Leading Role

It didn't approach the levels of the "good old days" of 2020 and 2021, but construction activity did show signs of life last month. The U.S. Census Bureau and the Department of Housing and Urban Development reported that both housing permit activity and residential construction starts rose sharply in February after a fairly lackluster performance in January. As in January, however, credit was largely due to multifamily construction.

Permits for residential housing units were issued at a seasonally adjusted annual rate of 1.524 million units in February compared to 1.339 million in January. This was an increase of 13.8 percent. The figure, however, remains 17.9 percent lower than the February 2022 rate of 1.857 million units.

The rate of permitting for single-family houses rose 7.6 percent to 777,000 units while multifamily permits were 24.3 percent higher at 560,000 units. Single-family permits were down 35.5 percent year-over-year, but the multifamily rate gained 16.9 percent on an annual basis.

Prior to adjustment, the report puts the number of permits issued in February at 109,500 of which 58,200 were for single-family houses. The respective January numbers were 101,000 and 53,100.

Permitting rose in three of the four major regions in February. The Midwest's rate increased 9.6 percent, the South's rose 10.9 percent, and permitting shot up 30 percent in the West. The Northeast was the outlier with a 2.8 percent decline. All regions performed well below their February 2022 levels, with deficits ranging from 11.4 percent in the South to 42.5 percent in the Northeast.

Housing starts increased by 9.8 percent compared to January. The seasonally adjusted rate rose from 1.321 million units, revised from the original estimate of 1.309 million to 1.450 million. This was 18.4 percent lower than starts the prior February.

Again, the month-over-month gains came principally from the multifamily sector. Those starts jumped 24.1 percent while single-family starts only edged up by 1.1 percent to annual rates of 608,000 and 830,000 respectively. Single-family starts were down 31.6 percent from February 2022 while multifamily starts grew 14.3 percent.

Robert Dietz, chief economist for the National Association of Home Builders, called February's single-family production rate "anemic." He said builders are continuing to wrestle with elevated mortgage rates, high construction costs and tightening credit conditions that threaten to be exacerbated by recent turmoil in the banking system.

On an unadjusted basis, housing starts totaled 104,900 compared to 96,800 in January, and those for single-family houses rose to 58,600 from 57,900. In February 2022 there were 126,100 residential construction starts.

The Northeast was also the only region where starts declined, falling 16.5 percent from the prior month. Starts shot up 70.3 percent in the Midwest and were up 2.2 percent and 16.8 percent in the South and the West. Annual decreases ranged from 14.1 percent in the Midwest to 20.3 percent in the South.



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Both permits and starts were much higher than projected. *Econoday* analysts had a consensus forecast of 1.340 million permits and 1.315 million for housing starts.

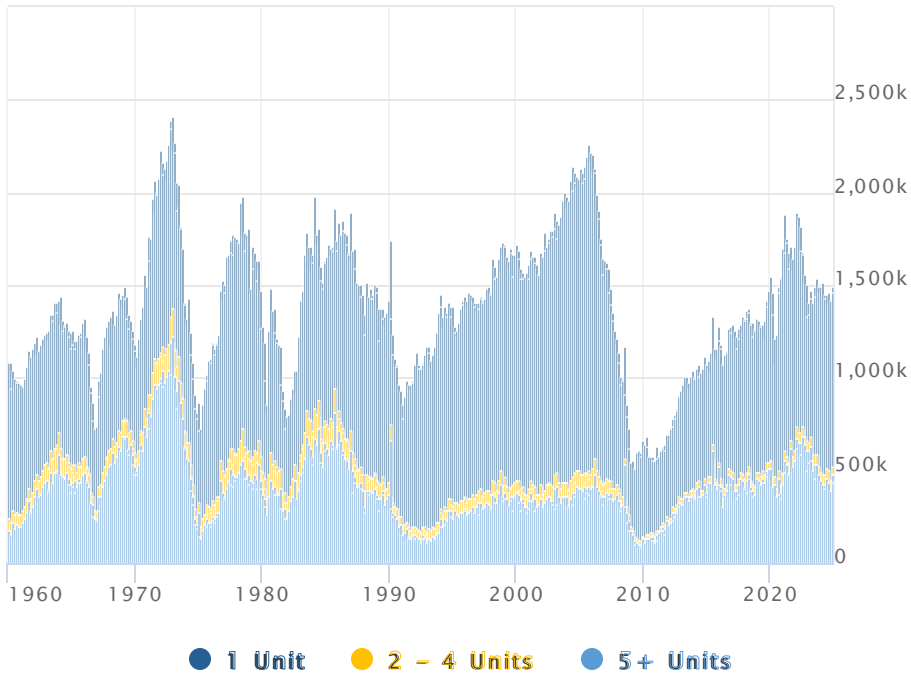
The rate of unit completions rose 12.2 percent in February to an annual rate of 1.557 million. During the first two months of the year, there have been 205,200 housing units completed, 147,600 of them single-family homes.

At the end of the reporting period, there were 294,000 permits issued under which construction had not started, virtually unchanged from the prior month while the backlog of single-family permits declined by 3.0 percent to 130,000. In addition, an estimated 1.691 million units were under construction including 734,000 single-family units.

Dietz points out that, “Given the declining pace for single-family starts in 2022, more homes are being completed than starting construction. In February, 58,600 single-family homes started construction. However, 77,100 completed construction.” For the year-to-date, there have been 116,500 single-family starts and 147,600 units brought online.

This difference is responsible for the ongoing decline in the number of single-family units under construction, as displayed in the chart below.

Building Permits By Structure



Housing Starts By Structure

