HOUSING CONNECTION
Mortgage and Real Estate News That Matters

Mixed Results for August Construction

Results of the August Residential Construction report from the U.S. Census Bureau and the Department of Housing and Urban Development were decidedly mixed. While permits were issued at a rate higher than anticipated, housing starts sunk to the lowest level since June 2020,

Construction was started on residential units at a seasonally adjusted annual rate of 1.283 million, an 11.3 percent decline from the July level of 1.447 million units. Further, the earlier results represent a downward revision from the original estimate of 1.452 million. Both *Econoday* and *Trading Economics* had consensus forecasts of 1.44 million units. Starts were 14.8 percent lower than in August 2022.

Single-family starts were down 4.3 percent from July to an annual rate of 941,000. This, however, was 2.3 percent higher than the level a year prior. Multifamily starts plunged 26.3 percent month-over-month and 41.0 percent on an annual basis to a rate of 334,000 units.

Permits for residential construction rose to a seasonally adjusted rate of 1.543 million units, a 6.9 percent increase from the 1.443 million rate in July and the highest level in ten months. Permits were, however, still down 2.7 percent on an annual basis. The number was about 100,000 units higher than consensus estimates.

Construction permits were issued for 949,000 single-family homes on an annualized basis, a 2.0 percent increase from July and 7.2 percent more than a year earlier. Multifamily permits were 14.8 percent higher than the prior month but, at an annualized 535,000 units, down 17.7 percent from August 2022.

Ryan Skove
Real Estate Professional, Skove Real Estate Team - eXp Realty
https://NJShoreRealtors.com
P: (732) 284-1116
M: (732) 301-2687
213 NJ-35
Red Bank NJ 07701
#2186472

On a non-adjusted basis, construction was started on 114,200 residential units, 84,100 of which were single-family houses. In July the totals were 130,600 and 91,200. Permits rose from 118,700 in July to 142,000 with single-family permits increasing from 77,800 to 88,400.

Construction was completed on 126,000 units in August, an annualized rate of 1.406 million units. Single-family completions totaled 83,100, a rate of 961,000 units.

At the end of August, there were 1.688 million units under construction, 676,000 of which were single-family houses. In addition, in addition, there was a backlog of 282,000 permits, 142,000 of them for single-family units.

National Association of Home Builders analyst Danushka Nanayakkara-Skillington noted that, as an indicator of the economic impact of housing, there are now 676,000 single-family homes under construction, down 16.3 percent from a year earlier. "Meanwhile, there are currently over 1 million apartments under construction. This is up 13.2 percent compared to a year ago (894,000). Total housing units now under construction (single-family and multifamily combined) are 0.8 percent lower than a year ago."

Over the first eight months of 2023, housing starts have totaled 960,000, 12.5 percent fewer than at the same point in 2022. Single-family starts are down 15.1 percent and multifamily starts are 6.6 percent lower. Year to date, 1.007 million permits have been issued, a decline of 15.8 percent. Single family permits are 15.5 percent off last year's pace, and those for multifamily units are down 17.7 percent. So far in 2023 there have been 946,600 homes completed, up 5.8 percent YTD. However, single-family completions are down 1.5 percent for the same period while multifamily homes account for a quarter of the total, with annual growth of 26.1 percent.

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The level of permitting rose by 9.3 percent in the Northeast compared to July and was 14.5 percent lower on an annual basis. The region saw the only monthly gain for starts, up 1.0 percent, but the rate plunged by 45.5 percent from the previous year.

The Midwest posted a 14.3 percent increase in permitting for the month but lagged the prior August by 0.5 percent. Starts declined by 7.5 and 12.1 percent from the two earlier periods.

Permits were issued in the South at a rate 3.9 percent higher than in July and 1.6 percent lower year-over-year. Starts were down 4.9 and 6.1 percent, respectively.

Permitting jumped 9.4 percent in the West, remaining 2.1 percent lower the in August 2022. The West posted monthly and annual declines in starts of 28.9 percent and 20.2 percent.

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