



Two Ways to Look at Residential Construction Slowdown

The most common interval for scheduled economic data is "monthly." That means that things like inflation, sentiment, job counts, unemployment, retail sales, and many other economic metrics are updated and released every month, even when nothing very interesting is happening.

On that note, there are several regularly scheduled housing related reports. This month's installment of New Residential Construction is today's example and, as you may have guessed, nothing very interesting is happening.

At a glance details:

- Housing Starts (1st phase of actual construction)
 - 1.311 million annual pace vs 1.33m forecast, 1.353m previously
- Building Permits
 - 1.416m vs 1.430m forecast, 1.425m previously

Neither measurement stands out on a longer term chart. Both have dialed back from the long-term highs seen between late 2020 and early 2022, but both remain in strong territory relative to 2019. This is the first way to view the slowdown in construction.



Jeff Diaz

Mortgage Loan Originator,
The Jeff Diaz Team -
Barrett Financial Group
L.L.C

thejeffdiazteam.com
P: (602) 777-7765
jeff@barrettfinancial.com

275 E Rivulon Blvd
Gilbert Arizona 85297
NMLS# 980070
Company NMLS# 181106



The other way to view the slowdown is to focus solely on the slowdown in greater detail and attempt to connect it to another variable. That ends up being fairly easy if we merely consider the massive rate spike that coincided with the rapid contraction in building permits.



In not so many words, construction metrics have been bouncing around their current levels ever since mortgage rates spiked to the 6-8% range. This isn't to say that interest rates are the exclusive reason for the slowdown, but the rate spike coincides with other headwinds. Those include things like affordability, labor costs, machinery/material costs, and financing costs for builders.