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June Construction Numbers Tried to Hang on, But Failed to Impress

The residential construction numbers in June were expected to come in largely in the same neighborhood as in May. Analysts however got it only half right. While starts fell fractionally, **permits took a dive, falling by 6.1 percent** compared to the previous month.

The U.S. Census Bureau and Department of Housing and Urban Development said permits for residential construction were at a seasonally adjusted annual rate of 1,220,000 compared to a revised 1,299,000 in May. May permits were originally reported at an annual rate of 1,295,000. The June number put the year-over-year results down by 6.6 percent.

Analysts polled by Econoday had expected an annual pace of 1,300,000 for permits. Their forecasts ranged from 1,252,000 to 1,300,000, missing the actual results completely.

Permits for single-family construction did pull out a tiny gain, 0.4 percent, for an annual rate of 813,000 units. The May estimate of 815,000 units was revised down to 810,000. Single-family construction is now lagging on a year-over-year basis by 4.7 percent. Permits for construction in buildings with five or more units fell 20.7 percent to 360,000 and are down 13.3 percent on an annual basis.

On an unadjusted basis there were 110,100 permits issued during the month, 74,100 of which were for single-family houses. In May the relative numbers were 124,300 and 80,600 units. For the year-to-date (YTD) there have been 648,100 permits for residential construction issued, 416,200 of them for single-family homes. During the first six months of 2018 there were 676,900 total permits and 443,400 single family authorizations.

There was a **reduction in housing starts of 0.9 percent in June**, bringing the seasonally adjusted annual number to 1,253,000 units from a revised (from 1,269,000) May estimate of 1,265,000 units. The June pace remained 6.2 percent higher than a year earlier.

Analysts' expectations for starts were much more on the money. The forecasts were for numbers between 1,218,000 and 1,280,000 units. The consensus was 1,260,000.

National Average Mortgage Rates



	Rate	Change	Points
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Mortgage News Daily

30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

Recent Housing Data

		Value	Change
Mortgage Apps	Aug 28	226.9	+0.49%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

Builder Confidence Value Change
Single family starts were up 3.5 percent from May's revised 818,000 (originally 820,000) units to 847,000, but they were down 0.8 percent on an annual basis. **Multifamily** starts were 9.4 percent lower than the previous month at a rate of 396,000 but are 25.3 percent higher year-over-year.

Starts totaled 117,500 on an unadjusted basis compared to 118,400 in May. Single-family starts increased from 78,100 to 81,600. YTD construction has begun on 617,800 residential units against 641,700 thus far in 2018, a 3.7 percent deficit. Single family starts have declined 4.9 percent for the first half of this year to 429,900 units and multifamily starts are off 18.2 percent.

Completions were 4.8 percent lower in June than the prior month at a seasonally adjusted rate of 1,161,000. The May completion rate, which had reportedly dropped by more than 9 percent in May was revised higher, from 1,213,000 to 1,220,000 units. Single family completions were down 1.8 percent for the month to 870,00 for a 1.6 percent annual gain. Multifamily completions were 14.0 percent lower for the month and 17.3 percent for the year.

There were 103,300 units completed during June on an unadjusted basis including 76,000 single-family units. The May numbers were 102,800 and 75,100. So far this year there have been 593,700 residential units completed, 3.0 percent more than during the same period last year. This includes 420,500 single family and 168,700 multifamily units, an increase of 5.4 percent in the first instance and a loss of 2.4 percent in the latter.

At the end of June there were 1,135,000 residential units under construction nationwide. More than half were multifamily units at 605,000. Single-family units totaled 519,000 units. In addition, there were 165,000 permits that had been issued but under which construction had not started. The backlog included 85,000 single and 76,000 multifamily units.

Despite the weak national numbers, the month-over-month figures in the **Northeast** were all positive. Permitting rose 21.9 percent in June compared to May although it fell 7.1 percent from the June 2018 level. Starts were up 31.3 percent for the month and 4.8 percent on an annual basis. Completions increased by 12.6 percent from May and 48.7 percent from a year earlier.

Permitting in the **Midwest** declined from the levels of both May and the previous June by 0.6 percent. Starts rose 27.1 percent and 20.1 percent for the two periods. Completions were down 31.7 percent from June and 17.2 percent on an annual basis.

There were 10.4 percent fewer permits issued in the **South** in June than in May and 9.3 percent fewer than a year earlier. Starts declined 9.2 percent from their May level but were up 12.0 percent annually. Completions rose 0.7 percent for the month but were unchanged year-over-year.

All three measures were down in the **West**. Permits fell 7.9 percent and 4.0 percent compared to the two earlier periods and starts were down 4.9 and 9.6 percent. Completions were 3.5 percent lower than in May and 14.9 percent fewer than in June 2018