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Delton Alderman



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Abstract

The collective U.S. housing market was primarily positive in May 2018, on month-over-month and year-over-year bases. New single-family permits declined on a monthly basis. Existing house sales and multifamily permits were negative on month-over-month and year-over-year bases. Regionally, data were mixed across all sectors.

Keywords: housing permits, starts, under construction, completions, construction spending, new sales, existing sales, regional housing data, economic indicators

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Summary

New single-family construction is the largest value-added wood-products-consuming sector and is a leading coincident economic indicator of the U.S. economy. The aggregate U.S. housing market was mostly positive in May, with declines noted for single-family permits, multifamily completions, and existing house sales. On a positive note, the vast majority were strong to robust on a yearly basis, with the exception being existing house sales.

This housing brief includes housing starts, permits, houses under construction, completions, sales, and construction spending data available from the U.S. Department of Commerce and the National Association of Realtors. The data are compared on month-over-month (M/M) and year-over-year (Y/Y) bases. For more detailed information and commentary, the monthly “Virginia Tech–U.S. Forest Service Housing Commentary” is available at <http://woodproducts.sbio.vt.edu/housing-report>. Additionally, in-depth semi-annual and annual housing construction research is available via Treesearch (<https://www.fs.usda.gov/treesearch/>) and inputting “Alderman”.

May 2018 Housing Scorecard		
Category ^a	Month-over-month change	Year-over-year change
Housing starts (total)	▲ 5.0%	▲ 20.3%
Single-family	▲ 3.9%	▲ 18.3%
Multifamily	▲ 7.5%	▲ 25.1%
Housing permits (total)	▼ 4.6%	▲ 8.0%
Single-family	▼ 2.2%	▲ 7.7%
Multifamily	▼ 8.8%	▼ 8.6%
Housing under construction (total)	▲ 0.2%	▲ 5.3%
Single-family	▲ 0.2%	▲ 12.0%
Multifamily	▲ 0.2%	▲ 0.3%
Housing completions (total)	▲ 1.9%	▲ 10.4%
Single-family	▲ 11.0%	▲ 11.5%
Multifamily	▼ 13.8%	▲ 8.1%
New single-family house sales	▲ 6.7%	▲ 14.1%
Private residential construction spending	▲ 0.8%	▲ 6.6%
Single-family construction spending	▲ 0.6%	▲ 8.2%
Existing house sales ^b	▼ 0.4%	▼ 3.0%

^a Data from U.S. Census Bureau–Construction.

^b Data from Federal Reserve Bank of St. Louis (FRED).

Starts

Total starts in May 2018 were at a seasonally adjusted annual rate (SAAR) of 1,350,000. This was 5.0% greater than April 2018 and 20.3% greater than May 2017. Single-family (SF) starts were 936,000, which was 3.9% greater than April 2018. Multifamily (MF) starts of two to four units were 10,000 and five units or more were 404,000 (Census Bureau 2018a). May 2018 total starts were less than the 58-year average of 1,439,000 (Fig. 1).

Regionally, the South remains the strongest market, where total starts were 653,000, of which 499,000 were SF and 154,000 were MF. The West followed with total starts of 329,000, of which 216,000 were SF and 113,000 were MF. Total Midwest starts were 266,000, of which 156,000 were SF and 110,000 were MF. The Northeast recorded total starts of 102,000, of which 65,000 were SF and 37,000 were MF (Census Bureau 2018a). Table 1 provides housing start data for each start category for May 2018.

Table 1—National and regional U.S. housing starts for May 2018 in comparison to April 2018 and May 2017

	Total starts ^a	Single-family	Multi-family (2–4 units) ^b	Multi-family (≥5 units)
May-18	1,350,000	936,000	10,000	404,000
Apr-18	1,286,000	901,000	22,000	363,000
May-17	1,222,000	791,000	14,000	317,000
Month-over-month change	5.0%	3.9%	-54.5%	-11.3%
Year-over-year change	20.3%	18.3%	-28.6%	27.4%
	Northeast	Midwest	South	West
May-18	102,000	266,000	653,000	329,000
Apr-18	120,000	164,000	659,000	343,000
May-17	85,000	164,000	559,000	314,000
Month-over-month change	-15.0%	62.2%	-0.9%	-4.1%
Year-over-year change	20.0%	62.2%	16.8%	4.8%

^a Source: U.S. Department of Commerce–Construction (SAAR).

^b Multifamily two- to four-unit starts are not reported directly but are an estimation: 2 to 4 starts = (Total starts – (SF starts + MF ≥5 starts)).

Permits

Total building permits issued in May 2018 were at a SAAR of 1,301,000. This is 4.6% less than April 2018 and 8.0% greater than May 2017. SF permits were 844,000, which was 2.2% less than April 2018. MF permits of two to four units were 36,000 and five units or more were 421,000 (Census Bureau 2018a). Historically, MF permits can be extremely variable, M/M and Y/Y.

Regionally, the South remains the strongest market, where total permits issued were 626,000, of which 463,000 were SF and 163,000 were MF. The West followed with total permits of 331,000, of which 203,000 were SF and 128,000 were MF. Midwest total permits were 209,000, of which 121,000 were SF and 88,000 were MF. In the Northeast, total permits were 135,000, of which 57,000 were SF and 78,000 were MF (Census Bureau 2018a). Table 2 provides permit data for each permit category for May 2018.

Table 2—National and regional U.S. housing permits for May 2018 in comparison to April 2018 and May 2017

	Total permits ^a	Single-family	Multi-family (2–4 units) ^b	Multi-family (≥5 units)
May-18	1,301,000	844,000	36,000	421,000
Apr-18	1,364,000	863,000	41,000	460,000
May-17	1,205,000	784,000	35,000	386,000
Month-over-month change	-4.6%	-2.2%	-12.2%	-8.5%
Year-over-year change	8.0%	7.7%	2.9%	9.1%
	Northeast	Midwest	South	West
May-18	135,000	209,000	626,000	331,000
Apr-18	95,000	195,000	727,000	347,000
May-17	124,000	178,000	597,000	306,000
Month-over-month change	42.1%	7.2%	-13.9%	-4.6%
Year-over-year change	8.9%	17.4%	4.9%	8.2%

^a Source: U.S. Census Bureau–Construction (SAAR).

Housing under Construction

Total housing under construction (HUC) issued in May 2018 was at a SAAR of 1,127,000. This was 0.2% greater than April 2018 and 5.3% greater than May 2017. SF HUC was 515,000; 0.2% greater than April 2018. MF HUC of two to four units were 12,000 and five units or more were 600,000 (Census Bureau 2018a).

Regionally, the South remains the strongest market, where total HUC was 450,000, of which 239,000 were SF and 211,000 were MF. The West followed with a total HUC of 337,000 units, of which 140,000 were SF and 197,000 were MF. The Northeast total HUC was 185,000, of which 54,000 were SF and 131,000 were MF. Midwest total HUC was 155,000, of which 82,000 were SF and 73,000 were MF (Census Bureau 2018a). Table 3 provides HUC data for May 2018.

Table 3—National and regional U.S. housing under construction for May 2018 in comparison to April 2018 and May 2017

	Total HUC ^a	Single-family	Multi-family (2–4 units) ^b	Multi-family (≥5 units)
May-18	1,127,000	515,000	12,000	600,000
Apr-18	1,125,000	514,000	12,000	599,000
May-17	1,070,000	460,000	10,000	600,000
Month-over-month change	0.2%	0.2%	0.0%	0.2%
Year-over-year change	5.3%	12.0%	20.0%	0.0%
	Northeast	Midwest	South	West
May-18	185,000	155,000	450,000	337,000
Apr-18	184,000	151,000	455,000	335,000
May-17	184,000	154,000	443,000	289,000
Month-over-month change	0.5%	2.6%	-1.1%	0.6%
Year-over-year change	0.5%	0.6%	1.6%	16.6%

^a Source: U.S. Department of Commerce–Construction (SAAR).

^b Multifamily two- to four-unit HUC are not reported directly but are an estimation: 2 to 4 HUC = (Total HUC – (SF HUC + MF ≥5 HUC)).

Housing Completions

Total completions in May 2018 were at a SAAR of 1,291,000. This was 1.9% greater than April 2018 and 10.4% greater than May 2017. SF completions were 890,000, which is 11.0% greater than April 2018. MF completions of two to four units were 12,000 and five units or more were 389,000 (Census Bureau 2018a).

The South remains the strongest market, where total completions were 706,000, of which 493,000 were SF and 213,000 were MF. The West followed with total completions of 314,000 units, of which 314,000 were SF and 110,000 were MF. Midwest total completions were 172,000, of which 142,000 were SF and 30,000 were MF. Total Northeast completions were 99,000, of which 51,000 were SF and 48,000 were MF (Census Bureau 2018a). Table 4 provides housing completion data for May 2018.

Table 4—National and regional U.S. housing completions for May 2018 in comparison to April 2018 and May 2017

	Total completions ^a	Single-family	Multi-family (2–4 units) ^b	Multi-family (≥5 units)
May-18	1,291,000	890,000	12,000	389,000
Apr-18	1,267,000	802,000	12,000	453,000
May-17	1,169,000	798,000	11,000	360,000
Month-over-month change	1.9%	11.0%	0.0%	-14.1%
Year-over-year change	10.4%	11.5%	9.1%	8.1%
	Northeast	Midwest	South	West
May-18	99,000	172,000	706,000	314,000
Apr-18	148,000	196,000	619,000	304,000
May-17	135,000	145,000	595,000	294,000
Month-over-month change	-33.1%	-12.2%	14.1%	3.3%
Year-over-year change	-26.7%	18.6%	18.7%	6.8%

^a Source: U.S. Department of Commerce–Construction (SAAR).

^b Multifamily two- to four-unit completions are not reported directly but are an estimation: 2 to 4 completions = (Total completions – (SF completions + MF ≥5 completions)).

New Single-Family House Sales

Total new house sales in May 2018 were estimated at a SAAR of 689,000 units. This was an increase of 6.7% from April 2018 and 14.1% from May 2017. Regionally, the South remains the strongest market with total new SF house sales of 409,000, followed by the West with 157,000. The Midwest had 87,000 sales, and the Northeast had 36,000.

The median sales price of new houses sold in May 2018 was \$313,000, and the mean sales price was \$368,500 (Census Bureau 2018b). Table 5 provides new SF sales data for May 2018.

Table 5—National and regional new U.S. housing sales for May 2018 in comparison to April 2018 and May 2017

	New SF sales ^a	Median price	Mean price	Month's supply
May-18	689,000	\$313,000	\$368,500	5.2
Apr-18	646,000	\$318,500	\$394,600	5.5
May-17	604,000	\$323,600	\$378,400	5.4
Month-over-month change	6.7%	-1.7%	-6.6%	-5.5%
Year-over-year change	14.1%	0.0%	-16.3%	-3.7%
	Northeast	Midwest	South	West
May-18	36,000	87,000	409,000	157,000
Apr-18	40,000	87,000	347,000	172,000
May-17	43,000	62,000	343,000	156,000
Month-over-month change	-10.0%	0.0%	17.9%	-8.7%
Year-over-year change	-16.3%	40.3%	19.2%	0.6%

^a Source: U.S. Department of Commerce–Construction (SAAR).

Private Residential Construction Spending

New SF starts and sales are vital to the wood products industry because new units consume more value-added products than any other wood-consuming sector. Aggregate new housing construction spending has generally lagged the overall economy since 2010. New construction and spending are two of the factors often mentioned for the subdued economic recovery, and May's expenditure data bear this out. Total private residential construction spending for May 2018 was \$553,809 million, a 0.8% increase from April 2018 and a 6.6% increase from May 2017. SF construction spending was \$288,281 million, and MF construction spending was \$61,864 million. Improvement, or remodeling, spending was \$203,664 million (Census Bureau 2018c). Table 6 provides data for each construction spending category for May 2018.

Table 6—National U.S. housing construction spending for May 2018 in comparison to April 2018 and May 2017

	Total private residential construction spending ^{a, b}	Single-family	Multi-family	Improvement ^c
May-18	\$553,809	\$288,281	\$61,864	\$203,664
Apr-18	\$549,306	\$286,608	\$60,864	\$201,834
May-17	\$519,556	\$266,513	\$59,375	\$193,668
Month-over-month change	0.8%	0.6%	1.6%	0.9%
Year-over-year change	6.6%	8.2%	4.2%	5.2%

^a Reported in nominal U.S. dollars, millions of dollars, and SAAR.

^b Source: U.S. Census Bureau–Construction.

^c The U.S. DOC Census Bureau does not report improvement spending directly. This is a monthly estimation: Improvement spending = (Total private spending – (SF spending + MF spending)).

Existing House Sales

Existing house sales in May 2018 were at a SAAR of 5,430,000 units. This is a 0.4% decrease from April 2018 and a 3.0% decrease from May 2017. Regionally, the South remains the strongest market, with total existing house sales of 2,320,000 units, followed by the West at 1,170,000 units. The Midwest had total existing sales of 1,260,000 units, and the Northeast had 680,000 units (FRED 2018). Table 7 provides existing house sales data for May 2018.

Table 7—National and regional U.S. existing housing sales for May 2018 in comparison to April 2018 and May 2017

	Existing sales ^a	Median price	Mean price	Month's supply
May-18	5,430,000	\$264,800	\$303,500	4.1
Apr-18	5,450,000	\$257,900	\$297,800	4.0
May-17	5,600,000	\$252,500	\$294,300	4.2
Month-over-month change	-0.4%	2.7%	1.9%	2.5%
Year-over-year change	-3.0%	4.9%	3.1%	-2.4%
	Northeast	Midwest	South	West
May-18	680,000	1,260,000	2,320,000	1,170,000
Apr-18	650,000	1,290,000	2,330,000	1,180,000
May-17	770,000	1,290,000	2,320,000	1,220,000
Month-over-month change	4.6%	-2.3%	-0.4%	-0.8%
Year-over-year change	-11.7%	-2.3%	0.0%	-4.1%

^a Source: Federal Reserve Bank of St. Louis (FRED).

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Glossary

Housing completions—A house is defined as completed when all finished flooring has been installed (or carpeting if used in place of finished flooring). If the building is occupied before all construction is finished, it is classified as completed at the time of occupancy. In privately owned buildings with two or more housing units, all the units in the buildings are counted as completed when 50% or more of the units are occupied or available for occupancy. Housing completions are estimated for all areas of the United States, regardless of whether permits are required.

Housing permits—The approval given by a local jurisdiction to proceed on a construction project. Not all areas of the country require a permit for construction.

Housing starts—Start of construction occurs when excavation begins for the footings or foundation of a building. All housing units in a multifamily building are defined as being started when this excavation begins. Beginning with data for January 1992, estimates of housing starts include units in structures being totally rebuilt on an existing foundation.

Housing under construction—Estimates of housing units started, but not yet completed, are estimated for all areas of the United States, whether or not permits are required.

Regions—Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

Seasonally adjusted annual rate—Seasonal adjustment is the process of estimating and removing seasonal effects from a time series to better reveal certain non-seasonal features such as underlying trends and business cycles. Seasonal adjustment procedures estimate effects that occur in the same calendar month with similar magnitude and direction from year to year. In series whose seasonal effects come primarily from weather, the seasonal factors are estimates of average weather effects for each month.

Single-family housing—Dwellings that include fully detached, semi-detached (semi-attached, side-by-side), row houses, and townhouses.

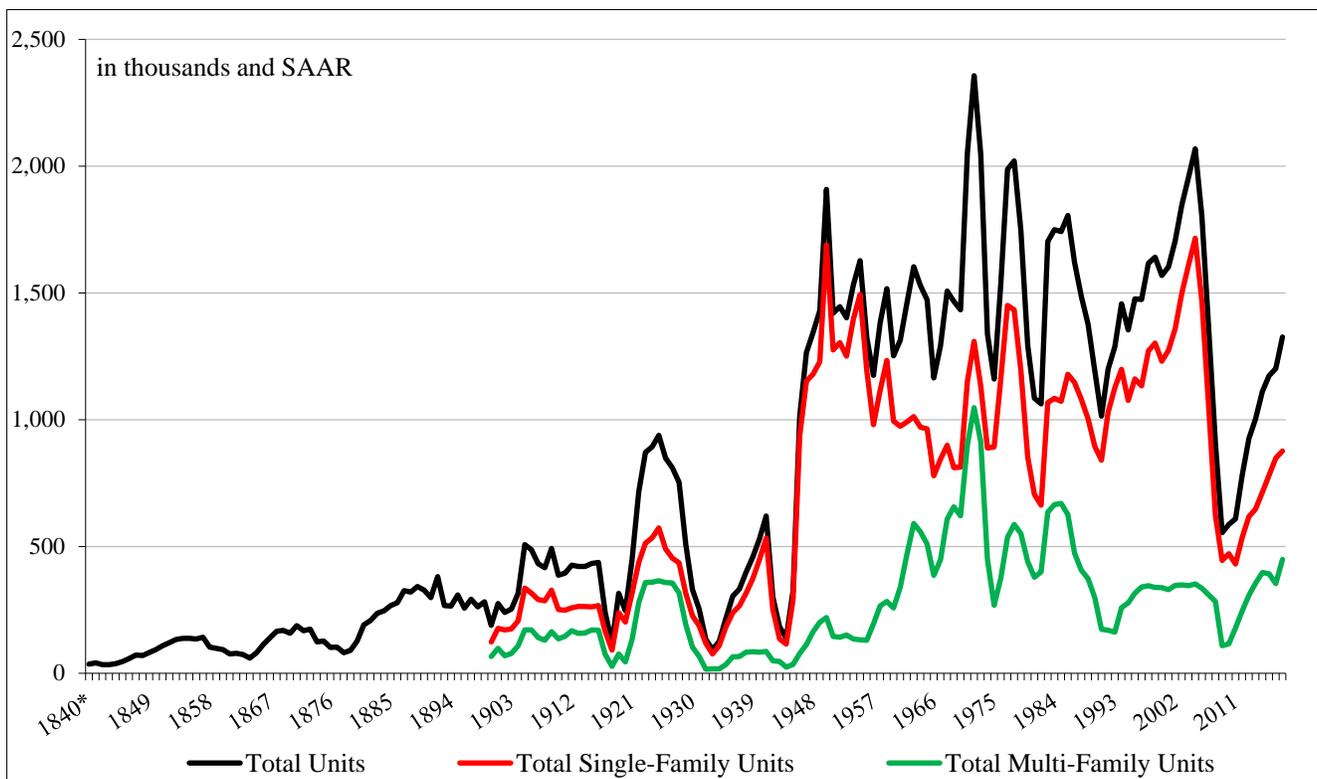


Figure 1. U.S. housing units and starts: 1840 to May 2018. Sources: Carliner (2010), U.S. Department of Commerce–Construction (2018a), and Gottlieb (1964).