

Single-Family Starts Drop in November as Builders Face Affordability Concerns

December 18, 2018

Rising housing affordability issues continue to hinder single-family production even as total housing starts increased in November.

According to newly released data from the U.S. Department of Housing and Urban Development and the Commerce Department, overall housing starts rose 3.2 percent in November to a seasonally adjusted annual rate of 1.26 million units from a downwardly revised October reading. Year-to-date, new housing starts are 5.1 percent above their level over the same period last year.

The November reading of 1.26 million is the number of housing units builders would start if they maintained this pace for the next 12 months. Within this overall number, single-family fell 4.6 percent to 824,000. Single-family production has now dropped for the third straight month. Meanwhile, multifamily starts—which include apartment buildings and condos—rose 22.4 percent to 432,000.

“The decline in single-family production over the last few months makes sense given the drop in our builder confidence index,” said NAHB Chairman Randy Noel, a custom home builder from LaPlace, La. “Builders are cautious to add inventory as housing affordability concerns are causing consumers to pause on making a home purchase.”

“Favorable demographics support healthy housing demand, so it is frustrating that the housing affordability crisis is preventing many consumers from achieving their goal of buying a home,” said NAHB Chief Economist Robert Dietz. “While homeownership has increased over the last nine quarters, we can expect that upward momentum to stop due to rising home costs. Because housing leads the economy, we need to stabilize residential market conditions.”

Overall permits—which are an indicator of future housing production—rose 5 percent in November to 1.39 million. Single-family permits inched up 0.1 percent to a 848,000 unit pace while multifamily permits rose 14.8 percent to an annualized rate of 480,000.

Looking at the regional numbers on a year-to-date basis, combined single-family and multifamily housing starts rose 11 percent in the West and 5.3 percent in the South. Starts fell 0.8 percent in the Northeast and 1.9 percent in the Midwest.

Also on a year-to-date basis, permit issuance rose 8.2 percent in the South and 3.2 percent in the West. Permits were down 2.7 percent in the Midwest and 2.8 percent in the Northeast.