

November 2017 Housing Commentary



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This report is a free monthly service of Virginia Tech. Past issues can be found at: <http://woodproducts.sbio.vt.edu/housing-report/>

November 2017

Housing Scorecard

	M/M	Y/Y
Housing Starts	△ 3.3%	△ 12.9%
Single-Family Starts	△ 5.3%	△ 13.0%
Building Permits	▽ 1.4%	△ 3.4%
Housing Completions	▽ 6.1%	▽ 7.2%
New Single-Family House Sales	△ 17.5%	△ 26.6%
Existing House Sales ¹	△ 5.6%	△ 3.8%
Private Residential Construction Spending	△ 1.0%	△ 7.9%
Single-Family Construction Spending	△ 1.9%	△ 8.9%

M/M = month-over-month; Y/Y = year-over-year

Housing Data

	November	October	Nov. 2016
Total permits*	1,298,000	1,316,000	1,255,000
Single-family permits	862,000	850,000	786,000
Multi-family 2-4 unit permits	41,000	33,000	41,000
Multi-family ≥ 5 unit permits	395,000	433,000	428,000
Total starts	1,297,000	1,256,000	1,149,000
Single-family starts	930,000	883,000	823,000
Multi-family 2-4 unit starts**	8,000	17,000	3,000
Multi-family ≥ 5 unit starts	359,000	356,000	323,000
Total completions	1,116,000	1,189,000	1,203,000
Single-family completions	752,000	788,000	766,000
Multi-family 2-4 unit completions**	11,000	7,000	11,000
Multi-family ≥ 5 unit completions	353,000	394,000	426,000

* All data are presented at a seasonally adjusted annual rate (SAAR).

** US DOC does not report 2-4 multi-family starts and completions directly, this is an estimation.

Source: U.S. Department of Commerce-Construction: www.census.gov/construction/nrc/pdf/newresconst.pdf; 12/19/17

Housing Data

	November	October	Nov. 2016
New single-family sales	733,000	624,000	548,000
Median price	\$318,700	\$319,600	\$315,000
Existing sales ^a	5,810,000	5,500,000	5,600,000
Median price	\$248,000	\$246,000	\$234,400
Private Residential Construction	\$530.8 billion	\$525.3 billion	\$492.0 billion
SF construction	\$274.1 billion	\$269.1 billion	\$251.7 billion
MF construction	\$60.5 billion	\$61.3 billion	\$61.5 billion
Improvement construction ^b	\$196.3 billion	\$195.0 billion	\$178.9 billion

^a NAR®

^b The US DOC does not report improvements directly, this is an estimation. All data is SAAR and is reported in nominal US\$.

Sources:

NAR® www.realtor.org/topics/existing-home-sales; 12/20/17

U.S. Department of Commerce-Construction: www.census.gov/construction/nrs/pdf/newressales.pdf; 11/22/17

U.S. Department of Commerce-C30 Construction: www.census.gov/construction/c30/pdf/privsa.pdf; 01/03/18

Conclusions

Housing is making minimal headway, with only small increases overall. However, new single family home sales were robust, with lower-priced house sales being well below historical averages. Interest rates are heading up as the labor market tightens. Hopefully, investment into capital goods will pick up to overcome the low productivity gains achieved over the past few years. Without productivity, the economy stagnates, as do incomes, standard of living, and, of course, housing activity. Without housing activity, wood product prices remain weak.

November's housing data is neutral— total starts are up by 3.3% (m/m), single family homes starts are up by 5.3% (m/m), permits down by 1.4% (m/m), completions down by 6.1% (m/m), new single family home sales were up by 17,5% (m/m), and existing home sales were up by 5.6% from the month before.

With meager economic growth (average growth since 2009 2.1%, slowest recovery since WWII) and with 51% of all worker's in the U.S. making less than \$30,000/year, it's hard to envision a scenario where the U.S. housing market returns to "normal" anytime soon. A healthy world economy, especially a surprisingly strong recovery of the European economy, paint a positive picture for the future. However, one should not discard the numerous negative macro-factors endangering a robust housing recovery, in particular:

- 1) A constrained quantity of well-paying jobs being created;
- 2) strict home loan lending standards – though loosening with new programs
- 3) loose monetary policy around the globe; and
- 4) global uncertainty

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EU Housing Scorecard

		M/M	Y/Y
Production in Construction ^A	EU 28	▽ 0.7% ^s	△ 2.0% ^s
	EU 19	▽ 0.4% ^s	△ 2.0% ^s
	Germany	▽ 1.1%	△ 4.2%
	France	▽ 0.1%	▽ 0.1%
	UK	▽ 1.6% ^p	▽ 0.2% ^p
	Spain	▽ 0.9% ^{ps}	▽ 1.2% ^p
Building permits (m ² floor) ^A	EU 28	--	--
	EU 19	▽ 3.4% ⁽⁰⁹⁾	△ 2.5% ^{s(09)}
	Germany	▽ 8.0%	▽ 3.7%
	France	▽ 5.3% ^s	△ 12.7% ^e
	UK	--	--
	Spain	△ 0.7% ^{s(09)}	△ 13.6% ^{e(09)}

M/M = month-over-month; Y/Y = year-over-year

Source: Eurostat (<http://ec.europa.eu/eurostat/web/short-term-business-statistics/data/main-tables>; 12/14/17)

^A see <http://ec.europa.eu/eurostat/web/short-term-business-statistics/overview/sts-in-brief>

^e estimate ^s Eurostat estimate ^p provisional -- no data available ⁽⁰⁹⁾ September data

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