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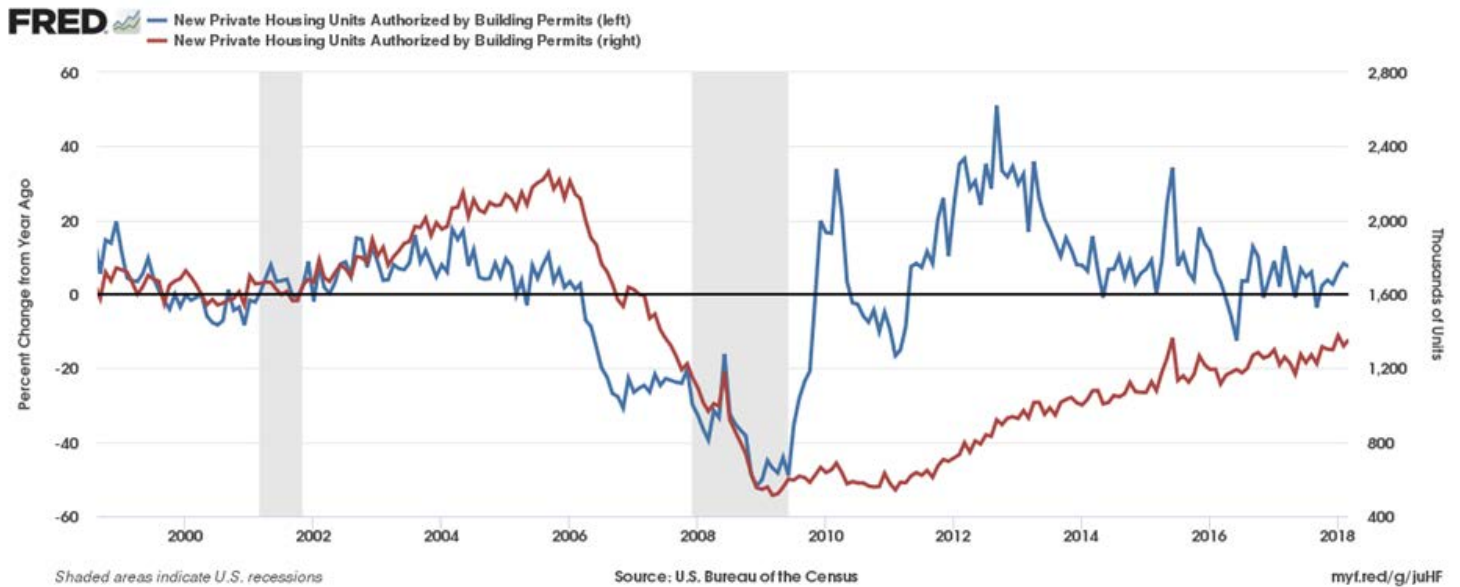
Residential Construction is Slowly Returning to Normalcy

April 20, 2018, 08:25:46 AM EDT By [Steven Hansen](#)

Every month I analyze the Census data for residential construction (permits, starts and construction completions). This past month, the headline residential building permits improved and construction completions slowed. But from time to time, we need to stand back from the monthly fluctuations and take a look at the big picture.



Residential sales is slowing clawing its way back into normalcy. During the Great Recession, residential home permits fell to 23% of the 2006 peak. Currently permits issued are only 58% of the 2006 peak, but are 85% of permit applications issued in 2000. One should argue that the peak in 2006 was an invalid benchmark as it was part of an overheated market that was producing too many houses.

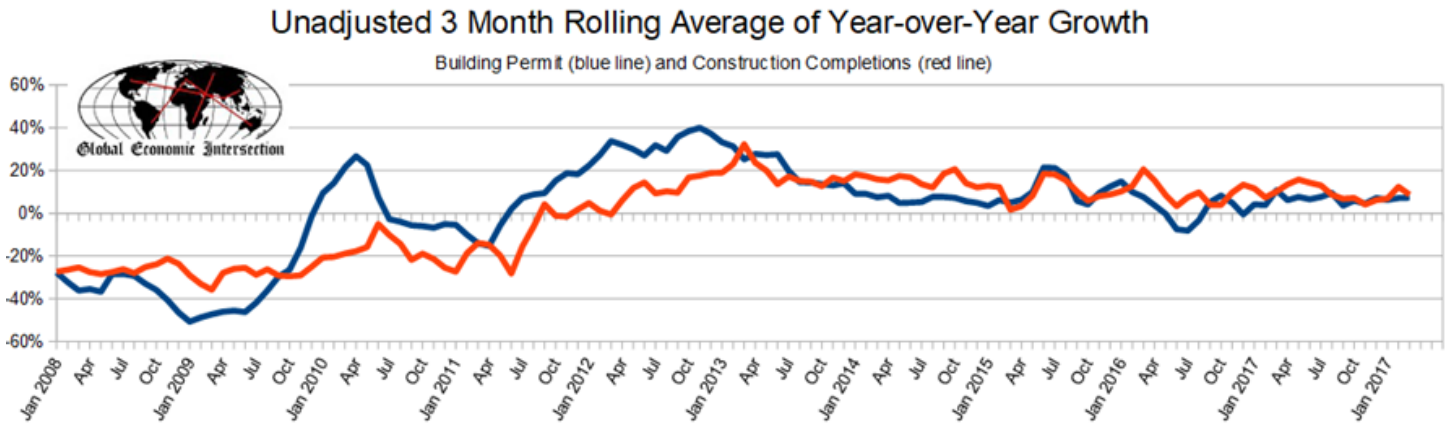


The nature of this industry normally has large variations from month to month (mostly due to weather) so the rolling averages are the best way to view this series - and it shows permits rate of growth improving and completions rate of growth slowing. Unadjusted 3 month rolling averages for permits

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 (comparing the current averages to the averages one year ago) is +7.3 % (permits) and +8.7 % (construction completions):

3 month Rolling Average for Year-over-Year Growth Unadjusted Data

| | | |
|------------------|------------------|--------------------------|
| | Building Permits | Construction Completions |
| Current Movement | accelerated | decelerating |



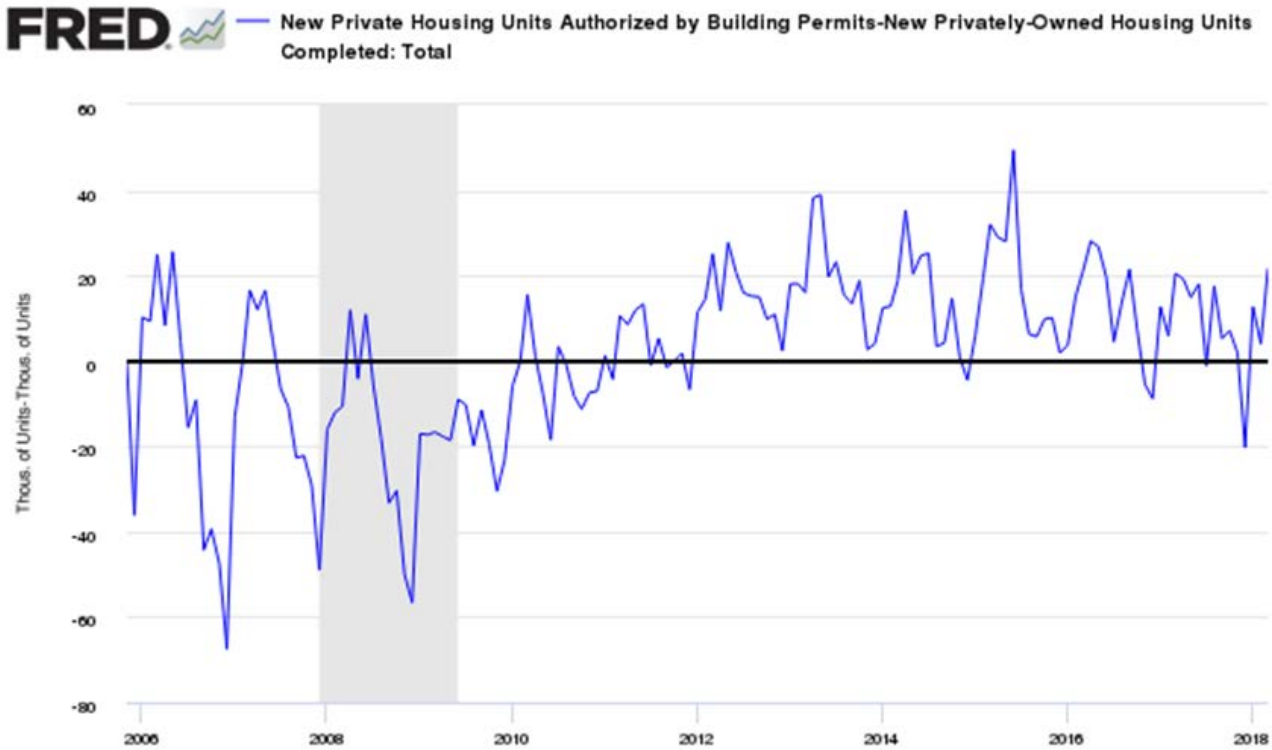
Source: US Census, author's calculation GraphID: z permits1.png

Note that *Econintersect* analysis herein is based on UNADJUSTED data - not the headline seasonally adjusted data.

When more building permits are issued than residences completed - the industry is expanding - and this expansion was underway for three years (except for the last two months in 2014). In the graph below, any value above zero shows more permits are being issued than completions.

Difference Between New Home Building Permits and Construction Completions (unadjusted)

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Source: U.S. Bureau of the Census

The above comparisons were based on permits vs. completions. Some believe the analysis should use housing starts - but since 2000, there is little difference between using permits or starts as the basis of comparison.



Overall, the rate of growth of the new home construction sector has been fairly steady over the last year. Although there is little correlation to economic growth when this industry is improving - both the new home construction sector and the economy perform poorly at the same time.



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