New housing construction plunges to lowest level in more than a year

Driven by a drop in single-family construction, U.S. housing starts plunged in December, marking the biggest decline in new residential construction in a little over a year, according to U.S. Census Bureau statistics released Thursday.

In a reversal from November, when the construction industry tallied a 10-year high with a revised seasonally adjusted rate of 948,000 new single-family units, the single-family rate for December dropped 11.8 percent, to 836,000, according to newly revised Census Bureau numbers.

Overall, U.S. housing starts in December fell 8.2 percent, to 1.19 million units, a far cry from November, when the construction industry broke ground on 1.3. million units. New construction fell 6 percent below the December 2016 rate of 1.27 million, according to the Census Bureau.

Housing experts, however, emphasized that the overall pace of U.S. housing starts in 2017 averaged at 1.2 million units, up 2.4 percent above the 2016 rate of 1.17 million units.

“The latest decline in the volatile housing starts data is disappointing, but surely not lasting,” said Lawrence Yun, chief economist with the National Association of Realtors, in a prepared statement. “New home construction still closed out 2017 as expected, with 1.2 million units — the best since 2007. Given that the sales for both new and existing homes sold briskly through last year and at notably higher prices, housing starts should easily surpass 1.3 million in 2018.”

Nela Richardson, chief economist at Redfin, warned that the annual 2017 rate of 1.2 million units fell significantly below historical averages. Experts have attributed the historically low inventory to high land prices and a costlier workforce as undocumented immigration declines.

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“The pace of housing starts averaged just 1.2 million for the year, far short of the historical average of 1.5 million starts,” Richardson said in a statement. “Given the three-year drought in inventory and surging homebuyer demand, a pace of 2 to 3 million starts would be reasonable and appropriate.”

Building permits in December, meanwhile, dropped to 1.302 million, a 0.1 percent decline from November, when the number of permits filed overall stood at 1.303 million. Permits for single-family homes rose 1.8 percent, to 881,000 from a month earlier, according to Census numbers.

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