



## Housing Starts Move Higher But Construction Backlog Remains

Housing Starts, which measure the start of construction on homes, rose by almost 1.4% in December to an annualized pace of 1.702 million homes. This is 2.5% higher than December 2020.

However, starts for single-family homes, which are the most important because they are in such high demand among buyers, fell by 2.3% from November to December. They are also nearly 11% lower than they were in December 2020.

Building Permits, which are a good forward-looking indicator for Housing Starts, rose by 9.1% in December and they were also up 6.5% year over year. Single-family permits also increased by 2%, but they were still down 8.5% annually.

One of the main takeaways is that the backlog of homes continues to grow. Completions fell by almost 9% in December and they were down 6.6% annually, speaking to the challenges builders are having with materials and labor.

In addition, homes authorized but not yet started increased by 1.1% and they were up 44% year over year. Single-family homes authorized but not yet started were up nearly 39% year over year.

Builders will continue to try to put more inventory on the market, but they are significantly lagging demand, especially on the single-family front. This ongoing imbalance in supply and demand should continue to be supportive of home prices.



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