

## Supply Chain Shortages Slowing Housing Starts

Overall housing starts are down 7.0% to a seasonally adjusted annual rate of 1.53 million units, according to the latest Census Bureau report. Continued supply chain and labor shortages are hindering progress. The July reading of 1.53 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months. Within this overall number, single-family starts decreased 4.5% to a 1.11 million seasonally adjusted annual rate. The multifamily sector decreased 13.1% to a 423,000 pace.

"The latest starts numbers reflect declining builder sentiment as they continue to grapple with high building material prices, production bottlenecks and labor shortages. Policymakers need to prioritize the U.S. supply chain for items like building materials to ensure builders can add additional inventory the housing market desperately needs." — National Association of Home Builders Chairman Chuck Fowke

"The decline in single-family permits indicates that builders are slowing construction activity as costs rise. Starts began the year on a strong footing but in recent months some projects have been forced to pause due to both the availability and costs of materials." — National Association of Home Builders Assistant Vice President of Forecasting & Analysis Danushka Nanayakkara-Skillington

"Rents will be soaring in the coming months, especially for apartment units, as homebuilding retreated in July. There was a housing shortage before the pandemic, and the shortage has been exacerbated during the pandemic. Therefore, homebuilding needed to be greatly ramped up as the jobs recovery took hold. Yet in July, housing starts fell by 7%—single-family construction is down by 4% and multifamily construction is down by 13%. Other factors holding back construction: supply-chain disruptions in getting the right material on a timely basis, lags in getting approvals for land lot development and labor shortages.

"With home prices having risen by record amounts over the past year, homebuying will become an increasing challenge, and a good number of households may simply decide to rent. In addition, the jobs recovery is enticing people out of their parents' homes to seek their own housing. Consequently, rental demand is rising strongly. With an inadequate supply of available homes, rents will be strengthening and adding further pressure to overall consumer price inflation." — National Association of REALTORS® Chief Economist Dr. Lawrence Yun

"In the wake of a year and a half of dramatic swings—from a steep drop during the 2020 quarantines to the frenzied pace of 2021's first half—real estate markets are clearly moving toward normalization. Americans continue to seek the benefits of homeownership, encouraged by low interest rates and the desire for higher quality of life. And for many homeowners who sat on the sidelines this past year, the current seller's market is motivating them to list their homes later in the season, with new listings rising at a higher rate in July than in a typical year. The number of existing homes coming up for sale has been rising for almost two months, including smaller homes, offering more affordable options to fatigued first-time buyers.

"The influx of inventory offerings has brought home price growth into single-digit territory. However, housing markets remain under-supplied, especially when it comes to affordable new homes. In the wake of a decade of underbuilding, we are still short several million homes for sale. With millennials broadly embracing homeownership as many move further into the third decade of life, the outlook for new home demand remains bright, which could give builders the confidence to pick up the pace." — realtor.com® Senior Economist George Ratiu

"Both single-family and multifamily starts declined in July relative to June, but single-family starts remain almost 12% higher than last year. There are now almost 690,000 single-family homes under construction—the largest number since 2007. This is clearly a positive sign given the remarkably low levels of inventory on the market.

"Permits for single-family homes dropped slightly over the month but were higher than a year ago and remain higher than the level of starts. The pace of construction should continue to increase, particularly if supply-chain constraints begin to loosen." — Mortgage Bankers Association SVP and Chief Economist Mike Fratantoni.

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PRESORTED  
STANDARD  
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80301  
Permit No. 426



**1325 N. Teal Court  
Boulder - \$1,600,000**

We received **13** over asking price offers on this home and it ended up selling for just over 10% over asking price! Fabulous location in The Reserve.



**11941 W 60th Avenue  
Arvada - \$610,000**

Gleaming ebony stained hardwood flooring and trim throughout this home. Large great room addition with vaulted & beamed ceilings and a gas fireplace.



**1836 22nd Street  
Boulder - \$1,330,000**

Newer construction in Downtown's Whittier South. Modern, professionally designed finishes - honed granite, custom cabinetry, polished concrete flooring.



**1530 Turin Drive  
Longmont - \$900,000**

We received **2** over asking price offers on this home. View location looking out across Blue Skies park at Longs Peak. Vaulted great room w/ a wall of windows.

## Trend Report

We may have seen our first return to seasonal patterns post-COVID. We seemed to have had our typical timing for the mid-summer slump this year, but the 2021 slump was unusual in that it seems to have been caused by an increase in sellers more than a change in the buyer demand. Now that the kids are back in school and summer vacations are over, we're feeling a slight uptick in market activity again. This uptick can be seen in the showings chart, top left. Showings have been trending upward since the start of August.

Keeping an eye on the Listing Replacement Rate, top right, we can see that we aren't building inventory in any meaningful way. We've had weeks where we may see a few more homes hit the market, but usually any excess homes are being scooped up. For any dramatic change to occur in our market, we'll need to see a large rise in the number of new listings that isn't mirrored with a rise in the number of homes Under Contract.

You can see Single Family Available Inventory in Boulder County has been largely flat throughout the year in the middle left chart. We also remain at about half of what the levels of inventory have been for the past several years. There are very few homes out there for buyers to choose from. So far, likely due to low inventory, 2021 sales are lagging behind sales in 2020, which is interesting as last year was supposedly the worst of COVID.

Bottom left, the percent under contract for all of the individual cities in Boulder County shows we've moved off the peak of the frenzied spring and are returning to a more typical level of market activity. Hard to say this chart shows weakness when the least under contract area in Boulder County, the Suburban Plains, is still above 50% under contract.

My data source for the bottom two right hand charts has shown some inconsistencies lately that I'm working on resolving and until I do, I don't want to draw many market inferences from their patterns and trends.

The one change we're not seeing in any chart, the number of buyers competing over prime listings seems to have slackened. Early this year, a busy listing had 15 offers. Now, here in August, a busy listing may have 3 offers. There are still the occasional special home that gets a multitude of offers, but more commonly I'm hearing of a couple of offers and contracts at just modest levels over asking price. I'm also hearing of homes that aren't getting offers the first week and are still waiting for buyers.

In a typical year, the fall seasonal pattern calls for modest improvement in market activity through mid-November. I think whether or not we see that pattern this fall will tell us a lot about what next spring will look like. If this fall follows the typical seasonal pattern, I would expect next spring to follow the typical frenzied spring seasonal pattern. If this fall is slower than expected however, that could signal a slower spring 2022.

We'll be watching to see which pattern we get!

*Mike Malec*

