

News Release from



FOR IMMEDIATE RELEASE
January 11, 2022

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DEMAND FOR HOUSING TO REMAIN STRONG IN 2022 DESPITE SUPPLY CHAIN CHALLENGES, MATERIAL PRICE INCREASES AND LABOR SHORTAGE

2021 New Home Permits End-of-Year Update and 2022 Forecast

LANSING, MI - Residential permit data, compiled by the Home Builders Association of Michigan (HBAM) from U.S. Census Bureau reporting, shows a **total of 15,235 single-family home (SFH) (1-unit) permits**, issued across Michigan, from January through November 2021.

A total of 1,167 such permits were issued in November 2021 which is down 4 percent from November 2020 (1,213). However, **November 2021 marks 19 consecutive months above the 1,000 permits-per-month threshold**. This is the longest since the 2017-2018 timeframe, when a 21-month streak occurred.

This year's total is 9 percent higher than the same 11-month period in 2020 (13,876), albeit last year's totals were depressed due to the 2-month industry shutdown caused by the response to the COVID pandemic. Comparing year-to-date monthly performance to 2019, this year is 6 percent higher than the same period in 2019 (14,401).

"We are cautiously optimistic about the upward trend in SFH permits even compared to pre-pandemic totals," said Bob Filka, CEO of HBAM. "During these unprecedented times housing plays a crucial role in moving our economy forward and we cannot afford to lose any economic momentum."

From a trailing 12-month perspective, November was at 16,657 permits. While down from a seasonal peak of 18,039 in June 2021, comparing November 2021 to prior years, this is the highest trailing 12-month level since November 2007 (16,838).

In August 2021, HBAM revised its forecast of new home permit activity upward from its original forecast of 16,017 to a revised level of 17,251 permits. As actual data has been recorded, it is apparent that ongoing supply chain issues, along with related price increases, within the residential construction sector negatively impacted permit activity. We now expect the total SFH 1-unit permits for calendar year 2021 to be 16,266. This would be 6 percent higher than both 2020 (15,298) and 2019 (15,409).

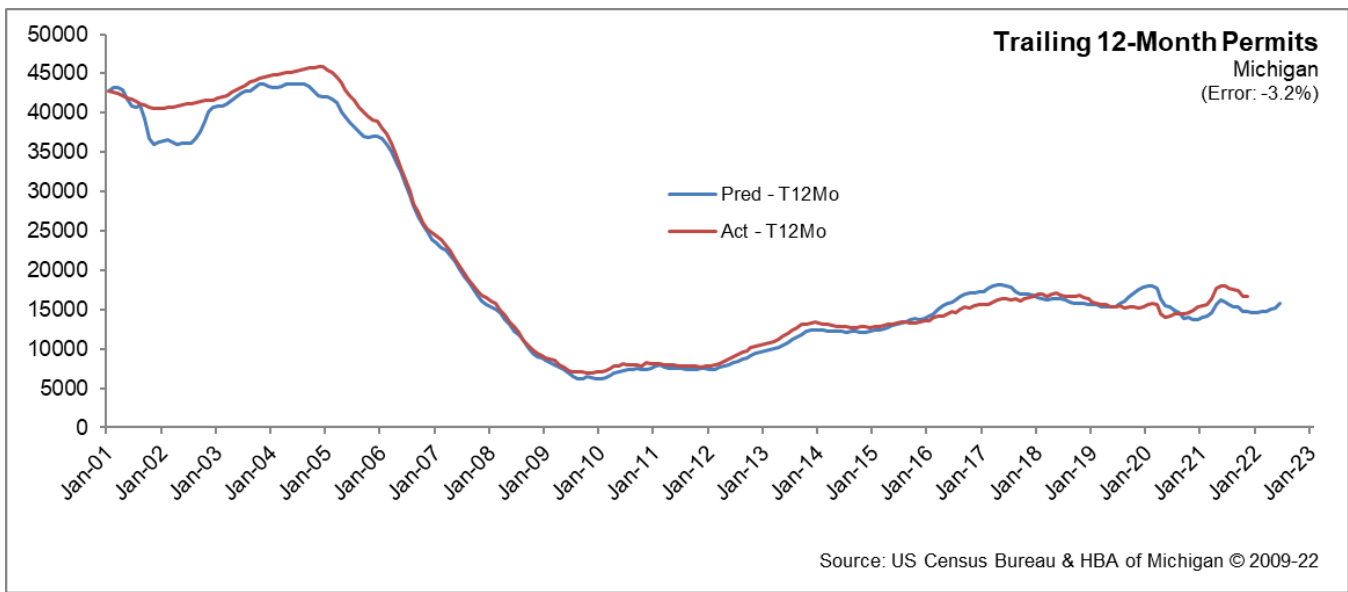
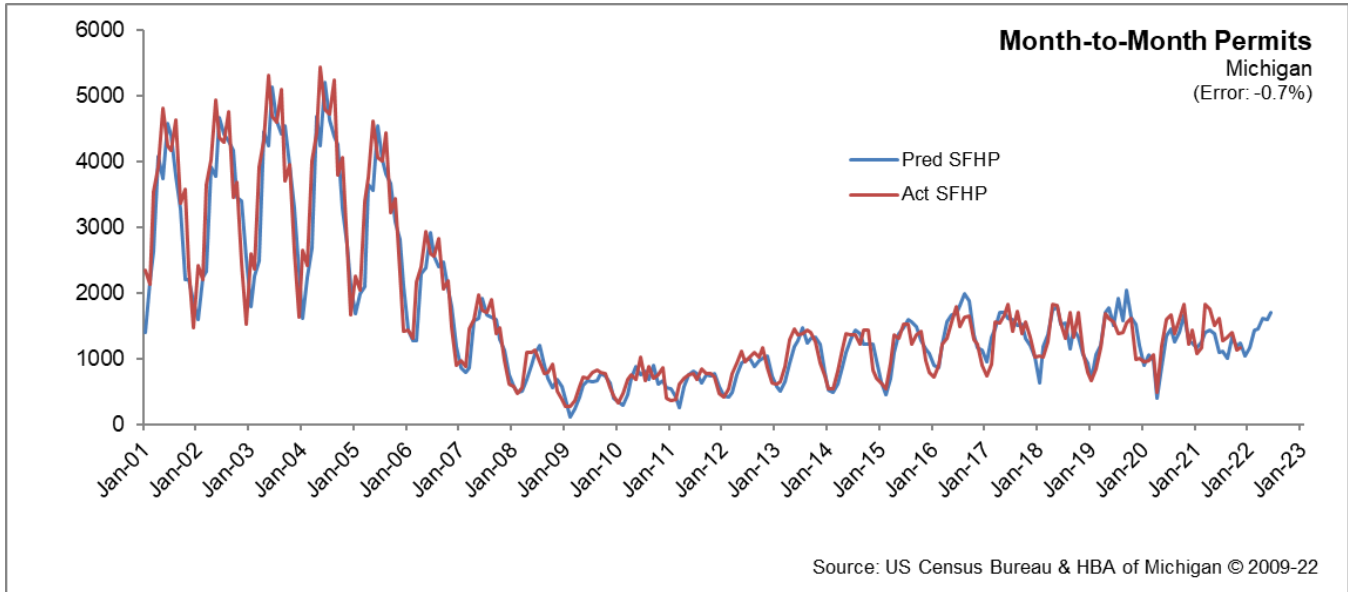
As far as the economic inputs to HBA's permit forecasting model, North American vehicle production has started to rebound following computer chip shortages that severely impacted the industry. Crude oil prices are also steadily increasing and are currently 55 percent higher than March 2020. Finally, Michigan's number of people employed is at its highest level since the pandemic began but is still down over 2 percent from pre-pandemic levels.

"Despite material price increases, worker shortages and supply chain disruptions our members managed to stay on track in 2021," noted Filka. "However, the only way we can combat the housing crisis in our state is by working together on local, state and federal levels."

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Looking ahead, a brief seasonal slowdown is expected in December and January before turning sharply upward in February 2022 and continuing through the springtime. With mortgage lending rates still at historic lows, combined with indications that those rates will remain relatively low into 2022, HBAM is forecasting 16,476 SFH (1-unit) permits to be issued in 2022.

The Home Builders Association of Michigan is a professional trade association comprised of 22 local homebuilder associations around the state and their builder, subcontractor and supplier members. HBA of Michigan works to positively promote the building industry and impact legislative, regulatory and legal issues affecting housing affordability.



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