Single-Family Home Permits Continue to Climb despite Faltering Builder Sentiment

by: Jordan Rappaport

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The number of single-family permits increased for the ninth consecutive month in October (blue line), leaving its three-month growth rate at 17.4 percent. In contrast, home builders’ sentiment has declined sharply in recent months, with the diffusion index in November falling well into the contractionary range (green line). Builder’s negative sentiment is surprising. Homeowners are gripping their low-rate mortgages, pushing sales listings to near their historic low and sales prices to a historic high. This lock-in effect is likely to persist for some time, suggesting that home construction will remain robust rather than reversing to follow sentiment downward.

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Jordan Rappaport is a senior economist at the Federal Reserve Bank of Kansas City. He joined the Bank in 1999 following completing his Ph.D. in economics at Harvard University. Jordan also holds a bachelors’ degree from Brown University, from which he graduated in 1990. Jordan’s research focuses on issues related to local growth. His articles for the Bank's Economic Review primarily focus on U.S. metropolitan area growth and on housing. His empirical research published in peer-reviewed journals has documented the persistence and causes of long run local population growth. His published theoretical research shows that even small costs associated with moving are sufficient to cause high persistence in net population flows and that small productivity and amenity differences can cause very large differences in local population density. Jordan is an associate editor of Regional Science and Urban Economics and the Journal of Regional Science.

Notes: Gray shading depicts National Bureau of Economic Research (NBER)-defined recession. Permits data extend through October 2023; sentiment data extend through November 2023. Sources: U.S. Census Bureau, National Association of Home Builders, and NBER. All data sources accessed via Haver Analytics.