

## News Release from



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## **New Home Construction Permits Down 21% YTD**

### *Legislative Action Needed to Address Challenges*

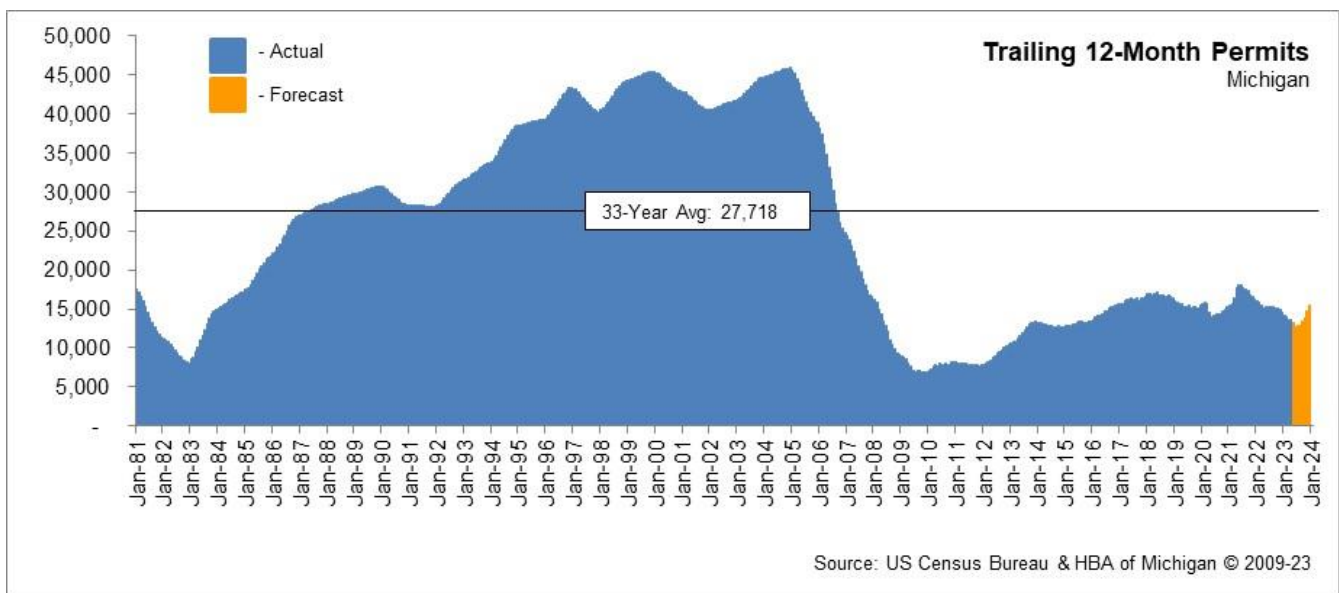
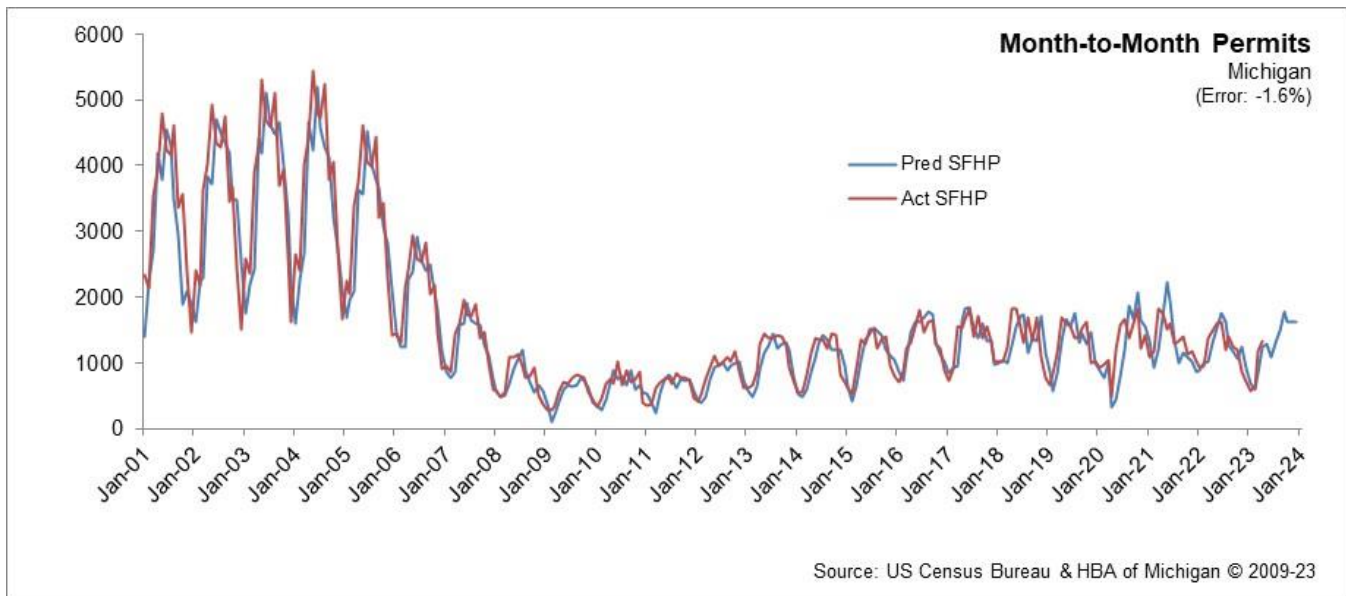
Lansing, MI - Residential permit data, compiled by the Home Builders Association of Michigan (HBAM) from U.S. Census Bureau reporting, shows a total of 5,022 single-family home (SFH) (1-unit) permits were issued across Michigan, from January through May 2023. This year's total is 21 percent lower than the same time period in 2022 (6,355). A number of factors are impacting Michigan's reduction in single family home construction this year, including mortgage interest rates, fewer lots, utility hook-up challenges and regulatory delays in getting new developments off the ground.

"A major factor that is inhibiting residential sales of both new and existing homes is that home owners faced with the prospect of selling their current home, with a low mortgage interest rate, would then have to buy a new home at a much higher interest rate," noted HBAM CEO Bob Filka. "We are also still feeling the impact of transformer and other supply-chain shortages and other factors that have caused delays in getting a number of developments up and running."

"Bottom line: it is getting harder and harder to make the math work on building homes that the average Michigander can afford," Filka continued. "This week the legislature took some steps to reverse this trend and we applaud their actions." The Senate concurred with the House and passed SB 129-132 which focus on tax increment financing. The main bill, Senate Bill 129, would amend the Brownfield Redevelopment Financing Act to allow tax revenues captured from a brownfield property to be used for certain housing activities with the approval of the Michigan State Housing Development Authority (MSHDA). The Legislature also included \$5 million in the FY 24 budget to provide grants to cities, villages and townships to cover the costs associated with master plan updates, zoning changes and other actions that encourage increased housing supply and affordability.

HBAM's econometric model is forecasting that new home permit activity across the state will follow a more normalized seasonal profile for the remainder of 2023, with a modest rebound throughout the summer and fall. Absent a recession, HBAM is now forecasting a total of 15,546 SFH permits in calendar year 2023. If achieved, this would represent an increase of 6.8 percent over the total for 2022 (14,556). The revised forecast is virtually unchanged from the original forecast of 15,523 permits for the year, made in November 2022.

Note: Labor and Existing Home data is through April 2023. All other data is through May 2023.



| Industry Metric   | 1-Month Ago | 1-Year Ago |
|---|-------------|------------|
| <b>Employed</b><br>Bureau of Labor Standards                                      | 1.6%        | 2.9%       |
|   | 4,744,798   |            |
| <b>Workforce</b><br>Bureau of Labor Standards                                     | 0.3%        | 1.7%       |
|   | 4,884,860   |            |
| <b>North American Vehicle Production</b><br>Ward's Automotive                     | 15.4%       | 17.6%      |
|   | 1,435,038   |            |
| <b>Crude Oil Price Per Barrel</b><br>NYMEX  | 11.5%       | -24.8%     |
|   | \$77.29     |            |
| <b>30-Year Fixed Rate Mortgage + Points</b><br>Freddie Mac                        | 0.89 bp     | 3.31 bp    |
|   | 7.47%       |            |
| <b>Average Existing Single Family Sale Value</b><br>MI Association of Realtors    | 2.5%        | 1.6%       |
|   | \$263,036   |            |
| <b>Average New Single Family Permit Value</b><br>US Census Bureau                 | 0.8%        | 7.0%       |
|   | \$318,673   |            |
| <b>Producer Price Index: Construction Materials</b><br>Bureau of Labor Statistics | 1.2%        | -4.4%      |
|   | 337.55      |            |

*The Home Builders Association of Michigan, a professional trade association comprised of 19 local homebuilder associations around the state and their 5,000 builder, subcontractor and supplier members. As the state's largest association representing construction-related sectors, the HBA of Michigan works to positively promote the building industry and impact legislative, regulatory and legal issues affecting housing attainability.*

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