

RESIDENTIAL HOUSING NUMBERS DECLINE

By Vicki Jones, Editor



WHAT DOES THE NEW U.S. CENSUS DATA MEAN FOR COMPANIES IN THE DOOR AND ACCESS INDUSTRY?

Editor's note:

The industry has been benefiting from a steady increase in residential construction for over a decade, but the latest statistics from the U.S. Census indicate possible cause for concern. The following overview will help door, gate, and access companies better strategize for 2025.

The U.S. Census's Annual Characteristics of New Housing statistics provide important information about residential housing construction and thus business potential for door and access companies. A portion of the comprehensive data includes the number of single-family homes and multi-family units started and completed for each year.

The data is also broken down based on specific housing characteristics such as the number of bedrooms, fireplaces, air conditioning units, and parking structures (like garages).

Completed houses: A notable decline

The U.S. Census residential construction numbers revealed that in 2023, the number of single-family houses completed dropped to 999,000 from 1,022,000 in 2022.

While the less than 3% drop may seem minimal, the downward trajectory may be alarming, mainly because it is the first time the number of completed single-family homes has decreased since 2011. Prior, the industry had been benefiting from a steady increase in completed homes and thus an increase in garage structures.

There was also a slight decrease in the total number of two- and three-or-more-car garages built in 2023. The number of single-car garages, however, increased or stayed the same in almost every region.

Garage configurations

It's important not to draw conclusions based simply on completed home construction statistics. Pawan Thampi, an expert on macroeconomic factors and housing and a strategy consultant in the building products industry, said it is imperative for garage door dealers to examine the configuration and type of the homes being built, not just the numbers of homes.

"In general, a decline in the size of garages doesn't mean garage door demand will go down by a proportionate amount. It's not a

one-to-one correlation," said Thampi.

"It is important to look at the configuration of the garages themselves. A three-car garage could be configured with one large and one small garage door whereas a two-car garage could have two small garage doors. Even when you decrease the size of the garage, you could still need the same number of door operators, springs, tracks, etc.

"So how garages are configured is an important factor when trying to determine potential garage door industry sales," added Thampi.

A deeper dive: Garage type

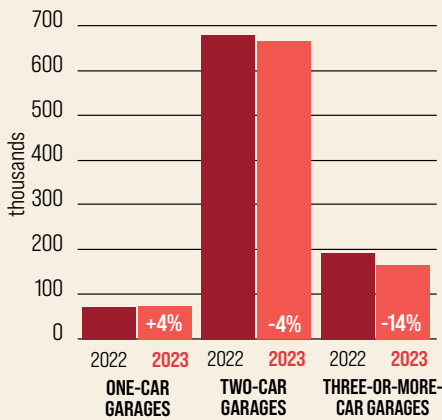
If we examine the three types of parking facilities of new single-family houses completed in 2023, then we can gain a more in-depth understanding of which garage configurations specifically saw a decline.

The total number of single-car garages increased to 75,000 in 2023 compared to 72,000 in 2022. In three out of the four regions examined, the number of single-car garages built increased or stayed the same. The Northeast was the one exception; the number of single-car garages dipped from 13,000 to 11,000.

The total number of two-car garages built in 2023 decreased slightly to 659,000 from 673,000 in 2022. However, two of the four regions (the North and the South) increased.

Once again, the South dominated as the region with the most completed homes with two-car garages – with a total of 420,000. The West came in a distant second place with 136,000 houses built with two-car garages – a decline from 149,000 in 2022.

Finally, the total number of three-or-more garages dropped to 165,000 in 2023 from 192,000 in 2022. Three-or-more-car garages decreased in every region except the Northeast, which saw a minimal increase to 6,000 from 5,000.



Housing starts: A notable decline

For this year, we expanded our housing numbers overview to include not only data about completed homes built but also statistics about housing starts. Both reveal critical information for door and access dealers vying for opportunities to install products on those structures.

Housing starts are especially important because they offer a blueprint of future completed residential construction and insight into the well-being of the housing market and the overall U.S. economy. According to the U.S. Census Bureau, 944,500 single-family homes were started nationally in 2023. That number is a 6.6% decrease compared to the numbers reported in 2022.

Additionally, the estimated number of total housing units started in 2023 (which includes single-family houses and multifamily units) was approximately 1,413,000. In 2022, the total was 1,553,000, which reflects a 9% decrease in total housing starts. Keep in mind that the

2022 total number of housing starts was down from 2021. So, for two consecutive years, housing starts have decreased – a trend we haven’t seen in over a decade.

Year	Houses Completed	Housing Starts
2010	496,000	586,900
2011	447,000	608,800
2012	483,000	780,600
2013	569,000	924,900
2014	620,000	1,003,300
2015	648,000	1,111,800
2016	738,000	1,173,800
2017	795,000	1,203,000
2018	840,000	1,249,900
2019	903,000	1,290,000
2020	912,000	1,379,600
2021	970,000	1,601,000
2022	1,022,000	1,552,600
2023	999,000	1,413,000

Sources: U.S. Census, Annual 2023 Characteristics of New Housing and U.S. Census Bureau and U.S. Department of Housing and Urban Development, Survey of Construction.

2024 numbers forecast

So how are the numbers boding in 2024? The U.S. Census “Monthly new residential construction press release, July 2024” revealed that the number of privately-owned housing starts in July 2024 were 16% below the housing starts reported in July 2023. Additionally, single-family homes were 14.1% below the numbers at this time last year.

Trading Economics’ press release from Aug. 16, 2024, reaffirmed these numbers, reporting that the U.S. housing starts fell to a four-year low, adding that we’re experiencing “the sharpest decline since March to the lowest level since 2020.”

“ It is the first time the number of completed single-family homes has dropped since 2011. ”

What’s triggering the slowdown?

The decline in housing starts can be attributed to several factors, including higher interest rates that have made mortgages more expensive and thus more difficult for potential homebuyers to afford (especially first-time homebuyers).

Additionally, supply chain disruptions have led to increased costs and delays in construction materials and increased costs for materials in areas where the housing market is in distress. Labor shortages have compounded these issues, which makes it difficult for builders to keep up with demand.

The big picture

Housing starts are a critical component to residential construction, which is one of the key economic indicators according to the U.S. Census Bureau Index of Economic Activity*. The four economic indicators include New Residential Construction, Selected Services Revenue, Business Inventories, and Advance Monthly Retail Sales. U.S. Economic Indicators help predict economic growth in the country.

Garage door businesses need to stay on top of housing starts throughout the coming months to gauge potential business for the year ahead. The numbers may serve as a looking glass for future opportunity (or lack thereof).

*The U.S. Census Bureau Index of Economic Activity (IDEA) is an aggregation of 15 of the Census Bureau’s primary economic data series that provides a single time series constructed as a weighted average.

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2023 GARAGE TYPE NUMBERS: BY REGION

Garage Type	Midwest	Northeast	South	West
One-car	9,000	11,000	44,000	12,000
Two-car	67,000	36,000	420,000	136,000
Three-or-more	39,000	6,000	68,000	52,000

Source: U.S. Census, Annual 2023 Characteristics of New Housing.

THE SOUTH REIGNS

420,000 new homes in the South were built with two-car garages in 2023. The South produces significantly more two-car garage homes compared to the other regions year after year.

U.S. ECONOMIC INDICATORS

Selected Services Revenue

2nd Quarter 2024 Report

\$5,595.8 B

Advance Report

1.4%

New Residential Construction

July 2024 Report

1,238,000 Housing starts

-6.8%

Business Inventories

June 2024 Report

\$2,567.5 B

0.3%

Advance Monthly Retail Sales

July 2024 Report

\$709.7 B

1.0%

Source: Census Bureau Index of Economic Activity, August 23, 2024

Is your area affected?

The impact of the declining numbers appears to vary depending on the part of the country you live in. Trading Economics reports that housing starts fell sharply in the South (-13.6% to 640,000) and the West (-12% to 263,000) while easing in the Midwest (-1.7% to 171,000). On the other hand, a steeper decline was prevented by an increase in the Northeast (42.6% to 164,000).

Certain regions are experiencing a greater decline than other regions said Thampi. For example, the South which includes Florida, has seen slowing housing starts in recent months. "An influx of new people and corporations have driven home prices up in some of these areas. Plus, weather-related disasters have led to increased property insurance premiums."

"Some people who relocated to these areas seeking a lower cost of living can no longer afford to live there," said Thampi. "In some cases, they are putting their houses up on the market. As a result, new home builders are now having to compete with existing homes in some markets," added Thampi. These additional factors have made home builders cautious.

Kevin Pettiette, owner of Smokey's Garage Door in Phoenix, said that Arizona is also experiencing a decline in construction activities. "The recent state of Arizona Housing and Construction by BEX Staff in March 2024 revealed housing starts have decreased in Arizona for two years in a row."

Despite the declining numbers, Pettiette remains optimistic. "We in Arizona have been very lucky in that we tend to be one of the fastest state economies to recover. Whatever the cause, the statistics show that Arizona is currently experiencing a decline in construction activities; but we are confident we will soon be back near the top of new home starts and housing inventories."

The ripple effect

In the Probuilder article "The ripple effect of a decline in housing starts," Bob Tancula summarizes a Senex market forecasting report that said "higher interest rates and rising prices will translate into a decrease in housing starts in key counties around the U.S." He highlights how certain counties and markets will need to brace for the impact of the housing start declines.

"In just 284 of the more than 3,100 total counties across the U.S., a full 50% of the declines will be concentrated in a mere 65 of those counties," said Tancula. The county-level housing starts data revealed that "284 counties will account for the \$51.2 billion of the total \$64 billion in lost revenue the housing sector suffered during 2023. The remaining \$12.8 billion in losses will be spread over the remaining 2,928 counties."

Looking ahead

Vice-President, Marketing & Innovation at Amarr Vicki Lents said, "While new construction has seen a small recovery, the numbers are still well below normal levels.

"New construction and existing home sales and remodeling are key indicators for the garage door industry. All of these are down from the past years of COVID, said Lents. "That softness is reflected in the current weakening of demand for residential garage doors."

If the Federal Reserve eases its interest rates and supply chain issues and labor shortages continue to improve, it could help the industry get back on track. "Other macroeconomic factors that impact our industry are real GDP and consumer spending of which both are expected to decline the balance of this year," said Lents. "So, I expect this industry slowdown will continue for the rest of 2024."

“ THE GOOD THING FOR DEALERS IS THAT THE SERVICE SIDE OF THE BUSINESS IS LESS IMPACTED BY THE MACROECONOMIC FACTORS ”

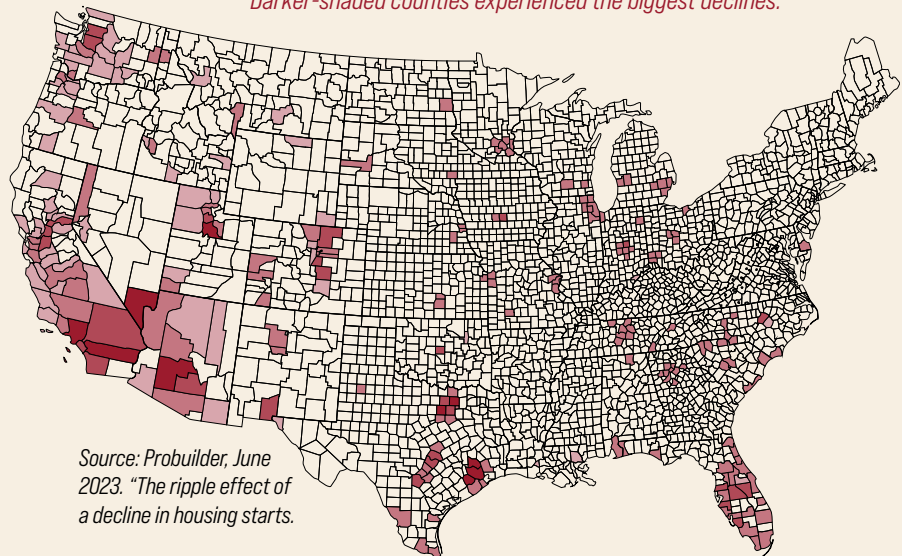
"The good thing for dealers is that the service side of the business is less impacted by the macroeconomic factors," added Lents. Also, there is often urgency for garage door repairs to be completed quickly. "When a garage door or opener is not working, homeowners desire a fix almost as quickly as needing a non-working air conditioning fixed," said Lents.

Additionally, gate, door, and access companies will need to try and adapt during this time. "Dealers should continue marketing efforts to build consumer awareness of their company and their service capabilities, said Lents.

Businesses should also consider finding ways to streamline operations, reduce costs, or explore new markets to offset the current decline in new home construction. Incorporating these key strategies and staying informed about the evolving housing numbers will help dealers mitigate the effects on their businesses in 2025. ■

The Census Bureau's housing data reports provide a comprehensive breakdown of housing in the United States. The "Annual Characteristics of New Housing" report was released in June for the previous year.

Darker-shaded counties experienced the biggest declines.



Source: Probuilder, June 2023. "The ripple effect of a decline in housing starts."