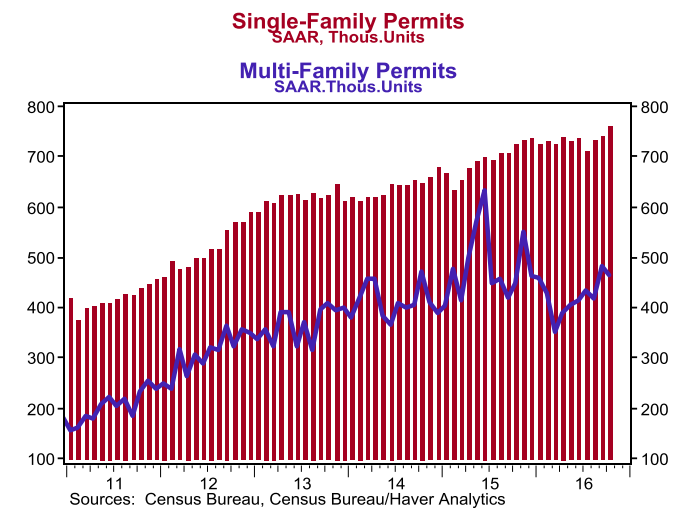
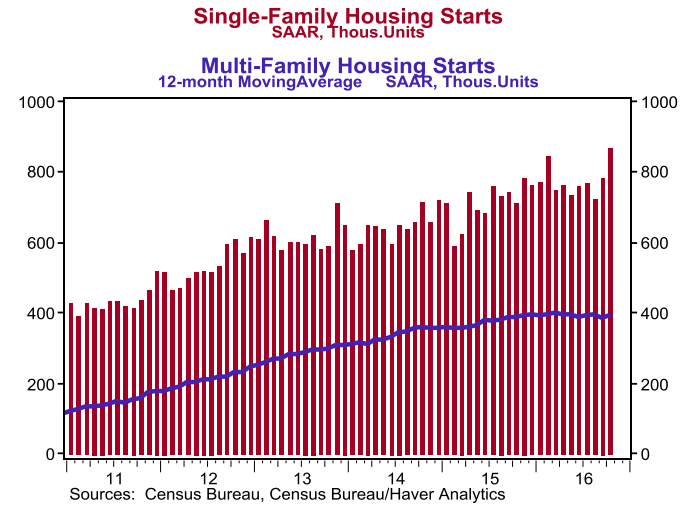


# October Housing Starts

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- Housing starts rose 25.5% in October to a 1.323 million annual rate, easily beating the consensus expected 1.156 million. Starts are up 23.3% versus a year ago.
- The rise in starts in October was due to gains in both single-family and multi-family units. In the past year, single-family starts are up 21.7% while multi-family starts are up 26.5%.
- Starts in October increased in all major areas of the country.
- New building permits rose 0.3% in October to a 1.229 million annual rate, beating the consensus expected 1.193 million. Compared to a year ago, permits for single-family units are up 5.1% while permits for multi-family homes are up 3.8%.

**Implications:** Housing starts soared to a 1.323 million annual rate in October, the fastest pace since 2007 and easily beating the most optimistic forecast by any economics group. The huge gain fully offset a large unexpected drop in September, so the average of the two months (1.189 million) is probably closer to the underlying trend. Still, this a volatile series and the 25.5% increase in October was the largest percentage gain for any month since the early 1980s. The hyper-volatile multi-family sector, grew 68.8% in October after a 38.9% plunge in September. Meanwhile, single-family starts rose 10.7% in October, hitting the highest level since 2007, and are up 21.7% from a year ago. Even though we saw a massive gain in multi-family construction in October, the “mix” of construction is still shifting toward single-family building. When the housing recovery started, multi-family construction generally led the way. But the *share* of all housing starts that are multi-family appears to have peaked in 2014-15 and single-family construction has slowly, but erratically, been regaining its lost ground. The shift in the mix of homes toward single-family units is a positive sign because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Based on population growth and “scrappage,” housing starts should rise to about 1.5 million units per year, so much of the recovery in home building is still ahead of us; the general rise in home building that started in 2011 is far from over. It won’t be a straight line higher, but expect the housing sector to keep adding to real GDP growth in 2017. In other news this morning, initial unemployment claims fell 19,000 last week to 235,000, the lowest level since 1973 and the 89<sup>th</sup> consecutive week below 300,000. Meanwhile, continuing claims declined 66,000 to 1.977 million, a new cycle low. Plugging these figures into our models suggests another month of solid payroll growth in November, although the first report on November is often revised up in subsequent months. Either way, we think the Fed is firmly on track for raising rates in December. Also today, the Philly Fed index, a measure of sentiment among East Coast manufacturers, slipped to +7.6 in November from +9.7 in October. That still signals growth, however, and it looks like real GDP is growing in the 2.5% to 3% range in Q4.



Housing Starts SAAR, thousands	Monthly % Ch.	Oct-16 Level	Sep-16 Level	Aug-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>25.5%</b>	1323	1054	1164	1180	1180	23.3%
<b>Northeast</b>	<b>44.8%</b>	139	96	134	123	116	2.2%
<b>Midwest</b>	<b>44.1%</b>	219	152	168	180	180	24.4%
<b>South</b>	<b>17.9%</b>	620	526	561	569	586	20.4%
<b>West</b>	<b>23.2%</b>	345	280	301	309	298	40.2%
<b>Single-Unit Starts</b>	<b>10.7%</b>	869	785	724	793	775	21.7%
<b>Multi-Unit Starts</b>	<b>68.8%</b>	454	269	440	388	406	26.5%
<b>Building Permits</b>	<b>0.3%</b>	1229	1225	1152	1202	1173	4.6%
<b>Single-Unit Permits</b>	<b>2.7%</b>	762	742	736	747	737	5.1%

Source: U.S. Census Bureau