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November Housing Starts

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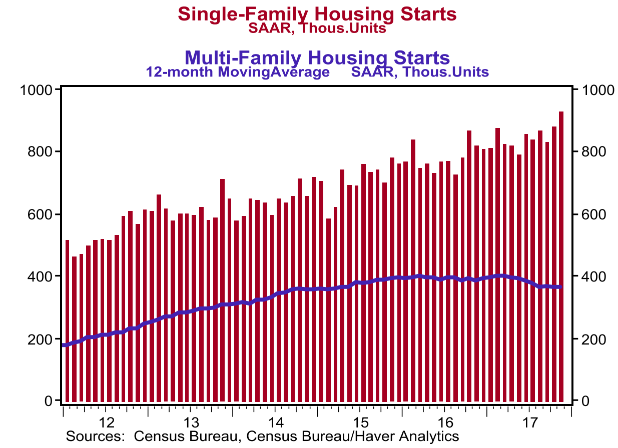
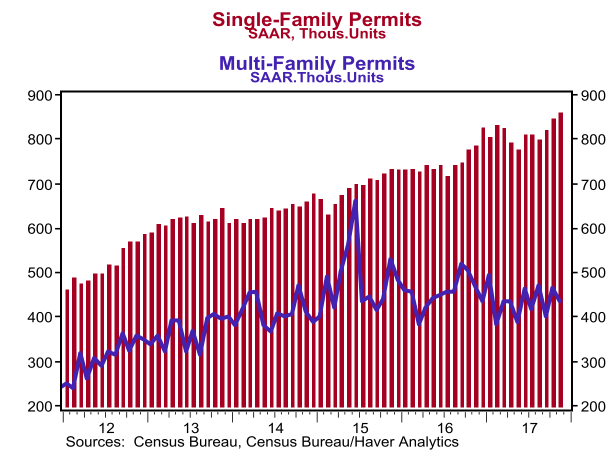
- Housing starts increased 3.3% in November to a 1.297 million annual rate, well above the consensus expected 1.250 million. Starts are up 12.9% versus a year ago.
- The gain in starts in November was entirely due single-family starts. Multi-unit starts declined in November. In the past year, single-family starts are up 13.0% while multi-unit starts are up 12.6%.
- Starts in November rose in the West and South, but fell in the Northeast and Midwest.
- New building permits fell 1.4% in November to a 1.298 million annual rate, beating the consensus expected 1.270 million. Compared to a year ago, permits for single-family units are up 9.7% while permits for multi-family homes are down 7.0%.





Implications: Housing starts continued their upward climb in November, driven by strength in single-family construction which posted its fastest pace since 2007. Starts rose 3.3% in November and are now up 12.9% in the past year. The strength in single-family starts in November was primarily due to a continued rebound in construction in the South, though both that region and the West are now at their highest levels in a decade. Considering the South bore the brunt of the damage from Hurricanes Harvey and Irma it's not surprising the rebound in construction has been concentrated in that region. According to the Census Bureau, the counties affected by the hurricanes accounted for 26% of new construction authorized in the southern region in 2016, which explains why the storms had such a large effect on overall starts. We would not be surprised by a temporary lull in housing starts in the next few months as the storm-related rebound subsides, but the trend will remain upward. Despite overall building permits falling 1.4% in November, this was entirely due to a drop in authorizations for multi-unit structures, which are very volatile from month to month. Single-family permits increased 1.4% in November and are up 9.7% in the past year. Multi-family construction led the way in the early stages of the housing recovery (2011-15); by 2015, 35.7% of all starts were in the multi-family sector, the largest share since the mid-1980s, when the last wave of Baby Boomers was growing up and moving to cities. Since then, the multi-family share of starts has been trending down. We expect this trend to continue and view the shift toward single-family construction as a positive sign for the economy. 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 eventually rise to about 1.5 million units per year. And the longer this process takes, the more room the housing market will have to eventually overshoot the 1.5 million mark. In other recent housing news, the NAHB index, which measures homebuilder sentiment, rose to 74 in December from 69 in November, the highest level since the late 1990s, signaling high optimism from developers. Although the tax bill looks set to trim the principal limit against which borrowers can take a mortgage interest deduction to $750,000 versus the current law amount of $1 million, the bill would only affect new mortgages. In addition, large reductions to marginal tax rates in the early 1980s, which reduced the value of the mortgage interest deduction, coincided with a rebound in housing. In other words, we don't expect the changes in the deduction to cause problems for the housing industry at the national level, although we do expect some shift in building toward regions with lower land prices.

Housing Starts SAAR, thousands	Monthly % Ch.	Nov-17 Level	Oct-17 Level	Sep-17 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	**3.3%**	1297	1256	1159	1237	1214	12.9%
Northeast	**-39.6%**	87	144	101	111	120	4.8%
Midwest	**-12.9%**	175	201	187	188	183	-19.0%
South	**11.1%**	691	622	543	619	597	18.9%
West	**19.0%**	344	289	328	320	315	27.9%
Single-Unit Starts	**5.3%**	930	883	832	882	869	13.0%
Multi-Unit Starts	**-1.6%**	367	373	327	356	345	12.6%
Building Permits	**-1.4%**	1298	1316	1225	1280	1269	3.4%
Single-Unit Permits	**1.4%**	862	850	823	845	826	9.7%

Source: U.S. Census Bureau