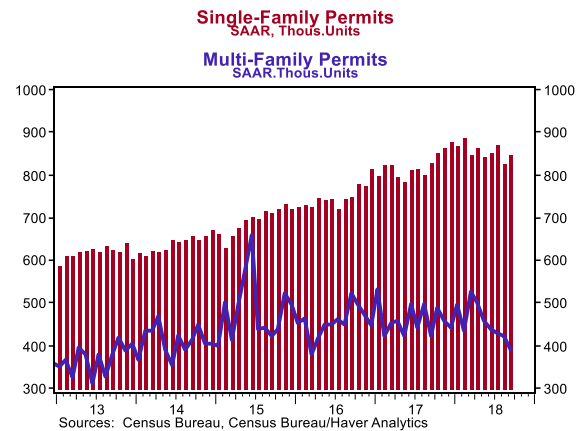
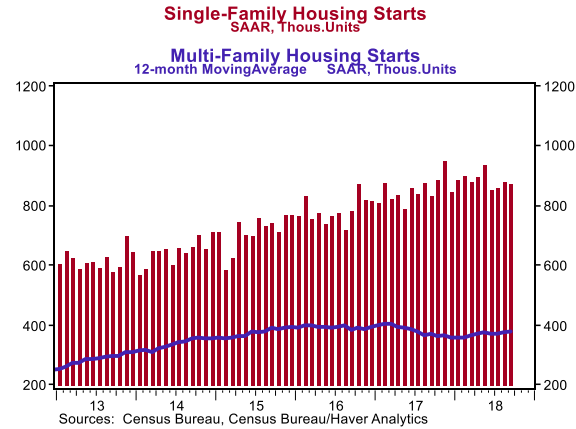


# September Housing Starts

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- Housing starts declined 5.3% in September to a 1.201 million annual rate, below the consensus expected 1.210 million. Starts are up 3.7% versus a year ago.
- The drop in starts in September was mostly due to multi-unit starts, though single-family starts fell as well. In the past year, single-family starts are up 4.8% while multi-unit starts are up 0.9%.
- Starts in September fell in the South and Midwest, but rose in the Northeast and West.
- New building permits declined 0.6% in September to a 1.241 million annual rate, below the consensus expected 1.275 million. Compared to a year ago, permits for single-family units are up 2.4% while permits for multi-family homes are down 7.8%.

**Implications:** Hurricane Florence took a big toll on housing starts in September. Starts in the South - where the storm made landfall and held back activity - fell 13.7%, while starts in the rest of the country (The West, Northeast, and Midwest) rose 3.8%. Most of the recent volatility in overall starts has been due to multi-family starts, which fell 15.2% in September, the third double-digit percentage swing in four months. Meanwhile, single-family housing starts fell 0.9% in September after a 2.1% gain in August. Normally, we would highlight comparisons to the same month a year ago, but September was when Hurricane Irma hit Florida last year. Further, with Hurricane Michael hitting Florida this October, next month's report and year-ago comparisons will be almost useless, as well. Instead of year-ago comparisons involving a single month, for the time being the trend is best described by the first nine months of the year compared to the same nine months in 2017. And that shows single-family starts up 5.7% while overall starts are up 6.2%, demonstrating that the broader trend in construction growth remains intact. The worst news in today's report is that permits for new construction fell slightly, dropping 0.6% despite expectations of a rebound. That said, overall permits are still up 3.3% in the first nine months of 2018 compared to the same period last year. Expect a rebound in the months ahead, as permits are less influenced by weather. We still anticipate a rising trend in home building in the next few years. Based on fundamentals – population growth and scrappage – the US needs about 1.5 million new housing units per year but hasn't built at that pace since 2006. The problem is that there continue to be some headwinds that may temper growth in home building. The National Association of Home Builders said 84% of developers cited labor shortages and the rising cost of building materials as their biggest problems in 2018. And both these issues look set to continue as an increasingly tight labor market keeps the number of job openings in construction elevated and tariffs on lumber, steel, and aluminum drive up input costs. Cost concerns were echoed in yesterday's NAHB Index, but seem to be stabilizing, as lumber prices have fallen nearly 50% since reaching a record high in May.



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-18 Level	Aug-18 Level	Jul-18 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-5.3%</b>	1201	1268	1184	1218	1239	3.7%
<b>Northeast</b>	<b>29.0%</b>	120	93	103	105	104	18.8%
<b>Midwest</b>	<b>-14.0%</b>	160	186	178	175	181	-14.0%
<b>South</b>	<b>-13.7%</b>	567	657	624	616	622	4.4%
<b>West</b>	<b>6.6%</b>	354	332	279	322	332	7.9%
<b>Single-Unit Starts</b>	<b>-0.9%</b>	871	879	861	870	883	4.8%
<b>Multi-Unit Starts</b>	<b>-15.2%</b>	330	389	323	347	356	0.9%
<b>Building Permits</b>	<b>-0.6%</b>	1241	1249	1303	1264	1292	-1.0%
<b>Single-Unit Permits</b>	<b>2.9%</b>	851	827	873	850	852	2.4%

Source: U.S. Census Bureau