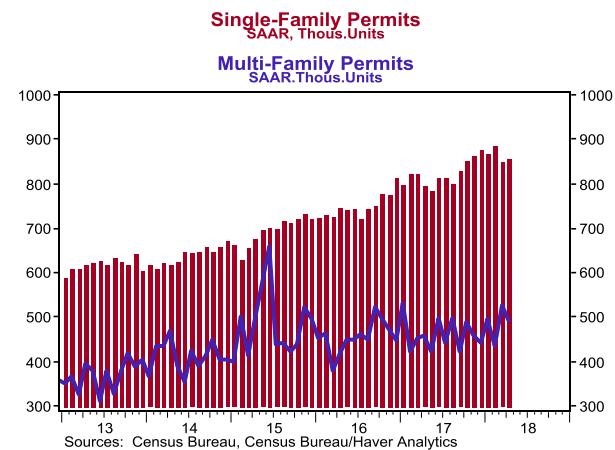
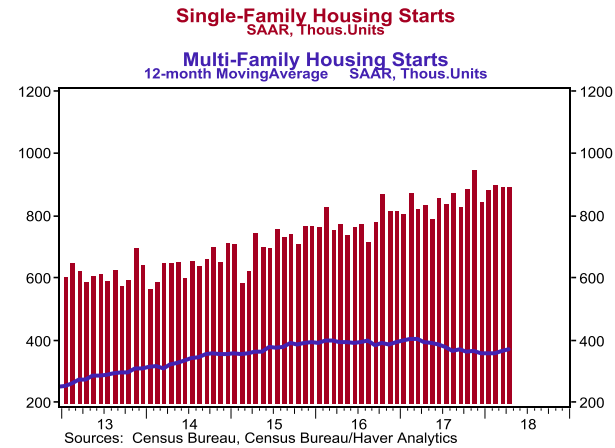


April Housing Starts

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- Housing starts declined 3.7% in April to a 1.287 million annual rate, short of the consensus expected 1.310 million. Starts are up 10.5% versus a year ago.
- The drop in starts in April was entirely due to multi-unit starts. Single-family starts rose 0.1% in April. In the past year, single-family starts are up 7.2% while multi-unit starts are up 18.7%.
- Starts in April fell in the Midwest, West, and Northeast, but rose in the South.
- New building permits declined 1.8% in April to a 1.352 million annual rate, narrowly beating the consensus expected 1.350 million. Compared to a year ago, permits for single-family units are up 7.9% while permits for multi-family homes are up 7.4%.



Implications: After rising in March, housing starts gave up ground in April, though the details of the report show the overall upward trend remains. Starts fell 3.7% in April to a 1.287 million annual rate, but today’s negative headline came exclusively from the very volatile multi-unit sector, which was also entirely responsible for the gain in March. Single family starts eked out a slight gain in April, and are now up 7.2% versus a year ago. Overall starts are up 10.5% from a year ago. Looking through the monthly noise shows new single-family construction continues to be the main driver of trend growth, as the chart to the right demonstrates. We expect further strength from single-family starts in the years ahead, and a continued transition to more growth in single-family construction from multi-family will be good news for the overall economy. On average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Even though overall permits for new construction fell 1.8% in April, this was, like with housing starts, a reflection of weakness in multi-unit permits. Single-family permits rose 0.9% in April, and the horizon continues to look bright for future activity, with the number of single-family units currently under construction at the highest pace since 2008.

As these projects are completed it will free up developers to start new ones which will show up in the headline numbers. Notably, the gain in housing starts in the past twelve months has happened despite a significant uptick in mortgage rates, which some analysts claimed would derail the housing recovery. 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. Although tax reform trimmed the principal limit against which borrowers can take a mortgage interest deduction to \$750,000 versus the prior amount of \$1 million, the law only affects new mortgages. 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 taxes and land prices. In other recent housing news, the NAHB index, which measures homebuilder sentiment, rose slightly to 70 in May from 69 in April, remaining at a historically elevated level signaling optimism among builders.

Housing Starts SAAR, thousands	Monthly % Ch.	Apr-18 Level	Mar-18 Level	Feb-18 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-3.7%	1287	1336	1290	1304	1293	10.5%
Northeast	-8.1%	114	124	132	123	111	34.1%
Midwest	-16.3%	164	196	154	171	168	-18.4%
South	6.4%	663	623	615	634	643	16.3%
West	-12.0%	346	393	389	376	372	12.0%
Single-Unit Starts	0.1%	894	893	900	896	895	7.2%
Multi-Unit Starts	-11.3%	393	443	390	409	399	18.7%
Building Permits	-1.8%	1352	1377	1323	1351	1344	7.7%
Single-Unit Permits	0.9%	859	851	886	865	868	7.9%

Source: U.S. Census Bureau