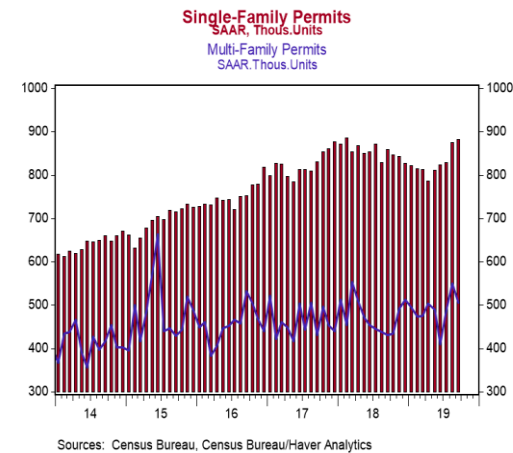
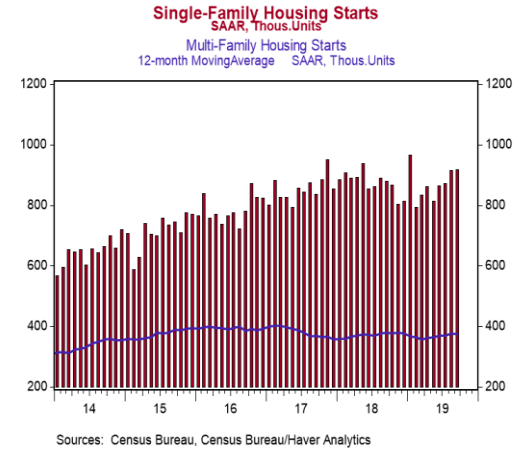


September Housing Starts

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- Housing starts declined 9.4% in September to a 1.256 million annual rate, below the consensus expected 1.320 million. Starts are up 1.6% versus a year ago.
- The decline in starts in September was entirely due to multi-family starts. Single-family starts increased 0.3% in September. In the past year, single-family starts are up 4.3% while multi-unit starts are down 5.1%.
- Starts in September fell in all major regions.
- New building permits fell 2.7% in September to a 1.387 million annual rate, beating the consensus expected 1.350 million. Compared to a year ago, permits for single-family units are up 2.8% while permits for multi-family homes are up 17.4%.



Implications: After hitting a twelve-year high in August, housing starts took a breather in September, falling 9.4% to a 1.256 million annual rate. That said, all of September’s decline was due to the volatile multi-family sector where starts fell 28.2%, the biggest monthly drop since 2016. Meanwhile, single-family starts eked out a gain of 0.3% in September, posting a fourth consecutive monthly increase. It’s important to note that single-family starts have been on a general upward trend since bottoming in February and are in spitting distance of new highs. Meanwhile, multi-family starts have been range bound since 2015 when an upward trend ended. On average, each single-family home contributes to GDP about twice the amount of a multi-family unit, so a continued shift back towards single-family construction will be a boon for economic growth. Building permits showed a similar story to starts in September, falling 2.7% after hitting a post-recession high in August. And just like with starts, this decline was entirely driven by multi-family permits. Single family permits rose 0.8% in September, the fifth consecutive gain, and now sit just below a new post-recession high. It looks like developers are becoming more optimistic about their prospects following an all-around tepid year for housing in 2018. This higher sentiment also showed up in yesterday’s release of the NAHB index which hit a twenty-month high in October. It looks like sustained increases in the strength of fundamentals for potential buyers have been driving sentiment for builders. Mortgage rates have dropped roughly 100 basis points since the peak late last year, and wages are now growing near the fastest pace in a decade, boosting affordability. Our outlook on housing hasn’t changed: we 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. Finally, in employment news this morning, initial jobless claims rose 4,000 last week to 214,000, while continuing claims fell 10,000 to 1.679 million. Plugging this data into our models suggests nonfarm payrolls will continue to grow at a healthy pace in October.

Housing Starts SAAR, thousands	Monthly % Ch.	Sep-19 Level	Aug-19 Level	Jul-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-9.4%	1256	1386	1204	1282	1269	1.6%
Northeast	-34.3%	109	166	96	124	117	-22.1%
Midwest	-18.9%	167	206	173	182	175	-2.3%
South	-4.0%	676	704	618	666	664	18.6%
West	-1.9%	304	310	317	310	314	-14.4%
Single-Unit Starts	0.3%	918	915	871	901	874	4.3%
Multi-Unit Starts	-28.2%	338	471	333	381	395	-5.1%
Building Permits	-2.7%	1387	1425	1317	1376	1325	7.7%
Single-Unit Permits	0.8%	882	875	829	862	834	2.8%

Source: U.S. Census Bureau