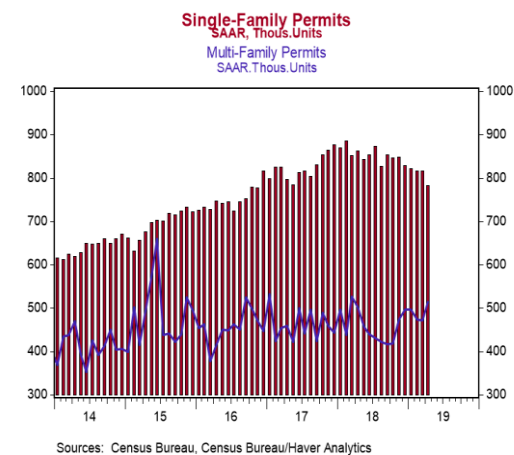
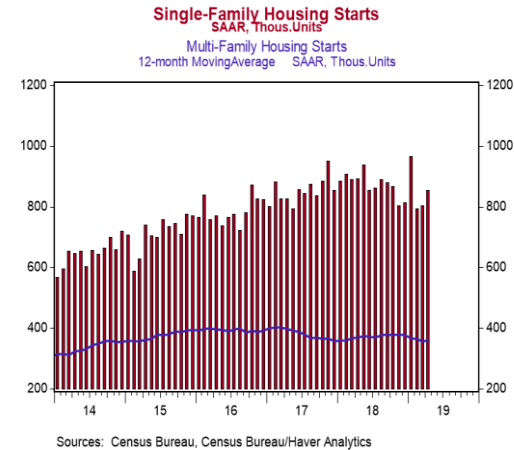


April Housing Starts

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- Housing starts increased 5.7% in April to a 1.235 million annual rate, beating the consensus expected 1.209 million. Starts are down 2.5% versus a year ago.
- The increase in starts in April was due to both single-family and multi-unit starts. In the past year, single-family starts are down 4.3% while multi-unit starts are up 1.6%.
- Starts in April rose in the Northeast and Midwest, but fell in the South and West.
- New building permits rose 0.6% in April to a 1.296 million annual rate, beating the consensus expected 1.289 million. Compared to a year ago, permits for single-family units are down 9.4% while permits for multi-family homes are up 2.6%.

Implications: Housing starts surprised to the upside in April, hitting a 1.235 million annual rate, signaling signs of life in home building early in the second quarter. In addition, housing starts were revised higher for March. And a pickup in construction activity looks set for the months ahead. There has been a rapidly growing backlog in planned housing projects (the number of units authorized but not yet started), which are up 19% in the past year and remain very close to the post-recession high set in January. Builders have responded with a surge in completions, which should help free up badly needed workers to start development on new projects. The increasingly tight labor market has made hiring difficult across industries, and construction has felt an especially tight pinch. The National Association of Home Builders recently released their survey of top challenges for builders in 2019, and concerns related to the cost and availability of labor were the most prevalent, with 82% of developers surveyed citing them as their biggest challenge in the year ahead. Despite the headwinds from labor, fundamentals for potential buyers have improved markedly over the past several months. Mortgage rates have dropped roughly 80 basis points since the peak late last year, and wages are now growing faster than new home prices, boosting affordability. Although housing starts are down 2.5% from a year ago, this is largely due to the effects of the unusually strong hurricane season in late 2017, which spurred a surge in building in early 2018. In other words, it's not surprising – or worrying - that recent starts data looks weak in year-ago comparisons. The forward-looking data in today's report show that permits for new construction rose 0.6% in April, the first increase of 2019. That said, the gain was entirely due to multi-unit permits; single-family permits have failed to gain any ground so far this year. Overall, 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. In employment news this morning, initial jobless claims declined 16,000 last week to 212,000. Continuing claims fell 28,000 to 1.660 million. These readings suggest another solid month of job creation in May. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, jumped to +16.6 in May from +8.5 in April, signaling continued growth. Recent positive releases of regional manufacturing surveys suggest yesterday's negative report on production in the manufacturing sector in April was an outlier.



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-19 Level	Mar-19 Level	Feb-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	5.7%	1235	1168	1149	1184	1198	-2.5%
Northeast	84.6%	144	78	89	104	113	48.5%
Midwest	42.0%	186	131	159	159	150	17.0%
South	-5.7%	581	616	650	616	646	-12.2%
West	-5.5%	324	343	251	306	289	-7.2%
Single-Unit Starts	6.2%	854	804	792	817	839	-4.3%
Multi-Unit Starts	4.7%	381	364	357	367	359	1.6%
Building Permits	0.6%	1296	1288	1291	1292	1307	-5.0%
Single-Unit Permits	-4.2%	782	816	817	805	819	-9.4%

Source: U.S. Census Bureau