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August Housing Starts

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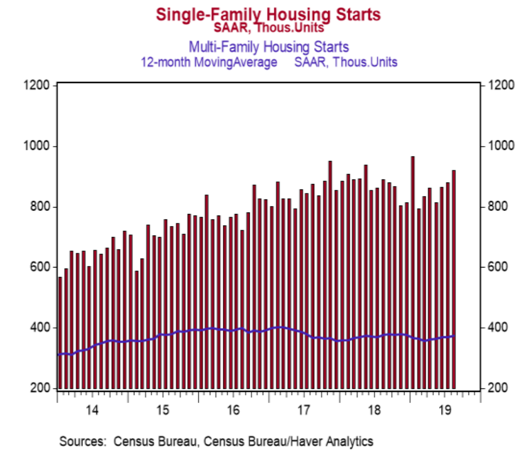
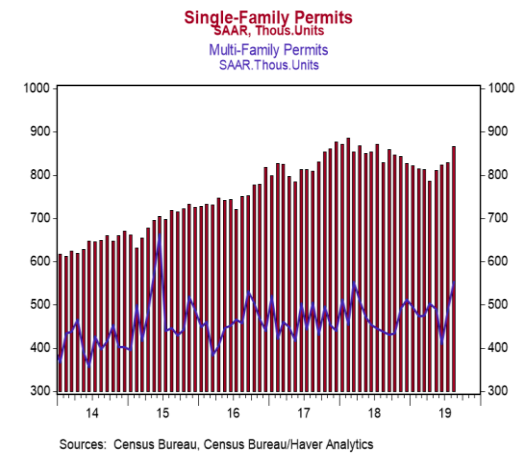
- Housing starts increased 12.3% in August to a 1.364 million annual rate, well above the consensus expected 1.250 million. Starts are up 6.6% versus a year ago.
- The increase in starts in August was mostly due to multi-family starts, though single-family starts increased 4.4%. In the past year, single-family starts are up 3.4% while multi-unit starts are up 14.1%.
- Starts in August rose in the Northeast, South, and Midwest, but remained unchanged in the West.
- New building permits rose 7.7% in August to a 1.419 million annual rate, well above the consensus expected 1.300 million. Compared to a year ago, permits for single-family units are up 4.5% while permits for multi-family homes are up 26.3%.





Implications: Following three months of declines, housing starts surged in August, beating even the most optimistic forecast by any economics group. The construction of new homes now sits at a 1.364 million annual rate, a new post-recession high, and activity is up a healthy 6.6% in the past year. Most of the gain in August was due to the more volatile multi-family sector where starts jumped 32.8%, the biggest monthly gain since 2016. However, single-family starts also rose 4.4% in August, posting the third consecutive monthly gain. 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 the upward trend broke down. 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 were another source of strength in August, rising 7.7% following a similarly strong 6.9% gain in July. Those back to back increases managed to push permits to a 1.419 million annual rate, also a 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 an eleven-month high in September. Part of this may be that housing completions have moved higher over the past couple months, which means labor is being freed up to start new projects in the months ahead. Further, unfilled jobs in the construction sector have fallen recently from the all-time highs. Remember, when the National Association of Home Builders released their survey of top challenges for builders in 2019 at the beginning of the year, 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. In other words, labor has been a primary headwind for starts, and that looks like it is starting to ease. On the demand side, fundamentals for potential buyers have improved markedly over the past several months. Mortgage rates have dropped more than 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.

Housing Starts *SAAR, thousands*	Monthly % Ch.	Aug-19 Level	Jul-19 Level	Jun-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	**12.3%**	1364	1215	1233	1271	1258	6.6%
Northeast	**30.5%**	124	95	111	110	105	25.3%
Midwest	**15.4%**	210	182	182	191	171	12.3%
South	**14.9%**	711	619	632	654	662	8.1%
West	**0.0%**	319	319	308	315	320	-4.8%
Single-Unit Starts	**4.4%**	919	880	864	888	862	3.4%
Multi-Unit Starts	**32.8%**	445	335	369	383	396	14.1%
Building Permits	**7.7%**	1419	1317	1232	1323	1308	12.0%
Single-Unit Permits	**4.5%**	866	829	823	839	821	4.5%

Source: U.S. Census Bureau