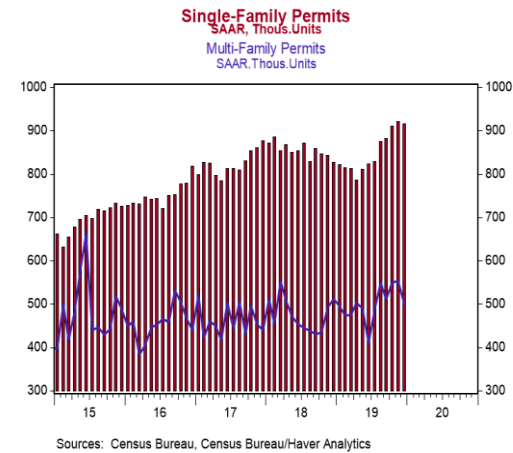
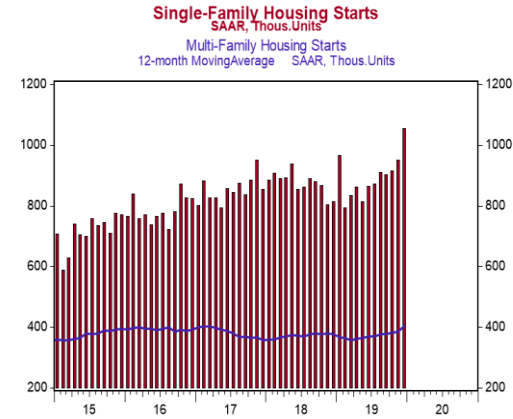


# December Housing Starts

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Senior Economist

- Housing starts increased 16.9% in December to a 1.608 million annual rate, easily beating the consensus expected 1.380 million. Starts are up 40.8% versus a year ago.
- The increase in starts in December was due to both single-family and multi-family starts. In the past year, single-family starts are up 29.6% while multi-unit starts are up 68.6%.
- Starts in December rose in all major regions.
- New building permits fell 3.9% in December to a 1.416 million annual rate, below the consensus expected 1.460 million. Compared to a year ago, permits for single-family units are up 10.8% while permits for multi-family homes are down 2.3%.



Sources: Census Bureau, Census Bureau/Haver Analytics

**Implications:** Housing starts ended 2019 with a bang, posting the largest monthly gain since 2016 and absolutely crushing consensus expectations. At an annualized sales pace of 1.608 million, starts hit the highest level since 2006. For 2019 as a whole, builders started 1.298 million homes, a 3.9% increase versus 2018 and a tenth consecutive annual gain. Activity was broad-based in December as well, with every major region posting gains and both single-family and multi-unit construction rising to post-recession highs. Some of the surge in home building in December is surely weather-related, with unusually mild weather for the month in sections of the country often hit by colder winter temperatures. As a result, expect a drop in housing starts in January. However, we think home building will remain on the upward trend it’s been in since 2011. Based, on fundamentals (population growth and scappage) the US needs about 1.5 million homes to be started each year. Given how long it’s taken to get back to that level, there’s also some room for overshooting to make up for lost time. Note that not all the news in today’s report was great. Building permits took a breather in December, falling 3.9% after hitting a post-recession high in November. The decline was due to both single-family and multi-unit properties. As a whole, permits rose 1.5% in 2019 versus 2018. In other recent housing news, the NAHB index, which measures sentiment among homebuilders fell one point to 75 in January after hitting a 20-year high of 76 in December. It’s not hard to see why builders remain optimistic about the housing market. Mortgage rates have dropped roughly 110 basis points since the peak in late 2018 while wages continue to grow at a healthy pace, boosting affordability. Our outlook on housing hasn’t changed: we continue to anticipate a rising trend in home building in the next few years.

Housing Starts SAAR, thousands	Monthly % Ch.	Dec-19 Level	Nov-19 Level	Oct-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>16.9%</b>	1608	1375	1340	1441	1361	40.8%
<b>Northeast</b>	<b>25.5%</b>	133	106	115	118	122	18.8%
<b>Midwest</b>	<b>37.3%</b>	254	185	179	206	190	85.4%
<b>South</b>	<b>9.3%</b>	810	741	692	748	711	23.7%
<b>West</b>	<b>19.8%</b>	411	343	354	369	339	72.7%
<b>Single-Unit Starts</b>	<b>11.2%</b>	1055	949	914	973	933	29.6%
<b>Multi-Unit Starts</b>	<b>29.8%</b>	553	426	426	468	428	68.6%
<b>Building Permits</b>	<b>-3.9%</b>	1416	1474	1461	1450	1414	5.8%
<b>Single-Unit Permits</b>	<b>-0.5%</b>	916	921	911	916	889	10.8%

Source: U.S. Census Bureau