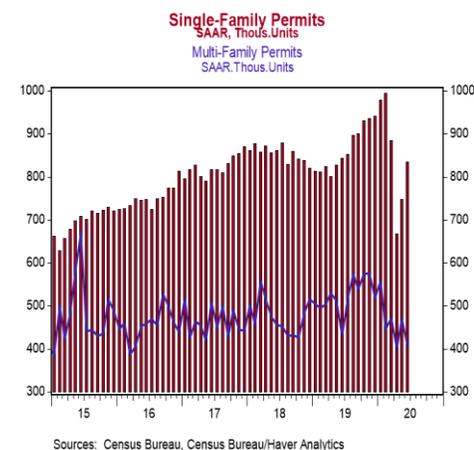
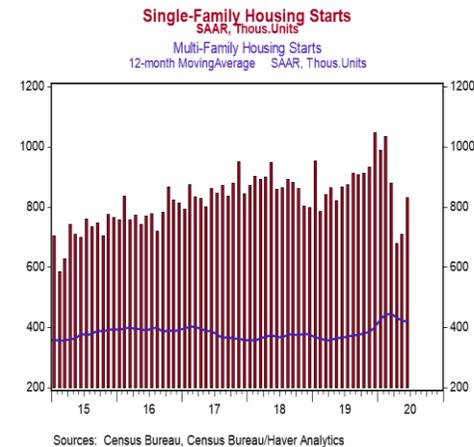


# June Housing Starts

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

- Housing starts increased 17.3% in June to a 1.186 million annual rate, narrowly lagging the consensus expected 1.190 million. Starts are down 4.0% versus a year ago.
- The increase in starts in June was due to both single-family and multi-unit starts. In the past year, single-family starts are down 3.9% while multi-unit starts are down 4.1%.
- Starts in June rose in the Northeast, Midwest, and South, but fell in the West.
- New building permits increased 2.1% in June to a 1.241 million annual rate, lagging the consensus expected 1.293 million. Compared to a year ago, permits for single-family units are down 1.1% while permits for multi-family homes are down 5.3%.

**Implications:** Housing starts posted the largest monthly gain since 2016 in June as the recovery in new construction continued. Looking at the details of today’s report shows that the gains were broad-based, with both single-family and multi-unit construction posting healthy increases. Those measures are now down only 3.9% and 4.1% respectively from year ago levels, demonstrating the remarkable resilience of the housing market in the aftermath of the pandemic. That said, builders are still dealing with headwinds which have been hampering a sharper rebound. While home builders have been classified as “essential workers” in most areas of the country, regulations still require fewer people per crew, dragging out project times. The construction industry also seems to be suffering from an ongoing shortage of workers, with job openings up from pre-pandemic levels while job openings in the broader economy have fallen significantly. In other words, there are still lots of unfilled construction jobs that, if filled, would promote a sharper rebound in new construction. Reducing what are now overly generous unemployment benefits for many workers could address this problem. The good news is that it looks like builders have begun to adapt to these challenges, with the pace of new home completions posting the first gain of the year in June. Looking to the future, overall permits rose less than expected in June. However, the reading was held back by a 13.4% decline in permits for multi-unit structures. Meanwhile, permits for single-family homes rose 11.8%. This divergence looks to be an ongoing trend, as builders respond to a shift in consumer preferences for more space in less dense environments due to the pandemic. Based on fundamentals like population growth and scrappage, the US needs to build about 1.5 million new housing units a year, a level that was only briefly reached before the pandemic hit our shores. A continued rebound in construction is likely in the months ahead if the NAHB Index, a gauge of homebuilder sentiment, is anything to go by. That measure was released yesterday and rose to 72 in July following a reading of 58 in June. July’s reading was tied with March, before the pandemic heavily impacted sentiment.



| Housing Starts<br>SAAR, thousands | Monthly % Ch. | Jun-20 Level | May-20 Level | Apr-20 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|---------------|--------------|--------------|--------------|------------------|------------------|-------------------|
| <b>Housing Starts</b>             | <b>17.3%</b>  | 1186         | 1011         | 934          | 1044             | 1264             | -4.0%             |
| <b>Northeast</b>                  | <b>114.3%</b> | 105          | 49           | 50           | 68               | 104              | -5.4%             |
| <b>Midwest</b>                    | <b>29.3%</b>  | 181          | 140          | 135          | 152              | 165              | -0.5%             |
| <b>South</b>                      | <b>20.2%</b>  | 606          | 504          | 569          | 560              | 674              | -4.6%             |
| <b>West</b>                       | <b>-7.5%</b>  | 294          | 318          | 180          | 264              | 321              | -4.2%             |
| <b>Single-Unit Starts</b>         | <b>17.2%</b>  | 831          | 709          | 679          | 740              | 854              | -3.9%             |
| <b>Multi-Unit Starts</b>          | <b>17.5%</b>  | 355          | 302          | 255          | 304              | 410              | -4.1%             |
| <b>Building Permits</b>           | <b>2.1%</b>   | 1241         | 1216         | 1066         | 1174             | 1309             | -2.5%             |
| <b>Single-Unit Permits</b>        | <b>11.8%</b>  | 834          | 746          | 666          | 749              | 850              | -1.1%             |

Source: U.S. Census Bureau