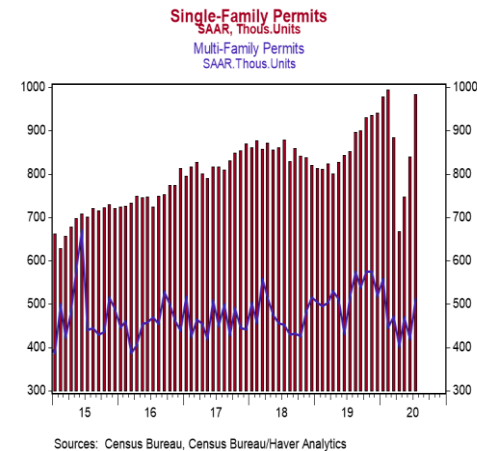
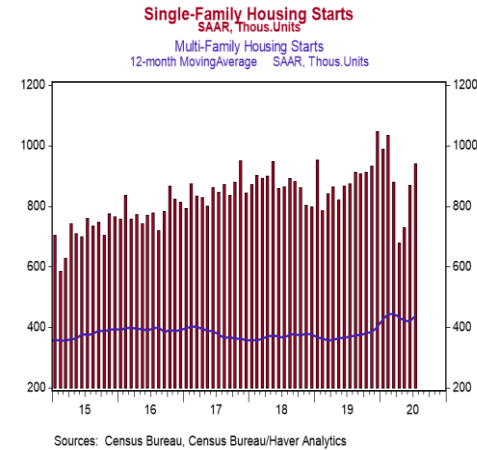


July Housing Starts

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- Housing starts increased 22.6% in July to a 1.496 million annual rate, easily beating the consensus expected 1.245 million. Starts are up 23.4% versus a year ago.
- The increase in starts in July was due to both single-family and multi-unit starts. In the past year, single-family starts are up 7.4% while multi-unit starts are up 65.0%.
- Starts in July rose in all major regions.
- New building permits increased 18.8% in July to a 1.495 million annual rate, easily beating the consensus expected 1.326 million. Compared to a year ago, permits for single-family units are up 15.5% while permits for multi-family homes are down 0.6%.

Implications: Home building continued to be a bright spot for the economy in July, posting the largest monthly gain since 2016 and easily beating even the most optimistic forecast by any economics group. From the February pre-pandemic level to the April lows housing starts fell 40.4%. However, following three consecutive monthly double-digit percentage gains in a row, housing starts are now just shy of a full V-shaped recovery, sitting only 4.5% below February levels. Looking at the details of today’s report shows that the gains were broad-based, with both single-family and multi-unit construction, as well as every major region, recording increases. That said, the volatile multi-unit category contributed an outsized portion of July’s gain. Meanwhile, single-family starts have demonstrated a still remarkable (though less pronounced) rebound than overall starts since April, remaining 9.1% below February levels. The recent rebound in starts is even more impressive considering that builders are dealing with multiple headwinds to construction. 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 remaining near 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. Finally, supply chains have been disrupted and are struggling to keep up with the pace of new construction. For example, lumber prices are up nearly 60% from the beginning of 2020. The good news is that it looks like builders have begun to adapt to these challenges, with the pace of new home completions beginning to trend upwards for the first time this year. Looking to the future, overall permits surged 18.8% in July, the largest monthly gain since 1990. Unlike starts, permits were led by single-family units, which posted the largest monthly gain since 1980. 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 78 in August, tying its highest reading on record since 1998. Finally, in other recent news, the Empire State Index, which measures factory sentiment in the New York region, fell to +3.7 in August from +17.2 in July, remaining in positive territory but demonstrating the ongoing recovery is going to be a bumpy road.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-20 Level	Jun-20 Level	May-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	22.6%	1496	1220	1038	1251	1254	23.4%
Northeast	35.3%	157	116	69	114	100	63.5%
Midwest	5.8%	201	190	142	178	171	15.5%
South	33.2%	830	623	513	655	685	33.0%
West	5.8%	308	291	314	304	299	-3.1%
Single-Unit Starts	8.2%	940	869	728	846	855	7.4%
Multi-Unit Starts	58.4%	556	351	310	406	399	65.0%
Building Permits	18.8%	1495	1258	1216	1323	1305	9.4%
Single-Unit Permits	17.0%	983	840	746	856	852	15.5%

Source: U.S. Census Bureau