August Housing Starts

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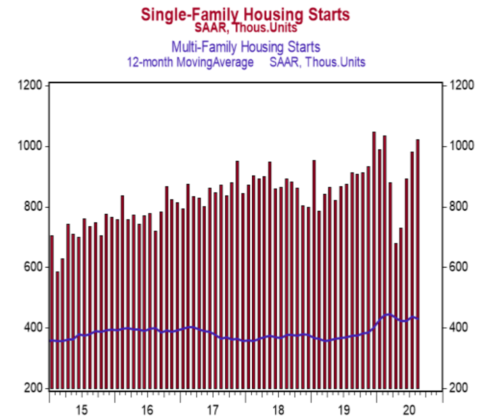
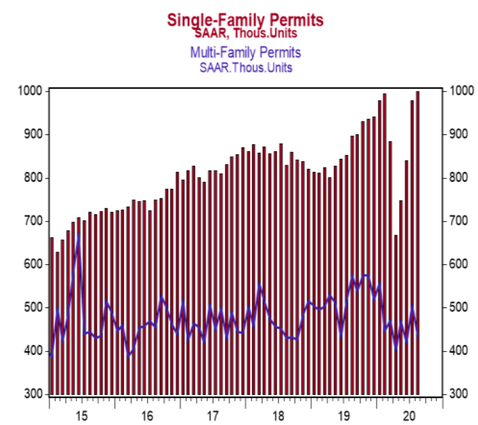
- Housing starts declined 5.1% in August to a 1.416 million annual rate, below the consensus expected 1.488 million. Starts are up 2.8% versus a year ago.
- The decline in August was entirely due to multi-unit starts. Single-family starts rose 4.1% in August. In the past year, single-family starts are up 12.1% while multi-unit starts are down 15.2%.
- Starts in August fell in the Northeast and South, but rose in the Midwest and West.
- New building permits fell 0.9% in August to a 1.470 million annual rate, below the consensus expected 1.512 million. Compared to a year ago, permits for single-family units are up 15.6% while permits for multi-family homes are down 24.5%.



Sources: Census Bureau, Census Bureau/Haver Analytics



Sources: Census Bureau, Census Bureau/Haver Analytics

Implications: Following three months in a row of double-digit percentage gains, it looks like homebuilders took a breather in August, with housing starts posting a decline of 5.1%. However, the details of today's report were better than the headline number. All of August's decline can be traced to the volatile multi-unit sector, which fell 22.7%. Meanwhile, single-family starts continued the recovery, rising 4.1% in August to post a fourth consecutive month of growth. Moreover, new single-family construction is now only 1.3% below its February pre-pandemic high. This rebound is doubly important because growth in single-family construction has been the lone driver in the upward trend in overall starts since 2015 when the multi-unit sector plateaued, so continued gains remain crucial for the housing market going forward. 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 above pre-pandemic levels while job openings in the broader economy have fallen. 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. Looking to the future, overall permits fell 0.9% in August. However, just like with starts, this was entirely due to a decline in multi-unit permits which fell 14.2%; permits for single-family homes rose 6.0% in August, are now 4.2% above the February pre-pandemic high. 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 83 in September, the highest reading on record going back to the mid-1980s. In other news this morning, initial jobless claims fell 33,000 last week at 860,000. Meanwhile, continuing claims for regular benefits fell 916,000 to 12.628 million. These figures suggest further payroll gains in September as well as another decline in the unemployment rate. Finally, on the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, declined to a still robust +15.0 in September from +17.2 in August. This number continues to show a healthy rebound in manufacturing activity versus the deeply negative readings early on in the pandemic.

Housing Starts *SAAR, thousands*	Monthly % Ch.	Aug-20 Level	Jul-20 Level	Jun-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	**-5.1%**	1416	1492	1265	1391	1236	2.8%
Northeast	**-33.1%**	89	133	116	113	90	-47.0%
Midwest	**28.4%**	267	208	210	228	187	40.5%
South	**-17.7%**	699	849	646	731	664	-2.6%
West	**19.5%**	361	302	293	319	295	19.9%
Single-Unit Starts	**4.1%**	1021	981	891	964	863	12.1%
Multi-Unit Starts	**-22.7%**	395	511	374	427	372	-15.2%
Building Permits	**-0.9%**	1470	1483	1258	1404	1308	-0.1%
Single-Unit Permits	**6.0%**	1036	977	840	951	858	15.6%

Source: U.S. Census Bureau