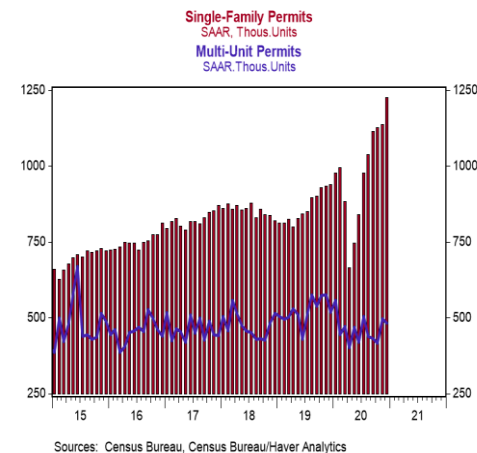
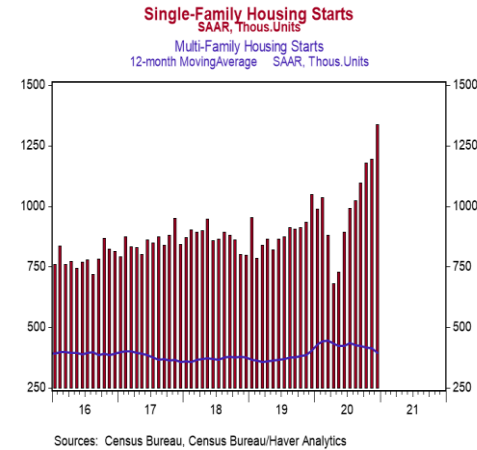


December Housing Starts

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- Housing starts increased 5.8% in December to a 1.669 million annual rate, easily beating the consensus expected 1.560 million. Starts are up 5.2% versus a year ago.
- The gain in December was entirely due to single-family starts; multi-family starts declined. In the past year, single-family starts are up 27.8% while multi-unit starts are down 38.7%.
- Starts in December rose in the Midwest, West, and South, but fell in the Northeast.
- New building permits rose 4.5% in December to a 1.709 million annual rate, easily beating the consensus expected 1.608 million. Compared to a year ago, permits for single-family units are up 30.4% while permits for multi-family homes are down 6.6%.



Implications: If you woke up this morning after a one-year slumber and today’s report on housing starts was the first thing you saw, you wouldn’t even know COVID-19 happened. Despite a global pandemic, labor shortages, social distancing regulations, and a myriad of other obstacles, builders started homes at the fastest pace since 2006, up 7.9% versus 2019. Looking at the details, single-family construction was responsible for all of December’s gain, rising for the eighth month in a row. There has been an ongoing divergence between single-family and multi-unit construction, as the pandemic continues to shift buyer preferences away from dense cities and toward more spacious suburbs. Single-family construction has now made more than a full V-shaped recovery and sits 29.4% above its February pre-pandemic high. Meanwhile, new multi-unit construction is down 37.9% over the same period. The ongoing rebound in single-family construction is doubly important because each single-family unit adds much more to economic activity than each multi-family unit. Looking to the future, overall permits rose 4.5% in December, also hitting the highest level since 2006. Once again, all the gain came from single-family permits, which are up 30.4% in the past year. This is in stark contrast to the decline of 13.7% for multi-unit permits over the same time period and reinforces our view that single-family construction will continue to lead the way in the year ahead. Look for both overall and single-family starts to post even higher highs in 2021. In other recent housing news, the NAHB index, a gauge of homebuilder sentiment, fell to a still very high 83 in January from 86 in December. Looking to the labor market, initial jobless claims fell 26,000 last week to 900,000. Meanwhile, continuing claims for regular benefits fell 127,000 to 5,054 million. These figures suggest moderate job growth in January. Finally, on the manufacturing front, the Philly Fed index fell jumped +26.5 in January from +9.1 in December, signaling continued robust improvement in the factory sector.

Housing Starts SAAR, thousands	Monthly % Ch.	Dec-20 Level	Nov-20 Level	Oct-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	5.8%	1669	1578	1530	1592	1512	5.2%
Northeast	-34.8%	107	164	84	118	116	-24.1%
Midwest	32.1%	251	190	209	217	218	5.5%
South	5.5%	858	813	852	841	803	7.8%
West	10.2%	453	411	385	416	375	10.0%
Single-Unit Starts	12.0%	1338	1195	1179	1237	1137	27.8%
Multi-Unit Starts	-13.6%	331	383	351	355	375	-38.7%
Building Permits	4.5%	1709	1635	1544	1629	1565	17.3%
Single-Unit Permits	7.8%	1226	1137	1128	1164	1103	30.4%

Source: U.S. Census Bureau