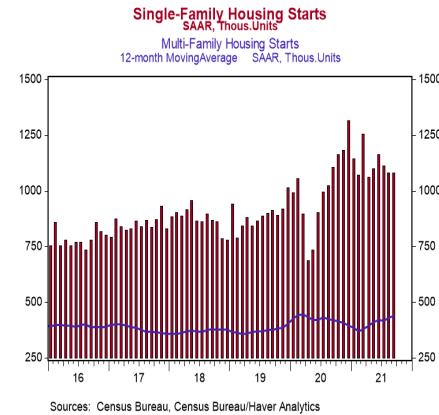


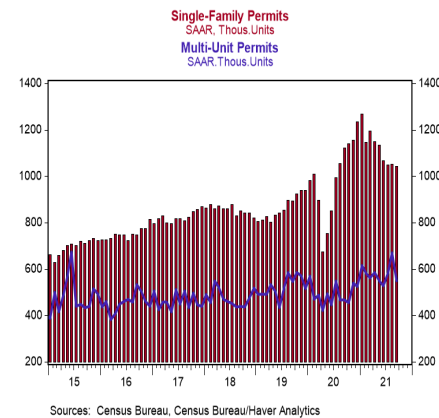
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September Housing Starts

- Housing starts declined 1.6% in September to a 1.555 million annual rate, below the consensus expected 1.615 million. Starts are up 7.4% versus a year ago.
- The drop in September was entirely due to multi-family starts. Single-family starts were unchanged in September. In the past year, single-family starts are down 2.3% while multi-unit starts are up 38.5%.
- Starts in September fell in the Northeast and South but rose in the West and Midwest.
- New building permits declined 7.7% in September to a 1.589 million annual rate, below the consensus expected 1.680 million. Compared to a year ago, permits for single-family units are down 7.1% while permits for multi-family homes are up 17.1%.



Implications: In the past fifteen months, housing starts have averaged a 1.554 million annual rate and starts this September came in at 1.555 million, almost exactly that average, although 1.6% lower than in August. Starts continue to bounce around that average as builders deal with ongoing issues surrounding supply chains and shortages of labor. In addition, housing activity was likely held back by Hurricane Ida, which caused power outages in Louisiana and flooding in New Jersey. Looking at the details, all of the decline in September came from the volatile multi-family sector, where activity fell 5.0% (due to weakness in the Northeast and the South). Meanwhile, single-family construction was unchanged. However, in the past year multi-family starts are up 38.5% while single-family starts have fallen 2.3%. It looks like developers may be shifting some resources away from single-family home construction and toward larger apartment buildings in response to rapidly rising rents as some people move back into big cities and the eviction moratorium ends. Zillow estimates that rental costs for new tenants are up 9.3% in the past year and Apartmentlist.com estimates they have risen an even faster 15.1%, easily exceeding typical gains in the 3.0 – 4.0% range. Recent distributional effects aside, housing construction remains healthy. Looking at the 12-month moving average of overall housing starts to help sift through recent volatility shows residential construction now stands at the fastest pace since 2007. While the monthly pace of activity will ebb and flow as the recovery continues, we expect housing starts to remain in an upward trend. A big reason for our confidence is that builders have a huge number of permitted projects sitting in the pipeline waiting to be started. In fact, the backlog of projects that have been authorized but not yet started is currently the highest since the series began back in 1999. Given this, it's not surprising or worrisome that permits for new building projects fell 7.7% in September. Keep in mind, the US needs roughly 1.5 million housing starts per year based on population growth and scrappage (voluntary knockdowns, natural disasters, etc.). However, we haven't built that many new homes in any calendar year since 2006. With plenty of future building activity in the pipeline and builders looking to boost the inventory of homes and meet consumer demand, and as more Millennials finally enter the housing market, it looks very likely construction in 2021 will cross the 1.5 million unit benchmark this year and then move higher in 2022. In other recent housing news, the NAHB Housing Index increased to 80 in October from 76 in September, indicating plenty of demand for housing.



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-21 Level	Aug-21 Level	Jul-21 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-1.6%	1555	1580	1562	1566	1577	7.4%
Northeast	-27.3%	120	165	69	118	133	-4.8%
Midwest	6.9%	217	203	183	201	207	3.3%
South	-6.3%	835	891	900	875	848	9.4%
West	19.3%	383	321	410	371	389	9.7%
Single-Unit Starts	0.0%	1080	1080	1112	1091	1099	-2.3%
Multi-Unit Starts	-5.0%	475	500	450	475	478	38.5%
Building Permits	-7.7%	1589	1721	1630	1647	1658	0.0%
Single-Unit Permits	-0.9%	1041	1050	1048	1046	1081	-7.1%

Source: U.S. Census Bureau