

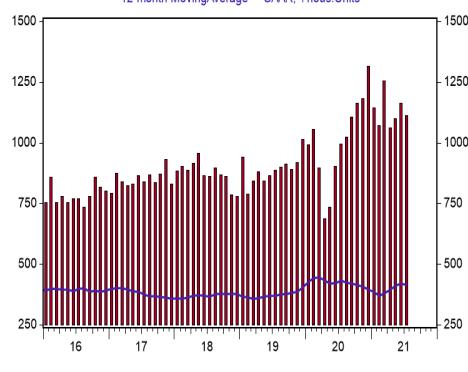
August 18, 2021 • 630.517.7756 • www.ftportfolios.com

July Housing Starts

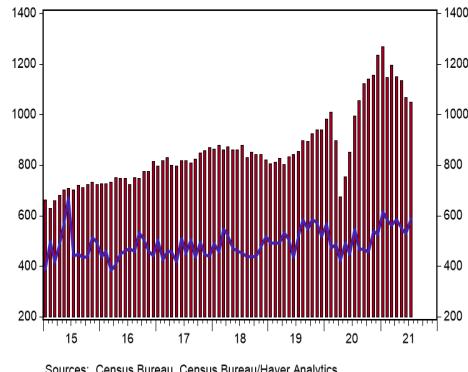
Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Senior Economist
 Bryce Gill – Economist

- Housing starts declined 7.0% in July to a 1.534 million annual rate, below the consensus expected 1.600 million. Starts are up 2.5% versus a year ago.
- The drop in July was due to both single-family starts and multi-family starts. In the past year, single-family starts are up 11.7% while multi-unit starts are down 15.7%.
- Starts in July fell in the Northeast, West, and Midwest, but rose in the South.
- New building permits increased 2.6% in July to a 1.635 million annual rate, beating the consensus expected 1.610 million. Compared to a year ago, permits for single-family units are up 5.5% while permits for multi-family homes are up 6.9%.

Implications: After rising for two months in a row, housing starts took a breather in July. Home building has been volatile so far in 2021 due to widespread supply-chain issues and shortages of labor, but looking at the 12-month moving average, which helps sift through that 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 remains near the highest reading since the series began back in 1999. Despite this, builders increased permits for new construction for the first time in four months in July, signaling an expectation that demand will remain strong in the future. According to Pew Research, in 2019 Millennials surpassed the Baby Boomers as the largest living generation and Census Bureau population projections show that the key homebuying population of those 30-49 years old is set to grow significantly through 2039. So, there are significant demographic tailwinds coming together for home sales for the foreseeable future. Meanwhile, 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 as more Millennials finally enter the housing market, it looks likely construction in 2021 will cross the 1.5 million unit benchmark and then move higher in 2022.

Single-Family Housing Starts
SAAR, Thous.UnitsMulti-Family Housing Starts
12-month MovingAverage SAAR, Thous.Units

Sources: Census Bureau, Census Bureau/Haver Analytics

Single-Family Permits
SAAR, Thous.Units
Multi-Unit Permits
SAAR, Thous.Units

Sources: Census Bureau, Census Bureau/Haver Analytics

| Housing Starts SAAR, thousands | Monthly % Ch. | Jul-21 Level | Jun-21 Level | May-21 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| Housing Starts | -7.0% | 1534 | 1650 | 1594 | 1593 | 1577 | 2.5% |
| <i>Northeast</i> | -49.3% | 73 | 144 | 139 | 119 | 131 | -44.7% |
| <i>Midwest</i> | -6.9% | 188 | 202 | 263 | 218 | 210 | -10.5% |
| <i>South</i> | 2.1% | 889 | 871 | 810 | 857 | 836 | 5.2% |
| <i>West</i> | -11.3% | 384 | 433 | 382 | 400 | 401 | 23.9% |
| Single-Unit Starts | -4.5% | 1111 | 1163 | 1098 | 1124 | 1126 | 11.7% |
| Multi-Unit Starts | -13.1% | 423 | 487 | 496 | 469 | 451 | -15.7% |
| Building Permits | 2.6% | 1635 | 1594 | 1683 | 1637 | 1688 | 6.0% |
| Single-Unit Permits | -1.7% | 1048 | 1066 | 1134 | 1083 | 1123 | 5.5% |

Source: U.S. Census Bureau