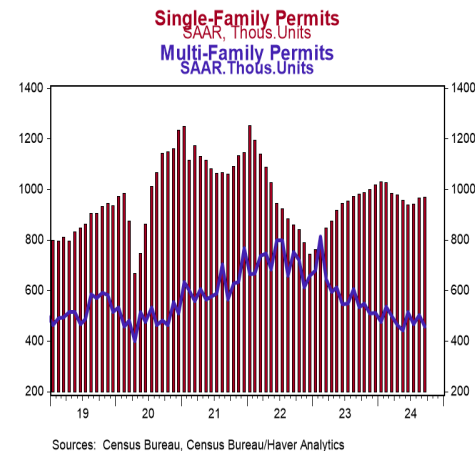
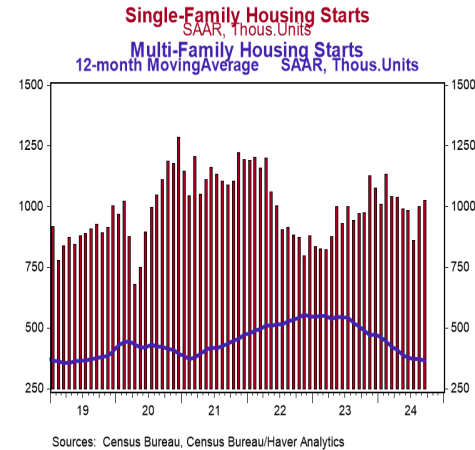


September Housing Starts

Nate Gerze – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Housing starts declined 0.5% in September to a 1.354 million annual rate, narrowly beating the consensus expected 1.350 million. Starts are down 0.7% versus a year ago.
- The decline in September was entirely due to multi-family starts. Single-family starts rose in September. In the past year, single-family starts are up 5.5% while multi-unit starts are down 16.2%.
- Starts in September rose in the Northeast but fell in the West, South, and Midwest.
- New building permits declined 2.9% in September to a 1.428 million annual rate, lagging the consensus expected 1.460 million. Compared to a year ago, permits for single-family homes are down 1.2% while permits for multi-unit homes are down 14.1%.

Implications: Housing starts moderated in September after a big rebound in August. Looking at the details, the decline in starts was entirely due to a 9.4% drop in the volatile multi-unit category. Meanwhile, single-family starts rose 2.7% to a five-month high. Permits for new builds followed a similar tune, as a headline 2.9% drop was completely due to falling permits for multi-unit homes (-8.9%) while single-unit permits ticked up 0.3%. Starts and permits both seem to be stuck in low-gear and sit at roughly the same levels as 2019. The same cannot be said for completions. Despite a 5.7% drop for the month, completions were at the fourth strongest pace since the run-up before the Great Financial Crisis in 2008-09. With strong completion activity and tepid growth in starts, the total number of homes under construction continues to fall, now down 11.6% since the start of 2024. That type of decline is usually associated with a housing bust or recession. The lack of new construction is why home prices have remained elevated while rents are still heading up in much of the country: we are building too few homes while lax enforcement of immigration laws mean rapid population growth. The home building sector seems strangely slow given our population growth and the ongoing need to scrap older homes due to disasters or for knockdowns. We think government rules and regulations are likely the major hurdle for builders in much of the country, but home construction might also be facing headwinds from a low unemployment rate (which makes it hard to find workers) as well as relatively high mortgage rates. That said, there are some tailwinds for housing construction, as well. Many owners of existing homes are hesitant to sell and give up their fixed sub-3% mortgage rates, so many prospective buyers will need new builds. In addition, Millennials are now the largest living generation in the US and have begun to enter the housing market in force, which represents a demographic tailwind for activity. Finally, the widely anticipated commencement of the Federal Reserve’s easing began in September with a 50bps cut. As more rate cuts arrive, mortgage rates should trend lower as well, helping put a floor under housing as we close out 2024. Putting it together, we don’t see housing as a major driver of economic growth in the near term, but we’re not expecting a housing bust like the 2000s on the way, either.



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-24 Level	Aug-24 Level	Jul-24 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-0.5%	1354	1361	1262	1326	1333	-0.7%
Northeast	57.9%	180	114	173	156	132	109.3%
Midwest	-9.1%	179	197	180	185	176	-6.3%
South	-3.4%	738	764	638	713	738	-6.6%
West	-10.1%	257	286	271	271	287	-13.2%
Single-Unit Starts	2.7%	1027	1000	861	963	983	5.5%
Multi-Unit Starts	-9.4%	327	361	401	363	350	-16.2%
Building Permits	-2.9%	1428	1470	1406	1435	1433	-5.7%
Single-Unit Permits	0.3%	970	967	941	959	958	-1.2%

Source: U.S. Census Bureau