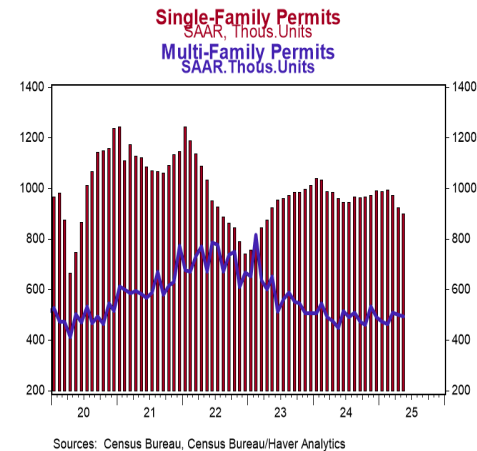
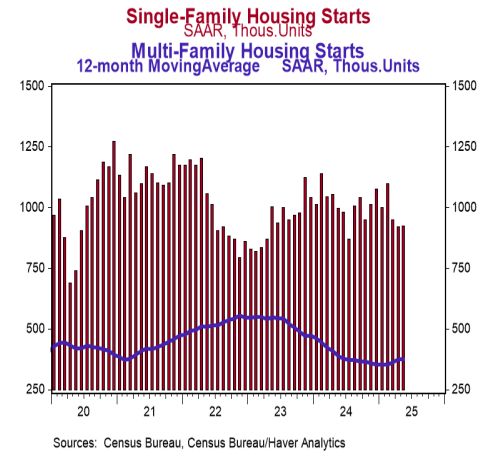


May Housing Starts

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- Housing starts declined 9.8% in May to a 1.256 million annual rate, lagging the consensus expected 1.350 million. Starts are down 4.6% versus a year ago.
- The drop in May was entirely due to multi-family starts. Single-family starts rose in May. In the past year, single-family starts are down 7.3% while multi-unit starts are up 4.1%.
- Starts in May fell in the South, Northeast, and Midwest but rose in the West.
- New building permits declined 2.0% in May to a 1.393 million annual rate, lagging the consensus expected 1.422 million. Compared to a year ago, permits for single-family homes are down 6.4% while permits for multi-unit homes are up 10.5%.

Implications: May was a tough month for homebuilders, as both housing starts and new permits fell to the slowest pace since the COVID shutdowns. However, the details were not quite as bad as the headline. First, the decline in starts in May was entirely due to a 29.7% drop in the volatile multi-family category, easily offsetting the 0.4% increase for single-family starts. The other silver lining is that homebuilders continued focusing on completing projects in May, with completions increasing 5.4% to a 1.526 million annual rate. That marks the eleventh month in the last twelve with completions running above a 1.5 million pace. The same cannot be said for starts and permits, which have been stuck in low gear since the Federal Reserve began tightening monetary policy back in 2022, and hover around levels reminiscent of 2019. Looking at the big picture, builders face a number of headwinds: high home prices and mortgage rates that are no longer being held artificially low, the largest completed single-family home inventory since 2009, restrictive government regulations, and relatively low unemployment which makes it hard to find workers. Now, builders must also contend with much tougher immigration enforcement and the uncertainty of new tariffs and how they'll affect building costs. This weighs heavily on the NAHB Index (a measure of homebuilder sentiment) which fell to the lowest level since the end of 2022 in May at 32. Keep in mind a reading below 50 signals a greater number of builders view conditions as poor versus good, now the fourteenth consecutive month that has been the case. Meanwhile, the total number of homes under construction continues to fall, down 13.7% in the past year. In the past, like in the early 1990s and mid-2000s, this type of decline was associated with a housing bust and falling home prices. But this time really is different. With the brief exception of COVID, the US has consistently started too few homes almost every year since 2007. So, while multiple headwinds may hold back housing starts, a lack of supply is lifting home prices. In some high-flying areas prices are moderating, but national average home prices will likely continue higher. In other news this morning, initial jobless claims declined 5,000 last week at 245,000, while continuing claims fell 6,000 to 1.945 million. These figures are consistent with continued job growth in June, but at a slower pace than last year.



Housing Starts SAAR, thousands	Monthly % Ch.	May-25 Level	Apr-25 Level	Mar-25 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-9.8%	1256	1392	1355	1334	1394	-4.6%
Northeast	-40.0%	105	175	148	143	134	6.1%
Midwest	-10.2%	184	205	223	204	187	26.0%
South	-10.5%	693	774	696	721	761	-7.2%
West	15.1%	274	238	288	267	312	-15.4%
Single-Unit Starts	0.4%	924	920	948	931	995	-7.3%
Multi-Unit Starts	-29.7%	332	472	407	404	400	4.1%
Building Permits	-2.0%	1393	1422	1481	1432	1448	-1.0%
Single-Unit Permits	-2.7%	898	923	972	931	960	-6.4%

Source: U.S. Census Bureau