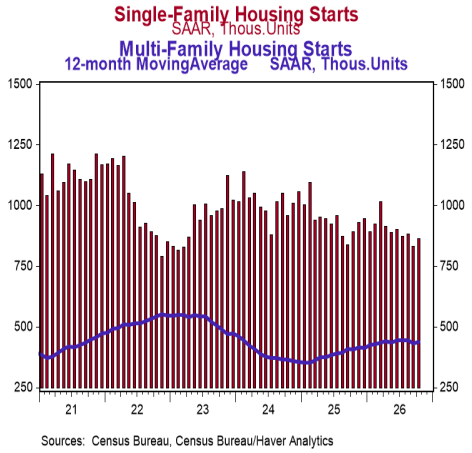
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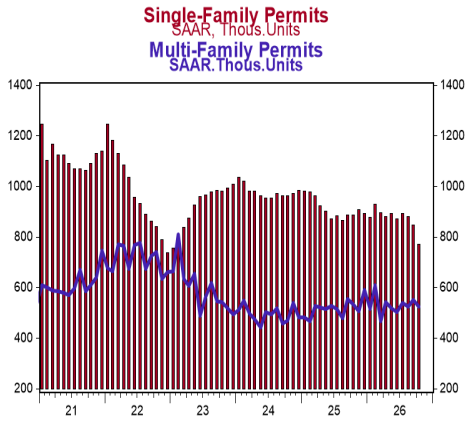
# October Housing Starts

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- Housing starts increased 9.9% in October to a 1.309 million annual rate, beating the consensus expected 1.250 million. Starts are up 2.8% versus a year ago.
- The rise in October was due to both single-family and multi-unit starts. In the past year, single-family starts are down 3.2% while multi-unit starts are up 17.1%.
- Starts in October rose in the Midwest and South, but fell in the Northeast and West.
- New building permits declined 7.4% in October to a 1.295 million annual rate, widely lagging the consensus expected 1.375 million. Compared to a year ago, permits for single-family homes are down 12.9% while permits for multi-unit homes are down 1.7%.




Sources: Census Bureau, Census Bureau/Haver Analytics




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**Implications**: New home building beat expectations and rising 9.9% to a three-month high in October, but activity remains low by historical standards. Both single-family and multi-unit starts rose in October, but the bulk of the increase was due to the volatile multi-unit category, which surged 23.6%. In the past year, single-family starts are down 3.2%, while multi-unit starts are up 17.1%. Looking at the big picture, home construction has been on a downward trend since the Federal Reserve began the previous cycle of rate hikes in 2022. One key issue for homebuilders is affordability, which has taken a turn for the worse this year as surging energy costs resulting from the wars in Ukraine and now the Middle East have pushed overall inflation higher, prompting the Fed to re-start rate hikes. As a result, 30-year mortgage rates have moved roughly 130 basis points higher since February and now sit around 7.4%, more than double the levels that prevailed five years ago when many homeowners locked in artificially low rates. Another issue is immigration enforcement, which has reduced the number of new homes the US needs to keep pace with population growth, while at the same time making it tougher for builders to find and replace workers. To combat these headwinds, homebuilders had been focused on completing projects in 2025, but much of that activity has dried up in 2026, with home completions down 10.4% from a year ago. Activity further down the pipeline suggests more weakness ahead, with building permits lagging expectations and dropping 7.4% to a 1.295 million annual rate, the slowest pace in more than seven years except for during COVID lockdowns. Given these developments, it is no surprise to see the NAHB index (a measure of homebuilding sentiment) falling to 25 in November, the lowest level since 2012, where a reading below 50 signals that a greater number of builders view conditions as poor versus good (now the 31st consecutive month that has been the case.) Home building is one of the most interest rate sensitive sectors in the economy, which means it is bearing much of the brunt of the Fed's efforts to fight inflation. Unfortunately for home builders, the Fed looks likely to raise rates further, even though higher interest rates do nothing to change the energy supply constraints driving consumer prices higher.

| **Housing Starts** *SAAR, thousands* | **Monthly % Ch.** | **Oct-26 Level** | **Sep-26 Level** | **Aug-26 Level** | **3-mth moving avg** | **6-mth moving avg** | **Yr to Yr % Change** |
|---|---|---|---|---|---|---|---|
| ***Housing Starts*** | **9.9%** | 1309 | 1191 | 1280 | 1260 | 1295 | 2.8% |
| ***Northeast*** | **-20.8%** | 95 | 120 | 111 | 109 | 127 | -34.5% |
| ***Midwest*** | **48.4%** | 239 | 161 | 184 | 195 | 212 | 17.2% |
| ***South*** | **10.5%** | 747 | 676 | 673 | 699 | 694 | 12.2% |
| ***West*** | **-2.6%** | 228 | 234 | 312 | 258 | 262 | -11.6% |
| ***Single-Unit Starts*** | **4.0%** | 864 | 831 | 882 | 859 | 874 | -3.2% |
| ***Multi-Unit Starts*** | **23.6%** | 445 | 360 | 398 | 401 | 421 | 17.1% |
| ***Building Permits*** | **-7.4%** | 1295 | 1398 | 1403 | 1365 | 1386 | -8.7% |
| ***Single-Unit Permits*** | **-8.7%** | 772 | 846 | 880 | 833 | 859 | -12.9% |

*Source: U.S. Census Bureau*

*This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*