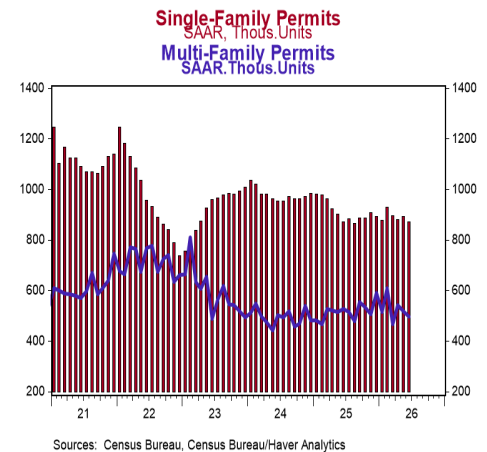
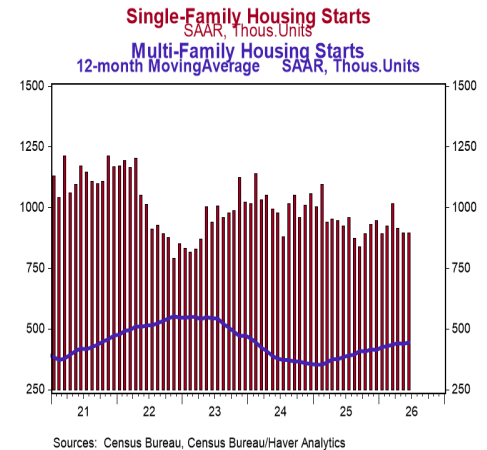


June Housing Starts

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- Housing starts rose 19.0% in June to a 1.427 million annual rate, easily beating the consensus expected 1.310 million. Starts are up 3.5% versus a year ago.
- The rise in June was entirely due to multi-unit starts. Single-family starts declined in June. In the past year, single-family starts are down 3.2% while multi-unit starts are up 17.2%.
- Starts in June rose in all four major regions.
- New building permits declined 3.0% in June to a 1.367 million annual rate, lagging the consensus expected 1.403 million. Compared to a year ago, permits for single-family homes are down 0.2% while permits for multi-unit homes are down 5.7%.

Implications: Great headline, lousy details. Homebuilding surprised to the upside in June and beat even the most optimistic forecast of any Economics team polled by Bloomberg, rising to a 1.427 million annual rate. However, the 19.0% monthly gain was entirely due to the multi-unit category where activity can move in big swings. That was the case in June as multi-unit construction rebounded 76% after plunging 40% in May. By contrast, single-family starts edged 0.2% lower and continue to spin their wheels, down 3.2% in the past twelve months. Looking ahead doesn't make the picture any rosier. Permits for new builds lagged expectations and declined 3.0% in June to a 1.367 million annual rate, a three-month low. This includes a 2.4% decline for single-family permits to their lowest level in almost a year. Homebuilders have clearly faced a challenging environment in recent years. Affordability remains the key issue, with 30-year mortgage rates reversing a recent decline and climbing back roughly 50 bps to 6.6% since the onset of the war in Iran, roughly double the levels that prevailed through much of 2021. High home prices, restrictive local building regulations, tighter immigration enforcement making it difficult to find or replace workers, and tariffs are also contributing. Given these headwinds, it is no surprise to see the NAHB index (a measure of homebuilding sentiment) dropping to 34 in July from 36 in June, where a reading below 50 signals that a greater number of builders view conditions as poor versus good (now the 27th consecutive month that has been the case.) In other housing news this morning, pending home sales, which are contracts on existing homes, declined 5.4% in June, following a 3.5% increase in May, suggesting a slight decline in existing home sales (counted at closing) in June.



Housing Starts SAAR, thousands	Monthly % Ch.	Jun-26 Level	May-26 Level	Apr-26 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	19.0%	1427	1199	1414	1347	1382	3.5%
Northeast	10.3%	129	117	149	132	147	-24.6%
Midwest	33.3%	248	186	194	209	196	29.2%
South	15.2%	741	643	750	711	738	5.0%
West	22.1%	309	253	321	294	302	-0.3%
Single-Unit Starts	-0.2%	895	897	914	902	923	-3.2%
Multi-Unit Starts	76.2%	532	302	500	445	459	17.2%
Building Permits	-3.0%	1367	1410	1423	1400	1416	-2.3%
Single-Unit Permits	-2.4%	871	892	881	881	891	-0.2%

Source: U.S. Census Bureau