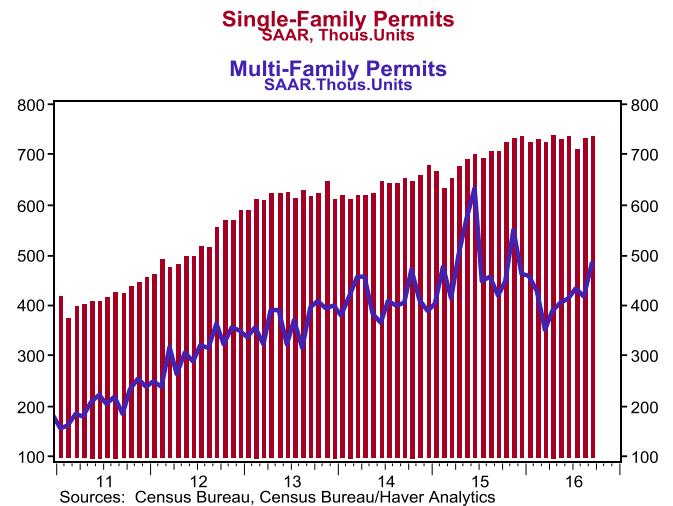
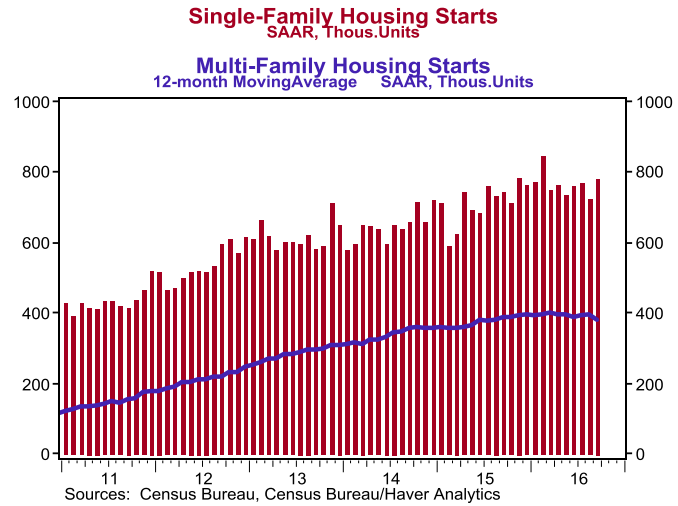


# September Housing Starts

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- Housing starts declined 9.0% in September to a 1.047 million annual rate, falling well short of the consensus expected 1.175 million. Starts are down 11.9% versus a year ago.
- The drop in starts in September was due to a 38.0% decline in multi-family units. Single-family starts rose 8.1%. In the past year, single-family starts are up 5.4% while multi-family starts are down 40.8%.
- Starts in September declined in the Northeast, Midwest, and South, but were unchanged in the West.
- New building permits rose 6.3% in September to a 1.225 million annual rate, coming in well above the consensus expected 1.165 million annual rate. Compared to a year ago, permits for single-family units are up 4.4% while permits for multi-family homes are up 15.4%.

**Implications:** If the only thing you read about housing starts today is the large headline drop, you'll get a very distorted picture about home building. Housing starts fell 9% in September to a 1.047 million annual rate, coming in well below even the most pessimistic forecast by any economics group. However, the drop was entirely due to the volatile multi-family sector, where starts plunged 38%, the steepest downward move since 2009. Meanwhile, single-family starts rose 8.1% in September and are up 5.4% from a year ago. In addition, building permits for future construction increased 6.3% in September, with gains for both single-family and multi-family units. The broad gain in permits signals that the September plunge in multi-family starts is not going to last. Look for a rebound in that sector in the months ahead. That said, some shift toward single-family building is welcome. When the housing recovery started, multi-family construction generally led the way. But the *share* of all housing starts that are multi-family appears to have peaked in 2014-15 and single-family building is starting to persistently climb more quickly. The shift in the mix of homes toward single-family units is a positive because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. Based on population growth and "scrappage," housing starts should rise to about 1.5 million units per year, so a great deal of the recovery in home building is still ahead of us; the general rise in home building that started in 2011 is far from over. It won't be a straight line higher, but expect the housing sector to keep adding to real GDP growth in 2017. In other recent housing news, the NAHB index, which measures sentiment among home builders, declined to a still strong 63 in October from 65 in September. More jobs and faster wage growth are making it easier to buy a home and builders will respond in the months and quarters to come.



Housing Starts SAAR, thousands	Monthly % Ch.	Sep-16 Level	Aug-16 Level	Jul-16 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-9.0%</b>	1047	1150	1218	1138	1149	-11.9%
<b>Northeast</b>	<b>-36.0%</b>	87	136	134	119	112	-31.5%
<b>Midwest</b>	<b>-14.1%</b>	146	170	157	158	176	6.6%
<b>South</b>	<b>-5.3%</b>	532	562	635	576	584	-15.6%
<b>West</b>	<b>0.0%</b>	282	282	292	285	278	-4.4%
<b>Single-Unit Starts</b>	<b>8.1%</b>	783	724	769	759	757	5.4%
<b>Multi-Unit Starts</b>	<b>-38.0%</b>	264	426	449	380	392	-40.8%
<b>Building Permits</b>	<b>6.3%</b>	1225	1152	1144	1174	1157	8.5%
<b>Single-Unit Permits</b>	<b>0.4%</b>	739	736	711	729	733	4.4%

Source: U.S. Census Bureau

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