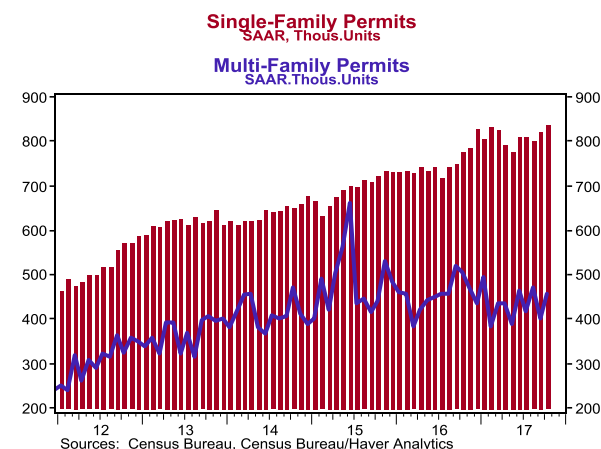
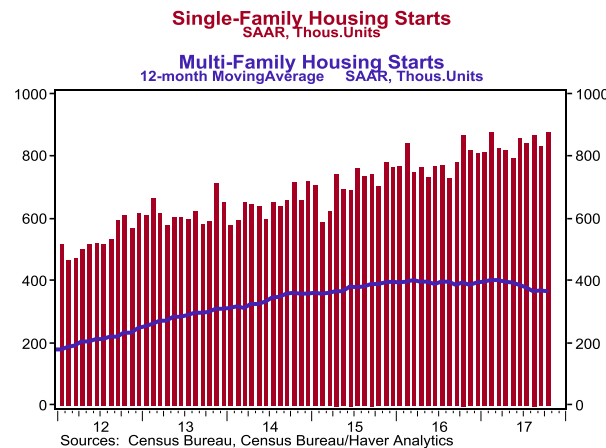


# October Housing Starts

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- Housing starts increased 13.7% in October to a 1.290 million annual rate, easily beating the consensus expected 1.190 million. Starts are down 2.9% versus a year ago.
- The gain in starts in October was due to an increase in both single-family and multi-unit starts. In the past year, single-family starts are up 0.7% while multi-unit starts are down 9.6%.
- Starts in October rose in the Northeast, Midwest, and South, but fell in the West.
- New building permits rose 5.9% in October to a 1.297 million annual rate, beating the consensus expected 1.250 million. Compared to a year ago, permits for single-family units are up 7.7% while permits for multi-family homes are down 9.5%.



**Implications:** Housing starts rebounded sharply in October, easily surpassing consensus expectations as home builders made up for activity lost to the hurricanes in late August and early September. Two key factors boosted starts in October: first, multi-unit starts (mostly apartments), which are normally very volatile, soared 36.8%; second, single-family starts jumped 16.6% in the South to their highest level in a decade, reversing the 14.1% decline in September due to Hurricanes Harvey and Irma. In fact, the South alone represented 59% of the increase in starts in October. According to the Census Bureau, the counties affected by the hurricanes accounted for 26% of new construction authorized in the southern region in 2016, which explains why the storms had such a large effect on overall starts. Though the year-to-year measure of housing starts is down 2.9%, this was caused by a large spike in multi-family starts back in October 2016. As that rolls off, year-over-year comparisons will improve. As a sign of that, October data show starts were the second highest overall since 2007. Single-family starts tied the highest level since 2007. Given the volatility of multi-family starts, we expect overall starts to drop next month, but with permits to build homes up 5.9% in October, the trend is up. Multi-family construction led the way in the early stages of the housing recovery (2011-15); by 2015, 35.7% of all starts were in the multi-family sector, the largest share since the mid-1980s, when the last wave of Baby Boomers was growing up and moving to cities. Since then, the multi-family share of starts has been trending down. We expect this trend to continue and view the shift toward single-family construction as a positive sign for the economy. 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 eventually rise to about 1.5 million units per year. And the longer this process takes, the more room the housing market will have to eventually overshoot the 1.5 million mark. In other recent housing news, the NAHB index, which measures homebuilder sentiment, rose to 70 in November from 68 in October, signaling continued optimism from developers.

Housing Starts SAAR, thousands	Monthly % Ch.	Oct-17 Level	Sep-17 Level	Aug-17 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	13.7%	1290	1135	1172	1199	1188	-2.9%
<b>Northeast</b>	42.2%	145	102	108	118	120	-10.5%
<b>Midwest</b>	18.4%	212	179	171	187	182	7.1%
<b>South</b>	17.2%	621	530	583	578	573	-0.5%
<b>West</b>	-3.7%	312	324	310	315	314	-9.3%
<b>Single-Unit Starts</b>	5.3%	877	833	871	860	846	0.7%
<b>Multi-Unit Starts</b>	36.8%	413	302	301	339	342	-9.6%
<b>Building Permits</b>	5.9%	1297	1225	1272	1265	1245	0.9%
<b>Single-Unit Permits</b>	1.9%	839	823	800	821	811	7.7%

Source: U.S. Census Bureau