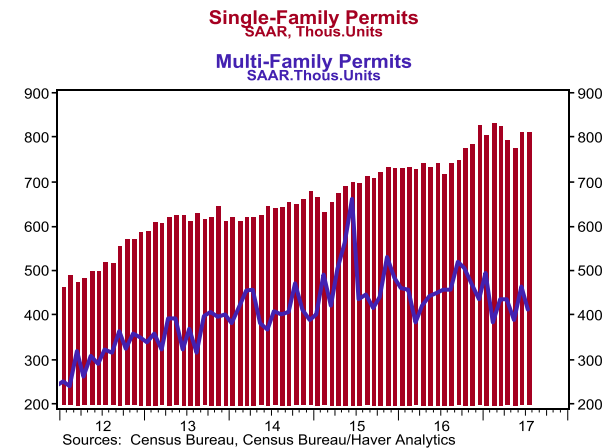
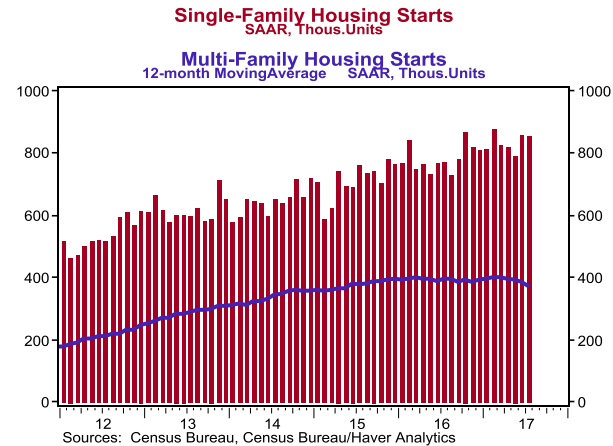


July Housing Starts

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- Housing starts declined 4.8% in July to a 1.155 million annual rate, below the consensus expected 1.220 million. Starts are down 5.6% versus a year ago.
- The drop in starts in July was almost all due to a drop in multi-unit starts, though single-family starts declined slightly as well. In the past year, single-family starts are up 10.9% while multi-unit starts are down 33.7%.
- Starts in July fell in the Northeast, Midwest and West, but rose in the South.
- New building permits fell 4.1% in July to a 1.223 million annual rate, below the consensus expected 1.250 million. Compared to a year ago, permits for single-family units are up 13% while permits for multi-family homes are down 9.8%.



Implications: Don't get hung up on July's negative headline number for starts; this isn't the end of the recovery in the housing market. Almost all of the weakness was in multi-unit construction (Apartments, Duplexes, etc.), which are extremely volatile from month to month, and the underlying trends show single-family activity is still in a rising trend. Multi-unit starts fell 15.3% in July and are down 33.7% from a year ago. Meanwhile, single-family starts slipped only 0.5% in July and are up 10.9% from a year ago. Permits to build show the divergence between multi-family and single-family should continue. In the past year, building permits are down 9.8% for multi-family but up 13% for single-family. This shift is unwinding the pattern that held in the early stages of the housing recovery, when multi-family led the way (2011-15). Back in 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. In July, the multi-family share of starts was 25.9%. The shift toward single-family is a positive sign for the economy because, on average, each single-family home contributes to GDP about twice the amount of a multi-family unit. This transition will continue going forward. We expect housing starts to rebound next month and continue to generally increase for at least the next few years. 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 sentiment among home builders rose to 68 in August from 64 in July. Expect further strength in the housing sector in the year ahead as more jobs, faster wage growth, and, for at least the time being, optimism about more market-friendly policies from the Trump Administration, continue to encourage both prospective home buyers and builders.

| Housing Starts SAAR, thousands | Monthly % Ch. | Jul-17 Level | Jun-17 Level | May-17 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|---------------------|---------------------|----------------------|
| Housing Starts | -4.8% | 1155 | 1213 | 1129 | 1166 | 1188 | -5.6% |
| Northeast | -15.7% | 129 | 153 | 85 | 122 | 113 | -3.7% |
| Midwest | -15.2% | 179 | 211 | 165 | 185 | 179 | 14.0% |
| South | 0.6% | 532 | 529 | 564 | 542 | 580 | -16.5% |
| West | -1.6% | 315 | 320 | 315 | 317 | 316 | 6.8% |
| Single-Unit Starts | -0.5% | 856 | 860 | 795 | 837 | 839 | 10.9% |
| Multi-Unit Starts | -15.3% | 299 | 353 | 334 | 329 | 349 | -33.7% |
| Building Permits | -4.1% | 1223 | 1275 | 1168 | 1222 | 1229 | 4.1% |
| Single-Unit Permits | 0.0% | 811 | 811 | 779 | 800 | 809 | 13.0% |

Source: U.S. Census Bureau