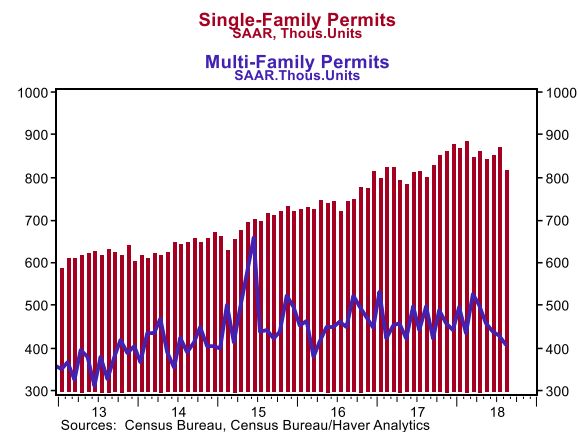
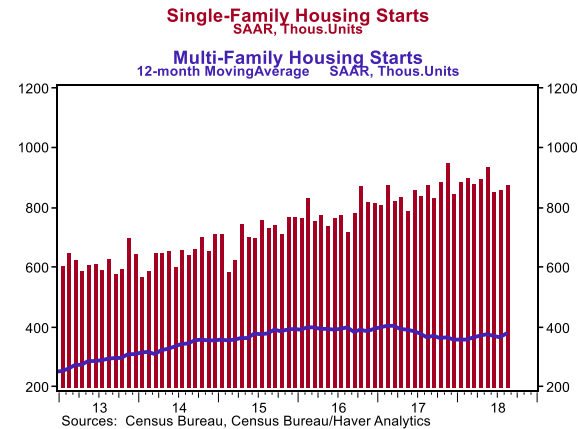


August Housing Starts

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- Housing starts increased 9.2% in August to a 1.282 million annual rate, beating the consensus expected 1.238 million. Starts are up 9.4% versus a year ago.
- The gain in starts in August was mostly due to multi-unit starts, though single-family starts rose as well. In the past year, single-family starts are down 0.2% while multi-unit starts are up 38.1%.
- Starts in August rose in the West, Midwest, and South, but remained unchanged in the Northeast.
- New building permits declined 5.7% in August to a 1.229 million annual rate, below the consensus expected 1.310 million. Compared to a year ago, permits for single-family units are up 2.1% while permits for multi-family homes are down 17.7%.



Implications: Housing starts rebounded sharply in August, recovering from an unusually slow pace of building in June and July. Most of the recent volatility has been due to multi-family starts, which jumped 29.3% in August after dropping 16.6% in June and then another 3.7% in July. Meanwhile, single-family housing starts grew a respectable 1.9% in August after a 1.1% gain in July. Normally, we would highlight comparisons to the same month a year ago, but that was the same month Hurricane Harvey hit Texas (inundating Houston, in particular). That, plus Hurricane Florence hitting the Carolinas this year as well as Hurricane Irma hitting Florida last September will make next month’s report and year-ago comparisons almost useless for the next couple of months. Expect a big drop in starts for September this year and then a rebound in October. Instead of year-ago comparisons involving a single month, for the time being the trend is best described by the first eight months of the year compared to the same eight months in 2017. And that shows single-family starts up 5.7% while overall starts are up 6.6%. The worst news in today’s report is that permits for new construction fell 5.7%, as authorizations for both single-family and multi-unit properties declined. That said, overall permits are still up 3.6% in the first eight months of 2018 compared to the same period last year. Expect a rebound in the months ahead, as permits are less influenced by weather. We still anticipate at least a gradual increase in home building in the next few years. Based on fundamentals – population growth and scrappage – the US needs about 1.5 million new housing units per year but hasn’t built at that pace since 2006. The problem is that there continue to be some headwinds that may temper growth in home building. The National Association of Home Builders said 84% of developers cited labor shortages and the rising cost of building materials as their biggest problems in 2018. And both these issues look set to continue as an increasingly tight labor market keeps the number of job openings in construction elevated and tariffs on lumber, steel, and aluminum drive up input costs. Cost concerns were echoed in yesterday’s NAHB Index, but seem to be stabilizing, as lumber prices continue to decline since reaching a record high in May. This, paired with strong buyer demand, left the overall NAHB index unchanged at 67 in September. On the manufacturing front, the Empire State index, a measure of factory sentiment in New York, fell to a still healthy 19.0 in September from 25.6 in August, signaling continued optimism in the region.

Housing Starts SAAR, thousands	Monthly % Ch.	Aug-18 Level	Jul-18 Level	Jun-18 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	9.2%	1282	1174	1177	1211	1261	9.4%
Northeast	0.0%	99	99	104	101	104	-7.5%
Midwest	9.1%	191	175	164	177	185	12.4%
South	6.5%	674	633	564	624	637	15.0%
West	19.1%	318	267	345	310	335	2.9%
Single-Unit Starts	1.9%	876	860	851	862	884	-0.2%
Multi-Unit Starts	29.3%	406	314	326	349	377	38.1%
Building Permits	-5.7%	1229	1303	1292	1275	1311	-5.5%
Single-Unit Permits	-6.1%	820	873	853	849	851	2.1%

Source: U.S. Census Bureau

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