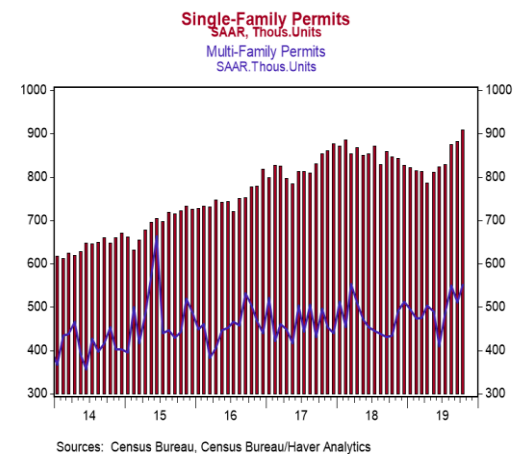
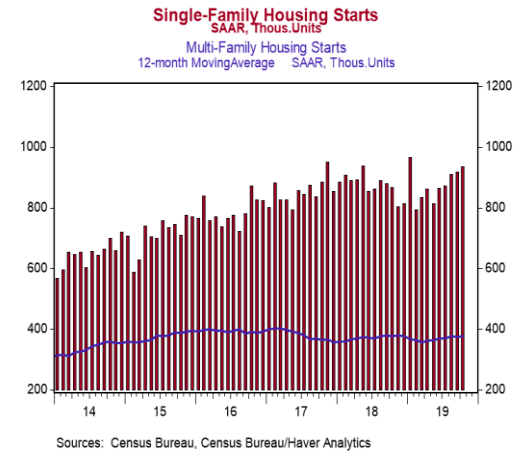


October Housing Starts

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- Housing starts increased 3.8% in October to a 1.314 million annual rate, just below the consensus expected 1.320 million. Starts are up 8.5% versus a year ago.
- The increase in starts in October was due to both single-family and multi-family starts. In the past year, single-family starts are up 8.2% while multi-unit starts are up 9.2%.
- Starts in October rose in the West, Midwest, and South, but fell in the Northeast.
- New building permits rose 5.0% in October to a 1.461 million annual rate, easily beating the consensus expected 1.385 million. Compared to a year ago, permits for single-family units are up 7.4% while permits for multi-family homes are up 26.9%.



Implications: Following a dip in September, housing starts returned to growth in October. The key driver of the 2019 recovery in residential construction continues to be single-family starts, which posted a fifth consecutive month of growth in October. More broadly, single-family starts have been on a general upward trend since bottoming in February and are in spitting distance of new highs. Meanwhile, multi-family starts have been range bound since 2015 when the upward trend ended. On average, each single-family home contributes to GDP about twice the amount of a multi-family unit, so a continued shift back towards single-family construction will be a boon for economic growth. And it looks like even more single-family construction is on the horizon, with permits for these units rising in October for the sixth consecutive month to a new post-recession high. This, along with gains in multi-family permits, pushed overall permits in October to a post-recession high as well. It looks like developers are becoming more optimistic about their prospects following an all-around tepid year for housing in 2018. And it's not hard to see why, with sustained increases in the strength of fundamentals for potential buyers. Mortgage rates have dropped roughly 100 basis points since the peak late last year, and wages are now growing near the fastest pace in a decade, boosting affordability. Our outlook on housing hasn't changed: we anticipate a rising trend 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. In other recent housing news, the NAHB index, which measures homebuilder sentiment, fell to 70 in November from 71 in October, remaining elevated. This represents a significant and consistent rebound in optimism following the drop in the index at the end of 2018.

Housing Starts SAAR, thousands	Monthly % Ch.	Oct-19 Level	Sep-19 Level	Aug-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	3.8%	1314	1266	1375	1318	1276	8.5%
Northeast	-21.9%	89	114	167	123	111	-1.1%
Midwest	8.7%	175	161	190	175	173	-6.4%
South	0.7%	689	684	717	697	674	15.6%
West	17.6%	361	307	301	323	318	6.8%
Single-Unit Starts	2.0%	936	918	909	921	885	8.2%
Multi-Unit Starts	8.6%	378	348	466	397	391	9.2%
Building Permits	5.0%	1461	1391	1425	1426	1354	14.1%
Single-Unit Permits	3.2%	909	881	875	888	855	7.4%

Source: U.S. Census Bureau