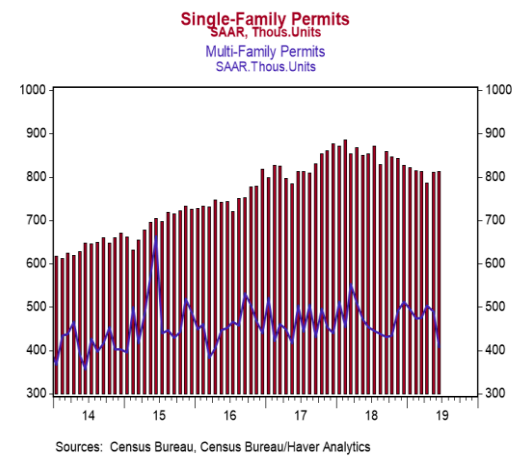
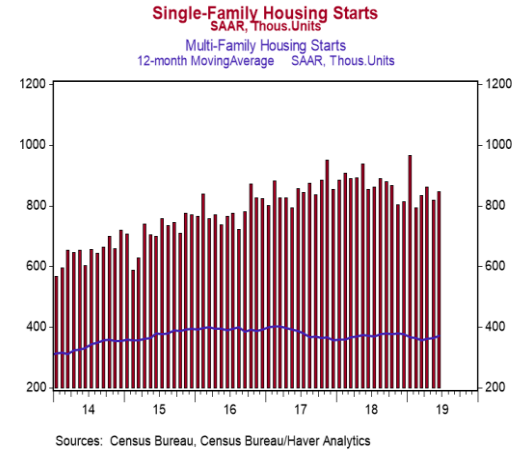


June Housing Starts

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- Housing starts declined 0.9% in June to a 1.253 million annual rate, just below the consensus expected 1.260 million. Starts are up 6.2% versus a year ago.
- The decline in starts in June was entirely due to multi-family starts. In the past year, single-family starts are down 0.8% while multi-unit starts are up 24.5%.
- Starts in June fell in the South and West but rose in the Northeast and Midwest.
- New building permits fell 6.1% in June to a 1.220 million annual rate, well below the consensus expected 1.300 million. Compared to a year ago, permits for single-family units are down 4.7% while permits for multi-family homes are down 10.2%.

Implications: Don't get too hung up on the headline decline in housing starts in June; the details in the report continue to signal life in home building. In fact, despite back-to-back monthly declines, builders started homes in Q2 at the second fastest pace for any quarter since 2007. And that was behind only Q1 2018, during the aftermath of Hurricanes Harvey and Irma, when building surged temporarily to replace homes destroyed by the storms. After that surge, the pace of home building fell three quarters in a row, but it now looks like a rebound is underway, with the first two quarters of 2019 posting gains. In other words, the general rising trend in home building dating back to 2011 remains intact. Note that all of the weakness in June came from the more volatile multi-family sector, while single-family starts rose 3.5%. On average, each single-family home contributes to GDP about twice the amount of a multi-family unit, so a sustained shift back towards single-family construction would be a boon for economic growth. That said, developers continue to face challenges from the labor market, where job openings in construction remain at a record high. When the National Association of Home Builders released their survey of top challenges for builders in 2019 at the beginning of the year, concerns related to the cost and availability of labor were the most prevalent, with 82% of developers surveyed citing them as their biggest challenge in the year ahead. Despite the headwinds from labor, fundamentals for potential buyers have improved markedly over the past several months. 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. The forward-looking data in today's report show that permits for new construction fell 6.1% in June. However, this was entirely due to 16.8% decline in multi-family permits. Meanwhile, single-family permits eked out a gain of 0.4%, the second gain in a row after seven straight months of declines. Overall, 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.



| Housing Starts SAAR, thousands | Monthly % Ch. | Jun-19 Level | May-19 Level | Apr-19 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|---------------|--------------|--------------|--------------|------------------|------------------|-------------------|
| Housing Starts | -0.9% | 1253 | 1265 | 1270 | 1263 | 1238 | 6.2% |
| Northeast | 31.3% | 109 | 83 | 132 | 108 | 107 | 4.8% |
| Midwest | 27.1% | 197 | 155 | 162 | 171 | 158 | 20.1% |
| South | -9.2% | 635 | 699 | 649 | 661 | 667 | 12.0% |
| West | -4.9% | 312 | 328 | 327 | 322 | 307 | -9.6% |
| Single-Unit Starts | 3.5% | 847 | 818 | 862 | 842 | 853 | -0.8% |
| Multi-Unit Starts | -9.2% | 406 | 447 | 408 | 420 | 385 | 24.5% |
| Building Permits | -6.1% | 1220 | 1299 | 1290 | 1270 | 1283 | -6.6% |
| Single-Unit Permits | 0.4% | 813 | 810 | 786 | 803 | 810 | -4.7% |

Source: U.S. Census Bureau