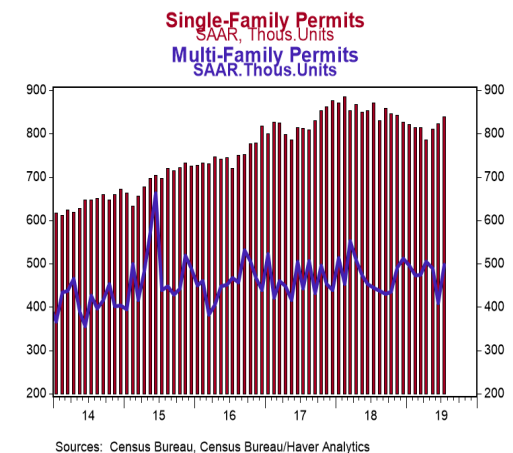
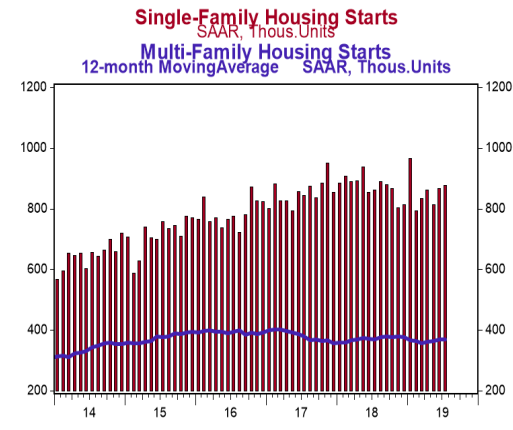


July Housing Starts

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- Housing starts declined 4.0% in July to a 1.191 million annual rate, well below the consensus expected 1.256 million. Starts are up 0.6% versus a year ago.
- The decline in starts in July was entirely due to multi-family starts. Single-family starts increased 1.3%. In the past year, single-family starts are up 1.3% while multi-unit starts are down 2.8%.
- Starts in July fell in the Northwest, Midwest, and South, but rose in the West.
- New building permits rose 8.4% in July to a 1.336 million annual rate, well above the consensus expected 1.270 million. Compared to a year ago, permits for single-family units are down 3.8% while permits for multi-family homes are up 11.9%.

Implications: While the headline looks bleak from today’s housing starts release, the details of the report tell a different story. Let’s start with the bad news. Housing starts declined for a third consecutive month in July and fell well short of the consensus expected pace of 1.256 million units at an annual rate. And starts declined in three of the four regions, with only the West eking out a gain. The pouting pundits will likely stop there in raising their banner of fear, but a deeper dive shows housing activity is not as weak as the starts number alone suggests. First, all of the weakness in July came from the typically volatile multi-family sector, while single-family starts rose 1.3%. 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. Second, building permits rose a strong 8.4% in July, and easily outpaced consensus expectations. Third, homes under construction has been trending lower of late (on the flip side, housing completions have moved higher), which means labor is being freed up to start new projects in the months ahead. Remember, 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. In other words, labor has been a primary headwind for starts, and that looks like it is starting to ease. On the demand side, fundamentals for potential buyers have improved markedly over the past several months. Mortgage rates have dropped more than 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. Don’t get caught up in the doom and gloom that has enraptured the markets this week, the fundamentals continue to point to growth.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-19 Level	Jun-19 Level	May-19 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-4.0%	1191	1241	1264	1232	1219	0.6%
Northeast	-13.8%	94	109	86	96	99	-8.7%
Midwest	-6.2%	181	193	158	177	164	1.7%
South	-4.3%	600	627	705	644	648	-4.0%
West	1.3%	316	312	315	314	308	13.7%
Single-Unit Starts	1.3%	876	865	814	852	840	1.9%
Multi-Unit Starts	-16.2%	315	376	450	380	379	-2.8%
Building Permits	8.4%	1336	1232	1299	1289	1289	1.5%
Single-Unit Permits	1.8%	838	823	810	824	814	-3.8%

Source: U.S. Census Bureau