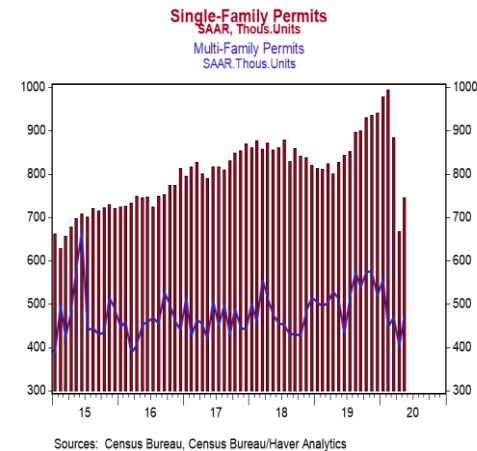
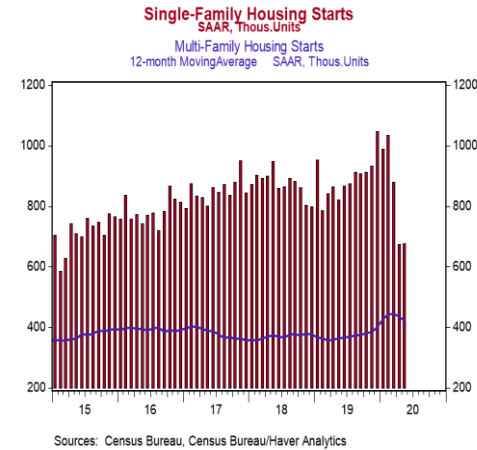


# May Housing Starts

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- Housing starts increased 4.3% in May to a 0.974 million annual rate, lagging the consensus expected 1.100 million. Starts are down 23.2% versus a year ago.
- The increase in starts in May was almost entirely due to multi-unit starts. In the past year, single-family starts are down 17.8% while multi-unit starts are down 33.1%.
- Starts in May rose in the West and Northeast, but fell in the South and Midwest.
- New building permits increased 14.4% in May to a 1.220 million annual rate, below the consensus expected 1.245 million. Compared to a year ago, permits for single-family units are down 9.9% while permits for multi-family homes are down 7.0%.

**Implications:** Housing starts rebounded in May, though less than expected following April’s huge drop in construction activity. Looking at the details of today’s report shows that nearly the entire gain in May was driven by multi-unit starts, while single-family starts eked out a 0.1% gain. As much of the country began the process of reopening, builders’ ability to start new projects remains hampered through a combination of supply-chain disruptions and “social distancing” measures for workers. Case in point, the pace of new home completions has also slowed in each of the past three months, although not as quickly as the drop in starts. While home builders have been classified as “essential workers” in most areas of the country, regulations still require fewer people per crew, dragging out project times. Of chief importance as we look into the future is that demand for housing remains intact, demonstrated by job openings (demand for workers) in construction remaining shockingly stable throughout the Coronavirus Contraction, while job openings across the broader economy fell off a cliff. In other words, there are still lots of unfilled construction jobs that, if filled, would promote a sharper rebound in new construction. Broadly speaking, builders seem upbeat about future construction, with permits jumping 14.4% in May. In fact, May permits exceeded starts by the most since 2004, suggesting pent up interest from builders in starting more homes. It also looks like buyer interest is surging, with mortgage applications currently at an eleven-year high, and consistently rising the past two months. Based on fundamentals like population growth and scrappage, the US needs to build about 1.5 million new housing units a year, a level that was only briefly reached before the pandemic hit our shores. A continued rebound in construction is likely in the months ahead if the NAHB Index, a gauge of homebuilder sentiment, is anything to go by. That measure was released yesterday and posted its largest monthly gain on record, coming in at 58 in June following a reading of 37 in May. Readings above 50 indicate more builders view conditions as good rather than poor. A bit counterintuitively, builders reported that 2/3rds of buyers cited the Coronavirus as the reason they were looking to buy, with desires for more space and less dense neighborhoods due to the pandemic.



Housing Starts SAAR, thousands	Monthly % Ch.	May-20 Level	Apr-20 Level	Mar-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>4.3%</b>	974	934	1269	1059	1325	-23.2%
<b>Northeast</b>	<b>12.8%</b>	53	47	84	61	111	-39.1%
<b>Midwest</b>	<b>-1.5%</b>	133	135	162	143	173	-15.8%
<b>South</b>	<b>-16.0%</b>	479	570	705	585	702	-32.3%
<b>West</b>	<b>69.8%</b>	309	182	318	270	340	-1.9%
<b>Single-Unit Starts</b>	<b>0.1%</b>	675	674	880	743	883	-17.8%
<b>Multi-Unit Starts</b>	<b>15.0%</b>	299	260	389	316	442	-33.1%
<b>Building Permits</b>	<b>14.4%</b>	1220	1066	1356	1214	1346	-8.8%
<b>Single-Unit Permits</b>	<b>11.9%</b>	745	666	884	765	868	-9.9%

Source: U.S. Census Bureau