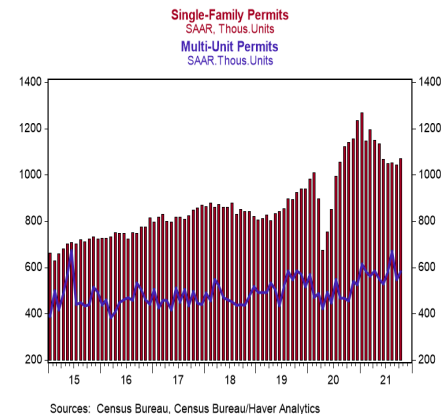
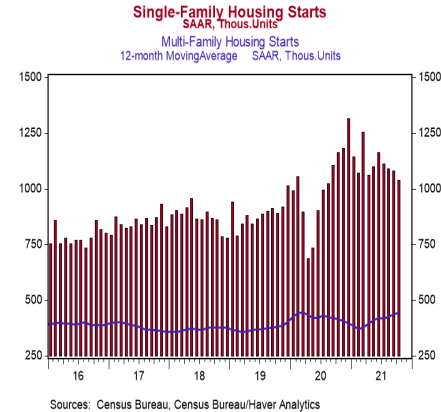


October Housing Starts

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- Housing starts declined 0.7% in October to a 1.520 million annual rate, below the consensus expected 1.579 million. Starts are up 0.4% versus a year ago.
- The drop in October was entirely due to single-family starts. Multi-family starts rose in October. In the past year, single-family starts are down 10.6% while multi-unit starts are up 36.6%.
- Starts in October fell in the West, South, and Northeast, but rose in the Midwest.
- New building permits increased 4.0% in October to a 1.650 million annual rate, beating the consensus expected 1.630 million. Compared to a year ago, permits for single-family units are down 6.3% while permits for multi-family homes are up 28.0%.



Implications: Since emerging from the initial collapse in construction activity early in the pandemic, housing starts have averaged a 1.550 million annual rate, and starts in October remained roughly at that average, although 0.7% lower than in September. Builders continue to deal with ongoing issues surrounding supply chains and shortages of labor that are holding back a broader upswing in activity. Looking at the details, all of the decline in October came from the single-family sector, where activity fell 3.9%. Meanwhile, multi-family construction rose 7.1%. Notably, in the past year multi-family starts are up 36.6% while single-family starts have fallen 10.6%. It looks like developers may be shifting some resources away from single-family home construction and toward larger apartment buildings in response to rapidly rising rents as some people move back into big cities and the eviction moratorium ends. Zillow estimates that rental costs for new tenants are up 9.2% in the past year and Apartmentlist.com estimates they have risen an even faster 15.8%, easily exceeding typical gains in the 3.0 – 4.0% range. Recent distributional effects aside, housing construction remains healthy. Looking at the 12-month moving average of overall housing starts to help sift through recent volatility shows residential construction now stands at the fastest pace since 2007. While the monthly pace of activity will ebb and flow as the recovery continues, we expect housing starts to trend upward in the next couple of years. Builders have a huge number of permitted projects sitting in the pipeline waiting to be started. In fact, the backlog of projects that have been authorized but not yet started is currently the highest since the series began back in 1999. Meanwhile, permits for new building projects rose 4.0% in October, demonstrating that builders see even more demand on the horizon. Keep in mind, the US needs roughly 1.5 million housing starts per year based on population growth and scrappage (voluntary knockdowns, natural disasters, etc.). However, we haven't built that many new homes in any calendar year since 2006. With plenty of future building activity in the pipeline, builders looking to boost the inventory of homes and meet consumer demand, and as more Millennials finally enter the housing market, it looks very likely construction in 2021 will cross the 1.5 million unit benchmark this year and then move higher in 2022. In other recent housing news, the NAHB Housing Index, which measures homebuilder sentiment, increased to 83 in November from 80 in October, hitting a six-month high.

Housing Starts SAAR, thousands	Monthly % Ch.	Oct-21 Level	Sep-21 Level	Aug-21 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-0.7%	1520	1530	1573	1541	1573	0.4%
Northeast	-0.8%	122	123	166	137	128	45.2%
Midwest	5.6%	226	214	196	212	213	8.7%
South	-1.0%	792	800	884	825	843	-5.7%
West	-3.3%	380	393	327	367	389	-0.5%
Single-Unit Starts	-3.9%	1039	1081	1088	1069	1097	-10.6%
Multi-Unit Starts	7.1%	481	449	485	472	476	36.6%
Building Permits	4.0%	1650	1586	1721	1652	1644	3.4%
Single-Unit Permits	2.7%	1069	1041	1050	1053	1068	-6.3%

Source: U.S. Census Bureau